

THE REAL ECONOMY BULLETIN

TRENDS, DEVELOPMENTS AND DATA

PROVINCIAL REVIEW 2022

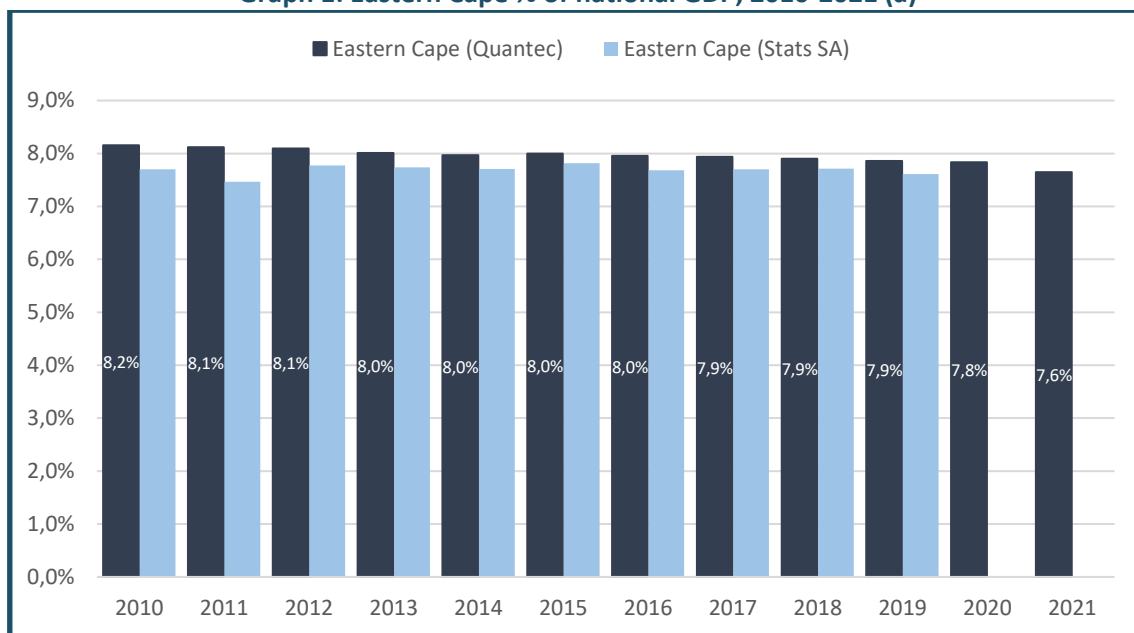
Provincial Review 2022: Eastern Cape

The Eastern Cape is the fourth most populous province in South Africa with a slow population growth rate. The Eastern Cape's contribution to the national GDP has been declining since 2011. Manufacturing is the largest real economic sector, followed by construction, with relatively small mining activities. The province has the highest level of unemployment in the country, and its absorption rate has declined over the past decade. The Eastern Cape has a relatively high share of non-urban areas, with two metros but no secondary cities. The province has seen improvements in piped water and electricity access.

The real economy in the Eastern Cape: structure and growth¹

With 6.5 million residents in 2020, Eastern Cape is the fourth most populous province in South Africa after Gauteng, KwaZulu-Natal, and Western Cape, accounting for 11% of the national population in 2020. The province's population has grown at a snail's pace, averaging 0.01% a year. The province accounted for 7.6% of the national GDP in 2021, down from 7.8% in 2020. This makes Eastern Cape the fifth-largest contributor to national GDP. Overall, data from Quantec indicates that the province's contribution to GDP has been steadily declining since 2011.

