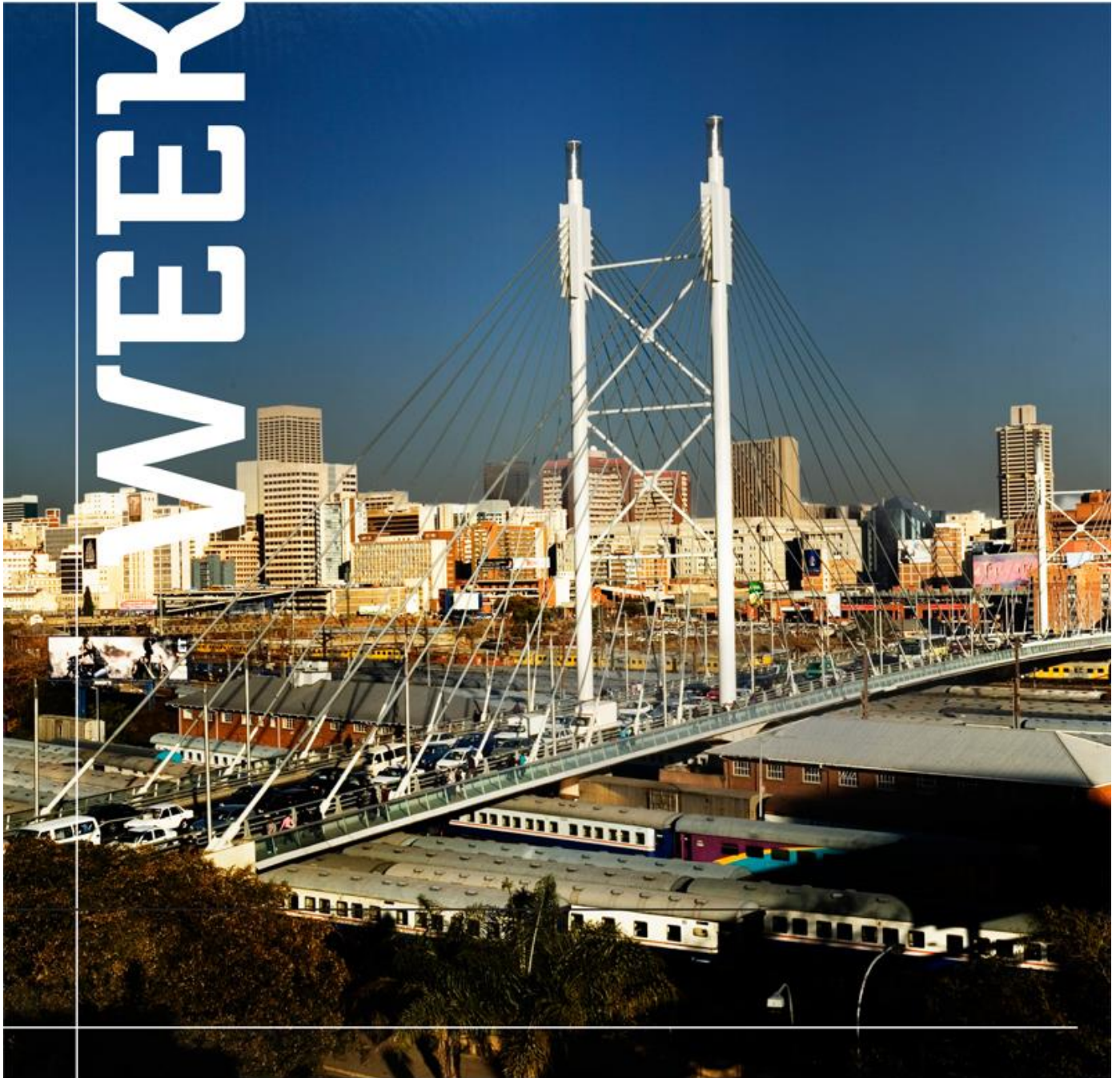


WEEKLY ECONOMIC INSIGHTS

WEEKLY



GAUTENG PROVINCE
ECONOMIC DEVELOPMENT
REPUBLIC OF SOUTH AFRICA

Growing Gauteng Together

WEEKLY ECONOMIC INSIGHTS

05 – 09 APRIL 2021

- **WEEKLY REVIEW**

- STRONG GLOBAL ECONOMIC RECOVERY FOR 2021
- SACCI BUSINESS CONSUMER INDEX (BCI) REMAINS STEADY BUT SEDATED
- *ELECTRICITY TARIFFS AND FUEL PRICE INCREASES DELIVER A BLOW TO CONSUMERS*
- MANUFACTURING SECTOR CONTINUES TO STRUGGLE

WEEKLY REVIEW



Globally, a significant number of countries and territories have administered doses of a Covid-19 vaccine, after more than a year since the first Covid-19 case was reported in China. Several different vaccines have been

developed at record speed, in large part due to years of research on related viruses and billions of rands in investment. With countries of the world intensifying their programmes in administering vaccination across the globe, strong recovery for the global economy is the forecast as the Covid-19 pandemic numbers are expected to decrease soon. The annual growth of South Africa is projected to improve during the year 2021 compared to contraction levels the country experienced in the previous year because of Covid-19 pandemic.

The Business Confidence Index (BCI) remained stubborn at 94.0% in March, having marginally dropped to 94.3% in February from 94.5% in January. Furthermore, South African consumers are experiencing a double-blow from the energy sector as electricity tariffs increased by 15.61% on the 1st of April 2021. Relatedly, motorists have been cautioned to brace themselves for a record-high increase in the price of fuel that will see them part with R17 for a litre of petrol. Manufacturing production decreased in February 2021 compared with February 2020 though motor vehicles, parts and accessories and other transport equipment made significant positive contribution to the total output.

