

KEY FINDINGS FOR THE FOURTH QUARTER 2018

- SA GDP increased by 1.4% in the fourth quarter of 2018.
- The largest positive contributors to growth in national GDP in the fourth quarter were the transport, manufacturing and finance industries.
- EC GDP increased by 1.3% in the fourth quarter with agriculture, transport and manufacturing industries being the largest contributors to GDP growth.
- The IMF projected the global economy to grow at 3.5% in 2019 and 3.6% in 2020, 0.2 and 0.1 percentage point below last October's projections.
- The South African economy is projected to grow by 1.4% in 2019 and 1.7% in 2020.

After 2018Q1-2018Q2 technical recession, GDP growth weakened in 2018Q4 both nationally and provincially. South African real gross domestic product (GDP) grew by 1.4% in 2018Q4, following an increase of 2.6% in 2018Q3. This is the slowest quarterly growth since 2018Q1. On a year-on-year (YoY) basis, the growth rate fell by 2.0 percentage points, lower than the 3.4% rate seen in 2017Q4 and the weakest yearly expansion since 2016Q4. The Eastern Cape quarter-on-quarter (QoQ) GDP growth rate for 2018Q4 was 1.3%, a decline from the 2018Q3 growth rate of 3.2%. On a YoY basis, the GDP growth rate fell by 0.2 of a percentage point.

The main drivers of national economic growth in 2018Q4 were agriculture, transport and manufacturing industries with QoQ GDP growth rates of 7.9%, 7.7% and 4.5% respectively. Provincially, the industries with the largest contribution to GDP growth were agriculture (11.3%), transport (7.2%) and manufacturing (4.6%).

