



Province of KwaZulu-Natal
Provincial Treasury
IMES Unit

THE KWAZULU NATAL ECONOMY – A PERFORMANCE OVERVIEW¹ UPDATE 12

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SUMMARY OF FINDINGS FOR KZN – 1st QUARTER 2012

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

-3.69

GDPR at constant 2005 prices Non-seasonal adjusted year on year = **2.44**

GDPR at constant 2005 prices Seasonal adjusted quarter on quarter = **1.03**

GDPR at constant 2005 prices Seasonal adjusted year on year = **2.29**

NATIONAL GROSS DOMESTIC AND GROSS REGIONAL PRODUCT: 1st QUARTER OF 2012

The release of the 1st quarter 2012 national GDP results and statistics by Statistics SA (May 2012) enables us to determine the national economic growth rate for the 1st quarter of 2012. It further allows us to calculate and derive the gross regional product for KwaZulu-Natal for the 1st quarter of 2012 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 decreased by 4.09 per cent during the 1st quarter of 2012 compared to an increase of 1.83 percent during the 4th quarter of 2011 on a non-seasonal adjusted basis. This represents a 0.68 per cent seasonal adjusted and annualised increase during the 1st quarter of 2012, which is marginally lower than the 0.78 percent recorded during the 4th quarter of 2011. The modest growth trend during the 2nd, 3rd and 4th quarters of 2011 therefore seems to have continued through the 1st quarter of 2012.

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

	2011 q1	2011 q2	2011 q3	2011 q4	2012q1
Primary Industries	1.80	20.11	-8.83	-12.97	-2.32
Agriculture, forestry and fishing	25.67	66.00	-15.12	-42.77	26.19
Mining and quarrying	-4.48	4.25	-5.37	1.75	-10.24
Secondary Industries	-4.26	1.78	3.65	1.16	-5.25
Manufacturing	-4.28	2.19	3.75	0.94	-5.57
Electricity, gas and water	-5.89	4.05	3.49	-0.59	-6.58
Construction	-3.19	-1.52	3.25	3.30	-2.89
Tertiary industries	-3.69	1.44	2.13	3.73	-3.89
Wholesale & retail trade; hotels & restaurants	-15.93	1.64	5.00	16.91	-16.07
Transport , storage and communication	-4.92	2.17	4.27	1.97	-5.22
Finance, real estate and business services	1.17	0.67	1.08	-0.20	0.96
Personal services	2.81	0.99	-0.82	-1.46	3.03
General government services	-0.49	2.19	1.09	1.39	-0.61
GDP at constant 2005 prices	-3.19	2.92	1.42	1.83	-4.09
GDP at constant 2005 prices (seasonal adjusted annualized)	1.12	0.24	0.42	0.78	0.68

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 1st quarter of 2012 both on a seasonal and non-seasonal adjusted year-on-year basis. The national economy clearly lost steam during the 1st quarter of 2012 compared to a year ago, i.e., the growth rate decreased by just over one percent during 2011.

Table 2 indicates that all the economic industries with the exception of the mining and quarrying and electricity, gas and water industries recorded positive growth rates on an annual basis during the 1st quarter of 2012 and the majority of industries recorded slower growth rates during the 1st quarter of 2012 compared to the 4th quarter of 2012. The substantial decrease of 6.91 per cent economic growth rate of the primary sector industries is very disappointing. On the other hand the growth rate (1.10 per cent) in the secondary sector industries are very

encouraging and should be supported and nurtured as this sector is considered as the one with the potential to create more employment. In general the 1st 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	2011 q2	2011 q3	2011 q4	2012q1
Primary Industries	-0.45	5.51	-2.46	-2.98	-6.91
Agriculture, forestry and fishing	-2.10	-0.92	0.63	1.34	1.76
Mining and quarrying	0.13	9.42	-3.91	-4.12	-9.90
Secondary Industries	3.90	0.88	1.41	2.17	1.10
Manufacturing	5.04	0.92	1.42	2.44	1.05
Electricity, gas and water	1.61	1.96	1.13	0.73	-0.01
Construction	-0.08	0.04	1.51	1.68	1.99
Tertiary industries	3.53	3.56	3.98	3.50	3.28
Wholesale & retail trade; hotels & restaurants	4.33	3.96	4.48	4.89	4.72
Transport , storage and communication	3.15	3.45	3.15	3.29	2.96
Finance, real estate and business services	3.39	3.42	4.56	2.74	2.53
Personal services	3.36	2.91	2.05	1.47	1.69
General government services	3.39	3.78	4.00	4.22	4.11
GDP at constant 2005 prices (seasonal adjusted annualized)	3.74	3.27	2.92	2.59	2.14
GDP at constant 2005 prices (non-seasonal adjusted annualized)	3.36	3.26	2.99	2.90	2.11

