

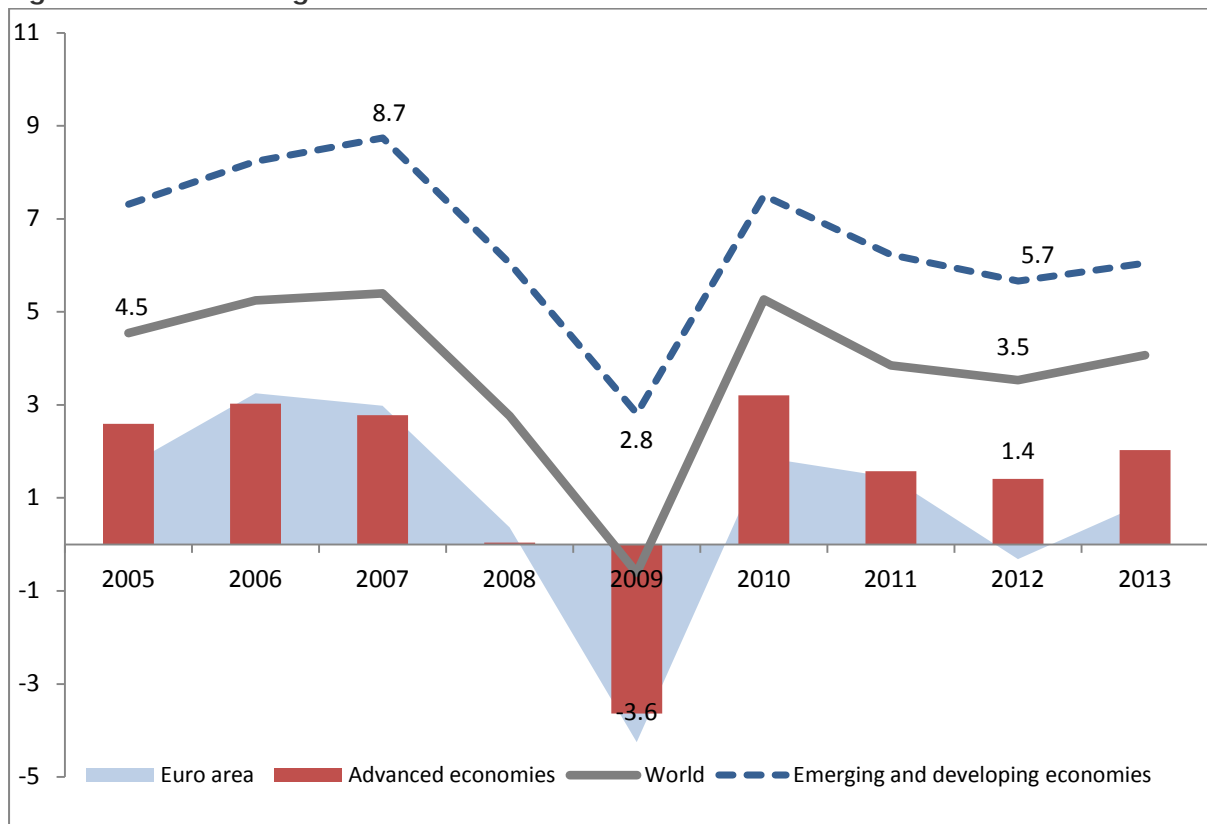


This report focuses on the latest economic developments in the world, South Africa and the Eastern Cape. It covers global economic indicators such as Gross Domestic Product (GDP), unemployment rate, government budget, investment and population for the first quarter of 2012. Selected economic indicators for South Africa such as Consumer Price Index (CPI), repo rate, prime rate, GDP and employment are provided. For the Eastern Cape, the report presents headline inflation; middle class house prices; business confidence; vehicles sales; electricity distributed by Eskom; civil summonses for debts; trends in the labour market and economic growth.

### *The Global Economy*

According to the Organisation for Economic Co-operation and Development (OECD) 2012, the continuing crisis in the Euro-zone remains the single biggest risk facing the global outlook. The IMF has projected global growth to drop from 4.0% in 2011 to about 3.5% in 2012 because of weak activity during the second half of 2011 and the first half of 2012 (See Figure 1). Real GDP growth in the emerging and developing economies is projected to slow down from 6.3% in 2011 to 5.7% in 2012, then to reaccelerate to 6.0% in 2013 assisted by easier macroeconomic policies and strengthening foreign demand.

**Figure 1: Global GDP growth: 2005 - 2013**



Source: IMF, World Economic Outlook, April 2012

During the first quarter of 2012; Japan grew by 1.0%, China by 1.8%, Brazil by 0.2% and India by 1.3% in real terms quarter-on-quarter. In this current year however, due to last year's crisis in Japan, trade deficit in Japan is expected to widen and public finances to move beyond the limits of the budget. Among developed countries, Japan has the largest government debt projected at 243% of GDP in 2012.

The Euro-zone is still projected to go into a mild recession in 2012 as a result of the sovereign debt crisis and a general loss of confidence, the effects of bank deleveraging on the real economy and the impact of fiscal consolidation in response to market pressures. Due to problems already mentioned in Europe, activity will continue to disappoint for the advanced economies while job creation in these economies will likely remain sluggish thus putting pressure on the level of unemployment.

The overall world growth is insufficient to make a major dent in high unemployment rates. According to the International Labor Organization (ILO), about 200 million people worldwide are still looking for jobs. The increase in unemployment has been very severe in advanced economies; emerging economies and developing economies leading to high youth unemployment. This also occurs in South Africa and in the Eastern Cape in particular. Large number of women and young people enters the workforce yearly causing growth in the labour force to outstrip employment creation. As a result, strict unemployment in the Eastern Cape increased to 28.3% in 1Q2012 from 26.9% in 1Q2011. The high rate of unemployment exacerbates widespread poverty, with about 3.4 million people (49%) in the province living in extreme poverty.

