



destea

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FREE STATE PROVINCE

[Social and Economic
infrastructure – a
catalyst for job creation
in Free State

[**An Economic Intelligence Report**]

[**December 2016**]

[The socio-economic environment may assist all stakeholders in the province, both in the public and private sectors, to implement and monitor plans and policies that will allow for a healthy, growing and inclusive economy and society. Emphasis will be on the economic environment of Free State Province in relation to the performance of the other eight provinces and the performance of South Africa, followed by an analysis of the economic contributions of Mangaung Metro, Thabo Mofutsanyana, Fezile Dabi, Lejweleputswa and Xhariep District Municipalities.

This report therefore provides an overview of the socio-economic environment of Free State Province, with specific reference to the Metro, as well as the four district municipalities.]

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The issue of the *Economic Intelligence Report* focuses mainly on the three months quarter ending *December 2016*.

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CONTENT

1. Introduction	05
2. Economic Overview	05
2.1 Gross Domestic Product by Region (GDP-R)	05
2.2 Gross Value Added by Region (GVA-R)	09
2.3 Current Sectoral Economic Performance	10
2.4 Economic Growth Forecast	11
3. Free State Labour Market	14
3.1 Summary-SA Labour Market measures at a glance	14
3.2 Labour Force Characteristics	14
3.3 Employment by province	15
3.4 Employment by industry	16
3.5 Unemployment	18
4. Conclusion	20
5. Recommendations	22

1. Introduction

This edition of the Economic Intelligence Report gives an overview of the socio-economic environment of Free State Province, with specific reference to the Mangaung Metropolitan Municipality, as well as the four district municipalities. A better understanding of the socio-economic environment could assist all stakeholders in the province, both in the public and private sectors, to implement and monitor plans and policies that will allow for a healthy, growing and inclusive economy and society.

Emphasis will also be placed on the economic environment of Free State Province in relation to the performance of the other eight provinces and the performance of South Africa. The analysis will also include the economic contributions of Mangaung Metro, Thabo Mofutsanyana, Fezile Dabi, Lejweleputswa and Xhariep District Municipalities. The changing economic environment subsequently has an effect on the ability of the economy to create jobs. This report therefore will also include an analysis on the employment and subsequent income dynamics of the Free State Province.

Information was collected by using data from IHS Global Insight and several publications from Statistics South Africa, namely the Quarterly Labour Force Survey and others.

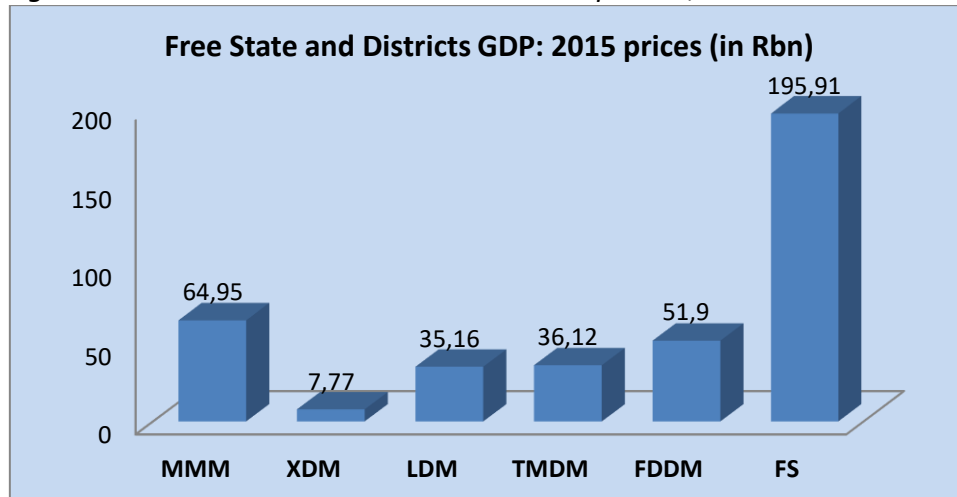
2. Economic Overview

2.1 Gross Domestic Product per Region (GDP-R)

In 2015 the Free State Province had a total GDP of R196 billion (up from R85.5 billion in 2005) in current prices¹. *Figure 1* below shows the contribution of each district municipality to total Free State GDP. The most contribution came from the Mangaung Metropolitan Municipality (MMM), followed by the Fezile Dabi District Municipality (FDDM) which is the industrial hub of the Free State economy. Thabo Mofutsanyane District Municipality's (TMDM) was the third largest; Lejweleputswa District Municipality's (LDM) the fourth and Xhariep District Municipality's (XDM) was the fifth in contribution.

¹ Global Insight Regional eXplorer version 1029, p15

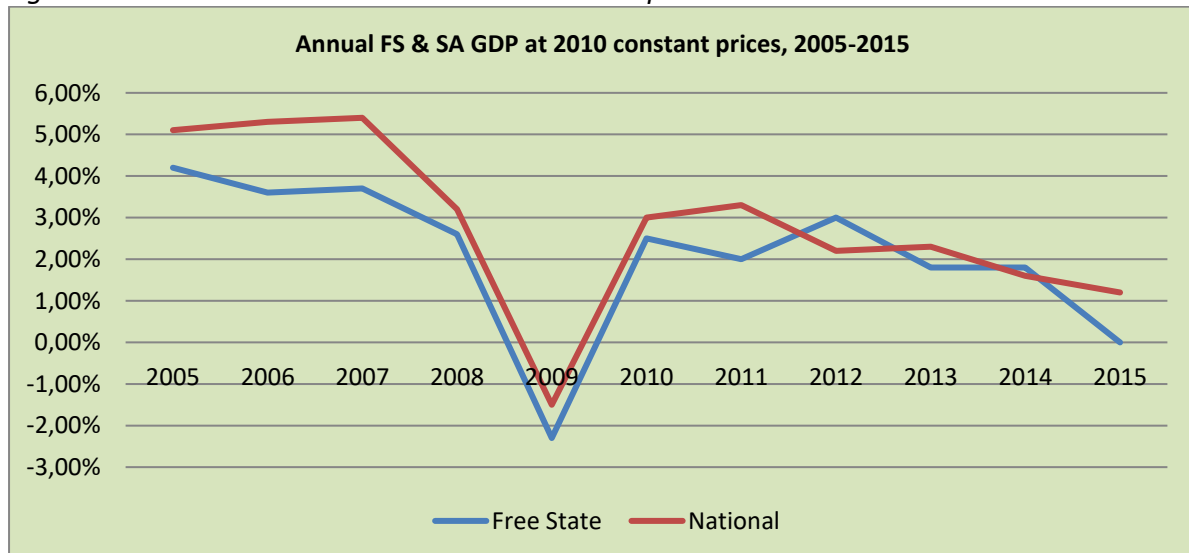
Figure 1: GDP - Free State and District Municipalities, 2015



