



DURBAN'S 2023 Q2 GDP: RESILIENCE AMIDST SECTORAL SHIFTS

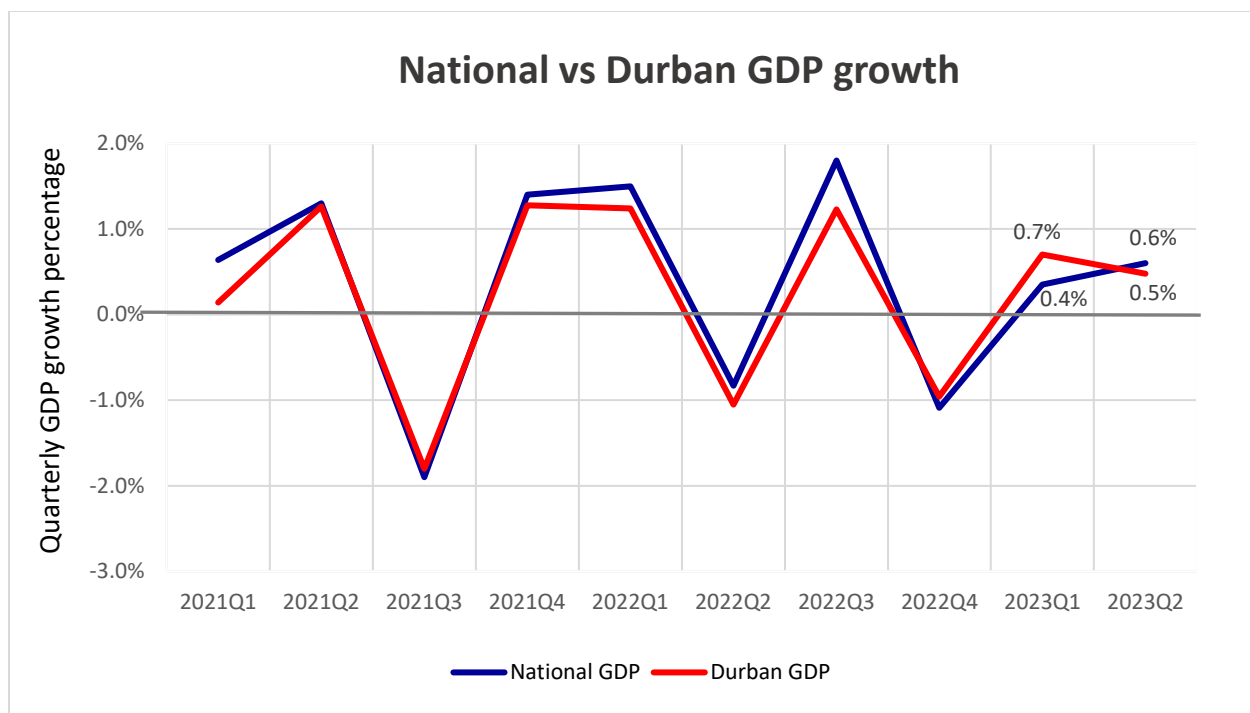
1. MODEST NATIONAL GDP GROWTH AMIDST ENERGY AND STRUCTURAL CHALLENGES

According to Statistics South Africa (2023 Q2) QLFS publication; in the second quarter of 2023 (2023Q2), South Africa's GDP grew modestly to 0.6% (R4, 63 trillion), improving slightly from 0.4% (R4, 61 trillion) expansion in the first quarter of 2023 (2023Q1). Manufacturing was a standout, growing 2.2% and contributing 0.3 percentage points to GDP. Finance also saw gains, contributing 0.2 percentage points, and agriculture, mining, and personal services contributed 0.1 percentage points to GDP growth, respectively.

The growth in the manufacturing sector was attributed to manufacturers gradually adjusting to periodic power outages and an unexpected lift in June when the extent of blackouts was less severe than anticipated. Growth was also fueled by firms shifting towards off-grid and renewable solutions. This surge in off-grid renewable investment suggests a strategic pivot that could improve energy reliability and cost-efficiency - crucial factors for sustained economic growth.

Structural issues have led to stagnant GDP growth over recent years and meaningful growth remains unlikely this year even though South Africa's economic performance has exceeded expectations for 2023Q2. According to the International Monetary Fund (2023); South Africa's GDP has been revised from 0.1% to 0.9% in 2023. The escalation of power cuts to stage 6 in the final month of 2023Q2 further dampens prospects for significant economic improvement this year. The economy is not expanding rapidly enough to tackle the challenges of unemployment, poverty, and inequality. Additionally, despite a slowdown in inflation, the South African Reserve Bank (2023), is unlikely to reduce high-interest rates in its upcoming months. Therefore, high rates are expected to persist and add pressure on consumers.





