



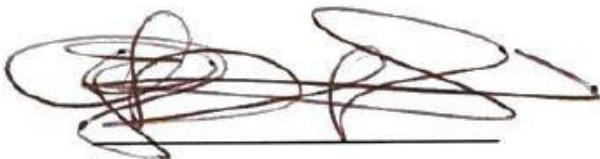
**Quarterly
Economic Bulletin
2016/17 Q4**

Foreword

The provincial fiscal policy is under immense pressure, where social needs continue to rise while transfers derived from equitable share are not rising commensurately. The macro-economic fundamentals have not made it easy for the province either. Global and National economic growth is lacklustre due many international geopolitical risks and timid trade relations. Inflation in the country is still hovering above the 6 percent threshold thereby keeping interest rates high which make the cost of borrowing capital expensive. This has the national Treasury revising down estimated provincial budgets.

This requires an innovative response by subnational governments to sustain current expenditure and growing infrastructure stock with the limited resources. Prioritisation and efficient expenditure by government departments and entities cannot be over emphasised. New technologies are necessary to be introduced as part of the modus operandi of government to increase efficiencies and grow the service delivery footprint.

The 2017/18 provincial fiscal policy is in full support of the Sustainable Development Goals that seek amongst other development requirements, to eradicate extreme poverty and hunger, prevent deadly but curable diseases and improve the educational prospects of all children.



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LIMPOPO PROVINCIAL TREASURY

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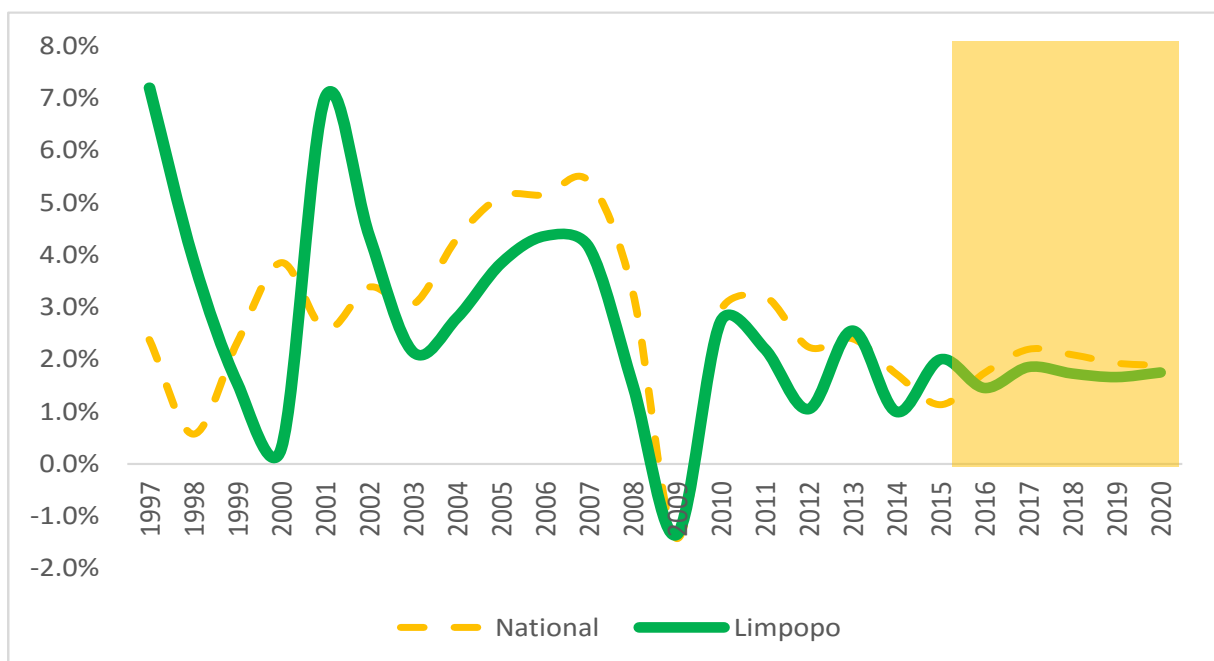
1. Introduction

The Quarterly Economic Bulletin will seek to provide a synopsis ratio analysis of the provincial fiscus. This will aid analysts and policy makers in better understanding the fiscal trends and also establish strengths and weaknesses in the provincial financial position. A summary of macro-economic fundamentals and socio-economic variables are also highlighted to assess progress and intervention required to be initiated.

2. Limpopo Province Economic Overview

The economy of Limpopo province has sustained a positive trajectory over the years, only recording negative growth in 2009 due largely to the global financial crisis. The local economy has been on a positive growth path in the past years, recording a 2.0 percent GDP growth rate in 2015. The 2.0 percent GDP growth rate is however below the LDP targeted GDP growth of 3 percent which was deemed suitable to stimulate job creation in the province.

