ECONOMIC DATA AND SECTOR STUDY FOR MANGAUNG LOCAL MUNICIPALITY

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SECTION A:	**BACKGROUND AND INTRODUCTION**	1
A1.	Introduction and understanding of the need for an economic data and sector study for MLM	2
A2.	Aim and objectives of the study	3
A3.	Methodology	3
A4.	Outline of the document	4
SECTION B:	**UPDATE OF DATA IN ECONOMIC DEVELOPMENT STRATEGY**	5
B1.	Introduction and methodology	6
B2.	Broad economic overview	7
B2.1	Sectoral overview	7
B2.2	The relative importance of the MLM economy	9
B2.3	Economic output	12
B2.4	The proportional share of the broad economic sectors per sub-area	13
B2.5	Economic growth per broad sector	15
B2.6	Degree of economic diversity	17
B2.7	Synthesis	17
B3.	An analysis of detailed economic sectors	18
B3.1	Agriculture	19
B3.2	Mining	21
B3.3	Manufacturing	22
B3.4	Electricity, water and gas	26
B3.5	Trade	27
B3.6	Transport	30
B3.7	Finance	32
B3.8	Community services	33
B4.	Social indicators	35
B4.1	Introduction	35
B4.2	Population by race and population growth per area in MLM	35
B4.3	Average household size in MLM	38
B4.4	Population density	39
B4.5	Human Development Index	40
B4.6	Highest level of education	42
B4.7	Urbanisation	43
B4.8	HIV/AIDS prevalence rate	44
B5.	Employment overview of broad sectors	46
B5.1	Introduction	46
B5.2	Economically active people	48
B5.3	Unemployment	49
B5.4	Employment share per economic sector	51

B5.5	Employment versus production	54
B5.6	Informal sector employment	56
B5.7	Employment per area	58
B6.	Employment per broad sector	60
B6.1	Introduction	60
B6.2	Formal employment by detailed sector compared with the GVA contribution	60
B6.3	Agriculture	62
B6.4	Mining	62
B6.5	Manufacturing	63
B6.6	Electricity, gas and water	64
B6.7	Trade	65
B6.8	Transport	65
B6.9	Finance and real estate	66
B6.10	Community services	67
B6.11	Labour remuneration sector share	67
B6.12	Occupation profile	68
B7.	Income overview	69
B7.1	Household income	70
B7.2	Average annual household income	71
B7.3	Average annual per capita income by area	71
B7.4	Number of persons living in poverty	72
B7.5	Gini coefficient	74
B7.6	Household expenditure	75
SECTION C:	**BUSINESS CHANGE AND SUSTAINABILITY**	77
C1.	Introduction	78
C2.	An overview of SMMEs interviewed	79
C3.	Changing trends in business establishments	80
C3.1	Telephone directory survey	81
C3.2	Recording the numbers of businesses established	81
C4.	New jobs created	82
C5.	Business Finance	83
C6.	Business sustainability	84
C6.1	Business confidence	84
C6.2	Business problem areas	85
C7.	Procurement	86
C7.1	Size of procurement	86
C7.2	Level of local procurement	87
C7.3	Main reasons for not procuring locally	87
C8.	Conclusion	89

SECTION D: TOWARDS A MONITORING AND EVALUATION STRATEGY FOR THE ECONOMIC DEVELOPMENT DIRECTORATE 90

D1.	Requirements to report and recommendations	91
D2.	Operationalisation and cost implications	95

ANNEXURES

Annexure B1:	Definition of poverty	98
Annexure C1:	MLM: Business questionnaire	99
Annexure C2:	Local Procurement Questionnaire: MLM	101
Annexure C3:	Sectoral overview of businesses interviewed	102
Annexure C4:	Detailed feedback of people that were contacted	103

LIST OF FIGURES:

FIGURE B1:	Economic profile per broad sector in MLM, 2004 (current prices in respect of GDP-R were used)	8
FIGURE B2:	Economic profile per broad sector in MLM, 1990, 2001, 2004, 2005, 2006 (%) (current prices in respect of GDP-R were used)	8
FIGURE B3:	Relative economic size per centre 2001, 2004, 2005, 2006 (constant 2000 prices were used)	12
FIGURE B4:	GVA of Agriculture per sub-sector proportion in MLM, 2004 (using constant 2000 figures)	20
FIGURE B5:	GVA of mining per sub-sector proportion in MLM, 2004 (using constant 2000 figures)	21
FIGURE B6:	GVA of the manufacture sector per proportion of each sub-sector for MLM, 2004 (using constant 2000 prices)	23
FIGURE B7:	GVA of Electricity/gas/water sector per sub-sector proportion in MLM, 2004 (using constant 2000 prices)	26
FIGURE B8:	GVA of Trade sector per sub-sector proportion in MLM, 2004 ((using constant 2000 prices)	28
FIGURE B9:	Number of bednights per province for quarter three, 2004 and 2005	30
FIGURE B10:	GVA of Transport per sub-sector for MLM, 2004 (using constant 2000 prices)	31
FIGURE B11:	GVA of Finance and real estate per sub-sector for MLM, 2004 (using constant 2000 prices)	32
FIGURE B12:	GVA of Community services sub-sectors for MLM, 2004 (using constant 2000 prices)	34
FIGURE B13:	Highest level of education for MLM, 2001, 2004, 2005, 2006	42
FIGURE B14:	Literacy rate for MLM (1996, 2001-2006)	43
FIGURE B15:	The trajectory of HIV and AIDS in the Free State, 1992 - 2010	46
FIGURE B16:	Formal employment per sub-sector in the Agriculture for MLM, 2004	62
FIGURE B17:	Formal employment share by sub-sector in the Mining sector for MLM, 2004	63
FIGURE B18:	Formal employment share sub-sector in manufacture sector for MLM, 2004	63
FIGURE B19:	Formal employment share by sub-sector in Electricity/gas/water sector for MLM, 2004	64
FIGURE B20:	Formal employment share by sub-sector in Trade for MLM, 2004	65
FIGURE B21:	Formal employment share by sub-sector in Transport for MLM, 2004	66
FIGURE B22:	Formal employment share by sub-sector in Finance and Real estate for MLM, 2004	66
FIGURE B23:	Formal employment share by sub-sector in Community services for MLM, 2004	67
FIGURE C1:	An overview of the age of businesses	80
FIGURE C2:	An evaluation of the ease with which finance is accessed, 2006	84
FIGURE C3:	The percentage of procurement per area for large enterprises and institutions in MLM, 2006	87

LIST OF TABLES

TABLE B1:	Relative importance of the MLM economy in terms of South Africa, the Free State and Motheo, 2001 and 2004 (GVA at current prices were used)	10
TABLE B2:	GDP by magisterial district, 1996, 2001, 2002, 2003, 2004, 2005, 2006 (in constant 2000 prices - x 1000)	12
TABLE B3:	GDP per capita for MLM area per sub-areas (Rand), 1996, 2001, 2004, 2005, 2006 (constant 2000 prices and current prices)	13
TABLE B4:	Percentage economic contribution per broad economic sector and sub-area, 2001, 2004, 2005 and 2006 (GVA constant 2000 prices were used)	14
TABLE B5:	Broad economic profile of MLM, 2001, 2004, 2005, 2006 (GVA constant 2000 prices were used x R1000)	15
TABLE B6:	A framework for analysis of economic growth per sector, 2001 – 2004.	16
TABLE B7:	Tress Index by magisterial district, 1990, 1996, 2001, 2004, 2005, 2006	17
TABLE B8:	Detailed economic profile by sub-sector for MLM 2001, 2004, 2005, 2006 (GVA by constant 2000 figures x R1000)	18
TABLE B9:	GVA of Agriculture sector per sub-sector for MLM, 1996, 2001, 2004, 2005, 2006 (using constant 2000 figure x R1000)	20
TABLE B10:	GVA of mining sector per sub-sector for MLM, 1996, 2001, 2004, 2005, 2006 (using constant 2000 prices x R1000)	22
TABLE B11:	GVA of the Manufacturing sector per sub-sector for MLM, 1996, 2001, 2004, 2005, 2006 (constant 2000 prices used x R1000)	24
TABLE B12:	GVA of Electricity/gas/water sector per sub-sector for MLM, 1996, 2001, 2004, 2005, 2006 (constant 2000 prices were used – X R1000)	27
TABLE B13:	GVA of Trade sector per sub-sector for MLM, 1996, 2001, 2004, 2005, 2006 (constant 2000 figures were used – xR1000)	29
TABLE B14:	GVA of Transport per sub-sector in MLM, 1996, 2001, 2004, 2005, 2006 (using constant 2000 prices – x R1000)	31
TABLE B15:	GVA of the Finance sub-sectors for MLM, 1996, 2001, 2004, 2005, 2006 (constant 2000 prices were used – x R1000)	33
TABLE B16:	GVA of Community services sub-sectors for MLM, 1996, 2001, 2004, 2005, 2006 (constant 2000 prices were used – x R1000)	34
TABLE B17:	Population by race for MLM, 2001, 2004, 2005, 2006 (Regional Explorer Database)	36
Table B18:	Population by race for MLM, 1991 - 2006 (Census data)	37
TABLE B19:	Population growth by area 1997, 2001, 2002, 2002, 2003, 1996-2004, 2005, 2006 (Regional Explorer Database)	38
TABLE B20:	Average household size for MLM area (2001)	39
TABLE B21:	Population density by area (persons per km^2) in MLM, 1996, 2001, 2002, 2003, 2004, 2005, 2006	39
TABLE B22:	HDI by race and area, 1996, 2001, 2002, 2003, 2004, 2005, 2006	40
TABLE B23:	Urbanisation rate by area (% Persons Urbanised), 1996, 2001,	

	2002, 2004, 2004	44
TABLE B24:	HIV prevalence rate for pregnant women in the Free State, 1999 – 2003	45
TABLE B25:	Employment creation in the broad sectors of the MLM economy, 2001 – 2006	47
TABLE B26:	Number of economically active persons by sex and area, 1996, 2001, 2002, 20003, 2004, 2005, 2006	48
TABLE B27:	Number of unemployed persons by sex and area, 1996, 2001, 2002, 2003, 2004, 2005, 2006	50
TABLE B28:	Formal employment by economic sector and area (percentage distribution), 1996, 2001, 2002, 2003, 2004, 2005, 2006	51
TABLE B29:	Comparison of formal employment and production for MLM (1996, 2001-2006)	54
TABLE B30:	Informal sector employment by sector for MLM (percentage distribution, 1996, 2001, 2004	57
TABLE B31:	Total employment by economic sector in MLM compared with the Free State and South Africa, (percentage distribution), 1996, 2001, 2002, 2003, 2004, 2005, 2006	58
TABLE B32:	Formal employment percentage and GVA percentage by sub-sector for MLM, 2001, 2004, 2005, 2006	60
TABLE B33:	Labour remuneration sector share for MLM, 2001, 2004, 2005, 2006	68
TABLE B34:	Labour force occupation profile for MLM, 1996	69
TABLE B35:	Labour force occupation profile for MLM, 2001	69
TABLE B36:	Household income profile for MLM, 1996, 2001, 2002, 2003, 2004, 2005, 2006	70
TABLE B37:	Average annual household income for the MLM area, 1996, 2001, 2002, 2003, 2004	71
TABLE B38:	Average annual per capita income by area in MLM and in comparison with South Africa and the Free State, 1996, 2001, 2002, 2003, 2004, 2005, 2006	72
TABLE B39:	Number of persons living in poverty nationally, in the Free State and in MLM, 1996, 2001, 2002, 2003, 2004, 2005, 2006	73
TABLE B40:	Gini coefficient by area (1996, 2001-2006)	74
TABLE B41:	Expenditure patterns per household in Mangaung, 2001 and 2004	76
TABLE C1:	A comparison of business establishments, 2001 and 2006	81
TABLE C2:	The numbers of enterprises that have opened / closed since 2001	82
TABLE C3:	An overview of business problem areas identified by SMMEs in MLM, 2006	85
TABLE D1:	Assessing the IDP indicators against the baseline information provided in this document	92
TABLE D2:	IDP strategies and indicators against the available measuring instruments	93

SECTION A: BACKGROUND AND INTRODUCTION

A1. Introduction and understanding of the need for an economic data and sector study for MLM

The Centre for Development Support (CDS) at the Free State University was requested to conduct this economic data and sector study for the Mangaung Local Municipality (MLM). Both the Integrated Development Plan (IDP) and the Economic Development Strategy set various indicators and employ various pieces of data to inform the IDP and Economic Development Strategy. Yet, the challenge is to ensure that the data employed to inform the Municipality is up to date. The IDP document states: "The municipality will ensure that the information required to monitor and understand the key social and economic trends in the area is systematically collected and analysed in order to have sufficient credible data to evaluate the impact of its activities and to plan and act more effectively." The IDP document also acknowledges the fact that a poor database exists to support decision-making.

A2. Aim and objectives of the study

The aim of the study is twofold: firstly, to provide the MLM with key economic data related to the MLM's Economic Development Strategy; secondly, to suggest and to test an adequate methodology for measuring targets set in the IDP and Economic Development Strategy for which obvious data are not available. The following objectives are set in respect of the collection of key economic data for the MLM's Economic Development Strategy:

- Objective 1: To develop a profile of the changing economic profile of the MLM (It should be noted that the latest information available in the Economic Development Strategy and the IDP is for 2001). The update will reflect data available for 2002, 2003, 2004 and will make estimates for 2005 and 2006. These estimates will be made by following the trends of the previous years. It should also be noted that the estimates will be provided in table / figure format and that a brief interpretation are provided.
- Objective 2: To provide adequate information in respect of the following indicators set in the IDP:

- The numbers of new large businesses and the jobs created by such businesses
- The numbers of new small, medium and micro-enterprises (SMMEs) and the jobs created by these businesses
- Access to finance in terms of the number of PDI SMMEs
- The levels of local sustainability

Concerning the objective with regard to the development of the methodology, the total methodology (updating existing data, as well as the financial implications of the new methodology) will be costed. This should enable the Municipality to determine the long-term cost implications of ensuring that adequate data are available.

A3. Methodology

The methodology for each aim and its respective objectives is outlined below.

<u>Aim 1</u>:

<u>Objective 1:</u>

The first methodological approach is to update the mainstream data available for MLM in terms of the existing document of the Economic Development Strategy by means of the Regional Explorer Database. The 2005 information is currently not available, but could become come available later this year.

<u>Objective 2:</u>

This objective will be achieved by employing three methodological approaches.

Method 1: All businesses in MLM will be indexed from respectively the 2002 and 2006 telephone directories. These businesses will be indexed according to various sectors. However, it should be acknowledged that this categorisation in respect of sectors will be done by means of an external judgement. The comparison between 2002 and 2006 will ensure that growth in the number of businesses can be calculated.

Method 2: Once these businesses have been indexed two questionnaires will be completed. One has been completed using a sample of 400 from the existing index, while another 400 will be completed from a survey under PDI SMMEs. The 400 PDI businesses have also been sampled from the list but have been supplemented by information from the MLM and the Department of Trade and Industry.

From the results it will be possible to reach a number of conclusions in respect of the indicators required by the MLM.

Method 3: The third method will comprise a one-page questionnaire at the local procurement level, distributed to a number of large firms and government institutions.

Aim 2:

This will consist of a write-up of the proposed methodology and the costing of the methodology.

A4. Outline of the document

The document is outlined as follows:

- This section, Section A provides an overview of the main aims and methodologies to be followed.
- Section B deals with the updating of the data in the economic development strategy of MLM.
- Section C gives an overview of business change in MLM.
- Section D operationalises a monitoring and evaluation plan for MLM in respect of economic development data.

SECTION B: UPDATE OF DATA IN ECONOMIC DEVELOPMENT STRATEGY

B1. Introduction and methodology

This section attempts to update the data profile in the MLM's Economic Development Strategy. The Economic Development Strategy was developed in 2003 with 2001 economic data available. This document updates the information up to 2004. At the same stage the rates of growth and decline between 2001 and 2004 are used to make projections for 2005 and 2006.

Methodologically, the document is based mainly on the Regional Explorer Database of Global Insight. This is probably the most up to date database available in South Africa. The data is reflected for MLM by combining the magisterial districts of Bloemfontein, Botshabelo and Thaba Nchu. Combining these three magisterial districts to form MLM provides a fairly accurate framework, except for the agricultural sector. The problem with the agricultural sector is that the boundaries of the Bloemfontein magisterial district and that of MLM do not overlay 100%. In cases where other databases and information (for example census data) were used, this will specifically be indicated. Overall, the document attempts to identify trends rather than providing a full description of each sector or sub-sector as was done in the original Economic Development Strategy.

A further methodological problem was that the data from the Regional Explorer Database and that of the EDS in 2001 did not always correspond. Initially it was thought to use the 2001 figures in the EDS as the baseline. Unfortunately, this was not possible as too many discrepancies came to the fore. There are two reasons for this. In the first place, the database could have been changed since 2001. Secondly, the EDS did not for example provide adequate information on detailed aspects such as whether for example current figures or the 2000 constant figures had been used. The CDS committed itself to making this clear in the update document. Finally, it should also be mentioned that these differences were not significant, but that it was nevertheless better to use the database in its current form.

The document is outlined as follows:

- It starts off with an economic analysis by using the broad economic sectors as a point of departure (Section Two). Specific attention is devoted to economic growth, the relative contribution of the various sectors, as well as the contribution of the three magisterial districts.
- The third section of the document considers the economic analysis within the detailed economic sectors. Once again the emphasis will fall on the relative contribution of the sub-sectors, economic growth and the relative contribution of the three main areas in MLM.
- The fourth section provides an update on socioeconomic information.
- Section Five assesses trends in employment by sector.
- Section Six deals with employment issues within each of the sub-sectors.
- Finally, in Section Seven, an overview of income is provided.

B2. Broad economic overview

This chapter provides an outline of the economy in MLM by using the broad economic sectors.

B2.1 Sectoral overview

Figure B1 and Figure B2 provide respectively an overview of the relative contribution of the broad economic sectors in 2004, as well as the trend in the relative contribution since 2001.

FIGURE B1: Economic profile per broad sector in MLM, 2004 (current prices in respect of GDP-R were used)

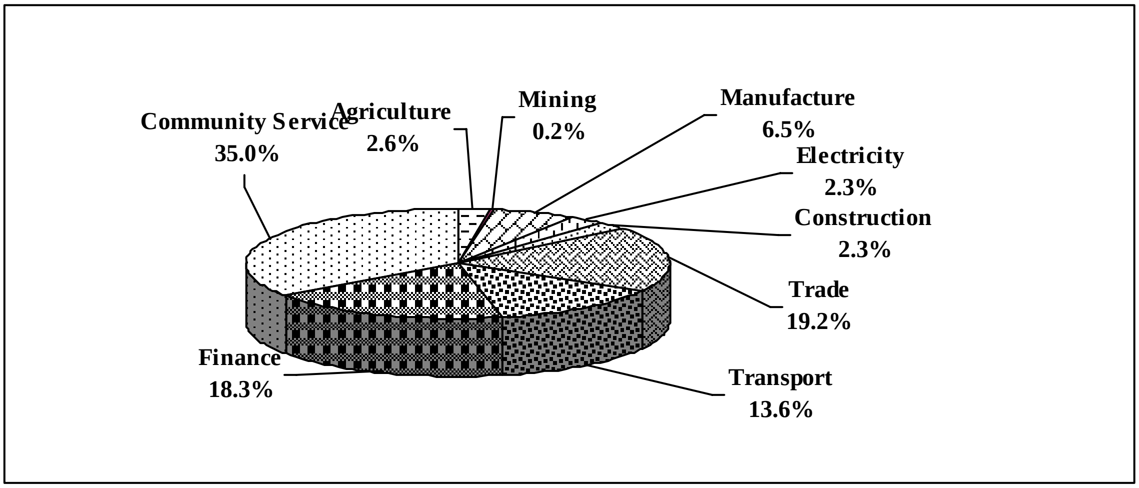
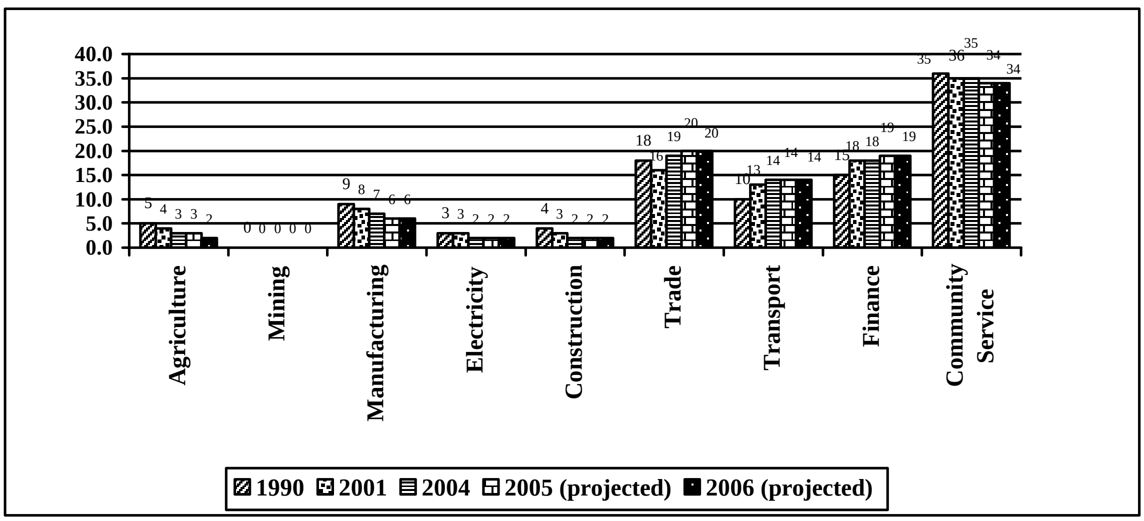


FIGURE B2: Economic profile per broad sector in MLM, 1990, 2001, 2004, 2005, 2006 (%) (current prices in respect of GDP-R were used)



Considering the two tables above a number of comments need to be made:

- The projected figures show that the relative contribution of Agriculture, Manufacturing, Electricity, Construction and Community services have declined between 2001 and 2004 or will be declining in future.
- Mining has remained at the same relative contribution. However, Mining is virtually non-existent considering the economy of MLM.

- Trade, Transport and Finance seem already to have increased their share of the economy between 2001 and 2004 or will be doing so as projected for 2005 and 2006.
- The largest increase has been seen in Trade which increased its relative contribution to the MLM economy from 17% in 2001 to 19% in 2004. The data later in the document will showcase the fact that the largest percentage of economic growth in the last three years has been related to an increase in Trade. Trade is, however, highly dependent on interest rate and Rand / US Dollar fluctuations. Thus, although the projection based on the growth rate between 2001 and 2004 shows a further increase, a considerable increase in interest rates or the exchange value of the Rand in relation to foreign currencies will have a negative influence on Trade.

When the current economy is grouped into primary, secondary and tertiary sectors, it seems as if the disproportionate size of the tertiary sector has grown even further. The current level for the tertiary sector is 86%. This is 4% more than in 2001 and 9% more than in 1990. Both the secondary and primary sectors have declined proprotionally. In the primary sector the decline has been from 4% to 3% while the secondary sector has declined from 14% in 2001 to 11% in 2004. The concern expressed in the Economic Development Strategy about the decline in the secondary sector was confirmed three years later.

B2.2 The relative importance of the MLM economy

The emphasis now shifts to the relative importance of the MLM economy measured in relation to the rest of South Africa, the Free State and Motheo (see Table B1). This is measured in terms of Gross Value Added (GVA).

TABLE B1: Relative importance of the MLM economy in terms of South Africa, the Free State and Motheo, 2001 and 2004 (GVA at current prices were used)

Sector	% of RSA		% of Free State		% of Motheo	
	2001	**2004**	**2001**	**2004**	**2001**	**2004**
Agriculture	1.5	1.4	12.1	12.1	58.9	63.4
Mining	0.1	0.1	0.5	0.8	100.0	100.0
Manufacturing	0.7	0.5	12.8	12.2	93.9	97.4
Electricity	1.6	1.4	19.0	18.0	95.0	100.0
Construction	1.7	1.2	38.3	42.3	94.8	96.5
Trade	1.9	1.9	41.3	46.2	95.6	97.9
Transport	2.0	1.9	44.4	50.7	97.0	98.1
Finance	1.5	1.3	44.5	49.8	96.8	97.1
Community services	2.7	2.6	41.4	43.0	94.2	95.8
Total	1.5	1.5	25.5	32.6	92.5	95.3

The following comments begged to be made in respect of the table above:

- The share of the total economic contribution for South Africa remained the same between 2001 and 2004 (1.5%). However, in the case of the Free State MLM increased it share of the Free State's economy from 25.5% in 2001 to 32.6% in 2004. The same trend visible provincially is also present in respect of Motheo where MLM's contribution increased from 92.5% to 95.3% between 2001 and 2004. Concerning the population share that MLM nationally has of 1.5%, it should be mentioned that the 1.5% economic contribution is equal to the population share. The economic contribution of 32.6% in the Free State in 2004 is however considerably larger than its share of provincial population of approximately 25%.
- Agriculture decreased its share of the national agricultural economic output from 1.5% in 2001 to 1.4% in 2004. However, provincially the percentage remained the same (12.1%). Yet, there has been an increase in the proportional contribution of MLM in respect of Motheo.
- No changes are visible nationally or provincially in respect of Mining.
- In terms of Manufacturing there was a decrease in the national contribution (0.6% - 0.5%), but in terms of the Free State a 0.2% increase was recorded. An increase was also noted in MLM's share of Motheo in respect of Manufacturing.

- Concerning Electricity there is a slight decrease nationally (0.1%) and a slight decrease provincially (1%), while there is a marked increase in terms of the district (5%).
- Construction showed a decrease nationally (0.4%), but a considerable increase in respect of the provincial contribution (4%) between 2001 and 2004. For Motheo an increase of 1.7% should be noted for the same period.
- Trade remained similar at the national level between 2001 and 2004. At the provincial level the second highest proportional increase of 4.9% was recorded for the same period. Trade in MLM, as a percentage of Trade in Motheo, also increased by 2.3% for the period 2001-2004.
- Nationally, Transport's contribution declined from 2% to 1.9%. This is interesting considering that Transport grew in MLM. The decline nationally was thus an indication of a slower than national growth rate. However, provincially a considerable increase was noted (from 44% - 50.7%). There was also a 1.1% increase in the MLM share of the Transport sector in Motheo between 2001 and 2004. Transport also remained the sector in which MLM had the highest percentage share in the Free State.
- In Finance the national contribution decreased by 2%, but provincially an increase of 5.3% was recorded between 2001 and 2004. An increase was also recorded within the district municipal area.
- Community services more or less retained it proportional share both nationally and provincially between 2001 and 2004. However, at district level an increase was recorded.

Overall, the above picture portrays a situation in which MLM's contribution to the national economy has remained the same as in 2001, but in terms of the Free State itself the contribution increased considerably. This also reflects the principles of the NSDP, namely that economic growth is likely to take place in the areas currently contributing to economic growth.

B2.3 Economic output

The 2004 GDP by region (current price) for MLM is estimated at R20 275 300 000. In constant 2004 figures (to be used in Table B2) the amount is R15 647 230 000. The GDP per region Table B2 sketches the overview of GVA per sub-area and also indicates the growth rate and projection for 2005 and 2006. Figure B3 provides an overview of the relative contribution of the three sub-areas to the MLM economy.

