

NELSON MANDELA BAY ECONOMIC BULLETIN

December 2022 Update



OVERVIEW

As 2022 draws to a close, global economic activity is currently experiencing a broad-based and sharper-than-expected slowdown. The international cost-of-living crisis, tightening financial conditions in most regions, conflict in the Ukraine, and China's response to the lingering COVID-19 pandemic all weigh heavily on the economic forecast. Inflation has reached forty-year highs in several economies.

As per the IMF's latest World Economic Outlook published in October, global growth is forecast to slow from 6.0% in 2021 to 3.2% in 2022 (and to 2.7% in 2023). In the IMF's own words, this "is the weakest growth profile [seen] since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic."

Taking the abovementioned factors into account, the South African Reserve Bank has revised its own forecast; now expecting the South African economy to grow by 1.8% in 2022 and by 1.1% in 2023. This outlook also considers expectations of lower commodity prices, and higher inflation and interest rates. On the supply side, the forecast incorporates an assumption of increased load-shedding in 2023.

Economic and financial conditions are expected to remain volatile for the foreseeable future. Risks remain unusually large: monetary policy could miscalculate the right stance to reduce inflation, diverging policy paths in the largest economies could exacerbate the US dollar's appreciation, tightening global financing could trigger emerging market debt distress, and a worsening of China's property sector crisis could undermine growth.

After contracting by 0.7% in the second quarter of 2022, the South African economy outperformed expectations in the third quarter; expanding by 1.6% (on a seasonally and inflation adjusted basis). Notably, the third quarter of 2022 was the first period since the fourth/final quarter of 2019 in which the South African economy was fully open for an entire quarter without any domestic COVID-19 restrictions.

As a result, the size of the real (i.e. inflation-adjusted) economy in third quarter was larger than it was before the pandemic. Production in the primary sector – agriculture, forestry, and fishery – in particular, expanded significantly: by 19.2% quarter-on-quarter (on a seasonally and inflation adjusted basis).

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The economy of Eastern Cape is estimated to have contracted by an amount of 0.6% in second quarter of 2022, and is expected to have performed similarly well to the South Africa economy in the third quarter. Whilst critical issues such as water and electricity availability and the efficient and affordable provision of other public services continues to factor heavily into the economic outlook for Nelson Mandela Bay, performance across a wide range of available economic indicators show positive year-to-date outcomes for the city-region.

In the local labour market, employment figures released for the third quarter of 2022 indicate that the number of employed persons in Nelson Mandela Bay has increased by close to 54,000 since the first quarter of 2019 (i.e. since the start of the COVID-19 pandemic). This has seen the unemployment rate in Nelson Mandela Bay decline to 33.6% in the third quarter of 2022; the lowest that the unemployment rate has been in Nelson Mandela Bay since the second quarter of 2017. Over a longer timeframe of close on eight years, Nelson Mandela Bay is one of

South Africa's top-performing metro's in respect of its capacity to increase levels of employment and recover from pandemic- and lockdown-induced unemployment.

In the property sector, the value of building plans passed in Nelson Mandela Bay in the first nine months of 2022 has increased by 4% when compared to the corresponding nine months of 2021. As a 'leading' (i.e. non-lagging) indicator of future economic growth, an increase in the value of building plan approvals typically indicates that the construction industry will be more active in the near future, creating the expectation of additional jobs in the sector and a general increase in economic activity.

In the public health sector, the ongoing loss of life in Nelson Mandela Bay associated with COVID-19 has improved considerably since the end of the fourth wave in/around January 2022 – with the week-on-week variance in the number of deaths from natural causes having returned to accustomed and predicted boundaries.

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In Nelson Mandela Bay's maritime sector, the number of vehicles shipped from Nelson Mandela Bay's designated automotive export hub increased by 3.3% for the first ten months of 2022 compared to the first ten months of 2021.

Additionally, the tonnage of dry bulk handled by Nelson Mandela Bay's ports increased by 10.2% over this same ten-month period compared to the corresponding first ten months of 2021.

Finally, as an indicator of local export activity, the volume of certificates of origin issued by the Nelson Mandela Bay Business Chamber increased by 3.4% for the first ten months of 2022 compared to the first ten months of 2021.

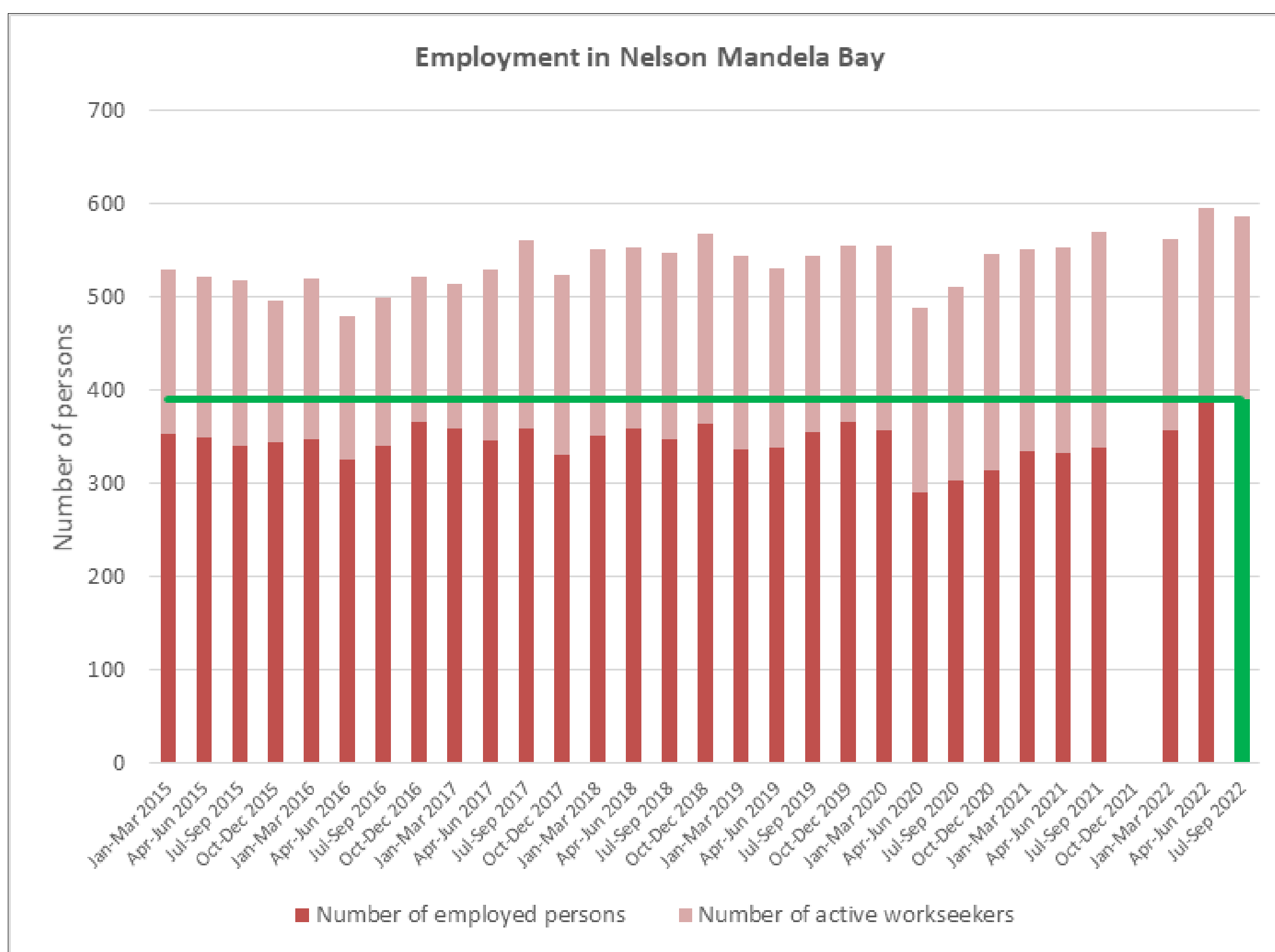
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EMPLOYMENT AND UNEMPLOYMENT



*Statistics South Africa did not produce metropolitan-level employment statistics for the fourth quarter of 2021.

