



# SOCIO-ECONOMIC REVIEW & OUTLOOK OF MPUMALANGA



## **COMPILED BY: ECONOMIC ANALYSIS**

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#### **KEY FINDINGS**

- In 2018, Mpumalanga's percentage share of the national population of 57.7 million was 7.8 per cent, or 4.5 million.
- In total over the last year, Mpumalanga recorded 27 470 more jobs and the province registered an increase of 19 567 jobs over the last quarter.
- Trade (21.3 per cent) and community services (18.4 per cent) were the two industries that employed the highest number of individuals in Mpumalanga, whereas the utilities industry (3.4 per cent) employed the lowest number.
- Mpumalanga (32.5 per cent), recorded the third highest strict unemployment rate among the nine provinces. The expanded unemployment rate was 41.3 per cent in the third quarter of 2018.
- In the third quarter of 2018, the male unemployment rate was 28.3 per cent, the female unemployment was 37.5 per cent and the youth (15-34 years) unemployment rate was 45.2 per cent.
- By 2017, 7.8 per cent of the people 20 years and older in Mpumalanga had not received any schooling.
- In 2017, Mpumalanga's Grade 12 pass rate (74.8 per cent) was the sixth highest/fourth lowest among the provinces.
- In 2017, Mpumalanga recorded a HDI score of 0.61, an improvement from the relatively low level (0.49) achieved in 1996.
- The poorest 40 per cent of households in Mpumalanga earned 7.7 per cent of income in 2017, which was higher (better) than the national figure of 6.8 per cent for 2017, but lower than the 7.8 per cent share achieved in 2014.
- In 2017, 46.5 per cent or approximately 2.1 million of Mpumalanga population lived below the lowerbound poverty line of R750 per month.
- The majority of households (52.3 per cent) in Mpumalanga reported expenditure of less than R2 500 per month in 2017.
- Mpumalanga's contribution to the national economy was the fifth largest with a share of 7.4 per cent (current prices) in 2016.
- Mpumalanga's average annual GDP growth of zero per cent per annum between 2014 and 2016 was the second lowest.
- The forecasted annual growth rates for South Africa and Mpumalanga is projected to remain low and average 1.5 per cent per annum up to 2022.
- A structural model of Mpumalanga's economy estimates that the provincial economic growth was 1.9 per cent in 2017 compared with 1.3 per cent growth nationally.
- In 2016, the three largest contributors to the provincial economy were mining (24.7 per cent), community services (16.6 per cent) and trade (15.0 per cent).
- The November 2018 inflation measurement in Mpumalanga of 4.8 per cent was lower than the national level of 5.2 per cent for the twenty-third consecutive month and below the upper band of the inflation target zone for the twenty-second month in succession.

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#### PREFACE

#### **Economic outlook**

The steady expansion under way since mid-2016 continues, with global growth for 2018 and 2019 projected to remain at its 2017 level, according to the International Monetary Fund's (IMF) *World Economic Outlook* published in October 2018. At the same time, however, the expansion has become less balanced and may have peaked in some major economies. Downside risks to global growth have risen in the past six months and the potential for upside surprises has receded.

Global growth is projected at 3.7 percent for 2018 and 2019. In the United States, momentum is still strong as fiscal stimulus continues to increase. Growth projections have been marked down for the euro area and the United Kingdom, following surprises that suppressed activity in early 2018. Among emerging market and developing economies, the growth prospects of many energy exporters have been lifted by higher oil prices, but growth was revised down for Argentina, Brazil, Iran, and Turkey, among others, reflecting country-specific factors, tighter financial conditions, geopolitical tensions, and higher oil import bills. China and a number of Asian economies are also projected to experience somewhat weaker growth in 2019 in the aftermath of the recently announced trade measures.

The domestic economy tracked world growth relatively closely in the period between 2000 and 2009 (Figure 1). However, since the economic downturn in 2008/09, the domestic economy has struggled to achieve even modest world growth levels. In 2017, the annual real economic growth rate for South Africa was 1.3 per cent, following an increase of only 0.6 per cent in 2016. The country's forecasted growth rate up to 2021 is expected to remain lower than world growth prospects, but to surpass growth of advanced economies in 2021 again. The key measure of economic success identified in the National Development Plan 2030 (NDP) is that South Africa achieves annual average gross domestic product (GDP) growth of over 5 per cent up to 2030.



Figure 1: Historic & forecasted real GDP growth for the world and South Africa, 1995-2021

Source: IMF – World Economic Outlook Update, October 2018

The International Monetary Fund (IMF) forecast economic growth for South Africa of 0.8 per cent in 2018. Economic growth is anticipated to recover to a modest 1.4 per cent in 2019. At the Monetary Policy Committee (MPC) meeting in November 2018 the economic growth forecast of the South African Reserve Bank (SARB) was 0.6 per cent for 2018 and 1.9 per cent for 2019. The SARB figure was slightly lower than the 0.7 per cent annual growth forecasted by National Treasury in the Medium Term Budget Policy Statement (MTBPS) 2018.

The domestic economy grew by 2.2 per cent in the third quarter of 2018 (Table 1) after two consecutive quarters of contraction. The main positive contributors to growth in GDP in the third quarter of 2018 was manufacturing and finance. In contrast, the largest negative contributors to growth in GDP in the third quarter 2018 were mining and construction. Both agriculture and trade achieved a positive growth rate after two consecutive quarters of contraction.

Industry	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
Agriculture <sup>1</sup>	41.7%	39.0%	-33.6%	-31.9%	6.5%
Mining <sup>2</sup>	6.2%	-4.4%	-10.3%	8.1%	-8.8%
Manufacturing <sup>3</sup>	3.7%	4.3%	-6.7%	0.6%	7.5%
Utilities <sup>₄</sup>	-6.1%	3.3%	0.2%	2.2%	-0.9%
Construction <sup>5</sup>	-1.2%	-1.4%	-1.9%	2.1%	-2.7%
Trade <sup>6</sup>	-0.1%	4.8%	-3.1%	-1.4%	3.2%
Transport <sup>7</sup>	0.8%	2.8%	0.9%	-4.9%	5.7%
Finance <sup>8</sup>	1.9%	2.5%	1.1%	1.9%	2.3%
Government services	1.1%	1.4%	1.9%	-0.4%	1.5%
Personal services	1.2%	1.0%	1.2%	0.8%	0.7%
Total	2.3%	3.1%	-2.6%	-0.4%	2.2%

Table 1: Growth rates per industry (constant 2010 prices), 2017-2018

Source: Statistics South Africa – GDP, 2018

South Africa slightly improved both its score and ranking (51<sup>st</sup> place out of 138, down four places) in the World Economic Forum's (WEF) *Global Competitiveness Report 2017-2018*. It registered marginal improvements in almost all aspects of competitiveness, however, shortcomings such as stalled infrastructure development may limit South Africa's competitiveness going forward. In the World Bank's *Doing Business 2017* report, South Africa ranked 74<sup>th</sup> out of 190 and did not improve its score mainly due to increases in property transfer tax and vehicle tax as well as complicating paying taxes by increasing the time it takes to prepare value added tax (VAT) returns.

#### **Domestic inflation outlook**

The year-on-year inflation rate as measured by the consumer price index (CPI) for all urban areas was 5.2 per cent in November 2018. The Monetary Policy Committee (MPC) announced at the conclusion of its November 2018 meeting that the SARB's national inflation forecast was adjusted to 4.8 per cent and 5.5 per cent for 2018 and 2019, respectively. The forecast for 2020 was kept at 5.4 per cent.

<sup>&</sup>lt;sup>1</sup> ISIC detailed description = Agriculture, forestry and fishing

<sup>&</sup>lt;sup>2</sup> ISIC detailed description = Mining and quarrying

<sup>&</sup>lt;sup>3</sup> ISIC detailed description = Manufacturing

<sup>&</sup>lt;sup>4</sup> ISIC detailed description = Electricity, gas and water

<sup>&</sup>lt;sup>5</sup> ISIC detailed description = Construction

<sup>&</sup>lt;sup>6</sup> ISIC detailed description = Wholesale and retail trade, catering and accommodation

<sup>&</sup>lt;sup>7</sup> ISIC detailed description = Transportation, storage and communication

<sup>&</sup>lt;sup>8</sup> ISIC detailed description = Finance, insurance, real estate and business services

#### Domestic balance of payments

South Africa's trade balance with the rest of the world deteriorated from a R73 billion surplus in 2017 to a surplus of R42 billion in the second quarter of 2018 (Table 2). The deterioration can be ascribed to a faster pace of the increase in the value of merchandise imports compared with merchandise exports. The widening of the shortfall on the service, income and current transfer account with the rest of the world between 2017 and second quarter 2018 added to the trade balance deterioration, resulted in current account deficit as a percentage of GDP weakening from -2.4 per cent in 2017 to -3.3 per cent in the second quarter of 2018.

Components	2017	2	018
	Year	Q1	Q2
Merchandise exports	1 108	1 051	1 123
Net gold exports	66	77	70
Merchandise imports	-1 102	-1 143	-1 151
Trade balance	73	-15	42
Net service, income & current transfer payments	-183	-204	-206
Balance on current account	-110	-219	-164
- As a % of GDP	-2.4%	-4.6%	-3.3%

Table 2: South Africa's balance of payments on current account (R billions), 2017-2018

Source: SARB – Quarterly Bulletin, September 2018 Note: Due to rounding numbers do not necessarily add up to totals or change

#### Domestic labour market

At the end of the third quarter 2018, approximately 16.4 million South Africans between the ages of 15 and 64 were employed in the economy. According to recent labour data from Statistics South Africa, the domestic economy created 188 404 jobs in the year since the end of the third quarter 2017. The data presented in Table 3 demonstrates that the community services industry registered 137 421 more jobs at the end of the third quarter 2018 than a year earlier - the highest number of new jobs. In the twelve months from the end of the third quarter 2017, job losses occurred in three employment industries, including the two key industries of mining and manufacturing.

Industry	Employed number	Employment change		Employment change	
	·000	·000	%	·000	%
Agriculture	842	-1	-0.2	32	3.9
Mining	406	-29	-6.7	-40	-8.9
Manufacturing	1 719	-25	-1.5	-30	-1.7
Utilities	156	-5	-3.0	3	1.9
Construction	1 502	27	1.8	137	10.1
Trade	3 305	86	2.7	20	0.6
Transport	996	-18	-1.8	8	0.8
Finance	2 502	102	4.3	38	1.6
Community services	3 675	-17	-0.5	59	1.6
Private households	1 267	-30	-2.3	-46	-3.5
Total	16 378	92	0.6	188	1.2

Table 3.	South	Africa's	omnlo	mont i	changes	2017-2018
i able 5.	South	AIIICa S	employ	ynnenit (	changes,	2017-2010

Source: Statistics South Africa – Quarterly Labour Force Survey (QLFS), 2018 Note: Due to rounding numbers do not necessarily add up to totals or change

At the end of the third quarter 2018, the strict unemployment rate was 27.5 per cent, which was slightly lower than the 27.7 per cent recorded a year ago. To achieve sustainable and inclusive growth, the NDP targets a decline in the unemployment rate to 14.0 per cent by 2020 and 6.0 per cent by 2030.

The labour absorption rate (employment to population ratio) was 43.1 per cent at the end of the third quarter 2018, which was lower than the 43.3 per cent registered at the end of the third quarter 2017. The labour force participation rate at the end of the third quarter 2018 (59.5 per cent) was also lower than a year earlier (59.9 per cent). The NDP targets an increase in the labour force participation rate to 65.0 per cent by 2030.

#### 1. INTRODUCTION

The Socio-Economic Review and Outlook (SERO) of Mpumalanga is a bi-annual publication from Economic Analysis. The purpose of the SERO is to provide an essential reference to policy makers in Mpumalanga by providing socio-economic data and analysis for assessing the success of government social and economic policies in the province. Placing Mpumalanga on a sound growth and integrated development trajectory requires coherent and co-ordinated public sector response to the province's socio-economic opportunities and challenges. Therefore, the SERO is crucial in the provincial planning, policy and budget processes to ensure that any measures introduced by the Provincial Government, are in line with the ever-changing socio-economic dynamics.

The following socio-economic aspects of Mpumalanga and its three districts were analysed in the December 2018 publication: demographics, labour, education, health and social services, household services, development and income indicators, economic sectors and performance, international trade as well as crime statistics. The concluding part of the document will give some comparative socio-economic statistics of Mpumalanga. Due to the dynamic nature of data and the regular release of the latest data sets, it is important to note that the cut-off date for data presented in the document was the second week of December 2018.

Data presented was primarily sourced from Statistics South Africa with certain aspects gathered from Department of Basic Education, Mpumalanga Department of Education, Department of Health, Health Systems Trust, the Regional eXplorer (ReX) of IHS Markit (formerly known as IHS Global Insight), International Monetary Fund, National Planning Commission, Quantec, South African Reserve Bank, South African Social Security Agency (SASSA) and Tourism South Africa.

#### 2 DEMOGRAPHICS

#### 2.1 Population figures and growth

According to Statistics South Africa's *Mid-year population estimates (MYPE) 2018*, Mpumalanga's population was 4.5 million or 7.8 per cent of the national total (Table 4). Mpumalanga registered the sixth largest/fourth lowest share among the provinces. Gauteng (25.5 per cent) was the province with the largest share of the national population, followed by KwaZulu-Natal with a 19.7 per cent share. Northern Cape recorded the lowest percentage share of the national population at 2.1 per cent. Mpumalanga's population increased by approximately 187 936 from 4.3 million in 2016, whilst the share of the national total remained unchanged.

Figure 2 shows the population cohort of Mpumalanga according to the *MYPE 2018*. Females constituted 2.3 million or 51.0 per cent of the provincial population distribution and males 2.2 million (49.0 per cent). The youth cohort (0-34 year) made up 67.9 per cent of the total population in the province and the age group 60 years and older, only 7.2 per cent. The age cohort of 0-4 years represented the most populous age cohort with 508 218 individuals or some 11.2 per cent of the total population and the age group 60 years and older, 8.5 per cent. Nationally the most populous age cohort was also the 0-4 year group that represented some 10.3 per cent of the population.

Region	on Census		Communi	ity Survey	Mid-year estimate		
	20	11	20	16	2018		
	Number	% share of national	Number	% share of national	Number	% share of national	
Western Cape	5 822 734	11.2	6 279 730	11.3	6 621 100	11.5	
Eastern Cape	6 562 053	12.7	6 996 976	12.6	6 522 700	11.3	
Northern Cape	1 145 861	2.2	1 193 780	2.1	1 225 600	2.1	
Free State	2 754 590	5.3	2 834 714	5.1	2 954 300	5.1	
KwaZulu-Natal	10 267 300	19.8	11 065 240	19.9	11 384 700	19.7	
North West	3 509 953	6.8	3 748 436	6.7	3 979 000	6.9	
Gauteng	12 272 263	23.7	13 399 724	24.1	14 717 000	25.5	
Mpumalanga	4 039 939	7.8	4 335 964	7.8	4 523 900	7.8	
Limpopo	5 404 868	10.4	5 799 090	10.4	5 797 300	10.0	
Total 51 770 560 100.0		55 653 655	100.0	57 725 600	100.0		

#### Table 4: Population in South Africa by province, 2011, 2016 & 2018

Sources: Statistics South Africa – Census 2011 Statistics South Africa – Community Survey (CS) 2016 Statistics South Africa – Mid-year population estimates (MYPE) 2018



Figure 2: Population cohort of Mpumalanga, 2018

Source: Statistics South Africa – MYPE 2018

Over the last two years, the population of South Africa increased by 1.8 per cent per annum and that of Mpumalanga by 2.1 per cent per annum. Mpumalanga recorded the fourth largest average annual increase behind Gauteng (4.8 per cent) and North West (3.0 per cent). According to estimates, the population of Limpopo remained virtually unchanged, whereas the population of Eastern Cape decreased by 3.4 per cent annually (Figure 3).

