

# WEEKLY ECONOMIC INSIGHTS

WEEKLY



**GAUTENG PROVINCE**  
ECONOMIC DEVELOPMENT  
REPUBLIC OF SOUTH AFRICA

Growing Gauteng Together

# WEEKLY ECONOMIC INSIGHTS

15-19 FEBRUARY 2021

- **GLOBAL INDUSTRIAL ACTIVITY SHOWING CONTINUED RECOVERY**
- **RETAIL SALES PLUNGES FURTHER**
- **WHOLESALE TRADE KICKS OFF ON A BACKFOOT**
- **MOTOR TRADE SALES CONTRACT FOR 11TH CONSECUTIVE MONTH**
- **CONSUMER CONFIDENCE RISES SLIGHTLY**

## WEEKLY HIGHLIGHTS

In the first two months of the year, global recovery has proven to be volatile such that industrial activity in the US and Japan continued to be distressed. However, on the other hand, China continued to stage a firm recovery. On the domestic front, consumption continues to remain subdued. As a result, for the first month of the year, both consumption and previously released production data suggest that economic growth started on a back foot. Going forward some level of respite in consumption might be expected as consumer confidence improves, however its effect is likely to be inconsequential to overall output.

## GLOBAL INDUSTRIAL ACTIVITY SHOWING CONTINUED RECOVERY

Industrial activity across the globe has taken a significant knock since the outbreak of the COVID-19 pandemic. The broad-based implementation of restrictions to economic and social activity since the outbreak have resulted in global economic and industrial slowdown. Although activity has gradually recovered since the drastic slump registered between April and May 2020, ongoing volatility and uncertainty remain.

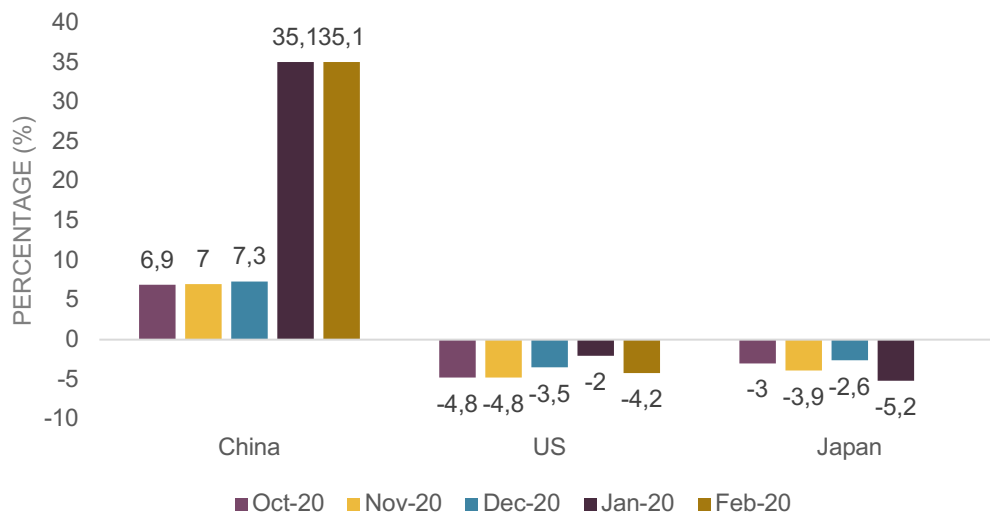
Specifically, industrial production in the US slipped by 2% and 4.2% year-on-year (y/y) in January and February 2021, marking the 18th consecutive monthly decline in industrial output. The decline was mainly driven by disruptions to activity at petroleum, petrochemical and plastic plants following severe winter weather conditions and blackouts in the south-central region of the country. Both manufacturing and mining activity also suffered significant blows.



## HIGHLIGHTS

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## INDUSTRIAL PRODUCTION (Y/Y CHANGE)



Data source: Trading Economics

Further east, industrial output in Japan decreased by 5.2% y/y in January 2021, the largest decline in three months. On a monthly basis however, industrial output was 4.3% higher on the back of stronger performances by general-purpose and business-oriented electrical equipment and machinery. Oppositely, China's industrial production commenced the year on positive note, increasing by 35.1% y/y in both January and February 2021. China has registered a steady recovery in industrial activity since April 2020, and the January upsurge suggests that the Chinese economy has consolidated its recovery from last year's drastic decline.