The number of employed persons in Nelson Mandela Bay has increased by close to 54,000 since the first quarter of 2019 (i.e. since the height of the COVID-19 lockdown).

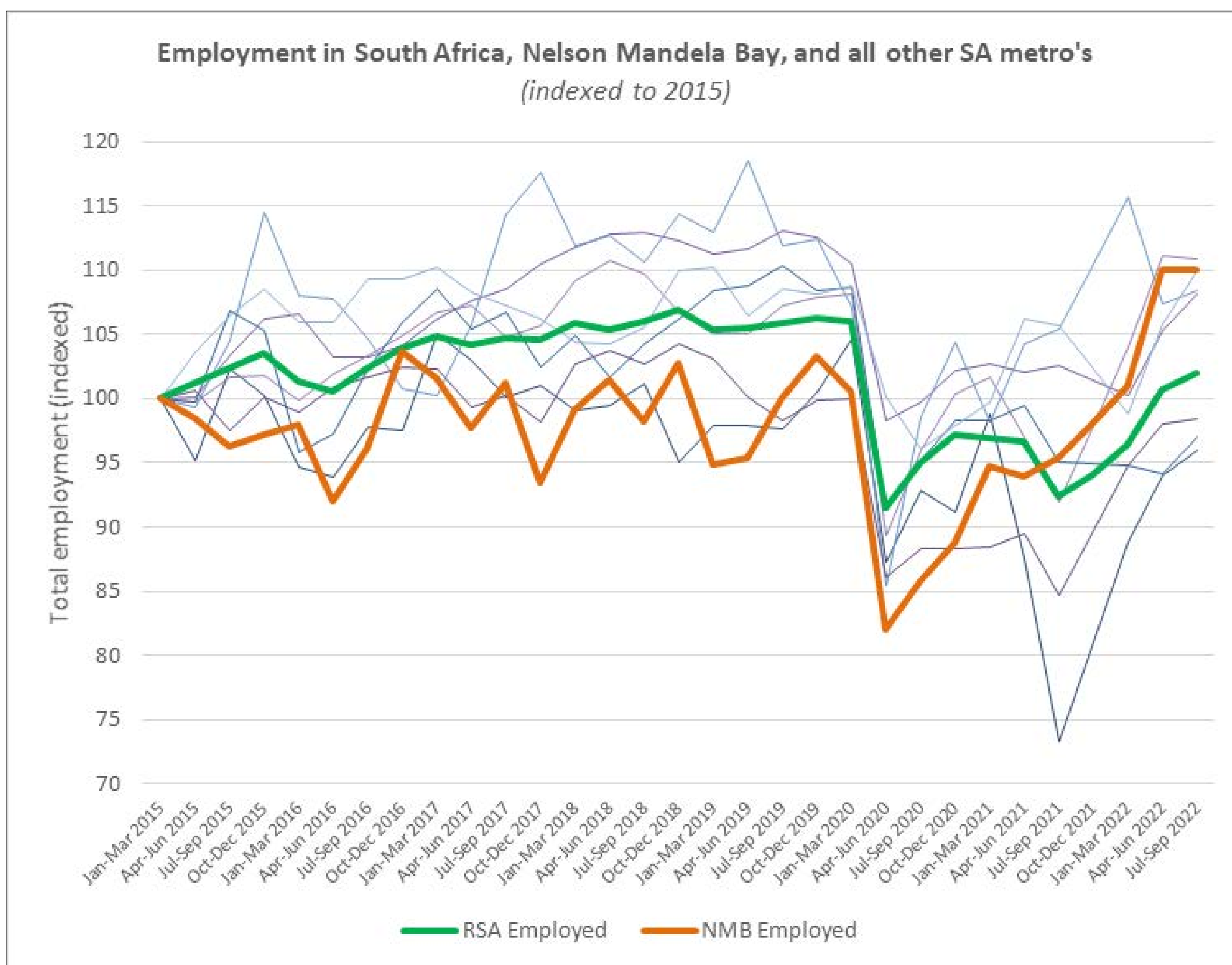
Given that real GDP per capita in the South African economy has not yet returned to its pre-pandemic level, this suggests that productivity in the formal economy has declined somewhat. This scenario is a result of significant underemployment which can manifest as job-overqualification, overstaffing, and/or a significant number of employed workers holding part-time jobs despite wanting full-time employment.

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EMPLOYMENT AND UNEMPLOYMENT



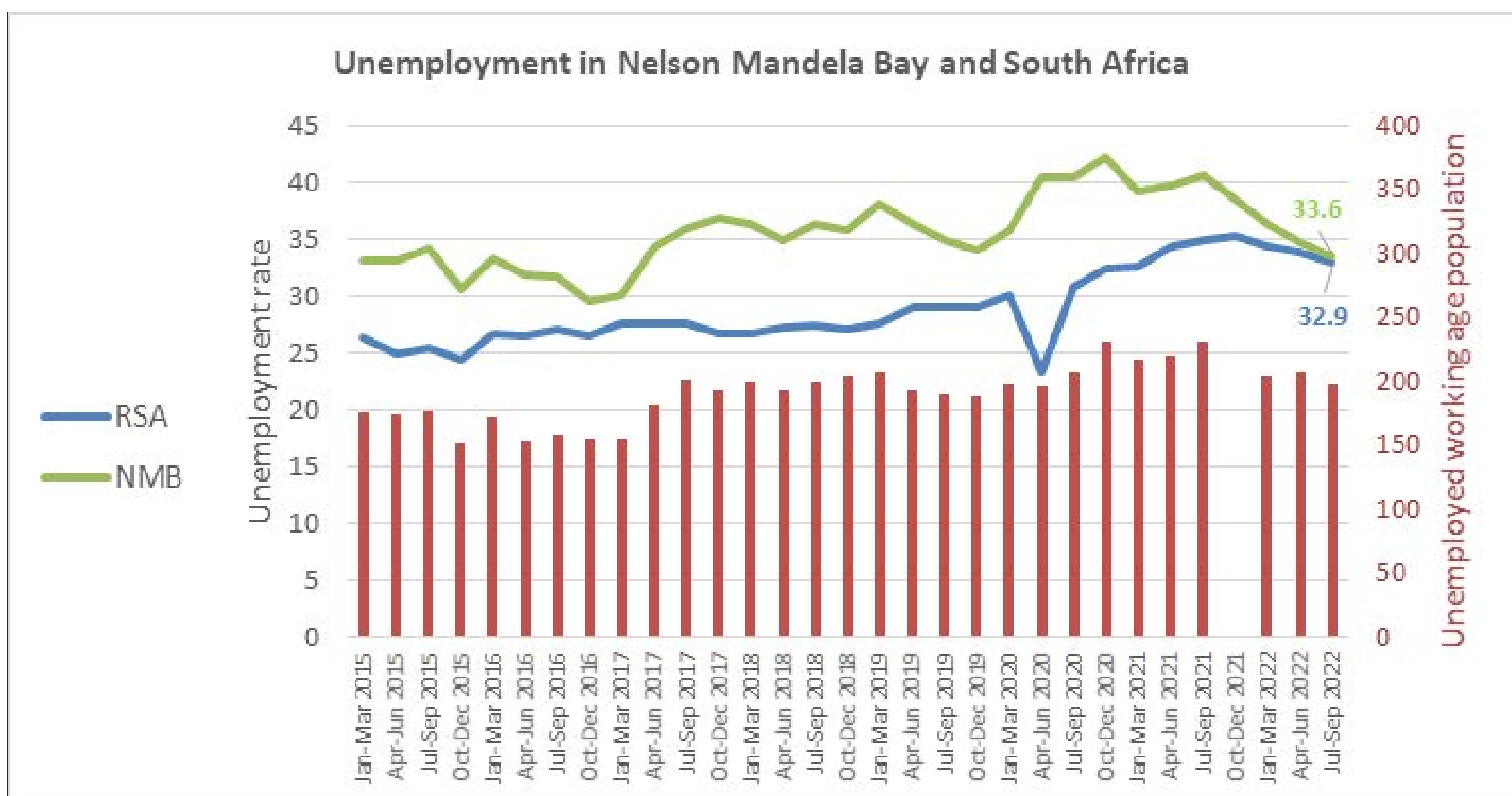
Over a relatively long timeframe of close on eight years, Nelson Mandela Bay is one of South Africa’s top-performing metro’s in respect of its capacity to increase levels of employment and recover from pandemic- and lockdown-induced unemployment.

