

**NCPT**

**NORTHERN CAPE PROVINCIAL TREASURY**

**NORTHERN CAPE PROVINCIAL GOVERNMENT**

# **THE DYNAMICS OF THE MANUFACTURING INDUSTRY IN THE NORTHERN CAPE**

**Directorate: Economic and Fiscal Oversight**

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The research document: *The Dynamics of the Manufacturing Industry in the Northern Cape* is compiled using information from departmental and/or other sources. Some of this information may be unaudited or subject to revision.

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## 1. INTRODUCTION

The economic landscape of a region is often intricately linked to its manufacturing sector, which plays a pivotal role in shaping economic growth and employment. The Northern Cape presents a unique context for analysing the evolution of its manufacturing industry and its impact on employment. This review provides an understanding of the manufacturing sector's evolution and its impact on employment in the Northern Cape. The interplay between economic factors, regional disparities and global events such as the Covid-19 pandemic has shaped the trajectory of the manufacturing industry and its workforce. This review evaluates the dynamics of the Northern Cape's manufacturing sector, shedding light on both formal and informal employment as well as the economic performance of the industry. The report further provides an analysis of the manufacturing sector's presence across the various districts of the Northern Cape.

## 2. BACKGROUND

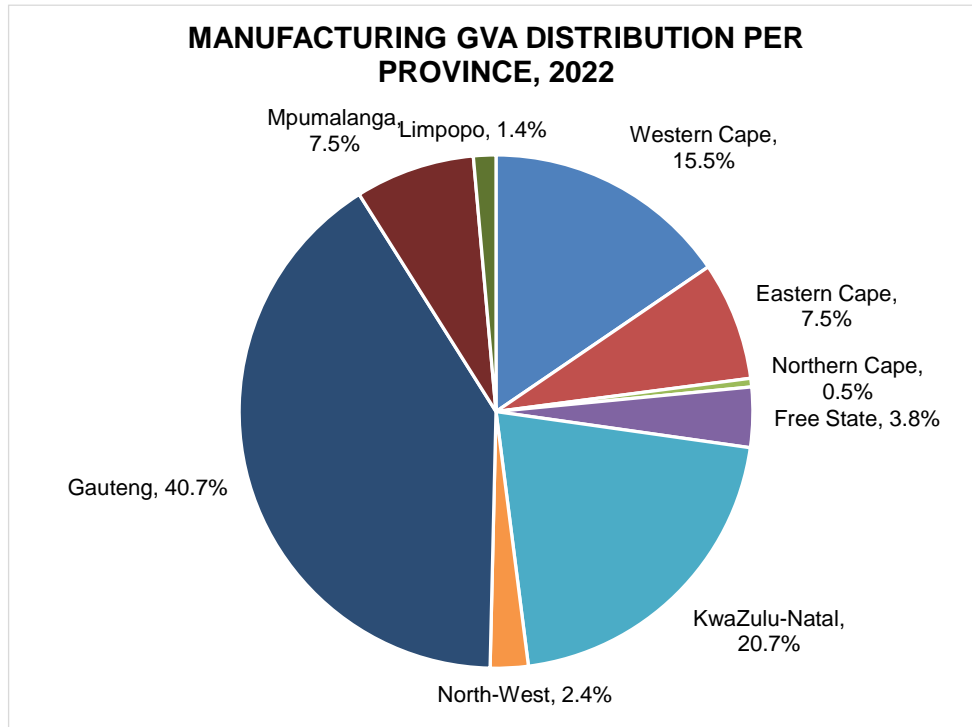
In 2019, manufacturing contributed 12 per cent to South Africa's gross domestic product (GDP), 12 per cent to formal sector employment, and 42 per cent of export value. It has strong linkages with various industries and service providers, making it a focal point for economic development efforts. The manufacturing sector's contribution to GDP and employment has declined over the years. Its share of GDP, which was around 23 per cent in the early 1980s, has decreased significantly since the 1990s. Employment in the sector has also followed a similar downward trend. Real manufacturing gross value added (GVA) experienced growth during the commodity boom period, with strong annual growth between 2000 and 2008. However, it contracted by 10.6 per cent in 2009 during the global financial crisis. Post-crisis growth remained modest at 1.3 per cent. Manufacturing capacity utilization reached its peak of about 86 per cent in the mid-2000s, but fell significantly during the global financial crisis. The sustained lower capacity utilization discouraged investment, resulting in a decline in capital stock and subsequent job losses (Mnguni and Simbanegavi, 2020).

The manufacturing industry requires well-designed industrial policies to enhance competitiveness, potentially learning from strategies employed by countries like China. Despite the challenges, manufacturing remains important for South Africa's economic growth and employment. To prevent de-industrialization, South Africa needs effective industrial policies that build capacity in the sector, create new sources of competitive advantage and focuses on labour-intensive subsectors. The aim is to reverse the trend and stimulate sustainable growth in the manufacturing sector.

### 3. MANUFACTURING GVA

This section considers the role of the manufacturing industry in the Northern Cape economy and assists in determining the impact of the Covid-19 pandemic and recent economic challenges on this industry.

**FIGURE 1: MANUFACTURING GVA DISTRIBUTION PER PROVINCE, 2022**



*Current Prices*

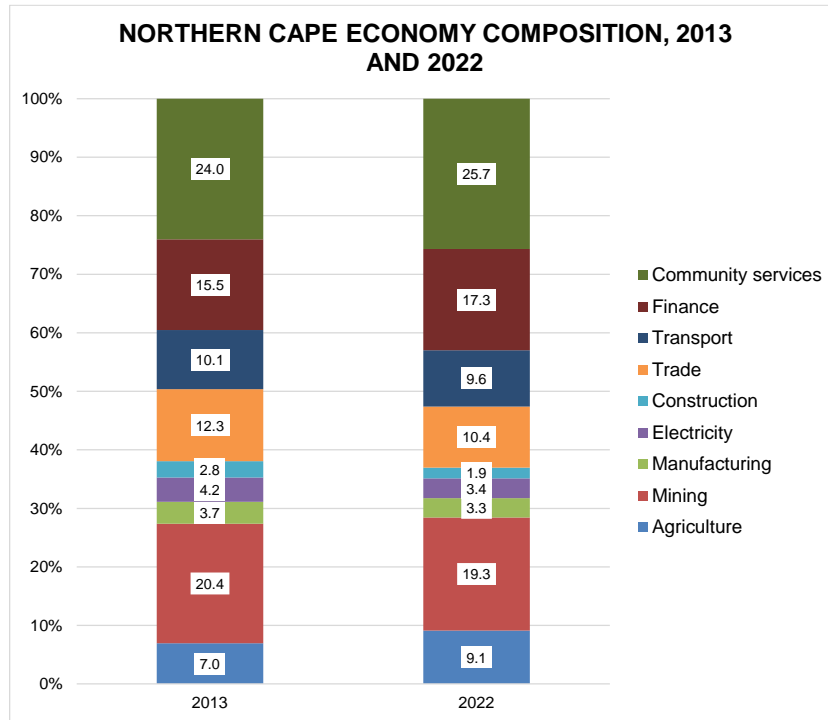
*Source: S&P Global (2023) and own calculations*

