



**PERFORMANCE OF THE LOCAL ECONOMY  
BROCHURE**

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**ECONOMIC DEVELOPMENT & TOURISM  
SBU**

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## **1. INTRODUCTION**

The Polokwane economy is essentially built on its function as a service centre for Limpopo Province and to a certain degree for residents from neighbouring countries. This report contains an analysis of the socio-economic conditions of Polokwane with an overall aim to serve as a tool to determine the potential for economic development in Polokwane, as well as to identify constraints facing the local economy. An overview of the performance of the local economy will be provided below. An analysis of the demographics of the municipality gives insight to the characteristics and make-up of the Polokwane population. An analysis of the labour market in Polokwane is made, to highlight the importance of the indicator in alleviating poverty in the municipality. The data and analysis in the report should help inform economic development and other work being undertaken by the municipality and to aid policymakers, relevant stakeholders and laymen in understanding the local economy. The report highlights a brief overview of basic infrastructure services provided by the Municipality to its residents and challenges incurred.

### **1.1 Locality, size and regional context**

Polokwane Municipality is located at the heart of Limpopo Province within Capricorn District Municipality. It is the vibrant capital of Limpopo, situated along the N1 north to Zimbabwe. It is the largest metropolitan complex in the north and a major economic centre. Its proximity to the neighbouring countries of Botswana, Zimbabwe, Mozambique and Swaziland, as well as its convenient distance from the Kruger National Park and Magoebaskloof makes it a perfect gateway to Africa and attractive tourist destination. Polokwane Municipality is also located adjacent to other municipalities such as Lepelle-Nkumpi on the south, Mogalakwena on the west, Greater Tzaneen on the east, Molemole and Aganang on the north-west.

### **1.2 Spatial Composition**

Polokwane Municipality is the provincial growth point which functions as a first order settlement. However, the geographical area of Polokwane Municipality is predominantly rural including considerable land under traditional authority. The municipality has 38 wards and a large portion of the population living in rural or peri-urban areas, which for most part is unplanned and poorly serviced.

The Limpopo Spatial Rationale identified a hierarchy of settlements from provincial growth point to scattered settlements. Development interventions are proposed in terms of infrastructure provision and government services in such a manner that the natural economic potential of growth points is further stimulated. Interventions at scattered settlements are such that basic services are provided to ensure that the quality of life objective in the Growth and Development Strategy is achieved, but that prevents over investment in places that are depopulating.

## 2. SOCIO-ECONOMIC ANALYSIS

It is vital to analyze the size, spatial distribution, compositions and growth patterns of an area in order to indicate future trends and to explain past occurrences. The demographic characteristics of Polokwane will have various influences on the socio-economic conditions of the locality. These characteristics have future implications such as the number of educational, recreational and health facilities needed to sustain the inhabitants of the area.

Polokwane Municipality is located within the Capricorn District Municipality in the Limpopo Province. It covers a surface area of 3775 km<sup>2</sup> and accounts for 3% of the province's total surface area of +- 124000 km<sup>2</sup>. In terms of its physical composition Polokwane Municipality is 23% urbanized and 71% rural. The remaining area (6%) comprises small holdings and institutional, industrial and recreation land.

