

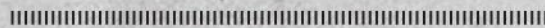


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Eastern Cape Economic Review and Outlook, 2021 Q4

Compiled by the Office of the CEO



Economic Research, Analysis and Forecasting

Executive Summary

- Global growth is expected to decelerate markedly from 5.5% in 2021 to 4.1% in 2022 and 3.2% in 2023 as pent-up demand dissipates and as fiscal and monetary support is unwound across the world.
- SA economy grew by an estimated 4.6% in 2021, and growth is forecasted to moderate to its pre-pandemic trend, being held back by structural impediments and elevated levels of public debt. Growth is expected to reach 2.1% in 2022 and 1.5% in 2023.
- SA as a country recorded a growth of 1.2% in 2021Q4 which improved from a negative growth of -1.7% posted in 2021Q3. All provinces in SA experienced an increase in GDP growth in 2021Q4, from a low negative growth recorded in 2021Q3, except for two provinces. This is as a result of the country moving to alert level 1 lockdown restrictions, to allow economic activity to resume as the impact of fourth wave infections started to diminish.
- Business confidence in SA for Wholesale deteriorated to 53 index points in 2021Q4, from 56 index points posted in the previous quarter, indicating the amount of pessimism that businesses have about the prospects of their companies based on the expansion of the corona virus global pandemic that creates uncertainty in the South Africa economy. The retail sector registered a decline of 52 index points in 2021Q4 (from high 55 % in 2021Q3) and the manufacturing sector declined to an index of 38 (from 41 index posted in 2021Q3). However, the Building and Construction sector improved to 30 index points in 2021Q4, from low 18% in the previous quarter, showing high optimism in the fourth quarter of 2021 for the sector.
- The Eastern Cape was in the 5th position with a GDP growth of 4.1%, improving from the -7.4% posted in 2021Q3. The Eastern Cape provincial real GDP growth was driven by the primary sector as it grew by 49.2 % mostly supported by agriculture, forestry and fishing.
- SA recorded a CPI of 5.7% in February 2022, unchanged from 5.7% recorded in January 2022. EC posted a CPI of 5.7% in February down from 5.8% recorded in January 2022.
- SA's unemployment rate surged to the highest on a global list of 82 countries monitored by Bloomberg. The unemployment rate climbed to 35.3% in 2021Q4 from 34.9% in 2021Q3.
- EC unemployment rate significantly improved to 45% based on the narrow definition in 2021Q4 (from 47.4% in 2021Q3) and to 53.2 % based on the expanded definition.
- EC was a net exporter of commodities with the World between 2020Q4-2021Q4. The province recorded a trade surplus of R1.4 billion in 2021Q4 from R2.2 billion in 2021Q3 due to a decline in the value of export commodities by 22.1% (from R13.6 billion in 2021Q4 from R16.0 billion in 2021Q3 in absolute terms). The Top 4 export commodities were: Motor



Vehicles, Nuclear Reactors, Boilers, Wool, Fine or Coarse Animal Hair, and Rubber and articles thereof.

- The province was also a net exporter to Africa, recording a R1.1 billion trade surplus in 2021Q4 and R1.0 billion in 2021Q3. The Top 4 exports were: Motor Vehicles, Rubber and articles thereof, Electrical equipment and Iron and Steel. Exports to these regions improved despite the covid-19 pandemic which affected trade: SACU (R752.7 million), SADC (R628.4 million), Eastern Africa (R174.0 million) and Northern Africa (R61.7 million). Top countries were Namibia, Mauritius, Kenya and Zambia.
- Cargo handled by the 3 of the 8 SA ports slightly increased despite loosening of lockdown restrictions, from 53.6 million metric tons in 2021Q3 to 54.0 million metric tons in 2021Q4. Cargo handling mainly took place in KZN, Western Cape and the Eastern Cape (EC handled about 4.6 million metric tons of cargos which translate to a 7.8% share (with the Port Elizabeth Port and the Port of Ngqura the busiest ports throughout the province)). Furthermore, the EC ports experienced an increase in cargo handling compared to other provinces.
- EC FDI from the World between 2021Q1-2021Q4 was recorded at US\$ 207.3 million resulting in the creation of 606 jobs by 2 companies (US\$ 206.00 million investment and 600 jobs created by Mercedes-Benz at ELIDZ in East London in the Automotive sector, and Consultive Utilities invested US\$ 0.90 million in Gqeberha resulting in the creation of 6 jobs to the provincial economy in the Business Services sector.



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1. South Africa Economic Performance

Following a strong rebound in 2021, the global economy is entering a pronounced slowdown amid fresh threats from COVID-19 variants and a rise in inflation, debt, and income inequality that could endanger the recovery in emerging and developing economies, according to the World Bank's latest Global Economic Prospects report. Global growth is expected to decelerate markedly from 5.5% in 2021 to 4.1% in 2022 and to 3.2% in 2023 as pent-up demand dissipates, and as fiscal and monetary support is unwound across the world. The rapid spread of the Omicron variant indicates that the pandemic will likely continue to disrupt economic activity in the near term. In addition, a notable deceleration in major economies including the United States and China will weigh on external demand in emerging and developing economies. At a time when governments in many developing economies lack the policy space to support activity if needed, new COVID-19 outbreaks, persistent supply-chain bottlenecks and inflationary pressures, and elevated financial vulnerabilities in large swaths of the world could increase the risk of a hard landing.

The slowdown will coincide with a widening divergence in growth rates between advanced economies and emerging and developing economies. Growth in advanced economies is expected to decline from 5% in 2021 to 3.8% in 2022 and to 2.3% in 2023, a pace that, while moderating, will be sufficient to restore output and investment to their pre-pandemic trend in these economies. In emerging and developing economies, however, growth is expected to drop from 6.3% in 2021 to 4.6% in 2022 and to 4.4% in 2023. By 2023, all advanced economies will have achieved a full output recovery yet output in emerging and developing economies will remain around 4% which is below pre-pandemic trend. For many vulnerable economies, the setback is even larger: output of fragile and conflict-affected economies will be 7.5% below its pre-pandemic trend, and output of small island states will be 8.5% below. Meanwhile, rising inflation which hits low-income workers particularly hard is constraining monetary policy. Globally and in advanced economies, inflation is running at the highest rates since 2008. In emerging market and developing economies, it has reached its highest rate since 2011. Many emerging and developing economies are withdrawing policy support to contain inflationary pressures well before the recovery is complete.¹

¹ Source: www.worldbank.org/global-recovery-economics-debt-commodity-inequality,2022



Output in Sub-Saharan Africa (SSA) grew by an estimated 3.5% in 2021, driven by a rebound in commodity prices and an easing of social restrictions. However, the recovery remains fragile and insufficient to reverse a pandemic-induced increase in poverty and the threat of recurrent COVID-19 outbreaks. The Omicron variant is now contributing to a surge in new cases across the region. More than 70% of SSA countries reported at least a 50% increase in new COVID-19 cases during the last two weeks of 2021. Growth in SSA is projected to firm slightly during the forecast horizon, to 3.6% in 2022 and 3.8% in 2023. This outlook is nearly a full percentage point below the 2000-2019 average, however, reflecting the continued effects of the pandemic, reduced policy support, and policy uncertainty as well as worsening security situation in some countries. South Africa grew by an estimated 4.6% in 2021, growth is forecast to moderate to its pre-pandemic trend, being held back by structural impediments and elevated levels of public debt. Growth in South Africa is expected to reach 2.1% in 2022 and 1.5% in 2023.²

