QUARTERLY ECONOMIC BULLETIN

Q4:2021

2021 - THE YEAR THAT WAS

2022 - WHAT LIES AHEAD?

GAUTENG PROVINCE
ECONOMIC DEVELOPMENT
REPUBLIC OF SOUTH AFRICA

GGT2030
GROWING GAUTENG TOGETHER

FOREWORD

In 2021, Gauteng and the South African economy at large experienced volatility amid an array of both domestic and global factors.

For the year 2021, the Gauteng economy rebounded by 4.9% from a contraction of 6.5% in 2020. The stellar growth was buoyed by the increased commodity demand supported by the fast-paced global economic recovery as advanced economies ramped up vaccination roll-outs. The increase in exports saw significant improvements in the province's and national trade balance.

Domestically, the agricultural sector contributed positively to economic growth whilst the reinstatement of harsher lockdowns, the social unrest in July and ongoing load shedding suppressed recovery. As a result, job creation remained subdued, with unemployment reaching record highs as several sectors, particularly the labour-intensive sectors (manufacturing, construction, and trade) struggled to rebound. However, the public employment programs somehow cushioned job losses particularly in the last half of the year.

Looking forward, the South African economy is expected to decelerate to an upwardly revised 2% in 2022 boosted by the higher commodity prices - a spill over effect of the war in Ukraine. However, the higher global inflation, coupled with the prolonged supply chain disruptions and the structural challenges are expected to weigh on growth.

All eyes are on Gauteng as it continues with acceleration of implementation of its ambitious rebuild programme, harnessing its continued status as economic hub of the republic and pathfinder for broad-based transformation. The implementation of the new Gauteng Township Economic Development Act and the sector-specific economic acceleration efforts being led by the new Economic and Jobs War Room will be front and centre over the coming months.

SUMMARY OF MAJOR DEVELOPMENTS IN 2021

FEBRUARY

11 State of the Nation Address,

17 Vaccination program against COVID-19 started

MARCH

05 NERSA approved a hike of 15.06%

MAY

08 Delta variants and Alpha were detected

JUNE

08 GDP grew 1.1% on the 1st quarter, market expectation was 0.8% increase

28 The country moved to alert level 4 due to delta

JULY

09 widespread looting and riots in Gauteng and KZN

25 R350 COVID-19 social relief grant was reinstated until March 2022

27 South Africa's ports halted operations due to IT trouble at Transnet

AUGUST

04 South African PMI fell from 57.4 to 43.5 index point for the first time in ten months

SEPTEMBER

07 GDP grew 1.2% on 2nd quarter, market expectation was 1% increase

OCTOBER

05 NUMSA strike demanding 8% increase for the 1st year and a CPI +2% improvement factor for the second and the third years of employment

NOVEMBER

01 South Africa held the Municipal strike

11 National Treasury's Medium-Term Budget Policy

18 Repo rate increased to 3.75% for the first time in 2021

26 Omicron variant was detected, and several countries announced travel bans from SA and neighboring countries

DECEMBER

01 Unemployment rate increased to 34.9%, highest since 2008

07 GDP declined by 1.5% in the 3rd quarter, Market expectation was a 1.5% decline

12 The highest petrol price was recorded at R20.29c p/l

GLOBAL ECONOMIC PERFORMANCE

HIGH INFLATION WEIGHS ON THE GLOBAL ECONOMIC RECOVERY

The global economic output is expected to moderate in 2022 from the mechanical increases of 2021 and as global trade eases. In January 2022, the IMF, downwardly revised its forecast for global GDP for the year to 4.4 percent in 2022—half a percentage point lower than in the October 2020 World Economic Outlook (WEO) and largely reflecting forecast markdowns in the two largest economies. In the April 2022 WEO update, the IMF noted that the war in Ukraine has triggered a costly humanitarian and economic crisis.

The economic damage from the conflict will contribute to a significant slowdown in global growth in 2022 and add to inflation already elevated inflationary pressures. Fuel and food prices have increased rapidly since the outbreak of the conflict, hitting vulnerable populations the hardest. As such, global growth is projected to slow from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023. This is 0.8 and 0.2 percentage points lower for 2022 and 2023 than projected in January. The rise in costs is expected to subside and remain well anchored on the easing fuel prices and loosening supply chain disruptions in the year; however, the geopolitical tensions in Russia and Ukraine were initially underestimated but have since escalated and are expected to agitate supply disruptions and degenerate oil prices, causing extra ordinary uncertainty. Further, growth prospects will continue to be dampened by the uncertainty around new COVID-19 outbreaks and the possibility of mutations, as well as disruptions in recovery.

Beyond 2023, global growth is forecast to decline to about 3.3 percent over the medium term. War-induced commodity price increases and broadening price pressures have led to 2022 inflation projections of 5.7 percent in advanced economies and 8.7 percent in emerging market and developing economies—1.8 and 2.8 percentage points higher than projected last January. This being the case, multilateral efforts to respond to the humanitarian crisis, prevent further economic fragmentation, maintain global liquidity, manage debt distress, tackle climate change, and end the pandemic are essential.

Country Focus

The Ukraine and Russia conflict has persisted longer than anticipated and whilst the war is expected to have direct effect on other countries, the spill-over effects are expected to be felt. For starters, the war will have severe effect on global supply chains affecting commodity prices. This is partly due to the response by western countries which entailed imposing sanctions against Russia. Russia is a major supplier of oil and natural gas, supplying about 12% of global oil output. In addition, the eastern European country is also a major supplier wheat and grain and together with Ukraine, account for about a third of global wheat exports. As a result, the Brent crude oil price surged from $80/barrel in the begging of February peaking at about $128/barrel about two weeks into the war whilst wheat and grain prices have displayed rapid spikes in prices. Furthermore, exacerbating the global supply chain disruptions, is that several countries have halted flights to and from Russia and this will have a big impact on the transportation of freight by air- as Russia and Ukraine are big players in the freight industry.

