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# The Household Sector Economy

A greater focus on Gauteng and Joburg's services and infrastructure woes is sorely needed. But there's a risk that broader (older) contributors to SA's inland economic problem are being forgotten

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Political boundaries are often very different to less visible "economic" boundaries, and can often contribute to a misplaced focus when trying to solve an economic problem.

The sheer economic and population size of Gauteng Province may be contributing to an apparent increase in focus by certain political leaders, Government and Business on the poor state of Johannesburg, South Africa's City of Gold, and Gauteng Province in general. This is an encouraging development. But are we forgetting about other older problems merely because they are older, i.e., regions that decayed far earlier, and we suffer from "recency bias"? The reality is that Gauteng is a political region that is a part of a broader economic region, and a big part of the solution to its troubles lie elsewhere in that long-struggling broader region.

Because, while Gauteng serves as a key contributor to economic growth and employment in the broader region around it, the opposite is also true, i.e., that the broader region strongly influences the economic and employment fortunes, and population pressures, of Gauteng.

## **SOUTH AFRICAN ECONOMY CURRENTLY OPERATES WITH VERY FEW "STARS"**

I remember the 2014 Brazil World Cup most notably for when it all fell apart for Brazil, after their star player Neymar got injured in the quarter final. Brazil had seemingly pinned much of its hopes on him to carry the team to victory, and the Brazilian public panic could be felt around the world when he was carried off the field in the quarter-final match. Then, in the semi-final, minus Neymar, the wheels came off in a 7-1 defeat at the hands of Germany.

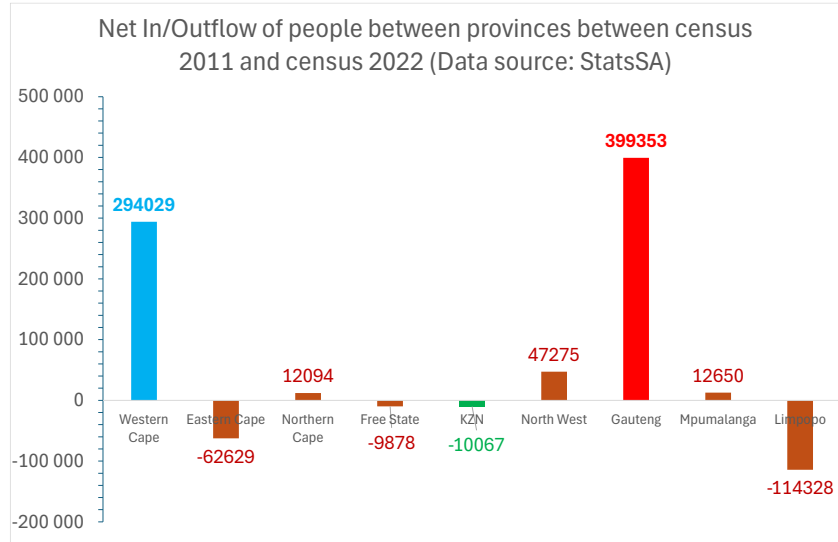
While many fans might have blamed the "newer problem" of an injury to Neymar for their loss, the truth is that their failure had little to do with Neymar and more to do with an "older problem" of a lack of squad depth. Germany's world cup record goal scorer, Miloslav Klose, by comparison went quietly about setting the record at the time, with great support from an all-round balanced squad. And Germany with its all-round squad depth would become world champions a week later.

The lessons from sport often apply to the economy, and here in the South African economy we have also possibly forgotten about the need for "squad depth", placing increasing reliance on one or two regional economic "stars".

By this I mean that South Africa has long-been relying heavily on only 2 major provincial regions to act as "engines of growth and employment", and the biggest of those 2 engines is running short on steam.