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STRONGER GLOBAL ECONOMIC RECOVERY FOR 2021



The International Monetary Fund (IMF) in its the latest World Economic Outlook, is projecting a stronger recovery for the global economy in 2021 compared to its January forecast. According to IMF,

global growth is projected to be 6% in 2021 and 4.4% in 2022, after an estimated historic contraction of -3.3% in 2020. The upward revisions in global growth are attributed to a strong rebound to pre-COVID-19 GDP growth levels for advanced economies. In fact, the United States is expected to take the lead at 6.4% this year. Other advanced economies will reach pre-COVID levels in 2022. Among emerging markets and developing economies, China is projected to grow this year at 8.4%. While China's economy had already returned to pre-pandemic GDP in 2020, many other countries are not expected to do so until 2023.

For South Africa, annual growth is projected to be 3.1% in 2021 which is an improvement of 0.3 percentage points from the 2.8% January forecast. For 2022, South Africa's GDP growth is set to dip to 2%.

The IMF noted that divergent recovery paths among countries are likely to create wider gaps in living standards across countries compared to pre-pandemic expectations. The average annual loss in per capita GDP over 2020-24, relative to pre-pandemic forecasts, is projected to be 5.7% in low-income countries and 4.7% in emerging markets, while in advanced economies the losses are expected to be smaller at 2.3%.

Such losses are reversing gains in poverty reduction, with an additional 95 million people expected to have entered the ranks of the extreme poor in 2020 compared with pre-pandemic projections.

