



QUARTERLY REVIEW AND OUTLOOK: October 2019



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Table of Contents

1. Global Economy and Outlook	4
1.1 US	5
1.2 EU	5
1.3 China	6
1.4 Japan.....	6
1.5 Sub-Saharan Africa.....	7
2. South Africa.....	7
2.1 Primary Sector.....	8
2.2 Secondary Sector.....	9
2.3 Tertiary Sector.....	9
2.4 South African Economic Outlook	10
3. Monetary Policy, Prices and Exchange Rates	11
3.1 Interest Rates and Price Inflation	11
3.2 Exchange Rate.....	12
3.3 Oil Prices	13
4. International Trade	14
4.1 Trade Outlook.....	15
5. Labour Market Analysis.....	16
5.1 Analysis of Employment in the Eastern Cape by Industry Contribution.....	17
5.2 Employment by Occupation and Gender in the Eastern Cape	18
5.3 Employment by Formal and Informal Sectors in the Eastern Cape.....	18
5.4 Unemployment Rate	19
5.5 Unemployment Rate by Racial Group in Eastern Cape	20
5.6 Unemployment by Age Group in the Eastern Cape.....	20
5.7 Discouraged Job-Seekers by Racial Group in the Eastern Cape.....	21
5.8 Discouraged Job-Seekers by Age Group in the Eastern Cape	21

Summary Table

		Actual				Forecast				
		2018				2019				2020
		1Q2018	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020
Percent	SA GDP*	0.7	0.1	1.3	1.1	0.0	0.9	1.1	0.8	1.6
	SA Exports*	-0.1	-0.8	5.8	5.4	1.5	-0.2	-1.3	-2.7	1.6
	SA Imports*	1.6	0.7	9.6	1.2	-0.2	3.4	-3.4	0.1	2.1
	SA PPI**	4.3	5.0	6.2	6.3	5.0	6.2	5.4	4.5	7.3
	SA CPI**	4.1	4.5	5.0	4.9	4.2	4.4	4.2	4.3	5.2
Prices	Brent Crude Oil Spot Price** (US\$/Barrel)	66.8	74.5	75.0	68.3	63.1	69.1	61.0	60.3	62.0
	Exchange Rate** (R/US\$)	12.0	12.6	14.1	14.3	14.0	14.4	14.6	14.9	14.9

Source: Statistics South Africa, BER & Own Calculations

* Year on Year percentage change constant 2010 prices

** Quarterly average

1. Global Economy and Outlook

The global economy has slightly lost its momentum in 2Q2019 when compared to April 2019 World Economic Outlook (WEO) projection, and remains below the 2018 estimation. The risks to the forecast are mostly to the downside and include additional trade and technology tensions that dent sentiment and slow investment. The IMF has alerted about the consequences of high levels of public sector debt. The global risks also consist of a protracted increase in risk aversion that exposes the financial vulnerabilities continuing to accumulate after years of low interest rates; and mounting disinflationary pressures that increase debt service difficulties, constrain monetary policy space to counter downturns, and make adverse shocks more persistent than normal. Also, there are risks arising from the uncertainties in Hong Kong, the trade dispute between Japan and South Korea, as well as geopolitical tensions in North Korea and the Strait of Hormuz.

Although the prospect of lowering the interest rates of US has a positive impact since it eases the pressure on capital outflows, uncertainty about Brexit would soften the global momentum. Spending shapes are also reflected in global trade, which tends to be intensive in investment goods and consumer durables. Firms and households would continue to hold back on long-range spending amid elevated policy uncertainty. As a consequence, the slowdown in global manufacturing activity, which started in early 2018, has continued, reflecting weak business spending (machinery and equipment) and consumer purchases of durable goods, such as cars. Trade volume growth declined to around 0.5 percent year-on-year (y-o-y) in the 1Q2019 after dropping below 2 percent in the 4Q2018. The slowdown was particularly notable in emerging Asia. Business sentiment and surveys of purchasing managers point to a weak outlook for manufacturing and trade, with particularly pessimistic views on new orders. Weak trade prospects create headwinds for investment. Despite the surprises observed in some countries regarding the greater performance for their economies, global final demand would subdue especially in fixed investment.

Within developed countries, economic growth was better than projected in the United States and Japan, and one-off factors that had negatively impact growth in the euro area in 2018 appeared to dwindle as anticipated. Among emerging market and developing economies, 1Q2019 GDP in China was stronger than forecast, but its 2Q2019 growth expanded at a slower pace. Economic growth in China is projected to ease further in the second half of 2019 on the back of weaker investment growth and a continued decline in exports, exacerbated by the increase in the US's tariffs on its exports. However, private consumption is likely to remain stable, supported in part by government measures to boost household spending.

Against these difficult backdrop, the global economy is expected to increase by 3.2 percent in 2019 and 3.5 percent in 2020. However, the anticipated global growth in 2020 will depend significantly

on various factors such as: support of the financial market sentiment; continued dwindling of temporary drags; stabilization in some stressed emerging market economies, such as Argentina and Turkey and avoiding even sharper collapse in Iran and Venezuela.

1.1 US

The US economy increased at a seasonal adjusted annualized rate (saar) of 2.0 percent in the 2Q2019, from the 3.1 percent observed in 1Q2019. The increase in US real GDP in the 2Q reflected positive contributions from personal consumption expenditure (PCE), federal government spending, and state and local government spending that were partly offset by negative contributions from private inventory investment, exports, residential fixed investment, and nonresidential fixed investment. The US economy continues to diverge down in the 3Q2019. Although, retail sales were strong and consumer spending high in August, business investment has likely weakened amid the persistent trade war with China. The US economy would cool further in the second half of this year as uncertain global environment and the trade dispute with China will continue to obstruct investment in the short-term, drag on manufacturing and exports and could creep into consumer sentiment. According to IMF, US economy would increase by 2.6 in 2019 before moderating to 1.9 percent in 2020 as the fiscal stimulus unwinds.