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EMPLOYMENT AND UNEMPLOYMENT



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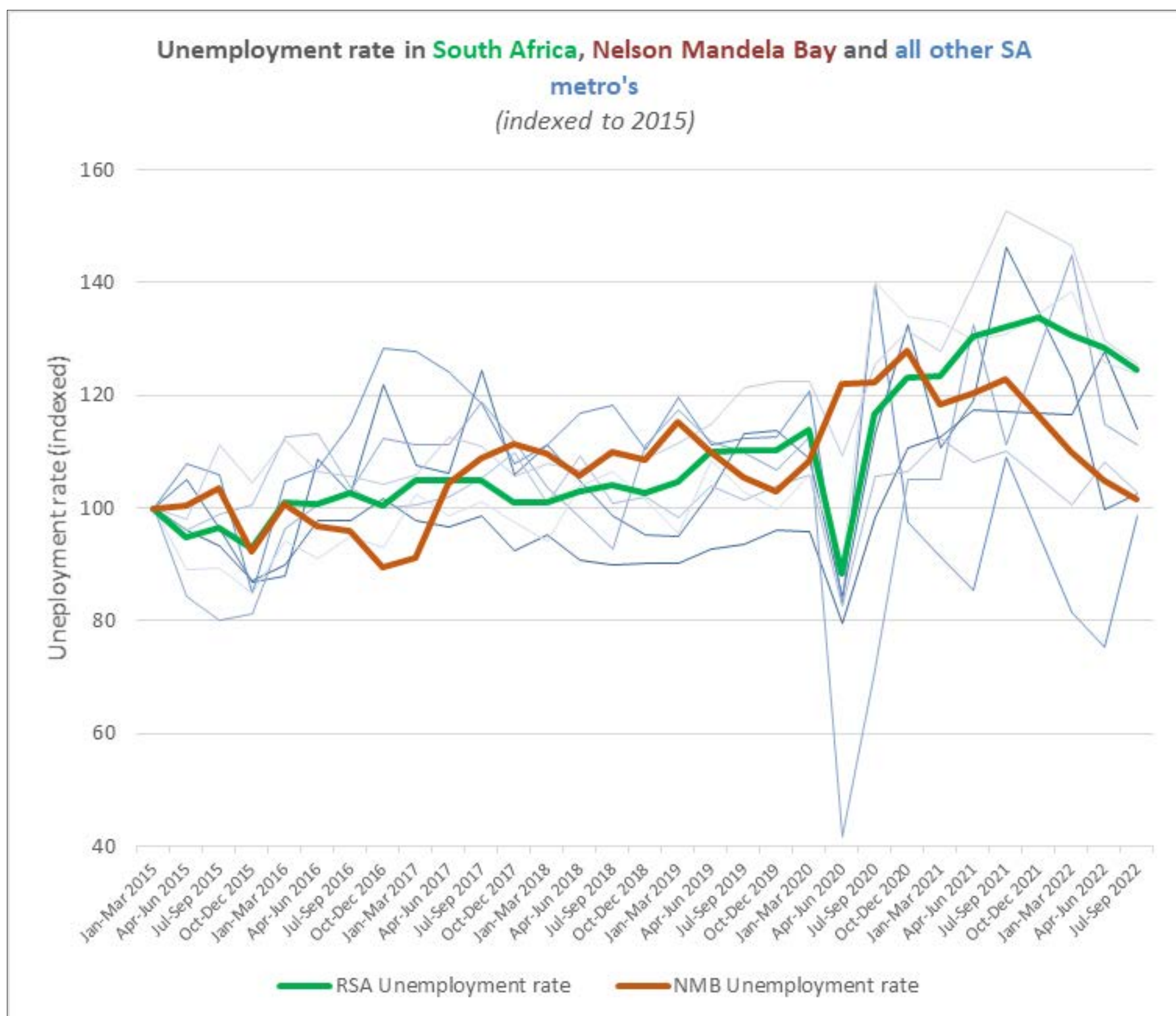
The number of unemployed workseekers in Nelson Mandela Bay decreased by close to 34,000 over the past four quarters. Similarly, the unemployment rate in the metropole declined to 33.6% in the third quarter of 2022 – this is the lowest that the unemployment rate has been in Nelson Mandela Bay since the second quarter of 2017.

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EMPLOYMENT AND UNEMPLOYMENT



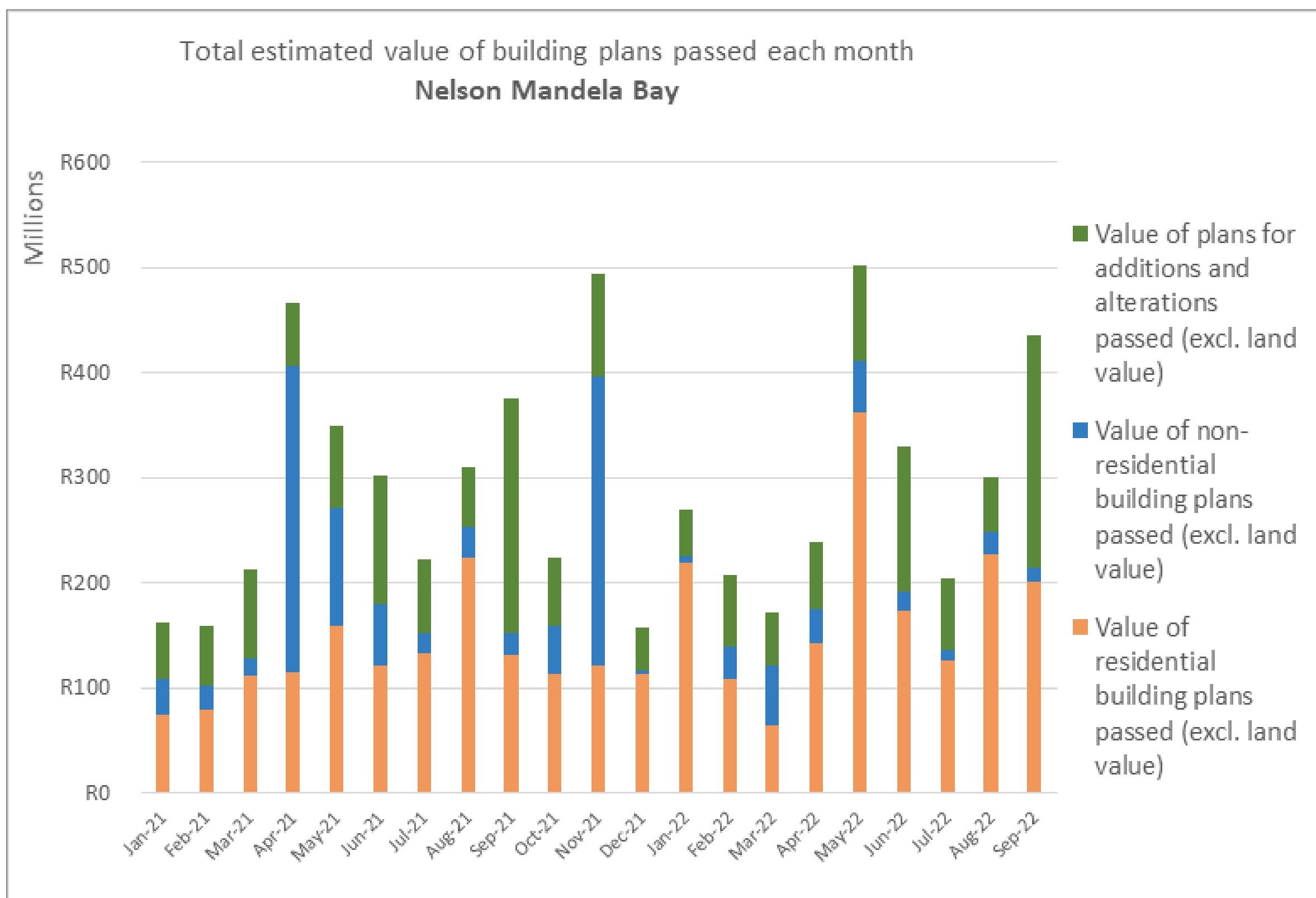
Over a relatively long timeframe of close on eight years, Nelson Mandela Bay's unemployment rate has averaged at 35.5%.

