

WEEKLY ECONOMIC INSIGHTS



GAUTENG PROVINCE
ECONOMIC DEVELOPMENT
REPUBLIC OF SOUTH AFRICA

Growing Gauteng Together

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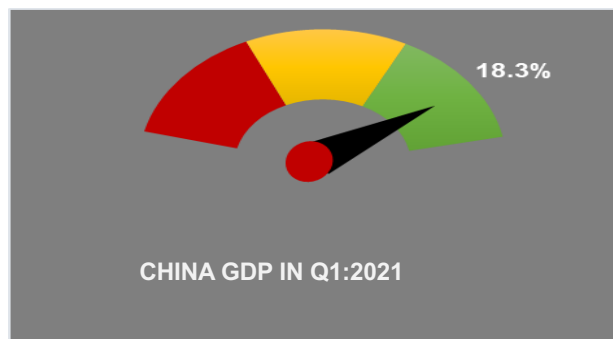
12 APRIL - 16 APRIL 2021

- **THE CHINESE ECONOMY ACCELERATES TO 18.3% IN Q1 2021**
- **MINING PRODUCTION REBOUNDS IN FEBRUARY 2021 AFTER 11 CONSECUTIVE CONTRACTIONS**
- **GROWTH IN RETAIL SALES EXCEEDED EXPECTATIONS BUOYED BY DURABLE GOODS SALES**
- **MOTOR TRADE SALES DECLINED BY 3.7% YEAR-ON-YEAR IN FEBRUARY 2021**

WEEKLY OVERVIEW

The rebound on the global economy states the case for a coordinated approach with a successful vaccine roll out complementing various stimulus packages reinvigorating economic activity across the globe. However, some economies will likely take longer to recover in the wake of the third wave which has compelled reinstatement of lock down restrictions. Domestically, with all major data released, the first two months of the year suggest that Q1 GDP is likely to retreat from the strong print in the previous quarter.

THE CHINESE ECONOMY ACCELERATES TO 18.3% IN Q1 2021



The Chinese economy grew by a solid 18.3% year-on-year (y/y) in the first quarter of 2021. Notwithstanding the low base effect when economic activity plunged in Q1:2020 due to COVID-19,

the annual performance was underpinned by strong domestic demand, accelerated by the fast and successful COVID-19 vaccine roll out. Additionally, foreign demand and continued fiscal and momentary support contributed to the stellar first quarter performance. However, on a quarter on quarter basis, the Chinese GDP measured by 0.6% seasonally adjusted slowing down from the 3.2% increase in January.

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Moving to the US, the economy registered a firm monthly rebound across board in March as monthly retail sales advanced by 9.8% in March from -2.7% in February, the largest increase in 10 months and surpassing expectations of a 5.9% uptick. Additionally, in the same month, manufacturing and mining output rose by 2.7% (month-on-month) m/m and 5.7% m/m respectively.

In Europe, the Eurozone's retail sales growth exceeded expectations of 1.5% at 3% (m/m) in February regaining momentum from a 5.2% contraction in January when lockdown restrictions were reintroduced. Meanwhile, annual retail sales declined by 2.9% again, coming in better than market consensus of a 5.4% plunge. In closing of the quarter, the Eurozone retail sales are expected to register steep declines next month following the resurgence of lockdown measures across several countries in Europe.

Whilst the economies of the global giants seem to be progressing well in the first quarter of 2021, the threat of COVID-19 and its related uncertainties still persist. Meanwhile the slow recovery in Europe's economy, weighed down by the rise in infections is a threat to the recovery of SA's foreign demand.

