

From manufacturing to finance: implications for local economic growth

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Introduction

- Uneven spatial development
 - 65% of GDP generated in three areas in South Africa
 - Spatially concentrated inequalities
 - Poverty and unemployment
 - East vs West and metropolitan vs non-urban
- Global declining growth rates
- Changes in GDP output



Objectives and Layout

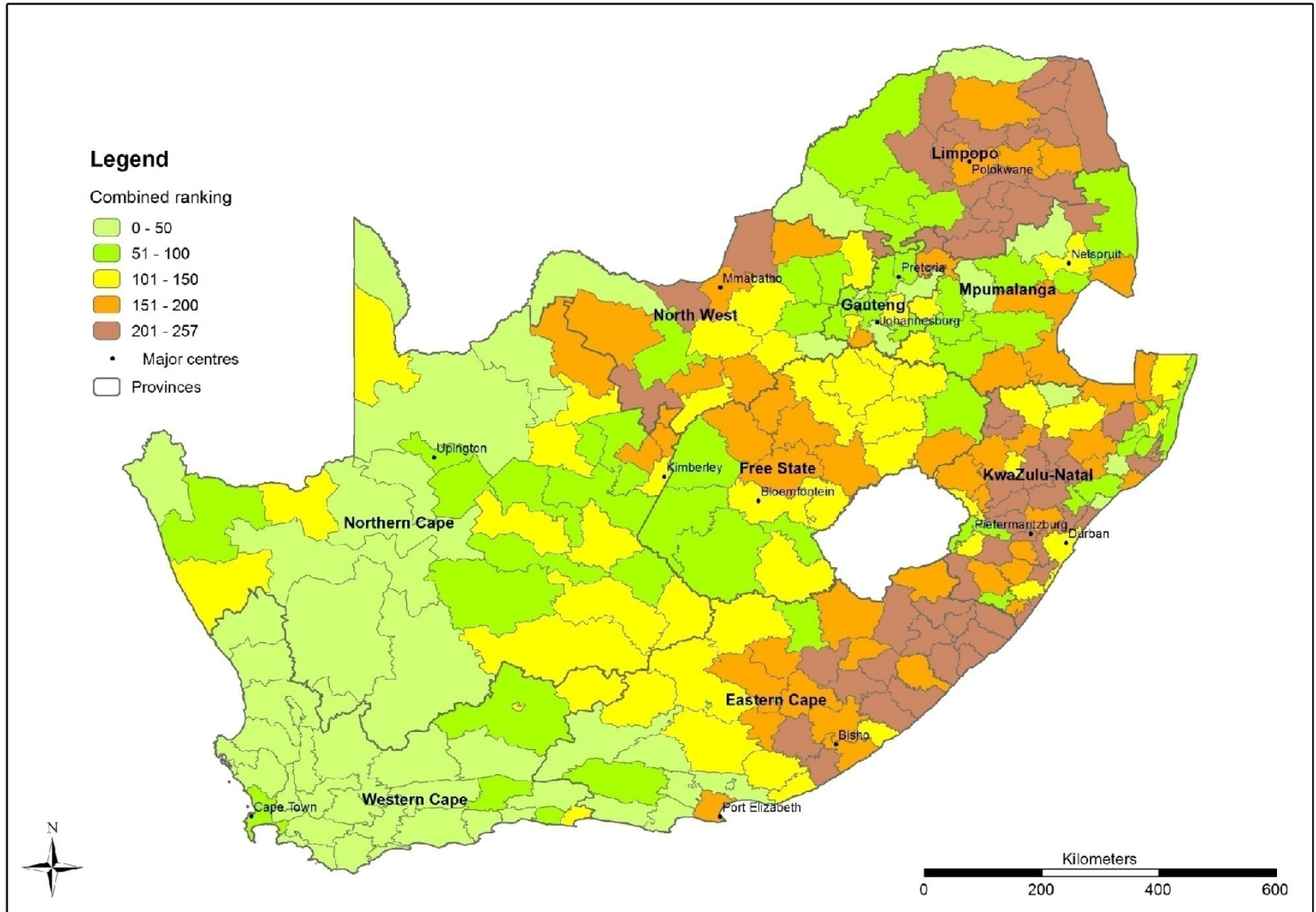
- Identify
 - Local economies with high unemployment over time
 - Structural breaks in local economies
 - Trends in economic growth rates
- Data sources
 - Census 1991 to 2011
 - IHS Global Insight
- Some discussion
- Recommendations