Source: Global Insight Regional eXplorer version 1029

As figure 2 below shows, the annualised GDP growth has struggled to reach the pre-global financial crisis levels. The Free State economic growth reached its highest level of 4.22% in 2005. While the Free State GDP had been hovering below the national average between 2005 and 2015, it however surpassed the national average in 2012 and 2014 when it reached 3% and 1,8% respectively. For a period of ten years (between 2005 and 2015) the Free State economy has experienced real annualised average growth rate of 1.85%.²

Figure 2: Annual FS and SA GDP at 2010 constant prices



Source: IHS Global Insight Regional eXplorer version 1029

² Global Insight Regional eXplorer version 920

*Table1: Gross Domestic Product (GDP) - Free State and National Total, 2005-2015
[R Billions, Current Prices]*

	Free State	National Total	Free State as % of national
2005	85.5	1,639.3	5.2%
2006	101.2	1,839.4	5.5%
2007	114.0	2,109.5	5.4%
2008	129.7	2,369.1	5.5%
2009	135.9	2,507.7	5.4%
2010	147.2	2,748.0	5.4%
2011	157.6	3,023.7	5.2%
2012	163.9	3,254.0	5.0%
2013	179.1	3,549.2	5.0%
2014	189.2	3,812.6	5.0%
2015	195.9	4,013.6	4.9%

Source: IHS Global Insight Regional eXplorer version 1029

With a GDP of R 196 billion in 2015 (up from R 85.5 billion in 2005) as per *table 1* above, the Free State Province contributed 4.88% to the South Africa GDP of R 4.01 trillion in 2015 increasing in the share of the National Total from 5.21% in 2005.³ Its contribution to the national economy stayed similar in importance from 2005 when it contributed 5.21% to South Africa, but it is lower than the peak of 5.50% in 2006.

*Table 2: Gross Domestic Product (GDP) - Free State and National Total, 2005-2015
[Annual Percentage Change, Constant 2010 Prices]*

	Free State	National Total
2005	4.2%	5.1%
2006	3.6%	5.3%
2007	3.7%	5.4%
2008	2.6%	3.2%
2009	-2.3%	-1.5%
2010	2.5%	3.0%
2011	2.0%	3.3%
2012	3.0%	2.2%
2013	1.8%	2.3%
2014	1.8%	1.6%
2015	0.0%	1.2%
Average Annual growth 2005-2015+	1.85%	2.58%

Source: IHS Global Insight Regional eXplorer version 1029

As *table 2* above shows, in 2015, the Free State Province achieved an annual growth rate of -0.01% which was a significant lower growth rate than that of South Africa as a whole, where the 2015 GDP growth rate was 1.17%. Similar to the short-

³ Global Insight Regional eXplorer version1029

term growth rate of 2015, the longer-term average growth rate for the Free State of 1.85% is significant lower than that of South Africa, which is 2.58%. The economic growth rate in the Free State peaked in 2005 at 4.16%.

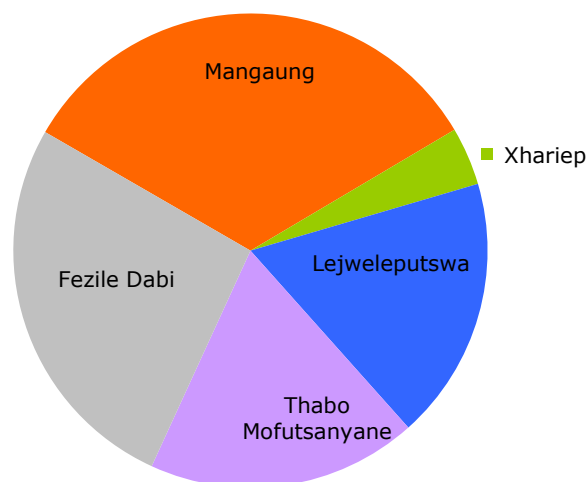
Table 3: Gross Domestic Product (GDP) - Metropolitan Municipalities of Free State Province, 2005 to 2015, Share and Growth

	2015 (Current prices)	Share of province	2005 (Constant prices)	2015 (Constant prices)	Average Annual growth
Mangaung	64.95	33.16%	39.00	52.37	2.99%
Xhariep	7.77	3.97%	4.87	6.51	2.94%
Lejweleputswa	35.16	17.95%	34.06	30.07	-1.24%
Thabo Mofutsanyane	36.12	18.44%	22.52	28.86	2.51%
Fezile Dabi	51.90	26.49%	32.96	42.50	2.57%
Free State	195.91		133.41	160.30	

Source: IHS Global Insight Regional Explorer version 1029

Table 3 shows that Mangaung had the highest average annual economic growth, averaging 2.99% between 2005 and 2015, when compared to the rest of the regions within the Free State Province. The Xhariep metropolitan municipality had the second highest average annual growth rate of 2.94%. Lejweleputswa metropolitan municipality had the lowest average annual growth rate of -1.24% between 2005 and 2015.

Figure 3: GDP contribution – Metro & District Municipalities of Free State Province, 2015 [Current Prices, Percentage]



Source: IHS Global Insight Regional Explorer version 1029

The greatest contributor to the Free State Province economy is the Mangaung metropolitan municipality with a share of 33.16% or R 65 billion, increasing from R 27.1 billion in 2005. The economy with the lowest contribution is the Xhariep metropolitan municipality with R 7.77 billion growing from R 3.09 billion in 2005.

2.2 Gross Value Added by Region (GVA-R)

The Free State Province's economy is made up of various industries as per table 4. The GVA-R variable provides a sector break-down, where each sector is measured in terms of its value addition in the local economy.

Gross Value Added (GVA) is defined as a measure of output (total production) of a region in terms of the value that was created within that region. GVA can be broken down into various production sectors.

The summary as per *table 4* below puts the Gross Value Added (GVA) of National in relation to that of the Free State Province.

Table 4: GVA by Broad Economic Sector - Free State Province, 2015 [R Billions, Current Prices]

Sector	Free State	National Total	Free State as % of national
Agriculture	8.4	85.1	9.8%
Mining	20.4	286.0	7.1%
Manufacturing	17.6	474.5	3.7%
Electricity	7.3	131.6	5.6%
Construction	4.9	145.3	3.3%
Trade	25.5	539.0	4.7%
Transport	18.6	368.0	5.1%
Finance	26.8	739.1	3.6%
Community services	45.1	821.2	5.5%
Total Industries	174.5	3,589.8	4.9%

Source: IHS Global Insight Regional eXplorer version 1029

In 2015, the community services sector is the largest within Free State Province accounting for R 45.1 billion or 25.8% of the total GVA in the province's economy. The sector that contributed the second most to the GVA of the Free State Province is the finance sector at 15.4%, followed by the trade sector with 14.6%. The sector that contributes the least to the economy of Free State Province is the construction sector with a contribution of R 4.87 billion or 2.79% of the total GVA.⁴

