

UThungulu District Municipality

Socio-Economic Profile 2015



treasury

Department:

Treasury

PROVINCE OF KWAZULU-NATAL

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LIST OF ACRONYMS

AFSA	Aids Foundation South Africa
AIDS	Acquired Immunodeficiency Syndrome
DM	District Municipality
EAP	Economically Active Population
GDP	Gross Domestic Product
GDP-R	Gross Domestic Product by Region
GVA	Gross Value Added
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
IMF	Internationally Monetary Fund
KZN	KwaZulu-Natal
LER	Learner-Educator Ratio
LM	Local Municipality
LSR	Learner-School Ratio
NDP	National Development Plan
QLFS	Quarterly Labour Force Survey
RDP	Reconstruction and Development Programme
SA	South Africa
Stats SA	Statistics South Africa
UNICEF	United Nations Children's Fund
WTO	World Trade Organisation

UThungulu is one of the eleven provincial district municipalities in KwaZulu-Natal (KZN). The district is located on the north-eastern region of KZN province on the eastern sea-board of South Africa. The district is made up of six local municipalities, namely uMfolozi, uMhlathuze, Ntambanana, uMlalazi, Mthonjaneni and Nkandla. The neighbouring districts are uMkhanyakude, Zululand, Umzinyathi and iLembe district municipality.

The district has a population of 909 760 people. The total geographical area of the municipality is 8213 square kilometres (km²), thus contributing a population density of 110, 8 per km².

The agricultural sector is dual economy, consisting of commercial agriculture on one hand and traditional agriculture on the other. The significant economic centers that shape the district are Richards Bay, whose harbour facilities are world class and have been the prime reason for large-scale industrialisation in the district, and Empangeni, an industrial and service centre whose higher-order services attract people from many rural settlements.

1. Demographic profile

1.1 Introduction

The link between population growth and economic growth has been a long debate among economists. Population growth is supposed to decrease the gross domestic product (GDP) per capita because output growth rate cannot keep pace with population growth (Malthus, 1826). This is due to limited availability of natural resources in the economy. In addition, Solow (1956) analysed the impact of population growth rate on output into two aspects: firstly, an increase in the population rate increases the amount of labour and thus increases output. Secondly, it decreases physical capital per worker, thus resulting in a decrease in productivity. Therefore it is of utmost importance to look at the population dynamics and its effect on the economy with greater emphasis on uThungulu district municipality.

1.2 Population distribution

The main focus of this socio-economic profile is on uThungulu district municipality in KwaZulu Natal (KZN). South Africa (SA) is a diverse nation, with over 50 million people and a wide variety of cultures, languages and religious beliefs. According to the annual mid-year population estimates by Statistics South Africa (Stats SA, 2014), the country's population was estimated at 54 million in 2014. The province of KZN is home to an estimated 10.5 million people which accounts for an estimated 19.5 per cent of the South African population and is the second most populated province after Gauteng 13.1 (24.4 per cent). UThungulu district municipality is located on the north-eastern region of KZN on the eastern sea-board of SA. The district is made up of six local municipalities, which are Mfolozi, uMhlathuze, Ntambanana, uMlalazi, Mthonjaneni and Nkandla. Table 1 shows the population size, area and population density of KZN and uThungulu district municipality in 2014.

Table 1: Population size, percentage share of population and density, 2014

	Population size	% share of KZN population	% share of Uthungulu population	Area in square KMs	% share of KZN area	Population density
KwaZulu-Natal	10 508 110	100		93 378	100	112.5
Uthungulu	917 958	8.7	100	8 213	8.8	111.8
Mfolozi	128 241	1.2	14.0	1 208	1.3	106.2
uMhlathuze	347 429	3.3	37.8	789	0.8	440.2
Ntambanana	71 660	0.7	7.8	1 084	1.2	66.1
uMlalazi	213 224	2.0	23.2	2 214	2.4	96.3
Mthonjaneni	47 320	0.5	5.2	1 087	1.2	43.5
Nkandla	110 084	1.0	12.0	1 830	2.0	60.2

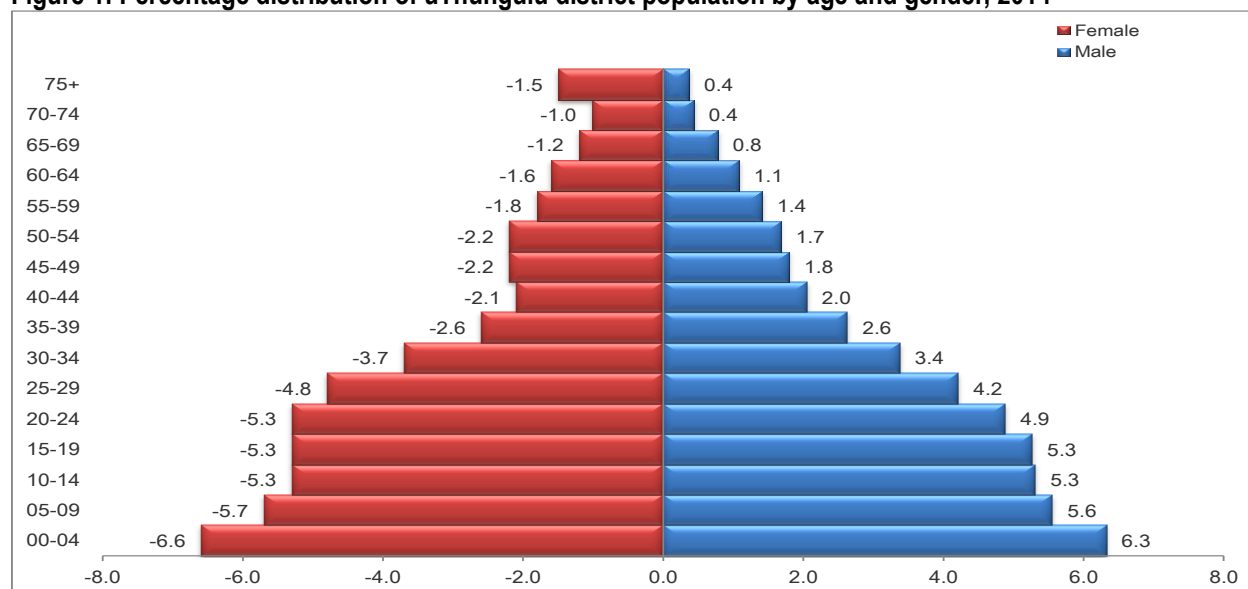
Source: Global Insight, 2015

The estimated population of uThungulu district was 917 958 in 2014, which accounts for 8.7 per cent of KZN population. Table 1 indicates that uMhlathuze had the highest population in the uThungulu district with an estimated population size of 347 429, which accounts for 3.3 percentage share of KZN population in 2014. This was followed by uMlalazi with the population of 213 224 (2.0 per cent of KZN population). Mfolozi is the third populous local municipality with the population of 128 241. Nkandla trails Mfolozi with the population of 110 084, which is followed by Ntambanana with 71 660 people and lastly Mthonjaneni with 47 320 people (table 1).

1.3 Population distribution by age and gender

Figure 1 shows the population distribution of uThungulu district by age and gender for the year 2014. A decline in the population in 2014 begins from the early ages of 00-04 in both genders (figure 1). It is clear that the largest size of approximately 550 324 (60 per cent) of the district population fell between the 15-64 age group, which constitutes the economically active population (EAP). This means that an estimated 367 633 (40 per cent) of the district's population is distributed under the age of 15 and those who are 64 years and above. This translates to a high dependency ratio¹ of 66.8 per cent.

Figure 1: Percentage distribution of uThungulu district population by age and gender, 2014



Global Insight, 2015

Developing countries tend to have higher dependency ratios than developed nations, and children account for a larger fraction of dependents in developing countries. Dependency ratio is one of the key factors affecting economic

¹ Dependency Ratio= (number of people under 15 years) + (number of people aged 65 and over)/ (number of people between 15 and 64) x 100 = (367 633/ 550 324) x 100= 66.8 per cent. The dependency ratio is an age population ratio of those not in the labour force.

growth. Nations with high dependency ratios spend large proportion of their resources taking care of dependents, while those with lower ratios are able to devote more resources to investment in physical capital, technological progress, and education that are favourable for the growth of the economy.

A higher dependency ratio is likely to reduce productivity growth. A growth in the non-productive population will diminish productive capacity and could lead to a lower long run trend rate of economic growth. If the government fails to tackle issues emanating from a higher dependency ratio, there could be increased pressures placed on government finances, leading to higher borrowing or higher taxes which impact on government fiscus.

2. Global and South African Economic-Outlook

According to the World Bank (2015) global growth is projected at 2.8 per cent in 2015 which is lower than the January forecast of 3 per cent. However, the World Bank expects it to pick up to 3.2 per cent in 2016 to 2017. Developed countries are expected to grow by 2 per cent in 2015 and 2.3 per cent in 2016 to 2017. On the other hand developing countries are faced with the challenges of low commodity prices over the medium-term and tighter financial conditions ahead. In relation to 2014, growth in developing countries is anticipated to slow down to 4.4 per cent in 2015 which is 0.4 percentage point less than projection in January 2015 before rising to 5.3 per cent in 2016 to 2017.

According to the World Bank (2015) growth in Sub-Saharan countries is projected to slow down to 4.2 per cent on average in 2015 from 4.6 per cent realised in 2014. This is a downward revision by the World Bank of 0.4 percentage points forecasted in January 2015. The revised forecast emanates from the reassessment of prospects for oil exporting countries of the region mainly Angola and Nigeria due to recent massive decline in the price of oil. In addition to that, South Africa's electricity constraint has been also factored in the revised forecast. It is however anticipated that growth in the region will pick up in 2016 to an average of 4.6 per cent and to accelerate to 5.0 per cent in 2017 driven by increase in domestic demand emanating from infrastructure investment and private consumption caused by lower oil price.

According to the International Monetary Fund (IMF) (2015) growth in SA fell from 2.2 per cent in 2013 to 1.5 per cent in 2014 on accounts of mining strikes and electricity supply constraint. Although the electricity power constraint is still a challenge in SA, economic growth rate is however expected to moderately increase to 2 per cent in 2015 before increasing to 2.1 per cent and 2.4 per cent in 2016 and 2017, respectively. According to the World Bank (2015) in addition to energy constraint which hampers economic activity, labour relations remain tense, investor confidence declines and the fiscal consolidation reduces government spending in SA.

