



LIMPOPO

PROVINCIAL GOVERNMENT

REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

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Foreword

The 2023/24 fourth Quarter, Quarterly Economic Bulletin (QEB) is presented during the period of socio-economic uncertainties locally and internationally. The South African economy is projected to slow down due to the geo-economic factors that affect the optimal economic performance of the country. These factors range from consistent constraints in electricity supply, logistical challenges and war in the Middle East. The economy is not growing at a level that enables the country to cover all the developmental needs. There is a need to expedite strategies to counter these challenges that put burden on livelihood of the population, more especially the poor and the middle-class. It is worth to note that some of the challenges affecting our economy are global and less can be done by South African government. Small businesses in South Africa as well as in the Limpopo continue to be negatively affected with some businesses resorting to closure and therefore leading to increased unemployment rates. Energy crisis as well as logistical constraints, in the current year are continuously affecting the economic performance negatively.

During his 2024 State of the Nation Address (SONA), The President of the Republic of South Africa outlined possible solutions to the challenges facing the country that might assist in growing the economy and creating the much-needed jobs by the society inclusive of young people. In the previous year, the President established the Ministry of Electricity to deal with electricity outages. This is so primarily that the economic growth of the country is driven by achieving sustainable energy supplies, and also fixing the freight and ports challenges been currently encountered. Limpopo economy remains sensitive to local and global shocks but has proved over time to be resilient.



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DATE

Table of Contents

1.1 Introduction.....	1
1.2 World Economic Outlook	1
1.3 SA economic overview	2
1.3.1 SA Economic growth	2
1.3.2 SA headline Inflation.....	5
1.3.3 SA interest rate.....	6
1.4 Limpopo Economic Growth	7
1.5 SA and Limpopo trade performance	8
1.6 Labour market Characteristics	10
1.6.1 Labour force characteristics	10
1.6.2 SA and Limpopo unemployment.....	11
1.7 Education	11
1.7.1 Grade 12 (Matric) performance.....	11
1.7.2 Individuals paying tuition fees per province.....	13
1.8 Climate change	14
1.8.1 Environmental impact.....	15
1.8.2 COP 28	16
1.9 Conclusion and recommendation.....	16

Table of figures

Figure 1 : SA GDP growth year on year	2
Figure 2 : Annual growth in GDP at constant 2015 prices (measured by production)	3
Figure 3 : Quarter-on-quarter percentage change in GDP (constant 2015 prices)	4
Figure 4 : Contributions to growth in GDP, Q4 2023 (% points)	4
Figure 5 : Headline inflation.....	5
Figure 6: SA interest rate	6
Figure 7 : Limpopo GDP growth (Q/Q) (constant 2015 prices).....	7
Figure 8: Annual Limpopo GDP growth (constant 2015 prices)	8
Figure 9: SA and Limpopo trade performance	9
Figure 10 : Individuals aged 5 years and older who attended schools and who did not pay tuition fees, by province.....	14

Table of tables

Table 1 : World Economic Outlook Real GDP, annual percent change	1
Table 2 : Limpopo labour characteristics	10
Table 3: SA and Limpopo unemployment (Q/Q)	11
Table 4: SA vs Limpopo Grade 12 (Matric) pass Rate (2019-2023).....	12
Table 5 : Overall Performance of the 2023 Grade 12 Cohort	13
Table 6 : Environmental indicator per province	15

1.1 Introduction

The global economy is continuing to recover from the Russia-Ukraine war which affected supply of goods and has led to increased inflation. Despite this recovery, there are possibilities of wars emanating from allies assisting fellow allies. In recent periods, the world has been hit by unexpected shocks ranging from geo-political fragmentation and disease outbreaks which affected the economies around the globe. As much as an external shocks' occurrence jeopardize other economies, it might as well be advantageous to other economies. This is also the case in South Africa, as the country belongs and subscribes to the international community, hence developments in terms of global shocks continue to have both positive and negative effects on the South African economy.

The South African economy has been resilient to the global shocks, though its economic growth projections were revised downwards by the International Monetary Fund (IMF) as the country's economy is faced with various challenges such as energy crisis and logistical constraints. In delivering the last 6th administration State of the Nation Address (SONA), the President outlined possible solutions to these challenges. Such possible solutions might as well improve the provincial economy as Limpopo's economy continue to be highly reliant on the mining sector which is mainly export driven and require an efficient transportation and sustainable energy.

1.2 World Economic Outlook

Table 1 : World Economic Outlook Real GDP, annual percent change

	Year over Year			
	Estimate		Projections	
	2022	2023	2024	2025
World output	3.5	3.1	3.1	3.2
Advanced Economies	2.6	1.6	1.5	1.8
Emerging Market and Developing area	4.1	4.1	4.1	4.2
Emerging and developing Asia	4.5	5.4	5.2	4.8
Sub-Saharan Africa	4.0	3.3	3.8	4.1
South Africa	1.9	0.6	1.0	1.3