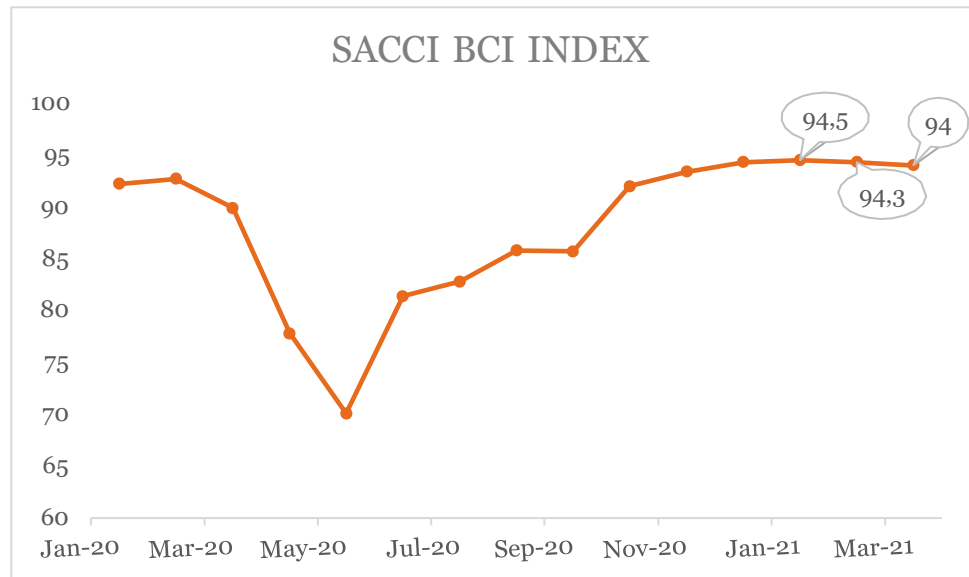
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SACCI BUSINESS CONSUMER INDEX (BCI) REMAINS STEADY BUT SEDATED

The momentum in recovery remains sedated as business conditions continue on a downward trajectory for the second month following consecutive monthly improvements in the last quarter of 2020. This is reflected in the Business Confidence Index (BCI) which marginally dropped to 94.0% in March, from 94.3% in February. The constrained business confidence is underpinned by the drop-in client demand, preceding the pent-up demand on the back of economic uncertainty afforded by the rise in the prospects of further lockdown in the offing of a third wave of infections.

Notwithstanding, the BCI index is 4.2 index points higher compared to the previous year, capturing the substantial improvements in the economic climate relative to the onset of the most stringent lockdown restrictions. Further on the upside, the average in the first quarter of 2021 measured 94.3% an increase of 1.2 index points relative to the average in previous quarter a suggesting that business output continued to expand in the first quarter of 2021.



Data source: Statistics South Africa

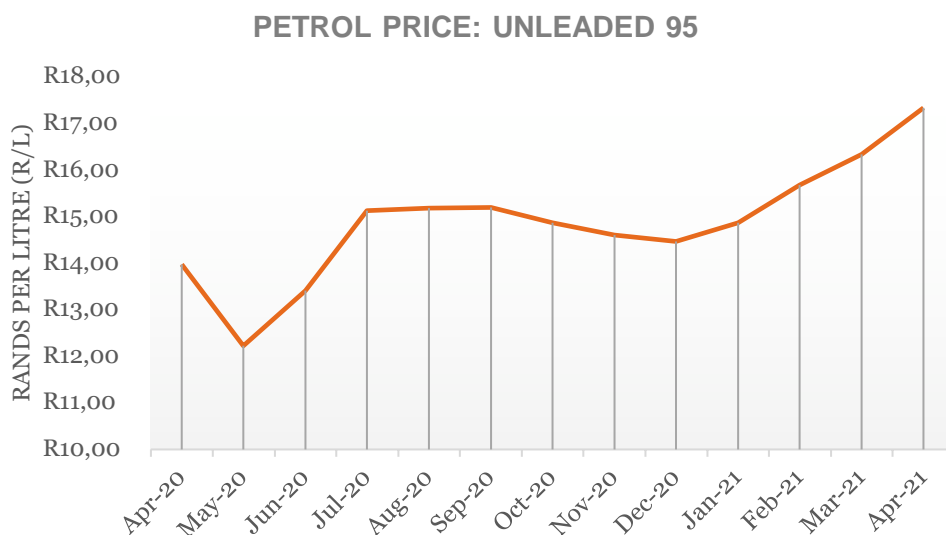
The positive reading in March 2021 is attributable to an increase in new vehicle sales largely supported by the vehicle exports, higher volumes in merchandise exports and low (core) inflation. Also adding to the boon, the stronger exchange rate, higher equity and improving global commodity prices contributed to the annual change.