The provincial *MYPE 2018* population numbers were disaggregated neither by population group nor by district, therefore *CS 2016* population numbers were used for the presentation according to these two indicators in Figures 4 and 5. The breakdown by population group for Mpumalanga in 2011 and 2016, is presented in Figure 4. The majority of Mpumalanga's population in 2016 was Black Africans (93.6 per cent) with Whites contributing 5.2 per cent. Coloureds (0.8 per cent) and Asians (0.5 per cent) jointly contributed 1.3 per cent to the total population in 2016.



Figure 3: Comparison of annual population increase in South Africa by province, 2016-2018





Figure 4: Mpumalanga's population by population group, 2011-2016

Source: Statistics South Africa – Census 2011 Statistics South Africa – CS 2016 Note: Due to rounding numbers do not necessarily add up to totals or change

In 2016, 40.5 per cent of Mpumalanga's population resided in Ehlanzeni, 33.3 per cent in Nkangala and 26.2 per cent in Gert Sibande (Figure 5). Females were in the majority in both Ehlanzeni (51.9 per cent) and Gert Sibande (50.3 per cent), whereas males formed the bulk of Nkangala's population with a share of 50.5 per cent, possibly due to the large role mining plays in Nkangala. In 2016, 72.2 per cent of Ehlanzeni's population was younger than 35 years of age, followed by Gert Sibande (68.6 per cent) and Nkangala (67.4 per cent).



#### Figure 5: Mpumalanga's population by district, 2011-2016

Statistics South Africa - CS 2016

#### 2.2 Fertility

The fertility rate is defined as the number of children the average women would have in her lifetime. According to the *MYPE 2018*, Mpumalanga's average fertility rate for the period 2006 to 2011 was 3.01 and 2.89 in the period 2011 to 2016. When compared with the other provinces Mpumalanga registered the fifth highest fertility rate for the period 2011 to 2016, Eastern Cape (3.15) the highest and Gauteng the lowest (2.14). It is anticipated that Mpumalanga's fertility rate will decline to 2.60 in the period 2016 to 2021. It is, however, it is expected to remain the fifth highest of the nine provinces.

#### 2.3 Life expectancy

The NDP targets both average male and female life expectancy at birth to improve to 70 years by 2030. Mpumalanga's male life expectancy at birth was 52.8 years for the period 2006 to 2011 and 57.6 years for the period 2011 to 2016. Mpumalanga's male life expectancy for the period 2011 to 2016 was the third highest of the nine provinces. Western Cape (63.9 years) had the highest/best male life expectancy with Free State (53.1 years) the lowest. According to the *MYPE 2018*, the projection for the period 2016 to 2021 is that male life expectancy in Mpumalanga could increase to 60.6 years.

Mpumalanga's female life expectancy for the periods 2006 to 2011 and 2011 to 2016 were 57.1 years and 63.2 years, respectively. Mpumalanga recorded the fourth highest female life expectancy for the period 2011 to 2016. Western Cape (70.3 years) had the highest/best female life expectancy and Free State (58.8 years) the lowest. According to the *MYPE 2018*, the projection for the period 2016 to 2021 is that female life expectancy in Mpumalanga could increase to 66.1 years.

#### 2.4 Migration

Table 5 shows the net migration streams of the provinces over three periods. The data was sourced from the *MYPE 2018.* Gauteng and Western Cape recorded the highest number of persons who move

into these provinces as shown by the net migration 2006 to 2011 and 2011 to 2016. Mpumalanga registered a positive net migration of 54 396 from 2006 to 2011 and a positive net migration of 64 895 from 2011 to 2016. This was the fourth highest among the nine provinces. Four provinces recorded net outflows throughout, with Eastern Cape registering the largest net outflow.

The net migration trends are estimated to continue to 2021, with five provinces recording net inflows and four net outflows. It is anticipated that Gauteng should receive more than 1 million migrants and Eastern Cape lose more than 300 000. Mpumalanga should receive the fourth highest net inflow between 2016 and 2021 of more or less 74 000.

Region Net migration						
	2006-2011	2011-2016	2016-2021			
Western Cape	275 440	292 099	311 004			
Eastern Cape	-352 618	-320 066	-323 851			
Northern Cape	3 031	3 929	6 489			
Free State	-33 377	-24 797	-15 742			
KwaZulu-Natal	-69 206	-68 382	-58 602			
North West	85 763	96 475	107 733			
Gauteng	913 568	980 088	1 048 440			
Mpumalanga	54 396	64 895	74 038			
Limpopo	-169 610	-140 878	-132 513			

Table 5: Net migration in South Africa by province, 2006-2011, 2011-2016 & 2016-2021

Source: Statistics South Africa – MYPE 2018

#### 2.5 Disability

Statistics South Africa's questions on disability require each person in the household to rate their ability level for a range of activities such as seeing, hearing, walking a kilometre or climbing a flight of steps, remembering and concentrating, self-care, and communicating in his/her most commonly used language, including sign language. During the analysis, individuals who said that they had some difficulty with two or more of the activities or had a lot of difficulty, or were unable to perform any one activity, were then classified as disabled.

Region	Census 2011	CS 2016
Western Cape	5.4%	6.3%
Eastern Cape	9.6%	8.5%
Northern Cape	11.0%	10.7%
Free State	11.1%	11.0%
KwaZulu-Natal	8.4%	8.6%
North West	10.0%	8.7%
Gauteng	5.3%	6.7%
Mpumalanga	7.0%	7.5%
Limpopo	6.9%	6.4%
South Africa	7.5%	7.7%

Table 6: Percentage of persons aged 5 years and older with disability by province, 2011-16

Source: Statistics South Africa – CS 2016

Table 6 presents the findings of *Census 2011* and *CS 2016* on disability in South Africa. Using the described classification system, 7.5 per cent of South Africans aged 5 years and older were classified as disabled in 2011 and 7.7 per cent in 2016. Mpumalanga's percentage of persons aged 5 years and older with disability was 7.0 per cent in 2011 and 7.5 per cent in 2016. Mpumalanga recorded the sixth largest/fourth lowest share of people with disability compared with the other eight provinces. Free State (11.0 per cent) recorded the highest share and Western Cape (6.3 per cent) the lowest.

#### 3. LABOUR PROFILE

#### 3.1 Labour force profile

The labour force comprises of all the employed and the unemployed population in a region. The national labour force of 22.6 million individuals was 187 463 more at the end of the third quarter 2018 than a year earlier. The number of employed in South Africa increased by 188 404 while the unemployed decreased by 941, between the end of the third quarter 2017 and the end of the third quarter 2018.

As a result, the strict unemployment rate for South Africa declined marginally from 27.7 per cent to 27.5 per cent between the third quarter 2017 and the third quarter 2018. The national labour absorption rate was 43.1 per cent at the end of the third quarter 2018, which was marginally lower than the 43.3 per cent registered a year earlier. The labour force participation rate at the end of the third quarter 2018 (59.5 per cent) was also lower than the rate of 59.9 per cent recorded at the end of the third quarter 2017.

The provincial labour force of around 1.82 million individuals was 85 849 more at the end of the third quarter 2018 than a year earlier (Table 7). The number of employed at 1 231 324 at the end of the third quarter 2018 was 27 470 more than at the end of the third quarter 2017. The number of employed was also 19 567 more than the 1 211 757 in the previous quarter. The number of unemployed increased by 58 380 to 592 353 between the end of the third quarter 2017 and the end of the third quarter 2018. The number of discouraged workers decreased by 22 032 to 206 057 over the last four quarters.

Indicator	Q3 2017	Q2 2018	Q3 2018	Q2 2018 to Q3 2018	Year-on- vear
	<b>'000</b>	<b>'000</b>	<b>'000</b>	change '000	change '000
- Working age population (15-64 years)	2 866	2 901	2 913	12	47
- Not economically active	1 128	1 086	1 089	3	-39
- Labour Force/EAP	1 738	1 815	1 824	9	86
- Employed	1 204	1 212	1 231	20	27
- Unemployed	534	603	592	-11	58
- Discouraged work seekers	228	209	206	-3	-22
Rates	%	%	%	%	%
- Unemployment rate (strict definition)	30.7	33.2	32.5	-0.7	1.8
- Unemployment rate (expanded definition)	41.5	41.7	42.3	-0.4	-0.2
- Employed/population ratio (absorption rate)	42.0	41.8	42.3	0.5	0.6
<ul> <li>Labour force participation rate</li> </ul>	60.6	62.6	62.6	0.0	2.0

 Table 7: Labour force profile of Mpumalanga, 2017-2018

Source: Statistics South Africa – QLFS, 2018

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

The unemployment rate (strict definition) was 1.8 percentage points higher at the end of the third quarter 2018 (32.5 per cent) than a year earlier (30.7 per cent). The unemployment rate according to the expanded definition (42.3 per cent) was also higher from a year earlier (41.5 per cent) and higher than the rate recorded at the end of the second quarter 2018 (41.7 per cent). Over the last four quarters, the labour absorption rate increased/improved to 42.3 per cent and the labour force participation rate recorded a similar improvement as it climbed to 62.6 per cent.

#### 3.2 Employment

The national labour market gained 1.26 million jobs in the 4-year period from the third quarter 2014 to

the third quarter 2018 (Table 8). Therefore, the average annual increase was 315 876. Western Cape (312 398) recorded the largest increase over the 4-year period and Eastern Cape (12 400) the smallest. Mpumalanga's 4-year employment increase of 95 950 was the fifth largest among the nine provinces and its average annual employment increase was 23 988 per year.

The national labour market gained 188 404 jobs between the end of the third quarter 2017 and the end of the third quarter 2018, which was considerably lower than the average annual increase since the third quarter 2014 of 315 876. On an annual basis, KwaZulu-Natal added 98 268 more jobs, the most among the provinces, whilst Mpumalanga recorded an increase of 27 470 in employment. Mpumalanga's employment increase of 27 470 over one year exceeded its 4-year average of 23 988.

Mpumalanga registered the third largest annual increase in employment numbers. Between the end of the second quarter 2018 and the end of the third quarter 2018, Mpumalanga's employment numbers increased by 19 567 – again the third largest quarterly increase among the nine provinces. At the end of the third quarter 2018, total employment in Mpumalanga constituted 7.5 per cent of employment in the country, marginally higher than the 7.4 per cent of the third quarter 2017.

Region	Q3 2014	Q3 2017	Q2 2018	Q3 2018	Q2 2018 – Q3	Year-on-year	4-year
	(000	(000	(000	(000	2018 change	change	change
	-000	-000	-000	-000	-000	-000	-000
Western Cape	2 182	2 399	2 480	2 494	14	95	312
Eastern Cape	1 377	1 421	1 402	1 390	-13	-31	12
Northern Cape	302	307	317	323	5	16	20
Free State	755	821	788	774	-14	-48	19
KwaZulu-Natal	2 419	2 536	2 620	2 635	15	98	215
North West	921	983	977	979	2	-4	59
Gauteng	4 820	5 068	5 055	5 077	22	9	258
Mpumalanga	1 135	1 204	1 212	1 231	20	27	96
Limpopo	1 434	1 452	1 436	1 478	41	26	272
South Africa	15 117	16 192	16 288	16 380	92	188	1 264

Table 8: Changes in employment in South Africa and provinces, 2014-2018

Source: Statistics South Africa – QLFS, 2018 Note: Due to rounding numbers do not necessarily add up to totals or change

#### Employment target

The NDP targets a decline in the national unemployment rate to 14.0 per cent by 2020 and 6.0 per cent by 2030. Similarly, the Provincial Vision 2030 targets a decline in the provincial unemployment rate to 15.0 per cent by 2020 and 6.0 per cent by 2030. In order to reach the unemployment rate target by 2030, it was calculated in 2013 that some 1.1 million new, sustainable jobs have to be created between 2013 and 2030. A recalculation based on the fourth quarter 2017 employment data was done in 2018. The result of the recalculation was that 1.05 million sustainable jobs must still be created between 2017 and 2030 to reach the desired unemployment rate.

The updated number of 1.05 million jobs equates to more or less 81 000 jobs per annum or an annual average employment growth of 4.8 per cent per annum. Figure 6 depicts historical employment numbers and required employment growth in Mpumalanga. It is evident from the illustration that employment growth of 2.0 per cent per annum – the average annual employment growth between 2013 and 2017 – will not be sufficient to reach the employment target of 2.29 million jobs by 2030.



Figure 6: Mpumalanga employment numbers and employment target, 2013-2030

Source: Statistics South Africa – QLFS, 2017

#### Aggregate employment

Table 9 shows the aggregated employment composition of employment in South Africa and the province from the end of the third quarter 2017 to the end of the third quarter 2018. In Mpumalanga, the formal employees' share of total employment increased slightly from 58.1 per cent at the end of the third quarter 2017 to 58.4 per cent at the end of the third quarter 2018. The formal sector in Mpumalanga recorded a much smaller share of total employment than was the case nationally (68.7 per cent).

In Mpumalanga, the informal sector's share increased from 25.3 per cent to 25.9 per cent on an annual basis. Agriculture's share decreased from 8.3 per cent to 7.4 per cent and private households' share decreased marginally to 8.2 per cent. Over and above the 91 432 persons employed in Mpumalanga's agriculture industry, an additional 95 667 citizens were involved in subsistence farming (non-market activities). In Mpumalanga, agriculture, private households and the informal sector registered larger shares of total employment in the third quarter of 2018, than was the case nationally.

Table 9. Aggregate en	able 9. Aggregate employment in South Arrica & Mpunalanga, 2017-2016								
Sector	Q3 2017		Q2 2018		Q3 2018				
	SA	MP	SA	MP	SA	MP			
Formal sector	70.3%	58.1%	69.5%	60.5%	68.7%	58.4%			
Informal sector <sup>9</sup>	16.6%	25.3%	17.4%	22.6%	18.4%	25.9%			
Agriculture	5.0%	8.3%	5.2%	7.8%	5.1%	7.4%			
Private households	8.1%	8.3%	8.0%	9.1%	7.7%	8.2%			
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%			

 Table 9: Aggregate employment in South Africa & Mpumalanga, 2017-2018

Source: Statistics South Africa – QLFS, 2018

<sup>&</sup>lt;sup>9</sup> The informal sector comprises i) Employees working in establishments that employ less than 5 employees, who do not deduct income tax from their salaries & ii) Employers, own-account workers and persons helping unpaid in their household business who are not registered for either income tax or value-added tax.

