

UGu District Municipality

Department: KZN Provincial Treasury

Socio-Economic Profile

2014

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List of Acronyms

AIDS-Acquired Immunodeficiency Syndrome

DM-District Municipality

GDP-Gross Domestic Product

GNI-Gross National Income

GVA-Gross Value Added

HDI-Human Development Index

HIV- Human Immunodeficiency Virus

IMF – International Monetary Fund

KZN- KwaZulu-Natal

MRC- Medical Research Council

NHI- National Health Insurance

SACU- South African Customs Union

SADC- South African Development Community

WEO- World Economic Outlook

UGu District Municipality at Glance

UGu district Municipality is located along the south coast of the province of KwaZulu-Natal (KZN). It is surrounded by uMgungundlovu and Sisonke District Municipalities, eThekweni Metropolitan and the Indian Ocean. The district comprises of six local municipalities namely Hibiscus Coast, Umzumbe, uMuziwabantu, Vulamehlo, Umdoni and Eziqoleni.

With the well-established coastal towns such as Port Shepstone, Pennington and Margate, UGu is among the most favourite tourist destinations in KZN. Tourism and agriculture are amongst others, the key sectors in the economy of the district. The district however makes on average, a minimal contribution to the economy of the province in real terms.

The province of KZN generated an estimated real gross domestic product (GDP) to the value of R328.9 billion in 2013. Of this amount, Ugu contributed approximately R11.8 billion, which translated to 3.6 per cent of the total provincial economy. The unemployment rate in Ugu was estimated at 27.4 per cent in 2013 compared to the aggregate 21.2 per cent reported in the KZN. Other factors that contribute to economic growth, such as health, education and access to basic services appear to be in a positive trajectory; however more could be done to improve the lives of the people of the district.

1. Introduction

This publication provides the socio-economic profile of UGu District Municipality. It focuses on the economic performance of the district as well as reviewing the district's contribution to the economy of kwaZulu-Natal and South Africa at large. The economic performance presented in this report includes demographic dynamics, economic review and outlook, the economic relation between the district's and the provincial real GDP as well as other socioeconomic indicators.

The profile starts by focussing at the demographic analysis of the district, thereby assessing the impact it has in the lives of the people within the district and to the economy of the province. It proceeds by presenting the review which includes growth in the economy of the district as well as the outlook ending 2015. The outline of exports and imports is also included to determine the state of the current account of the district and across the province.

The review on labour dynamics focuses at the levels of employment, labour force, labour absorption rate, labour participation rate and productivity of labour compared to remuneration of labour. Characteristic of the labour market for the district compared to the province are also reviewed. The publication concludes by providing an in-depth analysis of the human development in the district. The focus is mainly on the human development index (HDI), income inequality, education as well as health.

2. Demographic

A demographic profile provides an analysis of the main characteristics of a targeted population group. It highlights the structure of the population in terms of distribution by age, size, gender and other critical characteristics. A structure a demographic profile is influenced by indicators such as mortality and fertility rates, migration or urbanization patterns and others. A demographic profile then makes it easier to conduct proper socio-economic analysis of a region.

Malthusian theory states that population growth tends to increase geometrical, and whereas the development and output of goods and services increases arithmetical, this result to the scarcity and inefficiency of resources in an economy. As the size of a population increases, the development decreases as the service delivery don't satisfy everyone in the community.

As population growth slows, countries can invest more in education, health care, job creation, and other improvements that help boost living standards. In turn, as individual income, savings, and investment rise, more resources become available that can boost productivity. Family planning programs can play a virtual role to slower the population increase and thus improving the social welfare of the entire population of a region.

2.1 Population Size

According to the mid-year population by the Statistics South Africa (Stats SA, 2014), the national population was estimated at 54 million in 2014. KwaZulu-Natal contributed 10.5 million or 19.8 per cent and thus making the province to continue to be the second largest populous province in the country, after Gauteng which comprises of approximately 12.7 million or 24.4 per cent (see table A1 in appendix).

Table 1: Population Size, Area in Square Kilometres and Population Density, 2013

| Districts | Population Size | % Share of KZN Population | % Share of Ugu Population | Area in Square km | Population Density |
|----------------------|-----------------|---------------------------|---------------------------|-------------------|--------------------|
| KwaZulu-Natal | 10456900 | 100 | | 93378 | 112.0 |
| Ugu DM | 731156 | 7.0 | 100.0 | 5042 | 145.0 |
| Vulamehlo | 76978 | 0.7 | 10.5 | 973 | 79.1 |
| Umdoni | 82668 | 0.8 | 11.3 | 238 | 347.4 |
| Umzumbe | 155945 | 1.5 | 21.3 | 1260 | 123.7 |
| uMuziwabantu | 97839 | 0.9 | 13.4 | 1091 | 89.7 |
| Ezingoleni | 52595 | 0.5 | 7.2 | 649 | 81.1 |
| Hibiscus Coast | 265131 | 2.5 | 36.3 | 832 | 318.7 |

Source: Global Insight, 2014

The provincial population is spread over 93 378 kilometre (km²) land area which translates to an estimated population density¹ of 111.7 people per km². Ugu contributes approximately 731 156 or 7 per cent of the total provincial population. Within Ugu, Hibiscus is the most populated municipality with 265 131 inhabitants and thus contributing an estimated 36.3 per cent of the total population in the district. This is followed by Umzumbe with 155 945 or 21.3 per cent (table1).

2.2 Population Distribution by Age and Gender

The pyramid below (figure 1) provides the population distribution of the district by age cohorts and gender in 2013. Observing the pyramid, females population are more than males population. Evidence from the pyramid indicates that with the exception zero to nine years age cohorts, the proportion of females is higher than that of their male counterparts. The proportion of children in the 0-4 age cohort is relatively high at an estimated 12.5 per cent in 2013, implying that government needs to allocate and spend a larger share of the budget on child welfare including healthcare and child grants.

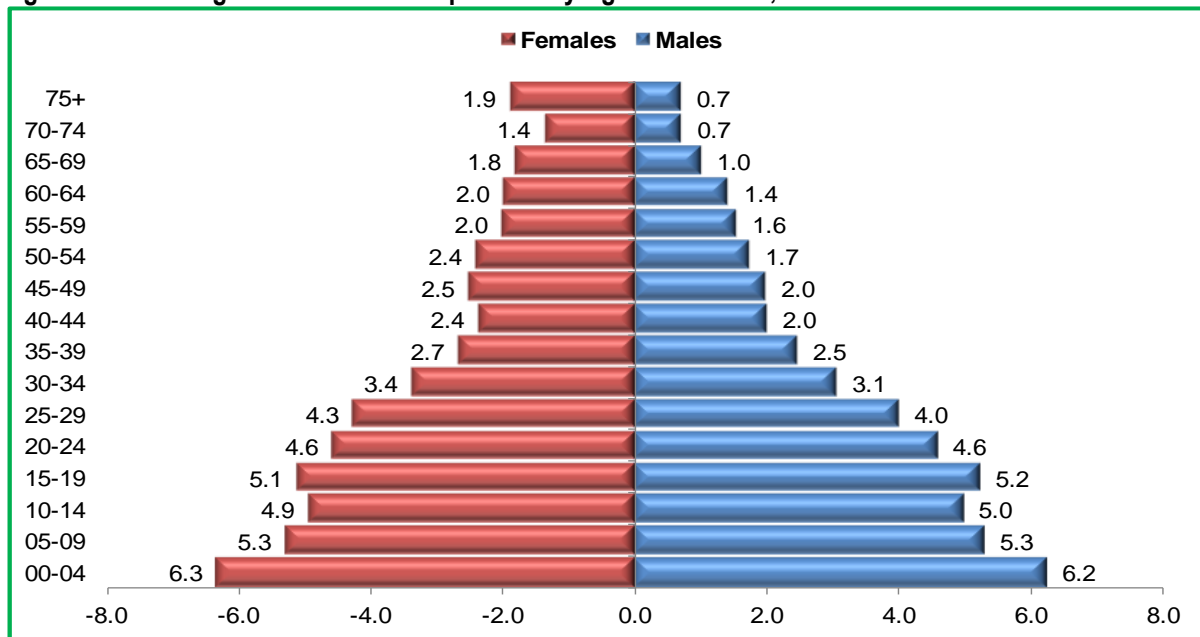
Figure 1 further reveals that the population of the district is predominantly youthful². The youth constituted 40.3 per cent of the total population of the district in 2013. This therefore calls for the government to invest more resources on both social and economic activities that have direct impact on the lives of the young people in the district.