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The positive but steady outlook on business conditions is supported by the successful continuations of the vaccination process which is expected to have a meaningful impact on reducing the risk of further restraint. However, the delays in the immunisation program together with the risk of further bouts of load shedding which have already been realised in the first quarter are likely to weigh down on the optimism.

NO REST FOR CONSUMERS AND INDUSTRY AS ENERGY PRICES RISE IN APRIL



Data Source: Automobile Association

Electricity tariffs increased by 15.06% in April 2021. The rise in electricity tariffs is expected to ease the financial burden on the embattled national power utility Eskom. Meanwhile, fuel prices increased to an all-time in on 8 April 2021. This was the fourth consecutive increase, owing to increases in the general fuel levy, road accident fund levy, and basic monthly adjustments caused by global fuel conditions.

The highest fuel increase was observed in the price of unleaded 95 petrol (+R1/l), followed by unleaded 93 petrol (+R0.95/l), diesel 0.05% (+R0.65/l), diesel 0.005% (+R0.63/l) and illuminating paraffin (R0.35/l). With the R1 increase per litre, unleaded 95 petrol, increased to R17.32 per litre on 7 April 2021. This marks the highest petrol price since the last peak of R 17.08 per litre in late 2018. The increase was attributed to rises in the general fuel levy (R0.16/l), Road accident fund levy (R0.11/l), and the wholesale fuel price (R0.63/l).

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Schedule of retail tariffs for customers from 1 April 2021 to 31 March 2022

Customer Category	Average Increase
Total Standard Tariffs	15,06%
Municipal - 1 July 2021	17,80%
Eskom Direct Customers	
Key Industrial & Urban : Megaflex, Miniflex, Nighsave Urban, WEPS, Megaflex Gen	
Other Tariff Charges	15,06%
Other Urban Business Rate, Public Lighting	15,06%
Affordability Subsidy	14,75%
Rural Ruralflex, Nighsave Rural, Landrate, Landlight, Homelight 20A	15,06%
Block 1 (0-350kWh)	15,06%
Block 2 (>350kWh)	15,06%
Homelight 60A	15,06%
Homepower	15,06%

Data source: National Energy Regulator of South Africa

Coupled with the 15.06% electricity tariff hike, the fuel price rise is expected to have adverse ripple effects throughout the value chain, with households that are already heavily indebted, bearing the brunt of the price increases. Moreover, households that received electricity from local municipalities are set to see a 17.8% electricity tariff hike in July 2021. Similarly, the upturn in fuel prices is likely to somewhat hamper downbeat industries that are fuel-intensive, such as courier services and public transportation.



