

SOUTH AFRICA

-3.2%

EASTERN CAPE

-2.4%

QoQ GDP GROWTH RATE

KEY FINDINGS FOR THE FIRST QUARTER 2019

- National real GDP declined by 3.2% in the first quarter of 2019. All nine provinces experienced negative growth rates ranging from 2.4% in the EC to 5.2% in the NW
- The four largest negative contributors to growth in GDP in the first quarter were the manufacturing, mining, trade, and catering and accommodation industries.
- EC real GDP declined by 2.4% in the first quarter with finance, personal services and general government services industries being the only positive contributors to GDP.
- The IMF projected global economy to grow by 3.5% in 2019 and 3.6% in 2020, respectively 0.2 and 0.1 of a 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.

South African Real Gross Domestic Product (GDP) contracted by 3.2% in 2019Q1 following an expansion of 1.4% in 2018Q4. The manufacturing industry decreased by 8.8% and contributed -1.1 percentage points to the negative GDP growth. National economic contraction was a result of major declines in the following industries: manufacturing (-8.8%), mining (-10.8%), trade, and catering and accommodation (-3.6%). Positive contributions to national GDP ascended from finance (1.1%), general government (1.1%), and personal services (1.1%).

On a year-on-year (YoY) basis, national GDP growth rate worsened by 0.5 of a percentage point, from -2.7% in 2018Q1. Looking further back, the national economy has poorly performed since 2017Q4.

The Eastern Cape quarter-on-quarter (QoQ) GDP growth rate for 2019Q1 was -2.4%, a decline from 1.3% in 2018Q4. On a YoY basis, the GDP growth rate worsened, declining further by 0.5 of a percentage point.

REAL GDP GROWTH RATES

— SOUTH AFRICA
— EASTERN CAPE

(Seasonally adjusted and annualised) 2015Q1 – 2019Q1

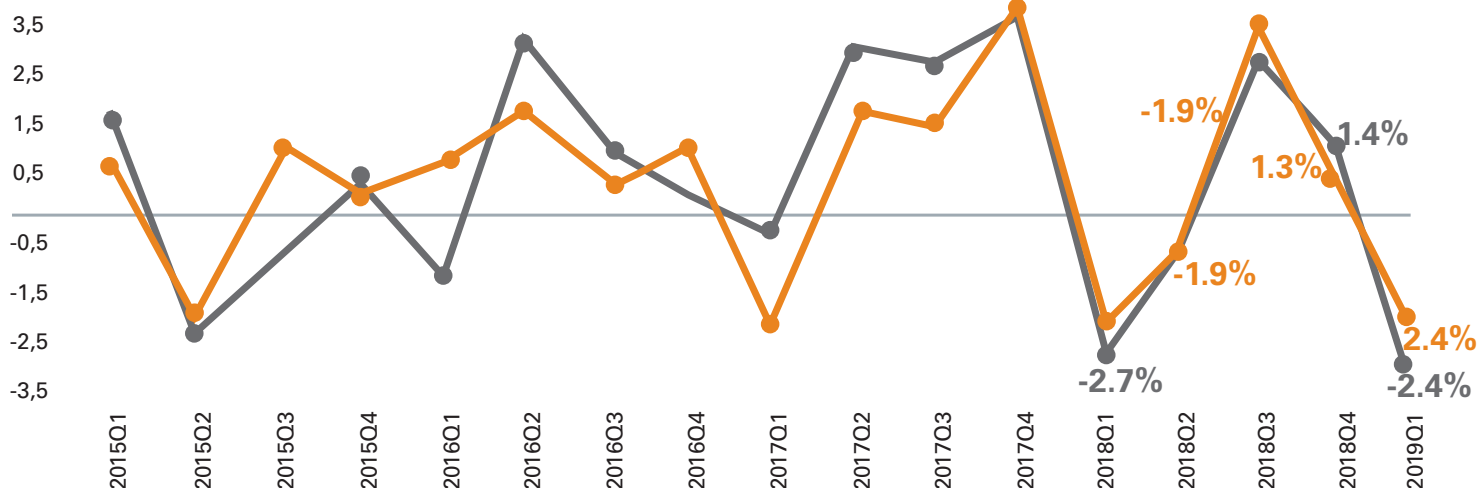


Figure 1

GLOBAL ECONOMIC DEVELOPMENT PROJECTIONS



REGION/ COUNTRY	Projections	
	2019	2020
World	3.5	3.6
Advanced economies	2	1.7
United States	2	0.7
Euro area	1.6	1.7
United Kingdom	1.5	1.6
Japan	1.1	0.5
Emerging markets and developing economies	4.5	4.9
Brazil	2.5	2.2
Russia	1.6	1.7
India	7.5	7.7
China	6.2	6.2
Sub-Saharan Africa	3.5	3.6
South Africa	1.4	1.7
Nigeria	2.0	2.2

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 (WOE) 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 2018Q1, 2018Q4 and 2019Q1.

- On a QoQ basis, all nine provinces experienced negative growths. The biggest declines were recorded in NW (down by 4.5 percentage points), Gauteng (down by 4.1 percentage points) and Limpopo (down by 3.9 percentage points).
- During the first quarter of 2019, the Eastern Cape had the lowest GDP decline in the country. Declines ranged from 2.4% in the EC to 5.2% in North West.
- North West's poor performance was driven by declines in agriculture (down by 14.1%) and mining (down 13.3%) industries.
- On a YoY basis, all provinces recorded a decline in GDP growth rate. The largest declines were recorded in Gauteng (down by 1.2 percentage points), North West (down by 0.9 of a percentage point) and Eastern Cape (down by 0.5 of a percentage point). The Gauteng province suffered large declines in mining (down by 17.7%) and in agriculture (down by 10.1%) industries.
- Stats SA reported that the agricultural industry underperformance was mainly because of a drop in the production of field crops and horticultural products. For mining industry, decreased production was reported for 'other' mining and quarrying (including diamonds), iron ore and coal.

