



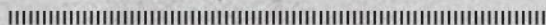
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## Eastern Cape Economic Review and Outlook, 2020q3

Compiled by the Office of the CEO



Economic Research, Analysis and Forecasting

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### Current Economic Outlook Implications on ECDC

- Economic conditions remain uncertain impacted the continuous upsurge in reported coronavirus cases in the province and throughout South Africa, which has adversely affected from the economy from a full recovery, negatively impacting the healthcare sector and spilling-over to economic production along with the challenges that the economies has been faced with pre the COVID-19.
- The 2020 festive season, particularly wholesale and retail, tourism and accommodation sales will be negatively impacted given restricts put in place to curb the spread of the virus despite the economy being open for economic production to take place again.
- SMMEs who have closed their shops and shed jobs as a result of challenging conditions on the other hand are picking up the pieces of what is left of their business and trying to salvage operations as the virus persist to affect both household and business. Hence, ECDC efforts should be directed more at assisting struggling SMMEs with a potential to survive and overcome the current conditions propelled by the pandemic.
- Fiscal support is required by institutions such as the ECDC to be able to assist SMMEs in Province overcome the current challenging economic conditions, at the back of the highly constrained fiscus and high government debt against its growth ratio.
- Opportunities in the labour market remain bleaker for new entrances into the labour force, with this not excluding those that have been previously employed including those in low skilled which form part of private households and seasonal workers.
- Although economic growth peaked in the third quarter of 2020 and mostly driven by international trade activities, the effects of the pandemic will overshadow the progress made, particularly with the second wave upon us as the number of positive cases reported continuing to be rise. As such, the demand for more fiscal resources is likely to be on the rise in the healthcare sector and throughout the economy in the fourth quarter of 2020.



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## I. Economic Growth Trends

With the South African economy coming from a period of recession, it has been noticeable that economic growth has continued to be subdued throughout the 2020 period as business sentiments remain weak as a result the economic disruption caused by the coronavirus pandemic which has negatively and strongly impacted the health sector, and spilling-over to economic production. The upsurge of the COVID-19 virus in the fourth quarter of 2020 is projected to have dire impact on the already constrained healthcare sector in South Africa if it is not properly contained, particularly in Province such as the Eastern Cape, Gauteng, Western Cape and KwaZulu-Natal where a large number of admissions and death cases have been recorded at the start of the festive season.

Although the South Africa is adversely affected by COVID-19; there are other factors to the negative outlook that continue to face South Africa which include the constrained fiscus and the continuous debt burden incurred by the state and the SOEs, along with reduced fixed capital investment for infrastructure, load. In addition, the downgrade of the South Africa's foreign and local currency rating into a deep junk status by the ratings agencies Fitch and Moody's with three levels below the investment grade, while S&P decision remains three levels below the investment grade with a stable outlook might have an adverse impact on the country's borrowing ability and put in place immense pressure on businesses to be able to invest and expand. The national debt to GDP ratio is estimated at 80% by the end of 2020, with this expected to expand in the next coming five years and reach about 95% by 2025/26. Furthermore, the economy remains faced with revenue shortfall<sup>1</sup>, meaning that the economy is spending more than the tax revenue it is able to generate, with spending directed more towards "compensation more than investment spending".

Albeit, the impact of the coronavirus will remain felt by the economy and the world at large; with the reforms put in place by the South African government and its partners to curb the extent of the virus on households and on businesses, the economy is projected to rebound in 2021 even though with lower investment opportunities throughout the 2020 period from the domestic investors and cross-national investors. The reforms (such as the Economic Reconstruction and Recovery Plan, along with the National Investor Conference, the Provincial Five Point Recovery Plan and the planned Provincial Investor Conference) put in place by government in order to rebuild the country's business confidence, as well as to improve social inclusion are expected to steer the economy into the right direction for the economy to be able to somewhat achieve the

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<sup>1</sup> National Treasury Medium Term Budget Speech

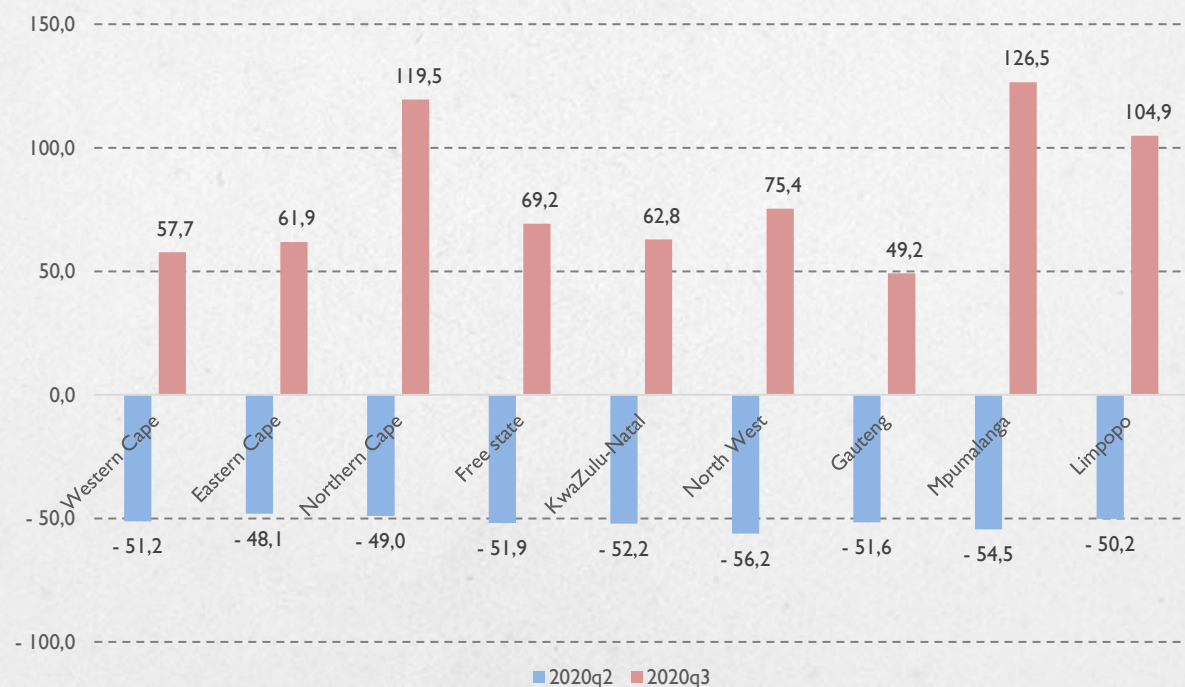


pre-pandemic economic growth. However, for this to be achieved all key stakeholders need to play their part in ensuring the economic recovery economic.

### 1.1 Eastern Cape Quarterly Performance

When it comes to GDP growth, Eastern Cape has consistently followed the national trajectory in terms of its trend. When looking at each provincial performance it is important to look into the key industries driving growth within each province. Based on the STATSSA recent statistical figures for the third quarter of 2020, economic activity upsurged in all province with Mpumalanga recording the highest real GDP growth rate tracked by Northern Cape and Limpopo. It is imperative to note that these regions are mainly driven by the mining and quarry activities. The Eastern Cape on the other hand saw an improved growth of 61.9% in the period under review, with this most attributable to increased consumption spending and an increase in trade activities, particularly that of export merchandise compared to the value of imports into the province.

