

SOUTH AFRICA

3.1%

EASTERN CAPE

2.2%

QoQ GDP GROWTH RATE

KEY FINDINGS FOR THE SECOND QUARTER 2019

- The IMF projected the global economy to grow at 3.2% in 2019 and 3.5% in 2020, both projections 0.1 percentage point below April's projections.
- The South African economy is projected to grow by 0.7% in 2019 and 1.1% in 2020.
- SA GDP increased by 3.1% in the second quarter of 2019.
- The largest positive contributors to growth in GDP in the second quarter were mining, finance, trade and general government services.
- EC GDP increased by 2.2% in the second quarter with mining, electricity and trade being the largest contributors to GDP growth.

GLOBAL ECONOMIC DEVELOPMENT PROJECTIONS

| REGION/ COUNTRY | Projections | | | | Difference from April 2019 WEO Projections | |
|--|-------------|------|------|------|--|------|
| | 2017 | 2018 | 2019 | 2020 | 2019 | 2020 |
| World | 3.8 | 3.6 | 3.2 | 3.5 | -0.1 | -0.1 |
| Advanced economies | 2.4 | 2.2 | 1.9 | 1.7 | 0.1 | 0.0 |
| United States | 2.2 | 2.9 | 2.6 | 1.9 | 0.3 | 0.0 |
| Euro area | 2.4 | 1.9 | 1.3 | 1.6 | 0.0 | 0.1 |
| United Kingdom | 1.8 | 1.4 | 1.3 | 1.4 | 0.1 | 0.0 |
| Japan | 1.9 | 0.8 | 0.9 | 0.4 | -0.1 | -0.1 |
| Emerging markets and developing economies | 4.8 | 4.5 | 4.1 | 4.7 | -0.3 | -0.1 |
| Brazil | 1.1 | 1.1 | 0.8 | 2.4 | -1.3 | -0.1 |
| Russia | 1.6 | 2.3 | 1.2 | 1.9 | -0.4 | 0.2 |
| India | 7.2 | 6.8 | 7.0 | 7.2 | -0.3 | -0.3 |
| China | 6.8 | 6.6 | 6.2 | 6.0 | -0.1 | -0.1 |
| Sub-Saharan Africa | 2.9 | 3.1 | 3.4 | 3.6 | -0.1 | -0.1 |
| Nigeria | 0.8 | 1.9 | 2.3 | 2.6 | 0.2 | 0.1 |
| South Africa | 1.4 | 0.8 | 0.7 | 1.1 | -0.5 | -0.4 |

Figure 1

Source: IMF World Economic Outlook, 2019

According to the IMF World Economic Outlook (WEO) update, global growth is forecasted at 3.2% in 2019, picking up to 3.5% in 2020. The global economy has been revised down by 0.1 of a percentage point for both years. Performance of advanced economies is expected to grow by 1.9% in 2019 (0.1 percentage point increase) and 1.7% (unchanged) in 2020. Emerging markets and developing economies projections for 2019 are 4.1% (down by 0.3 of a percentage point) and 4.7% for 2020 (down by 0.3 of a percentage point). Sub-Saharan African economic growth is projected to grow by 3.4% in 2019 and 3.6% in 2020, down by 0.1 of a percentage point for both years.

Economic growth in South Africa has been largely revised down to 0.7% in 2019 (down by 0.5 of a percentage point) and 1.1% in 2020 (down by 0.4 of a percentage point). The projected growth in 2020 is unwarranted, presuming stabilization in currently stressed emerging markets and developing economies, and progress toward resolving trade policy differences.