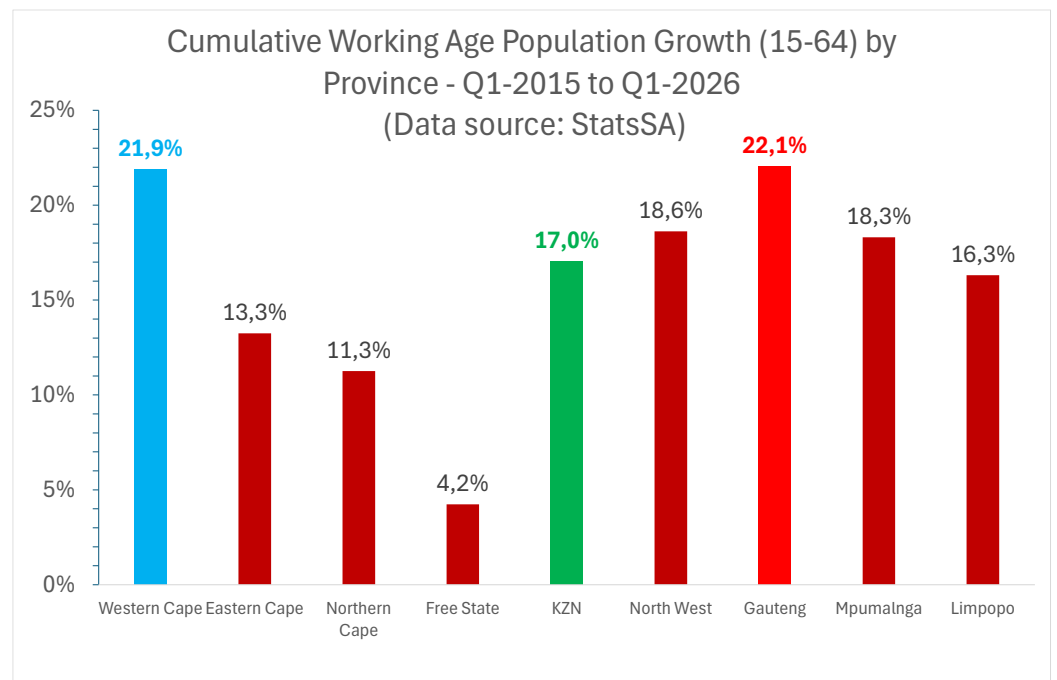
"The two regions I am referring to are Gauteng, the country's largest provincial economy by far, and the Western Cape, the country's 3<sup>rd</sup> largest economy as measured by GDP (Gross Domestic Product).

For many years, these two regions have had the lowest estimated unemployment rates and the lowest estimated poverty rates. Not surprising, therefore, they have had the most significant net population inflows, as many people “vote with their feet” and go in search of better economic opportunity. Between the 2011 and 2022 censuses, the identified net inflows/outflows between provinces and from outside the country show Gauteng and Western Cape having by far the biggest net inflows.



This migration has been a contributor to Gauteng and the Western Cape having the fastest population growth rates, and the fastest labour force growth as a result.

Examining labour force survey data from StatsSA over the period from the 1<sup>st</sup> quarter of 2015 to the 1<sup>st</sup> quarter of 2026, the estimated population number in the 15-64 year old age cohorts, an approximation of working age population, grew by 22,1% in Gauteng, the fastest provincial growth rate, and 21,9% in the Western Cape, the 2<sup>nd</sup>-fastest growth rate.

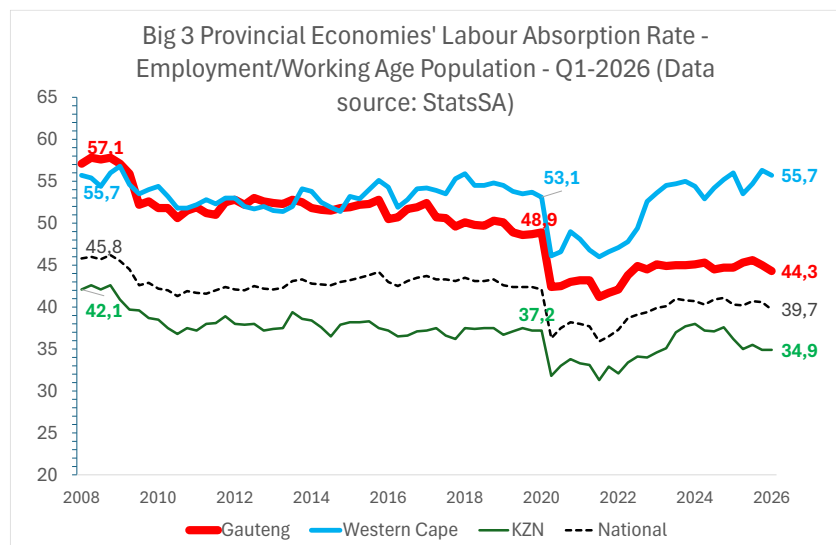


## GAUTENG AND WESTERN CAPE ARE THE 2 “PROVINCES OF HOPE” ...BUT GAUTENG IS INCREASINGLY BATTLING

The 2 provinces’ status as “Regions of Hope” are justified in that they still have the lowest unemployment rates by any measure, and the highest labour absorption ratios. The latter term refers to the estimated employment number/total working age population ratio. The Western Cape and Gauteng have the highest provincial labour absorption ratios, the Western Cape with a ratio of 55,7, and Gauteng with 44,3, ratios that are above the national average of 39,7.

