

# PROVINCIAL ECONOMIC GROWTH

QUARTERLY DATA SERIES

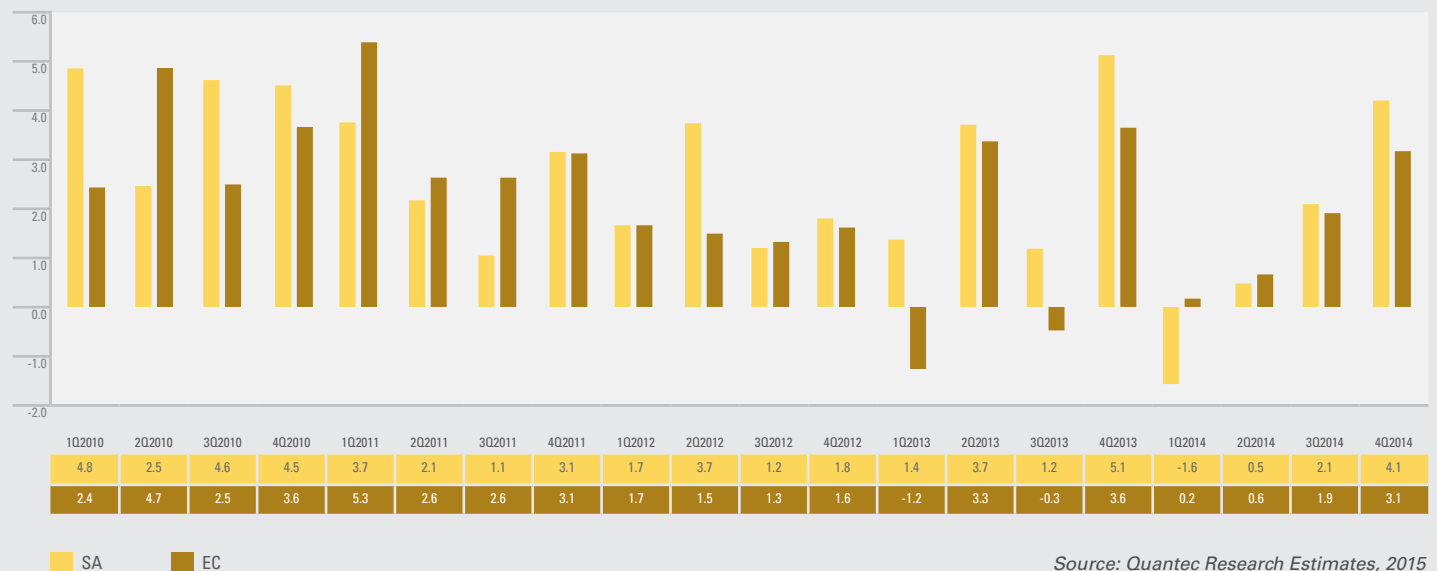


## INTRODUCTION

The Quarterly Review of Gross Domestic Product (GDP) is a statistical release compiled by the Eastern Cape Socio Economic Consultative Council (ECSECC). This publication will be released on a quarterly basis. The publication aims to provide analysis of economic growth trends in the Eastern Cape and South Africa and provide advice to various stakeholders and policy makers. Data is drawn from Statistics South Africa (Stats SA) and Quantec Research. The fourth quarter 2014 issue (4Q2014) focuses on the GDP for the Eastern Cape and compares it to other provinces and the country. The review also analyses sector contribution to GDP.

## KEY GDP FINDINGS FOR 4TH QUARTER 2014

**FIGURE 1:** QoQ GDP growth for South Africa and the Eastern Cape at constant 2010 prices, 1Q2010-4Q2014



Source: Quantec Research Estimates, 2015

# KEY GDP FINDINGS FOR 4TH QUARTER 2014 *CONTD.*

South Africa's GDP expanded to an annualized growth rate of 4.1% Quarter on Quarter (QoQ) in 4Q2014, up from a 2.1% increase in the preceding quarter.

In 4Q2014, economic activity in the Eastern Cape increased by an annualised rate of 3.1% QoQ following annualized growth of 1.9% (QoQ) in 3Q2014.

The South African economy's GDP growth was greater than the Eastern Cape GDP growth for the last two quarters of 2014.

The GDP growth rate in the Eastern Cape grew from 2.4% QoQ in 1Q2010 to a peak of 5.3% in 1Q2011 and a record low of -1.2% in 1Q2013.

The main contributors to an increase in economic activity were the manufacturing sector (1.35 percentage points based on positive growth of 9.8%), government sector (0.60 of a percentage point based on positive growth of 2.6%) and the finance sector (0.41 of a percentage point based on positive growth of 2.1%).

However, year on year (YoY) GDP growth for 4Q2014 was 1.5%, compared to 1.6% in the previous quarter.