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

	2011q1	2011q2	2011q3	2011q4	2012q1
Primary Industries	33,175	39,847	36,328	31,618	30,883
Agriculture, forestry and fishing	8,523	14,148	12,009	6,873	8,673
Mining and quarrying	24,652	25,699	24,319	24,745	22,210
Secondary Industries	92,277	93,916	97,343	98,469	93,296
Manufacturing	69,605	71,127	73,793	74,490	70,339
Electricity, gas and water	8,298	8,634	8,935	8,882	8,297
Construction	14,374	14,155	14,615	15,097	14,660
Tertiary industries	283,570	287,654	293,778	304,749	292,885
Wholesale & retail trade; hotels & restaurants	54,172	55,059	57,812	67,587	56,728
Transport , storage and communication	41,390	42,287	44,093	44,963	42,616
Finance, real estate and business services	99,108	99,773	100,850	100,651	101,617
Personal services	25,910	26,167	25,952	25,572	26,348
General government services	62,990	64,368	65,071	65,976	65,576
GDPR at constant 2005 prices	458,355	471,729	478,409	487,175	468,012

ESTIMATED PROVINCIAL 2010 AND 2012 QUARTERLY GROSS REGIONAL PRODUCT

The per-sector estimated GDP-R up to the 1st quarter of 2012 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. The 1st quarter 2012 GDP is crucially more than the 1st quarter 2011 GDP. 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: KZN GDP Quarter 4 of 2010; Quarter 1, 2, 3 and 4 of 2011 and quarter 1 2012 - Constant 2005 prices - Rand million

Industry	2010Q4	2011Q1	2011Q2	2011Q3	2011Q4	2012Q1
Primary Industries	2,872	3,484	5,207	4,514	2,932	3,409
Agriculture, forestry and fishing	1,959	2,551	4,234	3,594	2,057	2,595
Mining and quarrying	913	933	973	921	876	813
Secondary Industries	19,126	18,496	18,846	19,538	19,551	18,601
Manufacturing	15,502	15012	15,340	15,915	15880	15,082
Electricity, gas and water	1,453	1,344	1,398	1,447	1,464	1,355
Construction	2,171	2,141	2,108	2,176	2,208	2,163
Tertiary industries	46,984	44,854	45,530	46,615	48,640	46,395
Wholesale & retail trade; hotels & restaurants	11,118	9,349	9,502	9,977	11,661	9,789
Transport , storage and communication	9,564	9,231	9,431	9,834	9,879	9,434
Finance, real estate and business services	13,441	13,282	13,371	13,516	13,810	13,780
Personal services	4,122	4,219	4,261	4,226	4,182	4,300
General government services	8,739	8,772	8,964	9,062	9,109	9,093
GDPR at constant 2005 prices	77,075	74,822	77,730	78,920	79,588	76,650

Table 6 indicates the 4th quarter of 2010 and 1st, 2nd, 3rd, 4th quarters of 2011 and 1st quarter of 2012 quarter-on-quarter growth rates in GDP-R per the economic

sector. The provincial GDP **decreased** in the 1st quarter of 2012 by **3.69** per cent compared to an **increase** of **0.85** per cent on the 4th quarter of 2011 on a non-seasonal adjusted basis. On a seasonal adjusted basis the provincial economy experienced an **increased** of **1.03** per cent during the 1st quarter of 2012 compared to an **increase** of **0.59** per cent during the 4th quarter of 2011.

The 1st quarter of 2012 economic performance of the province has been somewhat confusing in that the quarterly rate has deteriorated fairly significantly compared to the 4th quarter of 2011 whereas the seasonal adjusted rate has marginally improved compared to the 4th quarter of 2011. Unfortunately as evident throughout the report the 2011 growth experience has been largely unspectacular.

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

Industry	2010Q4	2011Q1	2011Q2	2011Q3	2011Q4	2012Q1
Primary Industries	-33.86	21.28	49.46	-13.30	-35.04	16.24
Agriculture, forestry and fishing	-43.17	30.18	66.00	-15.12	-42.77	26.19
Mining and quarrying	1.97	2.18	4.25	-5.37	-4.88	-7.11
Secondary Industries	0.28	-3.29	1.89	3.67	0.07	-4.86
Manufacturing	-0.06	-3.16	2.19	3.75	-0.22	-5.02
Electricity, gas and water	-0.20	-7.50	4.05	3.49	1.14	-7.38
Construction	3.13	-1.42	-1.52	3.25	1.44	-2.01
Tertiary industries	4.48	-4.53	1.51	2.38	4.34	-4.61
Wholesale & retail trade; hotels & restaurants	16.46	-15.91	1.64	5.00	16.88	-16.05
Transport, storage and communication	1.83	-3.48	2.17	4.27	0.45	-4.50
Finance, real estate and business services	1.57	-1.18	0.67	1.08	2.18	-0.21
Personal services	-0.90	2.36	0.99	-0.82	-1.03	2.81
General government services	1.17	0.38	2.19	1.09	0.51	-0.17
GDPR at constant 2005 prices	1.06	-2.92	3.89	1.53	0.85	-3.69
GDPR at constant 2000 prices (seasonal)	1.04	1.62	0.12	0.54	0.59	1.03

adjusted)

Table 7 shows that the provincial economy recorded on a seasonal adjusted and annualised basis an **increase** of **2.29** per cent during the 1st quarter of 2012 compared to an **increase** of **2.89** per cent during the 4th quarter of 2011. The 1st quarter 2012 annual growth rates both on a seasonal and non-seasonal adjusted basis indicate that economic activity is at worse levels than experienced during the 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 and high wage increases. 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 with wealth and employment creation and the growth prospects and outlook for the province.

