



EASTERN CAPE
ECONOMIC
REVIEW & OUTLOOK

Quarter Two
2023

EXECUTIVE SUMMARY

- The Gross Domestic Product (GDP) in the Organization for Economic Co-operation and Development (OECD) countries increased by 0.4% quarter-on-quarter in 2023Q2, a slight decrease from 0.5% growth from the previous quarter, according to provisional estimates. The quarterly OECD growth rates have been weak since 2022Q1. In the G7, quarter-on-quarter GDP growth slightly picked up to 0.5% in 2023Q2, compared with 0.4% in 2023Q1. The G20 area grew by 0.7% quarter-on-quarter in 2023Q2, a decrease from 1.0% in 2023Q1.
- South Africa registered a positive growth of 0.6% in 2023Q2, a slight improvement from 0.4% recorded in 2023Q1. The country is forecasted to grow by 0.3% in 2023 and 1% in 2024.
- Statistics indicate that all provinces recorded a positive GDP growth in 2023Q2 despite local economic challenges such as loadshedding and high interest rates., except Free State and Northern Cape where negative growth was recorded.
- The Business confidence in SA for wholesale progressed to 38 index points in 2023Q2 from 32 index points recorded in 2023Q1, which displays a level of optimism in wholesale businesses despite negative impact of loadshedding the country is currently experiencing. The retail sector recorded an improvement of 32 index points in 2023Q2, from a low of 20 index points recorded in 2023Q1. The manufacturing industry showed optimism and recorded an improvement of 23 index points in 2023Q2, an increase from 17 index points posted in 2023Q1. The Building and Construction sector recorded a decline of 41 index points in 2023Q2 from 43 index points registered in the 2023Q1, indicating a level of pessimism that businesses have about the prospects of their companies based on gloomy economic prospects the country faces.
- In the national ranking of GDP growth, the Eastern Cape maintained its 7th position, registering a growth rate of 2.1% in the second quarter of 2023, which was consistent with the 2.1% growth recorded in the first quarter of 2023. The real GDP growth in the Eastern Cape was mostly driven by primary and secondary sector mostly supported by growth in the agriculture, forestry and fisheries, manufacturing, and the tertiary sector mostly supported by growth in the finance, real estate and business services, community, social and other personal service and general government services industry.
- SA inflation was 4.7% in July 2023, a slight decline from 5.4% registered in June 2023. The Eastern Cape registered 6th highest CPI at 4.8% in July 2023, a decrease from 6.2% recorded in June 2023.
- South Africa's official unemployment rate has pulled back slightly by 0.3% from 32.9% in 2023Q1 to 32.6% in 2023Q2.
- The Eastern Cape unemployment rate declined to 39.7% in 2023Q2 based on the narrow definition, an improvement of 0.3% compared to 40.0% recorded in 2023Q1 and to 43.3% based on the expanded definition from 45.3% 2023Q1.
- South Africa trade with the rest of the world improved to R514.7 billion in 2023Q2 from R484.0 billion registered in 2023Q1. Similarly, the Eastern Cape exports of commodities to the rest of the world also improved to R19.3 billion in 2023Q2 from R14.5 billion posted in 2023Q1. The top four export commodities were: motor vehicles, edible fruit and nuts; peel of citrus, wool, fine or coarse animal hair & miscellaneous chemical.
- The Eastern Cape exports to all regions improved as follows in 2023Q2: Europe registered R11.7 billion with a market share of 60.7% which grew by 53.1%, trailed by Asia recording R2.8 billion with a market share of 14.8% posted 6.2% growth, and Africa registering R2.8 billion with a market share of 14.6% registering a 19.6% growth over the period under review.
- Eastern Cape as a net exporter to the African continent registered a trade surplus in the balance of trade of R1.0 billion in 2022Q2, increasing to R1.8 billion in 2023Q2. The provincial exports improved by 32.5% from R2.0 billion in 2022Q1 to R2.8 billion in 2023Q2.
- The top three exports were motor vehicles, iron and steel and electrical machinery and equipment. Exports to the following African regions in 2023Q2 increased as follows: SADC (R1.3 billion) and Eastern Africa (R468.0 million). The top countries were Kenya, Zambia and Côte d'Ivoire.
- Cargo handled by five of the eight national ports experienced a deterioration from 51.5 million metric tons in 2023Q1, to 48.95 million 2023Q2. Cargo handling largely took place in KwaZulu-Natal, Western Cape and Eastern Cape. EC handled about 4.1 million metric tons of cargo which accounted for 8.5% market share, a decline from 5.0 million handled in 2023Q1 (with the Port of Port Gqeberha and the Port of Ngqura being the busiest ports throughout the province). Two of the EC ports, Gqeberha and East London experienced an improvement in cargo handling compared to other provinces.
- The global FDI flows in 2023Q1 tripled from very low levels recorded in Q4 2022, reaching US\$ 440 billion.
- SA foreign direct investment (FDI) inflows recorded R0.5 billion in 2023Q2, a decrease from a revised inflow of R 64.0 billion in 2023Q1.
- Between 2022Q3 and 2023Q2 a total of US\$ 514.90 million in FDI was attracted by the Eastern Cape and a total of approximately 99 job opportunities were created in the Eastern Cape economy.

TABLE OF CONTENTS

1	Global Economic Performance	3
1.1	Overview of South Africa's Economic Performance	3
1.1.1	Business Confidence	5
1.2.	Eastern Cape Quarterly Performance	6
1.3	Consumer Price Index (CPI) Trends	7
1.4	Quarterly Labour Force Developments	8
1.5	Employment Trends in the Eastern Cape	9
2.	Eastern Cape International Trade Developments	10
3.1	Eastern Cape Exports and Imports Commodities by Product to the World	12
3.2	Destination Markets for Eastern Cape Exports and Imports	12
3.3	Eastern Cape African Continent Trade Developments	13
3.3.1	Eastern Cape Exports by Destination African Region and by Country	14
3.3.2	Eastern Cape Imports by African Region and by Country	15
3.4	National Port Movements	16
4.	Foreign Direct Investment Trends	17
5.	Conclusion	20

Table and Figures:

Table 1: Eastern Cape Industry GVA Growth, 2022Q4-2023Q2 (Values in %)	7
Table 2: Employment Trends by Industries in the Eastern Cape, 2022Q2 – 2023Q2 (narrow definition)	10
Table 3: Value of Exports and Imports by Sector, 2023Q1-2023Q3 (Value in R-million)	11
Table 4: Top 10 Exports and Import of Eastern Cape with World and Share, 2023Q1-2023Q2.	12
Table 5: Eastern Cape Exports and Imports Share Per Region and Trade Balance, 2023Q1-2023Q2.	13
Table 6: Top 10 Exports and Import of Eastern Cape with Africa and Share, 2023Q1-2023Q2.	14
Table 7: FDI Inflows into Eastern Cape by Quarter, 2022Q3– 2023Q2	18
Table 8: FDI Inflows into Eastern Cape by Source Country, 2022Q3 – 2023Q2	19
Table 9: FDI Inflows to Eastern Cape by Region, 2022Q3–2023Q2	19
Figure 2: GDP Growth by Province, 2023Q1-2023Q2 (%)	4
Figure 1: South Africa Cape Business confidence, 2022Q2 – 2023Q2	5
Figure 3: Eastern Cape Sectorial Performance, 2022Q2 – 2023Q2 (%)	6
Figure 4: CPI by Province, June 2023- July 2023 (%)	8
Figure 5: Unemployment Rate by Province, 2023Q1–2023Q2	9
Figure 6: Eastern Cape Trade Flows with the World, 2022Q2-2023Q2 (Values in R-millions)	11
Figure 7: Eastern Cape Trade Flows with African Continent, 2022Q2-2022Q2	13
Figure 8: Eastern Cape Destination Markets in African Regions and Top Countries, 2023Q1-2023Q2	15
Figure 9: Eastern Cape Source Markets in African Regions and Top Countries, 2023Q1-2023Q2	16
Figure 10: South Africa Port Movements by Port/Province, 2023Q1-2023Q2 (Values in million metric tons)	17
Figure 11: FDI Inflows into Eastern Cape by Capital Investment and Job Creation, 2022Q3 – 2023Q2	18

1. Global Economic Performance

According to preliminary estimates, the Gross Domestic Product (GDP) in Organization for Economic Co-operation and Development (OECD) countries increased by 0.4% quarter-on-quarter in 2023Q2. This figure represents a minor decline from the 0.5% growth seen in the prior quarter, but it continues the ongoing pattern of steady and moderate growth that has been observed since 2022Q1.

In the G7, quarter-on-quarter GDP growth slightly picked up to 0.5% in 2023Q2, compared with 0.4% in 2023Q1. This reflects a mixed picture among G7 countries. On the one hand, GDP growth increased noticeably in Japan (to 1.5% in 2023Q2, compared with 0.9% in Q1) and in France (to 0.5%, compared with 0.1% in 2023Q1). Growth also accelerated, although more marginally, in the United States and the United Kingdom (to 0.6% and 0.2% in 2023Q2, respectively, compared with 0.5% and 0.1% in 2023Q1). On the other hand, GDP contracted in Italy in 2023Q2 (minus 0.3%) following a growth of 0.6% in 2023Q1. Growth also slowed in Canada (to 0.3% in 2023Q2, compared with 0.8% in 2023Q1). Growth was flat in Germany in 2023Q2, after contracting in the two previous quarters. On the other hand, GDP in the G20 area grew by 0.7% quarter-on-quarter in the second quarter of 2023 according to provisional estimates, down from 1.0% in the previous quarter.

Several G7 countries have published details of the main factors driving the changes in GDP. In Japan, net exports (exports minus imports) were the main driver of growth, reflecting a 3.2% increase in exports and a 4.3% drop in imports, while private consumption contracted in 2023Q2 (by minus 0.5%). Similarly, in France, net exports supported growth while private consumption contracted (by minus 0.3%). By contrast, in the United Kingdom, increases in private and government spending supported growth while net exports continued to be a dampening factor. The latter was also the case in Germany, reflecting a 1.1% drop in exports. In the United States, investment and private consumption contributed to GDP growth, although private consumption growth decelerated significantly (to 0.4% in 2023Q2, compared with 1.0% in 2023Q1). According to preliminary analysis released by Italy, their GDP contraction reflected a reduction in domestic demand (including changes in inventories).