¹ Population density is a measurement of population per unit area or unit volume.

² According to the South African National Youth Development Agency Bill (2008), "youth" refers to persons between the ages of 14 and 35.

Over the same year, females between the ages of 50 and above contributed 11.5 per cent to the population compared to their male (7.2 per cent) counterparts. This indicates that as case at both national and provincial, females in the district live longer than males. According to Stats SA (2014), female-headed households were more likely to have received housing subsidies than male-headed households in 2013. This was 16.4 per cent compared to 11.1 per cent of male headed households.

Figure 1: Percentage Distribution of Population by Age and Gender, 2013



Source: Global Insight, 2014

3. Economic Review and Outlook

According to the IMF (2014), the pace of the global recovery has been below expectations in 2014. The IMF is of the view that the weaker-than-expected global growth recorded in the first half of 2014 together with increased downside risks³ are a concern in the near future performance of the global economy. These downside risks are however argued to be prevalent globally in the form of risks to activity from lower than expected inflation rates and low growth in advanced economies, particularly the euro area and Japan. Inadequate reforms and increasing geopolitical tensions are further cited as exacerbating downside risks which continue to dominate the global economic outlook.

The IMF (2014) is of the view that in advanced economies, the downward risk will require continued support from monetary policy and fiscal adjustment adjusted in pace and composition to supporting both the recovery and long-term growth. The fund argues that in a number of economies, an increase in public infrastructure investment

³Down side risk is generally regarded as the financial risk associated with financial losses that is, the risk of difference between the actual return and the expected return. It occurs mainly when the actual return is less than the expected. It also emanates as a result of the uncertainty pertaining to the investment return (http://en.wikipedia.org/wiki/Downside_risk), accessed on the 15 July 2014.

can support demand in the short term and help boost potential output in the medium term. It further assets that in emerging markets, the scope for macroeconomic policies to support growth, if needed, varies across countries and regions, but space is limited in countries with external vulnerabilities.

The global economic growth was estimated at 3.3 per cent in 2013, this rate was 0.1 percentage points lower than the 3.4 per cent registered in 2012. The emerging market and developing economies grew by 4.7 per cent in 2013. This economic block contributes more than two-thirds of global growth and is forecasted to grow by 4.9 per cent and 5.3 per cent in 2014 and 2015 respectively (IMF, 2014).

The Sub-Saharan African economy is projected to grow at the same rate of 5.1 per cent in 2014 and at 5.8 per cent in 2015. The commodity related projects currently running in the region are expected to be the main drivers of this higher growth. The US economy grew by 2.2 per cent in 2013. This is expected to remain the same in 2014 and the projections indicate that it will moderately surge to 3.1 per cent in 2015. The OECD (2014) expects the domestic demand in the euro zone to be slow-moving amid financial fragmentation, tight credit and a high level of corporate debt burden. Overall economic growth in the euro area is expected to intensify from -0.4 per cent in 2013 to 0.8 per cent in 2014. A modest growth of 1.3 per cent is projected for the year 2015.

The IMF (2014) further explains that economic performance remains moderate in Japan, with an estimated growth of 1.5 per cent in 2013. The Brazilian economy is estimated to have grown by 2.5 per cent in 2013, a 1.5 percentage point rise from the 2012 performance. Subsequently, growth rate is expected to decline to 0.3 per cent in 2014, compared to the 2.5 per cent recorded in 2013 GDP is projected to grow at 1.4 per cent in 2015. GDP growth in China was uninterrupted in 2013, remaining at a robust rate of 7.7 per cent. India is projected to gain momentum in 2014, achieving a growth rate of 5.6 per cent, up from the estimated 5 per cent recorded in 2013.

3.1. South African Economy

The national economy suffered another blow in the beginning of the second quarter of 2014, whereby inflation rate hit the upper limit of the inflation target band of 3 per cent to 6 per cent and reached 6.6 per cent in May 2014 (KZN Treasury, 2014). In addition the, SARB⁴ has further raised the repurchase (repo)⁵ rate by 25 basis points to 5.75 per cent per annum in July 2014. The domestic economic outlook has since worsened significantly.

During the first quarter of 2014, the South African economy was plagued by a weaker rand against major currencies. This was further exacerbated by electricity supply constraints as well as sporadic labour disputes.

⁴ SARB (2014a): Statement of the Monetary Policy Committee, Issued by Gill Marcus, Governor of the SARB (17 July 2014), accessed on the 18th July 2014, available from <http://www.resbank.co.za/Lists/Newsper cent20andper>

⁵ Repo rate is the level of interest rate charged by the SARB to the commercial banks when they borrow from the reserve bank.

The SARB (2014) cites reduced investor confidence emanating from the tapering of quantitative easing by the US; the on-going platinum sector strike and the significant current account deficit as strong contributing factors to the weak domestic currency.

According to StatsSA (2014), the economic growth improves significantly to 1.4 per cent (quarter-on-quarter) during third quarter of 2014, after a marginal 0.6 per cent in the second quarter of 2014. The largest contributors to the quarter-on-quarter increase in the second quarter of 2014 were contributed by general government services and the transport, storage and communication industry each contributed 0.4 of a percentage point based on increases of 2.9 per cent and 4.0 per cent respectively and Finance, real estate and business services contributed 0.3 of a percentage point based on an increase of 1.5 per cent.

The SARB ⁶ has since revised the forecast of the national growth rate down to 1.5 per cent, 2.8 per cent and 3.1 per cent in 2014, 2015 and 2016 respectively and these projections are in line with the expectations by the IMF. The contraction in GDP during the first quarter of 2014, the striking decline in the purchasing managers' index (PMI)⁷, stark rise in producer inflation and the worsening trade deficit are collectively cited as confirming the beginning of tough economic environment. Furthermore, the SARB's leading indicator of economic activity⁸ had been buoyant during the first two quarters of 2014, reflecting restrained growth expectations.

The IMF (2014) however, expects the domestic economic activity to be driven by the faster growth in exports, which is anticipated to be a reaction to the weak rand and increased growth in world trade. The IMF further highlights that growth in SA is projected to improve modestly, underpinned by strengthening external demand but dragged down by tightening global financial conditions and domestic monetary policies, soft commodity prices, tense industrial relations, and continuing supply bottlenecks, including in energy.

