



Province of KwaZulu-Natal  
Provincial Treasury  
IGR Unit

# THE KWAZULU NATAL ECONOMY – A PERFORMANCE OVERVIEW<sup>1</sup> UPDATE 6

**Clive Coetzee**

General Manager: IGR Unit

Economist

[clive.coetzee@kzntreasury.gov.za](mailto:clive.coetzee@kzntreasury.gov.za)

033 8974538

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## **SUMMARY OF FINDINGS FOR KZN – 2<sup>nd</sup> QUARTER 2010**

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

**4.46%**

GDPR at constant 2005 prices Non-seasonal adjusted year on year = **3.45%**

GDPR at constant 2005 prices Seasonal adjusted quarter on quarter = **1.11%**

GDPR at constant 2005 prices Seasonal adjusted year on year = **3.29%**

## **NATIONAL GROSS DOMESTIC AND GROSS REGIONAL PRODUCT: 2<sup>nd</sup> QUARTER OF 2010**

The release of the 2<sup>nd</sup> quarter of 2010 national GDP results and statistics by Statistics SA (March 2010) enables us to determine the national economic growth rate for the 2<sup>nd</sup> quarter of 2010. It further allows us to calculate and derive the gross regional product for KwaZulu-Natal for the 2<sup>nd</sup> quarter of 2010 and the various provincial sectors' economic growth rates for the period. 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 economic growth rate decreased from 1.63 per cent during the 4<sup>th</sup> quarter of 2009 to -3.00 per cent during the 1<sup>st</sup> quarter of 2010, thereafter increasing to 3.05 per cent during the 2<sup>nd</sup> quarter of 2010 on a non-seasonal adjusted basis. This represents a 0.79 per cent seasonal adjusted and annualised increase during the 2<sup>nd</sup> quarter of 2010, which is marginally worse than the per quarter increase experienced during the 1<sup>st</sup> quarter of 2010. The 2<sup>nd</sup> quarter seasonal adjusted GDP figure suggests that the

SA economy has slowed down since the 1<sup>st</sup> quarter of 2010, i.e., the increase in economic output and activity decreased.

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

	2009 q2	2009 q3	2009 q4	2010 q1	2010 q2
<b>Primary Industries</b>	<b>22.11</b>	<b>-5.21</b>	<b>-13.10</b>	<b>3.91</b>	<b>16.34</b>
<b>Agriculture, forestry and fishing</b>	64.11	-12.90	-43.45	22.58	72.07
<b>Mining and quarrying</b>	6.74	-0.89	1.91	-1.21	-2.64
<b>Secondary Industries</b>	<b>2.25</b>	<b>5.58</b>	<b>1.41</b>	<b>-5.60</b>	<b>5.46</b>
<b>Manufacturing</b>	1.68	6.49	1.51	-6.25	6.44
<b>Electricity, gas and water</b>	4.26	5.37	-1.13	-5.23	3.62
<b>Construction</b>	3.64	1.61	2.57	-2.79	2.13
<b>Tertiary industries</b>	<b>-0.67</b>	<b>1.29</b>	<b>3.56</b>	<b>-2.99</b>	<b>0.72</b>
<b>Wholesale &amp; retail trade; hotels &amp; restaurants</b>	-1.07	3.15	15.58	-16.02	1.60
<b>Transport, storage and communication</b>	0.60	4.11	1.56	-4.93	2.00
<b>Finance, real estate and business services</b>	-2.86	-0.57	0.55	2.77	-1.23
<b>Personal services</b>	1.22	-0.04	-1.44	3.30	1.92
<b>General government services</b>	1.63	1.40	1.50	-0.46	1.72
<b>GDPR at constant 2005 prices</b>	<b>1.56</b>	<b>1.46</b>	<b>1.63</b>	<b>-3.00</b>	<b>3.05</b>
<b>GDPR at constant 2005 prices (seasonal adjusted annualized)</b>	<b>-0.72</b>	<b>0.22</b>	<b>0.79</b>	<b>1.14</b>	<b>0.79</b>

Table 1 also indicates that all the sectors except the **Mining and Quarrying and the Finance et al sectors** recorded positive growth rates during the 2<sup>nd</sup> quarter of 2010. The slowdown in mining output must be a great course of concern because of the historic and international importance of the sector and can potentially be attributed to the uncertainty in mining rights and the nationalization debate.

Table 2 indicates the performance of the economy on an annualized basis compared to table 1 which focus on its performance on a quarterly basis. Table 2 indicates that the SA economy recorded positive growth rates both on a seasonal and non-seasonal adjusted basis. However there are some base effects that

potentially over states the growth rates. Nonetheless the national economy recorded positive growth rates on a yearly basis and on a quarterly seasonal adjusted basis indicating that the economy has in principle has recovered from the recession.

