



The fourth quarter 2012 (4Q2012) report focuses on the latest economic development trends of South Africa (SA) and pays specific attention on the performance of the Eastern Cape (EC) economy. Data is drawn from Statistics South Africa, South African Reserve Bank and Quantec. In the 4Q2012, the South African economy picked up in 4Q2012 following setback suffered by labour in the mining sector in 3Q2012. Growth in real gross domestic product (GDP) for SA economy increased from annualised rate of 1.2% quarter on quarter (QoQ) in 3Q2012 to 2.1% QoQ in 4Q2012. In the Eastern Cape, the economy increased to 2.5% QoQ in the 4Q2012 from 1.7% attained in the 3Q2012. The South African GDP modest acceleration reflected an increase in production in both secondary and tertiary sector. However, the real value added by primary sector contracted further in 4Q2012 but at a slower rate. South Africa's growth for 2012 has narrowed to 2.5% from 3.5% in 2011. The growth has declined by 1.0 percentage points from previous year.

Table 1: GDP and employment growth rates and contributions by provinces, 4Q2012

	Growth rate (4Q2012)				Contribution (4Q2012)			
	GDP		Employment		GDP		Employment	
	QoQ	YoY	QoQ	YoY	Rand Million	Percent	Number (000)	Percent
Western Cape	2.8	2.7	1.0	-1.0	293 870	14.9	1 824	13.4
Eastern Cape	2.5	2.3	-5.2	-4.9	154 356	7.8	1 261	9.3
Northern Cape	-0.4	1.3	0.7	0.3	38 497	2.0	292	2.2
Free State	1.1	1.6	-0.5	-2.8	95 978	4.9	732	5.4
KwaZulu-Natal	2.8	2.6	-1.6	-2.7	324 462	16.5	2 493	18.4
North West	0.2	1.3	0.3	6.7	117 165	5.9	747	5.5
Gauteng	2.5	2.6	-0.4	1.5	699 015	35.5	4 178	30.8
Mpumalanga	1.2	1.6	3.3	3.9	123 059	6.2	959	7.1
Limpopo	0.7	1.6	0.7	10.9	122 780	6.2	1 092	8.0
RSA	2.1	2.3	-0.5	0.6	1 969 183	100.0	13 577	100.0

