

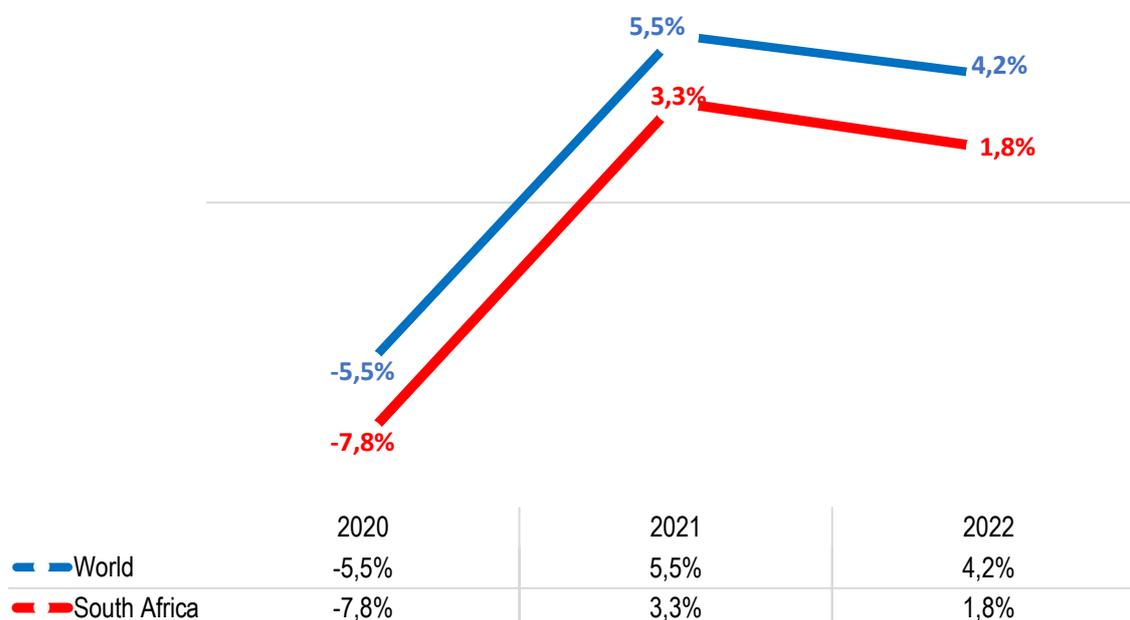


A FORECAST OF DURBAN'S RECOVERY AND HOW THE CITY CAN BOOST IT

1. UPWARD REVISION IN GROWTH FORECASTS

Despite renewed waves and new variants, the Global GDP growth forecast has been revised upward due to Covid19 policy support and vaccine approvals. The IMF (2021) had initially projected the global economy's growth at 5.2% in 2021, however this has been revised upward by 0.3 percentage points to 5.5%. Multiple vaccine approvals and the launch of vaccination programmes in some countries in December and January have raised hopes of an eventual end to the pandemic and thus a subsequent recovery in the global economy. However, surging infections in late 2020 (including new variants of the virus), renewed lockdowns, logistical problems with vaccine distribution, and uncertainty about take-up are important counterpoints to the favourable news. Much remains to be done on the health and economic policy fronts to limit persistent damage from the severe contraction of 2020 and ensure sustained recovery.

Figure 1- Global and national GDP growth forecast



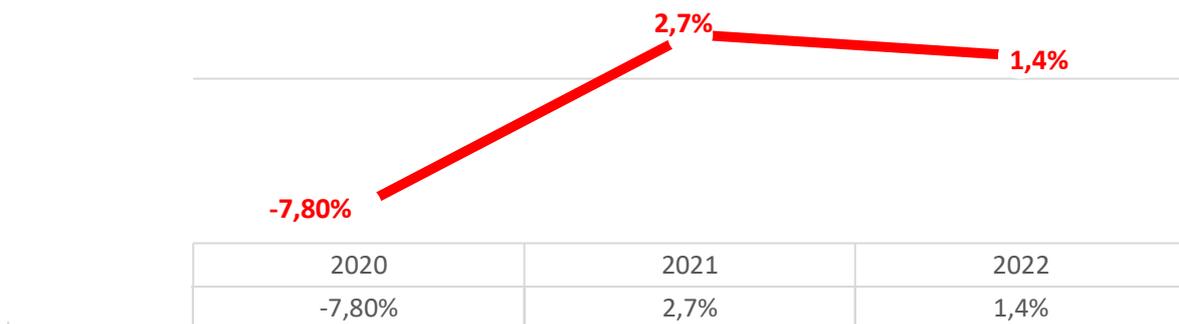
SOURCE: IHS, 2021, World Bank, 2021

2. SUBDUED RECOVERY FOR DURBAN'S ECONOMY

Much like the rest of South Africa, Durban is projected to experience subdued growth in the 2020 – 2022 period. The City has been hit by the global pandemic and some influential investors have announced plans to shut down

operations or consolidate away from the City. Though major manufacturing (petroleum, food, metals) sectors are projected to recover the fastest, a lot would need to be done to assist the construction sector to recover as it is projected to struggle with recovery. Announcements by President Ramaphosa on the R340 billion infrastructure investment project pipeline in network industries such as energy, water, transport and telecommunications (including the uMkhomazi Water Project and the rehabilitation of the N3) are necessary interventions by national government to mitigate this projection.