3. KwaZulu-Natal Provincial Economic Structure and Performance

KZN is one of the key provinces in the South African economy in terms of GDP contribution. The estimated real GDP generated by the province amounted to approximately 476.1 billion in 2014, making it the second largest contributor to the national output (15.8 per cent) after Gauteng with 35.1 percent (Global Insight, 2015). Figure A3 shows the provincial GDP contributions by KZN districts for 2014.

Table 2 shows the sectors and their respective percentage contribution to the provincial GDP-R and economic growth rate in terms of seasonally adjusted and annualized quarterly basis from 2013:Q1 to 2015:Q1. The provincial economy indicated a seasonally adjusted and annualized quarterly increase of 0.2 per cent in the first quarter of 2015, compared to the adjusted 0.9 per cent recorded in the fourth quarter of 2014. It is clear that the first quarter of 2015 annual growth rate was not impressive as compared to the fourth quarter 2014.

Table 2: Provincial GDP-R and Economic Growth Rate-Seasonally Adjusted and Annualized Quarterly, 2013:Q1 to 2015:Q1

Provincial Industry	2013q1	2013q2	2013q3	2013q4	2014q1	2014q2	2014q3	2014q4	2015q1
Primary Industries	0.69	-0.53	1.49	2.38	-0.84	0.77	1.92	2.32	-2.24
Agriculture, forestry and fishing	-0.50	-0.27	0.89	1.67	1.42	1.38	2.29	1.83	-4.20
Mining and quarrying	3.66	-1.15	2.93	4.04	-6.04	-0.77	0.96	3.59	2.72
Secondary Industries	-1.38	2.33	-1.16	2.14	-0.80	-0.65	-0.10	1.82	-0.15
Manufacturing	-1.86	2.80	-1.70	2.95	-1.50	-1.01	-0.24	2.29	-0.46
Electricity, gas and water	-0.66	0.74	0.47	-1.53	0.61	-0.13	-0.27	0.08	0.73
Construction	0.22	1.26	0.15	0.88	1.33	0.53	0.55	0.87	0.62
Tertiary industries	0.57	0.74	0.51	0.64	0.42	0.50	0.61	0.43	0.36
Wholesale & retail trade; hotels & restaurants	-0.16	0.53	0.08	0.46	0.00	-0.06	0.84	-0.08	-0.09
Transport, storage and communication	0.76	0.39	0.65	0.39	0.61	0.95	0.55	0.71	0.54
Finance, real estate and business services	1.32	1.22	0.69	0.65	0.48	0.30	0.60	0.87	1.09
Personal services	0.45	0.67	0.30	0.30	0.53	0.37	0.32	0.20	0.39
General government services	0.33	0.69	0.69	1.12	0.58	0.97	0.53	0.29	-0.19
All industries at basic prices	0.07	1.06	0.14	1.13	0.03	0.22	0.51	0.90	0.05
Taxes less subsidies on products	0.59	1.14	-0.65	1.25	0.34	-0.42	0.31	1.24	1.16
KZN - GDPR at constant 2010 prices	0.12	1.07	0.07	1.14	0.05	0.16	0.50	0.93	0.15

Source: KZN Treasury Economic Model, 2015

The annualized growth rates also indicate that only the tertiary sector recorded positive growth rate of 0.4 per cent with primary and secondary sectors both contracting at -2.2 per cent and -0.2 per cent, respectively in the first quarter of 2015. The positive growth in the tertiary sector emanates from transport, storage and communication (0.5 per cent), finance, real estate and business services (1.1 per cent) as well as personal services at 0.4 per cent. Contraction in the primary sector is mainly driven by agriculture, forestry and fishing sub-sector which recorded -4.2 per cent with mining and quarrying sub-sector growing at 2.7 per cent in the same period. It is worrying that the manufacturing sub-sector was the main culprit to the contraction in the secondary sector as this is supposed to have a positive impact in addressing the challenge of unemployment facing the district and the province. Other sub-sectors

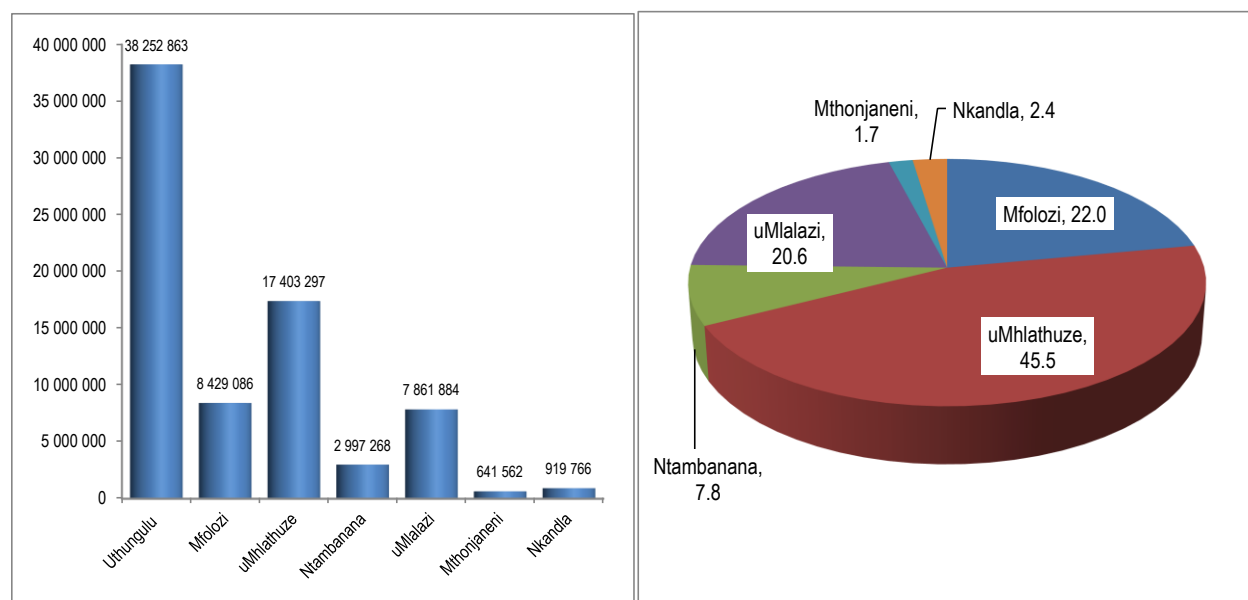
like electricity, gas and water as well as construction recorded positive growth of 0.7 per cent and 0.6 per cent, respectively.

4. UThungulu's Economic Performance

Appendix figure A2 shows the percentage contribution to KZN real GDP by district municipalities in 2014. Among all eleven district municipalities, eThekweni metro is the largest contributor to the KZN GDP at 57.3 per cent followed by uMgungundlovu at 9.8 per cent and uThungulu at 8 per cent.

Figure 2 represents the estimated Real GDP for uThungulu district municipality and its local municipalities for the year 2014. UThungulu district recorded an estimated GDP-R of R38.3 billion in 2014. Among all the six local municipalities, the largest contributor to the district's GDP-R was uMhlathuze at R17.4 billion (45.5 per cent) trailed by Mfolozi with contribution of R8.4 billion (22 per cent). Mthonjaneni local municipality was the lowest contributor to uThungulu's GDP at R641.6 million (1.7 per cent).

Figure 2: GDP-R, uThungulu District and Local Municipalities, 2014



Global Insight, 2015

Table 3 shows uThungulu's contribution to GDP by sectors in 2003, 2009 and 2014. It is indicated in the table that the tertiary sector contributed a larger proportion of 49.4 per cent to uThungulu's GDP in 2014. This large contribution by the tertiary sector primarily emanate from the community service (17.9 per cent) followed by transport at 11.3 per cent and finance at 10.7 per cent. The larger contribution by the community service should be seen as a cause for

concern for the policy makers as government is supposed to create an environment for the private sector to create jobs.

Table 3 further shows that the secondary sector recorded contribution of 34.1 per cent in 2003 and 2014 while in 2009 it was 34.2 per cent. This implies that this sector is not adequately adding value in the economy of the district and the economy at large. The primary sector recorded a decrease from 18.3 per cent in 2003 to 15.6 per cent in 2009 before marginally increasing to 16.5 per cent in 2014.

Table 3: Sector Performance Analysis of uThungulu in 2003, 2009 and 2014

	2003	2009	2014
Primary sector	18.3	15.6	16.5
Agriculture	6.7	6.8	7.3
Mining	11.6	8.8	9.2
Secondary sector	34.1	34.2	34.1
Manufacturing	29.2	28.3	28.7
Electricity	1.9	2	1.8
Construction	3	3.9	3.6
Tertiary sector	47.6	50.2	49.4
Trade	9.2	9.5	9.6
Transport	10.7	11.6	11.3
Finance	9.9	11	10.7
Community services	17.8	18.1	17.9

Source: Global Insight, 2015

5. International trade

5.1 Imports and exports

Table 4 shows the contribution by uThungulu district and its local municipalities in total rand values of exports in the periods 2005 to 2014. It is evident from the table that exports in uThungulu district recorded growth of 126.8 per cent from an estimated value of R15.2 billion in 2005 to R34.4 billion in 2014². Among all six local municipalities, uMhlathuze contributed R34.1 billion of the district's exports in 2014, the highest compared to all other local municipalities, followed by uMlalazi at R277.7 million in the same period. Ntambanana and Nkandla both made insignificant contribution in the period under review.

² Note that exports from uThungulu also come from other regions.

