

SOUTH AFRICAN NATIONAL GDP

-0.7%

EASTERN CAPE PROVINCIAL GDP

-0.3%

The South African National
GDP declined by 0.7% in
Quarter 2 of 2018.
The Eastern Cape GDP
declined by 0.3%.

KEY FINDINGS FOR THE SECOND QUARTER 2018

- The South African economy is in technical recession, after experiencing a negative growth rate another quarter. A technical recession is when there are two consecutive quarters of negative growth.
- Real GDP was recorded at an annualized rate of -0.7% QoQ in 2018Q2 in contrast to -2.6% achieved in the previous quarter.

2018:

The IMF expects global
growth to rise by 3.9%
SA economy is expected
to grow by 1.5%

Global Economic Developments

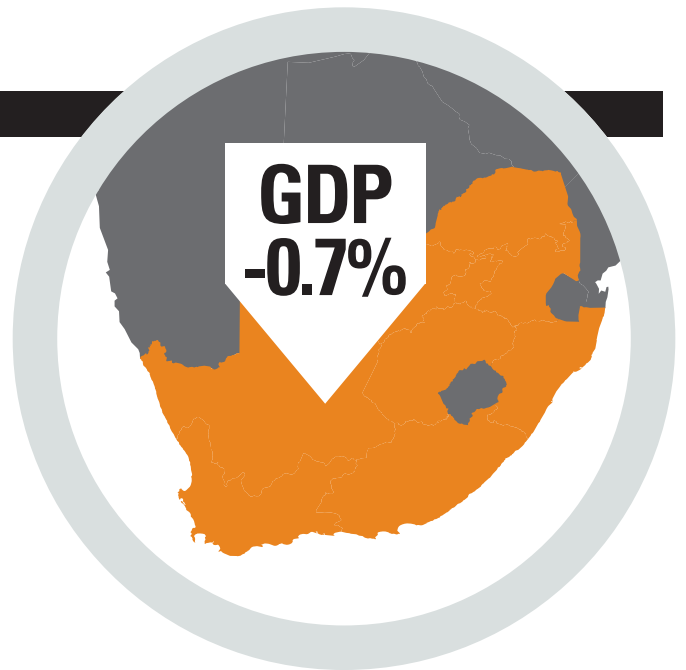
Global growth is projected to reach 3.9% in 2018 and 2019, in line with the World Economic Outlook forecast of April 2018. The expansion is becoming less even, and risks to the outlook are mounting. The IMF projected annual GDP growth for South Africa to reach 1.3% in 2018 and 1.5% in 2019. However, the forecast was recently revised down to 1.0% for 2018.