**Figure 1: GDP Growth by Province, 2020q2-2020q3 (%)**

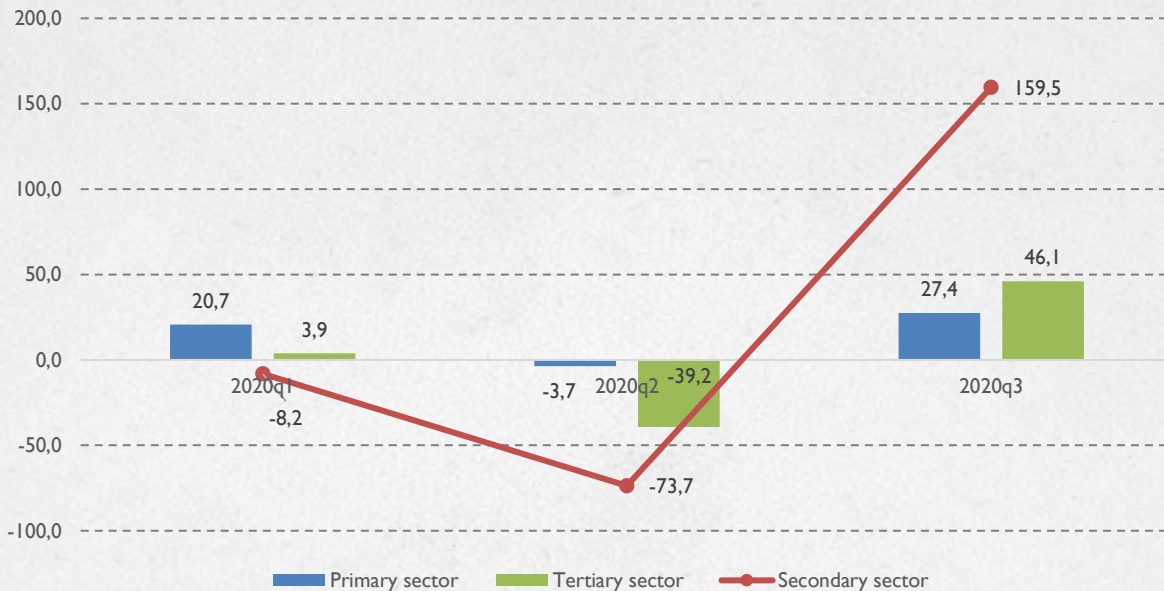


Source: Quantec estimates

In terms of sectorial performance, it was noticeable that most of the provincial economy's productive activity in the third quarter of 2020 was supported by secondary sector (particularly the manufacturing). According to the STATSSA figures manufacturing activity peaked as a result of improved performance in metal products and machinery, basic iron and steel, chemical products, rubber and plastic products, transport equipment and food and beverages. The second

highest contributor to provincial growth in the same period was the tertiary sector with 46.1%, and followed by the primary sector (27.4%, with this mostly supported by agricultural activity).

**Figure 2: Eastern Cape Sectorial GVA Growth, 2020q1-2020q3 (%)**



Source: Quantec estimates

Table I below provides a detailed breakdown of industry performance in the Eastern Cape from the first quarter of 2020 to the third quarter of 2020; as such it is evident that wholesale and retail trade activities held up and supported provincial growth in the period under review along with manufacturing, finance, community services and agriculture. This does not reflect that the economy has fully recover, but reflect improvement compared to the preceding period. Economic uncertainty still remains as this can be seen through the year-on-year figures of industries.

**Table I: Eastern Cape Industry GVA Growth, 2020q1-2020q3 (Values in %)**

Industries	Quarter-on-Quarter Change			Year-on-Year Change		
	2020q1	2020q2	2020q3	2020q1	2020q2	2020q3
Agriculture, forestry and fisheries	34.7	18.1	16.5	3.1	8.7	14.3
Mining and quarry	-33.2	-78.1	163.1	-11.7	-41.4	-23.0
Manufacturing	-9.3	-75.2	203.9	-3.8	-32.4	-9.7
Electricity and water	0.7	-31.0	74.8	1.5	-8.8	5.2
Construction	-6.6	-77.2	63.7	-6.2	-34.7	-24.6
Wholesale and retail trade	6.3	-64.4	170.0	4.5	-20.3	0.8



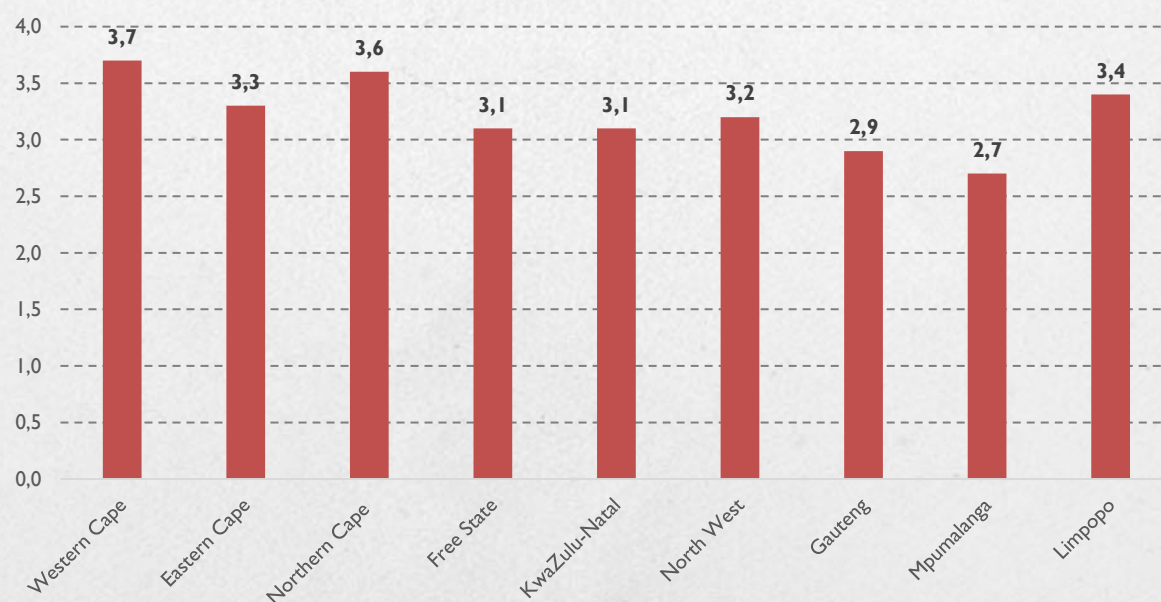
Transport and communication	4.8	-67.5	94.6	-0.7	-25.2	-10.8
Finance, real estate and business services	5.5	-32.6	20.1	3.9	-6.8	-3.0
Community, social and other services	0.9	-32.3	39.7	0.8	-8.7	-0.9
General government services	1.1	-1.1	0.9	1.4	0.4	0.1

Source: Quantec estimates

## 1.2 Consumer Price Index (CPI) Trends

Headline inflation has remained well contained in South Africa in the period under review<sup>2</sup>. The annual consumer price index which measure the basket of goods and services consumed by household stood at 3.2% in November compared to the annualised headline CPI of 3.3% in October 2020, and ranged between the 3%-6% target band set-out by the South African Reserve Bank (SARB). Despite the 0.1% contraction on a month to month basis, the price of food and non-alcoholic beverage, housing and utilities, and miscellaneous goods and services increased significantly. Four provinces in the country had a CPI value higher than that of national, namely; the Western Cape (3.7%), Northern Cape (3.6%), Limpopo (3.4%) and the Eastern Cape (3.3%). According to the SARB projections for the rest of 2020 going into the 2021 period predict that the annual inflation rate will average at 3.2% and 3.9% respectively, and 4.4% in 2022.

