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THE DURBAN EDGE

STATE OF THE DURBAN ECONOMY

NOT BUSINESS AS USUAL

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March 2022

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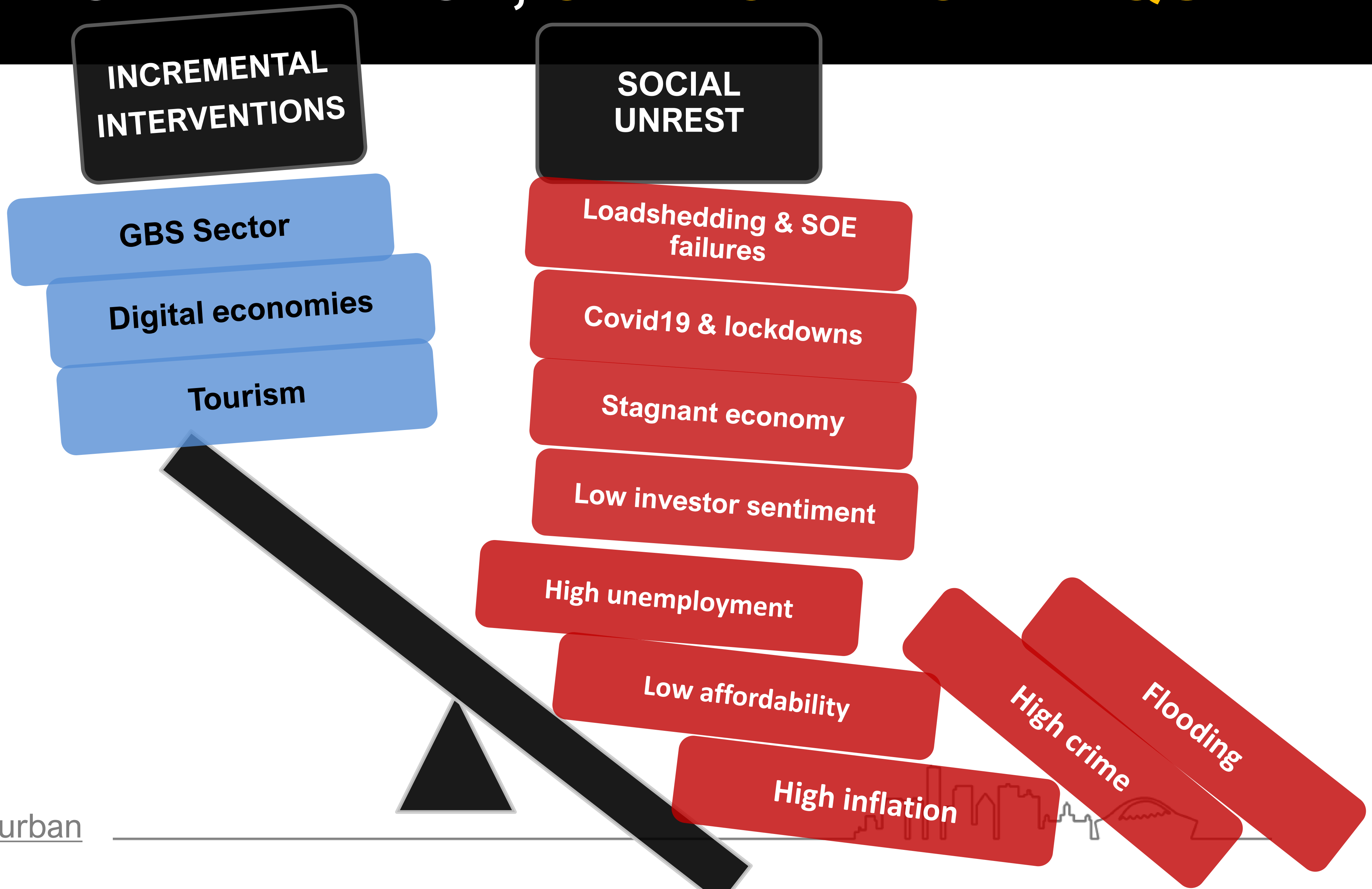
OVERVIEW

1. Global economy
2. South Africa economy
3. Durban economy
   - 3.1. Sector performance
   - 3.2. Investment and business activity
   - 3.3. Employment and unemployment
4. Conclusion

DURBAN ON THE EDGE, STEP CHANGE REQUIRED



GLOBAL ECONOMY

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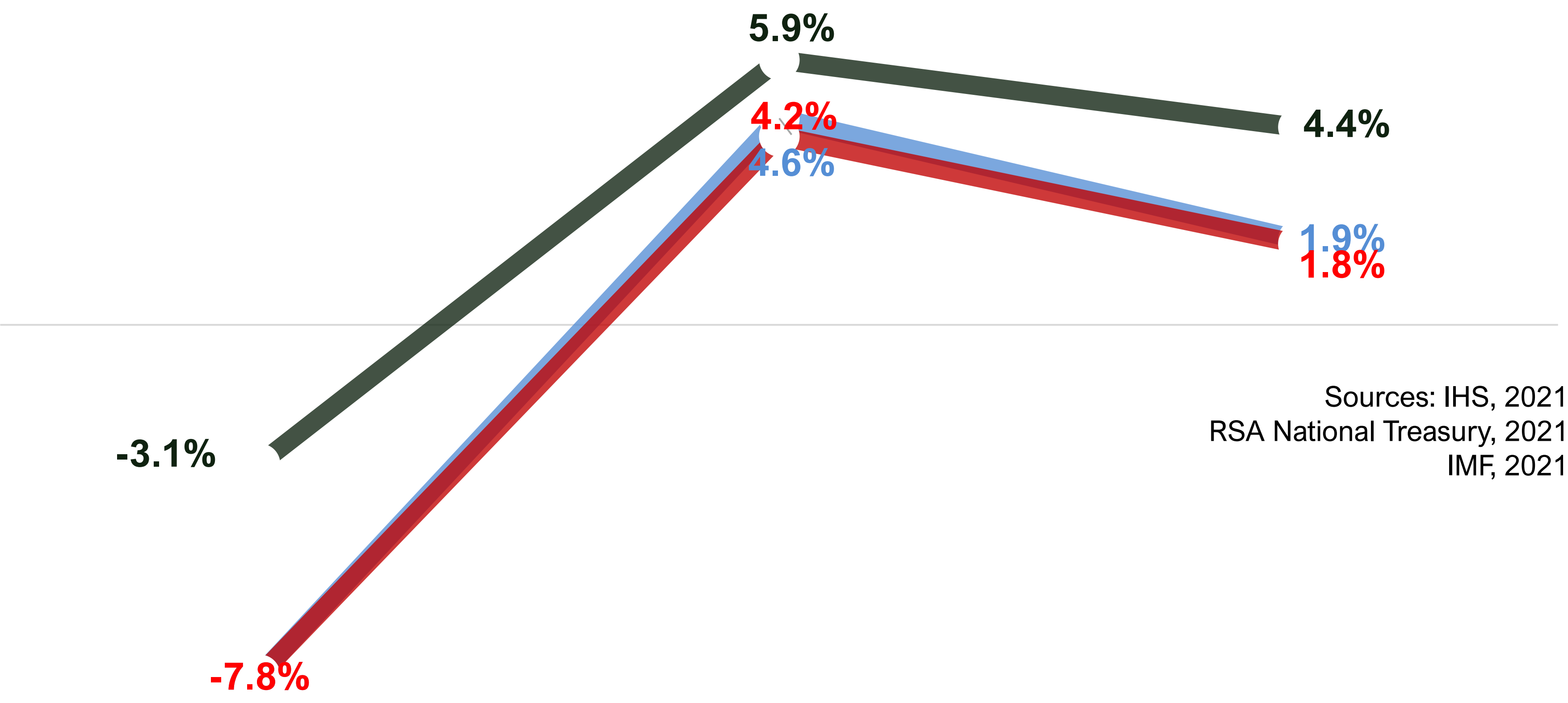
GDP PROJECTIONS
WORLD, SA & DURBAN (2020-2022)

Global growth initially forecast at 4,9% in 2022, but due to USA and China's downward revisions, since revised down to 4,4%.

