

**SOUTH AFRICA****-1.4%****EASTERN CAPE****-1.6%****QoQ GDP GROWTH RATE****KEY FINDINGS FOR THE FOURTH QUARTER 2019**

- Global growth has been revised down to 3.3% in 2020 and 3.4% for 2021.
- The South African economy is in recession for the third time since 1994 as GDP contracted by 1.4% in 2019Q4. Sectors that significantly contributed to negative national GDP growth in the fourth quarter of 2019 were: transport; storage and communication industry; and the trade, catering and accommodation industry.
- Positive contributions to national GDP growth came from the finance and mining industries.
- The performance of the Eastern Cape economy was sluggish. In the fourth quarter of 2019 three industries recorded negative growth: agriculture, construction and transport.

## GLOBAL ECONOMIC DEVELOPMENT PROJECTIONS

REGION/ COUNTRY	Estimate		Projections		Projections	
	2018	2019	2020	2021	2019	2020
<b>World</b>	3.6	2.9	3.3	3.4	-0.1	-0.2
<b>Advanced economies</b>	2.2	1.7	1.6	1.6	-0.1	0.0
United States	2.9	2.3	2.0	1.7	-0.1	0.0
Euro area	1.9	1.2	1.3	1.4	-0.1	0.0
United Kingdom	1.3	13.0	1.4	1.5	0.0	0.0
Japan	0.3	1.0	0.7	0.5	0.2	0.0
<b>Emerging markets and developing economies</b>	4.5	3.7	4.4	4.6	-0.2	-0.2
Brazil	1.3	1.2	2.2	2.3	0.2	-0.1
Russia	2.3	1.1	1.9	2.0	0.0	0.0
India	6.8	4.8	5.8	6.5	-1.2	-0.9
China	6.6	6.1	6.0	5.8	0.2	-0.1
<b>Sub-Saharan Africa</b>	3.2	3.3	3.5	3.5	-0.1	-0.2
Nigeria	1.9	2.3	2.5	2.5	0.0	0.0
South Africa	0.8	0.4	0.8	1.0	-0.3	-0.4

Figure 1

Source: IMF World Economic Outlook, 2020

According to the IMF World Economic Outlook (WEO) update, global growth is forecasted at 3.3% in 2020, picking up to 3.4% in 2021. This is a downward revision of 0.1 of a percentage point for 2020. Global growth has been revised down by 0.2 of a percentage point for 2021.

Across advanced economies, growth is projected to stabilise at 1.6% in 2020–21. Growth in emerging market economies (including India, Mexico, and South Africa) was weaker than expected and is estimated at 4.4% in 2020 and 4.6% in 2021. This is largely due to country-specific shocks weighing on internal country demand.

Sub-Saharan African economic growth is projected to contract to 3.5% in 2020–21, lower by 0.1 of a percentage point in 2020 and 0.2 of a percentage point in 2021. Economic growth in South Africa was revised down by 0.3 of a percentage point in 2020 to 0.8% and it is projected to increase to 1.0% in 2021.

According to the WEO January 2020 update, “the reflected downward revisions for South Africa were due to structural constraints and deteriorating public finances that held back business confidence and private investment.

# REAL GDP GROWTH RATES

(Seasonally adjusted and annualised) 2015Q4 – 2019Q4

— SOUTH AFRICA  
— EASTERN CAPE



Figure 2  
Source: Stats SA and Quantec EasyData, 2019

The South African economy slipped into a technical recession as real gross domestic product (GDP) contracted by 1.4% in 2019Q4. This is the third recession the country is facing since 1994; the first one was in 2008 and the second in 2019.

In the fourth quarter of 2019, the largest negative contributors to national GDP growth were the transport; storage and

communication industry; and the trade, catering and accommodation industry.

In 2019Q4, the Eastern Cape GDP declined by 1.4%, quarter-on-quarter (QoQ), compared to positive growth of 1.2% achieved in 2018Q4 and 3.4% in 2017Q4.

## Provincial real GDP growth rates (seasonally adjusted and annualised): 2018Q4, 2019Q3 and 2019Q4

The Figure above gives a comparison of provincial economic growth rates for 2018Q4, 2019Q3 to 2019Q4. The following observations are drawn from the Figure:

- The South African economy is in technical recession. Real GDP in all nine provinces contracted in 2019Q4.
- Two out of nine provinces experienced economic contraction for three quarters (2018Q4, 2019Q3 and 2019Q4): North West (down by 0.2%, 2.5% and 1.7%) and Limpopo (down by 0.1%, 1.5% and 1.0%).
- In 2019Q4 (YoY), all nine provinces experienced contraction. The largest negative growth rates were recorded in KwaZulu-Natal (down by 4.2 percentage points), Western Cape (down by 3.6 percentage points) and Gauteng (down by 3.0 percentage points).
- On a QoQ basis, all provinces were in technical recession as GDP contracted in two consecutive quarters. Large contractions were recorded in North West (-1.7%), Free State (-1.3%), Limpopo and Mpumalanga (both with -1.0%).