Source: Statistics South Africa, 2012

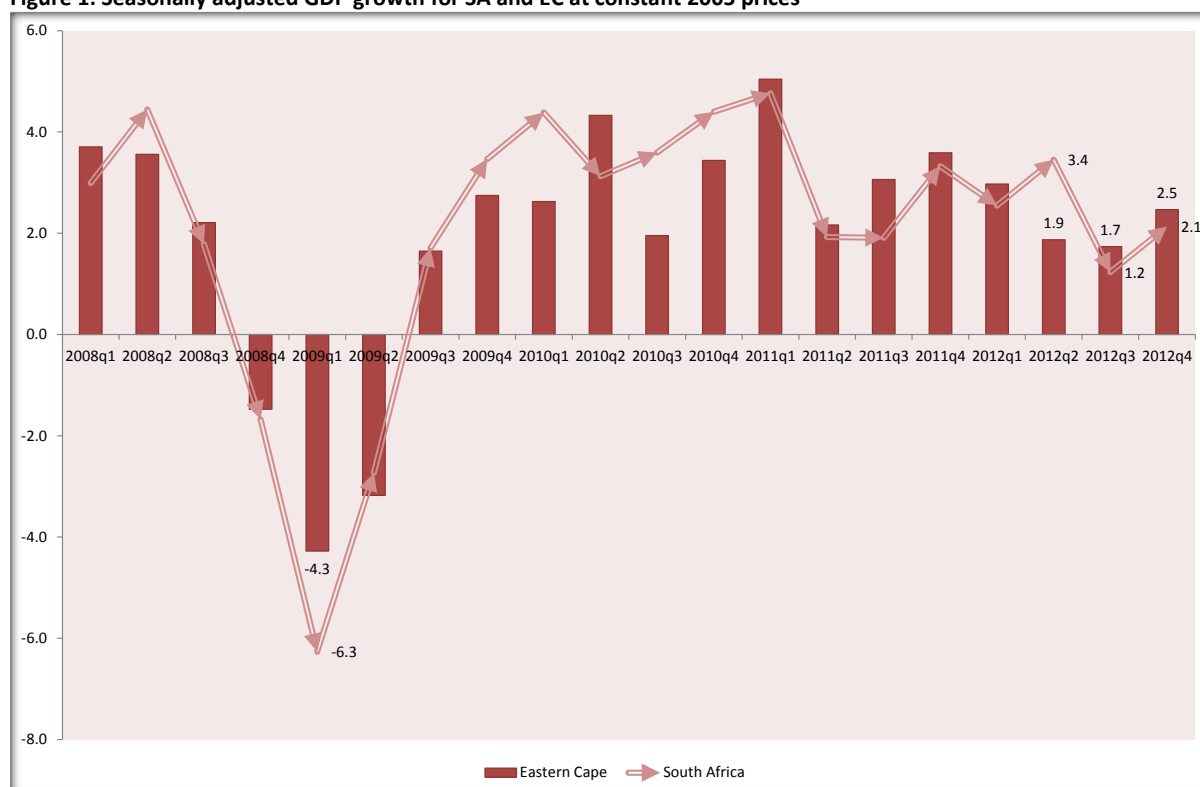
In 4Q2012, the sector with the strongest QoQ growth was agriculture sector (10%) and it is the second smallest sector in the South African economy. The growth of this sector is highly cyclical. The second best performing sector is manufacturing sector with the growth of 5.0% QoQ in the same period. This sector still faces weak demand for a lot of its output both at home and abroad, therefore, no clear signs of whether this quarter's growth in the New Year can be sustained. Finance sector is the third best performing sector for this quarter with a growth of 2.9% QoQ and it is the sector with the largest contribution towards growth in South Africa.

Table 1 compares, at a provincial level, GDP and employment growth rates and percentage contributions for the 4Q2012. It shows that Western Cape and KwaZulu-Natal both experienced highest GDP growth of 2.8% QoQ followed by both Gauteng and Eastern Cape grew 2.5% QoQ. The Gauteng province is the driver of the South African economy as its contribution to both GDP and employment is the highest (35.5% and 30.8% respectively).

In term of employment contribution, the least contributing province to employment in South Africa is Northern Cape while Eastern Cape accounts for 9.3 % of total employment. The Eastern Cape's contribution has increased by 1.5 percentage points from the previous quarter.

Figure 1 depicts Eastern Cape's quarterly growth patterns against that of South Africa. Between 1Q2008 and 4Q2012, the EC's GDP growth has been following South Africa's GDP trend. The Eastern Cape's GDP growth rate from 3Q2012 to 4Q2012 has been greater than that of SA.

Figure 1: Seasonally adjusted GDP growth for SA and EC at constant 2005 prices



Source: Statistics South Africa, 2012

Table 2 compares, at sector level, GDP and employment growth rates and percentage contributions in the Eastern Cape for the 4Q2012. The main sectors that contributed to positive GDP growth in the EC economy were: Finance (20%), government (19%) and manufacturing sector (15.7%). The sectors that contributed the least to GDP growth were mining and electricity for 0.1% and 0.9% respectively.

