THE DURBAN EDGE

# ETHEKWINI ECONOMY *'AT A GLANCE'*

## JUNE 2020

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*Due to the COVID-19 pandemic, Statistics SA has been constrained by the restrictions put in place to manage the spread of the virus. The task of scheduling collection, analysis and publication of data is made all the more difficult by uncertainty, as enterprises resume operations and their staff return to work. Most publications may have a two-month lag. The lockdown extensions required a rethink about resuming the publication of statistics on the economy as well as the potential impact of these events on the quality of statistics.*

## STATE OF THE GLOBAL ECONOMY

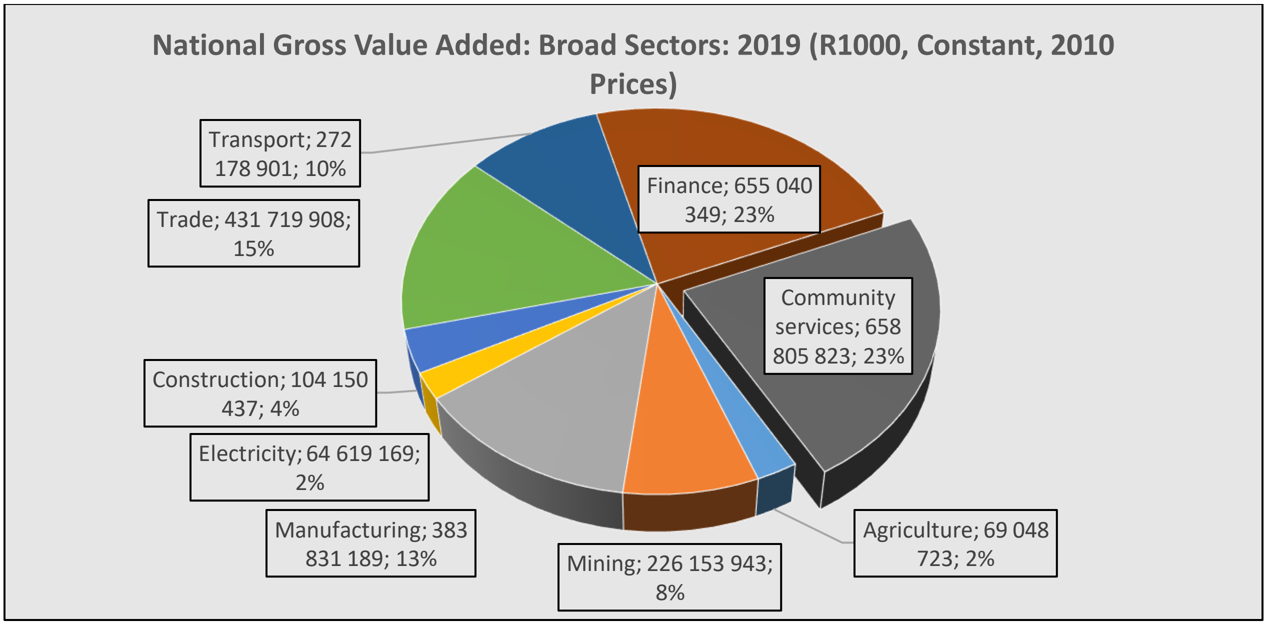
| | IMF | World Bank | OECD |
|---|---|---|---|
| **Projected GDP Growth 2019** | 2.9% | 2.4% | 2.7% |
| **Projected GDP Growth 2020** | -3.0% | -5.2% | -7.6% |
| **Projected GDP Growth 2021** | 5.8% | 4.2% | 2.8% |
| **Global GDP in 2018 (Actual)** | 84,835 trillion US$ (Current prices, as per the World Bank) | | |

## GLOBAL HIGHLIGHTS

| Update on Covid-19 impact on global economy |
|---|
| Foreign investment activity fell to record lows in April as economies came to a standstill due to severe restrictions to limit the spread of Covid-19. The foreign direct investment (FDI) index, which tracks foreign investor sentiment, sank to a new record low of 439, down by 55.3% from the same month in 2019. Foreign investors announced only 483 greenfield projects globally in April, a 35% decrease from March – this is when governments across the world first introduced quarantine and social distancing measures and stands out as the lowest level since January 2003. *(https://www.weforum.org/agenda/2020/04/foreign-investment-covid19-economy-winners/)* |