WHAT IS THE CURRENT GDP RATE IN SOUTH AFRICA?



WHAT IS THE CURRENT GDP RATE IN THE EASTERN CAPE?



WHICH ARE THE MAIN CONTRIBUTORS TO THE INCREASE IN ECONOMIC ACTIVITY



MANUFACTURING



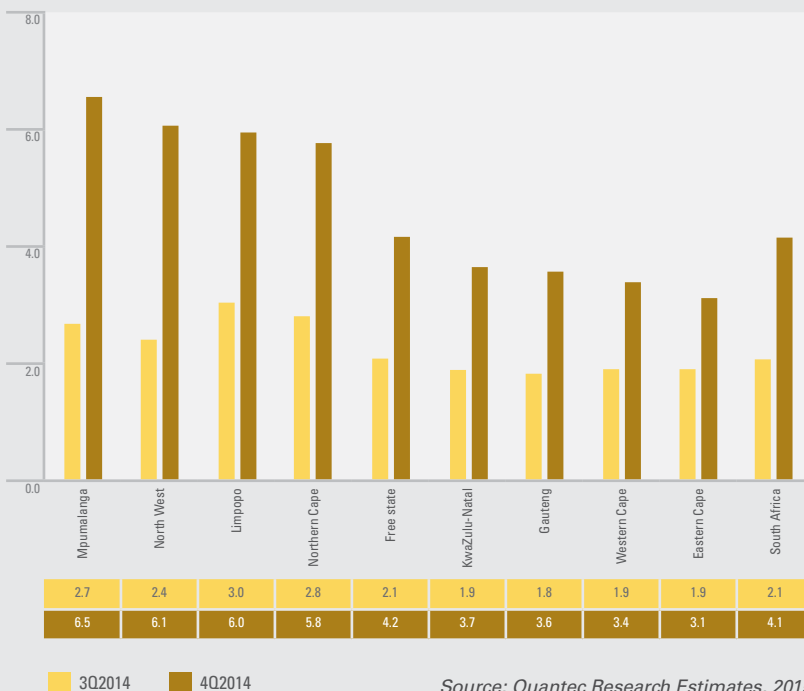
GOVERNMENT



FINANCE

## REGIONAL COMPARISONS

FIGURE 2: Comparative regional growth rates for 3Q2014-4Q2014



All provinces in South Africa experienced positive growth in Q42014.

Provincial economies that experienced positive growth above the national average of 4.1% were Mpumalanga (6.5%), North West (6.1%), Limpopo (6.0%), Northern Cape (5.8%) and Free State (4.2%).

Provincial economies that experienced positive growth below the national average of 4.1% were KwaZulu-Natal (3.6%), Gauteng (3.6%), Western Cape (3.4%) and Eastern Cape (3.1%).

The Eastern Cape had the lowest GDP growth for the last quarter of 2014 when compared to other provinces.

Source: Quantec Research Estimates, 2015

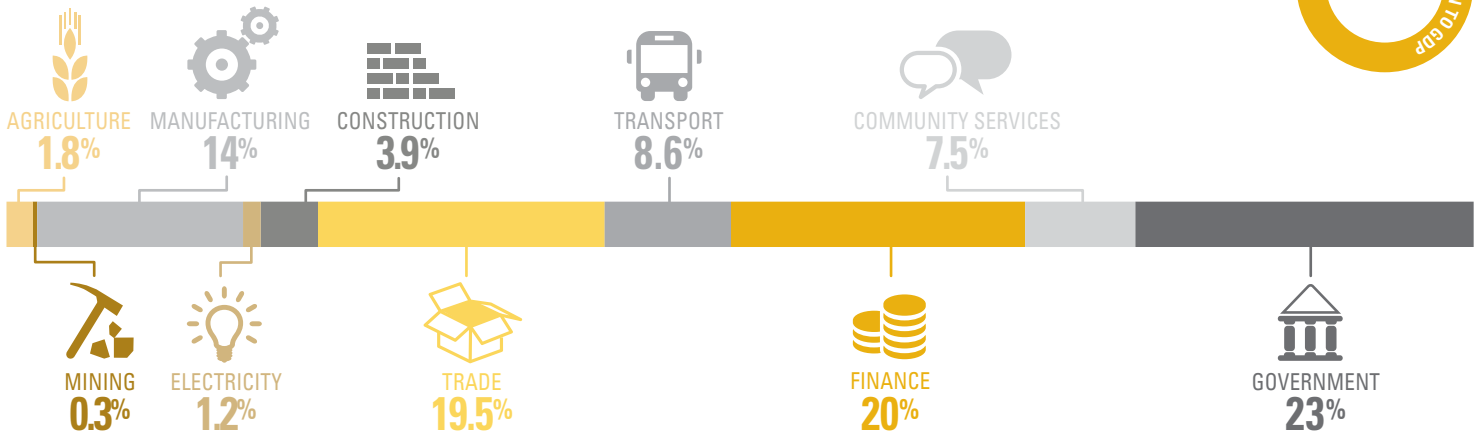
# EASTERN CAPE SECTORAL GDP GROWTH DRIVERS

