

PROVINCIAL ECONOMIC GROWTH

QUARTERLY DATA SERIES



INTRODUCTION

The Quarterly Economic Review is a statistical release compiled by the Eastern Cape Socio Economic Consultative Council (ECSECC). The Quarterly Review of GDP provides economic trend analysis and shows which sectors drive economic development in the Eastern Cape. Data for this publication is drawn from Statistics South Africa (Stats SA – National Accounts) and Quantec Research. ECSECC also releases the “Quarterly Review of the Provincial Labour Market” on a quarterly basis and Monthly Review of provincial inflation” on a monthly basis. All these documents are available on ECSECC’s website www.ecsecc.org.

KEY GDP FINDINGS FOR 3RD QUARTER 2016

The South African economy expanded by an annualised rate of 0.2% Quarter-on-Quarter (QoQ) in 2016Q3, compared to an upwardly revised 3.5% QoQ growth in the previous quarter and below market estimates of 0.5% expansion. It was the second straight quarter of growth, mainly supported by mining, government and finance sectors, while manufacturing shrank.

The largest contributor to GDP growth was mining, contributing 0.4 of a percentage point based on growth of 5.1% QoQ. This was largely the result of increased production in the mining of 'other metal ores', particularly iron ore. Government contributed 0.3 of a percentage point based on growth of 1.8% QoQ. Growth in finance went up 1.2% QoQ and contributed 0.2 of a percentage point to growth. Activity increased for financial intermediation, auxiliary activities and real estate services.

In contrast, the manufacturing industry contracted by 3.2% QoQ in 2016Q3, compared to 8.1% QoQ expansion in the previous quarter. In 2016Q2 manufacturing sector activity rebounded, however there was a loss of momentum in 2016Q3 based on persistently weak domestic consumer demand and suppressed activity in allied industries such as mining and agriculture. The output for electricity continued to shrink by 2.9% QoQ in 2016Q3, following on from a 1.8% QoQ decline in the previous quarter, largely due to a decline in electricity consumed.