#### Employment by industry

Figure 7 depicts employment by industry in Mpumalanga in the third quarters of 2014, 2017 and 2018, respectively. Trade employed the largest share of individuals in the province with 21.3 per cent at the end of the third quarter 2018. This was larger than the 21.1 per cent share registered 12 months earlier and also more than four years earlier in 2014. The community services industry (18.4 per cent) was the second largest employer and recorded a smaller share than at the end of both the third quarter 2017 (18.9 per cent) and third quarter 2014 (20.3 per cent). Utilities was the smallest industry throughout while mining was the second smallest employing industry in 2017 and 2018. Over the course of the last year, agriculture recorded the largest percentage point decline and mining the largest percentage point increase.





Source: Statistics South Africa – QLFS, 2018

Over the last four years since the third quarter 2014, eight employment industries recorded job gains, whilst two registered lower employment numbers (Figure 8). The eight industries combined to record job gains of 126 454 over the 4-year period. The largest employment increase from the third quarter 2014 to the third quarter 2018 was in trade (28 371) and utilities (24 789). The two remaining employment industries, mining (-26 582) and community services (-3 923), combined to record 30 504 job losses. This resulted in a net employment increase of 95 950 over the four year period.

Over the last twelve months, six industries recorded annual job gains and four recorded job losses. The job gains by the six industries numbered 45 064. The highest employment increase from the third quarter 2017 to the end of the third quarter 2018 were registered in mining (12 443) and transport (10 232). The other four industries combined to post 17 594 job losses. Agriculture (-8 192) and finance (-5 615) were the two industries that recorded the highest job losses over the one-year period. This resulted in a net job creation of 27 470 in the one year period.







#### Employment by gender and age

Figure 9 displays the employment by gender and age for the third quarters of 2017 and 2018, respectively. More males than females were employed in Mpumalanga with a share of 57.8 per cent at the end of the third quarter 2018. Over the past year, the male employment numbers decreased to 711 543, a decrease of 3 592. Female employment numbers, however, increased by 31 062 to 519 781 and therefore recorded a higher share at the end of the third quarter 2018 (42.2 per cent) than a year earlier (40.6 per cent).



Figure 9: Employment by gender and age group (15-64 years), 2017-2018

Source: Statistics South Africa – QLFS, 2018

At the end of the third quarter 2018, adults (35-64 years) held the majority of jobs in Mpumalanga. Adult employment numbers increased by 41 494 from the end of the third quarter 2017 and the share increased from 58.8 per cent to 60.9 per cent. The main reason for the increase in adult share, is that youth (15-34 years) employment numbers decreased by 14 024, thus leaving the youth share lower on 39.1 per cent at the end of the third quarter 2018.

#### 3.3 Occupational profile

The occupational profile is an indicator of the quality of the labour force. It provides information on the proficiency levels and assists in identifying the shortage of skills in the economy, by matching the demand for labour with its relative supply. Figure 10 illustrates the occupational profile of Mpumalanga in the third quarters of 2017 and 2018, respectively.



Figure 10: Mpumalanga's occupational profile, 2017-2018

#### Source: Statistics South Africa – QLFS, 2018

The occupational profile was skewed towards semi-skilled and unskilled occupations in both years. The share of skilled occupations (managers, professionals and technicians) was 15.7 per cent in the third quarter of 2018, which was lower than the 17.0 per cent share a year earlier. The share of semi-skilled occupations increased from 47.5 per cent to 48.5 per cent over the period under review. The combined share of elementary occupations and domestic workers (unskilled occupations) was 35.8 per cent at the end of the third quarter 2018, slightly higher than the share of one year earlier (35.5 per cent).

#### 3.4 Unemployment

According to Statistics South Africa's QLFS, the unemployment rate in Mpumalanga was 32.5 per cent at the end of the third quarter 2018, which was higher than the 30.7 per cent recorded at the end of the third quarter 2017 and higher than the 29.3 per cent at the end of the third quarter 2014 (Figure 11). Mpumalanga's unemployment rate increased by 3.2 percentage points over the 4-year period and by 1.8 percentage points over the past twelve months. Mpumalanga's deterioration over the 4-year period was the third worst among the provinces and over the last year it recorded the joint second worst

deterioration. Mpumalanga was one of six provinces that registered a higher unemployment rate over the 4-year period and one of four with a higher unemployment rate than twelve months before.

At the end of the third quarter 2018, Mpumalanga's unemployment rate was higher than the national average of 27.5 per cent as it has been throughout the 4-year period. Mpumalanga, recorded the third highest unemployment rate among the nine provinces with Eastern Cape (36.3 per cent) registering the highest unemployment rate at the end of the third quarter 2018. Mpumalanga's unemployment rate, however, declined between the second quarter 2018 and the third quarter 2018, which was the first decrease/improvement after two consecutive quarters of increase/deterioration. Mpumalanga was one of five provinces that recorded a quarterly improvement in its unemployment rate.



Figure 11: Unemployment rate for South Africa by province, 2014-2018

Source: Statistics South Africa – QLFS, 2018

#### Unemployed by gender and age

Figure 12 displays the unemployment by gender and age for the third quarters of 2017 and 2018, respectively. At the end of the third quarter 2018, females contributed 52.6 per cent to the number of unemployed and males 47.4 per cent. This was higher than twelve months earlier when females contributed 51.6 per cent. The youth added 67.1 per cent to the total number of unemployed in the province, which was lower than the share at the end of the third quarter 2017 (67.5 per cent).

At the end of the third quarter 2018, the unemployment rate of males (28.3 per cent) was lower than the female unemployment rate of 37.5 per cent. The unemployment rate of youth of working age (15-34 years<sup>10</sup>) in Mpumalanga was 45.2 per cent, whilst the unemployment rate of adults (35-64 years) was only 20.6 per cent. The female youth unemployment rate was very high at 56.4 per cent compared with the male youth unemployment rate of 36.9 per cent.

<sup>&</sup>lt;sup>10</sup> The International Labour Organization defines youth as individuals between the ages of 15 to 24 years, with 15 being the minimum school-leaving age and legal employment age. It is important to note, however, that Statistics South Africa utilizes a broader definition, covering individuals between the ages of 15 and 34 years, which is also therefore used in this report.



Figure 12: Mpumalanga's unemployed by gender and age group (15-64 years), 2017-2018

#### Target unemployment rate

The Mpumalanga Vision 2030 target unemployment rate for Mpumalanga is 6 per cent by 2030. A significant unemployment rate sub-target of the Mpumalanga Economic Growth and Development Path (MEGDP) is a reduction to 15.0 per cent by 2020. If 1.05 million jobs are to be created up to 2030, the unemployment rate should, in all probability, drop to 6 per cent as is displayed in Figure 13. If jobs, however, are to be created in a similar fashion than over the past 4 years, the unemployment rate should in all probability be around the current rate by 2030.



Figure 13: Mpumalanga's unemployment rate target, 2011-2030

Source: Statistics South Africa – QLFS, 2018 & calculations based thereon

Source: Statistics South Africa – QLFS, 2018

#### Duration of unemployment

The incidence of long-term unemployment (1 year and longer) in Mpumalanga increased between the third quarter 2017 and the third quarter 2018. The share of the unemployed in Mpumalanga that indicated they were unemployed in excess of 12 months, increased from 59.0 per cent to 64.7 per cent (Table 10).

The incidence of long-term unemployment was highest among females in both 2017 and 2018. Both the number of males and females in long-term unemployment increased. The youth cohort contributed 67.5 per cent to the number of unemployed that has been struggling to secure employment for more than 12 months.

Duration	Q3 2017			Q3 2018			
	Males	Females	Share of unemployed	Males	Females	Share of unemployed	
1 year and longer	133 448	181 482	59.0%	164 060	219 413	64.7%	
Less than 1 year	124 798	94 245	41.0%	116 526	92 353	35.3%	
Total	258 246	275 727	100.0%	280 586	311 767	100.0%	

<b>Table 10: Duration</b>	of unemp	ployment in	Mpumalanga	, 2017-2018

Source: Statistics South Africa – QLFS, 2018

#### Expanded definition of unemployment

The expanded unemployment rate takes into account everybody who was available for work even if they did not search for work. In essence, it includes all persons who are unemployed according to the official definition plus part of the inactive population (according to official definition) who indicated that they were available, regardless of the reason they gave for not looking for work.





#### Source: Statistics South Africa – QLFS, 2018

Figure 14 shows that South Africa's expanded unemployment rate was recorded at 35.8 per cent at the end of the third quarter 2014 and increased/deteriorated to 37.3 per cent at the end of the third quarter 2018. Mpumalanga's expanded unemployment rate was 41.3 per cent at the end of the third quarter

2018, lower than, respectively, a year and four years earlier. It was higher than the national average and the fourth highest expanded unemployment rate among the nine provinces. It is notable how much higher the respective expanded unemployment rates of KwaZulu-Natal (41.2 per cent) and Limpopo (38.1 per cent) are than its strict unemployment rate as depicted in Figure 11.

#### Discouraged work seekers

Statistics South Africa defines a discouraged work-seeker as a person, who was not employed during the reference period, wanted to work, was available to work or start a business but did not take active steps to find work during the four week that preceded the reference period.

South Africa had approximately 2.73 million discouraged workers by the end of the third quarter 2018. This represents an increase of more or less 297 421 from the end of the third quarter 2017. Figure 15 indicates that Mpumalanga's share was 206 057 or some 7.5 per cent of South Africa's discouraged work seekers at the end of the third quarter 2018, down from a 9.4 per cent share a year earlier. The number of discouraged work seekers in Mpumalanga decreased by 22 032 from the end of the third quarter 2018. When compared with other provinces, Mpumalanga registered the fourth lowest share of discouraged workers nationally.



Figure 15: Provincial contribution to number of discouraged work seekers nationally, 2017-2018

It is evident from Figure 16 that Mpumalanga's discouraged work seekers as a percentage of the provincial working age population (15-64 years) decreased between the third quarter 2017 and the end of the third quarter 2018. The discouraged work seekers' share of working age population in Mpumalanga (7.1 per cent) was also smaller than the national share (7.2 per cent) at the end of the third quarter 2018. Discouraged work seekers in five provinces constituted a larger share of the working age population than in Mpumalanga at the end of the third quarter 2018.

Source: Statistics South Africa – QLFS, 2018





#### 4. EDUCATION PROFILE

#### Level of education

When Mpumalanga's highest level of schooling in 2017 is compared with the national figures, it is evident that there is less of Mpumalanga's population, over the age of 20 years, at the higher levels of education than what is the situation nationally. For example, 29.2 per cent of the people 20 years and older in South Africa have completed matric compared to 28.2 per cent in Mpumalanga (Figure 17). On the other end of the spectrum, there is a larger concentration of Mpumalanga's population, over the age of 20 years, at the lower levels of education than nationally.



Figure 17: Highest level of education (age 20+) in South Africa & Mpumalanga, 2017

Source: Statistics South Africa – QLFS, 2018

Sources: Statistics South Africa – General Household Survey (GHS) 2017

It is further evident when comparing provinces (Figure 18), that Mpumalanga (7.8 per cent) registered the second highest (worst) share of people 20 years and older with no schooling. It was 3.1 percentage points higher/worse than the national share of 4.7 per cent in 2017. Mpumalanga (28.2 per cent) recorded the fourth highest/best share of people 20 years and older with matric among the nine provinces, however, it was slightly lower than the national share of 29.2 per cent.



Figure 18: Selected education levels (age 20+) in South Africa & provinces, 2017

Source: Statistics South Africa – GHS 2017

#### Adult literacy

Literacy rates are used as a key social indicator of development by government and international development agencies. Although a simple definition of literacy is the ability to read and write, its simplicity is confounded by questions such as: "Read and write what, how well and to what purpose?" Because it is so difficult to measure literacy, Statistics South Africa has historically measured adult literacy rates based on an individual completing at least Grade 7. Since a specific educational achievement is, however, not necessarily a good reflection of an individual's literacy ability, a question that directly measures literacy was introduced in 2009. The question requires respondents to indicate whether they have 'no difficulty', 'some difficulty', 'a lot of difficulty' or are 'unable to' read newspapers, magazines and books in at least one language; or write a letter in at least one language.

The regional picture, presented in Figure 19, reflects the literacy rates in South Africa and the provinces, of adults aged 20 and above. In 2014, the literacy rate in Mpumalanga was 90.2 per cent and it improved to 91.6 per cent by 2017. Mpumalanga's adult literacy rate was lower than the national rate of 94.3 per cent in 2017 and the fifth highest/lowest among the provinces. Between 2014 and 2017, Mpumalanga's ranking improved by one position, bettering Eastern Cape in the process. In 2017, Western Cape registered the highest adult literacy rate of 98.1 per cent and Northern Cape the lowest at 89.5 per cent.



Figure 19: Adult literacy rate (age 20+) in South Africa's provinces, 2014-2017

#### Source: Statistics South Africa – GHS 2017

#### Grade 12 results

The NDP states clearly that the throughput<sup>11</sup> rate should be between 80 and 90 per cent by 2030 and that at least 80 per cent of them should successfully pass the exit exams. When Mpumalanga's throughput rate for 2017 is calculated, it is evident that only 55.5 per cent of the 2006 grade ones wrote grade 12 examinations in 2017.

Table 11 compares the grade 12 pass rates among the various provinces from 2012 to 2017. The national pass rate of matriculants increased from 72.5 per cent in 2016 to 75.1 per cent in 2017. Mpumalanga's Grade 12 pass rate, however, declined from 77.1 per cent in 2016 to 74.8 per cent in 2017. This was the third consecutive annual decrease from the high of 79.0 per cent achieved in 2014 and the first year since 2013 that Mpumalanga's pass rate was lower than the national grade 12 pass rate. Mpumalanga was the province with the fourth lowest pass rate in 2017, down from fifth highest in 2014. Free State (86.1 per cent) recorded the highest Grade 12 pass rate in 2017 and Eastern Cape (65.0 per cent) the lowest.

Province	2012	2013	2014	2015	2016	2017
Eastern Cape	61.6%	64.9%	65.4%	56.8%	59.3%	65.0%
Free State	81.1%	87.4%	82.8%	81.6%	88.2%	86.1%
Gauteng	83.9%	87.0%	84.7%	84.2%	85.1%	85.1%
KwaZulu-Natal	73.1%	77.4%	69.7%	60.7%	66.4%	72.9%
Limpopo	66.9%	71.8%	72.9%	65.9%	62.5%	65.6%
Mpumalanga	70.0%	77.6%	79.0%	78.6%	77.1%	74.8%
North West	79.5%	87.2%	84.6%	81.5%	82.5%	79.4%
Northern Cape	74.6%	74.5%	76.4%	69.4%	78.7%	75.6%
Western Cape	82.8%	85.1%	82.2%	84.7%	86.0%	82.8%
National	73.9%	78.2%	75.8%	70.7%	72.5%	75.1%

Table 11: Comparative grade 12 pass rate for South Africa and provinces, 2012-2017

Source: Department of Basic Education - National Senior Certificate Examinations Report 2018

<sup>&</sup>lt;sup>11</sup> Learners writing Grade 12 examinations within 12 years of starting school in Grade 1.

A comparison of Grade 12 pass rates among the four education districts from 2012 to 2017 is presented in Table 12. Gert Sibande and Bohlabela both recorded an improvement between 2016 and 2017, whereas the other two districts' pass rate declined. Ehlanzeni (76.8 per cent) registered the highest Grade 12 pass rate in 2017 and Bohlabela (72.4 per cent) the lowest. The two highest pass rates among the local municipal areas were recorded in Thaba Chweu (87.5 per cent) and Victor Khanye (82.5 per cent) with the lowest registered in Dr Pixley Ka Isaka Seme (65.1 per cent). In 2017, Dipaleseng, Thembisile Hani, Dr JS Moroka and Dr Pixley Ka Isaka Seme were the only four municipal areas with a pass rate below 70 per cent.

