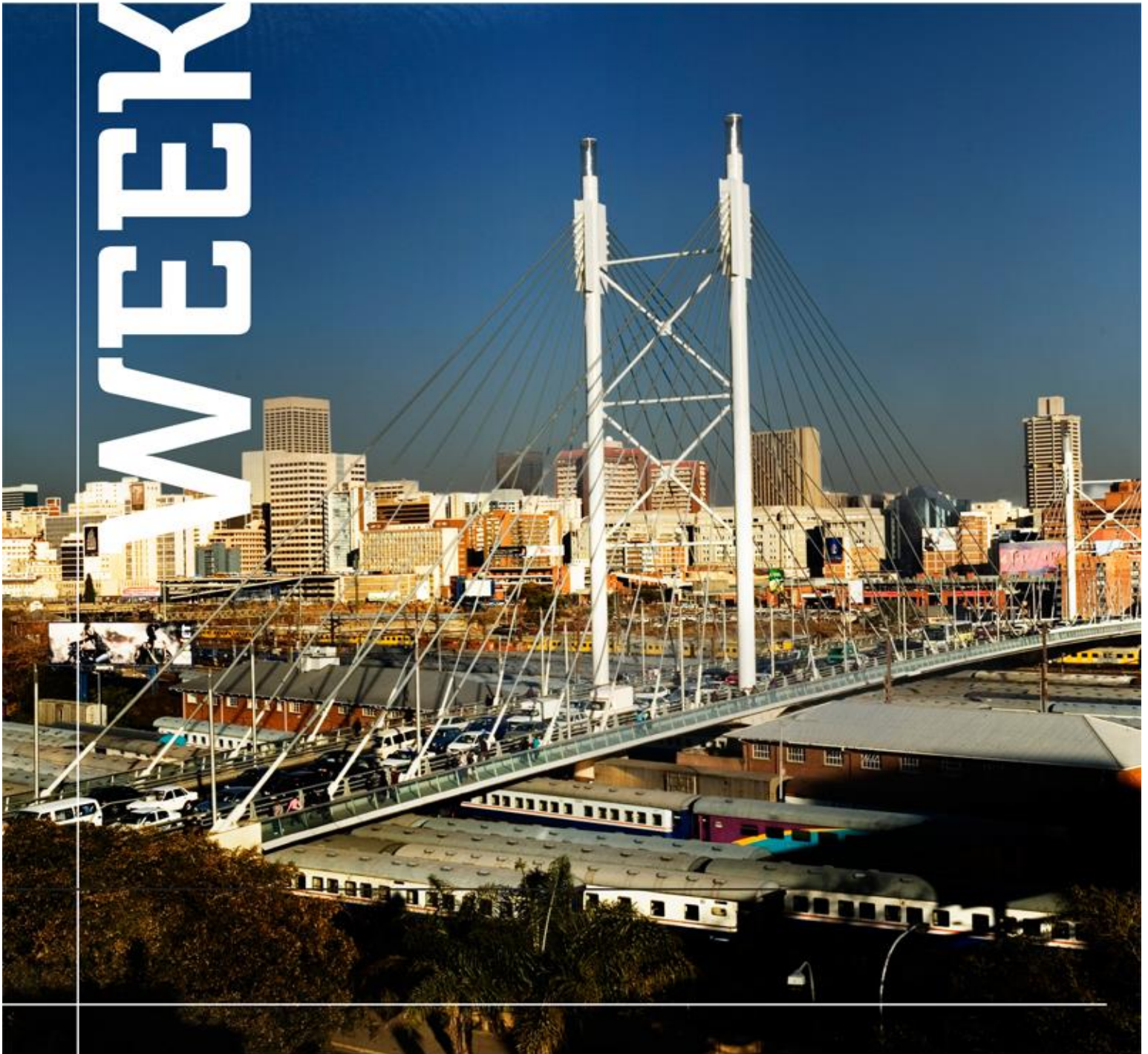


WEEKLY ECONOMIC INSIGHTS

WEEKLY



GAUTENG PROVINCE
ECONOMIC DEVELOPMENT
REPUBLIC OF SOUTH AFRICA

Growing Gauteng Together

WEEKLY ECONOMIC INSIGHTS

7 – 11 JUNE 2021

HIGHLIGHTS

- **US TRADE DEFICIT NARROWS IN APRIL**
- US JOB OPENINGS HIGHLIGHTS LABOUR MISMATCH
- WORLD BANK REVISES SA GROWTH FORECAST
- SA GDP INCREASES BY 4.6% IN 2021Q1
- SECOND LARGEST CURRENT ACCOUNT SURPLUS IN HISTORY
- BCI ON THE UPTURN IN APRIL
- MANUFACTURING ACTIVITY RISES IN APRIL
- MONTHLY MINING OUTPUT DECELERATES

WEEKLY HIGHLIGHTS

The US trade deficit narrowed in April after recording a record-high in March 2021 whilst job openings highlight mismatches. Meanwhile, the Work Bank expects the the global economy to expand by a futher 1.6% to 5.6% in 2021 and upwardly revised South Africa's growth forecast to 3.5%. In actual figures, the domestic economic activity increased by 4.6% in 2021:Q1 on the back of stellar mining production figures fueled by advantageous commodity prices. Similarly favourable trade conditions bode well for South Africa's current account as annualised mining and manufacturing figures both recorded impressive growth in April 2021.

US TRADE DEFICIT NARROWS IN APRIL

The United States recorded a trade deficit of \$68.9 billion in April 2021, down from a record-high of \$75 billion shortfall in March 2021. Exports increased to \$205 billion on the back of improved capital goods, particularly for civilian aircrafts. Meanwhile, imports contracted by 3.9% (\$3.8 bn) to register at \$273.9 billion chiefly owing to lower consumer goods (\$2.6 bn) during the period.

On a country basis, the largest trade surpluses were observed in South and Central America (\$3.5 bn), Hong Kong (\$3 bn), and Brazil (\$1.1 bn). Conversely, the top 3 trade deficits were registered with China (\$32.4 bn), European Union (\$16.1 bn), and Mexico (\$10 bn).

Looking ahead, US trade deficit is expected to spread further supported by strong domestic growth figures in comparison to main trading partners.



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US JOB OPENINGS HIGHLIGHTS LABOUR MISMATCH

US job openings increased by 6% to reach an unprecedented high of 9.3 million in April 2021. The rise in job openings is credited to the simultaneous reopening of various businesses, lack of childcare options, early retirement, and fears of catching the virus while at work. Similarly, the upturn in job openings could somewhat be attributable to the surge in quits level – which are voluntary separations from the company initiated by the employee. Quit levels surpassed the series high at 2.7% (+4 million) in April 2021.

Given rising levels of unemployment of 5.8% (9.3 million jobseekers), the latest reading has confused analysts. The labour mismatch is largely attributed to the \$300 weekly federal top-up to state employment benefits which are perceived to have discouraged unemployed people from looking for work.