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PROPERTY DEVELOPMENTS



Analysis of the approval of building plans offers insight into future real estate supply levels in Nelson Mandela Bay. As a 'leading' indicator of economic growth, an increase in the value of building plan approvals typically indicates that the construction industry will be more active in the near future, creating the expectation of additional jobs in the sector and a general increase in economic activity.

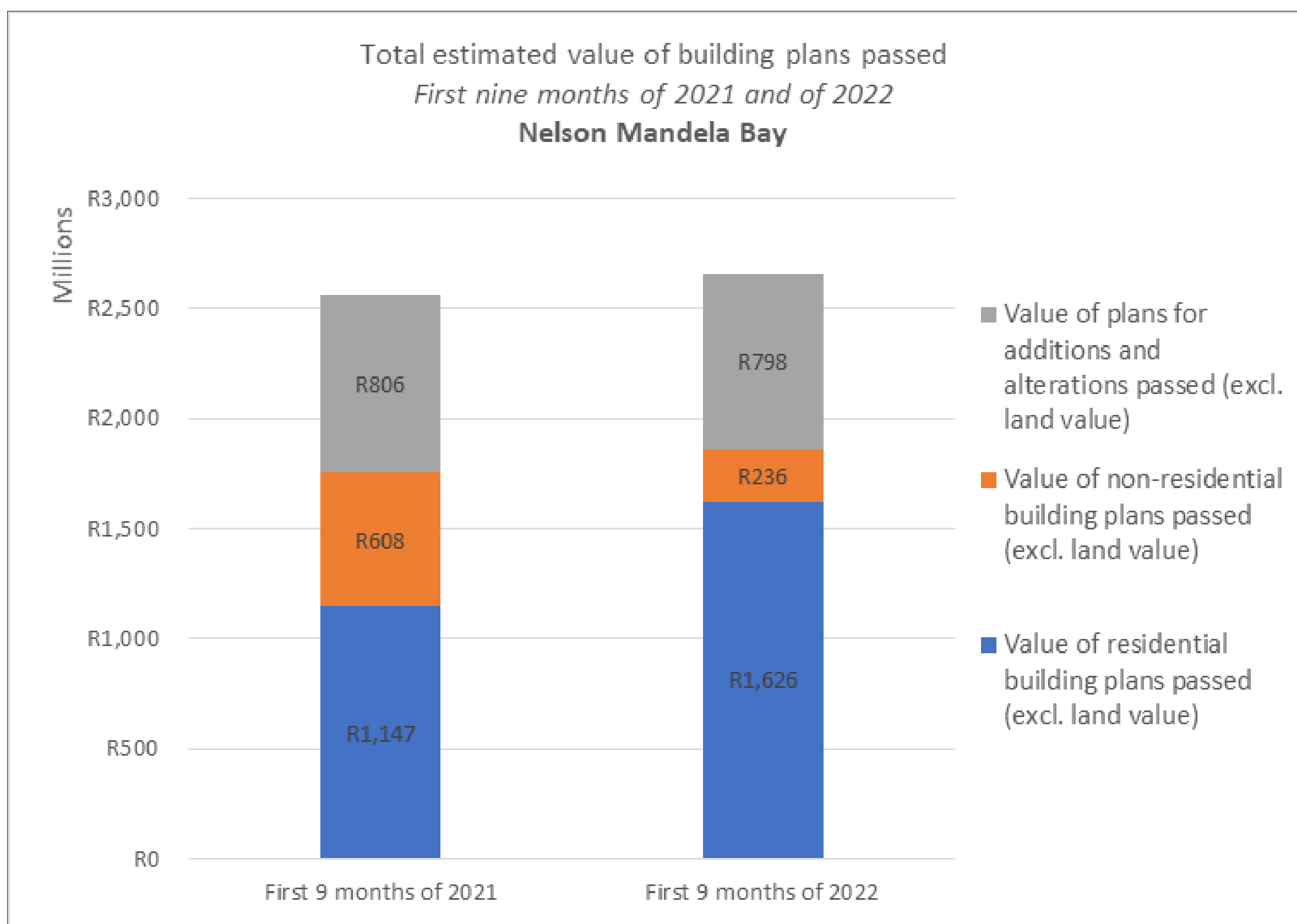
On average, the value of residential building plans passed each month, amounted to almost R296 million p.m. for the first nine months of 2022, compared to an average of R286 million p.m. for 2021 (full year).

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PROPERTY DEVELOPMENTS



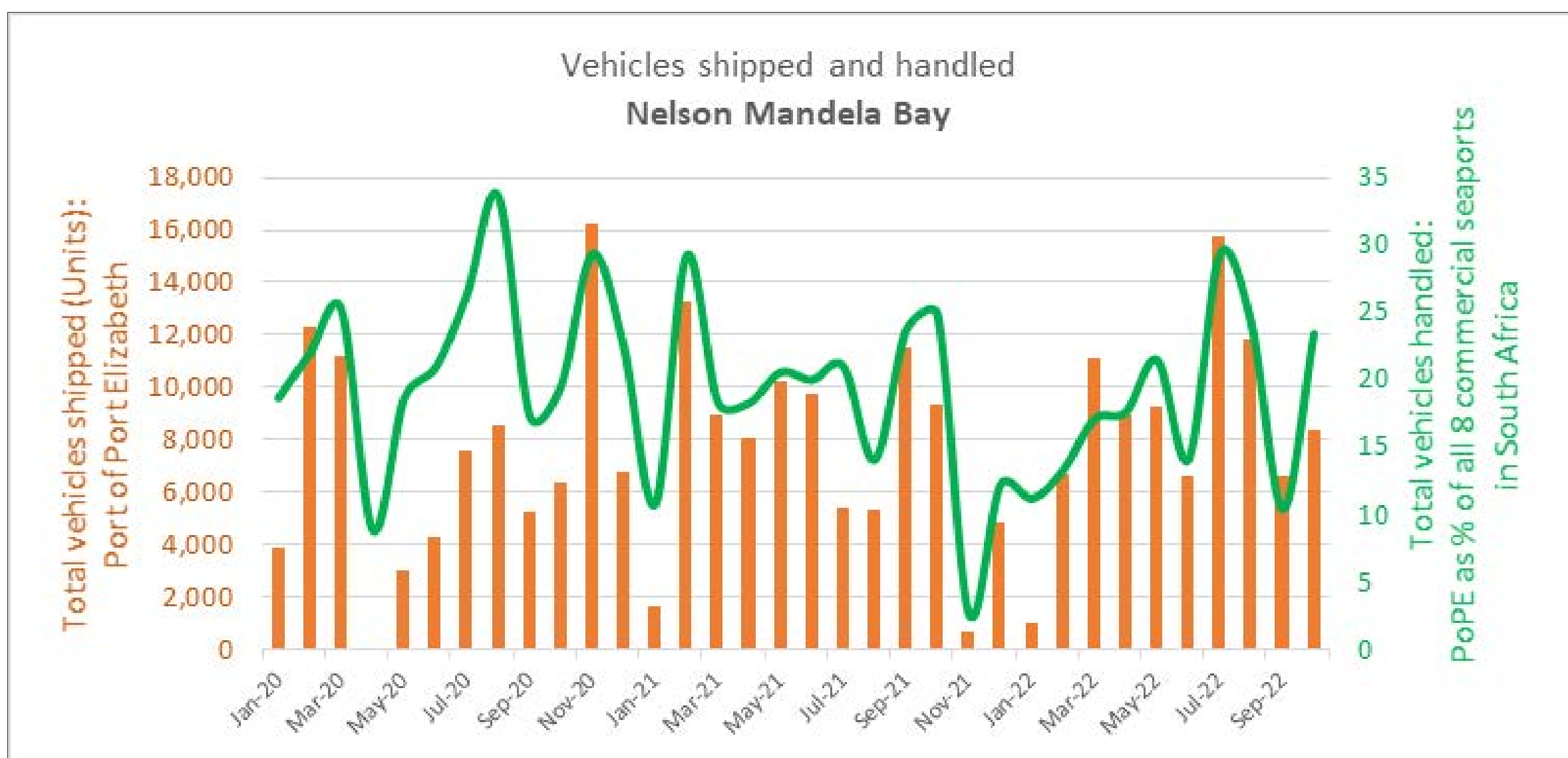
The value of building plans passed in the first nine months of 2022 has increased by 4% when compared to the corresponding nine months of 2021.

