



**4 Q2011= fourth  
quarter 2011**

**QoQ= Quarter on  
Quarter**

**YoY= Year on year**

**SA GDP growth nearly  
doubled from 1.7% in  
3Q2011 to 3.2% in  
4Q2011.**

**The three largest  
contributors to SA GDP  
in 4Q2011 were trade,  
government and  
manufacturing.**

**Unemployment rate in  
SA has decreased from  
25.0% in 3Q2011 to  
23.9% in 4Q2011.**

**The interest rate has  
declined from a double  
digit rate of 12% in  
2008 to a single digit  
rate of 5.5% in 2011.**

This 2011 fourth quarter economic update provides key economic and labour market indicators for South Africa (SA) and the Eastern Cape (EC). Data is drawn from Statistics South Africa and the South African Reserve Bank.

Table 1 shows selected economic indicators for the South African economy. It shows that the 4Q2011 CPI inflation rate declined by 0.4 percentage points. This is due to the decline in the food and non-alcoholic beverage index. The PPI for domestic output shows a significant decline from 13.7% in 3Q2011 to 4.4% in 4Q2011. The three largest contributors to GDP growth in 4Q2011 were the trade (5.2%), government (4.4%) and manufacturing (4.2%) sectors. Between 3Q2011 and 4Q2011, the unemployment rate declined by 1.1 percentage points to 23.9%. This means that more people were employed in SA during the last quarter of 2011.

**Table 1: South Africa's quarterly selected economic indicators**

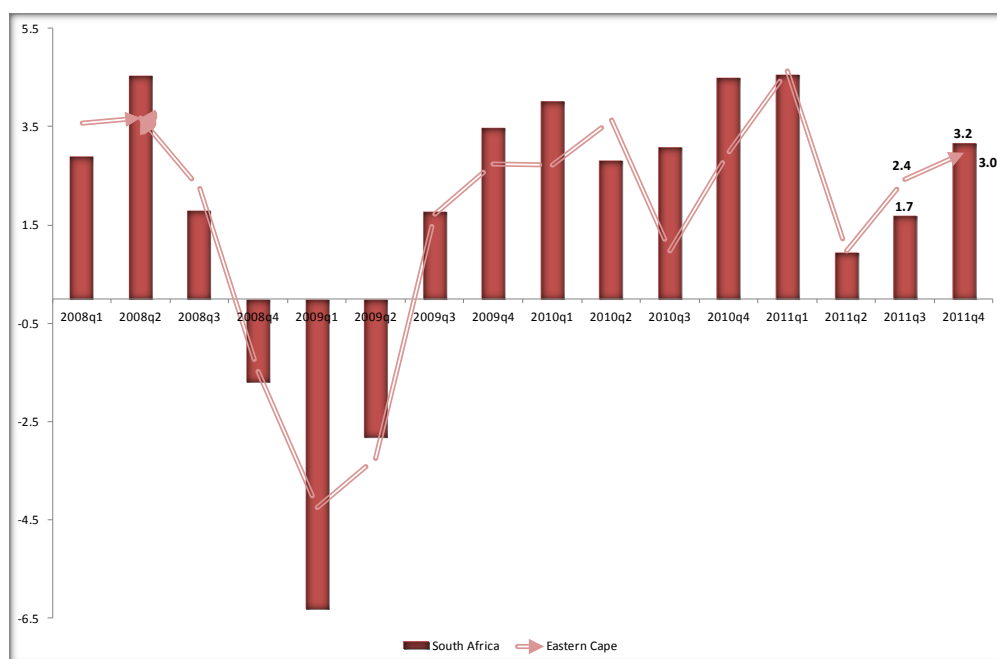
		<b>3Q2011</b>	<b>4Q2011</b>
CPI	QoQ	4.7	4.3
PPI	QoQ	13.7	4.4
Repo rate	Interest rate	5.5	5.5
Prime rate	Interest rate	9.0	9.0
GDP	% QoQ	1.7	3.2
Unemployment	rate	25	23.9
Population	Number	50 586 757	50 586 757

Source: South African Reserve Bank, 2011

Figure1 shows the seasonally adjusted GDP growth rate for SA and the EC for the period 2008-2011. In 1Q2011 and 2Q2011, GDP for both SA and EC declined to lower levels but increased again in the last two quarters of 2011. SA GDP growth has nearly doubled from an annualised rate of 1.7% in 3Q2011 to 3.2% in 4Q2011. EC GDP growth increased from 2.4% in 3Q2011 to 3.0% in the final quarter of 2011. Growth in the final quarter of 2011 is largely reflected by the normalisation of production in manufacturing and mining, after two consecutive quarters of decline due to disruptions such as industrial action, mining fatalities and safety inspection shut downs.

