



Economic Overview Of Tshwane

Domestically, the City of Tshwane is one of the eight metropolitan municipalities. It is the second wealthiest municipality in terms of GDP per capita (see figure 15) and the largest in land size in South Africa (see figure 16). Although it is the smallest province by landmass, accounting for only 1,5% of the country in geographical terms (Global Insight, 2014), Gauteng contributes the largest share of economic activity (36,1% in 2013)(Global Insight, 2014). The province recorded regional GDP of R720,19 billion. It has also been estimated that the province contributed 7,7% to Africa's GDP that same year.

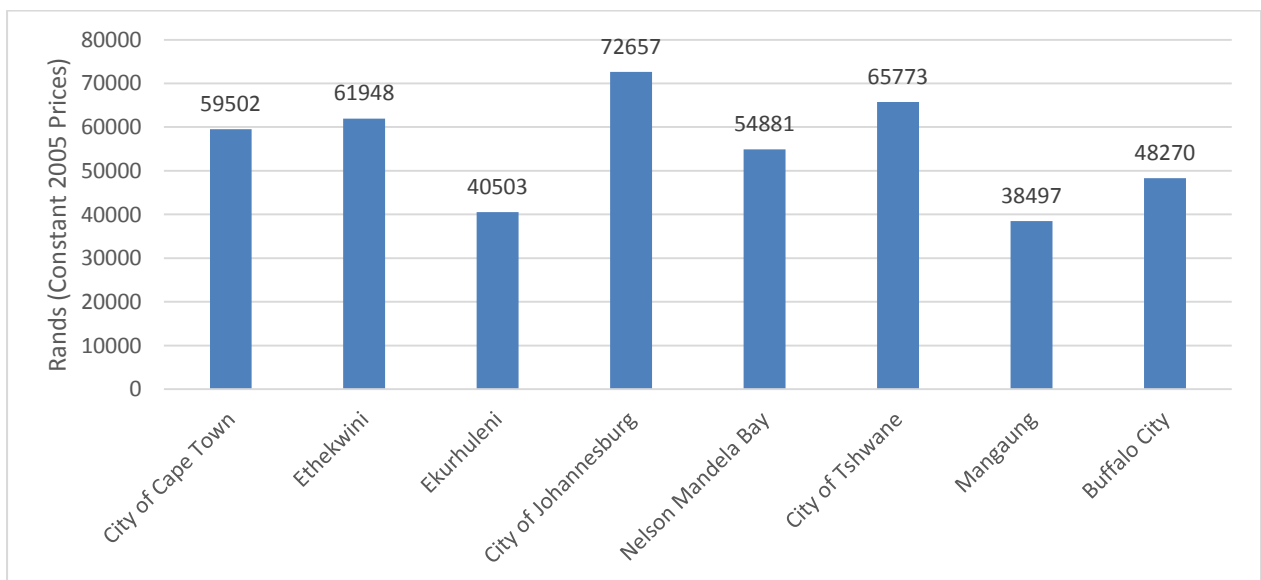


Figure 1: Metropolitan Municipality GDP per capita 2013

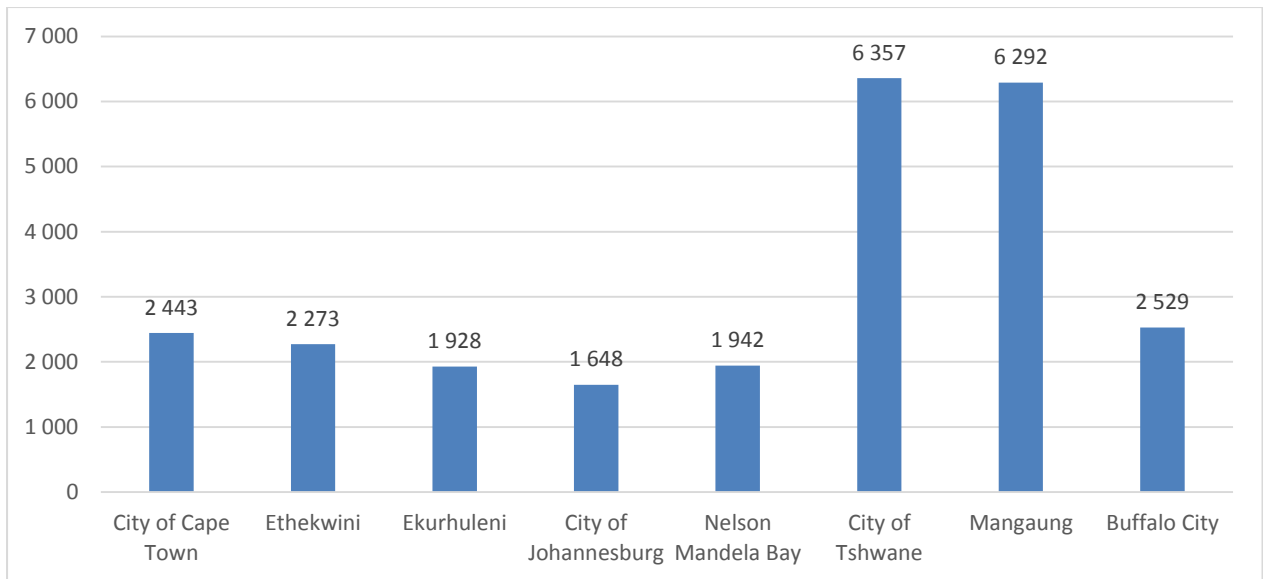


Figure 2: Landmass of metropolitan municipalities in South Africa

Tshwane's regional output at constant prices was valued around R200 billion in 2013 contributing about 28% of Gauteng's output and about 10% of South Africa's output that year. Tshwane was only outstripped by the City of Johannesburg, which contributed 17% to South Africa's output that same year (Global Insight, 2014).