Education district	% Pass rate							
	2012	2013	2014	2015	2016	2017		
Bohlabela <sup>12</sup>	62.5	72.0	76.8	76.7	72.3	72.4		
Ehlanzeni <sup>13</sup>	74.0	82.8	82.1	82.4	79.5	76.8		
Gert Sibande	69.0	76.4	77.1	72.6	75.9	76.5		
Nkangala	73.0	77.5	78.8	81.7	79.5	73.5		

Table 12: Comparative grade 12 pass rate for education districts in Mpumalanga, 2012-2017

Source: Mpumalanga Department of Education, 2018

#### Education ratios

According to the Department of Basic Education's *School Realities* report of 2017, there were 1 096 428 learners in 1 726 ordinary public and 110 independent schools in Mpumalanga, who were served by 34 546 educators. The learner-educator ratio (LER<sup>14</sup>) in public schools of Mpumalanga increased from 30.8 learners per educator in 2014 to 32.4 in 2017 (Table 13). This was higher than the national level of 31.3 learners per educator. The learner-school ratio (LSR) in public schools of Mpumalanga was higher than the national figure of 525 in 2017 and increased from 587 learners per school in 2014 to 624 in 2017. According to the educator-school ratio (ESR), the number of educators per public school remained unchanged between 2014 and 2017 at 19. The aforesaid ratio was higher than the national level for 2017 of 17 educators per public school.

Table 13:	Comparison	of	education	ratios	in	ordinary	public	schools	for	South	Africa	and
	provinces, 20	)14	-2017									

Province	LER <sup>14</sup>		L	SR	ESR	
	2014	2017	2014	2017	2014	2017
Eastern Cape	30.8	28.9	340	323	11	11
Free State	27.8	30.3	503	578	18	19
Gauteng	32.0	31.7	939	1 025	29	32
KwaZulu-Natal	31.3	31.1	479	479	15	15
Limpopo	30.4	33.8	425	444	14	13
Mpumalanga	30.8	32.4	587	624	19	19
Northern Cape	32.1	28.8	517	528	16	18
North West	31.4	29.8	518	543	17	18
Western Cape	31.8	32.9	704	724	22	22
National	31.0	31.3	504	525	16	17

Source: Department of Basic Education - 2014 & 2017 School Realities

<sup>&</sup>lt;sup>12</sup> The Bohlabela education district includes schools in Bushbuckridge and Thaba Chweu

<sup>&</sup>lt;sup>13</sup> The Ehlanzeni education district includes schools in Mbombela, Umjindi and Nkomazi

<sup>&</sup>lt;sup>14</sup> State paid and School Governing Body paid educators

#### School nutrition programme

According to the *GHS 2017*, 87.6 per cent of children attending public schools in Mpumalanga benefitted from the school nutrition programme in 2017. This was higher than the national average (77.3 per cent) and Mpumalanga ranked third highest among the nine provinces. The share of public school learners benefitting from this programme in Mpumalanga increased from 86.4 per cent in 2014.

#### Early Childhood Development

One of the most important educational priorities is to reach children of the age group 0–4 years with the intention of having universal access to Early Childhood Development (ECD) services by 2030. According to the *GHS 2017*, 36.0 per cent of the provincial population aged 0-4 years attended an ECD centre, which was higher than the 2016 figure of 33.3 per cent and higher than the national level of 35.5 per cent in 2017.

#### 5. HEALTH AND SOCIAL SERVICES

The immunisation coverage (<1 year) in Mpumalanga of 79.7 per cent was lower than the national level and the sixth highest/fourth lowest in 2016. Mpumalanga's 2016 measles 2<sup>nd</sup> dose coverage was the second lowest/worst in the country at 86.4 per cent. The TB client treatment success rate of 81.4 per cent in 2015 was slightly better than the national average (81.0 per cent) and the sixth highest/best in the country. Mpumalanga's maternal mortality rate of 129.6 was higher/worse than the national rate of 116.9 and the fifth highest/lowest among the provinces. In 2016, the inpatient early neonatal<sup>15</sup> death rate in facility of 9.5 per 1 000 live births was lower/better than the national rate and the second lowest among the provinces. Figure 20 compares some of Mpumalanga's health indicators with the national average level.



Figure 20: Comparison of selected health indicators between South Africa & Mpumalanga, 2015 & 2016

Source: Health Systems Trust – District Health Barometer 2016/17

<sup>&</sup>lt;sup>15</sup> This rate measures the number of deaths of live born babies that occur within 7 completed days after birth per 1 000 live births. It includes only neonatal deaths when the foetus is of 26 or more weeks' gestational age and/or weighs 500g or more.

According to the District Health Information System (DHIS) of the Department of Health, the 2016 human immunodeficiency virus (HIV) test positive rate was 8.2 per cent in South Africa and 10.4 per cent in Mpumalanga. Mpumalanga recorded the highest HIV test positive rate and Western Cape (4.2 per cent) the lowest.

#### 6. HOUSEHOLD SERVICES

According to Figure 21, the share of households in Mpumalanga that occupied informal dwellings declined between 2016 (10.9 per cent) and 2017 (8.9 per cent). Fewer households had no access to toilets (2.3 per cent) in 2017 than in 2016 (4.0 per cent). The proportion of Mpumalanga's households with access to piped water<sup>16</sup> (85.5 per cent) and connected to electricity<sup>17</sup> (88.8 per cent) was lower in 2017 than in 2016. Households with weekly municipal refuse removal (41.6 per cent) improved from its 2016 low level, but was still lower than the 2011 figure.

It is clear from Table 14 that 181 361 households in Mpumalanga still lacked access to piped water in any form and 111 632 households were still living in informal dwellings. The number of households that were not connected to electricity numbered 140 072, whereas 28 469 households still had no access to toilets. Furthermore in 2017, 400 704 households in Mpumalanga did not have access to a hygienic toilet<sup>18</sup> and 781 188 households indicated that it does not benefit from weekly refuse removal.





#### Sources: Statistics South Africa – Census 2011 Statistics South Africa – CS 2016 Statistics South Africa – GHS 2017

The percentage of households in Mpumalanga without toilets and still using bucket toilets was 2.3 per cent in 2017 and was lower than the national level of 3.2 per cent. Figure 22 further reveals that Mpumalanga had the second lowest (best) share of households without access to toilets or still using bucket toilets, but the second highest (worse) share of households with unhygienic toilets.

<sup>&</sup>lt;sup>16</sup> The CS 2016 question on piped water was not phrased in the same way as in Census 2011; therefore, the results are not completely comparable.

 <sup>&</sup>lt;sup>17</sup> The CS 2016 groupings for electricity were different than for Census 2011; therefore, the results are not completely comparable.
 <sup>18</sup> Hygienic toilets refers to flush toilets, chemical toilets or pit latrines with ventilation pipes (VIP).

Backlog number
28 469
400 704
181 361
140 072
111 632
781 188

Sources: Statistics South Africa – GHS 2017



Source: Statistics South Africa – GHS 2017





In 2017, the percentage of households connected to piped water recorded a relatively moderate level of delivery in Mpumalanga at 85.5 per cent (Figure 23). This was the sixth highest/fourth lowest among the nine provinces and lower than the national level of 88.6 per cent. The percentage of households connected to electricity was recorded at 88.8 per cent in 2017. A larger share of households in

Source: Statistics South Africa – GHS 2017

Mpumalanga was connected to electricity in 2017, than five other provinces.

A relatively small percentage of households in Mpumalanga (8.9 per cent) occupied informal dwellings in 2017, compared to the national figure of 13.6 per cent. Mpumalanga ranked fourth lowest (best) among the nine provinces (Figure 24). The percentage of households that did not benefit from weekly refuse removal was recorded at 58.4 per cent in 2017. This was the second highest (worse) share among the nine provinces.





#### 7. DEVELOPMENT AND INCOME ASPECTS

#### 7.1 Human development index

The Human development index (HDI) is a composite, relative index that attempts to quantify the extent of human development of a community. It is based on measures of life expectancy, literacy and income. According to the United Nations, the HDI is considered high when it is 0.8 and higher, medium when it ranges between 0.5 to 0.8 and an index value of 0.5 and lower, will be considered as a low rating.

It is clear from the depiction in Figure 25 that Western Cape registered the highest HDI between 1996 and 2017. Mpumalanga's HDI level improved over the 21-year period from 0.49 in 1996 to 0.62 in 2017. Despite improving between 1996 and 2017, it was still lower than the national level of 0.66 in 2017. Mpumalanga recorded the third lowest HDI level among the nine provinces in 2017 with Western Cape (0.73) the highest. Between the three districts in the province, Nkangala recorded the highest HDI level of 0.63 in 2017 and Ehlanzeni the lowest at 0.60 (Table 15).

When the HDI levels of the various population groups in Mpumalanga are analysed, it is evident that the White population recorded the highest HDI level of 0.88 in 2017. Asians and Coloureds followed with HDI levels of 0.79 and 0.69, respectively. The Black African population registered the lowest HDI level of 0.58 (Table 16), however, the largest HDI improvement over the 21-year period was registered in this population group.

Source: Statistics South Africa – GHS 2017



Figure 25: HDI levels for South Africa & provinces, 1996-2017

Source: IHS Markit – Regional eXplorer (ReX), October 2018

Region	1996	1999	2004	2009	2014	2017
South Africa	0.56	0.54	0.53	0.58	0.64	0.66
Mpumalanga	0.49	0.46	0.46	0.51	0.59	0.62
Gert Sibande	0.49	0.46	0.46	0.52	0.59	0.62
Nkangala	0.52	0.49	0.49	0.54	0.61	0.63
Ehlanzeni	0.46	0.43	0.43	0.49	0.57	0.60

Source: IHS Markit – ReX, October 2018

Table 16: HDI level by	population g	roup in Mpumalanga,	1996-2017
------------------------	--------------	---------------------	-----------

			J.,			
Population group	1996	1999	2004	2009	2014	2017
Black African	0.43	0.40	0.40	0.47	0.55	0.58
White	0.84	0.84	0.85	0.85	0.87	0.88
Coloured	0.57	0.60	0.61	0.64	0.69	0.69
Asian	0.74	0.75	0.77	0.75	0.77	0.79
Total	0.49	0.46	0.46	0.51	0.59	0.62

Source: IHS Markit – ReX, October 2018

#### 7.2 Income inequality

#### Gini-coefficient

The Gini-coefficient is one of the most commonly used measures of income inequality. The Gini-coefficient is derived from the Lorenz curve, which is a graphical depiction of income distribution. The Lorenz curve is a graphical presentation of the relationship between the cumulative percentage of income and the cumulative percentage of population. The coefficient varies from 0 (in the case of perfect equality where all households earn equal income) to 1 (in the case where one household earns all the income).

South Africa has one of the highest imbalanced income distributions in the world. The national Gini-coefficient was calculated to be 0.63 in 2017 (Table 17). Despite improving (declining) from a level of 0.65 in 2004, the most recent national level still reflects a more unequal income distribution than was the case in 1996.

The provincial income distribution followed the national trend and was still more unequal in 2017 than in 1996, however, in 2017 (0.61) it was lower/better than the 2004 level of 0.64. Among the provinces, Mpumalanga (0.61) registered the joint third lowest level of income inequality in 2017, with Northern Cape on 0.60, the lowest income inequality and Gauteng (0.63) the most unequal. Mpumalanga's improvement in income inequality, according to the Gini-coefficient, appears to have lost momentum and stagnated around 0.61 since 2017. In 2017, Nkangala registered the lowest Gini-coefficient of 0.59 among the three districts.

			<u>.                                     </u>			
Region	1996	1999	2004	2009	2014	2017
South Africa	0.61	0.65	0.65	0.64	0.63	0.63
Mpumalanga	0.59	0.63	0.64	0.62	0.61	0.61
Gert Sibande	0.59	0.63	0.64	0.63	0.61	0.61
Nkangala	0.58	0.62	0.63	0.61	0.60	0.59
Ehlanzeni	0.58	0.62	0.63	0.61	0.61	0.61

Table 17: Gini-coefficient for South Africa, Mpumalanga & districts, 1996-2017

Source: IHS Markit – ReX, October 2018

#### Share of income

The NDP targets that the poorest 40 per cent of households in South Africa must earn at least 10 per cent of total income by 2030. In practise, one is able to calculate that the poorest 40 per cent of households in Mpumalanga earned 7.7 per cent of income in 2017 (Table 18). This was higher/better than the national figure of 6.7 per cent for 2017, but lower/worse than the 7.8 per cent share achieved in 2014. Among the provinces, Mpumalanga registered the joint third highest share behind Limpopo (8.8 per cent) in first place. In 2017, Ehlanzeni registered the highest share of income by the poorest 40 per cent in Mpumalanga (8.1 per cent), whereas the poorest 40 per cent in Gert Sibande recorded a share of 7.6 per cent.

Table 18:	Share of income earned by poorest 40% in South Africa, Mpumalanga & districts,
	1996-2017

	-					
Region	1996	1999	2004	2009	2014	2017
South Africa	7.8%	6.2%	6.2%	6.6%	6.7%	6.7%
Mpumalanga	9.1%	7.5%	7.1%	7.6%	7.8%	7.7%
Gert Sibande	8.9%	7.3%	6.8%	7.3%	7.6%	7.6%
Nkangala	8.6%	7.2%	7.1%	7.4%	7.6%	7.9%
Ehlanzeni	9.7%	7.9%	7.5%	8.1%	8.2%	8.1%

Source: IHS Markit – ReX, October 2018

#### Palma ratio

The Palma ratio is a recently developed measure of inequality that can also assist in measuring the effectiveness of poverty reduction strategies. The ratio compares the top 10 per cent of population's share of gross income with the poorest 40 per cent of the population's share of income. Internationally, a Palma ratio of more than 3 would place a region in the most unequal quartile and a Palma of less than 1.5 in the least unequal quartile.

Table 19 displays the Palma ratio for South Africa, Mpumalanga and the districts over the period 1996 to 2017. South Africa's high Palma ratio of 7.38 in 2017 is comparable to the 7.05 calculated by Cobham and Sumner (2013) using World Bank indicators of 2010. The interpretation of South Africa's high Palma reveals that for every R1 of total income that the poorest 40 per cent received, the richest 10 per

cent received R7.38. Unequal as it is, the ratio has declined from a high of 8.61 in 1999 to the most recent level, suggesting that income inequality reduction strategies are bearing fruit.

Mpumalanga's Palma ratio of 6.20 in 2017 was lower/better than the national total, however, it was still unacceptably high according to international standards. Mpumalanga's ratio was the second lowest among the provinces with the lowest/best ratio in Limpopo (5.64) and the highest in Gauteng (8.37). Mpumalanga's 2017 ratio is still higher than the 1996 ratio and has, similarly to Gini-coefficient level, not improved between 2014 and 2017. Gert Sibande's Palma ratio of 6.27 was the highest/most unequal among the three districts.

