ETHEKWINI ECONOMY AT A GLANCE

ETHEKWINI MUNICIPALITY

PREPARED BY ECONOMIC DEVELOPMENT AND INVESTMENT PROMOTION UNIT **ISSUE | FEBRUARY 2020**

GLOBAL STATE OF THE ECONOMY

	International Monetary Fund	The World Bank	OECD (Better Policies for Better Lives)
Projected GDP Growth for 2019	2.9%	2.9%	2.9%
2018 GDP Growth	3.7%	3.1 %	3.7%
Projected GDP Growth 2020	3.3%	2.5%	2.4%
Projected GDP Growth 2021	3.4%	2.8%	3.2%
Global GDP in 2018	84,835 trillion US$ (Current prices, as per the World Bank)		

GLOBAL HIGHLIGHTS

Global Growth according to the World Bank Economic Report 2020

According to the World Bank's Economic Outlook Report, global growth is projected to be slightly faster in 2020 than last year, however, it could be stronger if reduced trade tensions between the US and China are mitigated. Growth in emerging markets and developing economies is also expected to remain subdued, continuing a decade of disappointing outcomes. A steep and widespread productivity growth slowdown has been underway in these economies since the global financial crisis, despite the largest, fastest, and most broad-based accumulation of debt since the 1970s. In addition, many emerging market and developing economies, including low-income countries, face the challenge of phasing out price controls that impose heavy fiscal cost and dampen investment. These circumstances add urgency to the need to implement measures to rebuild macroeconomic policy space and to undertake reforms to rekindle productivity growth. These efforts need to be supplemented by policies to promote inclusive and sustainable long-term growth and accelerate poverty alleviation.

(https://openknowledge.worldbank.org/handle/10986/33044?deliveryName=DM53563)

Impact of Coronavirus on oil prices

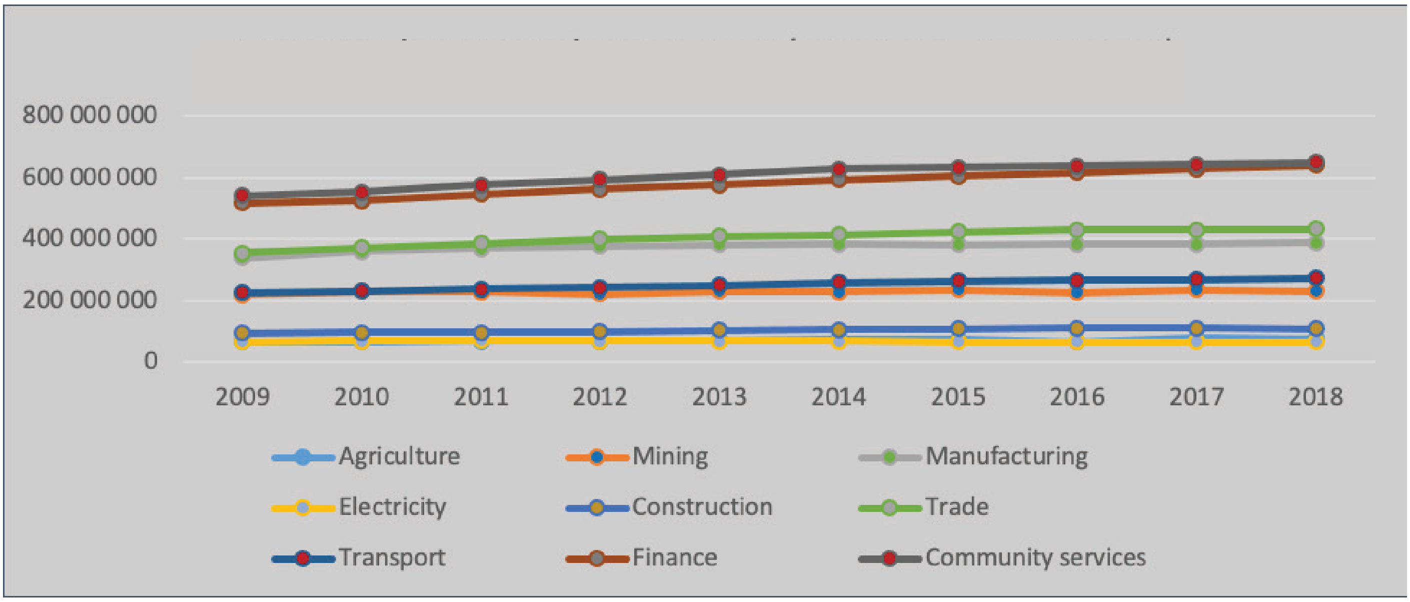
The International Energy Agency (IEA) stated that, due to the coronavirus, demand for oil in 2020 will grow at the slowest pace since 2011. Specifically, the IEA expects a sharp decline in global oil demand in the first quarter. This alone would lead to slow growth for the year. In China, energy experts expect oil demand to decline by 25% below normal levels in the first quarter. During 2019, China accounted for 75 percent of the global increase in oil demand. The IEA said that the coronavirus crisis will have a far greater impact on the global oil market than the SARS virus due to the much larger size of the Chinese economy today. In anticipation of a sharp decline in demand, oil prices have already fallen sharply in the past month, down about 20% since early January.

