

Economic Profile

Economic activity varies from mining, power generation, metallurgical industries, dry land and subsistence agriculture to eco-tourism.

The strong manufacturing sector is dependent on the relatively cheap supply of coal. Coal mining is mainly carried out by opencast techniques, high extraction underground operations and conventional board and pillar underground operations. The coal mines also provide essential fuel to the local power stations of Hendrina, Komati and Arnot. Major industries in the Middelburg area include Columbus Stainless (Stainless Steel Manufacturing Plant), Middelburg Ferrochrome (Chrome Plant), and Kanhym Estates (Mill, Piggery and Feedlot) and service industries to the mining components.

Locational Advantages

National, Provincial and Local roads traverse the area Steve Tshwete Local Municipality well situated between the financial centre of Johannesburg and the administrative capital of central government in Pretoria On route to the provincial capital of the Mpumalanga Province, Mbombela (Nelspruit) and Maputo in Mozambique N4 Freeway (Maputo Development Corridor) runs through N4 Functions as a mobility spine/fast moving access way Road TRAC (private consortium) right to develop and toll N4 roads.

Web of Provincial Roads:

- Middelburg to Emalahleni and Wonderfontein
 - Middelburg to Van Dyksdrift
 - Emalahleni to Van Dyksdrift
 - Hendrina to Van Dyksdrift
 - Middelburg to Bethal
 - Hendrina to Bethal and Carolina
- Most roads in urban areas are tarred

Electricity

Largest source of revenue of the municipality Process of upgrading the main intake substations in Middelburg, Hendrina and Kwazamokuhle to cater for the growing electricity demand as well as future developments Two new intake substations are being erected in Aerorand and Nasaret. The Golsig main intake substations are also in the process of being upgraded.

The medium voltage network is being reinforced and upgraded. Low voltage overhead lines have been removed and the reticulation is underground to improve the reliability of supply Distribution area of Council is provided with area lighting (streetlights/high masts).

New low cost houses are electrified on completion New developments are addressed as and when required Rockdale B substation will provide a new site where new loads can be connected. The substation would provide a power source for the 88 KV lines that need to be diverted from the Vulcan substation.

Recent Economic Growth Performance

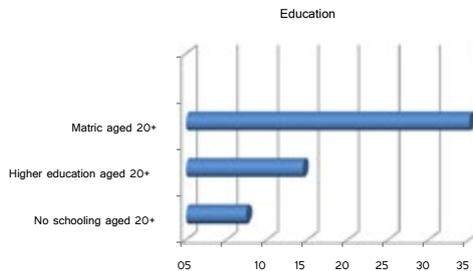
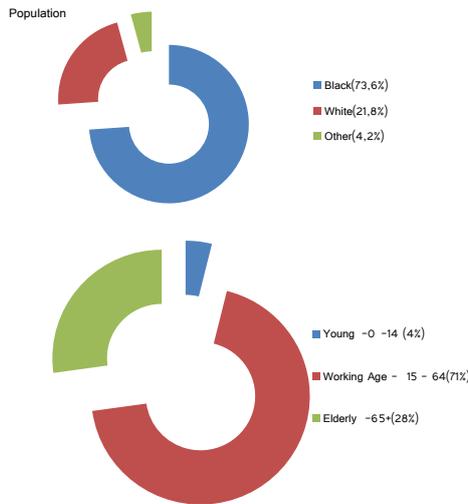
Estimates indicate that from 2004 to 2008 the growth in the economy of the STLM area slowed down to an average of 2.2% per year. Apart from the normal cyclical slowdown in the RSA economy from the end of 2007, the world economic recession led to a further slowdown in the area in 2008 and spread into 2009. Peaking at 3.5% in 2007, growth in the area slowed down to 1.4% in 2008.

The economy of the area is expected to pick up momentum in 2010 and is estimated to grow by 3.7% on average per year in the decade from 2009 to 2018. Cyclical moves in the economy will, however, still occur and register growth above and below the average of 3.7% during this period. The economy of the area is estimated to grow faster than the 3.3% average expected for South Africa. Relative rapid

price changes in, for instance, commodities and exchange rates movements may oscillate over this period and affect sector contribution and performance over the next decade. This was notably the case in 2008 and thus far in 2009.