Table 2 indicates that all the economic sectors, except the **Mining and quarrying** sector, recorded positive growth rates on an annualised basis during the 2<sup>nd</sup> quarter of 2010. Also, the majority of sectors recorded better growth rates during the 2<sup>nd</sup> quarter of 2010 compared to the 1<sup>st</sup> quarter of 2010.

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

	2009 q3 Annualised	2009 q4 Annualised	2010 q1 Annualised	2010 q2 Annualised
<b>Primary Industries</b>	<b>-5.71</b>	<b>-4.33</b>	<b>4.52</b>	<b>-0.42</b>
Agriculture, forestry and fishing	-3.58	2.06	-0.91	3.90
Mining and quarrying	-6.73	-5.95	6.51	-2.85
<b>Secondary Industries</b>	<b>-7.87</b>	<b>-3.04</b>	<b>3.35</b>	<b>6.60</b>
Manufacturing	-11.53	-5.41	3.05	7.87
Electricity, gas and water	-0.77	0.93	2.94	2.32
Construction	8.39	6.87	5.00	3.47
<b>Tertiary industries</b>	<b>0.83</b>	<b>-0.15</b>	<b>1.09</b>	<b>2.50</b>
Wholesale & retail trade; hotels & restaurants	-2.10	-3.10	-0.95	1.72
Transport , storage and communication	0.04	0.04	1.13	2.53
Finance, real estate and business services	0.42	-2.40	-0.20	1.49
Personal services	1.94	5.44	3.02	3.72
General government services	4.22	4.14	4.11	4.20
<b>GDPR at constant 2005 prices (seasonal adjusted annualized)</b>	<b>-2.58</b>	<b>-1.63</b>	<b>1.43</b>	<b>2.98</b>
<b>GDPR at constant 2005 prices</b>	<b>-2.21</b>	<b>-1.44</b>	<b>1.56</b>	<b>3.06</b>

Table 3 indicate the average sector contribution rates for the different economic sectors for the stated periods. It indicates that the contribution of the primary and secondary sectors declined from 1995 to 2009, whereas the contribution of the

tertiary sector increased over the period. The relative decline in the manufacturing sector during the 2<sup>nd</sup> quarter of 2010 should be a significant cause of concern because it suggests that the national economy is losing or neglecting its main job creation and wealth generating sector.

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

	2000	2003	2006	2008	2009
<b>Primary Industries</b>	<b>10.27</b>	<b>9.77</b>	<b>8.48</b>	<b>8.11</b>	<b>7.39</b>
Agriculture, forestry and fishing	2.67	2.53	2.13	2.09	2.20
Mining and quarrying	7.60	7.24	6.35	6.02	5.19
<b>Secondary Industries</b>	<b>21.29</b>	<b>20.56</b>	<b>21.25</b>	<b>21.34</b>	<b>20.12</b>
Manufacturing	17.07	16.29	16.62	16.55	14.91
Electricity, gas and water	2.19	2.06	2.06	2.02	1.99
Construction	2.03	2.21	2.57	2.78	3.22
<b>Tertiary industries</b>	<b>57.39</b>	<b>58.87</b>	<b>59.38</b>	<b>59.69</b>	<b>62.03</b>
Wholesale & retail trade; hotels & restaurants	12.39	12.11	12.45	12.43	11.98
Transport, storage and communication	7.89	8.85	8.84	8.90	9.13
Finance, real estate and business services	16.62	18.29	19.53	19.97	21.42
Personal services	5.81	5.87	5.61	5.61	5.87
General government services	14.68	13.75	12.96	12.77	13.63

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**

	<b>2009q1</b>	<b>2009q2</b>	<b>2009q3</b>	<b>2009q4</b>	<b>2010q1</b>	<b>2010q2</b>
<b>Primary Industries</b>	<b>30,054</b>	<b>36,699</b>	<b>34,786</b>	<b>30,229</b>	<b>31,412</b>	<b>36,544</b>
Agriculture, forestry and fishing	8,053	13,216	11,511	6,510	7,980	13,731
Mining and quarrying	22,001	23,483	23,275	23,719	23,432	22,813
<b>Secondary Industries</b>	<b>85,418</b>	<b>87,342</b>	<b>92,215</b>	<b>93,518</b>	<b>88,283</b>	<b>93,105</b>
Manufacturing	63,268	64,333	68,507	69,542	65,198	69,399
Electricity, gas and water	8,391	8,748	9,218	9,115	8,638	8,951
Construction	13,759	14,260	14,490	14,862	14,447	14,755
<b>Tertiary industries</b>	<b>273,512</b>	<b>271,692</b>	<b>275,209</b>	<b>285,019</b>	<b>276,506</b>	<b>278,491</b>
Wholesale & retail trade; hotels & restaurants	50,978	50,433	52,023	60,131	50,495	51,302
Transport, storage and communication	39,533	39,771	41,407	42,054	39,979	40,779
Finance, real estate and business services	97,672	94,874	94,334	94,851	97,480	96,285
Personal services	25,992	26,310	26,299	25,920	26,776	27,289
General government services	59,337	60,304	61,146	62,063	61,776	62,836
<b>All industries at basic prices</b>	<b>388,983</b>	<b>395,732</b>	<b>402,210</b>	<b>408,766</b>	<b>396,201</b>	<b>408,140</b>
Taxes less subsidies on products	46,405	46,437	46,396	47,130	45,998	47,544
<b>GDPR at constant 2000 prices</b>	<b>435,388</b>	<b>442,169</b>	<b>448,606</b>	<b>455,896</b>	<b>442,199</b>	<b>455,684</b>

