



Province of KwaZulu-Natal
Provincial Treasury
IMES Unit

THE KWAZULU NATAL ECONOMY – A PERFORMANCE OVERVIEW¹ UPDATE 11

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SUMMARY OF FINDINGS FOR KZN – 4th QUARTER 2011

GDPR at constant 2005 prices Non-seasonal adjusted quarter on quarter =

1.09

GDPR at constant 2005 prices Non-seasonal adjusted year on year = **3.32**

GDPR at constant 2005 prices Seasonal adjusted quarter on quarter = **0.79**

GDPR at constant 2005 prices Seasonal adjusted year on year = **2.93**

NATIONAL GROSS DOMESTIC AND GROSS REGIONAL PRODUCT: 4th QUARTER OF 2011

The release of the 4th quarter 2011 national GDP results and statistics by Statistics SA (January 2012) enables us to determine the national economic growth rate for the 4th quarter of 2011. It further allows us to calculate and derive the gross regional product for KwaZulu-Natal for the 4th quarter of 2011 and the various provincial sectors' economic growth rates. It must be noted that the national GDP-related calculations and values are based on published data, i.e., actual data. However, the quarterly gross regional product for KwaZulu-Natal and related calculations and values are based on a structural model developed by the author (working paper 1 dd 4 December 2008) and thus are estimates only.

NATIONAL GDP AND GROWTH RATES

Table 1 indicates that the South African gross domestic product increased by 1.83 per cent during the 4th quarter of 2011 compared to an increase of 1.42 percent during the 3rd quarter of 2011 a non-seasonal adjusted basis. This represents a 0.78 per cent seasonal adjusted and annualised increase during the 4th quarter of 2011, which is marginally higher than the 0.42 percent recorded during the 3rd quarter of 2011. The modest growth trend during the 2nd and 3rd

quarters of 2011 therefore seems to have continued through the 4th quarter of 2011.

Table 1: National GDP and Economic Growth Rate – Quarter-on-Quarter

	2011 q1	2011 q2	2011 q3	2011 q4
Primary Industries	1.80	20.11	-8.83	-12.97
Agriculture, forestry and fishing	25.67	66.00	-15.12	-42.77
Mining and quarrying	-4.48	4.25	-5.37	1.75
Secondary Industries	-4.26	1.78	3.65	1.16
Manufacturing	-4.28	2.19	3.75	0.94
Electricity, gas and water	-5.89	4.05	3.49	-0.59
Construction	-3.19	-1.52	3.25	3.30
Tertiary industries	-3.69	1.44	2.13	3.73
Wholesale & retail trade; hotels & restaurants	-15.93	1.64	5.00	16.91
Transport, storage and communication	-4.92	2.17	4.27	1.97
Finance, real estate and business services	1.17	0.67	1.08	-0.20
Personal services	2.81	0.99	-0.82	-1.46
General government services	-0.49	2.19	1.09	1.39
GDP at constant 2005 prices	-3.19	2.92	1.42	1.83
GDP at constant 2005 prices (seasonal adjusted annualized)	1.12	0.24	0.42	0.78

Table 2 indicates the performance of the economy on an annual basis compared to table 1 which focus on the performance on a quarterly basis. Table 2 shows that the SA economy recorded a slowdown in growth during the 4th quarter of 2011 both on a seasonal and non-seasonal adjusted year-on-year basis. The national economy clearly lost steam during the 4th quarter of 2011 compared to a year ago.

Table 2 indicates that all the economic industries, except mining and quarrying, recorded positive growth rates on an annual basis during the 4th quarter of 2011 and the majority of industries, except the mining and quarrying, electricity, gas and water, finance, real estate and business services and personal services industries, recorded better growth rates during the 4th quarter of 2011 compared

to the 3rd quarter of 2011. The substantial decrease of 2.98 per cent economic growth rate of the primary sector industries is very disappointing. On the other hand the growth rate (2.44%) in the manufacturing sector is very encouraging and should be support and nurtured. In general the 4th quarter of 2012 seems to be a real mix bag between slightly better and slight worse performance.

Table 2: National GDP and Economic Growth Rate – Year-on-Year

	2011 q1 Annualised	2011 q2 Annualised	2011 q3 Annualised	2011 q4 Annualised
Primary Industries	-0.45	5.51	-2.46	-2.98
Agriculture, forestry and fishing	-2.10	-0.92	0.63	1.34
Mining and quarrying	0.13	9.42	-3.91	-4.12
Secondary Industries	3.90	0.88	1.41	2.17
Manufacturing	5.04	0.92	1.42	2.44
Electricity, gas and water	1.61	1.96	1.13	0.73
Construction	-0.08	0.04	1.51	1.68
Tertiary industries	3.53	3.56	3.98	3.50
Wholesale & retail trade; hotels & restaurants	4.33	3.96	4.48	4.89
Transport, storage and communication	3.15	3.45	3.15	3.29
Finance, real estate and business services	3.39	3.42	4.56	2.74
Personal services	3.36	2.91	2.05	1.47
General government services	3.39	3.78	4.00	4.22
GDP at constant 2005 prices (seasonal adjusted annualized)	3.74	3.27	2.92	2.59
GDP at constant 2005 prices (non-seasonal adjusted annualized)	3.36	3.26	2.99	2.90

Table 3 indicates the average sector contribution rates for the different economic sectors for the stated periods. It indicates that the contribution of the secondary sector declined from 2001 to 2011, whereas the contribution of the tertiary sector increased over the period. The massive relative decline in the construction sector and the inability of the sector to recover should be a significant cause of

concern because it suggests a lack on investment activity in the provincial economy.

