



DURBAN'S RECOVERY HINDERED

1. UPTURN IN GDP GROWTH IN THE 1st QUARTER OF 2022

South Africa has shown positive economic performance despite local challenges and global shocks experienced in the first quarter of the year. According to PwC's South Africa Economic Outlook, the high export earnings from the commodity boom had the impact of stabilising South Africa's economy. South Africa's GDP grew by 1,9% in the first quarter of 2022, this is according to StatsSA's 2022Q1 GDP publication. This growth is a result of government and household spending accompanied by domestic sales and exports. Eight of the ten sectors contributed to the first quarter's growth, with manufacturing contributing the most (4,9%), followed by trade, catering, and accommodation industry (3,1%). Negative growth was seen in mining (-1,1%), and construction (- 0,7%).

Figure 1: SA's GDP Growth 2022Q1

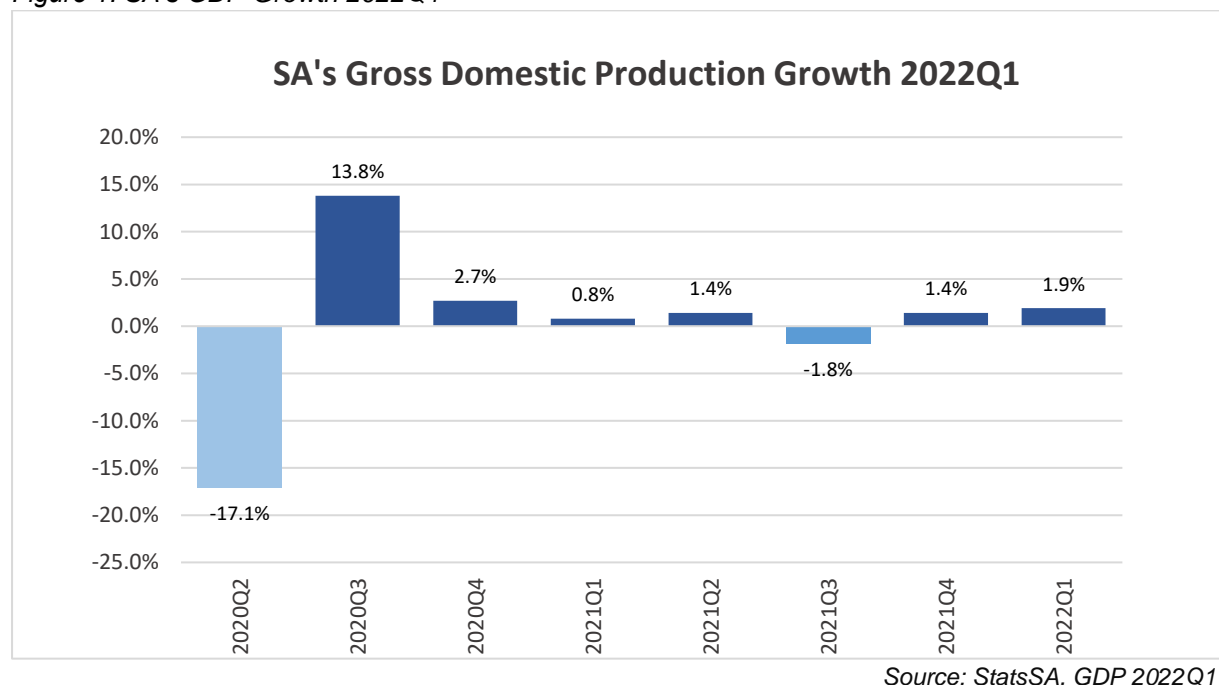
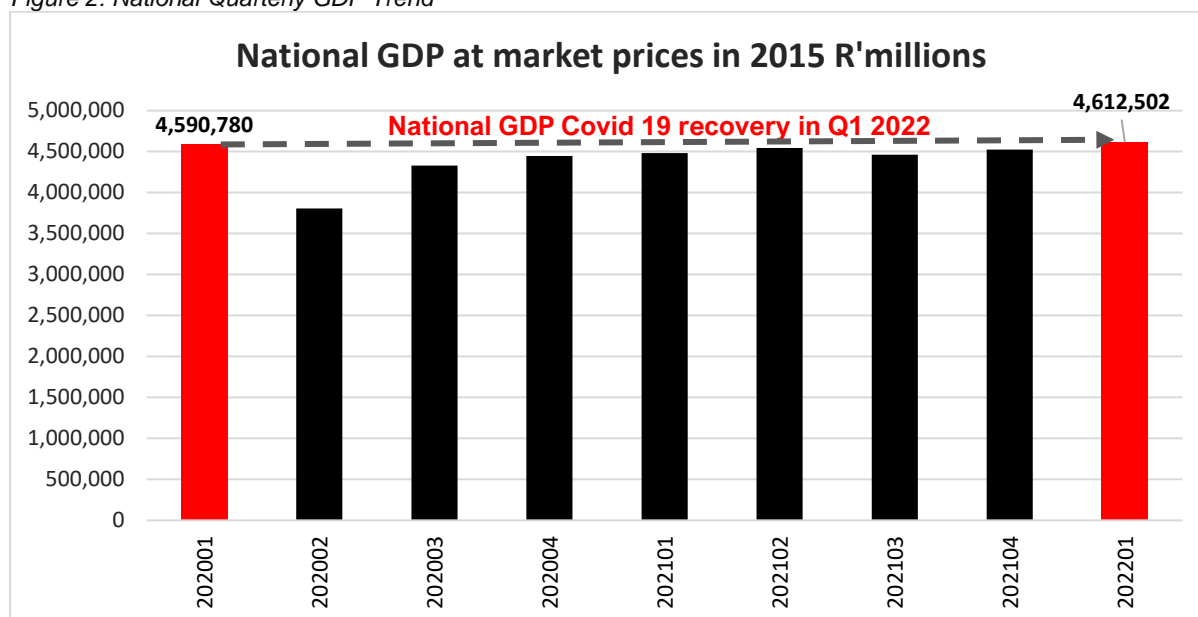


