



Gauteng Province

SOCIO-ECONOMIC REVIEW AND OUTLOOK (SERO) 2021



GAUTENG
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA



GGT2030
GROWING GAUTENG TOGETHER

SOCIO-ECONOMIC REVIEW AND OUTLOOK 2021

Gauteng Provincial Government



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Foreword

The Socio-Economic Review and Outlook (SERO) publication provides an in-depth analysis of socio-economic variables for the world, South Africa, Gauteng Province and its municipalities. This 14th edition of the SERO is presented against the backdrop of the COVID-19 pandemic which has resulted in great losses in economic output, alongside the many lives lost to the pandemic globally. The International Monetary Fund (IMF) estimates that global economic growth contracted by 3.5 per cent during 2020, severely affecting women, youth, the poor and the informally employed.

On the global front, several countries have begun inoculation programmes, following successful clinical trials of various vaccines. The global economy is forecast to rebound by 5.5 per cent in 2021. Growth in advanced economies is projected to increase by 4.3 per cent in 2021, while that in emerging markets and developing economies is expected to increase to 6.3 per cent in 2021, as they recover from a period of severe economic disruptions. Although progress in vaccination programmes have raised hopes of a turnaround in the pandemic later this year, renewed waves and new variants of the virus pose concerns for the outlook.

The National Treasury forecasts the South African economy to rebound by 3.3 per cent this year, following a 7.2 per cent contraction in 2020. The sharp decline in growth has led to a significant increase in unemployment. Poverty is on the rise and inequality is deepening. In his State of the Nation Address (SoNA), President Cyril Ramaphosa articulated that government plans have had to be adapted in response to the global pandemic, with budgets being reprioritised and many programmes deferred. Fundamental to our nation's recovery is an unrelenting and comprehensive response to overcome the coronavirus.

The sentiments of the President were further echoed by Premier David Makhura in his State of the Province Address. The provincial government, across all levels, will now focus on four priorities in 2021, which are; Overcoming the COVID-19 Pandemic; Re-igniting the Gauteng Economy; Recalibrating Social Policy, and Improving Governance. The objective is to ensure a successful roll out of the COVID-19 vaccination plan, which will enable the province's economy to fully reopen.

The Growing Gauteng Together 2030 (GGT2030) strategy remains the key policy document of the province and reforms outlined in the Gauteng Economic Recovery Plan, will accelerate the economic recovery and improve public finances to a sustainable position.

In tabling the 2021 National Budget, the Minister of Finance, Tito Mboweni presented a fiscal framework that provides support to the Economic Reconstruction and Recovery Plan, and public health services, while ensuring the sustainability of public finances in the medium term. This includes effective tax reductions, to provide support for small, medium sized and large business enterprises.

The budget also continues to provide support to the most economically vulnerable, through extending the special Covid-19 social relief of distress grant until the end of April 2021, and increases in social welfare spending to protect children, the disabled and the elderly. The National Treasury has allocated more than ZAR10 billion for the purchase and delivery of vaccines over the

next two years.

The SERO will continue to provide informative, in-depth analyses of the province's socio-economic issues. This year's publication assesses the impact of the COVID-19 pandemic and comprises four chapters. Chapter 1 assesses how the pandemic affected key developmental priorities such as health care, poverty, inequality, and the labour market across various regions globally. Chapter 2 analyses the domestic macroeconomic performance and presents some key economic variables which have characterised the contraction in economic activity in 2020. Chapter 3 highlights key economic developments emanating from the pandemic and the implications that these developments hold for the socio-economic status and service delivery efforts in Gauteng. Chapter 4 considers the challenges and the impact of COVID-19 on the economic and social conditions in Gauteng municipalities.

I conclude by thanking the Acting Head of the Gauteng Provincial Treasury, Mr Mncedisi Vilakazi and his team for their work in developing the 2021 SERO.



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List of Abbreviations

AIDS	Acquired Immuno-deficiency Syndrome
ARVs	Antiretrovirals
BER	Bureau of Economic Research
CoE	City of Ekurhuleni
CoJ	City of Johannesburg
CoT	City of Tshwane
COVAX	COVID-19 Vaccines Global Access
CPI	Consumer Price Index
CREA	Centre for Research on Energy and Clean Air
CVI	Covid-19 Vulnerability Index
DBE	Department of Basic Education
DHET	Department of Higher Education and Training
FDI	Foreign Direct Investment
GDP	Gross Domestic Production
GDP-R	Gross Domestic Product by Region
GFCF	Gross Fixed Capital Formation
GGT	Growing Gauteng Together
GPG	Gauteng Provincial Government
GVA	Gross Value Added
HIV	Human Immunodeficiency Virus
ILO	International Labour Organisation
IMF	International Monetary Fund
M&As	Mergers and Acquisitions
MENA	Middle East and North Africa (region)
MTBPS	Medium-term Budget Policy Statement
MYPE	Mid-Year Population Estimates
NCDs	Non-communicable Diseases
NDP	National Development Plan
OECD	Organisation for Economic Co-operation and Development
OIHD	Occupations in High Demand
PSET	Post-school Education and Training
QLFS	Quarterly Labour Force Survey
RDP	Reconstruction Development Programme
SAAR	Seasonally Adjusted and Annualised
SADC	Southern Africa Development Community
SAIC	South Africa Investment Conference
SARB	South African Reserve Bank
SERO	Socio-Economic Review and Outlook
SDGs	Sustainable Development Goals
SEZ	Special Economic Zone
SMME	Small Medium Micro Enterprise
SoNA	State of the Nation Address
SSA	Sub-Saharan Africa
S&P's	Standard and Poor's
Stats SA	Statistics South Africa
UHC	Universal Health Coverage
US	United States
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
WEO	World Economic Outlook
WHO	World Health Organisation
WTO	World Trade Organisation

Executive Summary

The 2021 SERO reviews the macroeconomic and socio-economic developments characterised by a pandemic that has led to the largest global economic contraction in decades. The publication comprises four chapters which cover developments at the global, national and provincial levels.

Chapter 1 assesses the effects of the COVID-19 outbreak and its effect on key developmental priorities such as health care, poverty, inequality, the labour market, and investment levels across various regions globally. The global spread of the virus has disrupted health care provision, especially the treatment and prevention of Non-communicable Diseases (NCDs). A survey of 155 countries done by the World Health Organisation (WHO) on the impact of COVID-19 on health care services for NCDs revealed the following – about 53 per cent of the surveyed countries reported a decline in the treatment of hypertension, 49 per cent reported a decrease in the treatment of diabetes-related complications, 42 per cent reported a decline in the treatment of cancer, and 31 per cent reported a decline in the treatment of cardiovascular emergencies. Even so, this is still not a full reflection of the extent to which the pandemic has affected the global health care system.

Poverty projections from the World Bank indicate that the pandemic has pushed more than 100 million people globally into extreme poverty in 2020. The Sub-Saharan Africa (SSA) region accounts for the largest share of this increase, with 475 million people estimated to have slipped into extreme poverty in 2020, from 440 million in 2019.

The labour market was also affected by the global lockdown disruptions. The International Labour Organisation (ILO) estimates that the number of unemployed people could reach between 5.3 million and 188 million globally due to the pandemic. In the second quarter of 2020, global working hours declined by 18.2 per cent or an equivalent of 525 million full-time jobs. Although conditions in the labour market improved somewhat in the third and fourth quarters as restrictions were being eased, the ILO expects global unemployment to have risen by 33 million people in 2020, which translates to an unemployment rate of 6.5 per cent (from 5.4 per cent in 2019).

The World Trade Organisation (WTO) estimates world merchandise trade volumes to have declined by 9.2 per cent in 2020 as there was a complete global shutdown of movements of goods and services. The level of global Foreign Direct Investment (FDI) flows also declined by an estimated 42 per cent in 2020. Overall, the decline was mainly due to contractions in greenfield investments which fell by 35 per cent, cross border Mergers and Acquisitions (M&As), which declined by 10 per cent, as well as international cross border finance deals that contracted by two per cent.

Chapter 2 assesses the domestic macroeconomic performance and presents some key economic variables that have characterised the contraction in economic activity in 2020. The pandemic effects are reflected in most sectors of the economy and are likely to persist in the foreseeable future. The domestic economy contracted by an estimated 7.2 per cent in 2020, and the outlook remains uncertain amid the increased public spending for COVID-19 that has affected the country's fiscal prospects. Gross debt is estimated to reach 80.3 per cent of GDP in the current financial year (2020/21), up from 63.3 per cent in the previous year. The magnitude of the increase in debt burden reflects the impact of the COVID-19 economic contraction on public finances.

Growth in real investment has been continually declining since 2008, and the contraction deepened further in 2020, mainly due to the disruptions caused by the pandemic. Investment contracted by an estimated 18.4 per cent in 2020. The continuous decline in investment has resulted in its share of Gross Domestic Product (GDP) decreasing from 23 per cent in 2008 to 17.6 per cent in 2019.

The South African economy shed 2.2 million jobs in the second quarter of 2020 during the height of the strictest lockdown regulations. The employment numbers improved somewhat in the third quarter as the economy reopened. However, unemployment remains at high levels. In the fourth quarter of 2020, the official unemployment rate increased by 1.7 percentage points to 32.5 per cent compared to the third quarter. This was the highest rate recorded since the start of the Quarterly Labour Force Survey (QLFS) in 2008.

The loss of jobs has implications for poverty and inequality levels. A study by the United Nations (UN), which looks at how COVID-19 will drive changes in poverty levels in South Africa, found that 54 per cent of households that are out of permanent jobs (to informal or temporary contract) are likely to fall into poverty after the relief measures provided by the government are over.

Middle-class households are likely to slip into or become vulnerable to poverty. The poverty gap rate, which measures the depth of poverty, also shows that the distance of the population from the poverty line has been narrowing, suggesting that more people are at risk. Further, the consequences of lockdown restrictions that have resulted in some people losing their incomes and businesses shutting down may worsen inequality.

Given these developments, the government's policy priorities over the medium-term are economic recovery and fiscal consolidation. The immediate response to the economic recovery plan focuses on building infrastructure, expanding energy generation, industrialisation and job creation. On the other hand, fiscal consolidation involves significant expenditure cuts across different spheres of government.

Chapter 3 highlights key economic developments emanating from the pandemic and the implications that these developments hold for the socio-economic status and service delivery efforts in Gauteng. At the peak of COVID-19 infections, Gauteng was classified as an epicentre of COVID-19 infections, with the highest increase of 6 531 new cases per day recorded on 9 July 2020. The national government acted swiftly to curb the spread of the virus by implementing various restrictions that led to a halt in economic activity. As a result of this, Gauteng's GDP contracted by 50.5 per cent quarter-on-quarter on an annualised rate in the second quarter, and by 17.6 per cent yearly. For 2020, IHS Markit estimates growth to have contracted by 7.2 per cent.

The labour market has had to deal with a fall in demand and the effects of lockdown restrictions. Gauteng is estimated to have lost roughly half a million jobs, and the official unemployment rate of 33.4 per cent recorded in the third quarter was the highest on record. As a result, households face a higher risk of slipping deeper into poverty, and the inequality levels are likely to widen further.

The fiscal support provided against the impact of COVID-19 meant that budgets had to be re-prioritised to free funds for this purpose. Conditional grants to provinces and the local government were reduced. Provincial own revenue baselines were revised downwards by roughly 11 per cent during the Special Adjustment Budget to reflect the impact of COVID-19 lockdown measures. The risk of budget revisions on service delivery is further aggravated by municipalities that have reportedly lost over ZAR8.75 billion in revenue in April and July of 2020 due to COVID-19. Thus, greater efficiency and prioritisation in spending is required to protect service delivery in the province.

The provincial government is working with municipalities in financial distress to develop an Integrated Revenue Enhancement and Debtors Management Plan. To deal with the disruptions caused by COVID-19, GPG has adopted four priorities that it will focus on in 2021, and these are overcoming the COVID-19 pandemic; re-igniting the Gauteng economy; recalibrating social policy and improving governance. These priorities are within the context of the Growing Gauteng Together (GGT)2030 Strategy, which is a lever in driving the Gauteng Economic Recovery Plan.

Chapter 4 analyses the challenges and the impact of COVID-19 on the economic and social conditions in Gauteng municipalities. In 2020, the economic contractions in the metropolitan municipalities (metros) are estimated at 6.4 per cent, 7.1 per cent and 8.3 per cent in the City of Tshwane (CoT), City of Johannesburg (CoJ) and City of Ekurhuleni (CoE), respectively. Sedibeng and West Rand, which have experienced poor economic outcomes and high unemployment rates in the past, are anticipated to have lost on average about 8 per cent of their economic output in 2020.

As outlined in the previous sections, the COVID-19 pandemic has exacerbated the unemployment crisis everywhere in South Africa. In the second quarter of 2020, the number of employed people fell by 207 000 in the CoE, by 270 000 in the CoJ and then by 100 000 in the CoT. Although there were some improvements in the third quarter, unemployment rates and other labour market health indicators suggest that conditions in the labour market have deteriorated significantly.

With the districts displaying some of the highest unemployment rates in the province (42.1 per cent in Sedibeng and 32.3 per cent in West Rand), poverty and inequality are also high. The food poverty rate in Sedibeng averaged 24.7 per cent of the total population in 2019, and this was an increase from 22.6 per cent recorded three years before. The West Rand's share of the population living below the food poverty line was recorded at 21.5 per cent in 2019.

Municipalities form the level of government that function closest to communities. As a result of COVID-19, they had to quickly adapt their operations to ensure compliance and ensure the continuation of service delivery, especially on water services. However, they face constrained cash flows, largely due to the protracted sharp economic downturn over the past few years, worsened lately by COVID-19.

Between May and June 2020, Gauteng's three metros reported that in terms of uncollected revenue, the CoJ lost at least ZAR 1.5 billion, CoT lost approximately ZAR 1.2 billion, and the CoE lost about ZAR 800 million. The implication is that restrictions on financial and economic resources threaten the provision of services. As such, the provincial government is working with all municipalities in the province to improve their deteriorated financial position.

Chapter 1: Global and National Socio-Economic Review

1. Introduction

Global economic activity has taken a significant knock amid the impact of COVID-19 related restrictions. As countries embarked on lockdowns across the world to contain the spread of the virus, economic activity came to a standstill, particularly during the first half of 2020. The second half of 2020 saw some rebound in activity as restriction measures were lifted and economies reopened. Even so, the rebound was nowhere near the pre-COVID-19 levels. The outbreak of a second wave of infections towards the end of 2020 led to renewed lockdown measures that threatens to protract the slow pace of a recovery in global economic activity. The global economic contraction for 2020 is estimated at 3.5 per cent by the International Monetary Fund (IMF).

Globally, the focus is now on the distribution and roll out of vaccine. Following several vaccine approvals, some countries have started administering vaccinations among their populations. These developments have fueled some optimism for the 2021 global economic growth outlook. However, risks to the outlook still linger on the downside, mainly driven by new infections and the new strains of the virus, renewed lockdowns, and uncertainty around vaccine distribution especially in less developed countries. In its January 2021 World Economic Update, the IMF forecasted a global economy rise by 5.5 per cent in 2021, although the projection is still subjected to high levels of uncertainty; it expects growth to moderate to 4.2 per cent in 2022.

In Chapter 1, we assess the COVID-19 pandemic and how it has affected, and potentially delayed, progress on global key developmental priorities such as health care services, poverty and inequality, climate change and jobs. The chapter focuses on global regions for which data was available. The pandemic presented opportunities to fast track some developmental priorities and lessons for the future. These are also discussed in the chapter.

Section 2 of the chapter provides a brief overview of the outbreak of the virus and is followed by Section 3 which assesses the regional implications of the pandemic. This section focuses on regions for which data was available. Section 4 provides a brief overview of vaccine developments and impact on the 2021 economic growth outlook. Section 5 looks at opportunities and future lessons that arise from the COVID-19 pandemic.

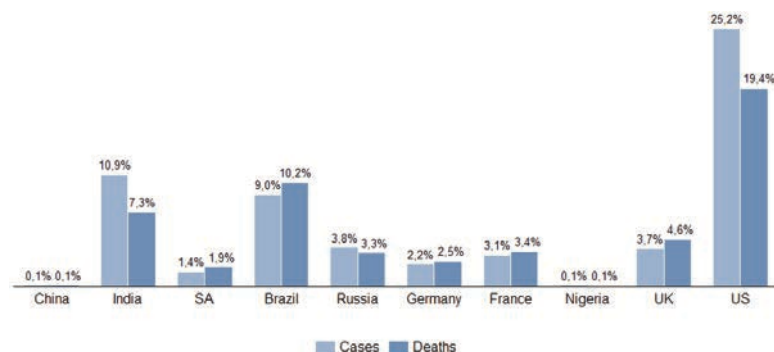
2. The COVID-19 Outbreak

In December 2019, the WHO was informed of cases of pneumonia of unknown cause in the City of Wuhan, China. At the start of 2020, the etiological agent was identified as a novel coronavirus and subsequently termed as the COVID-19 virus. Subsequently, the outbreak was categorised as a pandemic, and in South Africa, the first case was reported on the 5 March 2020.¹

The rapid rise in the number of reported cases globally triggered almost synchronised periods of lockdowns to prevent rapid spread of the virus. The increasing demand for health care services put a strain on the health systems in different regions, while the restrictions led to a sudden halt in economic activity. Economies with bigger fiscal budgets seemed to be dealing with the spread of the virus more efficiently compared to those with constrained fiscal space. The reliance of most countries in the Sub-Saharan Africa (SSA) region on export revenue negatively affected the region's ability to finance a sudden demand in health care services, as trade almost ground to a halt.

¹ National Institute for Communicable Diseases. (2020). First Case of COVID-19 Coronavirus Reported in SA. (Accessed on 19th November 2020): www.nicd.ac.za.

Figure 1.1: COVID-19 Cases and Deaths for Selected Countries as at 25 January 2021

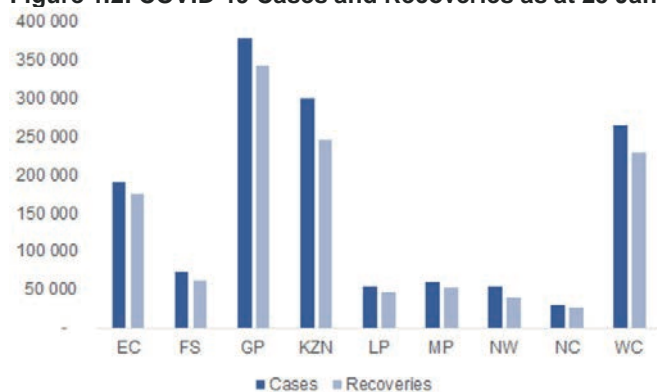


Source: WHO, 2020

The figure indicates that the United States (US) had the highest cumulative COVID-19 cases and deaths. Brazil had the highest deaths from the pandemic as well as the United Kingdom (UK). India had the second highest number of COVID-19 positive cases after the US, followed by Brazil. Worth noting, is that China, where the virus was first identified, has both the lowest cumulative cases and deaths.

In South Africa, after the first case was reported, the country had recorded about 1 200 cases by the end of March 2020. This period also marked the start of the national lockdown, to limit the spread of the virus. Towards the end of July 2020, the country reached its peak numbers in infections, recording as high as 13 400 cases a day. By the second week of December 2020, the country had entered a second wave of new infections, with the number of recorded new cases reaching over 10 000 per day. As at 25 January 2021, the country reported about 1.5 million cumulative cases, with 1.2 million recoveries and about 41 000 deaths.²

Figure 1.2: COVID-19 Cases and Recoveries as at 25 January 2021



Source: Department of Health, 2021

Figure 1.2 shows the cumulative COVID-19 cases and recoveries for South Africa's provinces since March 2020. The data indicates that Gauteng had the highest cases and recoveries. This comes as no surprise as the region is the hub of the country's economic activity and is home to the country's busiest airport. It was followed by KwaZulu-Natal and the Western Cape. Also, notable from the figure, is the highest number of recoveries recorded across all the regions. The Eastern Cape numbers increased because of the resurgence of the COVID-19 as the country entered its second wave in December 2020.

² SA Coronavirus. (2021). Update on COVID-19 - 23rd January 2021. (Accessed on 23rd January 2021): www.sacoronavirus.co.za.

3. Regional Implications of COVID-19

3.1 Impact on Health Services

The COVID-19 pandemic has resulted in loss of lives and presented the global health system with challenges. With at least half of the world population without full access to essential health services in 2019³, the COVID-19 pandemic may have worsened global health care access challenges. According to the WHO, the outbreak and the global spread of the virus has had a negative impact on the treatment and prevention of non-communicable diseases (NCDs). This is concerning as people with NCDs are most likely to be affected by COVID-19 related illnesses. The WHO also notes that many people who are receiving treatment for diseases such as diabetes, cancer and cardiovascular diseases have not received sufficient treatment for these diseases since the outbreak of COVID-19.⁴

The WHO surveyed 155 countries in 2020 about the impact of COVID-19 on health services for NCDs. The survey revealed that there has been a partially or complete disruption of health services in these countries. It showed that in about 53 per cent of the countries surveyed, there has been a decline in the treatment of hypertension. About 49 per cent of the countries reported a decline in the treatment of diabetes related complications, 42 per cent in the treatment of cancer while 31 per cent reported a decline in the treatment of cardiovascular emergencies. About 63 per cent of the countries had rehabilitation services disrupted due to the pandemic. The WHO also notes that about 94 per cent of the countries surveyed reported that health personnel working in the NCDs areas were partially or fully assigned to COVID-19 related support services.

Even with this survey, the report emphasises that this is not reflective of the full extent of the impact of the pandemic on the global health care and its disruption on NCD treatments. It will take some time to quantify the full extent. People with NCDs are not only susceptible to COVID-19 related illnesses, but in some instances, are also unable to access the treatment services they need to help them manage their conditions.

3.2 Impact on Poverty Eradication

Poverty projections made by the World Bank indicate that the socio-economic impact of the COVID-19 pandemic may be significantly higher. The effect of COVID-19 could push more than 100 million people globally into extreme poverty in 2020 alone.⁵ The number of people living under the international poverty line of USD1.90 a day for both lower and middle-income countries is expected to increase, reflective of the wide impact of the pandemic. This poverty rise is expected to be concentrated in countries that were already struggling with higher poverty rates and inequality.

The World Bank also projects that about half of those who will slip into poverty for the first time will be in the South Asia region, while the SSA region will account for about a third of new poverty cases. Furthermore, an increase in the level of inequality may worsen the number of those who will fall under poverty. An increase of 1 percentage points in the level of inequality, is expected to translate into an additional 19 million more people falling within the extreme poverty line.⁶

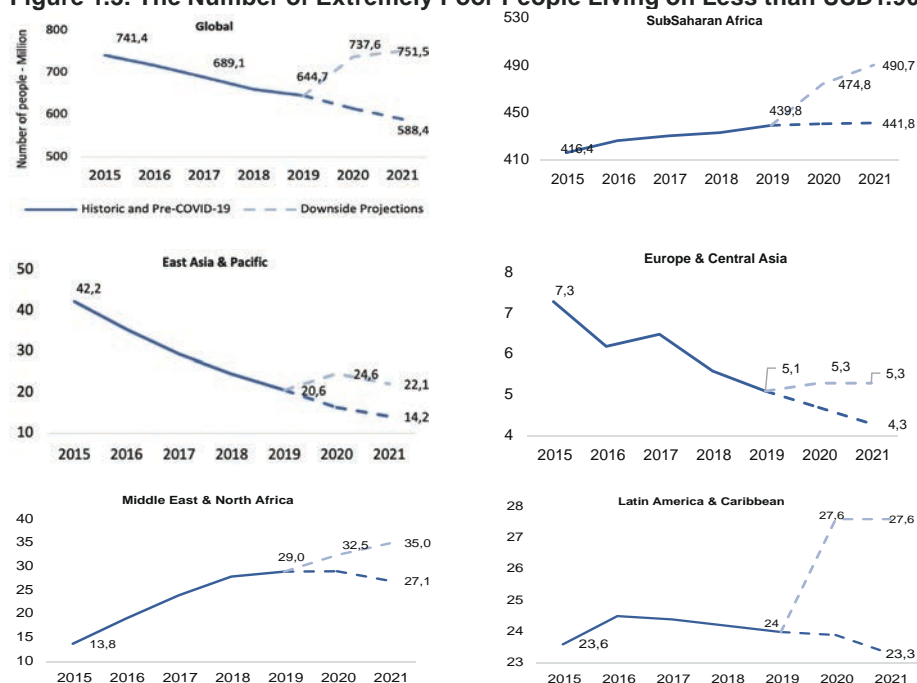
³ World Health Organisation. (2021). Universal Health Coverage (UHC). (Accessed on 28th January 2021): www.who.int.

⁴ World Health Organisation. (2020). COVID-19 Significantly Impacts Health Services for Non-Communicable Diseases. Accessed (3rd December 2020): www.who.int.

⁵ World Bank. (2020). Projected Poverty Impact of COVID-19 (coronavirus) June 8, 2020. Washington DC, USA.

⁶ World Bank. (2020). Projected Poverty Impact of COVID-19 (coronavirus) June 8, 2020. Washington DC, USA.

Figure 1.3: The Number of Extremely Poor People Living on Less than USD1.90/day



Source: World Bank, 2021

Figure 1.3 shows the number of extremely poor people (living on less than USD1.90 per day) for the selected regions. The data shows that poverty reduction is likely to suffer its worst setback due to COVID-19, after having experienced some steady declines. Although progress in poverty reduction had started to stall before the pandemic, the impact of the pandemic has been severe. Globally, the number of people living below the international poverty line of USD1.90 fell from 741 million in 2015, to 644 million people in 2019. A pre-COVID-19 estimation indicated that poverty levels will fall further in 2020 by about 31 million people. However, new projections that incorporate the impact of COVID-19, anticipate the number of extremely poor people to have risen to close on 100 million people in 2020, and a further increase is projected in 2021. This could increase the global extreme poverty rate from 8.4 per cent in 2019 to 9.4 per cent in 2020.⁷

The stalling decline in global extreme poverty before COVID-19 is attributable to the increasing concentration of extreme poverty in the SSA region. Even with the impact of the pandemic, the SSA region will account for a larger number of extreme poverty cases globally, with an estimate of 475 million people in extreme poverty in 2020 in the region, from 440 million in 2019.

Problems are also apparent elsewhere, with the Middle East and North Africa region (MENA) also experiencing an increase in extreme poverty rates, driven by conflicts in Syria and the Republic of Yemen.⁸ The COVID-19 downside projection for 2020 is 32.5 million, an increase from 29 million extremely poor people estimated in 2019.

The COVID-19 pandemic related job losses are negatively affecting the poor and the vulnerable and altering the world poverty dynamics by creating millions of new poor people.⁹ This threatens to undo all the gains made as indicated in the figure 1.3 above, especially for the SSA region. As more funds are budgeted to the health sector for confronting the COVID-19 pandemic, less is spent on other social challenges such as poverty reduction. According to the Organisation for Economic Co-operation and Development (OECD), developing countries are facing a shortfall of USD1.7 trillion in the financing of their needs to keep up with the targets of the 2030 Sustainable Development Goals (SDGs) due to diversion of funds to COVID-19 related responses.¹⁰

In South Africa, despite making progress on economic development in the past few decades, the country continues to be affected by elevated levels of poverty and inequality. In recent years, economic activity has been on the decline while the number of unemployed people has risen. COVID-19 will exacerbate these

⁷ World Bank. (2020). Poverty and Shared Prosperity 2020: Reversals of Fortune. Washington DC, USA.

⁸ World Bank. (2020). Poverty and Shared Prosperity 2020: Reversals of Fortune. Washington DC, USA.

challenges, further putting millions of the population into deeper poverty. Chapter 2 delves into details of the country's poverty levels and the likely impact of the COVID-19 pandemic.

3.3 Impact on Environmental Sustainability

This section looks at the nexus between COVID-19 and the environment. Generally, air pollution is one of the most significant catalytic factors that negatively affect the environment. Due to the global lockdown which resulted in the halt in economic activity, production and consumption decreased, as manufacturing factories, aviation, and other means of transportation worldwide stopped operating. Research suggests that environmental pollution was somewhat minimised as a result.¹¹ The Centre for Research on Energy and Clean Air (CREA) modelled the impact of COVID-19 on pollution levels in 12 cities in the world. The CREA found that since the introduction of lockdown rules, the levels of Nitrogen Dioxide (No₂), the most common air pollutant, declined by 27 per cent over ten days in these cities.¹² However, according to the United Nations (UN), the lockdown related declines in pollution were nothing but a small dip on the long-term trajectory of the carbon dioxide emissions.¹³ In 2019, the level of carbon dioxide in the atmosphere reached a record high of 410.5 parts per million. These estimates indicate that the synchronised global decline in economic activity is expected to lead to emissions decline of only between 4 and 7 per cent.

On the contrary, the pandemic and the responses to it presents other challenges to the environment. The increased use of medical supplies such as testing kits, protective equipment and other hazardous waste may present a challenge of their own, on the environment. The COVID-19 pandemic will, however, in the long-term, offer lessons and opportunities that will lead to both climate and environmental actions. This relates to the new possibilities presented, such as working from home, online education, and shopping among others. This will result in reduced emissions as people spend less time commuting to work and shops. While the threat of COVID-19 is temporary as vaccines will become available, that of floods, drought and storms because of climate change will remain for decades and require continuous resolutions.¹⁴

3.4 Disruptions on the Labour Market

The International Labour Organisation (ILO) estimates that the number of unemployed people globally could reach between 5.3 million and 188 million due to the virus. Further, the labour market shock is likely to result in a downward adjustment of wages and working hours, which is referred to as underemployment. While in other economic crisis, people who are out of work turn into the informal sector, the lockdown restrictions may even limit this kind of transition as a coping mechanism for the labour force.¹⁵

⁹ World Bank. (2020). *Poverty and Shared Prosperity 2020: Reversals of Fortune*. Washington DC, USA.

¹⁰ OECD. (2020). *COVID-19 Crisis Threatens Sustainable Development Goals Financing*. (Accessed on 29th January 2021): www.oecd.org.

¹¹ Khan, S.A., Janjua, I.K. & Yu, Z. (2020). *COVID-19: A Learning Opportunity to Improve Environmental Sustainability*. (Accessed on 28th January 2021): www.intechopen.com.