Annual percentage change in GDP in selected regions/countries

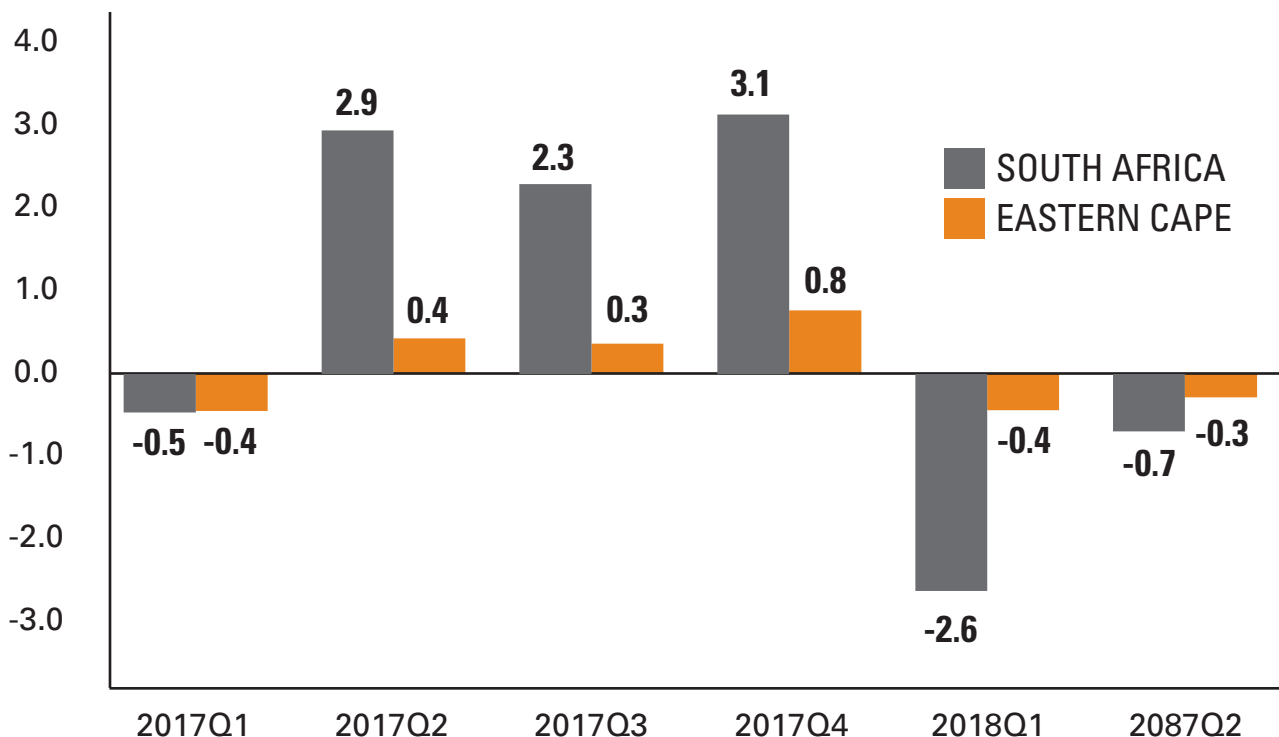
REGION/ COUNTRY	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	ACTUAL				PROJECTIONS					
World	3,6	3,5	3,2	3,8	3,9	3,9	3,8	3,8	3,7	3,7
Advanced economies	2,1	2,3	1,7	2,3	2,5	2,2	1,7	1,7	1,5	1,5
United States	2,6	2,9	1,5	2,3	2,9	2,7	1,9	1,7	1,5	1,4
Euro area	1,3	2,1	1,8	2,3	2,4	2,0	1,7	1,5	1,5	1,4
United Kingdom	3,1	2,3	1,9	1,8	1,6	1,5	1,5	1,6	1,6	1,6
Japan	0,4	1,4	0,9	1,7	1,2	0,9	0,3	0,7	0,5	0,5
Emerging markets and developing economies	4,7	4,3	4,4	4,8	4,9	5,1	5,1	5,1	5,0	5,0
Brazil	0,5	-3,6	-3,5	1,0	2,3	2,5	2,2	2,2	2,2	2,2
Russia	0,7	-2,5	-0,2	1,5	1,7	1,5	1,5	1,5	1,5	1,5
India	7,4	8,2	7,1	6,7	7,4	7,8	7,9	8,1	8,1	8,2
China	7,3	6,9	6,7	6,9	6,6	6,4	6,3	6,0	5,7	5,5
Sub-Saharan Africa	5,1	3,4	1,4	2,8	3,4	3,7	3,8	3,9	3,9	4,0
South Africa	1,8	1,3	0,6	1,3	1,5	1,7	1,8	1,8	1,8	1,8
Nigeria	6,3	2,7	-1,6	0,8	2,1	1,9	2,1	2,0	2,0	2,0
Angola	4,7	3,0	-0,8	0,7	2,2	2,4	3,6	4,2	4,7	4,9
Kenya	5,4	5,7	5,8	4,8	5,5	6,0	6,2	6,5	6,5	6,0

SA in Technical Recession as growth falls in 2018Q2

A technical recession is two consecutive quarters of negative growth; SA GDP growth was recorded at -0.7% in 2018Q2 from -2.6% in 2018Q1.

