



STATE OF THE ECONOMY

ANNUAL OVERVIEW AND FORECAST

"Make better informed decisions with cutting-edge economic insight"



AS AT JUNE 2023

www.durban.gov.za



GLOBAL INDICATORS FOR 2023

- Global **GDP is dangerously sluggish**: 6% in 2021 to 3.2% in 2022, to an expected 2.9% in 2023 (IMF).
- **Price hikes, rising inflation, a decline in real wages**, oil sanctions against Russia, and increased interest rates as monetary policymakers across the globe try to curb inflation.
- Global **inflation is expected to fall** from 8.8 percent in 2022 to 6.6 percent in 2023 and 4.3 percent in 2024.
- But, **cost of living still high**, consumers still wallet weary.



- Uncertainty in **global economic power shifts between the West and the East**
- Growth stimulus may come from the East; China- \$525.8 billion worth of government expenditure as well as corporate tax and fee cuts, deferrals, and refunds.
- India has unveiled a planned 33% increase in capital expenditure to 10 trillion rupees or R2,3 trillion in 2023/24 (compared to INR7,5 trn or R1,56 trn).
- Euro Area low growth forecast (1.1% from 3.5%). UK forecast 0.4%.

- **Artificial intelligence** is central to business decision-making.
- **Energy crisis**: Over \$1 trillion invested in **green energy** in 2022

KEY NATIONAL INDICATORS

CONSUMER AFFORDABILITY AND BUSINESS CONFIDENCE AT RISK

IMF forecast 0.1%

GDP growth 2023 projections

Global	South Africa	Durban
2.9%	0.6%	0.4%

May 2023 50 basis point increase in the repo rate to 8.25% per year- effective 26 May 2023; is the 10th consecutive increase since November of 2021, and will negatively impact the affordability of both businesses and consumers alike.

National business indicators

BER business confidence index

↓ 25.8; Q1 2023 | 40.0; Q1 2023

PMI (ABSA)

↑ 47.6; Mar 2023 | 43.3 ; Mar 2022

No of liquidations

↓ 168; Mar 2023 | 182; Mar2022

National consumer indicators

Fuel Price

↑ R22.6; May 2023 | R21.1; May 2022

Consumer price index

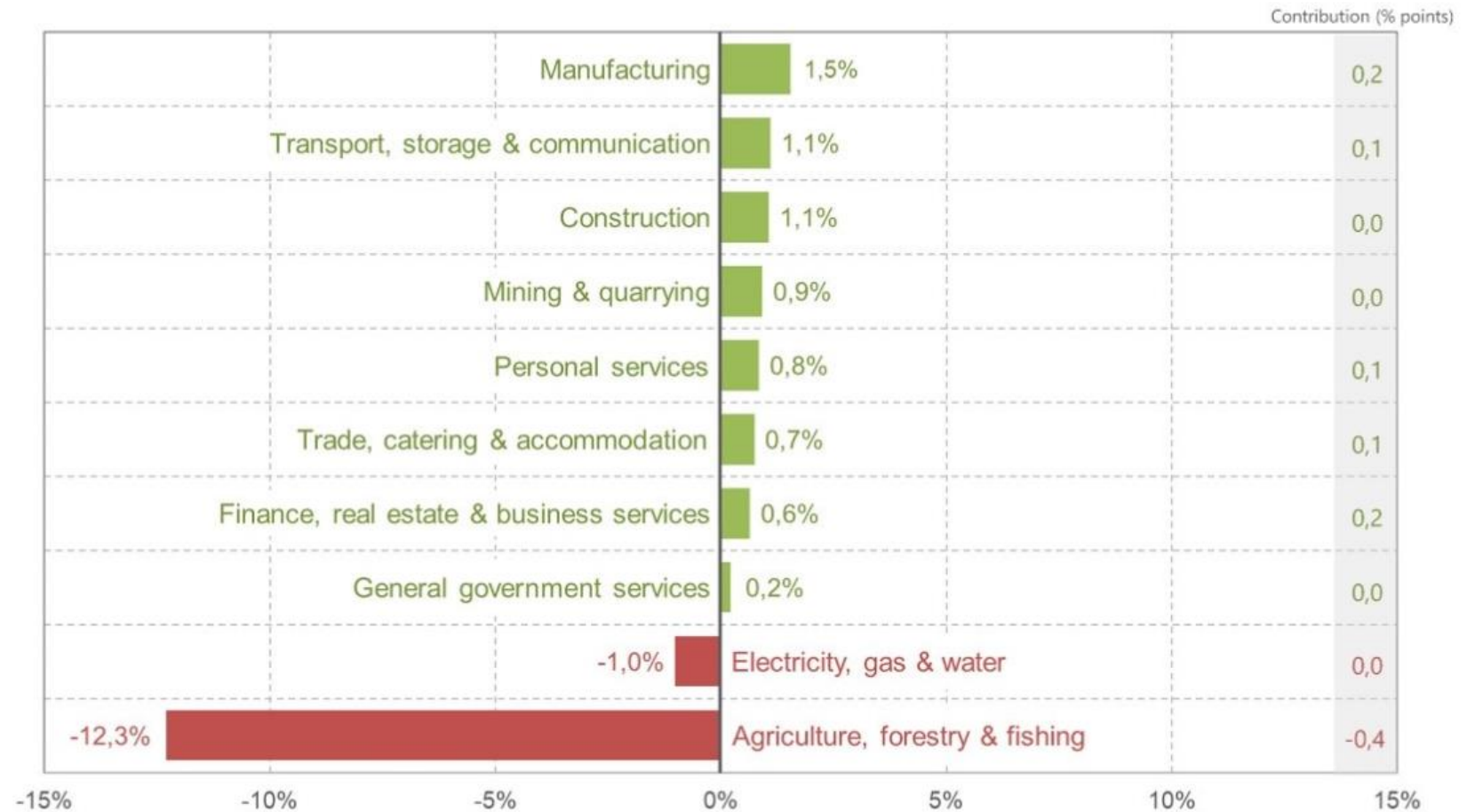
↑ 109.3; Mar 2023 | 101.9; Mar 2022

Consumer confidence index

↓ -23; Q1 2023 | -13; Q1 2022

SA ECONOMY EXPANDED IN Q1 2023

Figure 1: Eight of the ten industries recorded a rise in economic activity in Q1: 2023
Industry growth rates. Q1: 2023 compared with Q4: 2022 (constant 2015 prices, seasonally adjusted)



