

# KwaZulu-Natal - Economic Overview

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KwaZulu-Natal has the second largest provincial economy in South Africa after Gauteng. With a total area of 94 361 square kilometres, KwaZulu-Natal is the country's third-smallest province, taking up 7,7 percent of South Africa's land area, and is home to the largest percentage (20,6) of the population - an estimated 9.9-million people. It contributes R206,8-billion or 16,5 percent towards the country's Gross Domestic Product (GDP). Called the garden province, KwaZulu-Natal stretches along the east coast of South Africa from Port Edward in the South to Swaziland and Mozambique in the north. The provincial capital is Pietermaritzburg and the main cities and towns are Durban, Ulundi, Eshowe, Newcastle and Richards Bay.

South Africa is currently enjoying an economic boom with GDP increasing by 5,6 percent in the fourth quarter of 2006 and representing an uninterrupted increase in the rate of growth in the economy since 1998 - the longest economic upswing in the country - and KwaZulu-Natal is not proving to be an exception.

The provincial economy follows this trend rising five-fold from a 1 percent growth in 1999 to 5,3 percent in 2005. "This trend suggests that the provincial economy has the potential to reach a 10 percent growth rate by 2014, which is far about the Accelerated and Shared Growth Initiative for South Africa (ASGISA) target of 6 percent," said Provincial Premier, S'bu Ndebele.

"Foreign direct investment into KwaZulu-Natal is increasing exponentially," said Zweli Mkhize, provincial minister for Finance and Economic Development in his 2007/08 budget speech. "Between 2000 and 2005 over R27-billion was invested in the province by foreign companies."

## Manufacturing

KwaZulu-Natal's manufacturing sector is the second largest in the country, after Gauteng province. It is a key sector in the provincial economy, growing at a stable and steady rate, generating 20 percent of provincial employment.

The three largest manufacturing industries are pulp and paper products (19 percent), chemicals and petrochemicals (17 percent), and food and beverages (16 percent).

In the chemicals and petrochemicals sector, industrial chemicals comprise a third, at R1,1-billion, of the gross output, petroleum and coal products 30 percent at R1-billion, chemicals 21 percent at R700-million, and rubber and plastic products the balance. In the textiles, clothing and leather sector, which represents 15 percent of the manufacturing sector, textiles contributed 54 percent at R1,6-billion and clothing 27 percent at R800-million.

The vehicle-manufacturing industry has created a considerable multiplier effect in component and service providers. The automotive leather industry has grown rapidly, with exports significantly increasing foreign exchange earnings. KwaZulu-Natal has also recently undergone rapid industrialisation, thanks to its abundant water supply and labour resources. Industries are found at Newcastle, Ladysmith, Dundee, Richards Bay, Durban, Hammersdale, Richmond, Pietermaritzburg and Mandeni.

The manufacturing sector is geared for export, with nearly a third of South Africa's manufactured exports being produced in KwaZulu-Natal.

## Exports

KwaZulu-Natal's share of overall South African exports has remained constant over a 10-year period, at around 17 percent. In 2005 KwaZulu-Natal contributed 13 percent of total national exports, compared to 20 percent in 2003 and 19 percent in 2004.

However the 10-year trend indicates that there has been constant growth in provincial exports, with ore, slag and ash, aluminium products and products from the iron and steel sector amounting to more than 49 percent of KwaZulu-Natal's exports, while there has been a decline in exports of wood pulp, waste and scrap paper.

According to a report released by Quantec data, KwaZulu-Natal's top export destinations in 2005 were the United States, Japan, India, the United Kingdom, the Netherlands and Germany. Exports from the province are set to increase with the planned new King Shaka International Airport and Dube TradePort (DTP) north of Durban.

## Tourism

"KwaZulu-Natal is now the market leader for domestic tourism in South Africa, as well as number two in term of international tourism," said Mkhize. Tourism contributed 10 percent to provincial GDP and the tourism sector created 77 000 direct jobs and 154 000 indirect jobs in the province.

"There has been substantial investment in tourism infrastructure. Extensive renovation and refurbishments totalling some R89-billion was carried out over the past two years. In addition, there has been private sector investment of about

R2,5-billion in new hotel infrastructure," said Mkhize.  
Agriculture

Due to the good reliable rainfall and fertile soils, the region's agricultural sector has become very productive, and is known for its specialist capability in several types of farming. The Province has a total of 6,5 million hectares of land for farming purposes of which 82 percent is suitable for extensive livestock production and 18 percent is arable land.