Region	1996	1999	2004	2009	2014	2017
South Africa	6.12	8.61	8.54	7.65	7.36	7.38
Mpumalanga	5.23	6.96	7.41	6.57	6.20	6.20
Gert Sibande	5.31	7.17	7.78	6.78	6.39	6.27
Nkangala	5.19	6.85	7.15	6.43	6.13	5.73
Ehlanzeni	5.00	6.66	7.02	6.31	6.03	6.17

Table 19: Palma ratio in South Africa, Mpumalanga & districts, 1996-2017

Source: IHS Markit – ReX, October 2018

#### 7.3 **Poverty aspects**

#### Poverty lines

In 2012, Statistics South Africa published a set of three national poverty lines based on expenditure data collected. The three lines were described as the food poverty line (FPL<sup>19</sup>), lower-bound poverty line (LBPL<sup>20</sup>) and upper-bound poverty line (UBPL<sup>21</sup>). The NDP refers to the LBPL when it states that the proportion of citizens in poverty must reduce to zero by 2030.

It is evident from Table 20 that the share of South Africa's population below the LBPL declined from 58.4 per cent in 1996 to 42.9 per cent in 2017. Mpumalanga's population share below the LBPL improved from 65.9 per cent in 1996 to 46.5 per cent in 2017. Although South Africa and Mpumalanga registered an improvement over the 21-year period, the share of population below the LBPL increased between 2014 and 2017.

Region						
	1996	1999	2004	2009	2014	2017
South Africa	58.4%	59.6%	55.0%	46.8%	38.7%	42.9%
Mpumalanga	65.9%	66.5%	61.7%	51.6%	42.0%	46.5%
Gert Sibande	63.4%	64.8%	60.4%	50.0%	40.9%	45.1%
Nkangala	59.5%	60.6%	56.3%	45.7%	36.7%	41.2%
Ehlanzeni	71.9%	71.7%	66.4%	57.1%	46.8%	51.5%

Table 20: Share of population below the LBPL in South Africa & provinces, 1996-2017

Source: IHS Markit – ReX, October 2018

In 2017, Mpumalanga's share below the LBPL was higher than the national figure and the sixth lowest/fourth highest among the nine provinces with Eastern Cape (52.3 per cent) registering the

<sup>&</sup>lt;sup>19</sup> The level of consumption below which individuals are unable to purchase sufficient food to provide them with an adequate diet and amounted to R523 per capita per month in 2017. <sup>20</sup> Includes expenditure on non-food items, but requires that individuals sacrifice food in order to obtain it and amounted to R750

per capita per month in 2017. <sup>21</sup> Includes expenditure on adequate food and non-food items and amounted to R1 132 per capita per month in 2017.

highest share and Western Cape (30.6 per cent) the lowest. In 2017, Nkangala (41.2 per cent) registered the lowest share of population below the LBPL and Ehlanzeni (51.5 per cent) the highest. As with Mpumalanga, all three districts recorded a deterioration in the share below the LBPL between 2014 and 2017.

It is evident from Table 21 that the share of South Africa's population below the FPL declined from 31.9 per cent in 1996 to 28.2 per cent in 2017. Mpumalanga's population share below the FPL also improved from 36.8 per cent in 1996 to 30.9 per cent in 2017. As with the LBPL, South Africa, Mpumalanga and all other eight provinces registered a deterioration/increase between 2014 and 2017, despite showing improvement over the 21-year period.

In 2017, Mpumalanga's share was higher than the national figure and the sixth lowest/fourth highest among the nine provinces with Eastern Cape (35.6 per cent) registering the highest share and Western Cape (18.5 per cent) the lowest. In 2017, Nkangala (26.5 per cent) registered the lowest share of population below the FPL and Ehlanzeni (35.0 per cent) the highest. As with Mpumalanga, all three districts recorded a deterioration in the share below the FPL between 2014 and 2017.

Region	% of population								
	1996	1999	2004	2009	2014	2017			
South Africa	31.9%	35.5%	32.7%	32.1%	23.9%	28.2%			
Mpumalanga	36.2%	40.1%	37.7%	36.1%	26.1%	30.9%			
Gert Sibande	34.4%	38.9%	37.1%	34.8%	25.3%	29.8%			
Nkangala	31.1%	34.9%	33.0%	31.0%	22.0%	26.5%			
Ehlanzeni	40.8%	44.5%	41.5%	40.6%	29.7%	35.0%			

Table 21: Share of population below the FPL in South Africa & provinces, 1996-2017

Source: IHS Markit – ReX, October 2018

The share of South Africa's population below the UBPL declined from 73.7 per cent in 1996 to 58.2 per cent in 2017 (Table 22). Mpumalanga's population share below the UBPL improved from 81.5 per cent in 1996 to 62.1 per cent in 2017. Similar to the findings of the LBPL and FPL, South Africa and all nine provinces recorded a deterioration/increase between 2014 and 2017, despite improvement when compared with 1996.

In 2017, Mpumalanga's share was higher than the national figure and the sixth lowest/fourth highest among the nine provinces with Limpopo (68.8 per cent) registering the highest share and Western Cape (45.9 per cent) the lowest. In 2017, Nkangala (56.8 per cent) recorded the lowest share of population below the UBPL and Ehlanzeni (67.2 per cent) the highest. As with Mpumalanga, all three districts registered a deterioration in the share below the UBPL between 2014 and 2017.

 Table 22: Share of population below the UBPL in South Africa & provinces, 1996-2017

Region	% of population								
	1996	1999	2004	2009	2014	2017			
South Africa	73.7%	73.5%	69.5%	62.3%	55.6%	58.2%			
Mpumalanga	81.5%	80.4%	76.0%	67.7%	59.4%	62.1%			
Gert Sibande	78.5%	78.2%	74.2%	65.8%	58.1%	60.5%			
Nkangala	76.2%	75.6%	71.4%	62.0%	53.8%	56.8%			
Ehlanzeni	87.0%	85.1%	80.4%	73.0%	64.7%	67.2%			

Source: IHS Markit – ReX, October 2018

#### Multidimensional poverty

Poverty is often defined by income or expenditure. While this provides a very useful way of measuring absolute poverty, it does not fully capture all the aspects that constitute poverty. Multidimensional poverty constitutes several factors that amount to the poor's experience of deprivation such as poor health, lack of education, inadequate living standards, lack of income and lack of decent work.

The South African Multidimensional Poverty Index (SAMPI), published by Statistics South Africa provides multidimensional poverty data at provincial and municipal levels. It was not intended to replace the poverty headcount using the poverty lines that were developed and should rather be seen as a complementary measure to these money-metric measures. It is an index that is constructed using eleven indicators across four dimensions, namely health, education, living standards and economic activity. The poverty headcount shows the proportion of households that are considered to be multidimensionally poor. The intensity of poverty is the average proportion of indicators in which poor households are deprived.

In 2011, the poverty headcount showed that 7.9 per cent of households in Mpumalanga were multidimensionally poor, with the average intensity at 41.8 per cent amongst the poor households (Table 23). By 2016, the fraction of poor households decreased/improved to 7.8 per cent and the average intensity was higher/worse at 42.7 per cent. Mpumalanga's 2016 poverty headcount was the sixth lowest/fourth highest and higher than the national headcount. Mpumalanga's intensity of poverty was the seventh lowest/third highest but lower than the national indicator.

Province	Censu	is 2011	CS	2016	
	Headcount	Intensity	Headcount	Intensity	
Western Cape	3.6%	42.6%	2.7%	40.1%	
Eastern Cape	14.4%	41.9%	12.7%	43.3%	
Northern Cape	7.1%	42.1%	6.6%	42.0%	
Free State	5.5%	42.2%	5.5%	41.7%	
KwaZulu-Natal	10.9%	42.0%	7.7%	42.5%	
North West	9.2%	42.0%	8.8%	42.5%	
Gauteng	4.8%	43.8%	4.6%	44.1%	
Mpumalanga	7.9%	41.8%	7.8%	42.7%	
Limpopo	10.1%	41.6%	11.5%	42.3%	
South Africa	8.0%	42.3%	7.0%	42.8%	

Table 23: Multidimensional poverty in South Africa & provinces, 2011-2016

Source: Statistics South Africa – CS 2016

#### 7.4 Ownership of household goods

Figure 26 compares the ownership levels of certain household goods in Mpumalanga between 2011 and 2016. It is evident that more households in Mpumalanga owned the specific assets in 2016 than in 2011. The ownership of refrigerators (8.5 percentage point increase) increased the most between 2011 and 2016, followed by televisions (7.8 percentage point increase).

#### Ownership of household goods index

The ownership of household goods index is a household adjusted, ownership of goods-weighted index, which measures a region's overall ownership of certain household goods. The index ranges from 0 to

1, where 0 implies that no household in the region owns any of the household goods surveyed, and 1 implying that every household in the region owns all the household goods surveyed.

In 2016, the highest ownership of household goods index value was recorded in Mbombela and the lowest in Mkhondo. Between 2011 and 2016, Nkomazi recorded the largest improvement in the household goods index and Emalahleni the largest decline. Figure 27 compares the household goods index values of 2011 with that of 2016 for Mpumalanga's local municipal areas.



Figure 26: Percentage distribution of households owning various household goods in Mpumalanga, 2011-2016

Sources: Statistics South Africa – Census 2011 Statistics South Africa – CS 2016

Figure 27: Household goods index in Mpumalanga's local municipal areas, 2011-2016



Sources: Statistics South Africa – Census 2011 Statistics South Africa – CS 2016

#### 7.5 Income and expenditure aspects

#### Household income

According to the *Living Conditions of Households 2014/15*, the average annual household income for all households in South Africa increased from R103 204 per annum in 2011 (*Census 2011*) to R138 168 per annum (R11 514 per month) in 2014/15. Average household income in Mpumalanga increased from R77 609 per annum in 2011 to R107 561 per annum (R8 963 per month) in 2014/15 (Figure 28).

Mpumalanga's average household income was the fifth highest in 2011 and the third highest in 2014/15. In 2014/15, the average household income of Western Cape households (R222 959 per annum) was the highest and that of Limpopo households (R79 152 per annum) the lowest.



Figure 28: Average annual household income by province, 2011-2014/15

Sources: Statistics South Africa – Census 2011 Statistics South Africa – Living Conditions of Households 2014/15

#### Expenditure categories

In the *GHS 2017*, respondents indicated what expenditure category best describes the monthly household expenditure in 2017. The results of this question for South Africa and Mpumalanga is summarised in Table 24. It is evident that the major share of households in Mpumalanga (52.3 per cent) indicated expenditure of less than R2 500 per month. The major share of households in South Africa (65.1 per cent) indicated expenditure of less than R5 000 per month. Some 16.9 per cent of households in South Africa indicated expenditure of more than R10 000 per month compared with 12.7 per cent of households in Mpumalanga.

#### Household income sources

The majority of households in South Africa are dependent on incomes from salaries. Nationally, 65.4 per cent of households received an income from salaries in 2017. In Mpumalanga 62.9 per cent of households received an income from salaries. In 2017, 44.6 per cent and 50.6 per cent of households

in South Africa and Mpumalanga obtained income from grants, respectively. Some 59.3 per cent of households in Eastern Cape received income from grants, whilst only 30.8 per cent of households in Gauteng received income from grants. Figures on comparative of sources of income<sup>22</sup> of households are presented in Figure 29.

Expenditure category	Мри	malanga	South	Africa
	% of total	Cumulative %	% of total	Cumulative %
R0	0.1%	0.1%	0.3%	0.3%
R1-R199	0.3%	0.5%	0.5%	0.8%
R200-R399	2.4%	2.9%	1.8%	2.6%
R400-R799	7.6%	10.4%	6.2%	8.8%
R800-R1 199	10.4%	20.8%	9.0%	17.9%
R1 200-R1 799	15.0%	35.9%	13.1%	31.0%
R1 800-R2 499	16.4%	52.3%	13.5%	44.5%
R2 500-R4 999	21.1%	73.4%	20.6%	65.1%
R5 000-R9 999	12.1%	85.5%	13.4%	78.5%
R10 000 or more	12.7%	98.2%	16.9%	95.4%
Do not know	0.8%	99.0%	3.3%	98.8%
Refused	0.2%	99.2%	0.5%	99.3%
Unspecified	0.8%	100.0%	0.7%	100.0%
Total	100.0%	-	100.0%	-

Table 24: Household expenditure in South Africa & Mpumalanga, 2017

Source: Statistics South Africa – GHS 2017



#### Figure 29: Comparative sources of income<sup>22</sup> in South Africa and provinces, 2017

Source: Statistics South Africa – GHS 2017

As part of *GHS 2017*, households were asked to indicate their main source of income. As a result, salaries were indicated to be the main source for 58.8 per cent of households nationally, whereas grants were the main source for 20.1 per cent of households (Figure 30). In Mpumalanga, salaries were also the main source for the majority (54.9 per cent) of households with grants the main source for 21.3 per cent of households in the province.

<sup>&</sup>lt;sup>22</sup> Households can have more than one source of income; therefore, shares do not add up to 100 per cent.



Figure 30: Main sources of income in South Africa and provinces, 2017

#### Social assistance grants

Together with providing income security to certain income insecure groups, the payments of grants made a positive impact on poverty and income inequality in Mpumalanga. Grants assisted to reduce poverty and redistribute income in Mpumalanga and its sub regions through the provision of income security. According to the South African Social Security Agency (SASSA), the number of South Africans that received social assistance grants increased from 15.9 million in March 2014 to nearly 17.5 million by March 2018. In March 2014, 1.32 million citizens of Mpumalanga received social assistance grants. This was equal to an 8.3 per cent share of the total national grant recipients in 2014. By March 2018, the number of recipients in Mpumalanga increased to 1.47 million or 8.4 per cent of the total number of national grant recipients. Mpumalanga registered the sixth highest/fourth lowest number of social assistance recipients among the nine provinces (Figure 31). KwaZulu-Natal (3.9 million) registered the highest number of grant recipients by March 2018 and Northern Cape (474 500) the lowest.

Despite the positive impact of social assistance grants on income distribution and poverty, skills development and employment creation remain the most important factors to improve the livelihoods of people. Skills constraints push up the premium for skilled labour, inducing large differences between salaries of skilled and unskilled people and thus raising levels of inequality. Therefore, income inequality can most effectively be reduced by improving the labour force's skill levels and thus removing the premium for skilled labour. Poverty can also be reduced by building and developing capabilities of the workforce on a broad scale in order to increase employment creation through increased labour productivity and economic growth.

It is evident from Figure 32, that 73.9 per cent of Mpumalanga's total social assistance grants in March 2018 were child support grants, which was higher than the 71.6 per cent share in 2009. In actual numbers, child support grant beneficiaries increased from 735 648 in 2009 to 1 084 508 in 2018. Although the number of old age grant beneficiaries increased from 174 343 in 2009 to 248 874 in 2018, the share of the total number of grant beneficiaries remained at 17.0 per cent between 2009 and 2018.

Source: Statistics South Africa – GHS 2017

Disability grant recipients decreased marginally in number from 79 244 in 2009 to 77 603 in 2018 and recorded a smaller share in 2018 (5.3 per cent) of the total number of assistance grant beneficiaries than in 2009 (7.7 per cent).



