WEEKLY ECONOMIC INSIGHTS

GAUTENG PROVINCE
ECONOMIC DEVELOPMENT
REPUBLIC OF SOUTH AFRICA

Growing Gauteng Together

WEEKLY ECONOMIC INSIGHTS

07 – 11 MARCH 2022

- ***GLOBAL TRADE CONDITIONS DAMPENED BY RISING ENERGY COSTS***
- SA ECONOMY REBOUNDS BY 1.2% IN Q4:2021
- MANUFACTURING PRODUCTION REBOUNDS IN JANUARY 2022
- MINING IMPROVES INTO THE NEW YEAR
- MEASURE OF SUBJECTIVE POVERTY HIGHER IN RURAL, BLACK-HEADED HOUSEHOLDS

WEEKLY REVIEW

Global trade conditions have been hard-hit by rising energy costs and ongoing supply disruptions. The U.S. and UK trade deficits widened further in January 2022 as imports grew faster than exports. Meanwhile, trade conditions in the global export powerhouse – China – improved further in the first two months of the year, highlighting China's pivotal role in global trade.

Domestically, fourth quarter Gross Domestic Product (GDP) data showed an improvement in economic conditions in the fourth quarter of 2021 (up 1.2%) and for the year 2021 (up 4.9%). Annual growth was supported by improvements in output across all sectors, except for Construction. Meanwhile, both mining and manufacturing production registered improvements in January 2021.

GLOBAL TRADE CONDITIONS DAMPENED BY RISING ENERGY COSTS

Global trade kicked off the new year on a slightly weaker footing, as soaring energy cost coupled with ongoing supply disruptions complicated trade flows and demand.

In the U.S., the trade deficit widened to a record high of $89.7 billion in January 2022, coming in above market expectations of an $87.1 billion deficit. This was fuelled by a significant increase ($1.7 billion) in merchandise imports following increased imports of vehicles, oil and gas as well as food and capital goods. Meanwhile, U.S. exports slipped by 1.7% to $224.4 billion led by a decline in the import of pharmaceutical products.

GAUTENG PROVINCE
ECONOMIC DEVELOPMENT
REPUBLIC OF SOUTH AFRICA

[1] Compiled by the Economic Planning Branch (Enquiries: Rebaone.Mokgotla@gauteng.gov.za)

HIGHLIGHTS

- ***GLOBAL TRADE CONDITIONS DAMPENED BY RISING ENERGY COSTS***
- SA ECONOMY REBOUNDS BY 1.2% IN Q4:2021
- MANUFACTURING PRODUCTION REBOUNDS IN JANUARY 2022
- MINING IMPROVES INTO THE NEW YEAR
- MEASURE OF SUBJECTIVE POVERTY HIGHER IN RURAL, BLACK-HEADED HOUSEHOLDS

Similarly, the UK trade deficit increased to £16.1 billion in January 2022, from just £2.3 billion in the December 2021. Merchandise exports plunged by 8.3% while imports registered 16% higher at £66.9 billion.

Despite the drastic shift in export conditions across several major economies at the start of 2022, China continued to uphold its export powerhouse status. Exports from China extended their double-digit growth, increasing by 16.3% in January and February 2022 compared to a year earlier. Meanwhile, imports increased slightly softer by 15.5%.

The much higher energy costs have undoubtably translated in shocks to export trends across several economies. Global supply chain interdependencies and reliance on oil inputs will likely continue to weigh on productive capacities as well as output and push up associated costs of production. Should energy prices remain elevated, which is likely until Russia-Ukraine war is resolved, global manufacturing will likely take a knock in coming months, which could in turn negatively affect global merchandise trade flows.

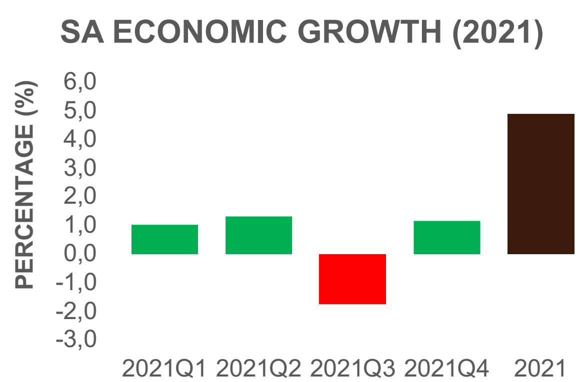
HIGHLIGHTS

- GLOBAL TRADE CONDITIONS DAMPENED BY RISING ENERGY COSTS
- ***SA ECONOMY REBOUNDS BY 1.2% IN Q4:2021***
- MANUFACTURING PRODUCTION REBOUNDS IN JANUARY 2022
- MINING IMPROVES INTO THE NEW YEAR
- MEASURE OF SUBJECTIVE POVERTY HIGHER IN RURAL, BLACK-HEADED HOUSEHOLDS

SA ECONOMY REBOUNDS BY 1.2% IN Q4:2021

The South African economy rebounded by 1.2% quarter-on-quarter in the fourth quarter of 2021, up from a revised -1.7% decline in the previous quarter (Q3:2021). The quarterly reading resulted in an aggregate annual growth rate of 4.9% (y/y) for 2021. The latest figures indicate that the domestic economy is recalibrating to its pre-COVID level.