SA GDP growth initially forecasted at 2,2% for 2022, but also since revised down



Sources: IHS, 2021
RSA National Treasury, 2021
IMF, 2021

	2020	2021	2022
World	-3.1%	5.9%	4.4%
South Africa	-7.8%	4.6%	1.9%
Durban	-7.8%	4.2%	1.8%

KEY GLOBAL TRENDS FORECASTED FOR 2022

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1. **Ukraine conflict** may both negatively impact and benefit SA economy
2. Less impact on the economy due to COVID19- from **pandemic to endemic**
3. Withdrawal of pandemic related support; **tightening of fiscal measures**
4. Central banks will **tighten monetary policies due to rising inflation.**
5. Possibility of an **emerging market debt crisis**
6. **China will grow below** average (4.8%) R643 million in Durban exports
7. **USA will grow below** average (4%) R561 million in Durban exports
8. **Digital economic dependencies** increase cyber vulnerabilities
9. Disorderly **climate transition**

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SOUTH AFRICA ECONOMY

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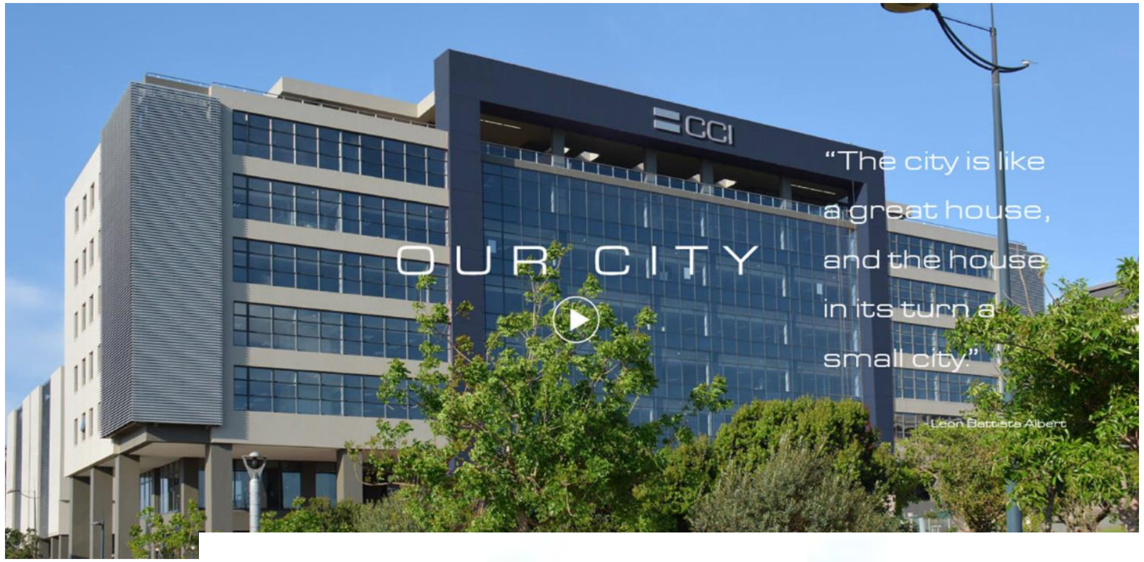
KEY SA OPPORTUNITIES FOR 2022

1. **Youth boom/ youth bulge** present opportunity for labour
2. A boom in the **Global Business Service (GBS) sector** (services exports)
3. **Boom in digital economies** present opportunities with low barriers to entry for youth (deliveries, on-line shopping)
4. Boom in **green economy, hydrogen fuel**
5. Renewed activity in the **tourism sector**



IMAGES OF CCI UMHLANGA

KEY SA RISKS FOR 2022

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South Africa	Prolonged economic stagnation	Employment and livelihood crises	State collapse	Failure of public infrastructure	Proliferation of illicit economic activity

1. **Social incohesion** in the economy; risk of further unrest disruptions (e.g. truck drivers)
2. High **unemployment**
3. **Load shedding and service delivery-** continued risk
4. **Decrease in real household incomes** and disposable incomes
5. **Inflation;** fresh food, electricity, and petrol prices
6. **Rising national debt-** 80% to 85% plus debt-to-GDP ratio (poor SOE performance); R360bn shortfall
7. Climate change and **flooding (KZN)**

REASONS OF LACK OF EMPLOYMENT (BLSA)

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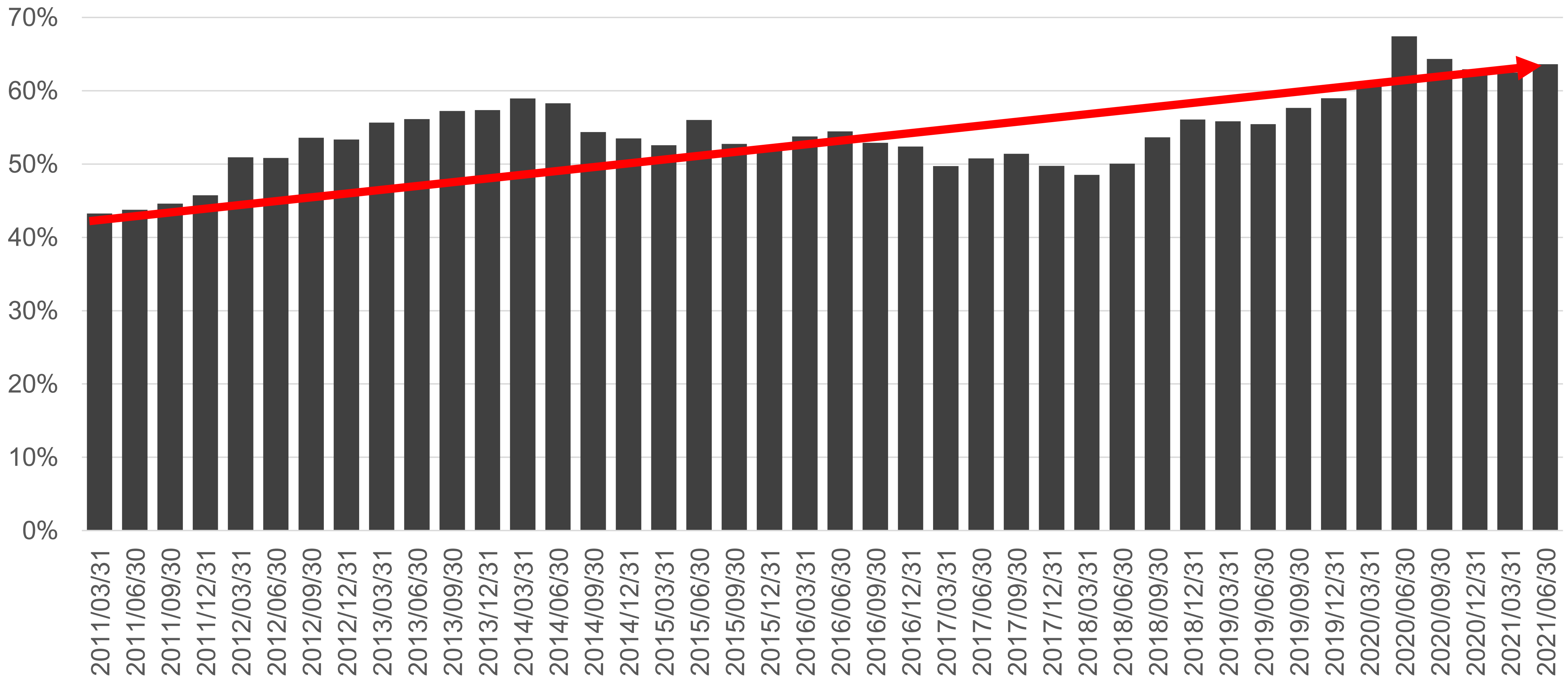
1. **High costs and unreliability** of energy;
2. **Inefficiencies and costs** of our **ports** and transport networks;
3. High cost of **broadband and telecommunications**;
4. **Lack of quality of skills** that employees bring from the education system;
5. **Poor safety and security situation** businesses must operate in;
6. **Unreliability of local government services**.

Source: BLSA, 2022

CREDIT APPLICATIONS REJECTED AS A % OF APPLICATIONS RECEIVED

ON AN UPWARD RISE



Source: National Credit Regulator, 2022

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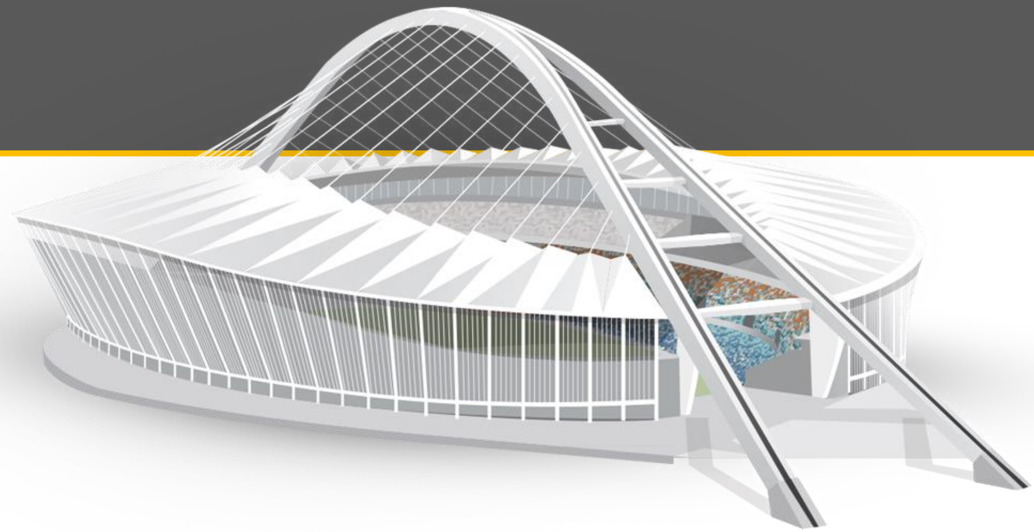

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DURBAN'S AVE. ANNUAL GDP GROWTH