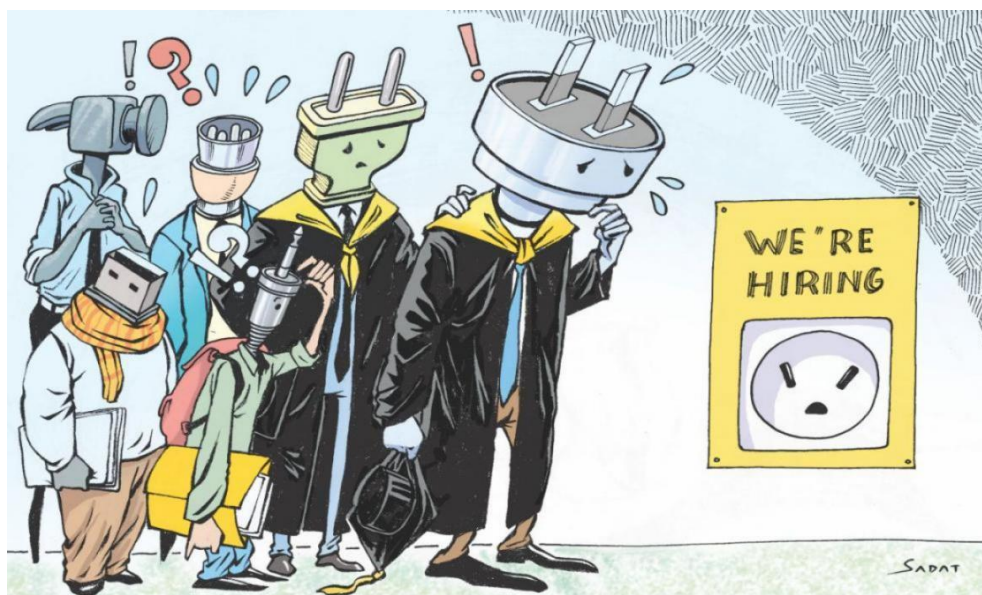


Image Source: <https://www.thedailystar.net/opinion/economics/news/focus-better-skilled->

WORLD BANK REVISES SA GROWTH FORECAST UPWARD

The World Bank Global Growth Prospects June 2021 has revised the South Africa's 2021 growth forecast upward from 3.3% to 3.5%. The more favourable outlook, following January estimates, is supported by improved commodity prices and the easing of lockdown restrictions in the first quarter of 2021. Notwithstanding the uptick in economic activity in 2021, the international lender expects growth to hover below pre Covid-19 levels at 2.1% in 2022 and 1.5% in 2023. Furthermore, the World Bank cautions that inherent systemic constraints remain tilted on the upside specifically those related to labour market rigidities. Meanwhile, the global economy is expected to expand by a

further 1.6% to 5.6% in 2021 before cooling off to 4.3% and 3.1% in 2022 and 2023, respectively.

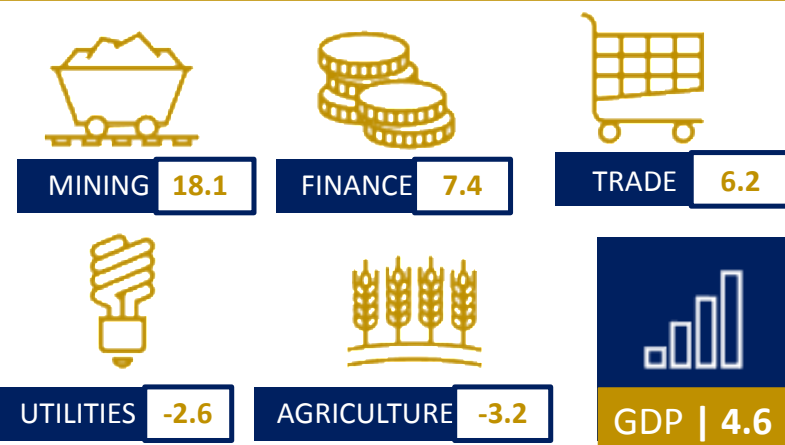
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SA GDP INCREASES BY 4.6% IN 2021Q1

Complementing World Bank forecasts, the South African economy increased by 4.6% (q/q) in the first quarter of 2021, following a 5.8% (down from 6.3%) in the last quarter of 2020. Meanwhile, economic activity contracted by -3.2% in comparison to the same quarter last year. The latest yearly figures elucidate the state of the economy before the national lockdown that commenced on 27 March 2020. This entails that the economy is now estimated to be 2.7% lower than the R782 billion recorded in the first quarter of 2020 when South Africa registers third consecutive quarter declines, sliding deeper in the technical recession registered in the last half of 2019.

