



# **PROVINCE OF KWAZULU-NATAL**

## **Socio-Economic Review and Outlook**

**2024/2025**

**KwaZulu-Natal Provincial Government**

ISBN: ISBN No. 978-1-920041-96-0

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# FOREWORD

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The KwaZulu-Natal (KZN) Socio-economic Review and Outlook (SERO) identifies and analyses socio-economic parameters that have an impact on the lives and circumstances of citizens of the Province. SERO's primary objective is to continue providing credible information for policymakers to make informed decisions and focus on areas that need strengthening to improve service delivery and living standards for the people of KZN. SERO also tracks progress in access to basic social services in the Province.

The global economy continues to recover slowly from the external shocks related to the COVID-19 pandemic and the geopolitical tension between Russia and Ukraine, which led to souring inflation and worsening financial conditions. Under the circumstances, the world economy is projected to grow by 3 per cent in 2023 and 2.9 per cent in 2024.

Similarly, the domestic economy remains subdued in 2023 due to uncertain global economic conditions alongside various domestic structural challenges, particularly the extensive energy crisis, persistent inflationary pressures and the resultant increase in interest rates. Given the precarious economic growth prospects amid an uncertain global environment and numerous local structural constraints, the national economy is projected to expand modestly by 0.8 per cent this year and 1.1 per cent in 2024 and 2025.

Like other provinces across the country, economic prospects in KZN remain depressed in 2023. However, the KZN government continues to implement the recovery plan to reignite the economic growth potential. This includes the efforts to attract investments, expansion and refocusing the functioning of Durban and Richard's Bay ports as part of the KZN Logistic Hub.

The government further supports emerging industries such as cannabis and hemp that have the potential to uplift local economies. It is partly through programmes that KZN continues to realise improvement in employment levels, albeit at a slow pace. Programmes such as the Mass Jobs War Room are envisaged to create close to 500 000 employment opportunities. In this regard, the economy of the Province is expected to grow by 0.5 per cent in 2023 before expanding marginally to 0.5 per cent in 2023 and 1.1 per cent in 2024.

It is my pleasure to present this SERO, which must be used as the socio-economic policy roadmap in the preparation of the KZN budget for the 7<sup>th</sup> Government Administration. SERO must be used in conjunction with the Provincial Growth and Development Strategy/Plan.



**Ms N.P. Nkonyeni**  
**MEC for Finance**



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## List of Acronyms

|          |                                               |
|----------|-----------------------------------------------|
| AE       | Advanced Economies                            |
| AfCFTA   | African Continental Free Trade Area           |
| AI       | Artificial Intelligence                       |
| AML      | Anti-Money Laundering                         |
| ANA      | Annual National Assessment                    |
| APSS     | Agro-Processing Support Scheme                |
| ATTA     | African Travel and Tourism Association        |
| BCI      | Business Confidence Index                     |
| BEEI     | Basic Education Employment Initiative         |
| BER      | Bureau for Economic Research                  |
| BLNS     | Botswana, Lesotho, Namibia, Swaziland         |
| BoE      | Bank of England                               |
| BR&E     | Provincial Business Retention and Expansion   |
| CBEP     | Community-Based Environmental Planning        |
| CCI      | Consumer Confidence Index                     |
| CFT      | Combating the Financing of Terrorism          |
| CIT      | Company Income Tax                            |
| CO2      | Carbon dioxide                                |
| COPs     | Conference of Parties                         |
| COVID-19 | Coronavirus Diseases 2019                     |
| CPI      | consumer price inflation                      |
| DBE      | Department of Basic Education                 |
| DCCS     | Durban Climate Change Strategy                |
| DoE      | Department of Education                       |
| DoT      | Department of Transport                       |
| DSD      | Department of Social Development              |
| DTIC     | Department of Trade, Industry and Competition |
| DTPC     | Dube Trade Port Corporation                   |
| E. coli  | Escherichia coli                              |
| EA       | Euro Area                                     |
| EAF      | Energy Availability Factor                    |
| EAP      | Economically Active Population                |
| EAP      | Economically Active Population                |
| EAs      | Education Assistants                          |
| EC       | Eastern Cape                                  |
| ECB      | European Central Bank                         |

|         |                                                                       |
|---------|-----------------------------------------------------------------------|
| ECD     | Early Childhood Development                                           |
| EDTEA   | Department of Economic Development, Tourism and Environmental Affairs |
| EGRS    | Early Grade Reading Study                                             |
| EMDEs   | Emerging Market and Developing Economies                              |
| EPWP    | Expanded Public Works Programme                                       |
| ESKOM   | Electricity Supply Commission                                         |
| ETI     | Employment Tax Incentive                                              |
| EU ETS  | European Union Emission Trading Scheme                                |
| EU      | European Union                                                        |
| EZ      | Eurozone                                                              |
| FAL     | First Additional Language                                             |
| FATF    | Financial Action Task Force                                           |
| FCS     | Fixed Capital Stock                                                   |
| FDI     | Foreign Direct Investments                                            |
| Fed     | Federal Reserve                                                       |
| FEDHASA | Federated Hospitality Association of South Africa                     |
| FET     | Further Education and Training                                        |
| FFC     | Financial and Fiscal Commission                                       |
| FNB/BER | First National Bank/Bureau of Economic Research                       |
| FPL     | Food poverty line (FPL)                                               |
| FS      | Free State                                                            |
| GBV     | Gender Based Violence                                                 |
| GDP     | Gross Domestic Product                                                |
| GDP-R   | Regional Gross Domestic Product                                       |
| GFCF    | Gross Fixed Capital Formation                                         |
| GHG     | Greenhouse Gases                                                      |
| GHS     | General Household Survey                                              |
| GP      | Gauteng                                                               |
| GSAs    | General School Assistants                                             |
| GSCPI   | Global Supply Chain Pressure Index                                    |
| GT      | Gigatonne                                                             |
| GVA     | Gross Value Added                                                     |
| GVA-R   | Regional Gross Value Added                                            |
| GWh     | Gigawatts an hour                                                     |
| HDI     | Human Development Index                                               |
| ICT     | Information Communication Technology                                  |
| IFC     | International Finance Corporation                                     |

|                    |                                                              |
|--------------------|--------------------------------------------------------------|
| IHME               | Institute for Health Metrics and Evaluation                  |
| ILO                | International Labour Organisation                            |
| IMF                | International Monetary Fund                                  |
| INK Heritage Trail | Inanda, Ntuzuma and KwaMashu Heritage Trail                  |
| IPCC               | Intergovernmental Panel on Climate Change                    |
| IPPs               | Independent Power Producers                                  |
| IT                 | Information Technology                                       |
| JET                | Just Energy Transitioning                                    |
| KSIA               | King Shaka International Airport                             |
| KW                 | Kilowatt                                                     |
| KZN                | KwaZulu-Natal                                                |
| KZNFC              | KZN Film Commission                                          |
| KZNYEF             | KZN Youth Empowerment Fund                                   |
| LAC                | Latin America and the Caribbean                              |
| LAR                | Labour Absorption Rate                                       |
| LBPL               | Lower-Bound Poverty Line                                     |
| LER                | Learner-to-Educator Ratio                                    |
| LFPR               | Labour Force Participation Rate                              |
| LFPR               | Labour Force Participation Rate                              |
| LP                 | Limpopo                                                      |
| LSEN               | Learners with Special Education Needs                        |
| MFMA               | Municipal Finance Management Act                             |
| MP                 | Mpumalanga                                                   |
| MPC                | Monetary Policy Committee                                    |
| MTSF               | Medium Term Strategic Framework                              |
| MW                 | Megawatt                                                     |
| MYPE               | Mid-Year Population Estimates                                |
| NC                 | Northern Cape                                                |
| NCET               | National Collaboration Education Trust                       |
| NDCs               | National Determined Contributions                            |
| NDP                | National Development Plan                                    |
| NECT               | National Collaboration Education Trust                       |
| NEET               | Not in Employment, Education or Training                     |
| NELDS              | National Integrated Early Learning and Development Standards |
| NFCF               | Net Fixed Capital Formation                                  |
| NGOs               | Non-governmental organizations                               |
| NHI                | National Health Insurance                                    |

|        |                                                                           |
|--------|---------------------------------------------------------------------------|
| NIAF   | National Integrated Assessment Framework                                  |
| NQF    | National Qualification Framework                                          |
| NSC    | National Senior Certificate                                               |
| NSFAS  | National Students Financial Aid Scheme                                    |
| NTSS   | National Tourism Sector Strategy                                          |
| NW     | North West                                                                |
| OECD   | Organisation for Economic Co-operation and Development                    |
| OV     | Operation Vula                                                            |
| PAYE   | Pay-As-You-Earn                                                           |
| PEDs   | Provincial Education Departments                                          |
| PES    | Presidential Employment Stimulus                                          |
| PFMA   | Public Finance Management Act                                             |
| PGDP   | Provincial Growth and Development Plan                                    |
| PGDS   | Provincial Growth and Development Strategy                                |
| PGMs   | Platinum Group Metals                                                     |
| PILO   | Programme to Improve Learning Outcomes                                    |
| PIRLS  | Progress in International Reading Literacy Study                          |
| PMI    | Purchasing Managers Index                                                 |
| PPI    | Producer Price Index                                                      |
| PPN    | Post-Provisioning Norm                                                    |
| PRB    | Population Reference Bureau                                               |
| PYEI   | Presidential Youth Employment Initiative                                  |
| PYEI   | Presidential Youth Employment Initiative                                  |
| RCUP   | Reading Catch-Up Programme                                                |
| RET    | Radical Economic transformation                                           |
| S&P    | Standard and Poor                                                         |
| SA     | South Africa                                                              |
| SACU   | Southern African Customs Union                                            |
| SADC   | Southern African Development Community                                    |
| SADTU  | South African Democratic Teachers Union                                   |
| SALDRU | Southern Africa Labour and Development Research Unit                      |
| SALGA  | South African Local Government Association                                |
| SAMA   | South African Medical Association                                         |
| SAQMEQ | Southern and Eastern Africa Consortium for Monitoring Educational Quality |
| SARB   | South African Reserve Bank                                                |
| SARS   | South African Revenue Services                                            |
| SAWS   | South African Weather Services                                            |

|        |                                                    |
|--------|----------------------------------------------------|
| SBA    | School-Based Assessment                            |
| SDF    | Spatial Development Framework                      |
| SDG    | Sustainable Development Goal                       |
| SMMEs  | Small, Medium and Macro Enterprises                |
| SOEs   | state-owned enterprises                            |
| SONA   | State of the Nation Address                        |
| SOPA   | State of the Province Address                      |
| SRDG   | Social Relief of Distress Grant                    |
| SSA    | Sub-Saharan Africa                                 |
| STEM   | Science, Technology, Engineering and Maths         |
| TBCSA  | Tourism Business Council of South Africa           |
| TBI    | Tourism Business Index                             |
| TEUs   | Twenty-foot Equivalent Units                       |
| TIKZN  | Trade and Investment KwaZulu-Natal                 |
| TIMSS  | Trends in Mathematics and Science Studies          |
| TIPS   | Trade and Industrial Policy Strategies             |
| TKZN   | Tourism KwaZulu-Natal                              |
| TNPA   | Transnet National Ports Authority                  |
| TVET   | Technical Vocational Education and Training        |
| UBPL   | Upper-Bound Poverty Line                           |
| UK     | United Kingdom                                     |
| UNCC   | United Nations Climate Change                      |
| UNCTD  | United Nations Conference on Trade and Development |
| UNDP   | United Nations Development Programme               |
| UNEP   | United Nations Environmental Programme             |
| UNICEF | United Nations Children's Fund                     |
| UNWTO  | United Nations World Travel Organisation           |
| US     | United States                                      |
| USAID  | United State Agency International Development      |
| VAT    | Value-Added Tax                                    |
| VOC    | Vouchers of Correction                             |
| WC     | Western Cape                                       |
| WEF    | World Economic Forum                               |
| WHO    | World Health Organization                          |
| WTO    | World Trade Organization                           |
| WTTC   | World Travel and Tourism Council                   |
| YES    | Youth Employment Service                           |



# Executive summary

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Social and economic indicators are effective analytical tools for measuring different aspects of the development and performance of an economy and society. In this regard, the 2024/2025 KwaZulu-Natal (KZN) Socio-economic Review and Outlook (SERO) focuses on analysing changes in demographic status, development and economic indicators and the labour market dynamics in South Africa (SA) and KZN in particular. SERO's primary objective is to continue providing a platform for policymakers to make informed decisions and focus on areas that need strengthening to improve service delivery and living standards for the people of KZN.

**Chapter One** provides the analysis of changes in demographic indicators which have a direct impact on economies, welfare and health systems, as well as on housing and infrastructure and other service delivery needs. Demographic data reveals more information on the social, economic and housing characteristics of citizens, which is critical for planning and budgeting and includes but is not limited to population trends such as size, age, gender and race.

The South African population continues to grow consistently, from 40.584 million in 1996 to 51.771 million in 2011 and 62.028 million in 2022 and thus recorded an average annual growth rate of 1.65 per cent. Similarly, KZN's population size has continued to increase at an average annual growth rate of 2.26 per cent, from 8.572 million or 19 per cent of the national population in 1996 to 9.894 million (21.4 per cent) in 2001. However, its share of the national total population has been gradually declining, particularly since 2011. It dropped slightly to 19.8 per cent, with the average annual growth rate also falling sharply to 0.69 per cent. This proportion improved marginally to 20 per cent (12.424 million) in 2022, as it recorded a moderate average annual growth rate of 1.75 per cent.

The gradual decline in the proportion of KZN as a share of the national population is primarily due to interprovincial migration, considering that four of the six components for the Provincial Equitable Share (PES) are largely population-driven and comprise 94 per cent of the weighted average. Compared to provinces such as Gauteng (GP) (399 353) and the Western Cape (WC) (294 029), with substantial increases in net-migration between 2011 and 2022, KZN realised a negative net-migration of over 10 000 people. Therefore, the KZN's weighted average equitable share declined from the highest of 21.9 per cent in 2011/12 to 20.2 per cent in 2023/24.

**Chapter Two** focuses on the development indicators. The development indicators covered include poverty, human development index, and grant beneficiaries. Poverty is still a concern, especially in KZN as the Province recorded a relatively higher percentage of people living below the food poverty line (FPL) at 40.5 per cent, which is far below the national average of 31.9 per cent. Despite making moderate improvement in the Human Development Index (HDI) of 0.62 in 2022, compared to 0.56 in 2012, it is still below the national average of 0.65. Therefore, the government should continue investing in social and economic infrastructure projects to catalyse employment opportunities to benefit the youth and previously disadvantaged groups.

KZN experienced a decline in the number of households categorised as being lower-income earners from 28.4 per cent in 2012 to 24.8 per cent in 2022. However, the Province reported an improvement in the Gini coefficient from 0.63 in 2012 to 0.61 in 2022. Meanwhile, 55.4 per cent of households in KZN relied on social

grants in 2022. Therefore, in addressing this predicament, SA needs to review policies aimed at wealth redistribution and prioritise the focus and development of township and rural economies to address spatial inequality levels are critical.

The analysis of access to health care indicates that more than 78 per cent of households or over 88 per cent of the KZN population rely on public health care. However, the healthcare sector is under immense pressure due to scarce resources. The Province has a shortage of key health professionals to adequately serve the rapidly increasing population. The number of general practitioners remained low, with just under 4 000 professionals, while the nursing staff were just under 18 000, tasked to service 12.424 million people. Therefore, similar to the national policies, KZN should continue prioritising strategies, incentives and policies that will be more appealing to qualified doctors and nurses for them to have the appetite to provide their services in the country.

The Province has experienced tremendous improvements in service delivery as the share of electricity increased to 95 per cent in 2022 compared to 81.1 per cent in 2012. On the other hand, access in the percentage of households with piped water at or above the RDP level increased to 81.6 per cent in 2022 compared to 74 per cent in 2012. This shows that the Province is in line with the NDP plan of providing basic services that enable people to develop capabilities to take advantage of opportunities in the country.

However, the high prevalence of crime activities in the province is concerning. This indicates that KZN should continue to prioritise community-focused crime prevention forums, where police, communities and businesses can participate to improve the general well-being of an area. Further visibility of the law in the hotspot areas is crucial to bring down the scourge of crime.

**Chapter Three** presents the analysis of educational developments in SA, with particular emphasis on KZN. Though literacy rate increased sharply from 79.8 per cent in 2012 to 88.1 per cent in 2022, it is still below the national average of 89.8 per cent. Approximately 37.3 per cent of KZN individuals aged 20 and over had matric in 2022, reflecting a 7.1 percentage points improvement from 30.2 per cent realised in 2012.

The learners in the higher quintiles (4 and 5) performed better than those in the no-fee school (Quintiles 1 to 3). It is commendable that the South African Government funds basic education through a pro-poor funding model, with those in lower quintiles allocated more than those in higher quintiles. However, efforts should be made to ensure that the KZN's funding for learners is in line with the gazetted norm.

Learner-to-educator ratio (LER) is the most common indicator used in planning for the number of educators required in order to arrive at an ideal maximum class size of one educator per thirty learners. A low number of learners per educator indicates learners will have a better chance of contact with the educators and, hence, a better teaching and learning process. However, with the LER of 30.1, the KZN is slightly above the recommended global standard of 30. However, a shortage of educators is clearly evident at the district level.

The National Integrated Early Childhood Development Policy was formulated to provide structure for children aged 0-4 to attend the Early Child Development (ECD) programme. This was to continue strengthening the contribution of the ECD as it lays a solid foundation for both the cognitive and physical growth of children. In 2022, KZN was among provinces with the highest incidence of children aged 0-4 years not attending any ECD programme at

43.3 per cent compared to the national average of 39.8 per cent. This implies that the Province needs to intensify efforts to promote and fund ECD programmes.

The national Learner Transport policy is another way in which the government facilitates better education. The success of the policy is dependent upon having proper road infrastructure, planning and costing, adequate budget, as well efficiency in managing the implementation of the learner transport policy. Unfortunately, due to budget constraints, the demand for learner transport exceeds supply. This has led to an undesirable situation of overloads in some districts, which put the lives of children and the community at risk. Further, the number of learners who qualify for learner transport but are not being serviced is increasing annually.

SA still suffers from a high drop-out rate. The higher the drop-out rate, the greater the dependency on the government for services. This opens the gap for broadening the provision of skills programmes to those learners at Technical and Vocational Education and Training (TVET) colleges. Once they complete training, they also have to be capacitated to use the skills acquired to start businesses or be self-employed. In KZN, the drop-out rate was estimated at 34 per cent in 2022 compared to the national average of 35 per cent.

**Chapter Four** assesses the response to climate change. Human-induced climate change is already affecting weather and climate extremes in every region across the globe, and SA is no exception. In SA, sectors mainly responsible for high greenhouse gas (GHG) emissions are energy and heat, transport, manufacturing and construction, fugitive emissions, agriculture, buildings, waste and land use, amongst others. The natural disasters due to climate change have resulted in widespread adverse impacts, causing losses and damages to both the environment and human populations, thus presenting a critical challenge to human development.

In light of these challenges, it becomes crucial to raise awareness through prioritising climate education, particularly in schools spanning from lower grade levels to higher education. This will assist young people with understanding the criticality of climate impact while motivating behavioural change towards climate perception. It is also critical to disseminate climate information to adults through public engagement programmes while continuing to promote recycling practices.

In order to fully implement policies and strategies developed to address climate change, climate finance needs to take precedence. Many municipalities do not have climate risk budget and, hence, cannot properly address the climate challenges. It is, therefore, important for the government to implement measures that will compel every stakeholder in the country to prioritise climate budgeting. For instance, make it compulsory that every government and municipal institute's climate budget be audited and, if complying and properly managed, be incentivised.

For private companies, policies mandating them to comply with climate sensitivity must be aggressively implemented and even provide incentives such as tax discounts for those complying companies. Further, the government should continue to facilitate the optimal operation of the carbon tax system to be able to generate adequate funds to appropriately fund and budget for current and future climate actions to be undertaken.

**Chapter Five** concentrates on the global, national and provincial economic outlook at the global, national and provincial levels. The global economy shows positive signs of recovery, although at a slower pace, from the economic shocks caused by the Russia-Ukraine war. Overall, global economic growth is anticipated to drop further

from 3.5 per cent in 2022 to 3 per cent in 2023 and 2.9 per cent in 2024. The projected slow-down in 2023 is driven largely by a continuous deceleration in Advanced Economies.

In SA, real output decelerated to 1.9 per cent in 2022, following a buoyant recovery of 4.7 per cent in 2021. In addition to the geopolitical shocks emanating from the invasion of Ukraine by Russia, the domestic economy continued to grapple with internal structural constraints, particularly the energy crisis, the soaring inflation rate as well as the monetary policy tightening to contain inflation. Therefore, the national economy is projected to expand modestly by 0.8 per cent this year and 1.1 per cent in 2024 and 2023.

The sluggish economic growth implies that the government could not collect enough revenue to finance the provision of essential services in line with policy priorities. This has caused the projected revenue collection to be R56.8 billion less than initially predicted, resulting in persistent large budget deficits. The provincial and local economies are not isolated from numerous economic challenges currently affecting the national economy. KZN's economic prospects deteriorated considerably to an average of 1.1 per cent in 2022, down from a robust uptick of 4.7 per cent in 2021. The real regional gross domestic product (GDP-R) growth rate is projected to drop further to 0.5 per cent in 2023 before picking up marginally to 0.8 per cent and 2.3 per cent in 2024 and 2025, respectively.

However, the KZN government continues to implement the recovery plan to ignite the economic growth potential. This includes the efforts to attract investments, expansion and refocusing the functioning of Durban and Richard's Bay ports as part of the KZN Logistic Hub. Also, the government supports emerging industries such as cannabis and hemp that have the potential to uplift local economies.

**Chapter Six** applies the Eurozone convergence criteria to determine the feasibility of BRICS adopting a common currency. BRICS countries comprise 41 per cent of the world population and control 26 per cent of the world GDP in 2022. The higher population from various geographical locations has the potential to grow the market for companies in all the BRICS countries.

BRICS membership provides South African businesses a platform to leverage their potential in the global market through the BRICS Business Council. The cooperation between these business entities and those of BRICS would be mutually beneficial in information technology (IT), finances, innovation and business-to-business learning. This will assist in reinforcing the manufacturing base and enhancing value-added exports to reduce SA's trade deficit with other BRICS members.

China has consistently been the largest economy in the bloc. Its rapid growth has seen it become the second largest economy in the world behind the US (\$25 billion GDP in 2022), with a GDP of approximately \$18 billion in the same year. As a result, China contributed 71 per cent of the BRICS countries' GDP, followed by India at 13 per cent, and Brazil (8 per cent) in 2022. Russia and SA trailed at 6 per cent and 2 per cent, respectively.

While the national trade with its BRICS partners reached approximately R825 billion in 2022, the net trade reached a deficit of around R242 billion. Given the economic size of China, the trade deficit was around R179 billion, followed by India at R40.543 billion. For Brazil and Russia, the trade deficit was around R18 billion and R4.5 billion, respectively.

In analysing the possibility of the BRICS bloc adopting a common currency, reference was made to the already existing currency union, known as the Eurozone. The convergence criteria included rules on the exchange rate, public debt and fiscal deficit, interest rates and inflation. Collectively, the bloc did not meet any of these convergence criteria. The differences in these countries in terms of fiscal and monetary policies and their geographical location have made the coordination of the above variables even more complicated. All these factors are conclusive evidence that the group is not ready for a common currency.

Since there is no system on par with the Society for Worldwide Interbank Financial Telecommunication (SWIFT) amongst these nations, BRICS nations are forced to develop their own international payment systems. In light of this, the BRICS have tasked their finance ministers, central banks and various financial and digital industry role players to devise resolutions to these problems by the next summit in 2024.

China (2.6 per cent) is the only BRICS country with a notable share in the international composition of foreign currency reserves. It trails behind the US dollar (59 per cent), the Euro (19.8 per cent), the Japanese Yen (5.5 per cent) and the British pound (4.9 per cent). Though there is a willingness for each of the BRICS countries to use their local currencies, the issue of adequate and needed currency reserves has to be considered.

However, local currency settlements (LCS), backed by BRICS' respective central banks, are already underway between India and the United Arab Emirates (UAE). The two countries signed a memorandum of understanding (MOU) to settle their crude oil transactions in their local currencies in July 2023.

**Chapter Seven** provides an analysis of labour market dynamics at the national, provincial, and local levels. The labour force characteristics discussed include labour force, total employment, unemployment, labour force participation, and absorption rates. In all three spheres, the analysis reveals modest employment growth alongside a persistently high rate of unemployment, particularly in the post-pandemic period.

The province has experienced a relatively slow employment level over the past ten years between 2012 and 2022, as it expanded slightly by 0.6 per cent. The biggest employment losses occurred during the COVID-19 period, and the recovery thereof has been somewhat lagging. Therefore, the employment level in KZN remains below the Provincial Growth and Development Strategy (PGDS) targets.

Manufacturing reported a marginal fall in employment over the ten-year period, whilst construction experienced a modest increase. Employment in the manufacturing sector dropped both at formal and informal levels. This sector has endured prolonged periods of declining employment levels. By contrast, agriculture reported the largest employment increase during the same period. The youth population constitutes the lowest proportion of total employment in the province compared to the older age cohort.

While employment levels have been ailing, KZN realised a considerable surge in the unemployment rate by about 6.8 per cent over the ten-year period between 2012 and 2022. At an average of 31.5 per cent in 2022, the provincial unemployment rate was significantly greater than the 2019-2024 Medium Term Strategic Framework (MTSF) target of reducing the unemployment rate to the range of 20-24 per cent by 2024. Young people aged between 15 and 34 years constitute the largest share of total unemployed persons in the province.

Employment levels remain significantly low in small and rural districts such as uMzinyathi, uMkhanyakude and Harry Gwala. The ailing employment levels in these districts could be attributed to limited economic activities coupled with underdeveloped economic infrastructure. Similarly, the rural districts tend to experience a relatively high rate of unemployment, with the youth population being the most affected.

Given high levels of unemployment rates, KZN should continue to develop strategies that are aimed at creating sustainable employment opportunities for the working-age population. The employment strategies should be inclusive of formal as well as informal sectors in order to accommodate a low-skilled workforce, particularly the uneducated population. This could be achieved by drastic implementation of programs such as the Mass Jobs War Room as well as the Expanded Public Works Programme (EPWP).

The challenge of unemployment, especially among the youth population, there is a need to quantify information pertaining to the unemployed and develop programs accordingly. This would assist the government in creating opportunities that will benefit a majority of young unemployed people. The evidence from the literature points to various factors causing unemployment, particularly lack of skills, rigid employment regulations, and low educational attainment. The government should prioritise skills development and improving educational attainment, especially at the upper secondary level, as well as admission to tertiary institutions.

# Chapter One: Demographic Profile

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## 1.1 Introduction

The goal of the demographic analysis is to gain insight into population trends and to better understand the needs of the population. The analysis is used to formulate plans for economic development, address public health issues and identify potential markets for goods and services. Therefore, the demographic analysis provides valuable information to the government in all spheres, businesses and non-profit organisations (NPOs).

Notably, the world is in an era of unprecedented population growth. The unprecedented global population rate since the 1950s results from two trends. Firstly, the gradual increase in the average longevity due to widespread improvement in public health, nutrition, personal hygiene and medicine, among others. Secondly, the high persistence levels of fertility by births per woman in many countries, such as Niger (6.8), Somalia (6.0) as well as Congo and Mali, both at 5.8 (World Bank, 2021).

According to the United Nations (2021), rapid population growth is both a cause and a consequence of slow progress in development. For instance, in low-income and lower-middle-income countries facing multiple challenges, limited resources or fiscus may slow progress in attaining goals and targets for sustainable development. In these countries, the continuing growth of the population enlarges the scale of existing challenges, such as eradicating poverty and hunger and ensuring that people have adequate access to safe and nutritious food. Similarly, the rapid population growth may also add difficulties in ending preventable and treatable diseases, providing inclusive and equitable education, and promoting full and productive employment and decent work.

Conversely, the population increase may pose challenges and opportunities for development efforts in various countries. While one country may struggle to ensure universal access to services in the context of rapid population growth, another may see the realisation of a demographic dividend<sup>1</sup>. Gajjar (2017) states that the growing population means an increasing market for most goods and services. A potentially expanding market may assist in stimulating entrepreneurs to invest more. Consequently, business activity will be spurred, leading to more income and employment opportunities in the long term. Further, increasing population ensures addition to the labour force. However, if the country has adequate resources to employ new labour, the population increase can lead to rapid economic growth. If the country cannot utilise its labour force productively, unemployment rises, often increasing the burden on the government.

Against this backdrop, a country needs to recognise and adequately plan for demographic changes, which is an essential prerequisite for sustainable development. Therefore, this Chapter analyses population trends in developed countries, BRICS<sup>2</sup>, Sub-Saharan Africa, and national population dynamics. This Chapter proceeds to discuss the provincial and district municipalities' population dynamics, ranging from population size, population distribution by age and gender, and population distribution by race. It further analyses the fertility and mortality

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<sup>1</sup> A demographic dividend is the economic growth potential that can result from shifts in a population's age structure, mainly when the share of the working-age population (15 to 64) is larger than the non-working-age share of the population (14 and younger and 65 and older)

<sup>2</sup> BRICS is an acronym for countries such as Brazil, Russia, India, China and South Africa

rates and life expectancy and concludes with migration patterns. All these factors determine the provincial population structure. Finally, this Chapter provides policy recommendations to influence resource allocation to ensure efficiency and effectiveness while the Province achieves Sustainable Development Goals (SDGs).

## **1.2 Global population growth**

World Bank (2023) shows that the global population increased from around 7.821 billion in 2020 to approximately 7.951 billion in 2022. America (Northern America, Latin America, and the Caribbean) and Europe (European Union, United Kingdom (UK), and Russia) continue to have the lowest population amongst the regions, constituting 12.9 per cent and 9.3 per cent of the total global population, respectively. Africa and Asia are the most populated regions worldwide, with approximately 59.4 per cent of the world's population living in Asia (Population Reference Bureau (PRB), 2022).

With approximately 344.5 million in the Euro area, the currency union is home to 4.3 per cent of the world's population. This population size is higher than the United States (US) (333.3 million), which had 4.2 per cent of the world population in 2022. However, the US is ranked the highest amongst the world's leading economies with a gross domestic product (GDP) per capita of US \$ 76 399 whilst in the in the same year (Euro area per capita GDP was US \$ 40 755).

Japan, also counted among the world's leading economies, had a population of 125.1 million in 2022, constituting 1.6 per cent of the world population. This country is ranked amongst the world's innovative countries, leading several measures of global patent filings. Its GDP per capita was US \$ 33 815 in 2022, driven by manufacturing as the country is the world leader in manufacturing electrical appliances and electronics, automobiles, ships and machine tools, amongst others. The UK, with a population of around 67 million in 2022, is also among the world's leading economies. The country's GDP was high at US \$ 45 850 in 2022, driven by tourism, manufacturing, retail and financial services (World Bank, 2023).

BRICS countries account for 41 per cent of the world population but only contribute 26 per cent of the world GDP in 2022. This contribution is a significant improvement considering that the bloc's contribution to GDP, excluding SA<sup>3</sup>, was 8 per cent in 2001 and improved to 19.6 per cent in 2011. With about 1.412 billion or 17.9 per cent of the world population in 2022, China has consistently been the largest economy in the bloc. China's rapid growth has seen it become the second-largest global economy (GDP of approximately \$18 billion) after the US (\$25 billion GDP in 2022).

Over 40 countries have expressed an interest to join BRICS, while 23 countries have formally applied to join BRICS. However, approval was made for six countries: Argentina, Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates (UAE) to join in January 2024. With the addition of the new member countries, the BRICS population will increase to 3.663 billion, contributing to about 46.2 per cent of the world population. The combined GDP per capita in current US prices was US \$ 13 976, higher than the world average of US \$ 12 648 in 2022.

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<sup>3</sup> SA joined the BRIC bloc in 2010

The driving force behind these countries' interest in BRICS is to expand their market, access finance from the BRICS New Development Bank (NDB), access world markets and improve trade, access modern technology, and improve foreign direct investments and trade, amongst others. However, adding new members to BRICS in order to strengthen the bloc should not be achieved at the expense of the already existing markets. For instance, SA's top trading partners are primarily Western countries, including the US, Germany, Japan and the UK.

### 1.3 South African population

South African population is well known for its diversity, with each province having a population with different races, cultural identities, religions, and twelve official languages, including the sign language. Despite changes brought forward by the effects of coronavirus (COVID-19), the South African population continues to grow consistently, rising from 51.771 million in 2011 to 62.028 million in 2022 (Table 1.1). Similarly, KwaZulu-Natal's (KZN's) population size has continued to increase over the years.

The KZN's share of the national population rose extensively by 2.3 percentage points, from 19.1 per cent in 1996 to 21.4 per cent in 2001. The gains realised in 2001 were reduced by 1.6 percentage points to 19.8 per cent in 2011 before improving marginally by 0.2 percentage points to 20 per cent in 2022. Nevertheless, KZN remains the second largest populous Province (12.424 million), following Gauteng (GP), which has approximately 15.099 million, constituting 24.3 per cent in 2022.

GP's share is a revised estimate from the 26.5 per cent released in the mid-year population estimates in 2022. The increase in the proportion of GP in all the census results since 1996 (1996: 17.5 per cent, 2001: 21 per cent, 2011: 23.7 per cent and 2022: 24.3 per cent) is primarily due to many people migrating to GP for better economic opportunities. Only Limpopo Province (LP), Free State (FS), and North West (NW) Provinces showed a decline in the percentage share of the national population between census 2011 and 2022. The remaining five Provinces showed an increase in the proportion except for the Northern Cape (NC), which maintained 2.2 per cent (Stats SA, 2023).

**Table 1.1: South African population by the province, 1996, 2001, 2011 and 2022**

|                      | 1996              |                                | 2001              |                                | 2011              |                                | 2022              |                                |
|----------------------|-------------------|--------------------------------|-------------------|--------------------------------|-------------------|--------------------------------|-------------------|--------------------------------|
|                      | Population        | % Share of national population | Population        | % Share of national population | Population        | % Share of national population | Population        | % Share of national population |
| <b>South Africa</b>  | <b>40 583 573</b> | <b>100</b>                     | <b>44 819 777</b> | <b>100</b>                     | <b>51 770 561</b> | <b>100</b>                     | <b>62 027 502</b> | <b>100</b>                     |
| Eastern Cape         | 6 147 244         | 13.7                           | 6 278 651         | 14.0                           | 6 562 053         | 12.7                           | 7 230 204         | 11.7                           |
| Free State           | 2 633 504         | 5.9                            | 2 706 775         | 6.0                            | 2 745 590         | 5.3                            | 2 964 412         | 4.8                            |
| <b>Gauteng</b>       | <b>7 834 620</b>  | <b>17.5</b>                    | <b>9 390 528</b>  | <b>21.0</b>                    | <b>12 272 263</b> | <b>23.7</b>                    | <b>15 099 422</b> | <b>24.3</b>                    |
| <b>KwaZulu Natal</b> | <b>8 572 302</b>  | <b>19.1</b>                    | <b>9 584 129</b>  | <b>21.4</b>                    | <b>10 267 300</b> | <b>19.8</b>                    | <b>12 423 907</b> | <b>20.0</b>                    |
| Limpopo              | 4 576 133         | 10.2                           | 4 995 462         | 11.1                           | 5 404 868         | 10.4                           | 6 572 720         | 10.6                           |
| Mpumalanga           | 3 124 203         | 7.0                            | 3 365 957         | 7.5                            | 4 039 939         | 7.8                            | 5 143 324         | 8.3                            |
| Northern Cape        | 1 011 864         | 2.3                            | 991 876           | 2.2                            | 1 145 861         | 2.2                            | 1 355 946         | 2.2                            |
| North West           | 2 726 828         | 6.1                            | 2 982 064         | 6.7                            | 3 509 953         | 6.8                            | 3 804 548         | 6.1                            |
| <b>Western Cape</b>  | <b>3 956 875</b>  | <b>8.8</b>                     | <b>4 524 335</b>  | <b>10.1</b>                    | <b>5 822 734</b>  | <b>11.2</b>                    | <b>7 433 019</b>  | <b>12.0</b>                    |

Source: Stats SA, 2023

KZN, which occupies square kilometres of 94 361, comprises 10 district municipalities and the eThekweni Metro. As expected, approximately 34.1 per cent or 4.240 million of the KZN population in 2022 was from eThekweni, constituting a 0.2 percentage points increase from 3.477 million in 2011. This is followed by uMgungundlovu (9.9 per cent), King Cetshwayo (8.2 per cent) and Zululand (7.6 per cent) district municipalities. Amajuba (5.5 per cent), uMzinyathi (5.2 per cent), and Harry Gwala (4.5 per cent) had the lowest proportion of the KZN population in 2001, 2011 and 2022 (Table 1.2).

The individuals of the country's population reside in various households<sup>4</sup>. The people who live together in a household share not only a dwelling but also a budget and responsibilities for supporting and maintaining the household unit. Notably, the average number of persons per household in a population, or average household size, may be influenced by patterns of marriage and fertility, home leaving amongst young professionals, norms surrounding intergenerational support, and patterns of employment and housing costs, amongst others.

According to the United Nations (2019), the size and composition of households are intertwined with multiple social and economic processes, such as childbearing, demand for education and health care, spending priorities, consumption patterns and demand for housing, amongst others. Therefore, understanding patterns and trends of household size and composition is helpful towards identifying challenges and opportunities towards the achievement of Sustainable Development Goals (SDGs). These include poverty reduction, education, gender equality, sustainable cities and protection of the environment.

**Table 1.2: KZN population by district municipalities, 2001, 2011 and 2022**

|                      | 2001             |                           | 2011              |                           | 2022              |                           |
|----------------------|------------------|---------------------------|-------------------|---------------------------|-------------------|---------------------------|
|                      | Population       | % Share of KZN population | Population        | % Share of KZN population | Population        | % Share of KZN population |
| <b>KwaZulu Natal</b> | <b>9 730 427</b> | <b>100</b>                | <b>10 267 299</b> | <b>100</b>                | <b>12 423 908</b> | <b>100</b>                |
| eThekweni            | 3 179 620        | 32.7                      | 3 476 686         | 33.9                      | 4 239 901         | 34.1                      |
| Amajuba              | 474 905          | 4.9                       | 500 615           | 4.9                       | 687 408           | 5.5                       |
| Harry Gwala          | 465 964          | 4.8                       | 460 526           | 4.5                       | 563 893           | 4.5                       |
| iLembe               | 567 498          | 5.8                       | 606 809           | 5.9                       | 782 661           | 6.3                       |
| King Cetshwayo       | 897 247          | 9.2                       | 907 519           | 8.8                       | 1 021 344         | 8.2                       |
| Ugu                  | 680 325          | 7.0                       | 689 051           | 6.7                       | 773 402           | 6.2                       |
| uMgungundlovu        | 937 510          | 9.6                       | 1 014 572         | 9.9                       | 1 235 715         | 9.9                       |
| uMkhanyakude         | 581 670          | 6.0                       | 625 846           | 6.1                       | 738 437           | 5.9                       |
| uMzinyathi           | 488 215          | 5.0                       | 514 028           | 5.0                       | 649 261           | 5.2                       |
| uThukela             | 665 143          | 6.8                       | 668 072           | 6.5                       | 789 092           | 6.4                       |
| Zululand             | 792 329          | 8.1                       | 803 575           | 7.8                       | 942 794           | 7.6                       |

Source: S&P Global, 2023 and Stats SA, 2023

The total population and the number of households is the ratio that determines the size of the households. For instance, in SA, with a population of 62.028 million and 17.829 million households, the average size per household was 3.5 in 2022, marginally less than the 4 and 3.6 estimated in 2001 and 2011, respectively. Only FS (3.3 to 3.5), KZN (4 to 4.4), and NC (3.8 to 4.1) realised an increase in average household size between 2011 and 2022.

All the remaining Provinces showed a decline, except EC and NW, which maintained average household sizes of 3.9 and 3.3, respectively. As expected, given that GP had the highest number of people, its share of the national

<sup>4</sup> A household consists of a person, or a group of persons, who occupy a common dwelling (or part of it) for at least four days a week and who provide themselves jointly with food and other essentials for living

household was the highest at 29.8 per cent, followed by KZN at 16 per cent. A significant gap between GP and KZN is expected, given KZN had the highest household size both in 2011 (4.0) and 2022 (4.4) (Table 1.3).

**Table 1.3: Number of households per province, 2001, 2011 and 2022**

|                      | 2001              |                 |                                | 2011              |                 |                                | 2022              |                 |                                |
|----------------------|-------------------|-----------------|--------------------------------|-------------------|-----------------|--------------------------------|-------------------|-----------------|--------------------------------|
|                      | Households        | Households size | % Share of national households | Households        | Households size | % Share of national households | Households        | Households size | % Share of national households |
| <b>South Africa</b>  | <b>11 205 706</b> | <b>4.0</b>      | <b>100</b>                     | <b>14 449 665</b> | <b>3.6</b>      | <b>100</b>                     | <b>17 828 778</b> | <b>3.5</b>      | <b>100</b>                     |
| Eastern Cape         | 1 481 640         | 4.2             | 13.2                           | 1 687 343         | 3.9             | 11.7                           | 1 838 960         | 3.9             | 10.3                           |
| Free State           | 733 302           | 3.7             | 6.5                            | 823 285           | 3.3             | 5.7                            | 845 250           | 3.5             | 4.7                            |
| Gauteng              | 2 791 835         | 3.4             | 24.9                           | 3 908 826         | 3.1             | 27.1                           | 5 318 665         | 2.8             | 29.8                           |
| <b>KwaZulu Natal</b> | <b>2 117 274</b>  | <b>4.5</b>      | <b>18.9</b>                    | <b>2 539 337</b>  | <b>4.0</b>      | <b>17.6</b>                    | <b>2 853 741</b>  | <b>4.4</b>      | <b>16.0</b>                    |
| Limpopo              | 1 117 818         | 4.5             | 10.0                           | 1 418 085         | 3.8             | 9.8                            | 1 811 565         | 3.6             | 10.2                           |
| Mpumalanga           | 785 470           | 4.3             | 7.0                            | 1 075 466         | 3.8             | 7.4                            | 1 421 721         | 3.6             | 8.0                            |
| Northern Cape        | 245 066           | 4.0             | 2.2                            | 301 400           | 3.8             | 2.1                            | 333 553           | 4.1             | 1.9                            |
| North West           | 759 997           | 3.9             | 6.8                            | 1 061 998         | 3.3             | 7.3                            | 1 141 291         | 3.3             | 6.4                            |
| Western Cape         | 1 173 304         | 3.9             | 10.5                           | 1 633 925         | 3.6             | 11.3                           | 2 264 032         | 3.3             | 12.7                           |

Source: Stats SA, 2023

Table 1.4 shows the number of households per district municipality in 2001, 2011 and 2022. As expected, eThekweni metro (2.185 million in 2001 to 2.854 million in 2022) had the highest number of households in KZN, followed by UMgungundlovu (228 578 in 2001 to 307 842 in 2022), and King Cetshwayo (181 354 in 2001 to 205 739 in 2022). The districts with the lowest number of households in 2022 were Harry Gwala (115 068) and UMkhanyakude at 129 066. However, uMkhanyakude and Zululand had the highest average household size, both at 5.7 persons per household, uMzinyathi (5.2), King Cetshwayo (5), and uThukela and Amajuba both at 4.6. eThekweni had the lowest average household size at 3.8, followed by uMgungundlovu and iLembe at 4 and 4.2. A similar trend is also realised with the percentage share of the total number of households in KZN, with eThekweni having the highest at 39.3, followed by UMgungundlovu and King Cetshwayo at 10.8 and 7.2, respectively.

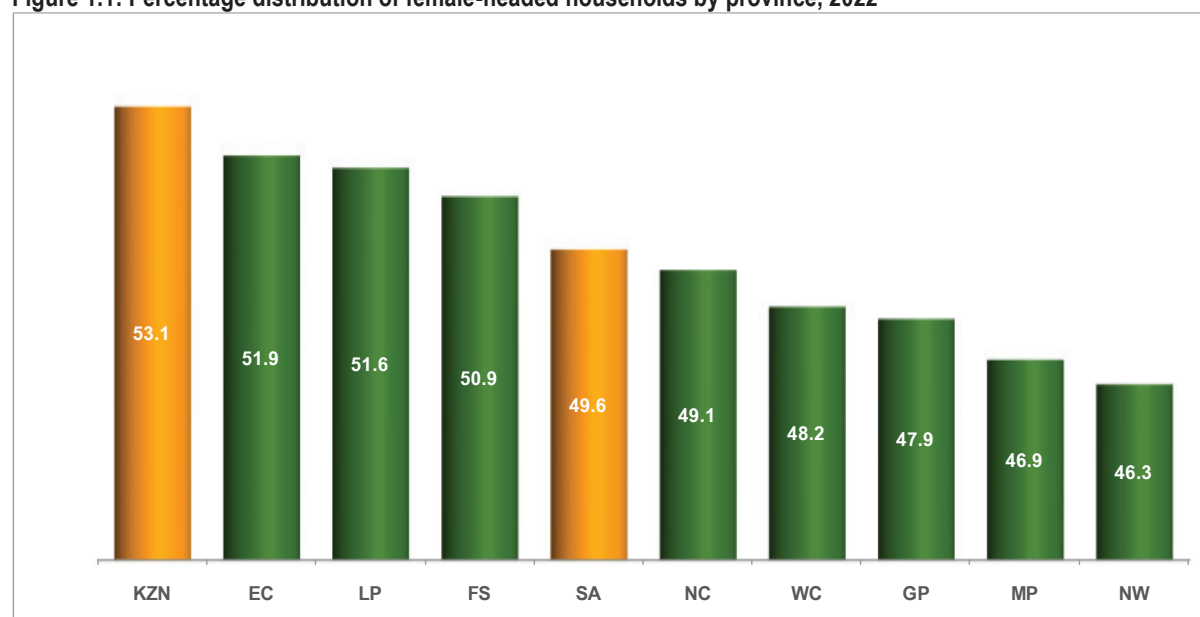
**Table 1.4: Number of Households per district municipality, 2001, 2011 and 2022**

|                      | 2001             |                 |                           | 2011             |                 |                           | 2022             |                 |                           |
|----------------------|------------------|-----------------|---------------------------|------------------|-----------------|---------------------------|------------------|-----------------|---------------------------|
|                      | Households       | Households size | % Share of KZN households | Households       | Households size | % Share of KZN households | Households       | Households size | % Share of KZN households |
| <b>KwaZulu-Natal</b> | <b>2 185 061</b> | <b>4.5</b>      | <b>100</b>                | <b>2 539 336</b> | <b>4.0</b>      | <b>100</b>                | <b>2 853 743</b> | <b>4.4</b>      | <b>100</b>                |
| eThekweni            | 827 868          | 3.8             | 32.6                      | 963 011          | 3.6             | 37.9                      | 1 122 738        | 3.8             | 39.3                      |
| Ugu                  | 148 079          | 4.6             | 5.8                       | 172 899          | 4.0             | 6.8                       | 172 628          | 4.5             | 6.0                       |
| Umgungundlovu        | 228 578          | 4.1             | 9.0                       | 272 357          | 3.7             | 10.7                      | 307 842          | 4.0             | 10.8                      |
| Uthukela             | 134 973          | 4.9             | 5.3                       | 147 143          | 4.5             | 5.8                       | 172 197          | 4.6             | 6.0                       |
| Umzinyathi           | 95 559           | 5.1             | 3.8                       | 114 075          | 4.5             | 4.5                       | 125 427          | 5.2             | 4.4                       |
| Amajuba              | 97 347           | 4.9             | 3.8                       | 111 103          | 4.5             | 4.4                       | 150 239          | 4.6             | 5.3                       |
| Zululand             | 142 320          | 5.6             | 5.6                       | 157 748          | 5.1             | 6.2                       | 165 617          | 5.7             | 5.8                       |
| Umkhanyakude         | 101 591          | 5.7             | 4.0                       | 128 191          | 4.9             | 5.0                       | 129 066          | 5.7             | 4.5                       |
| King Cetshwayo       | 181 354          | 4.9             | 7.1                       | 202 971          | 4.5             | 8.0                       | 205 739          | 5.0             | 7.2                       |
| iLembe               | 124 180          | 4.6             | 4.9                       | 157 690          | 3.8             | 6.2                       | 187 182          | 4.2             | 6.6                       |
| Harry Gwala          | 103 212          | 4.5             | 4.1                       | 112 148          | 4.1             | 4.4                       | 115 068          | 4.9             | 4.0                       |

Source: S&P Global, 2023 and Stats SA, 2023

Almost half of the households in SA are headed by females (49.6 per cent) who continue to face many challenges. The challenges span from continued problems of lack of women in positions of power, gender-based violence, educational inequality, women unemployment and poverty, amongst others. When comparing the proportion of female-headed households in SA by provinces, all three rural provinces are the highest, with KZN at 53.1 per cent, EC (51.9 per cent) and LP (51.6 per cent). These proportions, including the FS (50.9 per cent), are above the national average of 49.6 per cent. NW had the fewest female-headed households (46.3 per cent), followed by MP (46.9 per cent), GP (47.9 per cent), WC and NC at 48.2 and 49.1 per cent, respectively (Figure 1.1).

**Figure 1.1: Percentage distribution of female-headed households by province, 2022**



Source: Stats SA, 2023

## 1.4 Population growth rate

Table 1.5 illustrates the national population growth rate per age category from 2012/13 to 2021/22. The national population grew at an annual rate of 1.55 per cent in 2012/13 and peaked at 1.57 in 2013/14. However, the growth rate dropped to 1.52 per cent in 2014/15 and never recovered in subsequent years, as it plunged to 1.06 per cent in 2021/22. On the other hand, the child population growth rate (0-14 years) has been declining, from 0.94 per cent in 2018/19 to 0.19 per cent in 2021/22. The impact of COVID-19 resulted in a further decline in the children population, reflecting the overall decline in fertility. The lockdown measures prevented physical contact, thus delaying or even limiting possible pregnancy (Stats SA, 2022).

The population growth rate for the youth under the age group of 15 to 24 shows negative growth between 2012/13 and 2018/19. A decline in the population growth rates for the youth could be attributed to influences such as irresponsible behaviours and harmful activities, including crime, drugs, and other similar activities, especially males who usually involve themselves in activities that threaten their lives (Khuzwayo et al., 2020). However, since the 2019/20 financial year, the population growth rate for the 15 to 24 age cohort has been positive and increasing at an increasing rate from 0.23 per cent in 2019/20 to 1.38 per cent in 2021/22.

**Table 1.5: National annual population growth rate (percentages), 2012/13 – 2021/22**

| Period    | Children (0 to 14 years) | Youth (15 to 24 years) | Youth and Adults (25 to 59 years) | Elderly (60 + years) | Total |
|-----------|--------------------------|------------------------|-----------------------------------|----------------------|-------|
| 2012-2013 | 1.42                     | -1.37                  | 2.69                              | 2.93                 | 1.55  |
| 2013-2014 | 1.35                     | -1.39                  | 2.71                              | 3.04                 | 1.57  |
| 2014-2015 | 1.30                     | -1.37                  | 2.58                              | 3.01                 | 1.52  |
| 2015-2016 | 1.10                     | -1.20                  | 2.48                              | 2.99                 | 1.47  |
| 2016-2017 | 1.14                     | -1.22                  | 2.39                              | 2.95                 | 1.45  |
| 2017-2018 | 1.19                     | -1.05                  | 2.27                              | 2.94                 | 1.46  |
| 2018-2019 | 0.94                     | -0.23                  | 2.15                              | 2.91                 | 1.48  |
| 2019-2020 | 0.69                     | 0.23                   | 1.94                              | 2.88                 | 1.39  |
| 2020-2021 | 0.45                     | 0.55                   | 1.46                              | 1.47                 | 1.03  |
| 2021-2022 | 0.19                     | 1.38                   | 1.27                              | 2.11                 | 1.06  |

Source: Stats SA, 2022

### 1.4.1 Population distribution by age and gender in KZN

The population's age structure refers to the proportionate numbers of people in different age categories in a given population. The population structure is influenced by the birth and death rates and migration patterns. For instance, for regions or provinces with high birth rates, the proportion of children tends to be higher. Therefore, having data indicating the number of births and child mortality rate could assist in planning and budgeting for Early Childhood Development (ECD) and other services required by young children. Further, this will help plan and budget for the same children as they reach school-going age. Similarly, in the regions or provinces with low birth and death rates, the percentage of the elderly population tends to be higher.

Considering that a marginal and insignificant proportion of the elderly retire and afford the same standard of living (nutritious food, medical aid, and safety), data on this age group will also assist in government planning before and during retirement age. In addition, given the high unemployment rate and not in employment, education or training (NEET), there is a need to use the working-age population data for planning as well. The population by gender is also critical to analyse, given the inequality between men and women in almost all areas of life. Therefore, the analysis will inform policymaking and implementation to address identified gender gaps.

Figure 1.2 shows the population distribution by age and gender in 2022. Approximately 27.2 per cent of KZN's population are children aged between 00 and 14, and 35.4 per cent of the youth population is between the ages of 15 to 34. Collectively, children and youth account for an estimated 62.6 per cent of the total provincial population, compared to the national average of 61.1 per cent. The dependent population<sup>5</sup> is estimated at 4.219 million, while the economically active population<sup>6</sup> is 7.319 million. These estimates imply a dependency ratio<sup>7</sup> of 57.6 per cent compared to the national average of 52.1 per cent. The KZN dependency ratio is also higher than the aggregated global average of 55.2 per cent as per the World Bank (2022).

<sup>5</sup> An economically dependent population is defined as the sum of the population under 15 years of age plus the population 65 years of age and over,

<sup>6</sup> The economically active population is the total number of people between the ages of 15 and 64 who are willing and able to work

<sup>7</sup> Dependency Ratio = [(Number of people under 15 years) + (Number of people aged 65 and over) ÷ (Number of people between 15 and 64)] × 100 = (4 219 231 ÷ 7 319 094) × 100 = 57.6 per cent.

A high dependency ratio indicates that the economically active population and the overall economy face a greater burden to support and provide the social services needed by children and older persons who are often economically dependent. It thus exerts pressure on government finances, which could lead to higher tax rates for a declining working-age population. Efforts must be made to reduce a KZN's dependency ratio to be lower than the global average as it poses a threat to competitiveness internationally, thus leading to a decline in the number of productive workers and a more significant tax burden (World Bank, 2023). However, the major limitation of the dependency ratio is that not every person below 15 and over 65 years is dependent. Further, not every person between the ages of 15 and 65 is productive, given the high unemployment rate and NEET in SA and KZN.

Out of the total 12.424 million population in KZN, the female population was approximately 6.5 million (52.5 per cent), while the male population is estimated at 5.9 million (47.5 per cent) in 2022. From birth to 24 years, males dominate the provincial population at 50.5 per cent, and females start to dominate from 25 years and above. The higher mortality seen in males, especially at ages above 30, leads to a growing excess in the number of females in each subsequent age group, with the eventual results being a substantially greater number of women than men in old age. Some of the reason's males have higher mortality than females emanate from their risky behaviours, as indicated in the previous section.

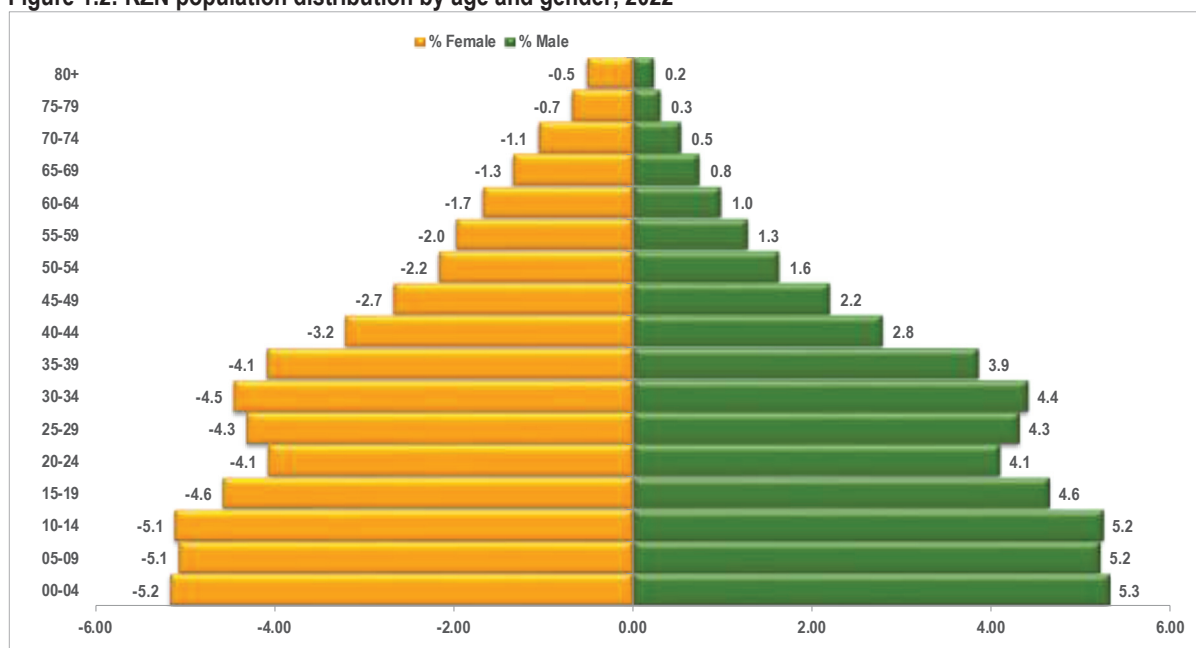
According to Stats SA (2023), the estimated population of SA included more than 6.100 million people aged 60 and older, representing a 9.8 per cent share of the overall South African population in 2022. In KZN, approximately 1.2 million are 60 years and older, constituting 9.6 per cent of the provincial population. The increase in the proportion of the elderly population, known as population ageing, is one of the most significant social changes of the twenty-first century and is experienced by almost every country in the world. As per Statista (2023), Japan (29.9 per cent), Italy (24.1 per cent), and Finland (23.3 per cent) had the highest share of people aged 65 and over in 2022, amongst others. However, a forecast by Statista reveals that Hong Kong (40.6 per cent), South Korea (39.4 per cent) and Japan (37.5 per cent) are anticipated to have the highest share by 2050. The increase in the ageing index<sup>8</sup> confirms that SA's elderly population has been increasing over time.

The high number of women in the age group above 24 is confirmed by Zarulli et al. (2017), who found that women in almost all modern populations live longer than men. This study investigated the survival of both genders in seven countries under extreme conditions from famines, epidemics and slavery. Their findings reveal that in all these countries, women had lower mortality across almost all ages; they live longer on average than men. This emanates from men's engaging in risky unhealthy behaviours, the higher rates of cigarette smoking, heavy drinking, gun use and employment in hazardous occupations amongst others.

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<sup>8</sup> The Ageing Index refers to the number of elderly population (aged 60 years and over) per 100 individuals younger than 15 years old in a specific population. Thus, the higher the index, the older the population.

**Figure 1.2: KZN population distribution by age and gender, 2022**



Source: Stats SA, 2022

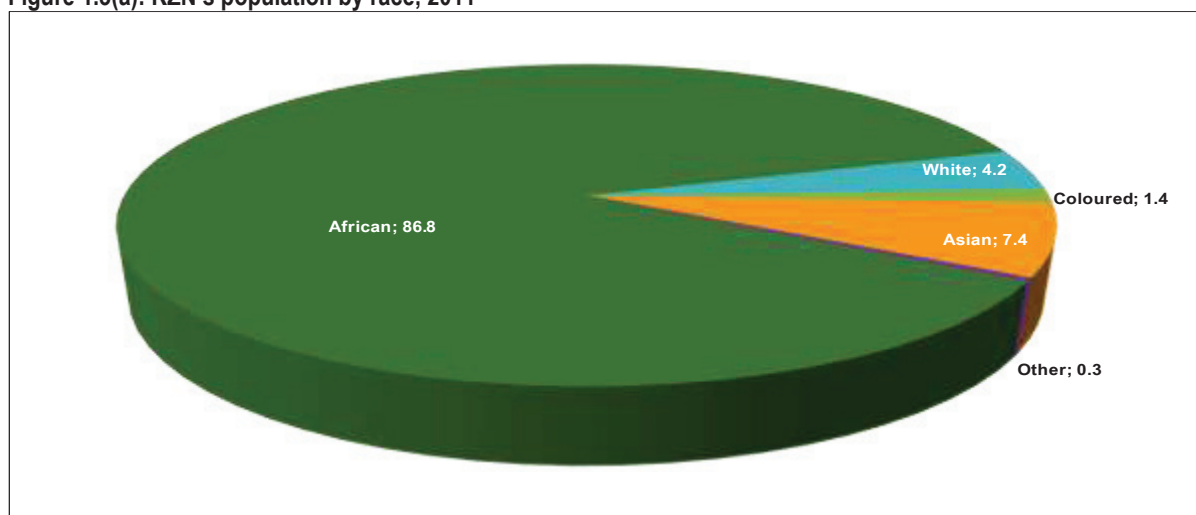
In the analysis of the changes in population by age and gender, it is also critical to include disability prevalence in the country and the province. This is because persons with disabilities risk being left behind when providing services. In addition, disability is referenced in various parts of the Sustainable Development Goals (SDGs) and specifically in parts related to education, growth and employment, inequality, accessibility of human settlements, as well as data collection and monitoring of the SDGs.

Stats SA (2023) shows that disability prevalence among persons aged five years and older was 6 per cent in 2022, which is a slight decrease of about 1 percentage point when compared with the 2011 Census nationally. In 2011, the national disability prevalence was the highest among Black Africans at 7.7 per cent. However, the 2022 Census report revealed that the white population had the highest disability prevalence at 9.5 per cent, followed by Indian at 6.5 per cent. Regarding the provincial variation in disability prevalence, EC, FS and NC had the highest disability prevalence at 8.5 per cent, 8.4 per cent and 7.6 per cent in 2022, respectively. The provinces with the lowest disability prevalence were GP (4.9 per cent), LP (5 per cent) and MP (5.1 per cent). Over the same year, KZN had a disability prevalence of 6.1 per cent, slightly higher than the national average of 6 per cent.

#### 1.4.2 Population by race

Figures 1.3(a) and 1.3(b) show KZN's population distribution by race in 2011 and 2022, respectively. The overall population is made up of different racial groups, which is primarily dominated by Africans, constituting 84.8 per cent of the total KZN population in 2022, lower than 86.8 per cent in 2011.

**Figure 1.3(a): KZN's population by race, 2011**

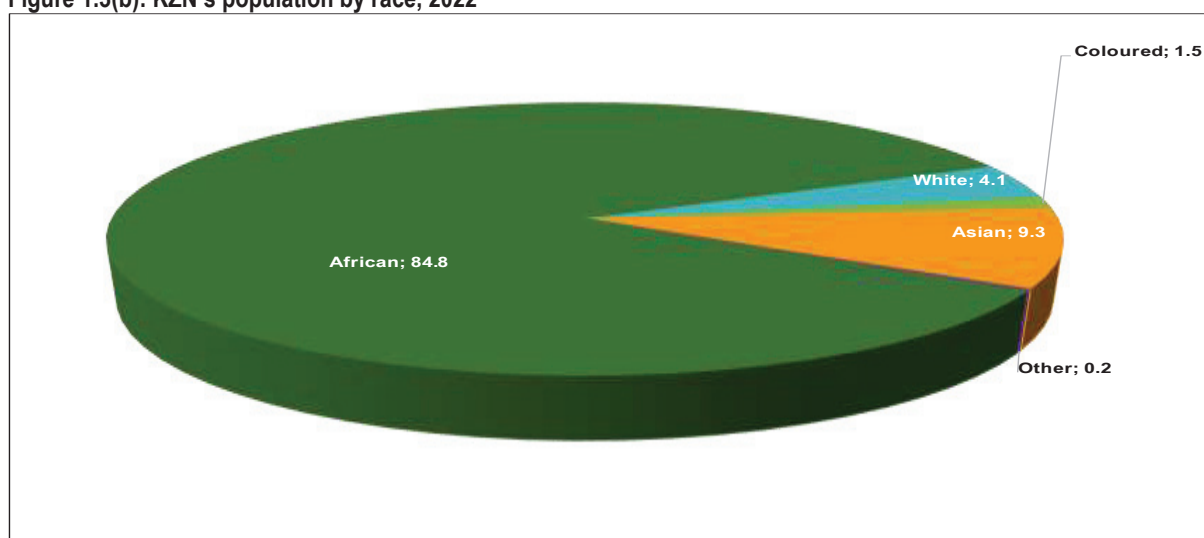


Source: Stats SA, 2023

Another gradually increasing population group is Asian at 9.3 per cent in 2022, higher than 7.4 per cent realised in 2011. The white population decreased marginally from 4.2 per cent in 2011 to 4.1 per cent in 2022. The coloured remains the lowest population in KZN at 1.5 per cent in 2022.

Compared to GP and WC, the proportion of the Black African population increased from 77.4 per cent in 2011 to 84.6 per cent in 2022 (GP) and from 32.8 per cent to 38.8 per cent in the WC. All the remaining population groups declined in proportion in the GP. This indicates that more Black Africans migrate to the GP for better opportunities. In contrast, the White and the Indian population groups increased in the WC from 15.7 per cent in 2011 to 16.4 per cent in 2022, as well as from 1 per cent in 2011 to 1.1 per cent in 2022, respectively. The Coloured population group remains dominant in the Western Cape at 42.1 per cent in 2022 from 48.8 per cent in 2011 (Stats SA, 2023).

**Figure 1.3(b): KZN's population by race, 2022**



Source: Stats SA, 2023

## 1.5 Urbanisation

Rural-urban migration is a response to socio-economic factors that affect the desirability of urban over rural life. These factors include perceived job opportunities in the urban areas, better education and health care services, and access to a better quality of life, amongst others. The South African towns and cities attract not only educated individuals but also uneducated and unskilled people looking for employment opportunities. This continuous inflow of people from rural to urban areas exacerbates unemployment and worsens urban poverty. Notably, urban population growth is driven not only by rural–urban migration but also by other factors such as the influx of foreign nationals, people moving from one province to another and the high birth rate.

The gains from migrating to the cities must be weighed against the costs associated with the decision to relocate. These costs are incurred both at the origin (rural) and the destination area (urban). They include, among others, transportation and subsistence costs during job and residence search, the psychological distress of leaving family members behind and maintaining relationships from far away. Other costs include the difficulties of assimilation in destination areas with cultural, ethnic, religious and linguistic backgrounds that differ from their own, as well as the opportunity costs of foregone activities in the rural areas of origin (Selod and Shilpi, 2021).

The driving force behind rural-urban migration is that rural areas are disadvantaged in terms of their access to basic services and opportunities for quality education and employment. Most industries are located in urban areas, making the cities more congested resulting to increased informal dwelling which exacerbate the poverty rate. Due to high unemployment rate, urban migrants rely on government to provide housing and basic services. This add pressure to the urban economy and contains adverse environmental impact as broadly indicated in Chapter four of this publication.

## 1.6 Fertility, mortality, life expectancy and migration

When demographers forecast changes in the size and composition of the population, they focus on four main factors, which include fertility rates, mortality rates, life expectancy, the initial age profile of the population (whether it is relatively old or relatively young) and migration. Population forecasts are an essential planning and risk management tool for governments, businesses, non-governmental organisations and individuals. Governments need short-term, mid-term and long-term scenarios to estimate a need for schools, hospitals, and other public services and to help inform infrastructure investments with long-term benefits, amongst others.

Table 1.6 depicts the fertility and life expectancy changes in SA and by province from 2011 to 2026. The Table shows a gradual decline in the average total fertility rate (TFR)<sup>9</sup> from 2.62 children per woman between 2011 and 2016 to 2.49 children per woman between 2016 and 2021. It is projected to decline further to 2.44 between 2021 and 2026. The decline in the fertility rate in SA is better explained by Stats SA's (2020) report on unwanted fertility. Unwanted birth means the birth, as recalled by the women, where no additional birth was planned or wanted at conception. In addition, if the stated preference had prevailed, the birth would have never occurred

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<sup>9</sup> Total fertility rate is the average number of children that would be born alive to a woman (or a group of women) during her lifetime if she were to pass through all her childbearing years conforming to the age-specific fertility rates of a given year

(Demeny, 2003). According to Stats SA (2020), the increase in unwanted births from 1998 to 2016 was noticeable by age, year of birth of women, the highest level of education and household wealth.

Unwanted births were 17.3 per cent in 1998 and 20.4 per cent in 2016, translating to a rise of 3.1 percentage points. Women from older cohorts observed higher unwanted births than younger women born in later years. Unwanted births amongst women born between 1965 and 1969 increased significantly by 41.1 percentage points from 13.2 per cent in 1998 to 54.3 per cent in 2016. The percentage of unwanted births decreased with increasing education in both 1998 and 2016. In 2016, unwanted births to mothers with tertiary education (11.4 per cent) were four times less compared to mothers with no education (46.3 per cent). Notably, unwanted births decreased gradually with increasing household wealth in 2016. The lowest percentage of unwanted births (13.1 per cent) was found in the richest wealth quintile, whilst such births were 25.8 per cent in the poorest wealth quintile (Stats SA, 2020).

**Table 1.6: Fertility and life expectancy in SA and by province, 2011 – 2026**

|                                                   | SA    | EC    | FS    | GP    | KZN   | LP    | MP    | NC    | NW    | WC    |
|---------------------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Average total fertility rate</b>               |       |       |       |       |       |       |       |       |       |       |
| 2011-2016                                         | 2.62  | 2.97  | 2.48  | 2.10  | 2.71  | 3.16  | 2.41  | 2.83  | 2.78  | 2.16  |
| 2016-2021                                         | 2.49  | 2.91  | 2.33  | 1.89  | 2.59  | 3.09  | 2.29  | 2.67  | 2.57  | 2.04  |
| 2021-2026                                         | 2.44  | 2.87  | 2.27  | 1.82  | 2.53  | 3.03  | 2.27  | 2.63  | 2.52  | 2.05  |
| <b>Average life expectancy at birth (Males)</b>   |       |       |       |       |       |       |       |       |       |       |
| 2011-2016                                         | 58.28 | 57.90 | 53.70 | 62.30 | 55.80 | 59.20 | 58.60 | 56.10 | 56.50 | 64.40 |
| 2016-2021                                         | 59.66 | 58.90 | 55.50 | 63.20 | 56.70 | 61.20 | 60.70 | 57.10 | 58.10 | 65.50 |
| 2021-2026                                         | 60.74 | 59.80 | 56.60 | 64.30 | 57.80 | 62.40 | 61.90 | 58.20 | 59.40 | 66.30 |
| <b>Average life expectancy at birth (Females)</b> |       |       |       |       |       |       |       |       |       |       |
| 2011-2016                                         | 64.26 | 64.00 | 58.80 | 67.00 | 62.00 | 65.80 | 65.00 | 62.80 | 62.90 | 70.00 |
| 2016-2021                                         | 65.37 | 64.90 | 60.60 | 68.10 | 63.10 | 66.60 | 65.80 | 63.60 | 64.50 | 71.10 |
| 2021-2026                                         | 66.48 | 66.00 | 62.20 | 69.30 | 64.20 | 67.70 | 67.10 | 64.40 | 65.70 | 71.70 |

Source: Stats SA, 2022

### 1.6.1 Fertility

The total fertility rate (TFR) in a specific year is defined as the total number of children that would be born to each woman if she were to live to the end of her childbearing years and give birth to children in alignment with the prevailing age-specific fertility rates. The level of education in a society is one of the most important predictors of the number of children families have. As per Becker, Cinnirella and Woessmann (2013), the effect that better education has on lower fertility can reinforce itself over subsequent generations. As the fertility rate declines, the education system faces smaller and smaller cohorts of school children for which it can provide. In addition, parents with fewer children have opportunities to nurture and support their children.

The TFR is a key driver behind the rapid ageing of the population worldwide. Population ageing can induce social problems such as rising costs for health care services and the lack of skilled and productive labour, amongst others. Therefore, analysing and understanding the TFR trends and exploring their influencing factors is crucial. While analysing the characteristics of demographic transition and declining TFR, Galor (2012) included rising income per capita, reduced infant and child mortality, increasing requirement for human capital, a decline in the

gender gap and the demands of old age security. His study emphasised that there is a weak correlation between economic development and TFR, while investment in education was a dominating force in the decline in TFR.

Lai and Tey (2014) analysed socio-economic variables' gross and net effects on fertility to identify factors contributing to fertility differentials in the Philippines. The effects of contraceptive use on fertility differentials are examined by comparing the fertility level and contraceptive prevalence rate (CPR) for the different population sub-groups. Their finding reveals that more efforts are required to redirect family planning programs to target disadvantaged groups so they can plan their families according to their financial status.

Though countries have different socio-economic dynamics, this finding can be considered as part of the policy direction on fertility issues in SA. Notably, achieving the SDGs, particularly those related to education, health and gender, is challenged by the sustained high fertility and rapid growth in the birth rate. Moreover, as indicated by the United Nations (2022), sub-Saharan African countries, as well as in parts of Asia, Latin America, and the Caribbean, have been realising an increasing share of the working-class population due to reductions in fertility.

According to the PRB (2022), high-income countries like Germany and the US mostly realised slight declines in births in 2020 that rebounded or stabilised in 2021. However, low-and middle-income countries such as Costa Rica and Turkey continued to see births decline, following pre-pandemic trends. This evidence suggests the pandemic's impact on fertility has generally been limited and temporary.

According to Stats SA (2022), since 2009, the overall fertility rate in SA has declined from an average of 2.93 children to 2.49 children in 2022. In KZN, the average TFR decreased from 2.71 children per woman between 2011 and 2016 to 2.59 children per woman between 2016 and 2021. The fertility rate in the Province is projected to decline even further to 2.53 between 2021 and 2026. The KZN's estimates are above the national average of 2.49 and 2.44 between 2016 to 2021 and 2021 to 2026, respectively. The KZN's TFR is the third-highest after LP (3.09 and 3.03), EC (2.91 and 2.87) and NC (2.67 and 2.63) for both periods under review. GP (1.89 and 1.82 children) and the WC (2.04 and 2.05) had the lowest projections.

Karra et al. (2017) pointed out that a lower fertility rate can induce higher labour force participation rates, particularly for women. They further maintained that a reduced child dependency rate may lead to increased investment in the health and education of each child, thereby increasing children's productivity when they enter the labour force. This will also assist in lessening the burden on government fiscus due to declining government support for children through grants.

### **1.6.2 Mortality<sup>10</sup>**

Mortality rate is another critical indicator of the health and well-being of a population. It provides information about the nature and efficacy of the healthcare delivery system. For instance, if there is a high level of child or under 5 mortality rate, this may spur interventions to improve child health by changing or modifying the care and service provision model, including immunisation programmes, among others. In addition, data on mortality rate should not be limited to the absolute numbers of deaths by age and gender, but it should also indicate the

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<sup>10</sup> The mortality rate represents the average number of deaths in a particular area over a specified period.

underlying cause of death. This will assist policymakers in understanding a country's or provincial progress regarding healthcare provision at different age categories.

It should also be noted that the level of mortality varies by time and location, and its measurement is affected by well-known biases exacerbated during the COVID-19 pandemic. According to Lancet (2022), although COVID-19 deaths between January 2020 and December 2021 totalled 5.94 million worldwide, estimates reveal that 18.2 million people died globally because of the COVID-19 pandemic, as measured by excess mortality.

The number of excess deaths due to COVID-19 was the largest in South Asia, North Africa, the Middle East, and Eastern Europe. At the country level, the highest numbers of cumulative excess deaths due to COVID-19 were estimated in India to have reached (4.07 million), the US (1.13 million), Russia (1.07 million), Mexico (798 000) and Brazil (792 000). This data suggests that the full impact of the pandemic has been much greater than what is indicated by the reported deaths due to COVID-19 alone. Therefore, strengthening death registration systems is crucial to global public health strategy for improved monitoring of the COVID-19 pandemic and future pandemics (Lancet, 2022).

The UN (2022) report depicts that the levels of mortality are declining, thus resulting in population growth, as reflected in increased life expectancy at birth. Globally, life expectancy reached 72.8 years in 2019, an increase of almost nine years since 1990. Further reductions in mortality are projected to result in average longevity of around 77.2 years globally in 2050. Moreover, a decrease in mortality from non-communicable diseases, such as cardiovascular disease, chronic respiratory disease, cancer, diabetes and other age-related chronic conditions, is expected to contribute to life extension continuously.

In 2050, a 65-year-old person is expected to live, on average, an additional 19.8 years globally. However, mortality rates have declined due to factors such as the distribution of disease control medicines, public health programmes for keeping the environment clean, improved medical facilities and the spread of education. Other contributing factors are improved literacy among women, controlled famine through the increased food supply and improved life expectancy. Therefore, reduced mortality leads to increased population and is consequently critical for policy and planning.

Similar to other countries globally, the COVID-19 pandemic resulted in a negative shift in the mortality rate in SA. The South African Medical Research Council (SAMRC) estimated that only a third of excess deaths that occurred between March 2020 and June 2021 had been reported by the National Department of Health (NDoH) (Moultrie et al., 2021). Unfortunately, data by the NDoH is limited to direct COVID-19 cases and deaths occurring in public and private hospitals in SA. Therefore, it is evident that deaths counted in private and public hospitals during a pandemic do not accurately reflect the country's mortality rates due to COVID-19.

The Medical Research Council (MRC) shows that by July 2022, there have been over 300 000 excess deaths from natural causes in SA since the COVID-19 pandemic started. Almost 85 per cent of excess deaths can be attributed to the COVID-19 pandemic (Moultrie et al., 2021). Given the various constraints in measuring the number of COVID-19 direct and indirect deaths, all-cause mortality is used to quantify the burden of the pandemic (Stats SA, 2022).

### 1.6.3 Life expectancy<sup>11</sup>

Life expectancy at birth is one of the Human Development Indicators in addition to education and Gross National Income per capita, which measures social and economic development. It is one of the critical indicators for describing population conditions about having a long and healthy life. It results from, amongst others, improvements in nutrition, health and a decrease in mortality. The life expectancy increases not only when the older ones live longer but also when fewer young people die. This indicates the interconnectedness of the three population indicators: mortality, fertility and life expectancy.

As the Centers for Disease Control and Prevention (2022) report indicates, life expectancy increases or decreases represent the positive and negative contributions of cause-specific death rates. Therefore, a decrease in life expectancy is influenced by the rise in cause-specific mortality, while declines in mortality contribute to increases in life expectancy. In addition, the United Nations (2022) shows that life expectancy at birth for women in 2019 exceeded that for men by 5.4 years globally, with male and female life expectancies estimated at 68.4 and 73.8 years, respectively.

The report further illustrates how life expectancy has differed across regions and countries due to amongst others the effects of the COVID-19 pandemic. For example, life expectancy at birth fell by almost three years between 2019 and 2021 in Central and Southern Asia, Latin America, and the Caribbean regions. In stark contrast, it increased by 1.2 years in the combined population of New Zealand and Australia. Moreover, the pandemic has been responsible for a significant reduction in life expectancy in some countries. For instance, in Botswana, Mexico, Oman, Lebanon and the Russian Federation, estimates of life expectancy at birth declined by more than four years between 2019 and 2021 (United Nations, 2022).

Stats SA (2022) depicts that life expectancy at birth is a significant indicator and should not be discredited by potentially misleading interpretations. The key benefit of this indicator is gained when comparisons are made over time and across countries with different population sizes and structures. The indicator is sensitive to the ages at which deaths occur. Related to the HIV pandemic, the resultant life expectancy at birth during the COVID-19 pandemic is affected by the selection of COVID-19 deaths. For instance, older people and those with comorbidities faced higher mortality. The country reported a 34 per cent rise in adult deaths in 2021, significantly affecting life expectancy at birth. However, the 5 per cent reduction in deaths for 2020 has improved the Life expectancy at birth in 2021.

According to Stats SA (2022), between 2016 and 2021, KZN is estimated to have a lower life expectancy of 56.7 for males and 63.1 for females than the national average of 59.7 for males and 65.4 for females, respectively. However, KZN's life expectancy is projected to marginally increase to 57.8 for males and 64.2 for females between 2021 and 2026. The reasons for the forecast improvement in life expectancy include improvement in access to health care and basic services such as access to water and sanitation as well new treatments for multiple diseases. Moreover, there has been a significant decline in Tuberculosis (TB) and Human Immunodeficiency Virus and

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<sup>11</sup> Life expectancy is the average number of years a person is expected to live.

Acquired Immunodeficiency Syndrome (HIV/AIDS) due to increased intake of treatment. There are also health awareness campaign encouraging healthy lifestyle such as exercising and healthy eating.

This rate is still lower than the national average for both genders at 60.7 and 66.5 in the same period under review. WC (65.5 and 71.1) had the highest life expectancy at birth for both genders, followed by GP (63.2 and 68.1) between 2016 and 2021. Low life expectancy implications include losing a productive workforce, loss of tax revenue and a high dependency ratio. The implications for planning and provision of services are influenced by the predictions that the population will age at a particular level, thus requiring certain kinds of services.

#### **1.6.4 Migration**

Global trends show that some countries have begun considering international migration as a major component of population change. According to the World Migration Report (2022), Europe and Asia hosted around 87 million and 86 million international migrants in 2020, respectively, comprising 61 per cent of the global international migrant stock. These regions were followed by North America, with almost 59 million international migrants in 2022 or 21 per cent of the global migrant stock. Africa was at 9 per cent, while Latin America, the Caribbean, and Oceania were at 5 per cent and 3 per cent, respectively. Between 2000 and 2020, high-income countries' contribution to international migration to population growth was a net inflow of 80.5 million, exceeding the births over deaths of 66.2 million. In such cases, migration is assumed to be the primary driver of population growth in high-income countries over the next few decades. Whereas for low-income and lower-middle-income countries, the increase in population will continue to be driven by an excess of births over deaths. Further, approximately 40 countries experienced a net inflow of more than 200 000 migrants each, whereby each of 17 countries recorded a net inflow exceeding 1 million people over the period between 2010 and 2021. The top countries receiving immigrants include Jordan, Turkey and Lebanon (UN, 2022).

However, due to COVID-19 pandemic restrictions, many international migrants could not move to either their home or host countries. The border closures stranded thousands of migrants, including seasonal workers, temporary residence holders, international students and migrants travelling for medical treatment, beneficiaries of assisted voluntary return and reintegration, seafarers and others. About 3 million people were stranded outside their home countries, primarily regular travellers such as students, tourists and migrant workers.

Most were in the Middle East and North Africa (about 1.3 million), followed by Asia and the Pacific (about 977 000). The challenges arising from the immobility of migrants were the costs and logistics involved in returning home under the emergency restriction. Other factors included the possibility of government support, which exposed people to risks of extreme poverty, xenophobia and stigmatisation. Furthermore, as mentioned above, these vulnerabilities increased health risks for those living in overcrowded shelters and those unable to access COVID-19 vaccination programmes (UN, 2022).

According to Deshingkar and Grimm (2004), internal migration is important globally. As a result, in some countries, it is far greater than international migration. They further posit that internal population movements are increasing, and the classic push and pull forces that resulted in people from poor regions migrating to richer rural and urban locations still exist, largely driven by rising population pressure and deteriorating land and water availability at places of origin.

**Table 1.7: Distribution of population by province of usual residence and of previous residence, Census 2011 and 2022**

| Province of previous residence | Province of usual residence |               |               |              |                   |              |                |               |              | In-migration   | Out-migration  | Net - migration |
|--------------------------------|-----------------------------|---------------|---------------|--------------|-------------------|--------------|----------------|---------------|--------------|----------------|----------------|-----------------|
|                                | Western Cape                | Eastern Cape  | Northern Cape | Free State   | KwaZulu-Natal     | North West   | Gauteng        | Mpumalanga    | Limpopo      |                |                |                 |
| Western Cape                   | 6 706 820                   | 60 082        | 8 916         | 3 564        | <b>7 615</b>      | 2 400        | 25 780         | 1 825         | 2 338        | 406 549        | 112 520        | 294 029         |
| Eastern Cape                   | 124 225                     | 6 792 242     | 2 823         | 8 051        | <b>38 941</b>     | 10 226       | 54 323         | 5 153         | 3 100        | 184 213        | 246 842        | -62 629         |
| Northern Cape                  | 11 098                      | 2 751         | 1 272 160     | 3 738        | <b>1 046</b>      | 5 198        | 6 576          | 897           | 978          | 44 376         | 32 282         | 12 094          |
| Free State                     | 12 823                      | 7 457         | 5 339         | 2 778 654    | <b>5 200</b>      | 9 879        | 36 289         | 3 940         | 2 594        | 73 643         | 83 521         | -9 878          |
| <b>KwaZulu-Natal</b>           | <b>25 730</b>               | <b>21 091</b> | <b>1 358</b>  | <b>6 337</b> | <b>11 793 136</b> | <b>3 835</b> | <b>100 052</b> | <b>17 505</b> | <b>3 342</b> | <b>169 183</b> | <b>179 250</b> | <b>-10 067</b>  |
| North West                     | 8 344                       | 4 935         | 9 249         | 6 478        | <b>2 578</b>      | 3 522 544    | 56 780         | 3 184         | 7 439        | 146 262        | 98 987         | 47 275          |
| Gauteng                        | 97 972                      | 46 820        | 8 184         | 24 183       | <b>53 810</b>     | 58 128       | 13 734 733     | 42 394        | 64 486       | 795 330        | 395 977        | 399 353         |
| Mpumalanga                     | 8 176                       | 3 922         | 1 325         | 3 956        | <b>9 154</b>      | 5 796        | 70 811         | 4 852 153     | 16 669       | 132 459        | 119 809        | 12 650          |
| Limpopo                        | 7 540                       | 3 457         | 1 510         | 2 629        | <b>3 495</b>      | 14 424       | 161 877        | 20 342        | 6 197 192    | 100 946        | 215 274        | -114 328        |
| Outside South Africa           | 110 641                     | 33 698        | 5 672         | 14 707       | <b>47 344</b>     | 36 376       | 282 842        | 37 219        | 50 411       |                |                |                 |

Source: Stats SA, 2023

Table 1.7 provides intercensal migration, focussing on migration flows between censuses 2011 and 2022. The Table presents an analysis of place of residence in the previous census compared to the current census. It is observed that the GP (399 353) and WC (294 029) absorbed the highest number of in-migrants between the two censuses. This was followed by NW (47 275 people), MP (12 650 people) and NC (12 094 people) provinces. Conversely, the rural provinces such as LP, EC and KZN recorded negative migration of 114 328, 62 629 and 10 067 people for the period under review. The FS province had the lowest negative migration of 9 878. The GP and WC provinces also absorbed the highest number of international migrants at 282 842 and 110 641 in the same period, respectively.