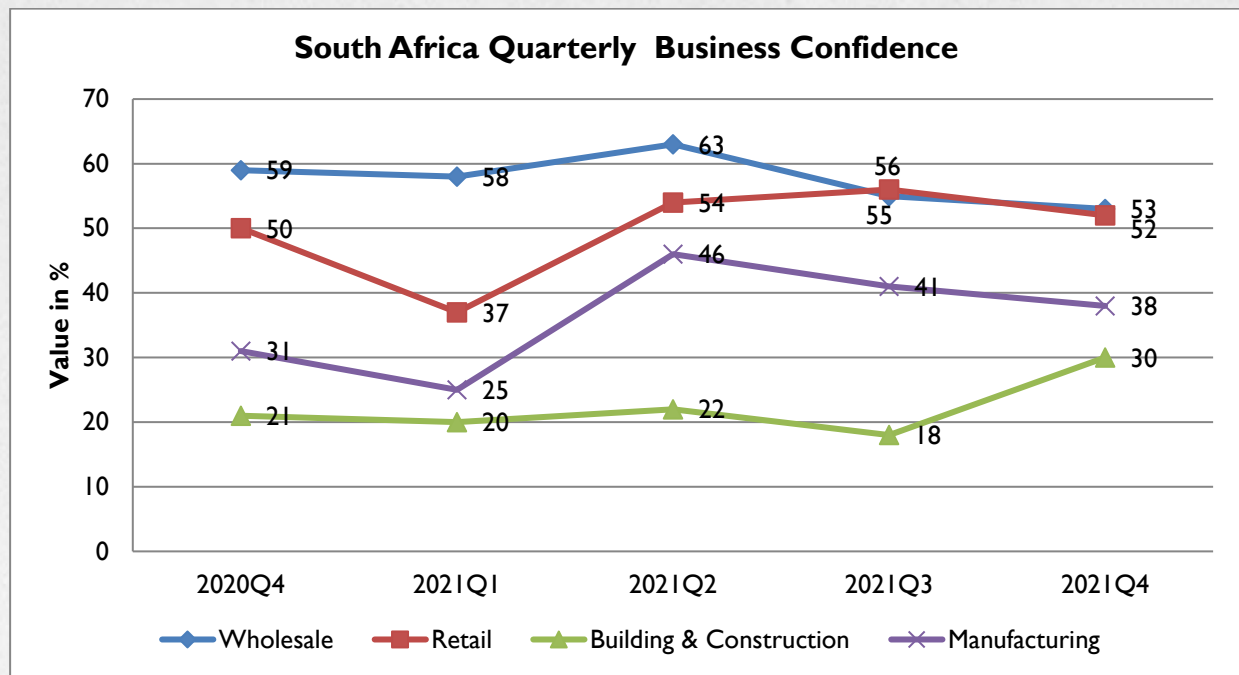
Business Confidence

According to the Bureau of Economic Research survey, business confidence in South Africa for Wholesale deteriorated to 53 index points in 2021Q4 from 56 index points posted in the previous quarter 2021Q3, indicating the amount of pessimism that businesses have about the prospects of their companies based on stretching of corona virus global pandemic that creates uncertainty in the South Africa economy. The retail sector registered a decline of 52 index points in 2021Q4 (from high of 55 in 2021Q3), also the manufacturing sector followed suit posting a decline of 38 index points (from 41 index points posted in 2021Q3). While Building and Construction sector on the other hand improved to 30 index points in 2021Q4, from a low 18% in the previous quarter, showing high optimism in the fourth quarter of 2021 for the sector (see figure 1 below).

² Source: worldbank.org/Global-Economic-Prospect/Sub-Saharan-Africa,2022



Figure 1: South Africa Cape Business confidence, 2020Q4 - 2021Q4



Source: Quantec EasyData and Own Calculation, 2021

1.1 Eastern Cape Quarterly Performance

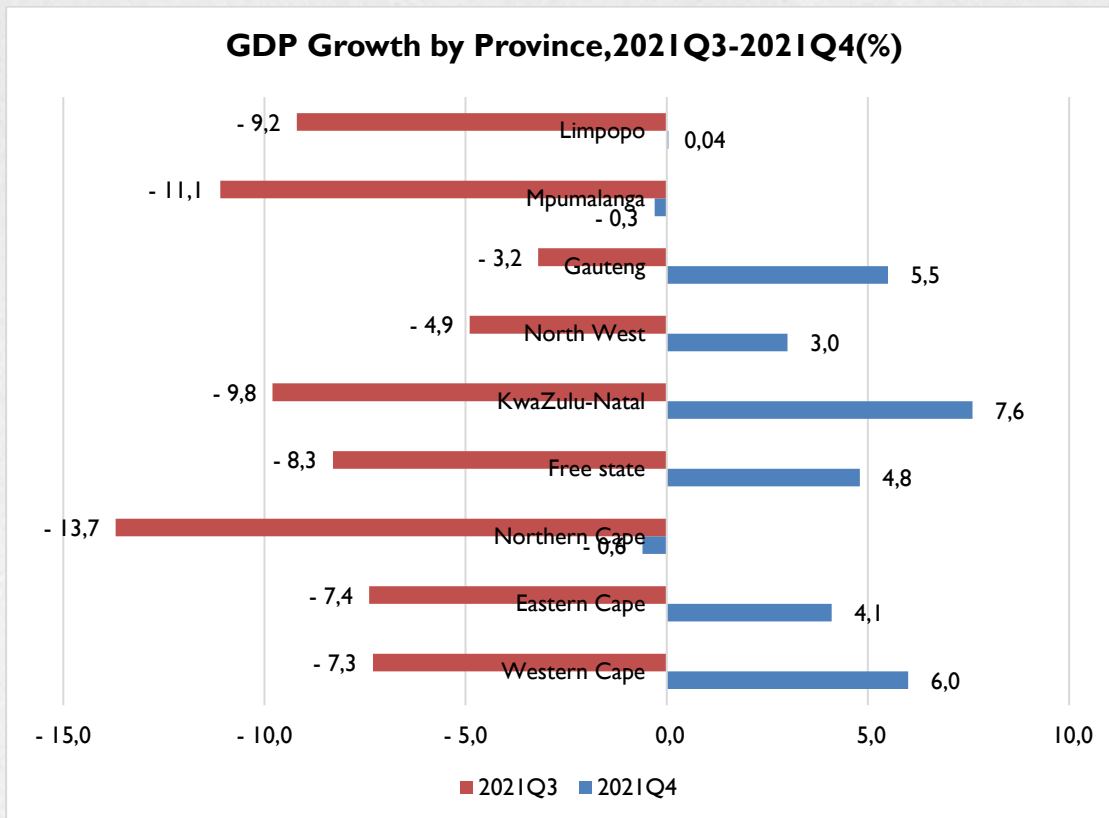
The GDP growth rate per province in South Africa between 2021Q3 and 2021Q4 is illustrated in figure 2 below. The data showed that all provinces in South Africa experienced an increase in GDP growth in 2021Q4 from low negative growth recorded in 2021Q3 except two provinces and this is as a result of the country moving to alert level 1 lockdown restrictions to allow economic activities to resume as the impact of fourth wave infections started to diminish. South Africa as a country recorded a growth of 1.2% in 2021Q4 improving from a negative growth of -1.7% posted in 2021Q3. The highest provincial real GDP growth in 2021Q4 was recorded by KwaZulu Natal with 7.6% (significantly improved from -9.8% recorded in 2021Q3), followed by Gauteng with 5.5% (up from -3.2% recorded in 2021Q3), followed by Free State with 4.8 % (up from -8.3 % in 2021Q3), and Eastern Cape in the fifth position with 4.1 improved from -7.4% posted in 2021Q3. Mpumalanga and Northern Cape were the only provinces that registered negative growth rate of -0.3 and -0.6 respectively. The Eastern Cape provincial real GDP growth was driven by Primary sector as it grew by 49.2 % mostly supported by Agriculture, forestry and fishing.



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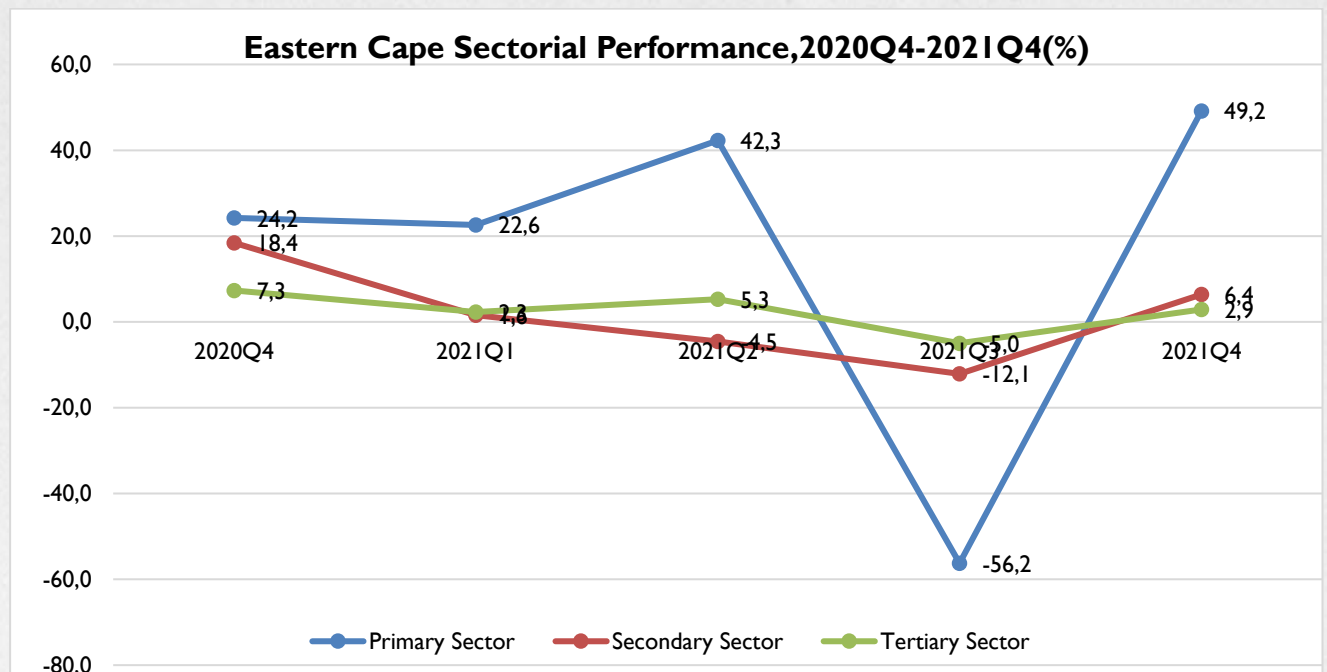
Figure 2: GDP Growth by Province, 2021Q3-2021Q4 (%)