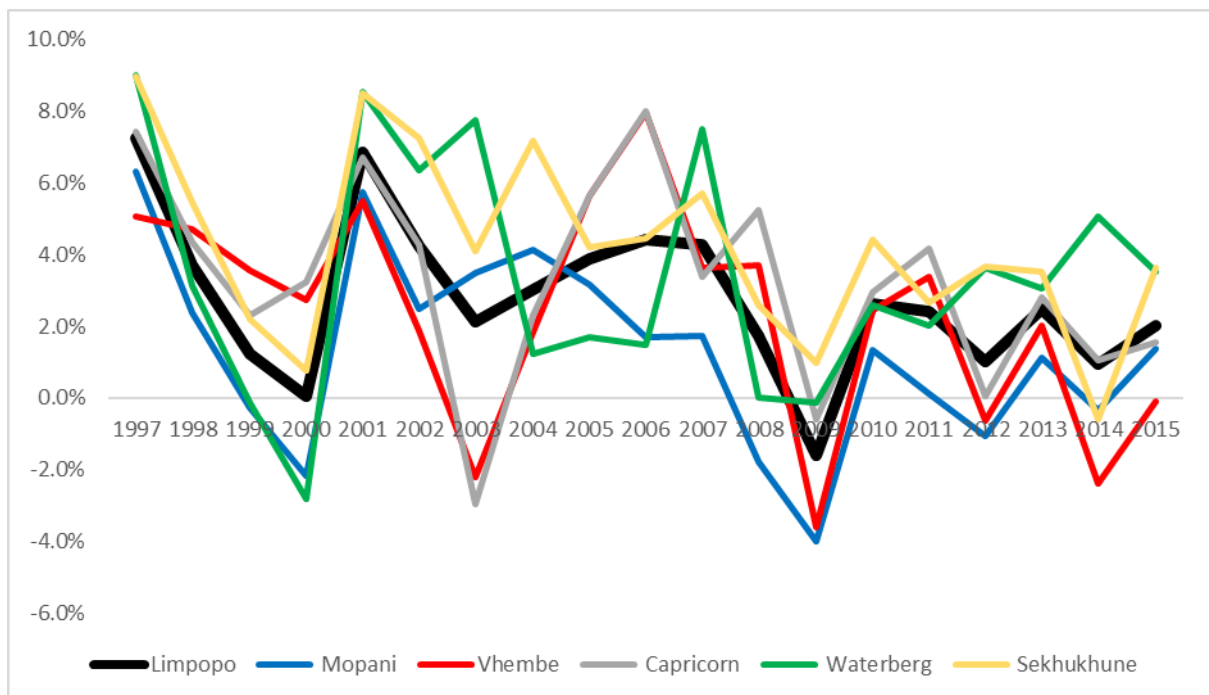
Figure 1 GDP Average annual growth (Constant 2010 Prices)



Source: Regional Explorer 2016

In terms of the districts economic performance, the districts' GDP growth rate trends tend to follow a similar pattern with the provincial trend. Waterberg district economy has been performing better than the other districts and the provincial average GDP growth since 2011 and this is mainly attributable to the recent economic activities in the Lephalale area of the district. Generally, the Limpopo districts economies are on a positive path except for Vhembe and Mopani districts which recorded negative growth between 2012 and 2014.

Figure 2 Limpopo GDP Average annual growth (Constant 2010 Prices)