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MARITIME ACTIVITY



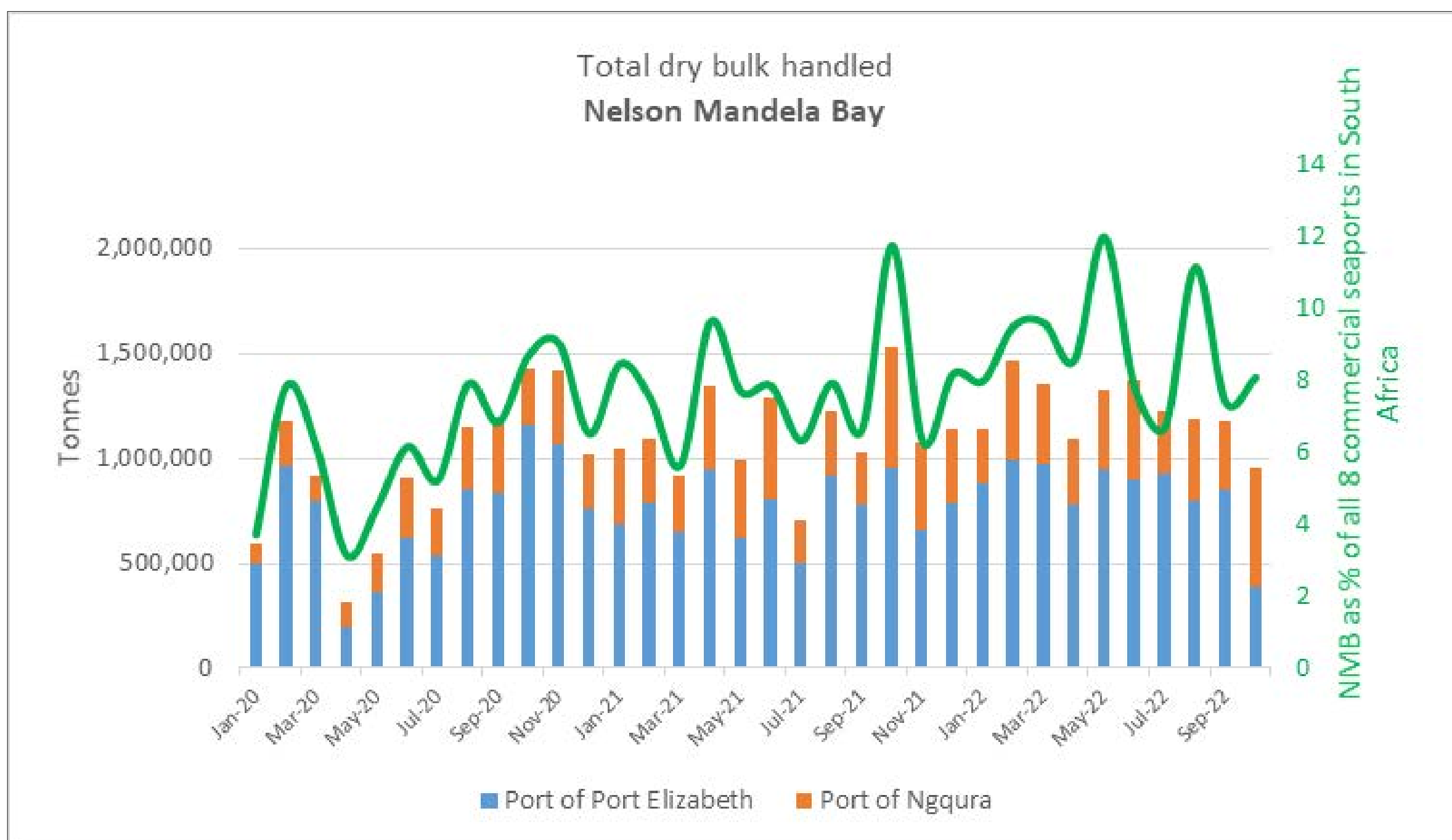
The number of vehicles shipped from Nelson Mandela Bay’s designated automotive export hub increased by 3.3% for the first ten months of 2022 (86,293) compared to the first ten months of 2021 (83,549). Further to that, the Port of Port Elizabeth in Gqeberha has, over the last 34 months, accounted for, on average, 19.4% of the vehicle handled at South African ports in any given month.

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MARITIME ACTIVITY



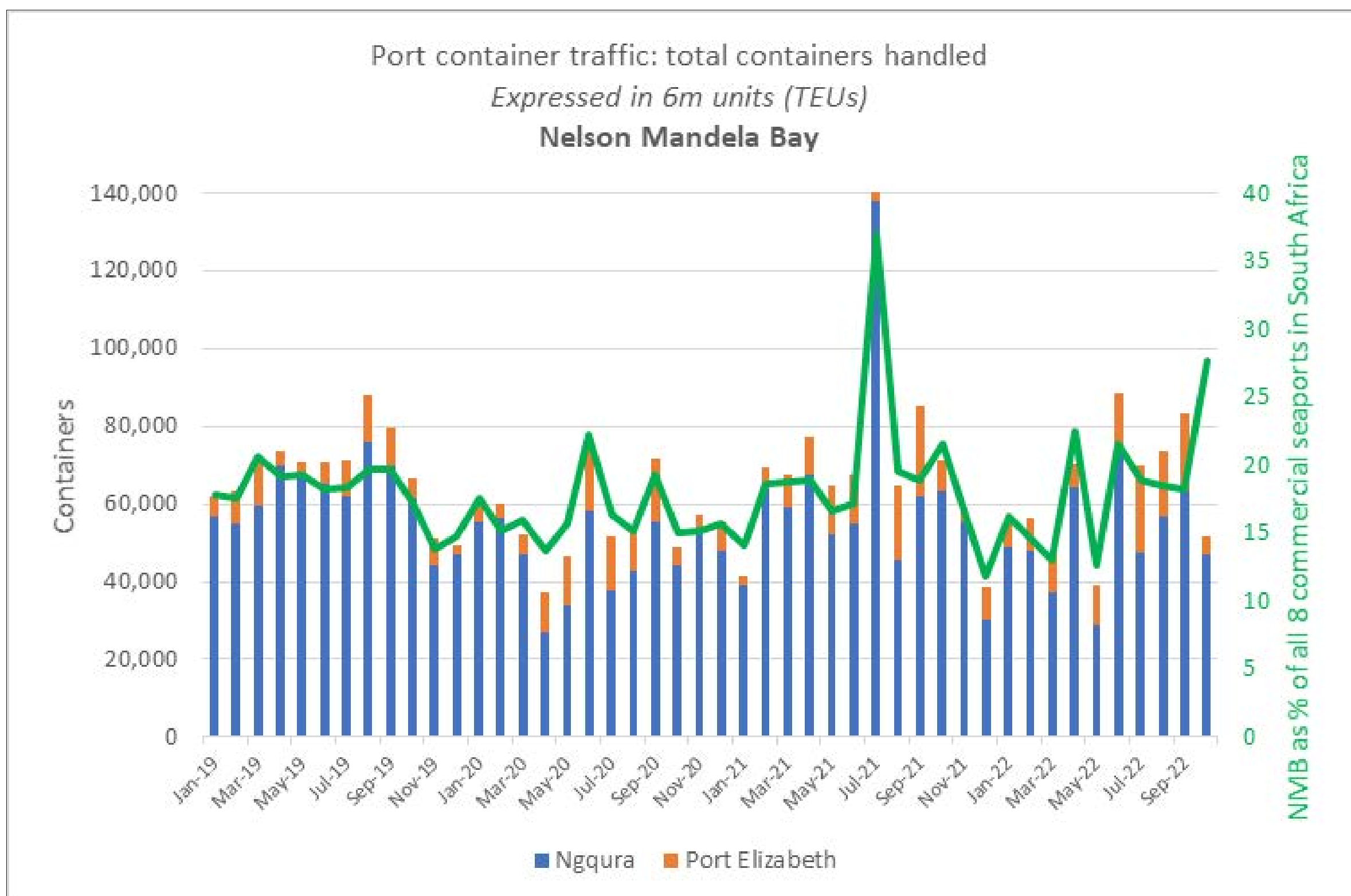
Dry bulk refers to raw materials and commodities such as iron ore, coal, and grain which are shipped unpackaged. The tonnage handled by Nelson Mandela Bay’s ports has increased significantly (10.2%) over the last ten months measured compared to the corresponding ten months in 2021. Likewise, Nelson Mandela Bay’s share of dry bulk volumes handled nationally has increased over the last 34 months.