1.2 EU

Seasonally adjusted GDP increased by 0.2 percent (saar) in the euro area during the 2Q2019, compared with the previous quarter, according to a preliminary flash estimate published by the statistical office of the European Union. When compared to the same quarter in the previous year, seasonally adjusted GDP rose by 1.1 percent. Headwinds from decelerating global growth, trade disputes between the two biggest economies, uncertainty about the Brexit and the counter performance in the manufacturing sector are seen dragging the euro area economic growth to an over five years low in 2019. The economy of euro area lost more momentum than expected as consumer and business confidence has weakened and car production in Germany was disrupted by the introduction of new emission standards. Germany which is the biggest economy in the region, saw its forecast revised down slightly while France growth is unchanged. However, the UK economy is expected to expand in 2019 owing to the stronger-than-anticipated 1Q outturn boosted by pre-Brexit inventory accumulation and stockpiling. The UK economy is expect to grow by 1.3 percent in 2019 and 1.4 percent in 2020. Euro area growth is expected to pick up over the remainder of this year and into 2020, as external demand is projected to recover and temporary factors (including the dip in German car registrations and French street protests) continue to fade. Growth in the *euro area* is projected at 1.3 percent in 2019 and 1.6 percent in 2020

1.3 China

China's economic growth slowed to a record low of 6.2 percent, the weakest rate in at least 27 years, in the 2Q2019. The negative effects of escalating tariffs and weakening external demand have added pressure to an economy already in the midst of a structural slowdown and needed regulatory strengthening to rein in high dependence on debt. However, the figure falls within the range of Beijing's target growth rate for the year of between 6.0 and 6.5 percent and was generally expected. The economic data is still facing downturn pressure in the second half of the year. While there are also many positive factors, the market vitality is gradually being stimulated. Within industrial production, manufacturing grew by 6.2 percent (y-o-y), up from 5.0 percent in May this year. This beat expectations, and contrasts sharply with the weak sentiment among manufacturers surveyed in June's Purchasing Managers' Index (PMI). Furthermore, China's marginalised private sector provided the main driver of industrial growth in June, expanding by 8.3 percent in June and 8.7 percent in the first half of the year, compared with 6.2 percent and 5.0 percent for state-owned enterprises over the same periods, respectively. Investment in China's mining sector surged by 22.3 percent over the first half of the year, while government investment outstripped that of private investment. Fixed asset investment, the national spend on physical assets such as real estate, infrastructure or machinery, grew by 5.8 percent in the first half of the year. However, China's exports and imports both contracted in June, following an escalation in the trade war over the 2Q2019. With policy stimulus expected to support activity in the face of the adverse external shock, growth is forecast at 6.2 percent in 2019 and 6.0 percent in 2020

1.4 Japan

Japan economy expanded at a slower pace in the 2Q2019 owing to downgrade in business investment. GDP grew at an annualized pace of 1.3 percent (saar) in the 2Q2019, from the previous quarter. This 2Q2019 growth was driven by strong consumer spending. Although exports have fallen due to a slowing global economy and the U.S.-China trade war, consumer spending has helped power growth this period. Private spending is expected to continue showing strength through the 3Q, before taking a hit from the consumption tax increase from 8 to 10 percent for 1st of October. Learning from the shock observed in 2014 due to the sales tax, the government of Japan has planned a host of fiscal countermeasures to avoid an economic blow. The U.S.-China trade dispute is casting a shadow over the global outlook, and by extension the prospects for continued growth in Japan's trade-dependent economy. The economy of Japan is projected to grow by 0.9 percent in 2019, but it would decline to 0.4 percent in 2020.

1.5 Sub-Saharan Africa

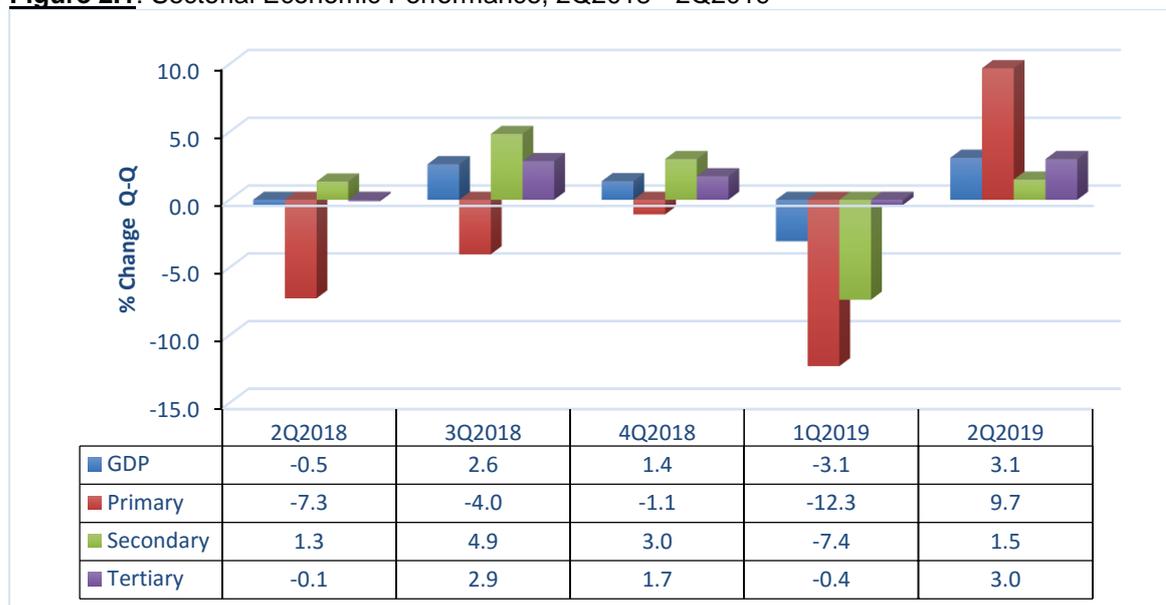
The Sub-Saharan Africa economy slightly slowed in the first half of 2019 owing to the lackluster performance of the region's largest economies, but partially offsets by non-resource-intensive countries.

Higher, albeit volatile, oil prices have supported the outlook for Angola, Nigeria, and other oil-exporting countries in the region. But growth in South Africa is expected at a more subdued pace in 2019. Still-elevated trade tensions, commodity price volatility, a weakening global economy, the slow pace of domestic reforms, corruption challenges and policy uncertainty cloud the outlook. Most sub-Saharan African countries have either a neutral or a tight monetary policy stance and have announced fiscal consolidation plans, which if implemented would contain their debt trajectories. These macroeconomic policies may need to be recalibrated to support growth in the event downside external risks materialize. However, countries would need to ensure that any shift in their policy stance is consistent with credible medium-term macroeconomic objectives, available financing, and debt sustainability. The Sub-Saharan Africa economy is expected to grow by 3.4 percent in 2019 and 3.6 percent in 2020.