**Table 1: Selected country's economic indicators, 2011**

Countries	Population (Millions)	Unemployment rate (%)	GDP, constant prices (% change)	GDP, current prices (U.S. dollars; Billions)	Investment (% of GDP)	Current account balance (U.S. dollars; Billions)	General government net lending/borrowing (% of GDP)
Australia	23	5.1	2.0	1 488	27.2	(33.0)	(4.3)
Brazil	195	6.0	2.7	2 493	20.6	(52.6)	(2.6)
China	1 348	4.0	9.2	7 298	48.3	201.0	(1.2)
Egypt	79	10.4	1.8	236	17.1	(4.6)	(9.9)
France	63	9.7	1.7	2 776	20.1	(62.0)	(5.3)
United Kingdom	63	8.0	0.7	2 418	14.8	(46.5)	(8.7)
India	1 207		7.2	1 676	34.4	(47.2)	(8.7)
Japan	128	4.5	(0.7)	5 869	19.9	120.2	(10.1)
<b>South Africa</b>	<b>51</b>	<b>24.5</b>	<b>3.1</b>	<b>408</b>	<b>19.8</b>	<b>(13.5)</b>	<b>(4.6)</b>

Source: IMF, World Economic Outlook, April 2012

According to the International Monetary Fund (IMF) report (2012), investment as a percentage of GDP remained very high in China (48.3%), and it is almost identical at around 20% in Brazil, France, Japan and South Africa (see Table 1).

*What is the effect of the European crisis on South Africa and the Eastern Cape?* The answer lies with economic globalization, mainly in terms of financial contagion and exchange rate. International economic and financial integration has created opportunities for growth and development, has also caused crisis to spread over from one country to another. The effects of the effects of the European crisis on South Africa and Eastern Cape economies are the following:

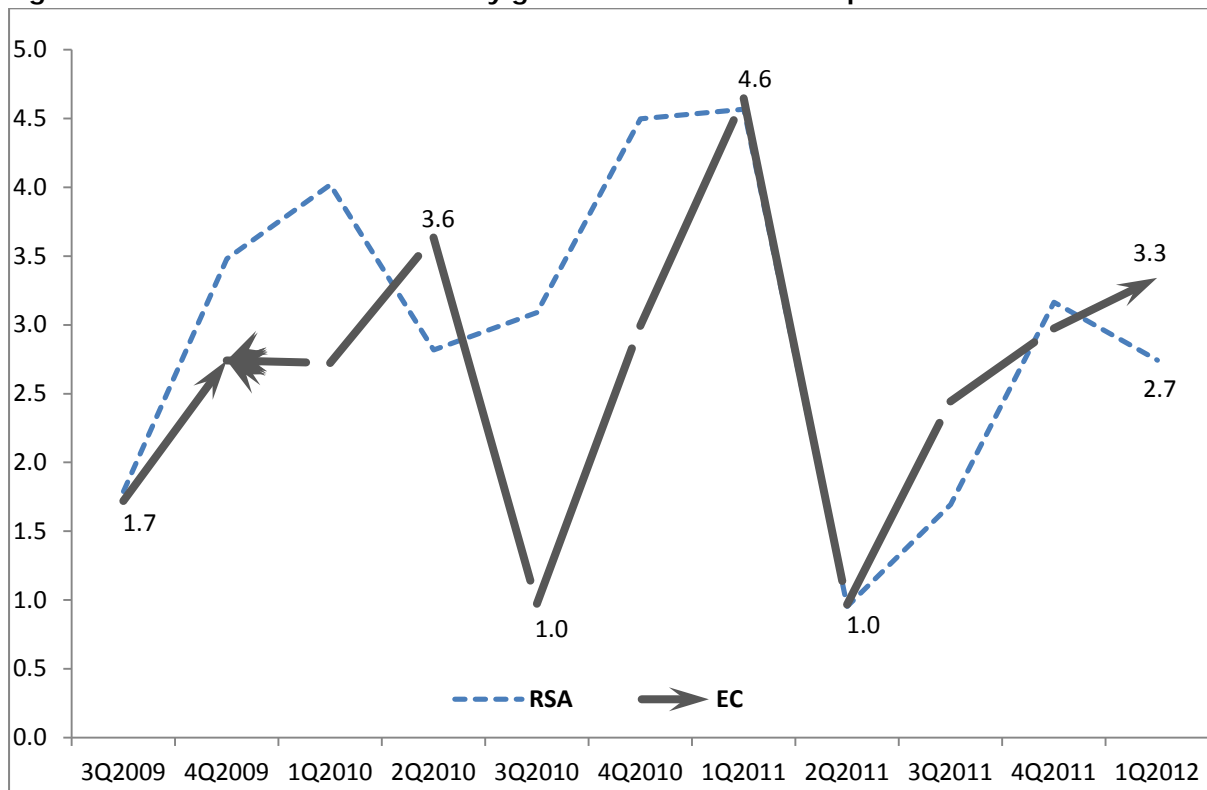
- Europe followed by Africa and North America are the top 3 South Africa export vehicles destinations.
- The Eastern Cape produces almost half of South Africa's passenger vehicles and generates half of the country's passenger vehicle export.
- The Eastern Cape economy heavily relies on the automotive sector.

Therefore, this crisis could impact on export demand for the South African automotive sector, which could reduce output and eventually affect employment in the automotive sector. The European crisis could also affect the number of tourists coming to South Africa. At a micro level, this crisis could reduce the amount of remittances to South Africa, rendering vulnerable poor households that rely on remittances from Europe.

### **The South African Economy**

According to the OECD (2012), the quarterly preliminary GDP estimates in the G20 area grew by 0.8% in the first quarter of 2012 compared with 0.7% in the fourth quarter of 2011. This small pick-up in aggregate G20 GDP growth still masks diverging patterns among the world's largest economies. However, Figure 2 shows that the seasonally adjusted real GDP at market prices for the first quarter of 2012 increased by an annualised rate of 2.7% in South Africa and 3.3% in the Eastern Cape. The growth in the Eastern Cape was mainly driven by the increase in manufacturing activities which contributed the most to the economy by 8.2%. This sector has a relative size of 15% of the Eastern Cape economy.