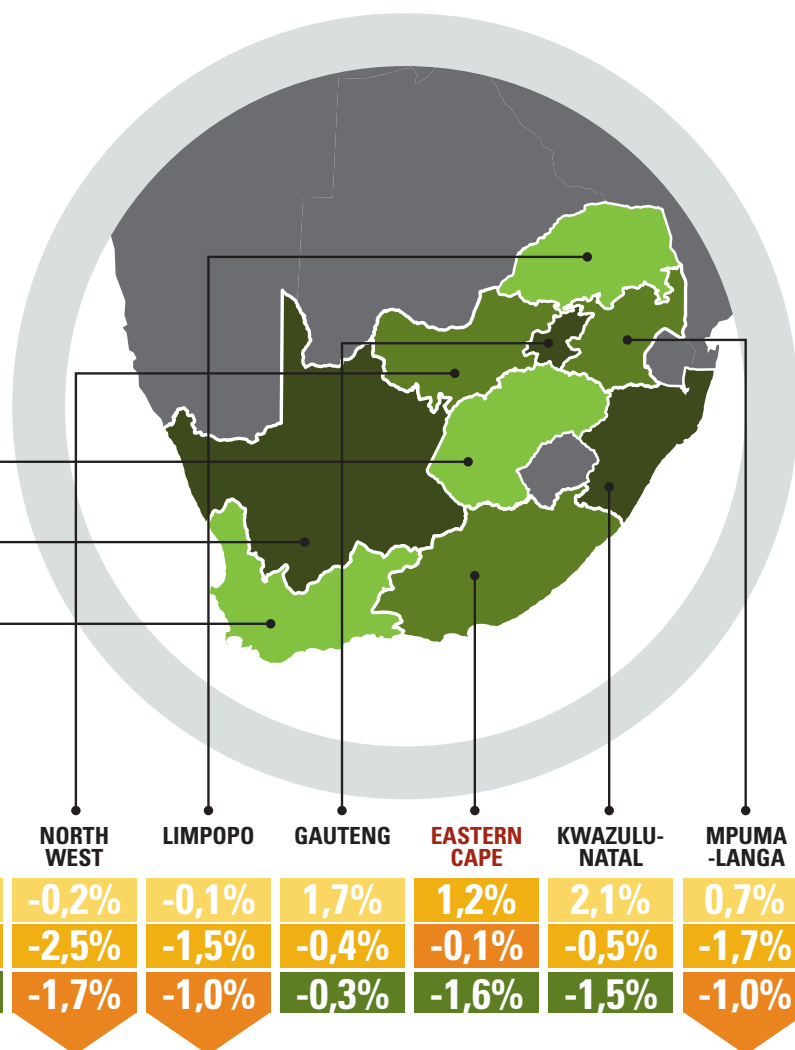


Figure 3  
Source: Stats SA and Quantec EasyData, 2020

## Growth rates (%) in industry value added (seasonally adjusted and annualised), 2019Q4.

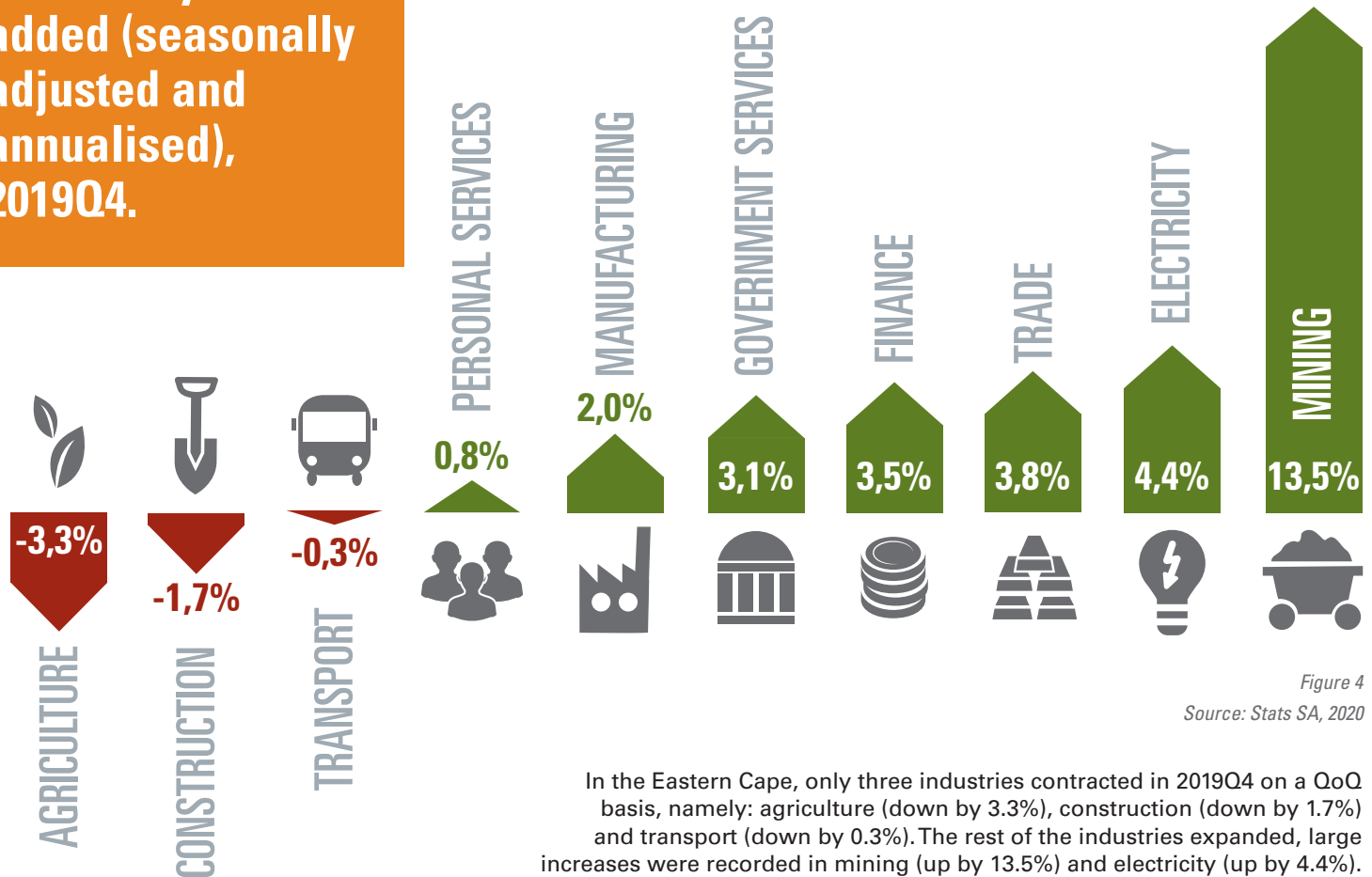


Figure 4  
Source: Stats SA, 2020

In the Eastern Cape, only three industries contracted in 2019Q4 on a QoQ basis, namely: agriculture (down by 3.3%), construction (down by 1.7%) and transport (down by 0.3%). The rest of the industries expanded, large increases were recorded in mining (up by 13.5%) and electricity (up by 4.4%).

## EASTERN CAPE GVA BY INDUSTRY

The Eastern Cape's total gross value added (GVA) at basic prices amounted to R214 263 million in 2019Q4. The tertiary sector remained the principal contributing sector to the provincial GVA, accounting for 80.2% of the provincial GVA. The secondary sector and primary sector accounted for 18.1% and 1.7% respectively. In rand values, in 2019Q4, the tertiary, secondary and primary sectors' GVA amounted respectively to R171 761 million, R38 844 million, and R3 657 million.

In terms of individual sectors, government services continued to be the biggest contributor to the provincial GVA, accounting for 23.3% of the total GVA. Finance and trade accounted for 21.0% and 19.5% respectively. The finance sector increased its contribution by 0.4 of a percentage point on a YoY basis.