## ACTUAL AND ESTIMATED PROVINCIAL 2009 AND 2010 QUARTERLY GROSS REGIONAL PRODUCT

The per-sector estimated GDP-R for the last three quarters of 2009 and the first two quarters of 2010 are supplied in table 5. It is evident that provincial GDP has increased during the 2<sup>nd</sup> quarter of 2010 as did most of the individual economic sectors. It must however be noted that the increases could be because of seasonal factors rather than fundamental factors. It is however encouraging that the majority of provincial economic sectors have either experienced some improvement or seems to have stabilized since the same period last year. The provincial economy is thus fundamentally in a much better state than 365 days ago.

**Table 5: Provincial GDP Quarter 2, 3 and 4 of 2009 and Quarter 1 and 2 of 2010 - Constant 2005 prices - Rand million**

Industry	2009Q2 KZN	2009Q3 KZN	2009Q4 KZN	2010Q1 KZN	2010Q2 KZN
<b>Primary Industries</b>	<b>4,615</b>	<b>4,117</b>	<b>2,693</b>	<b>3,106</b>	<b>4,702</b>
Agriculture, forestry and fishing	3,804	3,313	1,874	2,297	3,921
Mining and quarrying	811	804	819	810	781
<b>Secondary Industries</b>	<b>17,163</b>	<b>18,159</b>	<b>18,414</b>	<b>17,354</b>	<b>18,326</b>
Manufacturing	13,606	14,489	14,708	13,789	14,665
Electricity, gas and water	1,502	1,582	1,564	1,483	1,534
Construction	2,055	2,088	2,142	2,082	2,127
<b>Tertiary industries</b>	<b>42,781</b>	<b>43,445</b>	<b>45,098</b>	<b>43,473</b>	<b>43,848</b>
Wholesale & retail trade; hotels & restaurants	8,571	8,841	10,219	8,581	8,706
Transport, storage and communication	8,620	8,975	9,115	8,665	8,861
Finance, real estate and business services	13,078	13,004	13,075	13,438	13,265
Personal services	4,271	4,269	4,208	4,346	4,418
General government services	8,241	8,356	8,481	8,442	8,598
<b>GDPR at constant 2005 prices</b>	<b>73,353</b>	<b>74,508</b>	<b>75,130</b>	<b>63,933</b>	<b>66,876</b>

Table 6 indicates the 2009 and 2010 quarter-on-quarter growth rates in GDP-R per economic sector.

It is estimated that provincial GDP **increased** by **4.46** per cent during the 2<sup>nd</sup> quarter of 2010 compared to a **decrease** of **-3.31** per cent during the 1<sup>st</sup> quarter of 2010 on a non-seasonal adjusted basis. On a seasonal adjusted basis the provincial economy experienced an **increase** of **1.11** per cent during the 2<sup>nd</sup> quarter of 2010 compared to an **increase** of **1.09** per cent during the 1<sup>st</sup> quarter of 2010.

The KwaZulu-Natal economy therefore experienced a significant increase in economic activity during the last six months of 2009 and first six months of 2010 on a seasonal adjusted basis. It is also evident that the majority of economic sectors experienced significant increases during the 2<sup>nd</sup> quarter of 2010 compared to the 1<sup>st</sup> quarter of 2010 on a non-seasonal adjusted basis.