Source: Quantec estimates

Looking at the sectorial performance of the Eastern Cape GDP contribution by economic sector, it revealed that most of the provincial economy's productive activity in quarter four of 2021 was supported by the Primary sector as it grew by 49.2% (mostly supported by Agriculture, forestry and fishing sector). The tertiary sector was the second highest contributor to provincial GDP growth in 2021Q4 with 6.4% driven by improvement in Community, social and other personal services. Furthermore, the Secondary sector improved by 2.9% mostly driven by only growth in Manufacturing sector (see figure 3 below).

Figure 3: Eastern Cape Sectorial Performance, 2020Q4 – 2021Q4 (%)



Source: Quantec estimates

The Eastern Cape detailed breakdown of industry performance between quarter two of 2021 to quarter four of 2021 are illustrated in table I below. It is depicted that the Agriculture, Forestry and Fisheries, Manufacturing, Wholesale and retail trade, Transport, Communication and Community, social and other services were the sectors that contributed to the provincial growth of 4.1 % in the fourth quarter of 2021. However, the impact of corona virus pandemic persists and pose uncertainty in the future growth in the global economy. This recorded growth, however, does not mean the economy is out of the woods yet, although this is an improvement from a negative 7.4% registered in 2021Q3.

Table I: Eastern Cape Industry GVA Growth, 2021Q2-2021Q4 (Values in %)

Industries	Quarter-on-Quarter Change			Year-on-Year Change		
	2021Q2	2021Q3	2021Q4	2021Q1	2021Q3	2021Q4
Agriculture, forestry and fisheries	44.8	-60.7	56.8	22.0	-2.9	2.3
Mining and quarry	20.5	9.7	-0.1	59.3	12.6	12.6
Manufacturing	-5.4	-15.2	12.5	41.3	0.2	-2.1
Electricity and water	0.5	-2.1	-16.4	12.3	-1.1	-5.3
Construction	-3.0	-1.6	-7.4	17.3	1.0	-2.7

Wholesale and retail trade	9.4	-24.0	5.8	31.7	-2.0	-2.0
Transport and communication	25.1	-9.5	5.0	26.5	4.8	3.0
Finance, real estate and business services	-3.6	3.2	-4.5	9.4	3.6	-0.3
Community, social and other services	9.9	1.6	10.5	9.0	5.1	6.0
General government services	-1.8	1.1	-1.3	0.1	0.2	-0.4

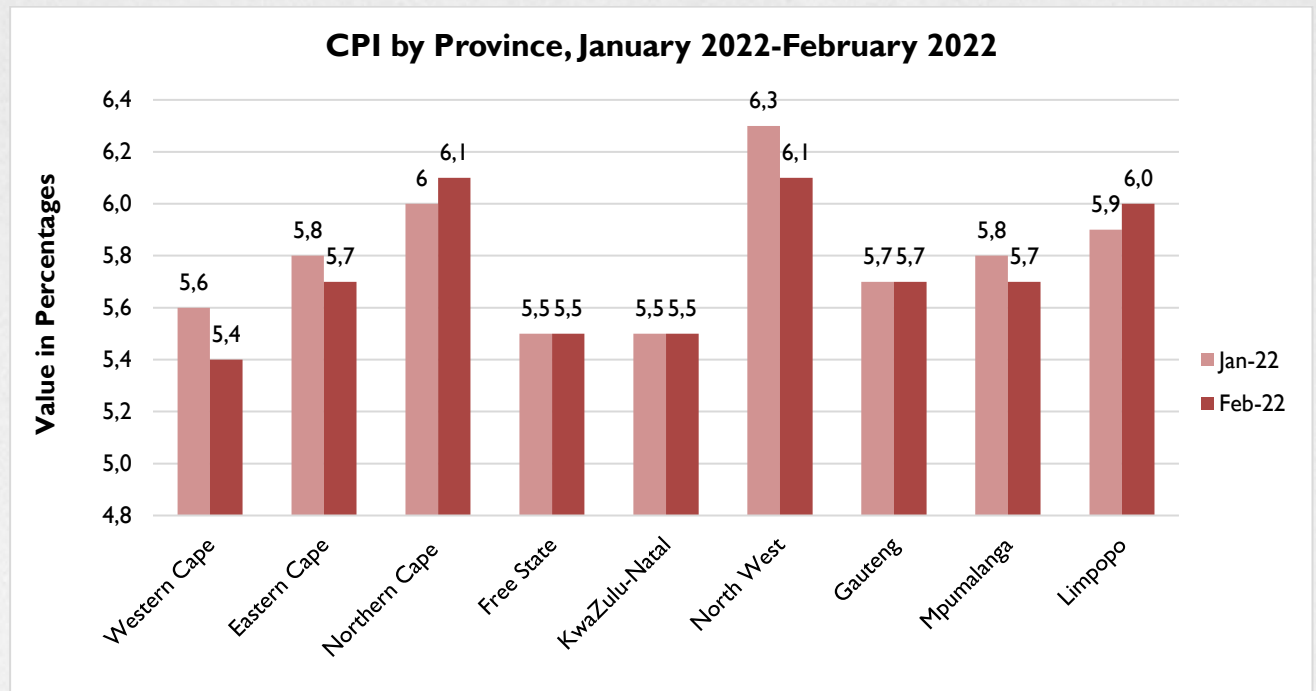
Source: Quantec estimates

1.2 Consumer Price Index (CPI) Trends

The annual consumer price index is a measure of the basket of goods and services consumed by households at a certain point in time, with the target band for South Africa being set between 3%-6% by the South African Reserve Bank (SARB). As a result of cost push inflation emanating from a continuous increase in oil prices as the conflict between Russian and Ukraine persist, there is high pressure on inflation, the SARB increased the repo rate by 25 basis point in the past three MPC meeting from November 2021.

Annualised consumer price inflation was 5.7% in February 2022, unchanged from 5.7% recorded in January 2022. The consumer price index increased by 0.6% month-on-month in February 2022. The main contributors to the 5.7% annual inflation rate were non-alcoholic beverages, housing and utilities, transport, and miscellaneous goods and services. Provincial annual inflation rates ranged from 5.4% in Western Cape and to 6.1 in North-West and Northern Cape. Based on the February CPI figures, 3 provinces in the country had recorded a CPI value higher than that of national (5.7%) as follows: North-West and Northern Cape with a tie of 6.1% and Limpopo posted 6%. However, four of the nine provinces experienced a decline in CPI (Eastern Cape posted CPI of 5.7% in February down from 5.8% recorded in January 2022), only two experienced a hike and three remained unchanged compared to the previous month of January 2022, which reflects a pinch due to the continuous increase in interest rates posed by South African Reserve Bank Monetary Policy Committee (figure 4 below).

