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Executive Summary

This publication of the Limpopo Treasury's Provincial Economic Review and outlook (PERO) provides detailed analysis of the regional and national economies. Furthermore, a forecast of both the provincial and national economies until 2011 is provided. Key issues discussed include the economic performance of both the provincial and national economies and an in-depth analysis of the provincial labour market.

The PERO consists of three chapters. Chapter one analyses the performance of the South African economy, with particular focus on key economic variables such as production, expenditure, inflation and trade. The chapter concludes with a macroeconometric forecast of these key variables until 2011.

Chapter two incorporates a discussion on the performance of the Limpopo economy, including analysis of key economic variables such as output, consumption and trade. The chapter is completed by a sectoral forecast of the economy until 2011.

Chapter three provides an in-depth labour market analysis of Limpopo. Key issues discussed include trends in employment, unemployment and skills levels.

Though displaying imminent signs of slowdown, the South African economy still performed fairly well given the severe supply constraints it faced during 2008. Measured at a seasonally adjusted annualised rate, the economy expanded in real terms by 5.1 per cent in 2007. In the first two quarters of 2008, the economy grew at a much slower pace of 2.1 and 4.9 per cent respectively. First quarter growth was severely restrained by rampant interruptions in electricity supply in the first quarter of 2008. With some stability in electricity supply regained in the second quarter, real economic growth rebounded to 4.9 per cent, albeit from the comparatively low base recorded for the first quarter.

The first quarter of 2008 saw growth in national domestic expenditure growing at 14.2 per cent. This was fuelled by a resiliently brisk rate of expansion in gross fixed capital formation (16.9 per cent in the first quarter) but also a significant rise in growth in real final consumption expenditure by general government of 12.8 per cent during this quarter. Subsequently, growth in real final consumption expenditure by general government dropped to -1.4 per cent in the second quarter. This, coupled with a marked slowdown in the real rate of growth in the gross fixed capital formation to 9.1 per cent in the second quarter, as well as a significant contraction of -6.8 per cent in inventory levels, caused the growth in overall real gross domestic expenditure to dwindle to -4.2 per cent in the second quarter of this year. This served as further confirmation of the slowdown in the South African economy.

Real growth in national household consumption continued to fall after peaking in the fourth quarter of 2006 at 9.5 per cent. This decline is mainly ascribed to the four consecutive interest rate hikes during 2007 that began to rein in domestic consumer demand. The prime lending rate increased to its October 2008 position of 15.5 per cent. The consequent erosion of consumer income has resulted in quarterly growth in real final consumption expenditure declining to the current 1.2 per cent in the second quarter of 2008.

Heightened and intensifying inflationary pressures plagued the South African economy throughout the past year on the back of higher international energy costs and food prices, but also significant supply constraints in the domestic economy. The rising general price level is compounded by imported inflation due to the economy's level of openness to global market activities and surges in prices of key production inputs. Consequently, CPIX inflation breached the upper limit of the South African inflation target band of 6 per cent in April 2007, and rose steadily to levels of 13.6 per cent in August 2008. This is therefore the sixteenth consecutive month that CPIX inflation is moving outside of the target band. In response, the South African Reserve Bank has increased its repurchase (repo-) rate by 300 basis points at four separate occasions since June 2007. Continued inflationary pressure resulted in further rate increases, and the repo-rate stood at 12 per cent in October 2008.

Despite a considerable slowdown in global economic growth in the fourth quarter of 2007, South Africa saw an improved performance in merchandise exports which allowed for a significant narrowing of the trade deficit, from R52bn in the third quarter of 2007 to R26.7bn in the fourth quarter. The observed 6.8 per cent growth in the value of merchandise exports was fuelled primarily by an increased demand for South Africa's mining products and the revival of international commodity prices in the latter part of 2007. This dramatic reduction in the trade deficit served to mitigate the effects of the ever-widening shortfall on the service, income and current transfer account, allowing for a slight contraction of the cumulative deficit on the current account from R163.3bn in the third quarter to R157.7bn in the fourth quarter of 2007. Despite the temporary reprieve in the fourth quarter of 2007, the current account deficit deepened again over the first quarter of 2008 to R194.6bn or 8.9 per cent of GDP.

The unemployment rate in South Africa has dropped substantially from 25.5 per cent in September 2006 to 22.7 per cent in September 2007. Currently, in the second quarter of 2008, unemployment sits at 23.1 per cent. The incidence of unemployment among women has decreased over the same period from 30.7 per cent to 26.1 per cent, whereas unemployment among males has dropped from 21.2 to 19.8 per cent.

Limpopo comprises 11.6 per cent of the total population of the country, and generated 6.3 per cent of total South African GDP in 2007. Limpopo's real annual economic growth performance has consistently been below the national average, except in 1998, 2001 and 2002. The primary sector plays a larger role in the Limpopo economy (25 per cent) than the national economy (8 per cent), whilst the role of the secondary sector is more pronounced in the national economy (24 per cent) than the Limpopo economy (9 per cent). The tertiary sector has the largest share in both the Limpopo and national economies, contributing 66 per cent and 68 per cent to total output respectively.

In terms of district municipalities' contributions to Limpopo's output in 2007, the spread appears to be relatively even. The Waterberg District Municipality is the province's largest contributor with 24 per cent of economic activity, while the Vhembe District Municipality is the smallest contributor with about 16 per cent of total output.

In terms of real growth rates in total final consumption expenditure by households in Limpopo, final consumption expenditure in the province expanded at higher rates than was the case in the national economy between 2001 and 2004, but for the remainder of the sample period, did so at lower growth rates. A significant drop in Limpopo's household consumption expenditure growth was recorded in 2007 (5 per cent, down from 7.6 per cent in 2006). The fastest expanding consumption goods in the province are semi-durable goods. However, growth in consumption of these goods declined in 2007 to 11.8 per cent from 17.4 per cent in 2006, largely due to a contraction in expenditure on motor car accessories and parts and miscellaneous goods of 1 per cent and 9 per cent respectively. Durable goods experienced a significant decline in growth in 2007 to 0.9 per cent from 14.2 per cent in 2006, primarily caused by a decrease in the growth of personal transport equipment consumption of approximately 8 percent.

Limpopo's share in overall national trade with the rest of the world is very small, with the province accounting for less than one per cent of the country's imports and about 5 per cent of its exports in 2007. Despite this, the province has recorded a positive trade balance since 1995, in contrast to the national trend. Limpopo predominantly trades in petroleum products, wholesale and retail products, and transport and storage.

Limpopo has experienced an encouraging trend of positive employment growth (14 per cent) between 2000 and 2007. This is in contrast to the national expansion in employment over the same period of 7.4 per cent. Furthermore, the number of unemployed in the province shrunk by 9 per cent over the same period, compared to the national growth in the number of unemployed of 5 per cent.

The government is Limpopo's largest employer (21 per cent of total employment), closely followed by the wholesale and retail trade, hotels and restaurants industry (17 per cent). The personal services (14 per cent), agriculture, forestry and fishing (14 per cent) and finance, real estate and business (11 per cent) sectors are also large employers in Limpopo.

Districts of concern within the province, where the provincial government may wish to investigate implementing skills- or education programmes include Waterberg, where 55 per cent of the employed are semi- or unskilled, 36 per cent are skilled, and only 10 per cent are highly skilled. 50 per cent of Mopani's employed are semi- or unskilled, 40 per cent are skilled, and 11 per cent are highly skilled. On the other hand, Capricorn (46 per cent) and Greater Sekhukhune (43 per cent) have better levels of skilled workers, equal to or greater than the national average.

Chapter 1: National Economic Performance and Outlook

1.1. Introduction

Though displaying imminent signs of slowdown, the South African economy still performed fairly well given the severe supply constraints it faced during 2008. Measured at a seasonally adjusted annualised rate, the economy expanded in real terms by 5.1 per cent in 2007. In the first two quarters of 2008, the economy grew at a much slower pace of 2.1 and 4.9 per cent respectively. First quarter growth was severely restrained by rampant interruptions in electricity supply in the first quarter of 2008. With some stability in electricity supply regained in the second quarter, real economic growth rebounded to 4.9 per cent, albeit from the comparatively low base recorded for the first quarter.

In the wake of softer global growth prospects and serious domestic energy provision constraints translating into significant supply side pressures as well as the domestic pressure to combat the inflationary forces brought primarily on by escalating food price inflation, consensus forecasts have been adjusted to a real economic growth rate of below 3 per cent for 2008.

The slowdown in domestic demand continued across the spectrum from the last quarter of 2007 throughout the first two quarters of 2008 in response to the tighter monetary policy stance.

The trade deficit on the balance of payments was still fluctuating at high levels during the first two quarters of 2008. Though still registering a deficit on the current account in the first two quarters of 2008, the financial flows more than outstripped this deficit, resulting in a fairly healthy increase in the net reserves position for 2008. The level of import cover similarly increased from 13.6 weeks at the end of December 2007 to 13.9 weeks at the end of June 2008.

In view of the pervasive inflationary pressures, the Reserve Bank has tightened its monetary policy stance six times since the since CPIX inflation breached the upper limit of the inflation target of 6 percent in April 2007 – representing a cumulative increase in the repo rate of 300 basis points to its present level of 12 per cent.

Macroeconomic policy remains committed to a more aggressive growth approach in line with the stated objectives in the new macroeconomic policy initiative: The Accelerated and Shared Growth Initiative for South Africa (ASGI-SA). This programme has the twofold objectives of halving unemployment and reducing poverty by half by 2014. The latest national budget ought to have a mildly expansionary effect, while government is maintaining a disciplined fiscal stance in the face of mounting pressures brought on by a less favourable domestic and international economic environment.

The next section describes in depth the movements in key economic indicators and sectors in South Africa until the second quarter of 2008.

1.2. Performance of the South African Economy

1.2.1. National Production

Growth in South Africa's real output in the first quarter of 2008 contracted significantly to a mere 2.1 per cent annualised from 5.3 per cent in the fourth quarter of 2007. This performance also compared poorly to the 5.1 per cent real annualised expansion recorded for the same period of the previous year. Real output growth in the first quarter was severely marred by widespread supply constraints, manifesting most notably in sporadic disruptions in electricity provision by electricity provider Eskom. After largely restoring electricity supply in the second quarter of 2008, economic growth rebounded to 4.9 per cent in real terms, on the back of higher manufacturing and mining output to compensate for the backlog caused by the rolling blackouts experienced during the largest part of the first quarter. Considering the second quarter real expansion in output grew from a fairly low base, most of the forecasts for annual economic growth for 2008 have been adjusted downwards.

In the first quarter, the disruptions in electricity provision caused noticeable decelerations in output by most of the traditional sectoral growth drivers in the South African economy. In the first quarter, real output in the mining sector contracted by 22.1 per cent, while the manufacturing sector output contracted by 1 per cent from the strong positive growth of 8.2 per cent recorded for the last quarter of 2007. Similarly, tertiary sector output also continued its decline to 4.2 per cent real growth from a recent peak in the third quarter of 2007 of 6.8 per cent. The domestic supply-side constraints were further compounded by distinct signs of slowdown in consumer spending due to high domestic price pressures, lower disposable income due to the higher interest rates taking effect, higher indebtedness by households but also concerns about the effects of the global slowdown and continued food and oil price pressures.

Closer scrutiny of the real growth in sectoral output for the period 2007 to 2008 reveals the following picture: The annual growth rate in real value added in the primary sector improved slightly from -2.5 per cent in 2006 to -0.4 per cent in 2007. Subsequently, the quarterly real value added in the primary sector contracted significantly to -13.9 per cent in the first quarter of 2008. After mainly the electricity supply constraints were addressed in the second quarter, quarterly real value added in the primary sector rebounded to 16.9 per cent in the second quarter of 2008.

The secondary sector recorded a slowdown in annual real value added from 6.2 per cent for 2006 to 5.8 per cent in 2007. After a dismal 1 per cent growth in the first quarter of 2008, the secondary sectors experienced a growth of 12.3 per cent in the second quarter. The tertiary sectors also displayed a deceleration in annual real value added from 5.7 per cent in 2007 to 4.2 per cent and 1.4 per cent in the first and second quarters of 2008 respectively.

Overall, the second quarter growth performance improved, though it was in part due to the "base effect" when compared to the first quarter. As stated, the primary sector seasonally adjusted real value added suffered heavily in the first quarter of 2008. However, real value added in the mining sector was able to overcome the first quarter contraction of 25.1 per cent to grow at 15.6 per cent due to a more stable electricity supply and robust international commodity prices. The agricultural sector continued to improve to 19.6 per cent in the second quarter of 2008. The improvement was due to greater acreage planted and favourable climatic conditions.

Real value added in the secondary sector increased significantly from 0.6 per cent in the third quarter to an impressive 8.1 per cent in the fourth quarter of 2007. This was mainly driven by significantly higher output in the manufacturing sector expanding at a seasonally adjusted annualised rate of 8.2 per cent in the fourth quarter. This contribution was particularly significant as manufacturing output contributed 15.9 per cent to overall real output in the fourth quarter, and hence contributed markedly (1.3 percentage points) to the still solid overall performance of the national economy in the fourth quarter of 2007.

Table 1.1: Sectoral Real Gross Value Added

Gross Value Added	2006/01	2006/02	2006/03	2006/04	*2006*	2007/01	2007/02	2007/03	2007/04	*2007*	2008/01	2008/02
Primary sector	**96564**	**95926**	**95204**	**96346**	***96010***	**96081**	**94989**	**95428**	**95166**	***95416***	**91659**	**95311**
% change	**-6.30**	**-2.62**	**-2.98**	**4.89**	***-2.46***	**-1.10**	**-4.47**	**1.86**	**-1.09**	***-0.62***	**-13.95**	**16.92**
Agriculture	28735	27384	26690	26327	*27284*	26798	27339	27633	28374	*27536*	29524	30877
% change	-14.79	-17.52	-9.76	-5.33	*-7.87*	7.35	8.32	4.37	11.17	*0.92*	17.22	19.63
Mining	67829	68542	68514	70019	*68726*	69283	67650	67795	66792	*67880*	62135	64434
% change	-2.39	4.27	-0.16	9.08	*-0.13*	-4.14	-9.10	0.86	-5.79	*-1.23*	-25.11	15.64
Secondary sector	**245314**	**250182**	**254650**	**259758**	***252476***	**264663**	**265946**	**266340**	**271599**	***267137***	**272268**	**280254**
% change	**6.54**	**8.18**	**7.34**	**8.27**	***6.20***	**7.77**	**1.95**	**0.59**	**8.14**	***5.81***	**0.99**	**12.26**
Manufacturing	187026	190113	192895	196482	*191629*	198674	198639	197395	201320	*199007*	200823	207720
% change	5.16	6.77	5.98	7.65	*5.16*	4.54	-0.07	-2.48	8.19	*3.85*	-0.98	14.46
Tertiary sector	**706787**	**717705**	**726166**	**735762**	***721605***	**745901**	**756652**	**769177**	**778722**	***762613***	**786863**	**789651**
% change	**7.75**	**6.32**	**4.80**	**5.39**	***6.13***	**5.63**	**5.89**	**6.79**	**5.06**	***5.68***	**4.25**	**1.42**
Total	**1151045**	**1168364**	**1182000**	**1199455**	***1175216***	**1215647**	**1227523**	**1241406**	**1256960**	***1235384***	**1263442**	**1278774**
% change	**6.19**	**6.16**	**4.75**	**6.04**	***5.39***	**5.51**	**3.97**	**4.60**	**5.11**	***5.12***	**2.08**	**4.94**

Source: Afrinem and South African Reserve Bank, 2008

However, real annual growth in manufacturing output decelerated from 5.2 per cent in 2006 to 3.9 per cent in 2007. A host of factors were responsible for suppressing the manufacturing sector output for the best part of 2007, such as the relatively strong external value of the currency at the time, impacting negatively on international competitiveness, relatively high input costs, slowdown in household consumption expenditure due to higher interest rates, and further on the supply side, a shortage of skilled and semi-skilled labour. The general slowdown (though briefly interrupted in the fourth quarter of 2007) experienced in the manufacturing sector output in 2007 continued into the first quarter of 2008 contracting by 1 per cent, again due to the significant first quarter electricity supply constraints. This trend was reversed in the second quarter with growth in value added at 14.5 per cent, although the size of the expansion can in large part be attributed to growth off a lower base value.

Real value added in electricity, gas and water decreased at a seasonally adjusted annualised rate from 3.0 per cent in the third quarter to negative 1.8 per cent in the fourth quarter. This drop was mainly caused by a drop in electricity generated due to supply constraints and an apparent shortage of coal at certain power stations. Real value added continued to contract to 6.2 per cent in the first quarter of 2008, before improving slightly to a negative growth rate of 1.3 per cent in the second quarter.

In contrast, real value added in the construction sector continued to expand at a brisk pace, edging higher to an annualised seasonally adjusted growth rate of 14.9 per cent in the first quarter of 2008 compared to 14.2 per cent in the fourth quarter of 2007. This rate dropped off slightly to 10.6 per cent in the second quarter. On an annual basis, the pace of growth also accelerated from 14.7 per cent in 2006 to a real growth rate of 18.1 per cent in 2007. The expansion in the construction sector continued to be driven by buoyant civil construction and non-residential construction. However, some concerns were raised about the slowdown in construction, with a noticeable contraction in residential construction on the back of declining real house prices.

Tertiary sector activity slowed from the third to the fourth quarter of 2007, with the quarterly growth in real annualised value added decreasing from 6.8 per cent in the third quarter to 5.1 per cent in the last quarter of 2007. Activity continued to slow to 4.2 per cent in the first quarter of 2008 and 1.4 per cent in the second quarter. This was due to slower growth in the trade sectors, the transport, storage and communication sectors, as well as finance, real estate and business services in the last quarter. Though seasonally adjusted annualised growth in the latter sector contracted from 12.3 per cent in the third quarter to 8.5 per cent in the fourth quarter of 2007, it still contributed 1.8 percentage points to the overall growth in national output.

The slower growth in these subsectors of the tertiary sector was partly offset by stronger growth in the general government services in the last quarter of 2007. Here the real annualised quarterly growth improved from 3.3 per cent in the third quarter to 4.4 per cent in the fourth quarter. This was largely attributed to higher employment in this sector. However, in 2008 real annualised growth in general government services slumped to 1.1 per cent in the second quarter after a marginal improvement from the fourth quarter of 2007 to the first quarter of 2008.

The trade sectors (wholesale, retail trade, hotels and restaurants) contributing 14.1 per cent of the overall real economic growth share, contracted significantly. This sector posted a growth in real value added of a mere 2.1 per cent in the fourth quarter compared to the 4.5 per cent recorded in the third quarter of 2007. This figure was also down from the 6.0 and 6.1 per cent recorded in the first and second quarters respectively, and significantly lower than the national average real growth of 7 per cent recorded in 2006. This marked slowdown was attributed to the effect of higher interest rates on consumer spending as well as the introduction of the National Credit Act during the second half of 2007. Slow growth continued into 2008 with a 3.6 per cent and 2.2 per cent annualised seasonally adjusted growth rate during the first and second quarters respectively.

1.2.2. Domestic Expenditure

Overall domestic expenditure was slow to react to the more challenging circumstances present during 2007. Quarterly growth in real terms at seasonally adjusted annualised rates slowed during the first two quarters of 2007, recording 6.8 and 2.9 per cent respectively, then rebounded slightly in the third quarter to 5.2 per cent, whereafter it almost ground to a halt in the fourth quarter to a mere 0.2 per cent. Closer scrutiny of the fourth quarter growth figure in domestic expenditure reveals an interesting picture: The still robust expansion in capital formation, which recorded a real growth of 14.1 per cent was almost completely neutralised by a notable decline in final consumption expenditure (by private households but especially by government) and a significant decline in inventory levels.

The first quarter of 2008 saw growth in domestic expenditure growing again at 14.2 per cent. This was fuelled by a resiliently brisk rate of expansion in gross fixed capital formation (16.9 per cent in the first quarter) but also a significant rise in growth in real final consumption expenditure by general government of 12.8 per cent during this quarter. The considerable growth in real final consumption expenditure by general government was due to the purchase of a submarine in the first quarter of 2008. Subsequently, growth in real final consumption expenditure by general government dropped to -1.4 per cent in the second quarter. This, coupled with a marked slowdown in the real rate of growth in the gross fixed capital formation to 9.1 per cent in the second quarter, as well as a significant contraction of -6.8 per cent in inventory levels, caused the growth in overall real gross domestic expenditure to dwindle to -4.2 per cent due in the second quarter of this year. This served as further confirmation of the slowdown in the South African economy.

Growth in real household consumption expenditure continued to contract off its peak of 9.5 per cent in the fourth quarter of 2006. In comparison, the growth in household consumption slipped to 3.8 per cent in the fourth quarter of 2007. Having grown at an annualised rate of 3.3 per cent in the previous quarter, household expenditure growth abated to 1.2 per cent in the second quarter of 2008. Growth in real household expenditure on both durable and non-durable goods experienced a further contraction in 2008. Household expenditure growth on durable goods slowed to -8.1 and -14.9 per cent in the first and second quarters in real terms respectively. Similarly, growth in semi-durable real household expenditure also dropped significantly from 10.5 per cent in the first quarter to a real growth rate of 2.4 per cent in the second quarter. Only the growth rate in consumption of services expanded during this period to 4.3 and then 6.5 per cent.

Along similar lines, growth in real final consumption expenditure by general government increased to 12.8 per cent in the first quarter of 2008 followed by negative growth of -1.4 per cent in the second quarter. As stated above, the negative growth experienced in the second quarter was mainly due to the high base value set in the first quarter by government’s Defense Procurement Programme.

Real gross fixed capital formation kept increasing steadily, with the annual real growth rate increasing from 13.8 per cent in 2006 to 14.8 per cent of 2007. On a quarterly basis, the annualised growth in real gross fixed capital for the total economy increased from 12.9 per cent in the third quarter to 14.1 per cent in the fourth quarter of 2007. It continued to increase to 16.9 per cent in the first quarter of 2008 before declining to 9.1 per cent in the second quarter.

Inventories on the other hand displayed a significant contraction in the fourth quarter of 2007, with the percentage real change in inventories dipping from 6.5 per cent in the third quarter to -8.7 per cent in the fourth quarter. These contractions in inventory levels were fairly broad-based across all the production sectors. However, the mining sector specifically experienced problems with inventory accumulation due to industrial action, disruption of production by rain and significant logistical problems in supply and transport, especially in the coal mining sector. These factors all added to the supply woes experienced in the generation of electricity in the latter part of the fourth quarter of 2007 and the first quarter of 2008. Inventories rebounded in the first quarter of 2008 to 9.8 per cent, followed by a contraction in the second quarter to -6.8 per cent. Real inventory investment contributed 5.8 percentage points to the overall growth in real gross domestic expenditure in the first quarter of 2008 but deducted 4.7 percentage points in the second quarter.

1.2.3. Household Consumption and Debt Levels

Real growth in household consumption continued to fall after peaking in the fourth quarter of 2006 at 9.5 per cent. This decline is mainly ascribed to the four consecutive interest rate hikes during 2007 that began to rein in domestic consumer demand. The prime lending rate increased to its current position of 15.5 per cent. The consequent erosion of consumer income has resulted in quarterly growth in real final consumption expenditure declining to the current 1.2 per cent in the second quarter of 2008. Overall, the annual growth in real consumption expenditure by households amounted to 7.0 per cent for 2007 compared to the 8.2 per cent recorded for 2006.

The decline in real consumption expenditure, especially in the latter two quarters of 2006 was particularly noticeable in both the durable and non-durable consumption goods categories. Durable goods consumption experienced negative growth (-15.7 per cent) in the second quarter of 2007, before returning to a moderate 8.9 per cent rate of growth in the third quarter. Thereafter, real growth in consumption expenditure on durable goods contracted again in the fourth quarter of 2007 to a mere 2.5 per cent. In 2008, real growth in the consumption of durable goods declined even further, recording negative growth (-8.1 per cent) in the first quarter and deteriorating further (to -14.9 per cent) in the second quarter of 2008.

Similarly, real growth in household spending on semi-durable goods dropped significantly over the past two years from an average growth rate of 20 per cent in 2006. In the fourth quarter of 2007, real growth in household spending in this category was at 8.4 per cent with an average growth of 16 per cent recorded for 2007. The quarterly growth in consumption of this specific goods category is markedly down to at 2.4 per cent in the second quarter of 2008.

As could be expected from the above trends in consumption patterns, the real growth in household spending in non-durable consumption also declined from 6.4 per cent in the first quarter of 2007, to a significantly lower growth of 3.9 per cent in the second quarter. It rebounded slightly to 5.2 per cent in the third quarter, whereafter it resumed its downward trend to a mere 1.9 per cent growth in the fourth quarter of 2007. Although the first quarter of 2008 saw a slight increase again in non-durable consumption of 3 per cent, the second quarter recorded dismal growth at 0.2 per cent.

Real growth in the household expenditure on services was the only category that defied the broader trend of the past few quarters in household consumption per category. Real household expenditure on services recorded growth of 5 per cent in the first quarter of 2007 and increased slightly in the second quarter to 6 per cent. In the third and fourth quarters, real service consumption growth rates of 2.9 per cent and 4.0 per cent were recorded. The services component of household consumption bounced back to grow at 4.3 per cent in the first quarter and 6.5 per cent in quarter two of 2008.

Household debt as a ratio of disposable income of South African households increased to a record high of 78.2 per cent during the first quarter of 2008, despite a tighter monetary policy stance. This record high materialised on the back of an increase to 77.5

per cent in the third quarter of 2007 and rising further in the fourth quarter of 2007 to 77.6 per cent. Household indebtedness, though still growing positively, grew at a slower rate than before as a consequence of the higher interest rates. As the interest hikes took effect, households exercised more caution in their use of credit and concomitantly the debt/income ratio decreased in the second quarter of 2008 to 76.7 per cent. The growth in private sector credit extension also moderated for the same reason. As compared to an average of 71 percent in 2006, the increasing household indebtedness represents a widening in the ability to service this debt. Debt service costs have risen to 10.25 percent in the third quarter of 2007, up from 9.5 percent in the second quarter.