2022 WILL FINALLY CATCH UP TO 2019

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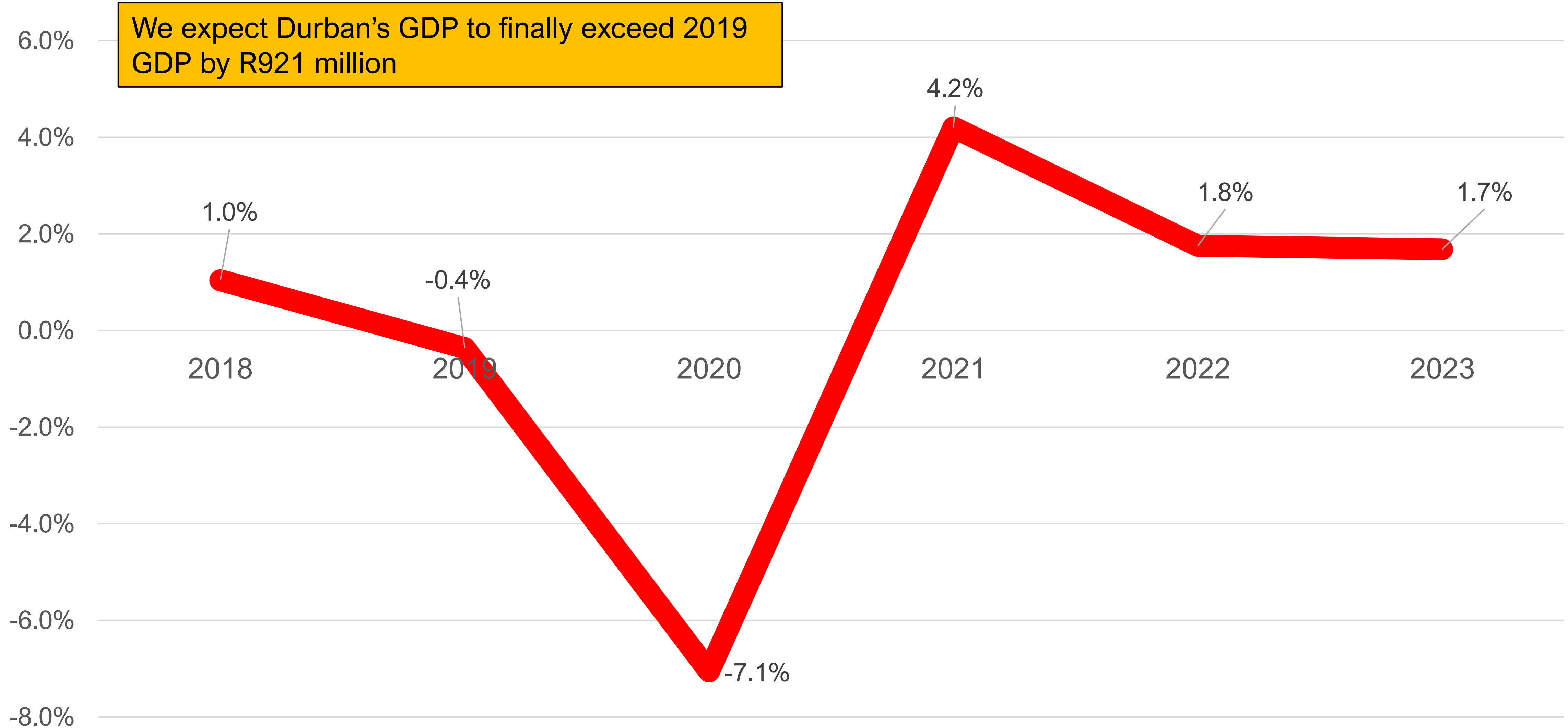

Source: IHS, 2022

SECTOR PERFORMANCE

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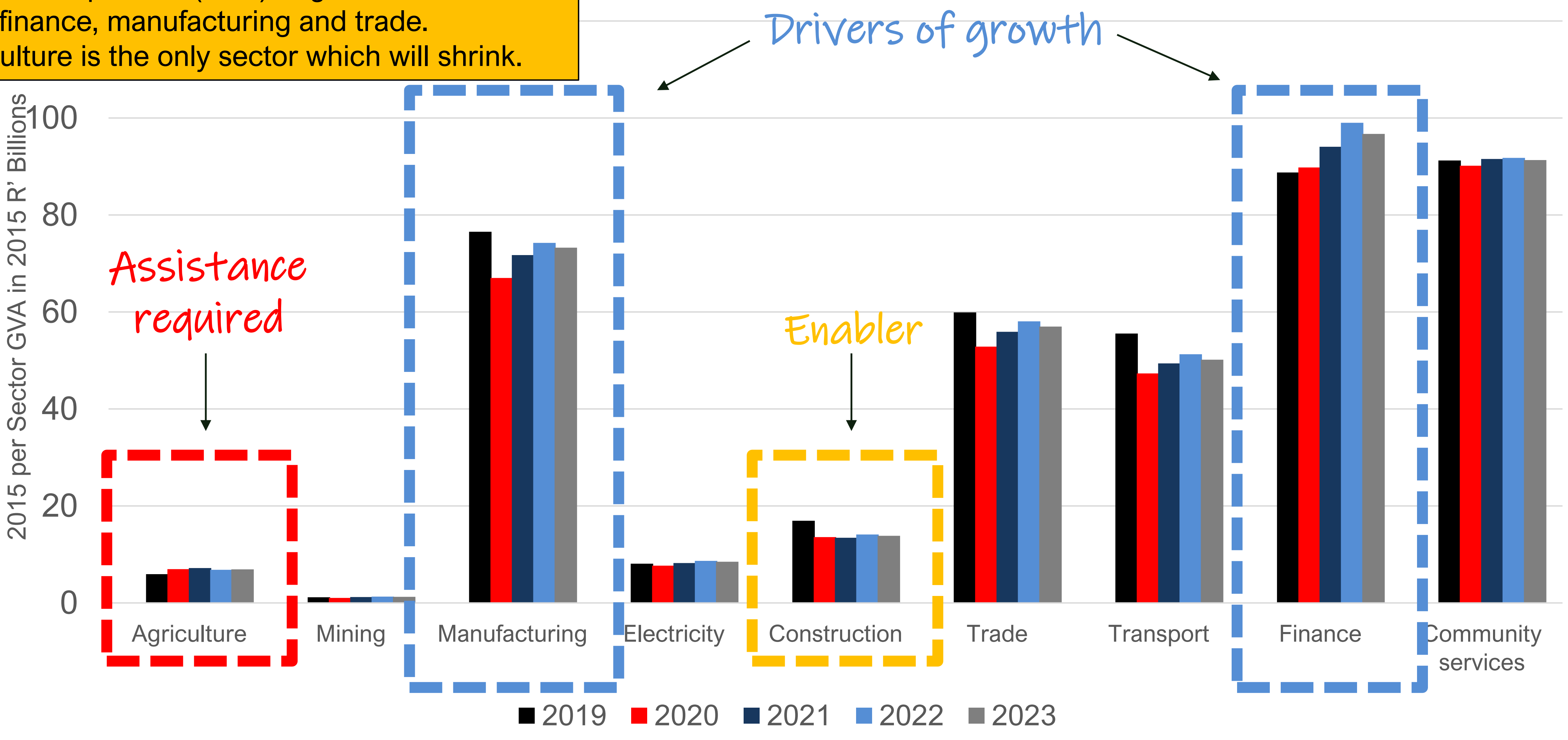
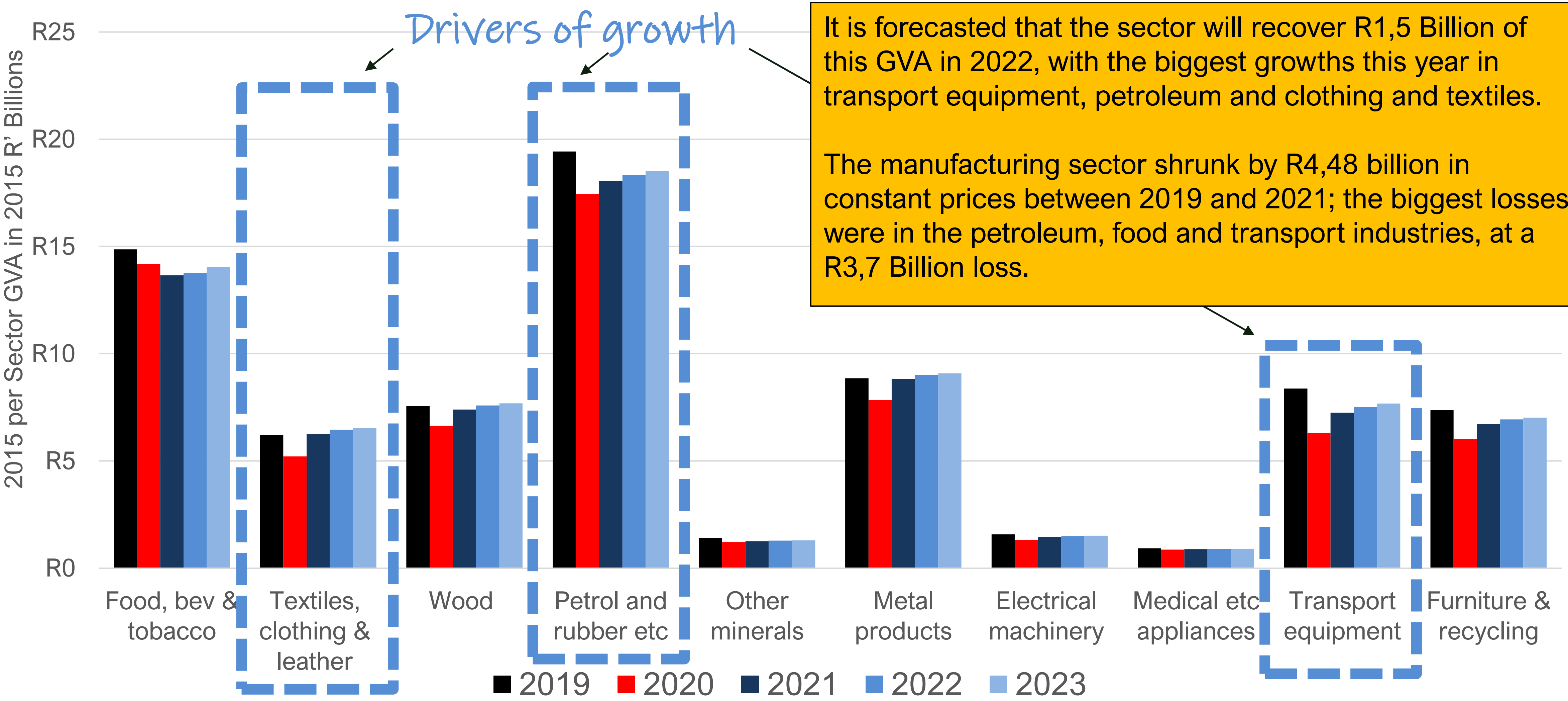
GDP PROJECTIONS OF DURBAN'S BROAD SECTORS 2019-2023 (CONSTANT, 2015 PRICES)