Figure 3: CPI by Province, November 2020 (%)



Source: Stats SA









<sup>2</sup> South African Reserve Bank

### 1.3 Quarterly Labour Force Developments

Despite the easing of the lockdown restrictions, the economic environment remains unfavorable for both business and the labour force with this likely to continue spilling-over the 2021 period going into 2022; Unemployment figures across the country expanded further in the third quarter of 2020 as the majority of business had to cut down jobs as a result of the unprecedented phenomenon known as the coronavirus that not only affected South Africa, but the world at large. In the third quarter of 2020, unemployment rate in the Eastern Cape significantly worsened to 45.8% based on the narrow definition (increasing by an 8.9% compared to the preceding period) and by 52.8% based on the expanded definition, and with this attributable to the expansion in the number of unemployed people across the province from 684 000 thousand in the second quarter of 2020 to 1 025 million in the third quarter of 2020 as the majority of business had been faced operational challenges as result of the pandemic which led to a large number of jobs lost in the period under review. It is worth noting that even unemployment is not unique only to the Eastern Cape, continues to be the province across the country which is severely affected by the challenge when taking into consideration unemployment rate trends of the province over the years.

When taking into consideration the characteristics of people affected by unemployment in the province in the third quarter of 2020, it was noticeable that unemployment continues to highly affect the youth, particularly those that are between the ages of 25 years to 29 years (reported at 255 583 thousand in of the third quarter of 2020) and those between the ages 20 years to 24 years (about 182 199 thousand unemployed persons were reported in the same period).

**Table 2: Unemployment Rate by Province, 2019q4 – 2020q3**

Province	2019q3	2019q4	2020q1	2020q2	2020q3	Quarter-on-Quarter Change
Western Cape	21.5	20.9	20.9	16.6	21.6	5.0 
Eastern Cape	36.5	39.5	40.5	36.9	45.8	8.9 
Northern Cape	29.8	26.9	27.0	25.1	23.1	-2.0 
Free State	34.5	35.0	38.4	25.3	35.5	10.2 
KwaZulu-Natal	25.9	25.0	26.9	18.9	26.4	7.5 
North West	30.4	28.8	33.2	21.6	28.3	6.7 
Gauteng	31.0	30.8	31.4	26.4	33.7	7.3 
Mpumalanga	35.3	33.6	33.3	13.3	27.8	14.5 

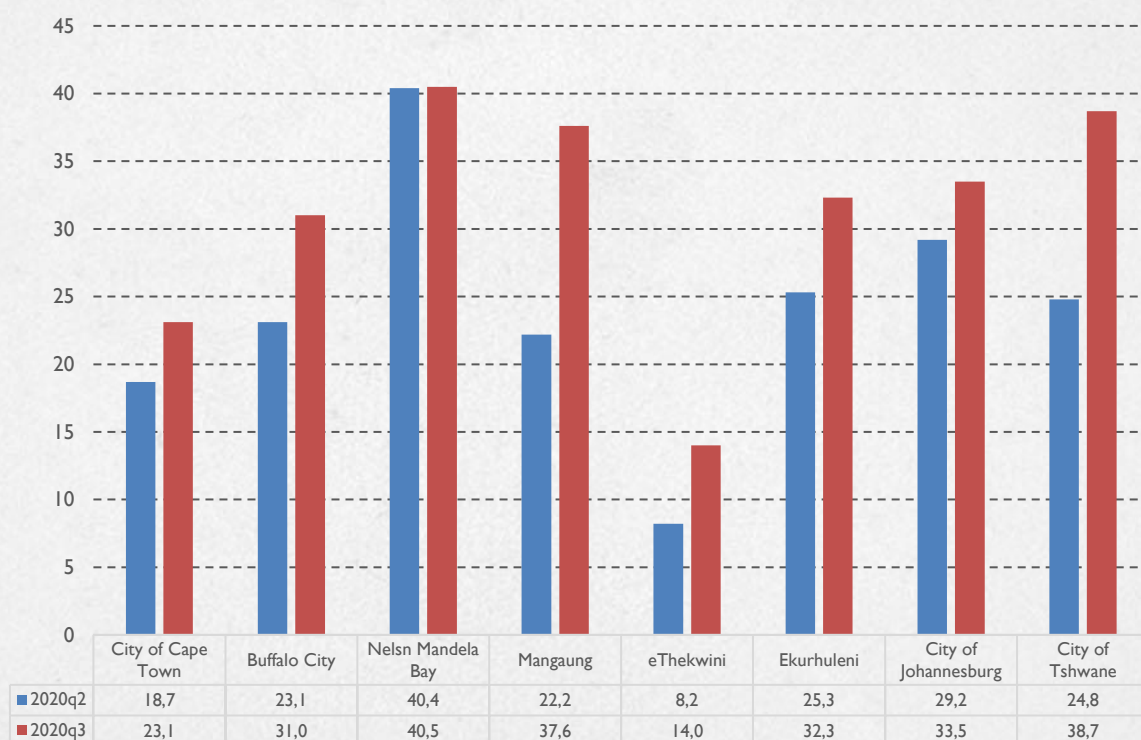


Limpopo	21.4	23.1	23.6	21.9	26.3	4.4	
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Source: Stats SA

Unemployment expanded by 7.3% and reached 30.8% throughout the country in the third quarter of 2020. Significant expansions in unemployment were registered in the City of Tshwane of 38.7% in the period under review, followed by Mangaung (37.6%) and Ekurhuleni (32.3%). In the Eastern Cape, although the Nelson Mandela Bay has the highest unemployment rate in the province, the Buffalo City Metropolitan recorded the highest increase in unemployment rate of 31%.

**Figure 4: Unemployment Rate by Metropolitans, 2020q2-2020q3 (Values in %)**



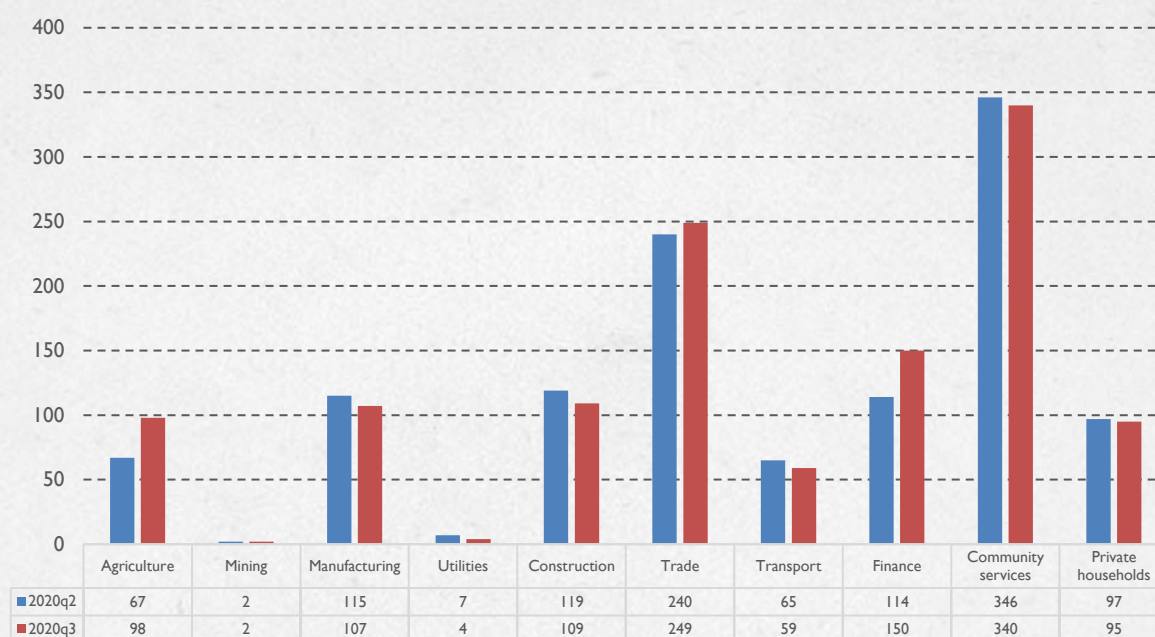
Source: Stats SA

#### 1.4 Employment Trends in the Eastern Cape

Employment opportunities continue to remain limited across the province, with this resulting to a population outflow to other province as people look for a better livelihood. On the downside, and increase in population outflow negatively impacts the provincial equitable share allocation as the fiscal policy takes into consideration each provincial population share in terms of allocating resource and services. The third quarter of 2020, the province recorded a loss of 10 000 jobs in the construction sector, with this followed by the manufacturing sector (8 000), community services and transport both shedding (6 000), utilities (3 000) and private households (2 000).

