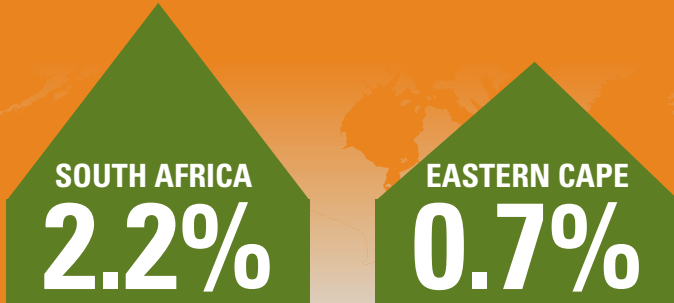


QoQ GDP GROWTH RATE



SOUTH AFRICA MOVES OUT OF TECHNICAL RECESSION AS ECONOMY GROWS.

SA GDP expanded by 2.2% and EC by 0.7% quarter-on-quarter (QoQ) in 2018Q3

KEY FINDINGS FOR THE SECOND QUARTER 2018

- South Africa and the Eastern Cape are out of recession in the third quarter, after two consecutive quarters of negative growth, as the economy performed above market expectations and there was an upward trend in GDP growth rate. GDP growth in the Eastern Cape (0.7%) was lower than national growth (2.2%). This is the highest level of growth since 2017Q4.
- On a year-on-year basis, both national and provincial GDP growth rates declined; nationally by 0.1 of a percentage point, and Eastern Cape by 0.3 of a percentage point from 2017Q3.
- Higher contributions to growth were made mostly by manufacturing, transport as well as finance and business services industry.
- The manufacturing industry was the main driver of national growth. The industry grew by 7.5% QoQ in 2018Q3 from 0.6% in 2018Q2. Three industries contributed negatively to national GDP namely: mining (-8.8%), construction (-2.7%) and electricity (-0.9%).
- The finance industry was another strong supporter of national GDP growth, with QoQ growth of 2.3% in 2018Q3. It was specifically the activities related to financial intermediation, insurance and real estate that performed better in the third quarter, contributing to the rise.

QoQ GDP growth for South Africa and for the Eastern Cape at constant 2010 prices, 2017Q1-2018Q3