Table 3: Average National Sector Contribution – Per Period and Per Industry

	2001	2004	2007	2010	2011
Primary Industries	10.41	10.38	10.05	11.04	11.25
Agriculture, forestry and fishing	28.86	29.46	29.09	28.89	29.41
Mining and quarrying	4.14	3.77	3.49	3.54	3.66
Secondary Industries	20.84	20.09	19.91	19.84	19.96
Manufacturing	21.19	21.24	21.17	21.32	21.44
Electricity, gas and water	18.62	17.05	17.21	16.48	16.34
Construction	20.11	14.64	14.40	14.62	14.76
Tertiary industries	15.65	15.69	15.84	15.90	15.88
Wholesale & retail trade; hotels & restaurants	16.83	16.99	17.02	17.25	17.26
Transport , storage and communication	21.25	21.37	21.62	21.97	22.14
Finance, real estate and business services	13.47	13.44	13.79	13.72	13.56
Personal services	16.34	16.34	16.28	16.35	16.32
General government services	13.80	13.61	13.63	13.81	13.87

Table 4 indicates the actual national GDP per economic sector for the stated periods.

Table 4: National Quarterly GDP at Constant 2005 prices - Rand million

	2010Q2	2010q3	2010q4	2011q1	2011q2	2011q3	2011q4
Primary Industries	37,766	37,243	32,589	33,175	39,847	36,328	31,618
Agriculture, forestry and fishing	14,279	11,934	6,782	8,523	14,148	12,009	6,873
Mining and quarrying	23,487	25,309	25,807	24,652	25,699	24,319	24,745
Secondary Industries	93,097	95,990	96,381	92,277	93,916	97,343	98,469
Manufacturing	70,480	72,757	72,716	69,605	71,127	73,793	74,490
Electricity, gas and water	8,468	8,835	8,817	8,298	8,634	8,935	8,882
Construction	14,149	14,398	14,848	14,374	14,155	14,615	15,097
Tertiary industries	277,760	282,530	294,437	283,570	287,654	293,778	304,749
Wholesale & retail trade; hotels & restaurants	52,959	55,331	64,439	54,172	55,059	57,812	67,587
Transport , storage and communication	40,877	42,748	43,532	41,390	42,287	44,093	44,963
Finance, real estate and business services	96,475	96,452	97,963	99,108	99,773	100,850	100,651
Personal services	25,427	25,430	25,202	25,910	26,167	25,952	25,572
General government services	62,021	62,569	63,302	62,990	64,368	65,071	65,976
All industries at basic prices	408,622	415,763	423,408	409,022	421,417	427,449	434,836
Taxes less subsidies on products	48,224	48,750	50,045	49,333	50,312	50,960	52,339
GDPR at constant 2005 prices	456,846	464,513	473,453	458,355	471,729	478,409	487,175

ESTIMATED PROVINCIAL 2010 AND 2011 QUARTERLY GROSS REGIONAL PRODUCT

The per-sector estimated GDP-R up to the 4th quarter of 2011 is indicated in table 5. It is evident that provincial GDP in absolute terms has recovered during 2010 and have consistently increased during the 12 months of 2011. What is also evident is that no one particular industry has recorded continues or substantial growth over the indicated 5 quarters. This is most probably statistical and seasonal related, but could also be indicative of short term uncertainty and volatility.

Table 5: Provincial GDP Quarter 4 of 2010 and Quarter 1, 2, 3 and 4 of 2011 - Constant 2005 prices - Rand million

Industry	2010Q4 KZN	2011Q1 KZN	2011Q2 KZN	2011Q3 KZN	2011Q4 KZN
Primary Industries	2,872	3,409	5,102	4,422	2,927
Agriculture, forestry and fishing	1,959	2,506	4,161	3,532	2,021
Mining and quarrying	913	903	941	891	906
Secondary Industries	19,126	18,402	18,751	19,440	19,651
Manufacturing	15,502	14,925	15,251	15,823	15,972
Electricity, gas and water	1,453	1,356	1,411	1,460	1,451
Construction	2,171	2,121	2,089	2,157	2,228
Tertiary industries	46,984	44,913	45,588	46,671	48,587
Wholesale & retail trade; hotels & restaurants	11,118	9,348	9,501	9,976	11,663
Transport, storage and communication	9,564	9,162	9,361	9,761	9,953
Finance, real estate and business services	13,441	13,440	13,530	13,676	13,649
Personal services	4,122	4,228	4,270	4,235	4,173
General government services	8,739	8,734	8,925	9,023	9,148
GDPR at constant 2005 prices	77,075	74,707	77,582	78,779	79,635

Table 6 indicates the 4th quarter of 2010 and 1st, 2nd, 3rd and 4th quarters of 2011 quarter-on-quarter growth rates in GDP-R per the economic sector. It is estimated that provincial GDP **increased** by **1.09** per cent during the 4th quarter of 2011 compared to a **increase** of **1.54** per cent during the 3rd quarter of 2011

on a non-seasonal adjusted basis. On a seasonal adjusted basis the provincial economy experienced an **increase** of **0.79** per cent during the 4th quarter of 2011 compared to an **increase** of **0.55** per cent during the 3rd quarter of 2011.

The 4th quarter of 2011 economic performance of the province has been somewhat confusing in that the quarterly rate has deteriorated fairly significantly compared to the 3rd quarter of 2011 where as the annual rate has marginally improved compared to the 3rd quarter of 2011. Unfortunately as evident throughout the report the 2010 momentum has diminished especially during the 3rd and 4th quarters of 2011.