TABLE B2: GDP by magisterial district, 1996, 2001, 2002, 2003, 2004, 2005, 2006 (in constant 2000 prices - x 1000)

Year	MLM	Botshabelo	Bloemfontein	Thaba Nchu
1996	12,906,250	868,473	11,276,012	761,765
2001	14,077,902	904,945	12,348,750	824,207
2002	14,496,626	932,248	12,727,478	836,900
2003	14,927,682	967,095	13,125,986	834,601
2004	15,647,230	1,004,338	13,774,936	867,956
Growth p.a. (2001 -2004)	3.5	3.5	3.7	1.7
Growth p.a. (1996-2004)	2.4	1.8	2.5	1.6
2005	16,194,884	1,039,490	14,284,609	882,711
2006	16,761,704	1,075,872	14,813,140	897,717

FIGURE B3: Relative economic size per centre 2001, 2004, 2005, 2006 (constant 2000 prices were used)

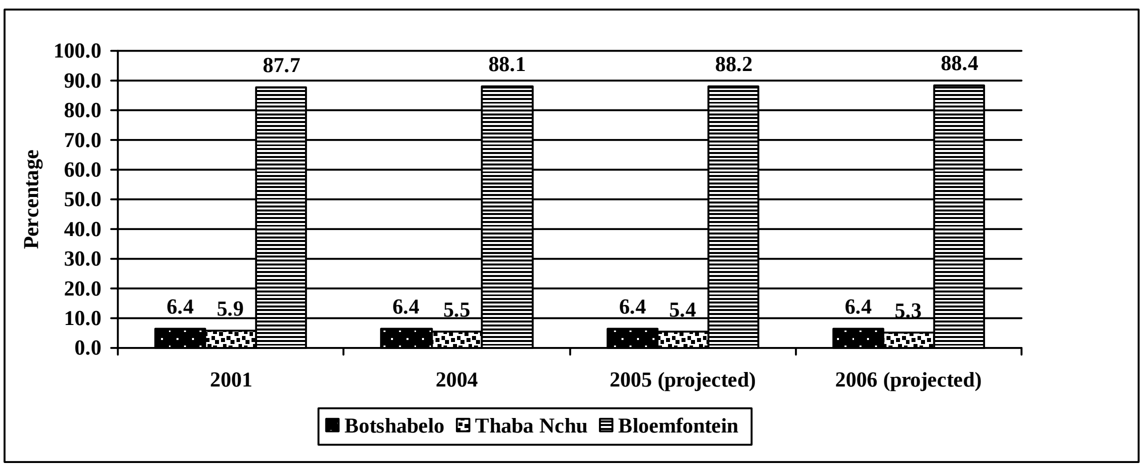


Table B2 shows that the overall annual economic growth rate for MLM was 3.5% between 2001 and 2004. In Bloemfontein an economic growth rate of 3.7% was recorded compared with 3.5% in Botshabelo, while that of Thaba Nchu was considerably less at 1.7% per annum. The MLM economic growth rate for 2004 was recorded at 4.8%. The data in Figure B3 confirms the fact that the Bloemfontein economy is and will be increasing its proportional share of the economy – at least at the expense of Thaba Nchu's share. GDP per capita is considered in Table B3 below. A distinction is made between constant prices and current prices, as the constant prices are employed in the projections.

TABLE B3: GDP per capita for MLM area per sub-areas (Rand), 1996, 2001, 2004, 2005, 2006 (constant 2000 prices and current prices x R1000)

Date	Botshabelo		Bloemfontein		Thaba Nchu	
	Current prices	Constant 2000 prices	Current prices	Constant 2000 prices	Current prices	Constant 2000 prices
1996	3,530	4,735	22,618	30,370	7,098	9,507
2001	4,874	4,592	33,168	31,182	10,124	9,565
2002	5,397	4,658	36,697	31,764	11,031	9,583
2003	5,855	4,764	39,549	32,407	11,480	9,442
2004	6,389	4,884	43,616	33,676	12,537	9,712
Growth p.a. (2001-2004)	n.a	1.0	n.a	3.5	n.a	0.7
2005 (projected)	n.a	4,934	n.a	34,844	n.a	9,780
2006 (projected)	n.a	4,985	n.a	36,053	n.a	9,849

The then current GDP per capita (2004) in Bloemfontein was R43 616 compared with R9 712 in Thaba Nchu and R6 387 in Botshabelo. With regard to constant prices and growth in constant prices it is noteworthy that the GDP per capita increased in all of the three the areas between 2001 and 2004. However, the per capita income growth rate was significantly higher in Bloemfontein (3.5% per annum) compared with 1% per annum in Botshabelo and 0.7% in Thaba Nchu. It is also noteworthy that the inequality in terms of per capita income between Bloemfontein, Botshabelo and Thaba Nchu had increased between 2001 and 2004.

B2.4 The proportional share of the broad economic sectors per sub-area

Table B4 provides an overview of the proportional share of the economic sectors per sub-area in MLM from 2001 to the projected figures for 2006. The importance of this table is the fact that it provides the proportional share in relation to the three main areas of MLM.

TABLE B4: Percentage economic contribution per broad economic sector and sub-area, 2001, 2004, 2005 and 2006 (GVA constant 2000 prices were used)

	Area	Botshabelo	Bloemfontein	Thaba Nchu
2001	Agriculture	0.4	3.5	1.4
	Mining	0.7	0.3	0.0
	Manufacturing	12.3	7.1	8.4
	Electricity	0.4	2.5	6.5
	Construction	1.3	2.1	2.2
	Trade	18.7	15.9	32.8
	Transport	13.2	13.5	5.3
	Finance	10.5	18.0	8.8
	Community services	42.5	37.0	34.6
	Totaal	**100.0**	**100.0**	**100.0**
2004	Agriculture	0.4	3.1	1.3
	Mining	0.5	0.2	0.0
	Manufacturing	11.6	6.6	7.3
	Electricity	0.4	2.1	5.8
	Construction	1.1	2.0	1.9
	Trade	20.1	17.1	33.8
	Transport	12.5	13.0	4.8
	Finance	10.8	18.8	8.6
	Community services	42.5	37.0	36.5
	Total	**100.0**	**100.0**	**100.0**
2005 (projected)	Agriculture	0.3	3.0	1.3
	Mining	0.5	0.2	0.0
	Manufacturing	11.4	6.5	7.0
	Electricity	0.4	2.0	5.6
	Construction	1.1	1.9	1.8
	Trade	20.5	17.5	34.1
	Transport	12.3	12.9	4.6
	Finance	10.9	19.1	8.5
	Community services	42.5	37.0	37.1
	Total	**100.0**	**100.0**	**100.0**
2006 (projected)	Agriculture	0.3	2.9	1.2
	Mining	0.5	0.2	0.0
	Manufacturing	11.1	6.3	6.7
	Electricity	0.4	1.9	5.4
	Construction	1.1	1.9	1.7
	Trade	21.0	17.9	34.4
	Transport	12.1	12.7	4.5
	Finance	11.1	19.4	8.4
	Community services	42.5	36.9	37.7
	Total	**100.0**	**100.0**	**100.0**

A number of notes need to be made in respect of Table B4:

- The dominance of Trade and Community services in Botshabelo and Thaba Nchu should be noted. In Thaba Nchu these two sectors contributed 70.3% of the economy in 2004. The relative figure for Botshabelo is 62.6%.
- The relatively high proportional percentage in respect of Manufacturing in Botshabelo should be noted, which relates to the historical role of Botshabelo as an industrial decentralisation point.

- It is also important to note that Thaba Nchu's rural economy contributes 1.4% to the economy of Mangaung. The rural economy of Bloemfontein contributes to 3.5% of the MLM economy.

B2.5 Economic growth per broad sector

Although basic trends of economic growth have already emerged from the discussion above, no direct assessment of economic growth has been conducted thus far. Table B5 provides more clarity in this respect by assessing economic growth both per sector and as a whole by using GVA in 2000 constant prices.

TABLE B5: Broad economic profile of MLM, 2001, 2004, 2005, 2006 (GVA constant 2000 prices were used x R1000)

Area	2001	2004	Growth p.a. (2001-2004)	2005 (projected)	2006 (projected)
Agriculture	354,276.86	370,815.22	1.5	376,440.58	382,151.26
Mining	34,724.76	32,789.75	-1.9	32,175.16	31,572.09
Manufacturing	961,520.52	943,739.76	-0.6	937,944.57	932,184.96
Electricity	342,159.19	332,098.46	-1.0	328,843.78	325,620.98
Construction	284,173.48	335,522.40	5.6	354,427.21	374,397.20
Trade	2,258,797.81	2,761,045.06	6.9	2,950,177.99	3,152,266.62
Transport	1,719,147.82	1,964,145.40	4.5	2,052,426.29	2,144,675.08
Finance	2,267,909.30	2,635,508.07	5.1	2,769,447.34	2,910,193.54
Community services	4,763,151.51	5,035,822.13	1.9	5,129,186.11	5,224,281.06
Total	12,985,861.25	14,411,486.26	3.5	14,931,069.03	15,477,342.80

The evidence from Table B5 supports earlier findings. The following need to be highlighted again:

- The largest growth has taken place in Trade as this sector has grown by 6.9% per annum since 2001. In fact 35% of all growth in the economy of MLM has come from this sector. Although, this is a reflection of broader economic participation, it should also be acknowledged that it is directly linked to the lower interest rates and exchange rates. The projected figures for Trade based on the current growth rate is probably too high considering the interest rate increase in June 2006. The growth in Trade should also be attributed to the fact that Bloemfontein has become the Trade centre of central South Africa. The availability of large shopping centres has played a specific role in attracting people from the Northern Cape, the Eastern Cape and Lesotho.

- The sector with the second highest growth rate is Construction which has grown by 5.6% per annum for the period under consideration. The boom in residential development in Bloemfontein is evident in this regard, while a number of new shopping centres have also probably contributed. However, this sector is to be influenced negatively by an increase in interest rates in 2006.
- Finance is third with a growth rate of 5.1% per annum between 2001 and 2004.
- The growth in Transport was also significant as it grew 4.5% p.a. between 2001 and 2004. However, as already indicated, this growth rate has been slower than the national average.
- Agriculture and Community service have experienced moderate growth rates of 1.5% and 1.9% respectively for the period under consideration.
- Negative annual growth rates have been recorded for Mining (-1.9%), Manufacturing (-0.6%) and Electricity (-1.0%). However, it should be noted that an overall positive growth rate has been recorded for Manufacturing since 1996. According to the available figures, a positive growth rate of 0.6 per annum has been recorded. The decline in the growth rate for Manufacturing since 2001 should be viewed against the fact that the Rand has strengthened considerably since its low in 2001.

In summary, Table B6 provides a framework against which growth in the various sectors in MLM should be assessed.

TABLE B6: A framework for analysis of economic growth per sector, 2001 – 2004.

Sectors that have had high growth (more than 1,5% growth per annum)	**Sectors that have been more or less constant (within 1.5% growth or decline per annum)**	**Sectors that have been declining (more than 1.5% decline per annum)**
Construction	Agriculture	Mining
Trade	Manufacturing	
Transport	Electricity	
Finance		
Community services		

B2.6 Degree of economic diversity

The degree to which the economy is diversified or concentrated in a specific economic activity is an indicator of functional specialisation. This degree to which an economy is diversified can be illustrated in terms of the Tress Index. The Tress Index is measured on a scale of 1 to 100. The higher the value of the tress index in an area, the more concentrated is the economy, and the lower the value the more diversified the economy. Table B7 provides an overview of the Tress Index in MLM

TABLE B7: Tress Index by magisterial district, 1990, 1996, 2001, 2004, 2005, 2006

Date	Botshabelo	Bloemfontein	Thaba Nchu
1990	62.4	50.0	59.0
1996	64.2	54.4	60.9
2001	64.7	57.8	62.3
2004	65.5	59.4	64.9
2005 (projected)	65.8	59.9	65.7
2006 (projected)	66.0	60.5	66.6

Table B7 shows that the economy of MLM is becoming more and more concentrated. It is probably concentrated in terms of the Community services sector. The challenge remains to decrease economic concentration and increase economic diversification. It is also significant is that the economies in Botshabelo and Thaba Nchu are also more concentrated than in Bloemfontein.

B2.7 Synthesis

This section provided an overview of the MLM economy since 2001. This assessment since 2001 is important as the Economic Development Strategy has used this in year as point of reference. Methodologically it should be noted that some of the baseline information provided in the Economic Development Strategy does not correspond to the data from the Regional Explorer Database. The CDS has also provided detail in respect of the data used for the various table and figures. This detail should simplify future upgrading of the document.

B3. An analysis of detailed economic sectors

Chapter Two provided an overview of the economy of MLM in terms of the broad economic sector. This Chapter aims at providing a perspective on the detailed economic sectors. Table B8 provides an overview of the detailed economic sectors. Each of the broad sectors will be analysed in more detail in the remainder of the document.

TABLE B8: Detailed economic profile by sub-sector for MLM 2001, 2004, 2005, 2006 (GVA by constant 2000 figures x R1000)

Sub sector	2001		2004		2005 (projected)		2006 (projected)	
	(R1000)	%	(R 1000)	%	(R 1000)	%	(R 1000)	%
11 Agriculture and hunting	353,491	2.72	370,104	2.84	375756	2.72	381495	2.61
12 Forestry and logging	786	0.01	711	0.01	688	0.00	665	0.00
13 Fishing, operation of fish farms	0	0.00	0	0.00	0	0.00	0	0.00
21 Mining of coal and lignite	0	0.00	0	0.00	0	0.00	0	0.00
23 Mining of gold and uranium ore	0	0.00	0	0.00	0	0.00	0	0.00
24 Mining of metal ores	6,696	0.05	5,076	0.03	4632	0.03	4228	0.02
25-29 Other Mining and quarrying (incl 22)	28,029	0.22	27,714	0.20	27611	0.18	27508	0.17
30 Food, beverages and tobacco products	249,603	1.92	238,047	1.98	234353	1.99	230715	2.00
31 Textiles, clothing and leather goods	75,189	0.58	80,884	0.54	82856	0.53	84877	0.53
32 Wood and wood products	71,898	0.55	71,278	0.48	71074	0.46	70871	0.43
33 Fuel, petroleum, chemical and rubber products	127,070	0.98	121,345	0.90	119512	0.87	117708	0.85
34 Other non-metallic mineral products	16,564	0.13	17,256	0.15	17491	0.16	17729	0.16
35 Metal products, machinery and household appliances	66,536	0.51	72,420	0.53	74474	0.53	76586	0.53
36 Electrical machinery and apparatus	75,289	0.58	70,139	0.47	68518	0.44	66934	0.41
37 Electronic, sound/vision, medical & other appliances	8,530	0.07	9,573	0.08	9944	0.08	10330	0.09
38 Transport equipment	89,171	0.69	84,559	0.63	83090	0.59	81646	0.56
39 Furniture and other items NEC and recycling	181,670	1.40	178,240	1.22	177122	1.16	176011	1.10
41 Electricity, gas, steam and hot water supply	318,194	2.45	309,916	1.98	307232	1.86	304571	1.75
42 Collection, purification and distribution of water	23,965	0.18	22,182	0.21	21624	0.21	21079	0.21
50 Construction	284,173	2.19	335,522	1.92	354427	1.87	374397	1.81

61 Wholesale and commission Trade	723,461	5.57	732,448	5.23	735438	5.13	738440	5.03
62 Retail Trade and repairs of goods	1,103,972	8.50	1,534,666	9.75	1710891	10.29	1907351	10.84
63 Sale and repairs of motor vehicles, sale of fuel	298,744	2.30	347,065	2.25	364668	2.23	383164	2.21
64 Hotels and restaurants	132,621	1.02	146,866	0.98	151895	0.98	157097	0.97
71-72 Land and water Transport	891,763	6.87	1,009,814	6.39	1052104	6.28	1096165	6.17
73-74 Air Transport and Transport supporting activities	80,552	0.62	87,400	0.59	89785	0.58	92235	0.57
75 Post and telecommunication	746,833	5.75	866,932	5.57	910660	5.52	956594	5.46
81-83 Finance and Insurance	1,410,436	10.86	1,704,277	10.50	1814102	10.56	1931005	10.61
84 Real estate activities	382,070	2.94	394,562	3.39	398774	3.50	403030	3.61
85-88 Other business activities	475,402	3.66	536,669	3.87	558572	3.93	581369	4.00
91 Public administration and defence activities	1,518,069	11.69	1,711,475	12.68	1780560	12.95	1852434	13.21
92 Education	1,270,197	9.78	1,311,346	9.72	1325216	9.64	1339232	9.55
93 Health and social work	1,070,674	8.24	1,105,246	8.19	1116898	8.12	1128672	8.05
94-99 Other service activities	904,211	6.96	907,755	6.73	908927	6.61	910101	6.49
Total Industries	**12,985,861**	**100.00**	**14,411,486**	**100.00**	**14915483**	**100.00**	**15437105**	**100.00**

The above table provided an overview of growth in the various sub-sectors of the economy. This overview is done in greater depth in the remainder of this document.

B3.1 Agriculture

Agriculture contributed 2.8% of the MLM economy (see also Section B2.2) in 2004. In respect of the sub-sectors Agriculture and hunting are the main sub-sector contributing nearly 100% of the GVA contributions in Agriculture (see Figure B4). Less than 0.01% comes from Forestry and logging. The dominance of Agriculture and hunting is expected to continue and has been utilised to reflect on the projections in Table B9.

FIGURE B4: GVA of Agriculture per sub-sector proportion in MLM, 2004 (using constant 2000 figures)

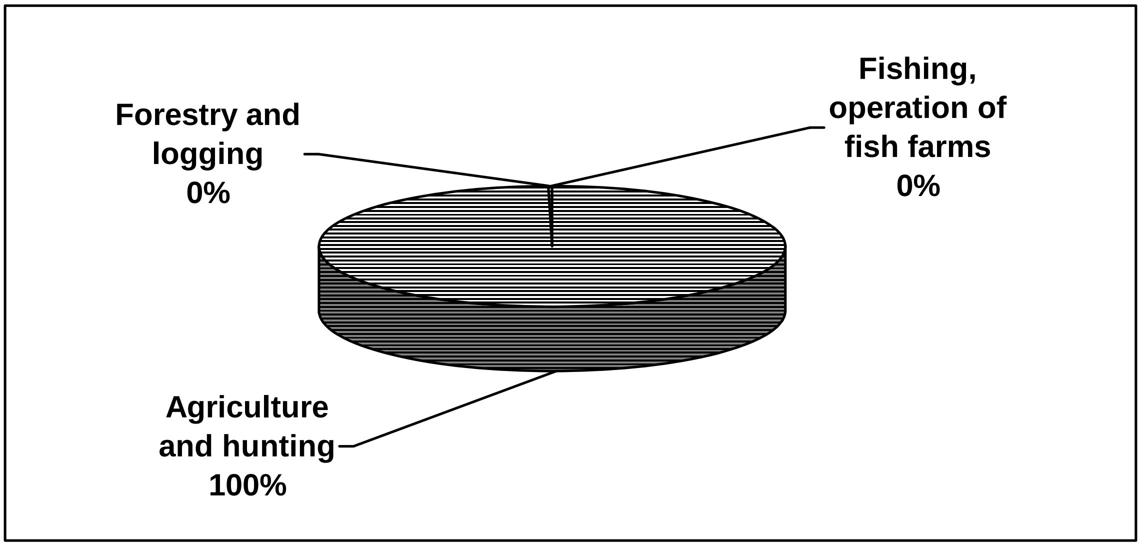


TABLE B9: GVA of Agriculture sector per sub-sector for MLM, 1996, 2001, 2004, 2005, 2006 (using constant 2000 figure x R1000)

Area	Agriculture and hunting	Forestry and logging	Fishing, operation of fish farms
Botshabelo 1996	2,767	0	0
Bloemfontein 1996	336,711	0	0
Thaba Nchu 1996	8,133	715	0
MLM 1996	347,611	715	0
Botshabelo 2001	2,814	0	0
Bloemfontein 2001	342,406	0	0
Thaba Nchu 2001	8,271	786	0
MLM 2001	353,491	786	0
Botshabelo 2002	3,039	0	0
Bloemfontein 2002	369,806	0	0
Thaba Nchu 2002	8,933	787	0
MLM 2002	381,778	787	0
Botshabelo 2003	2,968	0	0
Bloemfontein 2003	361,130	0	0
Thaba Nchu 2003	8,723	768	0
MLM 2003	372,821	768	0
Botshabelo 2004	2,946	0	0
Bloemfontein 2004	358,499	0	0
Thaba Nchu 2004	8,660	711	0
MLM 2004	370,104	711	0
MLM growth (2001-2004)	1.53	-3.26	0.00
MLM 2005 (projected)	375,756.43	687.65	0.00
MLM 2006 (projected)	381,494.74	665.25	0.00

From Table B9 it should be noted that the contribution of Forestry and logging seem to be declining, while that of Agriculture and hunting has grown at 1.53% per annum between 2001 and 2004. However, the small scale of Forestry and logging means that the decline is of lesser importance. It should also be noted that, in respect of the proportional share of each of the sub-sectors, no change has occurred since 2001.

B3.2 Mining

Historically, Mining has played a small role in the economy of MLM. Currently, Mining contributes only 0.2% of the GVA in MLM. The biggest proportional contribution in Mining comes from Other mining and quarrying (85%) and Mining of metal ores (15%) (Figure B5). There seems, however, to be a downward trend in respect of metal ores and other mining (see Table B10).

FIGURE B5: GVA of Mining per sub-sector proportion in MLM, 2004 (using constant 2000 figures)

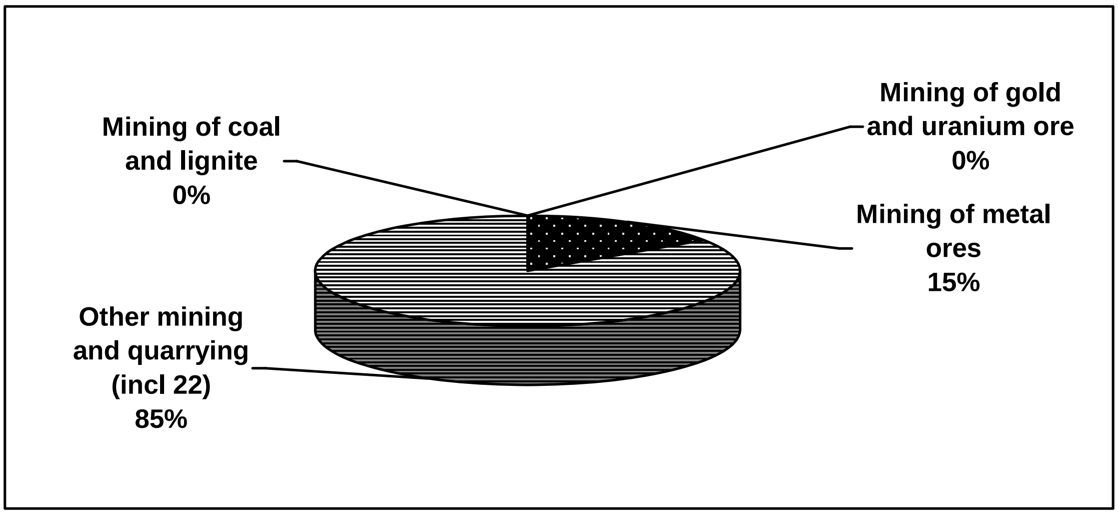


TABLE B10: GVA of Mining sector per sub-sector for MLM, 1996, 2001, 2004, 2005, 2006 (using constant 2000 prices x R1000)

Area	Mining of coal and lignite	Mining of gold and uranium ore	Mining of metal ores	Other mining and quarrying (incl 22)
Botshabelo 1996	0	0	0	4,780
Bloemfontein 1996	0	0	6,501	23,043
Thaba Nchu 1996	0	0	0	0
MLM 1996	0	0	6,501	27,823
Botshabelo 2001	0	0	0	4,815
Bloemfontein 2001	0	0	6,696	23,213
Thaba Nchu 2001	0	0	0	0
MLM 2001	0	0	6,696	28,029
Botshabelo 2002	0	0	0	4,472
Bloemfontein 2002	0	0	6,003	21,559
Thaba Nchu 2002	0	0	0	0
MLM 2002	0	0	6,003	26,030
Botshabelo 2003	0	0	0	4,320
Bloemfontein 2003	0	0	5,475	20,824
Thaba Nchu 2003	0	0	0	0
MLM 2003	0	0	5,475	25,143
Botshabelo 2004	0	0	0	4,761
Bloemfontein 2004	0	0	5,076	22,953
Thaba Nchu 2004	0	0	0	0
MLM 2004	0	0	5,076	27,714
MLM growth (2001-2004)	0.00	0.00	-8.74	-0.37
MLM 2005 (projected)	0.00	0.00	4,632.36	27,610.84
MLM 2006 (projected)	0.00	0.00	4,227.63	27,508.16

The biggest annual decline has occurred in the Mining of metal ores as this sub-sector declined by -8.74% per annum. A small decline has also occurred in other mining and quarrying.

B3.3 Manufacturing

Manufacturing is currently contributing about 6.5% of GVA in MLM. As already noted, the contribution of Manufacturing has declined since 2001. Concerning the detailed sectors in respect of Manufacturing, a more in-depth discussion of Figure B6 is required.

FIGURE B6: GVA of the manufacture sector per proportion of each sub-sector for MLM, 2004 (using constant 2000 prices)

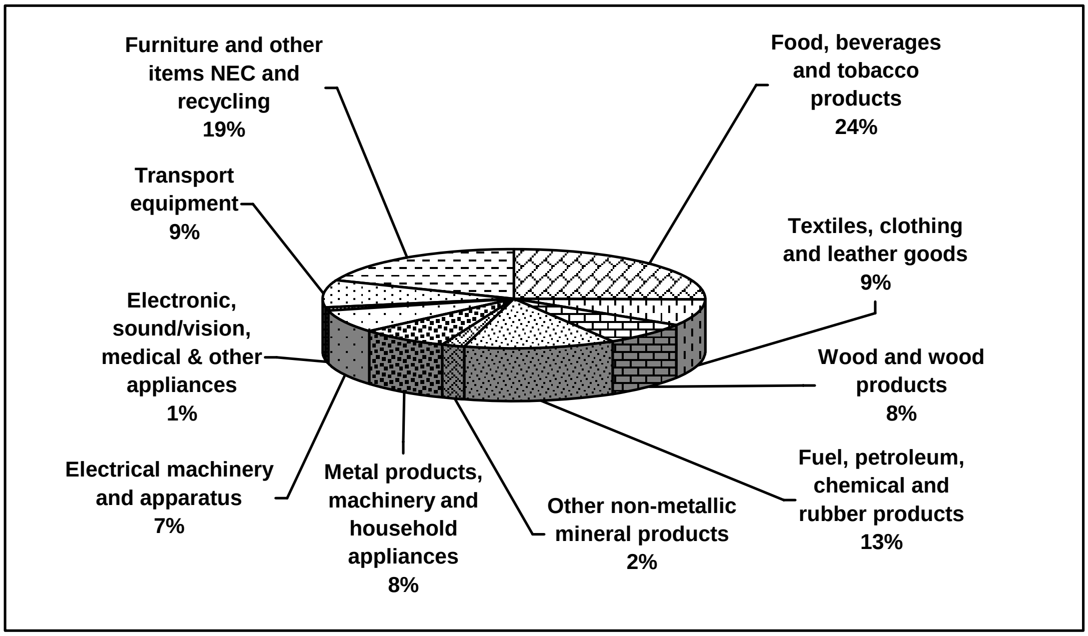


Figure B6 reveals the following main aspects:

- The sub-sector with the largest GVA contribution is in Food, beverages and tobacco products, contributing nearly a quarter (24%) to the Manufacturing output in MLM. However, this has declined from 31% in 2001.
- Furniture and other items make up 19% of GVA, followed by Fuel, chemicals and rubber products (13%). It is noteworthy that Furniture and other items has increased from 13% in 2001. Fuel, chemicals and rubber remained the same between 2001 and 2004.
- The following sub-sectors contribute between 5%-10%: Transport equipment, Textiles, Wood, Metal products and Electrical machinery. Interestingly enough their proportional share has also remained constant since 2001.
- The two sub-sectors with the lowest proportional contribution are Electronics and Non-metallic minerals.
- The dominance of Food, beverages and tobacco products to a large extent confirms a Manufacturing industry geared to local need. However, and more importantly, some of the changes in the sub-sectors should be considered (see Table B11).