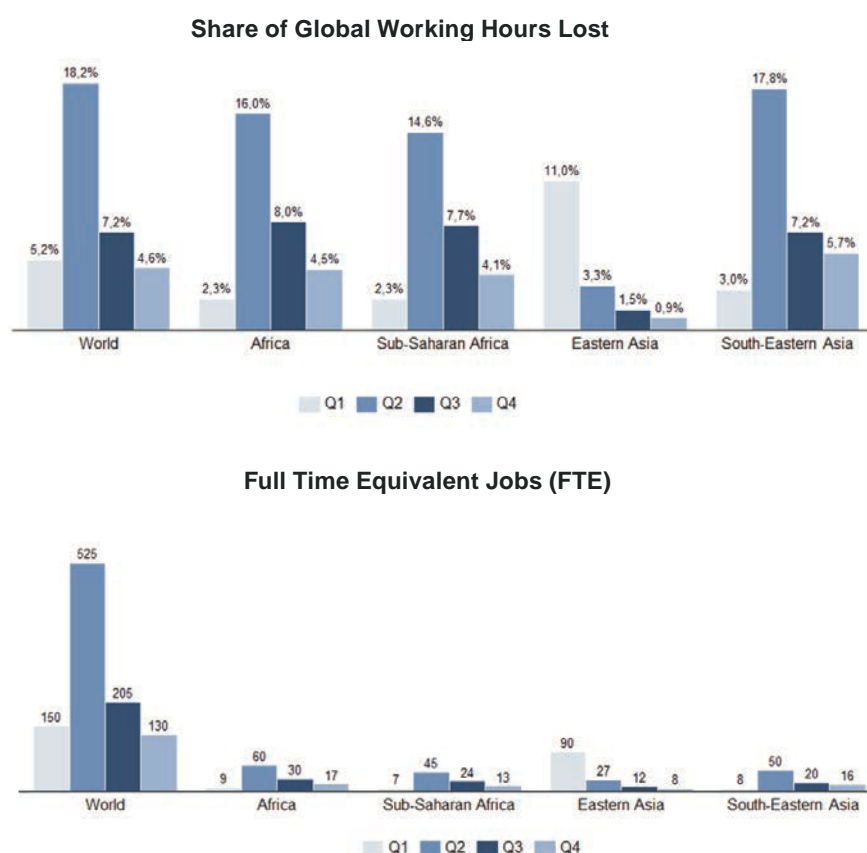
¹² The Economist. (2020). *Air Pollution is Returning to Pre COVID levels*. (Accessed on 19th November 2020): www.economist.com.

¹³ United Nations Environment Programme. (2020). *Human Rights, the Environment and COVID-19*. Nairobi, Kenya.

¹⁴ One Young World. (2020). *What is the Effect of COVID-19 on Climate Change?* (Accessed on 23rd November 2020): www.oneyoungworld.com.

¹⁵ International Labour Organisation. (2020). *ILO Monitor 1st Edition COVID-19 and the World of Work: Impact and Policy Responses*. Geneva, Switzerland.

Figure 1.4: Working Hours Lost and FTE in 2020



Source: ILO, 2021

In the first quarter of 2020, the ILO estimates that about 5.2 per cent of global working hours were lost when compared to the fourth quarter of 2019. This is equivalent to 150 million full-time jobs lost. By the second quarter, global working hours declined by 18.2 per cent or an equivalent of 525 million full-time jobs. This was mainly in lower-middle-income economies. The South-East Asia region lost a higher percentage of working hours at 17.8 per cent (equivalent to 50 million jobs) compared with other regions in the second quarter of 2020. The SSA region is estimated to have lost 14.6 per cent of working hours (equivalent to 45 million jobs) during the same period. In the third quarter, the global working hours decreased by 7.2 per cent or the equivalent of 205 million full time jobs lost.¹⁶ Although this points to some improvement, it indicates that the impact of the pandemic on the labour market will be felt for a long time to come. The ILO expects a 4.6 per cent decline in working hours globally in the fourth quarter of 2020, equivalent to 130 million full time jobs lost. Overall, the ILO expects global unemployment to have risen by 33 million in 2020, with the unemployment rate increasing from 5.4 per cent to 6.5 per cent.

The greatest impact of the pandemic on the labour force is likely to be felt more in developing and emerging economies, particularly in the informal sector. Limited opportunities for teleworking, the role played by the government in creating public sector employment and fiscal constraints in implementing the COVID-19 response measures continue to exacerbate the labour market challenges. Regarding countries that depend on the exports of mineral resources, especially in the SSA region, the decline in demand due to trade restriction, will affect their fiscal purse and the extent to which they could expand their COVID-19 response measures. The second wave of new infections will further deteriorate demand and reduce global working hours in 2021.

In South Africa, the number of discouraged work-seekers and the “not economically active” population increased significantly in the second quarter of 2020. During the same period, the labour force participation rate declined to 47.3 per cent, from a 59.9 per cent in the preceding quarter. By the third quarter, the country’s unemployment

¹⁶ International Labour Organisation. (2020). ILO Monitor COVID-19 and the World of Work Sixth Edition 23rd September 2020: Updated Estimates and Analysis. Geneva, Switzerland

rate had increased to 30.8 per cent, the highest level recorded by far.¹⁷ During the same period, when using the expanded definition, the unemployment rate stood at 43.1 per cent. More labour market indicators for South Africa are discussed in Chapter 2.

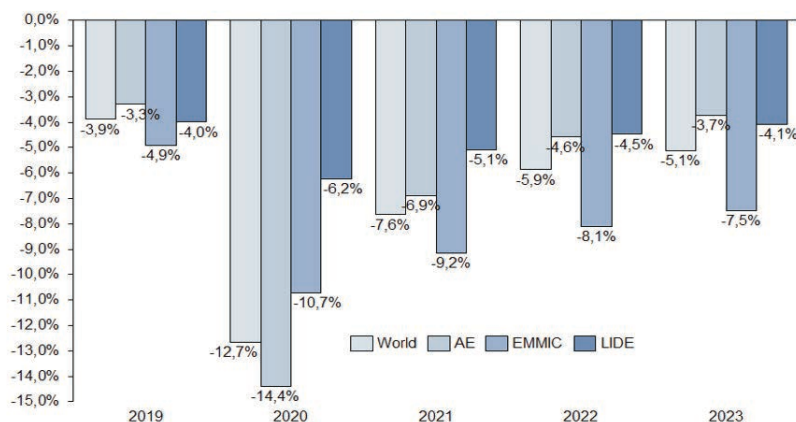
3.5 Impact on Public Finances

In response to the pandemic, governments have had to resort to some unprecedented fiscal actions. These include increased spending particularly on health and the need to keep the economic machine going. Most governments provided cash transfers to vulnerable members of society, unemployment benefits to support those who lost their jobs, wage subsidies and temporal tax deferrals to companies.¹⁸

The complete halt of economic activity, especially for non-essential sectors which did not operate during the lockdown, resulted in a complete loss of revenue and income for the companies and employees, thus a loss of tax revenue for governments. The impact of COVID-19 on public finances is expected to last even well after the pandemic has receded. Global economies are expected to record higher debt levels due to their expansionary fiscal policies and this will be exacerbated by fact that economic activity will take longer to return to the pre-pandemic levels. Furthermore, the outbreak of a second wave of the pandemic may prolong the economic recovery period. However, swift vaccine approvals and intake promise to lift economic activity somewhat.

The International Monetary Fund (IMF) estimates global fiscal relief measures at about 12 per cent of the world's GDP or USD\$11.7 trillion as of September 2020. This consists of additional spending by governments, foregone revenue in terms of tax reliefs, tax cuts, loans and guarantees, among others. However, the bulk of these fiscal relief measures are accounted for by advanced and large emerging market economies.¹⁹

Figure 1.5: Budget Deficit as a Share of GDP for Selected Regions



Source: IMF, 2020

Note: AE=Advanced Economies, EMMIC=Emerging Market & Middle-Income Economies, LIDE=Low Income & Developing Economies

Figure 1.5 indicates that budget deficit as percentage of GDP deteriorated for all the regions in 2020. The deterioration is projected to be higher for advanced economies at a deficit of 14.4 per cent, while the low income and developing economies are expected to have reached a deficit of 6.2 per cent. This is explained by the fact that the advanced economies accounted for the largest share of the fiscal relief measures. Although the budget deficits are expected to continue to 2023, they are expected to improve somewhat from the levels of 2021. With the outbreak of the second wave of new infections in some regions (with a possibility of further lockdowns), the need to continue fiscal relief measures may result in more borrowings and even wider budget deficits. The January IMF's World Economic Outlook (WEO) Report expects additional fiscal policy support to boost economic activity in some countries. Fiscal support in advanced economies are expected to have desired spillover effects in trading partners' economies. Thus, fiscal deficits in most countries are expected to slowdown in 2021, as revenue starts to rise and expenditure declines with economic recovery.

In South Africa, government has embarked on a five-year fiscal consolidation pathway that promotes growth in economic activity and aims to bring the country's debt under control. The halt of economic activity due

¹⁷ Statistics South Africa. (2020). Quarterly Labour Force Survey Quarter 3 2020. Pretoria, South Africa.

¹⁸ International Monetary Fund. (2020). Fiscal Monitor: Policies for the Recovery 2020 October. Washington DC, USA.

¹⁹ International Monetary Fund. (2020). Fiscal Monitor: Policies for the Recovery 2020 October. Washington DC, USA..

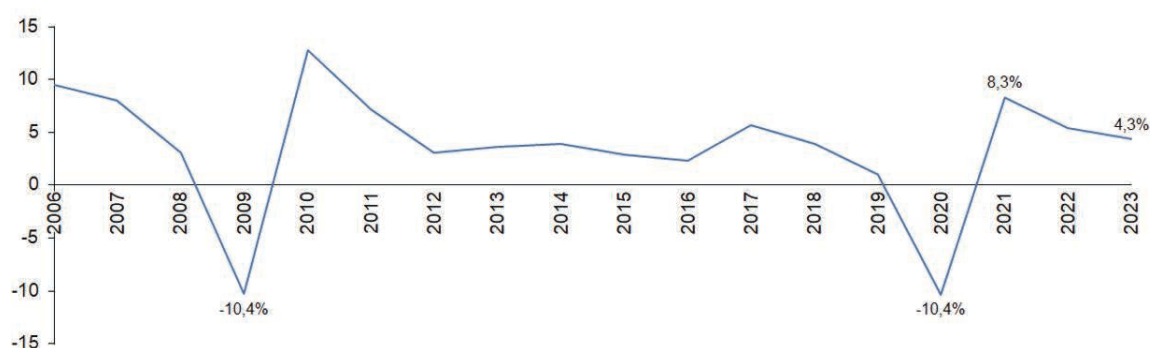
to COVID-19 and the need for a dipper fiscal purse to finance some of the health and social spending, may negatively affect these plans. With economic activity halted in most sectors for the better part of 2020, this may translate into less revenue collection and an even higher budget deficit for the 2021 budget. The 2021 National Budget forecast that revenue collection will fall short by ZAR213 billion in the current tax cycle. This is the largest tax shortfall on record.²⁰ More details are discussed in Chapter 2.

3.6 Trade and Investment Levels

Global trade was already on the decline prior to the outbreak of the pandemic, mainly affected by the trade war between China and the US. Growth in world trade volumes for 2019 only managed to increase by a meagre 1 per cent. The outbreak of the virus and its spread around the world extended this slowdown as there was a complete shutdown of movement of goods and services. At the height of the lockdowns, global trade fell by 14.3 per cent in the second quarter of 2020, its largest decrease ever recorded. The impact differed significantly across regions, with steepest declines being recorded in Europe and North America. Asian trade was relatively unaffected compared with these other regions. The contraction reflected disruptions in supply chains due to a synchronised global downturn, as well as weak final demand from consumers and firms.

The World Trade Organisation (WTO) anticipates world merchandise trade volumes to have declined by a revised 9.2 per cent in 2020. The revision was reflective of a partial rebound in trade that was estimated in the third quarter of 2020, as most countries were lifting lockdown measures and reopening their economies.

Figure 1.6: Annual Percentage Change in World Trade Volumes



Source: IMF WEO, 2021

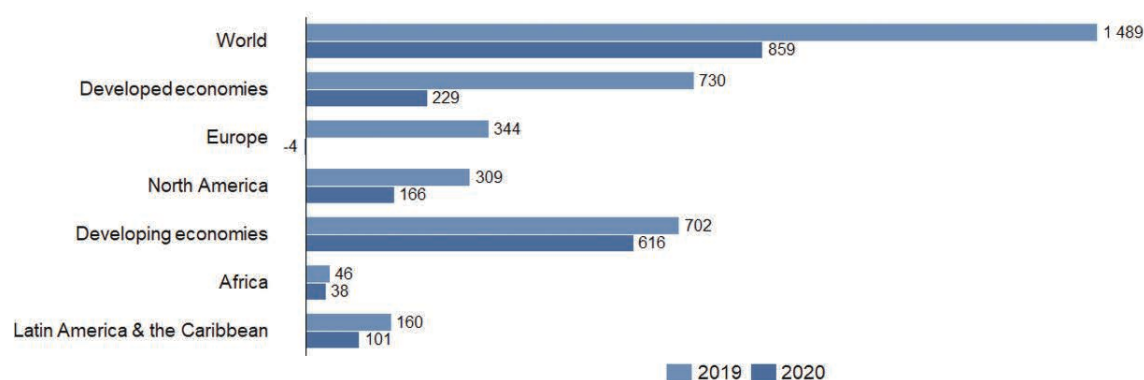
The IMF forecasts global trade volumes to rebound by about 8 per cent in 2021, before moderating to 6 per cent in 2022, as the global economic activity recovers somewhat. Much of the recovery will be accounted for by emerging market and developing economies where trade will increase by 9 per cent, compared with 7 per cent in advanced economies.²¹ The IMF expects services trade recovery to lag as cross-border tourism continues to be affected by restrictions due to risks of transmission.

Investment Levels During COVID-19

The United Nations Conference on Trade and Development (UNCTAD) now expects global Foreign Direct Investment (FDI) to have declined by between 30 and 40 per cent for 2020 alone. This is because of revised earnings numbers, which continue to confirm bigger deteriorations in global economic prospects, the demand shocks that affect sales and the disruption in the world supply chain. The UNCTAD expects the effects on the FDI to be more pronounced in countries that are severely hit by the pandemic.

²⁰ National Treasury. (2021). Budget Review 2021. Pretoria, South Africa.

²¹ IMF. (2021). January 2021 World Economic Outlook Update. Washington, D.C.

Figure 1.7: Foreign Direct Investment Inflows by Regio

Source: UNCTAD, 2021

The figure above shows that in 2020, global FDI contracted by 42 per cent to USD859 billion as companies slowed investment projects and had to reassess new projects. The decline in FDIs was more pronounced in developed economies, by USD501 billion (or 69 per cent) to USD229 billion in 2020. Driven by resilient investment in China, FDI in developing economies decreased by only 12 per cent to reach USD616 billion during the same period.

In Africa, investment flow declined by 18 per cent in 2020 to an estimated USD38 billion. This was largely driven by the greenfield project announcement, which fell by 63 per cent to USD28 billion. This was further worsened by the decline in prices and the demand of commodities. In the SSA region, FDI decreased by 11 per cent to reach USD28 billion. In Nigeria, investment declined from USD3.3 to USD2.6 billion between 2019 and 2020. Investment in South Africa almost halved, declining from USD4.6 to USD2.6 billion in the same period.

The 2020 declines were largely due to contractions in greenfield investments²² which declined by 35 per cent, cross border Mergers and Acquisitions (M&As) which declined by 10 per cent, as well as international cross border finance deals which contracted by two per cent.

4. Vaccine Development and Economic Outlook

The 2021 economic recovery is expected to be driven by both efficient policy support and a widespread availability of vaccines. The IMF forecasts the global economy to grow by 5.5 per cent in 2021. This reflects the expectation of a vaccine-powered recovery of economic activity later in the year as the vaccine becomes widely available. In advanced economies, the recovery will also be propelled by the availability of larger fiscal support. Multinational cooperation remains key in controlling the spread of the virus. This includes bolstering funding of the COVID-19 Vaccines Global Access (COVAX) facility to promote access to the vaccines, ensuring that there is universal distribution and access to therapeutics at reasonable prices.²³

The World Bank in its economic outlook for 2021, cites that recovery in economic activity which was negatively affected by the resurgence of COVID-19 cases in some countries, is projected to strengthen as business confidence, consumption and global trade improve, supported by the ongoing vaccination drives. The bank projects economic activity for the year to average 5 per cent and to moderate to 3.8 per cent by 2022. The bank notes that key priorities should be aimed at containing the spread of the virus, providing much needed relief for the vulnerable and mitigating vaccine-related challenges such as distributions.²⁴

5. COVID-19: Opportunities and Lessons for the Future

Due to the lockdown measures implemented to reduce the movement of people and the spread of the virus, organisations needed to come up with ways of continuing operations. Those workers who could work from home managed to hold meetings via online platforms and similar platforms were created for school lessons (for children that had access to the necessary technologies). This indicated the need to continue investing in

²² Greenfield investment refers to a foreign direct investment in which a company creates a subsidiary elsewhere and building the operation ground-up.

²³ International Monetary Policy. (2021). World Economic Outlook Update January 2021. Washington, DC, USA.

²⁴ World Bank Group. (2021). Global Economic Prospects January 2021. Washington, DC,

communication infrastructure which could enable business to continue outside contact offices. This has also presented the need to have school and tertiary institution lessons provided through online platforms. Thus, the need to reconfigure the transmission of the education system going forward.

Different sectors of the economy have been forced to fast track the digitisation of the workforce and implement the Fourth Industrial Revolution (4IR) actions. Although South Africa is not at the level where robots are sanitising hospitals and airports, technology is being used in tracing those with the virus, while 3D printing technology is being used in the production of protective gear.²⁵ Since the start of the lockdown in March, Vodacom has seen a rise of up to 6.4 per cent in demand for data by the end of July 2020. The network has since seen an increase in revenue to ZAR13.3 billion compared to ZAR12.5 billion during the same period in 2019, due to the strong demand in data and connectivity services.²⁶

On sectors that are particularly affected by the pandemic such as the tourism, the dependency on international travel and arrivals created a bigger challenge. Programmes to encourage domestic tourism may help the sector to sustain itself post the COVID-19 pandemic and cushion against the risk of external shocks in the future.

Regarding the health sector, the need to have reserve medical suppliers and healthcare facilities ready for further pandemic outbreak is essential. Economies also need to build enough fiscal space that will allow for better response measures such as outbreaks. Furthermore, the provision of household basic services such as water, sanitation, energy and housing, remain fundamental to the ability of all measures to contain virus outbreaks.

6. Conclusion

There is no doubt that the outbreak of COVID-19 has had an adverse effect on various sectors of the economy. The health sector has seen declines in the treatment of NCDs or shifting of resources to focus attention on the immediate treatment of COVID-19 patients. The sudden stop in economic activity has pushed millions of people into extreme conditions of poverty. The response of government in the form of fiscal measures has also put a strain on the fiscal purse of most economies, resulting in rapidly increasing debt levels. The uncertainty brought by the outbreak of the virus has also led to withdrawals in FDIs.

Despite all these developments, the full extent of the impact of the COVID-19 pandemic is yet to be quantified especially since, globally, there are still new cases of the virus being recorded and a number of countries are entering new levels of lockdown restrictions. The positive economic outlook brought by the distribution of the vaccine is welcomed, though the scars of the pandemic are expected to remain for a prolonged period globally. Recoveries in economic activity projected for 2021 are still far below the pre-pandemic levels in most economies.

Among other lessons, the pandemic has highlighted the need for the global health sector to be more prepared for future outbreaks. This relates to the need to invest in the healthcare sector to build more capable facilities and create enough reserves for medical supplies. For most economies, there is a need to ensure that basic household services such as water, sanitation, energy and housing are provided for as these remain fundamental to the ability of all regions to contain virus outbreaks.

²⁵ CIPLA. (2020). COVID-19 Fast Tracking the Fourth Industrial Revolution. (Accessed on 11th January 2021): www.cipla.co.za.

²⁶ IOL. (2020). Vodacom Reports Increase in Data Demand Due to COVID-19 Lockdown. (Accessed on 11th January 2021): www.iol.co.za.

Chapter 2: National Economic and Socio-economic Review

1. Introduction

This chapter provides an assessment of the domestic macro-economic performance in the past few years. Analysis is presented on some key economic variables which have characterised the contraction in economic activity in 2020. The COVID-19 pandemic has had a more pronounced impact on all aspects of life than anticipated at the start of the national lockdown. The effects of the pandemic are reflected in most sectors of the economy and are likely to persist in the foreseeable future. A second wave of infections, which has led to new restrictions on economic activity, has added more pressure to the already ailing economic performance.

The National Treasury estimates the domestic economic growth to have contracted by 7.2 per cent in 2020 and forecasts a recovery of 3.3 per cent and 2.2 per cent in 2021 and 2022, respectively. The weak economic outlook that remains uncertain, in addition to the increased public spending for COVID-19 response, has had a marked impact on the country’s fiscal prospects. In this regard, government’s policy priorities over the medium-term are economic recovery and fiscal consolidation. The government’s immediate response on the economic recovery plan focuses on building infrastructure, expanding energy generation, industrialisation and job creation. On the other hand, fiscal consolidation involves significant expenditure cuts across government.

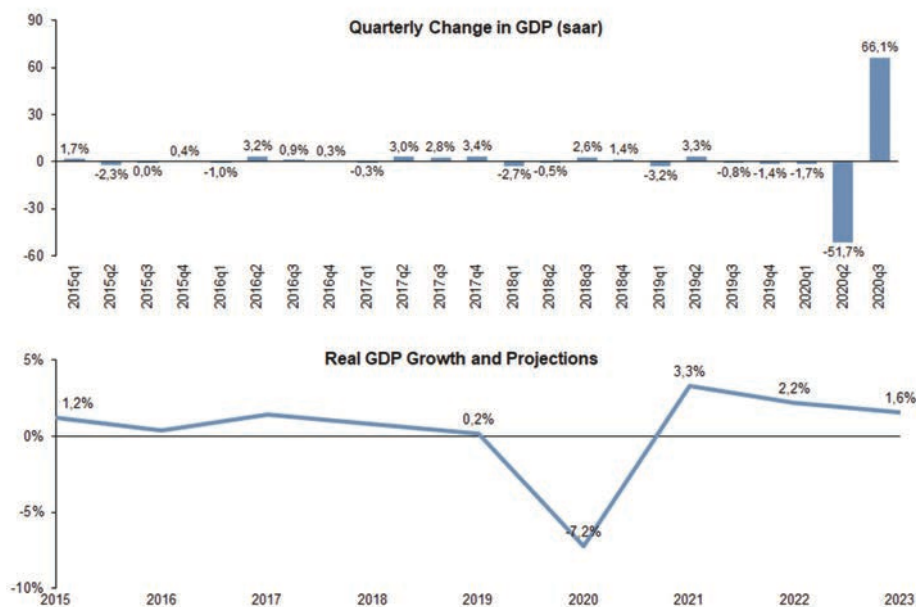
The chapter is structured into four more sections. Section 2 looks at the macroeconomic developments in the in the context of COVID-19. This is followed by Section 3 which analyses implications for the socio-economic environment of the country. Section 4 reviews government response measures to COVID-19, while Section 5 concludes the chapter.

2. Macroeconomic Developments in the Context of COVID-19

2.1 Gross Domestic Product (GDP)

Economists globally are trying to understand and measure the economic cost of the COVID-19 pandemic. Most countries-imposed hard lockdowns for periods ranging between one to three months, which resulted in significant contractions in economic activity, a surge in government debt and sharp rises in unemployment.

Figure 2.1: GDP Growth Rate



Source: Statistics South Africa and National Treasury, 2020

Note: Saar = Seasonally Adjusted and Annualised. Estimates and Forecasts (2021-2023) Sourced from National Treasury.

Figure 2.1 shows the quarterly GDP growth levels in South Africa from 2015 to third quarter of 2020. South Africa’s real GDP increased by 3.3 per cent quarter-on-quarter seasonally adjusted and annualised (saar) in the second quarter of 2019. This came after a revised contraction of 3.2 per cent in the first quarter of 2019 and averting a recession. Since then, GDP declined for four successive quarters – the most recent being the COVID-19 lockdown related disruptions where GDP contracted by 52 per cent quarter-on-quarter.

The South African economy rebounded in the third quarter of 2020, as COVID-19 lockdown restrictions were eased. All sectors of the economy recorded an increase in activity compared with the second quarter. However, the economy is still 5.8 per cent smaller than it was at the end of 2019.

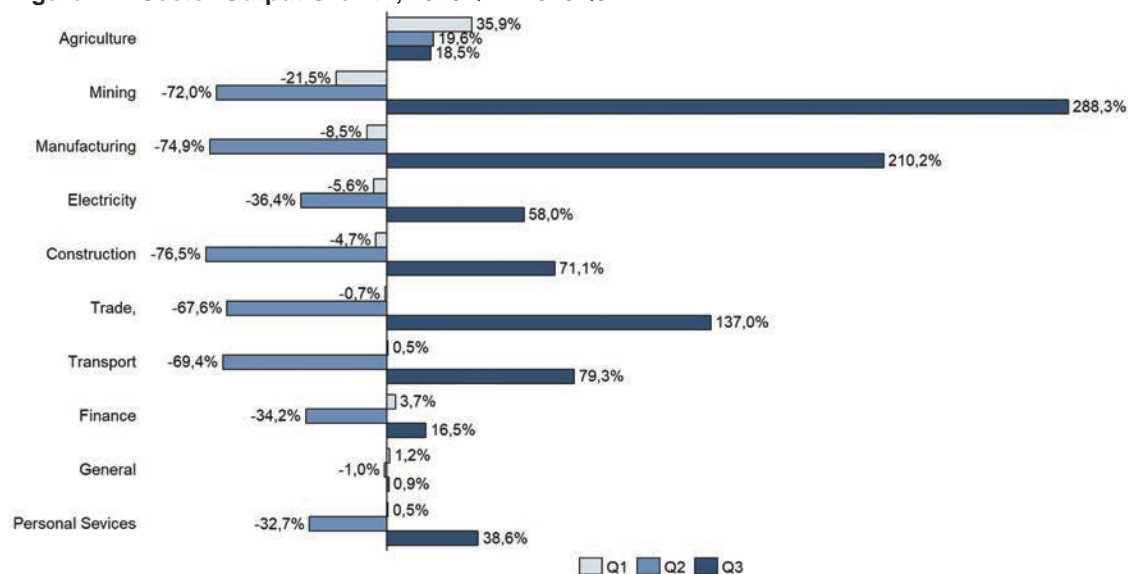
According to the 2021 National Budget, the economy contracted by an estimate of 7.2 per cent in 2020 and the 2021 outlook remains uncertain.¹ The re-imposed lockdown measures during December 2020 will extend the time needed for the domestic economy to get back to pre-pandemic economic activity levels.

2.2 Sector Performance

The economic costs of the lockdown were, in part transmitted through strict lockdown regulations and the effects on growth and the output of some sectors. Production in some of South Africa’s economic sectors has been declining for several quarters. Mining output has been declining for years, largely attributed to declines in mining of precious metals, gold, and platinum.

At the height of COVID-19 lockdown measures in the second quarter of 2020, the output of the manufacturing, mining, construction, trade and transport sectors was severely impacted, with contractions of between 67.6 per cent and 74.9 per cent quarter-on-quarter, during that period.

Figure 2.2: Sector Output Growth, 2020Q1 – 2020Q3



Source: Quantec EasyData, 2020

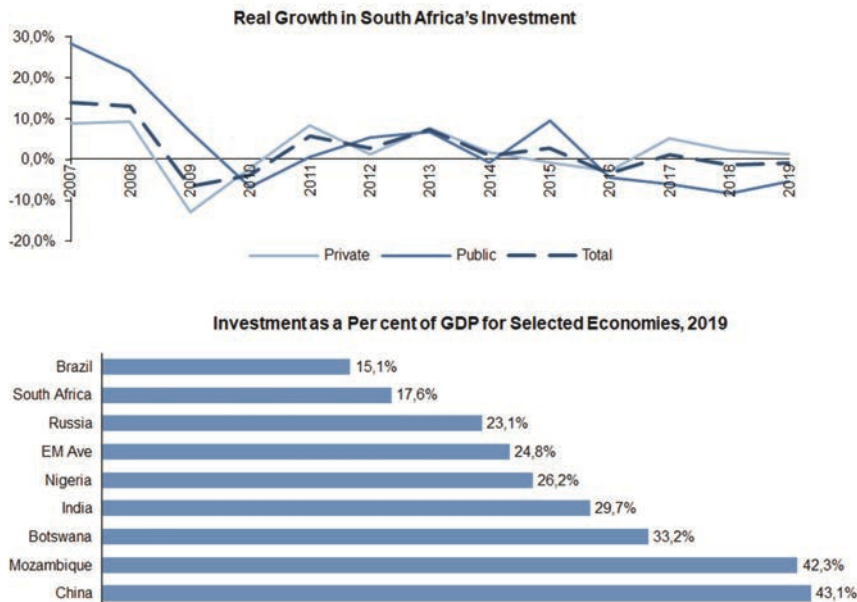
Output recovered in the third quarter; the largest rebound was experienced in the manufacturing, mining, and trade industries. The manufacturing industry rose at an annualised rate of 210.2 per cent, mostly driven by increases in the production of basic metal products, petroleum, vehicles, and food and beverages. The mining industry increased at a rate of 288.3 per cent. The trade, industry increased at a rate of 137.0 per cent. However, industries are performing below the levels of production seen before the pandemic.

¹ National Treasury. (2021). Budget Review. Pretoria, South Africa.

2.3 Investment

South Africa ranked 104th out of a group of 132 emerging market economies when measured by investment as a per cent of GDP during 2019. Investment as a per cent of GDP in South Africa was 17.5 per cent in 2019, whereas the emerging market average measured at 24.7 per cent. Within the Southern Africa Development Community (SADC), Mozambique ranks 8th with an investment to GDP ratio of 42.2 per cent. China has the fourth highest, at 43.1 per cent, among emerging market economies.

Figure 2.3: Real Investment



Source: World Bank WEO and Quantec Research, 2021

Growth in South Africa's investment measured by gross fixed capital formation (GFCF) has continuously declined since 2008. In 2020, the contraction in the second quarter deepened to 59.9 per cent quarter-on-quarter annualised, largely attributed to the disruptions caused by the COVID-19 pandemic. For the year as a whole, investment contracted by an estimated 18.4 per cent.² The continuous decline in investment has resulted in its share of GDP falling from 23 per cent in 2008 to 17.6 per cent in 2019. Numerous factors are to blame for the declining investment prospects, chief amongst those being constrained electricity supply, weak productivity growth, mostly attributed to structural impediments to growth, global factors, and some idiosyncratic factors.