2. South Africa

From the supply side, the GDP of South Africa showed a significant improvement as it grew by 3.1 percent in the 2Q2019, as opposed to the contraction of 3.1 percent observed in 1Q2019, quarter on quarter seasonal adjusted annualized rate (q-o-q, saar). The Mining and Quarrying industry as well as Finance, real estate and business services industry had huge positive impact on GDP growth during the 2Q2019. The biggest contribution to the 2Q2019 growth performance was the tertiary sector with 1.9 percentage points, followed by the primary sector with 0.9 percentage point. Between the 1Q2019 and 2Q2019, the primary sector growth (saar) increased by 22 percentage points, followed by the secondary sector with 8.9 percentage points and the tertiary sector with 3.4 percentage points. The following figure highlights the sectorial economic performance of South Africa between the 2Q2018 and the 2Q2019.

Figure 2.1: Sectorial Economic Performance, 2Q2018 - 2Q2019



Source: Statistics South Africa data and Own calculations
 Note: Data are seasonally adjusted and annualized rate at constant 2010 price

2.1 Primary Sector

The primary sector drastically increased by 9.7 percent (q-o-q, saar) in 2Q2019, after quarters of negatives growth. Indeed, the first positive growth after four consecutive negative growth. The mining and quarrying (MQ) industry, which represented 76.6 percent of the total primary sector increased by 14.4 percent (q-o-q, saar) and contributed 1.0 percentage point to GDP growth in the 2Q2019. This was its first positive growth after three consecutive negative growths. Increased production was reported for mining of iron ore, manganese ore, coal and ‘other’ metal ores including platinum. The agriculture, forestry and fishing (AFF) industry had also improved, but contracted by 4.2 percent (q-o-q, saar) in the 2Q2019. A drop in the production of field crops and horticultural products was the main cause of the decrease. The table below shows the economic performance in the primary sector between the 2Q2018 and 2Q2019.

Table 2.1: Sectorial Economic Growth in the Primary Sector, 2Q2018 – 2Q2019

	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019
	[% change]				
AFF	-42.3	13.7	7.9	-16.8	-4.2
MQ	8.1	-8.9	-3.8	-10.8	14.4
Primary Sector	-7.3	-4.0	-1.1	-12.3	9.7

Source: Statistics South Africa data and Own Calculation
 Note: Data are seasonally adjusted and annualized rate at constant 2010 prices

2.2 Secondary Sector

In 2Q2019, the secondary sector GDP increased by 1.5 percent, as opposed to previous quarter with a decline of 7.4 percent. The manufacturing industry (MAN) with 2.1 percent growth (q-o-q, saar), contributed 1.4 percentage points to the secondary sector and 0.3 percentage point to the GDP growth in the 2Q2019. Four of the ten manufacturing divisions reported positive growth rates in the 2Q2019. The divisions that made the largest contributions to the increase were food and beverages; basic iron and steel, non-ferrous metal products, metal products and machinery; and motor vehicles, parts and accessories and other transport equipment. The construction (CONS) industry with 19.0 percent of the secondary sector total, is the second biggest industry of the sector but has declined by 1.6 percent (q-o-q, saar), its fourth consecutive negative growth. Non-residential buildings and construction works contributed to the negative performance of this industry. The Electricity, Gas and Water (EGW) industry growth surged to 3.2 percent (q-o-q, saar) after a contraction of 7.4 percent observed in the 1Q2019. The table below shows the economic performance in the secondary sector between the 2Q2018 and the 2Q2019.

Table 2.2: Sectorial Economic Growth in the Secondary Sector, 2Q2018 – 2Q2019

	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019
	[% change]				
MAN	1.4	7.5	4.5	-8.8	2.1
EGQ	0.7	0.8	0.2	-7.4	3.2
CONS	1.5	-1.7	-0.7	-2.0	-1.6
Secondary Sector	1.3	4.9	3.0	-7.4	1.5

Source: Statistics South Africa data

Note: Data are seasonally adjusted and annualized rate at constant 2010 prices

2.3 Tertiary Sector

The tertiary sector GDP increased by 3.0 percent (q-o-q, saar) in 2Q2019 compared to the previous quarter contraction of 0.7 percent. The finance, real estate and business services (FRBS) industry, which represented 32.4 percent of the total tertiary sector increased by 4.1 percent (q-o-q, saar). The wholesale and retail trade, catering and accommodation (WRTCA) industry has increased by 3.9 percent in 2Q2019, as opposed to a decline of 3.6 observed in 1Q2019. Only transport, storage and communication (TCS) industry declined by 0.3 percent in the 2Q2019. During the same period, FRBS contributed 0.9 percentage point to the GDP growth, followed by WRTCA with 0.5 percentage point. The table below displays the economic performance in the tertiary sector between the 2Q2018 and 2Q2019.

Table 2.3: Sectorial Economic Growth in the Tertiary Sector, 2Q2018 – 2Q2019

	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019
	[% change]				
WRTCA	-1.2	3.4	-0.7	-3.6	3.9
TSC	-3.8	6.8	7.7	-4.4	-0.3
FRBS	1.7	2.1	2.7	1.1	4.1
Government services	0.2	1.9	-0.6	2.4	3.4
Personal services	0.8	0.6	1.7	1.1	0.8
Tertiary Sector	-0.1	2.9	1.7	-0.4	3.0