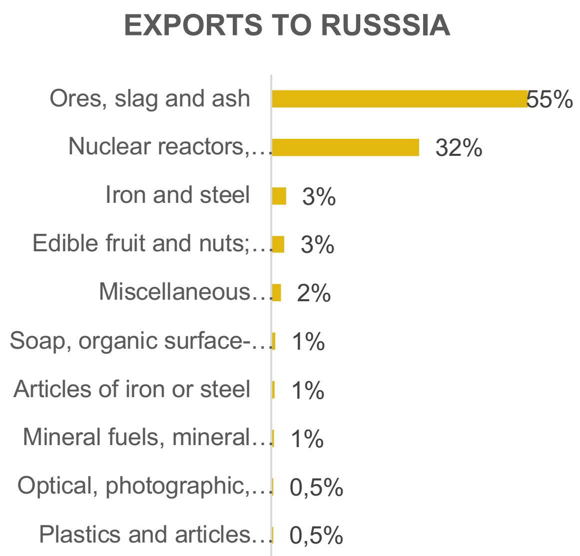
Direct effects of the war are expected on countries with close ties to Russia or Ukraine; however, on the global economy, the most direct effect is the protracted elevated levels of inflation, threating the further global rebound. The effects are expected to disproportionally affect emerging economies more, as the populations spend more on food. This is expected to be more pronounced in Africa. In SA, however, the war has yielded some benefits, boosting the price of SA's key commodities including PGMs and gold. The effects are expected to linger on for the first half of 2022.

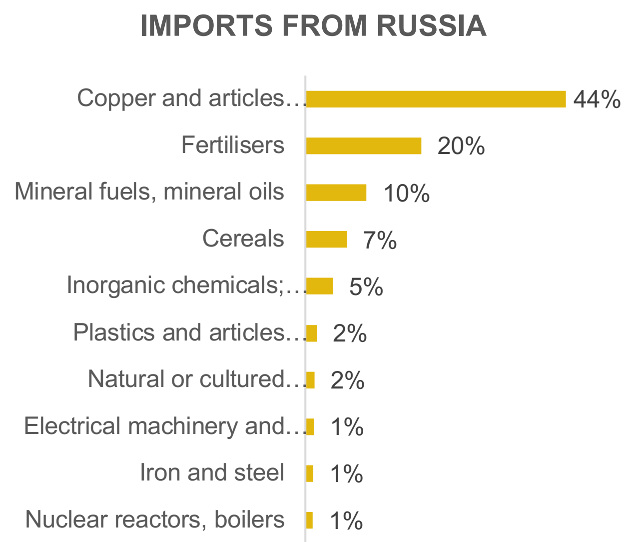
Gauteng Trade with Russia/Ukraine

Overall, Gauteng does not trade extensively with Russia and Ukraine. In 2021, trade with both countries accounted for less than 1% of total trade respectively. This implies that the Russia/Ukraine war will likely not translate in a considerable negative impact on the province's aggregate trade numbers. However, specific industries that have somewhat a strong trade link with these markets are likely to experience a harsher impact. Specifically, South African exporters of fruits such as citrus and melons have recently raised concerns and have sought government support in identifying other fruit export markets. South African citrus farmers export about 8% of all citrus to Russia annually. In Gauteng, exports of citrus to Russia and Ukraine accounted for 3% and 5% of total GP exports in 2021 respectively. Since the onset of the war, fruits destined to Russia/Ukraine were blocked, causing delays of up to 90 days relative to delivery times of about 24 days. Moreover, the war caused severe delays in payments for exports that had already gone through.

As the country and Gauteng farmers look to other markets, there could be an oversupply in those alternative markets, which may ultimately reduce profit margins. A snapshot of the most traded products is depicted below.

Figure 1: Gauteng's Trade with Russia (2021)

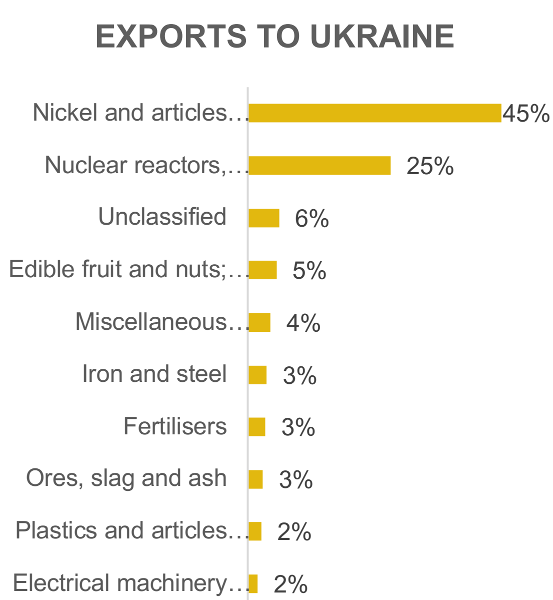




Data source: Quantec, (2022)

Gauteng exports of ores, slag and ash (measured at current prices) declined sharply between 2018 and 2021 whilst that of nuclear increased. On the other hand, Gauteng imports of copper and articles thereof rose sharply between 2018 and 2021 whilst the imports of cereals fell.

Figure 2 :Gauteng's trade with Ukraine



Data source: Quantec, (2022)

Similarly, in Ukraine, Gauteng exports of nicker and articles thereof and nuclear reactors increased sharply between 2018 and 2021. On the other hand, import volumes of electric machinery and nuclear reactors went up considerably whilst those of cereal declined.

DOMESTIC ECONOMIC PERFORMANCE

GLOBAL ECONOMIC REBOUND BOUYS LOCAL ECONOMIC RECOVERY

In 2021, South Africa's economic performance was marred by volatility underpinned by uncertainty around the post-COVID economic recovery. Nonetheless, South Africa's economy rebounded by 1.2% quarter-on-quarter (q/q) in the fourth quarter of 2021 (Q4:2021), up from a revised -1.7% in the previous quarter (Q3:2021). The recovery was supported by improved household consumption expenditure as pent-up demand for services peaked, particularly in the hospitality sector. The quarterly reading resulted in an aggregate annual growth rate of 4.9% year-on-year (y/y) for 2021, slightly below the South African Reserve Bank's (SARB) downwardly revised forecast[1] of 5.2%.

