

WEEKLY ECONOMIC INSIGHTS

WEEKLY



GAUTENG PROVINCE
ECONOMIC DEVELOPMENT
REPUBLIC OF SOUTH AFRICA

Growing Gauteng Together

WEEKLY ECONOMIC INSIGHTS

19 – 23 APRIL 2021

HIGHLIGHTS

- **FEWER LAYOFFS LEAD TO UNEMPLOYMENT DIPS IN THE US AND UK**
- COVID-19 SECOND WAVE HITS INDIA, DENTS FUEL DEMAND
- SUB-SAHARAN AFRICA EXPECTED TO RECORD LOWEST GROWTH IN 2021
- CPI EDGES BACK INTO SARB TARGET RANGE IN MARCH
- FOOD AND BEVERAGE ACTIVITY DECLINES
- FREIGHT AND PASSENGER TRANSPORT SLUMP CONTINUES IN MARCH

WEEKLY HIGHLIGHTS

Economic releases for the week ending 23 April 2021, indicate a fragmented recovery globally dictated by further outbreaks, the progress of mass vaccination rollouts and the lag effects of government interventions initiated at the beginning of the pandemic. On the upside, furlough payments abated unemployment in the US and UK. Meanwhile, Covid-19 surge in India drove down global oil prices, painting a bleak outlook on energy demand. In Africa, IMF estimates indicate Sub-Saharan Africa will register the lowest growth rate for 2021 due to sparse vaccination rollouts owing to the region's debt ledger. Moving home, cyclone Eloise induced food inflation echoed the relevance of climate change despite the ongoing pandemic. Meanwhile, food and beverage figures showed that households continue to prefer to stay home and order takeaways rather than going out to public spaces like restaurant and coffee shops, likely inferring permanent behavioural changes among consumers. Similarly, probable permanent behavioural patterns were also observed in the land transport survey that recorded 14 consecutive freight transportation income contractions on the back of weakened economic activity in February 2021.

FEWER LAYOFFS LEAD TO UNEMPLOYMENT DIPS IN THE US AND UK

British unemployment dropped to 4.9% during the three months ending February 2021, down from 5% for January 2021. The latest tally registered above analysts' poll of 5.1% anticipated being triggered by the country's 3rd lockdown. The UK Office of National Statistics observed a 56 000 decline in payroll figures, indicating that layoffs have continued despite improvement in unemployment figures. Analysts credit the offset in the rise of laid-off workers to

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furlough (social transfer) payments that likely induced the 80 000 increase in the number of economically inactive people during the same period.



Image Source: <https://images.app.goo.gl/viuCKkjudfft3c83A>

American unemployment claims contracted in the week ending 17 April 2021 - recording the lowest number of claims in 12 (twelve) months. Sitting at 547 000, the US recorded 39 000 fewer employment claims than the same time last year. Similar to British figures, the downturn in unemployment was attributed to fewer layoffs and lag effects of government response to unemployment.

COVID-19 SECOND WAVE HITS INDIA , DENTS FUEL DEMAND

On 22 April 2021, India recorded 332 921 Covid-19 cases as the second wave wreaked havoc since mid-March 2021. Covid-19 implications have been widespread within the economy owing to inadequate healthcare and low economic activity which have filtered into the oil market. Oil prices fell for the second consecutive day on 21 April 2021 due to fears that India's outbreak, which is the third-largest oil importer in the world, could incite lower aggregate demand.

SUB-SAHARAN AFRICA EXPECTED TO RECORD LOWEST GROWTH IN 2021

The International Monetary Fund (IMF) expect Sub-Saharan Africa to grow by 3.4% in 2021, 2.6% below the 6% global outlook. The subdued estimate, relative to other growth rates, is credited to sparse vaccination rollout owing to debt which constrains policy response to revive the economies in the region. The anticipated growth will stem from higher trade activity and the commodity supercycle, however, could be dampened by political unrest and volatile weather conditions during the period. Interestingly, the largest contributions will be expected from Kenya (7.6%), Botswana (7.5%) and Niger (6.9%).

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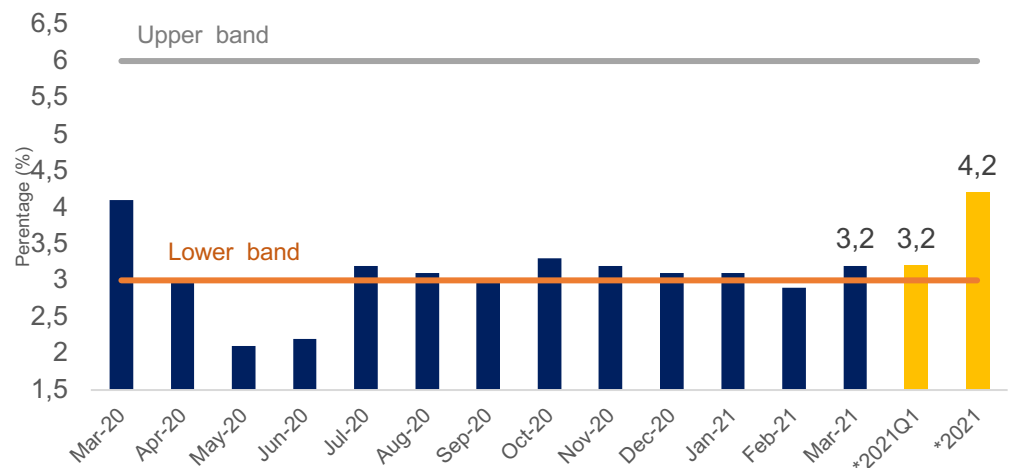
CPI EDGES BACK INTO SARB TARGET RANGE IN MARCH