(https://www2.deloitte.com/us/en/insights/economy/global-economic-outlook/weekly-update.html)

NATIONAL STATE OF THE ECONOMY

	South African Reserve Bank	International Monetary Fund	The World Bank	OECD
Projected GDP Growth for 2019	0.5%	0.7%	0.8%	0.5%
Projected GDP Growth for 2020	1.4%	0.8%	0.9%	1.0%
Projected GDP Growth 2021	1.8%	1.0%	1.7%	1.3%
2019 GDP/Growth	Forecasted at **R3.14 trillion**		(Constant, 2010 Prices, 0.1% growth from 2018, sourced from Global Insight)	

GDP Trends National: 2009 - 2018 (Constant, 2010 prices)



Source: Global Insight 2018

SPECIAL FEATURE: BUDGET 2020 HIGHLIGHTS

While national government relied heavily on tax increases in the past 5 years, the 2020 budget focused on reducing the wage bill with the intention of curbing expenditure.
The modest tax proposals are viewed as positive and include personal income tax relief in all brackets, with inflation-adjusted increases in the fuel and Road Accident Fund levies.

The country will remain on a negative outlook at Moody's country review on 27th March

The total consolidated spending will amount to R1.95 trillion in 2020/21, R2.04 trillion in 2021/22 and R2.14 trillion in 2022/23. Bulk of spending allocated to learning and culture (R396.4 billion), social development (R309.5 billion) and health (R229.7 billion). The fastest growing functions over the medium term are economic, community, and social development.

The main budget deficit to expand from 6.5% in financial year 2019/20 to 6.8% of GDP in 2020/21 before narrowing to 5.9% in 2022/23. The rise in first two periods due to budgetary pressures from state-owned enterprises and slowing growth.

The gross debt ratio is expected to rise to 71.6% in 2022/23.

Infrastructure spend in the public sector cut by R65 billion for the financial years 2019/20 and 2021/22. The Infrastructure Fund has a project pipeline of R700 million for the next 10 years.
Government has committed R100 billion for large-scale investment being targeted through multiple financing.
Over the past year, government's gross borrowing requirement has risen by R71.9 billion to R407.3 billion.

Source: www.investec.com

NATIONAL HIGHLIGHTS

NUMBER OF BUSINESSES LIQUIDATED IN 2019

The latest liquidation figures released by Statistics South Africa show that the number of businesses that had to close in 2019 increased by 10.7% when compared with 2018. This is the first increase in a decade since the global financial crisis, when liquidations reached 25.2%. *(Institute for Futures Research, Issue 1237, 31st January 2020)*

REVOKING OF TRADE BENEFITS IMPACT ON MANUFACTURING

The recent decision by the US to revoke trade benefits under the World Trade Organization of preferences for developing nations may have a negative impact on the country's manufacturing sector. It will also attract higher import duties and levies to the US market. *(Mercury, 12th February 2020).*

UNEMPLOYMENT RATE UNCHANGED IN Q4: 2019

The country's unemployment rate remained at 29.1% in the 4th quarter of 2019. South Africa has one of the highest unemployment rates in the world due to weak economic growth, structural inefficiencies and policy uncertainty. *(SA News, 11th February 2020).*

