

WEEKLY ECONOMIC HIGHLIGHTS: 31st – 04 February 2022

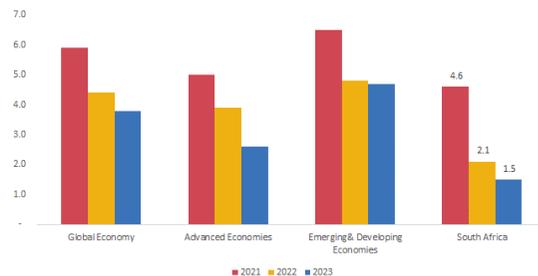


International Highlights

The global economy enters 2022 in a weaker position than previously expected.

As the new Omicron COVID-19 variant spreads, countries have reimposed mobility restrictions. Rising energy prices and supply disruptions have resulted in higher and more broad-based inflation than anticipated, notably in the United States and many emerging markets and developing economies. The ongoing retrenchment of China's real estate sector and slower-than-expected recovery of private consumption also have limited growth prospects, IMF said. The International Monetary Fund- World Economic Outlook has lowered its global economic growth forecast for 2022, largely because of the spread of the Omicron Covid-19 variant. According to IMF, Global growth is expected to moderate from 5.9 in 2021 to 4.4 per cent in 2022—half a percentage point lower for 2022 than in the October World Economic Outlook (WEO), largely reflecting forecast markdowns in the two largest economies.

Figure 1: Projected Global Growth 2023



Source: IMF, GGDA

Why do we care The lowering of global growth has a major impact on South Africa's fragile economy which the IMF estimates grew by 4.6% in 2021 — below official forecasts such as the Reserve Bank's 4.8% estimate. The IMF sees South African growth then slowing to a crawl of 1.9% this year, and 1.4% in 2023. This follows the 6.4% contraction of 2020, meaning pre-pandemic output levels will not be reached until late 2023 at the earliest. The report notes global headwinds among the factors behind this poor performance, slower growth in China means China will reduce the demand for the commodities that South Africa exports, such as platinum group metals, iron ore and coal. The rise in oil prices will have major implications for domestic inflation, which in turn could prompt the South African Reserve Bank to hike rates faster and higher than expected. There is no vaccine against the consequences of slowing global growth and rising global inflation. IMF said. According to the report, South Africa's slow-growth trajectory is also homegrown. "It's proudly South African! Policy paralysis, Eskom's woes, violence and social unrest, a failing state, a low savings rate — these are just a few of the many domestic constraints to economic growth. Combined with the current state of the global economy, it's perhaps a wonder that the South African economy grows at all".

Source: www.imf.org

Regional Highlights

Council of Ministers gives AfCFTA feedback.

The AfCFTA council of ministers responsible for Trade released a statement after their 8th council meeting which was held in Ghana-Accra on the 28th-29th January 2022. The South Africa minister of Trade, Industry and Competition -Ebrahim Patel chaired the meeting. He was elected as the chair of the council in 2020. Member states of the African Continental Free Trade Area (AfCFTA) concluded



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their negotiations on rules of origin, a move expected to further reduce tariffs on original goods within the African continent. The overall objective of the meeting was to assess the status of negotiations on outstanding issues and agree on the steps towards the start of commercially meaningful trading under AFCTA.

Why do we care? The council noted progress made towards the conclusion of negotiations on Rules of Origin and agreed that trading under the AFTCA regime proceeds based on agreed rules of origin covering 87.7% of total tariff lines. The council requested that necessary steps be undertaken to gazette the schedules of tariff concessions, by the applicable national legislation. The full report can be accessed on www.AfCTA.au.int

A closer look at Agenda 2063 deliverables

According to AU The flagship projects of Agenda 2063 refers to key programmes and initiatives which have been identified as key to accelerating Africa's economic growth and development as well as promoting our common identity by celebrating our history and our vibrant culture. Projects are:

- INTEGRATED HIGH-SPEED TRAIN NETWORK,
- FORMULATION OF AN AFRICAN COMMODITIES STRATEGY
- ESTABLISHMENT OF THE AFRICAN CONTINENTAL FREE TRADE AREA (AfCFTA)
- THE AFRICAN PASSPORT AND FREE MOVEMENT OF PEOPLE
- SILENCING THE GUNS BY 2020
- IMPLEMENTATION OF THE GRAND INGA DAM PROJECT
- ESTABLISHMENT OF A SINGLE AFRICAN AIR-TRANSPORT MARKET (SAATM)
- ESTABLISHMENT OF AN ANNUAL AFRICAN ECONOMIC FORUM