3.2 KwaZulu-Natal Provincial Economic Review and Outlook

Following the global and national trends, the provincial economy recorded a seasonally adjusted and annualized quarterly increase of 1.95 per cent in the first quarter of 2014, compared to the 1.83 per cent recorded during the fourth quarter of 2013. KZN is one of the key provinces in the national economy in terms of GDP contribution. The estimated real GDP generated by the province amounted to approximately R328.9 billion in 2013, making KZN the second largest contributor to the economy of the country at 16.5 per cent, after Gauteng with 36.1 per cent.

⁶ See the Monetary policy Committee (MPC) speech by the Governor of the SARB, dated 18/9/2014, accessed on the 1st of October 2014 and available from <https://www.resbank.co.za/Lists/Newsper cent20andper cent20Publications/Attachments/6337/MPC per cent20Statementper cent20Julyper cent202014per cent20final.pdf>,

⁷The PMI is an indicator of the economic performance of the manufacturing sector. It is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment. A PMI of more than 50 represents expansion of the manufacturing sector, compared to the previous month. A reading under 50 represents a contraction, while a reading at 50 indicates no change (<http://www.investopedia.com/terms/p/pmi.asp>).

⁸ The composite leading indicator indicates the direction of economic activity in the next 6 to 9 months (<http://www.investopedia.com/terms/c/cili.asp>)

The 2014 first quarter annual growth rate indicates that the provincial economic activity is at improving levels than those experienced during the fourth quarter of 2013. The provincial economy is expected to grow by 1.8 per cent at the end of this year before accelerating to 3.3 per cent and 4.2 per cent in 2015 and 2016 respectively.

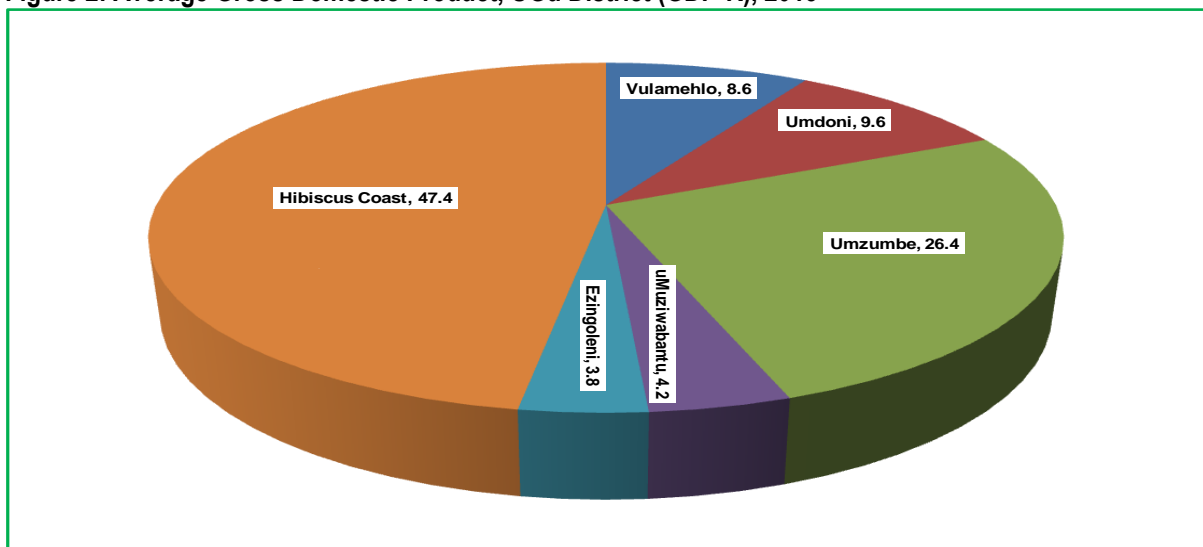
3.3 UGu District Municipality Economic Review

UGu is a favourite tourist destination which includes the well-established coastal towns of Port Shepstone, Pennington, Margate and Scottsburg. The main features of the economy are tourism and agriculture with some manufacturing centred around Port Shepstone. Commercial agriculture in the district produces one-fifth of all bananas consumed in South Africa, as well as vegetables, sugarcane, tea, coffee and macadamia nuts⁹.

There are a number of businesses successfully exporting these products to some of the most exclusive packers in the United Kingdom. The stable manufacturing base includes: clothing, textiles, metal products, food and beverages and wood products. UGu has the only 'marble' delta within the KwaZulu-Natal province, mined for cement and calcium carbonate.¹⁰

Tourism is one of the key economic sectors in the district and is based on the sea and associated activities. UGu has a number of highly acclaimed Blue Flag beaches. The large waves are ideal for surfing and the countless bays boast model areas for sea kayaking, kite surfing and scuba diving. Fishing along the coast has become a popular sport for both locals and holidaymakers. The UGu jazz festival also contributes to the tourism industry at UGu district municipalities (IDP, 2014/15).

Figure 2: Average Gross Domestic Product, UGu District (GDP-R), 2013



Source: Global Insight, 2014

⁹ See Integrated Development Programme (IDP, 2014/15) for Ugu District Municipality, accessed on the 10/12/2014 and available from <http://ugu.gov.za/pdfs/Ugu-District-Municipality-IDP-2014-15-Final.pdf>

¹⁰ See KZN top business (2014), accessed on the 9th December 2014, available from <http://kzntopbusiness.co.za/site/kzn-perspectives>

UGu contributed around 3.6 per cent of the R 328.9 billion estimated provincial Real GDP in 2013 (figure A1 in appendix). Evidence from figure 2 above shows that the district's economy is highly concentrated in Hibiscus Coast, whereby the municipality contributes 47.4 per cent of the total UGu's real GDP. This is followed by Umzumbe with 26.4 per cent, while Ezinqoleni and uMuziwabantu are the least contributing municipalities at 3.8 per cent and 4.2 per cent respectively in 2013.

3.3.1 Sector Performance Analysis

Table 2 reflects on the sector performance of Ugu over the period 2008 to 2015. Compared to primary and secondary sectors, tertiary shows improvements in contribution towards the economy of the province. In 2013, the sector constituted 62.6 per cent of the provincial real GDP, which was far above the 14.3 per cent and 23.2 per cent contributed by the primary and secondary sectors respectively.

The primary sector showed a slight improvement in 2013 compared to its performances over the period 2009 to 2012. This was however slightly below the 14.5 per cent recorded in 2008. The improvement in this sector's performance was due to better performance by *forestry and logging* and *other mining & quarrying*. The protracted labour disputes strikes in the mining industry are cited as part of the factors contributed to the lacklustre performance in the mining industry.

Over the period 2008 to 2013, manufacturing industry's contribution contracted slightly by 0.5 per cent. This was due to this lethargic contribution by *wood and wood products* sub-sector which had a major impact on the performance by the manufacturing. The tertiary sector contribution recorded a moderate growth of 62.6 per cent in 2013, up from the 59.8 per cent reported in 2008. Government's contribution was the main driver of this performance.

