

# Economic Trends Report

## Analysing Economic Trends in KwaZulu-Natal (2010–2026)



### Overview

The Moses Kotane Research Institute (MKRI) assessed the economic outlook and development conditions in South Africa and KwaZulu-Natal (KZN), with particular emphasis on economic growth, labour-market trends, sectoral performance, township and rural economies, structural constraints and policy priorities. The analysis was based on primary (survey of enterprises across KwaZulu-Natal) and secondary (mainly Statistics South Africa, National Treasury, International Monetary Fund, and Quantec) data sources. Furthermore, the analysis also incorporated spatial mapping of enterprise and economic nodes, a review of relevant policies and regulations, and analysis of labour-market and sectoral trends.

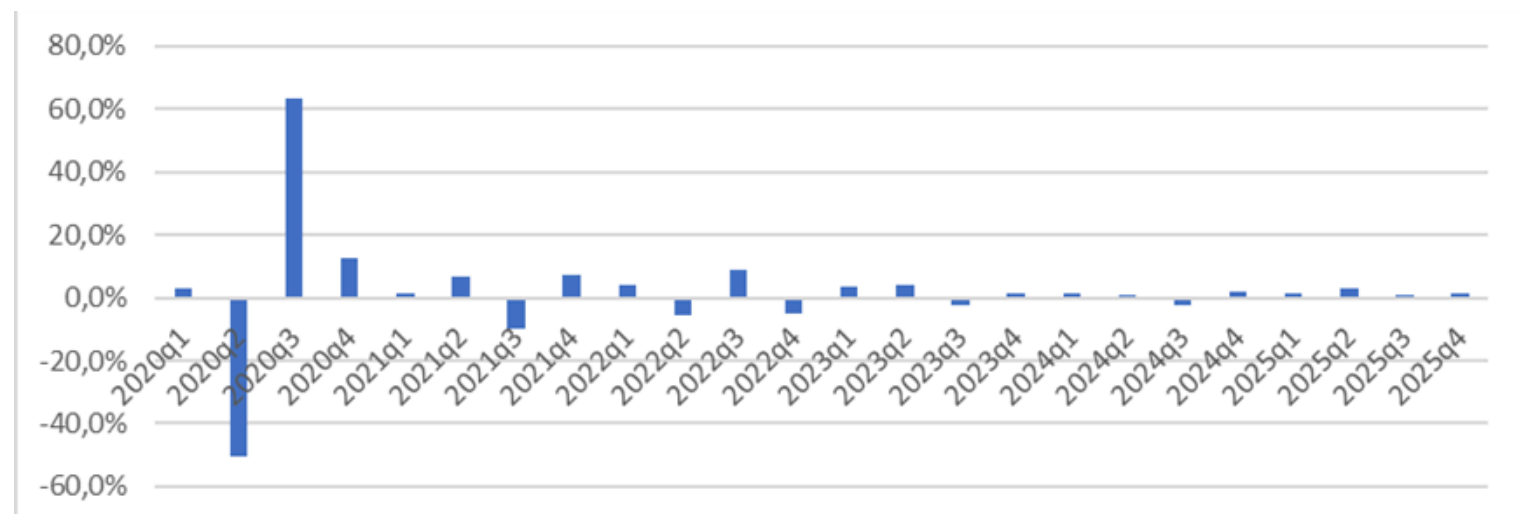


### Findings

#### ***Economic Performance***

KwaZulu-Natal remains a strategically important provincial economy because of its manufacturing base, agricultural resources, tourism assets and major transport and logistics infrastructure, including the ports of Durban and Richards Bay. However, the province continues to experience structural challenges associated with infrastructure limitations, logistics inefficiencies, weak investment, spatial inequality and uneven economic development.

**Figure: KwaZulu-Natal Total Growth Rate, 2020 - 2025**



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### Sector performance

The province's logistics and trade infrastructure remain a major determinant of economic performance. The Port of Durban and associated transport corridors support manufacturing, agriculture, retail, logistics and international trade. Improvements in port efficiency, rail capacity and road infrastructure could therefore generate wider economic benefits through reduced transport costs, improved reliability and stronger investment.

