

SECTION 2. BUFFALO CITY ECONOMY

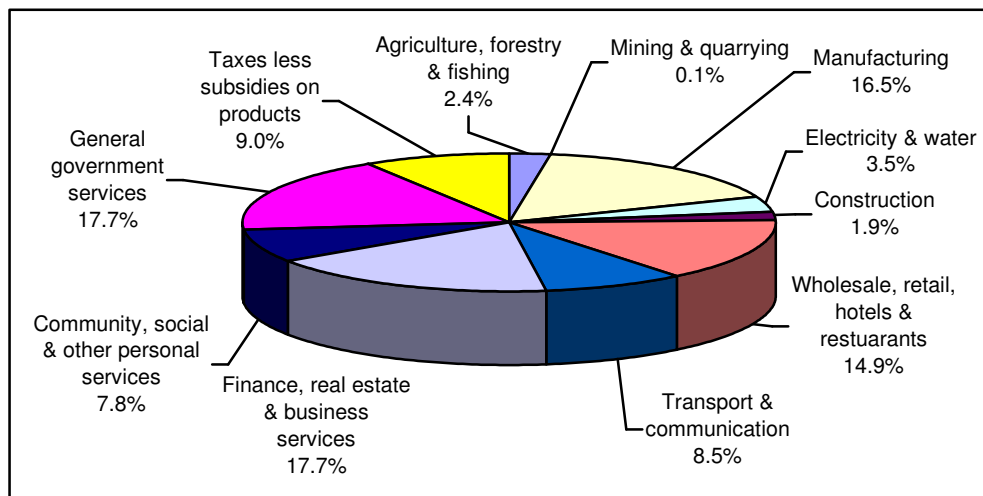
2.1 BACKGROUND

In this report we provide an analysis of the economy of Buffalo City to inform **Phase 2: Analysis of Existing Characteristics** of the Buffalo City Tourism Master Plan. The only available economic information on a municipal level is outdated but we do provide more recent data on a provincial level and supplement the municipal data with information contained in the Buffalo City Quality of Life Survey Report.

2.2 THE EASTERN CAPE ECONOMY

The latest available data on the economy of the Eastern Cape is for 2001 as published in a Statistics South Africa Discussion Paper on Gross Domestic Product per Region. The paper states that in 2001 the Eastern Cape had a Gross Domestic Product (“GDP”) of R81 billion in current prices. This was 8,2% of the total South African GDP and the 4th largest contributor to the South African GDP following Gauteng, KwaZulu-Natal and the Western Cape. The Eastern Cape GDP showed real growth of 2,4% per annum between 1995 and 2001.

Graph 2.1: Percentage Contribution to the Eastern Cape GDP in 2001

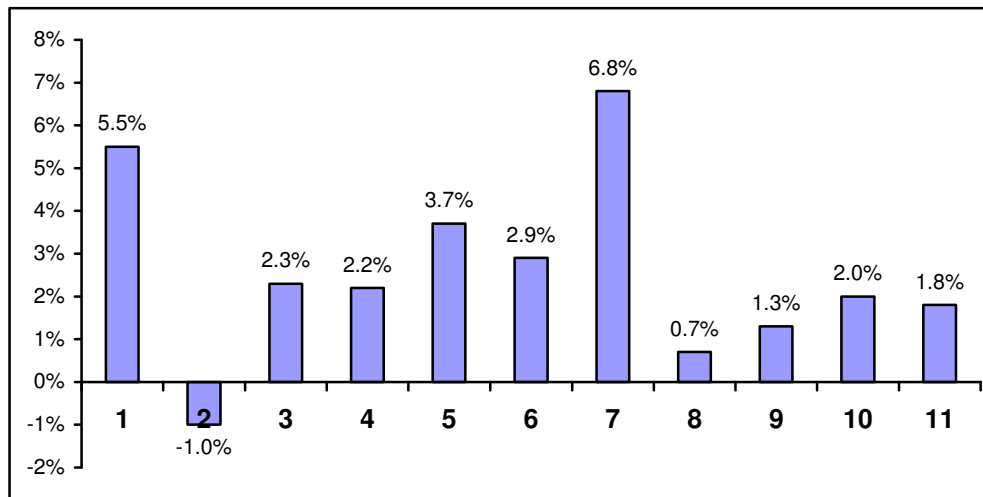


Source: Statistics South Africa

The percentage contributions by the economic sectors to the Eastern Cape GDP in 2001 are shown in **Graph 2.1**. The three largest economic sectors within the Eastern Cape are the Government Sector, Business Services such as Finance and Real Estate and the Manufacturing Sector.

The real growth per annum between 1995 and 2001 are shown in **Graph 2.2**. The transport & communication sector showed the highest real growth between 1995 and 2001, followed by the agriculture, forestry and fishing sector. The government sector grew by 2% per annum, while the business services sector grew by 0.7%.

