



**Quarterly Economic
Bulletin**

2021/2022

Q 2

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Foreword

The second quarter Quarterly Economic Bulletin is presented at a time when the country is implementing the economic reconstruction and recovery plan after the upsetting effect of COVID-19 in 2020 and 2021. The national government has set up plans and strategies to lift the country out of the tough prevailing economic conditions, which ranges from high unemployment rate, high poverty levels and deteriorating income levels. Covid-19 has also impacted negatively to the national and provincial revenue collection, and the crisis lead to a need to reprioritize the budget towards COVID -19 related expenditure.

Globally many economies are devising and introducing policy adjustments to cope with the tough and challenging economic times and the new way of doing business. The global economic landscape is shifting from traditional based activities to more refined service orientated economic activities embracing the use of technologies.

The success of the economic rebound of many economies is highly depended on the vaccination of the world population so that herd immunity can be achieved as this will allow the world economies to return to normal ways of operations. However, this is proving be challenging as most of the developing economies are still lagging behind in terms of vaccination due to limited access to vaccines and this will have a negative impact to their economic recovery and that of the world.

The successful implementation of the Limpopo socio economic recovery plan is very critical for the province, as this has high potential to minimise the devastating effect of the Covid-19 to the Limpopo economy and has a potential to steer the province to positive growth and employment creation.



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DDG: SRM

21 September 2021

Date

1. Introduction

Global growth is projected to recover in 2021, fueled by robust rebounds in some major economies, such as China and the United States (U.S). The global economic recovery is uneven and largely reflects sharp rebounds in some major economies amid highly unequal vaccine access, with many poorer countries facing subdued prospects. The recovery will be highly dependent on the speed that the emerging and developing countries in the world are able to reach herd immunity in terms of vaccinating its population as they are still lagging behind, due to shortages of vaccines and the negativity of populations towards the vaccines and its side effects.

Reducing unemployment continues to be a huge challenge that the country and the province has been battling with in recent times. It is clear that unemployment is the root of many socio-economic problems in South Africa. When people are unemployed and have no income or less to sustain their basic needs they are considered poor. As the country is still in the process of fighting against the deadly disease and directing the funds to cover expenditures of vaccines less jobs are being created.

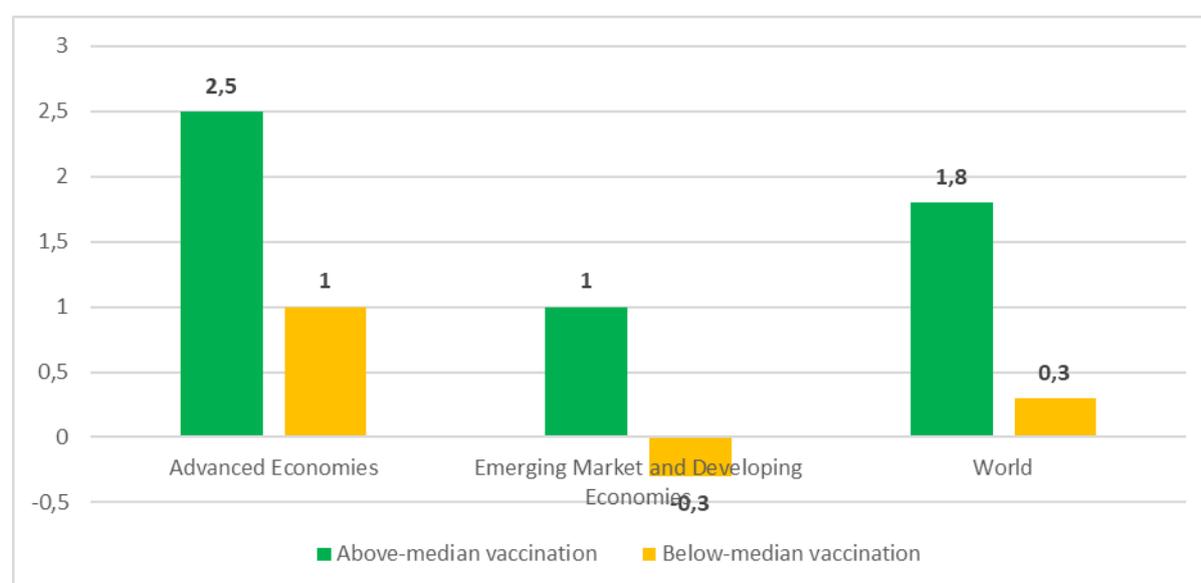
As countries are still recovering from the damages caused by Covid-19 pandemic South Africa is still behind with creation of jobs. The pandemic has costed many South Africans their employment since the first quarter of 2020 when the country was under the lockdown restrictions. The looting in KwaZulu-Natal also contributed to the loss of employment as many shopping malls and small businesses were burnt, therefore the number of employed persons declined excessively in South Africa from 16.3 million between January and March 2020 to 14.9 million between April and June 2021. It is believed that the foreign investment creates more jobs and increases domestic investment and the looting in the country has put a major dent in the country's ambitions of attracting the foreign investors, as investors are reluctant to invest in an unstable environment.

