



Analysis of Forecasted GDP growth and potential impact on the Township Economy

Kgalaletso Tlhoale

Absa Head: Enterprise Development

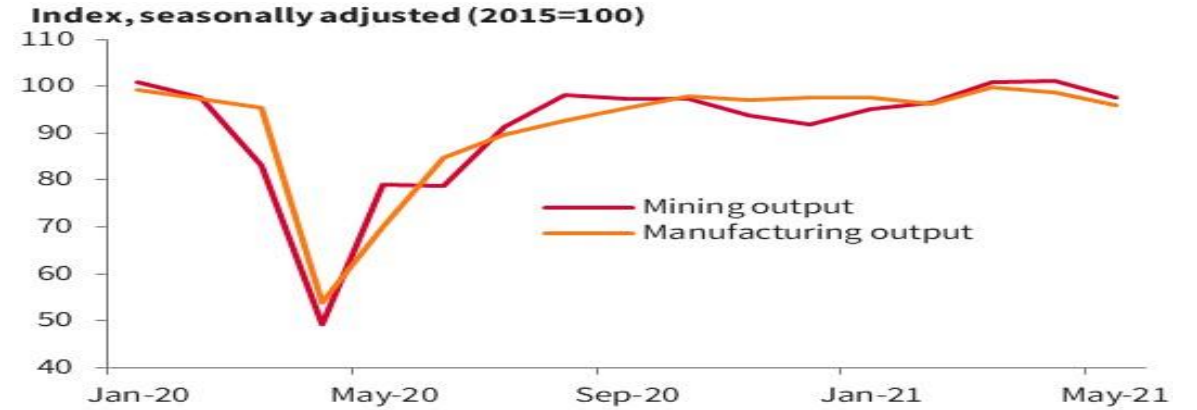
Kgalaletso.Tlhoale@absa.africa

Improving domestic output driven by key sectors and consumer demand

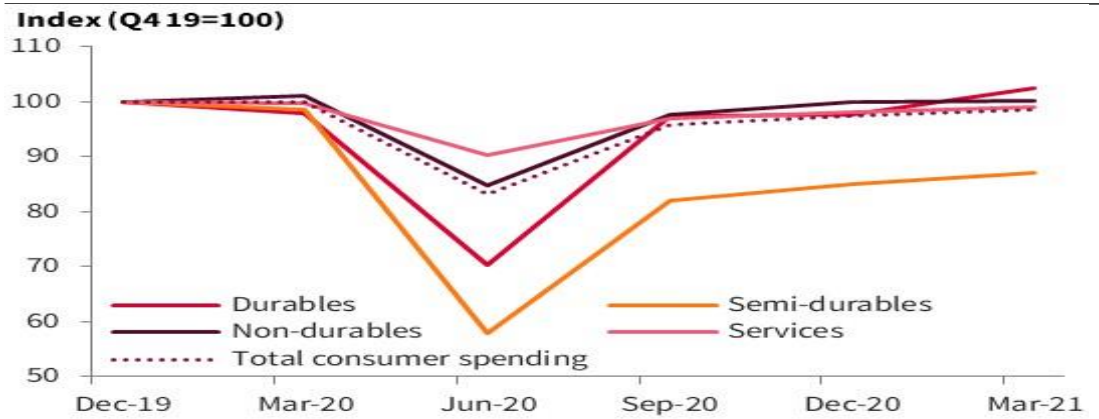
Real GDP below pre-pandemic levels

q/q saar	Q2 20	Q3 20	Q4 20	Q1 21	Q1 21/ Q4 19
Agriculture	22.0	20.1	5.9	-3.2	20.2
Mining	-70.8	271.2	-5.7	18.1	-1.5
Manufacturing	-74.7	212.9	21.1	1.6	-2.8
Utilities	-36.4	58.0	2.2	-2.6	-1.4
Construction	-76.8	73.6	11.2	0.8	-19.3
Trade & hospitality	-67.6	137.0	9.8	6.2	-2.9
Transport & comms.	-69.5	78.1	6.7	4.8	-11.5
Finance & bus. svcs.	-35.7	17.0	-0.2	7.4	-4.5
Personal svcs	-31.7	38.7	4.8	1.7	0.4
Government	-1.0	1.0	0.7	0.9	0.7
Real GDP	-51.7	67.3	5.8	4.6	-3.2