- ESTABLISHMENT OF THE AFRICAN FINANCIAL INSTITUTIONS
- THE PAN-AFRICAN E-NETWORK
- AFRICA OUTER SPACE STRATEGY
- AN AFRICAN VIRTUAL AND E-UNIVERSITY
- CYBER SECURITY
- GREAT AFRICAN MUSEUM
- ENCYCLOPAEDIA AFRICANA

Why do we care? Agenda 2063 not only considers Africa's continental growth aspirations. It acknowledges that for the whole continent to develop the premise of Agenda 2063, it must be adopted at the regional and country level. I.e The National Development Plans of Member States were as well as the strategic plans of the Regional Economic Communities reviewed, and the focus areas of their development priorities have been included in the First Ten Year Implementation Plan. This is to ensure that the member state such as South Africa priorities in the near term converges with the priority areas contained in the 50-year framework document.

Source: www.au.int

Domestic Highlights

Increasing Real-time Domestic Activity

Absa Purchasing Managers' Index (PMI) responded to the KZN-Gauteng riots by contracting to its lowest level since the level 5 shutdown. However, looking forward, since August the index has since recovered indicating a reversion to the normal but subdued purchasing activity. In manufacturing, eight of the ten manufacturing divisions reported negative growth rates in the third quarter. The motor vehicles, parts and accessories and other transport equipment division

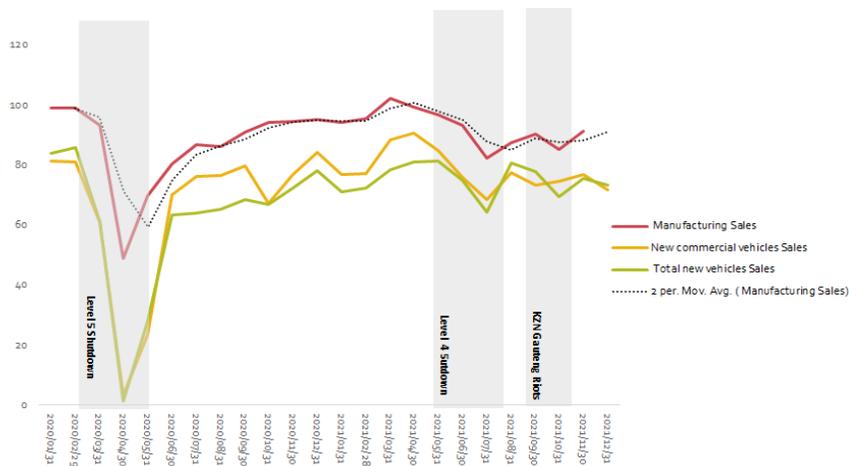


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made the largest contribution to the decrease in the third quarter. The food and beverages division and basic iron and steel, non-ferrous metal products, metal products and machinery division also made noteworthy contributions to the contraction. During, Q3 real-time data shows that the economy faced constraints such as industrial action in key manufacturing sectors notably the steel industry over salary disputes which are likely to contribute to a slowdown in the performance of the manufacturing sector. Consequently, October manufacturing production fell 5.9% month on month (m/m), pulling the year-on-year (y/y) rate down to an 8.2% contraction. However, a recovery in economic activity is expected during the fourth quarter of 2021, although only at a moderate pace.

Figure 2: Monthly manufacturing & vehicle sales



Source: StatisticsSA, GGDA

Investment News

- Private equity firm Phatisa, together with management, has acquired 100% of South African-based biotechnology company Deltamune from HL Hall & Sons Investments, for an undisclosed sum. Established in 1995, Deltamune plays a trusted role in veterinary and public health, by developing and manufacturing vaccines used in production animals for the food market – particularly poultry
- Vantage Capital announced during the week that it has arranged R 430 million of mezzanine funding for the of Season Eastates in KZN
- Last week, Oracle, the world's largest database management company, opened its first cloud region (a cluster of data centres) in Africa, as it joined other global players like Microsoft and Amazon who already have data centres on the African continent.
- *Wamly*, the one-way video interview software start-up has secured a second round of investment from South African venture capital firm, Knife Capital. The deal sees Davey Gant, Knife Capital partner based in UK, joining the *Wamly* board of directors

South Africa gets R11.4 billion (\$750 million) loan from the World Bank.