The South Africa Investment Conference (SAIC), which was inaugurated in 2018, is an initiative by the President of the Republic of South Africa to drive investment and showcase South Africa's investment prospects. The third SAIC, which was held virtually from 17 to 18 November 2020, forms part of the government's drive to attract ZAR1.2 trillion over five years. The 2020 conference took place under the shadow of the COVID-19 pandemic and lockdown measures which have strangled economic growth and pushed unemployment to a record high of 30.8 per cent. A total of 50 companies pledged ZAR109.6 billion at the third SAIC. This brings the total amount of investment pledges to ZAR773.6 billion of investment in the last three years. South Africa has now reached 64 percent of its total target of R1.2 trillion.³

Since the inception of the conference, the government has made commitments to invest about ZAR664 billion (of the ZAR1.2 trillion target). Approximately ZAR172 billion of this has been spent on some of the 102 projects that were announced in the last two conferences (2018 and 2019).⁴ The mining and beneficiation sub-sector has been the greatest recipient of this investment, with over ZAR60 billion spent to date. Overall, about 19 projects from the investment commitments made over the last two years have been completed or launched while 44 are under construction. Inevitably, 21 projects which represent 10 per cent of the total investment commitments have been delayed due to the COVID-19 pandemic.⁵

The investment commitments from the SAIC constitutes an important contribution to South Africa's Economic

² National Treasury. (2021). Budget Review. Pretoria, South Africa.

³ The South African Government News Agency. (2020). Investment Conference bags R109.6bn in pledges. Johannesburg, South Africa.

⁴ The Presidency. (2020). Opening Address by President Cyril Ramaphosa at the Third South Africa Investment Conference. Johannesburg, South Africa.

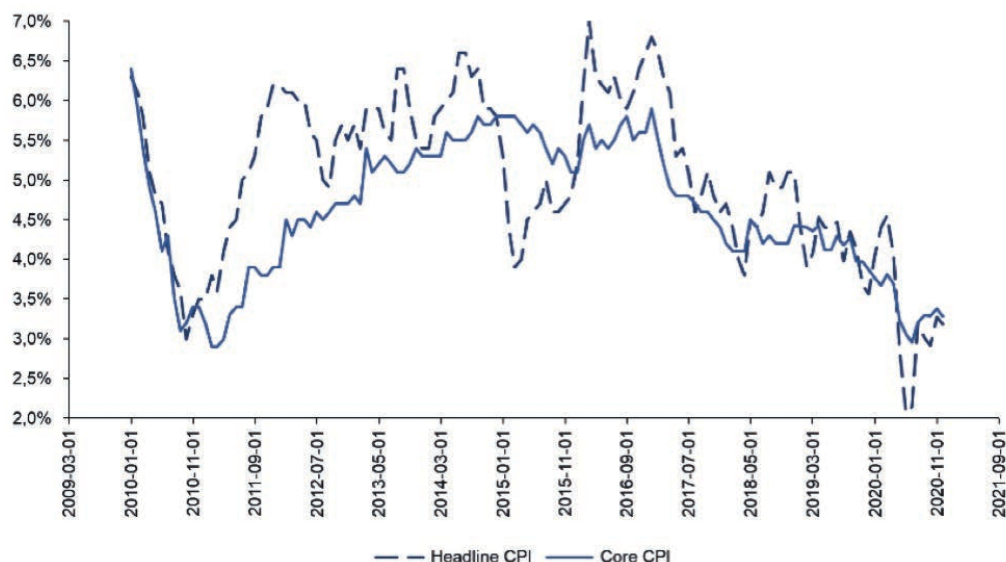
⁵ The Presidency. (2020). Opening Address by President Cyril Ramaphosa at the Third South Africa Investment Conference. Johannesburg, South Africa.

Reconstruction and Recovery Plan. The economic recovery plan is the agenda of government that puts forth bold actions to restore economic activity and rebuild the economy in an inclusive manner.⁶ The details of the plan are discussed in Section 4 of this chapter.

2.4 Inflation

Globally, headline consumer inflation rates have remained between 3 and 4 per cent since the early 2000s, with the outlook expected to remain benign. Inflation in South Africa has remained broadly within the South African Reserve Bank's (SARB's) 3 to 6 per cent target band.

Figure 2.4: Consumer Price Inflation, 2009 – 2020



Source: Quantec EasyData, 2020

Consumer inflation, as measured by the consumer price index (CPI), slowed to its lowest level in May 2020, driven by a notable fall in fuel prices on the account of the COVID-19 pandemic. Headline inflation accelerated to 3.3 per cent in October 2020, as the moderation in prices induced by the hard lockdown was fading. Market expectations and SARB's forecasts suggest that headline consumer inflation is expected to remain near the mid-point of the SARB target.

For 2020, SARB anticipates inflation to have averaged 3.3 per cent, and forecasts a 4 per cent growth in 2021. The gap between the inflation linked bonds and nominal bonds suggests that inflation expectations are 4.5 per cent for 2021, while the Inflation Expectations Survey of the Bureau of Economic Research (BER) indicates that inflation expectations are 4.2 per cent for 2021.

2.5 Labour Market

South Africa continues to face devastating and deepening levels of unemployment which is one of the barriers to social inclusion and poverty reduction. This is accompanied by concerns about the quality and availability of skills, which are regarded as a constraint to productivity, economic growth, and development. In 2020, Statistics South Africa (Stats SA) suspended face-to-face data collection for all its surveys as a result of the COVID-19 pandemic which restricted movement. The pandemic and lockdown measures imposed by the government have strangled economic growth and pushed unemployment to a record high of 30.8 per cent in the third quarter of 2020.

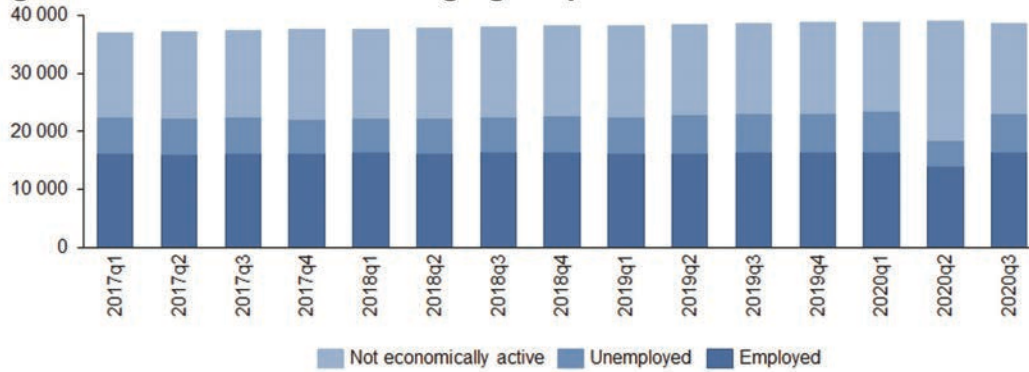
The South African economy shed 2.2 million jobs in the second quarter of 2020. Despite this massive decline in employment, the official unemployment rate declined by 6.8 percentage points from 30.1 per cent in the

⁶ Presidential Economic Advisory Council. (2020). Building a New Economy – Highlights of Reconstruction and Recovery Plan. Pretoria, South Africa.

first quarter of 2020, to 23.3 per cent in the second quarter of 2020. This is because the official unemployment rate is calculated using the number of persons who are employed and unemployed and does not include discouraged work seekers.

The level of employment remained below the levels prior to COVID-19. Compared to a year ago, total employment decreased by 1.7 million in the third quarter of 2020. The number of unemployed persons decreased by 3.0 per cent (201 000), while the number of persons who were “not economically active” increased by 16.0 per cent (2.5 million).

Figure 2.5: South Africa’s Working Age Population Characteristic

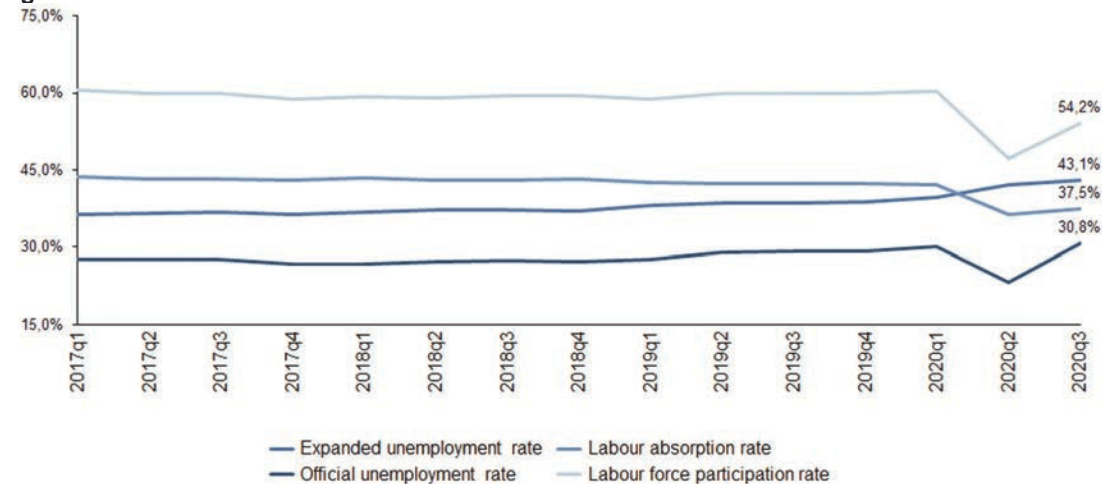


Source: Stats SA, 2021

The labour market prospects did not get better in the third quarter of 2020. The Quarterly Labour Force Survey (QLFS) indicates that the number of employed persons in South Africa was 14.7 million in the third quarter, and the number of unemployed persons increased by 2.2 million to 6.5 million compared to the second quarter. This resulted in an increase of 2.8 million in the number of people in the labour force to 23.1 million.

It was observed that 2.8 million people moved from the "other not economically active" category back into the labour market between the two quarters. The movement was proportionately more to the unemployed than for the employed, which resulted in a significant increase of 7.5 percentage points in the unemployment rate to 30.8 per cent. The unemployment rate increased further by 1.7 percentage points (to 32.5 per cent) in the fourth quarter, the highest unemployment rate recorded since the start of the QLFS in 2008. This was despite the fact that over 300 000 more people were employed in the fourth quarter compared with the third quarter of 2020

Figure 2.6: South Africa’s Labour Market Rates



Source: Stats SA, 2021

In a context where the South African labour market is characterised by high levels of unemployment and skills shortages, the Department of Higher Education and Training (DHET) has a role of identifying and improving the skills South Africa needs. The department also has to ensure that education and training, at all levels, responds to the needs of the economy and that the Post-School Education and Training (PSET) system should meet skills needs of the labour market. The DHET has published a list of Occupations in High Demand (OIHD) which provides useful insights into the skills needs of the economy and society. The 2020 list of OIHD comprises a total of 345 occupations, and the orders of occupations listed has no relation to priority.⁷

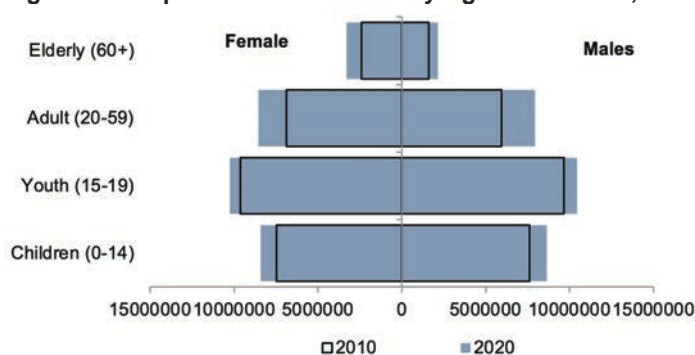
3. Socio-economic Developments in the Context of COVID-19

3.1 Demographic Indicators

Population Structures

The COVID-19 pandemic has placed additional strain on countries that have older populations. These tend to be the more developed countries, reflected in significantly higher numbers of COVID-19 related deaths among their elderly. Even though the health burden may be greater in developed countries due to their age profile, they have greater ability to meet the challenges, due to their better functioning health systems.⁸ On the contrary, South Africa has a youthful population.

Figure 2.7: Population Distribution by Age and Gender, 2010 – 2020



Source: Stats SA, 2020

The population pyramid demonstrates that the youth make up 35 per cent (20.6 million) of the country's population. More than 60 per cent of the South African population (37.1 million) is aged between 15 and 60 years of age and less than 10 per cent is 60 years of age or older. Females currently make up 50 per cent of the population. However, the share of this cohort is higher among the older age population with females making up 73 per cent of the cohort of 80 years and older, as compared to 50 per cent of the cohort between the ages of 0 to 4 years.

Fertility Rates

Total fertility rates, which measure the average number of children per woman, have declined significantly in South Africa. The rate peaked at 2.66 in 2008 and has been on a decline, reaching 2.33 in 2020, suggesting that on average a woman in South Africa will give birth to 2.33 children in her lifetime.⁹ This is less than the global average of 2.5 and the Sub-Saharan Africa average of 3.1.¹⁰

A provincial analysis, which is discussed in detail in Chapter 3, reveals that provinces that are less urbanised, including Limpopo and Eastern Cape, have higher fertility rates relative to more urbanised provinces such as Gauteng and Western Cape.

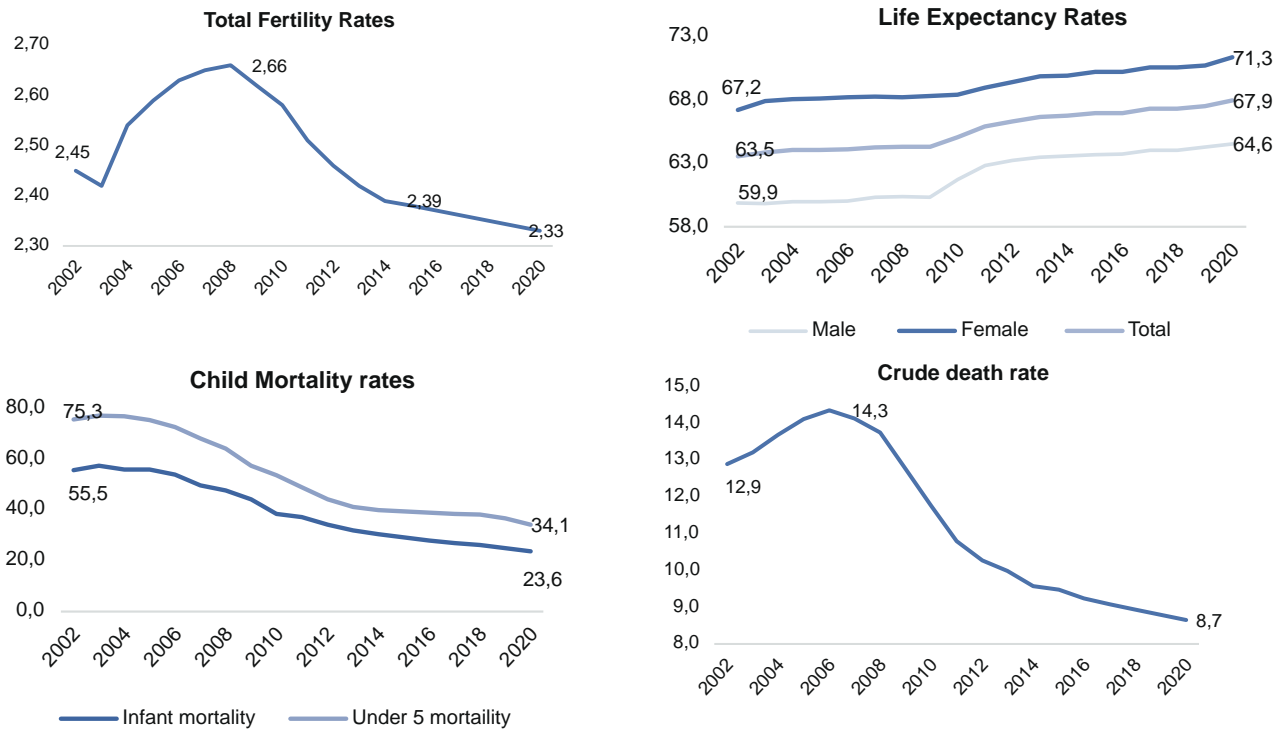
⁷ Department of Higher Education and Training. (2020). National List of Occupations in High Demand. Pretoria, South Africa.

⁸ Statistics South Africa. (2020). Mid-Year Population Estimates. Pretoria, South Africa.

⁹ Statistics South Africa. (2020). Mid-Year Population Estimates. Pretoria, South Africa.

¹⁰ United Nations. (2020). World Fertility and Family Planning 2020. (Accessed on 18 November 2020): www.unpopulation.org.

Figure 2.8: Selected Demographic Indicators



Source: Stats SA, 2021

Mortality Rates

Figure 2.8 makes use of child mortality rates as well as crude death rate to measure mortality trends in South Africa. Infant and under-five mortality rates have continued to decline. Infant mortality rate fell from an estimated 55.5 infant deaths per 1 000 live births in 2002 to 23.6 in 2020. Between 2002 and 2020, the under-five mortality rates declined by 41.2 child deaths per 1 000 live births to 34.1 in 2020.

Except for 2002-2006, the crude death rate has declined by over 30 per cent between 2002 and 2020; from 12.9 deaths per 1 000 people in 2002 to 8.7 in 2020. The increase recorded between 2002 and 2006 was due to the Acquired Immunodeficiency syndrome (AIDS) epidemic, which thereafter declined as access to Human Immunodeficiency Virus (HIV) treatment and care became available.¹¹

Life Expectancy Rates

Life expectancy at birth reflects the overall mortality level of a population.¹² The AIDS epidemic experience between 2002-2006 has had some marginal effects on life expectancy rates in that it remained stagnant during this period. Thereafter, life expectancy at birth increased from 64.3 years in 2007 to 67.9 years in 2020. A gender split shows that there is an average gap of about 6 years in life expectancy between males and females in South Africa, with females having a higher life expectancy rate than males.

Fertility, mortality, and life expectancy rates, as illustrated in Figure 2.8 are drivers of long-term population trends. How the COVID-19 pandemic will affect and change these trends in South Africa is not yet clear. In the 2020 mid-year population estimates MYPE, Statistics SA emphasised that given that there is still a lot that is unknown about how the virus evolves epidemiologically, the report is not yet reflective of how the population structure will be affected by mortality from COVID-19.

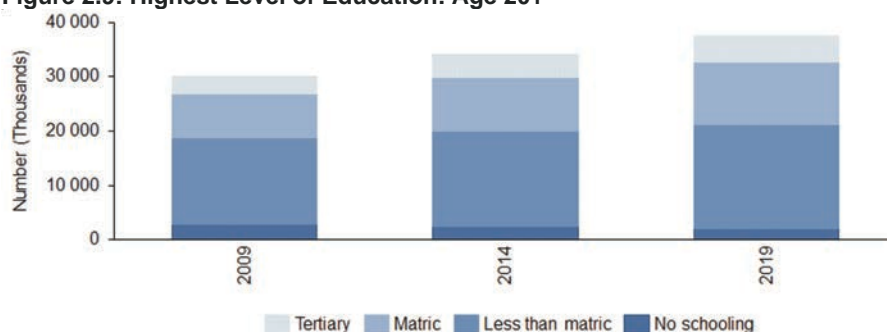
¹¹ Statistics South Africa. (2020). Mid-Year Population Estimates (MYPE). Pretoria, South Africa.

¹² Statistics South Africa. (2020). Mid-Year Population Estimates. Pretoria, South Africa.

3.2 Educational Attainment

South Africa's education system is split into three levels, primary, secondary and tertiary levels. However, since 2009 oversight of the education system has been split into two. The Department of Basic Education (DBE) and the Department of Higher Education and Training (DHET), to enable greater focus on radically different educational systems, and to increase the government's focus on post-secondary education.¹³ Education is one of government's key priorities and this is reflected by South Africa's expenditure on education. South Africa invests a considerable amount of money and resources in education. Education is second biggest driver of expenditure with a share of 19 percent of the country's total budget.¹⁴

Figure 2.9: Highest Level of Education: Age 20+



Source: IHS Markit, 2020

Figure 2.9 shows that over time, South Africa's educational outcomes have improved. Considerable progress can be viewed from the past 10 years. The number of adults aged 20 years and older without an education has declined from 2.7 million in 2009 to 2 million in 2019. The number of adults aged 20 years and older with a matric certificate has risen considerably from 7.8 million in 2009 to 11.3 million in 2019, an increase of 45 per cent. The number of adults with tertiary education has increased from 3.4 million in 2009 to 4.9 million in 2019.

The fertility rate in Gauteng increased to 2.4 children per woman between 2006 and 2011. This has slowed to 2.1 children between 2011 and 2016 and it is projected to reach 1.9 children between 2016 and 2021. Beside the introduction of contraceptives, factors such as access to productive employment and educational opportunities have an impact on the reduction in the number of births. These opportunities help to incentivise females to expand their

3.2 Poverty and Inequality Levels

Poverty Trends

Like many countries around the world, South Africa has faced various socio-economic challenges over the years. The government has placed emphasis on improving the lives of citizens by targeting poverty, inequality, and unemployment reduction. However, the outbreak of the COVID-19 pandemic is likely to impact these plans and further regress some of the progress made to address poverty. Globally, the World Bank projected that COVID-19 could push between 88 and 115 million people into extreme poverty in 2020, which could increase the global extreme poverty rate from 8.4 per cent in 2019 to 9.4 per cent in 2020.¹⁵

A study done by the United Nations (UN), which looks at how COVID-19 will drive changes in poverty levels in South Africa found several concerning factors about the likely impact of the pandemic on poverty.¹⁶ It found that about 54 per cent of households that have been pushed out of permanent jobs (to informal or temporary contract), are likely to fall into poverty after the relief measures provided by government are over. The study also revealed that middle class households are likely to exit the middle-class status into poverty or vulnerability to poverty. Further it also found that gender of the household head, education level and employment status are some of factors that are key for poverty transition in South Africa.¹⁷

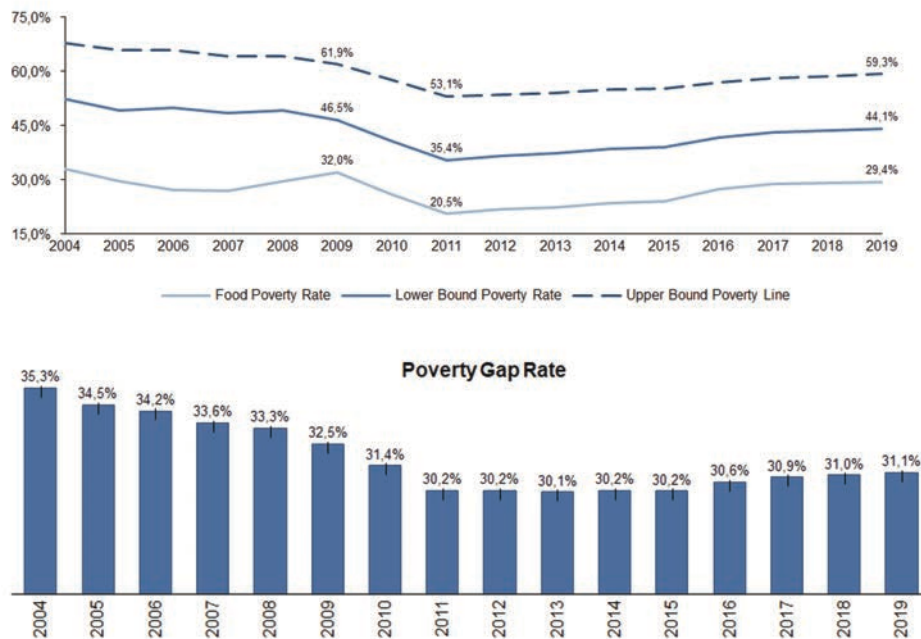
¹³ Department of Higher Education and Training. (2020). Mid-Year Population Estimates. Pretoria, South Africa.

¹⁴ Statistics South Africa. (2020). Financial statistics of consolidated general government 2017/2018. Pretoria, South Africa.

¹⁵ The World Bank Group. (2020). Poverty and Shared Prosperity 2020. Reversals of Fortune. (Accessed on 22nd January 2020): www.worldbank.org.

¹⁶ United Nations. (2020). COVID-19 in South Africa. Socio-Economic Impact Assessment. Pretoria, South Africa.

¹⁷ It found that female headed households are likely to fall into poverty than their male counterparts. Those that have higher level of education have low probability of falling into poverty. Lastly, households employed on permanent basis or self-employed in the formal sector have lower probability of falling into poverty.

Figure 2.10: Share of People Living in Poverty in South Africa

Source: IHS Markit Regional eXplorer, 2021

Figure 2.10 shows that by all poverty measures, significant progress was made in reducing poverty between 2004 and 2011. The progress that was made during 2004-2008 was interrupted by the global financial crises, especially for the food poverty rate which increased by 2.4 percentage points between 2008 and 2009. Since 2012, poverty rates have been on an increasing trend, with a sharper rise experienced between 2015 and 2016. After falling to a low of 20.5 per cent in 2011, the share of people living below the food poverty line increased to 29.1 per cent in 2018. Meanwhile the share of the population living below the lower bound and upper bound food poverty lines increased from 35.4 per cent and 53.1 per cent to 43.6 per cent and 58.6 per cent, respectively, over the same period.

The rise in poverty rates experienced in 2016 may have been due to the increased food prices because of drought experienced during that period. Food scarcity leads to higher prices, which affects the purchasing power of households and individuals and thus their spending decisions. The generally weak economic activity during that year, resulting in higher unemployment and declining household income, may also have contributed to this trend, which continued into 2019, reflecting the persisting difficult economic conditions.

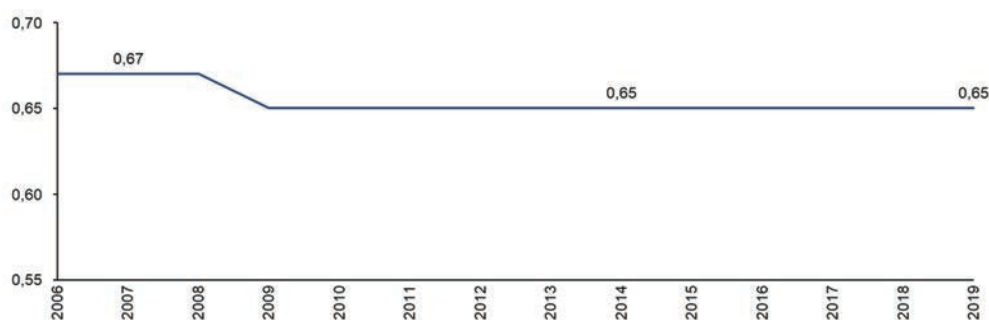
The poverty gap rate, which measures the depth of poverty, also shows that the distance of the population from the poverty line has been narrowing, suggesting that more people are at a risk of slipping into poverty.

Inequality

South Africa is known as one of the most unequal countries in the world, reporting a per-capita expenditure Gini coefficient of 0.67 in 2006, dropping to 0.65 in 2015. This is according to the Inequality Trends in South Africa report released by Stats SA. According to the Palma ratio¹⁸, the top 10 per cent of the population spent 8.6 times more than the bottom 40 per cent in 2006. This ratio reduced to 7.9 in 2015. These figures indicate that overall inequality, measured at a national level, has declined between 2006 and 2015, although the inequality is still high.¹⁹

¹⁸ The Palma ratio is defined as the ratio of national income/expenditure shares of the top 10 percent of the population relative to the bottom 40 per cent.

¹⁹ Statistics South Africa. (2019). Inequality Trends in South Africa A Multidimensional Diagnostic of Inequality. Pretoria, South Africa.

Figure 2.11: Income Inequality as Measured by Gini Coefficient

Source: IHS Markit Regional eXplora, 2019

Figure 2.11 shows the national Gini coefficient only dropped slightly from 0.67 in 2006 to 0.65 in 2009, while it remained uniform between 2009 and 2015. Income inequality, as measured by Gini coefficient has virtually remained the same over the past 20 years.

Before COVID-19, South African income inequality was already high, higher than has been observed anywhere else in the world. The consequences of lockdown restrictions that have resulted in some people losing their incomes and businesses shutting down, may worsen inequality.

4. Policy Response to COVID-19

The COVID-19 pandemic has had a profound impact globally. The impact has been broad-based, affecting the health care systems, businesses, households, and communities. The South African government has increased public expenditure to cushion against the negative impact of the pandemic. The increase in expenditure has come in efforts by government to strengthen the capacity of the health care system to deal with the rapidly increased demand for services. Furthermore, government has availed resources to minimise the impact of the decline in economic activity on vulnerable communities, businesses, and financial systems.

Despite these efforts, the pandemic has had, and continues to have, a distressing impact on the domestic economy. Thus, the response of the government, through the Economic Reconstruction and Recovery Plan, aims to rekindle activity and place the economy on a new path to growth and job creation. With fewer fiscal resources at their disposal, the government is likely to face difficult trade-offs between implementing the plan and avoiding the accumulation of debt. This section outlines the key elements of the Presidential Economic Reconstruction and Recovery Plan.

The Elements of the Reconstruction and Recovery Plan

South Africa's economic reconstruction and recovery builds on the COVID-19 health response to restore South Africa's economic prosperity. In the short term, the Economic Recovery Plan will focus on building infrastructure, expanding electricity generation, allocating digital spectrum, and supporting rapid industrialisation and employment. At the same time, government will roll out structural reforms such as modernising network industries, reducing barriers to entry, and increasing regional integration and trade.²⁰

At the core of the plan are the eight flagship initiatives that will ignite the country's economic recovery. This will be supported by the implementation of key structural reforms critical for an inclusive, competitive, and growing economy, an efficient macroeconomic framework that ensures the countries fiscal sustainability and enhanced institutional arrangements to ensure implementation and accountability.