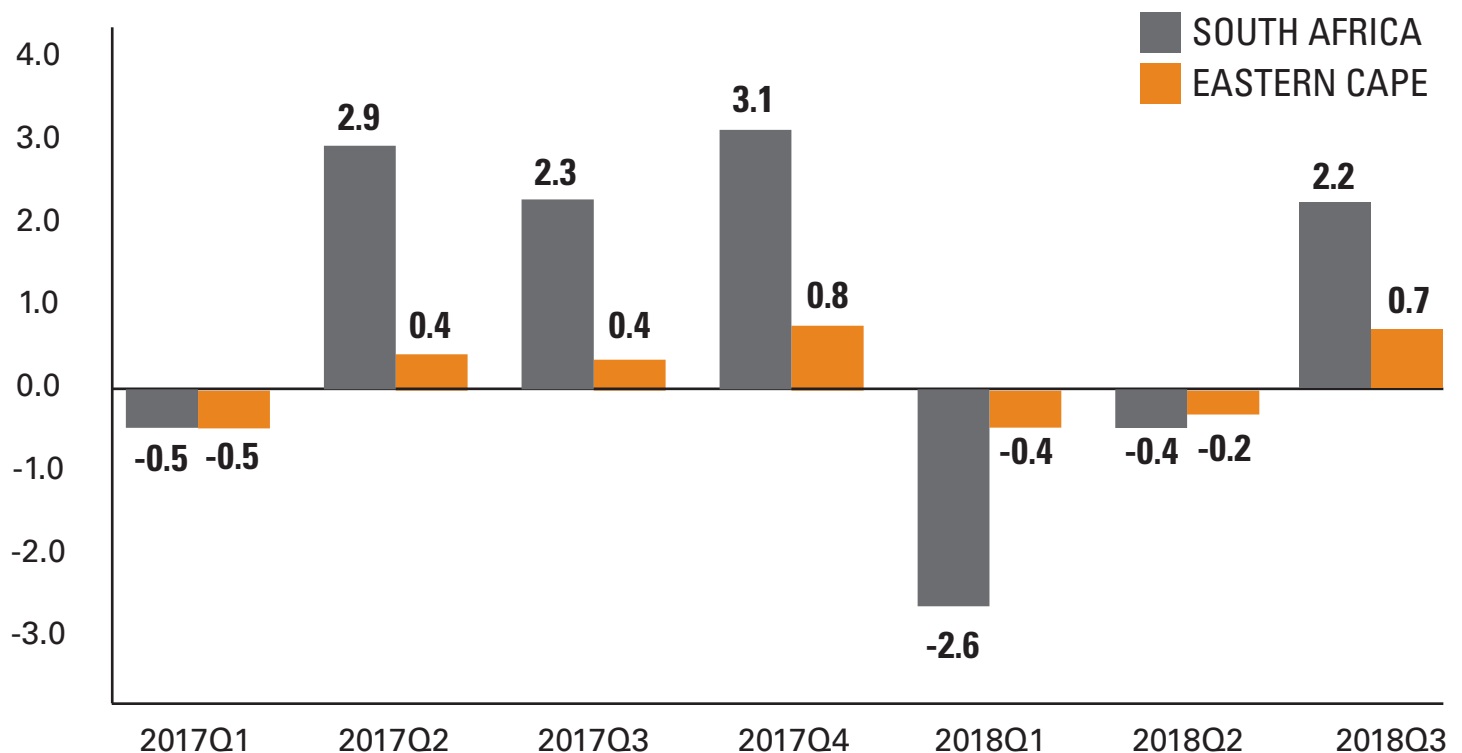


Figure 1

Source: StatsSA & Quantec, 2018

Global Economic Developments

Global growth is projected to remain at 2017 levels (3.7 percent) from 2018 to 2020, in line with the forecast published in the October 2018 World Economic Outlook (WEO). This projection is 0.2 percentage point lower for both years than the forecast from April 2018.

The downward revision reflects surprises that suppressed activity in early 2018 in some major advanced economies, the negative effects of the trade measures implemented or approved between April and mid-September. The downward revision is also based on weaker outlook for some key emerging market and developing economies arising from country-specific factors.

2018

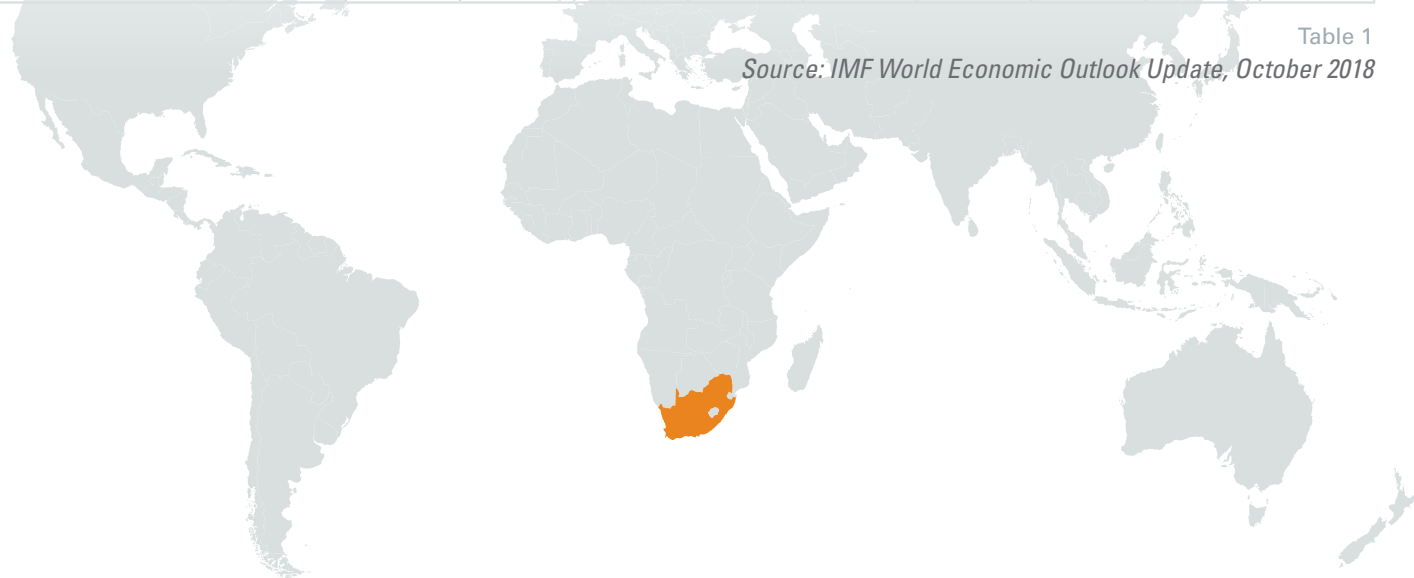
The IMF expects global growth to rise by 3.7% SA economy is expected to grow by 0.8%