Graph 2.2: Real Growth pa in the Eastern Cape between 1995 and 2001



1. Agriculture, forestry & fishing	7. Transport & communication
2. Mining & quarrying	8. Finance, real estate & business services
3. Manufacturing	9. Community, social & other personal services
4. Electricity & water	10. General government services
5. Construction	11. Taxes less subsidies on products
6. Wholesale, retail, hotels & restaurants	

Source: Statistics South Africa

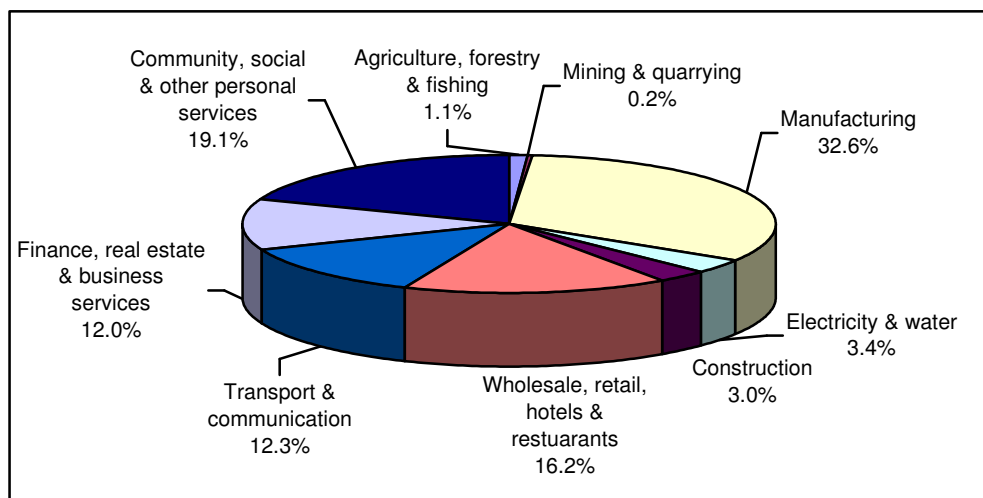
2.3 THE BUFFALO CITY ECONOMY

The latest available economic data on a magisterial district level is from the Development Bank of Southern Africa (“DBSA”) and reflect the situation in 1991. We provide this data below, supplemented by research commissioned by the Buffalo City Municipality for the “Buffalo City Quality of Life / Needs Assessment Survey” conducted during April 2001.

2.3.1 Gross Geographic Product

In 1991 the Buffalo City Gross Geographic Product (“GDP”) amounted to R4,4 billion at current prices and comprised 21% of the Eastern Cape’s GDP. The economic breakdown of the Buffalo City GDP in 1991 is shown in **Graph 2.3**.

Graph 2.3: Percentage Contribution of Economic Sectors to Buffalo City’s GDP in 1991



Source: *Development Bank of Southern Africa, October 1995*

Graph 2.3 shows that the largest contributors to Buffalo City’s economy are the manufacturing sector followed by the social and personal services sector. The manufacturing industry consists mainly of the automotive, pharmaceutical and textile industries with large companies such as DaimlerChrysler South Africa, Aspen Pharmacare, Johnson & Johnson and Da Gama Textiles being based in the study area.

Due to the outdated information it was not possible to indicate the growth per economic sector on a municipal level, however, the Buffalo City Quality of Life Survey Report do provide some information on the economic expectations of residents of Buffalo City.

Table 2.1 indicates the view of residents of the economic situation now compared to one year ago. Residents that employed generally feel that the economic situation in Buffalo City was the same or worse in April 2001 than one year previously. Understandably the unemployed were most pessimistic about the economic situation.

Table 2.1: Views on Economic Situation Compared to One Year Ago

Employment Status	Better %	Same %	Worse %	Don't Know %	Total %
Employed – formal	16.8	36.2	45.7	1.3	100
Employed – informal	12.0	48.0	39.2	0.8	100
Self-employed	13.8	36.2	49.3	0.7	100
Unemployed – looking	5.8	32.7	61.5	0.0	100
Total	15.2	37.5	46.2	1.1	100
Base	151	373	459	11	994

Source: Buffalo City Quality of Life Survey Report

Table 2.2 indicates the view of residents on the expected economic situation five years in the future. Self-employed and unemployed residents were most pessimistic on the economic situation in the future, while residents employed in the formal sector were most optimistic.

Table 2.2: Views on Economic Situation in Five Years

Employment Status	Better %	Same %	Worse %	Don't Know %	Total %
Employed – formal	35.5	14.3	44.2	6.1	100
Employed – informal	28.0	24.8	36.0	11.2	100
Self-employed	28.8	13.7	52.5	5.0	100
Unemployed – looking	23.1	21.2	53.8	1.9	100
Total	32.9	15.9	44.8	6.3	100
Base	327	158	445	63	993

Source: Buffalo City Quality of Life Survey Report

2.3.2 Employment

The Buffalo City Quality of Life Survey Report indicates that 21,4% of residents of Buffalo City are unemployed and looking for work (see **Table 2.3**). Another 15,2% are employed in the formal sector while 2,8% are employed in the informal sector. 3,2% Are self-employed.

