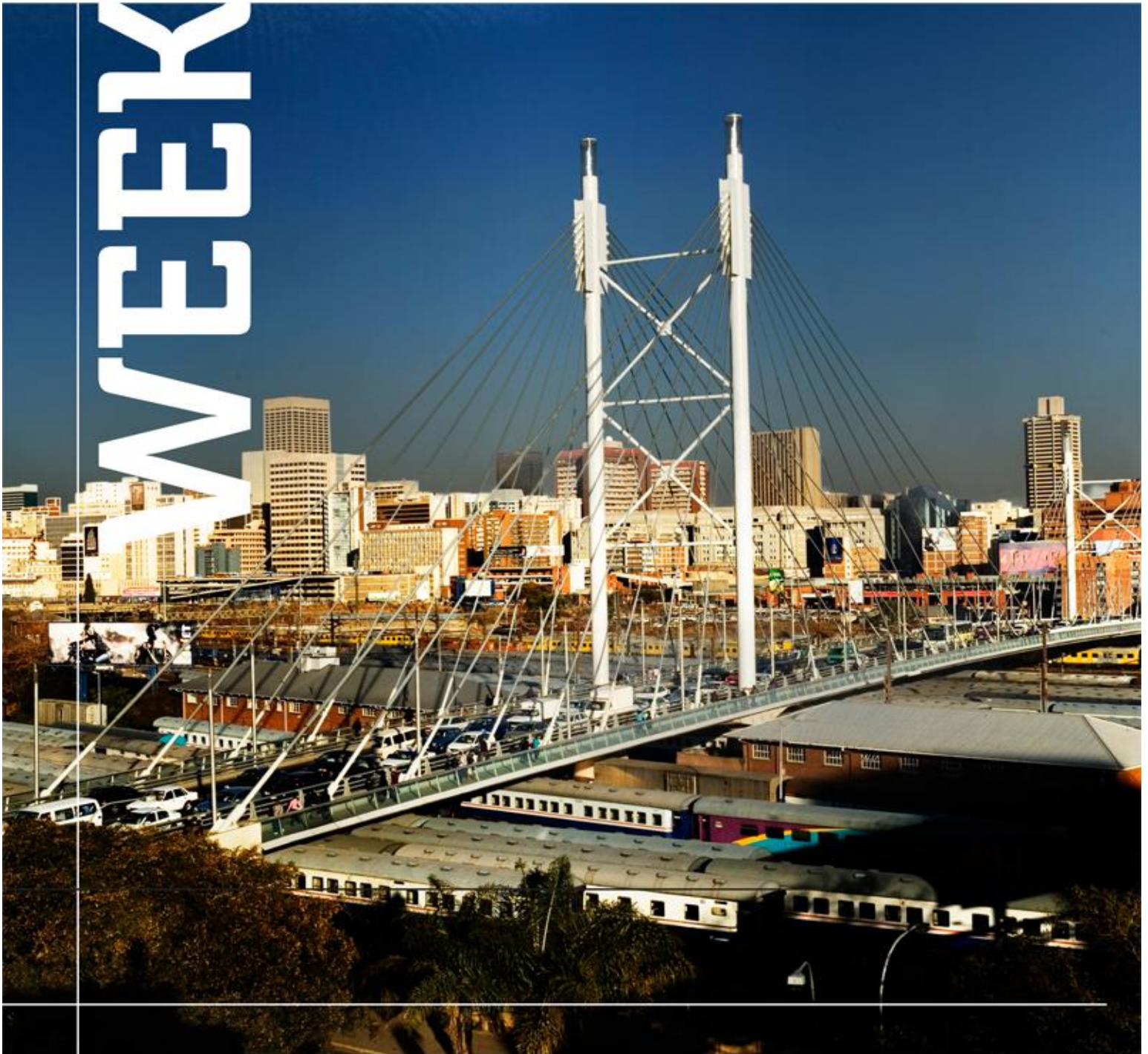


WEEKLY ECONOMIC INSIGHTS

WEEKLY



GAUTENG PROVINCE
ECONOMIC DEVELOPMENT
REPUBLIC OF SOUTH AFRICA

Growing Gauteng Together

WEEKLY ECONOMIC INSIGHTS

07 - 11 FEBRUARY 2022

HIGHLIGHTS

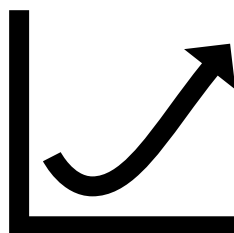
- **BRITISH ECONOMY EXPANDS BY 1% IN 2021Q4**
- US RECORDS LARGEST TRADE DEFICIT IN DECEMBER
- SONA ANNOUNCES PRESIDENTIAL YOUTH EMPLOYMENT INTERVENTION
- BUSINESS CONFIDENCE REMAINS RESILIENT
- MINING PRODUCTION CONTRACTS IN DECEMBER
- MANUFACTURING PRODUCTION LIKELY TO BOOST 2021Q4 GDP
- ELECTRICITY GENERATED AND AVAILABLE DECLINES IN DECEMBER

WEEKLY HIGHLIGHTS

The past week's domestic economic releases highlighted the fact that a more stable and growing post-COVID-19 economy is on the horizon. Manufacturing activity bounced back in 2021 following a massive dip owing to the COVID-19 pandemic in 2020. Business confidence remains resilient despite tough economic conditions. Meanwhile, electricity and mining production volumes declined in November and December 2021.

Moving abroad, British economic activity expanded in 2021 despite the Omicron outbreak and the U.S. recorded the largest trade deficit in history in December 2021.