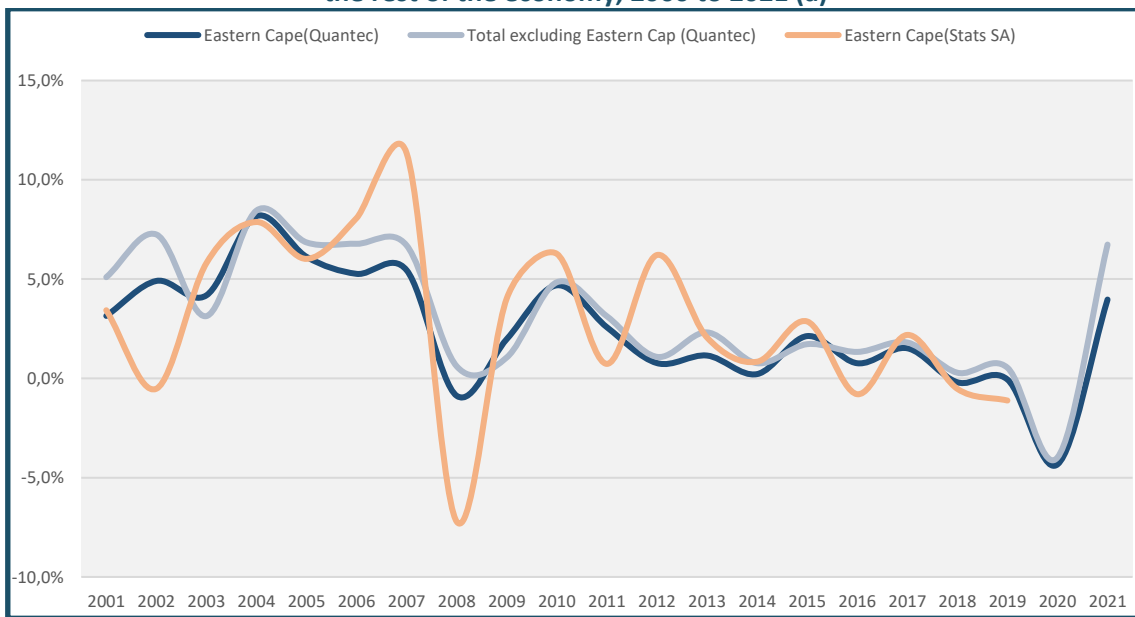
Graph 1: Eastern Cape % of national GDP, 2010-2021 (a)



Source: Statistics South Africa and Quantec. Note (a): % of national GDP is calculated at GVA basic prices at constant 2021 prices.

¹ Economic data for this review comes from Statistics South Africa and Quantec. Data from Quantec are estimates developed and based on Stats SA's regional employment and remuneration; national accounts ratio of remuneration to output; annual financial statistics; and national accounts provincial GVA. Given that Stats SA's regional GDP is available up to 2019, Quantec estimates are used to supplement the missing two years from the trends. This is important as it illustrates the impact of the COVID-19 pandemic at the regional level.

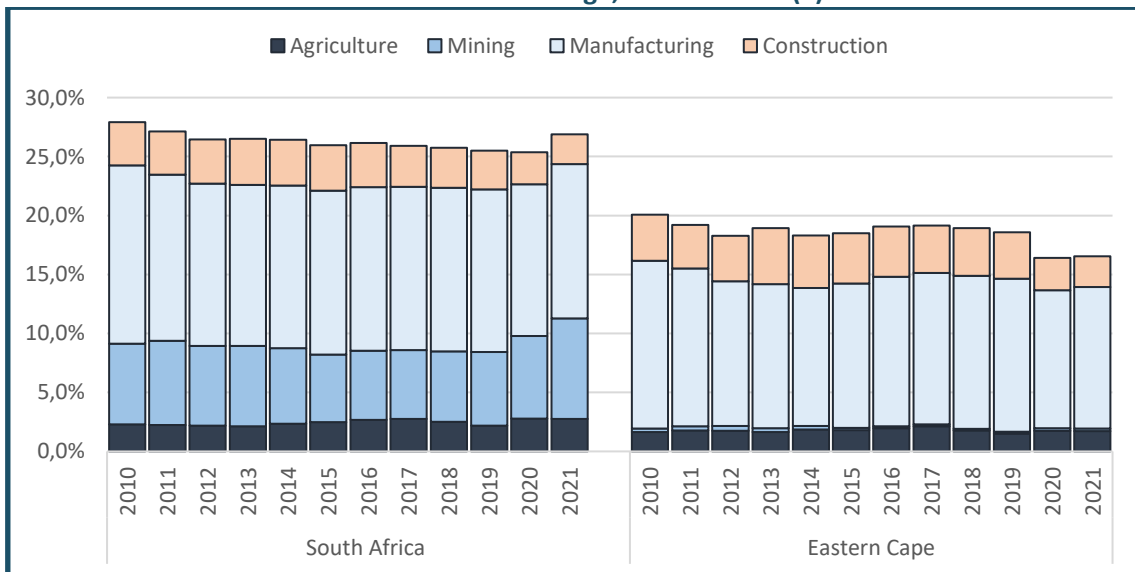
Graph 2: Eastern Cape economic growth compared to the rest of the economy, 2000 to 2021 (a)



Source: Calculated using Quantec and Stats SA data. Note (a): Growth rates are calculated at GVA basic prices at 2021 constant prices.