Figure 4: CPI by Province, January 2022- February 2022 (%)



Source: Stats SA

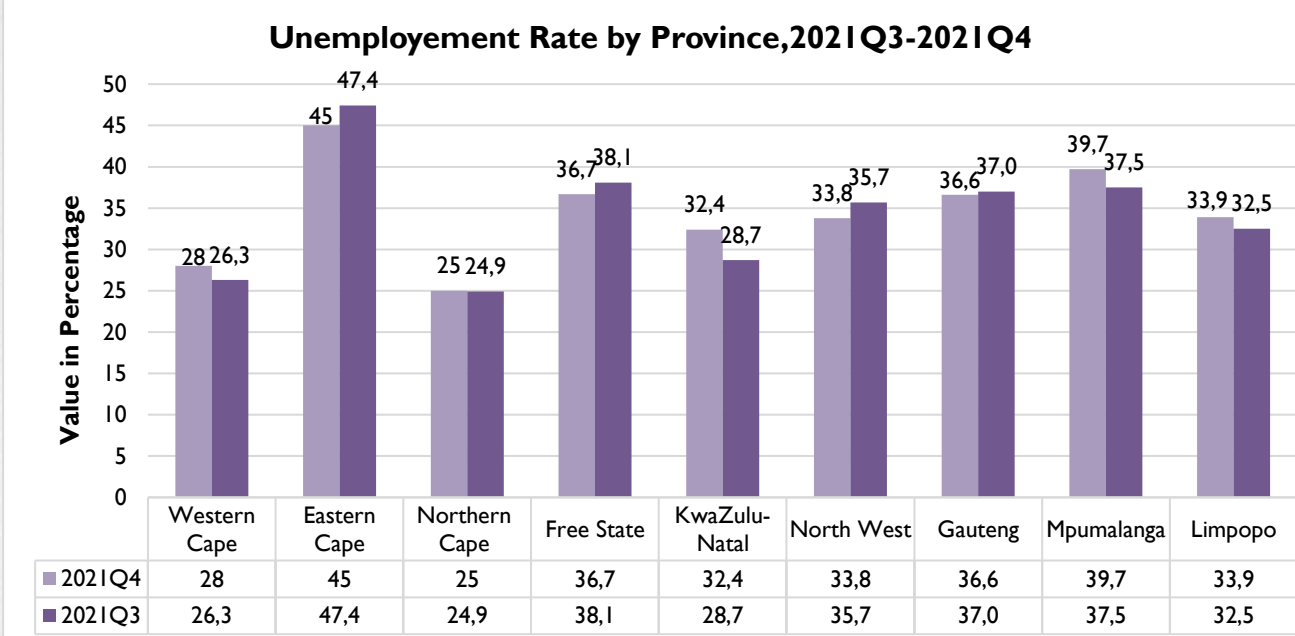
1.3 Quarterly Labour Force Developments

The monitoring done by Bloomberg indicated that South Africa’s unemployment rate rose to the highest on a global list of 82 countries. The jobless rate climbed to 35.3% in the fourth quarter of 2021 from 34.9% in Q3 of 2021. The continuous increase in the joblessness rate in South Africa propelled government to extend the R350 unemployment relief grant which could complicate efforts to stabilize public finances.

The latest increase in the unemployment rate comes despite an improvement in economic activity in Q4, when real GDP expanded by 1.2% quarter-on-quarter. And even though the economy grew by 4.6% in 2021, the official unemployment rate is still 2.8% higher than the 32.5% recorded in Q4 2020. South Africa’s economy is producing jobless growth and given our economic growth projections, it is forecasted that the unemployment rate will settle at about 30% in the medium term. Moreover, with inflation set to increase over the coming months, higher living costs together with limited job opportunities will be detrimental to South Africans in general, and low-income households in particular. The latest release also comes in the wake of a recent World Bank report which found that South Africa remains the most

unequal country in the world. A key reason for this unsettling situation is the failure of the economy to create jobs at a pace that keeps up with population growth.³

Figure 5: Unemployment Rate by Province, 2021 Q3 – 2021 Q4



Source: Stats SA

In the Eastern Cape, the unemployment rate significantly improved to 45% based on the narrow definition (improved by 2.4% compared to 47.4% recorded 2021 Q3) in the fourth quarter of 2021 and to 53.2 % based on the expanded definition, which is attributable to a decline in the number of unemployed people across the province from 1 098 million in the third quarter of 2021 down to 1 019 million in the fourth quarter of 2021, as a result of the easing of lockdown restrictions during the fourth quarter of 2021, which enabled the pick-up in economic activity and resulting to businesses employing more people. The province is number one in South Africa in terms of high unemployment rate (see figure 5 above). This unemployment dilemma is not unique to the Eastern Cape, but rather all provinces in South Africa, exacerbated by corona virus pandemic that constrained economic growth.

³ Source: www.dailymaverick.co.za/article/south-african-unemployment-rate-hits-record,2021



1.4 Employment Trends in the Eastern Cape

Employment in the Eastern Cape in the fourth quarter of 2021 improved, due to the easing of lockdown restrictions as the country moved to Alert Level 1. Nonetheless, employment opportunities in the Eastern Cape continue to remain low compared to other provinces, as a result a population emigration to other provinces to look for a better livelihood continues being a concern. The Eastern Cape province is among the seven provinces that experienced an increase in employment with the following job gains in these sectors: Trade sector recorded a highest job increase of 30 000, followed by the Private households with 18 000, Finance (14 000), Transport and Construction with a lie of 6 000, Mining (3 000) and Agriculture (1 000).

The sectors in the Eastern Cape province that recorded a decline in employment despite the easing of lockdown restrictions which allowed economic activity to fully resume were as follows: Community services recorded the highest jobs loss of 34 000 in 2021Q4 and Manufacturing (-11 000) and whereas employment in Utilities sector remained unchanged in the period under study (see table 2 below).

Table 2: Employment Trends by Industries in the Eastern Cape, 2020Q4 – 2021Q4 (narrow definition)

	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	Quarter-on-Quarter Change
	Values in thousands					
Agriculture	101	101	82	107	108	1
Mining	2	1	1	1	4	3
Manufacturing	102	108	115	126	115	-11
Utilities	5	10	4	5	5	0
Construction	115	120	112	122	128	6
Trade	231	244	252	198	228	30
Transport	82	81	70	78	84	6
Finance	125	157	118	133	147	14
Community services	365	365	376	367	333	-34
Private households	107	111	105	79	97	18

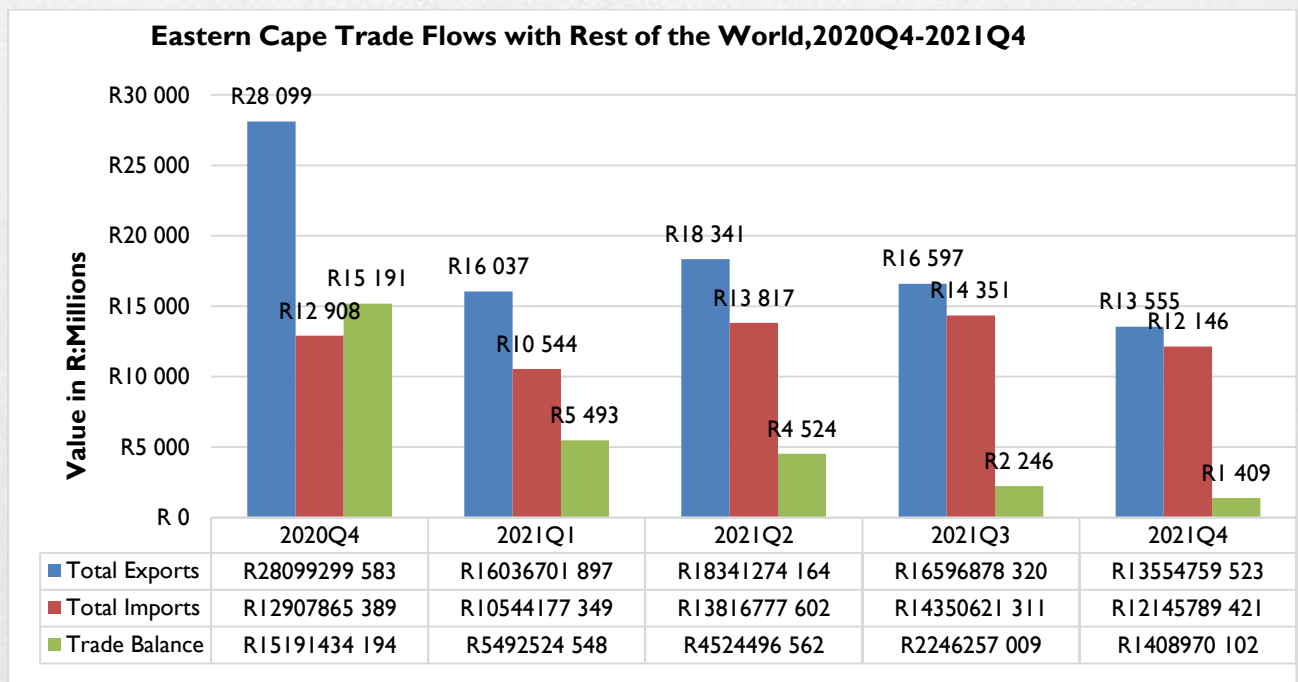
Sources: Stats SA

2. Eastern Cape International Trade Developments

At a national level, international trade flows are starting to improve again after a slight decline in quarter three of 2021 as a result of the lockdown restrictions imposed by national government in trying to control the spread of the corona virus among the population. Despite the loosening of lockdown restrictions, international trade activities slowed down in the Eastern Cape from high trade experienced in quarter three of 2021, attributable to the global economy that is still constrained and struggling to recover from covid-19 pandemic.