Table 4: UThungulu Exports, 2005 to 2014 (000s)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Uthungulu	15 175 035	16 989 041	21 478 939	21 610 417	21 218 164	23 293 137	28 788 561	30 525 041	33 188 368	34 410 276
Mfolozi	3 411	3 761	945	2 383	6 277	30 319	17 146	10 790	2 977	2 158
uMhlathuze	15 115 070	16 773 514	21 304 272	20 949 183	21 003 668	23 066 841	28 512 173	30 348 716	33 050 765	34 116 010
Ntambanana	0	0	0	0	0	0	0	0	0	0
uMlalazi	45 329	201 192	170 107	650 883	198 915	187 806	253 381	157 966	126 067	277 689
Mthonjaneni	11 224	10 573	3 615	7 967	9 304	8 171	5 861	7 570	8 559	14 419
Nkandla	0	0	0	0	0	0	0	0	0	0

Source: Global Insight, 2015

Table 5 shows the contribution by uThungulu district and its local municipalities towards the total rand value of imports in the period 2005 to 2014. In the year 2014 uThungulu district imported goods estimated to the value of R10.4 billion. uMhlathuze was the largest importer with imports estimated at R10.3 billion in 2014 trailed by uMlalazi (R27.1 million) and Mfolozi (R 21.1 million).

Table 5: UThungulu Imports, 2005 to 2014 (000s)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Uthungulu	4 502 498	6 504 692	7 738 363	9 070 351	5 922 896	7 473 252	9 878 154	8 866 952	11 020 077	10 380 047
Mfolozi	9 762	5 141	2 718	5 230	12 426	14 432	20 784	36 082	30 833	21 108
uMhlathuze	4 491 385	6 496 151	7 734 053	9 060 893	5 902 893	7 450 923	9 847 654	8 817 606	10 972 896	10 330 923
Ntambanana	0	0	0	0	0	0	0	0	0	0
uMlalazi	1 280	3 175	1 204	2 812	6 482	7 558	9 024	12 860	15 927	27 050
Mthonjaneni	71	225	389	1 417	1 094	338	691	403	421	966
Nkandla	0	0	0	0	0	0	0	0	0	0

Source: Global Insight, 2015

Table 6 shows the trade balance and total trade for uThungulu district for the years 2003, 2009 and 2014. It can be realised from the table that the district had positive trade balance (surplus) for all the years under review. Trade balance increased from R9.4 billion in 2003 to 15.3 billion in 2009 and continued to increase to R24 billion in 2014. Total trade in the district followed the same trend by increasing from R19.7 billion to 27.1 billion and 44.8 billion in the same period. Both exports and imports experienced growth in all the years under review.

Table 6: Total trade and trade balance in uThungulu in 2003, 2009 and 2014 (000s)

	2003	2009	2014
Exports	14 560 983	21 218 164	34 410 276
Imports	5 143 832	5 922 896	10 380 047
Trade Balance	9 417 150	15 295 268	24 030 229
Total Trade	19 704 815	27 141 060	44 790 324

Source: Global Insight, 2015

6. Labour markets

South Africa's labour market had changed since 1994, with an emphasis on strategies that eliminate labour inequalities of the past and improve general working conditions for all South Africans. With an unemployment rate of 26.4 per cent in the first quarter of 2015 which is an increase of 2.1 percentage points from 24.3 per cent recorded in fourth quarter of 2014, South Africa's biggest challenge is still the creation of jobs (Quarterly Labour Force Survey Stats SA, 2015). The survey further reveals that in the first quarter of 2015 the working age population in SA was 35.8 million comprising of 15.5 million people employed, 5.5 million people unemployed and 14.8 not economically active resulting in the unemployment rate indicated above, absorption rate of 43.2 per cent and labour force participation rate of 58.6 per cent.

6.1 Employment

Table 7.1 is an illustration of the number of people who are formally and informally employed in KZN and uThungulu district in 2014. It is evident from the table that the district's percentage share of the provincial formal employment in 2014 was 7.2 per cent in contrast to 6.7 per cent in the informal sector. Among the six local municipalities, uMhlatuze had the highest share of both the district formal employment at 40 per cent and informal employment at 46.1 per cent. Mthonjaneni local municipality had the lowest employment contribution for both formal and informal at 2.3 per cent and 2.4 per cent respectively.

Table 7.1: Employment in KZN and uThungulu district in 2014

	Formal employment	Informal employment	Total employment	% Share of KZN's formal employment	% Share of KZN's informal employment	% Share of Uthungulu's formal employment	% Share of Uthungulu's informal employment
KwaZulu-Natal	1 989 908	446 487	2 436 395	100	100		
Uthungulu	143 122	29 767	172 889	7.2	6.7	100	100
Mfolozi	27 269	6 030	33 299	1.4	1.4	19.1	20.3
uMhlatuze	64 336	13 713	78 050	3.2	3.1	45.0	46.1
Ntambanana	14 325	3 164	17 489	0.7	0.7	10.0	10.6
uMlalazi	26 999	4 685	31 684	1.4	1.0	18.9	15.7
Mthonjaneni	3 297	710	4 006	0.2	0.2	2.3	2.4
Nkandla	6 896	1 465	8 361	0.3	0.3	4.8	4.9

Source: Global Insight, 2015

6.2 Employment by industry

Table 7.2 indicates employment by sector in uThungulu district municipality. It can be seen from the table that in 2014 the tertiary sector was the highest employer with an estimated 98 313 number of people employed (68.7 per cent). This was driven mainly by an increase of 34 857 in the community services industry employing 24.4 per cent

trailed by finance employing 13.7 per cent of people and trade employing 13.4 per cent of people. It is worrying that community service was the main driver in increasing employment in the district as government is supposed to create environment for the private sector to create jobs.

Table 7.2: uThungulu employment by sector in 2003, 2009 and 2014

	2003		2009		2014	
	Number of people formerly employed	% of people formerly employed	Number of people formerly employed	% of people formerly employed	Number of people formerly employed	% of people formerly employed
Agriculture	18 560	15.6	12 340	8.7	10 966	7.7
Mining	1 609	1.4	2 725	1.9	3 068	2.1
Primary sector	20 169	16.9	15 066	10.6	14 034	9.8
Manufacturing	17 870	15.0	19 133	13.5	17 943	12.5
Electricity	796	0.7	842	0.6	966	0.7
Construction	6 545	5.5	11 679	8.3	11 866	8.3
Secondary sector	25 211	21.2	31 654	22.4	30 775	21.5
Trade	16 968	14.3	19 381	13.7	19 126	13.4
Transport	5 760	4.8	8 848	6.3	9 877	6.9
Finance	12 665	10.6	19 123	13.5	19 653	13.7
Community services	24 345	20.5	30 762	21.7	34 857	24.4
Households	13 911	11.7	16 665	11.8	14 800	10.3
Tertiary sector	73 648	61.9	94 778	67.0	98 313	68.7

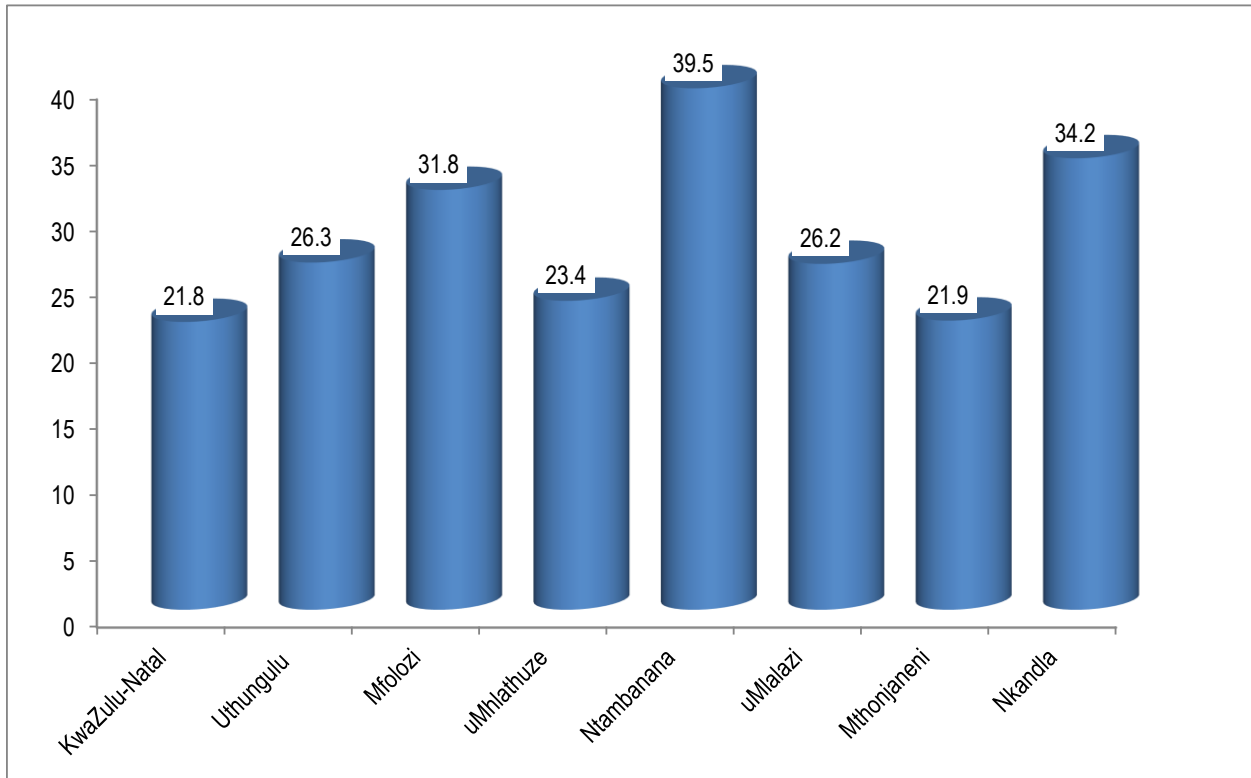
Source: Global Insight, 2015

It is further worth noting that in the secondary sector, the average percentage of people who were formerly employed was around 21 percent in 2003, 2009 and 2014. Among the three sectors in the district, the primary sector appeared to be the least employer at 9.8 per cent in 2014 declining from 16.9 per cent to 10.6 per cent in 2003 and 2009, respectively. The main sub-sector in the primary sector which caused a decline was the agricultural sub-sector declining from 15.6 per cent to 8.7 per cent and 7.7 per cent, respectively. The mining sub-sector increased marginally from 1.4 per cent in 2003 to 2.1 per cent in 2014.