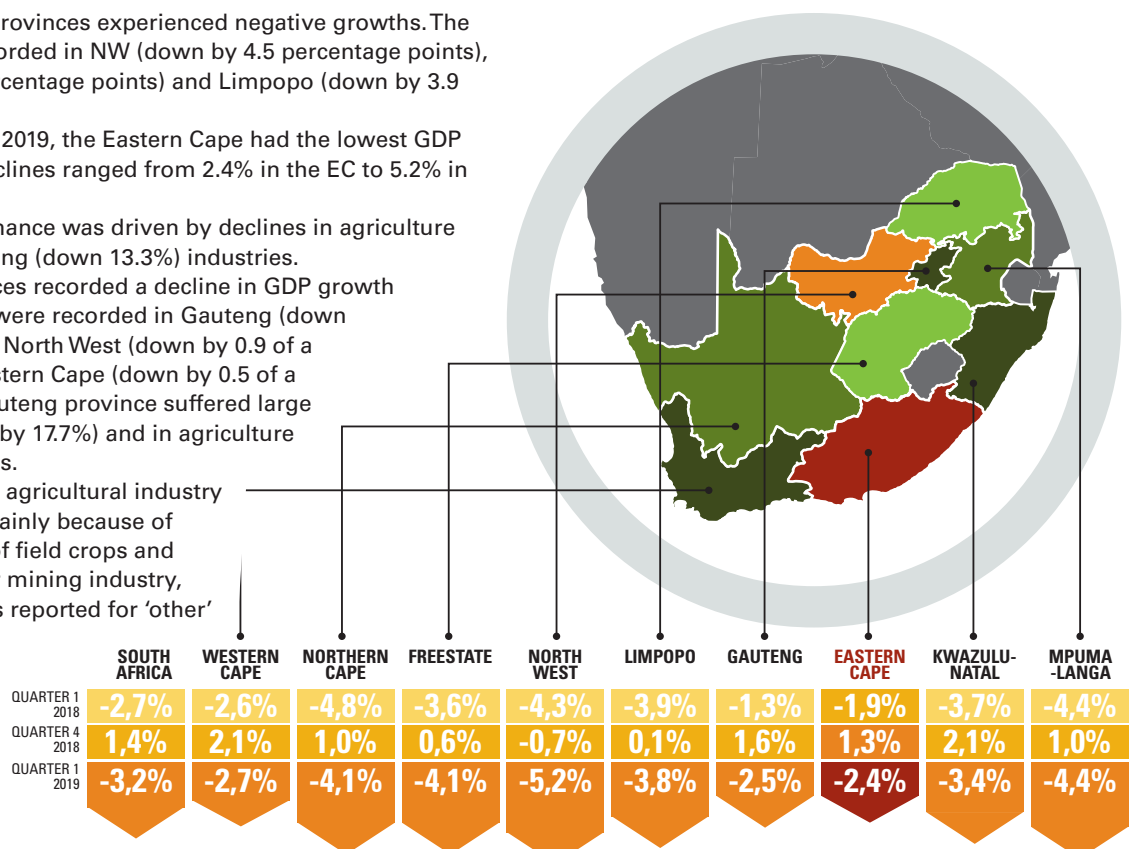


Figure 3

Source: Quantec EasyData, 2019

EASTERN CAPE GVA BY INDUSTRY

In 2019Q1, the Eastern Cape's Gross Value Added (GVA) at basic prices amounted to R214 497 million. The EC GVA was made up of R170 997 million (79.7%) for the tertiary sector, R39 561 million (18.6%) for the secondary sector, and R3 938 million (1.8%) for the primary sector.

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 20.8% and 19.4% respectively.

On a YoY basis GVA grew for the following industries: manufacturing (up by R278 million), transport (up by R227 million), finance (up by R625 million), personal services (up by R165 million) and government services (up by R276 million).

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

EASTERN CAPE	2018Q1		2018Q4		2019Q1	
INDUSTRY	R million	Share %	R million	Share %	R million	Share %
Agriculture	3 734	1.7	3 446	1.6	3 334	1.6
Mining	641	0.3	625	0.3	604	0.3
PRIMARY SECTOR	4 375	2.0	4 071	1.9	3 938	1.8
Manufacturing	28 699	13.4	29 654	13.7	28 978	13.5
Electricity	2 494	1.2	2 507	1.2	2 467	1.2
Construction	8 192	3.8	8 166	3.8	8 116	3.8
SECONDARY SECTOR	39 386	18.4	40 326	18.7	39 561	18.4
Trade	41 821	19.6	41 952	19.4	41 575	19.4
Transport	18 992	8.9	19 445	9.0	19 219	9.0
Finance	43 953	20.6	44 508	20.6	44 578	20.8
Personal services	16 123	7.5	16 246	7.5	16 289	7.5
Government services	49 061	23.0	49 190	22.8	49 337	23.0
TERTIARY SECTOR	169 950	79.5	171 342	79.4	170 997	79.7
All industries at basic prices	213 710	100.0	215 740	100.0	214 497	100.0

Figure 5

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