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MARITIME ACTIVITY



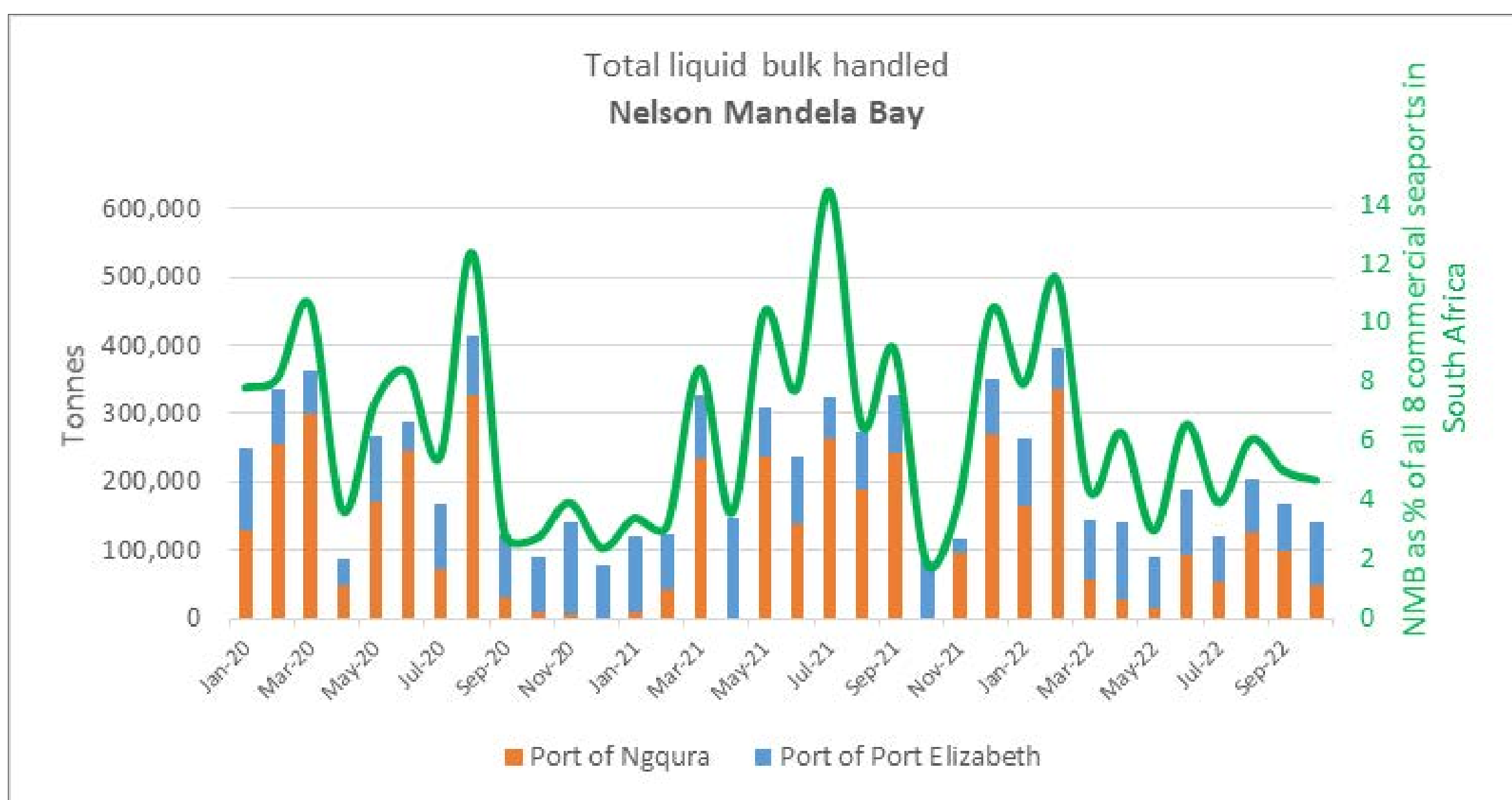
For the first ten months of 2022, NMB accounted for 18% of container volumes handled nationally. Container handling at Nelson Mandela Bay’s two ports had normalised – following the July protests and floods in 2021 which affected port traffic nationally – and is expected to normalise again following the end of the extensive strike action which took place in October this year.