GDP WINNERS & LOSERS: 2021Q1



Data Source: Statistics South Africa

The quarterly reading of 4.6% was attributable to robust mining, finance, and trade volumes during the first quarter of 2021 which led to improvements in all industries within the economy. Primary industries increased by 11.9%, followed by tertiary industries at 4.6% and secondary industries by 1%. The upturn in primary industries came on the back of an 18.1% expansion in mining activity that was largely driven by the continued rise in commodity prices induced by an uptick in demand and supply chain disruptions due to Covid-19 resurgences across the globe, particularly for Platinum Group Metals (PGMs).

HIGHLIGHTS

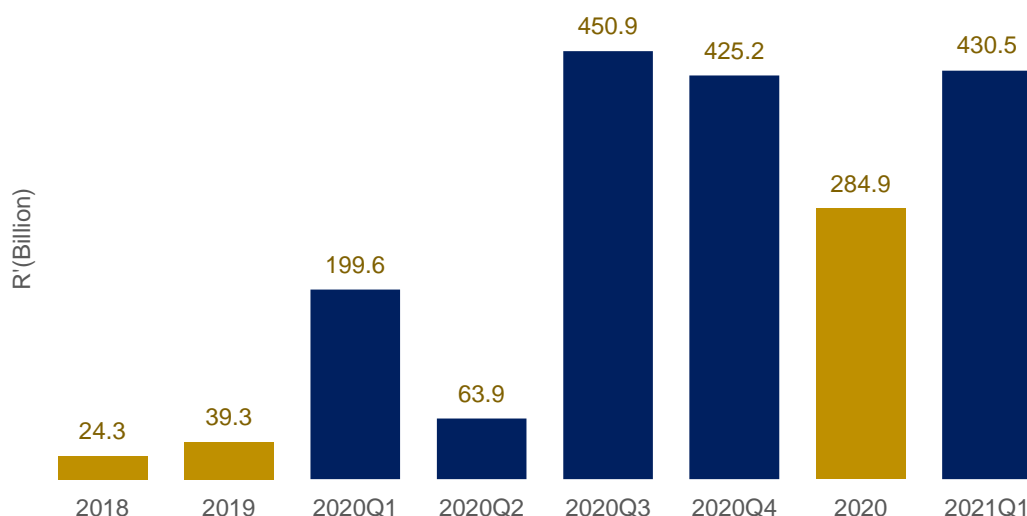
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SECOND LARGEST CURRENT ACCOUNT SURPLUS IN 2021Q1

South Africa recorded a current account surplus in the first quarter of 2021, this the second-largest quarterly surplus in history at R267 billion from R198 billion in the previous quarter. This takes the current account surplus to 5% of Gross Domestic Product (GDP) for 2021Q1 thanks to the robust exports as the global economy continues to recover from the Covid-19 pandemic. Furthermore, the recently stronger Rand helped mitigate the price of gradually increasing imports.

At an aggregate level, South Africa recorded a marginal 1% trade surplus improvement of R430 billion in the first quarter of 2021, up from R425 billion in the previous quarter (2020Q4). The increase was mainly attributed to higher merchandise exports prices which rose to an all-time high. On the other hand, the value of imports increased to a lesser extent. Furthermore, South Africa's terms of trade improved for the seventh (7) consecutive quarter, marking the longest period of consecutive quarterly increases recorded.

SEASONALLY ADJUSTED & ANNUALISED TRADE BALANCE



Data Source: South African Reserve Bank

Given that a current account surplus indicates favourable domestic economic conditions, the large current account surplus registered in the three (3) months ended March 2021 come as good news for the country. Going forward, Experts anticipate that the trade surplus rally will persist in the near term. Meanwhile, imports are projected to recover as domestic demand and confidence improve.