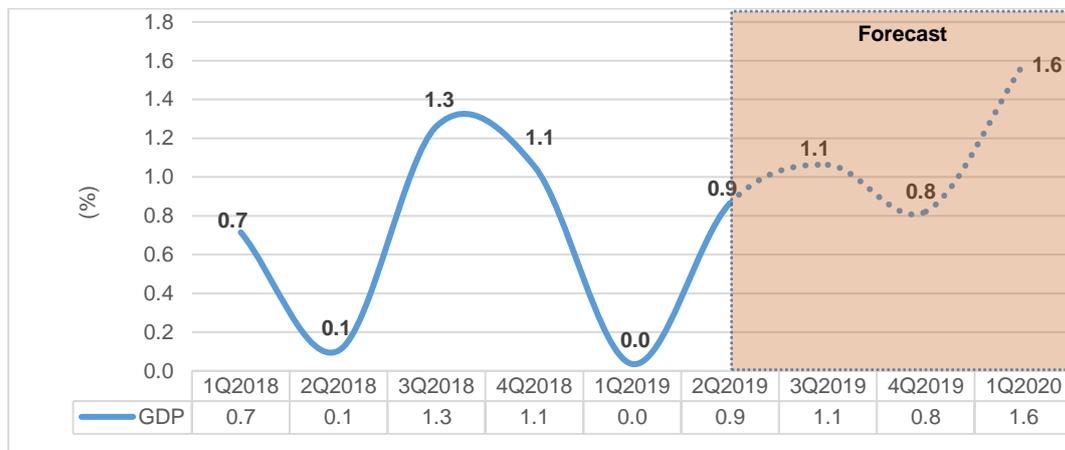
Source: Statistics South Africa data

Note: Data are seasonally adjusted and annualized rate at constant 2010 prices

2.4 South African Economic Outlook

When focusing on a year-on-year (y-o-y) quarterly growth, the South African economy increased by 0.9 percent, an improvement from 0.0 percent growth observed in the 1Q2019. The country economy is still fragile, but the current account deficit in the 2Q2019 widened as the weak rand boosted imports. From the demand side of the economy, final consumption expenditure by households increased by 1.4 percent (y-o-y) and contributed 0.9 percentage point to the GDP growth. Households' expenditure on alcohol beverage, tobacco and narcotics increased by 4.3 percent (y-o-y), followed by food and non-alcohol beverages with 2.9 percent, clothing and footwear with 2.7 percent, furnishings, household equipment and maintenance with 2.6 percent and restaurants and hotels with 2.5 percent (y-o-y). Only households' expenditure on transport declined by 1.3 percent. Fixed total investment declined by 0.4 percent during the same period and reduced GDP growth by 0.1 percentage point. Within the total investment, general government investment plummeted by 8.4 percent (y-o-y), public corporation investment declined by 2.7 percent (y-o-y), while private business enterprises improved by 2.1 percent (y-o-y) in the 2Q2019. Although imports of goods and services increased by 3.4 percent, exports contracted by 0.2 (y-o-y) in the 2Q2019. Regarding the next quarter, the GDP growth is expected to be moderated as manufacturing activity failed again in July and business confidence slipped further into pessimistic territory in August. Households' consumption is expected to pick up while investment would rebound amid improved economic sentiment. In its latest plan to grow the economy, the National treasury stated that businesses are stressed owing to the current high tax burden and the country's lack of competitiveness. Structural reforms are needed to boost the current growth path. Although the country's economy is still fragile, it is expected to increase by 1.1 percent in the 3Q2019 and 0.8 percent (y-o-y) in the 3Q2019. The following figure highlights the GDP growth and outlook between 1Q2018 and 1Q2020.

Figure 2.2: Economic Growth Rate and Outlook, 1Q2018 – 1Q2020



Source: Statistics South Africa data and Own Calculations
 Note: Year on Year percentage change constant 2010 prices

3. Monetary Policy, Prices and Exchange Rates

3.1 Interest Rates and Price Inflation

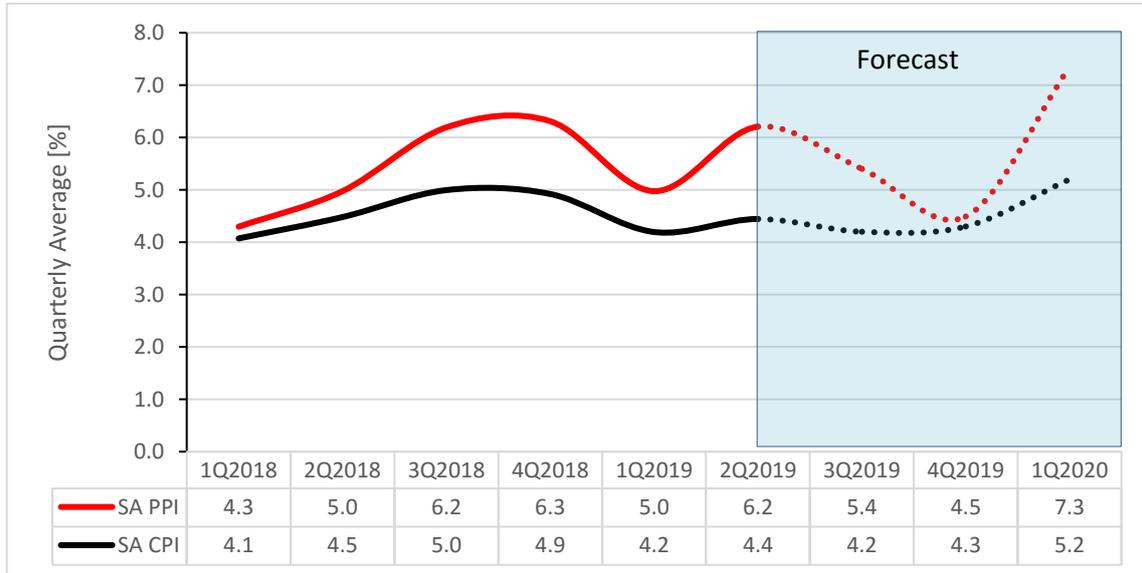
The monetary policy committee (MPC) of South African Reserve Bank (SARB) has unanimously decided to cut the repo rate by 25 basis points to 6.5 percent from 6.75 percent (prime rate at 10 percent) which came into effect on 19 July 2019. This was the first time since March 2018 that the benchmark interest rate has been cut. This cut in the repo rate particularly surfaced against the backdrop of the weakened economic growth climate experienced in the first quarter of 2019.

The MPC welcomes the continued downward trend in CPI inflation and the moderation in inflation expectation. South Africa’s CPI inflation dropped from 4.5 percent in 1Q2019 to 4.0 percent in 2Q2019. The main contributors to the 4.0 percent annual inflation rate were food and non-alcoholic beverages; housing and utilities; and miscellaneous goods and services. Housing and utilities increased by 5.1 percent (y-o-y), and contributed 1.2 percentage points; miscellaneous goods and services increased by 5.6 percent (y-o-y), and contributed 0.9 of a percentage point; and food and non-alcoholic beverages increased by 3.4 percent (y-o-y), and contributed 0.6 of a percentage point to the total CPI annual rate of 4.0 percent, respectively. In 2Q2019, average inflation expectations remained unchanged at 4.8 percent in respect of 2019.

The annual percentage change in the PPI for final manufactured goods fell to 4.9 percent in July 2019, compared with 5.9 percent observed in June 2019. The annual rate for PPI sat at 4.9 percent with the main contributors being food products, beverages and tobacco products; coke, petroleum and plastic products; and metals, machinery, equipment and computing equipment. The PPI is expected to decrease before showing a significant upward trend in the first quarter of 2020. The

following figure displays the historical trend and outlook of CPI and PPI inflation between 1Q2018 and 1Q2020.