Table 2: Sector contribution to the provincial real GDP (percentages), 2008 to 2015

| | Estimates | | | | | | Projections | |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Primary sector | 14.5 | 14.0 | 13.8 | 13.6 | 13.8 | 14.3 | 14.1 | 13.9 |
| Agriculture | 13.3 | 13.0 | 12.9 | 12.9 | 13.0 | 13.5 | 13.4 | 13.2 |
| Mining | 1.2 | 1.0 | 0.9 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 |
| Secondary Sector | 25.8 | 24.4 | 24.8 | 24.2 | 23.7 | 23.2 | 23.0 | 22.9 |
| Manufacturing | 19.2 | 17.5 | 18.1 | 17.7 | 17.4 | 16.9 | 16.8 | 16.7 |
| Electricity | 3.1 | 3.0 | 2.9 | 2.9 | 2.7 | 2.6 | 2.6 | 2.6 |
| Construction | 3.5 | 3.9 | 3.8 | 3.7 | 3.7 | 3.6 | 3.7 | 3.6 |
| Tertiary Sector | 59.8 | 61.6 | 61.4 | 62.1 | 62.5 | 62.6 | 62.9 | 63.2 |
| Trade | 15.9 | 16.0 | 16.1 | 16.3 | 16.3 | 16.1 | 16.1 | 16.1 |
| Transport | 8.6 | 9.1 | 9.1 | 9.1 | 9.0 | 8.9 | 9.0 | 9.1 |
| Finance | 17.5 | 18.1 | 17.8 | 18.1 | 18.1 | 18.1 | 18.3 | 18.5 |
| Community services | 17.8 | 18.4 | 18.4 | 18.8 | 19.1 | 19.5 | 19.5 | 19.5 |

Source: Global insight, 2014

4. International Trade

Growth and development in any economy is greatly influenced by the enhancement of international trade¹¹, which is fundamental to the creation of employment. Exports are the primary source of foreign exchange in a country. A country gains from exporting a commodity or service if it has significant comparative advantage of producing that commodity or service over its foreign competitors. Exports are expected to be higher than imports in order for trade surplus to occur.

The practice of international trade has improved greatly since the admittance of South Africa in to the World Trade Organization (WTO) in 1995. SA has membership in various regional trade agreement and trade blocs such as the South African Customs Union (SACU) and South African Development Community (SADC). According to Economics online (2014) these blocs allows for more efficient flow of goods between partner countries and countries which are part of trade blocs will generally benefit from more favourable trade terms, better market access, economies of scale and job creation.

According the (SARB, 2014), the South Africa's export performance in the second quarter of 2014 was inhibited by the prolonged industrial action, logistical and energy constraints, a moderation in global demand, and a decline in some commodity prices. The bank alsomaintains that the value of merchandise imports also contracted over the period, but to a lesser extent. The larger trade deficit coincided with a widening in the shortfall on the services, income and current transfer account with the rest of the world as South African institutions made higher net income payments to non-resident investors. With both sub-accounts deteriorating, the current-account deficit widened substantially to 6.2 per cent of gross domestic product in the second quarter of 2014, from 4.5 per cent in the first quarter of the year(SARB, 2014).

4.1 Exports

A country is able to export¹² items at a profit after considering costs such as transport cost, tariffs and other trade barriers. Table 3 reflects on the rand value of exports over the period 2003 to 2013 in Ugu. The total value of exports in the district has increased by an overwhelming 59.6 per cent during the period under review. The district is competitive in commercial farming and constitutes about 90 per cent of agricultural production. Ugu also exports most of its products such as nuts to the US.

As expected, Hibiscus is the economic hub of the district and is thus the highest contributor in terms of exports. Its exports rose from an estimated R46.5 million in 2003 to approximately 217.6 million in 2013. This was a robust increase of about 78.6 per cent which is good for the economy of the district. The second highest

¹¹ International trade is the exchange of goods and services between countries; it also encourages a country to specialize in producing only those goods and services which it can produce more effectively and efficiently gaining comparative advantage for itself.

¹² Exports are goods that are manufactured within the country and are sold to foreign countries due to that there is high demand for them and that the country has comparative advantage in them.

contributor towards exports in 2013 was Umdoni with R79.1 million. Over the same year, Umzumbe's share of the total value of exports was minimal (table 3).

Table 3: Value of Exports (R1000) in Ugu DM, 2003 to 2013

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------------|---------|--------|--------|--------|--------|--------|---------|----------|---------|---------|---------|
| Ugu DM | 129 720 | 83 472 | 82 759 | 78 653 | 91 697 | 85 530 | 133 337 | 172 960 | 195 742 | 262 378 | 320 956 |
| Vulamehlo | 559 | 3 227 | 4 009 | 7 818 | 10 018 | 15 697 | 7 603 | 4 993 | 4 367 | 4 147 | 3 524 |
| Umdoni | 7 789 | 4 297 | 3 562 | 3 896 | 4 034 | 4 294 | 15 889 | 13 751 | 16 838 | 42 344 | 79 173 |
| Umzumbe | 402 | 541 | 356 | 45 | 1 525 | 44 | 5 549 | 61 476 | 62 | 0 | 160 |
| uMuziwabantu | 9 975 | 12 781 | 10 508 | 9 600 | 8 892 | 10 032 | 8 222 | 9631 444 | 13 633 | 22 043 | 19 076 |
| Ezingoleni | 64 527 | 19 759 | 12 919 | 941 | 539 | 384 | 265 729 | 905 | 1 224 | 1 055 | 1 375 |
| Hibiscus Coast | 46 468 | 42 867 | 51 406 | 56 354 | 68 212 | 55 080 | 101 352 | 143 618 | 159 619 | 192 789 | 217 647 |

Source: Global Insight, 2014

4.2 Balance of payment

The current account balance of payment as a percentage of GDP provides an indication on the level of international competitiveness of a country. Usually, countries recording a strong current account surplus have an economy heavily dependent on exports revenues, with high savings ratings but weak domestic demand. Meanwhile, countries recording a current account deficit have strong imports, a low saving rates and high personal consumption rates as a percentage of disposable incomes. Imports are goods and services which are purchased at international markets, it may be due to the shortage in the domestic country or they are imported more cheaply than produced. Table 4 presents the trade balance in Ugu. According to the table trade deficit of R470 409 accounted for an estimated 4 per cent of GDP to the tune of R11.8 billion generated in 2013.

Table 4: Current Account and Trade (R1000) of UGU District, 2004 to 2013

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------------|---------|---------|----------|----------|----------|----------|----------|----------|-----------|-----------|
| Exports (Ex) | 83 472 | 82 759 | 78 653 | 91 697 | 85 530 | 133 337 | 172 960 | 195 742 | 262 378 | 320 956 |
| Imports (Im) | 122 692 | 150 949 | 213 728 | 360 108 | 369 406 | 406 865 | 444 519 | 570 185 | 815 575 | 791 365 |
| Trade balance (Ex-Im) | -39 220 | -68 189 | -135 075 | -268 411 | -283 876 | -273 529 | -271 559 | -374 443 | -553 197 | -470 409 |
| Total trade | 206 165 | 233 708 | 292 381 | 451 804 | 454 937 | 540 202 | 617 479 | 765 927 | 1 077 953 | 1 112 321 |

Source: Global Insight, 2014

5. Labour Markets

The dynamics in the labour market¹³ have an effect on the economic growth of the country. It is expected that as the economy gains strength, employment is likely to increase. However, one of the challenges facing the South African labour market is an excess of unskilled labour which is unemployable. This negates the argument specifying the relationship between economic growth and employment. This, however, partly leads to unequal distribution of wealth in the country. In an effort to address inequality, the government has embarked on programmes aimed at improving skills. The Skills Development Act of 1998 seeks to develop the skills of the South African workforce through increasing investment in education and training.