Source: Gross domestic product (GDP), 1st quarter 2023



GEO-POLITICAL TENSIONS

A NEED TO EXPAND TRADE AND INVESTMENT BEYOND TRADITIONAL MARKETS

Trade between SA and USA

↓ **Export** R209.5 bn; 2022 | R218.1bn; 2021
↑ **Import** R191.4 bn; 2022 | R143.9bn; 2021

Trade between SA and Russia

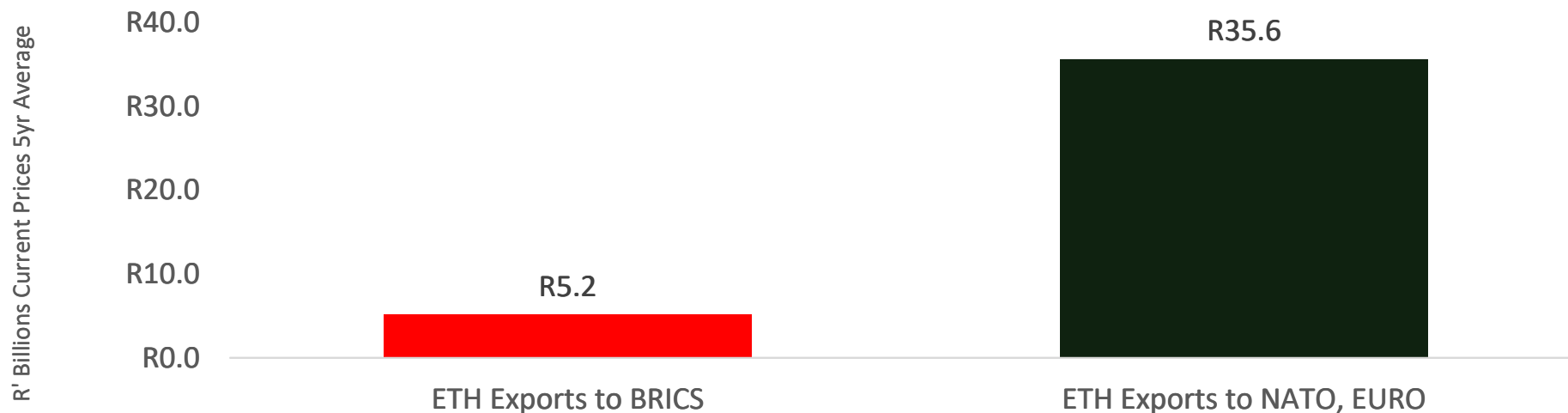
↓ **Export** R4.6 bn; 2022 | R6.1bn; 2021
↓ **Import** R9.0bn; 2022 | R9.2bn; 2021

Exports from ETH to BRICS

Export R209.5 bn; 2022 | R218.1bn; 2021
Import R191.4 bn; 2022 | R143.9bn; 2021

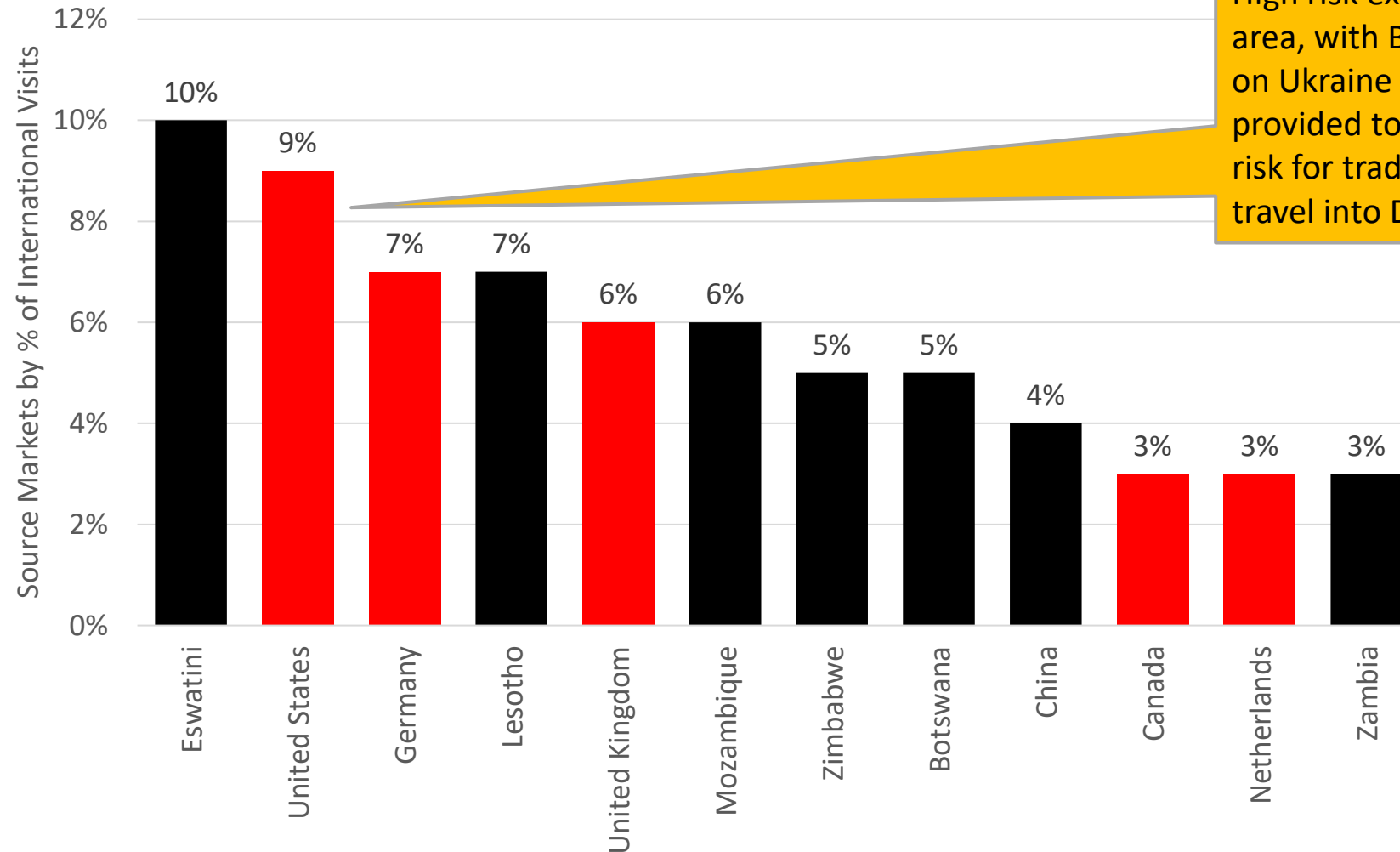
Exports from ETH to NATO, EURO AREA

Export R4.6 bn; 2022 | R6.1bn; 2021
Import R9.0bn; 2022 | R9.2bn; 2021



GEO-POLITICAL TENSIONS

A NEED TO EXPAND TRADE AND INVESTMENT BEYOND TRADITIONAL MARKETS



High risk exists in relations with US, NATO & EURO area, with BRICS Conference looming and SA stance on Ukraine War, as well as diplomatic immunity provided to Pres. Putin & other attendees. Major risk for trade, & global conferences and official travel into Durban.