### 2.1 Population size and growth

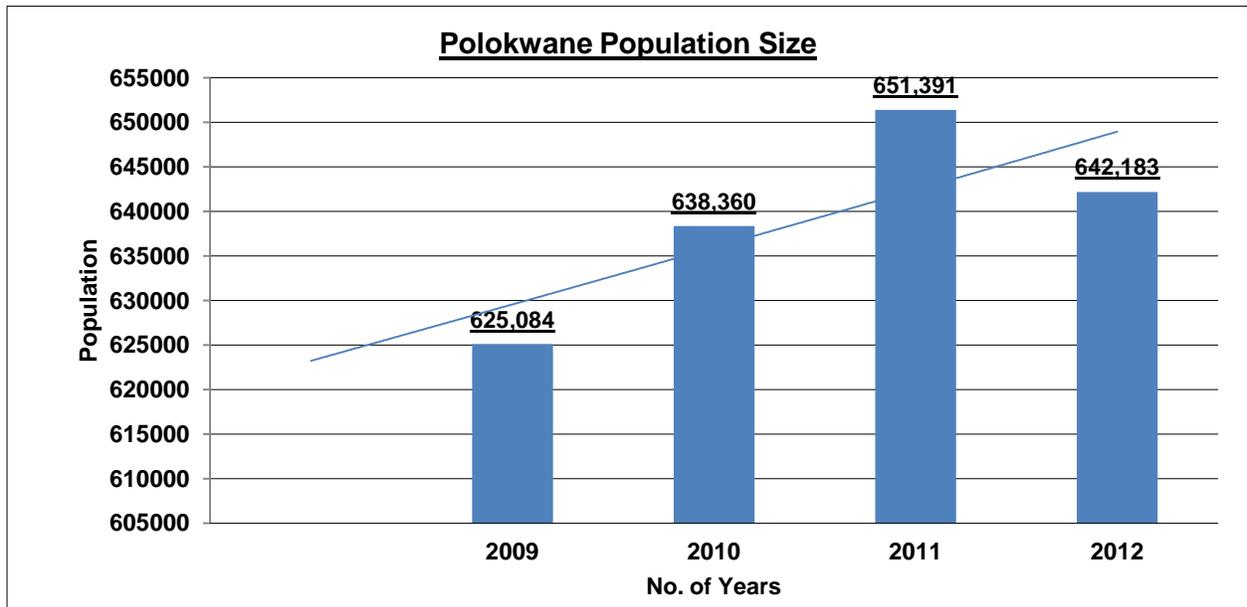
The population size is defined as the total number of households in a particular municipal area- this is vitally important when determining service provision requirement and infrastructural needs of local inhabitants. The growth rate of the population is of importance due to its ability to do future projections. These projections are used to determine future needs and indicate inward or outward migration, which in turn has an effect on job creation or availability and economic growth.

**Table 1:** Population size and growth rate in Polokwane Municipality

<u>Years</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Population size	625,084	638,360	651,391	642,183
Population Growth rate	2.2%	2.1%	2.0%	1.5%

