KWAZULU-NATAL PROVINCE

ECONOMIC DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS

REPUBLIC OF SOUTH AFRICA

EZOMNOTHO

THE KWAZULU-NATAL QUARTERLY ECONOMIC AND STATISTICAL OVERVIEW

March 2021

Trade & Investment KwaZulu-Natal

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1. INTRODUCTION

1.1 Foreword

Mr R. R. Pillay, MPL
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Coming out of a tumultuous year filled with social and political challenges, the pandemic and extenuating economic circumstances; many South Africans are grappling with how to navigate these unfamiliar territories as they collectively chart their individual paths to recovery. It is therefore imperative that we, as a province, all remain strong as we traverse through these adverse times.

With the rollout of the Covid-19 vaccines in progress, the eminent health risks associated with the pandemic will subside and we will begin to see a resurrection of economic activity which will allow industries and businesses to form strategies to strengthen their economic outlooks. Simultaneously, as the Department of Economic Development, Tourism and Environmental Affairs, together with all other sector departments, we will do our best efforts to underpin the presidential mandate outlined in the four pillars of National Government's Economic Reconstruction and Recovery Plan through continued close monitoring of the pandemic and the implementation of requisite support measures.

As the economy enters into a state of recovery, it is vital for our policies to focus on inclusive economic growth that promote both public and private sector investment in productive infrastructure, fruitful expenditures and social relief. Through collaborative efforts of availing statistical information of the state of the global, national and provincial economies, we can continue to inform policymakers of what the economy needs in order to execute the recovery process through effective economic strategies.

As the KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs, in collaboration with Trade and Investment KZN and the KZN Provincial Treasury; we are delighted to present the March 2021 edition of Ezomnotho quarterly publication. It is our hope that through this publication, policy makers can design economic strategies to mitigate social and economic challenges affecting the people of KwaZulu-Natal.

Mr R. R. Pillay, MPL
MEC for Economic Development, Tourism & 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

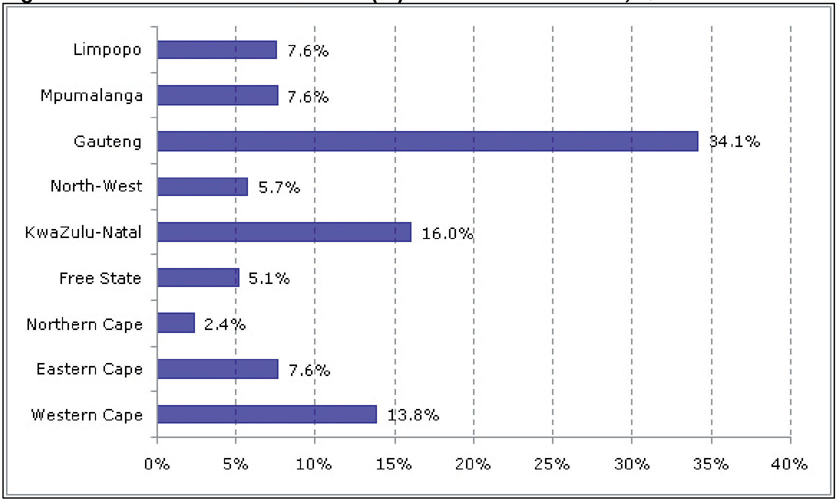
The table presented below shows a summary of the key provincial economic indicators in comparison with national figures. This is followed by information on the KwaZulu-Natal economic contribution to South African output versus other provinces and key sectoral GDP contributions to the provincial and national 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) (4th quarter 2020)	483 613	3 013 189
Annualised Quarter-on-Quarter Seasonally Adjusted GDP Growth (4th quarter 2020)	7.4%	6.3%
Population (2020)	11 531 628	59 622 350
Working Age Population (000s) (15-64 years) (QLFS, 4th quarter 2020)	7 268	39 311
Unemployed (000s) (QLFS, 4th quarter 2020)	1 034	7 233
Unemployment Rate (4th quarter 2020)	29.6%	32.5%
Labour Force (000's) (4th quarter 2020)	3 488	22 257
Absorption Rate (employed/population ratio) **(4th quarter 2020)**	33.0%	38.2%
Gini Coefficient (2019)	0.63	0.63
Human development Index (HDI) (2019)	0.62	0.66
Functional literacy (2019)	83.4%	85.4%
Inflation (Feb 2021)	3.1%	2.9%
Total Air Passenger Movements at International Airports (4th quarter 2020)	668 615	4 019 771
Cargo tonnage handled at ports (000s) (4th quarter 2020)	35 721 919	58 811 027
Number of containers handled at ports (4th quarter 2020)	696 757	1 057 256
Number of containers handled at ports (1st quarter 2020)	672 227	1 068 989

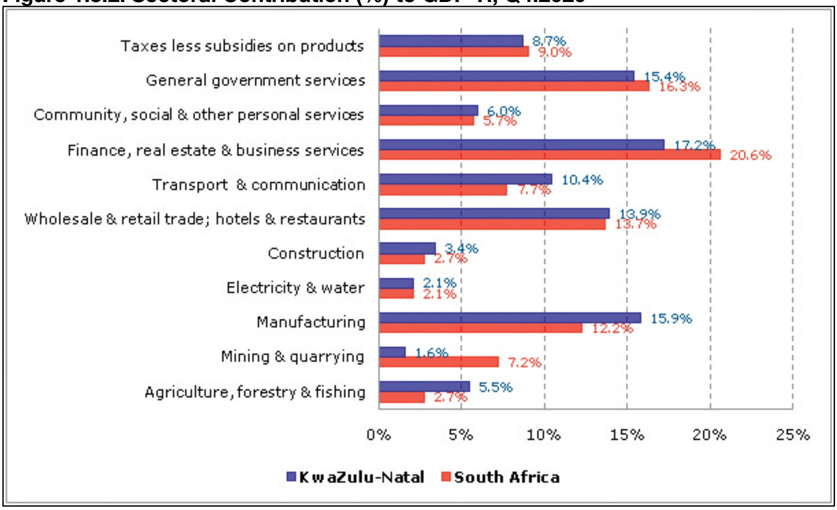
Source: Stats SA, IHS Global Insight, Quantec Research, ACSA, Transnet, 2021

Figure 1.3.1: Provincial Contribution (%) to South African GDP, Q4:2020



Source: Quantec Research, 2021

Figure 1.3.2: Sectoral Contribution (%) to GDP-R, Q4:2020



Source: Quantec Research, 2021

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

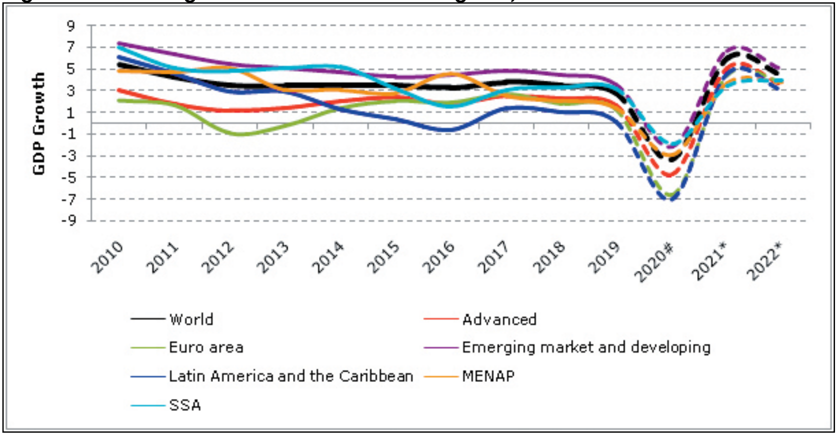
The global economic prospects deteriorated dramatically in 2020 amid the unprecedented disruption to economic activity by the outbreak of coronavirus disease 2019 (COVID-19). The global economic activities were impacted by great lockdown regulations enforced in different countries to slow local infections transmission while preparing healthcare systems to handle rapidly rising caseloads. The global economy began to rebound steadily from the substantial contractions reported in the first half of 2020, following the cautious reopening of economic activities in most economies, particularly in May and June. However, the recovery path remained uncertain as COVID-19 continued to spread in many parts of the world, forcing other countries to reinstate partial lockdowns to protect susceptible populations .Countries that had previously flattened the infection curve experienced second-wave of infections. Thus, global growth is estimated to have contracted by 3.3% in 2020.

Nevertheless, the optimism about the global fight against the virus has intensified following the approval of multiple vaccines and the launch of vaccination in some countries in December 2020. Notwithstanding the probability of experiencing new waves of the virus that could cause countries to reach low local transmission in different timeframes depending on country-specific circumstances, the roll-out of vaccines is generally expected to boost global growth prospects. The global economic growth is expected to bounce back significantly by 6% in 2021 before moderating to 4.4% in 2022. The projected robust growth for 2021 reflects additional policy support in large economies and the anticipated improvement in activity later in the year boosted by vaccine roll-outs. The improved outlook is particularly large for advanced economies, reflecting additional fiscal support in countries like the United States (US) and Japan, together with expectations of earlier widespread vaccine availability.

Advanced economies

The real output growth in advanced economies is gradually picking up from the depths which it had fallen into during the hard lockdown. The modest recovery was supported enormously by the robust GDP outturns for the second quarter, particularly in the US and the euro area (EA). Consequently, economic growth in advanced economies reported an estimated 4.7% contraction in 2020. Output growth is expected to expand by 5.1% in 2021 before slowing marginally to 3.6% in 2022. The forecast uptick is supported by strong policy support because most advanced economies provided expansionary fiscal support to households and firms, expanded asset purchase programs, and interest rate cuts by central banks. Advanced economies are also expected to reach the widespread roll-out of vaccines in summer 2021. The US and Japan could reach pre-COVID-19 activity levels in the second half of 2021, while the EA and the United Kingdom (UK) are projected to remain below pre COVID-19 levels into 2022.

Figure 2.1.1: GDP growth rate for selected regions, 2010 – 2022*



Source: IMF WEO, April 2021
*Note: # Indicates estimates and * projections*

Euro Area

The real economic activity in the Euro Area is estimated to have declined by 6.6% in 2020, following the historic pandemic-induced collapse in the first half of the year and the unexpected resurgence of COVID-19 in the third quarter which prompted many member countries to re-impose stringent lockdown measures. Notwithstanding a historic recession, the policy response has been far-reaching and sustained as national fiscal support packages were boosted by grants from the European Union to the hardest-hit member countries. Economic growth is projected to rebound to 4.4% in 2021 and drop slightly to 3.8% in 2022. The forecast recovery reflects improved COVID-19 management, an initial vaccine roll-out, and rising external demand, particularly from China. Widespread vaccination, especially in 2022, will contribute to firming consumption and investment.

Emerging Market and Developing Economies

The real economic activity in Emerging Market and Developing Economies (EMDEs) contracted by an estimated 2.2% in 2020, following notable decreases in activity in various economies due to the impact of the COVID-19 pandemic. EMDEs output is expected to bounce back significantly by 6.7% in 2021 as the external demand, and pandemic management improves amid the on-going vaccine roll-outs in major economies. The forecast recovery reflects China's robust economic prospects, which outpaced most countries in the EMDEs group. Nevertheless, growth is projected to moderate to 5% in 2022. The pandemic is expected to inflict long-term damage on EMDEs growth prospects by depressing investment and human capital. Headwinds to activity remain particularly pronounced for economies with large services sectors, including those that rely on tourism, social-distancing measures, and sustained weakness in international travel weigh on hospitality and transportation.

Other regions within the EMEDs group, such as Latin American and the Caribbean, recorded enormous substantial contraction at 7% in 2020. The activity is anticipated to improve robustly by 4.6% in 2021 before dropping slightly to 3.1% in 2022. The MENAP showed a sharp decline of 2.9% in real GDP growth in 2020 and is expected to climb to 3.7% progressively and 3.8% in 2021 and 2022, respectively.

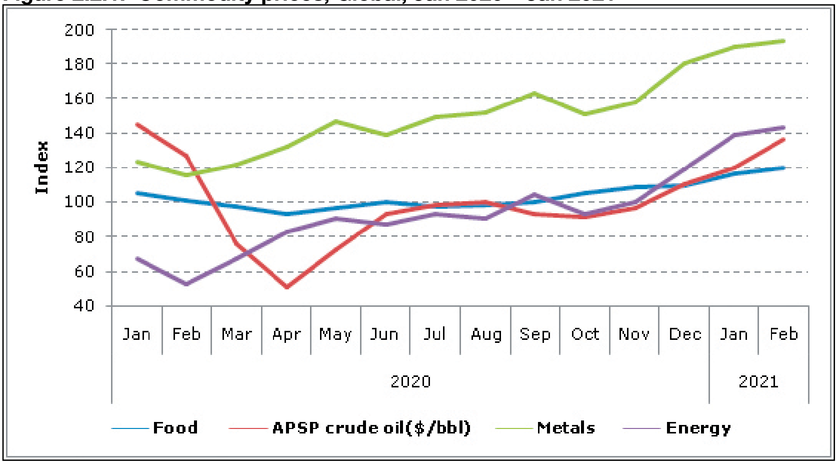
Sub-Saharan Africa

Economic activity in Sub-Saharan Africa (SSA) is estimated to have shrunk by 1.9% in 2020, setting living standards in many countries back by a decade. Growth is forecast to rebound modestly by 3.4% in 2021 and by 4% in 2022. The projected moderate recovery in 2021 reflects the anticipated prolonged impact of COVID-19 as the roll-out of vaccines in the region is expected to lag behind major economies and many other EMDEs.

2.2 Global Inflation

The improved prospects for a sustained global recovery have been accompanied by an increase in inflation. Unlike the deflation recorded in December 2020 (Previous quarter), the current Headline inflation has risen in many advanced economies; this partially due to the increase of commodity prices and past currency depreciation. While in some emerging economies, inflation remained high.

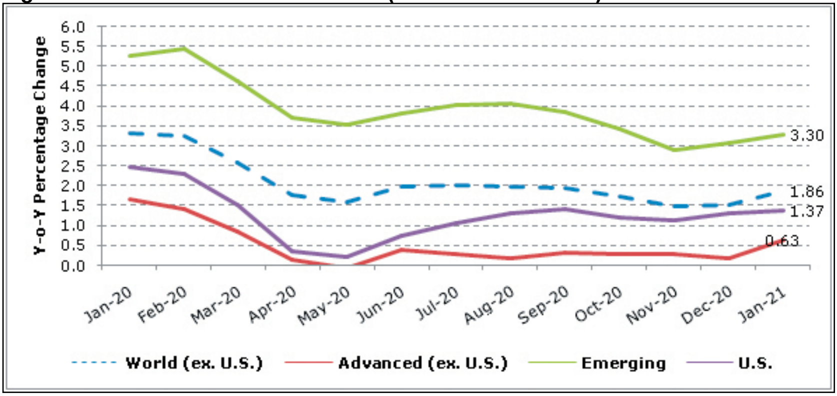
Figure 2.2.1: Commodity prices, Global, Jan 2020 – Jan 2021



Source: IMF Data, 2021

Demand recovery, especially from China, combined with shortfalls in supply, has pushed-up food and metals prices. According to China's National Bureau of Statistics, the country retail sales rose by 33.8% in the first two months of 2021; the increase is attributed to distortions suffered last year. In addition, crude oil prices have rebounded to their 2019 average levels. If crude oil price continues to rise, it will spike the current inflation levels because of its effect in the area of production and transportation prices.

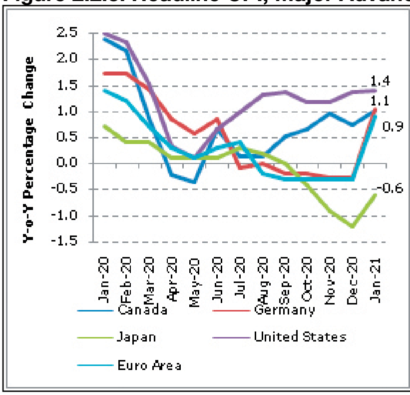
Figure 2.2.2: Global Headline Inflation (Jan 2020 – Jan 2021)

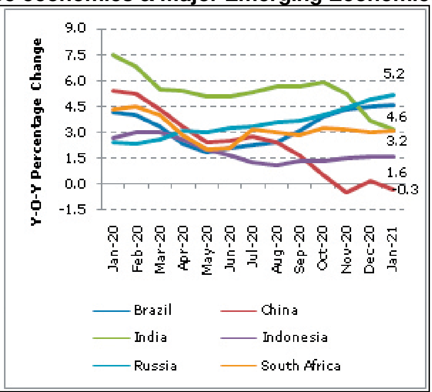


Source: Database of Global Economic Indicators, 2021

Underlying price pressures remained mild in the advanced economies although re-opening in sectors previously subject to lockdown measures and indirect tax changes, are currently contributing to inflation. In the major emerging-market economies, inflation could be higher than expected if domestic currencies depreciate further due to rising relative returns in the United States. Higher commodity prices are also most likely to further raise inflation in net commodity importers, such as India compared to commodity exporters.

Figure 2.2.3: Headline CPI, Major Advance economies & Major Emerging Economies, 2020-2021





Source: OECD, 2021

Inflation in the Euro area returned to positive rate, mainly due to higher prices for services and industrial goods. The Euro area's annual inflation rate was 0.9% in January 2021, up from -0.3% in December 2020, a first positive reading since August 2020. Despondent energy prices have also been one of the main reasons for Eurozone's low inflation, the region heavily rely on imports in this sector. But it is noteworthy, that not only crude oil price contributed to the inflation – there is also contribution from domestic sectors; for example the inflation spike in Germany is attributed to the Value Added Tax (VAT) reduction.

On the other hand, inflation outlook for emerging markets is beginning to diverge with inflation well below target, affecting parts of South East Asia and Brazil. Most of the emerging markets may need to raise interest rates to counter inflation. The inflation pressure in India has begun to ease as the country had reached a 16 month low of 4.06% in January 2021, attributed to a sharp drop in food inflation. Currently, the country with a high inflation rate is Russia with 5.19%.

China's consumer prices fell 0.3% on an annual basis in January, contrasting December's 0.2% rise. However, producer prices rose to 1.7% in February, which is the highest recorded rate since November 2018. As the world biggest manufacturer, it raises prospects that inflation will be exported to the rest of the world and factories will hike prices to match increased production costs.

