



THE PRESIDENCY
REPUBLIC OF SOUTH AFRICA

DEVELOPMENT INDICATORS MID-TERM REVIEW

FOREWORD

In the Ten Year Review done towards the end of the First Decade of Freedom, government emphasised the need for better monitoring and evaluation of the implementation of its programmes.

Monitoring and evaluation is the life-blood of sound and efficient planning and implementation. For it to add value to government work and to the broader process of social transformation, it should be based on objective measurements that reflect the ideals in our Constitution: to improve the quality of life of all South Africans and ensure that South Africa contributes to the creation of a better Africa and a better world.

Cabinet has approved a set of key development indicators to provide evidence-based pointers to the evolution of our society. Based in part on Ten Year Review's human development indicators, they are markers that help define the milestones in the journey of social change.

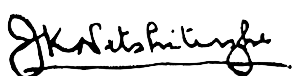
The Policy Coordination and Advisory Services (PCAS) in The Presidency, working with the Clusters of Directors-General and with Departments compiled data on each of the 72 indicators, informed by international good practice adapted to South African conditions.

This publication summarises the data on trends mainly for the period leading up to the middle of this government's term, two-and-half years after the April 2004 elections. The information, sourced from official statistics and research by local and international institutions, has been clustered into ten broad themes:

- o economic growth and transformation
- o employment
- o poverty and inequality
- o household and community assets
- o health
- o education
- o social cohesion
- o safety and security
- o international
- o good governance

We do hope that South Africans will examine the data against the backdrop of their lived experience and research work conducted independently of government.

This will help enrich public discourse on who we are and where we are going as a nation. It will also lay the basis for national consensus on how we should measure the progress we are making towards a better life for all.



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1 GROSS DOMESTIC PRODUCT (GDP) GROWTH

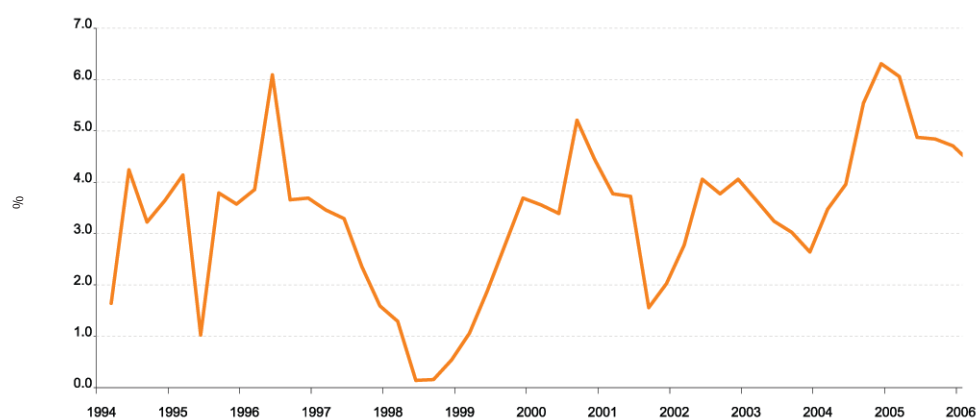
Goal Gross Domestic Product growth of 4.5 per cent per annum for 2005 – 2009 and then 6 per cent per annum till 2014.

Trend analysis Since 1999, the economy has grown continuously and growth continues to trend to a higher level. Since 2004, growth has averaged over 4.5 per cent, and thus we seem likely to achieve the Accelerated and Shared Growth Initiative for South Africa (AsgiSA) target of at least 4.5 per cent to 2009, and 6 per cent for 2010 – 2014. However, faster growth is giving rise to new strains in the economy, with shortages of material and skilled labour. If AsgiSA policies are successfully implemented, there will be greater scope for even faster growth.