The upturn in quarterly growth was attributable to increased activity in agriculture (12.2%), trade (2.9%), manufacturing (2.9%), households (2.7%), and transport (2.2%). It is noteworthy that eight (8) of the ten (10) manufacturing divisions improved on the back of the petrol price hike and festive season bump. On the other hand, the utilities sector registered the highest contraction of -3.4% owing to the resurgence of load shedding during the period. The decline in utilities production volumes may have somewhat weakened the rate of recovery following the triple-crisis (COVID-19 third wave, July unrest and Transnet port cyber-attack) of the third quarter as well as explain significant declines in trade and manufacturing inventories in the last quarter of 2021.



Data source: Statistics South Africa

The 4.9% annual growth rate was credited to broad-based sectoral growth, excluding the construction sector which contracted by 1.9% in 2021. The increase in mining (11.8%) and manufacturing (6.6%) activity during the year was propelled by the global economic recovery, particularly the commodity price rally and pent-up demand following the great lockdown of 2020. Meanwhile, the decline in construction activity was anticipated given condition pre-COVID and the demand-shift for commercial property induced by pandemic related behavioural changes.

The domestic economy is likely to reach pre-pandemic level in 2022 but this could be hampered by extended geopolitical tensions in Russia and Ukraine and domestic structural impediments.

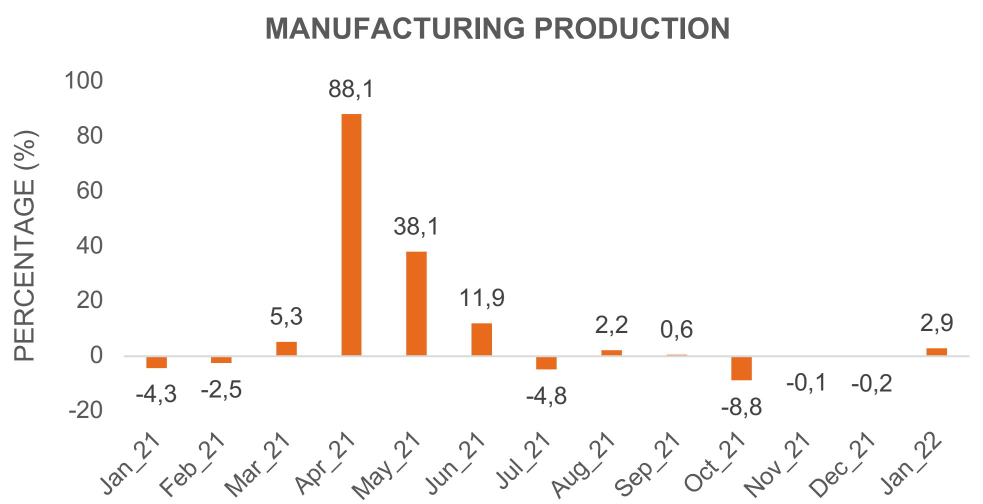
HIGHLIGHTS

- GLOBAL TRADE CONDITIONS DAMPENED BY RISING ENERGY COSTS
- SA ECONOMY REBOUNDS BY 1.2% IN Q4:2021
- ***MANUFACTURING PRODUCTION REBOUNDS IN JANUARY 2022***
- MINING IMPROVES INTO THE NEW YEAR
- MEASURE OF SUBJECTIVE POVERTY HIGHER IN RURAL, BLACK-HEADED HOUSEHOLDS

MANUFACTURING PRODUCTION REBOUNDS IN JANUARY 2022

According to Statistics South Africa, domestic manufacturing production increased for the first time in three months in January 2022. Production increased by 2.9% year-on-year (y/y) following a 0.2% decline in December 2021. The increase in the manufacturing output was in line with economist's expectations and is a positive sign for the sectors recovery as it has struggled to recover from the effects of the July 2021 unrest.

The annual growth was driven by improvements in food and beverages (11.5%); wood and wood products, paper, publishing and printing (6.8%); and basic iron and steel, non-ferrous metal products, metal products and machinery (3.2%).