Over three quarters (76%) of growth will come from finance, manufacturing and trade. Agriculture is the only sector which will shrink.



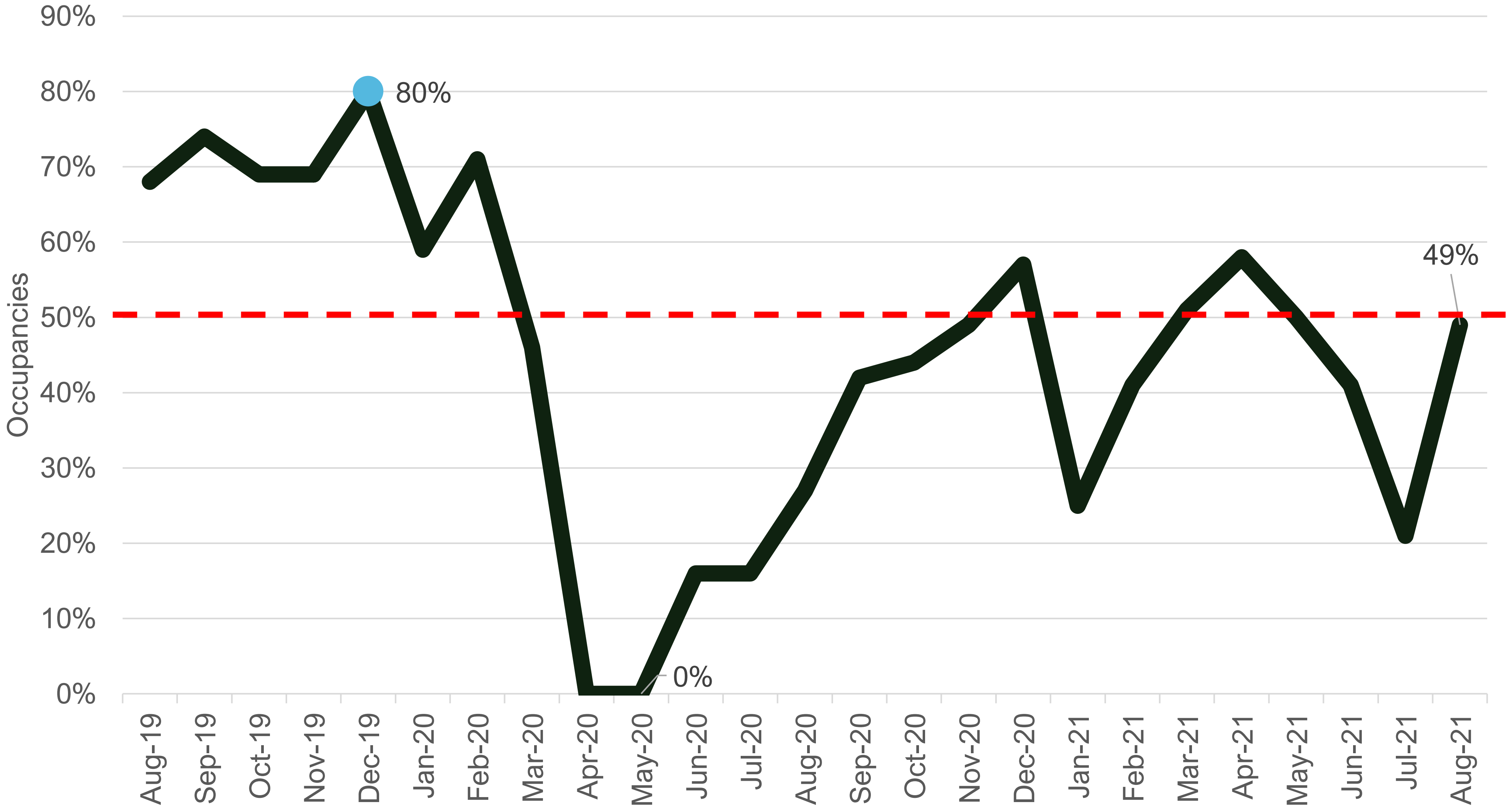
TRENDS IN DURBAN'S MANUFACTURING INDUSTRIES
2019-2023 (CONSTANT, 2015 PRICES)



It is forecasted that the sector will recover R1,5 Billion of this GVA in 2022, with the biggest growths this year in transport equipment, petroleum and clothing and textiles.

The manufacturing sector shrunk by R4,48 billion in constant prices between 2019 and 2021; the biggest losses were in the petroleum, food and transport industries, at a R3,7 Billion loss.