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

Industry	2009Q2 KZN	2009Q3 KZN	2009Q4 KZN	2010Q1 KZN	2010Q2 KZN
<b>Primary Industries</b>	<b>49.94</b>	<b>-10.79</b>	<b>-34.59</b>	<b>15.34</b>	<b>51.36</b>
<b>Agriculture, forestry and fishing</b>	64.11	-12.90	-43.45	22.58	70.70
<b>Mining and quarrying</b>	6.74	-0.89	1.91	-1.21	-3.51
<b>Secondary Industries</b>	<b>2.14</b>	<b>5.81</b>	<b>1.40</b>	<b>-5.76</b>	<b>5.61</b>
<b>Manufacturing</b>	1.68	6.49	1.51	-6.25	6.35
<b>Electricity, gas and water</b>	4.26	5.37	-1.13	-5.23	3.45
<b>Construction</b>	3.64	1.61	2.57	-2.79	2.19
<b>Tertiary industries</b>	<b>-0.56</b>	<b>1.55</b>	<b>3.81</b>	<b>-3.60</b>	<b>0.86</b>
<b>Wholesale &amp; retail trade; hotels &amp; restaurants</b>	-1.07	3.15	15.58	-16.02	1.46
<b>Transport, storage and communication</b>	0.60	4.11	1.56	-4.93	2.26
<b>Finance, real estate and business services</b>	-2.86	-0.57	0.55	2.77	-1.29
<b>Personal services</b>	1.22	-0.04	-1.44	3.30	1.64
<b>General government services</b>	1.63	1.40	1.50	-0.46	1.85

GDPR at constant 2005 prices	<b>2.31</b>	<b>1.57</b>	<b>0.84</b>	<b>-3.31</b>	<b>4.46</b>
GDPR at constant 2000 prices (seasonal adjusted)	<b>-1.09</b>	<b>0.28</b>	<b>0.77</b>	<b>1.09</b>	<b>1.11</b>

Table 7 shows that the provincial economy recorded on a seasonal adjusted and annualised basis an **increase** of **3.29** per cent during the 2<sup>nd</sup> quarter of 2010 compared to an **increase** of **1.05** per cent during the 1<sup>st</sup> quarter of 2010. The annualized growth rates both on a seasonal and non-seasonal adjusted basis indicate that economic activity is at much better levels than experienced during the 1<sup>st</sup> quarter of 2010. The annualised growth rates also indicate that the majority of economic sectors recording positive growth rates. It must however be noted that 2009 was a particular “bad” year and thus the growth rates can potentially be exaggerated by base effects.

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

	2009 q3 Annualised	2009 q4 Annualised	2010 q1 Annualised	2010 q2 Annualised
<b>Primary Industries</b>	<b>-4.21</b>	<b>-0.52</b>	<b>0.92</b>	<b>1.88</b>
Agriculture, forestry and fishing	-3.58	2.06	-0.91	3.07
Mining and quarrying	-6.73	-5.95	6.51	-3.71
<b>Secondary Industries</b>	<b>-8.74</b>	<b>-3.60</b>	<b>3.27</b>	<b>6.78</b>
Manufacturing	-11.53	-5.41	3.05	7.78
Electricity, gas and water	-0.77	0.93	2.94	2.15
Construction	8.39	6.87	5.00	3.53
<b>Tertiary industries</b>	<b>0.67</b>	<b>-0.20</b>	<b>1.04</b>	<b>2.49</b>
Wholesale & retail trade; hotels & restaurants	-2.10	-3.10	-0.95	1.58
Transport , storage and communication	0.04	0.04	1.13	2.79
Finance, real estate and business services	0.42	-2.40	-0.20	1.42
Personal services	1.94	5.44	3.02	3.44
General government services	4.22	4.14	4.11	4.34
<b>GDPR at constant 2005 prices (seasonal adjusted annualized)</b>	<b>-3.18</b>	<b>-1.96</b>	<b>1.05</b>	<b>3.29</b>
<b>GDPR at constant 2005 prices</b>	<b>-2.73</b>	<b>-1.52</b>	<b>1.32</b>	<b>3.45</b>

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. The relative increase in the size of the finance, real estate and business services sector is very significant and indicative of a provincial economy that has underperformed the national economy for a significant period. The relative decrease of the manufacturing sector is also a great course of concern.

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

	2000	2003	2006	2008	2009
<b>Primary Industries</b>	<b>7.76</b>	<b>6.91</b>	<b>6.06</b>	<b>5.72</b>	<b>5.59</b>
Agriculture, forestry and fishing	5.27	5.08	4.43	4.41	4.36
Mining and quarrying	2.49	1.83	1.63	1.30	1.23
<b>Secondary Industries</b>	<b>29.41</b>	<b>30.01</b>	<b>29.20</b>	<b>28.99</b>	<b>27.19</b>
Manufacturing	24.44	24.99	24.18	23.78	21.66
Electricity, gas and water	2.72	2.81	2.50	2.31	2.35
Construction	2.24	2.20	2.52	2.90	3.19
<b>Tertiary industries</b>	<b>62.83</b>	<b>63.08</b>	<b>64.73</b>	<b>65.30</b>	<b>67.21</b>
Wholesale & retail trade; hotels & restaurants	13.33	14.19	14.49	14.12	13.99
Transport, storage and communication	11.71	12.66	13.17	13.26	13.60
Finance, real estate and business services	16.58	16.60	18.25	19.64	20.29
Personal services	6.63	6.48	6.33	6.24	6.54
General government services	14.59	13.14	12.50	12.03	12.79