## 1.7 Changes in population dynamics and the provincial equitable share

Changes in population dynamics are critical in planning for the needs of a country, and SA is not immune, particularly as they also influence the provincial equitable share (PES) allocation. Budget allocation from the PES is the largest source of revenue across provinces. In KZN, PES allocations constitute 79.3 per cent of the total provincial receipts. The remaining 20.7 per cent is split between conditional grants (18 per cent) and provincial own revenue (2.7 per cent).

The formula for the PES, which is primarily population-driven, comprises six components: education, health, basic share, poverty, economic activity and institutional. All the first four components comprise 94 per cent weight and are linked to population data. This formula is updated annually to reflect demographic changes and to address the relative demand for services based on need.

**Table 1.8: Distribution of the Equitable Shares by province, 2015 and 2023 MTEF**

|                      | Education     |               | Health        |               | Basic Share   |               | Poverty       |               | Economic Activity |               | Institutional<br>(2015/16 and<br>2023/24) | Weighted average |               |
|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------------|---------------|-------------------------------------------|------------------|---------------|
|                      | 2015/16       | 2023/24       | 2015/16       | 2023/24       | 2015/16       | 2023/24       | 2015/16       | 2023/24       | 2015/16           | 2023/24       |                                           | 2015/16          | 2023/24       |
| Percentage (weight)  | 48%           | 48%           | 27%           | 27%           | 16%           | 16%           | 3%            | 3%            | 1%                | 1%            | 5%                                        | 100%             | 100%          |
| Eastern Cape         | 15.1%         | 13.3%         | 13.5%         | 13.4%         | 12.6%         | 11.0%         | 16.2%         | 14.4%         | 7.5%              | 7.6%          | 11.1%                                     | 14.0%            | 12.8%↓        |
| Free State           | 5.3%          | 5.2%          | 5.4%          | 5.5%          | 5.2%          | 4.8%          | 5.3%          | 5.0%          | 5.2%              | 5.0%          | 11.1%                                     | 5.6%             | 5.5%          |
| Gauteng              | 17.7%         | 20.7%↑        | 21.4%         | 21.2%↓        | 23.9%         | 26.6%↑        | 17.1%         | 19.3%↑        | 34.7%             | 34.5%↓        | 11.1%                                     | 19.5%            | 21.4%↑        |
| <b>KwaZulu-Natal</b> | <b>22.5%</b>  | <b>21.2%↓</b> | <b>21.8%</b>  | <b>20.7%↓</b> | <b>19.8%</b>  | <b>19.0%↓</b> | <b>22.2%</b>  | <b>21.7%↓</b> | <b>15.8%</b>      | <b>15.9%↑</b> | 11.1%                                     | <b>21.3%</b>     | <b>20.2%↓</b> |
| Limpopo              | 13.0%         | 12.6%         | 10.4%         | 11.2%         | 10.4%         | 9.8%          | 13.6%         | 13.1%         | 7.1%              | 7.4%          | 11.1%                                     | 11.8%            | 11.7%↓        |
| Mpumalanga           | 8.5%          | 8.2%          | 7.3%          | 8.0%          | 7.8%          | 7.8%          | 9.2%          | 9.3%          | 7.1%              | 7.5%          | 11.1%                                     | 8.2%             | 8.3%          |
| Northern Cape        | 2.3%          | 2.2%          | 2.1%          | 2.3%          | 2.2%          | 2.2%          | 2.2%          | 2.2%          | 2.2%              | 2.0%          | 11.1%                                     | 2.7%             | 2.7%          |
| North West           | 6.5%          | 6.8%          | 6.7%          | 7.1%          | 6.8%          | 6.9%          | 8.1%          | 8.3%          | 6.4%              | 6.5%          | 11.1%                                     | 6.9%             | 7.1%          |
| Western Cape         | 9.0%          | 9.7%↑         | 11.3%         | 10.6%         | 11.3%         | 11.9%↑        | 6.1%          | 6.6%↑         | 14.0%             | 13.6%         | 11.1%                                     | 10.1%            | 10.3%↑        |
| <b>Total</b>         | <b>100.00</b> | <b>100.00</b> | <b>100.00</b> | <b>100.00</b> | <b>100.00</b> | <b>100.00</b> | <b>100.00</b> | <b>100.00</b> | <b>100.00</b>     | <b>100.00</b> | <b>100.00</b>                             | <b>100.00</b>    | <b>100.00</b> |

Source: National Treasury, 2016 & 2023

The education component of the PES has the highest weight of 48 per cent, followed by health (27 per cent), basic share (16 per cent), poverty (3 per cent), economic activity (1 per cent) and 5 per cent for institutional. The education component is further broken down into two sub-components, accounting for the school-age population (5 to 17 years) and school enrolment data, both assigned an equal weight of 50 per cent. However, the education component is being reviewed to include special school enrolment and adjust the weight for each sub-component.

Data used for the school-age population is sourced from Stats SA, released annually, while the school enrolment data is sourced from the Learner Unit Record Information and Tracking System (LURITS). It has been indicated in the previous section that although the KZN population has been increasing over the years, its proportion of the national population has been steadily declining. Similarly, regarding the school enrolment from LURITS, the proportion of learners as a percentage of the total national size declined from 22.2 per cent in 2017 to 21.5 per cent in 2022, as reflected in Chapter Two of this publication. Hence, the weighted share of the education component in KZN declined from 22.5 per cent in 2015/16 to 21.2 per cent in 2022, implying less allocation for the Province.

The health component of the PES is based on each province's risk profile and health system caseload. The risk-adjusted sub-component<sup>12</sup> is adjusted with the population without medical aid using Stats SA General Household Survey, mid-year population estimates and data from the council for medical schemes. The composite result of data updates applied to the health component resulted in no change, and the weighted share remains at 20.7 per cent in 2023/24. However, this is a 0.1 percentage point decline from 20.8 per cent, realised in 2017, implying that there hasn't been any significant improvement in the allocation to KZN for this component.

The basic share component is derived from the Province's proportion of the national population. This share had been steadily declining over the years in KZN from 19.8 per cent in 2015/16 to 19 per cent in 2023/24, consequently

<sup>12</sup> The risk-adjusted capitation sub-component includes factors that consider the relative cost of health care needs by age and sex, the total fertility rate of the female population, the burden of diseases through premature mortality, a deprivation index to account for the impact of socio-economic factors and sparsity to account for costs of delivering health care needs.

affecting the allocation to the Province. The poverty component is derived from the estimated size of the poor population in each province. It is calculated by multiplying the proportion that falls into the poorest 40 per cent of households as per the 2010 Income and Expenditure Survey (IES) by the population from the province from the current mid-year population estimates (Table 1.8).

**Table 1.9: Provincial population share, PES weighted average and Equitable Share Allocation, 2011/12, 2015/16 and 2023/24**

| Provinces            | Population share* |             |            | Weighted average |             |             | Budget Allocation (R million) |                |                |
|----------------------|-------------------|-------------|------------|------------------|-------------|-------------|-------------------------------|----------------|----------------|
|                      | 2010/11           | 2014/15     | 2022/23    | 2011/12          | 2015/16     | 2023/24     | 2011/12                       | 2015/16        | 2023/24        |
| Eastern Cape         | 13.5              | 12.6        | 11         | 15.1             | 14          | 12.8        | 44 120                        | 54 312         | 73 292         |
| Free State           | 5.7               | 5.2         | 4.8        | 6                | 5.6         | 5.5         | 17 521                        | 21 757         | 31 380         |
| Gauteng              | 22.4              | 23.9        | 26.6       | 17.8             | 19.5        | 21.4        | 50 428                        | 73 413         | 120 752        |
| <b>KwaZulu-Natal</b> | <b>21.3</b>       | <b>19.8</b> | <b>19</b>  | <b>21.9</b>      | <b>21.3</b> | <b>20.2</b> | <b>62 928</b>                 | <b>82 254</b>  | <b>115 948</b> |
| Limpopo              | 10.9              | 10.4        | 9.8        | 12.3             | 11.8        | 11.7        | 36 349                        | 45 377         | 65 349         |
| Mpumalanga           | 7.2               | 7.8         | 7.8        | 8                | 8.2         | 8.3         | 23 379                        | 31 030         | 46 674         |
| Northern Cape        | 2.2               | 2.2         | 2.2        | 2.7              | 2.7         | 2.7         | 7 743                         | 10 138         | 15 150         |
| North West           | 6.4               | 6.8         | 6.9        | 6.8              | 6.9         | 7.1         | 19 271                        | 26 151         | 40 096         |
| Western Cape         | 10.4              | 11.3        | 11.9       | 9.4              | 10.1        | 10.3        | 26 754                        | 38 242         | 58 886         |
| <b>South Africa</b>  | <b>100.0</b>      | <b>100</b>  | <b>100</b> | <b>100</b>       | <b>100</b>  | <b>100</b>  | <b>288 493</b>                | <b>382 673</b> | <b>567 528</b> |

Source: Stats SA, 2010, 2014 & 2022 and National Treasury 2011, 2015 & 2023

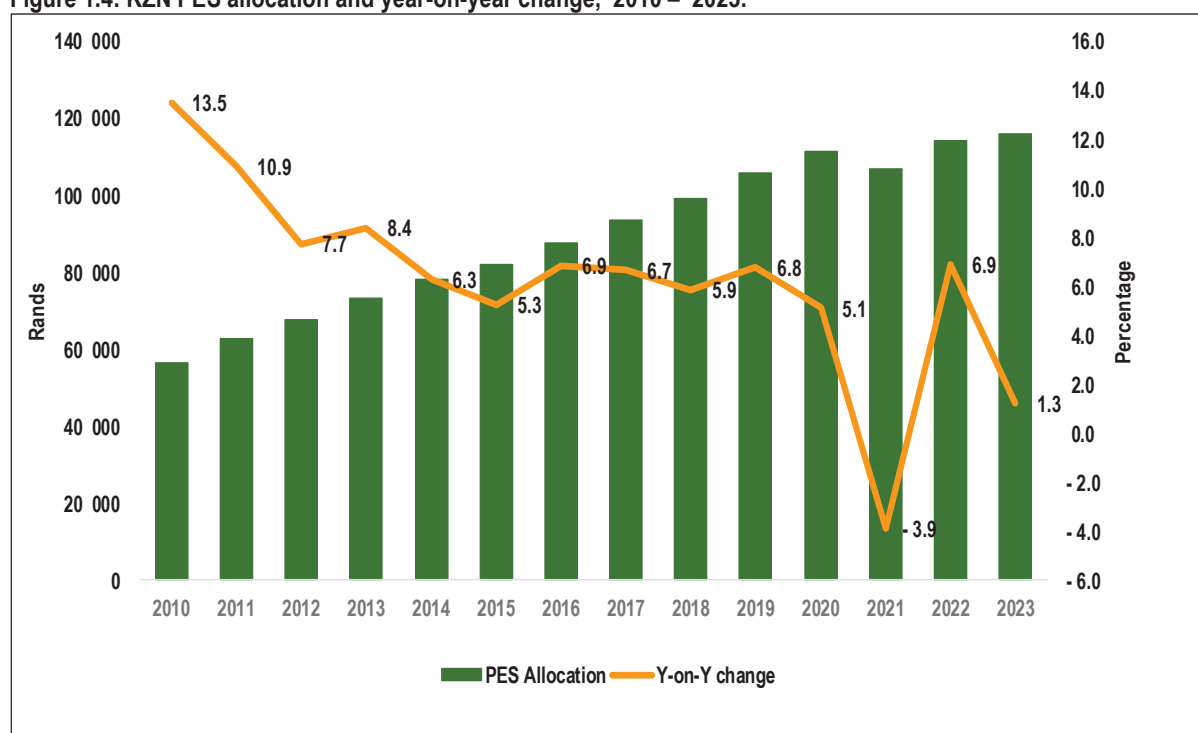
\* Note: Population share from the previous year was used as budget allocation is announced in February before the mid-year population estimates are published in July/ August

The four out of six components of the PES outlined above, with a combined weight of 94 per cent, are linked to population dynamics. All the rural provinces such as EC, LP and KZN are experiencing out-migration to provinces such as GP and the WC. Consequently, this out-migration reduced rural provinces' weighted average proportion and increased GP and WC allocation.

Table 1.9 shows the percentage share of the population by provinces, the weighted share and corresponding budget allocation for the financial years 2011/12, 2015/16 and 2023/24. It has been indicated above that KZN's share of the national population, including other provinces such as EC, FS and LP, has been steadily declining between 2011/12 and 2023/24. This has negatively affected the weighted average share of the PES for all these four provinces.

KZN's weighted average equitable share declined from the highest amongst other provinces from 21.9 per cent in 2011/12 to 20.2 per cent in 2023/24. This is in contrast to GP, which had the second highest weighted share in 2011/12 at 17.9 per cent to the highest average of 21.4 per cent in 2023/24. All the other three provinces mentioned above (EC, FS and LP) realised a decline in their respective weighted average percentage equitable share. Assuming that the weighted average share for KZN was fixed at 21.9 per cent in 2015/16 and 2023/24, the equitable share allocation would have been R2.3 billion (0.6 percentage points higher) and R9.6 billion (1.7 percentage points higher) more in 2015/16 and 2023/24, respectively.

**Figure 1.4: KZN PES allocation and year-on-year change, 2010 – 2023.**



Source: National Treasury, 2023

Figure 1.4 shows the KZN PES allocation and the corresponding year-on-year change in the allocation. The allocation to KZN has been showing an upward trend since 2010. However, the percentage change indicates that the allocation had been increasing at a decreasing rate from 13.5 per cent between 2009 and 2010 to negative 3.9 per cent in 2021 when PES was reduced from R111.442 billion in 2020 to R107.126 billion in 2021. It was thereafter increased by 6.9 per cent and 1.3 per cent in 2022 and 2023, respectively.

## 1.8 Conclusion and recommendations

The global population increased from around 7.821 billion in 2020 to approximately 7.951 billion in 2022. The continuing growth of the population without the corresponding increase in economic growth and employment opportunities enlarges the scale of existing challenges, such as eradicating poverty and hunger and ensuring that people have adequate access to safe and nutritious food. Similarly, the rapid population growth may also add difficulties in ending preventable and treatable diseases, providing inclusive and equitable education, and promoting full and productive employment and decent work.

it must however be indicated that in some instances, the growing population means an increasing market for most goods and services. A potentially expanding market may assist in stimulating entrepreneurs to invest more. Consequently, business activity will be stimulated, leading to more income and employment opportunities in the long-term. Further, increasing population ensures addition to the labour force. However, if the country has adequate resources to employ new labour, the population increase can lead to rapid economic growth, resulting in a demographic dividend. If the country cannot utilise its labour force productively, unemployment rises, often increasing the burden on the government.

The South African population continues to grow consistently, from 51.771 million in 2011 to 62.028 million in 2022. Similarly, KZN's population size has continued to increase over the years. However, its share of the national total population has been gradually declining, particularly since 2011. The 2022 results by the Stats SA Census report show that the proportion has improved marginally from the 19.8 per cent realised in 2011 to 20 per cent in 2022.

The gradual decline in the proportion of KZN as a share of the national population, primarily due to interprovincial migration, is a cause for concern, considering that four of the six components for the PES are largely population-driven and comprise 94 per cent weight. As a result, KZN has been losing funds from the PES, which makes almost 79.3 per cent of the Province's total receipts. One way of keeping the KZN populace within the province will be to encourage domestic and foreign direct investment that will create jobs while ensuring structural challenges of electricity load shedding and skills, amongst others, are addressed.

It is also commendable that the National Treasury is in the process of reviewing the education component of the PES to include the special school enrolment and adjusting the weight for each sub-component. The inclusion of special school enrolment will ensure that children with disabilities are provided with resources equitable with the other group of learners. This process is also in congruent with UN SDG number four, which promotes inclusive and equitable quality education and lifelong learning for all.

KZN continues to have the highest number of household size when compared with other provinces at 4.4 in 2022, which is an increase from 4 in 2011. In addition, KZN had the highest proportion of female-headed households compared to other provinces in 2022 at 53.1 per cent. The size and composition of households are intertwined with multiple social and economic processes, such as childbearing, demand for education and health care, spending priorities, consumption patterns, and demand for housing, amongst others. Broader efforts must be strengthened to ensure gender equity in access to employment, education and training, as well as other opportunities. The resources should be distributed to ensure that women in general and female-headed households, in particular, are not forever affected by poverty and unemployment. The provision of appropriate housing should be strengthened, particularly for female-headed households, to ensure that women raise children in a conducive environment and engage in remunerative economic activity to sustain their families.

This chapter also shows that approximately 27.2 per cent of KZN's population are children aged between 00 and 14 and 35.4 per cent of the youth population between the ages of 15 and 34. Collectively, children and youth account for an estimated 62.6 per cent of the total provincial population, compared to the national average of 61.1 per cent. The dependent population is estimated at 4.219 million, while the economically active population is 7.319 million. These estimates imply a dependency ratio of 57.6 per cent compared to the national average of 52.1 per cent. The KZN dependency ratio is also higher than the aggregated global average of 55.2 per cent. However, the major limitation of the dependency ratio is that not every person below 15 and over 65 years is dependent. Further, not every person between the ages of 15 and 65 is productive, given the high unemployment rate and NEET in SA and KZN.

Therefore, prioritising quality and inclusive education and healthcare from early childhood to school-going age is critical in ensuring that these age groups (children and youth) contribute to the mainstream economy in the long-term. However, this could not be achieved without adequate budget allocation coupled with prudent utilisation of funds by the sector departments to ensure adequate nutrition, educational resources and fully resourced

healthcare centres such as clinics and hospitals. Further, in order to ensure return on investment, continuity after completing the National Senior Certificate should be prioritised by opening access to higher education, especially for educational programmes that are scarce and are needed in the economy.

Rural populations, especially in less developed regions, continue to be disadvantaged in their access to basic services and opportunities for education and gainful employment. Rural areas and the agrarian economy also face high unemployment rates, inequality and stagnant growth. This undesirable situation is also highlighted in the National Development Plan (NDP) 2030 finding, that one-third of South Africa's (SA's) population live in the former homelands, which are mainly rural and comprise of a large proportion of the economically marginalised. Poverty, lack of education and employment opportunities are among the major push factors for migration from rural to urban areas, exacerbating spatial inequalities within cities and towns.

The next Chapter of this publication, will provide more analysis that high inequality is one of the major challenges facing SA. It leads to contestation over resources, increasing policy uncertainty and deterring investment. This is evident in SA, especially in the EC, KZN and LP provinces. Therefore, effective rural development policies are essential for improving the well-being of rural populations and reducing such disparities. The promotion of decent work in the rural economy is critical to eradicating poverty and ensuring that the nutritional needs of a growing population are met. Sustainable rural development and agrarian reform are essential to the country's economic, social and environmental viability. Such policies include developing rural infrastructure, facilitating access to markets for businesses, providing quality education, healthcare and other essential services, and creating opportunities for gainful employment on and off the farm.

Furthermore, the challenge of rural-urban disparities in economic opportunities leads to increased urbanisation. It is indicated in the Provincial Growth and Development Strategy (PGDS) 2035 that a large proportion of KZN's poor and marginalised citizens are in urban townships and informal settlements. This socio-demographic reality is a cause to a number of human and community development challenges faced by the Province, especially in planning and coordinating interventions that aim to achieve spatial equity in access to public services.

However, if urbanisation is well planned, it can improve people's access to education, health care, housing, and other services and expand their opportunities for economic productivity. On the other hand, rapid urbanisation can also represent a challenge to sustainable urban planning, including the management of slums and the provision of basic urban services. To reap the benefits of economies of scale, greater efficiency and minimising the environmental and other adverse impacts of urban growth, governments need to adopt strategies to plan for future urban development.

Effective policies and programmes are necessary to develop an appropriate urban infrastructure and provide access to essential services, including secured access to water and sanitation, health care, schooling, land tenure and adequate housing, especially for the urban poor. Policies are also needed to improve solid waste management systems and to increase energy efficiency, transport systems, housing and other sectors.

Fertility declines worldwide have resulted in unprecedented low fertility levels globally. Childbearing patterns differ significantly among countries and regions. Countries with high or intermediate fertility levels tend to have policies to lower fertility. Key measures to reduce fertility include raising the minimum legal age at marriage, providing

access to reproductive health services, including low-cost, safe and effective contraception, integrating family planning and safe motherhood programmes into primary health care systems and improving female education and employment opportunities.

Due to globalisation and the free movement of people, international migration has grown in complexity, scope and impact, affecting governments worldwide. Moreover, the number of international migrant persons living in a country other than where they were born has continued to grow rapidly over the past two decades. While the international community has long recognised the critical relationship between international migration and development, integrating migrants and migration into the 2030 Agenda for Sustainable Development represents a significant step forward. Specifically, target 10.7 of the SDGs calls on countries to facilitate orderly, safe, regular and responsible migration and mobility of people, including through implementing planned and well-managed migration policies. However, the government needs to put strict measures in order to control the influx of undocumented foreign nationals.

The intervention to empower women is also critical as they comprise a large proportion of the poor, particularly in rural areas. Therefore, measures to advance women's equality still need to be promoted at all levels. Furthermore, as indicated in the Medium-Term Strategic Framework, 2019 to 2024, the role of women as leaders in all sectors of society should be actively supported with concrete measures put in place and the results evaluated over time.

The intervention should also include children and youth, as they constitute almost two-thirds of the South African and KZN population. They are at risk of high pregnancy rates, the spread of sexually transmitted diseases, and substance and drug abuse, among others. Therefore, awareness campaign programmes such as You Only Live Once (YOLO)<sup>13</sup>, ChommY<sup>14</sup>, Ke Moja (I'm fine without drugs), as well as camps and dialogue, are critical to protecting children and mostly teenagers.

Therefore, changes in population dynamics must be integrated as part of a country's development programmes and strategies. Some of these issues constitute serious obstacles to redressing inequalities and improving the population's quality of life. They, therefore, need to be resolved within the framework of an explicit, comprehensive and multi-sectoral population policy. This approach is an integral component of national strategies for reducing past inequities based on race and gender while substantially enhancing the quality of life of the entire population.

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<sup>13</sup> YOLO targets young people between the ages of 15 and 24 under the tagline: "It's my life, it's my choice...I choose to behave responsibly". This programme aims at building young people's self-esteem, confidence, self-efficacy and resiliency to deal with adverse situations

<sup>14</sup> ChommY targets children under the tagline: "Invest in my Future...Protect me Today", and it aims to generate knowledge, develop skills and empower children to make informed choices to reduce HIV infections, substance abuse and to prevent teenage pregnancies through the use of indigenous games. The word ChommY, a colloquial term for "friend", aims to build positive friendships among 10 – 14-year-olds and encourage young boys and girls to motivate one another to minimise being involved in risky behaviours.



# Chapter Two: Development Indicators

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## 2.1 Introduction

South Africa (SA) has made tremendous strides in improving the development and the upliftment of the quality of life for many South Africans since the advent of democracy in 1994. The South Africa National Human Development Report Africa (2022), has classified the country in the 'high human development' category since 2012, reflecting progress made in improving the country's health, education and quality of living outcomes since the dawn of democracy. However, the country still grapples with numerous socio-economic challenges, such as poverty, inequality and unemployment.

Structural challenges and weak economic growth have undermined progress in reducing poverty, heightened by the effects of the coronavirus (COVID-19) pandemic and constant power outages. Furthermore, progress in improving household welfare is severely constrained by rising unemployment, which reached an unprecedented 35.3 per cent in the fourth quarter of 2021. As seen in Chapter Five of this report, though unemployment has declined to 32.6 per cent in the second quarter of 2023, it is still high according to the World Bank standards (Stats SA, 2023). Moreover, the youth remain vulnerable to unemployment. The Stats SA (2023) shows that about 50.25 per cent of youth between 15 and 34 years were unemployed in the second quarter of 2023.

Another challenge is that SA remains a dual economy<sup>15</sup> with one of the highest and most persistent inequality rates in the world, as reflected by the Gini coefficient<sup>16</sup> of 0.67 in 2018 (World Bank, 2022). The unprecedentedly high levels of inequality in SA are perpetuated by, among others, a legacy of exclusion and the nature of economic growth, which is not pro-poor and does not generate sufficient jobs (World Bank, 2022). Moreover, wealth inequality is even higher due to a lack of intergenerational mobility, as inequalities are passed down from generation to generation with little change over time. Despite the persistence of these predicaments, the government has developed many policies and strategies to deal with poverty and inequality through social grants, various employment opportunities and programmes, and other interventions to ensure fair land redistribution, among others. Following the above background, this Chapter focuses on development indicators such as poverty, household income and inequality, human development, grant beneficiaries, education, health, access to basic services and crime.

## 2.2 Poverty

As outlined by the United Nations Development Programme (UNDP) (2023), world poverty levels have risen sharply since the onset of the COVID-19 pandemic, followed by the economic shocks brought forth by the cost of living crisis and the geopolitical tension which has increased between Russia and Ukraine. The ongoing tightening of financial conditions resulted in 75 million more people living on less than the international poverty line of

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<sup>15</sup> A dual economy reflects the existence of two separate economic sectors within one country, divided by different levels of development, technology, and other patterns of demand.

<sup>16</sup> The Gini Coefficient measures income inequality, where 0 represents a perfectly equal income distribution, and a coefficient of 1 represents a perfectly unequal distribution.

\$2.15 a day in 2023. The report further reveals that an additional 90 million people are living on \$2.15–\$3.65 a day. Notably, the total number of poly-crisis-induced<sup>17</sup> poverty reaches 165 million globally if poverty is measured with a daily poverty line of \$3.65. On the other hand, the population living on \$3.65 to \$6.85 a day is projected to shrink by 33 million, leaving the total number of poly-crisis-induced poverty at 132 million if poverty is measured with a threshold of \$6.85 a day.

Chapter Four demonstrates that SA is susceptible to changes in geopolitical tensions. Therefore, the country was not immune from the political tension between Russia and Ukraine, which resulted in persistent subdued global economic growth, undermining the progress made on reducing poverty. The World Bank (2022) maintained that poverty levels in SA are estimated at 62.6 per cent based on the upper middle-income country poverty line. Poverty levels this high severely impacts the household welfare negatively.

The assertions by the World Bank are further supported by Mtintsilana et al. (2022), who found that Africans residing in rural areas with low socio-economic status and low education are the most vulnerable to poverty compared to their white or Asian counterparts. Despite this setback, the government has developed and implemented several strategic interventions to create employment opportunities and alleviate poverty. The interventions include, amongst others, the Expanded Public Works Programme (EPWP) and the massive infrastructure investment programs seeking to create employment to benefit the youth and the previously disadvantaged group.

Similar to other developing nations across the globe, SA uses three measures of poverty, that is, the food poverty line (FPL), the lower-bound poverty line (LBPL), and the upper-bound poverty line (UBPL), for statistical reporting. Poverty lines are essential tools that allow for the statistical reporting of poverty levels and patterns, as well as the planning, monitoring and evaluation of poverty reduction programmes and policies (Stats SA, 2022). Ideally, the primary purpose of the poverty lines approach is to provide a consistent benchmark against which progress on a money-metric or expenditure-based dimension of poverty can be monitored.

The FPL<sup>18</sup> shows the level of consumption below which individuals cannot purchase sufficient food to provide them with an adequate diet. Those living below this line are consuming insufficient calories for their nourishment. The LBPL<sup>19</sup> denotes food and non-food items required by households. However, those living below this line must sacrifice some food to get these non-food items such as transport and airtime. Finally, individuals living below the UBPL<sup>20</sup> are those who can consume both food and non-food items but cannot meet other necessities such as shelter, education, security and healthcare.

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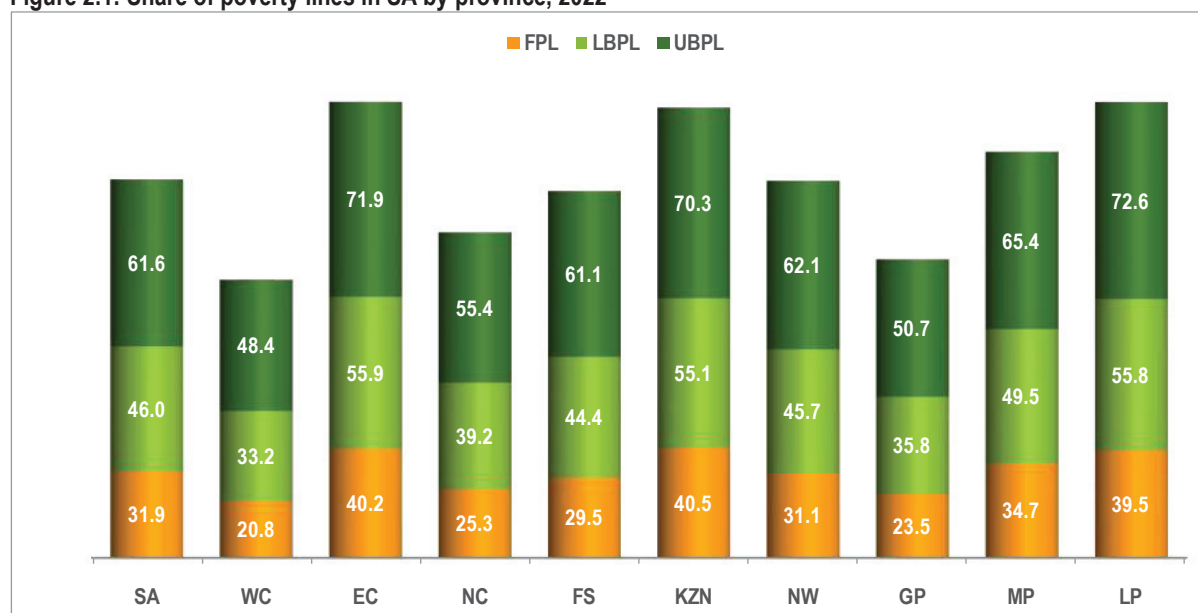
<sup>17</sup> Polycrisis induced poverty stems from multiple crises such as conflict, disaster and cost of living crisis, amongst others, happening simultaneously leading to poverty and inequality

<sup>18</sup> Food poverty line – R663 (in April 2022 prices) per person per month. It refers to the amount of income an individual need to afford the minimum required daily energy intake. The indicator is also commonly called the "extreme" poverty line.

<sup>19</sup> Lower-bound poverty line – R945 (in April 2022 prices) per person per month. It refers to the food poverty line plus the average amount derived from non-food items of households whose total expenditure is equal to the food poverty line.

<sup>20</sup> Upper-bound poverty line – R1 417 (in April 2022 prices) per person per month. It refers to the food poverty line plus the average amount derived from non-food items of households whose food expenditure is equal to the food poverty line.

**Figure 2.1: Share of poverty lines in SA by province, 2022**

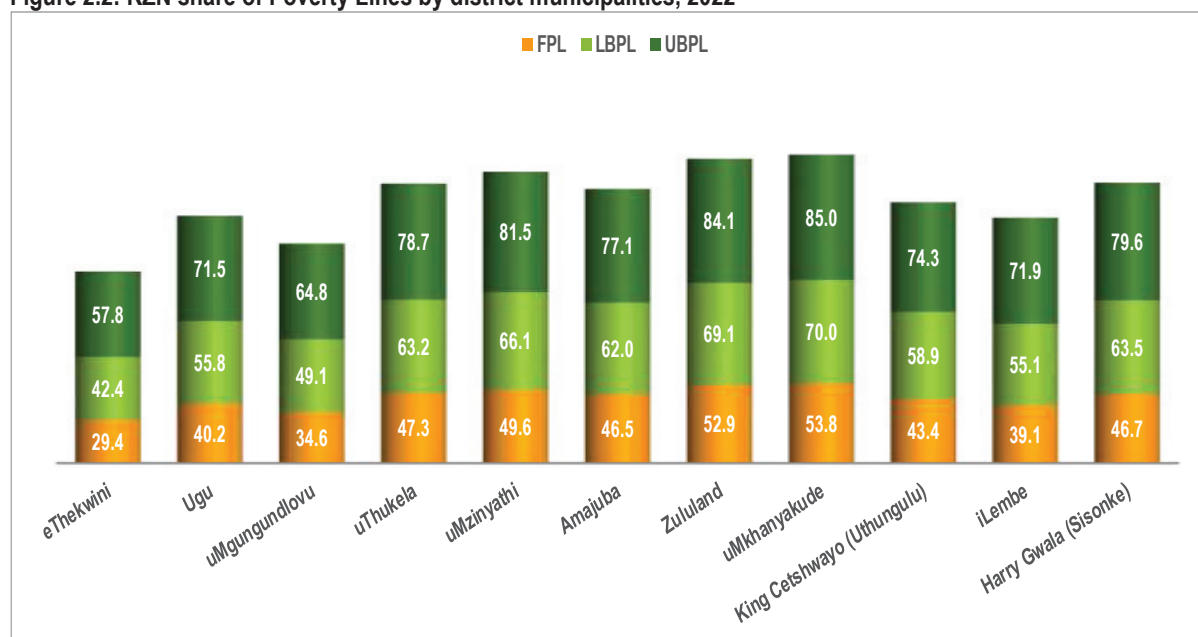


Source: S & P Global, 2023

Figure 2.1 shows the share of people living below the food poverty line, the lower-bound poverty, and the upper-bound poverty lines in 2022. The WC (20.8 per cent) had the lowest share of people living below the FPL when compared to the 12.4 per cent recorded in 2012, followed by GP (23.5 per cent), NC (25.3 per cent), and FS (29.5 per cent). However, KZN's share was the highest at 40.5 per cent, up by 12.4 percentage points compared to the 28.1 per cent recorded in 2012 (Figure 2.2 in Appendix). This percentage share is slightly above the EC (40.2 per cent) and LP (39.5 per cent) and thus significantly surpassing the national average of 31.9 per cent.

The districts that had the highest share of people living below the FPL in the Province in 2022 were uMkhanyakude with 53.8 per cent, followed by Zululand and uMzinyathi with 52.9 per cent and 49.6 per cent, respectively (Figure 2.2). Regarding the share of people living below the LBPL, KZN had the third-highest proportion of people living within this bracket (55.1 per cent), after EC and LP at 55.9 per cent and 55.8 per cent, respectively. In 2022, the districts with the highest share of households living below the LBPL in KZN were uMkhanyakude and Zululand at 70 per cent and 69.1 per cent, respectively (Figure 2.2). Further, the percentage of persons living below the UBPL in KZN stood at 70.3 per cent, the third-highest in the country, during the same year. uMkhanyakude, Zululand and uMzinyathi also contributed to the KZN's UBPL at 85 per cent, 84.1 per cent and 81.5 per cent, respectively.

**Figure 2.2: KZN share of Poverty Lines by district municipalities, 2022**



Source: S & P Global, 2023

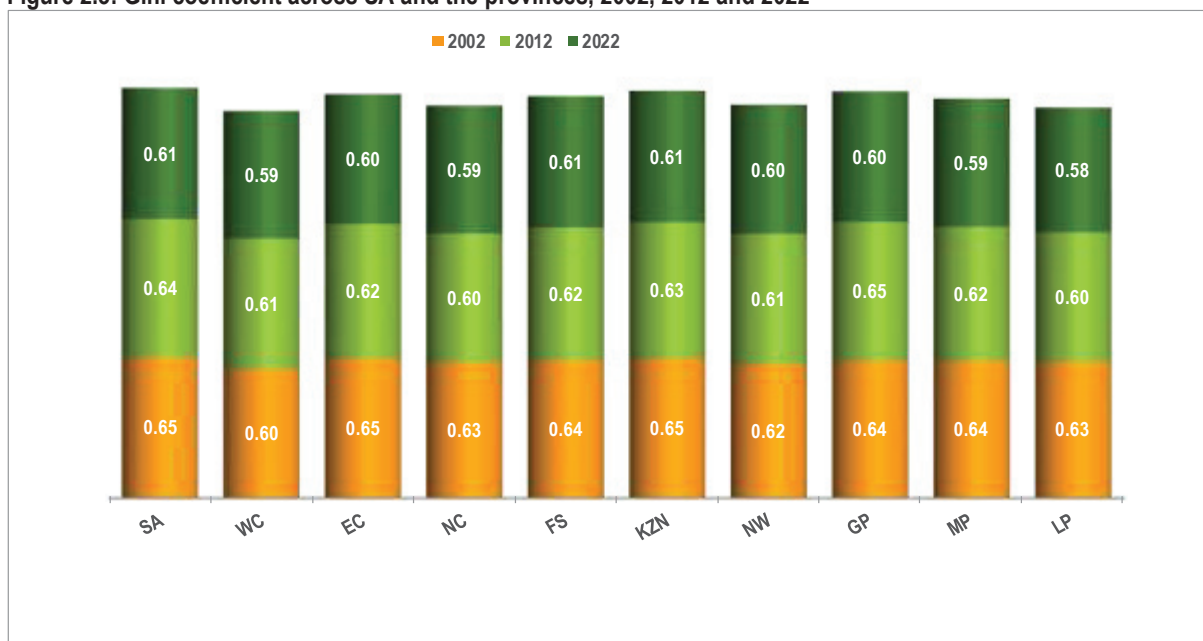
## 2.3 Household income and inequality

The National Development Plan (NDP) targets to reduce income inequality (measured by the Gini Coefficient<sup>21</sup>) from 0.70 to 0.60 by 2030. Nonetheless, the NDP strategy appears to be progressing more slowly. Chancel et al. (2022) noted a rise in income inequality within most countries over the past two decades despite declining global inequality between countries. Notably, the gap between the richest countries' average income and the poorest countries' average income has dropped from around 50 per cent to less than 40 per cent. Within countries, the gap between the top-income and the low-income earners increased significantly, from 8.5 per cent recorded in 1980 to almost double at 15 per cent in 2021.

In 2022, SA reported a Gini coefficient of 0.61, signalling that the country remains characterised by significant inequality. During the same year, the provinces displaying notable income inequality were FS and KZN, both registering a Gini coefficient of 0.61. Following closely behind were GP, EC, and NW, each with a Gini coefficient of 0.60, respectively (Figure 2.3).

<sup>21</sup> The Gini coefficient (Gini index or Gini ratio) is a statistical measure of economic inequality in a population. The Gini coefficient ranges between zero and one, where zero represents total equality, and one is when one resident gets all the country's income

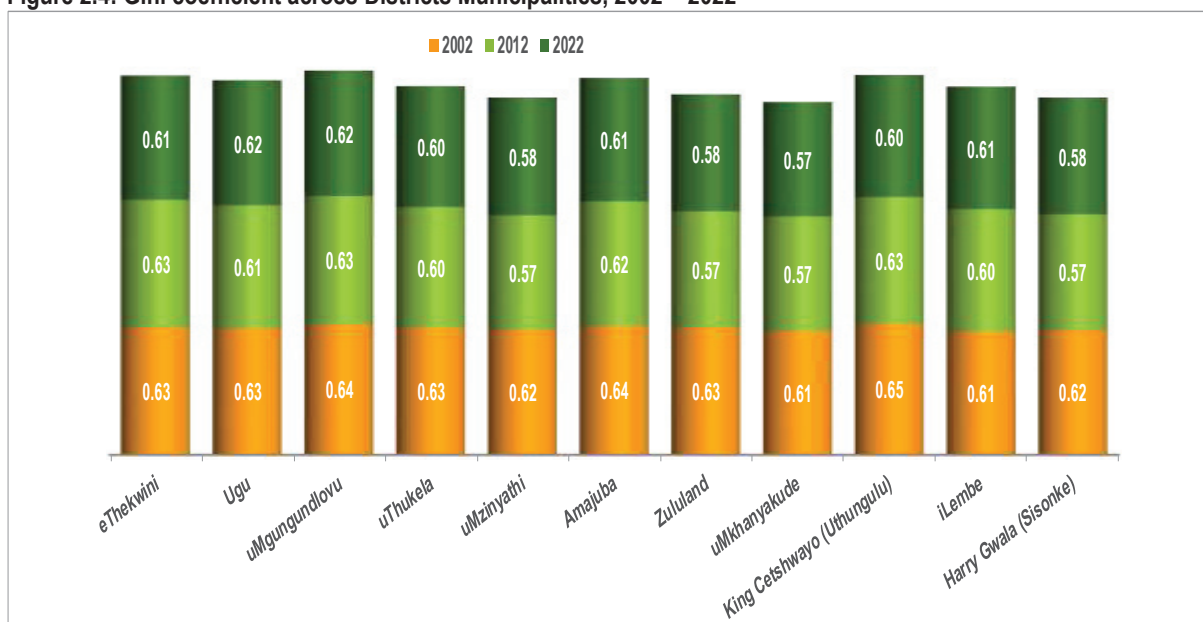
**Figure 2.3: Gini coefficient across SA and the provinces, 2002, 2012 and 2022**



Source: S & P Global, 2023

In KZN, the districts that displayed notable income inequality included uMgungundlovu with a Gini coefficient of 0.62, and closely following were Amajuba, iLembe and eThekwini with 0.61 indices, respectively (Figure 2.4). These uneven numbers indicate that income inequality is a persistent challenge in KZN, signifying the need to review wealth redistribution policies in SA and across provinces.

**Figure 2.4: Gini coefficient across Districts Municipalities, 2002 – 2022**



Source: S & P Global, 2023

In KZN, households categorised as lower-income earners (between R0 and 54 000 per annum) declined by a marginal 0.7 percentage points from 28.4 per cent in 2021 to 29.1 per cent recorded in 2022. On the other hand, 25.8 per cent, 34.4 per cent, 6 per cent, 3.3 per cent and 1.4 per cent were categorised as low emerging, emerging

middle class, realised middle class, upper-middle-class, and affluent income earners, respectively. In stark contrast, about 1.5 per cent of white households were classified as low emerging income earners, whilst 21.3 per cent, 21.9 per cent, 29.3 per cent, and 24.5 per cent were classified between emerging middle-class to affluent income earners (Table 2.1).

**Table 2.1: Income distribution by proportion of households in KZN, 2022**

| Income category            | Income level (R'000) | African | White | Coloured | Asian | Grand total |
|----------------------------|----------------------|---------|-------|----------|-------|-------------|
| Lower income               | 0 - 54               | 29.1%   | 1.5%  | 10.0%    | 1.7%  | 24.8%       |
| Low emerging middle income | 54 - 96              | 25.8%   | 1.6%  | 13.3%    | 5.2%  | 22.3%       |
| Emerging middle class      | 96 - 360             | 34.4%   | 21.3% | 45.3%    | 42.4% | 34.5%       |
| Realised middle class      | 360 - 600            | 6.0%    | 21.9% | 15.4%    | 21.4% | 8.4%        |
| Upper middle class         | 600 - 1 200          | 3.3%    | 29.3% | 11.0%    | 18.4% | 6.3%        |
| Affluent                   | 1 200 +              | 1.4%    | 24.5% | 5.0%     | 11.0% | 3.7%        |
| Grand total                |                      | 100%    | 100%  | 100%     | 100%  | 100%        |

Source: S & P Global, 2023

Over the same year, approximately 25.8 per cent of Africans were categorised as low-emerging middle-income earners (between R54 000 and R96 000 per annum). An estimated 34.4 per cent were emerging middle-class, earning (between R96 000 and R360 000 per annum) and only 6 per cent were categorised as realised middle-class earners (R360 000 - R600 000). There were 3.3 per cent of households considered as upper middle class, with an income gap of (R600 000 - R1 200 000) and affluent earning over R1.2 million per annum minimal at 1.4 per cent. These disparities show that though there are policy interventions aiming to reduce the inequality gap, the white population enjoyed dominance over the realised middle-class, upper-middle-class and affluent income categories. They imply that significant income disparities still exist among the four population groups in the country, with Africans remaining the least favoured by the current conditions.

## 2.4 Human development

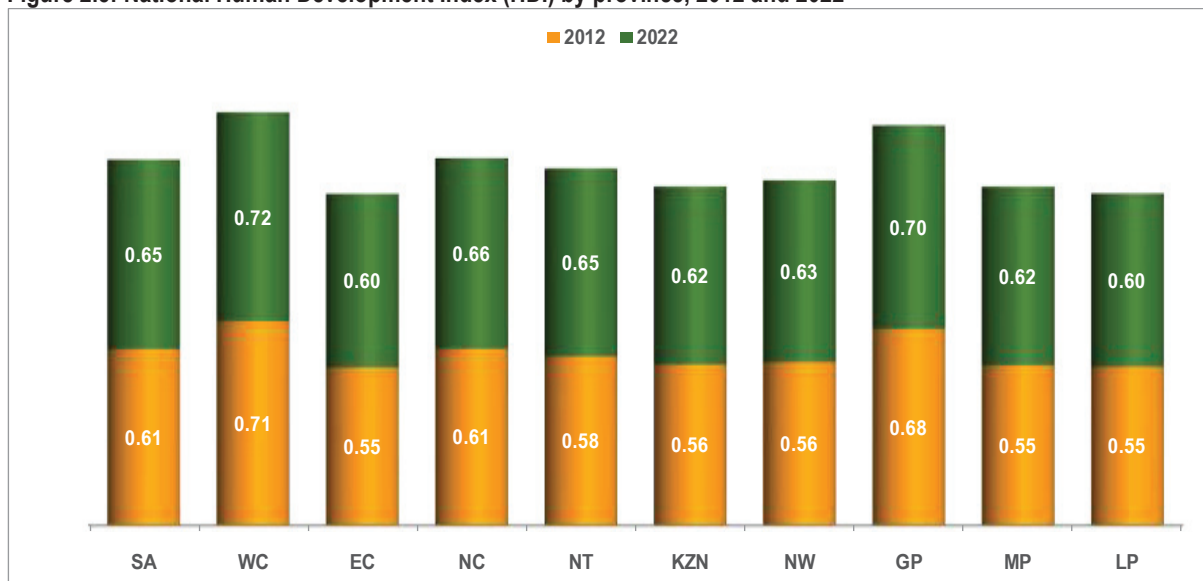
The Human Development Index (HDI) is an aggregated indicator designed by the United Nations Development Programme (Human Development Report, 2022). It is being used to track the development progress among countries and provide valuable and accurate information to policymakers to make sound and informed decisions. The HDI is calculated on three key measures: health, education and income.

The aim is to reflect, using specific criteria, the multidimensional nature of development by introducing elements that, for various reasons, are considered to be of utmost importance in creating human capabilities. It further outlines opportunities and choices such as mean years of schooling (expected years of schooling), life expectancy at birth and gross national income per capita. Human Development (2016) categorises an HDI of 0.8 and above as high development status, 0.5 to 0.8 as medium development and low human development as anything less than 0.5.

Figure 2.5 depicts the human development index for SA and provinces between 2012 and 2022. Though the country encountered various economic shocks, emanating mainly from inflation, energy crisis, slow growth, post-COVID-19 impact and Russia and Ukraine tension, the country's HDI improved slightly from 0.61 in 2012 to 0.65 in 2022, which the Human Development Report (2022) considers as medium human development.

Nevertheless, this performance is encouraging when compared to the rest of Sub-Saharan Africa, which had an average HDI of 0.56 in 2021 (Statista, 2023).

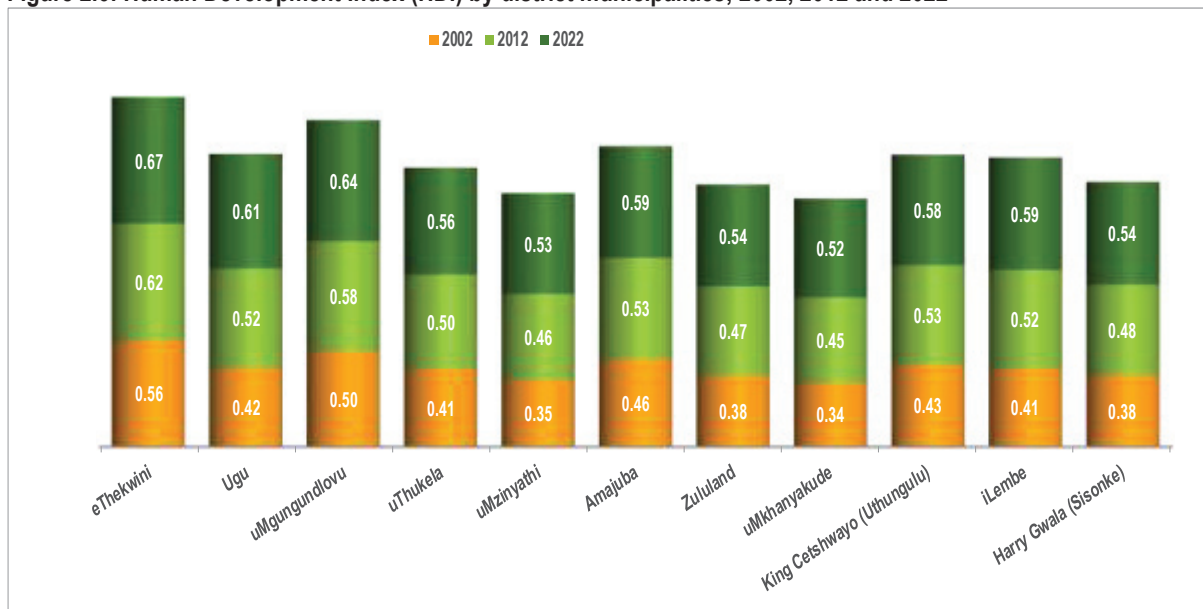
**Figure 2.5: National Human Development Index (HDI) by province, 2012 and 2022**



Source: S & P Global, 2023

Like other provinces, KZN was not exempted from the economic crisis encountered by the country. However, the HDI showed a notable improvement from 0.56 in 2012 to 0.62 in 2022, slightly below the national average of 0.65. In 2022, the Province's HDI performance was mainly supported by eThekweni (0.67), which had the highest development indices, followed by uMgungundlovu (0.64), while uMkhanyakude and uMzinyathi had the lowest HDIs, at 0.52 and 0.53, respectively (Figure 2.6).

**Figure 2.6: Human Development Index (HDI) by district municipalities; 2002, 2012 and 2022**



Source: S & P Global, 2023

## 2.5 Grant beneficiaries

The provision of social security assistance for people incapable of supporting themselves is a fundamental right enshrined in the SA Constitution of 1996. In a country such as SA, where inequality levels are high combined with low levels of labour market participation and high poverty levels, social assistance programs, specifically social grants, have been a pivotal safety net for poor households, assisting them in attaining a minimum standard of living. According to Stats SA (2022), the percentage of households and persons who benefitted from social grants increased from 12.8 per cent in 2003 to 30.9 per cent in 2019 before rising to 37 per cent during the COVID-19 pandemic with the introduction of the special COVID-19 Social Relief of Distress (SRD) grant. In real terms, the number of beneficiaries of social grants increased from 2.4 million in April 1998 to a projected 18.3 million in 2021 and 26.6 million in 2022 (2024/25 Annual Submission for the Division of Revenue et al., 2024).

Stats SA (2022) further states that grants are the second most important source of income after household salaries. They account for 50.2 per cent of household income when compared to 59.7 per cent of income from salaries. In the EC, 62.9 per cent of households' income is from grants compared to 47.6 per cent of income from salaries. A sizeable amount of income for households in MP and LP is also from grants at 62.4 per cent and 62.2 per cent when compared to 55.6 and 49 per cent from salaries, respectively. In the case of KZN, 55.4 per cent of households relied on social grants. Though the government have implemented various policies to create employment and provide a source of income to households, it is still concerning that more than half of the KZN households depend on grants to meet their basic needs.

**Table 2.2: Number and proportion of grant in payments, 2023: Q1**

|                      | Care Dependency Grant |              | Disability Grant |              | Foster Care Grant |              | Grant-In-Aid   |              | Old Age Grant    |              | War Veteran's Grant |              | Grand Total       |
|----------------------|-----------------------|--------------|------------------|--------------|-------------------|--------------|----------------|--------------|------------------|--------------|---------------------|--------------|-------------------|
|                      | No                    | %            | No               | %            | No                | %            | No             | %            | No               | %            | No                  | %            | No                |
| Eastern Cape         | 23 876                | 15.0         | 171 621          | 16.5         | 62 959            | 21.4         | 46 326         | 13.6         | 613 451          | 15.6         | 1                   | 7.7          | 2 881 047         |
| Free State           | 9 504                 | 6.0          | 77 591           | 7.5          | 19 970            | 6.8          | 15 494         | 4.5          | 223 471          | 5.7          | -                   | 0.0          | 1 058 654         |
| Gauteng              | 22 811                | 14.3         | 123 123          | 11.9         | 39 370            | 13.4         | 16 739         | 4.9          | 739 465          | 18.8         | 2                   | 15.4         | 2 979 218         |
| <b>Kwazulu-Natal</b> | <b>39 967</b>         | <b>25.1</b>  | <b>216 178</b>   | <b>20.8</b>  | <b>52 543</b>     | <b>17.9</b>  | <b>93 554</b>  | <b>27.4</b>  | <b>770 720</b>   | <b>19.6</b>  | <b>4</b>            | <b>30.8</b>  | <b>4 168 485</b>  |
| Limpopo              | 17 899                | 11.2         | 99 401           | 9.6          | 36 172            | 12.3         | 61 994         | 18.1         | 514 077          | 13.1         | -                   | 0.0          | 2 731 129         |
| Mpumalanga           | 12 204                | 7.6          | 79 914           | 7.7          | 18 110            | 6.2          | 28 227         | 8.3          | 283 758          | 7.2          | -                   | 0.0          | 1 624 900         |
| North West           | 10 162                | 6.4          | 61 479           | 5.9          | 22 873            | 7.8          | 20 718         | 6.1          | 291 483          | 7.4          | 1                   | 7.7          | 1 321 425         |
| Northern Cape        | 5 885                 | 3.7          | 53 090           | 5.1          | 9 478             | 3.2          | 32 324         | 9.5          | 97 005           | 2.5          | 1                   | 7.7          | 530 636           |
| Western Cape         | 17 232                | 10.8         | 155 740          | 15.0         | 32 803            | 11.1         | 26 303         | 7.7          | 400 861          | 10.2         | 4                   | 30.8         | 1 674 220         |
| <b>South Africa</b>  | <b>159 540</b>        | <b>100.0</b> | <b>1 038 137</b> | <b>100.0</b> | <b>294 278</b>    | <b>100.0</b> | <b>341 679</b> | <b>100.0</b> | <b>3 934 291</b> | <b>100.0</b> | <b>13</b>           | <b>100.0</b> | <b>18 969 714</b> |

Source: South African Social Security Agency (SASSA), 2023

Table 2.2 shows the number and percentages of grant beneficiaries in SA by province in the first quarter of 2023. KZN had the highest number of social grant beneficiaries nationally, with 4.169 million grant recipients in the first quarter of 2023. The Province also had the highest share in all categories of social grants, except for the War Veteran's Grant, which was on par with the WC at 30.8 per cent. There were about 770 720 Old Age Grant beneficiaries in KZN, constituting 19.6 per cent of the total national (4.168 million). Regarding the proportion of disability grant recipients, KZN was the highest at 20.8 per cent, followed by the EC (16.5 per cent) and the WC (15 per cent). This proportion suggests that KZN has the highest number of people with disabilities requiring special needs that the Province must consider in the budget allocation processes. KZN was also the highest issuer of Grant-in-Aid, Care Dependency Grant, and Foster Child Grant when compared to all the nine provinces at (93 554 or 27.4 per cent), (39 967 or 25.1 per cent) and (52 543 or 17.9 per cent), respectively.

## 2.6 Health

Access to quality healthcare services is a fundamental human right enshrined in SA's constitution, making public healthcare legally available to all citizens. In this context, the provision of effective, adequate and affordable health services is pivotal in ensuring quality healthcare. The unpredictable climate conditions continuously threaten the healthcare system, increasing the risk of water and airborne diseases.

The damage inflicted upon healthcare infrastructure by unfavourable weather conditions, exemplified by the 2021/22 flooding, undermines the National Development Plan's (Vision 2030) goal of establishing a healthcare system that is accessible to everyone and capable of achieving health outcomes that are within reach. These unfortunate circumstances also present a considerable challenge in meeting the 2019 World Health Organization (WHO) resolution, which aims at ensuring that all people have access to adequate and affordable healthcare services.

Similar to most developing countries, healthcare services in SA are delivered through the public sector or contributory medical schemes. According to Stats SA (2023), approximately 73 per cent of households in SA relied on public health services in 2022. This conclusion is further demonstrated by Figure 2.7, showing that out of the total estimated national population of 62.028 million, only 15.8 per cent or 9.800 million were enrolled with medical schemes in 2022. Therefore, over 52 million of the total estimated national population depend on the public healthcare system. The National Treasury (2023) indicates that public funding for the healthcare sector accounts for approximately 40 per cent of the country's GDP and represents 14 per cent of the primary budget allocation.

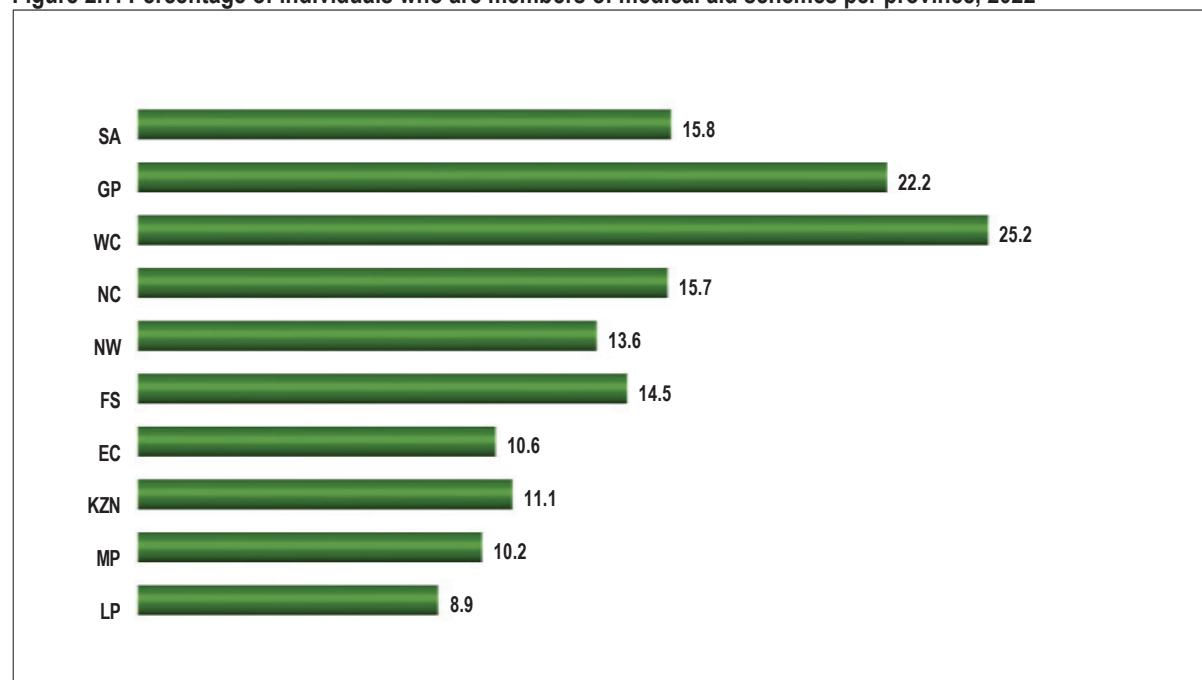
In KZN, an alarming 78.9 per cent of households depend on public health services, slightly lower than in LP (84.5 per cent) and MP (81.5 per cent) (Stats SA, 2023). A lack of affordability in funding health care services is also prominent across provinces. Notably, provinces with the highest prevalence of poverty (EC, KZN and LP) had the lowest proportion of citizens with medical aid coverage. KZN had 11.1 per cent of the total population who are part of medical aid schemes, followed by EC (10.6 per cent) and Mpumalanga (10.2 per cent). LP had the lowest share of persons on medical aid schemes at 8.9 per cent. In comparison, the WC and GP had the highest percentages of persons on medical aid schemes, at 25.2 per cent and 22.2 per cent, respectively.

In this regard, over 11.551 million of the 12.424 million citizens of KZN were dependent on public health care in 2022. Therefore, the healthcare sector faces significant challenges in the Province and the country, particularly in light of the economic strain caused by recent epidemics like COVID-19 and Cholera outbreaks. These crises have exacerbated the already stretched and limited healthcare resources.

Given the higher number of people without medical aid, the public sector in KZN has constrained budgets that are insufficient to provide health care services for the 78 per cent of the population that relies on the public sector for health care. This results in an overburdened public sector that is characterised by underservicing. In KZN, R49.608 billion (35 per cent) of the total provincial budget of R140.374 billion was allocated to health service in KZN in the 2022/23 financial year, translating to 7.2 per cent of the estimated provincial gross domestic (GDP-R) of R761.998 billion.

On the other hand, the private sector serves slightly above 11 per cent of the population. This population is also faced with high rising costs and over-servicing without demonstrating much improvement in health outcomes. Both sectors need reforms to ensure that the quality of health is improved. The pooling of funds into one fund is expected to enhance the quality of services and, therefore, health outcomes.

**Figure 2.7: Percentage of individuals who are members of medical aid schemes per province, 2022**



Source: Stats SA, 2023

### 2.6.1 The National Health Insurance

The National Health Insurance (NHI) Bill seeks to provide universal access to health care services in the country in accordance with the National Health Insurance White Paper and the Constitution of South Africa. The fund will purchase health care services for all users who are registered with it. It aims at keeping the cost of healthcare reasonable while ensuring that healthcare providers receive a fair rate for their services. Therefore, the establishment of the (NHI) in SA seeks to create a transformative shift in the healthcare landscape, fostering opportunities for collaboration and innovation between the public and private sectors. The NHI's overarching objective is to ensure universal access to high-quality, efficient healthcare services while massively reducing inequality in the provision of quality healthcare to South Africans, at the same time aligning with the constitutional mandate outlined in Section 27 of South Africa's Bill of Rights (Parliament, 2022).

The NHI is a Fund, paid by taxes, from which the government will buy health care services for all of us who live in the country from health care providers in the public and private sectors. It will be funded through a mandatory pre-payment system and other forms of taxes collected by the South African Revenue Services (SARS). According to the NHI Bill, the scheme will be predominantly funded through general revenue allocations, supplemented by a payroll tax payable by employers and employees and a surcharge on individuals' taxable income.

Further, the National Health Insurance (2023.) states that the health financing system is designed to pool funds together to provide access to quality and affordable personal health services to all South Africans based on their health needs, irrespective of their socio-economic status (employed or not employed, earning low or high income). Health insurance will ensure that healthcare providers receive a fair rate for their services, paying the public and private healthcare providers on exactly the same basis while expecting the same standard of care.

Notably, the NHI will not replace existing Medical Aid Schemes, allowing members to maintain their medical schemes if they choose to do so. However, the role of these schemes will evolve as they will cover services not reimbursed by the NHI fund once full NHI implementation is realised (National Health Insurance, 2023). However, the implementation of the health scheme has received several criticisms from various stakeholders based on the practicality of its implementation. The criticism emanates from the lack of autonomy as individuals will be compelled to contribute to the NHI fund even though they are occupying another medical scheme membership. This could lead to people opting to neglect paying for the medical aid schemes and only pay for the NHI, which could create job losses for individuals working for medical aid schemes, exacerbating unemployment and narrowing the pool of taxpayers.

### **2.6.2 Medical practitioners**

Like many other developing nations, SA grapples with a significant challenge of shortages of healthcare professional. As outlined by the Centre for Risk Analysis (CRA) (2023), these shortages can primarily be attributed to a growing population with increasing healthcare needs and the burden of infectious diseases such as HIV/AIDS and COVID-19. The report suggests that the scarcity of medical practitioners and the limited capacity of the private sector to train nurses to their full potential are due to existing restrictive regulations that also contribute to the challenges facing healthcare services in the country. This assertion is further supported by the SAMA South African Medical Association (2022), which maintains that a considerable number of highly qualified medical practitioners are seeking opportunities abroad, leaving SA with diminished human resources to meet the healthcare needs of its population.

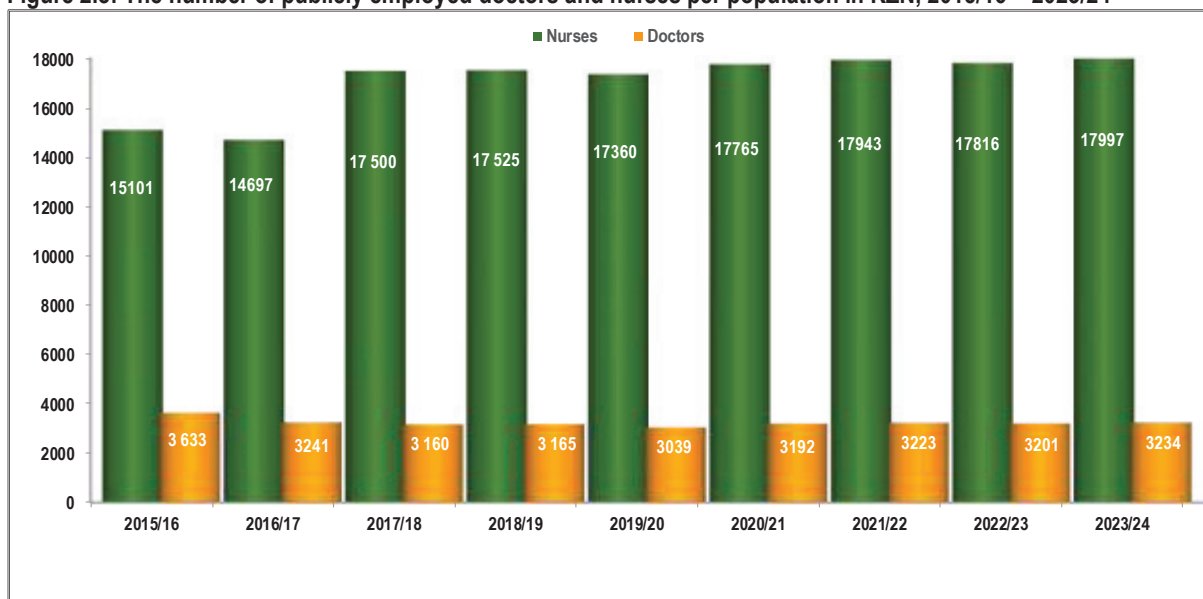
A study by Hall & Erasmus (2003) found that the shortage of qualified health practitioners is primarily a result of limited resources and unfavourable working conditions in the public sector. This finding is corroborated by the Centre for Risk Analysis (CRA, 2023), indicating that though there has been a noticeable improvements in the hiring of number of nurses in both the public and private sector of 271 047 recorded in 2022 from 123 755 recorded in 1998, the nurse-to-patient ratio remains high at 224 patients per nurse. The World Health Organisation (WHO) (2006) indicated that the global ratio for nurse to patient ratio is 2.5 medical staff (physicians, nurses and midwives) per 1000 population. This finding is also supported by the Health at Glance Report published by the Organization for Economic Cooperation and Development (OECD, 2021), which affirmed that SA, Indonesia and India have relatively fewer nurses, below the global norm of 2.5 medical staff per 1000 population. This undesirable situation has profound implications for patient care, including overburdened nurses, heightened stress levels, extended waiting times, and inadequate attention to individual patient needs.

Figure 2.8 illustrates a concerning trend in the availability of skilled doctors and nurses in the public service from the 2015/16 to the 2023/24 financial years in KZN. During this period, the number of general practitioners remained low, with under 4 000 professionals, while the nursing staff were under 18 000, except for the 2015/16 and 2016/17

financial years, where the staffing was below 16 000. This constrained number of professionals serves the Province's population of 12.424 million. It is however worth noting that these figures mark an improvement when comparing the nursing personnel, which was at 15 101 in the 2015/16 financial year, increasing to 17 997 in the 2023/24 financial year.

During the same period, the staff turnover for practitioners was at 399, from 3 633 recorded in the 2015/16 financial year to 3 234 in the 2023/24 financial year. This challenge also poses a risk of increased medicolegal claims as health professionals are required to work long hours, creating mental and physical fatigue. This has a negative implication on the already constrained country's fiscus.

**Figure 2.8: The number of publicly employed doctors and nurses per population in KZN, 2015/16 – 2023/24**



Source: KZN Department of Health, 2023

Given the circumstances mentioned above, it becomes imperative for the country, and KZN in particular, to prioritise the development of strategies, incentives, and policies that can attract and retain qualified doctors and nurses, stimulating their willingness to offer their valuable services. Moreover, a shift in policy focus from treatment-centric approaches to prevention could enhance overall well-being, alleviate budgetary pressures and potentially reduce the strain on the healthcare system.

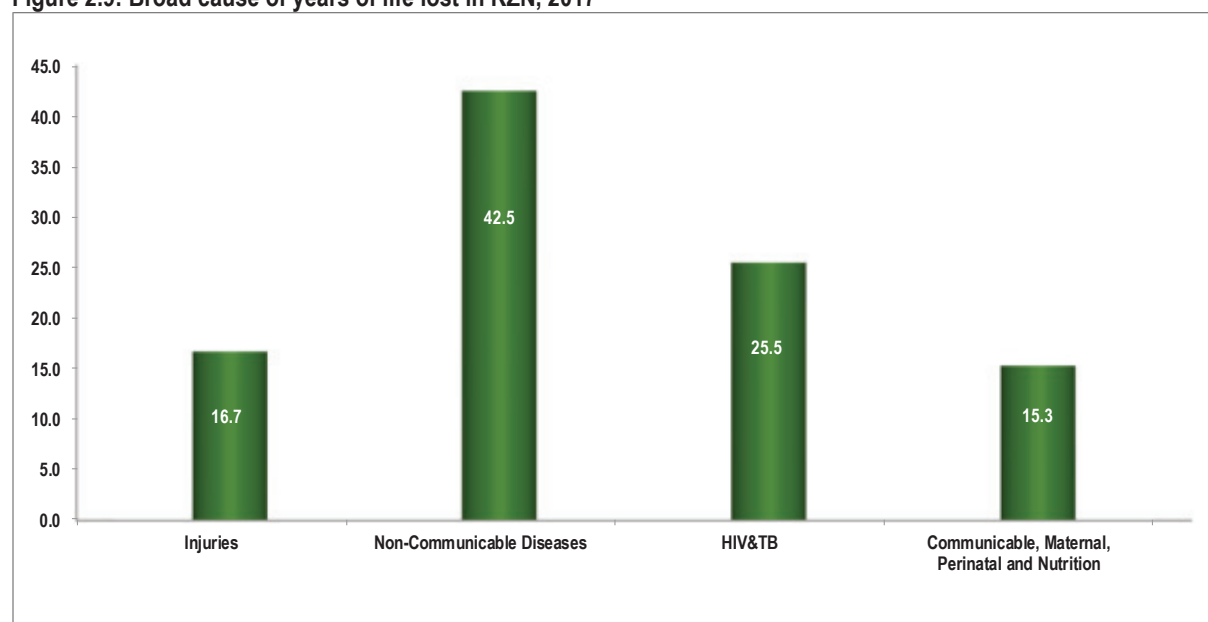
### 2.6.3 Causes of Mortality

The causes of death in KZN can be mainly attributable to infectious diseases, chronic diseases, high levels of poverty and lifestyle choices. The KZN Health (2023/24) states that people affected by poverty tend to have higher mortality rates due to limited access to health care and social protection. Moreover, as outlined in Chapter One, the Province is characterised by the youth between the ages of 10-14 and 30-34. Therefore, the Human Immune Deficiency Virus (HIV) and Tuberculosis (TB), which fall under communicable diseases, were the leading causes of mortality in this age group, thus contributing to the rise in the number of orphans. Though Stats SA (2023)

reports a decrease in the orphanhood categories<sup>22</sup> in the country in 2022, KZN had the highest share of double orphans at 5.9 per cent, followed by FS (5.7 per cent) and EC at 4.9 per cent.

Further, the provincial demographic profile shows a decline in the adult population, which can be attributable to the increased mortality from non-communicable diseases. Other forms of heart disease and diabetes were the leading causes of death among men (10.9 per cent) and women (13.1 per cent) in KZN, respectively (KZN Health, 2023/24). Figure 2.9 provides the broad cause of years of life lost in KZN in 2017. A major proportion of years of life lost is due to non-communicable diseases (42.5 per cent), followed by HIV and TB (25.5 per cent). Communicable, maternal, perinatal and nutrition contributed (15.3 per cent) and injuries (16.7 per cent) to the years of life lost in the Province.

**Figure 2.9: Broad cause of years of life lost in KZN, 2017**



Source: KZN Health APP, 2022/23 to 2023/24

Since 2020, the COVID-19 virus took over the lead as the Province contributed 18 per cent to the national reported cases of the virus. KZN was the fourth-highest province to report the death cases from the pandemic after EC, GP and WC, contributing 16 per cent of the total deaths nationally. In the Province, some districts such as eThekweni, iLembe, Ugu, uMkhanyakude and Zululand experienced self-harm injuries such as hanging, which is the leading cause of premature mortality (KZN Health, 2023/24).

## 2.7 Crime

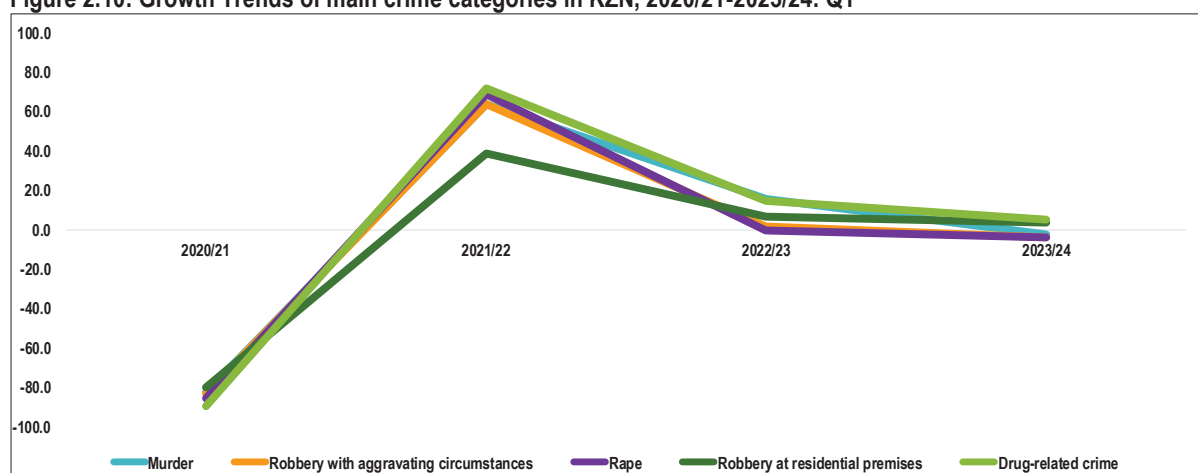
Over the past few years, SA has experienced rising levels of crime. The three socio-economic factors, poverty, high unemployment and inequality levels, can be identified as the key determinants of the prevalent criminal activities in the country. However, Schönteich & Louw (2001) and SAPS (2022) argue that socio-economic factors are not the only explanation for the increased crime levels in SA. Changes in the demographic composition of the country, the poorly performing criminal justice system, skewed allocation of resources to the South African Police

<sup>22</sup> Categories of orphans are Non-orphans, Paternal orphans, Maternal and Double orphans

Services (SAPS) and slow progress in the integration of information and communication technology (ICT) systems are also deemed as the contributing factors to the scourge of crime.

Crime is a potential and significant threat to the populace's quality of life and can also bear economic ramifications that can drive out foreign investment and contribute to the slow-growing economy. In SA, women and children are the most susceptible to being crime victims. This is supported by the census report by Stats SA (2023), which reveals that almost half of the SA households (49.6 per cent) are headed by females. KZN is the leading province with households headed by females at 53.1 per cent, followed by EC at 51.9 per cent, while in NW (46.3 per cent) and MP (46.9 per cent), this family setting was least common. Notably, crime also interferes with chapter 12 of the NDP, which aims to build safer communities by causing people to live in fear and could lead to potential loss of life. This is detrimental to the labour market as it contributes to the loss of skilled workers and creates a loss of potential revenue for the country.

**Figure 2.10: Growth Trends of main crime categories in KZN, 2020/21-2023/24: Q1**



Source: SAPS, KZN Treasury calculations, 2023

In the 2020/21 financial year, most crime categories in KZN showed a massive decline due to COVID-19 lockdown measures, with drug-related crime declining by 89.9 per cent, followed by a decline in rape and robbery with aggravated circumstances at -85.5 and -83.3 per cent, respectively (Figure 2.10). Over the same period, murder declined by -82.4 per cent to 856 reported cases from 4 859 reported cases in 2019/20. However, in the 2023/24 financial year, most of the crime categories declined at a slower pace. Murder declined by -2.4 per cent after rape and robbery, with aggravated circumstances at -3.9 per cent, respectively.

The SAPS Crime Statistics (2023) indicates that the number of murder cases reported in KZN in the first quarter of 2023 was the highest at 1 584 when compared to the nine provinces (Table A2.1 in Appendix). The report further shows that between April and June 2023, eThekweni reported 444 cases in various police stations. uMgungundlovu district reported 463 drug-related cases in the same period. Regarding rape cases reported between April and June 2023, eThekweni was leading with 91 reported cases, followed by iLembe with 53 reported cases, King Cetshwayo and uMgungundlovu reported 36 cases, respectively, during the same period. This indicates that the province should prioritise community-focused crime prevention forums, where police, communities and businesses can participate to improve the general well-being of an area. Further visibility of police officers in the hotspot areas is crucial to bring down the scourge of crime.

**Table 2.3: Crime levels and growth rates in SA, 2019 – 2023**

| Crime Category                                           | April 2019<br>to<br>June 2019 | April 2020<br>to<br>June 2020 | April 2021<br>to<br>June 2021 | April 2022<br>to<br>June 2022 | April 2023<br>to<br>June 2023 | Comparison 2022/23 with<br>2023/24 |              |
|----------------------------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|------------------------------------|--------------|
|                                                          |                               |                               |                               |                               |                               | Case<br>Difference                 | % change     |
| <b>CONTACT CRIMES ( CRIMES AGAINST THE PERSON)</b>       |                               |                               |                               |                               |                               |                                    |              |
| Murder                                                   | 5 398                         | 3 466                         | 5 760                         | 6 424                         | 6 228                         | (196)                              | (3.1)        |
| Sexual Offences                                          | 12 094                        | 7 296                         | 12 702                        | 11 855                        | 11 616                        | (239)                              | (2.0)        |
| Attempted murder                                         | 4 575                         | 3 487                         | 5 145                         | 5 576                         | 5 969                         | 393                                | 7.0          |
| Assault with the intent to inflict grievous bodily harm  | 37 425                        | 22 064                        | 37 530                        | 34 635                        | 37 491                        | 2 856                              | 8.2          |
| Common assault                                           | 36 185                        | 25 995                        | 39 406                        | 38 627                        | 41 519                        | 2 892                              | 7.5          |
| Common robbery                                           | 12 885                        | 6 469                         | 10 701                        | 10 565                        | 11 404                        | 839                                | 7.9          |
| Robbery with aggravating circumstances                   | 35 705                        | 21 599                        | 33 876                        | 35 233                        | 35 579                        | 346                                | 1.0          |
| <b>Total Contact Crimes (Crimes Against the Person)</b>  | <b>144 267</b>                | <b>90 376</b>                 | <b>145 120</b>                | <b>142 915</b>                | <b>149 806</b>                | <b>6 891</b>                       | <b>4.8</b>   |
| <b>TOTAL SEXUAL OFFENCES</b>                             |                               |                               |                               |                               |                               |                                    |              |
| Rape                                                     | 9 737                         | 58 058                        | 10 006                        | 9 516                         | 9 252                         | (264)                              | (2.8)        |
| Sexual Assault                                           | 1 668                         | 1 070                         | 1 900                         | 1 707                         | 1 642                         | (65)                               | (3.8)        |
| Attempted Sexual Offences                                | 454                           | 271                           | 514                           | 416                           | 510                           | 94                                 | 22.6         |
| Contact Sexual Offences                                  | 235                           | 150                           | 282                           | 216                           | 212                           | (4)                                | (1.9)        |
| <b>Total Sexual Offences</b>                             | <b>12 094</b>                 | <b>59 549</b>                 | <b>12 702</b>                 | <b>11 855</b>                 | <b>11 616</b>                 | <b>(239)</b>                       | <b>(2.0)</b> |
| <b>SOME SUBCATEGORIES OF AGGRAVATED ROBBERY</b>          |                               |                               |                               |                               |                               |                                    |              |
| Carjacking                                               | 4 550                         | 2 677                         | 5 146                         | 5 866                         | 5 488                         | (378)                              | (6.4)        |
| Robbery at residential premises                          | 5 214                         | 4 006                         | 5 346                         | 5 370                         | 5 631                         | 261                                | 4.9          |
| Robbery at non-residential premises                      | 5 100                         | 3 341                         | 5 255                         | 5 281                         | 4 541                         | (740)                              | (14.0)       |
| Robbery of cash in transit                               | 38                            | 19                            | 46                            | 60                            | 60                            | -                                  | -            |
| Bank robbery                                             | -                             | -                             | 1                             | -                             | 1                             | 1                                  | -            |
| Truck hijacking                                          | 283                           | 198                           | 411                           | 508                           | 499                           | (9)                                | (1.8)        |
| <b>Total Aggravated Robbery</b>                          | <b>15 185</b>                 | <b>10 241</b>                 |                               | <b>17 085</b>                 | <b>16 220</b>                 | <b>(865)</b>                       | <b>58.4</b>  |
| <b>CONTACT-RELATED CRIMES</b>                            |                               |                               |                               |                               |                               |                                    |              |
| Arson                                                    | 943                           | 633                           | 978                           | 886                           | 796                           | (90)                               | (0.3)        |
| Malicious damage to property                             | 26 224                        | 18 558                        | 26 326                        | 26 375                        | 26 018                        | (357)                              | (0.9)        |
| <b>Total Contact-Related Crimes</b>                      | <b>27 167</b>                 | <b>19 191</b>                 | <b>27 304</b>                 | <b>27 261</b>                 | <b>26 814</b>                 | <b>(447)</b>                       | <b>(4.2)</b> |
| <b>PROPERTY RELATED CRIMES</b>                           |                               |                               |                               |                               |                               |                                    |              |
| Burglary at non-residential premises                     | 17 274                        | 18 840                        | 14 627                        | 14 677                        | 14 102                        | (575)                              | (3.9)        |
| Burglary at residential premises                         | 53 433                        | 37 128                        | 39 477                        | 39 638                        | 36 808                        | (2 830)                            | (7.1)        |
| Theft of motor vehicle and motorcycle                    | 11 835                        | 5 564                         | 9 433                         | 9 335                         | 9 081                         | (254)                              | (2.7)        |
| Theft out of or from motor vehicle                       | 31 467                        | 17 533                        | 21 310                        | 21 213                        | 20 940                        | (273)                              | (1.3)        |
| Stock-theft                                              | 7 813                         | 7 345                         | 6 757                         | 6 456                         | 6 281                         | (175)                              | (2.7)        |
| <b>Total Property-Related Crimes</b>                     | <b>121 822</b>                | <b>86 410</b>                 | <b>91 604</b>                 | <b>91 319</b>                 | <b>87 212</b>                 | <b>(4 107)</b>                     | <b>(4.5)</b> |
| <b>OTHER SERIOUS CRIMES</b>                              |                               |                               |                               |                               |                               |                                    |              |
| All theft not mentioned elsewhere                        | 71 704                        | 45 455                        | 60 056                        | 65 636                        | 64 549                        | (1 087)                            | (1.7)        |
| Commercial crime                                         | 21 316                        | 15 431                        | 24 030                        | 25 250                        | 29 753                        | 4 503                              | 17.8         |
| Shoplifting                                              | 15 747                        | 9 632                         | 11 281                        | 11 132                        | 13 234                        | 2 102                              | 18.9         |
| <b>Total Other Serious Crimes</b>                        | <b>108 767</b>                | <b>70 518</b>                 | <b>95 367</b>                 | <b>102 018</b>                | <b>107 536</b>                | <b>5 518</b>                       | <b>5.4</b>   |
| <b>Total 17 Community Reported Serious Crimes</b>        | <b>402 023</b>                | <b>266 495</b>                | <b>359 395</b>                | <b>363 513</b>                | <b>371 368</b>                | <b>7 855</b>                       | <b>2.2</b>   |
| <b>CRIME DETECTED AS A RESULT OF POLICE ACTION</b>       |                               |                               |                               |                               |                               |                                    |              |
| Illegal possession of firearms and ammunition            | 3 573                         | 2 747                         | 3 147                         | 3 597                         | 3 800                         | 203                                | 5.6          |
| Drug-related crime                                       | 39 964                        | 18 767                        | 31 648                        | 35 786                        | 41 587                        | 5 801                              | 16.2         |
| Driving under the influence of alcohol or drugs          | 21 853                        | 3 168                         | 10 964                        | 12 942                        | 13 948                        | 1 006                              | 7.8          |
| Sexual Offences detected as a result of police action    | 2 189                         | 411                           | 1 428                         | 1 897                         | 2 403                         | 506                                | 26.7         |
| <b>Total Crime Detected As A Result Of Police Action</b> | <b>67 579</b>                 | <b>25 093</b>                 | <b>47 187</b>                 | <b>54 222</b>                 | <b>61 738</b>                 | <b>7 516</b>                       | <b>13.9</b>  |

Source: South African Police Service, 2023

Table 2.3, shows crime levels and growth rates in South Africa. Contact crimes such as common assault and robbery with aggravating circumstances were the most prevalent crime categories at 41 519 in the first quarter of the 2023/24 financial year. This number was higher than the 38 627 recorded in 2022. The second highest prevalent crimes came from other serious categories at 107 536. Although there were crime categories with increased prevalence rates, there was also a decrease in the number of crime categories. For example, there was

a significant decline in burglary at residential premises cases and murder, which declined by 7.1 per cent and 3.1 per cent, respectively. Under some categories of aggregated robbery, burglary at non-residential premises and carjacking also experience a significant decline at 14 per cent and 6.4 per cent, respectively. Drug-related crime showed a massive increase of 16 per cent, from 35 786 cases reported between April and June 2022 to 41 587 cases reported between April and June 2023.

