



Province of the  
**EASTERN CAPE**

ECONOMIC DEVELOPMENT,  
ENVIRONMENTAL AFFAIRS & TOURISM

# *Real Investment Monitor*

**Eastern Cape Headlines  
2014: QUARTER 3**



*"Innovation for Sustainable Development"*

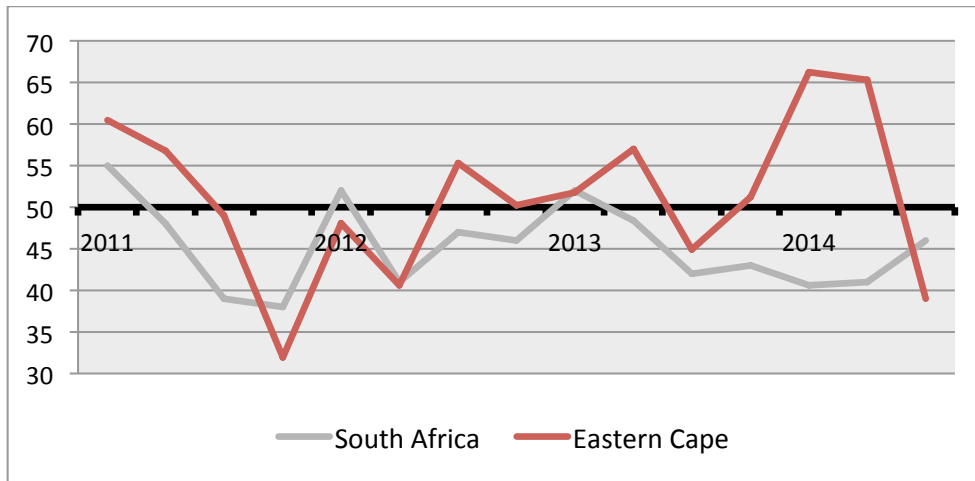
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# Vital Statistics

## *Business Confidence Indicators*

Levels of business confidence in South Africa remain significantly below par and have failed to breakeven since 2013Q1. Until recently, the Eastern Cape has been running completely counter to current national pessimism – levels of business confidence peaked for the second quarter running at a high of 65 index points but have since fallen to a low of 39 in quarter 3. An analysis of confidence levels per sector for the province (see table 1) shows that vehicle sales, wholesale and retail were responsible for driving positive investor investment (withstanding the drop in vehicle sales confidence in Q3 as an outlier). Unfortunately, the manufacturing sector in the Eastern Cape remains in a confidence crisis at close to zero levels since 2013Q3 and below the 50 point neutral level since 2011. This is concerning, given the importance of manufacturing as the backbone of the local economy.

Figure 1: Business Confidence Index: South Africa and Eastern Cape



Source: Bureau of Economic Research Surveys; own estimates

Table 1: Business Confidence Index: Eastern Cape by Sector

	Eastern Cape	Manufacturing	Construction	Retail	Wholesale	Vehicle Sales
<b>Sep-12</b>	55	22	16	73	66	100
<b>Dec-12</b>	50	4	22	67	72	86
<b>Mar-13</b>	52	24	32	42	74	87
<b>Jun-13</b>	57	15	45	34	91	100
<b>Sep-13</b>	45	3	45	76	51	50
<b>Dec-13</b>	51	3	41	85	47	80
<b>Mar-14</b>	66	2	53	90	86	100
<b>Jun-14</b>	65	3	61	75	88	100
<b>Sep-14</b>	39	2	59	42	90	1

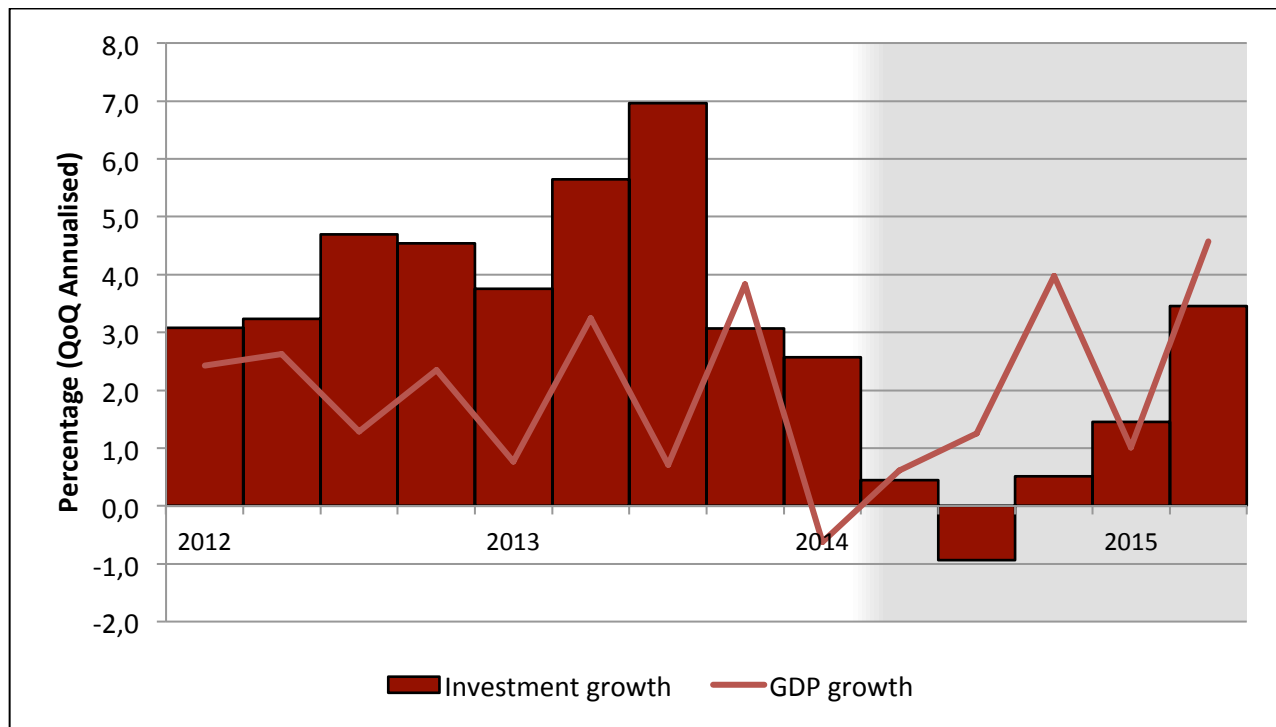
Source: Bureau of Economic Research Surveys; own estimates