Of the OECD countries closest (geographically) to the war in Ukraine, GDP recovered strongly in Lithuania in Q2 2023, growing by 2.8%, compared with a contraction of 2.1% in 2023Q1. In contrast, GDP contracted sharply in Poland in 2023Q2 (minus 3.7%) following 3.8% growth in 2023Q1. GDP continued to contract in Hungary (minus 0.3%) for the fourth consecutive quarter. Among other OECD countries for which data is available, Ireland recorded the strongest GDP growth (3.3%) in 2023Q2, followed by Slovenia (1.4%) and Costa Rica (1.3%). By contrast, GDP contracted in ten OECD countries, most notably in Poland (minus 3.7%) followed by Sweden (minus 1.5%) and Colombia (minus 1.0%). GDP in the OECD area exceeded its pre-pandemic (2019Q4) level by 5.1% in the second quarter of 2023. In the G7, GDP exceeded its pre-pandemic level by 4.0%, although in the United Kingdom GDP still remained slightly below its pre-pandemic level. Elsewhere in the OECD, GDP was above 2019Q4 levels in 2023Q2 in all countries for which data was available except the Czech Republic. Spain, the OECD country most severely impacted by the pandemic (with a GDP contraction of 11.3% in 2020), exceeded its pre-pandemic level of GDP for the first time in 2023Q2, by 0.4 percent.

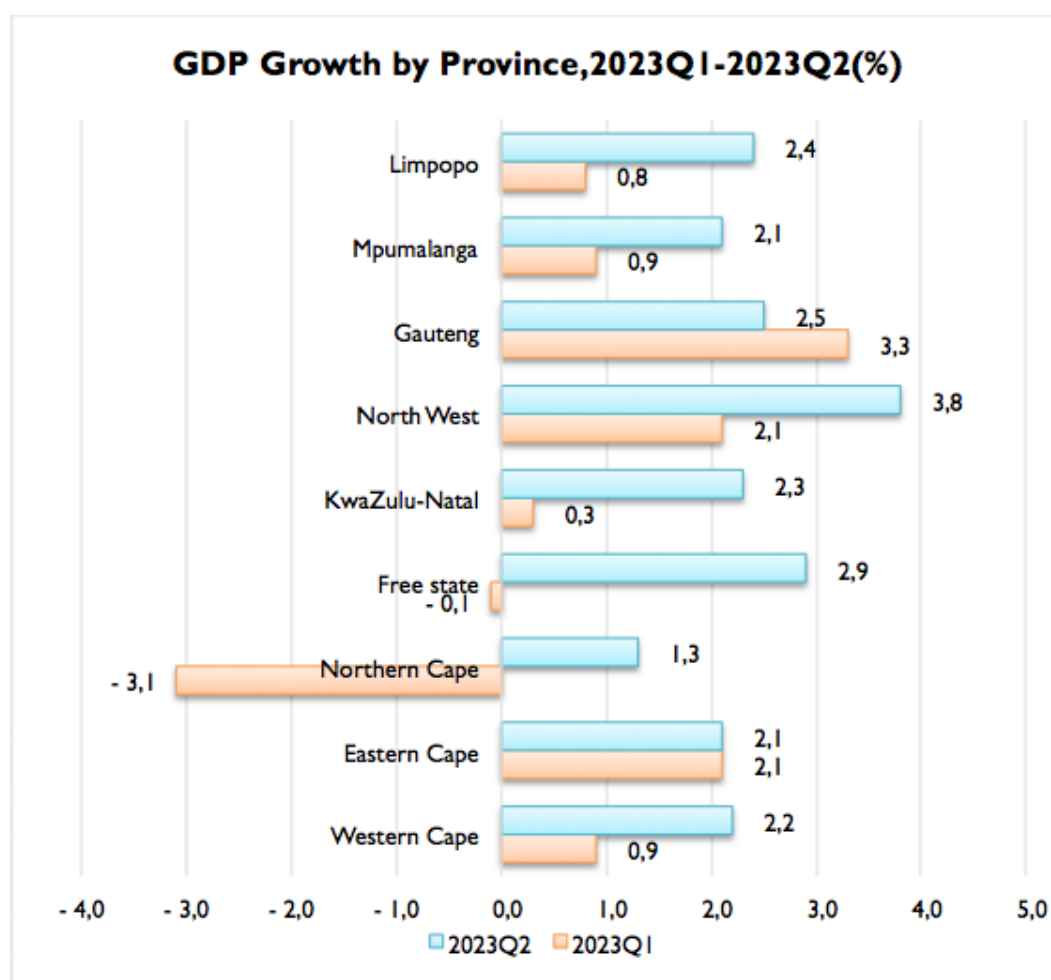
1.1. Overview of South Africa Economic Performance

Figure 2 illustrates the GDP growth rates per province in South Africa during the transition from the first quarter of 2023 (2023Q1) to the second quarter of 2023 (2023Q2). The statistics indicate that all provinces in South Africa experienced positive GDP growth during 2023Q2. It is important to note that this positive growth occurred despite the persistent challenges of load shedding and elevated interest rates, both of which have had adverse effects on economic activity.

It is important to note, however, that this positive growth is still very low as it remains below 1%. To significantly address the high unemployment issue in the country, a growth rate exceeding 2% is necessary. The projected growth for the remainder of 2023 and 2024 remains modest, with expectations of 0.3% growth for 2023 and 1% growth for 2024. This subdued growth can be attributed to the ongoing challenges in maintaining a stable power supply, which has ripple effects on economic activity, as well as the persistently high interest rates, which inherently hinder economic growth and job creation. In 2023Q2, South Africa experienced a positive growth of 0.6%, marking a slight improvement from the 0.4% growth recorded in 2023Q1.

The highest provincial real GDP improvements in 2023Q1 were recorded by North West with 3.8% (a significant improvement from 2.1% recorded in 2023Q1), followed by Free State registering an increase of 2.9% (a significant increase from -0.1% registered in 2023Q1), lagged by Limpopo with 2.4% (a significant improvement from 0.8% posted in 2023Q1), KwaZulu Natal registering 2.3% (a significant improvement from 0.3% recorded in 2023Q1), Western Cape posted 2.2% (an improvement from 0.9% posted in 2023Q1), Eastern Cape and Mpumalanga with a tie of 2.1% (Eastern Cape recorded the same 2.1% posted in 2023Q1). The real GDP growth in the Eastern Cape was mostly driven by Primary and secondary sector mostly supported by growth in the agriculture, forestry and fisheries and, manufacturing industry and tertiary sector mostly supported by growth in the finance, real estate and business services, community, social and other personal service and general government services industry.

Figure 2: GDP Growth by Province, 2023Q1-2023Q2 (%)

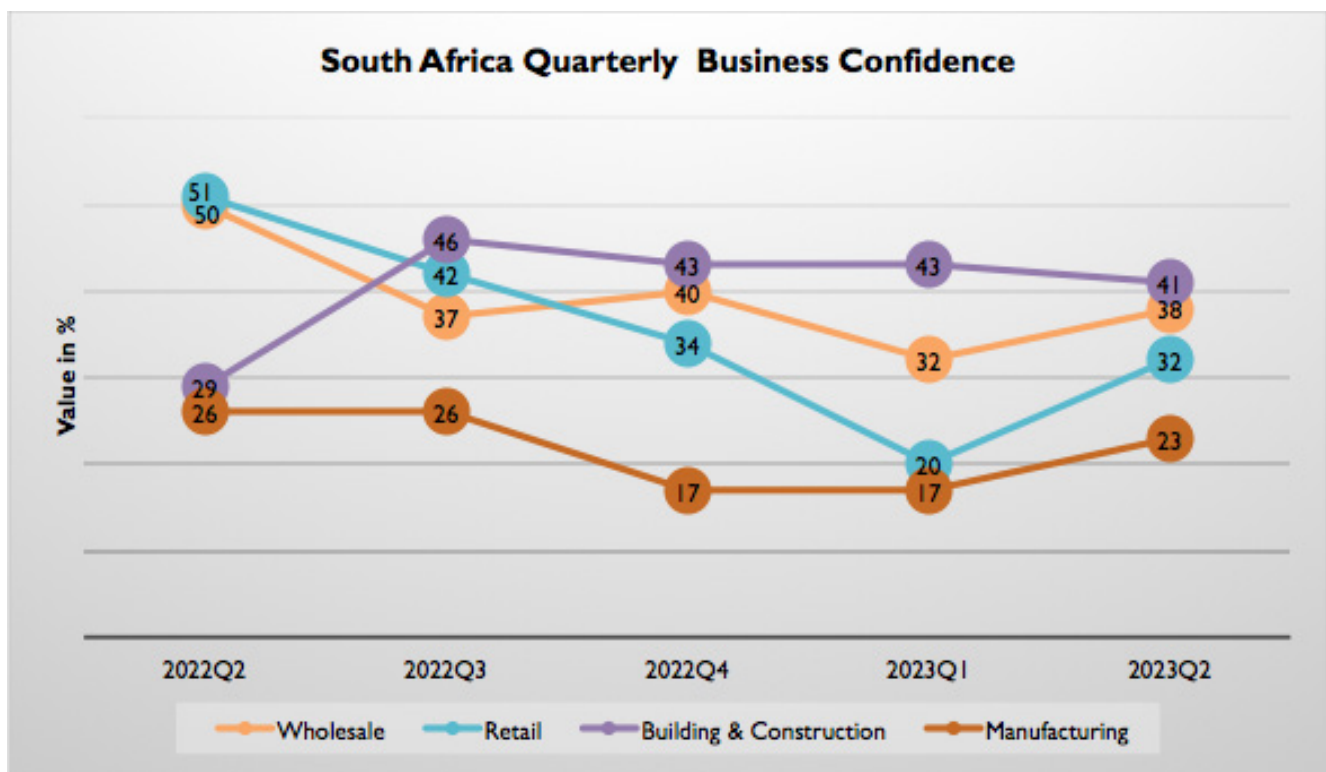


Source: Quantec estimates

1.1.1 Business Confidence

According to the Bureau of Economic Research survey, business confidence in South Africa for wholesale progressed to 38 index points in 2023Q2 from 32 index points recorded in 2023Q1(see figure 1 below). These developments display a level of optimism in wholesale businesses regardless of the negative impact of loadshedding the country is currently experiencing. The retail sector recorded an improvement of 32 index points in 2023Q2, from a low of 20 index points recorded in 2023Q1. Although loadshedding hit hard on the manufacturing sector and other exogenous causes, the industry showed optimism and recorded an improvement of 23 index points in 2023Q2 up from low 17 index points posted in 2023Q1. On the negative side, the building and construction sector recorded a decline of 41 index points in 2023Q2 from 43 index points registered in the 2023Q1, indicating the level of pessimism that businesses have about the prospects of their companies, based on gloomy economic prospects the country faces.