**TABLE 1:** Eastern Cape's sector growth and contribution to GDP for 3Q2014 to 4Q2014

EASTERN CAPE	3Q2014		4Q2014		3Q2014	4Q2014
	R million	Share %	R million	Share %	QoQ	QoQ
Agriculture	3 705	1.8	3 737	1.8	5.8	3.5
Mining	646	0.3	677	0.3	7.8	20.7
<b>PRIMARY SECTOR</b>	<b>4 351</b>	<b>2.1</b>	<b>4 414</b>	<b>2.1</b>	<b>6.0</b>	<b>5.8</b>
Manufacturing	28 573	13.8	29 250	14.0	-0.8	9.8
Electricity	2 539	1.2	2 561	1.2	1.1	3.6
Construction	8 098	3.9	8 180	3.9	2.6	4.1
<b>SECONDARY SECTOR</b>	<b>39 210</b>	<b>18.9</b>	<b>39 991</b>	<b>19.1</b>	<b>0.0</b>	<b>8.0</b>
Trade	40 829	19.7	40 773	19.5	3.1	-0.6
Transport	17 841	8.6	17 967	8.6	2.1	2.8
Finance	41 577	20.0	41 789	20.0	1.2	2.1
Community services	15 631	7.5	15 673	7.5	1.4	1.1
Government	48 036	23.2	48 342	23.1	3.0	2.6
<b>TERTIARY SECTOR</b>	<b>163 915</b>	<b>79.0</b>	<b>164 544</b>	<b>78.7</b>	<b>2.3</b>	<b>1.5</b>

Source: Quantec Research Estimates, 2015

## SECTOR CONTRIBUTION TO THE ECONOMY

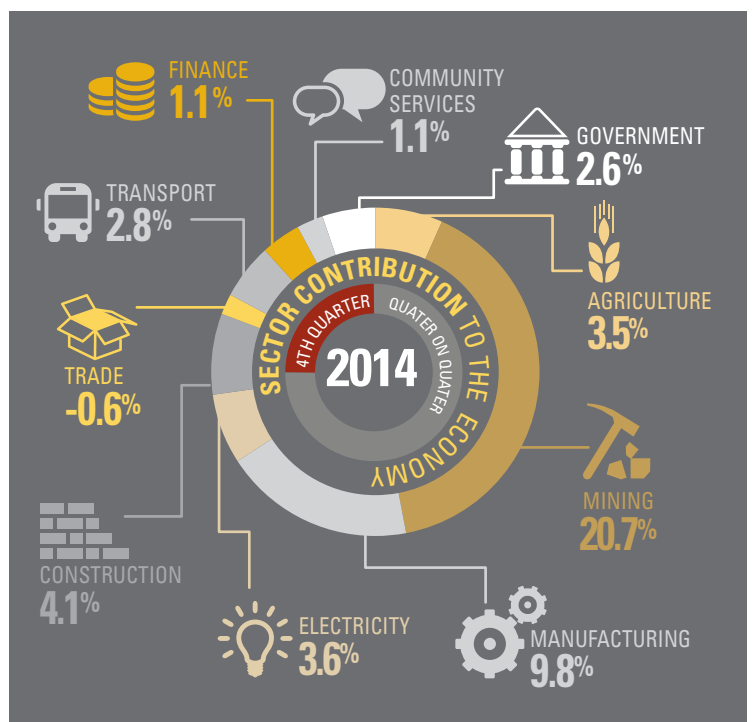


In 4Q2014, GDP growth QoQ was driven by the primary sector and secondary sector. The tertiary sector grew less than in the preceding quarter.

Primary sector grew at an annualized rate of 5.8% in 4Q2014, down from an increase of 6.0% in the preceding quarter. Growth in the primary sector emanated from a surge in growth in the mining sector (20.7%), compared to 7.8% in the previous quarter.

There was a decline in growth in the agriculture sector (3.5%) in 4Q2014 compared to an increase of 5.8% QoQ in the previous quarter.

The real value added by the secondary sector expanded by an annualised rate of 8.0% in 4Q2014 following stagnant growth in the preceding quarter.



# EASTERN CAPE SECTORAL GDP GROWTH DRIVERS *CONTD.*

The positive growth of 8.0% in the secondary sector was largely driven by the manufacturing sector (9.8%) in 4Q2014 up from a negative growth of 0.8% in the preceding quarter.