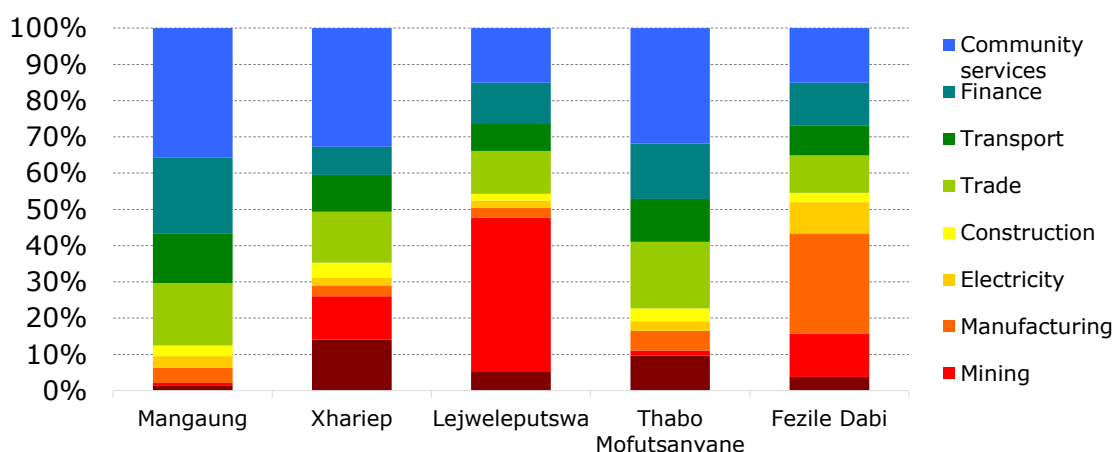
The community sector, as per *figure 4* below, which includes the government services, is generally a large contributor towards GVA in smaller and more rural local municipalities.

When looking at the regions within Free State Province it is clear that community services sector within the Mangaung metropolitan municipality contributed 46.64% towards its own GVA. The Mangaung metropolitan municipality contributed R 59

⁴ Global Insight Regional eXplorer version1029, p. 19

billion or 33.81% to the GVA of Free State Province, making it the largest municipality in terms of its contribution to the overall GVA of Free State Province.

Figure 4: Gross VALUE Added (GVA) by Broad Economic Sector – Metro & District Municipalities of Free State Province, 2015 [Percentage Composition]



Source: IHS Global Insight Regional eXplorer version 1029

2.3 Current Sectoral Economic Performance

Between 2005 and 2015, the GVA in the construction sector had the highest average annual growth rate in Free State at 4.23% as per *table 5* below. The industry with the second highest average annual growth rate is the finance sector averaging at 2.85% per year. The electricity sector had an average annual growth rate of 0.08%, while the mining sector had the lowest average annual growth of -1.28%.⁵

Table 5: Gross Value Added (GVA) by Broad Economic Sector - Free State Province, 2005, 2010 and 2015 [R billions, 2010 Constant Prices]

	2005	2010	2015	Average Annual growth
Agriculture	5.8	6.7	6.4	0.92%
Mining	22.2	18.9	19.5	-1.28%
Manufacturing	13.1	14.6	15.3	1.54%
Electricity	4.5	4.5	4.5	0.08%
Construction	2.7	3.8	4.1	4.23%
Trade	20.1	22.6	26.0	2.58%
Transport	10.1	11.6	12.6	2.24%
Finance	17.0	20.5	22.5	2.85%
Community services	26.0	30.5	34.3	2.80%
Total Industries	121.6	133.6	145.2	1.79%

Source: IHS Global Insight Regional eXplorer version 1029

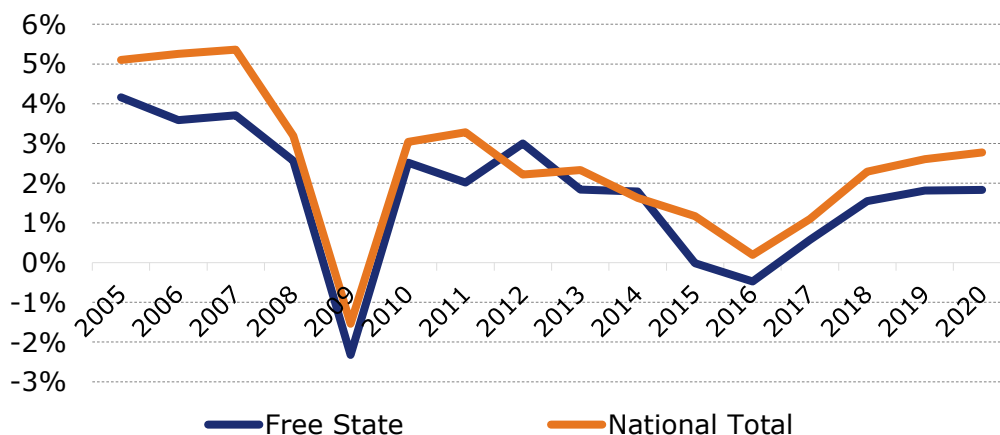
⁵ Global Insight Regional eXplorer version1029, p.21

The tertiary sector contributes the most to the GVA within the Free State Province at 66.4%. This sector consists of four broad economic sectors namely the trade, transport, finance and the community services sector. This is slightly lower than the national economy (68.7%). The secondary sector contributed a total of 17.1% (ranking second) and consists of three broad economic sectors namely manufacturing, electricity and the construction. Agriculture and mining sectors, which constitute the primary sector contributed the least at 16.5%.

2.4 Economic Growth Forecast

It is expected that Free State Province's GDP will grow at an average annual rate of 1.05% from 2015 to 2020 as per *figure 5*. South Africa is forecasted to grow at an average annual growth rate of 1.79%, which is higher than that of the Free State Province.⁶

Figure 5: Gross Domestic Product (GDP) - Free State and National Total, 2005-2020 [Average Annual Growth Rate, Constant 2010 Prices]



Source: IHS Global Insight Regional eXplorer version 1029

In 2020, Free State's forecasted GDP will be an estimated R 169 billion (constant 2010 prices) or 5.1% of the total GDP of South Africa. The ranking in terms of size of the Free State Province will remain the same between 2015 and 2020, with a contribution to the South Africa GDP of 5.1% in 2020 compared to the 5.3% in 2015. At a 1.05% average annual GDP growth rate between 2015 and 2020, Free State ranked the eighth compared to the other regional economies.

⁶ IHS Global Insight Regional eXplorer version 1029, p.18

When looking at the regions within the Free State Province, as per *table 6* it is expected that from 2015 to 2020, the Xhariep District Municipality will achieve the highest average annual growth rate of 2.01%.

Table 6: Gross Domestic Product (GDP) – Metro & District Municipalities of Free State Province, 2015 to 2020, Share and Growth

	2020 (Current prices)	Share of province	2015 (Constant prices)	2020 (Constant prices)	Average Annual growth
Mangaung	89.85	53.19%	52.37	55.67	1.23%
Xhariep	10.88	6.44%	6.51	7.19	2.01%
Lejweleputswa	42.29	25.03%	30.07	30.07	0.00%
Thabo Mofutsanyane	48.98	28.99%	28.86	30.33	1.00%
Fezile Dabi	69.14	40.93%	42.50	45.67	1.45%
Free State	261.14		160.30	168.93	

Source: IHS Global Insight Regional eXplorer version 1029

The region that is expected to achieve the second highest average annual growth rate is that of Fezile Dabi metropolitan municipality, averaging 1.45% between 2015 and 2020. On the other hand the region that performed the poorest relative to the other regions within Free State Province was the Lejweleputswa metropolitan municipality with an average annual growth rate of 0.00%.