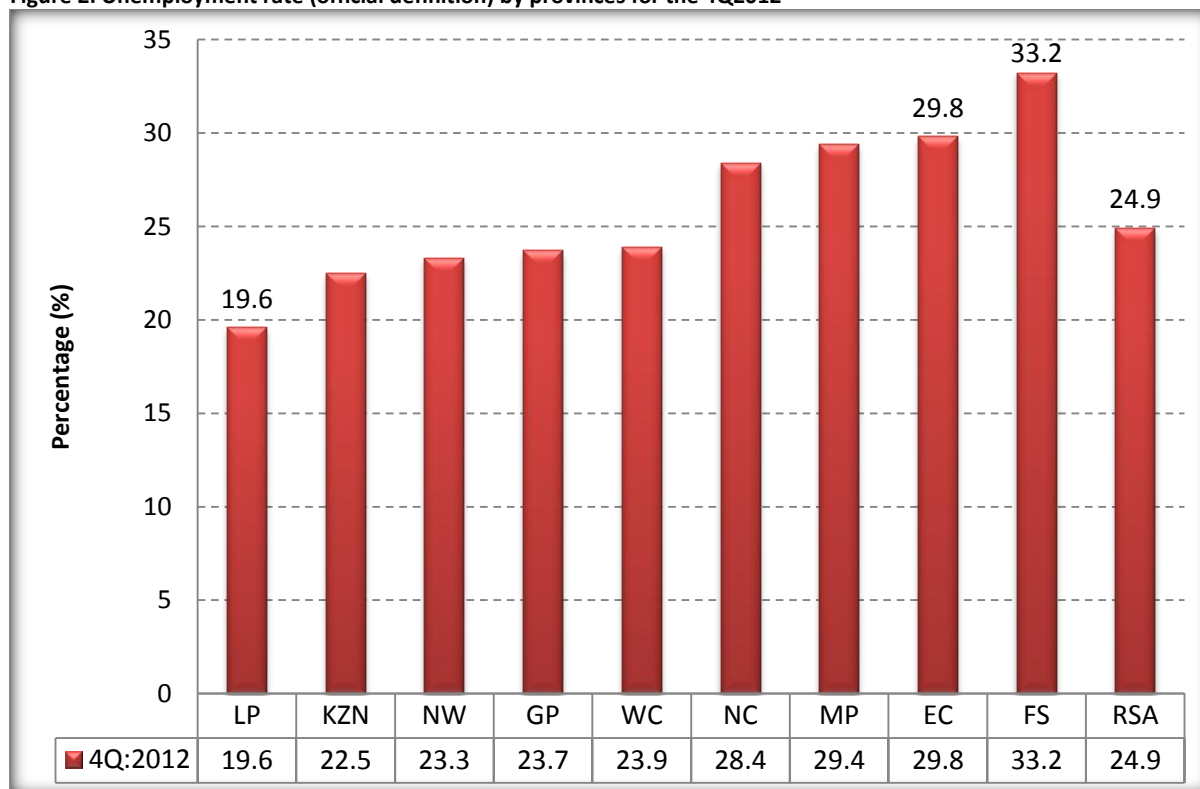
Table 2: Sector growth and contribution to GDP and employment in EC

	Growth rate (4Q2012)				Contribution (4Q2012)			
	GDP		Employment		GDP		Employment	
	QoQ	YoY	QoQ	YoY	Rand million	Percent	Number (000)	Percent
Agriculture	6.2	4.9	0	-6.3	2 795	1.8	129	9.7
Mining	-16.7	-5.8	100	0	127	0.1	2	0.2
Manufacturing	5.3	3.0	6.7	12.3	24 192	15.7	174	13.1
Electricity	-0.8	-0.5	-50	-40	1 388	0.9	3	0.2
Construction	0.2	3.1	-8.4	5.6	3 653	2.4	131	9.8
Trade	0.9	1.3	-9.3	-7.8	18 935	12.3	284	21.4
Transport	1.6	1.5	-5.8	-13.3	12 124	7.9	65	4.9
Finance	2.3	2.3	-11.7	-27.9	30 882	20.0	106	8.0
Community	2.4	1.9	-8	-5.6	14 136	9.2	320	24.1
Government	2.4	2.2	-	-	29 315	19.0	-	-
Taxes less Sub	1.8	2.8	-	-	16 809	10.9	-	-
Priv. households	-	-	6.4	5.5	-	-	116	8.7
Eastern Cape	2.5	2.3	-5.2	-4.9	154 356	100.0	1330	100.0