The Eastern Cape posted a trade surplus of R1.4 billion in quarter four of 2021 (from R2.2 billion posted 2021Q3), due to a decline in the value of export commodities by 22.1%, amounting to R13.6 billion in 2021Q4 from R16.0 billion in 2021Q3. On the same token, the value of import commodities subsided from R14.4 billion in 2021Q3 to R12.1 billion (19%) in quarter fourth of 2021 (depicted in figure 8 below).

Figure 6: Eastern Cape Trade Flows with the World, 2020Q4-2021Q4 (Values in R-millions)



Source: Quantec and own calculations

The value of Exports and Imports by Sector in the Eastern Cape between 2021 Q3 and 2021 Q4 are tabularized in table 3 below. Manufacturing exports deteriorated by 15% (particularly that of transport equipment), followed by agriculture, forestry and fisheries sector by 65%, which were the main contributors to the deterioration in trade activities in the Eastern Cape in quarter four of 2021.

Table 3: Value of Exports and Imports by Sector, 2021 Q3-2021 Q4 (Value in R-million)

Sector	Value of Exports		Value of Imports		Trade balance
	2021 Q3	2021 Q4	2021 Q3	2021 Q4	2021 Q2
Agriculture, forestry and fisheries	3 380.3	2 043.5	227.1	183.4	1 860.1
Mining and quarry	41.3	8.3	23.1	22.2	-13.9
Manufacturing	13 202.2	11 502.9	14 100.4	11 940.2	-437.2

Source: Quantec and own calculations

3.1 Eastern Cape Exports and Import Commodities by Product to the World

Exports and Imports of the Eastern Cape with the World and the share contribution between 2021 Q3 and 2021 Q4 are illustrated in table 4 below. Observing the provincial export commodities in 2021 Q4, it is evident that the demand and value of motor vehicles declined to R4.6 billion (from R6.4 billion in 2021 Q3) and accounted for 40% of the Eastern Cape's total exports value to the rest of the world in the period under review. Whereas on the imports side, the Motor vehicle imports increased from R3.9 billion in 2021 Q3 to R21.9 billion in 2021 Q4, with a share of 36.4% to the total imports from the rest of the world. This was followed by nuclear reactors, boilers amounting to R3.1 billion (26.3% share), Wool, fine or coarse animal hair amounting to R2.0 billion (16.5% share) and Rubber and articles thereof recorded at R577.8 million (4.9%). On the imports side, the Electrical equipment was a second most imported commodity recorded at R1.2 billion in 2021 Q4 with a share of 15.2% of the total imports value from the rest of the world.

Table 4: Top 10 Exports and Import of Eastern Cape with World and Share, 2021 Q3-2021 Q4.

Exports			Imports				
	2021 Q3	2021 Q4	Share		2021 Q3	2021 Q4	Share
Products	Values in R-million		%	Products	Values in R-million		%
1.Moror Vehicles	R6 409.6	R4 636.1	38.9	1.Motor Vehicles	R3 951.8	R21 781.5	36.4
2.Nuclear reactors, boilers,	R3 812.8	R3 135.7	26.3	2. Electrical equipment,	R1 331.1	R1 162.9	15.2
3.Wool, fine or coarse animal hair	R868.5	R1 970.6	16.5	3. Nuclear reactors, boilers	R1 057.2	R1 155.7	15.1
4. Rubber and articles thereof	R538.1	R577.8	4.9	4.Rubber and articles thereof	R643.4	R600.1	7.9
5. Edible fruit and nuts; peel of citrus	R2 745.2	R401.4	3.4	5. Plastics and articles thereof	R603.2	R468.9	6.1
6. Railway or tramway locomotives	R282.7	R355.1	3.0	6. Meat and edible meat offal	R458.5	R419.5	5.5
7. Raw hides and leather	R197.7	R232.1	1.9	7.Precious stones	R319.9	R404.7	5.3
8. Preparations of vegetables, fruit, nuts	R160.2	R08.9	1.8	8. Mineral fuels	R176.7	R334.4	4.4
9. Natural & precious stones	R61.5	R201.7	1.7	9. Wool and animal hair	R180.7	R306.7	4.0
10. Electrical machinery and equipment	R165.9	R189.9	1.6	10. Articles of iron or steel	R293.4	R278.2	36.4

Source: Quantec and own calculations

3.2 Destination Markets for Eastern Cape Exports and Imports

Even though the corona virus pandemic has not vanished, the trade activities in South Africa and the rest of the world in the fourth quarter of 2021 improved from third quarter figures. However, the value of Eastern Cape exports of commodities to the rest of the world declined in 2021 Q4 from the previous quarter in the period under review.

The Eastern Cape exports to the following regions improved, such as the Americas recorded R10.9 billion with a market share of 15.6%, trailed by Africa with R1.8 billion (markets share of 13.1%) with the rest of the region experiencing a decline.

Whereas on the imports side, all regions experienced a decline in import commodities except Oceania which recorded R84.2 million with 0.75 market share, improved imports by 131% during the period under review. The province showed to be a net exporter to the world regions in the period under review, with a trade surplus of R2.6 billion with Europe, followed

by Africa (R1.1 million) and the only recorded deficit was with Asia at R2.8 billion- see table 5.

Table 5: Eastern Cape Exports and Imports Share Per Region and Trade Balance, 2021Q3-2021Q4

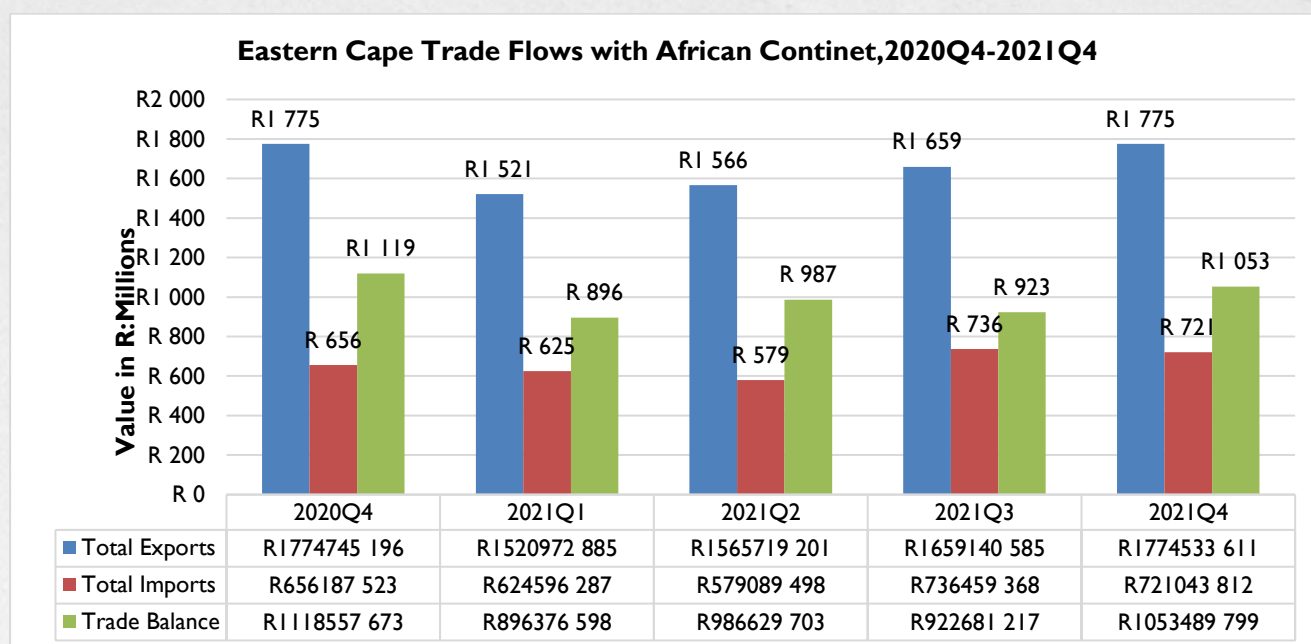
Source: Quantec and own calculations

3.3 Eastern Cape African Continent Trade Developments

The country and Eastern Cape trade with African continent is highly commendable in efforts to develop the economies of the continent. The Exports and Import of Eastern Cape with the African continent between 2020Q4 and 2021Q4 are shown in figure 9 below. The province is a net exporter of commodities to Africa in the period under review. The trade surplus in the balance of trade of the province of R1.1 billion was recorded in 2020Q4 declining to R1.0 billion in 2021Q4. The exports increased from R1.7 billion in 2021Q3 to R1.8 billion in 2021Q4. Similarly, the imports fluctuated from R656.2 million in 2020Q4 to R721.0 million in 2021Q4.