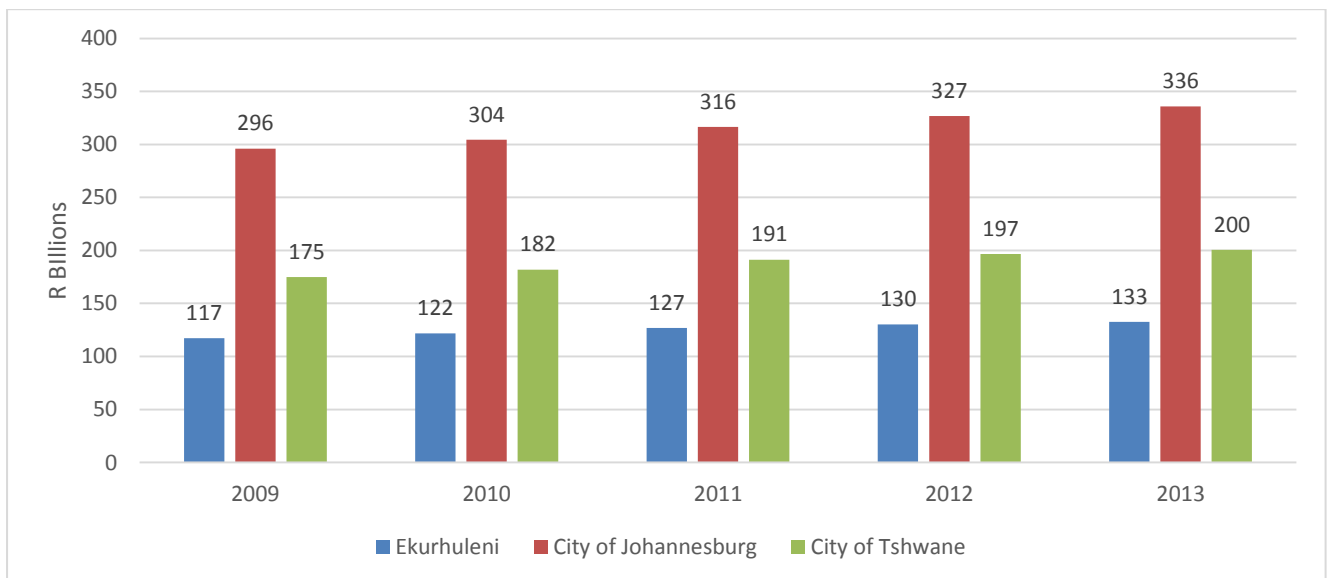
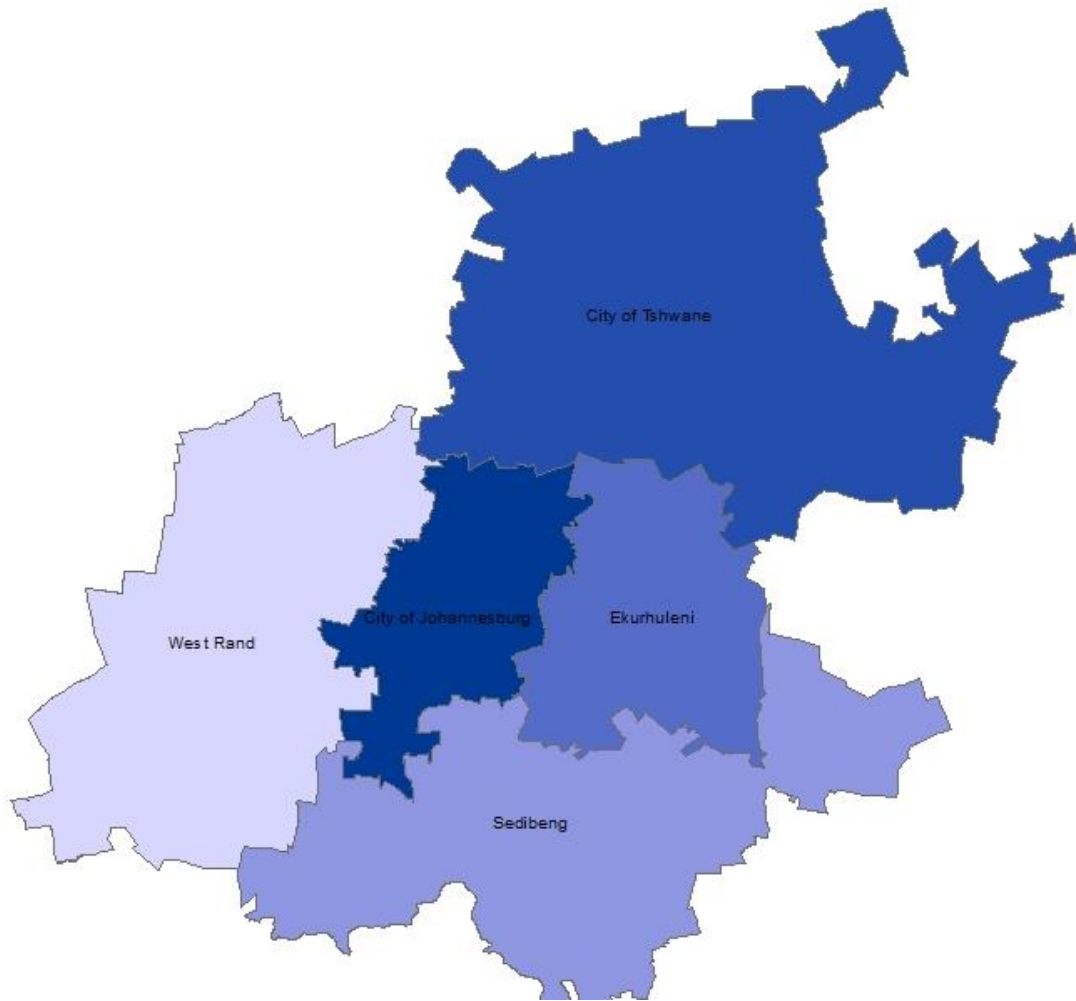