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

Industry	2010Q4	2011Q1	2011Q2	2011Q3	2011Q4	2012Q1
Primary Industries	11.89	10.96	7.84	0.86	-4.03	-6.53
Agriculture, forestry and fishing	11.51	11.00	5.53	0.23	-3.20	-4.60
Mining and quarrying	13.21	10.82	16.10	3.05	-6.83	-12.89
Secondary Industries	3.69	5.42	2.04	2.81	1.48	0.03
Manufacturing	4.50	6.48	2.17	3.05	1.57	-0.18
Electricity, gas and water	0.69	-0.60	0.12	0.00	0.67	0.73
Construction	0.11	2.00	2.33	2.99	1.40	1.14
Tertiary industries	3.01	3.18	3.17	3.55	3.86	3.80
Wholesale & retail trade; hotels & restaurants	4.87	4.47	4.12	4.55	4.70	4.84
Transport, storage and communication	2.94	4.52	4.88	4.90	3.41	2.24
Finance, real estate and business services	1.69	1.00	0.76	1.43	3.70	4.65
Personal services	1.88	1.76	1.89	2.06	2.72	2.71
General government services	3.65	4.38	4.59	4.96	4.19	3.53

GDP at constant 2005 prices (seasonal adjusted annualized)	3.67	4.25	3.28	3.35	2.89	2.29
GDP at constant 2005 prices (non-seasonal adjusted annualized)	3.02	3.82	3.20	3.48	3.26	2.44

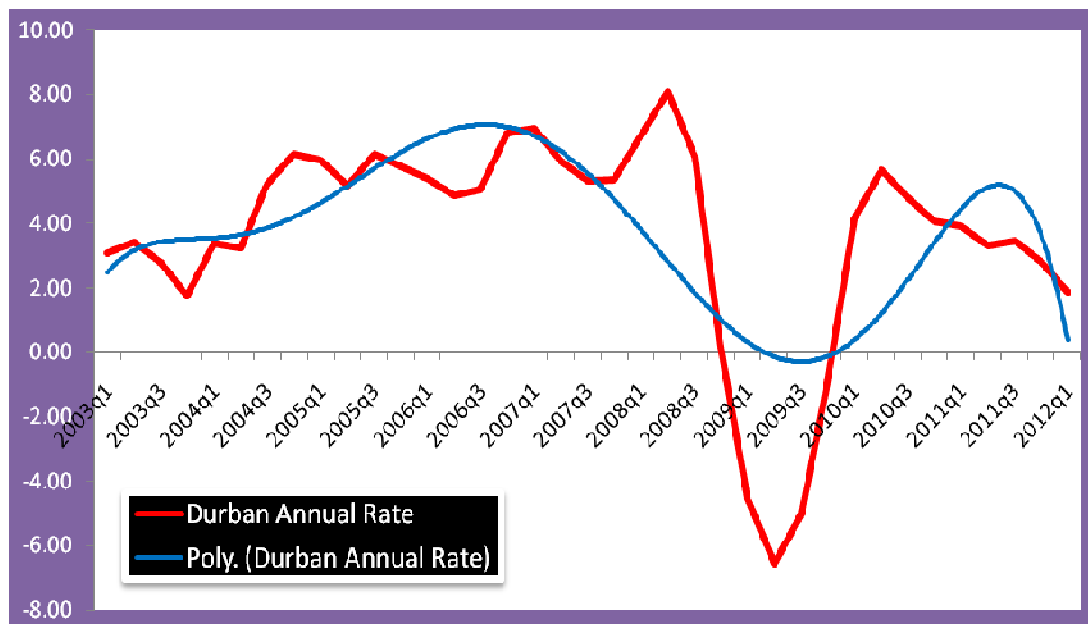
Table 8 indicates the average sector contribution rates for the different economic sectors for the stated periods. The structural behaviour of the provincial economy is very similar to the national economy in that the consumer related sectors have shown strong relative growth. The relative long term trend of the manufacturing sector is still a great course of concern.