The plan will combine enhanced State capability and private sector investment, with a targeted focus on reducing unemployment. The strategy aims to target the primary constraints to growth and employment creation. The creation of 800 000 work opportunities aim to achieve the goal of socio-economic transformation. To reduce supply impediments to growth, South Africa will secure reliable energy supply within the next two years, with the addition of 11 800 megawatts of generation capacity and reduce data costs by expanding broadband

²⁰ National Treasury. (2020). Medium Term Budget Policy Statement (MTBPS). Pretoria, South Africa.

access to low-income households. The Re-industrialisation Programme seeks to reverse the decline of South Africa’s ailing manufacturing sector through deeper levels of localisation and exports. In addition, a further ZAR1 trillion in infrastructure investment will be unlocked.²¹

The Macro-Economic Environment

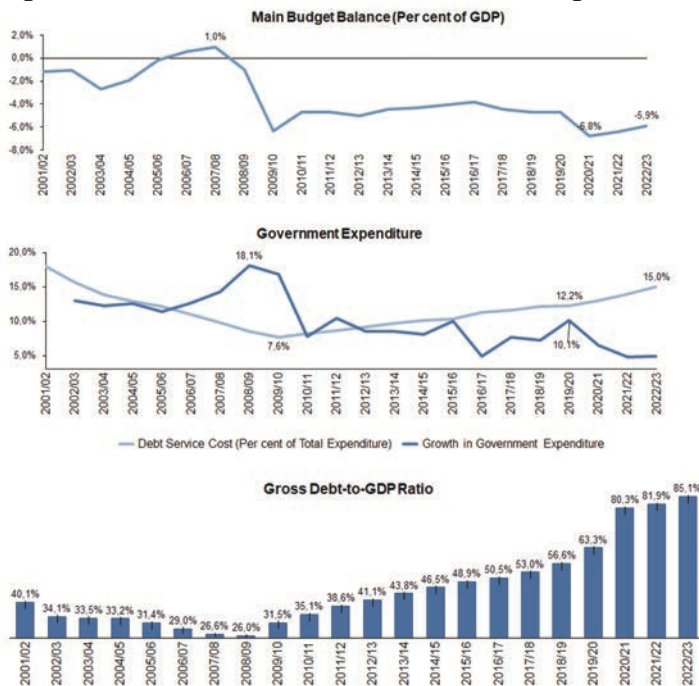
The country’s Reconstruction and Recovery Plan recognises the importance of fiscal sustainability. South Africa’s fiscal consolidation strategy aims to set the country on a path of fiscal consolidation which will see governments’ debt as a percentage of GDP stabilising at 95 per cent within the next five years. This will be achieved by reducing the main budget deficit from 14.6 per cent of GDP in 2020/21 to a surplus in 2024/25. In addition, achieving higher growth and increasing revenues will be critical to reduce South Africa’s debt. Government will intensify efforts to deal with corruption and prioritise strengthening revenue collection across government to address the problem of revenue leakages. To accelerate infrastructure development and to transform South Africa’s economy, innovative financing mechanisms will be introduced to the market. The role of the private sector will be essential in deploying public-private partnership models and purely private funding. To ensure speedy implementation of structural reforms, the Presidency will play a co-ordinating role. Operation Vulindlela will be implemented as a joint initiative of the Presidency and National Treasury reporting to the President and the National Economic Recovery Council.

Fiscal Stimulus and Impact on Government Debt

COVID-19 related government expenditure has accelerated the fiscal deterioration that was already under way. Since 2008, real spending growth has averaged 4.1 per cent annually, exceeding annual real GDP growth of 1.5 per cent. In response to a worsening fiscal position, government has proposed a five-year fiscal consolidation plan that enables continued support for the economy and job creation. The fiscal measures outlined in the 2020 MTBPS will bring the State’s debt burden under control.²²

Taking a snapshot of public finances over the past two decades reflects a deterioration in some key variables. During the 2005/06 to 2008/09 financial years, the South African government had a budget surplus, meaning that it collected more revenue than it spent. At its peak prior to the global financial recession, the budget surplus during 2007/08 was ZAR20.4 billion, equating to one per cent of GDP at the time.

Figure 2.12: South Africa’s Government Main Budget



Source: National Treasury, 2021

²¹ The Presidency Republic of South Africa. (2020). Building a New Economy Highlights of the Economic Reconstruction and Recovery plan. Pretoria, South Africa.
²² National Treasury. (2020). Medium Term Budget Policy Statement (MTBPS). Pretoria, South Africa.

Growth in total government expenditure peaked at 18 per cent annually during the 2008/09 recession. Debt service costs as percentage of total expenditure reached its trough at 8 per cent during the 2009/10 financial year. Since then, it has risen steadily, to reach 12 per cent in 2019/20 prior to rising to 15 per cent in 2022/23 making it one of the largest expenditure components.

Rising government debt has been exacerbated by the COVID-19 economic shock. The magnitude of the increase in South Africa's debt burden reflects the impact of the COVID-19 economic contraction on South Africa's public finances. Gross debt is projected to reach 80.3 per cent of GDP in the current financial year (2020/21)²³, up from 63.3 per cent in the previous year. The deteriorating fiscal space has led to global credit ratings agencies, Moody's and Fitch, downgrading South Africa's long term foreign and local currency credit rating during 2020.

Fitch has downgraded South Africa's foreign and local currency credit rating from "BB-" to "BB" and maintained a negative outlook, while Moody's downgraded the long term foreign and local currency credit rating from "Ba2" to "Ba1" and maintained a negative outlook. According to Moody's, the downgrade reflected the fact that the pandemic shocks impact directly on the country's debt burden and indirectly on the country's socio-economic distress. According to Fitch, the downgrade reflects high and rising government debt, exacerbated by the economic shock triggered by the COVID-19 pandemic. In contrast, Standard and Poor's (S&P's) affirmed South Africa's long term foreign and local currency debt ratings at BB- and BB respectively with a stable outlook, largely based on the economic recovery that was experienced in the third quarter. A representation of the levels of credit ratings, to give perspective, is indicated in the table 2.1 below.

Table 2.1: South Africa Credit Rating

Rating Agency	Rating	Outlook	Last Update	Action
Standard & Poor's	BB-	Stable	30-Apr-20	Downgrade
Moody's Investors Service	Ba2	Negative	21-Nov-20	Downgrade
Fitch Ratings	BB-	Negative	21-Nov-20	Downgrade

Source: Moody's Investors Service, Fitch Ratings, Standard & Poor's, 2020

Government has proposed steps to reduce the fiscal deficit and stabilize the debt-to-GDP ratio over a five-year period. The aim is to reach a main budget primary surplus by 2025/26. From the expenditure perspective, the view expressed by government is one of fiscal consolidation to maintain the sustainability of South Africa's public finances. The active scenario outlines a situation in which government actively reduces aggregate government expenditure, in a manner which also improves the composition of expenditure, shifting it to more growth enhancing and employment creating sectors. From the revenue perspective, an improved capacity of the revenue collector will advance the amount collected. The dominant view is one that does not advocate for an increase in the tax rate. In addition, lower GDP growth will have a negative impact of the amount of revenue collected as opposed to what was budgeted, which makes fiscal sustainability a difficult task for government.

Other Key Elements of The Plan

The Green Economy: The country's re-industrialisation will be undertaken in an environmentally sustainable manner. The government is considering repurposing aging electricity power stations in Mpumalanga. This is in addition to the programme to retrofit public and private buildings, improve energy and water efficiency, and supporting small grower farmers.

Gender Equality and Economic Inclusion: All interventions in the plan will be geared towards promoting greater participation by previously disadvantaged groups to promote economic inclusion and transformation. This will be achieved through but not limited to the set-aside policy for women in public procurement, legal remedies to close the gender pay gap in key economic sectors and access to land.

Food Security: Government will continue to provide support to small scale food producers. As contained in the Land and Agrarian Strategy, about 317 000 new jobs will be created primarily in fruit and other high-value crops and expand food production.

²³ National Treasury. (2021). Budget Review. Pretoria, South Africa.

5. Conclusion

The COVID-19 pandemic has severely contracted South Africa's economic growth. The GDP is expected to remain below pre-pandemic levels up until 2022. The strict lockdown in the second quarter of 2020, combined with the broader global economic distress induced by the pandemic, led to a sharp fall in output. South Africa's economic output had already been contracting in quarter-on-quarter terms since the third quarter of 2019, due to idiosyncratic factors. A recovery has ensued since the gradual lifting of the lockdown during the third quarter. The IMF expects GDP in South Africa to rise by 2.8 percent this year following a contraction of 7.5 percent in 2020. In his State of the Nation Address, President Ramaphosa announced that South Africa had secured nine million doses of the Johnson and Johnson vaccine to provide to frontline healthcare workers. Another 20 million doses of the Pfizer vaccine have been secured.²⁴ The arrival of vaccines has raised hopes of a turnaround in the economic performance later this year. However, this will be limited by resurgent waves of the virus, which pose concerns for the outlook.

²⁴ The Presidency Republic of South Africa. (2021). State of the Nation Address by President Cyril Ramaphosa. Cape Town, South Africa.

Chapter 3: Gauteng Economic and Socio-economic Review

1. Introduction

As the economic and population hub of the country, the economic impact of COVID-19 has been severe on the economy of Gauteng. At the peak of COVID-19 infections, Gauteng was once classified as an epicentre of COVID-19 infections, with the highest increase of 6 531 new cases per day recorded on 9 July 2021. The Gauteng Provincial Government (GPG), in line with the national government, acted swiftly to curb the spread of the virus through implementing various restrictions that led to a halt in economic activity. The COVID-19 response plan for Gauteng was centred on six pillars, which encompassed increasing public expenditure to strengthen the capacity of the health care system, and to minimise the impact of a declining economic activity on vulnerable communities and businesses.

However, the measures taken to restrict the spread of the virus also had an overwhelming impact on the economy of the province. At the height of restriction measures during the second quarter of the year, Gauteng's Gross Domestic Product (GDP) contracted by 50.5 per cent quarter-on-quarter on an annualised rate, and by 17.6 per cent on a yearly basis. Gauteng lost over 600 000 jobs during this quarter, accounting for the highest number of jobs lost in the country. For 2020, IHS Markit estimates growth to have contracted by 7.2 per cent. There are more households that are facing risks of slipping deeper into poverty, and the inequality levels are likely to widen further.

In this chapter, we highlight key economic developments emanating from the pandemic and the implications that these developments hold for the socio-economic status and service delivery efforts of the province. The chapter also focuses on economic intervention plans that the provincial government has put in place to reverse the impact of the pandemic on the economy and secure a recovery beyond COVID-19.

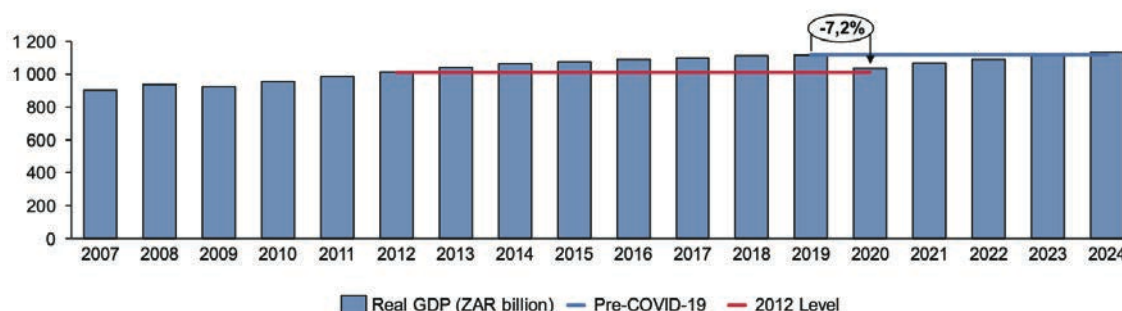
The chapter is structured as follows. Section 2 looks at the macroeconomic developments in the province in the context of COVID-19. This is followed by Section 3 which analyses implications for the socio-economic environment of the province. Section 4 focuses on the impact of constrained revenue resources on service delivery, and Section 5 outlines the province's economic recovery plan.

2. Macroeconomic Developments in the Context of COVID-19

2.1 Gross Domestic Product by Region (GDP-R)

The COVID-19 pandemic has had a significant impact on the economic performance of the province. As the economic hub of the country, the lockdown and other restrictions put in place, particularly in the second quarter of 2020, have almost entirely wiped out the economic gains recorded prior to the pandemic.

Figure 3.1: The Size of the Gauteng Economy

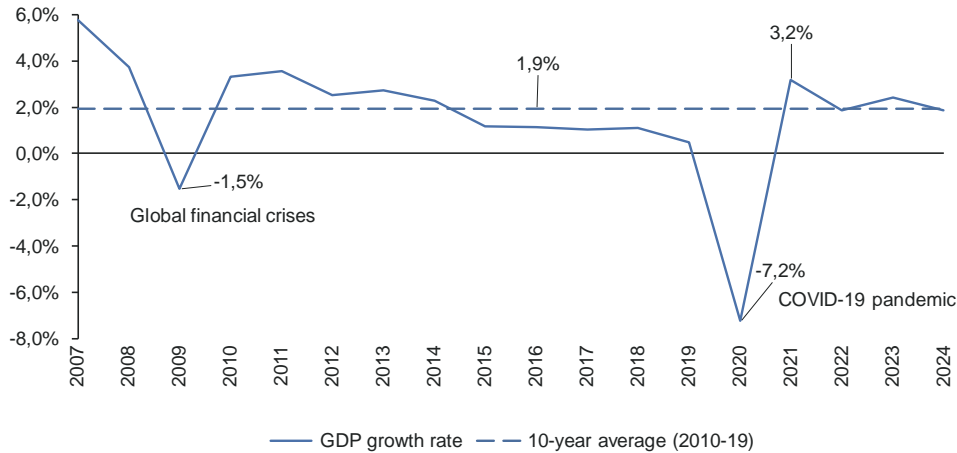


Source: IHS Markit, 2021

Note: Forecast from 2021 to 2024

Data shows that the size of the Gauteng GDP is likely to have shrunk by about ZAR80.9 billion to ZAR1 035.7 billion in 2020. This is a level last recorded in 2012, when the province's economy was valued at ZAR1 012.1 billion. It is further estimated that, at the current trajectory with no major policy interventions, it will take about four years for the province's GDP to reach the levels recorded pre-COVID-19.

Figure 3.2: Real GDP Growth Rate



Source: IHS Markit, 2021

Note: Forecast from 2021 to 2024

For 2020, GDP-R is expected to have contracted by 7.2 per cent, surpassing the contraction that was experienced in 2009 during the global financial crisis. Much of the expected contraction is due to the COVID-19 related restrictions imposed, mostly during the second quarter of the year, to curb the spread of the virus. During this period, only sectors classified as essential could operate, while operations in non-essential sectors were shutdown. This led to a halt in economic activity. The province's GDP growth contracted by 50.5 per cent quarter-on-quarter on an annualised rate in the second quarter, and on a yearly-basis, the contraction was 17.6 per cent. Before COVID-19, the province's economy had experienced three consecutive quarters of a contraction in GDP, highlighting the fact that the economy was already in recession prior to the outbreak of the pandemic.

Over the past ten years (2010 to 2019) Gauteng's economy has grown by an average of 1.9 per cent. This has proven not to be enough to address the socio-economic challenges facing the province. The outbreak of the virus has further magnified these challenges and has made it difficult for the province to confront them. Should the economic performance continue at the current trajectory, GDP-R is expected to recover by 3.2 per cent in 2021, before it stabilises roughly at its long-term average of 1.9 per cent between 2022 and 2024.

2.2 Sector Performance

The restrictions that were imposed to slow the spread of COVID-19 have significantly impacted operations in various sectors of the economy, especially those that were considered non-essential sectors. For example, sectors such as construction, transport and telecommunications, as well as some industries within the manufacturing and trade sectors were considered non-essential. This meant that activity within these sectors was completely halted, particularly during lockdown levels 5 and 4 in the second quarter. During that period, citizens were only allowed to leave their residences for essential purposes such as grocery shopping and medical care.

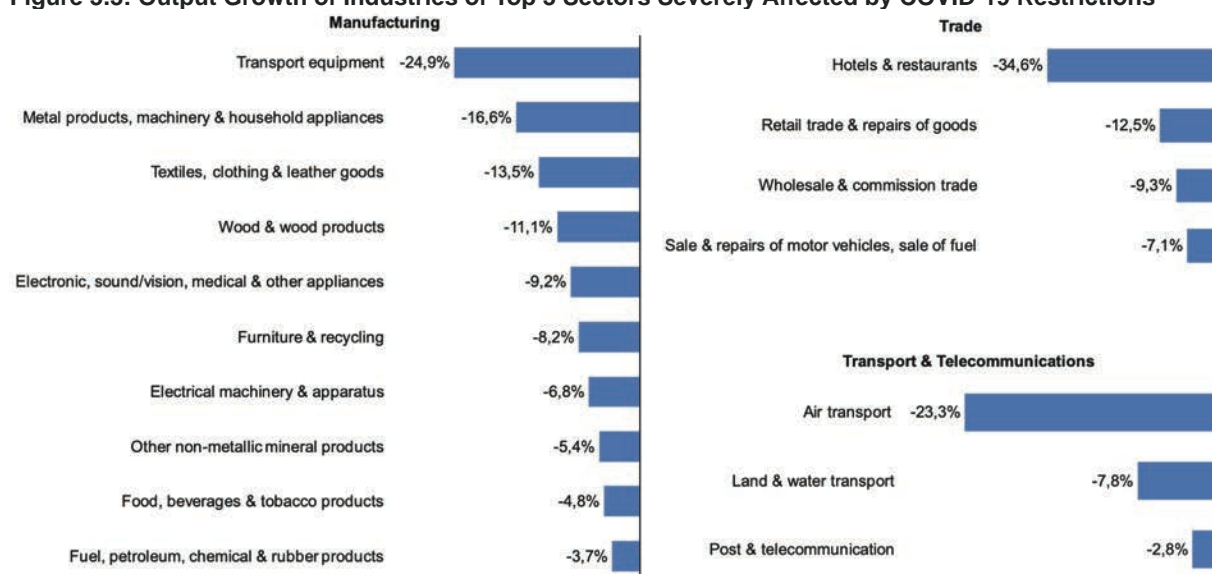
Table 3.1: Sector Output Growth

Sector	Sensitivity to COVID-19	Share of Total GVA (2020)	Size of Sector (ZAR billion)			Growth Rate
			2019	2020	Change	2020
Agriculture	Low	0.5%	4.2	4.7	0.6	16.6%
Mining	Medium	2.1%	23.7	22.3	-1.4	-16.5%
Manufacturing	High	14.8%	155.9	136.2	-19.6	-10.0%
Electricity & water	Low	1.8%	20.4	18.6	-1.8	-17.2%
Construction	High	3.4%	35.9	31.3	-4.6	-10.4%
Trade	High	13.0%	139.9	120.0	-19.8	-11.7%
Transport & telecommunications	High	9.9%	103.3	91.2	-12.1	-9.1%
Finance	Medium	29.3%	282.5	269.9	-12.6	-1.7%
Government services	Low	25.3%	251.4	233.1	-18.3	-4.7%

Source: IHS Markit, 2020

Thus, those sectors that were highly sensitive to a collapse in demand and lockdown restrictions are the ones that are estimated to have experienced a significant decline in output in 2020. Manufacturing output, which accounts for roughly 15 per cent of Gauteng’s total gross value added (GVA) is expected to have contracted by 10 per cent in 2020. Output in the trade sector is estimated to have decreased by 11.7 per cent or ZAR19.8 billion between 2019 and 2020. Construction as well as transport and telecommunications are also among the hardest-hit sectors. Agriculture is the only sector where output is estimated to have grown by 16.6 per cent in 2020, largely due to favorable weather conditions.¹

Figure 3.3: Output Growth of Industries of Top 3 Sectors Severely Affected by COVID-19 Restrictions



Source: IHS Markit, 2021

Figure 3.3 shows output of industries within the top three sectors that were significantly affected by the COVID-19 restrictions. In manufacturing, industries that are expected to have taken a knock include transport equipment, metal products, machinery and household appliances as well as the clothing and textile industries. As expected, the hotel and restaurants industry (related to tourism) was severely affected by lockdown restrictions and social distancing measures, and thus the output of this industry is expected to have contracted by 36.4 per cent in 2020, the largest contraction within the trade sector. In the transport sector, the air transport industry (also

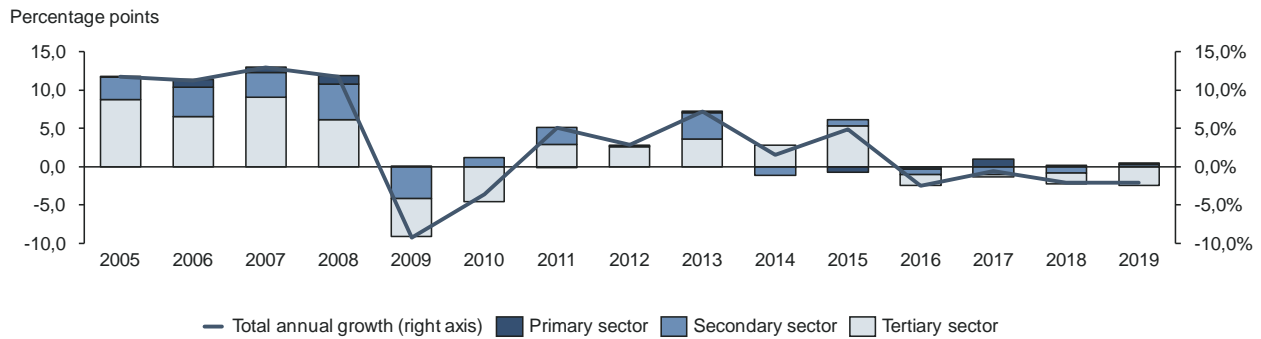
¹ Agribiz. (2020). Recent Data Reaffirm Positive Outlook for SA’s 2020/21 Summer and Winter Crop Production. (Accessed on 7th December 2020): www.agbiz.co.za.

related to tourism) experienced the most decline in output, an estimated contraction of 23.3 per cent for 2020.

2.3 Investment

Among other things, unstable electricity supply and the persistently anemic economic growth rates have affected business confidence and thus contributed to poor investment levels. Since the fallout of the global financial crisis of 2007/08, investment growth in the province has remained subdued. The pandemic has worsened the prospects of new investment, at least over the medium-term.

Figure 3.4: Growth in Fixed Investment and Sector Contribution to Growth



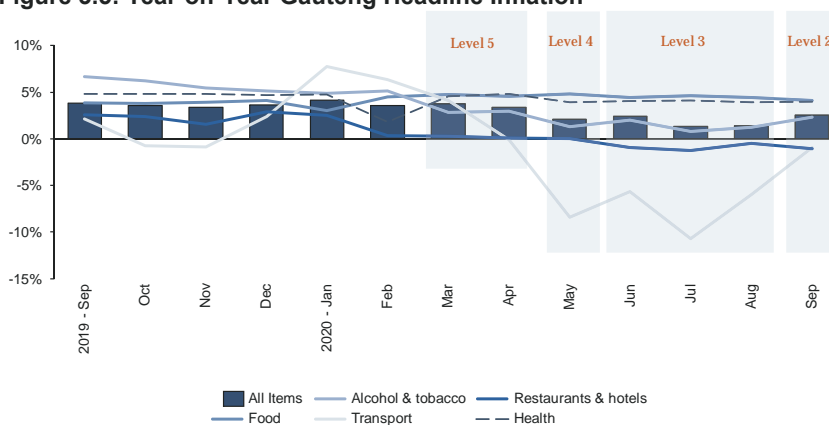
Source: Quantec Easy Data, 2020

Total investment, which comprises of both public and private investment, has contracted sharply since 2016. After growing by 4.9 per cent in 2015, total fixed investment contracted by 2.5 per cent in 2016 driven by a broad-based decline in investment of all sectors. Since then, investment has continued to fall, bringing the contraction to the fourth consecutive year in 2019.

The outlook for investment has deteriorated significantly due to COVID-19. The pandemic has negatively impacted global supply chains resulting in delayed or cancelled investment plans. From the public investment perspective, further contractions are likely, especially if projects budgeted for do not go ahead as money has been reallocated to COVID-19 related fiscal support.

2.4 Inflation

Figure 3.5: Year-on-Year Gauteng Headline Inflation



Source: Quantec Easy Data, 2020

Headline inflation has largely remained within the South African Reserve Bank (SARB) of 3 to 6 per cent in 2020. However, its behavior has varied significantly during the different lockdown phases. For example, prices of high-demand goods such as those of health, food and alcohol as well tobacco increased notably around March and April, which could have been driven by price gouging as panic buying and hoarding ensued amid level 5 lockdown announcement. The transport as well as the restaurant and hotels sub-categories were the hardest hit as activity was limited and, in the hospitality sector case, completely halted during levels 5 and 4. Prices started increasing from the lockdown level 3 but remained on the negative territory for both sub-

categories. On the other hand, the price of food remained steadily around 4.6 per cent through the different phases of the lockdown. Although the economy has been reopened, inflation expectations show no obvious pattern of an upward move, with the SARB forecasting headline inflation of 3.2 per cent in 2020, and 3.9 per cent in 2021.

2.5 The Labour Market

The impact of COVID-19 has been persistently negative on the labour market and its effects will be felt for a while to come. As already observed, the pandemic hit the country and the province at a time when economic growth was stagnant, and the labour market was facing the strongest headwinds, with record high unemployment rates being recorded. The labour market has had to deal not only with a fall in demand but also with the effects of lockdown restrictions.

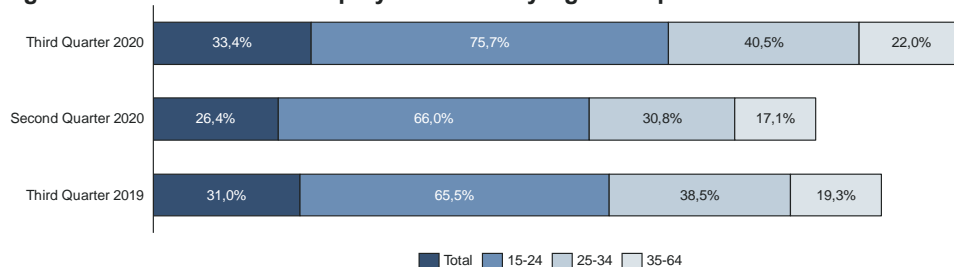
Table 3.2: Employment Numbers by Sector

Sector	First Quarter 2020 (Q/Q Change - Thousands)			Second Quarter 2020 (Q/Q Change - Thousands)			Third Quarter 2020 (Q/Q Change - Thousands)			Third Quarter 2020 (Y/Y Change - Per cent)		
	Total	Formal	Informal	Total	Formal	Informal	Total	Formal	Informal	Total	Formal	Informal
Total employment	46	62	-41	-659	-500	-159	97	35	49	-9.7	-8.0	-20.1
Agriculture	3	-5	8	-4	-3	-1	14	11	3	15.1	10.4	28.6
Mining	10	5	5	-30	-24	-	11	9	-	-1.5	-0.3	-32.5
Manufacturing	-3	6	-9	-95	-80	-15	-28	-34	6	-19.3	-17.5	-34.1
Electricity & water	4	4	-	0	-1	-	-3	-3	0	-26.1	-29.0	-
Construction	17	8	9	-44	-42	-1	-36	-7	-29	-19.7	-14.5	-31.6
Trade	10	27	-16	-130	-86	-45	19	11	8	-9.8	-3.7	-21.9
Transport & communication	-14	-5	-10	-12	9	-22	-26	-35	8	-8.7	-8.6	-8.8
Finance	3	20	-17	-145	-115	-30	69	38	31	-1.5	-1.2	-4.2
Government & community services	-10	0	-10	-208	-166	-42	73	52	20	-12.8	-11.7	-24.0
Private households	24	-	-	-86	-	-	13	-	-	-3.2	-	-

Source: Quantec, Easy Data, 2020

The second quarter of 2020 which coincided with the national lockdown restrictions saw the number of employed people in Gauteng falling by over 600 000 people. While employment fell in all industries, the largest declines were recorded in trade (-130 000), government and community services (-208 000), finance (-145 000) and manufacturing (-95 000) sectors. Employment recovered somewhat in the third quarter, as lockdown restrictions were being relaxed and the economy was gradually being opened. However, compared with the third quarter of 2019, total employment fell by 9.7 per cent, indicative of the negative impact of COVID-19 on the province's labour market. Informal sector employment, which has been disproportionately affected by the pandemic recorded the largest year-on-year contraction in the third quarter of 2020.

Figure 3.6: The Official Unemployment Rate by Age Group



Source: Quantec, Easy Data, 2020

Even though employment somewhat increased in the third quarter of 2020, the official unemployment rate of 33.4 per cent recorded in Gauteng was still the highest since the inception of the Quarterly Labour Force Survey (QLFS) in 2008. It increased further in the fourth quarter, to a record high of 34.1 per cent. As previously highlighted, vulnerable groups including the youth population are disproportionately affected, with the official unemployment rate for the 15 to 24 age cohort estimated at 75.7 per cent in the third quarter. For young people aged 25 to 34 years, the unemployment rate had risen to 40.5 per cent in the third quarter of 2020. This shows the burden of unemployment borne by the youth in the province.

The COVID-19 pandemic has magnified the challenges that exist in the province's labour market. Getting young people into the labour market has been an ongoing challenge in the country and globally in general. It has been observed by the International Labour Organisation (ILO) that young people aged 15 to 24 years are about three times more likely to be unemployed compared to those aged 25 years and older.² In the aftermath of the pandemic, it will be even more difficult for job seekers in this age cohort to find employment, especially given the lack of vacancies and closure of some businesses. As such, these numbers are likely to worsen, more so in the absence of a rigorous policy intervention targeted at young people.

² ILO. (2020). Global Employment Trends for Youth 2020: Technology and the Future Jobs. (Accessed on 7th December 2020): www.ilo.co.za.

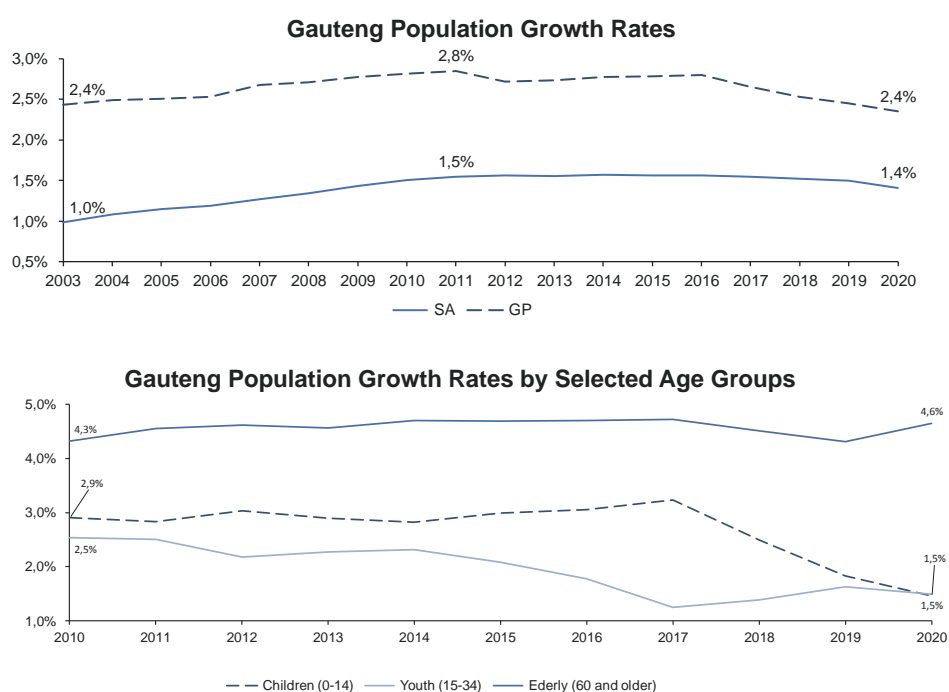
3. Socio-economic Developments in the Context of COVID-19

3.1 Demographic Indicators

This section seeks to understand population dynamics in Gauteng by looking at indicators such as age, gender, birth rates, mortality rates and life expectancy rates, which inform changes in the structure of the population. Statistics South Africa (Stats SA) has already indicated that the COVID-19 impact will mostly be reflected in the demographic statistics of 2021.³ However, with indicators such as migration, there are already signs of reduction especially in international migration, which may be indicative of the COVID-19 travel restrictions.