Annual percentage change in GDP in selected regions/countries

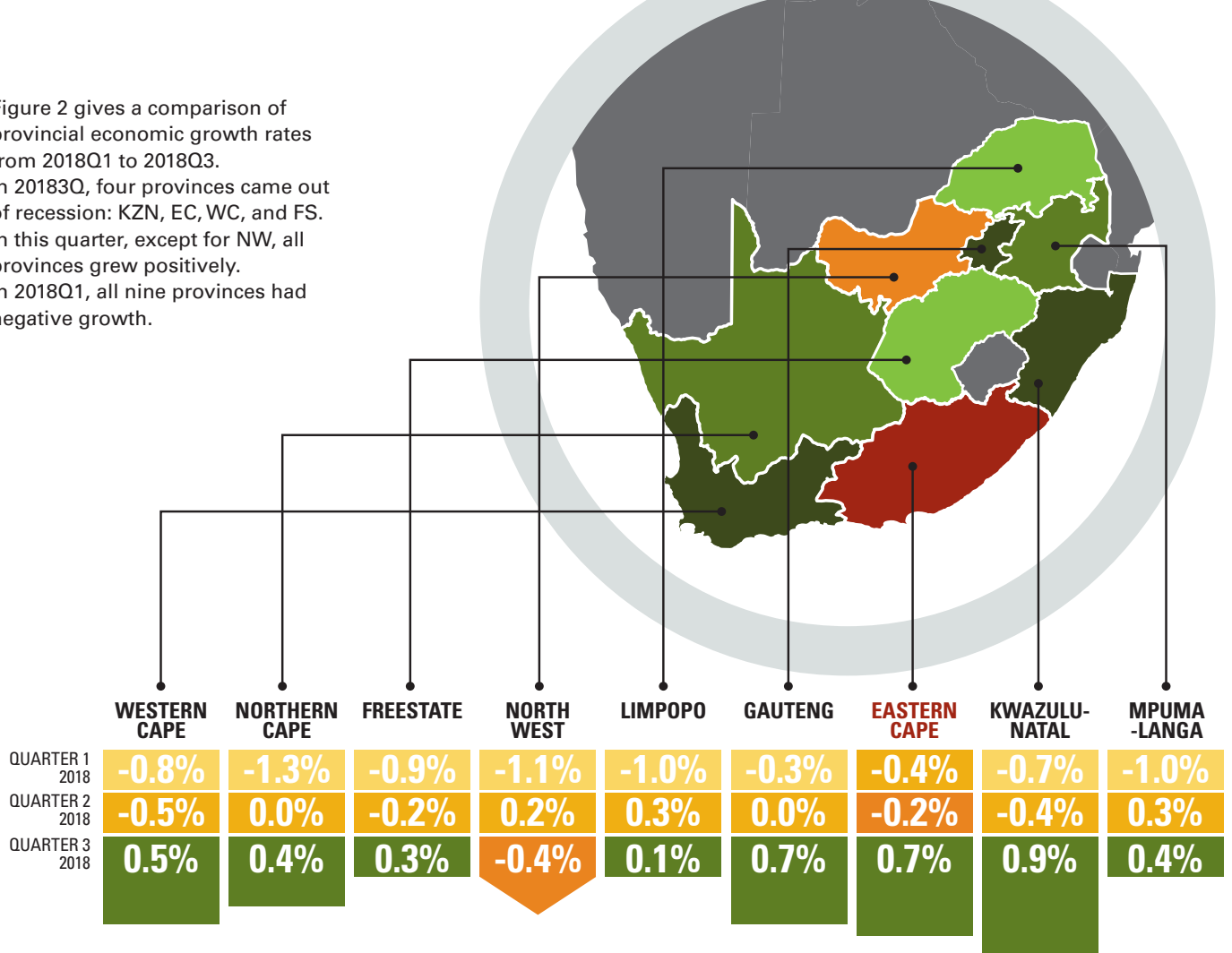
REGION/ COUNTRY	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	ACTUAL				PROJECTIONS					
World	3.5	3.3	3.7	3.7	3.7	3.7	3.6	3.6	3.6	3.7
Advanced economies	2.3	1.7	2.3	2.4	2.1	1.7	1.7	1.5	1.5	1.5
United States	2.9	1.6	2.2	2.9	2.5	1.8	1.7	1.5	1.4	1.4
Euro area	2.1	1.9	2.4	2.0	1.9	1.7	1.6	1.5	1.4	1.4
United Kingdom	2.3	1.8	1.7	1.4	1.5	1.5	1.6	1.6	1.6	1.6
Japan	1.4	1.0	1.7	1.1	0.9	0.3	0.7	0.5	0.5	0.5
Emerging markets and developing economies	4.3	4.4	4.7	4.7	4.7	4.9	4.9	4.8	4.8	5.0
Brazil	-3.5	-3.5	1.0	1.4	2.4	2.3	2.2	2.2	2.2	2.2
Russia	-2.5	-0.2	1.5	1.7	1.8	1.8	1.6	1.3	1.2	1.5
India	8.2	7.1	6.7	7.3	7.4	7.7	7.7	7.7	7.7	8.2
China	6.9	6.7	6.9	6.6	6.2	6.2	6.0	5.8	5.6	5.5
Sub-Saharan Africa	3.3	1.4	2.7	3.1	3.8	3.9	3.9	3.9	4.1	4.0
South Africa	1.3	0.6	1.3	0.8	1.4	1.7	1.8	1.8	1.8	1.8
Nigeria	2.7	-1.6	0.8	1.9	2.3	2.5	2.6	2.4	2.4	2.0
Angola	0.9	-2.6	-2.5	-0.1	3.1	3.2	3.2	3.7	3.8	4.9
Kenya	5.7	5.9	4.9	6.0	6.1	6.2	6.5	6.5	6.0	6.0

