

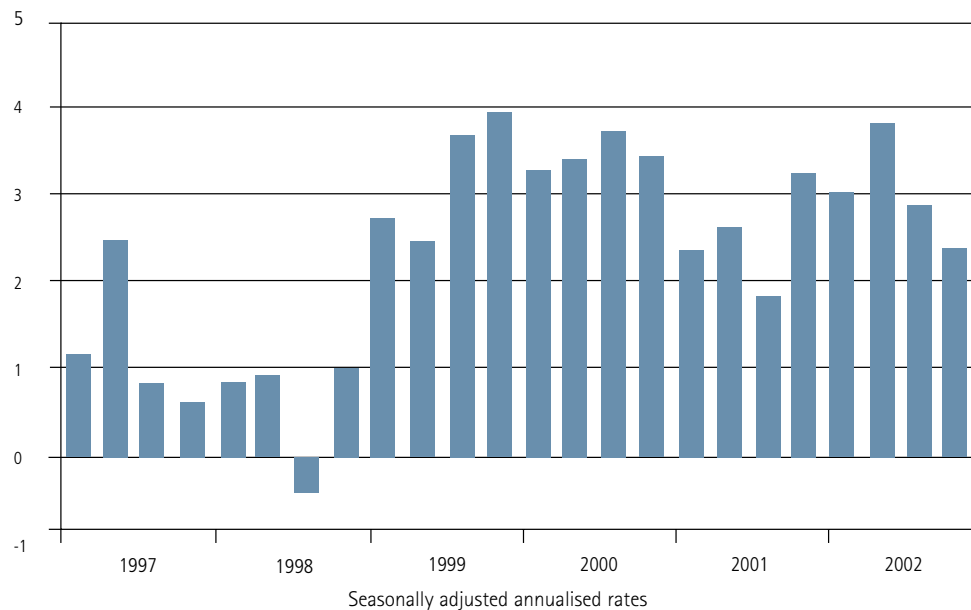
SOCIO-ECONOMIC REPORT

Economic Indicators

Economic growth

FIGURE 1

REAL GROSS DOMESTIC PRODUCT PERCENTAGE CHANGE FROM QUARTER TO QUARTER



The South African economy grew by 3 per cent in 2002 as a whole

Source: South African Reserve Bank Quarterly Bulletin March 2003

Despite slower growth in the fourth quarter, the South African economy grew by 3 per cent in 2002 as a whole. The slower growth in the second half of the year was due to smaller contributions from both the primary and secondary sectors, whilst activity in the tertiary sectors remained lively.

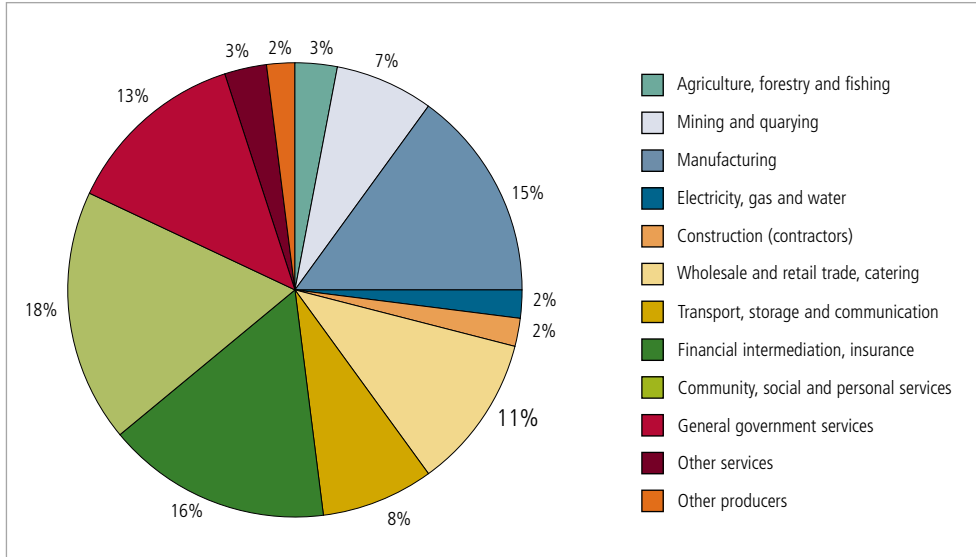
For the year as a whole, real value added by the agriculture sectors increased at a year-on-year rate of 4 per cent. Real value added by the mining sector declined by $\frac{1}{2}$ a per cent, which was much less than the contraction of $1\frac{1}{2}$ per cent in 2001.

Growth in the secondary sector year on year remained steady at $3\frac{1}{2}$ per cent, despite the sharp slowdown in the rate of manufacturing output in the latter part of the year.

The breakdown of value-added by kind of economic activity can be seen in Figure 2.