Looking at the sectors, it is expected that Agriculture as per *table 7* is to grow at an average 0.76% annually from R 6.4 billion in 2015 to R 6.6 billion in 2020 in Free State Province.

Table 7: Gross value added (GVA) by broad economic sector - Free State Province, 2015-2020 [R billions, constant 2010 prices]

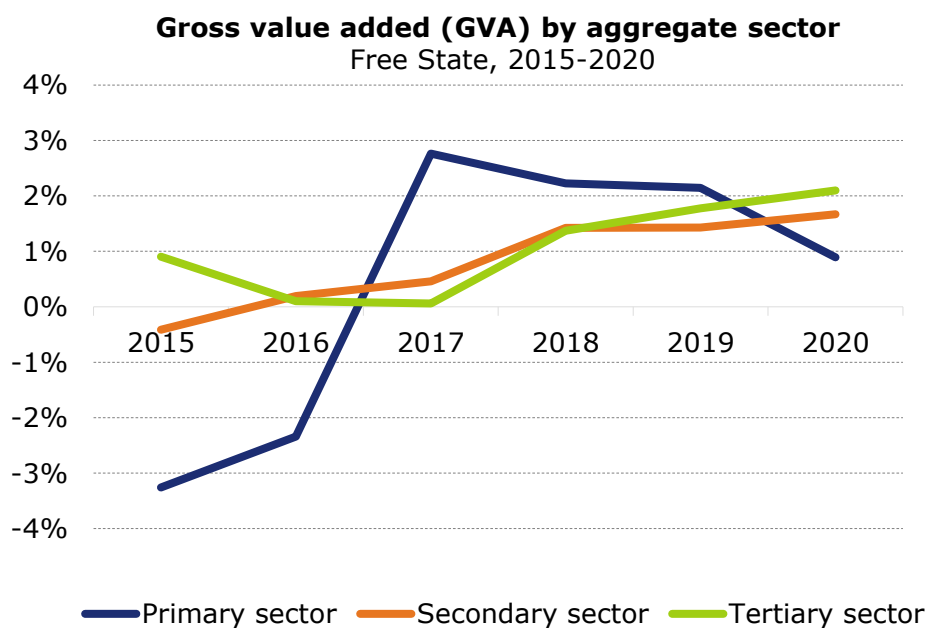
	2015	2016	2017	2018	2019	2020	Average Annual Growth
Agriculture	6.4	6.3	6.3	6.4	6.5	6.6	0.76%
Mining	19.5	19.0	19.7	20.2	20.6	20.8	1.24%
Manufacturing	15.3	15.5	15.5	15.8	16.0	16.3	1.28%
Electricity	4.5	4.4	4.4	4.5	4.6	4.8	1.20%
Construction	4.1	4.1	4.1	4.1	4.1	4.1	-0.08%
Trade	26.0	25.7	25.6	25.8	26.2	26.7	0.58%
Transport	12.6	12.5	12.6	12.9	13.3	13.7	1.64%
Finance	22.5	22.5	22.7	23.2	23.8	24.4	1.63%
Community Services	34.3	34.7	34.6	34.9	35.3	35.8	0.88%
Total Industries	145.2	144.7	145.6	147.8	150.5	153.2	1.08%

Source: IHS Global Insight Regional eXplorer version 1029

The transport sector is expected to grow fastest at an average of 1.64% annually from R 12.6 billion to R 13.7 billion in 2020. The community services sector is estimated to be the largest sector within the Free State Province in 2020, with a total share of 23.4% of the total GVA (as measured in current prices), growing at an average annual rate of 0.9%. The sector that is estimated to grow the slowest is the construction sector with an average annual growth rate of -0.08%⁷.

It is furthermore expected that the Primary sector is to grow at an average annual rate of 1.12% between 2015 and 2020, as per *figure 6*. The Secondary sector will be growing at 1.03% on average annually, whilst the Tertiary sector is expected to grow at an average annual rate of 1.08% for the same period.

Figure 6: Gross Value Added (GVA) by aggregate Economic Sector - Free State Province, 2015-2020 [Annual Growth Rate, Constant 2010 Prices]