DURBAN VISITOR MARKETING STRATEGY SOURCE MARKETS

- Africa (SADC region)
- **USA**
- **Germany**
- **UK**
- **Asia (India, China)**
- Middle East

KEY DURBAN INDICATORS

DURBAN'S GDP INCREASED BY 2,3% IN 2022

GDP growth 2022

2,3%; 2022 / 4,4%; 2021

Top drivers of economic growth in Durban 2022



Transport (42.2%)



Finance (36.5%)



Trade (20.9%)



Community services (12.5%)

Top detractors from economic growth in Durban 2022



Construction (-6.1%)



Manufacturing (-2.8%)

*percentage contribution to Durban's 2,3% economic growth in 2022

Source: South Africa Regional eXplorer 2375 (2.6v); © 2023 S&P Global

CITY FORECAST FOR 2023

Durban has reverted to national loadshedding schedule from 25th May 2023. This forecast may be revised even further down.

GDP growth 2023

0.4%; 2023 / 2.3%; 2022

Top drivers of economic growth in Durban 2023



Finance (122.4%)



Trade (47.9%)



Transport (12.9%)



Manufacturing (5.9%)

Top detractor from economic growth in Durban 2023



Community services (-91%)

*percentage contribution to Durban's forecasted 0.4% economic growth in 2023

Source: South Africa Regional eXplorer 2375 (2.6v); © 2023 S&P Global

SELECTED DURBAN ECONOMIC INDICATORS

Tourism and travel KSIA passenger arrivals (ACSA)