FIGURE 2

GROSS VALUE ADDED BY KIND OF ACTIVITY 2002

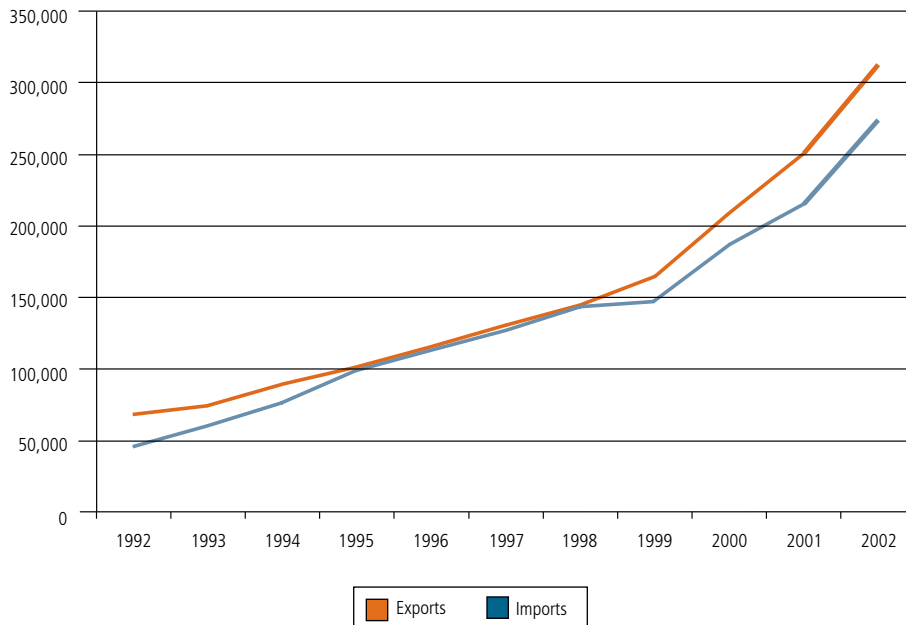


Source: South African Reserve Bank Quarterly Bulletin March 2003

Trade

FIGURE 3

SOUTH AFRICAN IMPORTS AND EXPORTS 1992-2002



Source: Department of Trade and Industry

In gross terms, South Africa's imports and exports have risen between 1992 and 2002. In 2002, export volumes grew strongly over the first half, helped by the recovery in international commodity prices and a competitive exchange rate. However, sluggish international demand led to a reversal in the second half of the year. Despite higher import prices that followed the depreciation of the currency in 2001, import volumes expanded by 2.5 per cent in 2002.

If one looks at a breakdown of exports by major sector, as shown in table one below, the division of traded goods between the manufacturing, mining and agricultural sectors provides a picture of important structural changes in the SA economy over the last decade. The proportion of manufactured goods in exports has increased significantly – as more of South Africa's raw materials are processed before being exported.

The proportion of manufactured goods in exports has increased significantly

TABLE 1
EXPORTS AND IMPORTS BY SECTOR

Exports Rand million	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Total	68,880	74,500	90,234	102,124	115,403	131,537	144,953	165,555	210,373	251,330	314,102
Agriculture	2,502	2,784	4,689	4,315	5,748	5,972	6,999	8,115	7,862	10,174	13,944
Mining	37,200	40,507	45,261	45,006	47,301	52,102	57,870	62,749	79,905	95,251	115,798
Manufacturing	27,717	30,112	38,982	51,299	61,483	72,722	79,276	93,699	121,673	145,220	183,859
Other Trade	1,460	1,097	1,301	1,504	872	741	809	992	933	685	501

Imports Rand million	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Total	46,559	59,965	76,823	99,055	113,642	127,940	144,171	147,356	187,608	216,033	275,427
Agriculture	2,668	1,965	1,688	2,879	2,703	2,717	2,946	2,730	3,237	3,025	5,948
Mining	3,585	6,978	6,390	9,596	11,487	17,507	12,807	16,664	30,658	32,443	36,461
Manufacturing	40,130	50,741	68,473	86,339	99,185	107,463	128,157	127,720	153,317	180,184	232,235
Other Trade	176	281	271	241	268	254	262	242	396	381	783

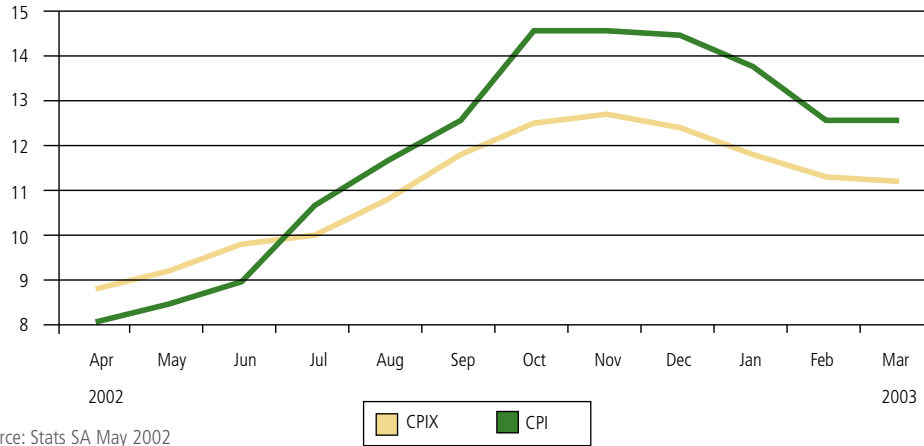
Source: Department of Trade and Industry

The largest proportion of imported goods comprise manufactured goods, of which a significant part are machinery and electrical equipment.

Inflation

FIGURE 4

CONSUMER PRICE INFLATION – PERCENTAGE CHANGE OVER 12 MONTHS



Source: Stats SA May 2002

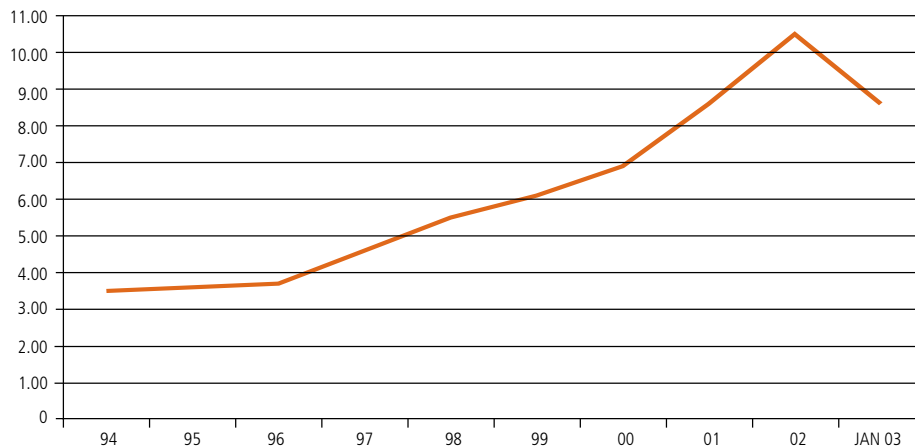
CPIX inflation averaged 10% in 2002

Inflation continued to rise in 2002, with high food prices and increases in petrol and diesel, housing and health expenses contributing the most to the increased levels. CPIX inflation (changes in the overall consumer price index for metropolitan and other urban areas, excluding the interest cost of mortgage bonds) averaged 10 per cent in 2002 – its highest for the past 8 years and exceeding the official inflation-target range of between 3 and 6 per cent set for the year.