National picture

Persistent high unemployment

- Census data from 1991 to 2011 for municipalities
- Modifiable Area Unit Problem (MAUP)
 - Aggregated data to common boundary
- Combined unemployment ranking
- High rankings (worst off) in rural parts of Eastern Cape, KwaZulu-Natal and Limpopo
- Low rankings in Western Cape, Northern Cape and Gauteng
- Johannesburg and Durban metro in middle category

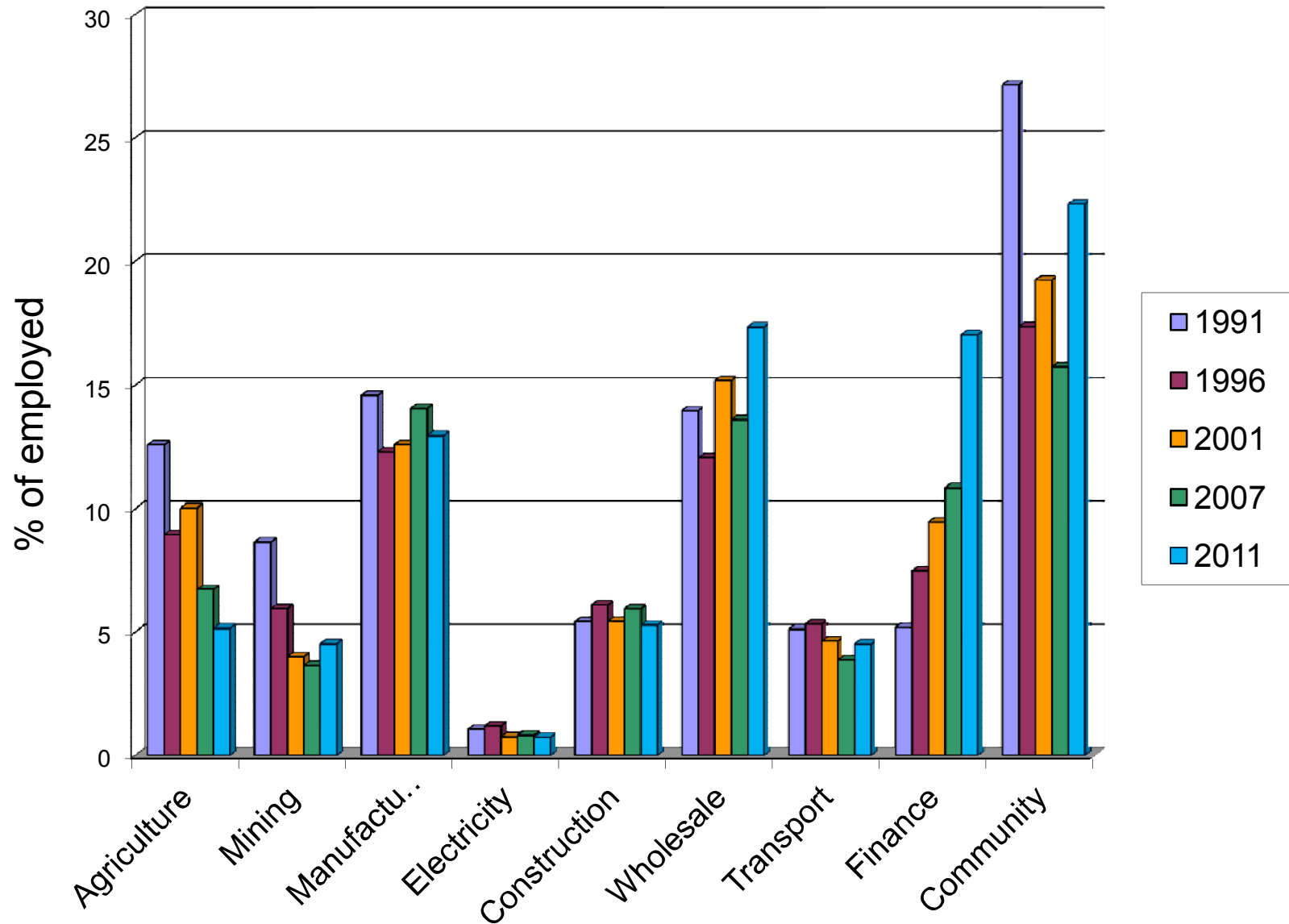
Unemployment ranking 1991-2011



Sectoral trends

- Strong decline in agriculture and mining
- Strong increase in finance
- Decreases in manufacturing, transport, electricity and construction
- Tress index
 - 100 = one economic sector makes up the whole GVA
 - 0 = all economic sectors contribute equally to GVA
- Municipalities closer to 100 – more vulnerable to economic shocks