Domestic

↑ 193 604; Mar 2023 | 173 674; Mar 2022

International

↑ 9 825; Mar 2023 | 6 108; Mar 2022

Exports

TEUs

↑ 237 971; Mar 2023 | 228 840; Mar 2022

All ports

↑ R 96,1bn; 2022 | R91,0 bn; 2021

**2016 constant prices*

Labour

Employment '000

↑ 1 200; 2022 | 1 069; 2021

Unemployment

↑ 24,2%; 2022 | 22,8%; 2021

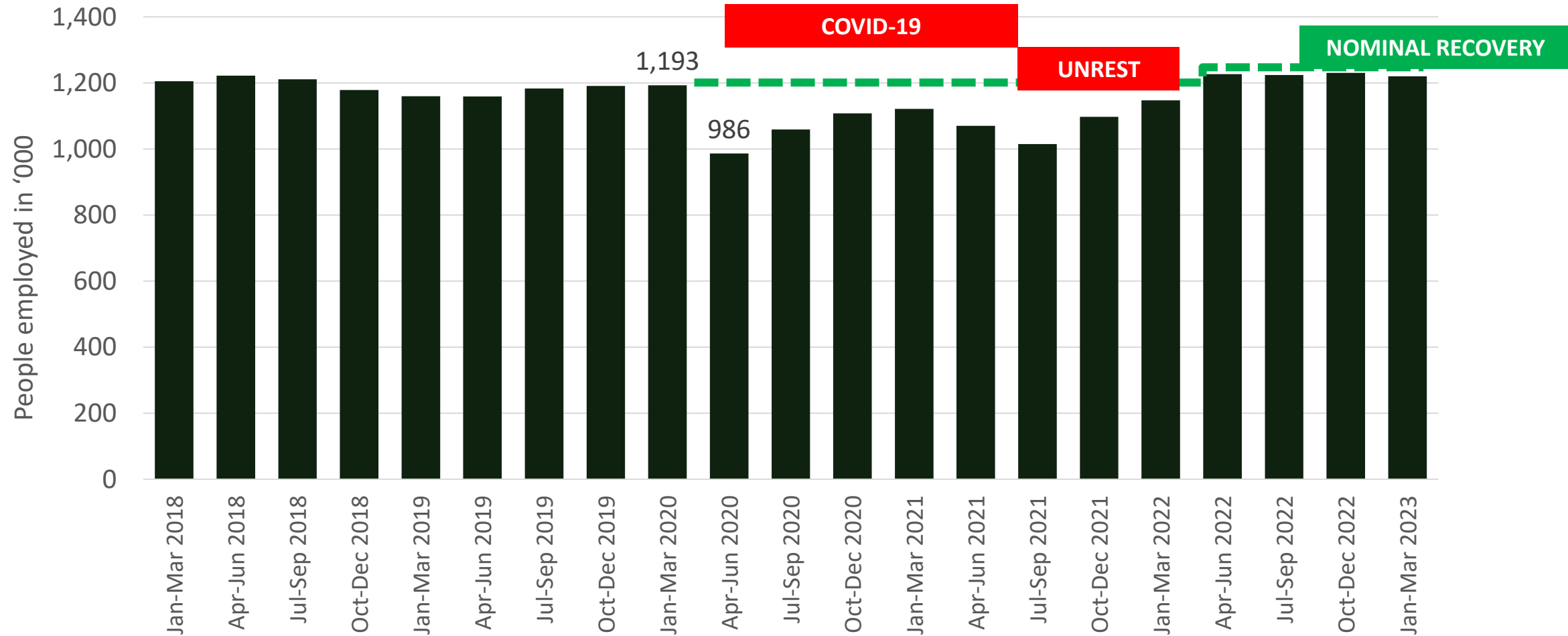
Absorption

↑ 46,5%; 2022 | 42,6%; 2021

**Value of same quarter in previous year, in brackets*

Sources: Quantec, 2023; Q3 2022 QLFS, 2023; ACSA, 2023, Transnet, 2023

RECOVERY IN DURBAN EMPLOYMENT OVER PAST FEW QUARTERS

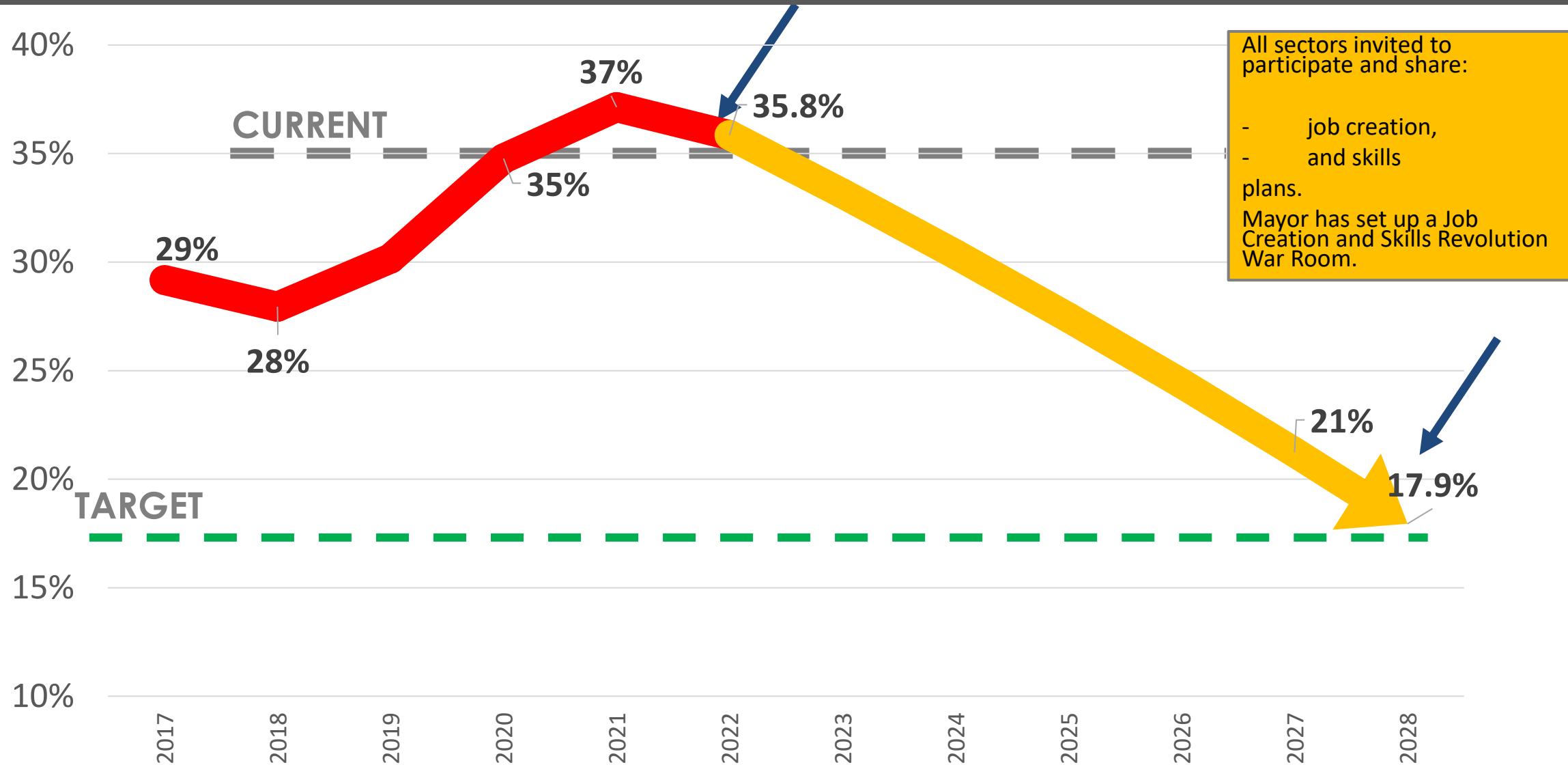


Sources: StatsSA QLFS, 2023

HOWEVER, NOMINAL RECOVERY NOT SUFFICIENT

AS MORE ENTER THE LABOUR MARKET

MAYORAL UNEMPLOYMENT TARGET – HALF UNEMPLOYMENT



SELECTED DURBAN ECONOMIC INDICATORS.. CNTD

Investment and business activity

FDI announced in Durban

↑ R3.6 bn; 2022 | 0.83 bn; 2021

Building plans approved

↓ R274.7 Mn; Feb 2023 | R 479.3 Mn; Feb 2022

Approximately R1.09 billion was invested by Volvo Trucks in a plant located west of Durban (2022)

ACT Durban announced investment in call centre to employ 1000 people. Toyota announced R46mn investment into renewable energy.

Office vacancies

↓ Durban total

15.5%; Q1 2023 | 16.1%; Q1 2022

↑ CBD

22.9%; Q1 2023 | 21.3%; Q1 2022

↓ Hillcrest/ Gillits

3.1%; Q1 2023 | 3.5%; Q1 2022

↓ Umhlanga/ La Lucia

7.7%; Q1 2023 | 10.1%; Q1 2022

↓ Westville

9.1%; Q1 2023 | 12.8%; Q1 2022

↔ Berea

14.8%; Q1 2023 | 14.8%; Q1 2022

** (R'2021 Prices)

Sources: SAPOA, 2023; FDI Market, 2023; Development Planning Unit, 2023

MORE FDI PLANNED

- The city lost approximately R47 billion in planned investments due primarily to the triple disasters of flooding, unrest and the pandemic.
- Despite this, the Invest Durban Unit is currently engaged in investment attraction and facilitation of 13 planned investments, including:
 - **3 investments in global business services** (formerly BPO),
 - **1 investment in logistics** and maritime projects,
 - **4 investments in manufacturing**; including a mega investment valued at R1bn,
 - and **5 investments in the green economy** including \$3-\$5 billion mega investment with 6000 jobs.
- Also included, are the commitments already announced by President Ramaphosa in the 2023 SA Investment Conference; including investments in the food and beverages industry by both Heineken and RCL.
- In order to increase client satisfaction in Durban as a business destination, Invest Durban also currently, actively leads investor retention and aftercare on 8 recent investments into the city.