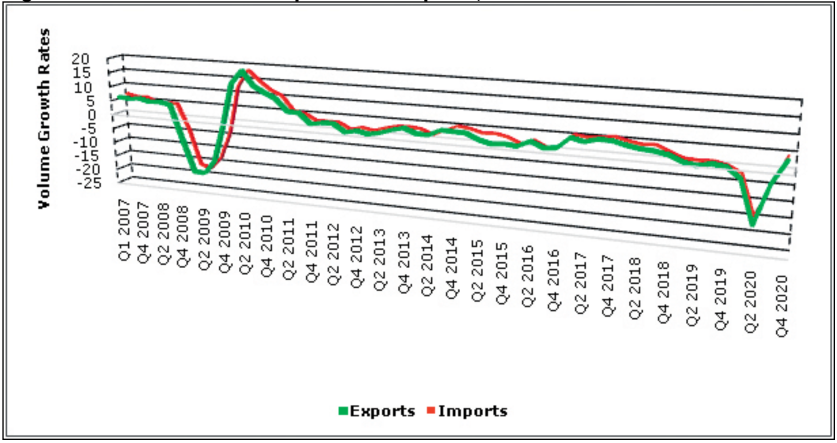
2.3 International Trade

International trade generally collapsed in mid-2020, as key trading partner countries were forced to close their borders to mitigate the impact of the COVID-19 pandemic, leading to supply disruptions and interruption of the global provision of goods and services. However, despite the shocks from the pandemic, trade in goods was generally more resilient than trade in services. Although goods trade dipped more rapidly, it recovered more swiftly than during the global economic and financial crisis, while services trade remained depressed, in part owing to travel restrictions constraining tourism. The resilience in goods trade and manufacturing was mainly explained by a shift in consumption patterns or substitution of demand, towards goods and away from services requiring face-to-face interactions. The preference for goods boosted global merchandise trade, leading to a quick recovery in global trade at the end of 2020 to pre-coronavirus levels, also compensating for the sharp decline from the COVID-19 pandemic in the first half of the year.

The volume of world merchandise trade recorded a quarter-on-quarter growth of 4.0% in the fourth quarter of 2020, following a revised growth of 11.5% recorded in the third quarter. Growth in world trade was supported by expansion in world industrial production, higher exports from advanced economies such as the United States and increased imports from emerging economies. Risks to enhanced trading activity still exists, mainly from persistently subdued global investment and the gradual and incomplete recovery of global travel, which are expected to result in a further decline in the trade intensity of activity. Continued impediments to international travel and tourism are contributing to persistent weakness in services. Global trade is projected to contract by 9.5% in 2020 before growing by an average of 5.1% in 2021-22.

The volume of global merchandise exports increased quarter-on-quarter by 3.80% in quarter four 2020, from a revised decline of 3.66% recorded in quarter three. China remained a strong contributor to growth in global exports, although its exports growth slowed in quarter four relative to quarter three. An earlier reopening 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. However, competition became stiff as more economies opened, resulting in dip in exports volume. Exports in quarter four from China (4.4%), complemented exports from advanced economies including the United States (6.9%), Japan (12.8%), and the Euro Area (4.8%), significantly contributing to overall resilience in global exports trend in quarter four, as reflected by the green line in the graph below.

Figure 2.3.1: Merchandise Exports and Imports, World Q1:2007 - Q4:2020



Source: UNCTAD, March 2021; CPB, March 2021

The volume of global merchandise imports increased quarter-on-quarter by 4.1% in quarter four, from 9.3% recorded in quarter three. Imports from advanced economies increased to 4.2% in quarter four from 9.3% in quarter three. Unlike exports, the improvement in global merchandise imports in quarter four was less robust, although Japan (6,0%), United States (5.3%), and Euro Area (3.3%) all posted firm growth. While this augurs well for KZN exports, the concern is the uninspiring imports volume from China (-0.3%), given the potential negative implications for the province, as China is a key trade partner and imports destination for most of South Africa's and KZN's products. However, positive contributions to imports by key trading partners like Germany, USA, India and Japan ensured a continuous improvement in imports trend in quarter four, as reflected by the red line in the graph above.

Exports of merchandise from Africa and the Middle East encouragingly bounced back in quarter four (0.5%), when compared to quarter three (-1.5%), while imports significantly improved in quarter four (2.0%), when compared to quarter three (0.6%). The expectation is for the advent of the African Continental Free Trade Area (AfCFTA) agreement to provide impetus and 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. This is despite lingering concerns regarding the existence of higher tariffs from trade wars between the US and China, slow progress to foster broader economic integrations globally and the impact of the recently announced Brexit deal between the United Kingdom and the European Union, which is likely to add to trade uncertainty.

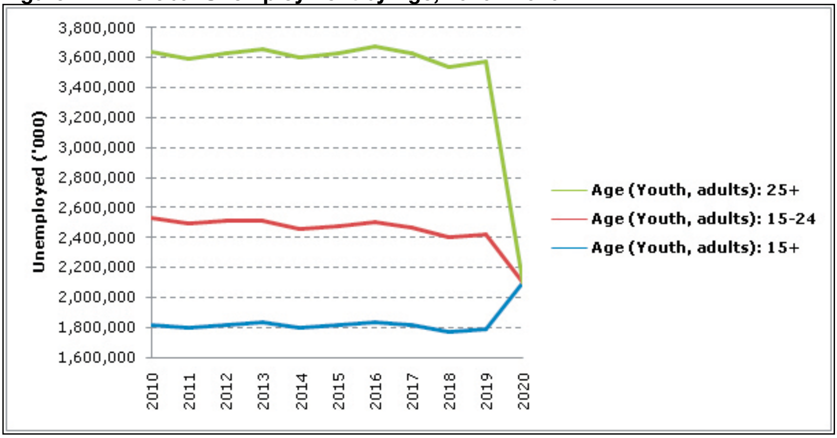
Africa's industrial exports are forecast to benefit most from the AfCFTA, with potential for large scale reindustrialisation, also ensuring the survival of small and medium-sized enterprises with higher propensity to create jobs. Commodities have traditionally accounted for Africa's exports and the continental 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. Reassuringly, apart from a lag in oil prices due to prolonged impact of the pandemic on global oil demand, most commodity prices (including base metal and agricultural prices) rebounded in the second half of last year and are expected to continue rising; driven by rising demand from China alongside the expected rebound in global demand. The auspicious movements in commodity prices are encouraging, as it is to the advantage of roughly 41 African commodity exporting countries.

2.4 International Labour Markets

The number of workers living in countries with COVID-19 related workplace restrictions remained high at the start of 2020, with 93% of the world's workers residing in countries with some form of workplace closures in place (ILO 7th Edition, 2020).

In terms of the pandemic's overall impact in 2020, the new International Labour Organisation (ILO) annual estimates confirm that it caused massive disruptions in the world of work. In 2020, 8.8% of global working hours were lost relative to the fourth quarter of 2019, equivalent to 255 million full-time jobs (assuming a 48 hour working week). These losses were global and unprecedented. While the disruption was global, there was substantial variation between regions. Working-hour losses in 2020 were particularly large. Working-hour loss estimates refer to all employed people aged 15 to 64 years which was particularly large in Latin America and the Caribbean, Southern Europe and Southern Asia. In contrast, Eastern Asia and Central, Western and Eastern Africa experienced relatively smaller working-hour losses, reflecting less stringent lockdown measures in these sub regions.

Figure 2.4.1: Global Unemployment by Age, 2010 - 2020



Source: ILO, 7th Edition, 2021

The labour market disruption in 2020 far exceeded the impact of the global financial crisis of 2009. Over the 15 years before the onset of the COVID-19 pandemic, the average hours worked per person of working age (aged 15 to 64) fluctuated between 27 and 28 hours per week. This then dropped sharply by 2.5 hours from 27.2 hours per week in 2019 to 24.7 hours per week in 2020. On contrast, when the global financial crisis hit the labour market, average working hours declined by just 0.6 hours between the year 2008 and 2009. The effect of the COVID-19 shock on global working hours has therefore been approximately four times greater than that of the global financial crisis.

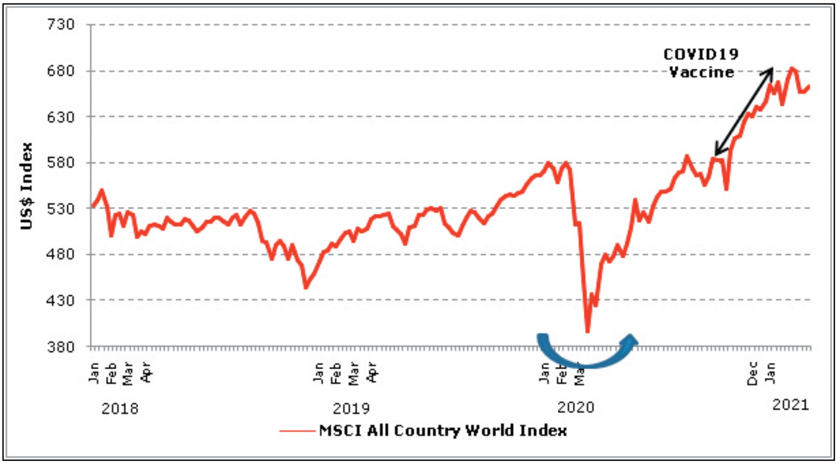
Globally, around half of working-hour losses are due to employment loss, while the other half can be attributed to reduced working hours (including workers who remain employed but are not working). However, there is significant variation between regions. Employment losses, both as a share of the working-age population and in relation to working-hour losses, were highest in the Americas, and lowest in Europe and Central Asia, where reduced working hours have been extensively supported by job retention schemes, especially in Europe. Despite the adjustment through reduced working hours, employment losses in 2020 were nonetheless massive, amounting to a loss of 255 million jobs relative to the pre-crisis employment level in 2019 based on Full Time Equivalent (FTE) working hours comparing fourth quarter of 2020 to same quarter in 2019.

2.5 International Financial Markets

With the spread of Covid-19, global and local equity markets experienced a significant collapse of approximately a third on expectations. Governments around the globe responded quickly by pumping money into their economies through stimulus packages. These 2020 global stimuluses' were the biggest in history, even outstripping that of the 2008 Global Financial Crisis. This enormous fiscal and monetary spending set off a price rally on world stock and bond markets providing substantial liquidity. The start of 2021 had a good start with global and local markets demonstrating improved performances as developments emerged as the vaccine was rolled out spurring shares on.

Newly elected US President Joe Biden was successful through House of Representatives passing a US$1.9 trillion COVID-19 stimulus package. The stimulus package bill will now make its way to the senate for debate. The package offers payments of up to US$1,400 per person and weekly US$300 in unemployment benefits. Included is a portion allocated for state and local government departments hit by ramifications caused by the virus. Global stock markets rallied upon the news as the package provides liquidity to the market. The flip side for the US is that this will lead to dollar weakness benefiting emerging markets.

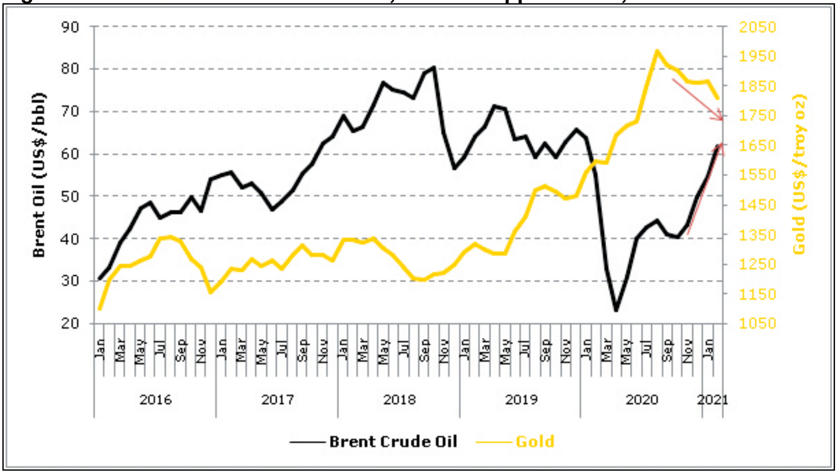
Figure 2.5.1: Morgan Stanley Capital International (MSCI) All Country Equity Index,Jan 2018 – March 2021

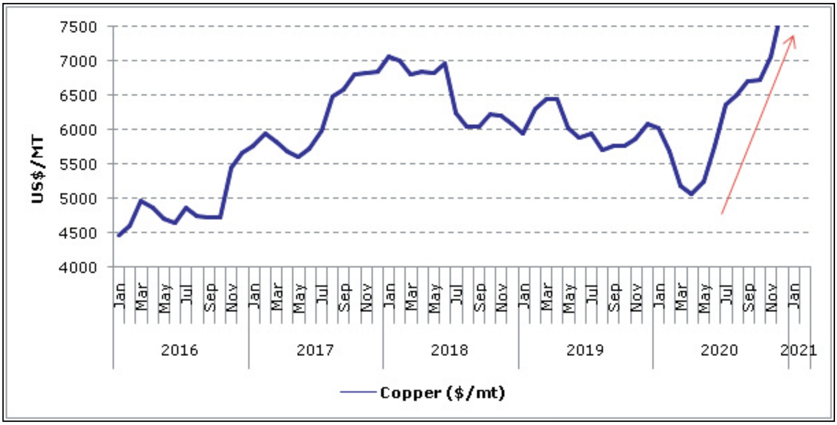


Source: Investing.com, 2021

The year 2020 was an extraordinary year in every way imaginable, most especially for markets, which dropped more than 30% at the start of last year and then rebounded with gains of more than 60% from the bottom. The news and roll out of COVID-19 vaccine sent markets to new highs.

Figure 2.5.2: International Brent Crude, Gold & Copper Prices, Jan 2016 – Feb 2021





Source: World Bank, 2020

Global activity is picking up momentum as depicted by increase in Brent Crude Oil prices, as uncertainty subsides investors move towards equity and bond markets. This can be witnessed through the drop in global gold prices as a store of value during uncertain times and the rise in copper prices driven by higher demand in China as its manufacturing sector resurges following easing of lockdown conditions globally. Copper prices are used as a leading indicator to depict the health of an economy. This is due to copper being a fundamental raw material used as inputs in many industries and products.

Table 2.5.1: Gold Mine Production (Tons), Global, 2019 vs 2020

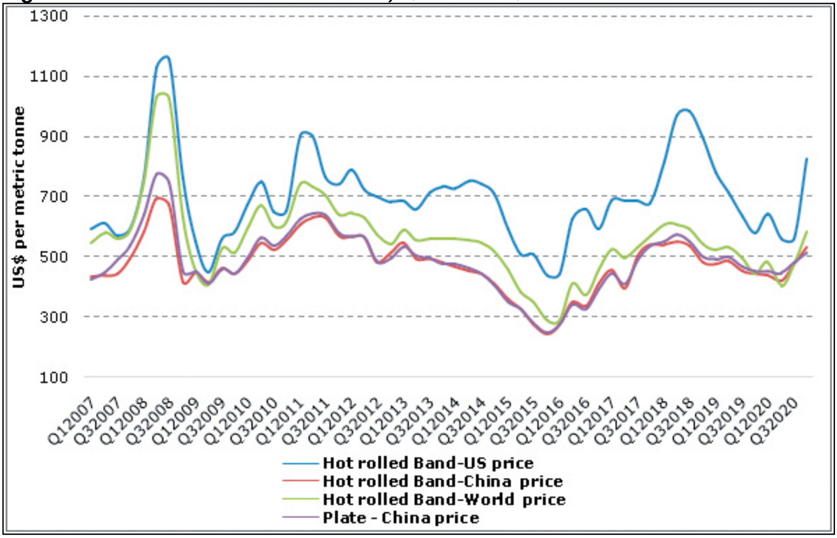
Rank	Country	Mine Production (Tons)	
		2019	2020
1	China	380	380
2	Australia	325	320
3	Russia	305	300
4	United States	200	190
5	Canada	175	170
6	Ghana	142	140
7	**Indonesia**	**139**	**130**
8	Peru	128	120
9	Kazakhstan	107	100
10	Mexico	111	100
11	South Africa	105	90
12	Sudan	90	90
13	Uzbekistan	93	90
14	Brazil	90	80
15	Papua New Guinea	74	70
16	Mali	61	61
17	Argentina	60	60
18	Other Countries	716	750
	World Total	**3300**	**3200**

Source: United States Geological Survey, 2021

There was a 5% decrease in domestic gold mine production in 2020 attributed to the COVID-19 pandemic. In 2020, worldwide gold mine production was estimated to be 3% less than that in 2019. Mine production remained unchanged in Argentina, China, Mali, and Sudan, and was slightly less in Australia, Canada, Ghana, and Russia compared with that of 2019. South Africa, once the largest gold producer in the world, is ranked 11th and is tied with Sudan. Lack of new investment, load shedding and rising costs has led to its market share to shrink. In Africa, Ghana is the highest ranked mining 140 tons in 2020.

Ferrous metals like steel or cast iron, and non-ferrous metals like copper or aluminium, are considered good indicators or proxies for economic activity, as they are widely used in various industrial sectors, including in mining, manufacturing, construction and transport sectors. Generally, as economies grow and countries become more sophisticated, the demand for steel proportionately increases to boost infrastructure development, enable repairs and maintenance of existing facilities or trigger implementation of new projects, with extended implications on prices.

Figure 5.2.3: International Steel Prices, Q1:2007 – Q4:2020



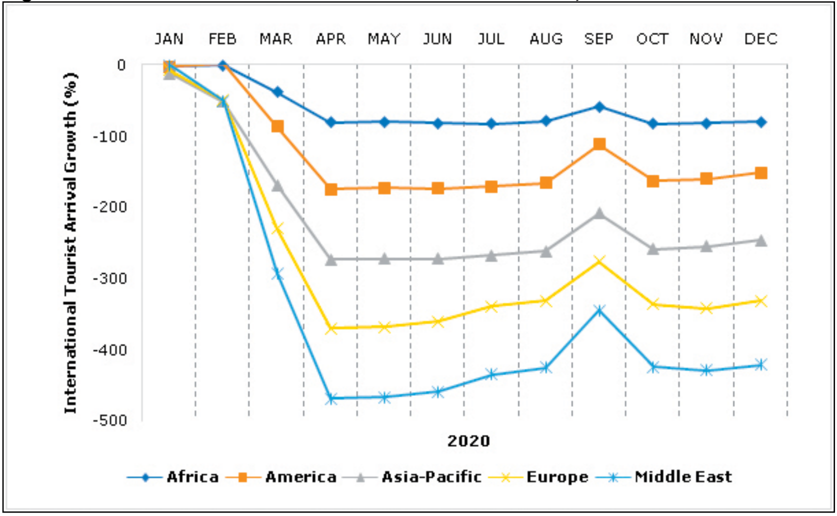
Source: World Steel Association (Steel Statistical Yearbook), Dec 2020

The figure above shows a general consecutive rise in steel prices in the latter half of 2020, following a rebound in economic activity, as the global economy and the economies of major trading partners open post the COVID-19 induced lockdown. Due to increased demand-pull for steel and a corresponding reduction in steel-making capacity (primarily from China), steel prices significantly rose in quarter 4 of 2020. The rise in prices was largely influenced by demand from China, given the fact that its economy accounts for more than half of the global metal consumption. From a South African perspective, slowing but firm demand from China will continue to support steel exports, enabling traders to benefit from improving prices, despite the existence of downside risks emanating from the COVID-19 pandemic.