In 2022, South Africa's manufacturing industry saw diverse contributions from its provinces, shedding light on the regional distribution of industrial activity. Leading the charge was Gauteng, the country's economic hub, accounting for a substantial 40.7 per cent of the total manufacturing output. This is followed by KwaZulu-Natal (20.7 per cent) and the Western Cape (15.5 per cent). The Northern Cape made the smallest contribution at 0.5 per cent of the total manufacturing output of the country.

#### 3.1. COMPOSITION OF THE ECONOMY

In this sub-section, an analysis is provided showing where manufacturing fits into the economy of the Northern Cape and its respective districts.

**FIGURE 2: NORTHERN CAPE ECONOMY COMPOSITION, 2013 AND 2022**

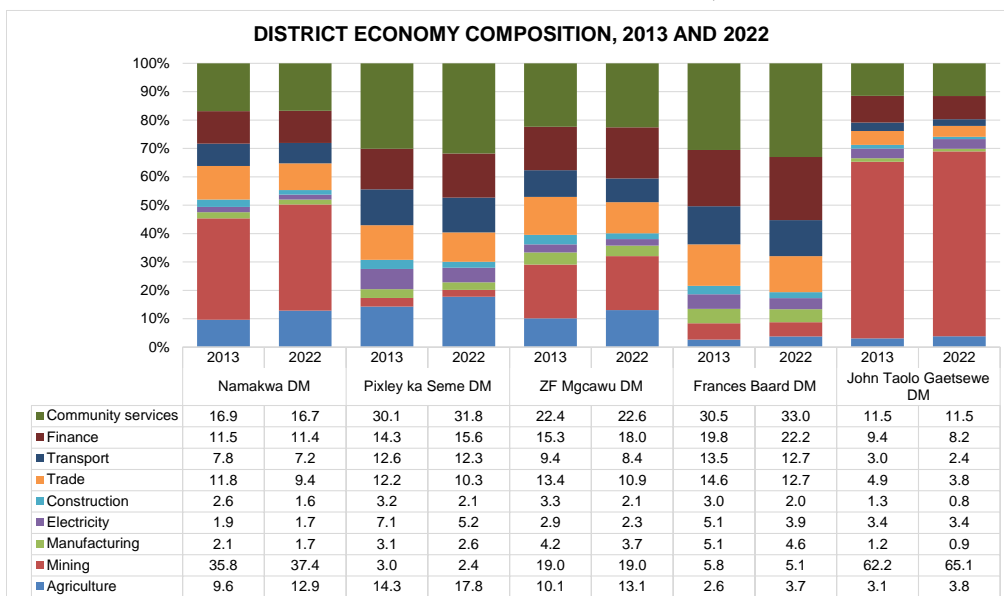


Constant 2015 Prices

Source: S&P Global (2023) and own calculations

The manufacturing industry's contribution to the Northern Cape's economy remained relatively stable between 2013 and 2022. It only decreased slightly from 3.7 per cent of the total of all industries of the province in 2013 to 3.3 per cent in 2022. The data shows that the manufacturing industry is a relatively small component of the overall economy of the Northern Cape. Other industries, such as mining and community services, provide a more substantial share of the province's economic activity.

**FIGURE 3: DISTRICT ECONOMY COMPOSITION, 2013 AND 2022**



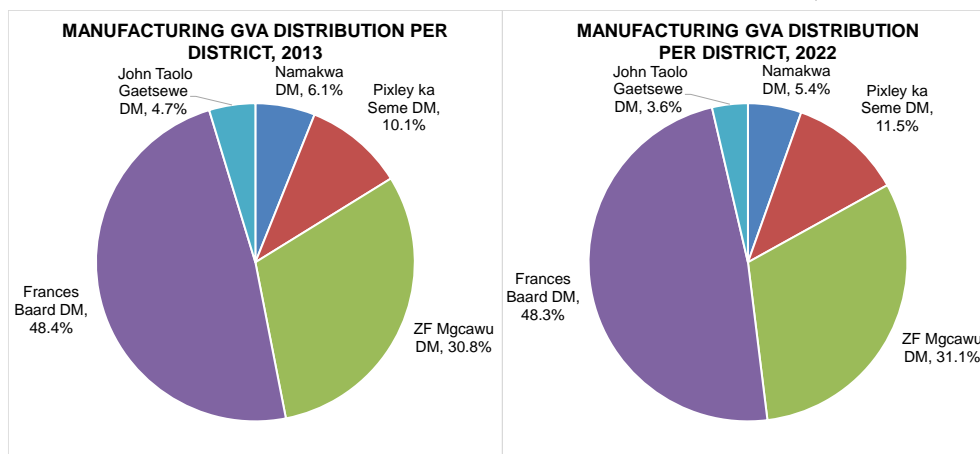
Constant 2015 Prices

Source: S&P Global (2023) and own calculations



Across the districts, there was a decline in the contribution that manufacturing made to the total GVA of all industries. Manufacturing was also one of the smallest industries in all of the districts. The 2022 contributions of manufacturing varied between a low of 0.9 per cent in John Taolo Gaetsewe and a high of 4.6 per cent in Frances Baard. With the strong primary sector of the province, one would expect that there should be more opportunities for adding value to these primary goods.