The interest rate has declined from 12% in 2008 to 5.5% in 2011. The lower interest rate environment has been supportive of household consumption expenditure. With low interest rates, consumers spend more and save less. With lower interest rates borrowers pay less interest whereas investors earn less money.

Figure 1: Seasonally adjusted GDP growth at constant 2005 prices



**Eastern Cape GDP grew by 3.0% QoQ and came fourth compared to other provinces.**

Source: Statistics South Africa, 2011

**In 4Q2011, employment grew by 2.2% QoQ and declined by 0.2% YoY.**

In 4Q2011 employment grew by 2.2% QoQ, YoY growth for the same quarter however was negative (-0.2%). The YoY decline in employment is a result of negative growth in the manufacturing, community, construction and trade sectors of 4.9%, 4.8%, 3.9% and 1.6% respectively in the final quarter of 2011 (see Table 3).

Table 2 compares GDP and employment growth of provinces for 4Q2011. Gauteng had the highest GDP growth (3.7%) QoQ followed by KwaZulu-Natal (3.3%) and Western Cape (3.1%). The EC economy came fourth with a GDP growth of 3.0% QoQ. Gauteng contributed the most towards employment (30.5%) and is the province with the highest population. The second contributor towards employment is KwaZulu-Natal (19%), followed by the Western Cape Province which contributed 13.6%. The Northern Cape is the province which contributes the least (2.2%) towards employment.

**YoY decline in employment is a result of negative growth in manufacturing, community, construction and trade sectors.**

Table 2: GDP and employment growth rates and contributions by provinces, 4Q2011

	Growth rate (4Q2010)				Contribution (4Q2011)			
	GDP		Employment		GDP		Employment	
	QoQ	YoY	QoQ	YoY	Rand million	Percent	Number (000)	Percent
Western Cape	3.1	3.1	2.0	4.0	286 121	15.0	1 842	13.6
Eastern Cape	3.0	2.7	2.2	-0.2	149 190	7.8	1 326	9.8
Northern Cape	2.1	-0.3	4.7	4.7	37 574	2.0	291	2.2
Free State	2.5	1.4	-8.8	-4.1	94 328	4.9	753	5.6
KwaZulu-Natal	3.3	2.8	2.1	5.0	313 172	16.4	2 562	19.0
North West	2.3	0.7	2.9	-5.4	115 061	6.0	700	5.2
Gauteng	3.7	3.4	3.3	4.1	674 785	35.3	4 115	30.5
Mpumalanga	2.7	1.2	1.3	5.4	120 238	6.3	923	6.8
Limpopo	2.4	1.1	-4.0	2.4	121 420	6.4	985	7.3
<b>RSA</b>	<b>3.2</b>	<b>2.6</b>	<b>1.3</b>	<b>2.8</b>	<b>1 911 890</b>	<b>100.0</b>	<b>13 497</b>	<b>100.0</b>

Source: Statistics South Africa, 2011

In 4Q2011, the Finance sector was the biggest contributor to GDP (20.14%). This sector grew by 1.8% QoQ and 3.0% YoY. The second largest contributor towards

GDP was Government (19.2%). This grew by 4.0% QoQ and 3.8% YoY. This was followed by manufacturing (15.1%) which grew by 4.4% QoQ and 1.7 YoY.

The manufacturing sector in the EC is largely driven by the automotive subsector. The automotive subsector accounts for 30% of manufacturing employment and 32% of manufacturing gross value added (GVA) in the province. Four large original equipment manufacturers (OEMs), Volkswagen, Mercedes Benz, Ford and General Motors, are based in the Eastern Cape. The EC produces half of South Africa's passenger vehicles and generate 51% of the country's motor exports.