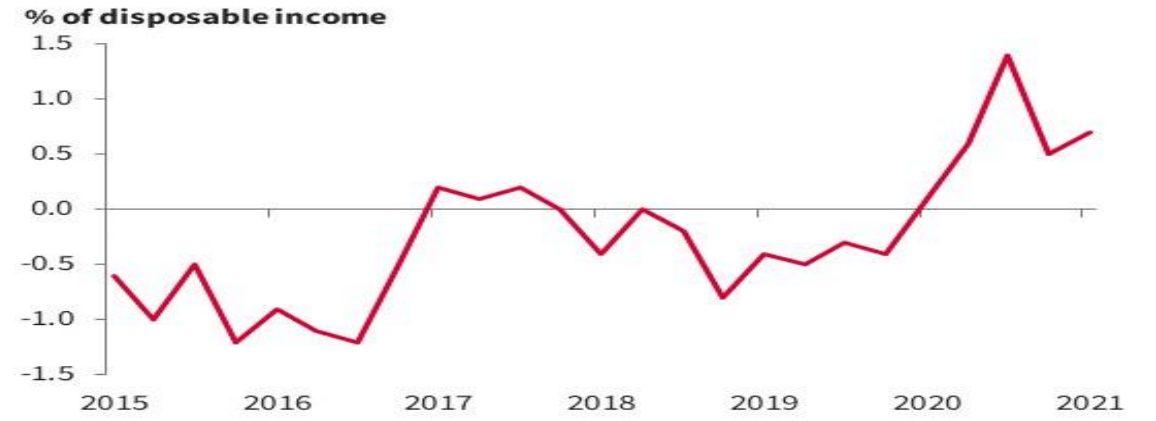
Mining and manufacturing output fell in May



Consumer spending recovery has been strong

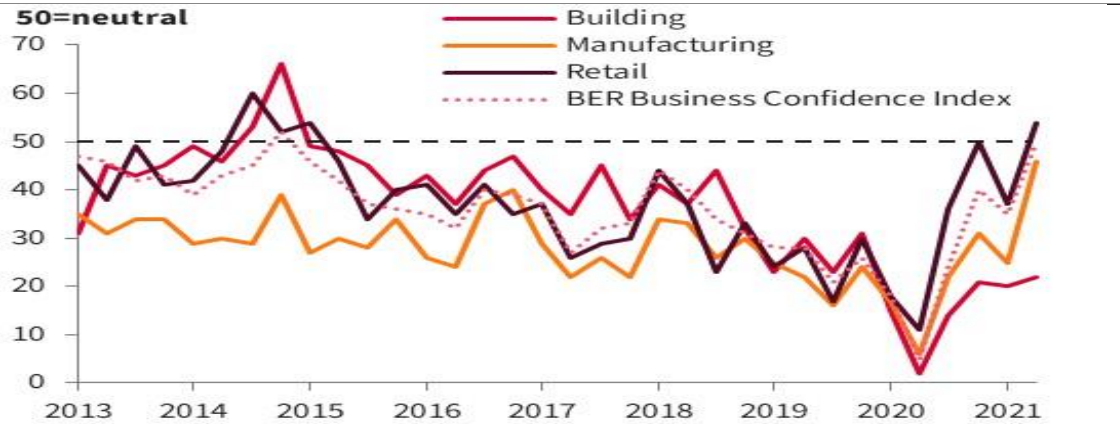


Possibly supported by accumulated savings

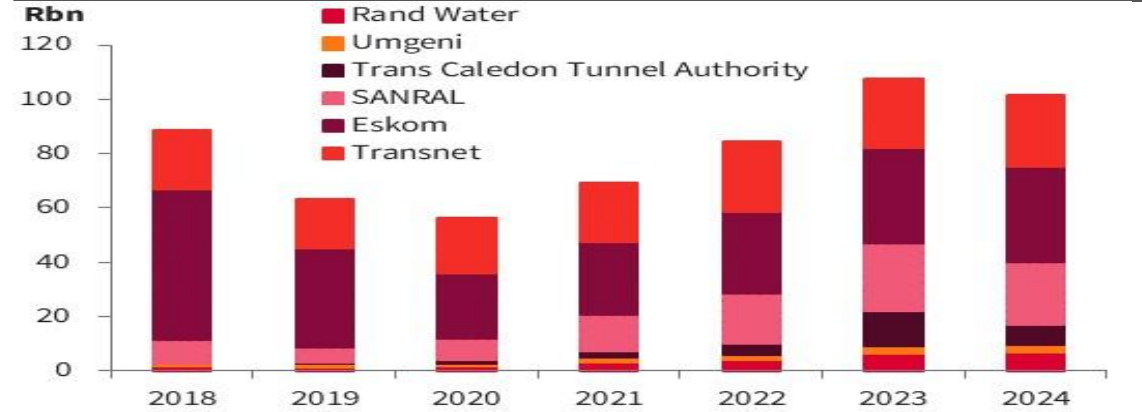


Strong Public Sector spending and a commodity driven positive trade balance augers well for recovery