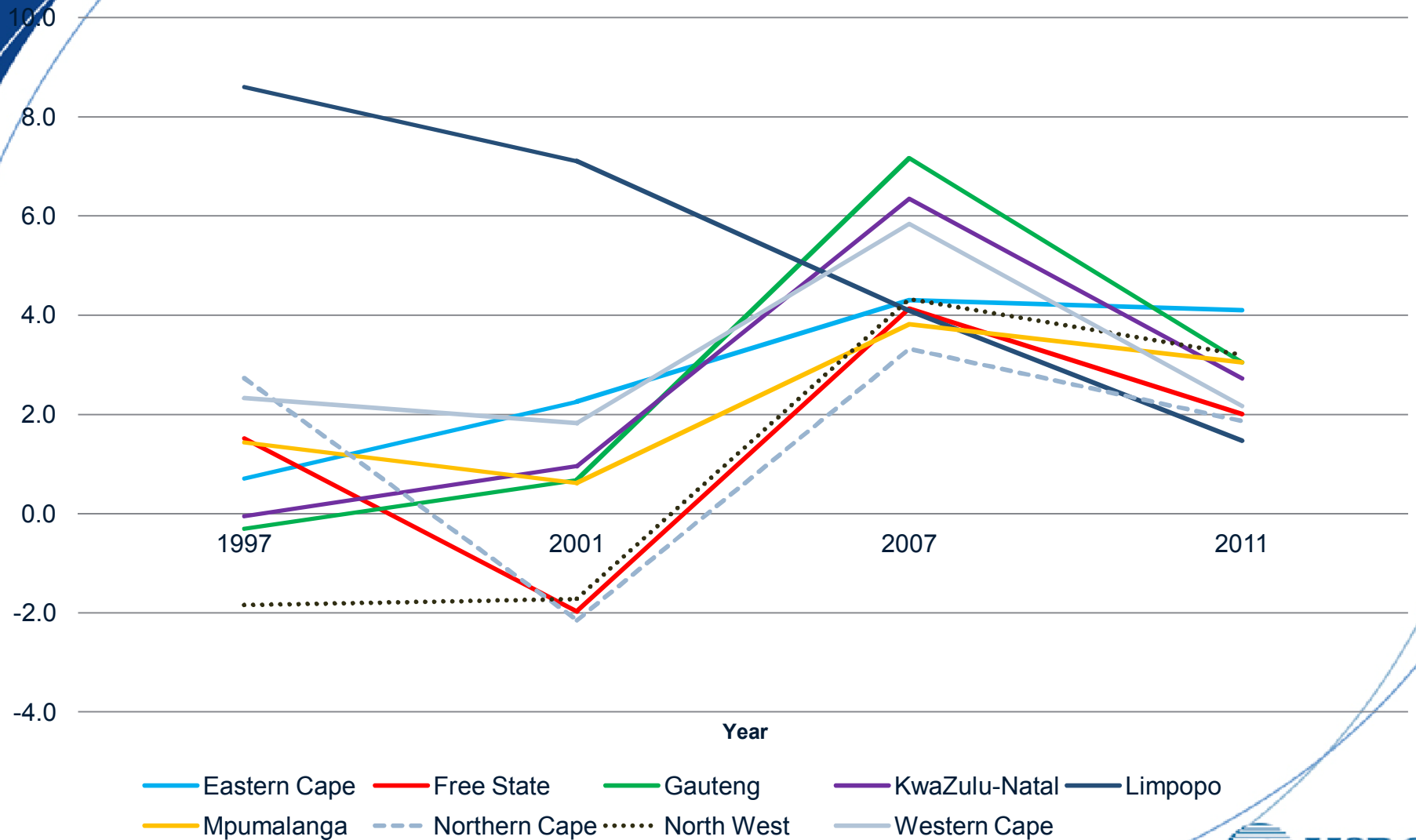
Sector development



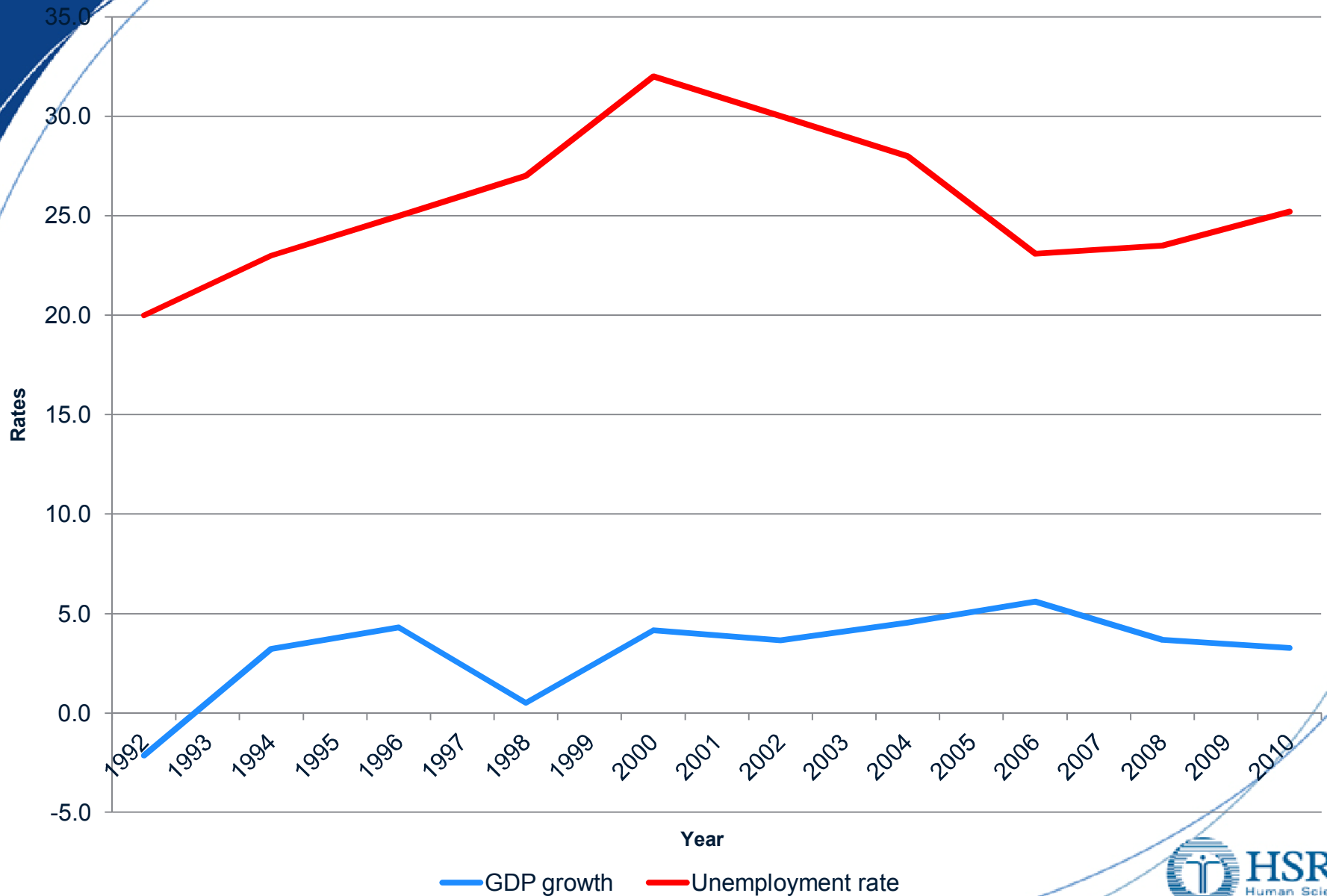
Annual growth rates

- In decline since 2007
- Limpopo – free fall since 1997
- Eastern Cape steady after 2007
- Unemployment changes since 1991
 - Increased in all metros, most municipalities
 - Decreased in West Coast, some KZN municipalities, Eastern Cape around Baviaans area, Midvaal in Gauteng
- Economic growth \neq employment creation

