QEB

2019/20

Q2

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Foreword

The Second Quarter Quarterly Economic Bulletin is presented at a time when the global economies are faced with sluggish economic conditions. The prevailing world economic situations are calling for the different world economies to develop other coping strategies that will make them survive to this tough economic times. Countries need to adapt to policies that will help them strive through the economic hardships. The South Africa's current economic trajectory is unsustainable, with the economic growth being stagnant, unemployment is rising, and inequality remains high. The South African economic conditions are affected by inside and outside forces, such as the deteriorating financial conditions of the country caused by the continuing bailouts of state owned entities by the national treasury and on an international space the trade war between China and the United States of America is not doing SA any good.

The unemployment in South Africa has been identified as one of the triple challenge with poverty and inequality that must be addressed as a matter of urgency. The reality is that according to Statistics SA the national unemployment rate in the second quarter of 2019 is now at a level of 29 percent. This national level of unemployment is mostly prevalent in countries that are in civil war. South Africa is the only country in the World with such a high structural unemployment rate that is not being addressed.

The South African government and the Limpopo provincial government should urgently implement a series of reforms that can boost growth in the short term, while also creating the conditions for higher long-term sustainable growth. These growth reforms should promote economic transformation, support labour-intensive growth, and create a globally competitive economy.

30-09-2019

Phukuntsi M.J. **Date**

DDG: SRM

1. Introduction

The World economic condition continues to sluggish in the last few months, this situation is expected to continue leading to 2019 to 2022. The World economic state escalated by the continuing trade tensions between America and China. The International Monetary Fund (IMF) has revised its economic growth estimates released in April 2019 to lower levels in July 2019. This was due to the global technology supply chains bieng threatened by the prospect of US sanctions. The ban on China would therefore also have negative consequences for the suppliers of components from America to the Chinese company. The Brexit-related uncertainty is continuing with the British Parliament to accepting any of the proposals served before them. The rising geopolitical tensions increased energy prices which was worsened by the recent bombing of oil reserves in Iran which is expected to push high the oil prices.

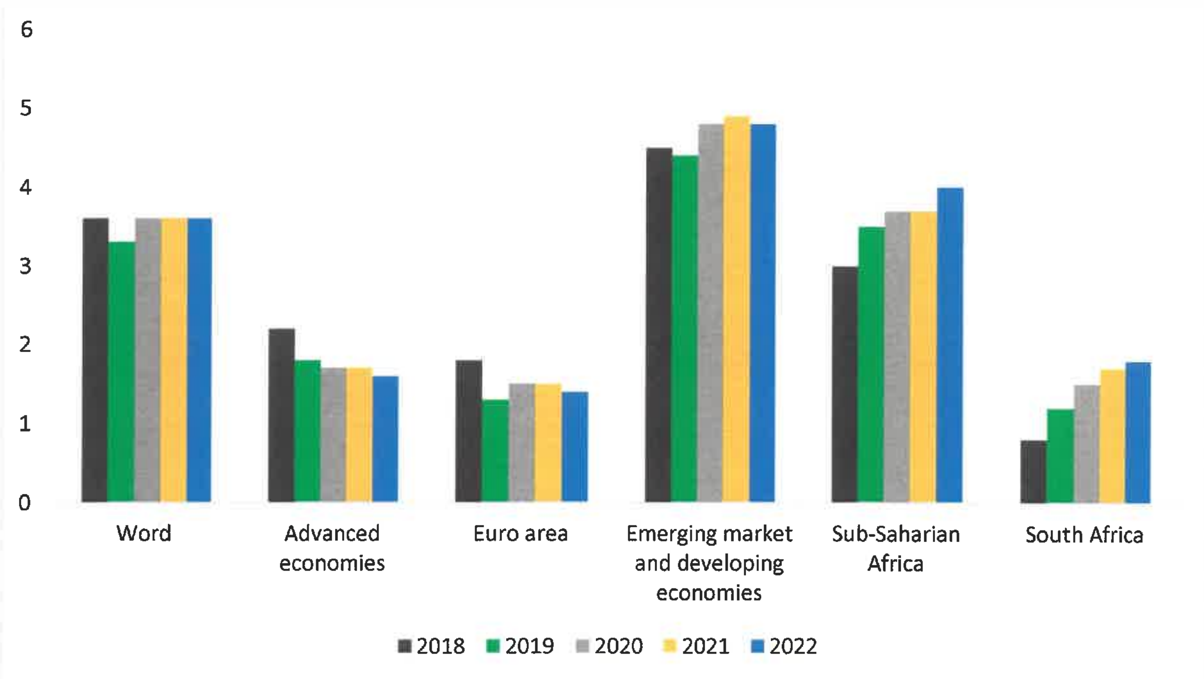
The economic growth in Sub Saharan Africa is expected to slow down impacted negatively by the poor performance of the South African economy growing at only 0.7 percent this year and 1.1 percent during next year. South Africa's weak economic performance is putting pressure on government finances due to reduced tax revenue and the country's widening budget deficit is a key issue being flagged by global rating agencies. The combination of low growth and rising unemployment means that South Africa's economic trajectory is unsustainable. Government should implement a series of growth reforms that promote economic transformation, support labour-intensive growth, and create a globally competitive economy.