Figure 3.1: CPI Inflation and PPI Inflation, 1Q2018– 1Q2020

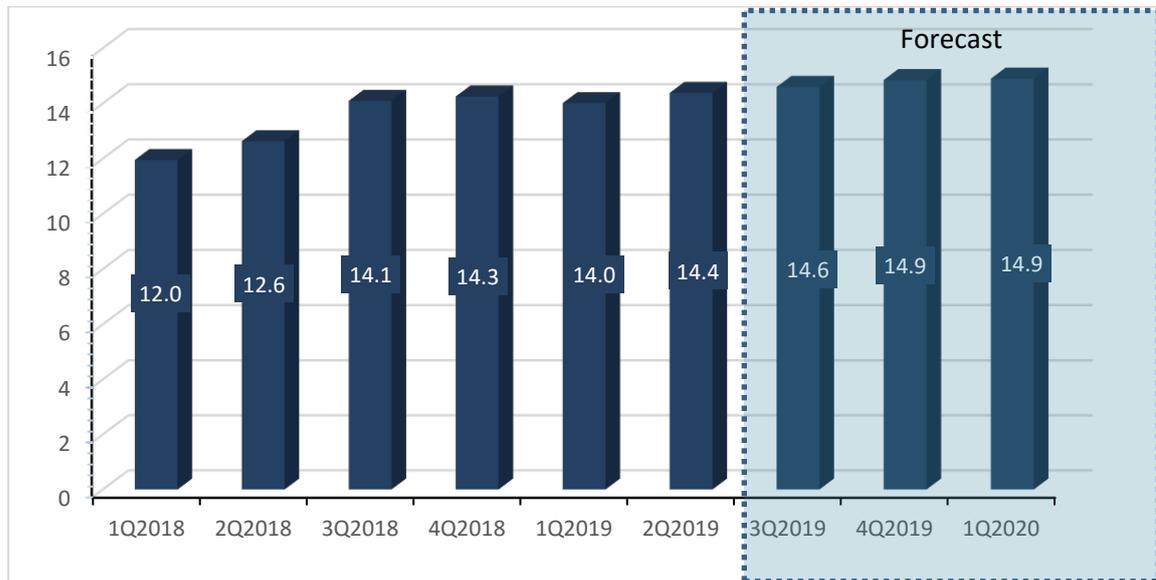


Source: Stats SA and BER

3.2 Exchange Rate

The rand/dollar exchange rate averaged around 14.4 in 2Q2019, representing a significant weakened rand compared to the observed 14.0 in the first quarter of 2019. Having lost more than 5 percent against the dollar in September, the rand added nearly a percentage point in afternoon trade on Tuesday, 3 September 2019, after data from StatsSA reflected a higher-than-expected GDP figure of 3.1 percent (seasonally adjusted, annualised) for 2Q2019, while annual growth exceeded expectations, reaching 0.9 percent. However, the rand would only improve if the economy shows an indication of sustainable growth. The following figure shows the historical and outlook of the rand-dollar exchange between 1Q2018 and 1Q2020.

Figure 3.2: The Rand-Dollar Exchange Rate, 1Q2018 – 1Q2020



Source: SA Reserve Bank & BER

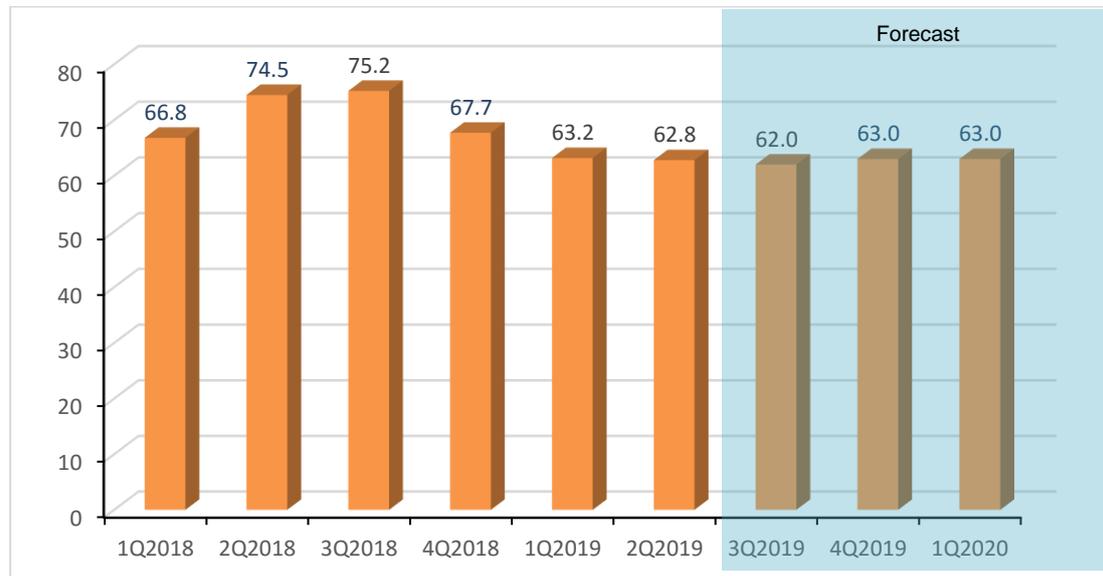
3.3 Oil Prices

Average Brent crude oil spot prices slightly dropped to US\$62.8 in 2Q2019 from the observed US\$63.2 in the 1Q2019. Global economic indicators continued to decline, contributing to oil price declines and volatility. Manufacturing Purchasing Managers’ Indices (PMIs)—which can serve as a leading indicator for economic growth—from several countries for August showed a contraction in manufacturing activity. PMI reports remained mixed for the United States, with the IHS Markit PMI still showing slight expansion, although at the lowest level since September 2009, while the U.S. Institute for Supply Management’s PMI showed contraction for the first time since 2016. Reports on trade negotiations between the United States and China also contributed to daily movements in global crude oil prices.

Oil posted its biggest ever intraday jump to more than US\$71/b after a strike on the Saudi Arabian oil facility which removed about 5 percent of global supplies, an attack the US blamed on Iran. On Monday 16 September, London’s Brent futures leapt almost US\$12 in seconds after the open of trading, which accounts for the most in dollar terms since they were launched in 1988. This vulnerability in the Brent crude oil spot prices are likely to raise the scepter of more destabilization in the Middle East and the threat of US retaliation against Iran.

