From manufacturing to finance: implications for local economic growth

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Introduction

- Uneven spatial development
  - 65% of GDP generated in three areas in South Africa
  - Spatially concentrated inequalities
    - Poverty and unemployment
    - East vs West and metropolitan vs non-urban
- Global declining growth rates
- Changes in GDP output
Objectives and Layout

• Identify
  • Local economies with high unemployment over time
  • Structural breaks in local economies
  • Trends in economic growth rates

• Data sources
  • Census 1991 to 2011
  • IHS Global Insight

• Some discussion

• Recommendations
National picture
Persistent high unemployment

- Census data from 1991 to 2011 for municipalities
- Modifiable Area Unit Problem (MAUP)
  - Aggregated data to common boundary
- Combined unemployment ranking
- High rankings (worst off) in rural parts of Eastern Cape, KwaZulu-Natal and Limpopo
- Low rankings in Western Cape, Northern Cape and Gauteng
- Johannesburg and Durban metro in middle category
Unemployment ranking 1991-2011

Legend
- Combined ranking
  - 0 - 50
  - 51 - 100
  - 101 - 150
  - 151 - 200
  - 201 - 257
- Major centres
- Provinces

Map showing the unemployment ranking in South Africa from 1991 to 2011, with different colors representing the ranking ranges.
Sectoral trends

• Strong decline in agriculture and mining
• Strong increase in finance
• Decreases in manufacturing, transport, electricity and construction
• Tress index
  • 100 = one economic sector makes up the whole GVA
  • 0 = all economic sectors contribute equally to GVA
• Municipalities closer to 100 – more vulnerable to economic shocks
Annual growth rates

• In decline since 2007
• Limpopo – free fall since 1997
• Eastern Cape steady after 2007
• Unemployment changes since 1991
  • Increased in all metros, most municipalities
  • Decreased in West Coast, some KZN municipalities, Eastern Cape around Baviaans area, Midvaal in Gauteng
• Economic growth ≠ employment creation
Provincial growth rates

![Provincial growth rates graph]

- Eastern Cape
- Free State
- Gauteng
- KwaZulu-Natal
- Limpopo
- Mpumalanga
- Northern Cape
- North West
- Western Cape


Growing rates range from -4.0 to 10.0.
Comparison of rates

- GDP growth
- Unemployment rate
Percentage with no schooling

- Western Cape
- Eastern Cape
- Northern Cape
- Free State
- North West
- Gauteng
- Mpumalanga
- Limpopo
- KwaZulu-Natal

## Buffalo City

<table>
<thead>
<tr>
<th>Year</th>
<th>% Manufacturing</th>
<th>% Finance</th>
<th>% Community</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>12.9</td>
<td>4.9</td>
<td>27.5</td>
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<tr>
<td>2007</td>
<td>19.8</td>
<td>26.5</td>
<td>22.7</td>
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<tr>
<td>2011</td>
<td>14.6</td>
<td>25.2</td>
<td>30.2</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>Growth rate</th>
<th>Unemployment rate</th>
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<tbody>
<tr>
<td>1991</td>
<td>1.9</td>
<td>24.4</td>
</tr>
<tr>
<td>1997</td>
<td>4.7</td>
<td>15.6</td>
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<tr>
<td>2001</td>
<td>-1.1</td>
<td>53.1</td>
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<tr>
<td>2007</td>
<td>7.4</td>
<td>38.8</td>
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<tr>
<td>2011</td>
<td>3.5</td>
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</tbody>
</table>
Buffalo City, Eastern Cape

Source: IHS Global Insight Regional eXplorer
Location quotient

Source: IHS Global Insight Regional eXplorer
Counter cyclical trends (1)

• Nationally
  • Agriculture, manufacturing and transport decreased
  • Finance and trade increased

• Metropolitan areas
  • 50% experienced structural breaks
  • Cape Town, Johannesburg, Ekurhuleni, Buffalo City, Msunduzi

• Non-metro municipalities
  • Central parts of Eastern Cape – high employment in agriculture and community
  • Central part of Limpopo – increase in mining
Counter cyclical trends (2)

- Municipalities
  - Increase in rural population
    - Central parts of Eastern Cape
    - Central part of Limpopo
    - Pretoria and Msunduzi
Conclusion (1)

• **Changing economic landscape**
  • Declining growth rates
  • Decline in people employed in agriculture and mining

• **Challenges**
  • Skills mismatch
  • Stagnant local economies
  • Increased unemployment
  • Geographic mobility does not necessarily reduce regional disparities
Conclusion (2)

- **Responsibilities**
  - Policies - bring jobs to depressed areas
  - Tax concessions and methods to support to local economic development
  - Stimulate growth according to specific strengths
    - Tourism, green economy, creative industry
  - Improve education