The global trade tension will overtime reduce the volume and value of international trade. This will also impact negatively on the slow growing Limpopo economy which is currently dependent to a large degree on the exports of the mining commodities. The province will need to stimulate the growth of other sectors to continue its positive trajectory.

2. Global Economic Overview

According to the IMF (2019) the global economic situation deteriorated in the last few months due to developments like the continuing trade tensions between America and China. The IMF revised their estimates released in April 2019 to lower levels in July 2019. The IMF also highlighted that global technology supply chains were threatened by the prospect of US sanctions, with the proposed ban of the use of Huawei technology to provide 5G internet coverage in America. The ban on Huawei would also entail that their phones and devices not to receive the global Andriod updates. The fact is however that the phones produced in China consists of components sources all over the world as part of an integrated supply chain. The ban on China would therefore also have negative consequences for the suppliers of components from America to the Chinese companies. The Brexit-related uncertainty continued with the British Parliament to accepting any of the proposals served before them. Furthermore, the rising geopolitical tensions increased energy prices.

Figure 1: World Economic Overview



Source: International Monetary Fund (IMF) April 2019

Against this backdrop, global growth is forecast at 3.2 percent in 2019, picking up to 3.5 percent in 2020. The growth in the advanced economies is expected to be 1.9 percent in 2019 reducing to 1.7 percent in 2020, mainly due to lower demand in the American economy. The growth in the Euro areas tend to continue to be sluggish with the IMF (2019) expecting growth in the euro area of 1.3 percent in 2019 and 1.6 percent in 2020. China is currently more affected by the trade war than America and is only expected to growth at 6.2 and 6.0 respectively in 2019 and 2020. The structural reform programme in the Chinese economy is starting to bear fruit with the growth currently based on healthy consumer demand.

Sub-Saharan Africa is also expected to grow at 3.4 percent and 3.6 percent in 2019 and 2020. The growth in Sub Saharan Africa is impacted negatively with the poor performance of the South African economy growing at only 0.7 percent this year and 1.1 percent during next year.

The global trade tension will overtime reduce the volume and value of international trade. This will also impact negatively on the Limpopo economy which is currently dependent to a large degree on the exports of the mining commodities.

3. SA GDP Growth

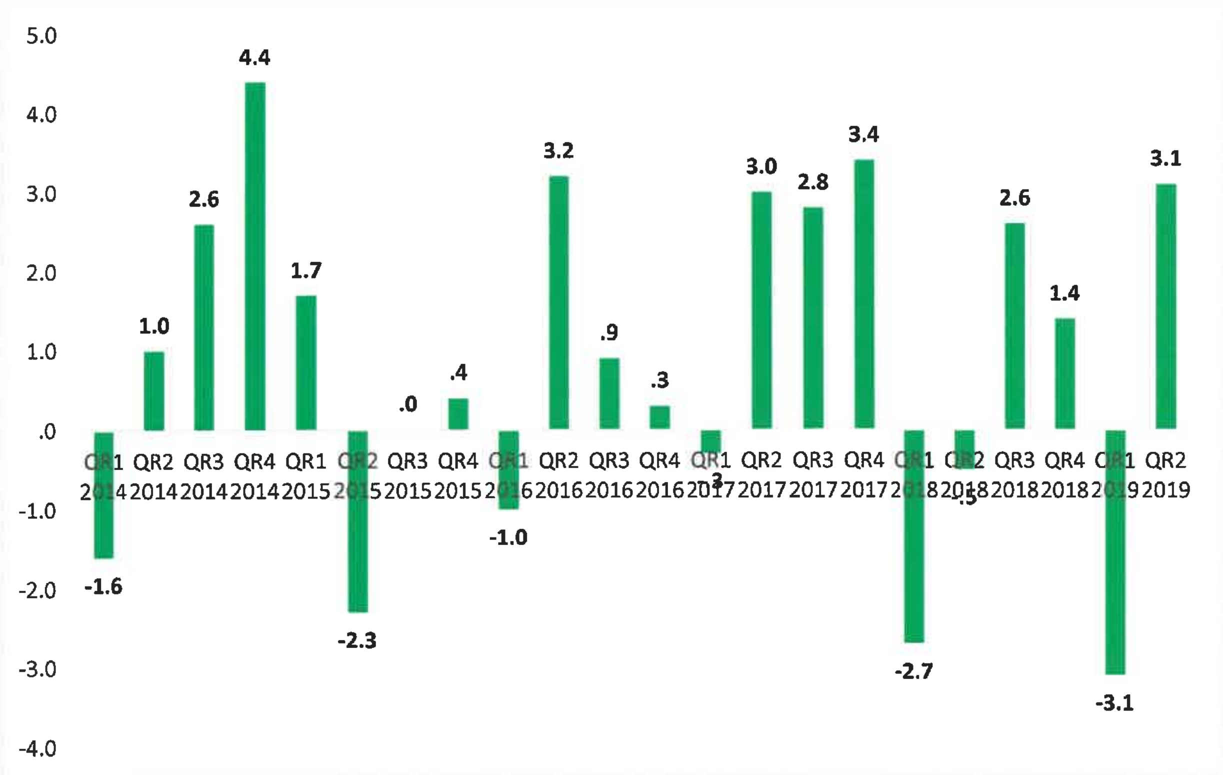
3.1. South African Economy

The South African economy recovered by 3.1 percent in the second quarter of 2019, escaping a technical recession as key sectors picked up. Data released by Statistics SA showed that seasonally adjusted Gross Domestic Product (GDP) growth expanded 3.1 percent from a contraction of 3.1 percent in the first quarter of 2019, the second quarter's economic growth was higher than the consensus among economists of an expansion of 2.5 percent quarter on quarter.