Exchange rate

FIGURE 5

RAND TO DOLLAR EXCHANGE RATE (AVERAGE PER YEAR)



Source: South African Reserve Bank Quarterly Bulletin March 2003

The rand, which declined by 34.4 per cent from January 2001 to January 2002, recovered by 26 per cent from January 2002 to January 2003. The improvement of the currency occurred mainly in the fourth quarter of 2002, when the nominal effective exchange rate of the rand strengthened by 17.7 per cent – the largest movement in any single quarter since the first quarter of 1986. However, this must be seen against the weakness of the US dollar during this period. Other factors that supported this improvement include positive statements about South Africa’s credit outlook and improvements regarding South Africa’s status as a safe investment destination.

In the 4th quarter of 2002 the rand strengthened by 17,7%

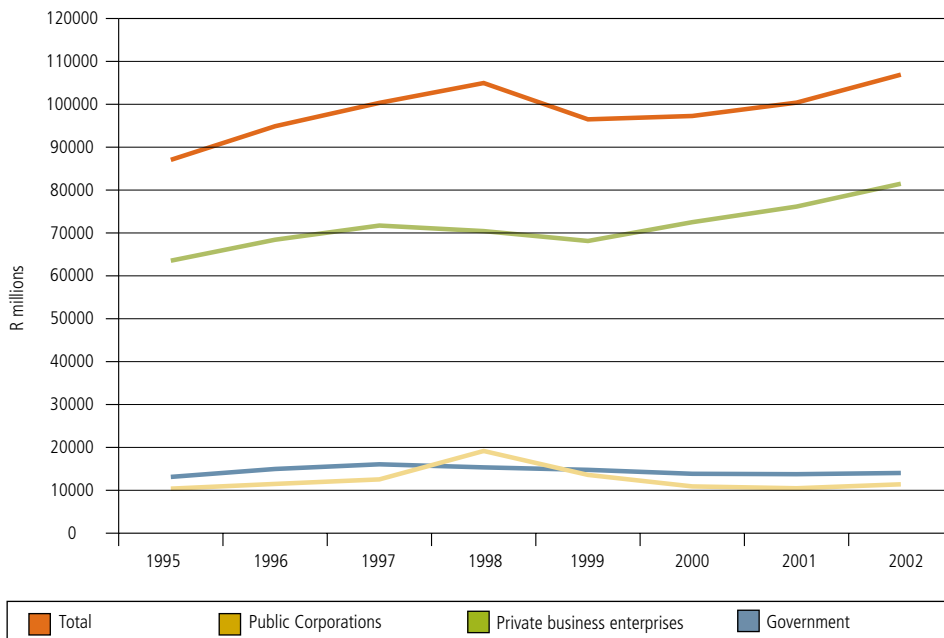
Investment

Fixed domestic investment trends

The year under review saw relatively small increases in fixed capital investment by government and public corporations. However, there has been a significant increase in private business enterprises investing in local manufacturing, in particular. The Motor Industry Development Plan has also been significant in terms of attracting investment into the domestic automotive sector.

FIGURE 6

GROSS FIXED CAPITAL FORMATION AT CONSTANT 1995 PRICES

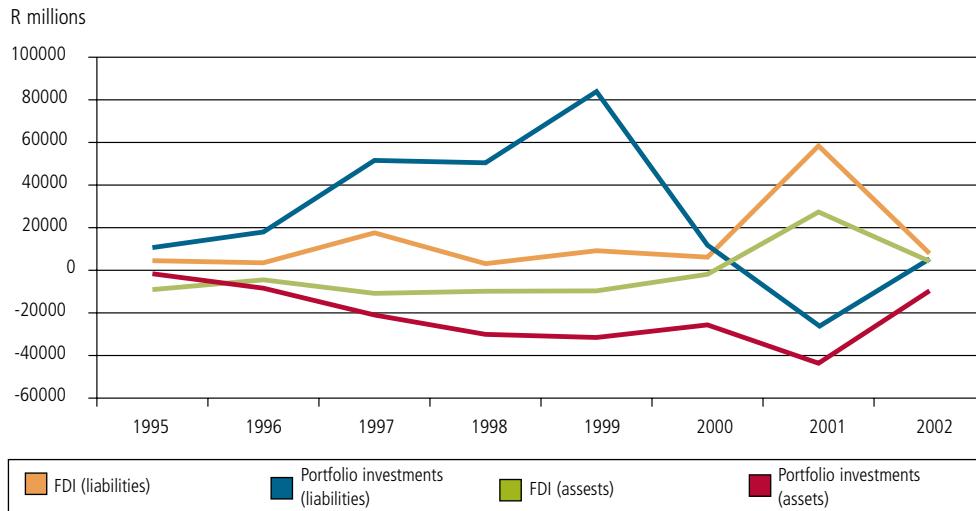


Source: South African Reserve Bank Quarterly Bulletin March 2003

Foreign investment trends

FIGURE 7

CAPITAL MOVEMENTS



Source: South African Reserve Bank Quarterly Bulletin March 2003

There was an increase in foreign investment in the equity capital of South African companies

Strong capital inflows into South Africa during the first half of 2002 were reversed in the second half, both in the foreign direct investment and portfolio investment categories. This was largely the result of heightened aversion to risk-taking by foreign investors, as well as the ability to realise profits on South African investments following the appreciation of the exchange rate of the rand. However, there was an increase in foreign investment in the equity capital of South African companies, as can be seen in the rising Portfolio Investment (liabilities) graph.

South African companies reduced their foreign direct investment assets, and portfolio investment abroad by South African investors was also less than in previous years.

It should be noted however that the spike in the FDI in 2001 was caused by one major transaction – the DeBeers unbundling and delisting.

Black Business Ownership of listed companies

According to BusinessMap Foundation, there were 64 black executive directors of companies listed on the Johannesburg Securities Exchange (JSE) in 2002. These were all employed by black-controlled companies. Of the 64, three were women.

