

# Quarterly Economic Update

For the Eastern Cape

Third Quarter: October – December 2010

An ECSECC Publication

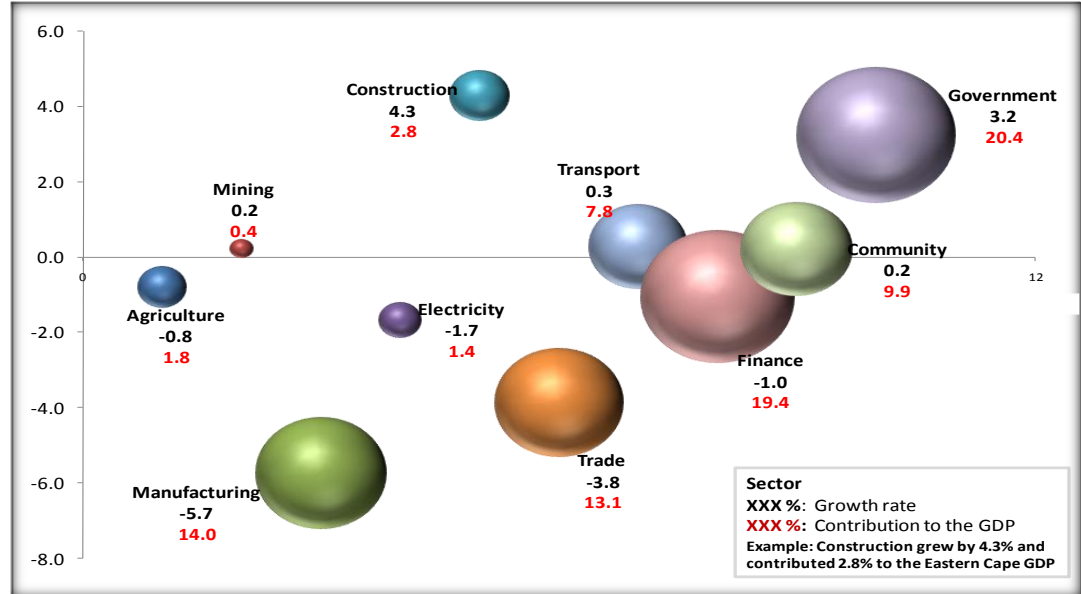
December 2010



This report presents the 2010 third quarter economic update for the Eastern Cape. It provides a summary of the Stats SA and South African Reserve Bank's final revised annual 2009 GDP figures and highlights the sectors that were the most affected by the global recession. The revised GDP figures show that the real decline in GDP in the Eastern Cape is less severe than estimated. The figures also show that Government continues to be the greatest contributor to GDP in the Eastern Cape.

3Q2010 = 3<sup>rd</sup> quarter 2010  
 QoQ = Quarter-on-Quarter  
 YoY = Year-on-Year