Source: International Monetary Fund, WEO, January 2024

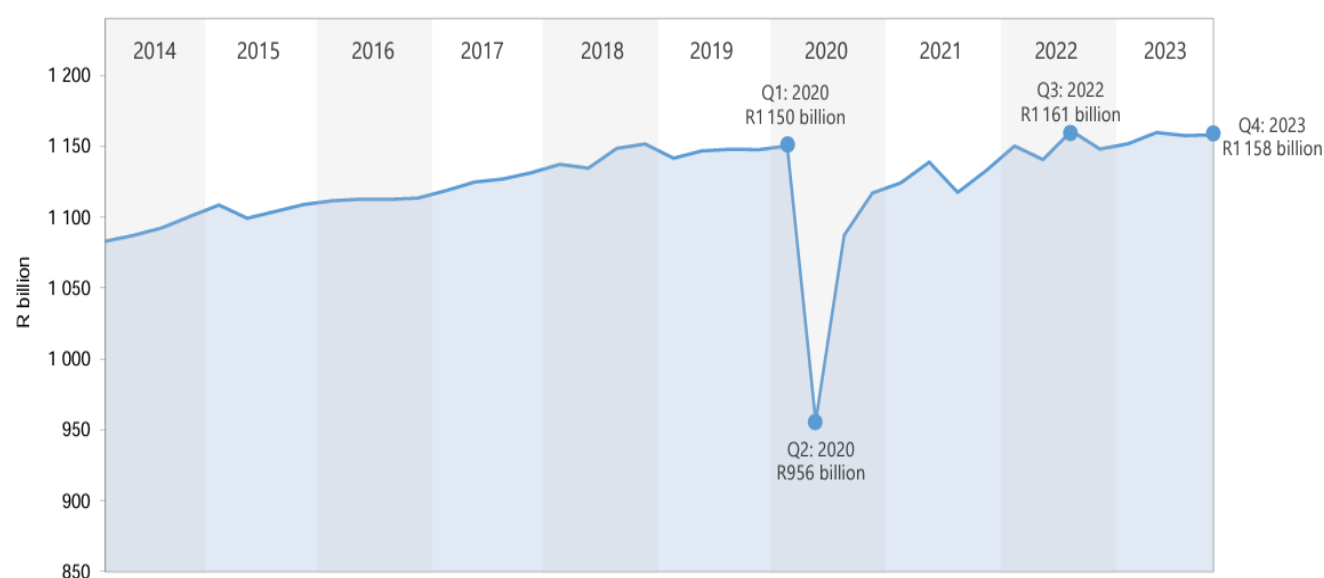
Global growth is estimated at 3.1 percent in 2023 and projected to remain at 3.1 percent in 2024 before rising modestly to 3.2 percent in 2025. However, global growth projection for 2024 and 2025 is below the historical annual average of 3.8 percent as a result of restrictive monetary policies and withdrawal of fiscal support. This is due to rising trade distortions as well as geo-economic fragmentations which have affected world trade growth.

1.3 SA economic overview

1.3.1 SA Economic growth

The South African economy continues to be resilient, though faced with challenges that need to be resolved timeously, as there are great potential of economic growth prospects for the country. Energy crisis lead to power outages directly affecting production whilst logistical constraints affects transportation of goods as well as trade, and these are still binding on economic activity and generally increase costs for running business in the country. It is however, expected that electricity supply will improve gradually over the medium-term, helping to raise forecast for output growth in 2024, 2025 and 2026.

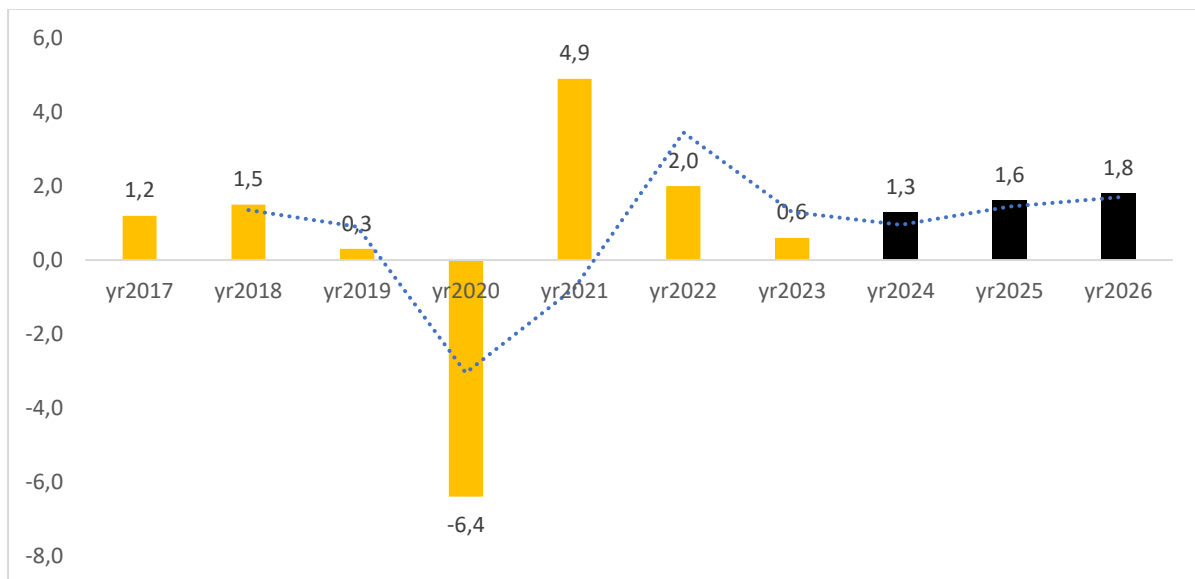
Figure 1 : SA GDP growth year on year



Source: StatsSA, GDP, Q4, 2023

There has been a recovery from the COVID -19 effects for the South African economy. As depicted the country's GDP has managed to recover and it has reached the pre COVID - 19 levels on succeeding years.

Figure 2 : Annual growth in GDP at constant 2015 prices (measured by production)