The number of empowerment deals rose from 62 in 2001 to 82 in 2002. The total value of the deals, however, was R8.2-billion, more than double the R3.83-billion figure reported in 2001.

BusinessMap's report said the telecommunications sector reported the highest number of deals due to the buyout of Transnet's 18.7 per cent interest in MTN. The mining sector followed with R1.095-billion worth of empowerment deals.

The number of black companies on the JSE dropped from 26 to 21, but black presence on the JSE rose to three per cent in value terms.

Small Business

An estimated 2.3 million South Africans were running small-scale or micro-businesses by March 2001, according to a Survey of Employers and the Self-Employed by Stats SA. The survey looked at businesses with a turnover of less than R300 000, which were not registered for VAT.

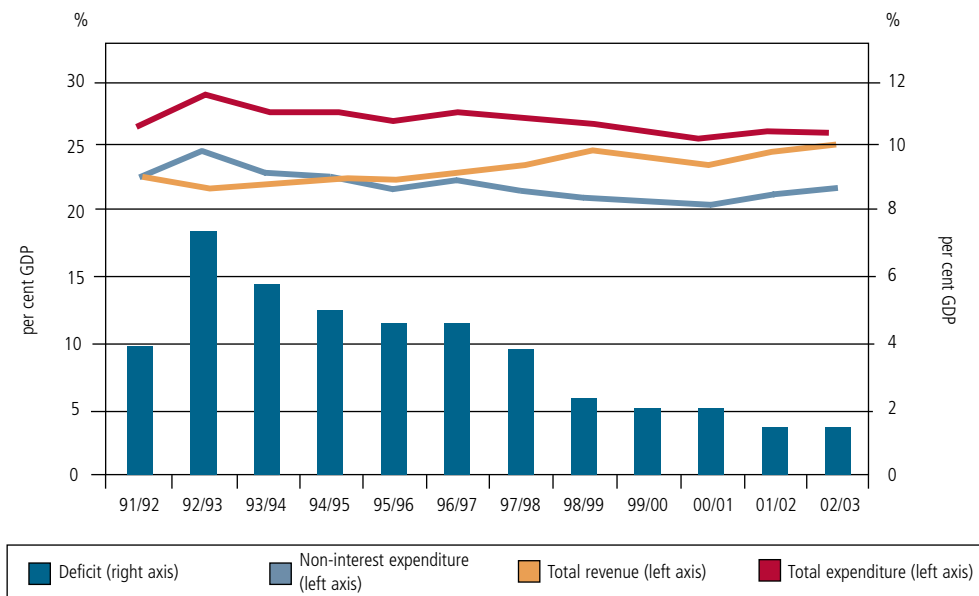
On average, each business owner made a monthly profit of R791. For female owners, the average monthly earnings amounted to R468, while for males it was R1 288.

Of the 2.3-million small businesses, 1.9-million were run from a fixed location.

2,3 million South Africans run small businesses

Government Expenditure

FIGURE 8
TRENDS IN KEY FISCAL POLICY INDICATORS

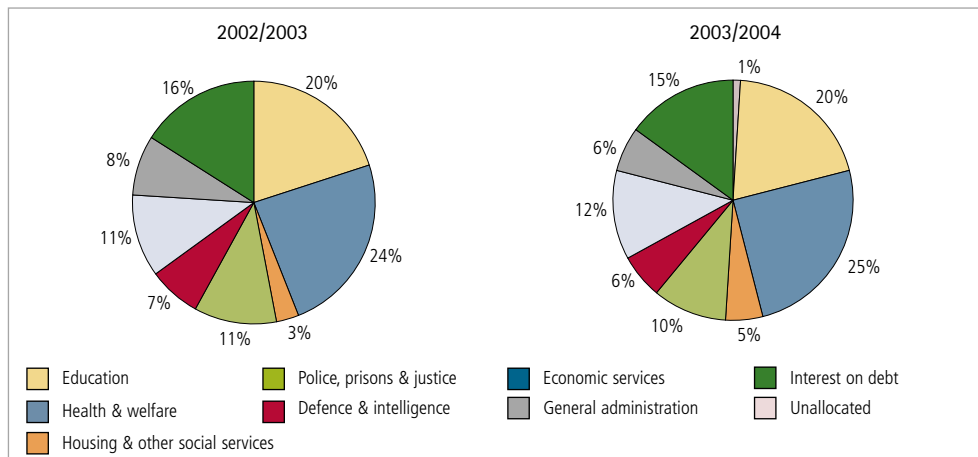


Source: Presentation to Nedlac by Treasury, February 2003

Figure 8 depicts the fiscal policy trends over the past decade. After bringing the deficit down from high levels of around 7 per cent in 1992/93, there has been a phase of more expansionary

fiscal policy since 2001/02, with the deficit set to rise to between 2 and 2½ per cent over the 2003 MTEF period. The public sector borrowing requirement has dropped significantly during this period.

FIGURE 9
GOVERNMENT EXPENDITURE



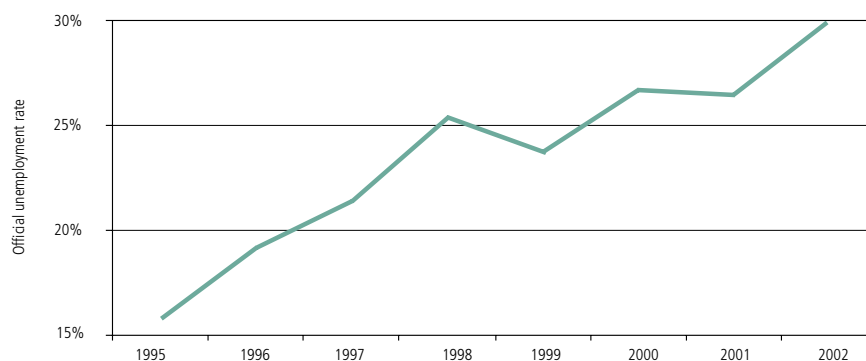
Source: National Treasury, Budget 2003

The deficit is set to rise to between 2 and 2½ %

Additions to Government’s spending over the next three years include extension of the child support grants up to age 14 as part of a wider programme to address poverty and vulnerability; stepped up investment in infrastructure, such as roads, hospitals and municipal infrastructure; re-enforcing security, and promoting the land restitution and land reform programme.