Globally, the fast vaccination rollout enabled robust global economic recovery which in turn backed the surge in commodity demand, aiding the recovery in commodity exporting nations like South Africa. However, the discovery of the Omicron variant later in the year hampered the pace of the recovery, resulting in the deceleration of global demand. Domestically, the delayed and poor vaccination rollout and uptake led to the multiple reinstatement of harsher levels of lockdowns, negatively affecting many industries. Moreover, the pre-existing infrastructure challenges including loadshedding, the global supply chain bottlenecks which contributed to higher inflation, and the Transnet cyberattack weighed down on the recovery.

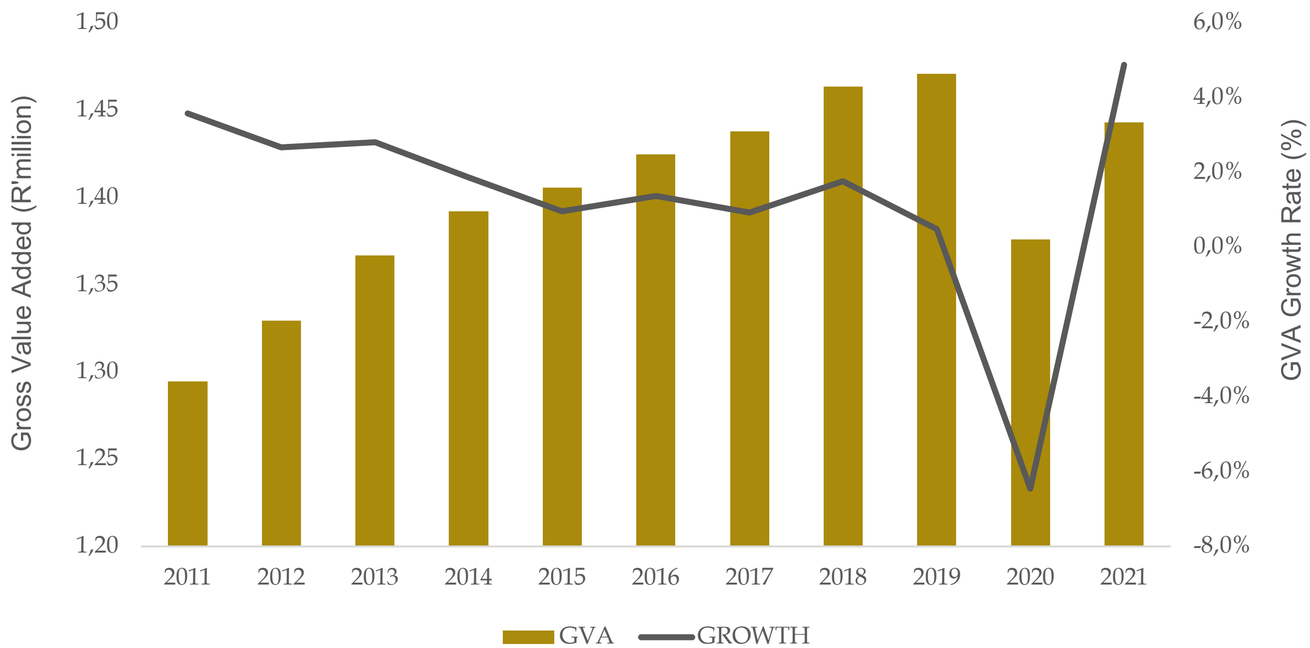
How did the Gauteng economy perform?

According to Quantec, the Gauteng economy is estimated to have rallied as well, registering a growth of 1.3% q/q to R1.4 trillion (constant prices) in Q4:2021 up from the July civil unrest induced contraction of 0.8% in the previous quarter. At this level, the economy remains below pre-COVID levels. Annually, the Gauteng economy expanded by 4.9% from -6.5% in 2020.

[1] SARB's November MPC statement forecast

For the year, all sectors reported growth except construction, which contracted by 2.3% weighed by the protracted period of weak activity coupled with the delays in the awarding of tenders with the work productivity affected by the rotational work schedules and stricter lockdowns which sometimes meant most workers staying away from the office. Meanwhile, the primary sector reported strong growth driven by mining (42.8%) whilst agriculture expanded by 4.1%, on the back of favourable weather which boosted crop production.

Figure 3: Gauteng Gross Value Add in constant prices and Gross Value-Added Growth



Data Source: Quantec (2022)

The secondary sector also rallied, led by an improvement in manufacturing which grew by 6.5% from -12.1% in 2020. Following a volatile quarterly performance, the manufacturing sector rebounded by 2.7% in Q4:2021 exiting a technical recession in the second (-1.5%) and third (-4.2%) quarters of 2021. Barring the global supply chain disruptions, activity in the sector was chiefly disrupted by the stricter lockdown measures as well as the social unrest. Meanwhile, the electricity sector increased by 2.3% from -6.2% in 2020. Across tertiary services, wholesale trade rebounded strongly by 6.8% in 2021 from -13.5% in 2020 in spite of the July unrests which reduced the sector output by 5% in the third quarter. The strong rebound was backed by the festive spending in the retail sector as well as pent-up demand in the hospitality sector on back of eased lockdown restrictions and no interprovincial restrictions relative to the same period in 2020. However, the rebound in the accommodation sector, in particular, was interrupted by travel restrictions imposed by countries on travellers to and from South Africa after the discovery of the Omicron variant; and this weighed on the overall trade sector. In addition, transport, finance and community services all expanded by 5.7% (from -17% in 2020), 4.2% (1%) and 5.2% (-2%) respectively. Whilst the marked growth was largely attributable to the low base, the latest figures suggest that the South African economy is gradually moving towards its pre-COVID levels. In the absence of stern economic reforms, the economy's GDP is expected gravitate towards the pre-COVID growth.

