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GROSS DOMESTIC PRODUCT

First Quarter 2018 (2018Q1)



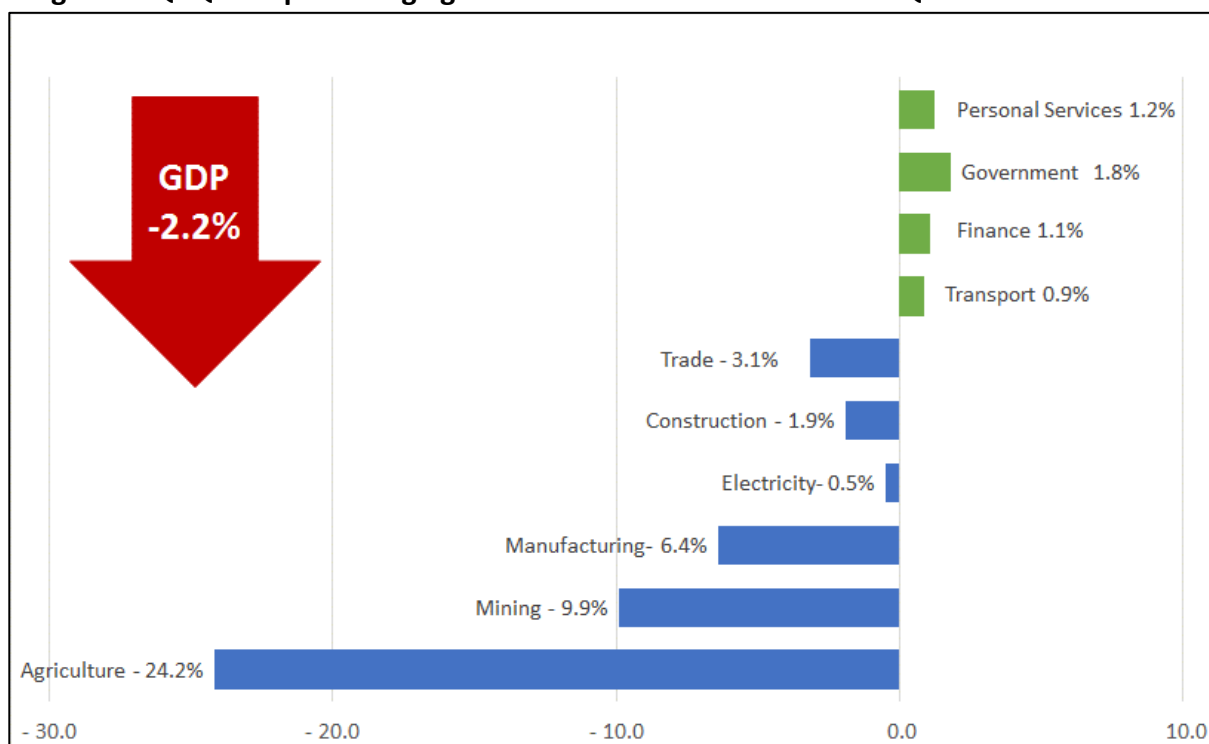
The Quarterly Economic Review is a statistical release compiled by the Eastern Cape Socio Economic Consultative Council (ECSECC). The Quarterly Review of the Gross Domestic Product (GDP) provides economic trend analysis and shows which sectors drive economic development in the Eastern Cape. Data for this publication is drawn from Statistics South Africa (Stats SA) and Quantec Research. ECSECC also releases the “Quarterly Review of the Provincial Labour Market” on a quarterly basis. All these documents are available on ECSECC’s website www.ecsecc.org.

For this publication, the GDP growth rate is seasonally adjusted and annualised. It is measured in real terms at 2010 constant prices. The real GDP is estimated using three methods: the production approach, the income approach and the expenditure approach. Gross value added (GVA) is defined as the value of output less the value of intermediate consumption.

National GDP

South Africa’s economy has not fully recovered from the 2009 recession. In the first quarter of 2018, it contracted by 2.2% due to underperformance in the primary and secondary sectors.