**Agriculture** remains crucial in rural KwaZulu-Natal. The sector provides employment and household income while supporting agricultural processing, retail, transport and other local economic activities. Its contribution to rural development makes agricultural value-chain development important for addressing spatial disparities.

**Manufacturing** remains another important component of KwaZulu-Natal's economy, particularly through automotive production, chemicals, food processing, metal products and related industrial activities. However, the sector remains exposed to electricity costs, logistics constraints, international competition and weak domestic demand.

**Tourism** also remains an important source of economic activity. KwaZulu-Natal's coastline, beaches, cultural heritage, wildlife attractions and major events provide a strong tourism base. However, tourism performance remains influenced by transport connectivity, safety, infrastructure, household purchasing power and international economic conditions.



### Spatial dynamics

The spatial structure of the provincial economy remains a significant concern. Economic activity is concentrated around eThekweni and other major urban and industrial centres, while many rural districts experience weaker economic activity and employment opportunities. This spatial concentration creates differences in labour-market outcomes between metropolitan and non-metropolitan areas.

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### Labour market trends

Table: KwaZulu-Natal Labour Force Characteristics, Q2 2026

| Labour-market indicator                | Apr–Jun 2025 | Jul–Sep 2025 | Oct–Dec 2025 | Jan–Mar 2026 | Apr–Jun 2026 | Q/Q change | Y/Y change |
|----------------------------------------|--------------|--------------|--------------|--------------|--------------|------------|------------|
| <b>Population 15–64 years</b>          | 7 732        | 7 756        | 7 779        | 7 802        | 7 825        | 23         | 93         |
| <b>Labour force</b>                    | 4 058        | 4 035        | 4 010        | 3 956        | 4 035        | 79         | -24        |
| <b>Employed</b>                        | 2 702        | 2 757        | 2 716        | 2 722        | 2 725        | 3          | 22         |
| <b>Unemployed</b>                      | 1 356        | 1 278        | 1 294        | 1 234        | 1 310        | 76         | -46        |
| <b>Outside labour force</b>            | 3 674        | 3 721        | 3 769        | 3 846        | 3 790        | -56        | 116        |
| <b>Labour-force participation rate</b> | 52.5         | 52           | 51.5         | 50.7         | 51.6         | 0.9        | -0.9       |
| <b>Absorption rate (%)</b>             | 35           | 35.5         | 34.9         | 34.9         | 34.8         | -0.1       | -0.2       |
| <b>Inactivity rate (%)</b>             | 47.5         | 48           | 48.5         | 49.3         | 48.4         | -0.9       | 0.9        |
| <b>Official unemployment</b>           | 33.4         | 31.7         | 32.3         | 31.2         | 32.5         | 1.3        | -0.9       |

- KwaZulu-Natal's unemployment rate rose to 32.5% as labour-force growth outpaced job creation, despite improved participation and lower inactivity.
- KwaZulu-Natal's labour-market participation improved, but employment growth remained too weak to absorb new entrants, pushing unemployment up to 32.5% and the absorption rate down to 34.8%.

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### KZN Township and Rural Economies

- Township and rural economies play a key role in promoting inclusive economic development. 8,409 enterprises surveyed: 64.1% in rural areas and 35.9% in township areas, demonstrating the substantial economic footprint of these economies across the province.
- Enterprise activity was identified across metropolitan and rural districts, including eThekweni, uMkhanyakude, Zululand, uThukela and Ugu.
- Spatial mapping showed that township enterprises tend to cluster around transport corridors, taxi ranks, retail areas, industrial interfaces and high-density residential nodes, while rural economic activity is concentrated around small towns, service centres, taxi ranks, agricultural areas and major transport corridors.



### Key challenge:

The weak implementation and coordination of existing interventions. Policies such as Township and Rural Economies Revitalisation Strategy (TRERS) and national development programmes provide an important foundation, but their impact is constrained by fragmented programmes, insufficient municipal capacity, weak enterprise data, inconsistent regulatory systems, limited funding and inadequate coordination between government institutions.