GDP

%	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GDP growth	3.2	3.1	4.3	2.6	0.5	2.4	4.2	2.7	3.7	3.1	4.8	5.1	5.0

GDP



Definition	Market value of all final goods and services produced within a country in a given period of time
Data source	South African Reserve Bank Quarterly Bulletin (QB) (S-148).
Data note	The quarterly data series is used for the graph to bring it up to date, while the table uses annual data

2 REAL PER CAPITA GDP GROWTH

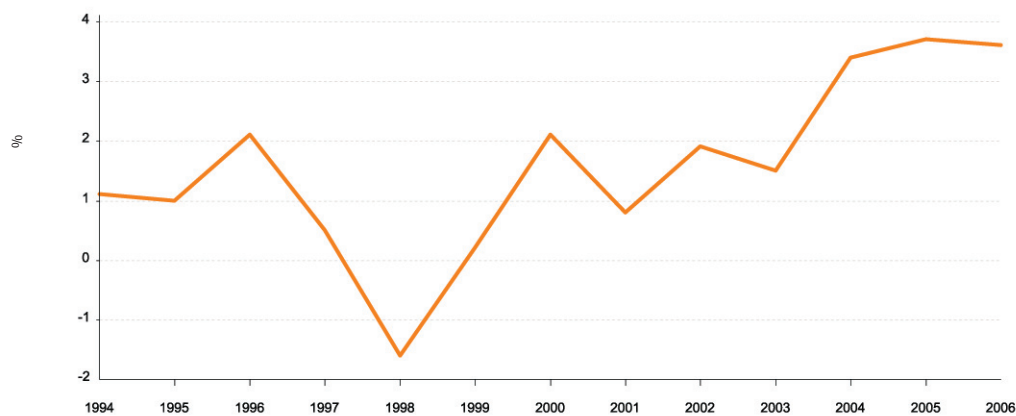
Goal To grow per capita income by 3 per cent or more annually (an informal target).

Trend analysis The data shows that since 2000, average output per person has been growing more rapidly. With annual GDP growth of over 4.5 per cent, and the overall population growth rate for 2005/06 estimated at 1.06 per cent, average wealth per person can be expected to continue to rise at over 3 per cent per year for the foreseeable future. This wealth is not automatically distributed evenly among South Africans, but it represents funds available, some considerable proportion of which can be redistributed through the budget and by other means to reduce poverty and inequality.

REAL PER CAPITA GDP GROWTH (2000 CONSTANT PRICES)

%	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
per capita GDP	1.1	1	2.1	0.5	-1.6	0.2	2.1	0.8	1.9	1.5	3.4	3.7	3.6

REAL PER CAPITA GDP GROWTH (2000 CONSTANT PRICES)



Definition GDP divided by population

Data source South African Reserve Bank QB (S-149)

3 FOREIGN DIRECT INVESTMENT (FDI)

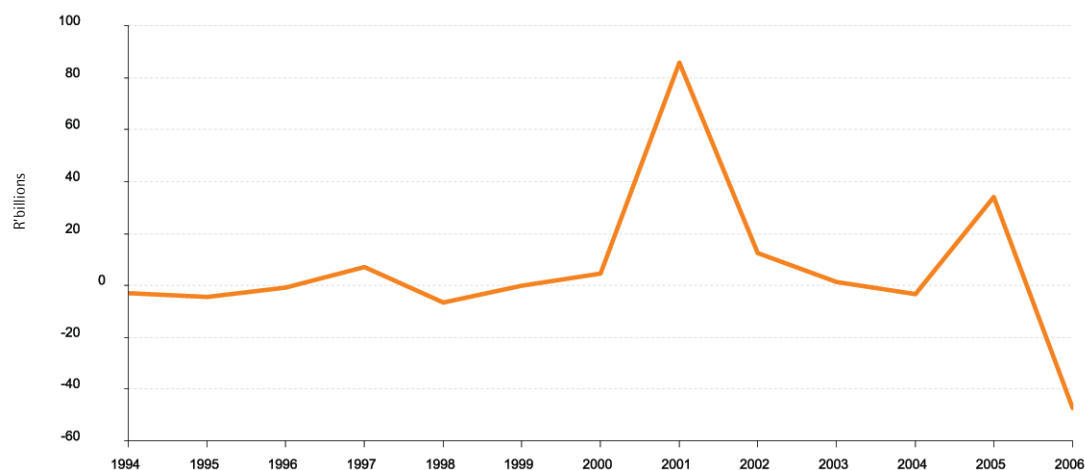
Goal To increase greenfield investment in South Africa.