Figure 31: Provincial shares of national social assistance grant number, 2014-2018

Source: SASSA - SOCPEN system, 2018



Figure 32: Distribution of various types of social assistance grants in Mpumalanga, 2009-2018

Source: SASSA - SOCPEN system, 2018

#### 8. ECONOMIC SECTORS AND PERFORMANCE

#### 8.1 GDP growth

It is estimated that in 2016, Mpumalanga contributed some R323.7 billion in current prices or some 7.4 per cent to the GDP of South Africa. Converted to constant 2010 prices, Mpumalanga's contribution was R222.2 billion. According to estimates, Mpumalanga's contribution in constant 2010 prices was the fifth largest among the nine provinces. Mpumalanga's contribution decreased from 8.1 per cent in

1995 to 7.3 per cent by 2014 and finally 7.2 per cent in 2016. Gauteng (35.0 per cent) and KwaZulu-Natal (16.0 per cent) were the main contributors to the national economy in 2016.

At the start of the period under review, particularly 1996, 1997 and 1999, the economic growth of the province, as measured by growth in the GDP, was higher than the national rate. However, since then the provincial economy has outperformed the national economy in terms of GDP growth only in 2009 and 2014 (Figure 33). The average annual growth rate for the country and Mpumalanga over the period 1995 to 2016 was 2.9 per cent and 2.3 per cent, respectively. Mpumalanga recorded the sixth highest/fourth lowest annual average GDP growth rate in the 21-year period. The forecasted annual growth rates for South Africa and Mpumalanga are projected to remain low and average 1.5 per cent annually between 2017 and 2022.



Figure 33: GDP (constant 2010 prices) growth rates for South Africa and Mpumalanga, 1996-2022

Sources: Statistics South Africa – GDP, 2018 (Historic growth) IHS Markit - ReX, October 2018 (Future growth)

The NDP targets average annual national GDP growth above 5 per cent up to 2030. It is apparent that neither South Africa nor any of the provinces sustained the desired growth in any of the period displayed in Table 25. Mpumalanga's highest period of growth was between 1995 and 1999 (the second highest among the provinces), whereas the lowest period of growth was between 2014 and 2016 (the second lowest among the provinces). The annual average growth rates for South Africa and Mpumalanga, from 2017 to 2022 are forecasted at 1.5 per cent and 1.4 per cent, respectively. In such an event, Mpumalanga's growth will be the joint fourth highest among the nine provinces.

Because of the moderate economic growth experienced in South Africa over the last 21 years, the South African economy has not doubled in size over this period. From Figure 34 it is also evident that no provincial economy was by 2016, double its size of 1995. By 2016, the Western Cape economy, which grew the fastest between 1995 and 2016, was 194.1 per cent of its 1995 size. Mpumalanga's economy was 161.0 per cent of its 1995 size and registered the sixth highest/fourth lowest increase. For an economy to double in size over a 21-year period that economy needs to grow at an annual average growth rate of 3.4 per cent.

p							
Province	1995-2016	1995-1999	1999-2004	2004-2009	2009-2014	2014-2016	2017-2022
Western Cape	3.2%	2.3%	4.3%	4.1%	2.8%	1.3%	1.5%
Eastern Cape	2.4%	1.8%	2.8%	3.5%	2.2%	0.9%	1.3%
Northern Cape	2.0%	2.9%	1.4%	1.9%	2.6%	0.5%	0.7%
Free Sate	1.7%	0.9%	2.0%	2.3%	2.3%	-0.1%	0.5%
KwaZulu-Natal	3.0%	2.0%	3.7%	3.9%	3.0%	0.8%	1.4%
North West	1.4%	1.3%	2.0%	2.0%	0.5%	0.5%	1.4%
Gauteng	3.2%	2.1%	4.2%	4.0%	3.0%	1.3%	1.7%
Mpumalanga	2.3%	3.0%	2.4%	2.5%	2.4%	0.0%	1.4%
Limpopo	2.5%	3.2%	3.3%	2.5%	2.0%	0.7%	1.7%
South Africa	2.9%	2.4%	3.6%	3.5%	2.6%	0.9%	1.5%

 Table 25: Historic and forecasted GDP at market prices growth rates for South Africa and provinces, 1995-2022

Sources: Statistics South Africa – GDP, 2018 (Historic growth) IHS Markit – ReX, October 2018 (Future growth)





#### Source: Statistics South Africa – GDP, 2018

#### Estimated annual and quarterly GDP growth in Mpumalanga

Statistics SA compiles provincial estimates of GDP annually, which is then released together with the annual national estimates. The provincial GDP estimates for a particular year, however, are released one year later than the national estimates. For example, the 2016 provincial GDP estimates were only released when the national GDP estimates for 2017 was published. The provincial GDP estimates, that are already published a year later than national figures, are also not published on a quarterly basis. The release of quarterly national GDP results and statistics by Stats SA enables one to determine the national economic growth rate for that specific quarter. This provides an early indication on national economic growth for the full year as well as signalling which industries are contributing strongly to growth and which are lagging or faltering.

In light of these two challenges it is problematic to provide an early indication on provincial economic growth for a quarter and even a full year. Growing or struggling industries are only identified a year later when the growth cycle might have already changed. The possibility exist that ill-timed counter cyclical policy interventions can be administered, proving unsuccessful and with even devastating

effects. Therefore, to address the challenges, a structural model was adopted that allows one to estimate the GDP for Mpumalanga for years and quarters not yet published by Stats SA.

The annual growth for 2017 can now be calculated based on the quarterly growth estimations. According to the structural model employed, Mpumalanga's real GDP growth for 2017, as calculated from the estimated quarterly figures, was 1.9 per cent<sup>23</sup>. This was higher than the national growth rate of 1.3 per cent. The reason for the higher growth in Mpumalanga can largely be ascribed to the strong growth experienced in mining and agriculture during 2017 and the extent of the two industries' contribution to the provincial economy compared to its national contribution.

The quarter-on-quarter GDP growth in South Africa and Mpumalanga is displayed in Figure 35, which indicates that the real GDP (measured by production) of South Africa increased by 2.2 per cent in the third quarter of 2018, following a decrease of 0.4 per cent in the second quarter of 2018. Mpumalanga's GDP growth is estimated to have increased by 0.4 per cent<sup>23</sup> in the third quarter of 2018 after the 0.6 per cent increase estimated for the second quarter 2018. It is noteworthy that Mpumalanga was not technically in a recession like the national economy in the first half of 2018. The difference between the quarterly growth rates of South Africa and Mpumalanga can be ascribed to the structural differences between the national and provincial economies.

Figure 35: Quarter-on-quarter GDP at market prices growth (constant 2010 prices) in South Africa & Mpumalanga, Q3 2017-Q3 2018



Sources: Statistics South Africa – GDP, 2018 Economic Analysis Structural Model, 2018

#### GDP per capita

GDP per capita is often considered an indicator of a region's standard of living on the rationale that all citizens would benefit from the region's increased economic production. The Mpumalanga Vision 2030, states that the GDP per capita expressed in constant prices must increase from an estimated R51 100

<sup>&</sup>lt;sup>23</sup> As these are only estimates based on a structural model of the Mpumalanga economy it will not be regarded as official, but only used to guide economic planning, policy and interventions in the province.

in 2010 to R110 000 by 2030. Sustained annual average GDP growth above 5 per cent is necessary to achieve this target. In 2016, the provincial GDP per capita was equal to an estimated R51 790.

#### Fixed investment

Investment in infrastructure builds economic capacity and enhances competitiveness, while contributing to the quality of life of poor people. In 2017, the gross domestic fixed investment (GDFI) in Mpumalanga amounted to R55.4 billion which was equal to 9.0 per cent of total GDFI in South Africa (Figure 36). From 2010 to 2017, GDFI in South Africa grew on average by 2.2 per cent per annum and by 2.6 per cent annually in Mpumalanga. Between 2014 and 2017, GDFI in Mpumalanga only grew by 0.2 per cent per annum.



Figure 36: Comparison of GDFI (constant 2010 prices) in South Africa and Mpumalanga, 2010-2017

Source: Quantec, 2018

According to the NDP, public infrastructure investment must be equal to 10 per cent of GDP by 2030. In 2017, expenditure by the Mpumalanga Provincial Government (MPG) on infrastructure was equal to approximately 1.8 per cent of provincial GDP. If the 2017 Municipal Infrastructure Grant (MIG) expenditure by municipalities is added to MPG infrastructure expenditure, then public expenditure on infrastructure was equal to 2.6 per cent. In order to reach the stated Vision 2030 goal of 10 per cent of GDP by 2030 in Mpumalanga, public expenditure on infrastructure in Mpumalanga has to increase by at least 13.7 per cent per annum up to 2030.

## 8.2 Inclusive growth

The overall Inclusive Growth Index<sup>24</sup> seeks to reflect the extent to which people living within a specific region can be considered included in the benefits of economic growth and national prosperity and the

<sup>&</sup>lt;sup>24</sup> The Inclusive Growth Index was adapted from the Inclusive Growth (IG) Monitor developed by Manchester University in 2014. The Inclusive Growth Index uses existing statistics to construct an index of the extent to which people living within a given locality may be considered as economically included and benefiting from broader national prosperity. The index is divided into two themes (Economic inclusion and Prosperity) each having three underlying dimensions constituted by a set of two indicators. Each indicator is normalised giving a minimum score of zero for the lowest scoring area and a maximum of one for the highest scoring. This means that each dimension has a minimum score of zero and a maximum score of two, therefore each theme can have a minimum score of zero and maximum of six.

extent to which they are equipped with the skills that aid participation in the economy. An examination of the differences between regions is important in that it highlights geographical patterns in economic inclusion and prosperity.

In 2016, Gauteng and Western Cape recorded the highest overall inclusive growth scores of 9.84 and 8.74, respectively. Eastern Cape (1.74) and Limpopo (3.62), registered the lowest overall scores among the nine provinces. Mpumalanga's overall inclusive growth score of 4.75 was the fourth highest among the nine provinces (Figure 37). The economic inclusion theme made the largest contribution in eight provinces and only in Gauteng did the prosperity theme make the largest contribution.

In the individual prosperity and economic inclusion themes there were some differences in rankings compared with the overall score. For example, Northern Cape scored the fourth highest economic inclusion score and the third lowest prosperity score, but eventually ended fifth highest overall. Mpumalanga ranked fifth highest in the prosperity theme and sixth highest/fourth lowest in the economic inclusion theme.





#### Source: DEDT – An Inclusive Growth Index Report, 2017

The normalised change scores provide a way of assessing overall change on the two themes based upon percentage change in the underlying indicators. Here an area with the lowest score has the least improvement or greatest deterioration on a given theme, whereas the area with the highest score has the biggest improvement or least deterioration. The change scores provide a way of summarising the performance of different regions in inclusive growth over the 5-year period between 2011 and 2016.

When examining change in economic inclusion and prosperity together, the overall inclusive growth change scores show that between 2011 and 2016, Limpopo (8.95), Mpumalanga (7.00) and Eastern Cape (6.96) experienced the biggest improvement in their respective scores (Figure 38). When one considers the individual theme scores it is apparent that the majority of improvement in all nine provinces were due to improvement in the prosperity theme and not in the economic inclusion theme. Between 2011 and 2016, Limpopo (4.40) registered the highest improvement in economic inclusion and

Western Cape (1.10) the lowest. Over the same period, Limpopo (4.55) also recorded the highest score change in the prosperity theme and Gauteng (1.87) the lowest.



Figure 38: Inclusive growth change scores by province, 2011-2016

Source: DEDT – An Inclusive Growth Index Report, 2017

#### 8.3 Regional contribution

The economic industries are classified according to the International Standard Industrial Classification of all Economic Activities (ISIC). This classification system, employed by Statistics South Africa, groups together economic activities that are closely related. Statistical information is then collected and classified according to the categories of economic activities, which are as homogenous as possible.



Figure 39: Mpumalanga's contribution to South Africa's industries (constant 2010 prices), 1995-2016

Figure 39 depicts the contribution of each of the economic industries in Mpumalanga to the corresponding national industry in 1995, 2004, 2014 and 2016. In 2016, the province was a substantial

Sources: Statistics South Africa – GDP, 2018

role-player in the national mining and utilities (mainly electricity supply) industries, with respective shares of 22.3 per cent and 15.4 per cent. It is noticeable that only the contribution by the agriculture industry increased between 2014 and 2016, whereas the other industries' contribution to the national figure remained either unchanged or declined.

Table 26 exhibits the contribution by each of the three districts to the provincial industries in 2014 and 2017. Nkangala was the largest contributor to the provincial GVA with a share of 39.2 per cent in 2014 and 38.3 per cent in 2017. In 2017, the contribution by Gert Sibande was 27.4 per cent and that of Ehlanzeni 34.2 per cent. Nkangala made considerable contributions to the province's mining industry (63.6 per cent) in 2017. In 2017, Gert Sibande was the main contributor to Mpumalanga's manufacturing (38.8 per cent), whilst Ehlanzeni played a major role in the province's agriculture, utilities, construction and services industries.

 Table 26:
 Regional contribution to Mpumalanga's industries (GVA at constant 2010 prices), 2014-2017

Industry	Gert S	Gert Sibande		ngala	Ehlanzeni	
	2014	2017	2014	2017	2014	2017
Agriculture	35.3%	35.2%	22.6%	22.5%	42.1%	42.3%
Mining	29.6%	28.7%	63.9%	63.6%	6.5%	7.7%
Manufacturing	39.1%	38.8%	33.6%	33.7%	27.3%	27.5%
Utilities	23.0%	25.3%	48.3%	36.1%	28.7%	38.6%
Construction	22.8%	22.8%	30.5%	30.4%	46.7%	46.8%
Trade	25.4%	25.3%	27.6%	27.5%	47.0%	47.2%
Transport	27.7%	27.6%	30.4%	30.3%	41.9%	42.0%
Finance	20.1%	20.3%	30.7%	30.8%	49.2%	48.9%
Community services	23.0%	23.0%	27.0%	26.9%	50.0%	50.1%
Total	27.6%	27.4%	39.2%	38.3%	33.2%	34.2%

Source: IHS Markit – ReX, October 2018





Source: IHS Markit – ReX, October 2018

Figure 40 depicts the percentage contribution by the seventeen local municipal areas to the provincial GVA in 2017. In 2017, City of Mbombela (23.0 per cent), Emalahleni (17.3 per cent), Steve Tshwete

(13.7 per cent) and Govan Mbeki (13.4 per cent) contributed 67.4 per cent to the Mpumalanga economy. Dipaleseng (0.7 per cent) made the smallest contribution to the provincial economy.

#### 8.4 Sectoral contribution and performance

#### Contribution to the provincial economy

In 2016, the primary sector in Mpumalanga contributed 27.7 per cent, the secondary sector 21.8 per cent and the tertiary sector 50.5 per cent to the provincial GDP. Although the economy depended less on the primary sector in 2016 than in 2014 (28.9 per cent), it continued to stand in contrast to the national primary sector's small contribution of 10.3 per cent in 2016. The much smaller contribution by mining to the national economy (8.0 per cent versus 24.7 per cent in Mpumalanga) was the main reason for the difference in primary sector contribution. Nationally, the secondary sector added 19.9 per cent and the tertiary sector 69.8 per cent in 2016.

