

AFRICA RISK CONSULTING

South Africa Monthly Briefing April 2022

South Africa Summary 21 April 2022

President Cyril Ramaphosa (2018-present) lifts the national State of Disaster to deal with Covid-19. The South African public has until 24 April to comment on new health regulations that will replace the lockdown requirements issued under the national disaster dispensation. Ramaphosa institutes a national State of Disaster to deal with severe flooding in KwaZulu-Natal (KZN) and the Eastern Cape (EC). The South African Revenue Service (SARS) reveals that revenue intake for the 2021/22 fiscal year, which ended on 30 March, rose by 25.1% to R1.5638 trillion (\$103 billion), R16.7 billion (\$1.1 billion) more than forecast in the February 2022 Budget. Statistics South Africa reports that the official unemployment rate jumped to a record 35.3% in Q4 2021 from 34.9% in Q3 2021, but the expanded unemployment rate, which includes discouraged workers, eased to 46.2% from 46.6%. The better economic climate results in improvements in the national savings rate and household debt, a change in outlook by Moody's, and a stable 2022 GDP growth forecast by the International Monetary Fund. However, it also results in higher electricity demand, but state-owned electricity supplier Eskom is unable to cope and institutes Stage 4 load shedding schedule. The corruption trial of former president Jacob Zuma (2009-2018) is postponed again, this time from 11 April to 17 May, due to an unspecified medical condition.

Covid-19 State of Disaster ends ...

President **Cyril Ramaphosa** (2018 to present) announced on 4 April that the national **State of Disaster** to combat **Covid-19** would be lifted with immediate effect, but new health regulations will be put in place to combat similar outbreaks.¹ Ramaphosa proclaimed a state of disaster to combat the Covid-19 pandemic on 15 March 2020 and has renewed it every month since then (see *ARC Briefing South Africa Mar 2020* and following). Legal experts have repeatedly criticised the **South African** government for extending the State of Disaster without parliamentary oversight.²

Ramaphosa announced that the government would henceforth manage the pandemic in terms of the **National Health Act**, rather than the **Disaster Management Act, 2002**.³ The public has until 24 April to submit their comments on the **Health Regulations** meant to manage Covid-19 and other notifiable conditions outside of the National State of Disaster. The original deadline was 16 April, but several stakeholders complained that a 30-day period was not sufficient for them to scrutinise and interact with all sets of proposed regulations in order to develop substantial representations.

Health minister **Joe Phaahla** has assured parliamentarians and the public at large that the government continues to have good intentions in the execution of its constitutional mandate to protect the lives of South Africans, noting that the health regulations are not new:

*"They were promulgated in 2017. However, they do not make provision for the management of notifiable medical conditions [the magnitude of] COVID-19, which has never been experienced before."*⁴

According to a statement by the **National Institute for Communicable Diseases (NICD)**, as of 20 April, South Africa had recorded 3,746,424 laboratory-confirmed cases of Covid-19 in its population

¹ The Presidency, 4 Apr 2022

² The Citizen, 4 Apr 2022

³ The Presidency, 4 Apr 2022

⁴ SAnews, 19 Apr 2022

of 60 million, with 100,211 Covid-19 related deaths and 3,630,033 recoveries. The daily cases rose to 2,846 on 20 April from 566 on 21 March but remained well below the peak of 37,875 on 12 December 2020.

The government lifted the night-time (midnight to 4am) curfew on 30 December. However, restrictions remain in effect on the size of indoor and outdoor gatherings to 1,000 and 2,000 respectively or 50% of the capacity of the venue. Social distancing and mask wearing are still required indoors, but not outdoors. Travellers to South Africa must present a negative PCR test taken within 72 hours of arrival in South Africa.

The **Department of Health** reports that as of 20 April, health professionals have administered 34,469,342 doses of Covid-19 vaccine. To date, 19,558,347 adults are fully vaccinated or 49.14% of the adult population of 39.8 million. Among children aged 12 and older, 1,909,475 vaccine doses have been administered.