Table 2.3: Economic Status by Population Group

Economic Status	African %	Asian %	Coloured %	White %	Total %
Student/ Child	43.9	27.6	39.4	32.8	42.2
Unemployed looking	24.3	6.9	15.6	2.6	21.4
Unemployed not looking	1.6	3.7	1.1	0.1	1.5
Housewife	1.8	2.8	3.3	5.6	2.3
Working full time informal	1.6	0	0.6	0.3	1.4
Working part time informal	1.7	0.5	0.2	0	1.4
Working full time formal	12.3	34.6	20.9	32.3	15.2
Working part time formal	1.1	1.4	3.8	1.3	1.3
Self-employed	2.4	6.0	2.1	11.2	3.2
Pensioner	9.3	16.6	12.9	13.8	10.1
Total	100	100	100	100	100

Source: Buffalo City Quality of Life Survey Report

Unemployment were the highest amongst the African residents of Buffalo City, which also has the highest ratio of student/ children indicating a large future demand for employment from this population segment.

Table 2.4 shows the residents of Buffalo City by the time they are unemployed.

Table 2.4: Economic Status by Population Group

Economic Status	Base	African %	Asian %	Coloured %	White %	Total %
Less than 3 years	267	20.2	12.0	15.1	6.1	18.7
3 – 5 years	163	12.0	0.0	9.6	8.7	11.4
6 – 10 years	201	3.6	8.0	21.9	14.8	14.0
More than 11 years	174	11.7	8.0	16.4	14.8	12.2
Do not know	8	0.3	4.0	2.7	0.9	0.6
Refuse to answer	6	0.1	0.0	5.5	0.9	0.4
Retired	239	15.0	36.0	16.4	30.4	16.7
Never Employed	373	27.0	32.0	12.3	23.5	26.1
Total	1 431	100	100	100	100	100

Source: Buffalo City Quality of Life Survey Report

African and Coloured residents are more likely to have been unemployed for less than three years than the other racial groups, while Coloured and White residents are more likely to have been unemployed for more than 11 years.

2.3.3 Household Income

The monthly household income for Buffalo City residents (see **Table 2.5**) shows that the white households still have a higher monthly income than other racial groups with the majority of white households earning more than R3 500 per month.

Table 2.5: Monthly Household Income by Population Group

Economic Status	African %	Asian %	Coloured %	White %	Total %
Refuse to Answer	8.0	2.9	10.0	14.5	8.7
No Income	6.2	0.0	1.3	0.7	5.1
R1 – R1 499	56.8	22.1	25.6	6.7	48.7
R1 500 – R2 499	11.7	0.0	21.3	2.5	11.0
R2 500 – R3 499	7.2	17.6	7.5	1.8	6.9
R3 500 +	10.1	57.4	24.4	73.9	19.6
Total	100	100	100	100	100
Average (Rands)	1 493	5 157	2 846	10 546	2 655

Source: Buffalo City Quality of Life Survey Report

On average half of the households in Buffalo City (53,8%) earn less than R1 500 per month, which accounts for the low expenditure per month on entertainment (see **Table 2.6**).

Table 2.6: Household Expenditure Patterns by Population Group

Economic Status	African %	Asian %	Coloured %	White %	Total %
Housing (rent, bond)	185.16	523.49	299.74	1 484.29	345.39
Education	156.57	200.78	221.89	431.40	192.28
Rates	52.17	117.33	359.23	253.76	94.43
Water & Electricity	69.44	281.78	210.01	297.18	108.88
Paying back a loan	58.46	54.97	117.20	77.44	64.16
Health Care	76.25	267.83	106.42	609.56	142.57
Drinking	13.49	35.37	35.29	37.83	18.16
Smoking	13.76	46.72	48.24	32.83	18.94
Food	722.79	691.19	624.96	1 211.21	771.00
Transport	132.73	317.37	172.37	524.71	183.92
Telephone	37.78	113.37	60.36	237.05	63.51
Support of family outside BC	37.92	8.21	21.70	24.49	34.60

Support of other family in BC	18.64	0.0	17.00	16.61	17.80
Entertainment	16.60	21.94	23.16	138.09	30.61
Gambling	5.48	24.81	8.90	26.44	8.56
Other important expenses	59.70	2.24	91.25	88.49	63.35
Average Expenses (Rands)	1 651.53	2 707.53	2 741.52	5 498.74	2 152.79

Source: Buffalo City Quality of Life Survey Report

Households in Buffalo City spend on average R30,61 on entertainment a month which can include a wide range of activities from eating out to visiting a cinema to visiting a tourist attraction. This expenditure is low and should be kept in mind when recommendations are made for activities targeted at the residential market.