2.6 International Tourism Developments

The international travel and tourism industry experienced a slight recovery in September 2020, when countries started easing lockdown restrictions by re-opening borders and allowing flights to operate. The recovery was short-lived due to the resurgence of the Corona virus, countries were forced to re-instate lockdown restrictions. The sector has lost a lot of revenue since the outbreak of the pandemic. According to the World Tourism Organisation of the United Nations (UNWTO), the sector is estimated to have lost US$1.3 trillion in export revenue, this is 11 times more than the loss suffered in 2009 during the economic crisis. If the situation persists in 2021, global GDP revenue of US$3.3 trillion will be lost.

Figure 2.6.1: Annual Growth International Tourist Arrivals, 2020

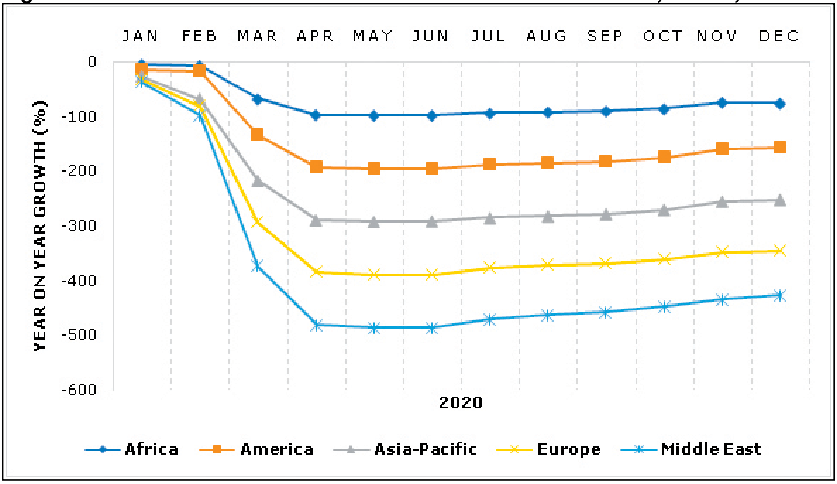


Source: United Nations World Tourism Organisation, 2021

The loss of revenue is attributed to poor demand since the beginning of the pandemic, the world destinations welcomed 1 billion fewer international travellers compared to 2019, which is 4% less than the decline suffered during the 2009 economic crisis. The international tourism arrivals plunged by -74% in 2020 compared to 2019. The largest decline was recorded in Asia and Pacific (-84%), Middle East and Africa (-75%) respectively, Europe (-70%) and America (69%).

The poor demand has affected a number of employments linked to the sector; estimating approximately 100 million jobs are at risk. Several industries linked to the sector have lost significant revenue; according to International Air Transport Association, the airline industry has lostan estimated net revenue of US$118.5 billion in 2020 and the loss is expected to continue in 2021 with a further US$38.7 billion loss.

Figure 2.6.2: Annual Growth International Air Travel Reservations, Global, 2020



Source: United Nations World Tourism Organisation, 2021

The revenue loss in the airline industry is evident from the global air reservations recorded in the whole of 2020. The air reservation globally declined by 81% in 2020 compared to 2019, the most affected region is the Asia-Pacific (-85%), Europe (-83%), Middle East and America (-77) respectively and Africa (-76%).

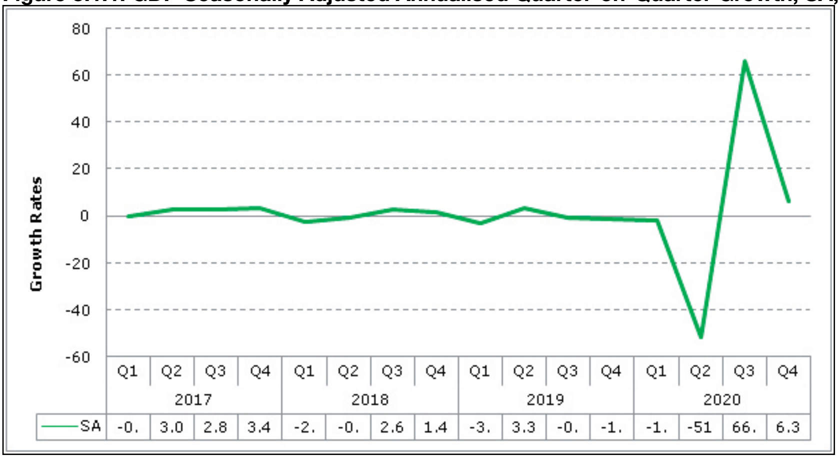
3. DOMESTIC AND REGIONAL ECONOMIC DEVELOPMENT AND OUTLOOK

3.1 Economic Growth

3.1.1 Gross Domestic Product Trends

The year 2020 has been subject to a number of challenges including a health crisis that brought the global economy to its knees. Several economies around the globe including South Africa saw their economies contracting severely in the second quarter of 2020, with many industries shedding a large number of jobs. The International Monetary Fund (IMF) through its April 2021 World Economic Outlook predicted that approximately 90 million people world-wide would fall into extreme deprivation in 2020. From a national level many countries, South Africa included, have continued to provide fiscal support to lessen the wide spread impact of the pandemic on businesses and individuals with the ultimate aim of preserving jobs. Despite many of the efforts put in place to revive the economy and the positive growth recorded in the third and fourth quarter of 2020, the South African economy contracted by -7% in the year 2020 compared to the 2019 growth of 0.2%. According to Statistics South Africa data, the 2020 contraction is the biggest fall in economic activity that the country has experience in over 7 decades dating back to 1946.

Figure 3.1.1: GDP Seasonally Adjusted Annualised Quarter-on-Quarter Growth, SA, Q1:2017-Q4:2020



Source: Quantec Research, 2021

Notwithstanding the country's overall annual economic performance, real gross domestic product increased at an annualised rate of 6.3% in the fourth quarter of 2020; supported by the further easing of lockdown restrictions in the country and largely driven by the Manufacturing industry. On a year on year basis comparing the fourth quarter of 2020 to the same quarter of 2019, the economy contracted by -4.2%, this is a fifth consecutive decline since quarter four of 2019 (0.6%). This indicates that economic activity has been weak prior to the Covid-19 induced slump, thus requiring more than the counter-cyclical measures put in place to reboot the economy amid the pandemic in order to rectify the state of economic activity. With that said several risks still persistent and pose a significant threat to the country's economic growth trajectory amongst them include the resuscitated Eskom load shedding, predictions of a third wave of the Covid-19 pandemic, constrained fiscus etc.. Having said this, South Africa's economy is projected to grow by 3.1% in 2021 and by a modest 2% in 2022.

3.1.2 Sectoral Drivers of GDP Growth

Notwithstanding the country's overall annual economic performance, real gross domestic product increased at an annualised rate of 6.3% in the fourth quarter of 2020; supported by the further easing of lockdown restrictions in the country and largely driven by the Manufacturing industry. On a year on year basis comparing the fourth quarter of 2020 to the same quarter of 2019, the economy contracted by -4.2%, this is a fifth consecutive decline since quarter four of 2019 (0.6%). This indicates that economic activity has been weak prior to the Covid-19 induced slump, thus requiring more than the counter-cyclical measures put in place to reboot the economy amid the pandemic in order to rectify the state of economic activity. With that said several risks still persistent and pose a significant threat to the country's economic growth trajectory amongst them include the resuscitated Eskom load shedding, predictions of a third wave of the Covid-19 pandemic, constrained fiscus etc.. Having said this, South Africa's economy is projected to grow by 3.1% in 2021 and by a modest 2% in 2022.

Table 3.1.1: Seasonally Adjusted, Annualised Quarterly Sectoral Growth Trends (%), SA, Q3:2020 & Q4:2020

Industry	Growth rates: % change Q-o-Q (seasonally adjusted and annualised)		Industry	Contributions to growth: percentage points	
	2020:Q3	2020:Q4		2020:Q3	2020:Q4
Agriculture, forestry and fishing	20.1	5.9	Agriculture, forestry and fishing	0.7	0.2
Mining and quarrying	271.2	-1.4	Mining and quarrying	11.4	-0.1
Manufacturing	212.9	21.1	Manufacturing	16.4	2.4
Electricity and water	58.0	2.2	Electricity and water	1.3	0.0
Construction	73.6	11.2	Construction	1.9	0.3
Trade, catering and accommodation	137.0	9.8	Trade, catering and accommodation	14.7	1.3
Transport and communication	78.1	6.7	Transport and communication	5.8	0.5

Industry	Growth rates: % change Q-o-Q (seasonally adjusted and annualised)		Industry	Contributions to growth: percentage points	
	2020:Q3	2020:Q4		2020:Q3	2020:Q4
Finance, real estate and business services	17.0	-0.2	Finance, real estate and business services	4.5	-0.1
Community, social and other personal services	38.7	4.8	Community, social and other personal services	2.5	0.3
General government services	1.0	0.7	General government services	0.2	0.1

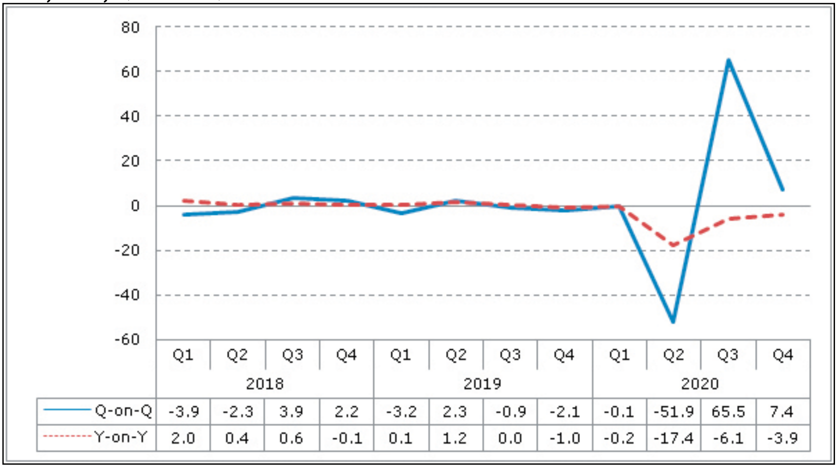
Source: Stas.SA, 2021

Despite the positive gains made in the third and fourth quarter of 2020, overall sectoral performance in 2020 was somewhat disappointing with eight out of ten industries shrinking. The construction industry which has been struggling to grow prior to the pandemic emerged as the biggest looser, shrinking by 20.3% in 2020. The industry's sectoral output has been on the negative since 2017. Due to the decline in air travel courtesy of the Covid-19 pandemic, transport and communication was amongst the biggest losers contracting by 14.8% in 2020 followed by manufacturing (11.6%) and mining and quarrying (-10.9%). The agriculture, forestry and fishing industry closed off 2020 on the positive and stronger side with a growth rate of 13.1% a significant improvement from the -6.9% recorded in 2019 due to lighter restrictions during the National Lockdown where food security took precedence.

3.1.3 KwaZulu-Natal Growth Trends

KwaZulu-Natal is South Africa's second largest economy, contributing an average of 16% to the country's GDP and is one of South Africa's leading economic and business hubs. The KZN economy is driven mainly by the eThekwini metro and other district municipalities especially those dominated by urban areas.

Figure 3.1.2: Seasonally Adjusted, Annualised Quarterly Growth and Quarterly Year-on-Year Growth in GDP, KZN, Q1:2018-Q4:2020



	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4
Q-on-Q	-3.9	-2.3	3.9	2.2	-3.2	2.3	-0.9	-2.1	-0.1	-51.9	65.5	7.4
Y-on-Y	2.0	0.4	0.6	-0.1	0.1	1.2	0.0	-1.0	-0.2	-17.4	-6.1	-3.9

Source: Quantec Research, 2021

Figure 3.1.2 above illustrates KwaZulu-Natal's seasonally adjusted annualised quarterly and annual quarterly economic growth rate from the first quarter of 2018 to the fourth quarter of 2020. The province recorded a positive growth rate of 7.4% q-o-q in the fourth quarter of 2020 compared to the positive growth of 65.5% posted in the third quarter of 2020. On a quarterly year-on-year basis, the province posted a negative growth rate of -3.9% which was better that the -6.1% contraction recorded on the third quarter of 2020. Although somewhat helpful, the growth that was posted between the third and fourth quarter of 2020 is menial and therefore not enough to offset the devastating impact of Covid-19.

3.1.4 KZN Sectoral Growth

According to Stats SA, eight industries recorded positive growth between the third and fourth quarters of 2020. The major drivers of growth, using the seasonally adjusted annualised quarterly rate method,saw the fourth quarter of 2020 were manufacturing (20.3%), Construction (19.4%), transport and communication (8.9%) and wholesale, and retail trade, hotels and accommodation (7.2%).It is encouraging to note that the sectors that are improving remarkably both at a national and provincial level are labour intensive which augurs well with government's plans and investment towards job retention and creation.

Table 3.1.2: Sectoral Growth Trends (%), Seasonally Adjusted Annualised Quarterly Growth, KZN, Q1:2019-Q4:2020

Industry	2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Agriculture, forestry and fishing	-14.0	-3.4	-3.3	-6.9	39.3	22.0	19.7	5.3
Mining and quarrying	-8.7	16.6	-7.5	-0.5	-24.6	-72.1	250.3	-8.6
Manufacturing	-9.4	1.7	-4.8	-2.2	-8.6	-74.8	211.3	20.3
Electricity and water	-8.6	3.9	-3.8	-2.4	-3.5	-34.5	63.7	6.7
Construction	-6.2	-2.0	-6.0	-4.4	-3.5	-76.0	82.5	19.4
Wholesale & retail trade; hotels & restaurants	-2.4	3.4	2.3	-4.4	-1.7	-68.1	132.7	7.2
Transport and communication	-4.5	0.0	-4.9	-6.6	1.7	-69.1	81.0	8.9
Finance, real estate and business services	1.2	4.2	1.7	2.8	3.2	-35.6	17.1	-0.1
Community, social and other personal services	1.4	0.9	0.4	0.6	0.6	-31.8	38.5	4.6
General government services	3.5	3.6	2.6	-0.3	1.4	-1.1	0.8	0.4

Source: Quantec Research, 2021

In contrast to that, the mining sector contracted by -8.6% after the industry grew by 250.3% in the third quarter of 2020. The finance, real estate and business services are an another sector that recorded a negative growth in the fourth quarter of 2020.

3.1.5 Regional Growth Comparison

All provinces in the country recorded positive growth rates in the fourth quarter of 2020, building from the third quarter momentum after a severe slump in the first quarter of 2020 using the seasonally adjusted annualised quarterly rate. The further easing of lockdown restrictions, the countercyclical measures and fiscal support provided by government through the various provincial economic recovery plans continue to cushion the blow of Covid-19.

Table3.1.3: Regional Economic Growth, Seasonally Adjusted Annualised Quarterly Growth, Provincial, Q1:2019-Q4:2020

Industry	2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
South Africa	-3.2	3.3	-0.8	-1.4	-1.8	-51.7	67.3	6.3
Western Cape	-2.6	2.3	-0.5	-1.6	0.3	-51.4	59.8	6.6
Eastern Cape	-3.3	2.4	0.2	-1.0	0.6	-48.7	60.4	9.3
Northern Cape	-7.7	6.7	0.0	1.8	-0.6	-50.1	101.7	13.4
Free State	-4.0	3.5	-1.1	-1.7	-2.1	-51.8	72.5	6.6
KwaZulu-Natal	-3.2	2.3	-0.9	-2.1	-0.1	-51.9	65.5	7.4

Industry	2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
North West	-4.5	5.7	-2.5	-1.8	-7.5	-55.2	85.6	1.1
Gauteng	-1.5	2.5	-1.0	-2.3	-2.3	-51.2	54.4	3.4
Mpumalanga	-6.7	6.2	-0.7	0.7	-3.3	-55.4	110.8	11.6
Limpopo	-5.8	6.6	-0.1	1.1	-2.9	-50.7	93.3	9.6

Source: Quantec Research, 2021

Despite being South Africa's economic hubs, KwaZulu-Natal (7.4%), Gauteng (3.4%) and Western Cape (6.6%) did not register the highest provincial growth rates. The Northern Cape, Mpumalanga, Limpopo and Eastern Cape were leading in terms of growth in the fourth quarter of 2020 registering 13.4%, 11.6%, 9.6% and 9.3% respectively. These economic improvements were primarily due to the boosted performance in manufacturing and construction within the provinces.

3.2 Inflation

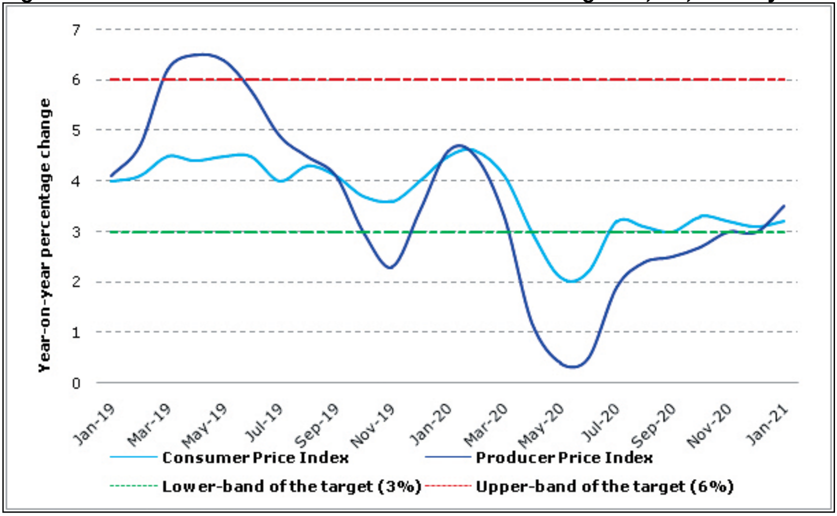
The headline inflation rate remained sluggishly at the edge of the target's lower band in 2020. The Headline consumer price index (CPI) reverted to the South African Reserve Bank's (SARB's) target range of 3% to 6% in July 2020 after it had dropped below the target in May amid the substantial decline in consumer demand related to national lockdown restrictions. The inflation rate has subsequently remained within the targeted band, following the progressive easing of restrictions.