BRITISH ECONOMY EXPANDED BY 1% IN 2021Q4



The British economy expanded by 1% (quarter-on-quarter) in the fourth quarter of 2021. The stronger quarterly performance was supported by higher human and social work activities following the Omicron outbreak. Meanwhile, economic activity recovered to 7.5% in 2021, following a 9.4% contraction in 2020. Growth prospects for the UK

economy remain mostly muted for 2022 and will likely be sustained by an overall improvement sentiments and more favourable global conditions.

The latest British economic growth figures indicate that the global economy is normalising with COVID outbreaks having a more limited impact on economic activity.

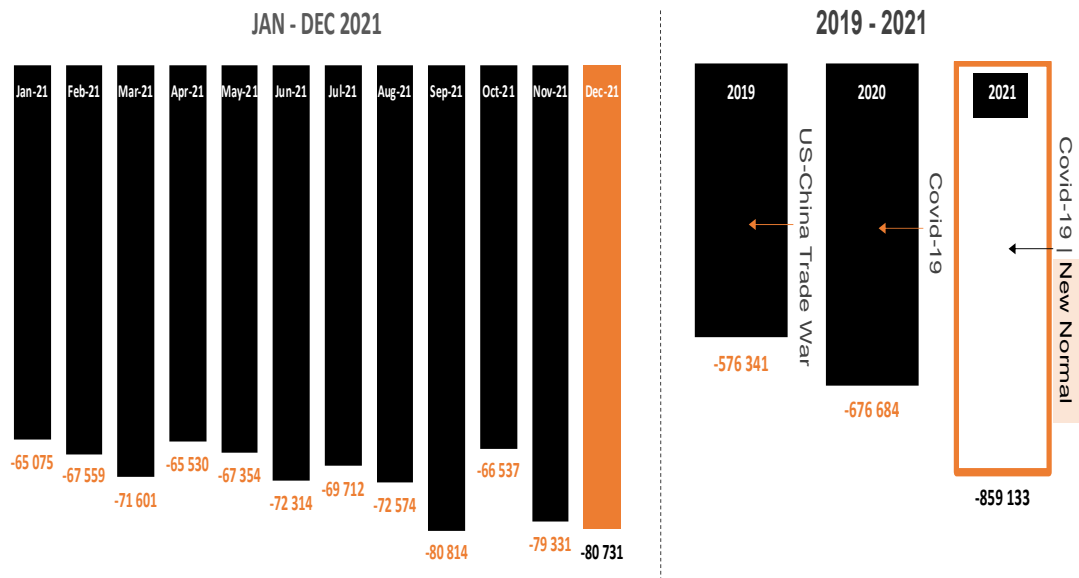
HIGHLIGHTS

- BRITISH ECONOMY EXPANDS BY 1% IN 2021Q4
- **US RECORDS LARGEST TRADE DEFICIT IN DECEMBER**
- SONA ANNOUNCES PRESIDENTIAL YOUTH EMPLOYMENT INTERVENTION
- BUSINESS CONFIDENCE REMAINS RESILIENT
- MINING PRODUCTION CONTRACTS IN DECEMBER
- MANUFACTURING PRODUCTION LIKELY TO BOOST 2021Q4 GDP
- ELECTRICITY GENERATED AND AVAILABLE DECLINES IN DECEMBER