The Labour Market

FIGURE 10
THE OFFICIAL UNEMPLOYMENT RATE, 1995-2002^a

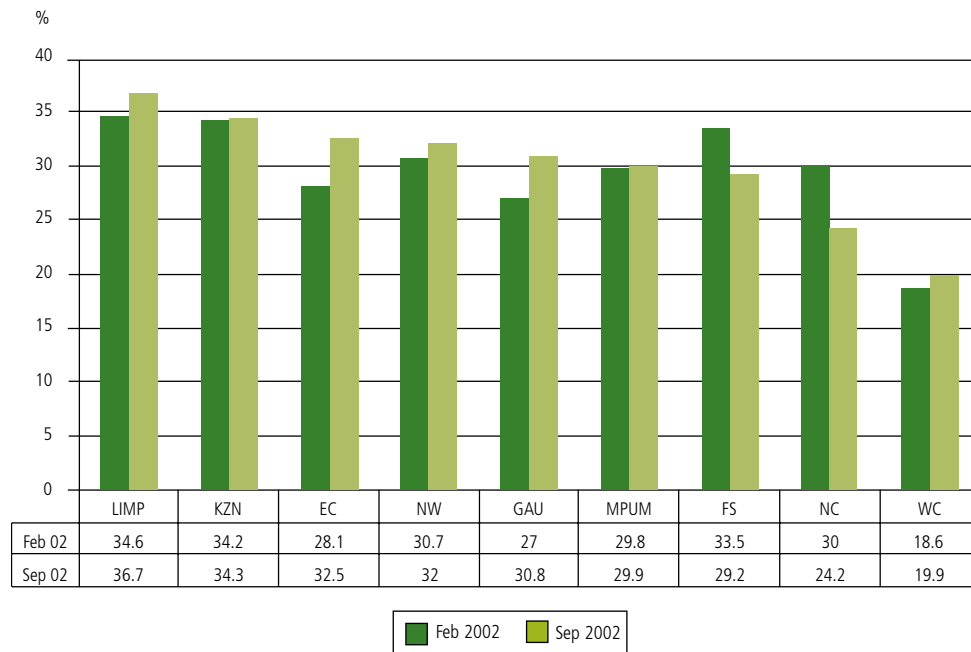


Note: a. The official definition of unemployment, used here, reports workers too discouraged to seek work as outside the labour force, rather than as unemployed. Source: Figures calculated from Statistics South Africa, South Africa in Transition (Pretoria: 2001) for 1995-1999, and from Statistics South Africa, Labour Force Survey, September 2002 (Pretoria: 2003), p. iii. Submission by Labour to the GDS, 2003.

Unemployment continued to rise during the period under review, with the latest official unemployment figure as measured by the Labour Force Survey of September 2002 at 30.5 per cent. Of the total of 4.8-million officially unemployed people, 4.2-million were black, 2.5-million were women and 3.4-million were younger than 35.

FIGURE 11

UNEMPLOYMENT IN THE PROVINCES



Unemployment continued to rise during the period under review

Source: Stats SA Labour Force Survey, September 2002

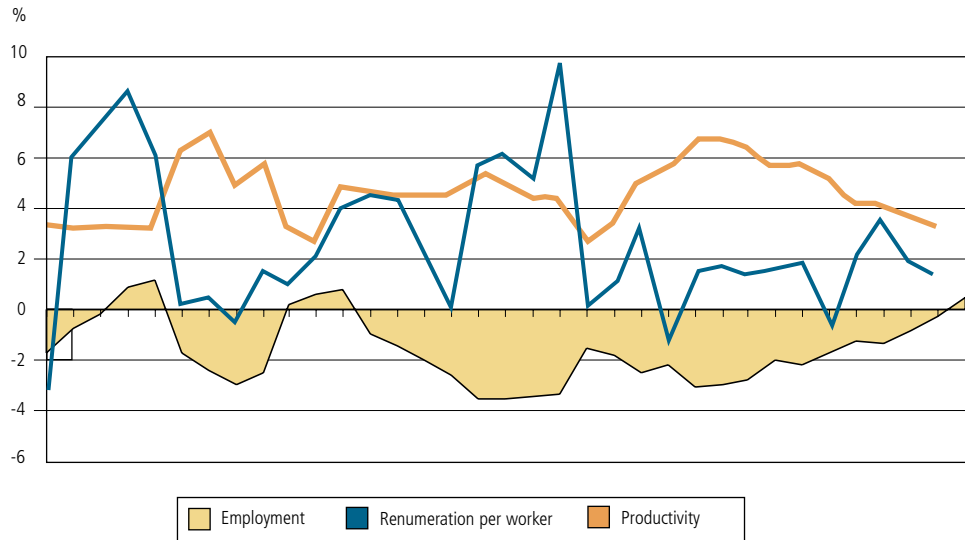
Between February 2002 and September 2002 there was an increase in unemployment in all provinces except the Free State and the Northern Cape. Gauteng showed the biggest increase in unemployment, the Northern Cape showed the biggest decrease.

Stats SA reports that in terms of individual categories, there was a significant decrease, of about 100 000, in the number of people employed as domestic workers between February and September 2002.