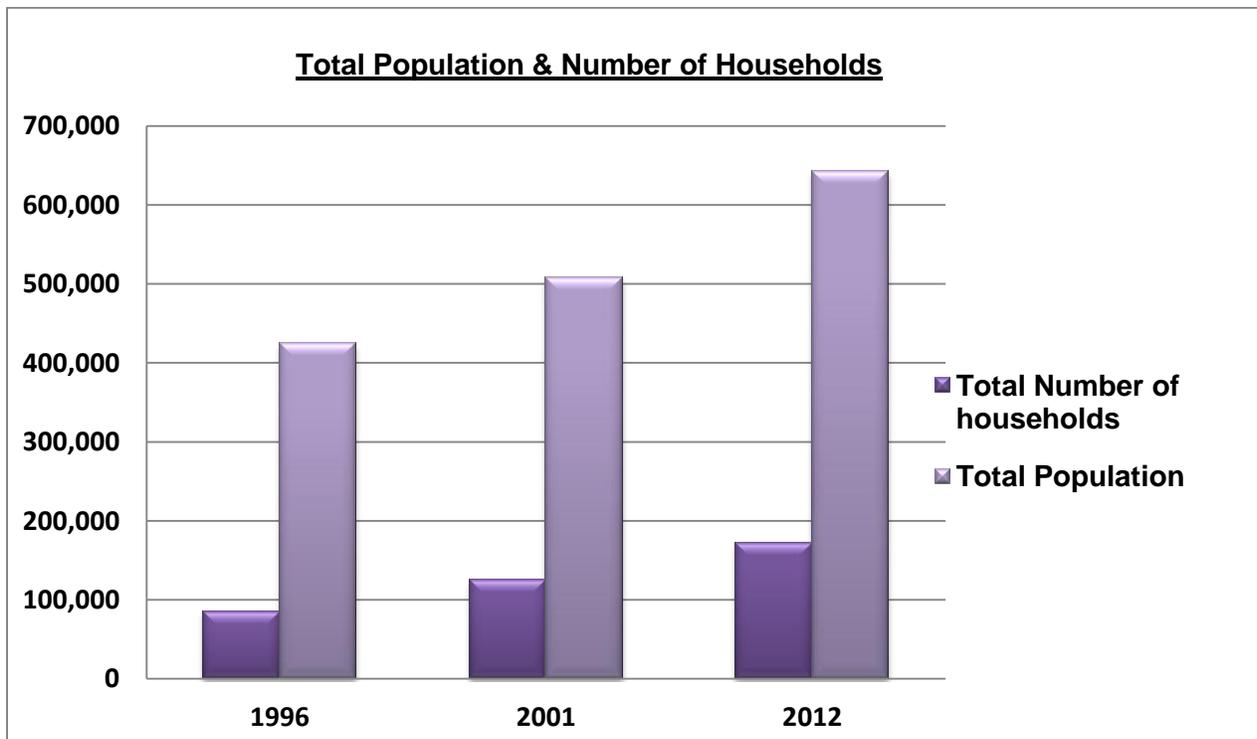
Source: Global Insight, 2013

**Graph 1: Population size**



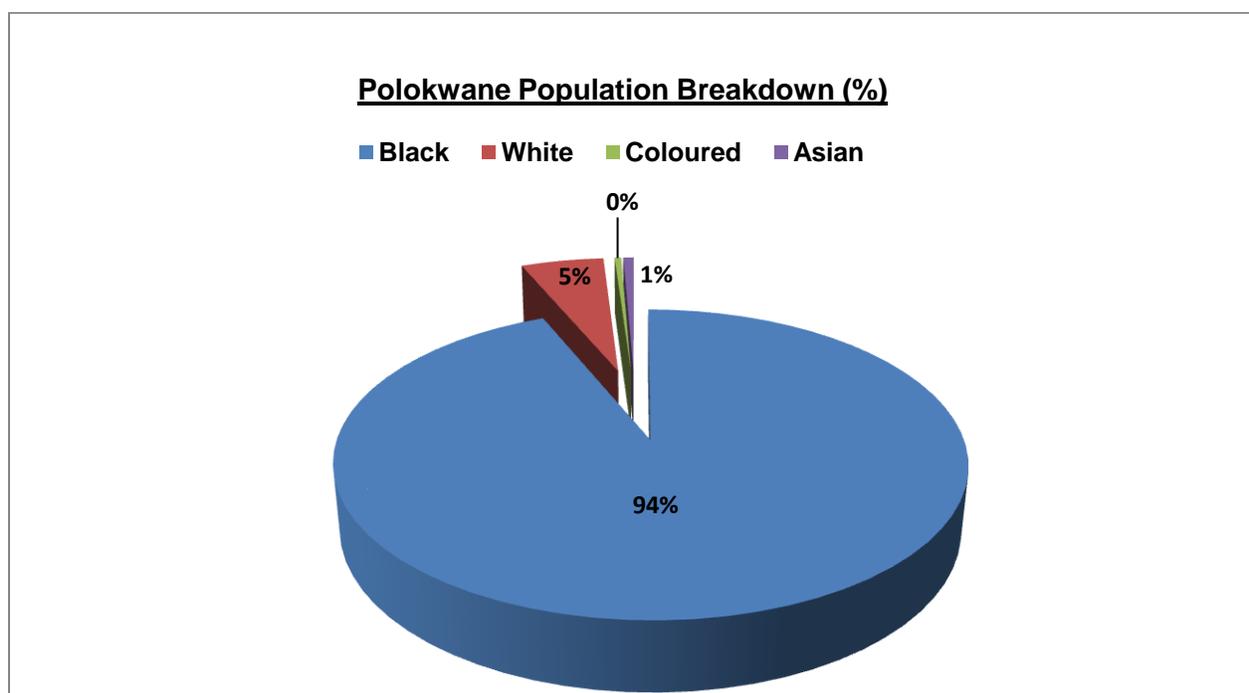
Source: Global Insight, 2013

**Graph 2: Total Population and Number of Households**



Source: Global Insight, 2013

**Graph 3: Total Population Breakdown**



Source: Global Insight, 2013

### 3. ECONOMIC ANALYSIS

#### 3.1 Economy Overview

The gross domestic product is the total value of all final goods and services produced within a certain geographic area during a particular period. In this case, Polokwane Municipality is referred to as a geographic area during the period. The gross geographic product (GGP) of a particular area amounts to the total