UNEMPLOYMENT

UNEMPLOYMENT LEVELS REACH UNPRECEDENTED HIGHS

The easing of lockdown restrictions to Alert level 1 in October 2021 – the lowest level for a full quarter in 2021 – is likely to have contributed to the improvement in employment numbers in the Q4:2021. However, the devastating effects of the July unrest appear to have been more detrimental than previously anticipated. According to Statistics South Africa (StatsSA), Gauteng employment increased by 76 000 q/q to 4.52 million, up from the 200 000 jobs lost in the previous quarter. This was a significant rebound from the July-unrest induced declines, despite it being far less than the job losses reported in the previous quarter. The rebound implied that 6 of 10 individuals who had lost their jobs in Q3:2021 remained jobless. In part, this is due to some businesses still being in the process of rebuilding their businesses. While there is some level of optimism that additional jobs will be regained once the rebuild is done, some businesses have opted not to proceed with the businesses despite insurance pay-outs whilst others are continuously finding it difficult to rebuild.

Figure 4: Quarterly Employment Change ('000)

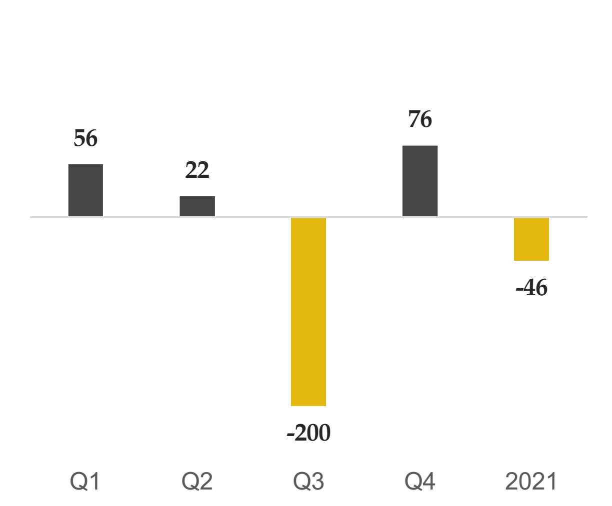
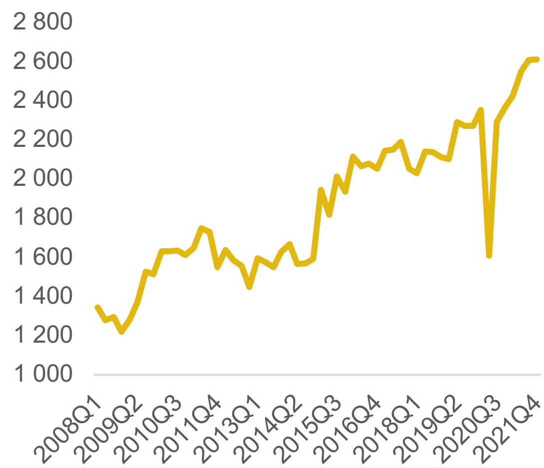


Figure 5: Number of unemployed individuals ('000)



Data Source: Statistics South Africa

On the other hand, the number of unemployed individuals in Gauteng increased by 4 000 q/q to a record high of 2.6 million. Following an increase of 80 000 entrants into the labour force, the number of discouraged work-seekers declined by 56 000 to 3.8 million leaving the expanded unemployment rate at 44.4%, a decrease of 0.5 pp from the previous quarter.

Annually, the number of employed individuals declined by 46 000 whilst the number of unemployed individuals increased by 246 000 in 2021. As a result, the unemployment rate went up by 2.5 percentage points (pp|). Furthermore, the labour force increased by 200 000 individuals whilst the discouraged work-seekers increased by 226 000.

Employment by Industry: Employment responds to pent-up demand for services and government job creation efforts

Employment was largely driven by private households (45 000) following the easing of lockdown restrictions and community and social services (45 000) as the government ramped up public employment programs to drive economic recovery. Annual job losses were driven by manufacturing (-70 000) and construction (-40 000).

Table 1: Gauteng Employment by Industry

	Total Headcount ('000)	Q/Q Change ('000)	Y/Y Change ('000)
Agriculture	41	13	8
Mining	53	19	-6
Manufacturing	454	-4	-70
Utilities	20	-13	-9
Construction	290	-17	-40
Trade	909	10	3
Transport	387	6	25
Finance	1 021	-26	7
Community and social services	920	45	13
Private households	426	45	28
Total	**4 524**	**76**	**-46**

Data Source: Statistics South Africa

LABOUR MARKET SINCE COVID-19

Over the past two years (2019 – 2021), the labour market has been marred by difficulty. Cumulatively, since Q4:2019, Gauteng has lost over half a million (574 000) jobs.

A year after the pandemic came into full force, the labour market continued to remain depressed with the unemployment rate remaining elevated whilst job losses increased further. This underscores the devastating impact that the pandemic is continuing to have; with firm closures continuing and business confidence remaining subdued and volatile.

Furthermore, since the start of the pandemic, analysts have predicted that recovery in jobs may only be expected to commence in 2023. The latest data seems to reaffirm this prediction. As the economy continues to grapple with rising inflationary pressure which is being fuelled by a combination of exogenous factors (such as disruptions to global supply chains and more recently, the war in Ukraine). The rising costs to businesses could further hamper a sound recovery in job numbers over the medium term.

Despite the promising economic growth recovery in 2021, labour market conditions have struggled to improve in line with growth. This emphasises the important role that government support and interventions play in ensuring that individuals who are unable to find work during these trying times are able to support themselves and their households. The current situation seems to suggest that economic growth (recovery) alone is not sufficiently able to promote a reduction in the unemployment rate with other structural factors likely being key to improving labour market conditions in the future.