In 4Q2011, the three main contributors to GDP were finance (20.1%), followed by government (19.2%) and manufacturing (15.1%). Government grew by 4.0% QoQ and 3.8% YoY, finance by 1.8% QoQ and 3.0% YoY and the manufacturing sector by 4.4% QoQ and 1.7% YoY. Looking at employment, the two sectors that had negative growth were manufacturing (-9.5%) and agriculture (-4.5%). The slump in manufacturing and agriculture employment is worrying as it affects skilled, semi-skilled and unskilled labour.

**The big four automotive companies (Volkswagen, Mercedes Benz, Ford and General Motors) are at the heart of the Eastern Cape's leading manufacturing sector.**

**Table 3: Sector growth and contribution to GDP and employment in EC**

	Growth rate (4Q2010)				Contribution (4Q2011)			
	GDP		Employment		GDP		Employment	
	QoQ	YoY	QoQ	YoY	Rand million	Percent	Number (000)	Percent
Agriculture	-2.8	-3.7	-4.5	-3.0	2 780	1.86	64	4.82
Mining	1.4	-13.0	-	-	128	0.09	-	-
Manufacturing	4.4	1.7	-9.4	-4.9	22 545	15.11	155	11.68
Electricity	0.4	0.2	0.0	150.0	1 379	0.92	5	0.38
Construction	2.0	1.5	15.9	-3.9	3 497	2.34	124	9.34
Trade	3.0	2.7	4.1	-1.6	18 651	12.50	308	23.21
Transport	2.4	2.8	0.0	7.1	11 694	7.84	75	5.65
Finance	1.8	3.0	6.5	33.6	30 050	20.14	147	11.08
Community	2.9	2.6	2.7	-4.8	13 488	9.04	339	25.55
Government	4.0	3.8	-	-	28 612	19.18	-	-
Taxes less Sub	3.2	3.9	-	-	16 367	10.97	-	-
Priv. households	-	-	3.8	-8.3	-	-	110	8.29
<b>Eastern Cape</b>	<b>3.0</b>	<b>2.7</b>	<b>2.2</b>	<b>-0.2</b>	<b>149 190</b>	<b>100</b>	<b>1327</b>	<b>100.00</b>

Source: Statistics South Africa, 2011

Table 4 shows the status of the labour market in the Eastern Cape in Q42011. Key findings are as follows:

- Between 3Q2011 and 4Q2011, the number of people in the EC's labour force increased by 40 000. Formal sector employment increased by 27 000 jobs while the informal sector increased by only 1000 jobs.
- The number of unemployed persons rose by 11 000. Traditionally the number of jobs grew every year in the fourth quarter due to increase in contractual workers over the festive season. The number of people employed in the EC increased by 28 000 QoQ while it declined by 2 000 YoY.
- Population of working age was 4.19 million, of which 1.32 million were employed, resulting in a labour force participation rate (LFPR) of 43.4%.
- Discouraged work-seekers declined to 353 000 in 4Q2011 from 388 000 in 3Q2011. Even though there has been an increase in number of people employed in 4Q2011 the unemployment rate remained at 27.1% in both 3Q2011 and 4Q2011.
- The South African employment rate declined by 1.1 percentage points to 23.9% QoQ.