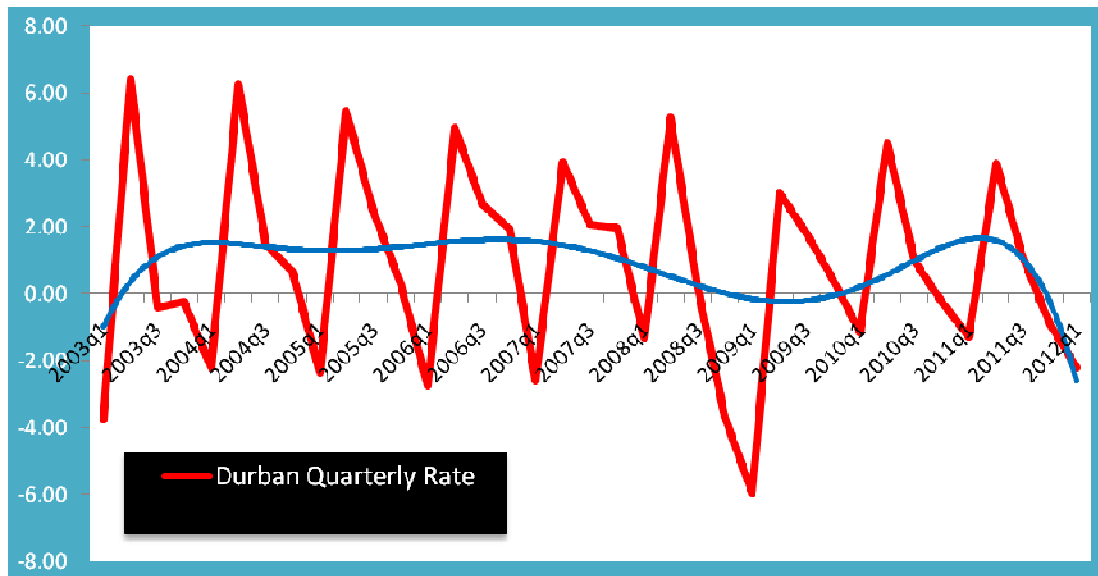
Table 8: Average Provincial Sector Contribution – Per Period and Per Industry

	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

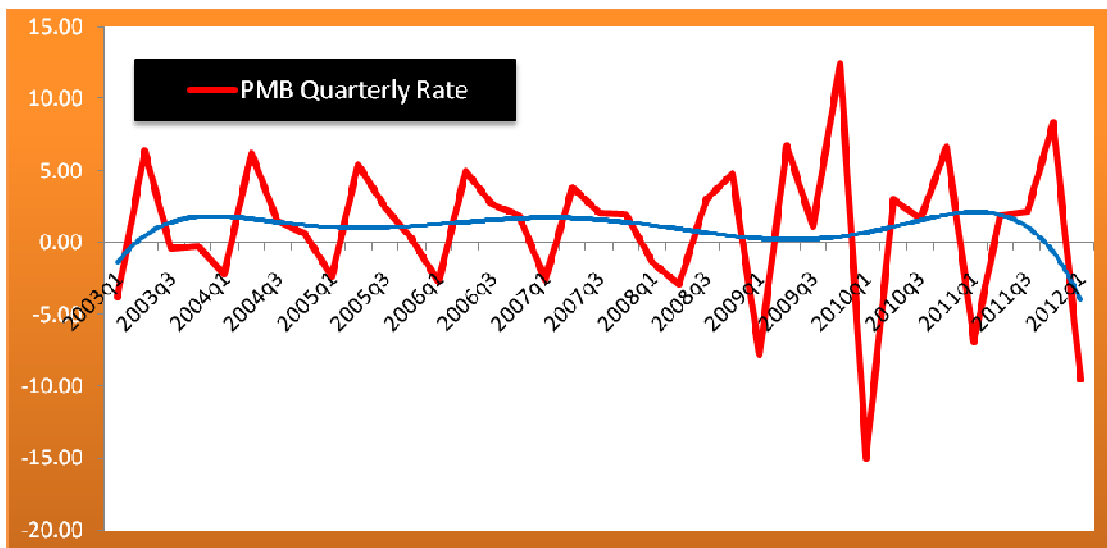
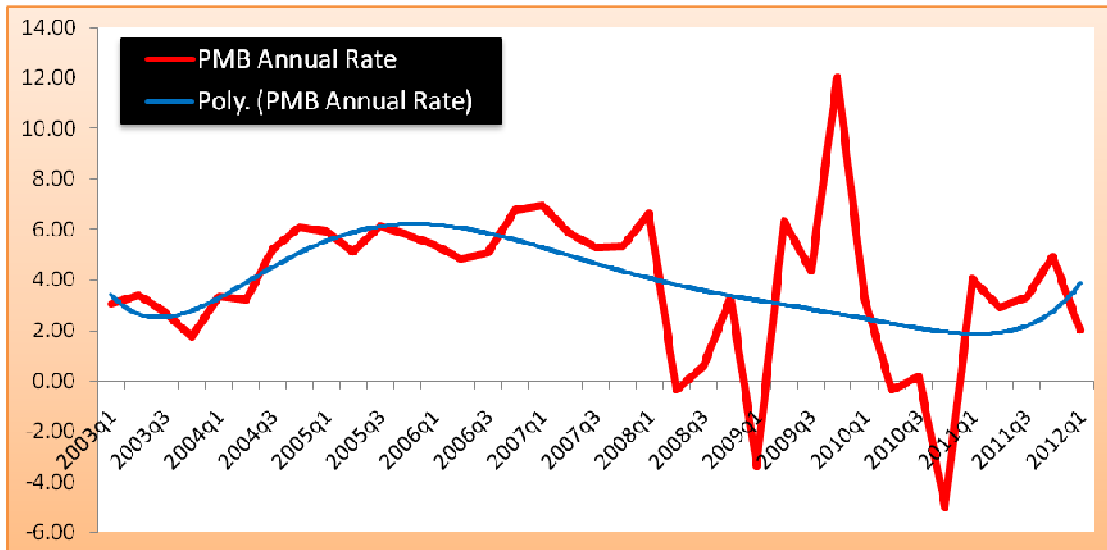
	Durban Quarterly GDP	Durban Quarterly Rate	Durban Annual Rate
2008 q4	R 42,230,255,650	-3.70	0.16
2009 q1	R 39,715,317,041	-5.96	-4.54
2009 q2	R 40,913,245,277	3.02	-6.55
2009 q3	R 41,652,328,597	1.81	-5.02
2009 q4	R 41,839,241,155	0.45	-0.93
2010 q1	R 41,359,620,352	-1.15	4.14
2010 q2	R 43,224,599,031	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
2012 q1	R 43,775,683,304	-2.20	1.85