REAL GDP GROWTH RATES

(Seasonally adjusted and annualised) 2008Q1 – 2018Q4

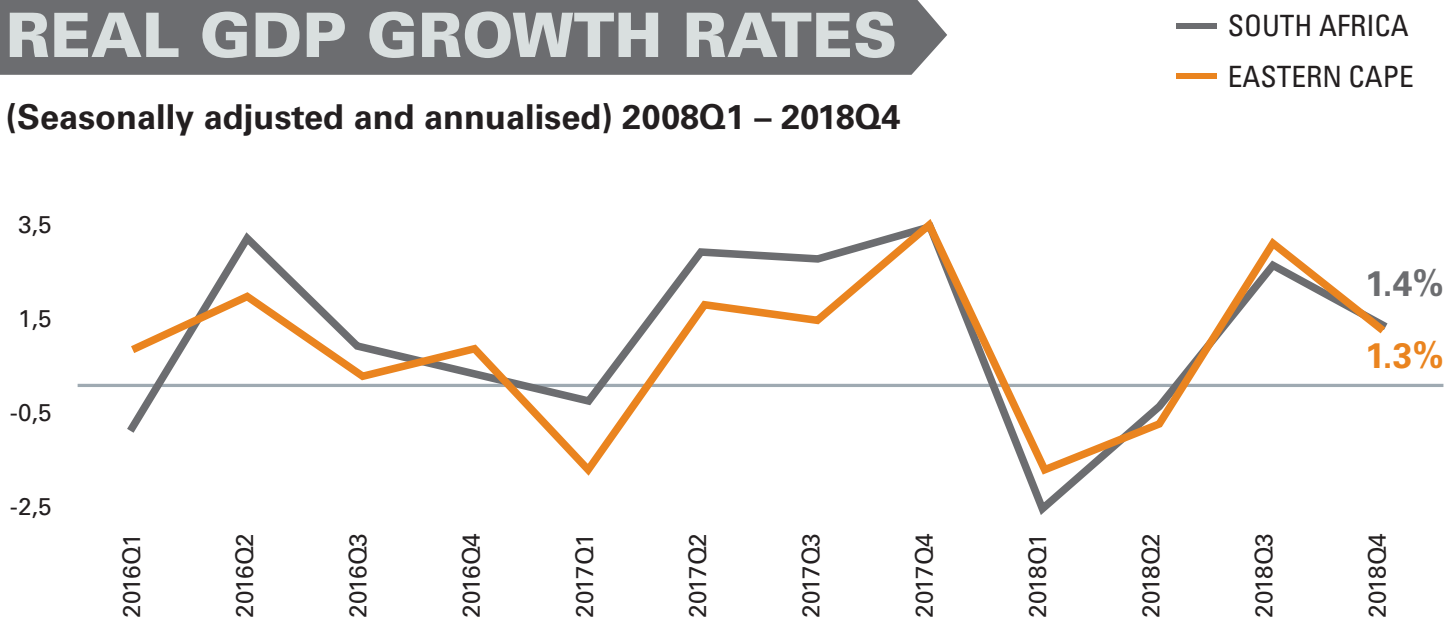


Figure 1

Source: Stats SA and Quantec EasyData, 2019

Global economic development projections

REGION/ COUNTRY	Estimates		Projections		Difference from Oct 2018 WEO Projections	
	2017	2018	2019	2020	2019	2020
World	3.8	3.7	3.5	3.6	-0.2	-0.1
Advanced economies	2.4	2.3	2	1.7	-0.1	0.0
United States	2.2	2.3	2	0.7	0.0	0.0
Euro area	2.4	1.8	1.6	1.7	-0.3	0.0
United Kingdom	1.8	1.4	1.5	1.6	0.0	0.1
Japan	1.9	0.9	1.1	0.5	0.2	0.2
Emerging markets and developing economies	4.7	4.6	4.5	4.9	-0.2	0.0
Brazil	1.1	1.3	2.5	2.2	0.1	-0.1
Russia	1.5	1.7	1.6	1.7	-0.2	-0.1
India	6.7	7.3	7.5	7.7	0.1	0.0
China	6.9	6.6	6.2	6.2	0.0	0.0
Sub-Saharan Africa	2.9	2.9	3.5	3.6	-0.3	-0.3
South Africa	1.3	0.8	1.4	1.7	0.0	0.0
Nigeria	0.8	1.9	2	2.2	-0.3	-0.3

Figure 2

Source: IMF World Economic Outlook, 2019

The global growth forecast for 2019 and 2020 have been revised downward. South Africa's economic growth is projected to grow by 1.4% in 2019 and 1.7% in 2020.

According to the IMF World Economic Outlook (WEO) update, global expansion has weakened for 2019 to an estimated 3.7%. The IMF revised down global growth estimates for 2019, it is projected that global economy will experience weaker growth of 3.5% (down by 0.2 of a percentage point) and slightly improve in 2020 with a projected 3.6% (down by 0.1 of a percentage point). Emerging markets and developing economies projections for 2019 is 2.5% (down by 0.2 of a percentage point) and for 2020 remained the same at 4.9%. Sub-Saharan Africa economic growth was projected to grow by 3.5% (down by 0.3 of a percentage point) in 2019 and 3.6% in 2020 (down by 0.3 of a percentage point). Economic growth in South Africa remained unchanged for 2019 and 2020.

Provincial real GDP growth rates (seasonally adjusted and annualised) 2017Q4, 2018Q3 and 2018Q4

Figure 3 gives a comparison of provincial economic growth rates from 2017Q4 to 2018Q4.

- On a YoY basis, all provinces recorded a decline in GDP growth rate. The largest declines were recorded in KwaZulu-Natal (down by 3.2 percentage points), Free State (down by 2.6 percentage points) and Eastern Cape (down by 2.2 percentage points).
- On a QoQ basis, North West (NW) and Limpopo (LP) experienced negative growth in 2018Q4. Western Cape (WC) had the highest growth of 2.3% (down by 1.5 percentage points) followed by KwaZulu-Natal (KZN) with 1.7% (down by 1.8% percentage points). EC GDP growth rate declined from 3.2% in 2018Q3 to 1.3% in 2018Q4.