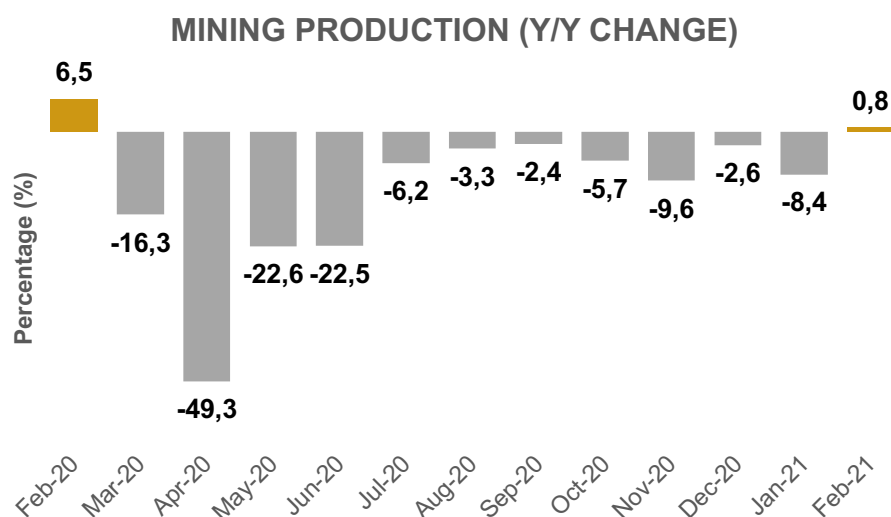


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MINING PRODUCTION REBOUNDS IN FEBRUARY 2021 AFTER 11

CONSECUTIVE CONTRACTIONS

Following eleven (11) consecutive contractions, mining production rebounded by 0.8% (y/y) in February 2021, sharply up from -8.4% in January. On a month-on-month basis, production volumes remained in the black at 3.8% after the 3.9% rebound in January 2021. Meanwhile, mineral sales continue to rally for the eighth (8th) successive month recording a 26% (y/y) bump in sales in February 2021.



Data Source: Statistics South Africa

The upturn in annualised mining figures was credited to notable improvements in iron ore (65.7%), fostered by the uptick in global manufacturing activity. The rebound was further supported by manganese ore (21.6%) and 'other' non-metallic minerals (12.6%) production volumes which dwarfed lacklustre figures in bedrock sub-sectors like coal (-19.3%) and gold (-8.7%). On the other hand, upbeat mineral sales were underpinned by stellar Platinum Group Metals (PGM) sales on the back of the commodity super cycle, particularly for platinum, palladium and rhodium. PGM sales increased by 71.5% in February 2021 in comparison to the same time last year.

The rebound in mining production, specifically the monthly increases is expected to bode well for first-quarter GDP growth, albeit remaining below pre-COVID levels. Notwithstanding, the rally in mineral sales is anticipated to remain strong owing to economic recovery induced by global mass vaccination rollouts.

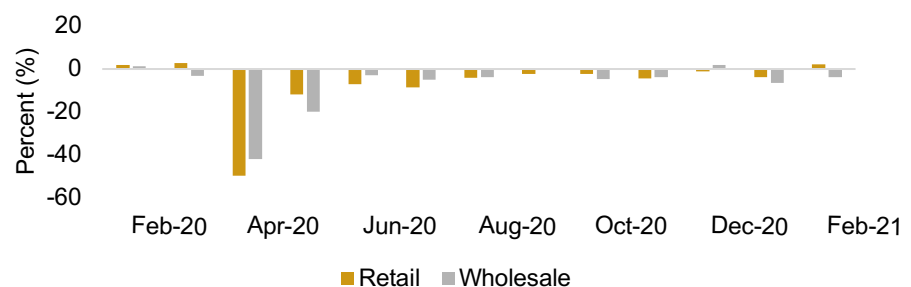
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GROWTH IN RETAIL SALES EXCEEDED EXPECTATIONS BUOYED BY DURABLE GOODS SALES

Total retail sales surprised at 2.3% y/y in February 2021 from -2.4% in January, outperforming market expectations and trailing a contractionary trajectory since the lockdown in April 2020. Whilst growth was broad-based, spending on durable and semi durable items drove the surge in part benefiting from sale of office furniture as more people work from home. Added to it, the massive seasonal sales (discounted sales) in February across several clothing retailers and together with school uniform sales as this year school opening was pushed to February. Specifically, sales in household furniture, appliances and equipment grew by 17.3% whilst those in clothing and textiles came in at 12.3%, adding a combined 2.8 percentage points to the headline figure. Contrastingly, all other retailer's category fell by 23.6% y/y, shaving off 3.2% from the total headline figure.

Monthly, retail sales lifted sharply by 6.9% from -2.4% in January resulting in the general consensus that retail sales are likely to contribute positively to the first quarter GDP. Notwithstanding this, whilst sales of durable goods usually signal economic recovery, in this case, things may be different as spending on durable goods is likely to be benefiting from retrenchment packages and other unemployment pay-outs, giving retailers a short-term boost. Furthermore, some experts see the double increase in fuel and electricity prices at the beginning of April as a possible constraint to consumer spending.

RETAIL & WHOLESALE SALES (Y/Y CHANGE)



Data source: Statistics South Africa

The country's wholesale trade registered a slight rebound in February 2021, with wholesale trade sales measuring at -3.9% y/y, up from -6.9% in January 2021. On the other hand, seasonally adjusted wholesale trade sales rose by 1.3% in of -0.9% in January 2021.