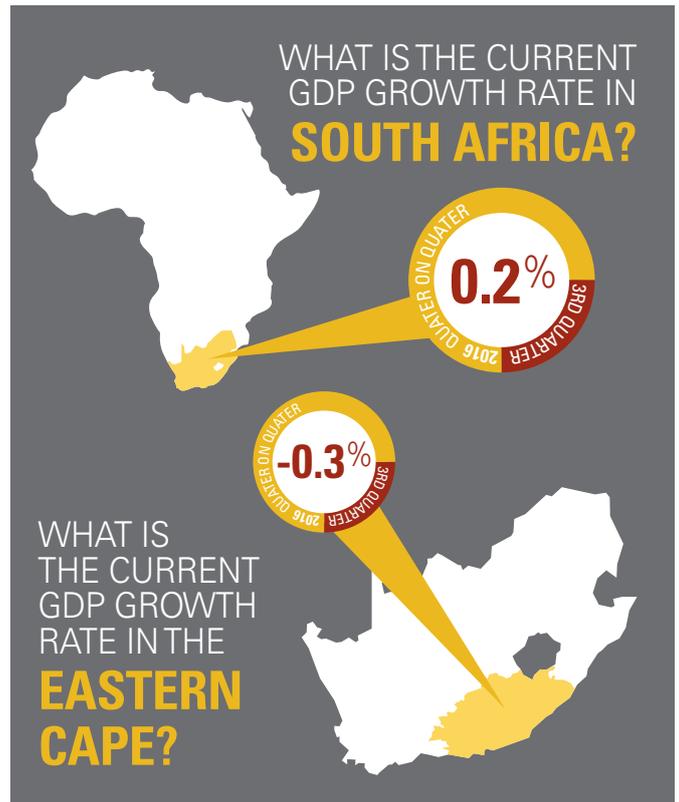
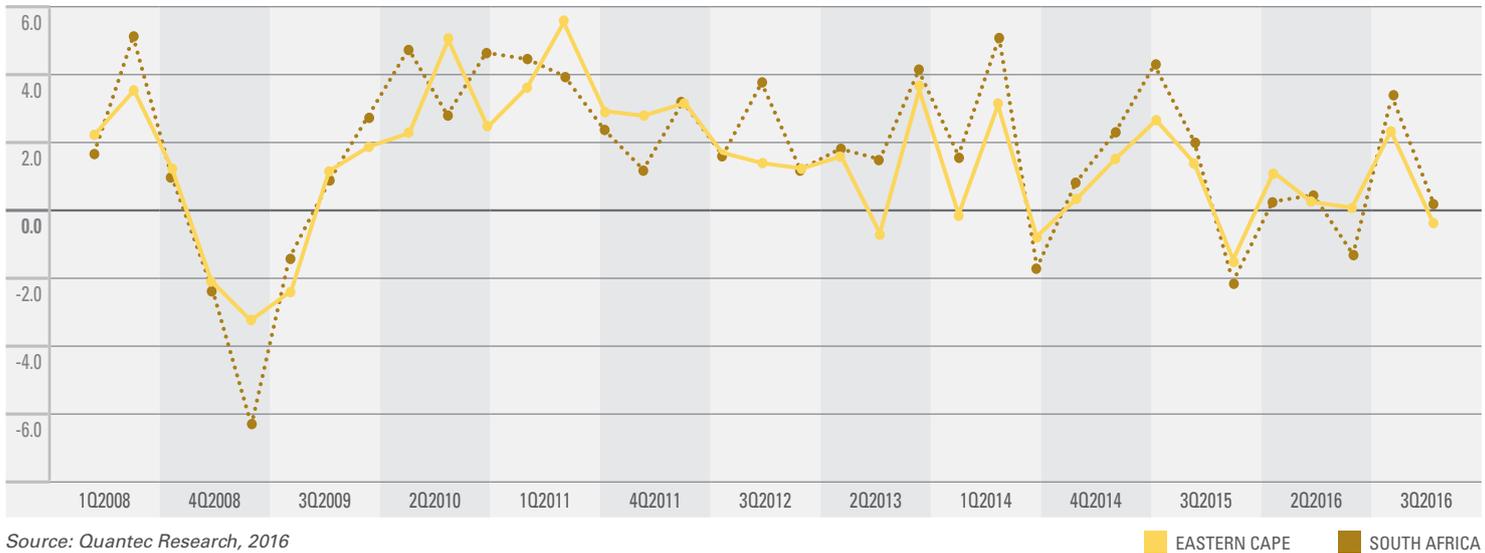


FIGURE 1: QoQ GDP growth for South Africa and for the Eastern Cape at constant 2010 prices, 2008Q1-2016Q3



Source: Quantec Research, 2016

The agricultural sector shrank by 0.3% QoQ in 2016Q3, following a 0.8% decline in the previous quarter. It marks the seventh consecutive quarter of contraction due to severe drought, and a resulting decline in horticulture production.

Year-on-year (YoY), the South African economy grew by 0.7% in 2016Q3, the same level as in the previous quarter.

Eastern Cape GDP contracted by an annualised rate of 0.3% QoQ in 2016Q3, following a 2.3% QoQ growth in the previous quarter. The Eastern Cape experienced negative growth, whereas South Africa grew positively in the same quarter.

The 0.3% QoQ negative growth in GDP in the Eastern Cape in 2016Q3 was as a result of a decline in the following sectors: the trade sector, which contributed -0.5 of a percentage point based on negative growth of 2.5% QoQ; the manufacturing sector, contributing -0.4 of a percentage point based on negative growth of 3.1% QoQ; and the electricity sector, contributing -0.03 of a percentage point based on negative growth of 2.2% QoQ.