Figure 1: South Africa Cape Business confidence, 2022Q2 – 2023Q2

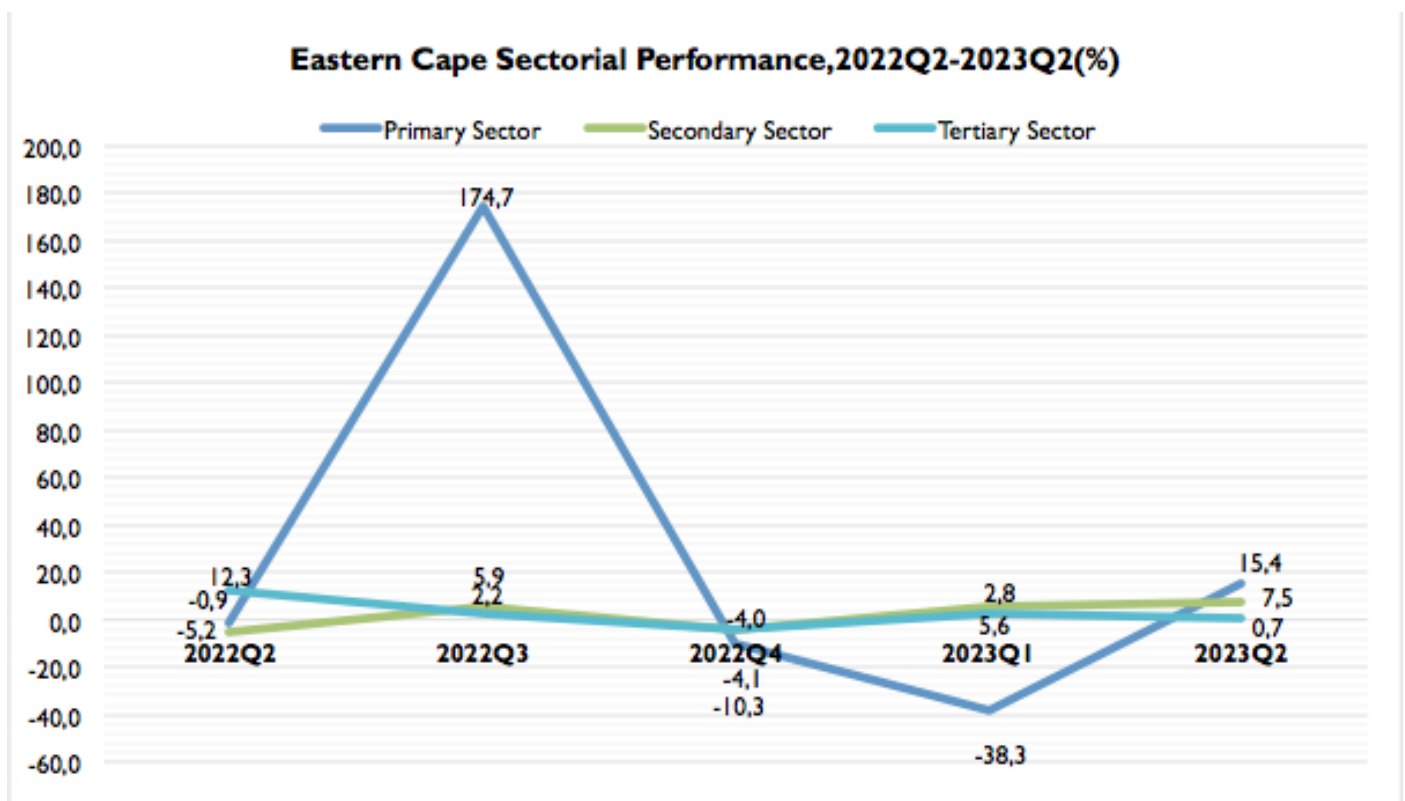


Source: Quantec EasyData and Own Calculation, 2023

1.2. Eastern Cape Quarterly Performance

Figure 3 provides a comprehensive overview of industry performance in the Eastern Cape from 2022Q2 to 2023Q2. It is evident that all three sectors demonstrated positive growth, except for specific segments within the primary sector, secondary industries, and tertiary industries. Notably, the Mining and Quarry, Construction Industry, Electricity and Water, Wholesale & Retail Trade, and Transport and Communication sectors recorded negative growth, exerting a downward influence on the provincial growth rate, which stood at 2.1% in the second quarter of 2023.

Figure 3: Eastern Cape Sectorial Performance, 2022Q2 – 2023Q2 (%)



Source: Quantec estimates

The detailed breakdown of industry performance in the Eastern Cape between 2022Q4 to 2023Q2 is depicted in table 1 below. It is clear that the primary sector experienced growth in areas like agriculture, forestry, and fisheries, while the secondary sector saw growth in manufacturing, both of which contributed positively to the provincial growth rate of 2.1% in the second quarter of 2023.

Furthermore, the tertiary sector demonstrated growth in industries such as finance, real estate, business services, community, social services, other personal services, and general government services. However, it is important to note that there are significant downside risks that cast uncertainty over the country's future growth. These include ongoing challenges like persistent load shedding, the lingering effects of the coronavirus pandemic, elevated interest rates, and the continuing conflict between Russia and Ukraine.

Table 1: Eastern Cape Industry GVA Growth, 2022Q4-2023Q2 (Values in %)

Industries	Quarter-on-Quarter Change			Year-on-Year Change		
	2022Q4	2023Q1	2023Q2	2022Q4	2023Q1	2023Q2
Agriculture, forestry and fisheries	-10.0	-40.2	17.2	10.5	-1.4	16.8
Mining and quarry	-15.2	-3.0	-7.9	0.8	-5.0	-4.9
Manufacturing	-4.9	7.3	11.3	-3.4	-4.2	4.7
Electricity and water	-7.4	-3.6	-2.7	-3.0	-6.5	-5.9
Construction	1.4	4.0	-1.8	1.2	2.7	5.0
Wholesale and retail trade	-8.6	3.5	-0.8	-0.6	-1.8	-0.6
Transport and communication	3.1	4.3	-7.3	7.8	7.9	3.2
Finance, real estate and business services	-6.9	1.8	1.9	2.4	1.3	0.0
Community, social and other services	-0.5	3.4	2.7	-0.4	0.1	0.4
General government services	-2.7	1.2	2.3	-0.6	-1.4	0.6

Source: Quantec estimates

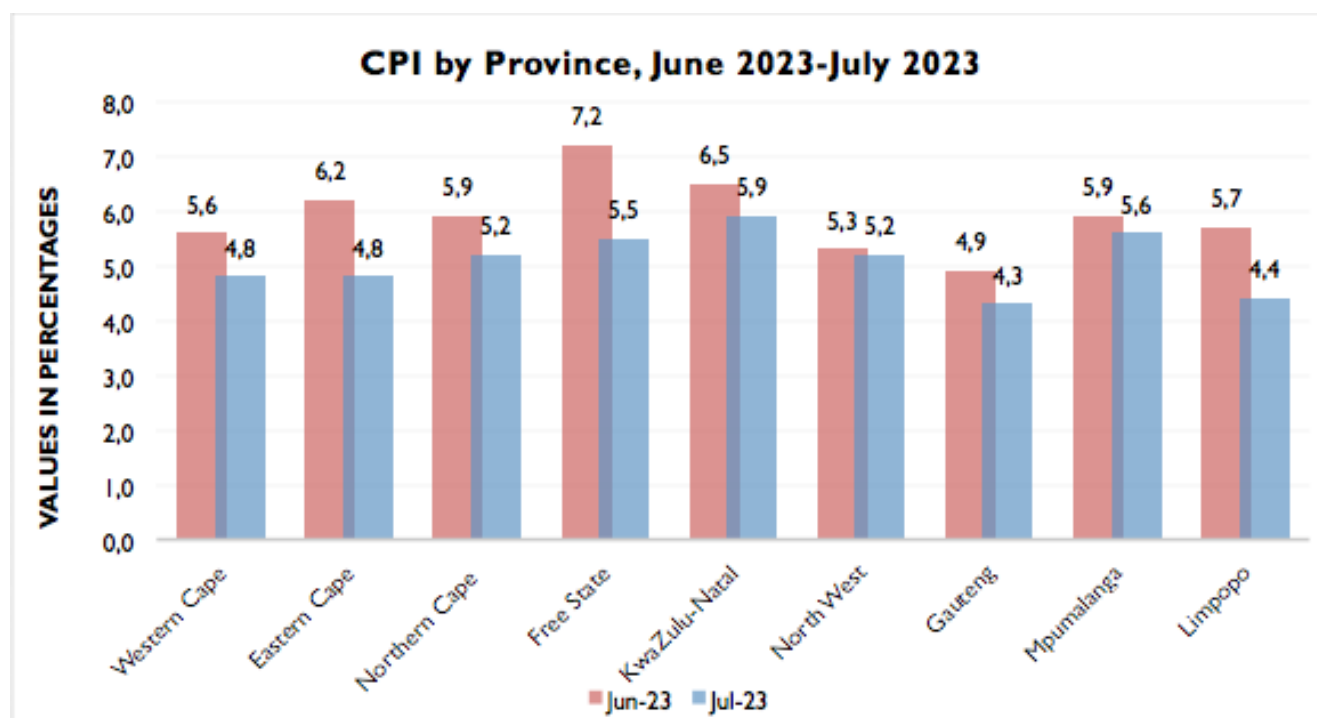
1.3 Consumer Price Index (CPI) Trends

The annual consumer price index (inflation) measures a 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% and 6% by the South African Reserve Bank (SARB). The persistent conflict between Russia and Ukraine has had spillover effects causing cost push inflation from the supply side of the market resulting in the rise in oil prices and certain food prices. The country experienced high pressure on inflation, which resulted in the SARB hiking the repo rate. The uptrend in repo rate started in November 2021 with the repo rate increased by 4.75% since November 2021, however, in July 2023 Monetary Policy Committee (MPC) of the SARB's decision was to keep CPI unchanged as the inflation showed signs of decline.