Msunduzi Municipal Area

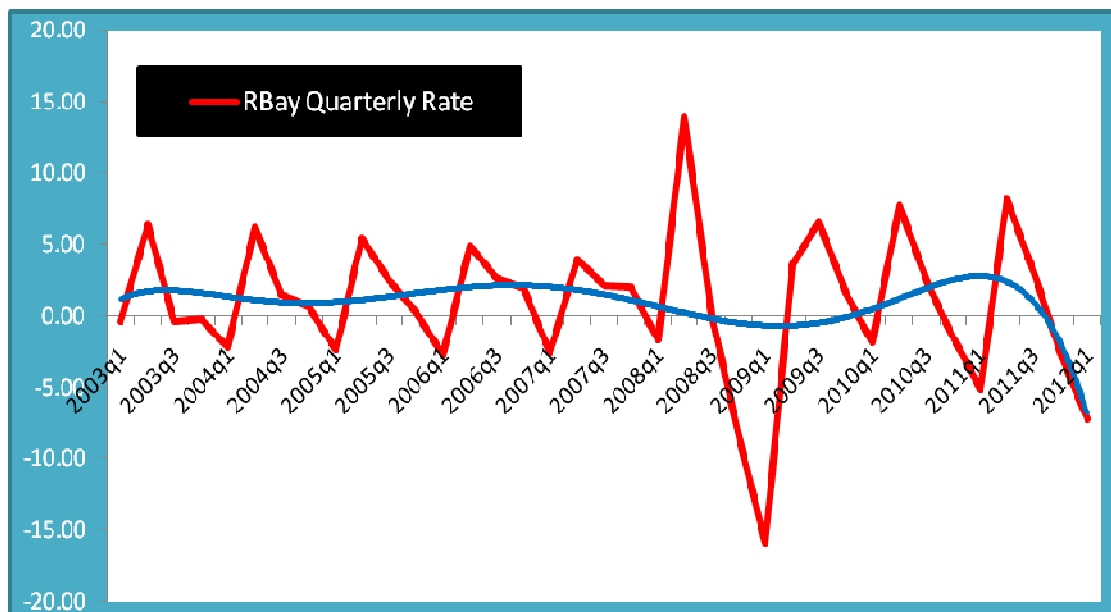
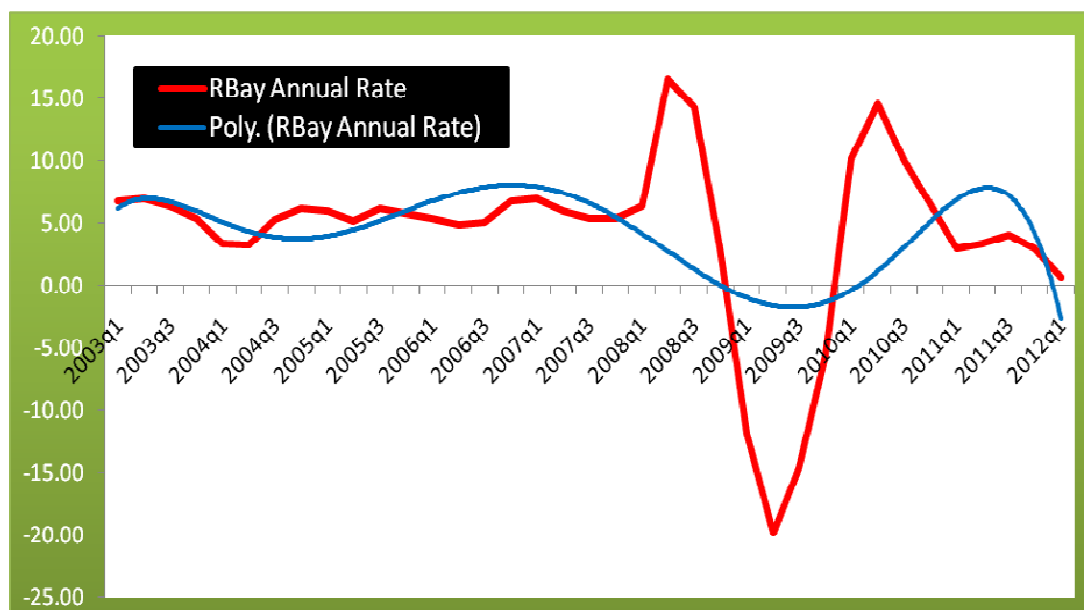
	Pietermaritzburg Quarterly GDP	Pietermaritzburg Quarterly Rate	Pietermaritzburg Annual Rate
2008 q4	R 6 115 076 895	4.78	3.35
2009 q1	R 5 639 054 043	-7.78	-3.35
2009 q2	R 6 022 600 899	6.80	6.34
2009 q3	R 6 091 623 810	1.15	4.38
2009 q4	R 6 851 290 789	12.47	12.04
2010 q1	R 5 825 070 216	-14.98	3.30
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 6 060 688 265	-6.92	4.04
2011 q2	R 6 177 377 767	1.93	2.93
2011 q3	R 6 307 182 089	2.10	3.35
2011 q4	R 6 833 861 179	8.35	4.96
2012q1	R 6 184 418 211	-9.50	2.04