The annual inflation rate was reported at 3.1% in December 2020 and thus averaged at 3.3% for the year, the lowest rate since 2004. The level of inflation continued to accelerate at a much slower pace at the beginning of 2021, with an annual inflation rate of 3.2% in January, a percentage point higher than the previous month. The main contributors to the annual inflation rate in January were food & non-alcoholic beverages, housing & utilities, and miscellaneous goods & services.

Food and non-alcohol beverages recorded the largest increase of 5.4% year-on-year, thereby contributing 0.9 percentage points to the CPI annual rate. The main contributor to the notable increase in this category was food prices which grew by 5.6% year-on-year. Food prices were driven mainly by oil & fats; sugar, sweets & deserts; and meat at 10.5%, 7.3% and 7.2% year-on-year, respectively. Non-alcohol beverages, on the other hand, recorded an increase of 3.6% year-on-year, driven largely by hot drinks, which grew by 6.4%.

The costs of housing and utilities accelerated by a moderate 2.6% year-on-year, contributing 0.6 percentage points 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% and 5.9% year-on-year respectively. Miscellaneous goods and services increased by 6.5% year-on-year and contributed 1 percentage points. The increase in prices for miscellaneous goods and services was driven largely by other goods & services, which rose by 8.5% year-on-year, followed by insurance at 7.8% year-on-year.

Figure 3.2.1: CPI headline and PPI for final manufactured goods, SA, January 2019 – January 2021

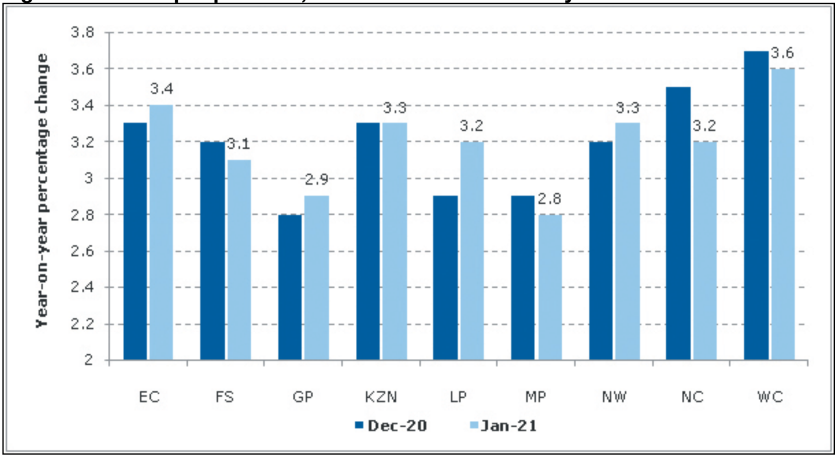


Source: Stats SA, 2021

The annual Producer Price Index (PPI) continues to improve, albeit slower from the decline reported during the hard-national lockdown period. The PPI indicates changes in producer prices of locally produced commodities, including exports . Given the continued lower rate in most parts of 2020, the South African annual PPI (final manufacturing) recorded an average of 2.6% for the year. However, the annual PPI showed a robust growth of 3.5% in January 2021, an increase of 0.5 percentage points from 3% reported in December 2020. The main contributors to the headline PPI annual inflation rate for final manufactured goods in January were food products, beverages and tobacco products; metals, machinery, equipment and computing equipment; and transport equipment. Food products, beverages and tobacco products increased by 5.9% year-on-year; contributing 2.1%. This was followed by metals, machinery, equipment and computing equipment which increased by 4.4% year-on-year and contributed 0.6%. Lastly, transport equipment increased by 6.5% year-on-year and contributed 0.6 percentage points to the annual PPI.

The regional inflation rate continues to revolve between the mid-point and lower-bound of the SARB's targeted range. However, Gauteng (GP) and Mpumalanga (MP) provinces were the only exceptions, with inflation rates below the lower end of the target at 2.9% and 2.8% in January 2021, respectively. Other provinces, including KZN, recorded inflation rate closer or equal to the national average. However, the Western Cape (WC) and Eastern Cape (EC) had the highest inflation rates close to the target's mid-point at 3.6% and 3.4%, respectively. In Northern Cape (NC), inflation decreased from 3.5% in December 2020 to 3.2% in January 2021.

Figure 3.2.2: CPI per province, December 2020 – January 2021



Source: Stats SA 2021

The central bank forecasts inflation to accelerate moderately to 4% in 2021 and 4.5% in 2022. Further, SARB assesses the overall risks to the inflation outlook to be balanced in the short and medium-term, despite a rise in global producer price inflation, food price inflation and oil prices. 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) unchanged at 3.5% per annum in its January 2021 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. Significant steps also accompanied this to ensure adequate liquidity in domestic markets by providing regulatory capital relief and sustaining lending by financial institutions to households and firms.

3.3 Trade

3.3.1 South African Trade

In nominal terms South Africa's cumulative global exports' rand value for quarter four of 2020 was roughly R411.08 billion, while imports' rand value totalled approximately R308.79 billion, resulting in an overall estimated trade surplus of R102.29 billion, which is a slight deterioration on the R110.7 billion recorded in quarter three. The concise trade information in both nominal terms (that is, without adjusting for inflation or eliminating influences from price changes) and real terms (after adjusting for inflation or eliminating influences from price changes) is captured in the table below.

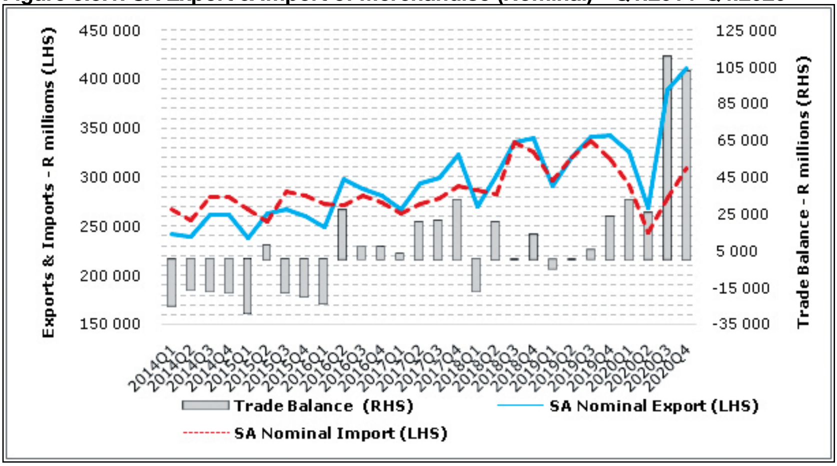
Table 3.3.1: SA Exports, Imports and Trade Balance – Q4:2020

	Q4 (2019)	Q1(2020)	
Nominal Trade	R 411 007 986 618	R 308 782 171 357	R 102 225 815 261 (surplus)
% Change Q42020/Q32020 (nominal)	5.7	11.1	-7.7
Real Trade	R 4 054 088 401	R 3 912 811 076	R 141 277 324 (surplus)
% Change Q42020/Q32020 (real)	5.3	14.3	-66.7

Source: SARS (Customs and Excise), March 2021

In nominal terms exports from South Africa (SA) grew by 5.7% in quarter four 2020 from a firm base in quarter three. However, there was a more than proportionate increase in imports by 11.1% in the same quarter, resulting in a deterioration in the trade balance by 7.7% or roughly R102.29 billion as reflected in the graph below. The figure shows SA's exports trend (see unbroken light blue line), its imports trend (see broken dark red line), and the resulting trade balance (grey bars) over time. The impressive performance in SA exports continues with exports value growing above the R400 billion since first quarter of 2014, despite the existence of risks to trade from the COVID-19 pandemic.

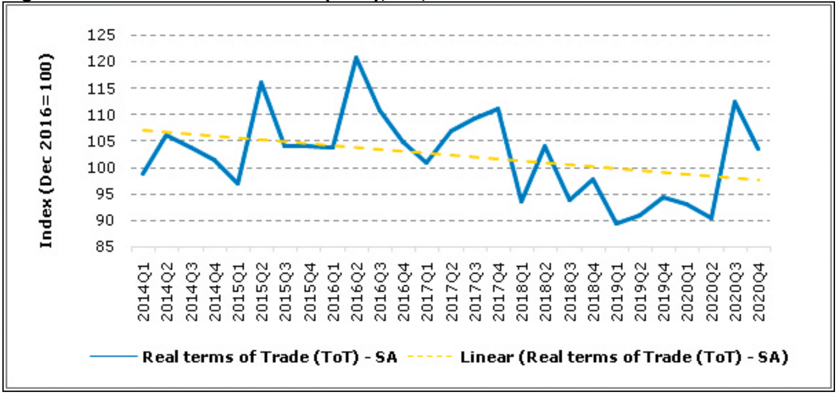
Figure 3.3.1: SA Export & Import of Merchandise (Nominal) - Q1:2014-Q4:2020



Source: Quantec, March 2021

The impressive growth in SA's exports in quarter four (relative to quarter three) was mainly influenced by expansions or quarter-on-quarter improvements in exports recorded in equipment components (161.7%); footwear (26.7%); vehicles aircraft & vessels (24.2%); photographic & medical equipment (20.9%); toys & sport apparel (19.1%); and textiles (19.0%). SA's export trend and exports performance in fourth quarter of 2020 were important in determining the terms of trade as illustrated in the figure below.

Figure 3.3.2: SA Terms of Trade (Real), SA, Q1:2014-Q4:2020



Source: Quantec, March 2021; TIKZN, March 2021

The Terms of Trade (TOT) represents the amount of imported goods an economy can purchase per unit of export goods. The South African TOT measures the wealth of the diverse cluster of local industries and is a proxy for international competitiveness of indigenous businesses. As the ratio increases, it means that South Africa can afford more imports per unit of exports, and vice-versa. Generally, increasing terms of trade indicates decreasing import prices relative to export prices.

The graph above presents a generally volatile and gradually deteriorating pattern in SA's TOT ratio from first quarter of 2014 to the fourth quarter of 2020. Although SA's TOT improved in third quarter of 2020 (112.4%), there was a dip in fourth quarter of 2020 (103.6%), pointing towards a loss of international competitiveness of South African products (due to cheaper exports) and a reduction in the country's wealth (due to more expensive imports) in fourth quarter of 2020.

However, the favourable trade balance for quarter four is encouraging, and it was largely influenced by enhanced trading activity with key trade partners as reflected in the table below.

Table 3.3.2: SA major Trade Partners – Q4:2020

Top 5 South African Export Countries	Top 5 South African Import Countries
China (15.4%)	China (21.2%)
United States (9.6%)	Germany (8.7%)
Germany (9.2%)	United States (6.6%)
Japan (7.2%)	India (6.1%)
United Kingdom (5.8%)	Japan (3.2%)

Source: SARS (Customs and Excise), March 2021

The table above shows the top 5 trading countries with South Africa in quarter four. China, Germany, the United States and Japan, carried the largest weights in both the exports and imports columns, while India (imports), United Kingdom (exports) and Japan (imports) featured only in specific columns.

The top eleven products and their respective share of SA's total exports of R411.08 billion during quarter four of 2020 are: precious metals (25.2%); mineral products (22.6%); vehicles aircraft & vessels (12.2%); products iron & steel (8.7%); machinery (7.9%); chemicals (6.3%); prepared foodstuffs (3.8%); vegetables (3.5%); plastics & rubber (1.7%); other unclassified goods (1.6%); and live animals (1.1%).

Alternatively, the top eleven products and their respective share of SA's total imports of R308.79 billion during quarter four of 2020 are: machinery (22.3%); chemicals (12.4%); mineral products (12.0%); equipment components (7.8%); vehicles aircraft & vessels (7.7%); products iron & steel (5.2%); plastics & rubber (4.4%); textiles (4.2%); other unclassified goods (3.6%); prepared foodstuffs (3.4%) and wood pulp & paper (3.2%).

3.3.2 KZN Trade

In nominal terms KZN's cumulative exports' rand value for quarter four of 2020 was roughly R37.97 billion, while imports' rand value totalled R34.54 billion, resulting in an overall estimated trade surplus of roughly R3.43 billion, which is a slight dip from the growth of approximately R6.4 billion recorded in quarter three. The brief trade information in both nominal and real terms is captured in the table below.

Table 3.3.3: KZN Exports, Imports and Trade Balances – Q4:2020

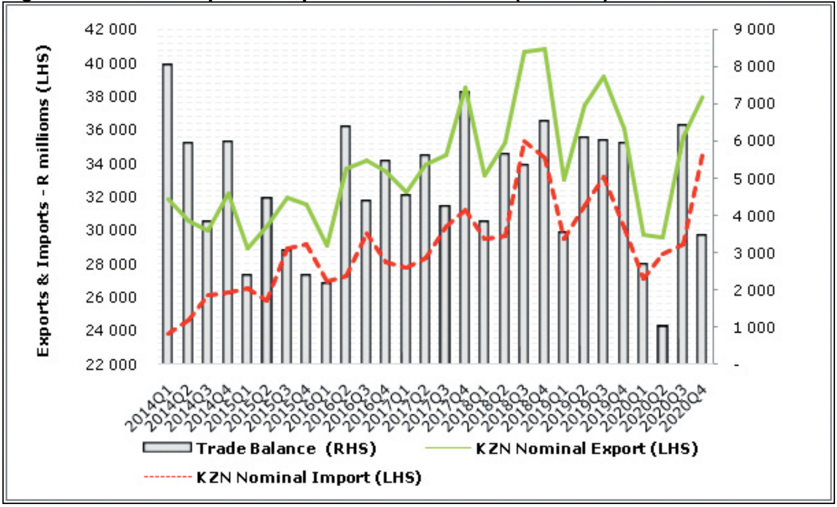
	Q4 (2019)	Q1(2020)	
Nominal Trade	R 37 965 781 636	R 37 965 781 636	R 3 426 829 234 (surplus)
% Change Q42020/Q32020 (nominal)	6.7	18.4	-46.4
Real Trade	R 374 485 752	R 437 669 037	(R 63 183 285) (deficit)
% Change Q42020/Q32020 (real)	6.3	21.8	778.9

Source: SARS (Customs and Excise), Jan 2021

KZN's exports grew by 6.7% in quarter four 2020, while imports grew more than proportionately by 18.3% in the same quarter, resulting in a deterioration of the trade balance by 46.4% for KZN in fourth quarter. The figure below illustrates the nominal exports trend (see unbroken green line), the imports trend (see broken red line), and the resulting trade balance (grey bars) for KZN, over time.

The growth in KZN's exports for quarter four (relative to quarter three) was mainly influenced by impressive movements or quarter-on-quarter expansions in exports recorded in tin and articles thereof (2,498.5%); ships, boats and floating structures (1272.1%); nickel and articles thereof (958.0%); wool, fine or coarse animal hair; horsehair yarn and woven fabric (702.7%); other vegetable textile fibres; paper yarn and woven fabrics of paper yarn (207.3%); railway or tramway locomotives, rolling stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (178.8%); printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans (148.9%); oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit and industrial or medicinal plants; straw and fodder (105.8%).

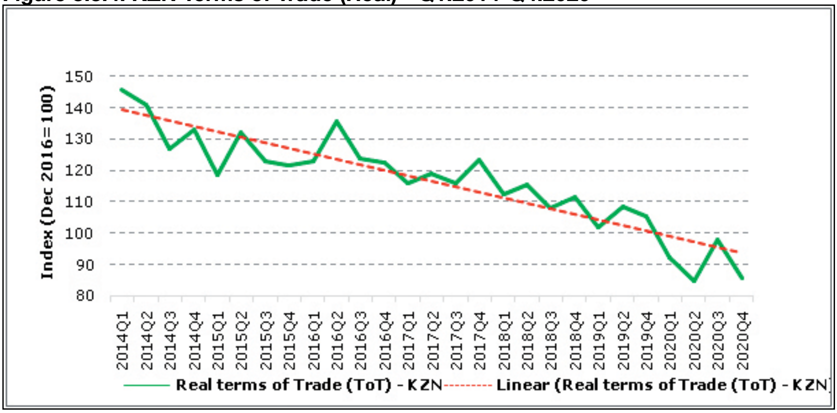
Figure 3.3.3: KZN Export & Import of Merchandise (Nominal) - Q1:2014-Q4:2020



Source: Quantec, March 2021

KZN's export trend and exports performance in Q4 2020 were important in determining the terms of trade as illustrated in the figure below.

Figure 3.3.4: KZN Terms of Trade (Real) - Q1:2014-Q4:2020



Source: Quantec, March 2021; TIKZN, March 2021

The figure above captures a generally deteriorating and downwardly sloping pattern in KZN's terms of trade ratio from Q12014 to Q42020. Although KZN's TOT improved in Q3 of 2020 (98.0%), there was a reduction in Q4 of 2020 (85,6%), pointing towards a deterioration of international competitiveness of KZN products (due to cheaper exports) and a decrease in the wealth of the province (due to more expensive imports).

The top ten products and their respective share of KZN's total exports of R37.97 billion during quarter four of 2020 are: vehicles other than railway or tramway rolling stock, and parts and accessories thereof (21.7%); aluminium and articles thereof (14.9%); ores, slag and ash (13.3%); nuclear reactors, boilers, machinery and mechanical appliances; parts thereof (5.9%); miscellaneous chemical products (5.1%); sugars and sugar confectionery (2.9%); iron and steel (2.5%); articles of iron or steel (1.8%); Wood and articles of wood; wood charcoal (1.7%) and Plastics and articles thereof (1.6%). The listed products, alongside other products contributed to the growth in total exports in Q4 2020 (6.7% or 37.97 billion), as earlier demonstrated.