2. Economic Overview

2.1. World Economic Outlook

The global economy is set to expand 5.6 percent in 2021, its strongest post-recession pace in 80 years. This recovery is uneven and largely reflects sharp rebounds in some major economies amid highly unequal vaccine access, with many poorer countries facing subdued prospects. The strength of the near-term global recovery is largely attributable to a few major economies, such as the United States and China, with many emerging market and developing economies (EMDEs) lagging behind. The United States and China are each expected to contribute over one-quarter of global growth in 2021, with the U.S. contribution nearly triple its 2015-19 average.

Figure 1: Forecast revisions to global growth in 2021, by vaccination progress



Source: World Bank, 2021

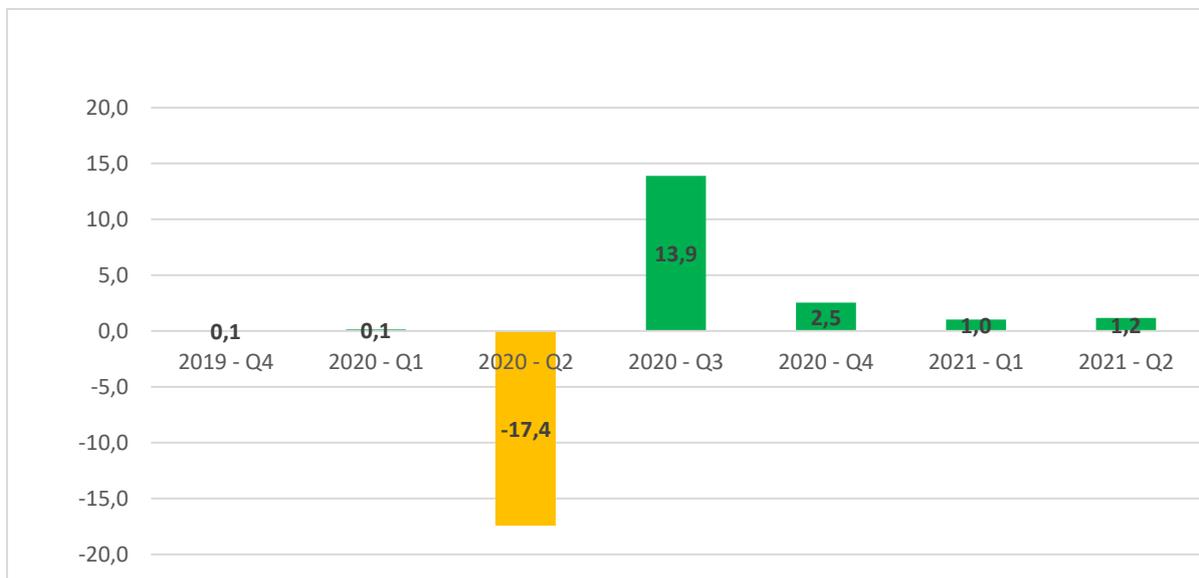
Vaccination progress is a key factor behind near-term forecast revisions, Global growth in 2021 is projected to be more robust than previously envisioned at 1.8 percent at above median vaccination and 0.3 percent at below median vaccination. Rapid vaccination progress has contributed to forecast upgrades in many countries, however, this is concentrated primarily in advanced economies (AEs) as growth is expected to be 2.5 percent with the above median vaccination and 1 percent at below median vaccination. For many EMDEs, renewed COVID-19 surges and limited vaccination have contributed to downward revisions to growth with 1 percent growth

at above median vaccination and -0.3 percent below the median vaccination. Global output is rebounding but will remain below pre-pandemic projections by 2022, with more subdued recoveries in poorer countries. By 2022, global output is expected to remain about 2 percent below pre-pandemic projections. The strength of the recovery is uneven, and many EMDEs face elevated COVID-19 caseloads and obstacles to vaccination.

2.2. SA Economic Overview

The South African Gross domestic product increased by 1.2 percent in the second quarter of 2021, following an increase of 1.0 percent in the first quarter of 2021. All other industries contributed positively towards the national GDP except for Manufacturing, construction, finance, real estate and business services. The industries that contributed positively towards the GDP growth were agriculture, mining, electricity, gas and water, trade, transport and personal services.