Mhlathuze Municipal Area

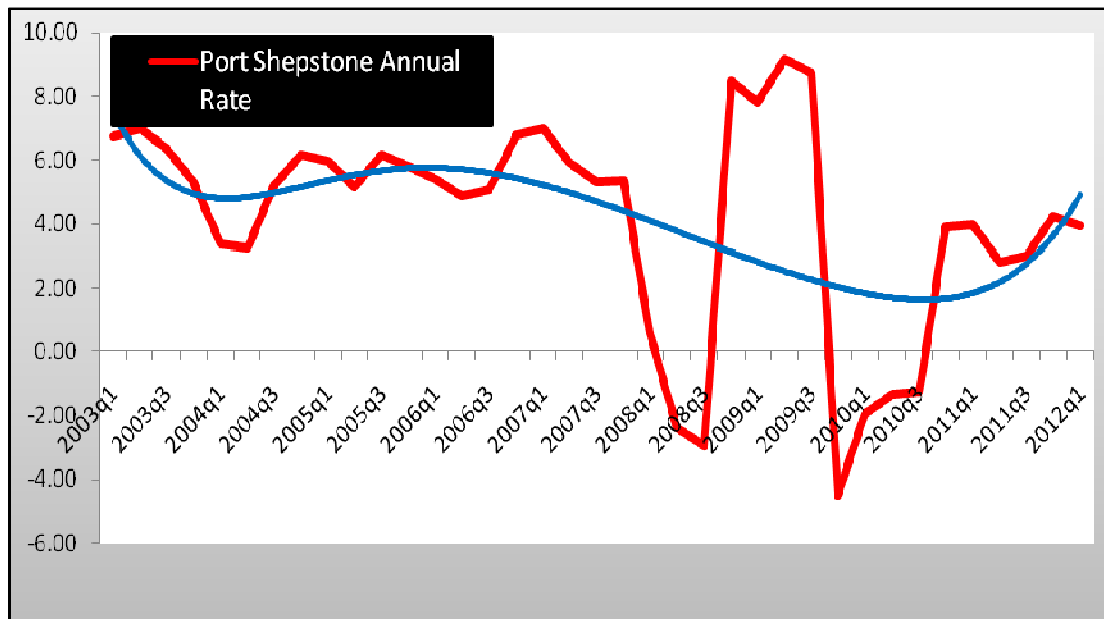
	Richards Bay Quarterly GDP	Richards Bay Quarterly Rate	Richards Bay Annual Rate
2008 q4	R 4,780,312,640	-7.88	2.78
2009 q1	R 4,032,029,054	-15.65	-11.84
2009 q2	R 4,140,268,992	2.68	-20.30
2009 q3	R 4,401,930,287	6.32	-15.17
2009 q4	R 4,454,575,249	1.20	-6.81