Dairy farming is important. Milk is produced near Durban and Pietermaritzburg; butter and cheese are produced inland. The northwest region is largely devoted to raising cattle.

The most important agricultural area lies along the coast, where sugarcane is the major crop. The production of sugar cane on communally held land has expanded significantly in the past 25 years. Allied to the expansion in cane production in these areas has been the development of a large number of contractors who harvest and transport the cane.

Forestry plays an important role in the economy and large plantations are found in the northern part of the Province. It is also one of the sectors identified as a key growth area in terms of the AGISA.

Timber production accounts for 6.5 percent of KwaZulu-Natal's agricultural output and the forestry and paper industry had seen a huge inflow of foreign direct investment into the province, amounting to R2,7-billion.  
Durban

Durban has become the de facto coastal 'gateway' to Southern Africa," said Professor Bonke Dumisa, Chief Executive of the Durban Chamber of Commerce and Industry. "It is the major port city on the African continent and is ideally located to access the international shipping routes between East and West."

The Port of Durban is an exciting hub of economic activity and the largest of South Africa's seven ports. It handles in excess of 31,4 million tons of cargo a year, with a value in excess of R100-billion per annum - approximately 65 percent of the value of all cargo going through South African ports.

More than R3-billion has been set aside for investment in Durban Port's infrastructure since 2002 for improvements which include the widening of the harbour mouth and the construction of cargo terminals.

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Durban's International Convention Centre has been voted the best in Africa for the past six years and is amongst the top 10 in the world - and that before the addition of the new entertainment arena. In addition the investment in the new 70 000-seater Moses Mabhida multi-purpose stadium will position Durban as one of Africa's premier sports and conference destinations.

Richard's Bay

The modern Port of Richard's Bay is South Africa's premier bulk cargo handling port and is well situated to serve the KwaZulu-Natal and Mpumalanga coal fields and has expanded into other bulk and break bulk cargos including timber and granite.

The port handles in excess of 85 million tons of cargo per annum and is one of the few South African ports with the flexibility to expand with demand to become one of the largest ports in the world.

Richards Bay is one of the fastest growing industrial areas in the province the centre of operations for South Africa's aluminium industry. The Richards Bay Coal Terminal is instrumental in securing the country's position as the second-largest exporter of steam coal in the world and Richards Bay Minerals is the largest sand-mining and mineral-processing operation in the world.

Infrastructure

Government will be spending R7,6-billion in housing, road construction and maintenance, agriculture, tourism and corridor development in prioritised projects throughout the province said Mkhize.

"Infrastructure expenditure by provincial government has more than doubled between 2003/04 and 2007/08 from a baseline of R2,9-million to R6,4-million and it alone will grow to R9,8-million in 2009/10. Given its potential to stimulate economic growth across the board, infrastructure delivery will remain on the key focus areas of this government, said Mkhize.

He added that in respect to transport infrastructure the provincial budget allows for R3,18-billion to be spent over the next three years to upgrade major transport corridors in the province.

The DTP is "the biggest single government infrastructure investment in the province," said Mkhize. The project will cost in the region of R3,5-billion and is on schedule to be ready in time for 2010.

"The catalytic impact of this project will not be confined to the growth node in the costal area north of Durban, but will reverberate across the entire province and position KwaZulu-Natal as a destination of choice for domestic and international tourists," said Mkhize.

"On completion the DTP alone will contribute R12,4-billion to the economy and will create thousands of new jobs," said Ndebele.

#### Challenges

Some of the serious economic challenges for KwaZulu-Natal remain persistent high unemployment, poverty, large wealth disparities and a high incidence of HIV/AIDS, areas which are being tackled with some, but at this stage small, success.

"Our provincial government has managed to reduce the unemployment rate from 36,3 percent in 2003 to 29,9 percent in 2006," said Ndebele. In addition, KwaZulu-Natal's literacy rate has improved to 88,6 percent and the poverty rate decreased from 54 percent in 2004 to 51,9 percent in 2005.

- This article was written by Sharon Davis for Global Africa Network's 2007/2008 KwaZulu-Natal Business - A Guide to business and investment in KwaZulu-Natal