## 2.8 Access to basic services

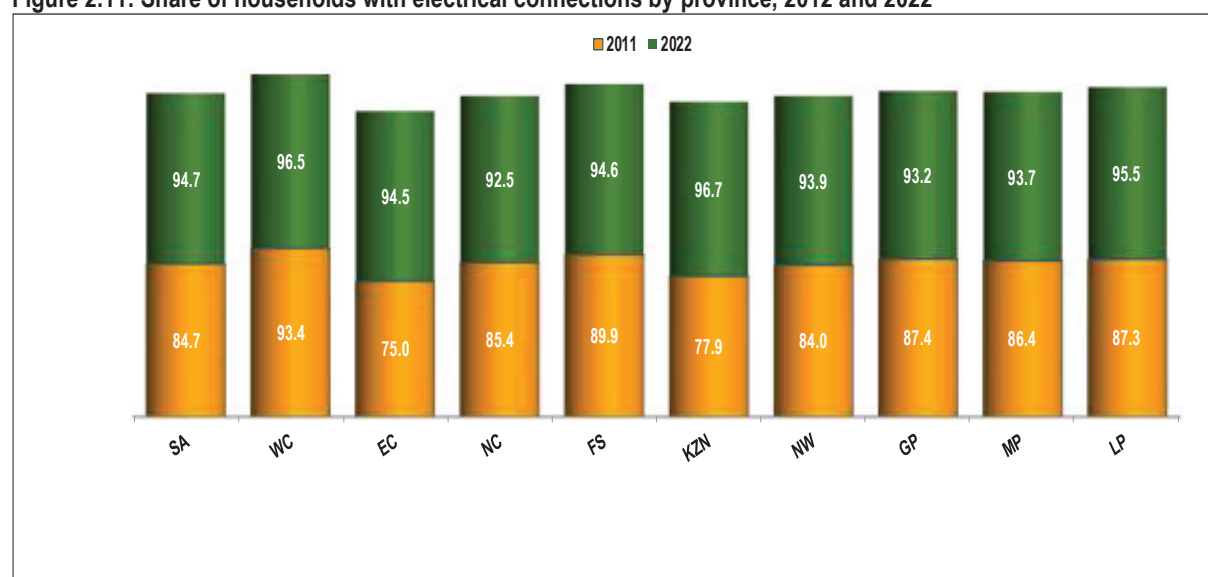
Access to basic services is a mandatory mandate for municipalities as per Chapter 7 of the South African Constitution, which states that municipalities should prioritise the provision of services to satisfy the basic needs of all citizens. These basic services include access to water and sanitation and electricity and gas supply, amongst others. Local government may outsource the provision of these services. However, it is the responsibility of the local government to ensure that these services are provided adequately.

### 2.8.1 Access to electricity

The share of households with electricity in SA increased from 84.7 per cent in 2011 to 94.7 per cent in 2022. The use of paraffin and candles as the main source for lighting massively declined from 28.8 per cent recorded in 1996 to 3.2 per cent in 2022 (Stats SA, 2023). KZN's share of electrical connections increased noticeably from 77.9 per cent in 2011 to 96.7 per cent in 2022. In 2022, all provinces had electrical connections above 90 per cent (Figure 2.11).

Contrary to the increased access to electricity, load shedding has negatively affected households and businesses. It also affects the most vulnerable members of society, including schoolchildren, those in the farming sector, the tourism industry, public hospitals, small business enterprises, and other essential sectors. The constant breakdowns of the power stations and the need to preserve emergency generation leading to increased stages of load shedding have also had a major constraint on heavy industrial users and the country's economic growth.

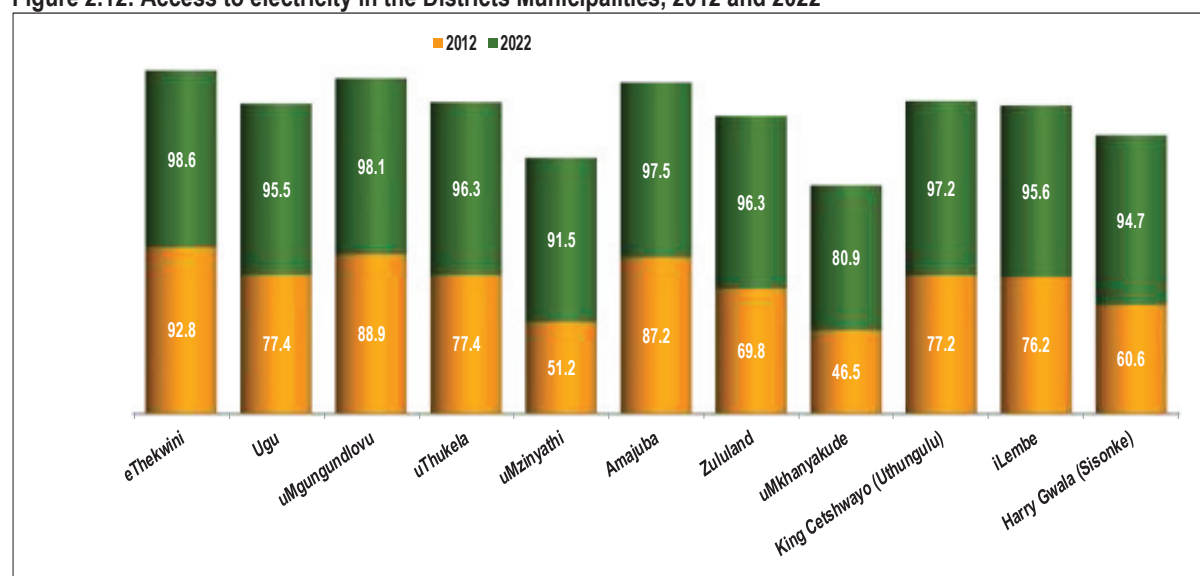
**Figure 2.11: Share of households with electrical connections by province, 2012 and 2022**



Source: Stats SA, 2023

In State of the Nation Address (SONA, 2023), the South African government announced practical measures to support businesses, especially in the food production, storage and retail supply chain, by providing them with generators, solar panels and uninterrupted power supply. The government also committed that critical infrastructure such as hospitals and water treatment plants may be exempted from power outages where technically possible. Moreover, the regulatory requirements that hinder the acceleration of energy projects was to be re-looked at while maintaining rigorous environmental protections, procurement principles and technical standards.

**Figure 2.12: Access to electricity in the Districts Municipalities, 2012 and 2022**



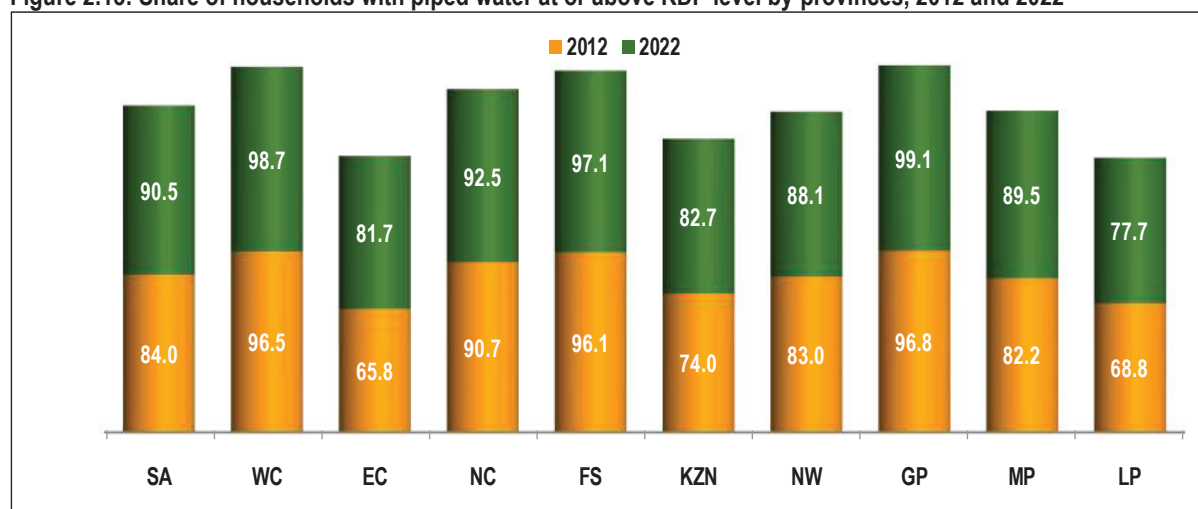
Source: S & P Global, 2023

In KZN, eThekweni had the highest percentage of households with electrical connections at 98.6 per cent, followed by uMgungundlovu at 98.1 per cent and Amajuba at 97.5 per cent (Figure 2.12). The upward trend in these percentages shows a significant improvement in the provision of access to electricity across the province. Notably, most of the districts' electric access is above 90 per cent except for uMkhanyakude, which shows a connection level of 80.9 per cent in 2022. Nevertheless, improving access to basic services is still a significant achievement compared to the 46.5 per cent recorded in 2012.

## 2.8.2 Access to water and sanitation

Water is one of the most essential natural resources. It is fundamental to life, the environment, food production, hygiene and power generation. National Treasury (2023) emphasises that the country's prosperity depends on the sound management and effective utilisation of its resources, with water occupying a central position among them. Proper access to water services directly benefits the nation by enhancing health, preventing healthcare expenses, and saving time. Poverty reduction and improved water management are intimately linked. Water-related diseases are among the most common causes of illness and death among children under five, affecting mainly the poor in developing countries. As shown in Figure 2.13, the EC had the second lowest proportion of households with access to piped water in 2022, followed by KZN at 81.7 and 82.7 per cent, respectively (Figure 2.13).

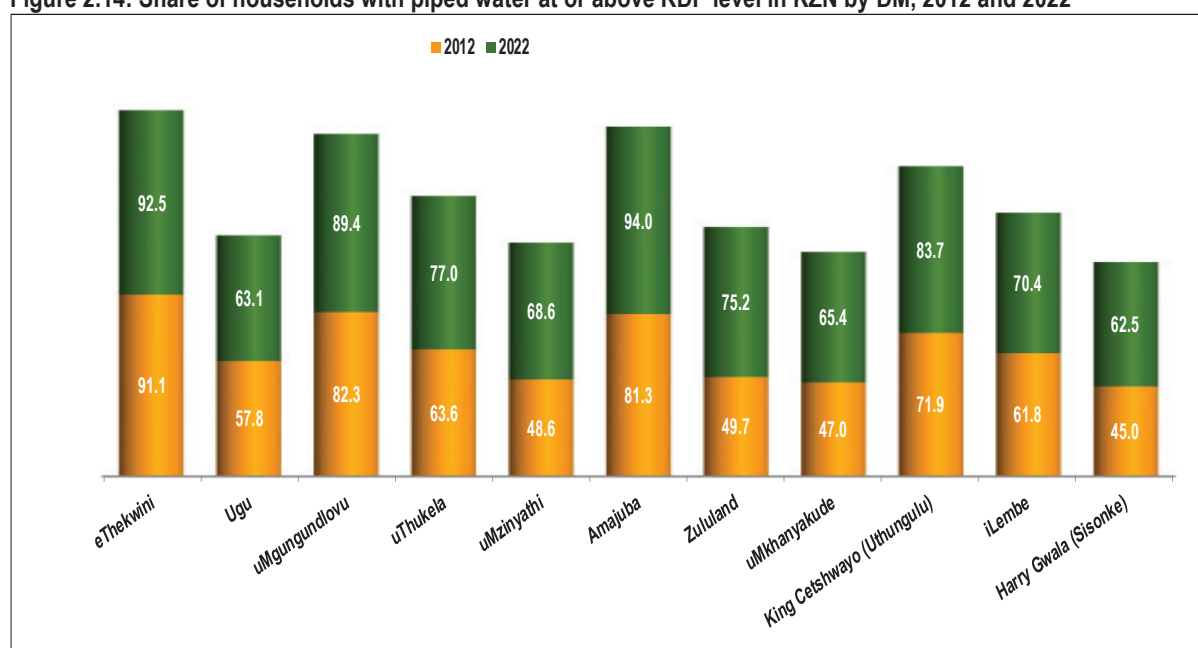
**Figure 2.13: Share of households with piped water at or above RDP level by provinces, 2012 and 2022**



Source: S & P Global, 2023

The districts that contributed to a share of the KZN provincial households with piped water in 2022 were eThekweni (92.5 per cent), Amajuba (94 per cent) and uMgungundlovu at 89.4 per cent (Figure 2.14). This achievement is significantly higher compared to 2002 when eThekweni had 91.1 per cent, Amajuba (81.3 per cent) and uMgungundlovu with 82.3 per cent. GP had the highest proportion of households with piped water at 99.1 per cent in 2022. However, a dysfunctional water treatment plant led to people consuming contaminated water, resulting in a cholera outbreak.

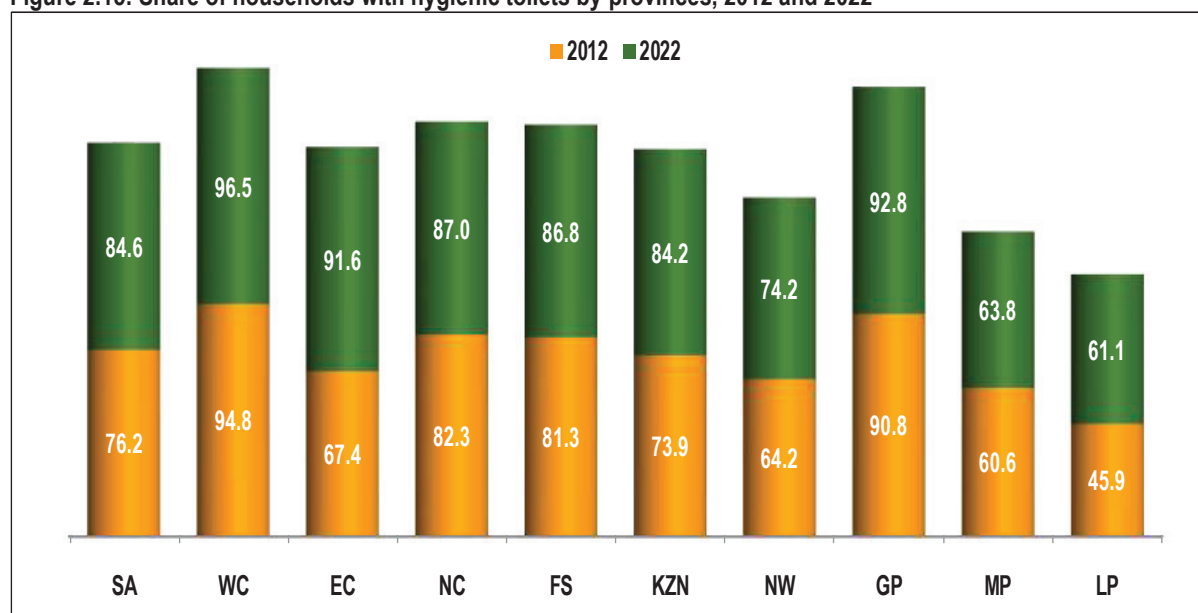
**Figure 2.14: Share of households with piped water at or above RDP level in KZN by DM, 2012 and 2022**



Source: S & P Global, 2023

Regarding the share of households with hygienic toilets, KZN showed a significant improvement from 73.9 per cent in 2012 to 84.2 per cent in 2022. However, this is still slightly below the national average of 84.6 per cent in 2022 (Figure 2.15).

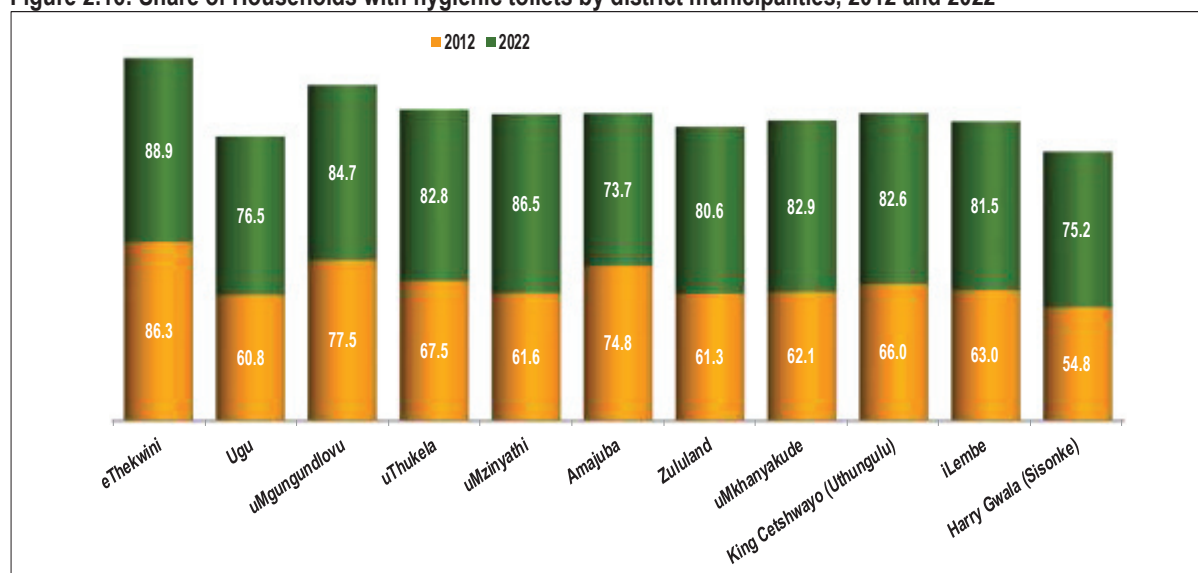
**Figure 2.15: Share of households with hygienic toilets by provinces, 2012 and 2022**



Source: S & P Global, 2023

In KZN, eThekweni Metro led the share of households with hygienic toilets at 88.9 per cent, increasing by 2.6 percentage points from 86.3 per cent recorded in 2012. Following behind the Metro were uMzinyathi and uMgungundlovu, with 86.5 per cent in 2022 from 61.6 per cent in 2012 and 84.7 per cent in 2022 from 77.5 per cent recorded in 2012, respectively (Figure 2.16). This shows that the government has been prioritising the provision of basic services in the districts.

**Figure 2.16: Share of Households with hygienic toilets by district municipalities, 2012 and 2022**



Source: S & P Global, 2023

## 2.9 Conclusion and recommendations

The ongoing uncertainties from the persistent power cuts, the growing economy, and the aftereffects of COVID-19 have driven reversals in human development in SA. Further, climate and ecological disasters discussed in Chapter

Three of this publication also threaten human development in many countries. SA is no exception, especially following the 2021 floods in KZN, which damaged many people's homes and social and economic infrastructure, distorting the region's development. Therefore, to achieve the goal of moving SA, in particular, KZN's HDI closer to 1 as per the PGDP goals, investing in economic infrastructure such as Spatial Economic Zones (SEZ) is critical.

Poverty is still a considerable concern to many South Africans as many households have fallen back or remained impoverished through inadequate access to clean water, proper healthcare facilities and household infrastructure. In this regard, KZN recorded a relatively higher percentage of people living below the food poverty line at 40.5 per cent, followed by EC at 40.2 per cent in 2022. Further, increased poverty levels contribute to the prevalence of criminal activities. Though KZN had a moderate improvement in the HDI of 0.62 in the same year, it is still below the national average of 0.65. Therefore, the government should continue investing in social and economic infrastructure projects to catalyse employment opportunities to benefit the youth and previously disadvantaged groups.

The Province experienced a decline of 3.6 percentage points in the number of households categorised as being lower-income earners from 28.4 per cent in 2012 to 24.8 per cent in 2022. However, it reported an improvement in the Gini coefficient from 0.63 in 2012 to 0.61 in 2021, which was on par with the national average. Nevertheless, this improvement still signals that the country and the Province remain characterised by significant inequalities. Therefore, in addressing this predicament, SA needs to review policies aimed at wealth redistribution and prioritise the focus and development of township and rural economies to address spatial inequality levels are critical. Further, fast-tracking the implementation of Operation Vula, Youth Fund and Zibambele programmes could fast-track employment creation and narrow the gap of inequality.

Stats SA (2023) revealed that in KZN, 55.4 per cent of households relied on social grants. In the 2023 SONA, the government committed to increasing the social relief grant to cushion the poor against the rising inflationary pressures. However, this percentage is concerning as it shows that more people depend on the government to meet basic needs. Therefore, the government should continue formulating strategic interventions to create employment opportunities. These interventions will also indirectly generate revenue through an increased tax base, assisting the already constrained fiscus.

The analysis of access to health care indicates that more than 78 per cent of households rely on public health care in KZN. However, the healthcare sector is under immense pressure due to scarce resources. The province has a shortage of key health professionals to adequately serve the rapidly increasing population. The KZN 2023/24 Annual Performance Plan (APP) for the Department of Health shows that the number of general practitioners remained low, with just under 4 000 professionals, while the nursing staff were just under 18 000, tasked to service 12.424 million people. Therefore, in order to work towards the Provincial Growth and Development Plan (PDGP) Goal 3 of supporting the constant improvement in the health and holistic growth and development of individuals and communities in KZN, the country should prioritise strategies, incentives and policies that will be more appealing to qualified doctors and nurses for them to have the appetite to provide their services in the country.

Moreover, the highest proportion of the population without medical aid is putting a severe financial strain on public healthcare services. In this regard, the government has proposed the enrolment of the NHI Bill. The Bill seeks to provide universal access to health care services in the country in accordance with the National Health Insurance

White Paper and the Constitution of South Africa. It further seeks to reduce inequality in the provision of health care services in the country. However, there are numerous concerns about the NHI bill emanating from the need for more autonomy as individuals will be compelled to contribute to the NHI fund.

Compulsory contribution to the NHI might induce people already on medical aid to abandon their current scheme to reduce costs. This would create job losses to individuals employed by that medical aid scheme, hence reducing the tax base and increasing unemployment. Despite its short comings the proposed NHI scheme shows a potentially positive impact on society, the government should also relook at the negative implications it might create before implementing it. The government should also note that in order to achieve the NHI's efficiency, a parallel reform process that leverages resources from both the public and private sectors is necessary.

The province has experienced tremendous improvements in service delivery as the share of electricity increased to 95 per cent in 2022 compared to 81.1 per cent in 2012. On the other hand, access in the percentage of households with piped water at or above the RDP level increased to 81.6 per cent in 2022 compared to 74 per cent in 2012. This shows that the Province is in line with the NDP plan of providing basic services that enable people to develop capabilities to take advantage of opportunities in the country. However, the high prevalence of crime activities in the province is concerning. This indicates that KZN should continue to prioritise community-focused crime prevention forums, where police, communities and businesses can participate to improve the general well-being of an area. Further visibility of the law in the hotspot areas is crucial to bring down the scourge of crime.



# Chapter Three: Education

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## 3.1 Introduction

The provision of quality education is essential for the enhancement of human capital, thus rendering a greater prospect for people to generate income. One of the Department of Education's (DoE's) strategic objectives is to extend a better quality of life to children of school-going age. According to Calman and Tass-Whelan (2005), investing in early education generates economic development for communities in the short-term in the form of jobs, the purchase of goods and services and a more efficient workforce. In the long-term, quality early education builds an employable and educated workforce.

Heckman, Pinto and Savelyev (2013) further state that the holistic development of young children (physical, socio-emotional, language and cognitive) plays a critical role in shaping their subsequent school attainment, performance, health, and future earnings as well as assists in discouraging antisocial behaviour. This is further supported by Georgieff (2007), Grantham et al. (2007), and Walker et al. (2007), who argue that critical brain development occurs during the early years and nutritional deficiencies during this time are associated with delayed cognitive ability and hence negatively affect school progress. These studies provide evidence that early childhood development gives a solid basic education foundation.

The COVID-19 affected the provision of quality basic education. The school closures caused by the pandemic exacerbated previously existing inequalities, and children who were already most at risk of being excluded from a quality education have been most affected. The pandemic fast-forwarded the transformation and strengthening of the education system through technology to complement skilled and well-supported educators. One of the upsides to the pandemic was that countries were compelled to rethink and reflect on the best actions to build a schooling system that integrated learners into an increasingly digital and technology-driven world. The inefficacy of the virtual intervention in the early grade reading study (EGRS)<sup>23</sup> I and II, which both commenced before 2020, may be attributed to the lack of skills in using technology in the education system.

The schools with no access to information and communication technology (ICT) for teaching and learning resorts to traditional teaching methods of reliance on the chalkboard and the textbook. This is currently not a realistic option following the national lockdown that closed schools during March 2020 as a result of the global outbreak of COVID-19. The digital divide was felt even before the COVID-19 pandemic struck, given that internet connection was limited to the administration blocks at schools and this meant that teachers and learners could not connect with peers or with educational portals and could not do research online. It also meant that teachers and learners could not learn how to access and use online teaching and learning nor to practice this and the result of all this is a deepening of the digital divide.

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<sup>23</sup> The Early Grade Reading Studies are a related series of large-scale evaluations being led by the South African Department of Basic Education in collaboration with academics at various universities and international donor organisations. The project aims to build evidence about what works to improve the learning and teaching of early grade reading in South African schools.

The importance of education is indicated in the DoE's strategic objectives and the South African Constitution. One of the DBE's strategic objectives is to extend a better quality of life to children of school-going-age 5 to 17 years. The school-age population is a sub-component which comprises 50 per cent of the education component (weighted 48 per cent) for the equitable share. Initially, the data used for this sub-component was sourced from Census 2011, but as the formula continue to be reviewed, this has since changed to the Stats SA's annual Mid-Year Population Estimates (MYPE). The decision to switch to the MYPE was primarily due to its annual update and thus avoided the shocks of adjusting the sub-components after a lag between Census updates. The process to replace the 2011 Census with the MYPE commenced in 2019/20.

Furthermore, education is enshrined in the South African Constitution as a fundamental human right. Section 29 (1) (a) of the Constitution states that "everyone has a right to a basic education", and section 29 (1) (b) asserts that "everyone has a right to further education", and the state must make such education "progressively available and accessible" (The Constitution of the Republic of South Africa, 1996). It is not surprising, therefore, that education continues to receive the largest allocation in the national and provincial budgets. Given its critical role in the country, this section analyses early childhood development (ECD), the learner-educator ratio, literacy rate and national senior certificate (NSC) results. The section also discusses basic education funding, school drop-out rate, learners' performance in reading and mathematics, and scholar transport.

### **3.2 School funding**

The resource allocation across economic and functional classification and the distribution of resources across households with different levels of income is important for public policy. This should ensure equity in the distribution of resources. For instance, inequality in access to education means that some children are not making the best use of their ability to acquire the necessary skills due to their family background and thus cannot fully realise their potential.

The South African government funds basic education through a pro-poor funding model. This means poor schools receive more funding from the government than well-resourced schools in general. The funding model creates five categories of schools referred to as quintiles. The five quintiles are based on the socio-economic status of the community in which the school is located. These quintiles determine how much government funding each school will be allocated. The lower quintiles (one to three) are declared no-fee schools and do not charge fees. As a result, these schools get a significant amount of the government's funding.

On the other hand, schools in quintiles four and five receive a smaller amount of funding from the government relative to those in quintiles 1-3 and are therefore allowed to charge school fees. For the 2022/23 financial year, the recommended national funding norm for quintiles one to three schools by the Department of Education was R1 602 per learner. However, no-fee schools in KZN had been funded at R955 per learner for more than five years, resulting in a shortfall of R647 per learner (DBE, 2022). This fixed amount does not consider the inflation rate, which compromises the quality of education due to the real decline in the allocation per learner. The report further shows that the fee-paying schools in quintiles four and five are funded at R522 and R179 per learner, respectively. This is in stark contrast to the recommended national norm of R803 and R277 for 2023/24 (Table 3.1).

**Table 3.1: Per learner funding allocation by provinces, 2015 and 2023**

|                               | 2015                                 |             |             | 2023                              |             |             |
|-------------------------------|--------------------------------------|-------------|-------------|-----------------------------------|-------------|-------------|
|                               | Quintiles 1 to 3 (No fee allocation) | Quintile 4  | Quintile 5  | Quintiles 1 to 3 (No fee schools) | Quintile 4  | Quintile 5  |
| <b>National target amount</b> | <b>R1116</b>                         | <b>R559</b> | <b>R193</b> | <b>R1 602</b>                     | <b>R803</b> | <b>R277</b> |
| Eastern Cape                  | R1059                                | R530        | R183        | R1 066                            | R534        | R185        |
| Free State                    | R1116                                | R559        | R240        | R1 602                            | R803        | R277        |
| Gauteng                       | R1116                                | R559        | R559        | R1 602                            | R803        | R803        |
| <b>KwaZulu-Natal</b>          | <b>R955</b>                          | <b>R522</b> | <b>R179</b> | <b>R955</b>                       | <b>R522</b> | <b>R179</b> |
| Limpopo                       | R646                                 | R320        | R130        | R1 602                            | R803        | R277        |
| Mpumalanga                    | R1116                                | R559        | R193        | R1 110                            | R606        | R293        |
| Northern Cape                 | R1070                                | R663        | R309        | R1 602                            | R803        | R277        |
| North- West                   | R1116                                | R605        | R193        | R1 602                            | R904        | R428        |
| Western Cape                  | R1116                                | R595        | R269        | R1 602                            | R1 323      | R444        |

Source: DBE, 2023

Notably, KZN is the only province that has kept its allocation fixed for this long period, from 2015 to 2023. Provinces such as the EC and MP opted to reduce the allocation per learner in 2021 due to fiscal pressure. However, the best-performing provinces in the NSC, such as the FS, WC and NW, increased the allocation per learner above the benchmark for all school quintiles while GP kept it at the recommended benchmark.

The community's socio-economic status affects performance in the different quintiles of schools. A Bachelor's pass allows a learner to apply for study at a university institution, while a Diploma pass qualifies one for a university of technology, where an individual can earn a credential of National Qualification Framework (NQF) level 7 or 6, respectively. Table 3.2 shows that learners from schools within quintiles one to three are less likely to qualify for tertiary education at these institutions than those in quintiles four and five. Given that approximately 75 per cent of South African learners are categorised as quintiles one to three, efforts to assist no-fee schools should be expanded further to continue to address the inequality in the provision of education needs. This can be done by the DBE reprioritising from within their allocation and relooking at the already existing programmes and their implementation.

**Table 3.2: NSC performance by type of qualification and quintile, 2022**

| Quintile        | Total wrote    | % Achieved Bachelor | % Achieved Diploma | % Bachelor and Diploma | % Achieved Higher Diploma |
|-----------------|----------------|---------------------|--------------------|------------------------|---------------------------|
| Quintile 1      | 160 232        | 33                  | 26.6               | 59.6                   | 16.7                      |
| Quintile 2      | 163 295        | 33.6                | 26.7               | 60.3                   | 16.8                      |
| Quintile 3      | 178 231        | 34.9                | 27.1               | 62                     | 16.1                      |
| Quintile 4      | 89 215         | 37.4                | 28.9               | 66.3                   | 14.7                      |
| Quintile 5      | 108 819        | 55.6                | 24.9               | 80.5                   | 9.3                       |
| Independent     | 25 354         | 59.2                | 23.2               | 82.4                   | 8.5                       |
| <b>National</b> | <b>725 146</b> | <b>38.4</b>         | <b>26.7</b>        | <b>65.1</b>            | <b>14.9</b>               |

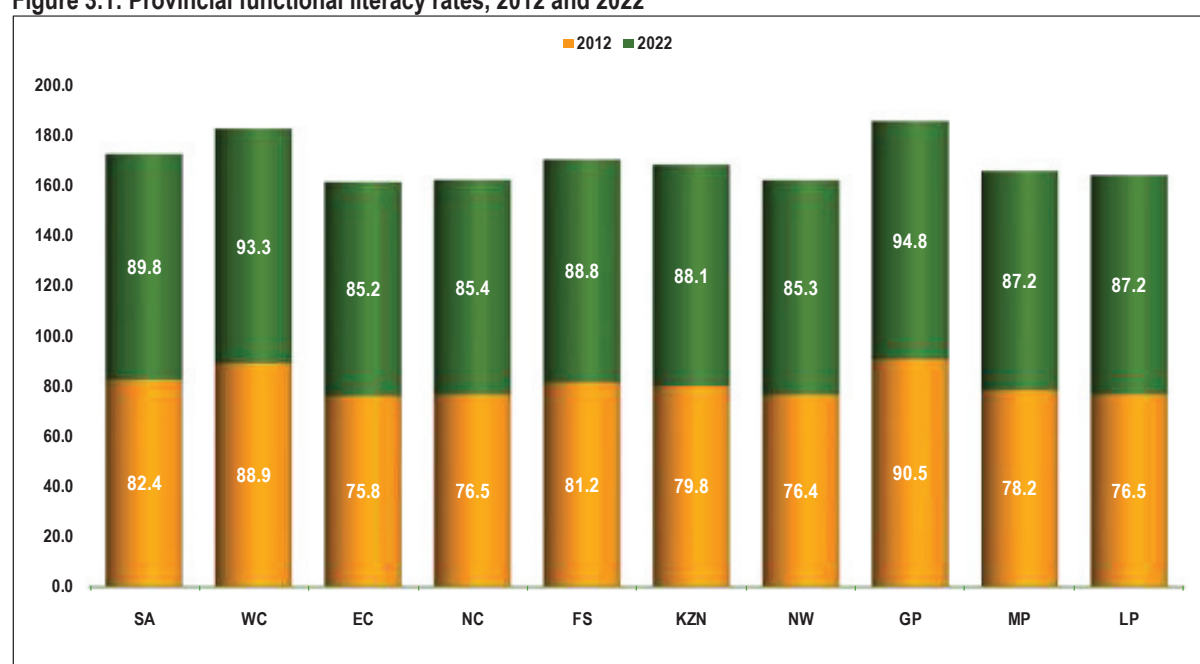
Source: Department of Basic Education, NSC examination, 2023

### 3.3 Literacy rate

Functional literacy confers human development benefits on individuals, communities and the nation. It also influences human capital and the ability of individuals, social institutions and countries to adapt and change along with technological and other developments in the global market. Moreover, literate people are less costly to train and tend to be more productive. Hence, they can obtain better employment and a higher economic status.

Figure 3.1 shows the functional literacy rate<sup>24</sup> in SA by provinces in 2012 and 2022. In KZN, the literacy rate increased sharply from 79.8 per cent in 2012 to 88.1 per cent in 2022. The KZN functional literacy is still almost 2 percentage points below the national average of 89.8 per cent. The WC and GP were the only two provinces with a functional literacy rate exceeding 90 per cent and surpassing the national average rate.

**Figure 3.1: Provincial functional literacy rates, 2012 and 2022**



Source: S&P Global, 2023

Table 3.3 represents the level of education in KZN in 2012 and 2022. The overall level of education has improved over the ten years. An estimated 4.6 per cent of people 20 years and older had not received any schooling in 2022, compared to 9.2 per cent in 2002. Approximately 37.3 per cent of KZN individuals aged 20 and over had matric in 2022, reflecting a 7.1 percentage points improvement from 30.2 per cent realised in 2012. However, only 11.4 per cent of the KZN population aged 20 and higher had higher qualifications than matric in 2022. The White population group with a higher than matric education increased slightly between 2012 and 2022, from 37.9 per cent to 38.9 per cent. The secondary and tertiary education developments reflect a more skilled, Economically Active Population (EAP). The accumulation of a skilled population is a positive achievement for the economy of KZN, considering that the unemployment rate amongst graduates is low compared to other levels of education as indicated in Chapter 7 of this publication.

<sup>24</sup> Functional literacy refers to the practical skillset needed to read, write, and do mathematics for real-life purposes so that people can function effectively in their community.

It is, however, still a concern that the African population still lags behind the other three racial groups with regard to the level of education. Government has made efforts over the years to ensure access to higher education by providing the National Students Financial Aid Scheme (NSFAS) to students attending Technical Vocational Education and Training (TVET) colleges and university level education. This intervention gives rise to opportunities for those who could not attend higher education due to lack of funds, particularly those in rural areas.

**Table 3.3: KZN's levels of education (percentages) for individuals aged 20 and over, 2012 and 2022**

|                              | 2012    |       |          |       |       | 2022    |       |          |       |       |
|------------------------------|---------|-------|----------|-------|-------|---------|-------|----------|-------|-------|
|                              | African | White | Coloured | Asian | Total | African | White | Coloured | Asian | Total |
| No schooling                 | 10.9    | 0.5   | 1.8      | 2.7   | 9.2   | 5.4     | 0.3   | 0.9      | 0.7   | 4.6   |
| Grade 0-6                    | 15.1    | 1.3   | 5.3      | 7.8   | 13.3  | 9.7     | 0.6   | 3.0      | 3.8   | 8.6   |
| Grade 7-11                   | 39.5    | 17.9  | 39.8     | 32.2  | 37.4  | 40.3    | 15.3  | 36.8     | 28.1  | 37.9  |
| Cert/ diploma without matric | 0.4     | 1.8   | 0.8      | 0.6   | 0.5   | 0.2     | 0.6   | 0.7      | 0.1   | 0.2   |
| Matric only                  | 27.7    | 40.7  | 38.7     | 42.5  | 30.2  | 36.0    | 44.3  | 39.5     | 46.1  | 37.3  |
| Higher                       | 6.4     | 37.9  | 13.6     | 14.4  | 9.3   | 8.5     | 38.9  | 19.0     | 21.3  | 11.4  |
| Total                        | 100.0   | 100.0 | 100.0    | 100.0 | 100.0 | 100.0   | 100.0 | 100.0    | 100.0 | 100.0 |

Source: S&P Global, 2023

### 3.4 School and educator: learner ratio<sup>25</sup>

Educators are an essential part of the educational system as they have a vital and decisive role in the quality of education and how well learners perform. Therefore, it is necessary to examine the factors that affect educators' quality and effectiveness in imparting knowledge to learners and how they impact learners' academic achievements. A high learner-educator ratio is one of the challenges facing learners and educators, more especially in the public education system. This hypothesis is supported by empirical evidence from Cortes, Moussa and Winstein (2012), who found that class size affects learners' performance due to misbehaviour and other disciplinary problems in large classes.

A sizeable amount of literature has shown that smaller classes allow teachers to focus more on the needs of individual learners and reduce the amount of class time needed to deal with disruptions. As a result, they contribute to a better learning environment and improved working conditions for educators. The ratio of learners to educators is also an essential indicator of the resources devoted to education. Along with learners' total instruction time, educators' average working time, and the division of educators' time between teaching and other duties, class size and learner-educator ratios are determinants of countries' teaching force (OECD, 2021).

The effectiveness of the LER indicator is further indicated in studies by Mtika (2010) and Shah and Inamullah (2012), who argue that small classrooms enable effective teaching and learning. Furthermore, Monyatsi (2016) maintained that parental involvement, medium of instruction, teaching, and learning materials contribute to the learner's academic performance. The author also identified infrastructure, the learner-educator ratio, school

<sup>25</sup> The learner-to-educator ratio (LER) is the average number of learners per educator at a specific level of education, or in a particular type of school, in a given school year.

libraries, motivation of teachers, qualification, and learners' discipline as critical in improving quality educational outcomes.

The problem of overcrowded classrooms was rife during the apartheid era, affecting primarily black schools. After the first democratic elections in 1994, the Post-Provisioning Norm (PPN)<sup>26</sup> policy was implemented to reduce over-crowding by lowering learner-educator ratios (LER) in all South African schools. The LER is one of the most common indicators used in planning for the number of educators required in order to arrive at an ideal maximum class size of one educator per thirty learners. It is critical to gauge the level of human resource input (educators) required to achieve the ideal maximum class size. A low number of learners per educator indicates learners will have a better chance of contact with the educators and, hence, a better teaching and learning process.

Table 3.4 shows the number of learners, educators, and schools in KZN in 2017 and 2022. A comparison of the period under review indicates a slight increase of 0.7 per cent in the number of learners in KZN, from 2.863 million in 2017 to 2.883 million in 2022. However, the number of schools dropped moderately by 1.3 per cent from 6 099 to 6 021 over the same period. On the other hand, the number of educators increased by 2 310 or 2.5 per cent, from 93 340 to 95 650. Subsequently, the LER dropped slightly from 30.7 to 30.1, and the LSR increased marginally from 469 to 479 over the same period. There were mixed changes in the LER, with some provinces' ratios increasing while others decreased.

Meanwhile, all nine provinces recorded an increase in the LSR. The EC and the KZN had the lowest number of LSR in comparison to other provinces. In 2017, 22.2 per cent of the learners in SA were in KZN. The proportion dropped to 21.5 per cent in 2022. GP had 2.611 number of learners and 93 453 number of schools which are both slightly lower than that of KZN. However, the number of schools in KZN (6021 schools) are almost double those of GP (2991 schools), thus resulting in almost double the LSR in GP.

**Table 3.4: Learner-educator ratio (LER) and learner-school ratio (LSR) by provinces, 2017 and 2022**

|               | 2017               |                     |                     |                   |      |     | 2022               |                     |                     |                   |      |     |
|---------------|--------------------|---------------------|---------------------|-------------------|------|-----|--------------------|---------------------|---------------------|-------------------|------|-----|
|               | Number of Learners | National Proportion | Number of Educators | Number of Schools | LER  | LSR | Number of Learners | National Proportion | Number of Educators | Number of Schools | LER  | LSR |
| South Africa  | 12 892 273         | 100                 | 433 320             | 25 604            | 29.8 | 504 | 13 419 971         | 100                 | 450 993             | 24 871            | 29.8 | 540 |
| Eastern Cape  | 1 795 563          | 13.9                | 63 459              | 5 569             | 28.3 | 322 | 1 826 150          | 13.6                | 61 404              | 5 311             | 29.7 | 344 |
| Free State    | 701 487            | 5.4                 | 23 590              | 1 255             | 29.7 | 559 | 728 844            | 5.4                 | 24 343              | 1 029             | 29.9 | 708 |
| Gauteng       | 2 413 225          | 18.7                | 88 599              | 2 909             | 27.2 | 830 | 2 611 641          | 19.5                | 93 453              | 2 991             | 27.9 | 873 |
| KwaZulu-Natal | 2 863 316          | 22.2                | 93 340              | 6 099             | 30.7 | 469 | 2 883 354          | 21.5                | 95 650              | 6 021             | 30.1 | 479 |
| Limpopo       | 1 776 467          | 13.8                | 53 736              | 4 025             | 33.1 | 441 | 1 798 646          | 13.4                | 54 592              | 3 847             | 32.9 | 468 |
| Mpumalanga    | 1 096 428          | 8.5                 | 34 546              | 1 836             | 31.7 | 597 | 1 145 287          | 8.5                 | 37 579              | 1 784             | 30.5 | 642 |
| Northern Cape | 292 377            | 2.3                 | 10 233              | 579               | 28.6 | 505 | 306 056            | 2.3                 | 10 667              | 586               | 28.7 | 522 |
| North West    | 825 776            | 6.4                 | 28 232              | 1 556             | 29.2 | 531 | 875 095            | 6.5                 | 28 923              | 1 548             | 30.3 | 565 |
| Western Cape  | 1 127 634          | 8.7                 | 37 585              | 1 776             | 30.0 | 635 | 1 244 898          | 9.3                 | 44 382              | 1 754             | 28.0 | 710 |

Source: Department of Basic Education, 2023

Table 3.5 shows the number of learners and educators as well as corresponding LER by district municipalities in 2022. In 2022, out of 2.883 million learners in KZN, 61.1 per cent are based in rural areas, 31.1 per cent are in

<sup>26</sup> The PPN refers to the total number of state-paid educator posts allocated to institutions regardless of their post level. If a school's staff establishment is above the declared PPN for the year, that school must declare those posts above the PPN as 'surplus'. Educators who are deemed 'surplus' are redeployed through compulsory temporary transfers (CTTs) to schools where vacancies exist

urban areas and 7.9 per cent are not classified. Almost similar trend was realised with regard to the number of educators at 60 per cent, 31.5 per cent and 8.5 per cent, respectively. Subsequently, the LER for rural, urban and unclassified were 30.1 per cent, 29.1 per cent and 27.5 per cent, respectively in 2022. Only Amajuba, Harry Gwala and uMgungundlovu districts had LER of 30 or a smaller number of learners per educator for all three categories. In addition to the districts listed, King Cetshwayo, Ugu and uMgungundlovu had LERs less than 30 in rural areas in comparison to Umlazi for urban schools. The LER indicated in red implies that more educators are needed in those districts in order to reduce LER. This is worse in uMkhanyakude district which had LER of 32. The district with the highest LER in the urban areas is Ugu (35.5) followed by iLembe and Zululand both at 33.6 as well as uMkhanyakude at 31.5. About 3 664 learners and 179 educators were not classified as either rural or urban school in the list resulting in LER of 20.5.

**Table 3.5: Learner-educator ratio by district municipalities, 2022**

|                     | Number of Learners | Number of Learners |         |              | Number of Schools | Number of Educators |        |              | Learner Educator Ratio |       |       |              |
|---------------------|--------------------|--------------------|---------|--------------|-------------------|---------------------|--------|--------------|------------------------|-------|-------|--------------|
|                     |                    | Rural              | Urban   | Unclassified |                   | Rural               | Urban  | Unclassified | LER                    | Rural | Urban | Unclassified |
| KwaZulu Natal       | 2 883 808          | 1 760 800          | 895 840 | 227 168      | 97 573            | 58 547              | 30 769 | 8 257        | 29.6                   | 30.1  | 29.1  | 27.5         |
| Amajuba             | 141 990            | 65 474             | 62 897  | 13 619       | 4 831             | 2 190               | 2 213  | 428          | 29.4                   | 29.9  | 28.4  | 31.8         |
| Harry Gwala         | 146 476            | 87 207             | 44 177  | 15 092       | 5 023             | 3 039               | 1 475  | 509          | 29.2                   | 28.7  | 30.0  | 29.7         |
| iLembe              | 180 849            | 131 149            | 41 667  | 8 033        | 5 808             | 4 265               | 1 239  | 304          | 31.1                   | 30.8  | 33.6  | 26.4         |
| King Cetshwayo      | 287 186            | 231 331            | 36 191  | 19 664       | 10 073            | 8 101               | 1 177  | 795          | 28.5                   | 28.6  | 30.7  | 24.7         |
| Pinetown            | 378 331            | 90 032             | 255 238 | 33 061       | 12 444            | 2 848               | 8 398  | 1 198        | 30.4                   | 31.6  | 30.4  | 27.6         |
| Ugu                 | 210 540            | 197 265            | 4 262   | 9 013        | 7 074             | 6 607               | 120    | 347          | 29.8                   | 29.9  | 35.5  | 26.0         |
| uMgungundlovu       | 241 805            | 126 592            | 101 788 | 13 425       | 8 713             | 4 440               | 3 736  | 537          | 27.8                   | 28.5  | 27.2  | 25.0         |
| uMkhanyakude        | 244 910            | 216 338            | 5 788   | 22 784       | 7 648             | 6 725               | 184    | 739          | 32.0                   | 32.2  | 31.5  | 30.8         |
| Umlazi              | 368 524            | 58 042             | 281 712 | 28 770       | 13 145            | 1 761               | 10 256 | 1 128        | 28.0                   | 33.0  | 27.5  | 25.5         |
| uMzinyathi          | 187 062            | 158 188            | 6 672   | 22 202       | 6 201             | 5 240               | 216    | 745          | 30.2                   | 30.2  | 30.9  | 29.8         |
| Uthukela            | 211 647            | 160 459            | 35 552  | 15 636       | 6 868             | 5 151               | 1 163  | 554          | 30.8                   | 31.2  | 30.6  | 28.2         |
| Zululand            | 280 824            | 238 723            | 19 896  | 22 205       | 9 566             | 8 180               | 592    | 794          | 29.4                   | 29.2  | 33.6  | 28.0         |
| Other (Unallocated) | 3 664              |                    |         | 3 664        | 179               |                     |        | 179          | 20.5                   |       |       | 20.5         |

Source: Department of Basic Education, 2023

Table 3.6 shows the number of learners and schools as well as LSR by district municipalities in 2022. In KZN, the number of schools were 6 064 in 2022 which resulted in the LSR of 476 which was lower than the national average of 540. Out of 12 basic education districts, Amajuba (614.7), Pinetown (713.8), Umlazi (719.4) had LSR higher than both KZN and the national average in 2022.

**Table 3.6: Learner to school ratio by district municipalities, 2022**

|                     | Number of Learners | Number of Learners |         |              | Number of Schools | Number of Schools |       |              | Learner School Ratio |       |        |              |
|---------------------|--------------------|--------------------|---------|--------------|-------------------|-------------------|-------|--------------|----------------------|-------|--------|--------------|
|                     |                    | Rural              | Urban   | Unclassified |                   | Rural             | Urban | Unclassified | LSR                  | Rural | Urban  | Unclassified |
| KwaZulu Natal       | 2 883 808          | 1 760 800          | 895 840 | 227 168      | 6 064             | 4 295             | 1 141 | 628          | 475.6                | 410.0 | 785.1  | 361.7        |
| Amajuba             | 141 990            | 65 474             | 62 897  | 13 619       | 231               | 124               | 78    | 29           | 614.7                | 528.0 | 806.4  | 469.6        |
| Harry Gwala         | 146 476            | 87 207             | 44 177  | 15 092       | 434               | 299               | 101   | 34           | 337.5                | 291.7 | 437.4  | 443.9        |
| iLembe              | 180 849            | 131 149            | 41 667  | 8 033        | 419               | 356               | 38    | 25           | 431.6                | 368.4 | 1096.5 | 321.3        |
| King Cetshwayo      | 287 186            | 231 331            | 36 191  | 19 664       | 665               | 571               | 35    | 59           | 431.9                | 405.1 | 1034.0 | 333.3        |
| Pinetown            | 378 331            | 90 032             | 255 238 | 33 061       | 530               | 151               | 323   | 56           | 713.8                | 596.2 | 790.2  | 590.4        |
| Ugu                 | 210 540            | 197 265            | 4 262   | 9 013        | 469               | 433               | 5     | 31           | 448.9                | 455.6 | 852.4  | 290.7        |
| uMgungundlovu       | 241 805            | 126 592            | 101 788 | 13 425       | 531               | 349               | 120   | 62           | 455.4                | 362.7 | 848.2  | 216.5        |
| uMkhanyakude        | 244 910            | 216 338            | 5 788   | 22 784       | 545               | 486               | 6     | 53           | 449.4                | 445.1 | 964.7  | 429.9        |
| Umlazi              | 368 524            | 58 042             | 281 712 | 28 770       | 512               | 88                | 361   | 63           | 719.8                | 659.6 | 780.4  | 456.7        |
| uMzinyathi          | 187 062            | 158 188            | 6 672   | 22 202       | 503               | 414               | 8     | 81           | 371.9                | 382.1 | 834.0  | 274.1        |
| Uthukela            | 211 647            | 160 459            | 35 552  | 15 636       | 455               | 363               | 46    | 46           | 465.2                | 442.0 | 772.9  | 339.9        |
| Zululand            | 280 824            | 238 723            | 19 896  | 22 205       | 754               | 661               | 20    | 73           | 372.4                | 361.2 | 994.8  | 304.2        |
| Other (Unallocated) | 3 664              |                    |         | 3 664        | 16                |                   |       | 16           | 229.0                |       |        | 229.0        |

Source: Department of Basic Education, 2023

### 3.5 Early Childhood Development (ECD), reading and mathematics

It has been demonstrated that children's literacy levels can predict high school completion and post-secondary participation. Research has revealed that returns on investment in education are highest from the early years of school when children are first learning to read (Anderson et al, 1985,1). According to Reschly (2009), data indicate that intensive early interventions positively affect students' reading skills, resulting in, amongst others, higher rates of high school completion.

The National Integrated Early Childhood Development Policy, hereafter the Policy, was approved by Cabinet on the 9th of December 2015. The policy is an overarching framework of ECD services at national, provincial and local government levels. It defines a comprehensive ECD programme and support, including the identification of essential components, role players and their responsibilities as well as establishing national integrated ECD leadership and coordinating structure. According to the Policy, ECD covers the period from conception until the year before children enter formal school, or in the case of children with developmental difficulties and disabilities, until the year before the calendar year they turn seven.

The Policy identifies opportunities for learning as falling within the essential components of ECD services. The continuum of services the government has committed to providing under this component is set out in paragraph 5.3.3 of the Policy. The National integrated early Learning and Development Standards (NELDS), and the South African National Curriculum Framework for Children from Birth to Four (NCF) provide guidance for this component (The National Integrated Early Childhood Development Policy, 2015,). Paragraph 10.2 states the categories of ECD workers. Of particular relevance to the topic is the government's commitment to the provision of appropriately qualified and/or trained 'child-minders for children under the age of 2 years to be funded by the local municipalities (where they are accredited and registered)'.

The function of ECD was handed over to the DBE from the Department of Social Development (DSD) in 2022. According to President Cyril Ramaphosa, the rationale for this inter-departmental move of function was to ensure that children had access to two years of compulsory ECD before starting primary school, with the hope that it would improve reading comprehension in the early years of schooling. The move demonstrated the government's commitment to ECD, which it has prioritised in the National Development Plan 2030 (NDP). A solid foundation in ECD can yield long-term results in which can be reflected in the improved matric pass rate, currently used as a proxy for school performance.

Table 3.7 shows the distribution of the population aged 0-4 years attending an ECD programme in 2022. At 56.7 per cent, the Northern Cape (NC) had the highest incidence of children aged 0-4 years not attending any ECD programme, followed by the North West (NW) (52.4 per cent), the Eastern Cape (EC) (43.9 per cent), and KZN (43.3 per cent). On the opposite end of the spectrum were the WC and GP, at 30.4 per cent and 33.6 per cent respectively. The WC and GP also had the highest rate of the population attending a crèche/edu-care centre (44.1 per cent). 11.6 per cent of the KZN population aged 0-4 years had a day mother/gogo/childminder. This was 1.6 percentage points higher than the national average of 10 per cent.

**Table 3.7: Distribution of the population aged 0-4 years attending an ECD programme by province, 2022**

|                      | Total population aged 0-4 years | Percentage of 0 - 4 years attending an ECD programme |                                                          |                               |                            |            |             |
|----------------------|---------------------------------|------------------------------------------------------|----------------------------------------------------------|-------------------------------|----------------------------|------------|-------------|
|                      |                                 | Creche/ educare centre                               | Pre-school/ nursery school/ Grade 00/ Grade 000/ Grade R | Day mother/ gogo/ childminder | Home/ community play group | Other      | None        |
| Western Cape         | 568 179                         | 44.1                                                 | 6.0                                                      | 10.0                          | 8.8                        | 0.7        | 30.4        |
| Eastern Cape         | 710 732                         | 34.0                                                 | 9.0                                                      | 8.2                           | 4.3                        | 0.6        | 43.9        |
| Northern Cape        | 127 472                         | 27.4                                                 | 3.9                                                      | 5.5                           | 6.0                        | 0.5        | 56.7        |
| Free State           | 258 774                         | 44.1                                                 | 5.8                                                      | 9.2                           | 5.9                        | 0.6        | 34.3        |
| <b>KwaZulu-Natal</b> | <b>1 122 472</b>                | <b>30.7</b>                                          | <b>7.8</b>                                               | <b>11.6</b>                   | <b>5.9</b>                 | <b>0.8</b> | <b>43.3</b> |
| North West           | 385 234                         | 28.0                                                 | 6.2                                                      | 7.8                           | 5.1                        | 0.5        | 52.4        |
| Gauteng              | 1 240 286                       | 40.8                                                 | 7.1                                                      | 11.0                          | 6.7                        | 0.8        | 33.6        |
| Mpumalanga           | 533 407                         | 31.6                                                 | 6.9                                                      | 10.9                          | 7.3                        | 0.7        | 42.6        |
| Limpopo              | 740 602                         | 37.8                                                 | 8.6                                                      | 9.4                           | 4.8                        | 0.8        | 38.7        |
| <b>South Africa</b>  | <b>5 687 159</b>                | <b>36.0</b>                                          | <b>7.3</b>                                               | <b>10.0</b>                   | <b>6.1</b>                 | <b>0.7</b> | <b>39.8</b> |

Source: Stats SA, 2023

Since 2011, the DBE has commissioned national studies investigating whether the country was on track to meet the Sustainable Development Goal (SDG) number 4, which focuses on inclusive and equitable quality education and promoting lifelong learning opportunities for all. The first and most extensive study in the country at the time on EGRS was carried out in no-fee schools in the North West (NW) between 2015 and 2018. The study included various interventions to discover what teaching methodologies worked to help learners from grades 1 to 3 read for meaning in their native language (Setswana).

Most of these students experience a transition in the language of instruction in the fourth grade. Hence, to facilitate the shift for both learners and educators, the second EGRS, in Mpumalanga (MP), focussed primarily on strengthening the teaching of English as a First Additional Language (FAL) from grades 1 to 4. A similar study to the EGRS II, dubbed the Reading Catch-Up Programme (RCUP), was conducted in KZN, Pinetown District. Two key lessons were gained through this experiment. Firstly, the language foundation of most learners was too low to benefit from an additional support programme and pointed to the need for interventions prior to Grade 4. Secondly, the duration of coaching was too short to effect real change (DBE, 2022).

In addition to government efforts to improve educational outcomes, the National Development Plan (NDP) advocates for increased stakeholder collaboration. Many organisations within the civil sector responded positively, particularly on improved literacy in native languages in the ECD and Foundation phases. These organisations include but are not limited to ZenLit Project, Room-to-Read, National Collaboration Education Trust (NCET), Nal'ibali, and The Programme to Improve Learning Outcomes (PILO).

### **ZenLit Project**

The ZenLit Project was a literacy project carried out by the Zenex Foundation with the help of relevant partners in participating provinces. It was rolled out from 2014 to 2017 in 21 schools in the Eastern Cape (EC), KZN and Western Cape (WC). The project was a development intervention to assist teachers in the Foundation Phase with Home Language and First Additional Language (FAL) literacy teaching.

### ***Room-to-Read***

Room-to-Read is a non-profit organisation (NPO) for children's literacy and girls' education across Africa and Asia. The organisation introduced a Literacy Programme in SA in 2006. The main purpose of the programme was home- language classroom instruction, with a focus on teacher training and reading materials. In 2017, they collaborated with the World Bank to publish 120 original storybooks in six indigenous languages. They also trained local publishers on best practices and provided guidelines for creating quality storybooks, so that indigenous language storybooks could continue to be created in the future. Room-to-Read is an implementing partner of the DBE's One Thousand Libraries campaign.

### ***National Collaboration Education Trust***

The National Collaboration Education Trust (NCET) was formed in 2013 and has the full support of the DBE. It is an organisation in civil society with the objective of helping the government to achieve the education targets set out in the NDP. District-based improvement programmes are the main form of intervention carried out by the NECT. In KZN, it has been operating in King Cetshwayo and Pinetown Districts since 2014. The website provides resources to build the curriculum management and delivery capacity of teachers in Mathematics, Science and Languages. It also has learning materials for parents.

### ***Nal'ibali***

Nal'ibali is a national reading-for-enjoyment campaign that aims to cultivate a reading culture in children from birth to age 12. Nal'ibali promotes the use of home languages, with the belief that it is the first language that children connect with and with which they make sense of the world around them. They have free online training courses on establishing reading clubs, reading stories aloud to children and activations in communities.

### ***Programme to Improve Learning Outcomes (PILO)***

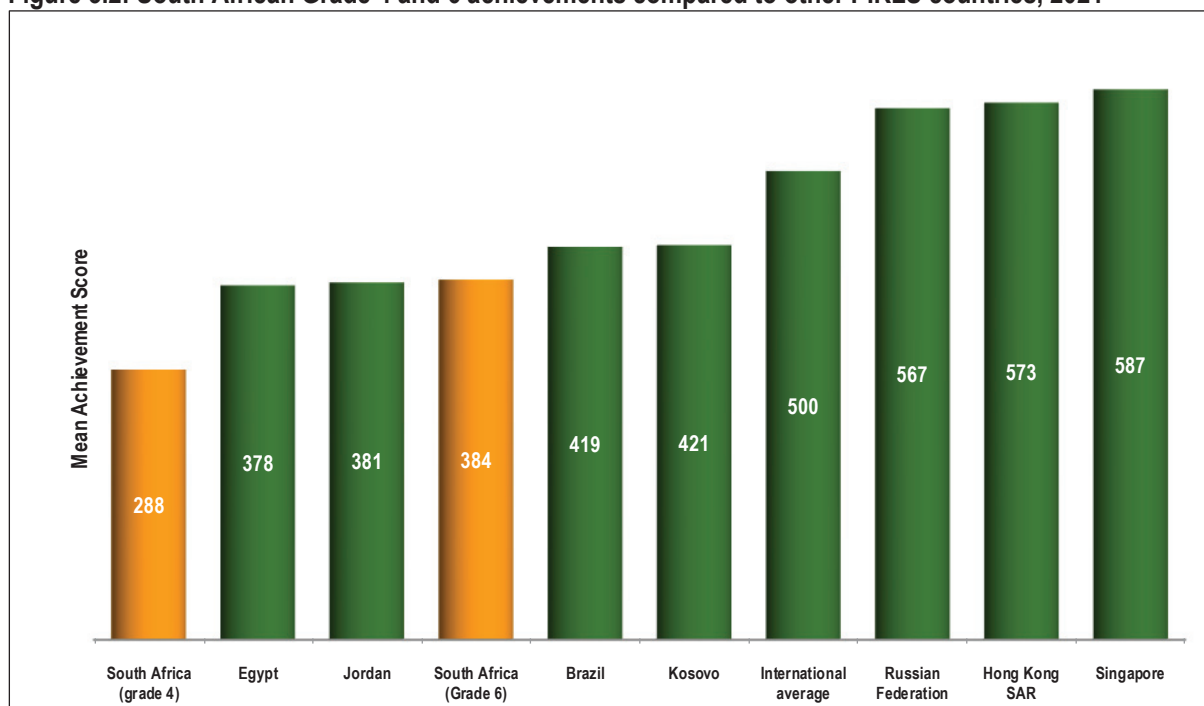
The PILO works with the national and provincial DBE to design, test and implement change programmes to improve learner outcomes. In 2020, PILO was contracted by the United Nations Children's Fund (UNICEF) to co-develop a framework for enhancing the implementation of the National Curriculum with the DBE. PILO has had a presence in KZN since 2013. Along with the KZN DBE and South African Democratic Teachers Union (SADTU), PILO developed the Jika iMfundo campaign to test its theory of change at scale. Changes from the programme are meant to be carried out within the existing resources and structures of the DBE. However, external partners such as National Education Collaboration Trust (NECT) bear the costs of introduction and consolidation of the programme. The KZN campaign had the highest initial costs, as the province required 'proof of concept'. Hence, PILO trainers and coaches supported the schools directly. The campaign was piloted in Pinetown and King Cetshwayo. In 2018, it was introduced to 4 new districts. The programme's final phase, embedding, ran from 2020 to 2023. This was to ensure that the Province could sustain the introduced changes within all 12 districts.

Moreover, SA has participated in several cross-national assessments of educational outcomes to see the progress in reading and mathematics scores across all provinces. These assessments include the Southern and Eastern

Africa Consortium for Monitoring Educational Quality (SEACMEQ)<sup>27</sup>, the Trends in Mathematics and Science Studies (TIMSS)<sup>28</sup> and the Progress in International Reading Literacy Study (PIRLS)<sup>29</sup>. The results of the SACMEQ studies have been held in very high esteem in SA to monitor the education system's state and inform policy decisions. SACMEQ scores serve as pointers to achieving specific milestones and feature prominently in the NDP.

The results of the latest PIRLS were announced by the Department of Basic Education (DBE) in May 2023. The report found that 81 per cent of grade 4 learners in SA cannot read for meaning. This goes as far back as 2016 when the percentage was 78. Children from schools where the medium of instruction was not English or Afrikaans performed especially poorly in the study. These findings are indicative of a lack of structural support for schools that teach in native languages.

**Figure 3.2: South African Grade 4 and 6 achievements compared to other PIRLS countries, 2021**



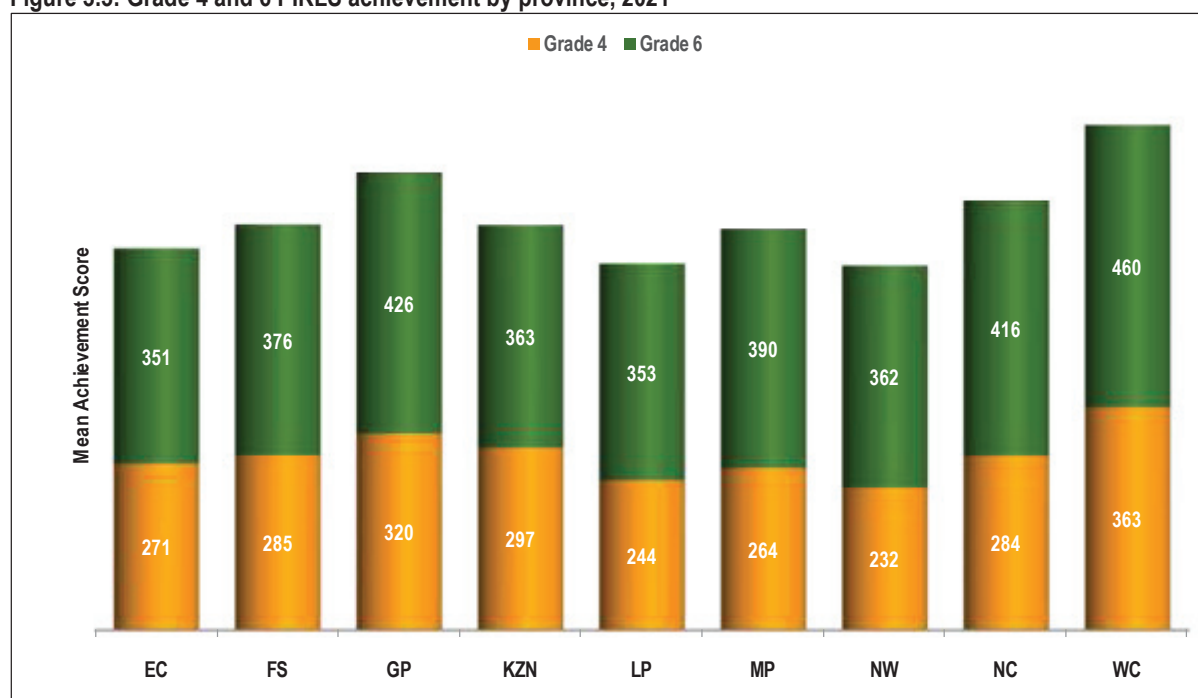
Source: PIRLS, 2021

Figures 3.2 and 3.3 show the Grade 4 and 6 PIRLS achievement compared to other PIRLS countries and between provinces, respectively. The South African grade 4 score is almost 100 points below the next lowest country (Egypt). The grade 6 achievement is slightly better but still well below the international average (500). All the provinces in SA performed below the international average of 500 points. Despite the progress made in access to education, the low achievement in the study points to the work that still needs to be done in both the Foundation and Senior phases, particularly in native language schools, if SA wishes to follow the likes of Singapore, Hong Kong and the Russian Federation.

<sup>27</sup>SEACMEQ carries out large-scale cross-national research studies in member countries in order to assess the conditions of schooling and performance levels of teachers and learners in the areas of literacy and numeracy.

<sup>28</sup> & <sup>29</sup> TIMSS and PIRLS are international assessments that monitor trends in student achievement in mathematics, science, and reading. The assessments have been conducted at intervals since 1995.

**Figure 3.3: Grade 4 and 6 PIRLS achievement by province, 2021**



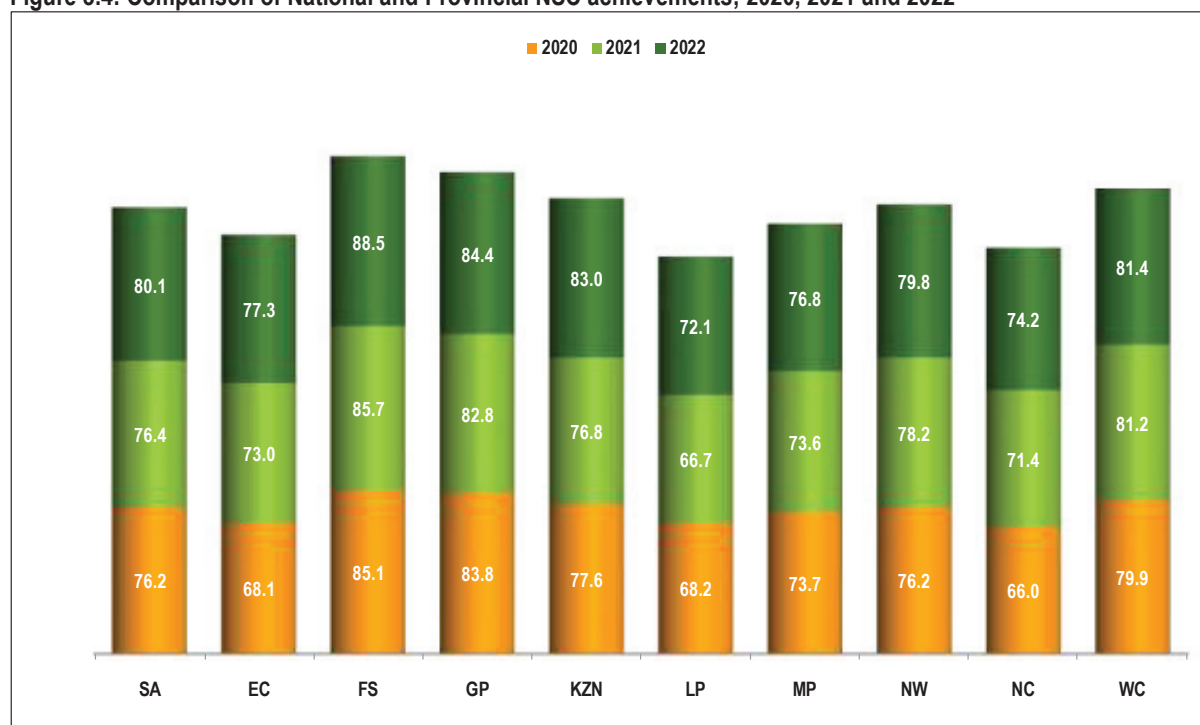
Source: PIRLS, 2021

The National Integrated Assessment Framework (NIAF), which constitutes three separate yet complementary assessment programmes administered among learners in Grades three to six and nine, replaced the Annual National Assessment (ANA) in 2018. The NIAF is structured to administer systemic evaluations independently. According to the DBE (2003), the term systemic evaluation refers to the determination of the extent to which the education system achieves set social, economic and transformational goals through the measurement of learner performance as well as the context in which learners experience learning and teaching. NIAF further pays particular attention to the diagnostic assessment administered in the classroom to identify learning gaps and plan remedial measures early in the learning process to avoid learning deficits arising later (DBE, 2017).

### 3.6 National Senior Certificate (NSC)

Shepherd and Mohohlwane (2021) estimated that COVID-19 eroded twenty years of progress made in basic education. In light of the loss of teaching time in 2020 and 2021, the DBE amended the School-Based Assessment (SBA) regime in 2022 to support the recovery strategy. The SBA weighting in the FET band was amended from 25 per cent to 60 per cent, while the examination weighting was reduced from 75 per cent to 40 per cent (DBE, 2023).

**Figure 3.4: Comparison of National and Provincial NSC achievements; 2020, 2021 and 2022**



Source: Department of Basic Education, NSC Examination, 2023

In 2019, for the first time since the advent of democracy, the NSC pass rate in KZN reached the 80 per cent threshold. Figure 3.4 shows that progress was disrupted by the pandemic, which saw the Free State (FS) and GP being the only provinces to stay above this threshold in 2020. Results improved nationally and provincially in 2021, and the trend continued in 2022. SA achieved a pass rate of 80.1 per cent, an increase of 3.7 per cent from 2021. KZN performed slightly better than the national average, reaching 83 per cent in 2022 and 76.8 per cent in 2021. The FS remained the top achiever amongst other provinces in 2022, achieving a pass rate of 88.5 per cent. Except for the FS, GP was the only province to achieve higher results than KZN in 2022.

**Table 3.8: Number of learners who wrote and achieved NSC, 2021 and 2022**

|               | Overall performance 2021  |            | Progressed candidates 2021 |            | Overall performance 2022  |            | Progressed candidates 2022 |            | % Difference (overall performance) | % Difference (progressed learner's ) |
|---------------|---------------------------|------------|----------------------------|------------|---------------------------|------------|----------------------------|------------|------------------------------------|--------------------------------------|
|               | Number of learner's wrote | % Achieved | Number of learner's wrote  | % Achieved | Number of learner's wrote | % Achieved | Number of learner's wrote  | % Achieved |                                    |                                      |
| South Africa  | 704 021                   | 76.4       | 56 826                     | 37.8       | 725 146                   | 80.1       | 48 361                     | 43.4       | 3.7                                | 5.6                                  |
| Eastern Cape  | 91 500                    | 73         | 6 542                      | 29.7       | 94 993                    | 77.3       | 5 035                      | 38.7       | 4.3                                | 9.0                                  |
| Free State    | 35 055                    | 85.7       | 3 235                      | 51.5       | 36 607                    | 88.5       | 3 245                      | 54.4       | 2.8                                | 2.9                                  |
| Gauteng       | 127 523                   | 82.8       | 8 470                      | 41.8       | 133 841                   | 84.4       | 8 163                      | 45.5       | 1.6                                | 3.7                                  |
| KwaZulu-Natal | 166 570                   | 76.8       | 12 135                     | 40.3       | 164 308                   | 83         | 11 958                     | 50.2       | 6.2                                | 9.9                                  |
| Limpopo       | 105 101                   | 66.7       | 15 065                     | 32.9       | 110 295                   | 72.1       | 9 455                      | 32.9       | 5.4                                | 0.0                                  |
| Mpumalanga    | 66 756                    | 73.6       | 6 516                      | 44.8       | 67 367                    | 76.8       | 3 885                      | 54.5       | 3.2                                | 9.7                                  |
| Northern Cape | 12 726                    | 71.4       | 1 064                      | 28.9       | 13 574                    | 74.2       | 974                        | 36.3       | 2.8                                | 7.4                                  |
| North- West   | 41 081                    | 78.2       | 1 929                      | 38.5       | 43 823                    | 79.8       | 3 616                      | 39.5       | 1.6                                | 1.0                                  |
| Western Cape  | 57 709                    | 81.2       | 1 870                      | 28.8       | 60 338                    | 81.4       | 2 030                      | 26.5       | 0.2                                | -2.3                                 |

Source: Department of Basic Education, NSC examination, 2023

In 2013, the Minister of Education approved a policy allowing learners who have failed a grade for the second time to be promoted to the next grade. This decision was taken after much consideration, including the international best practices in countries like Finland, Sweden, Denmark, Japan, Korea, Kenya and the United Kingdom. The learners are promoted provided they meet the specified criteria, which indicates that they have the potential to cope in the next grade if provided the necessary support. In the progressed learner cohort, with an NSC pass rate of 50.2 per cent, KZN came in third after MP (54.5 per cent) and FS (54.4 per cent). KZN had 9.9 per cent more progressed learners that passed in 2022 than in 2021. These results were observed in seven other provinces, which might suggest that the reasons that some of these learners had to be condoned were transitory or about the effects of COVID-19 (Table 3.8).

**Table 3.9: NSC performance by type of qualification, 2021 and 2022**

|                      | 2021                     |             |             |                    | 2022                     |             |             |                    |
|----------------------|--------------------------|-------------|-------------|--------------------|--------------------------|-------------|-------------|--------------------|
|                      | Number of Learners wrote | Bachelor    | Diploma     | Higher Certificate | Number of Learners wrote | Bachelor    | Diploma     | Higher Certificate |
| <b>South Africa</b>  | <b>704 021</b>           | <b>36.4</b> | <b>25.2</b> | <b>14.8</b>        | <b>725 146</b>           | <b>38.4</b> | <b>26.7</b> | <b>14.9</b>        |
| Eastern Cape         | 91 500                   | 34.3        | 24.5        | 14.2               | 94 993                   | 43          | 31.3        | 14.1               |
| Free State           | 35 055                   | 39.9        | 30.9        | 14.8               | 36 607                   | 43.4        | 27.8        | 13.2               |
| Gauteng              | 127 523                  | 43.8        | 26.8        | 12.1               | 133 841                  | 42.5        | 26.7        | 13.7               |
| <b>KwaZulu Natal</b> | <b>166 570</b>           | <b>37.1</b> | <b>25.3</b> | <b>14.4</b>        | <b>164 308</b>           | <b>29.8</b> | <b>24.5</b> | <b>17.8</b>        |
| Limpopo              | 105 101                  | 26.7        | 22.4        | 17.6               | 110 295                  | 33.5        | 26.8        | 16.5               |
| Mpumalanga           | 66 756                   | 31.5        | 25.4        | 16.7               | 67 367                   | 33.6        | 28.2        | 17.9               |
| North West           | 41 081                   | 33.8        | 26.3        | 18.2               | 43 823                   | 30.8        | 26.9        | 16.5               |
| Northern Cape        | 12 726                   | 30.3        | 24.5        | 16.6               | 13 574                   | 42.7        | 25.3        | 13.4               |
| Western Cape         | 57 709                   | 45.3        | 23.6        | 12.3               | 60 338                   | 38.4        | 26.7        | 14.9               |

Source: Department of Basic Education, NSC examination, 2023

Table 3.9 shows that the national percentage of learners who qualified to enrol for the Bachelor programme at institutions of higher learning increased significantly by 8.7 percentage points from 34.3 per cent in 2021 to 43 per cent in 2022. The Northern Cape (NC) showed the most significant improvement of 12.4 percentage points in bachelor passes from 2021 to 2022. Diploma passes also increased in the NC. The EC, FS, Limpopo (LP) and MP are other provinces that realised gains in bachelor passes. KZN realised a decline both in bachelor and diploma passes combined, from 37.1 per cent to 29.8 per cent and 25.3 per cent to 24.5 per cent, respectively.

It is gratifying to know that learners who complete NSC and do not achieve a bachelor or diploma pass can be absorbed by the Technical and Vocational Education and Training (TVET) colleges. As a result, they will gain technical skills that will enable them to qualify as artisans in various fields. Possible skills that could be acquired through TVET include but are not limited to boiler-making, plumbing, mechanics, hair-dressing and fitting and turning. In KZN, the number of learners who achieved higher certificate passes increased from 14.4 per cent to 17.8 per cent.

**Table 3.10: Percentage of learners who achieved 30 per cent and above in selected subjects, 2018 – 2022**

| Subjects             | 2018 | 2019 | 2020 | 2021 | 2022 |
|----------------------|------|------|------|------|------|
| Accounting           | 72.5 | 78.4 | 75.5 | 74.7 | 75.4 |
| Economics            | 73.3 | 69.3 | 68.8 | 67.9 | 71.5 |
| Mathematics          | 58.0 | 54.6 | 53.8 | 57.6 | 55   |
| Physical Science     | 74.2 | 75.5 | 65.8 | 69   | 74.6 |
| Agricultural Science | 69.9 | 74.6 | 72.7 | 75.4 | 75.8 |
| Life Sciences        | 76.3 | 72.3 | 71.0 | 71.5 | 71.5 |

Source: Department of Basic Education, NSC examination, 2023

Table 3.10 compares the national percentage of learners who achieved 30 per cent and above in selected subjects from 2018 to 2022. Learners' performance in select subjects, namely Accounting, Physical Science and Agricultural Science, were on an upward trend from 2018 to 2019. However, the trend was interrupted in 2020 and 2021. The decline coincides with the disruption's resultant from COVID-19. A comparison of 2021 and 2022 results indicates that most subjects showed a moderate improvement in 2022. That said, the matric achievement of 30 per cent gives a misleading picture of national success in these subjects, as the pass mark at tertiary level is at 50 per cent. The decline in Mathematics performance is concerning given its essential role in understanding the universe, supporting careers and encouraging analytical thinking, amongst others.

**Table 3.11: Distribution of population aged 20 years and older by (selected) field of education and sex, 2022**

| Field of education                                               | 2011             |                  |                  | 2022             |                  |                  |
|------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                                                  | Total            | %                |                  | Total            | %                |                  |
|                                                                  |                  | Male             | Female           |                  | Male             | Female           |
| Agriculture, Agricultural Operations & Related Sciences          | 64 279           | 68.4             | 31.6             | 98 888           | 62.1             | 37.9             |
| Finance, Accounting, Business, Economics and Management Sciences | 757 635          | 48.2             | 51.8             | 1 023 220        | 44.6             | 55.4             |
| Computer and Information Sciences                                | 216 452          | 57.2             | 42.8             | 252 732          | 61.5             | 38.5             |
| Education                                                        | 502 893          | 30.4             | 69.9             | 798 411          | 27.7             | 72.3             |
| Engineering                                                      | 416 397          | 84.9             | 15.1             | 633 345          | 78.1             | 21.9             |
| Health Professions and Related Clinical Sciences                 | 271 780          | 24.4             | 75.6             | 421 931          | 24.3             | 75.7             |
| Life Sciences or Physical Sciences                               | 44 261           | 48               | 52               | 72 784           | 46.1             | 53.9             |
| Mathematics and Statistics                                       | 18 067           | 59.3             | 40.7             | 20 456           | 58.7             | 41.3             |
| Other                                                            | 1 146 850        | 45.4             | 54.6             | 1 889 134        | 44.3             | 55.7             |
| <b>Total</b>                                                     | <b>3 438 614</b> | <b>1 658 743</b> | <b>1 779 870</b> | <b>5 210 901</b> | <b>2 374 102</b> | <b>2 836 796</b> |

Source: Stats SA, 2023

Table 3.11 shows the distribution of the post-secondary education population in critical fields of education in 2011 and 2022. The science, technology, engineering and maths (STEM) disciplines are still predominantly male dominated. However, with the exception of computer and information sciences, the field has shown an increase in female participation since 2011. Women form the majority in the fields of commerce (55.4 percent), education (72.3 per cent) and health professions (75.7 per cent).

Finance, Accounting, Business, Economics and Management Sciences were the leading fields of study in both 2011 and 2022, followed by education. For both years, both fields were dominated by women, although the gender

gap is wider in education. The biggest gender gap is observed in the health professions, at 51.2 per cent in 2011 and 51.4 per cent in 2022.

### **3.7 School drop-out rate**

The South African Schools Act 84 of 1996, section 3(1) states that all children in SA must attend school from the first school day of the year, in which such learner reaches the age of seven years until the last day of the year in which such learner reaches the age of fifteen years or the ninth grade whichever comes first. It is difficult to quantify the dropout rate. Learners may have been held back a year or emigrated. In pre-pandemic years, an average of 290 000 children of school-going age did not return to school each year (Shepherd. et al, 2021). However, a majority of these were no longer legally required to attend school (over 15 years of age).

There is currently no consensus on what is being referred to when discussing school drop-out. Both enrolment and extended leave could fall under the category of school drop-out. For example, by April 2021, 700 000 children had not returned to school. When this figure was compared to enrolment, Shepherd and Mohohlwane (2022) found that it may have measured extended absenteeism. Most of these learners may have returned to the school system after pandemic restrictions were lifted. This theory is supported by the sharp increase in secondary-level enrolment that had begun before the pandemic. However, there is the risk of fraudulent enrolment, as per Gustafsson (2022). For the purpose of analysis, the drop-out rate will be interpreted as the loss of warm bodies in the school system.

According to Branson et al. (2013) and Sabates et al. (2010), at over 95 per cent, SA has a very high participation rate within the band of compulsory learning. However, a high school drop-out rate, leaving school without obtaining a minimal credential in SA, occurs in grades 10 and 11 (Spaull, 2015). This is evident in Table 3.12, where the number of learners in grade 12 was 735 877 in 2022 when that cohort had 326 633 more learners in Grade 10 (2020). Furthermore, of the 735 877 grade 12 learners enrolled in 2022, only 725 146 wrote the NSC exam.

The implication for the cohort that wrote the NSC exam in 2022 is a drop-out rate of 35 per cent since grade 1 and 30.7 per cent in the Further Education and Training (FET) phase. In KZN, the drop-out rate was estimated at 34 per cent and 29.3 per cent in FET. The drop-out rate was the highest in the EC (51 per cent), followed by the NC (48 per cent), NW (41 per cent) and WC (40 per cent). Learner retention is poor after the compulsory learning stage. The majority of the drop-outs happened in the FET phase. In this band, NC had the highest drop-out rate (40.5 per cent). This was followed by the NW (37.8 per cent), GP (33.5 per cent) and the EC (31.7 per cent). The learners who drop out of the basic education schooling system either proceed to Technical and Vocational Education and Training (TVET) to pursue their studies, while others look for employment opportunities. The latter tend to have difficulties in finding employment because they leave school without the National Qualification Framework (NQF) to navigate the labour market. As outlined in Chapter Five of this publication, this phenomenon adds to the already high unemployment rate in the country.