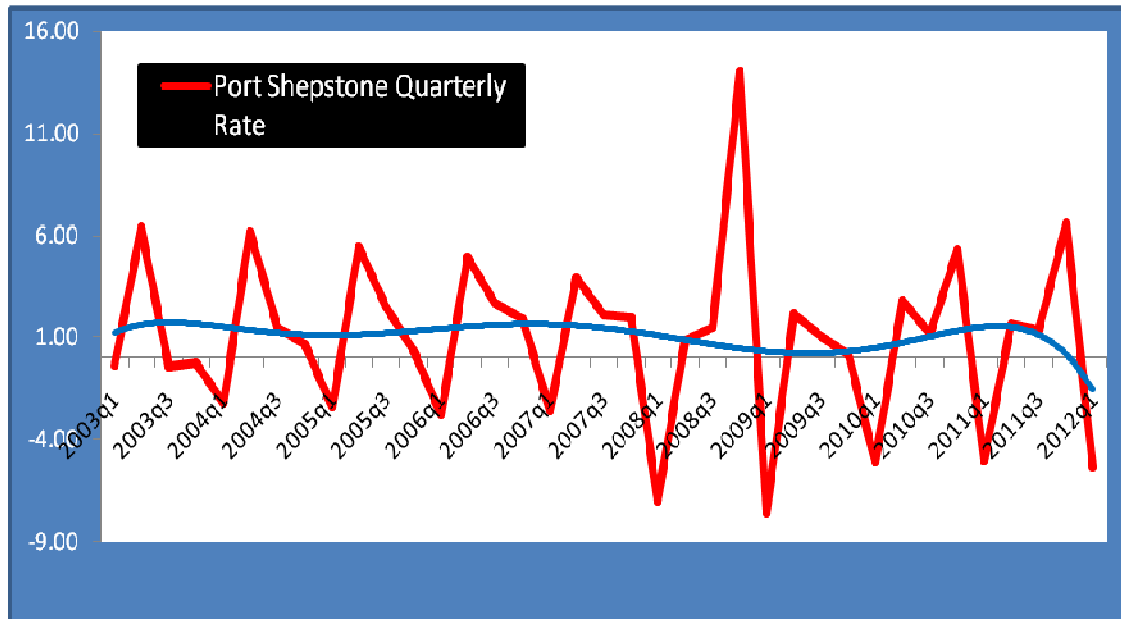
2010 q1	R 4,354,131,281	-2.25	7.99
2010 q2	R 4,689,023,580	7.69	13.25
2010 q3	R 4,799,664,079	2.36	9.04
2010 q4	R 4,725,292,303	-1.55	6.08
2011 q1	R 4,475,012,635	-5.30	2.78
2011 q2	R 4,837,159,329	8.09	3.16
2011 q3	R 4,982,931,326	3.01	3.82
2011 q4	R 4,864,613,629	-2.37	2.95
2012 q1	R 4,511,080,821	-7.21	0.65



Hibiscus Coast Municipal Area

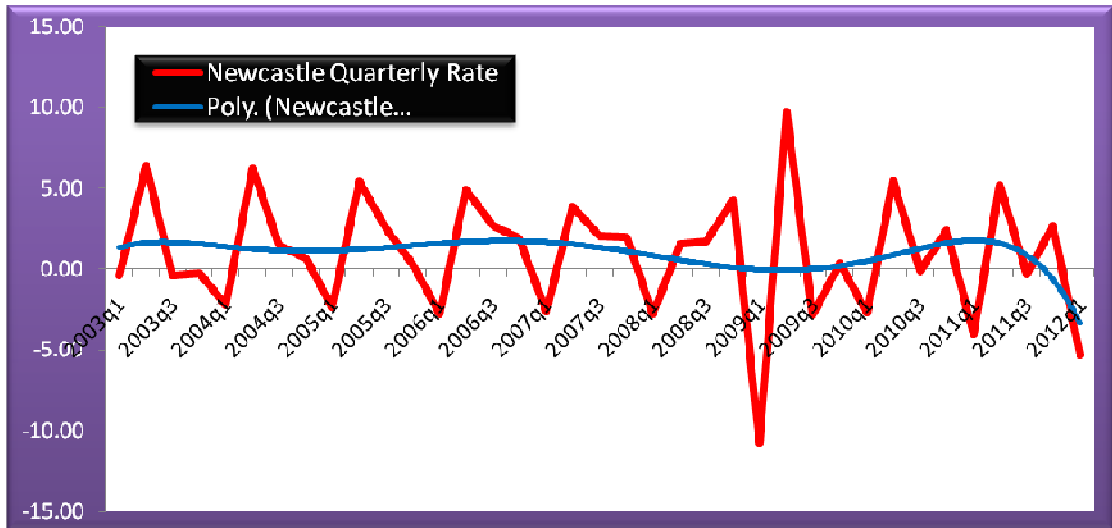
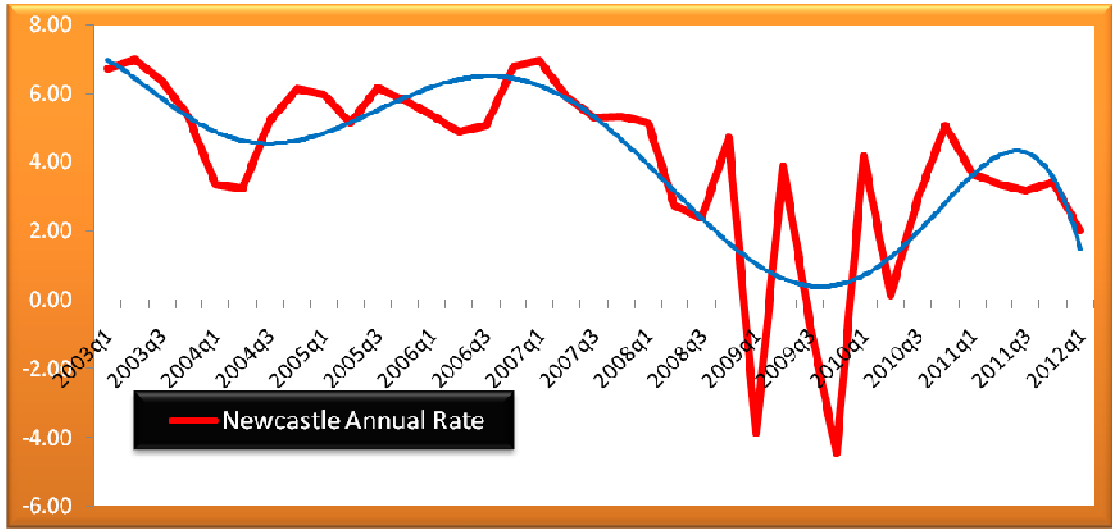
	Port Shepstone Quarterly GDP	Port Shepstone Quarterly Rate	Port Shepstone Annual Rate
2008 q4	R 2,481,962,914	14.29	8.30
2009 q1	R 2,299,022,485	-7.37	7.86
2009 q2	R 2,328,106,991	1.27	8.59
2009 q3	R 2,345,672,508	0.75	8.02
2009 q4	R 2,339,668,133	-0.26	-5.73
2010 q1	R 2,209,715,375	-5.55	-3.88
2010 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
2012 q1	R 2,387,223,722	-5.36	3.91