Source: Statistics South Africa, 2012

Looking at employment, the three main contributors towards employment were: community (24.1%), trade (21.4%) and manufacturing (13.1%). The sector with the strongest growth QoQ employment is mining which grew by 100%, followed by manufacturing (6.7%) and private households (6.4%) in 4Q2012. All other sectors had a negative QoQ growth and the two sectors with severe negative growth were: electricity (-50.0%) and finance (-11.7%). Mining sector employment in the EC for 2012 has been non-existent in the 1st quarter and picked up in the 2nd quarter but this sector has been volatile in terms of providing jobs for 2012.

Figure 2: Unemployment rate (official definition) by provinces for the 4Q2012



Source: Statistics South Africa, 2012

Figure 2 shows unemployment rate (official definition) by province for the 4Q2012. Free State (33.2%) had the highest unemployment rate followed by Eastern Cape (29.8%) and Mpumalanga (29.4%). Unemployment rate in the Eastern Cape increased from 28.8% QoQ in 3Q2012 to 29.8% in 4Q2012, 1.0 percentage point higher than that of the previous quarter. In 4Q2012, unemployment rate decrease in six of the nine provinces. Provinces that experienced the biggest decrease in unemployment rate were Limpopo (2.6 percentage points), North West (1.7 percentage points) and Mpumalanga (1.7 percentage points). The biggest increases in unemployment rate were observed in Free State (1.2 percentage points) and KwaZulu-Natal (1.2 percentage points).

Below are selected findings from Statistics South Africa' Labour Force Survey (see table 3), 4Q2012:

- 69 000 jobs lost in the Eastern Cape (highest in the country). Half of these jobs were lost in the informal sector.
- Most jobs in the Eastern Cape were lost in the two biggest employers (Community & Social Services sector employs 320 000 workers and lost 28 000 jobs, and Trade sector employs 284 000 workers and lost 29 000 jobs)
- While Manufacturing sector increased jobs by 11 000, followed by Private Households (7000) and Mining sectors (1000); all other sectors shed jobs.
- Consequently, 82 000 (QoQ) and 125 000 (YoY) people joined the discouraged work-seekers. These are people who gave up looking for jobs.
- Labour absorption rate dropped by 1.7% QoQ and the labour force participation rate by 1.8% QoQ. This is an indication that the province's ability to absorb new people entering the labour market is gradually declining.