... but floods result in new state of disaster

President Ramaphosa proclaimed a new State of Disaster on 18 April, this time to deal with extensive flooding of **KwaZulu-Natal (KZN)** and the **Eastern Cape (EC)** on 10 and 11 April, in which more than 400 people lost their lives and which swept away homes, roads and bridges.⁵ Ramaphosa said the government's response to the severe flooding would take place in three phases. The first will focus on immediate humanitarian relief, ensuring that all affected persons are safe and that their basic needs are met. The second phase will focus on stabilisation and recovery, rehousing people who have lost homes and restoring provision of services, while the third phase will focus on reconstruction and rebuilding:

*"This will not only involve the construction and repair of major infrastructure. It will also involve the construction of houses in suitably-located areas and measures to protect the residents of these areas from such adverse weather events in the future."*⁶

The **Treasury** will make R1 billion (\$65.8m) available immediately for relief efforts, while civil society and non-governmental organisations have also provided food, housing and medical care. Road and rail links have been extensively damaged, resulting in supply chain disruptions for goods arriving and leaving the port of **Durban (KZN)**, but flooding did not affect the **Richards Bay Coal Terminal** further north. At this stage it is too early to estimate the economic impact, but repairs to infrastructure are expected to boost the construction industry.

South African Revenue Service reports a 25.1% rise in tax revenue

South African Revenue Service (SARS) commissioner **Edward Kieswetter** has reported better-than-expected tax revenue for the 2021/22 fiscal year, rising by 25.1% to R1,5638 trillion (\$103 billion).⁷ Kieswetter noted on 1 April that this was R16.7 billion (\$1.1 billion) more than forecast in the February 2022 Budget and attributed "buoyant" revenue collection to "strong economic recovery boosted by elevated commodity prices for much of the reporting period":

*"Better than anticipated corporate earnings supported [Corporate Income Tax] CIT and [Pay as You Earn] PAYE collections, while stable interest rates and pent-up demand shored up [Value Added Tax] VAT collections."*⁸

Corporate income tax accounted for 20.7% of all revenue collected, compared with 16.4% in the previous year, while the share of personal income taxes eased to 35.3% from 39.1%. Corporate income tax surged by 58.3% year-on-year (y/y) in the 2021/22 tax year, while VAT grew by 18.0%

⁵ The Presidency, 18 Apr 2022

⁶ The Presidency, 18 Apr 2022

⁷ South African Revenue Service, 1 Apr 2022

⁸ South African Revenue Service, 1 Apr 2022

y/y and personal income tax increased by 13.8% y/y. The sources of the better-than-expected revenue outcome are given below.⁹

R'million	2019/20 ⁴	2020/21 ⁵	2021/22 ⁶	2019/20 → 2021/22	var % 2019/20 → 2021/22	2020/21 → 2021/22	var % 2020/21 → 2021/22
Personal Income Tax ¹	529 172	488 446	555 780	26 608	5.0%	67 334	13.8%
Corporate Income Tax ¹	214 986	204 399	323 577	108 591	50.5%	119 178	58.3%
Dividends Tax / STC	27 930	24 845	33 397	5 467	19.6%	8 552	34.4%
Value-added Tax	346 761	331 197	390 697	43 937	12.7%	59 501	18.0%
Domestic VAT	399 288	392 936	448 782	49 494	12.4%	55 846	14.2%
Import VAT	179 987	166 454	204 332	24 345	13.5%	37 878	22.8%
VAT Refunds	-232 515	-228 193	-262 417	-29 902	12.9%	-34 224	15.0%
Specific Excise Duties ²	46 827	32 273	49 552	2 726	5.8%	17 279	53.5%
Fuel Levy	80 175	75 503	88 877	8 702	10.9%	13 375	17.7%
Customs Duties ³	55 428	47 290	57 970	2 541	4.6%	10 679	22.6%
Other taxes	54 502	45 800	63 914	9 413	17.3%	18 115	39.6%
Total Tax Revenue	1 355 781	1 249 753	1 563 765	207 985	15.3%	314 013	25.1%

Improved economic climate has numerous benefits...

The improved economic climate meant that previously discouraged workers, who did not look for work as there were no job opportunities on offer, started looking for work in the fourth quarter of 2021. On a statistical basis, this meant that the official unemployment rate jumped to a record 35.3% in the fourth quarter from 34.9% in the third quarter, but the expanded unemployment rate, which includes discouraged workers, eased to 46.2% from 46.6%.¹⁰ The number of unemployed people increased by 278,000 quarter-on-quarter (q/q) to 7.9 million, employment rose by 262,000 to 14.5 million and the labour force grew by 540,000 to 22.5 million. The youth unemployment rate, measuring job-seekers between 15 and 24 years old, was unchanged at a record high of 66.5%.