On a QoQ basis, GVA grew in finance (up by R260 million), personal services (up by R31 million) and mining (up by R2 million). However, on a YoY basis, GVA grew in only three tertiary sector industries, namely; finance (up by R827 million), personal services (up by R123 million) and government services (up by R744 million).

### (Seasonally adjusted and annualised quarterly), 2018Q4, 2019Q3 – 2019Q4

EASTERN CAPE INDUSTRY	2018Q4		2019Q3		2019Q4	
	R million	Share %	R million	Share %	R million	Share %
Agriculture	3,205	1.5	3,049	1.4	3,040	1.4
Mining	622	0.3	616	0.3	618	0.3
<b>PRIMARY SECTOR</b>	<b>3,827</b>	<b>1.8</b>	<b>3,665</b>	<b>1.7</b>	<b>3,657</b>	<b>1.7</b>
Manufacturing	28,699	13.3	28,693	13.3	28,573	13.3
Electricity	2,517	1.2	2,487	1.2	2,476	1.2
Construction	8,277	3.8	7,941	3.7	7,796	3.6
<b>SECONDARY SECTOR</b>	<b>39,493</b>	<b>18.4</b>	<b>39,121</b>	<b>18.2</b>	<b>38,844</b>	<b>18.1</b>
Trade	41,887	19.5	42,151	19.6	41,772	19.5
Transport	19,436	9.0	18,965	8.8	18,632	8.7
Finance	44,227	20.6	44,794	20.8	45,054	21.0
Personal services	16,207	7.5	16,299	7.6	16,330	7.6
Government services	49,229	22.9	50,088	23.3	49,973	23.3
<b>TERTIARY SECTOR</b>	<b>170,987</b>	<b>79.5</b>	<b>172,297</b>	<b>80.1</b>	<b>171,761</b>	<b>80.2</b>
<b>All industries at basic prices</b>	<b>215,146</b>	<b>100.0</b>	<b>215,083</b>	<b>100.0</b>	<b>214,263</b>	<b>100.0</b>

Figure 5  
Source: Stats SA, 2020

# Employment and Gross Value added (GVA) by sector (QoQ % change)