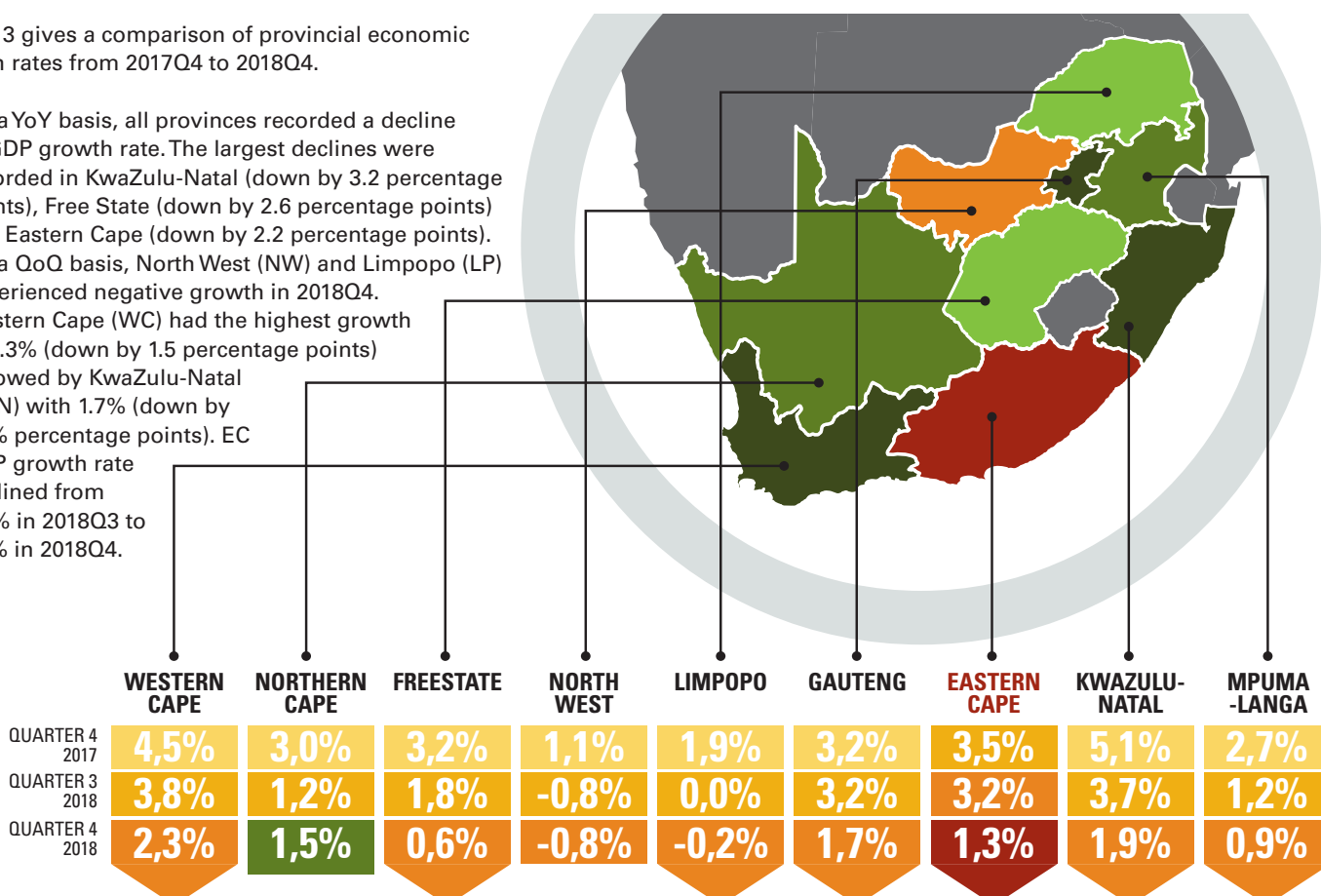


Figure 3

Source: Quantec EasyData, 2019

Growth rates (%) in industry value added (seasonally adjusted and annualised), 2018Q4.