Annualised consumer price inflation was 4.7% in July 2023, a slight decline from 5.4% registered in June 2023. The main contributors to the 4.7% annual inflation rate were food and non-alcoholic beverages; housing and utilities; transport; and miscellaneous goods and services. Provincial annual inflation rates ranged from 5.9% in KwaZulu-Natal to 4.3% in Gauteng. Based on the July CPI figures, seven provinces in the country registered a CPI value higher than that of national, 4.7% as follows: KwaZulu-Natal recorded the highest of 5.9%, trailed by Mpumalanga with 5.6%, Free State at 5.5%, Northern Cape and North West with a tie of 5.2%, Eastern Cape and Western Cape with a tie of 4.8%.

In all nine provinces, there was a marginal decrease in the Consumer Price Index (CPI). This decrease indicates a muted response of inflation, primarily due to the nature of cost-push inflation, and the substantial increases in interest rates implemented by the South African Reserve Bank have not yielded the desired outcomes. (figure 4 below).

Figure 4: CPI by Province, June 2023- July 2023 (%)



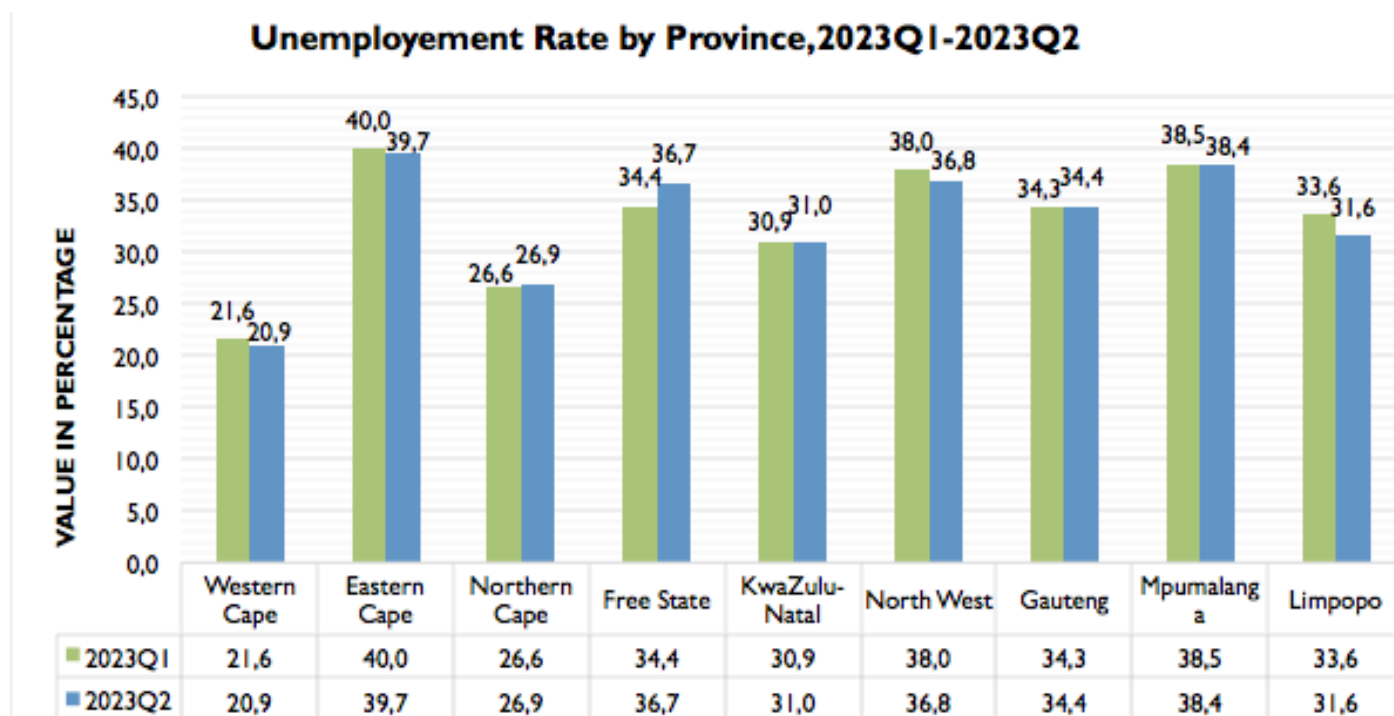
Source: Stats SA

1.4 Quarterly Labour Force Developments

The South African economy gained some jobs in 2023Q2, despite the continuous loadshedding which has a dampening effect on economic growth and discourages job creation; persistent conflict between Russia and Ukraine; the downturn in the global economy inflicted by covid-19 pandemic; as well as elevated interest rates in the country.

In terms of the latest data from the Quarterly Labour Force Survey, the official unemployment rate in South Africa has pulled back slightly by 0.3% from 32.9% in 2023Q1 to 32.6% in 2023Q2. The expanded unemployment rate which also counts job seekers who have given up on the search of employment was 42.1% in 2023Q2, decreased from 42.4% recorded in 2023Q1. The number of unemployed persons increased by 11 000 to 7.9 million in 2023Q2 while employed persons increased by 154 000 to 16.3 million, resulting in an increase of 143 000 (up by 0.6%) in the number of people in the labour force.

Figure 5: Unemployment Rate by Province, 2023Q1–2023Q2



Source: Stats SA

The unemployment rate in the Eastern Cape declined to 39.7% in 2023Q2 based on the narrow definition, an improvement of 0.3% compared to 40.0% recorded in 2023Q1. Based on the expanded definition, unemployment decreased to 43.3% in 2023Q2 from 45.3% in 2023Q1 (StatsSA Quarterly Labour Force). This can be attributed to an increase in the number of employed people across the province from 1 421 million in 2023Q1 to 1 444 million in 2023Q2, despite the unfavorable economic conditions. Moreover, the number of unemployed persons increased from 946 thousand in 2023Q1 to 949 thousand in 2023Q2 with the decrease in unemployment rate being supported by an increase in employment numbers. The Eastern Cape Province remains number one in South Africa in terms of high unemployment rate (see figure 5 above). The high unemployment rate in South Africa is a serious economic challenge and is exacerbated by continuous loadshedding, continuous interest rate hikes, the aftereffects of covid-19 pandemic that restricted economic growth and the impact of the conflict between Russia and Ukraine.

1.5 Employment Trends in the Eastern Cape

The Eastern Cape Province is one of the seven provinces in South Africa that experienced an increase in employment in 2023Q2 with 23 000 jobs being recorded in the EC. The following sectors registered new jobs in the province, namely, agriculture registering the highest job improvement of 31 000, followed by community services and private households with a tie of 18 000 and construction with 7 000. The sectors in the province that recorded a decline in employment were as follows: manufacturing recorded the highest job losses of 18 000 in 2023Q2, trailed by trade with 15 000, finance with 11 000 and utilities seeing 3000 job losses (see table 2 below). The Eastern Cape Province remains the province with the highest level of unemployment in South Africa.

Table 2: Employment Trends by Industries in the Eastern Cape, 2022Q2 – 2023Q2 (narrow definition)

	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	Quarter-on-Quarter Change
	Values in thousands					
Agriculture	110	118	89	90	121	31
Mining	2	-	1	1	1	0
Manufacturing	157	147	167	146	127	-18
Utilities	3	6	4	8	4	-3
Construction	122	124	122	134	141	7
Trade	227	268	309	312	297	-15
Transport	72	73	67	86	82	-4
Finance	129	141	146	166	155	-11
Community services	402	391	373	397	416	18
Private households	119	91	101	81	99	18

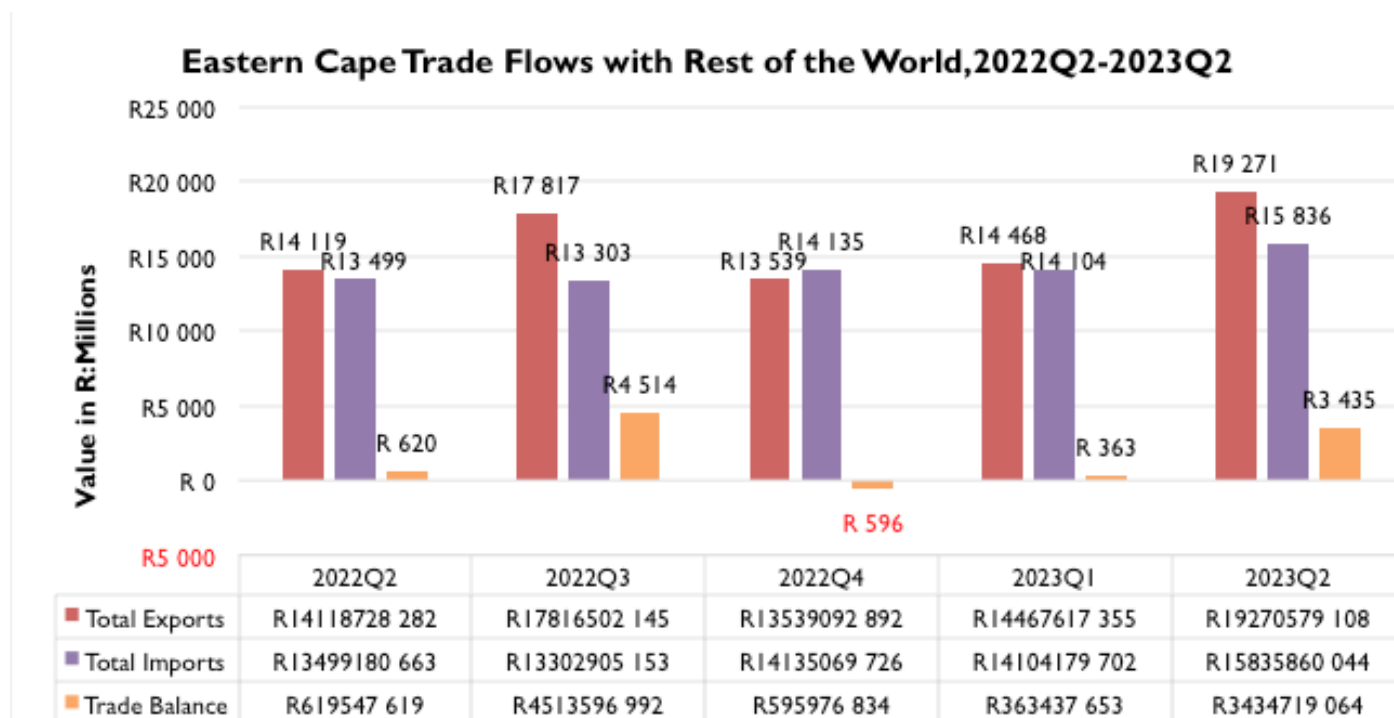
Source: Stats SA

2. Eastern Cape International Trade Developments

The global economy is gradually rebounding towards the growth levels seen before the COVID-19 pandemic. However, this recovery is being hampered by the ongoing Russia-Ukraine conflict. South Africa's international trade, on the other hand, showed improvement, increasing from R484.0 billion in the first quarter of 2023 to R514.7 billion in the second quarter of 2023. South Africa recorded a trade surplus in the balance of trade of R9.8 billion in 2023Q2 from R4.2 billion deficit posted in 2023Q1. Similarly, the Eastern Cape exports of commodities to the rest of the world also improved to R19.3 billion in 2023Q2 from R14.5 billion posted in 2023Q1.