Industrial activity, which includes manufacturing, mining and utilities production, is likely to recover across developed and developing economies during 2021, as global demand improves, and general economic activity picks up. Downside risks stemming from additional new COVID variant outbreaks (as evidenced in some parts of Europe resulting in renewed restrictions) as well delays to vaccination rollouts could however, dampen the outlook.

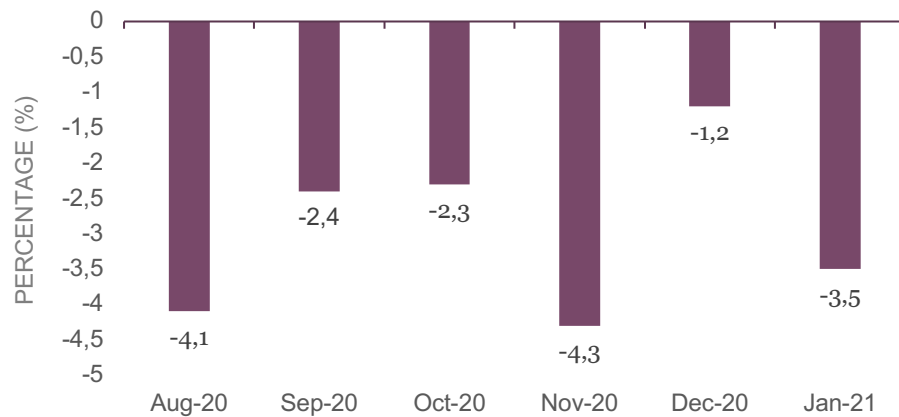
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## RETAIL AND WHOLESALE SALES START OFF ON A BACKFOOT

The South African retail sector continues to be under pressure amid renewed COVID-19 lockdown restrictions, alongside persistent weak consumer demand. According to Statistics South Africa (Stats SA), retail trade sales plunged by 3.5% y/y in January 2021 from -2.3% in December 2020. Negative annual growth rates were recorded for retailers in food, beverages and tobacco (-33.6%) contributing -2.6 percentage points. Retail sales by general dealers declined by -6.0%, shaving off -2.5 percentage points whilst sales by all 'other' retailers declined by -15.1%, contributing -2.1 percentage points.

### RETAIL TRADE SALES (Y/Y CHANGE)



**Data Source:** Statistics South Africa

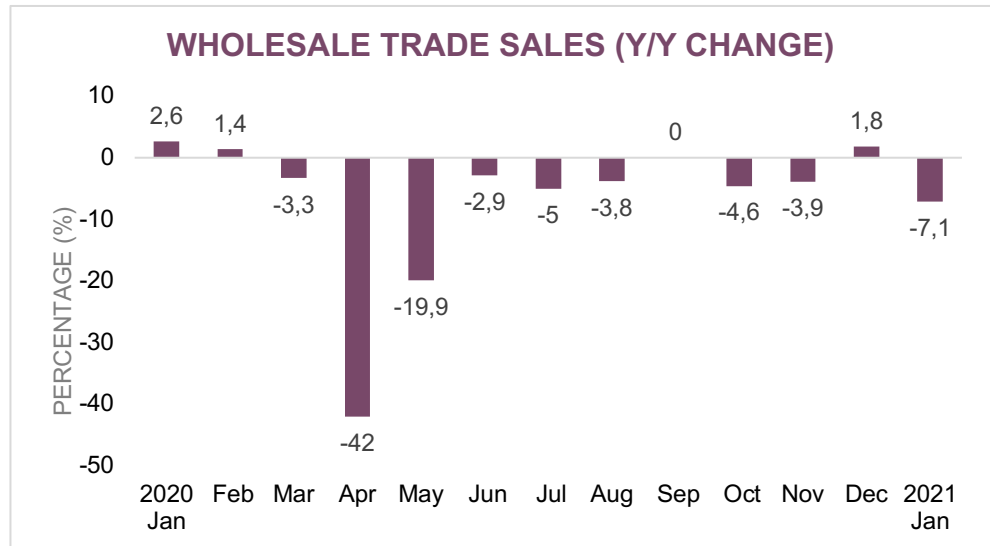
Monthly, seasonally adjusted retail trade sales decreased by 1.6% in January 2021 compared with December 2020. This followed month-on-month changes of -0.3% in December 2020 and 2.0% in November 2020.