Labour Costs and Productivity

FIGURE 12

REAL REMUNERATION, PRODUCTIVITY AND EMPLOYMENT



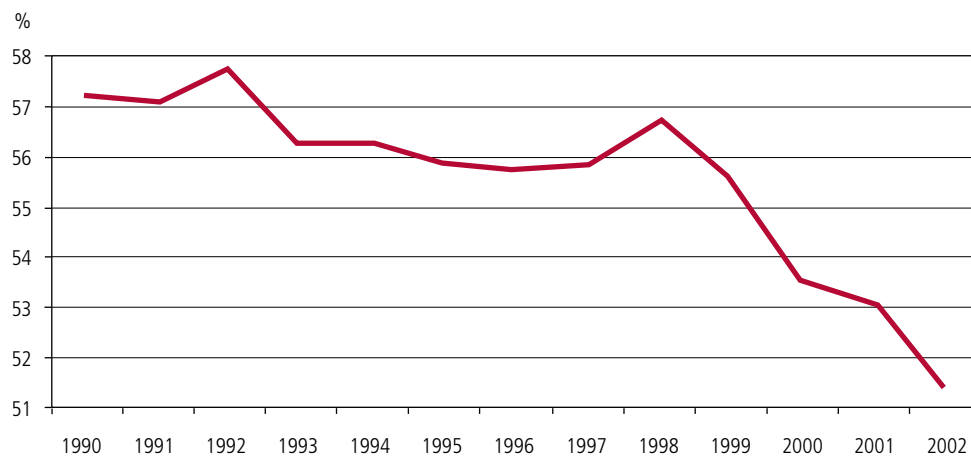
Real unit labour costs are still declining

Source: Presentation to Nedlac by Treasury, February 2003

While productivity growth has slowed, it has remained above real wage growth. This means that real unit labour costs are still declining, and the share of workers in the national income has continued to decline, as is shown in the graph below.

FIGURE 13

THE SHARE OF LABOUR INCOME IN THE NATIONAL INCOME, 1990-2001.

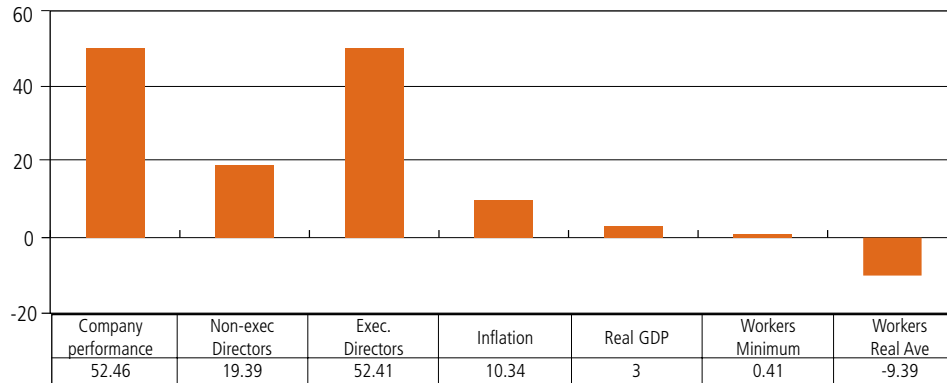


Source: Calculated from Reserve Bank, long-term time series on national accounts, electronic database at www.resbank.co.za. Figures for third quarter. In submission by labour for the GDS.

Earnings and wages

FIGURE 14

PERCENTAGE CHANGE OF DIRECTORS' FEES AND MINIMUM WAGES 2001-2002



Source: Labour Research Service, Bargaining Indicators, 2003

The Labour Research Service annual survey of Directors' Fees shows that Executive Director's fees increased by 52 per cent between 2001 and 2002, whilst the nominal minimum increase for 2002 calculated for workers across all sectors (LRS AWARD database) was 0.41 per cent. In real terms, taking into account inflation for 2002 at 10.34 per cent, workers were earning 9.93 per cent less than in 2001. In monetary terms, the average minimum wage across all sectors was R18.585 per annum in 2002, up R75 from 2001. In contrast, the average Executive Directors' fee was R2. 272.065 per annum in 2002, up from R1.859.622 in 2001. Non-executive Directors' fees increased almost 20 per cent.

Executive Director's fees rose by 52%

Dispute resolution

A survey conducted by the Labour Department indicates that the number of industrial actions reported to the Department dropped by over 43 per cent from 2001 to 2002. It is estimated that workdays lost as a result of industrial action declined from 953 610 in 2001 to 615 723 in 2002.

Sixty eight per cent of reported industrial actions were resolved through negotiations between employers and employees. Wage demands remained the primary reason for industrial action (44.7 per cent). Issues around working conditions caused about 23.4 per cent of these actions. Most of the industrial actions took place in the wholesale and retail sector and community, social and personal services sector. Both accounted for about 47 per cent of all industrial actions reported to the Department in 2002. Gauteng, KwaZulu Natal and the Western Cape were the leading provinces in terms of the number of reported industrial actions in 2002. Combined, they accounted for about 69 per cent of all the industrial actions.

Employment Equity

TABLE 2

SUMMARY OF CHANGES IN BLACK REPRESENTATION IN THE WORKFORCE

Occupational Level	Black		Growth in representation %	Female		Growth in representation %
	2000 %	2001 %				
Top Management	11.8	12.8	1	10.3	11.3	1
Senior management	15.4	16.4	1	16.0	17.7	1.7
Professionally qualified and experienced specialists and mid-management	24.7	24.9	0.2	28.9	30.3	1.4
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	56.6	59.3	2.7	48.4	49.8	1.4
Semi-skilled and discretionary decision making	80.6	81.2	0.6	43.3	43.3	0
Unskilled and defined decision making	98.2	98.1	-0.1	19.4	20.6	1.2
Non-permanent employees	67.5	77.3	9.8	47.2	42.9	-4.3

Black and female representation rose by about 1% at senior levels

Source: Employment Equity Report 2002

The Employment Equity Commission conducted a survey of 576 employers who reported correctly in 2000 and 2001 in order to determine the progress made with employment equity implementation to date. At top and senior management levels, black and female representation had risen by about 1 per cent. No explanation was provided for the large increase in non-permanent black employees.