## The Eastern Cape economy: YoY % change and sectors contribution to real GDP, 2009



Source: Statistics South Africa, 2010

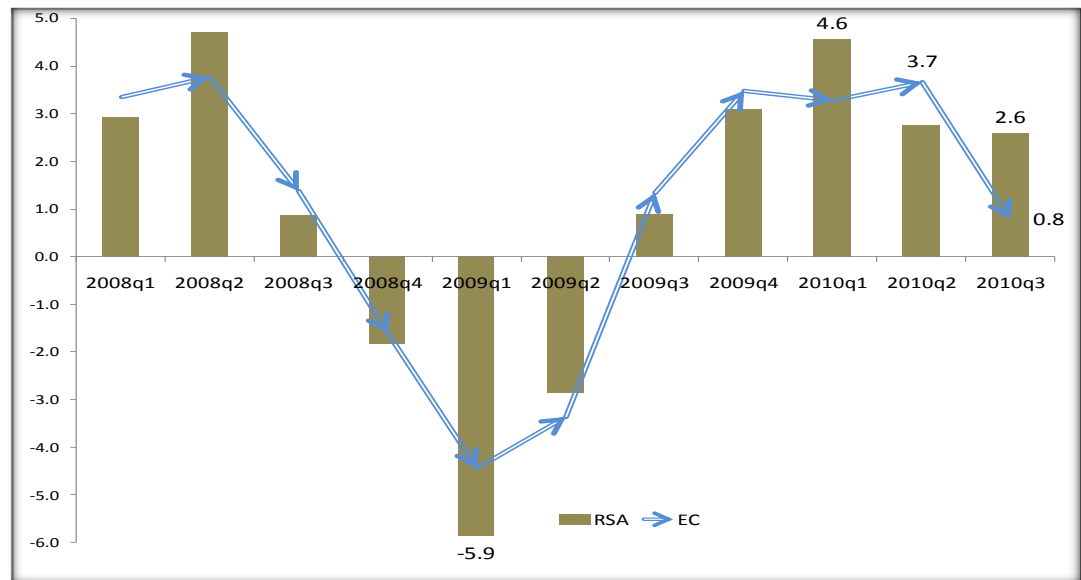
In 2009, the Eastern Cape real GDP declined by 1.3%, dragged down by lower manufacturing output

The final revised annual 2009 GDP figures show that real value added by Manufacturing (-5.7%), Trade (-3.8%), and Finance (-1.0%) fell significantly

Construction had the highest growth rate in 2009 (4.3%), followed by Government (3.2%)

During 3Q2010, the Eastern Cape GDP declined to 0.8% QoQ from 3.7% in 2Q2010.

## % change in the seasonally adjusted quarterly GDP at constant 2005 prices



Source: Statistics South Africa, 2010

In South Africa, many policymakers were very hopeful that in the second half of 2010 the recovery would show more positive characteristics, with growth accelerating, employment rising and confidence improving. However, the Eastern Cape estimated seasonally adjusted GDP grew at a slow pace of 0.8% in 3Q2010 compared to 3.7% in 2Q2010.

**The Eastern Cape GDP (0.8%) in 3Q2010 is lower than that of the country as a whole (2.6%)**

This performance (0.8%) in 3Q2010 is lower than that of the country as a whole (2.6%) and is equal (0.8%) to that achieved last year in 3Q2009. Stats SA's and the South African Reserve Bank's seasonally adjusted GDP figures show that the weak real GDP performance in 3Q2010 was due to low manufacturing production. Growth is predicted to improve slightly in the final quarter of 2010 as the manufacturing sector bounces back from strike disruptions.

**Sector growth and contribution to GDP and employment in the Eastern Cape, 3Q2010**

Eastern Cape	Growth rate (3Q2010)				Contribution (3Q1010)			
	GDP		Employment		GDP		Employment	
	QoQ	YoY	QoQ	YoY	Rand million	%	Number (000)	%
Agriculture	7.9	2.6	40.7	2.7	2 721	1.9	76	5.8
Mining	32.3	9.6	0.0	-60.0	161	0.1	2	0.2
Manufacturing	-5.0	7.4	17.8	-2.5	23 388	16.3	159	12.2
Electricity	-0.7	0.7	33.3	-33.3	1 347	1.0	4	0.3
Construction	0.8	0.0	6.2	12.1	3 387	2.4	120	9.2
Trade	1.9	1.2	-4.7	-6.8	16 741	11.6	328	25.1
Transport	2.3	2.7	-5.6	-11.8	11 417	7.9	67	5.1
Finance	1.2	1.2	-12.1	-22.1	28 534	19.8	102	7.8
Community	3.0	1.6	-	-	13 599	9.5		
Government	0.3	2.4	-1.8	2.8	27 162	18.7	330	25.3
Taxes less Sub.	4.6	3.6	-	-	15 569	10.8		-
Priv. households	-	-	-9.9	8.3	-	-	118	9.0
<b>Eastern Cape</b>	<b>0.8</b>	<b>2.8</b>	<b>2.5</b>	<b>2.2</b>	<b>144 026</b>	<b>100.0</b>	<b>1 306</b>	<b>100.0</b>

Source: Statistics South Africa, 2010

In 3Q2010, Government and Trade sectors contributed more than half (50.4%) to the total employment in the Eastern Cape. Finance (19.8%) and Government (18.7%) remained the main contributors to the provincial GDP.