STATE OF THE NATION ADDRESS (SONA) HIGHLIGHTS

The President affirmed that economic growth to stimulate job creation would be the main priority of the state going forward, He also announced measures to improve the country's energy generation capacity and that private companies and mines will be allowed to produce their own electricity. Municipalities will also be allowed to buy their own power from independent power producers. National Treasury's Economic Transformation, Inclusive Growth and Competitiveness Plan will also be implemented. *(SA News, 14th February 2020).*

NATIONAL KEY INDICATORS

INFLATION RATE / NATIONAL LABOUR TRENDS

The inflation rate was recorded as

4,5%

in January, compared to 4% in December.

The increase was largely ascribed to the fuel price component.

(https://tradingeconomics.com/-south-africa/inflation-cpi)

National employment in the 4th quarter of 2019 was recorded as **16,420 million**, *up by 45,000 from previous quarter*

(0.3%).

The unemployment remained unchanged at

29.1%

(http://www.statssa.gov.za/publications/P0211/P02114thQuarter42019.pdf)

PETROL PRICE

93: R15.26

95: R15.39

0.05:R14.08

As at 5th February 2020

(https://www.aa.co.za/fuel-pricing)
(https://www.aa.co.za/fuel-pricing)

EXCHANGE RATES

R/$: 15.2050

R/£: 19.7329

R/€: 16.4727

As at 26th February 2020

(Mercury, 26th February 2020)

VEHICLE SALES

New Car Sales Summary for January 2020.

The aggregate domestic sales were recorded as **39,475** units showing a decline of **3,481** units from the **42,956** *vehicles sold in January 2019.*

(https://www.cars.co.za/motoring_news/new-car-sales-in-sa_January 2020)

QUARTERLY GDP CONTRACTS IN 4TH QUARTER OF 2019

National GDP contracted by

1.4%

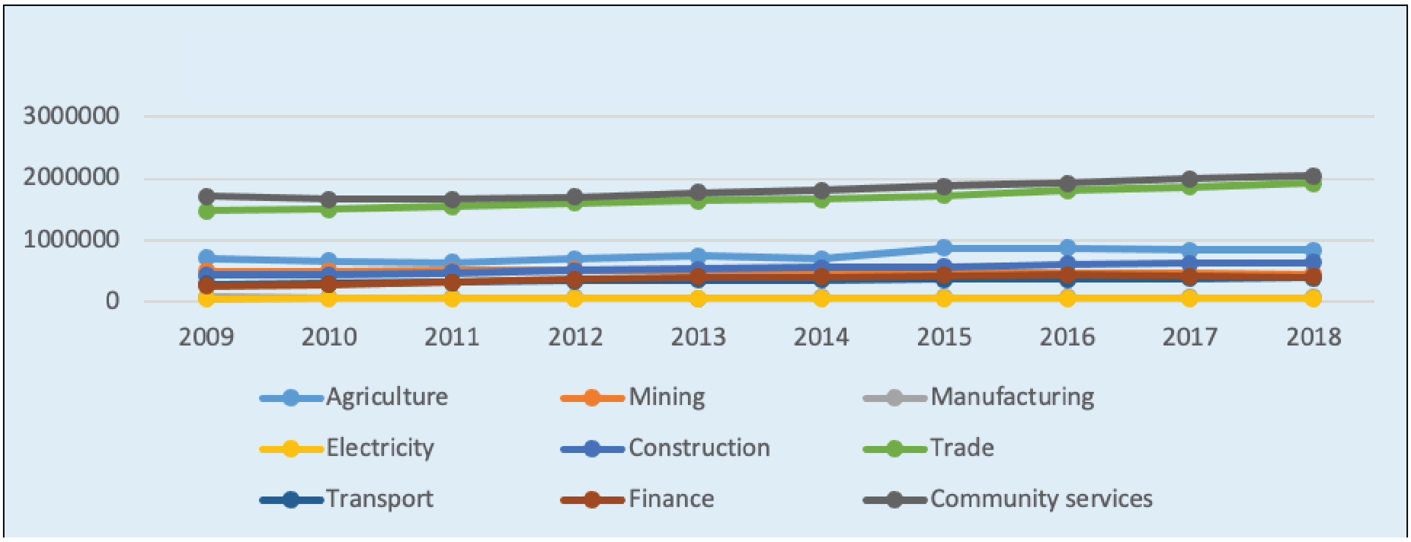
iin the 4th quarter of 2019 following a contraction of

0.8%

in the 3rd quarter. Transport and trade were the main sectors contributing to the contraction.