These 2 provinces’ “outperformance” in terms of labour absorption into their economies is made more impressive by the fact that their employment numbers have had the fastest estimated labour force growth to keep pace with.

However, Gauteng has been “running out of steam”, especially in the post-Covid 19 era, and this should be a cause for concern. Back in 2008, the year in which South Africa’s economic boom times ended and broad growth stagnation set in, Gauteng had a far more impressive 57,1 labour absorption ratio, exceeding even the Western Cape’s 55,7 at the time. But the province’s ratio has broadly declined, and from around 2015 a significant gap started to open up between the ratio of the Western Cape and that of Gauteng, the former’s ratio recovering from the post-Covid 19 dip to record 55,7 early in 2026, while Gauteng recorded a far lower 44,3.



The decline in Gauteng’s ratio should not only cause concern in Gauteng, but should also be of concern for the Western Cape. The latter region is at risk of becoming the only major engine of economic and employment growth left, which would risk accelerating its net inward migration of people in search of a better life. At some point, the risk is then that the Western Cape’s expansion of infrastructure and services cannot keep up with population growth either.

But while the Western Cape’s planners would have concerns about the impact on them of poor job-creating regions elsewhere, so Gauteng has the same pressures as a result of even weaker job-creating ability of the provinces surrounding itself.

## MASS URBANISATION HAS MAJOR POTENTIAL ECONOMIC BENEFITS, BUT THERE CAN BE LIMITS...

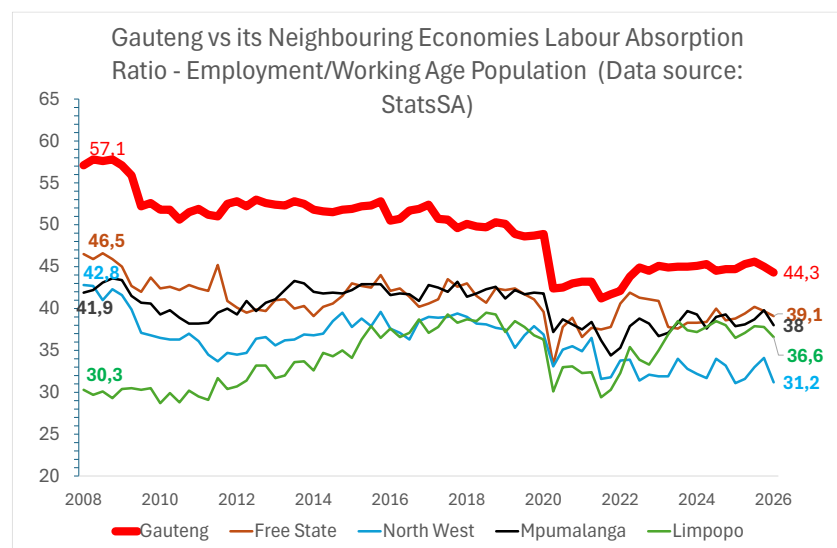
Major cities and towns are often “people magnets”, populations in many parts of the world over urbanizing to larger urban areas in search of better economic opportunity, and there are a lot of positives to this. The urbanization process offers potential economic benefits through the creation of scale in many areas, including the potential for the cheaper cost per capita of infrastructure and services, cheaper mass provision of consumer goods and services etc.

Major urban areas often foster greater innovation through knowledge sharing, and greater efficiency through specialization of labour is possible.

But the risk is that, as populations grow in the major metros, the pressure on services and infrastructure, and employment creation, can't keep up with the growth. In short, there are limits.

## ...AND GAUTENG, PART OF A BROADER INLAND ECONOMIC REGION, NEEDS HELP FROM ITS NEIGHBOURS...

Despite a very significant decline over almost 2 decades, Gauteng still has a noticeably higher labour absorption ratio (44,3) than its 4 neighbouring provinces, i.e., Mpumalanga (39,1), Free State (38), Limpopo (36,6) and North West (31,2). And of those 4 provinces, 3 have seen a decline in their ratios since 2008, only Limpopo improving its still-lowly ratio.



While many Gauteng residents bemoan the infrastructure and services decay and decline in Gauteng's metros, negatively impacting its economic and employment performance, part of its problem is that many local authorities in the regions surrounding Gauteng are in worse shape. This contributes to their poorer economic and job creating performance, and therefore in part to Gauteng's mounting pressures.