The headline inflation rate measured at 3.2% y/y in March 2021, edging back into the South African Reserve Bank (SARB) target range [of 3% - 6%]. This brings the quarterly average to 3.1%, moderately short of the SARB's quarterly estimate of 3.2%. Meanwhile, monthly inflation was bolstered by the fuel increase at 0.7% for March 2021.

As expected, the annual increase in consumer prices was attributable to increases in the transport category (3.8%), on the back of higher fuel prices at the beginning of March, which accelerated fuel inflation by 2.3% following consecutive decelerations. Similarly, food and beverages prices increased by 5.7% owing to rises in; oil and & fats (13.4%); bread and cereals (4.9%); milk (7.2%); and vegetables (3.4%). The upturn in vegetable prices is likely credited to unfavourable weather conditions brought by cyclone Eloise.

In terms of accommodation, housing and utility prices increased by 2.2% whilst Miscellaneous goods and services increased by 4%. Divergently, a counter-response, albeit minimal, of lower prices among numerous hotel groups to stimulate domestic demand, likely resulted in the -1.4% weakening observed in the hotel subcategory.

ANNUAL CONSUMER PRICE INFLATION



Data Source: Statistics South Africa * SARB forecast

The rise in the inflation rate is aligned with the SARB's outlook of higher inflation throughout the year (4.2%). In the next print (April 2021) we are likely to see price rises that echo the exorbitant fuel prices imposed on 8 April 2021. Notwithstanding anticipated cost-push factors, inflation is expected to remain firmly inside the SARB target of 3% - 6%.




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FOOD AND BEVERAGE ACTIVITY DECLINES IN FEBRUARY

As per Statistics South Africa's release of 19 April 2021, the total income generated by the food and beverages industry in South Africa decreased - 24.6% year-on-year in February 2021. The decrease in income was led by declines in restaurants and coffee shops (-32.4%); and catering services sales (-50.3%).

Y/Y PERCENTAGE CHANGE IN FOOD AND BEVERAGES INCOMES BY ENTERPRISE TYPE: CONSTANT PRICES 2015

	 Restaurants & Coffee Shops	 Take-Aways & Fast-foot outlets	 Catering Services
Sep-20	-55.6	-5.4	-54
Oct-20	-50.3	9.3	-50.4
Nov-20	-27.1	-15.5	-48.6
Dec-20	-34.5	-11.5	-43.6
Jan-21	-50.6	-12.5	-45.9
Feb-21	-32.4	0.1	-50.3

Data Source: Statistics South Africa

Despite contractions in the demand for restaurants, coffee shops, and catering services, takeaway and fast food outlets sales moderately increased by 0.1% likely indicating that consumers are still not willing to eat out and would rather order takeaways, which are generally also delivered. These changes may be due to that consumers are still under financial pressure caused by the COVID-19 and fear of contracting the virus following the second outbreak. On a month-on-month basis, food and beverages income showed a growth of 25.3% in February 2021.

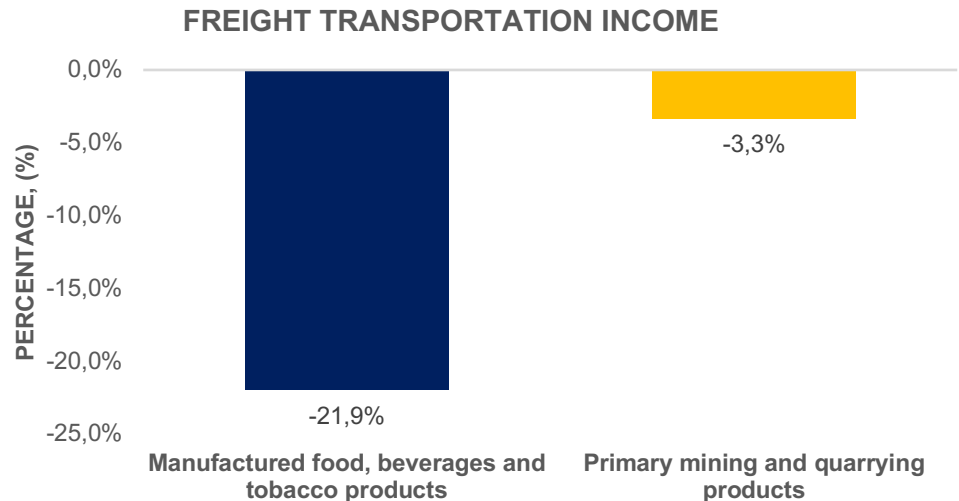
The outlook for the food and beverages sector is likely to show fragmented signs of recovery in favour of takeaways and fast food outlets however mass vaccination, resulting in consumers eating out more often, could result in a more broad-based rebound for the sector. In addition, rising food prices particularly could further curb growth in the sector.