Against this volatile background, the EIA forecast Brent spot prices to average US\$64/b in the second half of 2019 and US\$65/b in 2020. It will remain however flat over the next quarters. The next figure shows the Brent crude oil spot price between 1Q2018 and 1Q2020.

Figure 3.3: Brent Crude Oil Spot Price, 1Q2018 – 1Q2020



Source: IEA

4. International Trade

In the second quarter of 2019, the deficit on the current account of the Balance of Payment widened by R60.5 billion to R204.1 billion from R143.5 billion in the first quarter. As a ratio of GDP, the current account deficit deteriorated to 4.0 percent in 2Q2019 from the observed 2.9 percent in 1Q2019. South Africa’s trade balance switched from a R41.9 billion in 1Q2019, reaching a deficit of R27.2 billion in 2Q2019. This deterioration in the trade balance came about as the value of merchandise imports increased more than that of exports. The higher value of merchandise imports was driven by higher volumes and higher rand prices, while the higher value of exported goods resulted from an increase in rand prices. The shortfall on services, income and current transfer accounts somewhat narrowed to R176.9 billion in the second quarter of 2019 from the observed R185.5 billion in 1Q2019. This was primarily due to smaller deficits on the income and current transfer accounts, and partially countered by a slightly larger deficit on the services account. The table below shows the South Africa’s international trade in goods and services between 2Q2018 and 2Q2019.

Table: 4.1: South Africa's International Trade in Goods and Services, 2Q2018-2Q2019

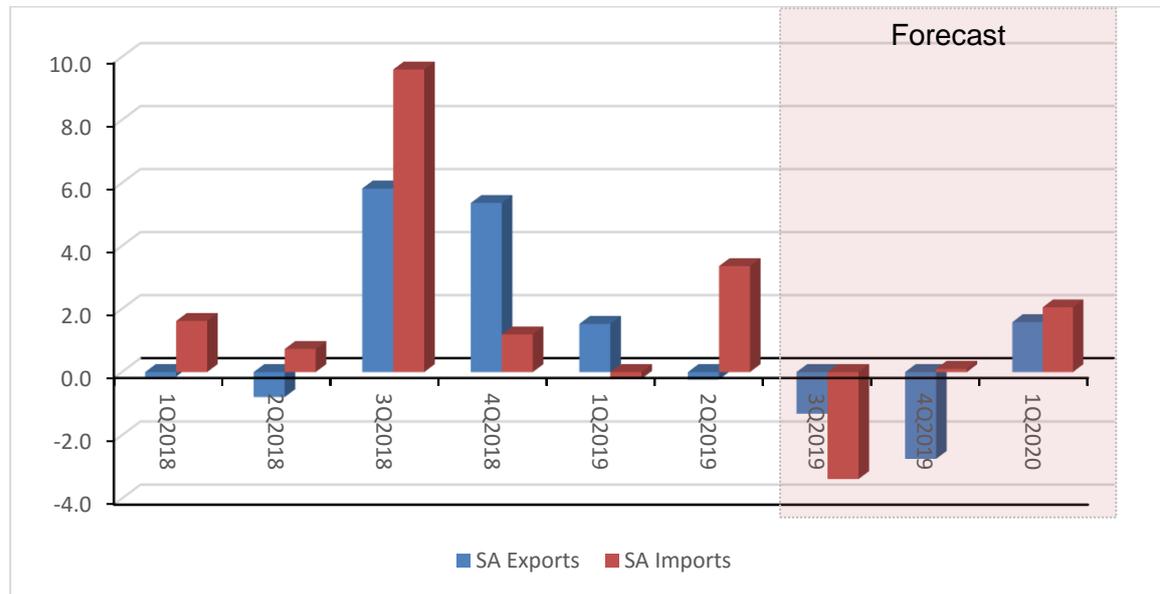
	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019
R'bn(seasonally adjusted and annualised)					
Merchandise Exports	1115.0	1234.7	1287.2	1192.8	1238.7
Net Gold Exports	69.6	73.0	67.4	56.3	49.9
Merchandise Imports	1159.6	1297.5	1282.9	1207.1	1315.8
Trade Balance	24.9	10.2	71.8	41.9	-27.2
Net Service, Income and Current Transfer Payments	-208.2	-190.6	-182.0	-185.5	-176.9
Balance on Current Account	-183.3	-180.4	-110.2	-143.5	-204.1
As a % of GDP					
Trade Balance	0.5	0.2	1.4	0.9	-0.5
Services Balance	-0.1	-0.2	-0.2	-0.3	-0.3
Income Balance	-3.5	-3.0	-2.8	-2.8	-2.5
Current Transfer Balance	-0.7	-0.6	-0.7	-0.7	-0.7
Balance on Current Account	-3.8	-3.7	-2.2	-2.9	-4.0

Source: SARB, seasonally adjusted annualised at current prices

4.1 Trade Outlook

South Africa's terms of trade deteriorated significantly in 2Q2019 as the price of imports increased more than that of exports. Net exports contributed negatively to growth in expenditure on GDP in 2Q2019. Over the period under review, exports of goods and services were down 0.7 percent, primarily influenced by decreasing trade in precious metals. Imports of goods and services increased by 18.8 percent, driven largely by an increase in imports of machinery and equipment, mineral products and chemical products. The following figure displays the trend and outlook of imports and exports growth between 1Q2018 and 1Q2020.

Figure 4.1: South African Trade Forecast, 1Q2018 - 1Q2020



Source: Statistics South Africa and BER data

5. Labour Market Analysis

Between 2Q2018 and 2Q2019 the number of employed people in South Africa has increased by 25 thousand. Over the same period, North West, with 59 thousand, recorded the highest number of job losses, followed by Northern Cape with 16.1 thousand and Eastern Cape (EC) with 15 thousand. However, Mpumalanga is leading in term of additional jobs creation with a gain of 31 thousand jobs during the same period, followed by Free State and Limpopo with a tie of 20 thousand and Western Cape with 18 thousand. Between the 1Q2019 and 2Q2019, the EC gained more than 80 thousand jobs, greater than the country average of 21 thousand during the same period. The following Table 5.1 shows employment by province between 2Q2018 and 2Q2019.