Trade, which includes retail, motor sales and wholesale increased 3.9 percent in the second quarter. The sector is a key indicator of consumer expenditure, which accounts for about 60 percent of GDP. The mining sector grew 14.4 percent in the period and the manufacturing sector rose 2.1 percent after a very poor performance in the first quarter due to as load-shedding disrupted production. Despite the rebound in performance in the second quarter, the South African economy still remains constrained with the Reserve Bank revising its annual GDP forecast to 0.6 percent from 1.0 percent.

South Africa's weak economic performance is putting pressure on government finances due to reduced tax revenue. The country's widening budget deficit is a key issue being flagged by global rating agencies amid a threat to SA's last remaining investment-grade credit rating by Moody's Investors Service also to downgrade South Africa to junk status.

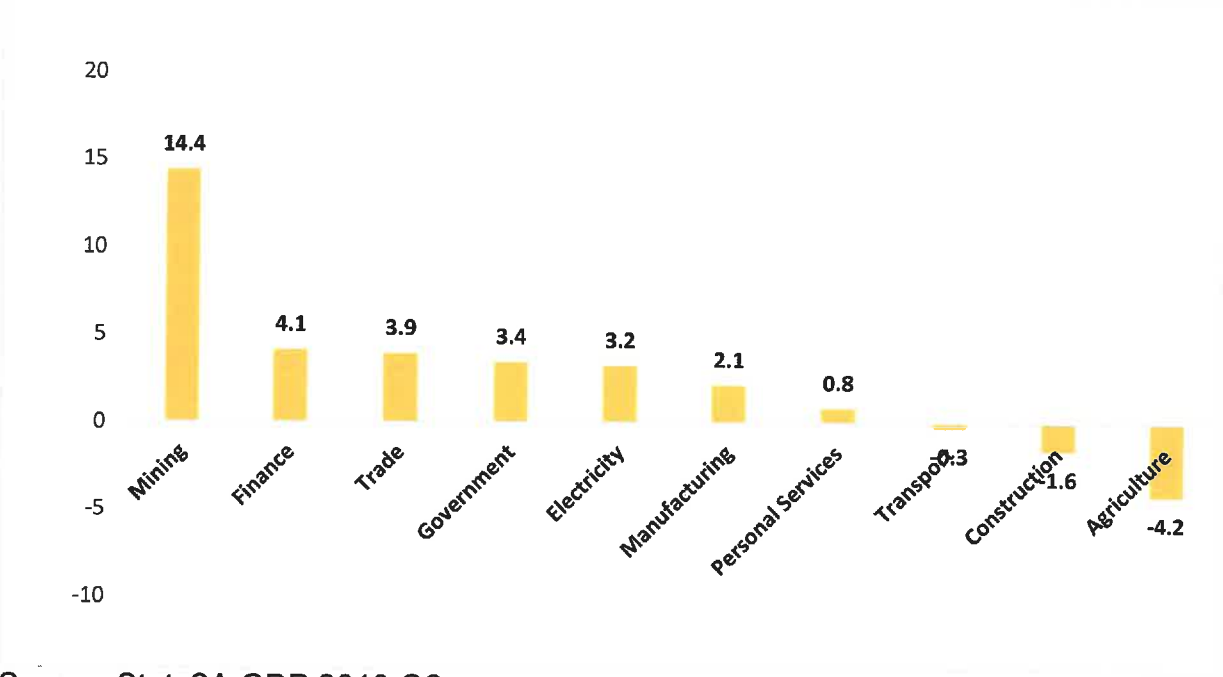
Figure 2 : Quarter-on-quarter growth in GDP production



Source: StatsSA GDP 2019 Q2

3.2. Quarterly Industry Growth Rate

Figure 3 : Industry growth rates in Q2: 2019 Quarter-on-quarter, seasonally adjusted and annualised