Meanwhile, slow wholesale trade sales persist on the back of significant pandemic strains which placed a toll on business activity. The release from Stats SA shows that wholesale trade declined by notable 7.1% in January 2021 compared with January 2020. Similarly, wholesale trade sales slipped by 0.6% in January 2021 compared with the previous month.



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Data source: Statistics South Africa

Whilst the year 2020 has been a difficult and has created an extremely low base, analysts suggest that 2021 may see some significant recovery for the sector, supported by low inflation and interest rates. Furthermore, with the easing of the COVID-19 restrictions back to Level 1 in February, the trade sector is expected to get a further boost as most economic sectors resumed with optimum production activities. However, load shedding is continuing to pose a downside risk to the sector and the overall economy.

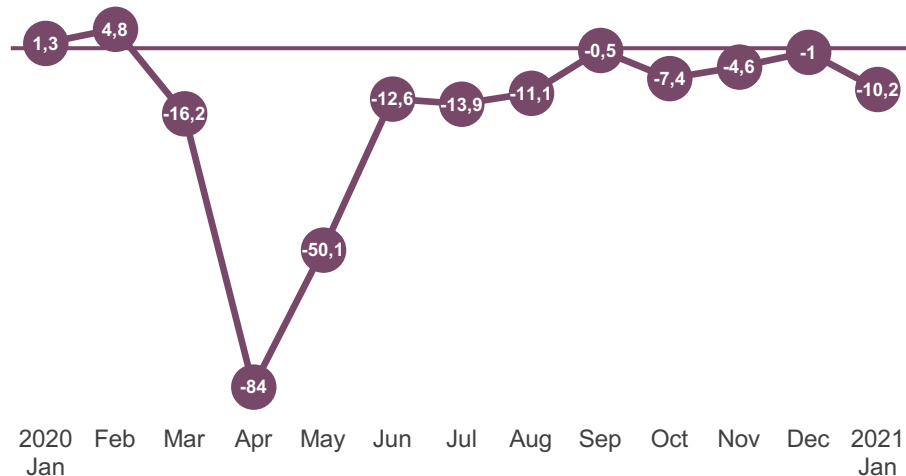
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## MOTOR TRADE SALES CONTRACT FOR 11TH CONSECUTIVE MONTH

Motor trade sales at current prices contracted by 10.2% y/y in January 2021, following -4.6% and -1% decreases in November and December 2020, respectively. The latest reading marks the 11<sup>th</sup> consecutive monthly contraction. Meanwhile, on a month-to-month basis, motor trade sales recorded a smaller contraction of 1.6% for January 2021.

### MOTOR TRADE SALES (Y/Y PERCENTAGE CHANGE)



**Data Source:** Statistics South Africa

The annualised contraction was credited to board-based declines in all activity types, but mostly in fuel (-21.6%) and new vehicle sales (-7.6%). The dip in fuel sales could be attributed to the lower demand as a number of employees continue to work from home, coupled with the rise in fuel prices in recent months.

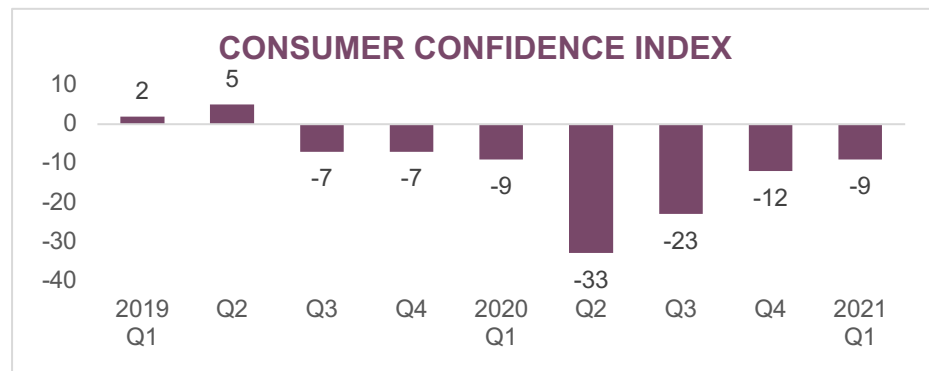
Going forward, overall motor trade vehicle sales are expected to remain downbeat due to higher fuel prices and lower travel demand, particularly among the working cohort. Notwithstanding the anticipated downturn, growth in motor trade sales may be prompted by improving global economic conditions.