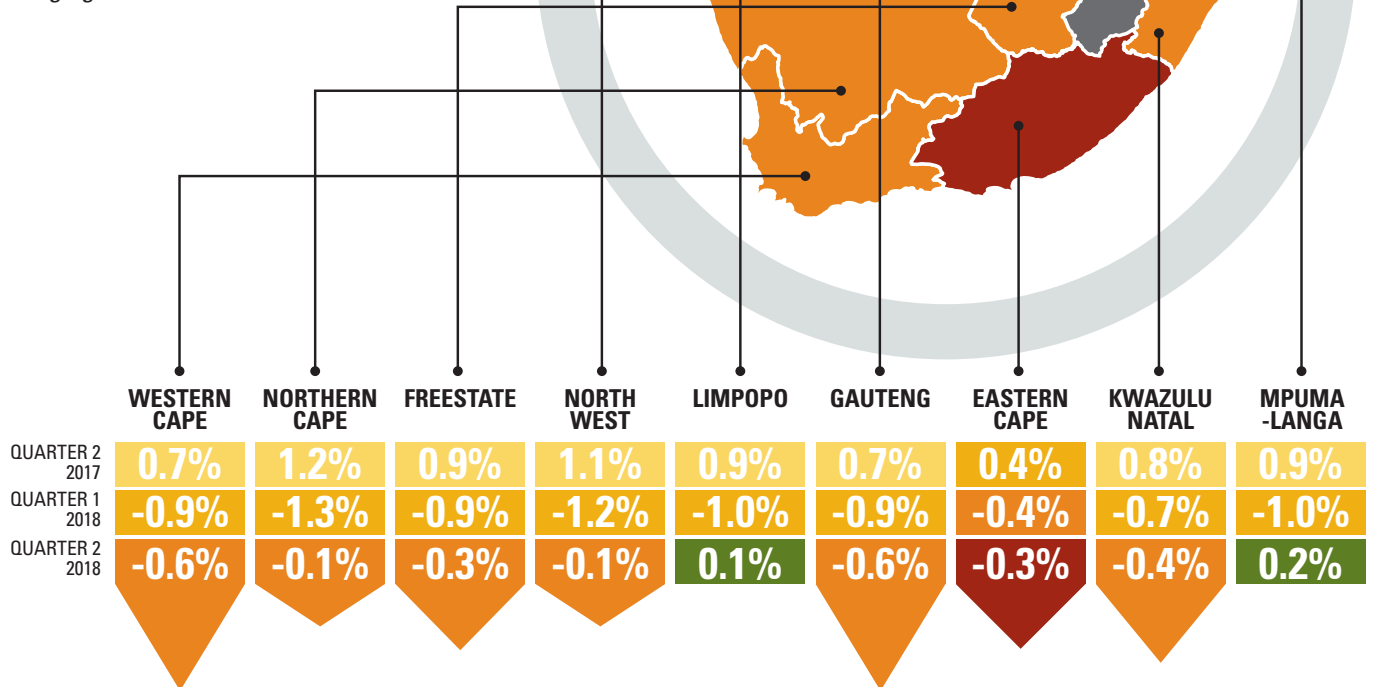


QoQ GDP growth for South Africa and for the Eastern Cape at constant 2010 prices, 2013Q1-2018Q2



- The South African and Eastern Cape economies are both in technical recession as GDP growth rate remains negative for two consecutive quarters. The Eastern Cape GDP contracted to an annualized rate of -0.3% QoQ in 2018Q2, and -0.7% QoQ in the previous quarter.
- South Africa's GDP went from -2.6% in 2018Q1 to -0.7% in 2018Q2.
- In 2Q2018, the Eastern Cape economic growth outpaced South Africa growth.
- YoY GDP for the Eastern Cape fell from 0.4% in 2017Q2 to -0.3% in 2018Q2.
- In 2017Q4, the Eastern Cape and South Africa recorded both 0.8% GDP growth.

- In 2018Q2, only two provinces had positive growth: Mpumalanga (0.12%) and Limpopo (0.19%).
- Four provincial economies experienced growth below the national average of -2.0%: Western Cape (-0.6%), KwaZulu-Natal (-0.4%), Eastern Cape (-0.3%), and Free State (-0.3%). Other provinces' performance was above the national average growth rate.



On a quarter-on-quarter basis: best performance from Mpumalanga with positive GDP growth of 0.2%

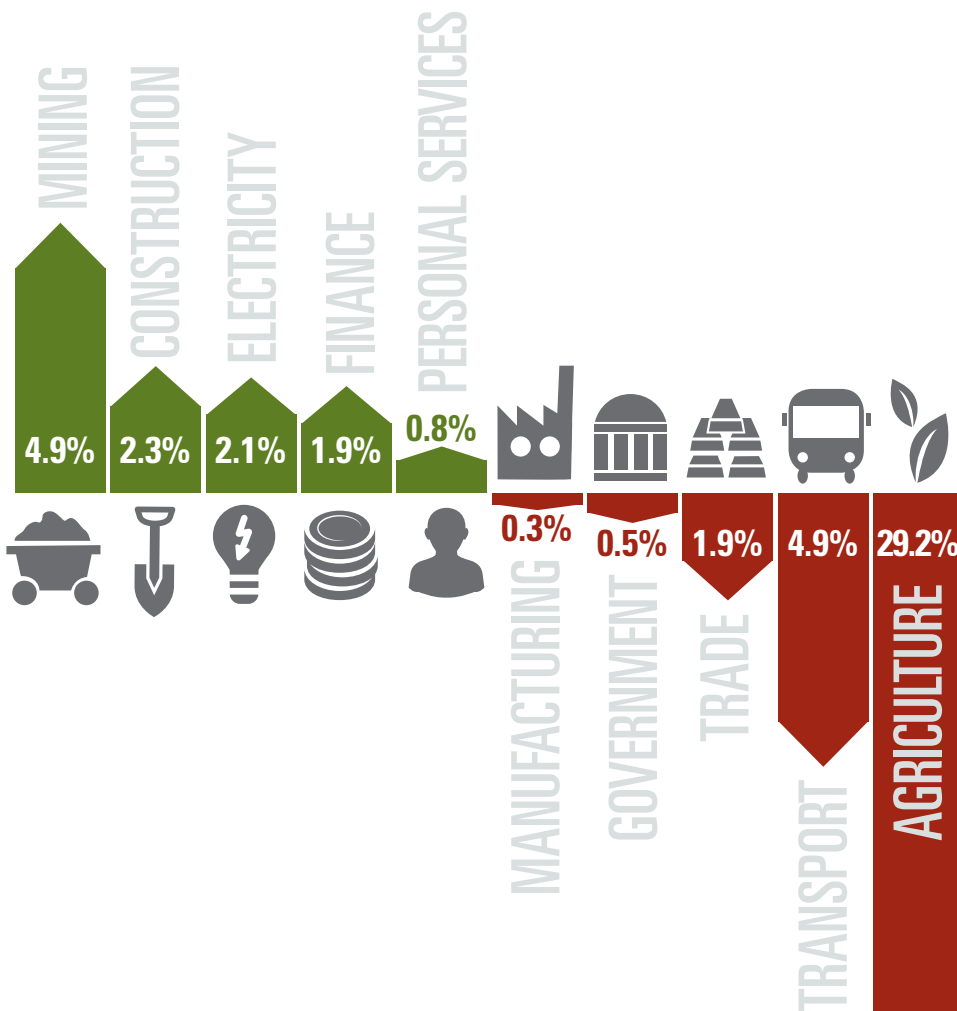
Eastern Cape sector growth and contribution to GDP for 2017Q2, 2018Q1 & 2018Q2