US RECORDS LARGEST TRADE DEFICIT IN DECEMBER

The U.S. trade balance registered at a \$80.7 billion deficit in December 2021, up from a deficit of \$79.3 billion in November 2021. The December reading marks the largest deficit in US history. On a month-on-month basis, imports (\$4.8 billion) rose faster than exports (\$3.4 billion) to tally at \$308.9 billion and \$228.1 billion, respectively. For the calendar year (2021), the cumulative trade deficit registered at \$859.1 billion deeper than the reading in 2020 - during the height of the COVID-19 outbreak and 2019- amidst the US-China trade war.

US TRADE BALANCE



Data Source: US Census Bureau

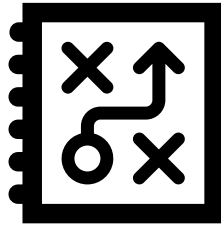
The December reading decreases the possibility of a U.S. trade surplus in the medium term, particularly as much of the increase in imports was spurred by domestic demand for cheaper alternatives sourced outside the U.S. However, depressed U.S. domestic demand could trigger firms to introduce new industries that service the new international and domestic demand mega trends which could further support recovery of the country's trade balance.

Notwithstanding, the increase in the U.S. trade deficit indicates a structural shift in global trade patterns. This change could present an opportunity for countries previously unable to penetrate highly concentrated global product markets to enter these value chains.

HIGHLIGHTS

- BRITISH ECONOMY EXPANDS BY 1% IN 2021Q4
- US RECORDS LARGEST TRADE DEFICIT IN DECEMBER
- **SONA ANNOUNCES PRESIDENTIAL YOUTH EMPLOYMENT INTERVENTION**
- BUSINESS CONFIDENCE REMAINS RESILIENT
- MINING PRODUCTION CONTRACTS IN DECEMBER
- MANUFACTURING PRODUCTION LIKELY TO BOOST 2021Q4 GDP
- ELECTRICITY GENERATED AND AVAILABLE DECLINES IN DECEMBER

PRESIDENTIAL YOUTH EMPLOYMENT INTERVENTION ANNOUNCED IN 2022 SONA



On 10 February 2022, President Cyril Ramaphosa presented the State of the Nation Address (SONA). This year's address was forward-looking and emphasised the implementation of the Economic Reconstruction and Recovery Plan (ERRP).

Re-prioritisation of government expenditure away from consumption to infrastructure development was identified as a critical lever for implementation of the ERRP. The ERRP is to be financed through private investment in public infrastructure sectors (such as student accommodation, social housing, independent water production, broadband roll-out, municipal bulk infrastructure, etc., which allow for revenue generation streams) and various financing methods. It is noteworthy that the Finance minister will outline plans to establish a State Bank in the Budget Speech later this month. The State Bank could also become another revenue stream that can aid in public efforts underway.

The President detailed plans to improve current business conditions and thus spur economic development. Water license and business registration lead times are expected to shorten. Meanwhile, a modernised Durban port is envisioned to improve value chains. Government funding, worth R10 billion, will be earmarked for Small, Medium, and Micro Enterprises (SMEs) and woman-owned businesses participating in global value chains and markets. The commercial and regulated use of hemp is also anticipated to commence this year (2022), allowing for increased opportunities for small-scale farmers and agro-processors.

In addition, the Presidential Youth Employment Intervention was announced during the 2022 SONA. The intervention aims to curb youth unemployment by 2027. Six priority actions underpin it namely; (1) creating pathways for young people in the economy, (2) work readiness or education reform, (3) entrepreneurship and self-employment support, (4) accelerating the Youth Employment Service in partnership with TVET colleges, (5) establishing the Presidential Youth Service Programme, and (6) earmarking 1% of government's budget for youth employment. The NYDA and the Department of Small Business Development will provide grant funding and business support to 1 000 youth entrepreneurs in the next 100 days to fast-track the interventions.