income or payment received by the production factors – (land, labour, capital, and entrepreneurship) – for their participation in the production within that area. At constant 2005 prices, Polokwane Municipality had an estimated gross domestic product of R 15,372,946 (Estimated by Global Insight, 2012). Capricorn district's GDP is estimated at R 24,385,798 for 2012, also at constant 2005 prices. Polokwane is the dominant municipal economy in the Capricorn district. It is also the largest municipal economy within Limpopo Province, contributing more than other local municipalities within the Capricorn District.

**Table 2: Gross Domestic Product by region (Constant 2005 prices)**

<u>Years</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Limpopo	111,037,883	113,989,383	117,271,664	1,646,662,793
CDM	29,501,432	30,235,615	31,308,154	25,033,953
Polokwane Municipality	19,357,588	19,730,249	20,424,061	15,750,055

Source: Global Insight, 2013

**Table 3:** Polokwane GGP contribution per sector

<u>Year</u>		<u>2011</u>	<u>2012</u>
<b>Geography</b>	<b>Industry</b>		
Polokwane Local Municipality	Agriculture	2.4%	3.1%
	Mining	0.5%	0.5%
	Manufacturing	4.1%	4.8%
	Electricity & water	3.3%	3.8%
	Construction	3.9%	4.2%
	Trade	14.4%	18.3%
	Transport	12.4%	11.7%
	Finance	28.1%	21.5%

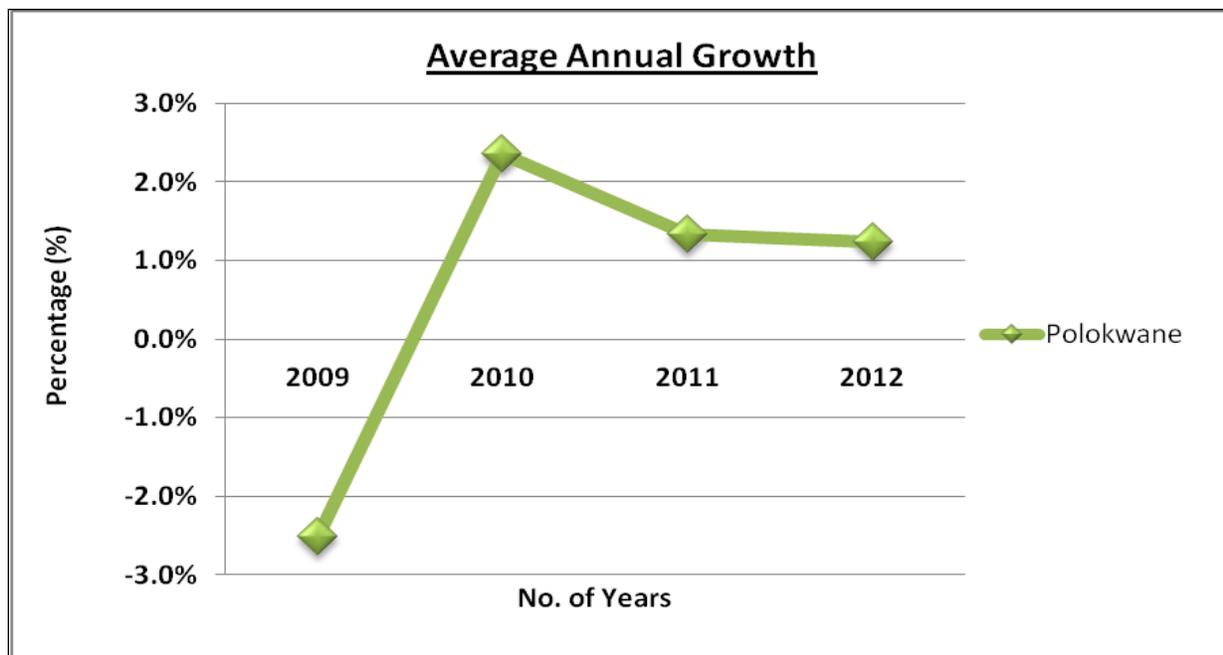
Year		<u>2011</u>	<u>2012</u>
Geography	Industry		
	Community services	30.9%	32.1%