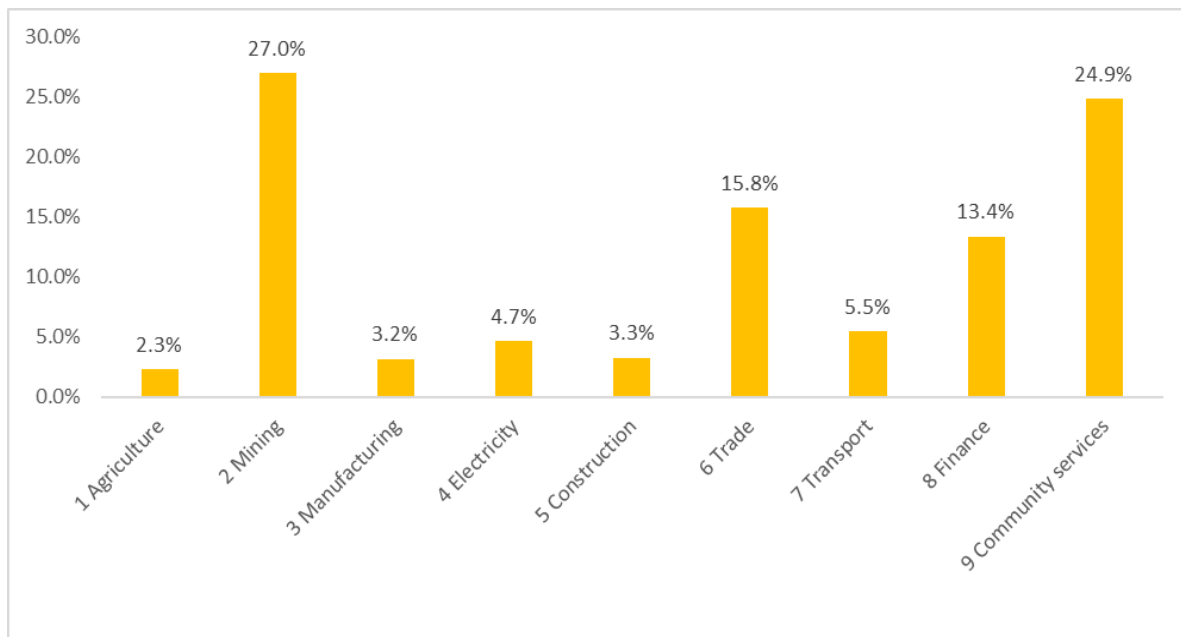


Source: Regional Explorer 2016

2.1. Limpopo Sector Growth and Contribution

The provincial economy is mainly driven by four sectors, which are the Mining, Community services, Trade and Finance and these sectors contributed 27, 24.9, 15.8 and 13.4 percent respectively to the Limpopo GVA in 2015. Mining sector's contribution to the local economy has been significant in the past years and the sector has been playing a major role in job creation for the citizens of the province.

Figure 3 Limpopo Sector's share of regional total GVA (%), 2015



Source: Regional Explorer 2015

Agriculture, Manufacturing and Construction are the least contributing sectors in the local economy, contributing 2.3, 3.2 and 3.3 percent respectively to the provincial GVA. These sectors need to be given more focus in terms of industrialisation through agro-processing facilities and industrial policies to encourage manufacturing activity as they have a potential to employ the low skilled labour force in the province.

2.2. District Sector's share of regional total GVA

The economies of three districts in the province are driven by mining, which contributes 48.5, 38.9 and 32.2 percent and these are Waterberg, Sekhukhune and Mopani districts respectively. The dominance of mining in the province exposes the provincial economy to some risks as the mining sector is dependent mostly on external factors which the province has no control over, such as the minerals prices. Contribution of the Agriculture, Manufacturing and Construction sectors are very minimal in all the provincial districts economies and this requires the provincial government to channel more resources in supporting these sectors as they are key in job creation.

Table 1 District Sector's share of regional total GVA (%)

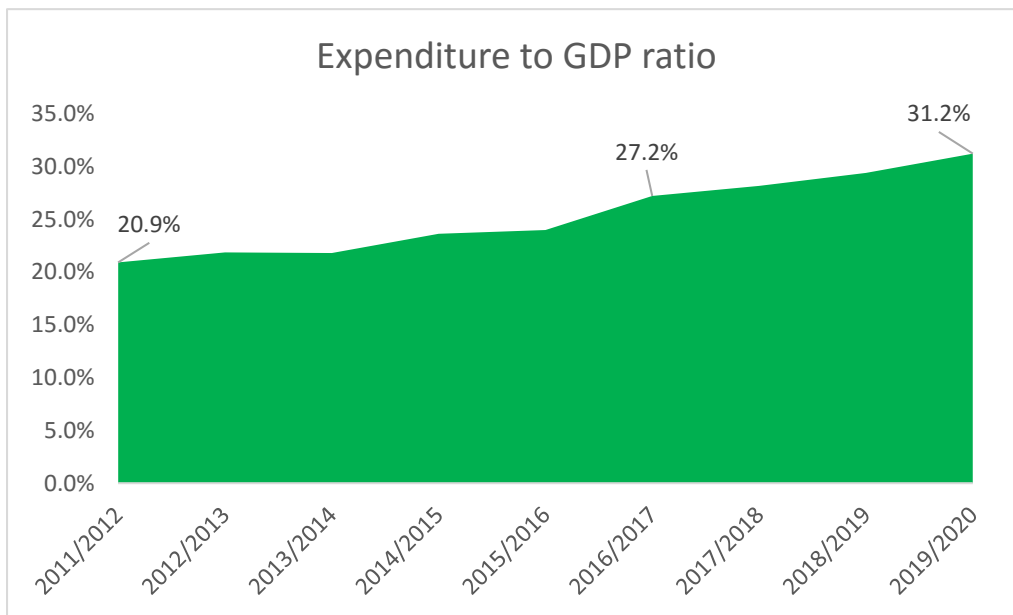
	Mopani %	Vhembe %	Capricorn %	Waterberg %	Sekhukhune %
Agriculture	3.2	2.8	1.5	2.5	1.6
Mining	32.2	8.7	5.2	48.5	38.9
Manufacturing	2.3	3.3	4.1	2.9	3.2
Electricity	8.2	5.5	2.6	4.5	2.4
Construction	3	4.6	3.6	3	2.2
Trade	13.3	18.8	21.4	11.2	14.7
Transport	5	6.8	6.9	4.4	4.1
Finance	11.4	14.8	21.3	7.9	11
Community services	21.4	34.8	33.3	15.1	21.9