Figure 3: Tshwane GDP (2005 constant prices, R billions), 2009–2013

Source: Global Insight



Map 1: Real GVA of Gauteng district municipalities 2013

Source: Global Insight

Economic output of the City of Tshwane has expanded at a faster pace than that of Gauteng province and the national economy since 2003, and remained the fastest growing municipality up to 2012. It is again expected to become the fastest growing municipality in Gauteng going forward. Tshwane has had the highest average annual growth rate amongst all municipalities in South Africa over the 2008 to 2012 periods. City growth is expected to trend above 2% in 2014 and further strengthening to 4,4% in 2016.

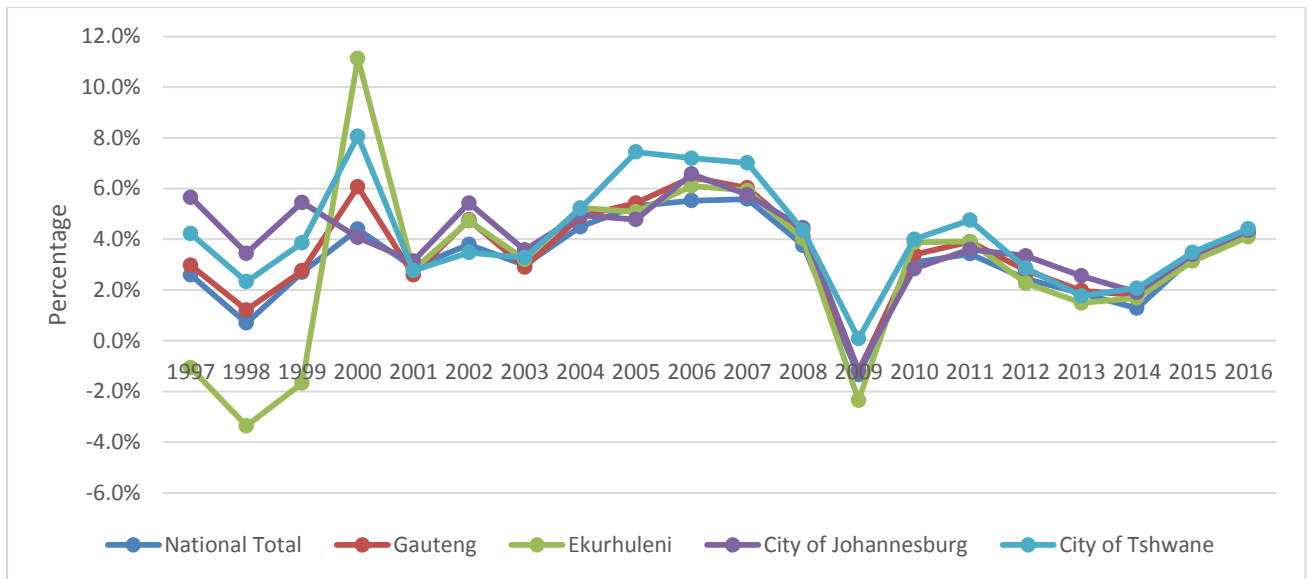


Figure 4: Tshwane's GVA Average Annual Growth (2005 constant prices, %), 1997–2016

Source: Global Insight

The City's economy is services and finance driven. A breakdown by activity in 2012 reveals that, given the high concentration of government departments in Tshwane, about 30% of the economy was engaged in the government, social and community services sector. This is followed by finance and business services (23,7%). Wholesale and retail trade, as well as manufacturing activity further make important contributions to the City's economic output, accounting for 15, 4% and 11, 2% respectively.

