

PROVINCIAL ECONOMIC GROWTH

QUARTERLY DATA SERIES

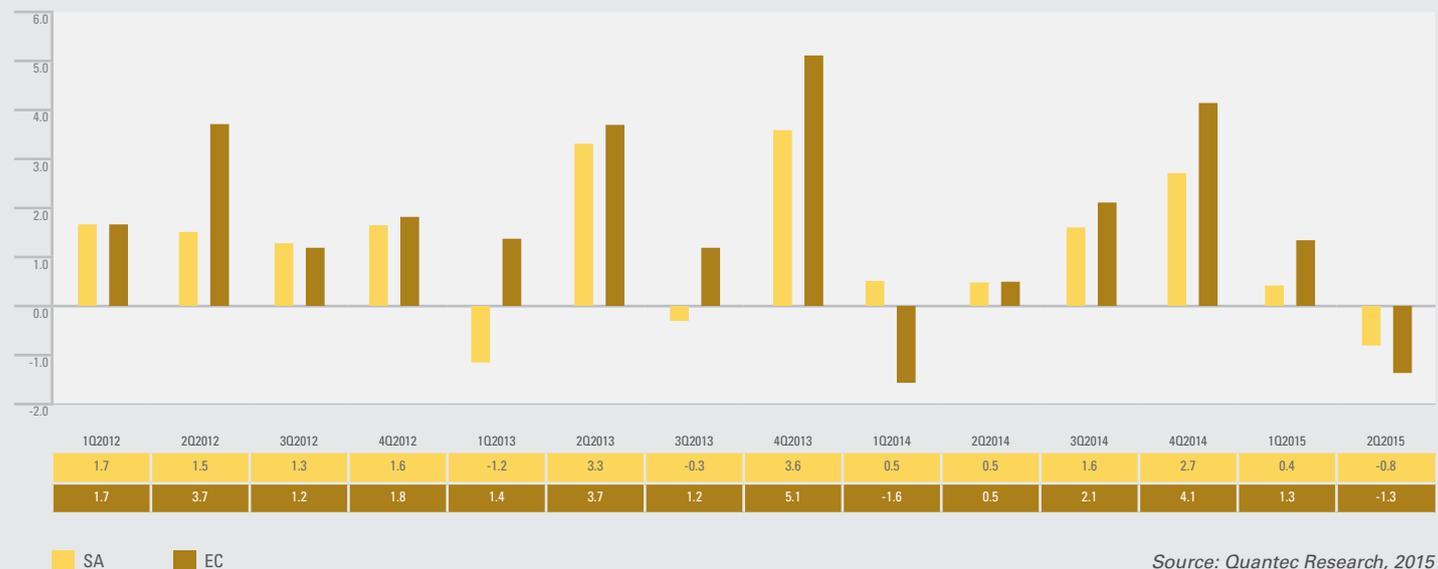
INTRODUCTION

The Quarterly Review of Gross Domestic Product is a statistical release compiled by the Eastern Cape Socio Economic Consultative Council (ECSECC). The publication aims to provide economic trend analysis and shows which sectors drive the Eastern Cape economy. Data for this publication is drawn from Statistics South Africa (Stats SA) and Quantec Research. The second quarter 2015 (2Q2015) release focuses on the latest Gross Domestic Product (GDP) data for the Eastern Cape (EC) and compares this with other provinces and the country as a whole. The review also provides analysis of sector contribution to GDP.

ECSECC also issues a quarterly data release on the provincial labour market and a monthly release on inflation. These documents can be found on ECSECC's website www.ecsecc.org.

KEY GDP FINDINGS FOR 2ND QUARTER 2015

FIGURE 1: QoQ GDP growth for South Africa and for the Eastern Cape at constant 2010 prices, 1Q2012-2Q2015



Source: Quantec Research, 2015

KEY GDP FINDINGS FOR 1ST QUARTER 2015 *CONTD.*

South Africa's GDP shrank at an annualised rate of 1.3% in 2Q2015, following a 1.3% expansion in the previous period. It is the first contraction in five quarters and was mainly caused by decline in the manufacturing, mining and agriculture sectors. The contraction of South Africa's GDP was greater than that of the Eastern Cape.

The Eastern Cape's GDP contracted to an annualised rate of -0.8% Quarter on Quarter (QoQ) in 2Q2015, compared to an increase of 0.4% QoQ in the preceding quarter.