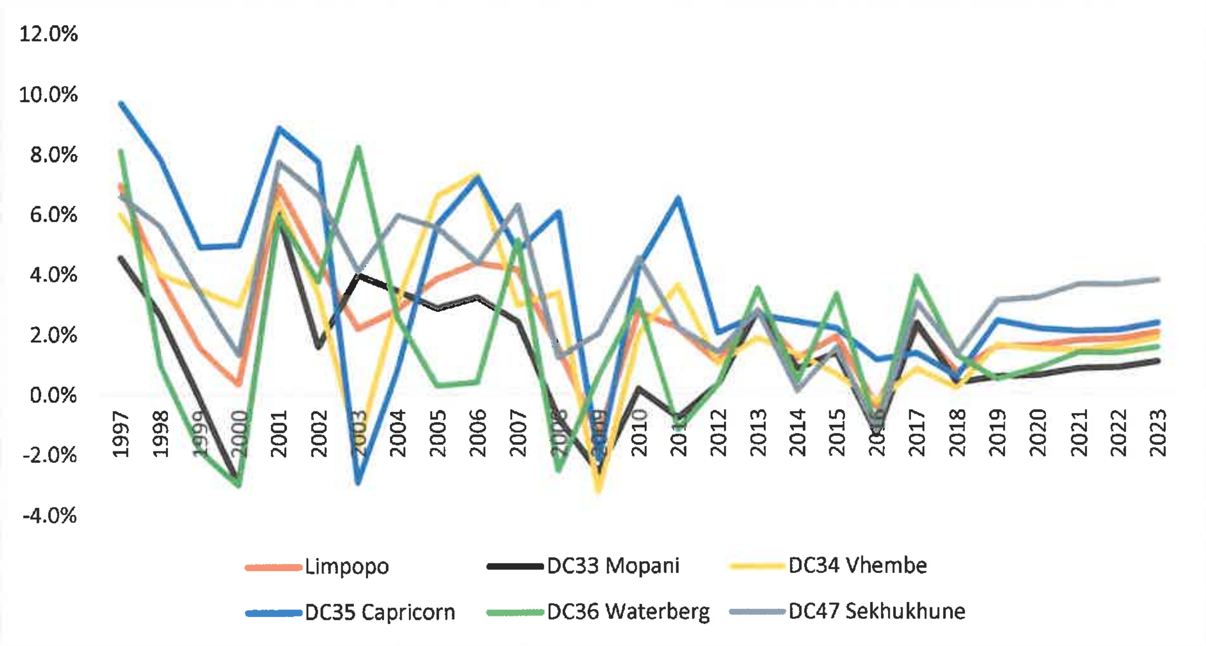


Source: StatsSA GDP 2019 Q2

The mining and quarrying industry increased by 14.4 percent and contributed 1,0 percentage point to GDP growth. Increased production was reported for mining of iron ore, manganese ore, coal and 'other' metal ores including platinum. Finance, real estate and business services increased by 4.1 percent in the second quarter. Increased economic activity was reported for financial intermediation, real estate activities and business services. The trade, catering and accommodation industry increased by 3.9 percent. Increased economic activity was reported in all trade divisions except the food and beverages major group. General government services increased by 3.4 percent, mainly attributed to an increase in employment. In contrast, the agriculture, forestry and fishing industry and the construction industry decreased by 4,.2 percent and 1,.6 percent respectively, and each contributed -0.1 of a percentage point to GDP growth.

4. Limpopo Economic Growth

Figure 4 : Limpopo GVA Average annual growth (Constant 2010 Prices) and districts growth



Source: IHS Markit Regional Explorer 2018

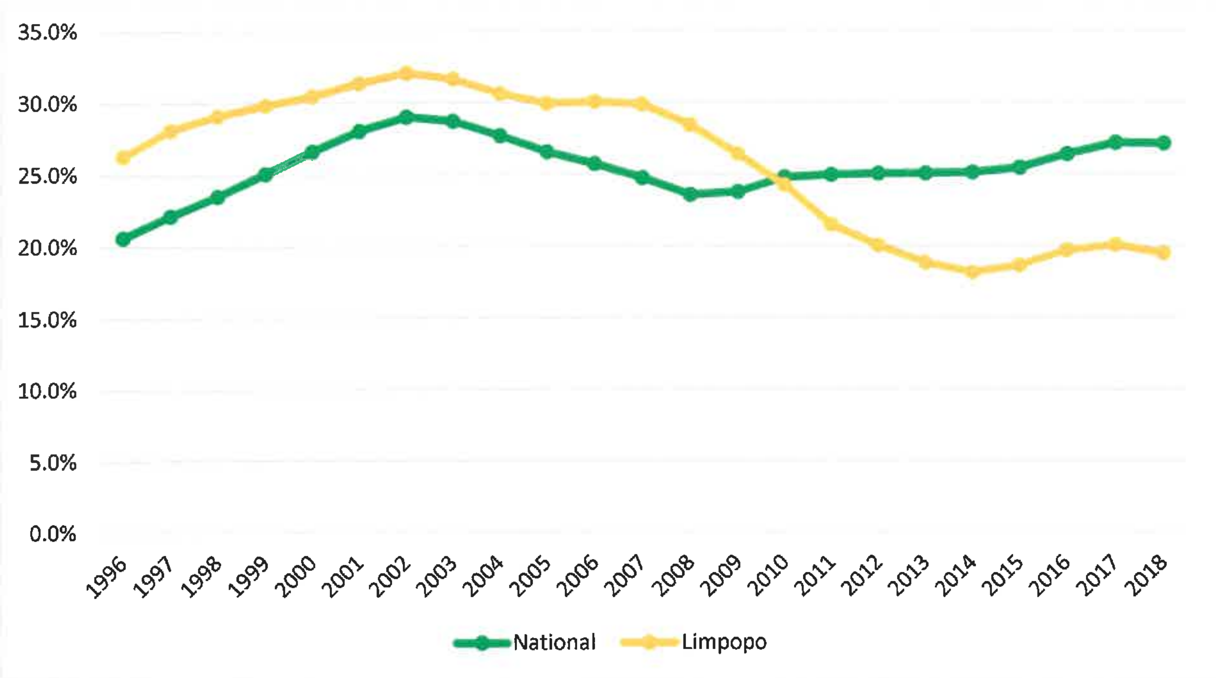
The economic growth of the province and its district municipalities has been on a downwards spiral leading to 2016. Between 2017 and 2018 the economic growth of the province has recorded positive growth and this situation was also prevalent in all the districts of the province. Limpopo economic growth is projected to continue its positive trajectory leading to 2023. The positive economic growth of the province will depend heavily on the performance of the agricultural and mining sector, with the hope that agricultural output will not be affected by drought and the minerals and commodity prices will remain stable.