1.2.4. National Savings Levels

The ratio of total gross saving to gross domestic product (national savings ratio) came to 13.9 per cent in the first quarter of 2008 and increased by one percentage point to 14.9 per cent in the second quarter. In 2007, this ratio was 13.5 per cent in both the third and fourth quarters – slightly down from the 15.25 per cent recorded in the second quarter. The national savings ratio for 2007 stood at 14.1 per cent, a slight improvement when compared to 2006, where the ratio amounted to 14.0 per cent. However, this ratio remains sub-optimal considering the pressures on limited funds available for financing capital formation. The national saving behaviour in 2008 does not seem significantly different from the picture emerging in 2006-07, though rising interest rates have served to promote savings marginally.

Gross savings by households and the corporate sector increased during 2008 but was offset by a decrease in the savings of the general government. The decline in the national saving ratio witnessed during the middle of last year was due to reduced saving by the corporate and general government sectors, while saving by the household sector remained fairly stagnant at alarmingly low levels of 1.4 per cent of gross domestic product during the last two quarters of 2007. This ratio also remained largely unchanged from 2006 to 2007.

A source of concern is the weakened corporate sector savings rate, which fell to 9.7 per cent in the third quarter of 2007 from 11 percent in the second, caused by decelerating growth in gross operating surpluses of enterprises, as well as unrelenting large dividend payments. This figure rebounded only marginally in the fourth quarter, coming in at 9.8 per cent. Hence the annual corporate savings ratio for 2007 decreased to 9.9 per cent in 2007 from 10.1 per cent in 2006. At this early stage, the negative trend in the corporate savings rate seems to have reversed in 2008 with the corporate savings rate reaching 10 per cent in the first quarter and jumping to 11.1 per cent in the second quarter. These increases occurred due to improved operating surpluses of business enterprises, most notably in the agriculture, mining and manufacturing sectors.

Amplified spending on consumable goods and services, as well as payment for arms procurement deliveries led to general government saving tapering off to 2.4 per cent in the third quarter of 2007, from 3 per cent in the preceding quarter. This figure was however sustained in the fourth quarter, which nonetheless led to an increase in the annual savings ratio by general government for 2007 to 2.9 per cent of gross domestic product, compared to 2.4 per cent for 2006. This savings ratio was the highest since 1981 and can be attributed to improved fiscal management and increased tax revenues (which more than offset increases in expenditure) resulting from an expanding tax base.

Savings increased initially in the first quarter of 2008 to 2.7 per cent before tapering off to 2.3 per cent in the second quarter.

1.2.5. Trends in Prices

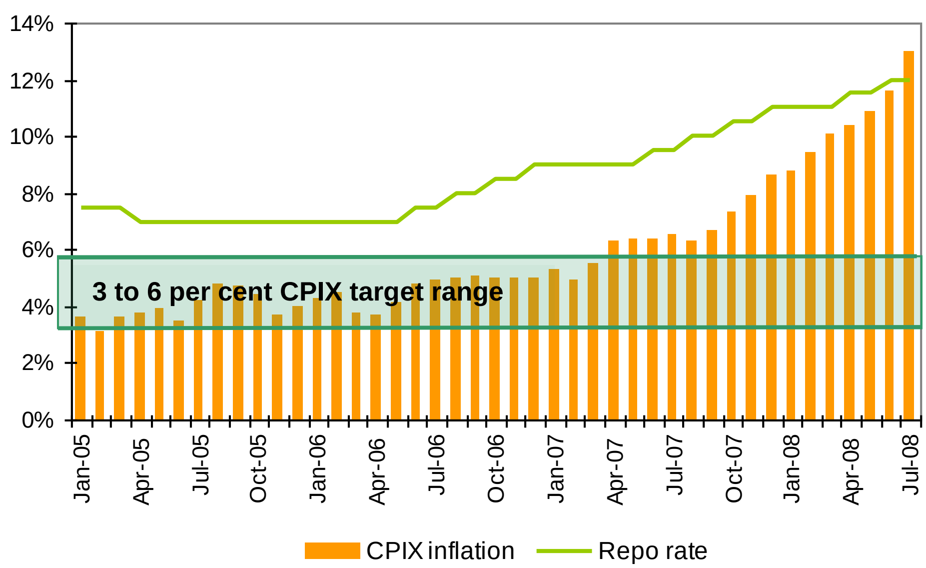
Heightened and intensifying inflationary pressures plagued the South African economy throughout the past year on the back of higher international energy costs and food prices, but also significant supply constraints in the domestic economy. The latter was evident from the widening output gap as capacity utilisation maintained an upward trajectory since 2002 with values exceeding unity by the end of quarter four in 2007, suggesting significant pressures on prices of an over-heating economy.

The rising general price level is compounded by imported inflation due to the economy's level of openness to global market activities and surges in prices of key production inputs. Most notably the price of oil, which powers the industrialised sectors, breached the $100pb level in the fourth quarter of 2007 and remains stuck above that level. Consequently, the CPIX inflation has breached the upper limit of the South African inflation target band of 6 per cent in April 2007, and has remained outside the target band ever since. It rose steadily from April 2007 to its present levels of 13.6 per cent in August 2008. This is therefore the sixteenth consecutive month that the CPIX inflation is moving outside of the target band.

Substantial increases in the prices of food and transport as well as housing cost (excluding interest rates on mortgage costs) in recent months were the main contributors to the current CPIX inflation.

In response, the South African Reserve Bank has increased its repurchase (repo-) rate by 300 basis points at four separate occasions since June 2007. Continued inflationary pressure resulted in further rate increases, and the repo-rate now stands at 12 per cent.

Figure 1.1: Movements in CPIX Inflation and the Repo Rate



Source: Afrinem and South African Reserve Bank, 2008

Similarly, an increase in the all-goods production price index (PPI) of 10.9 per cent on average was recorded for 2007, representing a substantial increase on the average PPI for 2007 of 7.7 per cent. The PPI was further driven higher in 2008 by sharp increases in the prices of basic steel, other metals and crude oil to reach its current level of 19.1 per cent in August 2008 – levels last seen 21 years ago. The year-on-year growth in the prices of the imported commodities component of the PPI also rose sharply from 7.3 per cent in November 2007 to 23 per cent in August 2008. Over the same period, the exported price component of the PPI rose from 6.7 per cent to 7.8 per cent.

1.2.6. Trade Balance and the Balance of Payments

Despite a considerable slowdown in global economic growth in the fourth quarter of 2007, South Africa saw an improved performance in merchandise exports which allowed for a significant narrowing of the trade deficit, from R52bn in the third quarter of 2007 to R26.7bn in the fourth quarter. The observed 6.8 per cent growth in the value of merchandise exports was fuelled primarily by an increased demand for South Africa's mining products and the revival of international commodity prices in the later part of 2007.   This dramatic reduction in the trade deficit served to mitigate the effects of the ever-widening shortfall on the service, income and current transfer account, allowing for a slight contraction of the cumulative deficit on the current account from R163.3bn in the third quarter to R157.7bn in the fourth quarter of 2007. Despite the temporary reprieve in the fourth quarter of 2007, the current account deficit deepened again over the first quarter of 2008 to R194.6bn or 8.9 per cent of GDP.

However, the second quarter experienced a narrowing of the trade deficit due to favourable exchange rate conditions and the continued beneficial international commodity prices, coupled with lower domestic demand. These conditions allowed for increased volumes and average prices of exports. This caused the trade deficit to ease significantly from R61.4 to R31.3bn in the second quarter of 2008. This impacted further on the narrowing current account deficit for the second quarter, with the cumulative current deficit narrowing to R164.4bn or 7.3 per cent of GDP in the second quarter of 2008.

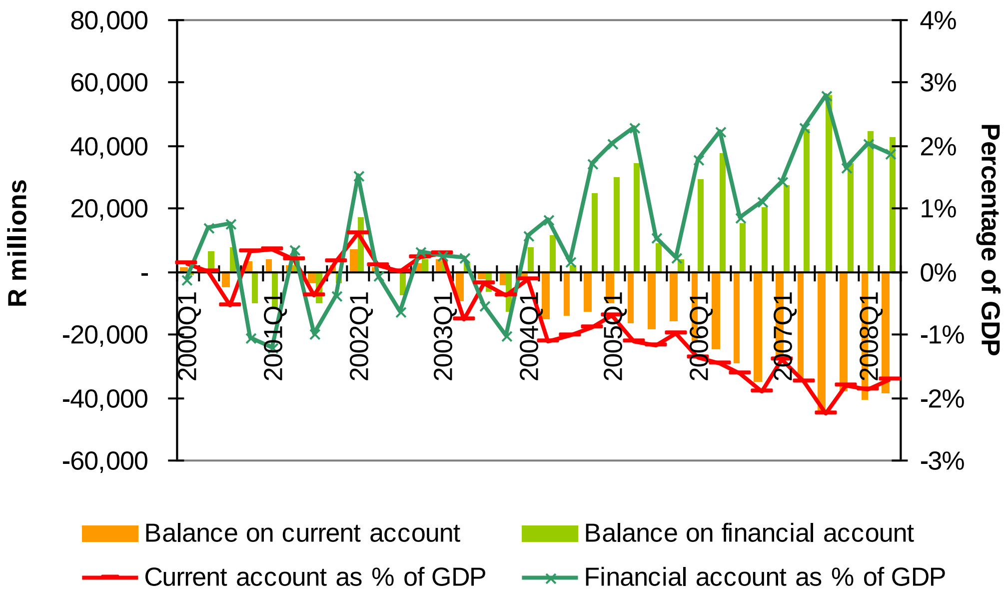
The overall deficit for 2007 was R145bn, which translates to an increase from 6.5 per cent of gross domestic product in 2006 to 7.3 per cent in 2007. Similarly, the deficit to GDP ratio for the first quarter of 2008 came to 8.9 per cent and for the second quarter to 7.3 per cent.

On the financial account, net inflows of capital subsided from R58bn in the third quarter of 2007 to R54.1bn in the fourth quarter. This brought the annual capital inflow for 2007 to R192.6bn, the largest ever recorded. As usual, the majority of this annual inward flow of capital was as a result of portfolio investment. However it should be noted that the fourth quarter of 2007 saw a significant reduction in the inflow of portfolio investment to levels last seen in the fourth quarter of 2005. Despite the current position of worldwide financial markets, the financial account performed better than expected in the first half of 2008. Net capital inflows recorded R47.8bn in the first quarter and R44.7bn in the second quarter of 2008, signalling the attractiveness of the South African economy. The present fall-out from the global financial turmoil will however also impact negatively on capital flows to South Africa in the mid-term.

Once again, the net inflows of capital were more than sufficient to finance the deficit on the current account, resulting in a net accumulation of international reserves by the South African Reserve Bank, with a surplus of R6.8bn in the first quarter of 2008 and a surplus of R5.7bn in the fourth quarter. Consequently, the total value of the Bank's international reserves (in US$ terms) increased from US$ 33.0bn at the end of the fourth quarter of 2007, to US$ 35bn by the end of July 2008. On an annual basis South Africa's international reserves benefited from an increase of R29.8bn in 2006 and a further increase of R47.8bn in 2007. Accordingly, the level of import cover increased from 12 weeks' worth at the end of December 2006 to some 13.5 weeks' worth by the end of December 2007 and, more recently, to 13.9 weeks' worth by the end of June 2008.

The exposure on the overall balance of payments however remains a source of concern. The structure of financing through the financial account creates concerns about the vulnerability to external shocks, especially if volatility in commodity prices were to be experienced in the near future.

Figure 1.2: Accounts of the Balance of Payments

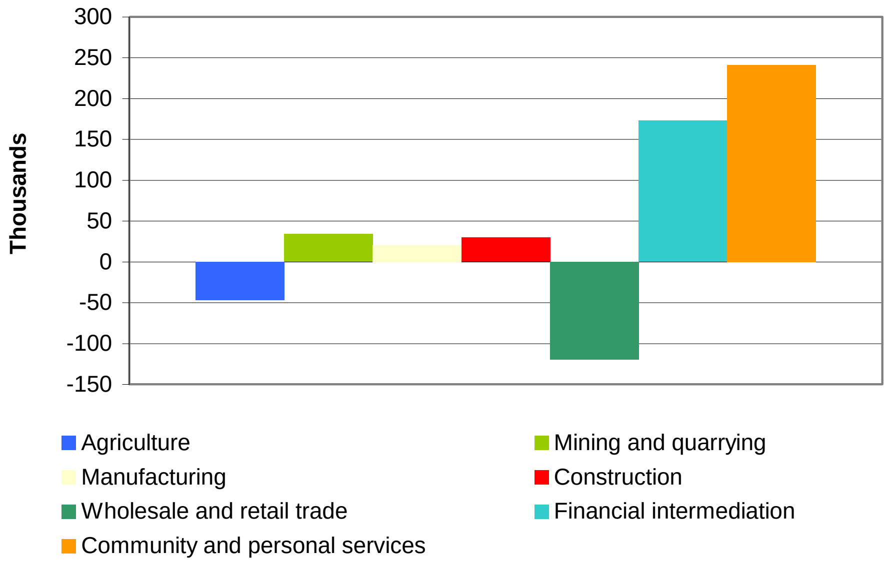


Source: Afrinem and South African Reserve Bank, 2008

1.2.7. Labour Market

The level of employment in South Africa has followed an upward trend since March 2003, with the number of employed reaching 13 306 000 in September 2007 up from 12 800 000 in March 2006. This represents a 3.95 per cent increase in the number of employed. The largest contributor to this employment creation was the community and personal services industry, followed by the financial intermediation industry and private households. Community and personal services added 241 000 jobs, while financial intermediation experienced growth in employment of 13.2 per cent, adding 173 000 jobs. Private households have created 88 000 jobs over the period of September 2006 to September 2007. These increases however, were offset by a decrease in employment in the wholesale and retail trade industries, dropping almost 4 per cent, numbering 120 000 jobs.

Figure 1.3: Changes in Employment for Selected Industries



Source: Afrinem and South African Reserve Bank, 2008

The unemployment rate has dropped substantially from 25.5 per cent in September 2006 to 22.7 per cent in September 2007. Currently, in the second quarter of 2008, unemployment sits at 23.1 per cent. The incidence of unemployment among women has decreased over the same period from 30.7 per cent to 26.1 per cent, whereas unemployment among males has dropped from 21.2 to 19.8 per cent.

The South African economy's ability to actively employ those joining the labour force has also experienced marginal improvements. The labour absorption rate for September 2007 was 43.7 per cent up from 42.7 per cent in 2006. Labour absorption of both men and women rose over the same period. Labour participation dropped marginally to 56.6 per cent from 57.3 per cent in September 2006.

According to the September 2008 Quarterly Employment Statistics (QES), employment in the formal non-agricultural business sector has increased by the seasonally adjusted annualised rate of 3.9 per cent in the first quarter of 2008. Average monthly earnings paid to employees in this sector increased by 7.2 per cent between August 2006 and August 2007. Although economic activity slowed over the first quarter of 2008, employment statistics did not decline as expected. Employers chose rather to maintain their workforce over this period. This is due to the transitory nature of the electricity crisis experienced in South Africa. However, with the current global economic slowdown, the conditions for employment in South Africa may face distinct future challenges.

Labour cost as measured by the growth in the average nominal remuneration per worker in the formal non-agricultural sector of the economy and calculated by the South African

Reserve Bank, increased substantially (12.3 per cent) in the first quarter of 2008, measured over a four-quarter period.

The year-on-year growth in nominal remuneration per worker in the private sector still outstripped that of nominal remuneration in the public sector. Average remuneration in the private sector increased with 12.6 per cent in the first quarter of 2008 compared to 6.1 per cent in the fourth quarter of 2007, whereas the growth in average remuneration in the public sector was recorded at 11 per cent in the first quarter of 2008. The majority of private sector industries experienced growth in nominal salaries and wages in excess of 10 per cent over the year to the first quarter in 2008. Also, both national and provincial departments experienced growth of 14.7 and 12.8 per cent respectively over the same year period.

The next section provides a macroeconomic forecast of the South African economy.

1.3. National Economic Outlook

This section focuses on providing a national outlook for the forecasting horizon 2008 to 2011. Formulating a realistic forward-looking outlook requires insight into the key drivers of economic performance, how these factors are likely to change and how they may be influenced by international factors and government action. The forecast results are therefore presented against the backdrop of a set of national policy assumptions as well as assumptions regarding the international environment.

1.3.1 National Policy Assumptions and the International Environment

National economic policy in South Africa at the macroeconomic level is guided by ASGISA (the macroeconomic plan for the Accelerated and Shared Growth Initiative for South Africa). It was first announced at the beginning of 2006 and sets out to halve both poverty and unemployment by 2014.

In order to achieve the goals set out by ASGISA, South African economic policy proposes output growth of at least 6 per cent. The past few years have proven the potential of the economy to achieve these rates, but this was admittedly aided by a buoyant global economic environment. Conversely, the current global uncertainty means that South African policy needs to not only address the domestic capacity constraints caused by shortages of both skilled labour and electricity infrastructure, but also the drifting current account deficit and climbing inflation rates.

The 2008/2009 National Budget was somewhat constrained by fears of a worsening global environment, a poor domestic inflationary outlook, and the unfolding electricity crisis. Despite this, the country’s fiscal and economic policies remain firmly focussed on achieving the ASGISA goals. Specific policy priorities include: employment creation and skills and education development; infrastructure enhancement and maintenance; poverty reduction; industrial development; and the improvement of public service delivery.

In light of this, the government has announced significant expected increases in private and public sector investment. Short-term infrastructure projects include the upgrading and expansion of the electricity infrastructure, aimed at minimising the harmful effects of “load-shedding” felt by the economy in early 2008. Transport infrastructure improvements also feature strongly, along with the specific developments and projects associated with preparation for the 2010 FIFA Soccer World Cup. Public sector infrastructure expenditure is in fact expected to reach 7.6 per cent of GDP by 2010/11. More specifically, capital expenditure by government is anticipated to increase by an average of between 10.9 per cent (general government) and 19.4 per cent (public corporations) between 2006 and 2010/11.

Government also recently experienced a change in leadership. The president of South Africa, Thabo Mbeki, was asked to resign by the National Executive Committee of the African National Congress (ANC) prior to the end of his second term in office, which was to expire in April next year. The deputy president of the ANC, Kgalema Motlanthe, was appointed as the new president of South Africa until the next general elections in April of 2009. Despite a mass exodus of cabinet ministers, the new president moved swiftly to appoint his new cabinet and ensure investors and fellow South Africans that he will do everything in his power to maintain stability in the country. Despite concerns that he might succumb to leftist pressures to reform the economy more aggressively, he has stated that he will keep to the prevailing policy stances, hence ensuring economic stability.

In reaction to the worsening inflation outlook, the South African Reserve Bank (SARB) raised the repurchase (repo) rate by a total of 200 basis points in 2007 and 100 basis points until October 2008. CPIX inflation for 2007 averaged at 6.5 per cent, reaching 13.6 per cent in August 2008, whilst PPI inflation continued its upward trend, measuring 13.6 per cent in February. In a monetary policy statement released by the SARB in August, it stated that the inflation forecast (and hence monetary policy decisions) is complicated by the effect of the rebasing and reweighting of the CPI basket. The rebasing will continue to cause forecast problems until figures based on the new weights are available by January 2009. However, the Bank's forecast indicates that inflation is to peak in the third quarter at a rate around 13 per cent, whereafter it will decline significantly from January 2009, mainly as a result of the reweighting and rebasing effects. However, the Bank further warned of pervasive domestic inflationary pressures. Against this backdrop, and taking note of the significant slowdown in domestic expenditure, the Bank however kept the repo-rate unchanged at the latest Monetary Policy Committee meeting in August 2008.

Further concerns raised by the Bank include the volatile international financial environment caused by the US subprime lending crisis, which is expected to have a significant effect on already dwindling global growth, leading to fears of a world recession. Consequently, the main drivers of domestic inflation are no longer limited to over-heated domestic demand and expenditure, but also international (cost-push) forces – namely rising international food and fuel prices. Food prices are being driven by high grain prices worldwide, and by increased demand for the use of food crops as biofuels. Fuel prices remain high, but dwindling global growth prospects and hence lower demand for such products is expected to further exert downward pressure to temper these prices.

The current account balance, dropping to -7.3 per cent of GDP in the second quarter of 2008, is also presently a concern. The deficit is expected to worsen due to declining exports caused by electricity shortages and increasing imports of electricity-saving technologies. The financial account of the balance of payments still indicates a dependence of the South African economy on short-term portfolio investment, which further increases the economy's vulnerability to external investment shocks. The above inflationary pressures are expected to be further exacerbated by a significantly depreciating rand – this in itself due to global risk aversion to emerging markets.

Due to the fact that food prices are not expected to stabilise until later on in 2008, and that significantly higher electricity tariffs can be anticipated, coupled with steadily rising fuel prices, the inflationary outlook of the SARB is poor. In fact, it is envisaged that CPIX inflation will not revert back to the target band of 3 – 6 per cent within the next two years.

World growth declined to 3.7 per cent in 2007, and the global economy is facing increasingly restrictive challenges. The US recession, largely due to a slump in the housing market and the subprime lending crisis, is widely regarded as the driving force that is dragging down the global economy. The forecast for global economic growth in 2008 is 3.4 per cent, perpetuating the decreasing trend. Thereafter, it is anticipated that world markets will begin to rebound, and global GDP is forecast to grow at 5 per cent by 2011.

Monetary policy is expected to remain neutral in both the United States and the EU, whilst Japan is expected to raise interest rates in 2008. Global fiscal policy stances will continue to be guided mainly by individual countries' budget policies or other general policy statements.

The assumptions underlying the forecast include a world recession, which given its nature and extent, is not expected to be resolved in the medium run. The subsequent significant slowdown in world trade is expected to result in a drop in commodity prices in the medium run. However, coordinated international policies are expected to facilitate a slow recovery in world growth from 2010.

1.3.2 Outlook for the National Economy, 2008 – 2011[1]

Forecast values for a selection of macroeconomic indicators over the forecasting horizon 2008 to 2011 are presented in Table 1.2. A discussion of the results contained in the table follows.

[1] The forecast results discussed in this section are prepared by the African Institute for Economic Modelling (Afrinem) at the University of Pretoria's Department of Economics, based on their macro-econometric model. Therefore, the forecast does not necessarily agree with that of National Treasury (see Budget Review 2008). The macro-econometric model used is a neoclassical supply-side model with a well-developed supply-side specification on the national level.

Table 1.2: Forecast of Selected Indicators of National Economy, 2008 – 2011

			2005	2006	2007	2008	2009	2010	2011
Gross Domestic Product	00P	Rm	1,115,135	1,175,216	1,235,627	1,277,638	1,317,245	1,372,569	1,434,335
% change			5.0	5.4	5.1	3.4	3.1	4.2	4.5
Gross Domestic Expenditure	00P	Rm	1,150,916	1,256,730	1,332,327	1,403,261	1,452,817	1,524,125	1,606,162
% change			5.7	9.2	6.0	5.3	3.5	4.9	5.4
Final Consumption Total expenditure by households	00P	Rm	731,620	791,947	847,122	867,453	883,067	913,091	947,789
% change			6.9	8.3	7.0	2.4	1.8	3.4	3.8
Final Consumption Expenditure by Gen. government	00P	Rm	213,566	224,717	235,851	245,993	255,832	266,066	276,708
% change			4.9	5.2	5.0	4.3	4.0	4.0	4.0
Gross fixed capital formation	00P	Rm	194,047	220,780	253,464	280,838	304,990	336,099	372,398
% change			8.9	13.8	14.8	10.8	8.6	10.2	10.8
Exports of goods & services	00P	Rm	295,580	312,173	338,038	344,123	349,629	365,712	386,191
% change			8.0	5.6	8.3	1.8	1.6	4.6	5.6
Imports of goods & services	00P	Rm	331,361	393,687	434,738	462,561	481,989	514,764	556,975
% change			10.4	18.8	10.4	6.4	4.2	6.8	8.2
Balance on the current account		Rm	-62,179	-112,346	-145,016	-173,660	-199,261	-234,827	-262,067
% of GDP			-4.0	-6.5	-7.3	-7.6	-7.8	-8.2	-8.2
Disposable income of households Per capita	00P	Rm	15,471	16,434	17,355	17,959	18,533	19,330	20,219
% change			5.1	6.2	5.6	3.5	3.2	4.3	4.6
Consumer Price index		2000 =100	128.0	133.9	143.5	157.4	168.8	179.6	189.6
% change			3.4	4.6	7.2	9.7	7.2	6.4	5.6
Production Price index		2000 =100	133.9	144.1	158.7	234.5	251.5	267.6	282.1
% change			2.9	7.6	10.1	9.2	7.2	6.4	5.4
M3-money supply	00P	Rm	1,101,130	1,349,293	1,668,320	1,968,618	2,244,224	2,513,531	2,815,155
% change			20.5	22.5	23.6	18.0	14.0	12.0	12.0
Short term interest rate		%	6.93	8.97	10.97	12.64	10.80	8.00	7.00
Long term interest rate		%	7.6	7.8	8.3	14.6	10.2	9.4	8.6
Exchange rate (SA cents/US dollar) Average		R/$	636.23	676.72	705.44	850.00	820.00	790.00	750.00
% change			2.9	7.6	10.1	20.5	-3.5	-3.7	-5.1
Wage rate (Formal sector) at current prices		2000 =100	143.74	156.33	169.47	186.70	201.63	216.15	229.98
% change			7.8	8.8	8.4	10.5	8.0	7.2	6.4
Employment, formal sector		Mill	9.634	9.800	10.094	10.04	10.33	10.73	11.14
% change			1.4	1.7	3.0	2.1	2.9	3.8	3.8
Employment rate (formal and informal sectors) (LFS)		%	0.74	0.75	0.75	0.76	0.77	0.78	0.79
% change			1.9	1.6	0.7	0.8	0.5	1.3	2.0
Gross National Saving		Rm	216,174	243,078	281,648	286,905	316,082	357,964	405,396
% change			7.1	12.5	15.9	1.9	10.2	13.3	13.3
% of GDP			14.0	14.0	14.1	12.6	12.4	12.5	12.7

Source: Afrinem, March 2008
Note: Formal sector includes both agricultural and non-agricultural sectors.

Domestic expenditure, contained by contractionary monetary policy, is expected to contract from an average growth rate of 6 to 5.3 per cent in 2008. Imports of goods and services are consequently expected to grow at a rate of 6.4 per cent for 2008 down from 10.4 per cent in 2007, while growth in exports of goods and services, hampered by electricity shortages and depressed demand in the world economy is expected to slow down significantly from 8.3 to 1.8 per cent in 2008.