Five provinces recorded a decrease in the expanded unemployment rate. The largest decrease was recorded in the **North West Province** (down by 2.3 percentage points), followed by **Limpopo** (down by 1.7 percentage points), **Free State** (down by 1.6 percentage points) and **Eastern Cape** (down by 1.3 percentage points).¹¹

The improved economic climate also resulted in improvements in the national savings rate and household debt, a change in outlook by **United States**-headquartered ratings agency **Moody's**, and a stable 2022 gross domestic product (GDP) growth forecast by the **International Monetary Fund (IMF)**, even as it cut the global growth rate to 3.6% from 4.4% due to **Russia's** military operations in **Ukraine**.

The national saving rate increased to 16.6% in 2021 from 14.7% in 2020, largely because government borrowing was reduced to 1.9% from 7.1%, even as corporate saving receded to 15.9% from 19.3%.¹² The household savings rate was steady at 2.6% of GDP. The household debt to disposable income ratio eased to 66.2% in the fourth quarter from 68.0% in the third quarter. The second quarter 2020 ratio of 78.6% was the highest since the first quarter 2009. The household debt service to disposable income ratio slipped to 7.3% in the fourth quarter from 7.5% in the third quarter and 9.7% in the second quarter 2020.

The unintended consequence of the 5.0% growth in 2021 was that the ratio of industrial and commercial inventories to GDP plunged to a record low of 6.0% in 2021 from 7.4% in 2020, 10.2% in

⁹ South African Revenue Service, 1 Apr 2022

¹⁰ Statistics South Africa, 29 Mar 2022

¹¹ Statistics South Africa, 29 Mar 2022

¹² South African Reserve Bank, 29 Mar 2022

2012 and 14.1% in 2007. The replenishment of inventories is why economists expect strong GDP growth in 2022.

Moody's credit rating agency changed its outlook on South Africa's debt to stable from negative on 4 April.¹³ Moody's noted that the key driver behind its decision to change the outlook to stable is the country's improved fiscal outlook, which raises the likelihood of the government's debt burden stabilising over the medium term. Moody's reaffirmed South Africa's Ba2 rating, which means it remains two notches below investment grade status:

*"While risks related to weak state-owned enterprises (SOEs) and social demands remain, they are consistent with a Ba2 rating."*¹⁴

The IMF on 19 April cut its world economic forecast to 3.6% from the 4.4% expected in January and the 4.9% forecast in October 2021 but kept its 2022 South African GDP growth forecast steady at 1.9%, slightly down on the 2.2% forecast in 2021.¹⁵ The IMF noted that the war in Ukraine has triggered a costly humanitarian crisis that demands a peaceful resolution:

*"Multilateral efforts to respond to the humanitarian crisis, prevent further economic fragmentation, maintain global liquidity, manage debt distress, tackle climate change, and end the pandemic are essential."*¹⁶

... as Eskom institutes Stage 4 load shedding

State-owned electricity supplier **Eskom** has once again forced Stage 4 scheduled power cuts on South Africans. South Africa has six stages of load shedding with each stage corresponding to 1,000 MW or around 3% of demand. In Stage 1, an area may experience power interruption for two hours in a 24-hour period, while Stage 2 will see two bouts of two-hour outages and State 4 involves four two-hour periods without power. While many large businesses have stand-by generators to cope with load shedding, most small businesses do not, resulting in a 25% loss of their available working time if Stage 1 is implemented during daylight hours. With less than a minute's notice to electricity consumers, Eskom plunged the country into Stage 4 load-shedding on 19 April as it lost multiple units at multiple power stations, many of which were built in the 1970s and 1980s.¹⁷ Eskom expected to be able to end load shedding on 22 April, depending on how fast it could return units to service.

Eskom also hit South Africans with load-shedding over the busy Easter weekend (15-18 April), giving just seven minutes' notice before implementing Stage 2 power cuts. Cold weather increased demand on the power grid, overwhelming units at old and new power stations alike. The utility lost just over 17,000 Megawatts (MW) of power, out of its installed capacity of about 44,000 MW, in unplanned outages and had 5,700 MW out on planned maintenance. Eskom relies on open-cycle gas turbines that run on diesel, and capacity is running low because of global supply shortages caused by the war in Ukraine. Eskom has only 2,700 MW of pumped storage capacity.

South Africa is in its 14th year of planned blackouts, while Ramaphosa promised that these would end in 2019. Eskom said on 19 April that it did not expect to go to Stage 6, the highest level of planned cuts, immediately because it had made "*contingency plans*".¹⁸ Eskom said it forecast 37 days of total outages for 2022, with an extreme forecast of 101 days, adding that this was "*very, very far*" away.

