KWAZULU-NATAL PROVINCE

ECONOMIC DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS

REPUBLIC OF SOUTH AFRICA

EZOMNOTHO

THE KWAZULU-NATAL QUARTERLY ECONOMIC AND STATISTICAL OVERVIEW

December 2020

KWAZULU-NATAL PROVINCE

TREASURY

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1. INTRODUCTION

1.1 Foreword

Mr Ravi Pillay, MPL
MEC for KZN Department of Economic Development, Tourism and Environmental Affairs

As we draw to the end of a most profound year that has been riddled with unprecedented hardships across the globe, the country and the province; it is important that we do not lose hope and continue to fight against the global pandemic, COVID-19. It is in these spirits that we, the KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs welcome President Ramaphosa's ambitions of steering the economy away from executing emergency measures and towards economic recovery and reconstruction. As a result of lockdown measures implemented in March 2020, many businesses and households have been negatively impacted. However, as both the global and regional economies have begun to open up, and with the implementation of the plan for recovery and reconstruction; it is hopeful that the economic outlook of the province and the country will begin to see improvements.

The lockdown of global trading and local businesses has incited a convergence of challenges around national debt, food security, public health, employment and labour issues (in particular workers' health and safety). With the GDP in the country shrinking by 6.1%(seasonally adjusted quarterly year-on-year growth), debt rising to 75.2% of GDP, the increase of dependence on social grants and unemployment rising to 30.8% for the Third Quarter of 2020 due to unprecedented instances of retrenchments, the economy has continued to decline.

However, the economic and social disruptions brought on by COVID-19 will not deter the efforts of the department to supply essential insights pertaining to the economic developments on a global, national and provincial scale. Thus, through this publication, access to reliable and easily accessible information by stakeholders in order to debate and evaluate policy choices and service delivery performances shall continue; as well as serve as a reference in tracking the progress and status of developments of economic performances.

It is therefore with pleasure that we, the KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs in collaboration with Trade & Investment KwaZulu-Natal and KZN Provincial Treasury, present the December 2020 edition of Ezomnotho quarterly publication. And it is our aspiration that this publication will supplement the endeavours of policy makers to design strategies that will fast track policy implementations geared towards the recovery of extenuating economic and social challenges bought on by the global pandemic.

Mr Ravi Pillay, MPL
MEC for KZN Department of Economic Development, Tourism and Environmental Affairs

1.2 About this Publication

The publication provides in-depth analyses of macroeconomic developments in the global, national and local economies. The publication focuses on the performance of the real or productive economy, services, labour market, inflation and international trade developments.

A great portion of the information contained in the report has been sourced from Statistics South Africa (Stats SA), the South African Reserve Bank (SARB), the International Monetary Fund (IMF), the Department of Trade and Industry (DTI) and National Treasury and other private data sources. In cases where such information is unavailable, economic modelling tools such econometrics and STATA have been used.

1.3 KwaZulu-Natal at a Glance

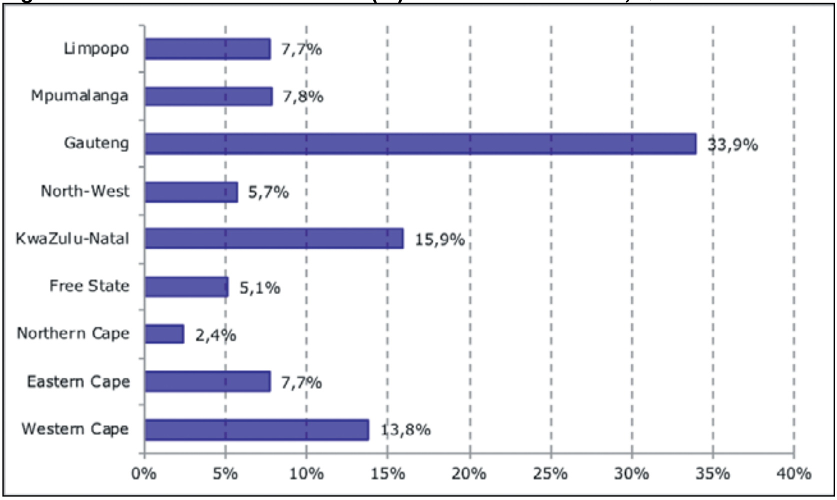
The table presented below shows a summary of the key provincial economic indicators in comparison with national figures. This is followed by information on the KwaZulu-Natal economic contribution to South African output versus other provinces and key sectoral GDP contributions to the provincial and national economies.

Table 1.3.1: Various Economic Indicators

Indicator	KwaZulu-Natal	South Africa
GDP (R'000s) at 2010 constant prices Seasonally Adjusted & Annualised (R' mil) (3rd quarter 2020)	471 096	2 962 669
Annualised Quarter-on-Quarter Seasonally Adjusted GDP Growth (3rd quarter 2020)	62.8	66.1
Population (2020)	11 531 628	59 622 350
Working Age Population (000s) (15-64 years) (QLFS, 3rd quarter 2020)	7 240	39 167
Unemployed (000s) (QLFS, 3rd quarter 2020)	856	6 533
Unemployment Rate (3rd quarter 2020)	26.4%	30.8%
Labour Force (000's) (3rd quarter 2020)	3 245	21 224
Absorption Rate (employed/population ratio) (3rd quarter 2020)	33.0%	37.5%
Gini Coefficient (2019)	0.63	0.63
Human development Index (HDI) (2019)	0.62	0.66
Functional literacy (2019)	83.4%	85.4%
Inflation (November 2020)	3.1%	3.2%
Total Air Passenger Movements at International Airports (3rd quarter 2020)	239 799	1 333 088
Cargo tonnage handled at ports (000s) (3rd quarter 2020)	34 884 176	58 663 798
Number of containers handled at ports (3rd quarter 2020)	650 163	1 039 183

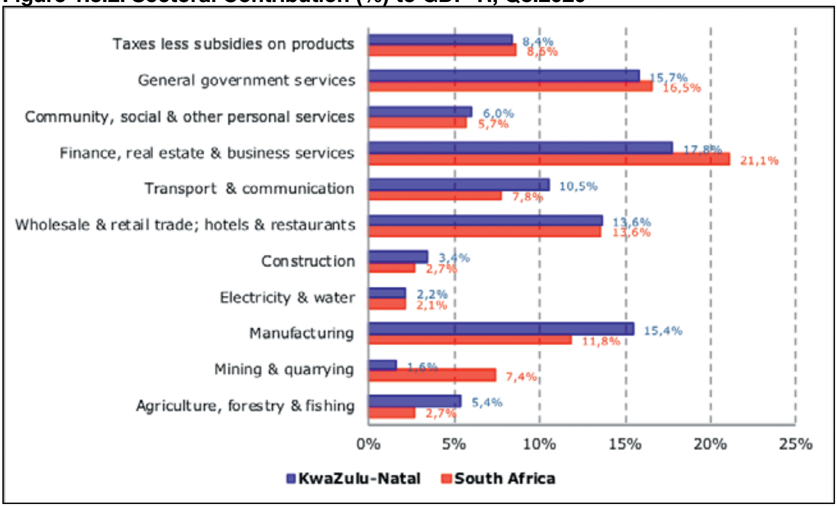
Source: Stats SA, IHS Global Insight, Quantec Research, ACSA, Transnet, 2020

Figure 1.3.1: Provincial Contribution (%) to South African GDP, Q3:2020



Source: Quantec Research, 2020

Figure 1.3.2: Sectoral Contribution (%) to GDP-R, Q3:2020



Source: Quantec Research, 2020

KwaZulu-Natal's Comparative Advantage

- KwaZulu-Natal (KZN) is the third smallest province by land size in the country but is the second largest contributor (approximately 16%) to the South African GDP after Gauteng.
- KZN is home to the Durban and Richards Bay ports which handle almost 60% of SA's cargo tonnage. Most bulk export operations occur in Richards Bay which produces over 4% of the global exports of aluminium. One of the world's largest sand mining operations also resides in the province.
- The province consists of a highly diversified agricultural sector. KZN is the country's main producer of timber as it produces over 50% of all timber used in the country and accounts for a significant percentage of the country's wood exports; as well as sugar cane (0.84% of SA GDP), with some of the country's largest sugar processing plants.
- KZN also has the highest export propensity in the country and has a fairly high level of industrialization (measured by the relative size of manufacturing output). The municipal areas that have the highest exports in terms of percentage contribution of exports in KZN include eThekwini, King Cetshwayo and uMgungundlovu.
- KwaZulu-Natal is also home to King Shaka International Airport (KSIA) which is the third largest airport in the country. King Shaka International Airport is directly connected to more than eight (8) international destinations.
- The province has a number of regional airports and air strips.
- KwaZulu-Natal boasts two industrial zones, namely: Dube Trade Port and Richard's Bay Industrial Development Zone. Dube Trade Port SEZ since inception has attracted investment with a value of R1.8 billion. There are currently 41 operational investors which have created a total of 3,300 job opportunities.
- The development of an automotive supply park in the South of Durban is envisaged to stimulate the automotive sector and work is underway to develop a Clothing & Textile SEZ in the province.
- KZN has many natural advantages including the scenic beauty, biodiversity and the unique cultural diversity. It is a key tourist destination with potential to grow further.
- The province boasts the iconic Moses Mabhida Stadium and two World Heritage Sites in the form of the Drakensberg Mountains and the Isimangaliso Wetland Park.

2. GLOBAL ECONOMIC DEVELOPMENTS AND OUTLOOK

2.1 World Economic Growth

The global economy is gradually recovering from the depths which it had dipped into during the hard lockdown period that began in March 2020. Most economies began to cautiously reopen in May and June, thereby resulting in a notable increase in retail sales due to discretionary consumer spending. As economies reopened and released constraints on spending, overall activity normalized faster than expected such that gross domestic product (GDP) outturns for the second quarter surprised on the upside in China, the United States (US) and the Euro Area. Despite tentative reopening in many economies, the coronavirus (COVID-19) pandemic continued to spread, forcing some countries to reinstate partial lockdowns to protect susceptible populations. Other countries that had previously flatten the infection curve such as Australia, Japan, Spain, and France experienced resurgence in COVID-19 infections.

The downturn triggered by the COVID-19 pandemic resulted in an unprecedented recession. Historically, economic downturns tend to have a lesser impact on service-oriented sectors than manufacturing. But the 2020 crisis led to larger contractions in service sectors; particularly those reliant on face-to-face interactions such as wholesale and retail trade, hospitality, and arts and entertainment. The severity of the contraction was driven largely by the public health response needed to slow transmission, together with behavioural changes. The deep wounds to the global economy from the pandemic recession are further evident in labour market indicators. According to the International Labour Organization (ILO), the global reduction in work hours in the second quarter of 2020 compared with the fourth quarter of 2019 was equivalent to 400 million full-time jobs.

Although the global pandemic remains the major threat to the global economy, hopes for a breakthrough in the fight against the virus have intensified as testing has been ramped up, treatments are improving, and vaccine trials have proceeded at an unprecedented pace, with some now in the final stage of testing. Given the world's devastative COVID-19, the global economy is forecast to record a somewhat less severe, though still deep, recession at 4.4% in 2020. The improved outlook for the global economy reflects better than projected second-quarter GDP outturns; mostly in advanced economies, where economic activity began to pick up faster than expected after lockdown restrictions were slowly lifted, as well as indicators of a stronger recovery in the third quarter. Global growth is expected to bounce back with a broad-based 5.2% in 2021, reflecting the more moderate downturn projected for 2020 and consistent with persistent social distancing expectations. While the global economy is bouncing back, the long climb back to pre-pandemic activity levels remains prone to setbacks.

Table 2.1.1: GDP Growth Rate, Selected Regions, 2017 – 2022*

Region	GDP Growth (Per cent)			GDP Forecast (Per cent)		
	2017	2018	2019	2020#	2021*	2022*
World	**3.8**	**3.5**	**2.8**	**-4.4**	**5.2**	**4.2**
Advanced	**2.5**	**2.2**	**1.7**	**-5.8**	**3.9**	**2.9**
United States	2.3	3.0	2.2	-4.3	3.1	2.9
Euro area	2.6	1.8	1.3	-8.3	5.2	3.1
Germany	2.6	1.3	0.6	-6.0	4.2	3.1
France	2.3	1.8	1.5	-9.8	6.0	2.9
Italy	1.7	0.8	0.3	-10.6	5.2	2.6
Spain	2.9	2.4	2.0	-12.8	7.2	4.5

Region	GDP Growth (Per cent)			GDP Forecast (Per cent)		
	2017	2018	2019	2020#	2021*	2022*
Japan	2.2	0.3	0.7	-5.3	2.3	1.7
United Kingdom	1.9	1.3	1.5	-9.8	5.9	3.2
Canada	3.2	2.0	1.7	-7.1	5.2	3.4
Other advanced economies	3.1	2.7	1.7	-3.8	3.6	3.1
Emerging market and developing	**4.8**	**4.5**	**3.7**	**-3.3**	**6.0**	**5.1**
Middle East and Central Asia	2.6	2.1	1.4	-4.1	3.0	4.0
Emerging and developing Europe	4.1	3.3	2.1	-4.6	3.9	3.4
Russia	1.8	2.5	1.3	-4.1	2.8	2.3
Emerging and developing Asia	6.7	6.3	5.5	-1.7	8.0	6.3
China	6.9	6.8	6.1	1.9	8.2	5.8
India	7.0	6.1	4.2	-10.3	8.8	8.0
Latin America and the Caribbean	1.4	1.1	0.0	-8.1	3.6	2.7
Brazil	1.3	1.3	1.1	-5.8	2.8	2.3
Mexico	2.1	2.2	-0.3	-9.0	3.5	2.3
Sub-Saharan Africa	3.1	3.3	3.2	-3.0	3.1	4.0
Nigeria	0.8	1.9	2.2	-4.3	1.7	2.5
South Africa	1.4	0.8	0.2	-8.0	3.0	1.5

Source: IMF WEO, October 2020
*Note: # Indicates estimates and * projections*

Economic activity in advanced economies is recovering from the substantial contractions it had plunged into during the great lockdown. The robust GDP outturns supported this region's modest recovery for the second quarter in the United States (US) and Euro Area (EA). As a result, the economic outlook for advanced economies has improved slightly upward from -8% forecasted in September, with growth now projected to contract sharply by 5.8% in 2020. Output in the US is expected to contract by 4.3% in 2020, while the EA is projected to show a deeper contraction of 8.3%. The sharp downturn in the EA is driven largely by the considerable contraction projected for the key economies within the region such as Spain (-12.8%), Italy (-10.6%), France (-9.8%), and Germany (-6%). The United Kingdom (UK) is also expected to report a notable contraction of 9.8% in 2020, followed by Canada and Japan with -7.1% and -5.3% respectively. The region is however expected to rebound with a broad-based growth of 3.9% in 2021. The main contributors to the projected recovery in the region include a broad-based growth of 5.9% in the UK, followed by the EA and Canada with 5.2%. Economic activity in the US is expected to climb by 3.1% in 2021 while Japan bounced back by 2.3%.