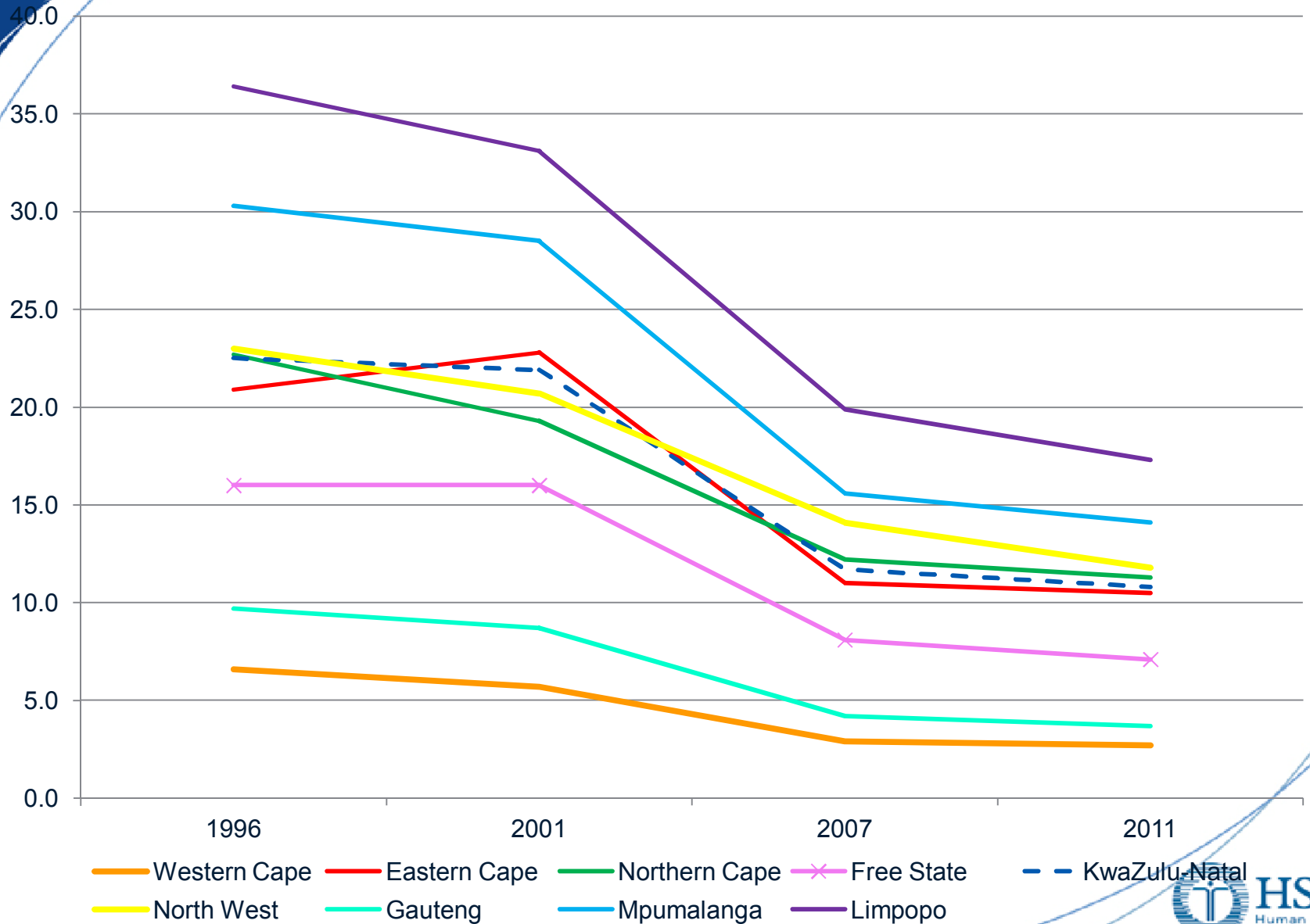
Provincial growth rates



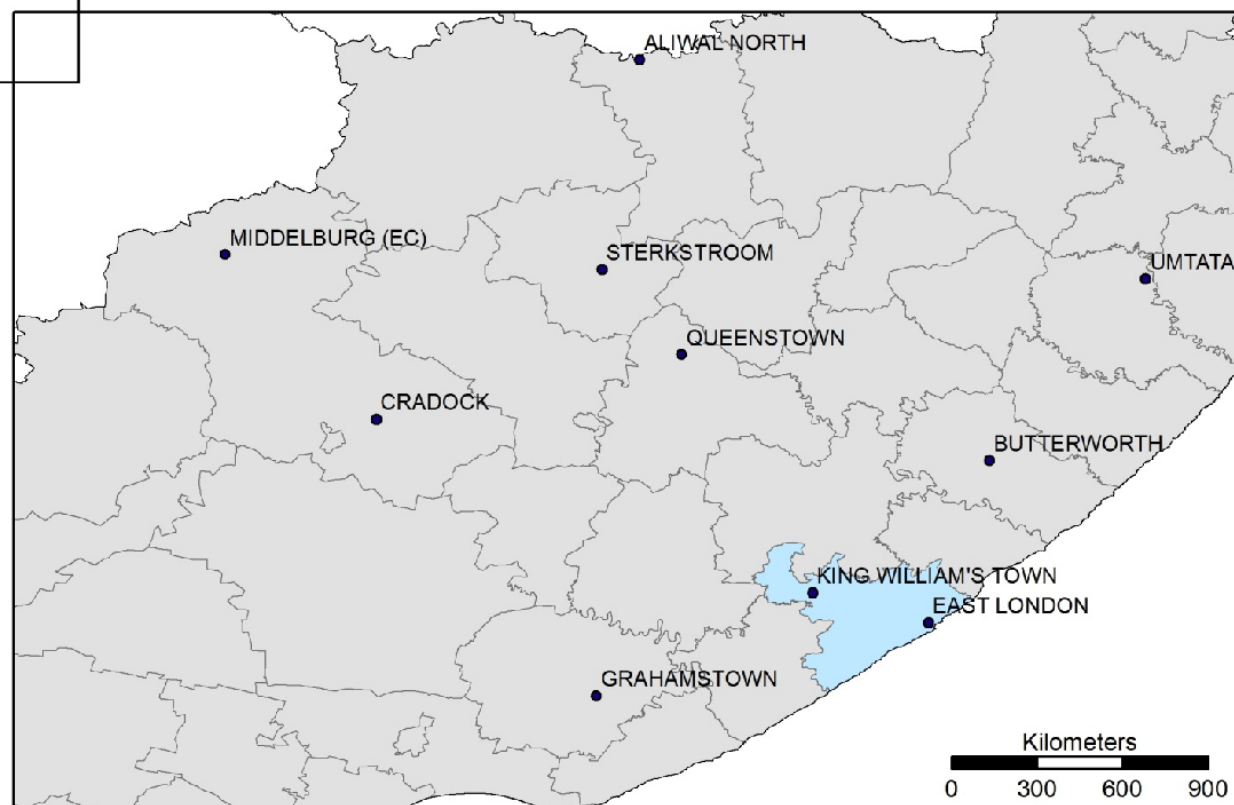