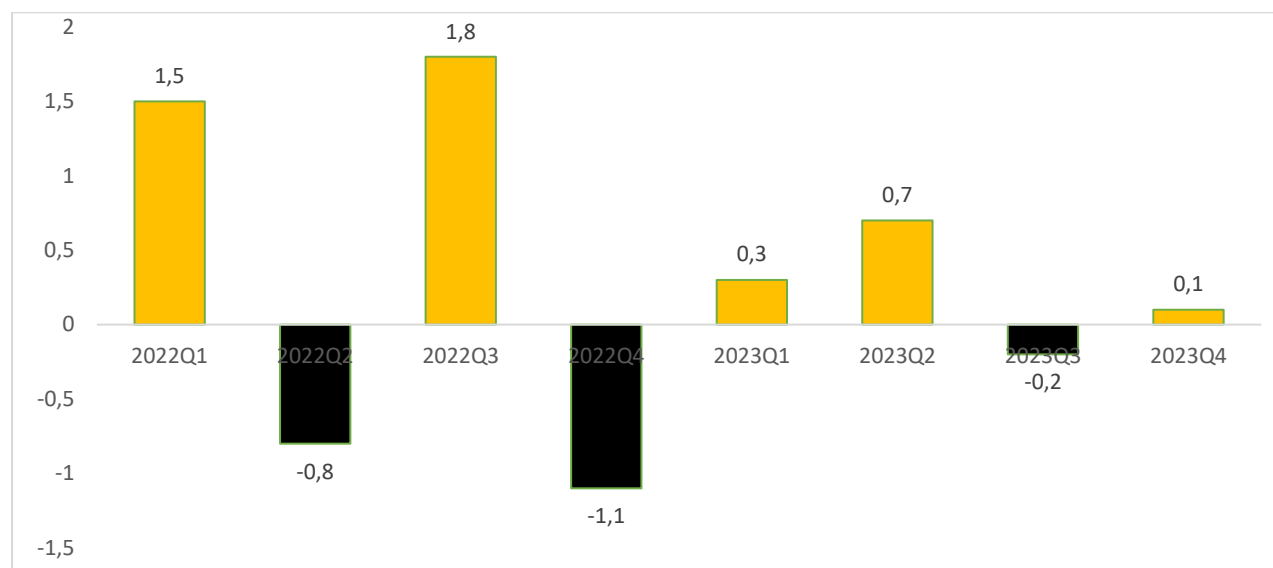
Source: StatsSA, GDP, National Treasury forecasting, 2024.

GDP has decreased to 0.6 percent in 2023 compared to 2.0 percent in 2022. The 0.6 percent in 2023 is basically on economic activities in finance, real estate and business services, transport, storage and communication personal services and manufacturing, on the other side agriculture, forestry and fishing, trade, catering and accommodation; electricity, gas and water; and mining and quarrying divisions recorded negative growth in 2023.

During the 2024 National Budget speech, the National Treasury has projected annual GDP growth for 2023 at 0.6 percent and an increase to 1.3 percent in 2024 and a further increasing trend in 2025 and 2026 as growth rates are projected at 1.6 percent and 1.8 percent respectively. Primarily, the growth projections for the country will be

driven by achieving sustainable energy supply and fixing the freight and ports challenges.

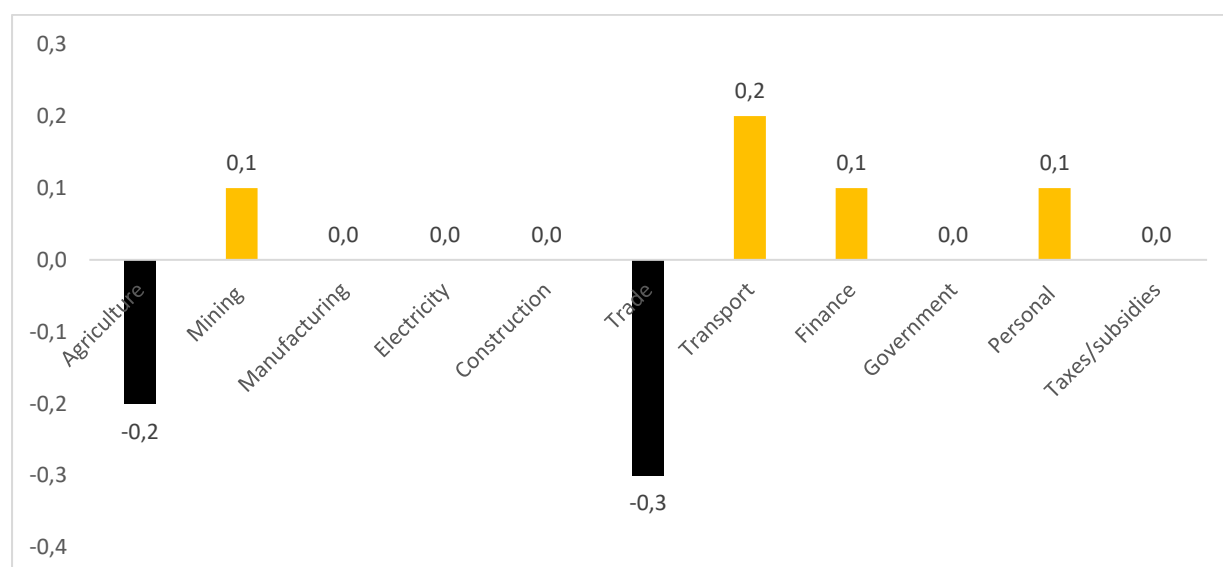
Figure 3 : Quarter-on-quarter percentage change in GDP (constant 2015 prices)



Source: StatsSA, GDP, Q4, 2023.

Real gross domestic product measured by production, increased by 0.1 percent in the fourth quarter of 2023, following a decrease of 0.2 percent in the third quarter of 2023. During first quarter and second quarter of 2023 GDP increased by 0.3 percent and 0.7 percent, respectively.

Figure 4 : Contributions to growth in GDP, Q4 2023 (% points)