**FIGURE 4: MANUFACTURING GVA DISTRIBUTION PER DISTRICT, 2013 AND 2022**

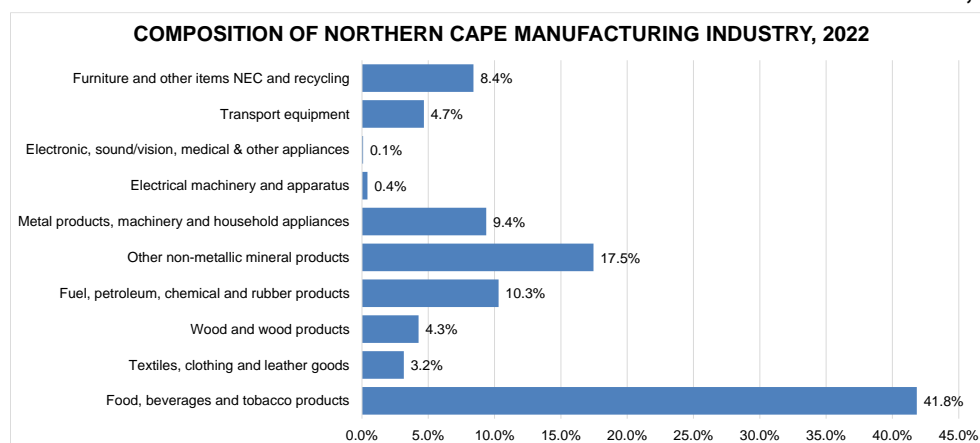


Current Prices

Source: S&P Global (2023) and own calculations

The contributions to the provincial manufacturing output of Namakwa and John Taolo Gaetsewe decreased, while that of Pixley ka Seme and ZF Mgcawu saw an increase. The contribution of Frances Baard remained quite constant, decreasing by only 0.1 of a percentage point. Frances Baard district made the largest contribution to the manufacturing GVA of the province during both years, contributing just above 48 per cent in both 2013 and 2022.

**FIGURE 5: COMPOSITION OF NORTHERN CAPE MANUFACTURING INDUSTRY, 2022**



Current Prices

Source: S&P Global (2023) and own calculations

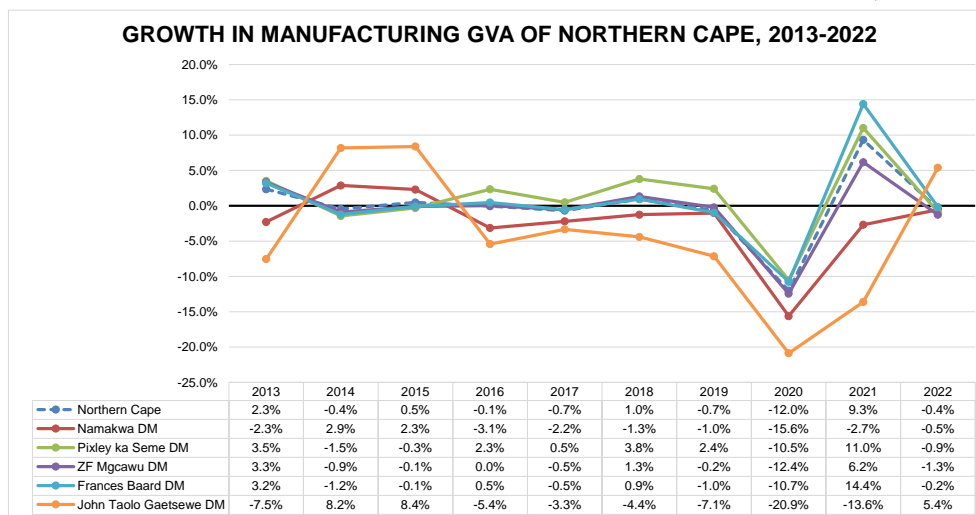
In 2022, the production of food, beverages, and tobacco products accounted for the largest share of provincial manufacturing at 41.8 per cent. The industry also boasted

substantial contributions from fuel, petroleum, chemical and rubber product manufacturing (10.3 per cent) and other non-metallic mineral products (17.5 per cent). Furthermore, the production of metal products, machinery, and household appliances represented 9.4 per cent of the industry. Textiles, clothing, and leather goods constituted a small portion at 3.2 per cent, while wood and wood products contributed only 4.3 per cent. The manufacturing of electrical machinery and apparatus and electronic, sound/vision, medical and other appliances was limited, accounting for only 0.4 and 0.1 per cent, respectively. Transport equipment manufacturing held a 4.7 per cent share, while furniture and other items not elsewhere classified (NEC) and recycling production formed 8.4 per cent of the Northern Cape's manufacturing landscape.

### 3.2. GROWTH IN MANUFACTURING

Changes in the manufacturing industry of the province and its respective districts are discussed in this section, looking at the real value of the manufacturing industry (taking out the impact of inflation) as well as its growth rates. This puts the performance of the industry, following the economic crisis brought about by the Covid-19 pandemic, into perspective.

**FIGURE 6: GROWTH IN MANUFACTURING GVA OF NORTHERN CAPE, 2013-2022**



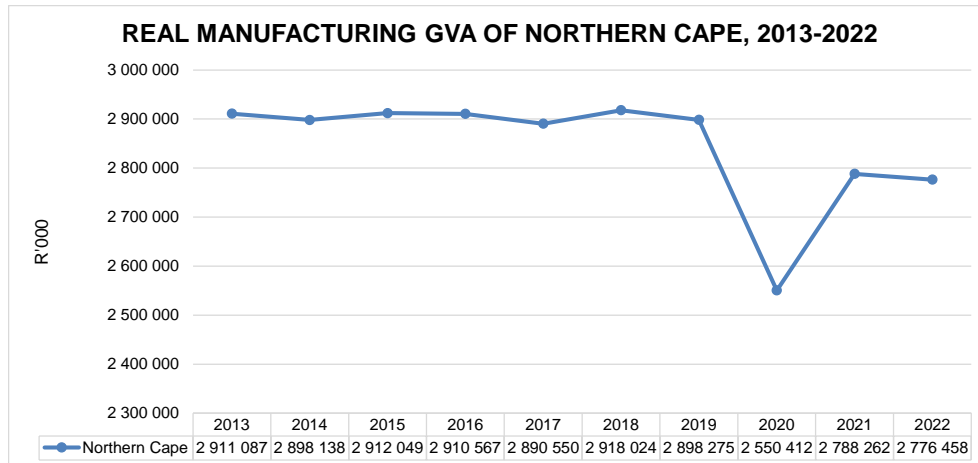
Constant 2015 Prices  
Source: S&P Global (2023)