Growth in Emerging Market and Developing Economies (EMDEs) is projected to contract by 3.3% in 2020, before bouncing back with a broad-based growth of 6% in 2021. The forecast recovery reflects robust economic prospects for China which outpace most other countries in the EMDEs group. This is evident on prospects for EMDEs exclusive of China, which remain precarious, thereby reflecting a range of factors, including the continuing spread of the pandemic and overwhelmed health care systems; the greater importance of severely affected sectors, particularly tourism; and the greater dependence on external finance.

All regions within the EMDEs group are expected to contract this year, with Latin American and the Caribbean projected to record a deeper contraction of 8.1% driven largely by substantial downturns of -9% in Mexico and -5.8% in Brazil. This is closely followed by Emerging and Developing Europe and the Middle East and Central Asia with -4.6% and -4.1%, respectively. A relatively lower contraction is forecast for Emerging and Developing Asia at 1.7% and Sub-Saharan Africa (SSA) at 3%. The Emerging and Developing Asia is expected to show robust growth of 8% in 2021 supported largely by significant growth rates of 8.2% and 8.8% projected in China and India, respectively.

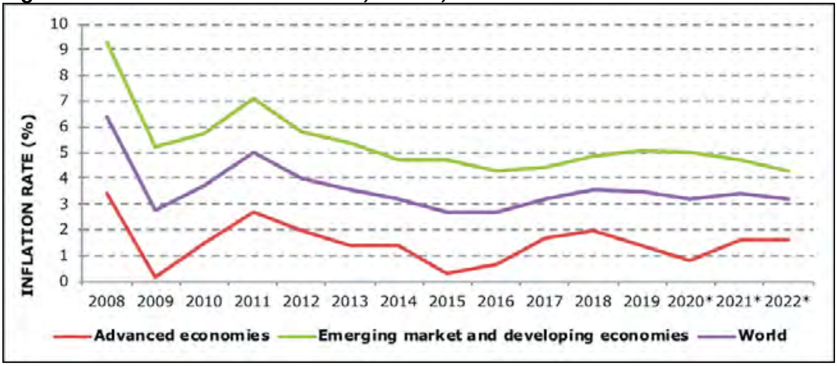
The observation from Table 2.1.1 shows that China is the only country anticipated to have reported a positive growth rate of 1.9% in 2020. China's GDP growth is projected to strengthen to 8.2% in 2021 as economic activity normalized faster than expected, primarily due to strong policy support and resilient exports.

2.2 Global Inflation

The immediate impact of the Covid-19 on inflation has slowed significantly and in some instances been deflationary on certain categories of Goods & Services. According to the International Monetary Fund and the Organisation for Economic Co-operation and Development, in the mist of the pandemic the prices of goods and services dropped due to lack of demand caused by widespread lockdowns; except for the price of medical related products, which increased prices up to 200%. However, as the economy is starting to open again, recent developments are pointing to great increase in inflation.

Advanced economies are bouncing back from the almost zero rate of inflation experienced in the early days of the pandemic. The United States of America recorded annual inflation of 1.2% in October, which is a drop from 1.4% in September 2020. On the other hand, in most emerging-economies, inflation is also expected to remain moderate or decelerate further, over the next two years.

Figure 2.2.1: Headline Inflation Rate, Global, 2008 - 2022*



Source: IMF, 2020
*Note: *indicate forecasts*

The world inflation rate is expected to remain below central banks' targets in the coming two years; especially in advanced economies due to the forces currently weighing on aggregate demand around the world, including re-infection fears, high unemployment and rising precautionary saving. However, in emerging-market economies, inflation could be higher than projected if domestic currencies depreciate again.

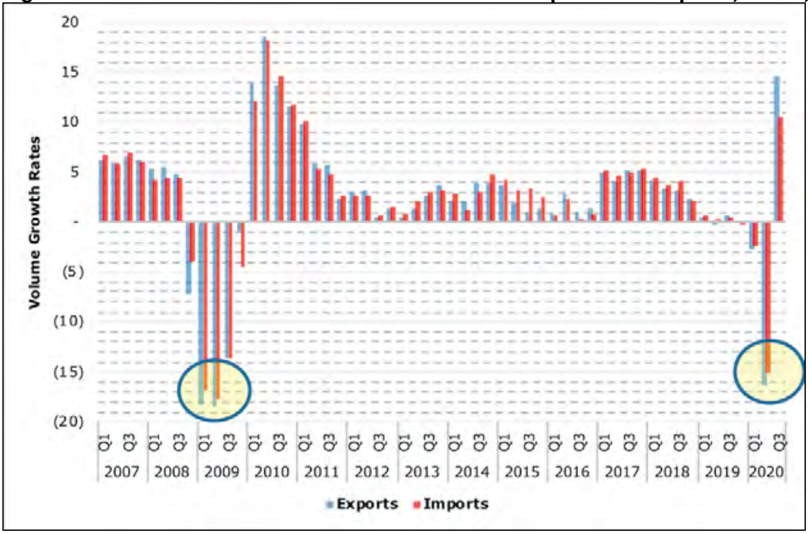
2.3 International Trade

World trade rebounded in the third quarter of 2020 after a deep decline in the second quarter, following negative domestic, regional and international shocks from the COVID-19 pandemic. Encouragingly, in the third quarter of 2020, the volume of world merchandise trade recorded a quarter-on-quarter growth of 12.5%, from the low base of -12.2% captured in the second quarter. The improved performance occurred as economic lockdowns were relaxed and many economies gradually reopened, also restoring supply chain activity and confidence amongst purchasing executives. However, 2020 remains a very difficult year for international trading activity, underpinned by persistent trade war between the USA and China, enhanced protectionism, the COVID-19 pandemic and fear of contagion or second wave lockdown by key trading partners. The expectation is for the world trade volume to decelerate to 10.4% in 2020, but rebound to a healthy 8.3% in 2021.

The volume of global merchandise exports increased quarter-on-quarter by 14.6% in quarter three, from 16.3% recorded in quarter two. China was a key contributor in quarter three, the period under observation. An earlier re-opening of its economy and restart of economic activity enabled it to cater for a strong uptick in global demand for personal protective equipment and other medical equipment necessary to stem the spread of the COVID-19 pandemic.

Chinese exports recovered from deep declines at the beginning of the year, to 11.3% in quarter three. Exports from other key trading partners including the United States (20.4%), Japan (13.2%), and the Euro Area (20.7%) were equally robust, significantly contributing to the bounce back in exports trend in quarter three, as reflected by the unbroken blue line in the graph below.

Figure 2.3.1: Volume Growth Rates Of Merchandise Exports and Imports, World, 2007:Q1 - 2020:Q3



Source: UNCTAD, 2020; CPB, Dec 2020

The volume of global merchandise imports increased quarter-on-quarter by 10.5% in quarter three, from 15.1% recorded in quarter two. Unlike exports, the improvement in global merchandise imports in the third quarter was less broad based, as reflected by the low volume to Japan (-8.1%). This is cause for concern, as Japan is a key trade partner and exports destination for most of South Africa's and KwaZulu-Natal's products. Nevertheless, Chinese imports grew to 9.9% in third quarter, alongside imports from other key trading partners including the United States (15.1%), and the Euro Area (13.8%), also contributing to the bounce back in imports trend in the third quarter.

Exports of merchandise from Africa and the Middle East slightly improved in the third quarter (-0.3%), when compared to the second quarter (-8.7%), although still trending in the negative territory. Correspondingly, the price/unit value for exports improved in the third quarter to US$10.4 when compared to the second quarter, while the price/unit value of imports also improved to US$2.2 in the third quarter. Imports performed better, improving in quarter three (0.9%) when compared to quarter two (-2.5%). The expectation is for the advent of the African Continental Free Trade Area (AfCFTA) agreement early next year, to boost intra-African trade by 15% to 25% by 2040, and enhance economic output by US$29 trillion by 2050, with spill-over benefits for global trade.

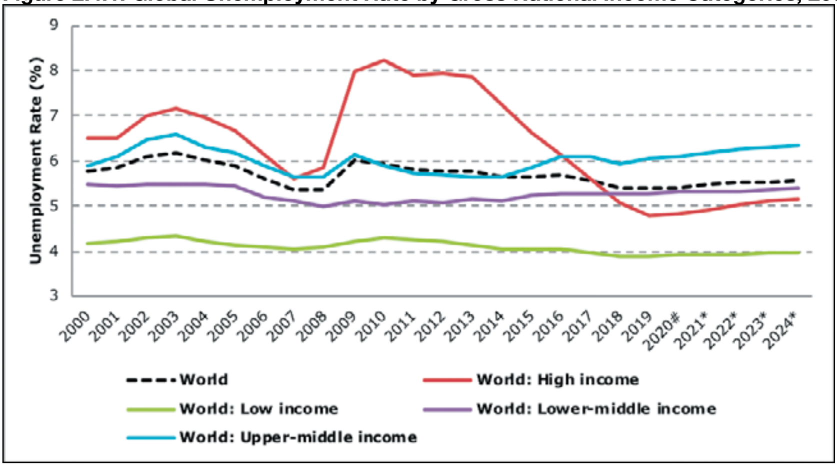
Africa's industrial exports are forecast to benefit most from the AfCFTA, with potential for large scale reindustrialisation, also ensuring the survival of small and medium-sized enterprises with higher propensity to create jobs. The COVID-19 pandemic has highlighted the downside of over-reliance on commodity exports by African countries, and the AfCFTA agreement is well-timed, as it will provide more impetus by diversifying Africa's trade and encouraging a move away from extractive commodities such as oil and minerals. Commodities have traditionally accounted for Africa's exports and the continental trade agreement will ensure a shift towards a more balanced and sustainable export base, and a more sustainable and inclusive trade that is less dependent on the fluctuations of commodity prices.

2.4 International Labour Markets

The COVID-19 crisis has distorted the definition of 'unemployment' where people automatically fell into the discouraged work-seekers segment because of reduced economic activities posed by the COVID-19 restrictions in most countries. Not only did these cause organisations to close down operations, but other businesses found ways to operate virtually. The International Labour Organisation Monitor (ILO Monitor), 2020, reported worsening effects that the pandemic has had on workplace closures, labour income losses and working-hour losses. Working-hour losses translate into a substantial loss of income for workers around the world and for the third quarter, global working hours declined to 12.1% from a 17.3% in the second quarter of 2020. This is equivalent to 345 million full time jobs affected. These high working–hour losses translate into substantial losses in labour income estimated to have a global decline of 10.7% during the first three quarters of 2020.

The latest data confirms that working-hour losses are reflected in higher levels of unemployment and inactivity, with inactivity increasing to a greater extent than unemployment. Rising inactivity is a notable feature of the current job crisis calling for strong policy attention.

Figure 2.4.1: Global Unemployment Rate by Gross National Income Categories, 2000 – 2024*



Source: ILO, 2020
Note: (*) Forecasts, (#) Estimates

The global unemployment rate is sitting at 5.42% with a global labour force of 3.49 billion and a global loss of working hours at 12.1%. From the third quarter of 2019, the unemployment rate has increased by 0.42% as a result of the prevalent COVID-19 pandemic.

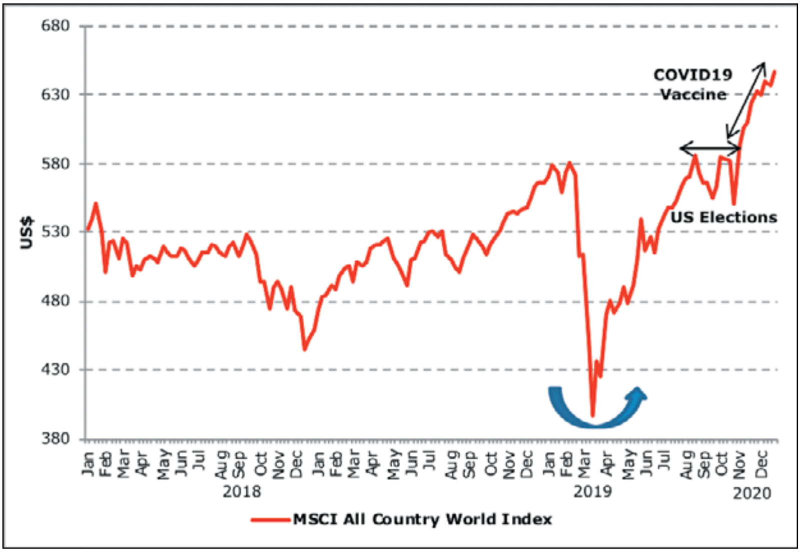
From a regional perspective, America is expected to remain the most affected region in the third quarter (a decline in working hours of 19.8%). The losses of working hours in the Arab States are estimated at 12.4%, closely followed by Europe and Central Asia (11.6%), Africa (11.5%), Asia and the Pacific (10.7%).

Across income groups, lower-middle-income countries are expected to register the highest rate of hours lost, at 15.6%, a situation similar to that of the second quarter. Low-income countries are expected to register a decline of 11.0 %. Upper-middle income and high-income countries are projected to experience the smallest losses, namely 10.4 and 9.4 %, respectively.

2.5 International Financial Markets

The year 2020 has been very challenging given the unprecedented and unpredictable shock of Covid19 that resulted in a record-large global recession. Uncertainty will linger into 2021 and full economic normalisation will take several quarters. The challenging environment presented by the crisis has led to an uneven recovery across many industries. Despite all economies and many industries being severely impacted by global lockdowns, markets around the world have rallied since March 2020 on the back of cumulative and concerted government stimulus aimed at keeping businesses open and economies ticking over as well as optimism over the trials and subsequent release of the Covid19 vaccine. However, a new strain of Covid19 will likely damper this bullish sentiment. Markets have also somewhat impacted in the short term by the US elections, post BREXIT deal and second lockdowns across Europe and the UK.

Figure 2.5.1: Morgan Stanley Capital International (MSCI) All Country Equity Index, Jan 2018 – Dec 2021



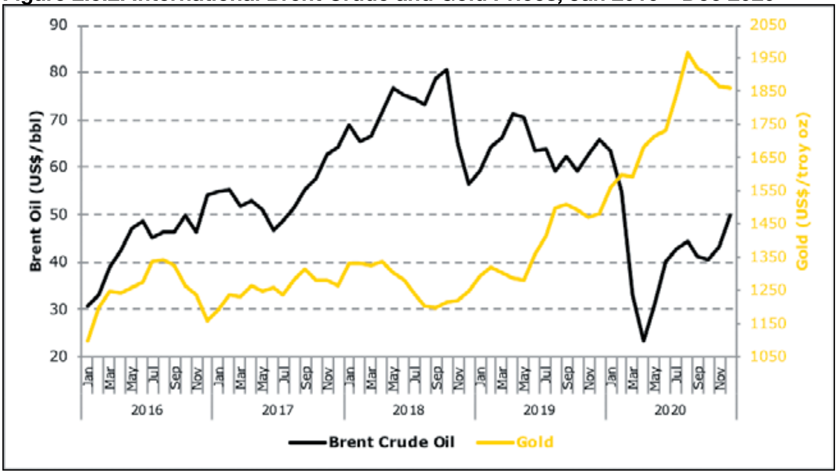
Source: Investing.com, 2020

In addition, the US dollar has weakened significantly creating greater appetite for equities as a weaker dollar will boost earnings in dollar terms. The US Dollar Index (DXY)[1] in December dropped to its lowest level (89.2) since April 2018 and finishing 2020 with its first annual loss in three years driven by State of Georgia senate race giving the US Senate to the Democrats and to the newly elected US President Joe Biden.