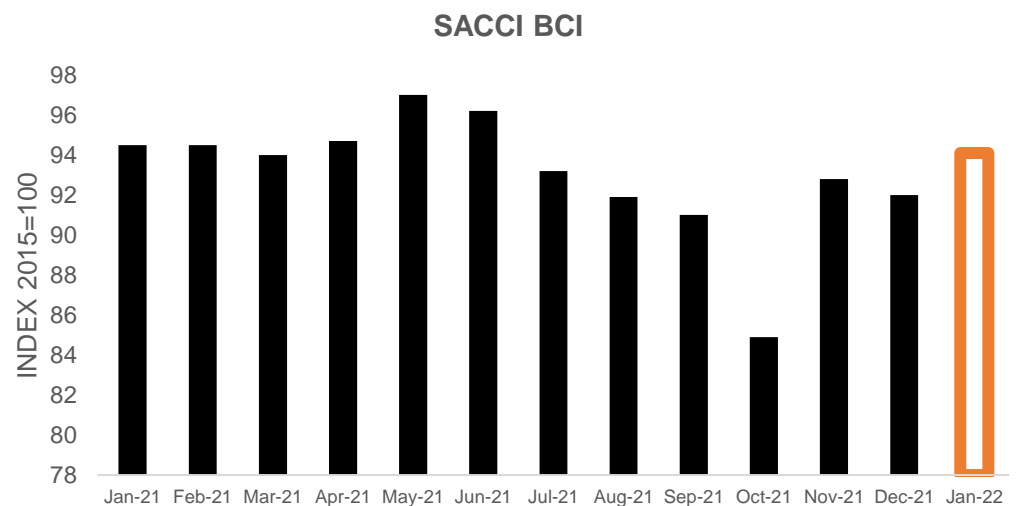
HIGHLIGHTS

- BRITISH ECONOMY EXPANDS BY 1% IN 2021Q4
- US RECORDS LARGEST TRADE DEFICIT IN DECEMBER
- SONA ANNOUNCES PRESIDENTIAL YOUTH EMPLOYMENT INTERVENTION
- **BUSINESS CONFIDENCE REMAINS RESILIENT**
- MINING PRODUCTION CONTRACTS IN DECEMBER
- MANUFACTURING PRODUCTION LIKELY TO BOOST 2021Q4 GDP
- ELECTRICITY GENERATED AND AVAILABLE DECLINES IN DECEMBER

BUSINESS CONFIDENCE RESILIENT DESPITE TOUGH ECONOMIC CONDITIONS

The SACCI Business Confidence Index (BCI) marginally rebounded to 94.1 index points in January 2022, from 92.0 index points in December 2021. Although still below the 100 desirable index point level, the index has shown signs of recovery from the significant drop due to the Omicron variant detected in South Africa towards the end of 2021.

The main contributors to the marginal increase were attributable to improvements in the merchandise export volumes, new vehicle sales, JSE share prices, trade, manufacturing and retail sales sub-indices. On the other side, higher inflation, a lower real value of approved building plans and decreased international precious metal prices weighed on the BCI.



Data source: South African Chamber of Commerce and Industry (SACCI)

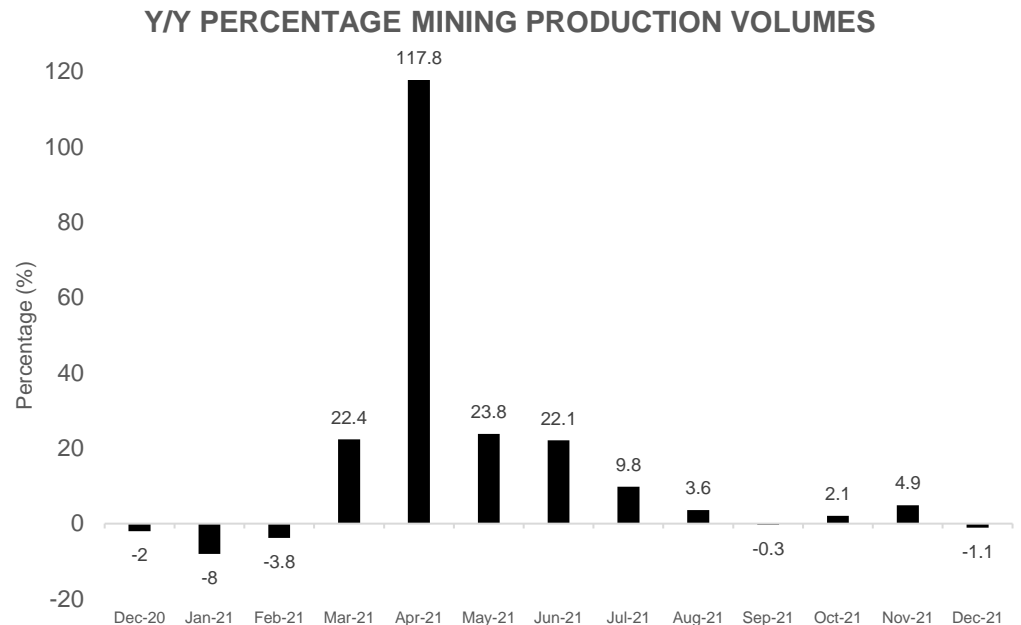
Between January 2021 and January 2022, the SACCI BCI dipped marginally by 0.4 index points. This movement likely indicates that the country had a challenging start to the new year and the domestic economy is still fragile. However, the BCI averaged 86.5 points in 2020 and 93.9 points in 2021 and is expected to reach higher heights in 2022. Notwithstanding, the SACCI BCI has recorded its highest reading since June 2021, reflecting stronger support for the business climate. Analysts forecast that the index should strengthen further, particularly as the country seeks to promote Foreign Direct Investment (FDI) through policy reform.