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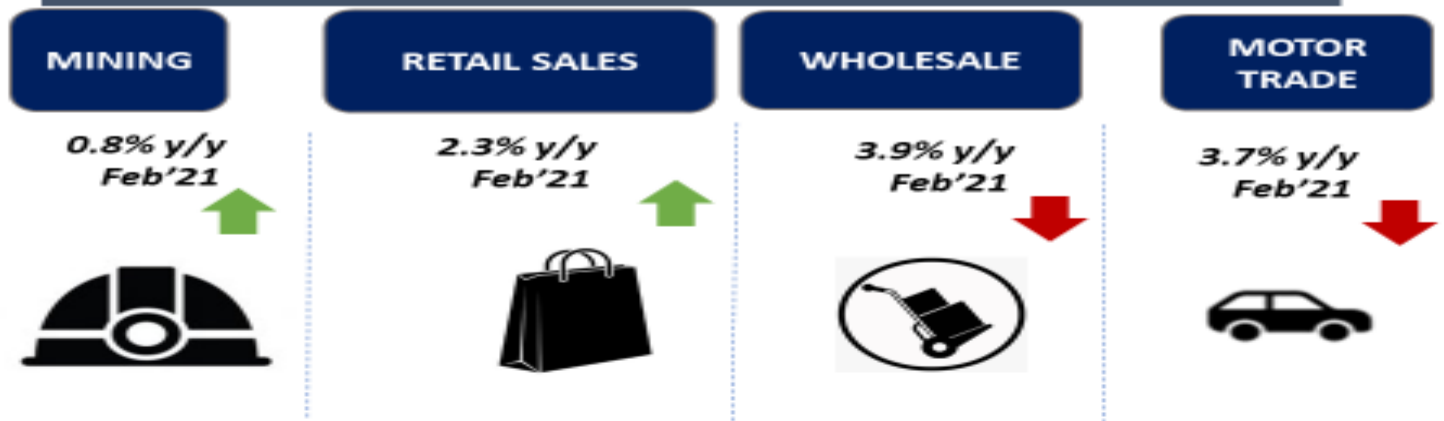


According to Statistics South Africa, motor trade sales (in current prices) plunged further by 3.7%/y in February, confirming the continued slowdown in motor trade since the beginning of the lockdown regulations in the country. The main contributors to the 12th consecutive slump were declines in fuel sales (-16.1%, subtracting 4.8 percentage points), workshop income (-11.5% shaving off 0.8 percentage points), and convenience store sales (-7.5% shaving off 0.3 percentage points). These highlight the current situation where travelling has been drastically reduced, subsequently resulting in reduced demand for fuel and any possible repair work on vehicles. Cushioning the fall, used motor vehicle sales - a category that thrives under sluggish economic conditions rose by 8.4% adding 1.6 percentage points to overall sales.

Seasonally adjusted monthly motor trade sales increased by 3.4% in February 2021 compared with January 2021. This followed month-on-month changes of -1.9% in January 2021 and 0.3% in December 2020.

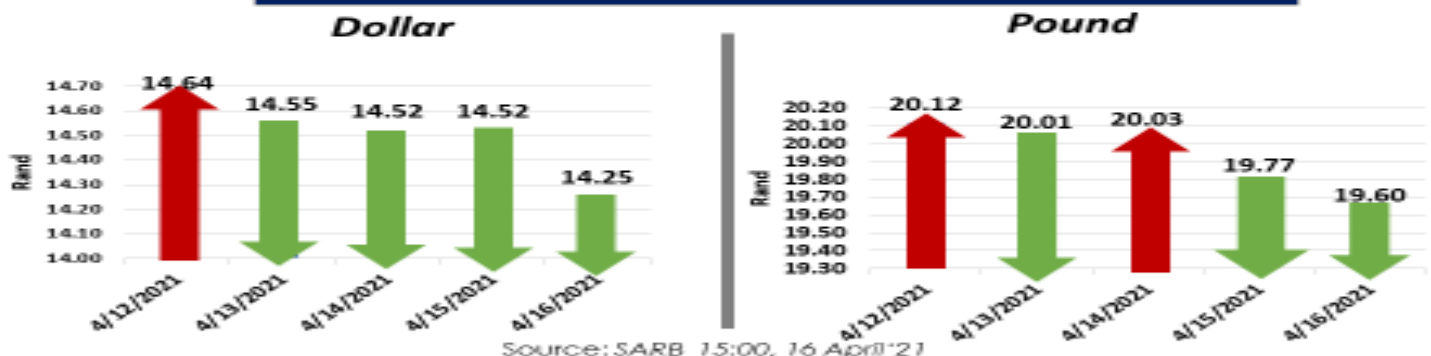
The passive motor trade sales are reflective of the currently subdued economic conditions in the wake of the COVID-19 pandemic hitting household spending as incomes dwindle.

INDICATORS: Week 12 – 16 April 2021



Source: Statistics South Africa

RAND/DOLLAR/POUND EXCHANGE RATE



Source: SARB 15:00, 16 April '21



Source: Trading Economic, 15:00, 16 April '21

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