



**edtea**

**Department :**  
Economic Development, Tourism and  
Environmental Affairs  
**PROVINCE OF KWAZULU-NATAL**



**treasury**

**Department:**  
Treasury  
**PROVINCE OF KWAZULU-NATAL**



**Trade &  
Investment**  
KwaZulu-Natal  
YOUR KNOWLEDGE PARTNER IN BUSINESS



## KwaZulu-Natal Business Barometer

April 2014

---

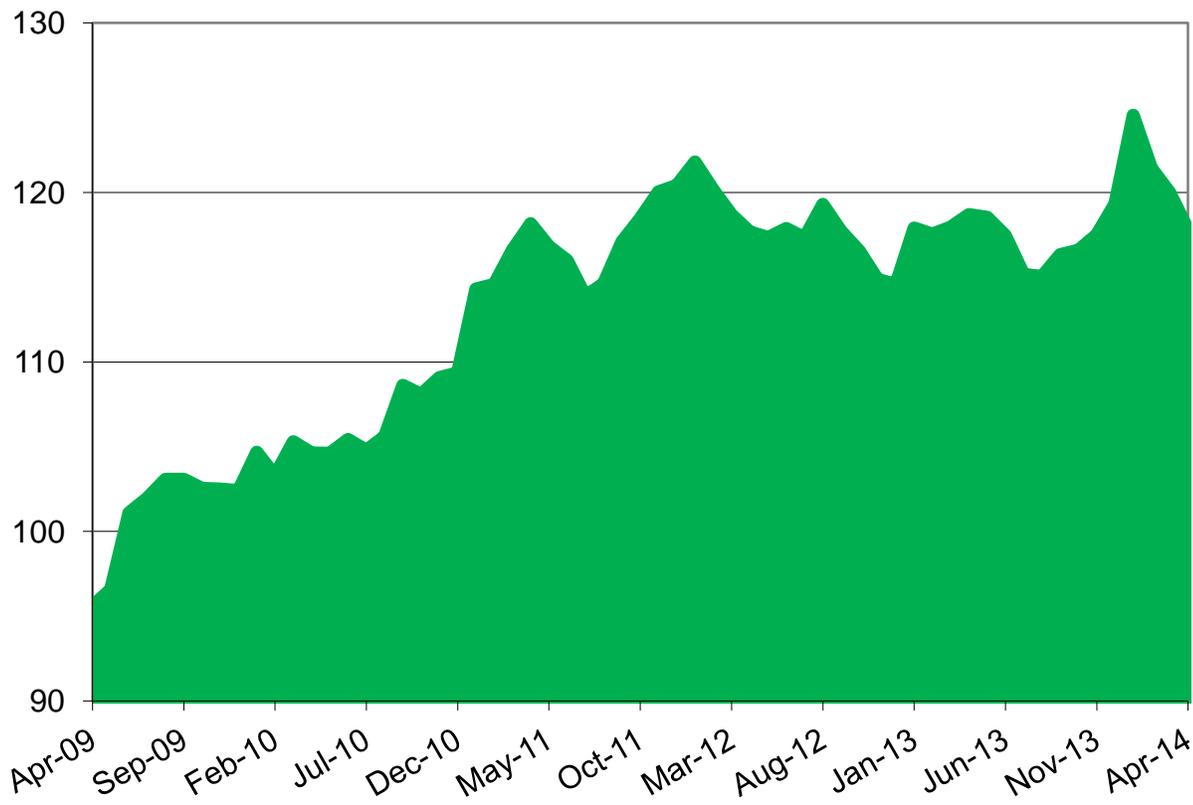
Ex-Joshua Doore building  
270 Jabu Ndlovu Street  
Pietermaritzburg  
Tel: +27 33 264 2500  
Email: [info@kznded.gov.za](mailto:info@kznded.gov.za)  
Web: [www.kznded.gov.za](http://www.kznded.gov.za)

Treasury House  
145 Chief Albert Luthuli  
Pietermaritzburg  
Tel: +27 33 897 4200  
Web: [www.kzntreasury.gov.za](http://www.kzntreasury.gov.za)

Trade and Investment House  
Kingsmead Office Park  
Kingsmead Boulevard, Durban  
Tel: +27 31 368 9600  
Email: [info@tikzn.co.za](mailto:info@tikzn.co.za)  
Web: [www.tikzn.co.za](http://www.tikzn.co.za)

Gauteng Office: +27 12 346 4386

## Platinum strike putting strain on KwaZulu-Natal economy



The strain that the South African economy is under due to strike in the platinum industry is showing in the KwaZulu-Natal economy. The KwaZulu-Natal barometer, as compiled by Mike Schüssler of Economists.co.za, turned negative in April for the first time in seven months as growth slumped and economic stress increased sharply. The barometer declined 0.8% year-on-year and was also down on a month-on-month and quarter-on-quarter basis.