¹³ The labour force comprises of all people who are employed and unemployed.

5.1 Total Employment in SA

South African jobless rate was little changed at 25.4 per cent in the third quarter of 2014 from 25.5 per cent in the previous quarter. Yet, the number of people who stopped looking for a job increased by 3.9 per cent and the labour force participation rate fell by 0.2 percentage points to 57.1 per cent. Increases in national employment were observed in both the formal and the informal sectors at 88 000 and 28 000 respectively. Compared to 2013, employment increased by 81 000, largely due to increases in the formal and the informal sectors which grew by 134 000 and 85 000 jobs respectively in quarter three 2014.

The national employment increased by 16 000 in the agricultural industry, while a decrease of 110 000 was observed in private households. The quarterly increase of 137 000 among the not economically active population was driven largely by a 95 000 increase in discouraged job-seekers. Declines in employment were observed in both the private household and the agricultural industries shedding 83 000 and 54 000 jobs respectively.

5.2 Employment in Kwazulu-Natal

Table 5 shows that the total number employed people in KZN was estimated at 2 376 551 in 2013. Compared to other provinces, KZN suffered the largest decrease (61 000) in the job losses during quarter 3 of 2014 (Stats SA, 2014). The year-on-year jobs decreased by 150 000 in the third quarter of 2014. As shown in table 4, the total number of those employed in Ugu was estimated employment at 130 252 and thus contributing 5.5 per cent to the total provincial number. About those half of those employed in the district were in Hibiscus Coast, followed by Umzumbe with 30 152 or 23.2 per cent. Unsurprisingly, Ezingoleni and uMuziwabantu are the least contributing municipalities in terms of the number people employed in the district.

Table 5: Employment by Sector, 2013

| | Formal Employment | Informal Employment | Total Employment | % Share of KZN Formal Employment | % Share of KZN Informal Employment | % Share of Ugu Formal Employment | % Share of Informal Employment |
|----------------|-------------------|---------------------|------------------|----------------------------------|------------------------------------|----------------------------------|--------------------------------|
| KwaZulu-Natal | 1 957 828 | 418 722 | 2 376 551 | 100 | 100 | | |
| Ugu DM | 106 455 | 23 797 | 130 252 | 5.4 | 5.7 | 100 | 100 |
| Vulamehlo | 8 478 | 2 028 | 10 506 | 0.4 | 0.5 | 8.0 | 8.5 |
| Umdoni | 7 759 | 2 357 | 10 116 | 0.4 | 0.6 | 7.3 | 9.9 |
| Umzumbe | 23 896 | 6 256 | 30 152 | 1.2 | 1.5 | 22.4 | 26.3 |
| uMuziwabantu | 6 686 | 2 019 | 8 705 | 0.3 | 0.5 | 6.3 | 8.5 |
| Ezingoleni | 4 591 | 1 058 | 5 649 | 0.2 | 0.3 | 4.3 | 4.4 |
| Hibiscus Coast | 55 045 | 10 080 | 65 124 | 2.8 | 2.4 | 51.7 | 42.4 |

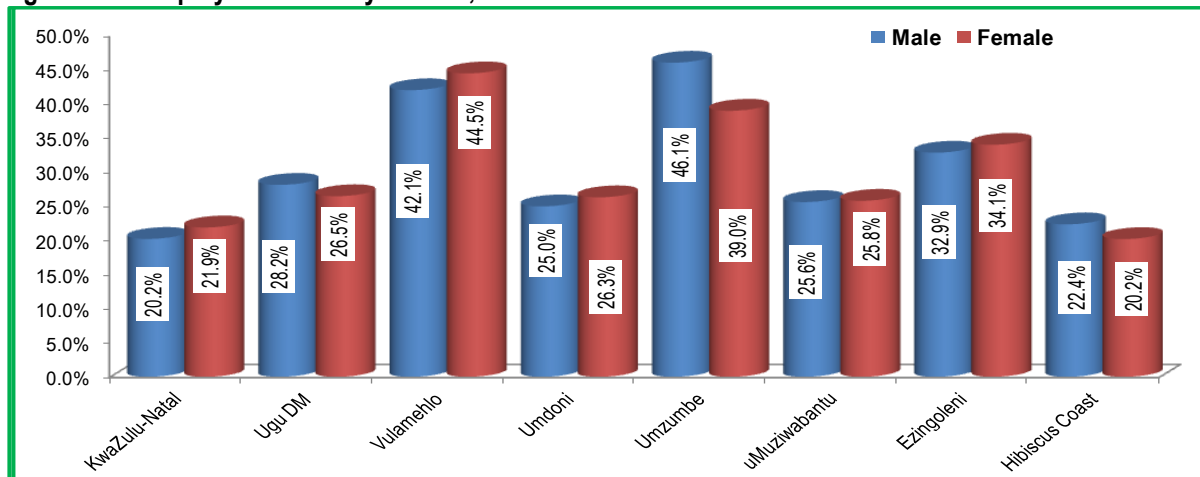
Source: Global Insight, 2014

5.3 Unemployment

The total national number of unemployed people decreased slightly by 3 000 to 5.2 million and unemployment increased consecutively in the first two quarters of 2014. Increases of 237 000 and 87 000 in the number of unemployed people were observed in quarters one and two of 2014 respectively. KZN was among the provinces recorded the largest rise in official unemployment rate. The unemployment rate in the province remained stubbornly high at 24.1 per cent during the third quarter of quarter 2014.

Figure three shows the provincial unemployment rate by gender in 2013. Males in KZN have a relatively low unemployment rate at 20.2 per cent compared to their female counterparts (21.9 per cent). Contrary to the provincial picture, unemployment rate is relatively higher among females (28.2 per cent) as opposed to the males (26.5 per cent). A closer scrutiny at Ugu reveals that Vulamehlo (44.5 per cent), Umzumbe (39 per cent) and Ezingoleni (34.1 per cent) have the highest unemployment among females.

Figure 3: Unemployment Rate by Gender, 2013



Source: Global Insight, 2014

5.4 Productivity and Labour Remuneration

Labour productivity¹⁴ is the measure usually used when calculating unit labour cost. It is a meaningful measure since it helps reflect changes in the price of labour. An improvement in this variable can be due to an accumulation of machinery, improving technology, investment in infrastructure, skills development, and improvement in the health of organisations (ILO, 2012). The relation between wages and productivity is important because it is a key determinant of the standard of living of the employed population as well as of the distribution of income between labour and capital. As correctly pointed out by Glen (2001), remuneration¹⁵ planning is vital in any organization.

The *unit labour cost*¹⁶ on the other hand measures the average cost of output, therefore rapid growth in remuneration per worker is not harmful as long as it is coupled with a proportional increase in productivity. This measure serves as a key indicator of cost pressures, competitiveness and cost efficiency of labour. If unit labour cost increases at a rate higher than in the economies of its international competitors, the situation might be

¹⁴Labour productivity is defined as output per unit of labour. Labour remuneration is measured as remuneration per worker at current prices.