Table 1

Source: IMF World Economic Outlook Update, October 2018



- Figure 2 gives a comparison of provincial economic growth rates from 2018Q1 to 2018Q3.
- In 2018Q3, four provinces came out of recession: KZN, EC, WC, and FS. In this quarter, except for NW, all provinces grew positively.
- In 2018Q1, all nine provinces had negative growth.



On a quarter-on-quarter basis: best performance from Kwazulu-Natal with positive GDP growth of 0.9%

Figure 2

Source: StatsSA & Quantec, 2018

Table 2: Eastern Cape sector growth and contribution to GDP for 2017Q3, 2018Q2 & 2018Q3

EASTERN CAPE INDUSTRY	2017Q3		2018Q2		2018Q3	
	R million	Share %	R million	Share %	R million	Share %
Agriculture	3 682	1.7	3 456	1.6	3 611	1.7
Mining	679	0.3	662	0.3	643	0.3
PRIMARY SECTOR	4 361	2.0	4 118	1.9	4 254	2.0
Manufacturing	29 012	13.6	28 861	13.5	29 393	13.7
Electricity	2 465	1.2	2 492	1.2	2 484	1.2
Construction	8 296	3.9	8 264	3.9	8 204	3.8
SECONDARY SECTOR	39 772	18.6	39 617	18.5	40 080	18.6
Trade	41 540	19.4	41 463	19.4	41 738	19.4
Transport	18 769	8.8	18 678	8.7	18 933	8.8
Finance	44 085	20.6	44 482	20.8	44 661	20.7
Community services	16 094	7.5	16 207	7.6	16 231	7.5
Government services	49 076	23.0	49 291	23.0	49 416	23.0
TERTIARY SECTOR	169 565	79.3	170 120	79.5	170 979	79.4
All industries at basic prices	213 698	100.0	213 855	100.0	215 313	100.0