**Table 3.12: Number of school drop-outs, 2011 – 2022**

|                      | Number of Grade 1 Learners (2011) | Number of Grade 10 Learners (2020) | Number of Grade 12 Learners (2022) | Number of school drop-outs (2011 to 2022) | Number of school drop-outs (2020 to 2022) | Drop-out rate (2011 to 2022) | Drop-out rate (2020 to 2022) |
|----------------------|-----------------------------------|------------------------------------|------------------------------------|-------------------------------------------|-------------------------------------------|------------------------------|------------------------------|
| <b>South Africa</b>  | <b>1 133 806</b>                  | <b>1 062 510</b>                   | <b>735 877</b>                     | <b>397 929</b>                            | <b>326 633</b>                            | <b>35</b>                    | <b>30.7</b>                  |
| Eastern Cape         | 196 507                           | 141 583                            | 96 660                             | 99 847                                    | 44 923                                    | 51                           | 31.7                         |
| Free State           | 62 378                            | 61 640                             | 43 854                             | 18 524                                    | 17 786                                    | 30                           | 28.9                         |
| Gauteng              | 176 573                           | 185 096                            | 123 052                            | 53 521                                    | 62 044                                    | 30                           | 33.5                         |
| <b>KwaZulu Natal</b> | <b>268 735</b>                    | <b>249 041</b>                     | <b>176 138</b>                     | <b>92 597</b>                             | <b>72 903</b>                             | <b>34</b>                    | <b>29.3</b>                  |
| Limpopo              | 131 751                           | 153 360                            | 108 677                            | 23 074                                    | 44 683                                    | 18                           | 29.1                         |
| Mpumalanga           | 96 311                            | 94 077                             | 69 475                             | 26 836                                    | 24 602                                    | 28                           | 26.2                         |
| North West           | 75 240                            | 71 066                             | 44 238                             | 31 002                                    | 26 828                                    | 41                           | 37.8                         |
| Northern Cape        | 26 807                            | 23 250                             | 13 832                             | 12 975                                    | 9 418                                     | 48                           | 40.5                         |
| Western Cape         | 99 504                            | 83 397                             | 59 951                             | 39 553                                    | 23 446                                    | 40                           | 28.1                         |

Source: Department of Basic Education, NSC examination, 2023

### 3.8 The provision of scholar transport

Section 29 of the South African Constitution states that everyone has a right to education (Basic and Further education). Therefore, in order for learners to exercise this human right, they should have easy access to educational facilities. The Constitution further outlines the responsibilities of the government in ensuring equal access to quality education. Thus, the learner transport programme was designed to fulfil this obligation. In this respect, the government uses this programme to uphold children's right to basic education by ensuring that education is available and accessible to all learners. This program is aimed mainly at providing transportation to learners who live far from educational facilities and are forced to travel a long distance to the nearest school.

Given that the KZN is a largely rural province with about 2 956 schools concentrated in rural areas, learners would inevitably travel long distances to physically access these schools. These long distances result from spatial segregation, a legacy of the apartheid regime that saw villages being built far from basic necessities. In addition, the lack of infrastructure development, such as roads, contributes to the inaccessibility of essential facilities, such as schools in rural areas.

According to Stats SA (2020), approximately 10.1 million learners in SA walked 'all the way' to access educational institutions, and of this amount, about 20.3 per cent were from the KZN province. This was the highest percentage of learners in all nine provinces. Many reasons were stated for walking all the way, and among these reasons, learners indicated that public transportation was too expensive and they could not afford it. Learners in rural areas also stated that public transport was not available or was inaccessible.

The lack of transportation for learners in rural communities has an adverse effect on their livelihoods. Travelling long distances negatively impacts their learning ability and concentration levels as they are forced to wake up early to arrive at school on time which often leaves them feeling exhausted. Also, in some cases, having to travel long distances to school discourages learners from attending regularly, thus affecting their academic performance. The long-distance travelled by learners also poses threats to their safety and security.

In this regard, the learner transport programme has been an essential factor in addressing inequalities in education. In KZN, this programme has been implemented in line with the requirements of the National Learner Policy and the KZN Learner Transport Policy. This programme mainly focuses on rural areas in order to mitigate the barrier to education posed by a school's location and distance from homes in these communities.

Despite the KZN provincial government having had some success in recent years in broadening assistance in transporting learners to school, many learners are still left to travel long distances. This is mainly due to a shortage in the provision of transportation vehicles to transport qualifying learners to and from school. This shortage in the provision of transportation vehicles for learners emanates from the fiscal constraints in the Province and the country at large. Further, budget constraints impede the KZN's ability to provide additional vehicles to schools that are already beneficiaries of the programme, hence the overloads. Furthermore, the number of learners eligible to be transported continues to grow without a corresponding increase in the provision of vehicles. This contributes to the growing number of schools on the waiting lists, and as a result, the learners in these schools are still expected to walk long distances.

### **3.8.1 National Learner Transport Policy**

The national learner transport policy was developed to address the challenges of accessibility and the safety of learners. Learners are deprived of the opportunity to access education due to the long distances they have to travel to get to school, threats to their safety and security and the cost of transport. This undesirable situation is further compounded by the transportation of learners in un-roadworthy vehicles, which results in a high rate of accidents.

Therefore, the primary objective of the national learner transport policy is to provide a uniform approach to norms and standards and promote coordination and cooperation among stakeholders. It also provides a framework for monitoring and evaluating learner transport services. Learner transport is provided based on several guiding principles, including operational safety and efficiency, broad-based access, equity and redress, operational sustainability and multi-modal integration. The target group for subsidised transport is learners who attend grades R to 12 and live in areas where they do not have access to public transport services and have to walk a minimum distance of 5 kilometres to the nearest appropriate school.

### **3.8.2 KZN Learner Transport Policy**

The KZN learner transport policy was developed in alignment with the requirements and purpose of the National Learner Transport Policy. The KZN's learner transport policy aims to provide transportation (to and from school) for learners in grades R to 12, including those with disabilities. The Province's ability to attain this goal depends primarily upon its current road infrastructure, transport designs, school design, and available funding. According to the policy, only learners who travel a minimum distance of three kilometres to the nearest school qualify to be provided with transportation.

The policy further stipulates that the learner transportation programme should prioritise primary school learners who walk long distances to school and those who are disabled. Further, the Head of the KZN Department of Education (KZN DoE) shall prioritise certain schools to receive learner transport, and this prioritisation should be

in accordance with the policy's intent and purpose. The policy indicates that the KZN DoE and the KZN DoT should provide learners with transport.

### **3.8.3 Demand and Supply for Learner Transport in KZN**

It has been indicated in the previous section that the KZN learner transport policy stipulates that learners who travel a minimum distance of three kilometres (3 km) to the nearest appropriate school should qualify for the learner transport service. Meanwhile, the demand for learner transport continues to increase rapidly by about 5 000 annually. For instance, about 79 528 learners from over 420 schools benefit from the dedicated subsidised learner transport in KZN in 2023 compared to an estimated 73 933 learners in the preceding year. As indicated by KZN DoE, the accelerating number of learners benefiting from the programme adds to unavoidable overloads, which currently are around 20 582 learners.

Given the annual increase of over 5 000 in the number of learners benefiting from the programme coupled with the budget cut, the shortfall for the programme has escalated to over R2 billion in the 2023/24 financial year. As indicated by KZN DoE, the current allocated budget of R266.430 million will be able to pay the presently contracted service providers for at most five (5) months this financial year 2023/24. In this context, the learner transport programme faces challenges such as insufficient budget, undesirable overloads, and the number of qualifying learners who remain on the waiting list because of budgetary constraints.

The undesirable and unavoidable number of overloads is primarily caused by the consistent increase in the number of learners benefiting from the programme. However, the rise in the number of learners benefiting from the service is not accompanied by the corresponding increase in the number of vehicles to transport them. The Department further states that more than 150 000 learners from about 1 148 schools qualify to benefit from dedicated learner transport but remain on the waiting list due to budgetary constraints. Notably, the number of learners on the waiting list has increased sharply to an estimated 117 248 from 1 056 schools as at 2023.

In this context, the learner transport programme faces challenges such as insufficient budget, undesirable overloads, and the number of qualifying learners who remain on the waiting list because of budgetary constraints.

### **3.8.4 Expenditure Observations**

The provincial governments fund the learner transport programme from each Province's equitable share allocation. The KZN provincial government migrated the implementation of the learner transport function KZN DoE to KZN DoT. Thus, the budget allocation for the programme is reflected by the KZN DoT in the budget programme: Transport Operations. The KZN DoT fund all learner transport programme-related expenses from this budget. The learner transport budget allocation has increased by a cumulative average growth rate of about 13.4 per cent over the past six years, from around R243.143 million in 2016/17 to about R454.744 million in the 2021/22 financial year.

As indicated in the KZN's quarterly National Evaluation Report, prepared by KZN DoE and KZN DoT, the total expenditure for the programme increased to about R517.602 million in the 2022/23 financial year. The reported total expenditure was marginally higher than the original budget of R459.871 million due to an over-expenditure.

The programme over-expenditure emanated from the payment of a Consumer Price Index (CPI)-related escalation rate backdated from the contract inception.

A large proportion of the learner transport budget is spent on the remuneration of operators who are private sector service providers. Table 3.13 shows that about 99.8 per cent of the learner transport budget is spent on transporting learners, which is the remuneration of operators. The programme is housed within an existing budget programme at KZN DoT and thus does not have its separate expenses except the remuneration of operators.

**Table 3.13: Learner transport programme expenditure, 2016/17 – 2022/23**

| Expenditure item     | 2016/2017           | 2017/2018           | 2018/2019           | 2019/2020           | 2020/2021           | 2021/2022           | 2022/2023           | % of grand total | CAGR 2016/17 - 2022/23 |
|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|------------------|------------------------|
| Learner Transport    | R240 761 309        | R276 850 047        | R393 516 637        | R348 416 683        | R387 464 320        | R451 250 843        | R517 601 540        | 99.8%            | 13.6%                  |
| Consumables          | R2 372 694          | R204                | R380                | R0                  | R0                  | R3 492 996          | R0                  | 0.2%             | -100.0%                |
| Aministration        | R0                  | R0                  | R0                  | R14 705             | R0                  | R0                  | R0                  | 0.0%             | -                      |
| Salary and Wages     | R0                  | R0                  | R0                  | R14 302             | R0                  | R0                  | R0                  | 0.0%             | -                      |
| Travel and Substance | R0                  | R1 371              | R3 180              | R6 064              | R1 215              | R0                  | R0                  | 0.0%             | -                      |
| Other                | R0                  | R0                  | R298 098            | R0                  | R0                  | R0                  | R0                  | 0.0%             | -                      |
| <b>Grand Total</b>   | <b>R243 134 003</b> | <b>R276 851 622</b> | <b>R393 818 295</b> | <b>R348 451 754</b> | <b>R387 465 535</b> | <b>R454 743 839</b> | <b>R517 601 540</b> | <b>100.0%</b>    | <b>13.4%</b>           |

Source: Own analysis using BAS Data

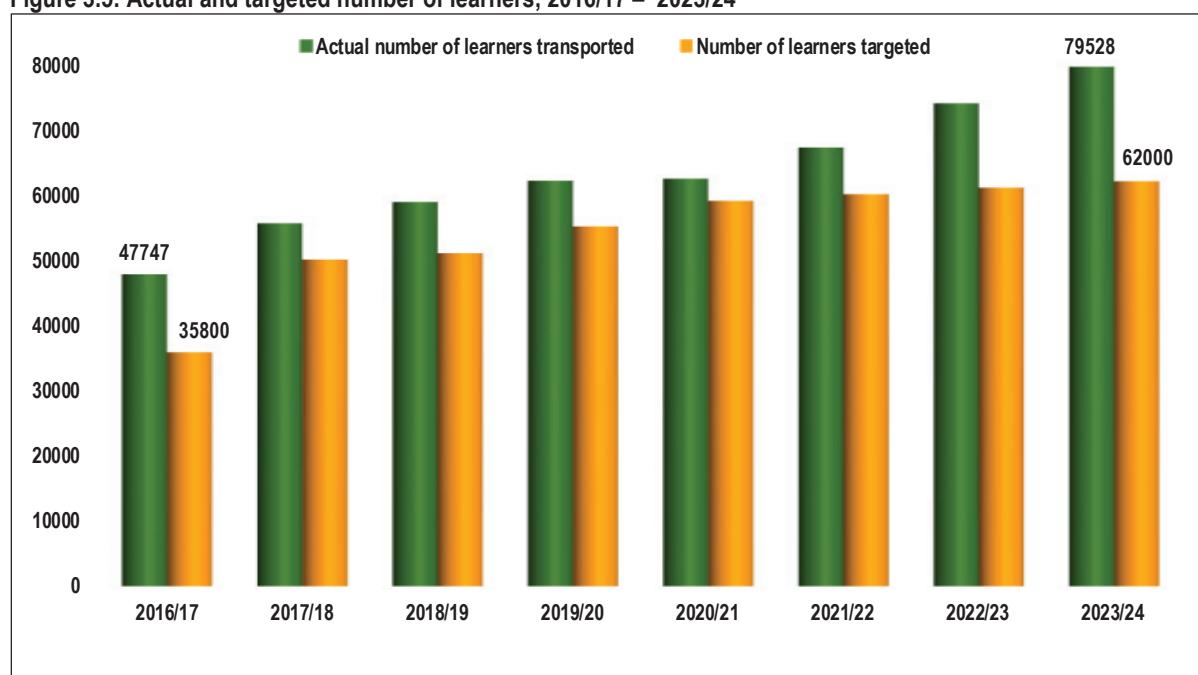
The KZN learner transport policy stipulates that the remuneration of operators is calculated using a standardised rate per mode of transport (Fixed rate) plus a standardised rate per kilometre multiplied by the number of school days. In this regard, the fixed rate and kilometres are significant cost drivers in the provisioning of learner transport. However, the policy does not indicate the factors considered in computing the fixed rate. It is crucial to understand such variables as they influence the variation in the fixed rate applicable to each route.

### 3.8.5 Performance information related to learner transport programme

The performance information related to the learner transport programme can be reported as the number of learners benefiting from the learner transport, the number of schools benefiting from the programme, and the number of contracts awarded for the provision of learner transport. The KZN DoE publish the number of learners benefiting from the learner transport programme in its annual reports. Figure 3.5 depicts the number of learners benefiting from learner transport from 2016/17 to 2023/24. The number of learners benefitting from learner transport has increased substantially, from around 47 747 in 2016/17 to about 73 933 in 2022/23. This confirms an increased need to transport learners to nearby schools.

Figure 3.5 also shows that the number of beneficiaries has consistently exceeded the number of targeted learners over the period under review. For instance, the KZN DoE targeted 61 000 learners in 2023/24, but the actual number of beneficiaries was 73 933, resulting in an excess of 12 933. The difference between the number of targeted learners and the number of beneficiaries each year constitutes overload. The overloading indicates risk and non-compliance with safety regulations, which could compromise the lives of learners.

**Figure 3.5: Actual and targeted number of learners, 2016/17 – 2023/24**



Source: KZN DoE Annual Reports, 2016/17 – 2022/23

Further, the number of learners transported is significantly lower than the number of learners qualifying to benefit from the programme. According to the Fiscal and Financial Commission (FFC, 2023), the number of learners qualifying to benefit from the programme increased from 99 067 in 2018 to 231 471 in 2022. Consequently, the number of learners who are eligible to benefit but cannot benefit due to financial constraints has increased to an estimated 157 538 in 2022 from around 44 000 in 2018. This shows that the Province is unable to assist a large number of learners who need learner transport. The steep increase in the number of learners qualifying to benefit from the programme could be attributed to the learner's eligibility criteria, particularly the 3 km minimum travel distance, which differs from other provinces and national policy.

### 3.8.6 Expenditure and performance information for learner transport

While the payment model does not include the cost per learner, the number of learners benefiting from the programme plays a crucial role in determining the programme costs. The total number of transport modes required, particularly buses, is decided based on the number of learners transported. This assertion is supported by the observation that Education Districts with a larger number of beneficiaries tend to have higher expenditures. For instance, the quarterly National Evaluation Report shows that uMzinyathi and Zululand district municipalities had the largest number of beneficiaries at 15 140 and 11 220, respectively, in 2022/23. This observation corresponds with the highest expenditure for the programme in these districts, which was estimated at R105.547 million and R67.941 million over the same period, respectively (Table A1). This implies a positive relationship between the number of learners transported and the programme budget allocation, such that as the number of beneficiaries increases, so is the budget required. However, it has been argued by the KZN DoE that the consistent rise in the number of beneficiaries outstrips the rate at which the programme budget allocation increases.

### 3.9 Conclusion and recommendations

It has been indicated in the introduction of this chapter that quality education is critical to improve human capital and consequently assist in generating income for the populace. Hence, a need to reinforce the functional literacy rate, which has shown improvement over the past decade. Data shows that more people are advancing their education further, with percentages of individuals with matric and post-matric education on the rise since 2012. Resource allocation across economic and functional classification plays an important part in improving literacy rates.

Results from the 2022 NSC examinations show that there is a positive correlation between the community's socio-economic status and the performance of the learners. The learners in the higher quintiles (4 and 5) performed better than those in the no-fee school (Quintiles 1 to 3). It is commendable that the South African Government funds basic education through a pro-poor funding model, with those in lower quintiles allocated more than those in higher quintiles. However, efforts should be made to ensure that the KZN Province pays in line with the gazetted norm.

Various stakeholders in education, including the government, recognise the importance of ECD, as well as the disadvantages to young children that a lack of opportunities or poor-quality interventions can create. The National Integrated Early Childhood Development Policy was formulated to provide structure for ECD arrangements by the public administration. Even though the function of ECD was moved from the Department of Social Development to the Department of Basic Education in 2022, the government has to continue strengthening the contribution of the ECD as it lays a solid foundation for both the cognitive and physical growth of children.

With regard to the Foundation and Senior phases, the PIRLS 2021 report identified the gaps in children's literacy in SA, especially in the case of native language schools. The DBE has commissioned numerous studies to help find ways to improve the delivery of education to close these gaps. Many organisations have dedicated themselves to improving the education system in the civil sector, such as the Zenex Foundation, NECT and PILO. All these work closely with the government as well as institutions of learning to enhance the delivery of education and expand the pool of learning materials available. It would be of benefit if more information about these organisations' numerous campaigns and the resources they provide continue to be disseminated to the public.

On its part, the State has put a few structural elements in place so that the work of various stakeholders in education is not in vain. One of these is the LER, which states the number of learners an educator can be expected to oversee in an environment that is conducive to learning. This is the most common indicator used in planning for the number of educators required in order to arrive at an ideal maximum class size of one educator per thirty learners. With the LER of 30.1, the Province is slightly above the recommended global standard of 30. However, a shortage of educators is clearly evident at the district level, as indicated by the LER. A low number of learners per educator indicates learners will have a better chance of contact with the educators and, hence, a better teaching and learning process.

The national learner transport policy is another way in which the government facilitates better education. It was developed to address the challenges of accessibility and safety for learners who have to walk long distances to get to school, including those living with disabilities. The success of the policy is dependent upon having proper

road infrastructure, planning and costing, adequate budget, as well efficiency in managing the implementation of the learner transport policy.

Unfortunately, due to budget constraints, the demand for learner transport exceeds supply. This has led to an undesirable situation of overloads in some districts, which put the lives of children and the community at risk. Further, the number of learners who qualify for learner transport but are not being serviced is increasing annually. Given the current unstable economic situation, which worsens budget constraints, the implementing agents of the learner transport programme should try to eliminate inefficiencies.

Data from the DBE indicates that the nation's learners have come out of the slump caused by the global COVID- 19 pandemic. Amid the disruption caused by the pandemic, schooling continued, with the matric results showing improvement. Some schools with adequate technology were able to conduct classes online. This created a digital divide in the provision of education as a vast number of schools, mostly rural, don't have technology. There is, therefore, a need to ensure equity in the provision of education by making resources and technology available in all schools.

SA still suffers from a high drop-out rate. The higher the drop-out rate, the greater the dependency on the government for services. This opens the gap for broadening the provision of skills programmes to those learners at TVET colleges. Once they complete training, they also have to be capacitated to use the skills acquired to start businesses or be self-employed.

The 2022 Census data reveals that the gender imbalances in tertiary education evident in 2012 still apply in 2022. Even though it is the norm for men to outnumber women in the STEM field, this does not reflect an inability on the part of women. Rather, it is indicative of the inaccessibility of certain opportunities for women in the past. Therefore, more needs to be done to stimulate the participation of women in these disciplines.



# Chapter Four: Climate Change

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## 4.1 Introduction

Climate change refers to changes in temperature and weather patterns. These shifts may arise naturally, triggered by changes in solar activity or large volcano eruptions, or they can be human-induced through the burning of fossil fuels, excessive land use or deforestation (United Nations, 2023). The<sup>30</sup> carbon dioxide CO<sub>2</sub> is one of the major greenhouse gases concentrated in the atmosphere. There has been a substantial increase in these gasses since the beginning of the Industrial Revolution, which resulted in the greenhouse effect commonly referred to as global warming.

The Intergovernmental Panel on Climate Change (IPCC) (2023) synthetic report reveals that since around the year 1750, the increase in well-mixed greenhouse gases (GHG) was observed, which were unequivocally caused by emissions from human activity. The report further indicates that the historic cumulative net CO<sub>2</sub> emissions from 1850 to 2019 were 2400 billion metric tons, which is approximately 240<sup>31</sup> Gigatonne (GT) of CO<sub>2</sub>, of which 58 per cent of emissions occurred between 1850 and 1989, and about 42 per cent occurred between 1990 and 2019. In 2019, the atmospheric CO<sub>2</sub> concentrations of 410 parts per million were higher than at any time in at least 2 million years and concentrations of methane<sup>32</sup> (1866 parts per billion) and nitrous oxide (332 parts per billion) were higher than at any time in at least 800 000 years.

The increase is largely due to anthropogenic<sup>33</sup> emissions of CO<sub>2</sub> from fossil fuel combustion and, to a lesser extent, land-use change, some industrial processes, and biomass combustion (IPCC, 2001a). Disturbingly, the evidence of climate change is mounting. Global warming is unequivocal, implying that the earth's climate is warming rapidly. As a result, the global surface air temperature increased by 0.76°C between 1850 and 2005. Notably, the linear warming trend over the last 50 years is recorded by 0.13°C per decade, with a full range of projected temperature increase of 1.1 °C to 6.4 °C by the end of the century, leading to widespread melting of snow and ice and a rising global mean sea level (IPCC, 2007).

The continuous increase in temperatures consequently results in extreme weather events such as storms, precipitation and drought. Also, tropical cyclones, for example, hurricanes and typhoons, are likely to become more intense, with higher peak wind speeds and heavier precipitation associated with warmer tropical seas. These extreme weather events are projected to increase in magnitude and frequency over the years, resulting in negative implications for the economy and human development. They also pose a significant threat to water resources, food security, health, and infrastructure, as well as ecosystem services and biodiversity. However, there are various policies and regulations such as climate change policy, Just Energy Transition and Carbon tax, amongst others. There are also committees, such as the IPCC, developed to fight the scourge and negative implications of climate change. In light of the above background, this chapter focuses on the impact of climate change on human

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<sup>30</sup> CO<sub>2</sub> is a formula for carbon dioxide

<sup>31</sup> GT- Gigatonne. A gigatonne is 1,000,000,000 tonnes and is often used when discussing human carbon dioxide emissions.

<sup>32</sup> Methane (CH<sub>4</sub>) is a hydrocarbon that is a primary component of natural gas. It is also a greenhouse gas (GHG), so its presence in the atmosphere affects the earth's temperature and climate system.

<sup>33</sup> Anthropogenic refers to environmental change caused or influenced by people, either directly or indirectly.

development, climate change and economic growth, sectors contributing to climate change, strategies aiming at combating climate change in SA as well as in KZN and climate finance.

## **4.2 Climate change and human development**

Climate change has a major impact on various dimensions, including but not limited to social, environmental, economic and political, which directly affect human development. It is already altering global ecosystems, economies, and livelihoods. Human activity has been a major driver of climate change through the burning of fossil which creates greenhouse gas emissions that trap the sun's heat around the earth, consequently raising temperatures (National Geographic, 2000; United Nations, 2023). Oyelaran-Oyeyinka (2014) argues that industrialisation is a major contributor to propelling human activities and, at the same time, elevates greenhouse gas emissions.

Industrialisation is deemed as one of the critical variables in measuring development, in particular, human development, through job creation, poverty reduction, and access to basic services, such as water, electricity and housing, amongst others. This assertion is supported by National Geographic (2000) and the United Nations (UN, 2023), stating that the burning of fossil fuels during the process of industrialisation is the major contributor to increased levels creating greenhouse gas emissions, which are detrimental to the environment consequently leading to climate change.

Furthermore, climate variations are anticipated to intensify the frequency and severity of extreme climatic conditions and related disasters, exposing societies to greater risks and leading to more intense events such as droughts, floods, hurricanes, and dust storms (IPCC, 2007). Another substantial threat to society is food security and water availability, which is a result of the increasing incidence of El Niño. El Niño involves the warming of sea surface temperatures, introducing a climate phenomenon that disrupts regular wind patterns.

In South Africa, El Niño occurs in the Pacific Ocean and may potentially bring about alterations in the seasonal distribution and predictability of rainfall, along with below-normal temperatures during the summer rainfall period. This can lead to more pronounced rainfall events, which are associated with flooding risks and changes in the occurrence and distribution of pests and diseases such as cholera, consequently leading to health hazards and food insecurities.

The WC and KZN provinces have experienced the brutal impacts of climate change, enduring widespread flooding that has temporarily displaced thousands of people from their homes and caused substantial damage to essential infrastructure. This has reversed both the country's economic and human development progress.

Moreover, climate variability has had an adverse impact on water resources and water availability, as rising temperatures and erratic rainfall patterns result in increased evaporation and reduced stream flows, which, in turn, have detrimental consequences for water storage infrastructure. This disruption in water supply systems affects the country's capacity to address health-related issues and hampers its ability to manage the emergence of new diseases affecting plants, animals, and humans.

Although overall agricultural productivity has increased, climate change has slowed the sectors' productivity over the past 50 years globally (IPCC, 2023). The effects of climate change on this sector have become increasingly alarming, leading to reduced crop yields, livestock production, and increased vulnerability to pests and diseases (Productivity SA, 2023). The changing climate affects the availability of water, soil nutrients, and the timing of planting and harvesting seasons, all of which contribute to reduced productivity and expose people to acute food insecurity and inflationary food prices.

### 4.3 Climate change and growth

Climate change has the potential to inflict economic harm and presents concerning risks. It poses a negative global externality where one country's emissions affect all countries by adding to the stock of greenhouse gases in the earth's atmosphere from which warming arises (International Monetary Fund (IMF), 2023). The progression of climate change is expected to have a significant economic impact in many countries, in particular, lower-income countries. Therefore, macroeconomic policies in these countries should be adjusted to handle more frequent climate-related shocks, and this can be achieved by creating policy flexibility to address these shocks. Furthermore, it will be necessary to improve infrastructure to bolster economic resilience.

Growth strategies have focused purely on economic growth and the accumulation of financial, physical and, in some cases, human capital. Large investments have been channelled into businesses, structured financial assets and fossil fuels without taking much cognisance of climate impact and climate financing. Many argue that the current global economy is largely reliant on fossil fuels, making it a fossil fuel economy, which, by its very nature, is unsustainable. Limited funding has been directed towards renewable energy, energy efficiency, public transport, sustainable agriculture, ecosystem and biodiversity protection, as well as land and water preservations (United Nations Environmental Programme (UNEP), 2011).

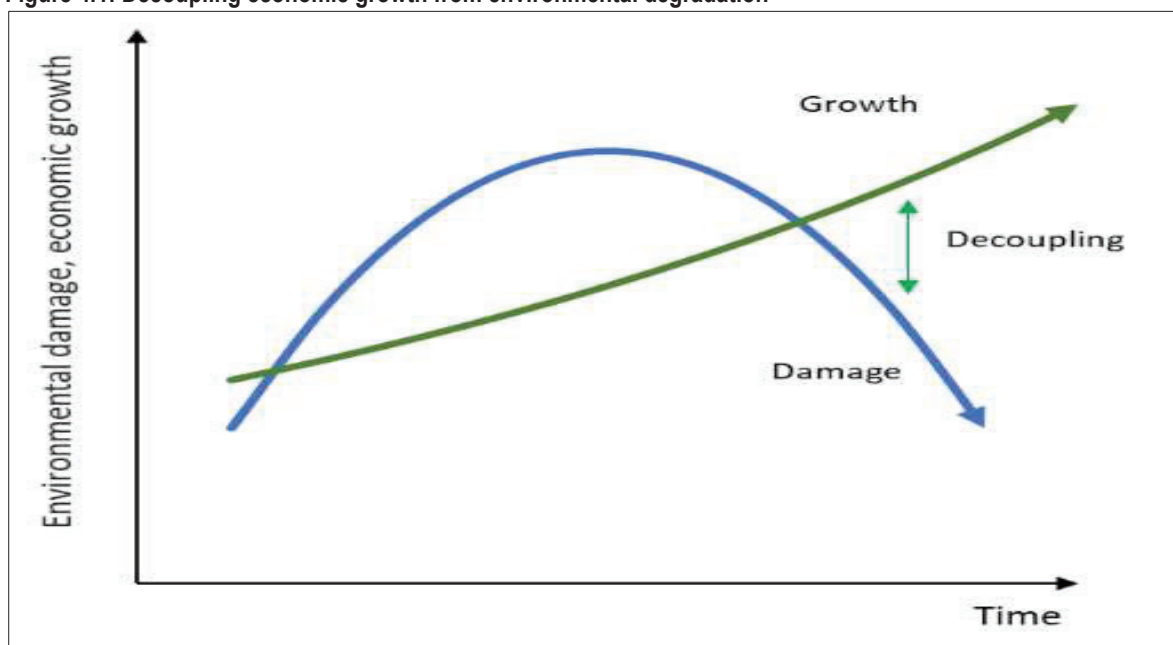
Rather, this form of economic growth has occurred at the cost of the natural environment through the continued degradation of natural resources and ecosystems upon which life depends. This pattern of growth and development has detrimental impacts on the well-being of current generations and presents tremendous risks and challenges for the future, as is evidenced by the environmental crises encountered today (UNEP, 2011).

There is thus increasing recognition that economic growth needs to be de-coupled<sup>34</sup> from environmental resource use, risk and degradation (see Figure 4.1). The concept of decoupling involves the ability to sustain economic productivity while concurrently diminishing the adverse environmental repercussions associated with economic activities that are undertaken. This is in line with the Just Energy Transitioning (JET) policy, which falls under the absolute decoupling technique, as it aims at shifting away from coal towards a cleaner source of energy that poses positive environmental impacts. Decoupling can be either absolute or relative. Absolute decoupling is said to occur when the environmentally relevant variable is stable or decreasing while the economic driving force is growing. Decoupling is said to be relative when the growth rate of the environmentally relevant variable is positive but less than the growth rate of the economic variable (OECD, 2008).

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<sup>34</sup> Resource decoupling means increasing economic output while reducing negative environmental impacts through substituting fossil fuels with renewable energy.

**Figure 4.1: Decoupling economic growth from environmental degradation**



Source: [bothbrainsrequired.com/2023/05/25/getting-straight-on-decoupling/](https://bothbrainsrequired.com/2023/05/25/getting-straight-on-decoupling/).

Climatic factors can directly affect economic outcomes such as output, investment and productivity. Therefore, it is imperative to understand the impact of climate change on economic growth. It has also become evident that central banks should pay attention to climate change and climate policies, as these could affect their ability to meet their monetary and financial stability objectives (Bettan, 2018). Inflationary pressures might arise from a decline in the supply of goods or from productivity shocks caused by weather-related events such as droughts, floods, storms, and sea level rises. These events can potentially result in large financial losses, particularly if the damaged assets are insured. For those insured assets, they can also negatively affect insurance companies. The transition to a low-carbon economy could also pose financial risks if investors do not align their investment strategies in line with climate policies.

#### **4.4 Sectors contributing to climate change**

The sectors contributing to carbon emissions in SA are the energy sector in the form of energy and heat, transport, manufacturing and construction, fugitive emissions<sup>35</sup>, agriculture, buildings, waste and land use, amongst others. In SA, the energy sector accounts for approximately 80 per cent of the gross emissions (United State Agency International Development (USAID), 2023). This sector plays a critical role, as numerous industries rely on it, and it is essential for the generation of electricity. Though there has been a decline in both electricity production and consumption as households and businesses opt for alternative power generation, SA still largely rely on coal as the primary source of input in electricity generation (South African Reserve Bank (SARB), 2023). As a result, the nation is classified among the top 15 global carbon dioxide emitters (Statista, 2023).

The transport sector is also a significant contributor to atmospheric pollution and the second emitter of CO<sub>2</sub> in the country (Figure 4.2). Chaumontet et. Al (2023) states that global CO<sub>2</sub> emissions from the transport sector grew by

<sup>35</sup> Fugitive emissions are mainly from the unintentional or intentional release of greenhouse gases (GHGs) into the atmosphere. They can be accidental, caused by equipment leaks, defective seals or joints, or they can be intentional venting, flaring, or discharging of GHGs.

8 per cent year on year to 37 per cent in 2021. The sector is responsible for almost 55 Mt CO<sub>2</sub> emissions, contributing more than 10 per cent to the country's national gross emissions of 405 Mt CO<sub>2</sub> in 2022 (Statista, 2023; Chaumontet et. Al (2023). On the other hand, the industrial sector contributes approximately 14 per cent of the CO<sub>2</sub> emissions in the country (Climate Transparency, 2020).

**Figure 4.2: GHG Emission across sectors in SA, 1998 – 2019 (In million tons of CO<sub>2</sub>e)**



Source: Sources: Our World in Data based on Climate Analysis Indicators Tool (CAIT), 2020

Land use is another crucial factor that requires close monitoring, as it significantly contributes to the negative effects of climate change. It is also heavily influenced by population growth. Land use pertains to human activities that play a substantial role in the exchange of greenhouse gases between terrestrial ecosystems and the atmosphere, thereby affecting climate change (United Nations on Climate Change, 2023). Figure 2 reflects that the sector emits 6.72 Mt of CO<sub>2</sub> emission, below 50 million tons of CO<sub>2</sub> emissions. The current emissions by sector indicate that the country is far from achieving the GHG emission target of keeping the global temperature rise below 1.5 to 2 °C as per the 2016 Paris Agreement on Climate Change.

## 4.5 Strategies aiming at combating climate change

### 4.5.1 Global

Climate change has represented the primary global threat since the onset of industrialisation. The World Health Organisation (WHO) (2023) states that 3.6 billion people already live in areas susceptible to climate change. Climate variations have resulted in both economic and health risks. For example, between 2030 and 2050, climate change is projected to result in approximately 250,000 additional deaths each year, solely due to factors such as undernutrition, malaria, diarrhoea, and heat-related stress (WHO, 2023). In response to these challenges, several climate policies have been formulated to regulate and address greenhouse gas emissions effects. These include the 1997 Kyoto Protocol, the 1992 United Nations Framework Convention on Climate Change, the Conference of Parties (COPs) in 1994, and the 2015 Paris Agreement.

In 1998, the Environment Programme (UNEP) and the World Meteorological Organization (WMO) established the Intergovernmental Panel on Climate Change (IPCC). The primary purpose was to compile a comprehensive assessment and recommendations regarding the state of knowledge in the field of climate change science, the social and economic ramifications of climate change, and potential strategies for addressing it, which could be integrated into a potential future international climate convention. The IPCC has played a crucial role in shaping climate policy-making in various countries globally. The IPCC comprises 195 member countries, with South Africa (SA) being one of them. These member countries are also expected to adhere to legally binding climate change agreements, which involve the provision of National Determined Contributions (NDCs) outlining their national action plans to limit global warming to 1.5°C, in line with the Sustainable Development Goal 13, which calls for urgent action to combat climate change and its impact.

#### **4.5.2 South Africa**

In its dedication to fulfilling climate change targets and advancing sustainable development, South Africa has ratified several international agreements, including the Kyoto Protocol of 1997, the United Nations Framework Convention (UNFC) on Climate Change of 1992, the Conference of Parties (COPs) of 1994, and the Paris Agreement of 2015. In response to these global agreements, SA has established a range of legislative measures, policies, plans, and strategies. These encompass fundamental documents such as the Constitution, the National Environment Management Act of 1998, as well as related policies, including the Climate Change Bill of 2018, the National Climate Change Response Policy of 2011, the National Development Plan of 2010, the Medium-Term Strategic Framework spanning from 2019 to 2024, the Low-Emission Development Strategy of 2020, and the National Adaptation Strategy of 2020. All of these initiatives are oriented towards the dual objectives of mitigating and adapting to the impacts of climate change and environmental effects while seamlessly integrating them into planning documents.

Recently, a report on 'Framework for a Just Transition' in SA published by the Presidential Climate Commission (2022) highlights the importance of strengthening adaptation to improve resilience to climate impacts. The just transition framework is the country's strategic plan to achieve a just and equitable transition to net zero greenhouse emissions by 2050 while fostering climate resilience. According to the Presidential Climate Commission (2022), the transition to low emissions and climate resilience will create employment, protect the environment, and improve human health while growing the economy.

It is in this context that subnational government should play a crucial role in responding to climate change impacts and coordinate 'just transition measures' in their respective jurisdictions by identifying climate change impacts and vulnerability in their jurisdictions, identifying community needs and adaptation measures, implementing and managing adaptation projects such as disaster management strategies and early warning systems, regulating and supporting sustainable use of land management. These interventions must also include empowering communities to climate change measures and just transitions, as well as fostering collaborations with social partners that should be integrated into development plans such as Provincial Development Plans/Strategies (PGDP/S), Integrated Development Plans (IDPs) and climate actions plans (Presidential Climate Commission, 2022).

#### 4.5.3 KwaZulu-Natal

KZN is predominantly rural and has the highest number of households that rely on climate-sensitive agriculture as their core livelihood strategy. The Province is also characterised by predominantly marginalised rural communities. Therefore, KZN is amongst the provinces prone to climate disasters, particularly in the form of floods, with eThekweni Metro being the most susceptible city. The Province has experienced numerous flooding disasters that brought many fatalities, destroyed economic infrastructure and impeded the provincial economic and social improvements. A study by Engelbrecht et al. (2022) for the Institute for Security Studies concludes that the cut-off low-pressure systems<sup>36</sup> are responsible for the flooding events in the KZN.

Since September 1987, April 2019 and April 2022, the Province experienced immense flooding where more than 500 lives were lost and damage to economic infrastructure occurred. Population growth, unregulated informal dwelling growth, a lack of land use zoning enforcement and inadequate stormwater systems are also cited as contributing to growing flood risks in KZN. The Office of the Coordination of Humanitarian Affairs (OCHA, 2022) stated that 19 113 homes in eThekweni were affected by flood disasters, and many of them were informal settlements below the flood line<sup>37</sup>.

In addressing these predicaments brought forth by climate variations, the KZN Government, through the Department of Economic Development and Tourism (EDTEA), has identified a need to strengthen the adaptation and mitigation plans to improve climate resilience through transforming the Province's economy to a green economy, encourage climate education, and facilitate the 'Let's Respond Toolkit. Moreover, the eThekweni Municipality has approved the Durban Climate Change Strategy (DCCS), which aims to implement adaptation and mitigation strategies for the municipality as it is prone to climate disasters. The strategy also seeks to incorporate climate mitigation and adaptation responses to the city's function and operation.

The green economy approach reflects a shift in thinking from a 'business as usual' neo-liberal economic approach, which considers the environment as an infinite resource from which to grow the economy, to one that recognises that the environmental system has thresholds or limits and that the economic sub-system should be embedded within, and shaped by, the environmental assets and services available in a particular region (EDTEA, 2019). Further, a shift to the green economy thus involves the restructuring of business, infrastructure and institutions towards more sustainable (green) production, consumption and distribution processes, creating new economic opportunities and green jobs. Trade & Industrial Policy Strategies (TIPS) (2019) state that transitioning to a green economy requires a cooperative and inclusive governance framework, gathering government, social partners (business, labour and civil society representatives) and wider society, based on constant policy dialogue, engagement and co-development.

Education is a crucial agent in addressing the issue of climate change. Climate education can ensure public awareness of climate change, encourage public participation and encourage people to make informed, climate-friendly decisions. KZN has invested in strategies such as a climate awareness drive in order to unpack

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<sup>36</sup> Cut off low pressure system is defined as cold-cored synoptic-scale mid-tropospheric low-pressure systems which occur in the mid-latitudes but extend to the subtropics, accounting for major severe rainfall and cold events

<sup>37</sup> A flood line is an imaginary line on the ground that denotes the edge of the water during a flood. It's a standard measure in place to protect communities, businesses, and infrastructure from flooding

the climate change lesson in KZN after the various encounters with climate disasters (The Environment, 2023). Sutherlands et al. (2010) maintain that the government promotes public awareness on climate change through the Department of Economic and Environmental Affairs (EDTEA) and the South African Weather Services (SAWS). Climate education in schools is conducted through the Abhor Week program, amongst others. Therefore, investing in climate education and in people's knowledge and skills to develop their adaptive capacities should be an ongoing process which can be implemented through partnerships with local, national and international organisations.

The National Department of Environmental Affairs, together with the South African Local Government Association (SALGA) and the Cooperative Governance and Traditional Affairs (COGTA), issued a 'Let's Respond Toolkit (2011)' aimed at aiding municipalities in the incorporation of climate change risks and potential advantages into their Integrated Development Plans IDPs, (FFC, 2024/25). Additionally, the 'Local Government Climate Change Support Programme' (2019) developed by the NDFF&E and SALGA is a supporting programme dedicated to advancing local climate change planning and implementation capacity in order to be able to build climate resilience at the municipal level. This can be the most effective move as it is important to consider community-based environmental planning (CBEP), which recognises that local communities are more familiar with their own particular challenges and are better able to inform an appropriate planning process.

By implementing these domestic measures, SA and KZN, in particular, are showing that implementation is part of the country's aspirations. While the country still needs to implement programmes to meet its strengthened climate target, the Climate Action Tracker (2022) rates the country's climate targets and policies as "insufficient". This rating indicates that SA's climate policies and commitments need substantial improvements to be consistent with the Paris Agreement's 1.5°C emission limit. It is also imperative that the country fast-track the amendment of the climate change bill and enact the bill into law, which will officially be legally binding (Climate Law, 2023). This could improve the commitments of various stakeholders contributing to greenhouse gas emissions and, at the same time, move towards achieving the country's NDC.

## **4.6 Climate Finance**

Climate finance refers to the financing drawn from public, private and alternative sources of financing purposed to support mitigation and adaptation strategies that will address climate change (United Nations Climate Change (UNCC), 2023). The Development Bank of Southern Africa (DBSA) (2023) affirms that climate financing investment aims at developing critical, resilient and sustainable infrastructure to shape the recovery from the effects of progressively high climate change. Therefore, the bank intends to mobilise funding to be used in investing in sustainable and environmentally friendly infrastructure solutions. The bank manages the Green Fund on behalf of the Department of Environmental Affairs. The Fund is mainly for financing projects and climate-related investments that are aimed at driving a smooth transition to a sustainable, low-carbon economy.

The Green Fund focuses on innovative projects that require financing to cover funding gaps. The Fund has a portfolio of 20 active and two completed investment projects, representing an investment of R679.8 million since the Fund's inception. Further, the Fund provides finance directly to projects through various financial instruments such as project and capital development grants, research and policy development grants, and concessional project development loans. Funds can be provided to project developers, municipalities, provinces, the private sector,

non-governmental organisations (NGOs), government departments, and academic institutions (DBSA, 2023). There are various climate initiatives that are supported through the Green Fund in SA, including in KZN.

The green budget financing has brought significant advantages to KZN, with projects like Edakeni Muthi Futhi harnessing the potential of indigenous medicinal plants, the eThekweni restorative program prioritising reforestation, and the Hammarsdale waste beneficiation centre dedicated to recycling, among others. These efforts underscore the province's commitment to mitigating the adverse effects of climate change (Department of Fishery, Forest, and Environmental Affairs, 2023).

Additionally, the finance minister, in the 2023 budget speech, sighted that in 2022, the Just Energy Transition Investment Plan was launched at the COP27; therefore, in supporting the implementation of the plan, the International Partners Group of developed economies pledged US\$8.5 billion to support SA's transition. Further, in the 2023/24 financial year, a tax relief of R13 billion was granted to consumers to promote liquidity that will allow consumers and businesses to invest in renewable energy. Cassim et al. (2021), in the South African Climate Landscape, stated that the International Finance Corporation (IFC) estimated that the total investment needed to achieve SA's NDC is R8.9 billion over the period of 15 years (2015-2030).

While municipalities are indeed undertaking initiatives to combat climate change, there is a provincial push to urge municipalities to integrate environmental conservation into their budgetary considerations. Table 4.1 illustrates the expenditure of each municipality for environmental protection against the overall expenditure on municipal programmes as per the study conducted by the (Financial and Fiscal Commission (FFC), 2024/25). It is evident from the table that some of these municipalities do not set aside any funding for this purpose, and those that set aside, it is an insignificant amount compared to their total expenditure. The various municipalities' budgets that form part of the study allocated less than 1 per cent of these budgets for environmental protection.

**Table 4.1: Total Municipal Expenditure as a per cent of Municipal Environmental Protection Expenditure, 2019/20 – 2021/22**

| Municipalities | Expenditure By Functional Allocation | 2019/2020  | 2020/2021  | 2021/2022  |
|----------------|--------------------------------------|------------|------------|------------|
| eThekweni      | Environmental Protection             | 255 435    | 296 652    | 286 071    |
|                | Total Expenditure                    | 40 664 331 | 40 121 896 | 43 420 119 |
|                | Percentage                           | 0.063      | 0.61       | 0.66       |
| KwaDukuza      | Environmental Protection             | -          | -          | -          |
|                | Total Expenditure                    | -          | -          | -          |
|                | Percentage                           | -          | -          | -          |
| Msunduzi       | Environmental Protection             | 20 433     | 24 865     | 25 875     |
|                | Total Expenditure                    | 566 649    | 5 673 151  | 6 424 262  |
|                | Percentage                           | 0.37       | 0.44       | 0.4        |

Source: FFC, 2024/25

Though SA has made various international and national commitments, climate initiatives and targets remain weak. As demonstrated in Table 4.1, there is still a great challenge pertaining to the sensitivity and funding of climate change and its impact. Most municipalities and government departments are mostly reactive and not proactive to climate change. This is reflected in their budgeting strategies. However, the DFFE commits to supporting provinces and municipalities in developing and implementing plans to adapt to climate change (National Treasury, 2023). It is precisely for these realities that the FFC (2024/25) recommends that the Minister of Finance should create an enabling framework to ensure government budgets are climate sensitive and incorporate green budgeting

measures across budget cycles, budget circulars, the MTEF, as well as Municipal Finance Management Act (MFMA) and Public Finance Management Act (PFMA) processes. Climate change indicators and targets should inform this process.

In addressing this predicament, the government has introduced a carbon tax system, which will ensure the country achieves lower greenhouse emissions. National Treasury (2023) states that the carbon tax rate was increased from R134 to R144 effective from 1 January 2022. The first phase of the carbon tax, with substantial allowances and electricity price neutrality, will be extended to 31 December 2025. However, in line with our commitments at COP 26, the (headline) carbon tax rate will be progressively increased every year to reach US\$20 per tonne. In the second phase, from 2026 onwards, the carbon tax will have larger annual increases to reach at least \$30 by 2030, and the allowances will rapidly fall away.

In line with the carbon tax rate increase, the carbon fuel levy for 2023/24 will increase by 1c to 10c/l for petrol and 11c/l for diesel from 5 April 2023. Deloitte (2023) revealed that in the 2022 tax payment period, R1.6 billion in carbon tax was collected. The report reveals that this makes less than 0.2 per cent of the R1.69 trillion total tax revenue collected in SA in 2022. This revenue is recycled back to support green initiatives in the country.

National Treasury published the South African Green Taxonomy in March 2022 as part of South Africa's Sustainable Finance Initiative, providing a classification system that defines the minimum set of assets, projects, activities, and sectors that are eligible to be defined as 'green' in line with international best practice and national priorities. It can be used by investors, issuers, and other financial sector participants to track, monitor, and demonstrate the credentials of their green activities. The National Treasury has also embarked on a Climate Budget Tagging<sup>38</sup> pilot.

With regard to budget responsiveness to climate change, the World Bank Climate Change Action Plan of 2021-25 advocates for countries to integrate climate change strategies to transition to a resilient, inclusive development and green economy. In this regard, finance ministers should incorporate climate change response strategies into financial reporting. Audit institutions are taking centre stage in assessing compliance of government priority programmes with climate-related objectives (Coalition of Finance Ministers for Climate Action, 2022).

## **4.7 Conclusion and recommendations**

Human-induced climate change is already affecting weather and climate extremes in every region across the globe, and SA is no exception. In SA, sectors mainly responsible for high GHG emissions are energy and heat, transport, manufacturing and construction, fugitive emissions, agriculture, buildings, waste and land use, amongst others. Over the past five decades, mean annual temperatures have risen by at least 1.5 times the observed global average of 0.65°C, while the frequency of extreme rainfall events has also increased. These changes have resulted in widespread adverse impacts, causing losses and damages to both the environment and human populations, thus presenting a critical challenge to human development.

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<sup>38</sup> Climate Budget Tagging is a tool for monitoring and tracking of climate-related expenditures in the national budget system

In light of these challenges, it becomes crucial to raise awareness through prioritising climate education, particularly in schools spanning from lower grade levels to higher education. This will assist young people with understanding the criticality of climate impact while motivating behavioural change towards climate perception. It is also critical to disseminate climate information to adults through public engagement programmes while continuing to promote recycling practices.

In order to fully implement policies and strategies developed to address climate change, climate finance needs to take precedence. However, the current financial position of the country is another impediment, as the country's public debt is the highest in emerging markets and is set to persist in current policy practice. This then leaves limited fiscal space to respond to adverse shocks, ranging from contingent liabilities from SOEs, climate events and social spending needs.

The study by the FFC 2024/25 also reveals that many municipalities do not have climate risk budget and, hence, cannot properly address the climate challenges. It is, therefore, important for the government to implement measures that will compel every stakeholder in the country to prioritise climate budgeting. For instance, make it compulsory that every government and municipal institute's climate budget be audited and, if complying and properly managed, be incentivised. For private companies, policies mandating them to comply with climate sensitivity must be aggressively implemented and even provide incentives such as tax discounts for those complying companies. Further, the government should continue to facilitate the optimal operation of the carbon tax system to be able to generate adequate funds to appropriately fund and budget for current and future climate actions to be undertaken.



# Chapter 5: Economic Outlook

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## 5.1 Introduction

The world economy continues to gradually rebound from the substantial deceleration caused by economic shocks associated with the intensive geopolitical conflicts in 2022, which triggered global supply chain bottlenecks, soaring inflation rates as well as worsening financial conditions. The recovery is as a result of the robust economic activity earlier in 2023, particularly in the services sector. Global supply chains have largely recovered, with the shipping costs and suppliers' delivery times back to pre-pandemic levels. The global inflation rate has dropped further amid lower international crude oil and food prices.

Notably, interest rates remain elevated in most countries owing to the aggressive implementation of tighter monetary policy regimes to contain inflation in 2022. This has had negative implications on global financial conditions and, ultimately, a slowdown in bank lending. Climate change is among the downside risks to the global economy. It causes weather extremes, resulting in frequent crop failures across countries and could cause food price spikes and food insecurity. The risk of climate problems is apparent in the ongoing El Niño phenomenon across the globe.

Similarly, South Africa's economy experienced a significant slowdown in 2022 due to uncertain global economic conditions alongside various domestic structural challenges, particularly the extensive energy crisis, persistent inflationary pressures and the resultant increase in interest rates. The electricity supply challenges escalated to record highs in 2023, as it reached about 5 772, which is the equivalent of 240 calendar days as of 30 September 2023. The South African Reserve Bank (SARB) expects the number of calendar days of load shedding to be 310 in 2023. Thus, the energy crisis remains a major constraint currently dragging economic activity downwards and somewhat contributing to inflationary pressures through higher costs of doing business. While consumer price inflation dropped marginally in the first half of 2023, it has begun to surge again, thereby increasing the risk of further interest rate hikes over the short term.

Given the precarious economic growth prospects amid an uncertain global environment and numerous local structural constraints, South Africa's fiscal framework remains weaker. The sluggish economic growth implies that the government could not collect enough revenue to finance the provision of essential services in line with policy priorities. As a commodity exporting country, South Africa has been greatly affected by the falling commodity prices in terms of revenue collection. This has caused the projected revenue collection to be R56.8 billion less than initially predicted when commodity prices were elevated. Thus, government spending will remain significantly above revenue as it has been since the 2008 global financial crisis, resulting in persistent large budget deficits.

The provincial and local economies are not isolated from the numerous aforementioned economic challenges currently affecting the national economy. KwaZulu-Natal's (KZN's) economic prospects deteriorated considerably in 2022 following disastrous flooding early in the year coupled with record-high blackouts. As the electricity supply constraints persist, the provincial economy will remain depressed in 2023. However, the KZN government continues to implement the recovery plan to reignite the economic growth potential. This includes the efforts to

attract investments, expansion and refocusing the functioning of Durban and Richard's Bay ports as part of the KZN Logistic Hub. Also, the government supports emerging industries such as cannabis and hemp that have the potential to uplift local economies.

## 5.2 Global economic review and outlook

### 5.2.1 Global economic performance and outlook

The global economy decelerated significantly to 3.5 per cent in 2022 from a revised growth rate of 6.2 per cent in 2021. The substantial deterioration in economic activity worldwide was primarily influenced by heightened geopolitical tensions between Russia and Ukraine. The Russia-Ukraine war began early in 2022 and escalated during the course of the year. The ultimate consequences of the war were the humanitarian crisis in Eastern Europe and economic upheaval associated with highly volatile commodity and financial markets, deepening global supply chain bottlenecks, persistent consumer price inflation as well as tighter financial conditions. The strenuous volatility in the commodity markets triggered a rise in agricultural commodity prices, perpetuating food insecurity and extreme poverty across developing and low-income economies.

Consumer price inflation accelerated significantly in most part of 2022 amid higher global food prices and volatile energy markets, thereby necessitating a quicker and extensive monetary policy response by central banks. The radical implementation of tighter monetary policy stances contributed to tighter financial conditions. As the high interest rates filtered through the financial system, central banks in advanced economies significantly tightened lending standards, limiting the credit supply. Also, the impact of higher interest rates extended to public finances, especially in poorer countries grappling with elevated debt costs, constraining room for priority investments. Nevertheless, as inflation peaked towards the end of the year, central banks also began to ease their policy response.

**Table 5.1: World economic estimates and projections (percentages), 2020 – 2024**

|                                                 | GDP Estimates (Per cent) |            |            | GDP Forecast (Per cent) |            |
|-------------------------------------------------|--------------------------|------------|------------|-------------------------|------------|
|                                                 | 2020                     | 2021       | 2022 e     | 2023 f                  | 2024 f     |
| <b>World</b>                                    | <b>-3.1</b>              | <b>6.2</b> | <b>3.5</b> | <b>3.0</b>              | <b>2.9</b> |
| <b>Advanced economies</b>                       | <b>-4.5</b>              | <b>5.4</b> | <b>2.7</b> | <b>1.5</b>              | <b>1.4</b> |
| United States                                   | -3.4                     | 5.9        | 2.1        | 2.1                     | 1.5        |
| Euro area                                       | -6.4                     | 5.3        | 3.3        | 0.7                     | 1.2        |
| Japan                                           | -4.5                     | 2.1        | 1.0        | 2.0                     | 1.0        |
| United Kingdom                                  | -9.4                     | 7.6        | 4.1        | 0.5                     | 0.6        |
| <b>Emerging market and developing economies</b> | <b>-2.0</b>              | <b>6.7</b> | <b>4.1</b> | <b>4.0</b>              | <b>4.0</b> |
| Russia                                          | -2.7                     | 4.7        | -2.1       | 2.2                     | 1.1        |
| China                                           | 2.3                      | 8.4        | 3.0        | 5.0                     | 4.2        |
| India                                           | -7.3                     | 8.7        | 7.2        | 6.3                     | 6.3        |
| Brazil                                          | -3.9                     | 5.0        | 2.9        | 3.1                     | 1.5        |
| <b>Sub-Saharan Africa</b>                       | <b>-1.7</b>              | <b>4.7</b> | <b>4.0</b> | <b>3.3</b>              | <b>4.0</b> |
| Nigeria                                         | -1.8                     | 3.6        | 3.3        | 2.9                     | 3.1        |
| South Africa                                    | -6.4                     | 4.9        | 1.9        | 0.9                     | 1.8        |

Source: International Monetary Fund (IMF), 2023

Note: e represents estimates, and f is the forecast

Notably, the global economy shows positive signs of recovery, although at a slower pace, from the aforementioned economic shocks especially the Russia-Ukraine war. The recovery has been supported by robust economic activity earlier in 2023, particularly in the services sector. Global supply chains have largely recovered, with the shipping costs and suppliers' delivery times back to pre-pandemic levels. However, a full recovery toward pre-pandemic trends appears increasingly out of reach, especially in emerging markets and developing economies. Overall, global economic growth is anticipated to drop further to 3 per cent in 2023 and 2.9 per cent in 2024 (IMF, 2023). The projected slow-down in 2023 is driven largely by a continuous deceleration in Advanced Economies.

### ***Risks to the global economic outlook***

The global outlook could deteriorate further if downside risks materialise. The downside risks include a possible further slowdown of the Chinese economy should the property sector crisis worsen. This could have spill-over effects to other regions, especially commodity exporters. Another risk to the global economic outlook could arise from climate change, which causes weather extremes, resulting in frequent crop failures across countries, causing food price spikes and food insecurity. The risk of climate problems is apparent in the ongoing El Niño phenomenon<sup>39</sup> across the globe. In the past, El Niño raised global food prices by more than 6 per cent in a year (IMF, 2023). The ongoing Russia-Ukraine war continues to pose risk to the world economy should the conflicts intensify, it could cause supply chain disruptions and renewed fluctuations in food, fuel, fertiliser, and other commodity prices. Lastly, tight labour markets and wage demands to compensate for past cost-of-living increases could contribute to persistent underlying inflationary pressures.

#### **5.2.2 Advanced economies**

Real output in *Advanced Economies* is projected to decelerate significantly to 1.5 per cent in 2023 and further to 1.4 per cent in 2024, down from 2.6 per cent in 2022. The projected deterioration in growth in 2023 is due to the protracted effects of central bank policy rate hikes since early 2022. More restrictive credit conditions amid banking sector stress in advanced economies should slow demand further in 2023. Past increases in energy prices and the expected softening in labour markets are also projected to weigh negatively on economic activity. Consequently, more than 90 percent of *Advanced Economies* are expected to experience slow growth in 2023.

Real economic growth in the *Euro Area* is expected to drop sharply from 3.3 per cent in 2022 to 0.7 per cent in 2023, owing mainly to the lagged effects of monetary policy tightening. Growth is expected to pick-up marginally to 1.2 per cent in 2024, supported mainly by reforms and investments funded by the Recovery and Resilience Facility<sup>40</sup>. The predicted decline in economic growth, particularly in 2023, reflects a divergence across major economies such as Germany, where growth is projected to contract by 0.5 per cent and France, with a forecast of

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<sup>39</sup> El Niño occurs on average every two to seven years, and episodes typically last nine to 12 months. It is a naturally occurring climate pattern associated with warming of the ocean surface temperatures in the central and eastern tropical Pacific Ocean. But it takes place in the context of a climate changed by human activities.

<sup>40</sup> The Recovery and Resilience Facility (RRF) is a temporary instrument that is the centrepiece of Next Generation EU – which is the EU's plan to emerge stronger and more resilient from the current crisis. Through the Facility, the Commission raises funds by borrowing on the capital markets (issuing bonds on behalf of the EU). These are then available to its Member States, to implement ambitious reforms and investments. Retrieved from: [https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility\\_en](https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility_en)

1 per cent. Economic activity in Germany is set to slow significantly in the second half of 2023 amid weakness in interest-rate-sensitive sectors and slower trading-partner demand.

### 5.2.3 Emerging Markets and Developing Economies

Economic growth in *Emerging markets and developing economies (EMDEs)* slowed significantly from 6.8 per cent in 2021 to 4.1 per cent in 2022, as many *EMDEs* experienced a sharp decline in activity in the second half of the year. The *EMDEs* have shown a marginally robust growth in early 2023, as the external demand for many countries was supported by the picking up of growth in China and the unexpected resilience in *Advanced Economies*. Most large *EMDEs* realised an improvement in services activity earlier in the year as the Purchasing Managers Index (PMI) indicates solid expansion. The monetary policy tightening in *EMDEs* and *Advanced Economies* has triggered higher financing costs, which has weighed on *EMDE* investment and output in sectors more sensitive to interest rate movements, such as industrial production and construction. Economic growth in *EMDEs* is projected to drop modestly and remain at 4 per cent in 2023 and 2024.

In China, economic activity has slowed somewhat from the earlier momentum after the economic re-opening in early 2023. The deteriorating growth momentum reflects the adverse effects of the property sector crisis, which remains the largest contributor to the factors hampering growth. Property developers face severe funding constraints, preventing them from completing presold homes, undermining home buyer confidence and prolonging the property sector downturn. Consequently, real estate investment and housing prices continue to decline, putting pressure on local governments' revenues from land sales. Other factors that have weighed on economic activity include tentative external demand and geopolitical uncertainty that have weakened industrial production, business investment, and exports. Thus, consumer confidence remains subdued despite the economy's re-opening in the first quarter. Following a substantial decline to 3 per cent in 2022, China's economic growth is projected to rise marginally to 5 per cent in 2023 before moderating to 4.2 per cent in 2024. The property sector crisis and lower investment are the main contributors to the forecast slowdown, especially in 2024.

In Russia, growth in the real gross domestic product (GDP) is expected to accelerate from a contraction of -2.1 per cent in 2022 to 2.2 per cent in 2023 and 1.1 per cent in 2024. The projected expansion reflects a substantial fiscal stimulus, strong investment, and resilient consumption in the context of a tight labour market. After suffering a -21.1 per cent economic decline in 2022, output in Ukraine is forecast to moderate to 2 per cent and 3.2 per cent in 2023 and 2024, respectively. The higher-than-expected recovery is due to stronger domestic demand growth, with firms and households adapting to the war in that country amid sharply declining inflation and stable foreign exchange markets (IMF, 2023).

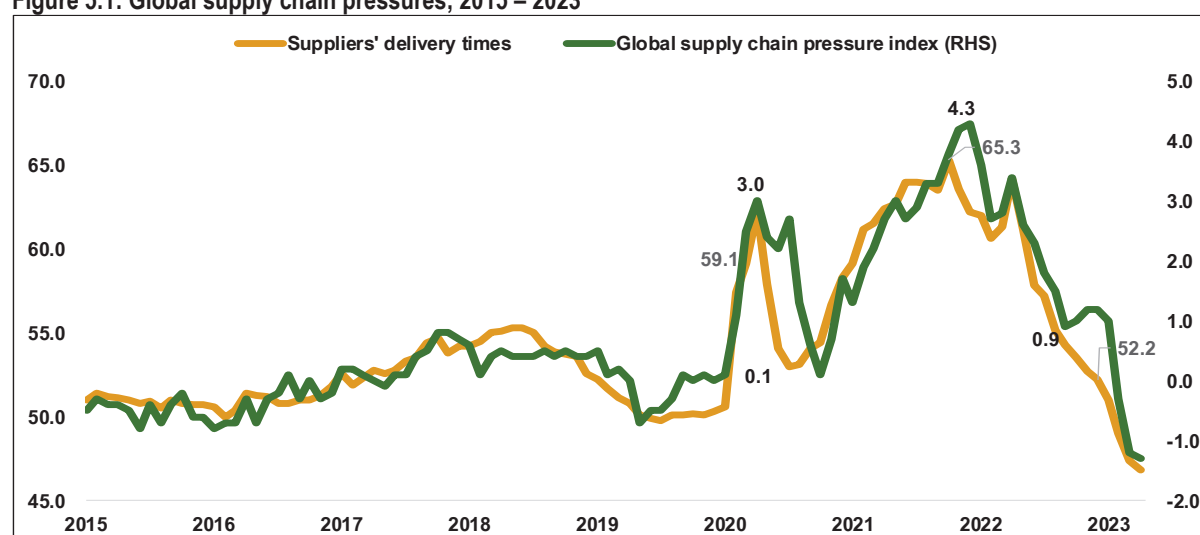
In *Sub-Saharan Africa (SSA)*, economic activity decelerated to an estimated 4 per cent in 2022 from 4.7 per cent in 2021. The rise in global food and energy prices in 2022 significantly impacted the higher cost of living across the region, exacerbating the economic challenges faced by people experiencing poverty and sharply increasing food insecurity. Economic growth in *SSA* is expected to moderate further to 3.3 per cent in 2023 before a marginal rebound of 4 per cent in 2024. Notably, growth remains below the historical average of 4.8 per cent. The projected decline reflects the impact of worsening weather shocks, the global slowdown, and domestic supply issues in the electricity sector. Also, headline inflation remains higher in most countries due to large currency depreciations. The region is anticipated to continue experiencing high costs of living, which restrain private consumption. At the same

time, limited fiscal space and tight monetary policies are likely to weigh on investment growth. Large economies such as Nigeria are also set to experience a decline in overall economic growth to 2.9 per cent in 2023, reflecting the adverse effects of high inflation on consumption and weaker-than-expected oil and gas production due to maintenance work. However, real output is projected to pick up somewhat to 3.1 per cent in 2024.

#### 5.2.4 Global supply chain pressures

Global supply chain bottlenecks escalated significantly during the COVID-19 pandemic due to cross-border restrictions enforced to limit the virus. Figure 5.1 depicts the Purchasing Manager's Index (PMI) supplier's delivery times and global supply chain pressure index<sup>41</sup> (GSCPI) between 2015 and 2023. The PMI supplier's delivery times index ranges between 0 and 100. However, the data is inverted by subtracting data from 100; therefore, increasing PMI data indicates slower delivery times, and the opposite is true with decreasing PMI data. The Figure shows that the PMI supplier's delivery times reached a new high of 59.1 index points in 2020, indicating slower delivery times caused by COVID-19 related restrictions. The supplier's delivery times worsened as the pandemic persisted in 2021, reaching 65.3 index points and into the first half of 2022. While the PMI remained high in 2022, it showed significant improvement, especially in the second half of the year, as it reached 52.2 index points.

**Figure 5.1: Global supply chain pressures, 2015 – 2023**



Source: World Bank GEP June 2023

The global supply chain pressure index, on the other hand, integrates several commonly used metrics to comprehensively summarise potential supply chain disruptions. The index is normalised such that zero indicates the index is at its average value, with positive values representing how many standard deviations the index is above this average value. Also, the GSCPI increased from the low level of 0.1 index points at the beginning of 2020 and reached a high of 3 index points during the height of the global pandemic.

The trend remained unstable in subsequent periods and peaked at 4.3 index points in 2021. The global supply chain remained depressed in 2022 owing to the escalating geopolitical conflicts but began to improve later in the

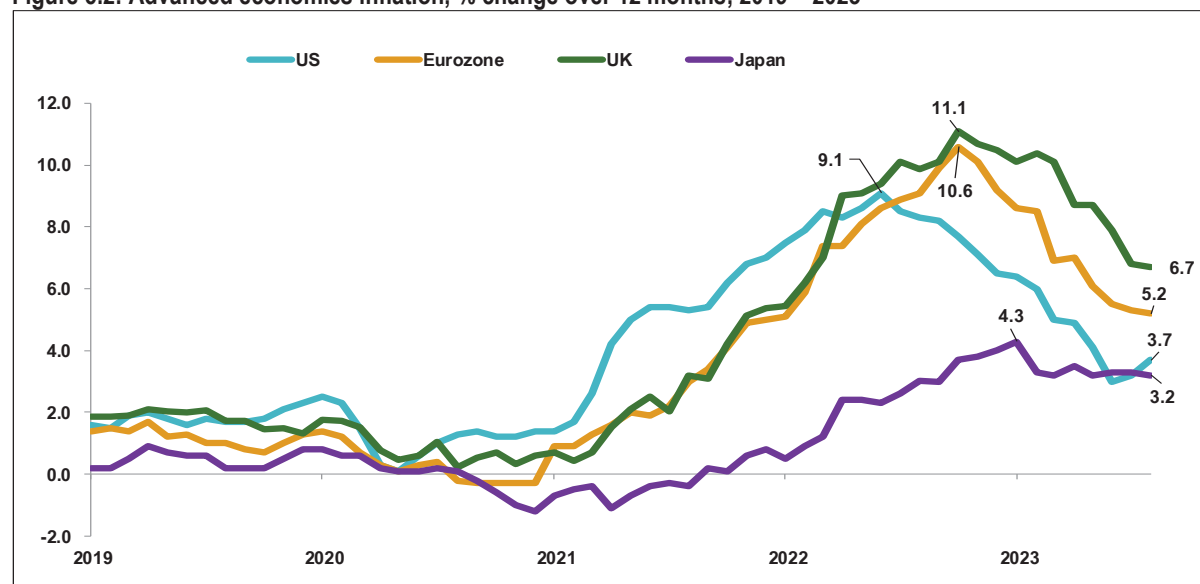
<sup>41</sup> The GSCPI also uses several supply chain-related components from Purchasing Managers' Index (PMI) surveys, focusing on manufacturing firms across seven interconnected economies

year. Interestingly, both the GSCPI and the PMI suppliers' delivery times reached their lowest levels in almost four years in the first half of 2023 and are expected to remain low. This indicates that global supply chain pressures have eased as goods demand has weakened and global shipping conditions have improved.

### 5.2.5 Global inflation outlook

The headline consumer price inflation (CPI) accelerated significantly throughout 2022, exceeding the targeted bands in almost all countries that have adopted inflation targeting. The global CPI peaked in the third quarter of 2022 amid easing supply chain pressures and lower international crude oil and food prices. The global CPI decelerated from a high of 10.8 per cent in October 2022 and then slowed for eight consecutive months to 5.7 per cent in June 2023 before rising somewhat to 5.9 per cent in July (IMF, 2023). The IMF (2023) expects most economies to have lower headline inflation in 2023 compared to 2022. In this regard, global inflation is projected to slow marginally to 6.9 per cent in 2023 and drop further to 5.8 per cent in 2024, down from 8.7 per cent in 2022. The projected deceleration in inflation partly reflects declining international fuel and nonfuel commodity prices due to weaker global demand.

**Figure 5.2: Advanced economies inflation, % change over 12 months, 2019 – 2023**



Source: South African Reserve Bank, 2022 and Trading Economics, 2023

The headline inflation in *Advanced Economies* is projected to be at an average of 4.6 per cent in 2023 and 3.0 per cent in 2024, down from 7.3 per cent in 2022. In the US, the CPI increased to 9.1 per cent in June 2022 and decelerated in subsequent months to reach 3.7 per cent in August 2023. Inflation in the US is expected to decrease to around 3.2 per cent in the fourth quarter of 2023 from 7.1 per cent a year ago. The Euro Area also experienced rising inflation, reaching a high of 10.6 per cent in October 2022 and dropping consistently for ten successive months to 5.2 per cent in August 2023. Inflation in the Euro Area is projected to drop further to 3.3 per cent in the fourth quarter of 2023, down from 9.9 per cent during the same period in 2022, with the fall reflecting in part the decrease in energy prices. In *EMDEs*, inflation is expected to decline from 9.8 per cent in 2022 to 8.5 per cent and 7.8 per cent in 2023 and 2024, respectively. In *SSA*, inflation peaked at 10 per cent in March 2023 and has begun to decelerate as it reached 7 per cent in July 2023. Of critical importance to the region's food security, domestic food price inflation has also fallen, driven largely by a general drop in global food prices.

During the heights of rising consumer price inflation across the world, central banks responded with an aggressive implementation of tighter monetary policy to contain inflation. Advanced and emerging market economies hiked policy rates in large magnitudes over several periods. For instance, the Fed has increased interest rates by a cumulative 500 basis points since March 2022 from 0.5 per cent to 5.5 per cent in October 2023, the fastest monetary policy tightening campaign since the 1980s. Similarly, the European Central Bank (ECB) has hiked rates by a cumulative 400 basis points since July 2022, from 0.5 per cent to 4.5 per cent in October 2023.

The implementation of aggressive monetary policy normalisation by central banks worldwide, as well as the bank failures, have negatively impacted financial conditions and, ultimately, a slowdown in bank lending. The credit stock dropped significantly in both the Euro Area and the US in April 2023 as interest rates remain high. In the US, bank lending decelerated from a high of 6.8 per cent in July 2022 to a low of 3.1 per cent in April 2023 (World Bank, 2023). As highlighted by Bloomberg (2023), the contraction in bank lending in the US reflects primarily a tightening of credit conditions in the wake of several high-profile bank collapses. On the other hand, bank lending in the Euro Area contracted by 0.3 per cent in April 2023, down from a high of 3.9 per cent in September 2022. The main drivers of the tightening were higher perceptions of risk and, to a lesser extent, banks' lower risk tolerance. The decline in bank lending in the Euro Area was driven largely by increases in interest rates and decreases in central bank liquidity.

### **5.3 South African economic review and outlook**

#### **5.3.1 South African economic performance**

The South African economy decelerated significantly in 2022 due to numerous heightened external uncertainties and local structural impediments. On a quarter-on-quarter basis, real gross domestic product (GDP) showed substantial volatility as the economy was subjected to multiple adverse economic shocks. Figure 5.3 shows that real GDP contracted in the second and fourth quarters of the year while expanding marginally in the other two quarters. The lacklustre economic performance in the second quarter of 2022 could be attributed to the start of the Russia-Ukraine war, which negatively impacted the world economy on various fronts including global supply chain constraints, volatile commodity and energy markets as well as tighter financial conditions. During this period, at the height of the Russia-Ukraine, South Africa (SA) experienced significant rise in fuel prices amid soaring international Brent crude oil prices and volatile domestic currency. While the global uncertainties began to moderate in the second half of 2022, SA's energy crisis escalated to high levels thereby weighing down economic activity and thus causing a contraction in the fourth quarter.

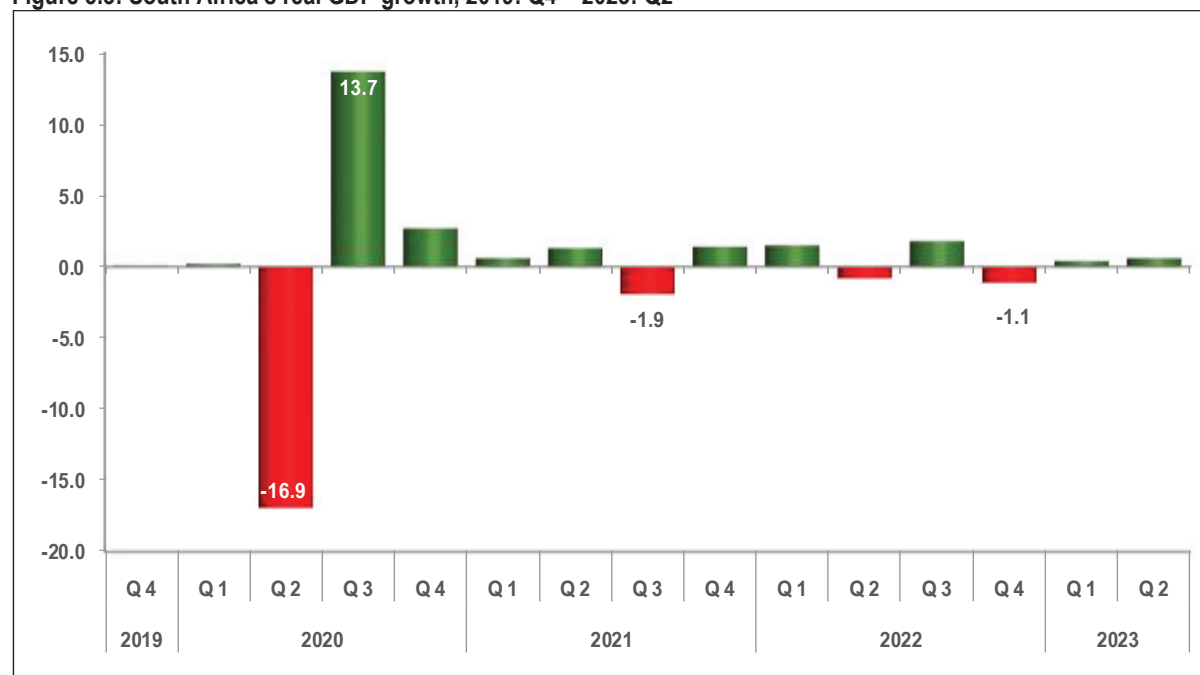
Encouragingly, economic activity expanded marginally in the first and second quarters of 2023 despite intensified electricity load-shedding. Real GDP increased further by 0.6 per cent in the second quarter of 2023, following a slight expansion by a revised 0.4 per cent in the first quarter. The level of real GDP was 1.6 per cent higher in the second quarter of 2023 compared to the corresponding period in 2022. Real GDP growth in the second quarter was supported mainly by positive growth reported in six industries<sup>42</sup>. Notwithstanding the upside GDP growth outcome in the first half of 2023, the economic growth prospects remain highly uncertain as the country's protracted

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<sup>42</sup> The industries that recorded positive growth in quarter 2 of 2023 are manufacturing (2.2 per cent), finance (0.7 per cent), agriculture (4.2 per cent), and personal services (0.7 per cent).

structural constraints, particularly unpredictable electricity supply and the deterioration in the ports and railway infrastructure, continue to weigh down economic activity.

**Figure 5.3: South Africa's real GDP growth, 2019: Q4 – 2023: Q2**



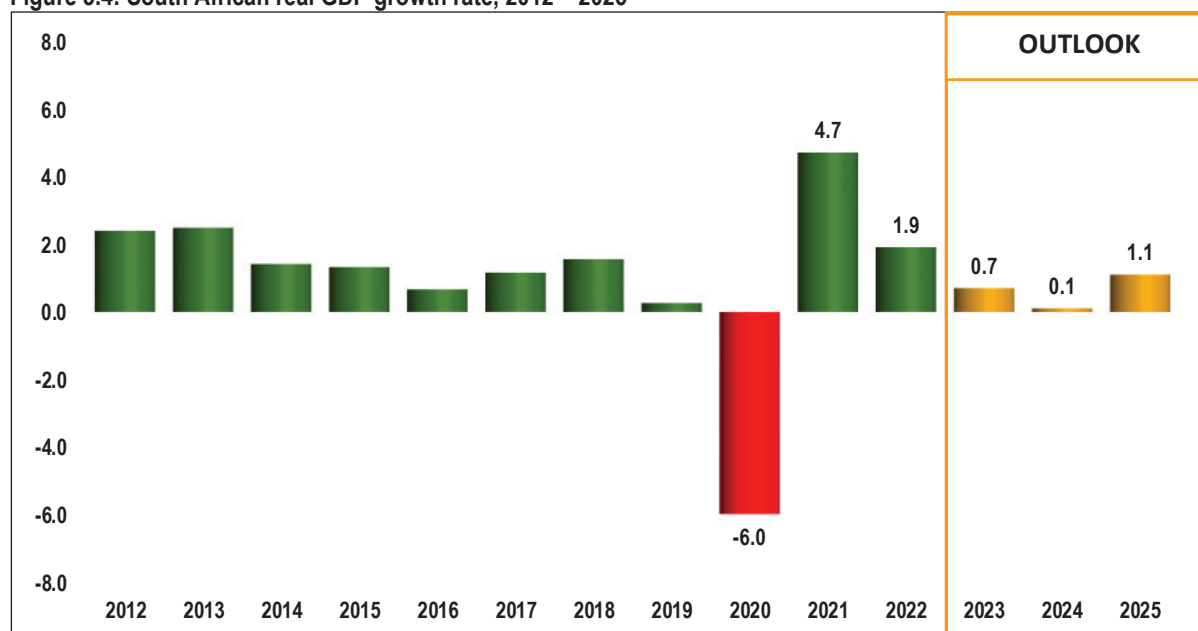
Source: Stats SA, 2023

### **South African economic outlook**

Given the unstable growth on a quarter-on-quarter basis highlighted above, the South African economy resembled the global trend of an extensive slowdown in 2022. Following a strong recovery of 4.7 per cent in 2021, the real GDP decelerated to 1.9 per cent in 2022<sup>43</sup> owing to unfavourable global economic conditions amid geopolitical developments related to the invasion of Ukraine by the Russian Federation earlier in the year. The geopolitical conflicts had spill-over effects to other regions, South Africa (SA) included, through commodity markets. In addition, the local economy continued to grapple with internal structural constraints, particularly the energy crisis, the soaring inflation rate as well as the monetary policy tightening to contain inflation. The energy crisis intensified in 2022, with load-shedding estimated to have averaged about 157 days. The South African Reserve Bank (SARB) estimated that in 2022, approximately 14 per cent of business hours were lost in the industrial sector, while losses in the commercial and agricultural sectors varied between 11 per cent and 12 per cent.

<sup>43</sup> The South African economic recovery took a V-shape form, as it experienced a fast and strong rebound after suffering a sharp economic contraction of 6 per cent in 2020 due to the Covid-19 pandemic.

Figure 5.4: South African real GDP growth rate, 2012 – 2025



Source: SARB, 2023 & S&P Global, 2023

Further, the economy continues to be weighed down by other structural problems, such as the debilitated railway transport infrastructure, inefficiencies in state-owned enterprises, and slow implementation of reforms. Power outages have hit record highs this year and crippled the economy. The SARB expects economic growth to expand modestly by 0.7 per cent in 2023 as energy and logistical bottlenecks continue to limit economic activity and increase the cost of doing business. However, real output is projected to rise marginally to 1 per cent and 1.1 per cent in 2024 and 2025, respectively, as the power outages gradually ease amid expanding private generation capacity (Figure 5.4).

The predicted subdued economic performance, particularly in 2023, is further indicated by the business cycle indicators. In this regard, the composite leading business cycle indicator<sup>44</sup> marginally increased by 0.1 per cent in July 2023. The largest positive contributors were an increase in the six-months smoothed growth rate of job advertisement space and an increase in the average hours worked per factory worker in the manufacturing sector. In contrast, the largest negative contributors were a drop in SA's export commodity price index denominated in the US dollar and a deceleration in the six-months smoothed growth rate of the number of new passenger vehicles sold.

Also, the seasonally adjusted Absa Purchasing Managers' Index<sup>45</sup> (PMI) dropped sharply by 4.3 index points from 49.7 in August 2023 to 45.4 index points in September 2023, which marks the eighth consecutive month of contraction in South Africa's factory activity. The decline in manufacturing PMI is attributable to weak consumer demand and constrained production. Also, the external demand experienced pressure due to weakening growth momentum in the Eurozone (EZ) and the UK, both key export markets for local manufacturers. Domestically, the weaker consumer demand was due to restrictive borrowing costs and the sharp fuel price hikes at the beginning

<sup>44</sup> The composite leading business cycle is designed to provide early signals of turning points in business cycles, showing fluctuation of the economic activity around its long-term potential level. Indicator. Retrieved from: <https://www.resbank.co.za/content/dam/sarb/publications/composite-business-cycle-indicators/2023/Composite%20Business%20Cycle%20Indicators%20September%202023.pdf>

<sup>45</sup> PMI is an indicator of economic health for the manufacturing and service sectors. It provides company decision-makers, analysts, and purchasing managers with information about current business conditions.

of September. Production was also constrained, which saw the business activity index deteriorating by 8.1 points, indicating deteriorating manufacturing output due to the persistent load-shedding that capped the activity and demand recovery.

### 5.3.2 Sector performance

Figure 5.5 shows growth rates in industry value added for SA. As highlighted above, the national output has been unstable over the past two years owing to various shocks. Five industries recorded positive growth in 2022; namely transport, trade, finance, community services, and agriculture. The **transport, storage and communication services industry** continued to increase by an average annual growth rate of 8.3 per cent in 2022, up from 5 per cent in 2021 (Table A5.2). Also, real output by the transport industry increased by a cumulative average annual growth rate of 1 per cent over the ten-year period, between 2012 and 2022.

During the same period, the transport sub-industries such as air transport and transport supporting activities, as well as land and water transport, decreased by 5.7 per cent and 1.1 per cent, respectively. On the other hand, the post and **telecommunication** services sub-industry expanded by 6.2 per cent over the same period (Table A5.2). After growing for six consecutive quarters, the real GVA by the transport industry contracted by 1.9 per cent in the second quarter of 2023. The decline was largely driven by land transportation and transport support services, which were affected by truck torching incidents, while passenger journeys by rail increased from a very low base.

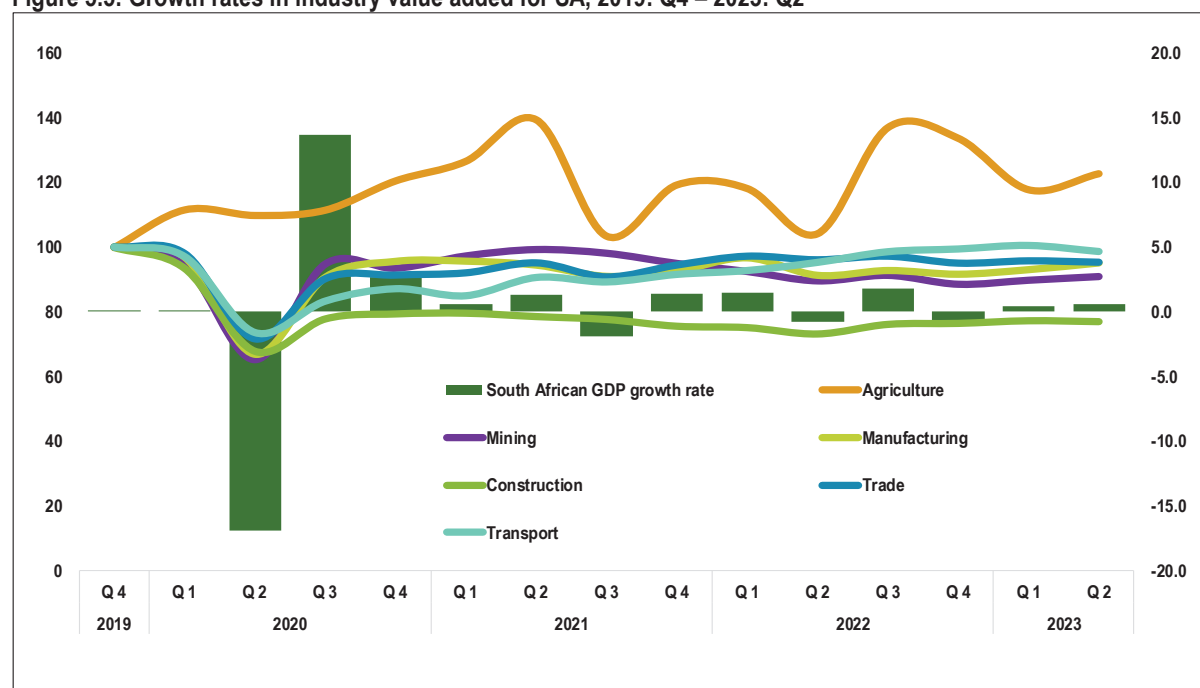
Real GVA by the trade industry decelerated significantly by 3.5 per cent in 2022 from 6.2 per cent in 2021 (Table A5.1). This can be attributed to turbulent shocks associated with geopolitical tensions, global supply chain bottlenecks as well as local structural challenges. During the ten-year period between 2012 and 2022, the trade industry reported an expansion in real output by a cumulative average annual growth rate of 0.2 per cent. This relatively low cumulative annual growth reported by the trade industry reflects a decrease in sub-industries such as hotels and restaurants, wholesale and commission trade, as well as sale and repairs of motor vehicles, sale of fuel at 1.8 per cent, 0.6 per cent and 0.2 per cent, respectively (Table A5.2).