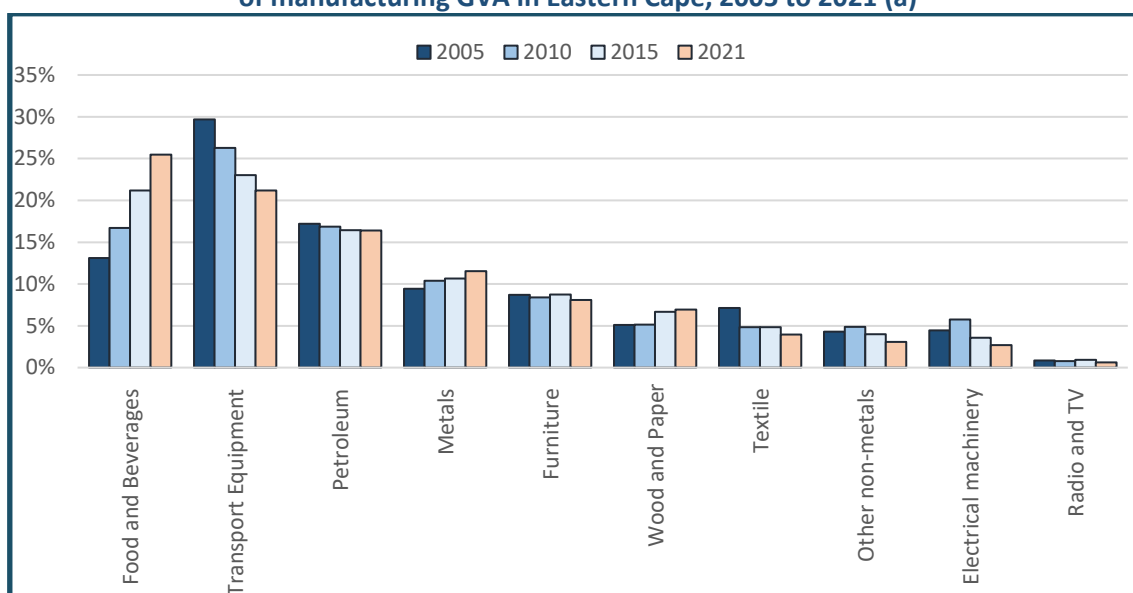
Eastern Cape's growth rate has been steadily declining since 2011 after a strong recovery from the 2008/9 global financial crisis, experiencing a negative growth rate of 0.2% in 2018. Although the province growth rate moderated in 2019, it plummeted by 4.3% in 2020 due to country-wide lockdown restrictions. Much like in other provinces, Eastern Cape recovered from the lockdown impact, recording a growth rate of 4% in 2021. Stats SA data show a much slower and more volatile growth rate for the Eastern Cape. According to Stats SA, Eastern Cape fell sharply in 2019, recording a negative growth rate of 1.1%.

Graph 3: Real sectors as a percentage of Eastern Cape GDP compared to the national average, 2010 to 2021 (a)



Source: Calculated using Quantec estimates and Stats SA data. Downloaded from www.easydata.co.za. Note (a): Calculation based on GVA at basic prices in constant 2021 prices.

Graph 4: Manufacturing subsectors as a percentage share of manufacturing GVA in Eastern Cape, 2005 to 2021 (a)



Source: Calculated using Quantec estimates. Downloaded from www.easydata.co.za.