The agricultural sector saw a significant increase in jobs recorded in the third quarter of 2020, with this supported by an expansion in field harvest as the reopening of the economy commenced in the third quarter of 2020 to improve production that suppressed by the lockdown<sup>3</sup>. Jobs in the finance sector also expanded by 36 000 in the period under review followed by trade at (9 000), while no change was recorded in the mining industry.

**Figure 5: Employment by Industry, 2020q1 – 2020q3 (Values in thousands)**



Source: Stats SA

## 2. ECDC Loan Movements

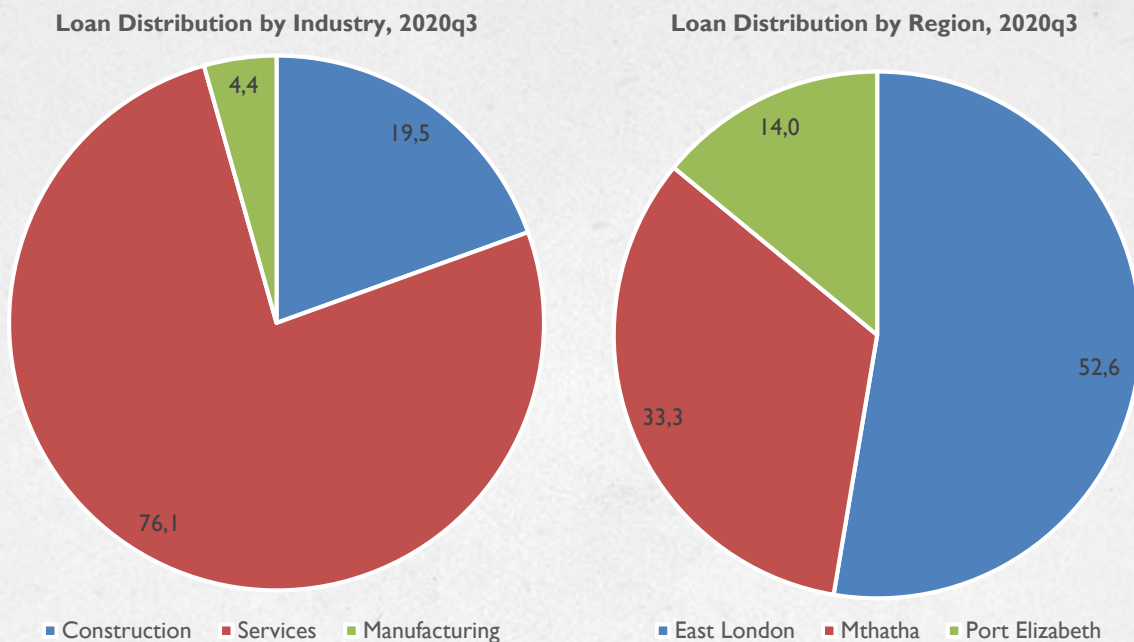
Economic conditions remain challenging for the ECDC to fully support SMMEs with financial support given the ongoing constrained fiscus currently exacerbated by the coronavirus pandemic. As such, in the third quarter of 2020 only 18 SMMEs obtain financial credit from ECDC, where most of the SMME are involved in services activities followed by construction and manufacturing. Compared to the preceding period (the second quarter of 2020), no SMMEs were supported with workflow loans with this attributable to the strict lockdown regulation which prevented the industry from conducting any business activity. This is somewhat in line with the provincial performance which peaked in the third quarter of 2020. Although growth (GDP) expanded in the period under review, a large number of SMMEs in the Province continue to be in distress and struggling with business operations as the economy as continues to grapple as a result of the

<sup>3</sup> Wandile Sihlobo Analysis



coronavirus and challenges that were already in existed throughout the country before the pandemic. Figure 6 below illustrates ECDC loan distribution based on industry and regional office.

**Figure 6: Loan Disbursement by Industry and Region, 2020q3**

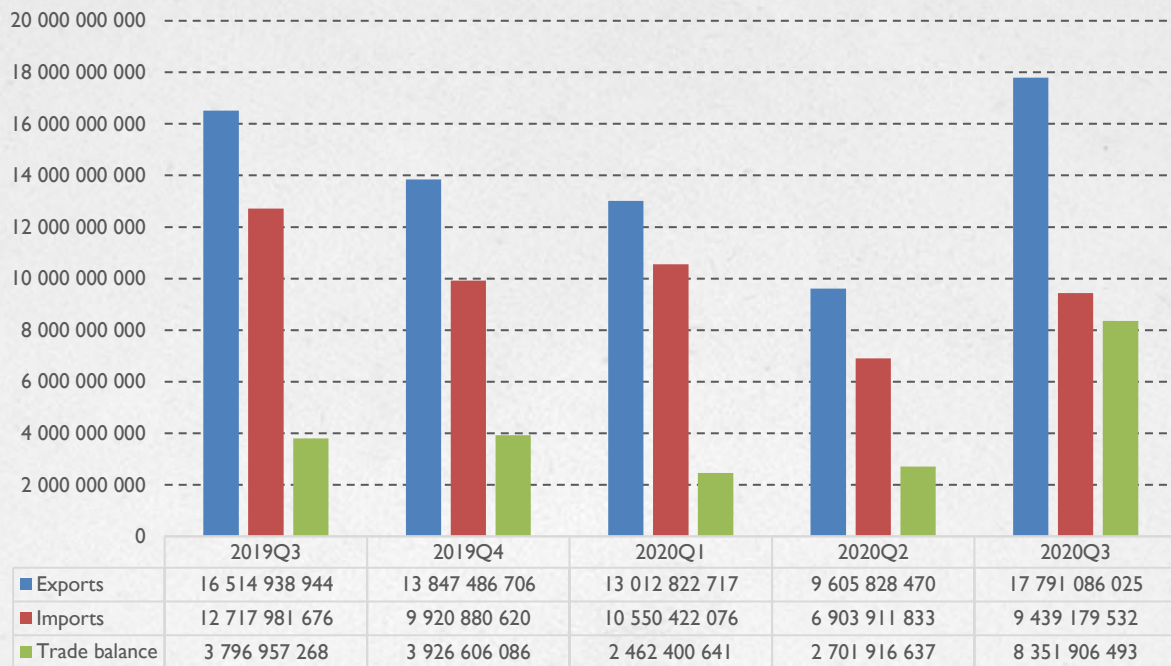


Source: ECDC Database

### 3. Eastern Cape International Trade Developments

International trade have remained positive throughout the country, despite the lockdown restrictions imposed by government to curb the spread of the COVID-19 virus. Trade activities improved in South Africa and in the Eastern Cape in the third quarter of 2020, with this attributable to the easing of the lockdown restrictions and the opening of the economy for business continuity. In the third quarter of 2020, the Eastern Cape recorded a trade surplus of R8.4 billion, supported by a significant increase in the value of export merchandise by 85.2%, while the value of imports merchandised expanded from R6.9 billion in the second quarter of 2020 to R9.4 billion (36.7%) in the third quarter of 2020. It was noticeable that the balance of trade significantly expanded by 209.1% (R8.4 billion) in the third quarter of 2020 compared to the R2.7 billion in the second quarter of 2020 and the R2.5 billion in the first quarter of 2020.