HIGHLIGHTS

- BRITISH ECONOMY EXPANDS BY 1% IN 2021Q4
- US RECORDS LARGEST TRADE DEFICIT IN DECEMBER
- SONA ANNOUNCES PRESIDENTIAL YOUTH EMPLOYMENT INTERVENTION
- BUSINESS CONFIDENCE REMAINS RESILIENT
- **MINING PRODUCTION CONTRACTS IN DECEMBER**
- MANUFACTURING PRODUCTION LIKELY TO BOOST 2021Q4 GDP
- ELECTRICITY GENERATED AND AVAILABLE DECLINES IN DECEMBER

MINING PRODUCTION CONTRACTS IN DECEMBER

Mining production data showed a decline of 1.1% year-on-year (y/y) in December 2021, below the market consensus of 3.5%. The main negative contributors for the month were gold (-2.4%), coal (-8.1%), manganese ore (-10.8%) and iron ore (-7.4%). Meanwhile, diamond (25.1%), PGMs (24.4%) and chromium ore (2.3%) were significant positive contributors.



Data Source: Statistics South Africa

Seasonally adjusted mining production decreased by 5.3% (m/m) in December 2021. Total mining production was 11.2% higher in 2021 compared with 2020. Economists believe that the Omicron variant's impact, lockdowns and heavy rains were evident in the December numbers, with lower production and sales from a month earlier.

Mineral sales increased by 10.7%, which were boosted by the sale of PGMs (34.4%) coal (28.8%). Total mineral sales for 2021 were 39.1% higher than in 2020. During the fourth quarter of 2021, the seasonally adjusted value of mineral sales at current prices was 4.5% lower than the third quarter of 2021.

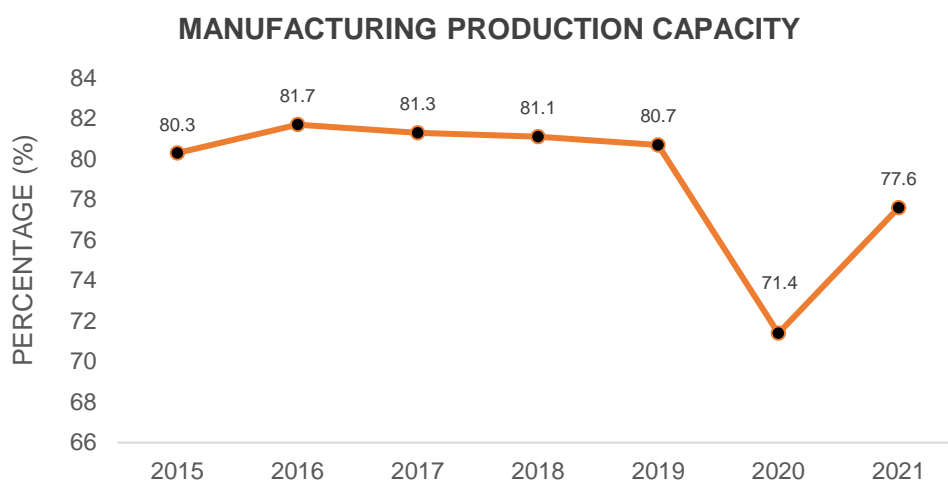
Going forward, several factors are likely to weigh on the sector's outlook including, the weak investment activities, load shedding, rising production costs and the new COVID-19 variants.