**Figure 2: The South African economy grew below what was expected**



Source: Statistics South Africa, 2012

Figure 2 and Table 2 reveal the following for the country and the Eastern Cape:

- In 1Q2012 the Eastern Cape economy (3.3%) outperformed that of South Africa (2.7%).
- In 1Q2012, Western Cape (3.9%), Gauteng (3.8%), KwaZulu-Natal (3.7%) and Eastern Cape (3.3%) performed above the national economy (2.7%).

**Table 2: Year-on-Year and Quarter on Quarter percentage change in the seasonally adjusted quarterly regional GDP at constant 2005 prices: 3Q2011 to 1Q2012**

	YoY			QoQ		
	3Q2011	4Q2011	1Q2012	3Q2011	4Q2011	1Q2012
Western Cape	3.5	3.1	2.8	3.0	3.1	3.9
Eastern Cape	2.8	2.7	2.4	2.4	3.0	3.3
Northern Cape	0.6	-0.3	-1.1	-3.8	2.1	-2.6
Free state	1.9	1.4	0.8	-0.3	2.5	0.7
KwaZulu-Natal	3.0	2.8	2.5	2.3	3.3	3.7
North West	1.7	0.7	-0.1	-1.9	2.3	-1.0
Gauteng	3.6	3.4	3.0	2.9	3.7	3.8
Mpumalanga	1.5	1.2	0.5	-0.8	2.7	1.1
Limpopo	1.9	1.1	0.5	-0.9	2.4	-0.3
South Africa	2.9	2.6	2.1	1.7	3.2	2.7

Source: Statistics South Africa, 2012

### **Selected economic indicators for South Africa**

The South African Reserve Bank (SARB) held steady its repo rate at 5.5% to aid economic recovery. The central bank expects inflation to remain above its target range of 3%-6% in 2012, peaking to a high of 6.6% in the second quarter before falling within the target limit in the initial quarter of 2013. According to Statistics South Africa, inflation slowed to 6.1% (year-on-year) in April 2012 from 6.3% in January 2012 (See Table 3). However, inflation is predicted to remain at high levels due to increasing food, fuel and administrative costs.

**Table 3: South Africa' selected economic indicators**

Indicators		1Q2011		1Q2012	
CPI	YoY	May 2011	4.6	April 2012	6.1
PPI	YoY	May 2011	6.6	April 2012	6.6
Repo rate	Interest rate	Jun 2009	5.5	May 2012	5.5
Prime rate	Interest rate	Jun 2010	9.0	May 2012	9.0
Rand/USD	exchange rate	Jun 2011	6.8	May 2012	8.2
GDP	% QoQ	1Q2011	4.8	1Q2012	2.7
Unemployment	rate	1Q2011	24.0	1Q2012	25.2

Source: South African Reserve Bank, 2012

The repo rate (at 5.5% in May 2012) is the discount rate at which a central bank repurchases government securities from the commercial banks, depending on the level of money supply it decides to maintain in the country's monetary system. The prime interest rate (at 9.0% in May 2012), prime lending rate, or prime overdraft rate, is a reference interest rate commercial banks use when issuing variable interest rate loans to their customers.

The exchange rate appreciated from an average of R10 to the US\$ in the second half of 2008 to an average of R7 to the US\$ in the second half of 2010 and to R6.8 to the US\$ in May 2011. It has now depreciated to R8.2 in May 2012 (See Table 3). This depreciation is good news for local exports.

### Sectors growth and contribution to the Eastern Cape economy

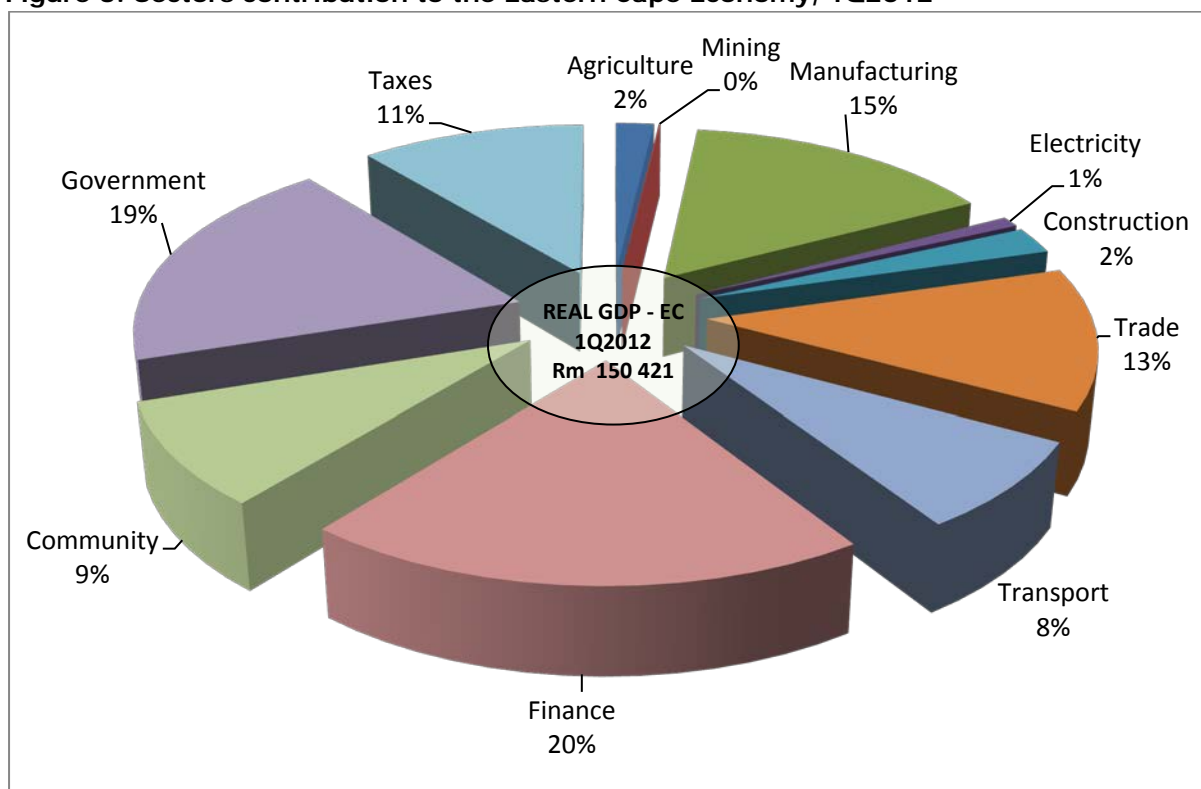
Table 4 shows sector growth year-on-year and quarter-on-quarter while Figure 3 shows sector contributions to the GDP. In 1Q2012, the agricultural sector grew by 1.9% (See Table 4) and contributed 2% to the provincial GDP (See Figure 3).