The World Bank on Friday (28th January) approved an R11.4 billion low-interest development policy loan to South Africa to help the government widen its social protection net. That \$750 million low-interest loans is being used to offset the impact of the coronavirus pandemic, which has killed more than 94,000 people and led to the biggest economic contraction in almost three decades in 2020. Since the beginning of the Covid-19 pandemic, South Africa received concessional loans from multilateral lenders, including the International Monetary Fund and New Development Bank, to help offset virus-induced damage.



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Why do we care? The Treasury, in November 2021 estimated that debt would reach R4.31 trillion (\$276 billion), or 69.9% of gross domestic product, in the current fiscal year. Although SA received concessional loans, the surging loan-service costs, the fastest-growing expenditure line item in the budget since 2011, are key risks to South Africa's fiscal sustainability. The ongoing damage wrought by the virus compounds a deterioration in public finances caused by years of overspending, mismanagement, and alleged graft.

Statistics South Africa has updated its inflation basket.

StatsSA has updated its Consumer Price Index (CPI) basket of goods and services, providing insight into how consumer spending patterns have shifted over the five years. South Africa's CPI basket is reviewed every four to five years to ensure that it adequately reflects trends in household spending, technology and consumer tastes. During this process items that are no longer relevant are removed and new items that have attracted a sizable share of consumer expenditure are added. The recent publication update was in Jan 2022, referencing the year 2019 – the CPI basket will now contain 415 items, up from 404 in 2016. A total of fourteen new items were added, while two items were removed from the basket. Some products were either split into two or combined into one. **ANNEXURE A** shows detail of the new basket

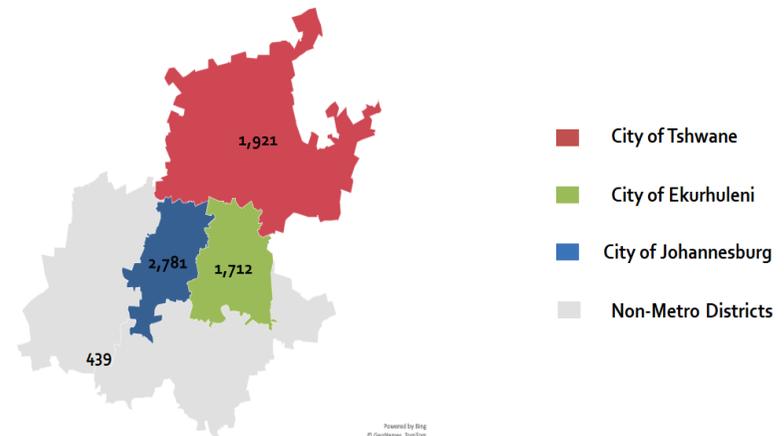
Why do we care? Consumer technologies had a large impact on the composition of the basket. In this update, DVD players and satellite dishes are out of the basket, while soundbars and speakers are included. In the 2016 update, rewritable CDs and postage stamps were removed from the basket. In the existing basket, due to growth in the use of data services, the item 'internet usage' was split into wired (e.g., fibre) and wireless (e.g., cellular) forms of access. Energy-saving and traditional lightbulbs, previously listed as separate items, were combined into one

product following the near disappearance of incandescent bulbs. The item 'pre-recorded CDs' was renamed 'CDs, subscription and streaming music' to reflect the growth in consumer appetite for streaming music services. Other inclusions are; Gin in the alcoholic beverages category, reflecting its growing popularity among consumers in South Africa, Cappuccino sachets, as well as dairy/fruit juice blends, samp, pureed baby food and jam. Personal care products such as razors, wipes and make-up (foundation), together with household items such as floor and wall tiles and fabric softener are also included. **Source www.statssa.gov.za**

Gauteng Labour Market Statistics

During the period under review, the City of Johannesburg had 2.8 million people employed, followed by the City of Tshwane with 1.9 million people employed and the City of Ekurhuleni with 1.7 million people employed. The non-metro districts of Sedibeng and the West Rand accounted for 439 000 people employed.