**Percentage change and contribution to GDP and employment in South Africa, 3Q2010**

	Growth rate (3Q2010)				Contribution (2Q2010 - 3Q1010)			
	GDP		Employment		GDP		Employment	
	QoQ	YoY	QoQ	YoY	2Q2010	3Q2010	2Q2010	3Q2010
Western Cape	1.9	3.3	-2.2	-2.0	14.9	14.9	14.7	13.6
Eastern Cape	0.8	2.8	2.5	2.2	7.9	7.8	9.8	10.2
Northern Cape	8.0	3.7	6.2	7.4	2.1	2.1	2.0	2.1
Free State	4.3	3.0	-1.3	1.5	5.0	5.1	6.1	6.0
KwaZulu-Natal	1.4	3.4	-1.4	-4.9	16.2	16.3	18.5	17.9
North West	7.0	3.2	-1.1	-2.1	6.1	6.1	6.1	5.6
Gauteng	1.7	3.2	0.2	0.2	35.2	34.8	29.0	30.7
Mpumalanga	3.4	3.8	-1.0	-2.0	6.3	6.5	6.8	6.9
Limpopo	6.6	3.3	-4.4	-3.4	6.3	6.4	7.1	7.0
<b>RSA</b>	<b>2.6</b>	<b>3.2</b>	<b>-0.7</b>	<b>-1.2</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Statistics South Africa, 2010

While the country lost jobs (0.7% QoQ) in 3Q2010, employment in the Province grew marginally by 2.5% QoQ and 2.2% YoY. These jobs were created mainly in the Agriculture and Electricity sectors. The Eastern Cape contributed 7.8% to the country's GDP and 10.2% to total employment in South Africa

Turning to the status of the labour market in the Eastern Cape, the Statistics South Africa Labour Force Survey (3Q 2010), shows that:

- There were 1 306 000 people employed in the Eastern Cape. Of these people, 817 000 (62.6%) were employed in the formal sector, 295 000 (22.6%) in the informal sector, 118 000 (9.0%) in private households and 76 000 (5.8%) in Agriculture.
- Formal employment in the Eastern Cape grew by 2.9% QoQ and fell by 0.1% YoY while informal employment grew by 6.5% YoY.

**Employment declined in electricity (-33%), finance (-22%) and transport (-12%) between 3Q2009 and 3Q2010**

**YoY employment growth was largest in construction (12%)**

**In 3Q2010 Government (25%) and Trade (25%) together contributed to more than half the total employment in the Eastern Cape**