Population size

Figure 3.7: Population Growth Rates



Source: Stats SA, Mid-year Population Estimates (MYPE), 2020

The Gauteng province continues to have the fastest growing population in South Africa. Its population growth surpasses the national average with a growth rate of 2.4 per cent estimated in 2020, compared with 1.4 per cent at the national level. A disaggregation by age groups shows that about 23 per cent of the population in Gauteng is younger than 15 years, while 8.5 per cent is 60 years and older. As with many affluent cities globally, a greater number of the population of the province is youth. This age cohort accounts for approximately 37 per cent of the total population of Gauteng. Interestingly, data shows that overtime, growth in the elderly population group is increasing, while children aged 0 to 14 years, is declining. This trend may be indicative of the strides that have been made in improving life expectancy as people are living longer. The province’s birth rate is also declining, which is synonymous with global trends especially in economic affluent cities where child mortality rates are lower and birth control is easily accessible.

How the impact of COVID-19 will change these trends, is not yet clear. What is evident is that, countries with relatively older populations have experienced significantly higher numbers of COVID-19 related deaths among their elderly.⁴ In Gauteng, data shows that COVID-19 related deaths are more prevalent in people aged between 40 and 89 years. Of the 4 852 deaths recorded as of 7 November 2021, 88 per cent was accounted for by this age group.⁵ The significance of this statistic on the population of the province is likely to be reported in the 2021 MYPE publication.

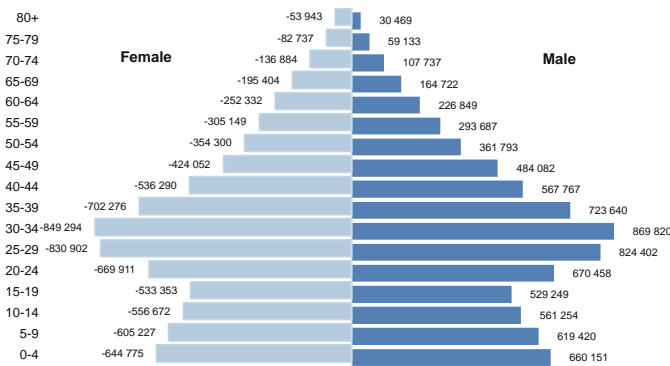
³ Stats SA. (2020). Statistical Release P0302. Mid-Year Population Estimates. Pretoria, South Africa.

⁴ Stats SA. (2020). Statistical Release P0302. Mid-Year Population Estimates. Pretoria, South Africa.

⁵ Gauteng Provincial Government. (2020). Gauteng Provincial Command Council. Weekly Media Update on COVID-19 – 7 November 2020. Johannesburg, South Africa.

Population Structure

Figure 3.8: Gauteng Population Pyramid, 2020



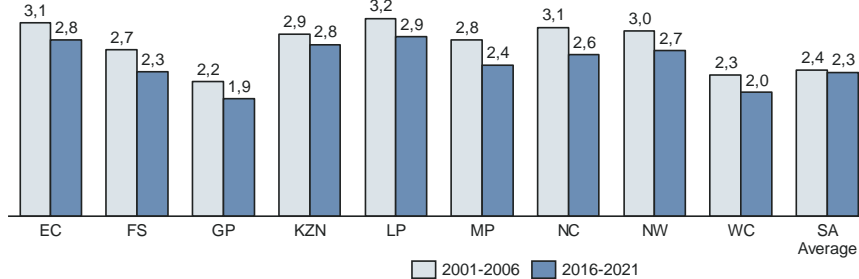
Source: Stats SA, MYPE, 2020

Gauteng has a population of over 15 million people and makes up 26 per cent of the population of the country. The annual population growth rate of the province is over 2 per cent as shown in Figure 3.6. Females make up 50.1 per cent of the total population and males 49.9 per cent. Gauteng’s population structure (which tracks the country’s) typically follows that of a developing country, with 61 per cent of the total population comprising of children and young adults. This demographic pattern is called youth bulge.⁶ Youth bulge presents potential opportunities (also known as a demographic dividend) but can also have its own challenges especially if the population is not employed in productive activities.

The opportunities arise when many working age individuals can be productively employed, leading to a higher level of average income per capita. This is not the case in Gauteng (and South Africa as a whole). Young working-age individuals make up 37 per cent of the total Gauteng population but nearly 50 per cent of this age cohort is unemployed.⁷ For Gauteng to take advantage of this demographic window of opportunity, it requires policy responses that will induce job opportunities and get young people ready for the available jobs.

Fertility Rates

Figure 3.9: Average Provincial Fertility Rates



Source: Stats SA, MYPE, 2020

Average fertility rates have declined notably across all provinces over the years. On average, a woman in South Africa will give birth to 2.3 children in her lifetime⁸, which is less than the global average of 2.5 and the Sub-Saharan Africa (SSA) average of 3.1 live births per woman.⁹ A provincial review shows that fertility rates vary significantly among provinces. Provinces such as Limpopo, Eastern Cape and KwaZulu-Natal that are less urbanised, have higher fertility rates compared to those urbanised provinces of Gauteng and Western Cape. With an average of 1.9 children per woman, Gauteng has the lowest birth rate.

Generally, it has been found that contraceptive use and fertility are inversely related.¹⁰ So, regions with high proportions of women using contraception tend to have lower levels of fertility. There are, however, other socio-economic factors that are key in determining fertility levels. These include uninterrupted access to contraceptives by women, promotion of female education, empowerment of women and increased participation of men in family planning.¹¹

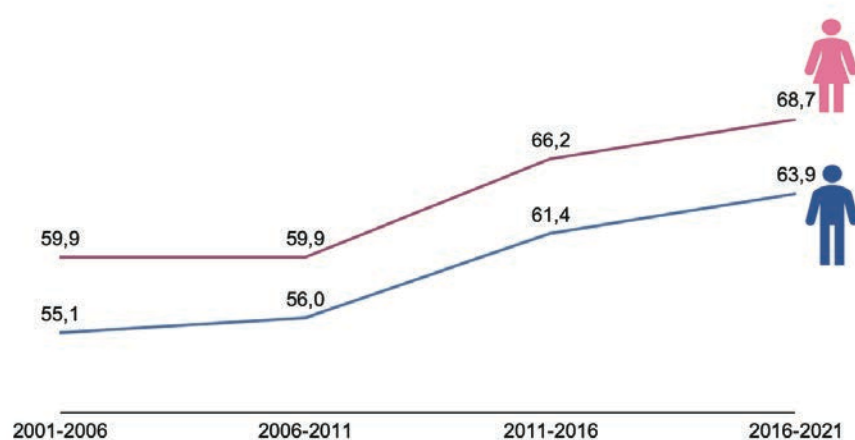
⁶ Lin, Y.J. (2012). Youth Bulge: A Demographic Dividend or a Demographic Bomb in Developing Countries? (Accessed on 17th November 2020); www.blogs.worldbank.org.
⁷ IHS Markit. (2020). Regional eXplora Program Version 2.6n.
⁸ This is provided that she passes through all her childbearing years conforming to the age-specific fertility rate of a given year.
⁹ United Nations. (2020). World Fertility and Family Planning 2020. (Accessed on 18th November 2020); www.unpopulation.org.
¹⁰ United Nations. (2020). World Fertility and Family Planning 2020. (Accessed on 18th November 2020); www.unpopulation.org.
¹¹ United Nations. (2020). World Fertility and Family Planning 2020. (Accessed on 18th November 2020); www.unpopulation.org.

Mortality Rates

The latest mortality data by Stats SA was published in March 2020. The distribution of deaths information by province shows that the highest proportion of deaths were recorded in Gauteng (20.7 per cent), KwaZulu-Natal (17.2 per cent) and Eastern Cape (14.6 per cent) in 2017.¹² Compared with 2016, these figures were largely unchanged. These percentages are likely indicative of the population of the provinces. In Gauteng, the largest proportion of deaths were recorded among elderly people (65+) at 35.5 per cent. Infant mortality was low, accounting for 5.2 per cent of deaths in 2017.

Life Expectancy Rates

Figure 3.10: Gauteng Life Expectancy Rates by Gender for 5 Year Periods



Source: Stats SA, MYPE, 2020

Life expectancy, which reflects the overall mortality level of the population, has increased notably in Gauteng over the years, and now is estimated at 68.7 years for females and 63.9 years for males for the 2016-2021 period. There is an average five-year gap in life expectancy between males and females in Gauteng.

The 2020 MYPE report published by Stats SA does not yet reflect how the population structure will be affected by mortality from COVID-19 as the understanding of the virus' epidemiology is continuously evolving.¹³ On the other hand, a study done by Marois, Muttarak and Scherbov (2020) on the potential impact of COVID-19 on life expectancy in various regions globally shows that there is some negative correlation between the prevalence of COVID-19 infection and life expectancy.¹⁴ In regions where the prevalence is low, the reduction in life expectancy is not significant, while it is relatively higher in regions where the prevalence of COVID-19 infections is high. For example, at 50 per cent infection prevalence, the study found that the years of life lost amount to 3.5 years in South Eastern Asia and 2 years in SSA. In other words, the study claims that the loss in life expectancy in SSA would be half of those in North America and Europe, as SSA experienced low prevalence of new infections.

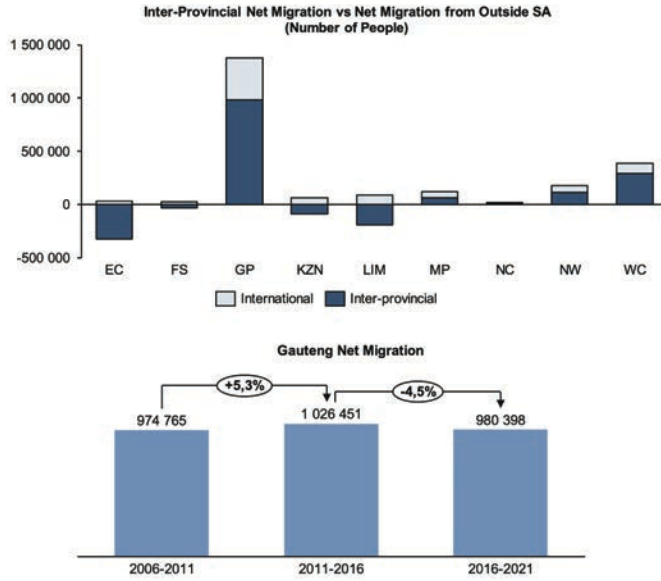
¹² Stats SA. (2020). Statistical Release P0309.3 – Mortality and Causes of Deaths in South Africa: Findings from Death Notification. Pretoria, South Africa.

¹³ Stats SA. (2020). Statistical Release P0302 – Mid-year Population Estimates. Pretoria, South Africa.

¹⁴ Marois G, Muttarak R, Scherbov S. (2020). Assessing the Potential Impact of COVID-19 on Life Expectancy. PLoS ONE 15(9): e0238678. (Accessed on 19th November 2020): www.doi.org.

Migration Patterns

Figure 3.11: Provincial Migration Patterns



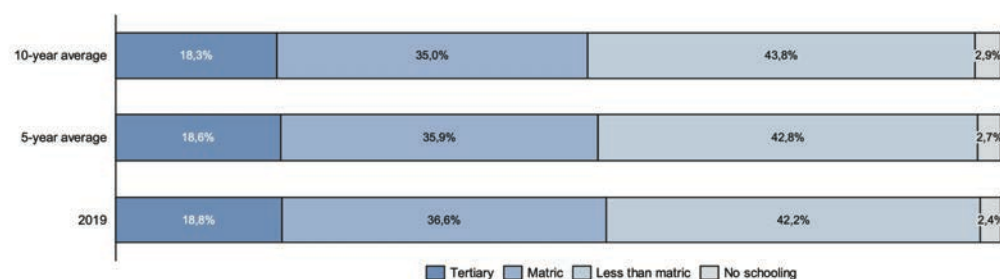
Source: Stats SA, MYPE, 2020

Gauteng continues to receive the largest inflow of migrants (both inter-provincial and international) compared with other provinces. For the period 2016 to 2021, Gauteng is estimated to experience interprovincial net-migration of 980 398 people (in-migration of 1.5 million and out-migration of over half a million people). While this is a decline (of 4.5 per cent) compared with the previous period, it is still the highest provincial estimate compared to other provinces. The international migration to the province is estimated at almost 395 145 people in the 2016 to 2021 period. This is a reduction compared with the previous period and is likely reflective of the COVID-19 travel restrictions and movement. Interprovincial migration has not yet been adjusted for COVID-19.

3.2 Education Attainment

Education attainment for people aged 20 years and older in Gauteng has remained consistent over the years. On average, there has been a consistent decline in the share of people aged 20 years and older with no schooling. At the same time, the share of people with less than matric attainment has also been decreasing, although at a slower rate. For example, in 2019, 42.2 per cent of the Gauteng population aged 20 years or older had attained less than matric education qualification. Compared with the 10-year and the 5-year averages, this was less than a percentage point decrease in the proportion of people with no matric.

Figure 3.12: Education Attainment for People Aged 20+ Years and Literacy Rates



Source: IHS Markit ReX, 2020

Meanwhile, the proportion of people with a tertiary qualification was estimated at a little under 19 per cent in 2019, slightly better than the 10-year average of 18.3 per cent and the 5-year average of 18.6 per cent. This was around the same estimate as in Mexico (18.3 per cent), and Italy (19.6 per cent) but less than in Turkey (22 per cent) and the Organisation for Economic Co-operation and Development (OECD) average of 38 per cent.¹⁵

According to the World Bank, higher education is instrumental in fostering economic growth and reducing poverty.¹⁶ However, it can still happen that graduates of higher education may not have the relevant skills required for a successful integration into the labour market. In such cases, the World Bank emphasises that the educational system (from early childhood to tertiary education) must be designed to be responsive to the ever-changing economic needs of the global economy to ensure a successful integration of the graduates into the labour market.

3.3 Poverty and Inequality

Poverty Analysis

South Africa and ultimately, its regions have been battling with high levels of poverty rates. Reducing the number of people living below the poverty rate (by all measures) has been at the centre of all major policy documents adopted since the dawn of democracy. How COVID-19 will affect the poor has been a concern for policymakers around the world. With the share of people living in extreme poverty expected to increase, the main concern is how the poor will be even further left behind post the pandemic.

Table 3.3: Poverty Overview in Gauteng

Poverty Measure (Share of Population)	20 – Year Average	10 – Year Average	5 – Year Average	2019
Food Poverty	18.4%	17.6%	19.2%	20.5%
Lower Bound Poverty	32.4%	29.2%	31.2%	32.9%
Upper Bound Poverty	47.4%	43.8%	45.2%	46.9%

Source: IHS Markit ReX, 2020

On average, data suggests that there have been some strides made in Gauteng in terms of poverty reduction over different periods. Over a 10-year period (between 2009 and 2019), the food poverty rate (and all other measures of poverty) has declined notably from an average of 17.6 per cent, compared with the previous decade when it averaged 18.4 per cent. However, between 2015 and 2019 (5-year period), this trend reversed as rates

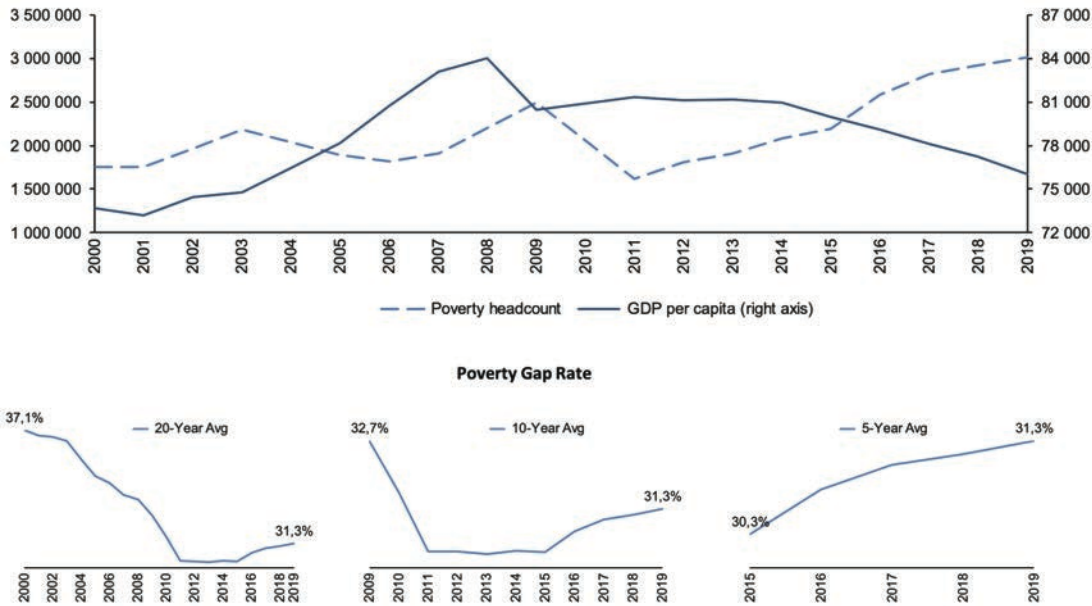
¹⁵ OECD. (2020). Adult Education Level (Indicator). (Accessed on 07th December 2020): data.oecd.org.

¹⁶ The World Bank. (2017). Higher Education. (Accessed on 07th December 2020): www.worldbank.org.

of poverty started to increase again. This trend also coincided with a period when the economy was stagnant and anemic. For 2019, the food poverty rate is estimated to have been 20.5 per cent of the total population. The lower bound and upper bound poverty rates were estimated at 32.9 and 46.9 per cent, respectively.

Figure 3.13 shows poverty headcount versus Gauteng GDP per capita. As GDP per capita was rising consistently from 2003, the number of people below the food poverty line started to decrease from 2004 to around 2008. However, as GDP per capita was declining, an increase in poverty headcount would follow. Since 2014, real GDP per capita has been on a consistent decline, meaning that the population of the province was increasing at a faster rate than the economic output generated in the province. What followed was a consistent increase in poverty headcount.

Figure 3.13: Poverty Headcount vs GDP Per Capita and Poverty Gap Rate



Source: IHS Markit ReX, 2020

The poverty gap rate, which measures the depth of poverty, also shows that the distance of the population in Gauteng from the poverty line has been narrowing, suggesting that more people are at a risk of slipping into poverty.

Related to COVID-19, the GPG has increased spending on social relief programmes to prevent more households and people from slipping into poverty due to COVID-19. For example, in the 2020 Provincial Adjustment Budget, an additional ZAR181.9 million was allocated to Social Development (over 3 per cent of its adjusted budget) for income relief and the food relief programmes, which included distribution of food parcels to vulnerable communities as a result of the national lockdown.¹⁷ However, the extent to which these programmes have cushioned against the impact of COVID-19 is not yet clear. What is apparent is that the interplay between the COVID-19 outbreak, job losses (about 560 000 net jobs lost between the second and third quarter of 2020, as shown in Table 3.2), and the contraction in demand mean that households face a higher risk of slipping deeper into poverty and will likely experience greater challenges in regaining their livelihoods post-COVID-19.

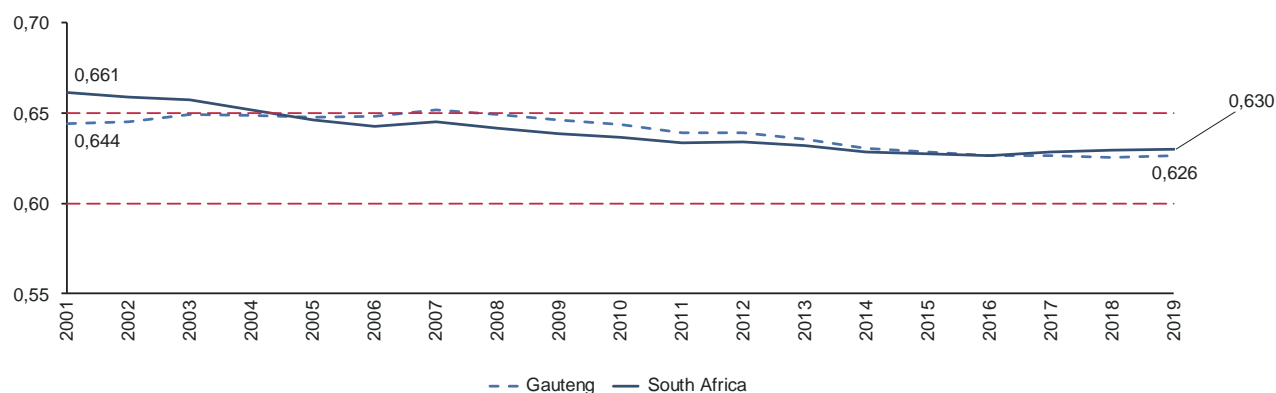
¹⁷ OECD. (2020). Adult Education Level (Indicator). (Accessed on 07th December 2020): data.oecd.org.

Inequality Analysis

A global study by the World Bank has shown that reducing income inequality is key for eliminating poverty. The study found that, reducing the Gini coefficient of each country by 1 per cent annually, will reduce global poverty by 5.4 per cent by 2030, which is equivalent to about 100 million fewer people living in extreme poverty.¹⁸

In South Africa, inequality has long been recognised as a big concern. In fact, South Africa is ranked as one of the most unequal societies in the world, by the World Bank. Despite the country employing many efforts to reduce inequality since the dawn of democracy, the Gini coefficient, which is a measure of income inequality, remains high.

Figure 3.14: Income Inequality as Measured by Gini Coefficient Index



Source: IHS Markit ReX, 2020

In Gauteng, income inequality, as measured by the Gini coefficient has virtually remained the same over the past 20 years. A downward trend in the Gini was experienced between 2008 and 2014. However, this was not significant as the decrease ranged between only 0.60 and 0.64 index points. At 0.63 index estimated for 2019 for both South Africa and Gauteng, the level of income inequality is acute and regarded as the highest in the world.

The measures taken to limit the spread of COVID-19 have disproportionately impacted workers, especially low-skilled and informal workers. According to the Gauteng City Region Observatory (GCRO) 2017/18 Quality of Life survey, only about 51 per cent of households in Gauteng receive income from formal employment. About 23 per cent are dependent on social grants as a form of income while 26 per cent do not receive any formal sector income or social grants at all.¹⁹ The latter two groups are the most vulnerable to the impact of COVID-19, especially as the opportunities to earn informal incomes were halted by the lockdown restrictions. Thus, this consequence threatens to worsen the income inequalities that characterise the economy of the province.

4. The Impact of COVID-19 on Revenue Collection and the Ability to Provide Basic Services

To provide fiscal support to limit the impact of COVID-19, the national and provincial governments have had to reprioritise their budgets to free funds for this purpose. Conditional grants to provinces and to the local government were reduced.²⁰ Provincial own revenue baselines was downwardly revised by roughly 11 per cent during the special adjustment budget to reflect the impact of COVID-19 lockdown measures. Overall, expenditure by the province for 2020/21 was estimated at ZAR142.3 billion before COVID-19. It was revised up by about ZAR4 billion to ZAR146.3 billion to account for additional spending needed for the provincial government COVID-19 response. A deficit of ZAR4.7 billion is to be realised as a result, from an initial surplus of ZAR308 million.²¹

These outcomes have implications for service delivery and require that greater efficiency and prioritisation be implemented in order to protect service delivery. In fact, municipalities have reportedly lost over ZAR8.75 billion in revenue between April and July 2020 due to COVID-19, resulting in further deterioration of their financial position.²² Some municipalities have struggled to pay their creditors such as Eskom and Rand Water. Further, revenue outcomes in municipalities have been compromised by the inability of residents to pay for services

¹⁸ Lakner, C., Mahler, D.G., & Prydz, E.B. (2019). How Much Does Reducing Inequality Matter for Global Poverty. Policy Research Working Paper 8869. (Accessed on 01st December 2020): www.documents.worldbank.org.

¹⁹ TGCRO. (2020). Household Vulnerable to Income Disruptions. Johannesburg, South Africa.

²⁰ GCRO. (2020). Household Vulnerable to Income Disruptions. Johannesburg, South Africa.

²¹ Gauteng Provincial Treasury. (2020). Medium Term Budget Policy Statement. Johannesburg, South Africa.

(this is highlighted extensively in Chapter 4). This is likely more severe in municipalities (i.e. districts) that already had low revenue collection rates.

Currently, the available data shows that all households in Gauteng have access to minimum or basic level of services such as basic electrical connection, piped water and refuse removal by authorities. However, due to a growing population amongst others, the province still faces pressure to address service delivery needs, especially in health care and education.

To address this situation, the GPG has commissioned a Multi-Disciplinary Team of Revenue Experts (as part of the Debt Management Committee) to assist those municipalities that are struggling with developing an Integrated Revenue Enhancement and Debtors Management Plan. Through the work of the Debt Management Committee, the provincial government paid ZAR1.62 billion between April and December 2020, to municipalities in the province.²⁴

5. Gauteng Recovery Beyond COVID-19

The COVID-19 pandemic has led to the sharpest global economic downturn since the Second World War. The restriction measures taken to limit the spread of the virus succeeded in preventing a direct collapse in the public health system and in saving lives. However, the measures also left an overwhelming impact on the economy. Further, while COVID-19 affected everyone and every sector of the economy, the impact has played out disproportionately, affecting the most poor and vulnerable members of society.

The restrictions that mostly took place in the second quarter of 2020 saw the value of the province's GDP shrinking by about ZAR70 billion during this quarter, pushing the economy to levels last seen in 2012. Provincial own revenue was downwardly adjusted by ZAR750.4 million (or 11 per cent) to reflect restrictions due to COVID-19.²⁵ The impact on the labour market has been the most concerning. About 600 000 people lost their jobs in the second quarter, in Gauteng alone. The unemployment rate that followed the second quarter was the highest recorded in the history of the QLFS. It has also been reported that 42 per cent of small businesses in the province were forced to close with no prospect of ever re-opening due to the pandemic.²⁶

Further, estimates suggest that more people are likely to have slipped deeper into poverty, and the inequality levels are likely to have widened further. It is estimated that about three million (19 per cent) of the province's residents are unable to meet their daily nutritional needs due to disruptions caused by COVID-19. In the absence of any economic intervention, the economic performance is likely to continue its pre-COVID-19 path, which was already anemic. GDP-R is forecasted to recover by only 3.2 per cent in 2021, before decelerating to 1.8 per cent in 2022. Households are likely to experience greater challenges in regaining their livelihoods and the unemployment rate likely to continue at the current historic levels.

To deal with the disruptions caused by COVID-19, the provincial government has adopted four priorities that it will focus on in 2021 in the Gauteng City Region. These are:

- Overcoming the COVID-19 Pandemic,
- Re-igniting the Gauteng Economy,
- Recalibrating Social Policy, and
- Improving Governance.

Overcoming the COVID-19 Pandemic

The focus for the battle against COVID-19 has now moved to the rollout of the vaccination programme. It is anticipated that about 10.4 million (67 per cent) of the Gauteng residents will be vaccinated through various phases. Phase I, is the vaccination of healthcare workers, estimated at 215 101 workers. To date, 5 214 (about two per cent) of this total has been vaccinated. Phase II will focus on essential workers and vulnerable sections of the population including the elderly and people with co-morbidities. The targeted number in this phase is 7.3 million people. Phase III, which will conclude the vaccination programme will focus on the rest of the population over 18 years, with an estimated 2.8 million people expected to be vaccinated. More than 150 vaccination sites have been identified at primary healthcare centers in the province.²⁷

²³ IHS Markit. (2020). Regional eXplora Program Version 2.6n.

²⁴ Gauteng Provincial Government. (2021). The State of the Province Address by Premier David Makhura. Johannesburg, South Africa.

²⁵ Gauteng Provincial Treasury. (2020). Medium Term Budget Policy Statement. Johannesburg, South Africa.

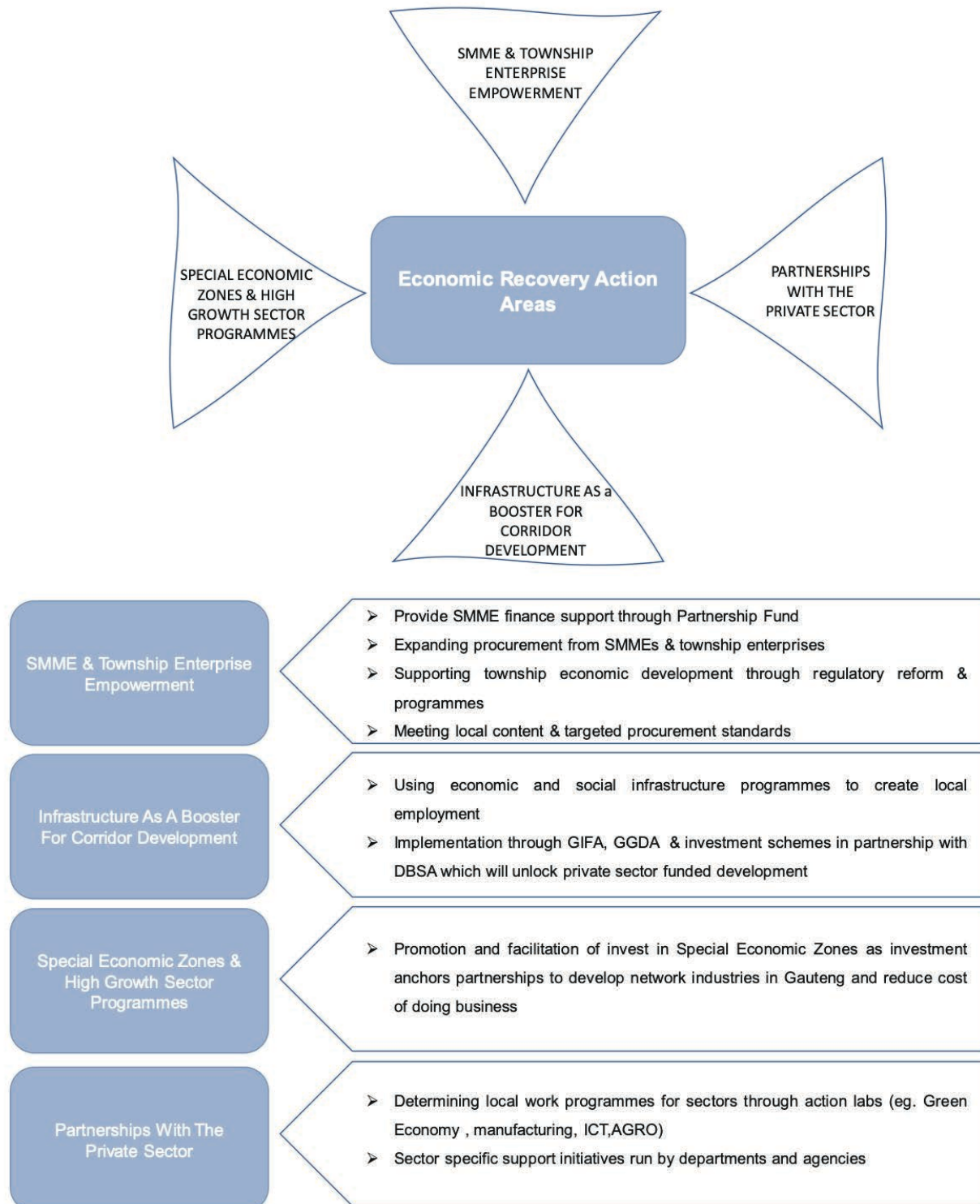
²⁶ Gauteng Provincial Government. (2021). The State of the Province Address by Premier David Makhura. Johannesburg, South Africa.