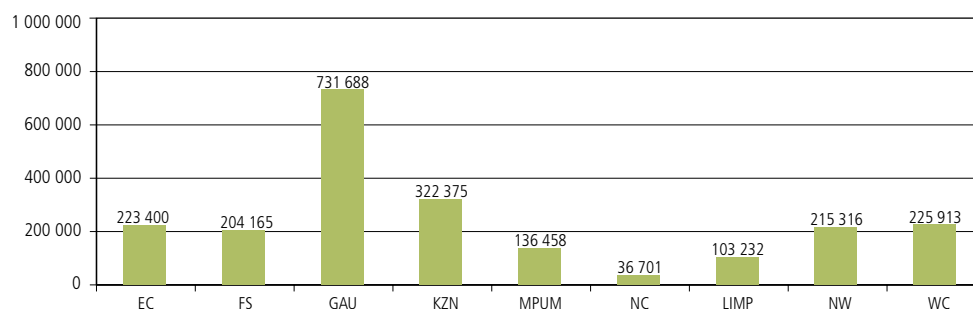
The Employment Equity report further showed that black employees represent 25 per cent of all employees in top management positions, whilst women hold 12 per cent and men 88 per cent of all top management positions. Black employees are collectively best represented in the Provincial Government sector (88.5 per cent) and least represented in the Academic Sector (41.7 per cent).

Social development indicators

Housing

FIGURE 15

HOUSING BACKLOG 1996



Source: Stats SA (census, 1996)

TABLE 3

HOUSES COMPLETED OR UNDER CONSTRUCTION: 1994 TO DECEMBER 2002

	1994-98	1998/99	1999/00	2000/01	2001/02	Apr to Dec 2002	Total
Eastern Cape	48 734	29 659	21 345	44 021	11 816	54 046	209 621
Free State	37 043	20 391	8 177	26 088	9 005	421	101 125
Gauteng	149 076	28 726	144 575	25 911	20 233	18 806	387 327
KwaZulu-Natal	96 021	53 105	28 997	28 547	14 379	12 231	233 280
Limpopo	26 851	22 899	12 401	20 996	16 667	500	100 314
Mpumalanga	30 757	16 838	4 808	16 457	14 584	21 575	105 019
Northern Cape	15 434	3 387	3 600	7 148	3 588	97	33 254
North West	42 264	18 367	12 944	17 609	17 385	16 751	125 320
Western Cape	69 155	34 575	26 916	17 730	16 634	2 358	167 368
Total	515 335	227 947	263 763	204 507	124 291	126 785	1 462 628

Source: National Department of Housing

According to the National Department of Housing, through the Housing Subsidy Scheme, Government has contributed towards providing just under 1.5 million housing opportunities. In 2001/02 delivery was substantially slower than the target of 200 000 per year, and unless delivery accelerated in the first months of 2003, the target would be missed again in 2002/03 with 126 785 houses built or under construction by December 2002.

In 2001/02 delivery was substantially slower than the target of 200 000 per year

Of the total houses built over the period, 26.5 per cent were in Gauteng, 15.9 per cent in KwaZulu Natal, 14.3 per cent in the Eastern Cape and 11.4 per cent in the Western Cape. The other five provinces collectively built 31.8 per cent of the total.

Health

TABLE 4

BURDEN OF DISEASE – SELECTED EPIDEMIOLOGICAL INDICATORS

Infectious diseases	1998	1999	2000	2001
HIV prevalence antenatal %	22,8%	22,4%	24,5%	24,8%
Syphilis prevalence % antenatal	10,8%	7,3%	4,9%	2,8%
Terminations of pregnancy	39 912	44 238	52 172	53 967
TB – cases	90 747	59 896	89 497	108 826
Malaria – cases	26 445	51 535	61 934	26 506
Cholera – cases per 100 000			24	221
Diarrhoea incidence <5 per 1000	286,4	144,8	165,0	133,0
Measles – cases	1148	694	646	

Source: 2003 Intergovernmental Fiscal Review

HIV prevalence is high, but leveling off

HIV prevalence is high, but leveling off, whilst syphilis and other sexually transmitted disease incidence has declined. TB cases associated with HIV/Aids continue to rise. After a malaria epidemic in affected regions which peaked in 2000, the incidence of malaria declined sharply in 2001, partly associated with improved control measures. The cholera outbreak in 2001 showed that despite substantial progress in water supply, there are still significant underserved areas, particularly with regards to sanitation. Measles cases have declined dramatically, suggesting improved primary health care services for children.

Statistics of mortality – causes of death

A report released by Statistics South Africa on the causes of death from 1997-2001 found that the five underlying leading causes of death among South Africans are HIV, TB and influenza/pneumonia, unnatural causes (injuries, motor accidents, suicide and drowning) and ill-defined causes.

The report concluded that for African and coloured males, the leading causes of death are unspecified unnatural causes and TB, while for Indian and white males, the leading causes are ischaemic heart disease and unspecified natural causes. By contrast, HIV is the leading cause of death among African females (13.5 per cent), whilst cerebrovascular diseases is the

leading cause of death among coloured females and ischaemic heart disease the leading cause among Indian and white females.

The report concluded that most pronounced was the pattern of deaths related to HIV and its related diseases amongst children and the economically active population group (i.e. the population aged 15-49).

Food security

More than a third of South Africa's about 44 million population had limited or no access to sufficient, safe and nutritious food in 2000, according to the Stats SA report "Measuring Poverty in South Africa 2000."

The provincial breakdown of the proportion of people who are "food insecure" is as follows:

TABLE 5

PROPORTION OF FOOD INSECURITY PER PROVINCE

Province	Proportion
Eastern Cape	48%
Free State	48%
Gauteng	12%
KwaZulu-Natal	26%
Limpopo	38%
Mpumalanga	25%
Northern Cape	35%
North West	37%
Western Cape	12%

Source: Stats SA, 2000

More than a 1/3 of South Africa's population had limited or no access to sufficient, safe and nutritious food

Access to basic services

TABLE 6

ACCESS TO BASIC SERVICES

Proportion of Households	1995	2000
Living in formal housing	66%	73%
With access to clean water	79%	83%
Using electricity for lighting	64%	72%
Telephone in house or cell-phone	29%	35%
Access to flush or chemical toilets	57%	57%

Source: Stats SA, 2002

Statistics South Africa's five-yearly income and expenditure survey (IES) found that access to basic services had improved between 1995 and 2000. Families living in formal dwellings increased from about 66 per cent in 1995 to 73 per cent in 2000. Whilst access to electricity for lighting increased, the use of electricity for cooking remained constant, while the percentage of households using paraffin for cooking increased (not shown). This was attributed to the cost of electricity and appliances. Electricity used for heating dropped, while the use of paraffin and other heat sources such as coal and dung increased.