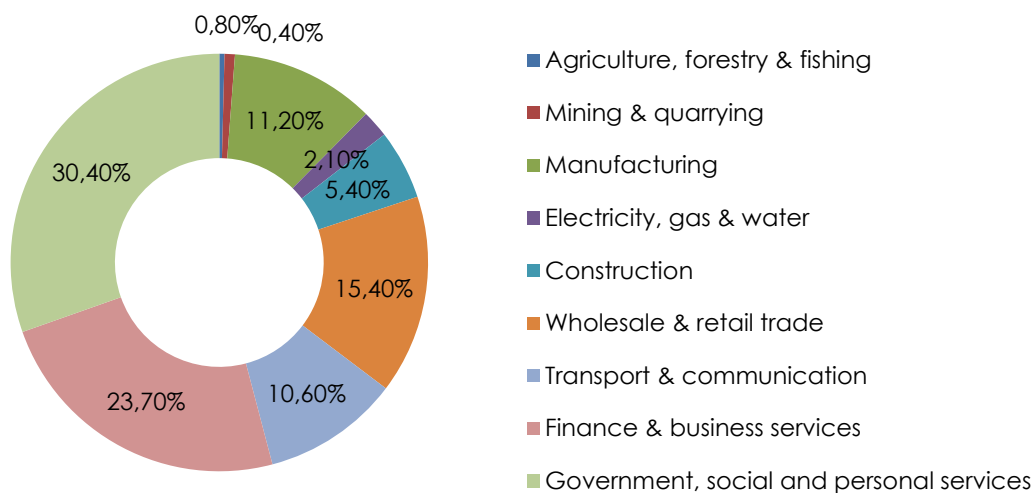


Figure 5: Sector composition of the City of Tshwane economy (%), 2012

Source: Global Insight

While the composition of GVA has stayed relatively constant over the past few years (particularly the share of electricity, mining and agriculture), a major trend has been the reduction of the manufacturing sector, relative to other sectors. The sector declined by 28% from its contribution of 15,5% in 2008. This mirrors developments at the national economy level, with manufacturing having declined from 19,3% of GDP in 1994 to 13,9% in 2011.

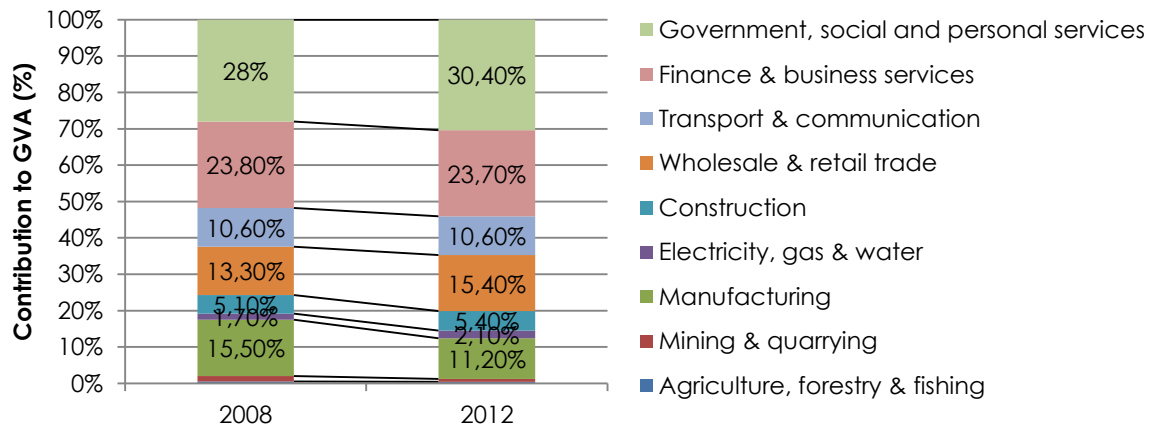


Figure 6: Change in sector composition of the Tshwane Economy, 2008 and 2012

Source: Global Insight

When considering the importance of an industry, a significant consideration is the labour remuneration as this translates into tax revenue, disposable income and consumption, which is one of the drivers for economic growth. Due to Tshwane being the capital city of South Africa, it is no surprise that the largest labour remuneration sector is government and services (42,7%) as various tiers of government is situated within its borders. Three of the remaining sectors contribute approximately 45% of further labour remuneration in the City of Tshwane, namely finance, manufacturing and trade. Despite the observed decline in the manufacturing industry, this indicates the importance of the industry in the livelihood of citizens. From figure 7, it can be seen that the importance of the sectors are provincially mimicked.

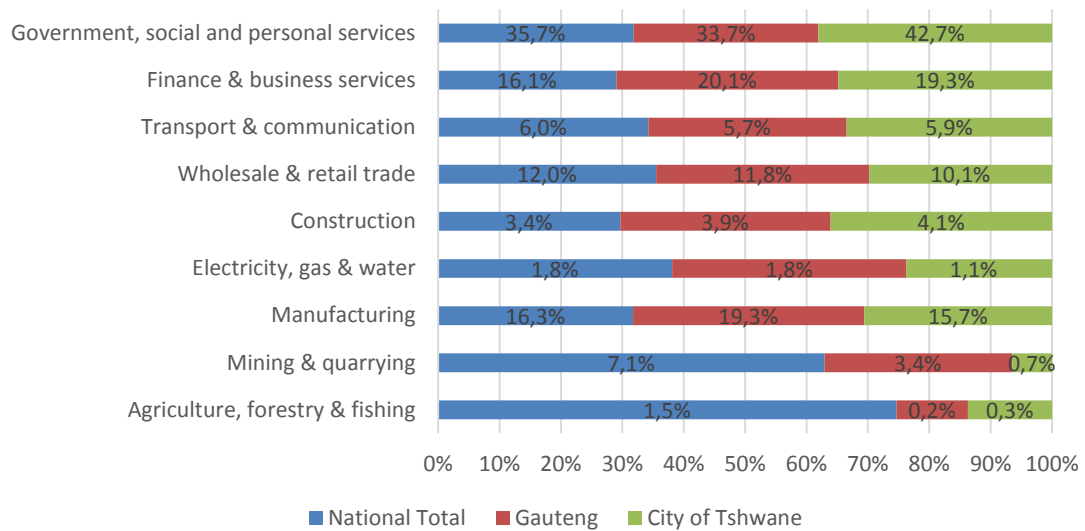


Figure 7: Sectorial labour remuneration (2012)