3. Provincial Fiscal Policy Ratio Analysis

Ratio analysis is an invaluable tool to a business management to determine the performance of a business entity and to take cost controlling measures as and when necessary. Using the same principle, few ratios have been presented below to measure the fiscal fitness in the province. Generally ration analysis is a useful management tool that will improve understanding of financial results and trends over time, and provide key indicators of organizational performance

From the Keynesian growth model, effective government expenditure stimulates aggregate demand and therefore spurring productivity in the economy. To confirm the importance of government expenditure on economic growth, in the province government expenditure is 27.2 percent of GDP in 2016/17, this is a material increase from 20.9 percent in 2011/12. Government expenditure's contribution is expected to rise to 31.2 percent in 2019/20. This calls for government departments to ensure that their plans are SMART to ensure efficient and effective expenditure that will be meaningful to the transformation of the local economy. Government will have to shift from unproductive expenditure to investment expenditure to accumulate economic infrastructure stock in the province.

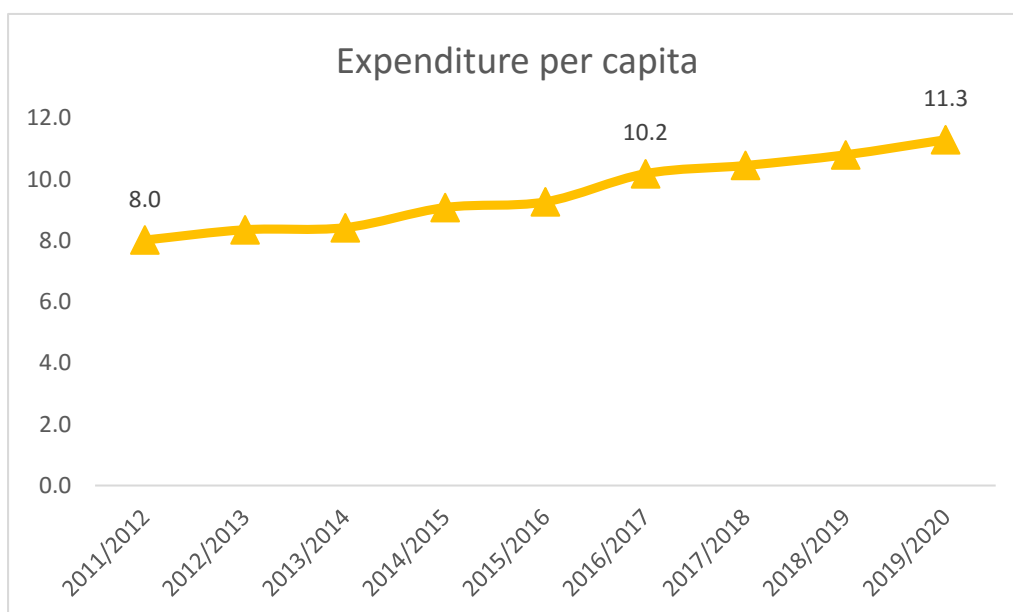
Figure 4 Limpopo selected provincial fiscal ratios



Source: Limpopo Treasury

As portrayed in figure 5, government's expenditure per capita has grown from R8.0 in 2011 to R10.2 in 2016/17. Implying that government's allocation per head in the population is marginally growing overtime. Inferences of better and adequate services can be made as a rand per individual is on the rise. This will be true if procurement in government is done at market related prices and that service delivery is discreet.