REAL GDP GROWTH RATES

(Seasonally adjusted and annualised) 2015Q2 – 2019Q2

— SOUTH AFRICA
— EASTERN CAPE

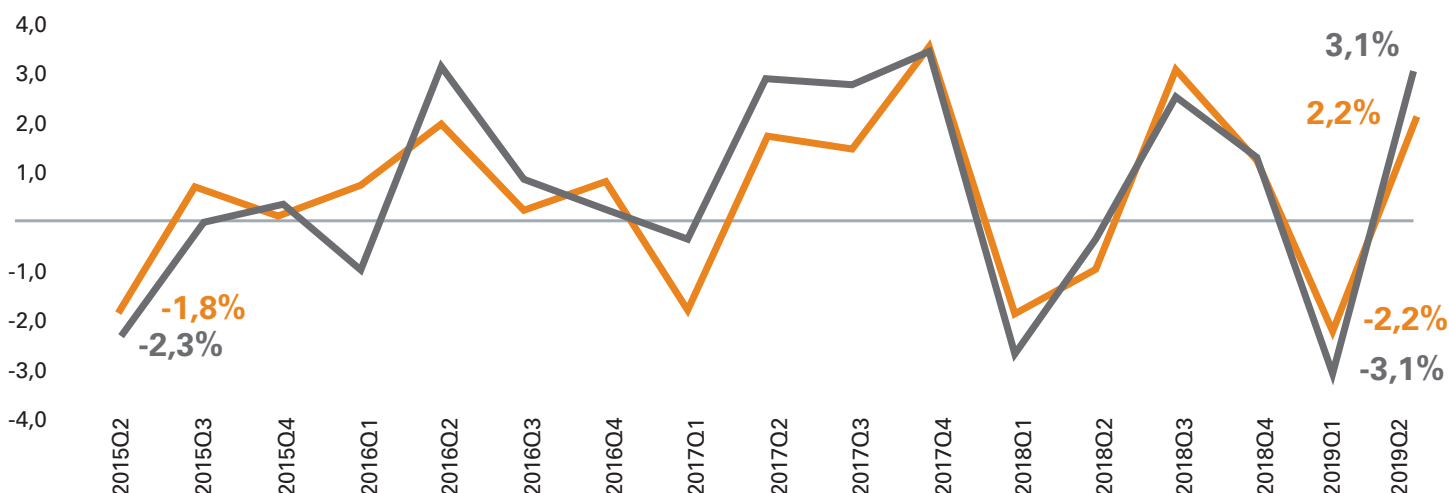


Figure 2
Source: Stats SA and Quantec EasyData, 2019

South African real gross domestic product (GDP) grew by 3.1% in 2019Q2, following a contraction of 3.1% in 2019Q1. This is the highest quarterly growth since 2018Q4. On a year-on-year (YoY) basis, the GDP grew by 3.6%. This is higher than the -0.5% rate seen in 2018Q2 and -2.3% in 2015Q2. The main drivers of national economic growth in 2019Q2 were mining, finance, trade and general government services.

The mining industry increased by 14.4%, finance increased by 4.1%, trade industry increased by 3.9%, and general government services by 3.4%.

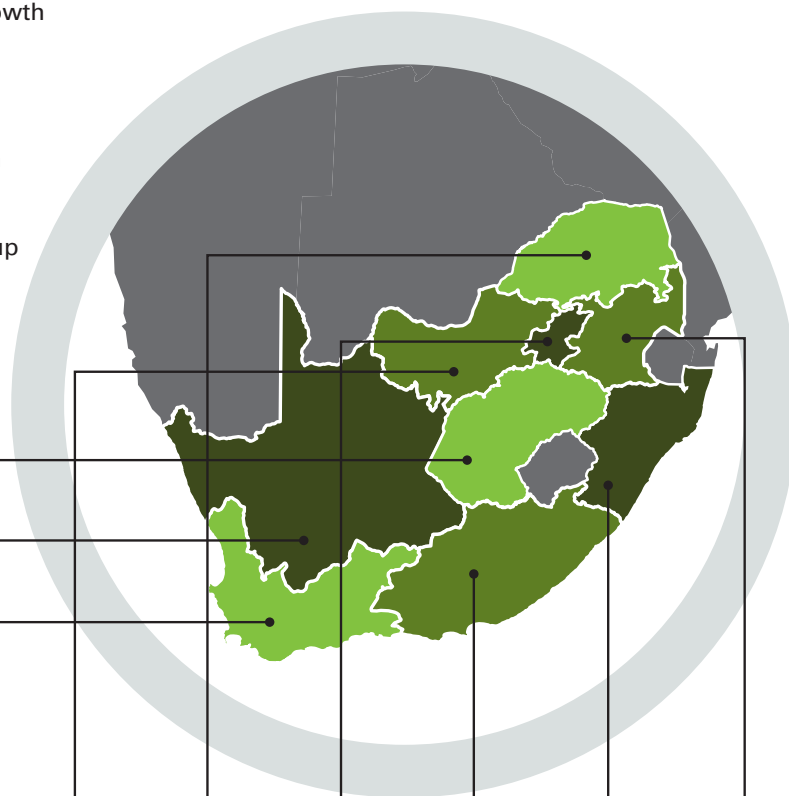
The Eastern Cape GDP growth rate for 2019Q2 was 2.2%, quarter-on-quarter (QoQ), compared to 2.2% achieved in 2019Q1. On a YoY basis, the GDP grew by 3.0%.