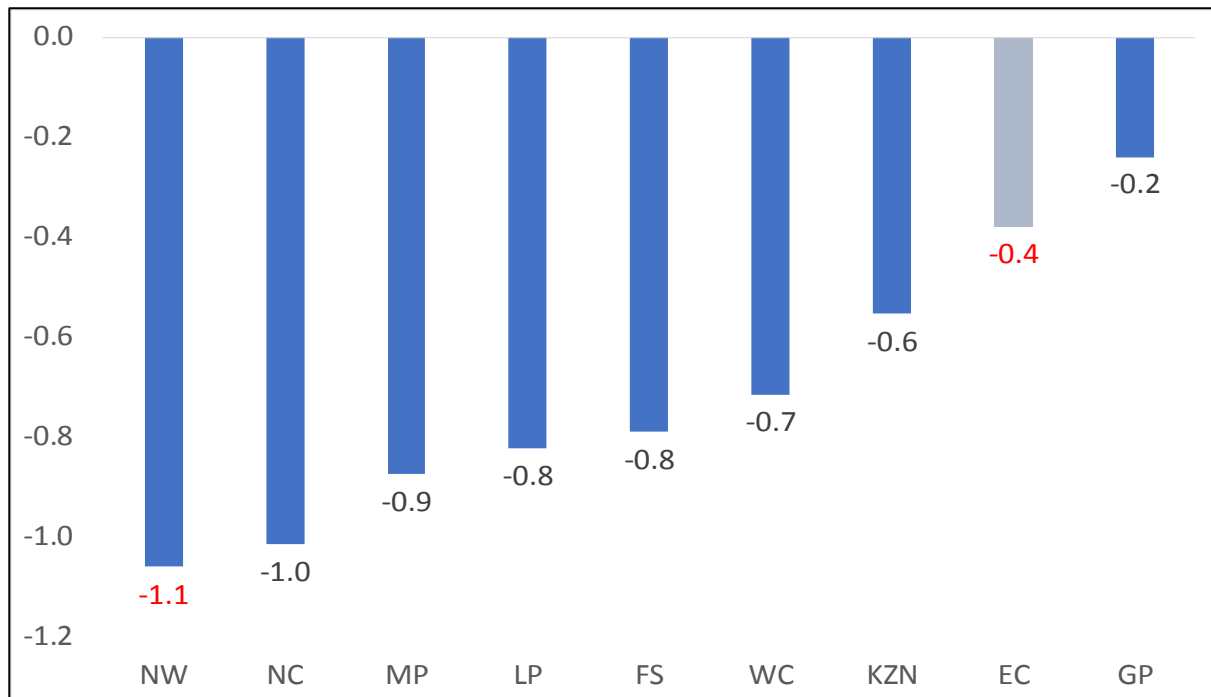
Figure 1: QoQ GDP percentage growth rates for South Africa 2018Q1



Source: StatsSA and Quantec, 2018

Figure 1 shows how the primary sector (agriculture and mining) and the secondary sector (manufacturing, construction and energy) experienced negative growth with agriculture having the largest negative growth of -24.2%. The contraction of the agricultural industry was driven by the drop in the production of field crops and horticultural products. Except for Trade, the tertiary sector grew positively.