Source: Global Insight, 2013

The table above paints a picture of what the economic structure of Polokwane Municipality looks like, given the year 2011 and 2012 available statistics on levels of economic activity. The major contributor to the municipal economy is the community services sector, which is responsible for 32.1% of the value of contribution. It incorporates a wide range of activities from economic development, infrastructure and community upliftment projects. Polokwane is the capital city of Limpopo province and all the head offices of provincial government are in Polokwane. Finance sector is the second largest contributor 21.5% and it incorporates banking, business, insurance and consulting services to real estate transactions; and is a reflection of Polokwane as a service centre for Limpopo Province. Trade is the third largest sector with 18.3% which includes wholesale and retail. Transport, is the fourth largest sector with a contribution of 11.7%. The other economic sectors are relatively small. Manufacturing only contributes 4.8% to the local economy. Electricity and water contributed 3.8%. The contribution from agriculture is small at 3.1%. The construction sector only contributed 4.2% to the local economy. Mining is also very small, with a contribution of only 0.5%.

### 3.2 Economic growth rate for Polokwane Municipality

**Graph 4:** Average Annual Economic Growth



Source: Global Insight, 2012

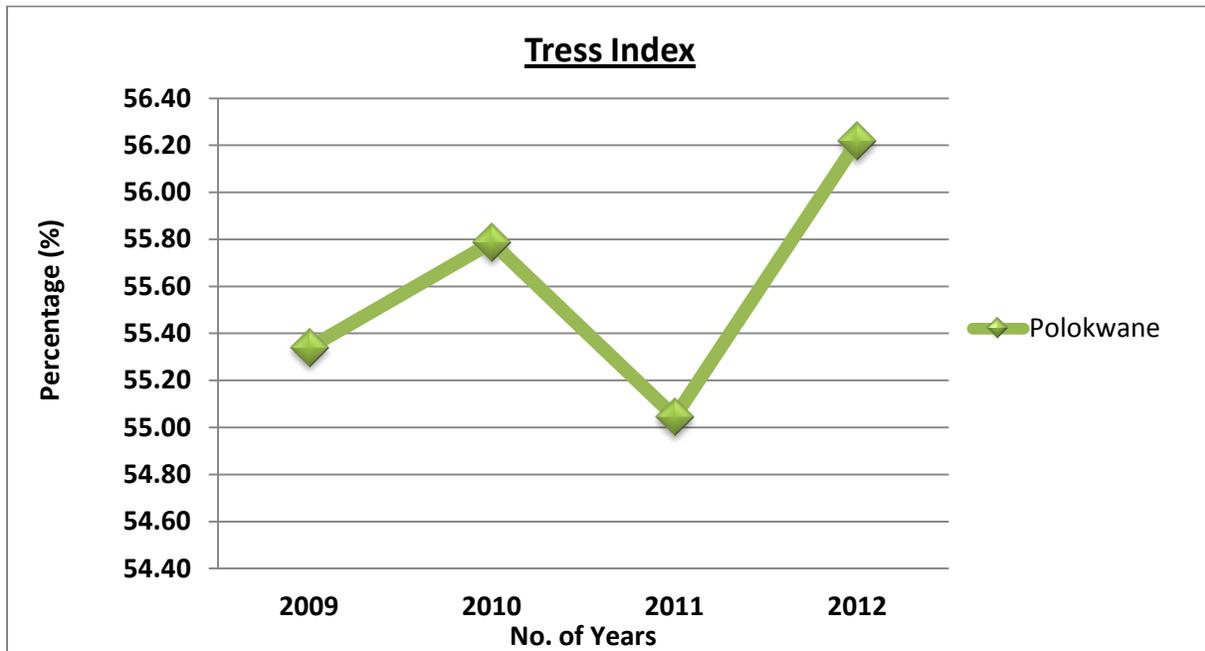
### 3.3 Tress Index

**Table 4:** Tress Index-Polokwane Municipality

Year	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Index	55.34%	55.79%	55.04%	56.22%

Source: Global Insight, 2013

**Graph 5: Tress Index**



Source: Global Insight, 2013

It is generally accepted that stability is a prerequisite for economic growth and development. The more diversified an economy is, the more stable it would be. A diversified economy is an economy with a low concentration of economic activity, while a high concentration of economic activity is regarded as a specialized economy.

The Tress index indicates the level of concentration or diversification in an economy. It is estimated by ranking the nine sectors according to their contributions to GVA or employment, adding the values cumulatively and indexing them. A Tress index of zero represents a totally diversified economy, while a number closer to 100 indicates a high level of concentration.

From the above table and graph, it is apparent that the economic activity is less diversified in Polokwane Municipality, with a Tress index of 56.2 in 2012. Put differently, the economic activities are substantially more concentrated in few sectors of Polokwane economy. The high level of concentration can be explained by dominance in four sectors namely; Finance and business services, Community Services, Trade and Transport.

### 3.4 Annual Household income in Polokwane

**Table 5:** Annual household's income in Polokwane 2011 – 2012

<u>Income Category</u>	<u>Income R'000</u>	<u>HH's 2011</u>	<u>HH's 2012</u>
1	0-2400	73	7
2	2400-6000	1,277	134
3	6000-12000	12,362	10,067
4	12000-18000	17,703	15,238
5	18000-30000	25,468	24,687
6	30000-42000	25,924	27,600
7	42000-54000	17,890	19,462
8	54000-72000	15,405	16,603
9	72000-96000	11,531	12,508
10	96000-132000	10,390	11,208
11	132000-192000	9,314	9,798
12	192000-360000	13,255	14,209
13	360000-600000	6,043	6,685
14	600000-1200000	3,262	3,723
15	1200000-2400000	491	572
16	2400000+	51	54

Source: Global Insight, 2013

Household income is a vital determinant of welfare and the standard of living. Household income is a family's ability to meet their basic needs in the acquisition of food, shelter and clothing. One of the most important poverty indicators is the Minimum Living Level (MLL). The Minimum Living Level indicates the minimum financial requirements of a family if they are to maintain their health and have acceptable standards of hygiene and sufficient clothing for their needs.

