

## **Eastern Cape automotive sector analysis: an economic model for policy and investment development**

Topic: Input-output analysis for policy making 8

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### **ABSTRACT**

This paper presents recent development and trends in the Eastern Cape automotive sector. The impact analysis is conducted with the aim to examine the effect that the Eastern Cape automotive sector has on the regional and national economic growth, employment, and poverty alleviation. The paper uses the supply and use tables (SUTs) and the social accounting matrix (SAM) to derive demand-side multipliers also known as backward multipliers. The methodology used to develop the SUTs and SAM-based models are in line with the most recent 2008 system of national accounts released by the United Nations. Simulation results from the impact study reveal that for a hypothetical R1 million increase in Eastern Cape automotive sector's final demand, a higher knock on effect in the province occurs in employment than in economic growth. The paper highlights two areas that sector and policy analysts need to monitor carefully: firstly, the foreign trade markets that account for more than half of the demand for automotive products; and secondly, the declining overall productivity in the automotive sector.