The manufacturing industry saw a substantial contraction across all districts in 2020. Some recovery was experienced by the majority of the districts in 2021, although the John Taolo Gaetsewe and Namakwa districts recorded further contractions during this period. The low and negative growth rates of the manufacturing industry indicates that the industry was faced with challenges or limitations during the review period. Factors



such as market conditions, infrastructure, access to resources, and competition might be influencing the industry's growth prospects. A reliable supply of electricity is also essential for the progress of this industry and the long period of load shedding implemented in 2023 is expected to further hamper the growth of the industry.

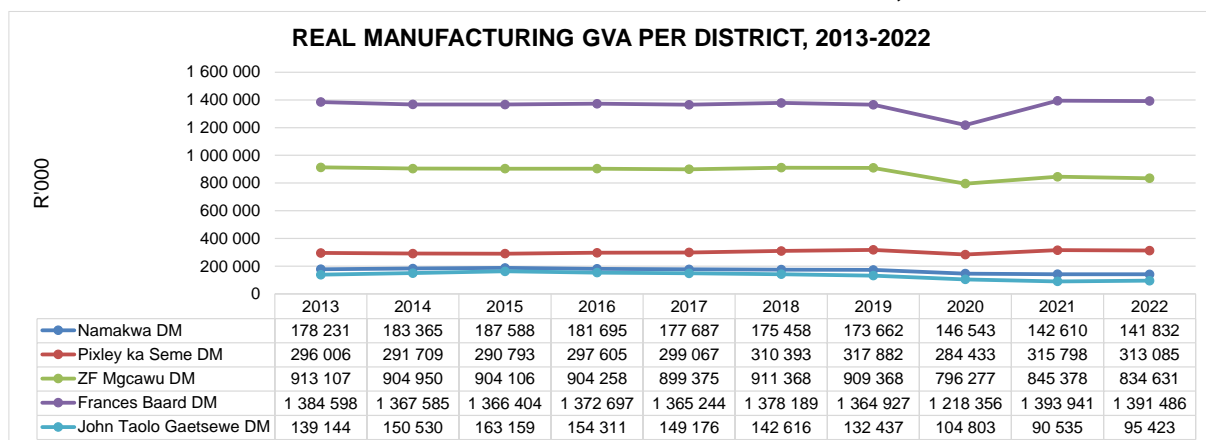
**FIGURE 7: REAL MANUFACTURING GVA OF NORTHERN CAPE, 2013-2022**



Constant 2015 Prices  
Source: S&P Global (2023)

The estimated real value (adjusted for inflation) of the Northern Cape's manufacturing GVA was fairly stagnant between 2013 and 2019, showing fluctuations over the period following 2019. There is a noticeable drop in real GVA in 2020, indicating a downturn or challenges faced by the industry during that particular year, which is in line with expectations after the market conditions brought about by the Covid-19 pandemic. There seems to be some recovery in the manufacturing GVA after the dip in 2020, which may be due to less restrictions on the economy, improved economic conditions, specific measures taken to boost the manufacturing sector or a combination thereof. It is important to note that the industry has not yet returned to pre-Covid-19 levels.

**FIGURE 8: REAL MANUFACTURING GVA PER DISTRICT, 2013-2022**



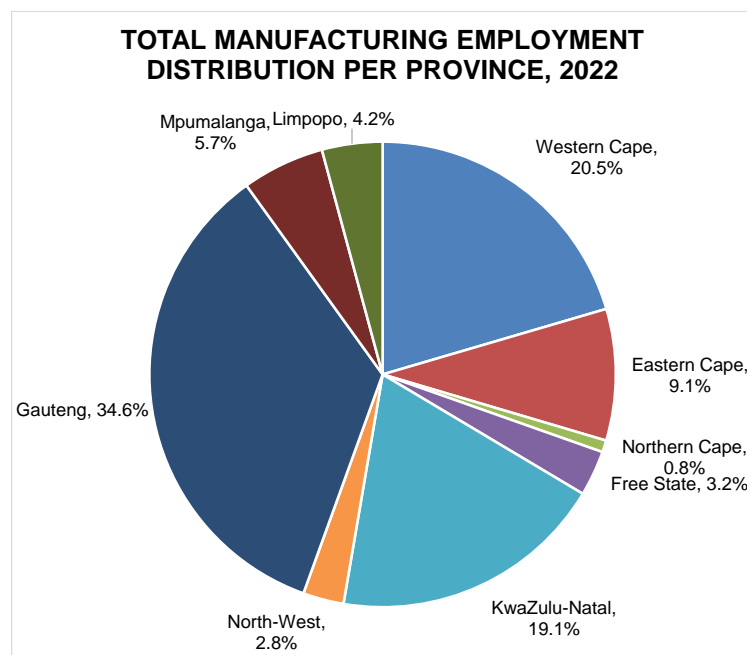
Constant 2015 Prices  
Source: S&P Global (2023)

The real value of manufacturing GVA decreased over the review period in each district with the exception of Pixley ka Seme and Frances Baard. The extent of the decrease varies across regions. Some districts, such as John Taolo Gaetsewe, experienced more substantial decreases in real manufacturing GVA compared to others. The manufacturing industry of the Frances Baard district managed to slightly surpass pre-Covid-19 levels (comparing 2019 to 2022).

#### 4. MANUFACTURING EMPLOYMENT

This section provides insight into movements in estimated employment in the manufacturing industry. Distinction is made between formal, informal and total employment. According to S&P Global (2023) a person is informally employed when their employment is not registered in one way or another. These persons can supply goods or services and can work for themselves or another person or company. Total employment is the sum of formal and informal employment.