### The Up

#### *Electricity up*

The electricity index in KwaZulu-Natal increased 3.7% year-on-year, the strongest growth in six months, but was down 7.7% quarter-on-quarter. This downturn is probably due to the increase in electricity prices in April and will start to affect the index in the longer term as well.

#### *Agriculture ending on a high note*

One of the big positives in KwaZulu-Natal, although it contributes only 4.7% to the economy, was agriculture, which grew 7.7% year-on-year, the strongest growth in years. This was probably thanks to one of the best weather seasons, in terms of rain and other conditions, in many years. Fields crops increased 36.5%, total meat production was up 19.5% and sugarcane crushed increased 4.1%.

#### *Retail grew slightly*

While the strong overall growth in wholesale does not seem to be flowing through to retail, people are still spending some money and going to the shops as retail grew 1.1%. They do, however, go more to the bigger department stores and not the small specialist stores, which are more expensive. Given the increases in fuel

prices over the last year, people generally have less money to spend on non-essential goods. The interest-rate increase in January also reduced the available money for most consumers. Vehicle sales were down 10.3%, the eighth consecutive month of decrease.

The business of hotels and restaurants declined 3.7%, mainly due to the pressure on domestic tourists. While there is a lot of evidence that South Africa is still attracting international tourists, especially with the rand's weak exchange rate, KwaZulu-Natal relies more on domestic tourists than, for instance, Cape Town or the Garden Route. The economic pressure in South Africa is keeping a lot of those domestic tourists at home, or at least making them spend less on things like restaurants than before.

### ***Transport and communication supported by cellphone boom***

The KwaZulu-Natal transport and communications index grew 6.6% year-on-year, solely thanks to the 18.4% increase in communications, which is still growing for the whole country. In the 12 months to March this year, South Africa imported 25.3 billion cellphones. Even though the average price of electronic equipment is increasing, there is still a lot of growth, with mobile phones dominating everything. There are also still imports of base stations to improve the infrastructure for communications.

The transport side of the index is struggling, and not only in KwaZulu-Natal, but across the country. This is partly due to the higher fuel prices that are making transporters increase their prices. Some businesses, like retailers, thus try to get their customers to rather take home the purchases instead of delivering it. Land transport decreased by 2.3%.

Ports are also experiencing a decline in volumes and the cargo handled by KwaZulu-Natal's two ports decreased by 4.5%. With all the problems that South Africa is facing, it is possible that the country is not getting the export contracts it usually does and that is starting to have an effect on the

ports. With the slow economic environment, businesses are reducing inventories and that is affecting ports, airports and land transport overall.

### ***The cautious***

#### ***Construction looking bleak***

The construction index declined 4.7% on a year before and while it was marginally positive month-on-month, it fell 9% quarter-on-quarter. Smaller houses completed were down 16% and while the completion of larger houses increased, office space was down and additions to buildings fell 26%. While big residential houses are still being built and completed in KwaZulu-Natal, small residential houses and townhouses are under pressure and most non-residential buildings are down, while those that have increased from a year ago come off a very low base. Lumber sales increased by 18%, which show there are some additions and informal building projects happening, and lumber gets used more in the residential market than in the commercial market.

#### ***Finance, real estate and business services not looking good***

The finance real estate and business services index in KwaZulu-Natal was completely flat from a year before, and declined 2.6% month-on-month and 4.9% quarter-on-quarter. Although real estate prices are starting to improve in coastal areas the volumes had remained basically flat. Property transfers declined 0.7% and mortgages increased 0.6%, a sign that some banks are at least willing to start lending money again. While the house market was expected to pick up, the strikes of the last few months have had an effect on people's confidence in buying property and although it's not down by much, it's still a bit of a concern. There is, however, a lot of potential in the property market, and as soon as the confidence returns, KwaZulu-Natal would probably be one of the growth sectors for property.

