



POSITIVE GROWTH, BUT SLOW RECOVERY

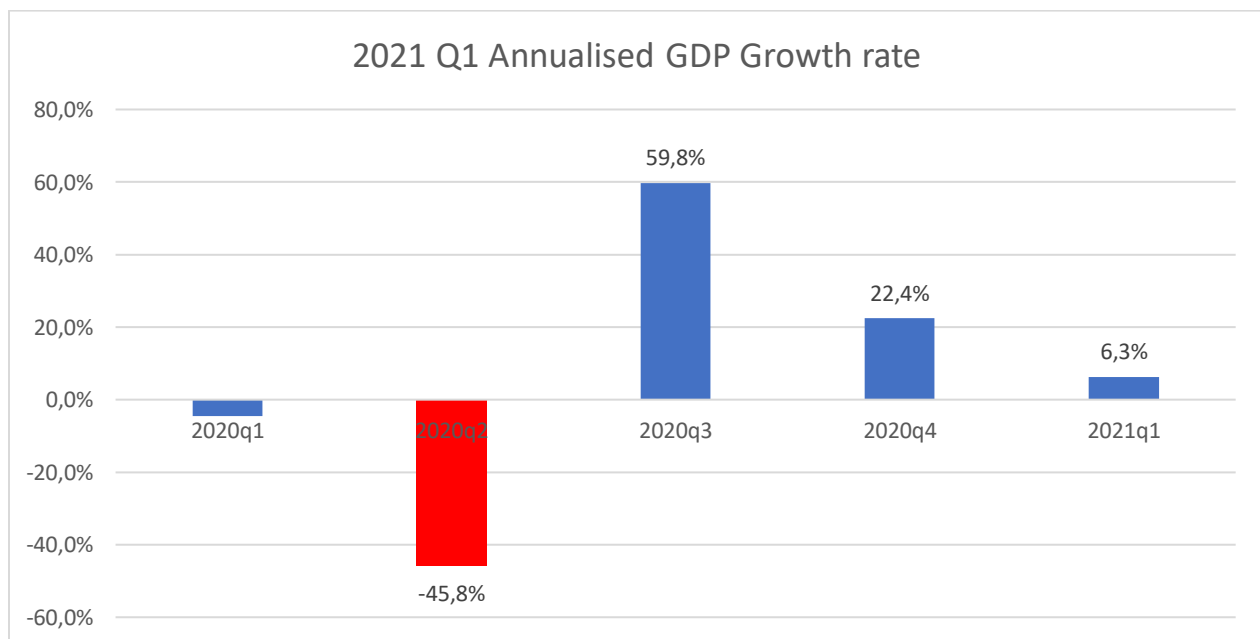
1. SA GDP GROWTH EXCEEDS EXPECTATIONS

Many emerging markets and developing economies continue to struggle with the COVID-19 pandemic and its aftermath, the World Bank says in its June 2021 Global Economic Prospects. For South Africa however, first quarter GDP growth exceeded expectations. Stats SA reports that South Africa's first quarter GDP grew by 4.6% on an annualised basis. However, according to Stats SA data, the South African economy is 2.7% smaller than it was in the first quarter of 2020 despite this being the third consecutive quarter of positive growth. This is reflected in the performance Durban's GDP growth as well, similar to most local economies which are not performing up to desired levels. This data story reflects on the GDP performance of Durban in the first quarter of 2021.

2. POSITIVE GROWTH, BUT SLOW RECOVERY

The last quarter (2020 Q4) grew at 22.4% which was a reduced growth from the previous quarter that saw Durban's GDP at 59.8%. This reduced GDP growth has continued in this quarter (Q1 2021). Durban's GDP growth is at 6.3% for this quarter. Like the rest of the country and the world at large, Durban's economy has not fully recovered from the Covid-19 pandemic and thus continues with subdued growth. The sharp decline of GDP growth from quarter 3 2020 to this quarter suggest that the City is slowly returning to its pre-pandemic growth rate of 0.8%.

Figure 1 – GDP growth rate



3. DRIVERS OF GROWTH IN DURBAN'S ECONOMY

Durban's key drivers of growth in this quarter have mainly been the community services and manufacturing sectors. The community services sector saw 5.2% GDP growth in Q1 of 2021 compared to 2.7% growth in Q4 2020. This is notably positive growth on a quarter to quarter basis. The City's manufacturing sector also saw positive growth of 2.2% in Q1 of this year from a 0.7% growth in the previous quarter. The rest of the sectors remain at negative growth rates in this quarter, meaning they have shrunk in size since Q4 last year. This is in line with the projection at by Stats SA at the beginning of the year that the construction sector will contract a negative growth of -1.1% for 2021.

As the country is still battling the third wave of Covid-19 pandemic and numbers of infected persons continue to rise, sub-sectors like tourism will continue to suffer the consequences of the pandemic. The tourism sector seemed to be in its road to recovery in 2021 as the hotel occupancy reached 60% levels during the Easter Weekend, something that was unheard of in 2020. Because the tourism sector thrives on social interaction, it will take longer for businesses in the sector to return to full operation. In the meantime, the City needs to create mechanisms to protect the most vulnerable segments of the sector such as SMMEs, those who are self-employed, women and the youth.

4. CONCLUSION

Significant improvements are needed in the speed of the vaccine rollout programme in order to ensure strong economic recovery. More still needs to be done by the city leadership in order to curb the negative growth experienced by most sectors of the City's economy. One key action includes the adoption of the Revised Economic Recovery Plan for Durban which is currently out for comment.

*Produced by **The Durban EDGE** Team of the*

Policy, Strategy Innovation and Research Department of

The Economic Development Unit of

eThekweni Municipality

For more information, contact edge@durban.gov.za