6.3 Unemployment

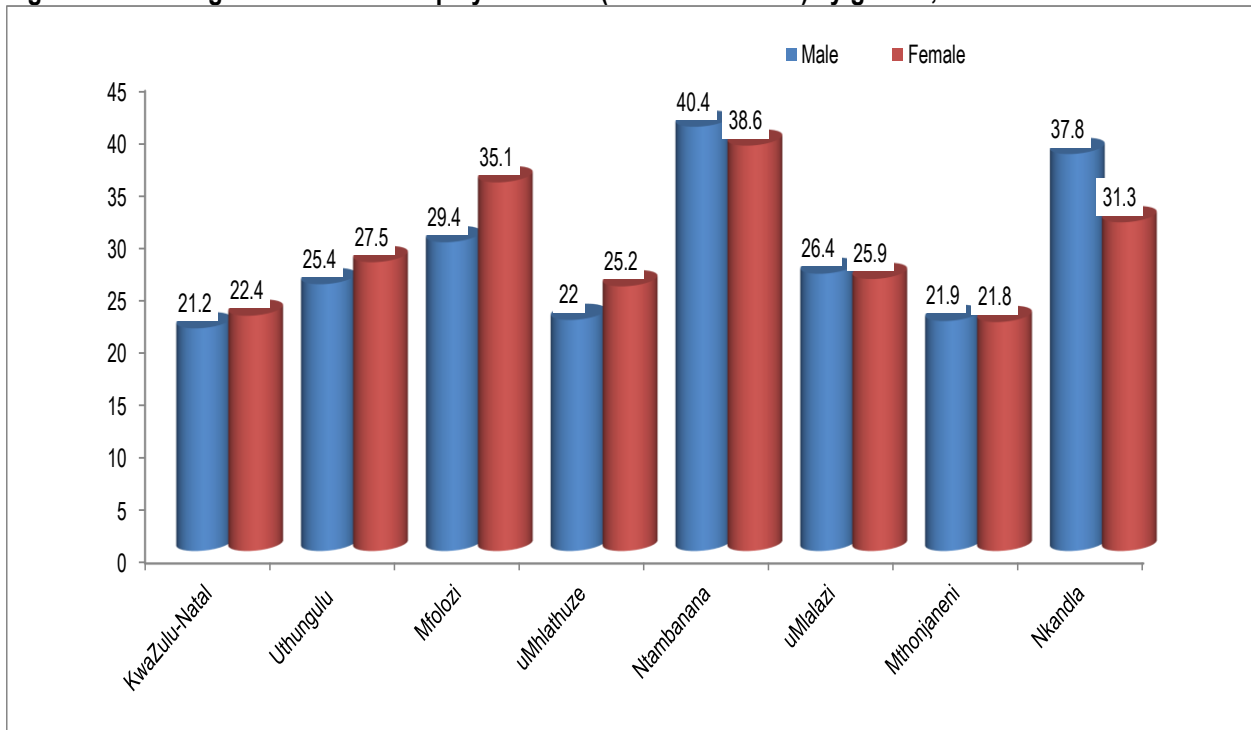
High levels of unemployment, poverty and income inequality are some of the major challenges hampering the economic performance of a country. Figure 3.1 is a representation of the level of unemployment in KZN and uThungulu district municipality in 2014. The province of KZN experienced 21.8 per cent unemployment rate while Uthungulu district municipality recorded an estimated 26.3 per cent in 2014. Among all six local municipalities in the district, Ntambanana had the highest unemployment rate at 39.5 per cent followed by Nkandla with 34.2 per cent. The lowest unemployment rate was experienced by Mthonjaneni local municipality at 21.9 per cent.

Figure 3.1: uThungulu district's unemployment rate (official definition), 2014



Source: Global Insight, 2015

Figure 3.2: uThungulu district's unemployment rate (official definition) by gender, 2014



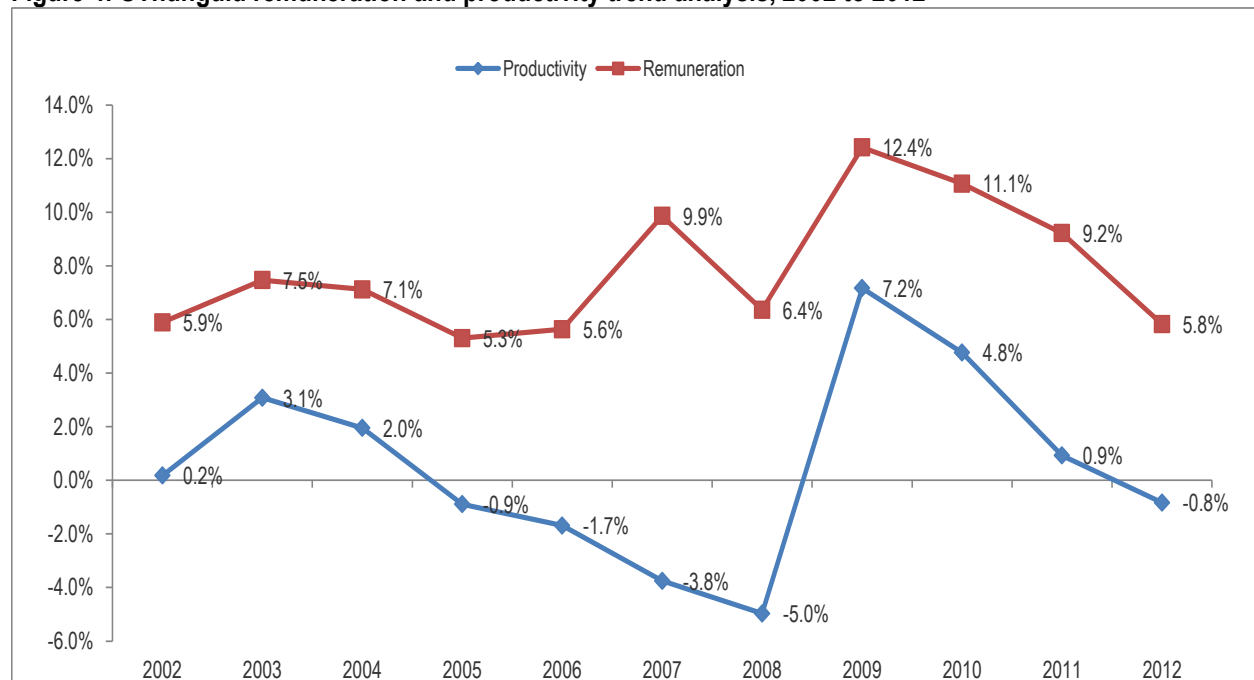
Source: Global Insight, 2015

Figure 3.2 shows the comparison of the level of unemployment rate by gender in 2014. KZN recorded 21.2 per cent unemployment rate for males and 22.4 per cent of female counterparts. In the same period, uThungulu district recorded unemployment rate of 25.4 per cent and 27.5 per cent for male and female population respectively in the same period. Among the six local municipalities, Ntambanana had the highest unemployment rate for males at 40.4 per cent trailed by Nkandla at 37.8 per cent. Ntambanana had the highest unemployment rate for females at 38.6 per cent followed by Mfolozi (35.1 per cent).

6.4 Labour remuneration and productivity

There is currently an important general debate in SA among employer organisations, labour unions and politicians on the size and fairness of perceived employee remuneration gaps among the different employment levels in the organisations (Van Zyl, 2010). Labour unions, in particular, are of the opinion that these remuneration gaps are expanding and that the situation constitutes a major threat to job creation and the fair distribution of income in the workplace and the economy as a whole. Employer organisations, argue that employee remuneration gaps are the result of the shortages of high skilled employees in the workplace and differences in labour productivity levels between the different employee segments.

Figure 4: UThungulu remuneration and productivity trend analysis, 2002 to 2012



Source: Global Insight, 2014

Labour productivity³ is defined as rate of output per unit of labour. According to Pilat (1996), labour productivity is the most important determinant of a country's income level. Slow productivity growth limits the rate at which real incomes can improve and also increases the probability of conflicting demands concerning the distribution of income. Van Zyl (2010) argues for the existence of a positive link between employee remuneration gaps and labour productivity, in that the greater the employee remuneration gap, the higher the level of labour productivity.

Figure 4 shows the gap between uThungulu's labour productivity and labour remuneration for the period 2002 to 2012. It can be seen from the figure that labour remuneration had been above labour productivity, while, in some years productivity of labour was below zero. The negative productivity levels indicate a decrease in output. When remuneration is above the productivity levels, this indicate that labour is being compensated more than what they produced.

The highest gap was experienced in 2007 with labour remuneration at 9.9 per cent while labour productivity was at - 3.8 per cent. A positive relationship for these two variables should have been indicated as an ideal situation since the high level of labour productivity should be remunerated accordingly. The years 2005, 2006, 2007 and 2008 show negative productivity levels with remuneration rising faster than productivity which is a major challenge in the district and South Africa as a whole. Given these huge discrepancy between labour productivity and remuneration there is therefore a need for policy makers and other stakeholders like business, labour and government to arrive at a solution for this phenomenon.

7. Poverty

Poverty⁴ is a condition where people's basic needs for food, clothing, and shelter are not being met. It is a key development challenge in social, economic and political terms; not only in SA but throughout the developing world. In post-apartheid SA, fighting the legacy of poverty and under-development has always been a central theme of government. This was covered in the Reconstruction and Development Programme (RDP) of 1994 and repeated in the National Development Plan (NDP) published in 2012. Table 8 is an illustration of people living in poverty in KZN and uThungulu district for the periods 2003, 2009 and 2014.

