**KwaZulu-Natal Business Barometer**

**January 2012**



**Healthy growth in KwaZulu-Natal**

The current growth cycle in the KwaZulu-Natal economy might have passed its high, but the cycle is still in good health and its recovery and growth side will last for some time to come.

The KwaZulu-Natal barometer, as compiled by Mike Schüssler of Economists.co.za, grew by 8.9% year-on-year in January. Although this was the slowest growth in four months, it was still encouraging as the barometer was 29.7% up from three years ago. The barometer’s 4% month-on-month growth and 6% quarter-on-quarter growth were the strongest growth figures in a year.

**Reduced stress index and increased growth a winning combination**

Strong economic growth and declining economic stress contributed to the barometer’s strong levels.

The KwaZulu-Natal economy grew by 6.5% year-on-year in January and also grew on a month-on-month and quarter-on-quarter basis.

The economic stress index, which measures negative factors like unemployment, interest rates and inflation, declined for the seventeenth consecutive month. The 2.2% year-on-year decline in economic stress was due to unemployment in KwaZulu-Natal measuring at 19.3% compared to 20% a year ago. Inflation in the province was somewhat higher than the national average, at 6.4%, but the continued decline in civil debt cases, this time by 42% year-on-year, also helped to reduce consumer stress.

**Trade index leading growth**

The state of the consumer is very important to the KwaZulu-Natal economy, as a lot of the province’s economy growth is consumer-led.

The KwaZulu-Natal trade index grew by 8.3% year-on-year, 3.9% on the month before and was up 5.6% quarter-on-quarter. This was made possible by year-on-year growth of 7.6% in retail sales and 14.9% in vehicle sales. Wholesale trade was up 10.3%.

Petrol is the one consumer-spending element that is under pressure. Petrol sales declined by 2.8% year-on-year as petrol is fast becoming price-sensitive. Petrol prices have been rising continuously, and with no end in sight, people are decreasing their petrol usage even though they still buy new vehicles.

**Finance, real estate and business services show monthly growth**

The consumer’s better standing can also be seen in the KwaZulu-Natal finance, real estate and business services index. The index was still negative on a year-on-year and quarter-on-quarter basis, but grew by 1.9% month-on-month.

The big driver of the 2.85% year-on-year decline in this index was the 42% decline in civil debt cases, which meant much less business for lawyers, but alleviated economic stress, as previously mentioned.

Property transfers were up 9.7% from a year ago and have now been positive in KwaZulu-Natal for 20 months. The property market is still recovering, but is strengthening continuously, which bodes well for estate agencies, conveyance attorneys and property surveyors.

Mortgages grew by 7.7% – the strongest rate in four months. The fact that mortgages are growing a bit slower than property transfers and have been positive for 16 months, compared to property transfers’ 20 months, shows that people who buy property are still putting down sizable deposits.

Instalment sales grew by 4.5% year-on-year. While this was the fastest growth in more than three years, it is still benign compared to retail sales growth, which might indicate consumers are delving into their savings to pay for retail items.

**Property transfer high boosts building and construction**

The surprising growth in KwaZulu-Natal’s building and construction sector could partially be contributed to the positivity around property. The province’s construction index grew by 19.7% year-on-year – the strongest growth since July 2009. KwaZulu-Natal has, by far, the best building statistics of all the provinces, and recorded some of the best lumber sales, which grew by 4.9% year-on-year.

The strong growth in hardware sales, as a part of retail sales, indicated that there is probably a great deal of informal building in KwaZulu-Natal.

**Agriculture on the road to recovery**

The KwaZulu-Natal agriculture sector is still struggling to gain momentum, but could be starting a recovery phase.

Year-on-year the agricultural index declined by 4.8%, but it was up 2.5% quarter-on-quarter.

The volume of sugar cane crushed was down 7.8% on a year ago, which shows the drought in the province still has an effect.

Cattle slaughtered dropped by 50.7% year-on-year around the country, which was partly due to the lingering problems with foot-and-mouth disease. This adversely affected KwaZulu-Natal as 48% of the province’s meat production, aside from poultry, is made up of cattle.

There are some positive aspects in KwaZulu-Natal’s agriculture sector and with most of the drought conditions over now; the sector is expected to recover slowly when the foot-and-mouth disease is finally addressed.

**Mining showing slight improvement**

KwaZulu-Natal’s mining sector was slightly positive in January, with the index growing 0.1% after declining for five months. The index grew by 5.2% month-on-month and 10.1% quarter-on-quarter. This was mainly on the back of coal mining.

**Transport and communication still strong**

Coal mining also boosted the KwaZulu-Natal transport and communication index. The index grew by 16.2% year-on-year and was 39.7% up compared to three years ago.

This was driven by land transport, which includes rail and road freight, and which was up 11.8% year-on-year. Countrywide rail transport grew by 15% and in KwaZulu-Natal most of the growth was driven by the transport of coal. Road freight is still driven by growth in the rest of Southern Africa, as well as the transport of consumer goods destined for neighbouring countries through KwaZulu-Natal and the rest of South Africa.

Although the overall cargo volume handled by ports was up only 1.1%, cargo handled at the Richards Bay harbour, which mainly handles coal, was up 33%. Cargo volumes handled at Durban’s harbour was down 27% from a year ago.

Despite the transport volumes, communication still remains the driver behind KwaZulu-Natal’s transport and communication index as the internet, data and knowledge revolution continues, just like in the rest of South Africa. Countrywide cell phone minutes used increased by 24.6% year-on-year, while unique local browsers increased by 17.4%.

**Manufacturing moving at steady pace**

The manufacturing industry in KwaZulu-Natal is now walking ahead and not running anymore. The manufacturing index grew by 2.5% year-on-year, compared to 4.2% and 3.6% in the two preceding months. The slowing in growth is due to vehicle manufacturing taking a beating in the last two or three months as export markets stalled due to problems in South Africa’s most important export destinations. Any problems in Europe or the Middle East affect the South African manufacturing industry and in turn affect KwaZulu-Natal’s manufacturing too.

**Electricity usage slowing: non-indicative of growth**

Mining and manufacturing are both big users of electricity. But given the continuous rise in electricity prices, electricity usage is no longer an accurate indicator of economic growth in these sectors. The KwaZulu-Natal electricity index grew by only 0.5% year-on-year, but given the current situation it has more to do with price sensitivity and supply-side constraints than demand.

**Government still holding back on spending**

The national, provincial and local governments’ expenditure contributes more than 14% to the KwaZulu-Natal economy. The government index grew by 11.3% year-on-year after it grew by more than 20% in the first half of last year. The slight slowdown in government spending means the government is probably holding back some of its spending for possible future economic problems sprouting from the slowdown in Europe.

**Results Table:**