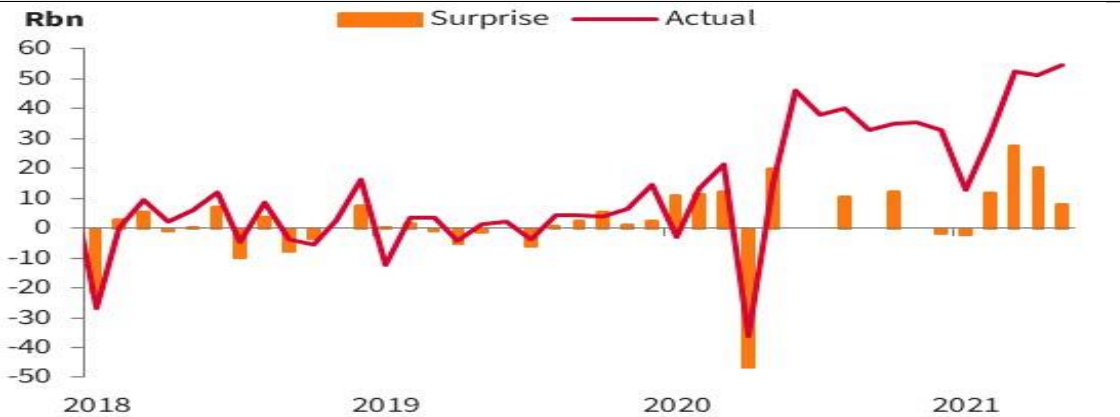
Business Confidence improved before the third wave and unrest



SOC investment set to be strong in the medium term



Strong upside surprises in the merchandise trade balance....



...driven largely by a steep rise in commodity prices



Baseline sector GDP growth forecast on a quarterly and annualised basis

	2020		2021			2022				2019	2020	2021F	2022F	2023F	
	Q3	Q4	Q1	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F						Q4F
Output (% q/q saar)															
Real GDP	67.3	5.8	4.6	1.3	-2.0	2.0	2.0	2.5	3.2	3.2	0.2	-7.0	4.0	1.8	1.9
Real GDP (%y/y)	-5.9	-4.2	-2.7	17.0	2.4	1.4	0.8	1.1	2.4	2.7	0.2	-7.0	4.0	1.8	1.9
Household consumption	75.3	7.5	4.7	1.1	-2.3	1.2	1.2	1.3	1.6	1.6	1.0	-5.4	4.8	0.9	1.5
Public consumption	0.8	1.1	1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	1.5	0.5	0.0	-1.0	-1.0
Investment	26.9	12.1	-2.6	10.3	7.1	14.8	1.4	1.8	2.6	3.1	-0.9	-17.5	2.1	5.3	3.6
Exports	194.3	26.6	-0.9	1.1	1.2	1.4	2.1	2.5	2.5	2.7	-2.5	-10.3	8.4	1.9	2.7
Imports	-1.9	52.4	26.5	10.7	6.1	2.7	4.5	5.0	5.3	5.4	-0.5	-16.6	12.0	5.0	3.6
Employment and wages															
Employment, Δ '000s	543	333	-29	34	-12	157	-165	56	49	100	-44	-1289	-7	47	245
Unemployment rate, %	30.8	32.5	32.6	34.8	35.4	35.2	37.0	37.1	37.0	36.8	28.7	29.2	34.5	37.0	36.9
Average wage, %y/y	9.7	8.9	13.0	1.7	5.8	5.5	0.9	6.6	0.8	1.7	4.9	8.0	5.4	2.5	3.3
Prices (% y/y)															
CPI	3.1	3.2	3.1	4.8	4.7	4.7	4.7	4.1	3.9	4.0	4.1	3.3	4.3	4.2	4.1
Core CPI	3.3	3.3	2.8	3.1	3.0	3.0	3.5	3.6	3.7	3.9	4.1	3.3	3.0	3.7	4.1
Food & NAB	4.0	5.7	5.4	6.6	6.7	5.3	5.3	4.1	3.8	3.9	3.4	4.5	6.0	4.3	4.0

Leveraging Supply Chain Opportunities to Revitalise the Township Economy

Transition from a consumption led economic activity to production provides a critical multiplier effect

1

LEVERAGING INFRASTRUCTURE SPENDING

- Significant Public Sector Supply Chain Opportunities linked to investment in infrastructure. R80b spend forecasted in the 2021/22 fiscal period nationally
- Revitalization of existing light industry infrastructure in townships has potential to play a role in partnership with IDC and DBSA
- EU based partnerships available to support industrialization drive in townships and peri-urban areas

2

STATE OWNED LAND IN SUPPORT OF AGRICULTURE SUPPLY CHAIN

- Technology driven intensive agri-enterprise enablers viable for small scale farming
- Primary to secondary agri activity can be right scaled using technology
- Major Retailers, corporates and other institutions have appetite to support
- ED Business Development Support available across various sectors that have linkages with agriculture

3

RETAIL AND LAST MILE LOGISTICS

- Major retailers providing strong support for small township based retailers
- Increased local sourcing of products in support of supply chain opportunities
- Tech based last mile logistics a growing sector and supports local business linkages
- Increased economic activity through multiplier effect. This is also applicable to other sectoral participants such as the motor and manufacturing industries