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MARITIME ACTIVITY



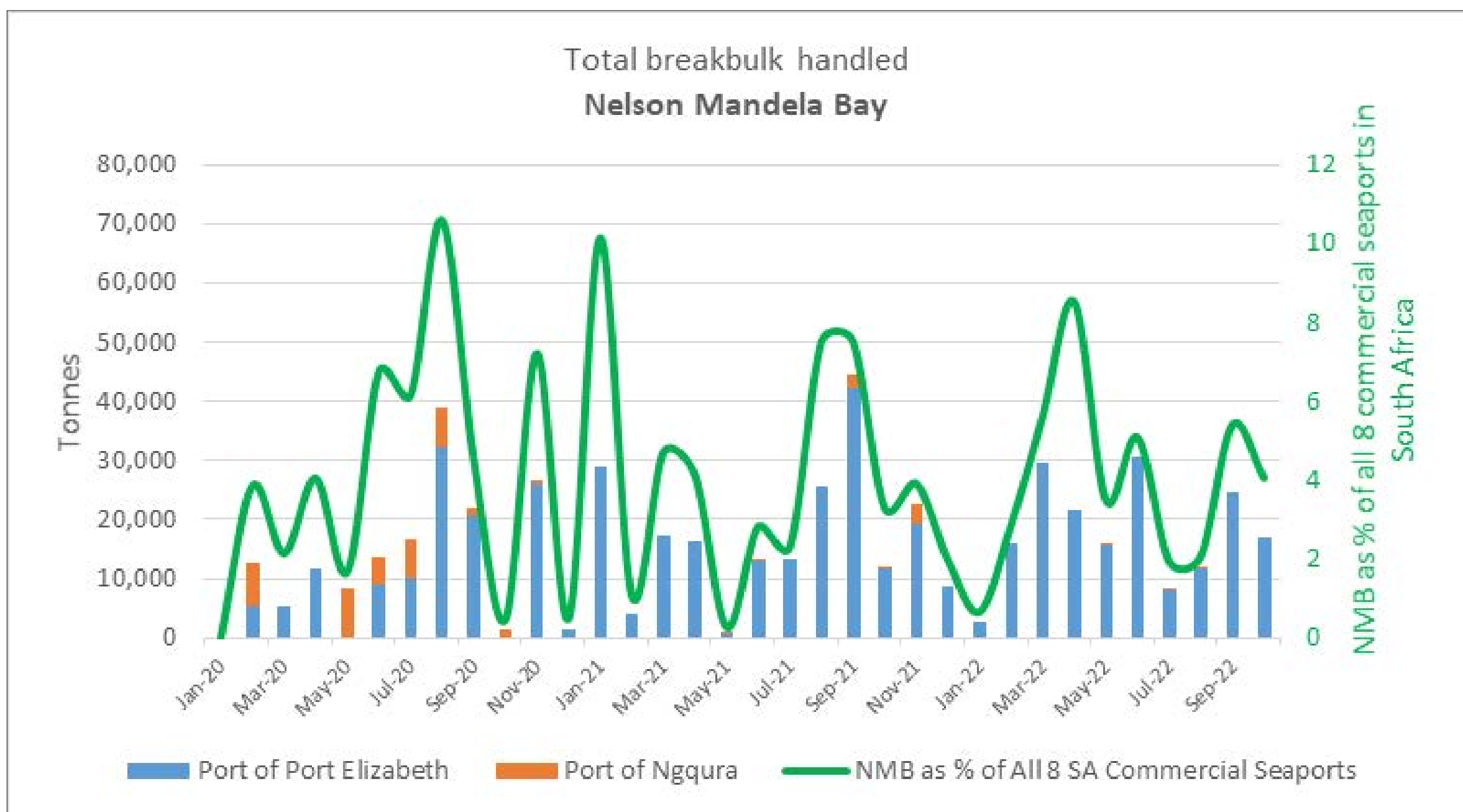
Liquid bulk cargo, which can range from free-flowing cooking oil, to crude oil and juices, is carried unpackaged usually in tankers which are built specially to make the handling process easier. The tonnage of liquid bulk handled by Nelson Mandela Bay’s ports has declined considerably (-16.8%) over the last ten months measured compared to the corresponding ten months in 2021.

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MARITIME ACTIVITY



Breakbulk typically refers to cargo that can be quantified in individually counted units such as drums, crates, pallets, or bags. The tonnage handled in Nelson Mandela Bay, mostly by the Port of Port Elizabeth, varies considerably on a month-to-month basis and accounts for a relatively small portion of national port activity.

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INTERNATIONAL TRADE: IMPORTS AND EXPORTS



The value of South African goods exported from Nelson Mandela Bay amounted to R59.4 billion in 2021. Considering the significance of maritime and logistics activity to the economy of Nelson Mandela Bay, it should not be surprising that the total value of international trade in goods through Nelson Mandela Bay (i.e. both imports and exports) in 2021 is equivalent to 70.1% of Nelson Mandela Bay's GDP for the calendar year.

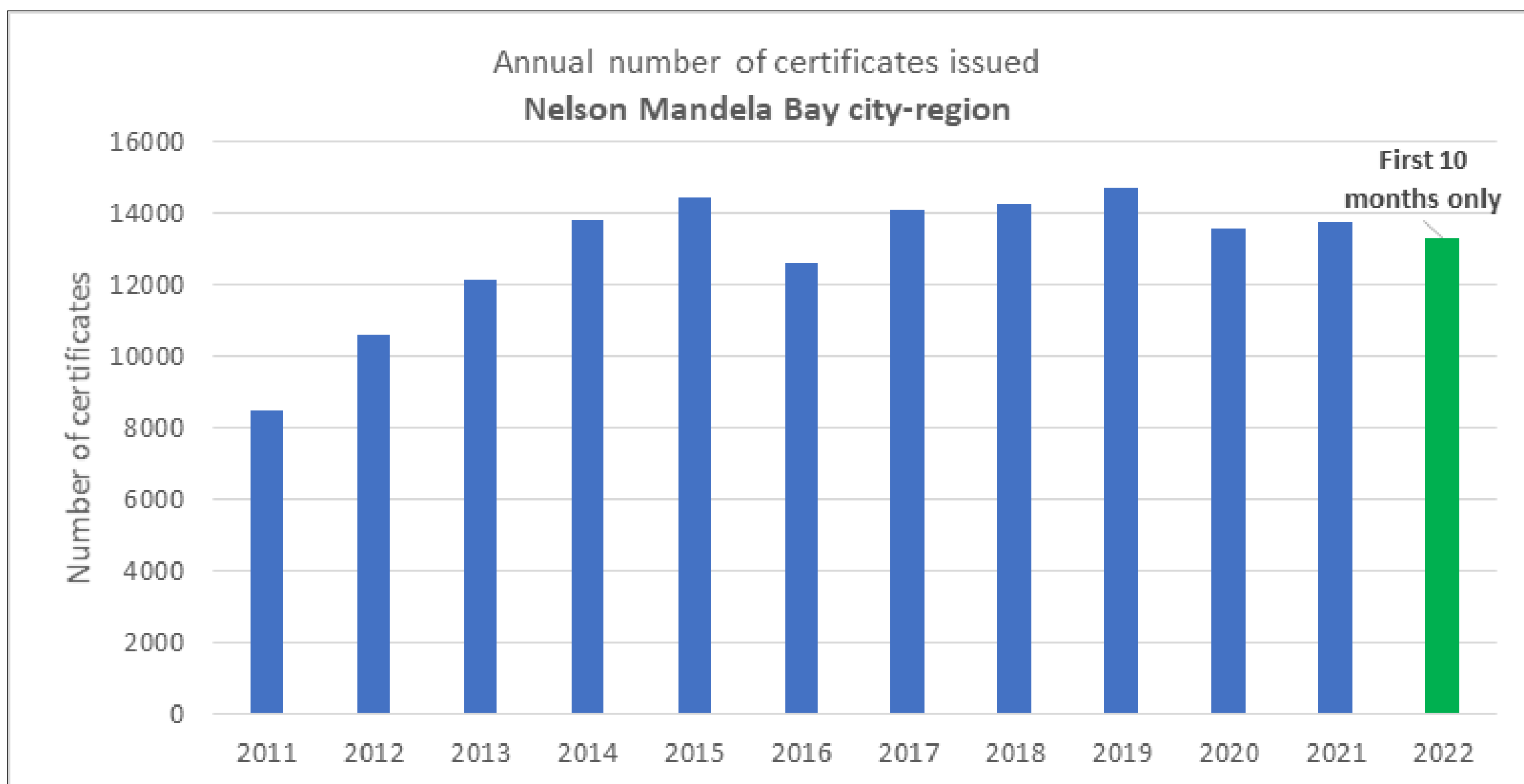
The metropole's trade surplus (i.e. exports minus imports into Nelson Mandela Bay) amounted to R4.4bn in 2021; equivalent to 2.7% of Nelson Mandela Bay's GDP for the calendar year. Two years prior to this, Nelson Mandela Bay's trade deficit (i.e. the value of net imports in excess of exports) equated to 2.3% of the metropole's annual GDP at the time.

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INTERNATIONAL TRADE: IMPORTS AND EXPORTS



A certificate of origin is an important international trade document in which the issuing authority certifies expressly that the goods to which the certificate relates originate in a specific country or region i.e. that the goods in a particular export shipment are wholly obtained, produced, manufactured, or processed in a precise location.