Provincial real GDP growth rates (seasonally adjusted and annualised) 2018Q2, 2019Q1 – 2019Q2

Figure 3 gives a comparison of provincial economic growth rates from 2018Q2, 2019Q1 to 2019Q2.

The following observations are drawn from the figure:

- On a YoY basis, in 2019Q2, all provinces recorded an increase in GDP growth rate. The largest GDP growth rates were recorded in Northern Cape (up by 6.5 percentage points), Limpopo (up by 4.5 percentage points), and KwaZulu-Natal and Mpumalanga (both up by 4.5 percentage points).
- On a QoQ basis, provinces with the largest GDP growth rates were Northern Cape (up by 10.0 percentage points), Mpumalanga (up by 9.9 percentage points) and North West (up by 9.6 percentage points). Eastern Cape GDP growth rate increased from -2.2% in 2019Q1 to 2.2% in 2019Q2.
- Four provinces had GDP growth rate above the national level rate of 3.1% in 2019Q2, namely: Limpopo and Northern Cape (5.2%), Mpumalanga (5.1%), North West (4.9%) and Free State (3.3%).



| | WESTERN CAPE | NORTHERN CAPE | FREESTATE | NORTH WEST | LIMPOPO | GAUTENG | EASTERN CAPE | KWAZULU-NATAL | MPUMA-LANGA |
|----------------|--------------|---------------|-----------|------------|---------|---------|--------------|---------------|-------------|
| QUARTER 2 2018 | -1,7% | -1,3% | -1,1% | 0,7% | 0,7% | 0,3% | -0,8% | -2,3% | 0,6% |
| QUARTER 1 2019 | -2,7% | -4,8% | -3,8% | -4,7% | -4,1% | -2,2% | -2,2% | -3,4% | -4,8% |
| QUARTER 2 2019 | 2,2% | 5,2% | 3,3% | 4,9% | 5,2% | 2,8% | 2,2% | 2,2% | 5,1% |

Figure 3
Source: Stats SA, 2019

Growth rates (%) in industry value added (seasonally adjusted and annualised), 2019Q2.