Data source: Statistics South Africa

Meanwhile, manufacturing sales increased by 14.4% in January 2022 and seasonally adjusted manufacturing sales also edged higher, increasing by 4.7% in the same period.

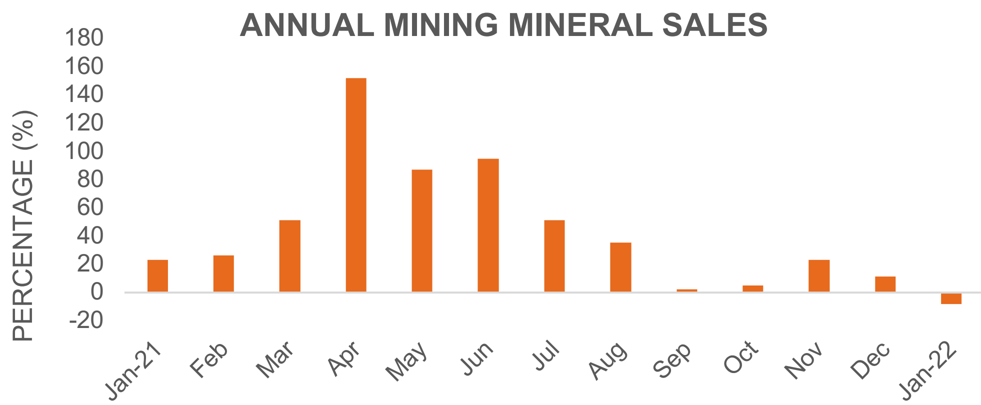
Economists believe the current manufacturing production and sales growth rates are an encouraging start to the new year (2022) as several factories resume operations after the annual shutdown in December. However, Russia's invasion of Ukraine could negatively affect input material (especially oil) prices which could weigh on production. This, coupled with the rising electricity costs, unreliable power supply patterns and the NUMSA strike against companies that refuse to implement the wage agreement, will all likely dampen prospects for the sector in the short to medium term.

HIGHLIGHTS

- GLOBAL TRADE CONDITIONS DAMPENED BY RISING ENERGY COSTS
- SA ECONOMY REBOUNDS BY 1.2% IN Q4:2021
- MANUFACTURING PRODUCTION REBOUNDS IN JANUARY 2022
- ***MINING IMPROVES INTO THE NEW YEAR***
- MEASURE OF SUBJECTIVE POVERTY HIGHER IN RURAL, BLACK-HEADED HOUSEHOLDS

MINING ACTIVITY IMPOVES INTO THE NEW YEAR

Mining production increased by 0.1% y/y from a contraction of -1.0% in December 2021. The marginal growth was attributable to manganese ore (19.6%, contributing 1.9 percentage points); gold (7.0%, contributing 0.8 of a percentage point); and diamonds (16.3%, contributing 0.8 of a percentage point). Meanwhile, weighing on the growth was iron ore (-13.4%, contributing -1.5 percentage points). Monthly, production rebounded to 5.4% following a decline of 5.5% in December 2021, this was chiefly due to seasonal factors as production resumed after December closures.



Data Source: Statistics South Africa

On the other hand, mineral sales plummeted by -8.2% y/y from an 11.5% increase in December 2021. The largest negative contributors were gold (-48.4%, contributing -10,0 percentage points), driven by a fall in gold prices at the start of the year as investors reduced their exposure in light of the rate hikes in the US. Dragging sales down further were Platinum Group Metals (PGMs) (-15.1%, contributing -5,3 percentage points); and iron ore (-27.0%, contributing -4.5 percentage points). Iron ore prices continued to tumble as China placed a cap on steel production in an effort to reduce carbon emissions. Steel making is highly emission intensive and iron ore is a key input to steel production.

Mineral sales are expected to increase as the industry benefits from the elevated mineral prices – palladium in particular – amid the Russian and Ukrainian war. Additionally, the demand for other minerals, such as gold, is expected to increase as investors search for safer investments. As such, mining is expected to continue driving the domestic economic recovery in the first half of 2022. However, the risks associated with ongoing load shedding, plus the higher electricity costs will likely restrict the sector from taking full advantage of the current market trends.

HIGHLIGHTS

- GLOBAL TRADE CONDITIONS DAMPENED BY RISING ENERGY COSTS
- SA ECONOMY REBOUNDS BY 1.2% IN Q4:2021
- MANUFACTURING PRODUCTION REBOUNDS IN JANUARY 2022
- MINING IMPROVES INTO THE NEW YEAR
- ***MEASURE OF SUBJECTIVE POVERTY HIGHER IN RURAL, BLACK-HEADED HOUSEHOLDS***

MEASURE OF SUBJECTIVE POVERTY HIGHER IN RURAL BLACK-HEADED HOUSEHOLDS

According to the Statistics South Africa report of *Subjective Poverty in South Africa: Findings from General Household Survey 2019,* South Africa continues to grapple with widespread poverty. The report used a subjective measure of poverty as some researchers find that individuals themselves are the best judge of their own welfare status as opposed to objective measures. Specifically, welfare is measured through three questions namely: Self-Perceived Wealth Question (SPWQ); Income Evaluation Question (IEQ) and the Minimum Income Question (MIQ).