Figure 2: SA GDP growth in expenditure (constant 2015 prices seasonally adjusted % change Q on Q)

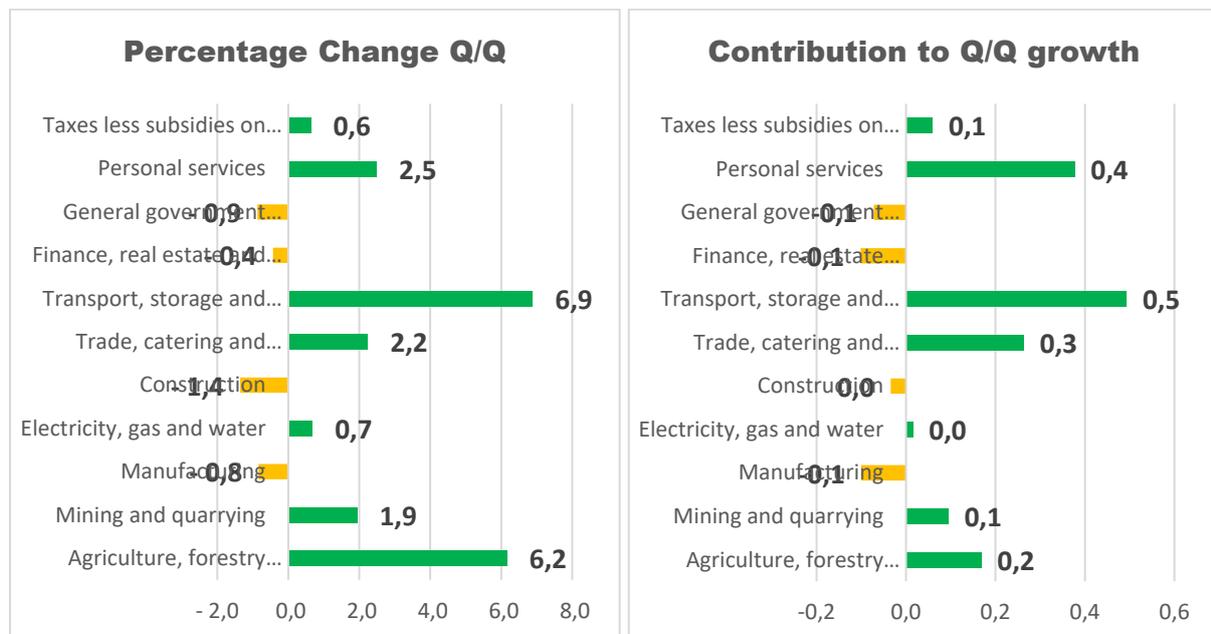


Source: StatsSA, Gross Domestic Product, Q2 2021

The largest contributors to growth in GDP in the second quarter were transport, agriculture, personal services and trade industries. The transport industry, agriculture,

personal services, and the trade industry increased by 6.9, 6.2, 2.5 and 2.2 respectively and contributed 0.5, 0.2, 0.4 and 0.3 of a percentage point to GDP growth.

Figure 3: SA Industries growth and Contributions to growth in GDP, Q2 2021 (% points)



Source: StatsSA, GDP, Q2 2021

Transport, storage and communication industry

In the second quarter of 2021, Transport, storage and communication industry is the largest contributor with 0.5 percent point, this industry increased by 6.9 percent in second quarter of 2021. The increase resulted from land transport and communication services.

Agriculture, forestry and fishing industry

Agriculture, forestry and fishing industry increased by 6.2 percent in the second quarter of 2021. This industry contributed 0.2 percent points on the national gross domestic product growth. The increase was mainly due to increased production of field crops, horticulture and animal products.

Mining and quarrying industry

The mining and quarrying industry increased by 1.9 percent and it has contributed 1.0 percentage point to the GDP growth. The increase in production was reported for platinum group metals (PGMs), gold and coal.

The personal services industry

The personal services industry increased by 2.5 percent and has contributed 0.4 percentage point towards the GDP growth. Increases were reported for community services and other producers.