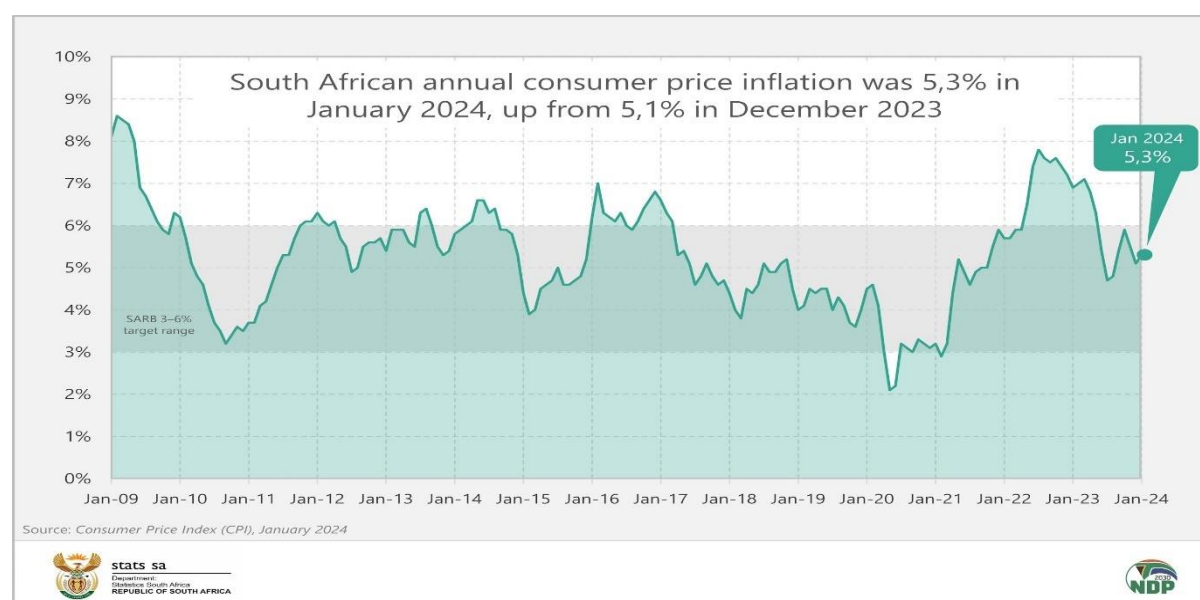
Source: StatsSA, GDP, Q4 2023.

In terms of sector contribution, there are industries that managed to record growth between the third quarter of 2023 and the fourth quarter of 2023. The transport, storage and communication industry increased by 2.9 percent and contributed 0.2 of a percentage point to GDP growth. The finance industry increased by 0.6 percent and contributed 0.1 of a percentage point. The personal services industry increased by 0.9 percent and contributed 0.1 of a percentage point, while mining and personal services also contributed 0.1 percentage point to the fourth quarter growth. However, the trade, catering and accommodation industry was the main negative contributor, decreasing by 2.9 percent and contributing -0.3 of a percentage point.

1.3.2 SA headline Inflation

South Africa's headline inflation rate has increased more gradually than in many other emerging and advanced economies, as the South Africa's inflation rate remains sensitive to global shocks affected mainly by the movements in the global oil prices.

Figure 5 : Headline inflation



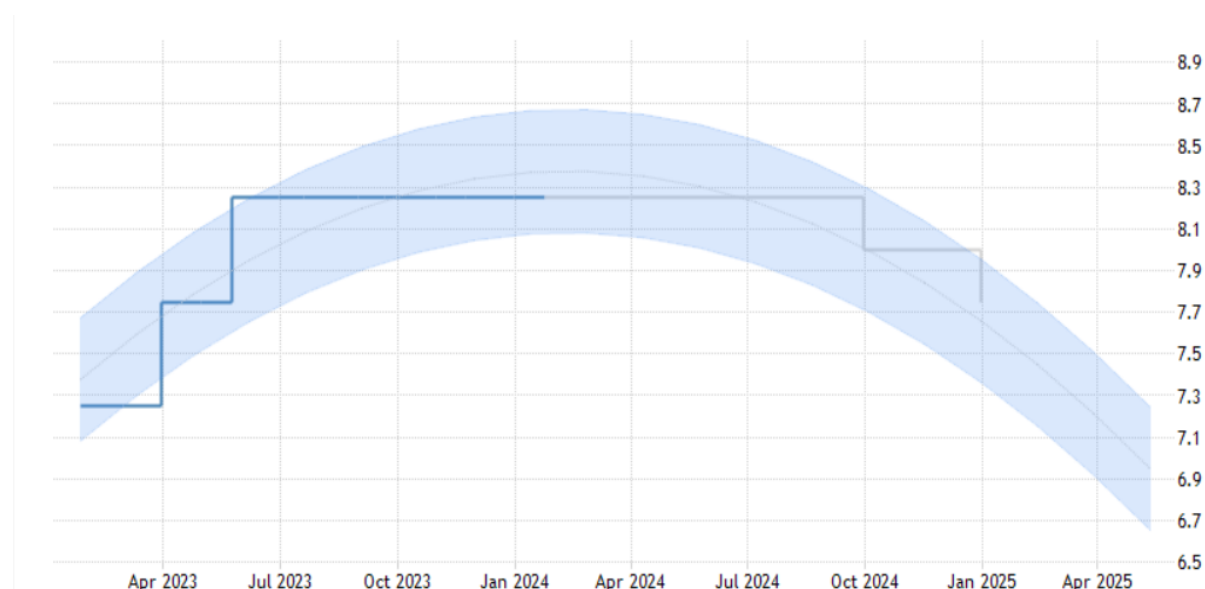
Source StatsSA, CPI, 2024

Annual consumer price inflation increased to 5.3 in January 2024 after dropping in December 2023 to 5.1 percent from 5.5 percent in November 2023 and 5.9 percent in October 2023. The 2023 average Consumer Price Inflation rate for the year was 6.0

percent which is lower than 2022 average inflation of 6.9 percent. With inflation being almost close to the upper target range, there is a continuous push to maintain inflation rate within the 3 to 6 percent target range. On the other hand, South African Reserve Bank (SARB) unanimously decided to keep the repo rate at 8.25 percent in January 2024, as widely anticipated, thereby keeping borrowing costs at their highest since 2009.