Figure 2: QoQ GDP growth rates per province: 1q2018

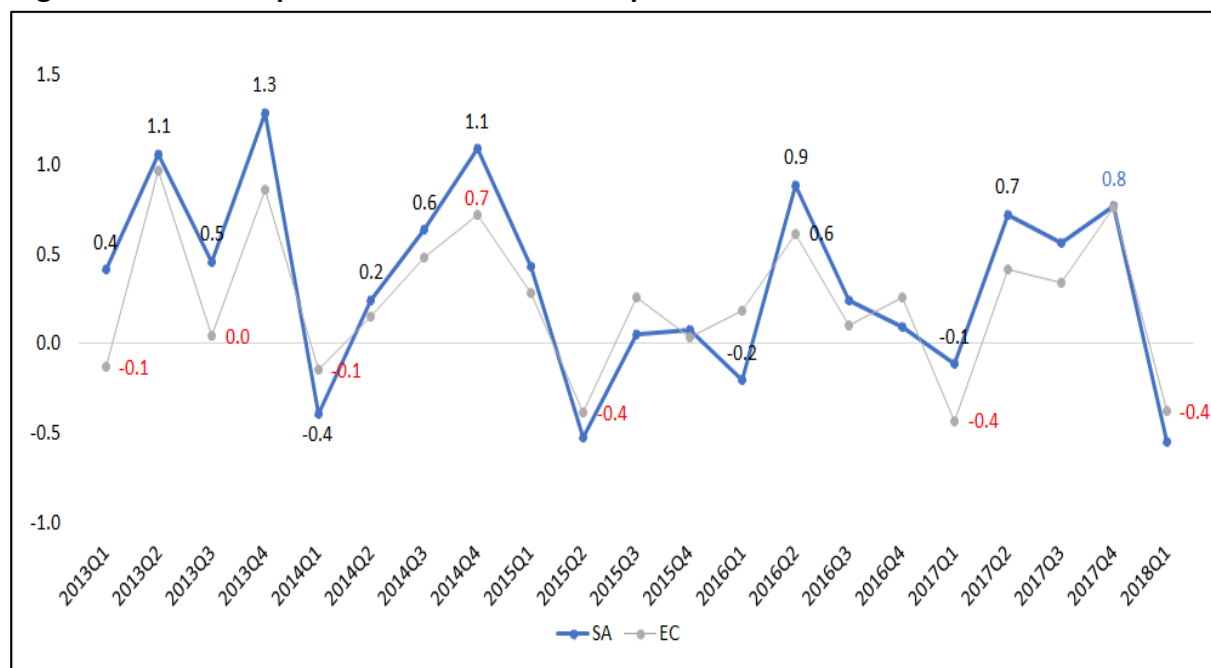


Source: StatsSA and Quantec, 2018

During the first quarter of 2018, all 9 provinces had negative growth. Figure 2 shows that North West had the worst performance (-1.1%). The next section focuses on the Eastern Cape economic development, performance and trend.

Eastern Cape Economy

Figure 3: Eastern Cape and South Africa's GDP performance and trends: 1Q2013 – 2018Q1



Source: StatsSA and Quantec, 2018

Between the first quarter of 2013 and the first quarter of 2018, the Eastern Cape economy had 5 negative growth. Figure 1 shows that the Eastern Cape economy declined by 0.4% following an increase of 0.8% in the fourth quarter of 2017. The largest negative contributors to growth in GDP in the first quarter were the agriculture, mining and manufacturing industries.

In real term, the size of the Eastern Cape GVA declined from R215 257 million in the fourth quarter of 2017 to R214 383 million in the first quarter of 2018. However, considering the year-on-year performance, the GVA grew from R212 080 million in the first quarter of 2017 to R214 383 million in the first quarter of 2018. The rises were offset by the fall in the primary and secondary sectors, while growth in the tertiary sector continued.

Table 1: Eastern Cape sector's contribution to GDP

EASTERN CAPE INDUSTRY	2017Q1		2017Q4		2018Q1	
	R million	Share %	R million	Share%	R million	Share%
Agriculture	3 079	1.5	4 046.3	1.9	3 850.2	1.8
Mining	654	0.3	670.8	0.3	651.6	0.3
PRIMARY SECTOR	3 733	1.8	4 717.1	2.2	4 501.8	2.1
Manufacturing	28 544	13.5	29 321.4	13.6	28 844.5	13.5
Electricity	2 459	1.2	2 481.9	1.2	2 475.4	1.2
Construction	8 338	3.9	8 264.3	3.8	8 222.9	3.8
SECONDARY SECTOR	39 341	18.6	40 067.6	18.6	39 542.8	18.4
Trade	41 463	19.6	41 988.3	19.5	41 596.8	19.4
Transport	18 639	8.8	18 882.3	8.8	18 906.7	8.8
Finance	43 676	20.6	44 280.0	20.6	44 314.9	20.7
Community services	15 984	7.5	16 130.9	7.5	16 176.8	7.5
Government services	49 243	23.2	49 190.8	22.9	49 343.5	23.0
TERTIARY SECTOR	169 006	79.7	170 472.4	79.2	170 338.7	79.5
All industries at basic prices	212 080	100.0	215 257	100.0	214 383	100.0

Source: StatsSA and Quantec, 2018

The tertiary sector accounts for 80% of the EC GDP. Finance alone (20.7%) contribute more than the primary (2.1%) and secondary (18.4%) sectors combined (See Table 1).

Figure 3 ranks sectors from the highest to the lowest in terms of their sizes and contribution to GDP. It shows the extent to which the Eastern Cape economy relies on Government services.

Figure 3: Eastern Cape GVA per industry 2018Q1



Source: StatsSA and Quantec, 2018

Conclusion

Selected key findings for the Eastern Cape GDP (first quarter 2018) are summarised as follows:

- Persisting low growth path and poor performance is a concern for economic prospects.
- All nine provinces experienced negative growth during the first quarter of 2018.
- The Eastern Cape declined by 0.4% compared to 2.2% for South Africa.
- Agriculture industry had the worst contraction due to the drop in the production of field crops and horticultural products.
- Government sector remain the main contributor to the EC economy.
- Finance industry alone contributes more to the GDP than agriculture, mining, manufacturing, constructing, water and electricity industries combined.



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