TOURISM SECTOR RECOVERING BUT STILL SHORT OF 2019 LEVELS

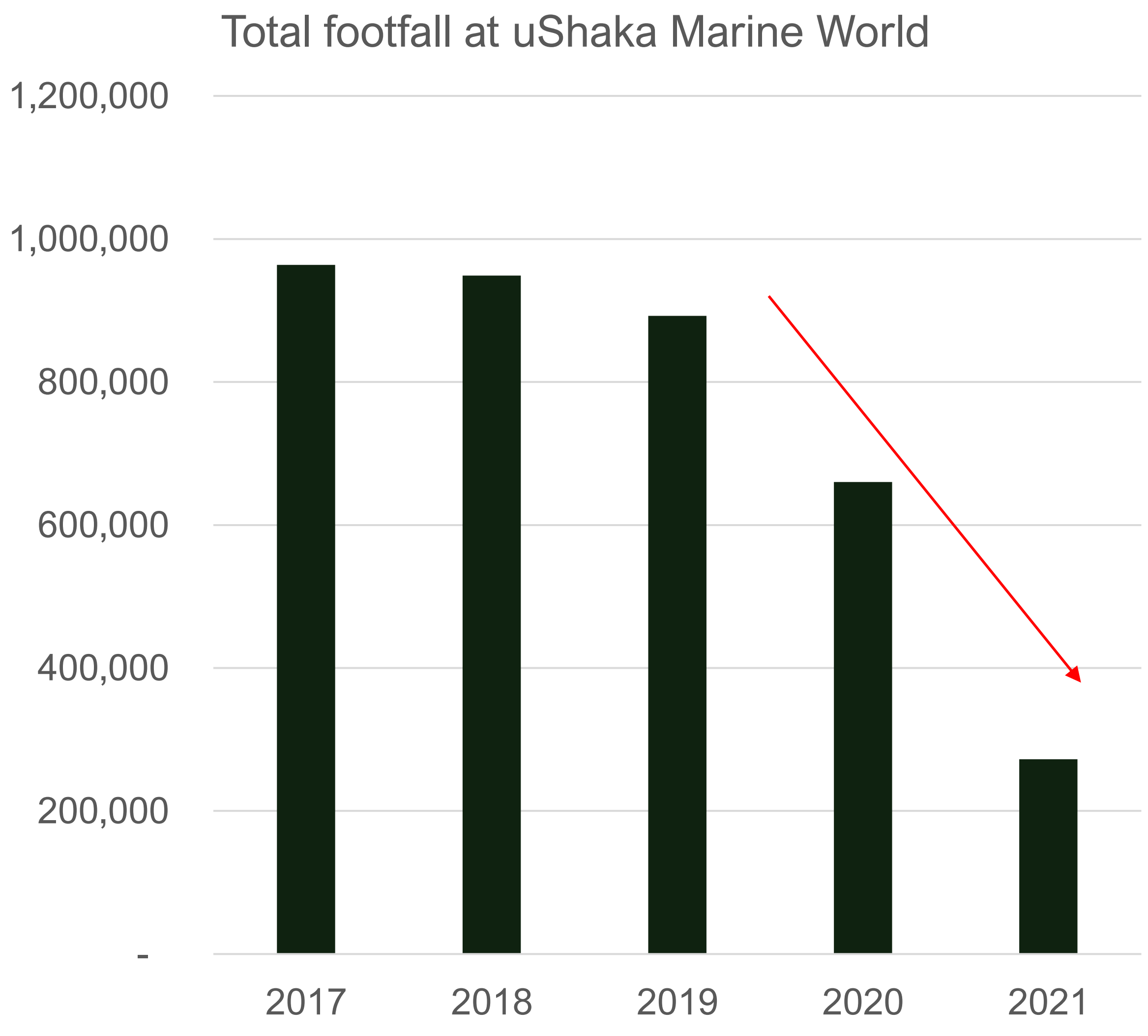


<u>Peak Season Occupancies</u>
16th Dec 2021 till 2nd January 2022: 75%

<u>Festive Season Occupancies</u>
1 December 2021 till 9th January 2022: 68%

Source: BDO, Durban Tourism, 2022

FURTHER INDICATORS ON TOURISM IN DURBAN
EMBATTLED, WITH CLEAR PROGRESS



Source: uShaka Marine World, 2021

Source: ACSA, 2022

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INVESTMENT AND BUSINESS ACTIVITY

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FDI INVESTMENT PERFORMANCE

INVESTOR CONFIDENCE IN DURBAN AT A CRITICAL STAGE

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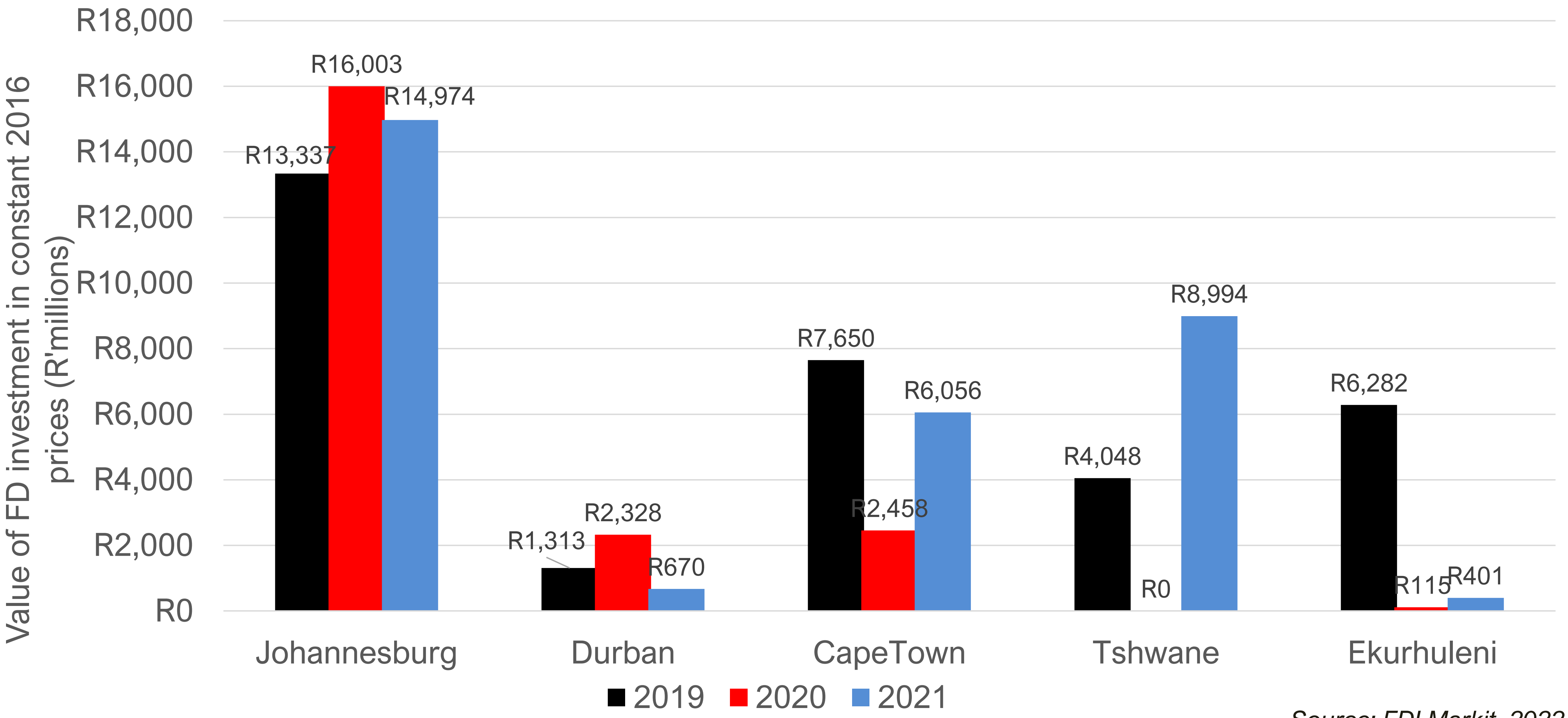