Figure 2: National Quarterly GDP Trend



Source: IHS Markit, 2022Q1

2. A DECLINE IN ECONOMIC PROSPECTS

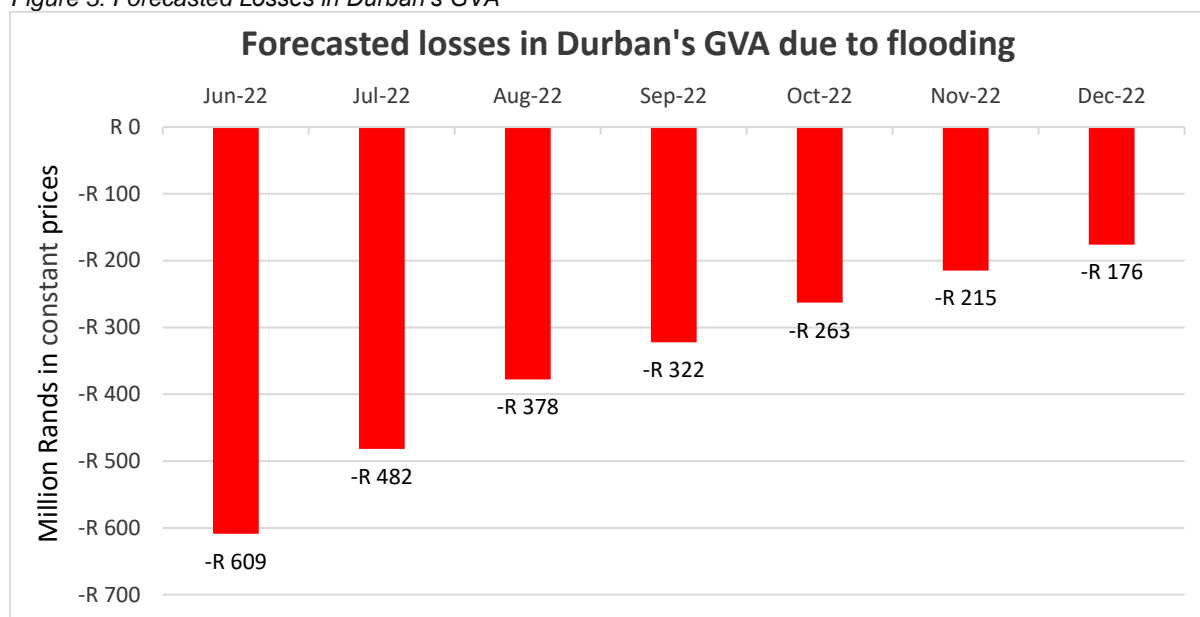
South Africa's economy was estimated to grow at 2,2% on average annually. IMF has revised this growth down to 1,9% because of local challenges such as policy uncertainty, high public debt, unreliable electricity supply, and constraints to investment. The global economic outlook also weighed on the outlook for South Africa. The shock brought about by Russia's invasion of Ukraine has caused more uncertainty around growth prospects resulting in inflationary pressures on commodities such as food, and fuel (which have hit a record high), and a hike in prime interest rate. In turn, this has increased the cost of living and decreased consumer spending power.