Figure 3: Number of people employed per corridor



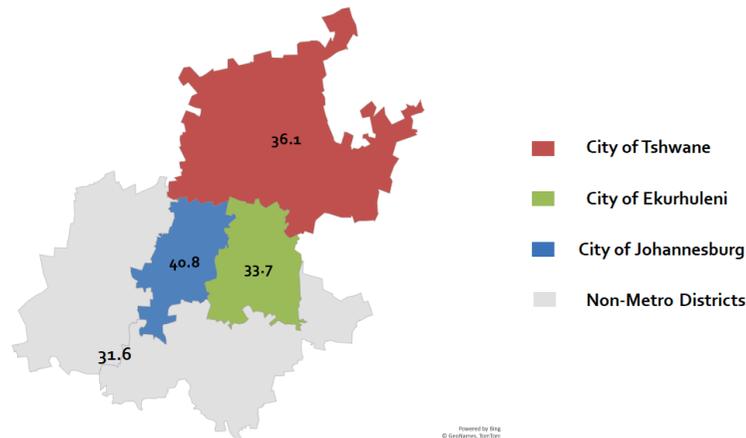
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Source: StatisticsSA, GGDA

Unfortunately, the Gauteng city-region has higher levels of unemployment than the rest of the country owing to large inward migration into the province. During the period under review, Gauteng registered an unemployment rate of 37.0% whilst the rest of the country registered 34.9%-the province has 2.1 percentage points more unemployed people than the rest of the country. During the quarter under review, the increase in unemployment was mostly concentrated in the large metros of Gauteng particularly in Johannesburg-unemployment increased by 2.5 percentage points. The metros account for 9 out of 10 people employed in Gauteng, their decline dragged the provincial aggregate higher than the national average.

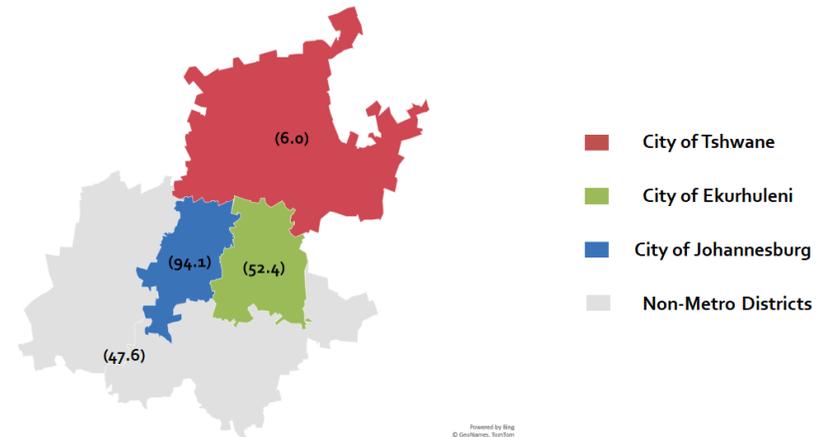
Figure 4: Unemployment per corridor



Source: StatisticsSA, GGDA

The 147 000 job losses in Johannesburg and the City of Ekurhuleni metro indicate the impact of July riots on the *Retail & Wholesale* and *Manufacturing* sectors concentrated in these two metros. The two sectors cumulatively posted job losses of over 118 000 accounting for at least 64% of all job losses in the province.

Figure 5: Job losses by Corridor



Source: StatisticsSA, GGDA

Why do we care? In aggregate, the South African labour force (the sum of employed and unemployed persons) contracted by 842 000 from 22.8 million to 21.9 million during the quarter under review. The unemployment rate for South Africa is the highest in the world amongst countries where data is reliably collected-Additionally, it is even higher in the Gauteng city region. This means without any meaningful intervention and despite levels of industrialisation, our economy has a much lower propensity to create jobs relative to peer countries,



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regional countries and the global economy. Additionally, our labour dependency ratio is excessively higher than peer averages, the regional average and the global average indicating that employed South Africans disproportionately face an exerted level of economic stress compared to their employed peers globally.

ANNEXURE A: REVISION IN CONSUMER INFLATION BASKET

The new consumer inflation basket (2019)

Periodic changes are made to the basket to reflect shifts in household spending patterns

14 new items

Items entering and leaving the basket

Two items removed

Other changes

- Four items combined into two: Super maize meal, Traditional lightbulb, Special maize meal, Energy saving lightbulb.
- One item split into two: Internet usage (split into Wired and Wireless).
- One item renamed: Pre-recorded CDs (renamed to CDs, subscription & streaming music).

In total, there are now 415 items in the inflation basket, up from 404 items Source: Update of the weights and basket of the consumer price index (CPI), 31 January 2022

Department: Statistics South Africa
REPUBLIC OF SOUTH AFRICA



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