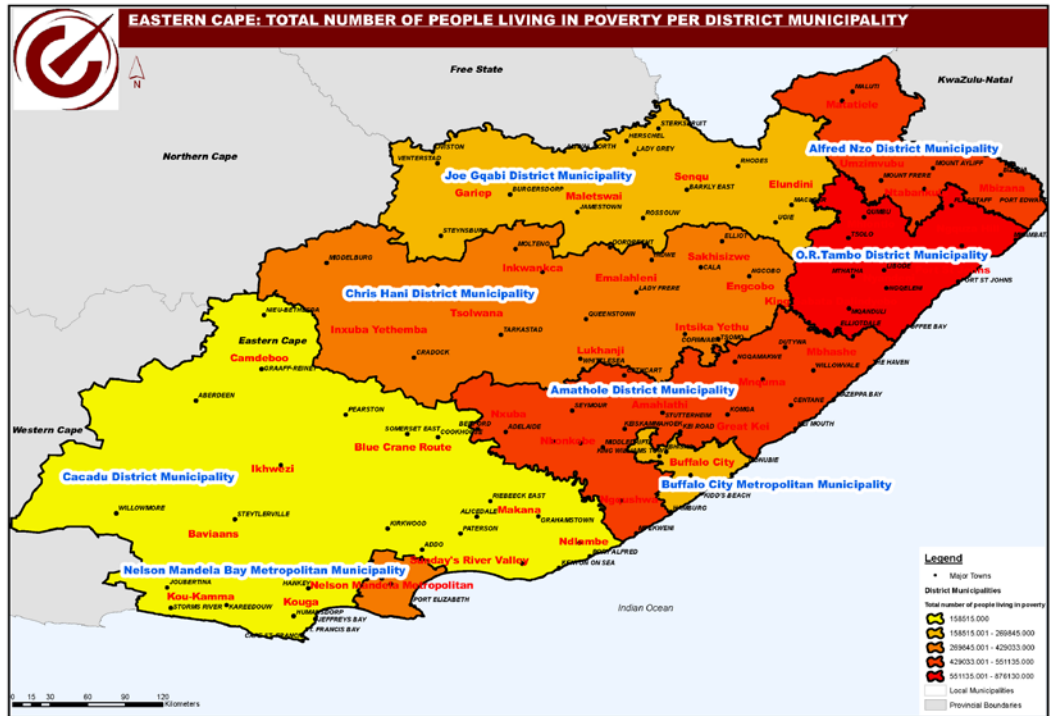
**In 3Q2011 and 4Q2011 the unemployment rate has remained unchanged at 27.1%**

**Table 4: Labour Statistics in the EC, 3Q2011 & 4Q2011**

Eastern Cape labour market	Numbers (000)				Percentage	
	3Q2011	4Q2011	YoY change	QoQ change	YoY change	QoQ change
Formal (non-agricultural)	876	903	59	27	7.0	3.1
Informal (non-agricultural)	249	250	-48	1	-16.1	0.4
<b>Total Employment</b>	<b>1 298</b>	<b>1 326</b>	<b>-2</b>	<b>28</b>	<b>-0.2</b>	<b>2.2</b>
Unemployment	483	494	59	11	13.6	2.3
Labour force	1 781	1 821	58	40	3.3	2.2
Discouraged work-seekers	388	353	-18	-35	-4.9	-9.0
Not economically active	2 399	2 370	-10	-29	-0.4	-1.2
Population working age (15-64 yrs)	4 179	4 191	48	12	1.2	0.3
Labour absorption rate	31.1	31.6	-0.5	0.5		
labour force participation rate	42.6	43.4	0.8	0.8		
Unemployment rate	27.1	27.1	2.4	0.0		

Source: Own Calculations derived from Statistics South Africa, 2011

With high unemployment, rates poverty in the Eastern Cape is unlikely to decline any further. The map below shows the number of people in poverty per district municipality in the Eastern Cape. Poverty remains concentrated in former homeland areas, particularly OR Tambo district.



The Eastern Cape government has recently developed a Jobs Strategy. The strategy identifies sectors and projects with job-creation potential and provides quantified and disaggregated job creation targets for 2012 to 2015. The strategy also identifies and defines the priority interventions necessary to achieve these targets and identifies key issues, challenges and constraints that must be addressed to optimise job creation outcomes. The strategy has five pillars: Retain existing jobs; Stimulate new jobs in priority sectors; Build the social economy; Increase the pace of provincial economic infrastructure investments in critical areas; and radically improve our skills development processes.

**In 4Q2011 28 000 jobs were created of which 27 000 were in the formal sector and 1000 in the informal sector.**

**There is a correlation between high unemployment rates and high rates of poverty.**

**The Eastern Cape Jobs Strategy aims to retain existing jobs, stimulate new jobs in priority sectors, build the social economy, increase the pace of provincial economic infrastructure investments in critical areas and radically improve our skills development processes.**

The next economic update is scheduled for June 2012 and will contain economic and employment indicators for 1Q2012.

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