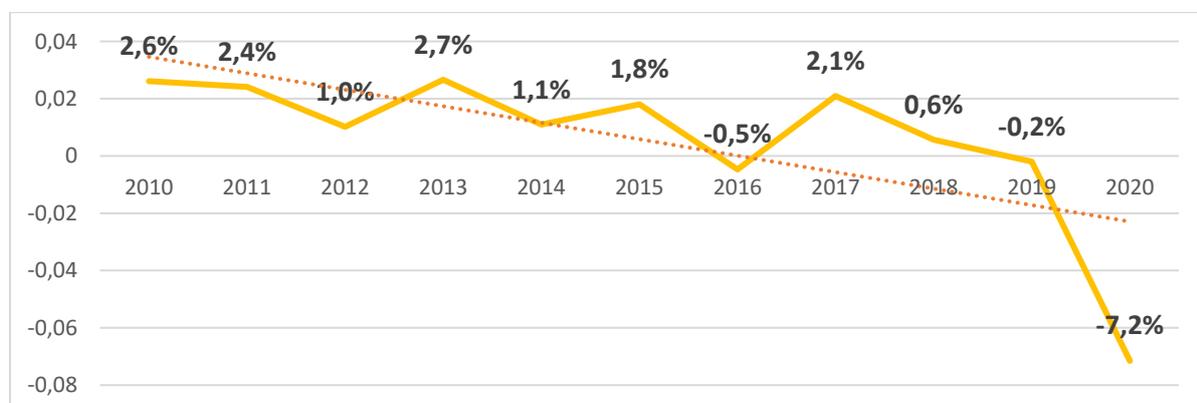
The trade, catering and accommodation industry

The trade, catering and accommodation industry increased by 2.2 percent and contributed 0.3 of a percentage point to GDP growth. increased economic activity was reported in wholesale, retail and motor trade, and there was increased spending on catering and accommodation services.

2.3. Limpopo Economic Growth

The Limpopo Gross Domestic Product has been on decline since 2018 where it decreased from 2.1 percent in 2017 to 0.6 percent in 2018. The provincial GDP further declined to negative 0.2 percent in 2019 and to negative 7.2 percent in 2020. It is expected that as the mining and other industries recover the provincial economy will also recover.

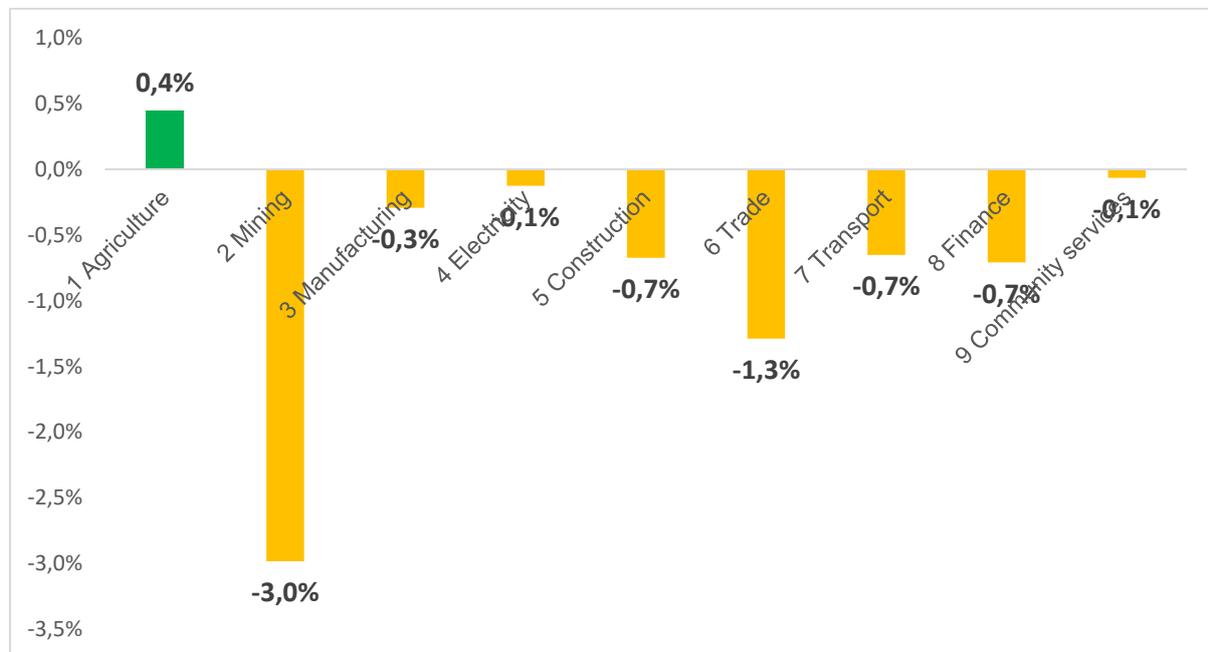
Figure 4: Limpopo GDP Constant 2010 prices % change year-on-year



Source: IHS Regional Explorer, 2021

In 2020 the industry that contributed positively towards the provincial gross domestic product was agriculture sector with 0.4 percent point.