1 *The US Dollar Index is used to measure the value of the dollar against a basket of six world currencies - Euro, Swiss Franc, Japanese Yen, Canadian dollar, British pound, and Swedish Krona.*

Crypto currencies have also skyrocketed by more than 200% in December 2020. At the beginning of 2020 crypto currency markets did not look too bright. However the Covid19 pandemic allowed Central Banks across the globe to roll out multiple rounds of so called 'unchecked' stimulus spending thereby strengthening crypto currencies as an alternative economic proposition as a store of value. Macroeconomic instability resulting from stimulus packages during the economic shutdown and global low interest rates caused investors to put their money into crypto currencies as investors searched for investable assets leading them to re-evaluate their original assessments of the digital asset.

Figure 2.5.2: International Brent Crude and Gold Prices, Jan 2016 – Dec 2020



Source: World Bank, 2020

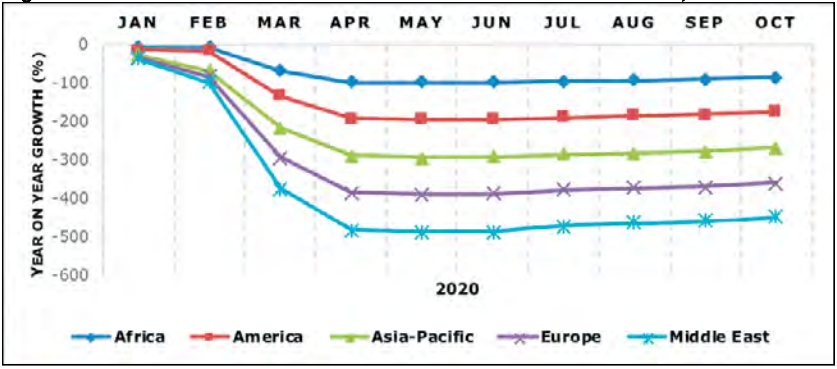
The oil industry took a tumble in 2020, but the tide changed towards the end of the year. Oil prices are currently wading cautiously in the US$50 range as a new wave of lockdowns in Europe threatens to bring the world to another standstill. Despite this, the demand for oil in Asia is returning to pre-pandemic levels.

Gold was used as a store of value during height of the pandemic but has waned in recent months as equities and government bonds become more attractive as there is a market expectation of larger US government borrowing following the US elections. Apart from this, hopes for a strong global economic recovery in 2021 remained supportive of the underlying bullish sentiment in the financial markets.

2.6 International Tourism Developments

The international travel and tourism industry has been affected adversely by the lockdown restrictions across the globe. The effect is adverse in both international and domestic tourism market, but the impact on the domestic market is less. Even though several regions have been gradually lifting the lockdown travel restrictions, it is anticipated that travellers will exclude themselves from travelling and touring, since the deadly virus was mainly spread through travel and tourism industry.

Figure 2.6.1: Annual Growth in International Air Travel Reservations, 2020

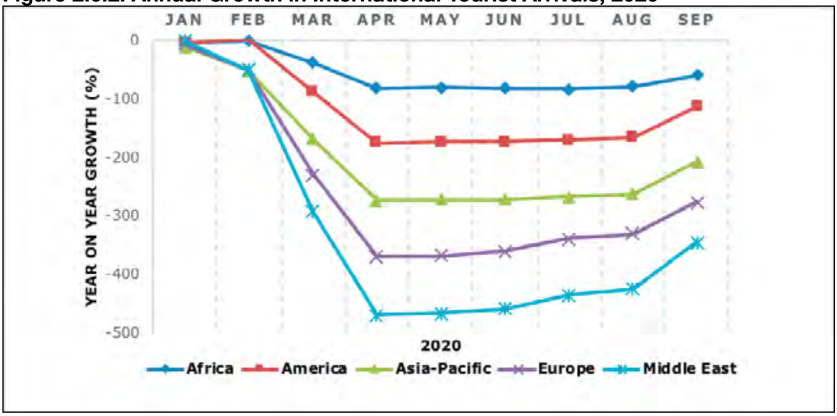


Source: World Travel and Tourism Council, 2020
*Note: * indicates estimates*

According to the United Nations World Tourism Organisation (UNWTO), international tourist arrivals declined by 70% between January and August 2020, which is a decline of 700 million arrivals compared to the same period in 2019. The decline has resulted in a US$730 billion loss in export revenues in the international tourism industry, which is 8 times the loss suffered in 2009 under the global economic crisis.

All the regions have recorded the highest decline in the tourism sector, from the beginning of the year. By the end of October 2020, the region adversely impacted is Asia-Pacific (-79%), followed by Africa and Middle East (-69%) respectively, Europe (-68%) and America (-65%), compared to the similar period in 2019.

Figure 2.6.2: Annual Growth in International Tourist Arrivals, 2020



Source: World Travel and Tourism Council, 2020
*Note: * indicates estimates*

The European region recovered a little between July and August when they gradually lifted the lockdown travel restrictions; however the recovery was short lived, as travel restrictions were re-introduced amid the Corona virus resurgence. On the other hand, the tourism sectors in China and Russia are starting to recover, their recovery is attributed to air capacity rebounded by domestic travel.

Globally, the tourism sector is challenged with weak demand due to the COVID-19 pandemic. According to the World Travel and Tourism Council (WTTC), since the beginning of the pandemic, the tourism industry has shed 142 million jobs, which equates to the global GDP of US$3.815 billion and if the demand does not improve it is anticipated that by the end of 2020, 174.4 million jobs will be lost which equates to approximately US$4.711 billion of the world GDP.

Table 2.6.1: Impact of the pandemic on Travel and Tourism jobs and GDP, 2020

Regions	International tourism, number of employments impacted		International tourism, the value of the GDP impacted	
	Number of Employment already impacted (million)	Number of Employment loss forecasted (million)	The value of the GDP already impacted (US$BN)	The value of the GDP loss forecasted (US$BN)
Africa	12.4	15	87	105
America	19.8	24.7	1.074	1.363
Asia-Pacific	87.4	106.7	3.815	4.711
Caribbean	1.7	1.9	36	42
Europe	18.8	23.2	1.025	1.268
Middle East	4.2	4.7	154	175
Northern America	10.8	13.8	907	1.161
Total	**142.6**	**174.4**	**3.815**	**4.711**

Source: WTTC, 2020

The travel and tourism industry contributes one job in every 10 jobs available in the world economy, which makes about 330 million jobs around the world and contributes 10.3% to global GDP.

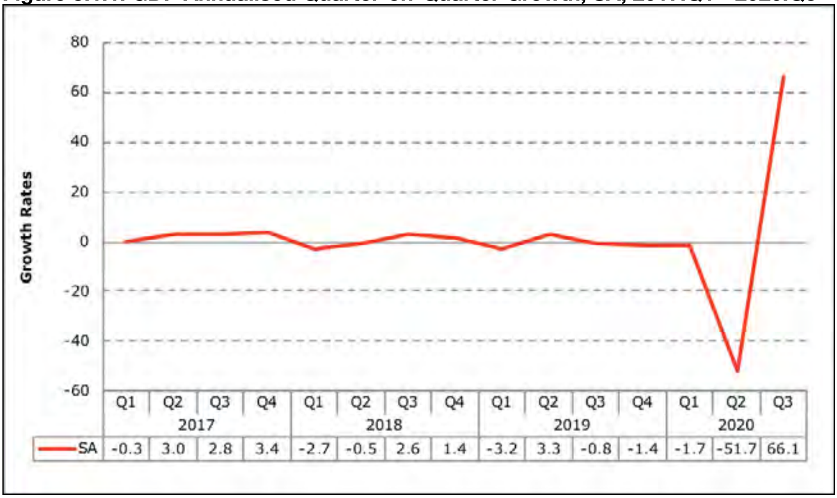
3. DOMESTIC AND REGIONAL ECONOMIC DEVELOPMENT AND OUTLOOK

3.1 Economic Growth

3.1.1 Gross Domestic Product Growth Trends

Although the South African economic growth remains substantially below pre-COVID-19 levels, the third quarter rebound of 13.5% in the country's Gross Domestic Growth (GDP) is a welcome relief. The increase in economic activity across all industries backed by the easing of lockdown restrictions in recent months has propelled the South African economy out of a recession. South Africa's GDP has contracted for four consecutive quarters including the COVID-19 induced plunge in the second quarter of 2020, which has placed significant pressure on the fiscus, before bouncing back into a slight but remarkable recovery in the third quarter of 2020.

Figure 3.1.1: GDP Annualised Quarter-on-Quarter Growth, SA, 2017:Q1 - 2020:Q3



Source: Quantec Research, 2020

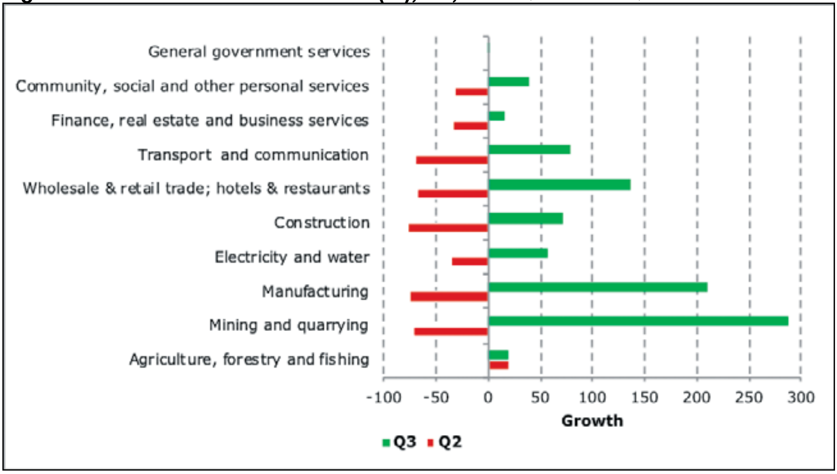
Real gross domestic product increased at an annualised rate of 66.1% in the third quarter of 2020 largely driven by manufacturing, trade and mining. Despite the positive growth in GDP estimates for the third quarter, levels of economic activity across all industries remain severely subdued compared to pre-COVID-19 levels of production, with data from Stats SA approximating a 5.8% shrinkage in the current size of the economy relative to end of 2019. The October World Economic Outlook projected a 8% contraction in economic growth for the year 2020 and a positive growth of 3% for 2021. Notwithstanding that, persistent structural economic constraints such as electricity shortages, the escalating national debt amid uncertainties surrounding second wave COVID-19 infections may undermine the positive 2021 projections to growth.

3.1.2 Sectoral Drivers of GDP Growth

After a rather severe contraction of all industries, with the exception of agriculture, in the second quarter of 2020 due to the heighted COVID-19 lockdown, all industries in the third quarter bounced back notably. Manufacturing (contributing share of 16.2%), trade (contributing share of 14.6%) and mining (contributing share of 11.8%) emerged as the largest drivers and key contributors to third quarter growth.

The manufacturing industry grew at an annualised rate 210.2% largely facilitated by increased production of basic metal products, food and beverages, petroleum and vehicles. Trade as the second largest contributor to GDP growth increased at an annualised rate of 137% after contracting by 67.6% in the second quarter of 2020. The increase was mostly due to better than expected projections in consumer spending. Although the third biggest contributor to growth, mining recorded the largest annualised industrial output at 288.3%, largely due to increased production in minerals and backed by a rise in exports.

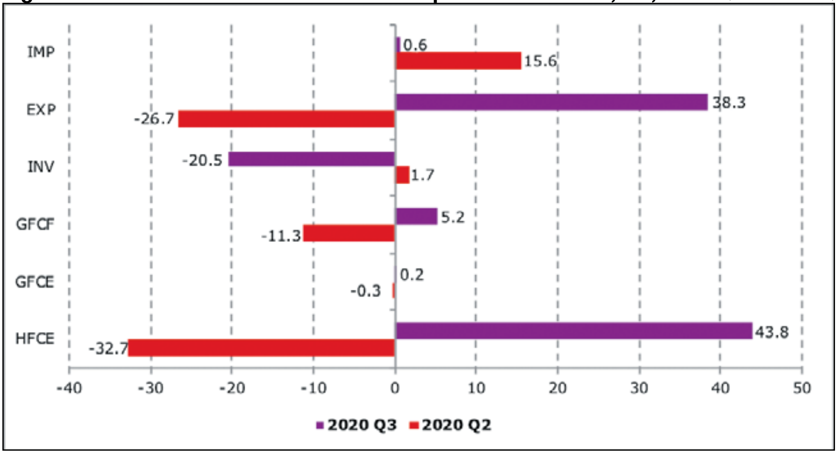
Figure 3.1.2: Sectoral Growth Trends (%), SA, 2020:Q2 & 2020:Q3



Source: Quantec Research, 2020

Other notable contributions to growth emanated in the following industries, transport (contributing share of 5.8%), finance (contributing share of 4.4%), personal services (contributing share of 2.5%) and construction (contributing share of 1.9%). Despite the welcome positive sentiments in industrial output for the third quarter, on a year-to-year percentage change basis, third quarter growth shrank by 6.1% in comparison to the same quarter last year indicative of an economy that is not yet out of the doldrums.