TRADE CONDITIONS & DEVELOPMENTS

GLOBAL DEMAND SUPPORTS SA'S TRADE SURPLUS

In the past year, as advanced economies rallied faster following the pandemic, the export market boosted South Africa's economic recovery and in turn, softened the effects of weak domestic demand. Post pandemic, economic recovery has been supported by exports, and this is more pronounced across emerging economies. The trade surplus in South Africa (measured in current prices) ballooned to R438 billion in 2021 from R272 billion in 2020. This was subsequent to a double-digit surplus of R22 billion in 2019 – prior to the pandemic. This surplus was backed by a 30% growth in exports to R1.39 trillion and imports of R1.12 trillion, which grew by 23%. The weaker growth in imports underscores weak domestic demand. In Gauteng, the trade deficit narrowed to R44.8 billion in 2021 from R52.4 billion in 2020 and R148 billion in 2019. The province's softer trade deficit was on the back of total value of exports amounting to R679.5 billion whilst imports registered at R731.9 billion which, relative to the previous year, increased by 27% and 24% respectively.

Figure 6: South Africa's Trade Balance

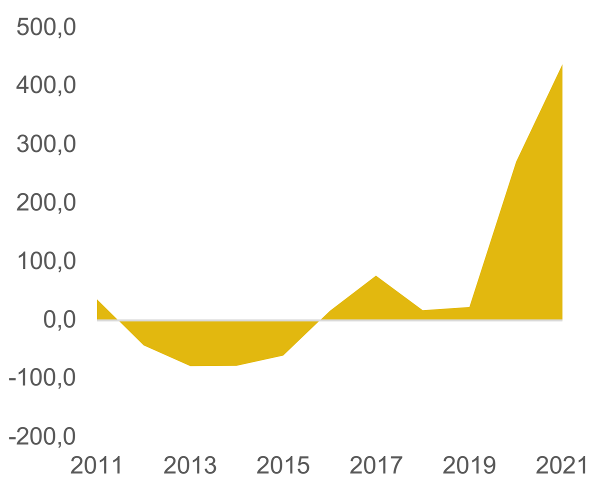
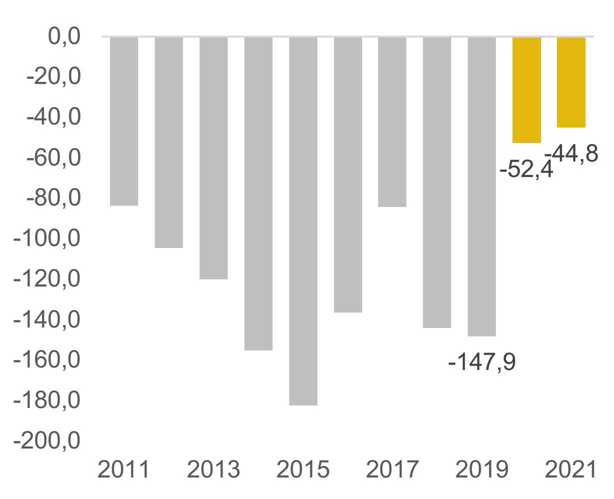


Figure 7: Gauteng's Trade Balance



Data Source: Quantec (2022)

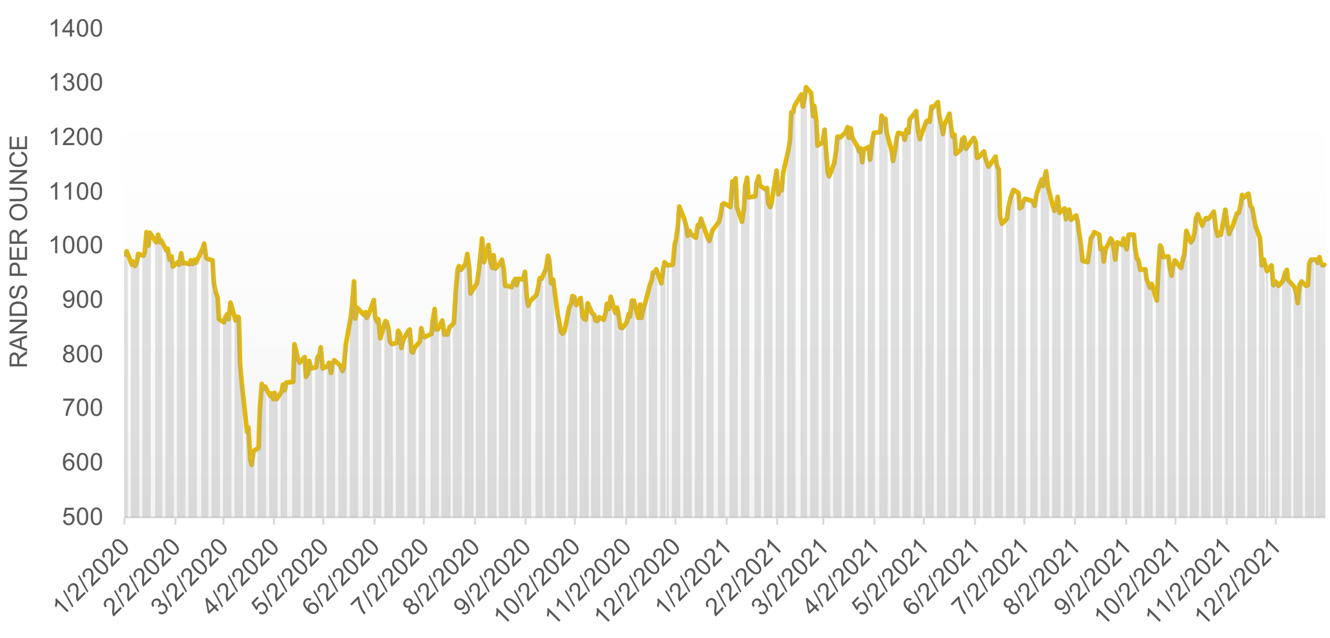
The local current account benefited from a mix of economic developments such as the improved global demand, booming commodity prices, and a weaker rand. On the downside, effects of the July civil unrest and the Transnet woes disrupted the momentum.

Boosted by higher commodity prices, mining exports, recorded the largest growth of 34% y/y (49% y/y in South Africa). Specifically, the total value for Platinum Group Metals (PGMs) surged by 79%, particularly driven by the rise in palladium prices. PGM's ranked 47th on the list of exported products in Gauteng in 2021 (relative to being the largest exported product in the country). Overall, the surge was mainly attributable to the stellar global rebound in industrial activity as some advanced economies fast tracked their vaccination roll-outs, enabling them a quicker return to economic activity.