³ <http://www.businessdictionary.com>

⁴ <http://www.businessdictionary.com>

Table 8: Poverty level across uThungulu district in 2003, 2009 and 2014

	2003		2009		2014	
	Number of people living below the poverty line	% share of people living below the poverty line	Number of people living below the poverty line	% share of people living below the poverty line	Number of people living below the poverty line	% share of people living below the poverty line
KwaZulu-Natal	5 970 572	61.6	5 529 734	54.7	4 467 327	42.5
Uthungulu	596 603	66.8	541 411	60	417 978	45.5
Mfolozi	79 639	74.3	80 431	68.1	65 996	51.5
uMhlathuze	151 866	48.6	141 823	43.1	117 820	33.9
Ntambanana	67 824	81	59 380	77.4	43 494	60.7
uMlalazi	156 239	74.2	143 098	67.5	107 801	50.6
Mthonjaneni	37 294	71.6	32 205	65.8	24 206	51.2
Nkandla	103 741	81.6	84 474	71.9	58 662	53.3

Source: Global Insight, 2015

It is evident from table 8 that in KZN, approximately 6 million people were living in poverty in 2003 as compared to 4.5 million people in 2014. This indicates a percentage decrease from 61.6 per cent in 2003 to 42.5 per cent in 2014. As for uThungulu district 596 603 people were living in poverty in 2003 as compared to 417 978 people in 2014. UThungulu district had a high poverty rate in 2003 (66.8 per cent) but decreased to 45.5 per cent in 2014 which is higher than that of the province. A downward trend is shown by all the local municipalities with regards to people living in poverty in 2003, 2009 and 2014. This could have been the results of many state social intervention programs to reduce the impact of poverty.

8. Development indicators

The four main development indicators which KZN and uThungulu district municipality uses to track progress are highlighted. These indicators illustrate where improvements have been made and which areas still need attention. The four main development indicators are Gini coefficient, the Human Development Index (HDI), and functional literacy rates.

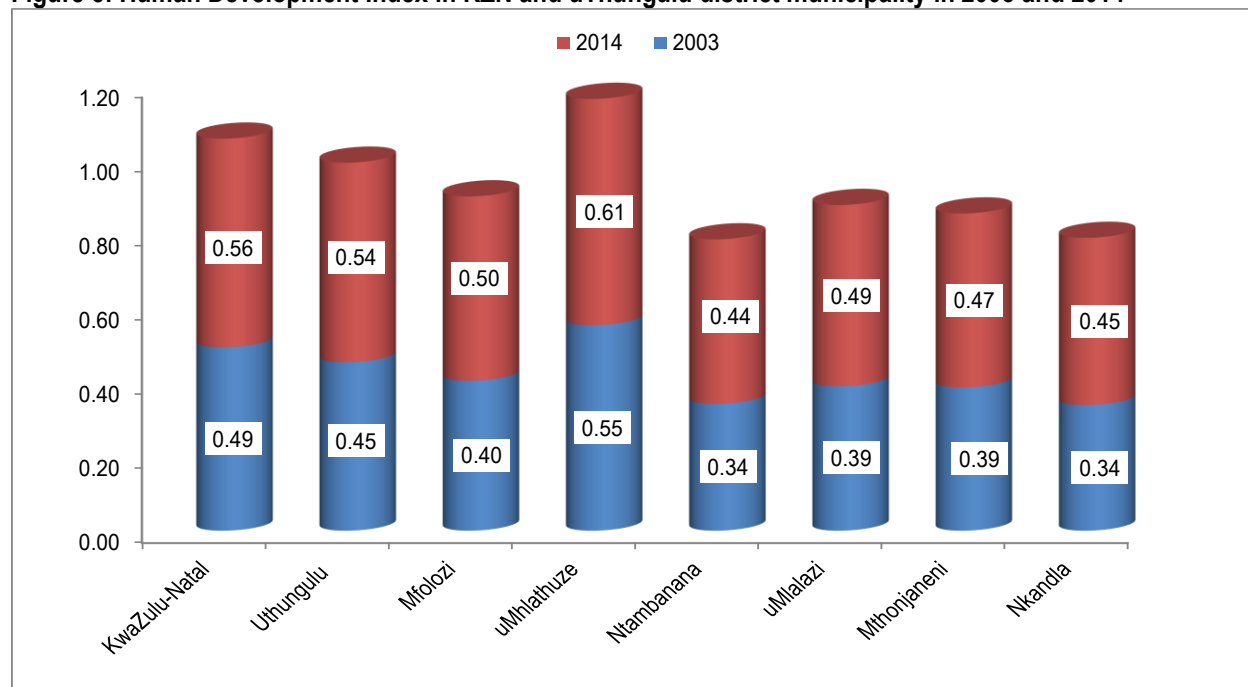
8.1 Human Development Index (HDI)

Human Development Index⁵ (HDI) is a comparative measure of life expectancy, literacy, education, and standards of living for countries worldwide. It is a standard means of measuring well-being. It is used to distinguish whether the country is a developed, developing, or underdeveloped, and also to measure the impact of economic policies on people's quality of life. The HDI is made up of three indexes: life expectancy at birth, standard of living (looks at the income for basic living in accordance with purchasing power parity of income) and literacy levels (which look at

⁵ http://en.wikipedia.org/wiki/List_of_African_countries_by_Human_Development_Index

adults' literacy as well as enrolment). The HDI⁶ ranges between 0 and 1, with 0 indicating no human development and 1 indicating a high level of human development.

Figure 5: Human Development Index in KZN and uThungulu district municipality in 2003 and 2014



Source: Global Insight, 2015

Figure 5 represents the average HDI for KZN and uThungulu district in 2003 and 2014. It is depicted that KZN in 2014 had HDI of 0.56, which is higher than the HDI of 0.49 experienced in 2003. This implies that the province needs to do more in improving the level of education, health care and general standard of living in order to improve the level of development within the province.

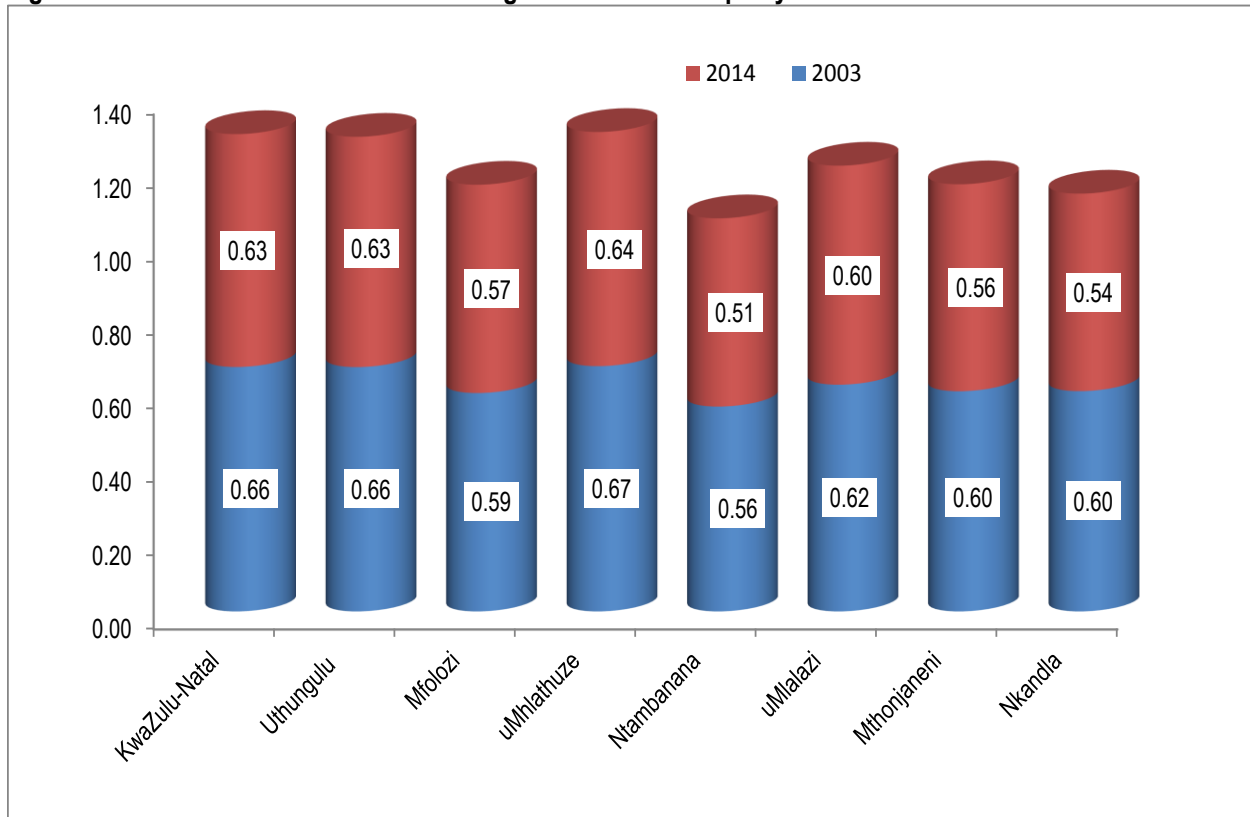
The HDI for uThungulu district increased from a low 0.45 in 2003 to 0.54 in 2014 which is still below that of the province and the district is classified as having medium human development. Among the six local municipalities, uMhlathuze had the highest HDI at 0.61 which is also above that of the province and that of the district in 2014. UMfolozi, Ntambanana, uMlalazi, Mthonjaneni and Nkandla had HDI's of 0.50 and less, thus demonstrating an overall low human development for the district in 2014 (figure 5).

⁶ A region with an HDI value of 0.80 or more is classified as having high human development status; between 0.50 to 0.80 is classified as having medium human capital development and between 0.5 and 0.0 is classified as having low levels of development.

8.2 Income inequality

Despite the end of apartheid in 1994, SA's income inequality remains one of the highest in the world. This is one of the biggest challenges facing the country and has a negative impact on the country's economic development and business environment.

Figure 6: Gini coefficient in KZN and uThungulu district municipality in 2003 and 2014



Source: Global Insight, 2015

This is a reflection of the unequal distribution of resources and opportunities, thereby leading to a higher rate of poverty. Excessive income inequality⁷ negatively affects household's quality of life (World Bank, 2012). Pro poor policies are therefore essential which are aimed at bridging the gap between the rich and the poor.

Figure 6 shows the Gini Coefficient⁸ for KZN and uThungulu district in 2003 and 2014. It is indicated that KZN's Gini coefficient slightly decreased from 0.66 in 2003 to 0.63 in 2014 which indicate that almost one person receives all the

⁷ Income inequality is often presented as the percentage of income to a percentage of population.

income in the economy. This elaborates how high the level of income inequality in the province of KZN is. UThungulu district had a similar Gini coefficient as the province at in both the years under review. Among the six local municipalities, uMhlathuze had the highest Gini coefficient in 2014 at 0.64, while Ntambanana had the lowest of them all at 0.51.