Table 5.1: Employment by province

	2Q2018	3Q2018	4Q2018	1Q2018	2Q2019	Net gain/loss (2Q2018- 2Q2019)	% Change (2Q2018 - 2Q2019)
	000						%
Western Cape	2,480	2,494	2,520	2,520	2,497	18	0.7
Eastern Cape	1,402	1,390	1,375	1,308	1,388	-15	-1.0
Northern Cape	317.5	322.9	321.8	321.2	301.4	-16.1	-5.1
Free State	788	774	806	803	808	20	2.6
KwaZulu-Natal	2,620	2,635	2,648	2,598	2,635	15	0.6
North West	977	979	973	970	918	-59	-6.1
Gauteng	5,055	5,077	5,163	5,162	5,066	11	0.2
Mpumalanga	1,212	1,231	1,245	1,209	1,243	31	2.6
Limpopo	1,436	1,478	1,477	1,401	1,456	20	1.4
South Africa	16,288	16,380	16,529	16,291	16,313	25	0.2

Source: Own calculations based on Quantec Data

5.1 Analysis of Employment in the Eastern Cape by Industry Contribution

The Community Social and Personal Services (CSPS) sector in the Eastern Cape has decreased to 27.4 percent of the total number of employed people in the 2Q2019 after three consecutive increases, and remains the biggest contributor to the Province's employment number. Agriculture, Forestry and Fishing (AFF) sector is showing three consecutive increases with a record of 7.0 percent of the total in the 2Q2019 from 5.6 percent in 4Q2018. Wholesale and retail trade (WRTCA) industry, continues to be the second biggest contributor and shows a 1.0 percentage point increase between 1Q2019 and 2Q2019. Table 5.2 below presents the industry employment share in the Eastern Cape between 2Q2018 and 2Q2019.

Table 5.2: Industry Employment Share in the Eastern Cape, 2Q2018 – 2Q2019

	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019
	%				
AFF	6.9	6.4	5.6	6.4	7.0
MQ	0.0	0.0	0.1	0.0	0.0
MAN	9.0	8.5	8.9	8.6	8.6
EGW	0.3	0.2	0.1	0.3	0.3
CON	11.6	12.4	11.9	10.4	10.6
WRTCA	21.5	22.3	20.4	20.2	21.2
TCS	4.4	5.1	5.2	6.3	5.5
FIBS	9.8	9.5	10.8	9.7	10.6
CSPS	28.7	28.1	28.3	29.7	27.4
Private Households	7.7	7.5	8.6	8.2	8.9

Source: Own calculations based on Quantec Data

5.2 Employment by Occupation and Gender in the Eastern Cape

Table 5.3 below presents the proportion of employment by occupation and gender in the Eastern Cape between 2Q2018 and 2Q2019. In the 2Q2019, women represented 53.5 percent of skilled workers in EC, 0.9 percentage points more than the one observed during the same quarter in 2018. However, men are still dominating in Legislators, senior officials and managers’ position with 69.7 percent in 2Q2019. Technical and associated professionals seem to be female dominated occupations as they represented 68.2 percent in 2Q2019. For semi-skilled workers, the proportion of female workers plummeted by 12.6 percentage points from 56.1 percent in 2Q2018 to 43.5 percent in the 2Q2019. Females continue to dominate clerk’s position with 75.2 percent while males dominate Craft and related trades workers as well as plant and machine operators and assemblers with 83.6 and 86.4 percent respectively.

Table 5.3: Employment by Occupation and Gender in the Eastern Cape, 2Q2018 – 2Q2019

	2Q2018		3Q2018		4Q2018		1Q2019		2Q2019	
	M	F	M	F	M	F	M	F	M	F
Skilled	47.4	52.6	44.1	55.9	41.8	58.2	42.7	57.3	46.5	53.5
Legislators, senior officials and managers	66.5	33.5	65.1	34.9	64.7	35.3	63.9	36.1	69.7	30.3
Professionals	37.0	63.0	38.2	61.8	31.3	68.7	30.7	69.3	39.5	60.5
Technical and associate professionals	35.9	64.1	31.1	68.9	27.6	72.4	31.3	68.7	31.8	68.2
Semi-skilled	56.1	43.9	57.5	42.5	57.4	42.6	56.9	43.1	56.5	43.5
Clerks	21.9	78.1	20.3	79.7	21.2	78.8	24.4	75.6	24.8	75.2
Service workers and shop and market sales workers	44.5	55.5	47.3	52.7	44.2	55.8	45.5	54.5	45.7	54.3
Skilled agricultural and fishery workers	68.0	32.0	77.1	22.9	87.0	13.0	79.0	21.0	84.3	15.7
Craft and related trades workers	86.8	13.2	88.7	11.3	87.7	12.3	87.4	12.6	83.6	16.4
Plant and machine operators and assemblers	85.5	14.5	86.9	13.1	88.0	12.0	90.4	9.6	86.4	13.6
Low Skilled	44.8	55.2	44.5	55.5	43.0	57.0	42.0	58.0	44.5	55.5
Elementary occupation	52.3	47.7	53.7	46.3	52.2	47.8	52.9	47.1	55.1	44.9
Domestic workers	10.6	89.4	6.0	94.0	4.8	95.2	5.1	94.9	5.9	94.1
EC	50.4	49.6	50.3	49.7	49.4	50.6	49.1	50.9	50.6	49.4

Source: Own calculations based on Quantec Data

5.3 Employment by Formal and Informal Sectors in the Eastern Cape

The formal sector (including agriculture) is the leading sector, and for the second quarter has slightly decreased in percentage points as compared to the 1Q2019. In the 2Q2019, formal sector including agriculture represented 65.7 percent of the total employed people. Compared to the previous quarter, private households’ employment has increased by 0.7 percentage point in 2Q2019. Table 5.4 depicts the employment of formal and informal sector in EC from 2Q2018 to 2Q2019.

Table 5.4: Employment by Formal and Informal Sector in the Eastern Cape, 2Q2018 – 2Q2019

	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019
	[% share]				
Formal sector (including agriculture)	68.0	66.8	68.3	66.4	65.7
Informal sector (including agriculture)	24.3	25.7	23.1	25.4	25.4
Private households	7.7	7.5	8.6	8.2	8.9
Total ('000)	1402	1390	1375	1308	1388

Source: Own calculations based on Quantec Data

5.4 Unemployment Rate

Official unemployment rate of South Africa was around 29 percent in the 2Q2019, an increase of 1.4 percentage points when compared to the previous quarter and 1.8 percentage points when compared to the same quarter in the previous year. In 2Q2019, EC had the highest unemployment rate with 35.4 percent, followed by Free State and Mpumalanga. However, between the 1Q and 2Q2019, the EC official unemployment rate declined by 2.0 percentage points owing to the more than 80 thousand jobs created during that period. When taking into account the discouraged job-seekers, close to 47 out of 100 people in the EC labour force are looking for jobs. Table 5.5 show official and expanded unemployment rates across provinces and the country between 2Q2018 and 2Q2019.