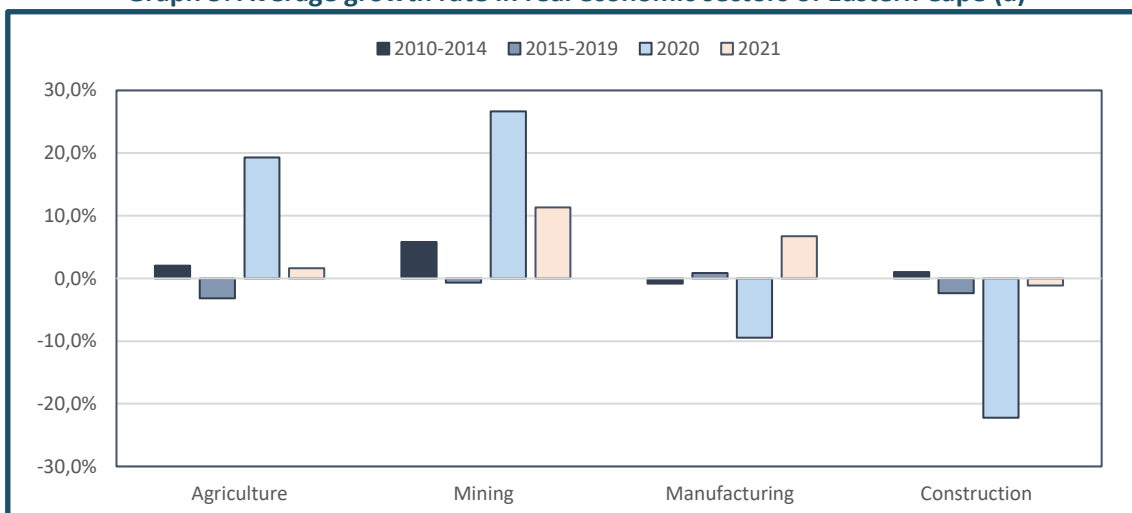
Note (a): Calculation based on GVA at basic prices in constant 2021 prices.

From 2021, the real economic sectors in Eastern Cape accounted for 17% of the provincial GDP compared to 27% at the national level. Manufacturing is the largest real economic sector, accounting for 12% of the provincial GDP. The manufacturing sector is dominated by the food and beverage industry making up 25% of the sector's output, followed by transport equipment and petroleum (see Graph 4). Notably, Graph 4 also shows that the share of food and beverage, metal, as well as wood and paper, have risen in the past decade. In contrast, the share of transport equipment, Petroleum and furniture has declined over the same period.

Construction is the second largest sector in the province, accounting for 2.6% of the total provincial GDP. Eastern Cape has relatively small mining activities, as the sector accounted for a modest 0.2% of the provincial GDP in 2021.

Between 2010 and 2014, mining was the fastest-growing sector in the Eastern Cape, recording an average growth of 5.8%. On the other hand, manufacturing was the worst performer among the real sectors over the same period as it recorded a negative average growth rate of 0.8%. Graph 5 shows that mining and agriculture fared relatively well during the pandemic, recording an increase of 26.7% and 19.3%, respectively. Construction and manufacturing experienced a steep decline in output, with construction declining by 22% and manufacturing by 9.5%. In 2021, manufacturing recovered from the effect of the pandemic, registering an increase of 6.7%. Construction still lagged behind in terms of recovery as it experienced a decline of 1.1% in the same period. All other real sectors continue to enjoy a modest increase in 2021.

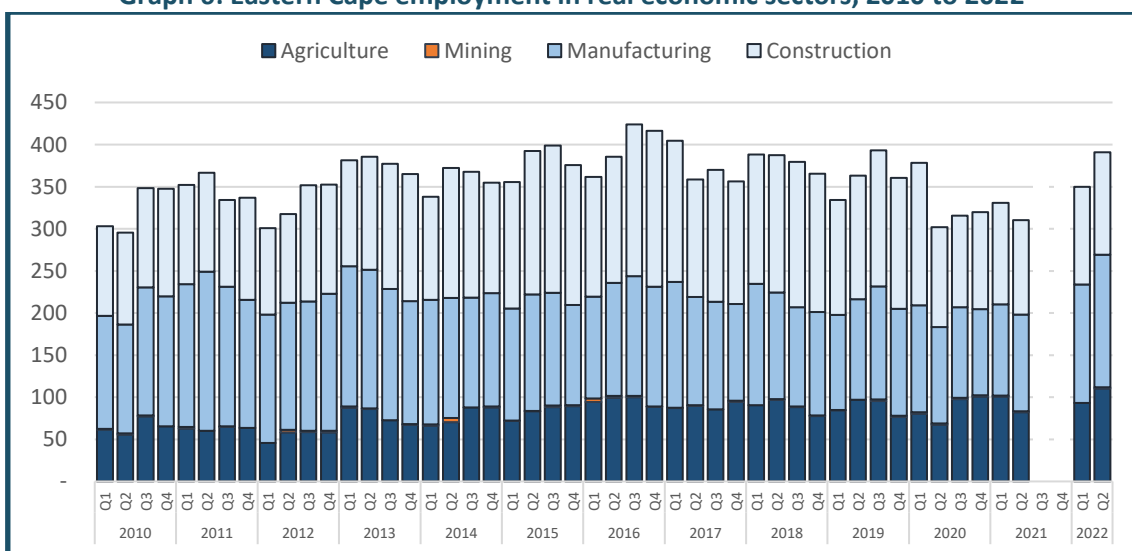
Graph 5: Average growth rate in real economic sectors of Eastern Cape (a)