DID YOU KNOW

- Palladium is key a component for catalytic converters - a part of a car's exhaust system that controls emissions - found mainly in petrol and hybrid vehicles.
- Increased demand for palladium is linked to global decarbonisation.
- South Africa is the largest producer of palladium after Russia.

Figure 8: Platinum Group Metals Prices (2020-2021)



Data source: Macrotrends

Furthermore, contributing to the mineral price surge were higher input costs driven by energy shortages in Europe and China which, coupled with the supply chain bottlenecks, pushed prices even higher.

Meanwhile, the exportation of manufactured products grew by 24%y/y (18%y/y in SA), mainly driven by a surge in motor vehicle parts and accessories (94%). This product was Gauteng's 11th largest export, accounting for 3% of total exports in 2021. Additionally, the exports of motor vehicles-the 3rd largest exported product- grew by 71% and accounting for 10% of total exports from the province. Aggregately, in 2021, manufactured exports accounted for 57% (vs. 47% for South Africa) of total exports, on the back of pent-up demand following the halt in production in 2020.

Imports grew at a softer pace relative to exports, triggered by depressed domestic demand, a weaker currency and subdued business confidence. Nonetheless, the growth in imports was driven by a 49% pick-up in mining products whilst manufactured products increased by 22%.

Gauteng's annual export growth was driven by the U.S. (which increased by 130%), Germany (65%), Japan (36%), India (25%), and China (14%). Across Africa, SADC remained Gauteng's top market. Specifically, the province maintained strong ties with Botswana (with exports increasing by18%), Zimbabwe (15%) and Mozambique (8%).

Export-led industrialisation is a key component of economic transformation and development; however, products identified for export prioritisation should be characterised by increasing or potential demand from the global market economy. Between 2011 and 2019, the aggregate demand for Gauteng exports (measured in constant prices) increased by an annual growth rate of 2%, slightly higher than the 1.2% growth for South Africa; thus confirming the potential that Gauteng has as global exporter.

DID YOU KNOW

Gauteng's 5 top export destinations

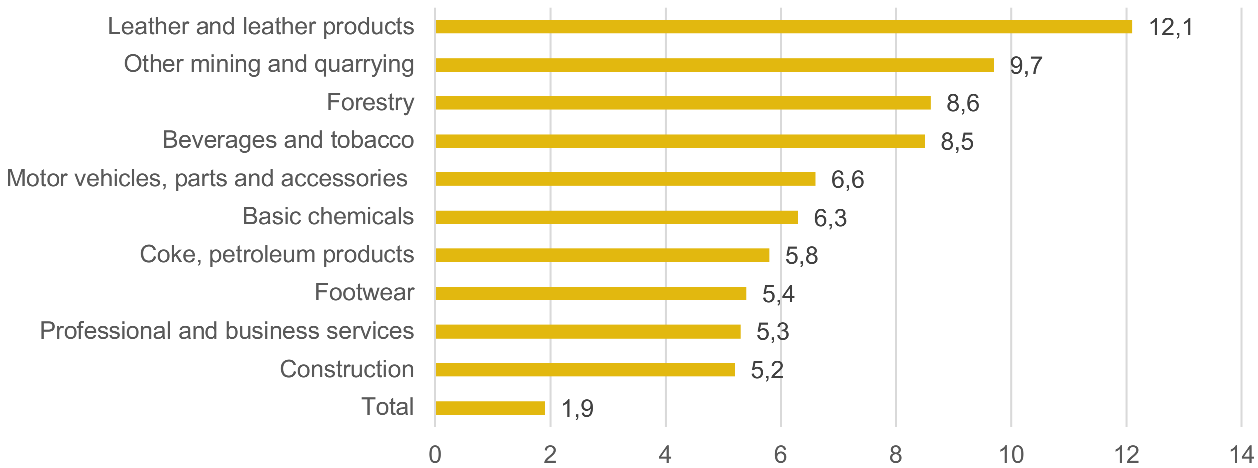
1. China - 18%
2. Germany - 10%
3. India - 6%
4. United States - 5.5%
5. Belgium - 5%

Africa accounted for 27% of Gauteng's exports in 2021

- **Botswana 4.2%**
- **Mozambique 3.9%**
- **Zimbabwe 3.4%**

At the product level, demand varied, with some industries growing faster whilst the demand in some declined. This may suggest structural shifts in the global market and a possible driver of domestic economic structural shifts. The largest growth in demand was recorded in leather and leather products (12.1%); other mining (9.7%) and forestry (8.6%) products. Looking at manufactured products specifically, a steady rise in demand was recorded for motor vehicles, parts and accessories (6.6%). The increased exports from the automotive sector- one the Gauteng government's priority sectors - echoes the successes of the government's efforts to steer the economy into growth. A further point to note is that the demand for basic chemicals and petrochemicals increased by 6.3% and 5.8% respectively. Whilst these are not part of the "high" priority areas, their importance is highlighted in the Growing Gauteng Together 2030 (GGT2030) plans.

Figure 9: Gauteng's top exports



Data Source: Quantec (2022)

Conversely, demand weakened for gold (-15.8%), structural metal products (-14.6%), furniture (-12.1%) and catering and accommodation (-9.5%). The declining demand for furniture, catering and accommodation is concerning, as these are identified areas of focus in the GGT2030.