Source: FDI Markit, 2022

SAPOA OFFICE VACANCY RATES
VACANCY RATES ON THE RISE

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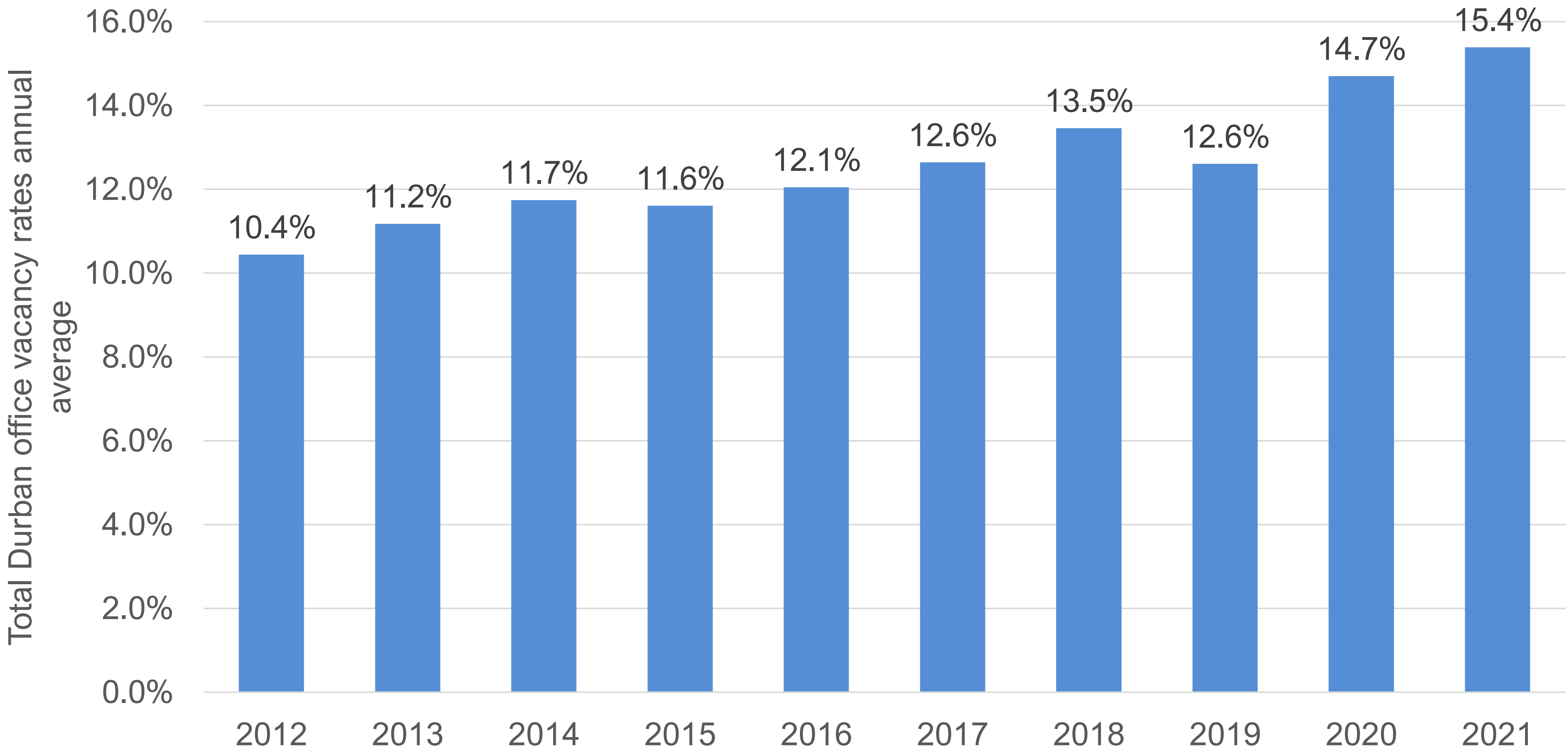
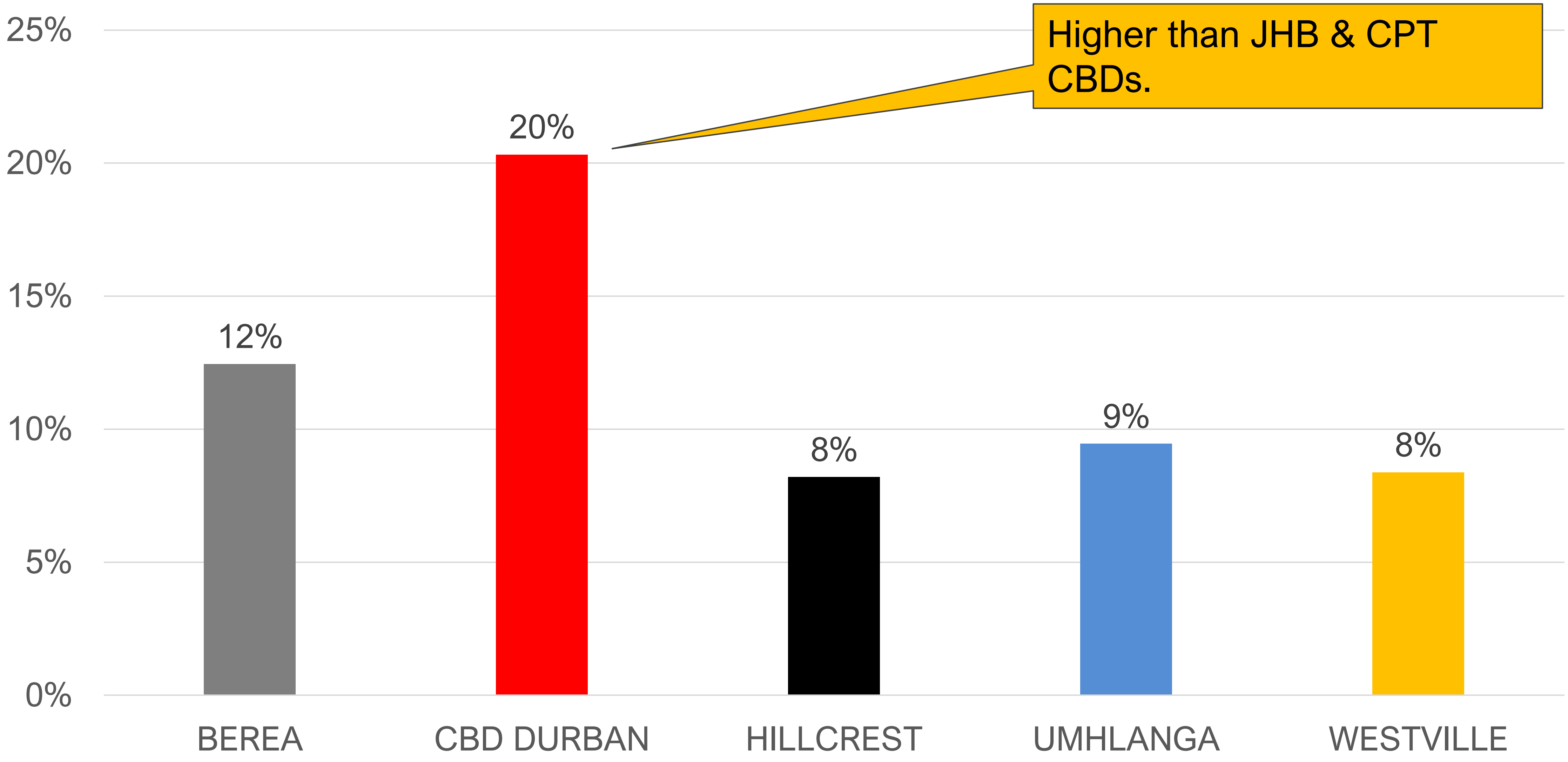


Office vacancies are clearly on the rise, which may be a combination of the decline in the economy and a relocation of office space.

Source: SAPOA, 2022

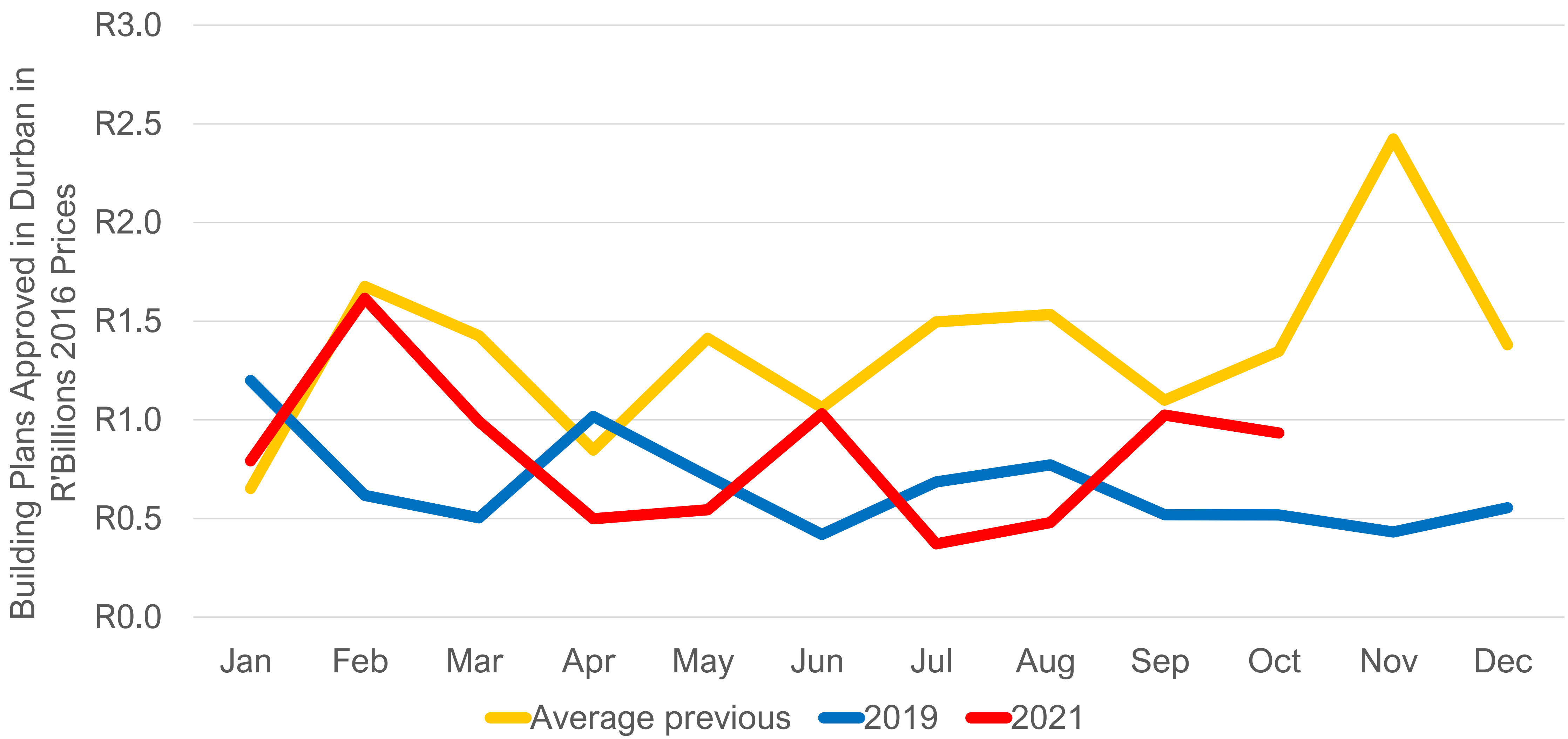
SAPOA OFFICE VACANCY RATES
DURBAN CBD IN TROUBLE?