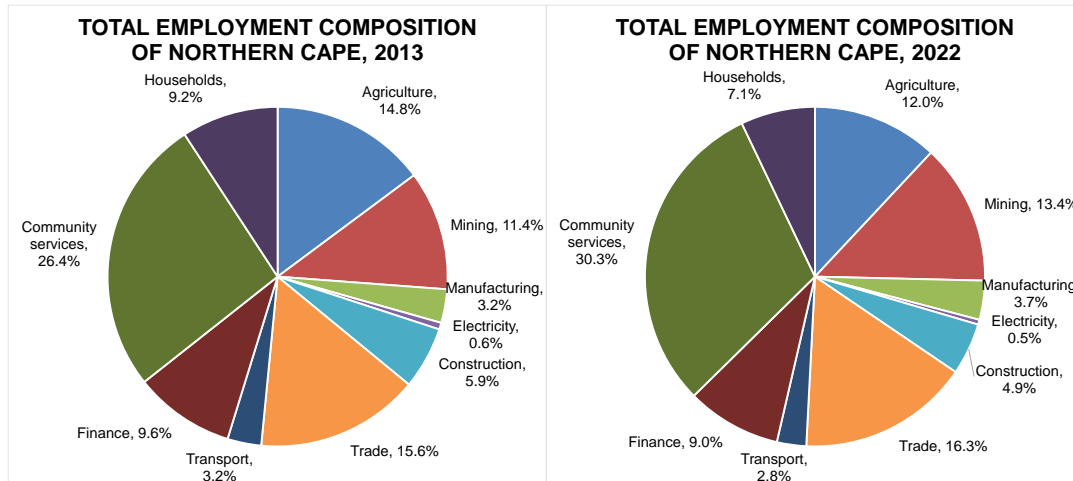
**FIGURE 9: TOTAL MANUFACTURING EMPLOYMENT DISTRIBUTION PER PROVINCE, 2022**



*Source: S&P Global (2023) and own calculations*

Gauteng was the clear leader in providing employment within manufacturing, accounting for a substantial 34.6 per cent of the total employment in the industry. The Western Cape followed with 20.5 per cent of total employment and KwaZulu-Natal contributed 19.1 per cent. The Northern Cape accounted for the smallest share of total national manufacturing employment at 0.8 per cent.

**FIGURE 10: TOTAL EMPLOYMENT COMPOSITION OF NORTHERN CAPE, 2013 AND 2022**



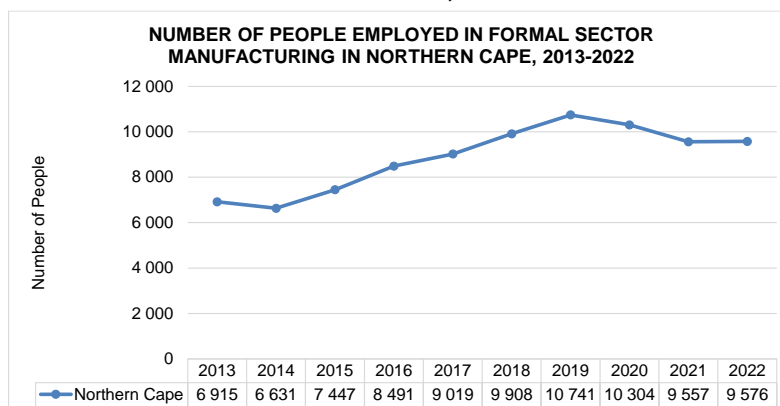
Source: S&P Global (2023) and own calculations

In 2013, the manufacturing sector accounted for 3.2 per cent of total employment in the Northern Cape. This indicates a relatively small share compared to other industries, suggesting that the manufacturing industry was not a dominant employer in the province. By 2022, the manufacturing sector's share in total employment increased slightly to 3.7 per cent showing a marginal increase in the manufacturing workforce relative to the other industries. Community services, trade and mining were the largest contributors to total employment in the province in 2022 at 30.3, 16.3 and 13.4 per cent respectively.

#### 4.1. FORMAL SECTOR EMPLOYMENT IN MANUFACTURING

This section considers persons who are employed in formal sector manufacturing in the province and the respective districts.

**FIGURE 11: NUMBER OF PEOPLE EMPLOYED IN FORMAL SECTOR MANUFACTURING IN NORTHERN CAPE, 2013-2022**

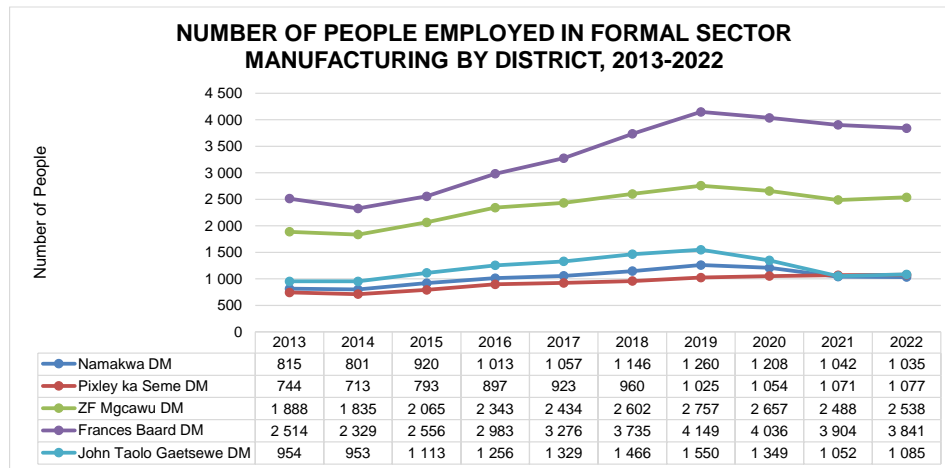


Source: S&P Global (2023)

The data shows an increasing trend in the number of people formally employed in manufacturing in the Northern Cape from 2014 to 2019, increasing from an estimated

6 631 to 10 741. This shows that formal manufacturing employment in the province was growing during that period. This was followed by a decrease in employment, reaching approximately 9 576 persons in 2022.