These results show that uThungulu had population with unequal income, which is expected given the level of poverty in the district. Reducing inequality substantially is currently unlikely without a massive improvement in human capital. Thus, the need for implementation of incentives to boost economic participation for all households in the province and the district is essential.

9. Education

All South Africans have the right to basic education, including adult basic education and further education. According to South Africa's Bill of Rights, the state has an obligation, through reasonable measures, to progressively make education available and accessible. SA has one of the highest rates of public investment in education in the world. The province of KZN allocated R42.1 billion in 2015 for the Department of Education which constitutes 41.3 per cent of the total KZN budget (KZN Provincial Treasury, 2015). Although challenges still remain in the education department but government is prepared to prioritise education in its allocation.

9.1 School and educator: Learner ratio 2008 and 2013

The learner to educator ratio⁹ (LER) is the average number of learners per educator at a specific level of education in a given school year. The learner to school ratio (LSR) is the average number of learners per school at a specific level of education in a given school year.

Table 9 is the representation of the number of learners, educators and schools in the ordinary sector across the KwaZulu-Natal districts for the years 2008 and 2013. It is evident that the province recorded an increase in the number of learners, educators and schools from 2008 to 2013. It is also indicated that the learner-educator ratio for KZN decreased from 31.9 in 2008 to 30.1 in 2013. This is the indication that each educator is able to give personal

⁸ The Gini Coefficient is the standard economic measure of income inequality varying between 0 (perfect equality) and 1 (perfect inequality). Available on: <http://blog.euromonitor.com/2012/06/south-africa-the-most-unequal-income-distribution-in-the-world.html>

⁹ <http://www.childrencount.ci.org.za>

attention to learners and help them along in the learning process. This is in accordance with the ideal LER which is 30 per class.

Table 9: Leaner-Educator Ratio (LER) and Leaner-School Ratio (LSR) by districts in 2008 and 2013

	2008					2013				
	No.of learners	No.of educators	No.of schools	LER	LSR	No.of learners	No.of educators	No.of schools	LER	LSR
eThekwini	672100	4866	1015	29.4	662.2	707366	25036	1051	28.3	673.0
Ugu	215485	4913	471	31.9	457.5	217 822	7 187	506	30.3	430.5
uMgungundlovu	233677	8855	528	29.8	442.6	243 734	8 593	541	28.4	450.5
uThukela	206167	6302	455	32.6	453.1	208 669	6 944	457	30.1	456.6
uMzinyathi	183822	8621	489	34.1	375.9	193 351	6 168	500	31.4	386.7
Amajuba	140550	4272	263	32.9	534.4	137 507	4 522	250	30.4	550.0
Zululand	288320	5391	730	33.4	395.0	292 521	9 335	753	31.3	388.5
uMkhanyakude	219160	6327	485	34.8	445.7	238 307	7 398	541	32.2	440.5
uThungulu	290880	7834	637	32.8	456.6	256 750	8 485	577	30.3	445.0
iLembe	159668	6734	403	32.5	396.2	175 225	5 601	431	31.3	406.6
Harry Gwala	161591	22868	461	33.2	350.5	152 054	5 390	454	28.2	334.9
KZN	2 771 420	86983	5938	31.9	467.0	2 866 570	96 057	6 156	30.1	465.7

Source: Department of Basic Education, 2014

It is further worth noting that the learner to school ratio also recorded marginal decrease from 467 in 2008 to 466 in 2013. This is higher than average LSR of the district of uThungulu which was 445 in 2013. In the year 2008, there were 637 schools within the district, since then the number of schools decreased to 577 in 2013.

8.2 Literacy rate

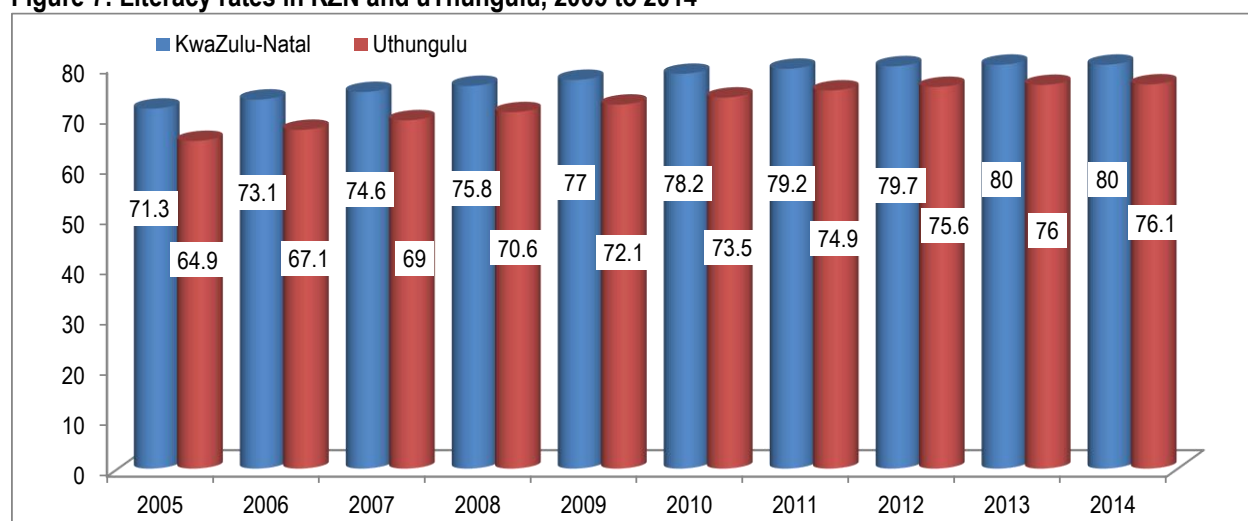
Literacy rate¹⁰ is the percentage of the population age 15 and above who can, with understanding, read and write a short, simple statement on their everyday life. Generally, 'literacy rate' also includes 'numeracy rate', which is the ability to make simple arithmetic calculations. Low levels of literacy and education in general, can hinder the economic development of a country in the current rapidly changing and technology driven world. High levels of literacy in the economy is essential as it makes it easier for literate individuals to be trained and can add more value to the human capital and be more productive.

¹⁰ Literacy rate is calculated by dividing the number of literates aged 15 years and over by the corresponding age group population and multiplying the result by 100.

Available on: <http://www.indexmundi.com/facts/indicators/SE.ADT.LITR.ZS/compare?country=za>

Figure 7 represents KZN and uThungulu district's literacy rate over the years 2005 to 2014. KZN realised an increase during this period from 71.3 per cent in 2005 to 80 per cent in 2014. The district of uThungulu also showed increasing literacy rate in the same period from 64.9 per cent in 2005 to 76.1 per cent in 2014. However, it is evident that progress in KZN and uThungulu district had been positive over the years but much need to be done to reach out to even more people.

Figure 7: Literacy rates in KZN and uThungulu, 2005 to 2014



Source: Global Insight, 2015

10. Health

10.1 HIV and AIDS

Sub-Saharan Africa is the region worst affected by HIV and AIDS. HIV and AIDS in South Africa is a major health concern. According to AIDS Foundation South Africa Annual Review (AFSA) (2013); South Africa has the highest prevalence of HIV/AIDS compared to any other country in the world.

Table 10: HIV Positive and Aids Deaths estimates in 2003 and 2014

	Total Population		HIV Positive % Estimates		Aids Deaths % Estimates	
	2003	2014	2003	2014	2003	2014
KwaZulu-Natal	9 698 963	10 508 110	13.4	14.9	0.6	1.0
Uthungulu	893 444	917 958	13.7	14.7	0.6	1.0
Mfolozi	107 239	128 241	13.9	15.4	0.6	1.1
uMhlatuze	312 761	347 429	14.7	15.8	0.7	1.1
Ntambanana	83 770	71 660	13.4	13.8	0.6	0.9
uMlalazi	210 424	213 224	13.2	13.8	0.6	0.9
Mthonjaneni	52 058	47 320	14.3	14.4	0.6	1.0
Nkandla	127 193	110 084	12.1	13.2	0.5	0.9

Source: Global Insight, 2015

Table 10 depicts KZN and uThungulu HIV positive estimates and AIDS deaths estimates for the years 2003 and 2014. The percentage of HIV positive estimates in KZN increased from 13.4 per cent in 2003 to 14.9 per cent in 2014. The proportion of AIDS deaths was estimated at a low 1 per cent in KZN in the year 2014. UThungulu district followed almost similar trend for the HIV positive estimates from 13.7 per cent in 2005 to 14.7 per cent in 2014.

South Africa has made important steps in its response to HIV and AIDS over the past decade. Interventions by government and civil society, supported by donors and the private sector, have succeeded in stabilising and reducing HIV incidence, cutting AIDS related mortality and reducing the burden on those most affected by the epidemic (AFSA Annual Review, 2013).

11. Access to basic services

11.1 Access to sanitation

The lack of basic services such as water supply and sanitation is a key symptom of poverty and underdevelopment. South Africa with its mix of developed and developing districts, 9.7 million (20 per cent) of the people did not have access to adequate water supply and 16 million (33 per cent) lacked proper sanitation services which led to health risks in the society (Kahinda, Taigbenu & Boroto, 2007). The South African government has committed itself to provide financial assistance to poor households for the capital cost of rendering sanitation services and related to providing free basic services in rural areas (Department of Water Affairs and Forestry, 1994).