DURBAN BUSINESS SENTIMENT IN Q1 2023

LOW (43.27)

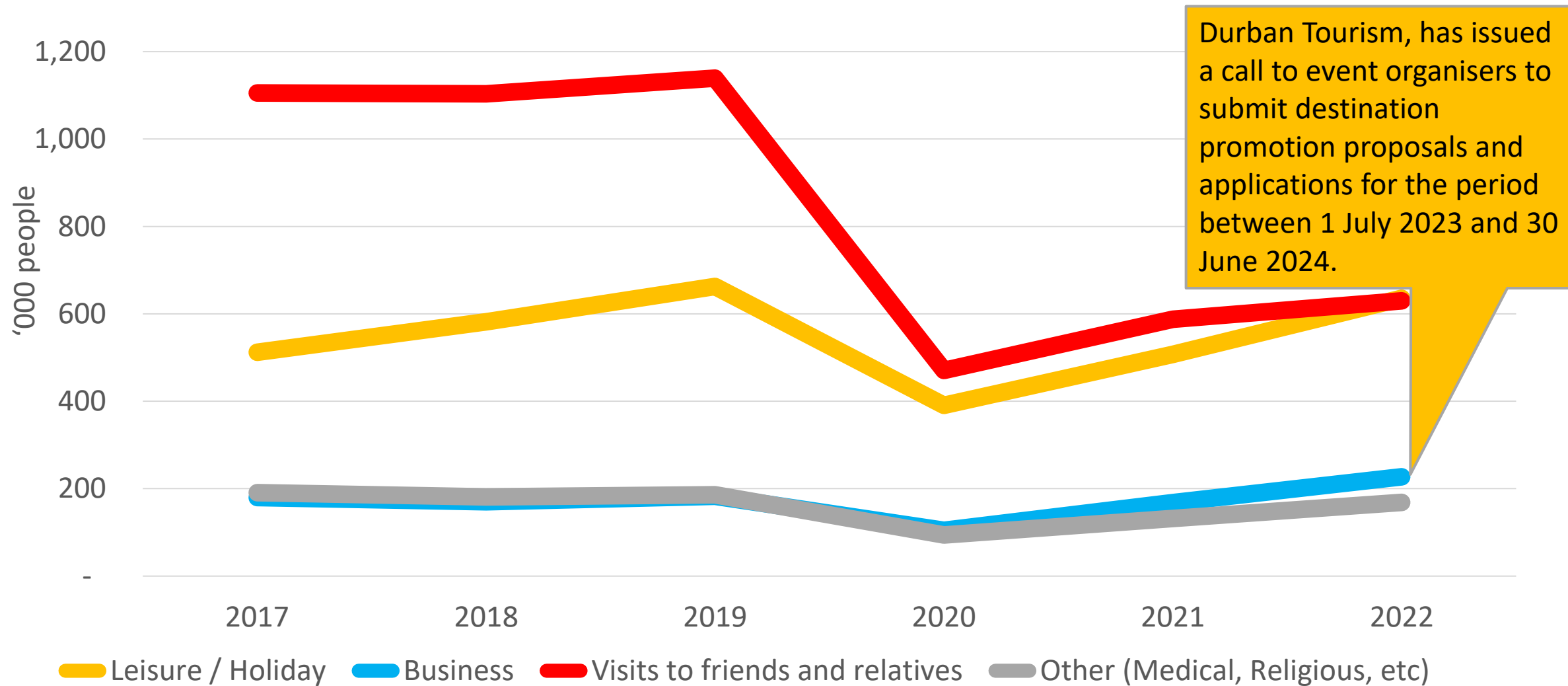
- **Manufacturing** : **Down** 7.89, 38.69 in Q4 2022 to 30.8 in Q1 2023 (power outages, national shutdown).
- **Wholesale and retail**: **Down** 32.35 from 58.72 in Q4 2022 to 26.37 in Q1 2023. (power outages)
- **Finance**: **Down** 12.24 from 49.97 in Q4 2022 to 37.73 in Q1 2023. (tight financial conditions, low economic growth)
- **Electricity**: **Up** 24.91 to 30.21 between Q4 2022 and Q1 2023 (energy initiatives, Energy Summit held in first quarter)
- **Transport, storage & communication**: **Up** 15.44 index points, from 51.44 in Q4 2022 to 66.88 in Q1 2023.
- **Construction**: **Up** 33.04 from 33 in Q4 2022 to 66.04 in Q1 2023 (kick-off of key projects in the City).
- 78% reported that if they (or anyone else) reported a 'poor service delivery' complaint, it is very unlikely that the authorities would attend to it.
- eThekweni services? Electricity is worst followed by Environmental Management (Sewerage, Solid Waste and Parks), Roads and Public Safety (Police, Fire and Ambulance Services).



BUSINESS & CONFERENCE TRAVEL RECOVERY?