Table 6: Provincial GDP and Economic Growth Rate – Quarter-on-Quarter

Industry	2010Q4 KZN	2011Q1 KZN	2011Q2 KZN	2011Q3 KZN	2011Q4 KZN
Primary Industries	-33.86	18.68	49.65	-13.32	-33.80
Agriculture, forestry and fishing	-43.17	27.93	66.00	-15.12	-42.77
Mining and quarrying	1.97	-1.15	4.25	-5.37	1.75
Secondary Industries	0.28	-3.79	1.90	3.67	1.09
Manufacturing	-0.06	-3.72	2.19	3.75	0.94
Electricity, gas and water	-0.20	-6.69	4.05	3.49	-0.59
Construction	3.13	-2.31	-1.52	3.25	3.30
Tertiary industries	4.48	-4.41	1.50	2.38	4.10
Wholesale & retail trade; hotels & restaurants	16.46	-15.92	1.64	5.00	16.91
Transport, storage and communication	1.83	-4.20	2.17	4.27	1.97
Finance, real estate and business services	1.57	-0.01	0.67	1.08	-0.20
Personal services	-0.90	2.58	0.99	-0.82	-1.46
General government services	1.17	-0.06	2.19	1.09	1.39
GDPR at constant 2005 prices	1.06	-3.07	3.85	1.54	1.09
GDPR at constant 2000 prices (seasonal adjusted)	1.04	1.45	0.12	0.55	0.79

Table 7 shows that the provincial economy recorded on a seasonal adjusted and annualised basis an **increase** of **2.93** per cent during the 4th quarter of 2011

compared to an **increase** of **3.18** per cent during the 3rd quarter of 2011. The annual growth rates both on a seasonal and non-seasonal adjusted basis indicate that economic activity is at slightly worse levels than experienced during the 1st and 2nd quarters of 2011. The annualised growth rates also indicate that the tertiary economic sectors continue to record positive growth rates largely on the back of the low interest rate environment. The primary sector industries recorded significantly negative growth rates whilst the secondary sectors are significantly lagging the tertiary sectors. therefore not all seems to be well particularly wrt wealth and employment creation and the growth prospects and outlook for the province.

Table 7: Provincial GDP and Economic Growth Rate – Year-on-Year

	2011 q1 Annualised	2011 q2 Annualised	2011 q3 Annualised	2011 q4 Annualised
Primary Industries	8.64	5.58	-1.24	-4.59
Agriculture, forestry and fishing	9.08	3.70	-1.51	-4.88
Mining and quarrying	7.20	12.32	-0.31	-3.58
Secondary Industries	4.89	1.52	2.29	2.00
Manufacturing	5.87	1.59	2.45	2.16
Electricity, gas and water	0.26	0.99	0.87	-0.19
Construction	1.08	1.41	2.06	2.33
Tertiary industries	3.31	3.29	3.68	3.74
Wholesale & retail trade; hotels & restaurants	4.46	4.11	4.53	4.71
Transport, storage and communication	3.74	4.10	4.12	4.19
Finance, real estate and business services	2.20	1.96	2.63	2.50
Personal services	1.98	2.12	2.29	2.49
General government services	3.92	4.14	4.51	4.65
GDPR at constant 2005 prices (seasonal adjusted annualized)	4.06	3.11	3.18	2.93
GDPR at constant 2005 prices (non-seasonal adjusted annualized)	3.66	3.00	3.29	3.32

Table 8 indicates the average sector contribution rates for the different economic sectors for the stated periods. The structural behaviour of the provincial

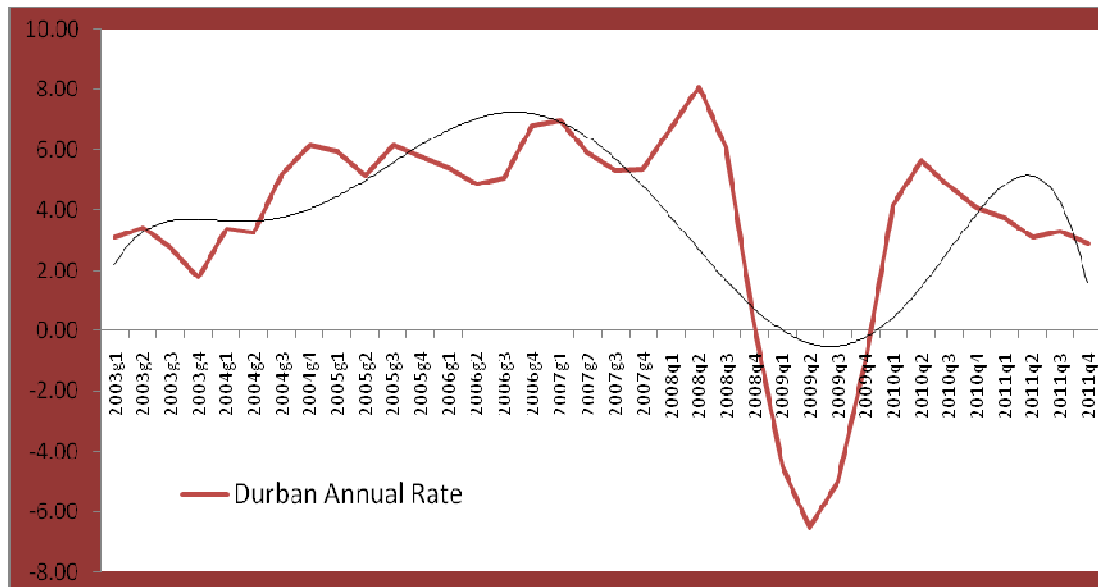
economy is very similar to the national economy in that the consumer related sectors have shown strong relative growth. The relative long term trend of the manufacturing sector is still a great cause of concern.