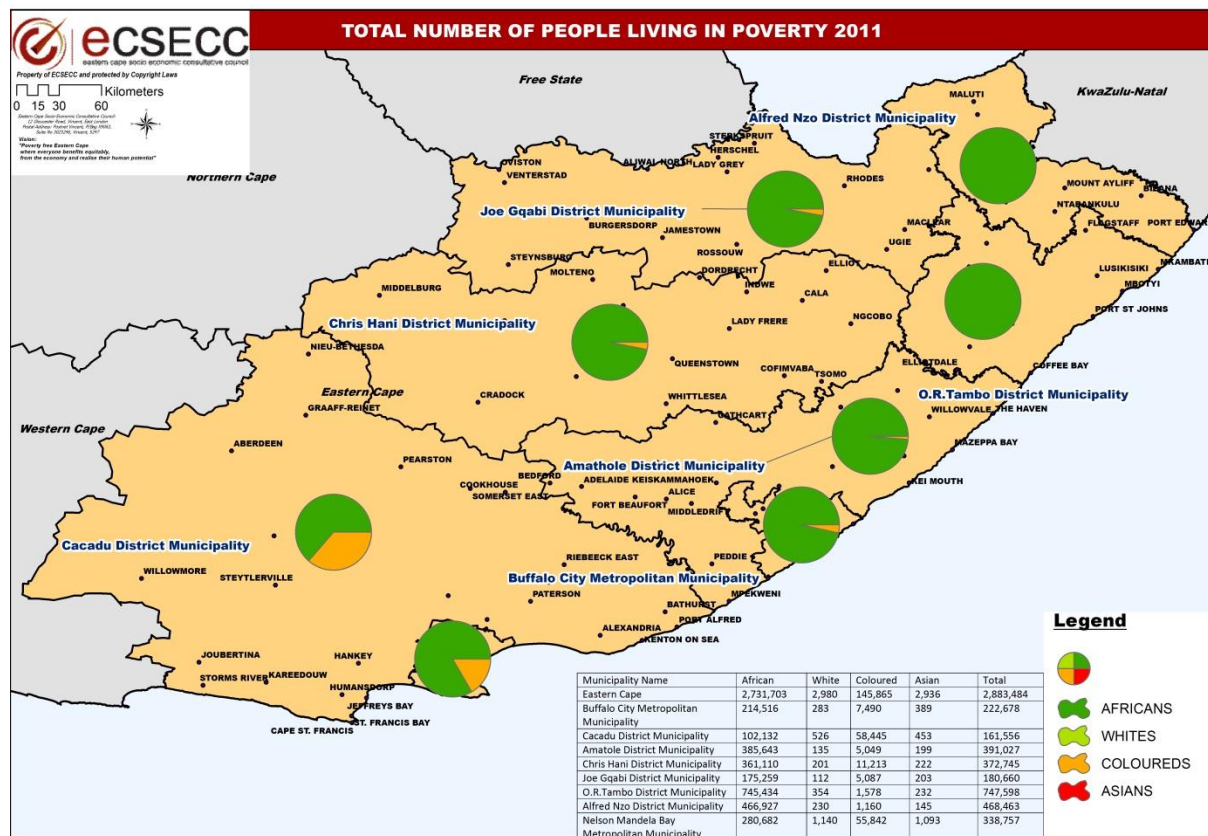
- The official unemployment rate increased by 1.0% QoQ and by 2.7% YoY
- Using the expanded definition of unemployment, the EC had the highest unemployment rate in the country (46.1%) and the second highest unemployment rate (29.8%) using the official definition of unemployment.

Table 1: EC's labour market statistics for the period 2Q2012 to 4Q2012

Eastern Cape labour market	Numbers (000)				Percentage	
	3Q2012	4Q2012	YoY change	QoQ change	YoY change	QoQ change
Formal (non-agricultural)	868	830	-73	-38	-8.1	-4.4
Informal (non-agricultural)	294	255	5	-39	2.0	-13.3
Total Employment	1 330	1 261	-65	-69	-4.9	-5.2
Unemployment	539	536	42	-3	8.5	-0.6
Labour force	1 870	1 797	-24	-73	-1.3	-3.9
Discouraged work-seekers	396	478	125	82	35.4	20.7
Not economically active	2 356	2 437	67	81	2.8	3.4
Population working age (15-64 yrs)	4 225	4 234	43	9	1.0	0.2
Labour absorption rate	31.5	29.8	-1.8	-1.7		
labour force participation rate	44.2	42.4	-1.0	-1.8		
Unemployment rate	28.8	29.8	2.7	1.0		

Source: Statistics South Africa (Quarterly Labour Force Survey), 2012

Figure 3: Total number of people in the Eastern Cape living in poverty by Metro and District municipalities in 2011



Source: Eastern Cape Socio Economic Consultative Council (ECSECC), 2012

Conclusion:

Economic performance in the Eastern Cape for 4Q2012 has improved even though the growth experienced in this quarter did not translate to employment.

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Contact ECSECC
 Physical Address: 12 Gloucester Road, Vincent, East London
 Postal Address: Postnet Vincent, 5247
 P/Bag X9063, Suite No 3025246, Vincent, 5247

Telephone: +27 (0) 43 701 3400
 Fax: +27 (0) 43 701 3415
 www.ecsecc.org