The deficit of the current account of the balance of payments is also expected to increase to 7.6 per cent of GDP in 2008. This, along with the international financial market crises, resulted in a significant depreciation in the rand exchange rate in 2008. However, the expected stabilisation in the world economy and financial markets on the back of coordinated international policies along with a slowdown in domestic consumption demand will result in a recovery in the value of the rand against the major currencies. The current long-run equilibrium level of the rand, based on structural fundamentals, is estimated at R7.50 against the US Dollar.

Economic growth, which has been primarily boosted by strong domestic demand, is unsustainable at levels exceeding 4.3 per cent given the current output potential and available capacity of the South African economy. Should levels of domestic demand exceed those of production; the result will be further increasing rates of domestic inflation and higher interest rates, thereby hampering economic growth over the medium term. After expanding at a rate of over 5 per cent in 2007, real GDP growth is therefore expected to slow down to an average rate of 3.4 per cent for 2008 and 3.1 per cent for 2009. Increased investment expenditure in preparation for the 2010 FIFA World Cup will counteract some of the global and domestic downward pressures and provide a moderate, yet increasing impetus for output growth over the latter part of the forecasting period.

The growth in domestic demand will be primarily fuelled by continued strong increases in gross fixed capital formation, by the private and public sectors, mainly as a result of South Africa's hosting of the Soccer World Cup in 2010. Gross fixed capital formation is expected to grow at robust levels of between 8.6 and 10.8 per cent over the forecast period, albeit down from the 2007 rate of 14.8 per cent. However, the slow increases in gross national saving, hovering around 12.5 per cent of GDP, serve as a considerable impediment to sustained increases in fixed capital formation and thereby productive economic growth.

Real government consumption expenditure, which is expected to grow at 4.3 per cent in 2008, down from 5 per cent in 2007, will provide some stimulus to the economy – a result made possible by higher levels of government revenue on the back of more efficient tax collections. The lower growth however is due to a propensity towards fiscal discipline in the current high-inflation environment. Government consumption is thereafter expected to grow at levels not exceeding 4 per cent over the forecasting period, reflecting a moderately expansionary fiscal policy. The government will continue to increase spending on law and order, infrastructure, education, the HIV/Aids programmes and other social sectors, but will also continue with plans to increase the efficiency and accountability of fiscal expenditure.

Private household consumption expenditure is forecast to increase by only 2.4 per cent in 2008, significantly down from a rate of 7 per cent in 2007, and thereafter slowing down further to between 1.8 and 3.8 per cent for the remainder of the forecast horizon. This dwindling of the growth in household consumption in 2008 is primarily driven by the high-interest rate environment presently being felt, along with the residual effects of the introduction of the National Credit Act in 2007. Growth in household disposable income is also expected to slow down to 3.5 per cent in 2008, recovering to 4.6 per cent by 2011. This too will serve to contain growth in household consumption expenditure.

The current account deficit of 7.27 per cent of GDP in 2007 resulted from weak export earnings relative to strong increases in imports ascribed to the electricity shortage and high imports of electricity-saving technologies, a sluggish world economy and a depreciating rand. This trend is expected to continue, with the current account deficit forecast to widen to 7.6 per cent of GDP in 2008 and 8.2 per cent by 2011. Due to the domestic production constraints brought about by electricity and skilled labour supply shortages, as well as the depressed international economy, exports are expected to grow at a drastically slower rate of 1.8 per cent in 2008. However, exports are expected to pick up momentum to grow at rates between 4.5 and 5.5 per cent over the forecast horizon. Export growth will be fuelled by a recovery in world demand and commodity prices, and supported by relatively stronger terms of trade, resulting in export earnings counterbalancing the strong increases in imports. After declining to rates of 6.4 and 4.2 per cent in 2008 and 2009 respectively, import growth, spurred by a demand for energy-saving technologies and an anticipated improvement in domestic demand, is expected to recover to steady growth levels between 7 and 8 per cent over the remainder of the forecast horizon.

After a significant slump in the rand to an average of R8.50 against the US Dollar in 2008 courtesy of international market uncertainty, the Rand exchange rate is expected to recover over the forecast period. The analysis supporting the results in this report suggests that the rand is not severely over-valued, and that there is minimal downward pressure on the rand over the forecast horizon. Primarily based on price differentials, the rand is expected to strengthen slightly against the US dollar in 2009, averaging R8.20/US$ for the year. Further appreciations for 2010 and 2011 are also expected, namely to R7.90/US$ and R7.50/US$, respectively. The current long-run equilibrium level of the Rand, based on structural fundaments, is estimated at R7.50 to the US Dollar.

After inflation figures were contained for a number of months, consumer price inflation began to climb in 2007. Inflation is expected to reach a plateau in 2008 with a predicted average rate of 9.7 per cent, and is only expected to fall back to within the 3 to 6 per cent target range in 2010. Factors that are expected to bring inflation in line are a relatively strong, yet slightly depreciating rand and the South African Reserve Bank's determination to peg CPIX back. On the back of a forecasted decline in inflation, monetary policy is expected to ease over the forecast horizon. Interest rates are expected to drop between 2 and 3 percentage points during 2009.

Even though the economy has been growing at rates in excess of 4 per cent in the past, the alarming characteristic of this growth is its inability to resolve the severe unemployment problem in South Africa. Due to capacity constraints in the South African economy, primarily as a consequence of structural constraints associated with the labour market, South Africa experiences a divergence of economic growth and employment creation. Employment rate growth (based on total employment including both the formal and informal sectors) will hardly, if at all, be supported by the demand-driven output growth and is not expected to break the shackles of the one to two per cent range over the forecast period, compared with output growth in excess of 4 per cent from 2010 onwards. It is evident that the unemployment problem, although partly cyclical in nature, is primarily hampered by structural impediments retarding the ability of the wage-price mechanism to resolve the problem.

Furthermore, although we have seen income shifts between population groups over the past decade, the generally skew distribution of wealth and income in South Africa is unlikely to change substantially in the near future, especially when viewed against the backdrop of continuing high and sticky levels of unemployment.

Entering an era of hope based on a stable and buoyant first economy, the major challenge for government is the successful implementation of ASGISA towards generating sustainable growth and significant poverty reduction.

1.4 Conclusion

Despite depressed global economic conditions, the South African economy has remained relatively resilient in 2008. In the first two quarters of 2008, the economy grew at 2.1 and 4.9 per cent respectively. It is expected that economic growth is going to slow to 3.4 per cent in 2008 from 5.1 per cent in 2007.

Further downside trends in the South African economy include inflationary pressures leading to tighter monetary policy in the short- to medium-term. The current account deficit remains a concern, forecast to expand from 7.3 per cent in 2007 to 8.2 per cent in 2011.

Entering a new era, after a relatively tumultuous year, it is expected that the South African economy will remain fairly robust, and that the government will continue to successfully implement ASGISA to generate sustainable and significant growth and poverty reduction.

Chapter 2: Provincial Economic Performance and Outlook

2.1 Introduction

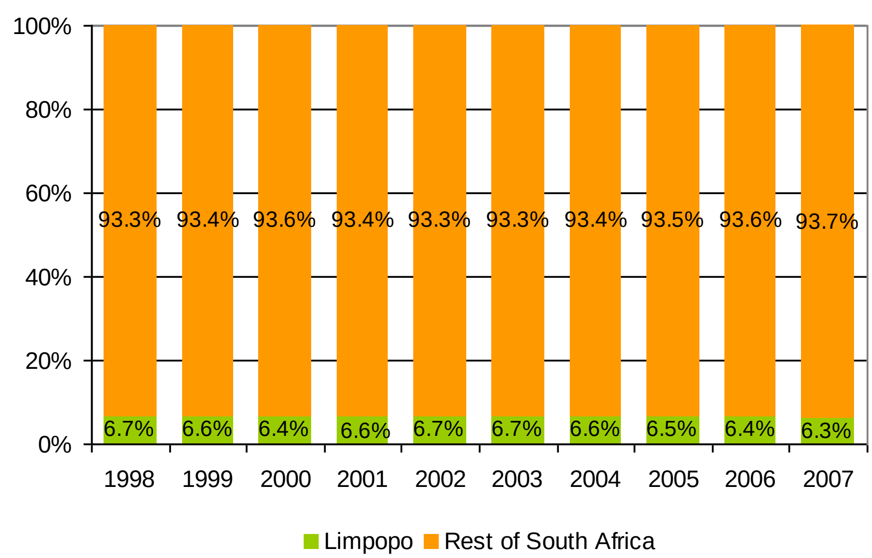
This chapter provides a comprehensive analysis of the Limpopo economy. It commences with a discussion of the performance of the provincial economy in terms of production, including key comparisons between sectors and districts. Consumption and expenditure behaviour of Limpopo households is assessed next, again comparing consumption categories and national and provincial trends. The trade components of the provincial economy, namely its exports and imports, are analysed, followed by in-depth discussions of high- and low-growth sectors in terms of these components. The chapter concludes with a forecast of sectoral output.

2.2 Performance of the Limpopo Economy

2.2.1 Provincial Production

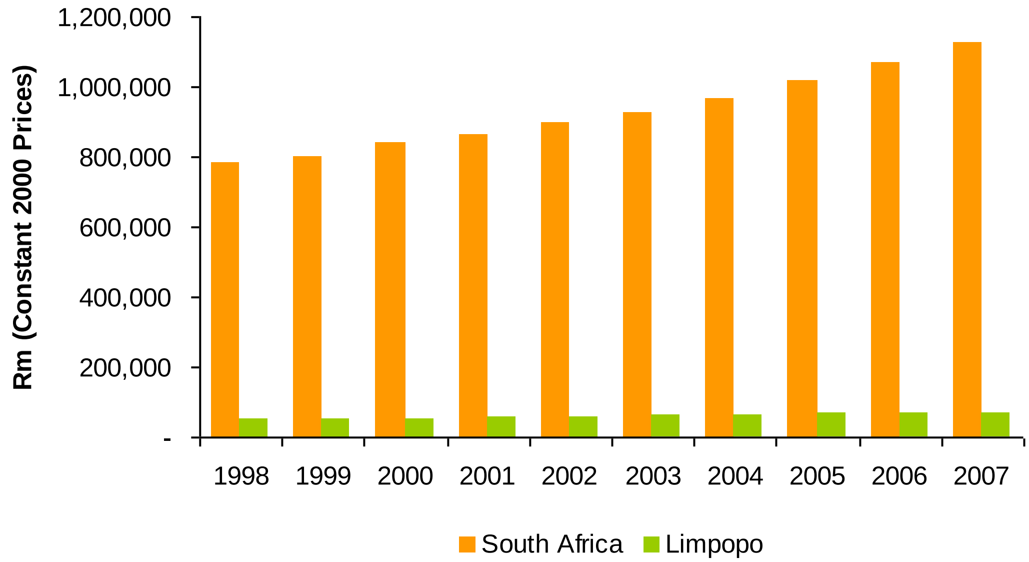
An economy that experiences a sustained increase in its gross domestic product (GDP) over a long period of time will achieve an improvement in the living standard of its citizens. Limpopo is the northern-most province in South Africa, and comprises 11.6 per cent of the total population of the country, but contributes less than 10 per cent of the country's total output every year, generating 6.3 per cent of total South African GDP in 2007. Figures 2.1 and 2.2 reveal that the share of Limpopo in South Africa's economic growth has remained constant over the last decade, with a marginal fall recorded in 2007.

Figure 2.1: Contribution of Limpopo to National Output, 1998 – 2007



Source: Afrinem and Quantec Research, 2008

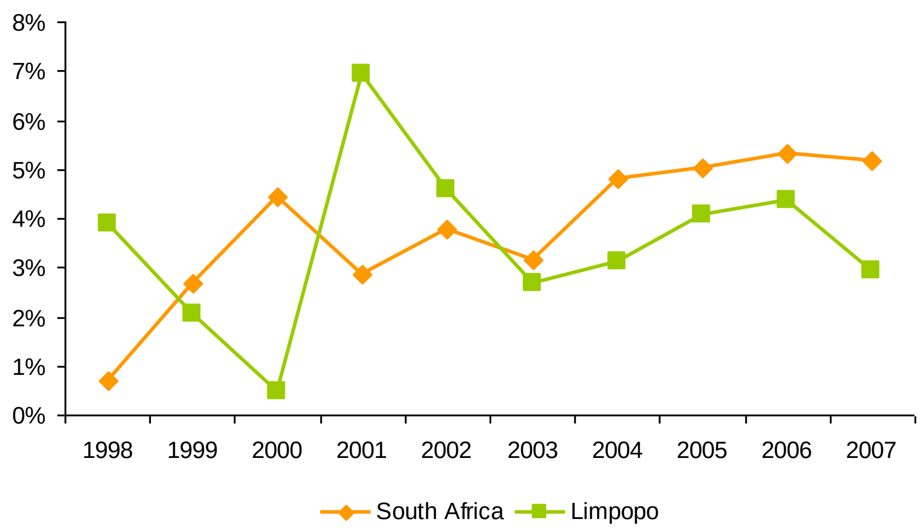
Figure 2.2: Real GDP, South Africa and Limpopo, 1998 – 2007



Source: Afrinem and Quantec Research, 2008

Figure 2.3 compares real annual economic growth rates in Limpopo with those of South Africa over the last decade. Limpopo's growth performance has consistently been below the national average, except in 1998, 2001 and 2002. For the remainder of the period, Limpopo has not kept up with national growth, although it has tracked a similar, albeit diverging, path to the national economy since 2003.

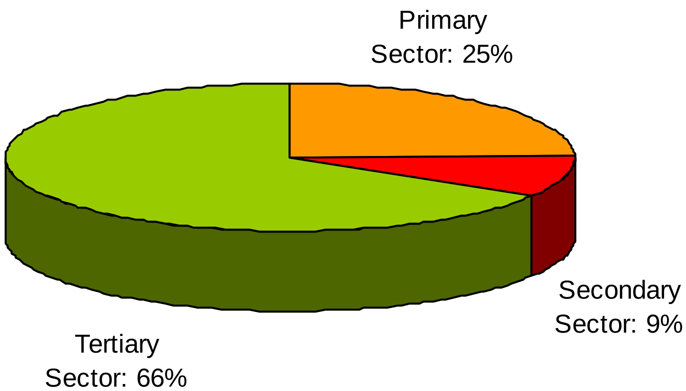
Figure 2.3: Annual Real Economic Growth Rates, South Africa and Limpopo, 1998 – 2007



Source: Afrinem and Quantec Research, 2008

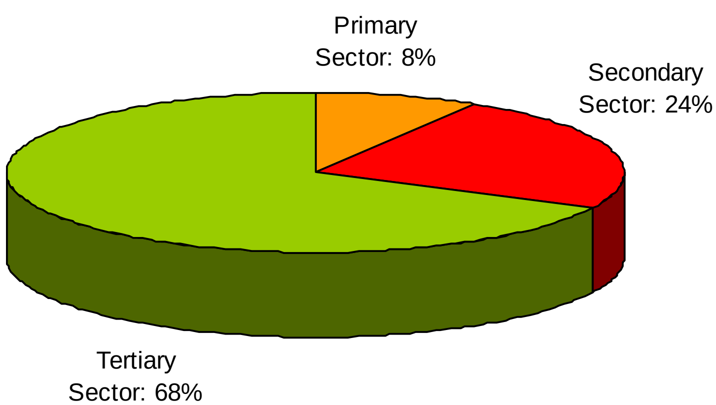
The sectoral contributions of the broad primary, secondary and tertiary industries to provincial and national output are shown in Figures 2.4 and 2.5. The primary sector plays a larger role in the Limpopo economy than the national economy, whilst the role of the secondary sector is more pronounced in the national economy than the Limpopo economy. The tertiary sector has the largest share in both the Limpopo and national economies, contributing 66 per cent and 68 per cent to total output respectively.

Figure 2.4: Broad Sectoral Contributions to Output, Limpopo, 2007



Source: Afrinem and Quantec Research, 2008

Figure 2.5: Broad Sectoral Contributions to Output, South Africa, 2007



Source: Afrinem and Quantec Research, 2008

An analysis of the growth in contributions of the primary, secondary and tertiary industries to output in Limpopo from 2000 to 2007 is presented in Table 2.1. It is evident that the tertiary sector has shown the most consistently rising growth rates, while the secondary sector has experienced more fluctuations in growth performance. The secondary sector did however perform better than the tertiary sector in 2000, 2002, 2004 and 2007, with growth rates of 7.4, 4.5, 4.3 and 5.8 per cent respectively. Primary sector growth in Limpopo is waning and has recorded negative rates since 2006. It would thus appear from this Table that the tertiary sector is a key target area for the Limpopo provincial government in terms of growth development strategies.

Table 2.1: Gross value-added (Constant 2000 prices) and Growth per Sector, Limpopo, 2000 – 2007

		2000	2001	2002	2003	2004	2005	2006	2007
Primary Sector	**Rm**	13,724	15,424	16,612	17,111	17,330	17,719	17,537	17,367
	%	-1.8%	12.4%	7.7%	3.0%	1.3%	2.2%	-1.0%	-1.0%
Secondary Sector	**Rm**	5,145	5,147	5,381	5,439	5,673	5,891	6,240	6,599
	%	7.4%	0.0%	4.5%	1.1%	4.3%	3.8%	5.9%	5.8%
Tertiary Sector	**Rm**	34,274	36,280	37,481	38,550	39,991	41,965	44,680	46,504
	%	0.5%	5.9%	3.3%	2.9%	3.7%	4.9%	6.5%	4.1%

Source: Afrinem and Quantec Research, 2008

The major contributors to the three broad industry categories are shown in Table 2.2. In Limpopo, the bulk of the primary sector is accounted for by mining and quarrying (91 per cent), whilst manufacturing makes the largest contribution to the secondary sector (41 per cent). The predominant industry in the tertiary sector is general government services (28 per cent) followed closely by finance and business services (26 per cent).

Table 2.2: Broad Sectoral Contributions to Output, Limpopo, 2007

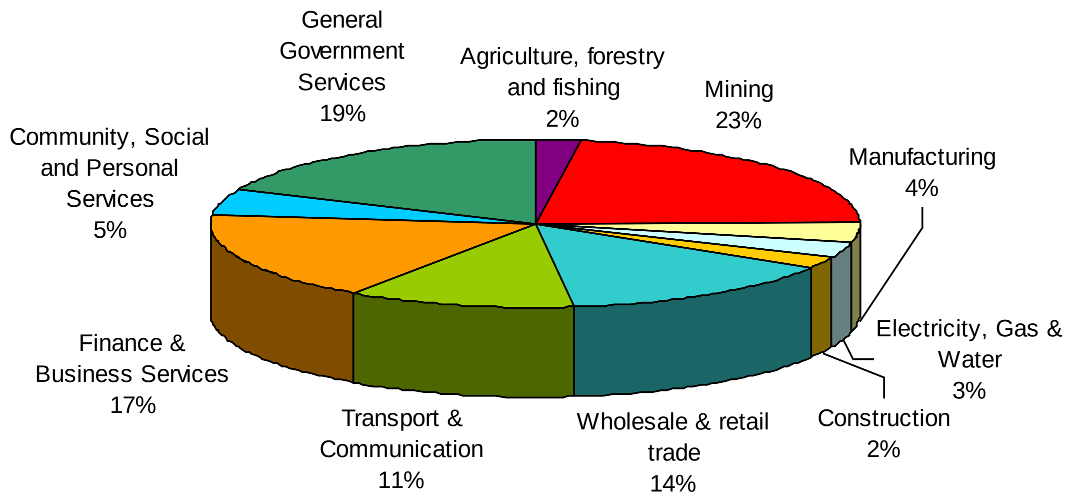
Primary Sector		**Secondary Sector**		**Tertiary Sector**	
		Manufacturing	41%	Wholesale and retail trade	21%
Agriculture, forestry and fishing	9%	Electricity, Gas and Water	34%	Transport and communication	17%
Mining and Quarrying	91%	Construction	25%	Finance and business services	26%
				Community, social and personal services	8%
				General government services	28%

Source: Afrinem and Quantec Research, 2008

A detailed dissemination of sectoral output in Limpopo is shown in Figure 2.6 below. The tertiary and primary sectors were the largest contributors to the province's GDP in 2007 at 66 and 25 per cent respectively. A major role-player in the primary sector, and indeed the largest industry in Limpopo, is the mining and quarrying industry, contributing 23 per cent to total output – this is identified in the PGDS as a target cluster, along with tourism and agriculture. The key tertiary industries are general government services (19 per cent of total output) and finance and business services (17 per cent of total output).

The smallest sector in Limpopo is the secondary sector, contributing approximately 9 per cent of total output. Of this, the construction industry comprised the smallest component of provincial output of 2 per cent.

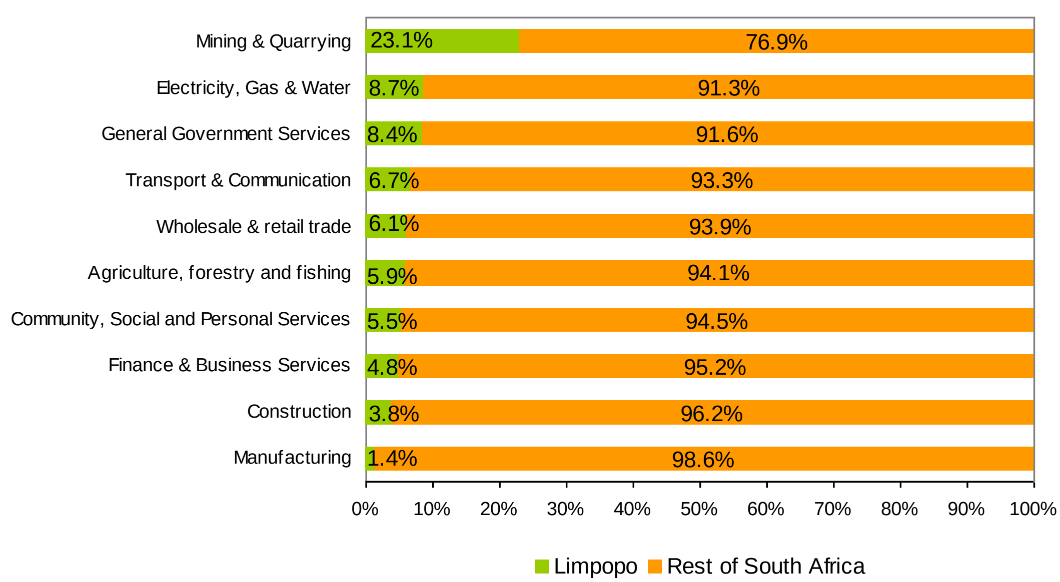
Figure 2.6: Specific Sectoral Contributions to Output, Limpopo, 2007



Source: Afrinem and Quantec Research, 2008

Limpopo's contribution to sectoral output in South Africa is shown in Figure 2.7. Quite apparent is the fact that Limpopo's mining and quarrying industry accounts for nearly one quarter of that of the national economy. The remaining sectors, however, are smaller role-players in the national economy contributing less than 10 per cent to total output.

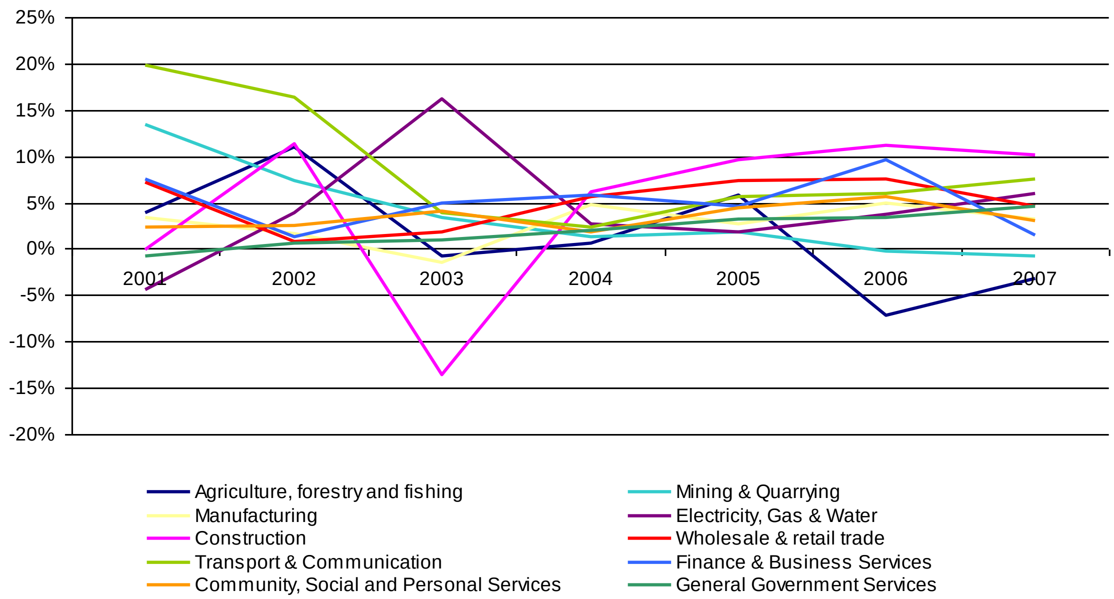
Figure 2.7: Limpopo's Contribution to National Sectoral Output, 2007



Source: Afrinem and Quantec Research, 2008

Figure 2.8 shows the annual growth rates of all sectors of the Limpopo economy. Most noticeable is the increasing positive growth in the construction sector since 2004, which expanded from 6.1 per cent in 2004 to 11.1 per cent in 2006, declining marginally to 10.1 per cent in 2007. Other sectors that have maintained a consistent growth path since 2004 are general government services, and transport and communication. Negative growth rates were recorded in the primary sector industries, namely agriculture, forestry and fishing, and mining and quarrying, in 2006 and 2007.