KEY GDP FINDINGS FOR 2ND QUARTER 2016 *CONTD.*

The sectors that contributed positively to GDP growth were the following: government (contributing 0.3 of a percentage point based on growth of 1.3% QoQ), finance (contributing 0.3 of a percentage point based on growth of 0.6% QoQ), transport (contributing 0.3 of a percentage point based on growth of 0.5% QoQ), community services (contributing 0.3 of a percentage point based on growth of 0.5% QoQ), agriculture (contributing 0.3 of a percentage point based on growth of 1.2% QoQ), construction (contributing 0.3 of a percentage point based on growth of 0.2% QoQ), and mining (contributing 0.3 of a percentage point based on growth of 0.2% QoQ).

However, YoY GDP growth for the Eastern Cape experienced positive growth of 0.6% QoQ in 2016Q3, down from 0.9% in the previous quarter.

REGIONAL COMPARISONS

FIGURE 2: Comparative regional growth rates for 3Q2016

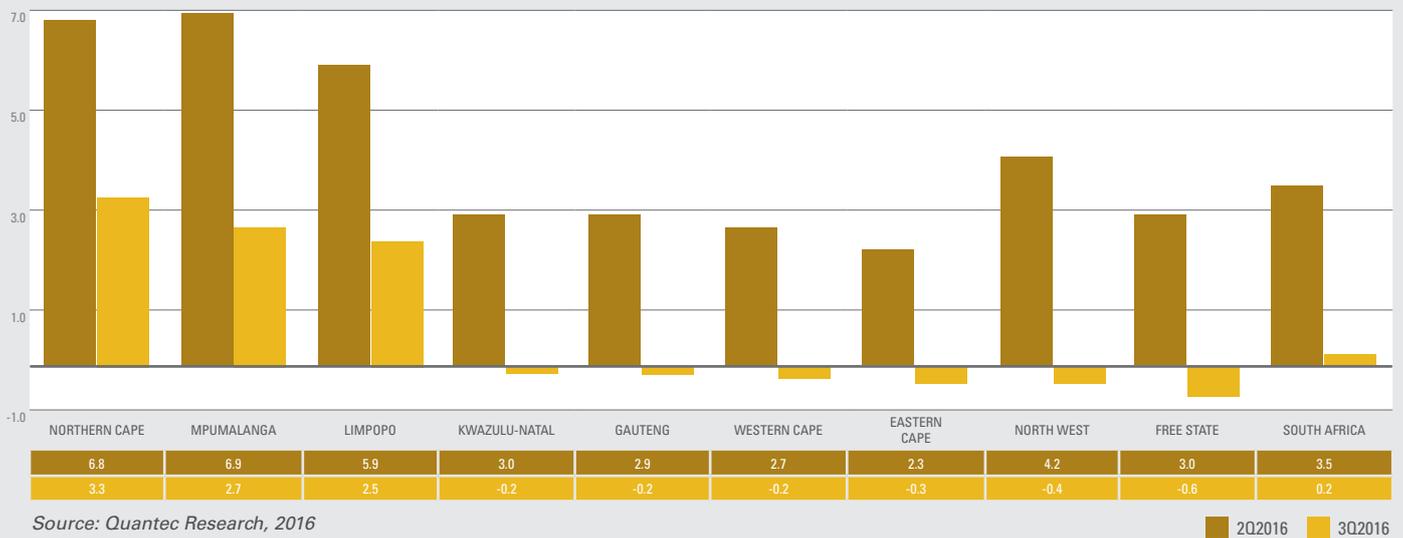


Figure 2 shows comparison of provincial economic growth rates for 2016Q2 and 2016Q3. Six provinces out of nine experienced negative growth which translated to the overall marginal growth rate of 0.2% QoQ for South Africa.

Provincial economies that experienced positive growth above the national average of 0.2% QoQ were: Northern Cape (3.3% QoQ), Mpumalanga (2.7% QoQ), and Limpopo (2.5% QoQ).