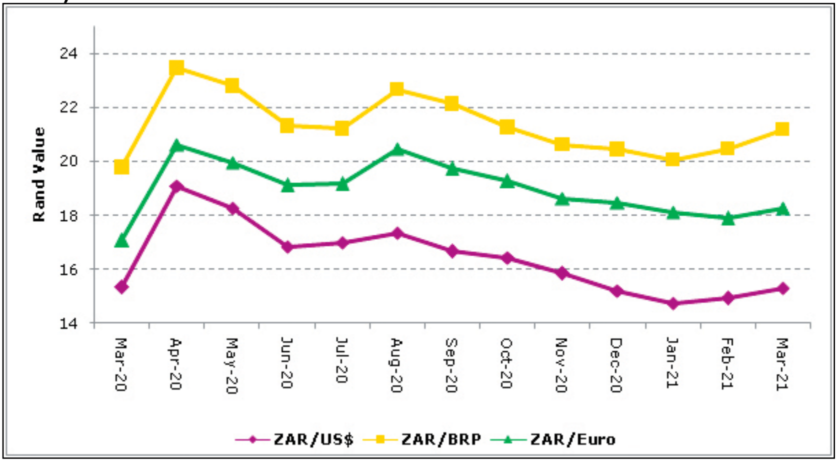
Alternatively, the top ten products and their respective share of KZN's total imports of R34.54 billion during quarter four of 2020 are: nuclear reactors, boilers, machinery and mechanical appliances; parts thereof (11.0%); vehicles other than railway or tramway rolling stock, and parts and accessories thereof (7.3%); inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes (6.3%); electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts (5.6%); plastics and articles thereof (5.2%); animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes (4.9%); cereals (4.8%); articles of apparel and clothing accessories, not knitted or crocheted (4.2%); paper and paperboard; articles of paper pulp, of paper or of paperboard (2.9%); and organic chemicals (2.8%). The listed products, alongside other products explain the more than proportionate increase in total imports in Q4 2020 (18.4% or R34.54 billion) as earlier illustrated.

The imports trend for KZN is consistent with the overall domestic imports trend, with higher imports intensity (compared to exports), recorded in the fourth quarter of 2020. KwaZulu-Natal's imports composition for Q4 2020 weighed more towards the category of zinc and articles thereof; printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans; live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage; tobacco and manufactured tobacco substitutes; wool, fine or coarse animal hair; horsehair yarn and woven fabric; beverages, spirits and vinegar; umbrellas, sun umbrellas, walking sticks, seat-sticks, whips, riding-crops and parts thereof and aircraft, spacecraft, and parts thereof. At the national level, the import structure was more tilted towards equipment components; stone & glass; vehicles aircraft & vessels; works of art and toys & sport apparel.

3.4 Exchange Rates

While the uncertainty surrounding the global Covid-19 pandemic had a tremendous effect on the global markets; the South African Rand was not spared, demonstrating immense episodes of instability during the second quarter of 2020. However, now that economies across the globe have adjusted to the new normal 'life with COVID', the global financial markets have begun to return to a more stable pattern of fluctuations in the New Year.

Figure 3.4.1: Average Monthly Exchange Rates, March 2020 to March 2021 (ZAR/US$, ZAR/BRP, ZAR/EURO)



Source: South African Reserve Bank, 2021

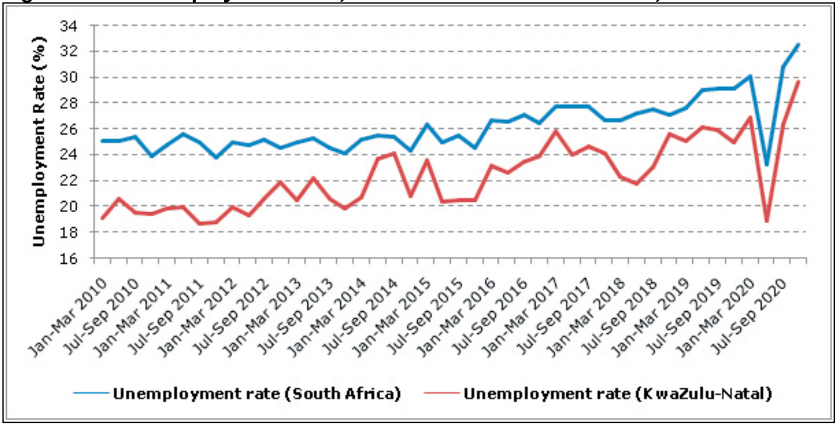
Against the top three global currencies (British Pound [BRP], European Euro [Euro] and United States' Dollar [US$]) the Rand experienced a homogenous pattern of fluctuations, with the exception of several external instances. The first being the political instability in the United States of America during the presidential elections which caused a slight appreciation of the Rand between June 2020 and August 2020 of 5.3%. The second was during January 2021 and February 2021 when the Rand experienced an appreciation of 1.22% against the Euro, while it depreciated against the Pound and Dollar (by 2% and 1.2% respectively) as Covid-19 Vaccine rollouts stabilized on the British and American regions as opposed to the European region. And third being during the recent February/March 2021 period where the Rand depreciated at a marginally higher rate against the Pound (3.6%), as compared to the Euro (2.1%) and the Dollar (2.5%), where vaccine administrations increase significantly.

As vaccine administrations proceed across the globe, the financial markets are expected to continue on this stable path as economies navigate the new normal of accounting for COVID-related shocks into economic policies and forecasts.

3.5 Domestic Labour Markets

The Labour Market is a critical indicator of the state of the South African economy. As GDP collapsed over the first half of 2020, the COVID-19 crisis had evolved into the worse economic downturn since the Great Depression, severely impacting labour markets around the world, including South Africa (ILO, 2020). The Quarterly Labour Force Survey recorded a 32.5% Unemployment Rate in South Africa with KwaZulu-Natal at 29.6%. Compared to the year 2019, total employment decreased by 1.4 million and the number of unemployed persons increased by 7.5% (507,000). Compounding this situation, the pandemic has come at a difficult time for South Africa. Last year the economy was already slowing and growing even slower in 2020 with an overall contraction of 7%, leading to an increasing unemployment phenomena. This adverse impact has presented a sombre picture on employment outcomes, revealing that groups, who were already disadvantaged before the crisis, have been disproportionately affected.

Figure 3.5.1: Unemployment Rate, South Africa & KwaZulu-Natal, Q1:2010-Q4:2020



Source: StatsSA, QLFS, Q4:2020
Note: Due to rounding off, numbers do not necessarily add up to the totals

The contraction of GDP in South Africa will, according to the South African Reserve Bank (SARB), was worse than during the Great Depression in 1930. The OECD's June 2020 forecast analysed that unemployment rates are expected to nearly double in OECD economies as a whole (ILO, 2020). The pandemic has come at a difficult time for South Africa's highly unequal economy. South Africa was already in recession prior to the arrival of COVID-19, having experienced three quarters of continuous contractions to its GDP between third quarter of 2019 and first quarter of 2020. South Africa's level of unemployment is already among the highest in the world.

As a result, the virus risks exacerbating the already incredibly high levels of inequality and working poverty in the South Africa's labour market. In the past ten years, unemployment had been boxed between 20% - 25% and in the first quarter of 2016, the unemployment rate increased in South Africa to 26.7% and 23.1% in KwaZulu-Natal. The increase continued until the second quarter of 2020 when it dropped to 23.3% in SA and 18.9% in KZN but a continuous increase in unemployment is much expected in the South African Labour Market Overview.

Table 3.5.1: Summary of Key Labour Market Indicators, SA & KZN, Q3:2020 & Q4:2020

	South Africa			KwaZulu-Natal		
	Q3:2020 ('000)	Q4:2020 ('000)	Qrt Change ('000)	Q3:2020 ('000)	Q4:2020 ('000)	Qrt Change ('000)
Population (15-64 years)	**39 167**	**39 311**	**143**	**7 240**	**7 268**	**28**
Labour Force	**21 224**	**22 257**	**1 033**	**3 245**	**3 488**	**244**
Employed	14 691	15 024	333	2 389	2 454	66
Unemployed	6 533	7 233	701	856	1 034	178

	South Africa			KwaZulu-Natal		
	Q3:2020 ('000)	Q4:2020 ('000)	Qrt Change ('000)	Q3:2020 ('000)	Q4:2020 ('000)	Qrt Change ('000)
Not Economically Active	17 944	17 054	-890	3 995	3 780	-216
Discouraged Work-Seekers	2 696	2 930	234	753	786	33
Other (Not Economically Active)	15 248	14 124	-1 124	3 242	2 994	-248
Rates (%)						
Unemployment Rate	30.8	32.5	1.7	26.4	29.6	3.2
Employed/Population Ratio (Absorption Rate)	37.5	38.2	0.7	33.0	33.8	0.8
Labour Force Participation Rate	54.2	56.6	2.4	44.8	48.0	3.2

Source: StatsSA, QLFS, Q4:2020
Note: Due to rounding off, numbers do not necessarily add up to the totals

The QLFS recorded a 333,000 increase in the number of employed people and a 701,000 increase in the number of unemployed people which resulted in more than 1 million increase in the labour force in the fourth quarter of 2020. The discouraged work-seekers population increased by 234,000 and the number people who are not economically active for other reasons other than being discouraged decreased by 1.1 million between the two quarters. The movement was proportionally more towards the unemployed than that of the employed, which resulted in a significant increase of 1.7 percentage points in the official unemployment rate to 32.5%. These movements resulted in a higher labour force participation rate of 56.6% compared to the third quarter of 2020 at 54.2%and a higher absorption rate of 38.2% which is a 0.7 percentage point higher from the third quarter of 2020.

Table 3.5.2: Employment by Sector, SA & KZN, Q3:2020 & Q4:2020

Sector	South Africa			KwaZulu-Natal		
	Q3:2020 ('000)	Q4:2020 ('000)	Qrt Change ('000)	Q3:2020 ('000)	Q4:2020 ('000)	Qrt Change ('000)
Total Employed	**14 691**	**15 024**	**333**	**2 389**	**2 454**	**66**
Agriculture	808	810	2	132	141	10
Mining	419	384	-35	1	2	0
Manufacturing	1 460	1 491	31	272	272	0
Utilities	90	99	9	8	7	-1
Construction	1 080	1 166	86	192	199	6
Trade	3 008	3 063	55	524	564	40

Sector	South Africa			KwaZulu-Natal		
	Q3:2020 ('000)	Q4:2020 ('000)	Qrt Change ('000)	Q3:2020 ('000)	Q4:2020 ('000)	Qrt Change ('000)
Transport	878	943	65	168	180	13
Finance	2 434	2 312	-123	309	313	4
Community Services	3 381	3 551	170	598	589	-10
Private Households	1 121	1 197	76	184	188	4
Other	12	8	4	1	1	0

Source: StatsSA, QLFS, Q4:2020
Note: Due to rounding off, number do not necessarily add up to the total

Between the third and fourth quarter of 2020, eight out of ten sectors recorded increases in employment with the largest increase in Community Services (170,000) followed by Construction and Private Households (76,000). The largest employment increases were observed in the formal sector with 189,000 followed by the Informal Sector with 65.000 and the Agricultural Sector with 2,000 in the fourth quarter of 2020. The only decrease in employment were recorded in Finance (123,000) and Mining (35,000).

Compared to fourth quarter of 2019, a net decrease of 1.4 million in total employment in Q4:2020 was largely due to losses in the number of people employed in the Finance (256,000), Community and Social Services (241,000), Manufacturing (230,000), Trade (186,000) and Construction (184,000) industries.

Table 3.5.3: Labour Force Characteristics by Non-Metro vs Metro, KZN and eThekwini

	South Africa			KwaZulu-Natal		
	Q3:2020 ('000)	Q4:2020 ('000)	Qrt Change ('000)	Q3:2020 ('000)	Q4:2020 ('000)	Qrt Change ('000)
Population (15-64)	**4 754**	**4 783**	**30**	**2 486**	**2 484**	**-2**
Labour Force	**2 012**	**2 092**	**80**	**1 232**	**1 396**	**164**
Employed	1 330	1 346	17	1 059	1 108	49
Unemployed	683	745	63	173	288	115
Not Economically Active	2 742	2 692	-50	1 254	1 088	-166
Discouraged Work-Seekers	557	590	33	196	196	-1
Other	2 185	2 102	-83	1 057	892	-165
Rates (%)						
Unemployment Rate	33,9	35,6	1,7	14,0	20,6	6,6
Employed/Population Ratio (Absorption Rate)	28,0	28,1	0,1	42,6	44,6	2,0

	South Africa			KwaZulu-Natal		
	Q3:2020 (‘000)	Q4:2020 (‘000)	Qrt Change (‘000)	Q3:2020 (‘000)	Q4:2020 (‘000)	Qrt Change (‘000)
Labour Force Participation Rate	42,3	43,7	1,4	49,6	56,2	6,6

Source: StatsSA, QLFS, Q4:2020
Note: Due to rounding off, number do not necessarily add up to the total

The Labour Force increased greatly in eThekwini (164,000) compared to Non-Metro which has a larger labour force than Metro. This is illustrated by a greater Absorption Rate of 44.6% in fourth quarter of 2020 in the Metro than in the non-Metro (28.1%). These statistics highlight the participation of people in the labour market in the Metro where employment opportunities are much more available and economic activity is dynamically on-going. This is evident because the Labour Force Participation Rate is much higher in the Metro (56.2%) and growing substantially by 6.6 percentage points compared to non-Metro (43.7%). The population that is not economically active other than being discouraged decreased on both Metro (166,000) and non-Metro (50,000). This decrease represented a movement of individuals out of the “not economically active” segment to the two categories of “employed” and “unemployed”. The movement was proportionally more to the “unemployed” category where it increased by 115,000 in the Metro and 63,000 in the non-Metro for the fourth quarter of 2020. More individuals are employed in the fourth quarter of 2020 in the Metro (1,108,000) and in the non-Metro (1,346,000) but the quarter change was smaller.

3.6 Financial Markets

On the local front, many domestic investors tried to find some protection in cash and other hedge instruments last year to protect their wealth from the uncertainty caused by COVID-19. The pandemic caused many investors to disinvest from multi-asset funds and equity funds into cash or fixed-income-type products. However, historic lows in terms of interest rates led to poor returns for those conservative investors seeking safe havens. Global growth and corporate earnings estimates in the first quarter of 2021 picked up along with the roll-out of the vaccine. Opportunities would also be found in resource stocks which outperformed industrials and financials in South Africa as global commodity prices ticked up and as the US dollar weakened which aided the Rand. The financial sector has been hit hard by COVID-19, resulting in increased credit impairments for banks and a sharp rise in claims for insurers.

Table 3.6.1: Rank of 1 –Year-0n-Year Asset Class Returns, SA, 2006 - 2020

Rank	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1	SA Equity	SA Real Estate	SA Cash	SA Real Estate	SA Real Estate	SA Equity	SA Real Estate	Foreign Equity	SA Equity	SA Real Estate	Foreign Equity	SA Cash	Foreign Equity	SA Bonds	Foreign Equity
2	Foreign Equity	SA Equity	SA CPI	SA Bonds	SA Equity	SA Real Estate	SA Bonds	SA Real Estate	Foreign Equity	Foreign Equity	SA Real Estate	SA Bonds	SA Bonds	SA Cash	SA Cash
3	SA Real Estate	Diversified	SA Bonds	SA Cash	Diversified	Diversified	Diversified	Diversified	Diversified	Diversified	Diversified	Foreign Equity	SA Equity	Foreign Equity	SA CPI
4	Diversified	Foreign Equity	SA Equity	SA CPI	SA Bonds	SA Bonds	Foreign Equity	SA Equity	SA Real Estate	SA Bonds	SA Cash	SA CPI	SA Cash	SA CPI	SA Bonds
5	SA Cash	SA Cash	Foreign Equity	Diversified	Foreign Equity	Foreign Equity	SA Equity	SA Bonds	SA CPI	SA Cash	SA CPI	Diversified	Diversified	Diversified	Diversified
6	SA Bonds	SA Bonds	Diversified	SA Equity	SA Cash	SA Cash	SA CPI	SA CPI	SA Bonds	SA Equity	SA Bonds	SA Real Estate	SA CPI	SA Equity	SA Equity
7	SA CPI	SA CPI	SA Real Estate	Foreign Equity	SA CPI	SA CPI	SA Cash	SA Cash	SA Cash	SA CPI	SA Equity	SA Equity	SA Real Estate	SA Real Estate	SA Real Estate

Source: MacroSolutions, 2021

The table illustrates the asset class for each year from a single year ago. What this shows is the current struggling South African economy via poor returns in the property market and domestic equities. During the global financial crisis of 2008, interest rates were relatively high by worldwide standards which led to South African Cash giving the highest returns in 2008 as global investors scrambled to protect their wealth. Short term deposits based in Rands offered guaranteed returns with no risk. Thus SA cash was used as a parking bay until the financial crisis subsided. The COVID-19 pandemic in 2020 led to Foreign Equities as king of returns due to stimulus packages offered by advanced economies while SA Cash providing second highest return due to conservatism as investors try to retain their wealth in uncertain times.

3.7 Fiscal Environment & Policy Developments

3.7.1 Fiscal Policy Framework

On the 24th of February 2021, South Africa (SA) tabled the 2021 budget that extends support to the economy and public health services in the short-term while ensuring public finances' sustainability in the medium-term. The government's fiscal strategy puts South Africa on course to achieve a large primary surplus to stabilise the debt. Debt stabilisation is expected to reduce borrowing costs and capital, while attracting investment that can support the economy.

3.7.2 Fiscal Policy Framework for 2021/22

Table 3.7.1 summarises the national government spending for 2019/20, the revised estimates for 2020/21 and the projected 2021/ Medium-Term Expenditure Framework (MTEF). An observation from the table shows that the public finances remain under severe strain. However, the faster-than-expected revenue growth from a revised estimate of R1.363 trillion to R1.520 trillion enables the government to support the economy and the health sector while narrowing the deficit more rapidly than projected in October 2020.

Relative to the 2020 Budget, gross tax revenue for 2020/21 is R213.2 billion below projections. At the time of the 2020 Medium Term Budget Policy Statement (MTBPS), this shortfall was projected at R312.8 billion. The upward revision reflects improvements in personal and corporate income taxes, value-added tax, fuel levies and customs duties. The main budget revenue is expected to increase from a revised estimate of 27.7% of GDP in 2020/21 to 28.4% of GDP in 2021/22.