Table 11: Households access to sanitation by toilet facility in 2003 and 2014

	2003					2014				
	Flush toilet	(VIP)	Pit toilet	Bucket system	No toilet	Flush toilet	(VIP)	Pit toilet	Bucket system	No toilet
KwaZulu-Natal	45.1	9.5	29.0	0.3	16.0	52.4	21.7	19.8	0.7	5.4
Uthungulu	32.8	10.8	26.8	0.4	29.2	41.6	22.6	25.4	0.7	9.8
Mfolozi	19.5	11.2	27.8	0.6	40.9	19.7	32.5	36.2	0.7	10.9
uMhlathuze	53.8	11.6	24.7	0.3	9.6	62.4	17.9	15.5	0.6	3.6
Ntambanana	16.4	13.9	16.8	0.4	52.4	5.8	56.4	19.6	0.7	17.5
uMlalazi	19.0	9.2	25.9	0.5	45.4	29.6	15.5	32.4	0.9	21.6
Mthonjaneni	26.1	7.8	39.2	0.2	26.8	39.5	19.1	31.6	0.2	9.6
Nkandla	11.3	9.0	34.0	0.2	45.5	28.6	26.9	38.6	0.6	5.4

Source: Global Insight, 2015

Table 11 represent the province of KZN and UThungulu's access to sanitation by toilet facilities. In the table above, it can be seen that in KZN the estimated percentage of households with no toilet facility dropped from an estimate of 16

per cent in 2003 to 5.4 per cent in 2014. UThungulu district also recorded a decrease in the percentage of households with no toilet facility from 29.2 per cent in 2003 to 9.8 per cent in 2014 which is above that of the province. Umlalazi local municipality had the highest estimated percentage of households with no toilet facility at 21.6 per cent in 2014 followed by Ntambanana at 17.5 per cent while uMhlathuze had the lowest estimate at 3.6 per cent. The objective of the bucket system being phased out seems achievable since the highest estimate of a local municipality using bucket system was 0.9 per cent in 2014 in uMhlathuze. The percentage of households using flush toilet system in uThungulu increased from 32.8 per cent in 2003 to 41.6 per cent in 2014. Among all local municipalities uMhlathuze had the highest percentage of people with access to flush toilet system both in 2003 and 2014 at 53.8 per cent and 62.4 per cent, respectively. This was even higher than the provincial average in in both years under review. The rest of the local municipalities in this district showed positive trend except that of Ntambanana at 5.8 per cent in 2014. Despite the progress made with regard to improving access to basic sanitation, but there are still communities that are living without proper sanitation.

11.2 Access to water

South Africa is not well endowed with abundant fresh water resources. In fact, it is regarded as the 30th most water scarce country in the world¹¹. Due to the fast growing economy, population growth and other social development needs, the demand for water is expected to increase. According to the UNICEF¹² (2013) an estimated 36 per cent of the world's population (2.5 billion people) lack improved sanitation facilities, and 768 million people still use unsafe drinking water sources. An amount of 25 litres per day is considered as the minimum required for the consumption, the preparation of food and hygiene (Department of Water Affairs and Forestry, 1994).

Table 12 shows household's percentage access to water in the province of KZN and uThungulu district municipality in 2004 and 2014. It can be seen that KZN shows marginal improvement in access to piped water, because of the decrease in the percentage of households with no formal piped water from 21.8 per cent in 2004 to 20.4 per cent in 2012. UThungulu district also recorded a decrease in the percentage of households with no formal piped water from 32.5 per cent in 2004 to 23.7 per cent in 2014. All the local municipalities in the district recorded a decrease in the proportion of households with no formal piped water for the period under review. All the local municipalities in the district of uThungulu recorded an increase in the percentage of households with on-site piped water except Ntambanana and Mthonjaneni which decreased by 2.3 and 2.6 percentage points respectively between 2004 and 2014.

¹¹ www.unicef.org

¹² <http://www.unicef.org/wash/>

Table 12: Access to piped water in KZN and uThungulu in 2004 and 2014

	% No formal piped water		% On-site		% Off-site	
	2004	2014	2004	2014	2004	2014
KwaZulu-Natal	21.8	20.4	56.7	61.5	21.5	18.1
Uthungulu	32.5	23.7	52	62.6	15.5	13.7
Mfolozi	50.1	23.3	32.9	58.3	17	18.4
uMhlathuze	7.5	6	78.6	90.3	13.9	3.8
Ntambanana	59.8	48.9	19.8	17.5	20.4	33.6
uMlalazi	50.2	36.4	31.2	39.1	18.6	24.5
Mthonjaneni	39.4	30.3	48.4	45.8	12.2	23.9
Nkandla	54.8	53.9	32	35.3	13.2	10.7

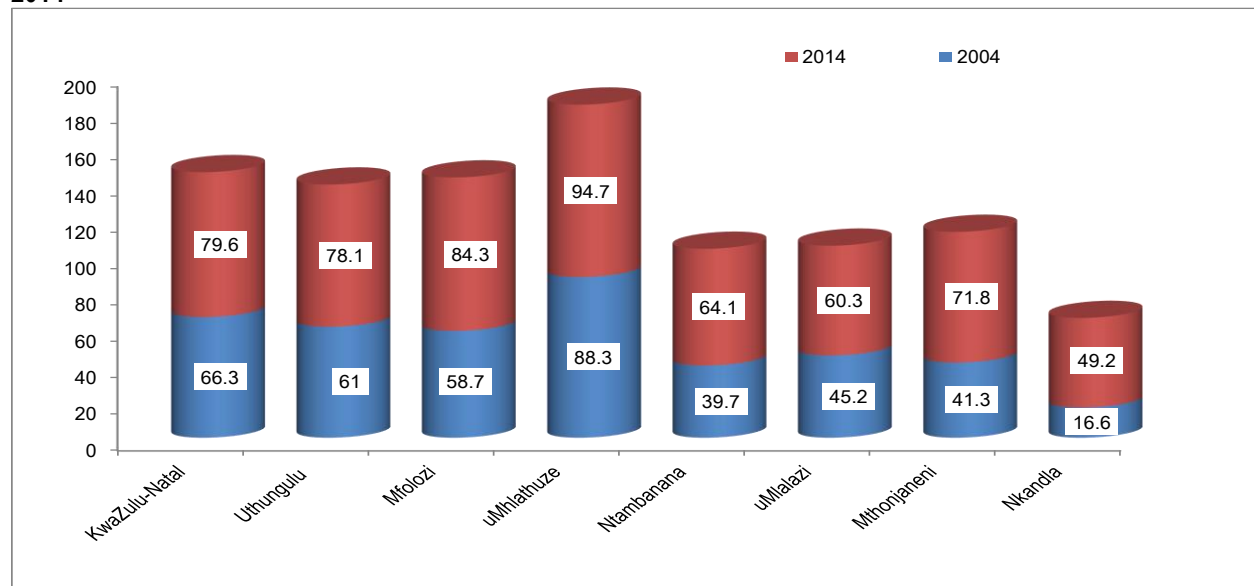
Source: Global Insight, 2015

UMhlathuze (from 13.9 per cent in 2004 to 3.8 per cent in 2014) and Nkandla (from 13.2 per cent in 2004 to 10.7 per cent in 2014), are the only local municipalities which experienced a decrease in the percentages of households with off-site piped water. Conversely, Mfolozi, Ntambanana, uMlalazi and Mthonjaneni recorded increasing proportions in households with off-site piped water (table 12).

11.3 Access to electricity

Electricity access is increasingly at the forefront of government’s worry, especially in the poorest countries (World Energy Outlook, 2011). Figure 8 represents the percentages of population with access to electricity in KZN and in uThungulu district as well as the local municipalities within the district in 2004 and 2014. Access to electricity connections has; however, increased in KZN from 66.3 per cent in 2004 to 79.6 per cent in 2014.

Figure 8: Percentage share of households in KZN and uThungulu with electricity connection in 2004 and 2014



Source: Global Insight, 2015

Uthungulu's electricity connection increased significantly from 61 per cent in 2004 to 78.1 per cent in 2014. The increasing demand for electricity over the years has recently contributed to the shortage of electricity due to poor maintenance of infrastructure in South Africa and KZN is no exception (figure 8).

12. Tourism

Tourism industry is estimated to grow at average annual growth rate of 4.3 per cent and is projected to reach 10.3 per cent or \$10.97 billion of the global GDP in 2024 (World Travel and Tourism Council (WTTC), 2014). This study further reveals that total employment that had been realised in the tourism industry in 2013 amounted to 3.4 per cent of the total global employment.

In South Africa tourism is regarded as a growth catalyst and a contributor towards the economic upliftment of poorer regions (Saayman, Saayman & Wim Naude, 2000). Table 13 shows tourism spending in KwaZulu-Natal and uThungulu district in 2003 and 2013 as well as the municipalities within uThungulu district. In KZN tourism spending increased more than doubled between 2003 and 2013. It is also clear that an enormous increase in tourism spending from about R16.2 billion in 2003 to an estimated R27.7 billion in 2013 was realized in uThungulu district.

Table 13: Tourism spending in KZN and uThungulu in 2003 and 2013

	Tourism spending		Total tourism spending as % of GDP	
	2003	2013	2003	2013
KwaZulu-Natal	16 172 582	27 721 813	7.4%	4.9%
Uthungulu	1 184 042	2 069 370	7.0%	4.6%
Mfolozi	69 099	139 212	1.9%	1.4%
uMhlathuze	684 707	1 431 446	8.3%	6.9%
Ntambanana	68 492	64 662	4.6%	1.8%
uMlalazi	254 217	306 594	8.5%	3.3%
Mthonjaneni	41 430	74 331	14.6%	10.6%
Nkandla	66 098	53 125	16.1%	4.9%

Source: Global Insight, 2015

Among the six local municipalities, uMhlathuze is the urban hub of the district because of the port of Richards Bay. Hence, it is the most contributor to uThungulu tourism spending with an estimated R2.1 billion in 2013. This then translates to 4.6 per cent in tourism spending as a percentage of gross domestic product. Among all the local municipalities in the district Ntambanana was the least contributor to tourism spending as a percentage of GDP in 2013 at 1.8 per cent followed by uMlalazi at 3.3 per cent.

