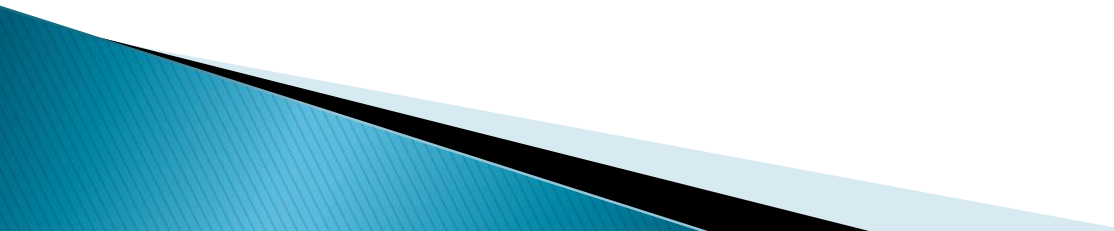


Economic growth potential of the Northern Cape

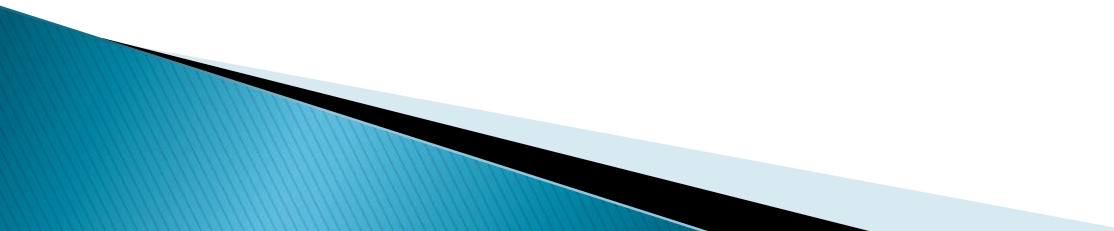
Jaco Mostert

Northern Cape Department of Economic Development
and Tourism

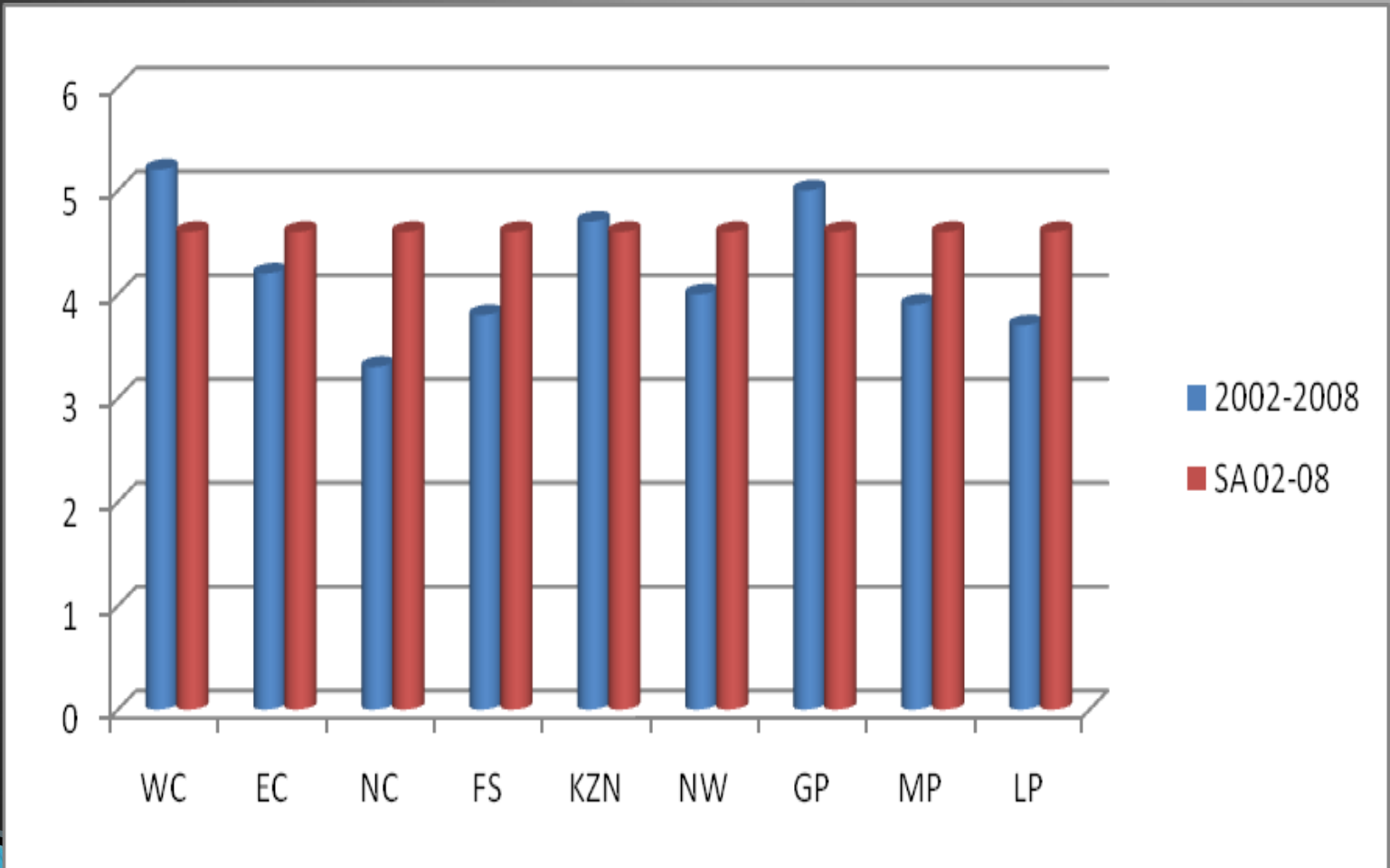
Purpose

- ▶ To present the study on the growth potential of the province
 - ▶ To evaluate the levels of unemployment and poverty in the Northern Cape
- 

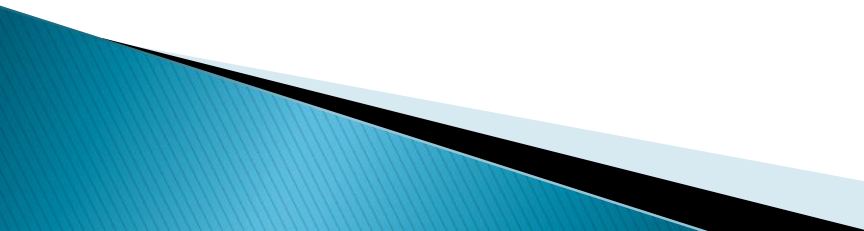
Overview

- ▶ Growth potential of the National Economy
 - ▶ Growth potential of the Northern Cape economy
 - ▶ Growth and unemployment
 - ▶ Poverty
 - ▶ Conclusion
- 

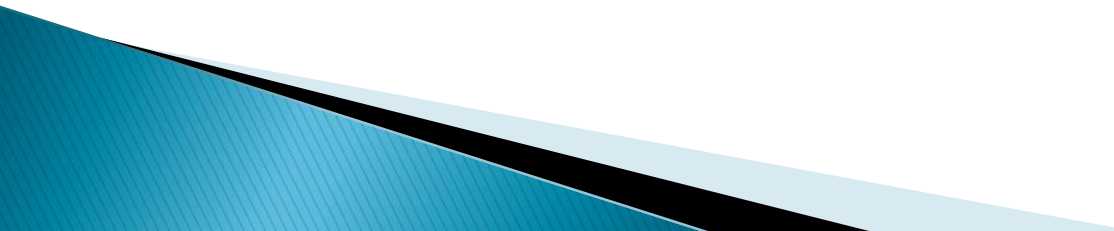
South Africa vs Northern Cape



South Africa vs NC

- ▶ South Africa average 4,5% 2002 – 2008
 - ▶ Northern Cape 3,2%
 - ▶ Northern Cape grows at slower rate than national economy
 - ▶ The assumption could be made that the potential growth rate of the national economy will also be the theoretical growth ceiling for the Northern Cape economy
- 