Figure 3.1.3: Contributions to Growth in Expenditure on GDP, SA, 2020:Q2 - 2020:Q3



Source: Stats SA, 2020

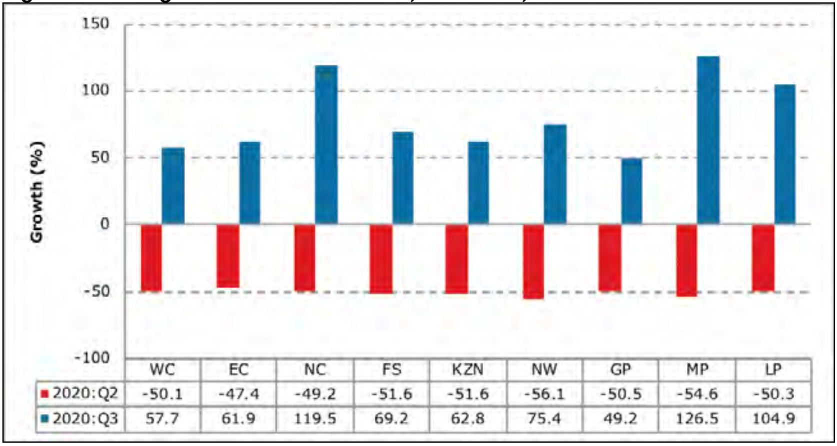
Figure 3.1.3 above portrays contributions to growth in expenditure on GDP[2] for the second and third quarters of 2020. Household Final Consumption Expenditure (HFCE) contributed almost 44% to growth, an opposite recovery from the -32.7% contraction recorded in the second quarter. The main contributors to growth in HFCE included transport (17.2%), alcohol and tobacco (9.5%), Food (9.1%) and clothing (9%). Gross Fixed Capital Expenditure rose at a rate of 26.5% in the third quarter, contributing 5.2% to overall growth. The increase in GFCE can be attributed mainly to expansions in constructions works (15.7%), residential and non-residential with equal contributions of 4.9%. Net-exports recorded a sizeable contribution of 38.9% mostly supported by increased exports. On the end of the spectrum, government final consumption expenditure increased by 0.7% with a modest contribution to growth of 0.2%.

3.1.3 Regional Growth Comparison

All provinces registered positive growth annualised rates ranging from 49% to 127% for the third quarter of 2020, with Mpumalanga, Northern Cape, Limpopo, North West and Free State registering growth rates higher than the national rate of 66.1%. KwaZulu-Natal is among the provinces that had a better growth rate; as such, the province posted a growth rate of 62.8% in the third quarter of 2020 following a contraction of 51.6% in the previous quarter. Economic recovery in KwaZulu-Natal was anchored by the resuscitation of more economic activities which propelled growth across all sectors leading to an enhanced overall performance in the provincial economic growth.

2 *IMP-Imports, EXP-Exports, INV-Inventories, GFCF-Gross Fixed Capital Formation, GFCE-Government Final Consumption Expenditure, HFCE-Household Final Consumption Expenditure*

Figure 3.1.4: Regional Economic Growth, Provincial, 2020:Q2 – 2020:Q3



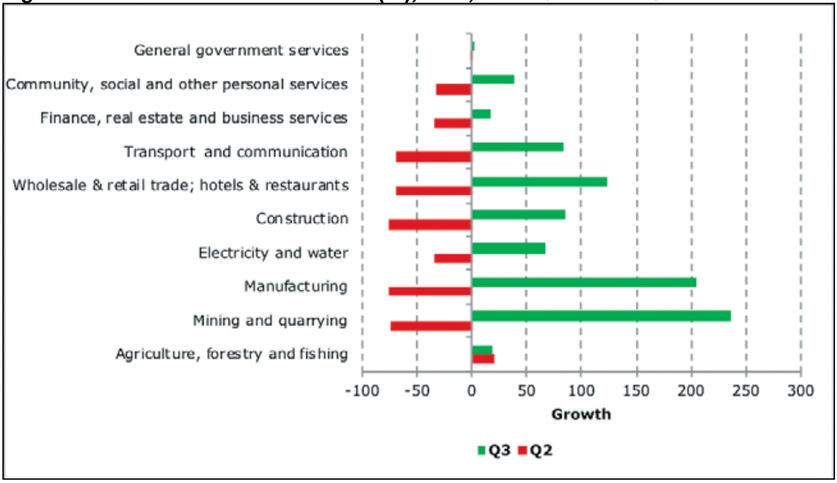
Source: Quantec Research, 2020

The Mpumalanga province recorded the highest expansion in growth of about 126.5% marking a significant improvement in the third quarter growth from previous quarter experiencing -54.6%. This was followed by Northern Cape with a growth rate of 119.5% and Limpopo with the growth rate of 104.9%. Gauteng (49.2%), Western Cape (57.7%) and KwaZulu-Natal (62.8%), the leading economic hubs of the country recorded some of the lowest growth rates for the third quarter of 2020, an indication of a still subdued and sombre economy due to the lingering effects of the pandemic.

3.1.4 KZN Sectoral Growth

The KwaZulu-Natal provincial economic activity in terms of industrial output followed a similar trend as the national economy during the third quarter of 2020. The third quarter rebounded in most sectors boosted the overall performance of the provincial economic growth rate.

Figure 3.1.5: Sectoral Growth Trends (%), KZN, 2020:Q2 & 2020:Q3



Source: Quantec Research, 2020

It is evident from figure 3.1.5 above that the KwaZulu-Natal economy has recovered remarkably following the lifting of lockdown restrictions. The increase in the KwaZulu-Natal GDP growth rate during the period under review was primarily caused by a better performance in the primary and secondary sectors. Within the primary sector, mining and quarrying has the highest growth rate of 235.6% in the third quarter of 2020. However, as much as other sectors improved, the agriculture growth rate slowed slightly by (1.1%) from 19.9% in the second quarter of 2020 to 18.8% in the third quarter of 2020.

In the secondary sector, manufacturing was leading in terms of growth and it registered a positive growth rate of 205.1% in the third quarter of 2020 from -75.1% in the second quarter of 2020. Electricity and water increased from -33.5% in the second quarter of 2020 to 67% in the third quarter of 2020, this was due to an increase in use of electricity for manufacturing and mining. Within the tertiary sectors, trade (whole sale & retail; hotels and restaurants) recorded the highest increase (123.4%), followed by transport & communication (83.5%). The general government services recorded an insignificant increase of 0.9%, whilst the finance, real estate & business services posted a slight increase from the deep contraction in the previous quarter.

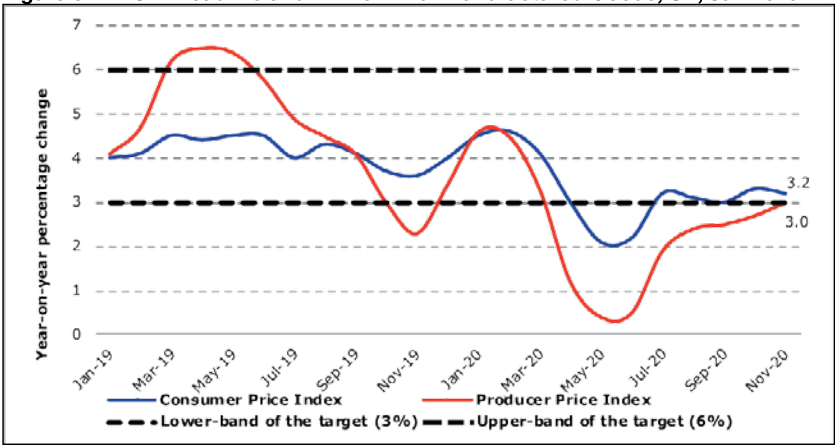
3.2 Inflation

The level of inflation in South Africa has gradually rebound from the significantly lower rates reported in the first half of 2020. The headline inflation rate reverted to the South African Reserve Bank's (SARB's) target range of 3% to 6% in July 2020 and has subsequently remained within the targeted band. The modest uptick on inflation outcome was supported mainly by lifting restrictions on the sale of goods and services, especially those classified as non-essential during the hard-national lockdown period. Despite the notable easing of lockdown restrictions, particularly in the third quarter of 2020, the headline inflation rate remains sluggishly at the edge of the target's lower-bound. The annual inflation rate was reported at 3.2% in November 2020, a percentage point lower than 3.3% recorded in October. The slightly lower inflation in November was driven largely by food & non-alcoholic beverages; housing & utilities; and miscellaneous goods & services.

Food and non-alcohol beverages recorded the largest increase of 5.8% year-on-year, thereby contributing 1.0 percentage point to the Consumer Price Index (CPI) annual rate. The main contributor to the notable increase in this category was food prices which grew by 5.9% year-on-year. Food prices were driven mainly by fruits; sugar, sweets & deserts; and oil & fats at 14.5%, 9.3% and 8.3% year-on-year, respectively. Non-alcohol beverages, on the other hand, recorded an increase of 4.4% year-on-year driven largely by hot drinks which grew by 6.2%.

The costs of housing and utilities accelerated by a moderate 2.9% year-on-year, a 0.7 percentage contribution to the CPI annual rate. The main contributors to the growth in the costs of housing and utilities were water & other services, and electricity & other fuels with 6% year-on-year. Miscellaneous goods and services increased by 6.8% year-on-year and contributed 1.1 percentage points. The increase on prices for miscellaneous goods and services was driven largely by other goods & services which rose by 8.6% year-on-year, followed by insurance and financial services with 7.6% and 7.4% year-on-year, respectively.

Figure 3.2.1: CPI Headline and PPI for Final Manufactured Goods, SA, Jan 2019 – Nov 2020



Source: Stats SA, 2020

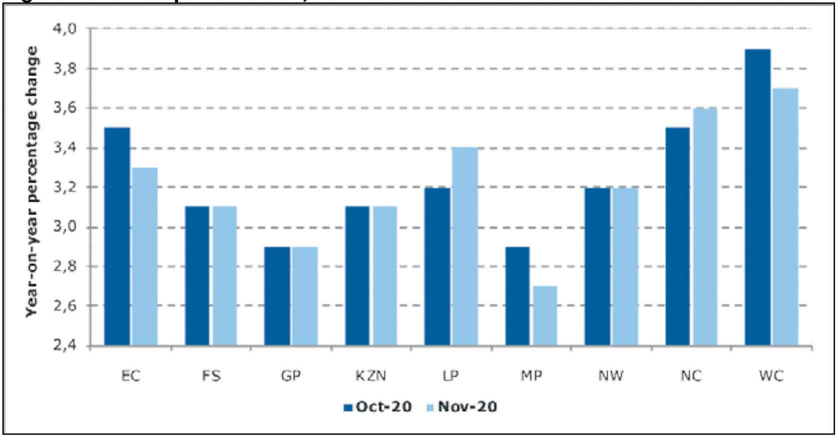
The annual Producer Price Index (PPI) continues to improve, albeit at a slow pace, from the decline reported during the hard-national lockdown period. The PPI indicates changes in producer prices of locally produced commodities including exports[3]. South African PPI grew by 3% year-on-year in November 2020, compared to a growth of 2.7% year-on-year in October. The main contributors to the rise in annual percentage change in PPI for final manufactured goods for November were food, beverages, and tobacco products at 2.0%. This was closely followed by transport equipment (0.8%) and paper and printed products (0.4%).

Regional inflation rate continues to revolve between the mid-point and lower-bound of the SARB's targeted range. However, Mpumalanga (MP) and Gauteng (GP) provinces were the only exceptions with inflation rates below the lower end of the target at 2.7% and 2.9% in November 2020, respectively. However, inflation in the Western Cape (WC) was the highest and close to the mid-point of the target at 3.7%. On the other hand, KZN and the Free State (FS) recorded inflation rate at the lower-bound edge at 3.1%.

3 *The PPI is defined as "A measure of the change in the prices of goods either as they leave their place of production or as they enter the production process." The PPI therefore comprises of both the PPI for final manufactured goods and the PPI for intermediate manufactured goods.*

In Limpopo, inflation rose from 3.2% in October 2020 to 3.4% in November. A similar trend was also reported in the Northern Cape (NC), whereby inflation went up slightly from 3.5% to 3.6% over the same period. Other provinces such as the Eastern Cape (3.5% to 3.3%), MP (2.9% to 2.7%), and the WC (3.9% to 3.7%) recorded a moderate decline in the inflation rate. Over the same period, in KZN, FS, GP and the NW, inflation remained unchanged at 3.1%, 2.9% and 3.2%, respectively.

Figure 3.2.2: CPI per Province, Oct & Nov 2020



Source: Stats SA 2020

Despite the monthly changes, the SARB expects inflation to remain within the target band and below the mid-point of 4.5% over the medium-term. The central bank forecasts inflation to have averaged at 3.2% in 2020, before rising to 3.9% and 4.4% in 2021 and 2022, respectively. The main contributing factors to the inflation outlook include the subdued oil prices, expected lower local food price inflation, and muted inflationary risks of rand exchange rate depreciation. Though inflation is expected to remain contained within the target over the medium-term, the Monetary Policy Committee (MPC) decided to keep the repurchase rate (repo rate)[4] unchanged at 3.5% per annum in its November 2020 meeting.

The last repo rate cut of 25 basis points was instituted in July 2020, resulting in a total cumulative reduction of 300 points since January 2020. The Central Bank reduced policy rates up to this magnitude as the Monetary Policy Authorities try to ease financial conditions and improve households and firms' resilience to the economic implications of COVID-19. This was also accompanied by significant steps to ensure adequate liquidity in domestic markets by providing regulatory capital relief, and sustaining lending by financial institutions to households and firms.

4 *Repo is the rate at which the central bank of a country (SARB) lends money to commercial banks. Repo rate is used by monetary authorities to control inflation.*

3.3 Trade

3.3.1 South African Trade

In nominal terms South Africa's cumulative global exports' rand value for the third quarter of 2020 was R387.9 billion, while imports' rand value totalled R278.4 billion, resulting in an overall estimated trade surplus of roughly R109.5 billion, which is a massive improvement on the R30.4 billion recorded in the second quarter of 2020. The concise information is captured in the table below.

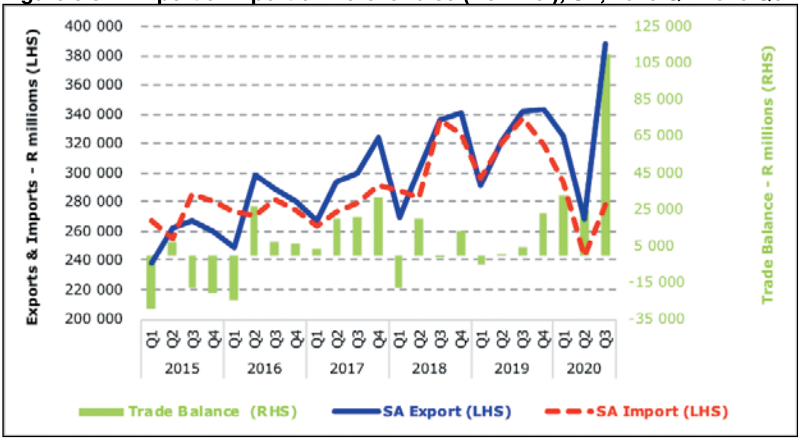
Table 3.3.1: SA Trade Position – 2020:Q3 (Nominal)

Exports	Imports
R387 884 183 359	R278 367 625 930
Trade Balance: Surplus	
R109 516 557 429	

Source: SARS (Customs and Excise), Dec 2020

Exports from South Africa (SA) grew by 44.3% in the third quarter of 2020 from a low base in quarter two, while there was a less than proportionate increase in imports by 14.4% in the same quarter, resulting in an impressive improvement in the trade balance by 330.1%, as reflected in the graph below. The figure shows SA's exports trend (see unbroken blue line), its imports trend (see broken red line), and the resulting trade balance (green bars) over time. There was a strong base effect from the COVID-19 in the second quarter data, which is clearly visible in quarter three, given the huge rebound in trading activity. Given the pandemic context, the base effect which refers to the impact that abnormally high or low levels of data have on percentage change numbers when compared with the most recent month, is evident in all the data analyses conducted in this the third quarter report.