Figure 5: Contribution to total economic growth (% point, Constant 2010 prices)



Source: IHS Regional Explorer, 2021

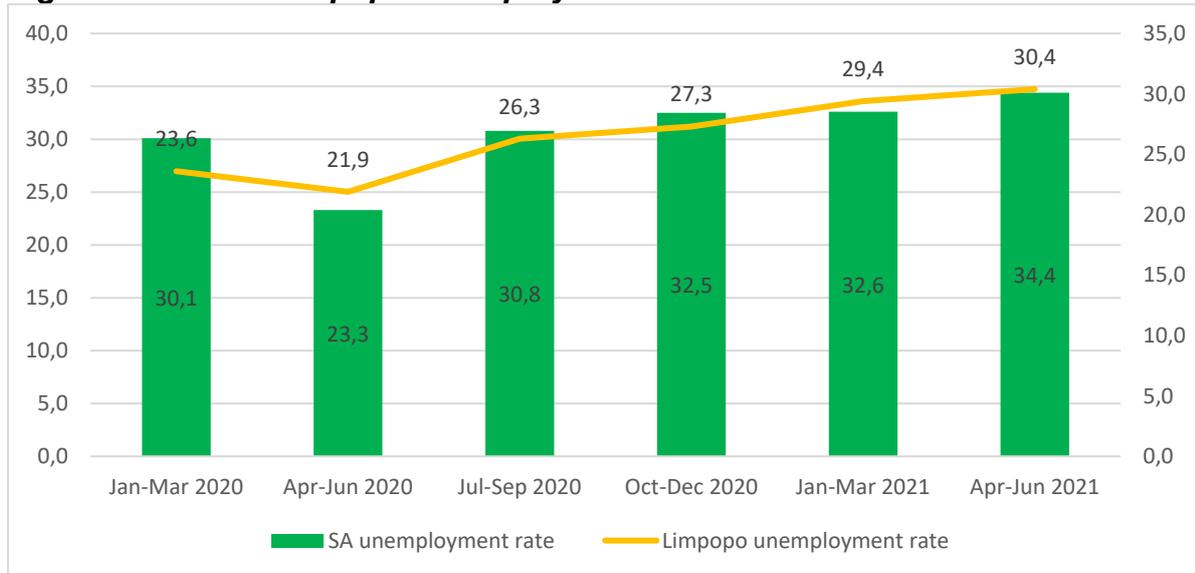
Due to the complications caused by the deadly corona virus other industries responded negatively towards the economic growth in Limpopo province. Mining industry recorded the highest negative point of 3.0 percent followed by trade with negative 1.3 percent.

3. Labour characteristics

3.1. South Africa and Limpopo unemployment rate

The number of working age population in South Africa compared to the employed number is widening, meaning that there are not enough jobs being created to absorb more people. In just a space one year the national unemployment rate increased by more than 10 percent.

Figure 6: SA and Limpopo unemployment rate



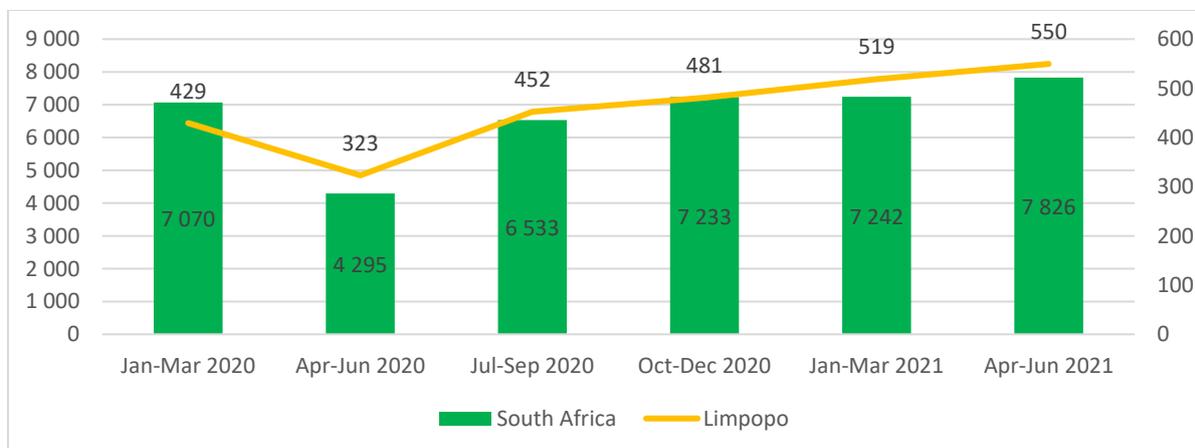
Source: StatsSA, 2021

According to the official definition of unemployment South African unemployment rate surged from 30.1 percent in the first quarter of 2020 to 34.4 percent in the second quarter of 2021. Limpopo province also recorded an increase in the unemployment rate from 23.6 percent between in the first quarter of 2020 to 30.4 percent on the second quarter of 2020.