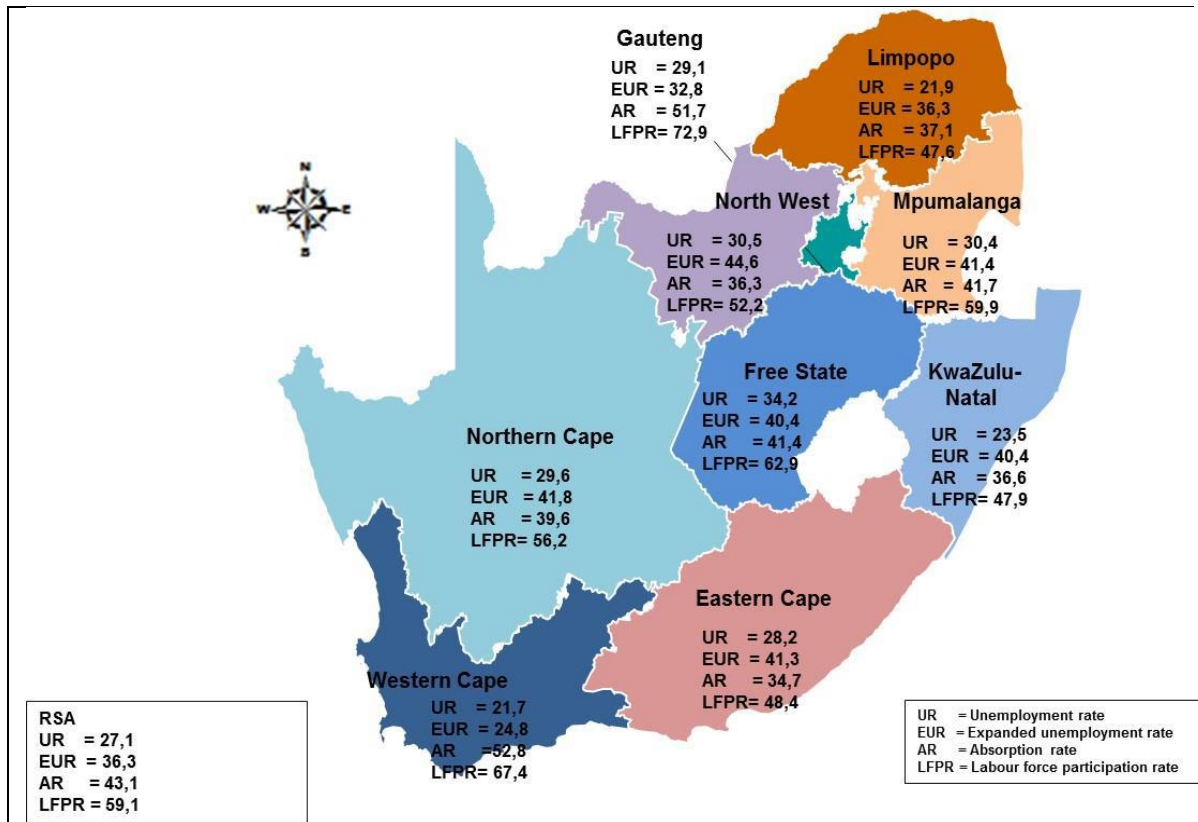


Source: IHS Global Insight Regional eXplorer version 1029

⁷ IHS Global Insight Regional eXplorer version 1029

3. Free State Labour Market

3.1 Summary - SA labour market measures at a glance, Q3: 2016



3.2 Labour force characteristics

Statistics South Africa in the recent Quarterly Labour Force Survey (QLFS) for recorded 1 884 000 working age population (people in the age group 15-64) for Free State in Q3: 2016. The province registered 1 872 000 people for the same period in 2015. It is thus evident from *table 8* (below) that the population in the age group 15-64 increased with 12 000 year-on-year (Q3: 2015 to Q3: 2016). This implies that the economy of the province should grow faster in order to absorb this increasing number of new entrants into the labour market.

It should further be mentioned that the labour force increased by 25 000 from 1 161 000 in Q3:2015 to 1 186 000 in Q3:2016, which represents an increase of 2.1%. Quarter-to-quarter (Q2:2016 to Q3:2016) changes reflect an increase of 10 000, from 1 176 000 to 1 186 000, which represents an increase of 0.8%.⁸

⁸ Statistics South Africa, Quarterly Labour Force Survey (QLFS), Quarter 3, 2016

Table 8: Labour force characteristics – Free State, Quarter 3:2016

	Jul-Sep 2015	Oct-Dec 2015	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Q-to-Q change	Y-on-Y change	Q-to-Q change	Y-on-Y change
	Thousand					Percent			
Population 15-64	1 872	1 875	1 879	1 882	1 884	2	12	0.1	0.7
Labour force	1 161	1 176	1 196	1 176	1 186	10	25	0.8	2.1
Employed	795	825	790	797	781	-16	-14	-2.1	-1.8
Unemployed	366	351	405	379	405	26	39	6.9	10.7
Not economically Active	711	700	683	706	699	-7	-12	-1.0	-1.7
Discouraged work-Seekers	69	71	66	81	85	4	15	5.0	22.0
Other	642	629	617	625	614	-11	-28	-1.8	-4.3
Rates (%)									
Unemployment rate	31.5	29.8	33,9	32,2	34.2	2.0	2.7	-	-
Employed population ratio (absorption)	42.5	44.0	42,1	42,4	41.4	-1.0	-1.1	-	-
Labour force participation rate	62.0	62.7	63,6	62,5	62.9	0.4	0.9	-	-

Due to rounding, numbers do not necessarily add up to totals. Note: 'Employment' refers to market production activities

Source: Stats SA, QLFS, Q3 2016

It is however important to note that discouraged work seekers increased year-on-year (Q3:2015 to Q3:2016) with 15 000. Not economically active population decreased year-on-year with 1.7%. These trends clearly demonstrate the need for the Free State to grow the economy in order to bring down the level of poverty, unemployment and inequality.

3.3 Employment by province

The number of employed persons increased in seven of the nine provinces between Q2: 2016 and Q3: 2016 as per *table 9* below. The largest employment gains were observed in Gauteng (126 000), Eastern Cape (93 000) and Western Cape (49 000). While Free State and North West recorded employment declines of 16 000 and 15 000 respectively over this period.

For the year ended September 2016, employment losses were recorded in six of the nine provinces. KwaZulu-Natal, North West and Free State recorded the largest declines (77 000, 22 000 and 14 000 respectively). Employment gains were recorded in Eastern Cape (71 000), Gauteng (57 000) and Northern Cape (6 000).

Table 9: Employment by province

Province	Jul-Sep 2015	Apr-Jun 2016	Jul-Sep 2016	Qtr-to-qtr change	Year-on-year change	Qtr-to-qtr change	Year-on-year change
	Thousand			Per cent			
South Africa	15 828	15 545	15 833	288	5	1,9	0,0
Western Cape	2 317	2 266	2 315	49	- 2	2,2	- 0,1
Eastern Cape	1 372	1 350	1 443	93	71	6,9	5,2
Northern Cape	302	303	308	5	6	1,8	1,8
Free State	795	797	781	- 16	- 14	- 2,1	- 1,8
KwaZulu-Natal	2 573	2 479	2 496	17	- 77	0,7	- 3,0
North West	921	915	900	-15	- 22	-1,6	- 2,4
Gauteng	5 011	4 942	5 068	126	57	2,6	1,1
Mpumalanga	1 184	1 171	1 174	3	- 10	0,3	- 0,8
Limpopo	1 353	1 324	1 349	25	- 3	1,9	- 0,3

Due to rounding, numbers do not necessarily add up to totals.

Source: Stats SA QLFS Q3, 2016

The non-metropolitan municipalities as indicated in *table 10*, below, employs most of the people in the province, despite the decreases both quarter-to-quarter and year-on-year. Between Q2: 2016 and Q3: 2016, employment levels declined in both the metropolitan municipality, as well as in the non-metro with 7 000 and 9 000 respectively.

Compared to the same period last year, a decrease in employment of 14 000 was recorded in the non-metropolitan municipalities. There was no change in the annual employment in the metro.

Table 10: Employment by province (Mangaung Metro and Non-metro municipalities)

Province and municipality	Jul-Sep 2015	Apr-Jun 2016	Jul-Sep 2016	Qtr-to-qtr change	Year-on-year change	Qtr-to-qtr change	Year-on-year change
	Thousand				Per cent		
South Africa	15 828	15 545	15 833	288	5	1,9	0,0
Free State	795	797	781	- 16	- 14	- 2,1	- 1,8
Non-metro	552	547	538	- 9	- 14	- 1,7	- 2,6
Mangaung	243	250	243	- 7	0	- 2,9	0,0

Due to rounding, numbers do not necessarily add up to totals.