The largest contributions to the QoQ decrease of 0.8% in the Eastern Cape economy were the manufacturing sector, which contributed -0.9 of a percentage point based on a decrease of 6.2%; the agriculture sector with -0.3 of a percentage point based on a decrease of 16.2% and the trade sector which contributed -0.2 of a percentage point based on decrease of 0.8%.

Positive contributions were recorded in the finance sector (0.4 of a percentage point based on positive growth of 1.9%), community services sector (0.1 of a percentage point based on positive growth of 1.3%) and government sector (0.1 of a percentage point based on positive growth of 0.6%).

However, year on year (YoY), GDP growth for the Eastern Cape experienced a positive growth of 1.0% in 2Q2015 compared to 1.3% in the previous quarter.

WHAT IS THE CURRENT GDP GROWTH RATE IN SOUTH AFRICA?



WHAT IS THE CURRENT GDP GROWTH RATE IN THE EASTERN CAPE?

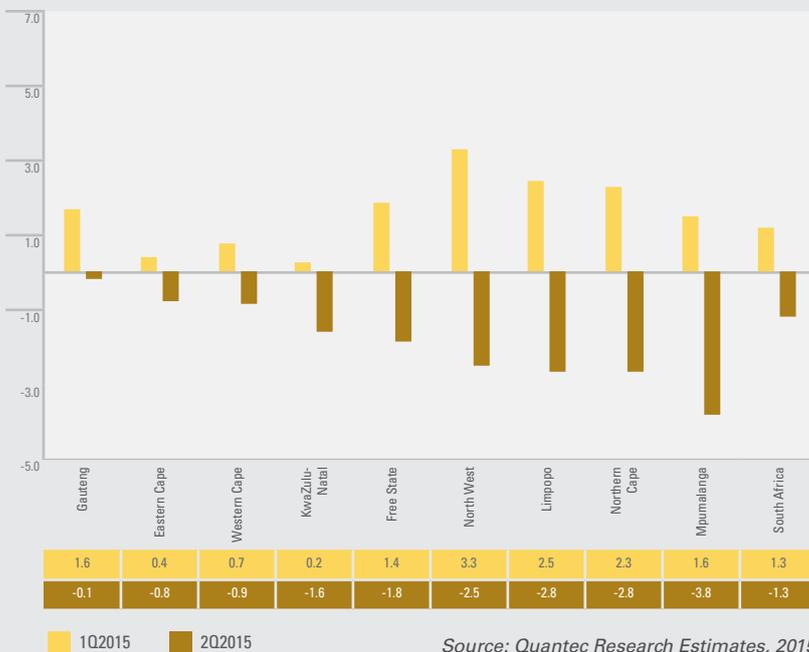


WHICH ARE THE MAIN CONTRIBUTORS TO THE INCREASE IN ECONOMIC ACTIVITY



REGIONAL COMPARISONS

FIGURE 2: Comparative regional growth rates for 1Q2015-2Q2015



Source: Quantec Research Estimates, 2015

All provinces in South Africa experienced a contraction in GDP in 2Q2015.

Provincial economies that experienced negative growth above the national average of -1.3% were: KwaZulu-Natal (-1.6%), Free State (-1.8%), North West (-2.5%), Limpopo (-2.8%), Northern Cape (-2.8%), and Mpumalanga (-3.8%).

Provincial economies that experienced negative growth below the national average of -1.3% were: Gauteng (-0.1%), Eastern Cape (-0.8%) and Western Cape (-0.9%).

The Eastern Cape recorded the second lowest negative GDP growth for the 2Q2015 when compared to other provinces.

EASTERN CAPE SECTORAL GDP GROWTH DRIVERS

TABLE 1: Eastern Cape sector growth and contribution to GDP for 1Q2015 and 2Q2015

EASTERN CAPE	1Q2015		2Q2015		1Q2015	2Q2015
	R million	Share %	R million	Share %	QoQ	QoQ
Agriculture	3 617	1.7	3 461	1.7	-16.0	-16.2
Mining	665	0.3	640	0.3	3.4	-14.2
PRIMARY SECTOR	4 282	2.1	4 101	2.0	-13.7	-16.5
Manufacturing	29 053	13.9	28 588	13.7	-2.4	-6.2
Electricity	2 542	1.2	2 523	1.2	0.7	-3.0
Construction	8 186	3.9	8 191	3.9	0.9	0.2
SECONDARY SECTOR	39 781	19.1	39 302	18.9	-1.5	-4.8
Trade	40 821	19.6	40 741	19.6	0.7	-0.8
Transport	17 986	8.6	17 979	8.6	0.8	-0.2
Finance	42 176	20.2	42 370	20.3	3.0	1.9
Community services	15 694	7.5	15 745	7.6	0.9	1.3
Government	48 026	23.0	48 102	23.1	-0.8	0.6
TERTIARY SECTOR	164 704	78.9	164 937	79.2	0.9	0.6

Source: Quantec Research Estimates, 2015

In 2Q2015 the negative GDP growth QoQ was driven by the primary and secondary sector, whereas the tertiary sector experienced a positive growth in the same quarter.