## STATE OF THE NATIONAL ECONOMY

| | South African Reserve Bank | IMF | The World Bank | OECD |
|---|---|---|---|---|
| **Projected GDP Growth 2019** | 0.3% | 0.2% | 0.2% | 0.4% |
| **Projected GDP Growth 2020** | -7.2% | -5.8% | -7.1% | -8.2% |
| **Projected GDP Growth 2021** | 3.8 | 4.0% | 2.9% | 0.6% |
| **2019 GDP/Growth trend** | R3.14 trillion (constant, 2010 prices, 0.15% growth from 2018, sourced from *Global Insight*) | | | |




*Source: Global Insight 2020*

## NATIONAL HIGHLIGHTS

| Fitch warns about SA debt | Covid-19 affects KwaZulu-Natal (KZN) economy | World Bank warns SA of deep contraction in economy | Business Confidence low |
|---|---|---|---|
| Fitch Ratings and Moody's Investor Services has warned that national government's intention to stabilise debt levels within 4 years may not be achieved. The Finance Minister, in his Supplementary Budget speech said that gross national debt was projected to be close to R4 trillion (81.8% of GDP) by the end of the fiscal year. *(Mercury, 29th June 2020)* | The KZN Treasury stated it will be monitoring Covid-19 expenditure by municipalities, public entities and other departments to ensure the emergency procurement regulations are not open to abuse. The provincial GDP is estimated to drop by 8.5% with employment falling by 14.6% *(Mercury, 4th June 2020).* | The World Bank has predicted that the country's economic growth could face the biggest contraction in this century. It said GDP will drop 7.1% in 2020 and said the recovery may rebound in 2021 if the planned structural reforms were implemented, including public investment management and greater private-sector participation in infrastructure development. *(Mercury, 10th June 2020)* | The Rand Merchant Bank/Bureau for Economic Research Business Confidence Index has plunged to 5 points in the 2nd quarter of 2020 from 18 points in the 1st quarter. This has been attributed to the Covid-19 pandemic and the subsequent restriction of economic activity since the lockdown on 26th March 2020. *(Mercury, 11th June 2020)* |

## COVID-19 NEWS

1) SA has received a $1 billion Covid-19 Emergency Programme Loan to fund part of the government's R500 billion stimulus package to respond to the Covid-19 impacts*. (Mercury, 22nd June 2020).*

2) A Statistics South Africa (SSA) survey revealed that 8.1% of its respondents lost jobs or closed businesses as a consequence of the Covid-19 outbreak. About 89,5% employed before the lockdown remained employed during the lockdown. There was also a decrease in the proportion of respondents who usually derive their income from salaries and wages, as well as from own business during the lockdown. There was an increase in the