Source: Stats SA QLFS Q3, 2016

3.4 Employment by industry

Employment in the province during Q3: 2016 was the highest in Community and Social Services followed by Trade and Private Households as per *table 11* below. These industries recorded a workforce of 193 000, 176 000 and 97 000, respectively. The situation a year ago (Q3: 2015) was the same for these industries which recorded a workforce of 216 000, 165 000 and 94 000 respectively.⁹

Table 11: Employment per industry – Q3:2015 to Q3:2016

	Jul-Sep 2015	Oct-Dec 2015	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Q-to-Q change	Y-on-Y change	Q-to-Q change	Y-on-Y change
	Thousands					Percentage			
Agriculture	65	64	72	66	60	-6	-5	-9.4	-8.2
Mining	30	35	35	35	28	-7	-2	-19.1	-7.9
Manufacturing	59	69	59	66	60	-6	1	-9.6	0.9
Utilities	11	9	10	9	10	1	-1	13,3	-9,6
Construction	61	53	57	56	55	-1	-6	-2,4	-9,6
Trade	165	187	166	155	176	21	11	13,6	6,8
Transport	33	38	34	36	38	2	5	5,7	14,6
Finance	60	65	57	59	63	4	4	7,1	6,0
Community & Social Services	216	213	201	214	193	-21	-23	-9,8	-10,8
Private households	94	93	100	101	97	-4	4	-3,6	3,7

For all values of 10 000 or lower the sample size is too small for reliable estimates.

Due to rounding, numbers do not necessarily add up to totals.

Source: Stats SA, QLFS, Q3 2016

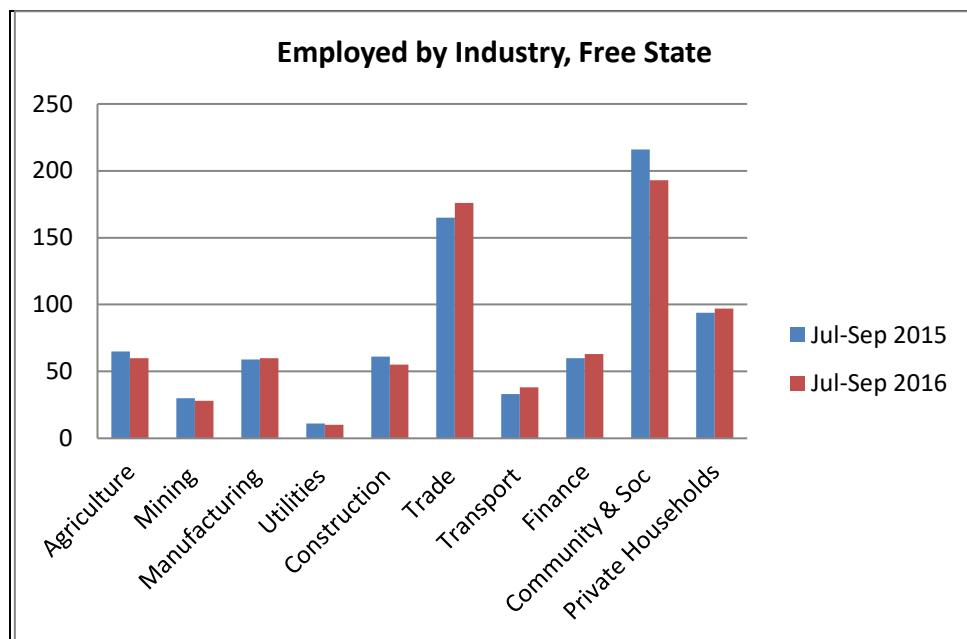
⁹ Statistics South Africa, Quarterly Labour Force Survey (QLFS), Quarter 3, 2016

It is important to note that the workforce in both Trade and Private Households increased with 6.8% and 3.7% respectively (Q3:2015 to Q3:2016). Community & Social Services for the same period recorded a decreased of 10.8% in the workforce.

The highest employment gains quarter-to-quarter (Q2:2016 to Q3:2016) were observed in Trade, Finance and Transport contributing 21 000, 4 000 and 2 000 jobs respectively. Job losses were observed in six industries with the highest job losses in Community & Social Services (21 000) and Mining (7 000).

Annual changes as per the above table shows the highest increases in employment over the period Q3: 2015 and Q3: 2016 in Trade (11 000) and Transport (5 000). Both Finance and Private households also recorded employment gains of 4 000 jobs respectively, followed by Manufacturing (1000 jobs). No changes in employment were recorded in Transport. However, five industries shed jobs over the same period with the highest job losses in Trade (14 000), Agriculture (9 000) and Manufacturing (6 000).

Figure 7: Employment by industry, Free State – Q3: 2015 & Q3: 2016



Source: Stats SA QLFS Q3, 2016

From the data provided above, it is clear that the 5 priority sectors in the province did not create any additional jobs, except for Transport. Jobs instead were lost in agriculture, mining (both quarterly and annually) and manufacturing (quarterly). Transport recorded job increases both quarterly and annually. Which means a lot needs to be done to create jobs in the priority sectors.

3.5 Unemployment

The official unemployment rate in South Africa increased by 0,5 percentage points in Q3: 2016 compared to Q2: 2016 as indicated in *table 12*. It, however, represents an annual increase of 1.6 percentage point (Q3:2015 compared to Q3:2016).

Table 12: Unemployment rate by province – Q3: 2016

	Official unemployment rate					Expanded unemployment rate				
	Jul-Sep 2015	Apr-Jun 2016	Jul-Sep 2016	Qtr-to-qtr Change	Y-on-Y change	Jul-Sep 2015	Apr-Jun 2016	Jul-Sep 2016	Qtr-to-qtr change	Y-on-Y change
	Per cent			Percentage points		Per cent			Percentage points	
South Africa	25,5	26,6	27,1	0,5	1,6	34,4	36,4	36,3	- 0,1	1,9
Western Cape	20,6	22,2	21,7	- 0,5	1,1	23,1	24,6	24,8	0,2	1,7
Eastern Cape	29,2	28,6	28,2	- 0,5	- 1,0	42,5	43,8	41,3	- 2,5	- 1,2
Northern Cape	34,8	27,4	29,6	2,2	- 5,2	42,4	39,8	41,8	2,0	- 0,6
Free State	31,5	32,2	34,2	1,9	2,6	37,7	38,1	40,4	2,3	2,7
KwaZulu-Natal	20,5	22,6	23,5	0,8	3,0	35,6	39,7	40,4	0,7	4,8
North West	25,4	27,3	30,5	3,2	5,1	40,7	42,6	44,6	2,0	3,9
Gauteng	28,6	29,5	29,1	- 0,4	0,4	31,4	33,0	32,8	- 0,3	1,4
Mpumalanga	26,2	28,8	30,4	1,6	4,2	39,0	41,0	41,4	0,4	2,4
Limpopo	18,8	20,6	21,9	1,4	3,2	36,6	38,6	36,3	- 2,3	- 0,3

Source: Stats SA, QLFS Q3, 2016

NB. According to the strict definition only those people who take active steps to find employment, but fail to do so, are regarded as unemployed. The expanded definition, on the other hand, includes everyone who desires employment, irrespective of whether or not they actively tried to obtain a job.

Free State Province recorded an increase of 1.9 percentage points in unemployment rate in Q3:2016 compared to Q2:2016. Annually, it experienced an increase of 2.6 percentage points.