Real output by the trade industry remains unstable in the first half of 2023, as it plunged by 0.4 per cent in the second quarter after increasing by 0.7 per cent in the first quarter during the same year. The decrease emanated mainly from the retail and wholesale trade sub-industries. Regarding retail trade, real output plummeted in sales by general dealers, retailers in food, beverages and tobacco in specialised stores. With regards to wholesale trade, economic activity dropped in sales of agricultural raw materials and livestock as well as solid, liquid and gaseous fuels and related products. On the other hand, the motor trade, catering and accommodation sub-industries reported an increase in economic activity. Economic activity in the motor trade sub-industry was bolstered by new vehicle sales amid the launch of new vehicle models.

Overall, real output by the **agricultural industry** deteriorated to an average annual growth of 0.9 per cent in 2022, down from 7.4 per cent in 2021 (Table A5.1). Despite a substantial slowdown in 2022, real GVA by the agricultural industry expanded significantly, by a cumulative average annual growth of 4.7 per cent over the ten-year period, between 2012 and 2022. During this period, the agricultural output was supported mainly by an increase in the production of *agriculture and hunting*, and fishing, as well as the *operation of fish farms* by 5.2 per cent and 3.0 per cent, respectively (Table A5.2). Real output by the agricultural industry continues to be unstable in the first

half of 2023, with the output expanding by 4.2 per cent in the second quarter following a revised contraction of 12.4 per cent in the first quarter. The expansion reported during the second quarter was supported largely by increased production of field crops and horticultural products. The agricultural output increased in spite of soaring input costs, rolling blackouts, geopolitical tensions and logistical inefficiencies.

**Figure 5.5: Growth rates in industry value added for SA, 2019: Q4 – 2023: Q2**



Source: Stats SA, 2023

On the contrary, other industries, such as mining, construction, and manufacturing, reported a contraction in economic activity in 2022. Output in the mining industry plummeted by an annual average of 7.1 per cent in 2022, after a revised expansion of 12 per cent in 2021 (Table A5.1). Real GVA by the mining industry decreased by a cumulative average annual growth of 0.5 per cent over the ten-year period between 2012 and 2022, as the mining of coal and lignite, as well as mining of gold and uranium ore, plunged by 1.2 per cent and 6.6 per cent, respectively (Table A5.2). Real output by the mining industry continues to expand in the first half of 2023 as it increased by a further 1.3 per cent in the second quarter of 2023, following a revised increase of 1.4 per cent in the first quarter. The increase in real output by the mining industry during the second quarter was driven by improved production in sub-industries such as platinum group metals (PGMs), gold, coal, other metallic minerals and nickel. As a generally energy-intensive sector, the increased production of PMGs reflects the positive impact of reduced electricity load-shedding, while gold production continued to benefit from demand for this safe-haven asset.

Overall, GVA by the construction industry dropped further by 3.4 per cent in 2022 after declining by 2 per cent in 2021. This is due to prolonged periods of negative economic activity experienced by the construction industry. Over the ten-year period between 2012 and 2022, output dropped significantly by a cumulative average annual growth of 3 per cent. Real output by the construction industry fell marginally by 0.4 per cent in the second quarter of 2023, following three-quarters of expansion. The decline in real GVA by the construction sector emanated from lower activity in residential and non-residential buildings.

The overall output by the **manufacturing sector** decelerated to an average annual growth of 0.4 per cent in 2022, down from 6.7 per cent in 2021 (Table A5.1). Notably, real GVA by the manufacturing industry dropped by a cumulative average annual growth of 0.6 per cent over the ten-year period between 2012 and 2022, as production in seven sub-industries decreased. The largest decline in manufacturing sub-industries was reported in fuel, petroleum, chemical and rubber products (1.2 per cent), textiles, clothing and leather goods (2.7 per cent), wood and wood products (1.1 per cent), as well as other non-metallic mineral products (1 per cent) (Table A5.2). In the first half of 2023, real output by the manufacturing industry maintained a positive territory as it expanded by a further 2.2 per cent in the second quarter after increasing by a revised 1.5 per cent in the first quarter. The increase was supported mainly by higher production in sub-industries, including petroleum, chemical, rubber and plastic products; basic iron and steel, non-ferrous metal products, metal products and machinery; motor vehicles, parts and accessories and other transport equipment; as well as wood and wood products, paper, publishing and printing.

### 5.3.3 Load shedding<sup>46</sup>

The challenge of electricity supply shortages in SA started around 2007 and has been growing over the years. The disruptions in the operations of various industries due to load-shedding are contributing to low economic growth. The frequency and extent of rolling blackouts have increased rapidly over the past few years. In response to this energy crisis and its effects, President Cyril Ramaphosa declared a national state of disaster on 10 February 2023, but it was later revoked on 05 April 2023.

The unplanned power cuts have increased consistently since 2018, with more frequent load-shedding in recent years. As demonstrated in Figure 5.6, electricity load-shedding was around 141 hours, equivalent to 6 full calendar days in 2015. This number escalated extensively in 2022, when power cuts reached 3 776 hours, which is equivalent to about 157 calendar days. As of 30 September 2023, the number of hours of load-shedding has reached nearly 5 772 hours, equivalent to 240 calendar days. During same period, an estimated 13 193 Gigawatts an hour (GWh)<sup>47</sup> were shed, a 1 664 GWh increase from 11 529 GWh in September 2022. The implementation of power cuts, particularly in 2022 and 2023, has been dominated by stages 4 to stage 6 of load-shedding. The SARB expects the number of days of load shedding to be 310 in 2023, decreasing to 150 days and 100 days, respectively, in 2024 and 2025.

The challenge of unreliable electricity supply that has escalated to more frequency and higher stages emanates primarily from the deteriorating performance of Eskom's<sup>48</sup> fleet of ageing power stations. Eskom uses the energy availability factor (EAF) to measure the available generation capacity expressed as per cent of the total installed generation capacity. The EAF excludes renewables, independent power producers (IPPs) and electricity imports. As the power station failures persist, the average EAF as of 20 May 2023 was estimated at 52.8 per cent. This was significantly lower than 58.1 per cent in 2022, 61.8 per cent in 2021 and 65 per cent in 2022. This consistent decline in the EAF is primarily attributable to an increasing number of unplanned outages amid increasingly frequent breakdowns of generating units at old and unreliable coal-fired power stations. The total unplanned

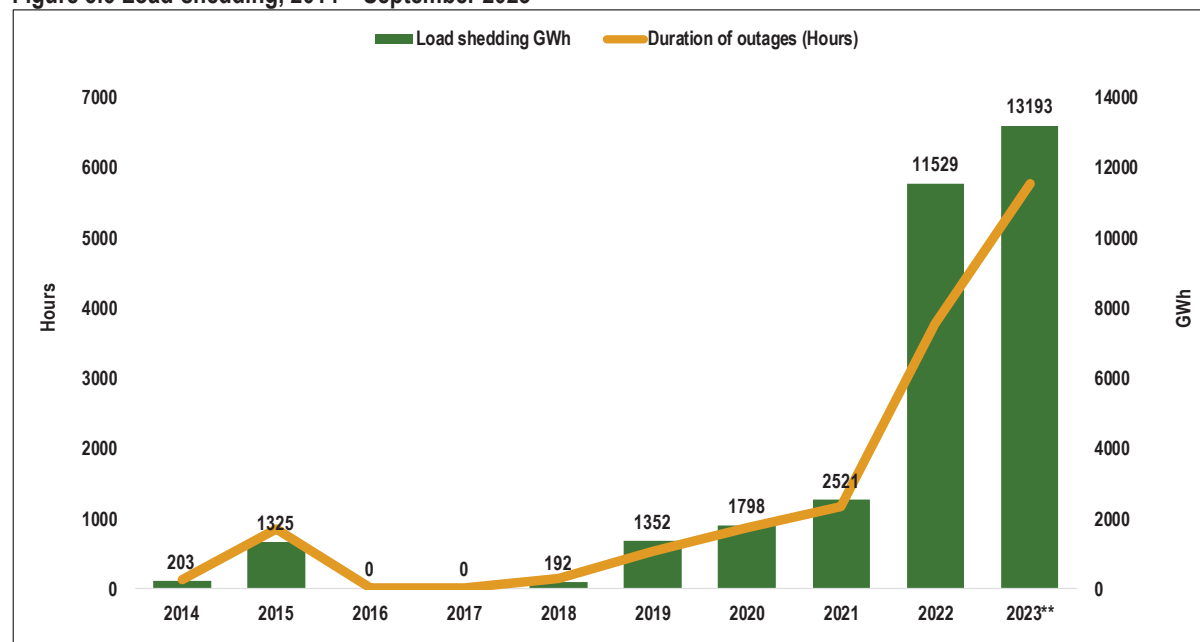
<sup>46</sup> Load shedding is when a power station cannot meet electricity demand, and power is switched off to parts of the grid to protect power-generating assets. Some of the reasons load shedding happens include population density leading to increased power demand outstripping local power capacity.

<sup>47</sup> A GW is a unit of power, and it is equal to one billion watts. Power measures the rate at which energy is generated, used, or transferred. Watts are the standard unit of power, and a gigawatt is a much larger unit, equivalent to one billion watts.

<sup>48</sup> Eskom Holdings SOC Ltd (Eskom) is a state-owned power utility that generates, transmits and distributes electricity to various regions.

outages escalated to a historical high average of 37.9 per cent as of 20 May 2023, up from 31.3 per cent in 2022. Consequently, higher stages of load-shedding, particularly stage 4 and above, have become more common. As highlighted above, this detrimentally affects productivity as well as business and consumer confidence (SARB, 2023).

**Figure 5.6 Load-shedding, 2014 – September 2023**



Source: Council for Scientific and Industrial Research (CSIR), 2023 and SARB, 2023

Unfortunately, load-shedding imposes immense economic costs. In nominal terms, the cost to GDP per stage-day varies between R0-R1.2 million for stages 1 and 2 and up to R204-R899 million for stages 3 to 6, when continued on a 24-hour basis on weekdays. Regarding GDP growth, the SARB indicates that load-shedding reduced GDP by about 0.7 percentage points in 2022 and is expected to detract about two percentage points from overall growth in 2023. Further, severe load-shedding could cause inflationary pressure as higher operating costs, particularly from running diesel generators, are passed to consumers, and higher rates of wastage and spoilage, especially along food value chains, lead to possible goods shortages. Thus, SARB shows that load-shedding may add 0.5 percentage points to headline inflation in 2023.

### 5.3.4 Credit ratings

The largest global rating agencies, namely, Moody's Investors Service, Standard and Poor (S&P) and Fitch Ratings, all rate SA's creditworthiness as speculative<sup>49</sup>. In March 2023, S&P<sup>50</sup> affirmed the country's long-term foreign and local currency debt ratings at 'BB-' and 'BB'. The agency also revised the country's credit rating outlook to stable from positive, as growth prospects remain gloomy owing to infrastructure constraints, particularly severe power supply shortages, slow-paced reforms to address infrastructure shortfalls and to improve governance and performance at state-owned enterprises (SOEs). In addition, contingent liabilities from SOEs pose continued

<sup>49</sup> The speculative grade is the rating scale that indicates a high probability of defaulting debt; hence, bonds rated in this category have an increased risk.

<sup>50</sup> Standard & Poor's credit rating for South Africa. Retrieved from: [https://www.treasury.gov.za/comm\\_media/press/2023/2023030901%20Media%20statement%20-%20Government's%20response%20to%20S&P%20Global%20Ratings.pdf](https://www.treasury.gov.za/comm_media/press/2023/2023030901%20Media%20statement%20-%20Government's%20response%20to%20S&P%20Global%20Ratings.pdf)

downside risks to South Africa's fiscal and debt position. However, the agency conceded that the fiscal position improved in fiscal year 2022 as revenue rose amid the growth recovery following the 2020 recession, relatively high metals and minerals prices, and increasing profitability in the finance and manufacturing sectors.

Fitch affirmed SA's long-term foreign and local currency debt ratings at 'BB'<sup>51</sup> and maintained a stable outlook in November 2022. The affirmation considers the reported higher-than-expected revenue performance and the government's vigorous efforts to control expenditure, which could stabilise debt if continued successfully. However, the agency assumes a substantial part of recent higher revenues as temporary and views public sector wage demands pointing to increased upward pressure on spending. The agency concludes that the government's fiscal strategy reduces risks to the economy and public finances over the medium term. The higher-than-anticipated revenues will be used to reduce the gross borrowing requirement, support spending priorities and reduce risks to the fiscal outlook.

Accordingly, Moody's affirms SA's long-term foreign and local currency debt ratings at 'Ba2' and revised the outlook to stable from negative in April 2022. The key driver behind the decision to change the outlook to stable is the improved fiscal outlook that raises the likelihood of the government's debt burden stabilising over the medium term. It further concludes that over the last two fiscal years, the government has demonstrated its ability to reprioritise its spending while staying committed to fiscal consolidation. Moody's expects this government commitment to remain the case in the future.

### **5.3.5 Final household consumption expenditure**

#### ***Consumption expenditure by households***

Growth in real final consumption expenditure by households has been unstable from the final quarter of 2019 to the second of 2023. The real final consumption expenditure by households has deteriorated consistently over six consecutive quarters. The weaker growth in real final consumption expenditure by households began in the first quarter of 2022, whereby it dropped moderately to 1.2 per cent. Growth in real final consumption expenditure by households contracted by 0.3 per cent in the second quarter of 2023, following a revised 0.4 per cent in the first quarter of the same year. The decrease in household consumption could be attributed to a decline in real spending on durable, semi-durable and non-durable goods. In contrast, real expenditure on services increased in the second quarter of 2023. Notwithstanding the easing inflationary pressures, higher interest rates continue to shrink households' real disposable income, thereby negatively affecting real final household consumption expenditure (Figure 5.7).

Notably, the contraction in real final consumption expenditure by households was consistent with the decrease in the First National Bank (FNB)/Bureau for Economic Research (BER) Consumer Confidence Index<sup>52</sup> (CCI) as well as the real disposable income of households. The figure shows that CCI remain constrained, as reflected by a prolonged negative growth over the period under review. In the second quarter of 2023, the CCI plummeted further

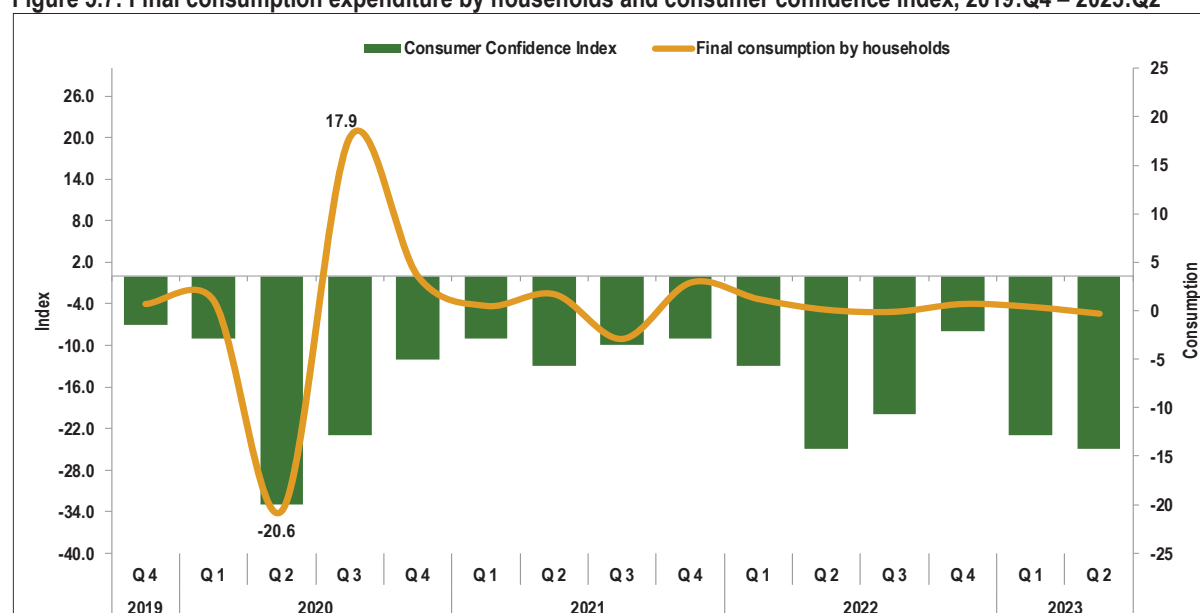
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<sup>51</sup> A BB credit rating refers to a rating assigned by Standard & Poor's and Fitch credit agencies to indicate the creditworthiness of a bond issuer, such as a corporation or a government, and the likelihood of default on its bonds. BB-rated bonds are non-investment grade, which suggests a relatively high credit risk. It signifies that the borrower's ability to meet its financial obligations is considered speculative or 'junk'. BB is equivalent to Moody's Ba2 rating.

<sup>52</sup> FNB/BER (2023): *FNB/BER Consumer confidence index*, issued by FNB, 7 September 2023. Retrieved from: <https://www.ber.ac.za/BER%20Documents/FNB/BER-Consumer-Confidence-Index/?doctypeid=1054>, Accessed on 16 October 2023

to -25 index points from -23 index points in the first quarter. For the second consecutive quarter, the confidence levels of high-income households deteriorated the most, falling from -31 to a new historic low of -40.

**Figure 5.7: Final consumption expenditure by households and consumer confidence index, 2019:Q4 – 2023:Q2**



Source: Stats SA, 2023 and BER, 2023

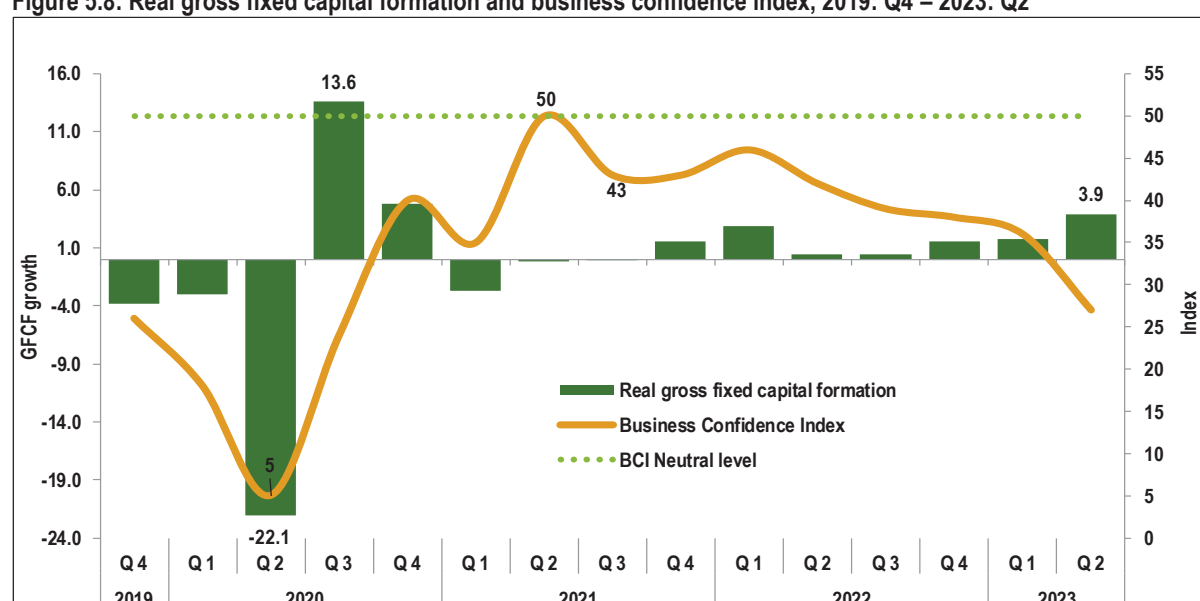
Real expenditure on durable goods continues to trend low in the first half of 2023, as it contracted by a further 1.1 per cent in the second quarter following a revised decrease of 0.1 per cent in the first quarter. The reported reduction in the second quarter was driven primarily by low activity in various sub-industries, including furniture and household appliances, computers and related equipment, recreational and entertainment goods, and other durable goods. Despite a weaker activity on a quarter-on-quarter whereby it only expanded by less than a per cent in three quarters and contracted in one quarter, real spending by households on semi-durable goods averaged 1.4 per cent in 2022. Real household expenditure on semi-durable goods remains in an unpredictable territory as it plummeted by 1.2 per cent in the second quarter of 2023, after increasing by 2.5 per cent in the first quarter. The contraction in the second quarter reflects a decrease in real expenditure on most categories, including clothing and footwear; household textiles, furnishings and glassware; and semi-durable recreational and entertainment goods.

Real outlays on non-durable goods were highly volatile in 2022, with three consecutive quarterly contractions and expansion in one quarter. Following an increase of 1.1 per cent in the first quarter of 2023, real household spending on non-durable goods plunged by 1.3 per cent in the second quarter. The contraction in the second quarter emanated from a decline in real expenditure on food, beverages and tobacco; household consumer goods; petroleum products and household fuel, power and water; as well as medical and pharmaceutical products. Real household expenditure on services remained resilient, with expansion throughout 2022, thereby reporting an average of 3.1 per cent. While the real expenditure dropped somewhat by 0.3 per cent in the first quarter of 2023, it picked up by 0.7 per cent in the second quarter. The expansion in the second quarter reflects an increase in real outlays on transport and communication services as well as miscellaneous services. On the other hand, real expenditure on rent and medical services moderated whilst that on household and recreational, entertainment and educational services contracted.

### 5.3.6 Gross fixed capital formation

The total real gross fixed capital formation (GFCF) maintains a positive trajectory as it reported the seventh consecutive quarterly expansion in the second quarter of 2023. Overall, the real GFCF growth averaged 4.8 per cent in 2022, supported mainly by significant growth in public corporations and private businesses. Figure 5.8 shows that real GFCF increased by a further 3.9 per cent in the second quarter after expanding by a revised 1.8 per cent in the first quarter. The expansion in real GFCF during the second quarter was driven mainly by the *machinery and other equipment*, which increased by a robust 11 per cent, contributing 4.4 percentage points. This was followed by *construction works*, which increased marginally by 0.3 per cent, contributing 0.1 percentage point. Conversely, *residential buildings* and *transport equipment* sub-sectors decreased marginally, subtracting about 0.3 percentage points and 0.1 percentage points from the total real GFCF during the same period, respectively.

Figure 5.8: Real gross fixed capital formation and business confidence index, 2019: Q4 – 2023: Q2



Source: Stats SA, 2023 and BER, 2023

The figure further shows that the RMB/BER Business Confidence Index (BCI) continues on the downward trend as it dropped for the fifth quarter to reach 27 index points in the second quarter of 2023, down by from 36 in the first quarter. The declining confidence was due to another decrease in business activity, although this does not fully explain the extent of the deterioration in sentiment.

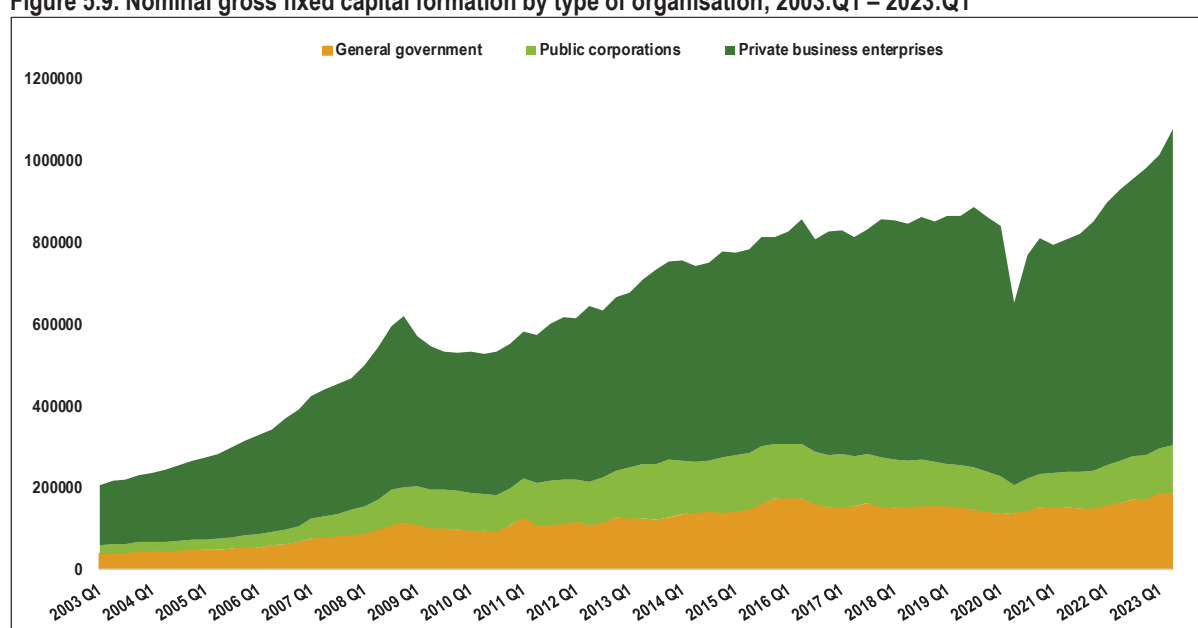
#### Real GFCF by type of organisation

In terms of real GFCF by type of organisations, capital outlays by private enterprises and public corporations increased, while that by general government decreased during the second quarter. The total real GFCF by private business enterprises averaged 5.2 per cent in 2022, as it expanded in three quarters of the year. The total real GFCF by private business enterprises continued to accelerate in the first half of 2023, as it increased significantly by a further 5.7 per cent in the second quarter, following an expansion of 0.7 per cent in the first quarter. Figure 5.9 shows that total GFCF by private business enterprises reached about R773.75 billion in the second

quarter of 2023. The expansion in the second quarter was driven largely by higher capital expenditure on construction works, non-residential buildings, and machinery and equipment.

Growth in real GFCF by the general government was relatively slow in 2022, such that it averaged at 1 per cent. Following a noticeable rise of 7.2 per cent in the first half of 2023, real GFCF by the general government dropped sharply by 2.7 per cent in the second quarter. The total nominal GFCF by the general government was estimated at R187.78 billion in the second quarter of 2023. The total real GFCF by public corporations expanded by a robust average growth of 8.2 per cent in 2022, following extensive growth on a quarter-on-quarter basis. Real gross fixed capital spending by public corporations increased by 4.2 per cent in the second quarter of 2023, marking the eighth consecutive quarterly increase. The further expansion reflected increased capital outlays on residential buildings, computer equipment and transport equipment.

**Figure 5.9. Nominal gross fixed capital formation by type of organisation, 2003:Q1 – 2023:Q1**



Source: SARB, 2023

As noted by the World Bank<sup>53</sup> (2023), overall, SA's public capital stock has been consistently on a downward spiral over the past decades. Consequently, the country's public capital stock lags behind those of the most successful East Asian economies, to which it had been superior in the early 1960s. The report illustrates the deteriorating public capital stock caused by the unreliable electricity supply, which escalated to higher levels in 2022, whereby households and businesses faced electricity cuts averaging 8.8 hours per day. It is imperative that the country rebuilds its public capital stock and dynamises its businesses, especially by creating synergies between the public and private sectors, to achieve a faster and more inclusive growth trajectory.

Real inventory holdings accumulated further by R58.9 billion on an annualised basis (at seasonally adjusted and annualised 2015 prices) in the second quarter of 2023 after increasing by R29.3 billion in the first quarter. This represented a sixth consecutive quarterly accumulation in inventories, driven mainly by the manufacturing, trade,

<sup>53</sup> World Bank (2023). Waking South Africa's Economy Up Requires the Government and Businesses to Work Together. Retrieved from: <https://blogs.worldbank.org/african/waking-south-africas-economy-requires-government-and-businesses-work-together>

mining and electricity sectors, which outweighed the de-accumulation in the transport sector. The re-stocking of inventories coincided with a slower pace of increase in the exports of goods relative to the imports of goods (Stats SA, 2023).

### **5.3.7 Inflation and interest rate**

General consumer and producer price inflation accelerated markedly in 2022 as the impact of the Russia-Ukraine war induced higher global food and Brent crude oil prices, with the effects further exacerbated by the domestic currency weakness. The domestic currency depreciation, alongside significantly higher global traded goods inflation, intensified price pressures for core goods. The persistent rise in general prices triggered a continuous implementation of a tighter monetary policy to contain inflation. Encouragingly, domestic consumer and producer price inflation began to moderate in early 2023 due to lower international crude oil and food prices and the effect of tighter monetary policy.

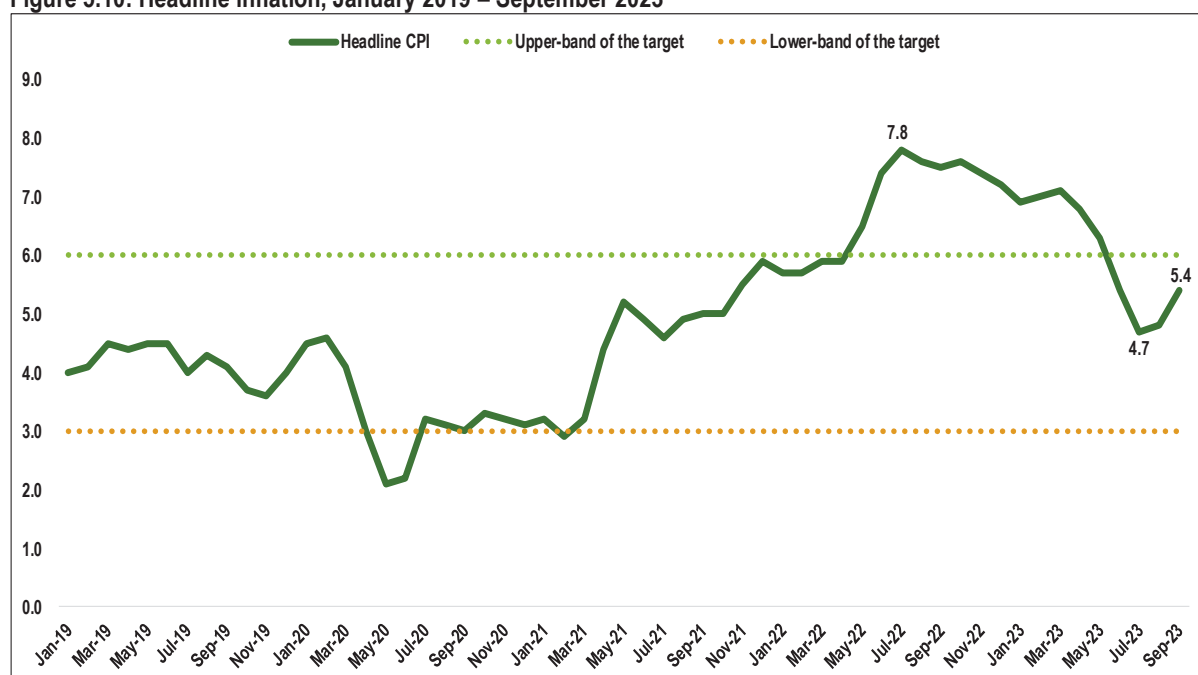
#### ***Consumer prices inflation***

Similar to the global trend, SA experienced persistently soaring consumer price inflation (CPI) towards the end of 2021, with the inflationary pressures ultimately accentuated by heightened geopolitical conflicts. Domestic headline CPI breached the upper limit of the inflation target range of 3 – 6 per cent for the first time in four years when it accelerated to 6.5 per cent in May 2022. The escalating inflationary pressures primarily reflected the immediate pass-through of higher international crude oil prices to domestic fuel prices as well as renewed global supply chain disruptions from the ongoing war between Russia and Ukraine. The CPI remained elevated throughout 2022, as it reached a high of 7.8 per cent in July, driven mainly by consumer goods inflation, particularly food and fuel prices, which were increasing at 10.1 per cent and 56.2 per cent, respectively. Thus, the headline CPI reached an average of 6.9 per cent in 2022, up from 4.5 per cent in 2021 (Figure 5.10).

The domestic inflationary pressures began to ease in the opening months of 2023 as domestic fuel price inflation receded sharply. The headline CPI dropped to 4.7 per cent in July 2023 as consumer goods inflation moderated further to 5.5 per cent. The main contributor to decelerating inflation was deflation on transport costs, particularly domestic fuel prices at -16.8 per cent. However, the decline in headline CPI was short-lived as it rose to 5.4 per cent in September 2023, as consumer goods inflation accelerated by 6.8 per cent.

The annual headline consumer inflation in September 2023 was mainly driven by food and non-alcoholic beverages; housing and utilities; miscellaneous goods and services and transport. The cost of food and non-alcoholic beverages accelerated by 8.1 per cent year-on-year, contributing 1.4 percentage points to the overall annual headline CPI. *Housing utilities* increased by 5.5 per cent year-on-year, contributing 1.3 percentage points to the overall annual headline CPI. *Miscellaneous goods and services* increased by 6 per cent year-on-year, contributing 0.9 percentage points to the overall annual headline CPI. After several months of deflation, *transport costs* increased by 4.2 per cent year-on-year, contributing 0.6 per cent to the annual headline CPI. The transport inflation is driven primarily by the cost of vehicle purchases at 8.4 per cent (Stats SA, 2023).

**Figure 5.10: Headline inflation, January 2019 – September 2023**



Source: SARB, 2023

The SARB expects headline consumer price inflation to moderate to 5.9 per cent in 2023 and then slightly decelerate to 5.1 per cent and 4.5 per cent in 2024 and 2025, respectively. These projections are largely influenced by the continuous decelerating consumer fuel price inflation and continued crude oil price decreases. However, the SARB notes that the inflation outlook has upside risks if the Russia-Ukraine conflict and load-shedding escalate even further. With regards to the former, SA is affected politically through the international scrutiny the country faces as well as economically due to global supply chain disruptions. The extensive electricity load shedding may have broader price effects on the cost of doing business and the cost of living, thereby fuelling inflation even further.

### **Producer price inflation**

As a precursor of consumer price inflation outcomes, the headline producer price inflation (PPI)<sup>54</sup> rate for final manufactured goods increased noticeably to a record high of 18 per cent in July 2022. The rise in PPI for manufactured goods was driven primarily by the higher prices of coke<sup>55</sup>, petroleum, chemical, rubber and plastic products, which increased by 42.8 per cent, contributing 10.5 percentage points to the headline PPI rate. This category of PPI was influenced by coal and petroleum products, accelerating to a high of 61.7 per cent. The acceleration in these producer price categories could be attributed to disruptions in global supply chains and the shortages of raw materials, which had been worsened by the Russia-Ukraine war.

The PPI for final manufactured goods continued to decelerate enormously to a low of 2.7 per cent in July 2023, as the *coal and petroleum products* decreased by 14.5 per cent year-on-year (y-o-y) whilst *food products, beverages and tobacco* dropped to 5.8 per cent year-on-year in July 2023. However, the PPI for manufactured goods took an

<sup>54</sup> PPI is defined as a measure of the change in the prices of goods either as they leave their place of production or as they enter the production process (OECD, 2006)

<sup>55</sup> Petroleum coke, or petcoke, is a product produced from all types of oil including light and heavy crudes, during the oil refining process. It is one of any different products are extracted from a barrel of crude oil in addition to gasoline, diesel and jet fuels.

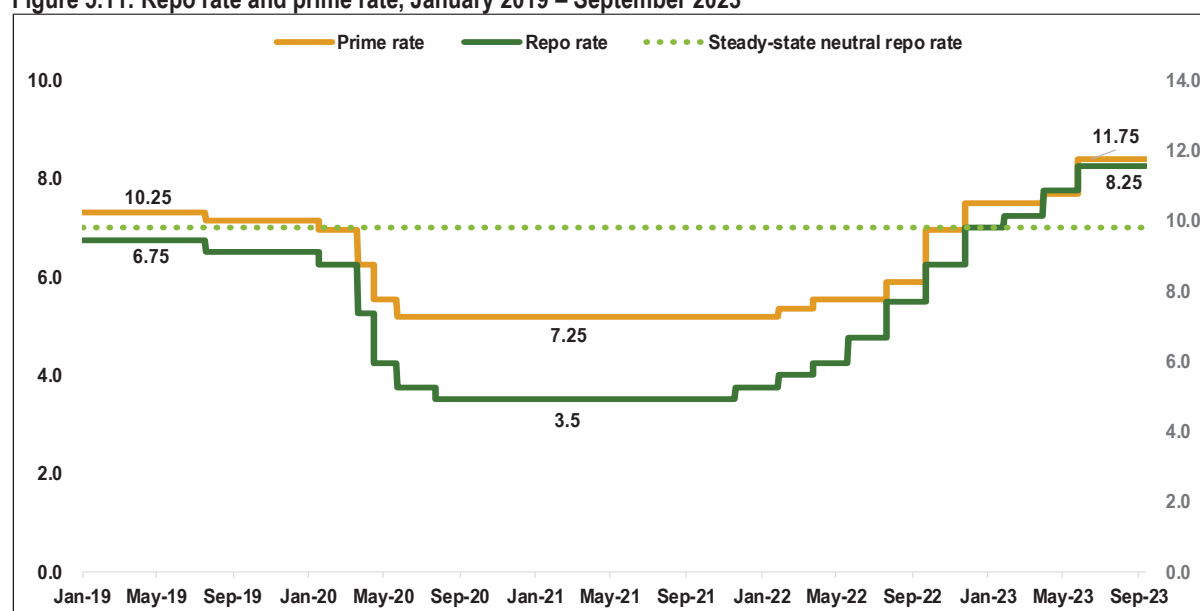
abrupt U-turn and increased to 4.3 per cent in August 2023. The main contributors to the annual PPI for final manufactured goods in August 2023 were *metals, machinery, equipment and computing equipment*; *food products, beverages and tobacco products*; and *paper and printed products*. The *metals, machinery, equipment and computing equipment* increased by 10.1 per cent y-o-y and contributed 1.4 percentage points to the headline PPI. This was followed by *food products, beverages and tobacco products*, which increased by 4.9 per cent, contributing 1.3 percentage points to the headline PPI. Meanwhile, *paper and printed products* expanded by 13.4 per cent y-o-y, contributing 1.1 percentage points to the headline PPI (Stats SA, 2023).

### Repo-rate and prime rates

The SARB reduced the repurchase rates (repo rates) significantly, from 6.25 per cent in January 2020 to a cumulative low of 3.5 per cent in July 2020, in an effort to minimise the possible social and economic implications of the pandemic. During the same period, the inflation rate was at the lowest level due to diminishing consumer demand. However, as the inflation rate began to rise in the second half of 2021, the SARB started to raise its repo rate by 25 basis points in November 2021 in an attempt to stabilise prices.

As inflationary pressures persisted in 2022 until the early months of 2023, the SARB implemented aggressive policy rates increases over several periods. This includes three consecutive 75 basis point hikes leading up to November 2022 and 50 basis points in March and May 2023. In total, the SARB raised interest rates by approximately 475 cumulative basis points between November 2021 and May 2023. The repo rate reached 8.25 per cent in May 2023 and has remained unchanged in the subsequent months. The increase in the repo rate was also influenced by currency volatility as well as extensive electricity load-shedding (Figure 5.11).

**Figure 5.11: Repo rate and prime rate, January 2019 – September 2023**



Source: SARB, 2023

The escalations in the repo rate were accompanied by corresponding increases in the prime lending rate, which is a benchmark interest rate that commercial banks may charge their customers. During SARB's hiking cycle, the prime lending rate increased from about 7.25 per cent in November 2021 to 11.75 per cent in May 2023. It remained

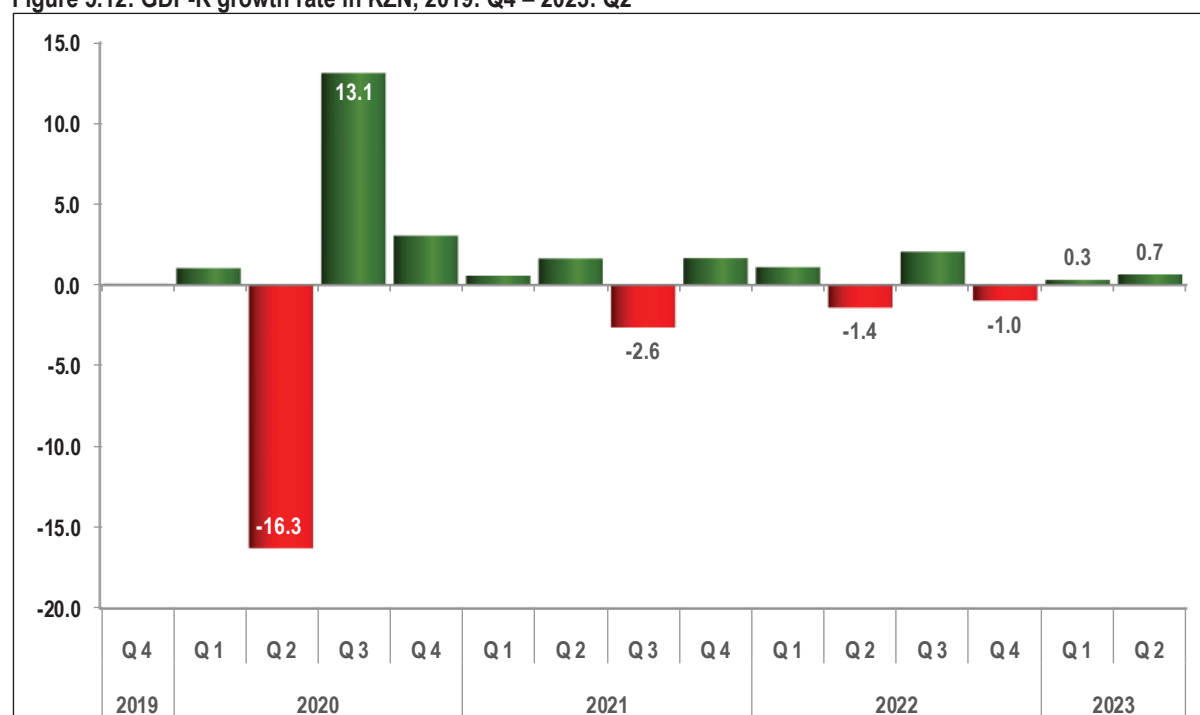
unchanged in July and September. Even though increased interest rates lead to larger interest on savings and investment products, the growth of interest rates is detrimental to individuals with credit as it induces higher debt servicing costs. This means that interest payments on vehicle and mortgage loans become higher. Additionally, soaring consumer prices eroded real incomes, particularly for vulnerable households, and weighed on their consumption. Businesses are also impacted by the rise in interest rates, whereby higher interest rates limit expansion opportunities as the costs of capital required to take on expansion initiatives increase.

## 5.4 KwaZulu-Natal economic review and outlook

### 5.4.1 Economic performance in KwaZulu-Natal

Economic performance in KZN deteriorated significantly in 2022, reflecting the implications of numerous challenges both globally and domestically. As indicated above, the global economic turmoil associated with the Russia-Ukraine war had spill-over effects on other regions through commodity and financial markets. The local economic challenges emanated primarily from the extensive electricity supply constraints, which have had far-reaching economic consequences for the whole country, and KZN is no exception. The Province also experienced disastrous flooding in April and May, which caused damages to economic and social infrastructure as well as loss of lives. Consequently, the real regional gross domestic product (GDP-R) contracted by -1.4 per cent in the second quarter of 2022, compared to a revised expansion by 0.9 per cent in the first quarter.

**Figure 5.12: GDP-R growth rate in KZN, 2019: Q4 – 2023: Q2**



Source: S&P Global, 2023

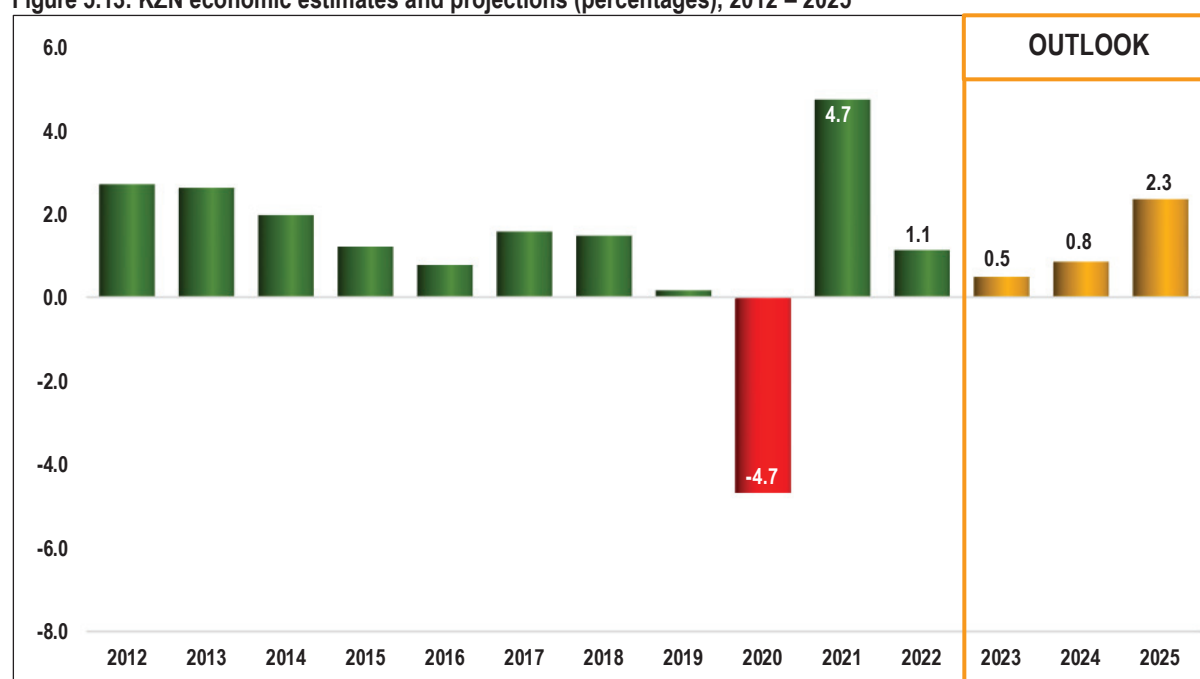
The provincial economy remained depressed throughout the year as the national energy crisis escalated to new heights. General prices, including consumer and producer price inflation, rose persistently, warranting interest rate increases by the reserve bank. Inflation peaked at 8.1 per cent in KZN in July 2022 compared to the national

average of 7.8 per cent. Currently, inflation in the Province is still high at 6.2 per cent when compared to the national 5.4 per cent. As the country continues to grapple with rolling blackouts that greatly weigh down economic activity in various sectors, including small, medium and large enterprises (SMEs), KZN's economy, however, reported modest growth in real GDP-R in the first half of 2023. Figure 5.12 shows that real GDP-R expanded by a further 0.7 per cent in the second quarter of 2023, following a revised increase of 0.3 per cent in the first quarter. The lacklustre economic performance in the second quarter reflects the contraction reported by five sectors<sup>56</sup> and relatively weaker growth in two other sectors.

### **Economic outlook for KZN**

The provincial economic growth moderated significantly to an average of 1.1 per cent in 2022, down from a robust uptick of 4.7 per cent in 2021. The substantial slowdown was driven mainly by the above-stated global and national economic challenges that have weighed down economic activity. Following the global and national dynamics, the real GDP-R growth rate is projected to drop further to 0.5 per cent in 2023 before picking up marginally to 0.8 per cent and 2.3 per cent in 2024 and 2025, respectively. The forecast slowdown in economic activity reflects the anticipated negative effect of electricity load-shedding, particularly in 2023, as the country continues implementing electricity reforms.

**Figure 5.13: KZN economic estimates and projections (percentages), 2012 – 2025**



Source: S&P Global, 2023

### **5.4.2 Sector performance analysis**

The provincial economic performance deteriorated markedly in 2022 as six sectors contracted whilst only four industries reported expansion in real GVA-R. Real GVA-R by the agricultural industry receded marginally by

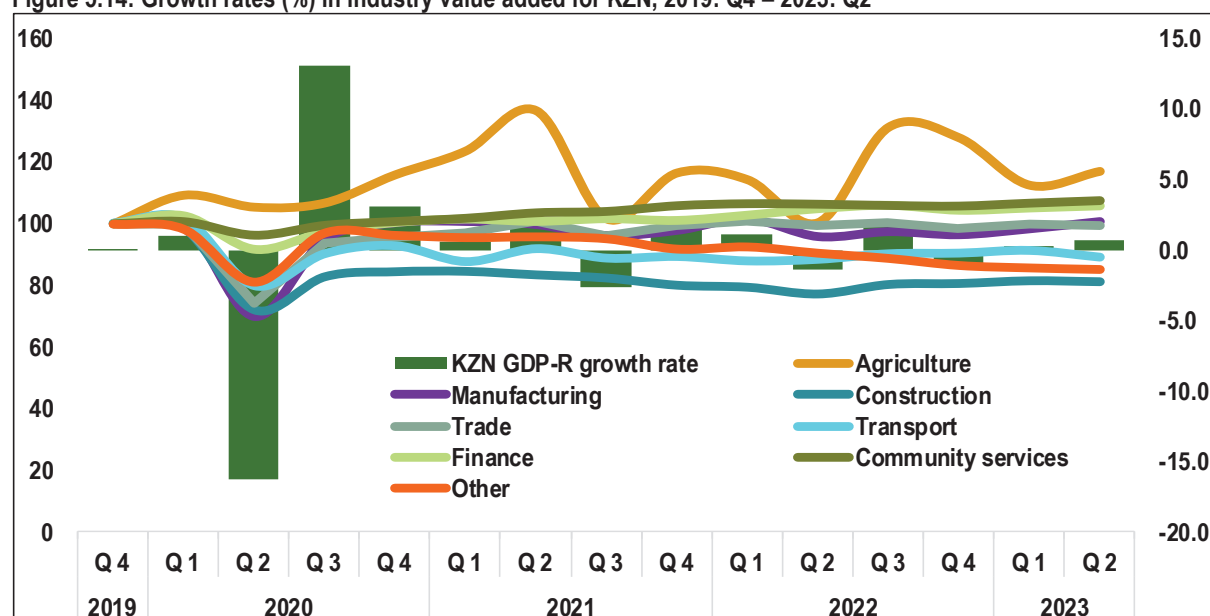
<sup>56</sup> The five sectors that experienced a decrease in real GVA-R in the second quarter of 2023 were mining, electricity, construction, trade and transport.

0.9 per cent in 2022, down from a substantial increase of a revised 9.4 per cent in 2021 (Table A5.3). The contraction reported by the agricultural industry reflects lower activity over three quarters. Despite a substantial deceleration in 2022, real GVA-R by the agricultural industry increased significantly by a cumulative average annual growth rate of 5.6 per cent over the ten-year period between 2012 and 2022.

The expansion during the past decade was supported by increased economic activity in sub-industries such as agriculture and hunting at 6.7 per cent, and fishing as well as operation of fish farms at 5.1 per cent (Table A5.4). Real output by the **agricultural industry** continues to be unstable in the first half of 2023, with an expansion of 4 per cent in the second quarter after contracting markedly by a revised 12.1 per cent in the first quarter. The increase in real GVA-R during the second quarter reflects improved production of field crops and horticultural products. However, the risks associated with rising input costs, electricity supply challenges, geopolitical tensions as well as logistical constraints remain notably on the downside.

Another sector that reported a contraction in real GVA-R in 2022 was **manufacturing**, which dropped slightly by 0.7 per cent, following a substantial rise of 7.9 per cent in 2021 (Table A5.3). The decrease reported in 2022 emanated from a continuous unpredictable economic activity by the sector, whereby the real GVA-R plunged in two quarters during the year. Overall, real output by manufacturing has been consistently deteriorating over time, as indicated by a slight contraction over the ten-year period between 2012 and 2022, with a cumulative average annual growth of 0.1 per cent. The sluggish activity within the manufacturing industry was influenced by lower production in six sub-industries, with the largest decrease in *fuel, petroleum, chemical and rubber products; other non-metallic mineral products*; and *textiles, clothing and leather goods* at 2.9 per cent, 1.2 per cent and 1.1 per cent, respectively (Table A5.4). Interestingly, real GVA-R by the manufacturing industry maintained a positive trajectory in the first half of 2023 as it increased by a further 2.4 per cent in the second quarter, following an expansion by a revised 2 per cent in the first quarter. The expansion indicates improved production in several sub-industries, including that of *metal products and machinery; motor vehicles, parts and accessories* and *other transport equipment*, among others.

Figure 5.14: Growth rates (%) in industry value added for KZN, 2019: Q4 – 2023: Q2



Source: S&P Global, 2023

\*\* Other is a summation of Mining and Electricity industries

Real output by the **construction industry** contracted sharply by -3.9 per cent in 2022, which was the sixth successive annual decrease since 2017 (Table A5.3). The contraction recorded in 2022 reflects unstable economic activity during the year, whereby the real GVA-R dropped marginally over two quarters. Consequently, real GVA-R by the construction industry contracted enormously by a cumulative average annual growth rate of -3.1 per cent over the ten-year period between 2012 and 2022 (Table A5.4). The contraction was significant in the last five-year period between 2017 and 2022, where real GVA-R dwindled by a cumulative average annual growth rate of -7.5 per cent. Real GVA-R by the construction industry dropped slightly by 0.4 per cent in the second quarter of 2023 after three consecutive quarterly expansions. The contraction reported by the construction industry reflects lower activity in residential and non-residential buildings.

Real output by the **transport sector** decreased by 0.2 per cent in 2022, which was the fourth annual decline since 2019 (Table A5.3). Given the lacklustre economic performance over time, real GVA-R by the transport sector was relatively low at a cumulative average annual growth rate of 0.1 per cent over the ten-year period between 2012 and 2022. During this ten-year period, sub-industries such as air transport and transport supporting activities, and land and water transport plummeted by 5.4 per cent and 0.4 per cent, respectively (Table A5.4). Real GVA-R by the transport industry contracted by 2.4 per cent in the second quarter of 2023 after four successive quarterly expansions. The decline was largely driven by land transportation and transport support services, which were affected by truck torching incidents, while passenger journeys by rail increased from a very low base.

By contrast, real GVA-R expanded in other industries such as **trade, finance, and community services**. Real output by the trade industry decelerated to 1.6 per cent in 2022, down from 8.2 per cent in 2021 (Table A5.3). The substantial slowdown reflects unstable economic activity, whereby real GVA-R contracted over two quarters. Real GVA-R by the trade industry was relatively sluggish over the ten-year period between 2012 and 2022, with a cumulative average annual growth rate of 0.5 per cent. The sluggish performance in the trade industry could be attributed to lower economic activity in some sub-industries, such as hotels and restaurants; and wholesale and commission trade, which contracted by 1.3 per cent and 1.1 per cent, respectively (Table A5.4). Real output by the trade industry continues to be volatile in the first half of 2023, with a real GVA-R contraction of 0.3 per cent in the second quarter after expanding by a revised 1.4 per cent in the first quarter. The decrease emanated mainly from the retail and wholesale trade sub-industries. In respect of retail trade, real output plummeted in sales by general dealers; retailers in food, beverages and tobacco in specialised stores.

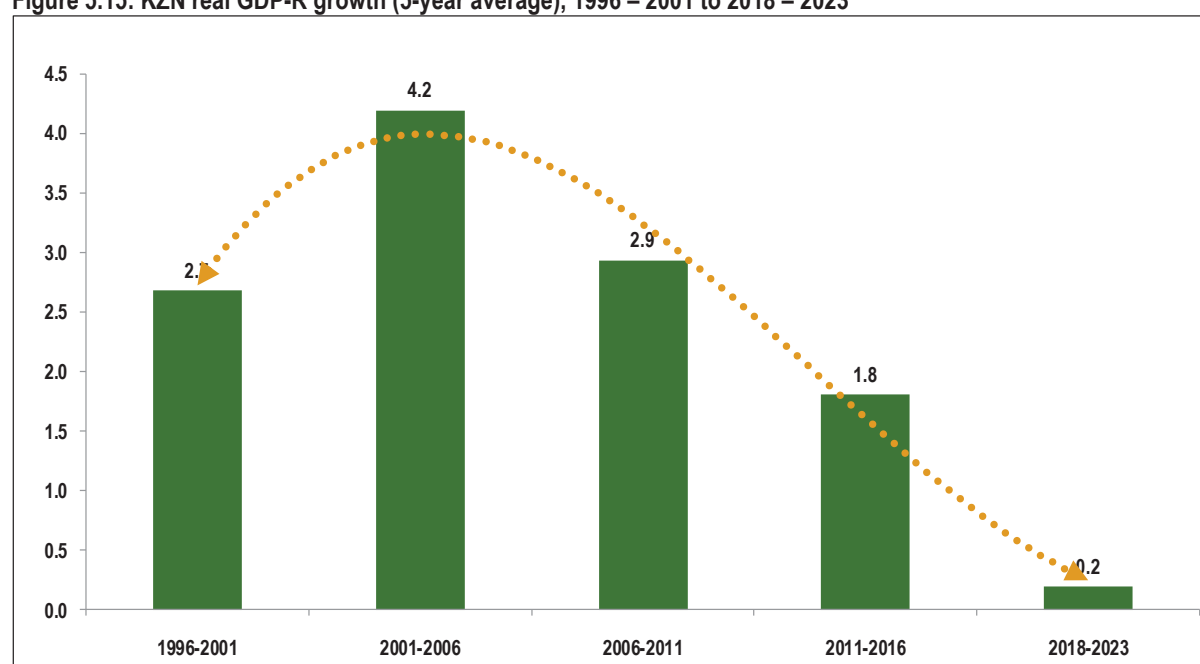
Real output by the **finance** industry maintained a positive trajectory with an expansion of 3.2 per cent in 2022, slightly less than the 3.3 per cent reported in 2021 (Table A5.3). The expansion in real GVA-R by the finance industry reflects a robust economic activity over three quarters of the year. Consequently, the finance industry reported a strong cumulative average annual growth rate of 2.7 per cent over the past decade, supported by higher economic activity in all sub-industries, namely, other business activities (2.8 per cent), real estate activities (2.5 per cent) and finance as well as insurance (2.4 per cent) (Table A5.4). The finance industry continued to expand, albeit at a slower pace, in the first half of 2023, with a real GVA-R of 0.7 per cent in both the first and second quarters. The increase reflects higher economic activity in the financial intermediation and real estate subsectors.

Real GVA-R by the **community services** moderated to 2.2 per cent in 2022, down from 4.4 per cent in 2021 (Table A5.3). The lacklustre performance by the community services reflects lower activity over three quarters during the year. The community services reported an increase in real GVA-R by a cumulative average annual growth of 2.1 per cent over the ten-year period between 2012 and 2022. The increase was supported by expansion in economic activity across all sub-industries, with the largest increase in other service activities at 3.9 per cent and health as well as social work at 1.8 per cent (Table A5.4). The finance industry continued to increase in the first half of 2023, with a real GVA-R of 0.9 per cent in the first quarter and 0.8 per cent in the second quarter. The increase in real output by community services reflects an increase in the number of government employees, specifically contract workers and those employed through the Presidential Youth Employment Initiative (PYEI).

### 5.4.3 KZN Five-year average growth

The KZN's economy remained with lasting structural constraints in the aftermath of the global financial crisis, such that economic performance has been relatively unstable in the period preceding the global crunch. In the period prior to the global financial crisis in 2008, the provincial economy reported an average of 4.2 per cent over the five-year term between 2001 and 2006. The robust average annual growth over this period was supported by a broad-based expansion of 5.7 per cent and 6.1 per cent in 2006 and 2007, respectively. Notably, the highest growth rate of 6.1 per cent recorded in 2007 remains a peak for the KZN's economy.

**Figure 5.15: KZN real GDP-R growth (5-year average), 1996 – 2001 to 2018 – 2023**



Source: S&P Global, 2023

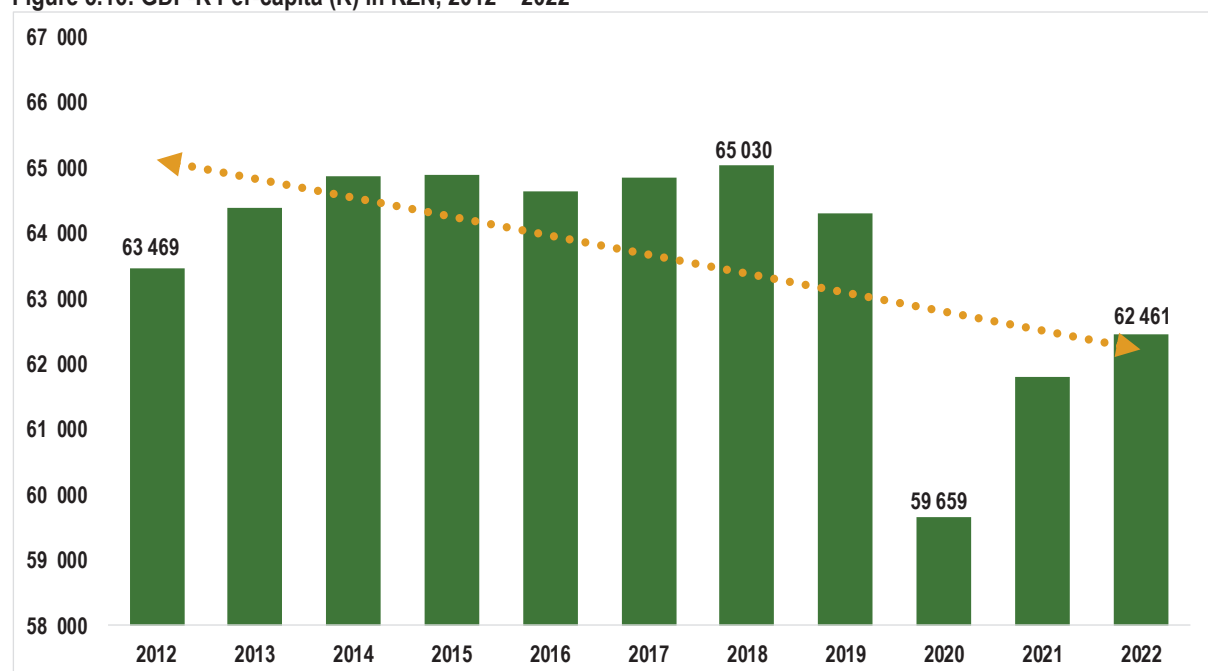
The provincial economy began to lose momentum in the years that followed the global financial crisis, such that the average annual GDP-R growth decelerated to 2.9 per cent during the five-year period between 2006 and 2011. The lacklustre economic performance persisted in the period between 2011 and 2016, with an average annual GDP-R growth of 1.8 per cent. In this period, economic performance was partly disrupted by severe drought in many parts of the province, especially in 2015. Economic activity continued to deteriorate further in subsequent years before the global pandemic hit. The COVID-19 pandemic induced a substantial economic contraction in

2020, as well as other economic shocks associated with social unrest, Russia-Ukraine, and destructive flooding. Thus, the average annual GDP-R growth is estimated to be 0.2 per cent for the five-year period between 2018 and 2023.

### ***GDP-R per capita***

Real GDP-R per capita helps to compare the wealth between different countries and regions, as it provides a basic measure of the value of output per person, which is an indirect indicator of per capita income. The real GDP-R is computed by dividing the total real GDP-R by the provincial population. The figure shows that real GDP-R<sup>57</sup> in KZN maintained almost a stable trend between 2014 and 2018. This was followed by a sharp decline to an estimated R64 302 in 2019, from R65 030 in 2018. Notably, the deterioration in real GDP-R per capita coincides with a significantly low real GDP-R growth in 2019. The provincial GDP-R per capita dropped significantly and reached a low level of R59 289 in 2020 due to the impact of COVID-19 on the economy. The decline in real GDP-R per capita reflects the negative effects of Covid-19 on economic growth whereby real GDP-R contracted substantially. The decrease in real GDP-R per capita implies that the global pandemic negatively affected the standard of living, such that some citizen may have returned back to poverty. Encouragingly, the provincial GDP-R per capita began to recover in 2021 and 2022 to R61 805 and R62 461, respectively, but it remains marginally lower than its pre-pandemic levels.

**Figure 5.16: GDP-R Per-capita (R) in KZN, 2012 – 2022**



Source: S&P Global, 2023

<sup>57</sup> GDP per capita is a valuable indicator for measuring the overall living standard and economic prosperity and describing how regional populations experience economic benefits. The GDP per capita is computed by dividing the provincial GDP by population.

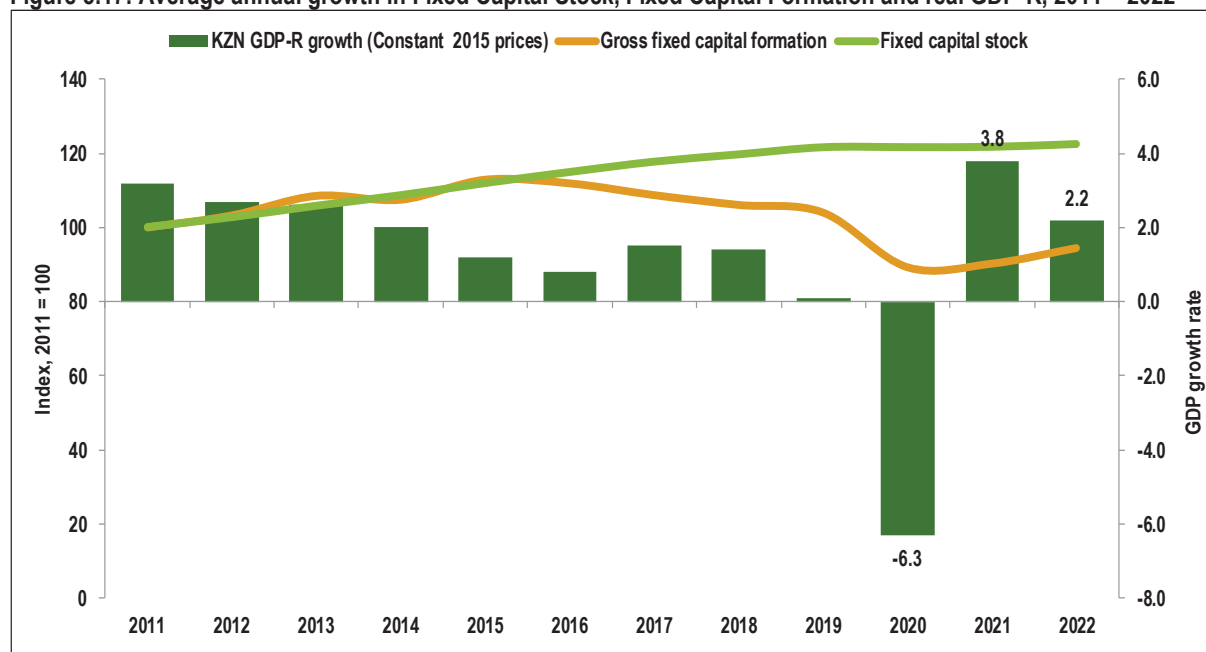
#### 5.4.4 Fixed investment

Fixed investment is an essential indicator of potential long-term productivity. It includes accumulating physical assets such as machinery, land, buildings, installations, and vehicles. All things held equal, an expansion in fixed capital allocated per worker will increase the productivity per worker. Fixed investment is measured by Gross Fixed Capital Formation (GFCF). Net Fixed Capital Formation (NFCF) is derived when GFCF accounts for economic depreciation and determines the change in Fixed Capital Stock (FCS) annually. Growth in FCS signifies an increase in production capacity and a positive economic outlook.

Figure 5.17 shows that real GFCF has been deteriorating consistently since 2016, prior to the global Covid-19 pandemic in 2020. The largest contraction in provincial real GFCF before COVID-19 was recorded at 2.8 per cent and 2.4 per cent in 2017 and 2018, respectively. This was followed by a substantial drop of 14.2 per cent in 2020 due to adverse economic disruption caused by the pandemic. In absolute values, real GFCF dropped sharply by about R17.47 million from R122.98 million in 2019 to around R105.51 million in 2020.

Encouragingly, real GFCF bounced back by 1.1 per cent and reached R106.67 million in 2021 as the provincial economy was recovering from a pandemic-induced recession. Figure 5.17 shows that the GFCF expanded further by 4.7 per cent in 2022, but it remains relatively lower than its pre-pandemic levels. On the other hand, the value of Fixed Capital Stock has been increasing at a decreasing rate over the period under review. For instance, the value of FCS increased from around R1.348 billion in 2015 to about R1.465 billion in 2019 and R1.476 billion in 2022. Notably, the year-on-year growth deteriorated from 3 per cent in 2015 to 1.6 per cent in 2019 and further slowed to 0.6 per cent in 2022.

**Figure 5.17: Average annual growth in Fixed Capital Stock, Fixed Capital Formation and real GDP-R, 2011 – 2022**



Source: Quantec, 2023

### ***Investment attraction***

In the State of the Province Address (SOPA), the Premier highlighted the government's plans to attract investment into KZN. This includes attracting greenfield investments amounting to about R8.3 billion and facilitating brownfield investments totalling R611.3 billion by Trade and Investment KwaZulu-Natal (TIKZN). Further, TIKZN is expected to generate R2.5 billion from foreign and domestic investors. The aforementioned magnificent investment performance is partly attributable to high-value projects currently underway such as the Cato Ridge Logistics Hub and Tinly Manor ClubMed.

The province also continues to attract investments through the Special Economic Zones, such as the Dube Trade Port Corporation (DTPC). For instance, the DTPC has recently completed its TradeZone 2 and attracted investors for the following project:

- R57 million Futurelife food processing facility
- R75 million LM Diapers expansion of personal care manufacturing plant
- R93 Synergy Blenders processing plant

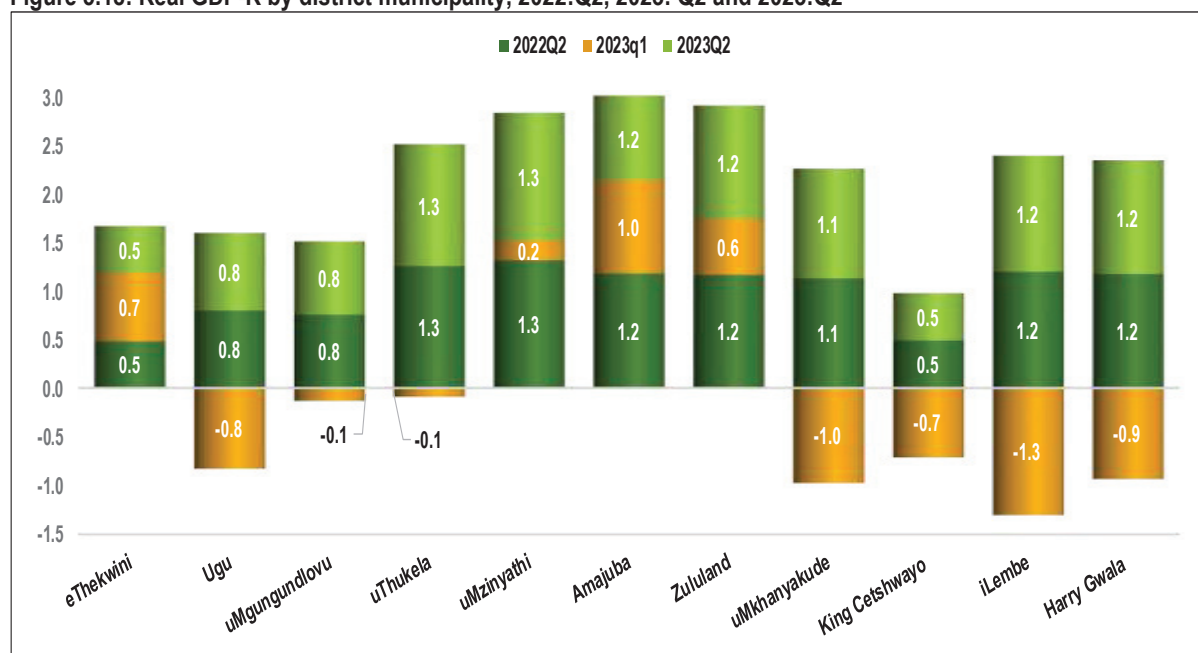
AgriZone 2 is expected to be completed in 2023, resulting in an additional 30ha of serviced land being available for agriculture or agri-processing activities.

#### **5.4.5 District Municipalities economic performance**

The local economic prospects were no exception to several structural challenges that affected the national and provincial economies in 2022. Following a robust rebound in 2021, real GDP-R weakened considerably across all districts and the eThekweni Metro in 2022, with some of them, such as King Cetshwayo and iLembe, contracting by 1.3 per cent and 0.2 per cent, respectively. As outlined earlier, the substantial deterioration in economic activity was triggered by a combination of global uncertainties amid heightened geopolitical conflicts as well as local structural constraints, particularly the energy crisis and disruptions caused by the disastrous flooding earlier in the year.

The prolonged and extensive power supply challenges continue to weigh down economic activity across all Districts and the eThekweni Metro. Real GDP-R expanded in all the districts and the Metro in the second quarter of 2023, with the largest increase reported in uThukela and uMzinyathi, both at 1.3 per cent, followed by Zululand and iLembe both at 1.2 per cent. The expansion in real GDP-R during the second quarter follows a contraction in most districts in the first quarter, whereby iLembe and uMkhanyakude reported the largest decrease at 1.3 per cent and 1 per cent, respectively. By contrast, Amajuba and eThekweni reported a marginal increase of 1 per cent and 0.7 per cent, respectively, during the same period.

Figure 5.18: Real GDP-R by district municipality, 2022:Q2, 2023: Q2 and 2023:Q2



Source: S&P Global, 2023

#### 5.4.5.1 Sector performance analysis

The significant moderation in the provincial economic growth in 2022, as mentioned above, was driven primarily by the largest decrease in the regional gross value added (GVA-R) by four industries, namely, construction, electricity, agriculture, and manufacturing industries. The real GVA-R by **construction industry** contracted across all districts and the Metro, with the largest decline reported in the eThekweni and Ugu, both at 4.2 per cent. Given this continuous lower economic activity within construction, real GVA-R dropped sharply across all districts and the Metro over the ten-year period between 2012 and 2022.

The largest decrease was reported in uMzinyathi, with a cumulative average annual growth of -5 per cent, followed by King Cetshwayo at -4.7 per cent (Table A5.6). On a quarter-on-quarter basis, real GVA-R by the construction industry contracted slightly in most Districts and the Metro in the second quarter of 2023. Other districts, such as uThukela, Amajuba and Zululand, reported trivial expansions during the same period. The deceleration in economic activity by the construction sector during the second quarter follows an expansion reported across all districts and the Metro in the first quarter of the same year.

Real GVA-R by the **electricity industry** reported the second largest decrease in most Districts and the Metro in 2022. The largest decrease was reported in Zululand and uGu, both at 2.8 per cent, followed by uMkhanyakude at 2.7 per cent. By contrast, the real GVA-R by the electricity industry expanded by 0.5 per cent in King Cetshwayo. Given the slow growth in a number of years, real GVA-R by the electricity industry contracted across all Districts and the Metro over the ten-year period between 2012 and 2022.

The largest contraction in real GVA-R during this period was reported in uMzinyathi and uGu, with a cumulative average annual growth of 2.8 per cent and 2.4 per cent, respectively. The downturn reported by the electricity over the past decade was driven by lower activity in respect of *electricity, gas, steam and hot water supply* as well as

collection, purification and distribution of water (Table A5.6). In the first two quarters of 2023, the electricity sector also reported contractions in all districts and the Metro as the country continues to grapple with electricity supply shortages.

**Table 5.2: Growth rates (percentage) in industry value added for district municipality, 2023: Q2**

|                    | eThekweni   | Ugu         | uMgungundlovu | uThukela    | uMzinyathi  | Amajuba     | Zululand    | uMkhanyakude | King Cetshwayo | iLembe      | Harry Gwala |
|--------------------|-------------|-------------|---------------|-------------|-------------|-------------|-------------|--------------|----------------|-------------|-------------|
| Agriculture        | 3.8%        | 3.8%        | 3.9%          | 4.6%        | 4.2%        | 4.6%        | 4.3%        | 4.2%         | 3.6%           | 3.9%        | 4.0%        |
| Mining             | -0.3%       | -0.3%       | -0.1%         | 0.3%        | 0.2%        | 0.5%        | 0.0%        | 0.8%         | -0.6%          | -0.1%       | -0.1%       |
| Manufacturing      | 2.4%        | 2.4%        | 2.5%          | 2.8%        | 2.8%        | 2.6%        | 2.9%        | 2.8%         | 2.0%           | 2.5%        | 2.6%        |
| Electricity        | -0.7%       | -0.8%       | -0.9%         | -0.4%       | -0.7%       | -0.5%       | -0.5%       | -0.7%        | -1.0%          | -0.6%       | -0.6%       |
| Construction       | -0.4%       | -0.4%       | -0.3%         | 0.1%        | 0.0%        | 0.1%        | 0.1%        | -0.1%        | -0.7%          | -0.3%       | -0.2%       |
| Trade              | -0.3%       | -0.3%       | -0.2%         | 0.2%        | 0.2%        | 0.3%        | 0.3%        | 0.0%         | -0.6%          | -0.2%       | -0.1%       |
| Transport          | -2.4%       | -2.3%       | -2.2%         | -2.0%       | -2.0%       | -1.9%       | -2.0%       | -2.1%        | -2.8%          | -2.4%       | -2.2%       |
| Finance            | 0.7%        | 0.4%        | 0.6%          | 0.9%        | 1.2%        | 0.6%        | 1.0%        | 0.3%         | 0.1%           | 0.2%        | 1.0%        |
| Community services | 0.7%        | 0.7%        | 0.8%          | 1.2%        | 1.1%        | 1.3%        | 1.2%        | 1.0%         | 0.5%           | 0.8%        | 1.0%        |
| <b>Total GDP</b>   | <b>0.5%</b> | <b>0.8%</b> | <b>0.8%</b>   | <b>1.3%</b> | <b>1.3%</b> | <b>1.2%</b> | <b>1.2%</b> | <b>1.1%</b>  | <b>0.5%</b>    | <b>1.2%</b> | <b>1.2%</b> |

Source: S&P Global, 2023

The real GVA-R by the **agricultural sector** contracted in most districts and the Metro in 2022, with Amajuba and uMkhanyakude recording the largest decrease of 2.4 per cent and 1.9 per cent, respectively. In contrast, the uThukela recorded a positive growth of 2 per cent during the same period. Despite a slow economic activity in 2022, real GVA-R by the agricultural sector expanded across all districts and the Metro over the same ten-year period. The largest ten-year average growth was reported in uThukela with a cumulative average annual growth of 8.4 per cent, followed by iLembe at 6.1 per cent, Amajuba and uGu both at 5.8 per cent. The increase over the years is largely attributable to the growth in agriculture *and hunting* as well as *fishing* (Table A5.6). Following a substantial contraction in the first quarter of 2023, real output by the agricultural industry improved enormously in all districts and the Metro in the second quarter, with the largest increase of 4.6 per cent for both uThukela and Amajuba.

The real GVA-R by **manufacturing industry** marginally contracted in most districts and the Metro in 2022, with the largest decrease reported in the uMkhanyakude and King Cetshwayo at 1.4 per cent and 1.3 per cent, respectively. On the contrary, uThukela and Amajuba reported expansions, albeit marginal, at 0.8 per cent and 1 per cent during the same period. Similarly, the real GVA-R by the manufacturing industry expanded across several districts between 2012 and 2022, with both uThukela and Amajuba recording the largest increase of 0.9 per cent. However, over the same period, the Metro and three other districts, namely, uMzinyathi, King Cetshwayo, and Zululand, experienced contractions in real GVA-R of 0.2 per cent, 1.8 per cent, 1.4 per cent, and 0.5 per cent, respectively (Table A5.6). The real output by the manufacturing industry substantially improved over the first half of 2023, whereby all districts and the Metro reported growth ranging from 1.1 per cent in King Cetshwayo to 3 per cent in Zululand in the first quarter and from 2 per cent in King Cetshwayo to 2.9 per cent in Zululand in the second quarter of 2023.

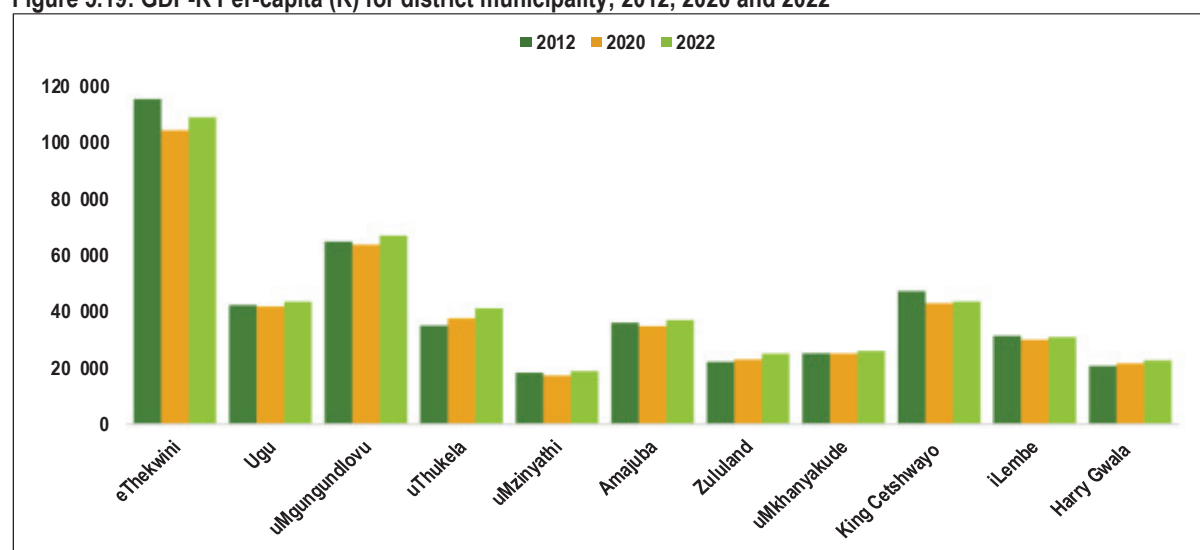
Despite the contractions in the real GVA-R in 2022, other industries, such as trade, community services, and finance, reported positive growth, with the latter posting the largest expansion. The real GVA-R by the

**finance industry** significantly expanded across all districts and the Metro, with uMzinyathi and Zululand recording the largest increase at 11.9 per cent and 6.9 per cent, respectively. The real GVA-R by the finance sector continued increasing for the Metro and all the districts over the last decade. The largest ten-year average growth was reported by the uMzinyathi and Zululand districts at 13 per cent and 8.3 per cent, respectively. The growth in finance over the years was driven by the growth in sub-industries such as *finance* and *insurance*, as well as *other business activities* (Table A5.6). In the second quarter of 2023, the real output by finance marginally expanded in the Metro and all Districts following the expansions in the Metro and nine Districts in the first quarter. King Cetshwayo was an exception in the first quarter of 2023, as it recorded a contraction of 0.2 per cent.

### GDP-R per capita

As evident in Figure 5.19, similar to the provincial trend, the real GDP-R per capita dropped significantly in 2020 across all districts and the Metro, with the largest decline recorded in King Cetshwayo (-8.6 per cent), the Metro (-8.1 per cent) and uMgungundlovu (-5.9 per cent). The decrease in real GDP-R per capita during the COVID-19 pandemic could be attributed to a substantial contraction in GDP-R. In contrast, the regional population continued to increase during the same period. Interestingly, the real GDP-R per capita recovered strongly across all districts and the Metro in 2021, whereby the largest increase was recorded in uThukela (6.5 per cent), uMzinyathi (5.9 per cent) and Zululand (5.8 per cent).

**Figure 5.19: GDP-R Per-capita (R) for district municipality; 2012, 2020 and 2022**



Source: S&P Global, 2023

In 2022, the real GDP-R per capita continued to improve, albeit at a slow pace, as the largest growth rate was reported in uMzinyathi, Zululand and uThukela at 3.4 per cent, 3.1 per cent and 2.8 per cent respectively. King Cetshwayo reported a slight decrease of 0.7 per cent in real GDP-R per capita, from R43 514 in 2021 to R43 193 in 2022. Notably, the Metro and other big Districts<sup>58</sup> have a relatively large GDP-R per capita, whereas that of small or rural districts is small in absolute value. For instance, the GDP-R per capita for eThekweni was R108 114 in 2022, followed by uMgungundlovu (R66 461), King Cetshwayo (R43 193) and Ugu (R43 151) Districts. On the other hand, uMzinyathi and Harry Gwala Districts had the lowest GDP-R per capita at R18 710

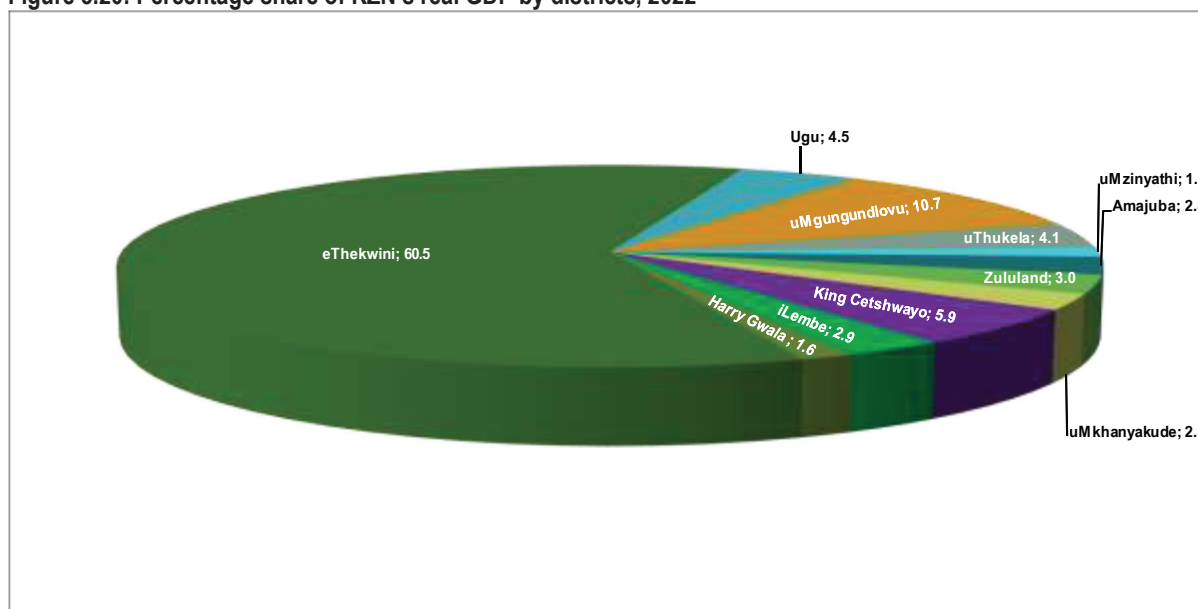
<sup>58</sup> Big Districts in terms of GDP-R contribution in KZN include uMgungundlovu, King Cetshwayo, and uGu.

and R22 474, respectively. The low GDP-R per capita for these districts reflects the relatively low GDP-R shared among a relatively large population.