**Figure 7: Eastern Cape Trade Balance, 2020q1-2020q3 (Values in R-billions)**



Source: Quantec and own calculations

Manufacturing exports (particularly that of transport equipment) and agriculture, forestry and fisheries sector (specifically agriculture and fisheries) the main contributors to the significant expansion in trade activities in the Eastern Cape in the third quarter of 2020. A breakdown of the actual product mostly traded by the province in the period under review is detailed table 3.

**Table 3: Value of Exports and Imports by Sector, 2019q3-2020q3 (Value in R-million)**

Sector	Value of Exports		Value of Imports		Trade balance
	2020q2	2020q3	2020q2	2020q3	2020q2-2020q3
Agriculture, forestry and fisheries	2 782.9	3 979.5	108.1	101.3	3 878.1
Mining and quarry	15.6	23.7	16.9	14.4	9.2
Manufacturing	6 807.2	13 787.9	6 778.9	9 323.4	4 464.5

Source: Quantec and own calculations

### 3.1 Eastern Cape Exports and Import Commodities by Product

Taking into consideration the provincial export merchandise; in the third quarter of the 2020, it was noticeable that the demand and value of motor vehicles significantly expanded and accounted for 33.1% (or about R5.9 billion) of the Eastern Cape's total exports value to the rest of the world in the period under review. This was tracked by centrifuges merchandise worth R3.8 billion, citrus fruit valued at R3.1 billion, wool (R777.3 million) and new pneumatic tyres worth R404.5 million.



**Table 4: Top 10 Exports and Import Merchandise Traded by Eastern Cape, 2020q2-2020q3**

Exports	2020q2	2020q3	Share	Imports	2020q2	2020q3	Share
Products	Values in R-million		%	Products	Values in R-million		%
Motor cars	2 557.2	5 886.1	33.1	Motor cars	662.5	1 859.0	19.7
Centrifuges, including centrifugal dryers	1 439.4	3 757.5	21.1	Platinum, unwrought or in semi-manufactured forms, or in powder form	216.8	750.5	8.0
Citrus fruit, fresh or dried	1 952.1	3 070.3	17.3	Waste and scrap of precious metal or of metal clad with precious metal	0	485.3	5.1
Wool, not carded or combed	663.5	777.3	4.4	Insulated wire, cable and other insulated electric conductors	148.6	328.8	3.5
New pneumatic tyres, of rubber	209.9	404.5	2.3	Meat and edible offal	246.3	256.2	2.7
Parts and accessories of the motor vehicles	206.7	361.1	2.0	Motor vehicles for the transport of goods	220.9	249.4	2.6
Containers specially designed and equipped for carriage by one or more modes	138.8	348.1	2.0	Seats, whether or not convertible into beds, and parts thereof	261.6	242.5	2.6
Fruit juices and vegetable juices	193.7	289.6	1.6	Medicaments	138.3	192.0	2.0
Waste and scrap of precious metal or of metal clad with precious metal	10.1	281.9	1.6	Machines and mechanical appliances having individual functions	52.9	175.9	1.9
Wool and fine or coarse animal hair	127.4	180.9	1.0	Dish washing machines	62.3	125.5	1.3

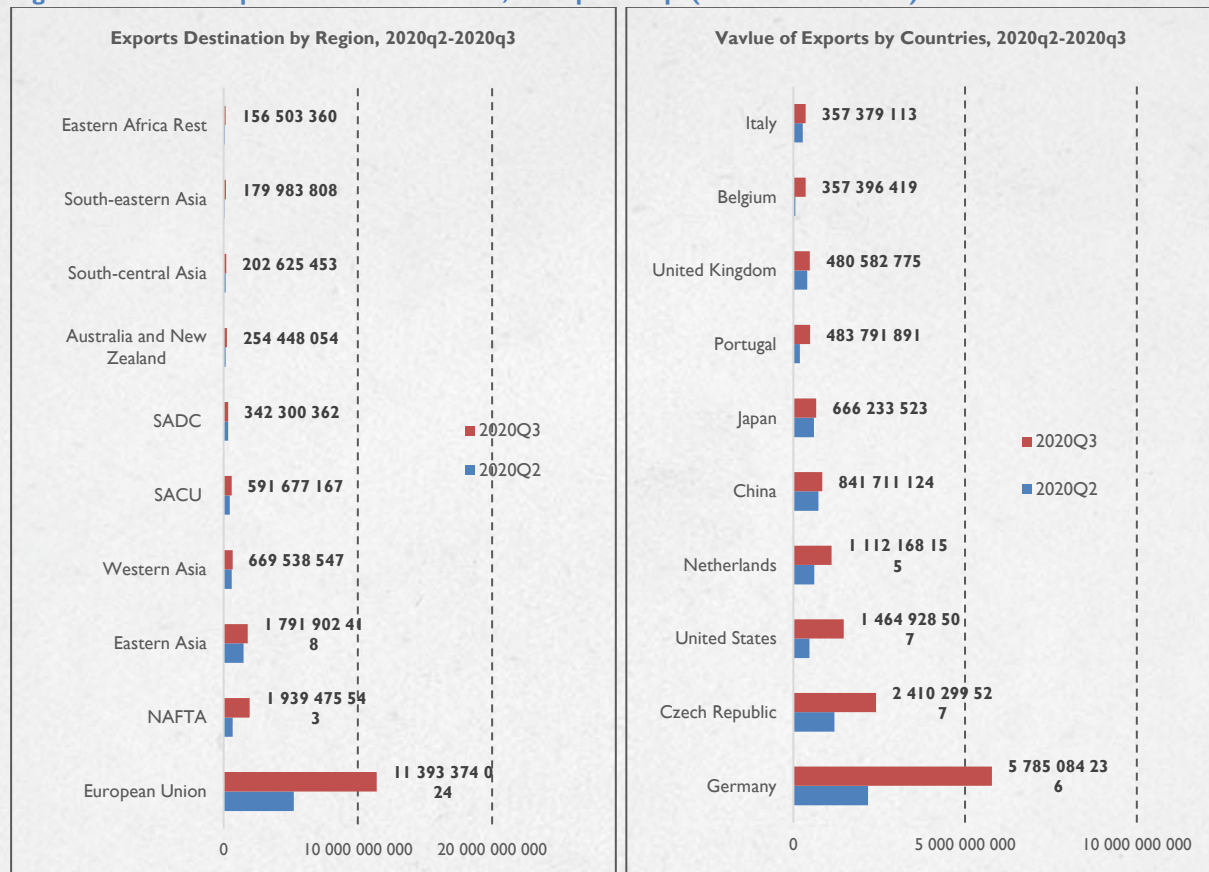
Source: Quantec and own calculations

### 3.2 Destination Markets for Eastern Cape Exports and Imports

As trade activities have been negatively impacted by the pandemic that affected not only South Africa, but the rest of the world; in the third quarter of 2020, the value of Eastern Cape exports to the rest of the world significantly improved in the period under review, particularly in regions such as the European Union worth R11.4 billion, North American Free Trade Agreement (R1.9 billion), Eastern Asia (R1.8 billion), Western Asia (R669.5 million) and the Southern African Customs Unions (R591.7 million). In terms of countries, Germany took the leading position and absorbed about R 5.8 billion worth of the provincial export merchandise followed by the Czech Republic with exports valued at R2.4 billion, the United States (R1.5 billion), Netherlands (R1.1 billion) while the provincial exports merchandise to the Chinese market increased by 15% (from R730.6 million in the second quarter of 2020 to R841.7 million in the third quarter of 2020). Other countries that a significant increase in demand for the Eastern Cape exports in the period under

review include Portugal, the United Kingdom, Belgium and Italy. Although not depicted, a significant surge was noticed in the United Arab Emirates, Namibia, Canada, Australia and Mexico.