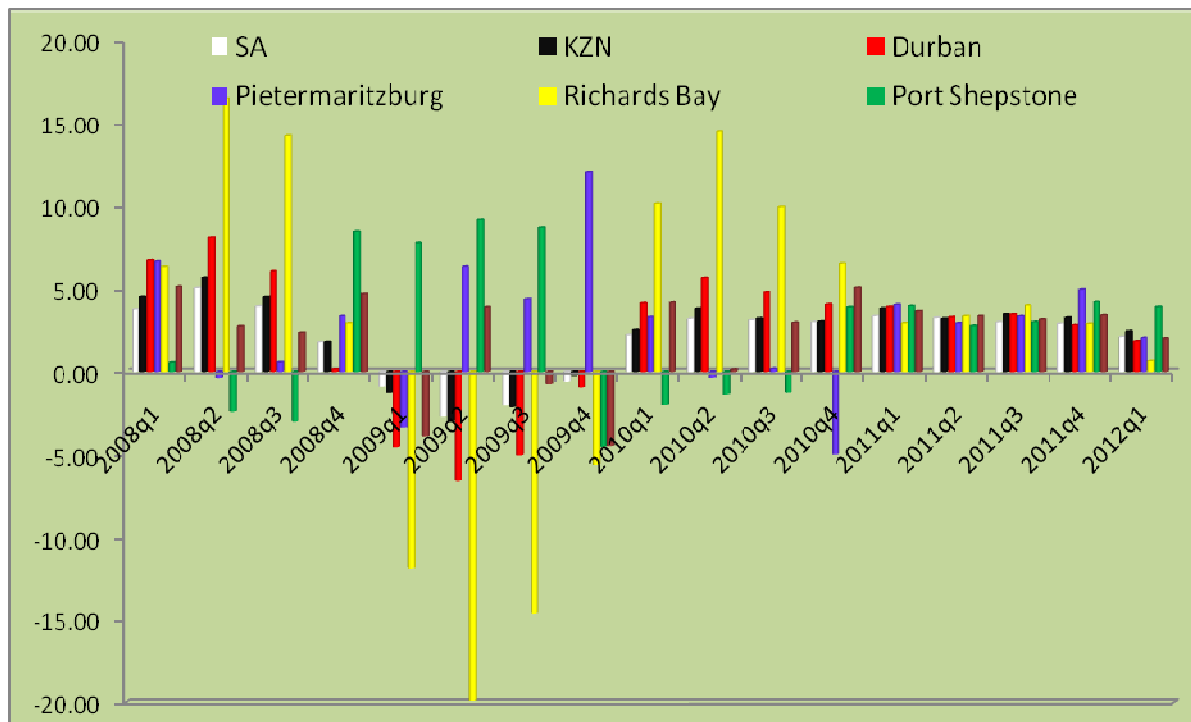
Newcastle Municipal Area

	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
2012 q1	R 2,149,433,754	5.30	2.01



Comparative Regional Statistics

Comparative Growth Rates Non Seasonal Annual Rate							
	SA	KZN	Durban	Pietermaritzburg	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
2010 q1	2.11	2.44	1.85	2.04	0.65	3.91	2.01
Average	2.03	2.27	2.23	2.65	2.53	2.47	2.22



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
20121p	76.98	57.11	8.07	5.89	2.80	3.11
Average	77.28	57.09	8.15	6.15	2.83	3.06