#### 5.4.5.2 District Municipalities economic contribution

As expected, about 60.5 per cent of the KZN's real GDP-R in 2022 was generated in the eThekweni Metro, the key economic hub of the Province. The significant contribution by eThekweni could be attributed to various economic activities in the Metro as it is home to the most prominent and busiest harbour port. The Durban port is the largest and most active shipping terminal in sub-Saharan Africa, handling up to 31.4 million tons of cargo per year. Notably, most districts with urban settings significantly contribute to the provincial economy. In this regard, uMgungundlovu and King Cetshwayo were the most critical contributors after the Metro, with 10.7 per cent and 5.9 per cent, respectively. On the other hand, Districts that are characterised by rural settings, such as uMzinyathi (1.5 per cent), Harry Gwala (1.6 per cent), and uMkhanyakude (2.5 per cent), contribute the least toward the GDP-R due to limited economic activities.

**Figure 5.20: Percentage share of KZN's real GDP by districts, 2022**



Source: S&P Global, 2023

#### 5.4.6 Economic reforms

##### ***KZN Logistic Hub***

In 2022, the Transnet National Ports Authority (TNPA) received approval for its plan to expand, refocus and streamline the functioning of both the Durban and Richards Bay ports. The approval process sets in motion subsequent governance processes to be undertaken by the Ports Authority, which include the promulgation process, as stipulated by the National Ports Act of 2005. The expansion plans form part of the more than R100 billion KZN Logistics Hub Programme, which seeks to position the Durban Port as an international container hub that will boast an increased container capacity of 11.4 million Twenty-foot Equivalent Units (TEUs) and automotive capacity exceeding 900 000 units.

The Richards Bay Port is being positioned as a dry bulk and developing a Liquefied Natural Gas terminal. In November 2022, TNPA concluded a 25-year concession agreement with VOPAK SA Developments PTY Ltd to develop, construct, operate and maintain a liquid bulk terminal at the port of Richards Bay, triggering a R1 billion investment which will create an estimated 950 direct and indirect employment opportunities. Some of the dry bulk terminals and mineral-handling facilities are also earmarked for relocation from the Port of Durban's Island View and Maydon Wharf Precincts to the Port of Richards Bay.

This project will increase infrastructure capacity for the handling of strategic commodities in the energy sector. It is expected to create more than 1000 jobs and will, critically, enable 3000MW of additional electricity supply to the national grid in line with the Integrated Resource Plan. The KZN Logistics Hub programme is expected to attract investment of R14 billion into the two ports over the next ten years.

### ***The Cannabis Industry***

The province is making progress with the implementation of the Cannabis<sup>59</sup> Master Plan. The KZN Cannabis Master Plan has nine pillars aligned to the National Cannabis master plan strategy. As pronounced by the Premier in her SOPA, four districts have been identified for cannabis production, and these are uThukela, uMzinyathi, uMgungundlovu, and Harry Gwala. The Department of Agriculture and Rural Development set aside R10 million for support to cannabis farmers in 2023/24. Trade and Investment KZN (TIKZN) has facilitated an investment commitment amounting to R120 million to Tri-medi-cana. This start-up cannabis project seeks to develop and operate a world-class industrial hemp and cannabis processing facility (ESCIED Cluster).

Other investments currently being supported include Insangu yoKhahlamba and Mpeta Group. ***Insangu yoKhahlamba*** is a pilot project that aims to establish the Okhahlamba district as the centre of Insangu cultivation, processing and manufacture in South Africa in a manner that provides medicine security and facilitates socio-economic development on a local level. ***Mpeta Group*** is a medicinal cannabis project involved in tunnel cannabis contract growing project for a pharmaceutical export company.

## **5.5 International Trade**

### **5.5.1 Current account of the balance of payments**

Table 5.3 illustrates SA's current account from the second quarter of 2020 to the second quarter of 2023. The world trade started to reflect the impact of the COVID-19 pandemic lockdown restrictions in the first quarter of 2020 and contracted further in the second quarter of the same year. This reflected a sharp contraction in output in many countries following production stoppages and ports operating at low capacity. Similarly, SA experienced the same situation when lockdown restrictions were introduced late in March 2020, followed by a gradual relaxation from the beginning of May. As a result, the adverse effects were clearly visible in the national imports and exports in the second quarter of 2020, with the trade balance dropping significantly from R202 billion in the first quarter to R71 billion in the second quarter of 2020. However, the decline was short-lived as the country's export volumes

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<sup>59</sup> *Cannabis sativa* (hemp, dagga, cannabis) is an annual herbaceous plant indigenous to Asia. The three main uses for cannabis are Hemp (fibre), Medicinal and Adult use

bounced back to R454 billion in the third quarter (SARB, 2020). This massive improvement resulted from easing COVID-19 lockdown restrictions and the related rebound in economic activity.

The national net gold and merchandise export value also surged to an all-time high of R129 billion in the third quarter of 2020, along with a muted increase in imports. However, the national trade surplus narrowed from a record high of R582 billion in the second quarter of 2021 to a still high surplus of R437 billion in the third quarter of the same year. The significant narrowing in trade surplus was primarily due to a decline in the value of the country's merchandise exports in the third quarter of 2021, while that of merchandise imports remained unchanged. The decline continued further in the fourth quarter of 2021 to R324 billion due to the increasing value of merchandise imports more than net gold and merchandise exports. The narrowing of the trade surplus exceeded that of the deficit in the services, income and current transfer account in the third quarter of 2021 (SARB, 2021).

The country's trade surplus continued to narrow to R252 billion in the second quarter of 2022 from R273 billion in the preceding quarter. It declined further to R233 billion in the third quarter of the same year. The increase in the value of imports reflected higher prices and volumes, while the value of exports reflected only higher prices. This extended the narrowing of the trade surplus from a peak in the second quarter of 2021. However, the trade surplus declined, with a significant shortfall in services, income and current transfer account. The much larger decline in the deficit on the services, income and current transfer accounted for more than the decline in the trade surplus, resulting in the narrowing of the deficit on the current account of the balance of payments from R114 billion, which constituted 1.7 per cent of GDP in the second quarter of 2022 to R18.1 billion (0.3 per cent of GDP) in the third quarter (SARB, 2022).

The total value of SA's exports expanded from R1.851 billion in the fourth quarter of 2022 to R1.954 billion in the first quarter of 2023. Over the same period, the value of imports also rose from R1.907 billion to R1.964 billion. A similar trend is also visible for net gold exports, which recorded a substantial uptick of R30 billion, from R90 billion in the preceding quarter to R120 billion in the first quarter of 2023. The expansion in the values of both exports and imports reflected higher volumes, with the rise in exports also reflecting higher prices while import prices declined. As a result, the trade surplus widened significantly to R111 billion in the first quarter of 2023 from around R34 billion in the final quarter of 2022. The deficit on the current account of the balance of payments narrowed from R155 billion (2.3 per cent of GDP) in the fourth quarter of 2022 to R64 billion (0.9 per cent of GDP) in the first quarter of 2023. This was caused by the larger trade surplus of R111 billion, which coincided with a decrease in the deficit on the services, income and current transfer account from R246 billion in the last quarter of 2022 to R174 in the first three months of 2023.

The expansion in the value of merchandise exports in the first quarter of 2023 was primarily due to the rise in mining, manufacturing and agricultural exports. Higher mining exports reflected the end of the Transnet strike in the fourth quarter of 2022, with increases in mineral products such as iron ore, manganese and chromium, as well as base metals and articles, especially ferrochromium in particular. The improvement in the value of mineral products was realised despite a notable decline in coal exports, which suffered a drop in both volume and price in the first quarter of 2023. The better than the exported value of manufacturing was mainly due to motor vehicles and transport equipment, machinery and electrical equipment, prepared foodstuffs, beverages and tobacco, as well as textiles and textile articles. The value of agricultural exports increased marginally as grapes and maize exports more than offset contractions in other agricultural products.

SA's value of merchandise and net gold exports combined declined by R18 billion from R2.074 billion in the first quarter of 2023 to R2.056 billion in the second quarter. Over the same period, the value of merchandise exports rose by 0.4 per cent, from R1.954 billion to R1.962 billion. However, this was offset by a decline in mining exports, which reflected lower exports of pearls, precious metals and stones, as well as mineral products such as coal and manganese in particular.

Contrarily, the value of merchandise imports rose from R1.964 billion in the first quarter of 2023 to R2.025 billion in the second quarter. Hence, there was a substantial drop in the trade surplus from R111 billion to R31 billion, respectively (Table 5.3). The expansion in the value of exports reflected lower prices, while the rise in the value of imports was due to higher volumes. The lower trade surplus, reflected above, together with a larger deficit in the services, income and current transfer account, totalling R174 billion in the first quarter of 2023 and R192 billion in the subsequent quarter, resulted in the widening of the current account deficit from R64 billion to R161 billion which was 2.3 per cent of GDP (SARB, 2023).

A positive current account balance indicates that the country is a net lender to the rest of the world and also increases the country's net foreign assets by the surplus amount. Conversely, a negative current account balance indicates that a country is a net borrower from the rest of the world. The improvement in the current account balance implies that a country has a surplus foreign exchange, which it has on the exchange rate of the domestic currency. It also implies that the domestic sectors are competitive globally because more goods are traded internationally, as has happened in Japan since the mid-1960s (Shirakawa, 2011). It is, therefore, critical to improve investment in the domestic production of goods for the country and the Province of KZN. Efforts to assist potential industrialists should be reinforced aggressively.

**Table 5.3: Balance on the current account, 2020: Q2, 2021: Q2, 2022: Q2 and 2023: Q1-2 (Rands in billion)**

|                                                  | 2020        | 2021       | 2022        | 2023         |             |
|--------------------------------------------------|-------------|------------|-------------|--------------|-------------|
|                                                  | Qtr 2       | Qtr 2      | Qtr 2       | Qtr 1        | Qtr 2       |
| Merchandise exports                              | 990         | 1 796      | 1 964       | 1 954        | 1 962       |
| Net Gold exports                                 | 79          | 100        | 95          | 120.0        | 94.0        |
| Merchandise imports                              | -998        | -1 315     | -1 806      | -1 964       | -2 025      |
| <b>Trade balance</b>                             | <b>71</b>   | <b>582</b> | <b>252</b>  | <b>111</b>   | <b>31</b>   |
| Net service, income and current transfer payment | -195        | -271       | -367        | -174.0       | -192.0      |
| <b>Balance on current account</b>                | <b>-124</b> | <b>311</b> | <b>-114</b> | <b>-64.0</b> | <b>-161</b> |
| <i>As percentage of GDP</i>                      |             |            |             |              |             |
| Trade balance                                    | 1.7         | 9.5        | 3.8         | 1.6          | 0.4         |
| Balance on current account                       | -2.9        | 5.1        | -1.7        | -0.9         | -2.3        |

Source: SARB, Dec 2020, 2021, 2022 & Sept 2023

## 5.5.2 Countries trading with South Africa

Table 5.4 shows SA's values of exports and imports and proportion to different regions worldwide. The national exports to African countries exceed the imports. Data by the South African Revenue Services (SARS) (2023) indicates that SA exported goods worth R355.6 billion to African countries, while imports were R118.1 billion between January to August 2023. However, there is duty-free trade between SA and the other four countries comprising the customs union, which includes Botswana, Lesotho, Namibia, and Eswatini, commonly known as

the BLNS countries. Notably, the 30.37 million square kilometres of land area of the African continent is large enough to fit in the US, China, India, Japan, Mexico, and many European nations combined. Moreover, the continent is endowed with abundant natural resources, which is critical in improving intra-African Trade. In this regard, efforts must be intensified to speed up the implementation of the African Continental Free Trade Area (AfCFTA) to assist in improving trade among African countries.

**Table 5.4: South Africa's exports and imports values and proportion by world regions, January - August 2023 (Including BLNS)**

| World Regions        | Exports (Rands in Billion ) | % Exports    | Imports (Rands in Billion) | % Imports    | Trade balance |
|----------------------|-----------------------------|--------------|----------------------------|--------------|---------------|
| Africa               | 355.6                       | 26.3         | 118.1                      | 9.0          | 237.6         |
| America              | 126.9                       | 9.4          | 149.7                      | 11.4         | -22.8         |
| Asia                 | 430.8                       | 31.9         | 674.5                      | 51.2         | -243.7        |
| Europe               | 339.7                       | 25.2         | 355.2                      | 26.9         | -15.5         |
| Oceania              | 13.3                        | 1.0          | 14.7                       | 1.1          | -1.5          |
| Other (Unclassified) | 76.8                        | 5.7          | 6.4                        | 0.5          | 70.4          |
| Ship/Aircraft        | 7.5                         | 0.6          | -                          | -            | 7.5           |
| <b>Total</b>         | <b>1350.6</b>               | <b>100.0</b> | <b>1318.6</b>              | <b>100.0</b> | <b>32.0</b>   |

Source: SARS, 2023

Asia remains the largest South African trading partner. In this regard, exports and imports between SA and Asia amounted to R430.8 billion, constituting 31.9 per cent of total exports and R674.5 billion (51.2 per cent) from January to August 2023, respectively. Hence, China, one of the Asian countries, continue to lead the list of top five countries trading with SA. As indicated in Chapter Six of this publication, the value of exports from SA to China was about R188.415 billion compared to R367.425 billion worth of imports, resulting in a negative trade balance of approximately R179 billion between January 2022 and December 2023. In August 2023, SA's exports to China were 21.2 billion, which was 11.7 per cent of SA's total exports of R181.261 billion.

In contrast, SA imported R32.1 billion value of goods, which was 19.1 per cent of the country's total imports of 167.982 worth of goods in the same month. As a result, the deficit between these two countries was around R11 billion. This observation signifies that SA's trade with China is not balanced<sup>60</sup> (Table 5.5).

**Table 5.5: Top 5 countries SA exports to and imports, August 2023**

| Number | Top 5 countries SA exported to | Percentage of exports | Amount (Rands in billion) | Top 5 countries SA imported from | Percentage of imports | Amount (Rands in billion) |
|--------|--------------------------------|-----------------------|---------------------------|----------------------------------|-----------------------|---------------------------|
| 1      | China                          | 11.7                  | 21.2                      | China                            | 19.1                  | 32.1                      |
| 2      | Germany                        | 8.4                   | 15.2                      | Germany                          | 9.6                   | 16.1                      |
| 3      | United States                  | 6.7                   | 12.1                      | India                            | 9.4                   | 15.8                      |
| 4      | Mozambique                     | 5.8                   | 10.5                      | United States                    | 8.7                   | 14.6                      |
| 5      | Japan                          | 5                     | 9.1                       | Thailand                         | 3.6                   | 6.0                       |

Source: SARS, 2023

<sup>60</sup> More details about SA's trade with China are provided in Chapter Six of this publication.

Germany was the second largest destination for SA's export of commodities, followed by the US, Mozambique and Japan. Germany was the second largest destination for South African goods, given that out of R339.726 billion goods exported to Europe, 28.9 per cent (R98.240 billion) were destined for Germany between January to August 2023. This was followed by the UK at 18.3 per cent, the Netherlands (16.4 per cent) and Belgium (13 per cent). Collectively, around 76.6 per cent of SA's exports to Europe were destined for these four countries (SARS, 2023). Almost 80.3 per cent of the country's export commodities to Germany were vehicle aircraft and vessels, precious metals and mineral products. The same commodities are the major exports to the UK and Netherlands, including vegetables, precious iron and steel, as well as chemicals.

Germany was also the second highest country that SA imported goods in August 2023 at 9.6 per cent. This resulted in a trade surplus of approximately R900 million in the same month. This is consistent with the trend in the preceding months, whereby SA's imports from Germany were around R109.155 billion, thus resulting in a trade deficit of R10.9 billion. Approximately 79.2 per cent of SA's imports from Germany between January and August 2023 were vehicle aircraft and vessels, equipment components, machinery and chemicals.

SA reported approximately R12.1 billion worth of goods exported to the US, while imports amounted to R14.6 billion in August 2023. Consequently, SA realised a trade deficit with the US of R2.5 billion. Similarly, the value of exports to the same country was approximately R103.548 billion, while import was worth around R109.253 billion between January and August 2022. The surprising addition in August amongst the top five countries that SA trade with was Mozambique, with goods worth R10.5 billion (5.8 per cent), replacing the UK, which used to be part of the top five countries that South African goods are exported to.

The significant exports to Mozambique have been consistent as SA exported goods valued at R72.673 billion, which was 31.4 per cent of SA's total exports to Africa at R231.322 billion between January and August 2023. This value was the highest amongst African countries, followed by Zimbabwe, with R39.962 billion (17.3 per cent) and Zambia, with about R33.485 billion (14.5 per cent). Conversely, the value of SA's imports from Mozambique was worth R11.881 billion, which was merely 15.6 per cent of SA's imports from Africa. The imbalance of trade is expected, given the size of Mozambique's economy in comparison to SA.

Almost 86.5 per cent of SA's export commodities to Mozambique between January and August 2023 were vehicle aircraft and vessels, mineral products, machinery, vegetables, product iron and steel, as well as chemicals. In addition, 60.9 per cent (R2.829 billion) of exports to Nigeria were plastic and rubber, chemicals, machinery, vegetables and prepared foodstuffs. However, a significant proportion of imports from both Mozambique and Nigeria are mineral products at 82.3 per cent (R9.782 billion) and 98.4 per cent (R25.567 billion), respectively.

Japan and Thailand in Asia are also part of the top five countries SA trade with regarding exports and imports, respectively. Approximately 86.4 per cent (R63.898 billion) of SA's exports to Japan were mineral products, precious metals and product iron and steel. In Thailand, SA exported 72.3 per cent (R4.1 billion) of products, iron and steel machinery and vegetables. However, SA imported similar commodities, such as machinery, vehicle aircraft vessels and equipment components at 77.1 per cent (R25.835 billion) in Japan, including vegetables in Thailand, all at R35.573 billion (81.4 per cent).

### 5.5.3 South Africa and KwaZulu-Natal exports

Table 5.6 shows national and KZN values and proportions of exports in 2012 and 2022. The total estimation of South African exports increased extensively by 145.2 per cent over the past decade, from R821.031 billion in 2012 to R2.013 trillion in 2022. The significant rise in exports is also reflected in the previous section, reflecting a trade surplus in 2022. The value of both SA's exports and imports of goods increased to an all-time high in the third quarter of 2022. However, the trade surplus narrowed further from R252 billion in the second quarter to R233 billion in the third quarter of 2022. The value of merchandise imports increased at a faster pace compared to merchandise exports and net gold exports. The value of merchandise exports increased further by 2.5 per cent in the third quarter of 2022 as the exports of mining products surged (SARB,2022).

The distribution of export value by province depicts that in 2012, KZN contributed the second-highest total value of exports after GP at R100.7 billion or 12.3 per cent, followed by the WC at R81.9 billion or 10 per cent. However, in 2022, KZN (R176.9 billion or 8.8 per cent to the total value of national exports of R2.013 trillion) was surpassed by the WC with regard to exports value at R194.4 billion or 9.7 per cent of the total value of national exports. This is reflected in the drop in KZN's exports as a percentage of GDP from 17.3 per cent in 2012 to 16.8 per cent in 2022. Contrary, the WC realised an increase in exports as a percentage of GDP from 16.3 per cent in 2012 to 21.2 per cent in 2022.

**Table 5.6: South African exports by province, 2012 and 2022**

|                      | 2012               |                                  |                     | 2022               |                                  |                     |
|----------------------|--------------------|----------------------------------|---------------------|--------------------|----------------------------------|---------------------|
|                      | Exports (R1000)    | % Share of South African exports | Exports as % of GDP | Exports (R1000)    | % Share of South African exports | Exports as % of GDP |
| South Africa         | 821 031 000        | 100.0                            | 23.0%               | 2 013 485 000      | 100.0                            | 30.4%               |
| Eastern Cape         | 32 142 019         | 3.9                              | 11.2%               | 73 461 195         | 3.6                              | 14.7%               |
| Free State           | 6 399 376          | 0.8                              | 3.6%                | 9 285 281          | 0.5                              | 2.8%                |
| Gauteng              | 547 029 247        | 66.6                             | 45.6%               | 1 399 665 220      | 69.5                             | 62.8%               |
| <b>KwaZulu-Natal</b> | <b>100 705 516</b> | <b>12.3</b>                      | <b>17.3%</b>        | <b>176 900 616</b> | <b>8.8</b>                       | <b>16.8%</b>        |
| Limpopo              | 14 753 875         | 1.8                              | 5.7%                | 35 409 962         | 1.8                              | 6.9%                |
| Mpumalanga           | 14 232 165         | 1.7                              | 5.1%                | 83 868 974         | 4.2                              | 15.8%               |
| North West           | 17 750 070         | 2.2                              | 8.8%                | 14 659 637         | 0.7                              | 3.6%                |
| Northern Cape        | 6 059 157          | 0.7                              | 7.7%                | 25 863 831         | 1.3                              | 17.5%               |
| Western Cape         | 81 959 576         | 10.0                             | 16.3%               | 194 370 284        | 9.7                              | 21.2%               |

Source: S&P Global, 2023

As indicated earlier in this Chapter, KZN exports constituted 16.8 per cent of the provincial GDP-R in 2022. The Province exported goods valued at R176.9 billion over the same year, almost double the R100.7 billion reported in 2012. Similar to the GDP-R, 56.3 per cent of KZN exports came from eThekweni in 2022, with an estimated value of R99.6 billion. King Cetshwayo followed with an estimated R52.97 billion in exports, which translates to 29.9 per cent of KZN's exports and 84.1 per cent of the District's GDP-R. On the other end of the scale, Harry Gwala's share of KZN exports was almost nil (Table 5.7).

**Table 5.7: KwaZulu-Natal value of exports (R'000) by district municipalities, 2012 and 2022**

|                      | 2012               |                        |                       | 2022               |                        |                       |
|----------------------|--------------------|------------------------|-----------------------|--------------------|------------------------|-----------------------|
|                      | Exports (R1000)    | % Share of KZN exports | Exports as a % of GDP | Exports (R1000)    | % Share of KZN exports | Exports as a % of GDP |
| <b>KwaZulu-Natal</b> | <b>100 705 516</b> | <b>100.0</b>           | <b>17.3%</b>          | <b>176 900 616</b> | <b>100.0</b>           | <b>16.8%</b>          |
| eThekweni            | 52 172 195         | 51.8                   | 14.4%                 | 99 625 638         | 56.3                   | 15.5%                 |
| Ugu                  | 266 226            | 0.3                    | 1.0%                  | 678 291            | 0.4                    | 1.5%                  |
| Umgungundlovu        | 9 974 633          | 9.9                    | 17.0%                 | 16 438 237         | 9.3                    | 14.7%                 |
| Uthukela             | 272 998            | 0.3                    | 1.4%                  | 496 114            | 0.3                    | 1.2%                  |
| Umkhanyathi          | 489 885            | 0.5                    | 5.9%                  | 279 320            | 0.2                    | 1.8%                  |
| Amajuba              | 724 048            | 0.7                    | 4.5%                  | 2 943 334          | 1.7                    | 9.6%                  |
| Zululand             | 85 297             | 0.1                    | 0.5%                  | 1 362 321          | 0.8                    | 4.3%                  |
| Umkhanyakude         | 100 920            | 0.1                    | 0.7%                  | 406 204            | 0.2                    | 1.6%                  |
| King Cetshwayo       | 30 602 687         | 30.4                   | 82.0%                 | 52 967 790         | 29.9                   | 84.1%                 |
| ILembe               | 5 992 529          | 6.0                    | 36.9%                 | 1 668 547          | 0.9                    | 5.6%                  |
| Harry Gwala          | 24 097             | 0.0                    | 0.3%                  | 34 819             | 0.0                    | 0.2%                  |

Source: S&amp;P Global, 2023

### 5.5.4 South Africa and KwaZulu-Natal imports

The aggregated values of national imports in 2012 and 2022 are illustrated in Table 5.8, which shows that KZN is amongst the top three largest importers in SA, after GP and the WC, with a value of R203.2 billion in 2022, up from R98.6 billion in 2012. Therefore, the Province contributed 11.5 per cent and 12.3 per cent to the national value of imports in 2012 and 2022, respectively. WC continues to be the second-largest importer, with R187.7 billion in 2012 (21.8 per cent of national imports) and R337.3 billion in 2022 (18.8 per cent of national imports). Similarly, GP continues to be the first largest importer for both periods, with R520.1 billion in 2012 and R1.128 trillion in 2022, translating to 60.4 per cent in 2012 and 63 per cent in 2022, respectively. The significant contribution by the GP is expected, given greater economic activity compared to other provinces. The NC and LP remain the least contributors to the national imports, both at 0.3 per cent in 2022.

**Table 5.8: South African imports by province, 2012 and 2022**

|                      | 2012              |                                  | 2022               |                                  |
|----------------------|-------------------|----------------------------------|--------------------|----------------------------------|
|                      | Imports (R1000)   | % Share of South African imports | Imports (R1000)    | % Share of South African imports |
| South Africa         | 860 783 999       | 100.0                            | 1 791 905 000      | 100.0                            |
| Eastern Cape         | 38 947 551        | 4.5                              | 74 201 008         | 4.1                              |
| Free State           | 2 880 002         | 0.3                              | 11 926 793         | 0.7                              |
| Gauteng              | 520 123 966       | 60.4                             | 1 128 005 262      | 63.0                             |
| <b>KwaZulu Natal</b> | <b>98 592 433</b> | <b>11.5</b>                      | <b>203 162 214</b> | <b>11.3</b>                      |
| Limpopo              | 2 153 039         | 0.3                              | 4 750 625          | 0.3                              |
| Mpumalanga           | 4 655 658         | 0.5                              | 19 078 461         | 1.1                              |
| North West           | 4 524 901         | 0.5                              | 8 164 223          | 0.5                              |
| Northern Cape        | 1 255 889         | 0.1                              | 5 266 638          | 0.3                              |
| Western Cape         | 187 650 559       | 21.8                             | 337 349 776        | 18.8                             |

Source: S&amp;P Global, 2023

SARS (2023) report shows that imports had been realising growth despite the pandemic's impact and other factors. In 2022, imports from January to December were worth about R1.820.3 trillion, and this value was 31.8 per cent more than the R1.380.9 trillion recorded during the same period in 2021. For 2022, the cumulative trade balance

surplus of R193.3 billion has been recorded. Moreover, imports recorded in December 2022 of R157.8 billion were 25.1 per cent more than the R126.1 billion imports recorded during the same period in 2021. There was a preliminary trade balance surplus revised downwards in November 2022 by R0.68 billion as a result of the ongoing Vouchers of Correction<sup>61</sup> (VOC), where the revision was from the preliminary trade balance surplus of R7.9 billion to R7.3 billion.

KZN imported goods worth R203.16 billion in 2022, more than double the R98.59 billion in 2012. At 79.1 per cent of KZN imports, eThekweni was the largest importer in the Province in 2022, with an estimated value of R160.78 billion. As is the case with exports, King Cetshwayo was the second largest contributor, with goods valued at R20.65 billion, which is 10.2 per cent of the total value of provincial imports in 2022 (Table 5.9).

**Table 5.9: KwaZulu-Natal value of imports (R'000) by district municipalities, 2012 and 2022**

|                      | 2012              |                        | 2022               |                        |
|----------------------|-------------------|------------------------|--------------------|------------------------|
|                      | Imports (R1000)   | % Share of KZN imports | Imports (R1000)    | % Share of KZN imports |
| <b>KwaZulu-Natal</b> | <b>98 592 433</b> | <b>100.0</b>           | <b>203 162 214</b> | <b>100.0</b>           |
| eThekweni            | 75 978 359        | 77.1                   | 160 776 176        | 79.1                   |
| Ugu                  | 821 611           | 0.8                    | 1 264 191          | 0.6                    |
| Umgungundlovu        | 9 862 562         | 10.0                   | 13 821 598         | 6.8                    |
| Uthukela             | 678 520           | 0.7                    | 1 286 051          | 0.6                    |
| Umzinyathi           | 101 129           | 0.1                    | 445 377            | 0.2                    |
| Amajuba              | 452 363           | 0.5                    | 724 480            | 0.4                    |
| Zululand             | 42 482            | 0.0                    | 334 731            | 0.2                    |
| Umkhanyakude         | 102 430           | 0.1                    | 298 932            | 0.1                    |
| King Cetshwayo       | 8 954 393         | 9.1                    | 20 651 619         | 10.2                   |
| ILembe               | 1 592 370         | 1.6                    | 3 460 534          | 1.7                    |
| Harry Gwala          | 6 214             | 0.0                    | 98 526             | 0.0                    |

Source: S&P Global, 2023

### 5.5.5 International commodity prices

SA benefitted from the rise in commodity prices caused initially by COVID-19 supply disruptions and as a consequence of the conflict between Russia and Ukraine. Consequently, the increase in commodity prices assisted in improving SA's terms of trade (export prices over import prices) and relatively large surpluses on the current account in 2020 and 2021. This assisted in improving government revenue. However, the commodity prices boom subsided thereafter as a result, affecting the fiscus. For instance, according to the SARB (2023), the national government revenue decreased by 4.2 per cent year on year to R406.3 billion between April and June 2023. Total revenue underperformed budget projections in the first quarter of fiscal year 2023/24, primarily on account of lower Company Income Tax (CIT) collections in the manufacturing, transport and mining sectors, along with a decline in commodity prices. Lower commodity prices weighed on earnings and the mining sector's contribution to government tax revenue collection.

The World Bank (2023) reveals that global commodity prices fell by about 14 per cent in the first quarter of 2023, which is approximately 30 per cent below their historic peak in June 2022. This downward turn in commodity prices

<sup>61</sup> Voucher of correction (VOC): a document used in South African shipping to amend any details or particulars that need to be changed in the Bill of Entry (SAD500) that has already been filed for a particular shipment with customs.

was the sharpest drop since the COVID-19 pandemic started. As a result, the price surges that followed the Russian Federation's invasion of Ukraine have largely been slowed down due to a combination of slowing global economic activity, favourable winter weather, and the redirection of trade of key commodity exports from Russia and Ukraine.

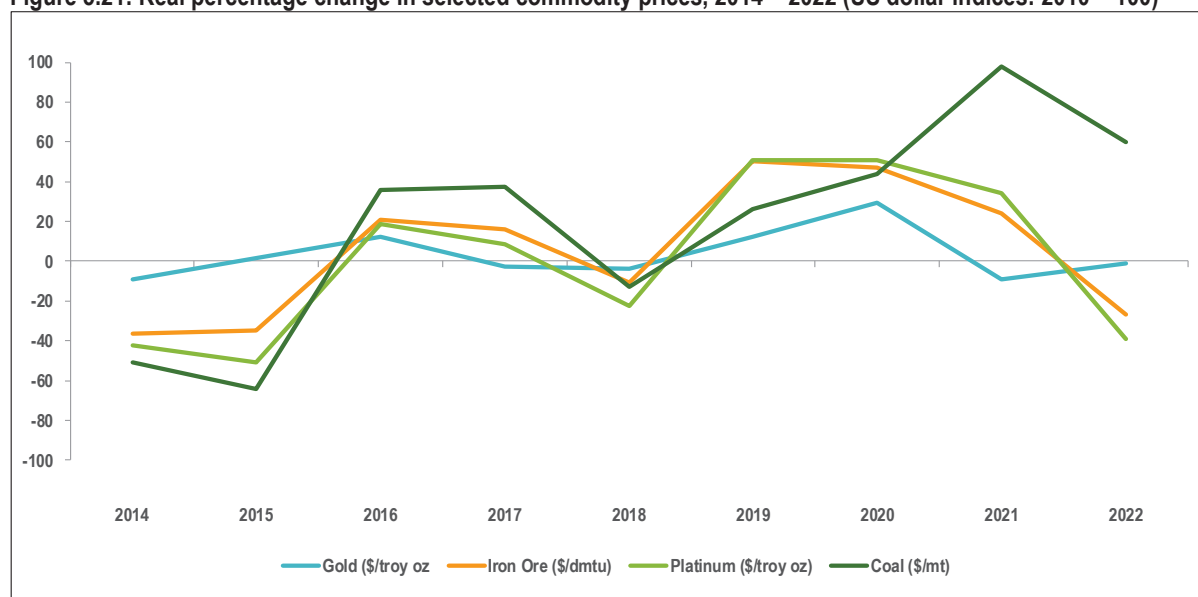
The exports of mineral products were underpinned by the higher prices of coal, manganese and chromium, which fully compensated for the lower volumes. The bulk of the coal exports was destined for Europe, mainly to replace imports from Russia in 2022. Coal prices fell in the first quarter of 2023, extending declines that began in the fourth quarter of 2022. Several constraints that led to sharply higher prices in 2022 have continued to slow down. These include the fall in natural gas prices and high prices for the European Union Emission Trading Scheme (EU ETS) allowances has meant that coal has lost its cost advantage in European power plants. Russia's invasion of Ukraine has strengthened the incentives to transition away from fossil fuels, both through increased renewable energy production and reduced energy consumption, particularly in the US and Europe. This contributes to the expectation that coal consumption in the US and Europe will continue to fall (SARB, 2022).

The World Bank (2023) forecast the coal price to fall 42 per cent in 2023 and 23 per cent in 2024. The anticipated increase in demand from China is likely to be offset by weaker demand elsewhere as utilities switch back to natural gas. Meanwhile, the SARB (2023) estimates that the US dollar price of a basket of domestically produced non-gold export commodities fell by 15.6 per cent in the second quarter of 2023, marking a fourth consecutive quarterly decline. The decrease was broad-based, with a notable decline in the prices of rhodium, coal, nickel, manganese and iron ore. The prices of rhodium and coal decreased the most, the latter largely due to lower-than-expected demand from the US and Europe as well as excess supply, particularly in Asia. By contrast, the price of platinum increased in the second quarter of 2023 as demand is expected to exceed supply in 2023.

Notably, the monthly average US dollar price of gold on the London market increased to a record high of US \$2 000 per fine ounce in April 2023. This reflected, among other factors, a weaker US dollar and an expected smaller increase in interest rates by the US Federal Reserve (Fed), as well as renewed concerns over the US banking sector. Although the price of gold declined in May and June 2023, mainly due to a stronger US dollar, it still increased by 4.7 per cent from an average of US \$1 888 per fine ounce in the first quarter of 2023 to US \$1 978 per fine ounce in the second quarter (SARB, 2023).

Similar to other precious metals or goods in general, the price of platinum is determined by supply and demand. However, the price of platinum is much more volatile than gold and even silver. The price of platinum increased in the second quarter of 2023 and peaked at US \$ 1 063 per troy ounce in May 2023, as demand was expected to exceed supply in 2023. It, however, declined thereafter to US \$ 921 in September 2023 (SARB, 2023). The World Bank (2023) shows that the price of platinum was broadly unchanged in the first quarter of 2023, increasing by 2 per cent due to fairly stable supply and demand conditions. In the previous quarter, platinum prices rose by 10 per cent. Industrial demand remained strong but was still about 14 per cent lower than its record level in 2021.

**Figure 5.21: Real percentage change in selected commodity prices, 2014 – 2022 (US dollar indices: 2010 = 100)**



Source: World Bank, 2023 and Own calculations

As per data by the World Bank (2022), platinum's price spiked from \$962 per ounce in January to \$1 166 per ounce in March 2022 on concerns about supply out of Russia, the world's second-largest producer of the metal after SA. The price then retreated as supply was not affected by disruptions, and demand from the world's largest consumer, China, declined during extended COVID-19 lockdowns. According to data compiled by the Statista (2022), Russia comes in a distant second place after SA (140 metric tons produced in 2022) for world platinum production, having produced some 20 metric tons (20 000 Kg) in 2022. The mine production of palladium in Russia reached an amount of 88 metric tons in 2022. This production volume ranked Russia as the world's leading palladium producer followed by SA at 80 metric tons.

The demand for platinum used in auto catalysts has benefited from the substitution of higher-priced palladium. The SARB (2023) shows that the ongoing disruptions to energy output in SA, the largest global producer of platinum, reduced supply by 14 per cent. In addition, the platinum industry also has faced several obstacles in recent years, such as power shortages, operational challenges, and labour market disruptions. The recycling of platinum catalysts from old vehicles has also been affected by supply chain interruptions in the auto sector in 2021, which reduced inventory. The SARB (2023) expects prices to remain around US \$1 000 per troy ounce in 2023, a 4 per cent increase over 2022, and a further 5 per cent in 2024.

Regarding the price of iron ores, the World Bank (2023) shows that its price rebounded 27 per cent from the fourth quarter of 2022 to the first quarter of 2023. They were 80 per cent higher than their 2015-19 average. The recent gains were mainly due to a seasonal rise in China's steel output, which raised steel prices and the demand for iron ore. This effect is expected to subside over the remainder of 2023.

On the supply side, although weather-related disruptions have reduced seaborne shipments of iron ore, they are still poised to grow moderately in the second half of the year. As a result, for 2023 as a whole, iron ore prices are forecast to be 5 per cent lower than in 2022 and fall by a further 4 per cent in 2024 (World Bank, 2023).

The SARB (2022) demonstrates how the movements in international commodity prices lead to instability in exports and imports of intermediate goods compared to other traded goods and services. For instance, the value of consumption goods imports as a share of the total remained relatively stable at about 25 per cent between 2010 and 2019. Yet, on the other hand, the consumption goods imports rose sharply in mid-2020 due to the increased value of imported mineral products, particularly petrol and diesel, which are unstable in nature. This expansion was largely due to the increased reliance on Eskom's diesel-powered open-cycle gas turbines to meet electricity demand and the closure of most of South Africa's refineries.

SA, like most countries globally, are completely dependent on imported Brent crude oil as a primary energy source and is, therefore, highly vulnerable to oil price shocks. The Brent crude oil price increases reduce the national output, change the structure of spending and production and shift the economy to a lower economic growth path. This affects the rate of inflation (cost-push inflation) and, at the same time, changes the structure of relative prices, and the economy's import bills are strained, adding to the adverse shift in the country's terms of trade. For instance, SA's fuel prices are adjusted on a monthly basis, informed by international and the exchange rate of the Rand to a dollar.

International factors include the fact that SA imports both Brent crude oil and finished products at a price set at the international level, including importation costs such as shipping costs. As a result, the SARB (2023) reveals that the increase in the spot price of Brent crude oil in April 2023, which mostly reflected expectations of higher Chinese demand and tightening oil supplies, was followed by declines in May and June as the US dollar strengthened and as concerns mounted that sluggish global economic activity could reduce oil demand.

On average, the spot price of Brent crude oil decreased for a fourth consecutive quarter, by 3.4 per cent, from US \$ 81.22 per barrel in the first quarter of 2023 to US \$ 78.47 per barrel in the second quarter. In July 2023, the spot price of Brent crude oil rebounded as the US dollar weakened and as Saudi Arabia, the world's largest exporter of Brent crude oil, was expected to extend a voluntary reduction in oil output of 1 million barrels per day for another month to September. The spot price of Brent crude oil increased further from US \$ 79.81 per barrel in July 2023 to US \$ 86.02 per barrel in August, supported by expectations that production cuts would continue to the end of 2023.

## **5.6 Travel and tourism**

Travel and tourism is a crucial sector to economies worldwide through its ability to generate economic benefits for sub-industries such as transportation, hospitality and retail, amongst others. It is also one of the industries with positive socio-economic spin-offs in the growth of local economies as it enables socio-economic development, job creation and poverty reduction. Further, tourism can encourage infrastructure development in a community, particularly as more tourists visit an area, there is a need for amenities such as roads, public transportation and accommodation increases. This has a positive effect on attracting more tourists, which contributes further to the local, regional, provincial and national economic development. As an added boon to locals, the desire to attract tourists also compels local authorities to maintain existing infrastructure.

In SA, the National Development Plan (NDP, 2013) recognises travel and tourism as one of the priority areas in the country, mainly because it is one of the highly labour-intensive sectors that could accelerate the achievement

of job creation opportunities. The sector is further identified as having enormous potential to stimulate the development of small businesses to create opportunities for inclusive growth.

### 5.6.1 World travel and tourism

Prior to the global COVID-19 pandemic, travel and tourism (inclusive of its direct, indirect and induced impacts)<sup>62</sup> accounted for 1 in 5 new jobs created between 2014 and 2019 and 10.3 per cent of all jobs. In 2019, travel and tourism contributed 10.4 per cent (US \$ 10 trillion) of global GDP, whilst international visitor spend totalled US \$1.9 trillion (World Travel and Tourism Council (WTTTC), 2022). The COVID-19 pandemic forced many tourism businesses to reduce their workforce in order to stay in operation. An estimated 62 million jobs were lost in 2020, an 18.6 per cent drop from the 333 million people employed in 2019. However, the sector supported 289 million jobs in 2021, compared to 271 million in 2020.

According to the United Nations World Travel Organisation (UN WTO) (2023), international arrivals were at 80 per cent of pre-pandemic levels at the end of December 2022. This implies that 197 countries are free of COVID-19 restrictions. Even though the sector has not fully recovered from the pandemic, indicators were up from 2021. In 2022, the sector represented 7.6 per cent of global GDP, which was 22 per cent from the previous year, and 22 million new jobs were created, which was an increase of 7.9 per cent from 2021. Domestic and international visitor spending rose 20.4 per cent and 81.9 per cent, respectively, in 2022. The sector is expected to return to the pre-pandemic levels by the end of 2023.

### 5.6.2 Travel and tourism in SA

According to the WTTTC (2022), travel and tourism's total contribution to SA's GDP was US \$ 13.2 billion, or 3.2 per cent of the total national economy in 2021, an 8.4 percentage change from 2020. In 2022, the country's tourism sector contributed 5.1 per cent to GDP and supported 22 million jobs (Tourism Update, 2022). Total foreign direct spend reached R59.6 billion, up 186.6 per cent from 2021. Overnight domestic spending generated R99.2 billion in revenue in 2022. This was 118.3 per cent more than revenue generated in 2021 (South African Tourism, 2022).

The total number of foreign travellers who visited SA in 2022 was 8 026 409 (Stats SA, 2022). The 2022 figure represents an increase of 154.8 per cent from the 2021 figure of 3 150 007. In keeping with international trends, more males (3 345 806) than females (2 352 256) visited the country. The 35-44 age cohort made up the largest percentage of visitors (29.8 per cent). Moreover, Stats SA (2023) revealed that the volume of arrivals increased for South African residents and foreign travellers when comparing the movements between December 2022 and

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<sup>62</sup> **Direct impacts** are the changes in economic activity during the first round of spending. For tourism, this involves the impacts on the businesses selling directly to tourists themselves.

**Indirect impacts** are the changes in sales, income, or employment within the region in supporting industries supplying goods and services to tourism businesses, i.e. the supply chain of the tourism businesses.

**Induced impacts**, also called household effects, are the increased sales within the region from household spending of the income earned in tourism and supporting industries. Employees in tourism and supporting industries spend the income they earn from tourism on housing, utilities, groceries, and other consumer goods and services. This generates sales, income, and employment throughout the region's economy

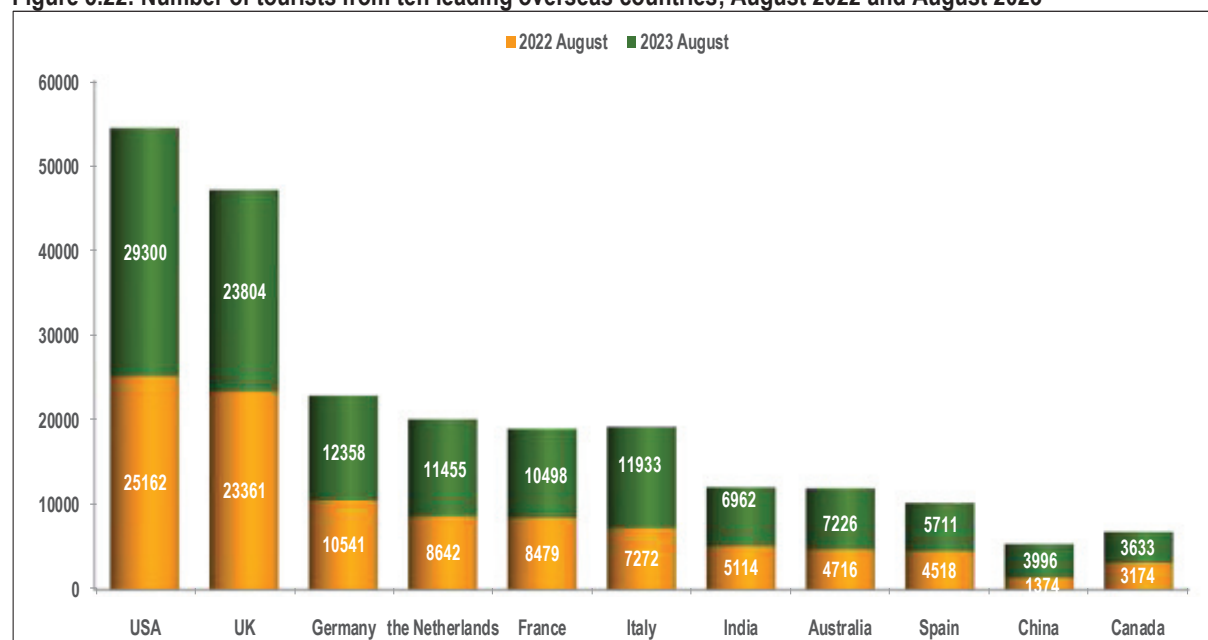
January 2023. On the other hand, the volume of departures and travellers in transit decreased for both groups of travellers.

In support of the tourism sector, SA is implanting and upgrading the eVisa system to facilitate the growth of the tourism sector. The eVisa system was active in 14 countries as of February 2022. In addition, the national government removed visa requirements for Kenyans visiting the country for up to 90 days (Department of Tourism RSA, 2023).

In reviving the travel and tourism sector, the South African government announced in June 2022 that all the remaining COVID-19 had been repealed. Accordingly, travellers entering SA were no longer required to produce vaccination certificates or recent negative PCR tests. As per the then Minister L. Sisulu, "This marks the return to life as we knew it before COVID-19". The then minister further stated that the lack of restrictions would go a long way in boosting the tourism sector's growth as travellers will be able to participate in more activities, including attending big events and gatherings that not only contribute to the country's appeal but also to our economy.

At the opposite end of the spectrum, the Tourism Business Council of South Africa (TBCSA) (2023), in the Tourism Business Index (TBI) report, cited the cost of alternative power supply as the biggest hindrance to tourism business in the first half of 2023. Concerns around safety and security have proven to be a major setback for the tourism industry, more especially in international source markets.

**Figure 5.22: Number of tourists from ten leading overseas countries, August 2022 and August 2023**



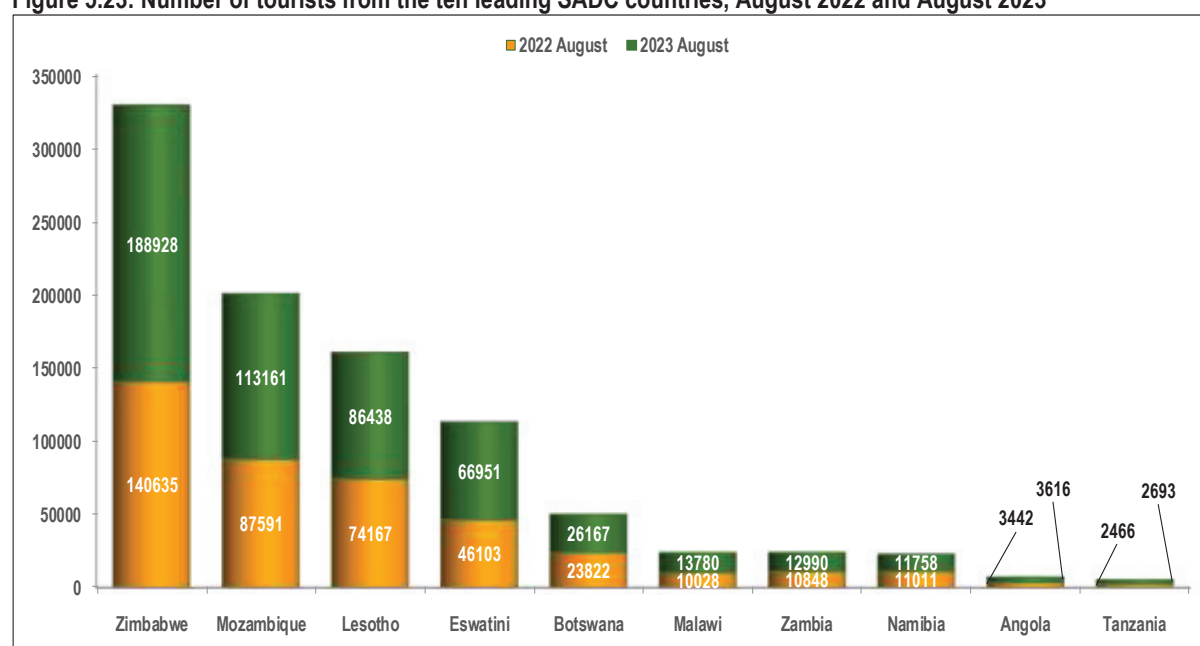
Source: Stats SA, 2023

Figure 5.22 shows the number of foreign tourists visiting SA from ten leading countries in August 2022 and August 2023. Between 2021 and 2022, there was a substantial increase in tourist numbers resulting from the partial relaxation of restrictions in respect of the COVID-19 pandemic. The increase was more subdued between 2022 and 2023, as, with the pandemic restrictions long behind the sector, a comparison was drawn with a higher baseline. Over the last three years, The US, UK and Germany have made up the most significant number of tourists visiting SA. In 2023, the US came in the lead at 29 300, followed by the UK with 23 804 visitors and Germany with

12 358 tourists. In 2023, China became one of the top ten overseas visitors, pushing Canada off the list. Tourists from these ten countries made up 74.4 per cent of all tourists from overseas countries.

Figure 5.23 shows the number of tourists visiting SA from the ten leading Southern African Development Community (SADC)<sup>63</sup> countries in August 2022 and August 2023. In this region, the change in the number of visitors from 2021 to 2022 was higher than the increase between 2022 and 2023. Zimbabwe had the largest number of tourists visiting SA in August 2023 at 188 926 travellers, followed by Mozambique at 113 161 and Lesotho at 86 436. Amongst the SADC region, Tanzania had the lowest number of visitors at 2 693 visitors. Together, these ten countries constitute 99.2 per cent of all visitors from the SADC region.

**Figure 5.23: Number of tourists from the ten leading SADC countries, August 2022 and August 2023**

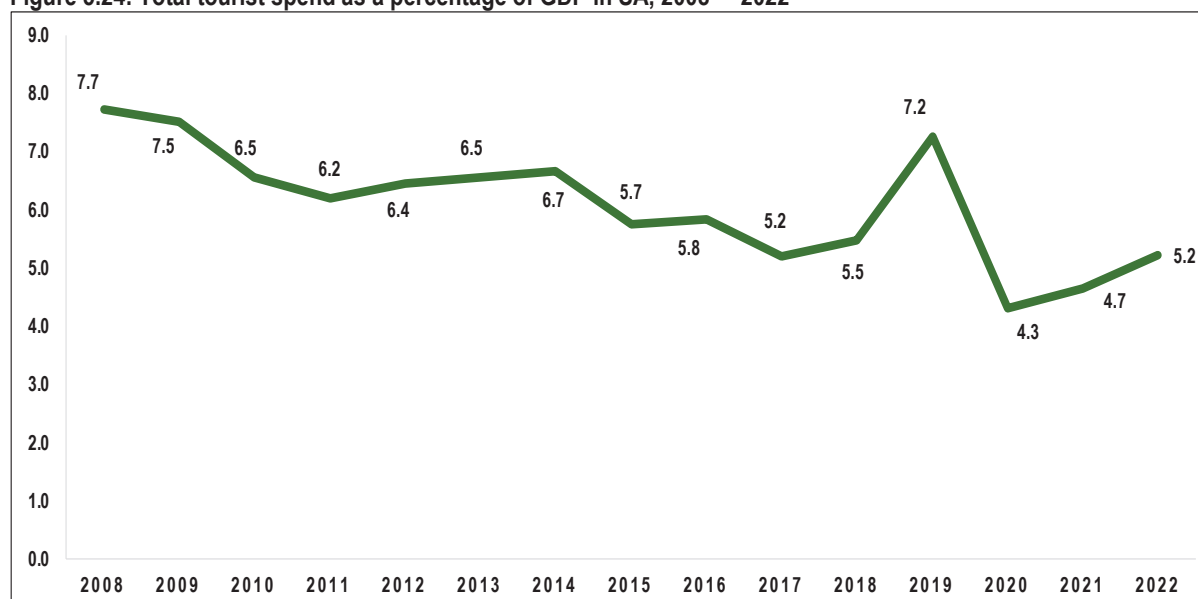


Source: Stats SA, 2023

The sole benefit of tourism to the host country accrues primarily from the physical spend. When evaluating these benefits, cognisance is taken of both the intention and the available spend of the visitor. Guests from developed countries visit SA mainly for leisure, and the available spend is relatively high. Data from Statistics SA (2023) shows that 98 per cent of visitors from overseas and 96.2 per cent from SADC come to SA for holiday purposes, while only 4.9 per cent from other African countries come for the same purpose. In contrast, 90.3 per cent of them visit the country for business reasons. Approximately 4.4 per cent of visitors from other African countries visit SA for study purposes.

<sup>63</sup> SADC countries include Angola, Botswana, the Democratic Republic of Congo (DRC), Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, Swaziland, Tanzania, Zambia, and Zimbabwe.

**Figure 5.24: Total tourist spend as a percentage of GDP in SA, 2008 – 2022**



Source: S&P Global, 2023

Another consideration in the evaluation of economic benefits is the relative purchasing power of a visitor's home currency versus the South African currency. For instance, visitors from Botswana, with its strong currency (Pula), tend to have greater purchasing power than their Zimbabwean counterparts, where onerous exchange rates restrict spending. As a result, the TBI lists a weak Rand exchange rate in comparison to other currencies as one of the top three positive contributing factors to tourism (TBCSA, 2023). Notwithstanding this, sheer numbers could very possibly outweigh other elements. In August 2023, SA realised seven times more Zimbabwean visitors than those from Botswana. Therefore, it is apparent that when comparing the relative contribution to the South African economy by individual SADC countries, the variables of intention, available spend, and the physical number of visitors must be considered.

### 5.6.3 Travel and tourism in KZN

The KZN Tourism Authority, trading as Tourism KwaZulu-Natal (TKZN), is the provincial public entity responsible for developing, promoting and marketing tourism into and within KZN. The entity is overseen by the Department of Economic Development, Tourism and Environmental Affairs (EDTEA). TKZN's strategic plans are informed by such documents as the Provincial Growth Development Strategy (PGDS), the Spatial Development Framework (SDF), the National Tourism Sector Strategy (NTSS), the KZN Tourism Master Plan and the policy direction of the province. Since the COVID-19 pandemic, the list has also included the National Tourism Recovery Strategy and the KZN Economic Reconstruction and Transformation Plan, which incorporates the KZN Tourism Recovery Plan.

TKZN is currently in the process of merging with the KZN Film Commission (KZNFC). The merger is an outcome of the decision by the provincial government to begin rationalising its entities in 2015. The idea behind the consolidation is to create synergies, as both entities promote and market KZN as a tourist destination. Whereas TKZN works across all areas, KZNFC focuses on film-induced tourism specifically. By merging them, the provincial government intends to improve operational efficiency and reduce costs in overheads such as board fees and office accommodation. The new entity will be called the KZN Tourism and Audio-Visual Agency.

Over the last three years, KZN has been plagued by unfavourable conditions that have had adverse effects on the Province's tourism industry. In addition to the COVID-19 pandemic and generally poor macroeconomic conditions, the Province has had to manage the effects of the July 2021 unrest, the April floods and an *Escherichia coli* (*E. coli*)<sup>64</sup> outbreak in 2022. The outbreak came as a result of increasing sewage pollution along the coastline. The pollution is a result of the ageing water infrastructure, which was exacerbated by the 2022 floods. As of 26 October 2023, four beaches in the eThekweni Metropolitan were closed because of poor water quality (eThekweni Municipality, 2023).

The closure of beaches presents a serious threat to provincial tourism as they are a major tourist attraction, especially leading up to the festive season. Durban North Coast, Durban North Beach and Durban South Beach were among the top four tourist attractions in KZN in 2022 (South African Tourism, 2022). Further, the Federated Hospitality Association of South Africa (FEDHASA) reported that a water crisis on the South Coast of KZN has had a devastating impact on tourism in the region. The crisis stems from local municipalities struggling to provide reliable water sources. According to FEDHASA, water shortages have led to cancelled bookings and businesses looking to offload their assets. These events demonstrate how poorly maintained or underdeveloped infrastructure and inadequate municipal service delivery can thwart growth plans for the tourism sector in a region. Collectively, representatives of these beaches claim that the outbreak demonstrates how poorly maintained or underdeveloped infrastructure can thwart growth plans for the tourism sector in a region. Even in the face of these challenges, KZN is determined to reclaim its spot as the number one domestic tourism destination and is making concerted efforts towards that end.

As part of its marketing strategy, the Province set itself a 5-year target of 1 million international tourists between 2020 and 2024 and an international tourist spend of R6.1 billion in 2022. However, between 2020 and December 2022, the Province exceeded the target to 1 046 681 international tourists, of which 554 156 of those visited KZN in the year 2022. At only R4.2 billion, the international tourist spend did not meet the set target of R6.1 billion. However, in 2022, KZN drew 7.5 million domestic trips. Not only did this figure exceed pre-pandemic numbers, but the Province also managed to surpass GP as the most visited province domestically. In rand value terms, the trips brought in R19.9 billion, which was R11.9 billion more than the pre-pandemic contribution.

### ***Developments in KZN***

In 2023, the Babanango Game Reserve in the Zululand district achieved Big Five status. The translocation of the Big Five began in 2019, with the introduction of a herd of buffalo and came to a conclusion in September 2023 when elephants returned to the area for the first time in 150 years. The feat has been touted as the most ambitious rewilding project in Southern Africa in the past 30 years and is a big achievement in conservation for KZN. The species also add significant value to the tourism operation of the reserve. Babanango is a great example of community beneficiation. A major portion of the reserve is land leased from three local community trusts. It is also the second biggest employer in the Ulundi Municipality. Sustainable economic opportunities are also created through conservation levies and other benefits from the reserve.

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<sup>64</sup> *Escherichia coli* (*E. coli*) is a bacterium that lives in the intestines of healthy people and animals. It indicates the presence of faecal matter in water.

Tourism in KZN is a microcosm of the global sector. It has also seen a trend in domestic tourism as well as a surge in luxury travel. According to the African Travel and Tourism Association (ATTA), luxury safari experiences in Southern and East Africa are receiving record numbers. Product innovation and re-invention are key in the luxury market. In September 2023, the Babanango Game Reserve launched its ultra-luxury tented lodge, Madwaleni River Lodge.

The Club Med Tinley resort was officially announced in September 2023. Club Med is a French travel and tourism operator with over 69 resorts globally. Club Med Tinley will be its ninth development in Africa and the first in mainland Sub-Saharan Africa. The project is expected to inject R2 billion into Tinley Manor, a holiday town on the North Coast, and the surrounding area. Construction is scheduled to begin early in 2024 and is expected to be completed in July 2026.

Insofar as the philantourism trend, KZN has the Inanda, Ntuzuma and KwaMashu (INK) Heritage Trail, which includes Mahatma Gandhi's Phoenix Settlement, the Ohlange Institute, where Nelson Mandela cast his vote in 1994, and the Shembe Church in Ebuhleni which is the headquarters of one of the biggest churches in Africa.

**Figure 5.25: Total tourist spending as a percentage of GDP in KZN, 2022**



Source: S&P Global, 2023

Between 2014 and 2018, KZN did not fare as well as the country in total tourist spend. However, in 2019, there was an uptick of almost two per cent. A situational analysis of the prior years yielded a few possible reasons for the spike. In order to counter the effects of the macroeconomic slump that followed the 2008 global financial crisis, TKZN aggressively marketed KZN as a destination in source markets abroad and to domestic tourists. In 2017, “Do KZN”, which is a domestic tourism marketing campaign, was launched. The province also incorporated partnership opportunities with tour operators into their strategy. In 2018, TKZN opened a new office in Cape Town. The office was chosen because it also housed the City Sightseeing company, where many international tourists book their city tours. In the same year, the direct route between Heathrow Airport and KSIA was launched.

With the demand for direct flights from environmentally conscious travellers on the rise, the Province has worked tirelessly to increase direct connectivity to the King Shaka International Airport (KSIA), for both passengers and airfreight. The KwaZulu-Natal Route Development Committee (Durban Direct) is the body responsible for this objective. According to co-chair and Dube Trade Port CEO, Hamish Erskine, key international markets are the US, the East, as well as the Netherlands, Germany and France. Durban currently has direct international flights to Dubai, Harare, Manzini and Lusaka. Locally, one can fly non-stop to Bloemfontein, Cape Town, East London, George, Johannesburg, Nelspruit and Port Elizabeth.

## **5.7 Conclusion and recommendations**

This Chapter provided a comprehensive review of economic climate from a global perspective and cascaded them down to national and provincial levels, particularly the KZN's context. The primary objective is to identify significant developments, both global and national, that might be great opportunities or risks to the KZN's economic prospects. As an open economy, the transmission mechanisms through which some global developments could impact the SA and KZN's economy involve its trading partners. This implies that improved economic activity in any of SA's major trading partners increases the opportunity for higher external demand for local goods and services. The opposite applies to deteriorating economic performance among major trading partners.

Notably, the global economy shows positive signs of recovery, although at a slower pace, from the economic shocks caused by the Russia-Ukraine war. The recovery has been supported by robust economic activity earlier in 2023, particularly in the services sector. Global supply chains have largely recovered, with the shipping costs and suppliers' delivery times back to pre-pandemic levels. However, a full recovery toward pre-pandemic trends appears increasingly out of reach, especially in emerging market and developing economies. Overall, global economic growth is anticipated to drop further to 3 per cent in 2023 and 2.9 per cent in 2024. The projected slow-down in 2023 is driven largely by a continuous deceleration in Advanced Economies.

In SA, real output decelerated to 1.9 per cent in 2022, following a buoyant recovery of 4.7 per cent in 2021. The deterioration in 2022 emanated from the unfavourable global economic conditions amid geopolitical developments related to the invasion of Ukraine by the Russian Federation earlier in the year. The geopolitical conflicts had spill-over effects to other regions, SA included, through commodity markets. In addition, the local economy continued to grapple with internal structural constraints, particularly the energy crisis, the soaring inflation rate as well as the monetary policy tightening to contain inflation.

The energy crisis intensified in 2022, with load-shedding estimated to have averaged about 157 days. As the power station failures persist, the average Energy Availability Factor (EAF) as of 20 May 2023 was estimated at 52.8 per cent. As of 30 September 2023, the number of hours of load-shedding has reached nearly 5 772 hours, equivalent to 240 calendar days. The SARB expects the number of days of load shedding to be 310 in 2023, decreasing to 150 days and 100 days, respectively, in 2024 and 2025.

The domestic inflationary pressures began to ease in the opening months of 2023 as domestic fuel price inflation receded sharply. However, the decline in headline CPI was short-lived as it rose to 5.4 per cent in September 2023, as consumer goods inflation accelerated by 6.8 per cent. The SARB implemented aggressive policy rate increases over several periods, thereby increasing interest rates by approximately 475 cumulative basis points

between November 2021 and May 2023. The repo rate reached 8.25 per cent in May 2023 and has remained unchanged in the subsequent months. The escalations in the repo rate were accompanied by corresponding increases in the prime lending rate, which increased from about 7.25 per cent in November 2021 to 11.75 per cent in May 2023.

The provincial and local economies are not isolated from numerous economic challenges currently affecting the national economy. KZN's economic prospects deteriorated considerably to an average of 1.1 per cent in 2022, down from a robust uptick of 4.7 per cent in 2021. The substantial slowdown was driven mainly by disastrous flooding early in the year coupled with record-high power outages. As the electricity supply constraints persist, the provincial economy remains depressed in 2023. The real GDP-R growth rate is projected to drop further to 0.5 per cent in 2023 before picking up marginally to 0.8 per cent and 2.3 per cent in 2024 and 2025, respectively. The forecast slowdown in economic activity reflects the anticipated negative effect of electricity load-shedding, particularly in 2023.

However, the KZN government continues to implement the recovery plan to ignite the economic growth potential. This includes the efforts to attract investments, expansion and refocusing the functioning of Durban and Richard's Bay ports as part of the KZN Logistic Hub. Also, the government supports emerging industries such as cannabis and hemp that have the potential to uplift local economies. The implementation of economic reforms in line with the plan should continue, and the focus should be on agriculture, telecommunications and digital economy, renewable energy, tourism, oceans economy and township economy as indicated in the recovery plan.



# Chapter Six: Application of the Eurozone convergence criteria to determine the feasibility of BRICS adopting a common currency

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## 6.1 Introduction

The group of emerging markets, namely Brazil, Russia, India, and China (BRIC), was established in 2006 and renamed BRICS in 2010 after South Africa (SA) joined the bloc. The primary purpose of the grouping was to develop deeper ties among their nations and cooperate on economic expansion, including trade. The common issues for the partnership are pinned under three pillars of political and security, economic and financial, cultural and people-to-people exchanges.

The BRICS aims to reshape the political and economic landscape to benefit its members. In this regard, the bloc has created the BRICS Business Council, the Contingent Reserve Agreement, which provides short-term liquidity support, and the New Development Bank (NDB), which supports development projects in BRICS countries. In the build-up to the 15<sup>th</sup> summit in August 2023 in SA, it was anticipated that BRICS countries would, among others, discuss a framework for de-dollarisation<sup>65</sup>. The de-dollarisation intends to reduce the reliance on the United States (US) dollar and promote the use of national currencies in international trade, thus forming a monetary union.

A currency union or monetary union is when two or more economies or sovereign countries share a common currency or mutually decide to peg their exchange rates to the same reference currency to keep the value of their monies similar. It is distinguished from a full-fledged economic and monetary union because it involves sharing a common currency without further integration between participating countries. Further integration may include the adoption of a single market in order to facilitate cross-border trade, which entails the elimination of physical and fiscal barriers between nations to free the movement of capital, labour, goods, and services to strengthen their overall economies.

The European Monetary Union (EMU), also known as the Eurozone, is the largest currency union. The Eurozone currency union started in 2002 with twelve countries and now has twenty countries<sup>66</sup> that share the Euro as their common currency. The seven non-Eurozone members of the European Union (EU), which continue to use their own sovereign currencies, are Bulgaria, the Czech Republic, Denmark, Hungary, Poland, Romania, and Sweden.

Recently, there has been widespread talk of BRICS planning to adopt a common currency to settle international trade payments. The main aim of the proposal is to challenge the global reserve status of the US dollar. The use of the dollar as the global reserve currency<sup>67</sup> was cemented in the aftermath of World War II by the 1944 Bretton Woods Conference, in which forty-four countries agreed to the creation of the International Monetary Fund (IMF) and the World Bank. Since then, the dollar has remained the currency of choice for international trade. As a result,

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<sup>65</sup> De-dollarization describes a process of moving away from the world's reliance on the US dollar (USD) as the chief reserve currency.

<sup>66</sup> These include Austria, Belgium, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.

<sup>67</sup> A reserve currency is a currency held by central banks in significant quantities. It is widely used to conduct international trade and financial transactions, eliminating the costs of settling transactions involving different currencies.

major commodities such as oil are primarily bought and sold using US dollars, and some major economies still peg their currencies to the dollar.

Given the above background, this article discusses the possibility of BRICS adopting a common currency. The article applied the procedure the European Union (EU) followed in adopting the Euro as their common currency. The study looks at the motives for BRICS to adopt a common currency. The article further analyses the macroeconomic convergences of BRICS countries with regard to the exchange rates stability, gross domestic product (GDP), public debts, fiscal deficit and inflation before concluding remarks. Therefore, the rationale for the newsletter is to analyse the feasibility of BRICS adopting a common currency. The topic is unpacked in this newsletter based on the resolution at the previous meeting of the BRICS countries held in SA in August 2023.

## **6.2 BRICS Countries and international trade**

The total population in the Euro area was estimated at 344.5 million people, which accounts for 4.3 per cent of the world population in 2022. However, according to the World Bank (2023), the Euro area's contribution to the global GDP was significant at 14.5 per cent over the same year. The report further shows that approximately 73.2 per cent of Euro area contribution to world GDP is concentrated in four countries, namely, Germany (27.9 per cent), France (20.4 per cent), Italy (14.9 per cent) and Spain (10.1 per cent). Collectively, these four countries comprise 75 per cent of the Euro area population.

Conversely, BRICS countries accounted for 41 per cent of the world population but only 26 per cent of the total global GDP in 2022. This is a significant improvement considering that the bloc's contribution to GDP, excluding SA<sup>68</sup>, was 8 per cent in 2001 and improved to 19.6 per cent in 2011. China has consistently been the largest economy in the bloc. Its rapid growth has seen it become the second largest economy in the world behind the US (\$25 billion GDP in 2022), with a GDP of approximately \$18 billion in the same year. As a result, China contributed 71 per cent of the BRICS countries' GDP, followed by India at 13 per cent, and Brazil (8 per cent) in 2022. Russia and SA trailed at 6 per cent and 2 per cent, respectively.

Notably, over 40 countries have expressed an interest to join BRICS, while 23 countries have formally applied to be part of the bloc. However, approval was made for six countries, namely, Argentina, Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates (UAE). With the addition of the new member countries in 2023, the BRICS population increased to 3.663 billion, which is 46.2 per cent of the world population. The combined GDP per capita in current US prices was US \$ 13 976, which was higher than the world average of US \$ 12 648 in the same year (World Bank, 2023). The driving force behind these countries' interest in BRICS is to expand their market, access finance from the BRICS NDB, access world markets and improve trade, access modern technology, and improve foreign direct investments and trade, amongst others. However, adding new members to BRICS in order to strengthen the bloc should not be achieved at the expense of the already existing markets. For instance, SA's top trading partners are mostly Western countries, including the US, Germany, Japan and the UK (SARS, 2023). These countries have not shown any interest in joining BRICS; therefore, it is critical for SA to assess the trade impact of being a BRICS currency union.

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<sup>68</sup> SA joined the BRIC bloc in 2010.

## SA's exports and imports to BRICS

While the national trade with its BRICS partners reached approximately R825 billion in 2022, the net trade reached a deficit of around R242 billion. As expected, given the economic size of China, the trade deficit was around R179 billion, followed by India at R40.543 billion. For Brazil and Russia, the trade deficit was around R18 billion and R4.5 billion, respectively. A significant proportion of SA's exports to the BRICS nations include, for example, mineral products, machinery, iron and steel and chemicals to Brazil; vegetables to Russia; mineral products to India; and mineral products and product iron and steel to China (Table 6.1).

Conversely, Brazil's majority of exports to SA are machinery, live animals, product iron and steel, equipment and components; Russian exports are primarily chemicals and product iron and steel; India exports mineral products, vehicle aircraft and vessels and China exports machinery, product iron and steel as well as chemicals.

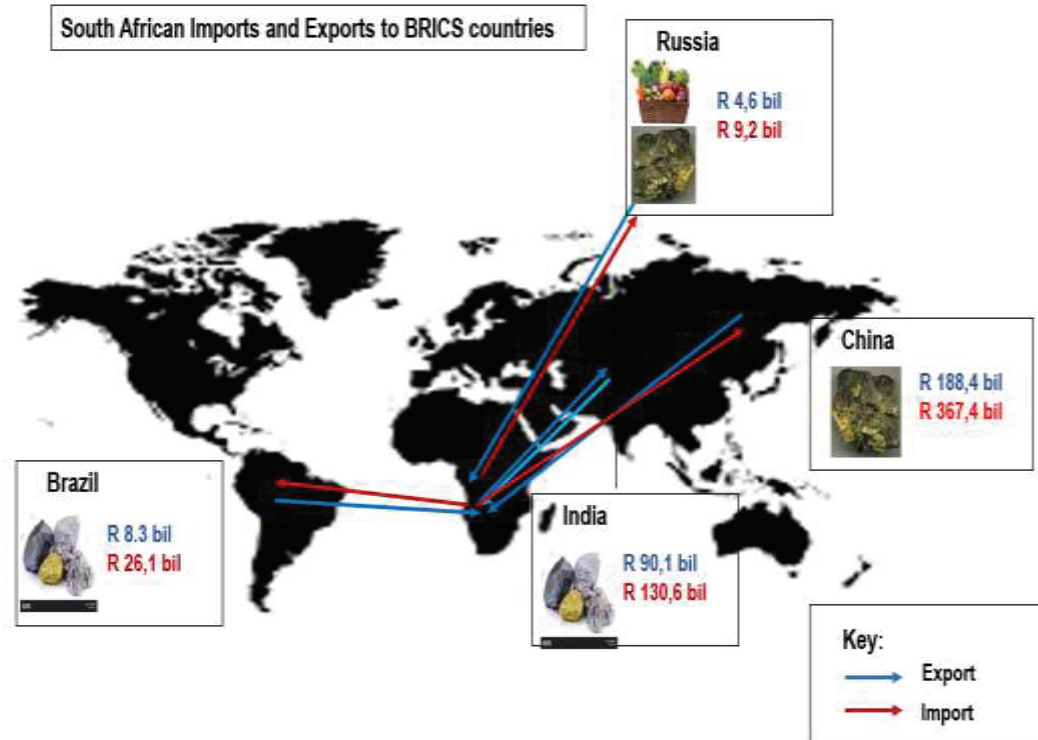
**Table 6.1: SA's exports and imports to BRICS countries, January – December 2022**

|                              | Exports                  |                             | Imports                  |                             | Trade Balance           |
|------------------------------|--------------------------|-----------------------------|--------------------------|-----------------------------|-------------------------|
|                              | Rands                    | % share of total SA exports | Rands                    | % share of total SA imports | Rands                   |
| Brazil                       | 8 266 011 640            | 0.4                         | 26 062 889 009           | 1.4                         | -17 796 877 369         |
| Russia                       | 4 620 513 732            | 0.2                         | 9 151 354 200            | 0.5                         | -4 530 840 468          |
| India                        | 90 058 113 396           | 4.5                         | 130 601 417 945          | 7.2                         | -40 543 304 549         |
| China                        | 188 415 195 730          | 9.4                         | 367 425 172 820          | 20.2                        | -179 009 977 090        |
| Total                        | <b>291 359 834 498</b>   | <b>14.5</b>                 | <b>533 240 833 974</b>   | <b>29.3</b>                 | <b>-241 880 999 476</b> |
| Other                        | 1 721 824 047 063        | 85.5                        | 1 287 118 201 292        | 70.7                        | 434 705 845 771         |
| <b>SA Total (incl. BLNS)</b> | <b>2 013 183 881 561</b> | <b>100.0</b>                | <b>1 820 359 035 266</b> | <b>100.0</b>                | <b>192 824 846 295</b>  |

Source: SARS Database, 2023

The map in Figure 6.1 indicates SA's exports and imports to BRICS countries in 2022, with values in red indicating imports and blue reflecting exports. The country's exports to its BRICS counterparts are mainly raw materials without any added value, resulting in a sizeable trade deficit within the bloc. Given the imbalance of trade, there is a need to ensure that SA reaches an agreement regarding the beneficiation of resources and diversifies more on manufactured goods for exports to BRICS, as primary products continue to be the largest share of national exports. Though it will not entirely change the status quo, especially given the size of the Chinese economy compared to SA, both countries must benefit from trade irrespective of whether it is a small or sizeable economy.

Figure 6.1: South Africa's exports and imports to BRICS countries, January – December 2022



Source: SARS database, 2023

### 6.3 Motives by BRICS countries to support a common currency

In light of the brief background and the trade relations between the BRICS countries, it is imperative to unpack the underpinning factors critical for establishing a common currency by nations with common interests. In this regard, the BRICS nations view their local currencies as one of the instruments to boost intra-BRICS trade and eliminate the high conversion costs associated with international transactions. Member countries led by India and China have already explored mutual trade settlements in national currencies. Once the transition to national currency trading is made, BRICS will consider introducing and circulating a digital or an alternative currency.

China and Russia are at the forefront of the de-dollarization move for their political interests. Notably, BRICS tried to pursue both an economic and political agenda, especially after the US started a trade war against China. Meanwhile, Russia met waves of economic and financial sanctions due to its conflict with Ukraine. Russia has since been isolated from the rest of the world after it invaded Ukraine in March 2022. As a result, the governments of the US, Australia, Canada, France, Germany, Italy, Japan, the United Kingdom (UK) and the European Commission seized about \$300 billion in Russian central bank assets. This was almost half of Russia's foreign reserves at the time.

On the other hand, India, SA and Brazil have their pragmatic reasons for supporting the move to a common currency. The motive is driven by the expected reduction in dollar dominance of international transactions, making it easier for these nations facing a dollar crunch to repay their debts owed to international organisations. Countries with substantial dollar-denominated debt may face heightened vulnerability to currency fluctuations and capital

flow reversals, exacerbating the risk of financial crises. Besides, BRICS nations were never a common union. However, due to many homegrown difficulties and strains, each member state had to look more to internal affairs than to intra-group cooperation and development.

### **6.3.1 Cross-border payments and international monetary system (IMS)**

The cross-border payment system enables the exchange of goods and services between nations, the settlement of financial contracts between corporations across borders and the channeling of international aid. By facilitating cross-border transactions, the IMS is the backbone of globalisation in trade and finance. While there are 162 currencies in the world that are deemed legal tender, cross-border payments<sup>69</sup> mainly concentrate on a small number of currencies. As of the end of 2021, the US dollar accounted for about 40 per cent of cross-border Society for Worldwide Interbank Financial Telecommunication (SWIFT)<sup>70</sup> flows, followed closely by the Euro. A few other currencies, the British pound, the Japanese yen, the Australian dollar, the Hong Kong dollar, and the Canadian dollar, each have a share of more than 1 per cent. The Chinese renminbi (RMB), the only reserve currency issued by an emerging market, has also gained traction in recent years, with its share rising to about 2.5 per cent (Perez, Zhang and Iyer, 2023).

SWIFT is the leading global messaging platform for cross-border banking transactions and has a membership of more than 11 000 institutions in over 200 countries and territories. In addition to SWIFT, China, India, and Russia have also developed their own financial infrastructures for cross-border payments, such as the Cross-Border Interbank Payment System (CIPS)<sup>71</sup>, Unified Payment Interface (UPI)<sup>72</sup> and System for Transfer of Financial Messages (SPFS)<sup>73</sup>. As of January 2023, the number of participating banks in these alternative platforms remains limited, and their market share is very small. With the increasing use of crypto assets in cross-border transactions, particularly for remittances, alternative payment providers built on block chain technology have emerged. However, the recent decline in crypto asset valuations, or the failure of various relevant actors, has intensified the need for effective policies toward these assets (IMF, 2023).

### **6.3.2 Dollar conversion costs of international transactions**

To gain insight into the dollar conversion costs of international transactions, it is imperative to comprehend the steps involved in a typical payment when countries trade with each other. For instance, a transaction might begin with a buyer in the US who wants to purchase an item from a vendor in SA. A buyer transfers the amount of the purchase price in US dollars to the vendor's bank. One of two things happens from this transaction, depending on the country and the financial institutions involved.

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<sup>69</sup> Cross-border payments enable the exchange of goods and services between nations, the settlement of financial contracts between corporations across borders and the channeling of international aid.

<sup>70</sup> SWIFT was developed in 1973, and it is a messaging network for international transactions. This payment network allows individuals and businesses to take electronic or card payments even if the customer or vendor uses a different bank than the payee. It is the largest and most streamlined method for international payments and settlements. It works by assigning each member institution a unique ID code (a BIC number) that identifies the bank name and the country, city, and branch.

<sup>71</sup> CIPS is a Chinese payment system that offers clearing and settlement services for its participants in cross-border renminbi (RMB) payments and trade.

<sup>72</sup> UPI is a single-window mobile payment system developed by the National Payments Corporation of India (NPCI). It eliminates the need to enter bank details or other sensitive information each time a customer initiates a transaction.

<sup>73</sup> SPFS is a Russian equivalent of the SWIFT financial transfer system developed by the Central Bank of Russia. The system has been developing since 2014, when the United States government threatened to disconnect Russia from the SWIFT system.

First, a vendor's bank will convert those US dollars into the local currency (the South African Rand) before depositing the funds into the vendor's account. Alternatively, the bank deposits the money into a US dollar account held by the vendor. When converting from dollars to Rands, the bank sets its own exchange rate based on the prevailing market rates, with some percentage of the total added as a profit margin. In cases where the money goes from one US dollar account to another, the bank adds an administrative charge, which can vary from a simple flat fee to a percentage of the sum transferred. Therefore, the BRICS countries' motive is to eliminate those additional costs of dollar conversion when trading amongst themselves.

### **6.3.3 Share of allocated foreign exchange reserves**

Exchange rate fluctuations can have a major impact on the currency composition of central bank reserve portfolios. Changes in the relative values of different government securities can also have an impact, although this effect tends to be smaller since major currency bond yields usually move together. When the US dollar weakens against major currencies, its share of global reserves generally declines. This is because the US dollar value of reserves denominated in other currencies increases (and vice versa in times of US dollar strength). In turn, US dollar exchange rates can be influenced by several factors, including diverging economic paths between the US and other economies, differences in monetary and fiscal policies, as well as foreign exchange sales and purchases by central banks.

The International Monetary Fund (IMF) (2023), the bank responsible for monitoring the international monetary system, recognises eight major reserve currencies. These include the US dollar (59 per cent), the Euro (19.8 per cent), the Japanese yen (5.5 per cent), the British pound (4.9 per cent), the Chinese renminbi (2.6 per cent), the Canadian dollar (2.4 per cent), the Australian dollar (2 per cent) and other currencies (3.9 per cent).

### **6.3.4 BRICS Pay**

A BRICS version of the Euro is unlikely for now. None of the countries involved show any desire to discontinue its local sovereign currency. Instead, the goal appears to be to create an efficient integrated payment system for cross-border transactions as the first step and then relook at the possibility of introducing a new currency in the long term.

In 2010, the BRICS Interbank Cooperation Mechanism was launched to facilitate cross-border payments between BRICS banks in local currencies. BRICS nations have been developing “*BRICS pay*”, a payment system for transactions among the BRICS without converting local currency into dollars. Further, there have been conversations about a BRICS cryptocurrency and of strategically aligning the development of Central Bank Digital Currencies to promote currency interoperability and economic integration. Since many countries expressed an interest in joining BRICS, the group is likely to scale up its de-dollarisation agenda without using a common currency but their respective local currencies.

## 6.4 Lessons in macroeconomic convergences from Eurozone countries adopting the Euro

### 6.4.1 Exchange rate stability

One of the convergence criteria adopted by the EU was that a country has to maintain a stable exchange rate. This implies that the exchange rate should remain within the fluctuation margins the exchange rate mechanism provided for at least the previous two years, as indicated by the European Central Bank (ECB). The margins provided should reflect fluctuations of 15 per cent above or below an agreed-upon exchange rate. For the purpose of this analysis, the 'exchange rates' were the mean, the *minimum* and the *maximum* for the period 1 April 2021 to 1 April 2023. Hence, the 'upper' and 'lower' bounds are 30 per cent in total.

#### ***The Russian Ruble***

The Russian Ruble currency had been volatile in the period from April 2021 to April 2023. The exchange rate fluctuated by more than 30 per cent, within the upper and the lower bounds in the period under review. It also fell by 15 per cent below its maximum between April 2022 and February 2023 and remained 15 per cent above the minimum for most of the period. This indicates that the peak and trough exchange values during the period are out of the ordinary.

#### ***The Indian Rupee and the Chinese Yuan***

A similar analysis to that of Russia shows that the Indian Rupee and the Chinese Yuan are the most stable of the BRICS currencies. They neither fluctuated outside the bounds of 15 per cent above and below the exchange rate for the period under review.

#### ***The South African Rand and the Brazilian Real***

Both the South African Rand and the Brazilian Real stayed within bounds. However, the Brazilian Real marginally dropped below the maximum in April 2022 and was above the minimum for the fourth quarter of 2021. The Brazilian Real's downward trend shows that it is the only currency of the BRICS currencies that appreciated against the US dollar. Conversely, the South African Rand went out of bounds for the maximum and minimum exchange rates. It also displayed the steepest upward trend (depreciation) to the US dollar. The analysis shows that by ECB standards, only India and China would meet the exchange rate criterion for macroeconomic convergence.

### 6.4.2 Levels of public debt and fiscal deficit

Under the terms of the EU's Stability and Growth Pact (SGP)<sup>74</sup>, member states pledged to keep their deficits and debt below certain limits. A member state's government deficit may not exceed 3 per cent of its GDP, while its government debt may not exceed 60 per cent of GDP. However, not all countries in the Eurozone fully meet these criteria. The EU and major advanced economies have government debt to GDP of 85.3 per cent and 128.4 per cent in 2022, respectively. Among the BRICS countries, Russia has the lowest government debt to GDP of 19.6 per cent in 2022, with an average of 16.5 per cent from 2018 to 2022. The remaining four BRICS members

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<sup>74</sup> The Stability and Growth Pact (SGP) is a set of fiscal rules designed to prevent countries in the EU from spending beyond their means

have a government debt to GDP ranging from a minimum of 71 per cent for SA to a maximum of 85.9 per cent for Brazil (Table 6.2).