Figure 5 Limpopo selected provincial fiscal ratios (Continued)



Source: Limpopo Treasury

4. Development Indicators

4.1. Demography

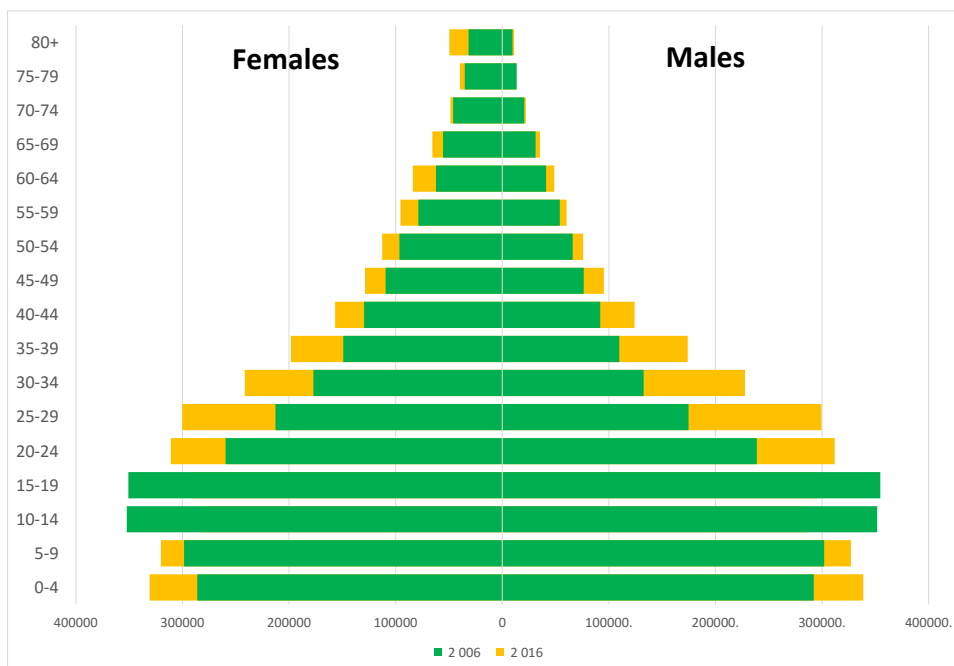
Projected population figures still indicate that by 2020, Gauteng and Kwazulu Natal will remain the most populated province in the country. In 2020, the two provinces will account for 44 percent of the total national population. Limpopo total population is forecast to grow from 5.803 million in 2016 to 6.099 in 2020, a growth rate of about 5 percent.

Table 2 Population projections by provinces

Region	2017	2018	2019	2020
Eastern Cape	7 139 343	7 216 342	7 292 740	7 368 275
Free State	2 881 699	2 901 236	2 920 124	2 938 351
Gauteng	13 773 633	14 039 599	14 298 205	14 550 769
KwaZulu-Natal	11 229 964	11 379 864	11 528 903	11 677 145
Limpopo	5 877 921	5 952 008	6 025 913	6 099 917
Mpumalanga	4 388 273	4 447 727	4 506 248	4 563 785
North West	3 847 645	3 904 691	3 961 709	4 018 453
Northern Cape	1 200 705	1 209 594	1 218 149	1 226 275
Western Cape	6 393 555	6 491 627	6 587 462	6 681 303
South Africa	56 732 739	57 542 689	58 339 454	59 124 273

Source: StatsSA_population estimates 2016

Figure 6 Limpopo population by sex and age



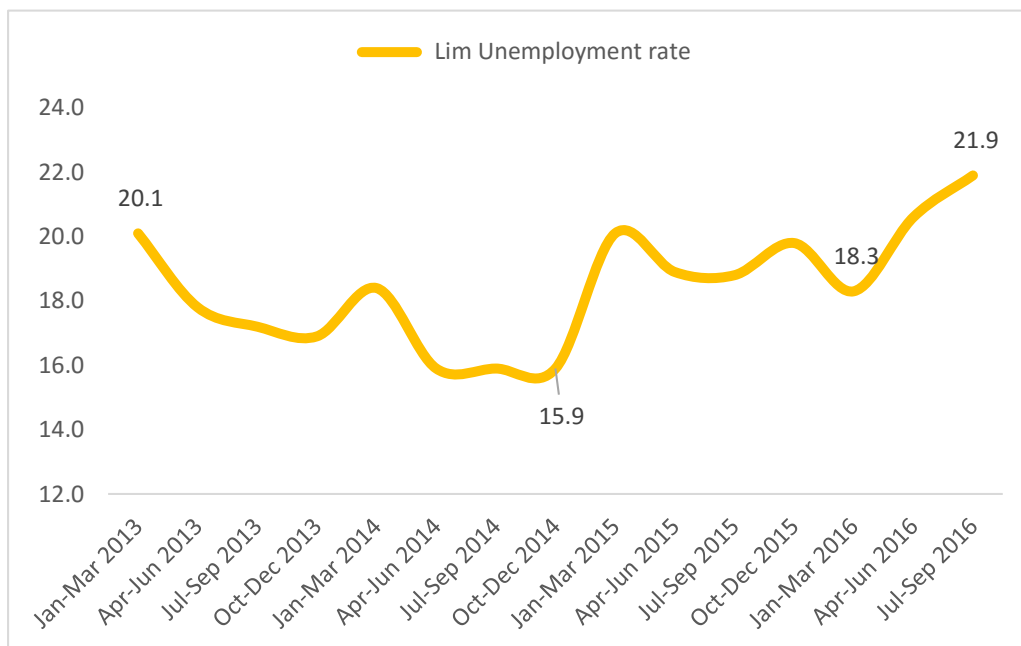
Source: StatsSA_population estimates 2016