REGIONS	EXPORTS				IMPORTS				Trade bal.
	2021Q3	2021Q4	Growth	Market Share 2021Q4	2021Q3	2021Q4	Growth	Market Share 2021Q4	2021Q4
Regions	Values in R-million			%	Values in R-million			%	Values: R-million
AFRICA	R1 659.1	R1 774.5	6.9	13.1	R736.5	R721.0	-2.1	6.0	R1 053.5
AMERICAS	R1 793.6	R2 115.2	17.9	15.6	R1 762.7	R1 626.2	-8.4	13.5	R488.9
ASIA	R2 780.6	R2 104.7	-32.1	15.5	R5 272.2	R4 948.9	-6.5	41.0	-R2 844.2
EUROPE	R9 924.7	R7 341.5	-35.2	54.2	R6 432.3	R4 697.7	-36.9	38.9	R2 643.7
OCEANIA	R415.9	R207.1	-100.8	1.5	R63.8	R84.2	131.9	0.7	R122.9
ANTARCTICA	0	0	0	0.0	R0	R0	0	0.0	0

Figure 7: Eastern Cape Trade Flows with African Continent, 2020Q4-2021Q4



Source: Quantec and own calculations

Exports and Imports of the Eastern Cape with the African continent and share contribution between 2021Q3 and 2021Q4 are portrayed in table 6 below. Observing the provincial export commodities in Q4 of 2021, the value of motor vehicles declined to R586.2 million (from R627.3 million in 2021Q3) and accounted for 44.3% of the Eastern Cape’s total exports value to African continent in the period under review. Followed by Rubber and articles thereof recorded R227.8 million (17.2% share), Electrical equipment recorded R124.8 million (9.4% share), tracked by Iron and steel at R65.4 million with a market share of 4.9 percent. On the imports side, the Wool, fine or animal hair imports increased from R131.9 million in 2021Q3 to R267.7 million in 2021Q4 with a market share of 43.9% of the total imports value from the African continent.

Table 6: Top 10 Exports and Import of Eastern Cape with Africa and Share, 2021Q3-2021Q4.

Exports	2021Q3	2021Q4	Share	Imports	2021Q3	2021Q4	Share
Products	Values in R-million		%	Products	Values in R-million		%
1.Motor Vehicles	R627.3	R586.2	44.3	Wool, fine or animal hair	R131.9	R267.7	43.9
2. Rubber and articles thereof	R202.1	R227.8	17.2	Electrical equipment	R358.8	R221.6	36.3

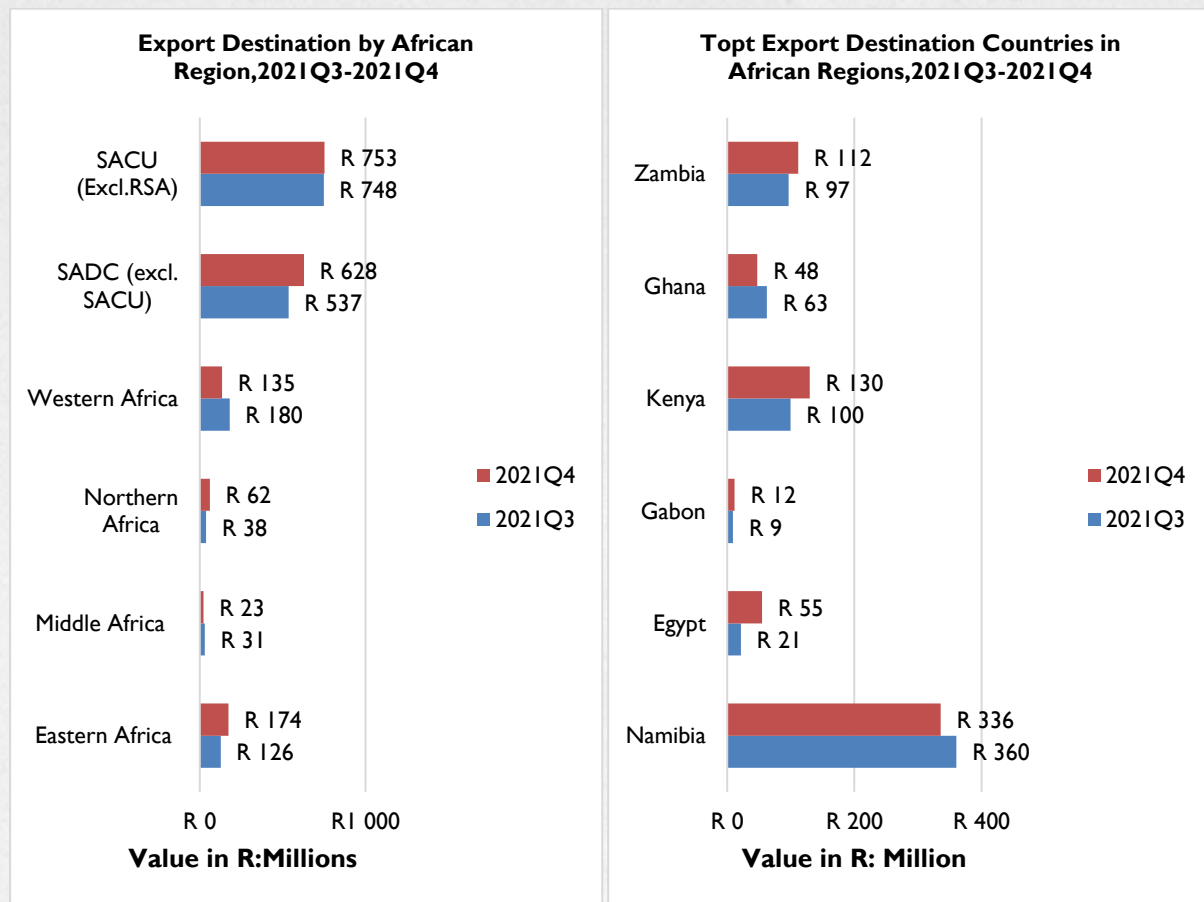
3. Electrical equipment	R113.2	R124.8	9.4	Articles of apparel and clothing accessories	R30.5	R33.2	5.4
4. Iron and steel	R66.3	R65.4	4.9	Aluminium & articles thereof	R27.6	R28.3	4.6
5. Nuclear reactors, boilers,	R58.6	60.3	4.6	Plastics and articles thereof	R26.2	R13.1	2.2
6. Railway locomotives	R37.3	R57.0	4.3	Rubber and articles thereof	R6.3	R11.8	1.9
7. Wool, fine or animal hair	R21.1	R56.9	4.3	Meat and edible meat offal	R18.9	R11.6	1.9
8. Plastics and articles thereof	R82.8	R55.2	4.2	Animal or vegetable fats & oils or waxes	R0.627	R8.5	1.4
9. Beverages, spirits and vinegar	R29.7	R48.3	3.6	Live animals	R3.9	R8.1	1.3
10. Raw hides,skins and leather	R35.9	R41.8	3.2	Salt; sulphur; earths and stone; plastering	R5.7	R5.8	0.9

Source: Quantec and own calculations

3.3.1 Eastern Cape Exports by Destination African Region and by Country

The Eastern Cape Destination Markets in African Regions and top Countries between 2021Q3 and 2021Q4 are revealed in figure 10 below. The Eastern Cape exports to the following regions in Africa in 2021Q4 improved despite the covid-19 pandemic which affected trade, that is, the Southern African Customs Union (SACU) recorded to R752.7 million, followed by Southern African Development Community (SADC) amounted to R628.4 million, followed by the Eastern Africa (R174.0 million) and Northern Africa (R61.7 million). In terms of countries that absorbed the Eastern Cape exports in each of the African regions in 2021Q4, Namibia (top country from SACU) took the leading position and absorbed about R335.6 million worth of the provincial exports of merchandise, trailed by Mauritius (SADC) with exports valued at R133.9 million, Kenya (Eastern Africa Region) with R130.1 million and Zambia (SADC) with R111.7 million.