Gauteng, and within it Greater Johannesburg, serves as an important economic hub for the broader South African inland economic region of which is part, and arguably even for broader South and Southern Africa. Gauteng accounts for 33,2% of South Africa's GDP. Put together with its 4 surrounding inland provinces (Free State, Mpumalanga, Limpopo and North West), these 5 provinces account for near-60% of national GDP. This broad region accounts for 56,2% of SA's Manufacturing and almost 90% of its mining.

If we buy into the idea that Gauteng is this broader region's services hub, then

it follows that Gauteng's fortunes are in major part dependent on the economic performances of the surrounding provinces, because this will drive a significant portion of demand for the services and goods production of Gauteng's economy.

In addition, those regions' economic and employment trends significantly influence the pace of population inflows into Gauteng, thus influencing the extent of the population pressures on Gauteng's infrastructure and services.

### **GAUTENG METRO REGION NEEDS HIGH PERFORMING SMALLER REGIONAL NEIGHBOURS, LIKE CITY OF CAPE TOWN HAS ON A SMALLER SCALE**

On a smaller scale, the principle is similar within the Western Cape Province, where the City of Cape Town's economic fortunes and population pressures are not only driven by its own standards of local government management, but also by those of the surrounding towns. And in that metro's case, it must benefit greatly from the impressive performances of many of its surrounding towns and sub-regions. Many of them have become economic growth nodes and "people magnets" themselves, no doubt also boosting the demand for goods and services out of City of Cape Town, while likely easing the pace of the city's mounting population pressures too.

### **CONCLUSION – PART OF THE GAUTENG (AND SA) SOLUTION SITS OUTSIDE OF THE PROVINCE IN SOLVING FOR SEEMINGLY OLDER ISSUES**

Urbanisation may not only be desirable in many ways, but also seemingly inevitable, and can contribute to better economic growth ultimately.

But if South Africa wishes to shift back into the 5%-plus economic growth that it achieved briefly for a few years prior to 2008, it arguably requires more of these major urban and regional "engines of growth and employment". Smaller cities'/regions' performances are crucial in spreading the population load as well as to drive national growth.

The existence of a cognitive bias in humans called "recency bias" suggests that we are prone to overlooking older problems. Recency bias is defined simply as "a cognitive bias where people give disproportionate weight to recent events or information over older, often more relevant data".

The Neymar injury was Brazil's newest problem at the time of the 2014 world cup, but not its biggest problem. Similarly, the poor state of Gauteng is perhaps one of SA's newer problems, but by far not its only important regional problem.

**Many problems are just older, not less important.**

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## **About John Loos: Independent Economist, Strategist, Keynote Speaker, MC.**

John started his career as an economist in the National Treasury in the 1990s. Thereafter, he became the Southern African Macroeconomist for Globalinsight (now S&P Global). From 2000 to 2005, he was at Absa Bank, as a senior macroeconomist working on the group's economic forecasting process.

In 2004, he was named Reuters Economist of the Year.

From 2006 to 2018 he pursued an acquired passion for housing market analysis at First National Bank (FNB), where he produced some of the leading housing market analysis in SA at the time. His analysis of the pre-2008 housing bubble taught him how "irrational" economic decision-making can be, when greed and over-exuberance take hold of a market, and how painful the aftermath can be.

From late in 2018 to early-2026, he spent the remainder of his time with FNB at the bank's Commercial Property Finance Unit, undertaking commercial property analysis.



### **New Beginnings, New Purpose...Independent Economist with a Household Sector, Consumer and Housing Market Focus**

In March 2026, John began a new and exciting phase of his career, returning to focusing on the economics of the Household Sector, in which his Housing Market analysis once more became one of the key focus areas, along with the financial health, mindset and well-being of the Household Sector.

Additionally, he promotes the Economics of Hope, Motivation and Well-Being. He believes that South Africa has the ingredients for a far more successful economy and society right under its nose, with ample pockets of excellence and "winners" who can be studied, learnt from, and whose winning principles can be replicated in the broader economy. He believes that this is slowly starting to happen, and that the South African Economy can ultimately prosper to a far greater extent.

John is known to many people in the Property Market, having addressed to them on the economy, his GRIT Scenario, the property market, and more recently his talks themed around "Hope, Optimism, what Winners do and WHY".

John believes in the importance of sport, not only for physical health benefits, but also because of the mental and economic lessons that it brings. Describing himself as a "social endurance sport junkie", he has done a list of events and adventures that include the Comrades Marathon, the Ironman Triathlon, ultra mountain running races, a myriad of ultra-unsupported cycling races and adventures that span the length and breadth of beautiful South Africa, as well as a stroll up Africa's highest mountain.

**John uses his experience as an economist, along with his broader life experiences, to present a compelling and entertaining offering as an economist, strategist, keynote speaker, and event MC.**

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