Trend analysis Foreign Direct Investment (FDI) has not been a major part of our foreign capital inflows not including for some exceptional years like 1997 (Telkom privatisation), 2001 (De Beers restructuring) and 2005 (purchases of several major South African companies, including Absa). This calculation shows the nett and the negative trend in 2005 - 2006 that is due to a number of South African companies investing abroad. Most of our foreign investment is received as purchases of shares in South African companies on various stock exchanges and not reflected as FDI. South Africa is the third highest recipient of equity (share) portfolio investment among developing countries behind China and India in 2005 and China and Brazil in 2006, but FDI needs to be strengthened too.

FOREIGN DIRECT INVESTMENT (FDI)

R'billions	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
FDI	-3.040	-4.557	-0.970	6.756	-6.737	-0.475	4.280	85.763	12.153	1.275	-3.566	33.854	-47.350

FOREIGN DIRECT INVESTMENT (FDI)



Definition Long-term direct investment by foreigners in the economy
Data source South African Reserve Bank QB (S-78)

4 GROSS FIXED CAPITAL FORMATION

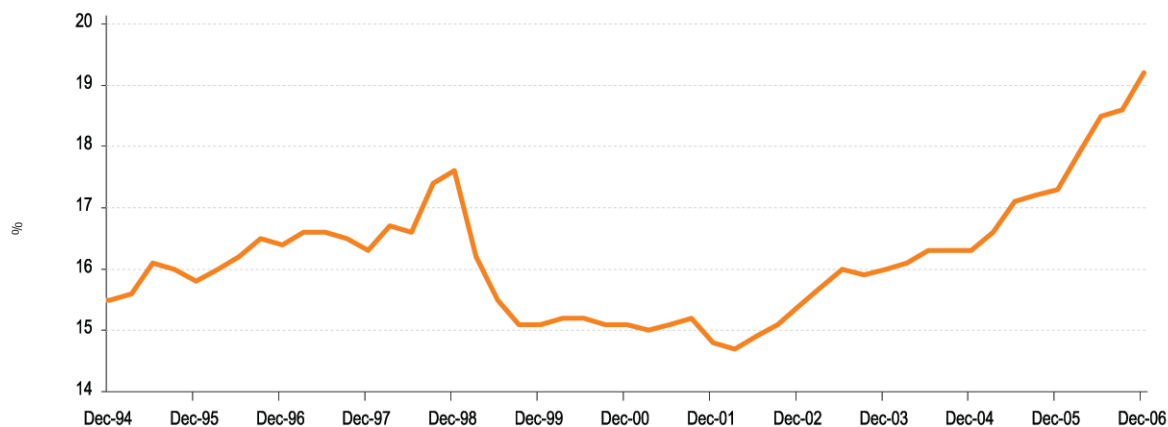
Goal AsgiSA's target is to reach 25 per cent per year by 2014.

Trend analysis Fixed investment has been rising since 2002. Since 2004, it has begun to accelerate - this lays the basis for strong GDP growth as long as funds are efficiently invested. Private-sector and state-owned-enterprise investments are strong, but the rate of government investment remains relatively slow. To continue the strong upward trend in investment, capacity to invest must improve urgently in all spheres of government. Risks to the positive trend include skills shortages and supply constraints.

GROSS FIXED CAPITAL FORMATION AS A PERCENTAGE OF GDP

%	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
GFCF	15.5	15.8	16.4	16.3	17.6	15.1	15.1	14.8	15.4	16	16.3	17.3	19.2

GROSS FIXED CAPITAL FORMATION AS A PERCENTAGE OF GDP



Definition Total fixed investment by private companies and individuals, state owned enterprises and government, including depreciation