Provincial economies that experienced growth below the national average of 0.2% QoQ were: Kwa-Zulu Natal (-0.2%), Gauteng (-0.2%), Western Cape (-0.2%), Eastern Cape (-0.3%), North West (-0.4%) and Free State (-0.6%). The highest GDP growth was experienced by Northern Cape (3.3%), whereas the Eastern Cape experienced negative growth of 0.3% QoQ and was third lowest GDP in the country.

PROVINCIAL ECONOMIES POSITIVE GROWTH

ABOVE NATIONAL AVERAGE

NORTHERN CAPE 3.3%
 MPUMALANGA 2.7%
 LIMPOPO 2.5%

BELOW NATIONAL AVERAGE

KWA-ZULU NATAL -0.2%
 GAUTENG -0.2%
 WESTERN CAPE -0.2%
 EASTERN CAPE -0.3%
 NORTH WEST -0.4%
 FREE STATE -0.6%

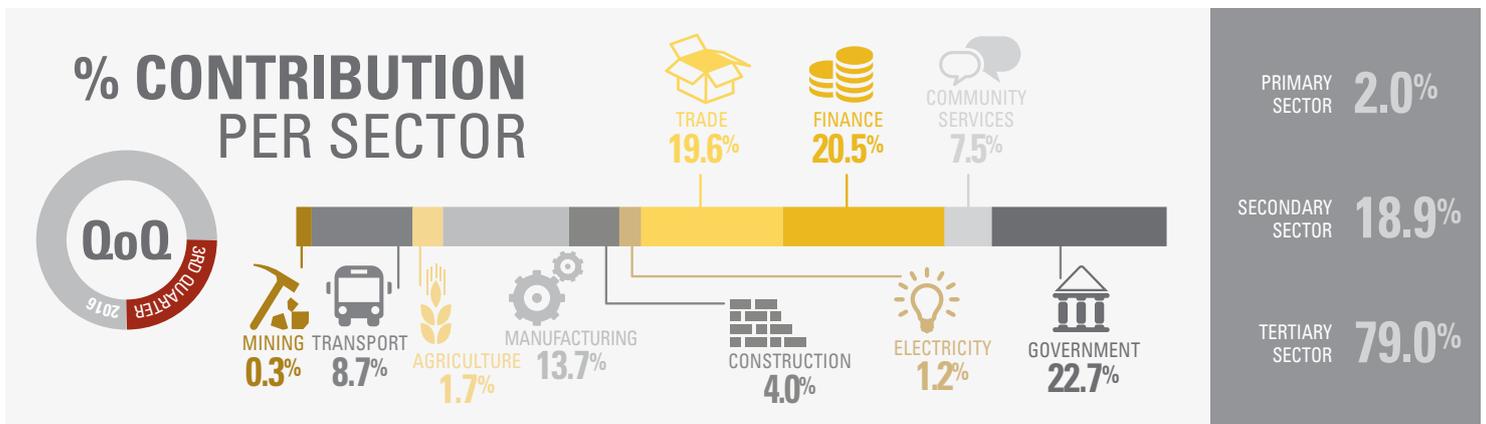
0.2%
 GDP 3Q2016
 GROWTH
 FOR SOUTH AFRICA