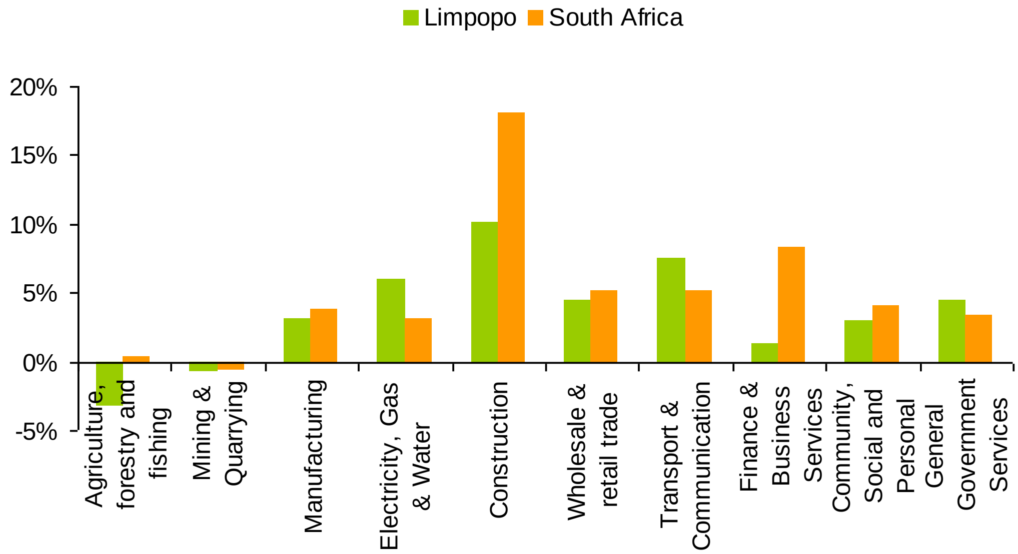
Figure 2.8: Growth in Production Sectors, Limpopo, 1998 – 2007



Source: Afrinem and Quantec Research, 2008

In Figure 2.9 growth per sector in Limpopo is compared to that of South Africa for 2007. It is apparent that sectoral growth in the province is predominantly below that of the national average, particularly in the construction, financial, wholesale and agriculture sectors. In general though, the sectoral growth rates in the province follow similar trends to those of the national economy.

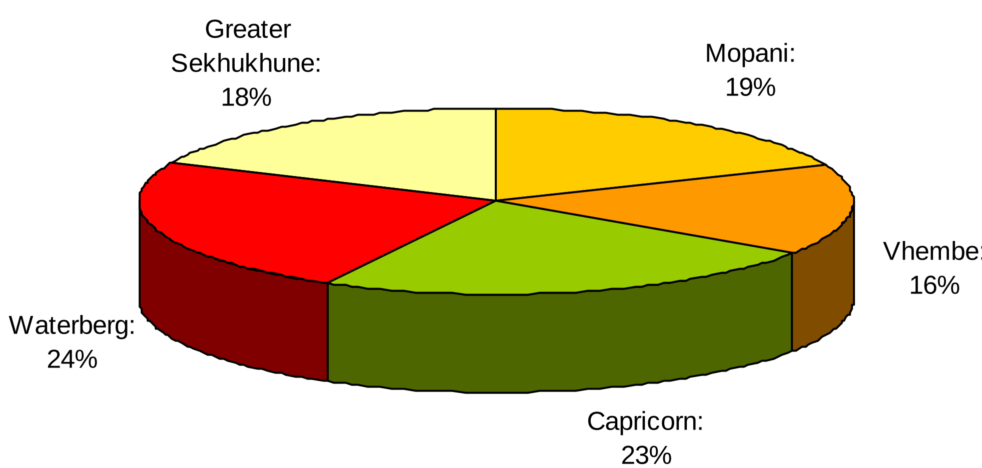
Figure 2.9: Sectoral Growth, Limpopo and South Africa, 2007



Source: Afrinem and Quantec Research, 2008

In terms of district municipalities' contributions to Limpopo's output in 2007 (Figure 2.10 below), the spread appears to be relatively even. The Waterberg District Municipality is the province's largest contributor with 24 per cent of economic activity, while the Vhembe District Municipality is the smallest contributor with about 16 per cent of total output.

Figure 2.10: Municipal Contributions to Output, Limpopo, 2007



Source: Afrinem and Quantec Research, 2008

Table 2.3 presents the location quotient for Limpopo in 2007. The location quotient is a tool used to measure the significance of an economic sector in the province relative to the same sector at the national level.[2] This tool is used to further clarify the structural economic challenges facing a province. A desirable result is for the location quotient to exceed one.

Table 2.3: Limpopo Location Quotient, 2007

Contribution to output	**Limpopo**	**South Africa**	**Location Quotient Limpopo**
Primary Industries	***24.5%***	***8.5%***	**5.3**
Agriculture, forestry and fishing	*2.3%*	*2.4%*	1.6
Mining and quarrying	*22.2%*	*6.1%*	6.4
Secondary Industries	***9.4%***	***23.7%***	**0.7**
Manufacturing	*3.9%*	*17.7%*	0.4
Electricity, gas and water	*3.2%*	*2.3%*	2.8
Construction	*2.3%*	*3.8%*	1.1
Tertiary Industries	***65.6%***	***67.8%***	**1.7**
Wholesale and retail	*14.0%*	*14.4%*	1.7
Transport and communication	*11.4%*	*10.7%*	1.9
Finance and business services	*16.9%*	*22.7%*	1.3
Community, social and personal services	*5.0%*	*5.8%*	1.6
General government services	*18.3%*	*13.7%*	2.4
All Industries	***99.5%***	***100%***	**1.8**

Source: Afrinem, 2008

At the national level the industries that contributed most to the GDP in 2007 are finance and business services, manufacturing, wholesale and retail trade, general government services, transport and communication, and mining and quarrying respectively.

The Limpopo location quotient is higher in mining and quarrying with a value of 6.4 followed by electricity, gas and water with 2.8. The lowest location quotient is in the manufacturing industry with a value of 0.4 – a decline from the 0.5 recorded in 2004. Overall, Limpopo has a very strong location quotient in the primary sector (5.3) and the location quotient for the entire province (all industries) exceeds one, which is acceptable.

2.2.2 Provincial Consumption Expenditure

This section analyses the trends in total final consumption expenditure by private households in Limpopo. For comparative purposes this is often expressed in relation to total consumption expenditure by private households in South Africa. This is done for the period 1995 to 2007. Also considered are the types of goods, divided into different categories of consumables that households in Limpopo would typically consume.

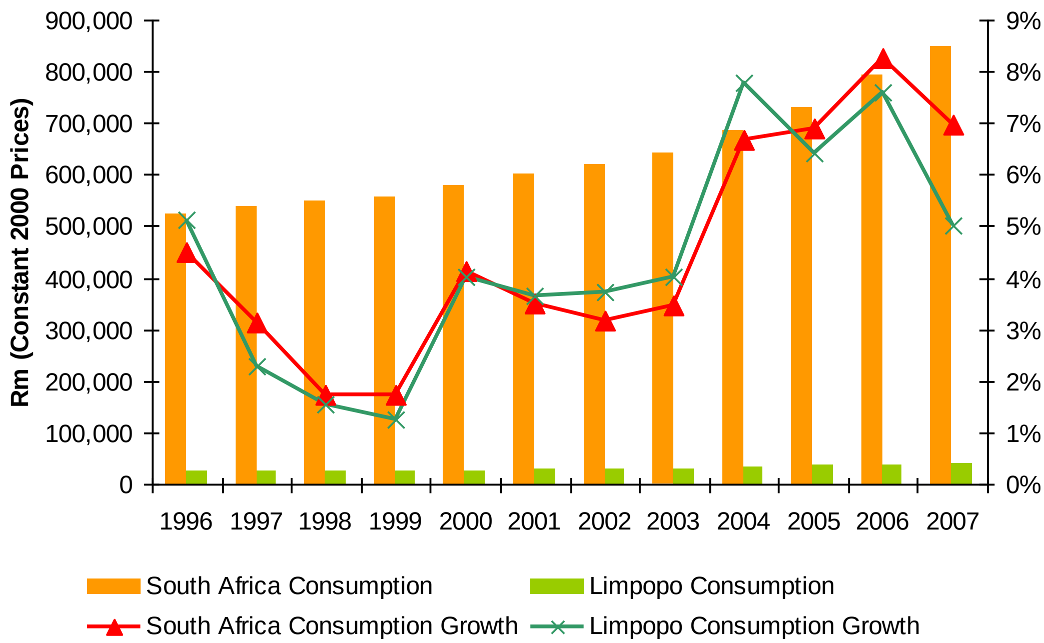
Household consumption expenditure in South Africa increased steadily in real terms from approximately R500bn in 1995 to absolute levels of R850bn in 2007. In

[2] The location quotient is calculated as the ratio of provincial sectoral contribution to provincial GDP growth (2.9% in 2007) divided by the ratio of national sectoral contribution to national GDP growth (5.2%).

comparison, Figure 2.11 below shows that household consumption in Limpopo also increased from levels of approximately R24bn to R40bn during the same period.

In terms of real growth rates in total final consumption expenditure by households in Limpopo, it is evident from Figure 2.11 that final consumption expenditure in the province expanded at higher rates than was the case in the national economy between 2001 and 2004. For the remainder of the sample period, Limpopo recorded lower consumption growth rates than the national economy. A significant drop in Limpopo's household consumption expenditure growth was recorded in 2007 (5 per cent, down from 7.6 per cent in 2006). This has created a divergence between the growth paths in consumption of the province and the national economy.

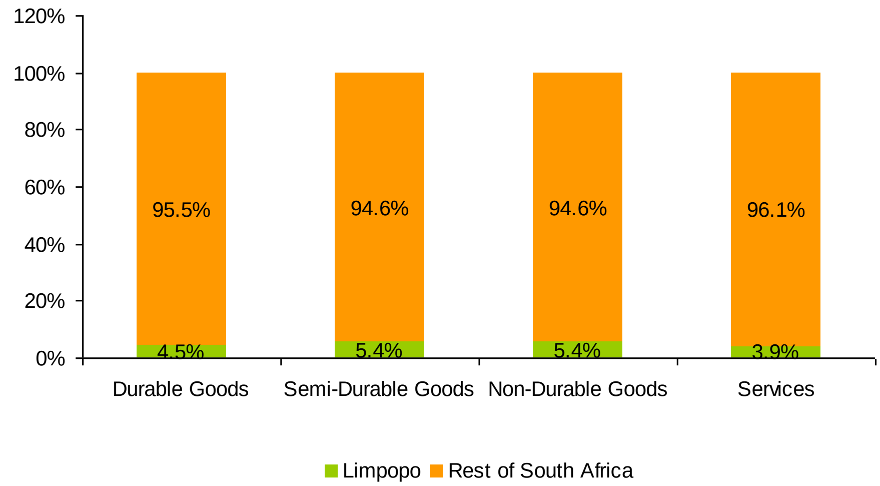
Figure 2.11: Total Final Private Consumption Expenditure, South Africa and Limpopo, 1995 – 2007



Source: Afrinem and Quantec Research, 2008

The contributions of Limpopo households to overall national private consumption expenditure in the four broad categories of consumption are shown in Figure 2.12 below. Across all categories Limpopo contributes on average 5 per cent to total national consumption expenditure.

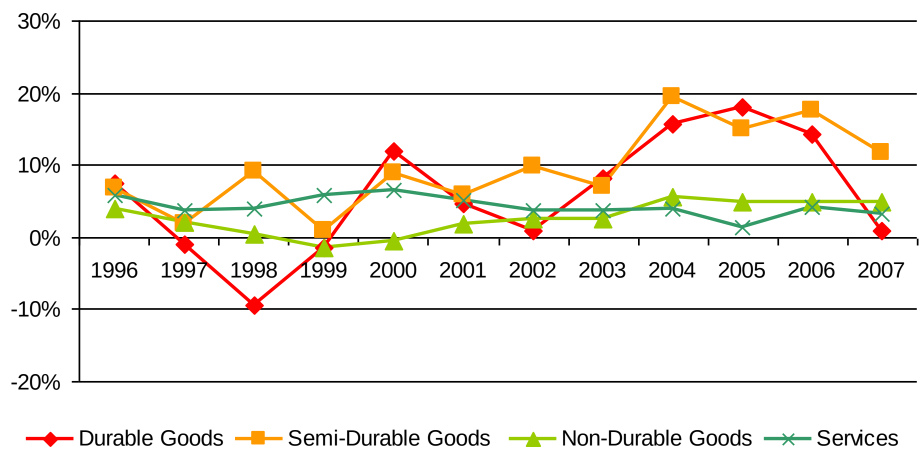
Figure 2.12: Contribution of Limpopo to National Consumption, 2007



Source: Afrinem and Quantec Research, 2008

Figure 2.13 below shows growth in the broad expenditure categories in Limpopo from 1996 to 2007. It appears that the fastest expanding consumption goods in the province are semi-durable goods. However, growth in consumption of these goods declined in 2007 to 11.8 per cent from 17.4 per cent in 2006, largely due to a contraction in expenditure on motor car accessories and parts and miscellaneous goods of 1 per cent and 9 per cent respectively. Durable goods experienced a significant decline in growth in 2007 to 0.9 per cent from 14.2 per cent in 2006, primarily caused by a decrease in the growth of personal transport equipment consumption of approximately 8 percent.

Figure 2.13: Growth in Consumption Categories, Limpopo, 1996 – 2007

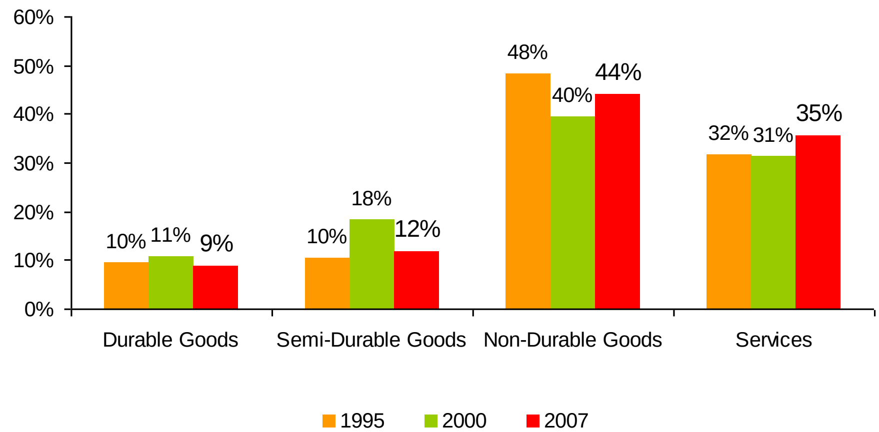


Source: Afrinem and Quantec Research, 2008

Figure 2.14 below shows the shares of the broad consumption categories of total consumption in Limpopo. Household expenditure in Limpopo is predominantly on non-durable goods (44 per cent of total consumption in 2007) and has been so since 1995. This is closely followed by services (35.5 per cent in 2007). The importance of non-durable goods in Limpopo households however appears to have declined since 1995, whilst the significance of services has increased over the same period.

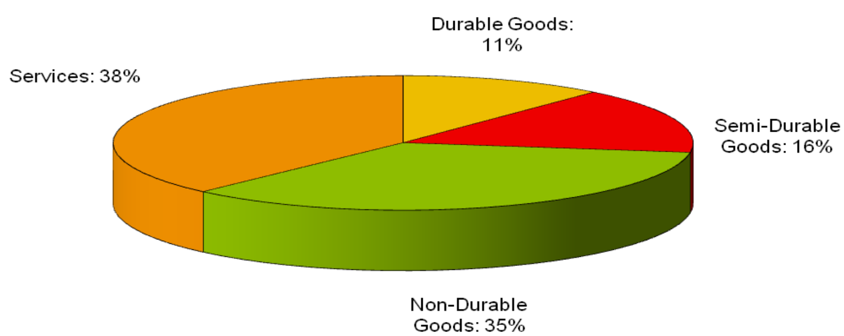
These figures are slightly different to those of the national figures, shown in Figure 2.15. In South Africa as a whole, consumption of services comprises the largest share of total expenditure (38 per cent in 2007), followed closely by non-durable goods (35 per cent).

Figure 2.14: Shares of Household Expenditure, Limpopo: 1995, 2000 and 2007



Source: Afrinem and Quantec Research, 2008

Figure 2.15: Shares of Household Expenditure, South Africa, 2007



Source: Afrinem and Quantec Research, 2008

A more expansive breakdown of the consumption categories in Limpopo, along with their contribution to overall provincial household expenditure is shown in Table 2.4. Notable trends indicated include: the contribution of food, beverages and tobacco to total consumption (by far the largest component of household consumption in the province) has declined steadily from over 28 per cent in 2000 to 26 per cent in 2007; the contribution of petroleum products has declined from approximately 4 per cent in 2000 to 3 per cent in 2007; and the contribution of clothing and footwear to total consumption has increased dramatically from 7.5 per cent in 2000 to 12.9 per cent in 2007.

Table 2.4: Household Consumption Expenditure by Category, Limpopo, 2000 – 2007

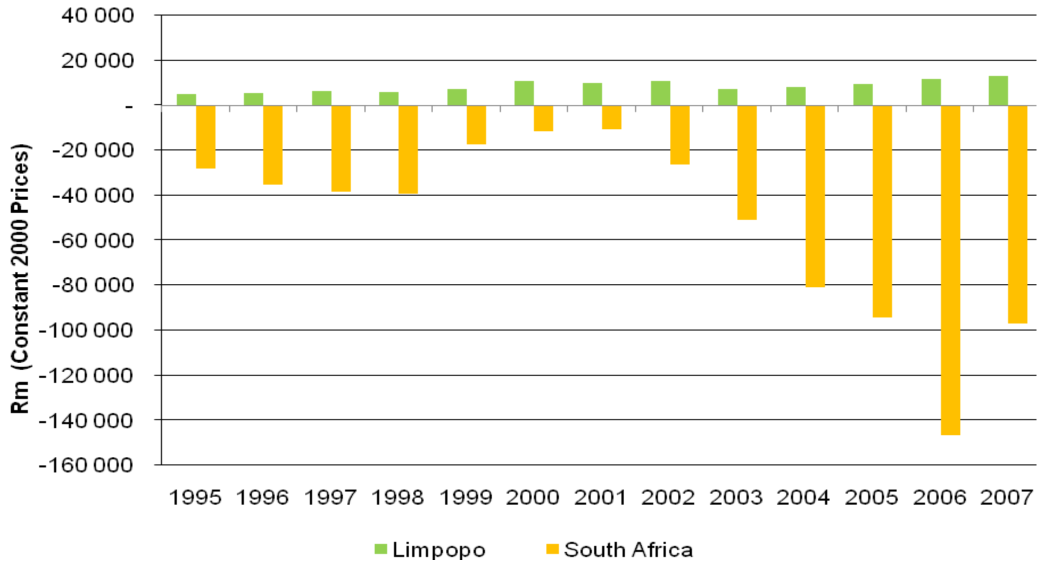
Total Value (Rm, Constant 2000 Prices) Share of Total (%)	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Durable goods: Furniture, household appliances, etc	687	698	715	755	813	923	1082	1147
	2.5%	2.4%	2.4%	2.4%	2.4%	2.6%	2.8%	2.9%
Durable goods: Personal transport equipment	1255	1339	1314	1397	1659	2039	2308	2125
	4.5%	4.7%	4.4%	4.5%	5.0%	5.8%	6.1%	5.3%
Durable goods: Recreational and entertainment goods	256	274	301	377	482	544	627	762
	0.9%	1.0%	1.0%	1.2%	1.4%	1.5%	1.6%	1.9%
Durable goods: Other durable goods	235	236	238	246	257	281	309	329
	0.9%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Semi-durable goods: Clothing and footwear	2063	2229	2512	2703	3267	3768	4459	5174
	7.5%	7.8%	8.5%	8.8%	9.8%	10.6%	11.7%	12.9%
Semi-durable goods: Household textiles, furnishings, glassware, etc	538	560	593	643	756	863	996	1036
	1.9%	2.0%	2.0%	2.1%	2.3%	2.4%	2.6%	2.6%
Semi-durable goods: Motor car tyres, parts and accessories	388	379	386	401	463	543	634	627
	1.4%	1.3%	1.3%	1.3%	1.4%	1.5%	1.7%	1.6%
Semi-durable goods: Recreational and entertainment goods	198	208	221	228	263	295	343	374
	0.7%	0.7%	0.7%	0.7%	0.8%	0.8%	0.9%	0.9%
Semi-durable goods: Miscellaneous goods	65	66	68	72	83	90	96	87
	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.2%
Non-durable goods: Food, beverages and tobacco	7930	8104	8305	8443	8982	9477	9967	10429
	28.7%	28.3%	28.0%	27.3%	27.0%	26.8%	26.2%	26.1%
Non-durable goods: Household fuel and power	1501	1526	1597	1678	1746	1752	1738	1791
	5.4%	5.3%	5.4%	5.4%	5.2%	4.9%	4.6%	4.5%
Non-durable goods: Household consumer goods	1146	1159	1194	1238	1330	1465	1632	1815
	4.1%	4.0%	4.0%	4.0%	4.0%	4.1%	4.3%	4.5%
Non-durable goods: Medical and pharmaceutical products	275	283	289	297	283	283	297	279
	1.0%	1.0%	1.0%	1.0%	0.9%	0.8%	0.8%	0.7%
Non-durable goods: Petroleum products	1068	1056	1062	1097	1136	1164	1175	1201
	3.9%	3.7%	3.6%	3.6%	3.4%	3.3%	3.1%	3.0%
Non-durable goods: Recreational and entertainment goods	214	220	226	232	242	260	291	308
	0.8%	0.8%	0.8%	0.7%	0.7%	0.7%	0.8%	0.8%
Services: Rent	1754	1772	1797	1828	1882	1950	2043	2141
	6.3%	6.2%	6.1%	5.9%	5.7%	5.5%	5.4%	5.3%
Services: Household services, including domestic servants	832	864	894	915	921	959	1017	1052
	3.0%	3.0%	3.0%	3.0%	2.8%	2.7%	2.7%	2.6%
Services: Medical services	1347	1520	1621	1738	1752	1631	1602	1680
	4.9%	5.3%	5.5%	5.6%	5.3%	4.6%	4.2%	4.2%
Services: Transport and communication services	1978	2153	2361	2512	2696	2796	2907	2930
	7.2%	7.5%	8.0%	8.1%	8.1%	7.9%	7.6%	7.3%
Services: Recreational, entertainment and educational services	1288	1336	1384	1406	1459	1507	1532	1530
	4.7%	4.7%	4.7%	4.6%	4.4%	4.3%	4.0%	3.8%
Services: Miscellaneous services	2597	2649	2618	2680	2810	2828	3048	3201
	9.4%	9.3%	8.8%	8.7%	8.4%	8.0%	8.0%	8.0%

Source: Afrinem and Quantec Research, 2008

2.2.3 Provincial Trade Position

Limpopo's share in overall national trade with the rest of the world is very small, with the province accounting for less than one per cent of the country's imports and about 5 per cent of its exports in 2007. Despite this, the province has recorded a positive trade balance since 1995, in contrast to the national trend, as evidenced in Figure 2.16 below. Limpopo predominantly trades in petroleum products, wholesale and retail products, and transport and storage.

Figure 2.16: Trade Balance of Goods and Services, Limpopo and South Africa, 1995 – 2007



Source: Afrinem and Quantec Research, 2008

Imports

Limpopo accounts for a very small share of South Africa's imports from the rest of the world, a common trend since 1995, as shown in Table 2.5 below. In fact, the contribution of Limpopo to national imports has nearly halved from 0.9 per cent in 1995 to 0.5 per cent in 2007.

Table 2.5: Share of National Imports Contributed by Limpopo, 1995 – 2007

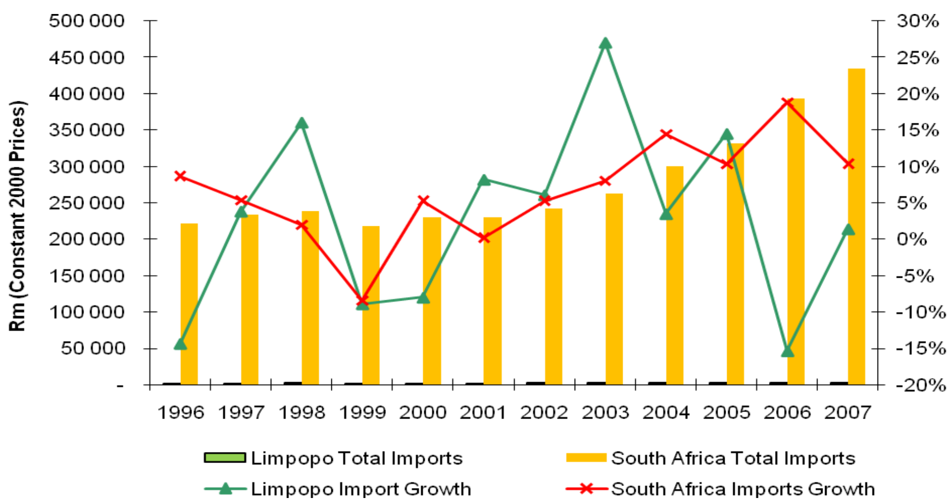
	Limpopo	South Africa
1995	0.9%	99.1%
1996	0.7%	99.3%
1997	0.7%	99.3%
1998	0.8%	99.2%
1999	0.8%	99.2%
2000	0.7%	99.3%
2001	0.8%	99.2%
2002	0.8%	99.2%
2003	0.9%	99.1%
2004	0.8%	99.2%
2005	0.8%	99.2%
2006	0.6%	99.4%
2007	0.5%	99.5%

Source: Afrinem and Quantec Research, 2008

Figure 2.17 below shows total imports and growth in imports in both Limpopo and South Africa. In 1995, Limpopo imported goods to the value of R1.9 billion (constant 2000 prices), and this has grown by 24 per cent to a total of about R2.4 billion in 2007. Between 2006 and 2007, imports into Limpopo from the rest of the world expanded by 1.4 per cent.

Growth in imports into Limpopo has fluctuated significantly since 1996. Growth in provincial imports has been lower than the national average for the majority of the sample period, except for 1998, 2001, 2002, 2003 and 2005. Particularly steep growth of 27 per cent was experienced in 2003, outstripping the national rate of 8 per cent. However, this growth has since diverged from the national trend – a contraction of 15.4 per cent in 2006 preceded a slow improvement of 1.4 per cent in 2007.