The table and the graph above analyses the distribution of households according to annual income brackets for 2011 and 2012. They indicate that the majority of the people in Polokwane fall within the middle income groups, which is a reflection of a developing economy in income

category 6, which is between 30000-42000 income with a number of households in 2011 being 25,924 and sharply increasing in year 2012 to 27,600 households . The lower income category (category 1: R0-R2400) represent 73 and 7 number of households in the municipality for the year 2011 and 2012 respectively. The incidence of households in the lowest income category (R0-R2400) is minimal and accounts for zero in 2011. These households have moved up the income spectrum with increases recorded in most of the income categories above R 30 000.00 and R 42 000.00 per year with some few exceptions. This is a reflection of households moving into the municipal area of jurisdiction, mostly as new households establishing. Most of these households originate from rural municipalities in Capricorn District, from other districts, but also from neighbouring countries such as Zimbabwe. There has been a major inequality at the very top income level (R2400000+).

#### **4. THE LABOUR MARKET IN POLOKWANE**

This section covers data on labour market activities of individuals aged 15 to 64 years who live in Polokwane municipal jurisdiction.

##### **4.1 Employment and unemployment**

A total of 148 352 people were employed in Polokwane in the year 2012 when compared to 143 222 people in 2009. Global Insight research estimated the economically active population in Polokwane has slight increase over the years. This implies a labour force participation rate of has increased based on the proportion or percentage of the population of working age (i.e. 15 to 64 years) for 2012.

Unemployment occurs when a person who is actively searching for employment is unable to find work. Unemployment is often used as a measure of the health of the economy. The most frequently cited measure of unemployment is the unemployment rate. This is the number of unemployed persons divided by the number of people in the labor force. In the year 2009 unemployment is estimated at 173,058 and the figure had declined over the years to 166,776 in the year 2012. The reason there's a slight decline in unemployment might be the result of a host of factors, ranging from access constraints between the place of residence and the place of work, education and skills, or the inability of the labour market to absorb more participants.

**Table 6: Polokwane Economically Active Population**

<u>Year</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Polokwane	143,222	143,442	144,224	148,352

Source: Global Insight, 2013

**Table 7: Polokwane Unemployed**

<u>Year</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Polokwane	173,058	172,215	174,458	166,776

Source: Global Insight, 2013

**Table 8: Polokwane Unemployed %**

<u>Year</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
	19.0%	17.4%	16.0%	16.0%

Source: Global Insight, 2013

## 4.2 Educational Profile

Polokwane Municipality has a remarkably strong educational profile among people of school going age and older. Having education gives a better chance of getting a job that pays above minimum wage. Although a significant percentage of the adult population has no schooling, in the year 2011 Polokwane was sitting at 25.324 and it lowered in the year 2012 to 23,472 which indicates a slight decrease as more people are striving to get education. Polokwane also has a higher proportion of matriculates and the number increased from 115,572 to 116,413 in the year 2012. The latest available statistics from the Department of Basic Education show that in 2012 South Africa had 12 428 069 pupils and students enrolled in public and independent schools.

This represents a competitive advantage for Polokwane Municipality. In other cases, students once they have completed at higher education and training they prefer to look for employment in other provinces, which leaves a gap in the formal employment sector. The number of people pursuing post graduate is also increasing over the years, unlike previously where people after completing matric they prefer to seek employment and opt not to further their studies. The table below also illustrates that within the matric and bachelor's degree category the number has

increased from 13,577 to 15,293 in the year 2012. Population unemployed in the year 2011 and 2012 remains the same at 16.0%.

**Table 9: Educational Profile**

<b><u>Higher Level of Education</u></b>		
	<b>2011</b>	<b>2012</b>
No schooling	25,324	23,472
Grade 0-2	5,017	5,460
Grade 3-6	30,399	29,025
Grade 7-9	93,395	91,526
Grade 10-11	111,572	116,413
Less than matric & certif./dip	3,979	4,315
Matric only	115,955	119,786
Matric & certificate / diploma	36,822	36,871
Matric & Bachelors degree	13,577	15,293
Matric & Post grad degree	5,359	5,742