Growth potential of the national economy

- ▶ Difficult to determine growth potential on provincial level – monetary and fiscal policy, exchange rates, Balance of Payments as growth constraint.
 - ▶ Bruggemans – 2,5–3,5%
- 

South Africa-1960 - 2008

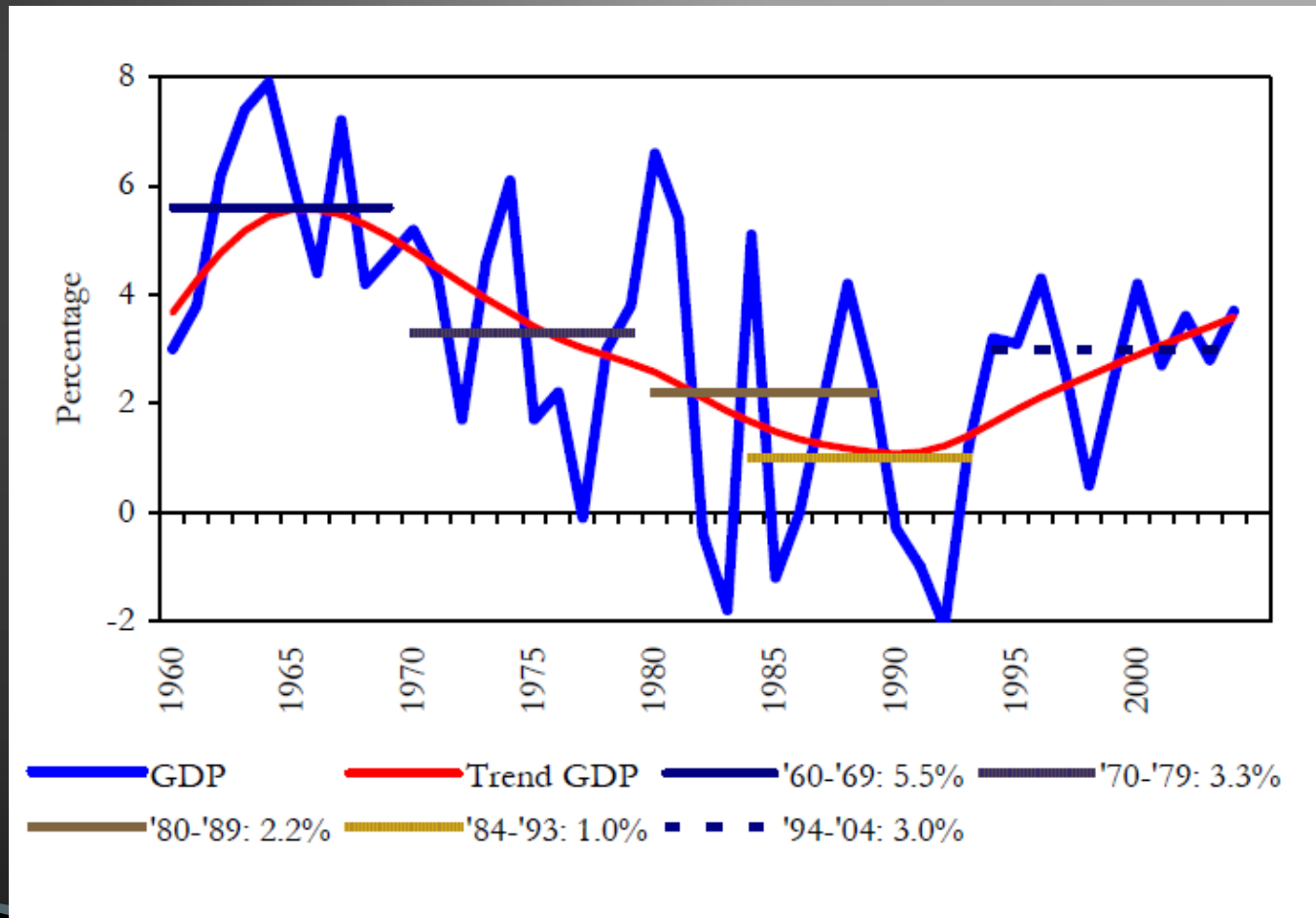
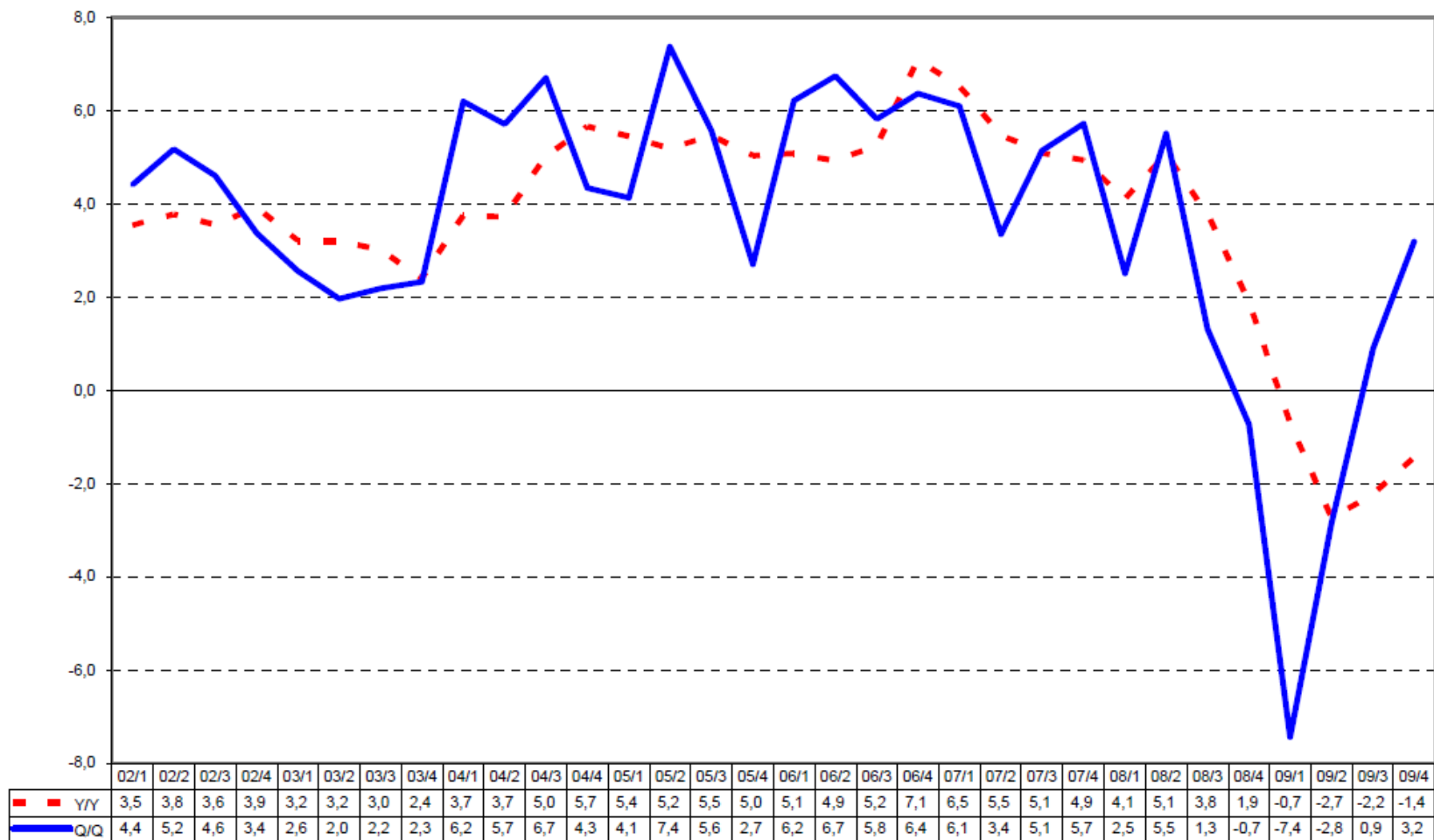


Figure 1 – Growth in gross domestic product year-on-year (Y/Y) and quarter-on-quarter seasonally adjusted and annualised (Q/Q)