**Figure 8: Eastern Cape Destination Markets, 2020q2-2020q3 (Values in R-million)**



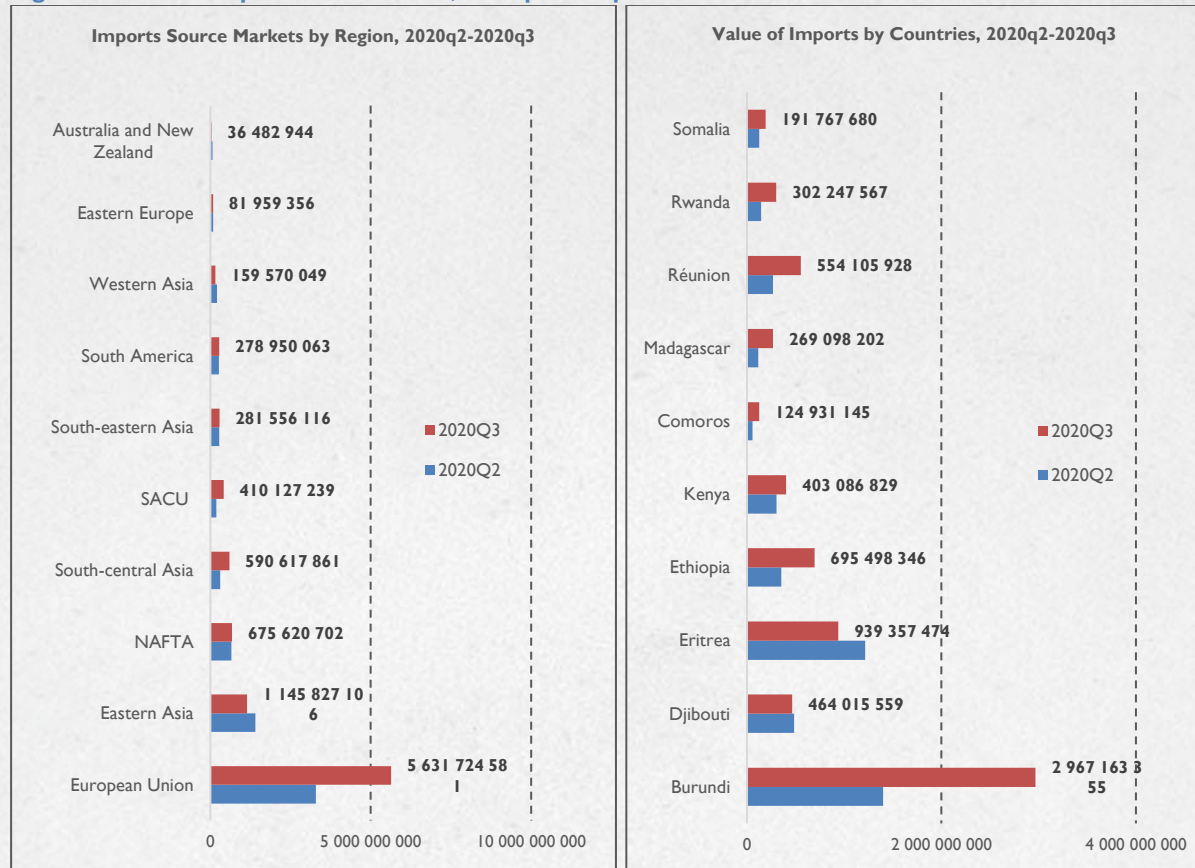
Source: Quantec and own calculations

### 3.3 Eastern Cape Exports and Import Commodities by Country

In terms of imports, it evident that the bulk of imports into the province were sourced from the European Union in terms of value worth R5.6 billion followed by Eastern Asia at R1.1 billion. With regards to countries, Burundi was Eastern Cape largest source market for imports in the third quarter on 2020 with imports valued at R2.9 billion followed by Ethiopia (R695.5 million), Reunion (R554.1 million), Kenya (R403.1 million), Rwanda (R302.2 million) and Madagascar (R269.1 million).



**Figure 9: Eastern Cape Source Markets, 2020q2-2020q3**

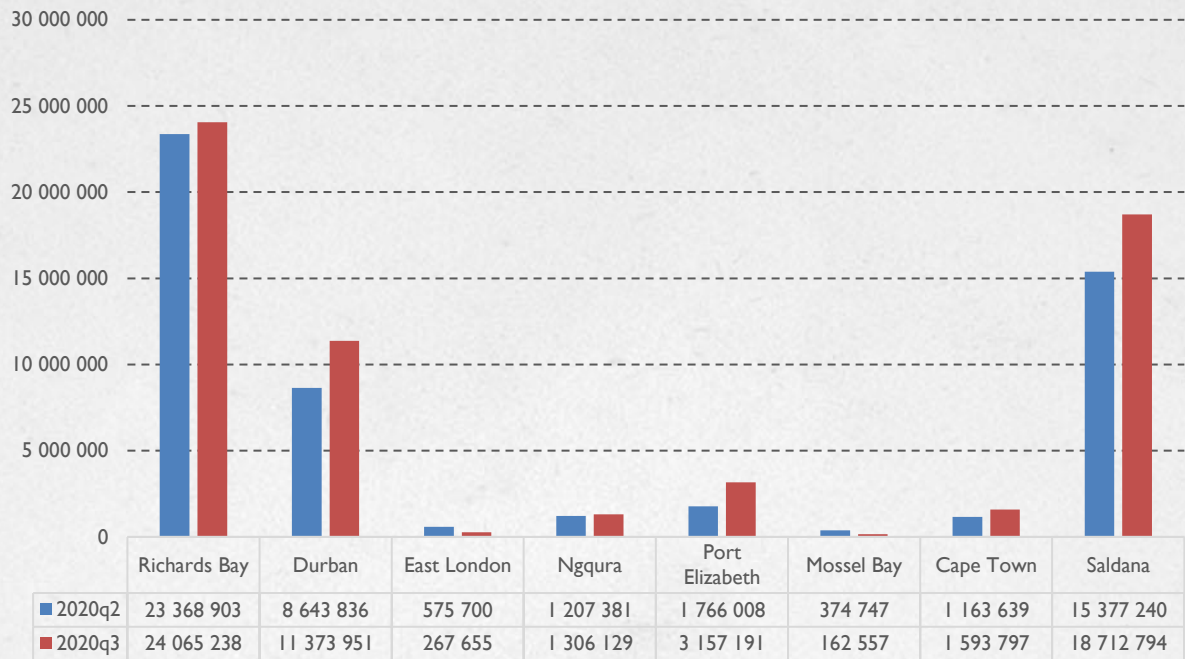


Source: Quantec and own calculations

### 3.4 National Port Movements

The relaxation of the lockdown regulations have helped improved seaborne trade activity across the country in the third quarter of 2020, even those businesses might be able to recover from the losses made as result of the pandemic lockdown restrictions. Cargo handled by the eight national ports improved from 52.5 million metric tons in the second quarter of 2020 to 60.6 million metric tons in the third quarter of 2020, with this mainly supported by KwaZulu-Natal with over 35.4 million metric tons of cargos handled in the third quarter of 2020 and accounting for the largest share of 58.4% due to the ports capacity to handle cargo shipment. This was followed by Western Cape with 20.5 million metric tons of cargos in the same period, while the Eastern Cape handled about 4.7 million metric tons of cargos in the third quarter of 2020 (with the Port Elizabeth Port and the Port of Ngqura the busiest ports throughout the province) – see figure 10 below.