Source: Global Insight, 2013

## **5. Overall Implications for Polokwane Municipality (Growth and Development)**

- Most developments are seen through property and infrastructure boom, this improves the lives of the majority of the Polokwane residents since the advent of democratic dispensation
- Inequality continues to remain high between population groups and within individual population groups. The Gini-coefficient based on disposable income (from work and social grants) for the whole country is high.
- Income inequality has not changed considerably between 2008 and 2012, in spite of economic growth in Polokwane's economy attained in 2011. This means that the quality of life, especially of the poor has not improved, but has more or less remained the same.
- The growth in population brings with it more responsibility on the part of government in terms of provision of services. The infrastructure (water, electricity, sanitation, health

services, housing, educational and recreational facilities) should keep abreast with the growth in population. This should be done in partnership with the private sector.

- Economic growth in Polokwane was mostly driven by consumer expenditure and by the centralization of provincial public service functions from former homelands. These drivers appear to have reached their full potential, meaning that the municipal economic growth rate has probably peaked and could weaken going forward. Accelerated economic growth and job creation will require new and innovative drivers of development.

## **6. Polokwane competitive and comparative advantage**

Comparative advantage refers to natural endowments, such as mineral reserves, that give one place an economic resource benefit above others. Competitive advantage, on the other hand, refers to the ability of communities to create their own advantage over other places by way of innovation, productivity and partnerships between the public and private sectors. The climate and the strategic location of the city give it an intermediate comparative advantage in tourism. Combined with soil conditions, the climate also provides a comparative advantage for vegetable and meat production, provided that sufficient water is available. The strategic location of the city once again is a major advantage. Good road connectivity with national and provincial road networks is a positive advantage. It is a gateway for both Southern African and East African tourist markets. The city is also within reasonable proximity to the famous Kruger National Park which most tourists commonly access via Polokwane.

Polokwane boasts a bustling shopping and retail sector which attracts shoppers and tourists alike. The presence of a strong government sector which is located in Polokwane continues to drive trade and property development in the city. There is also a game reserve with a variety of wild species just a stone-throw away from the central business district.

## **7. Opportunities offered by Polokwane economy**

- Polokwane offers a range of skills development opportunities, not just for Limpopo, but also for the country. Major educational institutions such as University of Limpopo, TUT, Capricorn FET and Unisa are located in Polokwane.
- The city has large tracts of industrial land available within the existing town planning scheme. The city can develop into a virtual and a physical logistics and trading hub.
- Infrastructure development continues to be at peak.

- The district manufacturing sector is mainly located in Polokwane. A key opportunity relates to the need to strengthen forward and backward linkages in the manufacturing sector, especially within the food and beverages cluster as well as agriculture. The meat cluster and the vegetable value chain can be extended to increase the multiplier effect.
- Rich mineral wealth, coal and platinum reserves, large copper and diamond mines within the Limpopo province
- Polokwane town is the provinces main centre for industry, commerce, education and medical services.
- Large industrial plants such as Silicon Smelters (one of the biggest in the world) and brewery which run alongside at least 600 industrial enterprises of smaller scale.
- Polokwane has good hotels and conferencing facilities and they are situated as a starting point for tourism trips and beyond
- The Easter celebrations of the Zion Christian Church at nearby Moria attract up to a million people every year

## **Appendix**

### **Tables**

Table 1 : Population Size & Growth Rate in Polokwane Municipality

Table 2: Gross Domestic Product by Region (Constant 2005 prices)

Table 3: Polokwane GGP Contribution Per Sector

Table 4: Tress Index Polokwane Municipality

Table 5: Annual Household Income in Polokwane

Table 6: Economically Active Population in Polokwane

Table 7: Polokwane Unemployed

Table 8: Polokwane Unemployed (%)

Table 9: Educational Profile

### **Graphs**

Graph 1: Population Size

Graph 2: Total Population & Number of Households

Graph 3: Total Population Breakdown

Graph 4: Average Annual Growth

Graph 5: Tress Index