**Table 6.2: General government gross debt (percentage of GDP), 2018 – 2022**

|                               | 2018  | 2019  | 2020  | 2021  | 2022  | 5 year average |
|-------------------------------|-------|-------|-------|-------|-------|----------------|
| Brazil                        | 85.6  | 87.9  | 96.8  | 90.7  | 85.9  | 89.4           |
| Russia                        | 13.6  | 13.7  | 19.2  | 16.5  | 19.6  | 16.5           |
| India                         | 70.4  | 75    | 88.5  | 84.7  | 83.1  | 80.3           |
| China                         | 56.7  | 60.4  | 70.1  | 71.8  | 77.1  | 67.2           |
| South Africa                  | 51.7  | 56.2  | 69    | 69    | 71    | 63.4           |
| European Union                | 81.5  | 79.2  | 91.6  | 89.5  | 85.3  | 85.4           |
| Major Advanced Economies (G7) | 117.2 | 118.3 | 140.4 | 134.1 | 128.4 | 127.7          |

Source: World Bank, 2023

A significant challenge the BRICS bloc faces is how much liquidity should be put into circulation in the money and debt markets. This is crucial because it will determine the demand for the BRICS debt instruments. It should be noted that in order to lend to countries, BRICS bonds must be sold in the debt market. Hence, the challenge with BRICS bonds, which needs to be resolved beforehand by member countries, is differing tax systems. Therefore, in order to resolve the differences in the tax systems, the BRICS need to agree on adequate consensual budgetary and fiscal policies.

According to Zharikov (2021), with regard to the consensual budgetary and fiscal policies of the BRICS, the member states should aim at achieving the following conditions. Firstly, in year one of the functioning consensual fiscal and budgetary policies in the BRICS, the average weighted tax rates must settle at a level that would ensure the stable amount of taxes collected as a share of the total government revenue. Secondly, the average weighted tax rates in the BRICS can be determined as a percentage ratio of the government budget revenue collected through taxes relative to the gross national income.

As observable in Table 6.3, Russia was the only country amongst BRICS with a fiscal surplus in 2018 and 2019 of 2.9 per cent and 1.9 per cent, respectively. As expected, because of the widespread Covid-19 pandemic, Russia realised a fiscal deficit in 2020. However, it marginally recovered in 2021 and returned to a budget surplus. In 2022, Russia realised a budget deficit mainly caused by the ongoing war with Ukraine. Since a budget is universal and has nationwide significance in revenues and expenditures, achieving its equilibrium is a top priority and the most crucial objective of macroeconomic policy in any country (Alemany et al. 2020).

**Table 6.3: Fiscal deficit as a percentage of GDP, 2018 – 2022**

|                          | 2018 | 2019 | 2020  | 2021 | 2022 | 5 year average |
|--------------------------|------|------|-------|------|------|----------------|
| Brazil                   | -7   | -5.8 | -13.3 | -4.3 | -4.6 | -7.0           |
| Russia                   | 2.9  | 1.9  | -4    | 0.8  | -2.2 | -0.1           |
| India                    | -6.4 | -7.7 | -12.9 | -9.6 | -9.6 | -9.2           |
| China                    | -4.3 | -6.1 | -9.7  | -6   | -7.5 | -6.7           |
| South Africa             | -3.7 | -4.7 | -9.6  | -5.6 | -4.5 | -5.6           |
| European Union           | -0.4 | -0.6 | -6.8  | -4.8 | -3.5 | -3.2           |
| Major Advanced Economies | -3.3 | -3.8 | -11.6 | -9.1 | -5.4 | -6.6           |

Source: World Bank, 2023

In order to achieve the equilibrium, a country of the BRICS with a budget deficit, as is the case with almost all the BRICS countries, would have to increase the average weighted tax rate up to a point whereby the government budget expenditure equals the government budget revenue, while the share of the tax receipts in the total budget revenue remains constant. However, with different dynamics regarding the socio-economic status of member countries, it becomes a challenge to increase the tax rate to the required level. For instance, SA has a high unemployment rate and rising cost of living, which affects the affordability of basic living. Therefore, SA has less opportunity to adjust the tax rate.

### **6.4.3 Inflation**

Many emerging economies used monetary targeting in the past but have since abandoned this policy to choose between exchange rate or inflation rate targeting in their monetary policy. Countries that employ exchange-rate targeting usually do not have an independent currency, or their currency is pegged to a larger trade partner with low inflation. Globally, inflation targeting is the primary monetary policy regime.

With regard to the Eurozone, the ECB conducts monetary policy by taking measures to keep the prices of goods and services stable while ensuring that the value of the Euro currency is stable. Like most central banks, interest rates are an essential monetary policy instrument the ECB applies to achieve stable prices at an inflation target rate of 2 per cent. In line with the ECB, the proposed adoption of the BRICS currency requires the integration of monetary policies by BRICS countries. Below are the monetary policy analyses of each of these nations.

#### ***South Africa***

The South African Reserve Bank (SARB) uses an inflation-targeting framework to pursue its primary goal of price stability. In 2000, the national government set an inflation target band of 3 to 6 per cent, slightly higher than the international standard of 1 to 3 per cent. The instrument used by SARB to try to keep inflation within this band is the official interest rate or the repurchase (repo) rate. The repo rate is the rate at which SARB extends credit to banks in need of liquidity (Van der Merwe and Mollentze, 2010). It is the main determining factor of short-term interest rates in SA.

The SARB applied an aggressive cycle of interest rate hikes to an accumulative 475 basis points, beginning in the fourth quarter of 2021. In a bid to curb inflation, SARB executed ten consecutive interest rate hikes that only halted in July 2023. The hold came after inflation (5.4 per cent) fell within the target band for the first time in 14 months in June 2023 (Gumbi, Peyton, and Anders, 2023).

#### ***Russia***

According to the Monetary Policy Department (2020), the main objective of the Bank of Russia, the country's central bank, is also price stability, which it achieves through inflation targeting. The inflation target is set for the annual growth rate of consumer prices at close to 4 per cent. The 'close to' implies that there is room for slight fluctuations. The main instrument of Russia's monetary policy is the key rate. As per the Monetary Policy Department (2023), the key rate is the rate at which the central bank loans to commercial banks and accepts deposits from them. The Bank of Russia Board of Directors decides on the key rate eight times a year.

In keeping with inflation targeting norms, the announcement of the key rate is accompanied by an explanation for the decision and a signal of possible future moves. Following the Russian invasion of Ukraine, the Bank of Russia increased the key rate from 9.5 per cent to 20 per cent. According to the Bank of Russia, this drastic hike was meant to ensure a rise in deposit rates to the necessary levels to compensate for increased depreciation and inflation (Bank of Russia, 2022). The hike was meant to help sustain financial stability and prevent uncontrolled price rises. The Bank expected inflation to return to 4 per cent in 2024 (Bank of Russia, 2022).

## **India**

In the past, India used a monetary targeting framework. In May 2016, under the Reserve Bank of India Act, 1934 (RBI, 2022), the policy was legally amended to a flexible-inflation targeting framework. The Reserve Bank of India (RBI), together with the central government, decide on an inflation target in terms of the Consumer Price Index (CPI) every five years. In this regard, a target of 4 per cent from August 2016 to March 2021 was officially gazetted in August 2016. The target has been retained for the next 5-year period ending March 31, 2026.

Unlike SA and Russia, the RBI has several direct and indirect instruments for implementing monetary policy. The mechanism of the Indian monetary policy is to align the weighted average call rate with the policy repo rate through proactive liquidity management so that changes in the repo rate are transmitted throughout the financial system. This, in turn, influences aggregate demand.

In a bid to cool surging prices, India has raised repo rates by 250 basis points since May 2022. However, in the previous MPC meeting in August 2023, the Reserve Bank of India kept the repo rate unchanged at 6.5 per cent. It, however, moved to reduce the amount of cash in the banking system as inflation concerns resurfaced following higher than usual seasonal spikes in food prices.

## **Brazil**

The main objective of Brazilian monetary policy is to keep inflation around a specific target. The inflation-targeting framework was established by the Brazilian government in 1999<sup>75</sup>. The National Monetary Council (*Conselho Monetário Nacional*, CMN), consisting of the Brazilian Central Bank (*Banco Central do Brasil*, BCB), Ministry of Finance and Ministry of Planning, sets a target and tolerance level in terms of the Broad National Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*, IPCA)<sup>76</sup>. The inflation target is announced three years in advance. From 2018 to 2022, the inflation targets were 4.5 per cent, 4.25 per cent, 4 per cent, 3.75 per cent and 3.5 per cent, respectively. The target for 2023 is 3.25 per cent and 3 per cent for 2024 and 2025. Over the last decade, the IPCA has only spent four years within the established tolerance levels.

The main operating target is the Selic rate, the average interest rate charged on daily interbank loans. Therefore, the BCB's Monetary Policy Committee (*Comitê de Política Monetária*, Copom) sets a target for the Selic rate every 45 days. Open market operations (OMO), related to the purchase and sale of government bonds and other

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<sup>75</sup> Inflation targeting overview (no date) Banco Central do Brasil. Available at: <https://www.bcb.gov.br/en/monetarypolicy/Inflationtargeting> (Accessed: 16 August 2023).

<sup>76</sup> IPCA - Inflation rate and Inflation target (no date) Banco Central do Brasil. Available at: <https://www.bcb.gov.br/en/statistics/graphicdetail/graphicstatistics/precos> (Accessed: 16 August 2023).

instruments, are then used to keep the rate close to the target. The Selic rate affects inflation through several channels, namely the exchange rate, investment and consumption, asset prices, expectations, and credit. After a pause in changing the Selic rate of nearly a year and months of political pressure, the Central Bank of Brazil (BCB) cut its Selic policy rate by 50 basis points in early August 2023. The cut brought the Selic rate to 13.25 per cent.

## **China**

Article 12 of the Law of the People's Republic of China on the People's Bank of China (2003) provides for the establishment of the MPC. The MPC is a consultative body under the leadership of the State Council. Its responsibility is to advise on the formulation and adjustment of monetary policy, the application of policy instruments and the coordination between monetary and other macroeconomic policies. However, the macro targets are set by the government.

China is in a unique position in that it is a largely export-driven economy. As a result, it receives substantial amounts of foreign currency for its exports, which affects its money supply. Article 3 sets the maintenance of the stability of the value of the currency as the objective of monetary policy. Consequently, China's monetary operations aim mainly to control the money supply.

The choice of becoming a cheap exporter to grow its economy has forced China to keep a firm hand on its exchange rate. This resulted in China being accused of currency manipulation by the Trump administration. However, a report from the US Treasury (2019) showed that, in 2018, China did not meet the criteria they set for unfair currency practices. The 2023 report revealed similar results. This may be because China's focus has been shifting from rapid economic growth to high-quality development. This development includes improving local demand, opening up its economy and pursuing economic growth based on recent reforms. It is unclear whether this change in focus was always a part of the long-term strategy or whether it was a response to the US's attempt to ice China out of global trade.

Similar to most countries across the globe, the interest rate is the main monetary policy instrument used by BRICS countries to control inflation. In response to the Covid-19 pandemic, all BRICS countries dropped their interest rates to stimulate their economies. The impact of this decision is especially apparent in 2022, when all the countries recorded their highest inflation rate. Brazil and Russia took measures against this as early as the second quarter of 2021 when they started increasing their interest rates. India and SA followed suit in the third and fourth quarters of 2022. China's low inflation is indicative of its weak domestic demand. In 2020, the government instigated measures to slow down the increasingly risky property market. This caused a decline in the sector that spread to the rest of the economy.

Further, China was one of the last countries to remove its lockdown restrictions. Demand has been largely unresponsive despite the government releasing record liquidity into the market. Hence, the country is at the risk of facing deflation.

Unsurprisingly, Brazil had the highest inflation rate between 2018 and 2022. Historically, the country has suffered from very high inflation for several reasons, including its heavy reliance on commodity exports, which subject its

exchange rate to international commodity prices. The reason for Russia's average inflation rate in the period under review was its out-of-the-ordinary inflation in 2022. Without the outlier, this rate would have been on a par with that of SA (Table 6.4).

**Table 6.4: BRICS countries' inflation rate, 2018 – 2022**

|                    | 2018 | 2019 | 2020 | 2021 | 2022 | 5 year average |
|--------------------|------|------|------|------|------|----------------|
| Brazil             | 3.7  | 3.7  | 3.2  | 8.3  | 9.3  | 5.6            |
| Russian Federation | 2.9  | 4.5  | 3.4  | 6.7  | 10.2 | 5.5            |
| India              | 3.9  | 3.7  | 6.6  | 5.1  | 6.7  | 5.2            |
| China              | 2.1  | 2.9  | 2.4  | 1.0  | 1.9  | 2.1            |
| South Africa       | 4.5  | 4.1  | 3.2  | 4.6  | 6.9  | 4.7            |

Source: World Bank, 2023 & Bank of Russia, 2023

## 6.5 Conclusion and recommendations

### ***Market access***

BRICS comprises 41 per cent of the world population and controls 26 per cent of the world GDP in 2022. With the addition of the new members, namely Argentina, Ethiopia, Iran, Saudi Arabia, Egypt and the UAE, the proportion of the population increases to 46 per cent, and the contribution to GDP improves to 30 per cent. The higher population from various geographical locations has the potential to grow the market for companies in all the BRICS countries.

In addition, BRICS membership provides South African companies a platform to leverage their potential in the global market through the BRICS Business Council. South African partners of the Council include, amongst others, TIKZN, DTIC, IDC, Naspers, Aspen and BUSA. Cooperation between these companies and those of BRICS would be mutually beneficial in information technology (IT), finances, innovation and business-to-business learning. This will assist in reinforcing the manufacturing base and enhance value-added exports to reduce SA's trade deficit with other BRICS members.

### ***Differences in the macroeconomic convergences***

In analysing the possibility of the BRICS bloc adopting a common currency, reference was made to the already existing currency union, known as the Eurozone. The convergence criteria, which was the basis for the Eurozone formation, was analysed with reference to the BRICS countries. These included rules on the exchange rate, public debt and fiscal deficit, interest rates and inflation. Collectively, the bloc did not meet any of these convergence criteria.

Additionally, the BRICS countries have conflicting interests and views in international trade, particularly with respect to the West. For instance, SA's majority of the top five trading partners regarding exports are Western countries, including the US, Germany, Japan and the United Kingdom (UK). While amongst the BRICS, only China is listed as SA's top export destination. India and Saudi Arabia are listed only as part of the top five countries SA imports commodities from. Moreover, the BRICS nations' diverse concerns each have their own implications for their tax systems and monetary policy. The differences in these countries in terms of fiscal and monetary policies

and their geographical location have made the coordination of the above variables even more complicated. All these factors are conclusive evidence that the group is not ready for a common currency.

### ***Alternative to the common currency***

Without the option of adopting a common currency, the alternative left to the BRICS countries in their efforts to realise more balanced and fair trade is the use of their respective national currencies other than the dollar. Since there is no system on par with SWIFT amongst these nations, BRICS nations are forced to develop their own international payment systems.

In light of this, the BRICS have tasked their finance ministers, central banks and various financial and digital industry role players to devise resolutions to these problems by the next summit in Russia next year. Moreover, China (2.6 per cent) is the only country in the BRICS with a notable share in the international composition of foreign currency reserves. It trails behind the US dollar (59 per cent), the Euro (19.8 per cent), the Japanese Yen (5.5 per cent) and the British pound (4.9 per cent). Though there is a willingness for each of the BRICS countries to use their local currencies, the issue of adequate and needed currency reserves has to be considered.

### ***Piloting for BRICS countries' local currencies settlements***

Local currency settlements (LCS), backed by BRICS' respective central banks, are already underway between India and the United Arab Emirates (UAE). The two countries signed a memorandum of understanding (MOU) to settle their crude oil transactions in their local currencies in July 2023. The first transaction took place in August 2023, whereby India purchased one million barrels of oil and paid using the rupees. Prior to that, a gold exporter in the UAE successfully concluded a 25 Kg gold sale invoiced at 128 million rupees.

### ***SA benefits from the New Development Bank***

The South African membership to BRICS has had many tangible benefits for SA. As part of BRICS, SA has grown its position and influence as an emerging economy. BRICS has given the country access to technical and policy expertise from bigger economies and access to funding from the BRICS NDB. The NDB, formed in 2016 with a startup capital of US 50 billion dollars, is not aimed at replacing the already existing IMF and the World Bank. Instead, it provides additional space for BRICS countries to access project finance. To date, SA has received US 5.4 billion dollars in project funding from the NDB. The projects span multiple focus areas, including clean energy and energy efficiency, environmental protection, water and sanitation, transport infrastructure and Covid-19 emergency assistance.

For instance, in 2018, the NDB approved R3.5 billion for the expansion and modernisation of the Durban Container Terminal. This sum made up almost 30 per cent of the total project cost. The NDB also approved R17.5 billion for the South African Rail Logistics Improvement Programme in late 2022. SA's dilapidated rail network is forcing more freight onto the country's already overwhelmed roads, increasing congestion and damaging infrastructure.

To illustrate this decline, SA's rail network carried nearly 230 million tons in 2017 and generated an income worth R42.3 billion. In 2022, the carrying capacity of the rail network had deteriorated to around 33 per cent at 155 million tons, generating an income of R34.4 billion (Stats SA, 2017 and Stats SA, 2023). The Program aims to resolve the

key challenges SA's and KZN's freight transport sector faces. By improving rail asset condition and efficiency, the Program will aid the modal shift from road to rail and decrease the freight transport cost for the South African economy. Over and above direct savings resulting from this shift, the Program will also contribute to reducing carbon emissions and benefit road transport by preserving its infrastructure condition, reducing road congestion and road accidents.

#### ***BRICS link to SA's and KZN's economic recovery and reconstruction plan***

BRICS is strengthening collaboration in sectors such as energy, information technology (IT), science, technology and innovation, agriculture and the green economy. It is also an essential source of foreign direct investment (FDI) in key sectors such as mining, automotive, financial services and IT. These are some of the critical sectors identified in SA's as well as KZN's economic recovery and reconstruction plan (ERRP). The BRICS working groups, specifically Agribusiness, Aviation, Digital Economy, Financial Services, Green Economy and Energy, Infrastructure, Manufacturing and Skills Development, are similar to the sectors identified in the KZN's ERRP. This will assist in ensuring collaboration amongst companies in SA and the province of KZN with other companies in BRICS nations through the BRICS Business Council.

#### ***Bilateral trade between SA and BRICS countries***

While SA's trade with its BRICS partners reached approximately R825 billion in 2022, the net trade reached a deficit of around R242 billion. SA realised a trade deficit with all BRICS countries in 2022. A significant proportion of SA's exports to the BRICS nations are mineral products, product iron and steel and chemicals to Brazil; vegetables to Russia; mineral products to India as well as mineral products and product iron and steel to China. In addition, SA's value-added products only make up four to nine per cent of its exports to BRICS. Given the imbalance of trade, there is a need to ensure that SA reaches an agreement with regard to the beneficiation of resources and diversifies more on manufactured goods or value-added products for SA's exports to BRICS. Though it will not entirely change the status quo, especially with China, given the size of the Chinese economy compared to SA, both countries must benefit from trade irrespective of whether it is a small or sizeable economy.

# Chapter 7: Labour Markets

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## 7.1 Introduction

The International Labour Organisation (ILO) (2022), indicates that most countries have not yet returned to the levels of employment and hours worked seen before the outbreak of the COVID-19 health crisis. Despite the recovery that started in 2021, the ongoing shortage of better job opportunities is likely to worsen with the projected slowdown, pushing workers into jobs of worse quality and depriving others of adequate social protection.

In South Africa (SA), employment continues to improve at a slow pace from a substantial decline caused by the COVID-19 pandemic. However, the employment recovery was disrupted by external economic shocks associated with geopolitical conflicts and the resultant commodity and energy market volatility that started early in 2022. Local economic shocks such as the devastating flooding and the ongoing energy crisis have also negatively impacted employment recovery. The scourge of rising unemployment rates remains the biggest challenge facing the country's population. The youth population is among those mostly affected by high levels of unemployment. These labour market challenges persist despite numerous employment initiatives by the government targeting youth, such as the Presidential Youth Employment Initiative (PYEI).

The aforementioned labour market challenges are also applicable at the provincial level, whereby KwaZulu-Natal (KZN) has experienced low employment levels coupled with a considerable rise in unemployment rates over the past decade. Notably, the labour market challenges in the Province vary greatly across different geographical areas, where rural areas are mostly affected compared to semi-urban areas. The eThekwin Metro and other big Districts have relatively low unemployment compared to small, particularly rural Districts. This reflects a significant need to improve local economies and create employment opportunities, especially in rural areas.

Government employment initiatives such as the Expanded Public Works Programme (EPWP) continue to play a crucial role in the fight against unemployment. The provincial government also established the *Mass Jobs War Room*, which is envisaged to create close to 500 000 employment opportunities. Given that unemployment is pronounced among the youth population, the provincial government has repurposed the KZN Youth Empowerment Fund (KZNYEF) and increased financial resources to support more youth-owned businesses in the province. KZN also benefits through national employment initiatives such as PYEI, with about 58 500 job opportunities allocated for the Province in Phase IV.

Given the backdrop highlighted above, this Chapter provides a review of the labour market dynamics of SA and KZN. The Chapter begins by outlining an overview of the South African labour market whereby the labour force, employment, unemployment, labour force participation and absorption, as well as employment initiatives, are discussed. Similarly, labour market indicators are unpacked for KZN and Districts' labour market. Finally, the Chapter concludes with a summary of the salient issues discussed and provides recommendations thereof.

## 7.2 Overview of the South African Labour Market

The country's labour market continues to recover from the sharp decline caused by the COVID-19 pandemic. The recovery has been slow due to numerous factors, including structural constraints that hamper the desired economic growth. As highlighted in Chapter Four, structural factors such as electricity load-shedding have greatly affected the country's economic progress. The prolonged energy crisis impacts negatively on energy-intensive sectors. The structural constraints undermine the economic capacity to create enough employment opportunities to absorb more job-seekers.

### 7.2.1 South African Labour force

The general definition of the labour force comprises of both the employed and those officially unemployed, whereby the latter includes the working-age population that is actively searching for job opportunities. As a result, the labour force forms the basis for computing other important labour market indicators such as the rate of unemployment and labour force participation in terms of employment or actively seeking employment. Table 7.1 depicts the distribution of South African labour force by race, gender and age over the ten-year period between 2012 and 2022 as well as the second quarter of 2023. The country's labour force expanded by a cumulative average annual growth rate of 2.4 per cent over the ten-year period, from 18.7 million in 2012 to 23.1 million in 2022. The labour force continues to increase, reaching an average of 24.2 million in the first half of 2023 after expanding by 0.6 per cent in the second quarter. The labour force in the second quarter of 2023 was 3 per cent higher than the corresponding period in 2022.

**Table 7.1: Composition of the South African labour force (Narrow definition), 2012 – 2023: Q3**

|                           | 2012     |         | 2017     |         | 2022     |         | Cumulative average annual growth |             | Apr-Jun 2022 | Jan-Mar 2023 | Apr-Jun 2023 | Qtr-to-qtr change |
|---------------------------|----------|---------|----------|---------|----------|---------|----------------------------------|-------------|--------------|--------------|--------------|-------------------|
|                           | Thousand | % Share | Thousand | % Share | Thousand | % Share | 2012 - 2022                      | 2017 - 2022 | Thousand     |              |              | Per cent          |
| <b>Total Labour Force</b> | 18 697   | 100.0%  | 22 025   | 100.0%  | 23 084   | 100.0%  | 2.4%                             | 1.2%        | 23 556       | 24 125       | 24 268       | 0.6               |
| <b>By Race</b>            |          |         |          |         |          |         |                                  |             |              |              |              |                   |
| African                   | 13 945   | 74.6%   | 17 126   | 77.8%   | 18 320   | 79.4%   | 3.1%                             | 1.7%        | 18 948       | 19 328       | 19 554       | 1.2               |
| White                     | 2 231    | 11.9%   | 2 132    | 9.7%    | 2 005    | 8.7%    | -1.2%                            | -1.5%       | 1 858        | 1 915        | 1 878        | -2.0              |
| Coloured                  | 1 937    | 10.4%   | 2 124    | 9.6%    | 2 096    | 9.1%    | 0.9%                             | -0.3%       | 2 108        | 2 247        | 2 210        | -1.6              |
| Asian                     | 584      | 3.1%    | 643      | 2.9%    | 662      | 2.9%    | 1.4%                             | 0.7%        | 643          | 635          | 626          | -1.5              |
| <b>By Gender</b>          |          |         |          |         |          |         |                                  |             |              |              |              |                   |
| Male                      | 10 244   | 54.8%   | 12 020   | 54.6%   | 12 616   | 54.7%   | 2.3%                             | 1.2%        | 12 827       | 13 126       | 13 125       | 0.0               |
| Female                    | 8 453    | 45.2%   | 10 005   | 45.4%   | 10 467   | 45.3%   | 2.4%                             | 1.1%        | 10 729       | 10 999       | 11 143       | 1.3               |
| <b>By Age</b>             |          |         |          |         |          |         |                                  |             |              |              |              |                   |
| Youth (15 - 34)           | 9 384    | 50.2%   | 10 467   | 47.5%   | 9 943    | 43.1%   | 0.6%                             | -1.3%       | 10 253       | 10 497       | 10 471       | -0.2              |
| Older age (35 - 64)       | 9 313    | 49.8%   | 11 558   | 52.5%   | 13 140   | 56.9%   | 3.9%                             | 3.3%        | 13 303       | 13 628       | 13 797       | 1.2               |

Source: S & P Global, 2023 & Stats SA, 2023

The national labour force is dominated by Africans, who constitute more than 70 per cent of the total. Over the past decade, Africans had the largest average annual growth of 3.1 per cent, followed by Asians at 1.4 per cent and Coloureds at 0.9 per cent. However, these growth rates dropped sharply to 1.7 per cent and 0.7 per cent over the past five years, from 2017 to 2022 for Africans and Asians respectively.

In stark contrast, Whites and Coloureds reported a drop of 1.5 per cent and 0.3 per cent, respectively, during the same periods. Notably, Africans were the only group recording a positive growth rate (1.2 per cent) in the second quarter of 2023 compared to other races.

Regarding gender distribution, males constitute the largest share of the country's labour force. Nevertheless, there is an insignificant difference between males (2.3 per cent) and females (2.4 per cent) in the annual average growth rates over the past ten years. Also, both genders reported an increase in the labour force over the past five-year period. In the second quarter of 2023, the labour force expanded by 1.3 per cent for females, while there was no relative change for males.

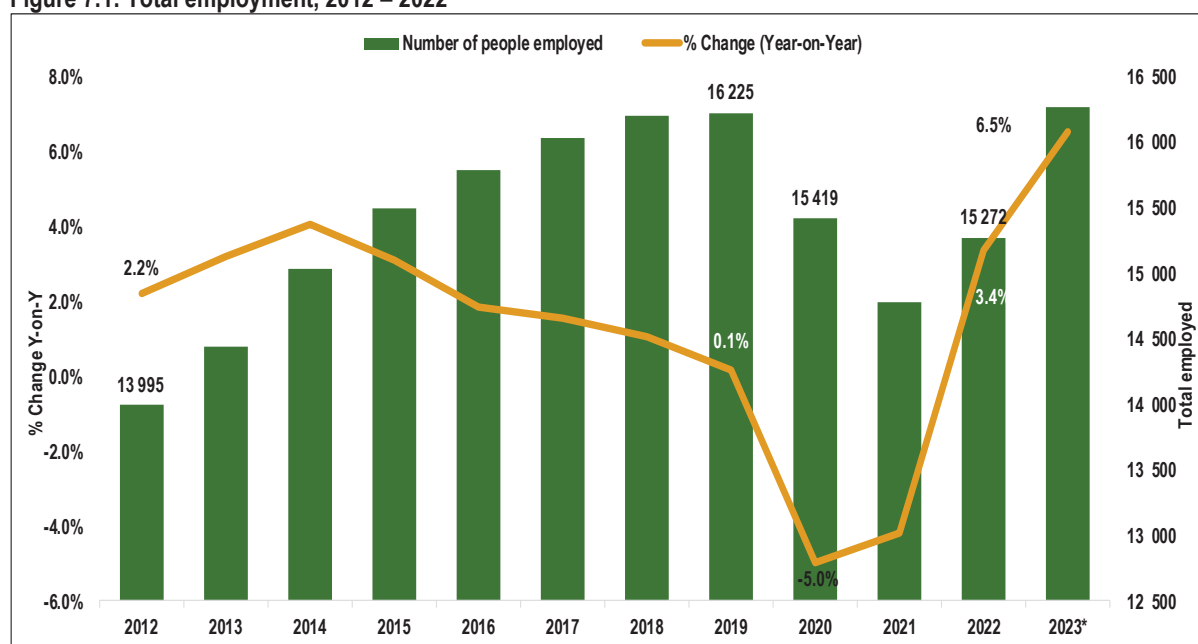
The labour force among young people between 15 and 34 slightly increased by an annual average growth of 0.6 per cent over the past decade. In contrast, the labour force among elderly people aged between 35 and 64 increased significantly, with an average annual growth of 3.9 per cent during the same period. Further, the youth labour force contracted by 1.3 per cent over the past five years, while the labour force among the older cohort rose by 3.3 per cent. Similarly, the labour force among young people fell marginally by 0.2 per cent, while that of older people moderated by 1.2 per cent in the second quarter of 2023.

### **7.2.2 Employment in South Africa**

The mainstream economic theory suggests that employment is positively correlated to a country's output, measured in gross domestic product (GDP), implying that more people get employed during periods of higher economic growth. As stated earlier, employment in South Africa (SA) has been growing at a slow pace over the past decade due partly to the deteriorating economic performance. Figure 7.1 below shows the total employment in SA as well as percentage changes from year to year between 2012 and 2022. The employment level accelerated steadily as the number of people employed increased from 13.99 million in 2012 to 16.03 million in 2022. The steady employment growth during this period can also be seen through the relatively higher year-on-year percentage changes in employment. For instance, employment expanded robustly by 4.1 per cent year-on-year in 2014 and 3.1 per cent in 2015.

The employment level continued to increase to 16.2 million in 2018 and 16.23 million in 2019. However, the year-on-year percentage changes indicate that employment growth continued to decelerate. The figure shows that employment levels dropped sharply to about 15.42 million in 2020, owing to the adverse effects of COVID-19. The negative implications of COVID-19 continued to affect the country's employment levels as the number of those employed dropped to 14.76 million in 2021. The substantial decline in employment in 2020 and 2021 can be attributed to the COVID-19 pandemic, which induced unprecedented retrenchments as some businesses suffered significant losses. Despite government initiatives to mitigate the pandemic's long-lasting after-effects, particularly on employment, companies continued to retrench workers. In this regard, the adverse effects of COVID-19 eroded some employment gains that had been accumulated over the years. As a result, it reversed government efforts to achieve the Medium-Term Strategic Framework (MTSF 2019-2024) targets of increasing employment from about 18.3 million in 2019 to 19.3 million people employed by 2024.

**Figure 7.1: Total employment, 2012 – 2022**



Source: S & P Global, 2023 & Stats SA, 2023

Asterisk (\*) represents an average for first and second quarters of 2023

The country's employment levels began to recover, albeit at a slow pace, as it reached 15.27 million in 2022. The employment is characterised by a large number of formal employment compared to informal employment. In 2022, about 12.42 million people were employed in the formal sector whilst 2.85 million were in informal employment. Over the period between 2012 and 2022, total employment in SA expanded, recording an estimated average annual growth of 1 per cent. Notably, employment contracted by an average annual growth of 1.2 per cent over the five years between 2017 and 2022. This period was characterised by prolonged lacklustre economic performance, which ultimately limited the capacity to create desired employment opportunities. Nevertheless, the country's employment continues to improve, as it reached an average of 16.23 million in the first half of 2023. The average employment level in the first two quarters of 2023 was 0.2 percentage points lower than the corresponding period in 2019, where the average employment level was 16.30 million. This implies that employment levels in the first half of 2023 moved closer to the pre-pandemic levels.

### **Employment by race, gender and age**

Table 7.2 depicts the composition of South African employment by race, gender and age for the ten-year period between 2012 and 2022 as well as the second quarter of 2023. Employment improved marginally across three racial groups over the past ten-year period under review, with the largest average annual growth reported for Africans at 1.6 per cent. In contrast, Whites were the only racial group that reported employment loss, with an average annual growth rate of -1.5 per cent. Notably, employment levels declined across all racial groups in the past five years, with the largest employment decrease reported among Whites and Coloureds at -2 per cent and -1.5 per cent, respectively. Though total employment levels expanded by 1 per cent in the second quarter of 2023, it fell for three racial groups, including Asia (-4.1 per cent), Whites (-1.8 per cent) and Coloureds (-0.9 per cent). Africans were the only racial group that reported an employment expansion of 1.9 per cent in the third quarter of 2023.

**Table 7.2: Composition of South African employment, 2012 – 2023: Q2**

|                     | 2012     |         | 2017     |         | 2022     |         | Cumulative average annual growth |             | Jan-Mar 2023 | Apr-Jun 2023 | Qtr-to-qtr change |
|---------------------|----------|---------|----------|---------|----------|---------|----------------------------------|-------------|--------------|--------------|-------------------|
|                     | Thousand | % Share | Thousand | % Share | Thousand | % Share | 2012 - 2022                      | 2017 - 2022 | Thousand     |              | Per cent          |
| Total Employment    | 13 995   | 100.0%  | 16 031   | 100.0%  | 15 272   | 100.0%  | 1.0%                             | -1.2%       | 16 192       | 16 346       | 1.0               |
| <b>By Race</b>      |          |         |          |         |          |         |                                  |             |              |              |                   |
| African             | 9 881    | 70.6%   | 11 839   | 73.9%   | 11 354   | 74.3%   | 1.6%                             | -1.0%       | 12 133       | 12 358       | 1.9               |
| White               | 2 106    | 15.0%   | 1 991    | 12.4%   | 1 835    | 12.0%   | -1.5%                            | -2.0%       | 1 771        | 1 739        | -1.8              |
| Coloured            | 1 484    | 10.6%   | 1 632    | 10.2%   | 1 534    | 10.0%   | 0.4%                             | -1.5%       | 1 743        | 1 727        | -0.9              |
| Asian               | 524      | 3.7%    | 569      | 3.5%    | 549      | 3.6%    | 0.5%                             | -0.9%       | 545          | 522          | -4.1              |
| <b>By Gender</b>    |          |         |          |         |          |         |                                  |             |              |              |                   |
| Male                | 7 905    | 56.5%   | 8 974    | 56.0%   | 8 597    | 56.3%   | 0.9%                             | -1.1%       | 9 091        | 9 186        | 1.0               |
| Female              | 6 090    | 43.5%   | 7 056    | 44.0%   | 6 676    | 43.7%   | 1.0%                             | -1.4%       | 7 101        | 7 160        | 0.8               |
| <b>By Age</b>       |          |         |          |         |          |         |                                  |             |              |              |                   |
| Youth (15 - 34)     | 6 070    | 43.4%   | 6 516    | 40.6%   | 5 290    | 34.6%   | -1.5%                            | -5.1%       | 5 619        | 5 724        | 1.8               |
| Older age (35 - 64) | 7 925    | 56.6%   | 9 515    | 59.4%   | 9 982    | 65.4%   | 2.6%                             | 1.2%        | 10 572       | 10 622       | 0.5               |

Source: S & P Global, 2023 & Stats SA, 2023

Regarding employment by gender, males constitute the largest share of people employed during the period under review. Regarding the average annual growth rate, both males (0.9 per cent) and females (1 per cent) reported slight employment gains over the past ten years. Conversely, there were employment losses for both gender in the last five years; females reported the largest decline of 1.4 per cent, whereas males recorded a decrease of 1.1 per cent. Encouragingly, both genders reported employment gains in the second quarter of 2023, with the largest expansion for males at 1 per cent. The youth population experienced job shedding of 1.5 per cent over the past decade, whereas the older age cohort reported moderate gains of 2.6 per cent. Employment losses among the youth population were enormous at 5.1 per cent over the past five-year period compared to employment gains of 1.2 per cent for the older age cohort. Employment expanded for both age cohorts in the second quarter of 2023, with the largest increase for the youth population.

#### 7.2.2.1 Employment by sectors in SA

Table 7.3 summarises the distribution of employment by industries for the ten-year period between 2012 and 2022 as well as the second quarter of 2023. Employment in SA is mainly concentrated in the tertiary sector, whereby the largest contribution to employment emanates from industries such as *community and social services*, *trade and finance and other business services*. The community and social services had the largest number of employed persons (3.402 million), constituting 23 per cent of total employment in 2022. This was followed by trade, with about 3.322 million and finance and business services, with 2.684 million people employed, contributing 22.5 per cent and 18.2 per cent to total employment, respectively. This trend continued in the first half of 2023, whereby *community and social services* reported an average of about 3.965 million people employed, followed by the *trade* industry with 3.3 million. The manufacturing industry primarily drove employment in the secondary sector, with about 1.4 million people employed in 2022, contributing 9.9 per cent to total employment. Disturbingly, employment contribution by the manufacturing industry has been consistently declining over the period under review.

**Table 7.3: South African employment by industry, 2012 – 2023: Q2**

| Industry                            | 2012          |               | 2017          |               | 2022          |               | Cumulative average annual growth |              | Jan-Mar 2023  | Apr-Jun 2023  | Qtr-to-qtr change |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------------------------|--------------|---------------|---------------|-------------------|
|                                     | Thousand      | % Share       | Thousand      | % Share       | Thousand      | % Share       | 2012 - 2022                      | 2017 - 2022  | Thousand      |               | Per cent          |
| Agriculture                         | 694           | 5.1%          | 861           | 5.5%          | 862           | 5.8%          | 2.4%                             | 0.0%         | 888           | 894           | 0.8               |
| Mining                              | 535           | 3.9%          | 470           | 3.0%          | 463           | 3.1%          | -1.6%                            | -0.4%        | 413           | 444           | 7.5               |
| Manufacturing                       | 1 589         | 11.6%         | 1 625         | 10.3%         | 1 461         | 9.9%          | -0.9%                            | -2.6%        | 1 654         | 1 558         | -5.8              |
| Utilities                           | 83            | 0.6%          | 90            | 0.6%          | 75            | 0.5%          | -1.1%                            | -4.5%        | 135           | 129           | -4.3              |
| Construction                        | 958           | 7.0%          | 1 212         | 7.7%          | 1 068         | 7.2%          | 1.2%                             | -3.1%        | 1 201         | 1 304         | 8.6               |
| Trade                               | 3 072         | 22.5%         | 3 493         | 22.1%         | 3 323         | 22.5%         | 0.9%                             | -1.2%        | 3 269         | 3 361         | 2.8               |
| Transport                           | 759           | 5.5%          | 836           | 5.3%          | 807           | 5.5%          | 0.7%                             | -0.9%        | 992           | 986           | -0.7              |
| Finance and other business services | 2 248         | 16.4%         | 2 732         | 17.3%         | 2 684         | 18.2%         | 2.0%                             | -0.4%        | 2 667         | 2 599         | -2.6              |
| Community and social services       | 2 894         | 21.2%         | 3 421         | 21.7%         | 3 402         | 23.0%         | 1.8%                             | -0.1%        | 3 902         | 3 965         | 1.6               |
| Private households                  | 1 163         | 8.5%          | 1 291         | 8.2%          | 1 128         | 7.6%          | -0.3%                            | -3.3%        | 1 056         | 1 093         | 3.5               |
| <b>Total</b>                        | <b>13 682</b> | <b>100.0%</b> | <b>15 785</b> | <b>100.0%</b> | <b>14 760</b> | <b>100.0%</b> | <b>0.8%</b>                      | <b>-1.7%</b> | <b>16 192</b> | <b>16 346</b> | <b>1.0</b>        |

Source: S & P Global, 2023 & Stats SA, 2023

Regarding average annual growth, the agricultural industry reported the highest increase of 2.4 per cent over the past ten years, from 694 000 employed persons in 2012 to 862 000 in 2022. Other industries that reported a rise in the number of people employed over the past ten years include finance and other business services, as well as community and social services at 2 per cent and 1.8 per cent, respectively. Disturbingly, employment in the manufacturing sector plummeted marginally by 0.9 per cent over the past ten years. Notably, employment in the agricultural industry remained modest in the past five years, whilst other industries reported a decline.

The utilities, private households, construction and manufacturing industries reported the largest contractions at 4.5 per cent, 3.3 per cent, 3.1 per cent, and 2.6 per cent, respectively. The decline in employment across several industries over the last five years reflects the enduring effect of the COVID-19 pandemic on the labour market. In 2022, the employment level continued to recover from the pandemic-induced substantial decline. However, it remained below the pre-pandemic levels.

In terms of quarter-on-quarter percentage change, the construction industry reported the largest increase of 8.6 per cent in the second quarter of 2023, followed by the mining and private households at 7.5 per cent and 3.5 per cent, respectively. Conversely, the manufacturing industry reported the largest employment decrease by about 5.8 per cent, followed by utilities, finance, and other business services at 4.3 per cent and 2.6 per cent, respectively. As employment continues on the recovery path, five sectors surpassed pre-pandemic levels in the second quarter of 2023, while others remain marginally below. The five sectors that have reached their pre-pandemic levels include agriculture, mining, transport, finance and other business services, as well as community and social services.

#### **7.2.2.2 Informal employment in SA**

Stats SA (2022) states that the informal sector has two components. The first category refers to employees working in establishments with fewer than five employees who do not deduct income tax from their salaries or wages for this informal sector. The second group is about employers, own-account workers and persons helping unpaid in their household business who are not registered for either income tax or value-added tax (VAT). Table 7.4 illustrates the distribution of informal employment in SA between 2012 and 2022 as well as the second quarter of 2023. About 18.7 per cent of employment in SA emanated from the informal sector in 2022. The table shows that

informal sector employment expanded marginally by a cumulative average annual growth of 2.8 per cent over the ten years under review. However, informal employment deteriorated somewhat to a cumulative average annual growth of 1.3 per cent in the last five years. The total number of people employed in the informal sector decreased by 1.1 per cent in the second quarter of 2023.

**Table 7.4: Informal employment in SA, 2012 – 2023: Q2**

|                       | 2012     |         | 2017     |         | 2022     |         | Cumulative average annual growth |             | Jan-Mar 2023 | Apr-Jun 2023 | Qtr-to-qtr change |
|-----------------------|----------|---------|----------|---------|----------|---------|----------------------------------|-------------|--------------|--------------|-------------------|
|                       | Thousand | % Share | Thousand | % Share | Thousand | % Share | 2012 - 2022                      | 2017 - 2022 | Thousand     |              | Per cent          |
| Total Informal Sector | 2 236    | 100.0%  | 2 716    | 100.0%  | 2 855    | 100.0%  | 2.8%                             | 1.3%        | 3 062        | 3 029        | -1.1              |
| Manufacturing         | 204      | 9.1%    | 220      | 8.1%    | 208      | 7.3%    | 0.2%                             | -1.4%       | 231          | 187          | -18.9             |
| Construction          | 325      | 14.5%   | 457      | 16.8%   | 460      | 16.1%   | 3.9%                             | 0.2%        | 454          | 496          | 9.2               |
| Trade                 | 1 041    | 46.6%   | 1 093    | 40.2%   | 1 127    | 39.5%   | 0.9%                             | 0.8%        | 1 136        | 1 157        | 1.8               |
| Transport             | 206      | 9.2%    | 262      | 9.6%    | 316      | 11.1%   | 4.9%                             | 4.8%        | 355          | 310          | -12.6             |
| Finance               | 145      | 6.5%    | 221      | 8.1%    | 285      | 10.0%   | 7.8%                             | 6.6%        | 348          | 309          | -11.2             |
| Community services    | 315      | 14.1%   | 463      | 17.0%   | 459      | 16.1%   | 4.3%                             | -0.2%       | 519          | 547          | 5.5               |

Source: S & P Global, 2023 & Stats SA, 2023

Trade has the largest informal employment relative to other sectors. This is followed by the construction and community services industries. For instance, the trade industry reported about 1.127 million people informally employed in 2022, followed by the construction industry with 460 000. All industries reported an upward trajectory in informal sector employment over the ten years under review. The largest employment gains were recorded in the finance industry at 7.8 per cent, followed by transport and community services at 4.9 per cent and 4.3 per cent, respectively.

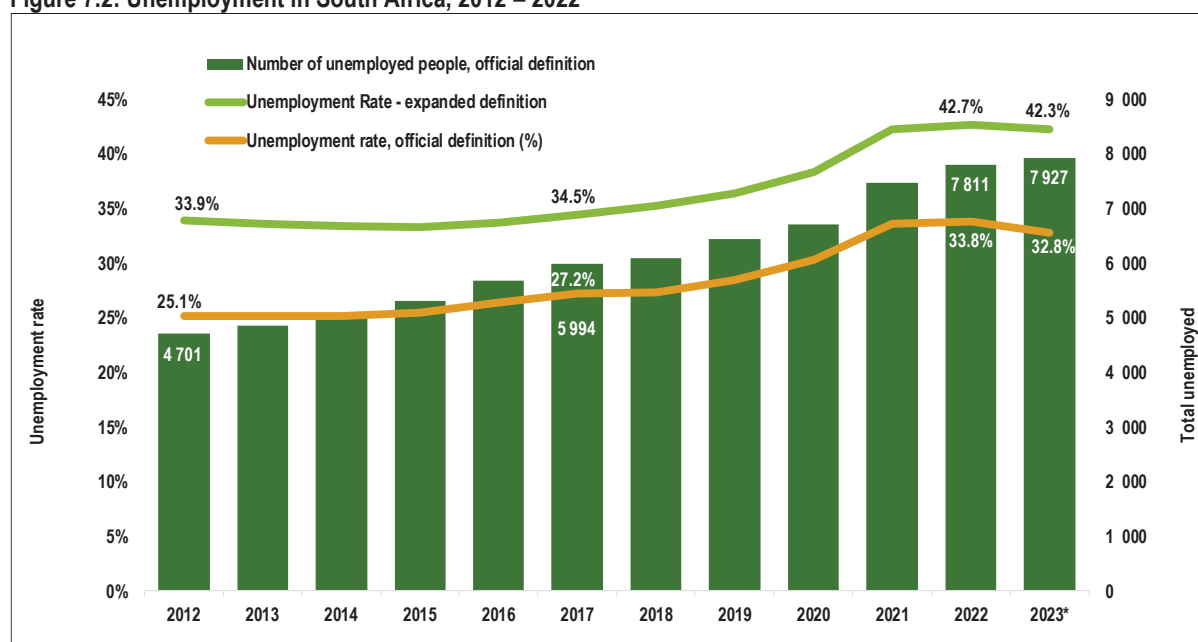
Conversely, the informal sector employment within manufacturing and community services contracted by 1.4 per cent and 0.2 per cent in the last five years. On the other hand, the informal sector employment expanded by 6.6 per cent and 4.8 per cent in the transport and finance industries. In the second quarter of 2023, informal sector employment decreased notably in three industries, whereby manufacturing reported the largest decline at 18.9 per cent, followed by transport at 12.6 per cent. In contrast, the construction industry reported the largest employment gains at 9.2 per cent, whilst the community services informal employment expanded by 5.5 per cent.

### 7.2.3 Unemployment in SA

The country's slow economic growth in recent years has led to massive job losses and an even lower number of jobs being created. Given the continuous rise in the unemployment rate, it is evident that the National Development Plan's (NDP) target of reducing unemployment to 6 per cent by 2030 will not be achieved. The levels of unemployment have increased substantially in the aftermath of COVID-19. Figure 7.2 shows the total number of people unemployed in the country, which includes both the official and expanded unemployment rates between 2012 and 2022. The official unemployment has increased significantly over the ten years, from 4.701 million in 2012 to 7.811 million in 2022, translating to a cumulative average annual growth of 5.8 per cent. Notably, the largest increase in levels of unemployment was realised in the last five years between 2017 and 2022, with a cumulative average annual growth of 6.8 per cent (Table A7.1). Despite a slight decline of 0.1 per cent in the second quarter, unemployment remained elevated in the first two quarters of 2023 at an average of 7.927 million.

Further, unemployment in the second quarter of 2023 was 0.9 per cent lower than the corresponding period in 2022.

**Figure 7.2: Unemployment in South Africa, 2012 – 2022**



Source: S & P Global, 2023 & Stats SA, 2023

Asterisk (\*) represents an average for first and second quarters of 2023

The official unemployment rate increased significantly by 8.7 percentage points over the past ten years, from 25.1 per cent in 2012 to 33.8 per cent in 2022. The unemployment rate also expanded sharply by 6.6 percentage points between 2017 and 2022. Notably, the official unemployment rate remains high, at an average of 32.8 per cent over the first two quarters of 2023, despite dropping slightly over two consecutive quarters. Unfortunately, the national unemployment rate is significantly greater than the MTSF's target of reducing the unemployment rate to the range of 20 per cent to 24 per cent by 2024. Notably, the persistently high unemployment rate could perpetuate other social challenges, such as poverty and inequality, ultimately causing high crime rates.

Similarly, the expanded unemployment rate<sup>77</sup> had been accelerating at a faster pace during the same period. The figure shows that between 2012 and 2022, the expanded unemployment rate increased markedly by 8.8 percentage points, from 33.9 per cent to 42.7 per cent. The expanded unemployment rate was still high in the first two quarters of 2023 at an average of 42.3 per cent, implying that about 11.9 million people were unemployed during the first half of 2023.

The rising expanded unemployment reflects that a significant number of the country's population does not take active steps to search for employment. The rationale for not actively searching for employment is due to low chances of getting absorbed in the labour market, especially as the country grapples with prolonged periods of lacklustre economic growth, hence the increased number of discouraged work-seekers. The discouraged

<sup>77</sup> The expanded unemployment rate does not distinguish between active and discouraged jobseekers but counts all people without jobs as unemployed. It includes persons without a job, willing and able to work but not actively searching for a job.

work-seekers rose by a cumulative average annual growth rate of 4.1 per cent over the ten-year period, from 2.486 million in 2012 to 3.599 million in 2022. The number of discouraged work-seekers remained high in the first half of 2023 at an average of 3.2 million (Table A7.1).

It should be noted that the global pandemic came at a difficult time for SA as the unemployment rate was already accelerating consistently over time. The continuous rise in unemployment could be attributed to skills mismatch, rigid labour market regulations, lacklustre economic growth, low educational attainment and the shortage of skills. Therefore, unemployment continues to be the national crisis perpetuating the other two major socio-economic challenges: poverty and inequality. As indicated in the MTSF, sustainable long-term growth is needed to reduce unemployment sharply. This requires both broad structural reforms as well as targeted interventions.

### ***Unemployment by race, gender and age***

More than 80 per cent of people unemployed in SA are Africans, followed by Coloureds. Over the past decade, all racial groups experienced a rise in the unemployment rate, with the largest cumulative average annual growth for Africans at 6.2 per cent, followed by Asians at 7.1 per cent. Similarly, all racial groups reported an increase in unemployment over the past five-year period, whereby the largest increase was reported among Asians (11.2 per cent) and Africans (7.1 per cent). Asians experienced an enormous increase of 14.5 per cent in the second quarter of 2023. On the other hand, the level of unemployment moderated by 4.0 per cent and 3.8 per cent among Whites and Coloureds during the same period.

Males constitute the largest share of unemployed persons in the country. Both genders report an increase in unemployment over the past ten-year period, whereby males had the largest cumulative average annual growth at 6.2 per cent compared to 5.4 per cent for females. Similarly, males reported the largest cumulative average annual growth of 7.2 per cent compared to 6.5 per cent for females over the last five-year period, 2017 and 2022. However, unemployment moderated by 2.4 per cent among males, whilst females reported an increase of 2.2 per cent in the second quarter of 2023. During the second quarter of 2023, the official unemployment rate was higher among females at 35.7 per cent compared to males at 30 per cent. The concentration of unemployment among females is further indicated by the low labour absorption rate (LAR)<sup>78</sup> and labour force participation rate (LFPR)<sup>79</sup> at 34.7 per cent and 54.3 per cent, respectively. On the other hand, the LAR for men was estimated at 45.4 per cent, whilst the LFPR was 64.9 per cent (Stats SA, 2023).

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<sup>78</sup>The LAR is defined as the percentage of the working-age population that is currently employed. It provides an alternative indication of the unemployment rate regarding the labour market's lack of job opportunities.

<sup>79</sup> The LFPR shows the extent to which the working-age population is economically active. It comprises people who actively participate in the economy, either employed or unemployed and excludes those non-economically active.

**Table 7.5: Composition of unemployment in SA, 2012 – 2022**

|                     | 2012     |         | 2017     |         | 2022     |         | Cumulative average annual growth |             | Jan-Mar 2023 | Apr-Jun 2023 | Qtr-to-qtr change |
|---------------------|----------|---------|----------|---------|----------|---------|----------------------------------|-------------|--------------|--------------|-------------------|
|                     | Thousand | % Share | Thousand | % Share | Thousand | % Share | 2012 - 2022                      | 2017 - 2022 | Thousand     |              | Per cent          |
| Total unemployed    | 4 701    | 100.0%  | 5 994    | 100.0%  | 7 811    | 100.0%  | 5.8%                             | 6.8%        | 7 933        | 7 921        | -0.1              |
| <b>By Race</b>      |          |         |          |         |          |         |                                  |             |              |              |                   |
| African             | 4 063    | 86.4%   | 5 287    | 88.2%   | 6 966    | 89.2%   | 6.2%                             | 7.1%        | 7 194        | 7 195        | 0.0               |
| White               | 124      | 2.6%    | 141      | 2.4%    | 170      | 2.2%    | 3.6%                             | 4.8%        | 144          | 139          | -3.8              |
| Coloured            | 453      | 9.6%    | 491      | 8.2%    | 562      | 7.2%    | 2.4%                             | 3.4%        | 503          | 463          | -4.0              |
| Asian               | 61       | 1.3%    | 74       | 1.2%    | 113      | 1.4%    | 7.1%                             | 11.2%       | 91           | 104          | 14.5              |
| <b>By Gender</b>    |          |         |          |         |          |         |                                  |             |              |              |                   |
| Male                | 2 339    | 49.8%   | 3 045    | 50.8%   | 4 019    | 51.5%   | 6.2%                             | 7.2%        | 4 034        | 3 939        | -2.4              |
| Female              | 2 362    | 50.2%   | 2 948    | 49.2%   | 3 791    | 48.5%   | 5.4%                             | 6.5%        | 3 899        | 3 983        | 2.2               |
| <b>By Age</b>       |          |         |          |         |          |         |                                  |             |              |              |                   |
| Youth (15 - 34)     | 3 313    | 70.5%   | 3 951    | 65.9%   | 4 652    | 59.6%   | 3.8%                             | 4.2%        | 4 878        | 4 747        | -2.8              |
| Older age (35 - 64) | 1 388    | 29.5%   | 2 043    | 34.1%   | 3 158    | 40.4%   | 9.6%                             | 11.5%       | 3 055        | 3 175        | 3.8               |

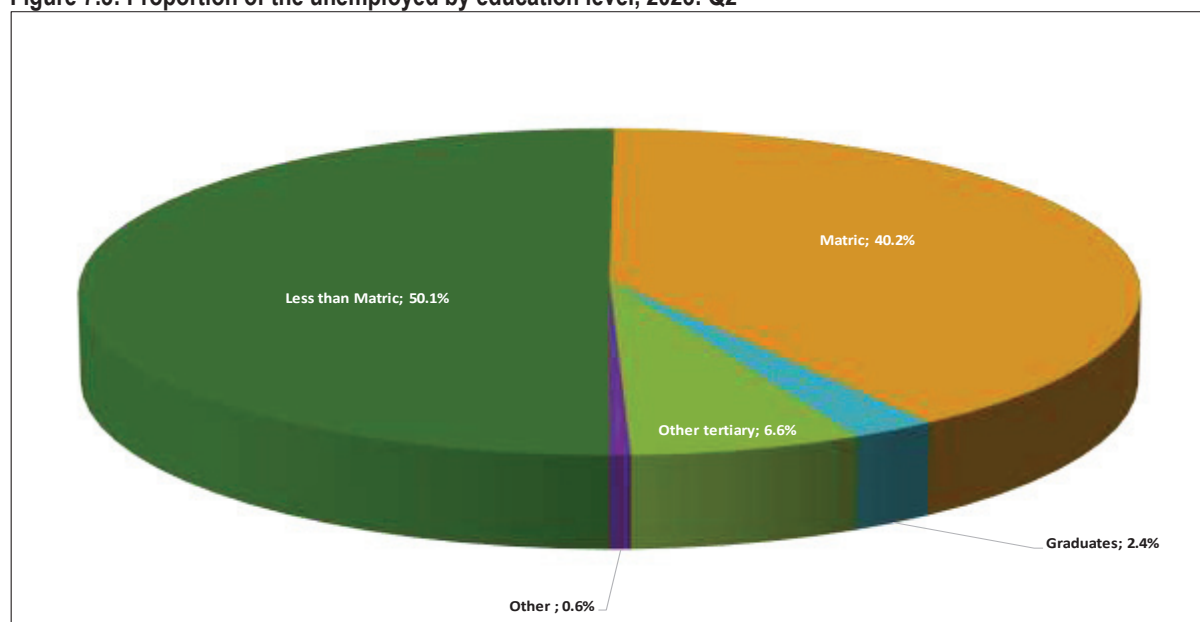
Source: S & P Global, 2023 & Stats SA, 2023

Regarding unemployment distribution by age, evidence shows that young people face a higher unemployment rate than the older age cohort. This trend has persisted over the past decade, between 2012 and 2022. For example, about 4.652 million youth were out of employment in 2022 compared to 3.158 million people from the older age cohort. While both age cohorts reported an increase in the number of unemployed people, the older age cohort realised the largest cumulative average annual growth of 9.6 per cent over the ten-year period. The same trend was observed over the five years; the older cohort recorded an average annual growth of 11.5 per cent. In the second quarter of 2023, the youth population reported a 2.8 decrease in unemployment, while the older cohort experienced a 3.8 per cent increase in unemployment (Table 7.5).

### ***Unemployment by education level***

Figure 7.3 depicts the proportion of the unemployed by level of education during the second quarter of 2023. Low educational attainment is cited as contributing to rising unemployment in the country. This is evident from the figure, indicating that people with less than matric education levels (50.1 per cent) comprise the largest share of the unemployed, followed by those with matric only at 40.2 per cent. However, unemployment was relatively low among graduates at 2.4 per cent.

**Figure 7.3: Proportion of the unemployed by education level, 2023: Q2**



Source: Stats SA, 2023

### ***Not in employment, education or training (NEET)***

Table A7.1 in the Annexures shows that about 16.948 million people were not economically active in 2022, reflecting a cumulative average annual growth of 0.8 per cent over the ten years. Further, the number of people classified as not economically active remained high in the first two quarters of 2023, at an average of 16.478 million. The largest share of the not-economically active population is young people aged between 15 and 34 years. Some young people have been disengaged from the labour market and are not building on their skills through education and training. In addition, they are not in employment, education or training (NEET).

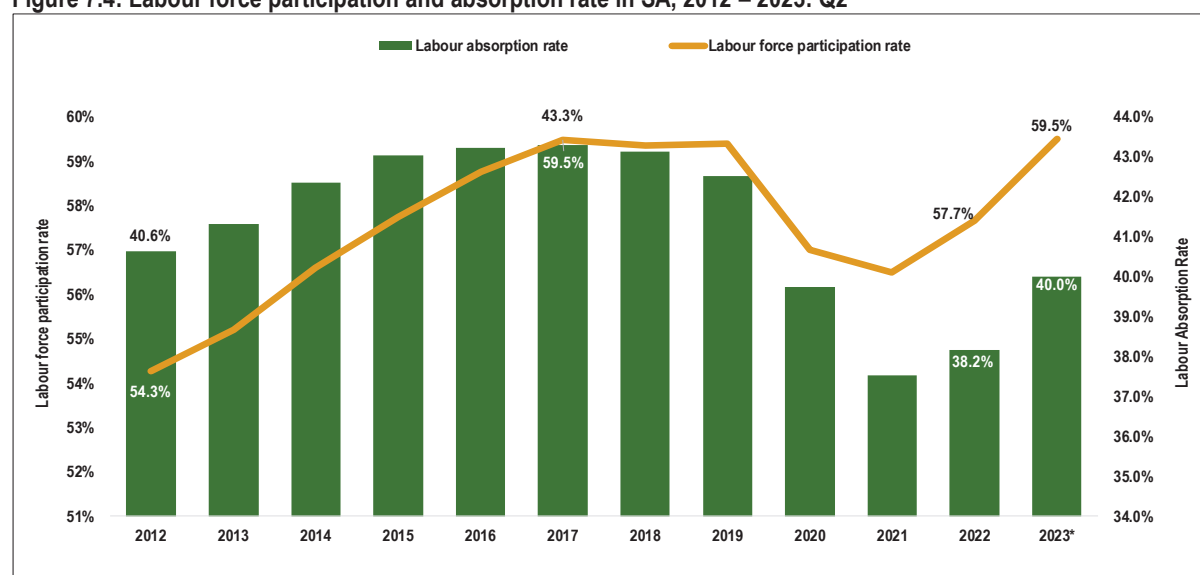
The NEET rate for the youth population was reported at 43.4 per cent in the second quarter of 2023, representing 1.5 percentage points lower than the 45 per cent recorded in the corresponding period, 2022. This implies that more than four in every ten young people were not in employment, education or training in the second quarter of 2022 and the second quarter of 2023. The NEET rate for females was higher than that of their male counterparts in both years. The NEET rate for females was 47 per cent in the second quarter of 2023, which is 0.3 percentage points lower than the second quarter of 2022. On the other hand, the NEET rate for males decreased by 2.7 percentage points from 42.6 per cent in the second quarter of 2022 to 39.9 per cent in the second quarter of 2023. Notably, the largest rate of NEET emanates mainly from the youth population aged between 15 and 24 years, with an estimated 34.2 per cent in the second quarter of 2023. The NEET rate in the second quarter of 2023 was 1.5 percentage points lower than in the second quarter of 2022. In this age group, the NEET rate for females is higher than that of male counterparts.

## 7.2.4 Labour force participation and the labour absorption rate in SA

Figure 7.4 illustrates the labour force participation (LFPR)<sup>80</sup> and absorption rates (LAR)<sup>81</sup> in SA from 2012 to the second quarter 2023. As outlined in the previous sections of this Chapter, the country's increasing unemployment rate is further reflected by the LFPR and LAR. The LFPR is computed as the ratio of the labour force to working-age population. This implies that a higher LFPR could indicate either increased employment or people actively searching for employment. Also, LFPR may be influenced by high unemployment levels because people actively looking for jobs are not absorbed into the job market. This phenomenon of LFPR influenced by high unemployment levels could be true for SA, given the country's persistently high unemployment rate.

The figure shows that the LFPR maintained an upward trend from around 54.3 per cent in 2012 to 59.5 per cent in 2017. Simply put, this implies that the number of people employed and those actively searching for employment (unemployment) as a proportion of the total working-age population have increased by 5.2 percentage points. In the subsequent years, the LFPR remained almost unchanged before a substantial drop to about 57 per cent in 2020 and further down to 56.5 per cent in 2021 owing to the COVID-19 pandemic. The LFPR continues to recover from the substantial decrease caused by the global pandemic, with an average of 59.5 per cent in the first two quarters of 2023.

**Figure 7.4: Labour force participation and absorption rate in SA, 2012 – 2023: Q2**



Source: S & P Global, 2023 and Stats SA, 2023

Asterisk (\*) represents an average for first and second quarters of 2023

Regarding the absorption of the labour force, declining LARs indicate that fewer working-age people are employed relative to the total working-age population. The figure shows that the LAR reported a steep upward trend from around 40.6 per cent in 2012 to a peak of 43.3 per cent in 2017. This was followed by a sharp downward trend to a low of 37.5 per cent in 2021 amid the adverse effects of the COVID-19 pandemic. Encouragingly, it started to

<sup>80</sup> The LFPR measures the extent to which the working population is actively searching and absorbed in any form of employment.

<sup>81</sup> LAR reflects the share of the labour force that is absorbed in the economy.

pick up modestly in 2022 and the second quarter of 2023 at an average of 38.2 per cent and 40 per cent, respectively.

### **7.2.5 Employment initiatives**

The government has implemented several public employment programmes and related incentives, which primarily target youth, including the following:

#### ***Jobs Fund***

One of the main objectives of the Jobs Fund is to co-finance projects by public, private and non-governmental organisations that can significantly contribute to the objective of job creation. It involves using public resources to catalyse innovations and investments on behalf of different stakeholders in activities that contribute directly to employment creation in South Africa. The Jobs Fund explores options for tackling barriers to job creation by providing public funding through four funding options: enterprise development, support for work seekers, institutional capacity building and infrastructure investment. After eight funding rounds, the Jobs Fund has contracted R8.5 billion to a portfolio of 146 projects. These projects will potentially leverage an additional R13.3 billion from our partners to create 259,250 permanent jobs, 56 930 short-term jobs, 26 695 internships and train 306 702 beneficiaries by 2025<sup>82</sup>.

#### ***Employment Tax Incentive***

The Employment Tax Incentive (ETI) is a tax incentive encouraging employers to employ the youth. It was implemented with effect from 1 January 2014. It aims to reduce the employer's cost of hiring young people through a cost-sharing mechanism with the government, allowing the employer to reduce the amount of Pay-As-You-Earn (PAYE) while leaving the wage received by the employee unaffected. This is a South African wage subsidy intervention with tax relief for hiring young workers who are paid less than R6 000 per month. It is designed as a tool to combat high levels of youth unemployment. In the 2022 budget, the National Treasury announced that the ETI would be expanded to encourage businesses to increase youth employment. The expansion of the ETI is through a 50 per cent increase in the maximum monthly value, from R1 000 to R1 500 for the first 12 months and R750 for the subsequent 12 months that can be claimed.

#### ***Extended Public Works Programme***

The Expanded Public Works Programme (EPWP) is a government intervention aimed at contributing to the government's priorities of decent work and sustainable livelihoods, education, health, rural development, food security and land reform, and the fight against crime and corruption. The objective is to create work opportunities for poor and unemployed people in SA. In this intervention, public bodies from all spheres of government and the non-governmental sector (supported by government incentives) are anticipated to create work opportunities for the unemployed in the country through delivering public and community services. It has three key objectives: providing work to the unemployed, building the skills base of the unskilled, and building public infrastructures such as roads,

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<sup>82</sup>The Jobs Fund supports innovative initiatives and approaches to job creation. Available online: <https://www.gtac.gov.za/programmes-services/the-jobs-fund/>

schools and other amenities. Through the EPWP, the government created 990 686 EPWP work opportunities during the 2022/23 financial year.

### ***The Presidential Youth Employment Intervention***

Given the persistent rise in youth unemployment in the country, the Presidential Youth Employment Intervention (PYEI) was established as part of the efforts to address this challenge. The PYEI aims to move young people successfully from learning to earning. In this regard, the PYEI collaborates with the strengths of various government institutions and social partners to deliver more opportunities for young people. The PYEI also coordinate, accelerate and enhance existing programmes coordinated by the Presidency to drive structural reforms and enable job creation. These include, but are not limited to, the Presidential Employment Stimulus (PES), which provides funding for numerous PYEI components and continues to create employment opportunities for youth.

On the other hand, the PYEI's National Pathway Management Network supports implementing PES programmes. The PES plays a crucial role in strengthening livelihoods as the labour market recovers from the effects of the COVID-19 pandemic. Further, Operation Vulindlela addresses the structural barriers that hinder businesses from creating more jobs for young people. Key government departments lead implementation, and the private sector, academia, development partners and civil society support the different components. The National Treasury allocates funding for PYEI activities, which includes dedicated funding for innovative approaches and key PYEI elements. In addition, the PYEI improves the alignment of sustainably funded activities across departments (such as those for skills development) to achieve more with existing resources.

According to the Department of Basic Education (DBE), the PYEI implemented as the Basic Education Employment Initiative (BEEI) across all nine provinces has successfully reduced youth unemployment in the country. In the context of the Basic Education Sector, the initiative has assisted in ensuring that teachers were supported in the classrooms by way of maintaining discipline and preparing classes for lessons. Phase 1 of this initiative created more than 320 000 opportunities for youth in about 23 000 public schools. The youth placed in the initiative were appointed as Education Assistants (EAs) and General School Assistants (GSAs), and they provided support before school starts, during and after school.

According to the National Treasury (2023), the PYEI has created over 1 million short-term jobs over the past two years. Phase IV of the PYEI commenced in February 2023 in over 22 000 schools, aligning it with the beginning of the 2023 academic year and providing an opportunity for the youth to be in schools at a critical time and period when needed. The Phase IV target is 255 000 job opportunities for youth across the nine provinces. Thereby making the PYEI in the Basic Education Sector the large-scale public employment initiative.

## **7.3 Labour Market in KZN**

The provincial economic environment has experienced devastating external shocks over the recent past. The economic shocks associated with the social unrest and disastrous flooding exacerbated the negative implications caused by the pandemic. The provincial economy was also not immune to the negative effect of extensive power shortages. These economic shocks and structural constraints derailed employment gains, thereby delaying

recovery from the pandemic-induced decline. It is within this context of slow employment that the province continues to experience high unemployment, which remains significantly higher than the MTSF targets.

### 7.3.1 Labour force in KZN

About 3.724 million people were counted as the labour force in 2022, which accounts for almost half of the working-age population in KZN. The provincial labour force expanded by a cumulative average annual growth rate of 2.2 per cent over the ten years between 2012 and 2022. Notably, the labour force increased marginally by an average annual growth rate of 1.6 per cent in the last five years between 2017 and 2022. The provincial labour force continued to rise in the first two quarters of 2023, to an average of 3.829 million (Tables A7.2 & 7.8). The improving labour force indicates a growing number of people actively looking for employment and those already absorbed in the labour market.

Table 7.6 summarises the KZN's labour force by race, gender and age between 2012 and 2022. Similar to the national trend, the KZN's labour is dominated by Africans, who constitute more than 80 per cent of the total labour force, followed by Asians at about 10 per cent. The labour force among Africans expanded by an average annual growth rate of 2.8 per cent over the past decades, six folds higher than the 0.4 per cent for Coloureds. Conversely, the labour force by Whites (-1.6 per cent) and Asians (-1.6 per cent) contracted over the same period. The same trend was observed in the past five years between 2017 and 2022, whereby the labour force increased among Africans (2.1 per cent) and Coloureds (1.4 per cent) but dropped somewhat among Whites (-1.1 per cent) and Asians (-1.8 per cent).

The provincial labour force is dominated by males, with more than 50 per cent share of the total labour force, relative to their female counterparts at about 45 per cent share. Between 2012 and 2022, the labour force expanded among both genders, whereby the largest increase was reported for males, with a cumulative average annual growth of 2.3 per cent. Similarly, the labour force increased among both gender in the last five years between 2017 and 2022.

**Table 7.6: Composition of KZN's labour force, 2012 – 2022**

|                     | 2012     |         | 2017     |         | 2022     |         | Cumulative average annual growth |             |
|---------------------|----------|---------|----------|---------|----------|---------|----------------------------------|-------------|
|                     | Thousand | % Share | Thousand | % Share | Thousand | % Share | 2012 - 2022                      | 2017 - 2022 |
| Total Labour Force  | 3 066    | 100.0%  | 3 499    | 100.0%  | 3 724    | 100.0%  | 2.2%                             | 1.6%        |
| <b>By Race</b>      |          |         |          |         |          |         |                                  |             |
| African             | 2 463    | 80.3%   | 2 916    | 83.3%   | 3 170    | 85.1%   | 2.8%                             | 2.1%        |
| White               | 225      | 7.3%    | 204      | 5.8%    | 195      | 5.2%    | -1.6%                            | -1.1%       |
| Coloured            | 55       | 1.8%    | 54       | 1.5%    | 57       | 1.5%    | 0.4%                             | 1.4%        |
| Asian               | 323      | 10.5%   | 325      | 9.3%    | 302      | 8.1%    | -0.7%                            | -1.8%       |
| <b>By Gender</b>    |          |         |          |         |          |         |                                  |             |
| Male                | 1 661    | 54.2%   | 1 911    | 54.6%   | 2 039    | 54.8%   | 2.3%                             | 1.6%        |
| Female              | 1 405    | 45.8%   | 1 587    | 45.4%   | 1 685    | 45.2%   | 2.0%                             | 1.5%        |
| <b>By Age</b>       |          |         |          |         |          |         |                                  |             |
| Youth (15 - 34)     | 1 682    | 54.9%   | 1 814    | 51.8%   | 1 720    | 46.2%   | 0.2%                             | -1.3%       |
| Older age (35 - 64) | 1 383    | 45.1%   | 1 685    | 48.2%   | 2 004    | 53.8%   | 4.2%                             | 4.4%        |

Source: S&P Global, 2023

The provincial labour force in KZN was dominated by people in the older age group at about 53.8 per cent share of the total labour force in 2022. This shows a change in the composition of the provincial labour force when compared to 2012 and 2017, where the youth population was dominant in the labour force. Over the ten years, the labour force increased among both age cohorts, with the largest expansion among the older people with a cumulative average annual growth of 4.2 per cent. The same trend was observed in the last five years between 2017 and 2022, whereby older age people reported the largest increase in the labour force with a cumulative average annual growth of 4.4 per cent. This rate contrasts with the youth population, which reported a decrease of 1.3 per cent in the labour force.

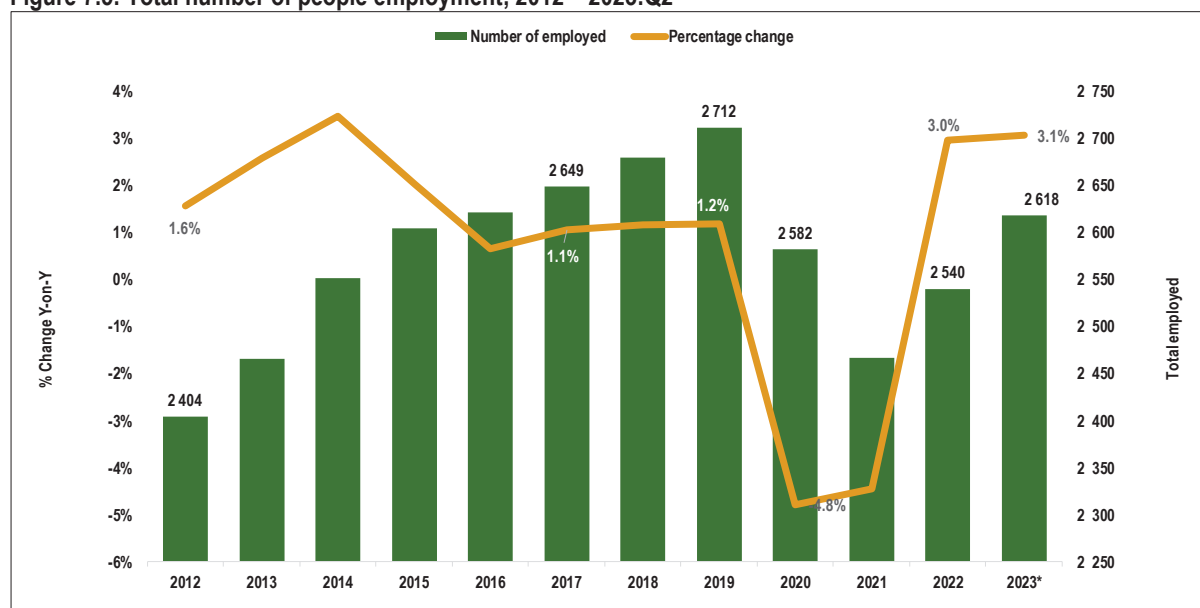
### **7.3.2 Employment in KZN**

Figure 7.5 reflects fluctuations in employment levels in KZN over the period under review. Employment accelerated at a slightly faster pace between 2012 and 2019. During this period, the number of people employed increased from about 2.404 million in 2012 to around 2.712 million in 2019. Unfortunately, the onset of COVID-19 eroded employment gains accumulated over the years. As a result, employment levels declined significantly by 4.8 per cent, and reached 2.582 million in 2020. The provincial employment challenges persisted in 2021 as the total number dropped further to 2.467 million. Encouragingly, despite the negative impact of disastrous flooding in April and May 2022, disrupting various economic activities and threatening to increase employment losses, provincial employment continues to recover from the decrease caused by the global pandemic.

In this regard, the total number of people employed rose to 2.540 million in 2022 and 2.618 million in the second quarter of 2023. Notably, employment levels in the second quarter of 2023 were 6.5 per cent higher compared to the same period in 2022, which was 0.3 per cent greater than its pre-pandemic levels. Regrettably, this growth rate in provincial employment remains relatively lower than the Provincial Growth and Development Strategy's (PGDS) target of 2.640 million by 2020, based on the low growth rate of 1 per cent. Among the strategic goals of the PGDS is inclusive economic growth, which is fundamental for job creation. However, as indicated earlier, the COVID-19 pandemic eroded significant employment gains accumulated over the years, thereby reducing the Province's target employment level. Nevertheless, provincial employment continues in the recovery phase at a slow pace.

Following the national trend, the provincial employment level is also concentrated mainly in the tertiary sector, particularly the trade, community and social services, as well as finance and other business services. About 23.3 per cent of total provincial employment emanated from the community and social services in 2022. This was followed by trade, and finance and other business services at 22.3 per cent and 14.7 per cent, respectively. Manufacturing was the largest contributor to total provincial employment in the secondary sector at 11 per cent. Notably, employment contribution by the manufacturing sector has been consistently falling over the period under review.

**Figure 7.5: Total number of people employment, 2012 – 2023:Q2**



Source: S&P Global, 2023

Asterisk (\*) represents an average for first and second quarters of 2023

Regarding average annual growth, employment levels increased in seven industries over the ten years under review. The agricultural sector reported the largest average annual growth rate of 2.6 per cent. This is followed by the community and social services as well as finance and other business services industries by 1.5 per cent and 1.3 per cent, respectively. In contrast, employment levels contracted in three sectors, with the largest decline in manufacturing at 1.7 per cent. The manufacturing sector also reported the largest drop in employment in the last five years, with a cumulative average annual growth of -3 per cent, followed by private households at -2.5 per cent. Notably, agriculture also reported a decline in average annual growth, which could imply a downside in relation to the provincial strategic goal of increasing employment within this sector. On the other hand, construction reported a marginal increase of 0.9 per cent during the same period (Table 7.7).

**Table 7.7: KZN employment by industries, 2012 – 2023: Q2**

|                                     | 2012     |         | 2017     |         | 2022     |         | Cumulative average annual growth |             | Jan-Mar 2023 | Apr-Jun 2023 | Qtr-to-qtr change |
|-------------------------------------|----------|---------|----------|---------|----------|---------|----------------------------------|-------------|--------------|--------------|-------------------|
| Industry                            | Thousand | % Share | Thousand | % Share | Thousand | % Share | 2012 - 2022                      | 2017 - 2022 | Thousand     |              | Per cent          |
| Agriculture                         | 102      | 4.2%    | 136      | 5.1%    | 128      | 5.0%    | 2.6%                             | -1.5%       | 143          | 148          | 3.3               |
| Mining                              | 11       | 0.5%    | 13       | 0.5%    | 12       | 0.5%    | 1.0%                             | -2.0%       | 7            | 9            | 27.3              |
| Manufacturing                       | 327      | 13.6%   | 315      | 11.9%   | 279      | 11.0%   | -1.7%                            | -3.0%       | 340          | 323          | -4.9              |
| Utilities                           | 9        | 0.4%    | 8        | 0.3%    | 8        | 0.3%    | -1.3%                            | 0.0%        | 14           | 18           | 23.7              |
| Construction                        | 194      | 8.1%    | 201      | 7.6%    | 208      | 8.2%    | 0.8%                             | 0.9%        | 225          | 231          | 2.9               |
| Trade                               | 528      | 22.0%   | 571      | 21.6%   | 567      | 22.3%   | 0.8%                             | -0.2%       | 528          | 545          | 3.2               |
| Transport                           | 165      | 6.9%    | 158      | 6.0%    | 155      | 6.1%    | -0.7%                            | -0.5%       | 191          | 177          | -7.6              |
| Finance and other business services | 334      | 13.9%   | 378      | 14.3%   | 374      | 14.7%   | 1.3%                             | -0.3%       | 353          | 354          | 0.3               |
| Community and social services       | 517      | 21.5%   | 628      | 23.7%   | 592      | 23.3%   | 1.5%                             | -1.5%       | 593          | 634          | 7.0               |
| Private households                  | 216      | 9.0%    | 240      | 9.1%    | 217      | 8.5%    | 0.1%                             | -2.5%       | 199          | 201          | 0.9               |
| Total                               | 2 404    | 100%    | 2 649    | 100%    | 2 540    | 100%    | 0.6%                             | -1.0%       | 2594         | 2 642        | 1.8               |

Source: S&P Global, 2023

Encouragingly, employment gains were reported across numerous sectors in the second quarter of 2023, with the largest increases in community and social services (41 000), trade (17 000) and construction (4 000). In contrast, manufacturing and transport reported 17 000 and 14 000 employment losses, respectively. Employment levels in the second quarter of 2023 were higher than the pre-pandemic levels across five industries. The industries that reported employment levels above the pre-pandemic levels during the second quarter of 2023 include agriculture, transport, finance, and community and social services. On the other hand, employment levels in manufacturing, construction, trade and private households was significantly lower than the pre-pandemic levels (Stats SA, 2023).

The Province should continue implementing policies and strategies to promote agricultural sector development. As outlined in the PGDS, there is tremendous potential for agricultural expansion in the Province. If the agricultural resources are optimally managed, the production yield could increase dramatically and unlock the full agricultural production potential.

Given the importance of manufacturing, the Province must continue to invest more efforts towards reviving the sector through the incentive schemes developed by the Department of Trade, Industry and Competition (DTIC). In doing so, this industry's employment contribution would increase because it would expand its plants, which requires more labour. This could also play a fundamental role in increasing exportable products and widening the export base whilst creating more job opportunities. Further, skills development focusing on different manufacturing industry components should continue to be a priority for the government to ensure that many people get absorbed in the industry and deal with the Province's skills shortage.

### ***Employment by race, gender and age***

Over 2 million employed in KZN were Africans, translating to about 82 per cent of the total provincial employment in 2022. This was followed by Asians, with about 249 000 people employed during the same period. In terms of average annual growth rates, employment expanded by 1.2 per cent among Africans over the ten years under review. However, these growth rates dropped moderately across other racial groups, Whites (-1.7 per cent), Coloureds (-0.7 per cent), and Indian/Asians (-1.8 per cent) during the same period. The average annual growth rates fell among all racial groups over the last five-year period, with the largest drop of 4 per cent reported for Asians, followed by Whites at -1.4 per cent (Table 7.8).

**Table 7.8: Composition of KZN's employment, 2012 – 2022**

|                     | 2012     |         | 2017     |         | 2022     |         | Cumulative average annual growth |             |
|---------------------|----------|---------|----------|---------|----------|---------|----------------------------------|-------------|
|                     | Thousand | % Share | Thousand | % Share | Thousand | % Share | 2012 - 2022                      | 2017 - 2022 |
| Total Employment    | 2 417    | 100.0%  | 2 664    | 100.0%  | 2 552    | 100.0%  | 0.6%                             | -1.1%       |
| <b>By Race</b>      |          |         |          |         |          |         |                                  |             |
| African             | 1 857    | 76.8%   | 2 128    | 79.9%   | 2 073    | 81.2%   | 1.2%                             | -0.7%       |
| White               | 218      | 9.0%    | 197      | 7.4%    | 186      | 7.3%    | -1.7%                            | -1.4%       |
| Coloured            | 48       | 2.0%    | 45       | 1.7%    | 45       | 1.8%    | -0.7%                            | 0.0%        |
| Asian               | 293      | 12.1%   | 293      | 11.0%   | 249      | 9.8%    | -1.8%                            | -4.0%       |
| <b>By Gender</b>    |          |         |          |         |          |         |                                  |             |
| Male                | 1 325    | 54.8%   | 1 461    | 54.8%   | 1 412    | 55.3%   | 0.7%                             | -0.8%       |
| Female              | 1 092    | 45.2%   | 1 203    | 45.2%   | 1 140    | 44.7%   | 0.5%                             | -1.3%       |
| <b>By Age</b>       |          |         |          |         |          |         |                                  |             |
| Youth (15 - 34)     | 1 180    | 48.8%   | 1 206    | 45.3%   | 971      | 38.0%   | -2.1%                            | -5.3%       |
| Older age (35 - 64) | 1 237    | 51.2%   | 1 457    | 54.7%   | 1 581    | 62.0%   | 2.8%                             | 2.1%        |

Source: S&P Global, 2023

The table further shows that employment is relatively dominated by males over the entire period under review. For instance, males constitute about 55.3 per cent of people employed in the Province in 2021 compared to 44.7 per cent for females. In addition, employment levels increased slightly by an average annual growth rate of 0.7 per cent among males and 0.5 per cent for their female counterparts over the ten-year period under review. However, both genders reported employment declines over the past five-year period, with the largest drop of 1.3 per cent among females.

Notably, provincial employment is unevenly distributed toward the older age cohort compared to the youth population. In 2022, about 62 per cent of people employed in the Province were older than 35 years of age. Disturbingly, employment dropped sharply by a cumulative average annual growth of 2.1 per cent among youth over the ten years under review. In contrast, employment among the older age cohort expanded by a cumulative average annual growth of 2.8 per cent. The employment level for the youth population dropped sharply by an average annual growth of 5.7 per cent over the five years between 2017 and 2022. In contrast, employment levels for the older age cohort expanded moderately by an average growth rate of 2.1 per cent during the same period.

### 7.3.2.1 Informal employment in KZN

The changes in employment levels outlined in the preceding sections are formal and informal employment, with the former comprising the largest share, above 80 per cent and the latter accounting only for less than 20 per cent. Therefore, Table 7.9 depicts the distribution of informal employment in KZN by sector between 2012 and 2022. The total informal employment increased slightly by a cumulative average annual growth of 0.9 per cent over the ten-year period under review. The informal employment levels were growing at a much slower pace in the last five years, with a cumulative average annual growth of 0.3 per cent. The provincial informal employment is dominated largely by trade, with an estimated 185 006 people employed in 2022. This translates to 38.9 per cent share of the total informal employment in the Province. Other sectors with enormous informal employment include construction and community services, with about 82 503 and 67 988 people employed, respectively, during the same year. Manufacturing and finance reported the lowest informal employment, with about 29 981 and 40 222 employed, respectively.