Table 3.7.1: Consolidated Government Fiscal Framework, 2020/21 to 2023/24

R billion/percentage of GDP	2019/20	2020/21 Revised estimate	2021/22	2022/23 Medium-term estimates	2023/24
Main budget revenue	1530.5	1362.7	1520.4	1635.4	1717.2
	29.7%	27.7%	28.4%	28.9%	28.6%
Main budget expenditure	1822.3	2052.5	2020.4	2049.5	2095.1
	35.4%	41.7%	37.7%	36.2%	34.9%
Main budget balance	-291.8	-689.8	-500	-414.1	-377.9
	-5.7%	-14.0%	-9.3%	-7.3%	-6.3%

Source: National Treasury, 2021

The total consolidated government spending is expected to grow at an average annual growth rate of 0.7%, from R2.05 trillion in 2020/21 to R2.1 trillion in 2023/24. The COVID-19 fiscal response added significant resources in 2020/21 to various government functions and spending items. There is a significant increase in the budget deficit from 5.7% of GDP in 2019/20 to 14% of GDP in 2020/21. The widening deficits' main drivers are lower tax revenue and higher estimated deficits for social security funds, partially offset by higher projected surpluses of public entities. The consolidated deficit is projected to narrow from 9.3% of GDP in 2021/22 to 6.3% of GDP in 2023/24.

3.7.3 Changes to the Division of Revenue

Over the 2021 MTEF period, after budgeting for debt-service costs, the contingency reserve and provisional allocations, 48.7% of nationally raised funds are allocated to the national government, 41.9% to provinces and 9.4% to local government. As a result of the reductions to the public-service wage bill that affects only national and provincial government, the local government's revenue share has risen in relative terms.

Transfers to provinces grow by an annual average rate of 1% over the medium-term, with equitable share transfers growing by 0.3% and conditional grants by 4.1%. Local government transfers grow by an annual average of 2.3%, the equitable share declines by 0.4%, and conditional grants grow by 7.3%. Since provinces do not have significant taxation powers; thus, the division of revenue compensates them for the cost of the services they provide through transfers, which account for about 95% of provincial revenues.

3.7.4 KwaZulu-Natal Fiscal Framework

The National Treasury used the equitable share formula to allocate specific amounts to provinces. Provincial revenue consists of the Provincial Equitable Share (PES) (80.1%), conditional grants (17%), Provincial Own Revenue (2.8%) and Provincial cash resources (0.1%). The PES is the main source of revenue for provinces and is allocated via a formula using data. The formula is largely population-driven, designed to ensure fair, stable, and predictable revenue shares and address economic and fiscal disparities. Although the division is based on the equitable share, provinces have the prerogative to allocate funds in line with their specific provincial priorities.

Table 3.7.2 summarises the provincial fiscal framework for the 2021/22 MTEF. For the 2021/22 MTEF, the PES formula was updated with data from Stats SA's 2020 mid-year population estimates and the preliminary data published by the Department of Basic Education on school enrolment from the Learner Unit Record Information and Tracking System (LURITIS) database.

Table 3.7.2: KwaZulu-Natal Fiscal Framework from 2021/22 to 2023/24

R thousand	2021/22	2022/23	2023/24
1. Receipts			
Baseline allocation	144 073 615	151 052 462	156 659 569
Transfer receipts from national	140 347 001	147 162 468	152 598 415
Equitable share	117 754 878	123 544 256	128 980 203
Conditional grants	22 592 123	23 618 212	23 618 212
Provincial own receipts	3 726 614	3 889 994	4 061 154
Increase/(Decrease) in allocation	-10 490 841	-17 432 127	-22 497 643
Transfer receipts from national	-10 486 143	-17 427 203	-22 085 198
Equitable share	-10 628 479	-16 616 262	-22 085 198
Conditional grants	142 336	-810 941	-408 792
Provincial own receipts	-4 698	-4 924	-3 653
Revised allocation	134 036 654	133 625 812	134 161 926
Transfer receipts from national	129 860 858	129 735 265	130 104 425
Equitable share (after update of formula data and additions)	107 126 399	106 927 994	106 895 005
Conditional grants	22 734 459	22 807 271	23 209 420
Provincial own receipts	3 721 916	3 885 070	4 057 501
Provincial cash resources	453 880	5 477	-
2. Planned spending by departments	133 670 022	133 259 683	133 773 153
3. Contingency Reserve	**366 632**	**366 129**	**388 773**

Source: KZN Treasury, 2021

Data from the health sector was sourced from the 2018 General Household Survey (GHS). It provided information about the number of people with medical aid coverage and the Risk Equalisation Fund for the risk-adjusted capitation index. This data set is also used to update the formula. As a result of the formula, the PES is revised downward by a total of R10.628 billion in 2021/22, compared to 2020/21 MTEF, which is the net effect of adjustments to PES, wage freeze reductions, fiscal consolidation reductions, and additions related to Covid-19 support for the Health sector.

Amendments are also made to the province's conditional grant allocation. Some amendments appear to provide for inflationary growth in the outer year of the 2021/22 MTEF. In total, KZN's grants increased by R142.336 million in 2021/22, and expected to decrease by R810.941 million and R408.792 million in the two outer years. Provincial own revenue is expected to realise a slight downward revision over the MTEF, partly influenced by the impact of COVID-19 on the revenue collection streams of some departments.

3.7.4 Provincial Expenditure by Vote

Table 3.7.3 shows the revised budgets of departments for the 2021/22 MTEF after considering all adjustments made. KZN's budget declines by 3.3% from R138.182 billion in 2020/21 to R133.670 billion in 2021/22. A significant amount of the KZN Provincial Budget of R113.24 (84.7%) is allocated to Education, Health and Transport. The Provincial Budget of R20.43 billion (15.3%) is allocated to the remaining departments. In the 2021/22 financial year, the learning and culture function accounts for R402.9 billion of the total national budget allocation of R2.02 trillion. Expenditure in this function is driven by basic education, constituting approximately R255.1 billion of the total budget. In line with national priorities, KZN allocates the highest proportion of R53.184 billion (39.8%) in the 2021/22 financial year.

Table 3.7.3: Summary of the revised budgets by Vote, 2021/22 MTEF

R thousands	Main Appropriation	Medium-term baseline budgets		
	2020/21	2021/22	2022/23	2023/24
1. Office of the Premier	800 198	802 240	767 551	775 511
2. Provincial Legislature	653 102	627 785	644 322	649 429
3. Agriculture and Rural Development	2 548 157	2 520 302	2 485 946	2 506 055
4. Economic Dev. Tourism and Environmental Affairs	3 346 813	3 341 675	3 406 593	3 434 711
5. Education	57 246 803	53 184 040	53 254 018	53 850 561
6. Provincial Treasury	718 763	653 845	668 178	672 819
7. Health	48 057 681	48 412 269	47 482 126	47 304 974
8. Human Settlements	3 929 897	3 597 231	3 719 124	3 860 303
9. Community Safety and Liaison	249 103	233 378	233 821	235 819
10. Sport and Recreation	481 217	475 629	481 924	477 348
11. Co-operative Governance and Traditional Affairs	1 879 146	1 781 551	1 818 040	1 833 154
12. Transport	11 635 486	11 644 409	11 616 714	11 633 894
13. Social Development	3 836 327	3 698 571	3 749 431	3 789 702
14. Public Works	1 778 409	1 695 329	1 934 255	1 744 027
15. Arts and Culture	1 021 062	1 001 768	997 640	1 004 546
Total	**138 182 164**	**133 670 022**	**133 259 683**	**133 773 153**

Source: KZN Treasury, 2021

The second-largest portion of the provincial budget goes to the Department of Health at 36.2%, with a budget of R48.4 billion in 2021/22. The new Dr Pixely Ka-Isaka Seme Memorial Hospital is planned for commissioning in 2021/22, with this providing a maximum of 500 additional beds and employing 1 513 staff once in full operation.

In addition to its PES, KZN further receives R1.6 billion in 2021/22 to assist the province in covering costs associated with responding to the pandemic within the health sector. The Department of Health plans to spend R6.4 billion over the MTEF on infrastructure. It also plans to drastically increase the number of projects that address statutory compliance, safety and restoration of services that improve the reliability of state facilities.

The Department of Transport (DoT) receives 8.7% of the provincial budget at R11.6 billion. The Department supports economic growth, rural development, socio-economic transformation, poverty alleviation and job creation as it builds and maintains the provincial transport infrastructure. DoT is expected to spend R23.8 billion on infrastructure projects over the three years of the MTEF.

3.7.5 Cost-cutting measures

The cost-cutting measures are updated and re-issued to departments each year and remain in place as they are critical elements of good governance. National Treasury issued Instruction Note 03 of 2017/18, which provides a list of national cost-cutting measures to which all departments must adhere. The Provincial Executive Council resolved that all budget cuts be affected proportionately against each Vote.

Meanwhile the additions in 2022/23 are as a result of the PES data updates to be used to fund the shortfall in the municipal property rates and learner transport, as well as the carry through allocation of the Provincial Legislature's Job Evaluation Results. Most departments were able to deal with the cuts without a significant negative impact on service delivery, except for Health and Education. The latest provincial cost-cutting measures are related to compensation of employees, procurement, travelling and events.

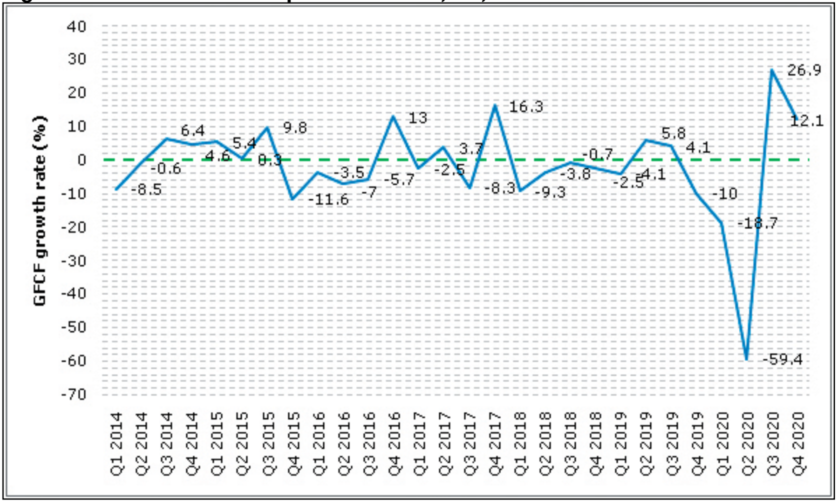
3.8 Trade & Investment Developments

3.8.1 Gross Fixed Capital Formation

More Gross Fixed Capital Formation (GFCF) including infrastructural assets is important in South Africa; to trigger higher levels of economic growth and welfare, with extended socio-economic benefits (such as better income, education, employment, wealth, housing, higher life expectancy etc.), for all South Africans. GFCF (or investment) measures net investment (or the net increase in fixed capital formation) by companies in South Africa. The indicator is very cyclical and is sensitive to economic shocks, generally performing poorly during recessions and doing well during recoveries and expansions.

The graph below captures an uneasy pattern of ebb and flow of new investments into fixed assets, including infrastructural assets, also providing insights to changes in new infrastructural projects. The COVID-19 pandemic was a significant game-changer, inducing a large dip in gross fixed capital formation (or total new investments into fixed assets) in quarter two of 2020 by roughly 59.4%, as companies significantly cut back on capital spending.

Figure 3.8.1: Gross Fixed Capital Formation, SA, Q1:2014 – Q4:2020



Source: Stats SA, March 2021

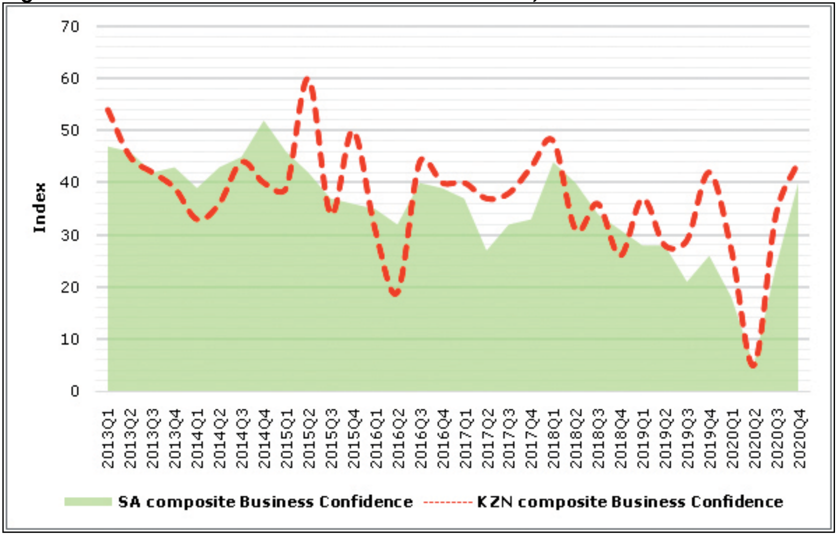
However, GFCF rebounded to encouraging growth levels of 26.9% and 12.1% in quarters three and four respectively, following the relaxation of the pandemic restrictions. The main contributors to the increase in quarter 4 were transport equipment (7.3% percentage points), construction (2.7% percentage points), machinery and other equipment, including computers and related equipment (1.4% percentage points), residential buildings (1.2% percentage points), non-residential buildings (0.9% percentage points), and transfer costs (0.2% percentage points). Other assets (including R&D, ICT and computer software etc.) contributed negatively to growth in GFCF (-1.6%), owing to dip in spending.

3.8.2 State of KZN Business Environment

The significant improvement in South Africa's and KZN's economic environment in quarter four was reflected in continuous improvements 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 shaded area in the graph below captures the poor performance of the South African BCI over 32 quarters, with the index still to attain its best level of 52 achieved in 2014 quarter four. However, despite the existence of prevailing risks from the COVID-19 pandemic, SA's BCI continued to improve, rising from 24 in quarter three to 40 in the fourth quarter of 2020, underpinned by the easing of economic lockdown and improvement in economic activity. Business sentiments improved across all five sub-components comprising of building (21), manufacturing (31), retail (50), wholesale (59) and new vehicle trade (41), with positive spill-overs for KZN province. The upward trend in SA's BCI is encouraging, and there is need to ensure consistent improvements in both construction and manufacturing activity, given their high level of inter-linkages and multiplier effects on other industrial sectors.

Figure 3.8.2: SA & KZN Business Confidence Indices,Q1:2013 – Q4:2020



Source: BER, March 2021

Alternatively, the broken red line in the graph above captures the poor performance of the KZN BCI over 32 quarters, with the index still to attain its best level of 60 achieved in 2015 quarter two. The illustration equally captures the gradual improvement in the composite BCI for KZN province, following a huge dip in quarter two 2020, with business confidence further rising from 34 in the third quarter to 44 in the fourth quarter, following the relaxation of pandemic restrictions. The expectation is for a continuous improvement in business sentiments in the province beyond the benchmark level of 50, with potential positive implications for 2021, despite the existence of renewed risks associated with the second wave of the COVID-19 pandemic. The extreme lack of business confidence adds to the risk of a stuttering economy leading to business closure and retrenchments, with additional socio-economic consequences.

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 October to 31st December 2020, TIKZN prioritized investment promotion and facilitation, enterprise development, international relations, investment attraction and leads generation, business retention and investor support in the New Normal.

There were several projects under facilitation and investment projects in the pipeline during this period. Interactions also included online conferences, webinars, meetings, consultations, online mentorship, and online market access opportunities. Several online trade platforms are also being explored and 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. These initiatives will complement TIKZN's outreach activities and strategic initiatives aimed at developing exports potential of KZN businesses on the African continent.

Trade and Investment KwaZulu-Natal undertook the following activities, international and project marketing initiatives and business to business engagements in the first quarter of 2021 to facilitate trade and investment.

Export Development and Promotion:

- **Launch of KZN's Africa Export Strategy**
  The KZN's Africa Export Strategy was compiled by the Trade and Investment KwaZulu-Natal (TIKZN) to determine the opportunity and viability of indigenous companies and businesses operating in the KZN region venturing into the rest of the Africa or expanding trading activity on the continent on the back of the implementation of the Africa Continental Free Trade Area (AfCFTA) Agreement. Aspects of the implementation plan include Regional Trade Days for the 7 regional groupings of the 20 plus selected African Markets. These trade days would include a trade conference component, online exhibition, and a business-to-business facility with the view to promoting Intra Africa Trade. In Addition to these events there will be several trade events that would focus on these markets as well as capacity building events around overcoming barriers to entry into specific markets.

- **TPT Enterprise Development Program**
  TIKZN is rolling out the TPT & TIKZN Enterprise Development Programme over the next 3-year program with participating companies already selected. This program is made up of 4 pillars, namely Export Training and Mentorship, Technical Support, Critical Capital Equipment Support and Market Access. This intensive program is designed to get a group of emerging exporters into the mainstream of exports and to equip them to be sustainable exporters.

- **Export Marketing Plan (Training and Mentorship)**
  Another interesting program that TIKZN has designed is the Export Marketing Plan training and mentorship program which has been modelled from learning out of the Swiss Import Promotion Programme (SIPPO) for business support organisation (BSO). The entity has already run a few successful programs with lessons from these programs incorporated into an enhanced offering. The program is now run over 3 months with training both online and in contact session followed by onsite/online mentorship or physical/virtual tours. The output of this program is that all participates will have developed individual Export Markets Plan for their business. The action plans that are part of these plans become importing areas to focus resources and technical support to ensure market entry and enhance propensity to trade.

- **Export Competitiveness Enhancement Program**
  TIKZN in partnership with EDTEA and in collaboration with Productivity SA will be rolling out the KZN Competitiveness Enhancement Programme from April 2021. Applications to participate will cover emerging, small, medium, and large KZN businesses with a wide range of support on offer. The program will cover productivity awareness, training on productivity improvement, mentorship support over 6 to 10 months and a benchmarking component with a cluster approach taken to enable cross learning. This program will be funded by EDTEA with participating companies expecting to pay a small contribute as part of their commitment to this program. The aim of this program is to ultimately enhance the competitiveness of the participating company to compete effectively in the international markets.