Growth performance

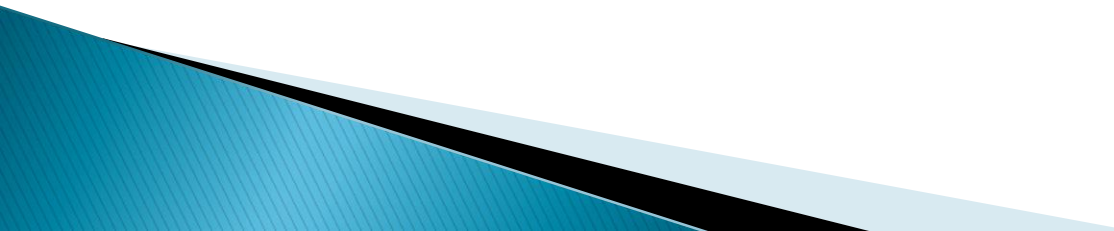
- ▶ On average around 3%
 - ▶ Due to recession also 3% in 2010
 - ▶ Du Toit– 4,1% sustainable growth rate on national level
 - ▶ Higher growth lead to constraints eg Balance of Payment and inflation
- 

Figure 1 Consumer price inflation: Targeted inflation*

Percentage change over 12 months

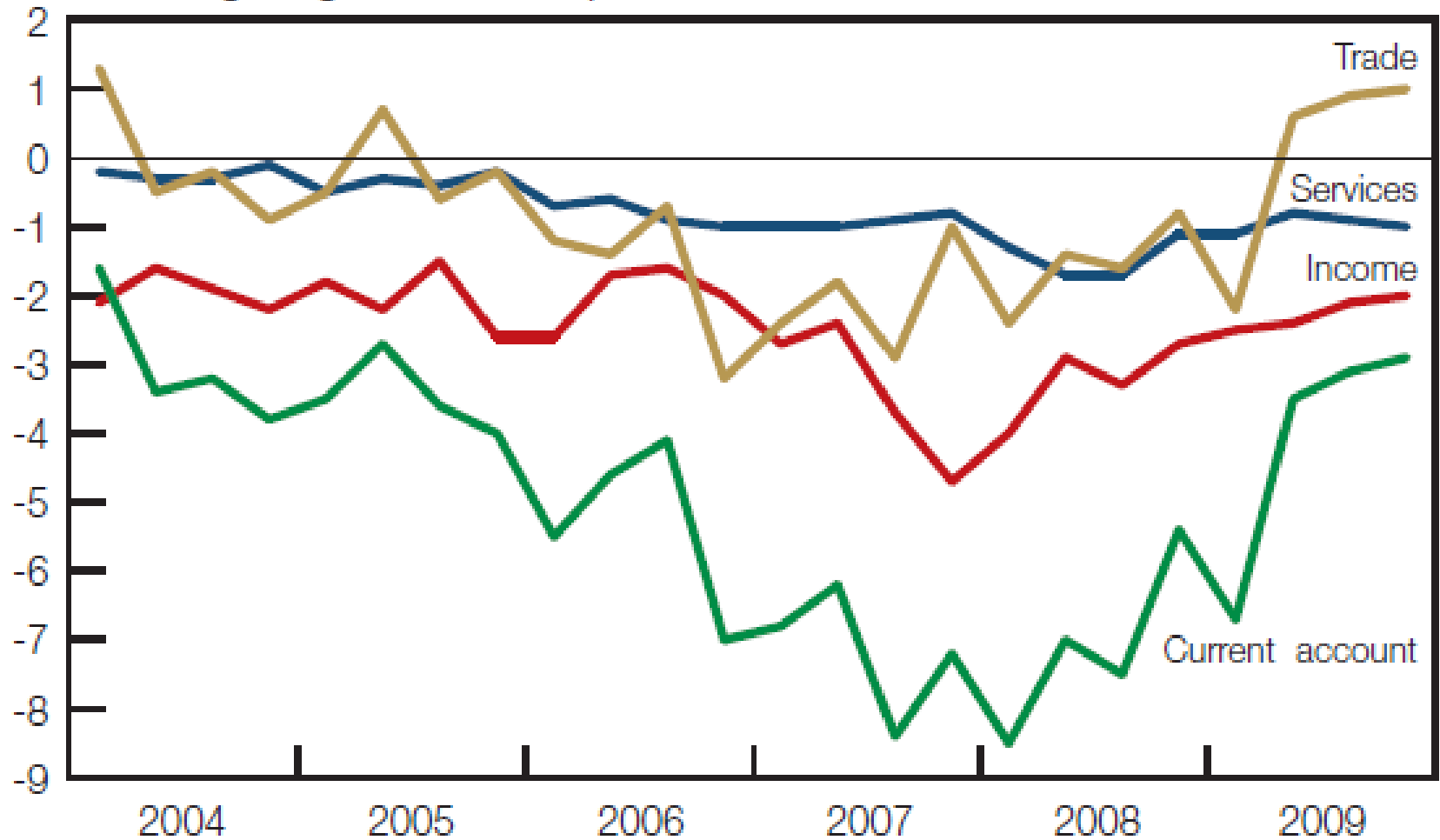


* CPIX for metropolitan and other urban areas until the end of 2008; CPI for all urban areas thereafter