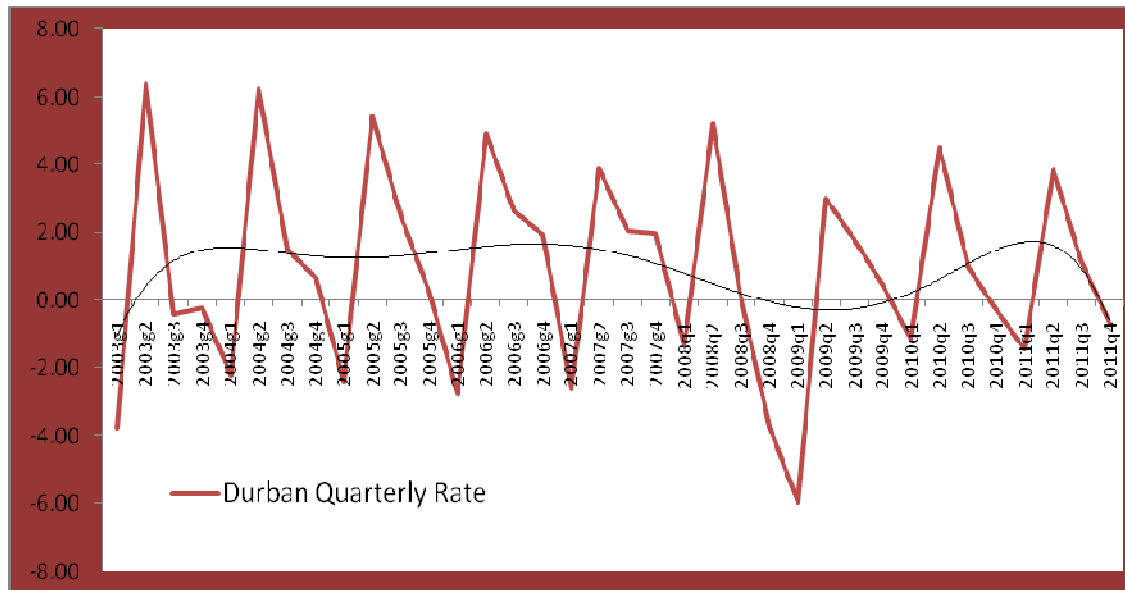
Table 8: Average Provincial Sector Contribution – Per Period and Per Industry

	2001	2004	2007	2010	2011
Primary Industries	6.30	6.09	5.10	5.17	5.10
Agriculture, forestry and fishing	4.43	4.45	3.77	4.01	3.93
Mining and quarrying	1.87	1.64	1.33	1.17	1.17
Secondary Industries	27.11	25.81	26.16	24.69	24.54
Manufacturing	22.22	21.50	21.69	20.01	19.95
Electricity, gas and water	2.34	2.22	2.19	1.88	1.83
Construction	2.54	2.09	2.29	2.81	2.77
Tertiary industries	55.34	57.23	57.90	59.68	59.79
Wholesale & retail trade; hotels & restaurants	12.64	12.84	13.03	12.89	13.03
Transport , storage and communication	10.57	11.74	11.72	12.22	12.31
Finance, real estate and business services	14.42	15.58	16.63	17.64	17.48
Personal services	5.78	5.78	5.63	5.50	5.44
General government services	11.94	11.29	10.88	11.42	11.53

EtheKwini Municipal Area

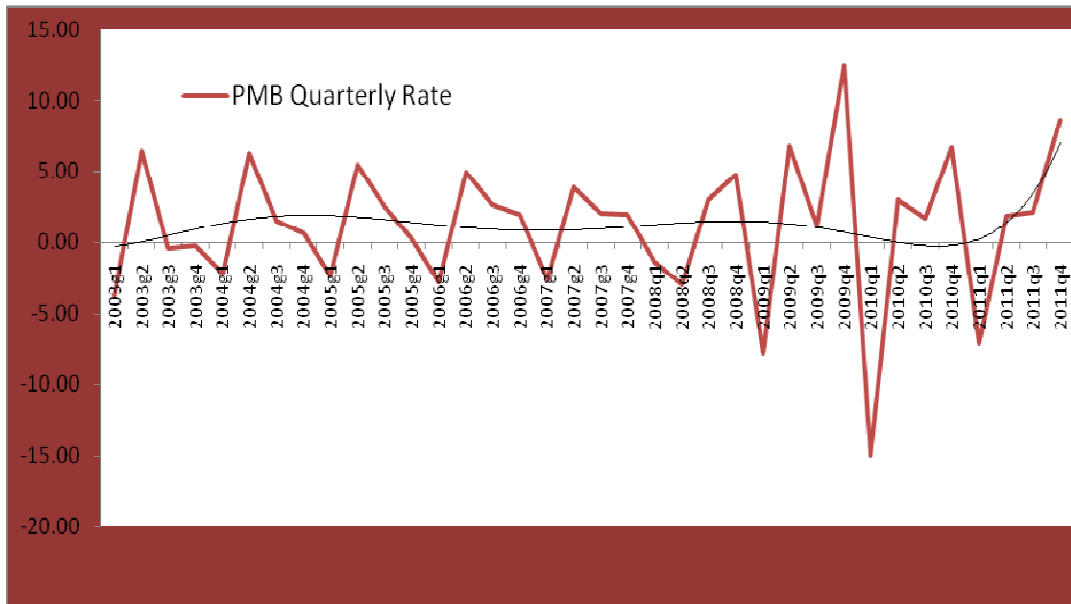
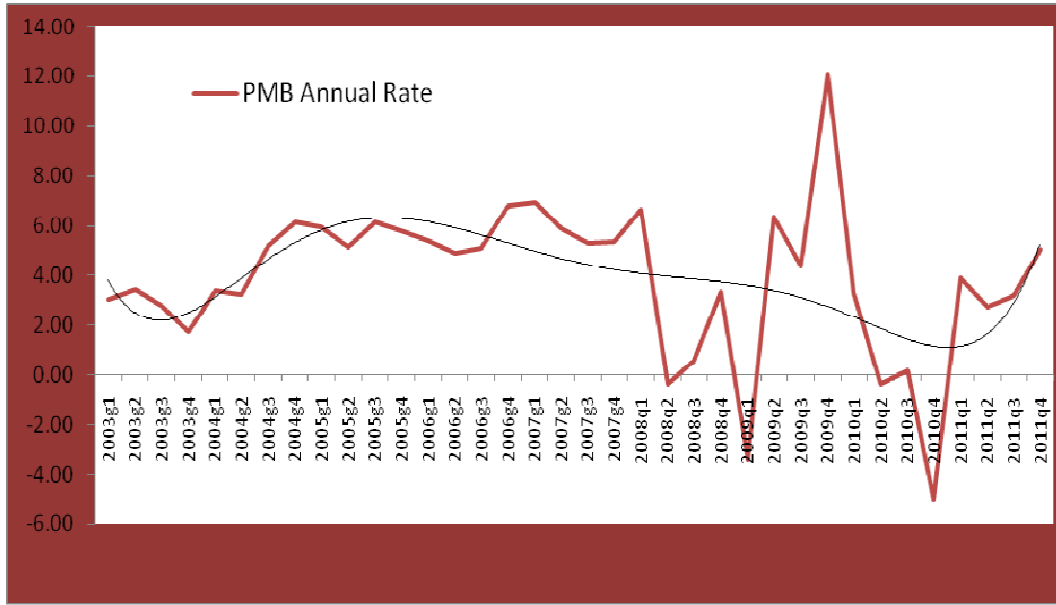
	Durban Quarterly GDP	Durban Quarterly Rate	Durban Annual Rate
2008 q4	R 42,230,255,650	-3.70	0.16
2009 q1	R 39,715,317,041	-5.96	-4.54
2009 q2	R 40,913,245,277	3.02	-6.55
2009 q3	R 41,652,328,597	1.81	-5.02
2009 q4	R 41,839,241,155	0.45	-0.93
2010 q1	R 41,359,620,352	-1.15	4.14
2010 q2	R 43,224,599,031	4.51	5.65
2010 q3	R 43,647,369,653	0.98	4.79
2010 q4	R 43,539,905,111	-0.25	4.06
2011 q1	R 42,914,383,944	-1.44	3.76
2011 q2	R 44,562,483,156	3.84	3.10
2011 q3	R 45,083,413,899	1.17	3.29
2011 q4	R 44,788,617,971	-0.65	2.87