1.3.3 SA interest rate

Figure 6: SA interest rate



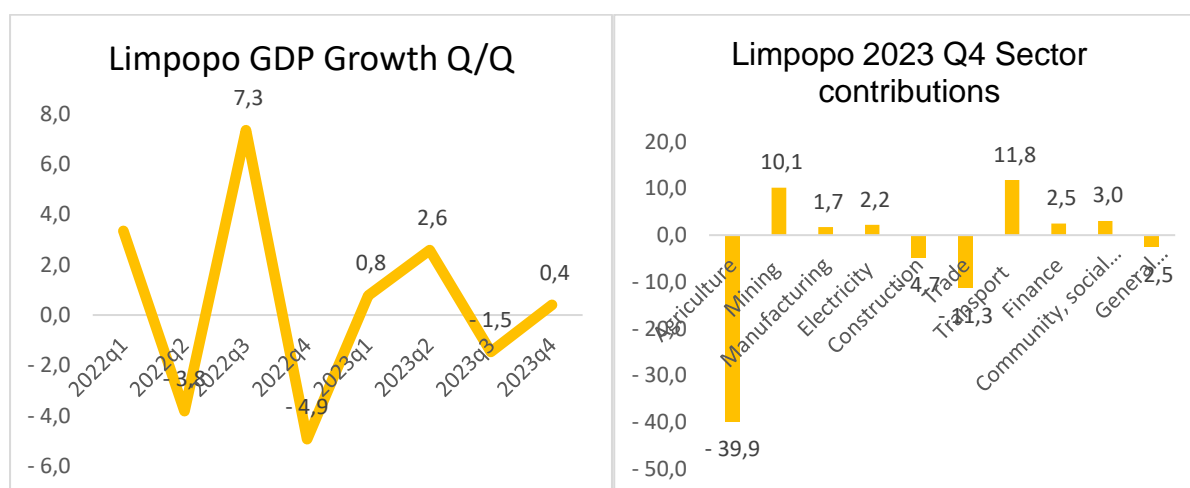
Source: SARB, 2023

The South African Reserve Bank (SARB) kept its key repo rate at 8.25 percent on January 25th, 2024, as widely anticipated, thereby keeping borrowing costs at their highest since 2009. The bank highlighted the persistence of inflation risks while emphasizing a balanced evaluation of risks to medium-term growth. It is noted that the return of inflation to within the target range has been slow, despite the expected gradual moderation. The SARB maintained its SA's economic growth projections at 1.2 percent for 2024 and 1.3 percent for 2025.

1.4 Limpopo Economic Growth

The continuing Russia-Ukraine war as well as the enduring load shedding in the country has worsened growth prospects of the provincial economy, as the provincial economy continues to grow below the envisaged 2.0 percent growth as outlined in the Limpopo Development Plan (LDP) by the Limpopo Provincial Government. The low provincial economic growth has a negative bearing in the creation of job opportunities as well as improving the overall living conditions of citizens.

Figure 7 : Limpopo GDP growth (Q/Q) (constant 2015 prices)



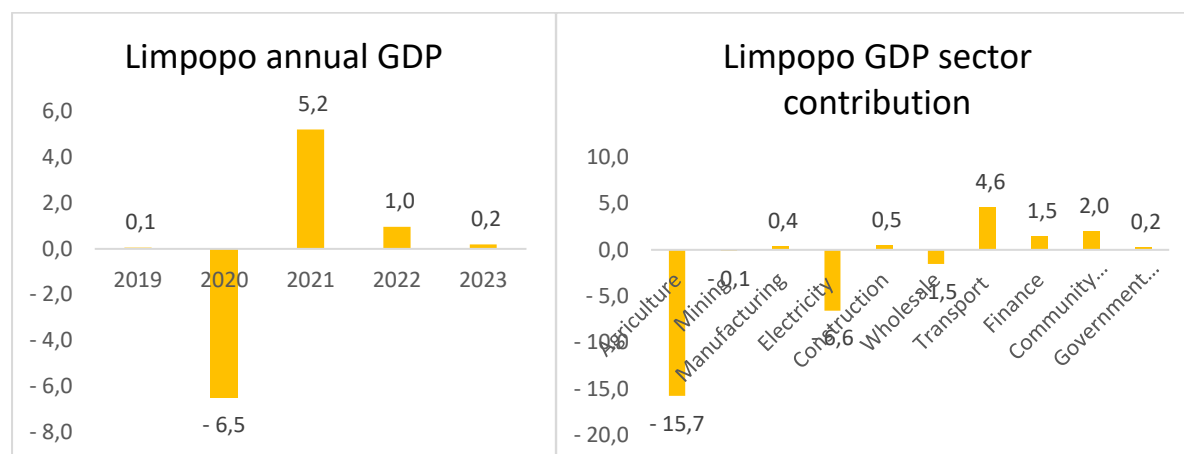
Source: Quantec, GDP, 2024.

In terms of Q/Q Limpopo GDP growth, the provincial quarterly economic growth has been sluggish, growing at 0.8 percent during Q1:2023 and reaching a high of 2.6 percent in Q2:2023. A negative growth of 1.5 percent was recorded in Q3 of 2023 and this was followed by a 0.4 percent growth. In comparing forth quarter performance of 2022 and 2023, it is noted that in the fourth quarter of 2022, GDP was -4.9 percent, while in 2023 a positive growth of 0.4 percent was recorded.

The effect of climate change continues to be felt in the agriculture sector, hence the decline in its contribution to the quarterly GDP of the province. During Q4: 2023, the mining sector was the second highest contributor to Limpopo GDP growth at 10.1 percent after transport at 11.8 percentage point. Manufacturing also contributed

positively to Q4:2023 GDP growth at 1.7 percentage points, signalling the possibility of a success in pursuit of industrialisation in the province.

Figure 8: Annual Limpopo GDP growth (constant 2015 prices)



Source: Quantec, GDP, 2024.