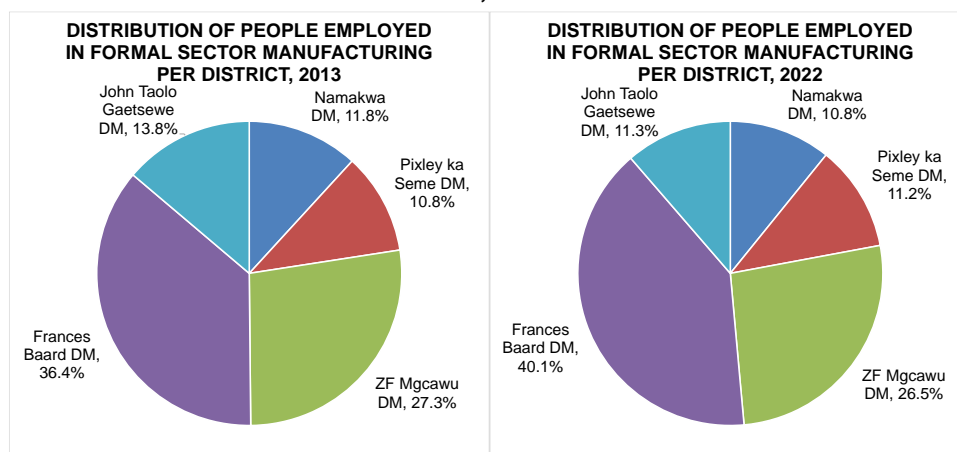
**FIGURE 12: NUMBER OF PEOPLE EMPLOYED IN FORMAL SECTOR MANUFACTURING BY DISTRICT, 2013-2022**



Source: S&P Global (2023)

The number of people formally employed in manufacturing across all districts in the Northern Cape fluctuated over the review period, with most districts experiencing job losses following the economic crisis brought about by the Covid-19 pandemic. The estimated number of people formally employed in manufacturing in Pixley ka Seme saw an increase from 744 in 2013 to 1 077 in 2022. The number of people employed in manufacturing in Namakwa peaked in 2019 at 1 260 and decreased to 1035 in 2022. The employment numbers of John Taolo Gaetsewe showed a slight increase from 954 in 2013 to 1 085 in 2022, with some fluctuations in between. The number of people employed in manufacturing in ZF Mgcawu increased from an estimated 1 888 in 2013 to 2 538 in 2022. Employment in manufacturing in Frances Baard increased from 2 514 in 2013 to 3 841 in 2022.

**FIGURE 13: DISTRIBUTION OF PEOPLE EMPLOYED IN FORMAL SECTOR MANUFACTURING PER DISTRICT, 2013 AND 2022**



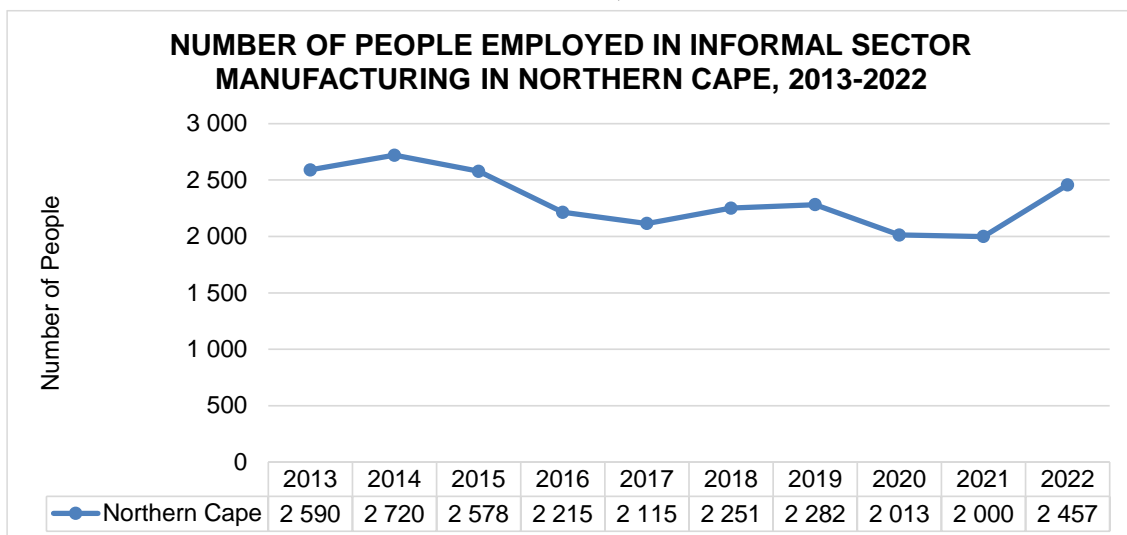
Source: S&P Global (2023) and own calculations

Frances Baard accounted for the largest share of formal employment in manufacturing in the Northern Cape, employing 36.4 per cent of the formal sector manufacturing persons in the province during 2013. This share increased to 40.1 per cent in 2022 with Frances Baard still being the largest formal employer in manufacturing in the province. ZF Mgcawu employed the second largest number of people, accounting for 27.3 per cent in 2013 while in 2022 it accounted for a slightly lower 26.5 per cent. John Taolo Gaetsewe had the third largest percentage of people employed in formal sector manufacturing in the province at 13.8 per cent in 2013, which reduced to 11.3 per cent in 2022.

#### 4.2. INFORMAL SECTOR EMPLOYMENT IN MANUFACTURING

In this section, attention is given to persons who are employed in informal sector manufacturing in the province and the respective districts.