3.2. SA and Limpopo unemployment number

South African unemployment and Limpopo unemployment number has been increasing in the last quarters.

Figure 7: South Africa and Limpopo unemployment number ('000)



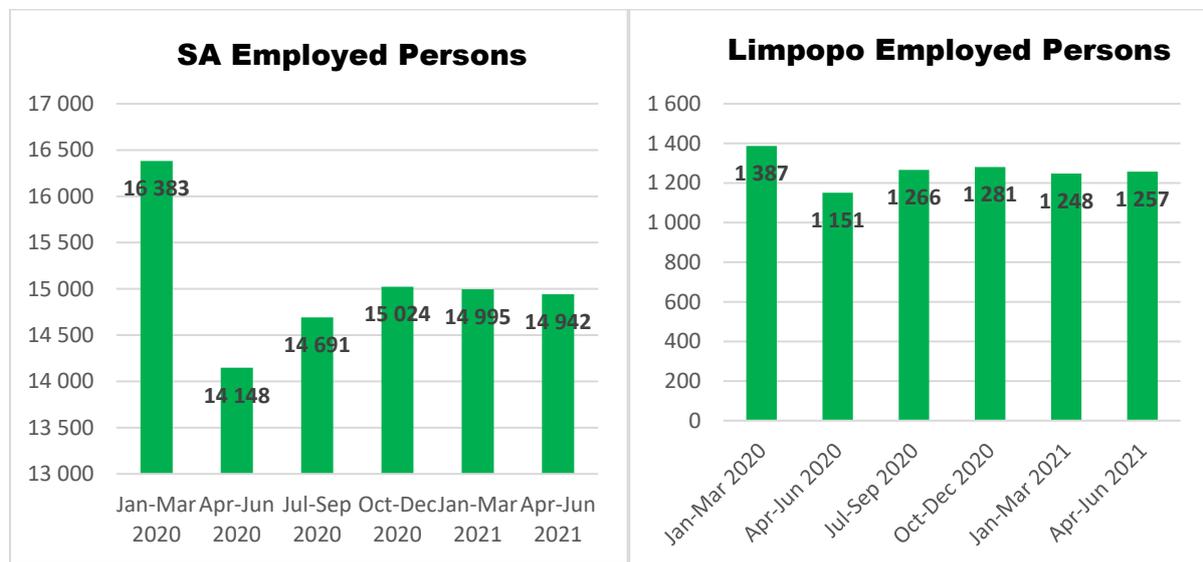
Source: StatsSA, 2021

Since April-June 2020 the unemployment number in South Africa and in Limpopo Province increased by 3.5 million and 227 thousand respectively. South Africa recorded an unemployment number of 7.8 million and Limpopo recorded 550 thousand on the second quarter of 2021.

3.3. SA and Limpopo employed persons

Limpopo province has experienced a decline in the number of people employed between April and June 2021.