Figure 2.17: Total Imports and Growth in Imports, Limpopo and South Africa, 1996 – 2007

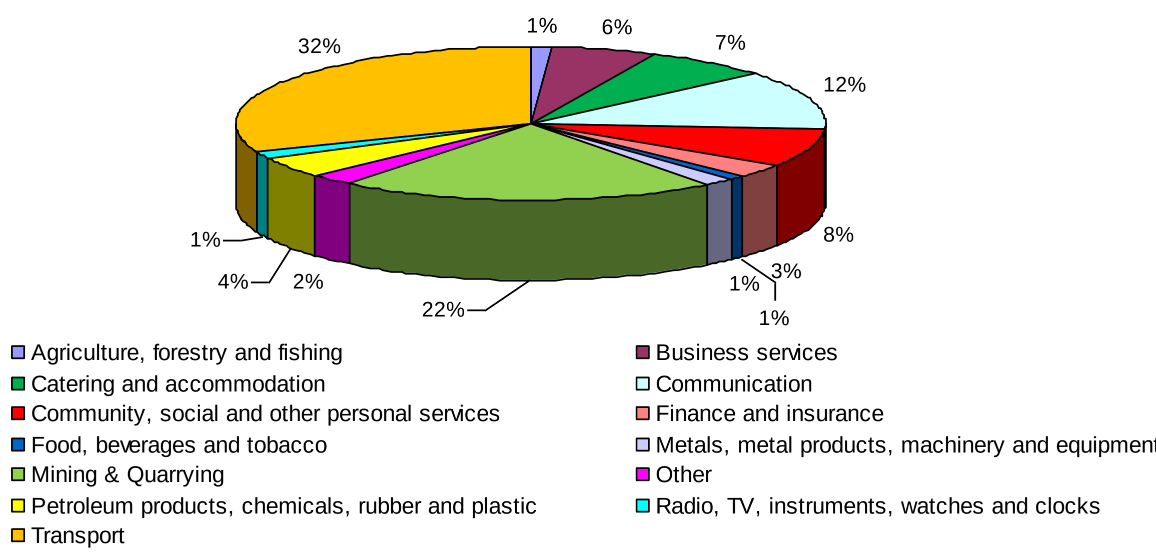


Source: Afrinem and Quantec Research, 2008

Figures 2.18 and 2.19 below compare the predominant import categories in both Limpopo and South Africa in 2007. The transport industry with a share of 32 per cent accounts for the bulk of imports in Limpopo; this share has gone up from 26 per cent in 1995. Mining and quarrying also recorded a significant climb when compared to the 1995 figures with a 21 per cent share of imports, up from 0.01 percent in 1995. Other key sectors include: communication (12 per cent), up from 6 per cent in 1995; community and other personal services (8 per cent), down from 16 per cent in 1995; catering and accommodation (7 per cent), down from 10 per cent in 1995; business services (6 per cent) down from 12 per cent in 1995; finance and insurance (3 per cent), down from 7 per cent in 1995; and petroleum products, chemicals, rubbers and plastics (4 per cent), up from 1.6 per cent in 1995.

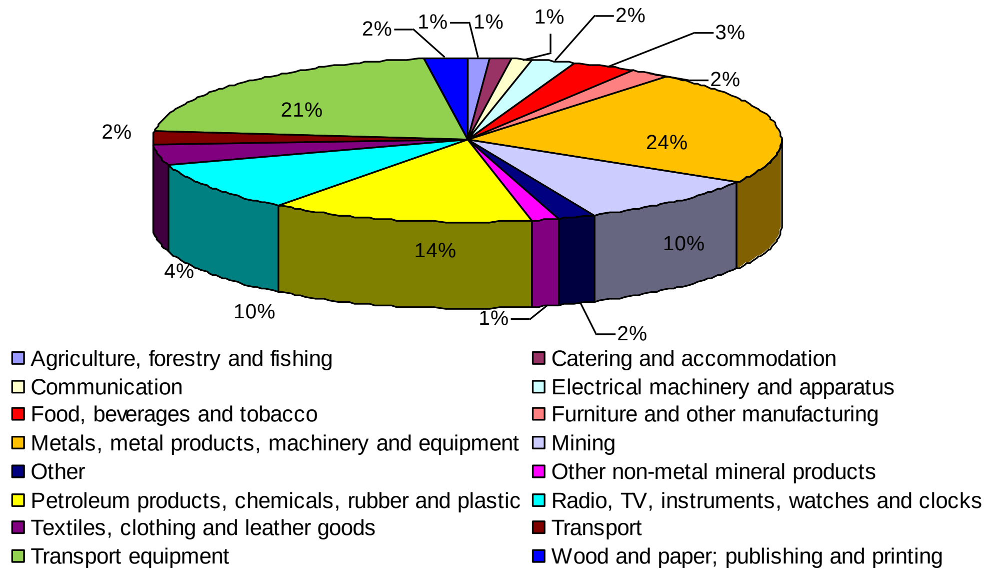
In contrast to Limpopo, the largest import category in South Africa is metal products and machinery, with 24 per cent of total imports, compared to Limpopo's 1.5 per cent. Transport equipment is the second largest import category in the country (21 per cent, which in Limpopo accounts for less than 0.5 per cent), followed by petroleum products, chemicals, rubbers and plastics (14 per cent).

Figure 2.18: Import Categories, Limpopo, 2007



Source: Afrinem and Quantec Research, 2008

Figure 2.19: Import Categories, South Africa, 2007



Source: Afrinem and Quantec Research, 2008

Growth in the various import categories in Limpopo and South Africa since 2000 is shown in Table 2.6 below. The key growth areas in imports into Limpopo include: wood and paper, which grew by about 1 500 per cent in 2007, up from approximately 500 per cent in 2006; textiles, clothing and leather goods, which grew by over 1 400 per cent in 2007, up from a contraction of 91 per cent in 2006; metal products, which grew by 580 per cent in 2007, up from a contraction of 27 per cent in 2006; and electrical machinery and apparatus, which grew by 173 per cent in 2007, up from a contraction of 37 per cent in 2006.

Most of the province's import categories however exhibit declining growth paths. Some of these industries include: food, beverages and tobacco, the growth in which fell from 190 per cent in 2006 to 82 per cent in 2007; petroleum products, chemicals, rubber and plastic, which contracted by 3.2 per cent in 2007, down from growth of 8 per cent in 2006; and transport equipment, which contracted by 92.3 per cent in 2007, down from growth of 215 per cent in 2006.

Table 2.6: Growth in Import Trends, Limpopo and South Africa, 2000 – 2007

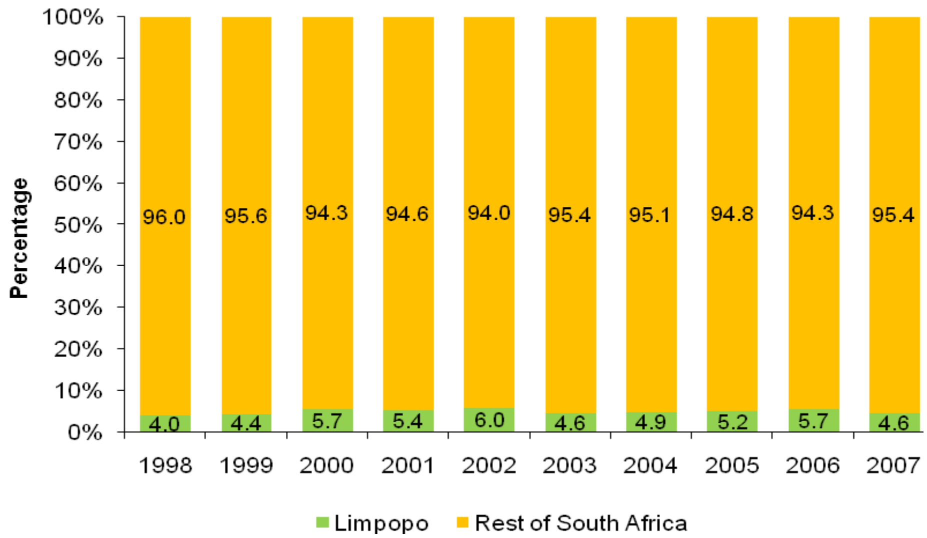
Limpopo (%) South Africa (%)	2000	2001	2002	2003	2004	2005	2006	2007
Agriculture, forestry and fishing	361.9	-48.4	63.6	41.4	69.5	58.9	-59.3	32.2
	10.3	-24.5	48.3	-0.8	13.0	-8.1	12.7	15.4
Mining	-9.7	-64.9	76.8	141.1	44.6	24.3	-22.5	32.4
	7.4	-0.8	3.1	20.3	18.6	-9.3	3.3	-0.1
Food, beverages and tobacco	63.2	-29.2	-68.6	163.7	4.2	-60.6	189.8	81.9
	-5.1	0.6	-6.7	7.9	20.6	12.7	19.1	26.2
Textiles, clothing and leather goods	-37.1	-77.5	-25.6	-67.0	-84.5	362.8	-90.9	1401.3
	9.0	-4.3	6.0	6.3	30.7	20.9	30.0	2.0
Wood and paper; publishing and printing	-100.0	0.0	59.4	-100.0	0.0	-96.7	513.9	1571.8
	-2.2	-7.1	7.1	-7.9	7.1	24.4	22.1	-4.5
Petroleum products, chemicals, rubber and plastic	-47.4	81.6	40.0	40.5	-23.4	32.8	8.0	-3.2
	-4.5	1.2	8.3	-9.0	9.1	17.4	25.7	17.2
Metals, metal products, machinery and equipment	25.4	-29.2	72.5	31.8	-86.0	563.5	-26.9	580.4
	5.5	-3.8	8.6	6.5	11.4	12.0	34.1	16.2
Electrical machinery and apparatus	142.5	-25.9	-20.5	676.7	-66.1	243.4	-37.4	172.5
	3.5	-1.9	2.4	10.4	-4.6	14.1	12.4	6.0
Radio, TV, instruments, watches and clocks	-49.3	361.6	279.4	-82.9	-19.6	1563.0	-70.7	-62.4
	12.2	-5.5	1.9	-10.1	25.2	25.7	24.4	9.0
Transport equipment	1038.8	-61.9	558.7	-11.0	34.5	-62.2	214.8	-92.3
	23.2	11.1	10.6	16.9	22.5	15.4	16.1	12.3
Furniture and other manufacturing	20.5	-30.0	6.6	89.4	-52.2	-8.1	243.5	127.2
	2.4	-7.5	14.4	-4.0	20.2	31.8	26.4	11.5
Wholesale & retail trade	-5.7	9.4	-15.7	24.7	2.2	-1.2	-3.6	-6.8
	-5.0	4.1	-14.6	30.6	2.3	-1.2	-3.8	-6.2
Catering and accommodation	-10.9	12.7	-8.0	19.7	-1.1	-1.8	-7.4	-7.8
	-7.3	10.2	-3.9	29.5	2.2	1.7	-5.0	-5.5
Transport	-2.8	19.7	0.3	28.9	-1.8	-5.8	-6.1	-4.1
	-2.1	4.8	-6.9	29.9	-0.7	-7.3	-7.9	-6.8
Communication	10.4	40.4	10.7	34.4	0.3	1.2	0.7	1.9
	14.5	26.3	5.3	38.9	4.5	3.1	1.6	0.6
Finance and insurance	-23.3	2.9	-23.1	25.0	0.3	-7.4	-2.8	-11.3
	-16.6	2.3	-20.1	22.9	0.8	-8.4	-6.5	-5.5
Business services	-15.6	6.1	-16.8	27.2	-3.3	-3.8	-6.6	-14.2
	-7.0	6.8	-12.4	26.9	-1.4	-2.2	-6.1	-8.3
Other	-11.9	4.4	-14.1	27.6	0.3	-4.2	-6.1	-5.9
	-6.5	-1.0	-6.5	11.6	2.1	6.1	7.6	13.4

Source: Afrinem and Quantec Research, 2008

Exports

Limpopo accounts for approximately 5 per cent of South Africa's exports to the rest of the world. This contribution to national exports has risen marginally since 1998, though, with a slight decline of about 1 per cent in 2007, as shown in Figure 2.20 below.

Figure 2.20: Contribution of Limpopo to National Exports, 1998 – 2007

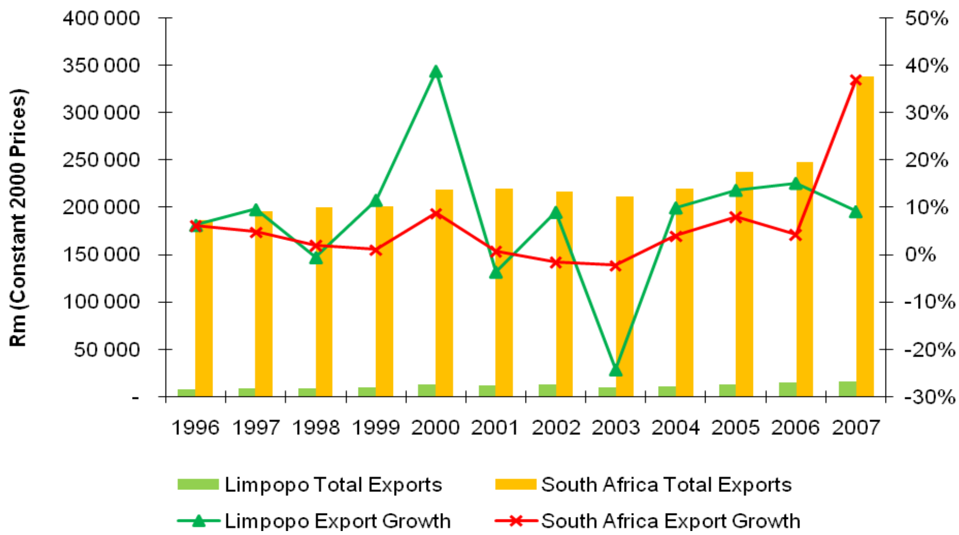


Source: Afrinem and Quantec Research, 2008

Figure 2.21 below shows total exports and growth in exports from Limpopo and South Africa. In 1995 Limpopo exported goods to the value of R6.9 billion (in constant 2000 prices), and this has grown by 123 per cent to a total of R15.4 billion in 2007. In 2007, exports from Limpopo to the rest of the world expanded by 6 per cent.

Limpopo export growth has fluctuated much over the sample period; it has outstripped national growth every year except in 1998, 2001, 2003 and 2007. In 2000 Limpopo exhibited record high export growth of 39 per cent, far surpassing the national average of 9 per cent. However, in 2003 Limpopo recorded a contraction in export growth of 24 per cent, significantly more drastic than the South African contraction of 2 per cent.

Figure 2.21: Total Exports and Growth in Exports to the World, Limpopo and South Africa, 1996 – 2007

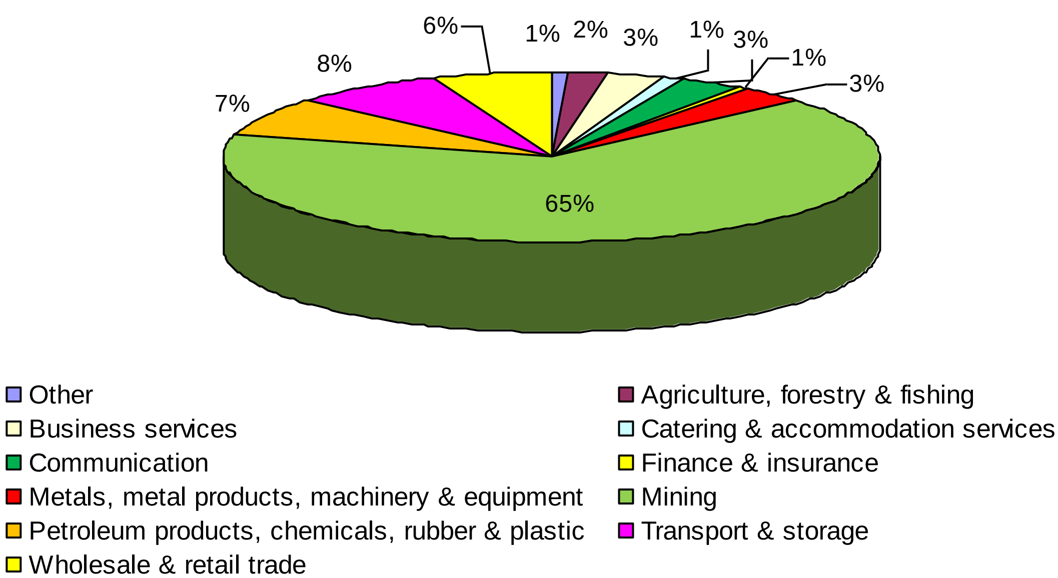


Source: Afrinem and Quantec Research, 2008

Figures 2.22 and 2.23 below compare the major export categories of Limpopo and South Africa in 2007. The major export categories from Limpopo include: mining and quarrying (65 per cent); transport and storage (8 per cent); petroleum products, chemicals, rubbers and plastics (7 per cent); and wholesale and retail trade (6 per cent).

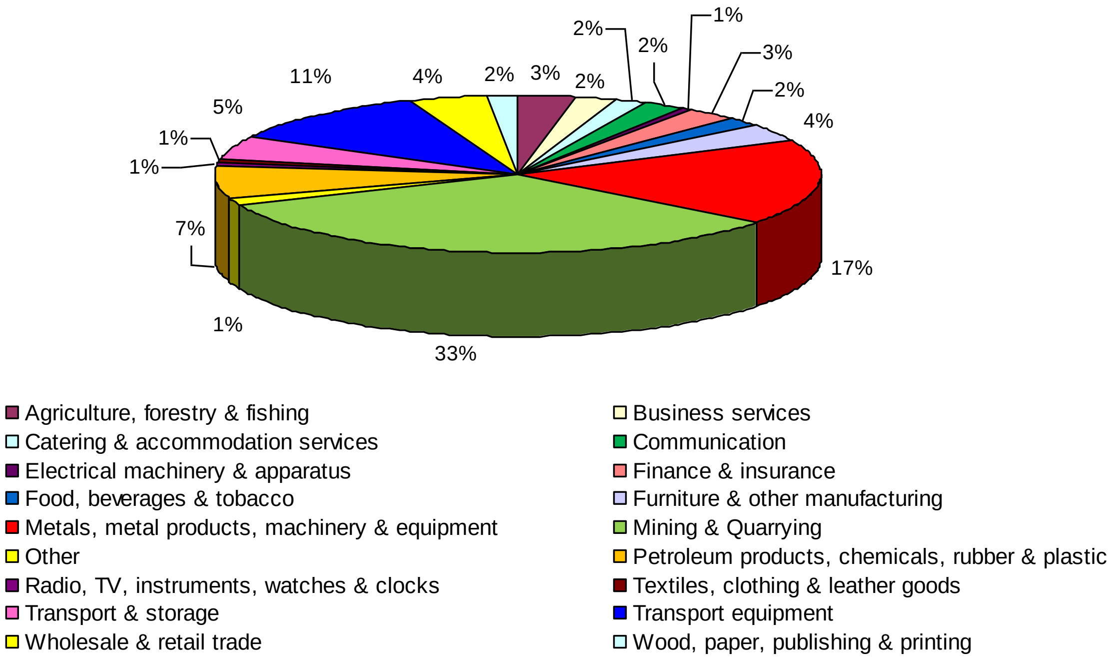
Not surprisingly, as with Limpopo, the largest export category in South Africa is mining and quarrying, accounting for a third of exports from the country. Metal products and machinery is the second largest export category in the country (17 per cent), followed by transport equipments (11 per cent).

Figure 2.22: Export Categories, Limpopo, 2007



Source: Afrinem and Quantec Research, 2008

Figure 2.23: Export Categories, South Africa, 2007



Source: Afrinem and Quantec Research, 2008

Growth in the various export categories in Limpopo and South Africa since 2000 is shown in Table 2.7 below. The key growth areas in exports from Limpopo to the rest of the world include: furniture and other manufacturing, which expanded by 448 per cent in 2007, up from a contraction of 44 per cent in 2006; transport and storage, which grew by 16 per cent in 2007, up from 3 per cent in 2006; mining, which expanded by 13 per cent in 2007, less than the 21 per cent of 2006; and finance and insurance, which grew by 13 per cent in 2007, also less than the 18 per cent of 2006.

Export categories that are showing negative growth trends include: electrical machinery and apparatus, which contracted by 31 per cent in 2007, a significant drop from the 46 per cent growth in 2006; and agriculture, forestry and fishing, which contracted by 18 per cent, a worsening of the 2006 contraction of 2 per cent.

Table 2.7: Growth in Export Trends, Limpopo and South Africa, 2000 – 2007

Limpopo (%) South Africa (%)	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Agriculture, forestry & fishing	33.9	16.8	14.0	36.1	-13.4	27.5	-2.2	-17.6
	-1.5	18.9	-14.7	14.3	17.1	36.3	-15.1	-9.7
Mining	36.1	0.1	-17.3	-10.4	18.9	5.7	21.1	13.3
	11.4	6.9	-1.7	-13.6	12.2	6.5	17.5	6.9
Food, beverages & tobacco	48.5	-37.8	-0.9	-19.9	-33.7	26.1	2.3	-2.6
	2.2	-4.9	-3.1	4.9	-15.1	7.7	-16.4	-3.3
Textiles, clothing & leather goods	-96.2	66.5	-58.8	1433.8	61.5	-80.5	25.5	12.7
	-5.4	-11.3	1.6	-3.4	-19.2	-16.8	-20.0	-7.7
Wood, paper, publishing & printing	1095.3	-92.4	881.5	-52.7	-63.4	157.9	35.5	-2.0
	2.0	-14.3	-5.4	9.3	-14.8	3.3	-17.4	-6.5
Petroleum products, chemicals, rubber & plastic	20.8	-21.9	-24.6	-4.8	14.3	111.8	-12.1	2.8
	13.4	-2.1	-13.3	1.1	-7.8	11.7	-15.8	6.5
Metals, metal products, machinery & equipment	1573.9	-40.2	304.6	-95.1	33.7	49.9	74.4	-4.8
	4.2	-12.1	7.6	9.3	9.7	4.1	2.6	13.6
Electrical machinery & apparatus	-94.9	382.3	3.6	379.8	24.7	27.5	45.7	-31.0
	1.4	-9.0	-1.4	-4.4	0.5	-8.4	10.3	25.6
Radio, TV, instruments, watches & clocks	20.2	202.9	126.1	-74.2	296.6	-86.5	524.5	-6.9
	-4.1	-22.2	-2.0	13.4	8.3	4.3	4.8	13.8
Transport equipment	-95.5	-12.5	60.9	286.3	-63.5	-62.3	33.3	4.4
	29.5	13.0	3.2	3.4	0.0	16.9	13.4	11.5
Furniture & other manufacturing	22.9	-69.4	-3.6	-10.8	-79.7	102.0	-43.6	447.8
	4.1	6.6	3.2	-2.0	-7.5	-9.2	-0.4	27.8
Wholesale & retail trade	3.6	13.9	5.4	2.8	-5.0	8.6	6.7	1.3
	4.4	8.3	6.7	7.7	-4.9	8.6	6.5	1.9
Catering & accommodation services	-5.1	21.7	17.0	1.3	-3.6	14.2	3.8	0.7
	-1.3	18.9	22.1	9.5	-0.5	18.3	6.5	3.2
Transport & storage	5.5	21.3	24.7	11.0	-7.3	1.1	3.4	15.7
	6.3	6.2	15.7	11.9	-6.2	-0.5	1.4	12.4
Communication	22.9	54.1	43.6	17.0	-3.9	13.6	16.2	11.3
	27.5	38.6	36.5	20.9	0.0	15.7	17.1	9.8
Finance & insurance	-18.2	15.0	1.6	8.1	2.8	8.9	17.8	12.8
	-11.0	14.2	5.5	6.3	3.3	7.7	13.3	20.3
Business services	-1.7	23.7	15.9	17.9	-1.0	20.2	16.8	-3.2
	8.2	24.5	22.0	17.7	0.9	22.2	17.4	3.5
Other	9.2	8.8	4.5	24.2	-2.1	19.8	13.1	-5.6
	-7.4	2.7	7.1	11.9	1.8	13.5	2.9	-0.6

Source: Afrinem and Quantec Research, 2008

2.3 Provincial Economic Outlook for Limpopo, 2008 – 2011

2.3.1 Sectoral Composition of Output

In line with historical trends, the Limpopo Province's contribution to national output is expected to remain constant at around 6 per cent, although with an expected marginal decline, from a contribution of 6.3 per cent in 2007 to a contribution of 6.2 per cent in 2011. The reason for this decline is economic growth rates for Limpopo that remain slightly below the national average.

The regional economy displays a number of unique trends, giving rise to dynamic processes, posing its own strengths and challenges to policy makers. The sectoral composition in terms of contribution to total real output for the province (as measured by gross value added at basic prices) is depicted in Table 2.8.