Source: Global Insight

When discussing sectorial composition and importance of industries within a city or region, it is important to consider the contribution each sector makes to GDP, the gross operating surplus (capital stock) and the location quotient of each industry.

In Tshwane, the sector with the highest contribution to GVA is construction (13,1%), followed by service delivery (13%), transport (11,1%), finance (10,8%), trade (9,3%) and manufacturing (8,9%). The contribution by each sector to GDP is indicated in percentage points as can be seen in figure 8. Overall, Tshwane contributes 2,5 percentage points to GDP and of this contribution the leading contributors are finance, service delivery, trade, manufacturing and transport.

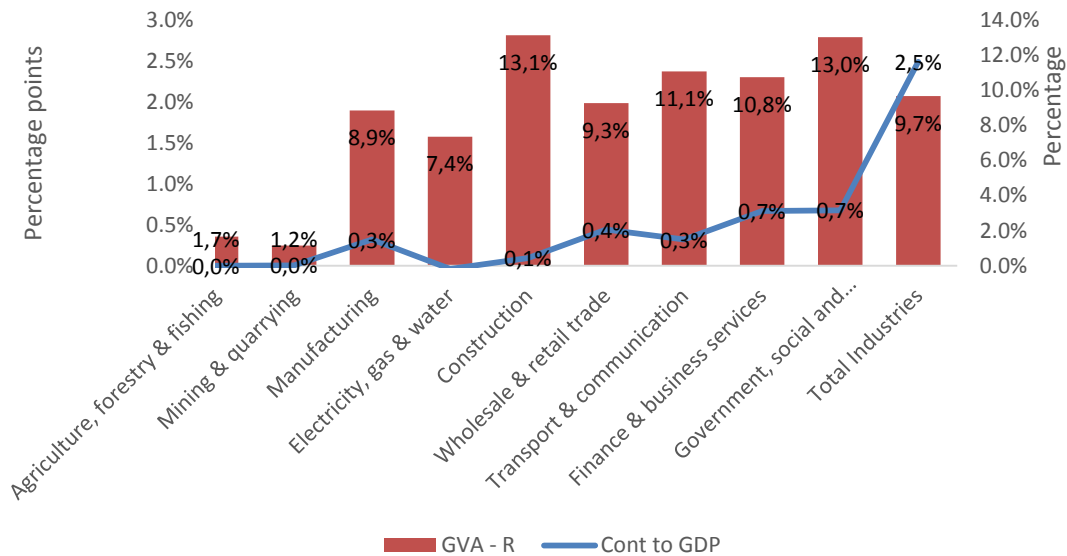


Figure 8: GVA per sector contribution to National and GDP 2012

Source: Global Insight

Eight of the nine sectors in Tshwane showed a positive average growth in gross operating surplus indicating a growth in average capital stock. The fastest growing industry is electricity, gas and water (21, 2%) followed by wholesale and retail trade (17,2). Overall, the City of Tshwane showed a higher growth in gross operating surplus (8,6%) compared to provincial (7,8%) and national (7,2%) levels. In six of the eight industries that showed a positive growth, Tshwane grew faster than South Africa (nationally). Despite the significant decline in capital stock in the manufacturing industry, Tshwane's manufacturing declined less rapidly (10,9%) than the decline observed provincially and nationally.