²⁷ Gauteng Provincial Government. (2021). The State of the Province Address by Premier David Makhura. Johannesburg, South Africa.

Re-igniting the Gauteng Economy

The provincial government has had to adjust the Growing Gauteng Together (GGT) 2030 strategy in line with the changed environment. However, the GGT 2030 remains the key policy focus of the province and will be a lever in driving the Gauteng Economic Recovery Plan.

Figure 3.15: Key Action Areas of Gauteng Provincial Recovery Plan



Source: GPG

²⁷ Gauteng Provincial Government. (2021). The State of the Province Address by Premier David Makhura. Johannesburg, South Africa.

The Gauteng Provincial Recovery Plan is premised on four key areas which compliments the national recovery plan. These are shown and explained in detail in Figure 3.15. In a nutshell, the plan aims to reignite the economy of Gauteng through massive infrastructure programme and through re-industrialisation by investing in high growth sectors that will also drive the Special Economic Zones (SEZs) and new industrial clusters. Chief in the industrialization agenda is the development of the multi-tier SEZs in the province. For example, progress has been made in the Tshwane Automotive Special Economic Zone (TASEZ), which will see all three spheres of government investing over ZAR3 billion in infrastructure. To date, this has unlocked various investment opportunities, including the ZAR15.8 billion investment announced by Ford Motor Company in February 2021, and it is anticipated that within the next year, a total of 3 288 new permanent jobs will be created at this SEZ. The work on the development of the Vaal River City SEZ in Sedibeng has commenced, with the approval of the feasibility study, master plan and the regional spatial development framework underway. The approval of the West Rand SEZ is also underway and the construction of the bulk infrastructure is expected to start before the end of 2021.²⁸ Premier David Makhura indicated that the province and the Presidency are working together to drive infrastructure investment that will resuscitate the province's economy.²⁹

The Township Economic Revitalisation Action Plan remains a key lever to closing the inequality gap especially at the spatial level and bringing job and business opportunities in townships. Job creation, especially for the youth will be confronted through the Tshepo 1Million and youth workforce programme of the province. The Tshepo 1Million Project forms an important part of the province's employment stimulus. At the end of the 2018/19 financial year, over 540 000 young people benefited from the programme, many whom have found jobs in the private and public sectors, and others provided with skills development opportunities.³⁰

Other measures that the province has taken, also through the Tshepo 1Million programme, to alleviate youth unemployment, especially during the first wave of the COVID-19 pandemic include the Gauteng Youth Brigade Programme. The programme was undertaken by the Gauteng Department of Education and entailed recruiting about 5 000 young people to assist with the enforcement of health and safety protocols in schools amid the pandemic.³¹ Overall, in 2020, Tshepo 1Million created opportunities for over 94 000 young people to formal placement in jobs, internships, learnerships and business opportunities.³²

Continuous engagements with the private sector and social partners have been emphasised as equally important to ensure swift implementation, to add to government's capacity and establish a strong mechanism of accountability. Particularly on the infrastructure programme, government will work with the private sector to deliver priority infrastructure projects at the scale needed to grow the economy.

In all its efforts, beyond COVID-19, the GPG strives to create an economy that is inclusive, that can create job opportunities that will help eliminate the triple challenges of unemployment, poverty and inequality. The implementation of the GGT 2030 strategy, which is key in driving the Gauteng Economic Recovery Plan remains vital to guide the province's economic recovery. According to the province's economic modelling exercise, successful implementation of GGT 2030 will reduce unemployment in Gauteng by two-thirds and halve poverty.³³

Recalibrating Social Policy

Education is the main priority of the province's social policy. Although COVID-19 threatened the 2020 academic year, Gauteng maintained the second position as the province with the highest matric pass rate at 83.8 per cent. Further, the throughput rate, which measures the number of learners that started school twelve years and completed Grade 12 in 2020, has improved from 77 per cent in 2019 to 79 per cent in 2020. The provincial government's goal is to increase the rate to 95 per cent by 2030.

Improving Governance

The focus under this priority is to improve the quality of life for the Gauteng citizens and strengthening ethics, integrity, and accountability. As previously mentioned, the deteriorating financial position of municipalities is a great concern for service delivery. It was reported in the SoPA that capital expenditure has declined by 42 per cent this year, and this will have further negative implications for service delivery. The provincial government through the Debt Management Committee is helping the affected municipalities with their revenue enhancement initiatives.

²⁸ Gauteng Provincial Government. (2021). The State of the Province Address by Premier David Makhura. Johannesburg, South Africa.

²⁹ Gauteng Provincial Treasury. (2020). Medium Term Budget Policy Statement. Johannesburg, South Africa.

³⁰ Gauteng Office of the Premier. (2019). Tshepo 1Million Programme Management Report – Year End 2018-19. Johannesburg, South Africa.

³¹ Gauteng Provincial Treasury. (2020). Medium Term Budget Policy Statement. Johannesburg, South Africa.

³² Gauteng Provincial Government. (2021). The State of the Province Address by Premier David Makhura. Johannesburg, South Africa.

³³ Gauteng Provincial Treasury. (2020). Medium Term Budget Policy Statement. Johannesburg, South Africa.

6. Conclusion

The COVID-19 pandemic has magnified the difficulties that the province was facing before the pandemic struck. High unemployment rates, particularly for youth, rising poverty and the widening inequality levels are some of the challenges that policymakers are continually needing to find solutions for. For 2020, it is likely that, as a result of COVID-19 related restrictions, the province's economy shrunk by 7.2 per cent according to IHS Markit, translating to about R80.9 billion lost during the year. Sectors that are strategic to employment creation initiatives of the province such as manufacturing, trade and transport have been severely affected by the declining consumer demand.

The need to get the economy into a recovery mode has signified the importance of the GGT 2030 strategy in accelerating the economic recovery and improving public finances to a sustainable position. The strategy is also a lever in driving the Gauteng Economic Recovery Plan, which indicates how the government aims to invest in the provincial economy post-COVID-19. The recovery plan is centered on four areas which are Small, Medium and Micro Enterprises (SMMEs) and township enterprise, infrastructure as an economic catalyst, investment attraction for SEZs and high growth sectors, and strong partnerships with the private sector. The COVID-19 disruptions present serious challenges for the people of South Africa and Gauteng. However, the Gauteng Government remains committed to reversing the effects of the pandemic on the economy and securing a recovery beyond COVID-19

Chapter 4: Municipal Economic and Socio-economic Review

1. Introduction

During the peak of COVID-19 infections, some of the Gauteng municipalities were declared as hotspots due to the rapidly increasing numbers of new infections at that time. Municipalities form the level of government that function closest to the communities, and thus, it became more necessary for them to ensure continuation of service delivery especially on water services. At the same time, municipalities, especially districts and locals, are faced with constrained cash flows, largely due to the protracted sharp economic downturn over the past few years. These challenges for municipalities were already predominant even before the COVID-19 pandemic struck.¹

The stark reality with the COVID-19 pandemic, as seen in the previous chapters, is that it has resulted in much higher levels of unemployment and deteriorating real disposable income. This situation is likely to increase levels of indebtedness and default on payments for municipal services. The deteriorating revenue collection rates limit the ability of the municipalities to provide essential services and also constrains their capacity to expand investment necessary for economic and social development. This means that these regions are likely to be stuck in a low economic growth path, which perpetuates the vicious cycle of high unemployment and poverty rates.

As outlined in Chapter 3, a lot is being done at a provincial level, through the Gauteng Provincial Recovery Plan, to reverse the adverse impact of the COVID-19 pandemic and to address long-term structural deficiencies in the province's economy. The economies of the metropolitan municipalities (metros) are expected to bear the brunt of COVID-19 disruptions due to their economic and population sizes. The economic contraction for 2020 in the metros is estimated at 6.4 per cent in the City of Tshwane (CoT), 7.1 per cent in the City of Johannesburg (CoJ) and 8.3 per cent in the City of Ekurhuleni (CoE). The districts, which have been characterised by poor economic outcomes and high unemployment rates in the past, are anticipated to have lost about 8 per cent on average, of their economic output in 2020.

All these challenges and the impact of COVID-19 on the economic and social conditions in municipalities are analysed in this chapter, beginning in Section 2 that looks at the economic developments in the metros and districts. This is followed by Section 3 which analyses implications for the socio-economic environment. Section 4 focuses on the impact of constrained revenue resources on service delivery.

2. Economic Developments in the Context of COVID-19

2.1 Metropolitan Municipalities

Gauteng is home to three metros that boast vibrant, diverse and growing economies. Over 90 per cent of Gauteng gross value added (GVA) is accounted for by the metros, which are the CoJ, CoT and CoE. By virtue of their economic viability, metros also tend to attract large economic migrants who seek economic and job opportunities. They are, therefore, the most populated regions of the Gauteng province, with over 80 per cent of the population residing there. Statistics South Africa's (Stats SA's) COVID-19 Vulnerability Index (CVI) has shown that urban populations are largely vulnerable to the adverse impact of the pandemic due to increased population densities. In addition, municipalities are continuously facing increased pressure brought about by COVID-19 to deliver services to communities.

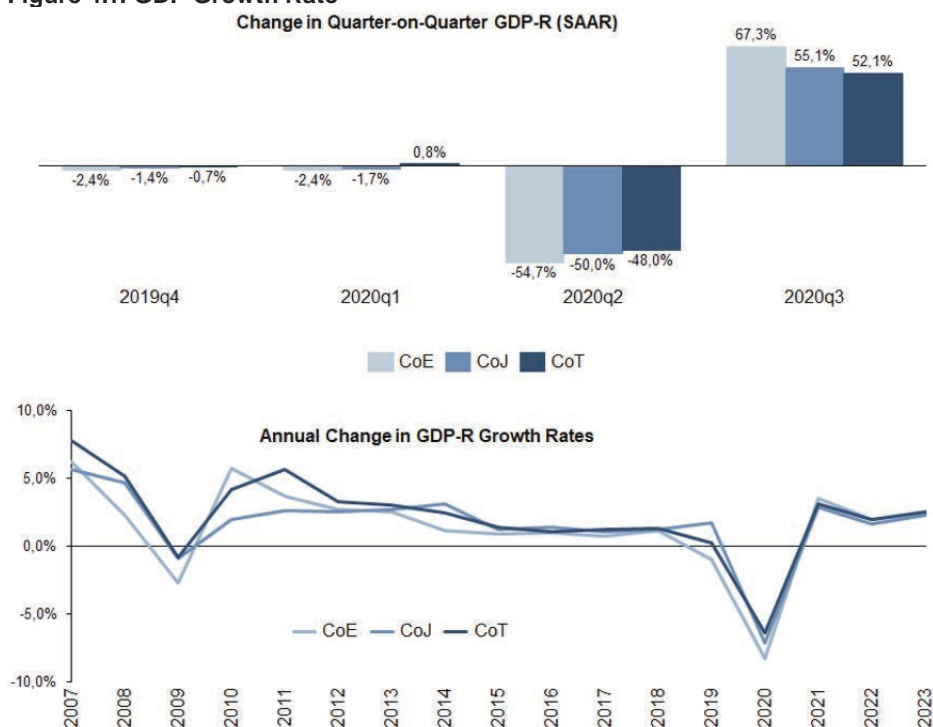
2.1.1 Gross Domestic Product by Region (GDP-R)

Gauteng metros are generally service-based, with the tertiary sector (comprising finance, trade, transport, and government services industries) accounting for 81 per cent of total economic output in CoT, 74 per cent in CoJ and 71 per cent in CoE. However, the dominance of services differs somewhat across the municipalities. For example, the CoT has a large government sector (government services account for 34 per cent of its

¹ Department of Planning, Monitoring & Evaluation. (2020). The Impact of COVID-19 on South African Municipalities. Survey Results. Pretoria, South Africa.

total output) due to a heavy presence of provincial and government departments, and parastatals. On the other hand, the finance sector (which contributes 27 per cent of total output) is a major contributor in the CoJ compared with other metros. Meanwhile, the CoE is an important manufacturing centre of the province, with the sector contributing 21.4 per cent of Gauteng’s manufacturing output.

Figure 4.1: GDP Growth Rate



Source: IHS Markit Regional eXplora, 2021

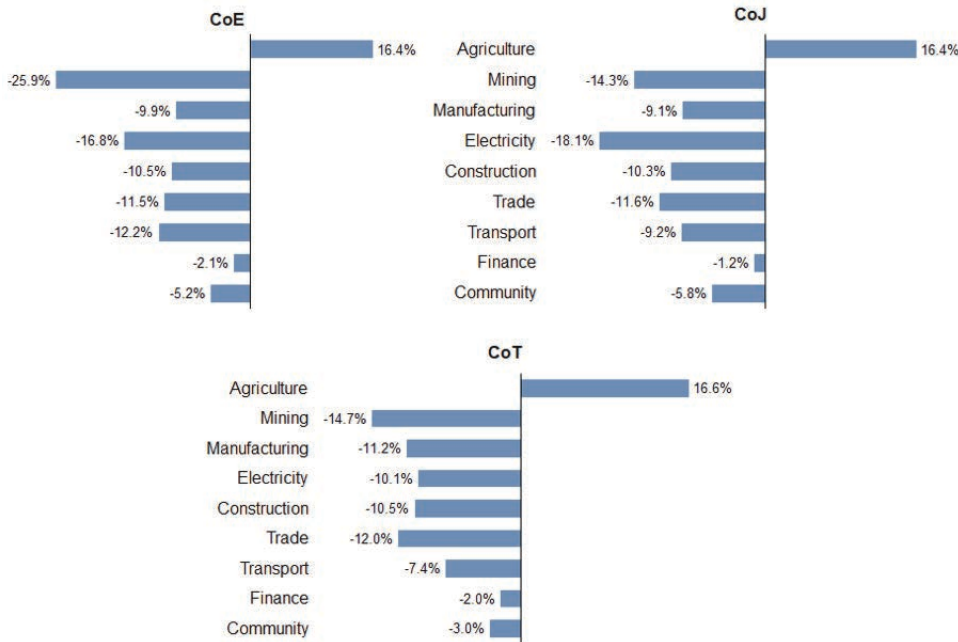
Due to the nation-wide lockdown imposed by the South African government, the GDP-R growth rates in all metros contracted considerably, especially in the second quarter of 2020. Economic output contracted by nearly 50 per cent on average, quarter-on-quarter (seasonally adjusted and annualised) in the metros, with the largest contraction experienced in the CoE (-54.7 per cent) in the second quarter. A larger contraction in the CoE was mainly due to manufacturing and transport output (dominant sectors in the metro) contracting acutely compared with other sectors.

It is estimated that all metros experienced below zero growth in 2020. The data shows that the largest fall in gross domestic product (GDP) came from the CoE with an estimated 8.3 per cent contraction in growth in 2020. The CoJ followed with an estimate of 7.1 per cent, while the CoT’s GDP contracted by an estimated 6.4 per cent during the same period. This contraction of GDP growth in the CoE and CoJ was partly driven by the decrease in the output of the finance sector, among others. The finance sectors in the CoE and CoJ accounted for the largest share of GDP at about 22.5 per cent and 31.4 per cent, respectively. In the case of the CoT, this decrease is attributable to the decline in the government services output (among others).

2.1.2 Sector Performance

The transition of the economy from one alert lockdown level to another have had adverse effects on various sectors. Those sectors considered to be essential (i.e agriculture) were affected the least by the lockdown restrictions, while non-essential sectors (i.e. some manufacturing, construction, trade, and transport) were hard-hit.

Figure 4.2: Sector Output Growth, 2020



Source: IHS Markit Regional eXplora, 2021

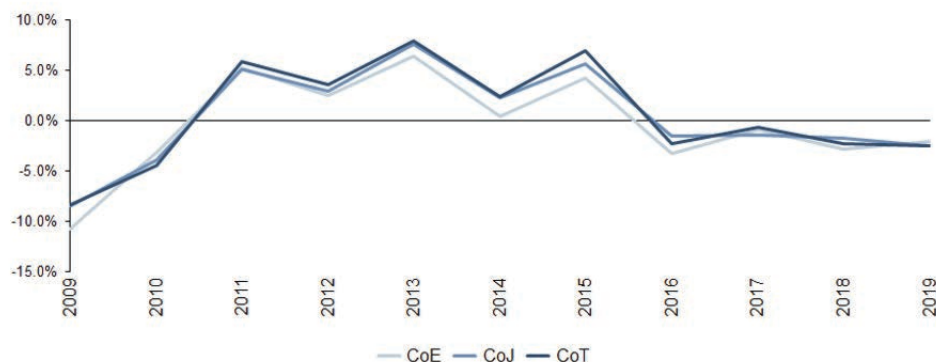
As a result, in all metros, with exception to the agriculture sector, real sectors of the economy contracted. Despite cushioning against the overall decrease, the agriculture sector accounts for less than one per cent of the metros' total output. Thus, while it was the least affected by lockdown restrictions, the sector's contribution to the metros' economy is insignificant and thus did not to offset the overall decrease much.

Overall, the contraction in manufacturing output is expected to have been more severe in the CoT in 2020 (with a contraction of 11.2 per cent), followed by the CoE (-9.9 per cent) and the CoJ (-9.1 per cent). The transport sector was also heavily impacted by the lockdown restrictions. The impact was felt more in the CoE, which is also the transport hub of the province. Trade is among the sectors whose output is expected to have contracted significantly due to COVID-19 related restrictions. Output is expected to recover somewhat across all sectors in 2021 (except for the construction sector). However, it will still fall short of the level recorded before the pandemic.

2.1.3 Investment

During these unprecedented times, it is essential now more than ever for the municipalities to carry out their duties towards local communities. Thus, infrastructure investment plays a crucial role in ensuring that local communities are adequately supported since municipalities require infrastructure to provide basic services to communities.

Figure 4.3: Growth in Fixed Investment



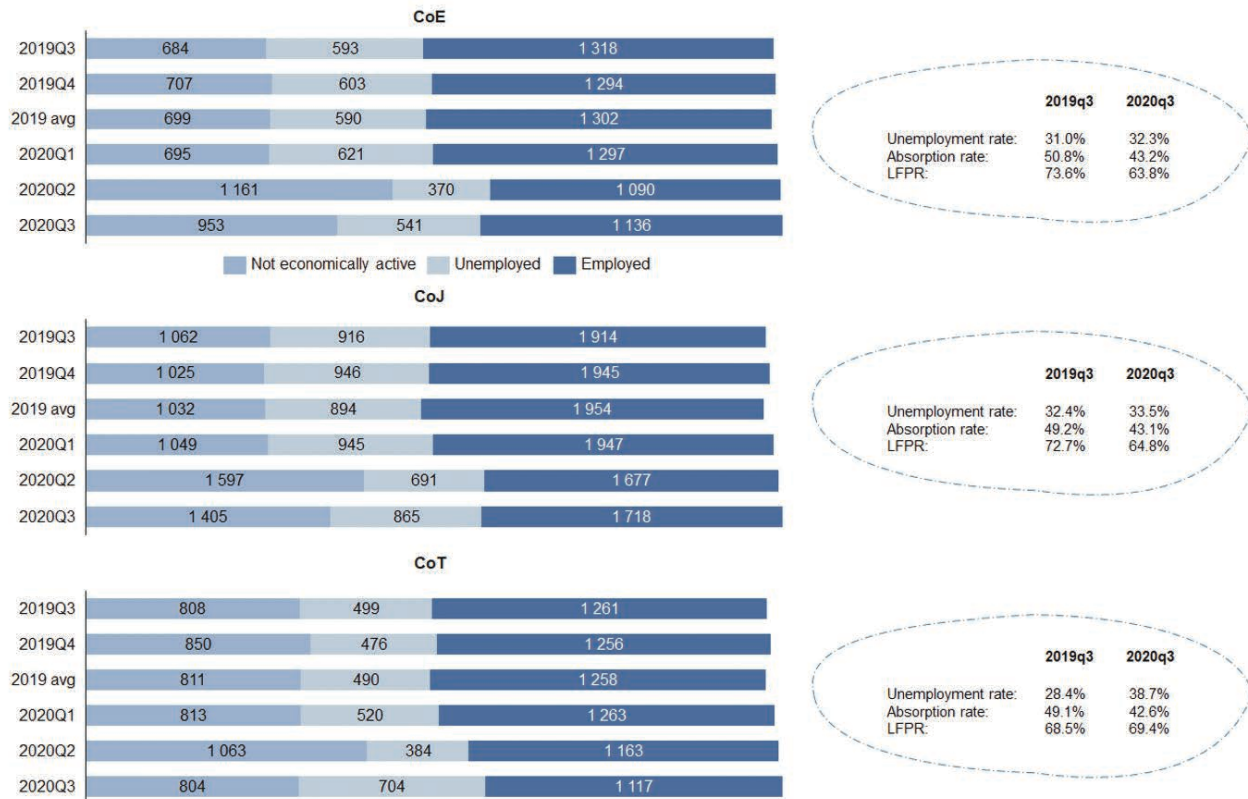
Source: Quantec Easy Data, 2020

Investment growth in the metros has been highly volatile during the period 2009 to 2019. Following a peak recorded in 2013 investment growth remained in negative territory between 2016 and 2019. This coincided with weak growth experienced during this period coupled with unreliable electricity supply which affected business confidence and thus, poor investment levels. For 2020, it is anticipated that the negative trend will continue due to the negative impact that COVID-19 had on investment plans and existing projects.

2.1.4 Labour Market

The COVID-19 pandemic has exacerbated the unemployment crisis in South Africa. As a temporary measure, a significant number of workers have been prevented from going to work due to the lockdown rules.² Limits on both movement and economic activity, as a result, have had a significant effect on jobs prospects.

Figure 4.4: Labour Characteristics – Official Definition



Source: Stats SA, 2021

The stricter lockdown restrictions which took place during the second quarter of 2020 saw some unprecedented shifts in the labour market. Due to restrictions in movement, more people fell off the category of the labour force, into the 'not economically active' category. This resulted in the number of unemployed people decreasing significantly across the metros between the first and the second quarter of 2020. This is not a reflection of an improvement in the labour market, but a technical change due to how the official unemployment rate is calculated.³

However, to highlight the consequences of the COVID-19 pandemic on the labour market in the second quarter, there was a marked decrease in employment. The number of employed people fell by 207 000 in the CoE, by 270 000 in the CoJ and then by 100 000 in the CoT during this period. Although there was some improvement in employment numbers in the third quarter of 2020, year-on-year unemployment rates and other labour market health indicators such as the absorption and participation rates, suggest that conditions in the metros' labour market deteriorated significantly in the third quarter of 2020 compared with the same quarter in 2019.

² South African Government. (2020). Disaster Management Act: Regulations to Address, Prevent and Combat the Spread of Coronavirus COVID-19: Amendment. (Accessed on 10th December): www.gov.za.

³ For people to be unemployed, they need to actively be looking for jobs. The national lockdown restricted people from looking for work, which resulted in this significant fall in unemployment.

Table 4.1: Labour Market Indicators, 2019⁴

	CoE		CoJ		CoT	
	Youth (15-34)	Adult (35-64)	Youth (15-34)	Adult (35-64)	Youth (15-34)	Adult (35-64)
Working Age Population	1 324 860	1 217 823	1 996 342	1 742 859	1 253 860	1 171 409
Employment	436 905	757 386	803 291	1 152 413	447 051	777 668
Unemployment	390 914	216 686	491 509	260 894	271 586	167 378
Discouraged work seekers	52 146	40 161	86 957	56 176	62 978	42 814
Unemployment rate	52.5%	19.8%	44.2%	16.3%	43.8%	16.6%
Labour absorption rate	30.7%	60.2%	36.8%	63.6%	34.0%	63.7%
Labour force participation rate	59.3%	75.9%	60.9%	76.7%	55.3%	76.8%

Source: IHS Markit Regional eXplora, 2020

In all metros, more than 50 per cent of the working-age population is between the ages of 15 and 34 years. Despite this, the number of employed youths were far lower than those of adults. Compared to the youth, adults in all metros are, on average, twice as likely to be employed. The CoE recorded the highest unemployment rate among the youth at 52.5 per cent in 2019, while the CoJ experienced the lowest unemployment rate for adults at 16.3 per cent. The labour absorption rate, which further indicates the lack of job opportunities in the labour market was, on average, lower for the youth than for the adult population in all metros. Furthermore, the labour force participation rate for the youth cohort was also low compared with adults, which is not surprising given the low employment rate and a higher number of discouraged job seekers within this cohort.

In sum, the youth constitutes more than 50 per cent of the working-age population, yet the data shows that the structure of the labour market in each metro continues not to support this cohort. Across all metros and the broader province, these unfavourable conditions towards the youth are further magnified by an already deteriorating COVID-19 pandemic ridden economy, which highlights the ongoing challenge of getting young people into the labour market.

2.2 District Municipalities

The Gauteng province has two district municipalities which are Sedibeng and West Rand. Sedibeng, which is made up of Emfuleni, Midvaal and Lesedi local municipalities, is situated in the Southern part of the province, with an estimated economic output of ZAR 39.4 billion (or 3.9 per cent of total Gauteng output) in 2019. The West Rand, which is made up of Mogale City, Merafong City and Rand West City, is located in the western side of Gauteng, and is also referred to as the Western Corridor. Its economic output accounted for 3.7 per cent of Gauteng total output in 2019. The West Rand is largely known for its rich mining potential, which is the core of the district's economy. Gold and uranium mining are the economy's major vehicles in the district⁵. However, due to the mining sector experiencing a constant decline since 2005, the economy of the district has suffered as a great deal.

⁴ Stats SA does not provide quarterly labour market data by age for municipalities. Thus, 2019 data was used to analyse labour market indicators by age.

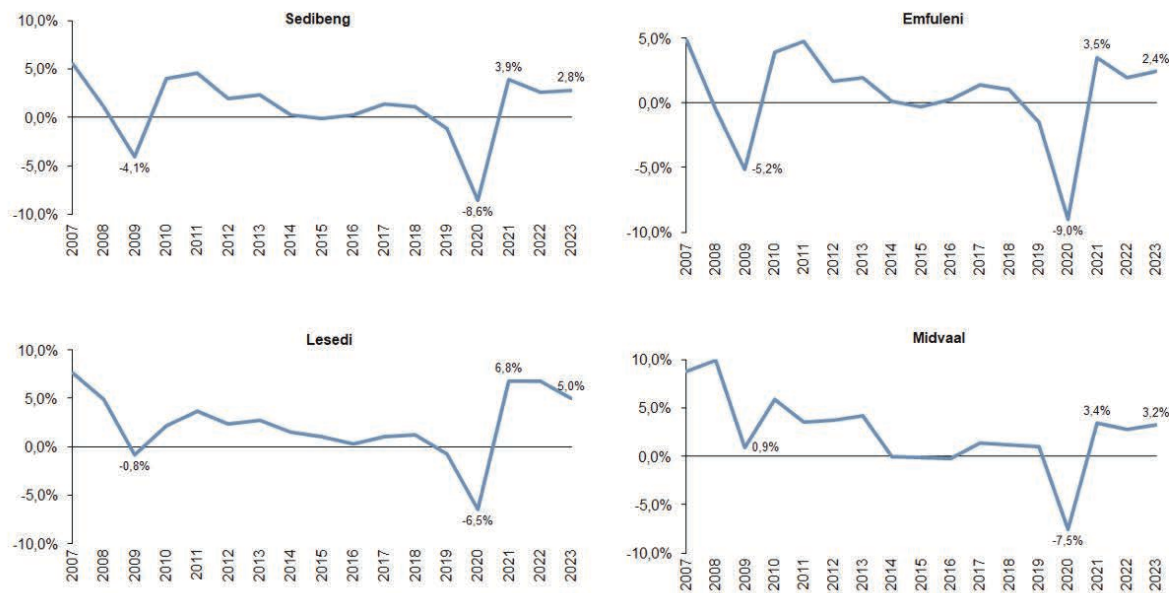
⁵ Cooperative Governance and Traditional Affairs. (2020). West Rand: Profile and Analysis District Development Model. (Accessed on 28th November 2020): www.cogta.gov.za.

2.2.1 Gross Domestic Product by Region

Sedibeng District Municipality

Since 2015, Sedibeng’s economic growth has fallen below the national and provincial growth averages. The impact has since lasted due to the economy being affected by factors such as the closure of some key manufacturing (steel companies in particular) firms as well as poor investment in infrastructure, which is required to boost economic activity. The impact of the COVID-19 pandemic further depressed the growth output of the district.

Figure 4.5: GDP Growth Rate



Source: IHS Markit Regional eXplora, 2021

Sedibeng’s economic growth has struggled somewhat and has remained below one per cent since 2014 (except in 2017). The low growth can be associated with the struggling manufacturing sector in the region, amongst other things. Growth contracted from 1.3 per cent in 2017 to -1.1 per cent in 2019. For 2020, it is expected that the economy of Sedibeng contracted by 8.6 per cent, mainly due to COVID-19 related restrictions. A number of industries came to a standstill, as the global and domestic economic activity was hindered by the COVID-19 shock. While the COVID-19 infections were increasing, many non-essential industries came to a halt. The steel industry was one of the non-essential industries where production was ceased due to supply chain disruptions and closure of borders.