Instalment sales increased by 7.2%, the smallest increase in 21 months, which shows that although people are still buying on credit, they are becoming more wary of buying high-price items.

Asset management and insurance increased by 13%, because the stock market is doing well, and the bond market is still very healthy.

Some of the hard evidence that things are not well in KwaZulu-Natal is the 12.8% fall in advertising sales. While this is probably an indication of the trouble that newspapers find themselves in, and there is a shift in advertising toward electronic media, there is also reluctance by marketers to spend too much in a period where there is a clear downturn and people are reconsidering cost structures.

Civil debt cases fell nearly 20% and while that is great for the stress index, it is not as great for lawyers and other people who deal with civil debt.

## **And the down**

### ***Mining declined***

The KwaZulu-Natal mining index declined 0.2% on a year ago, even though the province's mining sector is mostly made up out of coal and not platinum, where the strike is going on. Month-on-month and quarter-on-quarter mining was slightly up.

### ***Manufacturing following suit***

The general negativity in the country's mining sector is starting to affect manufacturing. While KwaZulu-Natal's manufacturing index still grew 1.3% year-on-year, it was down 1.7% month-on-month and 2.3% quarter-on-quarter. The manufacturing of vehicles and parts, which are durable goods, was down 4.9% and food and beverages declined 1.7%, showing the strain being felt by some consumers.

### ***Trade slowing down***

Growth in the KwaZulu-Natal trade index have gradually been slowing and the index gained only 0.1% year-on-year in April. This was mainly thanks to wholesale growth of 8%. While some wholesale categories like clothing and textiles still grew strong, wholesale of building materials were down more than 30%, again reflecting some of the problems in the construction sector. Trade in metals and metal ores were down 1.7%, which show some of the effect of the platinum strike.

### ***Government spending declined slightly***

The KwaZulu-Natal government index declined 1% year-on-year and was also down month-on-month and quarter-on-quarter. That may have to do with municipalities that are not getting their spend right. Also, April is the start of the government's financial year and there is often a bit of a slowdown in spending in the first months of the financial year.

---

## **Overall**

### ***Growth index up***

The KwaZulu-Natal growth index was up 1.4%, the smallest increase in more than a year and was down 1.1% on a month ago, and 2% on the previous quarter. It seems like the KwaZulu-Natal economy has hit a bit of a rock and while the platinum strike is one of the causes, it is not the only one. Most durable goods categories in the economy's various sectors are down, like car sales, furniture sales and houses. When people see a strike that is very long in nature and starts to affect the rest of the economy, and when they don't see a resolve, they hold off on buying durable goods.

### Stress index increased

The fall in civil debt cases was the only good thing in the KwaZulu-Natal stress index, which reflects factors like inflation, interest rates and unemployment. Inflation in the province, at 6.7%, is substantially higher than the

countrywide 6.1% and unemployment is increasing. The stress index increased 2.1% on a year ago and is likely to keep on growing, which will keep consumers and small businesses occupied in KwaZulu-Natal.

Results Table: April 2014

Main and sub indices of Kwazulu-Natal Barometer	% Change on a year ago	% Change on a month ago	% Change on a Quarter ago	% change on 3 years ago
Agriculture Index	7.7%	0.6%	1.7%	-1.7%
Mining Index	-0.2%	0.7%	0.6%	0.9%
Manufacturing Index	1.3%	-1.7%	-2.3%	2.2%
Electricity Index	3.7%	0.4%	-7.7%	0.7%
Construction Index	-4.7%	0.4%	-9.0%	-25.7%
Transport Index	6.6%	0.0%	1.9%	17.2%
Trade Index	0.1%	0.5%	2.7%	14.8%
Government	-1.0%	-1.6%	-4.8%	-0.1%
Finance, Real Estate and Business Services Index	0.0%	-2.6%	-4.9%	-10.9%
Kwa-Zulu Natal Growth Index	1.4%	-1.1%	-2.0%	2.2%
Kwa-Zulu Natal Stress Index	2.2%	0.8%	3.7%	2.5%
Kwa-Zulu Natal Barometer	-0.8%	-1.8%	-5.4%	-0.3%