¹⁵ Employee remuneration is the reward or compensation given to the employees for their work performances. Remuneration planning is concerned with retaining valued employees and deriving income by remunerating employees in such a way that motivates and encourages them to achieve their goals as well as those of the organisation to recognise their role as stakeholders.

¹⁶ The unit labour cost is calculated by dividing remuneration per worker by labour productivity.

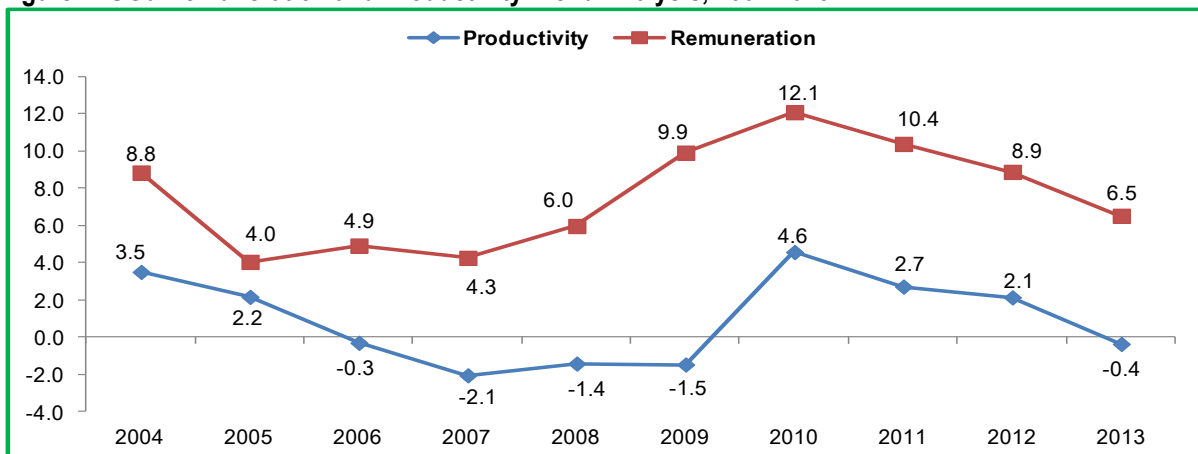
temporarily absorbed by cutting profit margins. However, in the long term it deteriorates competitiveness, thus reducing output and employment (Mohr, 2008).

Similar to most districts across the province, the growth rate in labour remuneration has outstripped productivity growth in Ugu over the period 2004 to 2013. This disparity, coupled with costly labour arbitration processes, make it difficult to lay-off poor performing employees. This has led to businesses being reluctant to add jobs thus affecting global competitiveness.

The “red tape study” conducted by KwaZulu-Natal Provincial Treasury which was published in 2012 revealed that a number of businesses feel that they were faced with increased input cost, yet generating disproportionately low levels of output. The study further revealed that there were high risks associated with hiring workers in the province. The inflexibility of the labour market and industrial actions are cited as constraints that make it difficult to incentivise higher productivity (Genesis Analytics, 2012).

The argument by Genesis is further cemented by figures 4, which illustrates the relationship between remuneration and productivity in Ugu. There appears to be a large gap between productivity and remuneration, between the period 2007 and 2013. This is detrimental as it implies efficiency in production is low compared to given costs of labour, a reverse of what should be expected. Notably, in 2005 however, the relationship was closer to efficient, as the gap between production and remuneration was minimal.

Figure 4: UGu Remuneration and Productivity Trend Analysis, 2004-2013



Source: Global Insight, 2014

6. Development Indicators

Human development is defined as a well-being concept within a field of international development. It involves studies of the human condition with its core being the capability approach. Development concerns expanding the choices people have, to lead lives that they value, and improving the human condition so that people have the

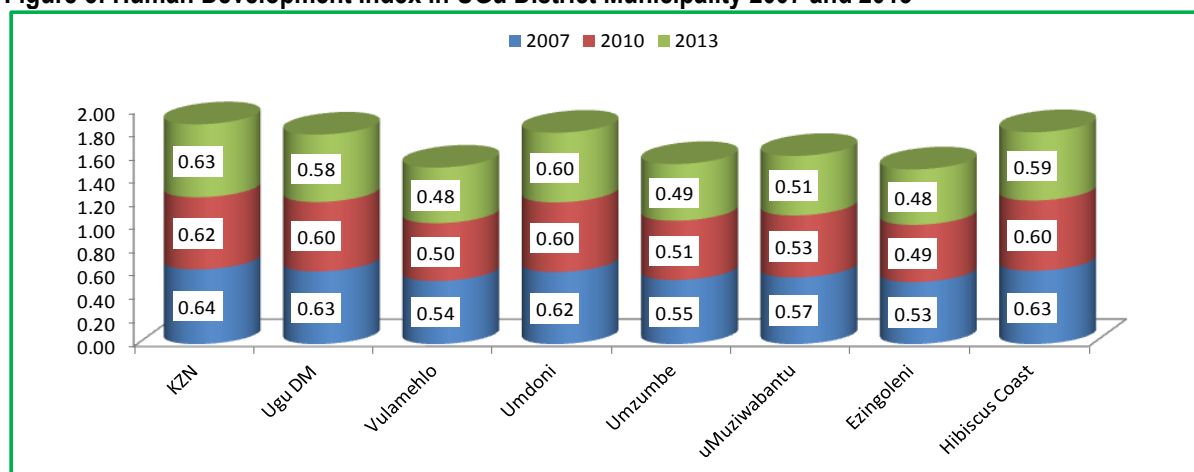
chance to lead full lives. Thus, human development is about much more than economic growth, which is a means of enlarging people's choices.¹⁷

The most basic capabilities for human development are: to lead long and healthy lives, to be knowledgeable (e.g., to be educated), to have access to the resources and social services needed for a decent standard of living, and to be able to participate in the life of the community. Without these, many choices are simply not available, and many opportunities in life remain inaccessible. The common development indexes presented in this section are Human Development Index (HDI), inequality and others.

6.1 Human Development Indicators (HDI)

The HDI is used to rank the development of countries, through examining the achievements of the country and its people. The index focuses on the three important elements to human living standards, namely; life expectancy, standards of living and literacy levels. Life expectancy focuses at the ages that which people within the area reach, is healthy long life a trend, standards of living focuses at the income for basic living according Purchasing Power Parity (PPP) of income and literacy levels takes into account adults' literacy level as well as enrolment¹⁸.

Figure 5: Human Development Index in UGu District Municipality 2007 and 2013



Source: Global Insight, 2014

Regions with an HDI value of 0.80 or more are classified as having high human development status. Those with HDI values between 0.50 and 0.80 are classified as having medium human development. An HDI of less than 0.50 indicates low human development. Both Umdoni and Hibiscus coast both achieved an HDI of 0.59, which is

¹⁷See Human development (humanity) available from [http://en.wikipedia.org/wiki/Human_development_\(humanity\)](http://en.wikipedia.org/wiki/Human_development_(humanity)), accessed on the 14th of December 2014.