Figure 41 displays the share of each economic industry in the provincial economy in 1995, 2004, 2014 and 2016. It is estimated that in 2016, the three largest contributors to the provincial economy were mining (24.7 per cent), community services (16.6 per cent) and trade (15.0 per cent). The top three's ranking was unchanged from 2014, when mining contributed 25.7 per cent, community services 16.2 per cent and trade 14.7 per cent.



Figure 41: Contribution to Mpumalanga GDP (constant 2010 prices) by industry, 1995-2016

Source: Statistics South Africa – GDP, 2018

Figure 42 illustrates the change in value by industry from 2014 to 2016. The real value of six industries increased between 2014 and 2016 whereas the other three decreased. The finance industry (R1.2 billion) registered the largest increase over the 2-year period and the mining industry (-R1.9 billion) the largest decrease.

#### Contribution to the districts' economy

Table 27 displays the share of each economic industry in the three districts' economies in 2014 and2017. The mining industry was the largest industry in Gert Sibande in 2017 with a 26.8 per cent share.

Mining activities also dominated the Nkangala economy as it added 42.3 per cent to the district's economy in 2017. In 2017, the largest contributing industry in Ehlanzeni was community services with a share of 23.8 per cent. The contributions by the primary sector in Gert Sibande declined from 2014 to 2017, whereas it increased in Nkangala and Ehlanzeni. Between 2014 and 2017, the economic contributions of the secondary sector increased in Ehlanzeni, whilst the contribution of the tertiary sector declined. The economic contribution by the tertiary sectors in both Nkangala and Gert Sibande improved over the 2-year period, whereas the contribution by the secondary sectors declined.



Figure 42: Absolute change in GDP rand value (constant 2010 prices), 2014-2016

Source: Statistics South Africa – GDP, 2018

Table 27:	Contribution	to individual	districts'	GVA	(constant	2010	prices)	by i	industry,	2014-
	2017									

Industry	Gert	Sibande	Nk	angala	Ehla	Ehlanzeni	
	2014	2017	2014	2017	2014	2017	
Agriculture	4.1%	4.7%	1.9%	2.1%	4.1%	4.5%	
Mining	27.6%	26.8%	41.9%	42.3%	5.0%	5.7%	
Primary sector	31.8%	31.5%	43.8%	44.5%	9.1%	10.3%	
Manufacturing	19.3%	18.8%	11.6%	11.7%	11.1%	10.7%	
Utilities	4.3%	4.5%	6.4%	4.6%	4.4%	5.5%	
Construction	2.7%	2.7%	2.6%	2.6%	4.7%	4.4%	
Secondary sector	26.3%	26.0%	20.6%	18.8%	20.2%	20.5%	
Trade	13.5%	13.4%	10.3%	10.4%	20.8%	19.9%	
Transport	6.1%	6.2%	4.7%	4.8%	7.7%	7.5%	
Finance	8.8%	9.3%	9.5%	10.1%	17.8%	17.9%	
Community services	13.5%	13.7%	11.1%	11.4%	24.3%	23.8%	
Tertiary sector	41.9%	42.5%	35.6%	36.7%	70.6%	69.2%	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

Source: IHS Markit – ReX, October 2018

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

Performance and employment in the provincial economy

Figure 43 depicts the real GVA growth per industry over the period 2010 to 2016 in the left-hand diagram and the contribution to changes in employment numbers over the same period in the right-hand diagram. Over the 6-year period, finance, community services and transport achieved the highest

annual average growth rates, whereas utilities and manufacturing recorded the lowest average annual growth.



Figure 43: Real GDP at basic prices (constant 2010 prices) growth and contribution to employment changes by industry, 2010-2016

Sources: Statistics South Africa – GDP, 2018 Statistics South Africa – QLFS, 2018

In 2016, some 184 460 more people were employed by the nine industries in Mpumalanga than in 2010. In the right hand diagram, it is observable that the three medium growth industries (economic growth between 2 and 4 per cent per annum) contributed 72.9 per cent to the increased number of employed. The six low growth industries (economic growth of less than 2 per cent per annum) contributed only 27.1 per cent. Based on the two diagrams, it is evident that an industry makes a larger contribution to employment growth when it achieves a medium to high growth rate, than when it grows at a low growth rate.

## 8.5 Diversification of the economy

The Tress Index measures the level of concentration or diversification in an economy. An index score of zero represents a much diversified economy, while a number closer to 100 indicates a high level of concentration.

In 2017, the economy of Mpumalanga appears to be more diversified than that of South Africa with an index score of 35.5 compared to a national score of 40.2. Among the nine provinces, Mpumalanga ranked highest in terms of the most diversified economy.

## 8.6 Comparative advantage of the economy

The location quotient is an indication of the comparative advantage of an economy. An economy has a location quotient larger (smaller) than one, or a comparative advantage (disadvantage) in a particular industry when the share of that industry in the provincial economy is greater (less) than the share of the same industry in the national economy.

The location quotient at the end of the second quarter 2017 was calculated using QLFS data by Statistics SA. In Mpumalanga, agriculture (1.52), mining (1.65), utilities (3.77), construction (1.00) and trade (1.04) held a comparative advantage over the same industry in the national economy. Table 28 provides the location quotients of the various industries, indicating their respective comparative advantages. A rule of thumb is that when an industry has a location quotient of 1.2 or above it indicates that some degree of specialisation is taking place in that particular industry compared with the national industry. Mpumalanga recorded three industries (utilities, agriculture and mining) with a location quotient higher than 1.2 in 2017.

Industry	Mpumalanga	
Agriculture	1.52	
Mining	1.65	
Manufacturing	0.87	
Utilities	3.77	
Construction	1.00	
Trade	1.04	
Transport	0.76	
Finance	0.75	
Community services	0.92	
Total	1.00	

Table 28: Comparative advantage of industries in Mpumalanga and districts, 2017

Source: DEDT – Research Report on Comparative Advantage & Regional Competitiveness in Mpumalanga, 2017

Comparative advantage analysis can be improved with two indicators to yield a dynamic location quotient. These two indicators are percentage change in location quotient over time and the size of the industry in terms of jobs. Industries can then be classified in four quadrants based on its location quotient and change in location quotient and ranked according to size.

The logic follows that an industry in the upper right quadrant (location quotient  $\geq$  1.0 and change in location quotient  $\geq$  0) holds a comparative advantage over the industry in the base region, and is also expanding the advantage over time (Table 29). These industries are "standouts" that distinguish the provincial economy and are doing more so every year. Such industries are especially important if they are also large in terms of job numbers. In Mpumalanga, trade, construction, private households and utilities (ranked according to employment number) can be regarded as "standout" industries.

# Table 29: Classification of industries in Mpumalanga according to dynamic location quotient, 2014-2017

Location quotient ≥ 1.0 and negative change in location	Location quotient ≥ 1.0 and positive change in location		
quotient	quotient		
"Intensive care"	"Standouts"		
Agriculture	Trade		
Mining	Construction		
	Private households		
	Utilities		
Location quotient < 1.0 and negative change in location	Location quotient < 1.0 and positive change in location		
quotient	quotient		
"Little promise"	"Pre-emergent"		
	Community services		
	Finance		
	Manufacturing		
	Transport		

Source: Calculations based on labour data by Stats SA – QLFS, Q2 2017

The lower right quadrant (location quotient < 1.0 and change in location quotient  $\ge$  0) contains industries which do not have a comparative advantage yet, but are becoming more so over time. If these

industries continue this trend, they will move over the horizontal cut-off into the upper right quadrant. They can be called "pre-emergent" industries, having the potential to contribute more to the region's economy in future. In Mpumalanga, community services, finance, manufacturing and transport (ranked according to employment size) can be regarded as "pre-emergent" industries.

The upper left quadrant (location quotient  $\geq$  1.0 and negative change in location quotient) contains industries that hold a comparative advantage over the industry in the base region, but with a declining advantage. If a medium or large industry is in this quadrant it is an important warning that the province is losing a major part of its economy and should inform planning and investment priorities accordingly. They can be called "intensive care" industries as this quadrant usually indicates industries in decline. In Mpumalanga, agriculture and mining both have a location quotient in excess of 1.0, but require "intensive care" in terms of planning and investment as its advantage has declined over time.

Finally, the lower left quadrant (location quotient < 1.0 and negative change in location quotient) contains industries which are less important regionally than nationally and are also declining in employment. These industries holds "little promise" in terms of relative employment size and labour growth, however, the province needs to attract more businesses in those industries in order to maintain an economy that is sufficiently balanced and diversified in comparison to the national economy. None of Mpumalanga's broad industries ranked in this quadrant.

#### 8.7 Labour intensity

Labour intensive industries are identified by comparing the output generation capacity with the utilisation of labour by each of the industries. In 2016, the following four industries in Mpumalanga exhibited higher employment shares relative to their output shares, thereby indicating a high level of labour intensity: agriculture, construction, trade and community services. Nationally the same four industries revealed a high labour intensity. Table 30 provides a comparison of employment with output at industry level for 2016.

#### 8.8 Employment elasticity

The rate of employment growth in an economy, or in any industry of it, is determined by many factors operating simultaneously, one of which is how fast the economy grows. Employment elasticity provides an indication of the historic rate of employment growth as determined by the historic economic growth. Such an employment elasticity of an industry can be calculated by dividing the observed growth rate of employment during any past period by the observed economic growth rate during the same past period.

In Mpumalanga, the transport industry recorded the highest employment elasticity of 3.57 over the period 2010 to 2016. Therefore, on average over the 6-year period, every 1 per cent of real GVA growth in the province's transport industry translated into a 3.6 per cent increase in employment in the transport industry. The utilities industry recorded negative economic growth over the 6-year period although it recorded positive employment growth, which resulted in a large negative employment elasticity. The employment growth in mining as well as trade was negative over the 6-year period despite positive economic growth and therefore it can be said that mining and trade registered negative employment elasticities – or jobless growth.

#### 8.9 Labour productivity

Productivity can be measured by relating changes in output to changes in one or more input to production. Should an industry achieve a score of more than unity (1) then that industry is regarded as experiencing higher labour productivity than all industries combined. When comparing Mpumalanga's industry specific labour productivity with that of the province's total industries, it is evident that five industries (mining, manufacturing, utilities, transport and finance) achieved higher labour productivity than the total industries combined in 2016 (Table 30).

Industry	Labour intensity	Employment elasticity	Labour productivity
	2016	2010-2016	2016
Agriculture	2.79	3.18	0.36
Mining	0.20	-0.43	4.92
Manufacturing	0.70	1.90	1.43
Utilities	0.78	-20.62	1.28
Construction	3.19	3.30	0.31
Trade	1.39	-0.67	0.72
Transport	0.89	3.57	1.13
Finance	0.90	2.06	1.11
Community services	1.50	2.70	0.67
Total	-	2.14	1.00

 Table 30: Essential economic ratio's by industry in Mpumalanga, 2010-2016

Sources: Statistics South Africa – QLFS, 2018 Statistics South Africa – GDP, 2018 IHS Markit - ReX, October 2018

#### 8.10 Regional competitiveness

Shift share is a standard regional analysis method that attempts to determine how much of regional job growth can be attributed to national trends and how much is due to unique regional factors. In using a shift share analysis a regional economy (Mpumalanga) is indexed against a base economy (South Africa). The technique basically distributes job change into three component parts. The three component parts are the national growth effect, the industrial mix effect and the regional competitiveness effect.

The regional competitiveness effect is the most important of the three indicators, as it explains how much of the labour change in a given industry is due to some unique competitive advantage that the province possesses. This effect is calculated by taking the total provincial employment growth and subtracting the national growth and industrial mix effects. Note that this effect can be higher than actual job growth if national and/or industry mix effects are negative while provincial growth is positive. This is because the regional competitiveness effect accounts for jobs "saved" from declining national trends as well as new jobs created.

Industries with high regional competitiveness effects highlight the region's competitive advantages or disadvantages. Shift share analysis does not indicate why these industries are competitive but it merely shows the sectors in which the province is out-competing or under-competing the nation. Shift share is thus useful in identifying investment targets so that local stakeholders can assist provincial industries to either continue to outperform national trends or else "catch up" with national trends so that the provincial economy is not left behind.

Figure 44 displays what job change took place per industry in Mpumalanga between the second quarter 2014 and the second quarter 2017 and whether expected change (national and industrial) or regional competiveness was the dominant factor in the change. The agriculture industry in Mpumalanga increased by 14 280 between 2014 and 2017. Using shift share, 5 370 of those jobs might have been expected due to national trends in the economy as a whole, while 14 623 jobs might have been expected due to national trends in the agriculture industry specifically. This makes a total of 19 993 jobs in Mpumalanga's agriculture industry expected from national trends. The regional competitiveness effect is thus  $(14 \ 280 - 19 \ 993 =) -5 \ 713$  jobs, indicating that some specific condition in the provincial agriculture industry resulted in falling short of the expected change of 19 993 jobs. Therefore, agriculture's employment increased as a result of national as well as industry specific factors despite the negative regional factors. No other industry in Mpumalanga reveals the same shift share results.



Figure 44: Industry job changes according to shift share analysis in Mpumalanga, 2014-2017

Sources: Calculations based on labour data by Stats SA – QLFS, Q2 2017

Job numbers in Mpumalanga's mining industry declined by 45 095 over the 3-year period. Shift share analysis reveals that regional factors was the main reason for the declining numbers. Manufacturing job numbers increased by 3 554 over the 3-year period in the province. It is evident from Figure 45 that general national growth was responsible for the largest part of the increase and that the provincial manufacturing industry outperformed the national industry by stemming job losses. Other provincial industries that recorded higher employment as a result of national growth and regional competitiveness were trade, community services and private households.

Job numbers in Mpumalanga's utilities industry increased by 19 318 between 2014 and 2017. The majority (13 674) of this was due to specific factors in the province (regional competitiveness), followed by expected change due to the industry effects (4 146) and general national growth (1 497). No other industry revealed a similar higher regional competitiveness as utilities. The job changes in the provincial construction and finance industries were mainly due to industry specific factors, whereas the transport industry achieved job growth primarily due to general national growth.

#### 8.11 Tourism

Because tourism is not a clearly defined industry in the SIC, it was therefore the first economic activity to use Satellite Account<sup>25</sup> standards to measure its impact on national economies – as approved by the United Nations (UN) in March 2000. According to Statistics South Africa's Tourism Satellite Account (TSA), the national tourism sector was simulated to have contributed some 2.9 per cent to GDP in 2016. Some 686 596 persons were directly engaged in producing goods and services purchased by visitors, which accounted for 4.4 per cent of total employment in 2016.

The current lack of sufficient baseline data of tourism supply on a provincial level makes an assessment of the supply side, and therefore a similar exercise such as the TSA for South Africa on a provincial basis, virtually impossible. It is possible to simulate scenarios that can give an indication of the GDP and employment contribution by tourism in Mpumalanga. From a recent study conducted by DEDT, the contribution that tourism makes to the Mpumalanga economy could be as small as 2.8 per cent and as large as 4.9 per cent. Furthermore, the tourism industry's contribution to employment in Mpumalanga could be as small as 3.8 per cent or as large as 6.1 per cent depending on which simulation is preferred.