The SPWQ measures how well-off a household perceives itself to be. This measure recorded the least incidence of poverty of the three indicators, with 26.3% of households perceiving themselves as poor. The MIQ, which measures the minimum monthly income a household believes it needs to make ends meet and reported the second highest incidence of poverty yielded the highest subjective poverty rate with more than half of South African households (57.0%) being classified as poor. The IEQ measures the extent to which household incomes deviate from the minimum incomes identified in the MIQ. On this measure, 46.7% of households were identified as living in poverty.

According to the MIQ measure, subjective poverty was most predominant in the Free State (65.7%) and North West (64.7%), followed by Gauteng (60.9%). Poverty estimates according to the IEQ showed that Mpumalanga had the highest incidence of poor households (63.9%), with Gauteng registering fifth highest (47.7%). In terms of the SPWQ indicator Limpopo registered the highest incident level (42.9%) while Gauteng came in below the national average at 21.1%. Black-headed households had the highest level of subjective poverty for the SPWQ and IEQ indicators while white-headed households had the highest levels for the MIQ indicator. The subjective poverty indicator and settlement type shows that there were higher poverty rates in rural areas. However, it is clear the three main economic hubs in South Africa (Gauteng, KZN and the Western Cape), recorded on average the lowest levels of self-perceived poverty of all the provinces in South Africa.

INDICATORS: *Week 07 – 11 March 2022*

Q4:2021

GDP **1.2**

% change (q/q)

JANUARY'22

MINING **0.1**

% change (y/y)

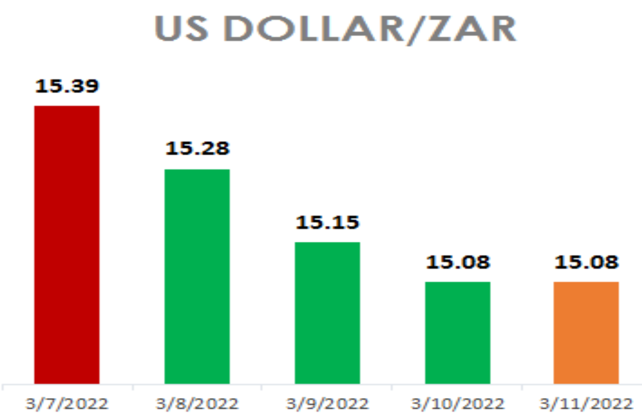
JANUARY'22

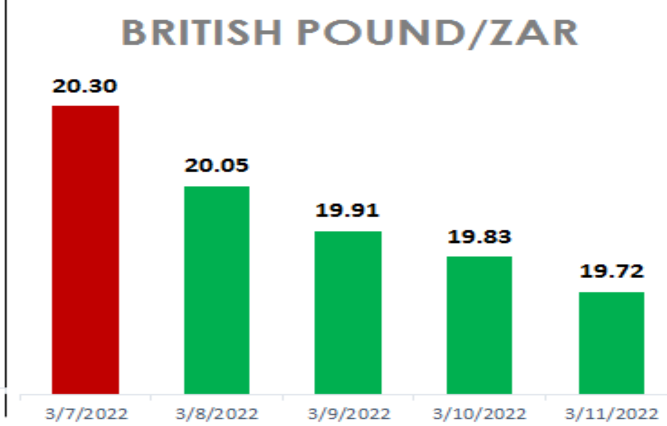
MANUFACTURING **2.9**

% change (y/y)

Data Source: Statistics South Africa

EXCHANGE RATES





Data Source: SARB 15:00, 11 Mar 2022

COMMODITIES

	BRENT CRUDE OIL *Per barrel*	**GOLD** *Per fine ounce*	**PLATINUM** *Per fine ounce*
04 Mar 2022	$113.60	$1 945.95	$1 087.30
11 Mar 2022	$110.30	$1 978	$1 068
	Decline	**Decline**	**Decline**

Data Source: Trading Economics 15:00, 11 Mar 2022

Chief Content Editor: Bokang Vumbukani-Lepolesa & Motlatjo Moholwa

Content Editor: Motshidisi Mokoena

Contributors:

Sechaba Tebakang, Mmalehlohonolo Sekoaila, Makhanana Malungane, Khanya Fakude, Rendani Siwada.