HIGHLIGHTS

- BRITISH ECONOMY EXPANDS BY 1% IN 2021Q4
- US RECORDS LARGEST TRADE DEFICIT IN DECEMBER
- SONA ANNOUNCES PRESIDENTIAL YOUTH EMPLOYMENT INTERVENTION
- BUSINESS CONFIDENCE REMAINS RESILIENT
- MINING PRODUCTION CONTRACTS IN DECEMBER
- **MANUFACTURING PRODUCTION LIKELY TO BOOST 2021Q4 GDP**
- ELECTRICITY GENERATED AND AVAILABLE DECLINES IN DECEMBER

MANUFACTURING PRODUCTION LIKELY TO BOOST 2021Q4 GDP

The final manufacturing print for 2021 indicated that production volumes declined by a further 0.1% (y/y) in December, marking its third consecutive contraction since October 2021. Nonetheless, monthly production recorded its second successive increase, growing by 2.3%. This resulted in a quarterly growth rate of 2.5%. As such, manufacturing is expected to contribute positively to the fourth-quarter Gross Domestic Product growth.



Data Source: Statistics South Africa

On the other hand, on an annual basis, the manufacturing sector staged a firm recovery of 6.4% in 2021 from -12.3% in 2020. This came despite manufacturing capacity utilisation levels coming in below 2019 levels of 80.7% and was primarily driven by the low base effect. The annual rebound was based on improved factory capacity utilisation across large manufacturers which measured at 78.9% in November 2021, 0.2% higher than in November 2020. Capacity utilisation improved across most of the manufacturing divisions, with six (6) of the ten (10) subsectors operating above 80% utilisation. Specifically, electrical machinery operated at 84.6%, supported by radio and TV equipment (82.8%) bolstered by the easing of supply chain bottles. In addition, food and beverages operated at 82.4% utilisation. Notwithstanding the rebound, insufficient demand and the shortage of raw materials pose downside risks for the sector. On the latter, despite the loosening of supply chain bottlenecks, its effects are expected to linger a while longer.

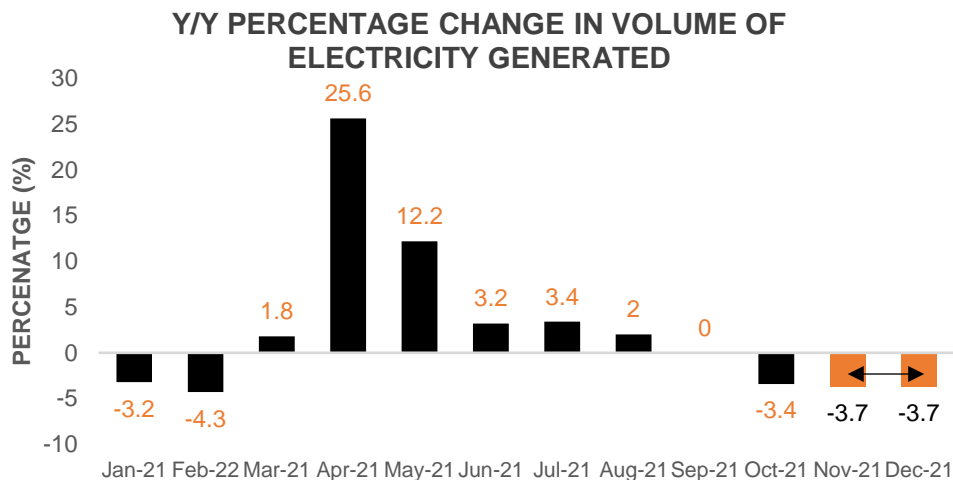
As the low base effects wane, manufacturing production growth is expected to moderate in 2022, in line with the IMF South Africa Gross Domestic Product forecast of 1.9% in 2022.