### Key Insight:

Economies provide important livelihoods and opportunities in informal trade, agriculture, tourism, transport, small-scale manufacturing and services, but remain constrained by inadequate infrastructure, limited market access, restricted access to finance, regulatory barriers, land and tenure challenges, and limited institutional capacity.



### Key Insight:

Significant opportunities identified to strengthen township and rural economies through agricultural value chains, agro-processing, logistics, tourism, manufacturing, digital enterprise development, community-owned businesses and stronger links between rural producers and township and urban markets.

### Recommendations for the KZN Government

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#### 1. Establish a district-based Township and Rural Economy Delivery Programme

EDTEA should identify priority economic nodes in each district and prepare a 12-month delivery plan for each node. The plan should identify the businesses, and economic activities present, infrastructure constraints, available public assets, market opportunities, regulatory barriers and priority projects. Resources should then be concentrated on these nodes rather than being dispersed across numerous small projects.

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#### 2. Convert TRERS into a costed implementation programme

EDTEA, Provincial Treasury and municipalities should translate TRERS into an annual implementation schedule specifying projects, budgets, responsible institutions, beneficiaries, deadlines and measurable outputs. This directly addresses our report's finding that TRERS has not been fully costed and that municipalities lack clear implementation guidelines and ring-fenced budgets.

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#### 3. Establish a provincial township and rural enterprise database

The report identifies weak enterprise data as a constraint on planning and access to finance. Therefore, a single database should be developed containing the location, sector, size, registration status, employment, infrastructure needs, finance requirements and support history of enterprises. This should become the database used to determine who receives government support and to monitor whether interventions actually improve business survival and employment.

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#### 4. Shift SMME support from generic funding to market-linked support

Provincial support programmes should first identify who will buy the product or service before providing production support. Agriculture, manufacturing, tourism and township-enterprise programmes should therefore include an identified market, buyer or procurement opportunity as part of the project design.

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#### 5. Build rural value chains rather than isolated projects

Provincial support programmes should first identify who will buy the product or service before providing production support. Agriculture, manufacturing, tourism and township-enterprise programmes should therefore include an identified market, buyer or procurement opportunity as part of the project design.

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### Recommendations for the KZN Government

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#### 6. Introduce a “training-to-employment” requirement for youth programmes

Provincial youth programmes should report placements rather than training numbers. Before a training programme is approved, implementing partners should demonstrate the occupations demanded by employers and the pathway from training to workplace learning, apprenticeship, internship or employment. This is particularly important given our report’s finding that KZN's youth NEET rate was approximately 49.9% in Q2 2026.

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#### 7. Develop a non-metropolitan employment programme

The province should establish a specific programme for employment-generating projects outside eThekweni, focusing on agriculture, agro-processing, construction, tourism, logistics, local manufacturing and township/rural enterprises. This should be monitored separately because our research indicates a substantial spatial employment disparity: eThekweni recorded employment growth of approximately 30,000 in Q2 2026, while non-metropolitan KZN lost approximately 27,000 jobs.

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#### 8. Create a KZN Logistics Bottleneck Register

EDTEA should maintain a quarterly register of the specific logistics problems affecting businesses, including location, estimated cost, affected sectors, responsible institution, intervention required and status. This would allow the province to take specific problems to Transnet, SANRAL, municipalities and other responsible institutions rather than treating logistics as an abstract provincial constraint.

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#### 9. Create a manufacturing retention and expansion programme

Given the reported decline in manufacturing employment, EDTEA should identify strategically important firms facing production, logistics, energy, skills or market constraints. Each identified firm should receive a diagnostic assessment and a defined intervention plan where government has an appropriate lever. The objective should be not only to attract new investors, but also to retain existing productive capacity and help viable firms expand.

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#### 10. Establish a provincial public economic asset register

EDTEA should work with municipalities and Public Works to identify vacant or underutilised markets, industrial buildings, trading facilities, municipal properties and other economic assets.

Each asset should be classified as: Immediately usable; Requiring rehabilitation; Requiring private-sector investment; or Unsuitable for economic activation. The province can then package viable assets for SMMEs, cooperatives, investors or community enterprises.