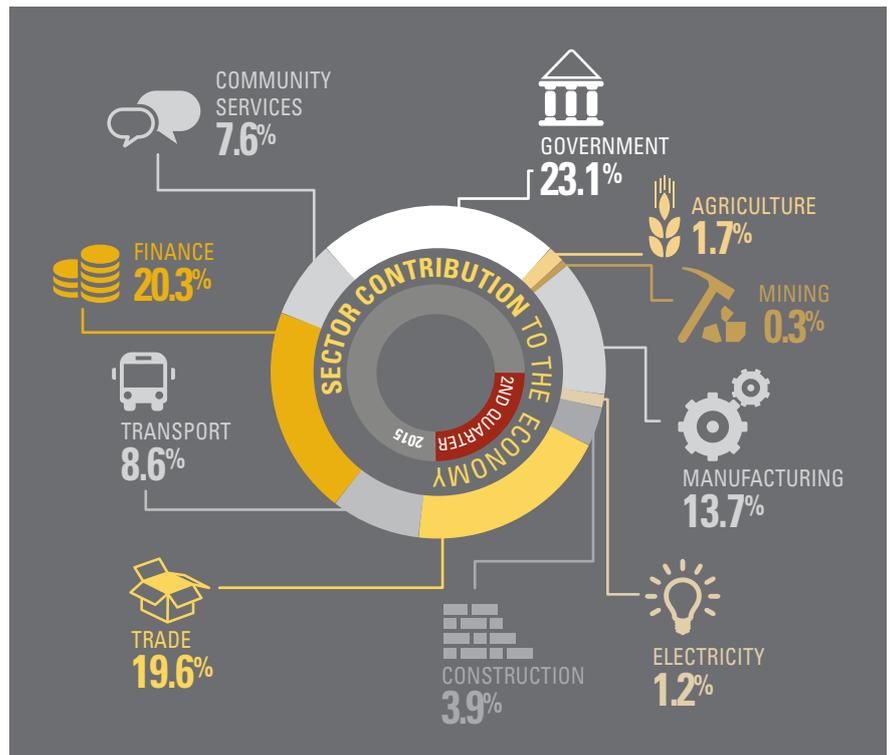
Lower economic activity in manufacturing, mining and agriculture was the main reason why the economy contracted in the second quarter. These sectors have been negatively affected by weak global and domestic demand, and rising administered prices such as those for electricity.

The real value added by the primary sector contracted at an annualised rate of 16.5% in the 2Q2015, following a decline of 13.7% in the preceding quarter.

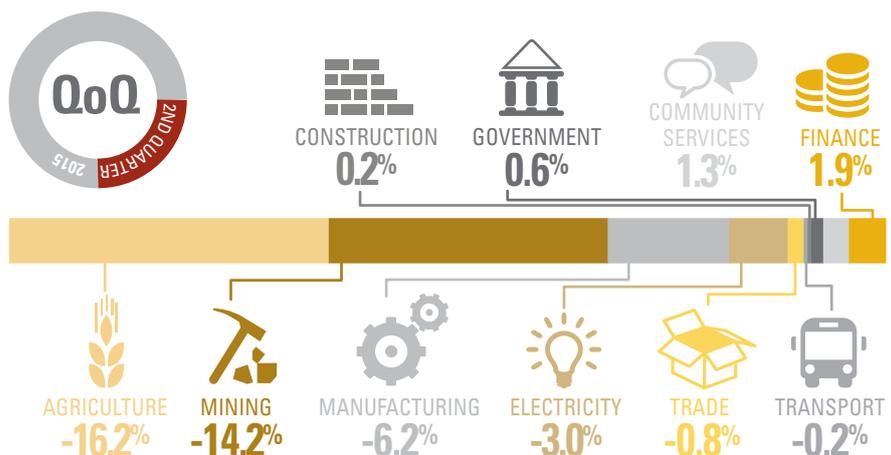
Agriculture was the greatest contributor to provincial contraction. The agriculture sector saw contraction due to drought that severely affected growth of crops and horticultural products.