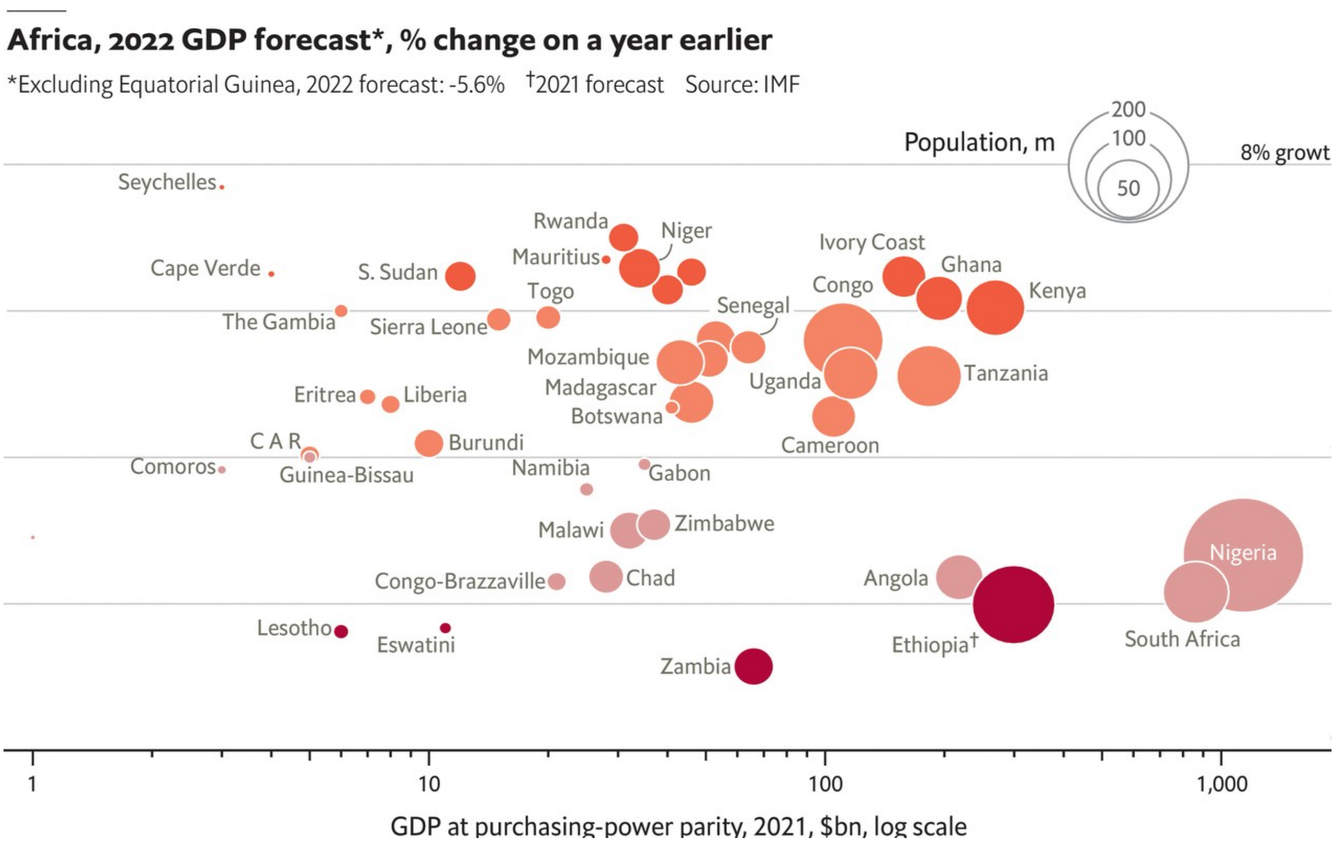
THE ECONOMIC OUTLOOK

AFRICA LIKELY TO SEE SLOWER GROWTH IN 2022

The World Economic Forum has identified 5 priorities for Africa's economic recovery in 2022. First, meeting the challenge of vaccine equity as only around 8% of Africa's 1.4bn population are fully vaccinated. Secondly, Africa's growing presence in the global economy – the province is expected to expand by 3.8% in 2022; more than twice as fast as South Asia (1.2%) and Latin America (0.9%). Thirdly, harnessing opportunities afforded by the Africa Continental Free Trade Agreement (AfCFTA) will aid in lifting many economies from the slump. Fourthly, acceleration of Africa's digital transformation will further support economic recovery as venture capital funding for African start-ups is forecast to reach over $5 billion in 2022. Lastly, financing Africa's green transition particularly with renewable energy and climate change will support investment in the sector as well allow for a more sustainable growth path for the continent.

The International Monetary Fund (IMF) forecasts that the top 5 fastest growing economies in Africa in 2022 will be Seychelles, Rwanda, Mauritius, Niger and Benin all of which are set to hit growth levels above 6% for the year. On the other hand, oil rich Nigeria and Angola were not able to take full advantage of the surge in global oil prices in 2021 and are expected to be in the bottom 10 countries with GDP growth forecast at 2.7% and 2.4% respectively for 2022. Meanwhile, South Africa will not do much better and is expected to register growth below the SADC region's GDP outlook of 3.7%. Furthermore, two of South Africa's three largest African trading partners (Mozambique and Botswana) are expected to report positive growth in 2022, supported by new gas investments in Mozambique and the steadfast implementation of business and government reforms. Meanwhile, Zimbabwe is expected to report weak economic growth.

Figure 10: Africa's GDP Forecast



Source: The Economist

Further, according to the IMF, the overall growth in the African region will mostly be supported by external conditions of trade and commodity prices. More favourable agricultural production in some countries will likely also boost the continent's economy. The outlook for African foreign direct investment in 2022 is positive, but other important risks, including labour and supply chain bottlenecks, energy prices and inflationary pressures, could dampen results for 2022 growth.

