



KWAZULU-NATAL PROVINCE

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

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DISTRICT ECONOMIC PROFILES

uGu District

2021

GEOGRAPHICAL LOCATION



uGu DM (DC 21)

Population: 801,724

Area Size: 4, 791.0 Km²

Situated in the far south of KZN, it borders the Eastern Cape Province. It lies south of Durban, bordered by a coastline of 112km. The district is made up of four local municipalities: Umdoni, uMzumbe, Ray Nkonyeni and Umuziwabantu, all of which have played a critical role in the cultivation of the district's economy.

The uGu District is the proud owner of Blue Flag Status beaches, which have marked tourism as a major economic cultivator.

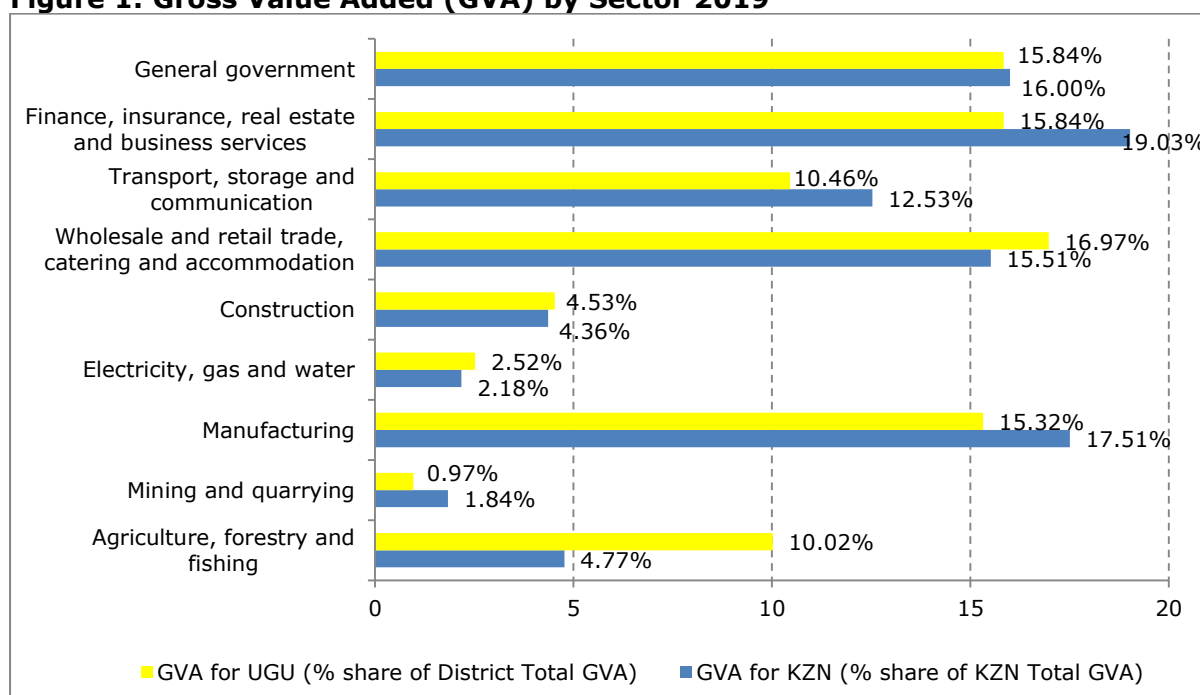
DISTRICT SPATIAL FEATURES

- UGU District Municipality is located along the southern coastline of the province;
- Bordered by three KwaZulu-Natal district municipalities and is also bordered by districts in the Eastern Cape;
- The district has a coastline of 112 kilometres from its eastern borders;
- An operational rail system stretches along the coast. Historically this system was linked to rail systems servicing the inland areas which have now ceased operation;
- Urban development in the District is concentrated on the coast with the exception of the towns of Umzinto and Harding which are located inland;
- Approximately 70% of economic activity in the District is concentrated in the Port Shepstone / Margate area;
- The tourism sector is well-developed along the coast, but tourism infrastructure and facilities are generally out-dated (developed in the 1960s and 1970s). The only inland tourism node of note is located around the Oribi Gorge;

- Agricultural activity is generally confined to the coastal strip and inland to the west of Umzinto and Port Shepstone (Oribi Flats) and is dominated by sugar cane and timber, with substantial areas also under bananas and nuts; and
- Forestry plantations dominate land use in the western parts of the municipality.

DISTRICT ECONOMIC STRUCTURE AND CONTRIBUTION

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



Source: Global Insight, 2020

- uGu District has a fairly diversified economy with strong public and private sector participation, with most industries contributing substantially to the provincial GVA.
- The district economy is largely driven by the tertiary sector which contributes approximately 59% to the region's GVA.
- Wholesale and retail trade, catering and accommodation (16.97%), supported by tourism and cross border activities emanating from the Eastern Cape province emerges as the largest contributor to district GVA followed by Government (15.84%), Finance (15.84%) and Manufacturing (15.32%).
- The district is known for its strong Agricultural activities and contributes 10.02% to the district GVA with significant contributions to employment.
- The district contributes 4.43% to the provincial GVA.