HIGHLIGHTS

- BRITISH ECONOMY EXPANDS BY 1% IN 2021Q4
- US RECORDS LARGEST TRADE DEFICIT IN DECEMBER
- SONA ANNOUNCES PRESIDENTIAL YOUTH EMPLOYMENT INTERVENTION
- BUSINESS CONFIDENCE REMAINS RESILIENT
- MINING PRODUCTION CONTRACTS IN DECEMBER
- MANUFACTURING PRODUCTION LIKELY TO BOOST 2021Q4 GDP
- **ELECTRICITY GENERATED AND AVAILABLE DECLINES IN DECEMBER**

ELECTRICITY GENERATED AND AVAILABLE FOR DISTRIBUTION DECLINES IN DECEMBER

Electricity generation (production) declined by 3.7% (y/y) in December 2021. The decrease in electricity negatively affected economic recovery efforts amid COVID-19 related challenges and following weakness caused by the July 2021 unrest, all of which severely impacted several business organisations.



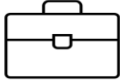
Data source: Statistics South Africa

The seasonally adjusted electricity generation increased by 1.4% (m/m) in December 2021. This month-on-month reading follows changes of -0.5% in November 2021 and -3.8% in October 2021. In the fourth quarter of 2021, seasonally adjusted electricity generation decreased by 4.1%. The total volume of electricity generated in South Africa was 17 713 gigawatts-hours (GWh) in November 2021 and declined slightly to 17 496 GWh in December 2021. The overall electricity generated for Gauteng was 4 293 GWh in December 2021, which translates to a -1.3% (y/y) percentage change.

South Africa's unstable energy supply has negatively impacted the business environment. It is characterised by constant supply uncertainties, which has significant economic implications on the economy's capacity to achieve its industrial goals. In addition, as the industrial sector is the main economic contributor to South Africa's GDP, any form of industrial decline and falling economic growth is directly attributable to an unstable and unsustainable energy supply.

INDICATORS: Week 07 – 11 February 2022

JANUARY '22



SACCI BCI 94.1

index points

DEC '21



MINING -1.1

% change (y/y)

DECEMBER '21



ELECTRICITY -3.7

%change (y/y)

DECEMBER '21



MANUFACTURING -0.1

% change (y/y)

NOVEMBER '21



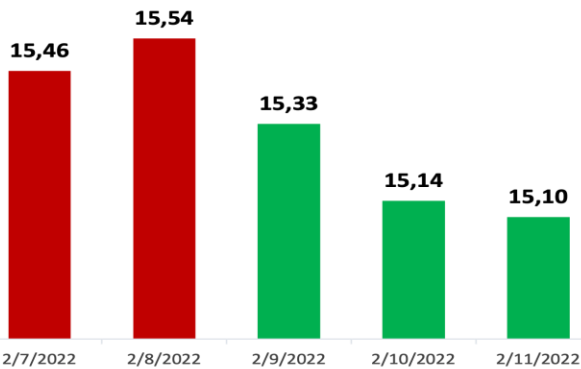
MANUFACTURING UTILISATION 78.9

% change (y/y)

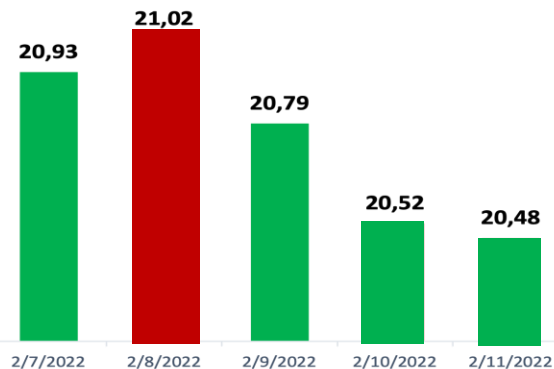
Data Source: StatsSA & SACCI

EXCHANGE RATES

US DOLLAR/ZAR



BRITISH POUND/ZAR



Data Source: SARB 15:00, 11 February 2022

COMMODITIES

	BRENT CRUDE OIL Per barrel	GOLD Per fine ounce	PLATINUM Per fine ounce
04 Feb 2022	\$93.45	\$1807	\$1020
11 Feb 2022	\$92.45	\$1831.29	\$1031.05
	Decline	Increase	Increase

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

Chief Content Editor: Bokang Vumbukani-Lepolisa and Motlatjo Moholwa

Content Editor: Motshidisi Mokoena

Contributors:

Sechaba Tebakang, Khanya Fakude, Rendani Siwada, Makhanana Malungane