TABLE B11: GVA of the Manufacturing sector per sub-sector for MLM, 1996, 2001, 2004, 2005, 2006 (constant 2000 prices used x R1000)

Area	Food, beverages and tobacco products	Textiles, clothing and leather goods	Wood and wood products	Fuel, petroleum, chemical and rubber	Other non-metallic mineral products	Metal products, machinery and appliances	Electrical machinery and apparatus	Electronic, sound/vision, medical & other appliances	Transport equipment	Furniture and other items NEC and recycling
Botshabelo 1996	12,653	50,249	5,968	6,458	957	9,369	2,522	101	181	12,633
Bloemfontein 1996	234,442	25,157	63,610	85,292	17,322	56,861	58,034	9,881	70,093	124,193
Thaba Nchu 1996	7,488	7,756	939	1,584	1,970	4,848	2,028	818	482	30,938
MLM 1996	254,583	83,162	70,517	93,333	20,249	71,077	62,583	10,801	70,756	167,765
Botshabelo 2001	12,380	45,236	6,076	8,779	779	8,738	3,027	80	228	13,563
Bloemfontein 2001	229,575	22,666	64,824	116,045	14,111	53,079	69,722	7,779	88,309	133,441
Thaba Nchu 2001	7,647	7,288	998	2,247	1,674	4,719	2,540	672	634	34,667
MLM 2001	249,603	75,189	71,898	127,070	16,564	66,536	75,289	8,530	89,171	181,670
Botshabelo 2002	12,216	47,481	5,878	8,360	821	9,474	2,894	85	217	12,864
Bloemfontein 2002	226,282	23,764	62,637	110,385	14,860	57,485	66,574	8,291	84,178	126,422
Thaba Nchu 2002	7,354	7,455	941	2,086	1,720	4,987	2,367	699	589	32,046
MLM 2002	245,853	78,701	69,457	120,830	17,401	71,945	71,835	9,075	84,984	171,332
Botshabelo 2003	11,741	46,719	5,827	8,377	819	9,437	2,900	89	208	13,031
Bloemfontein 2003	213,643	22,970	60,997	108,660	14,561	56,250	65,531	8,512	79,014	125,800
Thaba Nchu 2003	6,489	6,734	856	1,918	1,575	4,560	2,177	670	517	29,799
MLM 2003	231,873	76,422	67,680	118,956	16,955	70,247	70,608	9,271	79,738	168,630
Botshabelo 2004	11,842	49,168	6,031	8,396	820	9,581	2,830	90	216	13,582
Bloemfontein 2004	219,675	24,645	64,362	111,030	14,863	58,220	65,190	8,804	83,806	133,670
Thaba Nchu 2004	6,530	7,071	884	1,919	1,573	4,619	2,119	678	537	30,988
MLM 2004	238,047	80,884	71,278	121,345	17,256	72,420	70,139	9,573	84,559	178,240
MLM growth (2001-2004)	-1.55	2.44	-0.29	-1.51	1.36	2.84	-2.31	3.88	-1.74	-0.63
MLM 2005 (projected)	234,352.74	82,856.32	71,074.26	119,512.35	17,490.83	74,473.92	68,517.85	9,943.96	83,089.61	177,121.70
MLM 2006 (projected)	230,715.43	84,876.87	70,871.25	117,707.74	17,728.78	76,585.87	66,934.25	10,329.68	81,646.12	176,010.86

Table B11 has indicated the growth in each of the sub-sectors of the Manufacturing economy in MLM. A number of key notes should be made:

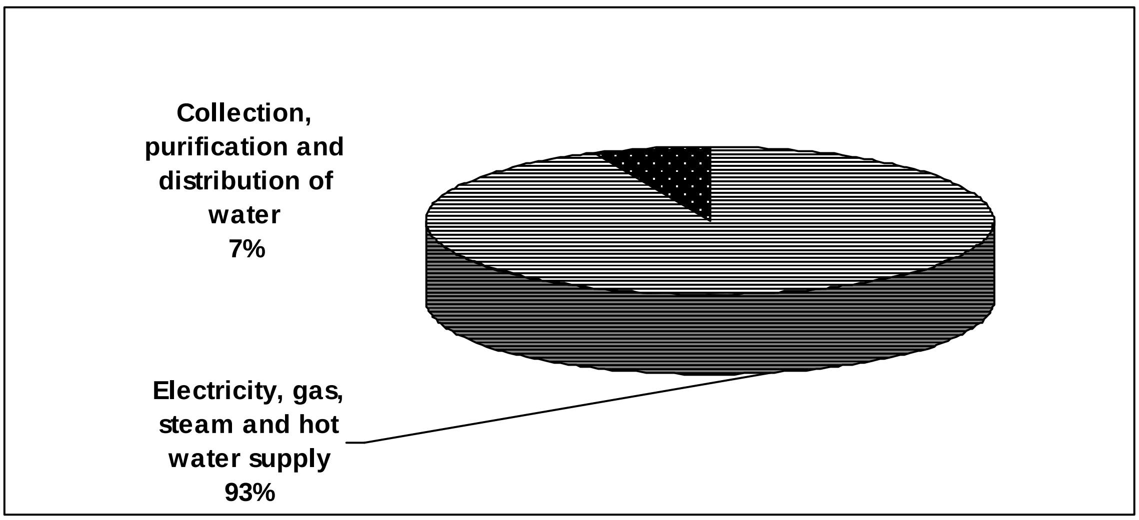
- Overall, the Manufacturing industry declined slightly over the 2001-2004 period. It should be mentioned that one of the key aspects influencing the Manufacturing industry is the Rand / US Dollar exchange rate. The Rand has strengthened from a low against the US Dollar in 2001. This placed the Manufacturing industry in South Africa and more specifically in MLM under pressure. However, as also noted earlier, there was an increase in the sector between 1996 and 2004.
- Sectors that have grown since 2001 are Textiles, Other non-metallic minerals, Metal products and Electronics.
- It should also be noted that although Chemicals did not grow between 2001 and 2004, the sector showed spectacular growth between 1996 and 2001. The strengthening of the Rand since 2001 has probably played a role in stabilising the economic output of this sector.
- All other sectors have shown a decline in economic output and this points to two important aspects. In the first place, that it is not negotiable that more emphasis should be placed on ensuring that a conducive environment be created for the Manufacturing industry. Secondly, that the relatively peripheral location of MLM in relation to the economic core in Gauteng requires an extraordinary effort to maintain and increase the current Manufacturing output of MLM.
- Concerning GVA in each of the three areas in MLM, a few comments should be made with regard to the period under consideration. Botshabelo remains the dominant area for Textile production. More than 50% of all GVA is created in Botshabelo. For all the other sub-sectors, Bloemfontein is by far the main contributor to GVA.

The devaluation of the Rand against the Dollar in 2006 should assist the Manufacturing industry to grow again in future.

B3.4 Electricity, water and gas

This sector is subdivided into two sub-sectors, namely Collection, purification and distribution of water, as well as Electricity, gas, steam and hot water supply. The former sub-sector contributes 7% of the total GVA in this sector. The remainder of the output is made up of Electricity, gas, steam and hot water supply (see Figure B7). It should also be noted that the sub-sector contribution of Collection, purification and distribution of water declined from 8% in 2001 to 7% in 2004. Accordingly, Electricity, gas, steam and hot water supply increased by 1% during the same period.

FIGURE B7: GVA of Electricity/gas/water sector per sub-sector proportion in MLM, 2004 (using constant 2000 prices)



In respect of growth and decline in each of the sub-sectors, Table 3.4 reveals the following:

TABLE B12: GVA of Electricity/gas/water sector per sub-sector for MLM, 1996, 2001, 2004, 2005, 2006 (constant 2000 prices were used – X R1000)

Area	Electricity, gas, steam and hot water supply	Collection, purification and distribution of water
Botshabelo 1996	4,070	0
Bloemfontein 1996	299,619	10,733
Thaba Nchu 1996	37,010	15,335
MLM 1996	340,699	26,067
Botshabelo 2001	3,707	0
Bloemfontein 2001	280,007	9,867
Thaba Nchu 2001	34,480	14,098
MLM 2001	318,194	23,965
Botshabelo 2002	3,778	0
Bloemfontein 2002	275,331	9,812
Thaba Nchu 2002	33,219	14,020
MLM 2002	312,329	23,832
Botshabelo 2003	3,743	0
Bloemfontein 2003	267,223	9,760
Thaba Nchu 2003	30,584	13,945
MLM 2003	301,550	23,705
Botshabelo 2004	3,846	0
Bloemfontein 2004	274,884	9,133
Thaba Nchu 2004	31,186	13,049
MLM 2004	309,916	22,182
MLM growth (2001-2004)	-0.87	-2.52
MLM 2005 (projected)	307,232.01	21,623.56
MLM 2006 (projected)	304,571.11	21,078.89

The following comments should be made with regard to the overview provided in Table B12

- The decline recorded since 2001 has been -0.87% per annum for Electricity, gas steam and hot water supply. This decline has been recorded in Bloemfontein and Thaba Nchu, with a slight increase in Thaba Nchu.
- In the case of Collection, purification and distribution of water the decline has been even more considerable (-2.52% per annum). This decline has been applicable in all three areas.

B3.5 Trade

In respect of the sub-sectors of the Trade sector, the relative contribution of each of the sub-sectors is reflected in Figure B8. The largest percentage is captured in Retail Trade and repairs of goods (55%) followed by Wholesale and commission trade (27%), Sale and repairs of motor vehicles and sale of fuels (13%) while Hotels and restaurants contribute 5%. These proportional contributions have changed considerably since the 2001, when Retail trade and repairs of goods contributed 30%, Wholesale and commission trade 46%, Sale and repairs of motor vehicles and sale of fuels 16%, and Hotels and restaurants contributed 8%.

FIGURE B8: GVA of Trade sector per sub-sector proportion in MLM, 2004 (constant 2000 prices)

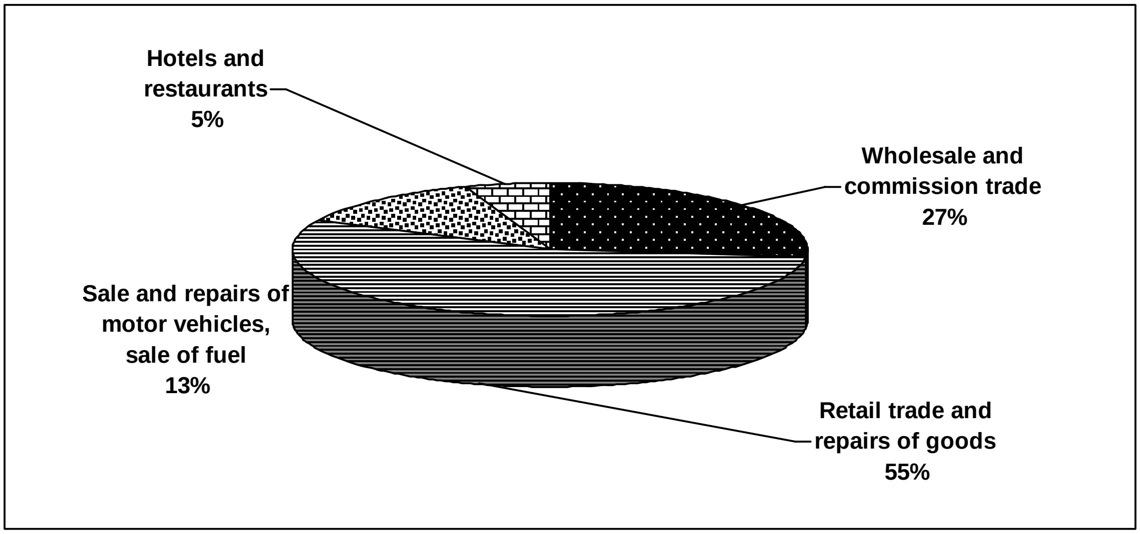


Table B13 should be considered in respect of the growth of each of these sub-sectors.

TABLE B13: GVA of Trade sector per sub-sector for MLM, 1996, 2001, 2004, 2005, 2006 (constant 2000 figures were used – xR1000)

Area	Wholesale and commission Trade	Retail Trade and repairs of goods	Sale and repairs of motor vehicles, sale of fuel	Hotels and restaurants
Botshabelo 1996	58,824	70,779	1,750	4,355
Bloemfontein 1996	529,918	767,542	241,215	97,695
Thaba Nchu 1996	65,075	116,333	1,917	36,693
MLM 1996	653,817	954,654	244,882	138,743
Botshabelo 2001	64,764	81,362	2,132	4,113
Bloemfontein 2001	583,918	883,038	294,173	92,340
Thaba Nchu 2001	74,779	139,573	2,438	36,168
MLM 2001	723,461	1,103,972	298,744	132,621
Botshabelo 2002	62,708	89,563	2,082	4,244
Bloemfontein 2002	564,743	970,949	286,977	95,176
Thaba Nchu 2002	70,567	149,741	2,320	36,373
MLM 2002	698,019	1,210,253	291,380	135,794
Botshabelo 2003	65,324	104,412	2,290	4,460
Bloemfontein 2003	577,920	1,111,957	310,063	98,251
Thaba Nchu 2003	67,482	160,251	2,343	35,088
MLM 2003	710,725	1,376,620	314,697	137,800
Botshabelo 2004	66,286	114,628	2,479	4,691
Bloemfontein 2004	597,842	1,244,507	342,057	105,353
Thaba Nchu 2004	68,320	175,531	2,530	36,822
MLM 2004	732,448	1,534,666	347,065	146,866
MLM growth (2001-2004)	0.41	11.48	5.07	3.42
MLM 2005 (projected)	735,438.05	1,710,890.69	364,667.85	151,895.37
MLM 2006 (projected)	738,440.47	1,907,351.10	383,163.75	157,096.53

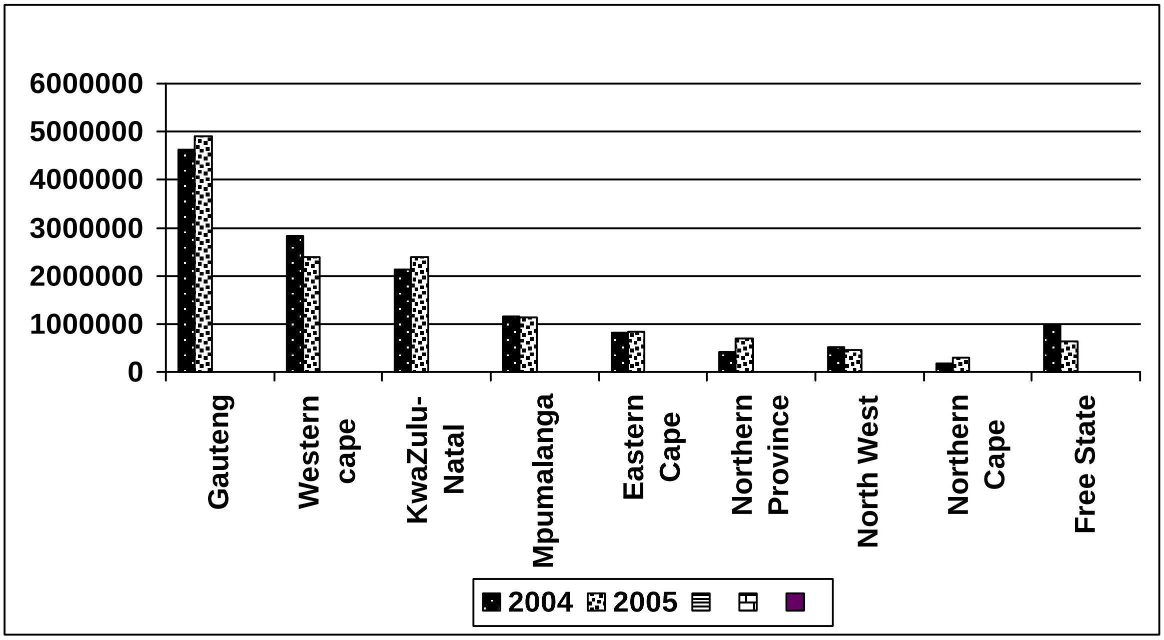
The following trends are applicable to Table B13:

- The biggest annual growth has taken place in Retail trade and repair of goods (11.5%) followed by Sale and repair of motor vehicles, sale of fuel (5.1%), Hotels and restaurants (3.4%) and Wholesale and commission trade (0.4%).
- It is also noteworthy that the increase in the above sub-sectors has mostly taken place in all of the three urban areas in MLM. However, the significant dominance of Bloemfontein continues.

This increase in Trade should be seen against the background of relatively low interest rates and the strong rand in relation to the US dollar. The latter has made cheap imports possible. This trend has probably continued in 2005 and 2006. However, the latest interest rate increase, as well as the expectations of one or two more in future, will have a significant influence on growth in these sub-sectors.

As tourism is a sub-sector of the Trade sector, an overview of the proportional share of tourism visits per province is provided (Table B13).

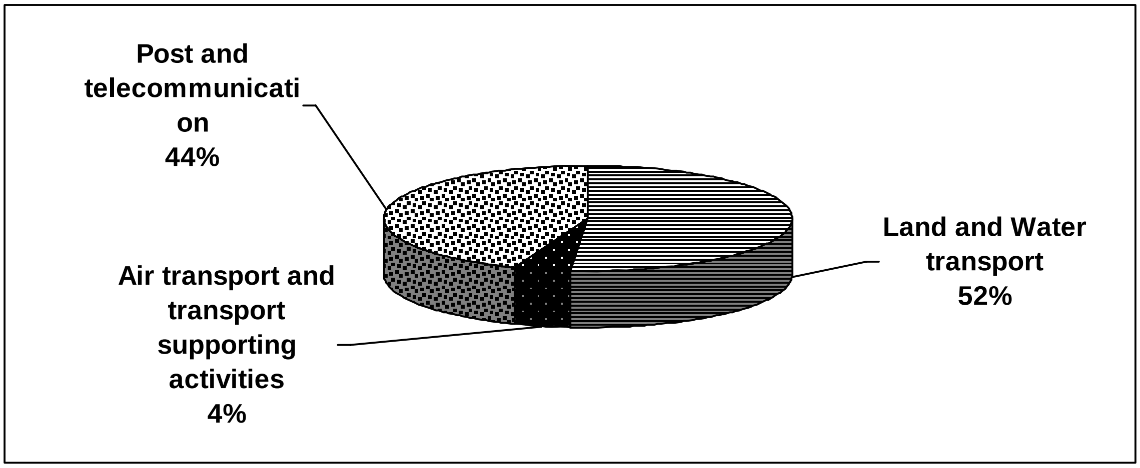
FIGURE B9: Number of bednights per province for quarter three, 2004 and 2005



B3.6 Transport

Figure B10 portrays the sub-sectors of the Transport sector. Land and water transport contributes more than half (52%) of the GVA in this sector. The contribution of Post and telecommunication is 44%, while Air transport and transport supporting services contribute 4%. It should also be mentioned that the proportional share of Land and water transport has increased from 50% - 52%. The proportional contribution of Post and telecommunication decreased from 47% to 44% in 2001. Air transport and storage activities increased by 1% since 2001.

FIGURE B10: GVA of Transport per sub-sector for MLM, 2004 (using constant 2000 prices)



The growth of the sub-sectors for the Transport sector is reflected in Table B14 below.

TABLE B14: GVA of Transport per sub-sector in MLM, 1996, 2001, 2004, 2005, 2006 (using constant 2000 prices – x R1000)

Area	Land and Water Transport	Air Transport and Transport supporting activities	Post and telecommunication
Botshabelo 1996	85,588	0	6,408
Bloemfontein 1996	672,253	74,043	446,072
Thaba Nchu 1996	18,729	0	10,802
MLM 1996	776,571	74,043	463,282
Botshabelo 2001	98,110	0	10,311
Bloemfontein 2001	771,246	80,552	718,381
Thaba Nchu 2001	22,408	0	18,141
MLM 2001	891,763	80,552	746,833
Botshabelo 2002	98,744	0	11,642
Bloemfontein 2002	775,356	80,501	810,202
Thaba Nchu 2002	21,980	0	19,963
MLM 2002	896,081	80,501	841,807
Botshabelo 2003	106,340	0	12,203
Bloemfontein 2003	820,270	83,867	834,270
Thaba Nchu 2003	21,730	0	19,209
MLM 2003	948,340	83,867	865,682
Botshabelo 2004	111,365	0	11,997
Bloemfontein 2004	875,744	87,400	836,095
Thaba Nchu 2004	22,705	0	18,840
MLM 2004	1,009,814	87,400	866,932
MLM growth (2001-2004)	4.19	2.73	5.04
MLM 2005 (projected)	1,052,103.71	89,784.83	910,660.25
MLM 2006 (projected)	1,096,164.80	92,235.18	956,594.00

According to Table B14 growth occurred in all of the three sub-sectors of the Transport sector between 2001 and 2004:

- Land and water transport increased by 4.2% since 2001.
- The annual increase in Air transport has been 2.7%
- In the case of Post and telecommunication, the annual growth rate has been 5.0%.
- The absolute dominance of Bloemfontein in all of the three sub-sectors should once again be noted.

The growth in this sector should be viewed against the growth in Trade which has already been linked to relatively cheaper imports due to the strong Rand as well as the decline in interest rates that South Africa has experienced since the end of 2001.

B3.7 Finance

The Finance sector in MLM is dominated by Finance and insurance (65%) followed by Other business activities (20%) and Real estate activities (15%) (see Figure B11).

FIGURE B11: GVA of Finance and real estate per sub-sector for MLM, 2004 (using constant 2000 prices)

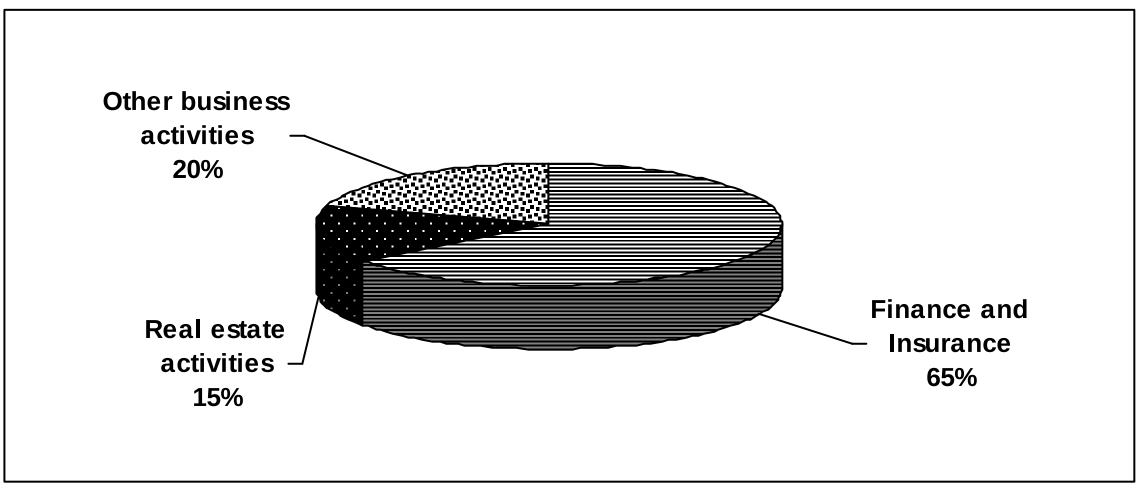


Table B15 provides a more in-depth assessment of the sub-sectors in terms of the growth of these sub-sectors per area in MLM for the period 1996 – 2004.

TABLE B15: GVA of the Finance sub-sectors for MLM, 1996, 2001, 2004, 2005, 2006 (constant 2000 prices were used – x R1000)

Area	Finance and Insurance	Real estate activities	Other business activities
Botshabelo 1996	26,886	7,347	32,135
Bloemfontein 1996	994,540	451,435	307,685
Thaba Nchu 1996	37,460	2,089	11,084
MLM 1996	1,058,885	460,871	350,905
Botshabelo 2001	35,728	6,561	43,445
Bloemfontein 2001	1,322,751	373,743	416,317
Thaba Nchu 2001	51,957	1,767	15,641
MLM 2001	1,410,436	382,070	475,402
Botshabelo 2002	37,357	6,433	44,557
Bloemfontein 2002	1,381,483	369,325	426,497
Thaba Nchu 2002	52,946	1,684	15,634
MLM 2002	1,471,786	377,442	486,688
Botshabelo 2003	39,118	6,384	48,288
Bloemfontein 2003	1,421,090	369,642	454,050
Thaba Nchu 2003	50,895	1,610	15,553
MLM 2003	1,511,104	377,636	517,892
Botshabelo 2004	43,330	6,243	49,203
Bloemfontein 2004	1,604,701	386,658	471,654
Thaba Nchu 2004	56,246	1,661	15,812
MLM 2004	1,704,277	394,562	536,669
MLM growth (2001-2004)	6.44	1.07	4.08
MLM 2005 (projected)	1,814,102.04	398,773.70	558,572.18
MLM 2006 (projected)	1,931,004.52	403,029.99	581,369.38

Table 15 reveals that Finance and insurance as a sub-sector experience the largest growth per annum (6.44%) between 2001 and 2004. The growth for Other business activities was 4.1% per annum for the same period. Interestingly enough the Real estate sub-sector has only grown at 1.1% per annum. This is rather strange considering the huge increase in the prices of houses during the past three years. The growth rates reflected above were applicable to all the areas except in the case of real estate where declines were recorded in Thaba Nchu and Botshabelo.

B3.8 Community services

The largest contribution within Community services originated from Public administration and defense activities (34%) in 2004 (see Figure B12). Education, with a 26% contribution, is second, followed by Health and social work (22%). Other service activities contribute 18% of the total GVA for Community services in MLM.

