



## COVID 19 AND ETHEKWINI'S GROWTH TRAJECTORY

**DISCLAIMER:** Due to both the dynamic nature of COVID 19 economic performance, as well as delays in national statistic releases; all statistics quoted are preliminary figures and are subject to further revision.

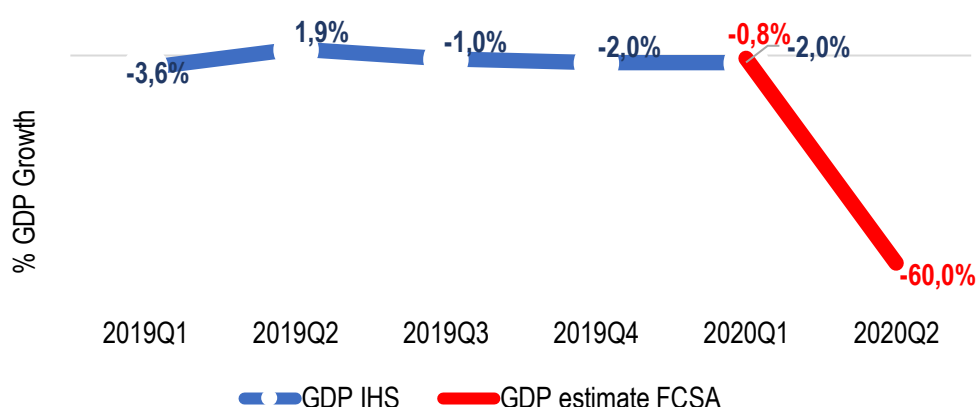
### WHAT HAS BEEN THE IMPACT OF COVID19 ON DURBAN'S ECONOMY?

#### 1. INTRODUCTION

The economic crisis unleashed by the outbreak has left economies vulnerable. An assessment by Future Cities South Africa (FCSA, 2020) and eThekweni Municipality gives us an overview of the impact of pandemic on the Durban's economic growth and expected recovery. It also indicates the GDP losses per month with interventions and second wave scenarios. This data story will also reveal the sectors mostly affected in terms of revenue and their contribution to Durban's GDP. Lastly it will also show the impact of both Covid19 interventions and the City's Catalytic Projects<sup>1</sup> on Durban's economy.

#### 2. CITY OF DURBAN ECONOMIC OUTLOOK

Annualised growth has been initially estimated at -60% for 2020 Q2; meaning only 40% of Durban's economy was operational between April and June 2020 (FCSA, 2020). This is comparable with StatsSA's national estimate of a 51% annualised GDP contraction for the same period. This is of concern for Durban, given that there has been a successive decline in growth since the 2019 Q3. Essentially, before the pandemic Durban was already in recession. The national fiscal position was also already weak as outlined in the 2020 Budget Review ([National Treasury, 2020](#)).