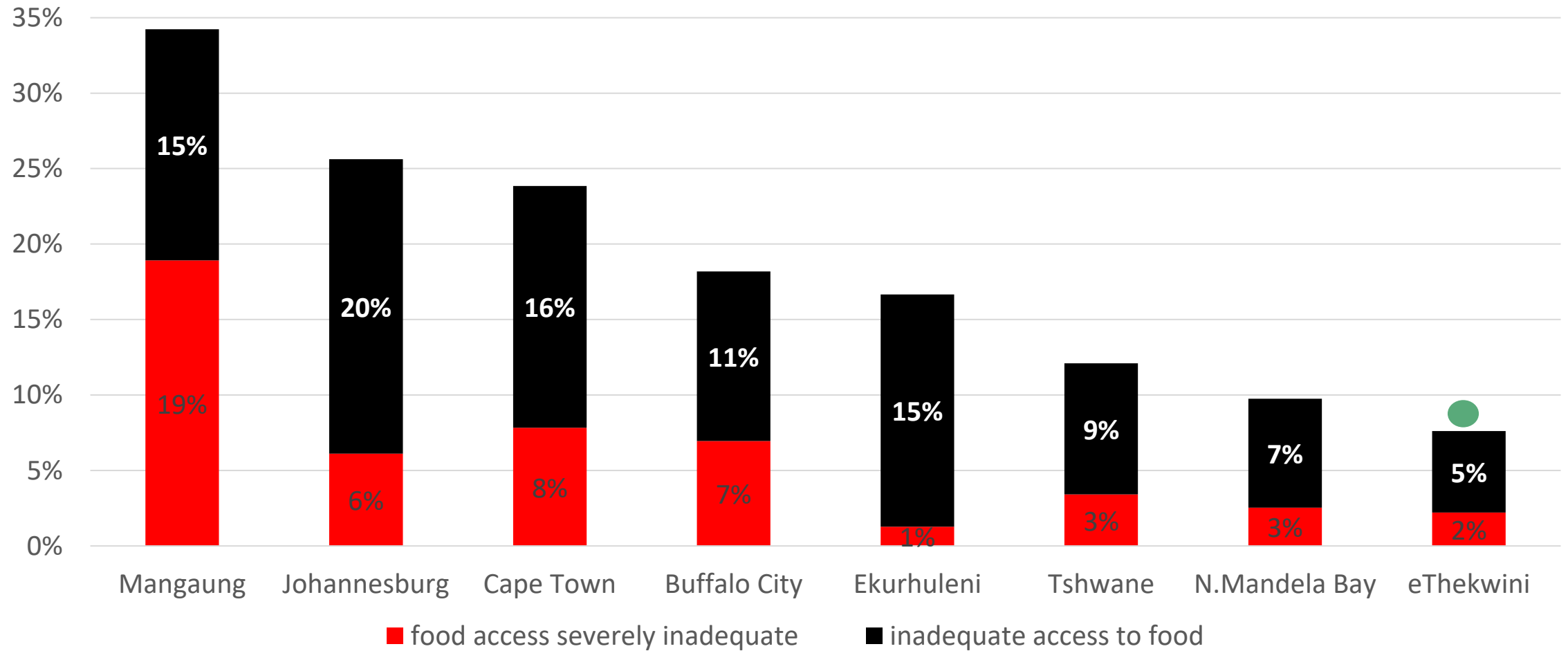
EVIDENCE SUGGESTS IMPROVEMENT, HOWEVER

HARD WORK FOR INTERNATIONAL & REGIONAL EVENTS NEEDED



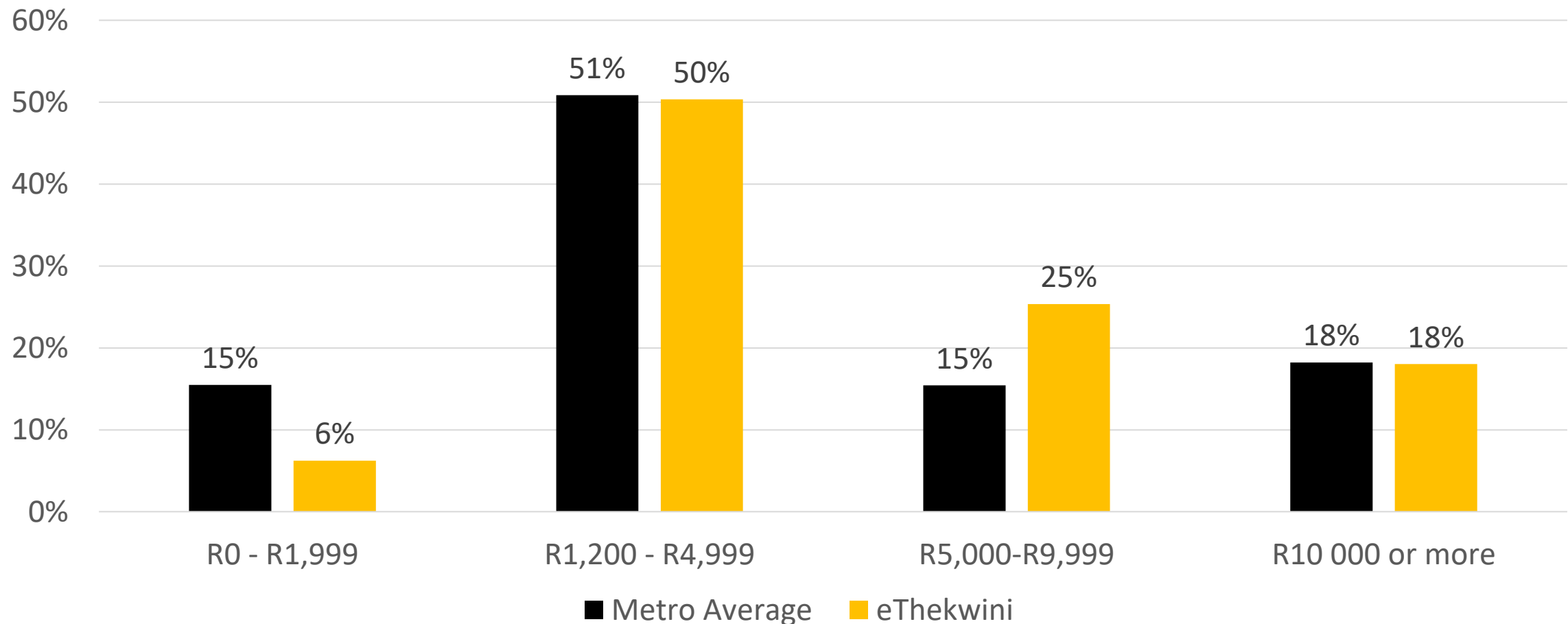
ETHEKWINI IS THE MOST FOOD SECURE METRO IN THE COUNTRY

Percentage of households experiencing food inadequacy by metropolitan area



AND HAS SLIGHTLY **HIGHER HOUSEHOLD EXPENDITURE** THAN ALL METROS ON AVERAGE

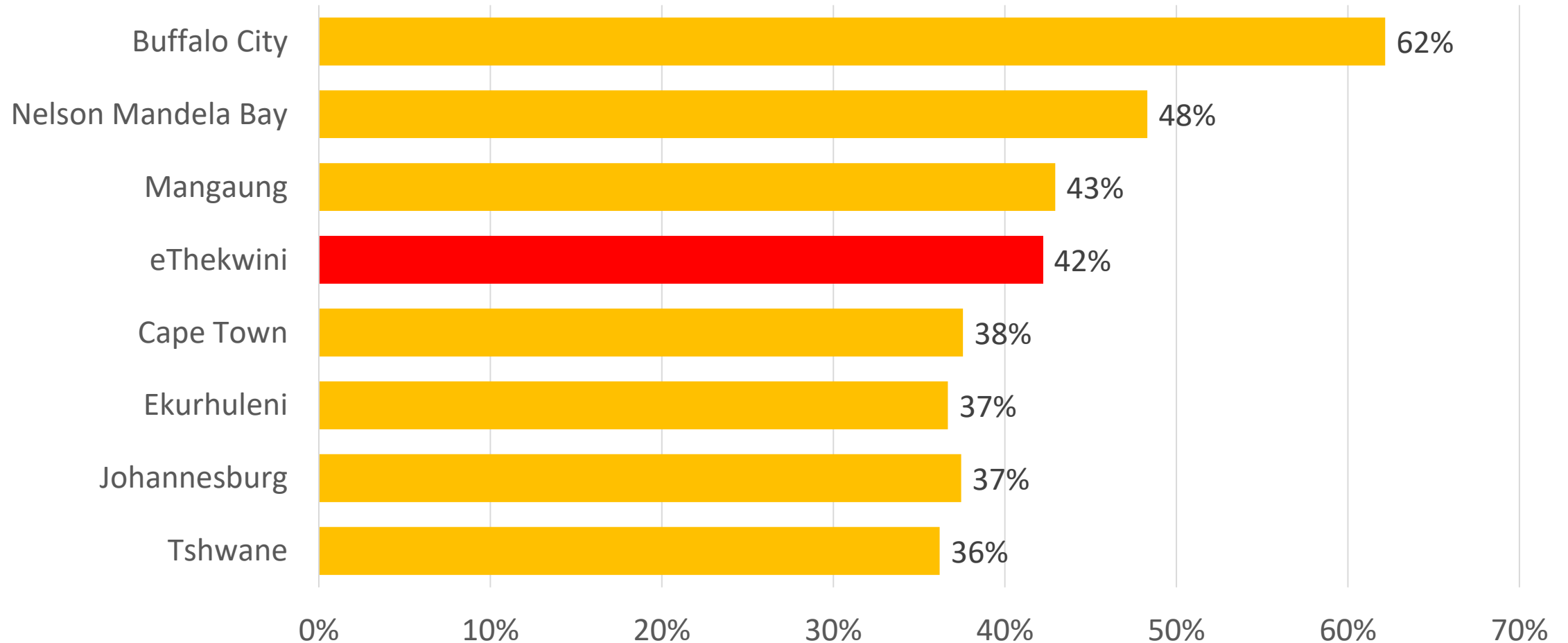
Percentage of Household Expenditure Per Category