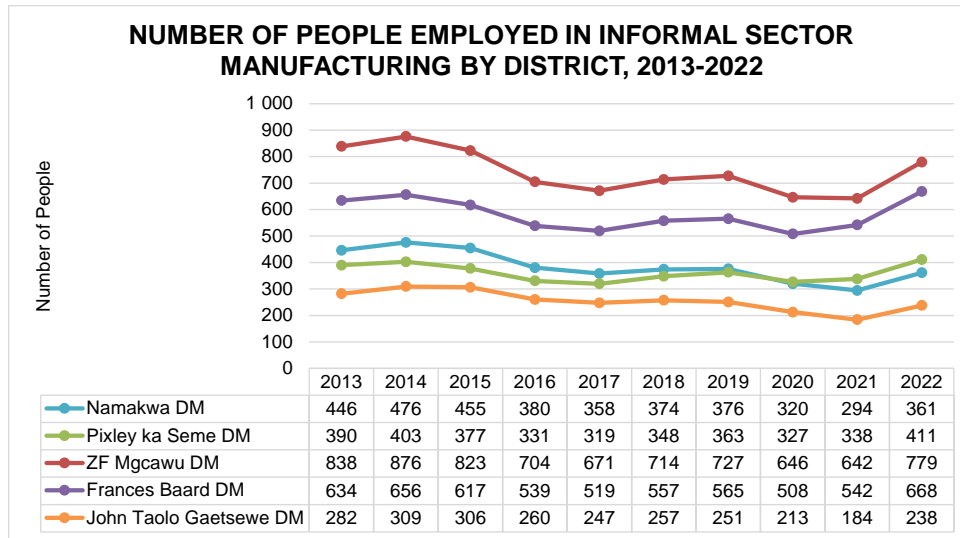
**FIGURE 14: NUMBER OF PEOPLE EMPLOYED IN INFORMAL SECTOR MANUFACTURING IN NORTHERN CAPE, 2013-2022**



Source: S&P Global (2023)

There were fluctuations in the estimated number of people informally employed in manufacturing over the review period. The data does not show a clear upward or downward trend, indicating some variability in informal sector employment from year to year. The data reveals two peak years for informal employment in manufacturing. These are 2014 with 2 720 people and 2022 with 2 457 people. The peak years suggest that there were relatively more individuals engaged in informal manufacturing activities during these years. In contrast to the peak years, 2017 and 2021 show dips in the number of people informally employed in manufacturing, at an estimated 2 115 and 2 000 individuals respectively. In 2022, informal sector manufacturing employment showed some recovery following the Covid-19 period.

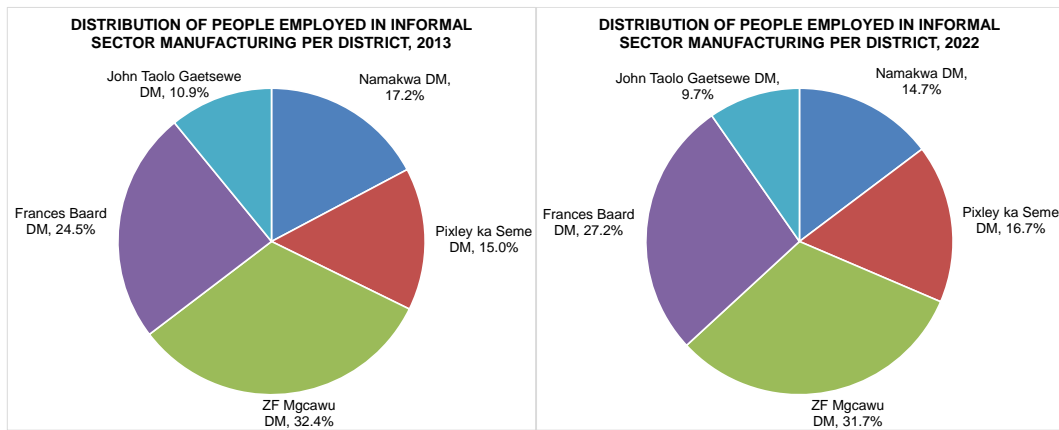
**FIGURE 15: NUMBER OF PEOPLE EMPLOYED IN INFORMAL SECTOR MANUFACTURING BY DISTRICT, 2013-2022**



Source: S&P Global (2023)

The estimated number of people employed in informal sector manufacturing fluctuated in each of the districts over the review period. The John Taolo Gaetsewe and Namakwa districts experienced a general downward trend from 2014 to 2021, after which it increased slightly in 2022. Informal sector manufacturing employment in Pixley ka Seme, Frances Baard and ZF Mgcawu were at higher levels in 2022 than in 2019.

**FIGURE 16: DISTRIBUTION OF PEOPLE EMPLOYED IN INFORMAL SECTOR MANUFACTURING PER DISTRICT, 2013 AND 2022**



Source: S&P Global (2023) and own calculations

ZF Mgcawu accounted for the largest share of informal sector manufacturing employment in the province in both 2013 and 2022. The contribution to provincial informal sector employment in manufacturing made by the ZF Mgcawu district remained relatively constant, decreasing only slightly from 32.4 per cent in 2013 to 31.7 per cent in 2022. The second largest contributor in both years was Frances Baard, of which the share increased from 24.5 per cent in 2013 to 27.2 per cent in 2022. Namakwa's proportion of people within the province in informal sector employment in manufacturing decreased from 17.2 per cent in 2013 to 14.7 per cent

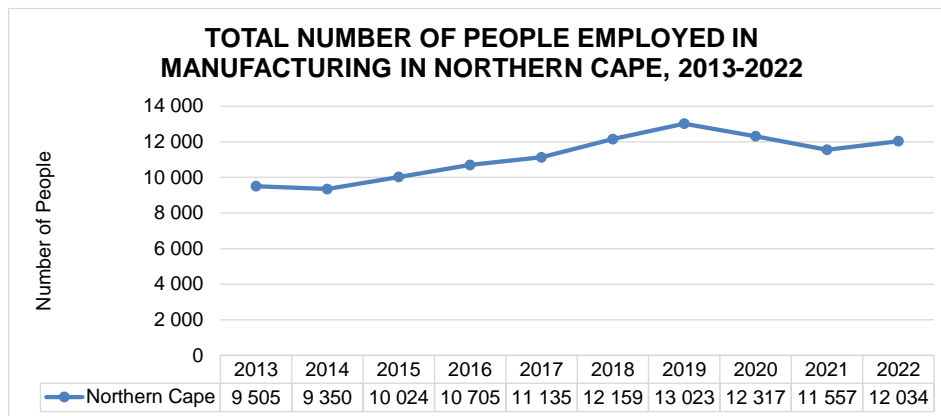


in 2022, while Pixley ka Seme’s share increased from 15.0 per cent in 2013 to 16.7 per cent in 2022. John Taolo Gaetsewe was the smallest contributor to provincial informal sector employment in manufacturing. This district’s share decreased from 10.9 per cent in 2013 to 9.7 per cent in 2022.