It is, however, possible to express tourism spend as a percentage of regional GDP in order to indicate how large an impact it makes and whether its contribution is growing. In terms of this indicator, tourism spend in 2014 was equal to 6.3 per cent of South Africa and 7.0 per cent of Mpumalanga's GDP. By 2017, tourism spend in South Africa decreased to 5.9 per cent of GDP, whilst in Mpumalanga it increased to 7.2 per cent of the provincial GDP. Among the nine provinces, Western Cape (10.5 per cent) registered the largest tourism spend to GDP share (Table 31).

Province	2014		2017		
	Total tourism spend R-million	Tourism spend as % of GDP (current prices)	Total tourism spend R-million	Tourism spend as % of GDP (current prices)	
Western Cape	56 243	10.9%	68 872	10.5%	
Eastern Cape	12 903	4.4%	14 281	4.1%	
Northern Cape	3 518	4.2%	4 208	3.9%	
Free State	10 119	5.3%	12 809	5.5%	
KwaZulu-Natal	35 217	5.8%	32 362	4.5%	
North West	13 007	5.7%	16 524	5.6%	
Gauteng	64 294	4.9%	81 582	4.5%	
Mpumalanga	20 288	7.0%	23 467	7.2%	
Limpopo	25 131	9.2%	27 271	9.6%	
Total	240 718	6.3%	281 376	5.9%	

Table 31: Tourism spend in South Africa and provinces, 2014-2017

Source: IHS Markit – ReX, October 2018

According to Tourism South Africa's *Annual Report 2017*, Mpumalanga was the fourth most visited province by foreign visitors in 2017, with a share of 15.3 per cent of total foreign arrivals visiting the province. This was up from 14.2 per cent of total foreign arrivals in 2016. In 2017, Mpumalanga captured 10.6 per cent of the total bed-nights spent by all foreign tourists in South Africa. This was higher than the 9.6 per cent in 2016. Mpumalanga attracted 12 per cent of domestic tourists in 2017, which was considerably higher than the 7 per cent recorded in 2016.

<sup>&</sup>lt;sup>25</sup> A Satellite Account is a term developed by the UN to measure the size of economic sectors that are not defined as industries in national accounts.

#### 8.12 Inflation

The most common way to measure inflation is by reference to a CPI, which measures the changes in prices of a basket of goods and services purchased by a representative set of households. Mpumalanga's average annual inflation rate for 2017 was 4.3 per cent, which was lower than the average for South Africa as well as the second lowest overall.

In November 2018, Mpumalanga recorded an inflation measurement of 4.8 per cent, a decrease from the 5.0 per cent registered in October 2018. The comparative percentage change in the CPI for South Africa and Mpumalanga from January 2003 to November 2018 is displayed in Figure 45. Mpumalanga's inflation rate was lower than the national rate for the twenty-third consecutive month and within the inflation target zone for the twenty-second consecutive month.



Figure 45: CPI in South Africa and Mpumalanga, 2003–2018

The main determinants of inflation in Mpumalanga based on their respective weightings, as provided in Table 32, are price changes in food and non-alcoholic beverages (FNAB), housing and utilities, transport as well as miscellaneous goods and services (MGS). These four broad determinants, in terms of the weighting, contribute more than 72 per cent to the level of inflation and inflation movements in Mpumalanga.

It appears from Table 32 that the transport index was responsible for 43.4 per cent of the average price increase in Mpumalanga during November 2018. The housing and utilities index accounted for 18.5 per cent per cent of the average price increase, whereas the FNAB index as well as the housing and utilities index were accountable for 11.6 per cent and 11.5 per cent, respectively. Together, the four main determinants contributed 85.0 per cent of the average price increase in Mpumalanga during November 2018.

When the impact of the more volatile FNAB and petrol prices are excluded from the consumer price index as in Figure 46, the underlying annual inflation amounted to 4.5 per cent in November 2018. If

Source: Statistics South Africa – CPI, 2018

electricity prices are also excluded from the calculation of headline CPI inflation, the resultant core inflation would have remained at 4.3 per cent in November 2018.

Index description	Weight	Percenta	Percentage change		
		Month-on- month	Year-on-year	contribution to inflation	
Food & non-alcoholic beverages	21.24	+0.4	+2.6	11.6%	
Alcoholic beverages and tobacco	5.17	+0.1	+4.1	4.4%	
Clothing and footwear	4.97	+0.2	+2.5	2.6%	
Housing and utilities	20.08	+0.0	+4.4	18.5%	
Household contents and services	3.69	-0.2	+2.1	1.6%	
Health	0.55	-0.5	+3.4	0.4%	
Transport	18.71	+0.3	+11.1	43.4%	
Communication	2.59	-0.3	+1.3	0.7%	
Recreation and culture	5.14	+0.2	-0.4	-0.4%	
Education	1.84	+0.0	+5.5	2.1%	
Restaurants and hotels	3.83	+0.3	+4.5	3.6%	
Miscellaneous goods and services	12.19	-0.3	+4.5	11.5%	
All items	100.0	+0.1	+4.8	100.0%	

 Table 32: Mpumalanga's CPI group indices, weights, percentage change & contribution to inflation, November 2018

Source: Statistics South Africa – CPI Additional Tables, 2018

Figure 46: Measures o	f underlying inflation	in Mpumalanga, 2009-2018
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Source: Statistics South Africa – CPI Additional Tables, 2018

#### 9. INTERNATIONAL TRADE

Mpumalanga's contribution to total national trade<sup>26</sup> was 1.1 per cent in 2017, marginally lower than the 1.2 per cent share from three years earlier in 2014. The two leading provinces, in terms of total trade contribution in 2017, were Gauteng with a share of 64.4 per cent and Western Cape (13.9 per cent). Mpumalanga contributed 1.6 per cent and 0.6 per cent to national exports and national imports, respectively.

<sup>&</sup>lt;sup>26</sup> ReX international trade data is derived from administrative data collected by the South African Revenue Service's (SARS) Department of Customs and Excise. The postal code of the registered post office or street address of the South African importer or exporter is captured as part of the documentation of a particular transaction, thus enabling HIS Markit to disaggregate trade data to a regional level.

The value of Mpumalanga's exports increased by 2.3 per cent between 2014 and 2017, whilst imports increased by 15.1 per cent over the same 3-year period. In contrast, the national exports increased by 18.5 per cent per annum, whereas the value of national imports increased by 2.3 per cent.

Mpumalanga registered a positive trade balance of R12.8 billion in 2017, continuing the trend of exports exceeding imports since the start of the period under review in 1996. During the same period, the trade balance of South Africa fluctuated between positive and negative territory, finishing 2017 with a surplus of R110 billion. Mpumalanga was the province with the fourth highest positive trade balance in 2017.

Among the three districts, Ehlanzeni (40.5 per cent) was the main contributor to provincial exports in 2017, followed by Gert Sibande and Nkangala with respective contributions of 34.2 per cent and 25.3 per cent (Table 33). Exports from Gert Sibande (38.4 per cent) recorded the highest increase since 2014 and those from Nkangala the largest decrease (-20.1 per cent).

Ehlanzeni attracted 41.0 per cent of Mpumalanga's imports in 2017, followed by Nkangala and Gert Sibande. Imports flowing to Ehlanzeni recorded the highest increase (42.6 per cent) over the 3-year period and those to Gert Sibande the largest decrease (-5.0 per cent).

Among the three districts, Ehlanzeni recorded the largest positive trade balance of R5.1 billion in 2017, followed by Gert Sibande (R4.9 billion). Gert Sibande is the only district in Mpumalanga that, from time to time in the 21-year period, recorded a negative trade balance.

 Table 33: Mpumalanga districts' contribution to provincial exports and imports, 1996-2017

District	Exports			Imports			
	Share of Mpumalanga	Growth per annum		Share of Mpumalanga	Growth p	er annum	
	2017	1996-2017 2014-17		2017	1996-2017	2014-17	
Gert Sibande	34.2%	18.6%	38.4%	26.6%	6.8%	-5.0%	
Nkangala	25.3%	7.2%	-20.1%	32.4%	12.2%	7.7%	
Ehlanzeni	40.5%	10.2%	-2.0%	41.0%	17.6%	42.6%	

Source: IHS Markit – ReX, October 2018

#### 10. CRIME RATES

Crime in South Africa occupies centre stage in the hearts and minds of the public. Unacceptably high levels of crime, especially serious and violent crimes, result in people in South Africa living in fear and feeling unsafe. It also impacts negatively on the country's economic development, undermines the wellbeing of people in the country and hinders their ability to achieve their potential.

Among the four categories of serious community reported crimes displayed in Table 34, it is evident that at the national level all four categories declined between 2016/17 and 2017/18. The four categories declined in Mpumalanga as well. Mpumalanga's decrease was larger/better than the national average only for contact crimes. Mpumalanga's contact crimes contributed 5.4 per cent to the national total, whereas contact related crimes contributed 5.0 per cent. Property related crimes in Mpumalanga made up 7.0 per cent of the national total and the other serious crimes category was equal to 5.8 per cent of the national total.

Provinces	Contact	crimes <sup>27</sup>	Contact rela	ted crimes <sup>28</sup>	Property crim	/ related es <sup>29</sup>	Other serio	us crimes <sup>30</sup>
	Number	% change	Number	% change	Number	% change	Number	% change
Western Cape	112 996	-1.5%	28 763	-4.1%	97 630	-6.8%	105 822	-5.7%
Eastern Cape	65 393	-0.2%	12 027	-6.1%	51 513	-3.0%	34 256	-6.0%
Northern Cape	17 380	-4.0%	3 083	-0.6%	12 800	-4.5%	9 277	-3.6%
Free State	35 725	-5.3%	6 232	-8.9%	28 653	-3.6%	20 235	-13.3%
KwaZulu-Natal	94 914	-0.3%	13 637	-7.3%	80 207	-3.9%	63 543	-5.6%
North-West	36 604	3.2%	6 144	1.3%	32 255	-3.7%	20 020	-8.0%
Gauteng	170 640	-0.5%	32 456	-4.6%	140 476	-9.2%	135 087	-5.5%
Mpumalanga	32 646	-2.2%	5 773	-1.0%	35 716	-2.6%	25 492	-5.8%
Limpopo	35 068	-4.6%	7 246	-1.4%	28 725	-8.1%	24 381	-14.5%
Total	601 366	-1.1%	115 361	-4.4%	507 975	-6.0%	438 113	-6.6%

Table 34: Serious community reported crimes in South Africa and provinces, 2017/2018

Source: South African Police Service – Crime Situation in South Africa 2017/18

#### 11. SUMMARY AND CONCLUSION

The negative impact of the global economic developments since 2008 and national infrastructure constraints, such as the weak electricity supply, on the performance of the Mpumalanga economy is evident from the data presented. Most industries in the province did not contribute appropriately in terms of average annual growth over the past 20 years.

Therefore, there needs to be a focus on speeding up the transition to a knowledge-based and serviceorientated economy, adopting the appropriate industry development strategies and attracting investment to build infrastructure and stimulate growth in the province. Public infrastructure investment can play a leading role and must be equal to 10 per cent of provincial GDP by 2030.

To achieve higher economic growth the province needs to develop the capabilities of the workforce on a broad scale. Improved education outcomes should create more investment opportunities, which in turn will probably increase the employment opportunities and lower the unemployment rate. Despite the positive impact of social grants on the alleviation of poverty in Mpumalanga, job creation is the most important factor to impact positively on poverty. The accelerated reduction of poverty can therefore be attained most economically through a better educated and skilled workforce.

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

Table 35 presents a summary of relevant provincial trends and comparisons of certain socio-economic indicators. There are general improvements in terms of the trends in a provincial context, except for the unemployment rate, the share of 20 year and older that completed matric and the income share of the bottom 40 per cent. When the provincial figures are compared with the national figures, only one of the provincial indicators (income share of the bottom 40 per cent) recorded a level better than the national figure.

<sup>&</sup>lt;sup>27</sup> The 7 serious community reported contact crimes are murder, sexual offences, attempted murder, assault GBH, common assault, common robbery & aggravated robbery.

<sup>&</sup>lt;sup>28</sup> The 2 serious community reported contact related crimes are arson & malicious damage to property.

<sup>&</sup>lt;sup>29</sup> The 5 serious community reported property related crimes are burglary at residential premises, burglary at non-residential premises, theft of motor vehicle and motorcycle, theft out of or from motor vehicle & stock theft. <sup>30</sup> The 3 serious community reported other serious crimes are other theft, commercial crime and shoplifting.

Table 35: Com	parative socio-e	conomic indica	tors of M	pumalanga

Socio-economic indicators	Statistics	Trend: improve (+) or deteriorate (-)	Better (+) or worse (-) than South Africa	Provincial ranking: best (1) – worst (9)
Share of population (2018)	7.8%	=	N/A	6
Unemployment rate (Q3 2018)	32.5%	-	-	7
Age 20+ & no schooling (2017)	7.8%	+	-	8
Age 20+ & completed matric (2017)	28.2%	-	-	4
Adult literacy rate (2017)	91.6%	+	-	5
HDI (2017)	0.62	+	-	7
Income share of bottom 40% (2017)	7.7%	-	+	3
Share of population below LBPL (2017)	46.5%	+	-	6
GDP growth 2014-2016	0.0%	N/A	-	8
% contribution to national GDP (2016)	7.2%	=	N/A	5

Table 36 presents a comparison between the districts in the province of virtually the same socio-economic indicators used in the first table. When comparing the results of the districts, it is apparent that Nkangala ranked better in the majority of the selected socio-economic indicators than either Gert Sibande or Ehlanzeni.

Table 36: Comparative socio-economic indicators of Gert Sibande, Nkangala	a & Ehlanzeni
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Socio-economic indicators	Gert Sibande	Nkangala	Ehlanzeni
Share of population (2016)	26.2%	33.3%	40.5%
Age 20+ & no schooling (2017)	10.4%	8.8%	13.0%
Age 20+ & completed matric (2017)	27.7%	29.9%	28.8%
HDI (2017)	0.62	0.63	0.60
Income share of bottom 40% (2017)	7.6%	7.9%	8.1%
% contribution to provincial GDP (2017)	27.4%	38.3%	34.2%

Table 37 presents a summary of the relevant national and provincial targets as expressed in the NDP and Mpumalanga Vision 2030.

Table 37: Relevant national and	provincial targ	jets
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Indicator	Target	
	National Development Plan (national targets)	Mpumalanga Vision 2030 (provincial targets)
Number of employed	About 11 million additional jobs by 2030.	About 1.1 million additional jobs between 2013 and 2030. Total employment numbers should rise to at least 2.15 million to achieve 6 per cent unemployment rate. <sup>31</sup>
Unemployment rate	The unemployment rate should be 6% by 2030.	The unemployment rate should be 6% by 2030.
Annual average GDP growth rate	Average annual GDP growth above 5%	Average annual GDP growth above 5 per cent.
GDP per capita	Raise per capita GDP to R110 000 by 2030 in constant prices.	GDP per capita, in constant prices, should increase to R110 000 by 2030.
Poverty rate (LBPL	The poverty rate should be reduced to 0% by 2030.	The poverty rate should be reduced to 5% by 2030.
Income inequality	The proportion of income earned by the bottom 40% in South Africa should rise to 10% by 2030.	The proportion of income earned by the bottom 40% in Mpumalanga should rise to 10% by 2030.

<sup>&</sup>lt;sup>31</sup> Number of additional jobs and employment numbers differ from latest calculations expressed in Figure 7, as these numbers in Table 36 were derived when Vision 2030 was crafted in 2013.