Figure 6 illustrates the Eastern Cape trade flows with the rest of the world between 2022Q2 and 2023Q2. In the second quarter of 2022, the Eastern Cape recorded a trade surplus of R619.5 million, which then saw a significant increase to R3.4 billion in the second quarter of 2023. However, by the fourth quarter of 2022, the province experienced a trade deficit of R596.0 million. The Eastern Cape total export commodities recorded R14.1 billion in 2022Q2 flatulated to R19.3 billion in 2023Q2. Similarly, the value of import commodities recorded R13.5 billion in 2022Q2 and fluctuated to R15.8 billion in 2023Q2.

Figure 6: Eastern Cape Trade Flows with the World, 2022Q2-2023Q2 (Values in R-millions)



Source: Quantec and own calculations

Table 3 shows the Exports and Imports value by sector in the Eastern Cape between 2023Q1 and 2023Q2. Manufacturing sector exports, particularly that of transport equipment, recorded an increase of 31% in 2023Q2 reaching a level of R15.5 billion. This was followed by the agriculture, forestry and fisheries sector exports showing an improvement of 42.3% to R3.7 billion in 2023Q2, and lastly mining and quarry which improved by 19% to R31.5 million.

Table 3: Value of Exports and Imports by Sector, 2023Q1-2023Q3 (Value in R-million)

Sector	Value of Exports		Value of Imports		Trade balance
	2023Q1	2023Q2	2023Q1	2023Q2	2023Q2
Agriculture, forestry & fisheries	R2 620.9	R3 728.6	R120.9	R184.0	R3 544.6
Mining and quarry	R26.5	R31.5	R22.6	R12.6	R18.9
Manufacturing	R11 820.1	R15 510.4	R13 960.7	R15 639.2	-R128.8

Source: Quantec and own calculations

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

Table 4 illustrates the Eastern Cape exports and imports with the rest of the world and the share contribution between 2023Q1 and 2023Q2. The analysis of the Eastern Cape export commodities in 2023Q2 disclosed that the demand and value of motor vehicles improved to R9.6 billion from R6.9 billion in 2023Q1 and accounted for 57.7% of the Eastern Cape's total value of exports to the rest of the world in 2023Q2. Similarly, the motor vehicle imports increased from R4.8 billion in 2023Q1 to R5.9 billion in 2023Q2, with a share of 47.2% of the total imports from the rest of the world; followed by exports of edible fruit and nuts; peel of citrus amounting to R2.0 billion in 2023Q2 from R329.9 billion in 2023Q1 (11.9% share), trailed by wool, fine or coarse animal hair declining to R1.9 billion (11.2% share) and miscellaneous chemical improving to R1.3 billion (7.5% share). On the imports side, electrical equipment which was the second most imported commodity to the rest of the world increased from R1.9 billion in 2023Q1 to R2.1 billion in 2023Q2 with a market share of 17.1%.

Table 4: Top 10 Exports and Import of Eastern Cape with World and Share, 2023Q1-2023Q2.

Exports			Imports		
Products	2023Q1	2023Q2	Products	2023Q1	2023Q2
	Values in R-million	%		Values in R-million	%
1.Motor Vehicles.	R6 949.5	R9 620.3	1.Motor Vehicles	R4 841.1	R5 873.2
2.Edible fruit and nuts; peel of citrus	R329.9	R1 988.8	2.Electrical equipment,	R1 955.9	R2 129.3
3 Wool, fine or coarse animal hair.	2 255.7	R1 864.1	3.Nuclear reactors, boilers	R1 259.1	R1 273.3
4.Miscellaneous chemical.	R203.5	R1 253.1	4.Rubber and articles thereof	R717.1	R823.2
5.Rubber and articles thereof.	R472.5	R432.0	5.Plastics and articles thereof	R715.7	R719.4
6.Railway or tramway locomotives	R359.7	R364.4	6.Articles of iron or steel.	R309.7	R366.2
7.Iron and Steel.	R456.5	R296.8	7.Inorganic chemicals & etc.	R209.8	R357.6
8.Preparations of vegetables, fruit, nuts.	R218.5	R291.5	8.Ceramic products	R282.1	R338.7
9.Inorganic chemicals & etc.	R499.9	R279.6	9.Miscellaneous chemical.	R248.7	R284.8
10.Nuclear reactors, boilers.	R308.3	R271.9	10.Mineral fuels, mineral oils & etc.	R134.1	R281.2

Source: Quantec and own calculations

3.2 Destination Markets for Eastern Cape Exports and Imports

Table 5 shows the Eastern Cape trade flows with various regions in the global economy. The Eastern Cape exports to all the regions improved as follows in 2023Q2: Exports to Europe grew by 53.1% registering about R11.7 billion with a market share of 60.7%, trailed by Asia posting a 6.2% growth recording R2.8 billion with a market share of 14.8%, and Africa registering a 19.6% growth reaching a level of R2.8 billion with a market share of 14.6% over the period under review.

On the imports side, the following regions experienced a growth in import commodities: Europe registered a 11.4% growth reaching a level of R8.8 billion with the biggest market share of 55.9%, tailed by Asia which grew by 9.1% to R4.2 billion with a market share of 26.5%, followed by Americas growing by 38.3% to R1.7 billion with a market share of 11.1%, and tracked by Oceania which grew by 26.1% to R59.4 million with a market share of 0.4%. Only the Africa region recorded a decline in imports growth. The Eastern Cape Province was therefore a net exporter of commodities to the world regions in the period under review, except Asia, with a trade surplus of R2.8 billion with Europe, trailed by Africa with R1.8 billion, tracked by Americas with R64.4 million, Oceania with R53.5 million and only recorded deficit of R1.3 billion with Asia.

Table 5: Eastern Cape Exports and Imports Share Per Region and Trade Balance, 2023Q1-2023Q2.

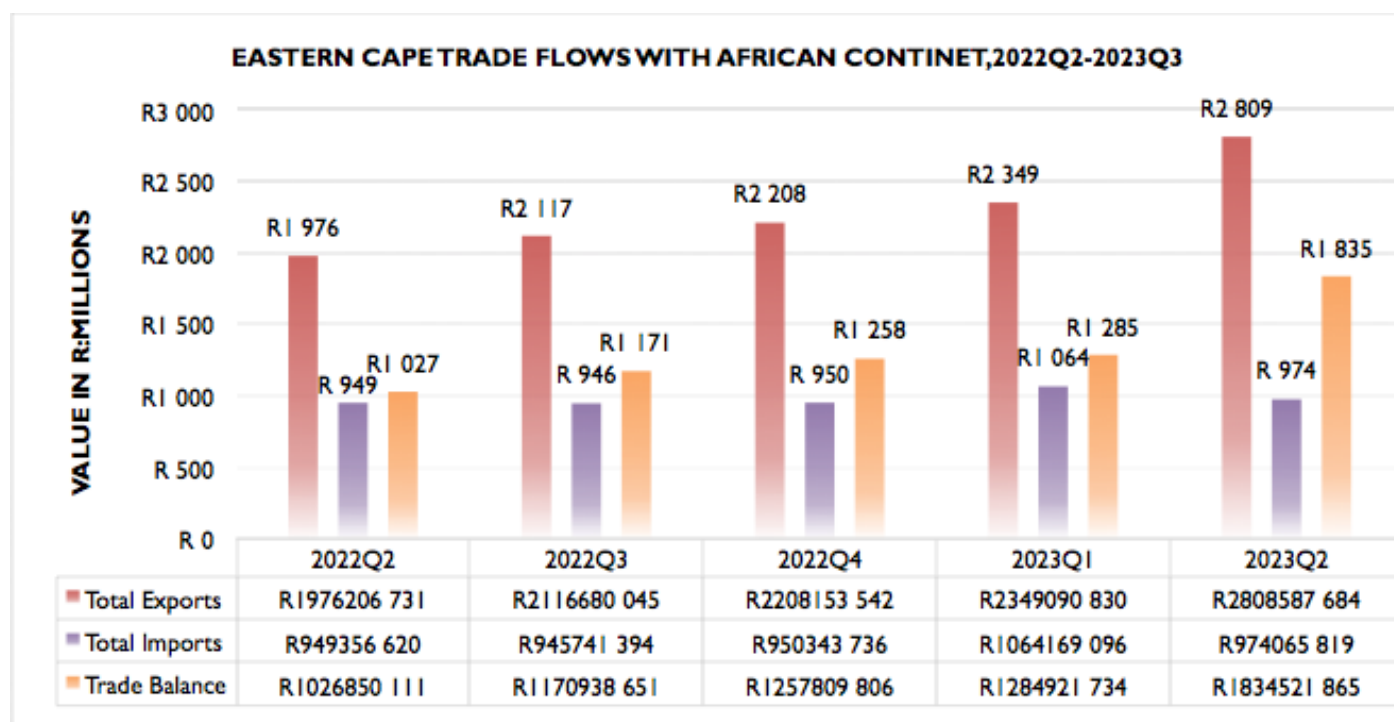
EXPORTS					IMPORTS				Trade bal. 2023Q2
Regions	2023Q1	2023Q2	Growth	Market Share 2023Q1	2023Q1	2023Q2	Growth	Market Share 2023Q2	
	Values in R-million		%	%	Values in R-million		%	%	Values: R-million
AFRICA	R2 349.1	R2 808.6	19.6	14.6	R1 064.2	R974.1	-9.2	0.6	R1 834.5
AMERICAS	R1 671.5	R1 802.7	7.8	9.4	R1 256.6	R1 738.4	38.3	11.1	R64.4
ASIA	R2 682.8	R2 848.5	6.2	14.8	R3 804.9	R4 150.9	9.1	26.5	-R1 302.5
EUROPE	R7 629.8	R11 684.4	53.1	60.7	R7 859.5	R8 757.5	11.4	55.9	R2 926.9
OCEANIA	R123.0	R112.9	-8.9	0.6	R47.1	R59.4	26.1	0.4	R53.5
ANTARCTICA	R0	R0	0.0	0.0	R0	R0	0.0	0.0	R0