FIGURE B12: GVA of Community services sub-sectors for MLM, 2004 (using constant 2000 prices)

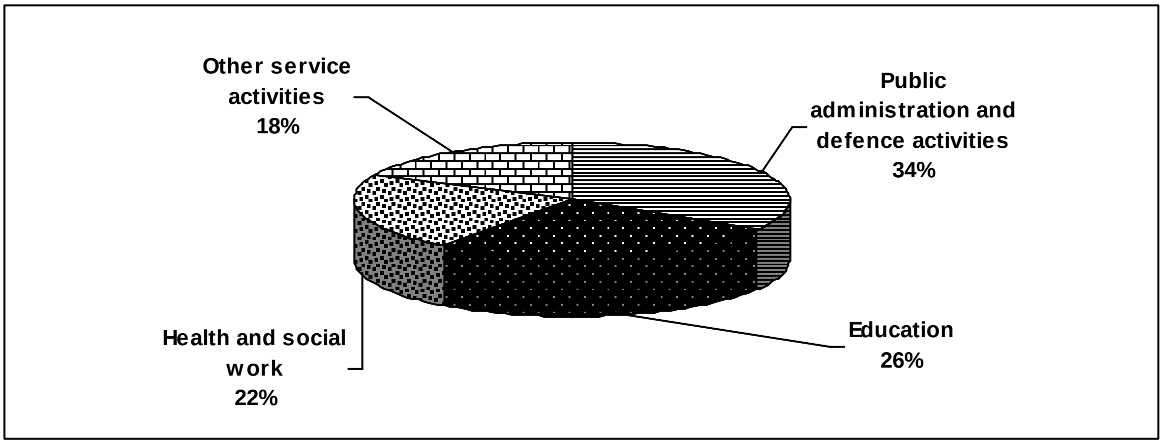


Table B16 provides an overview of growth rates in each of the sub-sectors in relation to Community services.

TABLE B16: GVA of Community services sub-sectors for MLM, 1996, 2001, 2004, 2005, 2006 (constant 2000 prices were used – x R1000)

Area	Public administration and defence activities	Education	Health and social work	Other service activities
Botshabelo 1996	138,973	140,026	27,120	34,069
Bloemfontein 1996	1,439,537	1,033,164	833,222	771,028
Thaba Nchu 1996	78,126	103,624	35,005	38,555
MLM 1996	1,656,636	1,276,814	895,346	843,652
Botshabelo 2001	127,349	139,300	32,430	36,515
Bloemfontein 2001	1,319,129	1,027,810	996,384	826,373
Thaba Nchu 2001	71,591	103,087	41,859	41,323
MLM 2001	1,518,069	1,270,197	1,070,674	904,211
Botshabelo 2002	142,226	140,099	31,319	35,122
Bloemfontein 2002	1,473,233	1,033,701	962,225	794,868
Thaba Nchu 2002	79,955	103,677	40,424	39,748
MLM 2002	1,695,413	1,277,478	1,033,968	869,738
Botshabelo 2003	138,793	140,435	33,318	37,397
Bloemfontein 2003	1,437,672	1,036,181	1,023,648	846,339
Thaba Nchu 2003	78,025	103,926	43,005	42,321
MLM 2003	1,654,490	1,280,542	1,099,971	926,057
Botshabelo 2004	143,574	143,813	33,478	36,658
Bloemfontein 2004	1,487,189	1,061,107	1,028,557	829,612
Thaba Nchu 2004	80,712	106,426	43,211	41,485
MLM 2004	1,711,475	1,311,346	1,105,246	907,755
MLM growth (2001-2004)	4.04	1.06	1.05	0.13
MLM 2005 (projected)	1,780,560.31	1,325,216.00	1,116,897.71	908,927.30
MLM 2006 (projected)	1,852,434.10	1,339,232.30	1,128,672.43	910,101.39

The largest growth rate in respect of Community services come from Public administration and defense activities which grew at 4% per annum between 2001 and 2004. The second highest growth was recorded in Education (1.06%) followed Health and social work (1.05%) and Other service activities (0.13%). It should also be mentioned that the gains reported above occurred in all of the three main urban areas of MLM.

B4. Social indicators

B4.1 Introduction

The emphasis in the chapter now shifts to an assessment of social and demographic trends in MLM. Although the Regional Explorer Database will be used to compare figures in the Economic Development Strategy of the MLM, the CDS is of the opinion that demographic data from Statistics South Africa is more reliable. The main reason for this judgment is that there are longer timelines available for census data which verify census data better. Census data from Statistics South Africa will thus also be used.

B4.2 Population by race and population growth per area in MLM

The population by race for MLM is reflected in Table B17 below for each of the magisterial districts (Regional Explorer Database). In order to make the comparison with the census data from Statistics South Africa, the data from this institution are reflected in Table B18.

TABLE B17: Population by race for MLM, 2001, 2004, 2005, 2006

		Botshabelo	Bloemfontein	ThabaNchu	MLM	% MLM
2001	Black	196,382	248,671	85,318	530,372	78.1
	%	37.0	46.9	16.1	100.0	
	White	34	112,776	447	113,257	16.7
	%	0.0	99.6	0.4	100.0	
	Coloured	465	33,491	312	34,268	5.0
	%	1.4	97.7	0.9	100.0	
	Asian	201	1,082	95	1,377	0.2
	%	14.6	78.5	6.9	100.0	
	Total	**197,082**	**396,020**	**86,172**	**679,274**	**100.0**
	%	**29.0**	**58.3**	**12.7**	**100.0**	
2004	Black	204,926	260,754	88,514	554,193	78.7
	%	37.0	47.1	16.0	100.0	
	White	33	112,160	436	112,629	16.0
	%	0.0	99.6	0.4	100.0	
	Coloured	479	34,887	323	35,689	5.1
	%	1.3	97.8	0.9	100.0	
	Asian	207	1,244	99	1,550	0.2
	%	13.4	80.2	6.4	100.0	
	Total	**205,645**	**409,044**	**89,372**	**704,061**	**100.0**
	%	**29.2**	**58.1**	**12.7**	**100.0**	
Growth (2001-2004)	Black	1.42	1.58	1.22	1.46	
	White	-0.73	-0.18	-0.79	-0.18	
	Coloured	1.00	1.36	1.09	1.35	
	Asian	1.06	4.70	1.46	3.97	
	Total	**1.41**	**1.07**	**1.21**	**1.19**	
2005 (projected)	Black	207,826	264,869	89,594	562,287	78.9
	%	37.0	47.1	15.9	100.0	
	White	33	111,957	433	112,423	15.8
	%	0.0	99.6	0.4	100.0	
	Coloured	484	35,361	326	36,171	5.1
	%	1.3	97.8	0.9	100.0	
	Asian	210	1,302	100	1,611	0.2
	%	13.0	80.8	6.2	100.0	
	Total	**208,552**	**413,488**	**90,454**	**712,492**	**100.0**
	%	**29.3**	**58.0**	**12.7**	**100.0**	
2006 (projected)	Black	210,767	269,048	90,688	570,498	79.1
	%	36.9	47.2	15.9	100.0	
	White	33	111,755	429	112,217	15.6
	%	0.0	99.6	0.4	100.0	
	Coloured	489	35,840	330	36,659	5.1
	%	1.3	97.8	0.9	100.0	
	Asian	212	1,363	102	1,675	0.2
	%	12.6	81.4	6.1	100.0	
	Total	**211,500**	**418,007**	**91,549**	**721,050**	**100.0**
	%	**29.3**	**58.0**	**12.7**	**100.0**	

TABLE B18: Population by location in MLM, 1991 - 2006 (Census data)

	Bloemfontein			Botshabelo	Thaba Nchu			MLM
	Urban	Rural	Total	Urban	Urban	Rural	Total	Total
1991	277904	25436	303340	177924	10004	52470	62474	543738
1996	334749	15755	350504	177969	37105	40351	77456	605929
p.a. growth 91-96	3.8	-9.1	2.9	0.0	30.0	-5.1	4.4	2.2
2001	375823	15255	391078	175672	67071	12607	79678	646428
p.a. growth 96-01	2.3	-0.6	1.7	-0.3	12.6	-20.8	0.6	1.3
2002 (projected p.a. growth)	2	0	1.9	-0.03	0.7	0.0	0.6	1.2
2002 (projected)	383339	15255	398594	175145	67549	12607	80156	653896
2002 (projected p.a. growth)	1.9	0	1.8	-0.03	0.7	0.0	0.6	1.1
2003 (projected)	390623	15255	405878	174620	68030	12607	80637	661134
2002 (projected p.a. growth)	1.8	0	1.7	-0.03	0.7	0.0	0.6	1.1
2004 (projected)	397654	15255	412909	174096	68514	12607	81121	668126
2002 (projected p.a. growth)	1.7	0	1.6	-0.03	0.7	0.0	0.6	1.0
2005 (projected)	404414	15255	419669	173573	69001	12607	81608	674850
2002 (projected p.a. growth)	1.6	0	1.5	-0.03	0.7	0.0	0.6	1.0
2006 (projected)	410885	15255	426140	173053	69490	12607	82097	681290

* The rapid change in the urban rural ratio in Thaba Nchu is related to the fact that township establishment has take place in some of the peri-urban areas.

Concerning the information provided in Table B17 and Table B18, a number of comments need to be made:

- The proportion of people in the Bloemfontein magisterial district will increase, while the proportion of people in Botshabelo and Thaba Nchu will decrease as a percentage of the overall population of MLM.
- This also suggests that the scale of population growth rate in Bloemfontein is higher than in Thaba Nchu and Botshabelo (this will be discussed in more detail in Section B4.3).
- The figures also reveal that the black population in MLM will proportionally increase. Although the growth rate of black people in MLM is outstripped by that of the Asian population, the growth rate and scale of the black population is considerably more than the growth rates of other population groups (Table B18).
- Although Table B18 does not render the information in Table B17 invalid, it does suggest that the population growth in Botshabelo has come to a standstill. The figures suggest a decline in real figures between 1996 and 2001.

- Overall, the 2006 population of MLM can be estimated between 680 000 (according to the 2001 census data and adjusted according to suggested growth rates) and 721 000 according to the Regional Explorer Database suggested above.

Considering the rural population in Bloemfontein and Thaba Nchu, 1.8% of Mangaung's population resides in rural Thaba Nchu. As already indicated, the rural areas of Thaba Nchu contribute to 1.4% of the economy in MLM. Rural Bloemfontein has 2.2% of the population, which contribute 3.5% of the economic output of Mangaung.

In addition to the above tables a more detailed consideration of population growth is required (see Table B19).

TABLE B19: Population growth by area 1997, 2001, 2002, 2002, 2003, 1996-2004, 2005, 2006 (Regional Explorer Database)

	National Total	Free State	Botshabelo	Bloemfontein	Thaba Nchu
1997	1.6%	1.2%	1.5%	1.4%	1.6%
2001	1.4%	1.0%	1.6%	1.2%	1.4%
2002	1.4%	1.0%	1.6%	1.2%	1.3%
2003	1.3%	0.9%	1.4%	1.1%	1.2%
1996-2004	1.4%	1.0%	1.4%	1.2%	1.4%
2005 (projected)	1.2%	0.8%	1.4%	1.0%	1.1%
2006 (projected)	1.1%	0.6%	1.4%	0.8%	0.9%

Although the Regional Explorer Database suggests that population growth in Bloemfontein is lower than the population growth in Botshabelo and Thaba Nchu, the scale of population growth in Bloemfontein should be acknowledged. Furthermore, it should be noted that the population growth rate in MLM is somewhat higher than the growth rate in the Free State. This suggests that MLM, compared with the rest of the Free State, is viewed by people as an area of economic potential.

B4.3 Average household size in MLM

The average household size is reflected in Table B20 below.

TABLE B20: Average household size for MLM area (2001)

	1996	2001
Botshabelo	4.5	3.91
Bloemfontein	3.6	3.27
Thaba Nchu	4.1	3.66
MLM	3.9	3.48

From Table B20 it is evident that the smallest household size is found in Bloemfontein (3.91 people per household) followed by Thaba Nchu (3.66) and Botshabelo (3.91). More importantly, the decline in household size should be noted. In MLM it dropped from 3.9 to 3.48 in 2001. Overall this is related to government grant systems which indirectly supported household formation. For example, the housing subsidy requires that end-beneficiaries should be married or have dependants.

B4.4 Population density

The changing trends in population density in MLM are reflected in Table B21 below.

TABLE B21: Population density by area (persons per km^2) in MLM, 1996, 2001, 2002, 2003, 2004, 2005, 2006

	National Total	Free State	MLM	Botshabelo	Bloemfontein	Thaba Nchu
1996	34.56	21.20	509.97	1,400.77	66.87	62.28
2001	37.24	22.41	547.78	1,505.03	71.32	66.98
2002	37.75	22.63	556.14	1,528.38	72.16	67.88
2003	38.25	22.83	563.93	1,550.14	72.94	68.71
2004	38.71	23.01	571.19	1,570.43	73.67	69.47
2005 (projected)	39.21	23.21	579.13	1,592.63	74.46	70.31
2006 (projected)	39.72	23.41	587.18	1,615.14	75.26	71.16

It seems evident from Table B21 that the population density in Botshabelo is by far the highest. This can be ascribed to the historical role that Botshabelo played as a catchment area for black urbanisation. Even if the Regional Explorer Database suggests that there will be an increase in the population density of Botshabelo, the CDS - basing their projection on census data from Statistics South Africa - suggest a stagnant not declining population density. Population densities in Bloemfontein and Thaba Nchu were 73 and

69 persons per km2 in 2004. Overall, the population density for MLM was estimated at 571 persons per km2 in 2004. The projections for 2006 suggest 587 person per km2.

B4.5 Human Development Index

The Human Development Index (HDI) measures development by looking at literacy, per capita income and life expectancy. Table B22 provides a detailed overview of the HDI per area in MLM, as well as per race group. The HDI measures development internationally on a scale from zero to one. The closer a country gets to one, the higher human development is reported in that country.

TABLE B22: HDI by race and area, 1996, 2001, 2002, 2003, 2004, 2005, 2006

	National Total	Free State	MLM	Botshabelo	Bloemfontein	Thaba Nchu
Black 1996	0.46	0.45	0.49	0.45	0.54	0.49
White 1996	0.86	0.84	0.84	n.a.	0.84	n.a.
Coloured 1996	0.57	0.54	0.60	n.a.	0.60	n.a.
Asian 1996	0.72	0.78	n.a.	n.a.	n.a.	n.a.
Total 1996	**0.56**	**0.53**	**0.53**	**0.45**	**0.66**	**0.50**
Black 2001	0.52	0.50	0.54	0.49	0.59	0.53
White 2001	0.86	0.83	0.84	n.a.	0.84	n.a.
Coloured 2001	0.62	0.59	0.65	n.a.	0.65	n.a.
Asian 2001	0.75	0.73	0.78	n.a.	0.78	n.a.
Total 2001	**0.60**	**0.56**	**0.57**	**0.49**	**0.68**	**0.53**
Black 2002	0.52	0.50	0.54	0.48	0.60	0.53
White 2002	0.85	0.82	0.84	n.a.	0.84	n.a.
Coloured 2002	0.62	0.58	0.65	n.a.	0.65	n.a.
Asian 2002	0.75	0.72	0.78	n.a.	0.78	n.a.
Total 2002	**0.60**	**0.56**	**0.57**	**0.49**	**0.68**	**0.53**
Black 2003	0.52	0.49	0.53	0.48	0.60	0.52
White 2003	0.86	0.82	0.83	n.a.	0.83	n.a.
Coloured 2003	0.62	0.58	0.65	n.a.	0.65	n.a.
Asian 2003	0.75	0.70	0.78	n.a.	0.78	n.a.
Total 2003	**0.60**	**0.55**	**0.56**	**0.48**	**0.68**	**0.53**
Black 2004	0.53	0.51	0.54	0.49	0.61	0.53
White 2004	0.86	0.82	0.84	n.a.	0.84	n.a.
Coloured 2004	0.63	0.59	0.65	n.a.	0.65	n.a.
Asian 2004	0.76	0.73	0.78	n.a.	0.78	n.a.
Total 2004	**0.60**	**0.56**	**0.57**	**0.49**	**0.68**	**0.53**
Growth Black (2001-2004)	0.39	0.40	0.30	0.02	0.89	-0.09
Growth White (2001-2004)	0.05	-0.22	-0.04	n.a.	-0.04	n.a.
Growth Coloured	0.63	0.17	0.36	n.a.	0.36	n.a.

(2001-2004)						
Growth Asian (2001-2004)	0.43	-0.15	-0.03	n.a.	-0.03	n.a.
Growth Total (2001-2004)	**0.10**	**0.00**	**0.05**	**0.00**	**0.22**	**-0.12**
Black 2005 (projected)	0.53	0.51	0.54	0.49	0.62	0.53
White 2005 (projected)	0.86	0.82	0.84	n.a.	0.84	n.a.
Coloured 2005 (projected)	0.63	0.59	0.66	n.a.	0.66	n.a.
Asian 2005 (projected)	0.76	0.72	0.78	n.a.	0.78	n.a.
Total 2005 (projected)	**0.60**	**0.56**	**0.57**	**0.49**	**0.69**	**0.53**
Black 2006 (projected)	0.53	0.51	0.55	0.49	0.62	0.53
White 2006 (projected)	0.86	0.82	0.84	n.a.	0.84	n.a.
Coloured 2006 (projected)	0.64	0.59	0.66	n.a.	0.66	n.a.
Asian 2006 (projected)	0.76	0.72	0.78	n.a.	0.78	n.a.
Total 2006 (projected)	**0.60**	**0.56**	**0.57**	**0.49**	**0.69**	**0.53**

The overview of HDI provided in the table above should be supported by a number of comments:

- Despite an increase in the HDI of MLM and of the three magisterial districts between 1996 and 2001, the HDI has come under pressure. Since 2001 there seems to have been no increase in the HDI. The HDI suggested for MLM seems to remain stagnant. The main reason has been the impact of HIV&AIDS (Section B4.7 will provide a more detailed overview in this regard. There are also suggestions by some other researchers that the HDI will in actual fact start to decline in real terms.
- The second significant comment that should be made is that the HDI for MLM (0.56) is lower than the figure for South Africa (0.6).
- The lowest levels of HDI are found in Botshabelo (0.49) and Thaba Nchu (0.53), with Bloemfontein recording and HDI of 0.69. The relative poverty in Botshabelo and Thaba Nchu, coupled with a historical role within a migrant labour system have probably contributed to the low levels of HDI in Botshabelo and Thaba Nchu.

- The difference in HDI between population groups should also be noted. The lowest HDI in 2004 was recorded for the black population (0.49), followed by the coloured population (0.66), the Asian population (0.78) and the White population (0.84).

B4.6 Highest level of education

As already mentioned, the HDI also comprises of the educational level of a population. Usually the literacy rate (7 years of schooling) is considered in determining the HDI. Although this distinction is important, the rapidly changing economy with an emphasis on the knowledge-based economy also brings new pressures to bear on the skills levels of areas. Figure B13 and Figure B14 provide an overview in this regard.

FIGURE B13: Highest level of education for MLM, 2001, 2004, 2005, 2006

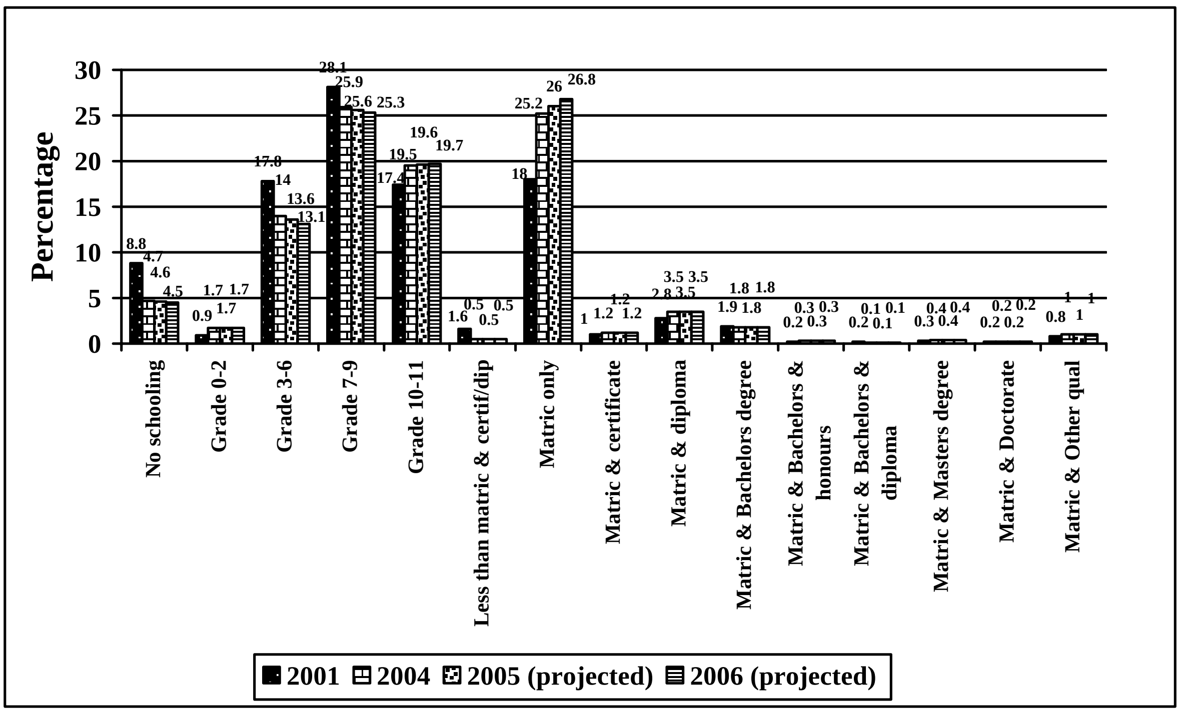
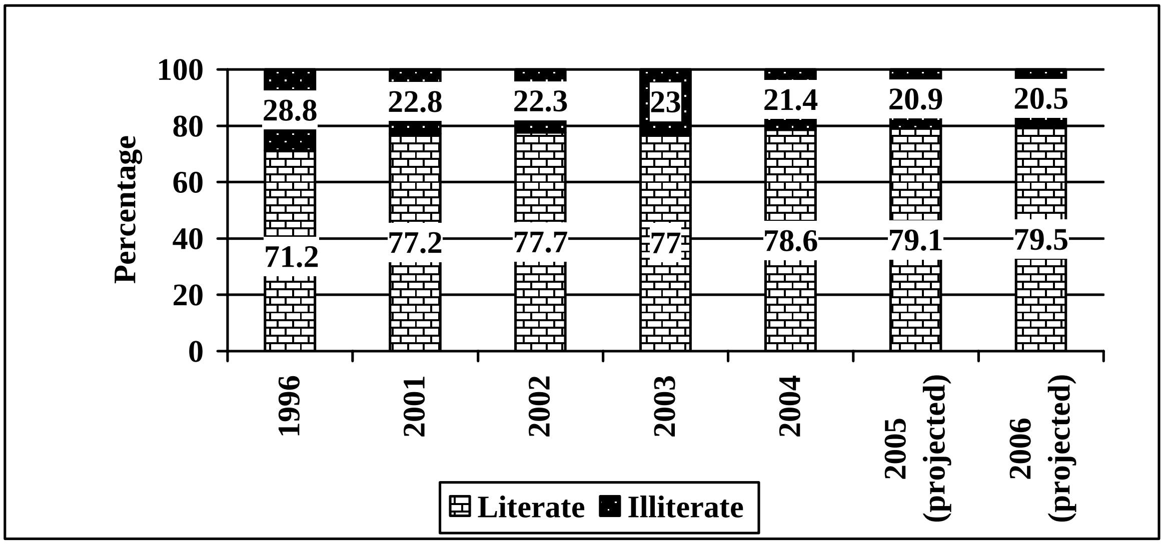


FIGURE B14: Literacy rate for MLM (1996, 2001-2006)



Overall, a number of comments should be made in this regard:

- Figure B14 clearly shows that literacy levels have increased considerably since 1996. In 1996 71.2% of the population was functionally literate compared with 78.6% in 2004. The expectations are that this could currently be close to 80%.
- The above trend is further confirmed by the increase in the percentage of the population with Grade Twelve as reflected in Figure B13.
- However, the changes in respect of post-Grade Twelve qualifications seem to be small when compared with the increase of the population with functional literacy as well as Grade Twelve.
- The challenge remains to create skills in the post-school environment which will meet the needs of the economy of MLM. It is especially at the level of the Further Education and Training band where specific technical skills are required.

B4.7 Urbanisation

Table B23 provides an overview of the urbanisation levels and trends in MLM since 1996. However, at the same stage the urbanisation rates as portrayed in Table B23 should simultaneously be noted as they show major differences in Thaba Nchu.

TABLE B23: Urbanisation rate by area (% Persons Urbanised), 1996, 2001, 2002, 2004, 2004

	National Total	Free State	Botshabelo	Bloemfontein	Thaba Nchu
1996	54.1%	68.9%	100.0%	95.6%	48.4%
2001	55.3%	71.3%	100.0%	96.6%	51.6%
2002	55.5%	71.7%	100.0%	97.0%	52.1%
2003	55.7%	72.3%	100.0%	97.7%	52.6%
2004	56.0%	72.8%	100.0%	98.3%	53.2%
Growth (2001-2004)	0.40	0.69	0.00	0.59	0.97
2005 (projected)	56.2%	73.3%	100.0%	98.9%	53.7%
2006 (projected)	56.4%	73.8%	100.0%	99.5%	54.2%

From Table B23 it is evident that the three areas in MLM are considerably more urbanised than either the Free State or the national percentage. In 2004 Botshabelo was 100% urbanised and Bloemfontein 98.3%. The urbanisation rate of Thaba Nchu is reflected at 53%. However, should the recent township establishment of the peri-urban areas of Thaba Nchu be taken into account, this figure will probably rise to over 80%. In economic terms this high level of urbanisation is problematic in that the three pockets of urbanisation are spread out over the 65 km between Thaba Nchu and Bloemfontein.

B4.8 HIV/AIDS prevalence rate

The only data available at the district level in the Free State is the HIV prevalence rate among pregnant women. However, concerning the 2003 prevalence rate in each of the districts, conclusion are drawn with regard to the expected percentage of the population infected by HIV and AIDS as suggested by Redelinghuys and Pelser.[1] These figures are reflected below in Table B24.

[1] Redelinghuys, N., and Pelser, A., 2005: Estimated and projected impacts of HIV/AIDS on the Free State and South African population" (work in progress), Department of Sociology, University of the Free State.