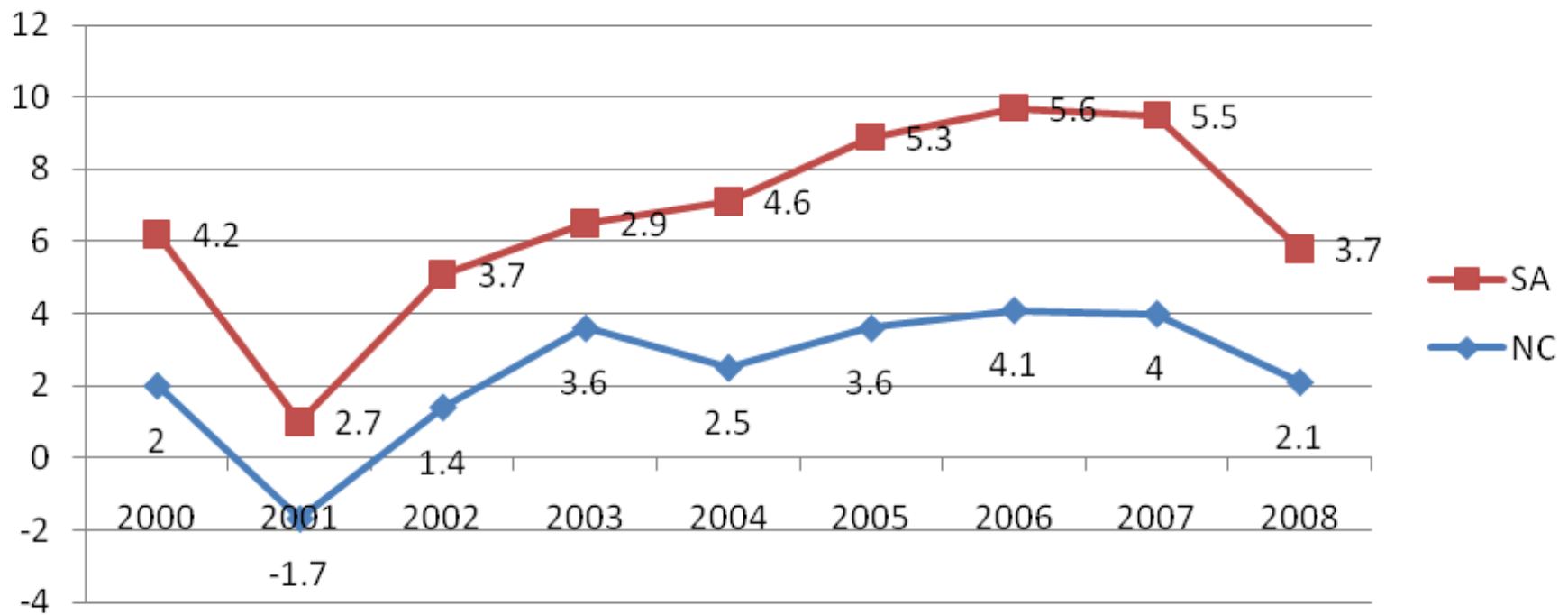
Source: Statistics South Africa

Selected components of the balance on current account

Percentage of gross domestic product



Economic Growth



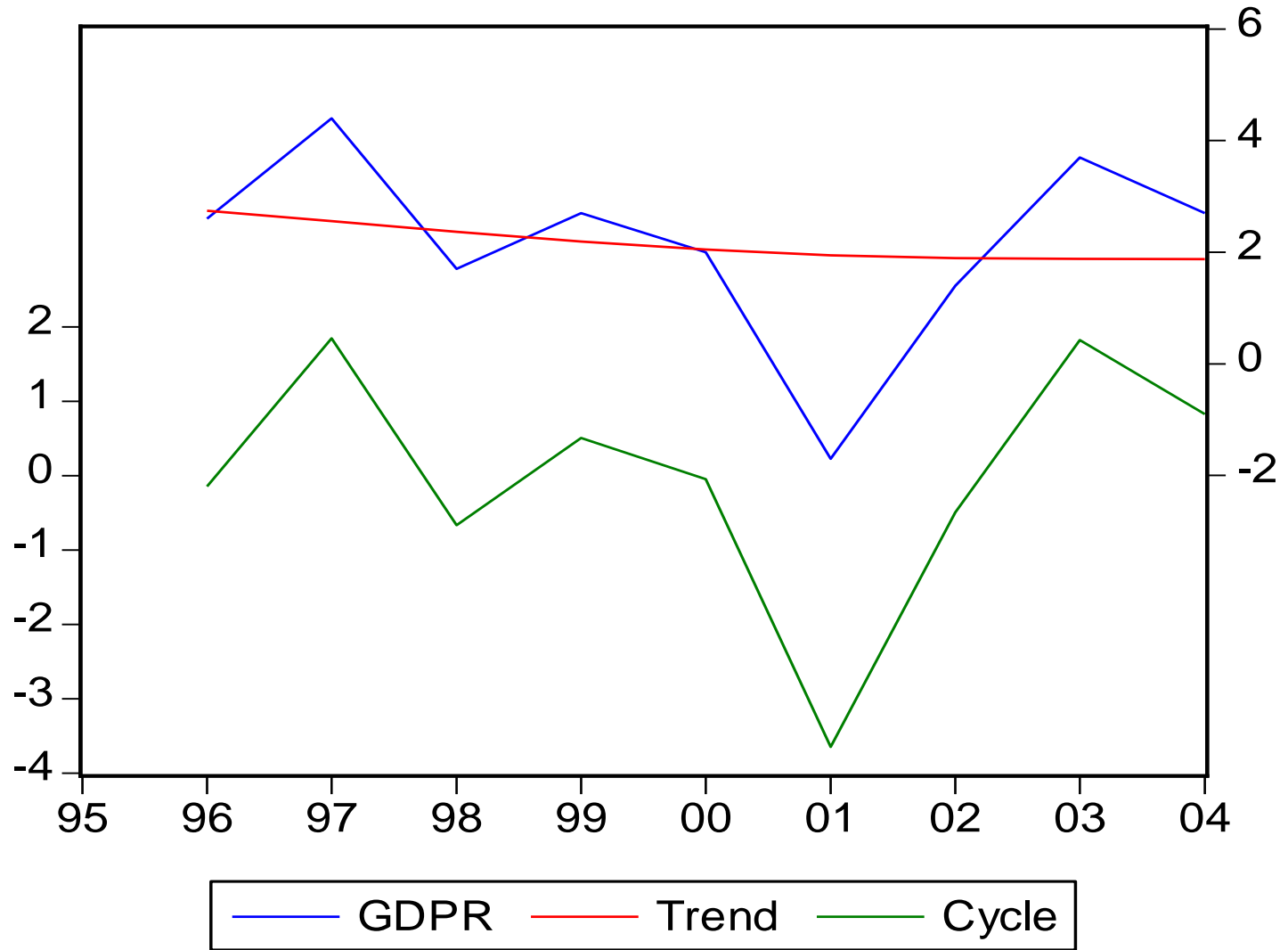
Sector contributions

	% Change			% Contribution	
	2006	2007	2008	2007	2008
	2	-0.3	-2.8	33.4	35.5
	-14.4	3.8	9.8	8.1	7.9
	6.6	-1.2	-5.7	25.3	27.6
	4.5	6.3	4.2	6	5.9
	6.5	5.2	3.9	2.5	2.4
	-0.4	3.4	1.2	2.0	1.9
	6.9	13.1	9.2	1.6	1.7
	4.4	5.5	4.3	49.4	49.1
				10.8	11.2
	4.1	4.9	1		
	3.9	6.4	4.1	7.3	7.3
				13.2	12.5
	5	6.4	7.6		
	6.4	6	4.1	7.7	7.0
	2.9	4	4.3	10.4	11.2
	3.6	3.6	2	88.9	90.6
				11.1	9.4
	8.5	6.9	2.4		
	4.1	4	2.1	100	100

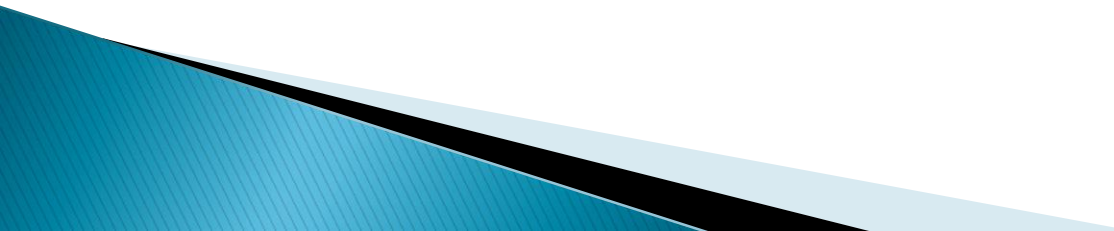
Hodrick–Prescott filter

- The Hodrick–Prescott filter is a mathematical tool used in macroeconomics, especially in real business cycle theory to separate the cyclical component of a time series from raw data. It is used to obtain a smoothed non-linear representation of a time series, one that is more sensitive to long-term than to short-term fluctuations. It decomposes the growth trend into a long term stable growth rate and a short term cycle short term trends.

Hodrick-Prescott Filter (lambda=100)