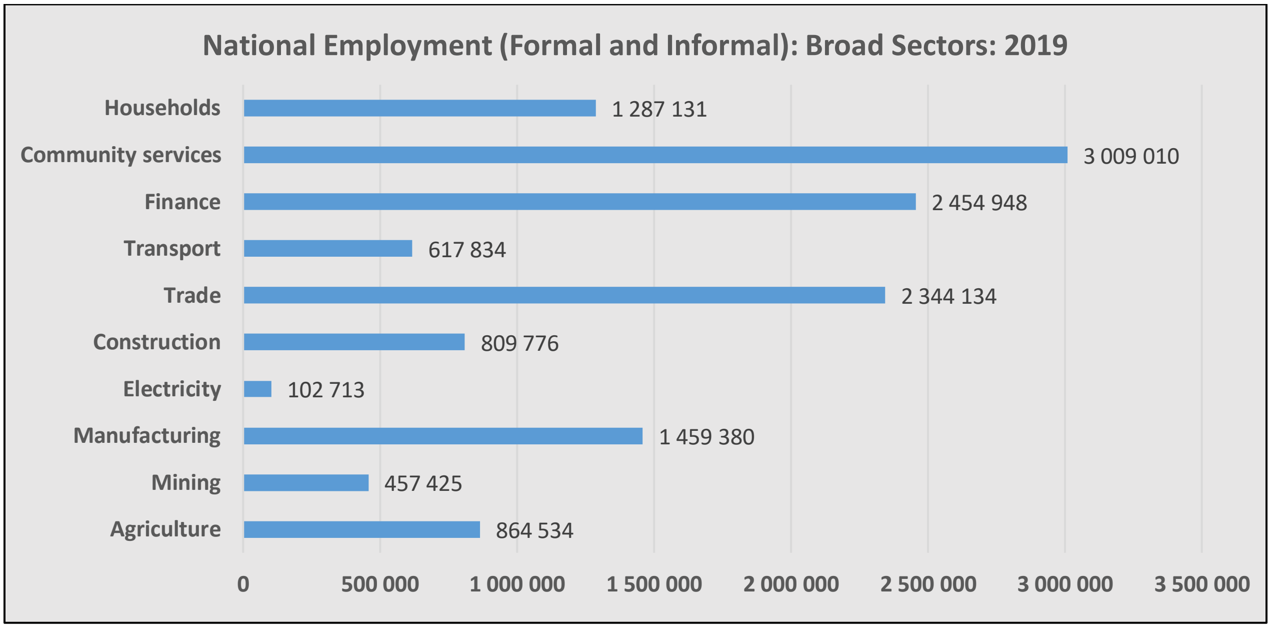
proportion of those who derived their incomes from savings and investment (increased from 4,8% prior to 6.0% during). Claims from UIF increased from 0,3% to 2,1%). *(http://www.statssa.gov.za/?p=13334)*

*3)* As at 29th June 2020, the number infected is 138, 134 nationally, with 68, 925 recoveries and 2, 456 deaths. There were 7,786 recorded for KwaZulu-Natal, with eThekwini still the epicenter *(www.SAcoronavirus.co.za).*

4) The recent Supplementary Budget Review has indicated there may be a fiscal deficit of -14.6% of GDP and gross debt % of GDP of 81.8% projected in this fiscal year. The rating agencies are likely to downgrade the country further on the back of this budget – with SA now signaling that its debt burden will rise to 87.4% by 2023/24 this has deteriorated the country's ability to repay its debt *(Mercury, 29th June 2020)*

## NATIONAL KEY INDICATORS

| **Inflation Rate / National Labour Trends** | **Petrol Price** | **Exchange Rates** | **Vehicle Sales** | **Quarterly GDP Contracts in 1st Quarter Of 2020** |
|---|---|---|---|---|
| The CPI inflation was 3.0% in April 2020, down from 4.1% in March 2020, the lowest since June 2005. Main contributors to the CPI rate were food and non-alcoholic beverages, housing and utilities, transport, and miscellaneous goods and services *(http://www.statssa.gov.za/publications/P-141/P0141April2020.pdf)*<br><br>National employment in the 1st quarter of 2020 was recorded as 16,383 million, down by 38,000 from previous quarter (-0.2%). The official unemployment was 30.1%, up by 1.0% from previous quarter. *(http://www.statssa.gov.za/publications/P0211/P02111stQuarter2020.pdf)* | 93 Octane: R14.42<br><br>95 Octane: R14.32<br><br>50ppm Diesel: R12.49<br><br>500ppm Diesel: R12.43<br><br>As at 1st July 2020<br><br>(https://www.aa.co.za/fuel-pricing) (*https://www.aa.co.za/fuel-pricing)* | Rand/Dollar: 17.39<br><br>Rand/Pound: 21.48<br><br>Rand/Euro: 19.51<br><br>As at 1st July 2020<br><br>*(Mercury, 1st July 2020)* | New Car Sales Summary for April 2020<br><br>A total of 27 496 new vehicles were sold in May 2020 - a 68% decline compared with the same month last year. Similarly, export sales fell by 64%, although Naamsa notes this was to be expected given that many of South Africa's vehicle manufacturers only resumed operations at the beginning of June.<br><br>(www.naamsa.co.za) | Real GDP decreased by 2,0 % in the first quarter of 2020, following a decrease of 1,4% in the fourth quarter of 2019. The two largest negative contributors were the mining and manufacturing industries. The mining industry decreased by 21,5% and contributed -1,7 percentage points to GDP growth. The manufacturing industry decreased by 8,5% and contributed -1,1 percentage points to GDP growth.<br><br>(*https://www.nytimes.com/reuters/2020/06/30/world/africa/30reuters-safrica-economy-gdp.html#:~:text=PRETORIA%20%E2%80%94%20South%20Africa's%20gross%20domestic,South%20Africa%20showed%20on%20Tuesday)* |

