

Eastern Cape economy to pick up in 2010

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The Eastern Cape Development Corporation (ECDC) believes that while the Eastern Cape economy has been affected by a seemingly unrelenting global economic recession, there is hope beyond the storm for the provincial economy in 2010. A number of sectors such as tourism, and the struggling general manufacturing sector, led by automotives, are likely to pick up next year as the country eases out of the recession.

ECDC believes the province, one of the largest tourist destinations in the country, is expected to make major economic gains largely because of the 2010 soccer World Cup. In April 2009 both major airports - Port Elizabeth and East London - received on average 2 954 passenger arrivals per day. In July 2009, passenger arrivals fell by 4.3% year on year. However, these figures don't tell the whole story. A close scrutiny of these numbers, also indicate that between January and June 2009, passenger arrivals grew by 6%.

Already substantial tourism investments running into millions of rands have generated significant job and economic growth opportunities in the province this last year. These investments have led the ECDC to develop a tourism sector investment plan for the province which will serve as a comprehensive guide for tourism investments.

Although the Wild Coast holds great potential for tourism investment in the province, adequate infrastructure in the area is needed for meaningful tourism investment. There is a need to create connecting roads to the hotels in the Wild Coast. Plans are underway, to create a R1,3 billion transport route that will run from KwaZulu-Natal to East London to solve the access issue of the Wild Coast. This route is expected to create 4 000 jobs.

The ailing manufacturing sector is likely to be resuscitated in the new year. The Eastern Cape Socio-Economic Consultative Council (Ecsecc) has indicated that provincial manufacturing has continuously declined since the third quarter of 2008. Demand for manufactured goods dropped during the recession. However, the construction sector has continued to be the best performing sector during this period. This is clearly because of the huge infrastructure investments the government has committed towards the 2010 World Cup. Government programmes such as the Extended Public Works Programme (EPWP) and the Accelerated Shared Growth Initiative of South Africa (Asgisa) have contributed to the major construction boom.

This trend is likely to continue in the new year. ECDC believes that the 2010 Fifa World Cup is an ideal opportunity to create legacy projects for the country and the province particularly in the transport sector. However, there is also a need to shift financial resources to other projects. Currently, resources are locked up in 2010 centres. There is a need to move money non-2010 centres to give them an opportunity to share in the spoils. Already, about R100 billion has gone towards the World Cup.

The Ecsecc figures also reveal that although the construction sector makes a small contribution to GDP, it has for three consecutive quarters been the fastest growing sector. Between January and June 2009, cement sales increased by 41%.

The automotives sector, for so long the bedrock of the local economy, did not escape the effects of the economic downturn. It will likely be reinvigorated in the new year. The recession has also revisited the old-hackneyed lamentation - the need to diversify from the reliance on the auto sector to other industries to be cushioned from these problems. We don't control the sector.

The need for diversification is also validated by Ecsecc. Its figures show that new vehicle sales have not improved over the last six months. "In total, in June 2009, only 1 143 new vehicles (passenger, commercial and buses) were sold in the Eastern Cape compared to 2 778 new vehicles sold in March 2008, a 58.9% contraction."

In global terms, the province is a small player in the industry accounting for less than 1% of global automotive manufacturing. We are a small player. Recently at the South African Automotive Week in Port Elizabeth, Johan van Zyl, president and CEO of Toyota Motors SA placed the matter in perspective: "There are many stronger markets out there, and to be sustainable, we need to create more local content and local value. This can only be done if our economic policies are aligned."

Our partners such as the East London IDZ have responded to these challenges in the sector with innovative solutions which will provide a platform for the development and improvement of the automotive industry in South Africa and further contribute to the competitive positioning of the South Africa automotive industry globally.

The IDZ's multi-Original Equipment Manufacturer Model (OEM), which is centred on the use of a common facility to assemble a number of different products for different OEMs, was launched by the East London IDZ at the South African Automotive Week as part of the organisation's response to its mandate to attract export oriented investment into the country

The IDZ's executive manager for business development Tembela Zweni states: "It is our belief that in order for the industry to survive the current conditions and to be sustainable in the new economic landscape, it is necessary to revise conventional models of production to achieve leaner operations, greater efficiencies and cost savings."

Reliable electricity is also needed for emerging sectors such as Business Process Outsourcing and Offshoring (BPO & O). The lack of a reliable electricity supply is a serious concern which will negate investments in these sectors away from South Africa. Ecsecc notes that the quantity of electricity distributed by Eskom in June 2009 fell by 11% year on year, and by 6.8% month on month. This corresponds to the decline in the manufacturing sector.

There are sectors which hold great potential for growth. Green industries such as agro-processing and upstream industries for processing are well-placed. This will drive manufacturing and commercial activity particularly in the former Transkei. The agriculture and agro-processing programme driven by AsgiSA Eastern Cape in the area provide an ideal space to shore up our manufacturing capacity. Opportunities for the beneficiation of resources for the people of the province are being actively researched and investigated, with efforts directed towards understanding which supply chains can be located, built and leveraged within the Eastern Cape. This area will be given further impetus by the announcement of a cooperative fund.

In our efforts to rebuild the provincial economy in the new year, ECDC's role will be of a partner to government. The corporation will need to identify the main drivers of development. We need to point out to government the type of infrastructure needed to attract investments into the economy. In effect, ours needs to be a consultancy role. This will need to be backed by sound research.

For more information contact:

Msulwa Daca

ECDC Acting chief Executive Officer

Tel. 043 704 5600

Email mdaca@ecdc.co.za

For ECDC media relations:

Lunga Mtshizana

SMG Africa

Tel. 043 726 8833

Cell. 083 618 7557

Email lunga@smgafrica.com

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Web: <http://www.ecdc.co.za/>