**Table 4: % change in the seasonally adjusted quarterly GDP-R by industry in the Eastern Cape**

	Year-on-Year					Quarter-on-Quarter				
	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012
Agriculture	9.1	4.5	-0.4	-3.7	-2.5	-2.6	-5.3	-3.8	-2.8	1.9
Mining	5.3	8.5	-9.1	-13.0	-18.7	-8.9	-8.7	-32.1	1.4	-30.7
Manufacturing	2.7	-1.0	0.7	1.7	0.4	13.7	-9.3	-0.7	4.4	8.2
Electricity	-1.7	-0.6	0.4	0.2	0.0	1.1	0.4	-1.0	0.4	0.0
Construction	-3.5	-2.3	-0.4	1.5	2.2	1.3	0.9	1.9	2.0	4.1
Trade	5.2	4.0	3.5	2.7	2.8	1.4	3.0	3.5	3.0	1.7
Transport	1.0	1.6	2.1	2.8	2.4	3.3	3.5	1.9	2.4	2.0
Finance	3.1	2.8	3.3	3.0	2.7	4.2	2.2	3.6	1.8	3.3
Community	0.6	1.1	1.8	2.6	2.4	2.5	2.7	2.4	2.9	1.6
Government	3.9	3.9	4.0	3.8	3.7	2.8	4.7	3.9	4.0	2.1
<b>All industries</b>	<b>2.9</b>	<b>2.1</b>	<b>2.6</b>	<b>2.6</b>	<b>2.3</b>	<b>4.5</b>	<b>0.7</b>	<b>2.3</b>	<b>2.9</b>	<b>3.3</b>
Taxes - subsidies	4.0	4.5	4.4	3.9	3.5	5.5	3.4	3.5	3.2	4.0
<b>GDP-R at market prices</b>	<b>3.1</b>	<b>2.4</b>	<b>2.8</b>	<b>2.7</b>	<b>2.4</b>	<b>4.6</b>	<b>1.0</b>	<b>2.4</b>	<b>3.0</b>	<b>3.3</b>

Source: Statistics South Africa, 2012

**Figure 3: Sectors contribution to the Eastern Cape Economy, 1Q2012**



Source: Statistics South Africa, 2012

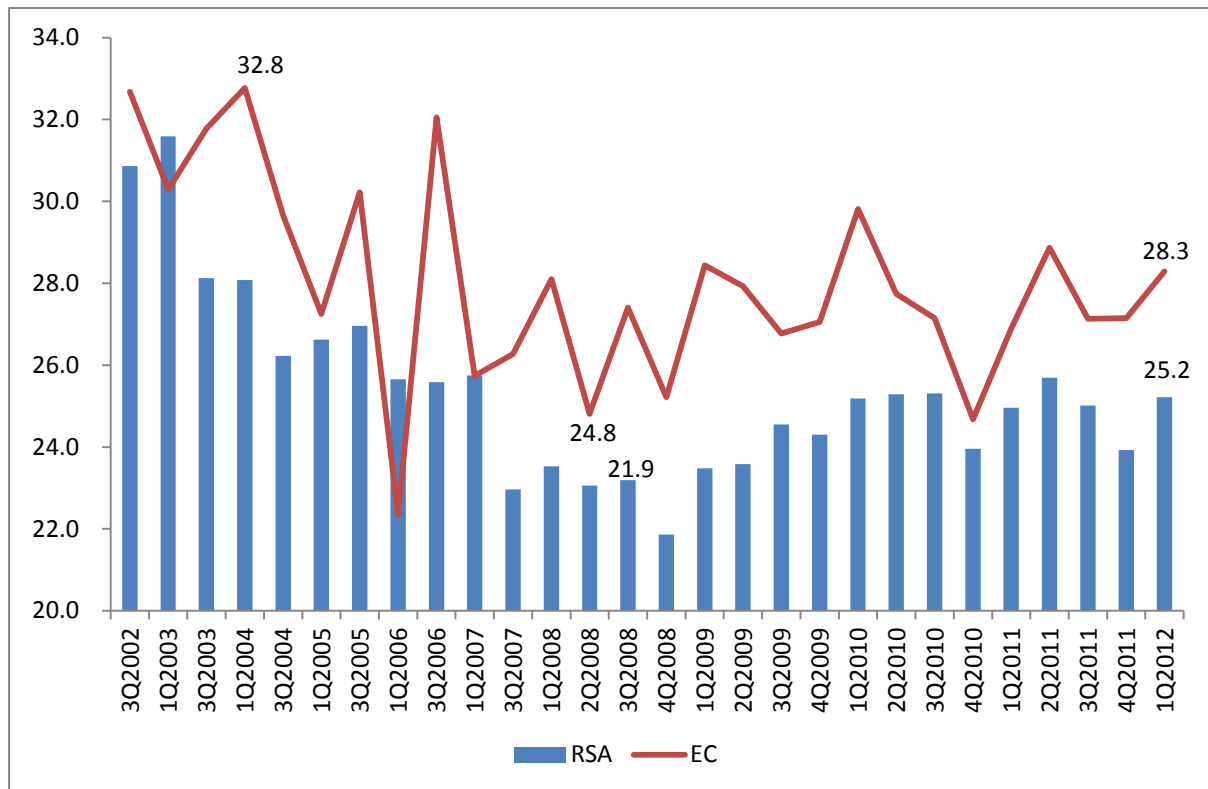
Table 4 also shows that the 3.3% growth in the province was mainly attributed to the increase in manufacturing activities.