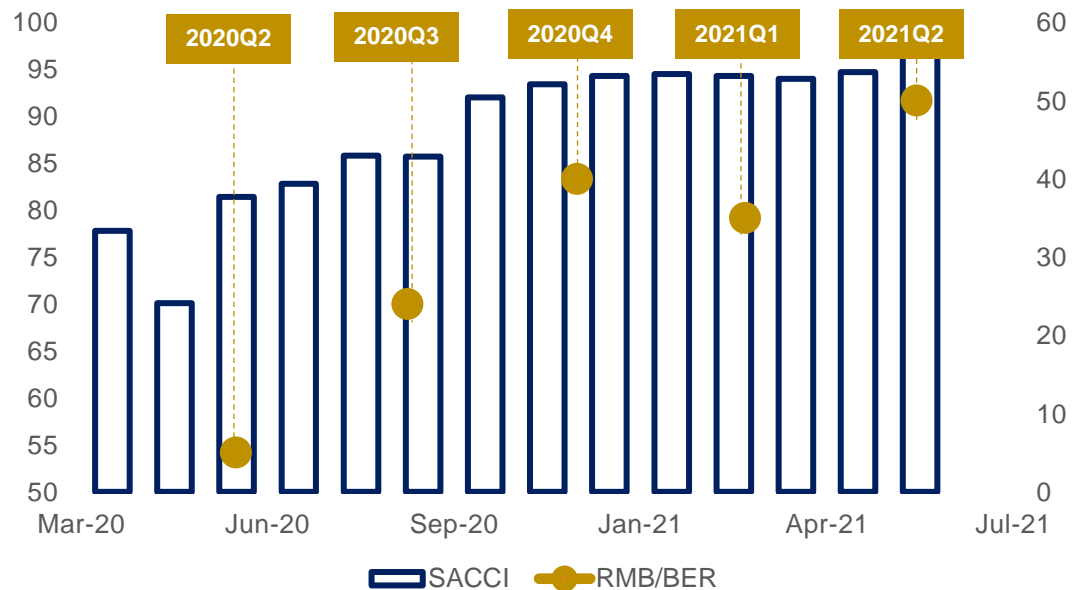
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BUSINESS CONFIDENCE INDICE ON THE UPTURN

The SACCI Business Confidence Index (BCI) recorded at 97 index points in May 2021, up from 94.7 index points in April 2021. This latest tally marks the highest level of business confidence since March 2018. Meanwhile, the RMB/BER BCI rebounded to 50 index points in the second quarter of 2021, up 15 points from the 35 index points registered in the first three months of 2021.

SACCI, RMB/BER BUSINESS CONFIDENCE INDEX



Data Source: BER, SACCI

The upturn in the SACCI BCI is attributable to favourable trade conditions on the back of improved merchandise export volumes, partially underscored by the commodity super cycle rally and global economic recovery, which accounted for 58% of the increases the May reading. On the other hand, rebound in the RMB/BER BCI was underpinned by broad-based increases in all sub-indices, notably, New vehicle dealer sentiment surged to 63 index points (up from 30 index points in 2021Q1), despite reports of stock shortage.

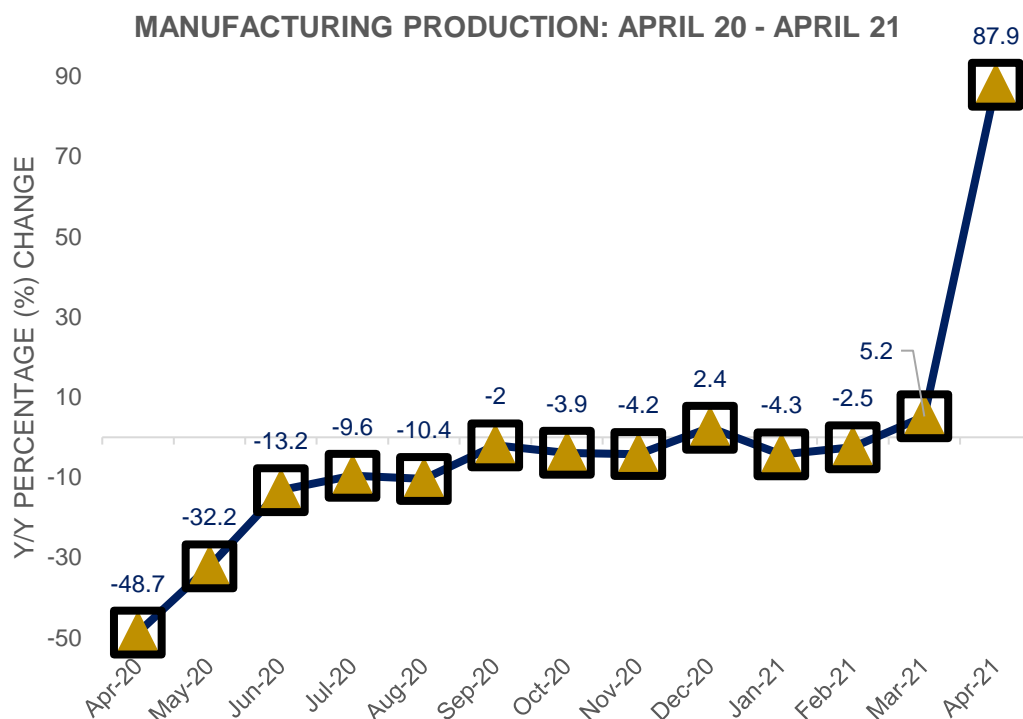
Despite improved business sentiment, well above pre-Covid level, both institutions are cautiously optimistic about activity in the near term owing to labour rigidities, further coronavirus outbreak such as the looming third wave, energy constraints, and global trade and supply chain conditions.