Figure 8: Eastern Cape Destination Markets in African Regions and Top Countries, 2021Q3-2021Q4

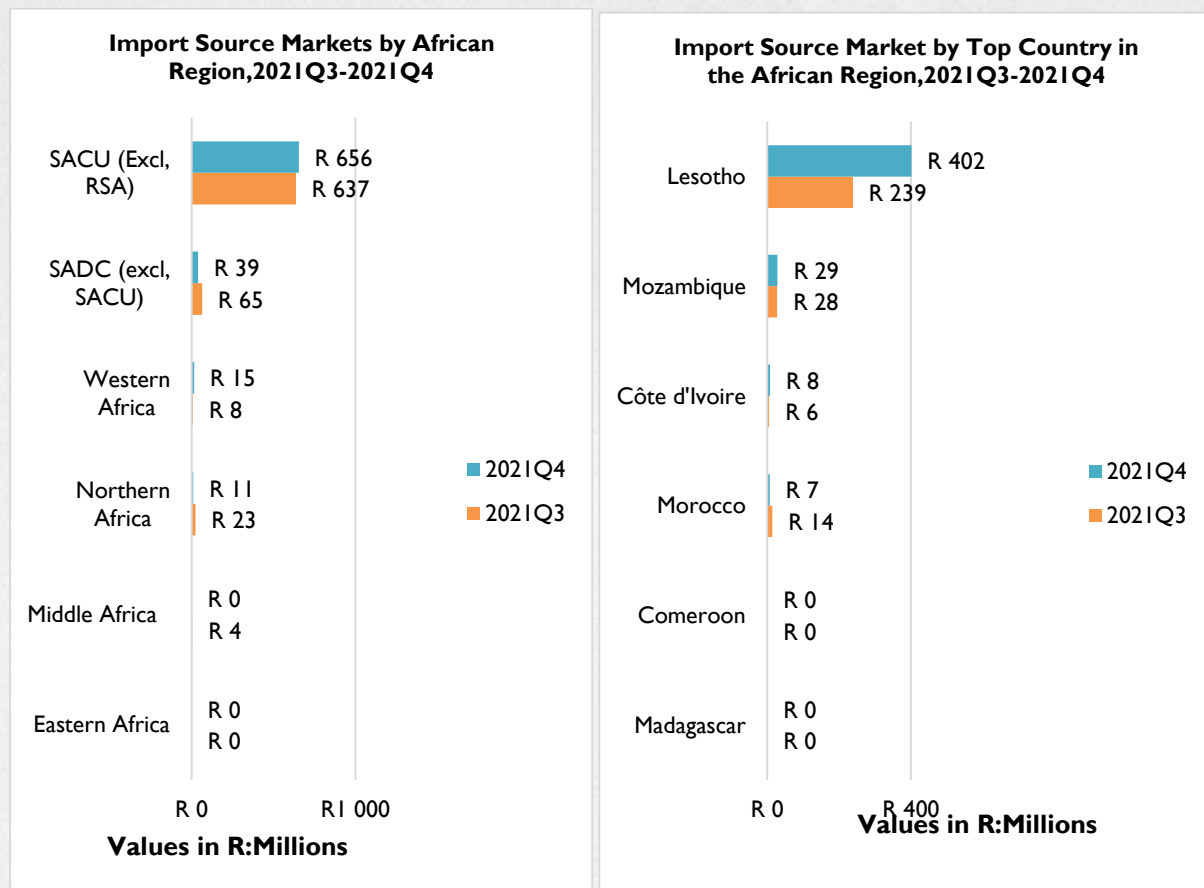


Source: Quantec and own calculations

3.3.2 Eastern Cape Imports by African Region and by Country

The Eastern Cape Source Markets in African Regions and top Countries between 2021Q3 and 2021Q4 are depicted in figure 11 below. The province's source markets for imports, reflected that the majority of imports into the province were from the SACU region amounting to R655.6 million, lagged by SADC in terms of value worth R39.3 million and Western Africa (R15.0 million) in 2021Q4. In terms of countries that the Eastern Cape sourced its imports in the fourth quarter of 2021 in each of the African regions were Lesotho (top country from SACU) with R401.9 million worth of the provincial imports, followed by the Mozambique (SADC) with imports valued at R28.8 million and Cote d'Ivoire (R7.8 million) from Western Africa and Morocco (North Africa) with R6.9 million.

Figure 9: Eastern Cape Source Markets in African Regions and Top Countries, 2021Q3-2021Q4



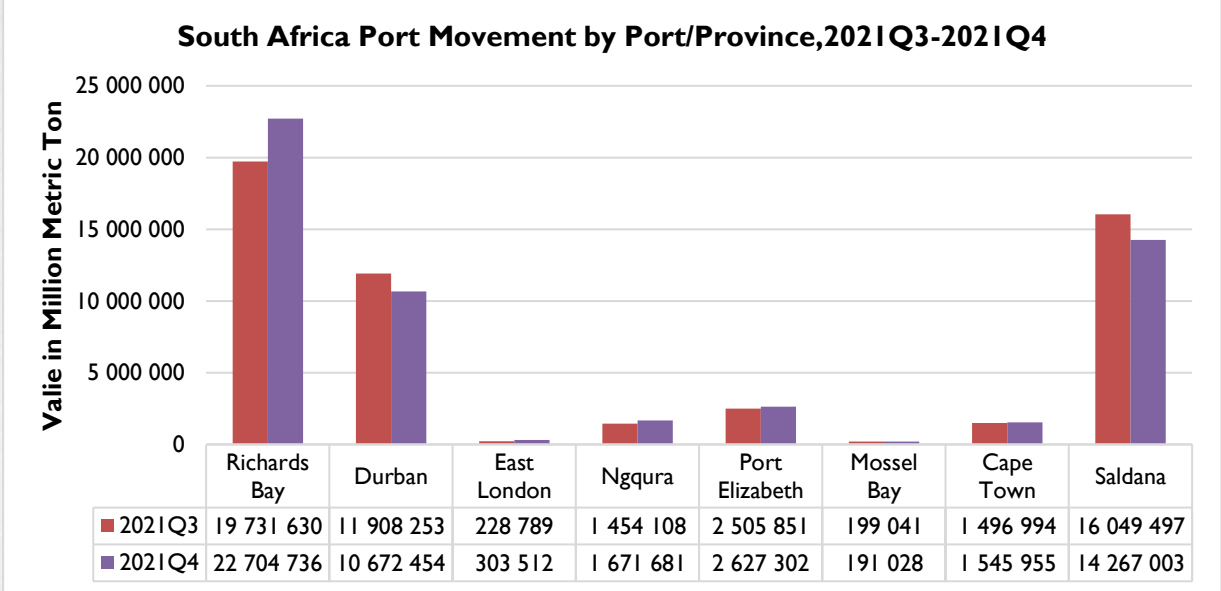
Source: Quantec and own calculations

3.4 National Port Movements

The moving of the country to alert level 1 during the fourth quarter of 2021 saw the country improving on trade activity which resulted to five of the ports across the country in quarter four of 2021 handling more cargo than in the third quarter. Cargo handled by the three of the eight national ports slightly increased despite loosening of lockdown restrictions from 53.6 million metric tons in the third quarter of 2021 up to 54.0 million metric tons in the fourth quarter of 2021. Cargo handling mainly took place in KwaZulu-Natal with over 33.4 million metric tons of cargo handled in 2021Q4, accounting for the largest share of 59.1% as Durban is the biggest port in the country and the busiest. Trailed by the Western Cape with 16.0 million (33.1% share) metric tons of cargos in the fourth quarter of 2021 and the Eastern Cape handled about 4.6 million metric tons of cargos which translate to 7.8% share, an improvement from 4.2 million handled in 2021Q4 (with the Port Elizabeth Port and the Port of Ngqura being

the busiest ports throughout the province). All the Eastern Cape ports experienced an increase in cargo handling compared to other provinces (figure 12).