**Figure 10: National Port Movements by Province, 2020q1-2020q3 (Values in million metric tons)**



Source: Transnet Port Authority and own calculations

#### 4. Foreign Direct Investment Trends

Although trade activities somewhat improved in the period under review, FDI inflows and outflows movements remain challenged throughout the world with this as a result of the pandemic which remains felt by economies world-wide, with economies expected to be mainly driven by local investments more than cross-national investment. Government efforts aimed at increasing investment in South Africa through the presidential investment conference in the third investment conference which took place on the 17<sup>th</sup> to the 18<sup>th</sup> of November 2020, saw Eastern Cape obtaining three investment pledges from three investors with an investment value worth R508.1 million<sup>4</sup>. Some of the investor already have a footprint in the Province, namely; Sundale and Schreider, and Clariter operating in the Buffalo City Metro and Giant Flag Gigawatt Global in the Sarah Baartman District.

Globally FDIs are projected to recover from the slump in 2022. According to the FDI Market Intelligence report, South Africa recorded 77 projects worth US\$3.285 billion in the first nine months of 2020, with 64 of the projects being greenfield and 13 expansionary investments.

<sup>4</sup> The Department of Trade and Industry, and Competition



**Table 5: FDI Inflows into South Africa by Month, January 2020 – September 2020**

Month	Number of projects	Jobs created		Capital investment	
	Number	Total	Average	Total (USD m)	Average (USD m)
Sep 2020	7	570	81	613.40	87.60
Aug 2020	7	408	58	171.70	24.50
Jul 2020	5	172	34	76.90	15.40
Jun 2020	5	3,065	613	157.70	31.50
May 2020	6	233	38	264.10	44.00
Apr 2020	7	318	45	455.00	65.00
Mar 2020	12	906	75	703.20	58.60
Feb 2020	12	1,238	103	314.40	26.20
Jan 2020	16	500	31	528.50	33.00
Total	77	7,410	96	3,284.90	42.70

Source: FDI Intelligence Market

When taking into consideration project landing by province, the majority of investments projects landed in Gauteng, Western Cape, KwaZulu-Natal, with no record in the Eastern Cape in the period. Although a huge bulk of FDI projects landed in the top three leading provinces in terms of economic contribution in the South Africa economy, it is imperative to take into consideration that the list of projects that landed in the above-mentioned provinces could have been planned pipeline projects that could have been planned prior to the spread of the coronavirus pandemic.

**Table 6: FDI Inflows by Destination City, January 2020 – September 2020**

Destination city	Projects		Companies		Jobs Created	Capital Investment (USD m)
	No	%	No	%		
Johannesburg	28	36.36	28	36.84	1,119	937.90
Cape Town	17	22.08	17	22.37	648	343.80
Midrand	3	3.90	3	3.95	164	118.50
Durban	2	2.60	2	2.63	869	165.50
Hammarisdale	2	2.60	2	2.63	150	193.70
Richards Bay	2	2.60	2	2.63	277	89.10
Bryanston	1	1.30	1	1.32	16	23.20
Edenvale	1	1.30	1	1.32	26	6.10
Lanseria	1	1.30	1	1.32	142	28.50



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Saldanha Bay	1	1.30	1	1.32	108	185.80
Sandton	1	1.30	1	1.32	100	10.80
Stellenbosch	1	1.30	1	1.32	36	3.30
Waterfall	1	1.30	1	1.32	31	4.80
Not Specified	16	20.78	16	21.05	3,724	1,173.90
<b>Total</b>	<b>77</b>	<b>100.00</b>	<b>76</b>	<b>100.00</b>	<b>7,410</b>	<b>3,284.90</b>

Source: FDI Intelligence Market

## 5. Eastern Cape SMME Analysis

It is important to note that this section made use of the methodology followed by the DTI based on its 2008 report on SMMEs, the Bureau for Economic Research 2016 report and SEDA. We used the number of employers and self-employed people (own account workers) as a proxy for the number of SMMEs. The Statistics South Africa Quarterly Labour Force (QLFS) is utilised as a proxy for the number of SMMEs, combining the number of employers and own account workers<sup>5</sup>. Small, medium and micro enterprises (SMMEs) play an important role in the economy in terms of driving economic development and job creation through their innovative ideas. The South African government recognises the importance of SMMEs, with enterprise activity driven by the Department of Small Business Development (DSBD) along with other key entities in the country. SMMEs encompass a broad range of firms, some of which includes formally registered, informal and non-VAT registered organisations. A large majority of SMMEs in the country are concentrated on the very lowest end, where survivalist firms are found (Berry, 2002); these firms can take the form of street trading enterprises, backyard manufacturing and services, and occasional home-based evening jobs. It is worth noting that the definition of survivalist enterprises has been changed, with this category of businesses included under the small enterprises category. SMMEs face various operational and economic challenges in obtaining sustainable and thriving businesses. Recently, SMMEs have been negatively impacted by the spill-over effect of the corona virus, and resulting many businesses shedding jobs and closing their shops.

In the first three quarters of 2020, the number of SMMEs in South Africa reached a total of 2 466 452 million, down by 6% (or 157 302) compared to the first three quarter of 2019, with this attributable the coronavirus which resulted to a large number of businesses closing down. It is worth noting that these figures are based on quarterly labour force figures compiled by the

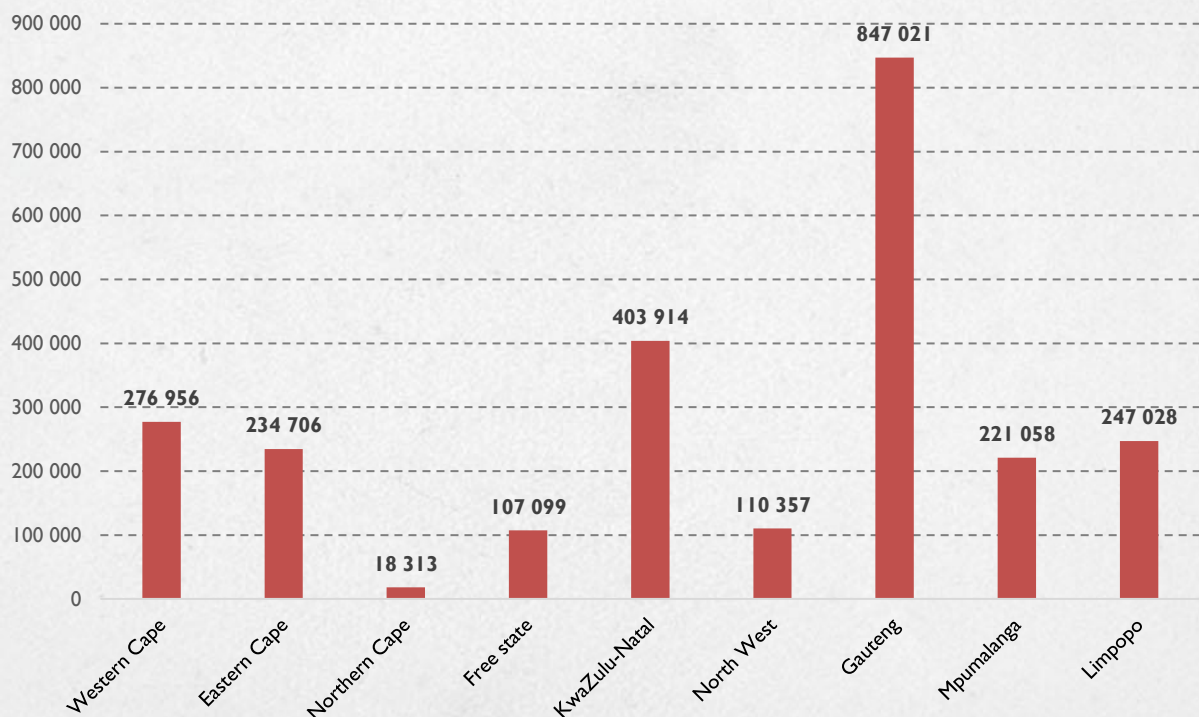
<sup>5</sup> DTI, Bureau of Economic Research & Small Enterprise Development Agency



STATSSA, hence you will notice there is variation in terms of the number of SMMEs compared to other research reports that have been done and assessing the impact of the virus.