**Table 7.9: Informal employment in KZN, 2012 – 2022**

|                       | 2012    |         | 2017    |         | 2022    |         | Cumulative average annual growth |             |
|-----------------------|---------|---------|---------|---------|---------|---------|----------------------------------|-------------|
|                       | Number  | % Share | Number  | % Share | Number  | % Share | 2012 - 2022                      | 2017 - 2022 |
| Total Informal Sector | 439 108 | 100.0%  | 468 950 | 100.0%  | 475 170 | 100.0%  | 0.9%                             | 0.3%        |
| Manufacturing         | 42 985  | 9.8%    | 43 093  | 9.2%    | 29 981  | 6.3%    | -3.9%                            | -8.7%       |
| Construction          | 63 216  | 14.4%   | 81 169  | 17.3%   | 86 525  | 18.2%   | 3.5%                             | 1.6%        |
| Trade                 | 207 788 | 47.3%   | 181 655 | 38.7%   | 185 006 | 38.9%   | -1.3%                            | 0.5%        |
| Transport             | 47 728  | 10.9%   | 50 419  | 10.8%   | 54 095  | 11.4%   | 1.4%                             | 1.8%        |
| Finance               | 23 407  | 5.3%    | 30 725  | 6.6%    | 40 222  | 8.5%    | 6.2%                             | 7.0%        |
| Community services    | 53 985  | 12.3%   | 81 888  | 17.5%   | 79 340  | 16.7%   | 4.4%                             | -0.8%       |

Source: S&P Global, 2023

Informal employment expanded in four sectors, with the largest increase in the finance industry, with an average annual growth of 6.2 per cent over the past decade. Community services and construction recorded the second and third largest increase at 4.4 per cent and 3.5 per cent, respectively. Over the same period, the manufacturing industry reported a substantial decline in informal employment with a cumulative average annual growth of 3.9 per cent. Informal employment within manufacturing dropped significantly by an average annual growth rate of 8.7 per cent over the past five-year period, whilst community services reported a slight decline of 0.8 per cent. Four industries reported expansion in informal sector employment, with the largest increase emanating from finance at 7.0 per cent.

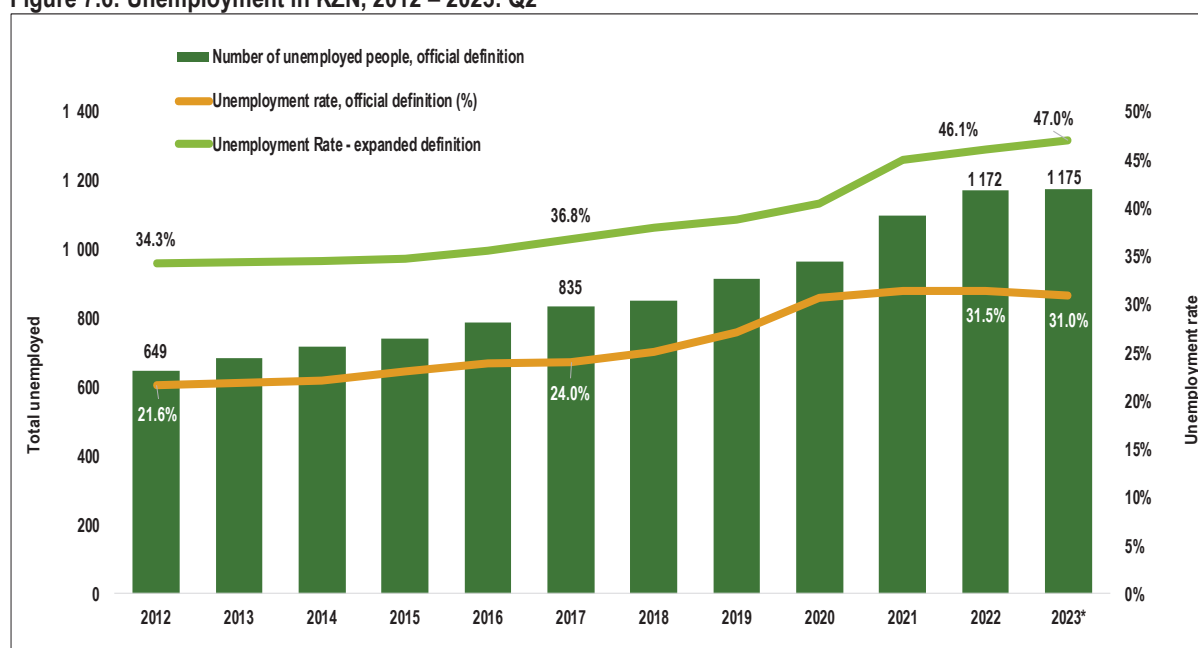
### **7.3.3 Unemployment in KZN**

Similar to the national trend, unemployment had been persistently rising in KZN over the ten years, between 2012 and 2022. The scourge of persistent rise in joblessness could be attributed to a long-lasting legacy of structural factors in the labour market compounded by sluggish economic performance. In addition, the recent unexpected shocks, such as the global COVID-19 pandemic, unprecedented civil unrest, and disastrous flooding, could be counted among the factors that have worsened unemployment levels in the Province. Figure 7.6 displays total official unemployment together with the official unemployment rate as well as the expanded unemployment rate from 2012 to 2022. The figure shows that unemployment has increased significantly during this period, from 649 000 in 2012 to about 1.172 million in 2022. The substantial rise in unemployment levels during this period is further demonstrated by a cumulative average annual growth of 6.8 per cent (Table A7.2).

It is evident from the figure that unemployment took a steep upward trend in the last five-year period between 2017 and 2022, thereby increasing by more than 300 000, a cumulative average annual growth of 8.8 per cent (Table A7.2). By contrast, unemployment increased by more than 180 000 in the first five-year period between 2012 and 2017. The substantial rise in unemployment level, especially in the last five years, between 2017 and 2022, could be attributed to protracted periods of slow economic growth coupled with numerous structural factors. The advent of COVID-19 exacerbated labour market challenges in the Province as it caused retrenchments whereby most businesses were grappling to continue operations amid disruptions associated with the lockdown restrictions. The number of those unemployed remained elevated in the first half of 2023 at about 1.175 million. However, unemployment dropped by 1.7 per cent in the second quarter of 2023 compared to the corresponding period in 2022.

The official unemployment rate rose markedly by 10.3 percentage points, from 21.2 per cent in 2012 to 31.5 per cent in 2022. Also, the last five years between, 2017 and 2022 show an enormous rise in the unemployment rate, by 7.6 percentage points. The unemployment rate remained high over the first two quarters of 2023 at an average of 31.0 per cent. It, however, decelerated by 1.7 per cent in the second quarter of 2023 compared to the same period in 2022. At this rate, unemployment remains significantly higher than the national and provincial MTSF 2019-2024 target of reducing unemployment to 20 per cent and 24 per cent.

**Figure 7.6: Unemployment in KZN, 2012 – 2023: Q2**



Source: S&P Global, 2023

Asterisk (\*) represents an average for first and second quarters of 2023

Similar to the national trend, there is a considerable gap between the expanded and official unemployment rate in the Province, which reflects that a greater number of the population has given up actively searching for employment. The expanded unemployment rate also soared notably by approximately 11.8 percentage points, from 34.3 per cent in 2012 to 46.1 per cent in 2022. The figure shows that the expanded unemployment rate was still higher in the first two quarters of 2023, at an average of 47 per cent. The significant rise in the expanded unemployment rate is directly linked to an increase in the number of people classified as not-economically active, particularly the discouraged work-seekers. The number of discouraged work-seekers increased by a cumulative average annual rate of 5.7 per cent over the ten years under review, from 614 000 in 2012 to over 1 million in 2022. In the first two quarters of 2023, about 952 000 people were counted as discouraged work-seekers.

The continuous increase in the number of discouraged work-seekers and expanded unemployment rate reflect the extent to which it has become difficult to get employment in the province. Generally, the rise in the unemployment rate is attributable to numerous structural factors such as subdued economic performance, skills mismatch, low educational attainment, and rigid labour market regulations, among others. The deteriorating economic growth and the accelerating unemployment rate in the Province manifest the conventional wisdom advanced by Okun (1962). His famous theory, known as Okun's law, asserts that higher economic growth results in a lower unemployment rate; the opposite is true for low economic growth.

### **Unemployment by race, gender and age**

Table 7.10 shows that Africans constitute the largest share of people unemployed in KZN, followed by Asians. In 2022, about 1.1 million Africans were out of employment in the Province, followed by Asians, with about 53 000. All racial groups reported a notable rise in unemployment over the ten-year period between 2012 and 2022, with

the largest increase reported among Asians at 11.4 per cent and Africans at 6.8 per cent. Unemployment increased enormously across all racial groups in the last five-year period between 2017 and 2022.

**Table 7.10: Composition of unemployment in KZN, 2012 – 2022**

|                     | 2012     |         | 2017     |         | 2022     |         | Cumulative average annual growth |             |
|---------------------|----------|---------|----------|---------|----------|---------|----------------------------------|-------------|
|                     | Thousand | % Share | Thousand | % Share | Thousand | % Share | 2012 - 2022                      | 2017 - 2022 |
| Total unemployed    | 649      | 100.0%  | 835      | 100.0%  | 1 172    | 100.0%  | 6.8%                             | 8.8%        |
| <b>By Race</b>      |          |         |          |         |          |         |                                  |             |
| African             | 606      | 93.4%   | 788      | 94.4%   | 1 097    | 93.6%   | 6.8%                             | 8.6%        |
| White               | 7        | 1.1%    | 7        | 0.8%    | 10       | 0.9%    | 4.0%                             | 9.3%        |
| Coloured            | 7        | 1.1%    | 9        | 1.1%    | 12       | 1.0%    | 6.2%                             | 7.5%        |
| Asian               | 20       | 3.1%    | 32       | 3.8%    | 53       | 4.5%    | 11.4%                            | 13.4%       |
| <b>By Gender</b>    |          |         |          |         |          |         |                                  |             |
| Male                | 336      | 51.8%   | 450      | 53.9%   | 627      | 53.5%   | 7.2%                             | 8.6%        |
| Female              | 313      | 48.2%   | 385      | 46.1%   | 545      | 46.5%   | 6.4%                             | 9.1%        |
| <b>By Age</b>       |          |         |          |         |          |         |                                  |             |
| Youth (15 - 34)     | 502      | 77.3%   | 607      | 72.7%   | 749      | 63.9%   | 4.5%                             | 5.4%        |
| Older age (35 - 64) | 147      | 22.7%   | 228      | 27.3%   | 423      | 36.1%   | 12.5%                            | 16.7%       |

Source: S&P Global, 2023

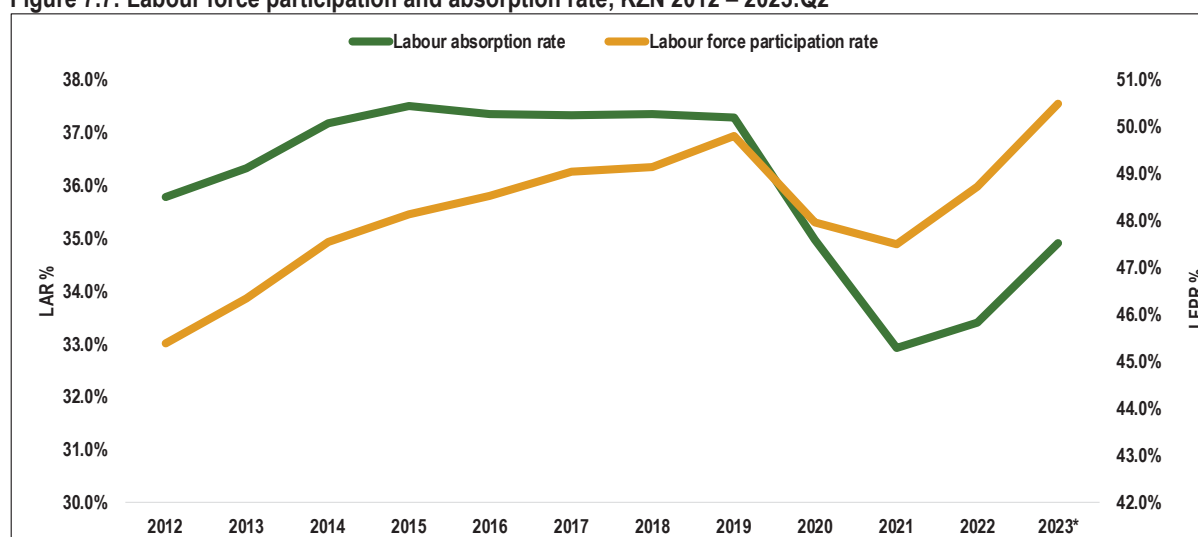
The number of unemployed people in KZN is larger among males compared to their female counterparts. About 53.5 per cent of the unemployed in 2022 were males, whilst 46.5 per cent were females. In terms of average annual growth, unemployment increased massively for both gender over the past decade; however, males reported a higher percentage at 7.2 per cent. However, females experienced the largest rise in the unemployment rate, with a cumulative average annual growth of 9.1 per cent in the last five-year period.

More than 60 per cent of unemployed in KZN are young people aged between 15 and 34. In 2022, about 749 000 young people aged between 15 and 34 were unemployed. This contrasts with older people aged between 35 and 64 years, whereby about 423 000 people were unemployed. Both age cohorts experienced a rise in unemployment over the ten-year period between 2012 and 2022. However, the older age cohort experienced the most considerable cumulative average annual growth of 12.5 per cent. The same trend was observed in the last five-year period between 2017 and 2022, whereby unemployment among the older age cohort reported the largest cumulative average annual growth of 16.7 per cent.

### 7.3.4 Labour force participation and absorption rate

As previously indicated, a slow-growing economy and structural factors in the labour market lead to high unemployment levels, which may influence indicators such as labour absorption (LAR) and labour force participation rate (LFPR). Figure 7.7 demonstrates KZN's labour absorption and labour force participation rate between 2012 and 2022. The province's consistently high unemployment rates suggest that the workforce in KZN gets absorbed into the labour market at a slow pace, which indicates that a small proportion of the province's total working-age population is employed.

**Figure 7.7: Labour force participation and absorption rate, KZN 2012 – 2023:Q2**



Source: S&P Global, 2023

The LAR shows an unstable trend throughout the period under review. It began an uptrend in earlier years, starting at about 35.8 per cent in 2011 and peaking at 37.5 per cent in 2015. This indicator remained stable at 37.3 per cent over four consecutive years until 2019, and owing to the pandemic's impact on the economy, the LAR then dropped sharply to 35 per cent and 32.9 per cent in 2020 and 2021, respectively. In 2022, the LAR accelerated and reached an estimated average of 33.4 per cent.

Throughout the period under review, the LFPR maintained a resilient upward trend. The LFPR started from 45.4 per cent in 2012 and accelerated until it reached a peak of 49.8 per cent in 2019. Unfortunately, due to the global pandemic, it dropped slightly to 48 per cent in 2020 and 47.5 per cent in 2021. Encouragingly, the LFPR exhibited a strong recovery in 2022, averaging 48.7 per cent. However, this rate is still less than the national average of 58.3 per cent.

### 7.3.5 Employment initiatives in KZN

The provincial government continues to implement programmes aimed at empowering the youth. In doing so, skills development is at the forefront, whereby new entrants are allowed to gain entry-level experience through internships, mentorships and learnership programmes. The government also strives to promote Small, Medium and Micro Enterprises (SMMEs) owned by the youth.

#### ***KZN Youth Empowerment Fund***

The Province officially launched the KZN Youth Empowerment Fund (KZNYEF) programme in 2019. The programme aims to assist youth-owned businesses with the necessary financial support and other capital or equipment required for their businesses' proper operational structures. This initiative emanated from a realisation that SMMEs can generate much-needed employment and contribute to the gross domestic product (GDP) growth in the Province.

Therefore, the primary objective of the KZNYEF is to address these challenges, assist young people with the necessary financial support, and create a conducive environment for SMMEs to thrive. It is within this perspective that in her State of the Province Address (SOPA, 2023), the Premier, Mrs Dube-Ncube, highlighted the government's response in the fight against the youth unemployment challenge through repurposing the KZN Youth Fund. The Premier indicated that the government had repurposed the youth fund and set aside R100 million to benefit more young people in the sectors that create jobs as opposed to businesses that employ a few people.

### ***Presidential Youth Employment Initiative***

As highlighted above, the PYEI is implemented across nine provincial education departments (PEDs). The national government allocates funds to provinces for the implementation of PYEI. For instance, KZN DoE allocated an amount of R1 338 452 000 in 2021/22 for phase 2 of PYEI (1 November 2021 to 31 March 2022). The budget allocation was utilised to appoint approximately 64 117 Education Assistants (EAs) and General School Assistants (GSAs). In 2022/23, the budget for implementation of phase 3 (1 April 2022 to 31 August 2022) of PYEI increased to R1 479 762 billion. Phase IV of the PYEI commenced early in 2023 and will offer job opportunities to 255 100 youth across the nine provinces in around 20 000 public ordinary schools and schools for learners with special education needs (LSEN). KZN is allocated about 58 500 job opportunities for Phase IV, with an estimated budget of approximately R1 483 931 billion in the 2023/24 financial period.

### ***Expanded Public Work Program***

The Expanded Public Work Program (EPWP) is a nationwide government programme that provides poverty and income relief through temporary work for the unemployed. In addition, the programme provides an essential avenue for labour absorption and income transfers to poor households in the short to medium term. EPWP projects employ workers on a temporary or ongoing basis with government, contractors, or other non-governmental organisations under the Ministerial Conditions of Employment for the EPWP or learnership employment conditions. KZN had the largest number of EPWP opportunities created during the 2022/23 financial period, at about 153 650. In the SOPA 2023, the Premier indicated that the government has established a Job War Room, which has facilitated over 500 000 job opportunities combined through the EPWP programme across sectors in KZN.

## **7.4 Labour market in district municipalities**

Labour market trends in district municipalities resemble those of provincial and national trajectories, whereby employment levels increase at a slow pace whilst the unemployment rates rise considerably. The challenges of low employment levels and high unemployment rates affect all ten district municipalities and the eThekweni Metro. However, the challenge seems to be rife across small and particularly rural districts compared to those in semi-urban areas. This could be attributed to the fact that various economic activities are concentrated in semi-urban areas, whereas rural areas have limited activities. The negative implications of COVID-19 also aggravated the districts' labour market challenges. However, the recovery path from the global pandemic has been partly disrupted by numerous devastating external and domestic economic shocks. Undoubtedly, the ongoing energy crisis the country currently experiences has dire consequences for the labour markets in districts as it weighs down production in all economic sectors including the SMMEs.

### 7.4.1 Employment in district municipalities

As expected, the distribution of employment across regions shows that eThekweni Metro (1.4 million) had the largest number of people employed in 2022, followed by uMgungundlovu and King Cetshwayo Districts with about 281 985 and 150 047 people employed, respectively. By contrast, rural districts, such as uMzinyathi and uMkhanyakude, reported the lowest employment levels at 45 314 and 64 124, respectively. The dominant feature of eThekweni and districts in urban settings in terms of employment in the Province could be attributable to various factors, especially economic activities. On the other hand, the low employment level in rural districts is attributable to limited economic activities and underdeveloped economic and social infrastructure impeding private sector investments.

**Table 7.11: Employment trend in KZN by district municipality, 2012 – 2022**

|                | Total employment |           |           | Cumulative average annual growth |             |
|----------------|------------------|-----------|-----------|----------------------------------|-------------|
|                | 2012             | 2017      | 2022      | 2012 - 2022                      | 2017 - 2022 |
| eThekweni      | 1 251 215        | 1 350 647 | 1 400 453 | 1.3%                             | 0.9%        |
| Ugu            | 129 495          | 146 668   | 129 170   | 0.0%                             | -3.1%       |
| uMgungundlovu  | 275 819          | 312 796   | 281 985   | 0.2%                             | -2.6%       |
| uThukela       | 105 515          | 120 237   | 108 329   | 0.3%                             | -2.6%       |
| uMzinyathi     | 48 127           | 54 289    | 45 314    | -0.7%                            | -4.4%       |
| Amajuba        | 88 909           | 98 214    | 89 462    | 0.1%                             | -2.3%       |
| Zululand       | 87 162           | 99 471    | 83 433    | -0.5%                            | -4.3%       |
| uMkhanyakude   | 63 736           | 72 608    | 64 124    | 0.1%                             | -3.1%       |
| King Cetshwayo | 168 643          | 182 443   | 150 047   | -1.3%                            | -4.8%       |
| iLembe         | 117 195          | 133 113   | 118 384   | 0.1%                             | -2.9%       |
| Harry Gwala    | 67 967           | 78 582    | 69 148    | 0.2%                             | -3.1%       |

Source: S&P Global, 2023

Regarding cumulative average annual growth rates, six districts reported an increase in employment over the ten-year period between 2012 and 2022, with the largest rise of 1.3 per cent estimated in the Metro. Conversely, three districts reported a decline in employment levels during this period, whereby King Cetshwayo had the largest decline at -1.3 per cent. Employment levels dropped significantly across all districts in the last five-year period between 2017 and 2022, with the largest decrease reported for King Cetshwayo, uMzinyathi and Zululand at 4.8 per cent, 4.4 per cent and 4.3 per cent, respectively. The decrease in employment levels across Districts over the five-year period reflect the enduring negative effects of Covid-19 on labour market.

#### 7.4.1.1 Employment by sector in districts municipalities

Employment across districts and the Metro is driven largely by industries within the tertiary sector, followed by those in the secondary and primary sectors. In 2022, the community and social services sector was the largest employer in eight districts, contributing to employment in the range of 23.3 per cent in King Cetshwayo to the highest of 35.9 per cent in uMkhanyakude. The trade industry was the largest contributor to employment in two districts and the Metro at 20.4 per cent in iLembe, 25.6 per cent in Amajuba and 23.3 per cent in the eThekweni Metro. Employment in the secondary sector was concentrated mainly in the manufacturing industry across most

districts and the Metro, whereby the largest contribution was reported in iLembe, Amajuba and eThekwini at 15.7 per cent, 12.4 per cent and 12.1 per cent, respectively.

By contrast, the construction industry was the largest contributor to employment in uMzinyathi, uMkhanyakude and Harry Gwala Districts at 9 per cent and 10.6 per cent and 10.9 per cent, respectively. Employment within the primary sector is dominated by the agricultural industry across all Districts, with the largest contribution in Harry Gwala (12.4 per cent), iLembe (9.8 per cent), uThukela (9.6 per cent) and uMzinyathi (9.3 per cent).

**Table 7.12: District employment by industries, 2022**

|                    | eThekwini | Ugu   | uMgungundlovu | uThukela | uMzinyathi | Amajuba | Zululand | uMkhanyakude | King Cetshwayo | iLembe | Harry Gwala |
|--------------------|-----------|-------|---------------|----------|------------|---------|----------|--------------|----------------|--------|-------------|
| Agriculture        | 2.3%      | 8.2%  | 8.6%          | 9.6%     | 9.3%       | 4.4%    | 6.6%     | 6.4%         | 8.0%           | 9.8%   | 12.4%       |
| Mining             | 0.2%      | 1.1%  | 0.3%          | 0.5%     | 0.4%       | 0.2%    | 1.3%     | 1.2%         | 2.3%           | 0.5%   | 0.2%        |
| Manufacturing      | 12.1%     | 9.4%  | 10.0%         | 9.3%     | 6.5%       | 12.4%   | 6.2%     | 3.3%         | 10.5%          | 15.7%  | 5.4%        |
| Electricity        | 0.3%      | 0.3%  | 0.4%          | 0.4%     | 0.3%       | 0.2%    | 0.3%     | 0.3%         | 0.3%           | 0.3%   | 0.2%        |
| Construction       | 7.7%      | 7.7%  | 7.2%          | 8.7%     | 9.0%       | 7.0%    | 8.1%     | 10.6%        | 9.5%           | 12.6%  | 10.9%       |
| Trade              | 23.3%     | 23.2% | 19.8%         | 22.5%    | 19.7%      | 25.6%   | 20.3%    | 20.9%        | 19.9%          | 20.4%  | 20.3%       |
| Transport          | 6.9%      | 5.2%  | 4.8%          | 4.4%     | 4.2%       | 6.8%    | 5.2%     | 4.4%         | 6.5%           | 4.4%   | 4.4%        |
| Finance            | 16.7%     | 11.5% | 13.2%         | 10.9%    | 12.7%      | 14.5%   | 14.5%    | 9.5%         | 13.0%          | 11.4%  | 8.7%        |
| Community services | 21.5%     | 24.1% | 26.7%         | 27.6%    | 28.6%      | 22.3%   | 29.6%    | 35.9%        | 23.3%          | 16.9%  | 28.0%       |
| Households         | 8.9%      | 9.3%  | 9.1%          | 6.1%     | 9.3%       | 6.6%    | 7.7%     | 7.6%         | 6.7%           | 8.1%   | 9.4%        |

Source: S&P Global, 2023

In respect of cumulative average annual growth rates, employment levels expanded marginally within the agricultural sector across all districts and the Metro over the ten-year period between 2012 and 2022, with the largest increase in the eThekwini (3.5 per cent), iLembe (3 per cent), Amajuba and uThukela both at 2.8 per cent. By contrast, employment in the manufacturing and transport industries plummeted across all Districts and the Metro during the same period. With regards to manufacturing, the districts that reported the largest decline in employment over the ten-year period include King Cetshwayo (-3.8 per cent), uMzinyathi (-3.7 per cent), Zululand (-3.5 per cent) and Harry Gwala (-3.4 per cent).

Except for Harry Gwala, the same districts had the largest decrease in employment within transport during the same period, whereby King Cetshwayo reported a decline of 3.1 per cent followed by uMzinyathi and Zululand at -2.4 per cent and -2.3 per cent, respectively. Notably, all Districts reported decreased employment levels across economic sectors in the past five years between 2017 and 2022. The Metro was an exception as it reported an increase in employment levels in eight sectors and a decrease in two industries, that is, manufacturing (-1.1 per cent) and private households (-0.3 per cent) (Table A7.3).

### 7.4.1.2 Informal employment in district municipalities

Table 7.13 shows that informal employment constitutes nearly 20 per cent of total employment across district municipalities, including the eThekweni. The Metro had the highest number of people employed in the informal sector at 247 153, followed by uMgungundlovu, Ugu and King Cetshwayo Districts at 48 416, 27 5112 and 27 169, respectively. Trade generates the largest share of informal employment across Districts and the Metro. More than 35 per cent of total informal employment emanates from this very industry. This is followed by construction, which contributes a minimum of 10.3 per cent in Amajuba to a maximum of 30.5 per cent in iLembe. Community services also contributes significantly to informal employment across Districts and the Metro, with a minimum contribution of 11.2 per cent in iLembe and a maximum of 22.5 per cent in uMkhanyakude. The least contributor to informal employment is the manufacturing industry.

**Table 7.13: District informal employment, 2022**

|                | Manufacturing    |                             | Construction     |                             | Trade            |                             | Transport        |                             | Finance          |                             | Community services |                             |
|----------------|------------------|-----------------------------|------------------|-----------------------------|------------------|-----------------------------|------------------|-----------------------------|------------------|-----------------------------|--------------------|-----------------------------|
|                | Total employment | % share of total employment | Total employment | % share of total employment | Total employment | % share of total employment | Total employment | % share of total employment | Total employment | % share of total employment | Total employment   | % share of total employment |
| eThekweni      | 15 856           | 6.4%                        | 42 510           | 17.2%                       | 98 348           | 39.8%                       | 30 634           | 12.4%                       | 22 183           | 9.0%                        | 37 622             | 15.2%                       |
| Ugu            | 1 593            | 5.8%                        | 4 438            | 16.1%                       | 11 217           | 40.8%                       | 2 871            | 10.4%                       | 1 826            | 6.6%                        | 5 567              | 20.2%                       |
| uMgungundlovu  | 3 484            | 7.2%                        | 8 952            | 18.5%                       | 18 630           | 38.5%                       | 5 481            | 11.3%                       | 3 604            | 7.4%                        | 8 266              | 17.1%                       |
| uThukela       | 1 041            | 4.7%                        | 3 764            | 17.1%                       | 8 815            | 40.1%                       | 1 989            | 9.0%                        | 1 588            | 7.2%                        | 4 791              | 21.8%                       |
| uMzinyathi     | 556              | 5.2%                        | 1 981            | 18.7%                       | 3 718            | 35.1%                       | 864              | 8.1%                        | 1 568            | 14.8%                       | 1 920              | 18.1%                       |
| Amajuba        | 1 238            | 7.0%                        | 1 825            | 10.3%                       | 7 415            | 41.8%                       | 2 368            | 13.3%                       | 1 487            | 8.4%                        | 3 423              | 19.3%                       |
| Zululand       | 872              | 4.6%                        | 3 045            | 16.0%                       | 6 949            | 36.5%                       | 2 060            | 10.8%                       | 2 498            | 13.1%                       | 3 638              | 19.1%                       |
| uMkhanyakude   | 550              | 3.7%                        | 3 041            | 20.2%                       | 6 178            | 41.0%                       | 1 086            | 7.2%                        | 817              | 5.4%                        | 3 391              | 22.5%                       |
| King Cetshwayo | 1 829            | 6.7%                        | 5 648            | 20.8%                       | 9 664            | 35.6%                       | 3 028            | 11.1%                       | 2 002            | 7.4%                        | 4 996              | 18.4%                       |
| iLembe         | 2 166            | 8.6%                        | 7 629            | 30.5%                       | 8 606            | 34.4%                       | 2 181            | 8.7%                        | 1 659            | 6.6%                        | 2 809              | 11.2%                       |
| Harry Gwala    | 794              | 5.2%                        | 3 692            | 24.0%                       | 5 467            | 35.5%                       | 1 533            | 10.0%                       | 991              | 6.4%                        | 2 916              | 18.9%                       |

Source: S&P Global, 2023

Informal employment within the manufacturing industry dropped sharply across districts and the Metro during the ten-year period between 2012 and 2022, with the largest decrease in average annual growth rate reported in King Cetshwayo (-6 per cent), Zululand (-5.8 per cent) and uMzinyathi (-5.7 per cent). Similarly, informal employment within trade plummeted across districts and eThekweni during the same period, whereby the same districts (King Cetshwayo, Zululand and uMzinyathi) recorded the largest decline at -3.4 per cent, -2.9 per cent and -3.3 per cent respectively. Also, these districts reported a decrease in informal employment within the transport sector during the same period. During the last five-year period between 2017 and 2022, informal employment contracted in almost all sectors (Table A7.4).

Notwithstanding the benefits of creating formal employment opportunities, attention should also be directed at promoting informal employment to cater to the population that does not possess adequate skills to be absorbed in the informal sector. This is because focusing a great deal of attention on formal employment may perpetuate unemployment, especially among unskilled people of the working age. In this regard, job seekers might spend longer searching for formal employment instead of venturing into informal employment or opening their businesses.

## 7.4.2 Unemployment in District Municipalities

The levels of unemployment have risen significantly across districts and the Metro over the past ten-year period between 2012 and 2022. The largest increase in unemployment levels was recorded in King Cetshwayo, with a steep cumulative average annual growth of 9.7 per cent, from 57 403 in 2012 to 132 488 in 2022. This was followed by uMzinyathi and iLembe, with a cumulative average annual growth of 9.3 per cent and 8.9 per cent, respectively. During the same period, eThekweni Metro reported the lowest increase in unemployment levels with a cumulative average annual growth of 3.4 per cent, from 232 692 in 2012 to 313 843 in 2022. Notably, unemployment expanded considerably across districts in the last five-year period between 2017 and 2022, with the largest increase in King Cetshwayo, uMzinyathi, and iLembe, with cumulative average annual growth of 12.5 per cent, 12.2 per cent, and 12.2 per cent, respectively. Also, eThekweni recorded the lowest cumulative average annual growth, at 3.8 per cent, during the same period (Table 7.14).

**Table 7.14: Unemployment rate trend in KZN by district municipality, 2012 – 2022**

|                | Total unemployment |         |         | Cumulative average annual growth |             | Official unemployment rate |       |       |
|----------------|--------------------|---------|---------|----------------------------------|-------------|----------------------------|-------|-------|
|                | 2012               | 2017    | 2022    | 2012 - 2022                      | 2017 - 2022 | 2012                       | 2017  | 2022  |
| eThekweni      | 232 692            | 270 228 | 313 843 | 3.4%                             | 3.8%        | 16.1%                      | 17.1% | 18.6% |
| Ugu            | 44 148             | 59 247  | 91 069  | 8.4%                             | 11.3%       | 25.2%                      | 28.5% | 41.5% |
| uMgungundlovu  | 74 260             | 96 603  | 148 586 | 8.0%                             | 11.4%       | 20.8%                      | 23.2% | 34.1% |
| uThukela       | 43 755             | 57 235  | 81 152  | 7.1%                             | 9.1%        | 29.9%                      | 32.8% | 43.2% |
| uMzinyathi     | 23 458             | 30 809  | 48 867  | 9.3%                             | 12.2%       | 27.1%                      | 31.6% | 47.0% |
| Amajuba        | 40 761             | 55 365  | 77 715  | 7.4%                             | 8.8%        | 30.9%                      | 35.5% | 45.9% |
| Zululand       | 41 770             | 56 346  | 85 558  | 8.3%                             | 11.0%       | 30.4%                      | 33.9% | 48.3% |
| uMkhanyakude   | 30 142             | 42 695  | 62 488  | 8.4%                             | 10.0%       | 30.5%                      | 35.2% | 47.1% |
| King Cetshwayo | 57 403             | 82 711  | 132 488 | 9.7%                             | 12.5%       | 25.3%                      | 31.2% | 47.1% |
| iLembe         | 36 971             | 50 427  | 79 526  | 8.9%                             | 12.1%       | 22.0%                      | 25.2% | 37.6% |
| Harry Gwala    | 24 995             | 33 510  | 50 573  | 8.1%                             | 10.8%       | 26.1%                      | 29.0% | 41.2% |

Source: S&P Global, 2023

Table 7.14 shows that eight districts had an official unemployment rate above 40 per cent, whilst two recorded an unemployment rate above 30 per cent in 2022. The highest unemployment rate of 48.3 per cent was reported in Zululand, followed by King Cetshwayo and uMkhanyakude, both at 47.1 per cent as well as uMzinyathi at 47 per cent, during the same year. These districts are among those that have experienced a significant increase in official unemployment rate over the ten-year period. King Cetshwayo reported the largest expansion of 21.8 percentage points over the ten-year period, followed by uMzinyathi (19.9 percentage points), Zululand (18 percentage points) and uMkhanyakude (16.6 percentage points). Also, these Districts reported the largest increase in official unemployment rate over the five-year period between 2017 and 2022.

As expected, the eThekweni Metro reported the lowest unemployment rate at 18.6 per cent in 2022, a moderate increase of 2.6 percentage points from 16.1 per cent in 2012. It is not surprising, however, that the Metro has lower unemployment rates, given the various economic activities that boost the capacity to generate employment opportunities. The most common economic activities within the Metro that contribute to regional GDP-R, and thus employment growth, include but are not limited to harbour ports, tourism attractions, and manufacturing industries.

### 7.4.2.1 Unemployment by age in District Municipalities

The distribution of unemployment among age groups has continuously demonstrated that young people experience a higher unemployment rate than older people. Table 7.15 depicts the distribution of districts' unemployment by age groups in 2022. Young people aged between 15 and 34 years are the most affected by unemployment across Districts. The scourge of unemployment among the youth population is pronounced when measured using the expanded definition, which includes discouraged work-seekers. In some instances, the expanded youth unemployment is doubled that of official unemployment. While youth unemployment is a social challenge facing the whole country, it is noted that most rural districts experience a relatively higher youth unemployment rate than those in fairly urban settings.

Eight districts in the Province had more than 60 per cent of young people aged between 15 and 34 years who were unemployed in 2022. The largest official unemployment rates were reported in Zululand, and King Cetshwayo is 69.4 per cent and 68.5 per cent, respectively. The uMgungundlovu and iLembe had high youth unemployment rates above 50 per cent during the same period. As expected, the Metro has the lowest official youth unemployment rate at 33.7 per cent. The older people of the working age experience a lower unemployment rate when compared to the younger people aged between 15 and 34 years.

**Table 7.15: Unemployment rate distribution by age, 2022**

|                | Unemployment Rate - official definition |       |       |       | Unemployment Rate - expanded definition |       |       |       |
|----------------|-----------------------------------------|-------|-------|-------|-----------------------------------------|-------|-------|-------|
|                | 15-34                                   | 35-44 | 45-54 | 55-64 | 15-34                                   | 35-44 | 45-54 | 55-64 |
| eThekwini      | 33.7%                                   | 14.6% | 9.1%  | 2.7%  | 45.0%                                   | 21.9% | 15.3% | 7.5%  |
| Ugu            | 62.7%                                   | 34.1% | 24.0% | 14.5% | 74.2%                                   | 48.0% | 38.7% | 27.8% |
| uMgungundlovu  | 54.6%                                   | 27.9% | 17.8% | 11.1% | 67.1%                                   | 40.3% | 29.4% | 20.5% |
| uThukela       | 63.9%                                   | 36.0% | 25.9% | 15.7% | 77.2%                                   | 52.7% | 44.0% | 32.8% |
| uMzinyathi     | 66.5%                                   | 40.6% | 27.7% | 16.1% | 82.1%                                   | 62.8% | 52.3% | 40.6% |
| Amajuba        | 67.8%                                   | 38.5% | 25.1% | 13.9% | 77.2%                                   | 50.7% | 37.7% | 25.2% |
| Zululand       | 69.4%                                   | 39.3% | 25.9% | 13.9% | 82.3%                                   | 58.4% | 48.0% | 35.6% |
| uMkhanyakude   | 66.8%                                   | 38.2% | 29.2% | 16.4% | 81.4%                                   | 59.9% | 53.6% | 42.0% |
| King Cetshwayo | 68.5%                                   | 37.4% | 25.4% | 14.7% | 78.5%                                   | 51.9% | 41.5% | 31.3% |
| iLembe         | 54.7%                                   | 30.3% | 22.0% | 14.0% | 68.0%                                   | 44.1% | 36.8% | 28.5% |
| Harry Gwala    | 61.3%                                   | 34.0% | 24.9% | 14.7% | 75.2%                                   | 50.8% | 42.9% | 32.2% |

Source: S&P Global, 2023

The table further reveals that unemployment diminishes as the age category to 35 years and above. The highest unemployment rate among people aged between 35 and 44 was 40.6 per cent recorded in the uMzinyathi and 39.3 per cent in Zululand. At the same time, the lowest unemployment rate across this age group was reported by the Metro and uMgungundlovu at 14.6 per cent and 27.9 per cent, respectively. Other age groups also had relatively lower unemployment rates across districts.

Similar to the Province, the scourge of unemployment rate based on an expanded definition is significantly higher than the official unemployment. Based on the expanded definition, the youth unemployment rate among people aged between 15 and 34 years was the largest in Zululand at 82.3 per cent, uMzinyathi at 82.1 per cent and

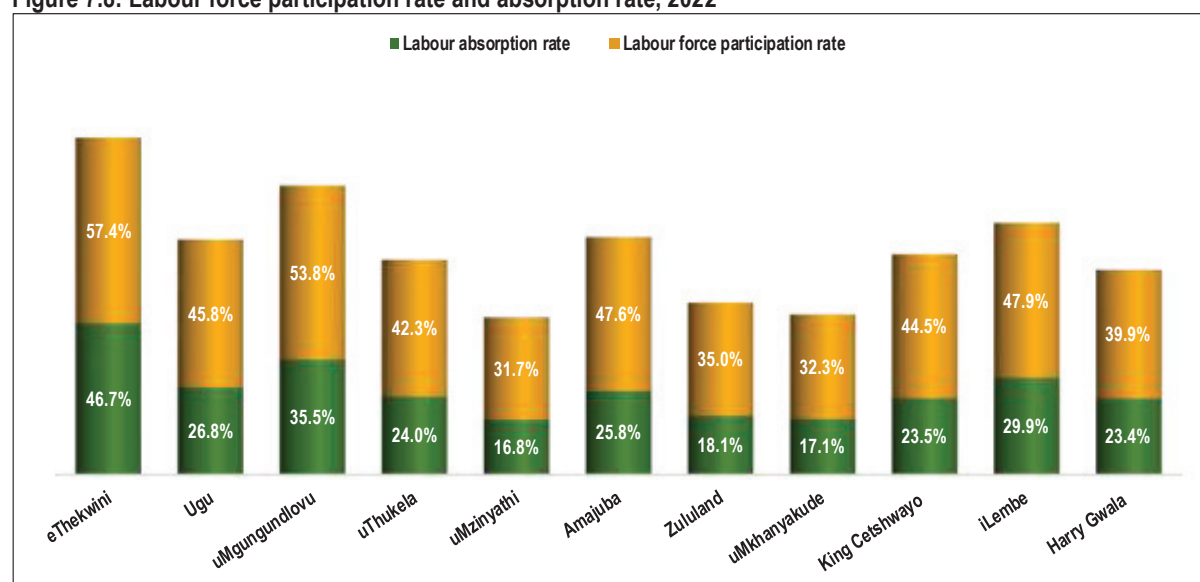
uMkhanyakude at 81.4 per cent. EThekweni recorded the lowest rate of expanded unemployment rate at 5 per cent, which was the only rate below 50 per cent. The uMgungundlovu recorded the second-lowest expanded youth unemployment rate at 67.1 per cent. The older people of the working age population had a relatively lower expanded unemployment rate. The most considerable expanded unemployment rate for those aged between 35 and 44 years was recorded in uMzinyathi at 62.8 per cent, followed by uMkhanyakude at 59.9 per cent. The eThekweni also recorded the lowest expanded unemployment rate for those aged 35 and 44 years at 21.9 per cent, followed by uMgungundlovu at 40.3 per cent.

The disparity between districts in youth unemployment highlights that youth in the province do not have equal employment opportunities. Those in urban areas are more likely to get better opportunities than those in rural areas. Therefore, employment opportunities targeting young people, especially in rural areas, should be a priority for the provincial government to decisively deal with the youth unemployment rate.

### 7.4.3 Labour force participation and absorption rate

Figure 7.8 displays the LRPR and LAR for each district municipality in the province for 2022. The highest LFPR was achieved by the eThekweni Metro, followed by the uMgungundlovu and iLembe at 57.4 per cent, 53.8 per cent and 47.9 per cent, respectively. Districts with higher LPFR, such as those mentioned above, have higher numbers of working-age population that are actively engaged in various economic activities. This is because a higher LFPR indicates an increase in the number of economically active people. The LFPR of the remaining districts were not far off, as they ranged from 31.7 per cent to 47.9 per cent, with the lowest LFPR being recorded in the uMzinyathi and uMkhanyakude district municipalities at 31.7 per cent and 32.3 per cent, respectively. These districts are among those categorized as rural and have high unemployment levels. Due to the lack of economic opportunities, working-age populations in rural areas are not economically active.

**Figure 7.8: Labour force participation rate and absorption rate, 2022**



Source: S&P Global, 2023

Most districts had LAR lower than 30 per cent in 2022, with the exception of the eThekweni Metro and uMgungundlovu, which had LAR of 46.7 per cent and 35.5 per cent, respectively. The Metro and uMgungundlovu's higher LAR could be attributed to various economic activities in these areas, including tourism attractions, busy harbour ports and manufacturing industries. In addition, the eThekweni Metro and uMgungundlovu municipality also have the N3 road infrastructure, which serves as a road freight corridor for the transit of goods from ports to the country's main industrial hubs.

Similar to the LFPR, districts in non-urban areas are associated with lower LAR. The uMzinyathi (16.8 per cent), uMkhanyakude (17.1 per cent), and Zululand (18.1 per cent) were among the municipalities that recorded low LAR. This indicates that local economies in these municipalities cannot create employment, preventing them from absorbing more job seekers, especially first-time job-seekers.

## **7.5 Conclusion and recommendations**

This Chapter provides an analysis of labour market dynamics at the national, provincial, and local levels. The labour force characteristics discussed include labour force, total employment, unemployment, labour force participation, and absorption rates. At all three spheres, the analysis reveals modest employment growth alongside a persistent high rate of unemployment particularly in the post-pandemic period.

The province has experienced a relatively slow employment level over the past ten years between 2012 and 2022, as it expanded slightly by 0.6 per cent. The biggest employment losses occurred during the Covid-19 period and the recovery thereof has been somewhat lagging. Therefore, employment level in the province remains below the PGDS targets. In respect of employment distribution by sectors, the manufacturing sector reported a marginal fall in employment over the ten-year period, whilst construction experienced modest increase. Employment in the manufacturing sector dropped both at formal and informal levels. This sector has endured prolonged periods of declining employment levels. By contrast, agriculture reported the largest employment increase during the same period. Also, the youth population constitutes the lowest proportion of total employment in the province compared to the older age cohort.

While employment levels have been ailing, KZN realized a considerable surge in unemployment rate by about 6.8 per cent over the ten-year period between 2012 and 2022. At an average of 31.5 per cent in 2022, the provincial unemployment rate was significantly greater than the MTSF 2019-2024 target of reducing unemployment rate to the range of 20-24 per cent by 2024. Notably, young people aged between 15 and 34 years constitutes the largest share of total unemployed persons in the province. At the District level, employment levels remain significantly low in small and rural Districts such as uMzinyathi, uMkhanyakude and Harry Gwala. The ailing employment levels in the aforementioned Districts could be attributed to limited economic activities coupled with underdeveloped economic infrastructure. Similarly, the rural Districts tend to experience relatively high rate of unemployment, with the youth population being the mostly affected.

With regards to employment levels, the province should continue to develop strategies that are aimed at creating sustainable employment opportunities for the working age population. The employment strategies should be inclusive of formal as well as informal sector in order to accommodate low-skilled workforce particularly the

uneducated population. This could be achieved by drastic implementation of programs such as the *Mass Jobs War Room* as well as *EPWP*.

The challenge of unemployment especially among the youth population, there is a need to quantify information pertaining to the unemployed and develop programs accordingly. This would assist government create opportunities that will benefit a majority of young unemployed people. The evidence from literature points to various factors causing unemployment particularly lack of skills, rigid employment regulations, and low educational attainment. Government should prioritize skills development and improving educational attainment especially the upper secondary level as well as admission to tertiary institutions.

# Appendix A: List of additional Figures and Tables

Table A2. 1: Crime levels across province, 2023

| CRIME CATEGORY                                          | April 2022 to June 2022 | April 2023 to June 2023 | Count Diff | % Change       | Eastern Cape | Free State | Gauteng | KwaZulu-Natal | Limpopo | Mpumalanga | North West | Northern Cape | Western Cape |
|---------------------------------------------------------|-------------------------|-------------------------|------------|----------------|--------------|------------|---------|---------------|---------|------------|------------|---------------|--------------|
| CONTACT CRIMES (CRIMES AGAINST THE PERSON)              |                         |                         |            |                |              |            |         |               |         |            |            |               |              |
| Murder                                                  | 6 424                   | 6 228                   | -196       | -3.1%          | 1 139        | 227        | 1 489   | 1 584         | 197     | 332        | 231        | 90            | 939          |
| Sexual offences                                         | 11 855                  | 11 616                  | -239       | -2.0%          | 1 764        | 774        | 2 392   | 2 289         | 1 031   | 720        | 862        | 311           | 1 473        |
| Attempted murder                                        | 5 576                   | 5 969                   | 393        | 7.0%           | 571          | 304        | 1 537   | 1 583         | 247     | 338        | 209        | 426           | 754          |
| Assault with the intent to inflict grievous bodily harm | 34 635                  | 37 491                  | 2 856      | 8.2%           | 5 350        | 2 589      | 8 448   | 6 261         | 2 832   | 2 554      | 3 194      | 1 461         | 4 802        |
| Common assault                                          | 38 627                  | 41 519                  | 2 892      | 7.5%           | 3 338        | 3 260      | 11 640  | 6 167         | 2 424   | 2 046      | 2 464      | 1 255         | 8 925        |
| Common robbery                                          | 10 565                  | 11 404                  | 839        | 7.9%           | 738          | 475        | 3 851   | 1 845         | 776     | 475        | 597        | 235           | 2 412        |
| Robbery with aggravating circumstances                  | 35 233                  | 35 579                  | 346        | 1.0%           | 3 027        | 1 178      | 13 395  | 6 084         | 1 798   | 2 228      | 1 753      | 370           | 5 746        |
| Contact crime (Crimes against the person)               | 142 915                 | 149 806                 | 6 891      | 4.8%           | 15 927       | 8 807      | 42 752  | 25 813        | 9 305   | 8 693      | 9 310      | 4 148         | 25 051       |
| SEXUAL OFFENCES - BREAKDOWN                             |                         |                         |            |                |              |            |         |               |         |            |            |               |              |
| Rape                                                    | 9 516                   | 9 252                   | -264       | -2.8%          | 1 474        | 596        | 1 910   | 1 879         | 858     | 614        | 697        | 222           | 1 002        |
| Sexual assault                                          | 1 707                   | 1 642                   | -65        | -3.8%          | 188          | 116        | 377     | 288           | 104     | 73         | 99         | 54            | 343          |
| Attempted sexual offences                               | 416                     | 510                     | 94         | 22.6%          | 86           | 44         | 55      | 93            | 56      | 19         | 46         | 29            | 82           |
| Contact sexual offences                                 | 216                     | 212                     | -4         | -1.9%          | 16           | 18         | 50      | 29            | 13      | 14         | 20         | 6             | 46           |
| SOME SUBCATEGORIES OF AGGRAVATED ROBBERY                |                         |                         |            |                |              |            |         |               |         |            |            |               |              |
| Carjacking                                              | 5 866                   | 5 488                   | -378       | -6.4%          | 394          | 69         | 2 735   | 835           | 155     | 356        | 185        | 10            | 749          |
| Robbery at residential premises                         | 5 370                   | 5 631                   | 261        | 4.9%           | 535          | 167        | 2 058   | 1 409         | 247     | 366        | 216        | 45            | 588          |
| Robbery at non-residential premises                     | 5 281                   | 4 541                   | -740       | -14.0%         | 522          | 194        | 1 616   | 672           | 394     | 375        | 368        | 62            | 338          |
| TRIO Crime                                              | 16 517                  | 15 660                  | -857       | -5.2%          | 1 451        | 430        | 6 409   | 2 916         | 796     | 1 097      | 769        | 117           | 1 675        |
| Robbery of cash in transit                              | 60                      | 60                      | 0          | 0.0%           | 14           | 1          | 11      | 13            | 11      | 5          | 1          | 0             | 4            |
| Bank robbery                                            | 0                       | 1                       | 1          | 1 count higher | 0            | 0          | 1       | 0             | 0       | 0          | 0          | 0             | 0            |
| Truck hijacking                                         | 508                     | 499                     | -9         | -1.8%          | 54           | 16         | 290     | 30            | 7       | 64         | 20         | 0             | 18           |
| CONTACT-RELATED CRIMES                                  |                         |                         |            |                |              |            |         |               |         |            |            |               |              |
| Arson                                                   | 886                     | 796                     | -90        | -10.2%         | 124          | 28         | 96      | 175           | 84      | 63         | 44         | 43            | 139          |
| Malicious damage to property                            | 26 375                  | 26 018                  | -357       | -1.4%          | 2 913        | 1 556      | 6 517   | 3 388         | 1 749   | 1 313      | 1 477      | 849           | 6 256        |
| Contact-related crime                                   | 27 261                  | 26 814                  | -447       | -1.6%          | 3 037        | 1 584      | 6 613   | 3 563         | 1 833   | 1 376      | 1 521      | 892           | 6 395        |
| PROPERTY-RELATED CRIMES                                 |                         |                         |            |                |              |            |         |               |         |            |            |               |              |
| Burglary at non-residential premises                    | 14 677                  | 14 102                  | -575       | -3.9%          | 1 562        | 1 105      | 3 161   | 1 950         | 1 445   | 1 120      | 1 133      | 553           | 2 073        |
| Burglary at residential premises                        | 39 638                  | 36 808                  | -2 830     | -7.1%          | 4 390        | 2 523      | 8 057   | 6 105         | 2 690   | 2 534      | 2 695      | 1 369         | 6 445        |
| Theft of motor vehicle and motorcycle                   | 9 335                   | 9 081                   | -254       | -2.7%          | 322          | 208        | 4 714   | 1 535         | 161     | 403        | 319        | 40            | 1 379        |
| Theft out of or from motor vehicle                      | 21 213                  | 20 940                  | -273       | -1.3%          | 1 980        | 1 050      | 5 850   | 2 729         | 752     | 1 119      | 885        | 548           | 6 027        |
| Stock-theft                                             | 6 456                   | 6 281                   | -175       | -2.7%          | 1 576        | 731        | 206     | 1 442         | 616     | 600        | 685        | 237           | 188          |
| Property-related crime                                  | 91 319                  | 87 212                  | -4 107     | -4.5%          | 9 830        | 5 617      | 21 988  | 13 761        | 5 664   | 5 776      | 5 717      | 2 747         | 16 112       |
| OTHER SERIOUS CRIMES                                    |                         |                         |            |                |              |            |         |               |         |            |            |               |              |
| All theft not mentioned elsewhere                       | 65 636                  | 64 549                  | -1 087     | -1.7%          | 5 803        | 4 101      | 18 001  | 9 106         | 3 959   | 3 199      | 3 681      | 1 836         | 14 863       |
| Commercial crime                                        | 25 250                  | 29 753                  | 4 503      | 17.8%          | 2 742        | 1 135      | 10 000  | 4 665         | 1 592   | 1 581      | 1 436      | 526           | 6 076        |
| Shoplifting                                             | 11 132                  | 13 234                  | 2 102      | 18.9%          | 1 088        | 677        | 4 290   | 2 110         | 762     | 768        | 542        | 381           | 2 616        |
| Other serious crime                                     | 102 018                 | 107 536                 | 5 518      | 5.4%           | 9 633        | 5 913      | 32 291  | 15 881        | 6 313   | 5 548      | 5 659      | 2 743         | 23 555       |
| 17 Community reported serious crime                     | 363 513                 | 371 368                 | 7 855      | 2.2%           | 38 427       | 21 921     | 103 644 | 59 018        | 23 115  | 21 393     | 22 207     | 10 530        | 71 113       |
| CRIMES DETECTED AS A RESULT OF POLICE ACTION            |                         |                         |            |                |              |            |         |               |         |            |            |               |              |
| Illegal possession of firearms and ammunition           | 3 597                   | 3 800                   | 203        | 5.6%           | 430          | 124        | 1 085   | 913           | 160     | 212        | 191        | 16            | 669          |
| Drug-related crime                                      | 35 786                  | 41 587                  | 5 801      | 16.2%          | 2 757        | 1 530      | 9 110   | 5 511         | 1 733   | 1 246      | 1 753      | 676           | 17 271       |
| Driving under the influence of alcohol or drugs         | 12 942                  | 13 948                  | 1 006      | 7.8%           | 684          | 780        | 5 784   | 2 179         | 851     | 519        | 771        | 109           | 2 271        |
| Sexual offences detected as a result of police action   | 1 897                   | 2 403                   | 506        | 26.7%          | 5            | 351        | 305     | 546           | 781     | 1          | 407        | 0             | 7            |
| Crime detected as a result of police action             | 54 222                  | 61 738                  | 7 516      | 13.9%          | 3 876        | 2 785      | 16 284  | 9 149         | 3 525   | 1 978      | 3 122      | 801           | 20 218       |
| Kidnapping                                              | 3 550                   | 3 854                   | 304        | 8.6%           | 199          | 118        | 2 068   | 742           | 97      | 202        | 147        | 37            | 244          |

SAPS, 2023

**Table A5.1: GVA Economic Sector, 2012 – 2022**

|                    | 2012        | 2013        | 2014        | 2015        | 2016        | 2017        | 2018        | 2019        | 2020         | 2021        | 2022        |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|
| Agriculture        | 1.8%        | 4.5%        | 10.9%       | -3.6%       | -5.2%       | 19.1%       | 0.5%        | -6.5%       | 17.8%        | 7.4%        | 0.9%        |
| Mining             | -2.9%       | 4.0%        | -1.5%       | 4.8%        | -3.4%       | 2.4%        | -0.8%       | -0.7%       | -12.3%       | 12.0%       | -7.1%       |
| manufacturing      | 2.1%        | 1.0%        | -0.6%       | -0.2%       | 0.4%        | -0.2%       | 1.5%        | -0.7%       | -11.7%       | 6.7%        | -0.4%       |
| Electricity        | -0.4%       | -0.6%       | -1.2%       | -4.6%       | -3.6%       | 0.3%        | 0.9%        | -3.3%       | -5.8%        | 1.9%        | -2.5%       |
| Construction       | 2.6%        | 4.6%        | 1.4%        | 1.0%        | 1.4%        | -5.7%       | -1.5%       | -3.4%       | -17.8%       | -2.0%       | -3.4%       |
| Trade              | 4.0%        | 2.0%        | 1.0%        | 1.1%        | 1.6%        | -1.3%       | 1.0%        | -0.4%       | -12.0%       | 6.2%        | 3.5%        |
| Transport          | 2.4%        | 2.9%        | 2.6%        | 2.4%        | 1.5%        | 1.0%        | 2.9%        | -0.6%       | -15.3%       | 5.0%        | 8.3%        |
| Finance            | 3.0%        | 2.6%        | 2.3%        | 1.7%        | 1.8%        | 2.5%        | 3.5%        | 2.2%        | 0.9%         | 2.5%        | 3.4%        |
| Community services | 2.3%        | 3.0%        | 2.1%        | 1.4%        | 1.5%        | 1.3%        | 1.1%        | 1.3%        | -0.7%        | 3.5%        | 1.7%        |
| <b>GDP Growth</b>  | <b>2.3%</b> | <b>2.5%</b> | <b>1.5%</b> | <b>1.1%</b> | <b>0.8%</b> | <b>1.2%</b> | <b>1.6%</b> | <b>0.2%</b> | <b>-5.5%</b> | <b>4.4%</b> | <b>1.9%</b> |

Source: S&amp;P Global, 2023

**Table A5.2: GVA Economic Sector, 2012 – 2022**

|                                                      | Gross Value Added by Region |                      |                      | Cumulative average annual growth |              |
|------------------------------------------------------|-----------------------------|----------------------|----------------------|----------------------------------|--------------|
|                                                      | 2012                        | 2017                 | 2022                 | 2012 - 2022                      | 2017 - 2022  |
| Agriculture and hunting                              | 76 177 803                  | 97 928 179           | 119 950 414          | 5.2%                             | 5.2%         |
| Forestry and logging                                 | 5 233 098                   | 4 406 926            | 4 762 065            | -1.0%                            | 2.0%         |
| Fishing, operation of fish farms                     | 7 001 841                   | 9 209 974            | 9 130 762            | 3.0%                             | -0.2%        |
| <b>Agriculture</b>                                   | <b>88 412 742</b>           | <b>111 545 080</b>   | <b>133 843 242</b>   | <b>4.7%</b>                      | <b>4.7%</b>  |
| Mining of coal and lignite                           | 41 639 746                  | 41 909 282           | 37 294 626           | -1.2%                            | -2.9%        |
| Mining of gold and uranium ore                       | 40 131 542                  | 34 081 501           | 21 675 878           | -6.6%                            | -10.7%       |
| Mining of metal ores                                 | 113 901 003                 | 129 295 302          | 123 137 314          | 0.9%                             | -1.2%        |
| Other mining and quarrying (incl 22)                 | 16 804 115                  | 20 133 613           | 20 496 755           | 2.2%                             | 0.4%         |
| <b>Mining</b>                                        | <b>212 476 406</b>          | <b>225 419 698</b>   | <b>202 604 572</b>   | <b>-0.5%</b>                     | <b>-2.6%</b> |
| Food, beverages and tobacco products                 | 106 274 946                 | 110 280 277          | 118 113 849          | 1.2%                             | 1.7%         |
| Textiles, clothing and leather goods                 | 23 140 014                  | 22 253 497           | 20 710 512           | -1.2%                            | -1.8%        |
| Wood and wood products                               | 54 130 509                  | 55 720 087           | 48 801 305           | -1.1%                            | -3.3%        |
| Fuel, petroleum, chemical and rubber products        | 122 550 748                 | 124 435 493          | 95 406 825           | -2.7%                            | -6.4%        |
| Other non-metallic mineral products                  | 21 290 077                  | 19 688 282           | 19 371 295           | -1.0%                            | -0.4%        |
| Metal products, machinery and household appliances   | 105 552 129                 | 104 745 284          | 103 146 122          | -0.3%                            | -0.4%        |
| Electrical machinery and apparatus                   | 11 806 681                  | 12 231 491           | 11 748 405           | -0.1%                            | -1.0%        |
| Electronic, sound/vision, medical & other appliances | 6 740 681                   | 8 313 457            | 8 666 954            | 2.8%                             | 1.0%         |
| Transport equipment                                  | 44 241 868                  | 43 030 193           | 44 653 664           | 0.1%                             | 0.9%         |
| Furniture and other items NEC and recycling          | 56 667 113                  | 54 134 593           | 54 151 864           | -0.5%                            | 0.0%         |
| <b>Manufacturing</b>                                 | <b>552 394 766</b>          | <b>554 832 654</b>   | <b>524 770 794</b>   | <b>-0.6%</b>                     | <b>-1.4%</b> |
| Electricity, gas, steam and hot water supply         | 98 446 208                  | 87 955 261           | 76 799 327           | -2.7%                            | -3.3%        |
| Collection, purification and distribution of water   | 23 326 350                  | 22 319 668           | 23 945 967           | 0.3%                             | 1.8%         |
| <b>Electricity</b>                                   | <b>121 772 558</b>          | <b>110 274 929</b>   | <b>100 745 294</b>   | <b>-2.1%</b>                     | <b>-2.2%</b> |
| Construction                                         | 143 770 347                 | 147 076 452          | 108 906 481          | -3.0%                            | -7.2%        |
| Wholesale and commission trade                       | 206 715 565                 | 216 651 963          | 195 502 716          | -0.6%                            | -2.5%        |
| Retail trade and repairs of goods                    | 188 901 388                 | 211 633 375          | 218 382 454          | 1.6%                             | 0.8%         |
| Sale and repairs of motor vehicles, sale of fuel     | 83 031 975                  | 76 199 170           | 81 846 737           | -0.2%                            | 1.8%         |
| Hotels and restaurants                               | 54 304 363                  | 52 222 871           | 46 088 987           | -1.8%                            | -3.1%        |
| <b>Trade</b>                                         | <b>532 953 291</b>          | <b>556 707 379</b>   | <b>541 820 894</b>   | <b>0.2%</b>                      | <b>-0.7%</b> |
| Land and Water transport                             | 160 570 828                 | 170 789 998          | 145 798 711          | -1.1%                            | -3.9%        |
| Air transport and transport supporting activities    | 69 740 123                  | 72 843 030           | 41 018 167           | -5.7%                            | -13.4%       |
| Post and telecommunication                           | 103 017 396                 | 125 947 307          | 177 429 536          | 6.2%                             | 8.9%         |
| <b>Transport</b>                                     | <b>333 328 347</b>          | <b>369 580 335</b>   | <b>364 246 414</b>   | <b>1.0%</b>                      | <b>-0.4%</b> |
| Finance and Insurance                                | 251 280 296                 | 290 218 853          | 324 105 646          | 2.9%                             | 2.8%         |
| Real estate activities                               | 283 653 487                 | 309 966 713          | 322 733 928          | 1.4%                             | 1.0%         |
| Other business activities                            | 328 912 111                 | 361 178 699          | 440 174 135          | 3.3%                             | 5.1%         |
| <b>Finance</b>                                       | <b>863 845 895</b>          | <b>961 364 265</b>   | <b>1 087 013 709</b> | <b>2.6%</b>                      | <b>3.1%</b>  |
| Public administration and defence activities         | 240 748 971                 | 270 500 809          | 272 361 186          | 1.4%                             | 0.2%         |
| Education                                            | 264 595 099                 | 264 679 436          | 294 089 133          | 1.2%                             | 2.7%         |
| Health and social work                               | 287 623 715                 | 328 726 943          | 337 624 882          | 1.8%                             | 0.7%         |
| Other service activities                             | 140 152 226                 | 160 535 215          | 191 668 408          | 3.5%                             | 4.5%         |
| <b>Community services</b>                            | <b>933 120 010</b>          | <b>1 024 442 403</b> | <b>1 095 743 608</b> | <b>1.8%</b>                      | <b>1.7%</b>  |
| <b>Total (Gross Domestic Product - GDP)</b>          | <b>4 197 952 412</b>        | <b>4 501 701 615</b> | <b>4 599 261 389</b> | <b>1.0%</b>                      | <b>0.5%</b>  |

Source: S&amp;P Global, 2023

Table A5.3: GVA Economic Sector by region, 2012 – 2022

|                                                      | Gross Value Added by Region |                    |                    | Cumulative average annual growth |              |
|------------------------------------------------------|-----------------------------|--------------------|--------------------|----------------------------------|--------------|
|                                                      | 2012                        | 2017               | 2022               | 2012 - 2022                      | 2017 - 2022  |
| Agriculture and hunting                              | 22 171 854                  | 31 476 957         | 39 900 740         | 6.7%                             | 6.1%         |
| Forestry and logging                                 | 2 593 284                   | 2 230 598          | 2 455 689          | -0.6%                            | 2.4%         |
| Fishing, operation of fish farms                     | 1 099 485                   | 1 622 357          | 1 720 875          | 5.1%                             | 1.5%         |
| <b>Agriculture</b>                                   | <b>21 915 900</b>           | <b>30 675 297</b>  | <b>35 705 065</b>  | <b>5.6%</b>                      | <b>3.9%</b>  |
| Mining of coal and lignite                           | 2 453 575                   | 2 355 344          | 1 022 651          | -9.3%                            | -18.8%       |
| Mining of gold and uranium ore                       | 100 158                     | 75 685             | 28 799             | -12.9%                           | -21.5%       |
| Mining of metal ores                                 | 4 192 944                   | 4 527 516          | 5 566 319          | 3.2%                             | 5.3%         |
| Other mining and quarrying (incl 22)                 | 966 215                     | 1 551 548          | 1 237 112          | 2.8%                             | -5.5%        |
| <b>Mining</b>                                        | <b>6 945 366</b>            | <b>7 655 024</b>   | <b>5 589 016</b>   | <b>-2.4%</b>                     | <b>-7.6%</b> |
| Food, beverages and tobacco products                 | 22 977 307                  | 23 827 114         | 25 448 913         | 1.1%                             | 1.7%         |
| Textiles, clothing and leather goods                 | 9 164 809                   | 8 890 776          | 8 310 599          | -1.1%                            | -1.7%        |
| Wood and wood products                               | 13 739 868                  | 14 274 853         | 12 502 348         | -1.0%                            | -3.3%        |
| Fuel, petroleum, chemical and rubber products        | 24 932 261                  | 25 256 811         | 19 210 397         | -2.9%                            | -6.6%        |
| Other non-metallic mineral products                  | 2 652 992                   | 2 460 000          | 2 387 041          | -1.2%                            | -0.7%        |
| Metal products, machinery and household appliances   | 18 261 876                  | 18 354 382         | 18 070 036         | -0.1%                            | -0.4%        |
| Electrical machinery and apparatus                   | 2 171 440                   | 2 264 499          | 2 168 150          | 0.0%                             | -1.1%        |
| Electronic, sound/vision, medical & other appliances | 1 043 374                   | 1 295 594          | 1 344 681          | 2.9%                             | 0.9%         |
| Transport equipment                                  | 9 998 160                   | 9 716 451          | 9 961 427          | 0.0%                             | 0.6%         |
| Furniture and other items NEC and recycling          | 10 546 195                  | 10 148 430         | 10 115 326         | -0.5%                            | -0.1%        |
| <b>Manufacturing</b>                                 | <b>104 719 372</b>          | <b>106 002 743</b> | <b>103 317 960</b> | <b>-0.1%</b>                     | <b>-0.6%</b> |
| Electricity, gas, steam and hot water supply         | 14 943 612                  | 14 055 191         | 13 326 252         | -1.3%                            | -1.3%        |
| Collection, purification and distribution of water   | 3 937 822                   | 2 911 907          | 2 637 561          | -4.4%                            | -2.4%        |
| <b>Electricity</b>                                   | <b>19 646 825</b>           | <b>17 780 150</b>  | <b>16 381 210</b>  | <b>-2.0%</b>                     | <b>-2.0%</b> |
| <b>Construction</b>                                  | <b>27 569 362</b>           | <b>28 540 051</b>  | <b>20 542 642</b>  | <b>-3.2%</b>                     | <b>-7.9%</b> |
| Wholesale and commission trade                       | 29 981 151                  | 30 519 723         | 27 187 749         | -1.1%                            | -2.8%        |
| Retail trade and repairs of goods                    | 33 429 175                  | 37 904 597         | 39 235 013         | 1.8%                             | 0.9%         |
| Sale and repairs of motor vehicles, sale of fuel     | 14 937 417                  | 13 927 638         | 15 031 118         | 0.1%                             | 1.9%         |
| Hotels and restaurants                               | 9 857 610                   | 9 798 050          | 8 796 019          | -1.3%                            | -2.7%        |
| <b>Trade</b>                                         | <b>86 066 334</b>           | <b>89 842 061</b>  | <b>90 232 982</b>  | <b>0.5%</b>                      | <b>0.1%</b>  |
| Land and Water transport                             | 42 283 825                  | 46 046 965         | 40 826 424         | -0.4%                            | -3.0%        |
| Air transport and transport supporting activities    | 12 227 259                  | 12 828 158         | 7 386 311          | -5.4%                            | -12.9%       |
| Post and telecommunication                           | 15 687 744                  | 19 321 237         | 28 426 319         | 6.8%                             | 10.1%        |
| <b>Transport</b>                                     | <b>67 988 669</b>           | <b>75 687 864</b>  | <b>68 541 078</b>  | <b>0.1%</b>                      | <b>-2.4%</b> |
| Finance and Insurance                                | 29 449 190                  | 33 860 308         | 36 402 828         | 2.4%                             | 1.8%         |
| Real estate activities                               | 41 339 236                  | 45 813 480         | 51 825 228         | 2.5%                             | 3.1%         |
| Other business activities                            | 44 928 378                  | 48 980 522         | 57 565 103         | 2.8%                             | 4.1%         |
| <b>Finance</b>                                       | <b>111 379 981</b>          | <b>124 511 905</b> | <b>141 198 092</b> | <b>2.7%</b>                      | <b>3.2%</b>  |
| Public administration and defence activities         | 29 109 422                  | 32 839 479         | 32 246 866         | 1.1%                             | -0.5%        |
| Education                                            | 46 660 744                  | 47 397 091         | 51 744 052         | 1.2%                             | 2.2%         |
| Health and social work                               | 47 845 115                  | 55 619 739         | 55 952 723         | 1.8%                             | 0.1%         |
| Other service activities                             | 19 825 308                  | 23 742 361         | 27 961 502         | 3.9%                             | 4.2%         |
| <b>Community services</b>                            | <b>174 769 572</b>          | <b>192 959 076</b> | <b>210 547 733</b> | <b>2.1%</b>                      | <b>2.2%</b>  |
| <b>Total (Gross Domestic Product - GDP)</b>          | <b>677 157 626</b>          | <b>732 750 142</b> | <b>747 896 080</b> | <b>1.1%</b>                      | <b>0.5%</b>  |

Source: S&amp;P Global, 2023

Table A5.4: GVA Economic Sector by region, 2012 – 2022

|                    | 2012        | 2013        | 2014        | 2015        | 2016        | 2017        | 2018        | 2019        | 2020         | 2021        | 2022        |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|
| Agriculture        | 2.4%        | 5.0%        | 12.7%       | -3.1%       | -6.4%       | 30.3%       | 0.1%        | -6.0%       | 14.1%        | 9.4%        | -0.9%       |
| Mining             | 2.5%        | 4.3%        | 8.3%        | -2.9%       | -0.2%       | 0.7%        | -1.4%       | -0.7%       | -16.2%       | 3.1%        | -13.7%      |
| manufacturing      | 2.1%        | 1.2%        | -0.2%       | -0.1%       | 0.4%        | -0.1%       | 1.4%        | -0.8%       | -9.4%        | 7.9%        | -0.8%       |
| Electricity        | 0.1%        | -0.2%       | -1.9%       | -4.6%       | -3.9%       | 0.8%        | 1.0%        | -3.3%       | -4.6%        | 1.0%        | -2.1%       |
| Construction       | 2.7%        | 5.3%        | 1.4%        | 1.2%        | 1.6%        | -5.8%       | -2.7%       | -3.7%       | -17.0%       | -2.2%       | -3.9%       |
| Trade              | 3.8%        | 1.5%        | 1.1%        | 1.7%        | 1.8%        | -1.8%       | 1.0%        | -0.2%       | -9.4%        | 8.2%        | 1.6%        |
| Transport          | 2.7%        | 3.0%        | 2.4%        | 2.6%        | 1.8%        | 1.1%        | 3.0%        | -0.4%       | -9.9%        | -1.9%       | -0.2%       |
| Finance            | 2.0%        | 2.6%        | 2.6%        | 2.2%        | 1.4%        | 2.5%        | 3.6%        | 2.2%        | 0.4%         | 3.3%        | 3.2%        |
| Community services | 2.8%        | 3.3%        | 2.5%        | 1.3%        | 1.5%        | 1.3%        | 1.0%        | 1.4%        | -0.2%        | 4.4%        | 2.2%        |
| <b>GDP Growth</b>  | <b>2.7%</b> | <b>2.6%</b> | <b>2.0%</b> | <b>1.2%</b> | <b>0.8%</b> | <b>1.6%</b> | <b>1.5%</b> | <b>0.2%</b> | <b>-4.7%</b> | <b>4.7%</b> | <b>1.1%</b> |

Source: S&amp;P Global, 2023

**Table A7.1: Labour force indicators, 2012 - 2023**

|                                 | Labour force characteristics |        |                     |                                                   |                                                   |              |              |              |                   |                     |
|---------------------------------|------------------------------|--------|---------------------|---------------------------------------------------|---------------------------------------------------|--------------|--------------|--------------|-------------------|---------------------|
|                                 | 2012                         | 2017   | 2022                | Cumulative average annual growth rate 2012 - 2022 | Cumulative average annual growth rate 2017 - 2022 | Apr-Jun 2022 | Jan-Mar 2023 | Apr-Jun 2023 | Qtr-to-qtr change | Year-on-year change |
|                                 | Thousands                    |        |                     |                                                   |                                                   | Thousands    |              |              | Per cent          |                     |
| Working Age Population          | 34 450                       | 37 027 | 40 032              | 1.7%                                              | 2.0%                                              | 40 177       | 40 604       | 40 746       | 0.3               | 1.4                 |
| Labour Force                    | 18 697                       | 22 025 | 23 084              | 2.4%                                              | 1.2%                                              | 23 556       | 24 125       | 24 268       | 0.6               | 3.0                 |
| Employment                      | 13 995                       | 16 031 | 15 272              | 1.0%                                              | -1.2%                                             | 15 562       | 16 192       | 16 346       | 1.0               | 5.0                 |
| Unemployment                    | 4 701                        | 5 994  | 7 811               | 5.8%                                              | 6.8%                                              | 7 994        | 7 933        | 7 921        | -0.1              | -0.9                |
| Not Economically Active         | 15 753                       | 15 002 | 16 948              | 0.8%                                              | 3.1%                                              | 16 621       | 16 479       | 16 478       | 0.0               | -0.9                |
| Discouraged work seekers        | 2 486                        | 2 434  | 3 559               | 4.1%                                              | 10.0%                                             | 3 568        | 3 276        | 3 182        | -2.9              | -10.8               |
| Rates (%)                       |                              |        | Change: 2012 - 2022 |                                                   | 2017 - 2022                                       |              |              |              |                   |                     |
| Unemployment Rate               | 25.1%                        | 27.2%  | 33.8%               | 8.7%                                              | 6.6%                                              | 33.9%        | 32.9%        | 32.6%        | -0.3              | -1.3                |
| Labour absorption rate          | 40.6%                        | 43.3%  | 38.2%               | -2.5%                                             | -5.1%                                             | 38.7%        | 39.9%        | 40.1%        | 0.2               | 1.4                 |
| Labour force participation rate | 54.3%                        | 59.5%  | 57.7%               | 3.4%                                              | -1.8%                                             | 58.6%        | 59.4%        | 59.6%        | 0.2               | 1.0                 |

Source: S&amp;P Global, 2023

**Table A7.2: Labour force indicators, 2012, 2017 and 2022**

|                                 | Labour force characteristics |       |       |                                                      |                                                      |              |              |              |                   |                     |
|---------------------------------|------------------------------|-------|-------|------------------------------------------------------|------------------------------------------------------|--------------|--------------|--------------|-------------------|---------------------|
|                                 | 2012                         | 2017  | 2022  | Cumulative average annual growth rate<br>2012 - 2022 | Cumulative average annual growth rate<br>2017 - 2022 | Apr-Jun 2022 | Jan-Mar 2023 | Apr-Jun 2023 | Qtr-to-qtr change | Year-on-year change |
|                                 | Thousands                    |       |       |                                                      |                                                      | Thousand     |              |              | Per cent          |                     |
| Working Age Population          | 6 757                        | 7 134 | 7 642 | 1.4%                                                 | 1.7%                                                 | 7 424        | 7 503        | 7 529        | 0.4               | 1.4                 |
| Labour Force                    | 3 066                        | 3 499 | 3 724 | 2.2%                                                 | 1.6%                                                 | 3 688        | 3 757        | 3 829        | 1.9               | 3.8                 |
| Employment                      | 2 404                        | 2 649 | 2 540 | 0.6%                                                 | -1.0%                                                | 2 481        | 2 594        | 2 642        | 1.8               | 6.5                 |
| Unemployment                    | 649                          | 835   | 1 172 | 6.8%                                                 | 8.8%                                                 | 1 207        | 1 162        | 1 187        | 2.1               | -1.7                |
| Not Economically Active         | 3 691                        | 3 635 | 3 918 | 0.7%                                                 | 1.9%                                                 | 3 735        | 3 746        | 3 701        | -1.2              | -0.9                |
| Discouraged work seekers        | 614                          | 717   | 1 009 | 5.7%                                                 | 8.9%                                                 | 1 070        | 976          | 927          | -5.0              | -13.4               |
| Rates (%)                       |                              |       |       | Change: 2012 - 2022                                  | 2017 - 2022                                          |              |              |              |                   |                     |
| Unemployment Rate               | 21.2%                        | 23.9% | 31.5% | 10.3%                                                | 7.6%                                                 | 32.7%        | 30.9%        | 31.0%        | 0.1               | -1.7                |
| Labour absorption rate          | 35.8%                        | 37.3% | 33.4% | -2.4%                                                | -3.9%                                                | 33.4%        | 34.6%        | 35.1%        | 0.5               | 1.7                 |
| Labour force participation rate | 45.4%                        | 49.0% | 48.7% | 3.4%                                                 | -0.3%                                                | 49.7%        | 50.1%        | 50.9%        | 0.8               | 1.2                 |

Source: S&amp;P Global, 2023

**Table A7.3b: Districts' employment growth across economic sectors, 2012 – 2022**

|                    | Cumulative average annual growth |             |             |             |              |             |                |             |             |             |             |             |
|--------------------|----------------------------------|-------------|-------------|-------------|--------------|-------------|----------------|-------------|-------------|-------------|-------------|-------------|
|                    | Amajuba                          |             | Zululand    |             | uMkhanyakude |             | King Cetshwayo |             | iLembe      |             | Harry Gwala |             |
|                    | 2012 - 2022                      | 2017 - 2022 | 2012 - 2022 | 2017 - 2022 | 2012 - 2022  | 2017 - 2022 | 2012 - 2022    | 2017 - 2022 | 2012 - 2022 | 2017 - 2022 | 2012 - 2022 | 2017 - 2022 |
| Agriculture        | 2.8%                             | -1.1%       | 0.9%        | -4.9%       | 2.3%         | -1.9%       | 1.2%           | -4.1%       | 3.0%        | -2.0%       | 2.0%        | -2.4%       |
| Mining             | -5.4%                            | -3.3%       | 0.1%        | -0.9%       | -6.0%        | -23.3%      | 1.2%           | -1.4%       | 3.2%        | 1.1%        | 0.7%        | -2.3%       |
| Manufacturing      | -2.1%                            | -4.0%       | -3.5%       | -7.6%       | -3.2%        | -6.1%       | -3.8%          | -7.1%       | -2.2%       | -5.1%       | -3.4%       | -7.7%       |
| Electricity        | -2.8%                            | -4.3%       | -4.3%       | -6.8%       | -4.9%        | -6.7%       | -3.6%          | -5.2%       | -3.2%       | -4.6%       | -2.8%       | -4.1%       |
| Construction       | -0.2%                            | -0.4%       | -0.9%       | -3.6%       | 0.2%         | -0.9%       | -1.4%          | -3.1%       | 0.7%        | -0.8%       | 0.3%        | -1.4%       |
| Trade              | 0.3%                             | -1.5%       | -1.0%       | -4.2%       | -0.4%        | -2.0%       | -1.2%          | -4.1%       | 0.1%        | -2.1%       | -0.3%       | -2.7%       |
| Transport          | -1.0%                            | -1.5%       | -2.3%       | -5.0%       | -1.3%        | -2.3%       | -3.1%          | -5.0%       | -1.2%       | -2.3%       | -0.9%       | -2.0%       |
| Finance            | 0.8%                             | -2.0%       | 1.1%        | -1.5%       | 0.3%         | -2.8%       | -0.7%          | -4.6%       | 0.7%        | -2.6%       | 0.8%        | -2.3%       |
| Community services | 1.3%                             | -2.3%       | 0.1%        | -4.9%       | 1.0%         | -2.4%       | -0.4%          | -4.8%       | 1.1%        | -2.9%       | 0.9%        | -3.3%       |
| Households         | -1.4%                            | -5.6%       | -0.5%       | -4.3%       | -0.8%        | -6.0%       | -2.1%          | -6.7%       | -0.6%       | -4.9%       | -0.6%       | -4.8%       |

Source: S&amp;P Global, 2023

**Table A7.4a: Districts' informal employment growth across economic sectors; 2012 – 2022 and 2017 – 2022**

|                    | Cumulative average annual growth |             |             |             |               |             |             |             |             |             |
|--------------------|----------------------------------|-------------|-------------|-------------|---------------|-------------|-------------|-------------|-------------|-------------|
|                    | eThekweni                        |             | Ugu         |             | uMgungundlovu |             | uThukela    |             | uMzinyathi  |             |
|                    | 2012 - 2022                      | 2017 - 2022 | 2012 - 2022 | 2017 - 2022 | 2012 - 2022   | 2017 - 2022 | 2012 - 2022 | 2017 - 2022 | 2012 - 2022 | 2017 - 2022 |
| Manufacturing      | -2.9%                            | -6.2%       | -4.7%       | -10.7%      | -4.8%         | -10.6%      | -4.8%       | -11.0%      | -5.7%       | -13.1%      |
| Construction       | 5.1%                             | 5.0%        | 2.5%        | -0.9%       | 2.5%          | -0.4%       | 2.8%        | -0.4%       | 1.0%        | -4.1%       |
| Trade              | -0.2%                            | 3.5%        | -2.3%       | -2.3%       | -2.1%         | -1.6%       | -2.0%       | -1.8%       | -3.3%       | -5.0%       |
| Transport          | 2.3%                             | 4.0%        | 1.4%        | 1.0%        | 1.0%          | 0.6%        | 0.5%        | -0.7%       | -0.8%       | -3.6%       |
| Finance            | 7.1%                             | 9.1%        | 3.4%        | 1.2%        | 4.3%          | 2.8%        | 6.6%        | 7.2%        | 13.3%       | 22.7%       |
| Community services | 6.0%                             | 2.7%        | 3.4%        | -3.0%       | 3.6%          | -2.6%       | 3.6%        | -2.6%       | 1.8%        | -6.3%       |

Source: S&amp;P Global, 2023

**Table A7.4b: Districts' informal employment growth across economic sectors; 2012 – 2022 and 2017 – 2022**

|                    | Cumulative average annual growth |             |             |             |              |             |                |             |             |             |             |             |
|--------------------|----------------------------------|-------------|-------------|-------------|--------------|-------------|----------------|-------------|-------------|-------------|-------------|-------------|
|                    | Amajuba                          |             | Zululand    |             | uMkhanyakude |             | King Cetshwayo |             | iLembe      |             | Harry Gwala |             |
|                    | 2012 - 2022                      | 2017 - 2022 | 2012 - 2022 | 2017 - 2022 | 2012 - 2022  | 2017 - 2022 | 2012 - 2022    | 2017 - 2022 | 2012 - 2022 | 2017 - 2022 | 2012 - 2022 | 2017 - 2022 |
| Manufacturing      | -4.6%                            | -9.9%       | -5.8%       | -13.3%      | -3.9%        | -9.6%       | -6.0%          | -12.7%      | -4.5%       | -10.3%      | -4.6%       | -10.8%      |
| Construction       | 2.5%                             | -0.1%       | 1.3%        | -3.6%       | 2.8%         | -0.5%       | 1.2%           | -2.7%       | 2.7%        | -0.5%       | 2.5%        | -1.0%       |
| Trade              | -2.0%                            | -1.2%       | -2.9%       | -4.5%       | -1.9%        | -2.0%       | -3.4%          | -3.9%       | -2.1%       | -2.0%       | -2.3%       | -2.6%       |
| Transport          | 0.7%                             | 0.6%        | -1.1%       | -4.0%       | 0.5%         | -0.8%       | -1.5%          | -3.9%       | 0.6%        | -0.3%       | 1.3%        | 0.6%        |
| Finance            | 3.8%                             | 0.7%        | 9.8%        | 15.1%       | 2.8%         | -0.9%       | 3.0%           | -0.1%       | 3.0%        | 0.2%        | 5.2%        | 3.8%        |
| Community services | 3.3%                             | -2.5%       | 2.1%        | -5.8%       | 3.8%         | -2.6%       | 2.1%           | -4.8%       | 3.4%        | -2.8%       | 3.3%        | -3.3%       |

Source: S&amp;P Global, 2023

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