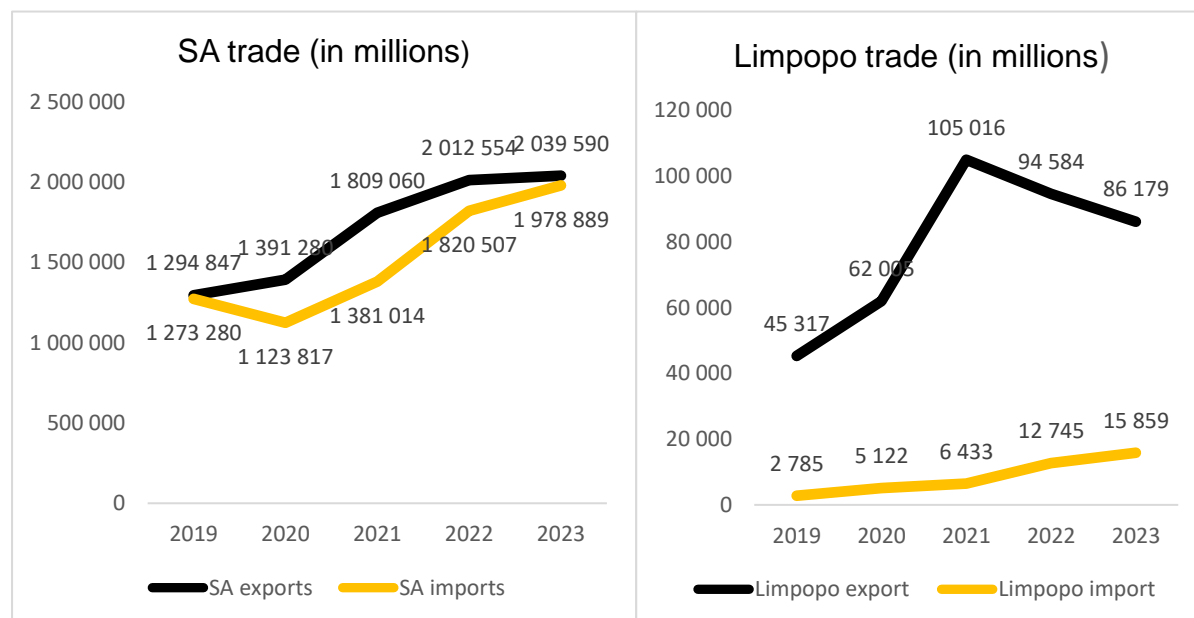
In 2023, Limpopo GDP only grew by 0.2 percent which is lower than 5.2 percent in 2021 and 1.0 percent in 2022.. In 2023, the transport sector at 4.6 percent was the main contributing sector despite the current logistical challenges in the country and in the province, it was followed by the community services at 2.0 percent, finance at 1.5 percent, as well as the manufacturing contributing 0.4 percentage points and construction by 0.5 percent contribution. The agriculture sector, mining sector, electricity and wholesale all contributed negatively to the provincial GDP growth in 2023.

1.5 SA and Limpopo trade performance

South Africa is a member of the international community and hence trading with the world. Trading amongst countries and regions boosts and enhances domestic economic growth especially given the competitive and comparative advantages of trade. Countries, as well as regions, do not possess similar endowments hence the necessity for trade to enhance the multiplier effects across industries, value additions, and structural changes that are aimed at economic growth. South Africa is located at

the southern tip of Africa, with Limpopo province located at its northern tip having three (3) borders with 3 countries, namely Botswana, Namibia and Zimbabwe.

Figure 9: SA and Limpopo trade performance



Source: Quantec, 2024

Since 2016, South Africa has been recording positive trade balances. In 2019 as well as in 2023, the value of SA Trade exports and imports were almost equal. With regard to Limpopo, it had an increase in exports from 2019 to 2021, after which there was a sharp decline in the value of exports, however for the same period there has been a steady increase in imports.

Informal cross border trade which is mainly practiced between neighbouring countries and mostly conducted by vulnerable, small, unregistered traders, has the potential to generate significant rural non-farm income and become a catalyst for value chain creation and support in rural areas. This benefit in turn, can lower rural unemployment and slow rural-urban migration, while empowering women, whom in most cases have been economically marginalised.

1.6 Labour market Characteristics

The labour force characteristics are published in the Statistics South Africa (StatsSA) Quarterly Labour Force survey (QLFS). The survey is conducted on a quarterly basis to track closely the developments in the labour force.

1.6.1 Labour force characteristics

Table 2 : Limpopo labour characteristics

	Jan-Mar 2023	Apr-June 2023	Jul-Sep 2023	Oct-Dec 2023
	Thousand			
Population 15-64 yrs	3 971	3 984	3 998	4 010
Labour force	2 091	2 146	2 222	2 149
Employed	1 388	1 469	1 539	1 498
Unemployed	703	677	683	651
Not economically active	1 880	1 839	1 775	1 861
Discouraged workers	533	545	488	561
Other (not economically active)	1 347	1 294	1 287	1 300
Rates (%)				
Unemployment rate	33,6	31,6	30,8	30,3
Employed/Population ratio	35,0	36,9	38,5	37,4
Labour force participation rate	52,7	53,9	55,6	53,6

Source: StatsSA, QLFS Q4, 2024

The 2023 fourth quarter QLFS shows that there has been an increase in the working age population (i.e 15-64 years) in Limpopo province. In the first quarter there were about 3.971 million people of working age which has increase to 4.01 million people of working age in the last quarter of 2023. In terms of population employed and that looking to engage in employment, the labour force statistics shows that Limpopo has more people employed than those unemployed.

During Q1 of 2023, there were about 1.388 million people in employment and about 700 thousand unemployed. The employed working age population increased from 2023 first quarter from 1.388 million to 1.539 million in the third quarter and then declined by 41 thousand to 1.498 million in the last quarter of 2023. The unemployed working age population declined from 703 thousand in the first quarter of 2023 to 651 thousand in the fourth quarter of 2023.

1.6.2 SA and Limpopo unemployment

Table 3: SA and Limpopo unemployment (Q/Q)

	Q1:2023		Q2:2023		Q3:2023		Q4:2023	
	Official	Expanded	Official	Expanded	Official	Expanded	Official	Expanded
SA	32,9	42,4	32,6	42,1	31,9	41,2	32,1	41,1
Limpopo	33,6	48,6	31,6	47,9	30,8	45,1	30,3	46,7

Source: StatsSA, QLFS Q4, 2024

South African official unemployment rate did not differ much to that of Limpopo during 2023 on quarterly basis. In the first quarter of 2023, the Limpopo unemployment rate (33.6 percent) was slightly higher than South Africa's unemployment rate (32.9 percent). The Limpopo official unemployment rate has been consistently declining throughout the quarters of 2023, whilst the South Africa official unemployment only declined from first quarter to the third quarter, with a slight increase in the fourth quarter of 2023.

1.7 Education

Education continues to play a significant role in uplifting the lives of the marginalised and further contributing to country development levels. The government continues to invest largely in the education as part of its mission to fight poverty and inequality.