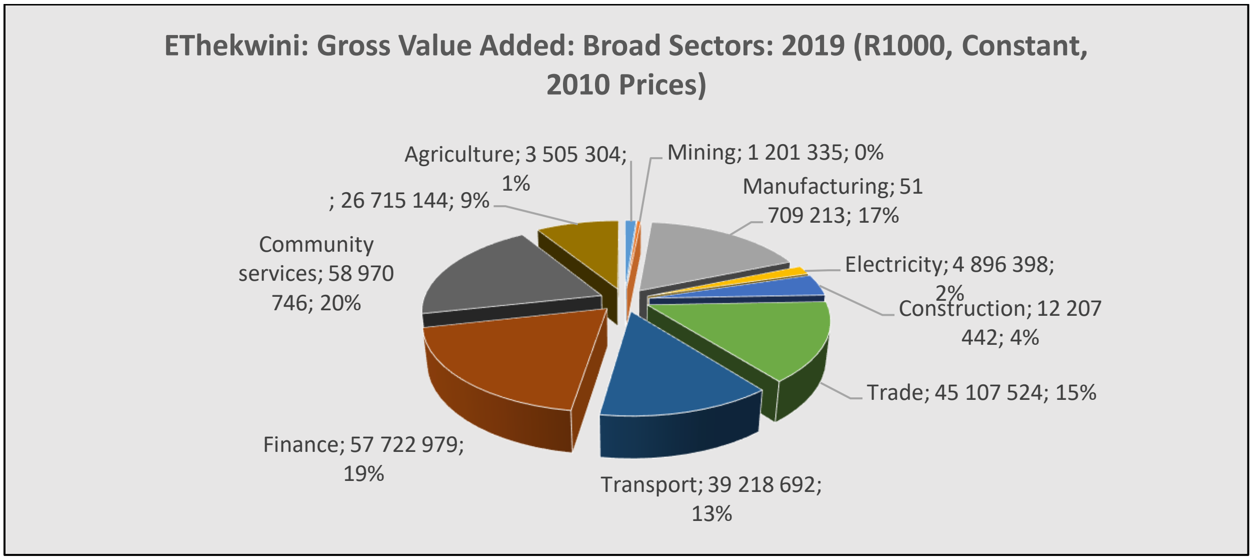



*Source: Global Insight 2020*

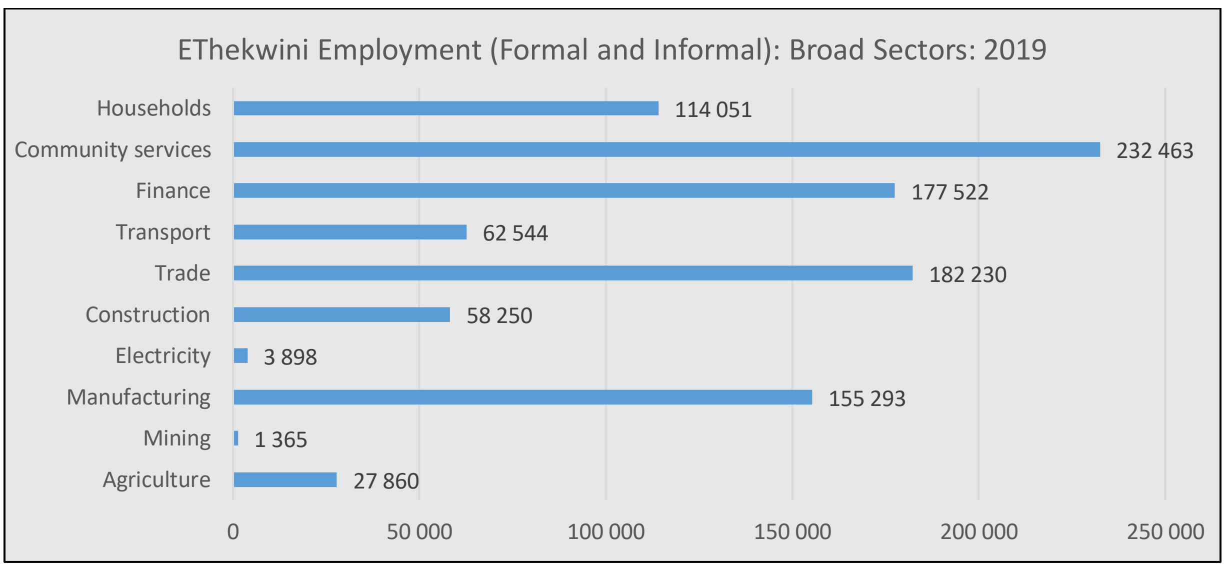
# STATE OF THE LOCAL ECONOMY

## ETHEKWINI INDICATORS

| **GDP / Total Population** | **Total Employment Q1: 2020** | **Q1: 2020 Unemployment** | **Development Indicators for 2019** | **Annual Trade 2019** |
|---|---|---|---|---|
| GDP was 301.7 billion, -0.15% growth from 2018. *(Global Insight 2020)*<br><br>The eThekwini population was recorded as 3,938,683 in 2020 according to Global Insight (Increased by 1.4%) *(Global Insight 2020)* | Formal Sector employment was approximately 1.193 million in the 1st quarter of 2020 according to Statistics South Africa. This represented an increase of 2,000 and 0.2% over the previous quarter *(http://www.statssa.gov.za/publications/P0211/P02111stQuarter2020.pdf)* | The City's official quarterly unemployment rate increased by 1.2 percentage points to 22.1% from 20.9% in the previous quarter.<br><br>Number of unemployed is at 338 ,000, up by 23,000 from previous quarter *(http://www.statssa.gov.za/publications/P0211/P02111stQuarter2020.pdf)* | Human Development Index: 0.66<br><br>Gini coefficient: 0.62<br><br>Functional Literacy:<br><br>Total illiterate: 340,675<br>Total literate: 2,625,882<br><br>Number of Households: 1, 139,727<br><br>Geographic Area: 2, 556 km$^2$<br><br>Number of Wards: 110<br><br>*(Source: Global Insight 2020/ Development Planning)* | Total Exports: R88.3 billion<br>Total Imports: R79.9 billion.<br>*(Quantec 2020)* |




*Source: Global Insight 2020*




*Source: Global Insight 2020*

## ETHEKWINI EVENTS/AWARDS/INVESTMENTS

| **eThekwini social relief for COVID-19 pandemic** | **Tourism unlocked to boost the sector** |
|---|---|
| The eThekwini Municipality has a revised budget of R290m for the COVID-19 pandemic. This comprises mainly food hampers for R65m, R66m for the homeless, R121m for Personal protective equipment (PPE), R10m for Human Settlements and Infrastructure (HSI) and R25m for water and sanitation. The City has worked with non-government organizations (NGOs) to house the homeless in 12 shelters and temporary sites. The City has also installed standpipes, static tanks, communal ablution facilities and delivered chemical toilets to the unserved informal settlements in the municipality *(Mercury, 2nd June 2020).* | The Tourism Minister has announced that some activities would be permitted during level 3 of the lockdown. These include professional services such as tourist guides, tour operators, travel agents and tourism information officers. Conference, events and entertainment activities, casinos and gaming activities remain prohibited during level 3 *(Mercury, 1st June 2020).* |

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