- **Covid-19 Relief Fund (Department of Small Business - Dep. of Sports, Arts and Craft)**
  In September 2020 TIKZN signed an MOU with the Department of Small Business (DSBD) to administer a Covid-19 Relief fund to entities that are part of the Sports, Arts and Craft Industry. An amount of R2,475,777.78 was made available with R300,000 ringed for business development and support. 37 companies benefited out of Phase 1 disbursement in December 2020. The second adjudication was done on the 22ndFebruary 2021 with 17 beneficiaries approved. Third adjudication will be concluded in March 2021 with 25 applications received. The amount disbursed is approximately R1.5 million excluding the third phase and we have been advised that any surplus fund would to redirected to provinces where there is a demand.

Table 3.8.1: Outreach Activities Completed (Domestic and International)

#	Destination	Activity	Date	Participants
1	Intra-trade: SA	All Fashion Sourcing	November 2020	10
2	Intra-trade: SA	Solar Power Africa	November 2020	5
3	India, Ghana, Nigeria, EU, UK, Singapore	Virtual Mission: Market Next Global Business Accelerator	November 2020	10
4	EU / Egypt	Destination Africa	November 2020	13
5	Americas	Americas Food & Beverage	November 2020	5
6	Ethiopia	Virtual Trade & Investment Mission	November 2020	6
7	Americas	Specialty Fine Foods	19 -22 Jan 2021	3
8	Americas	Webinar: Artisanal Master class	28 Jan 2021	5
9	Americas	Webinar: E-Commerce - Maximise Digital Presence	09 Feb 2021	5
10	Americas	Boatbuilding Webinar: Trade, Investment and Tourism Opportunities	15 Feb 2021	3
Total				**65**

Source: TIKZN, 2021

- **KZN Export Information Portal**
  The KZN Export Information Portal is live and have been demonstrated during KZN Export Week 2020 to encourage companies to use and to register onto the portal. The individual client information is to be updated by the respective clients and a campaign to underway to this effect. The only outstanding element is the 5 virtual tours that need to be completed of the KZN Exporters which need to be done physically on site hence the delay due to the impact of Covid-19.

  During first quarter of 2021 we embarked on a registration campaign to ensure that Exporters, Service Providers and Buyers registration on the system for business linkages.

Register on the KZN Export Information Portal where you will find value information related to exporting including the following:

- ✓ Country profile, Product and sector fact sheets, Trade agreements, Export Incentives, Export 101, Trade tariffs and duties, Information on Trade Blocs, News Feed, Incoterm 2020, Trade Statistic and opportunities as well as accesses to E-Certificates of Origin.
- ✓ The portal also has a business linkage platform so you are able to upload your company profile and list your export related services or products as well as manage your own content pages.
- ✓ Service providers and support services to the export industry are also able to register for business opportunities and referrals.

  The upgraded portal has a huge emphasis on communication and business linkages so don't miss out on this free service to improve your presence in the export arena.

  Visit https://www.exportkzn.co.za and upload your company information and products.

Investment Promotion and Facilitation

- **Completed projects** - Due to Covid-19 impact and associated national lockdown, five projects have been committed to date to the value of R1.6 billion against the annual target of R2.5 billion.
- **Jobs** - Significantly, the five projects will result in 3,815 job opportunities created, and the jobs annual target is exceeded by 315.
- **Major contributor** - Hesto Harness in KwaDukuza.

The Business Unit is currently facilitating no less than 15 projects worth over R3billion in different sectors such as automotive, pharmaceutical, healthcare and SMME initiatives.

Investment Promotions: Committed Projects Year to Date

Five projects have been committed year to date as follows:

a) **GoodlifeKefir Project:** The production of Kiefer product that is used for health benefits. This project is woman owned and TIKZN was involved from a conceptual stage. The project is based in Midlands and supported by the KZN Growth Fund. The project value is R70m and will create 80 job opportunities.

b) **Hesto Harness:** The subsidiary of Metair Investment Limited, Hesto Harness manufactures wiring harnesses for the Automotive Industry from a factory based in Stanger. Hesto Harness committed to a greenfield project which includes construction of a new manufacturing facility in KwaDukuza. The project has a rand value of R900m and a potential to create 3300 jobs. This formed part of Ford's investment and production expansion programme ahead of new vehicle launches for the local market and to meet the demands of its export-driven business.

c) **Coconathi Pty (Ltd):** This is a coconut milk processing factory to be located at Dube SEZ and the investment value is R50m while the total number of jobs to be created is 35. The raw material will at this stage be imported from China with plan to grow coconut in KZN next to the processing plant. The company intends to work with existing farming cooperatives to grow the coconut. Negotiations are at an advance stage for off-take with major retailers such Spar Group, Pick 'n Pay and Checkers. For now, the company has signed packaging agreement with Tetra packaging based in KZN.

d) **Afro-India:** The project entails the beneficiation of copper and aluminium scrap at Isipingo. This project was approved by the IDC for funding in February 2020 however the project promoters were hoping for Black Industrialist Scheme (BIS) approval as well. The project will proceed without BIS. The value of the project is R180 million and it will create 200 jobs.

e) **Platinum Cement Industries:** This is a cement manufacturing project located in Umbongontwini Industrial Park on former Huntsman site. This project was borne out of the introduction of import tariffs on cement. It is therefore an import substitution project and the only raw material that would be imported from Pakistan is clinker. The stones/aggregates slag and lime would be sourced locally. The project promoters were already selling cement in South Africa under the Lucky Cement brand therefore the market base has already been established locally and in neighbouring African countries. The company does not require funding as the funding will come from their investment arm in Dubai. The value of the project is R400 million and there are 200 jobs to be created.

Projects Currently Under Facilitation Added to The Pipeline

The investment promotion business unit is currently facilitating projects in the following sectors: Agriculture and Agro-processing, Gaming, Aqua culture, Aluminium beneficiation, Pharmaceutical, Automotive and Property development. The total project value under pipeline is estimated at R15 billion with potential job creation of close to 20,000. 60% of these projects requires assistance for completing technical feasibility studies. The big projects such as Ncandu Dam, Cato Ridge and LPVM are looking for facilitation role in project finance, municipality interaction, secure land and incentives facilitation. The geographical spread of these projects is Zululand, uMkhanyakude, eThekwini, uMhlathuze, uMgungundlovu and Amajuba.

Progress on National Department of Tourism Projects

a) **Bhanga Nek (R21.6 million) –** Tender re-advertisement for this project was done on 27 November 2020. Five (05) bids were received, and tender evaluation process has been finalised. It is anticipated that the preferred contractor will be appointed by 30 March 2021 and project launched in April 2021. The South African Embassy in Spain is facilitating this process.

b) **Umhlabuyalingana Hospitality Training Program –** CATHSSETA accredited (R6million) The theory training has been completed. All 60 trainees were placed in 12 different tourism establishments spread across Mbazwana, Manguzi and Jozini for practical and workplace training. Of these trainees, 4 have dropped out, mainly, because of health reasons. Workplace assessment in all sites was conducted in February 2021 by TIKZN and NDT official. It was observed that the learners have gained much confidence in their work with improved communication skills, acquisition of sector terminology to the extent that some have already been offered employment after completion of the training program.

c) **Lilani Hot Springs (R18.4 million) -** Tender evaluation and adjudication process was concluded in October 2020. Board approval for the preferred bidder was received in November 2020. The Board also approved the second bidder should there be compliance challenges with the first preferred bidder. All bids received were above the project budget. Additional R10 million is required to finalise appointment of the preferred bidder. The request for additional funding was presented to Department of Tourism (DoT) Director General unfortunately he could not approve the request and suggested reducing the scope of work to be within budget. EDTEA has also been approached for funding. TIKZN is also working with the appointed Engineers and Quantity Surveyors to examine potential areas of negotiations with preferred service provider to remain within budget whilst not compromising quality. Reducing the scope of work will be used as last resort as this approach will not be easily accepted by the community and may have implications of re-advertising.

Table 3.8.2: Enterprise Development Support Via Webinars / Online Conferences and Exhibitions

	Programme Activity
a)	Precinct revitalisation DTP partnered with TIKZN on 22 September 2020 specifically working with businesses based in DTP. The basis of the webinar was to showcase the various support interventions that may be required by the businesses, be it retention, business growth, company expansions, and new investments. Localisation will also play a key role as with the country borders being closed, many businesses are looking develop local suppliers. These topics include the PUM online mentorship programme, DTIC incentives, TIKZN OSS and BRE service offerings and buy local promotion.
b)	The collaboration TIKZN has with PMCB for the business webinars and CEO's forums which is held quarterly. The recent forum was held on the 28 October 2020. Alec Hogg was the guest speaker. He joined a physical gathering of 28 CEO's, virtually. He injected some much-needed positivity, delivering a strong message to focus on the opportunities that still abound in South Africa and encouraged Business to invest. TIKZN's support was acknowledged, and businesses were encouraged to make use of the facilities at the one-stop shop. An important engagement, particularly currently.
c)	The KZN Lean Conference, which TIKZN partnered with PMCB was held online in October 2020 which included high-level international speakers to encourage digitization and the adoption of Industry 4.0. The content was well received from companies.
d)	The Omnia Health Live Africa virtual exhibition and conference, from Informa Markets, which had taken place from 12-16 October 2020. Omnia Health Live Africa is a unique platform strategically brings together audiences from the four leading events across Africa, providing unrivalled access to all fourcorners of the continent: Africa Health, Medic East Africa, Medic West Africa and North Africa Health. The KZN Companies viz. Endomed Medical & Surgical Supplies, BeierDrawtex Healthcare, New Horizon Metals cc, Illaymed, 3G Medical, Moringa Initiative, Khanyi Tex, Be Safe Paramedical, SaniChem (Pty) Ltd and Baphila Herbs.
e)	TIKZN partnered with the uThukela Economic Development Agency on 25 September 2020 by inviting tourism businesses to a webinar. The webinar topics included the PUM online mentorship programme, and how tourism operators can benefit from the programme.
f)	All Fashion Sourcing November 2020 - The three-day event featured seminar sessions by industry experts. There were 10 companies participating in the fashion shows and attending the seminars. Event created focused business-to-business matchmaking meetings for KZN Companies and opportunity to encourage buy local products.
g)	Manufacturing Indaba 2020 - The Manufacturing Indaba 2020 was held on the 9-10 December 2020, which was a virtual event. It brought together industry experts from across the globe for 2 days of informative discussions and enlightening sessions. The event was a great success with 7 KZN benefiting from the event.
h)	Solar Power Africa - Virtual marketplace which is cost effective alternative to traditional exhibition and conference, offering Solar Power Africa exhibitors and visitors an online platform – in one place, available 24/7, from the comfort of your (home) office Research on key buyers – research on up to 30 companies that the client wants to interact with on the platform. The online platform held from the end of November 2020 to the end of the event in 2021, giving all sponsors exposure for a full year, 24/7.

	Programme Activity
i)	TIKZN's collaboration with the DCCI to implement enterprise development programmes led to DCCI and Toyota South Africa Motors (Pty) Ltd (TSAM) and Industry NPC, launched a business development program for 13 SMEs. The Supplier Development Program is mentorship-focused programme aimed at taking a targeted development approach to support their growth and propel them to new highs. This was a six-month programme commencing from July to December 2020. Due to the coronavirus outbreak (COVID-19) pandemic restrictions, all training and mentorship sessions facilitated virtually.
j)	SOUTHERN DURBAN BASIN (PROSPECTON) ENTERPRISE DEVELOPMENT AND SUPPLIER DEVELOPMENT PROGRAMME: The focus during the reporting period has been on advancing the collaboration with the clusters in line with deliverables contained in the MOU with the Clusters. During 2020, there has been fortnightly SME Working Group sessions and one-on-one mentorship providing risk mitigation and recovery support to 75 small businesses across automotive, CTFL, chemicals and furniture manufacturing sectors. These sessions have proved useful for knowledge sharing and the understanding key growth and value drivers to unlock localisation potential. It is envisaged that the outcome of the work done with the clusters especially on automotive and chemicals will provide guidance and input into the ESD programme with Toyota SASAB, SAPREF and Mondi. Advancement of this work is prioritized for quarter 1 of 2021.

Source: TIKZN, 2021

Youth Enterprise Development Programme

In 2019 Trade and Investment KwaZulu Natal (TIKZN) Partnered with Junior Achievement South Africa (JASA) to deliver a Youth Enterprise Programme (YEDP) to young people between the ages of 18 – 35 years old. Four districts (Ugu, King Cetshwayo, uMgungundlovu and uThukela) were identified as areas to host the programme. The 4 districts were identified and recommended to JASA by the TIKZN.

The programme was implemented in Ugu District at Gamalakhe location and 38 students completed the programme. In uMgungudnlovu district, the programme was implemented at Sweet Waters location and 29 students completed the programme. The programme in Uthukela (Steadville) was suspended due to challenges that emerged during the process of implementation; this required that TIKZN, JA South Africa and the Local Municipality identify a new area to host the programme. In 2020, the 2 remaining programmes were implemented in uThukela (Ladysmith) and King Cetshwayo (Richards Bay) Districts and 75 (107%) students were reached.

The programme was well received, adjudging by the testimonials received from the participants. Also, some challenges and recommendations emanating from the programme were recorded. The programme restored hope to some of the beneficiaries, who learned that one can start small as an entrepreneur and build up the momentum to become a well-established business, instead of waiting for a big breakthrough. Participants had business ideas, but it was difficult to bring them to life and they had a fear of the unknown. The programme managed to eliminate those fears. Although participants had business ideas, it was difficult to fine-tune them to meet the context of the environment they live in. The programme enabled them to think of innovative approaches to business. Majority of the participants are not working or studying and this initiative triggered the will to pursue entrepreneurship and explore opportunities within the space that can change their lives for better.

3.8.4 International Relations, Investment Attraction and lead generation

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

Leads (Sectors and Region outline) generated.

Leads generated between January and March 2021 include leads from the following regions and sectors.

- Beverages manufacturing (UK)
- Water treatment (Netherlands))
- Bioethanol (Sweden & South Africa)
- Condiments manufacturing (South Africa)
- FMCG (Colombia)
- Equipment manufacturing (China & South Africa)
- Furniture design (SA)
- Fintech and technology (USA)
- Telecoms infrastructure (SA)
- Metals manufacturing (Russia)
- Electrification project (Belarus)

There are several Greenfields project leads supporting the projected growth trajectories of restoring, diversification, regionalisation and duplication from one location to the next which is encouraging and indicates a high level of innovation following the COVID-period and return of economic activity.

International Marketing Initiatives

The following delegations will be visiting KwaZulu-Natal during March and April:

- The Premier of KwaZulu-Natal, Honourable Mr. Sihle Zikalala will be visiting Gauteng in April to conduct meetings with the Foreign Representatives in South Africa to leverage on their ability to assist and collaborate with KwaZulu-Natal in the promotion of investment and trade opportunities with their market. This will be followed by the flagship annual TIKZN International Organisations event as well as strategic engagements with international investors (keeping cognisance of COVID 19 protocols). The KZN HODs for EDTEA, Health, Education, COGTA and Agriculture will participate in a technical visit facilitated by TIKZN between 29 and 31 March whereby strategic engagements with Foreign Representatives in South Africa will take place with 12 key markets to emphasise major opportunities for trade and investment.
- TIKZN is facilitating a programme for the Thai trade commission the 25th of March 2021 to meet with companies to discuss potential joint venture partnerships in the rubber, automotive and food and beverage sectors.
- The Vietnamese Ambassador and Trade Commissioner will be visiting KwaZulu-Natal to gain an overview of the port infrastructure and strategic developments in the first week of April 2021. TIKZN is facilitating the programme.
- TIKZN has concluded a Memorandum of Understanding with the Botswana Investment and Trade Centre for the promotion of bilateral trade and investment and are actively working on a practical implementation plan.

- The Guatemalan Government opened an embassy in Pretoria in 2020, but due to COVID,they were forced to reprioritise their missions abroad and their South African mission closed. Following the Guatemalan Ambassador visit to KwaZulu-Natal in the latter part of 2020, they have identified a few potential avenues for co-operation in the FMCG sector, bilateral trade and are keen to conclude an MOU with Trade and Investment KwaZulu-Natal. An MOU is currently being negotiated for the co-operation to continue.

TIKZN hosted sessions with international organisations and sector-specific sessions to create opportunities for KwaZulu-Natal business include:

Table 3.8.3: Sessions hosted in partnership with the EU Delegation in South Africa (EU-SA Partnership Programme), Sri-Lanka High Commission and Belarus Embassy

Session	Date			
Growing your Bioethanol Business Trade Webinar	24 February	EU SA Partners for Growth funded by the EU Delegation in SA	• Bioethanol export opportunity to European Union for 1st and 2nd generation manufacturers highlighted resulting from the Economic Partnership Agreement • Project introductions	Leads generated for KwaZulu-Natal and international partnerships facilitated
KwaZulu-Natal Exports and support from the Colombo Free Trade Zone	10 March	Sri -Lanka High Commission	Showcasing of KZN major sectors, export products Showcasing of Colombo Free Trade Zone incentives and support for KZN exporters for export to East and Far East Overview of potential collaboration and synergies	Exporter inquiries facilitated
Agricultural machinery joint venture opportunities	25 March	Belarus Embassy	Seminar to highlight opportunities for collaboration on Agricultural Machinery with Agricultural Machinery Institute of Belarus	Companies, development banks and research institutions invited to generate a framework for collaboration for joint venture manufacturing opportunities of agricultural machinery following highlighting of opportunities
Clothing and textile collaboration opportunities between Belarus and KwaZulu-Natal	1 April	Belarus Embassy	Highlighting opportunities for trade and investment in the clothing and textile sector for KwaZulu-Natal	Clothing and textile collaboration and trade and investment opportunities to be discussed and outlined

Source: TIKZN, 2021

3.9 Environmental Affairs

Environmental impact assessment is done to establish all impacts either positive or negative that will result from implementing a particular project. The assessment includes technical evaluation, economic impact and social results that a particular project will bring.