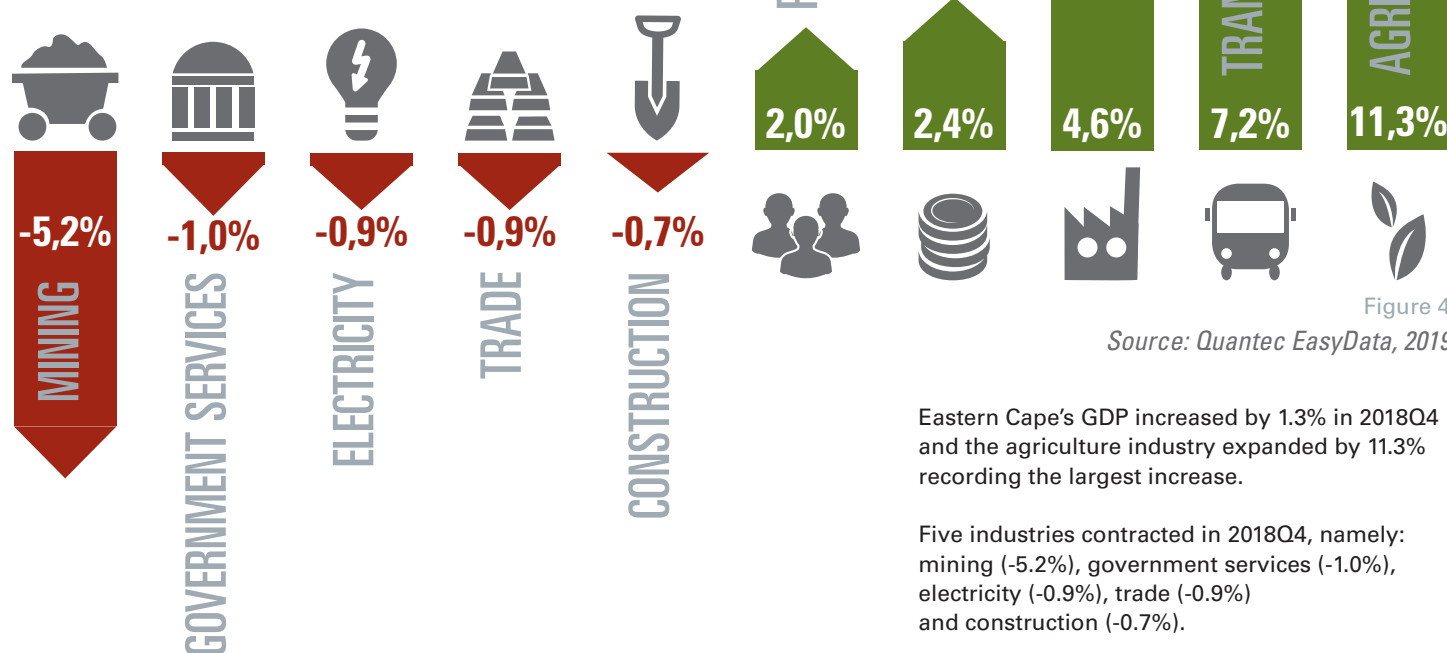


Figure 4

Source: Quantec EasyData, 2019

Eastern Cape's GDP increased by 1.3% in 2018Q4 and the agriculture industry expanded by 11.3% recording the largest increase.

Five industries contracted in 2018Q4, namely: mining (-5.2%), government services (-1.0%), electricity (-0.9%), trade (-0.9%) and construction (-0.7%).

EASTERN CAPE GVA BY INDUSTRY

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

In 2018Q4, the Eastern Cape's gross value added (GVA) at basic prices amounted to R215 705 million. The tertiary sector continues to be the main contributing sector to the provincial GVA, accounting for 79.4% of the provincial GVA while secondary sector and primary sectors accounted for 18.7% and 1.9% respectively.

The primary sector's contribution to GVA declined on a YoY basis from 2.2% in 2017Q4 to 1.9% in 2018Q4. In rand values, 2018Q4 tertiary sector's GVA was R171 289 million, the secondary sector was R40 321 million, and the primary sector, R4 095 million.

EASTERN CAPE INDUSTRY	2017Q4		2018Q3		2018Q4	
	R million	Share %	R million	Share %	R million	Share %
Agriculture	4 114	1.9	3 378	1.6	3 470	1.6
Mining	657	0.3	634	0.3	626	0.3
PRIMARY SECTOR	4 772	2.2	4 012	1.9	4 095	1.9
Manufacturing	29 330	13.7	29 329	13.7	29 658	13.7
Electricity	2 500	1.2	2 501	1.2	2 495	1.2
Construction	8 241	3.8	8 182	3.8	8 168	3.8
SECONDARY SECTOR	40 071	18.7	40 012	18.6	40 321	18.7
Trade	42 178	19.6	42 020	19.6	41 925	19.4
Transport	18 953	8.8	19 094	8.9	19 427	9.0
Finance	43 888	20.4	44 271	20.6	44 533	20.6
Community services	16 068	7.5	16 179	7.5	16 259	7.5
Government services	48 870	22.8	49 273	22.9	49 146	22.8
TERTIARY SECTOR	169 957	79.1	170 838	79.5	171 289	79.4
All industries at basic prices	214 799	100.0	214 862	100.0	215 705	100.0

Government services continues to be the biggest contributor to the provincial GVA, accounting for 22.8% of the total GVA. Finance and trade account for 20.6% and 19.4% respectively.

Output declined in mining, electricity and construction for two consecutive quarters. On a YoY basis output grew in the following industries: manufacturing (up by R328 million), transport (up by R474 million), finance (up by R645 million), personal services (up by R191 million) and government services (up by R275 million).

Figure 5

Source: ECSECC and Quantec EasyData, 2019