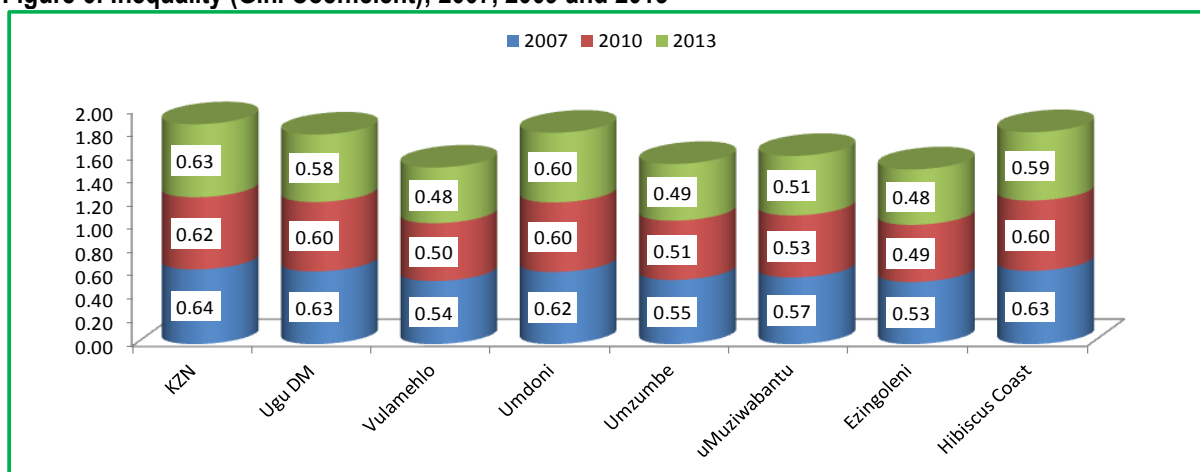
above the aggregate 0.57 and 0.53 recorded in the district and KZN respectively over the same year. The remaining municipalities in the district had an HDI below 0.50 in 2013 (figure 5).

6.2 Income inequality

Gini coefficient index measures the extent to which the distribution of income among individuals or households within an economy deviates from a perfectly equal distribution. A coefficient closer to zero indicates low inequality and a closer to one coefficient indicates maximum inequality¹⁹.

Figure 6 shows the Gini Coefficient for KZN and Ugu. The comparison across the local municipalities in the districts shows that Gini Index ranges between 0.50 and 0.62 in 2013, which indicates the relatively high inequality in the district.

Figure 6: Inequality (Gini Coefficient); 2007, 2009 and 2013



Source: Global Insight, 2014

6.3 Poverty

Poverty as a social concern has been deliberated over a number of centuries. However, its definition and characterization as a multi-dimensional phenomenon at the centre of development of policy, only gained currency in the past few decades. The aim of determining a poverty line is to meet a specific objective. A common objective is to determine the level and extent of poverty using the poverty line approach.

In measuring absolute poverty, the poverty line is anchored to basic food and non-food needs. In other instances, it is about measuring comparative levels of well-being, such as is done for relative poverty or indeed looking at measures that relate to association and participation StatsSA (2008). Table 6 shows people living below the poverty line in the province, UGu district and local municipalities. The Africans are suffering from the poverty as they are having high percentage compared to other races.

¹⁹http://en.wikipedia.org/wiki/Gini_Coefficient, accessed 17 November 2014

Table 6: Poverty in UGu District Municipality; 2003 and 2013

| | 2003 | | | | 2013 | | | |
|----------------|---------|-------|----------|-------|---------|-------|----------|-------|
| | African | White | Coloured | Asian | African | White | Coloured | Asian |
| KwaZulu-Natal | 98.07 | 0.03 | 0.56 | 1.33 | 99.49 | 0.01 | 0.39 | 0.11 |
| Ugu DM | 99.08 | 0.02 | 0.31 | 0.60 | 99.66 | 0.01 | 0.28 | 0.05 |
| Vulamehlo | 99.80 | 0.01 | 0.08 | 0.10 | 99.87 | 0.00 | 0.12 | 0.01 |
| Umdoni | 93.83 | 0.05 | 0.61 | 5.50 | 99.43 | 0.02 | 0.37 | 0.18 |
| Umzumbe | 99.87 | 0.01 | 0.10 | 0.03 | 99.87 | 0.00 | 0.11 | 0.01 |
| uMuziwabantu | 99.37 | 0.00 | 0.52 | 0.10 | 99.80 | 0.00 | 0.19 | 0.01 |
| Ezingoleni | 99.86 | 0.01 | 0.11 | 0.02 | 99.86 | 0.00 | 0.12 | 0.02 |
| Hibiscus Coast | 98.56 | 0.05 | 0.55 | 0.84 | 99.28 | 0.04 | 0.57 | 0.11 |

Source: Global insight, 2014

7. Education

Over the years, matric pass rate showed signs of improvement. The department of education (2014) reveals that the fact that the pass rate went up from 60.6 per cent in 2009 to 67.8 per cent in 2010 made headlines. To provide some idea of previous trends, in 2001 the pass rate exceeded 60 per cent for the first time since 1994, but following a peak of almost 75 per cent in 2003, there had been a fairly steady decline.

In insuring quality basic education for South Africans the Annual National Assessment was introduced in 2011 to monitor progress in literacy and numeracy skills of learners in the low grades. These assessments examine learners in grade 1 to grade 6 and 9. The district's Growth development Strategy (2012) states that the quality and accessibility of educational facilities and resources remain critical challenges in Ugu, particularly within the rural areas, challenges includes lack of physical resources such as laboratories, poor quality and insufficient quantity of educators, low levels of motivation of learners and educators. The general household survey by Stats SA (2013) argues that there are many South Africans were able to read and write.

Table 7 shows that the province has made strides in driving down the percentage of "no schooling" people from 7.4 per cent in 2006 to 5 per cent in 2013. Similar trend is observable in Ugu, whereby this proportion also dropped from 8.6 per cent to 5.7 per cent over the same period.

Table7: Education Levels in KwaZulu-Natal and UGu, 2006 and 2013

| | KZN | | | Ugu DM | | |
|--------------------------------------|------|------|------|--------|------|------|
| | 2006 | 2010 | 2013 | 2006 | 2010 | 2013 |
| No schooling | 7.4 | 5.6 | 5.0 | 8.6 | 6.4 | 5.7 |
| Certificate / diploma without matric | 0.4 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 |
| Matric only | 13.4 | 15.7 | 16.3 | 9.4 | 11.7 | 12.7 |
| Matric & certificate / diploma | 2.6 | 2.9 | 2.7 | 2.0 | 2.4 | 2.2 |
| Matric & Bachelors degree | 1.3 | 1.5 | 1.7 | 0.8 | 1.1 | 1.3 |
| Matric & Postgrad degree | 0.5 | 0.6 | 0.6 | 0.3 | 0.4 | 0.4 |

Source: Global insight, 2014

8. Health

HIV/AIDS is a pandemic that has affected the whole country. It is estimated that approximately 5.6 million South Africans are HIV positive and the rate is growing at about 2000 people per day.²⁰The KZN province carries the most burdens where more people are affected by HIV and AIDS. There are various programmes and

²⁰See Project Gateway, available from http://www.projectgateway.co.za/HIV_and_AIDS.html, accessed on the 14 December 2014

initiatives that have been put in place to try and address the issue of HIV and AIDS. The programmes such as male circumcision campaign and The National Health Insurance or universal health coverage programme have been put into effect to deal directly with the HIV/AIDS pandemic.