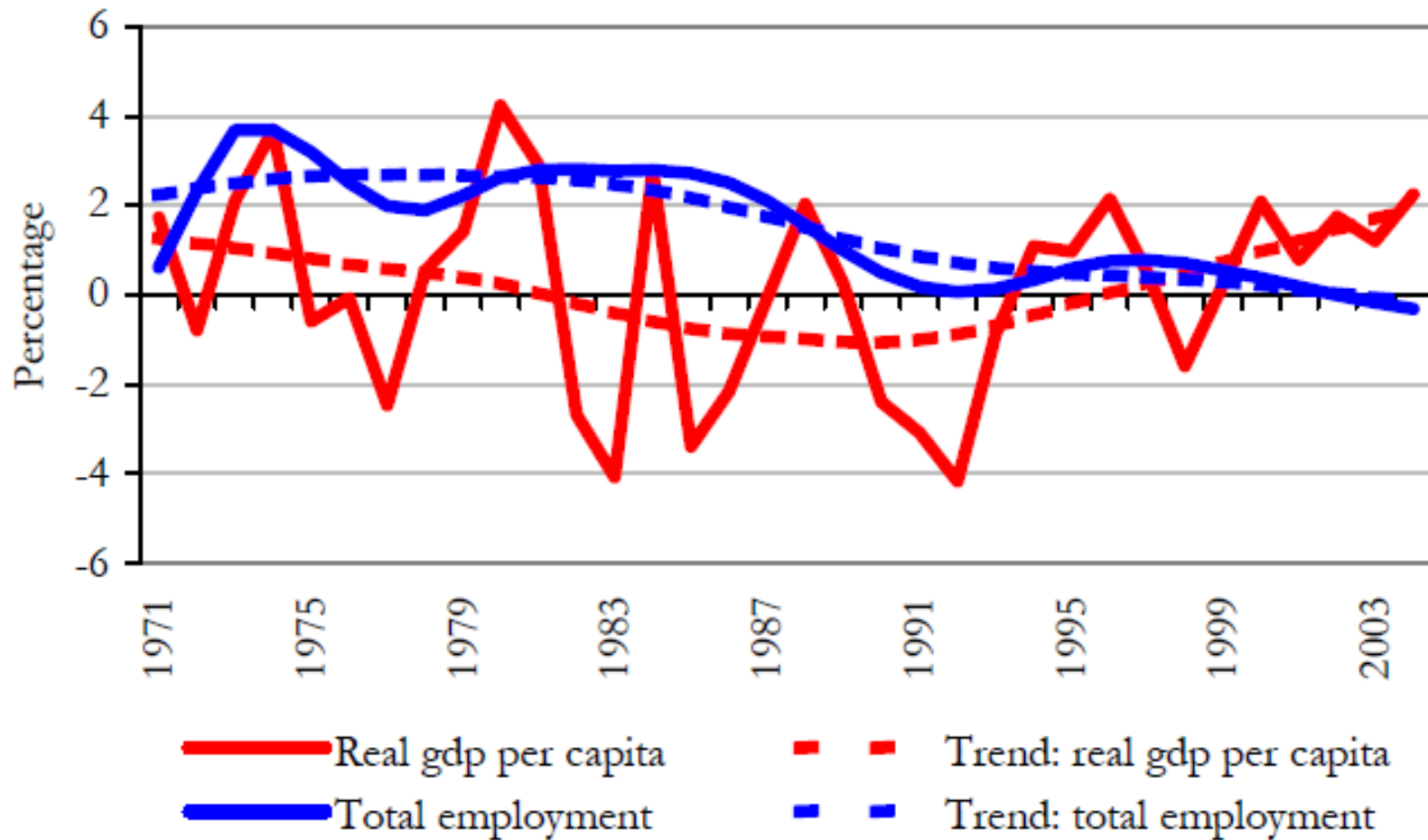
Conclusion on Economic Growth

- ▶ Current sustainable long term growth rate for the Northern Cape province is 2,0%.
 - ▶ It is suggested that the growth target be adapted to 2–4% between 2010–2014 and to 3–5% between 2015–2020.
 - ▶ More important to grow at stable 3–4% and to reduce dependence on primary sector
- 

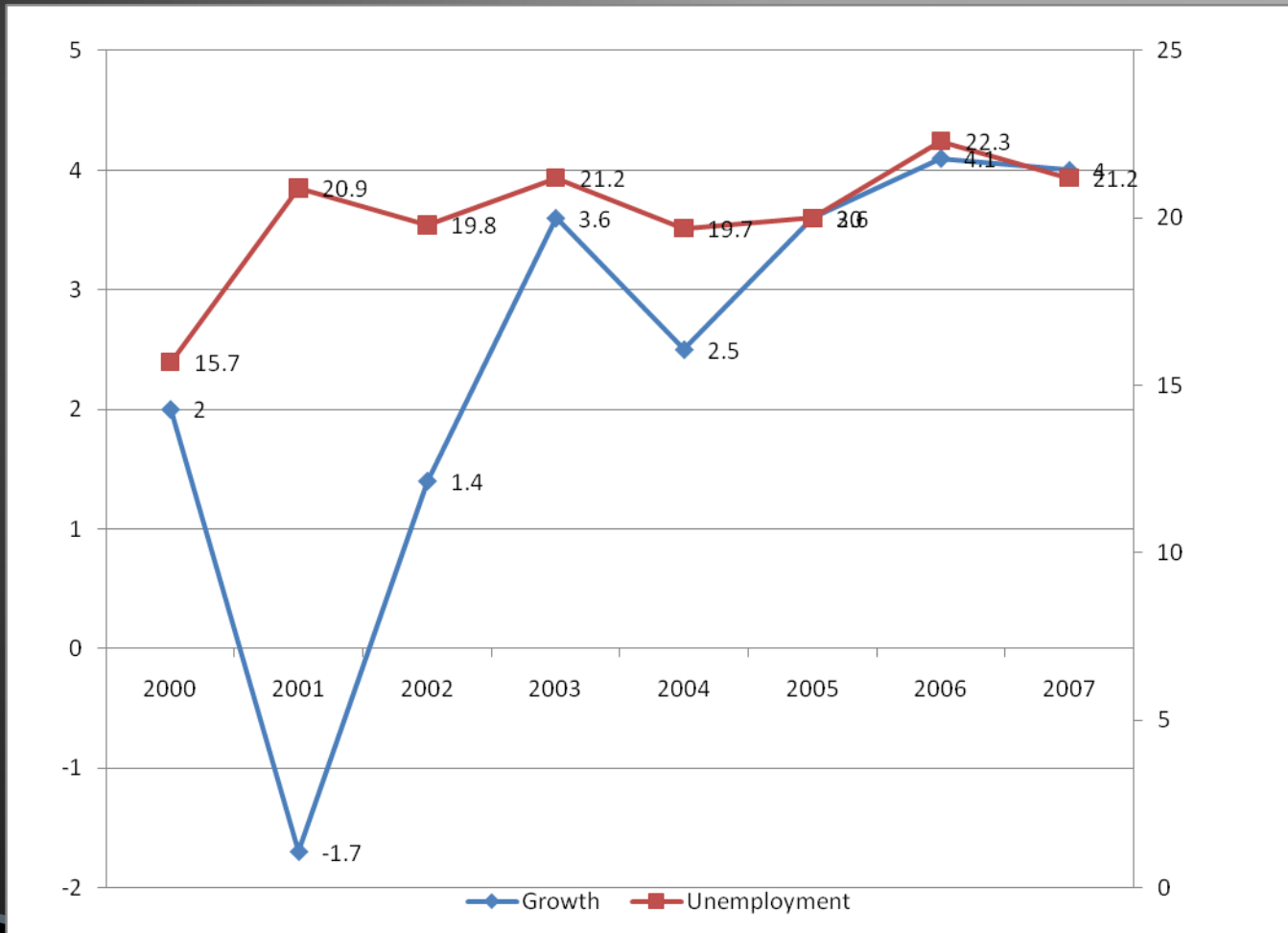
Growth and unemployment



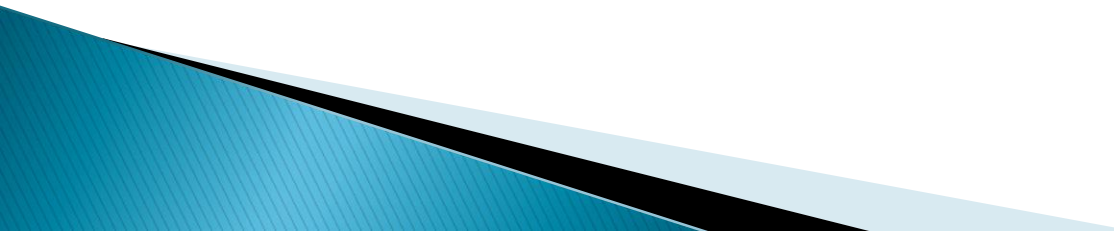
Jobless growth in South Africa



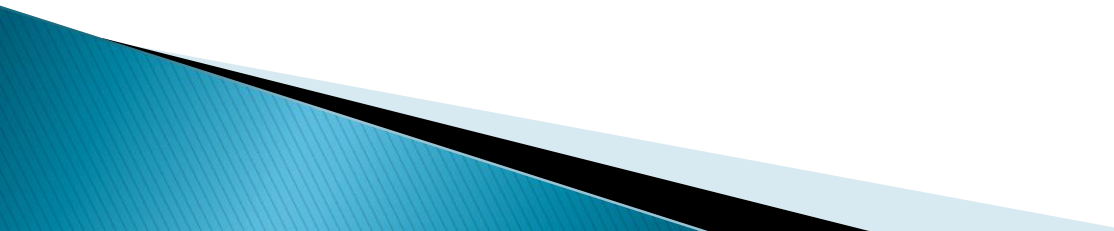
Northern Cape



Causes of unemployment

- ▶ Not cyclical unemployment
 - ▶ Simkins– 6% growth
 - ▶ Problem is structural unemployment– Mohr and Du Toit
- 

