



## **KWAZULU-NATAL PROVINCE**

**ECONOMIC DEVELOPMENT, TOURISM  
AND ENVIRONMENTAL AFFAIRS**  
REPUBLIC OF SOUTH AFRICA

Office of the Head of Department  
270 Jabu Ndlovu Street, Pietermaritzburg, 3201  
Tel: +27 (33) 264 2515, Fax: 033 264 2680  
Private Bag X 9152  
Pietermaritzburg, 3200  
[www.kznded.gov.za](http://www.kznded.gov.za)

## **DISTRICT ECONOMIC PROFILES**

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### **Amajuba District**

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**2021**

## GEOGRAPHICAL LOCATION



### Amajuba DM (DC 25)

**Population:** 570,523

**Area Size:** 7, 102.4 Km<sup>2</sup>

Located in the north-western corner of KZN, it borders on the Free State and Mpumalanga Province.

The municipality comprises three local municipalities: Newcastle, eMadlangeni and Dannhauser.

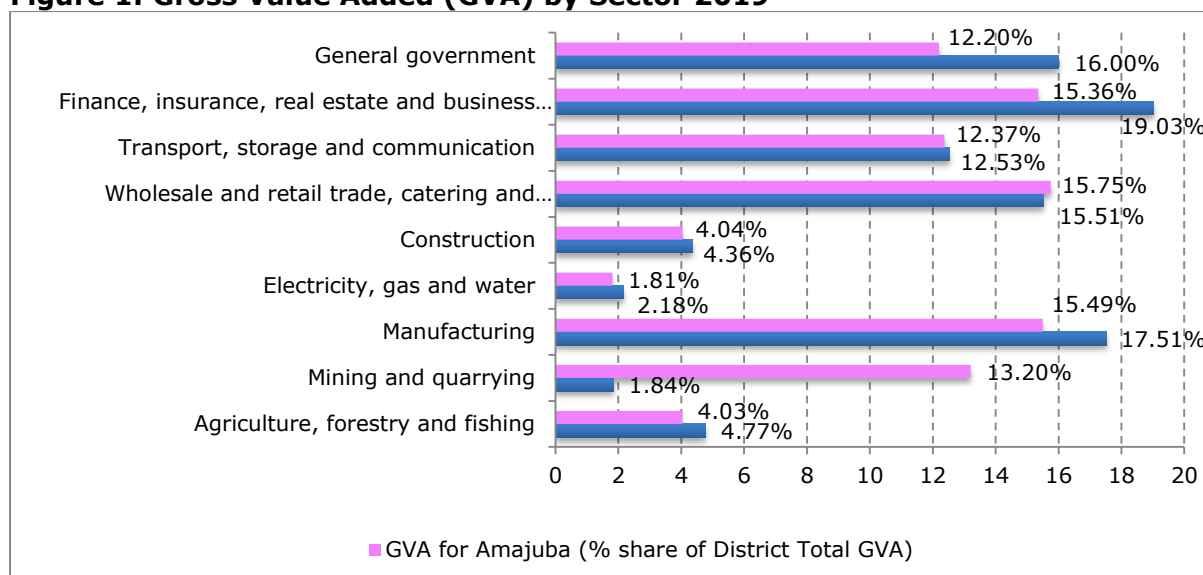
The main transportation routes linking the district to its surrounds are the N11, which is the alternative route to Johannesburg from Durban, and the rail line, which is the main line from the Durban harbour to Gauteng. The R34 also bisects the district in an east-west direction and provides a linkage from the port city of Richards Bay to the interior.

## DISTRICT SPATIAL FEATURES

- Newcastle-Madadeni-Osisweni is the key economic node of the district, and is one of the larger economic centres in the province.
- Utrecht and Dannhauser are the smaller urban centres in the district.
- The N11 is the main transport route through the area linking Ladysmith with Newcastle and Gauteng via Volksrust and Standerton.
- Owing to the racial segregation and industrial decentralisation policies during apartheid there are major population concentrations located to the north east of the town of Newcastle.
- The majority of industrial, commercial and services activities are located in Newcastle along the N11 and follow the road linking Newcastle to Madadeni - Osisweni.
- Utrecht and Dannhauser were mining and agricultural services sector towns in the 1960s and 1970s, but since the closure of these *collieries* these towns have experienced economic downturn. At the present time they are performing sub-regional residential, social and commercial service centre functions with limited manufacturing opportunities.

## DISTRICT ECONOMIC STRUCTURE AND CONTRIBUTION

**Figure 1: Gross Value Added (GVA) by Sector 2019**



Source: Global Insight, 2020

- The main district economic drivers within Amajuba reside in the secondary and tertiary sector with manufacturing (15.49%) leading in the secondary sector and wholesale and retail trade (15.75%) emerges as the leader in the service sector.
- The district economy is predominantly private sector driven which creates great prospects for employment and reduces dependency on the public sector.
- Outside of retail trade and manufacturing, the following industries have a rather significant contribution to the district economy, Finance (15.36%), Mining (13.20%), Transport (12.37) and Government services (12.20%)
- Amajuba contributes a total of 4.06% to the provincial GVA.

## ECONOMIC DRIVERS

### Manufacturing

This sector has undergone changes over the past 30 years. During the apartheid era Newcastle was established as an industrial de-concentration point primarily for the processing of iron and steel products. While government subsidies and policies remained in place the iron and steel industry continued to operate in this area. During the 1970s and 1980s the production of textiles and clothing entered into the area as an additional manufacturing sub-sector along with chemicals and associated steel processing plants (e.g. galvanising, fabrication etc.). Over the last 10-15 years the economy has

undergone a further change, with the decline of the textile industry in Newcastle, the decline of the iron and steel industry and the emergence of large scale retailing. Over this period there has been a shift from large scale plants to a variety of smaller scale manufacturing and processing units. The indications from the survey are that a large number of the manufacturing companies in the greater Newcastle area are producing for national and international markets (mainly Gauteng at national level).