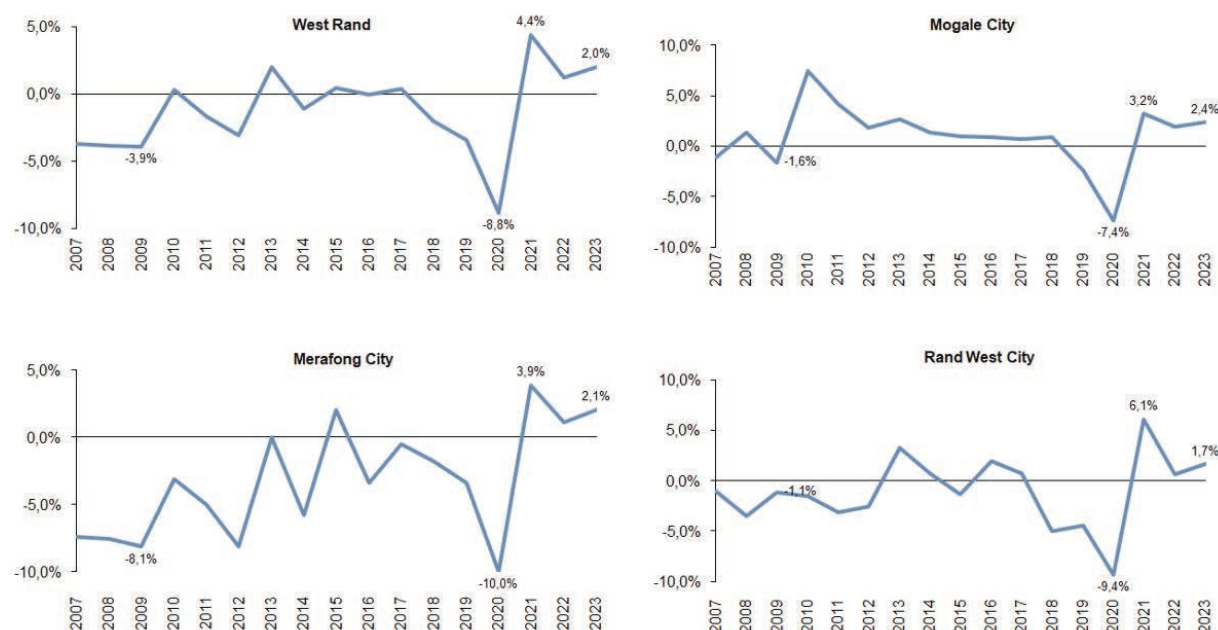
The economy of Emfuleni contracted by 1.5 per cent in 2019, and the magnitude of the contraction is expected to have worsened in 2020 due to lockdown disruptions. The estimate suggests that growth contracted by 9 per cent in 2020, the largest contraction compared with other local municipalities. Midvaal is anticipated to have contracted by 7.5 per cent, and Lesedi by 6.5 per cent during the same period.

IHS Markit, forecasts Sedibeng’s economy to grow by 3.9 per cent in 2021, before slowing by 2.6 per cent in 2022. Lesedi will lead this recovery, with a growth forecast of 6.8 per cent in 2021 while Midvaal is projected to grow by 3.4 per cent in the same year. Emfuleni’s economy is forecast to recover by 3.5 per cent in 2021.

West Rand District Municipality

Economic growth in the West Rand has been volatile in the past eight years, mainly due to a significant decline in mining output. The economy experienced a recession in 2018 and 2019 when it contracted by 2.1 and 3.4 per cent, respectively. A further negative outcome is to be realised in 2020, as it is estimated that growth for the district has contracted by 8.8 per cent.

Figure 4.6: GDP Growth Rate



Source: IHS Markit Regional eXplora, 2021

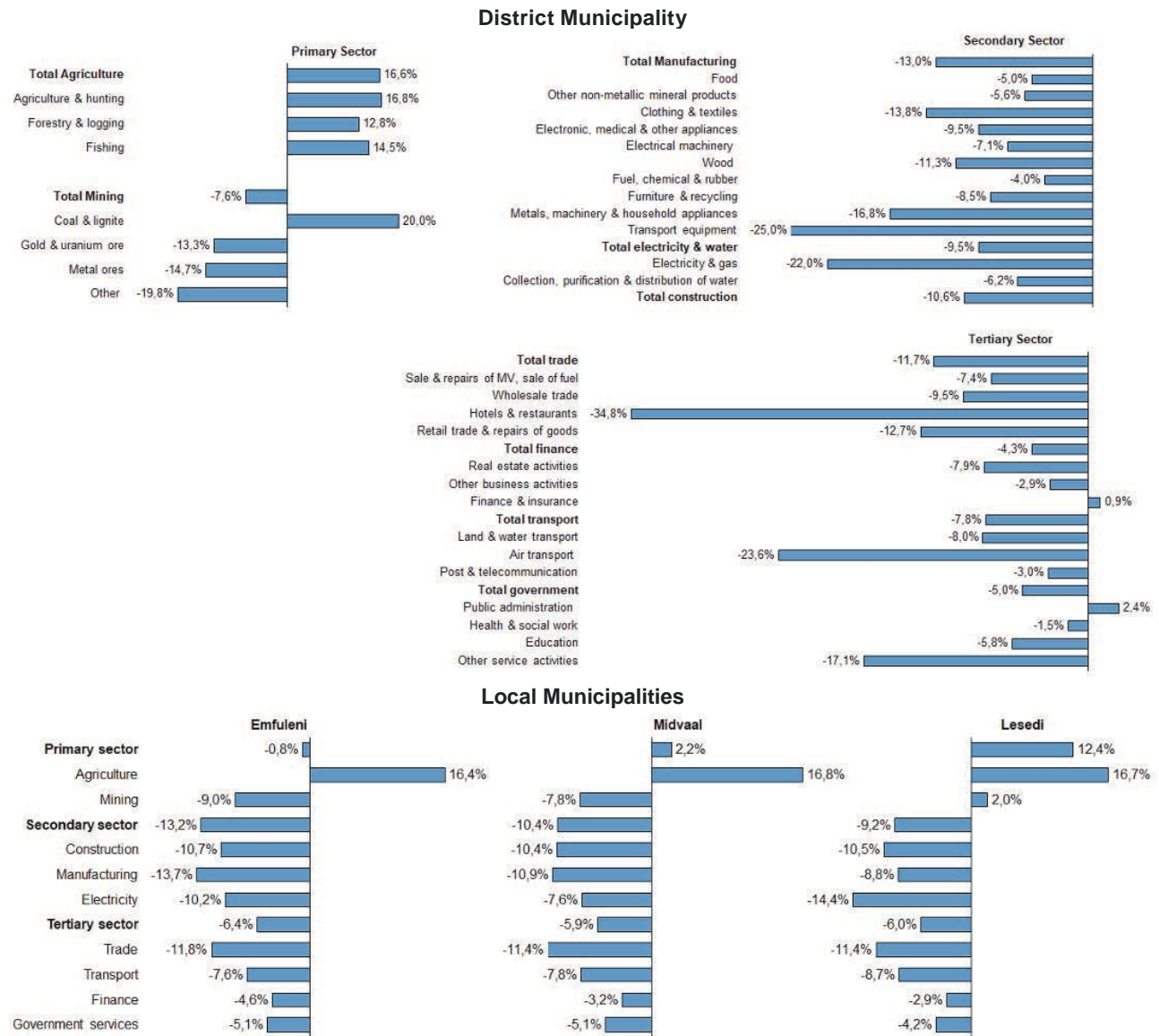
The local municipalities, Merafong City and Rand West City, which largely specialise in mining, have had longer periods of negative growth. Merafong City’s economic output has been contracting for the most part of the period under review, except for 2015 when it grew by 2 per cent. Rand West City’s economy has also deteriorated, being in recession for the most part of the review period. In contrast to the two local municipalities, Mogale City has not been affected by the volatility in the mining sector, due to its diversified economy. Growth, however, decelerated notably from its peak of 7.4 per cent in 2010, to only 0.8 per cent in 2018. This was before a contraction of 2.4 per cent was recorded in 2019.

2.2.2 Sector Performance

Sedibeng District Municipality

As previously mentioned, manufacturing is one of the core drivers of the Sedibeng economy after finance and government services. The contribution of the manufacturing sector to total GVA of Sedibeng is estimated to decrease by 3.5 per cent in 2020, whereas that of finance and government services are estimated to both decrease by 1.5 per cent.

Figure 4.7: Sector Output Growth, 2020



Source: IHS Markit Regional eXplora, 2021

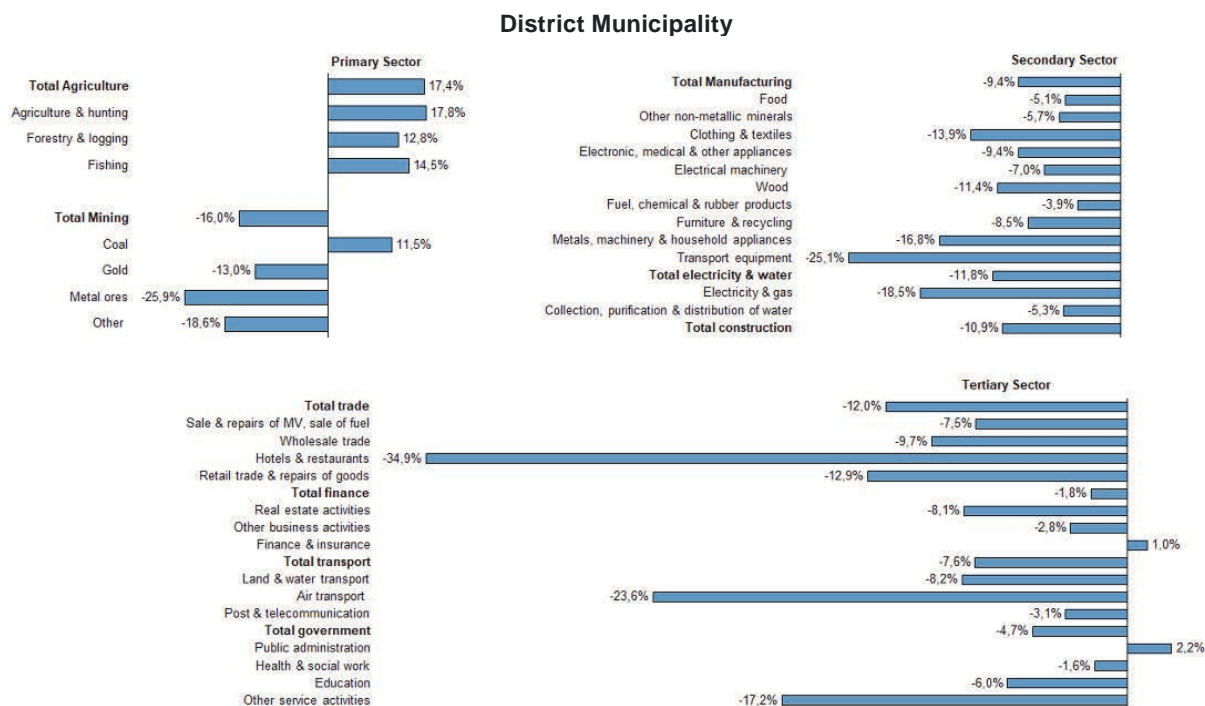
Sedibeng’s manufacturing output is expected to have declined by 13 per cent, finance services by 4.3 per cent and government services by 5 per cent in 2020. The manufacturing sector is labour-intensive and needs working agents on hand to produce the output. The restrictions imposed to curb the spread of the virus, particularly during the second quarter of 2020, hit the manufacturing sector hard. Furthermore, the only sectors that were permitted to operate under the severe COVID-19 restrictions were those that provided essential basic needs to households. The agricultural sector is the only sector where output is expected to have risen in 2020.

Overall, output is expected to have contracted in all sectors (except agriculture) across all local municipalities in 2020. By comparison, the impact of the distressed manufacturing sector will be felt more in Emfuleni and Lesedi. The sector respectively accounts for 27 and 21 per cent of economic activity of the locals and its output declined by an estimated 13.7 per cent and 8.8 per cent in 2020. A contraction in the output of the finance services, government services and trade sectors will also have a marked impact on the local municipalities as these sectors are also key in these economies.

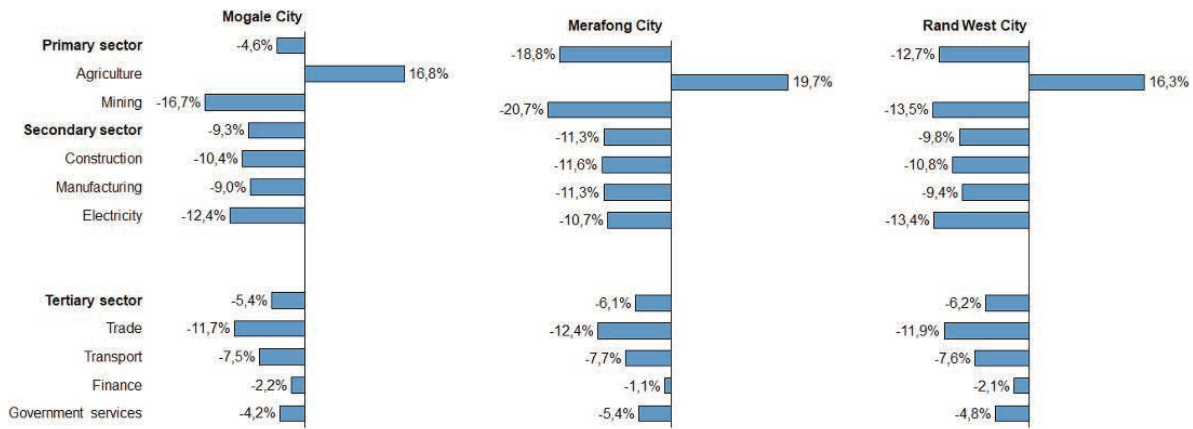
West Rand District Municipality

The mining sector which makes up about 27 per cent of the West Rand’s economy has been severely distressed owing to declining gold reserves, and continuously rising input costs. These have affected the district’s economy negatively and highlights the need for the district to diversify its economic make-up.

Figure 4.8: Sector Output Growth, 2020



Local Municipalities



Source: IHS Markit Regional eXplora, 2021

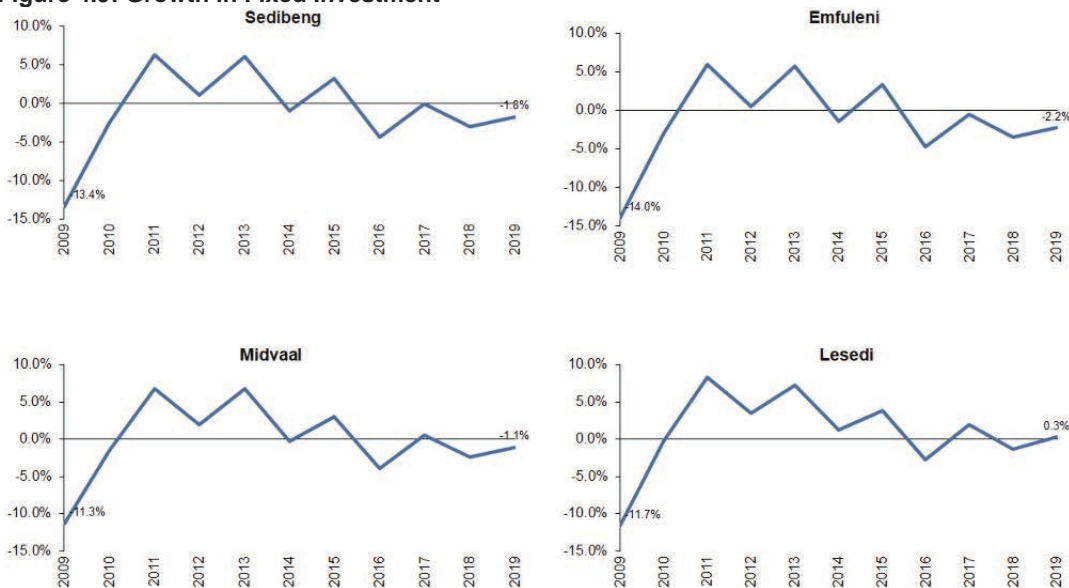
The West Rand’s mining output is expected to have contracted by 16 per cent in 2020, owing to decline in the output of gold mining. In contrast, coal mining increased by an estimate of 11.5 per cent in 2020. The highest decrease in mining output came from Merafong City, which is one of the mining areas of the district. Output of other sectors also contracted, due to lockdown disruptions that halted activity in these sectors. Agriculture was the only sector where output increased in 2020.

2.2.3 Investment

Sedibeng District Municipality

Real investment in the district has experienced negative growth for the most part since 2016. After rising by 3.3 per cent in 2015, total real investment contracted by 4.3 per cent in 2016 and by a further 1.8 per cent in 2019. Investment data by sector indicates that real investment has been contracting both in the secondary and tertiary sectors, between 2016 and 2019. The primary sector, made-up of mining and agriculture is the only sector where investment has grown over this period.

Figure 4.9: Growth in Fixed Investment



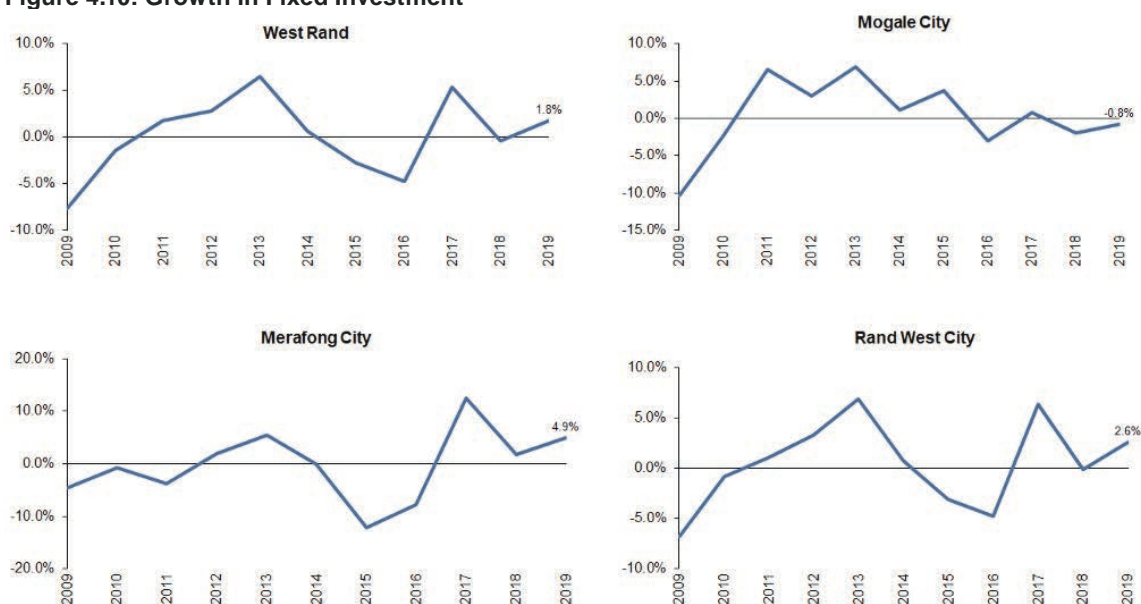
Source: Quantec Easy Data, 2020

Within the district, the highest contraction in investment in 2019 was recorded in Emfuleni (- 2.2 per cent). This was after investment declined by 3.4 per cent in 2018. Investment was down 1.1 per cent in Midvaal in 2019, slightly better than a contraction of 2.3 per cent experienced in 2018. Lesedi was the only municipality that experienced growth in investment in 2019, and this was due to increased investment in the manufacturing and construction sectors.

West Rand District Municipality

As most mines have continued to deepen, mining companies have had to increase investment in capital assets in order to mine deeper to access high-grade gold. As a result, investment by the mining sector in West Rand has been a key driver of growth in total real investment in the district. Investment in mining areas such as Merafong City and Rand West City have particularly benefited from the sector.

Figure 4.10: Growth in Fixed Investment



Source: Quantec Easy Data, 2020

Overall, real investment increased by 1.8 per cent in 2019 in the district. Growth in investment was led by Merafong City and Rand West City, rising to 4.9 per cent and 2.6 per cent respectively. On the contrary, investment in Mogale City contracted by 0.8 per cent during the same period, after shrinking by 1.9 per cent in 2018.

2.2.4 Labour Market Overview

Sedibeng District Municipality

In 2019, only about 39 per cent of Sedibeng’s working-age population was employed, as indicated by the labour absorption rate in Table 4.2. This had decreased by 4.1 percentage points from 2018. The number of unemployed people increased by over 14 000, pushing the district’s unemployment rate to 42.1 per cent in 2019. Similarly, the number of employed people decreased between 2018 and 2019, which is reflective of the weak economic growth pace in the region.

Table 4.2: Labour Market Overview

Indicators	Sedibeng			Emfuleni			Midvaal			Lesedi		
	2018	2019	Change	2018	2019	Change	2018	2019	Change	2018	2019	Change
Number												
Working-age Population	656 552	666 358	9 806	502 848	509 313	6 464	76 723	78 258	1 536	76 981	78 787	1 806
Employment	260 627	244 392	-16 234	202 328	188 170	-14 158	41 081	39 827	-1 253	17 218	16 395	-823
Unemployment	175 983	190 009	14 026	146 688	158 182	11 494	11 915	13 006	1 091	17 380	18 821	1 442
Discouraged Work Seekers	20 340	26 552	6 212	15 733	20 403	4 670	2 091	2 807	717	2 516	3 342	826
Rate												
Unemployment	38.3%	42.1%	3.9	41.7%	45.9%	4.1	21.4%	23.8%	2.4	33.2%	36.7%	3.4%
Labour Absorption Rate	43.2%	39.1%	-4.1	40.8%	36.7%	-4.1	57.0%	53.1%	-3.9	45.4%	41.3%	-4.1%
Labour Force Participation Rate	70.0%	67.7%	-2.3	69.9%	67.7%	-2.2	72.5%	69.7%	-2.8	68.0%	65.2%	-2.8%

Source: IHS Markit Regional eXplora, 2021

Labour market conditions also deteriorated across the local municipalities of the district. By virtue of its size, Emfuleni experienced the highest increase in the number of unemployed people, and thus recorded the largest unemployment rate. Midvaal, which is the smallest local municipality in the district experienced the least increase in unemployment numbers. Table 4.2 further shows that discouraged work seekers (people who want and are available for work but have given up on looking for jobs), increased across Sedibeng. These are people who believe that there are no jobs for them in the market, mostly due to the economic situation.

West Rand District Municipality

During 2019, the West Rand labour market shed a lot of jobs due to the deteriorating economic conditions. The number of employed people fell by 4 per cent (or 12 476 people). This pushed the official unemployment rate to 32.3 per cent for the district, an increase of 3.1 percentage points from the rate recorded in 2018.

Table 4.3: Labour Market Overview

Indicators	West Rand			Mogale City			Merafong City			Rand West City		
	2018	2019	Change	2018	2019	Change	2018	2019	Change	2018	2019	Change
Number (000)												
Working-age Population	596 793	602 883	6 091	273 120	277 365	4 245	140 415	140 408	-7	183 258	185 111	1 853
Employment	309 138	296 662	-12 476	120 971	114 063	-6 908	103 231	103 126	-105	84 935	79 472	-5 463
Unemployment	127 364	138 750	11 386	61 948	68 073	6 124	17 981	18 635	654	47 435	52 042	4 607
Discouraged Work Seekers	23 779	27 441	3 662	7 287	9 673	2 386	11 251	10 912	-339	5 241	6 856	1 615
Rate												
Unemployment	29.3%	32.3%	3.1	30.5%	34.2%	3.6	19.1%	19.7%	0.6	34.4%	38.5%	4.1
Labour Absorption Rate	51.6%	48.2%	-3.4	51.6%	47.3%	-4.3	54.3%	54.2%	-0.1	49.4%	45.0%	-4.5
Labour Force Participation Rate	72.9%	71.2%	-1.7	74.3%	71.8%	-2.5	67.1%	67.5%	0.4	75.3%	73.1%	-2.2

Source: IHS Markit Regional eXplora, 2020

Other indicators which mirror the health of the labour market show that the labour market conditions in the West Rand have weakened over time. The labour absorption rate, which measures the proportion of the working-age population that is employed, declined from 51.6 per cent in 2018 to 48.2 per cent in 2019. Mogale City experienced the largest increase in the number of unemployed people between 2018 and 2019. However, the highest unemployment rate of 54.2 per cent was recorded in Merafong City, which is the mining area of the district.

3. Socio-economic Developments in the Context of COVID-19

3.1 Metropolitan Municipalities

As highlighted in the speech by President Ramaphosa to the World Bank Group, South Africa's response to the COVID-19 pandemic was to save lives and protect livelihoods.⁶ The COVID-19 pandemic has created serious health and economic problems particularly in areas that are increasingly populated and urbanised. To that end, this section seeks to evaluate the socio-economic dynamics of the metros in the context of the COVID-19 pandemic, where data permits.

3.1.1 Demographic Indicators

Population Size and Growth

Most of the province's population reside in the metros, as they account for the highest share of the province's economic activity and tend to attract those who are looking for economic opportunities. About 85 per cent of the Gauteng population reside in the metros and this is likely to increase over time.

Table 4.4: Population Growth and Size

Regions	Population Numbers			Average Growth		
	2010	2020	2024	2010-2015	2016-2020	2021-2024
CoE	3 061 259	3 847 990	4 135 538	2.5%	2.1%	1.8%
CoJ	4 212 167	5 548 724	6 002 104	3.2%	2.5%	2.0%
CoT	2 801 430	3 630 620	3 919 725	3.0%	2.3%	1.9%

Source: IHS Markit Regional eXplora, 2021

Over the last ten years (2010 to 2020), population numbers in the metros have increased because as economic hubs they carry the promise of better economic prospects. For example, between 2010 and 2020, the population of the CoJ increased by over one million people, by 786 731 people in the CoE and by roughly 830 000 people in the CoT. Over the 2021-2024 period, it is forecasted that the population in metros will grow by roughly 2 per cent on average.

At the metro level, data shows that migration across the metros has not changed significantly between 2019 and 2020 due to COVID-19 related restrictions. This is because, lockdown travel restrictions are not expected to have had much impact as compared to the broader province. Moreover, at alert level five, South Africans were not allowed to leave their homes except under strictly controlled circumstances.⁷

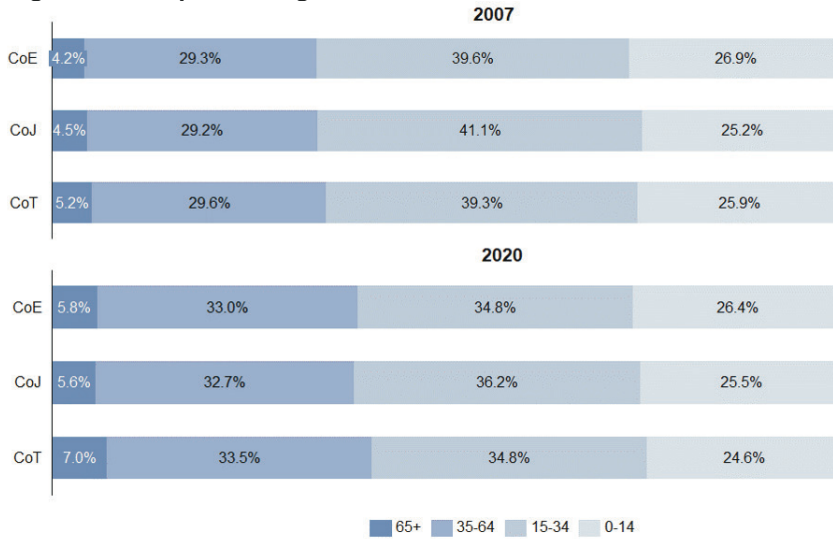
Population Structure

Figure 4.11 suggests that there has been a noticeable shift between various age cohorts across all metros. This shift is consistent with the general ageing of the population and, to some extent, a result of in-migration between 2007 and 2020.

⁶ South African Government. (2020). President Cyril Ramaphosa: World Bank High-Level Event on Human Capital During Coronavirus COVID-19 Pandemic. (Accessed on 08th December 2020): www.gov.za.

⁷ South African Government. (2020). Travel – Coronavirus COVID-19. Accessed (8 December 2020) at: <https://www.gov.za>.

Figure 4.11: Population Age Distribution of Metros, 2007 and 2020



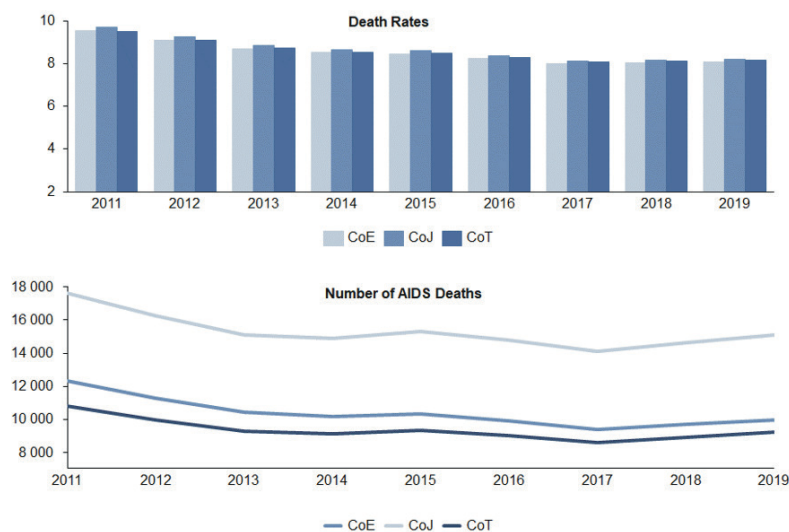
Source: IHS Markit Regional eXplora, 2020

Most noteworthy is the shift in the 15-34 years age cohort where its share has proportionally declined across metros, while the share of 35-64 years age cohort has increased. The share of the elderly population (65+ years) has also increased between 2007 and 2020. Nonetheless, the youth population (15-34 years) still accounts for the highest share of the total population in the metros. The anticipated health effects of COVID-19 will mostly be reflected in the demographic statistics of 2021.⁸

Mortality and Number of AIDS Deaths

The demographic structure can further be explained by changes in the mortality rate, which measures the number of deaths per 1 000 people. The number of deaths per 1 000 population has continued to flatten. Between 2011 and 2019, the data shows that in the CoE and CoT mortality rates were, on average, 8.5 per cent while for the CoJ, it was 8.7 per cent.

Figure 4.12: Mortality Rate



Source: Quantec Easy Data, 2020

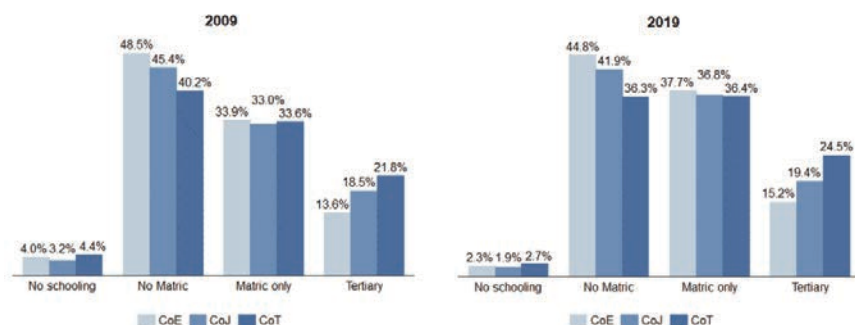
⁸ Stats SA. (2020). Statistical Release P0302. Mid-Year Population Estimates. Pretoria, South Africa.