Data source South African Reserve Bank RBOIN; RB6282L

5 BUDGET DEFICIT BEFORE BORROWING

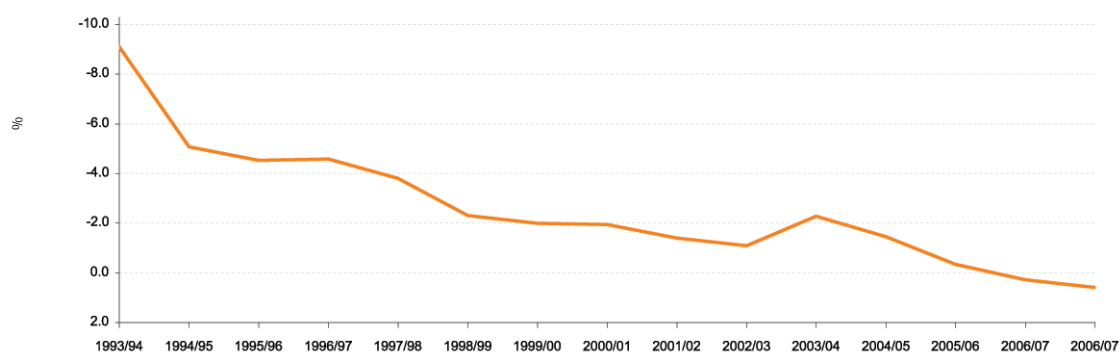
Goal Government's target has been to keep the deficit around 3 per cent of GDP. Fiscal policy now also aims to smooth economic cycles.

Trend analysis Government has reduced the amount it has to borrow recently due to rising revenue receipts. Government plans a surplus - more revenue than expenditure in the financial year 2007/08 - to contribute to savings to raise our investment capacity and to guard against overheating the economy. Government's saving also allows the Reserve Bank not to raise interest rates too high.

BUDGET DEFICIT BEFORE BORROWING AS PERCENTGE OF GDP

%	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
budget deficit	-9.1	-5.1	-4.5	-4.6	-3.8	-2.3	-2.0	-1.9	-1.4	-1.1	-2.3	-1.4	-0.3	0.3	0.6

BUDGET DEFICIT BEFORE BORROWING AS PERCENTGE OF GDP



Definition Difference between total government revenue and expenditure as percentage of GDP

Data source National Treasury, Medium Term Budget Policy Statement and Budget Review

6 GOVERNMENT DEBT

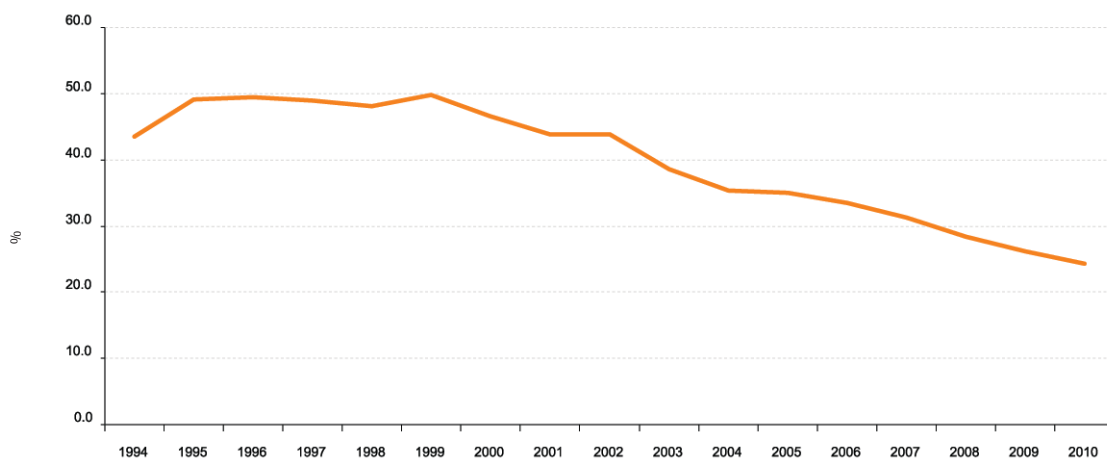
Goal Government aims to limit its debt and reduce its demands on the financial markets. This leads to lower interest rates and higher private-sector borrowing, hopefully for investments.

Trend analysis Government debt includes the net loan debt by the Government to cover the high levels of expenditure. The debt was relatively stable from 1994 to 1999 and has been decreasing since 2002. It is projected that this decreasing trend will continue slightly longer.