BUT HAS THE **HIGHEST PROPORTION OF GRANT RECIPIENTS** PER MAJOR METRO

Percentage of Households that are Grant Recipients per Metro





OTHER ECONOMIC UPDATES

DEVELOPMENTS IN THE CITY



LOOKING FORWARD: CATALYTIC PROJECTS

❑ TO BE DELIVERED BY CATALYTIC PROJECTS UNIT

1. Brickworks – Old North Coast road
(R300m)
2. Oceans uMhlanga – PTF and Roads
(R130m)
3. Ntshongweni – Bulk Infrastructure
(R650m)
4. Virginia and Centrum sites redevelopment
(R30m)

Inv. Value	- R132.4 bn
Jobs (c)	- 121 820
Jobs (p)	- 143 300
City revenue	- R587 m

❑ TO BE FACILITATED BY CATALYTIC PROJECTS UNIT

1. Brickworks
2. Ntshongweni
3. Cornubia (South-East Quadrant)
4. Sibaya (Phase 1)
5. Oceans uMhlanga (Retail Ph2 & Residential Towers)
6. Point Waterfront
7. Kings Estate (Phase 1A)
8. DTP: Trade Zone 2

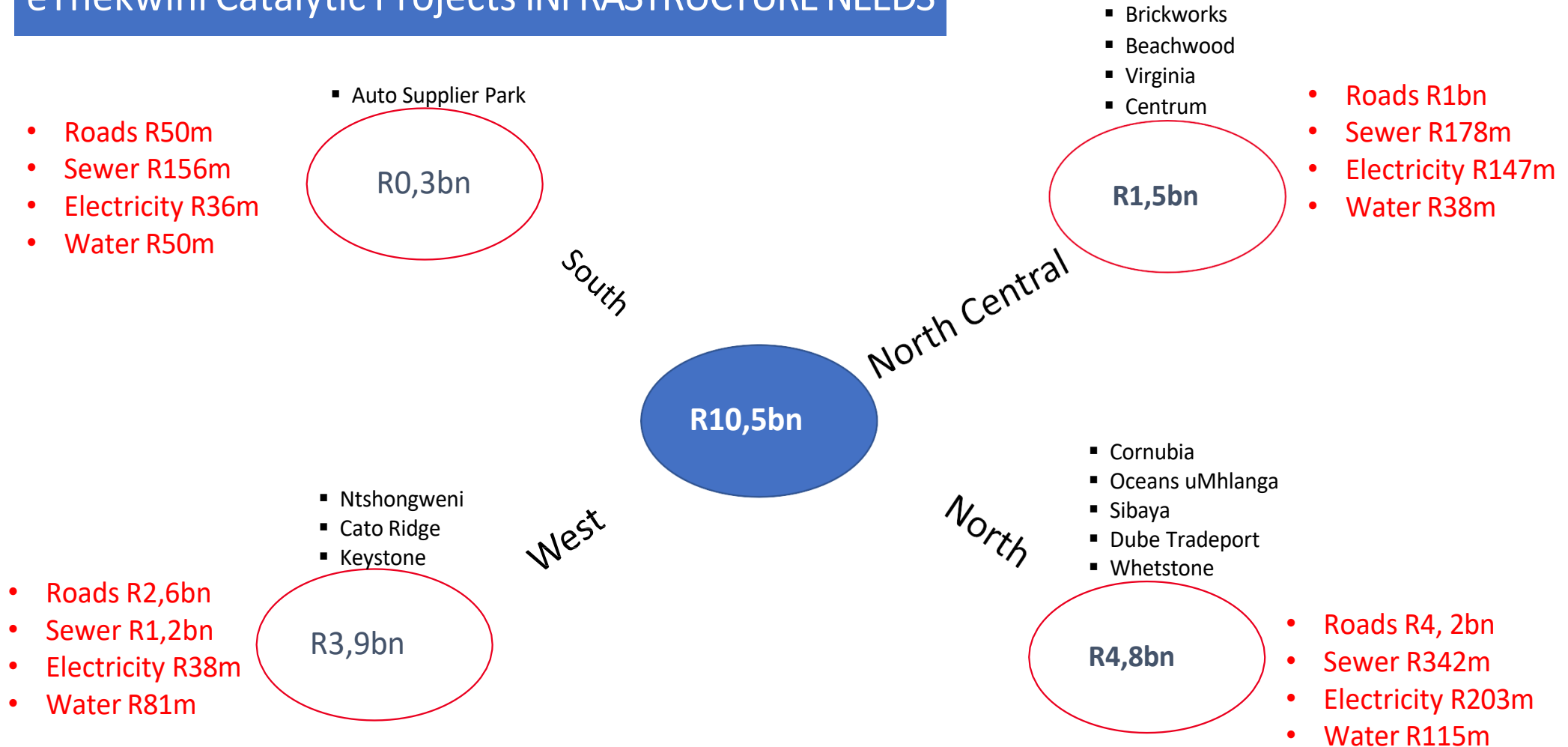
PROJECT	CITY ROLE		DEVELOPER ROLE	
1. Oceans uMhlanga Leisure, retail, office and residential	<ul style="list-style-type: none"> - Development approvals facilitation - Cost sharing of Public Transport Infrastructure 	Done R128m	Oceans Umhlanga Pty Ltd	R4,2bn
2. Avoca node - Brickworks Mixed-use development, incorporating light industry, logistics and warehousing	<ul style="list-style-type: none"> - Development approvals facilitation - Upgrading of Old North Coast road - New Mount Moria substation 	Done R280m R140m	Investec & JT Ross	R10,1bn
3. Ntshongweni redevelopment Mixed use development, incorporating Retail, Commercial, Business Parks, Logistics and mixed income Residential	<ul style="list-style-type: none"> - Development approvals - Roads infrastructure - Water infrastructure - Sewer infrastructure - Electricity infrastructure 	R650m R50m R30m R50m	Fundamentum	R2,8bn
4. Centrum & Virgina Airport redevelopment Residential, Office, Retail, Government, and Leisure	<ul style="list-style-type: none"> - Procurement of developer - Feasibilities review/approval - Bulk Services tbc 	Unknown Unknown	Private developer tbc	tbc