The manufacturing sector grew the fastest by 8.2% and has a relative size of 15% of the province economy (see Figure 3). Despite these impressive contributions, the business confidence in the manufacturing sector, in terms of expected real investment in machinery and equipment, is still negative. Similarly, manufacturing business confidence has not picked up to the levels it had before the 2009 recession.

### **Unemployment trends in South Africa and in the Eastern Cape**

Since 1994, unemployment has remained one of the top three challenges facing South Africa. Despite strong expansion in the Eastern Cape economy, the Province lost 40 672 jobs in 1Q2012 accelerating unemployment rate to 28.3% in 1Q2012 from 26.9% in 1Q2011. According to the QLFS, there were 504,000 people looking for work who could not find work in the province. Hence in 1Q2012, unemployment rate using the strict definition was 28.3% in the province and 25.2% in South Africa (See Figure 4). However, there were also 399 000 discouraged job-seekers and by adding up the number of unemployed and discouraged work-seekers, leads to 903 000 people unemployed, which then brings unemployment rate in the Eastern Cape to 43.1%.

**Figure 4: Unemployment rates in South Africa and in the Eastern Cape: 3Q2002 – 1Q2012**



Source: Statistics South Africa, 2012

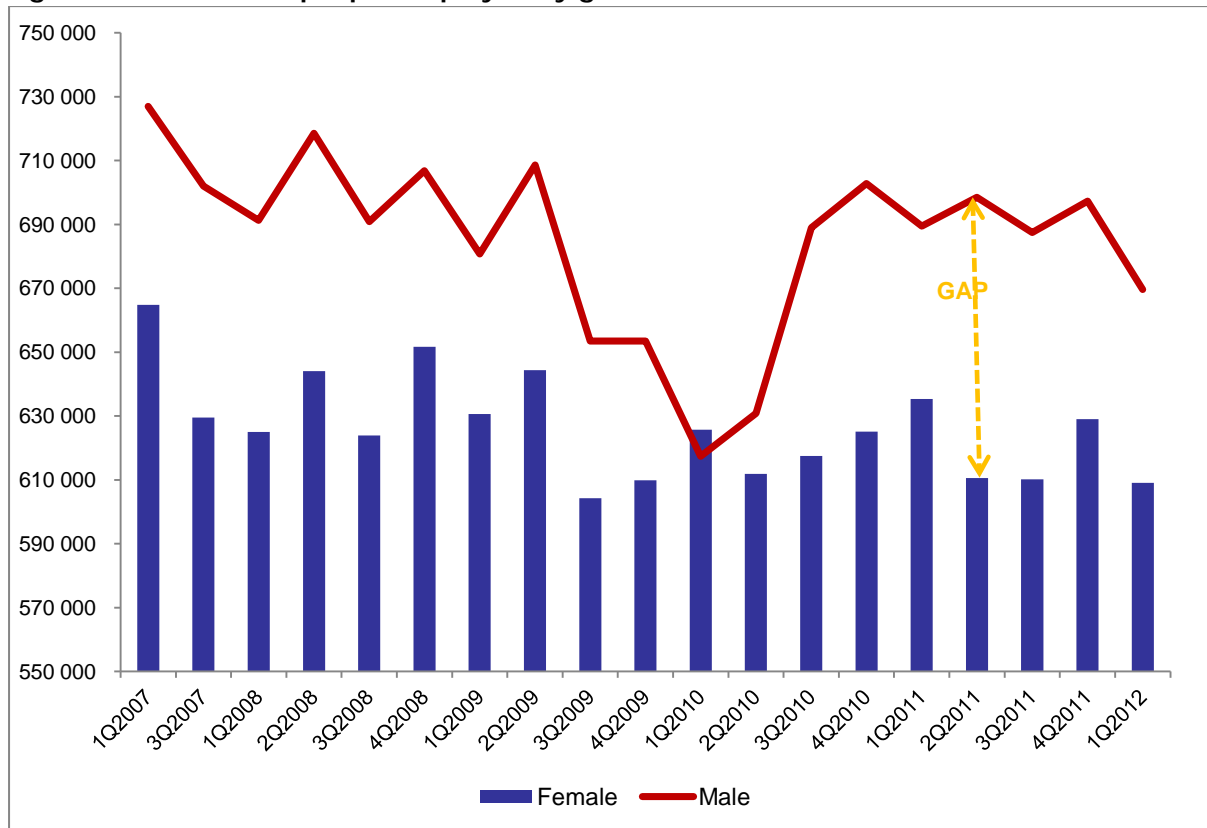
The causes for unemployment are very complex can be attributed to several factors such as:

- A slowdown in economic activity and inadequate economic growth leading to stagnation in the labour market,
- The inability of the formal and informal economy to create sufficient employment opportunities for a growing population,
- The increasing trend towards capital intensity in the South African economy due to
- labour market unrest, the influence of trade unions, the generally low level of skills, and rigid and inflexible labour markets, and
- General uncertainty regarding future economic prospects.

### Employment trends in South Africa and in the Eastern Cape

Looking at employment by institution in the Eastern Cape, the QLFS shows that of all males employed in the province, 75% are in the private sector and 18% are in the public sector. Of all females employed in the province, 26% are in the public and 57% are in the private sector. Overall, the private sector employs more people than the public sector. Figure 4a shows the employment trend by gender and highlights the gender employment gap. The figure also shows how employment for male was more affected by the recession in 2009 than it was for female and how with the 2010 world cup, employment picked up again. Employment for both males and females contracted in 1Q2012.