GOVERNMENT DEBT AS A PERCENTAGE OF GDP

%	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Gov debt	43.5	49.1	49.5	48.9	48.0	49.9	46.6	43.9	43.9	38.6	35.3	35.1	33.5	31.3	28.4	26.2	24.3

GOVERNMENT DEBT AS A PERCENTAGE OF GDP



Definition In this definition, government includes national and provincial spheres. Forward estimates of foreign debt are based on National Treasury's exchange rate projections

Data source National Treasury Budget Review 2007, p. 93

7 INTEREST RATES: REAL AND NOMINAL

Goal Government would like to have the lowest real interest rate that does not undermine the sustainability of growth.

Trend analysis The real interest rate remains relatively high at about six percent, though the decline in nominal interest rates (interest rates before inflation) has contributed to rising investment and consumption. As the economy strengthens, lower real interest rates will be achievable, without endangering the balance of payments or inflation. High real interest rates remain a drag on small business investment.

INTEREST RATES

rate	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Real interest	6.5	11.9	10.5	12.6	14.9	13.6	7.5	8.7	4.2	11.5	7.8	6.8	6.5
Nominal interest	16.3	18.5	20.3	19.3	23.0	15.5	14.5	13.0	17.0	11.5	11.0	10.5	12.5

INTEREST RATES



Definition Nominal interest rate is = prime overdraft rate. Real inflation rate is = prime less CPI.

Data source South African Reserve Bank money market interest rates - prime overdraft rate less Consumer Price Index

Data note The quarterly data series is used for the graph to bring it up to date, while the table uses the annual data

8 INFLATION MEASURES: CONSUMER PRICE INDEX (CPI) AND CONSUMER PRICE INDEX EXCLUDING (CPIX)

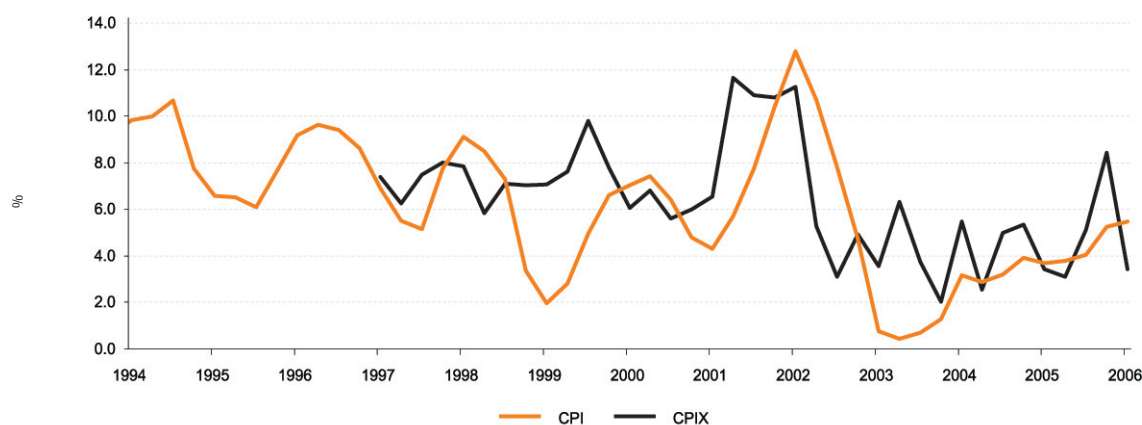
Goal Inflation target is 3 – 6 per cent for CPIX. CPI tends to be more volatile than CPIX.

Trend analysis Inflation was below 6 per cent for nearly four years, which led to declining expectations of inflation. This leads to greater economic stability and a stronger platform for growth. It has also led to lower nominal interest rates and lower debt service burdens for government, companies and individuals. Recently inflation breached the 6 per cent level due mainly to high oil prices.