Comparison of rates



Percentage with no schooling



Local picture



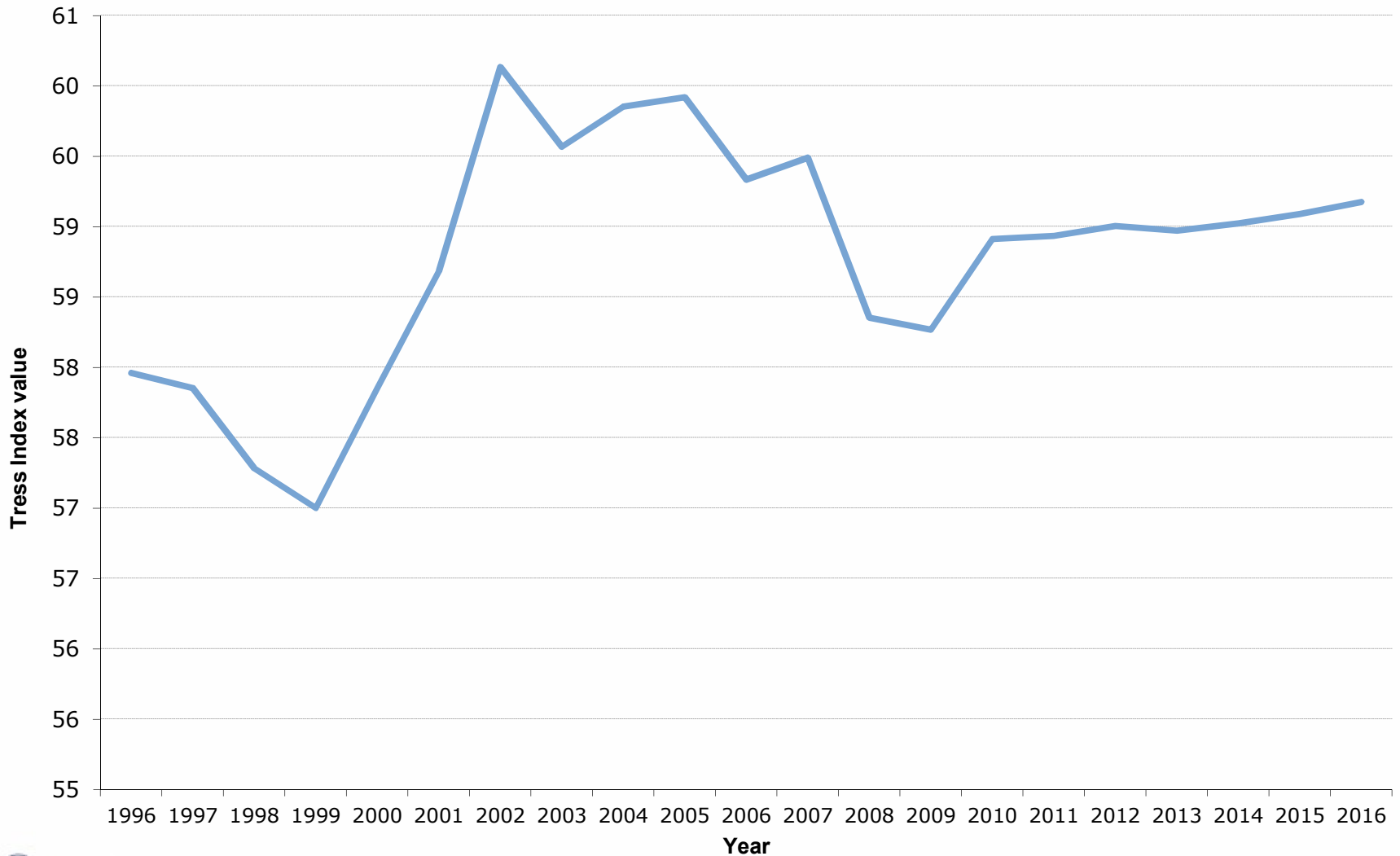
Buffalo City

	% Manufacturing	% Finance	% Community
1991	12.9	4.9	27.5
2007	19.8	26.5	22.7
2011	14.6	25.2	30.2