Only three provinces, namely the Western Cape, Eastern Cape and Gauteng, experienced quarter-to-quarter (Q2:2016 to Q3:2016) decreases in the official unemployment rate of 0.5, 0.5 and 0.4 percentage points respectively. Six provinces recorded increases in the official unemployment rate in Q3:2016 compared to Q2:2016. The largest increases were recorded in North West 3,2 percentage points and Northern Cape 2,2 percentage points. In comparison to the same period last year (Q3: 2015 to Q3: 2016), the annual unemployment rate increased in seven of the nine provinces. The largest annual increase was observed in North West (5,4 percentage points) and the largest decrease in the Northern Cape (5,2 percentage points).¹⁰

¹⁰ Statistics South Africa, Quarterly Labour Force Survey (QLFS), Quarter 3, 2016

Annual changes, Q3: 2015 and Q3: 2016, reflected an increase of 2,7 percentage point in the expanded unemployment rate in the Free State as per the table above. During this period, six provinces recorded increases in the expanded unemployment rate. The largest increase was recorded in KwaZulu-Natal with 4,8 percentage points and the largest decrease in Eastern Cape with 1,2 percentage points.

From these figures, it is clear that the challenge of unemployment is more pronounced in the Free State Province. In Q3:2015, the province had the second highest unemployment rate of 31,5%, after the Northern Cape's 34,8%. This ranking changed in Q2: 2016 and Q3: 2016 whereby the Free State recorded the highest rate of unemployment in the country of 32,2% and 34,2% respectively. This, once again, demonstrates the need for the Free State to grow the economy in order to bring down the level of unemployment, poverty and inequality.

Table 13: Unemployment rate of the metro and non-metro

	Official unemployment rate					Expanded unemployment rate				
	Jul-Sep 2015	Apr-Jun 2016	Jul-Sep 2016	Qtr-to-qtr Change	Y-on-Y change	Jul-Sep 2015	Apr-Jun 2016	Jul-Sep 2016	Qtr-to-qtr change	Y-on-Y change
	Per cent			Percentage points		Per cent			Percentage points	
South Africa	25,5	26,6	27,1	0,5	1,6	34,4	36,4	36,3	- 0,1	1,9
Free State	31,5	32,2	34,2	1,9	2,6	37,7	38,1	40,4	2,3	2,7
Mangaung	28,5	28,8	30,9	2,2	2,4	33,4	34,1	38,0	3,8	4,5
Non-metro	32,8	33,7	35,5	1,8	2,7	39,4	39,7	41,4	1,7	2,0

Source: Stats SA, QLFS Q3, 2016

The non-metropolitan municipalities as indicated in *table 13*, above, recorded the highest unemployment rate in the province. Between Q2: 2016 and Q3: 2016, unemployment increased in both the metropolitan municipality, as well as in the non-metropolitan municipalities with 2.2 and 1.8 percentage points respectively.¹¹

Compared to the same period last year, increases in unemployment of 2.4 and 2.7 percentage points were recorded in the metro and non-metro municipalities.

It is important to note that quarterly increases in the official unemployment rate were observed in four of the eight metropolitan municipalities, with Mangaung recording the largest increase of 2,2 percentage points. The official unemployment rate

¹¹ Statistics South Africa, Quarterly Labour Force Survey (QLFS), Quarter 3, 2016

decreased in four of the metropolitan municipalities. Ekurhuleni and Buffalo City showed the largest declines (3,0 and 1,8 percentage points respectively). Compared to Q3: 2015, Nelson Mandela Bay recorded the largest decline in the official unemployment rate.

The expanded unemployment rate between Q2: 2016 and Q3: 2016, increased in all metropolitan municipalities with the exception of Ekurhuleni metro where the rate decreased by 2,7 percentage points. Mangaung and Buffalo City recorded the highest increases in the expanded unemployment rate.

4. Conclusion

The South African and Free State economies have been on a downward trajectory post the 2009 economic recession, with the South African economic growth rate declining from 3.0 per cent in 2010 to 1.5 per cent in 2014, whilst the Free State economic growth rate declined from 2.5 per cent in 2010 to 1.5 per cent in 2015.

Other key findings

- The Free State Province had a total GDP of R196 billion in 2015 (up from R85.5 billion in 2005) in current prices.
- The Free State economic growth reached its highest level of 4.22% in 2005. While the Free State GDP had been hovering below the national average between 2005 and 2015, it however surpassed the national average in 2012 and 2014 when it reached 3% and 1,8% respectively.
- The Free State Province contributed 4.88% to the South Africa GDP of R 4.01 trillion in 2015 increasing in the share of the National Total from 5.21% in 2005.
- The Free State Province achieved an annual growth rate of -0.01% compares to 4.2% in 2005
- The tertiary sector contributes the most to the Gross Value Added within the Free State Province at 66.4%.
- The secondary sector contributed a total of 17.1% (ranking second).
- Agriculture and mining sectors, which constitute the primary sector contributed the least at 16.5%.

- Free State Province recorded an increase of 1.9 percentage points in unemployment rate in Q3:2016 compared to Q2:2016. Annually, it experienced an increase of 2.6 percentage points.
- The Free State recorded the highest rate of unemployment in the country of 32,2% and 34,2% in Q2: 2016 and Q3: 2016 respectively.

Major public and private projects announced for the real economy of the Free State over the past three years¹² include the following.

Table 14: Large recent public and private real-economy projects in the Free State

Project Name	Company	Value	Sector	Industry
Sasol Fischer Tropsch Wax Expansion Project	Sasol Performance Chemicals	R13,6 billion	Private	Manufacturing
Maluti-A-Phofong Special Economic Zone	Free State Development Corporation	R4,8 million	Public	Construction
Lace Diamond Mine Development Project	Lace Diamond Mines	R384 million	Private	Mining

Source: Provincial Review 2016: Free State, The Real Economy Bulletin, Trends, Developments and Data

The main national industrial policy and development initiatives that affected the Free State include the following:

- In terms of Department of Trade and Industry (the dti) support, from 2013/14 to 2014/5, a total of 18 projects were approved under the Manufacturing Competitiveness Enhancement Programme (MCEP) in the Free State, for a total value of R67 million. A further ten projects were approved under the Manufacturing Investment Programme (MIP), with a value of R30 million.
- Under the National Infrastructure Plan, the Free State will benefit primarily from the development of the corridor along the Durban-Gauteng rail and road routes. The Free State planned a Special Economic Zone at Harrismith that would focus on automotive logistics, agro-processing and pharmaceuticals.
- The Industrial Development Corporation (IDC) invested 7% of its total spending in the Free State. Most of the funds went to mining, although it also supported a number of agro-processing projects.

The Free State budget totalled R22 billion in 2015/2016. Per person, the province spent R7 700, compared to an average for all the provincial budgets of R7 000. In constant 2015 rand (deflated by CPI), the budget had risen by 0,4% from 2014/2015. From 2011/2012, it had climbed by a total of 2%.

It is indicated that 93% of the Free State's budget was allocated for education and health.