Source: SAPOA, 2022

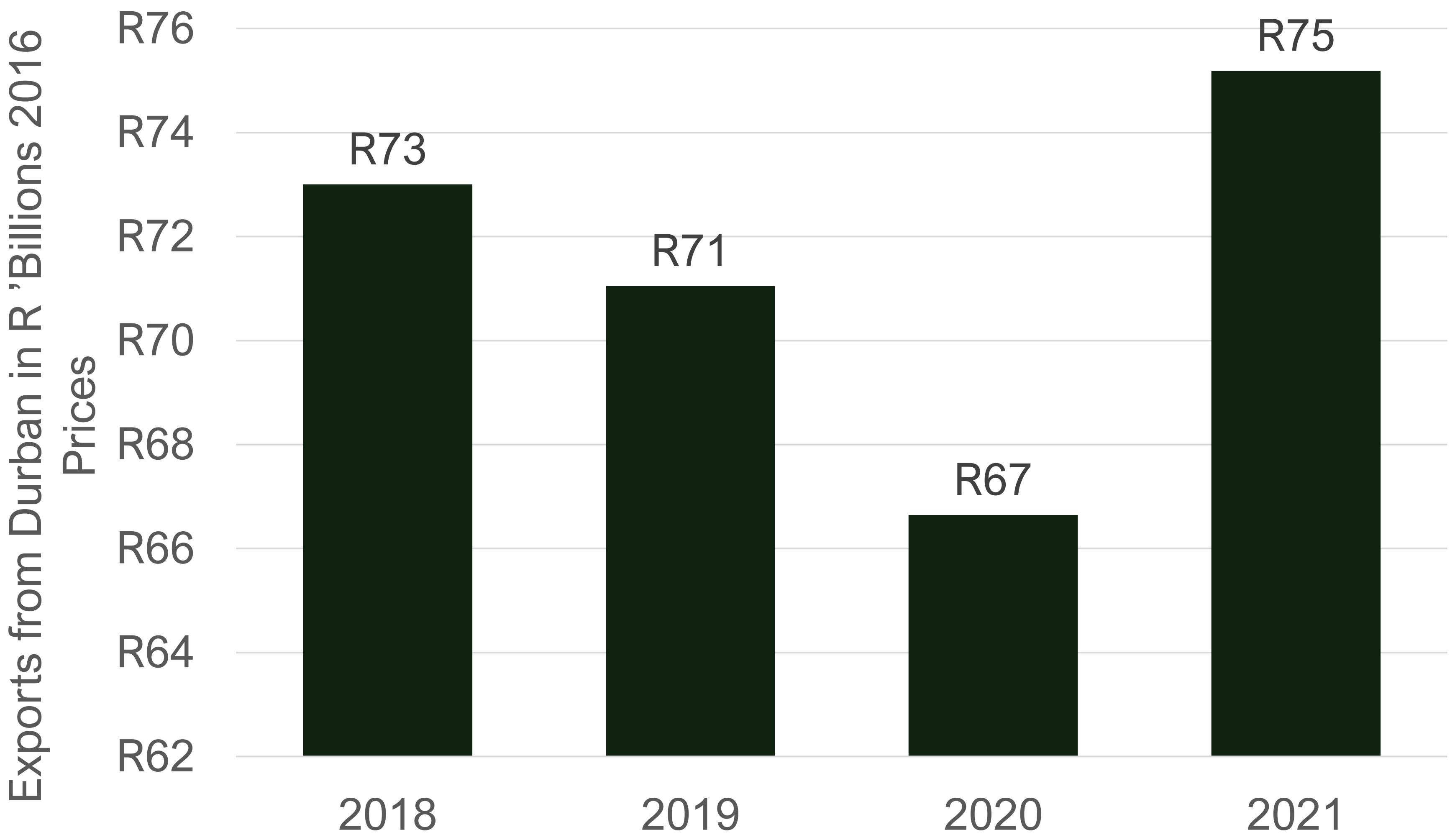
BUILDING INVESTMENTS HAVE RECOVERED TO ABOVE 2019 AND 2020 LEVELS

BUT STILL LAG BEHIND PREVIOUS YEARS



Source: Development Planning Unit, 2021

EXPORT TRENDS
2010 - 2021 (CONSTANT, 2015 PRICES)



Despite port closures- unrest, cyber attacks, truck driver attacks and general inefficiencies

The Port, responsible for 99% of the City's exports; has ranked increasingly lower each year for its port efficiency by the World Economic Forum.

As at 2020, The Port of Durban was ranked last of 342 global ports by the World Bank for its below average container port performance.

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EMPLOYMENT AND UNEMPLOYMENT

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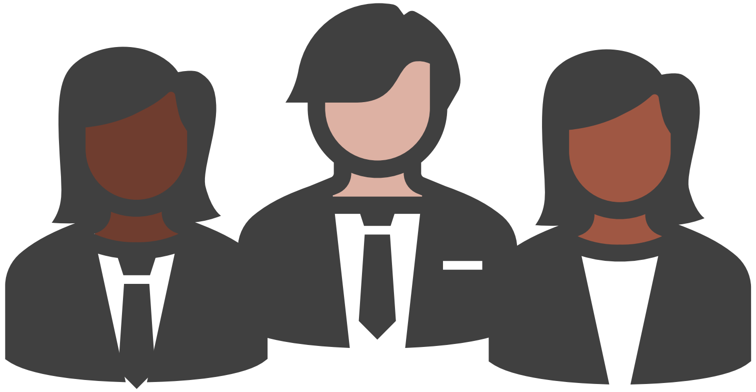

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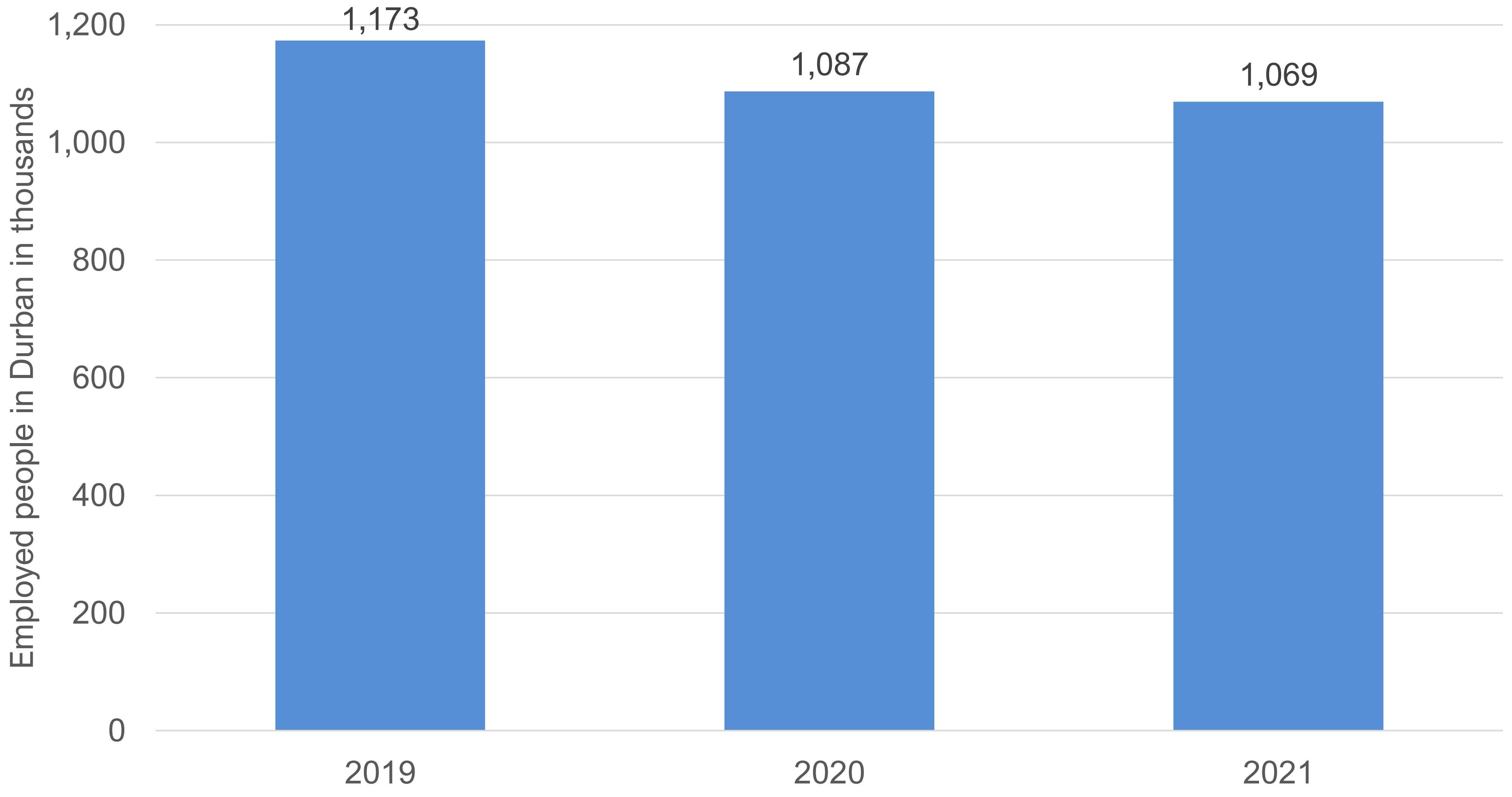
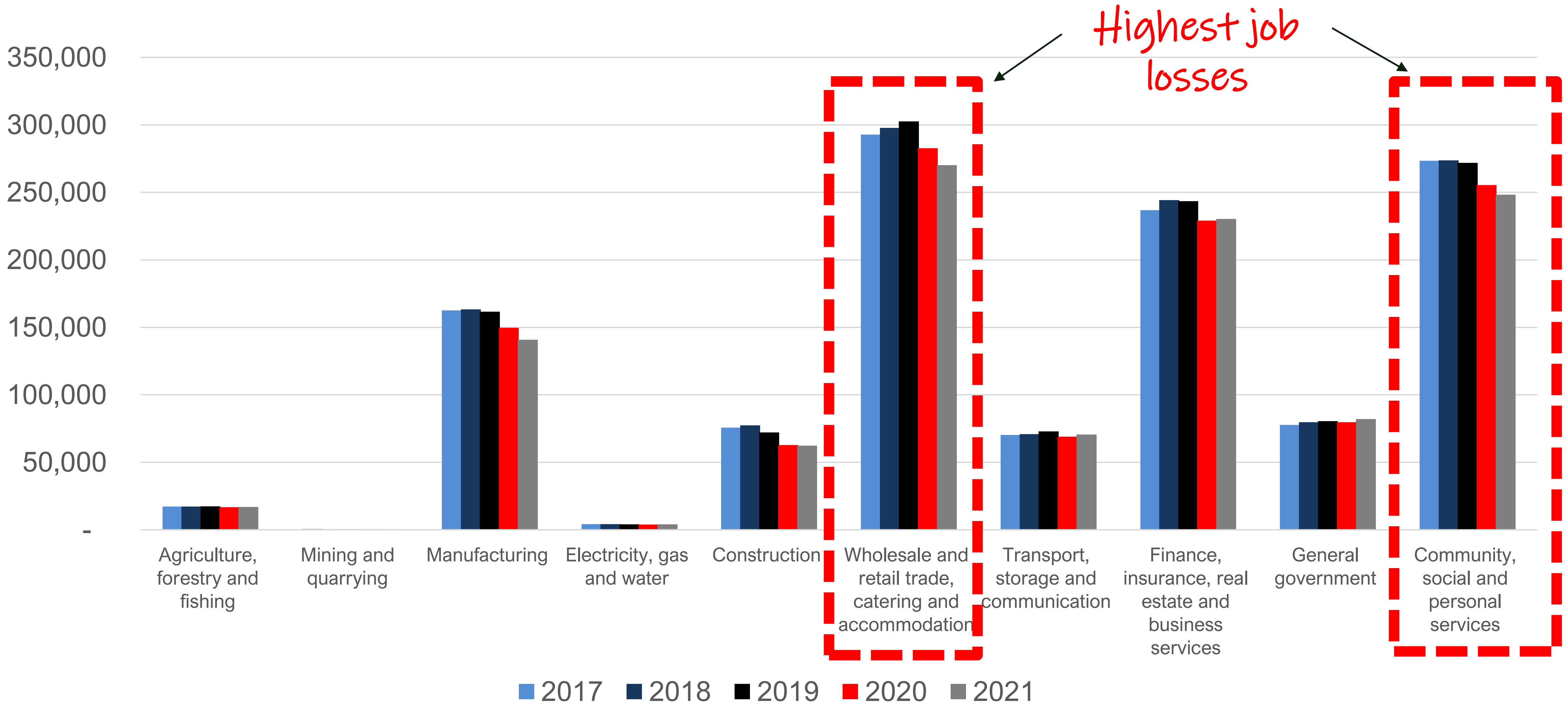
TRENDS IN DURBAN'S EMPLOYMENT
104k LESS PEOPLE EMPLOYED NOW THAN IN 2019