However, year on year (YoY) GDP growth for 4Q2014 was 1.5%, compared to 1.6% in the previous quarter.

The electricity sector experienced a positive growth of 3.6% QoQ compared to the moderate 1.1% QoQ growth in the preceding quarter.

The growth in real value added by the tertiary sector declined to 1.5% QoQ compared to the previous quarter's growth of 2.3% QoQ.

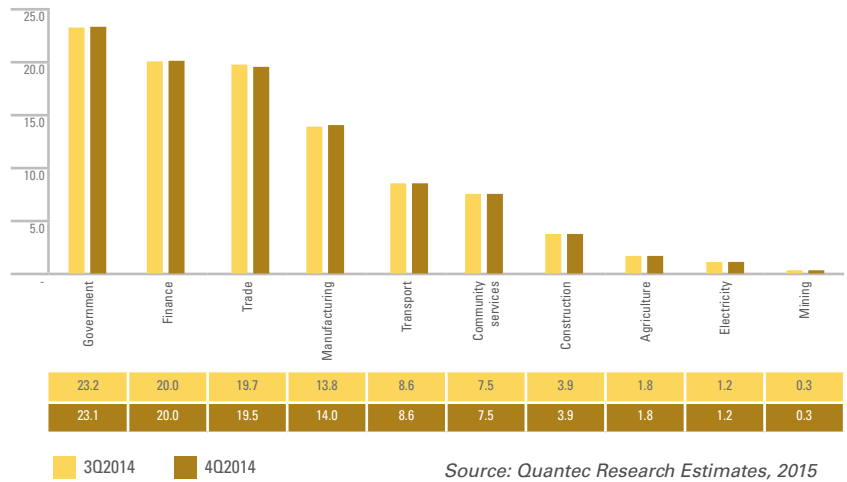
The 1.5% QoQ growth in the tertiary sector was largely driven by the transport sector (1.9 percentage points), government sector (1.1 percentage points) and finance sector (0.1 of a percentage point).

The largest sectors, as measured by real value added in 4Q2014, were as follows: government sector contributing 23.1%, followed by finance sector contributing 20.0% and trade sector contributing 19.5% towards the GDP (see Figure 3).

In 4Q2014 the mining sector was the least contributing sector to the Eastern Cape GDP with a contribution of 0.3%, followed by electricity sector contributing 1.2% and agriculture contributing 1.8%.

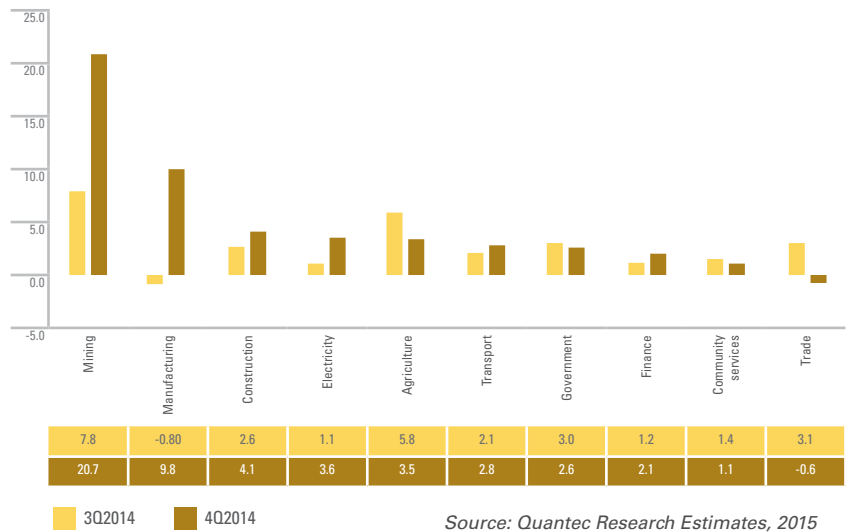
Agriculture sector is seen as the sector that has a comparative advantage in the Eastern Cape but its contribution is very small towards GDP. There is more that needs to be done to boost the agriculture sector so that it operates at its full capacity and yields the results it has the potential to yield.

**FIGURE 3:** Eastern Cape sector contribution to GDP for 3Q2014 to 4Q2014



Source: Quantec Research Estimates, 2015

**FIGURE 4:** GDP growth at constant 2010 prices for 3Q2014 to 4Q2014



Source: Quantec Research Estimates, 2015

Out of 10 sectors, the sector that grew the most in 4Q2014 was mining, with a growth of 20.7% QoQ whereas the trade sector is the only sector that experienced a negative growth of 0.6% QoQ.

The huge growth in mining sector in the Eastern Cape is however insignificant to the Eastern Cape GDP as its contribution is only 0.3%.