5. Unemployment

Unemployment has been identified as one of the triple challenge with poverty and inequality that must be addressed as a matter of urgency. The reality however is that according to Statistics SA the national unemployment rate in the second quarter of

2019 is now at a level of 29 percent. The national level of unemployment in South Africa is now higher than 20 percent since the middle of the 1990's. Except for countries in war, South Africa is the only country in the World with such a high structural unemployment rate that is not being addressed.

Figure 5 : Unemployment in Limpopo and National



Source: StatsSA 2019

In Figure 5 it is indicated that the national unemployment rate increased by nearly 10 percentage points between 1996 and 2002. This was mainly due to a higher labour force participation rate by especially black women. During the years of high growth between 2003 to 2007 both the national and provincial unemployment rates managed to decline. The concern is however that the national unemployment rate stabilized at higher than 25 percent after the global crises of 2009.

Employment in the provincial economy grew between 2007 and 2014 by 28 089 jobs in Agriculture, 40 299 in Construction, 34 331 in Trade and 59 954 in Community Services. The decline in the unemployment rate between these periods can be mainly ascribed to job creation in the services sector.

5.1. Jobless Growth

A notion that is frequently mentioned is the view that south Africa is experiencing jobless growth. The explanation for this is that the cause of unemployment in South Africa is not firstly and strictly a cyclical problem that can be ascribed to low levels of demand in the national economy. The challenge that exists is that the unemployed often does not have the required skills that is needed for the vacancies that exists in the local economy. Despite this higher levels of economic growth are still a prerequisite for higher levels of job creation.

Researchers have calculated the historical employment elasticity of growth at 0.5. This implies that if the economic growth rate in South Africa increases by 1 percent the unemployment rate can be expected to decrease by 0.5 percent. This explains the low impact of higher levels of economic growth on the unemployment challenge. More recent estimations of the employment elasticity of growth, like Prof Burger from UFS, was even lower than the historical number. This is an indication that the South African economy has become less response for increases in economic growth to impact positively on unemployment over time. We now need higher levels of growth to reduce unemployment than before.

The current growth rates achieved in the last few years of below 2 percent is way too low to keep unemployment under control. Research has indicated that we need at least 5 percent growth to curb unemployment.

5.2. Impact of the minimum wage

A national minimum wage of R3 500 per month was implemented from 1 January 2019. In theory if a minimum wage is set higher than the equilibrium wage in the market the minimum wage will lead to an increase in the level of unemployment. In a sense it can be argued that the minimum wage only benefits the workers that are already in jobs and in many instances, members of trade unions. The Fraser Institute

(2016) reported that their research indicated that a 10 percent increase in the minimum wage will lead to a between 3-6 percent increase in the unemployed between the ages of 15 -24. The minimum wage also makes it more difficult to enter the job market.

Due to the negative impact on the national wage on the level of unemployment an issue was raised in the literature that South Africa should not only have one national minimum wage but maybe a dualistic system with a lower minimum wage for more vulnerable workers like house workers and farm workers. In Brazil the minimum wage was also phased in our time to lessen the impact on unemployment (Fourie and Green, 2015)

Although the actual impact of the minimum wage on the level of unemployment has not been determined scientifically it definitely contributed to the unemployment rate of 29 percent.

6. Economic Transformation, Inclusive Growth, and Competitiveness: Towards an Economic Strategy for South Africa

6.1. Specific reforms to uplift the SA Economy

The specific and detailed reforms from the National Treasury outlined here demonstrate that the only way to raise South Africa's potential growth is through the implementation of a series of deliberate and concerted actions across a range of fronts. However, any attempt to raise South Africa's potential growth rate must include progress on the fundamental building blocks of long-run sustainable growth. These include:

- **Improving educational outcomes throughout the educational life-cycle**, with a particular focus on early childhood development (which presents the greatest return on educational investment) and enhancing the relevance of education systems by better aligning learning outcomes to labour market needs.

- **Implementing youth employment interventions** such as continued support for government programmes that incentivize job creation (e.g. learnerships) and apprenticeships that facilitate school-to-work transition based on close cooperation between institutions of learning and the private sector.

- **Expanding effective, affordable, and integrated public transport systems and prioritizing targeted housing and urban development interventions** to overcome spatial legacies. The latter includes mechanisms to facilitate the growth of resale markets in social housing, fast-tracking the provision of title deeds to beneficiaries and leveraging private sector finance for low-income housing developments.

- **Addressing the skills constraint through a combination of short-term solutions** such as the easing of immigration regulations for individuals with tertiary qualifications from accredited institutions) and the long-term educational reforms discussed above.

- **Delivering a capable state supported by a new compact between the government, private sector, and other social partners**. Government's commitment to the compact should prioritize strengthening the capability of the public sector and state-owned entities as well as achieving the right balance between policy progress and certainty to ensure the economy is able to attract investment. The private sector's commitment must ensure that businesses seek government policies that are unambiguously in the public interest.