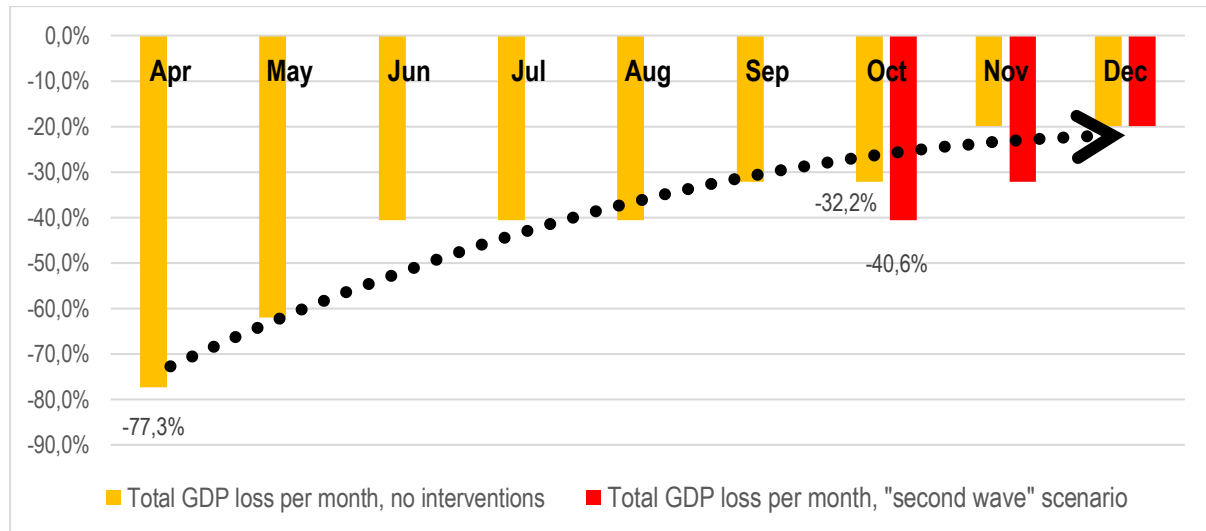


Source: IHS Global Insight, 2019; FCSA, 2020

<sup>1</sup> Catalytic Projects are investments which are forecasted to have a significantly positive economic impact on Durban's economy and therefore allocated additional support to expedite internal municipal investment processes and cut red tape. The value of Catalytic Project investments is typically R500 million and above.

### 3. MONTHLY GDP LOSSES

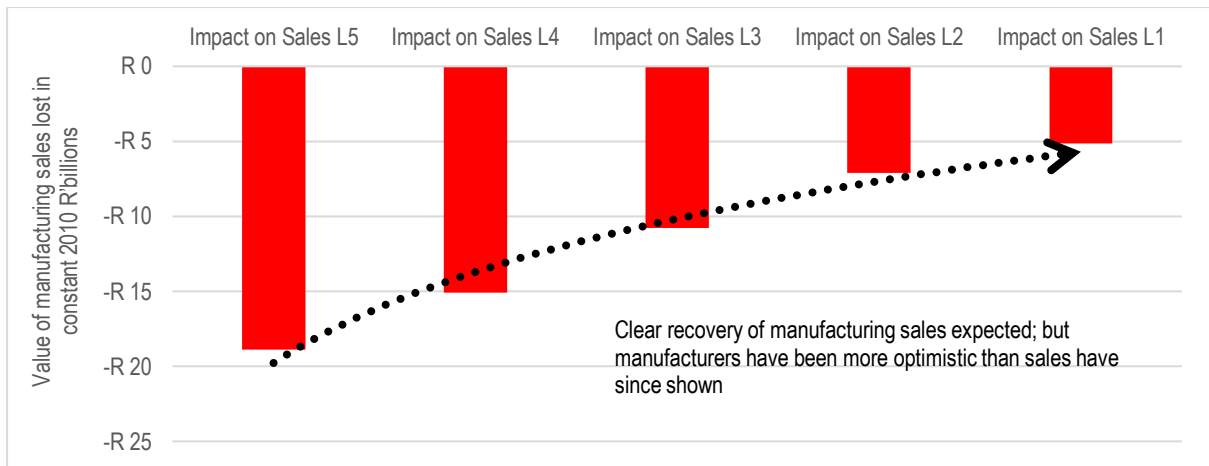
The graph below illustrates the monthly GDP losses for 2020. The economic downturn will extend for the rest of 2020 with a gradual recovery every month with the easing of lockdown regulations. Positive growth is only expected in 2021 but at levels below the pre Covid-19 trends.



Source: FCSA, 2020

### 4. WHICH SECTORS HAVE BEEN MOST AFFECTED?

Most of the manufacturing sector came to a standstill during hard lockdown with no production or sales. According to the results of the Covid19 Economic Activity Outlook Survey ([EAOS](#)) conducted by the Economic Development Unit of EThekweni Municipality; Manufacturing is expected have lost the most in revenue (R11,3 billion on average, per lockdown level) between lockdown Level 5 and 1. The manufacturing sector contributes 18,8% to Durban's economy, and is the City's third largest economic sector after both the Finance and Business Services, and Community Services sectors. The Wholesale Trade sector is estimated to have lost R4,5 billion in revenue on average, per lockdown level between lockdown Level 5 and 1. This is of concern as the tertiary sector (including Wholesale Trade, Finance and Business and Community Services) accounts the most of Durban's GDP and workforce. The Wholesale Trade sector contributes 16,4% to Durban's GDP and is the City's fourth largest economic sector after manufacturing ([EAOS, 2020](#)).