Table 2.8: Limpopo Sectoral Composition, 2005 – 2011

Sectors (%)	2005	2006	2007	2008	2009	2010	2011
Primary Sector							
Agriculture, forestry and fishing	2.72	2.41	2.27	2.14	2.05	2.02	2.00
Mining	24.13	23.04	22.22	22.03	21.88	21.92	21.95
	26.84	**25.46**	**24.49**	**24.17**	**23.93**	**23.94**	**23.94**
Secondary Sector							
Food, beverages and tobacco	1.22	1.24	1.22	1.19	1.16	1.13	1.09
Textiles, clothing and leather goods	0.08	0.08	0.08	0.08	0.08	0.07	0.07
Wood and paper; publishing and printing	0.23	0.23	0.22	0.21	0.21	0.20	0.19
Petroleum products, chemicals, rubber and plastic	0.63	0.62	0.62	0.60	0.58	0.56	0.53
Other non-metal mineral products	0.21	0.20	0.21	0.22	0.22	0.22	0.21
Metals, metal products, machinery and equipment	0.68	0.70	0.73	0.71	0.69	0.67	0.65
Electrical machinery and apparatus	0.07	0.07	0.06	0.06	0.06	0.06	0.06
Radio, TV, instruments, watches and clocks	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Transport equipment	0.24	0.24	0.24	0.24	0.25	0.25	0.25
Furniture and other manufacturing	0.40	0.40	0.41	0.41	0.41	0.40	0.39
Electricity	2.59	2.60	2.69	2.76	2.82	2.91	3.00
Water	0.50	0.46	0.46	0.45	0.44	0.42	0.41
Construction	2.02	2.15	2.30	2.37	2.42	2.45	2.47
	8.93	**9.06**	**9.31**	**9.36**	**9.41**	**9.39**	**9.38**
Tertiary Sector							
Wholesale & retail trade	13.38	13.78	13.99	14.62	15.05	15.23	15.47
Catering and accommodation	0.65	0.63	0.61	0.60	0.59	0.57	0.55
Transport	6.63	6.78	6.95	7.12	7.26	7.50	7.75
Communication	4.13	4.15	4.46	4.61	4.74	4.88	5.02
Finance and insurance	7.29	8.35	8.35	8.05	7.73	7.58	7.48
Business services	9.00	8.77	8.51	8.29	8.13	7.91	7.66
Community, social and other personal services	4.97	5.03	5.03	4.97	4.92	4.91	4.88
General government services	18.18	18.01	18.29	18.21	18.23	18.09	17.86
	64.23	**65.49**	**66.20**	**66.47**	**66.66**	**66.66**	**66.68**
Total gross value added (basic prices)	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Source: Afrinem and Quantec Research, 2008

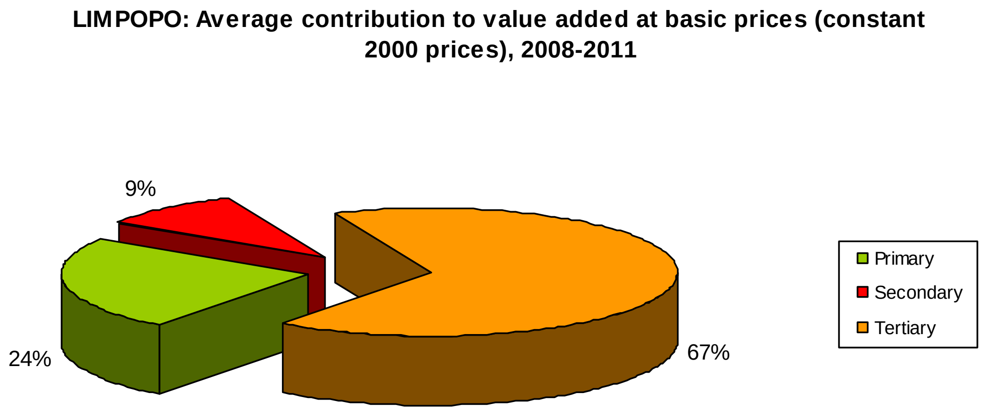
Limpopo is represented in the production output of all sectors, with the primary sector and particularly the mining sector, contributing significantly to provincial output. The mining sector is in fact the sector with the highest individual contribution to output, both historically as well as over the forecasting horizon. Limpopo is however expected to see a contraction in mining output, in line with the national situation, with an expected average contribution of around 22 per cent, down from a share of 26 per cent in 1995 and an historic average of 24 per cent. The agricultural sector is expected to contribute 2 per cent of the total provincial output, marginally down from an historic average contribution of 2.6 per cent.

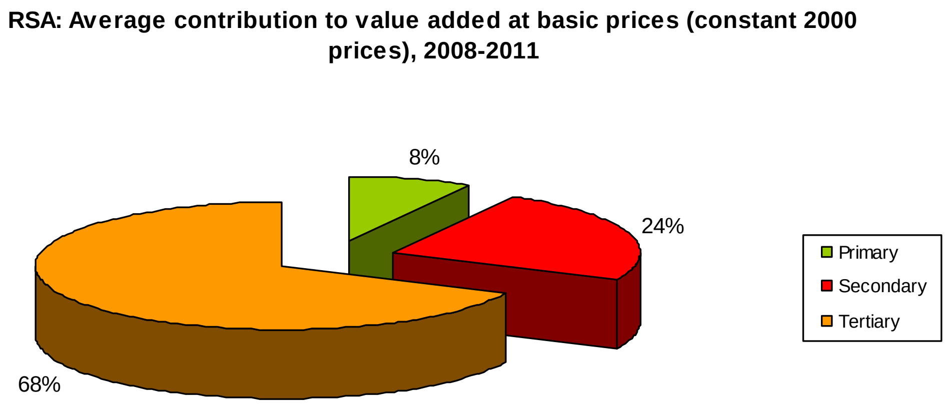
The secondary sector contributes the least to gross provincial output, namely less than 10 per cent on average. The contribution, according to the sectoral forecast, is expected to remain around 9.4 percent for 2008 to 2011. This contribution is much lower than the expected national average contribution of 24 per cent. When considering individual economic sectors within the secondary sector, it is evident that most of these sectors are fairly underdeveloped with contributions to output not exceeding 2 per cent. The only two sectors with contributions exceeding 2 per cent (averaging a contribution between 2 and 3 percent) are the electricity and construction sectors.

The tertiary sector is the largest contributor to provincial output, with an expected average contribution of 67 per cent. This is in line with the expected national figure of 68 per cent and marginally higher than the historic average contribution of 64 per cent for the province. The two largest role players within the tertiary sector are general government services and wholesale and retail trade, with expected average contributions of 18 and 15 per cent respectively. The increase in the contribution of wholesale and retail trade from levels of 13 per cent may possibly be attributed to the cross-border spending power of foreign nationals. Other significant contributions within the tertiary sector are expected to come from business services, finance and insurance, and the transport sectors.

A comparison of national and provincial sectoral contributions to output is depicted in Figure 2.24.

Figure 2.24: National and Provincial Sectoral Contributions to Output





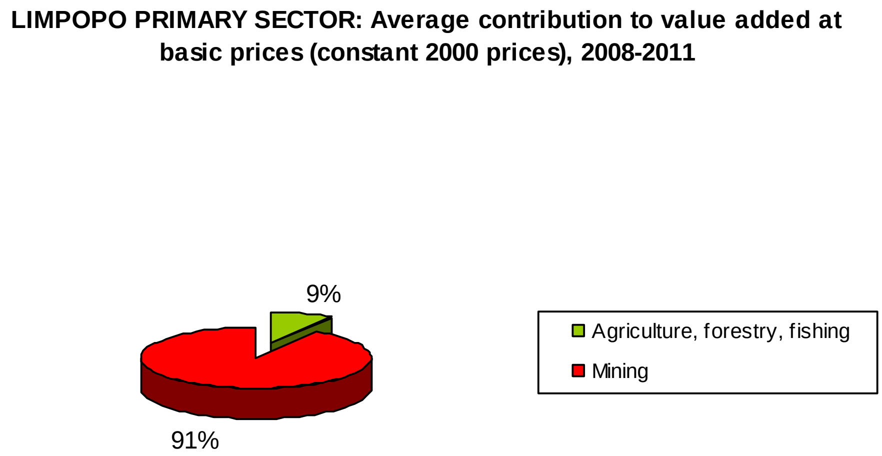
Source: Afrinem and Quantec Research, 2008

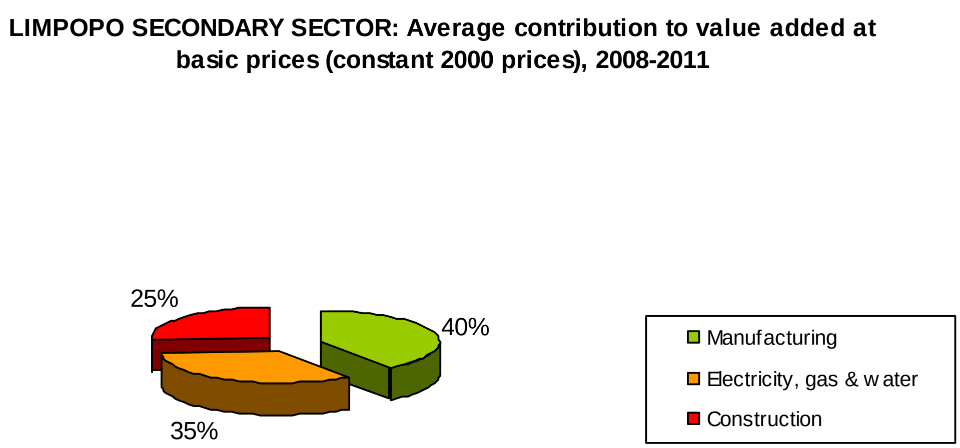
Expected disaggregated shares within the primary, secondary and tertiary sectors are portrayed in Figure 2.25. Within the primary sector, the contribution of agriculture is overshadowed by that of mining with a distribution of 9 to 91 per cent.

Within the secondary sector, all manufacturing sectors collectively are responsible for an expected contribution of 40 per cent of output. This is less favourable when compared to the expected national average of 71 per cent and that of the Gauteng province of 73 per cent for example. In addition, the electricity, gas and water sectors are expected to be responsible for 35 per cent of total output, while construction will contribute 25 per cent.

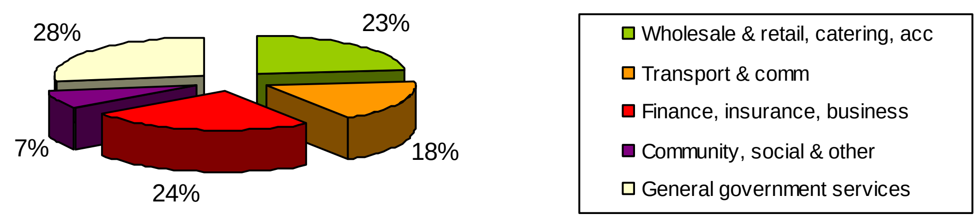
When disaggregating the tertiary sector, general government services contribute most significantly to tertiary sector output, with an expected average figure of 28 per cent. This is followed by the category of business, finance and insurance services with 24 per cent and wholesale, retail, catering and accommodation services with 23 per cent. Transport and communication services will contribute an expected 18 per cent, while community, social and other personal services will contribute only 7 per cent.

Figure 2.25: Disaggregation of Provincial Sectoral Contributions





LIMPOPO TERTIARY SECTOR: Average contribution to value added at basic prices (constant 2000 prices), 2008-2011



Source: Afrinem and Quantec Research, 2008

2.3.2 Sectoral Output and Economic Growth

A forecast of sectoral output for Limpopo, as well as for the national economy, is contained in Tables 2.9a and b. The outlook is based on the Afrinem macroeconometric forecast for the national economy and the 23 sector Input/Output table for 2005 in constant 2000 prices (*Quantec Research*). Based on these gross value added figures, Figure 2.26 shows that the Limpopo primary sector is expected to outperform the national economy in terms of growth rates, turning negative figures of 2006 and 2007 into low positive growth rates.

The secondary and tertiary sectors are however expected to grow at lower rates than the national economy. The expected growth rates for the secondary sector are 3.4, 2.7, 2.9 and 3.5 per cent for 2007 to 2011, respectively, compared to a national average growth rate of 4 per cent for the period. The largest sector of the Limpopo province, namely the tertiary sector, is expected to grow at similar rates than the secondary sector, although slightly higher rates towards the end of the forecasting period. The forecasted growth rates for the tertiary sector are 3.3, 2.5, 3.1 and 3.7 per cent for 2007 to 2011, respectively. This compares more favourable with an expected national average growth rate of 3.5 per cent.

Overall provincial and national growth rates are depicted in Figure 2.27. Overall growth, both on provincial and national level will be down from rates achieved in the recent past. Growth rates for Limpopo will remain below that of the national economy, in line with historic trends. The growth trend of both will however follow the business cycle, slowing down for the first part of the forecasting period and picking up towards the latter part. The expected growth rates for Limpopo are 2.8, 2.2, 3.1 and 3.7 per cent for 2007 to 2011 respectively. The corresponding national growth rates are 3.2, 2.5, 3.8 and 4.4 per cent.

Table 2.9a: Forecast of Limpopo Sectoral Output, (R millions, Gross Value Added at basic prices, constant 2000 prices)

Sectors	2005	2006	2007	2008	2009	2010	2011
Primary Sector							
Agriculture, forestry and fishing	794	1,663	1,610	1,564	1,531	1,555	1,589
Mining	15,925	15,874	15,758	16,059	16,298	16,830	17,467
	17,719	**17,537**	**17,367**	**17,623**	**17,828**	**18,385**	**19,057**
Secondary Sector							
Food, beverages and tobacco	807	856	865	866	867	867	867
Textiles, clothing and leather goods	56	56	56	57	57	57	58
Wood and paper; publishing and printing	155	156	153	153	153	153	154
Petroleum products, chemicals, rubber and plastic	413	430	441	438	435	428	419
Other non-metal mineral products	135	140	151	159	164	166	170
Metals, metal products, machinery and equipment	451	479	517	517	517	516	516
Electrical machinery and apparatus	44	49	45	45	45	46	47
Radio, TV, instruments, watches and clocks	40	41	43	43	44	44	45
Transport equipment	158	166	168	178	186	192	200
Furniture and other manufacturing	263	276	293	300	305	308	312
Electricity	1,710	1,794	1,910	2,015	2,103	2,232	2,391
Water	327	318	328	327	326	324	323
Construction	1,331	1,479	1,628	1,727	1,806	1,879	1,968
	5,891	**6,240**	**6,599**	**6,824**	**7,006**	**7,213**	**7,468**
Tertiary Sector							
Wholesale & retail trade	8,830	9,492	9,922	10,658	11,212	11,691	12,316
Catering and accommodation	430	433	434	436	437	437	439
Transport	4,377	4,671	4,929	5,191	5,411	5,756	6,168
Communication	2,729	2,856	3,161	3,363	3,530	3,745	3,992
Finance and insurance	4,814	5,753	5,924	5,869	5,760	5,817	5,957
Business services	5,938	6,039	6,031	6,047	6,059	6,075	6,096
Community, social and other personal services	3,281	3,463	3,568	3,622	3,668	3,771	3,888
General government services	11,997	12,406	12,969	13,278	13,578	13,890	14,215
	42,395	**45,113**	**46,938**	**48,464**	**49,655**	**51,183**	**53,071**
Total Economy	**66,005**	**68,890**	**70,904**	**72,912**	**74,490**	**76,781**	**79,596**

Source: Afrinem and Quantec Research, 2008

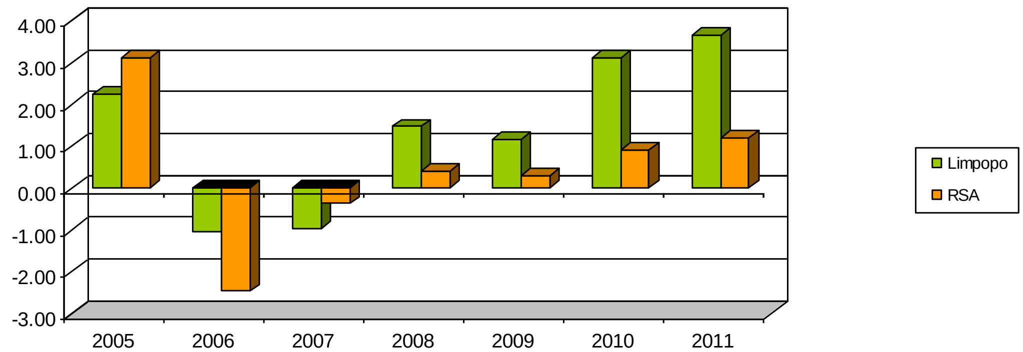
Table 2.9b: Forecast of South African Output, (R millions, Gross Value Added at basic prices, constant 2000 prices)

Sectors	2005	2006	2007	2008	2009	2010	2011
Primary Sector							
Agriculture, forestry and fishing	29,614	27,285	27,379	27,407	27,407	27,651	28,074
Mining	68,818	68,726	68,280	68,636	68,915	69,543	70,292
	98,432	**96,010**	**95,659**	**96,043**	**96,322**	**97,194**	**98,366**
Secondary Sector							
Food, beverages and tobacco	27,964	29,340	29,679	29,699	29,667	29,986	30,587
Textiles, clothing and leather goods	8,631	8,626	8,729	8,759	8,789	8,840	8,894
Wood and paper; publishing and printing	18,838	20,857	21,003	21,608	22,146	23,062	24,204
Petroleum products, chemicals, rubber and plastic	41,467	43,193	45,013	46,761	48,328	51,192	54,751
Other non-metal mineral products	5,779	5,995	6,618	6,766	6,890	7,060	7,259
Metals, metal products, machinery and equipment	37,274	38,969	41,803	43,207	44,390	46,357	48,737
Electrical machinery and apparatus	5,597	6,181	5,790	6,040	6,259	6,572	6,935
Radio, TV, instruments, watches and clocks	2,237	2,305	2,429	2,463	2,495	2,544	2,601
Transport equipment	17,303	18,160	18,662	19,260	19,789	20,621	21,615
Furniture and other manufacturing	17,129	18,003	19,282	19,939	20,517	21,421	22,475
Electricity	21,190	21,990	22,690	23,224	23,677	24,379	25,234
Water	3,062	2,995	3,087	3,056	3,025	2,975	2,913
Construction	31,268	35,862	42,353	46,184	49,490	53,722	58,555
	237,739	**252,475**	**267,137**	**276,966**	**285,462**	**298,731**	**314,762**
Tertiary Sector							
Wholesale & retail trade	143,609	154,066	161,997	170,570	177,503	186,161	196,560
Catering and accommodation	10,997	11,359	11,669	11,805	11,896	12,127	12,435
Transport	64,747	67,728	69,439	71,521	73,303	76,551	80,361
Communication	44,289	46,727	51,005	53,741	56,074	59,486	63,410
Finance and insurance	106,000	121,859	133,752	138,237	141,382	148,052	156,560
Business services	106,313	108,732	116,066	120,161	123,302	128,235	134,166
Community, social and other personal services	59,705	62,399	64,938	66,146	67,175	69,181	71,489
General government services	144,236	148,735	153,748	155,840	157,869	159,985	162,188
	679,896	721,605	762,614	788,021	808,505	839,778	877,169
Total Economy	**1,016,067**	**1,070,090**	**1,125,410**	**1,161,029**	**1,190,290**	**1,235,703**	**1,290,297**

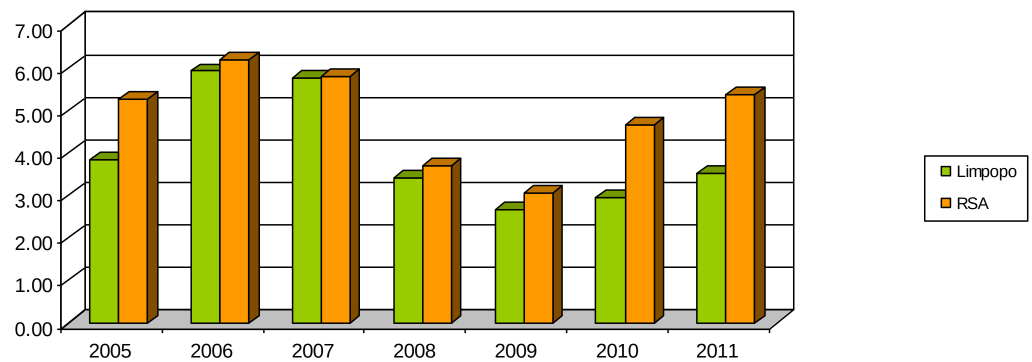
Source: Afrinem and Quantec Research, 2008

Figure 2.26: Forecast of Sectoral National and Provincial Growth, 2008 – 2011

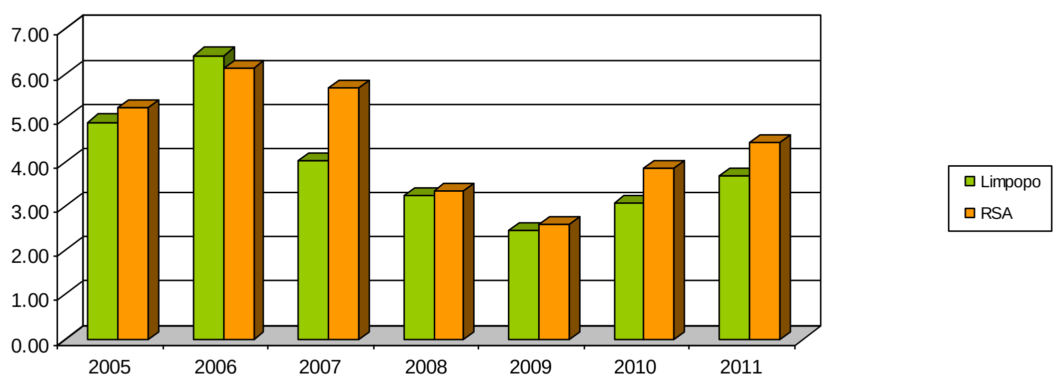
Primary sector: Growth in gross value added at basic prices (constant 2000 prices)



Secondary sector: Growth in gross value added at basic prices (constant 2000 prices)

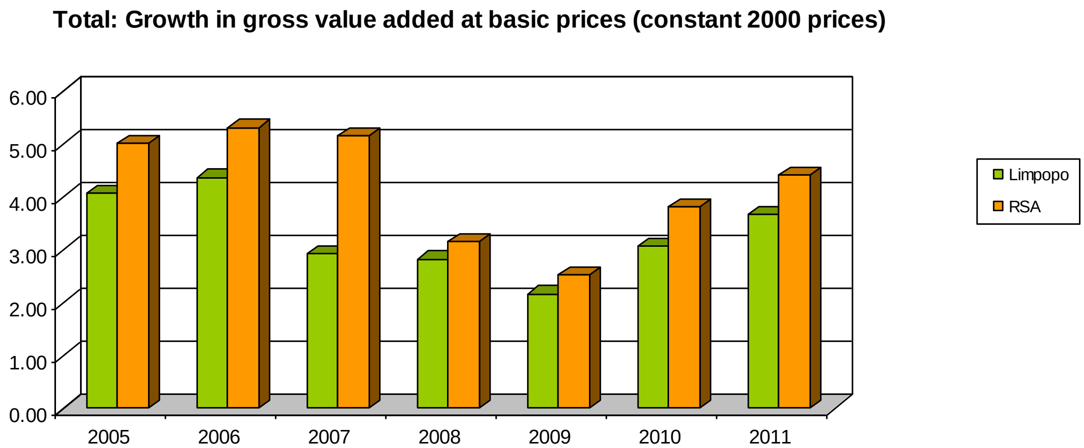


Tertiary sector: Growth in gross value added at basic prices (constant 2000 prices)



Source: Afrinem and Quantec Research, 2008

Figure 2.27: Forecast of Overall National and Provincial Growth, 2008 – 2011



Source: Afrinem and Quantec Research, 2008

2.4 Conclusion

The Limpopo economy, although a small contributor to the national economy, has been growing at acceptable rates, and is forecast to continue doing so until 2011. Limpopo will continue to be major player in the national primary sector, through its contributions by the mining sector. The regional economy displays a number of unique trends, giving rise to dynamic processes, posing its own strengths and challenges to policy makers.

Chapter 3: Provincial Labour Market Performance and Outlook

3.1 Introduction

This section provides an analysis of the labour market within Limpopo province. Specifically, trends in key labour market indicators in the province are compared with those of South Africa as whole. The levels of employment in the province are discussed in depth, with the aim to identify certain employment and broader labour-related issues to be addressed or focused on by policy makers in future. Unemployment levels in Limpopo are analysed and compared to those of the country.[3] Finally, a forecast of the provincial labour market is conducted.

3.2 Limpopo Labour Market Analysis

3.2.1 Labour Market in Brief: Overview

Table 3.1 displays the basic demographic statistics of the working age (15 – 64) population in Limpopo in 2000 and 2007. In terms of race, the overwhelming majority (97 per cent in 2007) of Limpopo's working age population is Black, and this trend has increased since 2000. Consistent with the rest of the country, the gender split is relatively even, with a slight majority (57 per cent in 2007) of the working age population being women.

The age split provides interesting information – the vast majority (48 per cent in 2007) of the working age population fall between the ages of 15 and 29. However, as will be shown later in Table 3.5, this is also the age group with the highest unemployment rate. The older age groups in Limpopo constitute significantly smaller shares of the working age population, indicating a "population pyramid" with a very broad base. This poses both significant challenges and opportunities: provided that the investment in human capital in this age group of the population is appropriate and adequate, this age group could make a considerable future contribution to the economy.

The results in terms of education offer some encouragement: the majority of the working age population (57 per cent in 2007, up from 50 per cent in 2000) have secondary school level education. However, despite decreases since 2000, the share of individuals with no education (14 per cent in 2007) or only primary school level education (21 per cent in 2007) are disconcerting. This does not bode well for the levels of unemployment in the province, as these individuals will likely be regarded as unsuitable for prospective employment.

3 Note: where labour statistics are quoted as being derived from Quantec Research, it should be noted that this data has not been revised according to the new Statistics South Africa (StatsSA) Quarterly Labour Force Surveys (QLFS). Adjustments have however been made to prior versions of the LFS.

Table 3.1: Demographics of Working Age Population, Limpopo, 2000 and 2007

		September 2000 Share	September 2007 Share
Race	Black	95.9%	97.0%
	Coloured	0.4%	0.0%
	Indian / Asian	0.7%	0.9%
	White	2.9%	2.0%
Gender	Male	43.6%	42.5%
	Female	56.4%	57.4%
Age	15 – 19	21.6%	20.6%
	20 – 29	30.4%	27.7%
	30 – 39	17.9%	17.1%
	40 – 49	12.0%	11.8%
	50 – 59	7.2%	9.3%
	60 – 64	2.9%	3.7%
Education	None	15.2%	14.3%
	Primary	27.5%	21.0%
	Secondary	50.0%	56.9%
	Diploma/Certificate	4.9%	5.2%
	Tertiary	2.0%	2.1%

Source: Afrinem and LFS, 2008

As evidenced from Table 3.2 below, Limpopo has experienced an encouraging trend of positive employment growth (14 per cent) between 2000 and 2007. This is in contrast to the national expansion in employment over the same period of 7.4 per cent. Furthermore, the number of unemployed in the province shrunk by 9 per cent over the same period, compared to the national growth in the number of unemployed of 5 per cent.

