

SERO HIGHLIGHTS


KWAZULU-NATAL PROVINCE
TREASURY
REPUBLIC OF SOUTH AFRICA

ECONOMIC REVIEW AND OUTLOOK

MACROECONOMIC OUTLOOK - SUMMARY

	GDP growth rate			Consumer price inflation	Unemployment rate
	2025	2026	2027		
	Estimate	Forecast			
South Africa	1.2%	1.4%	1.9%	3.3%	33.2%
KwaZulu-Natal	1.4%	2.1%	2.3%	3.8%	32.3%
SA and KZN: Average unemployment rate over three quarters					

- The national economy is expected to see gradual and moderate growth in the coming years, with a projected increase of 1.2% in 2025, followed by 1.4% in 2026, and reaching 1.9% in 2027.
- The outlook for economic activity is further supported by, among others, the expected improvement in energy supply, which should help reduce some of the constraints that have traditionally limited economic performance.
- The real GDP-R for KZN is expected to increase modestly, with projections indicating a 1.4% rise in 2025. After this initial recovery, the growth rate is anticipated to gain further momentum, reaching 2.1% in 2026 and increasing to 2.3% in 2027.
- These anticipated increases indicate a gradual strengthening of the provincial economy, supported by ongoing improvements in infrastructure and other critical sectors.

PROVINCIAL EQUITABLE SHARE (PES)

KZN's weighted average share has been unstable over time, as shown by consecutive declines to 20.2% and 20.1% during the past two Medium Term Expenditure Framework (MTEF) periods. However, in the 2025/26 financial year, the weighted average share for KZN increased slightly to 20.4%. The PES is made up of six components: Education, Health, Basic share, Institutional component, Poverty Component and Economic Activity component.

The main contributing components to the improvement in the average weighted share of the PES are:

- The **Education component**, which makes up 48% of the PES, increased slightly by 0.2 percentage points, from 21.2% in 2024/25 to 21.4% in the 2025/2026 MTEF. This positive adjustment was due to a slight increase in the number of school-going age children in KZN, from 3.047 million in 2023 to 3.154 million in 2024.
- The **Health component** (27%) experienced a slight decrease from 20.7% in 2023/2024 to 20.6% in 2024/2025. However, during the 2025/26 MTEF period, KZN's weighted share for the health component rose marginally to 21%.

DEMOGRAPHIC PROFILE

- Children and youth collectively represent an estimated 63% of the total KZN population, compared to the national average of 59.1%.
- About 28.7% of KZN's population are children aged between 00 and 14, while 34.3% of the youth population are between the ages of 15 and 34.
- Therefore, prioritizing quality and inclusive education and healthcare from early childhood to school-going age is vital in ensuring that these age groups (children and youth) contribute to the mainstream economy in the medium to long term.

POVERTY

- Poverty remains a complex phenomenon in SA, despite the country being the most developed in Africa.
- The World Bank (2025) states that poverty in SA is expected to remain at 63.5% based on the upper-middle-income poverty line.
- KZN experienced a significant increase in poverty, rising by 15.5 percentage points from 57.2% in 2023 to 72.7% in 2024.