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MANUFACTURING ACTIVITY RISES IN APRIL 2021

South Africa's manufacturing activity rose by 87.9% (y/y) in April 2021, after expanding by 5.2% in March 2021. April's manufacturing output was not far from the market expectation of 88.3% year on year. All the manufacturing divisions recorded positive results with the highest contribution observed in basic iron and steel, non-ferrous metal products, metal products and machinery (22.5%); and motor vehicles, parts and accessories and other transport equipment (18.9%).



Data Source: Statistics South Africa

On a month-on-month basis, manufacturing output declined by -1.2% in March 2021. The monthly decline was somewhat underpinned by the April public holidays, energy supply disruptions and raw material shortages. For the first of 2021, seasonally adjusted manufacturing production increased by 0.9% (q/q) with four of the ten manufacturing divisions reporting growth during the quarter.

Economists indicate that the upturn in manufacturing activity should benefit from eased lockdown restrictions and improvements in local and international demand. However, continued load shedding will weigh negatively on manufacturing production in the coming months.

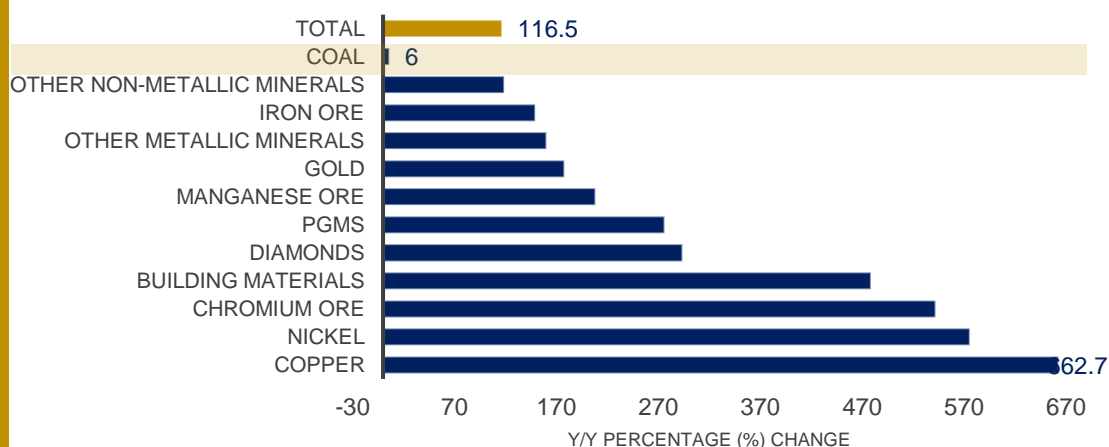
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MONTHLY MINING OUT DECELERATES IN APRIL 2021

Coming from stellar GDP growth in the first quarter of 2021, mining output portayed signs of decelerating, growing at a modest 0.3% (m/m) in April 2021, retreating from an upwardly revised 4.7% in March 2021. The deceleration in mining activity was underpinned by plunges in gold (-6.5%) and iron ore (-5.2%) production volumes which collectively account for almost a third (1/3) of total production for April 2021. On the other hand, output was largely boosted by robust Platinum Group Metals (PGMs) (6.8%) and coal (4.6%) figures.