PROJECT	CITY ROLE		DEVELOPER ROLE	
5. Durban Film City A mixed use development comprising of film studio, film school, square, markets, hotel, retail and disney walk	<ul style="list-style-type: none"> - Development approvals facilitation - Bulk services 	R30m	Rinaldo Inv.	R7,5bn
6. Beachwood Mixed-use development, incorporating Apartment, Private residential and Hotel	<ul style="list-style-type: none"> - Development approvals facilitation - Sewer treatment works - Roads upgrade 	Unknown Unknown	Cedar Point Trading	R2,8bn
7. Cato Ridge Dry Port earmarked as a logistics, warehousing and light industrial precinct	<ul style="list-style-type: none"> - Development approvals - Hammersdale sewer treatment works - Bulk water supply - Bulk electricity supply - Roads infrastructure & I/C 	R1,6bn	Cato Ride Logistics Hub Consortium	R18bn
8. Auto Supplier Park (ASP) Automotive supplier park intended to centralising production, assembly, sequencing and providing warehousing facilities	<ul style="list-style-type: none"> - Development approvals - Bulk services subject to engineering studies 	Unknown Unknown	Dube Trade Port	R4bn

CHALLENGES: CATALYTIC PROJECTS

SUPPORT REQUIRED FROM NATIONAL GOVERNMENT

eThekweni Catalytic Projects INFRASTRUCTURE NEEDS

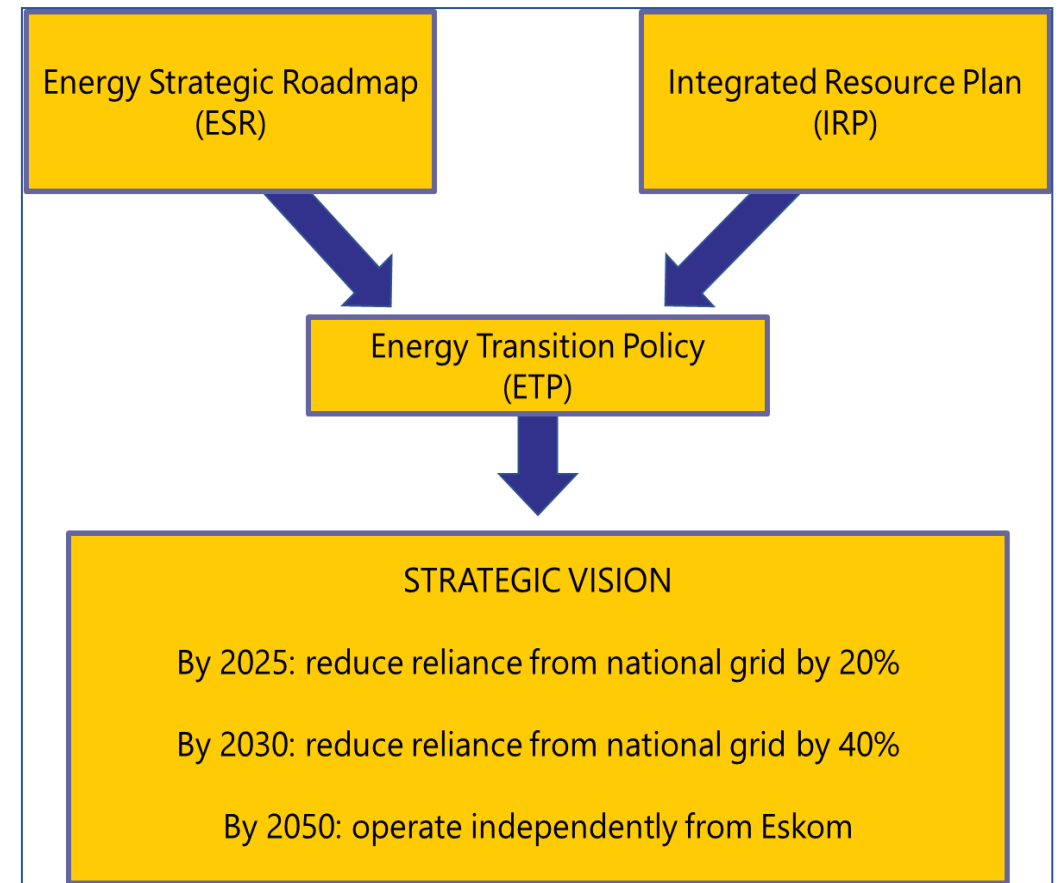


RENEWABLE ENERGY

In response to the declining energy security and changing market conditions in the energy sector, eThekweni Municipality has adopted an Energy Transition Policy (ETP), which aims to create a resilient, integrated municipal energy system with a diversified energy generation mix.

The city plans to reduce reliance on the national grid by 20% by 2025, by procuring 400 MW from independent power producers (IPPs) and establishing a Municipal Independent Power Producer Procurement Programme (MIPPPP).

The first batch of procurement is expected to attract R10 billion and create over 8000 jobs. The city plans to further procure an additional capacity of 2 600 MW from various sources of power generation, including on behalf of other regional municipalities within the province of KwaZulu Natal.



INVESTMENT INCENTIVES

- Rates rebates offered to investors based on qualifying criteria (investment value, spatial location, forecasted job creation, and the industry sector)
- **R17bn** attracted in investments
- The City forgoes R17mn annually
- **54** beneficiaries
- **Bespoke incentives** to encourage inner city regeneration



Source: Economic Development Unit, 2023



SUMMARY

INFRASTRUCTURE AND RENEWABLE ENERGY, BOTH THREATS AND OPPORTUNITIES

OPPORTUNITIES

1. Opportunity to **market Durban to the East** and other BRICS nations
2. Marketing around **developments in Durban**
3. Partnerships in job creation and **Mayoral Jobs Target** may translate into more support for initiatives
4. **International** and regional **events**

THREATS

1. **Global growth** expected to be low
2. Escalating **geo-political tensions**; risk of sanctions on official MICE events
3. Rising **cost of living; means affordability** is at an all time low
4. **Infrastructure** and funding gap to repair
5. Critically **low business confidence**
6. **Negative media momentum**, and limited meaningful response to real issues

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