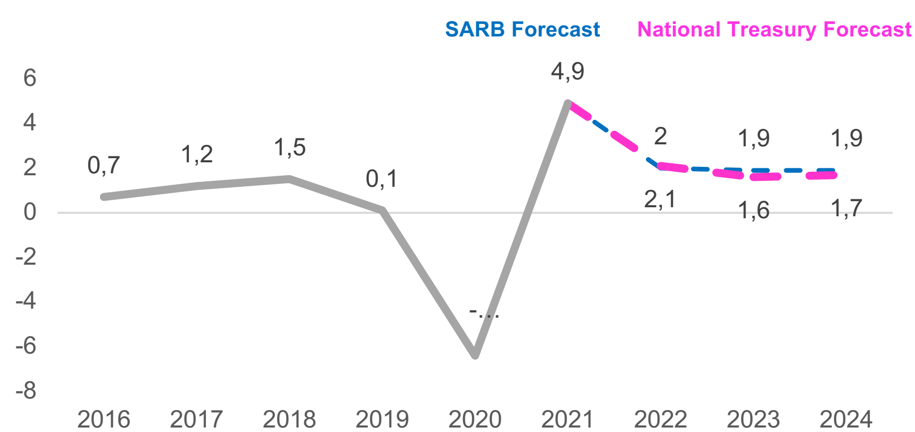
The Russia/Ukraine conflict is likely to have differing impact levels across the continent, with some countries being impacted more severely than others. Commodity exporting countries such as Nigeria and Angola are likely to benefit from the commodity price boom. Meanwhile, most vulnerable will be countries that import large proportions of wheat, such as Egypt. Oil importers, like Kenya, will be impacted by the elevated oil prices.

GLOBAL DEMAND EXPECTED TO CONTINUE SUPPORTING SA'S TRADE SURPLUS

In the wake of the Russia/Ukraine war, the overall global economic growth is expected to moderate as the war disrupts global trade and global value chains even further. The effects are expected to be more severe for emerging and developing economies, mainly through higher inflation (specifically, food inflation). However, commodity exporting countries are likely to extract some benefits through the surged commodity export prices. Higher commodity South African exports are expected to support GDP, with this impact being more pronounced in the first quarter of 2022.

In the latest Monetary Policy Committee (MPC) statement, SARB forecasted GDP growth of 2.0% for South Africa, in 2022, up from the January forecast of 1.7%. Amongst a combination of factors, the upward revision stemmed from the increase in commodity prices, buoyed by Russia/Ukraine conflict. However, on the downside, the east European war is expected to weigh down on global recovery momentum thus likely impacting the domestic economy. As such, SARB's latest global GDP forecast is 3.7% for the current year (2022), down from 4.4% in the previous forecast. SARB's upwardly revised GDP forecasts are slight less optimistic than the National Treasury's forecasts (released before the war) of 2.1% in 2022, 1.6% in 2023 and 1.7% in 2024.

Figure 11: South African Actual GDP and GDP Forecasts



Data Source: Statistic South Africa, SARB, National Treasury

Over the medium term, the SARB further anticipates the domestic economy to gradually move closer to its potential output levels. The output gap is expected to close faster from -actual 2.4% in 2021 to -1.3% in 2022 (from a previous forecast-1.7%) to -0.3% in 2023 and to +0.5% in 2024. However, concerningly, a combined look at the output gap and actual GDP suggest that the country can only achieve the highest level of GDP of 2.6% over the medium-term. This GDP level is significantly below the 5% GDP growth envisioned in the Economic Recovery Plan and the NDP2030; which is expected make impact on employment, poverty and inequality. Structural constraints and policy uncertainty are expected to constrain economic growth and should be prioritised to see a substantial change to the country's socio-economic challenges.

The Gauteng economy is also expected to moderate to pre-COVID growth rates. Concerningly, like the country, Gauteng moved from a volatile pre-pandemic economic base; hence the envisioned improvement in the provincial economic performance is unlikely to make a dent on the current record-low employment levels. The province must remain steadfast on acceleration of implementation of economic transformation and reform measures.

KEY ASPECTS LIKELY TO IMPACT ECONOMIC PERFORMANCE IN 2022

INTEREST RATES

SARB hiked rates for the 3rd consecutive time in March. Repo rate increased by 25 basis points to 4.25%.
SA monetary policy committee meeting for 2022 will be held on May, July, September and November.

INFLATION

SA Inflation rate is expected to rise to 5.8% in 2022 with inflation peaking in the second quarter of 2022 and moderating in the last two quarters of the year. Household consumption is expected to grow by 2.5% in 2022.

International prices for major food items climbed to a level near the heights of the global food price crises of 2007-08 and 2010-11, which global food crisis, increasing hunger among the poor and, possibly, social unrest around the world.

Global inflation has been widespread and persistent and has shown few signs of having peaked. Worldwide inflation will likely remain near 5.0% in early 2022.

FISCAL MATTERS

Government spending will be cut by 2.5% in 2022/23.
Medium-Term Budget Policy Statement (MTBPS) will held in October 2022.

The R350 Social Relief Distress Grant extended for one further year, to the end of March 2023.

ELECTRICITY

NERSA approved a 9.61% increase in the price of electricity for Eskom instead of the requested 20.5% planned for the 2022/23 financial year.

Eskom has announced that it will move to stage 4 load shedding due to a further breakdown in units.
The interruptions in power supply are set to continue into 2022.

FOMC MEETINGS

United States Federal Open Market Committee meeting for 2022 will be held in March, May, June, July, September, November and December.

Federal funds rate target range raised by 25 basis points, first hike since the end of 2018 (March).

ELECTIONS

2020 international elections:

- South Korea presidential elections (March)
- France presidential elections (April/May)
- Colombia presidential elections (May)
- Japan upper house election (July)
- Kenya presidential elections (August)
- Brazil presidential elections (October)
- US Mid-stream elections (November)
- China's 20th Communist Party Congress

Locals

- ANC policy conference (June)
- ANC elective conference (December)

GDP

In its March MPC, the SARB expects SA GDP to grow by 2% (upwardly revised from 1.7%) in 2022 from 4.9% in 2021.

FUEL & OIL

Fuel prices are set to continue rising in 2022. The fuel levy has been lowered by R1.50 a litre from April to end of May 2022.

Oil prices fell 7% to close just above $100 on after President Joe Biden announced the largest ever release from the U.S. Strategic Petroleum Reserve.

RUSSIAN WAR

The Russian invasion Ukraine shook the financial markets, with energy and commodities prices increasing.

If the prices continued to soar, it could easily tip the global economy into a second recession in three years.

COVID-19

New COVID-19 variants leading to new waves of infection