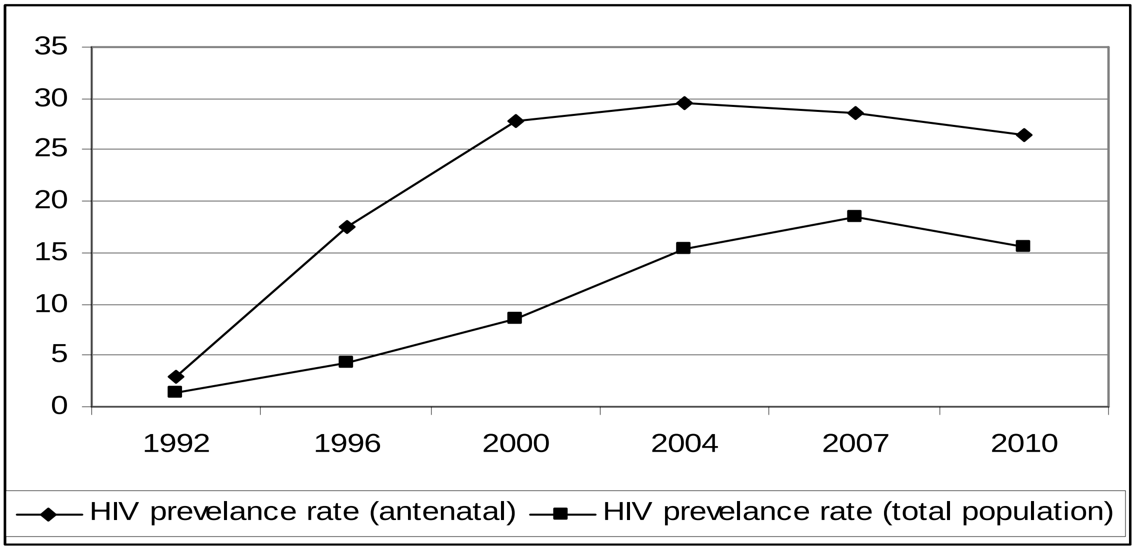
TABLE B24: HIV prevalence rate for pregnant women in the Free State, 1999 – 2003

District	1999	2000	2001	2002	2003	Projected HIV infection % for the population
Xhariep	-	-	-	-	25.7	12.3
Motheo	26.6	29.6	28.5	31.0	36.3	22.9
Lejweleputswa	31.9	30.1	41.1	29.8	33.3	19.9
Thabo Mafutsanyana	27.9	27.2	27.8	26.0	28.0	14.6
Fezile Dabi	27.6	21.1	29.4	28.1	23.8	10.4

Source: Redelinghuys and Pelser, 2005

The above table suggests that the prevalence rate in MLM, derived from the district figure, is approximately 23%. However, it is also important to consider the longer-term influences of HIV and AIDS. The following development trajectory should be considered (see Figure B15) in respect of HIV and AIDS. This development trajectory has been mapped without considering the possible impact of anti-retrovirals. According to this projection, the HIV and AIDS infection in the Free State will increase from just over 15% in 2004 to about 18% by 2007. In MLM this might mean an increase of another one or two percent by 2007. This percentage of HIV and AIDS infections will, however, again start to decline to approximately 16% by 2010. Further analysis also suggests that life expectancy will decrease from 56 years in 2000 to 39 by 2010. However, it should also be noted that by 2031 it could again be 55 years in the Free State. The percentage of HIV and AIDS - related deaths are expected to increase from 28.9% of all deaths to 68.6% of all deaths between 2000 and 2010. This increase in HIV and AIDS-related deaths and the decline in life expectancy have serious negative implications for economic growth in that the turnover of skilled people will be faster, and this will thus require extensive investments in training. In addition to assessing the situation in respect of HIV and AIDS, one should also not ignore the relationship with TB. There seems to be increasing evidence that if the TB rate could be brought down, this would also have a significant impact on assisting the HIV and AIDS infection rate to decrease.

FIGURE B15: The trajectory of HIV and AIDS in the Free State, 1992 - 2010



Source: Adapted from Pelser, 2006[2]

B5. Employment overview of broad sectors

B5.1 Introduction

This section provides an overview of employment trends in respect of the broad sectors of the economy. The employment trends in the detailed sectors will be assessed in Chapter Six. Specific aspects considered here are the economically active population, unemployment, and employment per sector. Furthermore, the section also compares economic output in terms of GVA to employment creation in these sectors. Employment per area in MLM, as well as informal employment is also assessed. However, before these detailed analyses are conducted the following overview of employment trends in the broad sectors is provided (see Table B25).

[2] Pelser, A., 2006: The demographic and development landscape of HIV and AIDS in the Free State province, South Africa, *Acta Academica*, (in press).

TABLE B25: Employment creation in the broad sectors of the MLM economy, 2001 - 2006

2001	Agriculture	Mining	Manufacturing	Electricity	Construction	Trade	Transport	Finance	Services	Households	Total
Botshabelo	132	41	3,948	104	278	1,703	746	572	4,982	1,240	13,746
Bloemfontein	6,672	266	7,963	1,299	4,499	19,745	8,517	12,299	43,148	22,398	126,806
Thaba Nchu	543	0	919	124	275	1,806	427	497	4,015	1,365	9,972
TOTAL	7,346	307	12,831	1,526	5,052	23,253	9,690	13,368	52,146	25,004	150,524
2004											
Botshabelo	142	36	3,608	108	302	1,748	695	619	5,744	1,244	14,247
Bloemfontein	7,225	229	7,194	1,356	4,710	19,546	7,844	12,500	48,885	22,465	131,955
Thaba Nchu	589	0	694	128	246	1,523	334	432	4,481	1,369	9,796
TOTAL	7,956	265	11,496	1,592	5,258	22,817	8,873	13,551	59,110	25,079	155,998
2001-2004 Increase	610	-42	-1,335	65	206	-436	-817	183	6,965	75	5,475
2005											
Botshabelo	146	35	3502	110	310	1764	679	636	6020	1245	14417
Bloemfontein	7417	218	6957	1375	4782	19480	7634	12568	50941	22488	133699
Thaba Nchu	606	0	633	129	237	1440	308	412	4646	1371	9739
TOTAL	8169	253	11091	1614	5329	22684	8621	13616	61608	25104	157855
2004/05 increase (estimated)	212	-12	-405	22	71	-133	-252	64	2497	25	1857
2006											
Botshabelo	149	33	3400	111	319	1779	663	653	6310	1247	14588
Bloemfontein	7615	208	6727	1394	4856	19415	7429	12635	53084	22510	135467
Thaba Nchu	622	0	577	131	228	1361	284	393	4817	1372	9682
TOTAL	8387	241	10703	1636	5402	22555	8377	13681	64211	25128	159737
2005/06 increase (estimated)	218	-12	-388	22	73	-128	-244	66	2603	25	1882

Despite considerable increase in economic output (see Section B2 and Section B3) employment creation has been fairly moderate. It will, however, also be explained later that unemployment has also, to a large extent, stabilised. Considering Table B25 above a number of crucial comments need to be made:

- A total of 5 478 new employment opportunities were created between 2001 and 2004. However, most of these were created in Community services, which probably reflect an increase in public sector employment.
- Sectors which have lost jobs are Mining, Manufacturing, Trade and Transport. What seems alarming is the fact that Trade and Transport have seen large growth rates during the same period, but in actual fact lost a number of employment opportunities.

- Finance, Agriculture, Electricity and Construction have also showed moderate increases in employment.
- The labour absorption rates of Agriculture and Construction - especially in respect of low-skilled people - should be noted.
- Taking into account current trends, about 1800 employment opportunities ought to be created annually in 2005 and 2006.

B5.2 Economically active people

This section provides an overview of the economically active persons by sex and by magisterial district in MLM (see Table B26).

TABLE B26: Number of economically active persons by sex and area, 1996, 2001, 2002, 20003, 2004, 2005, 2006

	National Total	Free State	MLM	Botshabelo	Bloemfontein	Thaba Nchu
Male 1996	7,425,863	553,791	115,628	27,706	75,295	12,626
Female 1996	6,168,882	434,168	119,222	31,037	75,136	13,049
Total 1996	13,594,746	987,958	234,849	58,743	150,431	25,675
Male 2001	9,312,801	685,395	144,830	35,139	93,682	16,009
Female 2001	7,760,714	540,170	149,510	39,363	93,600	16,547
Total 2001	17,073,515	1,225,564	294,340	74,502	187,282	32,556
Male 2002	9,586,831	703,196	149,112	36,308	96,298	16,507
Female 2002	7,995,606	554,784	153,968	40,673	96,233	17,062
Total 2002	17,582,436	1,257,980	303,080	76,981	192,530	33,568
Male 2003	9,769,944	713,869	151,923	37,106	97,982	16,835
Female 2003	8,155,519	563,883	156,901	41,568	97,932	17,401
Total 2003	17,925,463	1,277,752	308,824	78,674	195,914	34,236
Male 2004	9,790,777	712,320	152,185	37,270	98,039	16,876
Female 2004	8,180,567	563,373	157,199	41,752	98,003	17,444
Total 2004	17,971,343	1,275,694	309,385	79,022	196,042	34,320
Growth Male (2001-2004)	9.55	8.66	9.49	10.28	9.10	10.05
Growth Female (2001-2004)	9.76	8.98	9.55	10.28	9.16	10.05
Growth Total (2001-2004)	9.65	8.80	9.52	10.28	9.13	10.05
Male 2005 (projected)	10,726,062	774,023	166,627	41,102	106,961	18,572
Female 2005 (projected)	8,979,120	613,949	172,219	46,044	106,984	19,198
Total 2005 (projected)	19,705,182	1,387,972	338,846	87,146	213,946	37,770
Male 2006 (projected)	11,750,692	841,071	182,439	45,328	116,696	20,438
Female 2006 (projected)	9,855,625	669,064	188,674	50,778	116,788	21,129
Total 2006 (projected)	21,606,317	1,510,136	371,114	96,106	233,484	41,566

There has been a considerable increase in the number of people who are economically active. In MLM they increased from 235 000 in 1996 to 309 000 in 2004. This represents a growth rate of 9.5% per annum between 2001 and 2004. Taking into account these current growth rates the figure will probably rise to 371 000 in 2006. It is also interesting to note that there have only been slight differences between the growth rates in the numbers of the economically active people in the respective areas. MLM also has approximately 25% of the economic active population of the Free State. It is also significant the fact that in all of the three areas female economically active individuals are, in quantitative terms, more than the males. A steady increase in the number of economically active individuals coupled with a slow increase in formal employment probably leads to an increase in unemployment – an aspect to which the report now turns.

B5.3 Unemployment

The focus now shifts to an overview of unemployment figures. Table B27 provides an overview of unemployment in MLM by sex and magisterial district.

TABLE B27: Number of unemployed persons by sex and area, 1996, 2001, 2002, 2003, 2004, 2005, 2006

	National Total	Free State	MLM	Botshabelo	Bloemfontein	Thaba Nchu
Male 1996	2,024,623	117,606	31,123	10,689	15,575	4,859
Female 1996	2,583,995	177,591	40,969	14,182	20,131	6,656
Total 1996	4,608,619	295,197	72,092	24,871	35,706	11,515
Male 2001	2,879,938	174,728	44,115	14,577	22,831	6,706
Female 2001	3,708,663	267,646	57,732	19,341	29,152	9,239
Total 2001	6,588,601	442,374	101,847	33,918	51,984	15,946
Male 2002	3,107,435	189,945	48,330	16,217	24,735	7,378
Female 2002	4,071,847	295,770	64,077	21,922	31,743	10,412
Total 2002	7,179,282	485,714	112,407	38,139	56,478	17,790
Male 2003	3,145,494	192,462	49,038	16,526	24,946	7,565
Female 2003	4,202,575	305,893	66,360	22,837	32,605	10,918
Total 2003	7,348,068	498,355	115,398	39,363	57,551	18,483
Male 2004	3,095,032	190,040	48,400	16,370	24,493	7,537
Female 2004	4,169,911	305,118	66,200	22,863	32,345	10,992
Total 2004	7,264,943	495,158	114,600	39,233	56,838	18,530
Growth Male (2001-2004)	15.03	17.16	15.69	15.10	16.11	15.59
Growth Female (2001-2004)	17.11	19.55	17.16	17.07	16.94	18.01
Growth Total (2001-2004)	16.21	18.61	16.53	16.23	16.58	17.00
Male 2005 (projected)	3,560,336	222,649	55,992	18,842	28,440	8,712
Female 2005 (projected)	4,883,288	364,782	77,560	26,766	37,824	12,971
Total 2005 (projected)	8,443,624	587,431	133,551	45,607	66,264	21,684
Male 2006 (projected)	4,095,594	260,855	64,775	21,687	33,022	10,070
Female 2006 (projected)	5,718,707	436,112	90,868	31,334	44,231	15,307
Total 2006 (projected)	9,814,302	696,967	155,642	53,021	77,254	25,377

Considering the table above the following comments should be made in respect of the above table:

- Unemployment figures rose between 1996 and 2001. In 1996 just over 72 000 people were unemployed. This growth in unemployed rose to more than 101 000 in 2001.
- This trend continued to 2003. However, in 2004 there was a decline in unemployment figures. This could probably be associated with the increase in economic growth outlined in Chapter Two.

- It can thus be expected that, should economic growth increase or at least stay at its current levels, there could be a decline in the actual number of people who are unemployed.
- In respect of gender differences it should also be noted that the unemployment rates among females (42%) are considerably higher than among males (32%). Overall, the unemployment rate is estimated at 37%.
- Furthermore, the unemployment rates in Bloemfontein are the lowest (29%) while being extremely high in Botshabelo (50%) and Thaba Nchu (54%).

B5.4 Employment share per economic sector

Table B25 provided an overview of the number of people employed per sector. The emphasis now shifts to the share of employment by broad economic sector (see Table B28).

TABLE B28: Formal employment by economic sector and area (percentage distribution), 1996, 2001, 2002, 2003, 2004, 2005, 2006

		National Total	Free State	MLM	Botshabelo	Bloemfontein	Thaba Nchu
1996	Agriculture	10.9	18.9	5.3	1.0	5.7	6.0
	Mining	7.0	19.2	0.2	0.3	0.2	0.0
	Manufacturing	17.8	7.6	11.0	35.9	8.0	12.2
	Electricity	0.9	0.8	1.1	0.8	1.1	1.4
	Construction	4.2	2.5	3.8	2.2	4.1	3.1
	Trade	13.3	8.6	14.1	10.6	14.4	16.4
	Transport	5.9	4.1	7.6	6.4	8.0	5.0
	Finance	8.3	3.9	7.6	3.1	8.4	4.2
	Community services	19.3	17.6	30.6	30.2	30.2	35.9
	Households	12.4	16.7	18.6	9.5	19.9	15.8
	Total	100.0	100.0	100.0	100.0	100.0	100.0
2001	Agriculture	10.2	20.3	4.9	1.0	5.3	5.4
	Mining	4.8	10.5	0.2	0.3	0.2	0.0
	Manufacturing	14.9	6.6	8.5	28.7	6.3	9.2
	Electricity	0.9	0.9	1.0	0.8	1.0	1.2
	Construction	4.0	2.4	3.4	2.0	3.5	2.8
	Trade	15.5	10.1	15.4	12.4	15.6	18.1
	Transport	5.2	3.7	6.4	5.4	6.7	4.3
	Finance	10.9	5.0	8.9	4.2	9.7	5.0
	Community services	22.4	23.3	34.6	36.2	34.0	40.3
	Households	11.2	17.3	16.6	9.0	17.7	13.7
	Total	100.0	100.0	100.0	100.0	100.0	100.0
2002	Agriculture	10.4	21.0	5.0	1.0	5.4	5.6

	Mining	4.8	9.6	0.2	0.3	0.2	0.0
	Manufacturing	14.6	6.4	8.2	27.7	6.0	8.7
	Electricity	0.9	0.9	1.0	0.7	1.0	1.3
	Construction	3.8	2.2	3.2	1.9	3.3	2.6
	Trade	15.1	9.6	14.7	11.9	14.9	17.0
	Transport	5.2	3.5	6.2	5.1	6.5	4.1
	Finance	11.5	5.1	9.0	4.3	9.8	5.0
	Community services	22.8	24.4	35.9	38.0	35.2	42.0
	Households	11.1	17.4	16.6	9.0	17.7	13.8
	Total	100.0	100.0	100.0	100.0	100.0	100.0
2003	Agriculture	10.6	21.1	5.1	1.0	5.4	5.8
	Mining	4.9	9.9	0.2	0.3	0.2	0.0
	Manufacturing	13.8	5.9	7.5	25.9	5.5	7.7
	Electricity	0.9	0.9	1.0	0.8	1.0	1.3
	Construction	3.9	2.2	3.2	2.0	3.4	2.5
	Trade	15.6	9.6	14.9	12.2	15.1	16.5
	Transport	4.9	3.3	5.8	4.9	6.1	3.6
	Finance	11.1	4.8	8.5	4.2	9.3	4.5
	Community services	23.5	25.3	37.5	40.0	36.7	44.2
	Households	10.9	17.0	16.3	8.8	17.3	13.8
	Total	100.0	100.0	100.0	100.0	100.0	100.0
2004	Agriculture	10.5	21.3	5.1	1.0	5.5	6.0
	Mining	5.0	9.9	0.2	0.3	0.2	0.0
	Manufacturing	13.6	5.7	7.4	25.3	5.5	7.1
	Electricity	0.9	0.9	1.0	0.8	1.0	1.3
	Construction	4.2	2.3	3.4	2.1	3.6	2.5
	Trade	15.4	9.4	14.6	12.3	14.8	15.5
	Transport	4.8	3.2	5.7	4.9	5.9	3.4
	Finance	11.4	4.8	8.7	4.3	9.5	4.4
	Community services	23.5	25.6	37.9	40.3	37.0	45.7
	Households	10.6	16.8	16.1	8.7	17.0	14.0
	Total	100.0	100.0	100.0	100.0	100.0	100.0
2005 (projected)	Agriculture	10.6	21.7	5.2	1.0	5.5	6.2
	Mining	5.1	9.7	0.2	0.2	0.2	0.0
	Manufacturing	13.2	5.4	7.0	24.2	5.2	6.5
	Electricity	0.8	0.9	1.0	0.8	1.0	1.3
	Construction	4.2	2.3	3.4	2.1	3.6	2.4
	Trade	15.4	9.2	14.3	12.2	14.6	14.7
	Transport	4.7	3.0	5.5	4.7	5.7	3.2
	Finance	11.6	4.8	8.6	4.4	9.4	4.2
	Community services	23.9	26.4	39.0	41.7	38.1	47.5
	Households	10.4	16.7	15.9	8.6	16.8	14.0
	Total	100.0	100.0	100.0	100.0	100.0	100.0
2006 (projected)	Agriculture	10.7	22.0	5.2	1.0	5.6	6.4
	Mining	5.2	9.5	0.2	0.2	0.2	0.0
	Manufacturing	12.9	5.1	6.7	23.2	5.0	5.9
	Electricity	0.8	0.9	1.0	0.8	1.0	1.3
	Construction	4.3	2.3	3.4	2.2	3.6	2.3
	Trade	15.3	8.9	14.1	12.1	14.3	13.9

Transport	4.6	2.9	5.2	4.5	5.5	2.9
Finance	11.7	4.7	8.5	4.5	9.3	4.0
Community services	24.3	27.2	40.1	43.0	39.1	49.2
Households	10.2	16.5	15.7	8.5	16.6	14.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

The following comments are pertinent:

- The Agriculture sector has seen a slight increase in respect of share of employment between 2001 and 2004 (4.9% - 5.1%). This should be noted despite the fact that in terms of economic output this sector's share has declined. This once again confirms that the labour absorption rate of Agriculture is fairly high.
- Mining saw a constant employment percentage of 0.2% of the total percentage of people in MLM between 2001 and 2004.
- Employment in Manufacturing dropped proportionally (8.5% – 7.4%) between 2001 – 2004. Yet, even more significantly, Manufacturing dropped from 11% of total employment in 1996 to the 7.4% of 2001. It should also be noted that this decline in employment in Manufacturing was a national trend. Fundamentally this can probably be related to the difficulties of the South African Manufacturing economy to adjust to the global economy.
- Employment in Electricity, as a percentage of total employment in MLM remained constant for the period 2001 – 2004.
- The proportional percentage of people employed in Construction increased slightly from 3.2% in 2001 to 3.4% in 2004. This once again confirms the fact that Construction also has a significant labour absorption rate.
- In respect of Trade, the proportion of people employed in Trade declined between 2001 and 2004 (15.4-14.3%), this despite the fact that Trade's share of the local economy increased (Section B2) and also that Trade was responsible for the largest percentage of economic growth in MLM.
- The proportional share of people employed in Transport declined from 6.4% in 2001 to 5.7% in 2004, this also despite the fact that Transport had been growing significantly between 2001 and 2004.
- Finance proportionally declined slightly from 8.9% - 8.7% between 2001 and 2004.

- In the case of Community service there was a considerable increase from 34.6% in 2001 to 37.9% in 2004. The long-term viability of employment growth in this sector is questionable despite the fact that the current trends suggest further growth.

The above trends to a large degree reflect the increasing importance of Community services as an employment sector. Some also relate the increasing importance of the Community service sector to an increase in the Tress Index.

B5.5 Employment versus production

Chapter Two of this section of the report dealt with the relative GVA contribution of the various sectors of the economy. Earlier in this section an overview was provided of the proportional contribution of these sectors in respect of employment. In this section the aspects are compared (see Table B29).

TABLE B29: Comparison of formal employment and production for MLM (1996, 2001-2006)

		Employment (%)	Production (%)
1996	Agriculture	5.3	3.7
	Mining	0.2	0.3
	Manufacturing	11.0	8.1
	Electricity	1.1	3.4
	Construction	3.8	3.4
	Trade	14.1	17.1
	Transport	7.6	12.2
	Finance	7.6	14.9
	Community services	30.6	36.9
	Households	18.6	
	Total	**100.0**	**100.0**
2001	Agriculture	4.9	3.2
	Mining	0.2	0.3
	Manufacturing	8.5	7.5
	Electricity	1.0	2.6
	Construction	3.4	2.1
	Trade	15.4	17.1
	Transport	6.4	13.0
	Finance	8.9	17.0
	Community services	34.6	37.2
	Households	16.6	
	Total	**100.0**	**100.0**

2002	Agriculture	5.0	4.0
	Mining	0.2	0.3
	Manufacturing	8.2	7.6
	Electricity	1.0	2.5
	Construction	3.2	1.9
	Trade	14.7	17.0
	Transport	6.2	12.6
	Finance	9.0	16.8
	Community services	35.9	37.3
	Households	16.6	
	Total	**100.0**	**100.0**
2003	Agriculture	5.1	3.4
	Mining	0.2	0.2
	Manufacturing	7.5	7.3
	Electricity	1.0	2.3
	Construction	3.2	2.0
	Trade	14.9	17.5
	Transport	5.8	12.6
	Finance	8.5	17.0
	Community services	37.5	37.6
	Households	16.3	
	Total	**100.0**	**100.0**
2004	Agriculture	5.1	2.8
	Mining	0.2	0.2
	Manufacturing	7.4	7.0
	Electricity	1.0	2.2
	Construction	3.4	1.9
	Trade	14.6	18.2
	Transport	5.7	12.6
	Finance	8.7	17.8
	Community services	37.9	37.3
	Households	16.1	
	Total	**100.0**	**100.0**
2005 (projected)	Agriculture	5.2	1.5
	Mining	0.2	0.1
	Manufacturing	7.0	3.7
	Electricity	1.0	1.1
	Construction	3.4	1.0
	Trade	14.3	10.1
	Transport	5.5	6.8
	Finance	8.6	12.6
	Community services	39.0	37.3
	Households	15.9	
	Total	**100.0**	**100.0**
2006 (projected)	Agriculture	5.2	1.4
	Mining	0.2	0.1
	Manufacturing	6.7	3.6
	Electricity	1.0	1.1

	Construction	3.4	1.0
	Trade	14.1	10.3
	Transport	5.2	6.6
	Finance	8.5	55.7
	Community services	40.1	37.6
	Households	15.7	
	Total	**100.0**	**100.0**

A number of important comments need to be made in respect of the above table and the relationship between GVA output and employment in sectors:

- The following sectors are absorbing labour effectively as their employment creation is considerably higher than their economic production: Agriculture and Construction.
- It should be noted that Mining historically also had this attribute, but its labour absorption rate has declined over the last ten years or so, while the scale of Mining is too small in MLM to make any meaningful contribution.
- Manufacturing is also a sector where historically the labour absorption rate has been high. However, currently the employment contribution and economic development contribution are more or less equal.
- In the following sectors the economic production percentage outscores their contribution to employment by some considerable margin: Electricity, Trade, Finance and Transport.
- In Community services the economic contribution and the employment contribution are more or less equal.

The challenge remains not only to invest in those sectors of the economy that produce economic outputs, but also in those sectors which assist in absorbing low-skilled labour, the skills levels of people remaining fairly limited.

B5.6 Informal sector employment

The above sections reflected on the formal economy. Yet, some form of understanding of the informal economy is also required on order to provide a balanced overview of the economy in MLM (see Table B30).

TABLE B30: Informal sector employment by sector for MLM (percentage distribution, 1996, 2001, 2004

Sector	Botshabelo	Bloemfontein	Thaba Nchu	Total	Total %
1996					
3 Manufacturing	1,538	891	409	2,838	16.8
5 Construction	245	1,834	233	2,313	13.7
6 Trade	1,857	5,894	678	8,430	49.8
7 Transport	67	197	23	287	1.7
8 Finance	283	1,185	211	1,679	9.9
9 Community services	276	1,025	84	1,385	8.2
Total Informal	4,267	11,025	1,639	16,931	100.0
2001					
3 Manufacturing	2,899	2,004	865	5,768	14.1
5 Construction	324	2,424	322	3,069	7.5
6 Trade	5,615	18,017	2,096	25,728	63.1
7 Transport	99	333	41	473	1.2
8 Finance	513	2,063	402	2,978	7.3
9 Community services	538	2,068	167	2,772	6.8
Total Informal	9,989	26,908	3,892	40,789	100.0
2004					
3 Manufacturing	2,171	1,500	648	4,319	12.6
5 Construction	309	2,314	307	2,930	8.6
6 Trade	4,510	14,471	1,683	20,664	60.5
7 Transport	96	321	39	456	1.3
8 Finance	565	2,273	442	3,280	9.6
9 Community services	487	1,871	151	2,508	7.3
Total Informal	8,137	22,749	3,271	34,158	100.0

A number of notes should be made in respect of Table B30 above:

- The largest percentage of the population in the informal economy were in Trade (60.5%) in 2004.
- This was slightly lower than the 63.1% recorded in this sector in 2001, but still considerably larger than the 49.8% in 1996.
- The second largest sector in the informal economy is Manufacturing where 12.6% of the people in the informal economy were situated in 2004.
- Interestingly Finance is also fairly big with 9.7% of the people in the informal sector being in this sector.

B5.7 Employment per area

This section considered the employment percentage by sector in relation to the Free State and the national average (see Table B31). It also suggests future scenarios for 2005 and 2006.