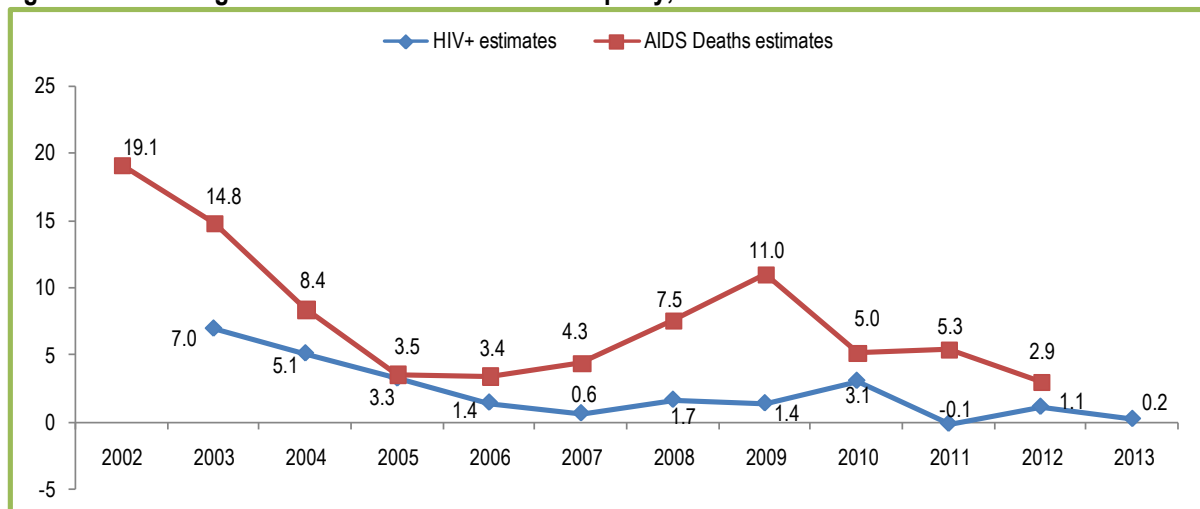
It is partly through these programmes that KZN has managed to decrease the percentage of mother to child HIV/AIDS transmission by 19.3 percentage points from 20.8 per cent in 2001 to 1.5 per cent in 2013. The government of KZN has stabilized the prevalence in the general population from 39.5 per cent to 25.5 per cent over the same period.

8.1. HIV / AIDS Growth rate.

The number of people living with HIV/AIDS is continuously increasing without a sign of decreasing. As indicated out by Stats SA (2014), the number of people living with HIV increased from an estimated 3 million in 2002 to 5.26 million by 2013. The MRC (2014) further maintains that the large numbers of people who are infected with HIV are mostly economically active population.

Figure 7 below shows the growth rate of people living with HIV/AIDS in Ugu between 2003 and 2013. The total number of new people infected with HIV had been declining significantly over the period under review, down from 5.1 per cent in 2003 to 0.2 per cent in 2013. This encouraging trajectory is also pertinent on those dying from AIDS related diseases.

Figure 7: HIV/AIDS growth rate in Ugu District Municipality, 2003 to 2013



Source: Global Insight, 2014

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Appendix

Table A1: Population Distribution by Provinces, 2013

| | Population Size | % of total population |
|----------------------|-------------------|-----------------------|
| National | 52 982 000 | 100 |
| Eastern Cape | 6 620 100 | 12.5 |
| Free State | 2 753 200 | 5.2 |
| Gauteng | 12 728 400 | 24 |
| KwaZulu-Natal | 10 456 900 | 19.7 |
| Limpopo | 5 518 000 | 10.4 |
| Mpumalanga | 4 128 000 | 7.8 |
| Northern Cape | 1 162 900 | 2.2 |
| North West | 3 597 600 | 6.8 |
| Western Cape | 6 016 900 | 11.4 |

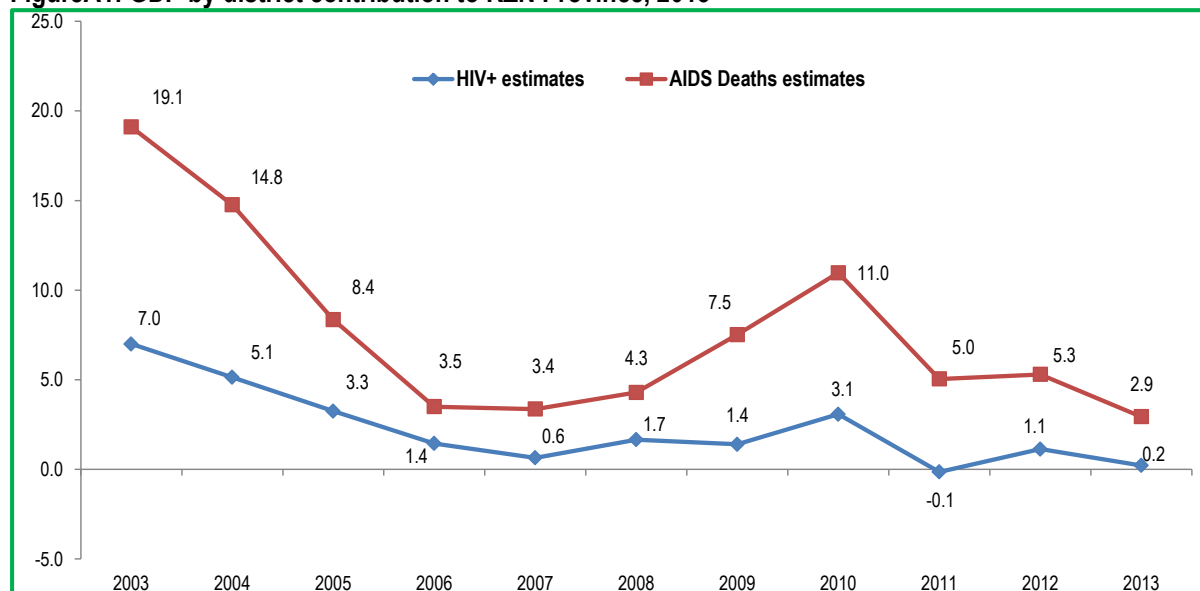
Source: StatsSA, 2013

Table A2: Current Account of UGu District Municipality, 2013

| | KwaZulu-Natal | Ugu DM | Vulamehlo | Umdoni | Umzambe | uMuziwabantu | Ezingoleni | Hibiscus Coast |
|-------------------------------|--------------------|------------------|----------------|----------------|---------------|---------------|-----------------|-----------------|
| Exports (R 1000) | 105 066 753 | 320 956 | 3 524 | 79 173 | 160 | 19 076 | 1 375 | 217 647 |
| Imports (R 1000) | 150 304 472 | 791 365 | 18 231 | 45 070 | 6 119 | 2 531 | 110 848 | 608 567 |
| Trade Balance (R 1000) | -45 237 719 | -470 409 | -14 706 | 34 104 | -5 959 | 16 545 | -109 473 | -390 920 |
| Total Trade (R 1000) | 255 371 225 | 1 112 321 | 21 755 | 124 243 | 6 280 | 21 607 | 112 223 | 826 213 |

Source: Global insight, 2014

FigureA1: GDP by district contribution to KZN Province, 2013



Source: Global Insight, 2014