Table 2

Source: ECSECC & Quantec, 2018

QoQ SECTOR GROWTH

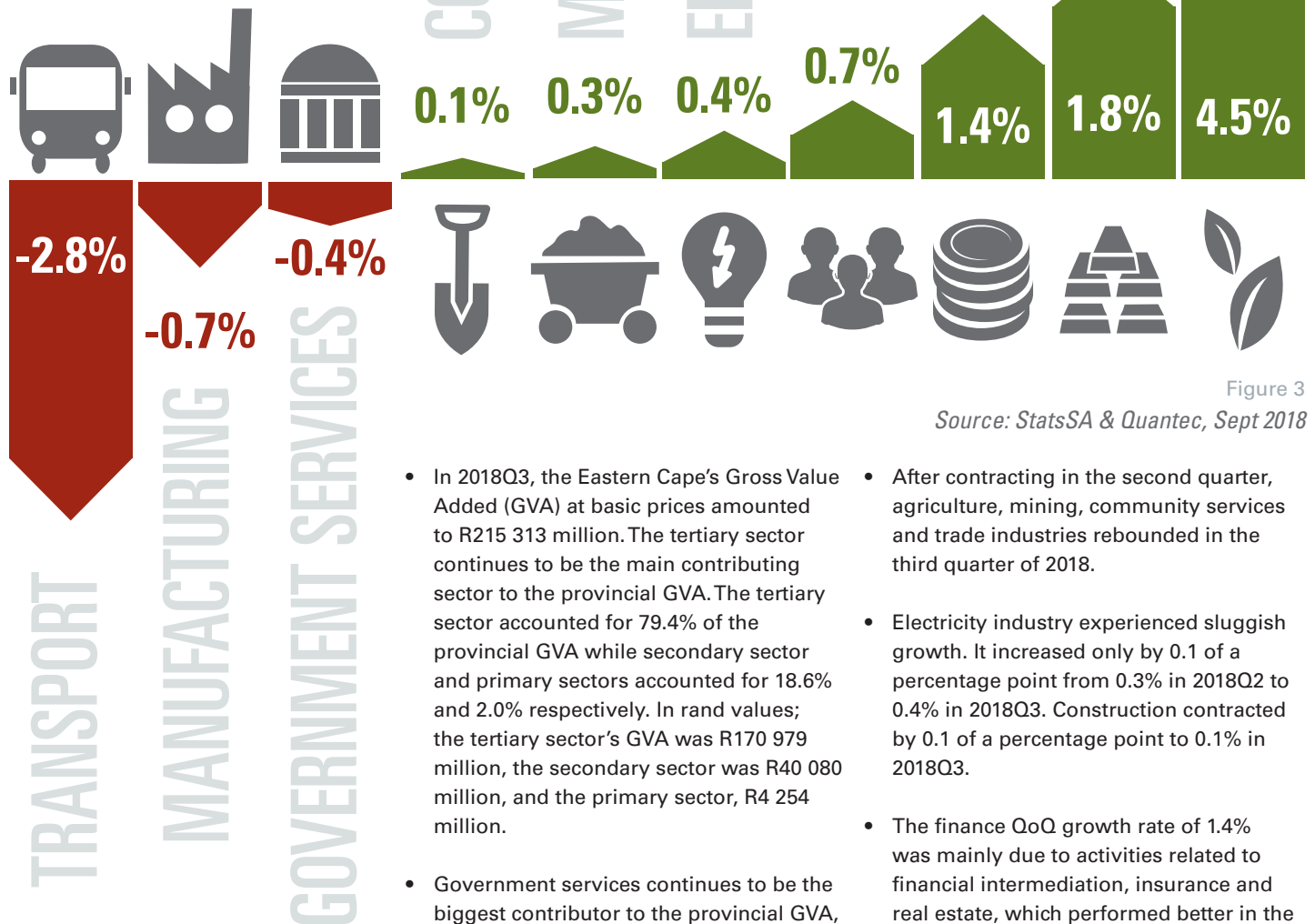


Figure 3

Source: StatsSA & Quantec, Sept 2018

- In 2018Q3, the Eastern Cape's Gross Value Added (GVA) at basic prices amounted to R215 313 million. The tertiary sector continues to be the main contributing sector to the provincial GVA. The tertiary sector accounted for 79.4% of the provincial GVA while secondary sector and primary sectors accounted for 18.6% and 2.0% respectively. In rand values; the tertiary sector's GVA was R170 979 million, the secondary sector was R40 080 million, and the primary sector, R4 254 million.
- Government services continues to be the biggest contributor to the provincial GVA, accounting for 23.0% of the total GVA. Finance and trade account for 20.7% and 19.4% respectively.
- After contracting in the second quarter, agriculture, mining, community services and trade industries rebounded in the third quarter of 2018.
- Electricity industry experienced sluggish growth. It increased only by 0.1 of a percentage point from 0.3% in 2018Q2 to 0.4% in 2018Q3. Construction contracted by 0.1 of a percentage point to 0.1% in 2018Q3.
- The finance QoQ growth rate of 1.4% was mainly due to activities related to financial intermediation, insurance and real estate, which performed better in the third quarter of 2018, contributing to the industry growth.

Industries that contributed negatively to GDP in the Eastern Cape, with negative QoQ growth rates were the following:
transport (-2.8%), manufacturing (-0.7%) and government services (-0.4%).