- **A stable macroeconomic policy framework underpinned by a flexible exchange rate, inflation targeting, and credible and sustainable fiscal policy**. Low and stable inflation and a more sustainable fiscal trajectory reduces uncertainty, lowers borrowing costs across the economy, anchors return expectations for investments and increases business confidence, all of which boost productivity.

6.2. The SA growth reform agenda

Turning to the growth reform agenda, national treasury drew from the National Development Plan to outline five themes and the contribution of growth reforms within each theme that prioritize economic transformation, inclusive growth, and competitiveness.

i. Modernizing network industries to promote competitiveness and inclusive growth

Network industries such as energy, transport, and telecommunications, provide essential services that underpin the growth, productivity and competitiveness of an economy. South African network industries face some challenges including the absence of efficient economic regulation, old and poorly maintained infrastructure, a lack of access to quality services, and poorly managed state-owned companies. To address these challenges, a number of interventions should be prioritized. The following interventions should be considered:

Electricity

In energy planning, the base case of the Integrated Resource Plan (IRP) should be unconstrained so that all policy options can be compared relative to the least cost option; the IRP should be updated regularly to reflect changes in economic conditions and technology; future electricity tariffs should be managed in a transparent and predictable manner; and the over-reliance of municipal budgets on electricity revenue needs to be corrected. An independent transmission company, to be created from the unbundling of Eskom, should buy electricity transparently from independent power producers. Consideration should be given to regulation that enables households and firms to sell excess electricity they generate.

Telecommunications

Government should release spectrum through an auction with a small set-aside for a government-controlled network, and competition should be allowed in Telkom's infrastructure that connects the local exchange to residential homes and businesses. Rapid deployment guidelines that accelerate the installation of telecommunications infrastructure should be finalized, and open access conditions should be imposed to minimize unnecessary duplication of telecommunications infrastructure. The Independent Communications Authority of South Africa's (ICASA's) proposed economic regulation component should be independent of line departments and directly funded from industry levies, as per international best practice. The state should leverage private-sector expertise in broadband roll-out, rather than relying exclusively on state owned companies (SOCs).

Transport

South Africa need to finalize the Economic Regulation of Transport Bill; enforce separate accounting divisions or separate financial statements for the various operating divisions of Transnet to ensure subsidies across divisions are made explicit; grant third party access to the rail network to encourage private sector participation; and introduce competition in ports and rail. Other interventions that can improve freight transport include facilitating the exchange of information and improving coordination between shippers and transport companies, and encouraging the shift from road to rail where practical and efficient. Public transport can play a significant role in overcoming historical spatial planning through the integration of modes by local government and the densification of cities in specific areas. Local governments should take responsibility for the integration of public transport and land use planning. We should consider a review of fuel price regulation and implement strategies to formalize the taxi industry.

Water

The sector suffers from an infrastructure backlog and the current process to investigate appropriate institutional options for service delivery needs to be finalized. There needs to be a comprehensive management strategy for investment in water resource development, bulk water supply, and wastewater management; including applying lessons from the successful renewable energy independent power producers programme. An independent water regulator can improve the overall efficiency of water provision and improve price setting. The implementation of a national water conservation programme can reduce water waste and demand in urban areas.

Independent regulators such as the National Energy Regulator (NERSA), the Ports Regulator, and ICASA regulate sectors that are dominated by one or more large entities to ensure more efficient outcomes. Several unregulated areas that are dominated by large state-owned entities or the government (e.g. rail, road, port terminals, and water) should have their economic activities regulated by independent agencies. Where regulators exist, the government needs to ensure they have the capacity to effectively perform their functions. Regular reviews of regulated prices and their underlying formulae need to become the norm to ensure these are updated to reflect the latest available information and international best practice (e.g. the Ports Regulator recently reviewed the port tariff methodology).

ii. Lowering barriers to entry and addressing distorted patterns of ownership

This can be achieved through increased competition and small business growth Barriers to entry distort product markets and reduce the incentives for productivity and innovation, which directly inhibits growth. Large and old firms continue to dominate the economy as well as employment dynamics. New firm entering and effective rivalry among existing firms can generate significant consumer welfare benefits. Several cross-cutting interventions can lower barriers to entry across a number of sectors.

iii. Prioritizing labour-intensive growth: agriculture and services

In a skills-constrained economy, the bias towards skills-intensive employment driven by technological advancement has the unintended consequence of raising wage premiums, which further entrenches inequality and contributes to rising unemployment. Agriculture and services, especially the tourism sector, are conduits for labour-intensive growth. Several features of agriculture make it important in the pursuit of inclusive, labour-intensive economic growth: rural linkages, the ability to absorb less-skilled labour, large multipliers due to extensive links with the rest of the economy, globally competitive labour productivity, and importance for export-led growth. Despite these advantages, the sector continues to experience low growth and declining employment. Innovative joint ventures have shown to boost agricultural production and promote agrarian transformation and should therefore be supported.

iv. Implementing focused and flexible industrial and trade policy

To promote competitiveness and facilitate long-run growth high value-added sectors such as manufacturing promote productivity growth (which underpins long-run economic performance), diversifies exports, and is an important contributor to the country's skills base. Increasing competition in global value chains has forced domestic manufacturers to increase their competitiveness through investments in new technologies and upskilling their workforces.

v. Promoting export competitiveness and harnessing regional growth opportunities

Export orientation and sophistication are key drivers of long-run economic growth. South Africa needs to promote export competitiveness and actively pursue regional growth opportunities in order to leverage global and regional value chains for export growth. Technologically sophisticated exports, in particular, are crucial to structural transformation as they enable the economy to move from low to high-productivity activities.