Figure 2- GDP growth forecast for Durban

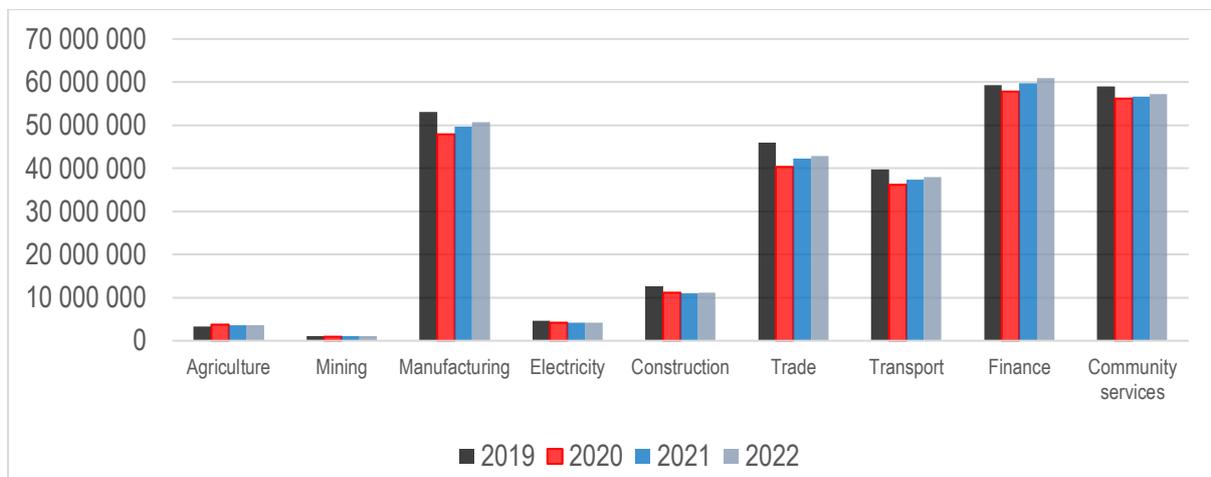


Source: IHS, 2021

3. STRUGGLING CONSTRUCTION, YET HEALTHY GROWTH IN MANUFACTURING, TRADE AND BUSINESS SERVICES

Whilst there is a healthy growth forecast for some manufacturing sectors (food and metals) in Durban, the construction sector is projected to continue to struggle to achieve meaningful expansion. A negative growth of -1.1% is projected for this sector for 2021 with a slight 1.5% increase projected for 2022. This requires much effort for the City to support this important sector of our economy. Energy and agriculture will also struggle to recover and therefore also require more assistance.

Figure 3- GDP projections of Durban's broad sectors, 2020-2022 (constant, 2010 prices, R1000)



Source: IHS, 2021

4. HOW THE CITY CAN RESPOND: REMOVING BLOCKAGES FROM MAJOR CONSTRUCTION PROJECTS

Construction and investment are pivotal in kickstarting long term economic growth. An assessment by the City's Economic Development Unit (EDU), found that a selection of six capital investments in the pipeline are likely to increase economic growth approximately by 1% per year. Implementing these same projects would further increase employment in the City by 0.9% of the labour force, or approximately 10 000 jobs; although the majority would be temporary construction work opportunities. The natural next question is how to unlock capital investments to increase economic growth.

There are nine catalytic investments within tangible grasp; being implementable within the 2020/2021 financial year. They are however held back by addressable outstanding actions which mainly require addressing by the City. Four of these projects are listed below, with their outstanding interventions listed.

Investment	Investor	Estimated impact	Outstanding actions
NTSHONGWENI PHASE 1 (R8bn from investor, R328m contribution by the City)	Fundamentum/THD	<ul style="list-style-type: none"> Annual Rates: R500m GDP contribution: R8,9bn Jobs: 8,500 (over 2021 – 2030 investment period) 	<ul style="list-style-type: none"> City to urgently commence construction of Kassier road and water infrastructure Finalise designs for Kassier Road by March 2021 Appointment of contractor by July 2021
KEYSTONE (R6,5 billion investment value)	Rokwil Civils	<ul style="list-style-type: none"> Annual Rates: R179m GDP contribution: R7,2bn Jobs: 6 500 (over 2015 – 2023 investment period) 	<ul style="list-style-type: none"> Intervention required for City to budget for MR-385 upgrading.
WHETSTONE (R2,1bn from investor, R5,5m contribution by the City)	Cedar Point Trading	<ul style="list-style-type: none"> Annual Rates: R45m GDP contribution: R779m Jobs: 1,650 construction/ 1,000 permanent (over 2020 – 2030 investment period) 	<ul style="list-style-type: none"> Intervention required from city in provision of bulk watermain required for phase 1 during 2021
OCEANS UMHLANGA (R4,2bn investment value from investor)	Oceans uMhlanga Pty (Ltd)	<ul style="list-style-type: none"> Annual Rates: R34,4m/ GDP contribution: 4,7bn Jobs: 21,000 construction/ 10,300 permanent (over 2008 – 2068 investment period) 	<ul style="list-style-type: none"> Intervention required from City in finalisation of contribution towards the Road upgrades and Public Transport Facility

Source: eThekweni Municipality Catalytic Projects Unit, 2021

Implementation of these projects would create an estimated 49 000 jobs and R 758.4 million in annual rates for the City, while contributing in excess of R19 billion to GDP over the total construction period.

5. CONCLUSION

The rollout of vaccines offers hope for a better economic future for world economies while nations in the developing world experience subdued growth. In Durban while healthy manufacturing forecasts are encouraging, the subdued

GDP projections in sectors such as construction provide an increased need for leaders to come up with measures to boost investment and construction and ultimately economic recovery. Ultimately, implementation of catalytic projects appears to be the most significant action required of the City; forecasted to grow the City's GDP by R19 billion over the years of construction.

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