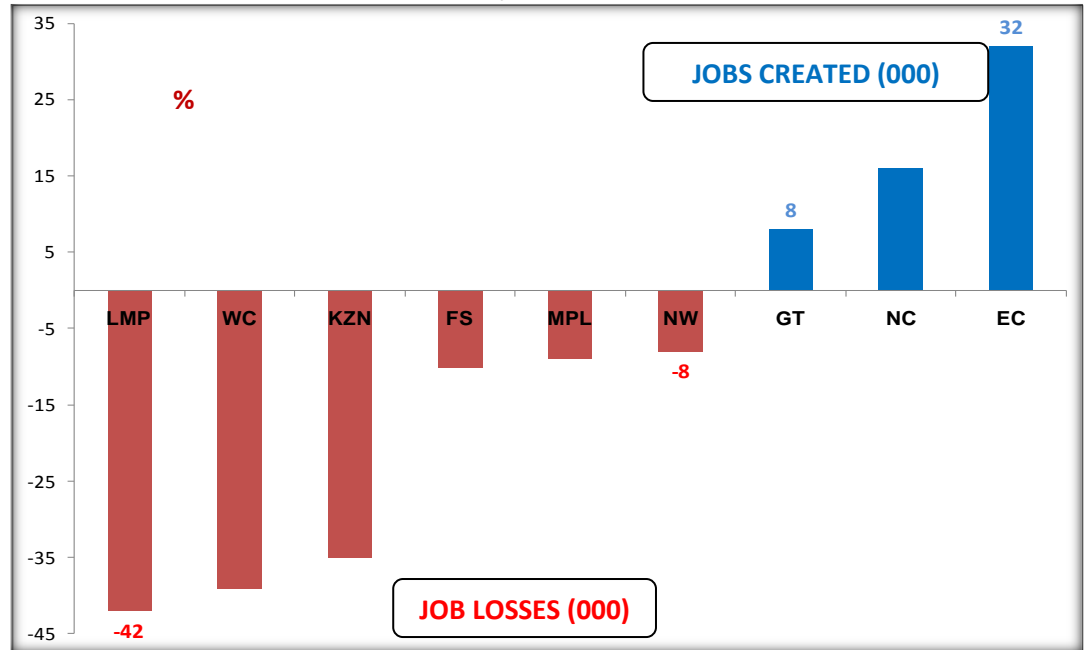
**In 3Q2010, Gauteng Province contributed 34.8% to the country's GDP and 30.7% to total employment in the country**

**Informal employment grew by 6.5%, while formal employment grew by 2.9% YoY in the Eastern Cape**

- 344 000 job seekers gave up looking for jobs during the third quarter of 2010. However, the total number of discouraged job seekers fell by 9.9% QoQ, hence showing an improvement in the labour absorption capacity of the Eastern Cape economy. The labour absorption rate grew by 0.7% QoQ and 0.2% YoY in 3Q2010.
- There were 4 131 000 people in the working age group (15-64) of whom 2 337 000 (56.6%) were not economically active. The labour force comprised in total 1 793 000 people.
- The unemployment rate in the Eastern Cape (official definition) fell by 0.7% points QoQ. It fell to 27.2% in 3Q2010 from 27.9% in 2Q2009. This rate is however still high compared to that of the country as a whole (25.3 in 3Q2010). The unemployment rate (expanded definition) 40.4% also fell by 2.2% QoQ and 0.2% YoY.

**In 3Q2010, Gauteng, Northern Cape and Eastern Cape were the three provinces that created jobs. Limpopo had the highest number of job losses.**