Source: Calculated using Quantec data. Downloaded from www.easydata.co.za. Note (a): Calculation based on GVA at basic prices in constant 2021 prices

Employment in the real sectors of the Eastern Cape also sheds some light on the economic structure of the province. Eastern Cape accounted for 11.1% of national employment in 2021. Construction is the biggest employer of all real economic sectors, with 121 000 workers in 2021. However, this was not always the case, as manufacturing was leading in the real sector until it was overtaken by construction in 2015 (see graph 6). The manufacturing sector is the second largest employer in the province, with 116 000 workers over the same period, followed by agriculture with 100 000 workers. Furthermore, employment in the real economy of the Eastern Cape has recovered from the pandemic effects.

Graph 6: Eastern Cape employment in real economic sectors, 2010 to 2022²



Source: StatsSA Quarterly Labour Force Survey. Downloaded from www.statssa.gov.za

Table 1 shows large public and private real-economy projects in the Eastern Cape between 2010 and 2021.

² Q3 and Q4 2021 are excluded from the chart because During the pandemic Stats SA suspended the QLFS for those quarters due to low response rate.

Table 1: Large public and private real-economy projects in the Eastern Cape 2010-2021

PROJECT NAME	COMPANY	VALUE	PROJECT INDUSTRY
Aegean Bunkering Ship	Aegean	R200 million	Utilities
Beijing Automobile International Corporation CKD Plant	Beijing Automobile International Corporation	R11 billion	Manufacturing
Mercedes-Benz expansion at East London plant	Mercedes-Benz	R500 million	Manufacturing
Somlolo Brokered Chinese Metals Project in Coega IDZ	Somlolo Investment	R580 million	Metals
Volkswagen SA Upgrading at Uitenhage plant	Volkswagen Group South Africa	R6 billion	Manufacturing
AGCO Tractor and agricultural implement manufacturing plant	AGCO South Africa	R108 million	Manufacturing
Mercedes Benz SA Additional AMG Models	Mercedes Benz South Africa	R200 million	Manufacturing
Cement Grinding Plant	Osho Ventures and Heidelberg Cement	R650 million	Manufacturing
Gas Cylinder Plant	Repkon and MM Engineering	R350 million	Manufacturing
Gibson Bay Wind Farm	Enel Green Power, Enel	R2.8 billion	Utilities
Uitenhage Tyre Manufacturing Plant Expansion and Upgrade	The Goodyear Tire and Rubber Company	R1 billion	Manufacturing
Mercedes-Benz East London Plant Expansion	Daimler AG	R9.5 billion	Manufacturing
UD Trucks Dealership (Billson Trucks)	UD Trucks	R110 million	Services
Agni-Steel SA expansion project	Agni Steel SA	R100 million	Manufacturing
Nxuba Wind Farm	Enel Green Power RSA	R3.1 billion	Manufacturing
Heavy Bay Foundry upgrades	Wier Minerals Africa	R30 million	Manufacturing
Heavy Bay Foundry upgrades	Wier Minerals Africa	R10 million	Manufacturing
Aberdare high voltage manufacturing plant	Aberdare Cables	R135 million	Manufacturing
Oyster Bay Wind Farm	Enel Green Power RSA	R2.9 billion	Utilities
VWSA Sustainability investment - Biogas Plant	Volkswagen Group South Africa (VWSA)	R3.5 billion	Utilities
Isuzu Stuansdale plant investment	Isuzu Motors South Africa	R1.2 billion	Manufacturing