(https://tradingeconomics.com/south-africa/gdp-growth)

National Employment Trends: Broad Sectors: 2009 - 2018



Source: Quantec 2020

LOCAL STATE OF THE ECONOMY

ETHEKWINI INDICATORS

GDP / TOTAL POPULATION

Estimated to have grown to

R302.8

billion, 0.1%

growth from 2018.

(Global Insight 2020)

The eThekwini population was recorded as

3,938,683

in 2020 according to Global Insight (Increased by 1.4%)

(Global Insight 2020)

TOTAL EMPLOYMENT Q4: 2019

Formal Sector employment recorded as approximately

1.191

million in the 4th Quarterly Labour Force Survey in 2019 according to Statistics South Africa. This represented an increase of

7,000 and

0.6%

over the previous quarter.

(http://www.statssa.gov.za/publications/P0211/P02113rdQuarter2019.pdf)

Q4: 2019 UNEMPLOYMENT DECREASED TO 20.9%

The City's quarterly unemployment rate decreased by 0.6 percentage points to

20.9%

from 21.9% in the previous quarter. Number of unemployed is at

315,000,

down by

9,000

from previous quarter.

(http://www.statssa.gov.za/publications/P0211/P02114thQuarter2019.pdf)

DEVELOPMENT INDICATORS FOR 2018

Human Development Index: **0.66**

Gini coefficient: **0.62**

FUNCTIONAL LITERACY:

Total illiterate:

340,675

Total literate:

2,625,882

Number of Households:

2,625,882

Number of Households:

2, 556 km2

Number of Wards:

110

(Source: Global Insight 2020/ Development Planning)

ANNUAL TRADE 2019

Total Exports:

R88.3

billion

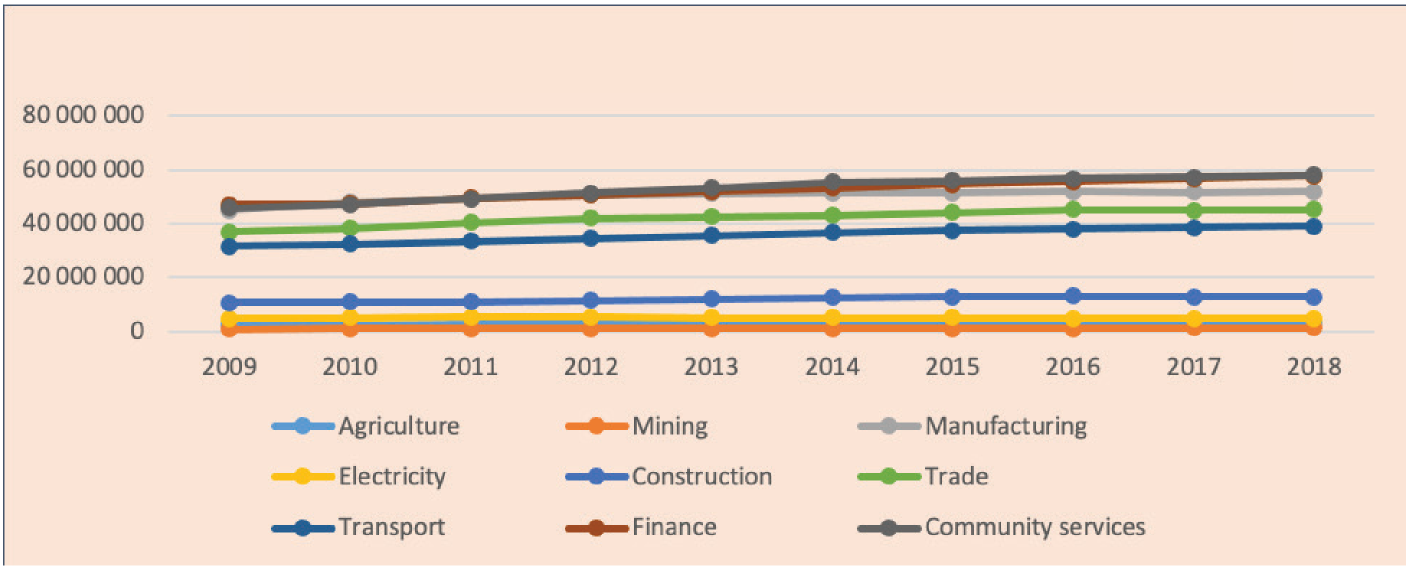
Total Imports:

R79.9

billion

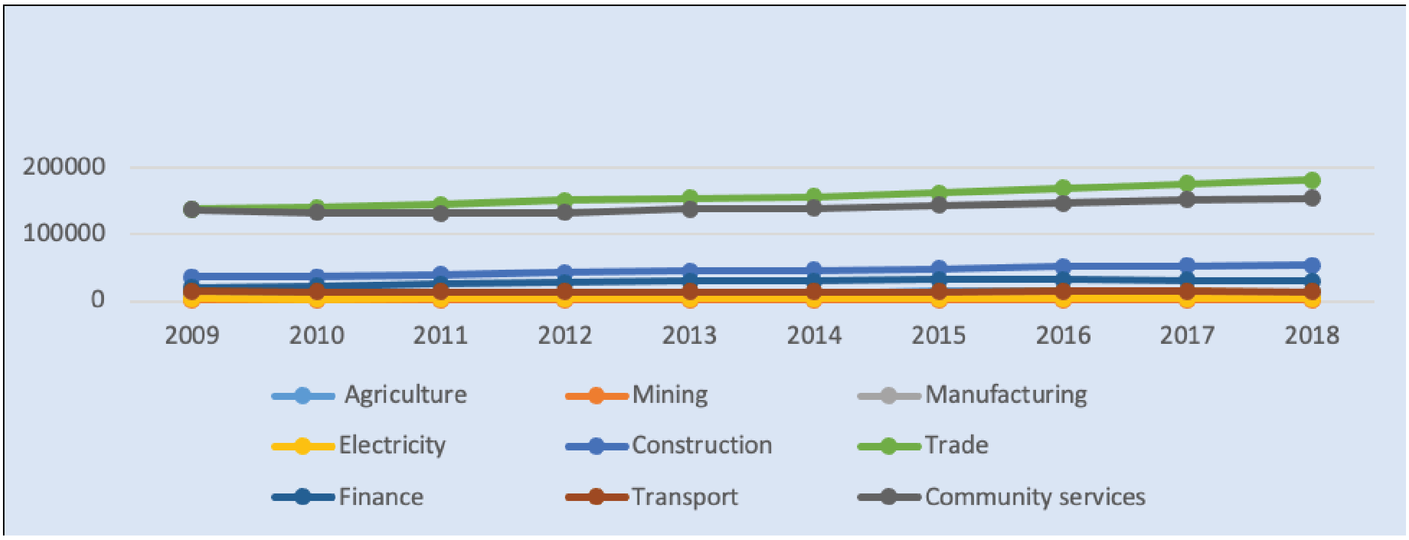
(Qantec 2020)

GDP Trends EThekwini: 2009 - 2018 (Constant, 2010 Prices)



Source: Global Insight 2018

EThekwini Formal Employment Trends: Broad Sectors: 2009 - 2018



Source: Quantec 2020

ETHEKWINI EVENTS/AWARDS/INVESTMENTS

Automotive Supplier Park in Illovo

The planning phase for the proposed automotive supplier park in Amanzimtoti has commenced. The 1,000-hectare development is expected to create more than 25,000 new jobs which will also include the construction of new affordable homes. *(KZN Network, 5th February 2020).*

Football Summit in Durban

WSF Africa will host the World Football Summit Africa 2020 during 17-18 March in Durban. It will bring together over 1,000 visitors from 50 different countries. The event will bring together influential professionals in football to discuss the most relevant topics and generate business opportunities.

(https://africa.worldfootballsummit.com/)

Durban Port to be overhauled – SONA

In his State of the Nation Address on 13th February, the President announced that the Durban Port, will have a fundamental overhaul to reduce costs and delays. *(SA News, 14th February 2020).*