Source: Quantec and own calculations

3.3 Eastern Cape African Continent Trade Developments

Figure 7 illustrates the Exports and Imports of the Eastern Cape with the African continent between 2022Q2 and 2023Q2. The Eastern Cape Province was a net exporter of commodities to the African continent in the period under review. The province registered a trade surplus of R1.0 billion in 2022Q2, trending up to R1.8 billion in 2023Q2. The provincial exports improved by 32.5% from R2.0 billion in 2022Q2 to R2.8 billion in 2023Q2, with a trending up pattern over the period under review. Contrary, the import commodities fluctuated from R949.4 million in 2022Q2 to R974.1 million in 2023Q2.

Figure 7: Eastern Cape Trade Flows with African Continent, 2022Q2-2023Q2



Source: Quantec and own calculations

The exports and imports of the Eastern Cape with the African continent and share contribution between 2023Q1 and 2023Q2 are depicted in table 6 below. The analysis of the provincial export commodities in 2023Q2 indicate that the value of motor vehicles improved from R838.6 million in 2023Q1 to R1.2 billion in 2023Q2 and accounted for 51.3% of the Eastern Cape's total exports value to the African continent in the period under review. Followed by iron and steel improving to R273.0 million with a market share of 12%, electrical machinery and equipment declining to R184.0 million (8.1% share), and live animals significantly improved to R168.4 million with a market share of 7.4%.

On the other import side, electrical equipment decreased from R606.9 million in 2023Q1 to R596.2 million in 2023Q2, with a market share of 63.1% of the total imports value from the African continent. This was followed by other made-up textile articles in the second place registering a total of R134.7 million, an improvement from R114.6 million registered in 2023Q1 representing a 14.3% market share.

Table 6: Top 10 Exports and Import of Eastern Cape with Africa and Share, 2023Q1-2023Q2.

Exports				Imports			
	2023Q1	2023Q2	Share		2023Q1	2023Q2	Share
Products	Values in R-million		%	Products	Values in R-million		%
1.Motor Vehicles	838.6	R1 168.4	51.3	1. Electrical equipment	R606.9	R596.2	63.1
2.Iron and steel	R223.8	R273.0	12.0	2. Other made-up textile articles	R114.6	R134.7	14.3
3.Electrical machinery and equipment	R193.2	R184.0	8.1	3. Wool, fine or animal hair	R147.6	R79.0	8.4
4 Live animals	R61.5	R168.4	7.4	4. Articles of apparel,not knitted	R63.7	R51.2	5.4
5.Rubber and articles thereof	R136.9	R139.8	6.1	5. Live animals	R13.6	R19.3	2.0
6. Plastics and articles thereof	R71.4	R94.9	4.2	6. Articles of apparel, knitted	R9.4	R17.8	1.9
7. Nuclear reactors, boilers.	R94.9	R69.3	3.1	7. Plastics and articles thereof	R23.3	R16.9	1.8
8. Pharmaceutical products	R64.9	R69.3	3.0	8. Aluminium & articles thereof	R41.6	R14.4	1.5
9. Cotton	R59.4	R56.2	2.5	9. Iron and steel	R6.0	R10.0	1.1
10.Articles of apparel, not knitted	R42.6	R55.1	2.4	10. Salt; sulphur; earths and stone.	R5.7	R5.8	0.6

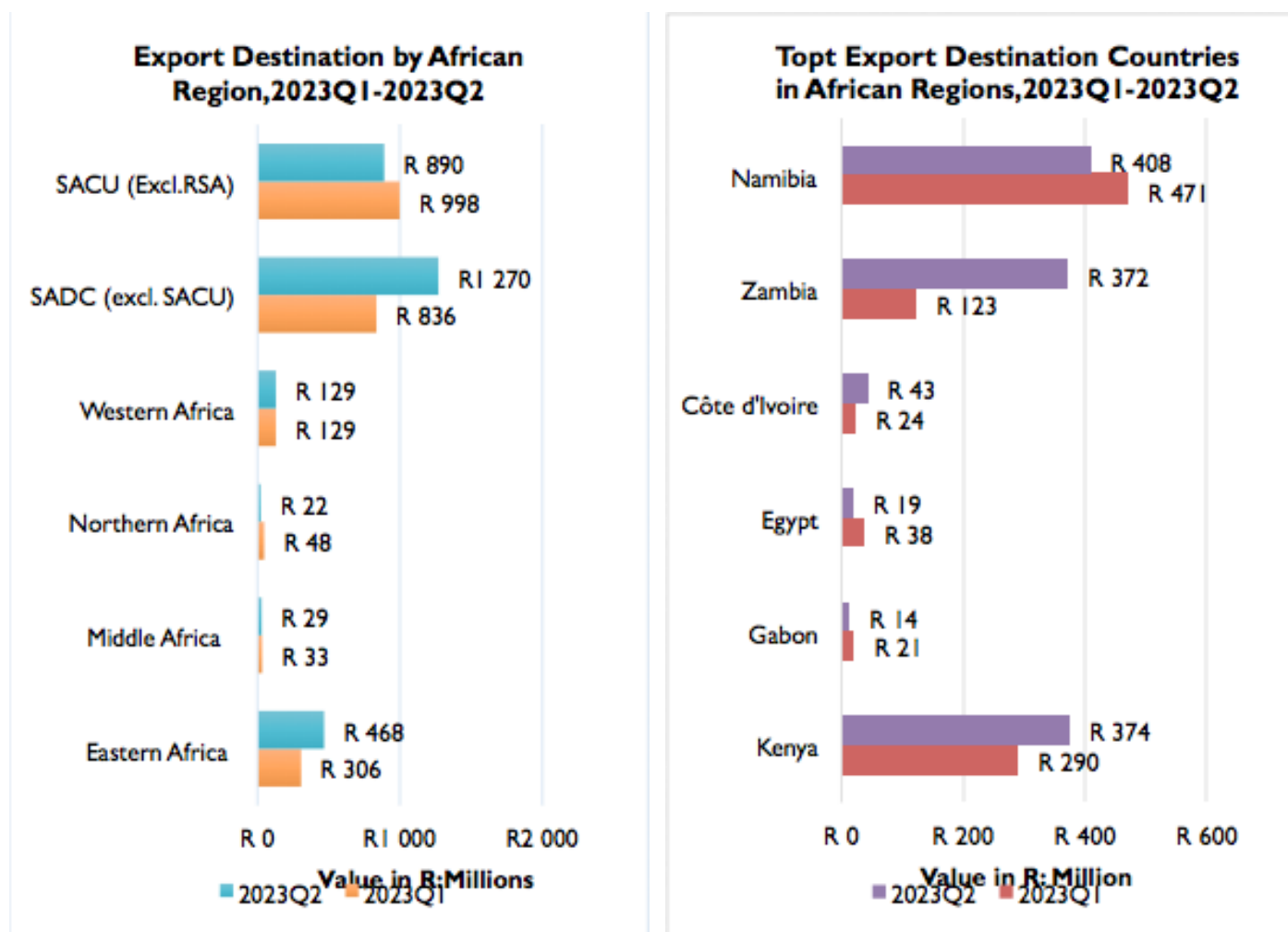
Source: Quantec and own calculations

3.3.1 Eastern Cape Exports by Destination African Region and by Country

Figure 8 below displays the Eastern Cape's destination markets within African regions and its top countries for the period spanning from 2023Q1 to 2023Q2. In the second quarter of 2023, the Eastern Cape's exports to certain African regions saw changes. Specifically, there was an increase in exports to SADC, totaling R1.3 billion, while Eastern Africa experienced an increase to R468.0 million. However, exports from the province to SACU, Northern Africa, Middle Africa, and Western Africa declined during the same period of analysis.

In terms of countries that absorbed the Eastern Cape exports in each of the African regions in 2023Q2, the following countries registered an improvement: Kenya, was a top country from Eastern Africa region taking the leading position and absorbed about R374.2 million worth of the provincial exports of merchandise, trailed by Zambia (SADC) with R372.3 million and Côte d'Ivoire (Western Africa) with R43.0 million.