The population age structure of the province has not changed significantly since 2006. The structure has assumed a honey comb shape. Children in the age group 0-4 years increase from 578 309 in 2006 to 669 542 in 2016. However, children between 10-14 and 15-19 decreased from 1 155 783 in 2006 to just 253 576 in 2016. This may have policy implications in terms of assessing service delivery needs i.e. schools, clinics and recreational activities, Also notable is the growth in the population numbers of the elderly citizens in the province, particularly among the females. The number of females 80 years and above grew from 31 665 in 2006 to 49 622 in 2016.

4.2. Labour Market

The Limpopo provincial unemployment portrays a convex contour which commenced reporting unemployment rate of 20.1 percent in the first quarter of 2013, it dipped to an improved 15.9 percent in the fourth quarter of 2014 but deteriorate to 21.9 percent in the third quarter of 2016. The prolonged drought conditions along with other macro-economic dynamics led to the upsurge in the average unemployment rate in the province. Paradoxically, over an extended period, the expanded unemployment rate in the province is diminishing over time from 42.6 percent in 2013 first quarter to 36.3 percent in the third quarter of 2016.

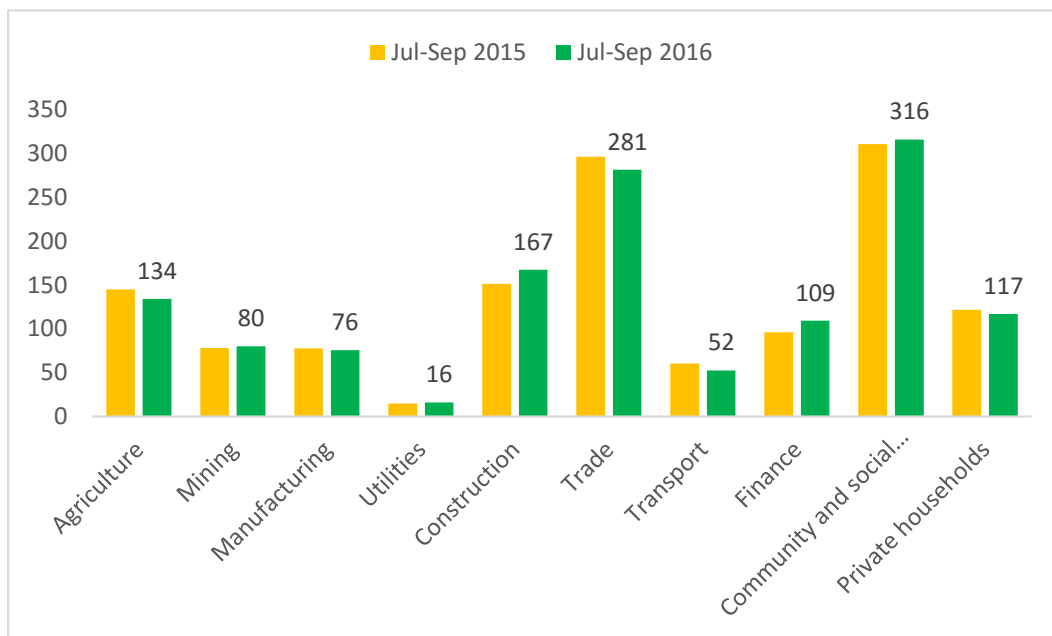
Figure 7 Limpopo Unemployment and Expanded Unemployment rate 2016



Source: StatsSA Quarterly Labour Survey 2016

The two sectors that take the lion's share of the total employment contribution are Community and Social services, followed by Trade sector. Both Sectors contribute 44.3 percent to total employment in the province. While Manufacturing and Finance sector have the lowest employment contribution being 4.5 percent and 4.7 percent respectively. It is worth noting that although agriculture and mining are one of the sectors with low employment contribution, they both play a significant role in the national employment contribution. Agriculture contributes 15.2 percent to total employment nationally in the agricultural sector, while mining contribute almost 20 percent.