Economic Performance over the next decade

It is estimated that new mining development will boost mining growth to 4.1% from the normally expected 3% per year. Mining and manufacturing will remain the mainstay of the area's economy in 2018 - 53% of GDP (2008 prices). With the re-commissioning of the Komati Power Station that will become fully operational in 2011, the contribution of the electricity sector to GDP will be R764 million in 2008 prices or 5.5% over the next decade. Mining and manufacturing will contribute 54% to real GDP from 2009 to 2018 while the tertiary sector will contribute 38% to real GDP from 2009 to 2018, is estimated to create nearly 50% of the new jobs over next decade. The top ten growth sectors to watch for growth opportunities and linkage effects in the next decade, has been determined and can be obtained from Middelburg Chamber (MCCI) Business Linkage Centre. Although mining provides the largest proposition in monetary terms, its capital intensity and complexities may make it a difficult sector to enter. Personal services will expand substantially while government will have to take up its responsibility. Electricity generation may also be a difficult sector to enter. It appears that ample scope exists with the metal cluster, trade and transport while various business services and building and construction provide the biggest opportunities from a growth perspective.



New Developments to make an impact

The new developments in the area will all contribute to the accelerated growth in the area and create new opportunities and jobs alongside the existing economy. These developments include two new coal mines; the re-commissioned Komati Power Station that will be fully operational by 2011, three new shopping malls that could accommodate trade growth while the new residential area will be the first to make room for growth in the real estate sector which is estimated to contribute some 5.2% to the GDP impact from 2009 to 2018. The new coal mines are estimated to contribute 13.1% to GDP growth over the next decade and the

Komati Power Station is expected to contribute 6.4% to the impact on the area's economy from 2009 to 2018. While the new development will directly enhance capital formation in the area, the wider impact through their indirect and induced linkages with other business will create a further need for investment in other sectors. The total induced impact through salaries and wages paid over the period will be R12 billion. The new developments will be responsible for about 10% of the additional household revenue.

Indirect and Induced Economic Impact of New Development
The new developments and the local supply chain and their backward linkages play a big part to ensure the dynamics of the local economy. About 17% or R529 million of the impact of the new developments is via indirect means and some 10% or R304 million is estimated to be induced through increased household income in the next decade.

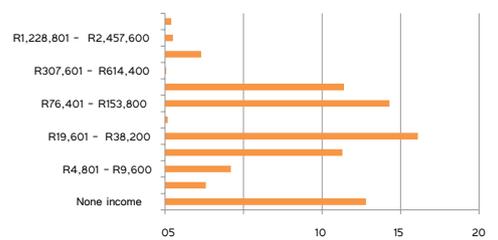
Investment opportunities and Prospects

A capital formation of R35 billion will be needed to sustain the estimated 3.7% growth per annum from 2009 to 2018, ample opportunities exist for taking part in business activity in the area. The capital formation impact by the new developments alone is estimated to be responsible for 26% of fixed investment up to 2018. Capital inflows will play a vital role in the area to establish new business and employment opportunities as the area is in need of investment from outside the area. Given the unemployment problem, there is a need for higher labour-capital ratio type of activities as long as real labour costs remain competitive with the real cost of capital. New developments will assist in addressing social distress of low income from 2009 to 2018. Businesses, however, will have to deal with an increasing real demand of 39% from all income groups over the next decade.

Potential Import Substitution

Import leakages provide opportunities for local as well as businesses from outside the area to join the local economy. By capturing import leakages, activity will contain and internalize the indirect and induced impacts for the benefit of local businesses and other role players. There is specific scope and potential if imports into the area are viewed from a detailed sector perspective. There exists an import substitution potential of up to the amount of R28 billion over the next decade. Some of the imports are place bound and cannot be easily shifted. Economies of scale play an important role.

Average Household Income



Home Ownership

Tenure Status