INFLATION MEASURES

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
CPI	9.8	6.6	9.1	6.9	9.1	2.0	7.0	4.3	12.8	0.7	3.2	3.7	5.5
CPIX					7.0	6.9	7.8	6.6	9.3	6.8	4.3	3.9	4.6

INFLATION MEASURES



Definition	Rise in prices of a typical basket of goods, as measured by Statistics South Africa. CPIX excludes interest rates on mortgage bonds
Data source	Statistics South Africa P0141.1: Table 1
Data note	The quarterly data series is used for the graph to bring it up to date, while the table uses the annual data

9 BOND POINTS SPREAD

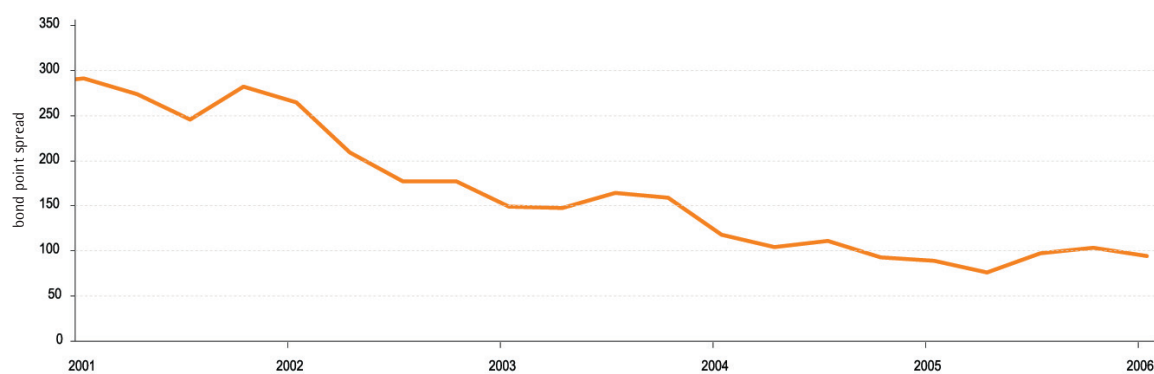
Goal South Africa should pay as small a premium as possible on its bonds issued.

Trend analysis The amount that the South African Government has to pay its creditors above the rate paid by the United States of America Government (a benchmark) has been declining quite rapidly since 2002. This shows that the risk attributed to investing in South Africa has fallen in relative terms. South Africa now has an unusually low points spread compared with other emerging markets, due to its strong macroeconomic performance. This lowers the costs of borrowing for government and the private sector.

BOND POINTS SPREAD

	2001	2002	2003	2004	2005	2006
Bond points spread	291	264	149	118	89	94

BOND POINTS SPREAD



Definition Measurement of risk between developed and developing economy in terms of difference paid for borrowing

Data source JP Morgan Emerging Market Bond Index, South African data via Bloomberg (UPBSGDSA Index)

10 EXPENDITURE ON RESEARCH AND DEVELOPMENT (R&D)

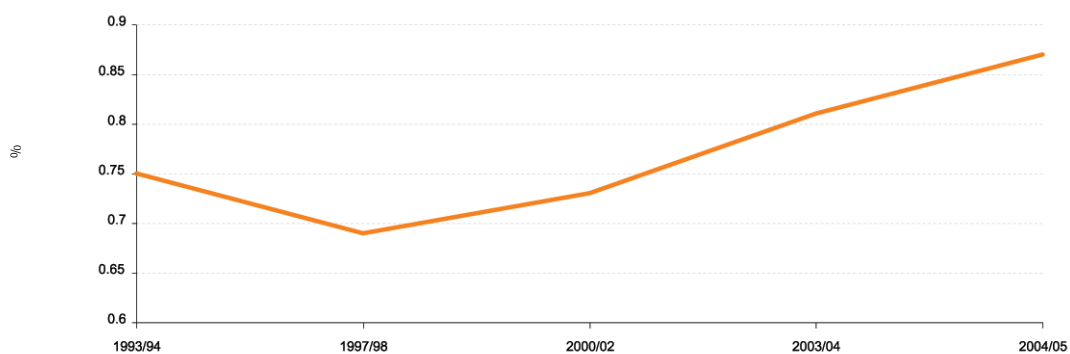
Goal The target is to reach R&D expenditure at 1 per cent of GDP by 2008.