Figure 3.3.1: Export & Import of Merchandise (Nominal), SA, 2015:Q1-2020:Q3



Source: Quantec, Dec 2020

The impressive third quarter growth in SA's exports was mainly influenced by large expansions or quarter-on-quarter movements in exports recorded in original equipment components (1578.1%); tin and articles thereof (619.9%); umbrellas, sun umbrellas, walking sticks, seat-sticks, whips, riding-crops and parts thereof (325.8%); ships, boats and floating structures (290.1%); aircraft, spacecraft, and parts thereof (253.5%); and silk (241.9%).

The favourable trade balance for quarter three was also largely influenced by enhanced trading activity with key trade partners as reflected in the table below.

Table 3.3.2: SA major Trade Partners - 2020:Q3

Top 5 South African Export Countries	Top 5 South African Import Countries
United States (12.2%)	China (19.8%)
Germany (9.1%)	Germany (10.1%)
China (8.9%)	United States (7.0%)
United Kingdom (5.6%)	Saudi Arabia (4.4%)
Japan (4.2%)	India (4.3%)

Source: SARS (Customs and Excise), Dec 2020

The table above shows the top 5 trading countries with South Africa in third quarter of 2020. The United States, Germany and China, carried the largest weights in both the exports and imports columns, while Saudi Arabia and India were featured only in the imports column. China (28.7%) carries the highest cumulative trade importance with SA, followed by both the United States and Germany (19.2% respectively).

The top ten products and their respective share of SA's total exports of R387.9 billion during quarter three of 2020 are: natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin (24.3%); ores, slag & ash (14.6%); vehicles other than railway or tramway rolling stock, and parts and accessories thereof (9.6%); mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes (6.7%); nuclear reactors, boilers, machinery and mechanical appliances; parts thereof (6.2%); edible fruit and nuts; peel of citrus fruit or melons (5.9%); iron and steel (3.8%); miscellaneous chemical products (1.9%); electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles (1.8%); and aluminium and articles thereof (1.7%).

Alternatively, the top ten products and their respective share of SA's total imports of R278.4 billion during quarter three of 2020 are: mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes (13.3%); nuclear reactors, boilers, machinery and mechanical appliances; parts thereof (12.7%); electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles (9.5%); original equipment components (6.2%); vehicles other than railway or tramway rolling stock, and parts and accessories thereof (5.8%); unclassified (3.8%); pharmaceutical products (3.7%); optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof (2.7%); inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes (1.9%); and natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin (1.9%).

3.3.2 KZN Trade

In nominal terms KwaZulu-Natal's cumulative exports' rand value for third quarter of 2020 was roughly R38.2 billion, while imports' rand value totalled R27.5 billion, resulting in an overall estimated trade surplus of roughly R10.7 billion, which is a massive improvement on the R4.1 billion recorded in the second quarter of 2020. The brief information is captured in the table below.

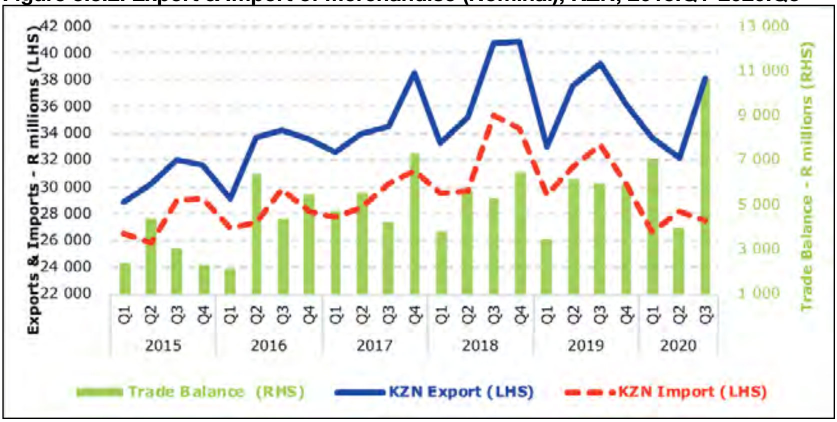
Table 3.3.3: KZN Trade Position – 2020:Q3 (Nominal)

Exports	Imports
R38 106 656 713	R27 471 941 417
Trade Balance: Surplus	
R10 634 715 296	

Source: SARS (Customs and Excise), Dec 2020

KZN's exports grew by 18.3% in quarter three 2020, while imports decelerated by 2.5% in the same quarter, resulting in an impressive improvement in the trade balance by 164.1% for KZN in quarter three. The figure below illustrates the exports trend (see unbroken blue line), the imports trend (see broken red line), and the resulting trade balance (green bars) for KZN, over time.

Figure 3.3.2: Export & Import of Merchandise (Nominal), KZN, 2015:Q1-2020:Q3



Source: Quantec, Dec 2020

The impressive third quarter growth in KwaZulu-Natal's exports was mainly influenced by large expansions or quarter-on-quarter movements in exports recorded in furskins and artificial fur; manufactures thereof (1761.9%); umbrellas, sun umbrellas, walking sticks, seat-sticks, whips, riding-crops and parts thereof (1610.4%); silk (856.6%); wool, fine or coarse animal hair; horsehair yarn and woven fabric (509.3%); lead and articles thereof (344.1%); and zinc and articles thereof (338.9%).

The top ten products and their respective share of KZN's total exports of R38.2 billion during quarter three of 2020 are: aluminium and articles thereof (15.6%); vehicles other than railway or tramway rolling stock, and parts and accessories thereof (13.9%); ores, slag and ash (11.8%); miscellaneous chemical products (6.6%); iron and steel (6.2%); pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard (6.1%); nuclear reactors, boilers, machinery and mechanical appliances; parts thereof (5.3%); sugars and sugar confectionery (4.1%); copper and articles thereof (2.9%); and paper and paperboard; articles of paper pulp, of paper or of paperboard (2.3%). The listed products, alongside other products contributed to the uptick in exports in quarter three, as reflected by the unbroken blue line in the graph above.

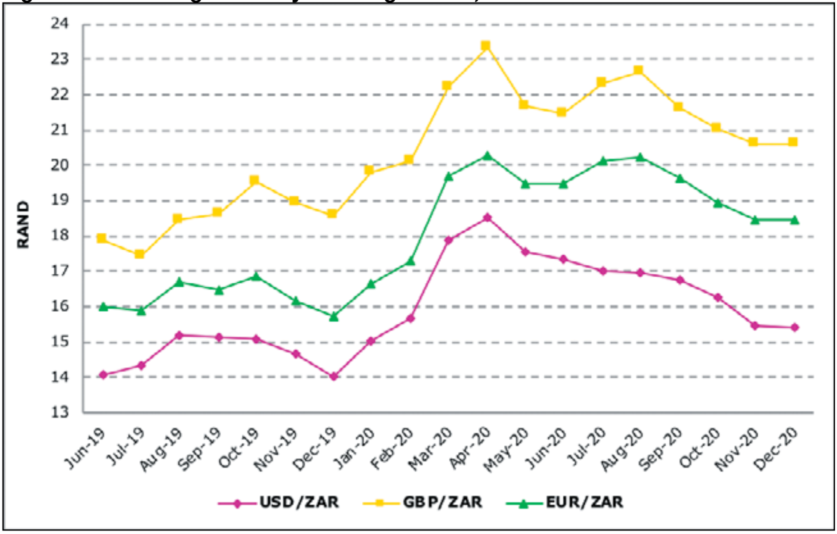
Alternatively, the top ten products and their respective share of KZN's total imports of R27.5 billion during quarter three of 2020 are: nuclear reactors, boilers, machinery and mechanical appliances; parts thereof (9.3%); inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes (8.7%); cereals (6.0%); electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles (5.8%); vehicles other than railway or tramway rolling stock, and parts and accessories thereof (5.3%); plastics and articles thereof (4.8%); animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes (4.7%); organic chemicals (4.3%); mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes (3.8%); and articles of apparel and clothing accessories, not knitted or crocheted (3.8%). The listed products, alongside other products explain the dip in total imports (-2.5%) as captured by the broken red line in the graph above.

The imports trend for the province differs from the overall domestic imports trend, which increased in the third quarter of 2020. KwaZulu-Natal's imports composition for quarter three 2020 weighed more towards the category of cork and articles of cork; ships, boats and floating structures; and natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin. At the national level, the imports structure was more tilted towards works of art, collectors' pieces and antiques; clocks and watches and parts thereof; fertilisers and articles of apparel and clothing accessories, not knitted or crocheted.

3.4 Exchange Rates

Figure 3.4.1 below illustrates the fluctuations of the average monthly currency rates for the South African Rand against currencies of three of the world's major currencies (US Dollar, British Pound and Euro). Against the major global currencies, the value of the Rand's performance experienced an almost identical pattern, with the exception of the American Dollar which saw a 5.3% appreciation of the Rand against the Dollar between June 2020 and August 2020. This temporary exception was bought on by on-going social and political unrest in America as well as the peaking of Covid-19 spread in the country.

Figure 3.4.1: Average Monthly Exchange Rates, Jun 2019 – Dec 2020



Source: Investing.com, 2020

Towards the end of 2019, pre-Covid-19, the Rand showed signs of strengthening with a high of R14/US$ in December 2019. Following the Coronavirus outbreak in Wuhan in December 2019, the Rand began to weaken as the virus spread at unprecedented rates through the Asian, European and American regions. The Rand saw a depreciation of 32% against the Dollar (from R14/US$ to R18.53/US$) from December 2019 until April 2020, following the implementation of lockdown measures towards the end of March 2020. These measures included a nation-wide closure of non-essential economic services.

In response to the weakening currency, the South African Reserve Bank implemented drastic measures to limit the adverse effects of the Covid-19 induced lockdown by reducing the repo rate by 300 basis points (3.5%). However, these efforts were slightly foiled (5.4% depreciation from June to August 2020) by South Africa being downgraded to below investment grade by credit rating agencies such as Moody's, Standard & Poor's and Fitch whom all projected weak economic outlooks for South Africa as: -6.5%(@ April 2020); -6.9% (@ July 2020) and -5.5% (@ June 2020) respectively. These agencies cited concerns over South Africa's rising Debt-to-GDP, the state of State-owned Enterprises and the workability of the Government's economic policies.

However, the Rand sustained some gains (9.01% appreciation from August to November 2020), as a result of easing of lockdown restrictions, as economies (both domestic and foreign) began opening up their markets. Discounted in these gains are the expected positive impacts of vaccinations on economic recovery.

Covid-19 has had a significant impact (8.71% depreciation) on the South African Rand over the past year, and as interest rates remain low globally, interest rates in South Africa remain relatively attractive to risk adverse investors. It is expected that the Rand will remain vulnerable as the impact and resurgence of Covid19 continues to spread and disrupt the global recovery.

3.5 Domestic Labour Markets

Unemployment in South Africa rose substantially in the third quarter by 2.2 million to 6.5 million compared to the second quarter of 2020. This is the highest recorded number of unemployed people since the inception of the Quarterly Labour Force Survey. The national unemployment rate is at a high of 30.8% from a drastic low of 23.3% in the second quarter of 2020 whereas the KwaZulu-Natal is at 26.4% in the third quarter from 18.9% in the second quarter of 2020. The COVID19 pandemic after effects translated to the labour market where people were discouraged to look for jobs and this distorted the official definition of what was categorised as "unemployed".

In the second quarter, the low unemployment rate was interpreted by the decreased number of people actively looking for work and has then become discouraged work seekers/not economically active. In the third quarter of 2020, the national lockdown regulations were relaxed which played a role in people actively looking for work. This resulted in the increase of 2.8 million in the number of people entering the labour force and 2.6 million fewer people were in the category of "not economically active". The movement was comparably more to the unemployed segment than the employed segment although 0.5 million more people got employed between the third quarter and the second quarter.

Table 3.5.1: Summary of Key Labour Market Indicators, SA & KZN, Q2:2020 & Q3:2020

	South Africa			KwaZulu-Natal		
	Q2:2020 ('000)	Q3:2020 ('000)	Qrt Change ('000)	Q2:2020 ('000)	Q3:2020 ('000)	Qrt Change ('000)
Population 15-64 years	39 021	39 167	146	7 214	7 240	26
Labour Force	**18 443**	**21 224**	**2 781**	**2 832**	**3 245**	**413**
Employed	14 148	14 691	543	2 297	2 389	92
Unemployed	4 295	6 533	2 238	535	856	321
Not Economically Active	20 578	17 944	-2 634	4 382	3 995	-387
Discouraged Work-Seekers	2 471	2 696	225	611	753	142
Other (not economically active)	18 107	15 248	-2 859	3 770	3 242	-528
Rates (%)						
Unemployment Rate	23.3%	30.8%	7.5%	18.9%	26.4%	7.5%
Employed/Population Ration (Absorption Rate)	36.3%	37.5%	1.2%	31.8%	33%	1.2%
Labour Force Participation Rate	47.3%	54.2%	6.9%	39.3%	44.8%	5.5%

Due to rounding off, numbers do not necessarily add up to the totals
Source: Stats SA, QLFS, Q3 2020

The President of South Africa announced Alert Level 1 lockdown restriction in the third quarter which allowed for the easing of most if not all economic activities under certain imperative conditions. More people had the opportunity to be mobile and look for work since more businesses were open to operate. This increased the labour force (does not include discouraged workers and the not economically active) by 2.7 million between the third and second quarter also substantially decreasing the group of people who were not economically active by 2.6 million. Although the number of unemployed people increased, there was an upsurge of employment as well by 0.5 million. This phenomenon is the same for KwaZulu-Natal as unemployment rate increased to 26.4% in the third quarter from 18.9% in the second quarter and the number of employed people increasing by 92,000.

Table 3.5.2: Employment by Sector, KZN & SA: Q2:2020 & Q3:2020

Sector	South Africa			KwaZulu-Natal		
	Q2:2020 ('000)	Q3:2020 ('000)	Qrt Change ('000)	Q2:2020 ('000)	Q3:2020 ('000)	Qrt Change ('000)
Total Employed	**14 148**	**14 691**	**543**	**2 297**	**2 389**	**92**
Agriculture	799	808	9	126	132	6
Mining	373	419	46	4	1	3
Manufacturing	1 456	1 460	4	249	272	23
Utilities	113	90	-23	16	8	-8
Construction	1 066	1 080	14	189	192	3
Trade	2 946	3 008	62	519	524	5
Transport	885	878	-7	161	168	7
Finance	2 234	2 434	200	304	309	5
Community & Services	3 244	3 381	137	561	598	37
Private Household	1 005	1 121	116	164	184	20
Other	27	12	-15	4	1	-3

Due to rounding off, numbers do not necessarily add up to the totals
Source: Stats SA, QLFS, Q3 2020

Employment increased in all sectors in the third quarter of 2020; nationally and in KwaZulu-Natal. Formal sector employment increased by 242,000, the Informal sector increased its workers by 176,000, the Private Households increased its workforce by 116,000 and the Agriculture sector increased its workforce by 9,000. Employment also increased in most industries except for the Utilities and Transport which contracted by 23,000 and 7,000 respectively as well as in KwaZulu-Natal contracting by 8,000. The industries that opened more jobs are Finance (200,000), Communities & Social (137,000). Compared to the third quarter of 2019, employment contracted in all industries except for mining where it remained unchanged. In the third quarter of 2020, The Mining industry gained 46,000 more jobs with Trade gaining 62,000 more jobs and Manufacturing gaining 4,000 and 23,000 in South Africa and in KZN respectively.