Table 3.2: Labour Market Statistics, Limpopo and South Africa, 2000 and 2007

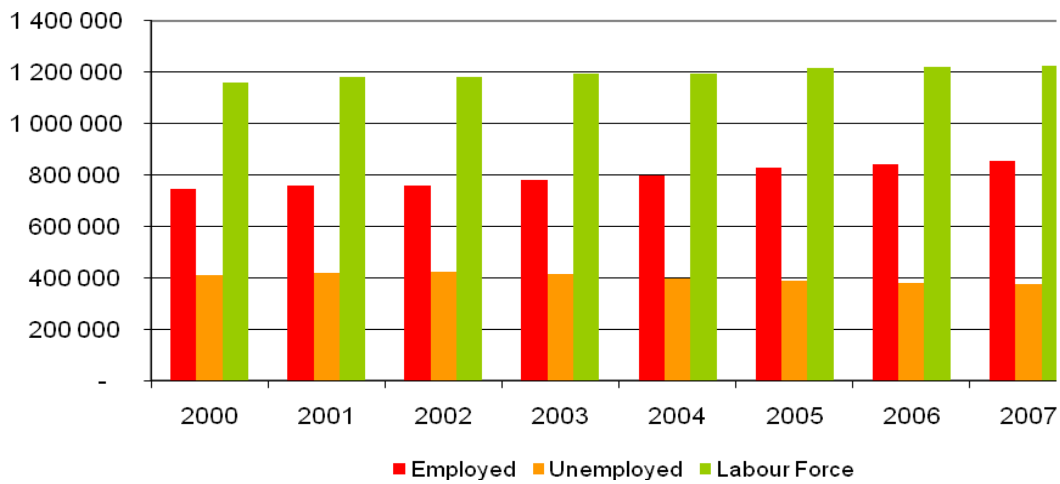
	2000	2007	Change	Growth
Limpopo				
Employed[4]	747 639	853 807	106 168	14.2%
Unemployed	410 418	373 113	-37 305	-9.1%
Not economically active[5]	2 037 663	2 228 348	190 685	9.4%
Labour force[6]	1 158 057	1 226 920	68 864	5.9%
Working age population[7]	3 195 720	3 455 269	259 549	8.1%
South Africa				
Employed	11 532 095	12 383 068	850 973	7.4%
Unemployed	3 783 567	3 978 749	195 182	5.2%
Not economically active	8 566 015	10 308 482	1 742 468	20.3%
Labour force	15 315 662	16 361 817	1 046 155	6.8%
Working age population	23 881 677	26 670 299	2 788 622	11.7%

Source: Afrinem and Quantec Research, 2008

4 Informal and informal sector employment.
5 Includes students, learners, housewives, disabled.
6 Employed + unemployed.
7 All persons ages 15 – 65: equal to labour force + not economically active.

Figure 3.1 specifically shows the trends in employment, unemployment and the total labour force in Limpopo over the period 2000 to 2007. The levels of unemployment appear to be declining, whilst employment and the labour force have been increasing.

Figure 3.1: Levels of Employment, Unemployment and Labour Force, Limpopo, 2000 – 2007



Source: Afrinem and Quantec Research, 2008

3.2.2 Employment in Depth

This section aims to delve further into the characteristics of employment in Limpopo. Comparisons are made between the five major districts in the province, namely Mopani, Greater Sekhukhune, Vhembe, Capricorn and Waterberg, as well as with national trends.

Table 3.3 shows the trends in employment and output growth in Limpopo over the period 2000 to 2007, and specifically shows these trends for each sector of the economy. Employment has been notably declining (-2 per cent in 2007) in the agriculture, forestry and fishing industry – although this is somewhat understandable since it is coupled with negative growth in the activity of this industry (-3.2 per cent in 2007).

The key sector for high, positive employment growth is the mining and quarrying sector (5.3 per cent in 2007) – this despite the fact that output in the sector declined by -0.3 per cent and -0.7 per cent in 2006 and 2007 respectively. This may be a cause for concern, as the growth in employment in this sector may not be sustainable in the near future.

Other fast-growing sectors in terms of output growth include the electricity, gas and water, construction, and transport, storage and communication sectors. Employment growth (4.4 per cent in 2007) in the electricity, gas and water industry has for the large part kept up with growth in the sector's output (6 per cent in 2007), with similar trends in the construction industry. The same, however, cannot be said for the transport, storage and communication industry. Employment growth in this sector (1 per cent in 2007) has consistently lagged behind output growth (7.5 per cent in 2007). This industry might be a target area for employment policies by the provincial government, as there is theoretically increasing demand for labour within the sector, which is not being matched by higher employment levels.

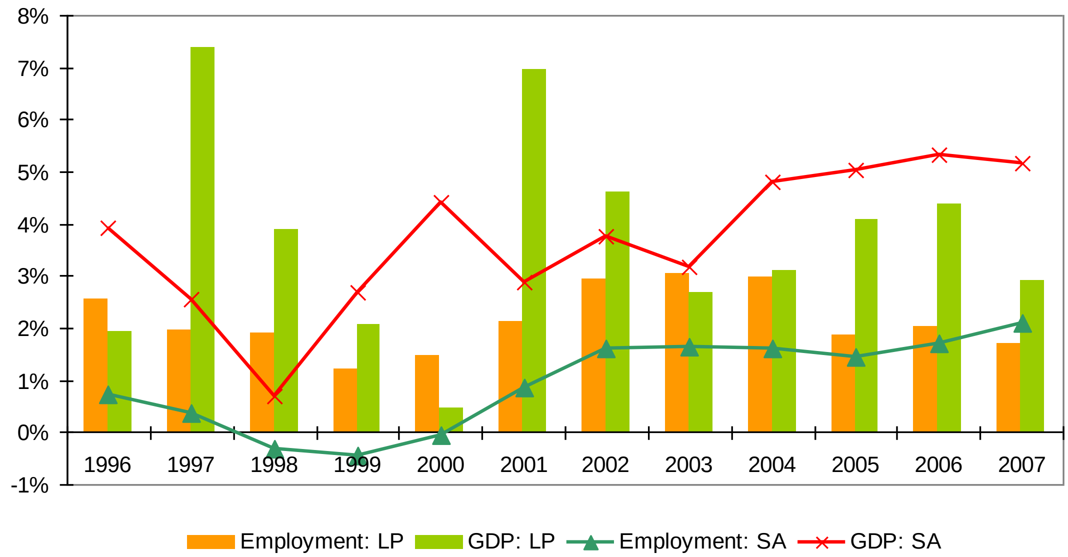
Table 3.3: Growth in Formal Employment and Output per Sector, Limpopo, 2000 – 2007

GDP growth ***Employment growth***	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Agriculture, forestry and fishing	-2.3% 2.3%	4.0% 1.7%	11.0% 1.4%	-0.8% 1.7%	0.6% 2.1%	5.8% 1.1%	-7.3% -2.4%	-3.2% -2.0%
Mining and quarrying	-1.8% 0.3%	13.4% 2.1%	7.3% 9.7%	3.4% 7.3%	1.4% 2.7%	1.9% 1.8%	-0.3% 1.4%	-0.7% 5.3%
Manufacturing	6.1% -0.2%	3.4% 0.7%	1.6% 1.9%	-1.4% 2.6%	4.8% 3.0%	2.7% 1.7%	5.0% 1.8%	3.2% -0.8%
Electricity, gas and water	5.8% -2.4%	-4.4% -2.9%	3.8% -1.7%	16.2% -0.6%	2.7% 2.7%	1.8% 2.4%	3.7% 2.9%	6.0% 4.4%
Construction	12.5% -2.8%	-0.1% 0.2%	11.4% 1.1%	-13.7% 1.5%	6.1% 4.7%	9.6% 7.4%	11.1% 8.1%	10.1% 3.8%
Wholesale and retail trade, hotels and restaurants	7.1% 4.7%	7.0% 3.8%	0.8% 3.9%	1.5% 4.7%	5.6% 5.4%	7.2% 4.9%	7.2% 4.8%	4.3% 4.5%
Transport, storage and communication	6.3% -4.2%	19.8% -2.2%	16.4% 0.7%	3.9% 2.9%	2.3% 4.0%	5.7% 3.9%	5.9% 3.2%	7.5% 1.0%
Finance, real estate and business sector	-6.1% 7.9%	7.5% 9.9%	1.3% 9.7%	5.0% 5.3%	5.8% 2.8%	4.6% 0.6%	9.7% 4.6%	1.4% 0.8%
General government services	-1.6% -2.0%	-0.9% -0.9%	0.6% 0.3%	0.9% 2.4%	2.0% 2.9%	3.2% 2.3%	3.4% 2.9%	4.5% 2.8%
Personal services	4.7% 3.2%	2.3% 2.9%	2.5% 2.5%	4.0% 1.4%	1.8% 1.1%	4.5% -2.2%	5.6% -1.6%	3.0% 0.4%
Total	**0.5%** **1.5%**	**7.0%** **2.1%**	**4.6%** **3.0%**	**2.7%** **3.0%**	**3.1%** **3.0%**	**4.1%** **1.9%**	**4.4%** **2.0%**	**2.9%** **1.7%**

Source: Afrinem and Quantec Research, 2008

Figure 3.2 compares growth in economic activity to growth in formal sector employment in both Limpopo and the national economy. It would appear that national employment growth is not able to keep up with rising GDP growth, and this trend is mimicked in Limpopo for the larger part of the sample. However, of interest is that employment growth in the province has consistently outstripped that of South Africa, except for 2007.

Figure 3.2: Growth in Output and Formal Employment, Limpopo and South Africa, 1996 – 2007 (LP = Limpopo Province)

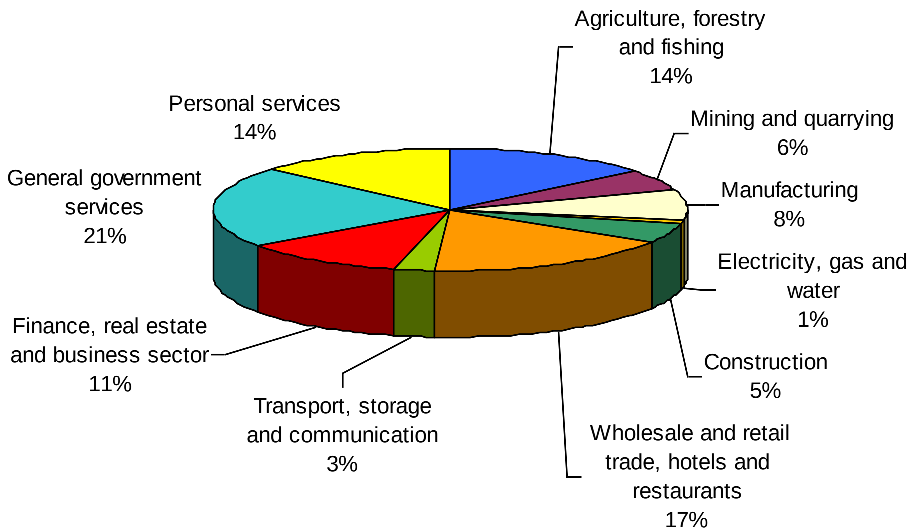


Source: Afrinem and Quantec Research, 2008

It is interesting to note which sectors of the Limpopo province are the largest employers. Figure 3.3 details just this point. The government is Limpopo's largest employer (21 per cent of total employment), closely followed by the wholesale and retail trade, hotels and restaurants industry (17 per cent). The personal services (14 per cent), agriculture, forestry and fishing (14 per cent) and finance, real estate and business (11 per cent) sectors are also large employers in Limpopo.

The Limpopo provincial government may wish to consider policies aimed at stimulating employment in industries other than the government sector, such as the high growth areas shown in Table 3.3. One such sector that may warrant mention would be the services sector: It has shown fairly robust economic growth in the period under consideration, though employment growth in this sector seems to have been negligible.

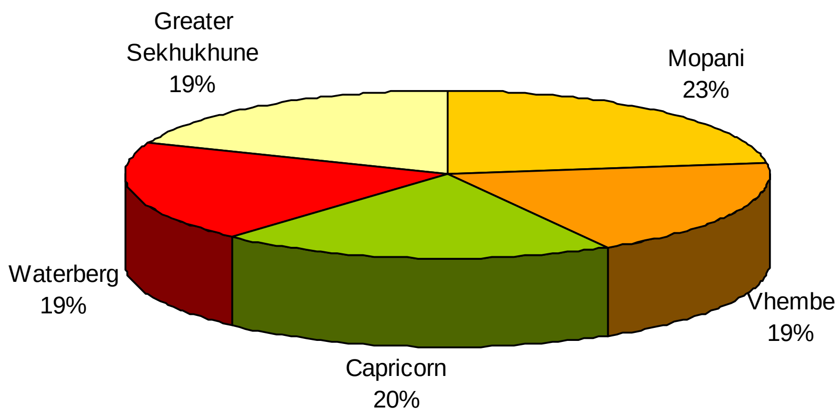
Figure 3.3: Sectoral Shares of Total Formal Employment, Limpopo, 2007



Source: Afrinem and Quantec Research, 2008

In terms of regional trends in employment in Limpopo, Figure 3.4 provides the shares of total employment for each of the five major districts in the province. There appears to be a relatively even spread of employment amongst these areas, with Mopani being the largest employment area (23 per cent of the total province).

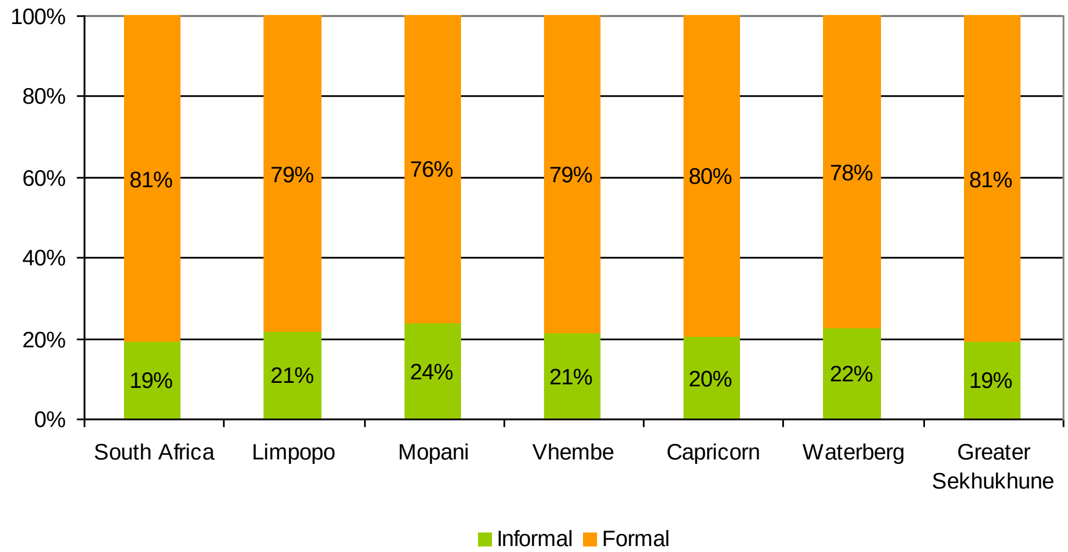
Figure 3.4: District Level Shares of Total (Formal and Informal) Employment, Limpopo, 2007



Source: Afrinem and Quantec Research, 2008

All of the employment data discussed until this point refers to employment in the formal sector. However, it is common knowledge that there is a thriving informal sector in South Africa, with 19 per cent of the country's employed engaging in informal activities (see Figure 3.5). The Limpopo province has a similar figure of 21 per cent informal sector employment, as do its districts. Mopani has the highest rate of informal sector employment (24 per cent), whilst Greater Sekhukhune has the lowest rate (19 per cent).

Figure 3.5: Shares of Total Formal and Informal Sector Employment, South Africa and Districts of Limpopo, 2007



Source: Afrinem and Quantec Research, 2008

Of those individuals employed in the formal sector of the South African economy, only 13 per cent are highly skilled, whilst 43 per cent are skilled and 44 per cent are semi- or unskilled. The share of semi- and unskilled employment in Limpopo is even larger than the national average at 47 per cent, compared to 12 per cent in the province being highly skilled (see Figure 3.6).

Table 3.4 shows that growth in skilled employment in Limpopo (25 per cent in 2007) far outstrips that of South Africa (18 per cent), as does growth in semi- and unskilled employment (15 per cent in Limpopo, 7 per cent in South Africa). The provincial and national governments may however, wish to investigate ways to stimulate further growth in highly skilled employment, since it is often proposed that the unemployment problems in the country are structural in nature and are due to a mismatch of skills between highly skilled jobs and lesser skilled work-seekers.

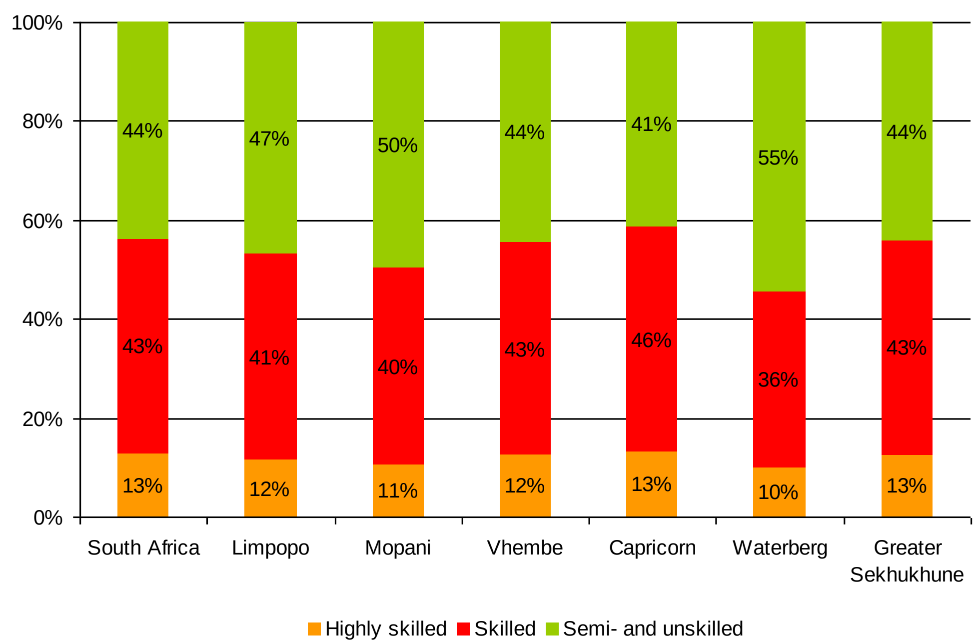
Table 3.4: Total Formal Employment by Skills Level, South Africa and Limpopo: 1995, 2000 and 2007

		1995	2000	Growth	2007	Growth
South Africa	Highly skilled	1,219,886	1,187,551	-2.7%	1,276,051	7.5%
	Skilled	3,431,338	3,669,724	6.9%	4,331,342	18.0%
	Semi- and unskilled	4,295,746	4,114,615	-4.2%	4,399,438	6.9%
	Total	**8,946,970**	**8,971,890**	**0.3%**	**10,006,831**	**11.5%**
Limpopo	Highly skilled	73,727	72,659	-1.4%	78,337	7.8%
	Skilled	191,693	222,800	16.2%	278,332	24.9%
	Semi- and unskilled	254,620	273,737	7.5%	314,674	15.0%
	Total	**520,040**	**569,196**	**9.5%**	**671,343**	**17.9%**

Source: Afrinem and Quantec Research, 2008

As shown in Figure 3.6, districts of concern within the province, where the provincial government may wish to investigate implementing skills- or education programmes include Waterberg, where 55 per cent of the employed are semi- or unskilled, 36 per cent are skilled, and only 10 per cent are highly skilled. 50 per cent of Mopani's employed are semi- or unskilled, 40 per cent are skilled, and 11 per cent are highly skilled. On the other hand, Capricorn (46 per cent) and Greater Sekhukhune (43 per cent) have better levels of skilled workers, equal to or greater than the national average.

Figure 3.6: Shares of Total Formal Employment by Skills Level, South Africa and Districts of Limpopo – 2007



Source: Afrinem and Quantec Research, 2008

3.2.3 Unemployment in Depth

It is evident from the previous section that growth in employment in Limpopo has outstripped that of the national average. It is still however prudent to consider the unemployment situation in the province, and compare this to national trends.

Table 3.5 provides some key demographic characteristics of the unemployed in Limpopo. Not surprisingly, since this group makes up 97 per cent of the working age population, unemployment is worst amongst Blacks in the province (98.5 per cent in 2007). Again, unsurprisingly, since women hold the majority over men in terms of the working age population, they hold the majority in terms of unemployment (56 per cent in 2007).

The concern here, mentioned at the beginning of this chapter, is the unemployment rate amongst the younger age groups, especially aged 20 to 29 (51.5 per cent in 2007), since these individuals make up the majority of the workforce and are widely regarded as the most productive age group.

A further cause for concern is the unemployment rate amongst individuals with a secondary school level education (67 per cent in 2007, up from 60 per cent in 2000). This may lead to the conclusion that even completing a secondary education is insufficient to attain employment, thereby discouraging the workforce to complete their school education. As was evidenced from the employment growth in the previous section, the majority of employment growth occurred in the highly skilled part of the workforce. There is therefore a distinct mismatch between the type of employment created and the type of education and training levels offered in the province.

Table 3.5: Demographics of Unemployed, Limpopo, 2000 and 2007

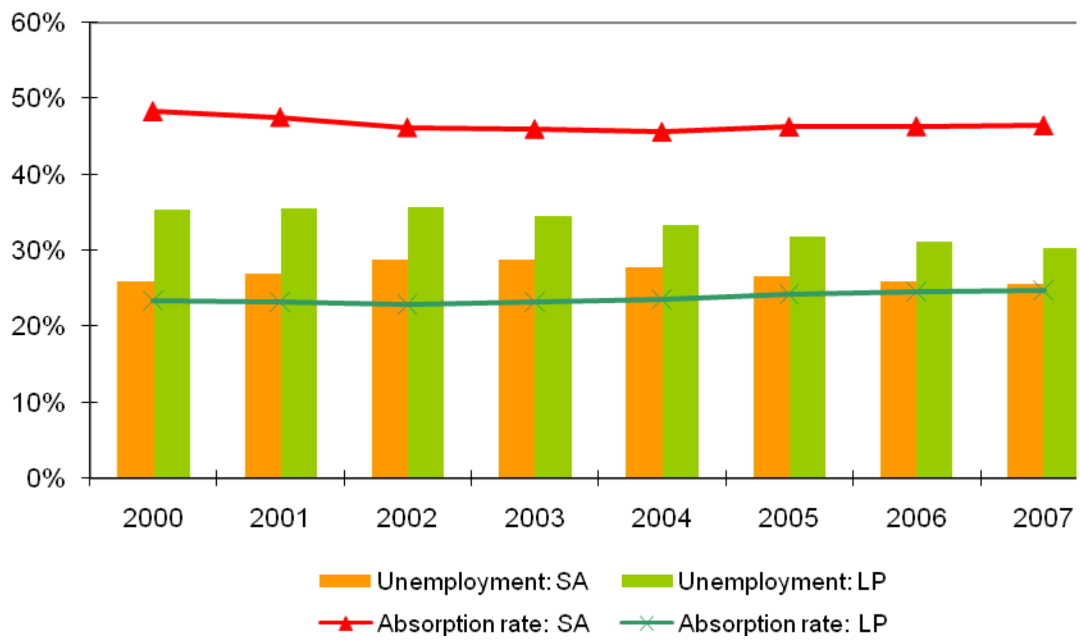
		September 2000 Share	September 2007 Share
Race	Black	98.0%	98.5%
	Coloured	0.2%	-
	Indian / Asian	0.5%	0.1%
	White	1.3%	1.4%
Gender	Male	48.1%	44.1%
	Female	51.9%	55.9%
Age	15 – 19	4.0%	2.9%
	20 – 29	56.5%	51.5%
	30 – 39	24.6%	26.2%
	40 – 49	10.3%	13.8%
	50 – 59	3.9%	5.0%
	60 – 64	0.6%	0.6%
Education	None	6.2%	4.2%
	Primary	25.0%	20.7%
	Secondary	59.8%	66.8%
	Diploma/Certificate	7.1%	6.9%
	Tertiary	1.7%	1.5%

Source: Afrinem and LFS, 2008

Figure 3.7 compares the unemployment and labour absorption rates in Limpopo to those of South Africa. The labour absorption rate indicates the percentage of the working age population (15 – 65 years) that is employed, i.e. that is absorbed by the economy. Of concern is that Limpopo's absorption rate (24.7 per cent in 2007) appears to be stagnant, and furthermore is significantly lower than that of South Africa's (46.4 per cent in 2007).

These poor absorption rates are coupled with high unemployment rates in the province (30.4 per cent in 2007), again which are consistently higher than those of the national average (25.7 per cent in 2007).

Figure 3.7: Unemployment and Absorption Rates, Limpopo and South Africa, 2000 – 2007



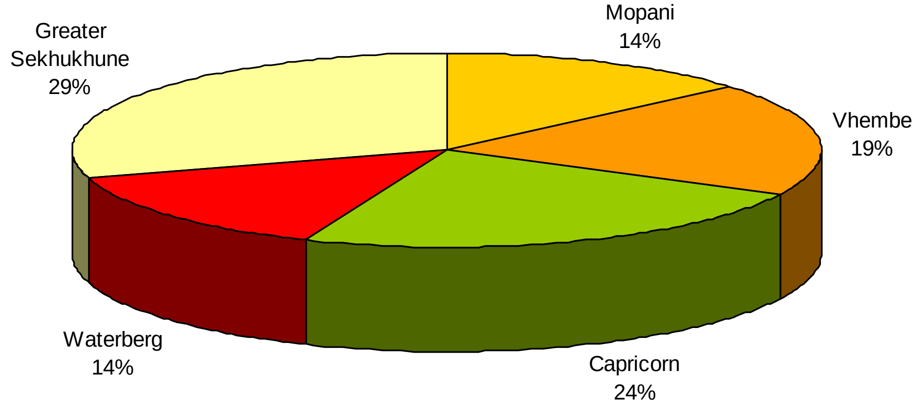
Source: Afrinem and Quantec Research, 2008

From the above it would appear that unemployment in Limpopo is more severe than in the rest of the country, and the provincial government may wish to isolate the districts within the province where these problems are amplified. Figure 3.9 provides the unemployment and labour absorption rates for each of the five major districts in Limpopo, whilst Figure 3.8 provides each of these districts' share of the province's total unemployment figures.

Evident from Figure 3.8 is that Greater Sekhukhune (at 29 per cent) is by far the largest contributing district to Limpopo's total unemployed, followed closely by Capricorn (24 per cent). Waterberg and Mopani are the smaller contributors to provincial unemployment at 14 per cent each.