EASTERN CAPE INDUSTRY	2017Q2		2018Q1		2018Q2	
	R million	Share %	R million	Share %	R million	Share %
Agriculture	3,343	1.6	3,733	1.7	3,513	1.6
Mining	668	0.3	651	0.3	655	0.3
PRIMARY SECTOR	4,011	1.9	4,384	2.0	4,169	2.0
Manufacturing	28,751	13.5	28,819	13.5	28,803	13.5
Electricity	2,506	1.2	2,480	1.2	2,489	1.2
Construction	8,323	3.9	8,224	3.8	8,267	3.9
SECONDARY SECTOR	39,580	18.6	39,522	18.4	39,559	18.5
Trade	41,563	19.5	41,597	19.4	41,318	19.3
Transport	18,746	8.8	18,907	8.8	18,652	8.7
Finance	43,945	20.6	44,315	20.7	44,433	20.8
Community services	16,047	7.5	16,177	7.6	16,205	7.6
Government services	48,977	23.0	49,353	23.0	49,205	23.0
TERTIARY SECTOR	169,279	79.5	170,348	79.5	169,813	79.5
All industries at basic prices	212,870	100.0	214,254	100.0	213,541	100.0

Source: ECSECC & Quantec, 2018

REGIONAL COMPARISONS

- Agricultural was the only sector that experienced negative growth for two consecutive quarters, falling to -8.0% in 2018Q1 and -5.9% in 2018Q2.
- Sectors that contributed negatively to the Eastern Cape GDP were: agriculture -5.9%, manufacturing -0.1%, trade -0.7%, transport -1.3% and government services -0.3% QoQ growth.
- In contrast, the sectors that contributed positively to the Eastern Cape GDP were: mining 0.7%, electricity 0.3%, construction 0.5%, finance 0.3% and community services 0.2%.



SECTOR GROWTH QoQ

Growth rates in various sectors in the Eastern Cape

- In 2018Q2, the tertiary sector accounted for 79.5% of the Eastern Cape GDP. The secondary sector and primary sector accounted for 18.5% and 2.0% respectively.
- In rand values the tertiary sector amounted to R 169 813 million, the secondary sector R39 555 million and the primary sector R4 169 million.
- Two of the three sectors had negative growth for two consecutive quarters. The primary sector fell to -7.3% in 2018Q1 and to -4.9% in 2018Q2. The tertiary sector dropped to -0.1% in 2018Q1 and to -0.3% in 2018Q2.
- The large decrease in the primary sector was mainly because of the decline in agriculture, caused by a drop in the production of field crops and horticultural products from 2017Q4.



There is an upward trend in the primary and secondary sectors

SECTOR	2017Q4	2018Q1	2018Q2
Primary	8.4	-7.3	-4.9
Secondary	0.7	-1.4	0.1
Tertiary	0.5	-0.1	-0.3

FOUR INDUSTRIES HAD POSITIVE CONTRIBUTIONS TO THE GDP GROWTH.

Government remains the main contributor to the GDP.

GDP growth rates at constant 2010 prices for 2018Q1 – 2018Q2 = Real GDP growth rate: 2018Q1 – 2018Q2

- Four sectors contributed negatively to the national GDP: agriculture (-29.2%), transport (-4.9%), trade (-0.5%), government (-0.5%) and manufacturing (-0.3%).
- Two sectors that positively contributed to the South African GDP were: the mining sector (4.9%) and the construction sector (2.3%).
- Year-on-year (YoY), the South African economy contracted from 0.7% in 2017Q2 to -0.2% in 2018Q2.