Table 5.5: Unemployment Rate, 2Q2018 – 2Q2019

	Official unemployment rate				Expanded unemployment rate			
	2Q2018	1Q2019	2Q2019	Y-o-Y Change (2Q2018 - 2Q2019)	2Q2018	1Q2019	2Q2019	Y-o-Y Change (2Q2018 - 2Q2019)
	[%]			[Percentage Points]	[%]			[Percentage Points]
Western Cape	20.7	19.5	20.4	-0.3	23.2	22.7	23.8	0.6
Eastern Cape	34.2	37.4	35.4	1.2	45.8	48.3	46.5	0.8
Northern Cape	28.9	26.0	29.4	0.5	42.4	41.5	44.8	2.4
Free State	34.4	34.9	34.4	-0.1	40.1	40.1	41.6	1.5
Kw aZulu-Natal	21.8	25.1	26.1	4.3	40.9	42.4	42.1	1.2
North West	26.1	26.4	33.0	6.9	43.4	44.4	46.6	3.2
Gauteng	29.7	28.9	31.1	1.4	34.4	33.6	35.0	0.6
Mpumalanga	33.2	34.2	34.7	1.5	41.7	43.0	43.5	1.9
Limpopo	19.3	18.5	20.3	0.9	37.4	43.1	41.1	3.7
South Africa	27.2	27.6	29.0	1.8	37.2	38.0	38.5	1.4

Source: Own calculations based on Quantec Data

5.5 Unemployment Rate by Racial Group in Eastern Cape

Unemployment rate in the EC decreased to 35.4 percent in the 2Q2019 from 37.4 percent observed in the previous quarter. The African/Black racial group continues to lead unemployment rate but in 2Q2019 decreased by 0.9 percentage point from the 1Q2019. In 2Q2019, the coloured community is the second racial group with higher unemployment rate in the EC with 23.1 percent which has also decreased by 11 percentage points when compared to the previous quarter. Within the White Community, unemployment rate is still low at 7.0 percent in the 2Q2019. Table 5.6 below highlights unemployment rate by racial group between 2Q2018 and 2Q2019.

Table 5.6: Unemployment Rate by Racial Group in the Eastern Cape, 2Q2018 – 2Q2019

	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019
(%)					
African/Black	37.0	39.3	39.2	40.3	39.4
Coloured	33.5	24.7	30.4	34.3	23.1
Indian	8.4	12.5	13.5	13.0	13.7
White	8.9	12.0	7.6	9.0	7.0
EC	34.2	35.6	36.1	37.4	35.4

Source: Own calculations based on Quantec Data

5.6 Unemployment by Age Group in the Eastern Cape

The age group 15-24 still show the biggest unemployment rate in the 2Q2019, followed by the 25-34 age group. As a consequence, the Province is losing most of its youth to Western Cape, Kwa-Zulu Natal and Gauteng with a huge impact on its economic development. An internship and graduate programme needs to be enhanced as the majority of graduates faces the issue of “lack of experience” when looking for jobs. Unemployment rate in the EC is already high and becomes extremely difficult for individuals with little or no experience. Table 5.7 below shows the proportion of unemployed people by age group between 2Q2018 and 2Q2019.

Table 5.7: Unemployment by Age Group in the Eastern Cape, 2Q2018 – 2Q2019

	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019
15 - 24	66.8	69.7	72.0	66.0	66.2
25 - 34	40.2	42.5	43.2	45.1	43.1
35 - 44	29.9	31.6	27.3	29.3	31.7
45 - 54	19.5	16.8	16.3	20.1	19.4
55 - 64	9.1	9.5	11.6	9.6	10.2
EC	34.2	35.6	36.1	37.4	35.4

Source: Own calculations based on Quantec Data

5.7 Discouraged Job-Seekers by Racial Group in the Eastern Cape

In terms of proportion, the African/Black is the most discouraged job-seekers race group accounted for 94.4 percent of the total discouraged job seekers in the EC 2Q2019. The Coloured community represented only 5.6 percent of the total in the 2Q2019, and its proportion has decreased by 0.3 percentage point compared to the previous quarter. Whereas the white population doesn't show much of a movement during the focus period. Table 5.8 shows the proportion of discouraged job seekers per racial group between 2Q2018 and 2Q2019.

Table 5.8: Discouraged Job-Seekers by Racial Group, 2Q2018- 2Q2019

	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019
	(%)				
African/Black	98.0	94.8	96.4	93.8	94.4
Coloured	1.7	5.2	3.3	5.9	5.6
Indian/Asian	-	-	-	-	-
White	-	0.0	0.3	-	0.0
EC ('000)	411.8	364.7	373.1	380.8	366.3

Source: Own calculations based on Quantec Data

5.8 Discouraged Job-Seekers by Age Group in the Eastern Cape

The majority of discouraged job seekers in the EC are between the 25 and 34 years old group as they accounted for 38.1 percent of the total in the 2Q2019, which is a slight decrease of 1.2 percentage points from the previous quarter. The age 15 to 24 experienced an increase from 27.8 percent in 1Q2019 to 32.7 percent in 2Q2019. Whereas, the proportion of the age group 35 to 44 decreased from 17.7 percent in 1Q2019 to 15.1 percent in 2Q2019. The proportion of discouraged job seekers per age category is highlighted in table 5.9 below between 2Q2018 and 2Q2019.

Table 5.9: Discouraged Job-Seekers by Age Group, 2Q2018 – 2Q2019

	2Q2018	3Q2018	4Q2018	1Q2019	2Q2019
	(%)				
15 - 24	31.6	29.2	27.8	27.8	32.7
25 - 34	38.0	39.5	41.5	39.3	38.1
35 - 44	15.7	14.5	17.3	17.7	15.1
45 - 54	9.7	11.9	9.7	12.5	8.5
55 - 64	5.0	4.9	3.7	2.7	5.7
EC ('000)	411.8	364.7	373.1	380.8	366.3

Source: Own calculations based on Quantec Data

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