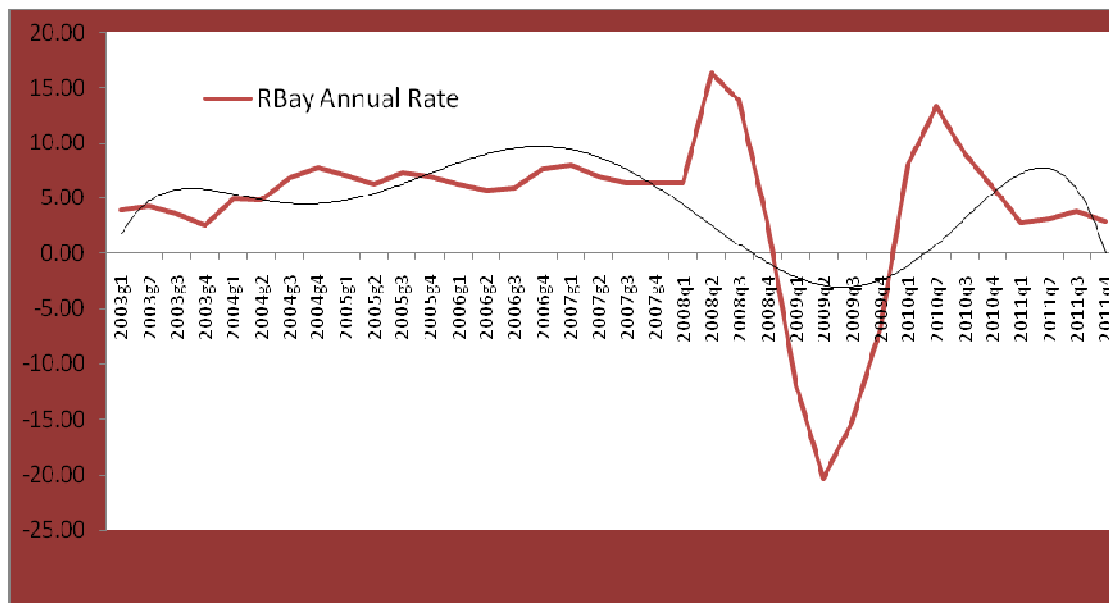
Msunduzi Municipal Area

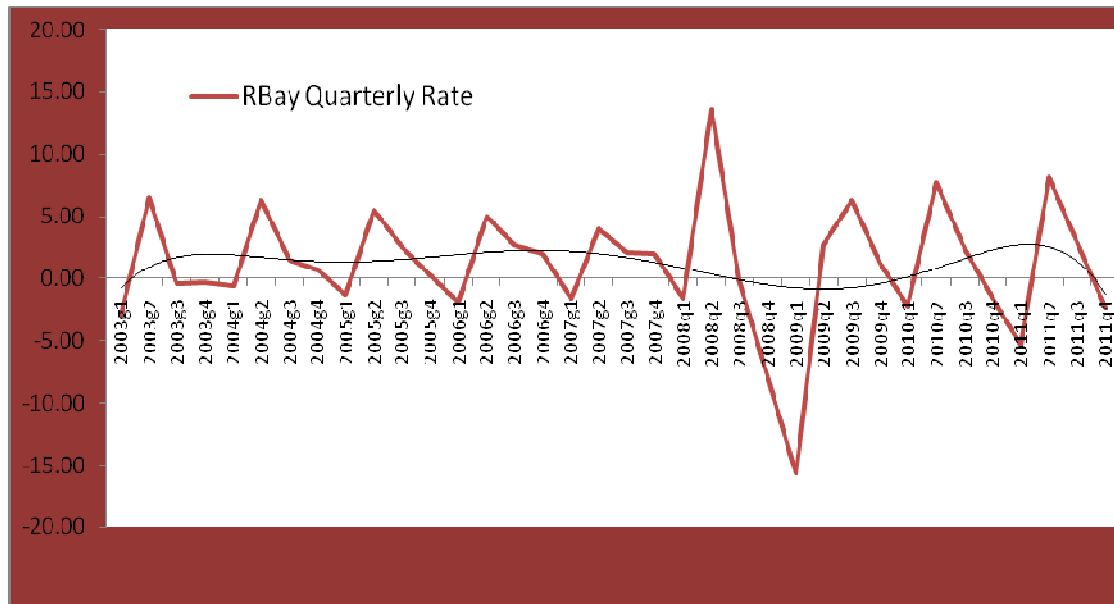
	Pietermaritzburg Quarterly GDP	PMB Quarterly Rate	PMB Annual Rate
2008 q4	R 6,115,076,895	4.78	3.35
2009 q1	R 5,639,054,043	-7.78	-3.35
2009 q2	R 6,022,600,899	6.80	6.34
2009 q3	R 6,091,623,810	1.15	4.38
2009 q4	R 6,851,290,789	12.47	12.04
2010 q1	R 5,825,070,216	-14.98	3.30
2010 q2	R 6,001,705,160	3.03	-0.35
2010 q3	R 6,102,761,718	1.68	0.18
2010 q4	R 6,511,137,335	6.69	-4.96
2011 q1	R 6,051,377,295	-7.06	3.89
2011 q2	R 6,165,628,956	1.89	2.73
2011 q3	R 6,295,955,852	2.11	3.17
2011 q4	R 6,837,939,905	8.61	5.02