Conclusion unemployment

- ▶ Need higher levels of growth
 - ▶ Look at skills development
 - ▶ SMME development
 - ▶ Exit strategy for EPWP
- 

Growth and poverty

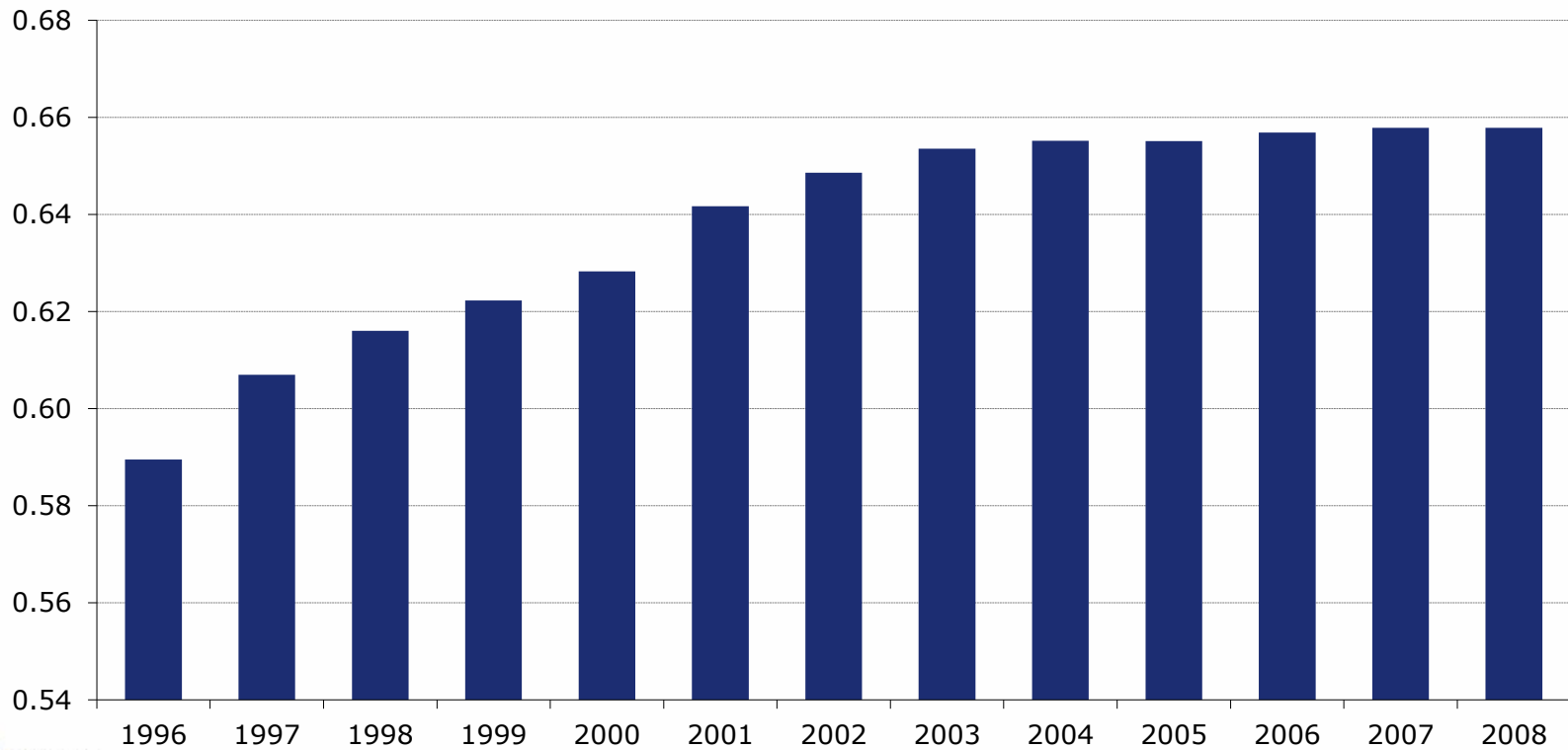
Table 1: Poverty alleviation

	Population below \$2 a day (%)		Population below \$1 a day (%)	
	1995	2002	1995	2002
National	24.2	25.3	9.4	10.5
African	30.4	28.7	12.0	12.8
Coloured	10.1	11.2	2.8	3.6
White	0.3	1.4	0.2	0.4
Indian	1.2	6.1	0.7	3.1

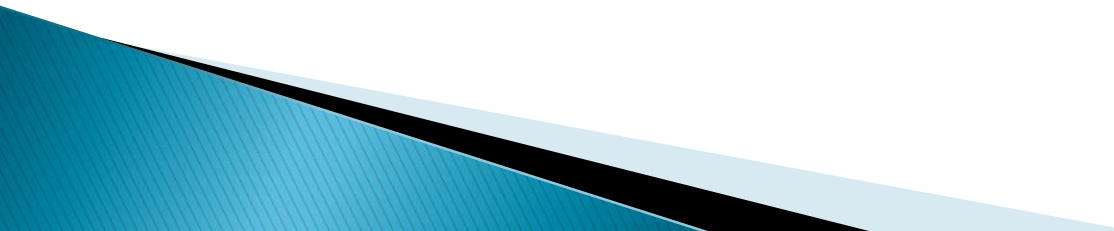
Source: UNDP (2003)

Gini Coefficient

**Gini coefficient
Northern Cape, Total**



Reasons for trend

- ▶ Increasing skewness of income distribution intra the African population is overriding all other effects
 - ▶ Wage income is the leading cause of inequality and has increased since 1995
- 

HDI

Area	Whites	African	Coloured	Total
Northern Cape province	0,84	0,42	0,45	0,52
John Taolo Gaetsewe	0,84	0,36	0,46	0,44
Namakwa	0,84	0,50	0,48	0,57
Pixley Ka Seme	0,83	0,40	0,37	0,47
Siyanda	0,83	0,43	0,44	0,52
Frances Baard	0,84	0,45	0,51	0,55

No of people in poverty

Area	Total 1996	Percentage	Total 2008	Percentage
Northern Cape province	429712		488287	
John Taolo Gaetsewe	119190	27,7%	113215	23,2%
Namakwa	35120	8,2%	55524	11,4%
Pixley Ka Seme	84464	19,7%	81978	16,8%
Siyanda	79202	18,4%	91950	18,8%
Frances Baard	111736	26%	145620	29,8%