Albeit the above, of the 2 466 452 million SMMEs in in the first three quarter of 2020, 8.2% (214 185) were in the Eastern Cape in 2019, and resulted to the provincial economy ranked 6<sup>th</sup> place after Gauteng (888 260), KwaZulu-Natal (407 837), Western Cape (322 060), Limpopo (306 215) and Mpumalanga (226 418). When comparing the quarterly number of SMMEs in the Eastern Cape it was noticeable that the number of SMMEs in the province significantly contracted by 6.8% (or 16798), particularly for own account with this impacted by the current economic conditions.

**Figure 11: Average number of SMMEs by Province, 2020q1-2020q3**



Source: Quantec and own calculations

Table 7 below shows the number of SMMEs by Province from the first quarter of 2020 to the third quarter of 2020. It is evident that the Gauteng Province lost the highest number of SMMEs in the third quarter of 2020, followed by North West with 43 499 thousand, Eastern Cape (16 798 thousand) and Mpumalanga with 5 328 thousand SMMEs, while other regions saw minimal expansion as a result of relief incentives along with the easing of the lockdown restrictions.

**Table 7: Number of SMMEs by Province, 2020q1-2020q3**

Provinces	2020q1	2020q2	2020q3	Quarter-on-quarter change 2020q2-2020q3	% Growth	Ranking
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Western Cape	298 819	263 251	268 799	5 548	2.1	3
Eastern Cape	225 298	247 810	231 011	-16 798	-6.8	5
Northern Cape	24 275	12 143	18 519	6 376	52.5	9
Free State	114 979	96 136	110 183	14 047	14.6	7
KwaZulu-Natal	419 467	378 203	414 071	35 867	9.5	2
North West	129 168	122 701	79 203	-43 499	-35.5	8
Gauteng	885 839	871 812	783 410	-88 402	-10.1	1
Mpumalanga	229 060	219 721	214 393	-5 328	-2.4	6
Limpopo	287 158	210 001	243 924	33 922	16.2	4

Source: Quantec and own calculations

In the last three quarter of 2020, the number of SMMEs in the Eastern Cape fluctuated due to uncertain conditions propelled by the COVID-19 pandemic. It was notable that both the formal and informal (non-agricultural) SMMEs contracted in the period under review; between the second and the third quarter of 2020, the number of formal SMMEs declined by 11 964 followed by informal SMMEs by 7 832 and private households (3 848), while the agricultural sector expanded. There large loss of SMMEs in the Province shows the constrained operational environment.

**Table 8: Number of SMMEs in the Eastern Cape**

	2020q1	2020q2	2020q3	Quarter-on-quarter change 2020q2-2020q3
Number of SMMEs	225 298	247 810	231 011	-16 798
Formal sector (non-agricultural)	48 814	63 380	51 417	-11 964
Informal sector (non-agricultural)	164 947	168 323	160 491	-7 832
Agriculture	4 477	8 600	15 446	6 845
Private households	7 061	7 506	3 658	-3 848

Source: Quantec and own calculations

Taking into consideration SMMEs by districts in the Eastern Cape, it is that almost all districts struggled into keeping their businesses afloat given the number of SMMEs lost throughout the Province, it was notable that the Sarah District shed the highest number about 10 593 SMMEs and tracked by the with the OR Tambo (7 795), Chris Hani (5 370 and the Joe Gqabi District (2 261). Although economic conditions remain subdued, based on the data, other districts experienced an increase in the number of its SMMEs in Buffalo City, Alfred Nzo, Nelson Mandela and Amathole.



This figure should be taken with cognizance given the challenges that exist in terms of data collection by STATSSA, hence these figures might be aggregated as conditions remain unfavorable.

**Table 9: Number of SMMEs by Districts, 2020q1-2020q3**

Districts	2020q1	2020q2	2020q3	Quarter-on-quarter change 2020q2-2020q3
Sarah Baartman	7 645	23 559	12 967	-10 593
Amathole	40 150	31 220	32 188	968
Chris Hani	14 125	28 296	22 925	-5 370
Joe Gqabi	4 790	9 714	6 953	-2 761
O.R Tambo	46 076	51 338	43 542	-7 795
Alfred Nzo	17 918	23 297	24 799	1 502
Nelson Mandela Bay	46 835	40 370	41 231	862
Buffalo City	47 760	40 017	46 405	6 389

Source: Quantec and own calculations

Table 10 below illustrate a quarter on quarter change in SMMEs in the Eastern Cape by industry and district. In terms of industries, it was noticeable that from the second quarter of 2020 to the third quarter of 2020, significant losses of SMMEs in the Eastern Cape were mostly in wholesale and retail trade (11 271) as it should be expected given the restrictions that were put in place in the second quarter of 2020, and only eased in the third quarter of the period under review. The second industry that recorded the lost the highest number of SMMEs was transport (6 460) followed by manufacturing (5 851), private households (3 638) and community services (3 638). In terms of districts, it can be seen that SMMEs in construction were hard hit by the pandemic in almost all districts in the Eastern Cape (Buffalo City, OR Tambo, Alfred Nzo and the Amathole), with this followed by wholesale and retail trade in all districts, along with community services (Buffalo City, OR Tambo and Sarah Baartman), private households (Buffalo City and Nelson Mandela) and manufacturing (OR Tambo and Alfred Nzo, and with these likely to be SMMEs involves in textiles and textiles products, and chemical products),

**Table 10: Eastern Cape SMMEs by Industry, 2020q2 - 2020q3 (quarter on quarter change)**

Districts	Agriculture	Mining	Manufacturing	Electricity	Construction	Wholesale & retail trade	Transport	Financial intermediation	Community services	Private households
Sarah Baartman	664	0	0	0	902	-8 347	1 570	-1 003	-4 378	0
Amathole	0	0	2 827	0	-2 598	-4 882	257	4 616	748	0
Chris Hani	1 340	0	0	0	-699	-2 745	-3 549	-2 128	2 411	0

Joe Gqabi	105	0	-1 243	0	-951	-173	0	0	-500	0
O.R Tambo	-250	0	-4 600	0	2 357	-2 104	-2 367	1 174	-2 421	416
Alfred Nzo	5 284	0	-2 129	0	447	-6 425	-143	3 070	1 398	0
Nelson Mandela Bay	-298	0	-730	0	1 988	2 415	527	-4 362	3 515	-2 193
Buffalo City	0	0	25	0	4 677	10 990	-2 753	-65	-4 412	-2 072
<b>Eastern Cape</b>	<b>6 845</b>	<b>0</b>	<b>-5 851</b>	<b>0</b>	<b>6 122</b>	<b>-11 271</b>	<b>-6 460</b>	<b>1 301</b>	<b>-3 638</b>	<b>-3 848</b>

Source: Quantec and own calculations



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