ECONOMIC DRIVERS

Manufacturing Sector

The contribution by the manufacturing sector to the district economy remains a key sector in the district economy as it contributed about 15.32% to the formal economy currently. The key industrial sectors in UGu district are agri-processing, timber and timber products including furniture, clothing and textiles, food and beverages, arts and crafts and construction related manufacturing. Nearly 75% of the manufacturing enterprises in UGu are small enterprises (less than 50 employees), with a handful of manufacturers in UGu being medium and large businesses. The majority of firms produce only for the local market.

Agricultural Sector

Agriculture makes an important contribution to economic production in the UGu District. Within the KwaZulu-Natal context the region has become known for specifically banana, nut and coffee production, whereas timber and sugar cane are also well-established industries. Commercial agricultural activity is generally confined to the coastal strip and also along two corridors stretching inland to Ixopo and Kokstad respectively. The uGu District already has a diversified agricultural economy involving an established commercial farming sector and various corporates. Historically, some attention has been given to the development of specifically small scale cane and timber growers in traditional settlement areas, with some success.

Tourism Sector

Most of the UGu tourism sector falls, in terms of the products as established by KZN Tourism, into the "South Coast Region". It is suggested that the terms "...Margate, Port Shepstone, Scottburgh, Port Edward, sardines, golf, whales, dolphins, the Oribi Gorge, hibiscus flowers and golden beaches..." are associated with the South Coast / Region. To attract foreign and local tourists and boost the potential of certain sections of the coast, investments have to be channelled towards improving dilapidated facilities and infrastructure, (this is already receiving attention in terms of the support of municipalities for the Blue Flag initiative). Other than private sector initiatives around the Oribi Gorge, no inland tourism initiatives of note have been implemented to complement the coastal tourism product.

Commercial Sector

The commercial sector currently makes a major contribution to the economy of the uGu District Municipality. A future spatial development strategy for the District and its constituent municipalities must provide clear guidelines as to the revitalisation and expansion of the commercial sector. There is a strong link between the commercial and tourism sectors and the bulk of services are concentrated in the coastal corridor. There is an unequal distribution of the sector with rural residents facing various obstacles to access commercial services. The redistribution of commercial services in the District presents an opportunity for the growth of the commercial sector.

Government Sector

The government sector is estimated to make a contribution of around 15.84% of GVA to the District economy. 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. From local economic assessments in rural areas similar to those in the South Coast, it has become apparent that money earned in this sector almost immediately exits the rural area in which it was earned. The provision of well-located housing and supporting facilities in rural areas will contribute to improve levels of rural service delivery, as well as impact directly on improving local income circulation in such areas.

COMPARATIVE ADVANTAGES

Existing or stable

- **Forestry and Timber production** - UGu has extensive forestry plantations and saw mills in the Harding region. This sector has a large location quotient and has averaged 3% GVA growth over the past 3 years.
- **Hospitality/Tourism** - Despite the relocation of the province's main airport to the north of Durban, UGu District continues to be the province's premier domestic beach tourism destinations. Attracting events such as 'Bike Week' have ensured positive economic growth in the hospitality industry. The industry is labour intensive offering strong employment returns to GVA growth.

Threatened/Unstable Sectors

- **Agriculture and Hunting** - While this sector has averaged positive growth over the past 10 years, there are significant threats to future growth in the sector. To the extent that UGu's comparative advantage in this sector was derived from sugar cane, lowering crop yield and regional competition may strip the district of this comparative

advantage. Until the sugar cane industry is reformed or agricultural products are diversified, this comparative advantage remains unstable and under threat.

- Quarrying – This industry is largely monopolised by two companies and the potential for expansion, based on the current status quo is relatively low. The industry has averaged negative GVA growth over the ten year period. Like most mining operations, the industry is also capital intensive.

High Growth Potential

- **Food beverages and tobacco processing** – This is a dynamic and steadily growing (around 3%) sector and contains a number of the smaller newer companies in the district
- **Furniture production and wood products** – Although growth has been almost stagnant in the production of wood products, the manufacture of furniture has been growing relatively steadily over the period. Additionally the forestry industry, from which the furniture and wood product industry derive their inputs, continues to grow at a relatively impressive rate for a primary sector industry.
- **Post and telecommunication** – This capital intensive industry has been growing at a very impressive rate for the past 10 years and may be buoyed by the talk of MTN establishing a switching hub in the area.

Locational/Geographic Advantages

- **Boarders the Eastern Cape:** Primary gate to the Eastern Cape
- Integration with South Durban Basin: provides opportunities for downstream linkages of businesses in the district as well as opportunities from spill over developments.
- Primary Corridor linking Durban and Port Shepstone (N2 Highway)

Natural/Resource Advantages

- **Resource advantage:** Good quality limestone
- Marine Life (Sharks and Sardines) – The district possesses two of the country's top dive sites (Aliwal Shoal and Protea Banks)
- Two dramatic gorges (Oribi Gorge and Umtwalume Gorge)
- Beautiful and safe swimming beaches and Sub-tropical climate