Figure 4a: Number of people employed by gender: 1Q2007 to 2Q2012



Source: Statistics South Africa, 2012

### Headline inflation in the Eastern Cape

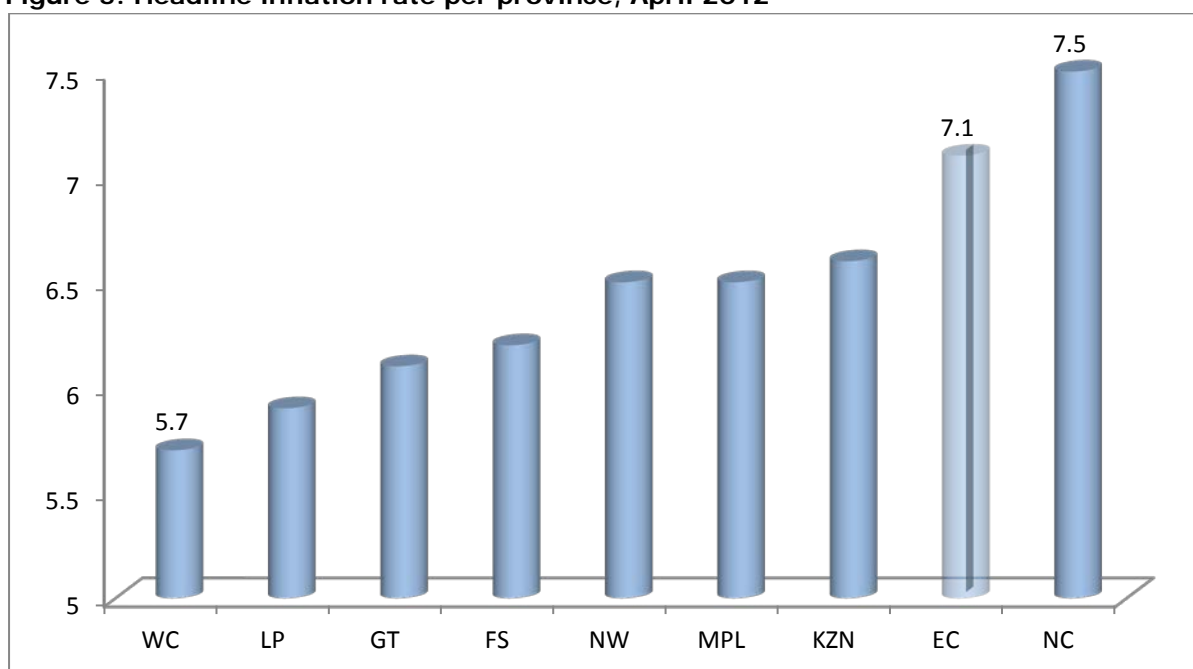
Headline inflation is a measurement of price inflation that takes into account all types of inflation that an economy can experience. Unlike core inflation, headline inflation also counts changes in the price of food and energy. Since food and energy prices can rapidly increase while other types of inflation can remain low, headline inflation may not give an accurate picture of how an economy is behaving. Headline inflation is more useful for the typical household because it reflects changes in the cost of living. Core inflation is used by central banks because it is less volatile and shows the effects of supply and demand on GDP better.

**Table 5: CPI in East London and Port Elizabeth: December 2011-April 2012**

CPI - Eastern Cape	Dec2011	Jan2012	Feb2012	Mar2012	Apr2012
<b>CPI: East London - All Items</b>	<b>119.4</b>	<b>119.6</b>	<b>120.6</b>	<b>122.7</b>	<b>123.3</b>
<b>East London</b>					
CPI: East London - excluding food and non-alcoholic beverages	118.5	118.8	120.1	122.3	122.9
CPI: East London - excluding housing	116.6	116.9	118.2	120.3	121.1
CPI: East London - Food and non-alcoholic beverages	125	124.9	124.3	125.1	125.8
<b>Port Elizabeth</b>					
CPI: Port Elizabeth - All Items	120.3	120.8	121.4	122.8	123.3
CPI: Port Elizabeth - excluding food and non-alcoholic beverages	119.6	119.9	120.7	122.5	123.1
CPI: Port Elizabeth - excluding housing	119.1	119.8	120.5	121.9	122.5

Source: Statistics South Africa, 2012

**Figure 5: Headline inflation rate per province, April 2012**



Source: Statistics South Africa, 2012

Figure 5 shows that the cost of living, measured by the headline inflation rate is high in Northern Cape and Eastern Cape. During the first quarter of 2010, inflation in the province stagnated at 3.7%. During the first quarter of 2012, the headline inflation rate in the Eastern Cape has accelerated to 5.2% YoY, 4.9% in Port Elizabeth, 4.1% in East London, and 5.3% in all EC urban areas. According to Statistics South Africa, the main contributors to the increase in CPI inflation in 1Q2012 have been electricity, petrol and fuels, tobacco, sugar, and water. This trend has continued in the second quarter of 2012. Taking the example of fuel price hikes, Table 6 shows how the price of petrol, diesel, and paraffin has increased between December 2011 and April 2012. This increase in fuel price during 1Q2012 has affected the cost of transportation and the cost of producing goods and services.