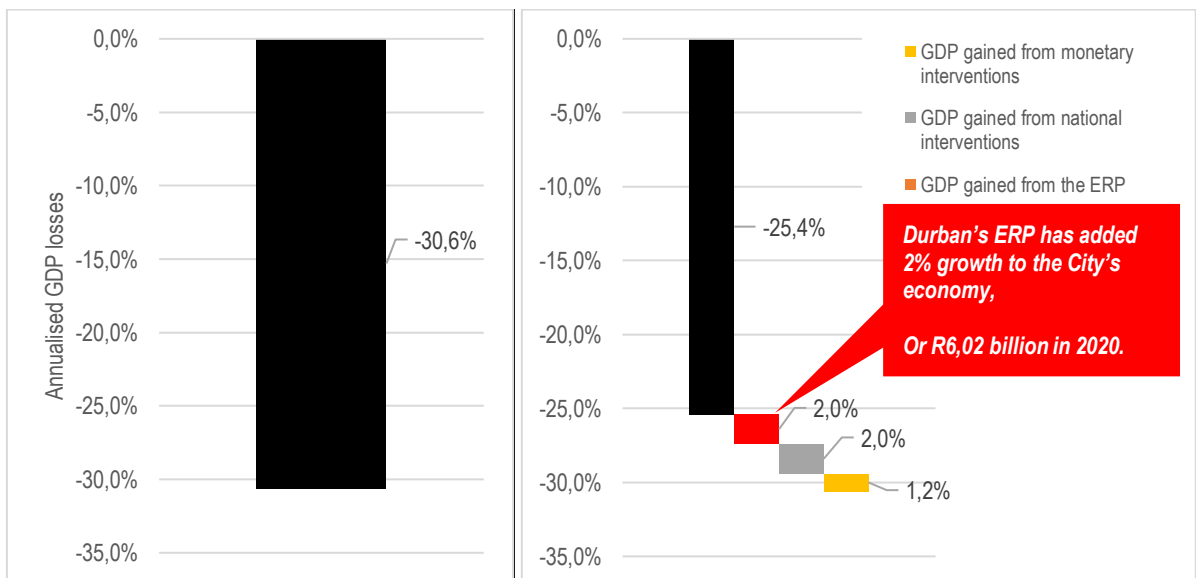
Source: EAOS, 2020

## WHAT HAS BEEN THE IMPACT OF ALL COVID19 INTERVENTIONS ON DURBAN'S ECONOMY?

### 1. THE IMPACT OF NATIONAL, MONETARY AND LOCAL (ECONOMIC RECOVERY PLAN) INTERVENTIONS

The graph below graph illustrates average annualised GDP for Durban in 2020 without any intervention and with interventions. The annualised GDP without any intervention is -30,6%. The City is aware of the impact of Covid 19 on Durban's economy and has developed an Economic Recovery Plan as a response. The ERP was commended by both National Treasury and the World Bank, with the World Bank saying this about the plan: "The City (Durban) was able to ... move quickly to understand the impact of the crisis and to design and implement rapid responses where needed most." (The World Bank Group, 2020).

The interventions have offset, albeit only slightly, the economic fallout with an overall clawback of +5,2% in GDP growth. The impact of government's R500bn Covid19 relief package is +2,0% on Durban's GDP. Durban's Economic Recovery Plan has added +2,0% growth to the City's economy or R6,02 billion, while monetary interventions (interest rates cuts) have added +1,2 % to the City's economy in 2020.



Source: FCSA, 2020

### 2. ADDITIONAL INTERVENTIONS: HOW A DEDICATED FOCUS ON CATALYTIC PROJECTS COULD IMPACT DURBAN'S GROWTH

While beneficial, the impact of the ERP is not sufficient to resuscitate the City's economy. Additional interventions are necessary to ensure economic rebound. An assessment by the City's Economic Development Unit, found that, keeping all other factors constant; implementation of Catalytic Investments<sup>2</sup> prioritised by the City is likely to increase economic growth approximately by 1% per year<sup>3</sup>. Implementing these same projects would further increase employment in the City by 0.9% of the labour force, or 9 800 jobs; although the majority would be temporary construction work opportunities.



*Image: Model of Durban's Point Waterfront Development*

Source: [www.durban.gov.za](http://www.durban.gov.za)

## CONCLUSION

While it is difficult to quantify the exact magnitude of the Covid19 pandemic impact on Durban's economy, both the EAOS and FCSA data have given estimates on direct impacts. The full recovery of the economy remains uncertain as the duration and magnitude of pandemic is unknown with the possibility of a second wave. While the ERP has been both commendable, with a tangible impact; the extent of economy recovery is also dependent on implementation of long term capital projects and economic policies in the City.

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<sup>3</sup> Only 6 catalytic projects were selected. The assessment only took into consideration the construction phase of the projects.

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