7. Social Grant Dependency in South Africa

Prior 1994, the Union Government developed a social assistance policy in 1910 and old-age pensions for indigent Whites and Coloured people were introduced in 1928 (Joseph, 2008). In 1937 the department of Social Welfare was established to provide support to the poor minority. In1992, the Social Assistance Act aborted all discriminatory provisions and in 1993 the government paid monthly social pensions to all age-qualified men and women whose individual income fell below the cut-off. The White Paper for Social Welfare of 1997 was then developed to move from the previous era of fragmented social welfare to a new developmental paradigm initially was guided by the Reconstruction and Development Programme (RDP), focusing on increasing the access to basic services, which is argued to have been successful in some areas such as social security in which the government established a very extensive welfare system.

Within the context of a constrained fiscal environment, protracted poverty, weak economic growth and unemployment, it is evident that current levels of social expenditure are compromising the fiscal health of the country. It is therefore inescapable to ask the strategic question of whether there are alternatives to social grant dependency in the country.

The types of grants that is paid is shown in Table 1.

Table 1: Types of social grants in South Africa

	1998 Average Value	2018 Average Value	% growth
Old age grant	470	1695	72%
Old age grant 75+	-	1715	
War veteran grants	470	1715	73%
Disability grants	470	1695	72%
Maintenance child	135	405	67%
Maintenance parent	430	-	
Foster care grants	360	960	63%
Care dependant grants	470	1695	72%
Grant-in-aid	80		

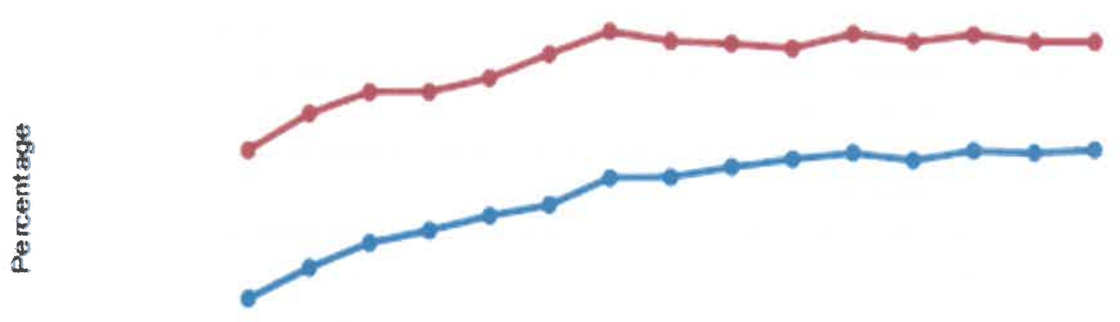
SA National Treasury

Social grants have since become one of the primary mechanisms for improving the welfare of poor households in South Africa. The South African Social Security Agency (SASSA) was established in 2006 with the responsibility of managing, administering and issuing social grants. Social grants in South Africa refers to the Old Age grant, War Veteran's grant, Disability grant, Grant in Aid, Care Dependency grant, Foster Child grant and the Child Support grant (CSG).

7.1. Dependency trends – South Africa

The percentage of individuals that benefitted from social grants in South Africa consistently increased from 12.8 percent in 2003 to 30.8 percent in 2017 while the percentage of households that received at least one social grant increased from 30.8 percent in 2003 to 43.8 percent in 2017 (Stats SA,2017).

Figure 6 : Percentage of households and persons who have benefited from social grants, 2003–2017



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Persons	12,8	16,5	19,5	21,0	22,7	24,0	27,3	27,4	28,6	29,5	30,3	29,4	30,6	30,4	30,8
Households	30,8	35,2	37,8	37,8	39,4	42,3	45,0	43,8	43,5	42,9	44,7	43,7	44,6	43,8	43,8

Source: StatsSA GHS 2017

7.2. South African fiscal conditions

The fiscal environment is set within the context of low economic growth, which has resulted in substantially less tax revenue collection nationally which limits government's ability to finance increasing service delivery demands and necessitates a continued focus on fiscal consolidation. Projected gross tax revenue for 2017/18 is estimated to be around R50.8 billion lower than projected in the 2017 Budget and cumulatively totaling R210 billion over the MTEF. Further revenue shortfalls are seen as a possibility. Gross national debt projects to reach 61 per cent of GDP by 2022, with debt-service costs approaching 15 per cent of main budget revenue by 2020/21 (National Treasury, 2018).

Social Grant expenditure increased from approximately R62 billion in 2007/8 to over R150 billion in 2017/18. In 2017/18, the Old Age Grant accounts for the highest portion of grant expenditure amounting to over R64 billion, while the Child Support Grant records expenditure of roughly R55.9 billion, accounting for 42.6 percent and 37.2 percent respectively. Government projects that it will be sending more than R175 billion on social grants by 2020 (Budget Review 2018). Over the next 3 years' government will spend more than R528 billion on social grants – approximately a third of the budget (Budget Review 2018).