1.7.1 Grade 12 (Matric) performance

One important milestone in the South African education system is passing Matric. It is regarded as a gateway for further post matric education later leading to increased individual employability, as those who passed matric and graduated, are more likely to be absorbed into the labour market.

Table 4: SA vs Limpopo Grade 12 (Matric) pass Rate (2019-2023)

	SA	LP
2019	81.3	73.2
2020	76.2	68.2
2021	76.4	66.7
2022	80.1	72.1
2023	82,9	79,5

Source: Department of Basic Education, 2023

The COVID-19 pandemic had a significant negative impact on the 2021 matric learners' results performance, as learners lost or missed number of schooling days due to lockdowns, however, at the end of lockdowns the province came up with strategies and adaptations for improving the matric pass rates which showed an improvement in provincial results . In Limpopo, the overall results declined from 73.2 percent in 2019 to 68.2 percent in 2020, and further declined to 66.7 percent in 2021 and then increased to 72.1 percent in 2022 which is the second highest pass rate for Limpopo since 2019.

In 2023 South Africa's matric pass rate increased from 80.1 percent in 2022 to 82.9 percent and from 72.1 percent 79.5 percent for Limpopo. Accordingly, it implies that teaching and learning methodologies have improved from the frustrations and impediments brought by COVID-19 or it could be that things are returning to the pre pandemic norms. Limpopo in 2023, moved from being the lowest performing province in terms of matric pass rate and improved two places up from being ranked 9th to 7th position. Seemingly, there are commendable interventions by Limpopo government in improving the matric pass rate in 2023 which need to be maintained.

Table 5 : Overall Performance of the 2023 Grade 12 Cohort

Provinces	2023			Rankings
	Total Wrote	Total Achieved	% Achieved	
Eastern Cape	95 697	77 917	81.42	6
Free State	34 451	30 673	89.03	1
Gauteng	127 697	109 030	85.38	3
Kwazulu-Natal	157 911	136 366	86.36	2
Limpopo	93 533	74 400	79.54	7
Mpumalanga	65 534	50 429	76.95	8
North West	41 418	33 808	81.63	4
Northern Cape	12 842	9 740	75.84	9
Western Cape	62 077	50 620	81.54	5
National	691 160	572 983	82.90	

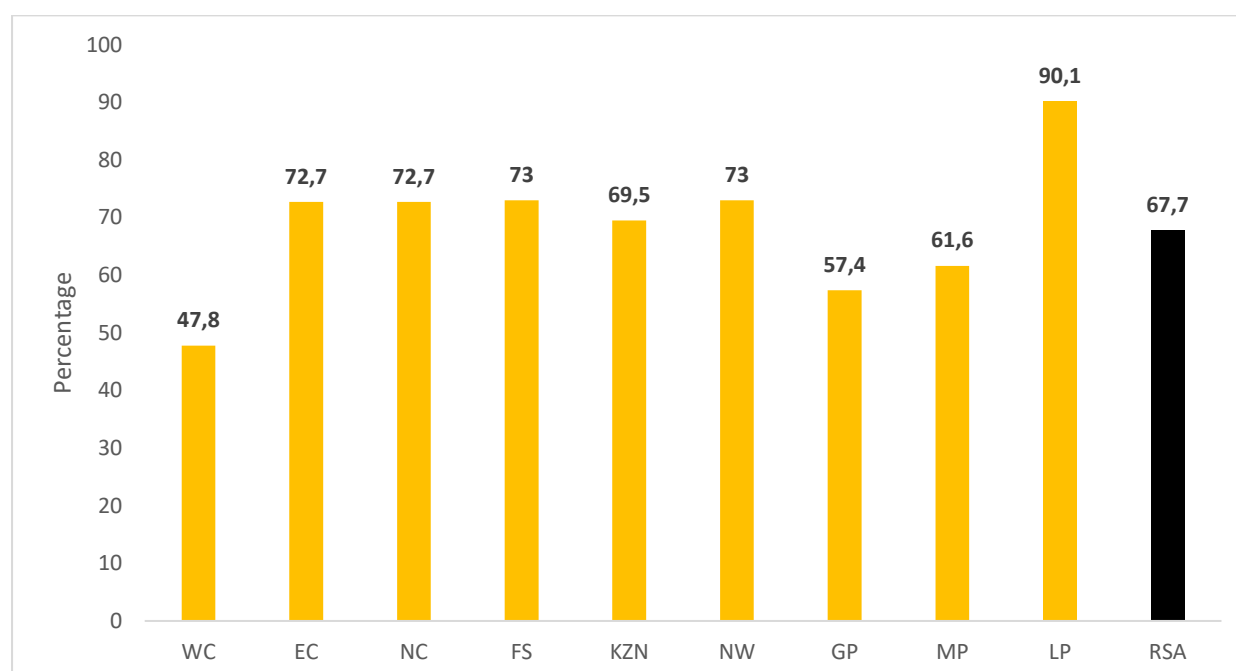
Source: Department of Basic Education, 2023

With reference to the table above, majority of learners who wrote the 2023 matric examination were from KwaZulu-Natal followed by Gauteng province. Number of learners can effectively influence the pass rate hence Free State which is ranked first in terms of pass rate has second lowest number of learners who sat for the exam. However, this statement is not holistically a true reflection since the Northern Cape Province, which has the lowest population in South Africa also had the lowest number of learners who wrote and passed matric in 2023.

1.7.2 Individuals paying tuition fees per province

During his 2024/25 budget speech the Honourable MEC of Finance highlighted the dedication of the Limpopo Provincial Government in improving the education status of the province. In support to that was the highest allocation of the provincial budget is into the Limpopo Department of Education.

Figure 10 : Individuals aged 5 years and older who attended schools and who did not pay tuition fees, by province.



Source: StatsSA,GHS 2022

Although inadequate access to funding for payment of fees remains a major hurdle for learners, more than two-thirds (67.7%) of learners aged five years and older in South Africa attended schools where no tuition fees were paid in 2022. The percentage of attendance of non-tuition paying schools was most common in Limpopo (90.1%), and least common in Western Cape (47.8%), and Gauteng (57.4%). Intuitively, rural areas do not have much tuition paying schools, most if not all schools in such areas are government schools with no fee payments. Provinces with significant percentage of urban areas will have fee paying schools, furthermore this is due to economic status of households.