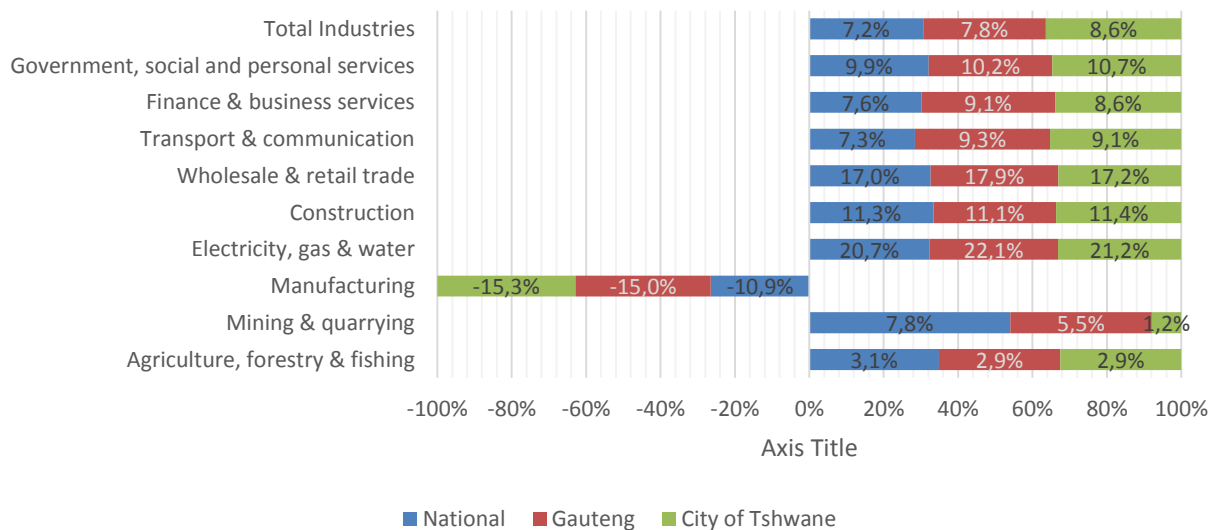


Figure 9: Average growth in gross operating surplus (capital stock) 2008–2012

Source: Global Insight

According to Global Insight (2014), the "...location quotient is one way of measuring this comparative advantage by taking into account production and employment. If the location quotient is larger than one for a specified sector and region, then that region has a comparative advantage in that sector. This is because the share of that sector of the specified regional economy is greater than the same sector in the national economy."

Figure 10 compares Tshwane's comparative advantages to Gauteng's. From this we observe that Tshwane has an advantage in the finance, service delivery, transport and construction industries. The graph further elucidates that with some possible assistance there is a real possibility that the manufacturing and trade industries could exceed a location quotient of 1. Gauteng has a similar location quotient structure to that of Tshwane, except that the manufacturing and trade industries are regionally competitive.

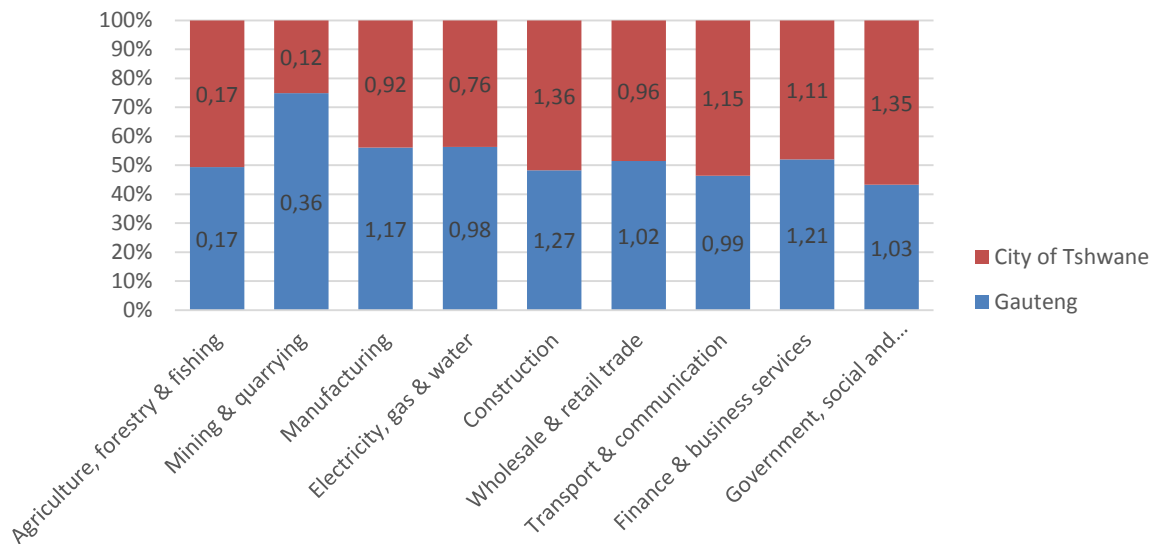


Figure 10: Location quotients (2012)

Source: Global Insight

The tress index measures the degree of concentration in a city's economy at sector level of GVA. The tress index ranges from 0 (equal contribution) to 1 (single contributor).

Tshwane and Gauteng have higher specialisation scores than the national average indicating that the respective economies have focus industries that contribute more significantly to GVA as can be seen in Figure 8. Tshwane's economy is 35,1% more specialised than South Africa's and 11,5% more specialised than Gauteng.