Mhlathuze Municipal Area

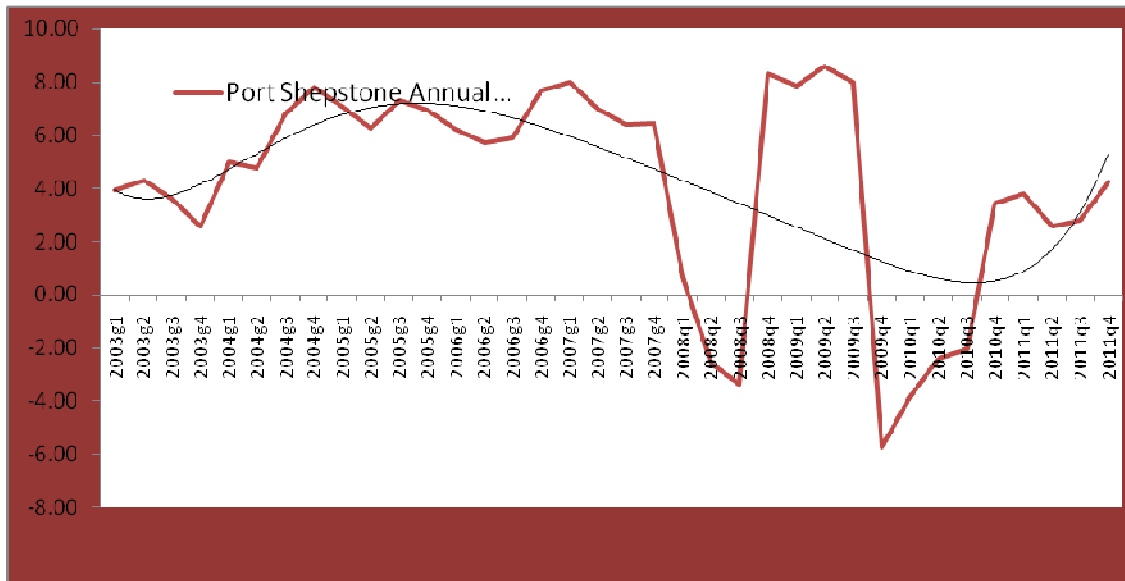
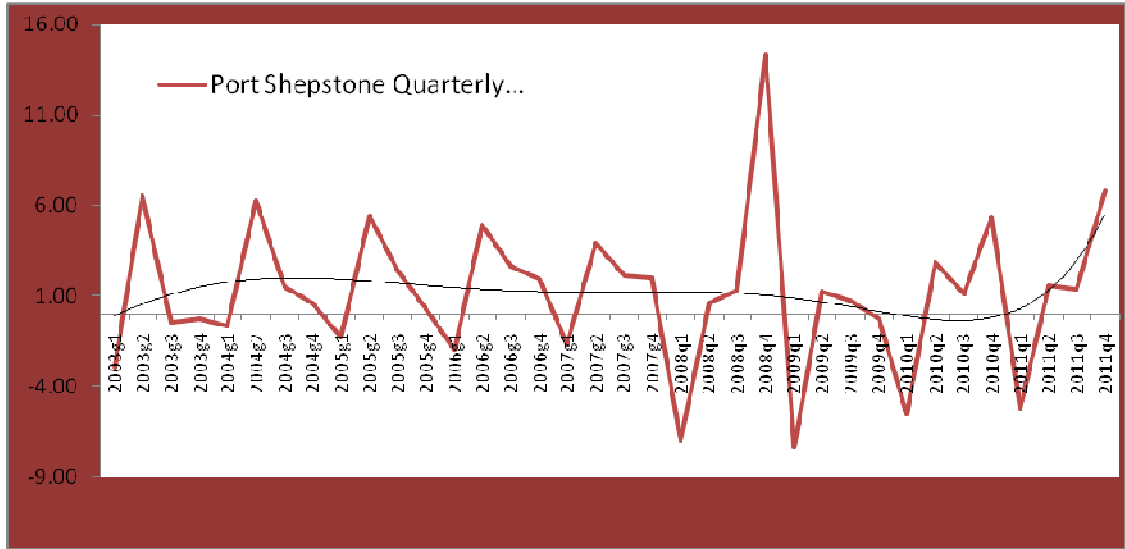
	Richards Bay Quarterly GDP	Richards Bay Quarterly Rate	Richards Bay Annual Rate
2008 q4	R 4,780,312,640	-7.88	2.78
2009 q1	R 4,032,029,054	-15.65	-11.84
2009 q2	R 4,140,268,992	2.68	-20.30
2009 q3	R 4,401,930,287	6.32	-15.17
2009 q4	R 4,454,575,249	1.20	-6.81
2010 q1	R 4,354,131,281	-2.25	7.99
2010 q2	R 4,689,023,580	7.69	13.25
2010 q3	R 4,799,664,079	2.36	9.04
2010 q4	R 4,725,292,303	-1.55	6.08
2011 q1	R 4,475,012,635	-5.30	2.78
2011 q2	R 4,837,159,329	8.09	3.16
2011 q3	R 4,982,931,326	3.01	3.82
2011 q4	R 4,864,613,629	-2.37	2.95