Table 3.5.3: Labour Force Characteristics by non-Metro vs Metro, KZN & eThekwini

	KwaZulu-Natal – Non-metro			KwaZulu-Natal – eThekwini		
	Q2:2020 ('000)	Q3:2020 ('000)	Qrt Change ('000)	Q2:2020 ('000)	Q3:2020 ('000)	Qrt Change ('000)
Population 15 – 64 yrs	4 734	4 754	20	2 480	2 486	6
Labour Force	1 758	2 012	254	1 074	1 232	158
Employed	1 311	1 330	19	986	1 059	73
Unemployed	447	683	236	88	173	85
Not Economically Active	2 976	2 742	-234	1 406	1 254	-152
Discouraged Work-Seekers	432	557	125	179	196	17
Other	2 544	2 185	-359	1 227	1 057	-170
Rates (%)						
Unemployment Rate	25.4%	33.9%	8.5%	8.2%	14%	5.8%
Employed/Population Ratio (Absorption Rate)	27.7%	28%	0.3%	39.8%	42.6%	2.8%
Labour Force Participation Rate	37.1%	42.3%	5.2%	43.3%	49.6%	6.3%

Due to rounding off, numbers do not necessarily add up to the totals
Source: Stats SA, QLFS, Q3 2020

Employment increased substantially in both the Metro (eThekwini) and Non-Metro (KwaZulu-Natal) by 73,000 and 19,000 respectively in the third quarter. The population and the number of unemployed people increased in both the Metro and Non-Metro but the ability of the labour market to absorb the population by creating more jobs is more evident in the Metro than in the Non-Metro, 42.6% and 28% respectively. The significant decline of people under the category of "Not Economically Active", as a response to the relief of COVID-19 lockdown restrictions in South Africa, enabled people to look for jobs and business to employ job-seekers.

3.6 Financial Markets

The Johannesburg Stock Exchange (JSE) hit a two year high in December 2020 pushed by global sentiment tracking Asian markets and expectations that US President Joe Biden will provide a clearer path to a US fiscal stimulus following elections.

Locally, shares were driven up by Mining Sector and resource stocks due to higher Gold and Platinum prices. While globally there are more vaccine approvals and more people are being vaccinated boosting market conditions, the possibility of higher levels of lockdown as the country wrestles with an increasing number of coronavirus cases could shorten the market rally's lifespan. However many smaller locally listed companies continue to flounder.

Figure 3.6.1: JSE Top 40 and MSCI Emerging Markets Index, Jan 2018 – Dec 2020

Source: Investing.com, 2020

Looking closer at company dealings and stock Market news during the third quarter of 2020:

- MTN faces pressure as Nigerian authorities gives the telecoms operator a few weeks to comply with strict SIM card registration requirements.
- Anchor Group plans to delist from JSE and also from its secondary listing on A2X Market as it opts to go private. Afrox (African Oxygen) has also announced plans to delist from JSE after been listed for 56 years. Two other smaller firms, Accntuate and Mazors Group also plan to leave the JSE AltX in 2021 citing poor liquidity and tough operating conditions.
- Raubex secured two big contracts to contracts to upgrade highways from roads agency SANRAL boosting construction sector.
- Sasol announced that its US Lake Charles Chemicals Project was finally fully operational and plans to sell 50% of the project to LyondellBasell to reduce its debt. The company also sold its Mozambique gas-to-power plant as it continued to progress with its debt reduction programme.
- Tobacco and alcohol bans hit retailers Pick n Pay, Shoprite and Spar.
- Mr Price acquires Power Fashions which has 170 stores across country.
- Richemont and Alibaba partnered with online luxury fashion e-tailor Farfetch to target rich Chinese consumers with luxury goods.

3.7 Fiscal Environment & Policy Developments

3.7.1 Fiscal Policy Framework

On the 28th of October, South Africa tabled the 2020 Medium Term Budget Policy Statement (MTBPS). The MTBPS proposes steps to reduce the fiscal deficit and stabilise the debt-to-GDP ratio over a five-year period to 2025/26. Although the economy has begun to recover from the hard lockdown, tax revenue in the current financial year is projected to be lower than the June estimates.

3.7.2 Fiscal Policy Framework for 2020/21

Table 3.7.1 provides a summary of the national government spending for 2019/20, the revised estimates for 2020/21 and the projected 2021 Medium-Term Expenditure Framework (MTEF). The main budget revenue is expected to fall sharply to 22.6% of GDP in the current financial year due to the steep economic contraction. The main budget expenditure is expected to peak at 37.2% of GDP in 2020/21, relative to the 2020 budget estimate of 32.8% of GDP. This largely reflects the response to COVID-19 and higher debt service costs. The main budget deficit is expected to widen significantly to 14.6% of GDP from 6.7% realised in 2019/20. However, this is expected to stabilise in to 7.3% in 2023/24.

Table 3.7.1: SA's Main Budget Framework, 2019/20 to 2023/24

R billion/ percentage of GDP	2019/20	2020/21	2021/22	2022/23	2023/24
	Outcome	Revised	Medium-term estimates		
Main budget revenue	**1345.9**	**1097.9**	**1263.6**	**1388.3**	**1487.1**
	26.1%	22.6%	23.8%	24.7%	24.9%
Main budget expenditure	**1690.9**	**1805.8**	**1801.1**	**1874.8**	**1924.6**
	32.8%	37.2%	33.9%	33.3%	32.3%
Non-interest expenditure	1486.2	1572.7	1529.3	1557.2	1571.5
	28.9%	32.4%	28.8%	27.7%	26.4%
Debt-service costs	204.8	233	271.8	317.6	353.1
	4.0%	4.8%	5.1%	5.6%	5.9%
Main budget balance	**-345.1**	**-707.8**	**-537.4**	**-486.6**	**-437.5**
	-6.7%	-14.6%	-10.1%	-8.6%	-7.3%

Source: National Treasury, 2020

The main budget revenue is expected to improve as a share of GDP, reaching 24.9% by 2023/24. Conversely, the non-interest expenditure is expected to decline as a share of GDP. The gross loan debt is expected to increase from R3.97 trillion or 81.8% of GDP in 2020/21 to R5.54 trillion or 92.9% of GDP in 2023/24. The key drivers for this steep increase remain the budget balance and fluctuations in the interest, inflation and exchange rates. The expected increase in borrowing translate to high debt-service costs which isestimated to rise from R204.8 billion in 2019/20 to R353.1 billion in 2023/24.

3.7.3 Medium-term Revenue Framework

Since the tabling of the 2020 Budget, the fall-out from the COVID-19 pandemic has caused an unprecedented reduction of the in-year revenue projection. However, tax revenue is expected to increase from a revised estimate of R1.1 trillion 2020/21 to R1.5 trillion by 2023/24. The expected improvement in the revenue collection over the next four years includes the revenue proposals announced in the June special adjustments budget, including tax increases of R5 billion in 2021/22, R10 billion in 2022/23, R10 billion in 2023/24 and R15 billion in 2024/25.

Table 3.7.2: Medium-Term Revenue Framework, SA, 2017/18 to 2023/24

R billion	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Outcome			Revised	Medium-term estimates		
Gross tax revenue	1216.5	1287.7	1355.7	1112.6	1279.5	1392.2	1503.2
Gross tax revenue growth	**6.3%**	**5.9%**	**5.3%**	**-17.9%**	**15.0%**	**8.8%**	**8.0%**
Non-tax revenue	19.2	23.9	27.6	24.9	22.3	23.3	25
Southern African Customs Union	-56	-48.3	-50.3	-63.4	-46.0	-31.5	-42.5
National Revenue Fund receipts	16.6	12.0	12.8	23.8	7.9	4.3	1.4
Main budget revenue	**1196.4**	**1275.3**	**1345.9**	**1097.9**	**1263.6**	**1388.3**	**1487.1**

Source: National Treasury, 2020

The gross tax revenue in 2020/21 is expected to be 17.9% lower than collections in 2019/20, or R312.8 billion below the 2020 budget forecast. The monthly tax collections remain well below the 2019/20 levels in all tax categories. The key factors affecting the in-year revenue collection include a significant decline in compensation, and therefore personal income tax, due to lockdown and the weaker import outlook, which has reduced VAT and customs expectations.

A sharp reduction in consumption, lowering domestic value added tax (VAT) collection and the downward adjustments in specific excise duties associated with a longer-than-expected tobacco ban are also cited as main contributing factors. A stronger than expected corporate profitability, limiting the anticipated reduction in corporate income tax and dividend tax receipts are also major contributors to lower revenue collection.

3.7.4 Changes to the Division of Revenue

The proposed adjustments to the division of revenue to address the immediate health, social and economic implications of COVID-19, are reflected in the government's relief packages. As a result, relative to the allocations tabled in the February Budget Review, the national share for 2020/21 increases from 49.2% to 50.1%, while the provincial share decreases from 42.2% to 41%. The local government share however increases slightly from 8.6% to 8.9%.

Provinces and municipalities are reallocating their own budgets to complement these national adjustments budget. The changes in budgets emanate from the adjustments to transfers from the national government in the Division of Revenue Amendment Bill, significant declines in own revenue collections and new expenditure priorities.

3.7.5 Provincial Expenditure by Vote

Table 3.7.2 presents a summary of the adjusted appropriation by Vote and economic classification. The Second Adjustments Estimate deals with finalising the various rollovers and allocations of additional funding that were proposed in the Special Adjustments process. It also deals with any additional funding requests, the allocation of the R300 million Provincial Economic Recovery Fund, as well as the suspension of funds from 2020 budget to future years and the movement of funds between Votes.

Table 3.7.3: Expenditure Summary by Vote, KZN, 2020/21

R thousands	Special adjustments appropriation	Second adjustments appropriation		Total second adjustments appropriation	Adjusted appropriation
		Roll-overs	Other adjustments		
1. Office of the Premier	680 852	11 000	-51 758	-40 758	640 094
2. Provincial Legislature	556 397	-	39 009	39 009	595 406
3. Agriculture and Rural Development	2 374 080	89 633	-4 631	85 002	2 459 082
4. Economic Dev. Tourism and Enviro Affairs	2 929 155	6 500	107 796	114 296	3 043 451
5. Education	57 729 428	9 734	-1 560 724	-1 550 990	56 178 438
6. Provincial Treasury	604 409	10 000	-43 115	-33 115	571 294
7. Health	53 139 710	655	-1 732 299	-1 731 644	51 408 066
8. Human Settlements	3 490 754	86 095	-12 694	73 401	3 564 155
9. Community Safety and Liaison	210 195	-	-6 650	-6 650	203 545
10. Sport and Recreation	305 894	1 377	-9 243	-7 866	298 028
11. Co-operative Governance and Traditional Affairs	1 470 982	24 182	18 760	42 942	1 513 924
12. Transport	9 663 981	-	-440 051	-440 051	9 223 930
13. Social Development	3 772 125	-	89 875	89 875	3 862 000
14. Public Works	1 701 846	-	116 864	116 864	1 818 710
15. Arts and Culture	807 399	24 082	-18 462	5 620	813 019
Sub-total	**139 437 207**	**263 258**	**-3 507 323**	**-3 244 065**	**136 193 142**
Statutory payments	96 705	-	-	-	96 705
Total	**139 533 912**	**263 258**	**-3 507 323**	**-3 244 065**	**136 289 847**

Source: National Treasury, 2020

Approximately 66.8% of the KZN roll-overs emanate from both the ***Department of Agriculture and Rural Development (DARD)*** as well as the ***Department of Human Settlements***. As observed from the table, DARD had the highest roll-over of R89.633 million. National treasury approved an amount of R42.423 million and R29.038 million roll overs for the Comprehensive Agricultural Support Programme (CASP) and Ilima/ Letsema Projects grants respectively. The CASP grant were committed by year-end and relate to infrastructure projects such as animal housing, irrigation, boreholes, fencing, as well as departmental vehicles for extension services.

In addition, CASP grant caters for the Extended Recovery Programmes (ERP) relating to uniforms, laptops and accommodation for extension officers that travelled long distance to attend the extension summit held in March 2020, as well as training on the improvement of the system used by the extension officers. The Ilima Projects grant relates to irrigation schemes, as well as boreholes, dam scooping and farming supplies. The remaining amount of R18.172 roll-over relates to the purchase of departmental vehicles ordered through the Department of Transport using the transversal contract, as well as a four-wheel tractor purchased for the Cedara agricultural research farm followed by the Human Settlements (R86.095 million).

The roll-over for the ***Department of Human Settlements*** amounting to R86.095 million was approved in respect of the Provincial Emergency Housing grant (PEHG). These relates to the storms between December 2018 and January 2019 that affected eight districts in the province with damage to 2 800 houses. The funds were also meant for the severe storms and heavy rain experienced in April 2019 that caused damage to houses in rural areas, where a total of 1 277 households were affected.

The ***Department of Transport*** indicated that it will not be in a position to spend the R200 million that had been allocated to the department for various infrastructure requirements. These funds were then suspended and allocated to ***Education, Co-operative Governance and Traditional Affairs (COGTA) and Economic Development, Tourism and Environmental Affairs (EDTEA)***. Education received R100 million towards the pressures in their infrastructure programmes which was severely affected by National Treasury's decision to cut the Education Infrastructure grant by R497 million in the Special Adjustments Budget. ***COGTA*** received R70 million for the drilling and equipping of boreholes, which was identified as an urgent provincial priority. ***EDTEA*** received R30 million for projects that are catalytic in terms of the provincial economic recovery and job creation such as agri-hub in Mtubatuba, the integrated development strategy at Pongola and Operation Vula among others.

After all the provincial allocations, roll-overs and suspension of funds; the Contingency Reserve remains with a balance of R100 million for the current financial. These funds help to buffer the anticipated revenue shortfalls that are projected for Casino and Horse racing taxes.