TABLE B31: Total employment by economic sector in MLM compared with the Free State and South Africa, (percentage distribution), 1996, 2001, 2002, 2003, 2004, 2005, 2006

		National Total	Free State	MLM	Botshabelo	Bloemfontein	Thaba Nchu
1996	Agriculture	9.9	17.4	4.7	0.8	5.3	5.1
	Mining	6.3	17.7	0.2	0.2	0.2	0.0
	Manufacturing	17.5	8.0	11.6	35.9	8.0	14.1
	Electricity	0.9	0.7	1.0	0.6	1.0	1.2
	Construction	5.5	3.6	4.9	3.0	5.2	4.8
	Trade	15.9	12.1	17.9	18.3	17.7	20.1
	Transport	6.2	4.0	7.0	5.3	7.5	4.5
	Finance	8.0	4.4	7.8	3.9	8.6	5.5
	Community services	18.6	16.9	28.2	24.6	28.4	31.2
	Households	11.3	15.3	16.7	7.2	18.2	13.4
	Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
2001	Agriculture	8.3	16.6	3.8	0.6	4.3	3.9
	Mining	3.9	8.6	0.2	0.2	0.2	0.0
	Manufacturing	14.5	7.4	9.7	28.9	6.5	12.9
	Electricity	0.7	0.7	0.8	0.4	0.8	0.9
	Construction	5.7	3.4	4.2	2.5	4.5	4.3
	Trade	23.0	19.8	25.6	30.8	24.6	28.1
	Transport	5.4	3.3	5.3	3.6	5.8	3.4
	Finance	9.5	5.3	8.5	4.6	9.3	6.5
	Community services	20.0	20.5	28.7	23.3	29.4	30.2
	Households	9.1	14.2	13.1	5.2	14.6	9.8
	Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
2002	Agriculture	9.4	19.6	4.6	0.8	5.1	4.9
	Mining	4.3	9.0	0.2	0.2	0.2	0.0
	Manufacturing	15.3	7.7	10.3	34.9	6.8	13.5
	Electricity	0.8	0.8	0.9	0.6	0.9	1.1
	Construction	5.9	3.6	4.6	3.2	4.7	4.7
	Trade	15.0	9.3	13.8	9.9	14.2	15.0
	Transport	5.7	3.6	5.9	4.5	6.3	3.8
	Finance	11.1	6.1	10.0	6.2	10.7	7.7
	Community services	22.5	24.2	34.5	32.7	34.4	37.5
	Households	10.0	16.2	15.2	7.1	16.6	11.9
	Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
2003	Agriculture	8.9	17.9	4.1	0.6	4.6	4.4
	Mining	4.1	8.4	0.1	0.2	0.2	0.0
	Manufacturing	13.5	6.6	8.5	26.6	5.7	10.9

	Electricity	0.7	0.7	0.8	0.5	0.9	1.0
	Construction	5.5	3.2	4.1	2.6	4.3	4.1
	Trade	21.4	17.5	23.1	27.8	22.3	25.1
	Transport	5.2	3.1	5.0	3.5	5.4	3.0
	Finance	10.1	5.4	8.8	5.2	9.4	6.8
	Community services	21.4	22.8	32.0	27.5	32.5	34.4
	Households	9.1	14.5	13.4	5.6	14.7	10.4
	Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
2004	Agriculture	9.0	18.2	4.2	0.6	4.7	4.5
	Mining	4.3	8.5	0.1	0.2	0.1	0.0
	Manufacturing	13.4	6.3	8.3	25.9	5.6	10.3
	Electricity	0.7	0.7	0.8	0.5	0.9	1.0
	Construction	5.9	3.4	4.3	2.7	4.6	4.2
	Trade	21.4	17.3	22.9	28.1	22.0	24.6
	Transport	4.1	2.7	4.7	3.1	5.1	2.5
	Finance	10.5	5.4	8.9	5.3	9.6	6.7
	Community services	21.7	23.1	32.5	28.0	32.9	35.6
	Households	9.0	14.3	13.2	5.6	14.6	10.5
	Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
2005 (projected)	Agriculture	9.2	18.7	4.3	0.7	4.8	4.7
	Mining	4.4	8.4	0.1	0.2	0.1	0.0
	Manufacturing	13.1	6.0	7.9	24.9	5.4	9.5
	Electricity	0.7	0.8	0.9	0.5	0.9	1.0
	Construction	5.9	3.4	4.3	2.8	4.6	4.2
	Trade	20.9	16.5	22.0	27.1	21.2	23.4
	Transport	3.7	2.5	4.5	2.9	4.9	2.3
	Finance	10.8	5.5	9.0	5.6	9.6	6.8
	Community services	22.3	23.9	33.8	29.6	34.0	37.4
	Households	9.0	14.4	13.2	5.7	14.5	10.7
	Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
2006	Agriculture	9.4	19.1	4.4	0.7	4.9	4.9
	Mining	4.6	8.3	0.1	0.2	0.1	0.0
	Manufacturing	12.7	5.7	7.5	24.0	5.1	8.8
	Electricity	0.7	0.8	0.9	0.5	0.9	1.0
	Construction	6.0	3.4	4.3	2.9	4.6	4.2
	Trade	20.4	15.7	21.2	26.2	20.4	22.3
	Transport	3.4	2.4	4.3	2.8	4.6	2.0
	Finance	11.1	5.5	9.0	5.8	9.7	6.8
	Community services	22.8	24.8	35.0	31.3	35.2	39.2
	Households	9.0	14.4	13.2	5.8	14.5	10.8
	Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

The following comments should be made in respect of Table B31 when the figures for 2004 are under investigation:

- In the following sectors MLM underperforms in comparison with the Free State: Agriculture and Mining.

- In all the other sectors MLM has a higher percentage of people employed in the sectors than the Free State average.

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B6: Employment per broad sector

B6.1 Introduction

Chapter Five provided an overview of employment for each of the broad sectors. The focus in this chapter is on the detailed sectors within each broad sector. The section will start of with an overview of the proportional contribution of each of the sub-sectors to the total employment compared with their GVA contribution. Thereafter each of the main sectors are assessed in detail in respect of employment.

B6.2 Formal employment by detailed sector compared with the GVA contribution

Table B32 provides an overview of the proportional share of employment and GVA of each of the sub-sectors. The projected figures are also provided for 2005 and 2006.

TABLE B32: Formal employment percentage and GVA percentage by sub-sector for MLM, 2001, 2004, 2005, 2006

SIC sub-sector	2001		2004		2005 (projected)		2006 (projected)	
	Employment (%)	GVA (%)	Employment (%)	GVA (%)	Employment (%)	GVA (%)	Employment (%)	GVA (%)
11 Agriculture and hunting	4.9	3.2	5.1	2.8	6.1	2.7	6.2	2.6
12 Forestry and logging	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13 Fishing, operation of fish farms	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
21 Mining of coal and lignite	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
23 Mining of gold and uranium ore	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0
24 Mining of metal ores	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
25-29 Other mining and quarrying (incl 22)	0.1	0.3	0.1	0.2	0.1	0.2	0.1	0.2
30 Food, beverages and tobacco products	1.6	1.9	1.3	2.0	1.5	2.0	1.4	2.0
31 Textiles, clothing and leather goods	2.6	0.6	2.2	0.5	2.4	0.5	2.3	0.5
32 Wood and wood products	0.8	0.6	0.7	0.5	0.9	0.5	0.9	0.4
33 Fuel, petroleum, chemical and rubber products	0.8	1.0	0.7	0.9	0.8	0.9	0.7	0.8
34 Other non-metallic mineral products	0.2	0.1	0.2	0.1	0.2	0.2	0.2	0.2

35 Metal products, machinery and household appliances	0.8	0.5	0.7	0.5	0.8	0.5	0.7	0.5
36 Electrical machinery and apparatus	0.9	0.6	0.7	0.5	0.8	0.4	0.7	0.4
37 Electronic, sound/vision, medical & other appliances	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1
38 Transport equipment	0.3	0.7	0.2	0.6	0.3	0.6	0.3	0.6
39 Furniture and other items NEC and recycling	0.5	1.4	0.6	1.2	0.7	1.2	0.7	1.1
41 Electricity, gas, steam and hot water supply	1.0	2.4	1.0	2.0	1.2	1.9	1.2	1.7
42 Collection, purification and distribution of water	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2
50 Construction	3.4	2.1	3.4	1.9	4.0	1.9	4.0	1.8
61 Wholesale and commission Trade	2.1	5.5	1.9	5.2	2.3	5.1	2.2	5.0
62 Retail Trade and repairs of goods	8.0	8.3	7.6	9.8	8.8	10.3	8.6	10.8
63 Sale and repairs of motor vehicles, sale of fuel	3.3	2.3	3.1	2.2	3.6	2.2	3.6	2.2
64 Hotels and restaurants	2.2	1.0	2.0	1.0	2.3	1.0	2.3	1.0
71-72 Land and water Transport	4.4	6.7	3.8	6.4	4.3	6.3	4.0	6.2
73-74 Air Transport and Transport supporting activities	0.2	0.6	0.1	0.6	0.2	0.6	0.1	0.6
75 Post and telecommunication	1.9	5.7	1.8	5.6	2.1	5.5	2.0	5.5
81-83 Finance and insurance	4.1	10.3	3.8	10.5	4.4	10.6	4.3	10.6
84 Real estate activities	0.2	3.1	0.2	3.4	0.2	3.5	0.2	3.6
85-88 Other business activities	4.5	3.7	4.7	3.9	5.6	3.9	5.6	4.0
91 Public administration and defence activities	11.5	11.9	14.1	12.7	17.9	12.9	19.1	13.2
92 Education	9.4	9.9	9.6	9.7	11.5	9.6	11.5	9.5
93 Health and social work	10.6	8.4	10.9	8.2	13.1	8.1	13.1	8.0
94-99 Other service activities	3.2	7.1	3.3	6.7	3.9	6.6	3.9	6.5
Households	16.6		16.1		18.9		18.5	
Total Industries	100.0	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

The following aspects should be mentioned:

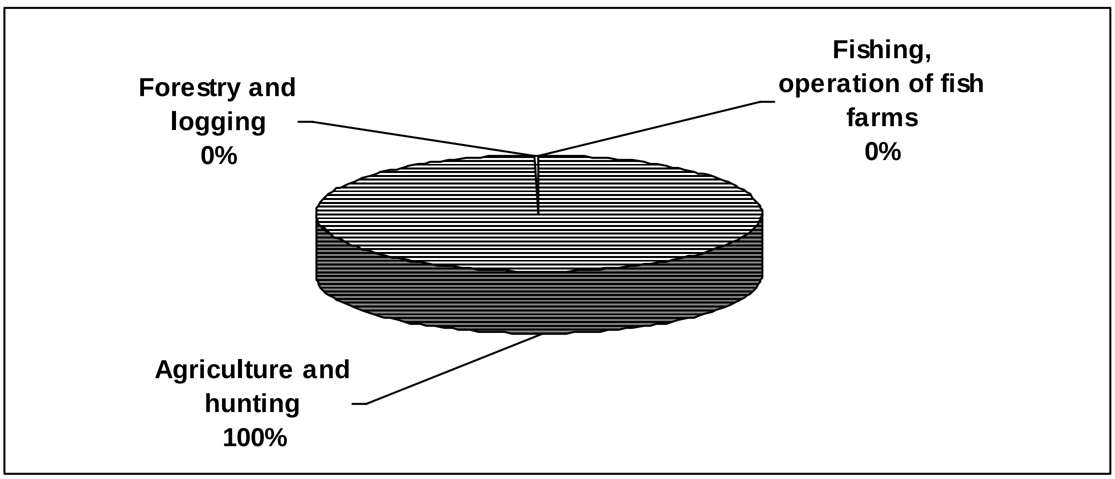
- The larger percentage of employment than GVA confirms the high labour absorption rate of Agriculture and hunting.
- In terms of Manufacturing, the high levels of labour absorption in the Textile sector should be noted.
- The higher share of employment creation in comparison with economic output in respect of Construction once again suggests the higher levels of labour absorption for this sector.

- Other sub-sectors where significant labour absorption exists are: Sale and repairs of motor vehicles, sale of fuel; Hotels and restaurants; Other business activities, Health and social work; Other service activities.
- The ability of the following sub-sectors to increase economic growth should be noted: Wholesale and commissioned Trade, Land and water Transport, Post and telecommunications, Finance and insurance; Real estate activities.

B6.3 Agriculture

The dominance of Agriculture and hunting in terms of economic output reflected in Section B3 is further supported by the dominance of this sub-sector in terms of employment (see Figure B16).

FIGURE B16: Formal employment per sub-sector in the Agriculture for MLM, 2004

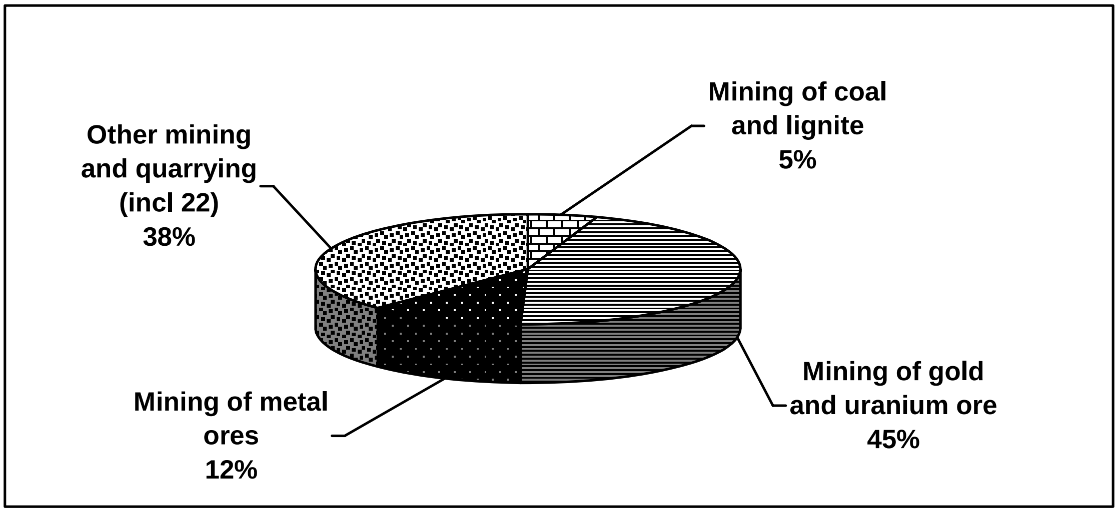


As was the case in respect of GVA, 100% of employment is found in the Agriculture and hunting sub-sector. There has also been no change in the sub-sectors since 2001.

B6.4 Mining

The proportional contribution of employment in the sub-sectors of Mining should be seen against the background that only 260 people were employed in this sector (2004) (see Figure B17). Overall, employment in this sector and also this sectors contribution to the MLM economy are thus irrelevant.

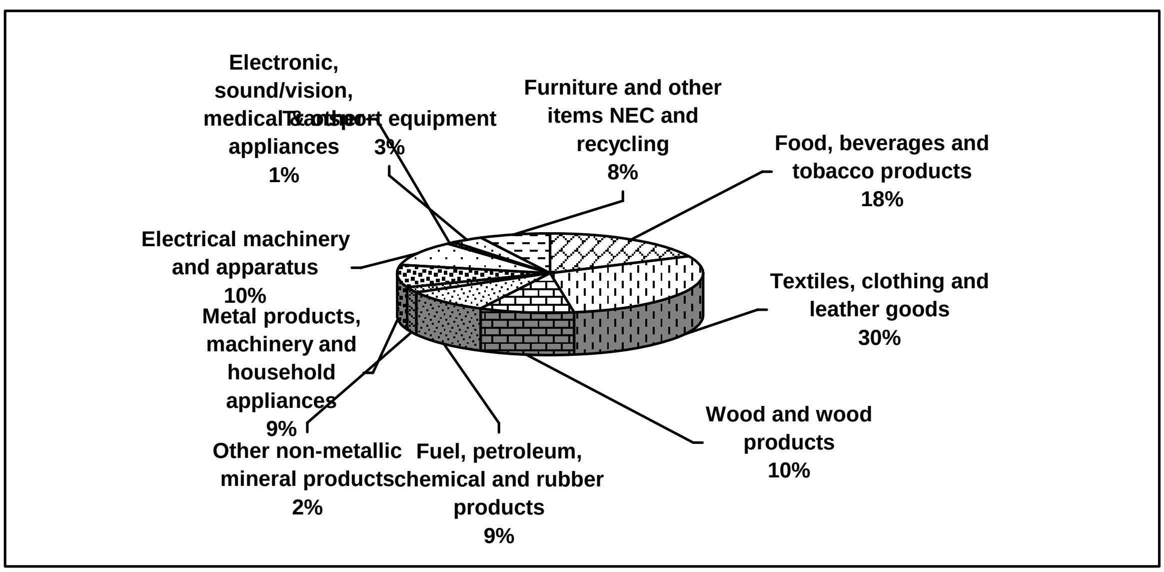
FIGURE B17: Formal employment share by sub-sector in the Mining sector for MLM, 2004



B6.5 Manufacturing

The employment by sub-sector is reflected in Figure B18 below. The differences with the GVA contribution are discussed below.

FIGURE B18: Formal employment share sub-sector in manufacture sector for MLM, 2004



The following sub-sectors have seen some change in employment since 2001:

- The employment contribution of Furniture and other items NEC and recycling has increased from 6% of the total to 8% of the total employment in Manufacturing.
- Wood and wood products increased its share of employment in Manufacturing from 8% in 2001 to 10% in 2004.

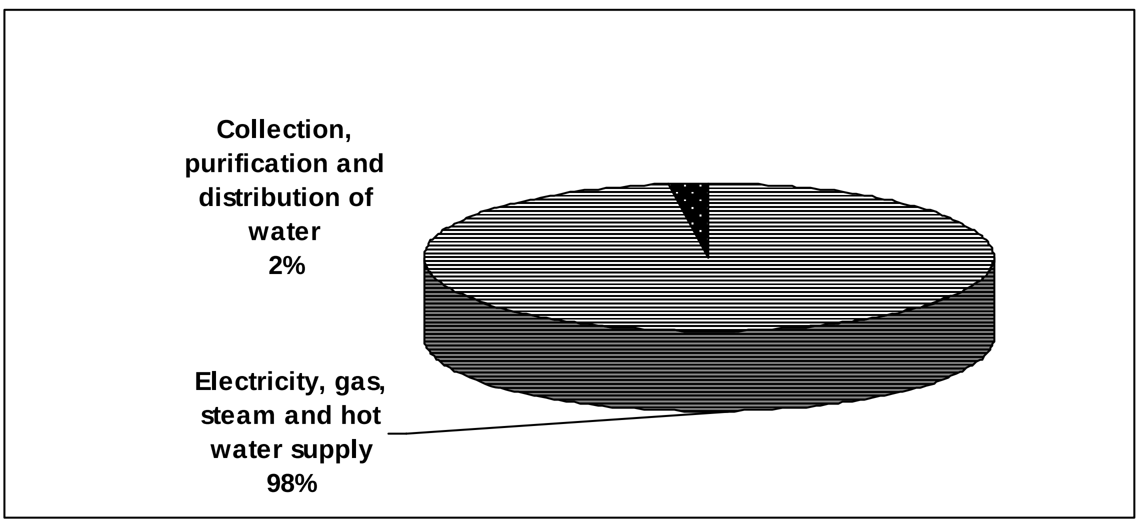
The following sub-sectors experienced a decline in the share of employment in Manufacturing in MLM between 2001 and 2004:

- Food and beverages dropped from 19% to 18% of employment share in the sector.
- Textiles and clothing dropped from 33% to 30% of employment share in the sector.

B6.6 Electricity, gas and water

The employment shares of the sub-sectors in Electricity, gas and water are reflected in Figure B19 below.

FIGURE B19: Formal employment share by sub-sector in Electricity/gas/water sector for MLM, 2004



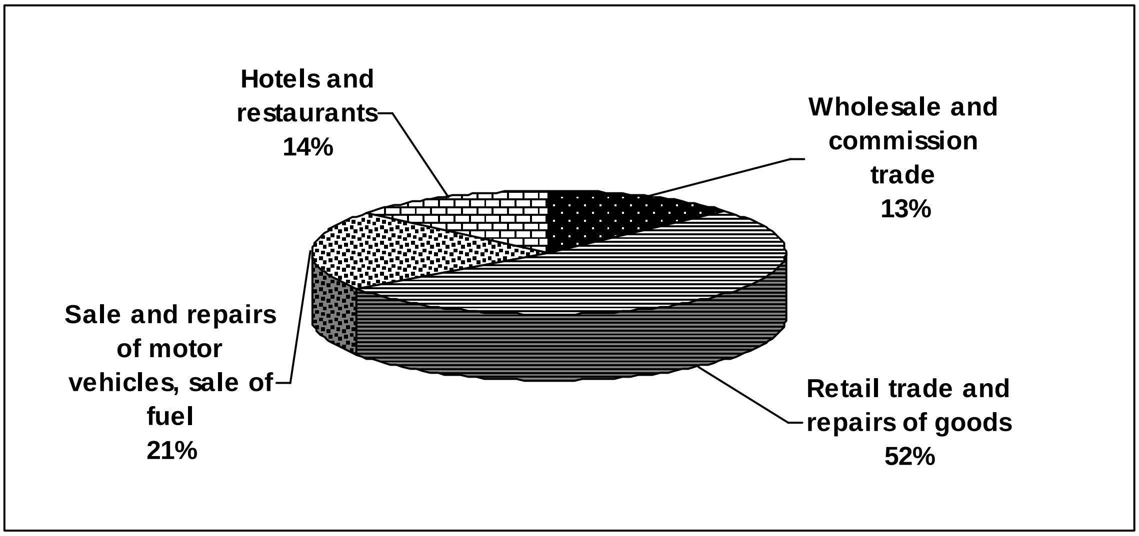
The sub-sector remains dominated by the sub-sector of Electricity, gas, steam and hot water supply in that 98% of the employment in this sector is generated by the sub-sector.

Employment in this sub-sector is also somewhat more than the 93% contribution to GVA that this sub-sector provides.

B6.7 Trade

Employment share in each of the sub-sectors of Trade is reflected in Figure B20 below.

FIGURE B20: Formal employment share by sub-sector in Trade for MLM, 2004

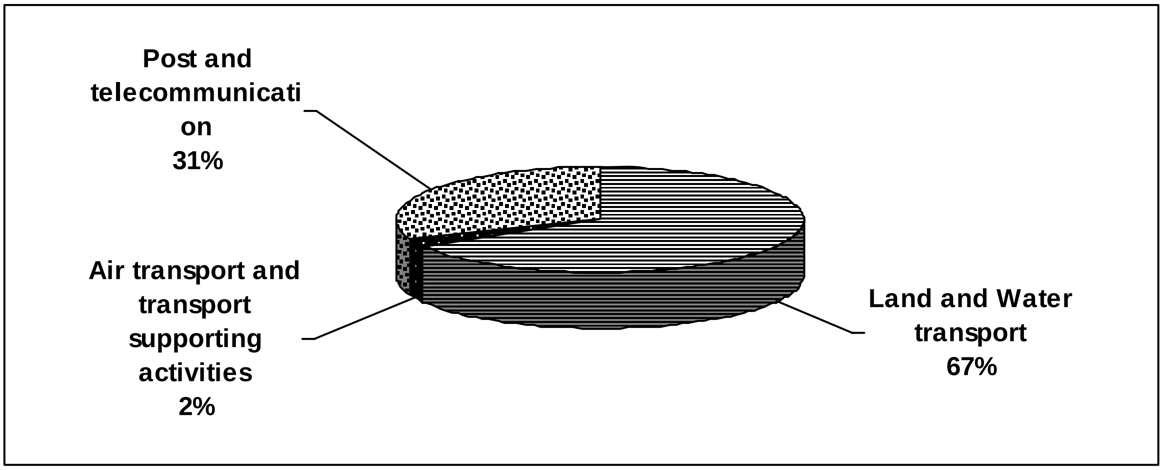


Hotels and restaurants as a sector increased its share of employment in MLM between 2001 and 2004. The percentage employment increased from 12%-14%. However, Wholesale and commission trade as well as the Sale and repair of motor vehicles, sale of fuel each dropped 1% since 2001. Retail trade and repairs of goods remained the same.

B6.8 Transport

The figures for Transport and its proportional share of employment per sub-sector are reflected below in Figure B21.

FIGURE B21: Formal employment share by sub-sector in Transport for MLM, 2004

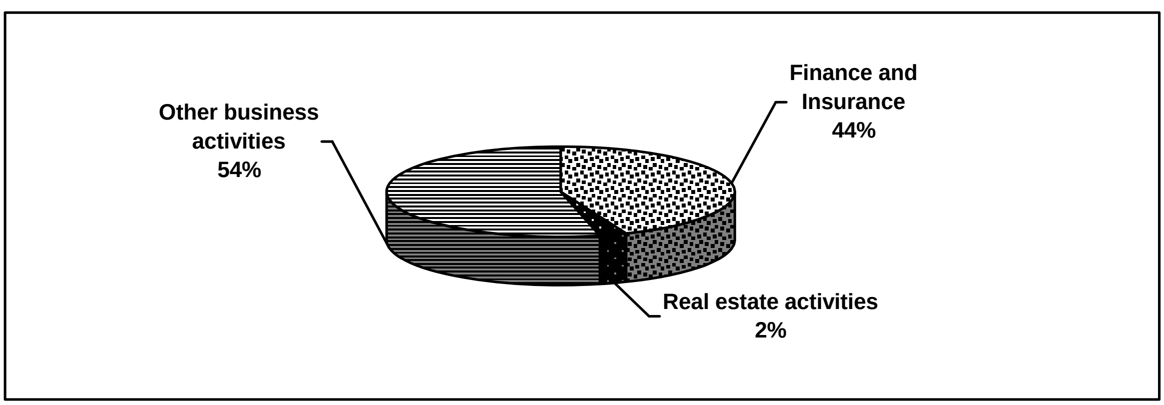


A number of comments are due in respect of above the figure and table. In the first place, there was an extensive proportional increase in the percentage of people employed in Land and water transport (63% to 67%). However, the other two sectors dropped in terms of their proportional contribution. In the case of Post and telecommunication, the proportional share of employment in the sector decreased from 34% in 2001 to 31% in 2004. In the case of Air transport and supporting transport activities the drop was from 3% in 2001 to 2% in 2004.

B6.9 Finance and real estate

The proportional share of employment is reflected in Figure B22 below.

FIGURE B22: Formal employment share by sub-sector in Finance for MLM, 2004

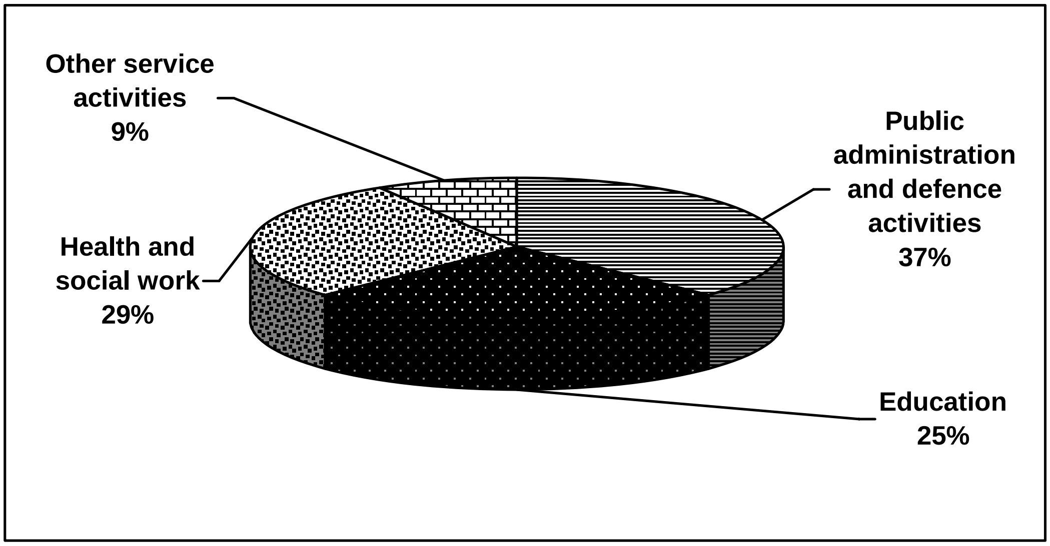


Finance and insurance increased its relative contribution to the Finance sector by 1% while Real estate activities lost 1% since 2001. Other business activities remained the same.