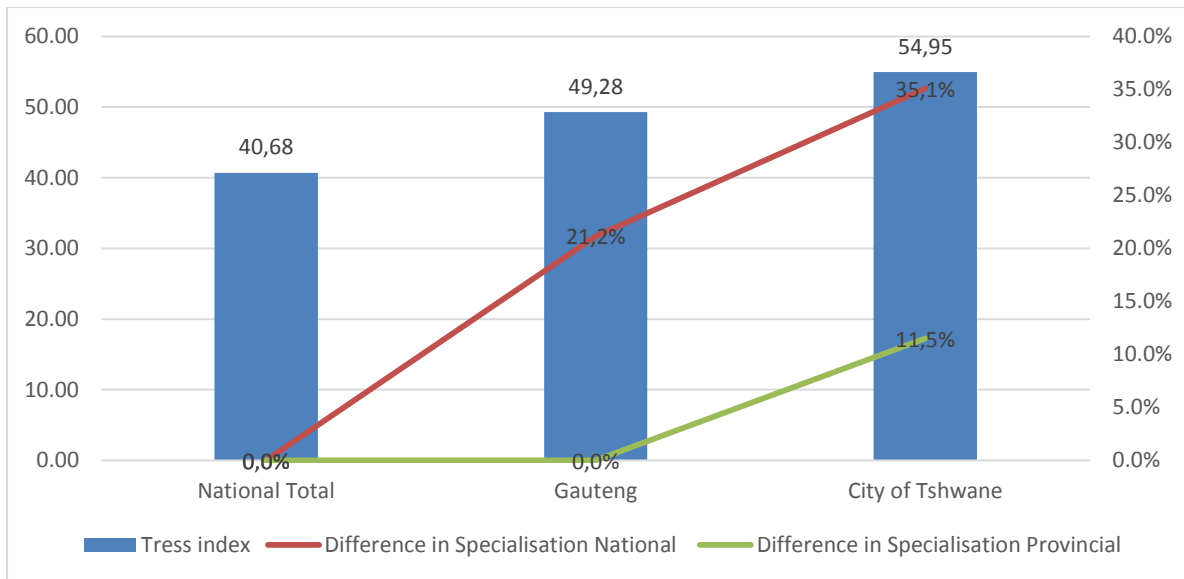


Figure 11: Specialisation

Source: Global Insight

Tshwane is also considered a research and development hub. With four universities and seven of the eight national science councils, the City is the national centre of research and learning.

Figure 26 shows the total expenditure on goods in metropolitan municipalities. Total expenditure can be utilised as a proxy for market size, indicating that with respect to expenditure the City of Tshwane is the third largest domestic metropolitan market (R 229 billion), which is approximately one tenth of national expenditure (Global Insight, 2013), only exceeded by the City of Cape Town and the City of Johannesburg.

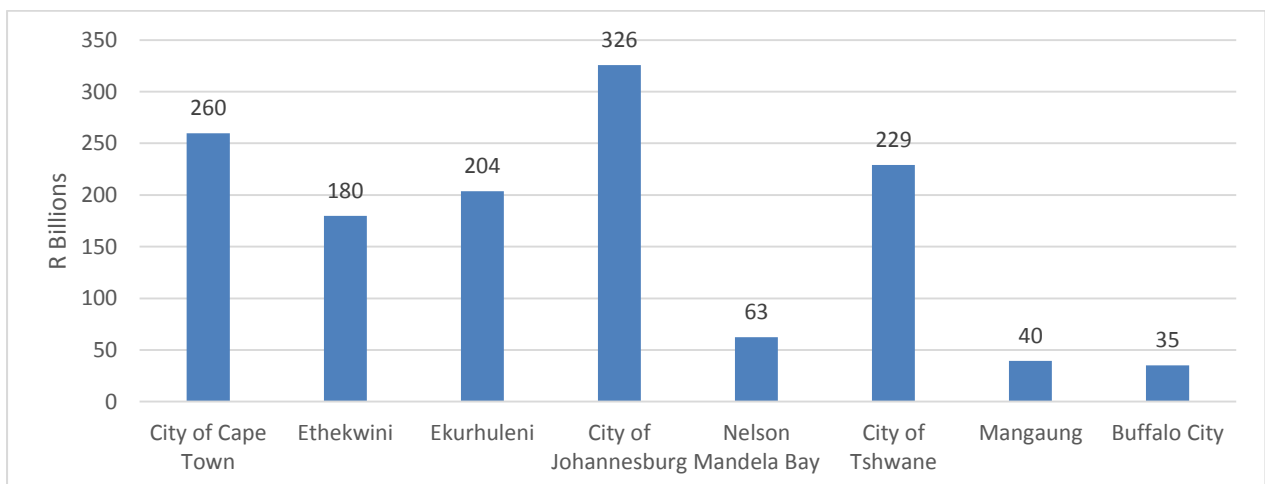


Figure 12: Total expenditure by metropolitan municipalities (R Billions)

Tshwane's approximate population of 2,9 million accounts for about 24% of Gauteng's population and 6% of South Africa's population. This makes it the fifth largest metro in South Africa. Among the metros in Gauteng, Tshwane had the second largest economically active population in 2012 and the

lowest (narrow) unemployment rate at 23% of the metros in Gauteng in 2011. Furthermore, about 64% of the population is younger than 35 years and Tshwane's population is likely to double in the next 40 years.