% of people living in poverty

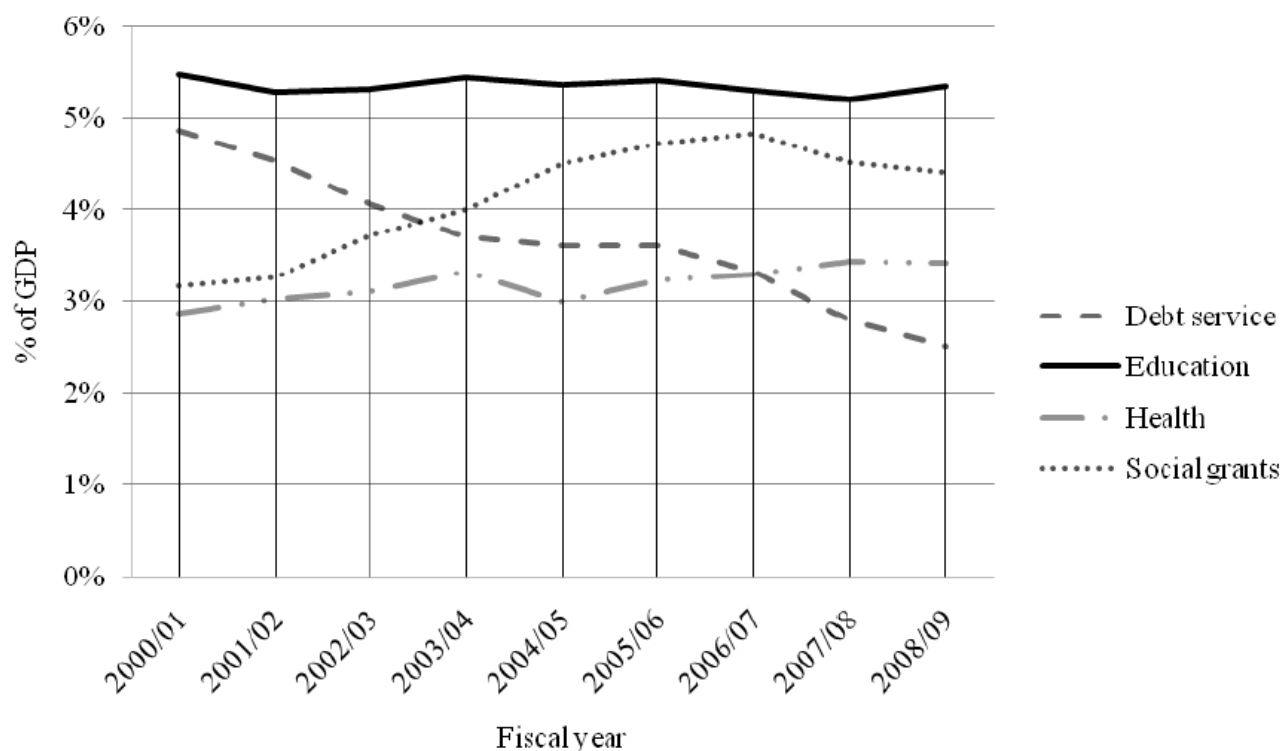
	1996	2008
Northern Cape	43.8%	43.6%
John Taolo Gaetsewe	62.5%	54.2%
Namakwa	32.7%	44.3%
Pixley ka Seme	49.6%	45.5%
Siyanda	40.5%	38.9%
Frances Baard	35.2%	39.5%

Grants

Expenditure on Grants

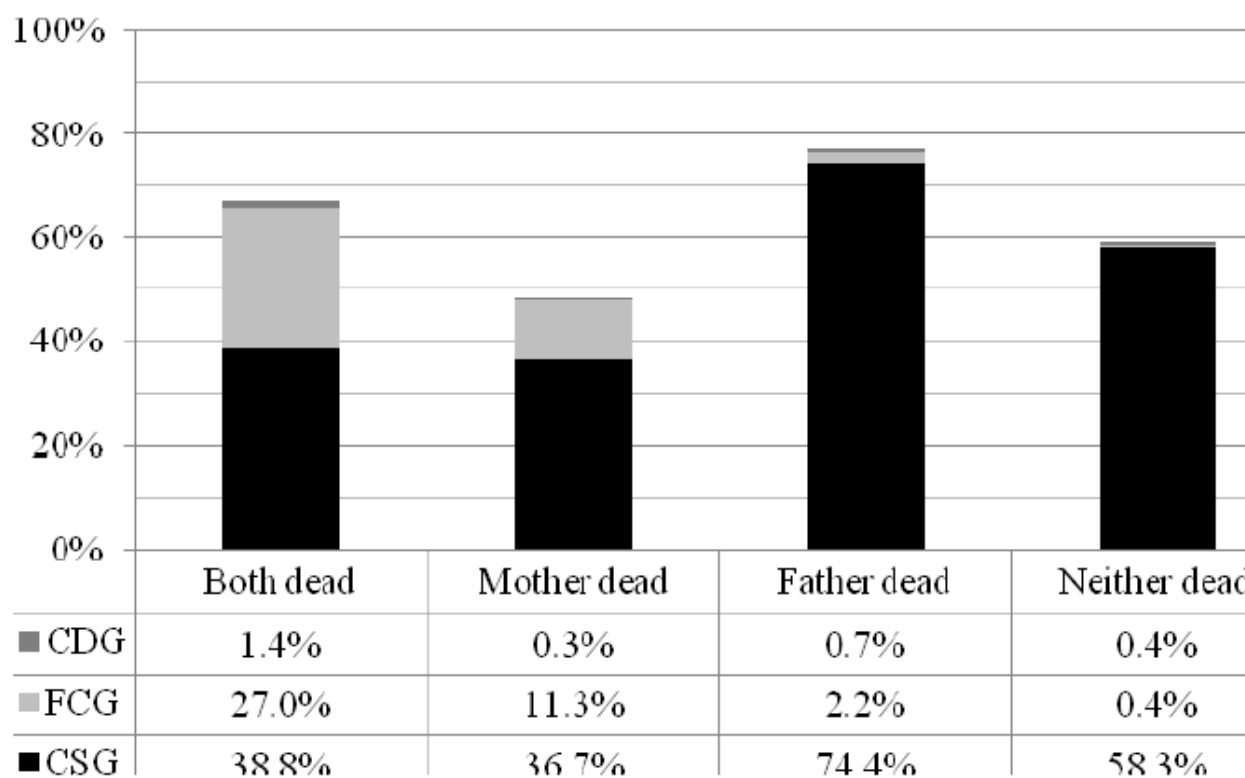
DELSA/ELSA/WD/SEM(2010)

Figure 3.3: Expenditure items as percentage of GDP



Source: National Treasury, various years

Figure 3.4: Percentage of children receiving social assistance, by orphanhood status