The number of Acquired Immuno-deficiency Syndrome (AIDS) deaths has also declined in all metros. There were roughly 17 500 deaths in the CoJ in 2011, and these decreased to 15 000 in 2019. The CoT recorded the lowest number of deaths in 2019. The decline, among other reasons, could be attributed to improvements in Human Immunodeficiency Virus (HIV) and AIDS programmes and the accessibility of antiretrovirals (ARVs) in public health institutions.

Educational Attainment

Illustrated in Figure 4.13 is the highest level of education attained for the population aged 20 years and older in metros. The numbers show an improvement in educational attainment across all metros.

Figure 4.13: Highest Level of Education Attained



Source: IHS Markit Regional eXplora, 2020

In 2019, the average share of those with no schooling was 2.3 per cent for all metros, which is lower than the 3.9 per cent average recorded in 2009. Even though there were improvements in education attainment in the metros, there is still a high share of population with no matric, compared to the share with matric and tertiary qualification. Tertiary qualifications were less common in the metros. Only 24.5 per cent of the population aged 20+ years had tertiary qualifications in the CoT, and this was the highest share among the metros. In the CoE, only 15.2 per cent had tertiary qualification in 2019.

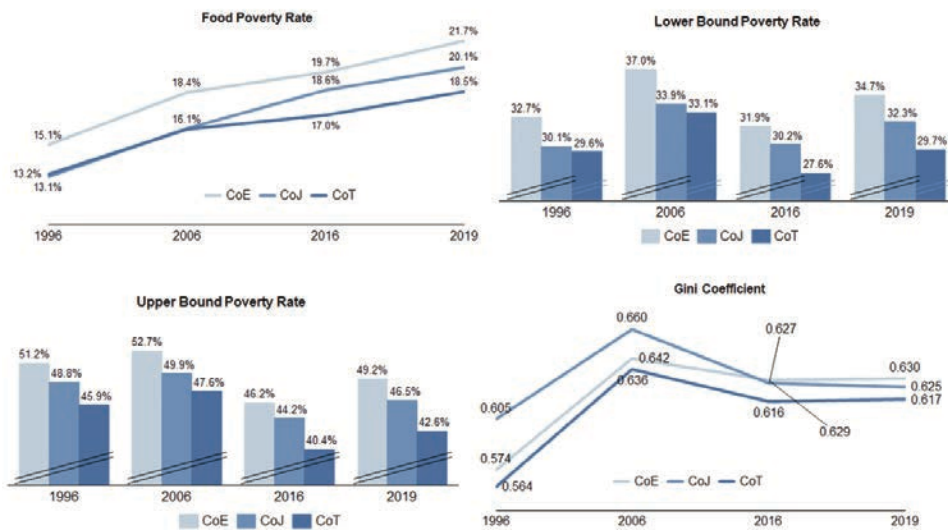
3.1.2 Poverty and Inequality

South Africa has made considerable strides toward improving the socio-economic conditions of its citizens since its transition to democracy. This can be seen, for example, through redistributive initiatives such as the Reconstruction Development Programme (RDP) in 1994 that formed the basis of the government’s attempt to eradicate poverty and deprivation. More recently (in 2011), the National Development Plan (NDP) placed the eradication of poverty and inequality at the forefront while, at the same time, nurturing economic growth. However, owing to the protracted economic slowdown over the years, much of this progress has regressed, with poverty rates increasing and inequality levels widening.

Figure 4.14 illustrates that in instances where the Gini coefficient has increased, even marginally, this was followed by a similar or higher increase in some cases in poverty. For example, in Sedibeng, income inequality rose from 0.565 in 1996 to 0.628 in 2006. Similarly, the food poverty rate increased from 19.8 per cent to 22.4 per cent of the total population during the same period. While income inequality steadied at 0.634 in 2018, food poverty rate continued to increase, reaching 24.2 per cent of the population in 2018.

Among the local municipalities, the highest increase in the share of the population living in poverty was recorded in Midvaal, from 6.8 per cent in 1996 to 17.1 in 2018. Comparatively speaking though, Midvaal had the lowest food

Figure 4.14: Poverty Rate and Gini Coefficient (Income Inequality)



Source: IHS Markit Regional eXplora, 2020

Figure 4.14 shows poverty rates and income inequality as measured by the Gini coefficient. Following the global financial crisis, significant progress in food poverty reduction was clear, as the share of the population living below the food poverty line (also known as an extreme form of poverty) declined by 8.9 percentage points in the CoE and by 8.1 percentage points in both the CoJ and CoT between 2009 and 2011. Since then, food poverty rates in all metros have increased consistently, with the highest rate (21.9 per cent) by comparison recorded in the CoE in 2019. This has been consistent with the waning economic conditions in these regions.

The lower bound poverty rate is estimated at 34.7 per cent of the total population in CoE, 32.3 per cent in CoJ and 29.7 per cent in the CoT. The upper bound poverty rate stands at over 40 per cent of the population in all metros, an improvement from the rates recorded in 1996.

Income Inequality

The income inequality data (as measured by the Gini coefficient) shows that redistributive measures were largely ineffective, up until 2006. All three metros recorded their highest levels of income inequality in 2006. However, from 2006 to 2016, there was a noticeable improvement in the Gini coefficient. From 2016 onwards, the data shows that in all three metros, progress has been slowing.

Overall, in 2020, it is expected that marginalised groups such as low-income earners, informal workers, and those with temporary employment have been most affected by employment declines due to COVID-19 related restrictions. The lack of job opportunities, and thus lack of income, is expected to increase income inequality. At the same time, limited access to health services and in some cases, a healthy diet, would negatively affect human health which in turn drives poverty.⁹

3.2 District Municipalities

The districts are the least populated regions in the province. Sedibeng accounts for 7 per cent of Gauteng’s population while the West Rand makes up 6 per cent of the province’s population. Together, they account for roughly 13 per cent of the total population in Gauteng. They are also regions where poverty and unemployment are most endemic, affecting the ability of the municipalities to raise revenue and provide adequate services.

⁹ World Bank. (2020). Reversing Setbacks to Poverty Reduction Requires Nations to Work Together for a Resilient Recovery. Washington D.C, USA.

3.2.1 Demographic Indicators

Sedibeng Population Size and Growth

The total population in Sedibeng was estimated at over 900 000 people residing in the district. In 2020, it is estimated to have increased by about 150 000 to just over 1 million people and it is forecasted to increase further to 1.3 million people by 2024. On average, the population growth rate of Sedibeng is estimated at 1.6 per cent, which is by comparison, less than the province’s average of 2 per cent.

Table 4.5: Population Size and Growth in Sedibeng

Regions	Population Numbers			Average Growth		
	2010	2020	2024	2010-2015	2016-2020	2021-2024
Sedibeng	906 066	1 056 393	1 127 882	1.6%	1.6%	1.7%
Emfuleni	717 622	809 754	863 002	1.1%	1.4%	1.6%
Midvaal	92 005	120 760	129 052	3.3%	2.3%	1.7%
Lesedi	96 439	125 879	135 827	3.2%	2.3%	1.9%

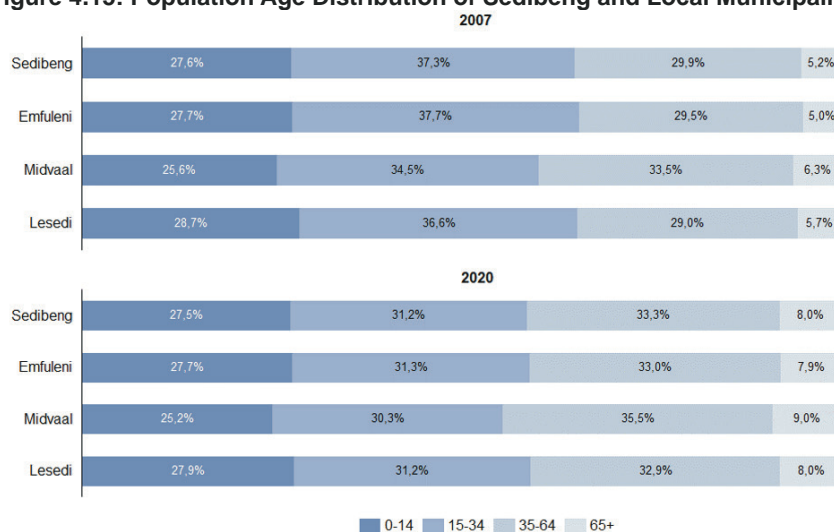
Source: IHS Markit Regional eXplora, 2021

DEmfuleni is the most populated municipality in all three local municipalities – this is partly driven by the presumption of the availability of economic opportunities in the area compared with other the other locals. However, Midvaal and Lesedi have higher population growth rates compared to Emfuleni. Both the Midvaal and Lesedi municipalities recorded an average population growth rate of 2.3 per cent between 2016 and 2020. The size of the population in these municipalities is expected to rise to 129 052 and 135 827 in 2024, respectively.

Sedibeng Population Structure

Figure 4.15 represents the population distribution for Sedibeng and its local municipalities. The age cohorts of a population are affected by various determinants, including the rates of change in fertility, mortality, and migration.

Figure 4.15: Population Age Distribution of Sedibeng and Local Municipalities



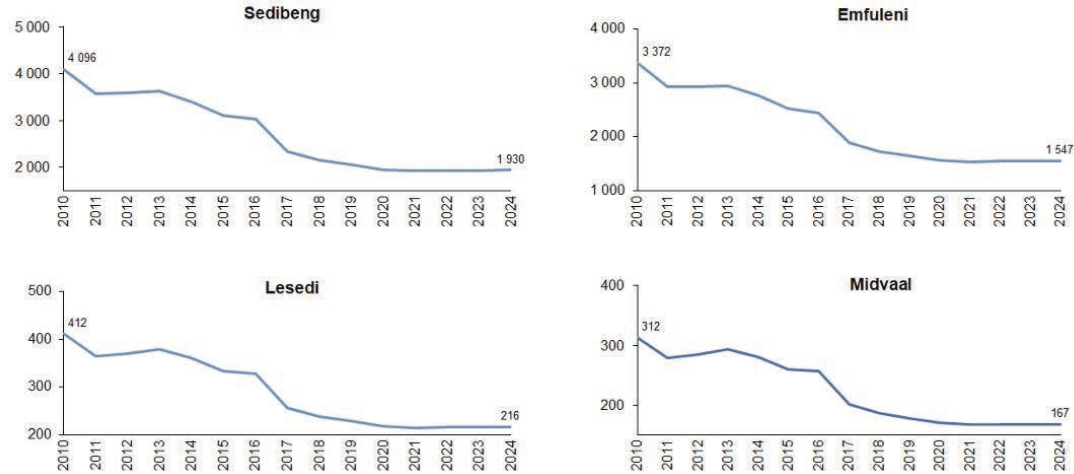
Source: IHS Markit Regional eXplora, 2021

The age distribution of the population in Sedibeng shows that there was an increase in the older working-age population (aged 35-64), between 2007 and 2020. The share of this distribution increased from 29.9 per cent in 2007 to 33.3 per cent in 2020. Furthermore, the share of the elderly population (aged 65+) increased in the district and across the local municipalities. The young age distribution (aged 0-14 and 15-34) decreased across all municipalities during the period under reviewed.

Mortality and Number of AIDS Related Deaths in Sedibeng

Figure 4.16 shows that the estimated number of deaths in Sedibeng (and its regions) have declined and it is expected to moderately decrease in 2024.

Figure 4.16: Estimated Number of AIDS



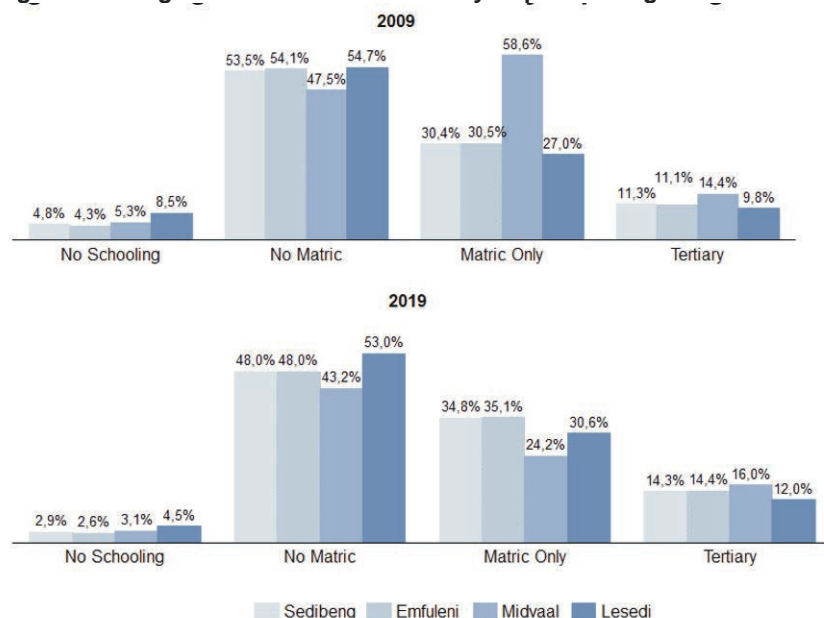
Source: IHS Markit Regional eXplora, 2020

AIDS deaths in Sedibeng have declined from 4 096 in 2010 and are estimated to fall further to 1 930 by 2024. The decline could be attributed to an advancement in public health systems, which particularly focuses on the provision of the necessary medication such as ARVs, the availability of information for special dietary requirements, and aggressive HIV/AIDS mobile testing centres for early detection in order to improve longevity.

Educational Attainment in Sedibeng

The population aged 20+ years in Sedibeng accounts for about 64 per cent of the total population. Figure 4.24 represent the educational attainment level for this age cohort.

Figure 4.17: Highest Education Attained by Population Aged 20+



Source: IHS Markit Regional eXplora, 2020

Between 2009 and 2019, there was an increase in the share of people with matric in Sedibeng. The district's share of matriculated population improved to 34.8 per cent in 2019 from 30.4 per cent recorded in 2009. The largest improvement was seen in Emfuleni, where the share of matriculated population jumped from 30.5 per cent to 35.1 per cent in 2019. However, tertiary qualification growth did not match that of matriculants. In fact, tertiary qualification was less common across the district, with only 14.3 per cent of the population 20 years and older having obtained this qualification in 2019 in the district.

West District Population Size and Growth

The West Rand is the least populated municipality in Gauteng whereby it accounts for about 6 per cent of the province's total population. Between 2010 and 2020 the population grew by an estimate of 95 953 people. The increase is attributable to Mogale City recording the highest population increase in the district over the decade which increased by 59 278 people, to 421 097 in 2020. In contrast, Merafong City experienced a decline of 2 986 people between 2010 and 2020.

Table 4.6: Population Size and Growth in West Rand

Regions	Population Numbers			Average Growth		
	2010	2020	2024	2010-2015	2016-2020	2021-2024
West Rand	804 853	900 806	952 666	1.1%	1.2%	1.4%
Mogale City	352 819	421 097	447 490	1.8%	1.7%	1.5%
Merafong	196 407	193 421	201 814	-0.4%	0.2%	1.1%
Rand West City	255 627	286 287	303 362	1.1%	1.2%	1.5%

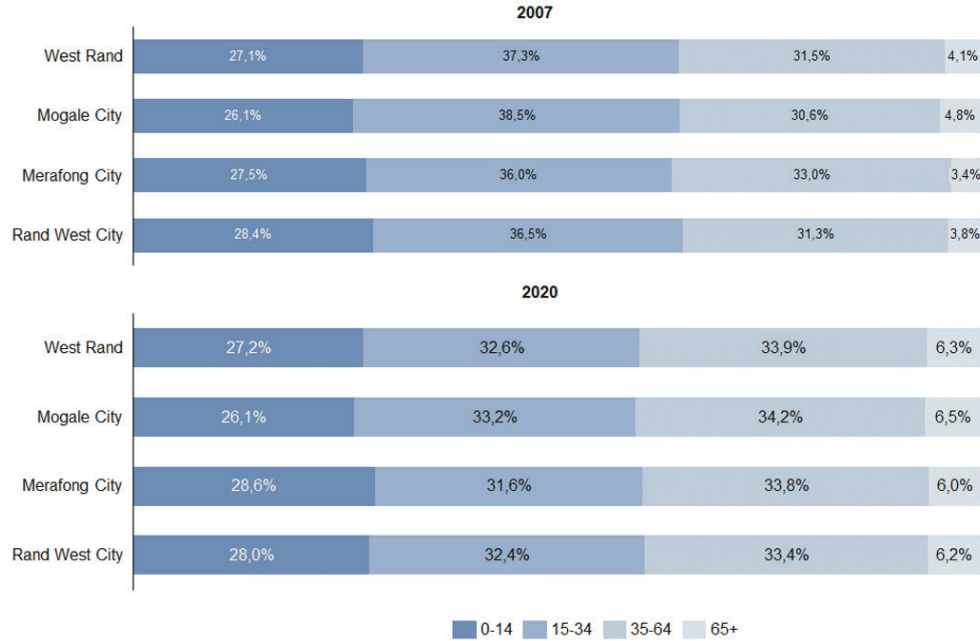
Source: IHS Markit Regional eXplora, 2021

On average, the West Rand's population growth is just over one per cent. It is the lowest compared to Sedibeng and the metros. Population growth is expected to rise by 1.4 per cent, on average between 2021 and 2024. That of Mogale City and Rand West City is expected to increase by 1.5 per cent in the same period. Merafong City's population is expected to rise by 1.1 per cent.

West Rand Population Structure

Figure 4.18 represents the population distribution for the West Rand and its local municipalities for 2007 and 2020. On average, there was an increase in the share of the population that is aged 34-65 years in the district, from 31.5 per cent to 33.9 per cent of the total population.

Figure 4.18: Population Age Distribution of West Rand and Local Municipalities

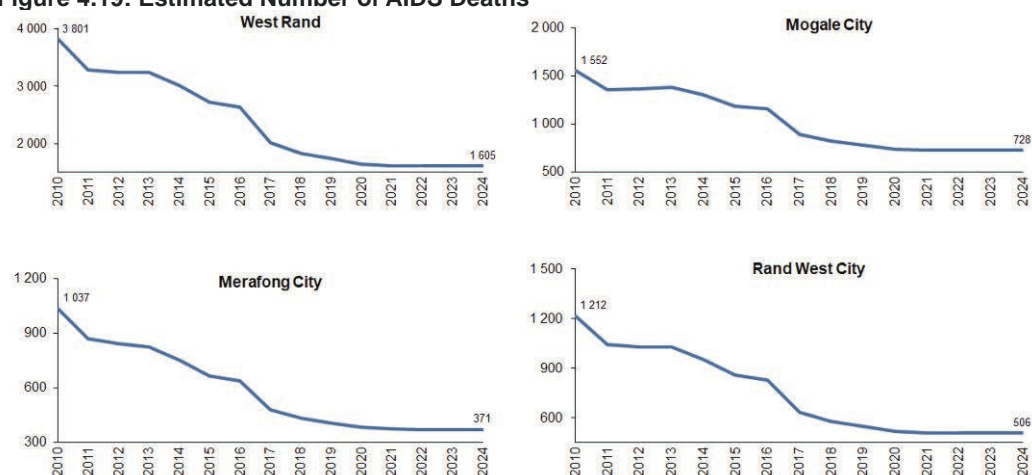


Source: IHS Markit Regional eXplora, 2020

In contrast to the adult age cohort, the youth age cohort (15-34 years) decreased in the district and across all municipalities. This could be a result of better educational opportunities outside the district. The elderly age cohort (64+ years) increased across the district and its municipalities, with the highest increase experienced in Merafong City.

Mortality and Number of AIDS Related Deaths in West Rand

Figure 4.19: Estimated Number of AIDS Deaths



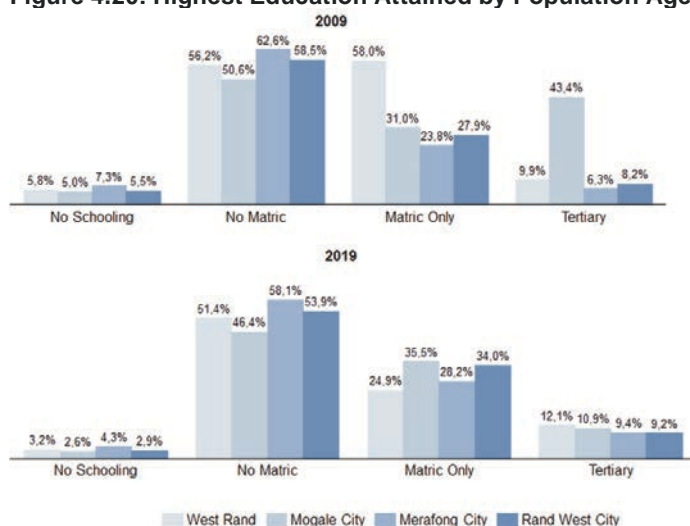
Source: IHS Markit Regional eXplora, 2020

The estimated number of AIDS related deaths decreased, as shown in Figure 4.19 across all regions in the West Rand district. Particularly in West Rand, the estimated number of AIDS deaths decreased by 2 165 between 2010 and 2020 and is expected to decline further to 1 603 by 2024. During the 2010-2020 period, the largest decreases were recorded in Mogale City (by 814) followed by Rand West City (697) and then Merafong City (by 656). The declines are attributed to better health standards due to the increased access to healthcare.

Educational Attainment in West Rand

The share of the population in the West Rand with matric has decreased between 2009 and 2019. The proportion of people with a tertiary qualification, however, has improved, rising from 9.9 per cent in 2009 to 12.1 per cent in 2019.

Figure 4.20: Highest Education Attained by Population Aged 20+



Source: IHS Markit Regional eXplora, 2021

Across the local municipalities, there was an increase of matric educational attainment; Rand West City experienced the largest increase between 2009 and 2019 where the proportion of the population with matric increased from 27.9 per cent to 34.0 per cent, respectively. The share of individuals with no matric also experienced a decline during the same period.

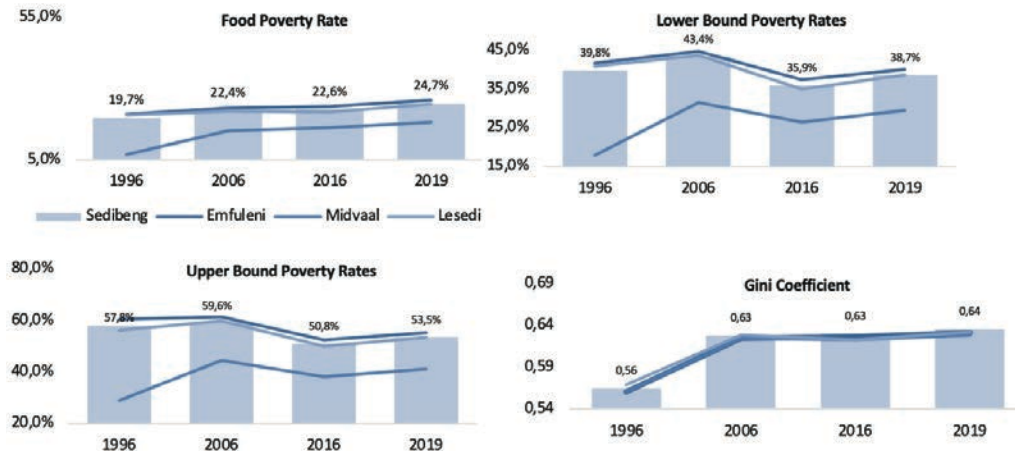
3.2.2 Poverty and Inequality

At the top of South Africa and the province's socio-economic challenges are high rates of unemployment and poverty. With the districts displaying some of the highest unemployment rates in the province, poverty and inequality in these regions are also amongst the highest in the province.

Sedibeng District Municipality

In 2019, Sedibeng experienced the highest unemployment rate of 42.1 per cent (way above the province average of about 30 per cent). High unemployment rate increases chances of poverty and income inequality in the future, through the loss of income.¹⁰

Figure 4.20: Poverty and Inequality Rates in Sedibeng



Source: IHS Markit Regional eXplora, 2020

In 2019, food poverty rate in Sedibeng averaged 24.7 per cent of the total population, which was an increase from 22.6 per cent recorded in 2016. Much of the increase was accounted for by Lesedi, where the share of population below the food poverty line increased by 2.6 percentage points between 2016 and 2019. Even so, Emfuleni still recorded the highest food poverty rate of 25.7 per cent of the population in 2019.

Whereas the food poverty rate has been showing an increasing trend somewhat since 1996, the lower bound as well as the upper bound poverty rates declined notably from their peak in 2006. The rates were still regarded as high, with over 50 per cent of the population estimated to be living below the upper bound poverty line (ZAR1 227) and 39 per cent below the lower bound poverty line (ZAR810) in Sedibeng in 2019.

It is also evident from Figure 4.21 that the income inequality ratio (measured by Gini coefficient) has increased overtime in the district. Whereas it was recorded at 0.56 in 1996, it worsened to 0.64 in 2019.

West Rand District Municipality

The share of the population living below the food poverty line in the West Rand has increased consistently since 2006, from 16 per cent to 21.5 per cent of the total population in 2019. The increase was accounted for by Rand West City which also experienced the highest unemployment rate in the district during this period.

¹⁰ Borgen Magazine. (2017). A Global Dilemma: How Unemployment Creates Poverty. (Accessed 07th February 2021): www.borgenmagazine.com.

Figure 4.21: Food and Inequality Rates in West Rand

Source: IHS Markit Regional eXplora, 2021

Both the upper bound and lower bound poverty rates have decreased somewhat across the district, from the high rates experienced in 1996. At almost 50 per cent of the total population, the upper bound poverty rate is still considered high in the West Rand. The lower bound poverty rate for the district was recorded at 35 per cent of the total population in 2019.

Income inequality (measured by Gini coefficient) has risen from 0.55 in 1996 in the district to 0.62 in 2019. Mogale City experienced the highest Gini coefficient across all the locals throughout the period under review. Rand West City recorded the second highest level, followed by Merafong City.

The depressed economy as result of the COVID-19 pandemic that brought economic activity to a halt, has led to further job losses which, in turn, increase chances of food poverty and income inequality. Both Sedibeng and West Rand are highly industrialised, with manufacturing and mining playing key roles in the output of the districts. Both these sectors were severely affected by the lockdown restrictions, which affected exports due to closed borders. The sectors were already shedding jobs before the pandemic (as a result of internal and external factors) and the impact of the pandemic is likely to have worsened these trends.

4. The impact of COVID-19 Pandemic on Revenue Collection and the Ability to Provide Basic Services

The ongoing COVID-19 pandemic continues to have a devastating and destructive impact on the South African economy with ramifications on the health and livelihoods of its citizens. In the wake of this, municipalities are still expected to function and provide essential services such as water, sanitation, electricity, and waste removal.¹¹ In order to curb the spread of COVID-19, on 26 March 2020, the President declared a national state of disaster. As a result, municipalities were forced to quickly adapt their operations to ensure compliance. However, they have encountered significant challenges in raising revenue from financially stressed residents. For example, between May and June 2020, Gauteng's three metros reported that in terms of uncollected revenue, the CoJ lost at least ZAR 1.5 billion, CoT lost approximately ZAR 1.2 billion and the CoE lost about ZAR 800 million.¹² Overall, a total of over ZAR8.75 billion in revenue was reportedly lost in municipalities between April and July in 2020.¹³

The loss in uncollected revenue can be partly attributed to a loss of income by residents due to unemployment compounded by COVID-19. To cushion against this, municipalities have taken a wide range of actions to assist customers. For example, they have temporarily suspended credit and debit control policies such that services are not cut off/disconnected due to defaulting payments. In addition, interest on arrear accounts have been temporarily suspended.¹⁴

¹¹ World Bank. (2020). Reversing Setbacks to Poverty Reduction Requires Nations to Work Together for a Resilient Recovery. Washington D.C, USA.

¹² World Bank. (2020). Reversing Setbacks to Poverty Reduction Requires Nations to Work Together for a Resilient Recovery. Washington D.C, USA

¹³ World Bank. (2020). Reversing Setbacks to Poverty Reduction Requires Nations to Work Together for a Resilient Recovery. Washington D.C, USA.

¹⁴ World Bank. (2020). Reversing Setbacks to Poverty Reduction Requires Nations to Work Together for a Resilient Recovery. Washington D.C, USA.

At the same time, the disaster management regulations have imposed additional responsibilities on municipalities bringing them under increased financial pressure. These responsibilities include the establishment of quarantine and isolation sites, routine sanitation, and maintenance of public facilities.¹⁵ In sum, the most significant obstacle municipalities will face in 2021 is to balance expenditure between the COVID-19 agenda and business as usual agenda.

The provincial government is working with all municipalities in the province to improve their deteriorated financial position.¹⁶ Struggling municipalities will be assisted with developing an Integrated Revenue Enhancement and Debtors Management Plan and measures to ensure accurate billing. This will be done through the Debt Management Committee which comprises of Multi-Disciplinary Team of Revenue Experts.

5. Conclusion

Municipalities are at the forefront of service delivery and the impact of COVID-19 has disrupted this function from both the economic and revenue point of view. During the height of the national lockdown, metros were already reporting up to ZAR1.5 billion in lost revenue due to consumers defaulting on payments. Generally, revenue collection in metros is higher compared with districts and this is influenced by the geographical location of districts (located in less urbanised areas) and the unfavourable economic situations. The implication is that where financial and economic resources are constrained, the provision of basic services is threatened. This may be the reality of many municipalities due to the pandemic.

Economic growth is estimated to have contracted by 8.3 per cent in CoE in 2020, the highest amongst the metros. A contraction of 1.7 per cent and 6.4 per cent is estimated for CoJ and CoT in 2020, respectively. The economies of the districts are anticipated to have individually contracted by over 8 per cent (8.6 in Sedibeng and 8.8 per cent in West Rand) in 2020, reflective of COVID-19 disruptions. Growth is projected to recover somewhat in 2021, by an average of 4.1 per cent in the districts, and by 3.2 per cent in metros. The positive impact of the economic boosting projects from the provincial Economic Recovery Plan are expected to trickle down to municipalities, thus potentially alleviating some the socio-economic challenges brought about by the pandemic.

¹⁵ Department of Planning, Monitoring and Evaluation. (2020). The Impact of COVID-19 on South African Municipalities. Pretoria, South Africa.

¹⁶ Gauteng Provincial Government. (2021). The State of the Province Address by Premier David Makhura. Johannesburg, South Africa.

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