1.8 Climate change

Climate change has recently become a topical issue as its impacts are felt across all sectors. In the agricultural space, farmers planting schedules had to change thus tempering with food security. Various organization across the globe have developed mitigating factors however those are not applicable similarly across all the regions given the heterogeneity of regions.

1.8.1 Environmental impact

Table 6 : Environmental indicator per province

Indicators	Province									
	WC	EC	NC	FS	KZN	NW	GP	MP	LP	RSA
No. of households using borehole water N ('000)	9	17	12	25	92	101	32	62	268	618
No. of households using wood/coal for cooking N ('000)	9	162	22	27	261	114	50	260	587	1 492
% of households whose refuse is removed by a local authority	87,8	41,5	41,5	71,5	50,6	50,9	84,1	41,2	24,3	62,2
% of households who feel that they are experiencing problem with										
Littering	27,3	40,0	44,2	55,3	29,5	31,0	29,6	46,2	23,7	32,8
Water pollution	9,5	26,8	24,2	28,0	19,6	19,8	15,9	9,6	9,3	16,8
Air pollution	11,2	20,9	24,2	24,1	11,7	31,0	17,3	22,2	9,9	17,2
Land degradation	13,7	43,2	38,8	49,9	23,7	55,5	22,5	70,6	39,4	32,8
Excessive noise pollution	14,1	10,8	17,0	22,8	9,5	14,1	19,8	10,4	8,4	14,4

Source: StatsSA, GHS (selected indicators), 2022.

The StatsSA General Household Survey of 2022 (selected indicators) pointed out climate change and its impact on the environment as experienced by households. Indicators considered such as utilization of borehole water, energy for cooking and refuse removal by authority to some extent indicates the economic status and government service delivery outlook. Limpopo followed by Northwest have highest number of households sourcing water from boreholes, at 268 thousand and 101 thousand households, respectively. Again, in terms of households using wood/coal for cooking, Limpopo has highest number of 587 thousand followed by Kwa-Zulu Natal having 261 thousand household using wood/coal for cooking.

There are five environmental indicators considered herein ranging from littering, water pollution, air pollution, land degradation and excessive noise pollution. In terms of household responses, 32.8 percent of households in South Africa experience littering whilst majority of them are in Free State (55.3%) with Limpopo having the lowest percentage of households experiencing littering.

About 16.8 percent of South African households' experience water pollution, again Free State being the highest and Limpopo being the lowest in terms of experiencing

water pollution. In terms of air pollution 17.2 percent of South African households experienced air pollution with North West province being the highest (31.0%). The fourth indicator which is land degradation has direct effect on food production, and 32.8 percent of households in South Africa have experienced land degradation, majority of whom are in Mpumalanga (70.6%) and Limpopo being the 6th largest experiencing province (34.9%) of land degradation. Lastly, Excessive noise pollution is encountered by just only 14.4 percent of South African households.

1.8.2 COP 28

During COP 28 meeting in December 2023, delegates from nearly every country on earth negotiated global goals for tackling climate change, presented their individual countries plans for contributing to those goals, and reported progress. Emanating from this, there is a tremendous opportunity to advance the critical role nature plays in combating climate change and implementing the Paris Agreement. As countries work to update and align their climate plans, there is on-going negotiations with government and business leaders, pushing for greater ambition to phase out fossil fuels, build more resilience into societies, and invest more in both mitigation and adaption efforts.

In order to accomplish these goals, there has been advocacy for both swifter transition to renewable energy source and more use of natural climate solutions, and more investment from both the public and private sectors, especially to help those countries that have been mostly affected by the impacts of climate change. There is ongoing work towards ensuring that indigenous and local community voices are heard, as these are the people who know best how to work with nature in their communities.

1.9 Conclusion and recommendation

The ongoing external global shocks caused by the geo- political and economic environment continue to have a negative effect on South Africa and Limpopo economic growth prospects. On the other side, other wars might compel allies to side together and thereby creating supply shocks such as US opting to assist its ally in the Israel-Palestine war. Though the South African economy has been resilient to the global shocks, its economic growth projections were revised downwards by the International Monetary Fund and the South African government responded positively

with possible intervention as outlined by The President during his 2024 SONA in February.

In terms of Limpopo economic growth stimulus, there is an eminent need for industrialization strategies and subsequently benchmark with existing National department programs and initiatives aimed at stimulating economic growth and complement and strengthen the SEZs. For the previous eight (8) years, South Africa has been a net exporter. The net exportation of a country might lead to its economic development and growth as much as attracting foreign investors. The province should continue its drive in further attracting foreign direct investment. Initiatives such as Limpopo investment drive should be explored in this regard since it has significant potential in creating employment through industrialisation in the province.

The SARB decided to keep its key repo rate at 8.25 percent on January 25th, 2024, as widely anticipated, thereby keeping borrowing costs at their highest since 2009. Keeping the repo rate unchanged has brought relief to consumers, subsequently, the expectation to further decrease the repo rate till 2025 bring further relief.

As evident in the recent release of matric pass rates, proper investment in education results in improved matric results as Limpopo has moved two rankings up. This improvement is also brought by supporting ECD by proper facilitation of the Early Childhood Development. There is a saying in Sepedi “*e kobja e sa le e nanana*” loosely translated – it has to be trimmed at an early age. Limpopo needs to further sustain its initiatives in matric pass rate improvement.

There is an unarguable effect of climate change on economic growth and as far as food security is concerned. The climate change has worsened the planting patterns resulting in little harvest yields. The last COP 28 resolutions calls for the integrated effort throughout the globe in mitigating the effect of climate change. As realised earlier, Limpopo is one of the provinces encountering huge effects of climate change especially given the low contribution of agricultural sector to the provincial GDP. The province has to consider the global and regional climate change mitigation strategies emanating mostly from COP 28 resolutions.