### 4.3. TOTAL EMPLOYMENT IN MANUFACTURING

In this section, an analysis is done on the total number of people employed in manufacturing in the province and the respective districts. It is thus the formal and informal sectors combined.

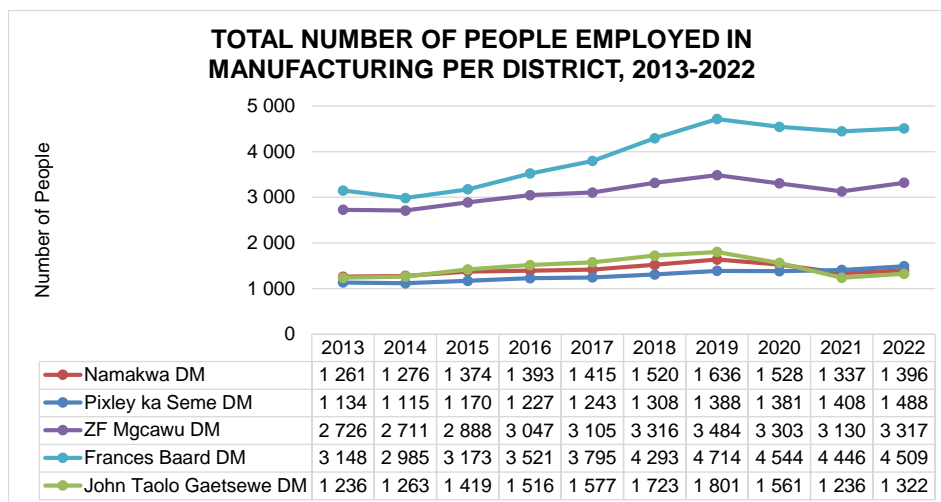
**FIGURE 17: TOTAL NUMBER OF PEOPLE EMPLOYED IN MANUFACTURING IN NORTHERN CAPE, 2013-2022**



Source: S&P Global (2023)

The total manufacturing employment figures of the province increased annually from 2014 to 2019, reaching a peak of an estimated 13 023 jobs. However, from 2019 to 2021, the number of employed people declined to 11 557, after which it increased only slightly to 12 034 in 2022. By 2022, the total number of people employed in manufacturing in the province was still below pre-Covid-19 levels.

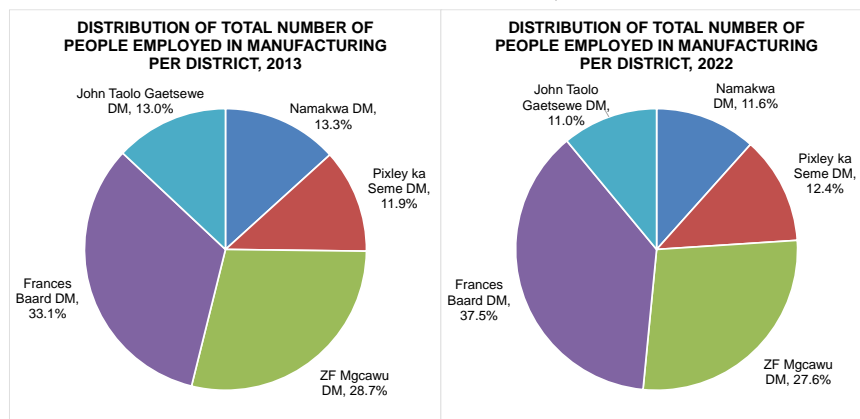
**FIGURE 18: TOTAL NUMBER OF PEOPLE EMPLOYED IN MANUFACTURING PER DISTRICT, 2013-2022**



Source: S&P Global (2023)

Total employment in manufacturing in Pixley ka Seme followed an upward trend from 2014, reaching 1 488 jobs in 2022. This was the only district to surpass its 2019 employment level by 2022. Manufacturing employment in the remaining four districts showed an upward trend up to 2019 followed by a decline. The decline in employment in most districts, and the province as a whole, in 2020 and 2021 can to a large extent be attributed to the impact of the Covid-19 pandemic that disrupted supply chains, reduced consumer demand and caused economic uncertainty.

**FIGURE 19: DISTRIBUTION OF TOTAL NUMBER OF PEOPLE EMPLOYED IN MANUFACTURING PER DISTRICT, 2013 AND 2022**



Source: S&P Global (2023) and own calculations

Namakwa and John Taolo Gaetsewe experienced a decline in their shares of total manufacturing employment, with Namakwa's share decreasing from 13.3 per cent in 2013 to 11.6 per cent in 2022 and John Taolo Gaetsewe's share dropping from 13.0 per cent to 11.0 per cent over the same period. ZF Mgcawu's share of total manufacturing employment reduced by 1.1 percentage points over the review period. In contrast, Pixley ka Seme and Frances Baard saw an increase in their respective shares of provincial manufacturing employment. Pixley ka Seme's share rose from 11.9 per cent in 2013 to 12.4 per cent in 2022, while Frances Baard's share increased from 33.1 to 37.5 per cent. Frances Baard employed the largest share of the total number of people employed in manufacturing in the province, followed by ZF Mgcawu.

## 5. CONCLUSION

This review highlighted that while the Northern Cape's manufacturing industry has exhibited fluctuations over the last 10 years, its contribution to the province's GVA has remained relatively consistent between 3 and 4 per cent. In comparison to other provinces, the Northern Cape's manufacturing sector holds a very small share of the overall manufacturing GVA of the country, with provinces like Gauteng, KwaZulu-Natal and the Western Cape showing more substantial contributions. The Frances Baard district maintained a dominant role in the manufacturing sector within the province, with ZF Mgcawu also playing a large role. By the end of 2022, the industry did not yet

return to pre-Covid-19 levels, with provincial real GVA and total employment levels of manufacturing being below that of 2019.

The employment aspect of the manufacturing sector showed an overall increasing trend in the number of people formally employed over the years. Although there were fluctuations, the general trend suggested a growing manufacturing workforce before the economic crisis of 2020 reduced the jobs in the industry in the province and most of the respective districts. The impact of external events like the Covid-19 pandemic was evident in the data, with fluctuations in employment figures during the pandemic years. The decline in manufacturing employment in 2020 and 2021 is a reflection of the broader economic challenges posed by the pandemic and the negative economic climate that continued through 2022.

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