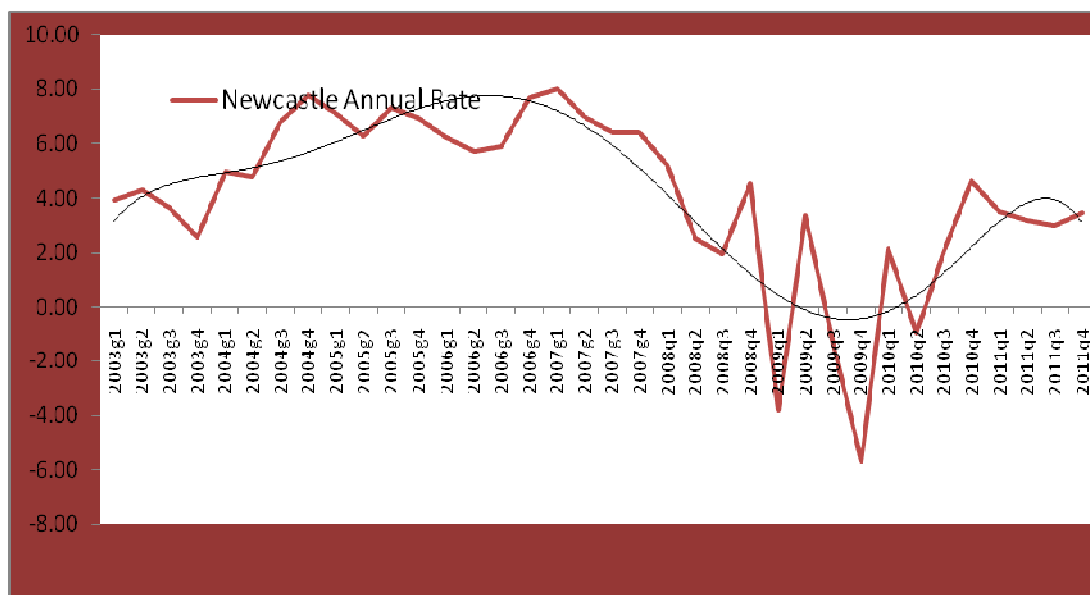
Hibiscus Coast Municipal Area

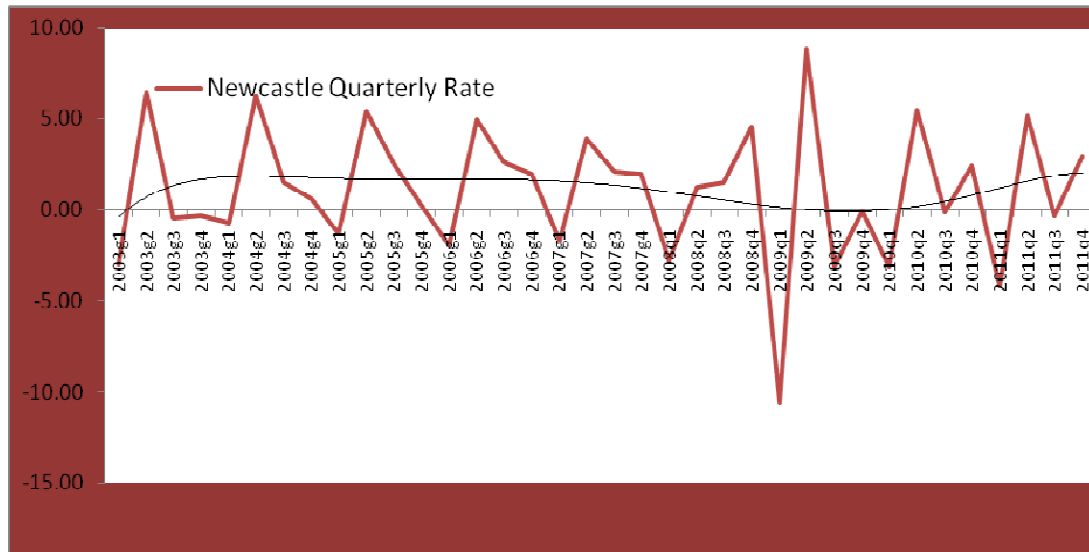
	Port Shepstone Quarterly GDP	Port Shepstone Quarterly Rate	Port Shepstone Annual Rate
2008 q4	R 2,481,962,914	14.29	8.30
2009 q1	R 2,299,022,485	-7.37	7.86
2009 q2	R 2,328,106,991	1.27	8.59
2009 q3	R 2,345,672,508	0.75	8.02
2009 q4	R 2,339,668,133	-0.26	-5.73
2010 q1	R 2,209,715,375	-5.55	-3.88
2010 q2	R 2,271,799,532	2.81	-2.42
2010 q3	R 2,297,408,817	1.13	-2.06
2010 q4	R 2,420,480,465	5.36	3.45
2011 q1	R 2,293,793,650	-5.23	3.80
2011 q2	R 2,330,307,289	1.59	2.58
2011 q3	R 2,362,172,001	1.37	2.82
2011 q4	R 2,523,875,642	6.85	4.27