**South Africa Job Creation and Job Losses, 3Q2010**



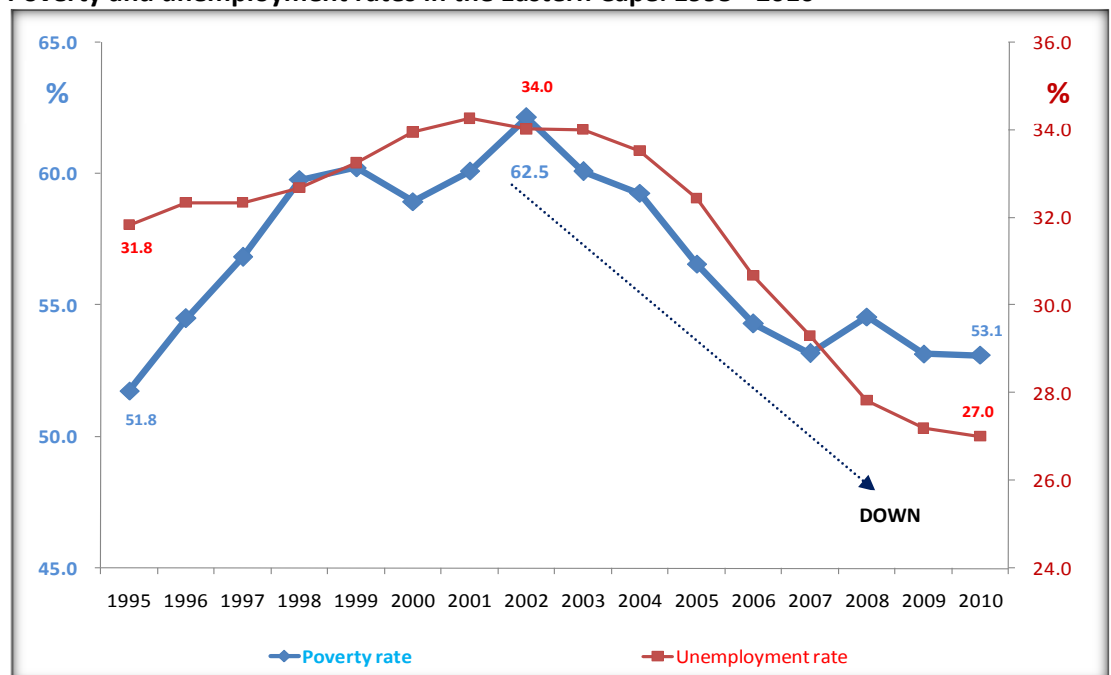
Source: Statistics South Africa, 2010

**In total 32 000 jobs were created in the Eastern Cape in 3Q2010. Seasonal agricultural activity was a major contributor to this.**

According to Statistics South Africa, in 3Q2010 the Eastern Cape created more jobs (32 000) than other provinces. These jobs were created in the formal sector (23 000) and the agricultural sector (22 000). The informal sector created no jobs, and employment in private households declined by 13 000 jobs in the third quarter.

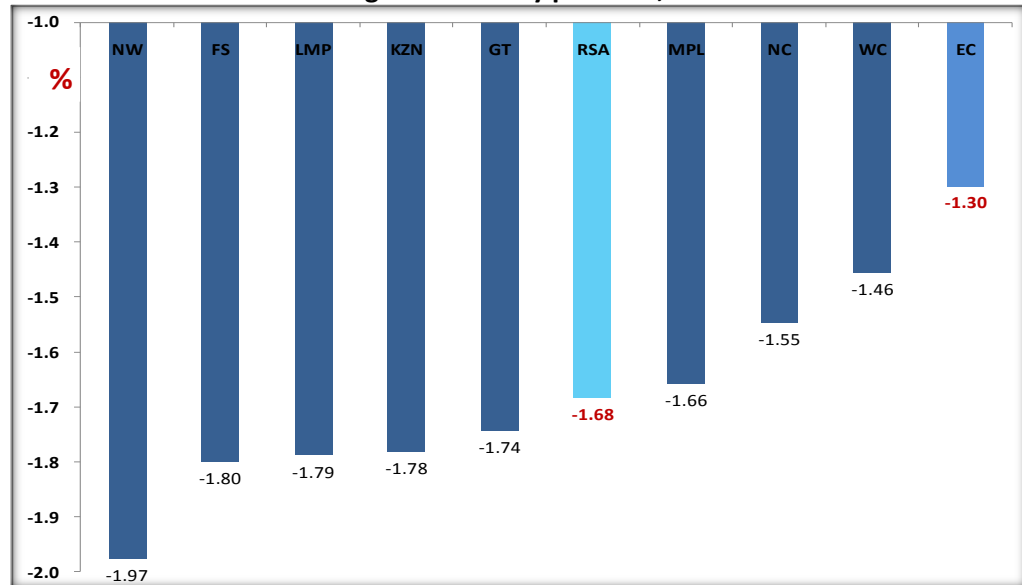
**Between 1995 and 2010, the Province experienced a marginal upward trend in the poverty rate (from 52% to 53%) and a slight downward trend in the unemployment rate (from 32% to 27%)**