MA Automotive Plant expansion	MA Automotive	R512 million	Manufacturing
ZF Lemförder axle assembly plant	ZF Lemförder	R240 million	Manufacturing
BioTherm Renewable Projects: GoldenValley Wind Facility	BioTherm/Actis	R939 million	Utilities
Sundale Schreiber JV	Sundale Dairy (SA) and Schreiber	R70 million	Manufacturing
Lactalis milk powder production plant	Lactalis	R100 million	Manufacturing
Sundale cheese and dairy production	Sundale and Schreiber	R101 million	Manufacturing
Eco-tourism development (Giant Flag Project)	Giant Flag consortium (Giant flag, Gigawatt Global and CT Worldwide)	R184 million	Services
RMIPPPP: Karpowership SA Coega	Karpowership SA/ Karadeniz Energy Group	R10.9 billion	Utilities
RMIPPPP: Mulilo Total Coega	Total Gaz/Mulilo	R4.8 billion	Utilities
Mercedes Benz manufacturing plant – extended investment	Mercedes Benz South Africa	R3 billion	Manufacturing
Aspen Pharmacare COVID vaccine production	Aspen Pharmacare, International Finance Corporation (IFC), Proparco, DEG, U.S. International Development Finance Corporation (DFC)	R10.8 billion	Manufacturing

Source: Compiled by Kelello Mashiane, using FDI data. TIPS FDI Tracker available at <https://www.tips.org.za/manufacturing-data/fdi-tracker>

Employment

Eastern Cape has the highest level of unemployment in the country. In 2021, Eastern Cape's absorption rate – the proportion of the working-age population aged 15-65 years employed – was 28.5% compared to the national average of 37%. Unemployment in the province has risen over the past decade, with the absorption rate declining from 32.2% in 2010 to 28.5% in 2021.

Economic policy initiatives

This section outlined major industrial policy and development initiatives that had an impact in the Eastern Cape:

- In 2019/20 the dtic approved projects worth R669 million for the province. The projects are anticipated to generate an investment of R1.2 billion and produce 711 jobs. However, the dtic support for the region had declined considerably compared to 2016/17 when the department approved projects worth R1.5 billion.

- In 2017/18, the projected investment for the MCEP in the Eastern Cape amounted to R818 945 and retained 95 baseline jobs. This represents a decline compared to the 2016/17 investment worth R119.8 million for the programme.
- In 2021, the dtic invested R300 million in the Black Industrialists Scheme in the Eastern Cape. Similarly, IDC invested R854 million to for black industrialists in the Eastern Cape and the NEF contributed R184 million.
- Eastern Cape hosts two IDZs, namely COEGA and East London SEZ. COEGA is the largest SEZ in Southern Africa. There are no new proposed SEZs for the province.

Table 2: Major national infrastructure in Limpopo from 2016 to 2022

PROJECT NAME	IMPLEMENTING AGENCY	PROJECT COST	PROJECT DESCRIPTION
Mzimvubu Water Project	Department of Water and Sanitation	R15 billion	The project involves the construction of two multi-purpose dams; Ntabelanga and Lalini Dams
Marine Tilapia Industry	Eastern Cape Rural Development Agency	R19.2 billion	The project involves the establishment of a Marine Tilapia industry Incubator, which will serve as support base for the development of Tilapia industry.
N2 Nodal Development	Nelson Mandela Bay Metropolitan Municipality	R44 billion	A mixed-use development that will be located around the Bay West Development precinct

Eastern Cape's national spatial economy

The Eastern Cape has a relatively high share of former non-urban areas within its borders. In 2021, 44% of the population lived in non-urban areas, compared to the national average of 26%. Nearly over half of the province's population lived in urban areas. The Eastern Cape has two metros and no secondary cities. Moreover, 21% of adult population in the Eastern Cape had matric and only 10% had a degree. The share of people with matric and a degree in the Eastern Cape is lower than the national average, with 30% of the adult population in South Africa having a matric, and 13% have a degree.

Regarding infrastructure, 48% of households in the Eastern Cape had running water in their houses or yards combined in 2021, compared to 38% in 1996. The share of households with running water in the house alone was 24% in 2021. In addition, 93% of households had access to electricity, up from 38% in 1996.

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