Figure 8: Eastern Cape Destination Markets in African Regions and Top Countries, 2023Q1-2023Q2



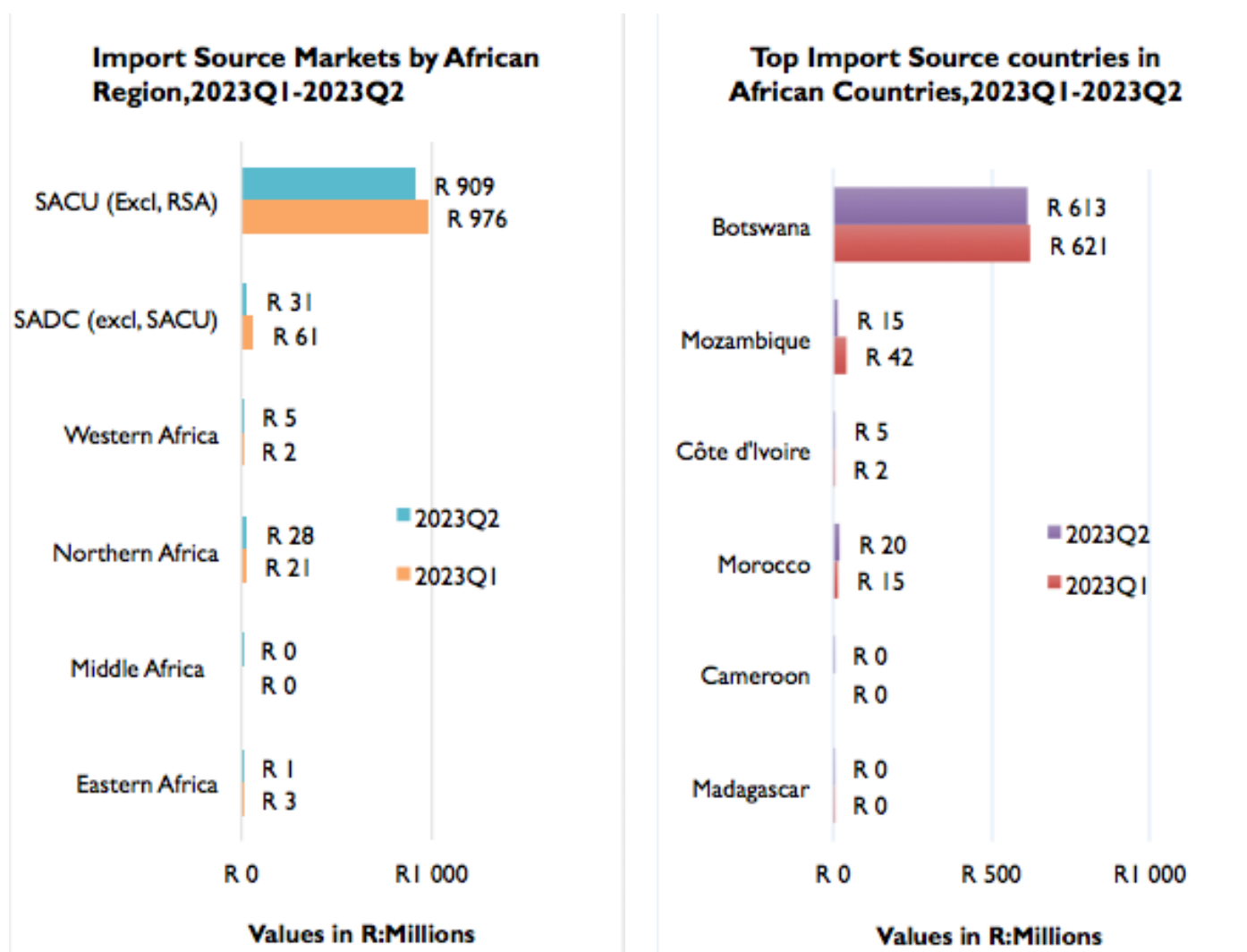
Source: Quantec and own calculations

3.3.2 Eastern Cape Imports by African Region and by Country

The Eastern Cape Source Markets in African Regions and top countries between 2023Q1 and 2023Q2 are depicted in figure 9 below. The source markets for imports into the Eastern Cape uncovered that the majority of imports were from the SACU region which registered R909.0 million, trailed by SADC with R31.0 million and Northern Africa which recorded R28.3 million.

In terms of countries that the province sourced its imports from in 2023Q2, in each of the African regions is as follows: Botswana was the top country from SACU region which recorded R613.2 million imports to the province, trailed by Morocco from North Africa which posted R20.3 million and Mozambique from SADC with imports amounting to R14.6 million.

Figure 9: Eastern Cape Source Markets in African Regions and Top Countries, 2023Q1-2023Q2



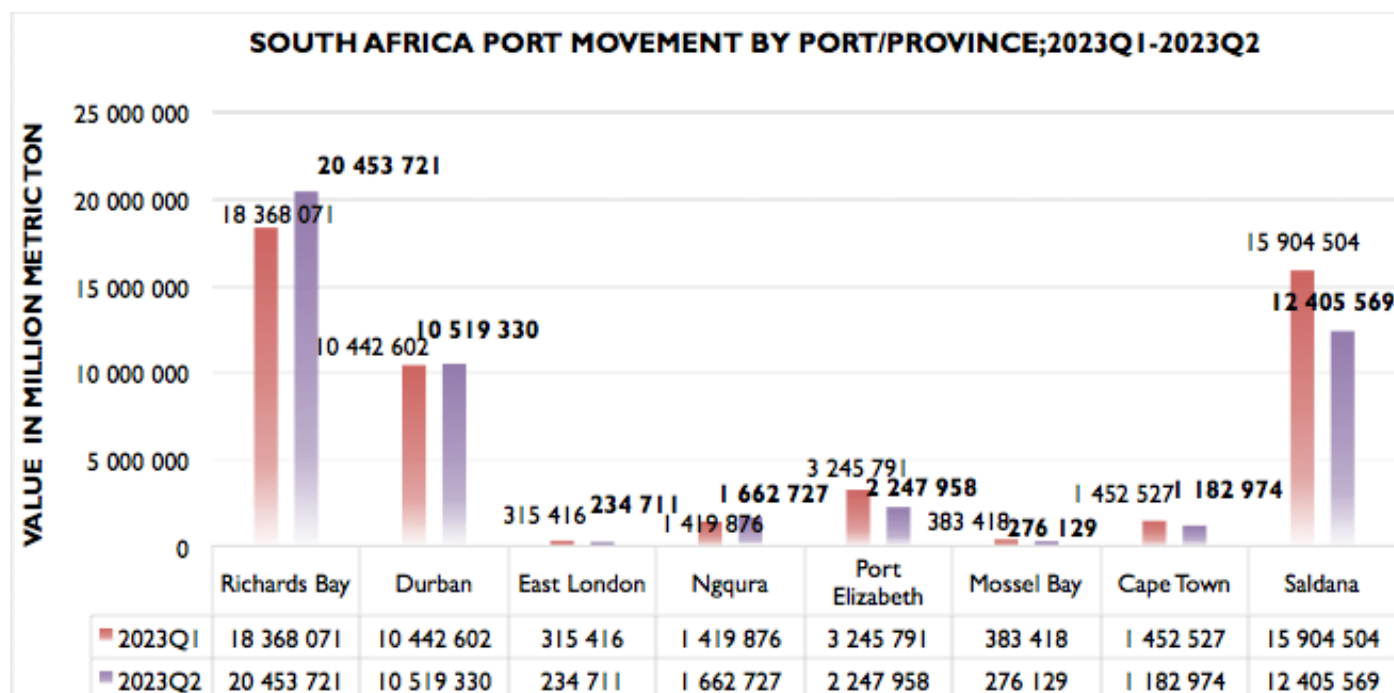
Source: Quantec and own calculations

3.4 National Port Movements

A combination of international external factors and domestic challenges, including persistent load shedding, led to five out of eight ports in South Africa handling reduced cargo volumes in the second quarter of 2023 when compared to the first quarter of 2023. This decline caused a decrease from 51.5 million metric tons in the first quarter of 2023 to 48.95 million metric tons in the second quarter of 2023.

Cargo handled in KwaZulu-Natal ports recorded approximately 30.9 million metric tons in 2023Q2, an improvement from 28.8 million metric tons recorded in 2023Q1 and accounted for the largest share of 63.2%. The Western Cape is the second biggest cargo handling province with 13.9 million metric tons of cargo in 2023Q2, a share of 28.3%, while the Eastern Cape handled approximately 4.1 million metric tons of cargo accounting for 8.5% market share, a decline from 5.0 million handled in 2023Q1. During this period, the Port of Gqeberha and the Port of Ngqura were the most active ports within the province. Among the Eastern Cape ports, specifically the Port of Gqeberha and East London, cargo handling showed an improvement when compared to ports in other provinces, as depicted in Figure 10 below..

Figure 10: South Africa Port Movements by Port/Province, 2023Q1-2023Q2 (Values in million metric tons)



Source: Transnet Port Authority and own calculations

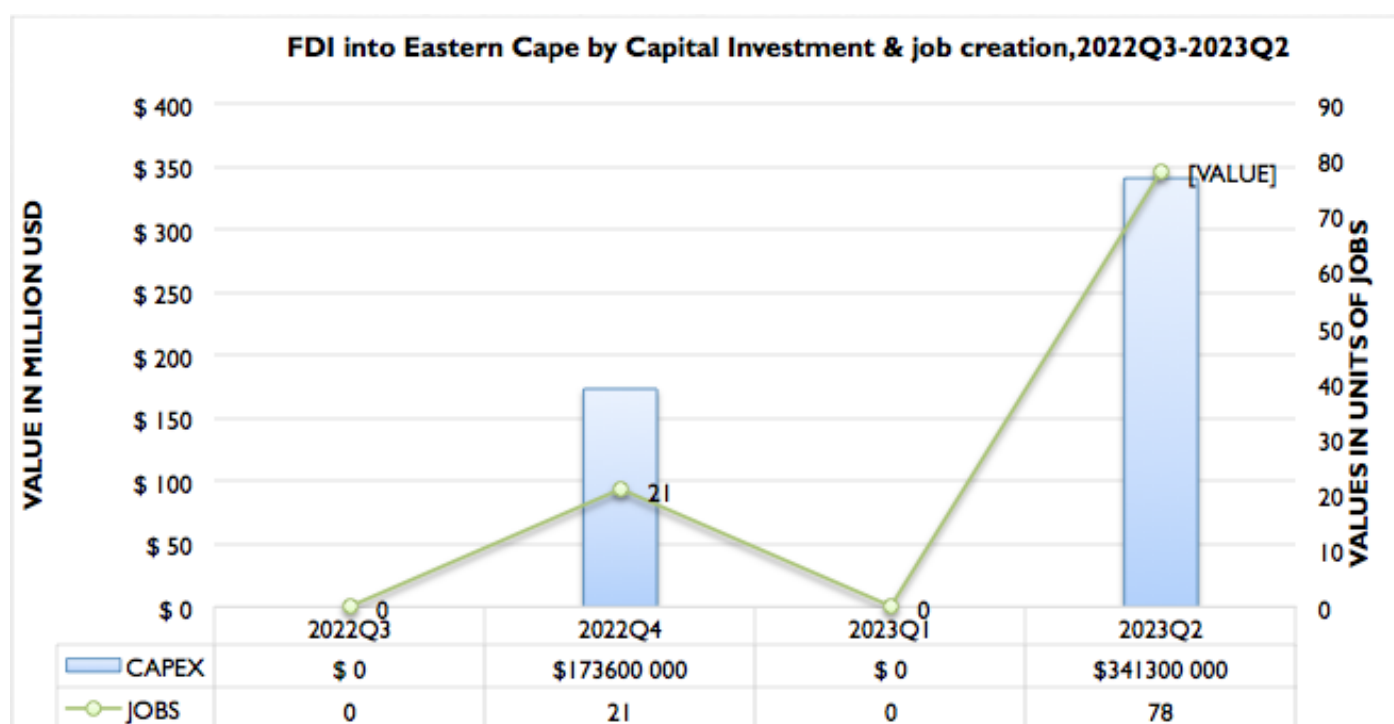
4. Foreign Direct Investment Trends

Preliminary estimates in 2023Q1 show global FDI flows tripled from very low levels recorded in 2022Q4, reaching US\$ 440 billion. However, on a year-on-year basis, global FDI flows remained 25%, below the level recorded in 2022Q1. Top recipients of FDI inflows worldwide in the first quarter of 2023 were the United States (US\$ 109 billion), Brazil (US\$ 21 billion), and China (US\$ 21 billion). Top sources of FDI outflows worldwide were the United States (US\$ 110 billion), Germany (US\$ 57 billion) and China (US\$ 50 billion).