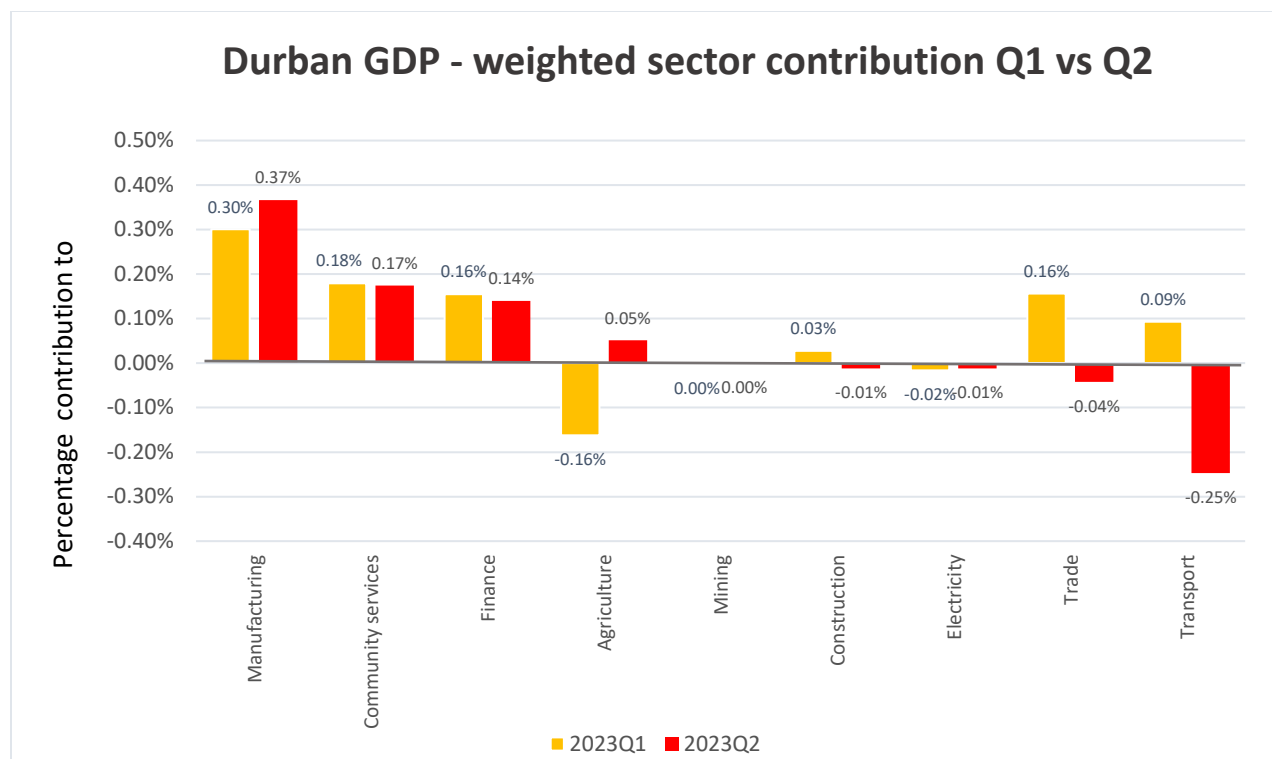
*Source: StatsSA, GDP 2023;
Source: S & P Global Market Intelligence, 2023*

2. DURBAN'S ECONOMIC PERFORMANCE IN 2023 Q2

In 2023Q2, Durban's GDP declined to 0.5% from 0.7% in the previous quarter, contrasting with the national trend. However, two sectors showed notable growth quarter on quarter as observed in the graph below. Manufacturing grew by 0.37%, likely due to higher consumer demand and supply chain improvements, and agriculture grew by 0.05%. Despite these gains, the city's GDP remains 0.5% below its pre-pandemic level, dragged down by sectors like transport, which declined by 0.25% due to fuel costs and shifting consumer behavior. The trade sector dropped by 0.04%, hampered by inflation, while the construction and electricity sectors declined slightly at 0.01% respectively.

Durban's Business Confidence Index fell to 37.28 in 2023Q2, down from 43.27 in 2023Q1, yet still exceeds the national average of 27 (University of Kwa-Zulu-Natal, 2023) and (BER, 2023). This suggests some degree of economic resilience in the city not seen nationally. Sectoral trends in Durban Business Confidence varied, manufacturing saw a slight uptick due to uptake in renewable energy supply in the quarter, albeit offset by rising interest rates. However, the transport sector suffered a significant drop, largely due to fuel price increases and disruptions in KwaZulu-Natal.





Source: S & P Global Market Intelligence, 2023

3. CONCLUSION

In 2023Q2, South Africa saw a slight increase in GDP, driven mainly by growth in manufacturing and finance. This uptick in manufacturing indicates the industry's adjustments to energy issues and its move towards renewable energy sources. Still, the recent frequent power outages and the South African Reserve Bank's high-interest rates raise concerns. These factors suggest that the current economic growth may not be fast enough to handle key problems like unemployment and poverty. Contrastingly, Durban's economic performance in 2023Q2 was more subdued, with a decline in its GDP. Yet, there were glimmers of positivity in manufacturing and agriculture. The varied sectoral trends in business confidence emphasize the city's economic complexities and the critical need for targeted strategies to foster growth and navigate challenges such as regional disruptions in the transportation sector.



Reference List

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