Trend analysis Current trends are positive and suggest that the 2008 target is attainable, particularly in the light of a tax incentive recently introduced. The time is approaching to determine what the next target should be. The biggest risk to achieving R&D objectives is the low rate of passes in Mathematics and Science in high schools and the relatively low proportion of Science, Engineering and Technology (SET) graduates from universities.

EXPENDITURE ON R&D AS A PERCENTAGE OF GDP

%	1993/94	1997/98	2000/02	2003/04	2004/05
R&D expenditure	0.75	0.69	0.73	0.81	0.87

EXPENDITURE ON R&D AS A PERCENTAGE OF GDP



Definition Amount of private and public funds spent on R&D

Data source Annual Science, Engineering and Technology Institute Survey, Department of Science and Technology

11 EXPORTS

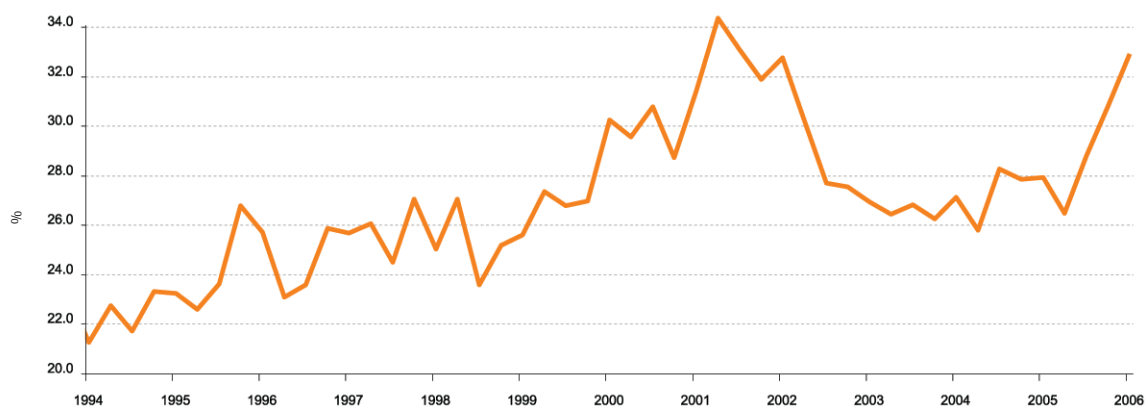
Goal To increase the ratio of exports to GDP.

Trend analysis The trend shows that while there was gradual improvement in the rate of exporting in the 1990s, the situation reversed after 2001. One major reason was the sustained increase in the value of the currency that made conditions more difficult for exporters. Exports remain at a relatively low level, though the softening of the currency in the recent period seems to have helped, and exports are beginning to rise.

EXPORTS AS A PERCENTAGE OF GDP

%	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Exports	23.3	23.3	26.8	25.9	27.0	25.2	27.0	28.7	31.9	27.5	26.3	27.9	30.8

EXPORTS AS A PERCENTAGE OF GDP



Definition Total exports as percentage of GDP

Data source South African Reserve Bank QB (S-108)

Data note The quarterly data series is used for the graph to bring it up to date, while the table uses the annual data