Newcastle Municipal Area

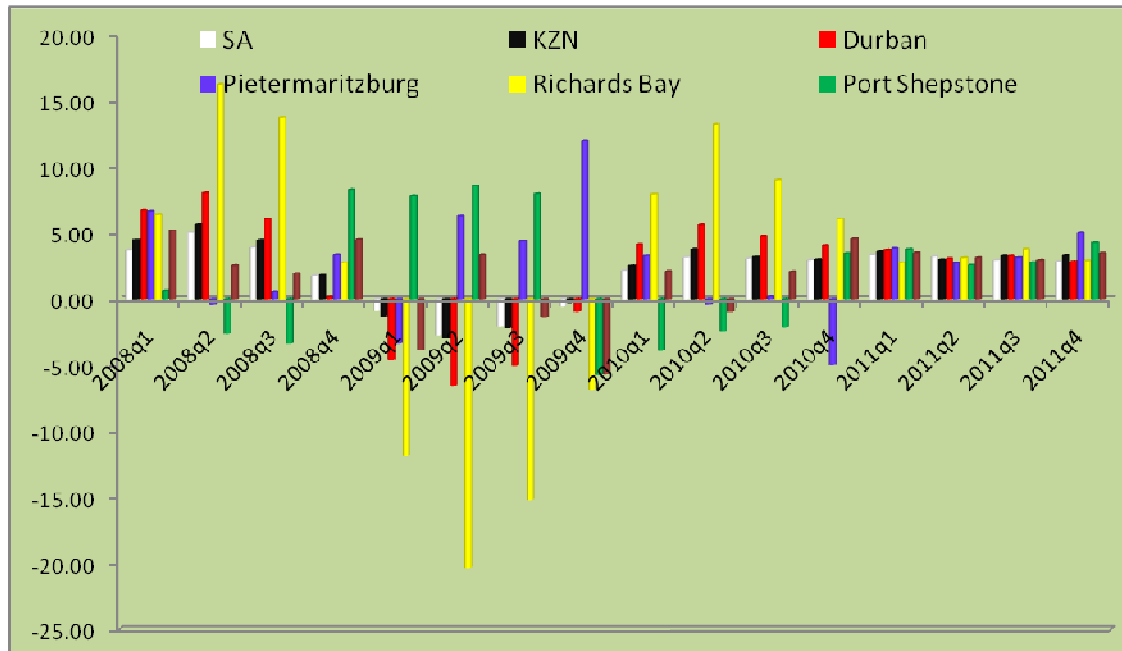
	Newcastle Quarterly GDP	Newcastle Quarterly Rate	Newcastle Annual Rate
2008 q4	R 2,224,310,022	4.57	4.55
2009 q1	R 1,990,123,881	-10.53	-3.79
2009 q2	R 2,165,400,765	8.81	3.36
2009 q3	R 2,098,111,027	-3.11	-1.36
2009 q4	R 2,097,800,037	-0.01	-5.69
2010 q1	R 2,032,810,987	-3.10	2.14
2010 q2	R 2,144,986,739	5.52	-0.94
2010 q3	R 2,142,539,069	-0.11	2.12
2010 q4	R 2,194,777,377	2.44	4.62
2011 q1	R 2,103,775,048	-4.15	3.49
2011 q2	R 2,212,740,312	5.18	3.16
2011 q3	R 2,206,347,125	-0.29	2.98
2011 q4	R 2,271,035,242	2.93	3.47





Comparative Regional Statistics

Comparative Growth Rates Non Seasonal Annual Rate							
	SA	KZN	Durban	Pietermaritz burg	Richards Bay	Port Shepstone	Newcastle
2008q1	3.77	4.52	6.72	6.65	6.42	0.65	5.22
2008q2	5.05	5.67	8.08	-0.36	16.31	-2.58	2.54
2008q3	3.95	4.50	6.06	0.59	13.80	-3.35	1.97
2008q4	1.79	1.80	0.16	3.35	2.78	8.30	4.55
2009q1	-0.88	-1.26	-4.54	-3.35	-11.84	7.86	-3.79
2009q2	-2.69	-2.98	-6.55	6.34	-20.30	8.59	3.36
2009q3	-1.99	-2.12	-5.02	4.38	-15.17	8.02	-1.36
2009q4	-0.57	-0.24	-0.93	12.04	-6.81	-5.73	-5.69
2010q1	2.21	2.52	4.14	3.30	7.99	-3.88	2.14
2010q2	3.21	3.81	5.65	-0.35	13.25	-2.42	-0.94
2010q3	3.11	3.21	4.79	0.18	9.04	-2.06	2.12
2010q4	3.00	3.02	4.06	-4.96	6.08	3.45	4.62
2011q1	3.36	3.66	3.76	3.89	2.78	3.80	3.49
2011q2	3.26	3.00	3.10	2.73	3.16	2.58	3.16
2011q3	2.99	3.29	3.29	3.17	3.82	2.82	2.98
2011q4	2.90	3.32	2.87	5.02	2.95	4.27	3.47
Average	2.03	2.23	2.23	2.66	2.14	1.89	1.74



Comparative Contribution Rates Non Seasonal Annual Rate						
	Urban	Durban	Pietermaritzburg	Richards Bay	Newcastle	Port Shepstone
2008q1	78.96	58.44	8.20	6.42	2.91	2.99
2008q2	78.73	58.54	7.57	6.95	2.80	2.87
2008q3	78.39	58.09	7.73	6.87	2.82	2.88
2008q4	77.12	56.31	8.15	6.37	2.97	3.31
2009q1	76.36	56.50	8.02	5.74	2.83	3.27
2009q2	76.59	56.39	8.30	5.71	2.98	3.21
2009q3	76.58	56.37	8.24	5.96	2.84	3.17
2009q4	76.97	55.92	9.16	5.95	2.80	3.13
2010q1	77.40	57.39	8.08	6.04	2.82	3.07
2010q2	77.45	57.39	7.97	6.23	2.85	3.02
2010q3	77.35	57.23	8.00	6.29	2.81	3.01
2010q4	77.06	56.49	8.45	6.13	2.85	3.14
2011q1	77.42	57.44	8.10	5.99	2.82	3.07
2011q2	77.48	57.44	7.95	6.23	2.85	3.00
2011q3	77.34	57.23	7.99	6.33	2.80	3.00
2011q4	76.96	56.24	8.59	6.11	2.85	3.17
Average	77.38	57.09	8.16	6.21	2.85	3.08