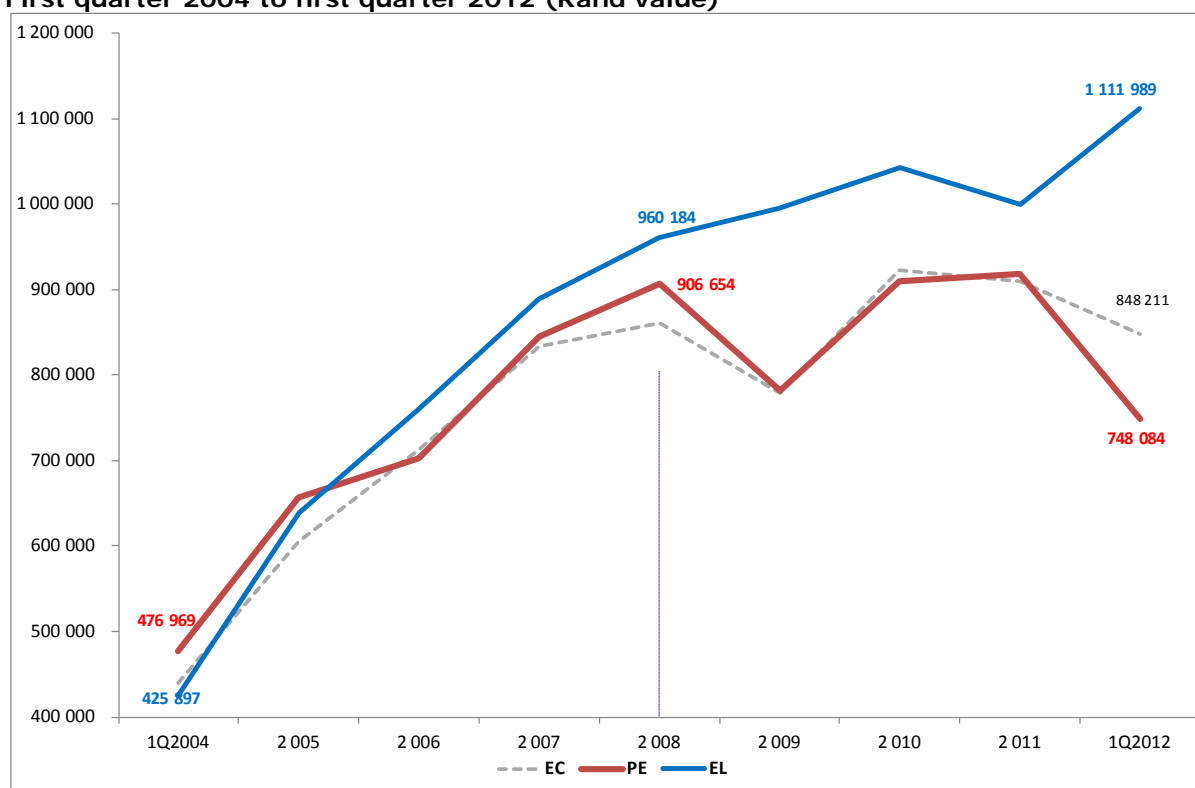
**Table 6: Petrol, diesel and paraffin prices: December 2011-April 2012**

	Dec2011	Jan2012	Feb2012	Mar2012	Apr2012
<b>Petrol</b>					
Lead replacement petroleum 95 Octane (Cape)	1 036	1 031	1 065	1 093	1 159
Unleaded Petroleum 95 Octane (Cape)	1 036	1 031	1 065	1 093	1 159
Lead replacement petroleum 93 Octane (Gauteng)	1 049	1 043	1 077	1 105	1 177
Unleaded Petroleum 93 Octane (Gauteng)	1 049	1 043	1 077	1 105	1 177
Unleaded Petroleum 95 Octane (Gauteng)	1 066	1 061	1 095	1 123	1 194
<b>Diesel</b>					
0.005% Sulphur Diesel (coast)	1 033	1 013	1 011	1 020	1 070
0.05% Sulphur Diesel (coast)	1 028	1 007	1 006	1 017	1 064
0.005% Sulphur Diesel (gauteng)	1 053	1 033	1 031	1 040	1 094
0.05% Sulphur Diesel (gauteng)	1 049	1 028	1 027	1 037	1 088
<b>Paraffin</b>					
Illuminating Paraffin (coast)	778	753	750	754	774
Illuminating Paraffin (gauteng)	813	788	785	789	816
Liquefied Petroleum Gas (coast)	1 937	1 939	1 989	2 025	2 093
Liquefied Petroleum Gas (gauteng)	2 119	2 121	2 171	2 207	2 275

Source: South African Petroleum Industry Association, 2012

Absa bank has developed a database that capture the prices of houses sold in the country. These houses are classified in low, middle and high classes. Figure 6 focuses on the prices of middle class houses in the Eastern Cape.

**Figure 6: Prices of middle class houses in Eastern Cape – Port Elizabeth – East London: First quarter 2004 to first quarter 2012 (Rand value)**



Source: ECSECC database (derived from ABSA Bank – House Prices)

The analysis of Figure 6 shows:

- In the first quarter of 2004, the price of a typical middle class house was less in East London (R425 897) compared to Port Elizabeth (R476 969). It means that in 2004, it was cheaper to buy a house in EL than to buy a house in PE. In 1Q2012, the house price range in EL and PE widened significantly.
- Between 1Q2004 and 1Q2008, the nominal value of middle class houses doubled in the Eastern Cape, East London and Port Elizabeth; and showed similar trends for PE/EC/EL prior-recession.
- The housing sector in PE and EC was heavily affected by the 2009 recession. The prices of middle class houses dropped in Port Elizabeth and Eastern Cape but it increased in East London.
- The housing sector in PE was most affected: the value of middle class houses in Port Elizabeth declined radically from R906 654 in 1Q2008 to R748 084 in 1Q2012. However, the value of middle class houses in East London increased dramatically from R960 184 in 1Q2008 to R1 111 989 in 1Q2012.
- The recent (1Q2012) ABSA figures show a big price gap between middle class houses in EL – PE – EC. This price gap was narrow in 1Q2004. It means that the same middle class house that you bought for less than half a million in 1Q2004 cost R748 084 in PE, R848 211 in EC and R1 111 989 in EL in 1Q2012.

What is driving high house prices in East London? Could property buyers employed in the public sector be contributing to high demand (and high prices) of houses in East London or has housing development in East London slowed down?

### ***Business confidence in the Eastern Cape***

The Business Confidence Index is an indicator designed to measure the degree of optimism on the state of the economy that business owners are expressing through their activities of investing and spending. Decreasing business confidence often implies slowing economic growth because business owners are likely to decrease their investment. The idea is that the more confident business owners and managers feel about the economy, their companies, their jobs and incomes, the more likely they are to make investments and purchases. When business confidence is measured on a scale between 0 and 100, an index level below 50 means that business owners are expecting their company's performance to be weaker in the next year outnumber those expecting stronger performance.

Consumer confidence is the degree of optimism that consumers are expressing for the state of the economy through their savings and spending activity. It is the degree of optimism that consumers feel about the overall state of the economy and their personal financial situation.

The overall consumer confidence has declined from 14 in 1Q2011 to 9 in 1Q2012. The main contributing factors are the persisting job losses in the Eastern Cape, food and petrol price hikes which negatively affect household income and erode household affordability.