¹² Provincial Review 2016: Free State, The Real Economy Bulletin, Trends, Developments and Data, www.tips.org.za/images/The_REB_Provincial_Review_2016_Free_State.pdf

In 2015/2016, the provincial budget showed a significant focus on infrastructure. It set aside R2,1 billion, or 9,6% of the total, for investment in buildings and public works.

5. Recommendations

The triple challenge of unemployment, inequality and poverty in the Free State province needs to be address as a matter of urgency. The NDP Vision 2030, APAP and the FSGDS provide guidance in order to tackle this challenge. Social and economic infrastructure should be highlighted as a key economic activity to bolster economic growth and job creation in the province.

Other key initiatives to be consider in order to radically change the provincial economy, taking into account the recent performance of the provincial economy in terms of GDP contribution and employment creation includes:

- ✚ The allocated share of the provincial budget for economic development is to be increased;
- ✚ Income generating and sustainable rural development projects are be undertaken;
- ✚ Infrastructure development to be prioritised, with specific reference to the identified Strategic Infrastructure Projects (SIP's) for Free State
- ✚ Value chain development opportunities to be identified, especially in the primary sectors, namely agriculture, i.e. red meat value chain, the wheat value chain, fruit and vegetables value chain, the bio-fuels value chain and mining, i.e. suppliers, mining, manufacturing, distributors, retail, end customer
- ✚ The province to capitalise on the bilateral agreements for promoting trade and investment - Free State Province in this regard has approximately 35 Bilateral Agreements with various countries, including agreements that the Metro, District and Local Municipalities signed with their respective counterparts in other countries and regions. These agreements cover a broad spectrum of different industries/sectors (see Annexure 2)

Annexure 1: Labour force characteristics Free State, Metro and Non-metro

Table 9 (a): Labour force characteristics – Non-metro, Quarter 3:2016

	Jul-Sep 2015	Oct-Dec 2015	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Q-to-Q change	Y-on-Y change	Q-to-Q change	Y-on-Y change
	Thousand					Percent			
Population 15-64	1 349	1 351	1 352	1 353	1 354	0	5	0,0	0,3
Labour force	822	831	846	825	834	9	13	1,1	1,5
Employed	552	559	540	547	538	-9	-14	-1,7	-2,6
Unemployed	269	272	307	278	296	18	27	6,6	10,0
Not economically Active	527	520	506	528	519	-9	-8	-1,6	-1,5
Discouraged work-Seekers	53	47	43	56	58	2	4	3,4	8,4
Other	474	472	463	472	462	-10	-13	-2,2	-2,6
Rates (%)									
Unemployment rate	32,8	32,7	36,2	33,7	35,5	1,8	2,7	-	-
Employed population ratio (absorption)	40,9	41,4	39,9	40,4	39,7	-0,7	-1,2	-	-
Labour force participation rate	60,9	61,5	62,6	61,0	61,6	0,6	0,7	-	-

Due to rounding, numbers do not necessarily add up to totals. Note: 'Employment' refers to market production activities

Source: Stats SA, QLFS, Q3 2016

Table 9 (b): Labour force characteristics – Mangaung Metro, Quarter 3:2016

	Jul-Sep 2015	Oct-Dec 2015	Jan-Mar 2016	Apr-Jun 2016	Jul-Sep 2016	Q-to-Q change	Y-on-Y change	Q-to-Q change	Y-on-Y change
	Thousand					Percent			
Population 15-64	523	524	527	529	531	2	8	0,3	1,5
Labour force	339	344	349	351	351	1	12	0,2	3,6
Employed	243	266	251	250	243	-7	0	-2,9	0,0
Unemployed	97	79	99	101	109	8	12	7,7	12,5
Not economically Active	184	180	177	178	179	1	-4	0,7	-2,4
Discouraged work-Seekers	16	23	23	25	27	2	11	8,6	66,8
Other	167	157	154	153	152	-1	-15	-0,6	-9,1
Rates (%)									
Unemployment rate	28,5	22,8	28,2	28,8	30,9	2,1	2,4		
Employed population ratio (absorption)	46,4	50,7	47,6	47,3	45,8	-1,5	-0,6	-	-
Labour force participation rate	64,9	65,7	66,3	66,3	66,2	-0,1	1,3	-	-

Due to rounding, numbers do not necessarily add up to totals. Note: 'Employment' refers to market production activities

Source: Stats SA, QLFS, Q3 2016

Annexure 2: Bilateral Agreements

Country	Region	Industry/sector
Angola	Republic of Angola	Agriculture
Belarus	Republic of Belarus	Healthcare, Education, Agriculture (i.e. poultry farms, dairy farms and processing of dairy products)
Belgium	Antwerp Province	Agriculture, Tourism and others
	Ghent (City/Municipality)	Governance at local level
Brazil	Mato Grosso	Agriculture (food & agro-processing), Tourism, Manufacturing (light industries), Bio-fuels & Renewable Energy
Cuba	Province of Matanzas	Agriculture, Tourism and others
	Republic of Cuba Republic of Cuba	Education; Public Health and Medical Sciences;
Germany	Germany	Investment in Industrial Development, i.e. Vehicle Distribution Centre (VDC) - Tshiambe
	City of Freiburg	Mining, Renewable Energy and Tourism
	South West Saxony	Education and Training
India	Tech Mahindra Ltd	Education
	Tech Mahindra Ltd	Information Communication Technology
Mozambique	Province of Maputo	Agriculture, Agro-processing, Renewable Energy, Tourism
People's Republic of China	Cangnan Country	Economic development, i.e. Trade, Tourism and others
	City of Nantong, Jiangsu Province	Economic development, i.e. Tourism and others
	Fujian Province	Economic development, i.e. Tourism, Agriculture, Renewable Energy, Trade and Investment
	Fujian Agriculture & Forestry University, Fujian Province	Agriculture, Horticulture
	Jiangsu Province	Economic development and Trade; Agriculture, Tourism and Renewable Energy.
	Jiangxi Province	Economic development, i.e. Investment and Trade; Agriculture; Renewable Energy; Others
	Jiangyin City, Jiangsu Province	Agriculture, industrial and commercial enterprises
	Nanjing Agricultural University, Jiangsu Province	Agriculture, Horticulture
	Nanjing Municipal, People Government	Economic Exhibitions, Trade Fairs and others
	SA-Sino Communications Ltd	Investments and business opportunities
	Shaanxi Province	Economic and Social development
	Tianjin Economic-Technological Development Area (TEDA)	Investment Promotion
	Tongu County, Jiangxi Province	Economic development, i.e. Investment and Trade, Agro-processing, Solar Photovoltaic Plant

	Weinan City, Shaanxi Province	Agriculture, Energy exploration
	Wuxi, Jiangsu Province	Economic development, i.e. Trade and other fields
	Wuyi University, Fujian Province	Tourism Management, International economy and Trade
Portugal	Autonomous Region of Madeira	ICT, Tourism, Economic development opportunities
Spain	Essentium Grupo, S.L., Venezuela, Madrid	Housing, Manufacturing (of concrete panels)
Turkey	Mevlana University, Konya	Education, Engineering and others