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FREIGHT AND PASSENGER TRANSPORT SLUMP CONTINUES IN MARCH

The land transport survey published by Statistics South Africa on 19 April 2021 portrayed the effects of the pandemic on the transport sector. The survey shows that transported payload volumes decreased by 6.4% in February 2021 compared with February 2020 leading to a corresponding income decline of 4.7%. Freight transportation income decreased for the 14th consecutive month in February 2021.



Data Source: Statistics South Africa

Likewise, freight transport income contracted by 5.4% y/y in the three months ending February 2021. The main negative contributors to this decline were manufactured food, beverages and tobacco products (-21.9%), primary mining and quarrying products recording a negative (-3.3%). Meanwhile, passenger journeys and income plummeted by 52.1% and 36.4% respectively over the same period.

Similarly, income generated through the transportation of manufactured food, beverages and tobacco products contracted by -21.9% in February 2021. The interplay between the food and beverage final output and freight figures highlight the severity of value chain implications induced by the outbreak.

The outlook for the South African transport sector remains bleak as industry giants such as Greyhound exit the scene given the unprecedented fuel price hike earlier in the month and weaker demand on the back of preventative restrictive measures.

INDICATORS: Week 19 – 23 April 2021

CONSUMER INFLATION

3.2% y/y
Mar'21



FOOD & BEVERAGES

24.6% y/y
Feb'21



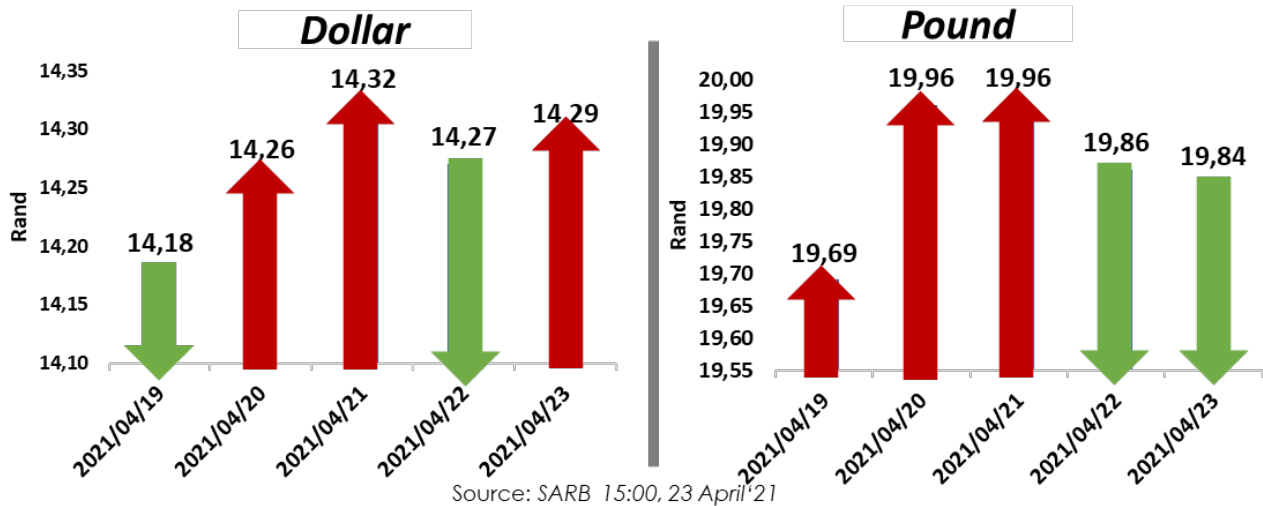
TRANSPORT SURVEY

6.4% y/y
Feb'21

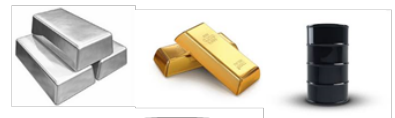


Source: Statistics South Africa

RAND/DOLLAR/POUND EXCHANGE RATE



COMMODITIES



BRENT CRUDE OIL PER BARREL

\$66.97
16 Apr '21



\$ 65.60
23 Apr'21

GOLD PER OUNCE

\$ 1787.40
23 Apr'21



\$1774.08
16 Apr'21

PLATINUM PER OUNCE

\$ 1216.59
23 Apr'21



\$1192.35
16 Apr'21

Source: Trading Economic, 13:00, 23 April'21

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