Figure 10: South Africa Port Movements by Port/Province, 2021 Q3-2021 Q4 (Values in million metric tons)



Source: Transnet Port Authority and own calculations

4. Foreign Direct Investment Trends

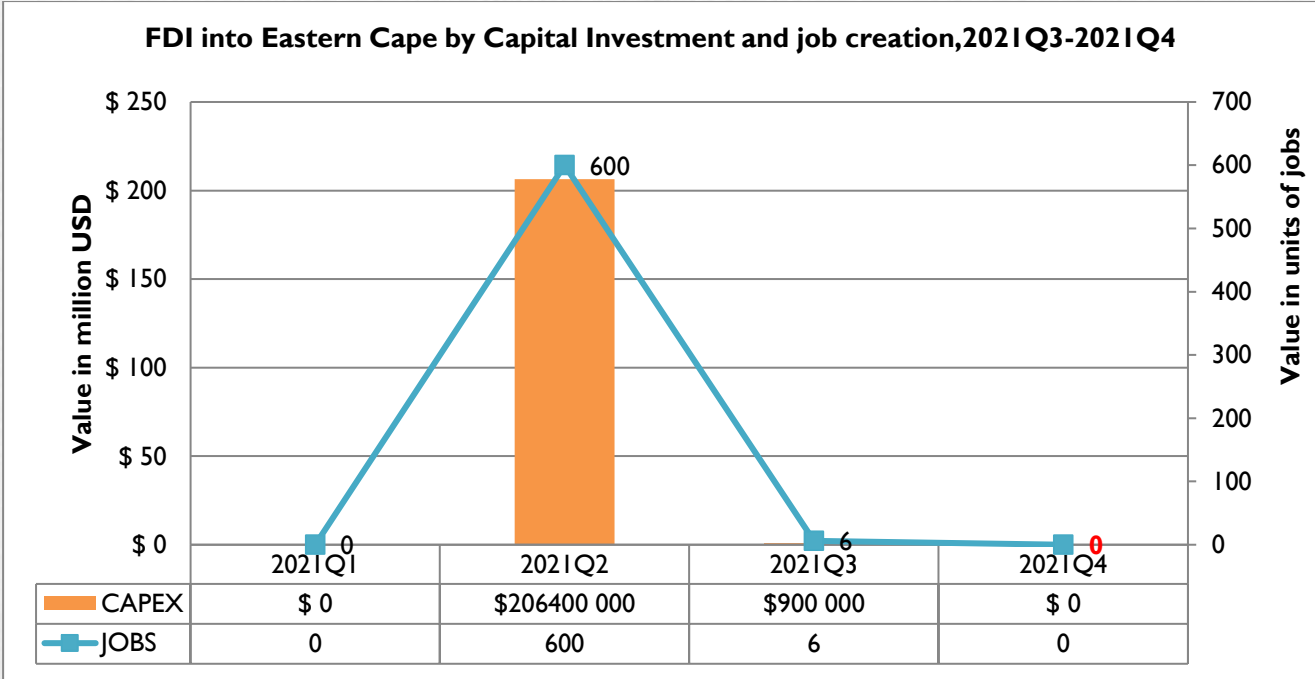
Global foreign direct investment (FDI) flows showed a strong rebound in 2021 up by 77% to an estimated US\$ 1.65 trillion, from US\$ 929 billion in 2020, surpassing the pre-Covid-19 level. Global FDI rebounded strongly in 2021, but recovery was highly uneven in infrastructure finance due to stimulus, greenfield projects in industry still being weak. Developed economies saw the biggest rise by far, with FDI reaching an estimated US\$ 777 billion in 2021, three times the exceptionally low level recorded in 2020. In Europe, more than 80% of the increase in flows was due to large swings in conduit economies. Inflows in the United States more than doubled, with the increase entirely accounted for by a surge in cross-border mergers and acquisitions (M&As). FDI flows in developing economies increased by 30% to nearly US\$ 870 billion, with a growth acceleration in East and South-East Asia (+20%), a recovery to near pre-pandemic levels in Latin America and the Caribbean, and an uptick in West Asia. Inflows in Africa also rose. Africa’s inflows more than doubled, but a large proportion of this was attributed to the US\$ 46 billion share swap between Naspers and the Dutch investment unit Prosus in South Africa in the second half of 2021. As a result, the majority of recipients across



Africa saw a more moderate FDI rise.⁴ Of the total increase in global FDI flows in 2021 (US\$ 718 billion), more than US\$ 500 billion, or almost three quarters, was recorded in developed economies. Developing economies, especially the least developed countries (LDCs) saw a more modest recovery growth.

South Africa attracted Foreign Direct Investment totaling to US\$ 5.43 billion between the period 2021Q1 to 2021Q4 and created 9 492 job opportunities into the economy of the country.⁵ Over this period under review, a total of 100 Foreign Direct Investment projects were attracted with an average project size in terms of jobs of 95 and average project size in terms of capital investment of US\$ 54.24 million.

Figure 11: FDI Inflows into Eastern Cape by Capital Investment and Job Creation, 2021 Q1 – 2021 Q4



Source: FDI Intelligence Market

Foreign Direct Investment totaling to US\$ 207.3 million was attracted by Eastern Cape Province and created 606 job opportunities into the province’s economy between the period 2021 Q1 to 2021 Q4. The Eastern Cape attracted the highest capital investment of US\$ 206.4 million in 2021 Q2 (from low of zero investments attracted in 2021 Q1) and created a highest

⁴ Source: www.unctad.org/webflyer/global-investment-trend-monitor-no-40,2022

⁵ Source: FDI Intelligence Market, 2021



of approximately 600 total job opportunities in the province despite the covid-19 pandemic which negatively affected investments attractions worldwide. In 2021 Q3 the Eastern Cape attracted second highest investment of US\$ 900 thousand capital investment and created second highest of approximately 6 job opportunities in the province. In 2021Q4 the province recorded zero FDIs as the world economy is still constrained due to impact of corona virus pandemic (see figure 13 above).

Table 7: FDI Inflows into Eastern Cape by Quarter, 2021Q1– 2021Q4

FDI Inflows into South Africa by Months, 2021Q1 – 2021Q4					
Month	Number of projects	Jobs created		Capital investment	
		Total	Average	Total (USD million)	Average (USD million)
2021Q4	0	0	0	R0	R0
2021Q3	1	6	6	0.90	0.90
2021Q2	1	600	600	206.40	206.40
2020Q1	0	0	0	0	0
Total	2	606	303	207.30	103.65

Source: FDI Intelligence Market

The number of Foreign Direct Investment into the Eastern Cape by quarters, project number, jobs created and capital investments between 2021Q and 2021Q4 are presented in table 7 above. The province attracted high capital investment of US\$ 206.4 million and an estimated total of 600 job opportunities; investments by this project is equate to 99% of total capital investment over the period under study. The second highest capital investment of US\$ 900 thousand and second highest number of jobs of 6 were attracted in 2021Q3 and in 2021Q4 the province recorded zero foreign direct investment.

Table 8: FDI Inflows into Eastern Cape by Source Country, 2021Q1 – 2021Q4

FDI Inflows into Eastern Cape by Source Country, 2021Q1 – 2021Q4						
Source country	No of projects	No of companies	Jobs Created		Capital investment	
			Total	Average	Total (USD million)	Average (USD million)
Germany	1	1	600	600	206.40	206.40
United Kingdom	1	1	6	6	0.90	0.90
Total	2	2	606	303	207.30	103.65

Source: FDI Intelligence Market

The Eastern Cape Foreign Direct Investment trends from the World by source country between 2021Q1 and 2021Q4 are depicted in table 8. Out of a total of 2 source countries,



Germany accounted 50% number of projects. Again, Germany is the top source country accounting for 99 percent of total capital investment amounting to US\$ 206.40 million and the highest number of total jobs of 600. Germany again has the largest project size on average in terms of investment (US\$ 206.40 million) and in term of jobs creation (600). United Kingdom is a country that has attracted the second greatest investment of US\$ 900 thousand investment and created second highest number of 6 total jobs.

Table 9: FDI Inflows to Eastern Cape by Region, 2021Q1–2021Q4

FDI Inflows to Eastern Cape by Region, 2021Q1 –2021Q4						
Destination Region	No of projects	No of companies	Jobs Created		Capital investment	
			Total	Average	Total (USD)	Average (USD)
Buffalo City	1	1	600	600	206.40	206.40
Nelson Mandela Bay	1	1	6	6	0.90	0.90
Total	2	2	606	303	207.30	103.65

Source: FDI Intelligence Market

The Eastern Cape Foreign Direct Investment from the World by destination region/metro between 2021Q1 and 2021Q4 are illustrated in table 9. Out of a total of the two destination regions, Nelson Mandela Bay Metro and Buffalo City are both the top destination regions, accounting for the equal number of projects tracked. Buffalo City Metro has received the greatest investment amounting to US\$ 206.40 million (from one project: Mercedes-Benz in East London at East London Special Economic Zone in the Automotive sector in a Manufacturing project) and highest number of 600 jobs created in the metro during the fourth quarter of 2021. Furthermore, Buffalo City Metro has the largest project size on average in terms of investment amounting to US\$ 206.40 million. The Nelson Mandela Bay Metro is the second region attracted the highest investment amounting to US\$ 0.90 million in the Business Services sector by Consultiv Utilities landed in Gqeberha and second highest number of 6 job opportunities despite the covid-19 pandemic constrained the FDI’s flow in the global economy.

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