OECD FDI inflows reached US\$ 185 billion in 2023Q1, up from negative levels recorded in 2022Q4. However, they were 38% below their level recorded in 2022Q1. OECD FDI outflows increased seven-fold in 2023Q1, to US\$ 359 billion, compared to historically low levels recorded in 2022Q4. However, on a year-on-year basis, OECD FDI outflows decreased by 25% compared to 2022Q1.

According to data from SARB, South Africa saw a modest foreign direct investment (FDI) inflow of R0.5 billion in the first quarter of 2023, which marked a significant decrease from the revised inflow of R64.0 billion observed in the fourth quarter of 2022. This figure represented the lowest FDI inflow since the third quarter of 2020, partly attributed to an overseas company selling shares following the listing of its local subsidiary on the Johannesburg Stock Exchange.

Figure 11: FDI Inflows into Eastern Cape by Capital Investment and Job Creation, 2022Q3 – 2023Q2



Source: FDI Intelligence Market

In the period between 2022Q3 and 2023Q2 a total of US\$ 514.90 million Foreign Direct Investments were attracted by the Eastern Cape Province and a total of approximately 99 job opportunities were created into the Eastern Cape economy. The largest capital investment of US\$ 341.30 million was attracted by the Eastern Cape in 2023Q2 and created approximately 78 total job opportunities into the provincial economy. The second largest capital investment of US\$ 173.60 million was attracted by the Eastern Cape in 2022Q4 and created approximately 21 total job opportunities into the provincial economy. In 2022Q3 and 2023Q1 the Eastern Cape Province attracted zero FDIs from the world which can be partly attributable to global economic unrest inflicted by the conflict between Russia and Ukraine (see figure 11 above and table 7 below).

Table 7: FDI Inflows into Eastern Cape by Quarter, 2022Q3– 2023Q2

FDI Inflows into Eastern Cape by quarter, 2022Q3 – 2023Q2					
Month	Number of projects	Jobs created		Capital investment	
		Total	Average	Total (USD million)	Average (USD million)
2023Q2	3	78	26	341.30	113.77
2023Q1	0	0	0	0	0
2022Q4	1	21	21	173.60	173.60
2022Q3	0	0	0	0	0
Total	4	99	24	514.90	171.63

Source: FDI Intelligence Market

Table 7 depicts the number of Foreign Direct Investment into the Eastern Cape by quarters, project number, jobs created and capital investments between the 2022Q3 and 2023Q2.

Table 8: FDI Inflows into Eastern Cape by Source Country, 2022Q3 – 2023Q2

FDI Inflows into Eastern Cape by Source Country, 2022Q3 – 2023Q2						
Source country	No of projects	No of companies	Jobs Created		Capital investment	
			Total	Average	Total (USD million)	Average (USD million)
United Kingdom	2	1	42	21	336.60	168.30
Switzerland	1	1	21	21	173.60	173.60
Mauritius	1	1	36	36	35.10	35.10
Total	4	3	99	24	514.90	171.63

Source: FDI Intelligence Market

The Eastern Cape Foreign Direct Investment trends from the world by source country between 2022Q3 and 2023Q2 are illustrated in table 8 above. Out of a total of three source countries, United Kingdom accounted for 50% of number of projects tracked. Moreover, United Kingdom was the top source country representing about 65% of total capital investment amounting to US\$336.60 million and the highest total number of 42 job opportunities created. Switzerland had the second highest capital investment of US\$ 173.60 million and created the third highest number of 21 total job opportunities in the Eastern Cape Province, with Mauritius created 36 jobs through its US\$ 35 million investment.

Table 9: FDI Inflows to Eastern Cape by Region, 2022Q3–2023Q2

FDI Inflows to Eastern Cape by Region, 2022Q3 –2023Q2						
Destination Region	No of projects	No of companies	Jobs Created		Capital investment	
			Total	Average	Total (USD million)	Average (USD million)
Buffalo City Metro	2	2	57	28	178.30	89.15
Not Specified	2	1	42	21	336.60	163.30
Total	4	3	99	24	514.90	171.60

Source: FDI Intelligence Market

The Eastern Cape Foreign Direct Investment from the world by destination region/metro between 2022Q3 and 2023Q2 are tabulated in table 9. Buffalo City was the top destination region accounting for the 50% of the known destination number of projects tracked. The Buffalo City Metro has received the greatest capital investment amounting to US\$ 178.30 million and highest number of 57 jobs from two investments, namely, Nestle South Africa, a food specialist adding a solar capacity to its existing operations in East London amounting US\$ 173.60 which created 21 number of job opportunities in the metro during the 2022Q4 and Liquid Intelligent Technologies, a telecommunications service opening new offices in East London invested US\$ 4.70 million and created 36 job opportunities in 2023Q2. The locations of the other two projects within the province have not been specified.

5. Conclusion

On a global scale, provisional estimates indicate that the GDP within the OECD countries increased by 0.4% quarter-on-quarter in the second quarter of 2023. This growth rate was slightly lower than the 0.5% observed in the preceding quarter, continuing the trend of moderate growth that has persisted since the first quarter of 2022. Within the G7 countries, quarter-on-quarter GDP growth showed a slight uptrend, reaching 0.5% in the second quarter of 2023, compared to 0.4% in the first quarter of the same year. This variation underscores a mixed economic performance among the G7 nations. Conversely, the GDP in the G20 region, as per provisional estimates, expanded by 0.7% quarter-on-quarter in the second quarter of 2023, a decrease from the 1.0% growth seen in the previous quarter. This decline reflects the ongoing challenges in global economic prospects, partly attributed to the spillover effects stemming from the Russia-Ukraine conflict, which continues to cast a shadow on global growth.

South Africa's economic performance in the second quarter of 2023 showed a modest uptick with a 0.6% growth rate, marking a slight improvement from the 0.4% growth registered in the first quarter of 2023. However, it's crucial to highlight that this positive growth remains quite limited, staying below the 1% threshold. To significantly address the high unemployment rates in the country, a growth rate exceeding 2% is necessary. The projected growth for the remainder of 2023 and 2024 remains below the 2% mark, with expectations of 0.3% for 2023 and 1% for 2024. This subdued growth is due to ongoing challenges, including persistent power supply issues that have a cascading impact on economic activities. Additionally, relatively high interest rates are exerting a detrimental influence on economic growth and job creation.

It's worth noting the resilience exhibited by the country, particularly in the manufacturing sector, which managed to grow despite the significant challenges posed by power outages. The overall growth in the country exceeded expectations, even though it has been hampered by load shedding, which has constrained foreign direct investments and job creation. The focus on expanding and creating jobs therefore has been diverted, with industries focusing on investing in alternative energy sources to ensure the continuity of their operations. The economic growth in the Eastern Cape remained consistent at 2.1% in both 2023Q1 and 2023Q2. In July 2023, the country's inflation rate stood at 4.7%, marking a slight decrease from the 5.4% recorded in June 2023. The primary contributors to this annual inflation rate of 4.7% were food and non-alcoholic beverages, housing and utilities, transport, as well as miscellaneous goods and services.

The ongoing conflict between Russia and Ukraine has had a spill-over effect, leading to cost-push inflation from the supply side of the market. This has resulted in increases in oil prices and certain food prices, placing significant pressure on inflation. Consequently, the South African Reserve Bank (SARB) raised the repo rate, commencing an upward trend from November 2021, with a total increase of 4.75% since that time. However, during the July Monetary Policy Committee (MPC) meeting, the SARB decided to keep the repo rate unchanged as there were signs of a decline in inflation. It's worth noting that this downward trend in inflation may be short-lived, as there are still risks of elevated inflation, particularly with fuel prices surpassing an increase of R1 per litre at the start of September 2023 and anticipated further increases in the months ahead.

Despite the ongoing challenges, including persistent power cuts that hamper economic growth and discourage job creation, the ongoing Russia-Ukraine conflict, the global economic slowdown caused by the COVID-19 pandemic, and high interest rates in the country, the South African economy managed to add some jobs in the second quarter of 2023. In terms of the latest data from Quarterly Labour Force survey, the official unemployment rate in South Africa has pulled back slightly by 0.3% from 32.9% in 2023Q1 to 32.6% in 2023Q2.

The unemployment rate in the Eastern Cape declined to 39.7% in 2023Q2 based on the narrow definition, an improvement of 0.3% compared to 40.0% recorded in 2023Q1. In terms of the expanded definition, an improvement to 43.3% was recorded from 45.3% 2023Q1. This can be attributed to an increase in the number of employed people across the province from 1 421 million in 2023Q1 up to 1 444 million in 2023Q2, despite the unfavorable economic conditions. Moreover, the number of unemployed persons increased from 946 000 in 2023Q1 to 949 000 in 2023Q2 with the decrease in unemployment rate being supported by an increase in employment numbers. The Eastern Cape Province remains number one in South Africa in terms of high unemployment. The significant problem of high unemployment in South Africa poses a substantial economic challenge. This challenge is exacerbated by persistent load shedding, ongoing increases in interest rates, the lingering effects of the COVID-19 pandemic that have constrained economic growth, and the repercussions of the conflict between Russia and Ukraine.

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