B6.10 Community services

The data for each of the sub-sectors are reflected in Figure B23.

FIGURE B23: Formal employment share by sub-sector in Community services for MLM, 2004



The following changes occurred in terms of the Community services sector:

- Public administration and defence activities dropped by 1% to 37% in 2004.
- Education and Health and social work remained stable at 25% and 29% respectively of the employment share.
- Other service activities increased their proportional share of Services by 1%.

B6.11 Labour remuneration sector share

Table B33 reflects the labour remuneration share of each of the broad sectors for 2001 and 2004 as well as the projections for 2006.

TABLE B33: Labour remuneration sector share for MLM, 2001, 2004, 2005, 2006

Sector	2001	2004	2005 (projected)	2006 (projected)
	%	**%**	**%**	**%**
Agriculture	1.2	1.1	1.1	1.0
Mining	0.1	0.1	0.1	0.1
Manufacturing	7.5	6.8	6.8	6.5
Electricity	2.0	1.8	1.8	1.7
Construction	2.1	1.9	2.3	2.3
Trade	14.1	14.8	14.8	15.0
Transport	8.9	8.5	8.6	8.5
Finance	11.5	12.1	13.6	13.8
Community services	52.5	52.9	53.1	53.2
Total Industries	**100.0**	**100.0**	**100.0**	**100.0**

The following trends can be seen from the labour remuneration share reflected in the Table B35 above:

- The labour remuneration share of Agriculture, Manufacturing, Electricity, Construction, Transport have decreased since 2001.
- For the following sectors there is an increase in labour remuneration: Trade, Finance and Community services.

It should also be noted that Agriculture, Construction and Trade are poor remunerators. However, at the same time, previous assessments have shown that the labour absorption rates in these sectors are high.

B6.12 Occupation profile

Occupation profiles are only available from the national census data. The Economic Development Strategy in 2003 reflected in the 1996 information in this regard. Table B34 and B35 provides an overview for 1996 and 2001.

TABLE B34: Labour force occupation profile for MLM, 1996

Occupation	Bloemfontein	Botshabelo	Thaba Nchu	MLM
Legislators, senior officials and managers	4.6	2.3	2.3	3.9
Professionals	12.1	4.4	10.6	10.3
Technicians and associate professionals	7.8	2.7	4.4	6.4
Clerks	11.7	3.6	6.3	9.5
Service workers, shop and market sales workers	11.6	9.7	13.8	11.4
Skilled agriculture and fishery workers	3.2	2.2	2.9	3.0
Craft and related Trade workers	10.9	26.7	16.8	14.8
Plant and machine operators and assemblers	4.8	9.5	7	6.0
Elementary occupations	24.8	30.6	27.3	26.2
Occupation NEC or unspecified	8.5	8.4	8.5	8.5
Total	**100**	**100**	**100**	**100**

TABLE B35: Labour force occupation profile for MLM, 2001

Type	Bloemfontein	Botshabelo	Thaba Nchu	MLM
Legislators, senior officials and managers	4.62	1.74	2.77	3.93
Professionals	11.90	4.95	12.48	10.65
Technicians and associate professionals	4.49	2.64	3.04	4.02
Clerks	10.88	7.10	8.32	9.95
Service workers, shop and market sales workers	26.54	23.78	26.17	25.99
Skilled agriculture and fishery workers	1.61	1.04	1.43	1.49
Craft and related Trade workers	7.51	19.67	12.65	10.23
Plant and machine operators and assemblers	4.28	11.82	7.90	6.01
Elementary occupations	22.45	23.89	21.50	22.64
Occupation NEC or unspecified	5.71	3.37	3.73	5.10
Total	100	100	100	100

Two important comments should be made in terms of the table above:

- There was a slight increase in the percentage of professionals (10.3% - 10.6%).
- However, more alarming is that there was a considerable decrease in the percentage of technicians and associated professionals.
- Finally there seems to be a decline in the percentage of elementary occupations.

B7. Income overview

This section on income overview considers the following aspects: Household income, average annual household income, per capita income, the number of people living in poverty, as well as the Gini-coefficient. These aspects should be seen in conjunction with the aspects already dealt with.

B7.1 Household income

An overview of household income is provided in Table B36 below.

TABLE B36: Household income profile for MLM, 1996, 2001, 2002, 2003, 2004, 2005, 2006

Income category	1996	2001	2002	2003	2004	2005 (projected)	2006 (projected)
0-2400	1.4	2.8	3.1	3.3	3.7	4	4.3
2400-6000	4.6	6.8	6.8	6.9	7.1	7.1	7.2
6000-12000	19	13	12	11.1	9.9	9	8.2
12000-18000	16.4	15.5	14.7	14	13.5	12.9	12.2
Category 1	***41.4***	***38.1***	***36.6***	***35.3***	***34.2***	***33***	***31.9***
18000-30000	17.6	14.5	14.3	13.9	13	12.4	11.8
30000-42000	8.5	9.7	9.7	9.7	9.6	9.5	9.3
42000-54000	6.3	6.8	7	7.1	7.1	7.2	7.2
Category 2	***32.4***	***31***	***31***	***30.7***	***29.7***	***29.1***	***28.3***
54000-72000	7.1	6.7	6.8	7	7	7.1	7.1
72000-96000	5.9	6.4	6.5	6.6	6.7	6.8	6.8
96000-132000	5.6	6.2	6.4	6.5	6.8	7	7.2
132000-192000	4.5	5.4	5.7	6	6.2	6.5	6.7
Category 3	***23.1***	***24.7***	***25.4***	***26.1***	***26.7***	***27.4***	***27.8***
192000-360000	2.3	4	4.3	4.8	5.2	5.6	6.1
360000+	0.8	2.2	2.6	3.2	4.1	5	6
Category 4	***3.1***	***6.2***	***6.9***	***8.0***	***9.3***	***10.6***	***12.1***
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Overall, a number of comments should be made:

- The table made provision for categories of household income. Category 1 represents the real poor. Category 2 represents those households with some income, but not desperately poor. Category 3 represents an emerging and current middle class and category 4 reflects on the affluent part of society.
- It seems evident that households in categories 1 and 2 have declined with in an increase in categories 3 and 4. Overall, the picture seems to suggest that household income has increased over the period under consideration.

B7.2 Average annual household income

The average annual household income for MLM and the three sub-areas is provided in Table B37.

TABLE B37: Average annual household income for the MLM area, 1996, 2001, 2002, 2003, 2004

	MLM	Botshabelo	Bloemfontein	Thaba Nchu
1996	34,633	20,822	57,699	25,379
2001	44,943	24,090	79,473	31,265
2002	48,055	25,706	85,563	32,897
2003	50,790	27,001	91,635	33,733
2004	54,770	28,503	99,914	35,893
2005 (projected)	58,484	30,131	107,754	37,566
2006 (projected)	62,459	31,851	116,209	39,317

Once again the dominance of Bloemfontein is evident from the annual household income portrayed in the above table. In the case of MLM, the average annual household income for 2004 was estimated at R58 484. In Bloemfontein this was nearly R100 000 and in Botshabelo and Thaba Nchu it was estimated at R54 000 and R35 000 per household in 2004.

B7.3 Average annual per capita income by area

The emphasis now shifts to the average annual per capita income for each of the areas in MLM. This assessment is conducted in comparison with the Free State and national figure available in this regard. Once again the emphasis falls on the trends between 1996 and 2004 and more specifically between 2001 and 2004. Projections are also made for 2005 and 2006 (see Table B38).

TABLE B38: Average annual per capita income by area in MLM and in comparison with South Africa and the Free State, 1996, 2001, 2002, 2003, 2004, 2005, 2006

	National Total	Free State	MLM	Botshabelo	Bloemfontein	Thaba Nchu
1996	10,728	8,791	9,080	4,697	16,419	6,125
2001	16,211	11,913	12,989	6,160	24,264	8,541
2002	17,893	12,830	14,191	6,735	26,630	9,207
2003	19,226	13,720	15,235	7,213	28,868	9,625
2004	20,859	14,737	16,641	7,734	31,789	10,400
2005 (projected)	22,667.94	15,809.38	18,058.95	8,336.58	34,752.48	11,098.77
2006 (projected)	24,634.33	16,959.44	19,597.73	8,986.46	37,992.47	11,843.99

As with annual household income there has also been a substantial increase in the per capita income of persons in MLM. The per capita annual income (2004) in MLM (R16 600) was also substantially more than the per capita income in the Free State (R 14 700) but lower than the national average (R20 800).

B7.4 Number of persons living in poverty

Table B39 provides an overview of the number of persons living in poverty in MLM by race groups. A distinction is also made for a number of years and the trend over these years. Annexure B1 contains the definition a methodology to determine the number of people living in poverty.

TABLE B39: Number of persons living in poverty nationally, in the Free State and in MLM, 1996, 2001, 2002, 2003, 2004, 2005, 2006

		National Total	Free State	MLM
1996	Black	16,316,321	1,039,229	182,452
	White	98,654	8,919	1,460
	Coloured	619,664	15,888	3,030
	Asian	66,081	63	4
	Total	17,100,720	1,064,098	186,945
2001	Black	22,024,231	1,601,284	263,644
	White	203,072	20,293	3,171
	Coloured	839,183	22,298	4,140
	Asian	89,437	109	6
	Total	23,155,924	1,643,984	270,960
2002	Black	22,370,236	1,624,037	271,459
	White	206,262	20,767	3,247
	Coloured	852,273	22,811	4,261
	Asian	90,907	111	6
	Total	23,519,678	1,667,726	278,973
2003	Black	22,059,252	1,597,859	268,717
	White	203,400	20,367	3,196
	Coloured	840,440	22,449	4,210
	Asian	89,646	109	6
	Total	23,192,738	1,640,784	276,129
2004	Black	22,352,421	1,619,612	273,881
	White	206,100	20,692	3,246
	Coloured	851,603	22,810	4,285
	Asian	90,838	111	6
	Total	23,500,962	1,663,225	281,419
2005 (projected)	Black	24,799,123	1,875,003	313,169
	White	262,825	27,316	4,226
	Coloured	945,811	25,702	4,805
	Asian	100,894	133	7
	Total	26,108,653	1,928,154	322,207
2006 (projected)	Black	27,513,643	2,170,666	358,093
	White	335,161	36,060	5,501
	Coloured	1,050,439	28,960	5,387
	Asian	112,064	160	8
	Total	29,011,308	2,235,846	368,989

The following main trends should be noted from the Table above:

- The racial group with the largest number of people living in poverty is the black population group.
- Overall it seems as if the number of people living in poverty has stabilised since 2003. This should probably be ascribed to the significant economic growth rate in

2004. Taking into account the fact that an even higher growth rate was recorded countrywide in 2005, there could have been a decrease in the number of people living in poverty.

B7.5 Gini coefficient

The Gini coefficient reflects the level of inequality in a specific area. Table B40 provides an overview of this situation in MLM (including the sub-areas) compared with the Free State and the estimates at the national level. The nearer to one the Gini coefficient is, the more unequal the population of an area.

TABLE B40: Gini coefficient by area (1996, 2001-2006)

	National Total	Free State	MLM	Botshabelo	Bloemfontein	Thaba Nchu
1996	0.60	0.59	0.49	0.45	0.55	0.48
2001	0.64	0.62	0.54	0.50	0.58	0.54
2002	0.64	0.62	0.55	0.51	0.58	0.55
2003	0.64	0.63	0.55	0.53	0.58	0.56
2004	0.65	0.64	0.57	0.54	0.58	0.57
Change (2001-2004)	0.49	0.75	1.65	2.80	0.20	2.10
2005 (projected)	0.65	0.64	0.57	0.56	0.58	0.58
2006 (projected)	0.65	0.64	0.58	0.57	0.58	0.60

From the above table the following comments should be made:

- The Gini-coefficient grew nationally (from 0.64 to 0.65), in the Free State (0.54 to 0.57) and in MLM (0.54 to 0.57) between 2001 and 2004.
- In the three magisterial district areas in MLM, the Gini coefficient increased. In Botshabelo from 0.5 to 0.54 between 2001 and 2004. In Thaba Nchu an increase from 0.54 to 0.57 was recorded for the same period. Interestingly enough, the Gini coefficient in Bloemfontein has remained stable at 0.58 – although inequality in Bloemfontein is higher than in Botshabelo and Thaba Nchu.
- If the current increase in inequality for Thaba Nchu is considered, it will outpace the levels of inequality in Bloemfontein by 2006.

Overall, the steady increase in inequality should, in the long term, be cause for concern.

B7.6 Household expenditure

Table B41 provides an overview of expenditure per item for 2001 and 2004. A number of key comments need to be made:

- The largest single item of expenditure is food. It is also noteworthy that households in Botshabelo and Thaba Nchu spend a considerably larger percentage of their household income on food and restaurants than households in Bloemfontein.
- The same trend is also visible in respect of household services.
- On the other hand, as a percentage, households in Bloemfontein spend considerably more on holidays and accommodation.

TABLE B41: Expenditure patterns per household in Mangaung, 2001 and 2004

	2001real figures			2004 real figures			2001%			2004%		
Items	Botshabelo	Bloemfontein	Thaba Nchu	Botshabelo	Bloemfontein	Thaba Nchu	Bots	Bfn	TN	Bots	Bfn	TN
Holiday and accommodation	84,343	1,051,696	55,864	118,939	1,463,563	74,726	6.6	15.3	8.0	6.8	15.1	8.1
Domestic workers	11,678	356,968	9,228	19,710	516,304	14,085	0.9	5.2	1.3	1.1	5.3	1.5
Food	144,546	713,042	76,218	197,271	1,024,240	102,802	11.3	10.4	11.0	11.4	10.6	11.1
Restaurants	224,769	867,669	117,944	299,799	1,220,660	154,492	17.6	12.6	17.0	17.3	12.6	16.7
Beverages	102,222	509,036	56,114	135,262	697,119	72,202	8.0	7.4	8.1	7.8	7.2	7.8
Smoking	29,248	136,820	15,460	37,935	187,611	19,719	2.3	2.0	2.2	2.2	1.9	2.1
Personal care	52,090	249,086	27,899	69,575	341,353	36,381	4.1	3.6	4.0	4.0	3.5	3.9
Other household goods	80,916	368,112	42,774	109,724	517,573	56,898	6.4	5.4	6.2	6.3	5.4	6.1
Household services	64,381	287,489	34,037	87,244	408,203	45,310	5.1	4.2	4.9	5.0	4.2	4.9
Household fuel	40,518	161,257	21,064	53,187	222,887	27,228	3.2	2.3	3.0	3.1	2.3	2.9
Clothing	26,616	98,240	13,483	33,965	129,751	16,991	2.1	1.4	1.9	2.0	1.3	1.8
Furniture	17,252	92,500	9,229	22,088	119,798	11,535	1.4	1.3	1.3	1.3	1.2	1.2
Household textiles	17,956	74,520	9,403	22,910	97,024	11,730	1.4	1.1	1.4	1.3	1.0	1.3
Appliances and household equipment	22,552	105,522	12,330	30,714	147,648	16,309	1.8	1.5	1.8	1.8	1.5	1.8
Medical	32,821	209,517	19,011	44,763	285,752	24,818	2.6	3.1	2.7	2.6	3.0	2.7
Transport	19,345	143,643	11,684	25,754	190,145	14,741	1.5	2.1	1.7	1.5	2.0	1.6
Computer	18,245	91,480	10,114	25,054	127,775	13,413	1.4	1.3	1.5	1.4	1.3	1.4
Communication	23,957	112,013	13,128	32,996	159,128	17,582	1.9	1.6	1.9	1.9	1.6	1.9
Education and reading	23,444	124,017	13,003	31,245	172,647	16,870	1.8	1.8	1.9	1.8	1.8	1.8
Recreation	31,800	183,314	17,050	43,592	251,160	22,628	2.5	2.7	2.5	2.5	2.6	2.4
Other fees	64,182	341,230	35,317	93,888	503,831	50,128	5.0	5.0	5.1	5.4	5.2	5.4
Taxes	76,293	363,001	41,964	110,489	545,632	59,224	6.0	5.3	6.0	6.4	5.6	6.4
Finance	32,152	137,394	17,154	44,776	200,258	23,411	2.5	2.0	2.5	2.6	2.1	2.5
Other	32,636	89,115	15,755	45,969	140,990	22,154	2.6	1.3	2.3	2.6	1.5	2.4
Total	1,273,962	6,866,680	695,225	1,736,851	9,671,050	925,378	100.0	100.0	100.0	100.0	100.0	100.0

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SECTION C: BUSINESS CHANGE AND SUSTAINABILITY

C1. Introduction

It has already been stated in Section A of this report that the intention of Aim 1: objective 2 is to provide adequate information in respect of the following indicators:

- The numbers of new large businesses and the jobs created by such businesses
- The numbers of new SMMEs and the jobs created by these businesses
- Access to finance in terms of the number of PDI SMMEs
- The levels of local sustainability
- Local procurement levels

Although Section A did provide a broad overview of the methodologies employed, a number of more detailed comments are required:

- The main methodology consisted of an assessment of business change as determined through an analysis of the telephone directories for 2002 and 2006. In this way the numbers of businesses that had been created could be determined. However, it seems as if this methodology has serious problems, which should be borne in mind. It seems that not all enterprises are listed in the telephone directory. This seems to be valid in two cases. Firstly, PDI enterprises were not always listed in the telephone directories. This was evident from the additional lists received from MLM and the Department of Trade and Industry. Secondly, listing for some enterprises across the spectrum is irrelevant in view of the availability of mobile phone technologies and internet access.
- In addition, two surveys of 400 interviews each were conducted with SMME with PDI status and SMMEs without PDI status. This survey provided some overview of new businesses, employment created, as well as access to finance and the overall sustainability levels of SMMEs in MLM. The total of 400 interviews conducted for each of these categories also enables one to make generalised conclusions for each of the two categories of businesses referred to above. It was fairly easy to access businesses with non-PDI status from the telephone directory. It was however more difficult to identify enterprises with PDI status. Here a number of methodologies were used. Those businesses identified from the telephone directory were first utilised. This was followed by fieldwork in the

field with PDI enterprises. In addition lists of PDI enterprises were obtained from the MLM and the Department of Trade and Industry. Annexure C1 contains the questionnaire.

- The assignment on procurement was conducted by means of a questionnaire sent to some of the major business enterprises in MLM, as well as to the main state departments. Annexure C2 contains the questionnaire.

In addition to the overview provided above it should also be noted that in many cases no baseline indicator existed in the IDP on which to build future trends. Therefore, it could be that some of the indicators provided in this section may only be baseline indicators on which future trends should be built.

This section is structured as follows:

- It starts off with an overview of the enterprises interviewed for this assignment.
- It then attempts to establish changes in the business environment since 2001.
- Reflections on the determining the numbers of new jobs created, as reflected in the surveys, are subsequently made.
- Access to finance is next discussed.
- Business sustainability is then discussed giving an overview of business confidence as well as of business problems experienced.
- Finally reflections are made in respect of levels of local procurement.

C2. An overview of SMMEs interviewed

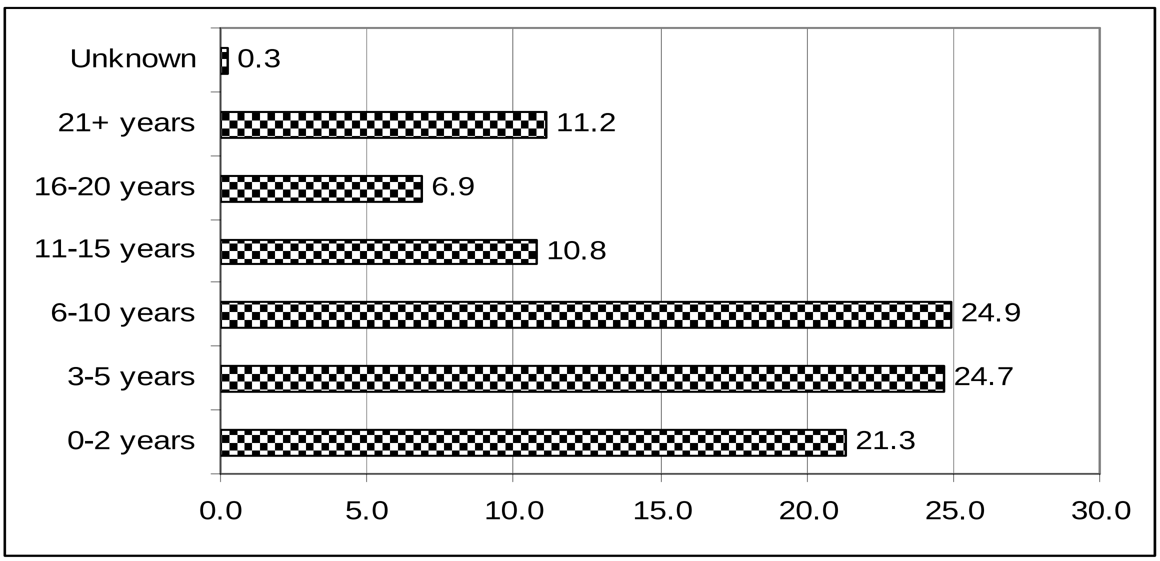
This section provides a broad overview of the geographic location and ownership of the SMMEs interviewed. This is important in order to achieve an overview of the profile of the enterprises interviewed.

In terms of geography of location, 59% of the businesses were located in Bloemfontein, 16.4% in Mangaung (former black township), 17.7% in Botshabelo and 6.6% in Thaba Nchu. In a small percentage (0.2%) the location was not indicated.

In considering the detailed sectors, most of the businesses (33.4%) were classified within retail Trade and repair of goods, with other business services making up 23.9% of the enterprises. The remainder of the interviews were spread among the rest of the sectors (see Annexure C3). In considering the broad economic sectors, 47.2% of the businesses were interviewed within the Trade sector, 30.1% in Finance and business services, 11.1% in Manufacturing, 5.9% in Construction, 3.5% in Transport, 1.9% in Community services and 0.4% in Agriculture.

The number of years in business is reflected by the Figure below (see Figure C1).

FIGURE C1: An overview of the age of businesses



Overall, it seems if 46% of all businesses are younger than five years with 70.9% younger than ten years. It is also significant that nearly 60% of PDI businesses are younger than five years. On average, PDI enterprises have been in operation for 7.2 years and non-PDI SMMEs for 12 years.

C3. Changing trends in business establishments

Two methods were used to obtain an indication of the numbers of business establishments. In the first place, an indication was received from the questionnaire survey on the number of businesses established since 2001

C3.1 Telephone directory survey

As already noted it is not possible simply to compare the totals for 2001 and 2006 and then assume that enterprises have closed down. It is more important is to consider the relative percentages.

TABLE C1: A comparison of business establishments, 2001 and 2006

Sector	2001	2001 %	2006	2006 %
Manufacturing	410	5.9	324	5.5
Electricity	35	0.5	35	0.6
Construction	379	5.5	367	6.3
Trade	3128	45.3	2706	46.2
Transport	367	5.3	293	5.0
Finance	1924	27.8	1404	24.0
Services	668	9.7	725	12.4
Total	6911	100.0	5854	100.0

The following comments should be made in respect of the methodological problems experienced. In the first place, the relative percentages for Construction, Trade and Services have increased. Secondly, it seems as if an estimated 70% of these enterprises are local SMMEs. Furthermore, it provides a basis on which to build the SMME survey. For example, 17% of the enterprises currently operating were established after 2001. This means that just over 1000 enterprises were established in this five-year period. Considering the fact that 70% started as SMMEs, this means that about 140 SMMEs were created per annum. However, at the same time it should be considered that a large number of closures also occurred.

C3.2 Recording the numbers of businesses established

Two methods were used to record business establishments from the questionnaire. Firstly, considering the difficulties in establishing the above trends, enterprises were also asked to reflect on the numbers of enterprises that had opened and the numbers of enterprises that had closed down in the past five years (see Table C2). However, it should be taken into account that that different respondents could have reflected on the same opening or closure and that the importance of this indicator probably lies within the opening and closing ratio.

TABLE C2: The numbers of enterprises that have opened / closed since 2001

Size of enterprise	Numbers recorded to have opened	%	Numbers recorded to have closed	%
Micro	251	37.5	207	39.1
Small	309	46.1	261	49.3
Medium	79	11.8	44	8.3
Large	31	4.6	17	3.2
TOTAL	670	100.0	529	100.0

Overall, the respondents recorded that 670 enterprises had been established and 529 closed. This results in a closing:opening ratio of 1:1.26.

The second method consisted of looking at the number of new establishments since 2001. It was found that just more than one-third (36.7%) of the enterprises were established since 2001. These enterprises created on average 16.2 number of employment opportunities. However, this should also be viewed against the findings that a large number of enterprises had also closed down.

C4. New jobs created

Considering the number of jobs that have been created, the results show that the average number of employees per enterprise increased from 13.6 in 2001 to 16.2 in 2006. The number of PDI enterprises changed from 9.3 to 12 between 2001 and 2006. For non-PDI SMMEs the changes were from 18 to 20.5 for the same period. In respect of 4000 number of SMMEs in MLM, this means that at least 23 000 employment opportunities were created. However, the question that comes to the fore is why this differs from the figures reflected in Section B. A number of reasons can be provided for these discrepancies:

- There are fundamental differences in the methodologies.
- The Regional Explorer Database reflects only on formal employment. The methodology employed above will also reflect part-time employees.

- This methodology does not consider business closures.

C5. Business finance

Business finance was accessed by 13.2% of the PDI SMMEs and 19% of the non-PDI SMMEs. There seem to have been distinct differences between PDI and non-PDI enterprises in respect of the source of external finance. For PDI enterprises the external finance came from the following sources:

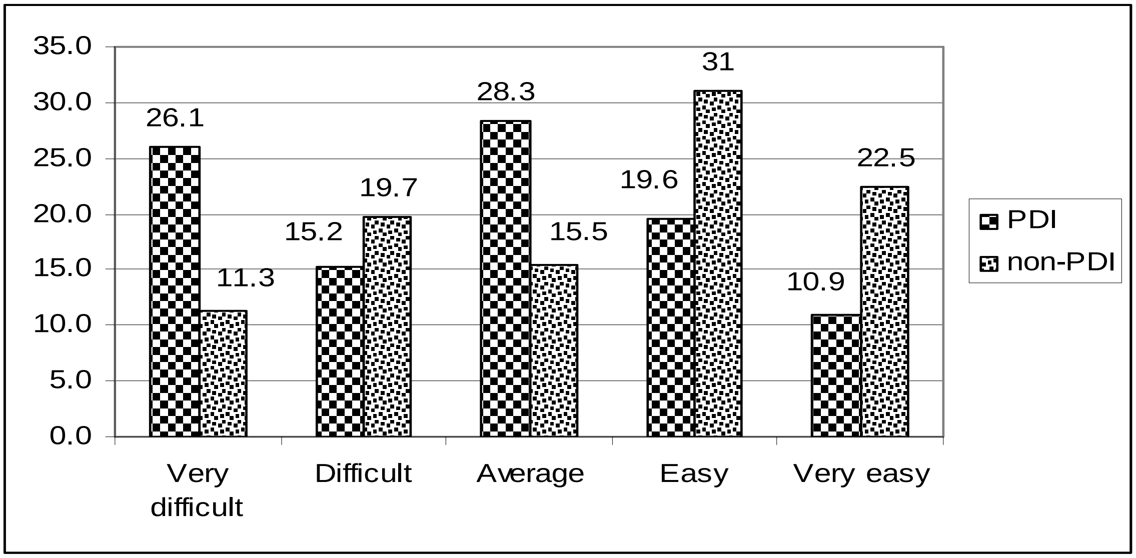
- Commercial banks: 23%
- Micro-lenders: 17.6%
- Informal (stokvel, family): 9.5%
- Own capital: 35.1%
- Informal and commercial bank: 1.4%
- Other: 13.5%

The differences are visible when the above overview is compared with that of non-PDI businesses:

- Commercial banks: 68.5%
- Micro-lenders: 5.5%
- Informal (stokvel, family): 16.4%
- Own capital: 5.5%
- Informal and commercial banks: 2.7%
- Other: 1.4%

It is evident that PDI enterprises find it more difficult than their non-PDI counterparts to access finance. Also, larger percentage of non-PDI businesses gain access to finance through commercial banks than do PDI enterprises. This difficulty in respect of accessing finance is also reflected in Figure C2.