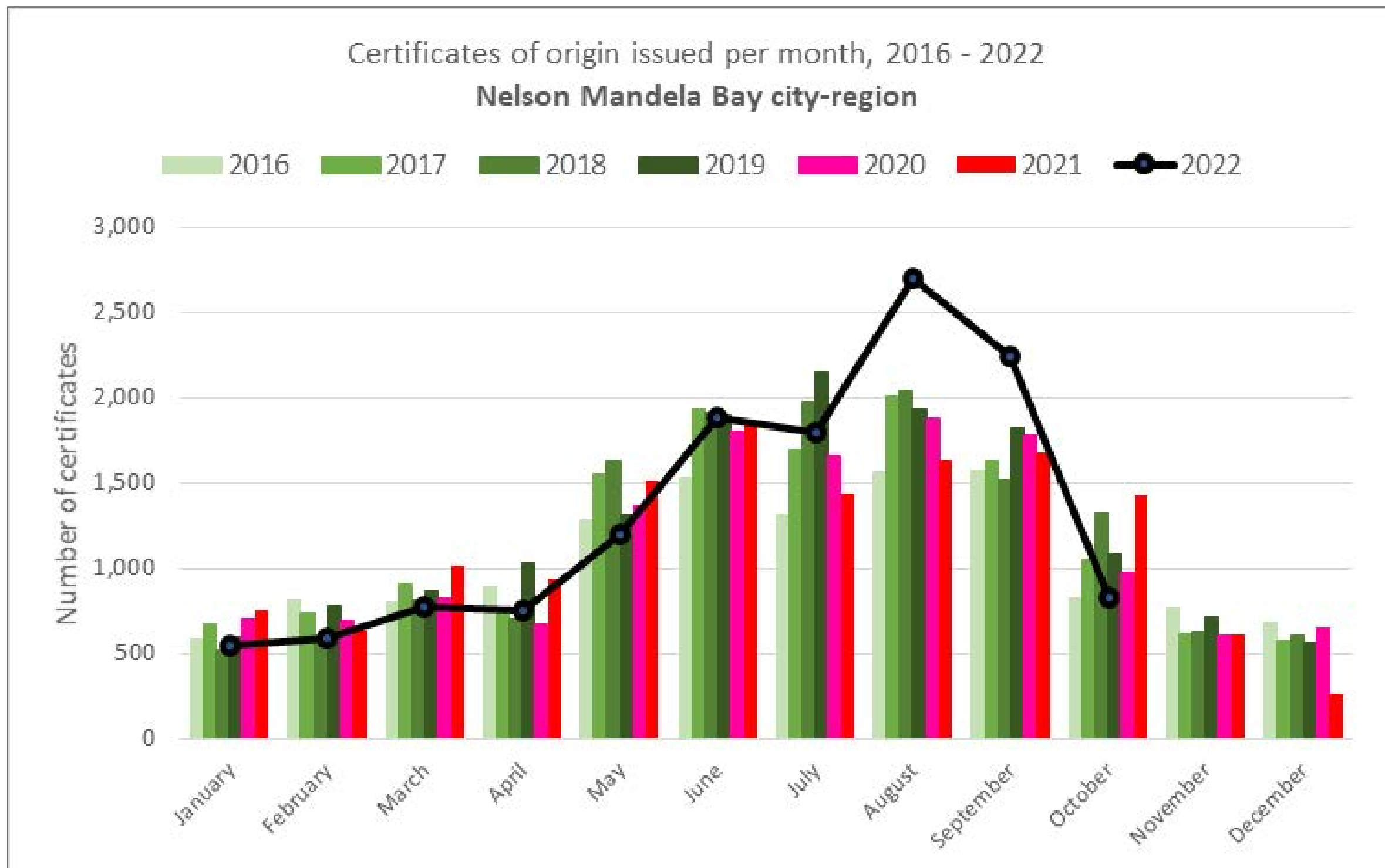
The number of certificates of origin issued by the region's issuer, the Nelson Mandela Bay Business Chamber, confirms that export activity has increased in 2022, with a 3.4% improvement year-to-date compared to the first ten months of 2021. Further to that, a recovery to pre-pandemic 2018/19 annual volumes is expected for the full calendar year.

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INTERNATIONAL TRADE: IMPORTS AND EXPORTS

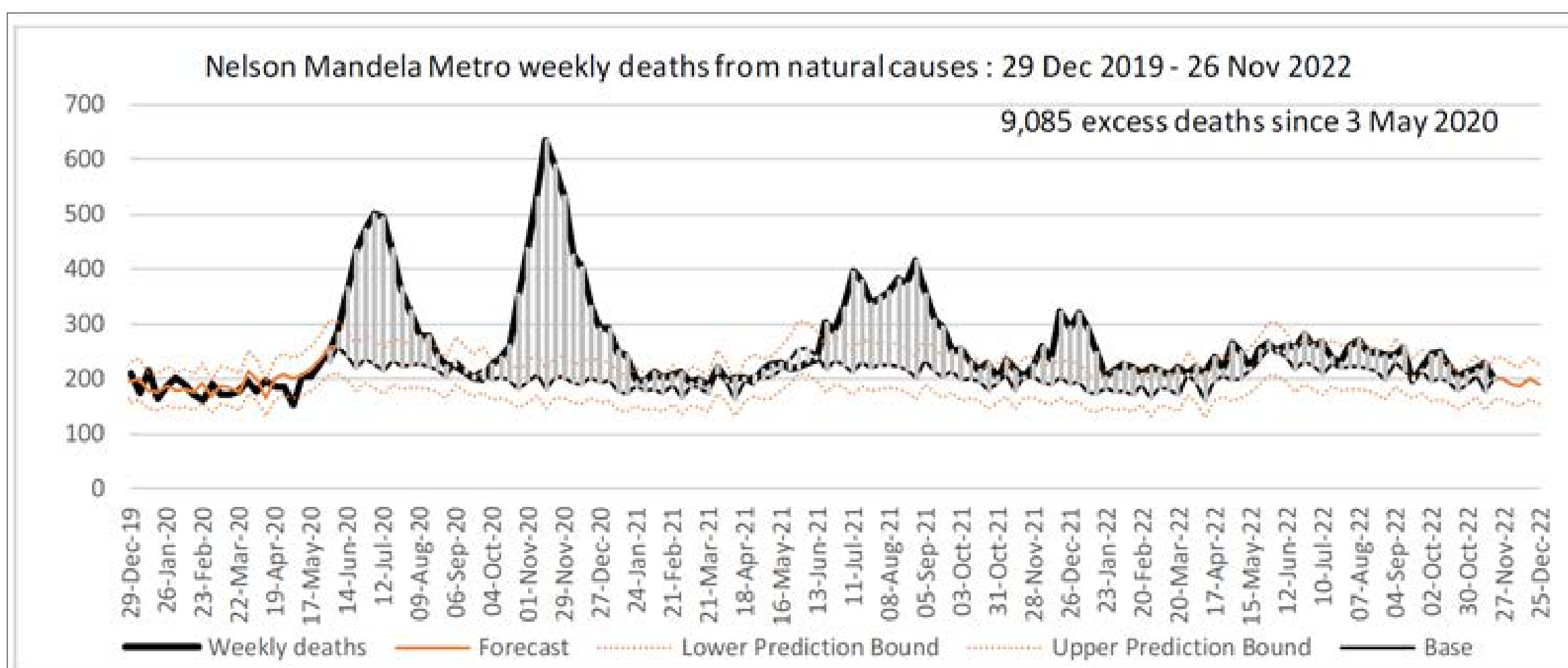


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COVID-19



Numbers have been scaled to the estimated actual number of deaths and for the last week have been adjusted for delayed registrations.

Nelson Mandela Bay entered a fourth wave of infections on/around December 2021. Following this wave, a further easing of restrictions came into effect on 23 March 2022, including a removal of the requirement to wear masks outdoors. A subsequent fifth wave from late-April 2022 was attributed mostly to subvariants of the notorious Omicron variant.

Associated losses of life were relatively more decoupled from cases; likely due to high levels of population immunity from infection and/or vaccination. As such, eminent risk declined by mid-June, and on 22 June all remaining national restrictions regarding COVID-19 were lifted.

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SOURCES

Sources

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South African Reserve Bank
Statistics South Africa
Stellenbosch University: Bureau of Economic Research
Transnet National Ports Authority
World Bank

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