Figure 8 Limpopo employment by sectors



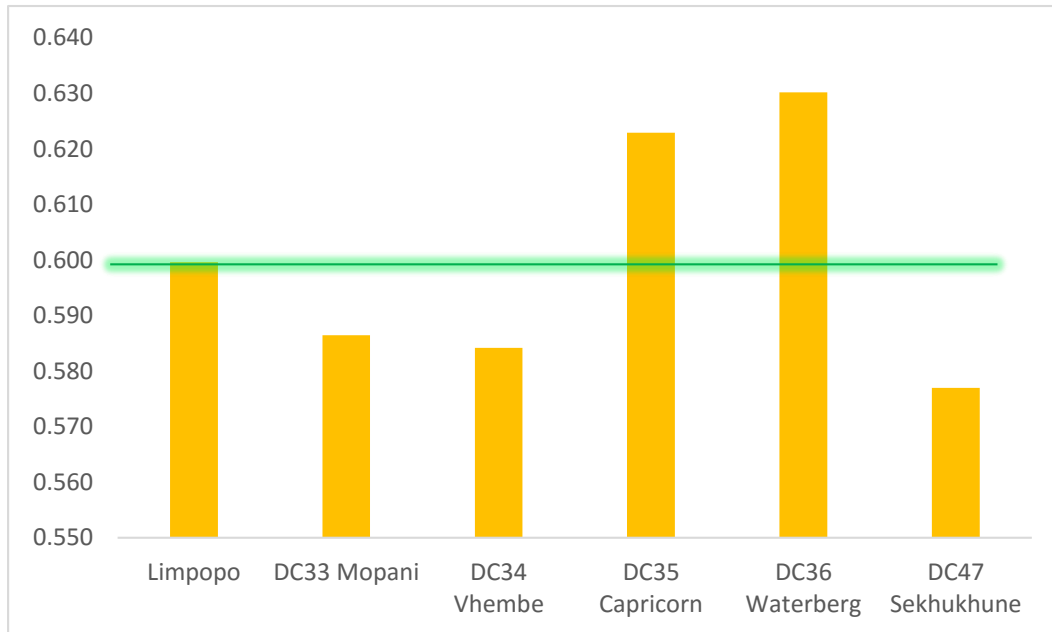
Source: StatsSA Quarterly Labour Survey 2016

4.3. Human Development Index

Just after the dawn of democracy, the human development index both at national and provincial deteriorated till early 2000s. In 2003, the provincial HDI was 0.446, however it recovered to 0.60 in 2015. Although the improvement is celebrated, it is on average less than the national mark of 0.652 in 2015. Capricorn and Waterberg registered the highest HDI in the province at 0.62 and 0.63 respectively. The lowest recorded HDI is 0.58 in Sekhukhune district municipality. The HDI may not cointegrated to per capita income, however there is a close correlation between the two variables. Capricorn and

Waterberg have the largest per capita GDP in the province and invariable the highest HDI.

Figure 9 Limpopo Human Development Index 2015

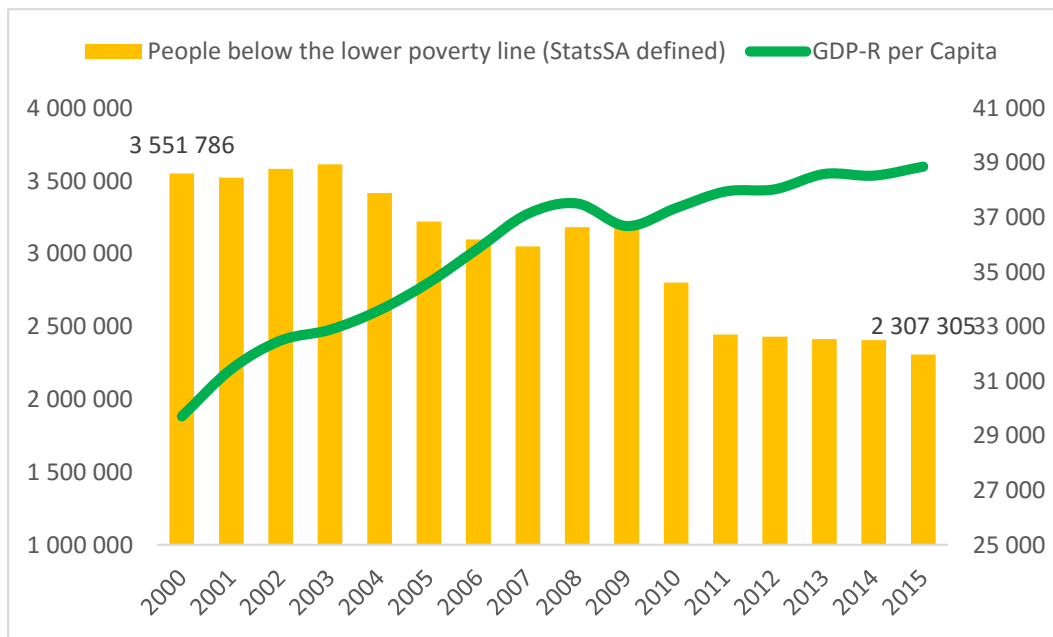


Source: Regional Explorer 2015

4.4. Poverty

The poverty levels is measured by the number of people below the lower poverty line, in 2000 the number of people living in poverty is 3.551 million, and this number has decreased by 1.244 million to 2.307 million in 2015. There is a converse correlations between poverty and GDP per capita, as GDP per capita increases, the poverty levels decrease over time. Intuitively, the economy has to grow at a much faster rate to curb poverty through employment creation and expanded social welfare services.