### **Tourism Sector**

Tourism forms part of the commercial sector in the sample survey. Based on a review of tourism in the Amajuba sub-regional economy it plays a relatively limited role as a contributor to the GVA. Despite its limited role there are nevertheless a number of facets which are functional in the district which include:

- Historic-cultural tourism at Amajuba Mountain (Anglo-Boer war).
- Recreation on the Chelmsford dam.
- Nature conservation on the escarpment to the west of Newcastle and at Utrecht.

Hospitality in Newcastle (casinos, hotels and bed and breakfasts) and in surrounding areas (farms) in the form of Bed and Breakfasts.

### **Service Sector**

The commercial sector has undergone major expansion over past 15 years in Amajuba particularly in the greater Newcastle area. This has been characterised by a wide range of wholesaling and retailing including a number of sub-sectors ranging from agricultural equipment, to inputs (fertilisers), to the motor sector, to household goods to clothing and foodstuffs. In recent years (since 1994) there has been an attempt to extend the retail outlets into the historically disadvantaged areas at Madadeni-Osisweni in particular. In addition major shopping centre developments have been planned for the Newcastle central business district.

### **Government Sector**

Greater Newcastle houses all regional government line functions in addition to district and municipal offices. Consequently government plays an important role as an employer, services provider and contributor to the economy of the district. On a local municipal level it is generally experienced that the contribution of this sector varies greatly between municipalities. In the case of rural municipalities the government sector is often the only significant contributor to GVA. The government sector is a stable employer, but does not at present offer much potential for growth. The provision of well-located housing and supporting facilities in rural areas will contribute to improving levels of rural service delivery, as well as impact directly on improving local income circulation in such areas.

## COMPARATIVE ADVANTAGES

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### Stable/Existing Sectors

- **Metal manufacturing:** The metal manufacturing industry is Amajuba's biggest industry in terms of value and, while it may not be categorised as labour intensive, it is the district's largest employer, contributing over 17% to total employment. It has also averaged around 4% GVA growth over 10 years. Amajuba is the province's key metal manufacturing hub, and the sector contributes far more to district GVA than it does at a provincial level. By virtue of its current economic performance and size as well as its long history in the area and the supporting industries and skills which have been built up around it, Metal Manufacturing is one of Amajuba's key comparative advantages.
- **Province's main rail link:** The main rail link between Gauteng and eThekweni passes through Ladysmith, Newcastle, Charlestown and Volksrust. This provides heavy industry in the district to move their goods quickly to their respective market
- **Electricity supply:** The main power line route from the interior to Richards Bay runs through the Amajuba District. The District reports that as a result of this, it did not suffer from any load shedding.
- **The N11 connects Mpumalanga with the N3:** The N11 has the potential to act as a viable alternate route to Gauteng or the Kruger National Park, but is hindered by the poor condition of the road in Mpumalanga.

### Threatened/Unstable Sectors

- **Mining:** Mining may have experienced a decline on average in the past 10 years, but the recent commodity boom and strong growth of countries such as India, has led to renewed demand for coal. Indeed, the District Municipality reports that 2 new mines are being opened up between Dannhauser and Newcastle. Nonetheless, this boom in coal mining may be short-lived, especially with the move to greener energy generation. Mining also remains a highly capital intensive industry with low employment returns for investment.
- **Textile industry:** Although the bubble chart would suggest that the textile industry shows the greatest promise for employment growth, recent issues regarding the competitiveness of local labour have been strongly highlighted by the District Municipality and Chamber of Commerce. The sector is still one of the major employers in the district, but it is believed that increasing global competition from countries with cheap labour, compounded by South Africa's rigid-in-comparison labour laws, is eroding the comparative advantage previously enjoyed by this sector.

## Emerging Sectors

- **Wholesale and retail trade:** While this sector has a location quotient of less than 1 and cannot compete with the likes of uMgungundlovu or eThekweni in this sector, it is of growing importance. In the absence of any significant competition, Newcastle is becoming a major retail hub for Northern KZN; southern Mpumalanga and the eastern Free State. The dynamic nature of this sector can be seen in its relatively strong growth rate of about 4% over the last ten years.
- **Chemical manufacturing:** Once again, although chemical manufacturing in Amajuba will struggle to compete with eThekweni in this regard, it is a growing sector with the potential to grow faster. The clustering of chemical companies in the district sets the foundation for potential future growth in this sector.

## Locational/Geographic Advantages

- **Excellent condition of natural resources:** Just more than 81% of the surface area of the district maintains the ability to produce and deliver eco-services.
- Large tracts of unused arable land: The district has at least 40,000ha of unused arable land available.

## Natural/Resource Advantages

- **Coal seam:** The district has a seam of coal deposits running through it and into UMzinyathi. This seam is still relatively abundant and far from depletion. The burgeoning international demand for coal, and the changes in technology which allow for the use of sub-grade coal, provide Amajuba with the opportunity to revitalise this industry within the district.

## Infrastructural Advantages

- **Province's main rail link:** The main rail link between Gauteng and eThekweni passes through Ladysmith, Newcastle, Charlestown and Volksrust. This provides heavy industry in the district to move their goods quickly to their respective markets.
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