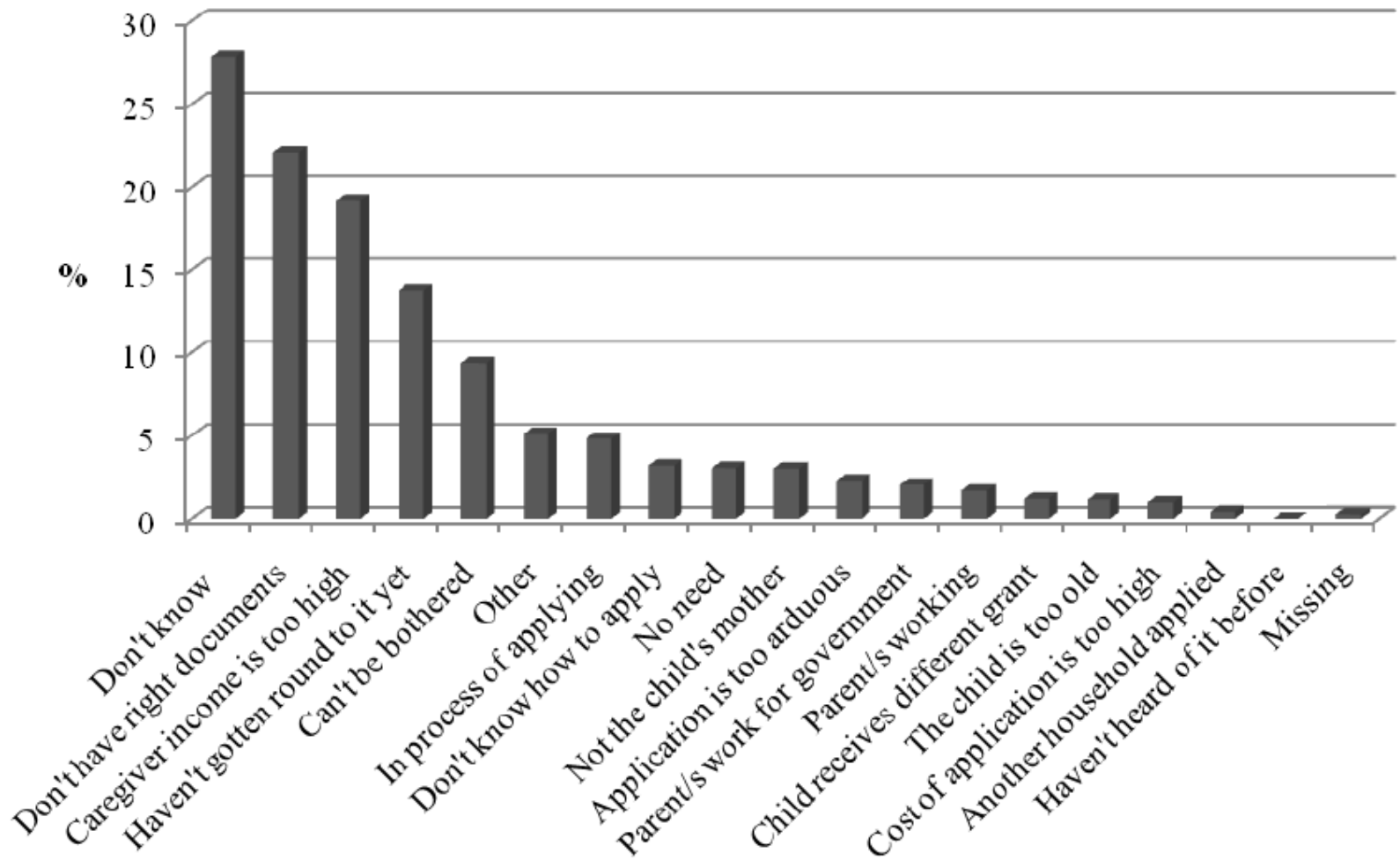


Children not qualifying

Table 3.8: Comparison of eligibility and self-reported receipt of the grant

Eligible for CSG (simulation)	Grant reported			No grant reported
	CSG	FCG	CDG	
Yes	5 598 157	213 653	44 248	2 932 763
No	2 584 057	64 363	16 984	2 324 894

Figure 3.6: Main reason grant was not applied for



Source: NIDS, 2008

Source of income

Figure 3.10: Sources of cash income, by quintile

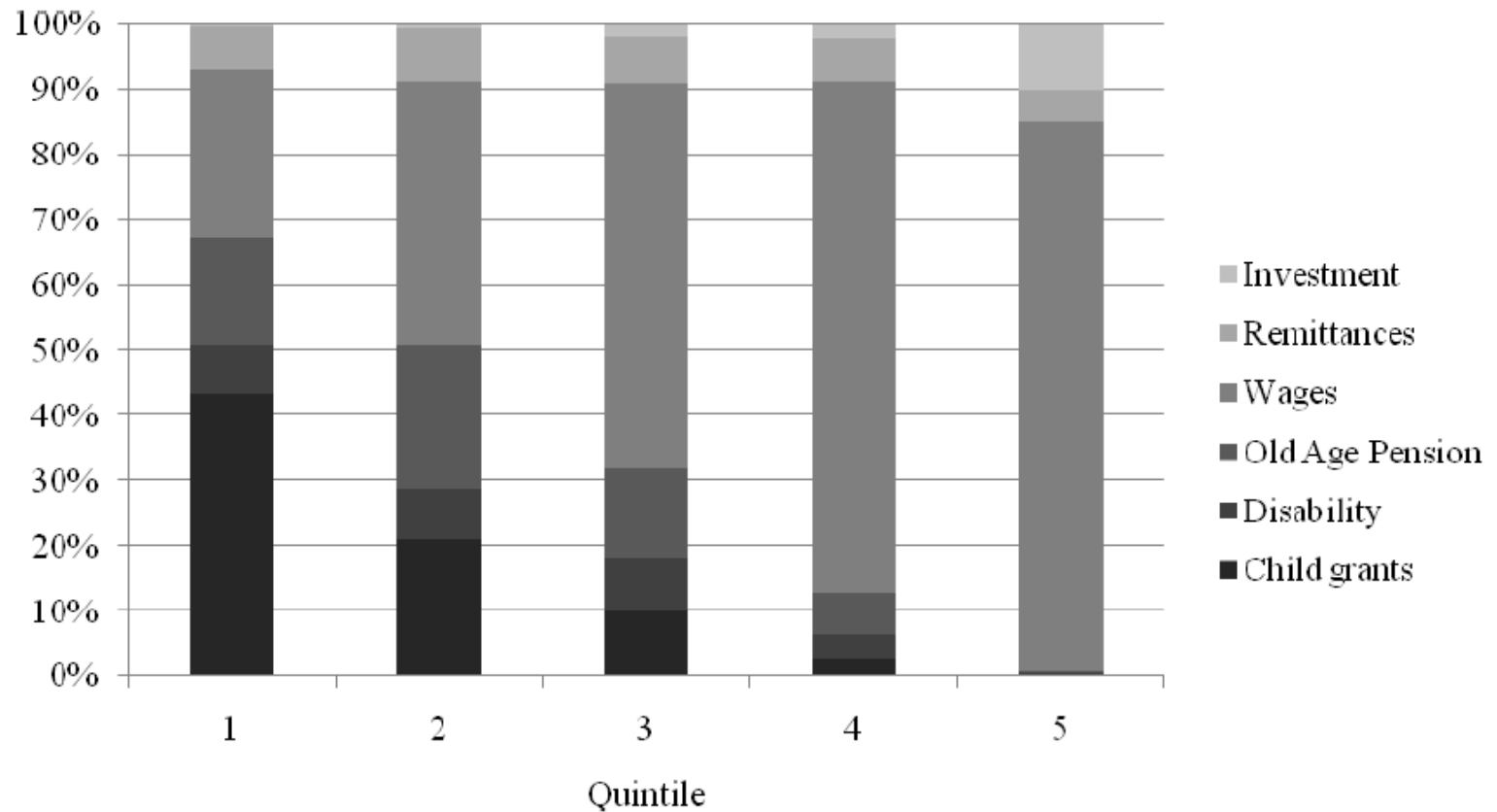


Table 3.12: The poverty reduction effect of the OAP and CSG, using the lower poverty line

Quintile (based on per capita income without OAP and CSG)	% of individuals below lower poverty line (R515 per month) before OAP & CSG	% of individuals below lower poverty line (R515 per month) after OAP & CSG (as reported)	% of individuals below lower poverty line (R515 per month) after OAP & CSG (simulated eligibility)
1	100%	97.0%	96.4%
2	100%	91.7%	89.9%
3	69.6%	51.2%	42.1%
4	0%	0%	0%
5	0%	0%	0%
All	53.9%	48.0%	45.7%

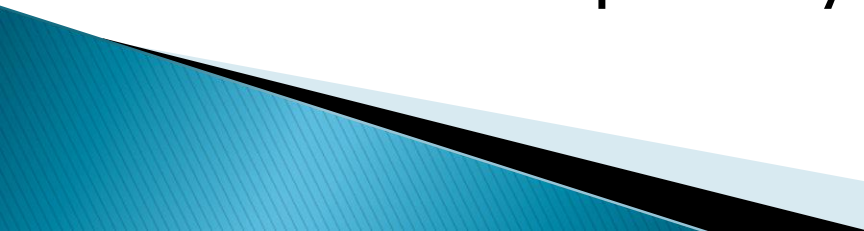
Source: NIDS, 2008

Table 3.13: The poverty reduction effect of the OAP and CSG, using the higher poverty line

Quintile (based on per capita income without of OAP and CSG)	% of individuals below upper poverty line (R949 per month) before OAP & CSG	% of individuals below upper poverty line (R949 per month) after OAP & CSG (as reported)	% of individuals below upper poverty line (R949 per month) after OAP & CSG (simulated eligibility)
1	100%	99.7%	99.5%
2	100%	99.0%	99.0%
3	100%	98.1%	97.4%
4	41.1%	35.5%	31.4%
5	0%	0%	0%
All	68.2%	66.5%	65.4%

Source: NIDS, 2008

Poverty

- ▶ Based on the indicators used in this study, the situation in Northern Cape and South Africa did not substantially change since 1995
 - ▶ Murray Leibrandt– mainly intra racial in African population
 - ▶ The access to basic services improved drastically since 1995
 - ▶ Grants ensured that the poverty situation did not deteriorate even more, but is not the solution to poverty alleviation
- 

Conclusion

- ▶ There is no clear obvious solution to the challenges of unemployment and poverty
- ▶ Possible study through Provincial Economist Forum or DEDaT in NC?

▶ Questions?