Cape Town (Western Cape) is one load-shedding level below the rest of the country because the city has its own pumped storage project at **Steenbras Dam**; however, this only provides 180 MW. The city

¹³ Moody's, 4 Apr 2022

¹⁴ Moody's, 4 Apr 2022

¹⁵ International Monetary Fund, 19 Apr 2022

¹⁶ International Monetary Fund, 19 Apr 2022

¹⁷ Eskom, 19 Apr 2022

¹⁸ Eskom, 19 Apr 2022

is looking to buy 100 MW of additional power from independent power producers to lessen the burden on its residents.¹⁹

Zuma's corruption trial postponed again

The corruption trial of former president **Jacob Zuma** (2009-2018) on 11 April was postponed to 17 May due to an unspecified medical condition.²⁰ Zuma is now 80 and was granted medical parole on 5 September after he had completed only two months of his 15-month sentence for contempt of the **Constitutional Court** in failing to testify before the **Zondo Commission of Inquiry into State Capture** (see *ARC Briefing South Africa Sep 2021*).

There have been hints that civil unrest is likely to break out again if Zuma is sent back to jail, as happened in July 2021 when he first went to jail. Rioting and looting erupted in KwaZulu-Natal (KZN) and **Gauteng** provinces on 9 July after Zuma surrendered himself to the **Estcourt** (KZN) police station on 7 July (see *ARC Briefing South Africa July 2021*). In August, President Ramaphosa appointed the **Expert Panel on July 2021 Unrest**, which presented its report on 7 February. The report on "*the spate of orchestrated public violence, destruction and sabotage in July 2021*" revealed that over 300 people died, thousands were injured and at the end of the week of unrest, approximately R50 billion (\$3.2 billion) was wiped off the South African economy.²¹ The government is likely to want to avoid a replay of such violence, destruction and sabotage.

Planner

9-12 May 2022 **Cape Town (South Africa) Investing in African Mining Indaba**;
 17-19 May 2022 **Pretoria (South Africa) South Africa Reserve Bank (SARB) MPC meeting**;
 7 Jun 2022 **Pretoria (South Africa) Q1 2022 GDP data**;
 19-21 Jul 2022 **Pretoria (South Africa) SARB MPC meeting**;
 6 Sep 2022 **Pretoria (South Africa) Q2 2022 GDP data**;
 20-22 Sep 2022 **Pretoria (South Africa) SARB MPC meeting**;
 19 Oct 2022 **Cape Town (South Africa) Medium Term Budget Policy Statement**;
 22-24 Nov 2022 **Pretoria (South Africa) SARB MPC meeting**;
 6 Dec 2022 **Pretoria (South Africa) Q3 2022 GDP data**;
 Dec 2022 **(South Africa) African National Congress elective congress**;
 2024 **(South Africa) General election**

Chronology

20 Apr 2022 **Durban (South Africa) Radio France Internationale**. Minister of cooperative governance and traditional affairs **Nkosazana Dlamini-Zuma** seeks to reassure a worried public about efforts to help flood victims in **KwaZulu-Natal**;
 19 Apr 2022 **Johannesburg (South Africa) S&P Global**. Switzerland-based miner **Glencore** issues *force majeure* on cobalt supply out of the **Democratic Republic of the Congo** after severe flooding in **South Africa** hit warehoused goods and impacted logistics;
 19 Apr 2022 **Johannesburg (South Africa) Eskom**. Eskom escalates scheduled power outages from Stage 2 to Stage 4 due to a trip at the **Majuba** and **Tutuka** power stations;

¹⁹ Cape Times, 19 Apr 2022

²⁰ Daily News, 11 Apr 2022

²¹ Forbes Africa, 7 Feb 2022

18 Apr 2022 **Johannesburg (South Africa)** *eNCA*. President **Cyril Ramaphosa** declares a **National State of Disaster** due to flooding in **KwaZulu-Natal** and **Eastern Cape** provinces, saying the effects of the floods will be felt countrywide;

17 Apr 2022 **Pretoria (South Africa)** *The Presidency*. President **Cyril Ramaphosa** postpones a working visit to the **Kingdom of Saudi Arabia** to focus on his government's intervention in the **KwaZulu-Natal** flood disaster;

13 Apr 2022 **KwaZulu-Natal (South Africa)** *Business Day*. President **Cyril Ramaphosa** pledges to help victims of devastating floods in **KwaZulu-Natal** province, as the death toll rises to 259 people;

13 Apr 2022 **Johannesburg (South Africa)** *ABC News*. South African military mission to **Mozambique** chief **Rudzani Maphwanya** says the deployment of South Africa's military in northern Mozambique has been extended while its role has shifted from aggressively fighting **Islamic** extremist rebels to a peacekeeping effort, and says multinational forces have been able to "disrupt" rebels;