Table 2 : SA government budget and Social grant expenditure 2018

Grant Type	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Old Age	2 195 018	2 229 550	2 390 543	2 546 657	2 678 554	2 750 857	2 873 197	2 969 933	3 086 851	3 194 087	3 302 202	**3 423 337**
War Vet	2 340	1 924	1500	1 216	958	753	587	429	326	245	176	134
Disability	1 422 808	1 408 456	1 286 883	1 264 477	1 200 898	1 198 131	1 164 192	1 120 419	1 112 663	1 085 541	1 087 176	**1 061 866**
Grant in Aid	31 918	37 343	46 069	53 237	58 413	66 493	73 719	83 059	113 087	137 806	164 349	192 091
Care Depend	98 631	102 292	107 065	110 731	112 185	114 993	120 288	120 632	126 777	131 040	144 952	147 467
Foster Child	400 503	454 199	474 759	510 760	512 874	536 747	532 159	512 055	499 774	470 015	440 295	416 016
Child Support	7 863 841	8 189 975	8 765 354	9 570 287	10 371 950	10 927 731	11 341 988	11 125 946	11 703 165	11 972 900	12 081 375	**12 269 084**
Total	**12 015 059**	**12 423 739**	**13 072 173**	**14 057 365**	**14 935 832**	**15 595 705**	**16 106 110**	**15 932 473**	**16 642 643**	**16 991 634**	**17 200 525**	**17 509 995**

SA National Treasury

7.3. Research findings

The results indicate that the coefficient for autonomous social grant expenditure is positive in accordance with economic theory and statistically significant. IF the other variables are kept constant and the number of people without schooling reduces by 100 000 the expenditure on grants will decline by R87000. Similarly, a 100 000 decrease in people without employment will decrease expenditure on social grants by R9 000.

7.4. Proposed alternatives to social grants

The first proposal is to reform the social grant and make them conditional

1. Link child social grants to the school attendance of the beneficiary. The point is to build the child to be less dependent on the state for the rest of his or her life.

2. Link child social grants to the school attendance of the parent/s. The point is to empower the parent to increase his or her probabilities of participating meaningfully in the economy and hopefully reduce dependence on the state.
3. Link child support grant to the health of the child- A healthy child will be a productive child and a productive adult later on.

The second strategy is to alleviate poverty using tools such as education, health, provision of skills and training, these aspects are briefly discussed below:

7.5. Education (Skills development)

- Expand Early Childhood Development (ECD)education facilities to ensure all children attend such schools to improve their aptitude for learning. Successful ECD programs will prepare the learners from a young age to deal with the challenges of primary and secondary education.
- Provide high quality teaching materials and trained teachers to improve quality of education and progression from primary to secondary school and to tertiary institutions.
- Reform the curriculum and teaching methods to incorporate technical skills, innovation, problem solving, and entrepreneurship skills in formal curriculum, including revitalisation and scale up of technical model primary schools.
- Increase the number of facilities, outreach and quality of technical education, vocational and entrepreneurship training (TVET) institutions to enhance entrepreneurship skills and the productivity of youth who are not in school.

7.6. Economic growth (growth and employment)

- Create an enabling environment for the growth of the private sector as the engine for job creation, including the promotion of small and medium scale enterprises (SMEs)
- Provide incentives to attract foreign direct investment. This could include providing public infrastructure and bulk services at economic zoned areas
- Reform the agricultural sector to enhance its productivity and profitability. Key reforms could include diversifying and modernising agricultural activities;

promoting value addition and agri-industries and building resilient agricultural systems to minimise climate change effects.

- Aggressive implementation of the Comprehensive Rural Development Strategy to create sustainable job opportunities and migrate people from the social grants

If these strategies are successful it will assist to alleviate the pressure on the fiscus in terms of paying grants. Although research indicates that the increase in grant expenditure had a positive impact on poverty, such an unprecedented increase in grants is not feasible and will not be repeated. This limits the impact of grants and necessitates the proposal mentioned above to be implemented.

8. Conclusion and recommendations

The overall sentiment and economic conditions of the country and Limpopo province remain fragile. Though the South African Reserve bank and other countries central banks in advanced economies are continuing to provided more monetary accommodation, which will help ease global financial conditions. The SARB kept the repo rate constant following a twenty-five basis points reduction in the last quarter, this was to allow the country to stabilise its financial position given the risks of potential downgrade by rating agencies towards the end of the year. Downside risks from escalating trade and geo-political tensions remain prominent and they need to be addressed.

The province and the country should implement the interventions as outlined in the 2019 National Treasury document of economic transformation, inclusive growth, and competitiveness, as this reforms are realistically executable in the medium term, and include reforms in the telecommunications, agriculture, services, and transport industries. Short-term interventions are important as they lay a foundation for other reforms, while long-term interventions address competitiveness. In the long term, the combined scenario (taking into account short, medium, and long-term interventions) can add as much as 2.3 percentage points to gross domestic product growth and can create over one million job opportunities. The province needs to improve on infrastructure investment to allow growth in its economy.