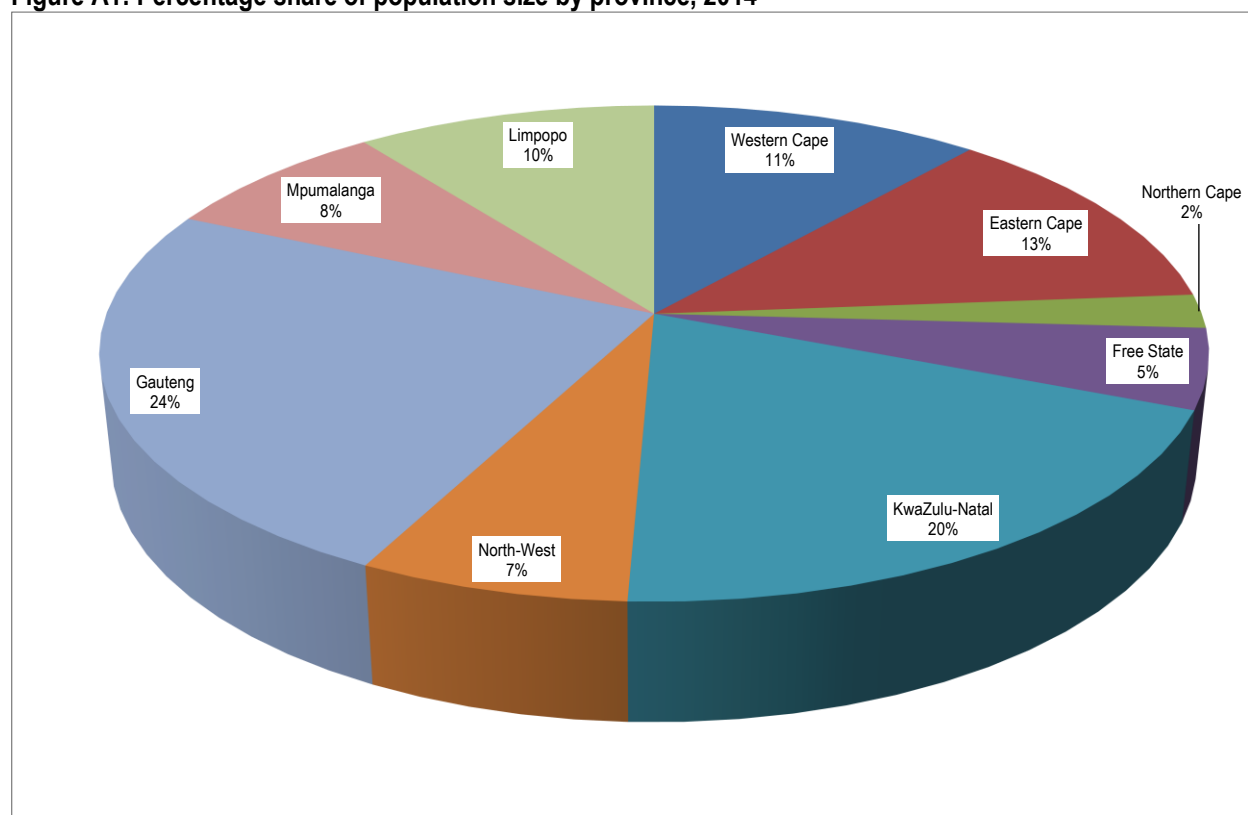
13. APPENDIX

Table A1: National population size, size of the area and population density by province, 2014

	Population size	% share of national population	Area in square kilometres	% share of national area	Population density
South Africa	53 781 908	100	1 221 246	100	44.04
Western Cape	6 031 741	11.2	129 475	10.6	46.59
Eastern Cape	6 722 593	12.5	169 063	13.8	39.76
Northern Cape	1 164 976	2.2	373 351	30.6	3.12
Free State	2 804 961	5.2	130 007	10.6	21.58
KwaZulu-Natal	10 508 110	19.5	93 378	7.6	112.53
North-West	3 670 889	6.8	105 076	8.6	34.94
Gauteng	13 114 178	24.4	18 213	1.5	720.06
Mpumalanga	4 257 827	7.9	76 642	6.3	55.55
Limpopo	5 506 634	10.2	126 042	10.3	43.69

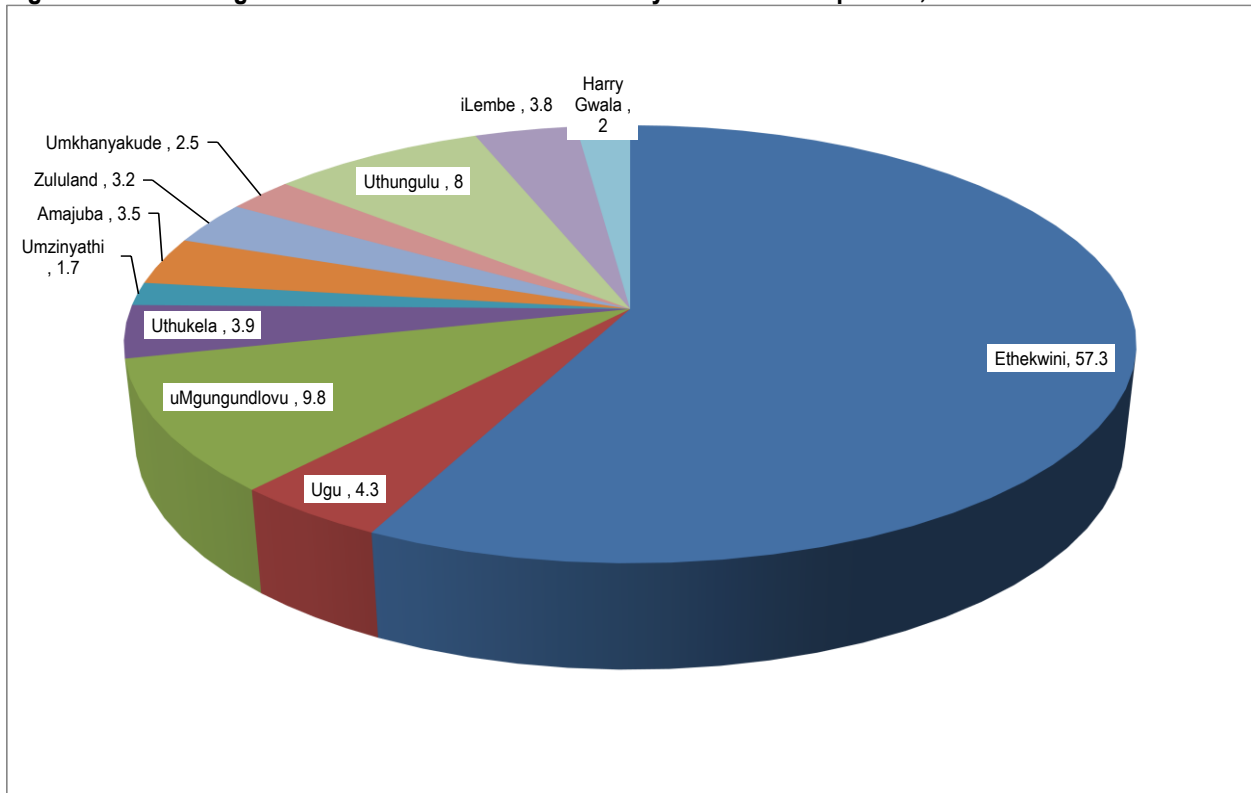
Source: Global Insight, 2015

Figure A1: Percentage share of population size by province, 2014



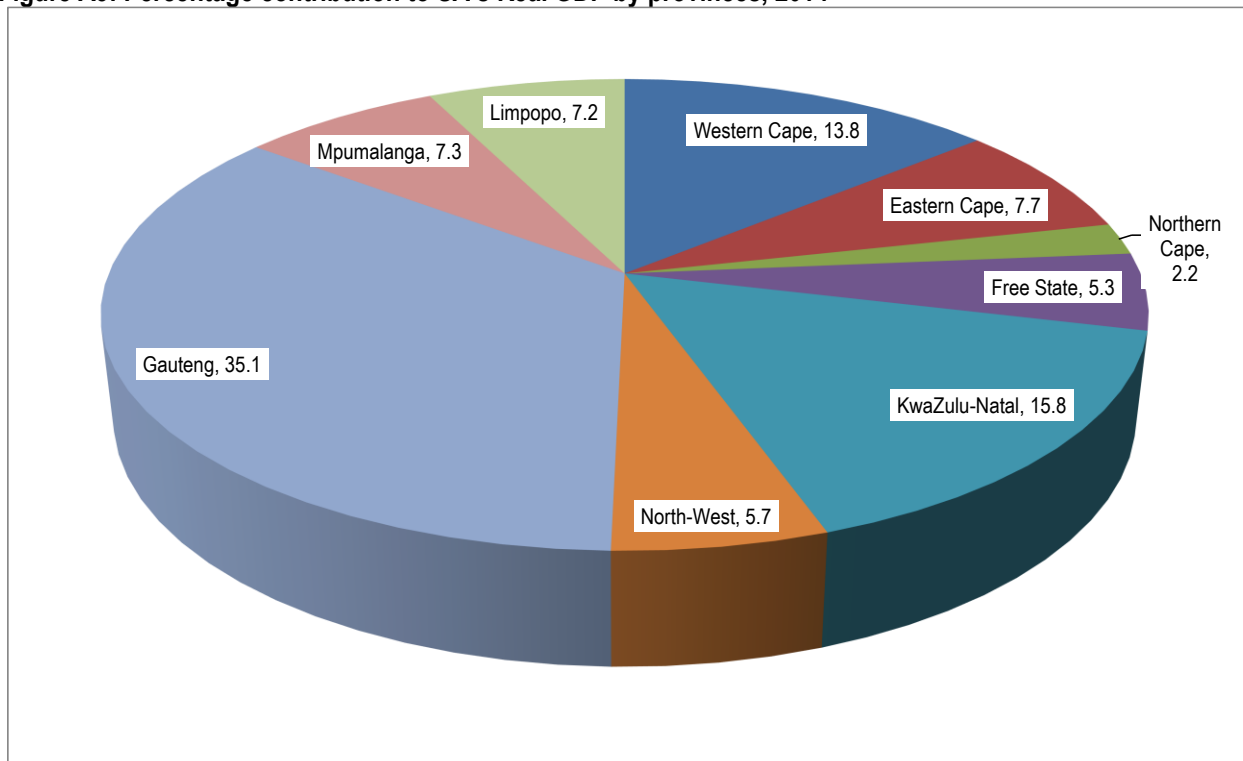
Source: Global Insight, 2015

Figure A2: Percentage contribution to KZN's Real GDP by district municipalities, 2014



Source: Global Insight, 2015

Figure A3: Percentage contribution to SA's Real GDP by provinces, 2014



Source: Global Insight, 2015

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