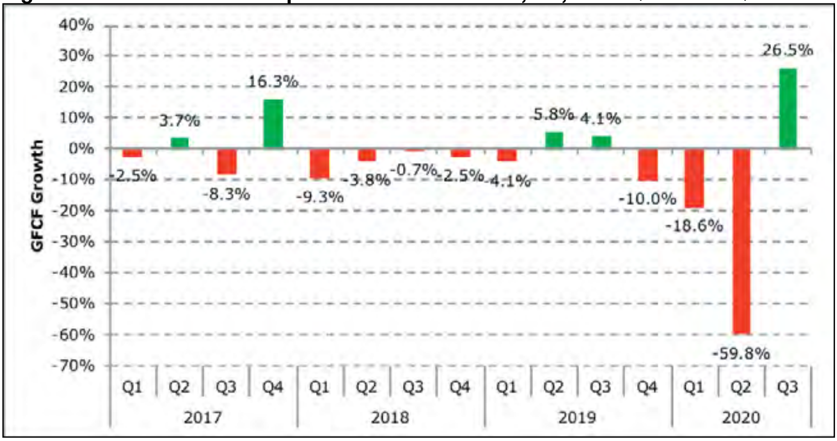
3.8 Trade & Investment Developments

3.8.1 Gross Fixed Capital Formation

Infrastructure engenders social mobility and access to economic opportunities through access to good basic schooling, clean water, sanitation, waste management, health facilities, electricity and transport. Thus infrastructure is key to inclusive growth, as it facilitates broader participation in the economy through generating economic growth and creating jobs as well as creating a well-functioning economy.

Gross Fixed Capital Formation[5] (GFCF), which measures the total new investments into fixed assets (namely infrastructural assets) and is used as a component in measuring GDP, provides valuable information into new infrastructure projects.

Figure 3.8.1: Gross Fixed Capital Formation Growth, SA, 2017:Q1 – 2020:Q3



Source: TIKZN, 2020

GFCF increased at a rate of 26.5% during the third quarter of 2020. The main contributors to the increase were construction works (15.7%), residential buildings (4.9%), non-residential buildings (4.9%) and machinery and other equipment (2.6%).

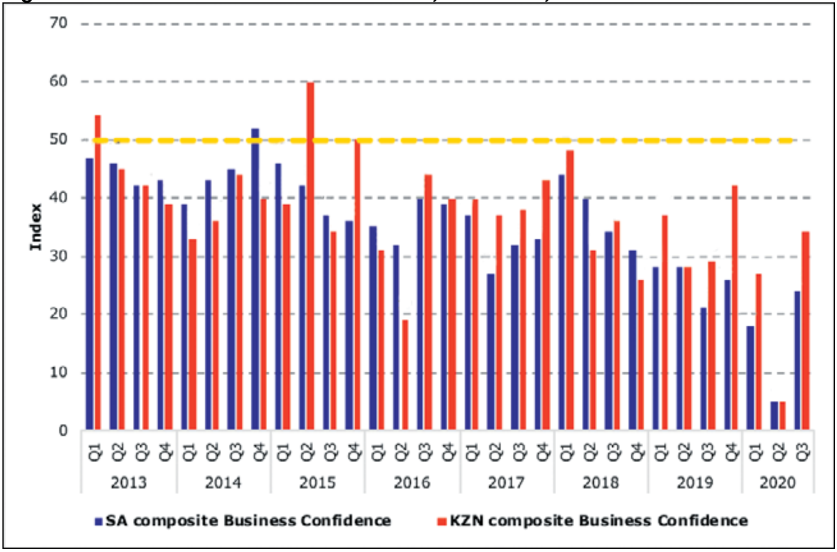
3.8.2 State of KZN Business Environment

The significant improvement in South Africa's and KwaZulu-Natal's economic environment in third quarter of 2020 was reflected in an uptick in the high frequency indicator - the composite business confidence index (BCI) - which reflects the percentage of respondents rating prevailing business conditions as satisfactory. The index ranges from a minimum of zero (all survey respondents replied "unsatisfactory") and a maximum of 100 (all survey respondents replied "satisfactory"). The benchmark neutral level is 50.

The illustration on the figure below largely reflects contraction over 31 quarters and South Africa's BCI is still to attain its best level of 52 achieved in 2014 quarter four. Although the COVID-19 pandemic threw a spanner in the works, SA's BCI encouragingly rose from 5 in quarter two to 24 in the third quarter of 2020, underpinned by the easing of economic lockdown and improvement in economic activity. Business sentiments improved across all the five sub-sectors comprising of the building, manufacturing, retail and wholesale sectors, and the new vehicle trade industry, with positive spill-overs for KZN province. SA's BCI continued its upward trend in the third quarter; however, for the upward trend to last, there is need to ensure a consistent improvement in both construction and manufacturing activity, given their high level of inter-linkages and multiplier effects on other industrial sectors.

5 *Resident producers' investments, deducting disposals, in fixed assets during a given period*

Figure 3.8.2: Business Confidence Indexes, SA & KZN, 2013:Q1 – 2020:Q3



Source: BER, 2020

The South African and KwaZulu-Natal Business confidence index, where the index can vary between 0 and 100, where 0 indicates an extreme lack of confidence, 50 neutrality and 100 extreme confidence, shows the stubbornly low business confidence which is adding to the risk that the faltering economy will lead to increased social ills. Current levels show the index is significantly below to where they were during the global financial crisis 10 years ago.

3.8.3. KZN Project Developments

Trade and Investment KwaZulu-Natal (TIKZN) continues with its collaborative approach and engaging of economic development partners and stakeholders, to promote key trade and investment opportunities in a more targeted way. During the period from 1st July to 30th September 2020, TIKZN prioritized business retention and investor support in the New Normal.

Some of the online activities carried out during this period included consultations, webinars, online training, online mentorship, and online market access opportunities. There are a number of online trade platform that are being explored and which will be facilitated in the coming months as companies become more familiar with the use of these online platforms to access markets versus the conventional physical trade events.

Trade and Investment KwaZulu-Natal undertook the following international and project marketing initiatives and business to business engagements in this quarter to facilitate trade and investment:

Table 3.8.1: TIKZN Exports Collaboration Platforms

Country	Partner	Objective	Audience
South Africa	Economic Development, Tourism and Environmental Affairs (EDTEA).	To create exposure, awareness and share best practices related to exports amongst all stakeholders in the trade fraternity, and increase the export propensity of KZN companies. Shared practical content covering enhanced hygiene standards related to processed food considering the impact of Covid-19. Unpack various mentorship programmes facilitated by the TIKZN. Showcased upgrades to KZN Export Information Portal and introduced the trade-DSM tool.	Virtual online with more than 140 RSPV received and more than 50 persons in attendance. In addition to company stakeholders, additional audience include Productivity SA, Agency for Food Safety, National Regulator for Compliance and Standards and SABS
41 combined participants.	Export Development activities. Marvilogix International.	Showcasing of export development activities through specific programmes, namely the Emerging Graduation Programme and the Global Exporter Passport Programme (GEPP), during the months of October, November and December.	41 export development participants.
73 participants.	Export Promotion - Outreach Activities Completed (Domestic and International). The DTIC, EDPU, BR&E, SA Footwear Leather & Apparel Export Council, Egyptian Exporters Association and the Embassy of South Africa in the United States.	Showcasing of domestic and international export promotion opportunities for KZN companies (from July to November), via a series of virtual events. Targeted continents/countries include Asia, Zambia, Ghana, Mozambique, Americas, India, Nigeria, EU, UK, Singapore, and Egypt; including opportunities for intra-trade: SA.	73 export promotion participants domestically and globally.

3.8.4 International Relations, Investment Attraction and lead generation

International Relations, Investment Attraction and Lead generation highlights include the following:

- TIKZN participated in a strategic engagement between Honourable Premier Sihle Zikalala and Ambassador Didier Vanderhasselt from Belgium to discuss the recently announced planned expansions by Belgian companies into KwaZulu-Natal at the SA Investment Conference. Potential inputs also provided in terms of pharmaceutical, logistics and supply chain and manufacturing opportunities.
- TIKZN has partnered with the United Kingdom (UK) department of international trade to develop a project pipeline for private investor targeting from the UK as well as an investment promotion programme consisting of campaigns, events and marketing opportunities to the UK market.
- TIKZN has partnered with the Swedish Workplace programme to implement a programme. Swedish Workplace Programme (SWP) is a strategic approach to improve productivity and sustainable business by promoting a practical structure to strengthen partnerships between management and employees.
- TIKZN is also currently consulting the World Bank for partnering on capacity building programmes.
- The Embassy of Colombia attended a showcasing programme facilitated by TIKZN for the Diplomatic Corps in KwaZulu-Natal in September. Following the engagement the Colombian embassy met with TIKZN and the KwaZulu-Natal Department of Agriculture and Moses Kotane Institute to discuss an operational plan for development of strategic projects in the sector in KwaZulu-Natal.
- Leads generated from the United Kingdom, United States, Austria and Sweden , European Union in respective sectors.
- Speakership invitations for local events include a session conducted by Brand South Africa on SME opportunities and TIKZN participated in a panel discussion on creation of local and international linkages. Invitation to participate in international platforms includes presentations to companies from India as part of a Confederation of Indian Industries showcasing of South Africa and investment opportunities.
- Trade and Investment KwaZulu-Natal undertook the following international and project marketing initiatives and business to business engagements in this quarter to facilitate trade and investment:

Table 3.8.2: TIKZN International Relations, Investment Attraction and lead generation

Session	Date	Partner	Discussion	Outcome
AED Days Portugal (Portuguese Aviation Conference)	6 – 8 October	SAPCC	• KZN Investment Opportunities Showcasing specifically for aviation opportunities at DTPSEZ • Strengths an opportunities for companies to set up aero-maintenance presence in KZN • AED Cluster Portugal Aviation sector based event Linkages for aviation maintenance and similar or related synergies for KZN.	• Overview of KZN opportunities provided • TIKZN support services outlined • Linkages of companies for investment opportunities. • AED Cluster member database received with contact information AED has expressed interest in a strategic relationship with Dube Trade Port
Doing business with the European Union	23 October	EU Chamber; EUSA; EU Partners for Growth, Tutwa Consulting	• TIKZN and KZN showcasing of investment opportunities and support available Event addressed policy advocacy matters of investment protection, public procurement and local content requirements, building an inclusive economy, skills and visas, infrastructure (energy and logistics).	• Overview of KZN opportunities provided • TIKZN support services outlined • Investor Priority sectors from the EU; • Bioethanol focus from EU partners for growth; • Trade desk assistance showcase • Agricultural product duty free export opportunity discussed • SME support tools showcased
Austria - Africa Day B2B Platform	5 – 6 November	Advantage Austria	• KZN Investment Opportunities Showcasing B2B and virtual exhibition opportunities to showcase KZN and TIKZN	• Overview of KZN opportunities provided to companies; • Leads generated; • TIKZN support services outlined Follow up on leads post event.

Session	Date	Partner	Discussion	Outcome
DTPSEZ Aircargo showcasing	17 November 2020	Dube Tradeport SEZ	Showcasing of the DTPSEZ air cargo services to manufacturers and logistics service providers.	• Overview of KZN and DTPSEZ (specifically related to the air cargo terminal) opportunities provided to companies; • Leads generated; • TIKZN support services outlined Follow up on leads post event.
Mexico – Virtual Seminar – Business opportunities between Mexico and SA.	24 November	Embassy of Mexico in SA	Seminar seeks to initiate a dialogue about priority sectors in both economies and share best practices, aimed at identifying trade and investment opportunities in the near future.	• TIKZN speakership opportunity on regional content value chains and best practices; Showcasing KZN as an investment destination with strong emphasis on the provinces traditional and growth priority sectors as well as KZN's positioning as the gateway to Africa in terms of trade.
Global Entre-preneurship Week: Access to markets and finance for SMMEs	25 November	Brand SA, Business Development Agency (Pty) Ltd	Event themed: ACCESS, that will speak to two well-known biggest challenges faced by entrepreneurs in both South Africa and the world: Access to markets and Access to Finance.	• Overview of KZN opportunities provided to companies; TIKZN support services outlined with emphasis on KZN and TIKZN programmes to assist companies (Exporters Programme, PUM, SIPPOS, TAF, etc.)
India – SA opportunities	8 December 2020	CII	• Event focus on information on business opportunities between India and SA; Economic climate and regulatory overview.	• Overview of KZN investment and trade opportunities provided to companies; • TIKZN support services outlined.

3.9 Environmental Affairs

Environmental impact assessments (EIAs) is a process to ensure that environmental issues are raised when a project or plan is proposed and that all the concerns are addressed prior the implementation. EIA is a process of evaluating the likely environmental impacts of a proposed project or development, considering inter-related socio-economic, cultural and human health impacts both beneficial and adverse.

Table 3.9.1: Economic and Social Information: Environmental Authorisation Applications Granted: Q3, 2020

District Municipality	Number of EIA applications finalised (AUTHORISATION GRANTED)	Total estimated CAPITAL VALUE (R million) of all EIA applications finalized	Total expected number of CONSTRUCTION PHASE jobs created for EIA applications finalized	Total expected number of OPERATIONAL PHASE jobs created for EIA applications finalized
Amajuba	3	168.0	1903	81
EThekwini	3	1.1	205	0
Harry Gwala	3	10.0	70	15
ILembe	6	136.0	245	98
King Cetshwayo	7	646.0	845	35
UGu	4	73.0	272	4
UMgungundlovu	8	346.4	1208	21
UMkhanyakude	2	201.0	66	6
UMzinyathi	1	195.10	503	0
UThukela	11	1057.0	644	433
Zululand	2	112.0	90	290
Total	**50,00**	**2945.60**	**6051**	**983**

Source: EDTEA, 2020
*Note: *Information are estimates by applicants/ developers and not by EDTEA and therefore the Stats are subject to change upon verification exercise undertaken by M&E and our own internal EIA audits.*

In the third quarter of 2020, the total capital of R2.9 billion was approved and cleared for projects. UThukela district has the highest capital value of R1.1 billion approved and cleared. The projects combined are forecasted to create 7,034 jobs in both the construction and operational phase and more jobs are anticipated to be under Amajuba District - a total of 1,984 jobs will be created.

3.10 Other Economic Indicators

3.10.1 Construction Sector

After months of inactivity, the construction industry has resumed operations. The industry is catching up on the delivery of projects halted during the strict lockdown period. The activities have improved from the previous quarter by 71.1%, however, the sector hasn't recovered fully - comparing the first three quarters of 2020, with similar period in 2019, the industry's activities are down by 20%. The improvements come after the industry suffered negative growth for 8 consecutive quarters. According to Afrimat, the improvement is attributed to the pledge by government which vowed to increase infrastructure spending after the pandemic. The improvement is set for a bumper year in 2021.