Note: The data becomes more volatile when broken down per province and sector

## *Economic Performance Indicators*

South African Gross Domestic Product (GDP) recorded a shocking negative rate of growth for the first quarter of 2014 at -0.6% with a recovery to 1.4% in the second quarter. This is possibly the effect of the protracted strike in the mining sector as well as generally poor export performance. In step with economic contraction, real investment levels reached a four year low of only 2.6% growth, but at least did not turn negative. The short term outlook is forecasted to remain highly subdued, although South Africa will probably show marginally positive economic growth.

Figure 1: GDP Growth and Real Investment: South Africa



Source: SA Quarterly Bulletin; Quantec Forecasts

Note: Quarter-on-quarter growth rates for Gross Domestic Product (GDP) and Gross Fixed Capital Formation (GFCF) are seasonally adjusted and annualised

# Media Monitor

## *Investments in the Headlines*

Table 2: Investment announcements in the media: Eastern Cape, Q3 2014

Project	Location	Sector	Total investment	Expected no. of jobs	Time line
<b>1. First Automotive Works</b>	Coega IDZ, PE	Automotive	R600 million	1000 temp 500 perm	-
<b>2. Air Products Air Separation Unit</b>	Coega IDZ, PE	Manufacturing	R300 million	120	Q4 2014
<b>3. REIPPP Projects</b>	Province-wide	Renewable Energies	R 1.65 billion	Not indicated	-
<b>4. Citrus Expansion</b>	Sundays River Valley	Manufacturing	R3.2 million	4 (direct) 50 (seasonal)	-
<b>5. Eastern Cape Port Expansion</b>	East London, Nelson Mandela Bay	Logistics	1.9 billion	-	2014/15

Source: Varied, but primarily “Provincial Report”, Patrick Cull.

### **New vehicle manufacturing plant in EC**

A R600 million automotive project was recently launched at the Coega Industrial Development Zone in Port Elizabeth. This project has been described as a major economic boost, not only for the Nelson Mandela Bay Municipality but for Eastern Cape as a whole. The project is led by First Automotive Works (FAW), a Chinese company which manufactures both heavy commercial and light passenger vehicles. The project or plant is expected to generate close to a thousand job opportunities within the province with 500 expected permanent jobs.

### **Gas plant launched in EC**

Eastern Cape also welcomed a R300 million investment in the province’s first air separation unit (ASU) by Air Products, a global industrial gas leader. The new plant, located in the Coega Industrial Development Zone (IDZ) will bring a more secure supply of industrial gases to Air Products’ local established clients, whilst also creating new opportunities for prospective clients to enter the market. The construction and installation of the plant alone is expected to have created approximately 120 jobs by the time it is commissioned in the fourth quarter of 2014. At the recent unveiling of the R300 million Air Separation Unit, Air Products South Africa has revealed that it has delivered on its promise to be the first industrial gas company to supply the Eastern Cape from the newly constructed and commissioned Air Separation Unit.

### **R1.65 billion funding for EC Renewable Projects**

Funding of R1.65 billion has been approved by the Industrial Development Corporation for five renewable energy projects in the Eastern Cape that included solar, wind and other renewable sources as well as green

technology. This is a part of the Renewable Energy Independent Power Producer Procurement Programme wherein the Eastern Cape secured a large portion of the total investment across the country, second only to the Northern Cape.

### **Expansion of an existing citrus farm**

The Department of Economic Development, Environmental Affairs and Tourism has issued environmental authorisation for the expansion of an existing citrus farm in Sunday River Valley by a further approximately 25 hectares. It is estimated that an additional 4 direct and 50 seasonal employment opportunities will be created, sourced from the Nelson Mandela Bay and Sundays River Valley municipalities. The project involves a capital investment of about R3.2 million.

### **Transnet Port Terminals to spend R3.4 billion at EC Ports**

Transnet Port Terminals (TPT) will spend more than R3.4 billion at the three Eastern Cape ports of Port Elizabeth, Ngqura and East London over the next 10 years. In 2001/02 just R131 million was spent while in the current 2014/15 financial year capital spending will reach more than R1.9 billion.





## Comments? Questions?

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