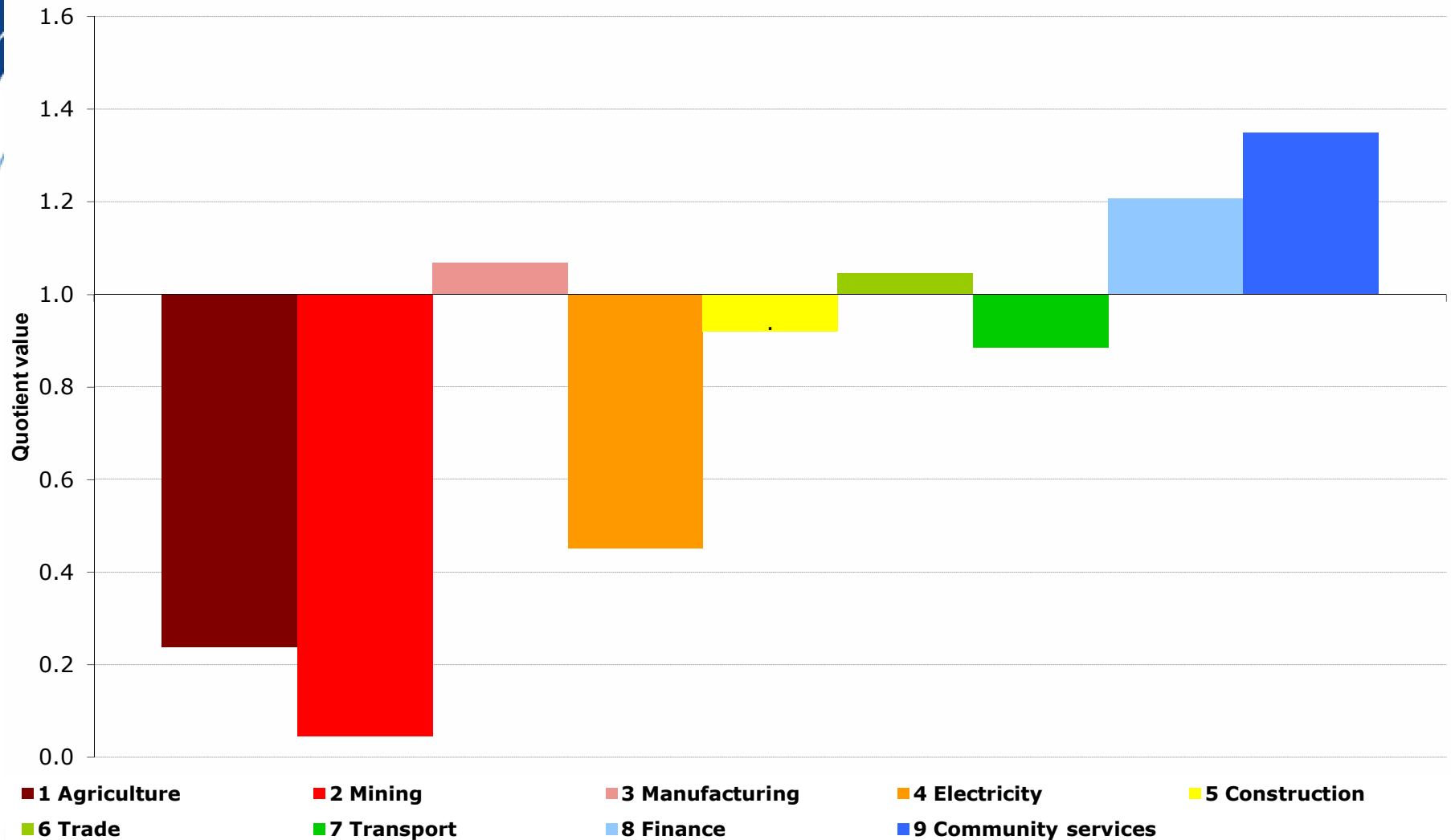
	Growth rate
1991	1.9
1997	4.7
2001	-1.1
2007	7.4
2011	3.5

	Unemployment rate
1991	24.4
1996	15.6
2001	53.1
2007	38.8

Buffalo City, Eastern Cape



Location quotient



Counter cyclical trends (1)

- Nationally
 - Agriculture, manufacturing and transport decreased
 - Finance and trade increased
- Metropolitan areas
 - 50% experienced structural breaks
 - Cape Town, Johannesburg, Ekurhuleni, Buffalo City, Msunduzi
- Non-metro municipalities
 - Central parts of Eastern Cape – high employment in agriculture and community
 - Central part of Limpopo – increase in mining

Counter cyclical trends (2)

- Municipalities
 - Increase in rural population
 - Central parts of Eastern Cape
 - Central part of Limpopo
 - Pretoria and Msunduzi

Conclusion (1)

- **Changing economic landscape**
 - Declining growth rates
 - Decline in people employed in agriculture and mining
- **Challenges**
 - Skills mismatch
 - Stagnant local economies
 - Increased unemployment
 - Geographic mobility does not necessarily reduce regional disparities

Conclusion (2)

- **Responsibilities**
 - Policies - bring jobs to depressed areas
 - Tax concessions and methods to support to local economic development
 - Stimulate growth according to specific strengths
 - Tourism, green economy, creative industry
 - Improve education

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