While economic growth accelerated to an annualized 3.3% in 1Q2012, the South African Chamber of Commerce and Industry (SACCI) is of the opinion that the rate of expansion may remain moderate in the second quarter due to the European crisis that is still unclear. Consequently, vehicle sales decelerated again in 1Q2012 (See Table 8). According to SACCI, the business environment (locally and globally) is not yet very conducive for doing business or investing. In the Eastern Cape, the business confidence for manufacturing shows a pessimism for fixed investment and real investment in machinery and equipment, and also investment levels in Africa's largest economies slowed more than expected.

**Table 7: Business confidence in the Eastern Cape: 1Q2011 – 1Q2012**

<b>Business confidence in the Eastern Cape</b>	<b>1Q2011</b>	<b>2Q2011</b>	<b>3Q2011</b>	<b>4Q2011</b>	<b>1Q2012</b>
<b>Consumer confidence (Eastern Cape)</b>					
Total (net balance)	14	13	8	11	9
Econ position in SA during next 12 months (net balance)	21	11	7	11	7
Financial position of household during next 12 months	19	20	11	23	15
Rating of present time to buy durables (net balance)	1	8	6	0	4
<b>Retail: Business confidence (Eastern Cape)</b>					
Retail: Business confidence (total)	49	43	51	65	62
Change in business conditions	-1	2	-45	32	52
Growth in volume of sales	0	4	30	52	51
Growth in volume of orders placed	-3	36	29	52	44
Growth in number of people employed	3	10	6	20	41
Change in the rate of increase of average purchase prices	41	62	46	97	80
Change in the rate of increase of average selling prices	38	59	77	97	78
Overall profitability of the business	-29	-36	30	-23	24
Change in present stock in relation to expected demand	4	33	2	66	29
<b>Wholesale business confidence (eastern Cape)</b>					
Food, beverage & tobacco	34	10	3	2	4
Total: Overall profitability of the business	-63	-50	-62	-64	-33
<b>Motor trade business confidence (eastern Cape)</b>					
Business confidence	82	98	97	-	100
Change in business conditions	41	30	-1	-54	-

Source: South African Chamber of Commerce and Industry, 2012

In addition to the rising food and fuel prices alluded to earlier, lower export volumes had the largest negative effect on the business confidence index, followed by import volumes, new vehicle sales and retail sales.

### **Vehicles sales in the Eastern Cape**

**Table 8: Vehicles sales in the Eastern Cape**

Eastern Cape	Number					Growth rate			
	Dec2011	Jan 2012	Feb 2012	Mar 2012	Apr 2012	Jan 2012	Feb 2012	Mar 2012	Apr 2012
Passenger vehicle sales	1234	1201	1269	1454	1060	-2.7	5.7	14.6	-27.1
Light commercial vehicle	575	614	620	754	514	6.8	1.0	21.6	-31.8
Medium commercial vehicle	17	24	34	41	22	41.2	41.7	20.6	-46.3
Heavy commercial vehicle	31	13	25	25	25	-58.1	92.3	0.0	0.0
Extra heavy commercial vehicle	32	33	36	46	31	3.1	9.1	27.8	-32.6

Source: NAMSA, 2012

Vehicle exports into Europe will continue to be under pressure due to economic meltdown and debt crisis in the eurozone. According to NAMSA (2012), the recent sharp depreciation in the exchange rate was also likely to result in pre-emptive buying over the next few months as consumers sought to purchase vehicles to avoid the possible impact of the lower exchange rate on new vehicle prices.

### **Civil summonses issued for debt in Port Elizabeth and East London**

A civil judgment refers to the final order of a court in a civil lawsuit while a civil summons refers to a legal document informing an individual that a lawsuit has been filed against them. The largest contributors to the increase in civil summonses for debts in the province are mainly the money lent, and goods sold. Most court cases are handled in Port Elizabeth (See Table 9).

**Table 9: Civil cases for debt recorded in Port Elizabeth and East London**

Civil cases recorded in selected magistrates offices	Dec2011	Jan2012	Feb2012	Mar2012
Port-Elizabeth (Number)	3629	4188	6720	11178
East London (Number)	309	264	345	160

Source: Statistics South Africa, 2012

### **CONCLUSION**

While the world economy has recovered from the recession continuing economic problems in the Euro-zone has seen IMF revise global growth forecasts downwards to 3.5% in 2012. A mild recession is expected in the Euro-zone in 2012, which will impact on both developed and emerging regions of the world.

At a G20 Summit in Mexico in June 2012, the focus was on the continuing Euro-zone crisis. There is disagreement within G20 about whether continuing austerity or growth-stimulus provides the best solution to recovery from the ongoing crisis. However in Europe and the United States, governments are confronting high deficits and political disunion that will prevent, slow, or dilute any steps to stimulate global demand.

In the first quarter of 2012 the South Africa lost jobs and the unemployment rate accelerated to 25.2% for South Africa and 28.3% for the Eastern Cape.

The expanded unemployment rate for the Eastern Cape stands at 43.1%, with nearly a million people unemployed.

Head line inflation is high in the province. During the first quarter of 2012, the headline inflation rate in the Eastern Cape accelerated to 5.2% YoY, 4.9% in Port Elizabeth, 4.1% in East London, and 5.3% in all EC urban areas. The main contributors to the increase in CPI inflation in 1Q2012 have been electricity, petrol and fuels, tobacco, sugar, and water.

Food and petrol hikes affect consumer confidence. The South African Chamber of Commerce and Industry (SACCI) is of the opinion that the rate of expansion may remain moderate in the second quarter due to the European crisis. According to SACCI, the business environment (locally and globally) is not very conducive for doing business or investing. In the Eastern Cape, the business confidence for manufacturing shows a pessimism for fixed investment and real investment in machinery and equipment, and also investment levels in Africa's largest economies slowed more than expected.

**DISCLAIMER:** While every care is taken to ensure the accuracy of the data in this publication, ECSECC is not liable or responsible for any damages which may result from the use of this data.

**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**