Table 3.10.1: Value of Completed Buildings Growth, Provincial (2019 – 2020)

Province	JAN-OCT 2019 R'000	JAN-OCT 2020 R'000	% Change	Contribution (% Points)
Western Cape	18 173 570	12 878 158	-29.1	-7.1
Eastern Cape	3 212 833	1 694 678	-47.3	-2.0
Northern Cape	511 615	557 766	9.0	0.1
Free State	534 692	576 599	7.8	0.1
KwaZulu-Natal	11 432 988	6 348 697	-44.5	-6.8
North West	1 700 202	1 154 391	-32.1	-0.7
Gauteng	36 458 525	13 645 780	-62.6	-30.6
Mpumalanga	1 896 176	1 047 900	-44.7	-1.1
Limpopo	734 986	685 066	-6.8	-0.1
Total	**74 655 587**	**38 589 035**	**-48.3**	**-48.3**

Source: Stats SA, 2020
Note: Measured in current prices

The value of completed buildings in South Africa decreased by 48.3% between January to October 2020 compared to the same period in 2019. The decline is constituted mainly by residential buildings (-56.7%), non-residential buildings (-40.7%), and additions & alterations (-27.1%). Northern Cape and Free State are the only provinces which experienced positive growth of 9% and 7.8% respectively, while the other provinces recorded a decrease in finalising construction projects - owing to the hard lockdown imposed earlier in the year. The largest contributor to the value of completed building projects was Gauteng (48.8%), Western Cape (24.3%), and KwaZulu-Natal (15.3%). These provinces account for majority of the country's economic activities; hence, they have a relatively high demand for residential and commercial building.

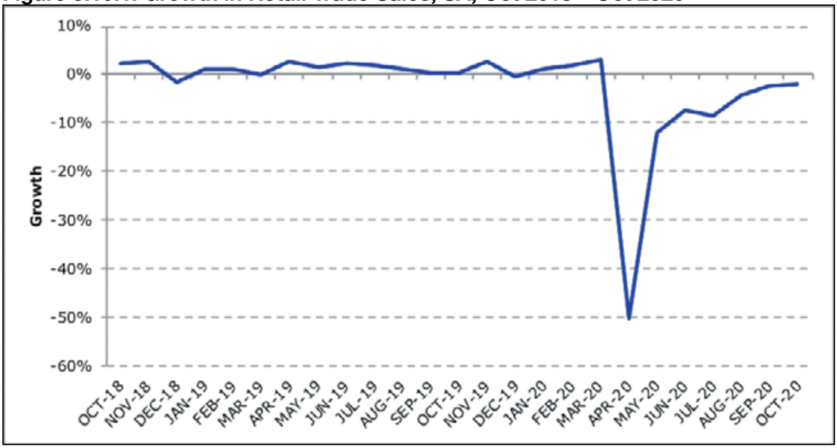
The value of completed building projects reported by larger municipalities in KwaZulu-Natal decreased by R5.1 billion from January to October 2020. This represents a decline of 44.5% for the period under review.

3.10.2 Retail Trade

The retail sector has been under strain, since the beginning of the pandemic, mainly because of low spending by households. The sector shrank by 1.8% in October 2020, which is an improvement from the previous quarters; however, a seventh consecutive month of decrease in retail activities. The improvement is attributed to the further easing of lockdown measures and lagged effect of the repo rate reduction earlier this year.

As much as retail trade sales are improving, households are still under financial pressure and the level of unemployment continues to increase – weighing down the sector's growth. It is expected that retail trade sales will pick up in the coming months, given the easing of lockdown restrictions; however, they will remain weak as uncertainty remains high in the economy.

Figure 3.10.1: Growth in Retail Trade Sales, SA, Oct 2018 – Oct 2020



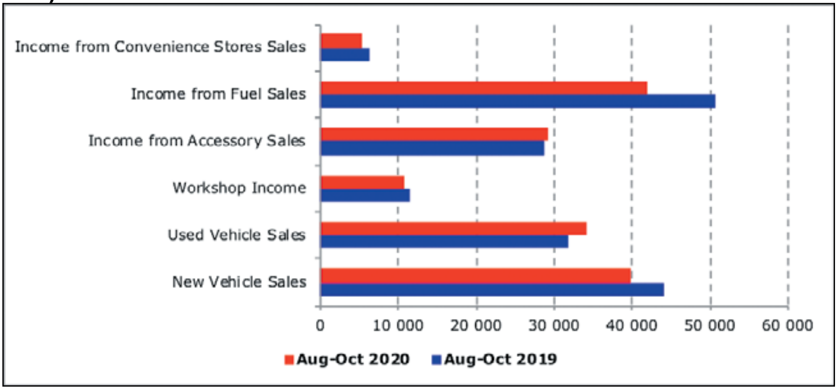
Source: Stats SA, 2020
Note: Measured in Constant Price

Retail sales are normally anticipated to increase during the festive season, since households are known to spend more than usual, however, a trend of negative growth has been observed for the 2018 and 2019 festive seasons, -1.7% and -0.5% respectively. Considering the current economic situation, it is likely that retail trade will record yet another decline during the 2020 festive season.

3.10.3 Motor Trade Sales

Motor trade sales have improved in the third quarter of 2020, compared to the previous quarter; however, the trade between August to October 2020 experienced a decline of 6.5% compared to the same period in 2019.

Figure 3.10.2: Value of the Type of Activity in Motor Trade Sales, South Africa, (Aug to Oct 2019 & 2020)



Source: Stats SA, 2020

The used vehicles performed better than the new passenger vehicles, this is attributed to the current economic climate, which is characterised by suppressed income levels, job security and increased prices of the new vehicles. New vehicles increased above inflation for a second successive quarter. While on the other hand, the price of used cars declined by 20% between May and June due to the increased supply emanating from repossessions as well as assets disposals by major car rental companies.

3.10.4 Tourism

South Africa's tourism industry has been on a complete standstill, for almost half a year, with hotels closed and flights grounded. It is estimated that the industry has lost about R68 billion (54%) in revenue from March to June 2020. However, as the lockdown restrictions started to be eased, the industry has improved; the volume of arrivals and departures increased for both domestic travellers; and foreign visitors. Travellers in transit increased for foreign travellers and there were no South African residents in transit during August and September 2020.

Table 3.10.2: Total Number of Travellers, September 2019 - September 2020

Travel Direction	SEP-19	AUG-20	SEP-20	M-on-M Growth (%)	Y-on-Y Growth (%)
Total Direction	**3 443 488**	**205 132**	**219 658**	**7.1**	**-93.6**
South Africans	1 065 165	66 892	70 391	5.2	-93.4
Arrivals	532 228	30 547	33 238	8.8	-93.8
Departures	532 049	36 345	37 153	2.2	-93.0
Transit	888	0	0	0	-100
Foreign Travellers	2 378 323	138 240	149 267	8.0	-93.7
Arrivals	1 219 616	67 051	75 273	12.3	-93.8

Travel Direction	SEP-19	AUG-20	SEP-20	M-on-M Growth (%)	Y-on-Y Growth (%)
Departures	1 080 483	71 148	73 909	3.9	-93.2
Transit	78 224	85	41	107.3	-99.9

Source: Stats SA, 2020
M-on-M: Month on Month
Y-on-Y: Year on year

The industry was boosted by the re-opening of the borders in the beginning of October 2020, allowing travellers from countries considered 'low risk' and more improvements in the industry is anticipated because as of November 2020, travellers from all over the world are allowed in the country.

KwaZulu-Natal Tourism Industry

KwaZulu-Natal Province has major tourists' attraction destinations including its vast and rich coastline and general natural environment. According to the KwaZulu-Natal Premier Sihle Zikalala, the province tourism sector is expected to decline by 62% by the end of 2020, compared to 2019. The estimated spending by tourist is forecasted at R3.6 billion by the end of 2020, which is less than R8 billion spent in 2019. This sector is one of the economic lifelines for many small to medium sized businesses in the province and accounts for hundreds of jobs.

To pick-up the tourism sector, the province is running an aggressive destination marketing campaign which began when the intra-provincial travel ban was lifted. In support of the provincial government, the district municipalities have put in place measures to support the sector to recover.

Proposed provincial interventions include:

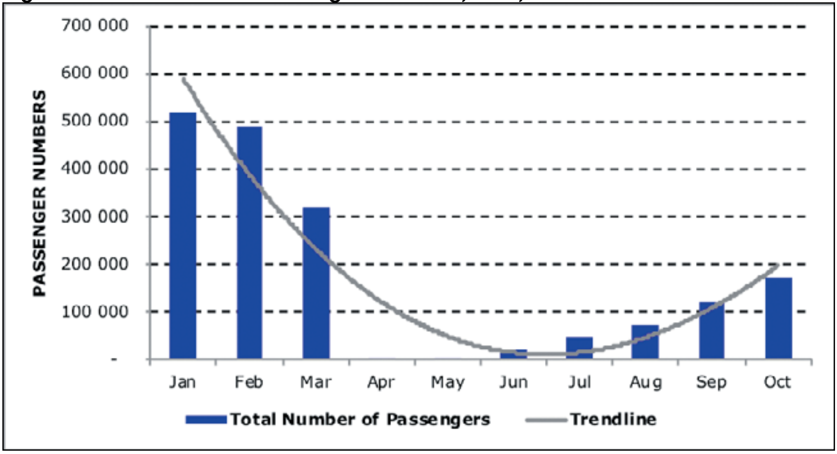
- Events hosting: Virtual, big events post lockdown (Mandela marathon, matric dance rave), e-sports, pitch to host PSL games
- Key projects: Iconic statue, investment projects that have passed post feasibility stage
- Domestic marketing: Use influencers, unique products for the local market
- Tourism infrastructure: Rural/township lodges, homestays, signage, Visitor info centres
- Aviation: Airline incentives, joint marketing, direct flights, cargo movement
- Policy reforms: Skilling and reskilling, red tape reduction, lobbying for the sector to open

It is unlikely that this sector will recover anytime soon since some of the planned events to boost the sector will allow the resurgence of the virus in the province.

3.10.5 Strategic Infrastructure

One of the biggest contributors to economic growth is infrastructure, including transport infrastructures such as air (airports), sea (ports) and land (roads and railways).

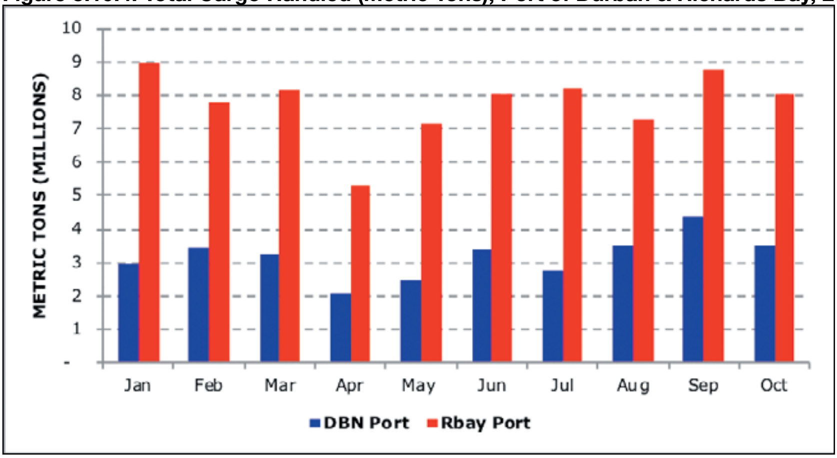
Figure 3.10.3: KSIA Total Passenger Numbers, KZN, 2020



Source: ACSA, 2020

The lockdown restrictions had a detrimental effect on the aviation sector, however, as the lockdown started to be eased, the number of flights at King Shaka International Airport (KSIA) increased between June and October 2020. This success was short-lived when the country entered into the second resurgence of the virus. Many flying companies halted their operations, since many countries have re-instated their lockdown measures to contain the virus which has re-surfaced.

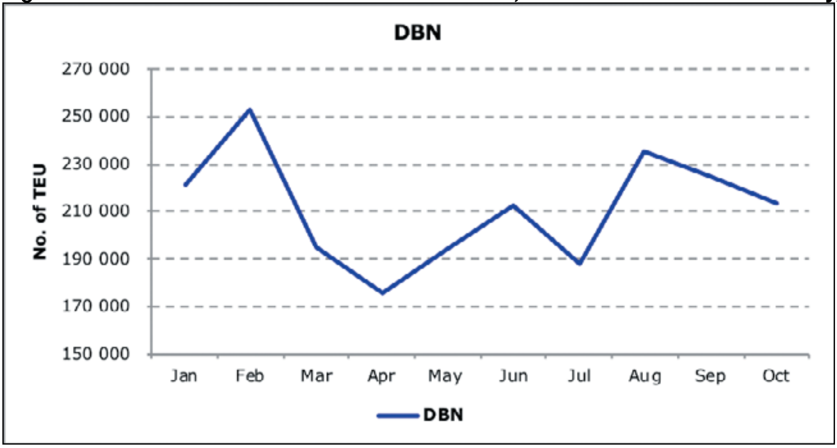
Figure 3.10.4: Total Cargo Handled (Metric Tons), Port of Durban & Richards Bay, 2020

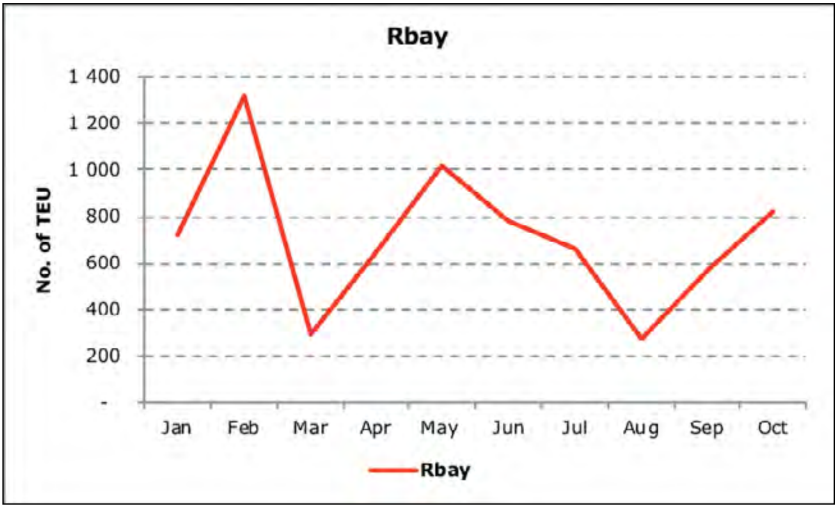


Source: Transnet, 2020

Ports in Richards Bay and Durban, together, handle more than 60% of the country's total seaborne cargo. In the beginning of the pandemic, both ports moved the least amount of cargo, but during September and October 2020 the cargo movements increased; for both months, Richards Bay handled over 8 million metric tons of cargo. Durban's port moved more than 4 million metric tons of cargo in September, which is the highest movement since the beginning of the year.

Figure 3.10.5: Total Number of Containers Handled, Port of Durban & Richards Bay, Jan – Oct 2020





Source: Transnet, 2020

The port of Richards Bay moved only 0.35% of the country's total containers from January to October 2020. While, Durban's port moved over 60% of the total number of containers during the same period. Even though the number of containers handled at the Durban port decreased, the port handled over 200,000 containers each month from August to October 2020.

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