



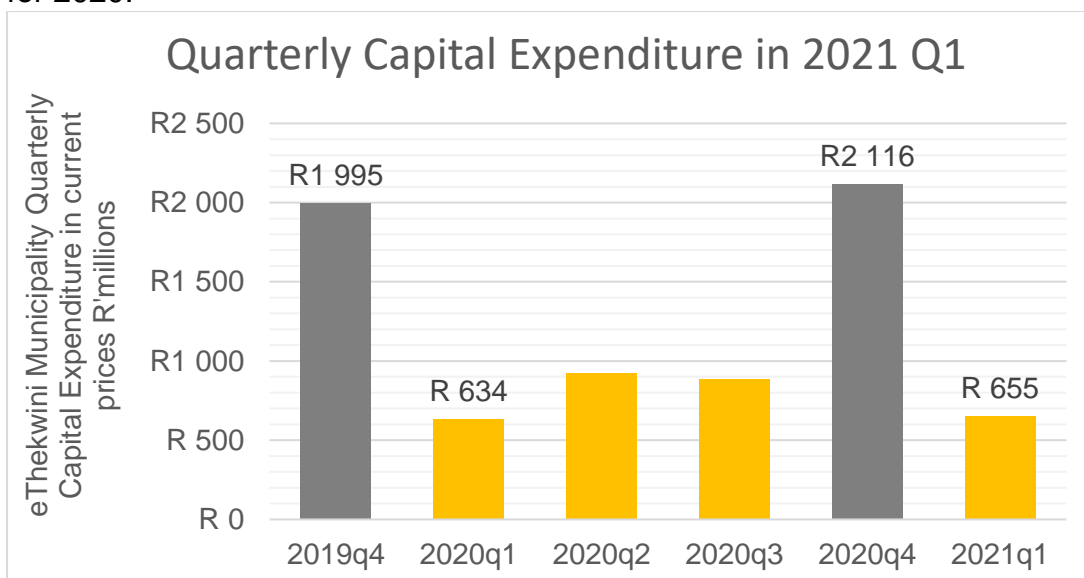
## THE CITY'S CAPITAL EXPENDITURE INCREASED SLIGHTLY YEAR ON YEAR IN Q1 2021

### 1. Introduction

This publication/data story contains a quarterly analysis of the eThekweni Municipality's capital expenditure performance and how that spending is allocated to services. It provides further analysis of the construction sector in relation to the City's capital spending, as well as a high level impact assessment of eThekweni Municipality's capital expenditure on Durban's economy. The City's fiscal year ends in June, and the first quarter runs from July to September 2021.

### 2. City's Capital Expenditure Analysis

COVID-19 had a noticeably negative effective effect on capital expenditure, however spending appears to have since recovered in 2021. For example, the City's capital expenditure increased by 3.2% compared to the first quarter of 2020. Due to COVID-19 health protocols such as those requiring protective equipment (PPE), the City's capital budget was reprioritised toward the purchasing of facemasks, sanitisers, and other PPEs resulting in a decline of capital expenditure by 7.3% in 2020, when compared to 2019. This is important for Durban's economy because of the relatively significant size of the City's capital spending in relation to GDP. For example, capital spending by the City in 2021 Q1 accounts for 0.2% of its average quarterly GDP value for 2020.



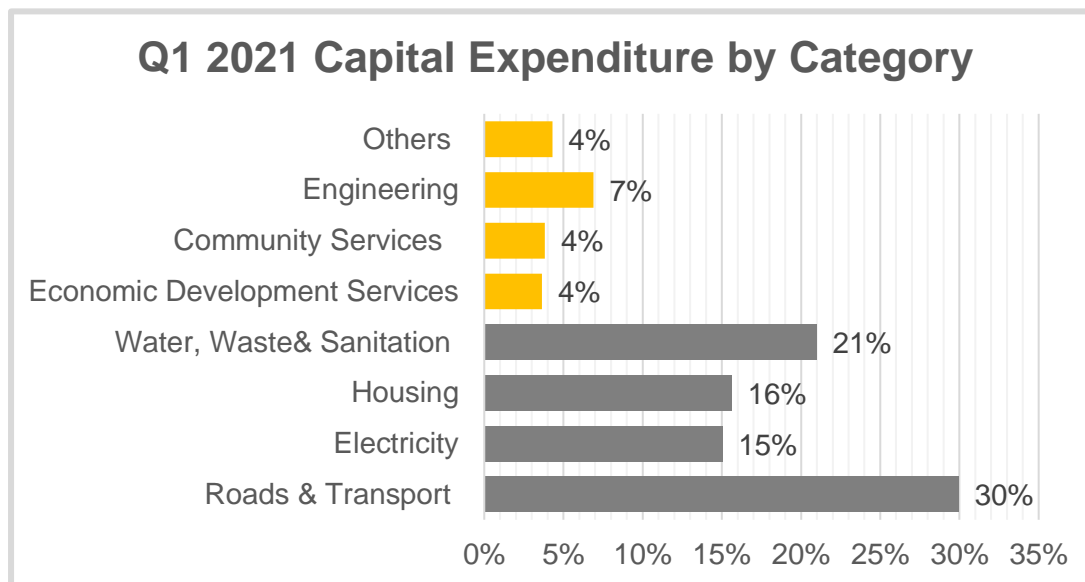
Source: *eThekweni Municipality Expenditure Unit, 2021*



As illustrated in the graph, the amount spent by the City on capital projects has decreased from R2,11 billion in the fourth quarter of 2020 to R654,5 million in the first quarter of 2021. However, this is a noticeable trend in cities, with an increase in capital expenditure in the final quarter of the financial year. However, the significant increase seen in 2020 Q4 was also driven by the City's response to COVID-19.

### 3. 2021 Q1, Largest Contributors to Capital Expenditure

Capital expenditure is critical in providing core services to the City's areas, including bulk services. The primary spending drivers account for 81.3% of total capital expenditure in 2021 Q1. Roads and Transport account for R196,1 million (30%), Maintenance of existing roads as well as new projects such as Go Durban, Water, Waste & Sanitation account for R134,6 million (21%), Housing accounts for R102,7 million (16%), and finally Electricity accounts for R98,5 million (15%).



**Source: EThekweni Municipality Expenditure Unit, 2021**

### 4. Economic Impact of the City's Capital Budget in 2021 Q1

**GDP:** The net impact of 2021 Q1 capital expenditure on the City's GDP is estimated to be R403 million, which is 0,1% of 2020's annual GDP.

**Employment:** Capital expenditure has generated/ sustained a total of 4 560 jobs, split between:

- 2 710 direct jobs
- 1 250 indirect jobs, and
- 610 induced jobs.



Therefore, every R1 million of capital expenditure will create/sustain 7 jobs.

Household income: The City's capital expenditure is estimated to have increased household incomes in Durban by R155 million. This will add an extra 0.05% to annual household expenditure in Durban. However, this appears to be less than the average inflation increase of 1.1% in 2021 Q1.

## 5. Conclusion

In 2020, the City's capital expenditure appears to have decreased. However, the recovery path is noticeable, with a 3.2% increase in the first quarter of 2021. The transport infrastructure sector; including road upgrades is the largest expenditure item on the City's capital budget. The increase in household income due to capital expenditure is less than the increase of inflation in the first quarter in 2021. This highlights the need for the capital expenditure budget to be utilised in conjunction with other investment generation tools, in order to make a net real impact on the City's households and ultimately the livelihood of its people.

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