The mining sector shrank by an annualised rate of 14.2% QoQ in 2Q2015 compared to the positive growth of 3.4% experienced in the previous quarter.

The secondary sector has been declining for the second consecutive quarter in 2015. In 2Q2015 the secondary sector had a negative growth of 4.8% QoQ and of 1.5% QoQ in the preceding quarter.



ECONOMIC GROWTH PER SECTOR



EASTERN CAPE SECTORAL GDP GROWTH DRIVERS *CONTD.*

The real value added by the manufacturing and electricity sectors contracted in 2Q2015, recording a negative growth of 6.2% and 3.0% respectively.

Real value added by the construction sector increased to 0.2% QoQ, from an increase of 0.9% QoQ in the preceding quarter.

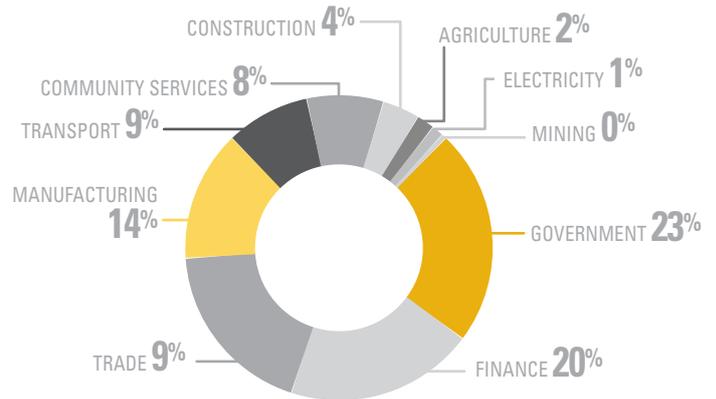
The tertiary sector grew at an annualised rate of 0.9% QoQ, down from an increase of 1.1% QoQ in the preceding quarter.

The real value added by trade, transport and community services sectors increased in the 1Q2015, although growth of these sectors was slow.

The positive growth in the tertiary sector emanated from an increase in growth in the finance sector (1.9%), community services sector (1.3%) and government sector (0.6%). The real value added by trade sector contracted to 0.8% QoQ and 0.2% QoQ respectively. The negative growth of these two sectors has caused a decline in growth in the tertiary sector as compared to the previous quarter.

The decline in growth in the finance sector and construction sector was due to the increase of interest rates by the South African Reserve Bank (SARB) which negatively affects these two industries.

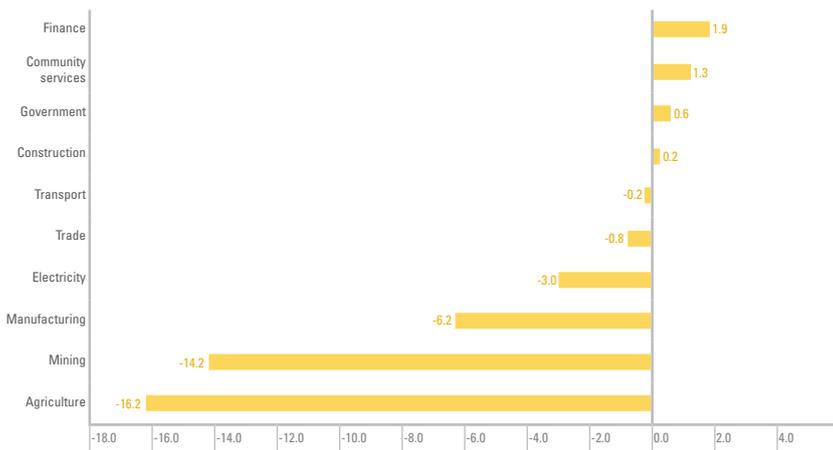
FIGURE 3: Eastern Cape sector contribution to GDP for 2Q2015



Source: Quantec Research Estimates, 2015

The sectors that contributed more towards GDP in the Eastern Cape economy in 2Q2015 were: government sector (23.1%), followed by finance sector (20.3%), trade sector (19.6%) and manufacturing sector (13.7%).

FIGURE 4: GDP growth at constant 2010 prices for 2Q2015



Source: Quantec Research Estimates, 2015

Out of 10 sectors, the sectors that experienced negative growth in 2Q2015, were: agriculture (-16.2%), mining (-14.2%), manufacturing (-6.2%), trade (-0.8%) and transport (-0.2%).

The sectors that experienced positive growth in the Eastern Cape were: finance (1.9%), community services (1.3%), government (0.6%) and construction (0.2%).