MINING PRODUCTION BY MINERAL GROUP: APRIL 2021



Data Source: Statistics South Africa

On an annual basis, mining production increased by a remarkable 116.5% on the back of statistical base effect when the country was in hard lockdown, indicative in the 51% contraction observed in April 2020. Production volumes registered top-notch growth figures across all mineral groups (in the range of 100% to over 500% on some minerals) except for coal (6%). The anomaly in coal activity, relative to other mineral groups, is likely linked to the classification of coal as essential goods under hard lockdown (alert level 5). Following a brief halt in activity, coal production resumed in April 2020 and recorded a -9% decline in activity whilst other mineral groups recorded double-digit contractions during the same period.

In the second quarter of the year, mining output is expected to continue to benefit from the global rise in commodity prices and demand. Notwithstanding, the heightened bouts of load shedding, which intensified, in June 2021 could weigh down the projected gains for the second quarter.

ECONOMIC INDICATORS

Week 07 – 11 June 2021

GDP



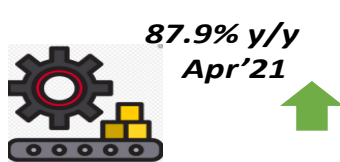
BUSINESS CONFIDENCE INDEX

SACCI
97
May'21



RMB/BER
50
Q1:2021

MANUFACTURING



MINING

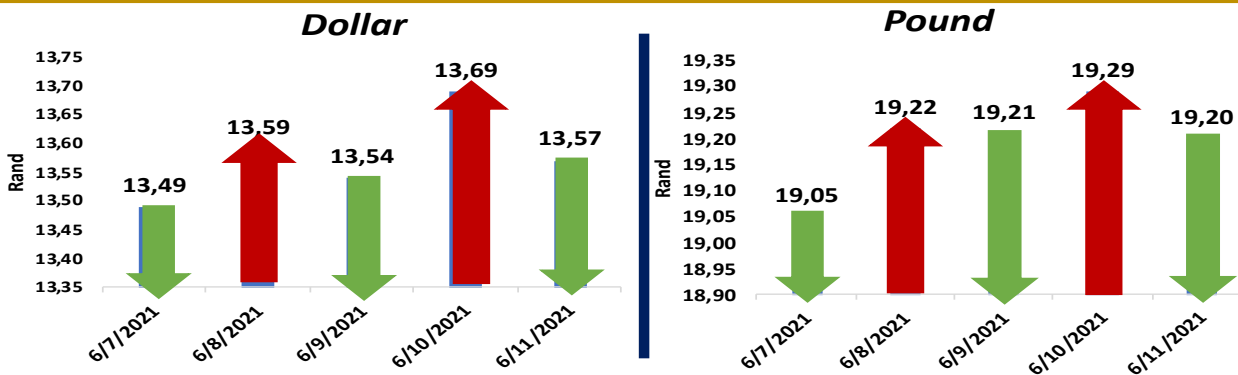


SA CURRENT ACCOUNT



Source: Statistics South Africa & SARB

RAND/DOLLAR/POUND EXCHANGE RATE



Source: SARB 15:00, 11 Jun'21

COMMODITIES

BRENT CRUDE OIL PER BARREL

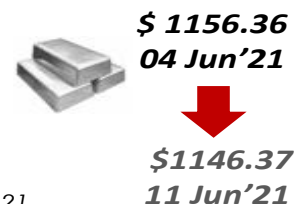


GOLD PER OUNCE



Source: Trading Economic, 13:30, 11 Jun'21

PLATINUM PER OUNCE



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