Figure 8: South Africa and Limpopo employed persons



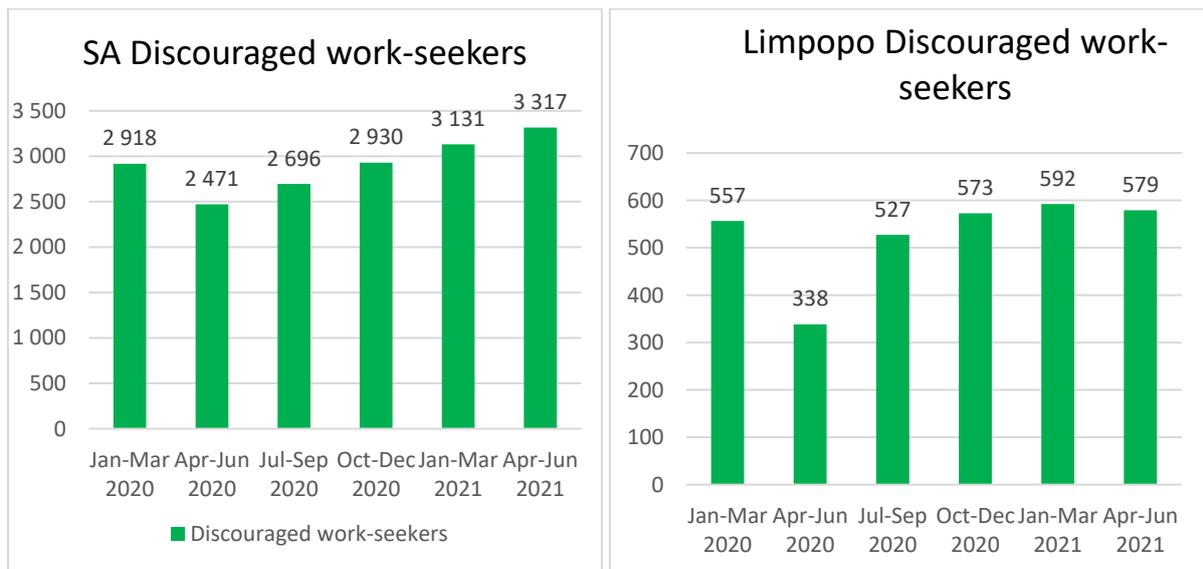
Source: StatsSA 2021

About 130 thousand jobs were lost during the fourth quarter of 2019 and first quarter of 2021. The Limpopo number of employed persons declined from 1.3 million between January and March 2020 to 1.2 million between April and June 2021.

3.4. SA and Limpopo discouraged work seekers

The Covid-19 has pushed many people at the urge of getting discouraged to look for employment. It became difficult for most job-seekers to seek for employment at the time when Covid-19 was at the peak, also because many companies and businesses were closing down due to lack of profit.

Figure 9: South Africa and Limpopo discouraged work-seekers



Source: StatsSA, 2021

The discouraged work-seekers number has been increasing since the second quarter of 2020 from 2.6 million people to 3.3 million people in South Africa and from 527 thousand to 579 thousand people between April and June 2021 amid Covid-19.

4. The Kwazulu-Natal and Gauteng riots

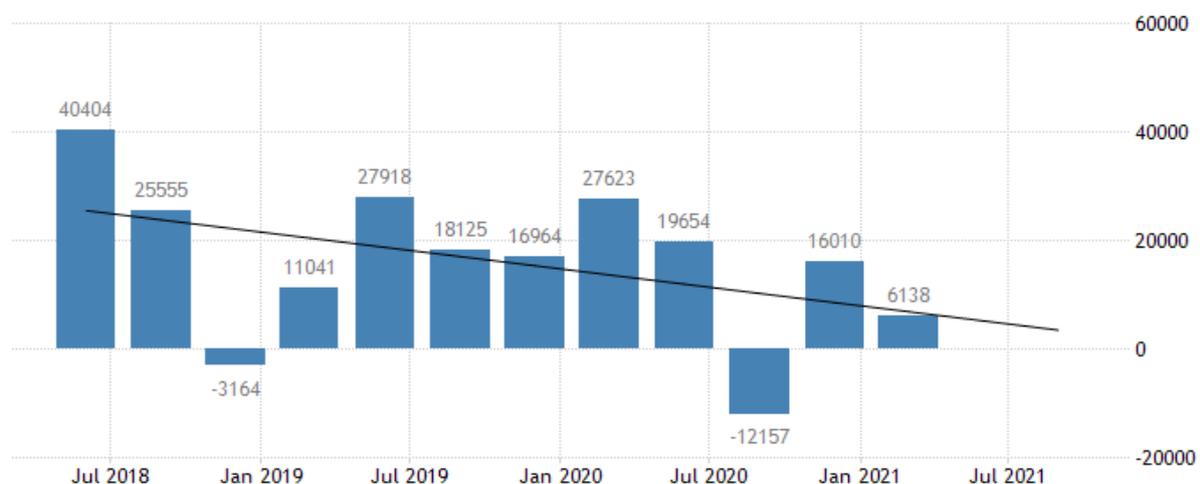
The unrest in KwaZulu-Natal (KZN) and Gauteng (GP) commenced on the 8th of July when the former President (Jacob Zuma) started serving his prison sentence. During the many trucks were burned down as roads into and out of KZN were closed down, many small businesses and malls were attacked and burned down. This escalated to a point where many people lost their lives and many were injured. People in Gauteng also stirred the riots of which the cost of damage in rand terms amounted to R3.5 billion according to the Gauteng Premier David Makhura and this did not include a lot of the uninsured township-based businesses. Gauteng and KwaZulu-Natal provinces were the ones that were affected more by looting and unrest than other provinces, as citizens of the other provinces in the country stood against this kind of behaviour. The residents in Limpopo province spread the word of unity and of protection towards their public properties including malls and small businesses.