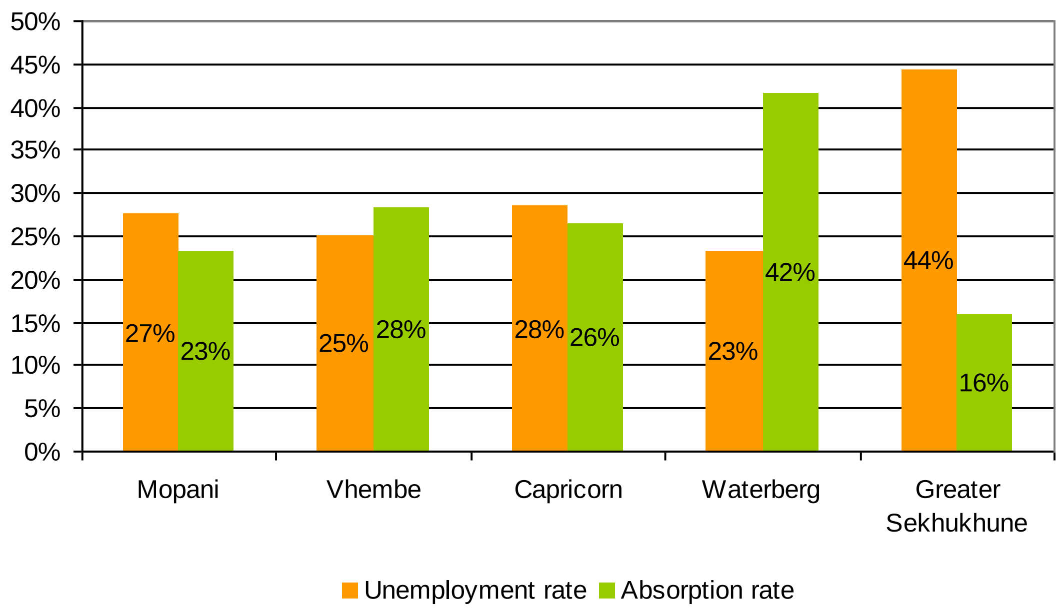
Waterberg stands out again in Figure 3.9 as the district with the highest absorption rate (44 per cent), nearly double that of the provincial average, and the lowest unemployment rate (23 per cent). Further investigation into the key employment sectors in this industry, as well as key growth areas, would enable the provincial government to attempt to replicate this success in other districts. Particularly of concern is Greater Sekhukhune, with an absorption rate of only 16 per cent, and a staggering unemployment rate of 44 per cent, cementing this district's status as the largest contributor to the province's unemployment figures.

Figure 3.8: District Shares of Unemployment, Limpopo, 2007



Source: Afrinem and Quantec Research, 2008

Figure 3.9: District Level Unemployment and Absorption Rates, Limpopo, 2007



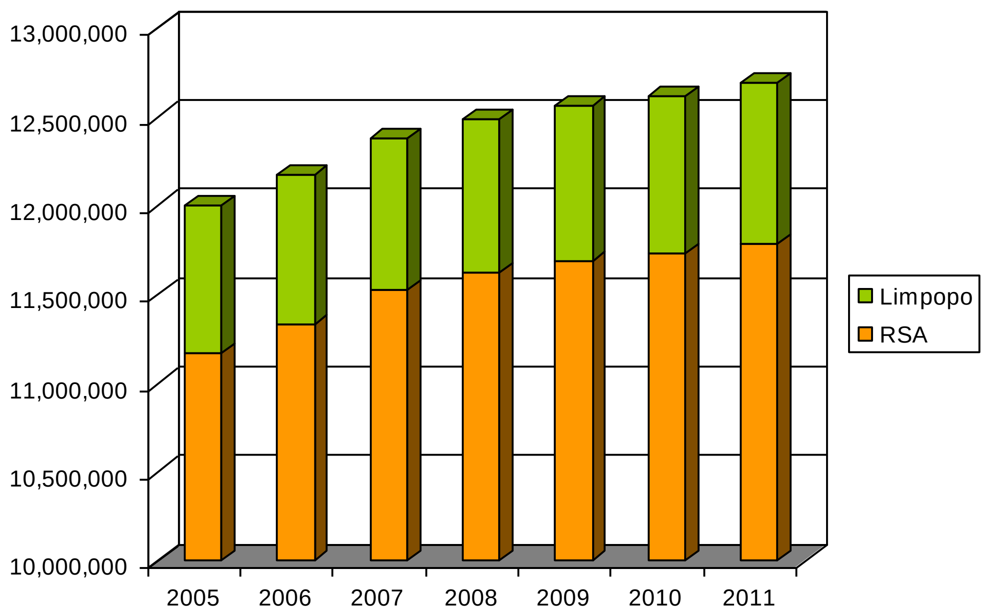
Source: Afrinem and Quantec Research, 2008

3.3 Limpopo Labour Market Outlook

In this section a 23 sector Input-Output table and LFS data supplied by Quantec Research are analysed in producing a labour market outlook for Limpopo province and the national economy. Historic LFS data has been filtered (smoothed) by the data service provider in order to provide this forecast, with the forecasting period including the years 2008 to 2011.

The increase in job opportunities over the recent past, as pointed out in earlier sections, is indeed expected to continue over the forecasting horizon for both the national and provincial economy, albeit at a significantly slower rate.

Figure 3.10: Employment, South Africa and Limpopo, 2005 – 2011

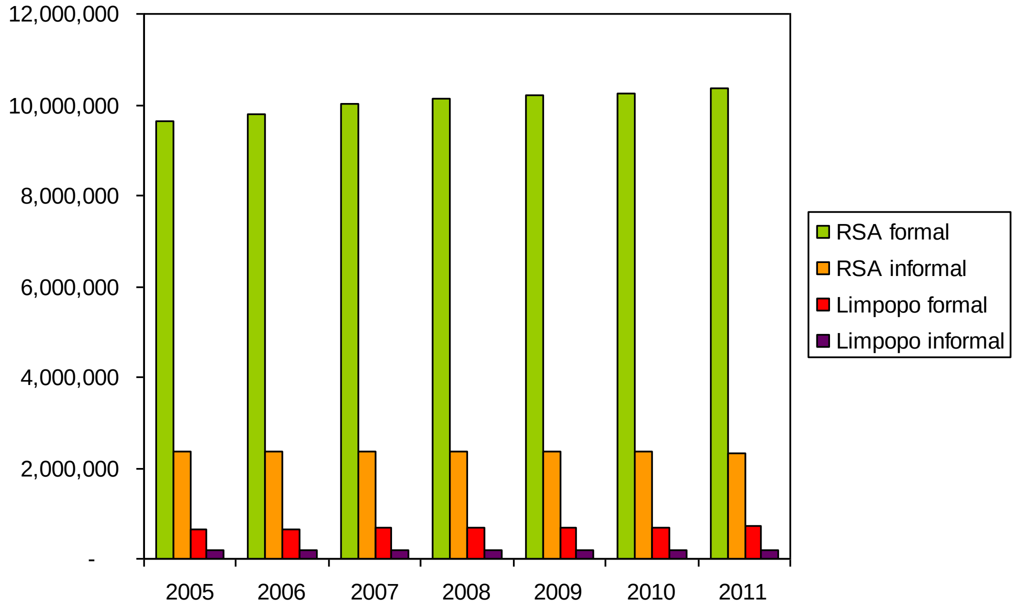


Source: Afrinem and Quantec Research, 2008

From Figure 3.10, this increase is evident, with total employment reaching a forecasted number of 12.7 million in 2011, with 0.9 million of these job opportunities in the Limpopo province. The forecasted average growth rates leading to the abovementioned increases are 1.3 per cent for the national economy and 0.6 per cent for Limpopo, respectively. These figures are lower than the average historic (2000 to 2007) growth rates of 2 per cent and 1.2 per cent respectively.

Figure 3.11 shows that increases in employment hold true for both the formal sectors of Limpopo and the national economy as well as the informal sector of Limpopo. The national informal sector labour market is however expected to contract, with a negative average growth rate of -0.36 per cent over the forecasting period. Slight positive increases in informal sector job opportunities are however expected for Limpopo, namely an average growth rate of 0.42 per cent for the period 2008 to 2011.

Figure 3.11: Total Formal and Informal Employment in South Africa and Limpopo, 2005 – 2011



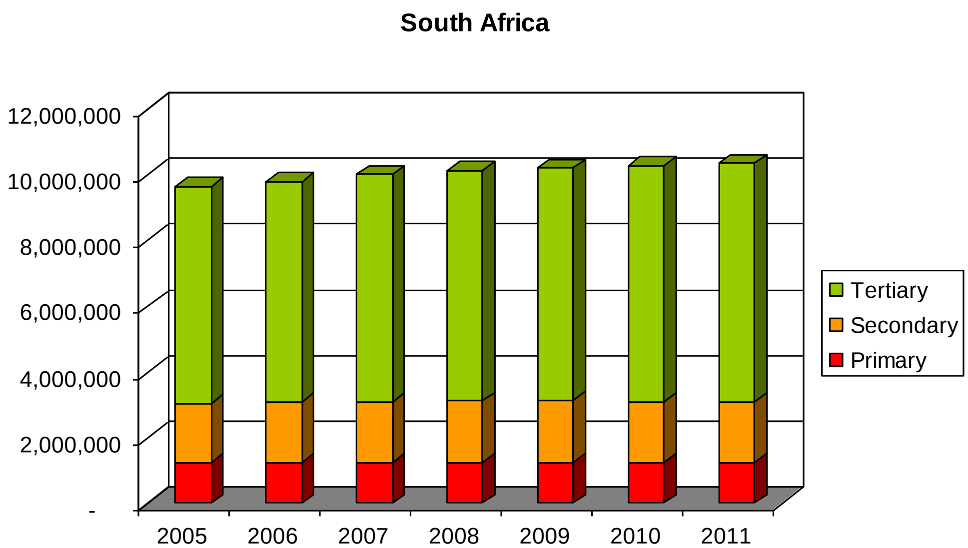
Source: Afrinem and Quantec Research, 2008

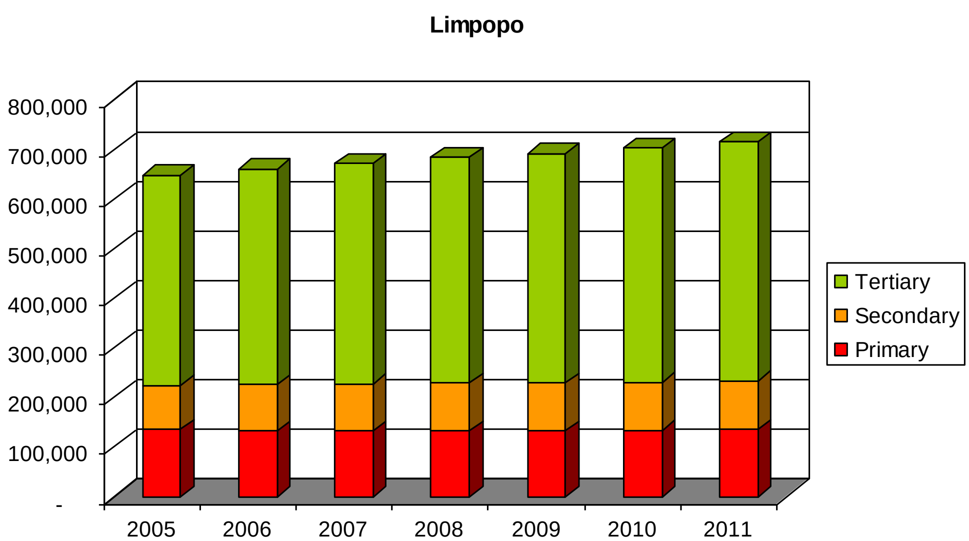
The informal sector is responsible for almost a constant 22 per cent of Limpopo's total employment, both historically and over the forecasting period. For the national economy, this figure is around 20 per cent, again for both the historic and forecasting periods.

When considering formal employment at the sectoral level, and comparing Limpopo to the national economy, the following may be expected: Total formal sector employment for South Africa is expected to increase to 10.3 million, with 0.7 million of these jobs in Limpopo province, that is only 7 per cent of the total number of formal job opportunities.

For both the national and provincial economies, the tertiary sector is the most important contributor to formal jobs, with the figure for the national economy as high as 70 per cent on average for the forecasting period. For Limpopo, this figure is lower at 67 per cent. The primary sector is the second largest employer in Limpopo, with 19 per cent of formal jobs expected to be in this sector. This figure is higher than the national expected average of 12 per cent. Finally, the secondary sector is expected to be responsible for 14 per cent of formal jobs in Limpopo. The comparative figure for South Africa as a whole is 18 per cent. The above-mentioned average sectoral contributions are expected to remain fairly constant over the forecasting horizon, and are depicted in Figures 3.12 and 3.13.

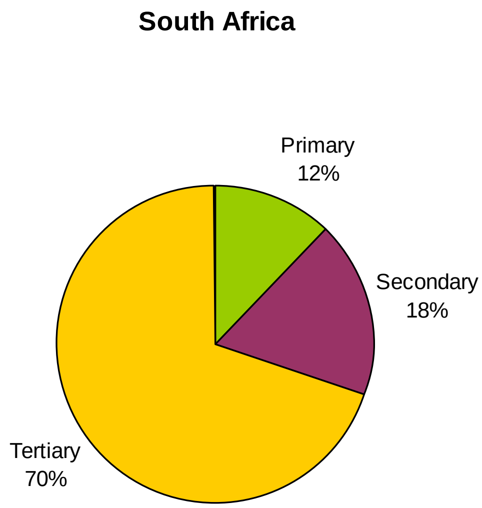
Figure 3.12: Formal Employment by Sector in South Africa and Limpopo, 2005 – 2011

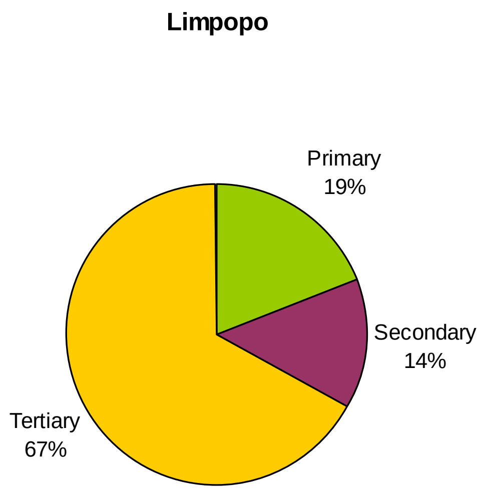




Source: Afrinem and Quantec Research, 2008

Figure 3.13: Average Contribution to Formal Labour Force in South Africa and Limpopo, 2005 – 2011





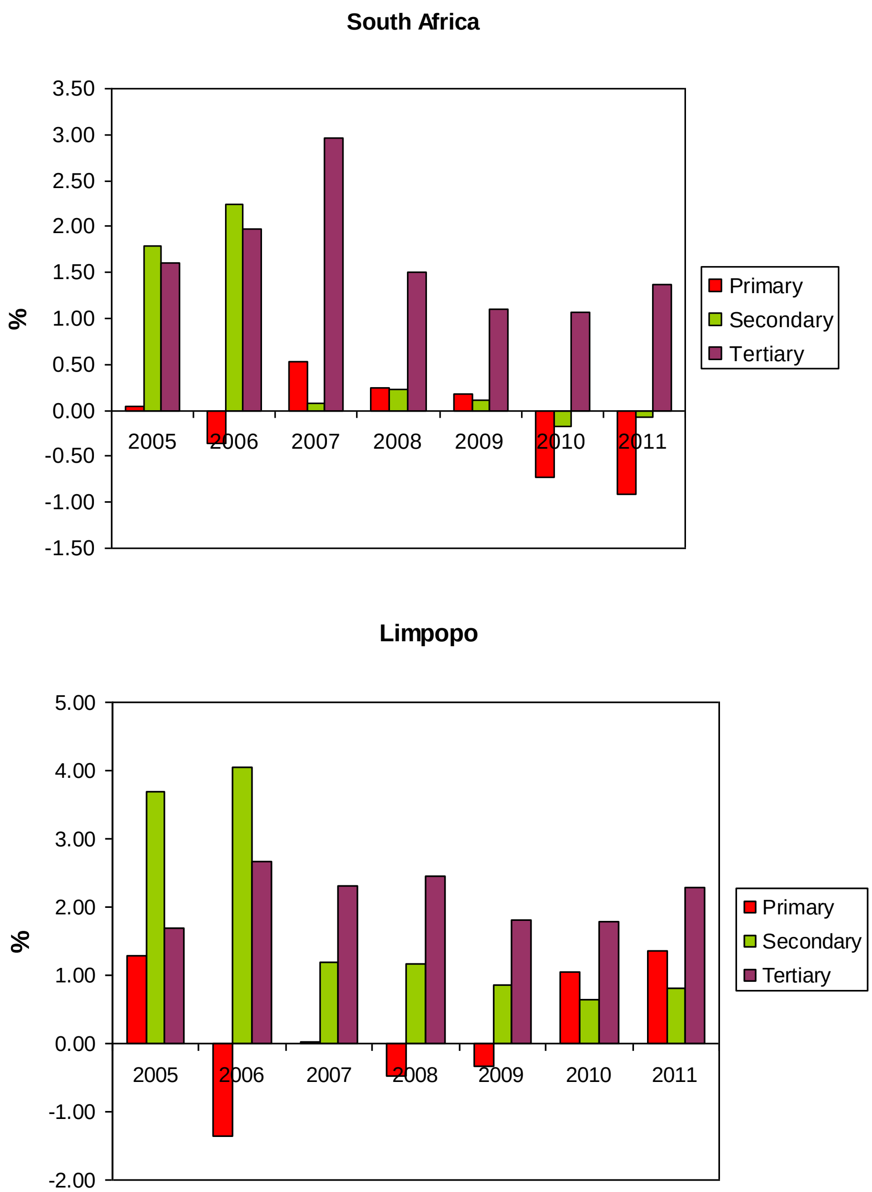
Source: Afrinem and Quantec Research, 2008

When considering sectoral growth in formal sector employment, the secondary and tertiary sectors for both the national and provincial economies are expected to see some positive growth in job opportunities over the forecasting period. For Limpopo, the tertiary sector employment is expected to grow at between 1.8 and 2.5 per cent for the period 2008 to 2011, with growth rates for the national economy's tertiary sector ranging between 1 and 1.5 per cent.

The secondary sectors for the province and national economy will average positive growth rates of 0.87 and 0.02 per cent on average, respectively. For the national economy, slight job losses in the secondary sector, with negative grow rates of less than 0.2 per cent in magnitude, are however forecasted towards the end of the forecasting period.

The primary sector, both on the national and provincial level, may also experience job losses in individual years of the forecasting period. These losses are however not expected to exceed 1 per cent of available jobs in these sectors. These trends are portrayed in Figure 3.14.

Figure 3.14: Growth in Formal Sector Employment in South Africa and Limpopo, 2005 – 2011



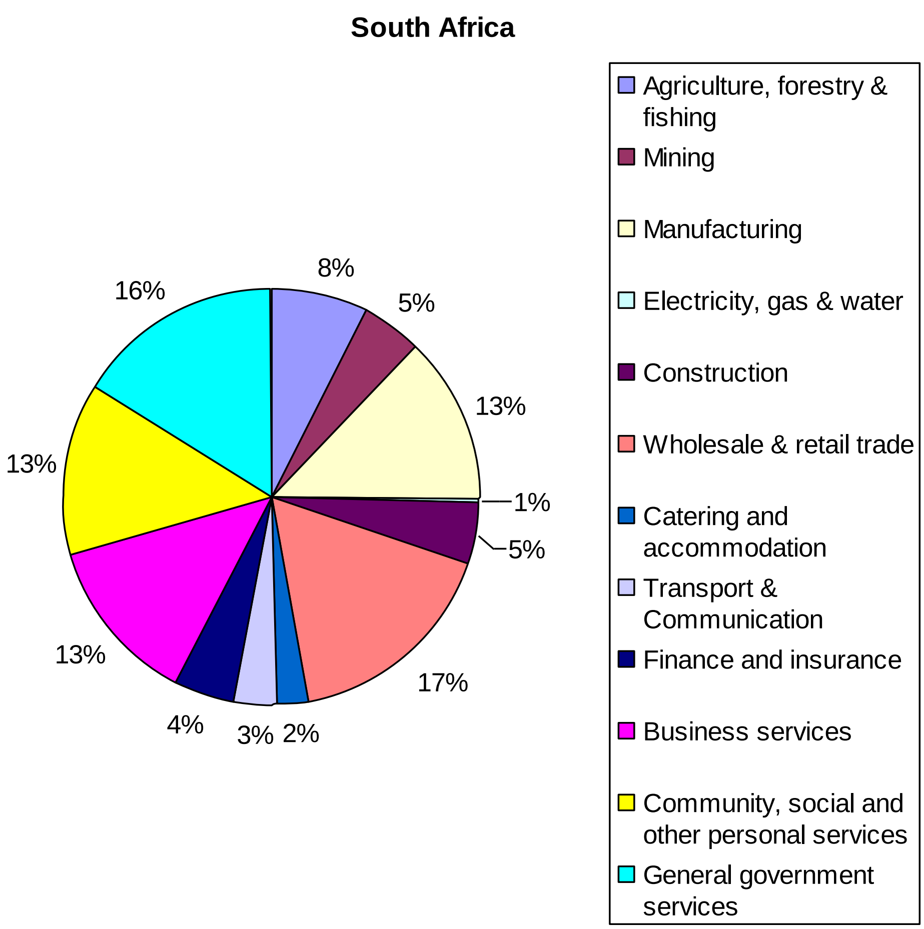
Source: Afrinem and Quantec Research, 2008

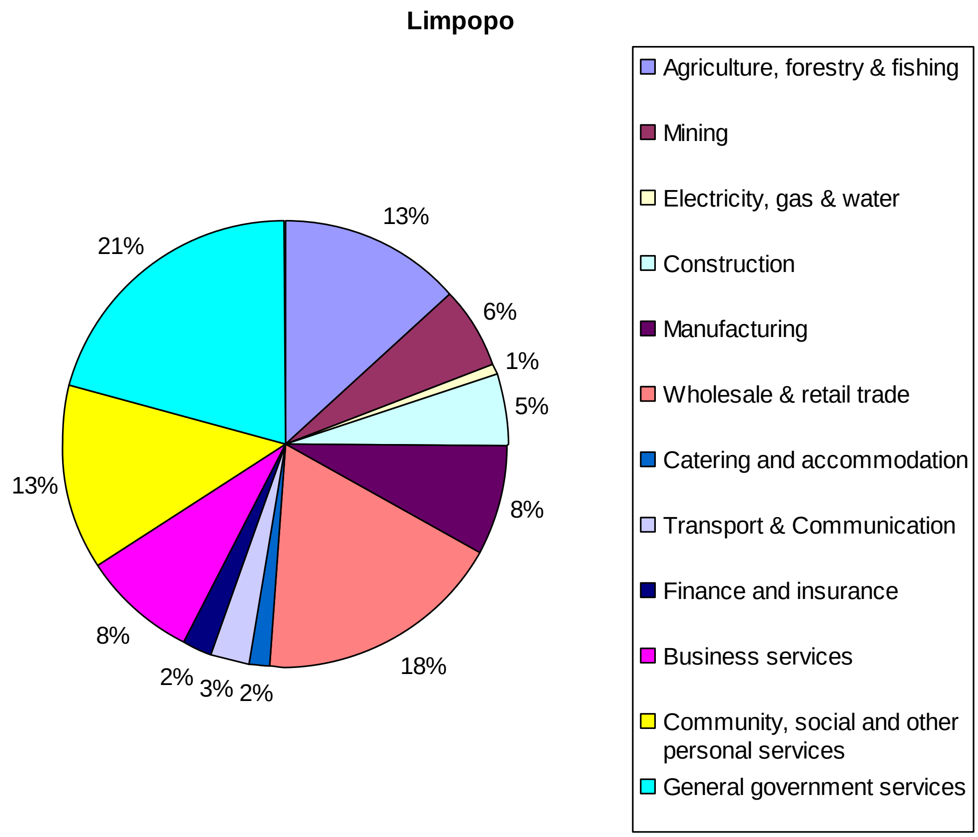
Figure 3.15 shows the most important economic sectors expected to contribute to job opportunities over the forecasting period. For Limpopo, these sectors are general government services (21%), wholesale and retail trade (18%), followed by agriculture, forestry and fishing, business services, as well as community, social and other personal services, all three at 13 per cent of the total share. Although mining is an important sector in terms of output, only 6 per cent of Limpopo province's jobs are expected to come from this sector.

On the national level, wholesale and retail trade is expected to remain the biggest job provider (17%), followed by general government services (16%), and manufacturing, business services as well as community, social and other personal services, all three at 13 per cent. At the national level the agricultural sector is less prominent in terms of job creation, with only 5 per cent of jobs coming from this sector.

All other sectors, both at provincial and national level, are expected to contribute less than 10 per cent of formal sector job opportunities.

Figure 3.15: Average contributions to Formal Sector Employment in South Africa and Limpopo, 2008 – 2011





Source: Afrinem and Quantec Research, 2008

Figure 3.16 shows the future unemployment trends for both South Africa and Limpopo to the year 2011. As alluded to in the labour market overview sections, the current trend of declining unemployment is expected to continue into the future, with unemployment rates for the province to reach a low of 28.3 per cent in 2011. The same figure for the national economy is expected to be 25.4 per cent.

Figure 3.16: Unemployment in South Africa and Limpopo, 2005 – 2011

Source: Afrinem and Quantec Research, 2008

3.4 Conclusion

Of encouragement in the province is the trend of positive average employment growth between 2000 and 2007. Furthermore, the number of unemployed in the province shrunk over the same period. However, Limpopo's unemployment rate is significantly higher than the national average, and is specifically large in the Greater Sekhukhune district. Although, this unemployment trend is forecast to decline by 2011.

The largest employer in the province is the provincial government. However, the government may wish to consider policies aimed at stimulating employment in industries other than this sector, such as the high growth services sector. Further policy programmes warranting consideration would include skills- or education programmes in the Waterberg and Mopani districts, where the majority of job holders are semi- or unskilled.