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## CONSUMER CONFIDENCE RISES SLIGHTLY

Notwithstanding the bouts of subdued spending at the start of the year, for the most part, consumers seem somewhat optimistic about their household finances in the first quarter of 2021 (Q1:2021). The FNB/BER Consumer Confidence Index (CCI) measured at a level of -9 index points in Q1:2021 improving from -12 and -23 in Q4:2020 and Q3:2020 respectively. The continued recovery is attributable to increased optimism on the economic outlook such that the economic outlook sub-index gained a stellar 7 index points to 5. Additionally, the sub-index measuring the outlook on household finances increased to +10 index points from +6 index points. Contrarily, the sub-index measuring the appropriateness of the present time to buy durable goods measured at -32 index points, slipping back 2 index points compared the preceding quarter. Despite staging a firm recovery from lows of -64 recorded in Q2:2020, this sub-index remains depressed, at a level almost two times below the reading prior to the COVID induced lockdown. This is a big indication that household disposable income remains strained and households continue to postpone spending on big ticket items.



**Data Source:** Bureau of Economic Research (BER)

An assessment of the survey findings by household income group indicates that the improvement in the overall CCI is largely driven by the optimism from the lower income (below R2 500) and the middle income ( R2 500 – R20 000) households. Oppositely, the higher income (above R20 000) group remains cautious, signalling that whilst an improvement in CCI generally has a positive inference to economic growth, in this instance, this recovery is unlikely to translate to sizeable economic growth in the near term.

## INDICATORS: Week 15 – 19 March 2021

### WHOLESALE TRADE

-7.1% y/y  
Jan'21



### RETAIL TRADE

-3.5% y/y  
Jan'21



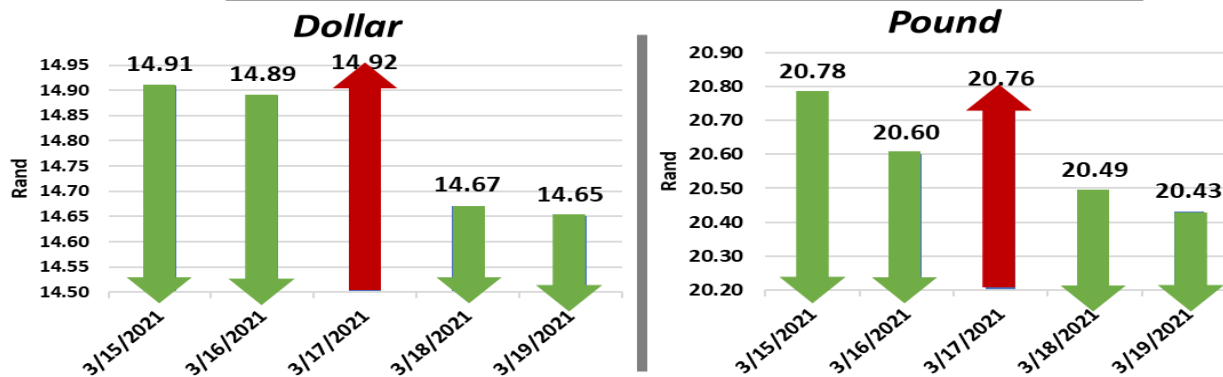
### MOTOR TRADE

-10.2% y/y  
Jan'21



Source: Statistics South Africa

## RAND/DOLLAR/POUND EXCHANGE RATE



Source: SARB & Trading Economics 15:00, 19 Mar'21

## COMMODITIES



### BRENT CRUDE OIL PER BARREL

\$ 69.43  
12 Mar'21



\$62.53  
19 Mar'21

### GOLD PER OUNCE

\$1738.89  
19 Mar'21



\$ 1701.82  
12 Mar'21

### PLATINUM PER OUNCE

\$1200.37  
19 Mar'21



\$ 1188.62  
12 Mar'21

Source: Trading Economic, 15:00, 19 Mar'21

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