3. FLOODING IMPACT ON DURBAN'S ECONOMY

The results from the EThekweni EAOS (Economic Impact and Outlook) survey on businesses affected by April 2022 flood indicate that over 1 150 formal businesses were located in the 100-year flood plain in the City and were at risk. Durban's GVA loss due to flooding was estimated at 1,6%, however, this figure is expected to increase with water rationing and as infrastructure repairs are delayed. The figure below represents forecasted monthly GVA losses from April to December 2022, based on responses by businesses to the EAOS. The loss in production and sales is estimated at R4billion for the year, again dependent on prolonged infrastructure delays. The City's flood plain is such that impacted businesses are dominated by the manufacturing and trade sectors. This is significant because manufacturing is the largest contributor to City revenue, while trade is the largest contributor in terms of employment. The supply chain disruptions and temporary closure of the Toyota plant due to flooding left a negative business sentiment among manufacturers and new vehicle dealers.



Figure 3: Forecasted Losses in Durban's GVA

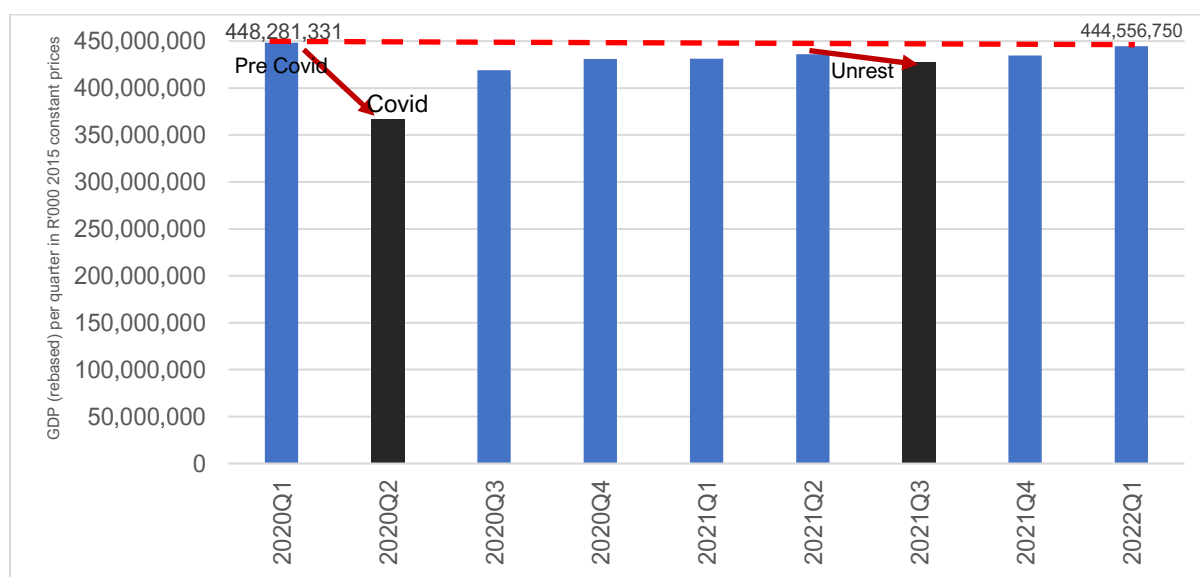


Source: EThekweni EAOS, 2022, Quantec, 2021
IHS Regional eXplorer, v2236, 2022

4. DURBAN'S ECONOMY SLOW TO RECOVER

While the country's GDP has recovered from Covid-19 due to high export earnings, Durban's GDP has not yet recovered. Durban's challenges are unique in that since Covid-19, its recovery has been continuously hindered. The unrest and flooding impact has therefore left Durban's economy in a vulnerable state. Durban's quarter-on-quarter growth increased by 2,3% in 2022Q1, following growth of 1,6% in the previous quarter. As can be seen from the graph below; in the first quarter of 2021 Durban's economy hasn't reached pre-Covid GDP levels. Durban's GDP is still (0,8%) R3,7 billion below pre-COVID-19 GDP levels.

Figure 4: Durban Quarterly GDP Trend



5. CONCLUSION

Despite the growth in GDP for the first quarter, the country's economy remains fragile and may have contracted had export earnings not provided some cushioning. South Africa's consumers are now feeling the pinch with rising prices and declining real income as a result of global risks and unexpected natural disasters. Nonetheless the country's economy, on average, has recovered from the pandemic.

Conversely, Durban hadn't reached pre-Covid GDP levels at the close of 2021, the economy hasn't recovered in the first quarter of this year either. Government relief measures alone are therefore not sufficient for the economy to make full recovery. There is a need for building an economy that can withstand such economic pressures. Businesses need to develop mitigation plans in times of disruption which will ensure a speedy economic reconstruction process.

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