Household income

The average income of South African households effectively declined between 1995 and 2000, according to the IES. The average household income for the country as a whole came to R37 000 in October 1995. Adjusted for inflation at 2000 prices, this becomes R51 000, but the actual average income of households in 2000 was R45 000, which represents a decline.

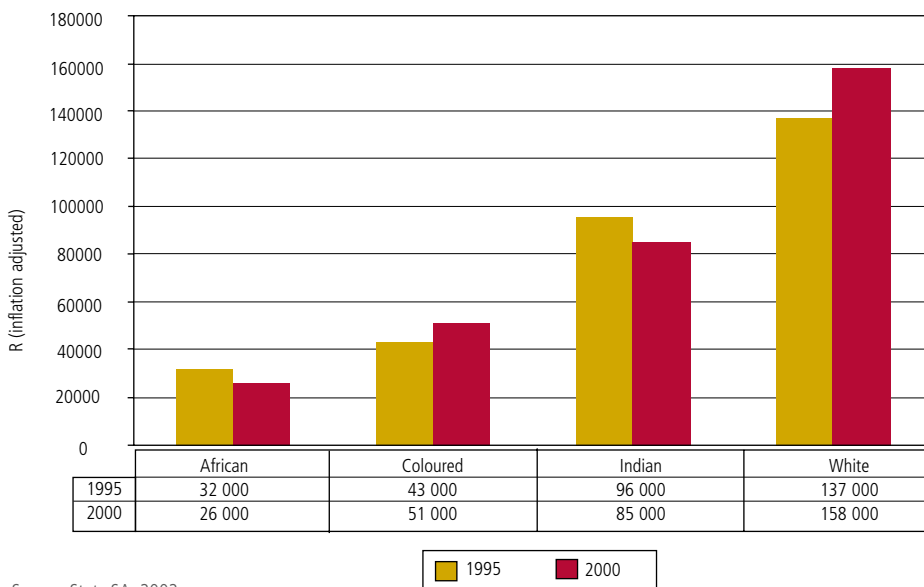
The average income of South African households effectively declined between 1995 and 2000

African headed households had an annual income of R32 000 in October 1995 in terms of 2000 market prices. This compared to an actual income of R26 000 in 2000.

The poorest 10 per cent of households received 0.5 per cent of all household income, both in 1995 and 2000, whilst the share of the poorest 20 per cent declined from 1.9 per cent to 1.6 per cent. At least half of the expenditure of households at the bottom of the income ladder went to food, compared to seven per cent of those at the top.

FIGURE 16

AVERAGE HOUSEHOLD INCOMES 1995 AND 2000



Source: Stats SA, 2002

Education

TABLE 7

EXPENDITURE PER LEARNER, LEARNER: EDUCATOR RATIOS AND MATRIC ENDORSEMENTS

	1999/00 Actual	2000/01 Actual	2001/02 Actual	2002/03 Estimated Actual	L:E ratios	Endorsement as a % of senior cert passes 2002
Eastern Cape	2 846	3 362	3 866	4 466	31	8,1%
Free State	3 570	3 910	4 433	5 155	29	18,8%
Gauteng	4 021	4 384	4 655	5 077	31	21,7%
KwaZulu-Natal	2 633	3 069	3 432	3 762	36	18,1%
Limpopo	3 211	3 452	3 674	4 015	32	17,5%
Mpumalanga	3 019	3 287	3 685	4 321	34	10,8%
Northern Cape	4 438	4 858	5 139	5 805	30	18,3%
North West	3 602	4 065	4 447	4 727	28	14,5%
Western Cape	3 987	4 391	4 721	5 081	32	26,5%
Average	3 234	3 631	3 995	4 437	32	16,9%

Sources: Learner numbers, EMIS, National Department of Education and Expenditure data, National Treasury database, in the 2003 Intergovernmental Fiscal Review

Growth in education expenditure over the past three years has resulted in a substantial increase in per learner expenditure. It is important to note, when comparing provinces, that they have different needs. Some spend more on greater administration or head office expenditure. Some spend more on transportation and hostel accommodation. The average cost of providing education also varies across provinces, depending on infrastructure, and the availability of highly qualified educators.

In terms of learner:educator ratios, most provinces have been successful in bringing these down from the 40:1 ratios seen in some provinces in 1996.

Matric endorsements, which refers to university entrance level passes, give an indication of the quality of the pass rate. Whilst 68.9 per cent of learners that wrote senior certificate in 2002 passed, only 16.9 per cent of these gained matric endorsement.

Welfare grants

In March 2003, just more than 5.6 million individuals, or roughly 12 per cent of South Africans received social grants (see table 7 below). This has increased from 2.5 million beneficiaries in 1997. The most widely distributed grant is the Child Support Grant, with

Growth in education expenditure over the past three years has resulted in a substantial increase in per learner expenditure

2.5 million children under the age of seven receiving the grant. Two million elderly women and men (over the age of 60 and 65 respectively) receive the Old Age Grant. Nearly 900 000 people receive the Disability Grant.

It is estimated that a further 1 million children below the age of 7 are entitled to grants, but have not registered. The policy of introducing the child care grant up to age 14 will be phased in over a number of years, but will bring a significant number of new recipients into the net.

TABLE 8

GRANT BENEFICIARIES

Grant Type	Number of beneficiaries in March 2003	Average annual Growth over 1998-2003	Rand value of grants April 2003
Old Age	2 000 041	3,3%	700
War Veterans	4 629	-15,1%	718
Disability	897 050	6,3%	700
Grant in Aid	12 279	6,0%	150
Foster Care	133 309	25,1%	500
Care Dependency	56 150	47,0%	700
Child Support Grant	2 513 693	192,2%	160
TOTAL	5 617 151	18,2%	

Source: 2003 Intergovernmental Fiscal Review