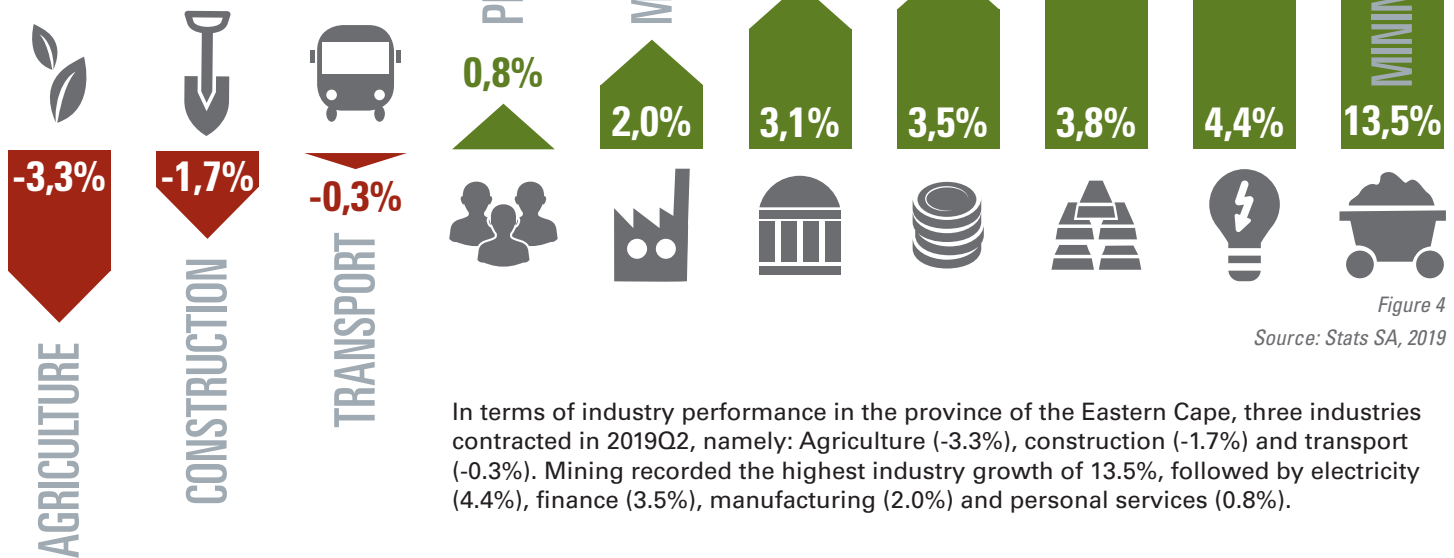


Figure 4

Source: Stats SA, 2019

In terms of industry performance in the province of the Eastern Cape, three industries contracted in 2019Q2, namely: Agriculture (-3.3%), construction (-1.7%) and transport (-0.3%). Mining recorded the highest industry growth of 13.5%, followed by electricity (4.4%), finance (3.5%), manufacturing (2.0%) and personal services (0.8%).

EASTERN CAPE GVA BY INDUSTRY

Eastern Cape's total gross value added (GVA) at basic prices amounted to R215 790 million in 2019Q2. The tertiary sector continued to be the main contributing sector to the provincial GVA, accounting for 79.8% of the provincial GVA. The secondary sector and primary sector accounted for 18.4% and 1.8% respectively. In rand values, in 2019Q2, the tertiary, secondary and primary sectors' GVA amounted respectively to R172 184 million, R39 707 million, and R3 900 million.

In terms of individual sectors, government services continues to be the biggest contributor to the provincial GVA, accounting for 23.1% of the total GVA. Finance and trade account for 20.8% and 19.4% respectively.

GVA in agriculture, construction and transport declined on a QoQ basis by R27 million, R34 million and R16 million respectively. However, on aYoY basis it grew in the following industries: agriculture (up by R11 million), trade (up by R236 million), transport (up by R419 million), finance (up by R832 million), personal services (up by R167 million) and government services (up by R725 million).

(Seasonally adjusted and annualised quarterly), 2017Q4 – 2018Q4.

| EASTERN CAPE INDUSTRY | 2018Q2 | | 2019Q1 | | 2019Q2 | |
|---------------------------------------|----------------|--------------|----------------|--------------|----------------|--------------|
| | R million | Share % | R million | Share % | R million | Share % |
| Agriculture | 3,261 | 1.5 | 3,299 | 1.5 | 3,272 | 1.5 |
| Mining | 651 | 0.3 | 608 | 0.3 | 628 | 0.3 |
| PRIMARY SECTOR | 3,912 | 1.8 | 3,907 | 1.8 | 3,900 | 1.8 |
| Manufacturing | 28,699 | 13.5 | 28,980 | 13.5 | 29,127 | 13.5 |
| Electricity | 2,497 | 1.2 | 2,464 | 1.1 | 2,490 | 1.2 |
| Construction | 8,219 | 3.9 | 8,123 | 3.8 | 8,089 | 3.7 |
| SECONDARY SECTOR | 39,416 | 18.5 | 39,567 | 18.4 | 39,707 | 18.4 |
| Trade | 41,690 | 19.6 | 41,540 | 19.4 | 41,926 | 19.4 |
| Transport | 18,795 | 8.8 | 19,230 | 9.0 | 19,214 | 8.9 |
| Finance | 44,094 | 20.7 | 44,543 | 20.8 | 44,926 | 20.8 |
| Personal services | 16,153 | 7.6 | 16,287 | 7.6 | 16,320 | 7.6 |
| Government services | 49,074 | 23.0 | 49,421 | 23.0 | 49,799 | 23.1 |
| TERTIARY SECTOR | 169,807 | 79.6 | 171,021 | 79.7 | 172,184 | 79.8 |
| All industries at basic prices | 213,237 | 100.0 | 214,496 | 100.0 | 215,790 | 100.0 |

Figure 5

Source: Stats SA, 2019

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