FIGURE C2: An evaluation of the ease with which finance is accessed, 2006



Overall, PDI SMMEs view access to finance more difficult than do non-PDI enterprises. This is reflected in the result that 53.5% of non-PDI enterprises view external finance as being easy or very easy compared with only 30.5% of the PDI enterprises.

C6. Business sustainability

Business sustainability was measured by means of a request to rate business confidence on a scale of one to five. An assessment of business problems experienced was also requested.

C6.1 Business confidence

The overall rating out of five for all the businesses was 3.78. Interestingly enough, the business confidence for PDI enterprises was lower at 3.52, while that of non-PDI enterprises was 4.05. These levels of business confidence should be viewed against the background of macroeconomic stability in the country in the past three years. The current increases in inflation, as well as interest rates, could influence business confidence negatively.

C6.2 Business problem areas

The second method employed to determine SMME sustainability was the opportunity of the interviewees to reflect on their business problem areas. Table C3 provides and overview in this regard.

TABLE C3: An overview of business problem areas identified by SMMEs in MLM, 2006

Business problem area	PDI	PDI %	Non-PDI	Non-PDI %	Total	%
Competition	93	20.9	74	17.3	188	19.4
No business obstacles- satisfied	61	13.7	59	13.8	134	13.8
Access to finance	59	13.3	14	3.3	86	8.9
Debtors don't pay	32	7.2	38	8.9	77	8.0
Business cost too expensive	21	4.7	47	11.0	73	7.5
Human resource problems	22	5.0	36	8.4	63	6.5
Access to wholesale products/ business inputs elsewhere	20	4.5	14	3.3	39	4.0
Infrastructure-related	13	2.9	22	5.2	38	3.9
Market too small	13	2.9	20	4.7	36	3.7
Seasonality	18	4.1	13	3.0	35	3.6
Other	17	3.8	11	2.6	32	3.3
Crime and safety reasons	10	2.3	18	4.2	30	3.1
Lack of marketing and advertising	16	3.6	5	1.2	25	2.5
Lack of skills	11	2.5	9	2.1	22	2.3
Location of business	9	2.0	9	2.1	20	2.1
Demand too big	2	0.5	12	2.8	14	1.5
Tendering process	11	2.5	0	0.0	13	1.4
BEE requirements	2	0.5	10	2.3	12	1.3
Cheap imports	2	0.5	10	2.3	12	1.3
Role of big businesses	7	1.6	2	0.5	11	1.1
New business	3	0.7	2	0.5	6	0.6
Environmental reasons	2	0.5	2	0.5	4	0.5
TOTAL	444	100.0	427	100.0	971	100.0

The following comments should be made in respect of Table C3 above:

- The reasons attracting most responses relate to the fact that interviewees felt that there was too much competition. Nearly one out of every five enterprises mentioned this. This is strange considering the fact that businesses, by definition, are supposed to accept competition. It is also significant that 20.9% of PDI enterprises and 17.3% of non-PDI enterprises mentioned this reason.

- The second most common response was that no business obstacles were being experienced. In this regard 13.8% of the enterprises gave this response. Even more noteworthy is the fact that there was no difference in the frequency of this response between PDI and non-PDI enterprises.
- Overall, 8.9% of enterprises mentioned that they had experienced problems in accessing finance. Of these responses 13.3% came from PDI enterprises and 3.3% from established SMMEs.
- Approximately 8% of the enterprises experienced problems in respect of not being paid by those who owed them money, while 7.5% viewed business cost in MLM as too expensive. Approximately 6.5% had problems in respect of human resource provision.
- Other significant obstacles were: access to wholesale products elsewhere (4%), infrastructure-related (3.9%), crime and safety (3.1%) and lack of skills (2.3%).

It might be worthwhile to test these aspects on a frequent basis in order to reflect on some of the aspects mentioned as being key problems.

C7. Procurement

The response rate to the questionnaire on procurement was very low. Annexure C4 provides extensive details of the efforts and reasons for not completing the questionnaires.

C7.1 Size of procurement

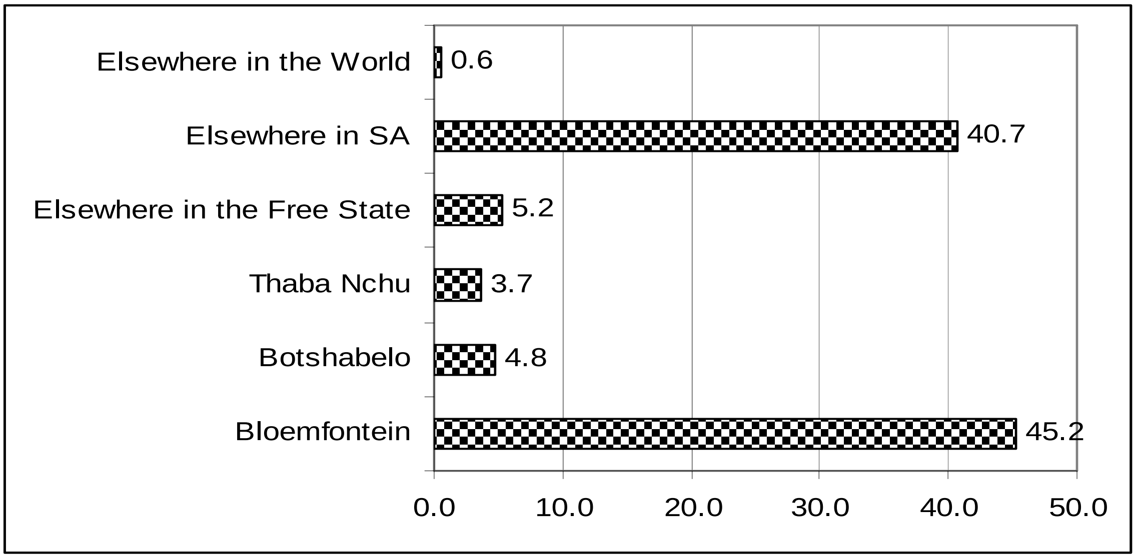
For the nine enterprises for which out-sourcing data was received, an amount of R286 million was recorded. Two of the enterprises / institutions outsourced amounts of less than R1 million while two others reflected amounts between R1-5 million. One enterprise reflected amounts between R10-20 million, while two recorded amounts of between R20-50 million. Furthermore, one enterprise reflected amounts between R50-

100 million and one above R100 million. The average amount of outsourcing was R31.7 million.

C7.2 Level of local procurement

The percentages of local procurement are reflected in Figure C3 below.

FIGURE C3: The percentage of procurement per area for large enterprises and institutions in MLM, 2006



Overall, it seems as if 53.6% of all procurement takes place in MLM – of which the biggest percentage is in Bloemfontein (just below 90%). As the sample is too small to make conclusions in respect of the various enterprises / institutions, no real conclusion could be made between types of enterprises. However, it should be noted that it seems as if the level of local procurement from state departments is higher than that for private enterprises.

C7.3 Main reasons for not procuring locally

The main reasons for not procuring locally were:

- Not enough manufacturers
- Expenditure paid for by Head Office in JHB

- Not compatible for handling big projects
- Our main business is done in Gauteng
- People not able to render a proper service and supply on credit timeously
- Lack of knowledge and service delivery
- No specialists in our field of work in MLM
- Price and commitment to deliver the product
- Courses are mostly offered outside the municipality. Officials do much travelling and sleep outside in most instances.
- Use a national procurement system

A number of comments should be made in respect of the above responses. In the first place, it would seem as if the scale of products / the ability to provide certain services is not always available in MLM. Secondly, the fact that the head offices are not always located in MLM makes local procurement difficult. A number of businesses and also the two universities have central procurement systems – which means that procurement takes place at the head offices, thereby ensuring procurement at scale. Thirdly, the lack of service in MLM also plays a prominent role in enterprises procuring elsewhere.

Enterprises were also asked to reflect both on the types of services typically procured in MLM and those not procured in MLM. Concerning those services procured in MLM, the following were mentioned:

- Stationery, fleet spares, printers and copiers, etc, as well as consultants
- Electricity, telephone costs and security
- IT equipment, maintenance of buildings & Transport
- Audit services, short-term insurance, office machine rental, security services
- Subcontracting, cleaning, security and upholstery
- IT, Hygiene services, catering, SAVE N3
- Protective clothing, electrical supplies
- Stationery, chemicals, cleaning & gardening services
- Catering, printing & accommodation

Yet, the following products were not procured in MLM:

- Manufactured electrical equipment, fleet vehicles and contractors
- Complete licences, capital expenditure - computer IT & capital expenditure - medical equipment and instrumentation
- Stationery, cartridges & cleaning materials
- Credit insurance, legal services, security services
- Vehicle maintenance, diesel, tyres
- Maintenance, IT weakness
- Steel, tyres, paint
- Hardware, lubricants, bolts & nuts
- Courses, seminars & workshops

C8. Conclusion

This section provided an overview of a number of aspects related to enterprise development and SMME viability. In section D the importance of these aspects in relation to the indicators of the IDP and EDS are discussed in more detail.

SECTION D: TOWARDS A MONITORING AND EVALUATION STRATEGY FOR THE ECONOMIC DEVELOPMENT DIRECTORATE

D1. Requirements to report and recommendations

As already noted the aim of the study is twofold: firstly, to provide the MLM with key economic data related to the MLM's Economic Development Strategy; secondly, to suggest and to test an adequate methodology with which to measure targets set in the IDP and Economic Development Strategy for which obvious data is not available. The aim of this section is to reflect on the data required in the IDP. It should first be noted that all the data reflected in the Economic Development Strategy have been updated in Section B of this report.

The IDP of MLM recorded a single indicator with sub-indicators in respect of economic development. An overview in this regard is provided in Table D1. In addition to the main indicator, various LED strategies were developed with applicable indicators. Table D2 provides an overview in this regard.

TABLE D1: Assessing the IDP indicators against the baseline information provided in this document

Objective	Indicators	Current status	Reference to method	Comment
By 2006 economic growth will have improved to 4.5%, 6000 new jobs will have been created and poverty will have been significantly reduced	Economic growth	Average annual growth 2001-2004 = 3.5% Growth rate 2003-2004: 4.8% Expected growth for 2005 and 2006 = above 4%	Regional Explorer Database (Section B)	
	Number of jobs created	Between 2001 and 2004 = 5474 Expected in 2005 and 2006 = 1857 and 1882 respectively	Regional Explorer Database (Section B)	The number of employment opportunities should also be considered per sector. This information is available in the document
	Expanded unemployment rate should decline from 40% to 35%	Unemployment in 2004 was 37%	Regional Explorer Database (Section B)	
	% households earning less than R1100 per month should be reduced from 53.3% - 48%	It is suggested that the Regional Explorer Database should be used considering the number of people living in poverty – Percentage in 2001 = 38.8% 2004 = 39.9%	Regional Explorer Database (Section B)	The main reason for this recommendation is the fact that each time this indicator needs to be accounted for, inflation needs to be taken into account. The information from the Regional Explorer Database automatically takes inflation into consideration.
	Increase in GGP/GDP to 2%	The average annual increase between 2001 and 2004 was 3.5%. The 2003/2004 growth rate: 4.8% and growth rates of above 4% are expected for 2005/06	Regional Explorer Database (Section B)	
	Increase in the number of formal sector jobs from 156 874 in 2001 to 162 874	The increase between 2001 and 2004 has been: 5475 Expected increase in 2005 and 2006: 3730	Regional Explorer Database (Section B)	The Regional Explorer Database employs a different baseline of 150524

TABLE D2: IDP strategies and indicators against the available measuring instruments

IDP strategy	Target for 2005/06	Information gathered from this exercise	Reference to method / source	Comment
By 2006 to attract 20 major national and international investors that are environmentally friendly, and creating 3000 new jobs	5 investors established in MLM using energy-efficient measures, clean technology, waste reduction methods and employing large numbers of people	No manufacturing enterprise could be located. At least 13 national companies have opened branches creating 112 job opportunities	Telephone directory survey	These investors have however not been in the Manufacturing industry
To promote additional purchasing of local products and services to the value of R50m per annum by 2006	R25m internal R25m external	Current levels of local procurement are estimated at 53% of total outsourcing for the large firms with an average amount of R31 million outsourced Business (SMME) confidence: 3.78 out of 5[3]	Procurement survey	The question should be asked whether measuring this indicator is worthwhile – considering the practical problems associated with it. The question is whether campaigns of this nature cannot be better assessed in terms of business confidence
To assist key sectors in MLM to develop and grow, this diversifying the economy and making it more resilient	400 new jobs created in" • Manufacturing • Transport • Agriculture • Tourism	<u>2004 information</u>: Manufacturing = -1335 Transport = -817 Agriculture = 610 Tourism = -123	Regional Explorer Database	
To support development of a well-established and sound SMME sector, increasing the number of SMMEs by 35% and creating 1000 new jobs.	30% of new SMME surviving beyond three years	Average PDI SMME age: 7.2 years Average non-PDI SMME age: 12 years Business confidence was rated: 3.78 (overall) and 3.52 for PDI	SMME survey	Internal systems through Seda should also assist in providing information. Furthermore it is suggested that the baselines on SMME age be used to measure progress in future. The main

[3] The methodology as used in Section C should be acknowledged and replicated should MLM want to repeat this exercise in future.

		enterprises.		problems with the current indicator are: • NO baseline on newly established SMMEs exists • The number of jobs created by new SMMEs should be compared with the number of jobs lost in terms of SMME closures
	200 new jobs created by local SMMEs per annum	Average number of jobs created by new enterprises between 2001 and 2004 are: 16.2 jobs / enterprise. An estimated number of 1400[4] new enterprises were created	SMME survey	This should be used as a baseline. The problem in trying to determine new jobs created since 2001 is that no indication of enterprise closure and job losses can be made.
Provide support to the informal economy	100 people in the informal sector assisted through MLM programmes	n.a	n.a.	Should be gathered through internal systems in MLM
To facilitate improved access to finance for local SMMEs	100 PDI SMMEs assisted with financing by local financial institutions.	The following baseline information was gathered in this process: • 30.5% of the PDI enterprises find finance accessing easy or very easy (for those who applied) • 13.3% of PDI enterprises	SMME survey	This indicator can also be strengthened by having an internal indicator at the Seda branch. The baseline information can be used in the future. Furthermore, it should also be taken into account that interest rates play a crucial role in the availability of finance to SMMEs

[4] However, enterprise closures should also be considered.

		identified access to finance as a major business problem		
To improve people's livelihoods through encouraging a range of community-based LED	200 people having livelihoods supplemented through labour-based Construction, community-based services, etc	n.a	n.a.	Should be gathered through internal systems in MLM
	No of co-operatives created	n.a	n.a.	Should be gathered through internal systems in MLM
Establish and sustain the MLM Economic Development Partnership	3 partnership agreements concluded for implementation of the EDS projects	n.a	n.a.	Should be gathered through internal systems in MLM
Promote a culture of entrepreneurship as a prelude to entrepreneurship	X people exposed to training and awareness-raising around entrepreneurship through MLM activities	n.a	n.a.	Should be gathered through internal systems in MLM
Market and promote the city's competitive advantage	X% of business people in survey in Johannesburg are from MLM and have a positive attitude	n.a	n.a.	See investor perception survey
Facilitate the development of the N8 corridor.		n.a	n.a.	n.a.

D2. Operationalisation and cost implications

In order to gather information for the Economic Development Strategy of the MLM, four methods were used:

- The update of information from the Regional Explorer database
- A telephone directory survey on businesses change in MLM
- A survey of SMMEs in MLM
- A survey of procurement practices by a number of large establishments / institutions

Each of these will now be discussed in terms of their applicability and longer-term cost implications for MLM.

<u>Regional Explorer Database</u>

This database is probably the most up-to-date database in South Africa. Although it is not without mistakes and the data is usually 2 years old it is a handy tool to have. CDS involvement in this assignment includes having to update the existing database should the 2005 information become available. This will be done at no extra cost. The CDS is also willing to make available, free of charge, all data queries the MLM might have in respect of this tool (in addition to the profile provided) the next year (until the end of July 2007). Future annual upgrades of the database for MLM (based on the current profile) should cost in the vicinity of R10 000 – R15 00. However, should the update be required in a different format or with extensive interpretation (at a different level than is currently the case) the figure might well be considerably higher.

<u>Telephone directory survey</u>

Although some interesting trends could be identified in the exercise, it is unlikely that an annual exercise in this regard will be helpful. The fact that a baseline was established means that further exercises need only take into consideration the new year. It is also suggested that this should not be done more than once every three years. The costs involved, at current rates, should be about R15 000.

<u>SMME survey</u>

This survey was helpful in determining access to finance and job creation issues in respect of SMMEs. However, it is suggested that such a survey is not required on an annual basis, but could be done every three years. The cost of such a survey at current rates should not amount to more than R20 000. The survey in this report provides some baseline information on which future assessment can be developed.

Procurement practices

It proved to be extremely difficult to obtain the necessary information for this survey. A baseline was created in this regard and could possibly be used in future. It is again suggested that such a survey be conducted every two years. The cost implication should not be more than R5000 per survey.

Alternative procedure:

In addition to the framework above the following internal mechanism may be useful:

- Extensive monitoring and evaluation in respect of the Seda branches in MLM should enable additional information for a monitoring and evaluation system.

Annexure B1: Definition of poverty

The poverty rate is the percentage of people living in households with an income less than the poverty income. The poverty income is defined as the minimum monthly income needed to sustain a household and varies according to household size, the larger the household the larger the income required to keep its members out of poverty. The poverty income used in the REX is based on the Bureau of Market Research's Minimum Living Level (BMR report no. 235 and later editions, Minimum and Supplemented Living Levels in the main and other selected urban areas of the RSA, August 1996). The monthly poverty incomes used are shown in Table 2.

Table 1: Monthly poverty income by household size (R per month)

Household Size	1996	1997	1998	1999	2000	2001	2002	2003	2004
1	443	501	526	586	627	684	752	829	871
2	545	610	635	720	765	843	937	1,021	1,074
3	726	810	842	949	1,008	1,098	1,219	1,334	1,398
4	903	1,009	1,050	1,174	1,245	1,349	1,495	1,638	1,713
5	1,084	1,208	1,258	1,402	1,487	1,610	1,784	1,959	2,042
6	1,278	1,422	1,481	1,647	1,745	1,882	2,085	2,291	2,391
7	1,452	1,615	1,681	1,867	1,977	2,124	2,354	2,589	2,708
8+	1,770	1,967	2,047	2,268	2,402	2,563	2,839	3,126	3,241

As with the construction of the household income indicators, three major sources of data were used to derive estimates income poverty:

- 1996 and 2001 population census
- 1995 and 2000 Income and Expenditure Survey (IES) conducted by Statistics South Africa
- Ricon income distribution model.

The first data source provides geographically detailed information in that it is possible to estimate poverty rates for each magisterial district. However, there is a shortcoming with data in that respondents to the census tend to understate their income and thus poverty levels based on the census data are likely to be overestimated. The second data source offers little geographical detail yet provides a much more accurate picture of the distribution of income across households and the extent of poverty at the national level than does the census, since it measures income of each household more accurately than does the census. It is thus necessary to combine these two data sources and use the strengths of each one.

Annexure C1: MLM Local Municipality: Business questionnaire

1. Name of the business: ____

2. Location: (suburb): ________________

3. Describe the main product / service of your business:

____

4. Year of establishment: _____________

5. Did you access any external finance for your business during the past five years? Yes / No

5.1 If **yes**, rate the ease with which you have accessed this finance.

Very easy	Easy	Average	Difficult	Very Difficult
5	4	3	2	1

5.2 From which institution did you access these funds?

Commercial bank	1
Micro-lender	2
Informal (stokvel / friend / family)	3
Own capital	4
Other: (explain)	5

5.3 What amount of finance did you access?

Less than R1000	1
R1000 – R10 000	2
R10 001 – R100 000	3
R100 001 – R1 000 000	4
R1 000 001 – R10 000 000	5
More than R10 000 000	6

6.1 How many people (you included) work in this enterprise? ___________

6.2 How many people (you included) worked in this enterprise in 2001? _________

7. Rate your current business confidence on a scale of between 1 and 5 :

Very good	Good	Average	Poor	Very poor
5	4	3	2	1

8. What do you consider to be your biggest business obstacle?

____

9. How many businesses per category, do you know, have opened or closed in the MLM municipal area in the past 5 years?

	Micro (5 or less employees)	Small (6-99 employees)	Medium (100-1999) employees	Large (more than 200 employees)
Opened				
Closed				

10. PDI status (more than 50%) of owner: Yes / No

ANNEXURE C2: LOCAL PROCUREMENT QUESTIONNAIRE: MLM MUNICIPALITY

1. Name of business / institution: ____________________________________

2. Estimated amount of annual outsourcing / procurement from SMMEs during the last financial year? (Excluding salaries, but including inputs and services).

Less than R1 million	1
R1 million – R5 million	2
R5 million – R10 million	3
R10 million – R20 million	4
R20 million – R50 million	5
R50 million – R100 million	6
More than R100 million	7

2. Indicate the percentage of procurement / outsourcing to SMMEs in respect of the following geographical areas during your last financial year:

Area	**Percentage**
Bloemfontein	
Botshabelo	
Thaba Nchu	
Elsewhere in the Free State	
Elsewhere in SA	
Elsewhere in the World	

3. What is the **main** reason for not procuring / outsourcing to SMMEs in MLM (Bloemfontein, Botshabelo and Thaba Nchu)

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4. Name the three main products / services that are procured / outsourced to SMMEs in MLM (Bloemfontein, Botshabelo, Thaba Nchu)

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5. Name the three main products / service that are not procured / outsourced to SMMEs in MLM (Bloemfontein, Botshabelo, Thaba Nchu).

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Annexure C3: Sectoral overview of businesses interviewed

Type of business	Frequency	Percent
Retail Trade and repairs of goods	268	33.4
Other business activities	192	23.9
Sale and repairs of motor vehicles, sale of fuel	54	6.7
Construction and building	47	5.9
Finance and insurance	38	4.7
Hotels and restaurants	32	4.0
Textiles, clothing and leather goods	28	3.5
Wholesale and commission Trade	25	3.1
Land and water Transport-related activities	17	2.1
Education and training	13	1.6
Fuel, petroleum and other chemical products	12	1.5
Real Estate activity	12	1.5
Manufacturing: metal products, machinery and household appliances	11	1.4
Post and telecommunication	10	1.2
Food, beverages and tobacco products	9	1.1
Manufacturing: electric machinery and apparatus	9	1.1
Manufacture: other / combined	7	0.9
Furniture and other items NEC and recycling	6	0.7
Other non-metalic minerals	4	0.5
Agriculture and hunting	3	0.4
Wood and wood products	2	0.2
Electronic, sound/vision, medical & other appliances	1	0.1
Air Transport and Transport-supporting activities	1	0.1
Health and social work	1	0.1
Other service activity	1	0.1
Total	803	100.0

Annexure C4: Detailed feedback of people that were contacted

The questionnaire was thrice e-mailed to Mr Khunong's (CFO) office at MLM. His secretary twice promised to follow up, but nothing received from them.

The questionnaire was faxed to Mr Willem van Huysteen of SA Breweries. He suggested that it rather be sent to Mr Sandile Ntleko, the financial manager. This was thrice followed up with Mr Ntleko's secretary, but nothing was received from Mr Ntleko.

The questionnaire was thrice e-mailed to Mr. Pierre Van Vuuren at Coca Cola Sabco. He said that he had gavin it to the relevant people and would e-mail as soon as it was ready. Nothing was received by any of them.

In two weeks the Visimed offices never answered their phone, this despite our having obtained various numbers from Telkom Information.

The questionnaire was sent to Mr Oberholzer at Rosepark Hospital Management. This was followed up numerous times and messages were left. No feedback was received.

Mr Jonathan Crowther of Media24/Volksblad was not willing to answer the questionnaire as he would be out of town for most of the duration of the survey.

The questionnaire was sent to Mr Wessel van Niekerk at Group 4/Correctional services. His secretary suggested that questionnaire rather be sent to Zena Prinsloo. We followed up 4 times, but never received any feedback.

We spoke to Corlia at National and Overseas and sent the questionnaire to her. After we had followed up the third time, the person involved became too impatient to further continue with the survey.

We spoke to Mrs Niemand at AVBOB. She said that only their head office in Pretoria could answer such questionnaires.

Mr Naude at Poliflora said that he had faxed the questionnaire, but we received nothing. We followed up numerous times, but no feedback was recieved.

Sasko Bakkery never answered their phone. Sasko only has a depot in Bloemfontein.

The manager of Hestony was overseas until the end of the month and was therefore not available to answer the questionnaire.

The CFO at Motheo was emailed and phoned 4 times. We never received any feedback.

We phoned Telkom Information. According to them there is no number in Bloemfontein for the financial departments.

Mr Radile (CFO) at Agriculture was phoned and faxed four times. We never received any feedback.

The CFO of Education was e-mailed and phoned numerous times. We never received any feedback.

Questionnaire was faxed to Elize Grobler at Health. She would give the questionnaire to Mr Schoonwa. We never received any feedback after following up four times.

Salome Malimane at Local Government and Housing said that she was not able to answer the questionnaire as directorates were each responsible for their own budgets.

Adv Msibi was thrice phoned/faxed and e-mailed and he promised to follow up, but nothing happened.

The questionnaire was repeatedly redirected to various people at Social Development and eventually to Adri Botes, who never followed up.

The questionnaire was e-mailed and faxed to Mr Kellerman at Sports, Arts and Culture. We never received feedback after following up numerous times.

The questionnaire would be given to Mrs Moshoeshoe at Tourism, Environmental and Economic Affairs and faxed through. We never received any feedback after numerous phone calls.

University of the Free State: All procurement is done at the departmental level and the University management has little say as to what and where it should be procured. Furthermore, the existing system makes no provision for capturing this while the decentralised system makes it difficult for one person to reflect on the above aspects.

The Central University of Technnology: Also uses the central procurement system for universities.