TRENDS IN DURBAN'S EMPLOYMENT
2017-2021: BIGGEST DECLINES ARE IN SERVICES SECTORS



UNEMPLOYMENT

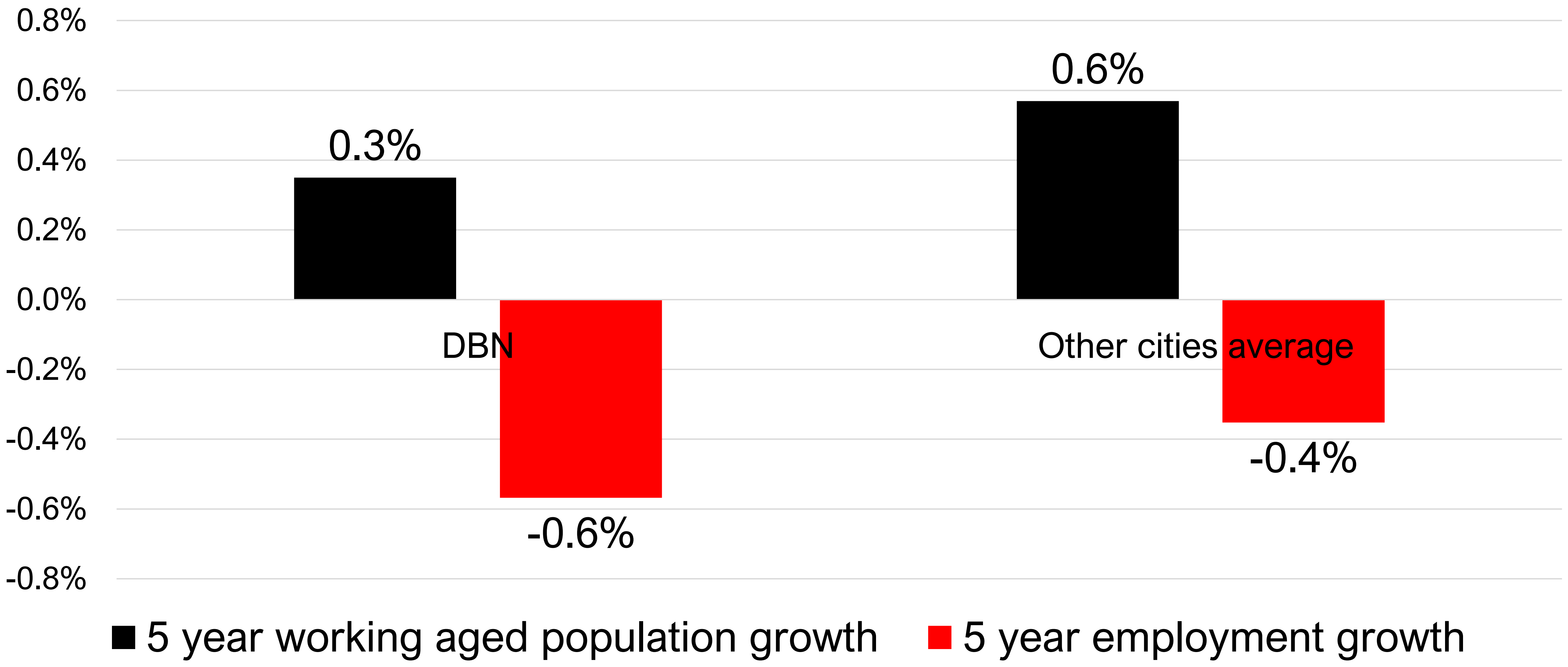
DURBANITES ARE BECOMING LESS DETERMINED TO LOOK FOR WORK

- **Unemployment annual average 22.3% (16.3%) ⬆**
- **Number unemployed annual average: 310 000 (228 000) ⬆**
- **Not economically active annual average: 1,113mn (1,141mn) ⬇**
- **Employment absorption annual average: 43.1% (44,7%) ⬇**
  - ***Fewer people are employed than in other cities***
- **No discouraged work seekers annual average 224 000 (167 000) ⬆**

Source: StatsSA QLFS, 2022

UNEMPLOYMENT

SLOWER POPULATION GROWTH & FASTER JOB LOSSES



Source: StatsSA QLFS, 2022

POVERTY

DURBAN HISTORICALLY MORE EFFECTIVE AT POVERTY REDUCTION

- Multidimensional poverty headcount (skills, services, health)

  DBN: 3.8% of the population

  Provincial: 7,7% of the population

  Metro Average: 4.1% of the population

- Between 2011 - 2016, Durban has tackled poverty more successfully than any other metro. Since 2011, **Durban's poverty headcount dropped by 42%.** In other metros, it dropped by 17%.

- New poverty figures will indicate poverty reduction progress as at 2021.

Source: StatsSA Community Survey, 2017

CONCLUSIONS

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UNREST ALERT

AFFORDABILITY CRISIS

INVESTMENT SLOWDOWN

STEP CHANGES REQUIRED- POLICY LEVEL DECISIONS (SAKHA ITHEKU)

- GBS SECTOR
- INFRASTRUCTURE AND SKILLS FOR DIGITAL SECTOR
- INVESTMENT DRIVE
- TOURISM SECTOR
- ASSISTANCE FOR THE AGRICULTURE SECTOR

CONCLUSIONS

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- A risk of unrest and crime due to rising poverty, inequality and unemployment
- Affordability- South African (and Durban) consumers are under significant pressure
- The Port issue; efficiencies etc, flight of business to other ports?
- Failing infrastructure, and its impact on marginalised communities
- Wastewater infrastructure and negative impact on investment
- Growth and development being hampered by loadshedding and resurgence of new variants
- IMPLEMENT STEP CHANGES (Sakha iTheku)
- More support required for agriculture sector due to flooding; to ensure less exposure to climate
- Actionable interventions possible to support the growth of the GBS sector
- Actionable interventions possible in tourism with the lifting of regulations
- Create confidence in the economy
- Importance of incentives

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