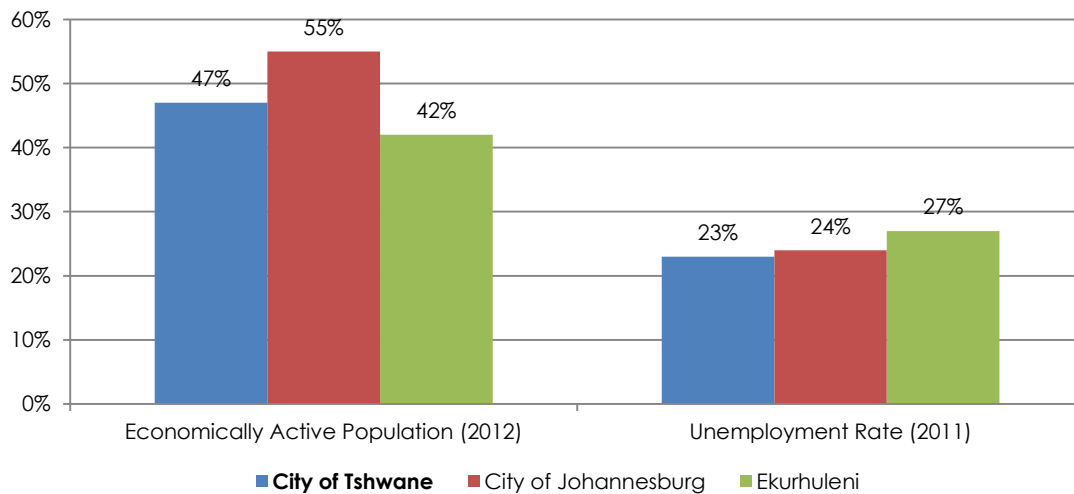


Figure 13: Economically active population and unemployment rate (%), 2011 and 2012

Source: Global Insight and STATS SA 2011 Census

Formal employment in Tshwane, as seen in figure 12, shows that the most significant contributors to employment is government, social and personal services (24,9%), wholesale and retail trade (16,4%), finance and business services (14,6%) and manufacturing (12,2%). A similar trend is observed at both provincial and national level. At provincial and city level the employment in the transport industry – 6, 4% and 6,3% respectively – exceeds the national employment level, indicating the increased importance of a properly functioning transport system in urban areas. Furthermore, almost 90% of Tshwane's employment is in the formal sector.

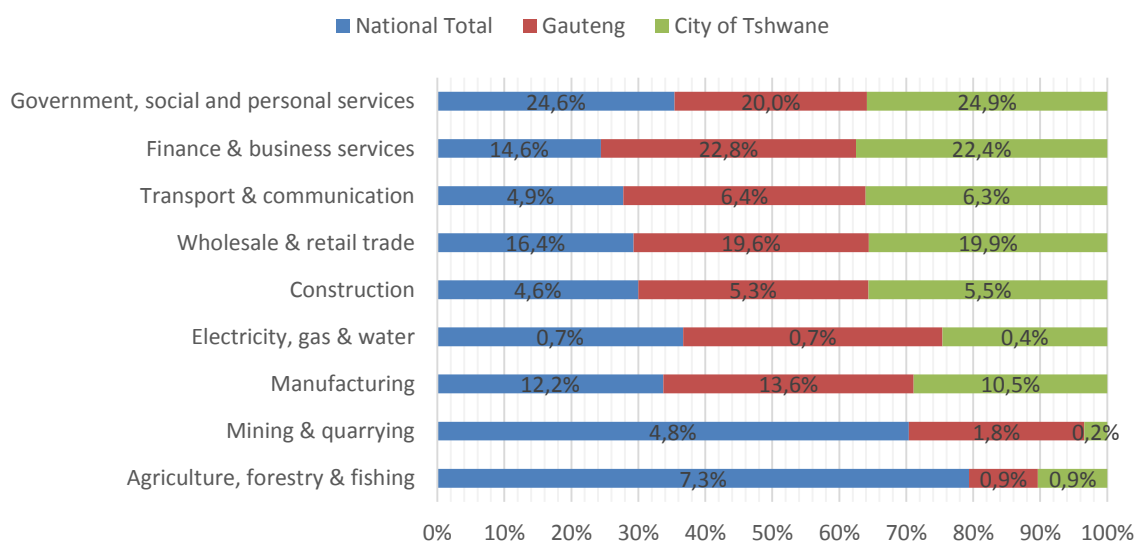


Figure 14: Sectorial employment (2012)

Source: Global Insight

Per capita GVA in the City of Tshwane is the second highest in the province and also almost 80% higher than the national average.

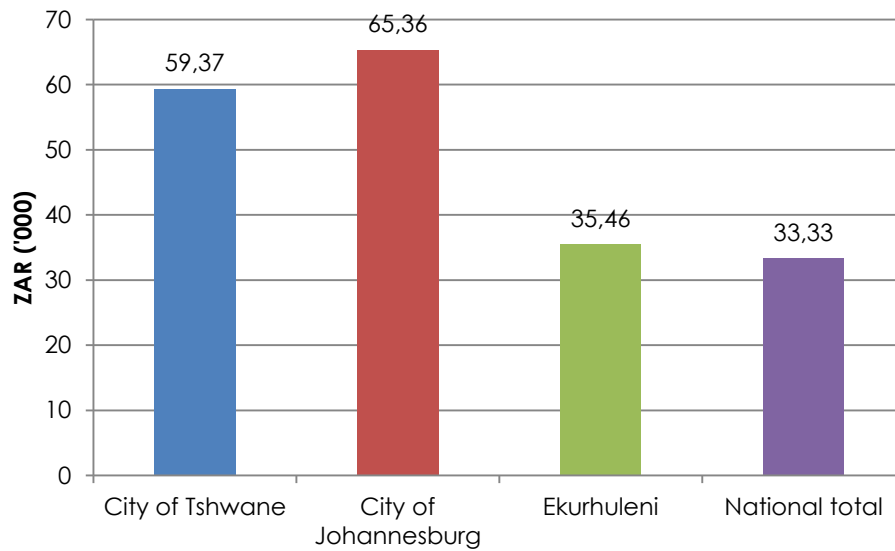


Figure 15: GVA per capita, 2012

Source: Economic Intelligence Unit, City of Tshwane