Image Source: <https://images.app.goo.gl/QQRjduji2xFixW6NA>

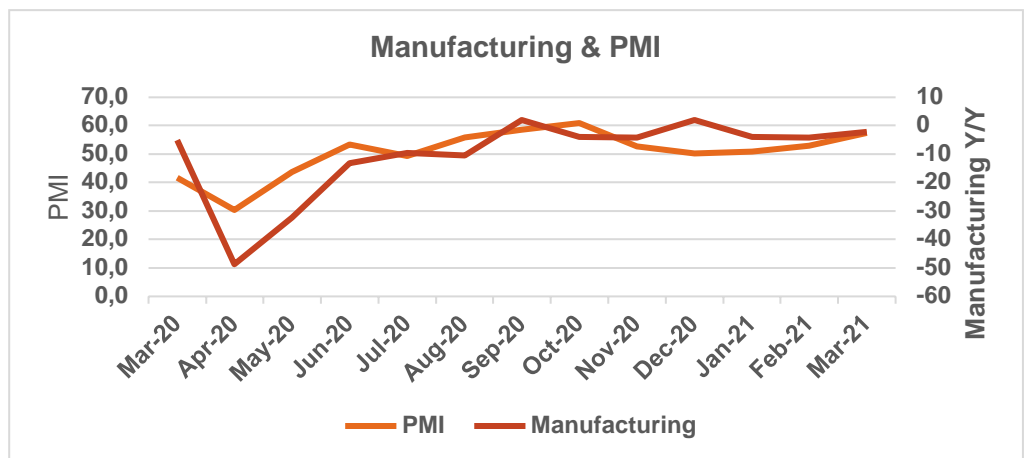
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MANUFACTURING SECTOR CONTINUES TO STRUGGLE

Stats SA has revealed that manufacturing continues to struggle to recover from the Covid-19 induced depression, as production slipped by -2.1% in February 2021. The main contributors to the decline were the export-oriented categories, petroleum, chemical products, rubber and plastic products basic iron and steel, non-ferrous metal products, metal products and machinery and furniture and other manufacturing, which decreased by -8.4%, -4.8% and -17% respectively. On the upside, the automotive sector increased production for the fourth straight month by 13.2% y/y.

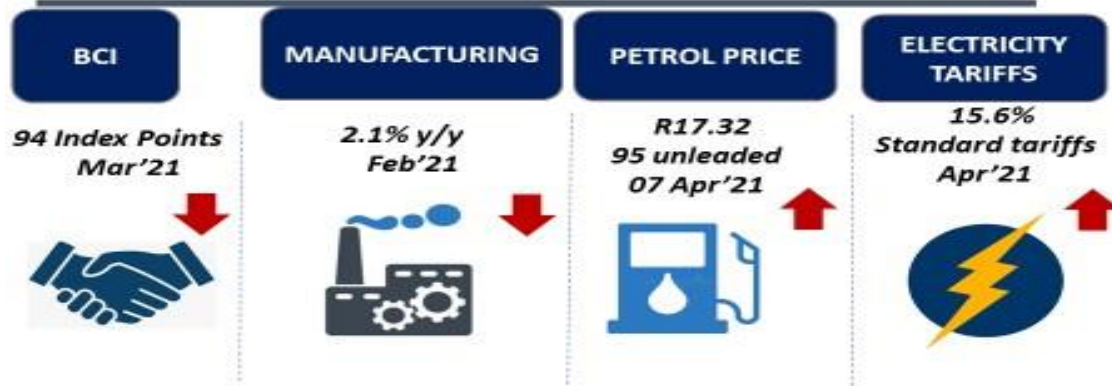
Similarly, seasonally adjusted manufacturing production dipped by 1.2% in February 2021 compared with the previous month. On the other hand, output expanded by a much softer 0.3% compared to the previous three months, with seven of the ten categories increasing. The largest positive contributor again being the automotive sector with an increase of 12.3% and 1pp. Meanwhile, the largest negative contribution came from petroleum, chemical products, rubber and plastic products.



Data source: Statistics South Africa

Notwithstanding, since the beginning of the Covid-19 pandemic, manufacturing production recorded positive only in December, thanks to the festive season, increased demand and eased lockdown restrictions. Furthermore, the February improvement was in line with the advanced indications provided by the Absa manufacturing PMI, which increased to 53 index points in February from 50.9 index points in January. However, an increase in the domestic environment will offer some support, although unreliable electricity supply and underlying structural constraints will continue to pose downside risks to the sector's recovery.

INDICATORS: Week 05 – 09 April 2021



Source: Statistics South Africa



Source: SARB & Trading Economics 15:00, 09 April'21



Source: Trading Economic, 15:00, 09 April'21

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