Goods worth thousands of rand that were looted by the residents were recovered by the police and the Minister of police Bheki Cele confirmed that the evidence room were full of goods confiscated from looters including fridges, beds and electronic appliances.

4.1. The impact of looting on foreign investment

The Foreign Direct Investment (FDI) is an integral part of an open and effective international economic system and a major catalyst to development. According to the International Monetary Fund (IMF) direct investment reflects the aim of obtaining a lasting interest by a resident entity of one economy (direct investor) in an enterprise that is resident in another economy (the direct investment enterprise). It is believed that the foreign investment creates more jobs and increase domestic investment.

Figure 10: SA Foreign Direct Investment



Source: Trading economics.com / SARB, 2021

The FDI inflows slipped to R6.1 billion in the first quarter of 2021 from R16 billion in the fourth quarter of 2020. For the whole of last year FDI inflows were at R51.1 billion, down from R74 billion in 2019.

The looting in KZN has affected other provinces as well as Limpopo province as businesses had to shut down for several days in most parts of the province in anticipation and fear that the looting will also spread to the province. When incidence such as looting, shutdowns and other actions that may result in loss of investment capital and benefits occur, investors pulls their funds out and go to invest elsewhere.

After the unrest, South Africa recorded an increase in the unemployment rate from 32.6 to 34.4 percent. Limpopo province also recorded an increase in unemployment rate from 29.4 to 30.4 percent between April and June 2021.

4.2. The importance of foreign direct investment in the province

Economic development

Foreign direct investment plays a significant role on the economic development of a country. The capital inflow of foreign investors allows strengthening of infrastructure, increasing productivity and creating employment opportunities. Foreign direct investment boosts development in various fields. It is important to have new technology, proper management and new skills for the development of an economy. FDI is considered as an asset to the economy as it allows the bridging of the technology gap between foreign and domestic firms to boost the scale of production which is beneficial for the betterment of the country's economy.

Income growth

The FDI contributes on the on the factor of productivity and income growth in the host countries more than the domestic investment. It serves to increase the domestic investment. In order for companies to expand their business and productivity there should be funds available to cover the costs. With foreign investment most businesses expand to a point where they start to unleash the branches in different locations to meet the demand of people. It is also significant for the country to reach a certain level on Education, Technology and Infrastructure to acquire and attract investment from abroad.

Employment

According to Liu (2012) research in China in secondary and tertiary industry for the period 1985-2008, growth in the Foreign Direct Investment would promote employment. It is clear that the FDI has a positive and significant effect on the employment generation in the host countries. South Africa and Limpopo is currently facing a high increase of unemployment rate, with thousands of jobs lost in the economy due to the deadly Covid-19 since 2020. The looting incidence didn't help the situation as it resulted in many people losing their jobs due to malls burnt and retails

and factories destroyed. The looting effects is going to be felt in the long run as Investors are not interested in putting their money where there is uncertainty and stability.

5. Conclusion and recommendations

The world and the country is faced with huge job loses as well as declining per capita income and high poverty levels caused by the COVID-19 pandemic, these challenges are not anticipated to be reversed in about two-thirds of emerging market and developing economies (EMDEs). For South Africa and Limpopo too help repair the damage from the pandemic, policy makers will need to promote growth-enhancing reforms and steer their economies onto a green, resilient, and inclusive development path as guided by the National Economic Reconstruction and Recovery Plan and the Limpopo Socio Economic Recovery Plan.

Even before Covid-19, South Africa and Limpopo economy had a long period of stagnation and political turmoil like state capture, power cuts, lack of service delivery, deterioration of infrastructure, SOEs [state-owned enterprises] in a bad state and the build-up of public debt. A comprehensive set of policies will be required to promote a strong recovery that mitigates inequality and enhances environmental sustainability. Investments in green infrastructure, climate-smart agricultural technologies, and climate resilience combined with sustainable energy policies can play a pivotal role in increasing the use of renewable energy sources and lowering greenhouse gas emissions.

The world economic recovery will be highly depended on the speed that the emerging and developing countries in the world are able to reach herd immunity in terms of vaccinating its population as they are still lagging behind, due to shortages of vaccines and the negativity of populations towards the vaccines and its side effects. The country will need to step up its gear and engage itself in excessive vaccination drive which will be coupled with campaigns that will be dealing with the negative attitude towards the vaccines. This will need leaders of the communities to be in the for front and lead by example.