SOUTH AFRICAN SECTORAL GDP GROWTH DRIVERS

TABLE 1: Eastern Cape sector growth and contribution to GDP for 2016Q2 - 2016Q3

EASTERN CAPE	2Q2016		3Q2016		2Q2016		3Q2016	
	R million	Share %	R million	Share %	QoQ (%)	QoQ (%)	QoQ (%)	QoQ (%)
Agriculture	3 490	1,7	3 501	1,7	0,7	1,2	1,2	1,2
Mining	678	0,3	678	0,3	12,2	0,2	0,2	0,2
PRIMARY SECTOR	4 168	2,0	4 179	2,0	2,4	1,1	1,1	1,1
Manufacturing	29 167	13,9	28 938	13,7	8,2	-3,1	-3,1	-3,1
Electricity	2 486	1,2	2 472	1,2	-1,1	-2,2	-2,2	-2,2
Construction	8 417	4,0	8 421	4,0	-0,4	0,2	0,2	0,2
SECONDARY SECTOR	40 070	19,1	39 830	18,9	5,6	-2,4	-2,4	-2,4
Trade	41 634	19,9	41 375	19,6	1,0	-2,5	-2,5	-2,5
Transport	18 306	8,7	18 330	8,7	3,0	0,5	0,5	0,5
Finance	43 055	20,6	43 118	20,5	2,3	0,6	0,6	0,6
Community services	15 805	7,5	15 825	7,5	0,7	0,5	0,5	0,5
Government	47 619	22,7	47 778	22,7	0,5	1,3	1,3	1,3
TERTIARY SECTOR	166 419	79,4	166 425	79,0	1,4	0,0	0,0	0,0

Source: Quantec Research Estimates, Dec 2016



In 2016Q3, negative growth of GDP of 0.3% QoQ in the Eastern Cape was driven by the secondary sector which contracted to an annualised rate of 2.4% QoQ, down from growth of 5.6% QoQ in the preceding quarter. The primary sector grew positively with growth of 1.1% QoQ however the tertiary sector stagnated, recording 0.0% growth QoQ.

The real value added by the primary sector expanded at an annualised rate of 1.1% in 2016Q3, following a growth of 2.2% in the preceding quarter. The agriculture sector has been affected by drought, even though the sector has bounced back. However, prospects for the sector are expected to improve in 2017 as favourable weather conditions could see white and yellow maize plantings harvested on time.

The agriculture sector expanded to an annualised rate of 1.2% QoQ in 2016Q3, following an increase of 0.7% QoQ in the preceding quarter.

The mining sector expanded by an annualised rate of 0.2% QoQ in 2016Q3, following a significant growth of 12.2% QoQ in the preceding quarter.

The secondary sector contracted to an annualised rate of 2.4% QoQ in 2016Q3, following positive growth of 5.6% QoQ in the previous quarter. The main driver of the secondary sector was the manufacturing sector, and this sector experienced negative growth of 3.1% QoQ in 2016Q3, following growth of 8.2% QoQ in the preceding quarter.

The electricity sector contracted by 2.2% QoQ 2016Q3, following a negative growth of 1.1% QoQ in the preceding quarter. The construction sector was the only sector within the secondary sector that experienced positive growth of 0.2% QoQ in 2016Q3, following contraction of 0.4% QoQ in the preceding quarter.

The tertiary sector grew at an annualised rate of 0.0% QoQ in 2016Q3, down from growth of 1.4% QoQ in the preceding quarter.

The government sector experienced the largest growth in the tertiary sector. The real value added by government sector expanded by an annualised rate of 1.3% QoQ in 2016Q3, following a growth of 0.5% QoQ in the preceding quarter. This increase was largely supported by temporary additional workers, employed to assist with the local elections in August 2016.

Real value added by the finance sector expanded at an annualised rate of 0.6% QoQ in 2016Q3, down from growth of 2.3% QoQ in the preceding quarter.