12 Apr 2022 **Maputo (Mozambique)** *EWN*. **Southern African Development Community's** Extraordinary Summit of the **Organ Troika** approves de-escalation of its mission in **Mozambique**, from rapid deployment capability to a multidimensional force with a robust mandate;

12 Apr 2022 **Diepsloot (South Africa)** *MoneyWeb*. Ruling **African National Congress** members consider supporting **Zimbabwe Anti-Sanctions Movement's** court case in the **Gauteng High Court** against the **United States** government over its sanctions against **Zimbabwe**, which may set a template for **Russia** and others to follow;

12 Apr 2022 **Diepsloot (South Africa)** *Financial Times*. Brutal murder by vigilante group in **Diepsloot** near **Johannesburg** highlights rise of South Africa's xenophobic vigilantes, in which organised groups are filling policing gap with violence as authority of ruling **African National Congress** wanes;

11 Apr 2022 **Pretoria (South Africa)** *The Presidency*. President **Cyril Ramaphosa** uses his weekly newsletter to condemn anti-foreigner sentiments, acts of vigilantism and assure citizens that government is dealing with illegal migration in the country;

11 Apr 2022 **Pietermaritzburg (South Africa)** *Al Jazeera*. Former president **Jaco Zuma** fails to appear in the **Pietermaritzburg High Court** due to a "medical emergency", as his lawyer, **Dali Mpofu**, requests that the start of the trial be postponed until the **Supreme Court of Appeal** decides on his client's efforts to have state prosecutor **Billy Downer** removed from the case;

8 Apr 2022 **San Francisco (United States)** *TechCrunch*. **China**-based ride-hailing company **Didi Chixung** shuts down its operations in **South Africa**, a year after it launched in the country;

7 Apr 2022 **Johannesburg (South Africa)** *fin24*. **Kenya Airways** CEO **Allan Kilavuka** says his airline and **South African Airways** are planning a series of investor roadshows to help find a financial backer for a combined airline group they aim to create next year;

6 Apr 2022 **Johannesburg (South Africa)** *Business Tech*. Communications and digital technologies minister **Khumbudzo Ntshavheni** announces plans to introduce the **South African Postbank Amendment Bill** to the national assembly 'shortly', which will transfer shareholding from the **Postbank** to the government through the creation of a new bank controlling company;

4 Apr 2022 **Johannesburg (South Africa)** *SABC*. President **Cyril Ramaphosa** announces the end of the national state of disaster from midnight, which was in place for more than two years in response to **Covid-19**;

4 Apr 2022 **Johannesburg (South Africa)** *Upstream*. Government pens deal for state-owned **Industrial Development Corporation** to acquire a major stake in the **Amersfoort** asset, an onshore gas project operated by **Australia**-listed junior **Kinetiko Energy**;

4 Apr 2022 **Pretoria (South Africa)** *National Treasury*. The **Treasury** welcomes rating agency **Moody's** decision to affirm South Africa's long term foreign and local currency debt ratings at 'Ba2' and revise the outlook to stable from negative;

3 Apr 2022 **Maputo (Mozambique)** *Bloomberg*. **Southern African** nations consider extending the deployment of troops fighting an **Islamic State**-linked insurgency in northern **Cabo Delgado** province that prompted energy giant **TotalEnergies SE** to stall a \$20 billion natural gas project;

29 Mar 2022 **Johannesburg (South Africa)** *Business Day*. Unemployment rate climbs to 35.3% in Q4 2021 from 34.9% in Q3 2021;

29 Mar 2022 **Cape Town (South Africa)** *Mail&Guardian*. Latest **Global Financial Centers Index** shows **Cape Town** is now the second-best financial centre in **Africa**, behind **Casablanca (Morocco)**, due to significant improvement in its ranking and rating scores over the last year;

28 Mar 2022 **Johannesburg (South Africa)** *News24*. **Roodepoort Magistrate's Court** grants bail to anti-illegal immigration militia group **Operation Dudula** leader **Nhlanhla 'Lux' Dlamini** following his arrest last week after opposition party **Economic Freedom Fighters** member **Victor Ramerafe** lodged a criminal complaint against him for assault, intimidation, and burglary;

28 Mar 2022 **Johannesburg (South Africa)** *Mail&Guardian*. **State Information Technology Agency** CEO **Luvuyo Keyise** says **China**-based technology giant **Huawei** has six months to ensure it has **South Africans** selling Huawei's services to the government;

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