**Poverty and unemployment rates in the Eastern Cape: 1995 - 2010**



Source: Statistics South Africa, 2010 and Global Insight, 2010

## Real Gross Domestic Product growth rate by province, 2009

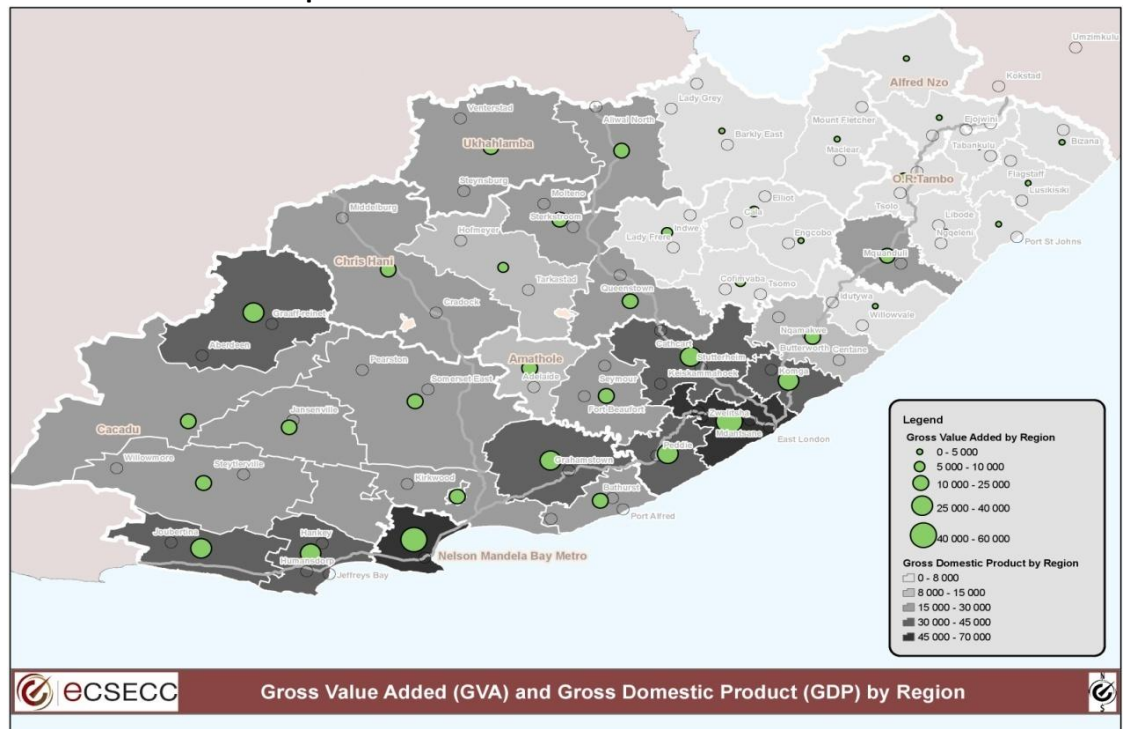


Source:

Statistics South Africa, 2010

The South African Reserve Bank and Stats SA's revised annual 2009 real GDP figures show that the entire country had negative economic growth. The Eastern Cape experienced the smallest contraction (-1.3%) compared to other provinces. In real terms, however, any contraction in the Eastern Cape is detrimental to development due to the limited manufacturing and productive economic base. Economic activity continues to be concentrated in the Nelson Mandela Bay Metro (See Map below).

## Gross Value Added and spatial distribution of economic activities



Source: ECSECC, 2010

While Eastern Cape experienced a marginally smaller contraction than other provinces in 2009, significant capital investment is necessary to remove structural impediments to sustained and equitable economic growth and job creation. It is hoped that the "New Growth Path" will put in place the measures needed to realise the economic promise of the democratic transition.

*Eastern Cape GDP declined by 1.3% in 2009, compared to a 1.7% decline for the country as a whole. However recovery from recession is still uncertain with the 3Q2010 GDP figures increasing marginally (0.8% QoQ) in the Eastern Cape*

*The Nelson Mandela Bay Metro remains the main contributor to the Province's GVA*

*The populous east of the Province generate little formal economic activity*

*Drastic measures are needed by the state to remove structural impediments to economic growth and job creation*

## ECSECC

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