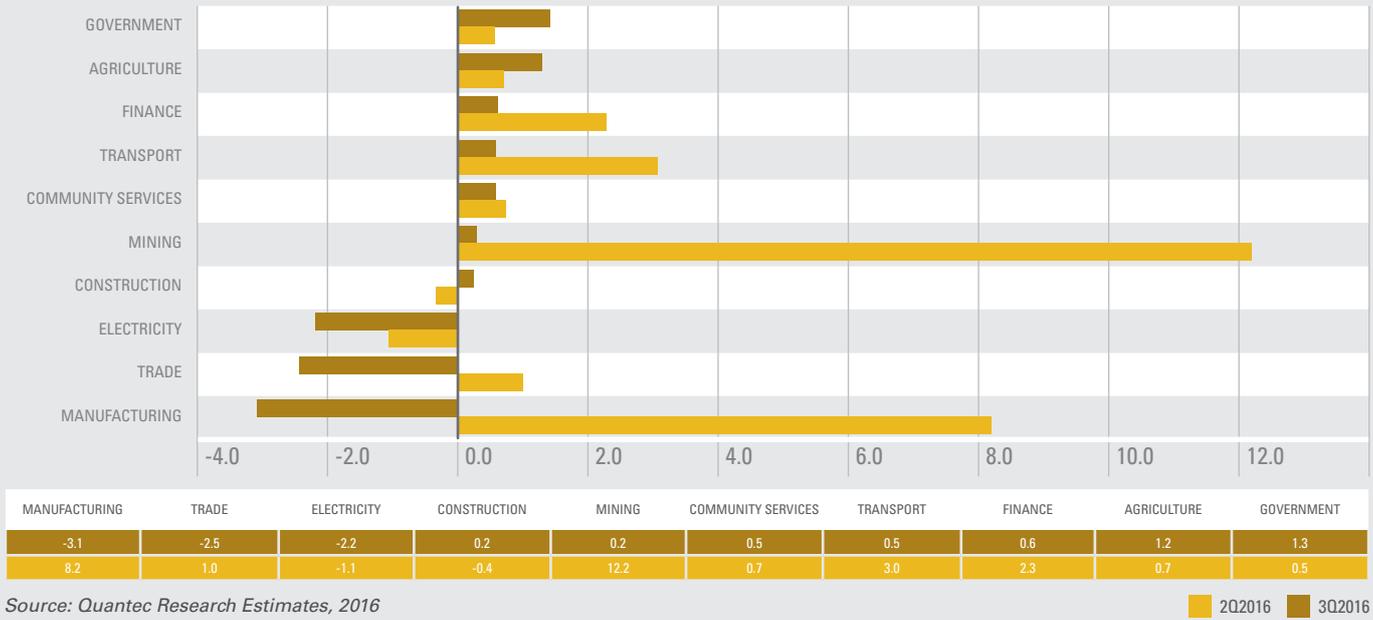
Growth in the real value added by transport and community services sectors expanded at an annualised rate of 0.5% QoQ each in 2016Q3.

SOUTH AFRICAN SECTORAL GDP GROWTH DRIVERS *CONTD.*

After registering positive growth in the first two quarters of 2016, real output of the trade sector contracted in the third quarter. The real value added by the trade sector contracted at an annualised rate of 2.5% QoQ in 2016Q3.

The sectors that contributed mostly towards GDP in the Eastern Cape economy in 2016Q3 were the government sector (22.7%); followed by the finance sector (20.5%), trade sector (19.6%), and manufacturing sector (13.7%). Two of the main contributing sectors towards GDP in the Eastern Cape, manufacturing (-3.1% QoQ) and trade (-2.5% QoQ), grew negatively and this led to contribution of negative growth of GDP in the Eastern Cape.

FIGURE 4: GDP growth at constant 2010 prices for 2016Q2 – 2016Q3



Out of 10 sectors, the sectors that experienced positive growth in 2016Q3 were: government (1.3% QoQ), agriculture (1.2% QoQ), finance (0.6% QoQ), transport (0.5% QoQ), community services (0.5% QoQ), mining (0.2% QoQ) and construction (0.2% QoQ).

The sectors that experienced negative growth in the Eastern Cape were: electricity (-2.2% QoQ), trade (-2.5% QoQ), and manufacturing (-3.1% QoQ).

CONCLUSION

Six out of nine provinces experienced negative growth, leading to a marginal growth by the South African economy of 0.2% QoQ. The Eastern Cape economy experienced negative growth of 0.3% QoQ in 2016Q3. This was due to negative growth both by manufacturing (-3.1% QoQ) and trade (-2.5% QoQ), which sectors are amongst the main contributors towards GDP in the Eastern Cape. Both the primary and tertiary sectors in the Eastern Cape grew positively, while the secondary sector grew negatively.