Table 3.9.1: Economic and Social Information: Environmental Authorisation Granted - Q4 2020

Districts Municipality	Number of EIA applications finalised (AUTHORISATION GRANTED)	Total estimated CAPITAL VALUE (R million) of all EIA applications finalised	Total expected number of CONSTRUCTION PHASE jobs created for EIA applications finalised	Total expected number of OPERATIONAL PHASE JOBS created for EIA applications finalised
Amajuba	2	742	310	101
EThekwini	8	1 344.3	18 434	5354
Harry Gwala	4	116	212	45
ILembe	1	20	30	3
King Cetshwayo	5	164	275	0
UGu	9	70	160	11
UMgungundlovu	6	249.6	1 616	148
UMkhanyakude	7	23.16	146	30
UMzinyathi	2	52.53	168	26
Uthukela	3	7677	565	256
Zululand	3	45	130	206
Total	**50**	**10 319.62**	**22 046**	**6 180**

Source: EDTEA, 2021
Note: The information represented is the EIAs applications by developers, these numbers do not mean that the development is going to happen.

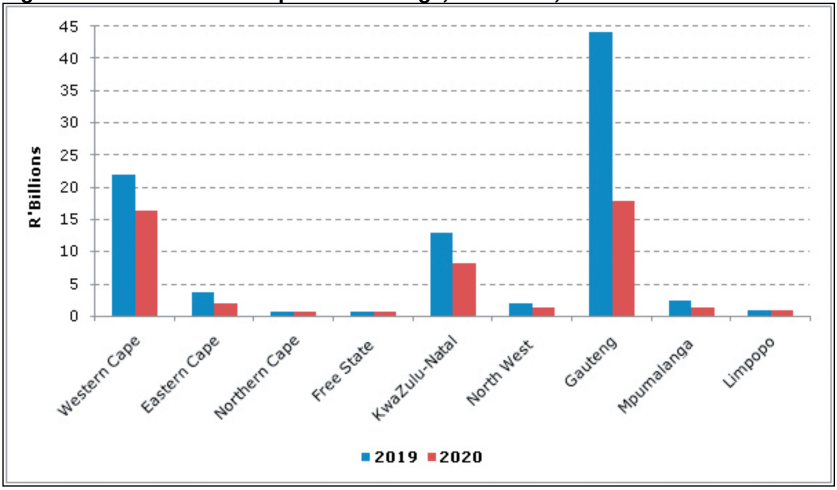
In the fourth quarter of 2020 a total of 50 EIAs with a Capital Value of R10.3 billion was finalised and granted to developers in the province. The granted EIAs are expected to create 22 046 jobs during construction phase and 6 180 jobs during operation phase. UThukela District is the municipality with a highest Capital Value of R7.7 billion followed by eThekwini Metropolitan with R1.3 billion and UMgungundlovu District with R249 million.

3.10 Other Economic Indicators

3.10.1 Construction Sector Developments

The value of completed buildings decreased considerably by 44.9% from R88.9 billion in 2019 to R49.1 billion in 2020. This indicates reduced activities in the country's construction sector. Residential buildings, non-residential buildings, and additions &alterations dragged the growth of completed buildings – they decreased by 51.4%, 42%, and 24.1%, respectively. In 2020, Gauteng realised the highest decline in the value of completed buildings (-59.6%), followed by Mpumalanga (-48.3%) which was closely followed by the Eastern Cape (-47.9%).

Figure 3.10.1: Value of Completed Buildings, Provincial, 2019-2020



Source: Stats SA, 2021
Note: Values are in current prices

As anticipated, the construction sector continues to feel the impact of external shocks. This comes after a 20.3% decrease in 2020, even though activities rebounded in last two quarters of the year – due to resumption of operations.

Table 3.10.1: Value of Approved Building Plans (Current Prices), Provincial, 2019 & 2020

Province	2019 R'000	2020 R'000	% Change
Western Cape	28 445 206	23 392 495	-17.8
Eastern Cape	7 222 679	3 827 192	-47.0
Northern Cape	1 487 167	1 204 787	-19.0
Free State	3 079 153	2 048 029	-33.5

Province	2019 R'000	2020 R'000	% Change
KwaZulu-Natal	18 027 301	13 213 654	-26.7
North West	2 715 770	2 917 973	7.4
Gauteng	42 083 175	22 231 527	-47.2
Mpumalanga	4 049 942	3 694 080	-8.8
Limpopo	2 168 304	1 548 065	-28.6
Total	**109 278 697**	**74 077 802**	**-32.2**

Source: EDTEA, 2021

Statistics on the value of approved building plans mirror that of the value of completed building plans – they both recorded negative growth. The value of approved building plans in South Africa drastically fell from R109.3 billion in 2019 to R 74.1 billion in 2020. Eight provinces recorded a decrease and only North-West value increased by 7.4%. The table above depicts that building activities in 2020 were concentrated in Western Cape (31.6%), Gauteng (30%), and KwaZulu-Natal (17.8%).

3.10.2 Retail Sales

The latest data on retail sales shows just how heavily strained the retail sector continues to be – retail trade sales decreased by 6.9% in 2020 compared to 2019. All 7 categories of retailers realised negative year-on-year growth over this period. The main contributors to this decline were: all other retailer (-28.3%) and retailers in textiles, clothing, etc. (-12%). The 2020 monthly figures point to a struggling retail sector as consumer spending remains suppressed, following the suspension of economic activities and loss of employment earlier in the year.

Table 3.10.2: Retail Trade Sales by Type of Retailer (Constant Prices), South Africa, 2019 - 2020

Type of Retailer	2019 Q4 R'000	2020 Q4 R'000	% Change
General dealers	113 371	113 241	-0.1
Food, beverages and tobacco in specialised stores	21 842	21 621	-1.0
Pharmaceuticals & medical goods, cosmetics & toiletries	16 956	16 739	-1.3
Textiles, clothing, footwear and leather goods	55 638	53 731	-3.4
Household furniture, appliances and equipment	14 005	14 603	4.3
Hardware, paint and glass	20 368	22 187	8.9
All other retailers	32 850	25 803	-21.5
Total	**275 030**	**267 925**	**-2.6**

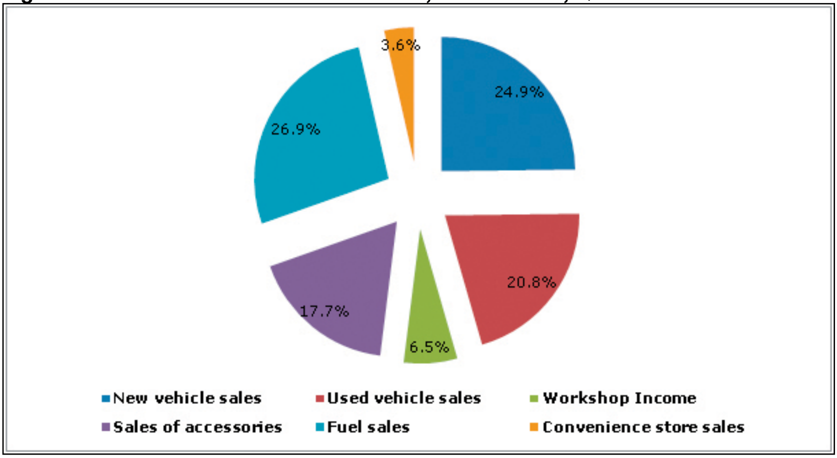
Source: Stats SA, 2021

In the fourth quarter of 2020, retail trade sales decreased by 2.6% compared to the same period in 2019. This is possibly due to reduced or no disposable income at all, arising from high unemployment exacerbated by the COVID-19 pandemic. The main drag on the growth of retail trade sales was "all other retailers" which realised a decline of 21.5%. Despite the negative growth realised since the second quarter of 2020, it is encouraging that the rate of contraction in retail trade sales is losing momentum.

3.10.3 Motor Trade Sales

Sales in the motor trade industry recorded a negative growth for the tenth consecutive month in December. Motor trade decreased by 0.2% in December 2020 compared to the same month a year before. Following the COVID-19 lockdown restrictions, which hindered social and business activities, demand in the motor industry is at its lowest. Given the current low inflation and low interest rates, one would expect the demand for new vehicles to increase (considering improved affordability of new vehicles); however, this is not the case as consumer's movements are restricted.

Figure 3.10.2: Share of Motor Trade Sales, South Africa, Q4:2020



Source: Stats SA, 2021

The figure above depicts the distribution of sales across the motor trade industry. Motor trade sales decreased by 4.3% in the fourth quarter of 2020 compared with the same period in 2019. Notable changes were seen in income from fuel sales, which declined by 14.6% when compared to the third quarter of 2019 (contributing -4.4 percentage points to the overall decline in motor trade sales). Used vehicles sales realised the highest positive growth rate (7.8%), but only contributed 1.4 percentage points to the change in motor trade sales.

3.10.4 Tourism in South Africa

The devastation of the tourism industry lasted for most of 2020, during the festive season in the last quarter of 2020 the industry hoped to somewhat recover. During festive season South Africa usually receives an influx of tourists during this period, however, this was somewhat somber compared to previous years due to restrictions and fear of the virus. Stats SA data shows a severe decrease in the number of tourists visited South Africa in December 2020 and a resultant loss of income for the accommodation industry.

In December a number of 935,085 travellers (arrivals, departures, and transits) passed through South Africa's ports of entry/exit. They were made up of 333,579 South African residents and 601,506 foreign travellers. Foreign arrivals, 279,539 were made up of 39,102 non-visitors and 240,437 visitors. The visitors were made up of 42,378 same-day visitors and 198,059 overnight visitors. The breakdown of the tourists by region is as follows: 36,357 from overseas; 157,258 from the SADC countries; 4,100 from 'other' African countries and the country of residence of 344 tourists were unspecified.

Table 3.10.3: Total Number of Travellers, December 2019 - December 2020

Travel Direction	DEC 2019	DEC 2020	NOV 2020	NOV 2020 - DEC 2020	DEC 2019 - DEC 2020
Total Direction	**4 657 450**	**470 701**	**935 085**	**98.7%**	**-79.9%**
South African residents	**1 477 588**	**178 632**	**333 579**	**86.7%**	**-77.4%**
Arrivals	638 708	91 418	151 362	65.60%	-76.30%
Departures	838 048	87 179	182 144	108.90%	78.30%
Transit	832	35	73	108.60%	91.20%
Foreign Travellers	**2 378 323**	**292 069**	**601 506**	**105.90%**	**-81.10%**
Arrivals	1 559 368	152 694	279 539	83.10%	-82.10%
Departures	1 561 121	136 277	315 824	131.80%	-79.80%
Transit	59 373	3 098	6 143	98.30%	-89.70%

Source: Stats SA, 2021

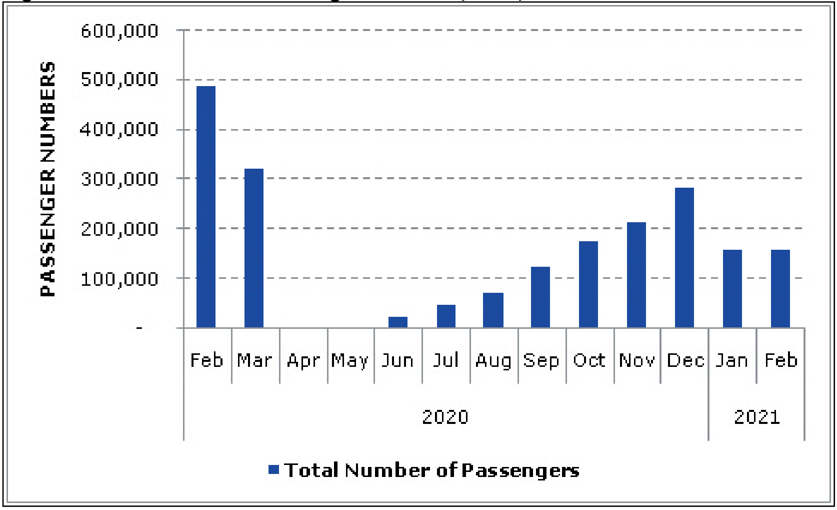
These numbers are attributed to the announcement of tightened lockdown restrictions by President Cyril Ramaphosa during festive, when the country experienced Covid-19 second wave. The announcement impacted the nation, especially the estimated 722,000 employees in the tourism sector. This sector shed a significant portion of jobs because it was completely shut since the beginning of the pandemic and national restrictions implemented towards the end of March 2020.

Furthermore, the sector's performance was worsened by emergence of the new variant linked to South Africa and the United Kingdom, which resulted in number of countries banning travellers from South Africa. Even the country's biggest tourism market, the United Kingdom banned travellers from South Africa. This dashed hopes of reviving the local tourism Industry.

3.10.5 Strategic Infrastructure

Infrastructure, whilst it significantly contributes to economic growth, also serves to alleviate poverty in countries. Infrastructure in the form of transport infrastructures such as air, sea and land, includes airports, ports and roads/railways respectively, plays a vital role in the functioning of a country.

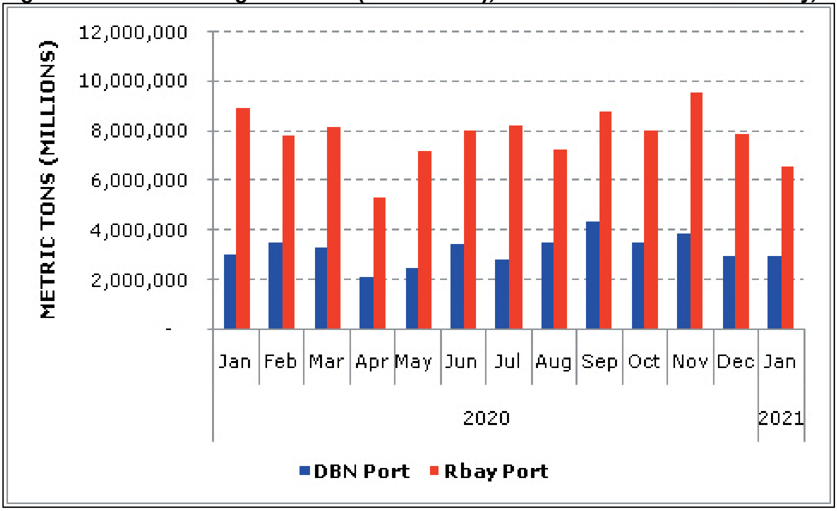
Figure 3.10.3: KSIA Total Passenger Numbers, KZN, Feb 2020 - Feb 2021



Source: ACSA, 2021

Despite the devastating effects caused by the pandemic, South Africa's aviation sector still faces the threat of a potential third Coronavirus wave. Nonetheless, there was constant upward growth in the number of flights flown at King Shaka International Airport (KSIA) from June through to December 2020. Although this growth stopped and flights at KSIA decreased in January 2021, the decline is expected as it is presumed to be caused from the country moving to an adjusted level 3 lockdown at the end of December 2020. There was then little change in the number of flights flown at KSIA in February 2021.

Figure 3.10.4: Total Cargo Handled (Metric Tons), Port of Durban & Richards Bay, Jan 2020 – Jan 2021

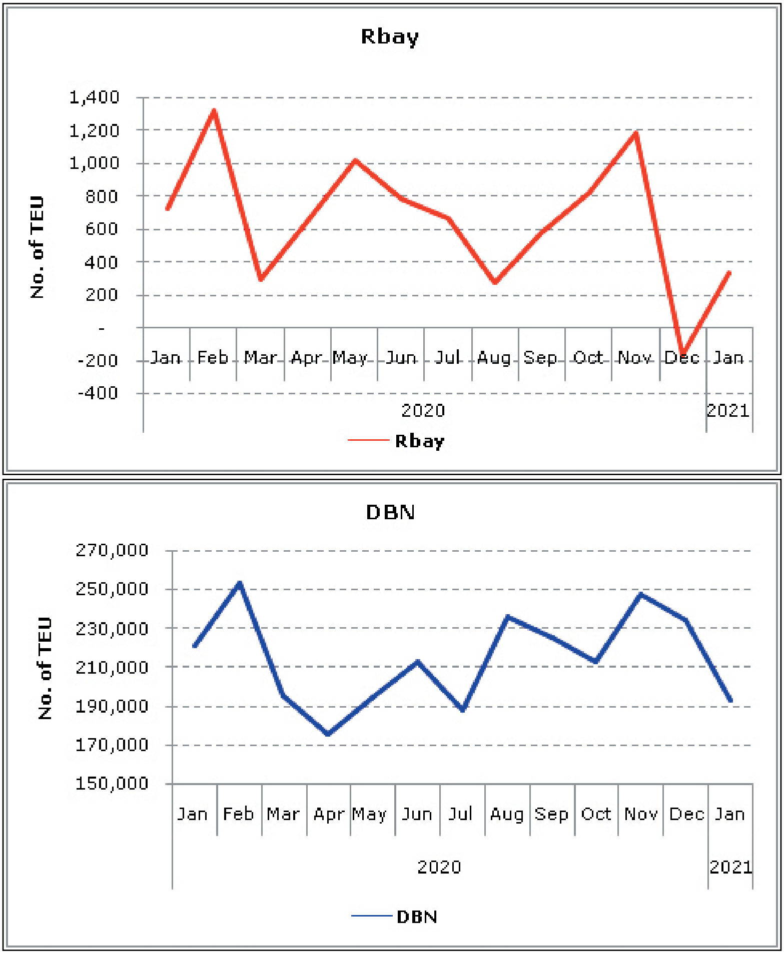


Source: Transnet, 2021

More than half of the country's total seaborne cargo is moved by two of KwaZulu-Natal's Ports in Richards Bay and Durban, combined. For the year 2020, the Port in Richards Bay moved just over 9.5 million metric tons of cargo in November; this was the most amount of cargo moved that year for its port compared to other months. However, Richards Bay began the New Year on a slow start, moving only 6.5 million metric tons of cargo in January 2021.

On the other hand, Durban's Port moved the most amount of cargo for its port in the year 2020 was in September 2020, and although its cargo movement in the months following September 2020 decreased, the Port still managed to move slightly more than it did in January 2021 compared to what it did in December 2020.

Figure 3.10.5: Total Number of Containers Handled, Port of Durban & Richards Bay, Jan 2020 – Jan 2021



Source: Transnet, 2021

Richards Bay's Port only moves a small fraction of the country's total containers and although it appears to have moved a negative number of containers in December 2020, it must be noted that containers moved by ports include full as well as empty containers. The explanation from Transnet for this is that "credit notes for the month exceeded the Invoices raised" thus resulting in the -162 containers.

Durban's Port remained relatively constant in its number of containers moved, handling more than 200,000 containers each month for the latter part of the year 2020. However, containers handled by the Port declined to just over 190,000 in January 2021.

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