12 BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTIONS

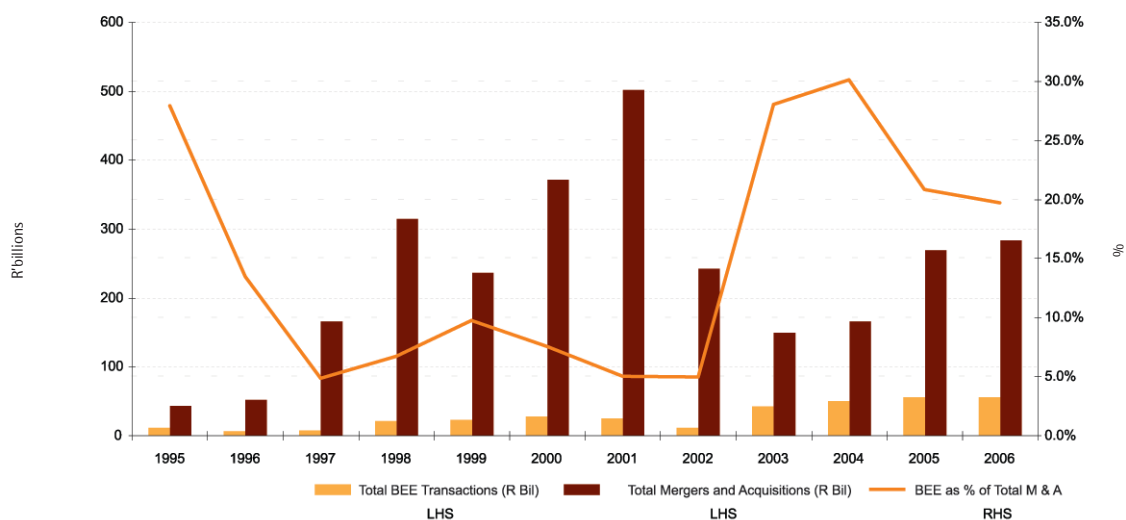
Goal To increase the number and value of BEE transactions

Trend analysis After a promising start, the value of BEE transactions in relation to all Mergers and Acquisitions fell after 1995. Since 1998 the value of these transactions have been steadily rising to peak at R56 billion in 2006. The average share of BEE in transactions is approximately 15 per cent of mergers and acquisitions.

BEE TRANSACTIONS

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total BEE Transaction (R Bn)	12	7	8	21	23	28	25	12	42	50	56	56
Total M&A Transaction (R Bn)	43	52	166	314	236	371	502	242	150	166	269	284
BEE as % of All M&A Transaction	27.9%	13.5%	4.8%	6.7%	9.7%	7.5%	5.0%	5.0%	28.0%	30.1%	20.8%	19.7%

BEE TRANSACTIONS



Definition Value of recorded BEE transactions

Data source Ernest & Young handbook on Mergers and Acquisitions (2005, 2006)

13 BLACK MANAGERS

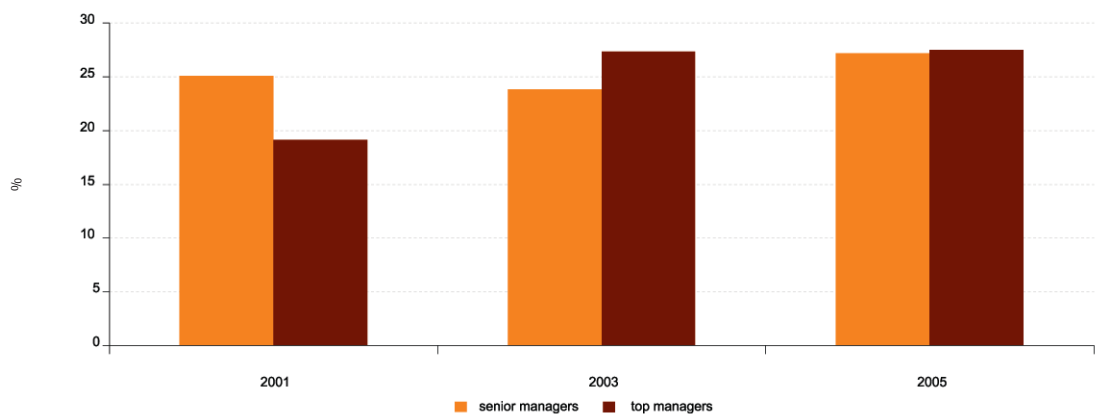
Goal The goal is to broadly reflect the demographic make-up of the country.

Trend analysis The rate of growth of black representation in the ranks of management grew in the 1990s as public-sector institutions approached representivity. The current slow pace of improvement suggests that the private sector is lagging behind.

PERCENTAGE OF TOP AND SENIOR MANAGERS WHO ARE BLACK

%	2001	2003	2005
senior managers	25.1	23.8	27.2
top managers	19.1	27.3	27.5

PERCENTAGE OF TOP AND SENIOR MANAGERS WHO ARE BLACK



Definition Number of top managers and senior managers who are black

Data source Department of Labour's Employment Equity Reports, Statistics South Africa's Labour Force Survey (LFS)