Figure 10 Limpopo people below the lower poverty line and GDP per capita



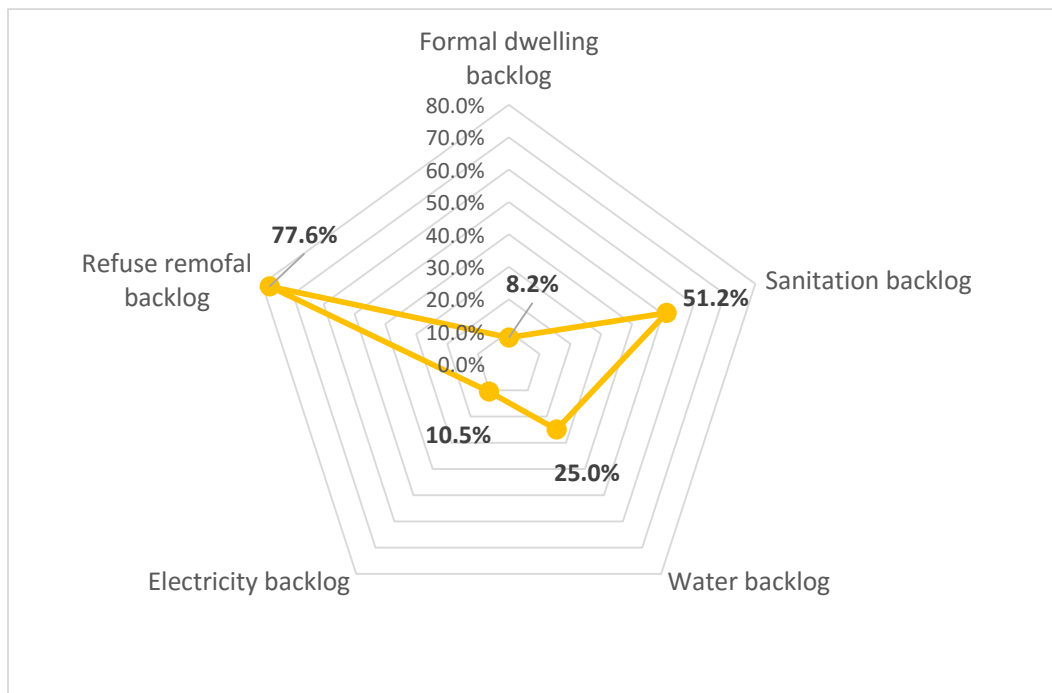
Source: Regional Explorer 2015

4.5. Service Delivery Imperatives

The principle of back to basics is premised on putting South Africans and their concerns first, create conditions for decent living by consistently delivering municipal services to the right quality and standard, Be well governed and demonstrate good governance and administration, Ensure sound financial management and accounting, and prudently manage resources and build and maintain sound institutional and administrative capabilities.

The provincial government has made significant strides in providing basic services to its citizens, as at 2014 about 85 percent of households in the province have electricity connections, while about 90.8 percent of the households occupy formal dwellings. More still needs to be done as there are only 77.6 percent of the households that don't have formal refuse removal and only 51.2 percent households that don't have hygienic toilets. Households with no access to piped water is about 25 percent.

Figure 11 Limpopo household infrastructure 2015



Source: Regional Explorer 2015

In order to ensure all municipalities function very well, we must collectively and consistently encourage good performance and intervene where needed.

5. Conclusion and Policy Recommendations

The country continues to operate in an economically repressed environment with greater emphasis on fiscal consolidation and obtaining maximum value for each rand spent. However, these fiscal measures come at a time where many of the South Africans have not had the privilege of living in decent housing, access to electricity and hygienic toilets. To correct the service delivery asymmetry, the provincial government will have to come up with creative methods of service delivery i.e. extending the service delivery footprint, yet maintaining fiscal discipline.

Furthermore, there is an urgent need to reform the service delivery models of departments by reducing operational inefficiencies and introducing effective and efficient technologies in the health and education fraternity.

The importance of an integrated service delivery model can never be over emphasised. Government need to establish bargaining and purchasing power through collaborative service delivery plans. This will ensure swift service delivery impact while saving government remnant resources to be directed to alternative priorities.