



**Quarterly Economic
Bulletin
2020/21
Q 2**

Foreword

The Second Quarterly Economic Bulletin is presented at a time when, for the first time since the 2009 global economic crisis, the World economy is expected to show a decline in terms of economic growth during 2020, due to the outbreak of COVID-19. The slow economic growth is expected in all countries except China, which will still grow much slower than used to. During the period of crisis, the country implemented a lockdown, which put a strain on most industries, with the worst being the ban that was placed on the use of alcohol and cigarettes with the aim of reducing the risk of an increased impact of COVID-19 on the patients when they get sick. Unfortunately, the industries producing these goods suffered serious losses to an extent where possible capital projects had to be postponed and several jobs losses occurred.

The prevailing World economic situation are calling for the different coping mechanisms due to the unique situation in different countries, that will make them survive to these tough economic times. The South African economy is at a brink of collapse, with the economic growth being stagnant and the unemployment is rising. The challenge is that the local economy was already in a recession before the lockdown started. The South African economy is affected by local and international forces, such as the deteriorating fiscal condition of the country, caused by the increasing demands on the budget like requests for bailouts of state owned entities , and on an international space the trade war between China and the United States of America, is impacting negatively on the local economy.

The South African government and the Limpopo provincial government need to urgently come up with reforms that can enhance growth in local economy both in the short term, while also creating the conditions for higher long-term sustainable growth. These growth reforms should promote economic transformation, support labour-intensive growth, and create a globally competitive economy as well as stabilising the alarming government financial conditions.



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Table of Contents

1. Introduction	5
2. Economic Outlook	6
2.2. The South African Economic Outlook	8
2.3. South African Sectoral performance	10
2.3.1 Impact on the manufacturing sector	10
2.3.2 Impact on Tourism	11
2.3.3 Impact on Mining	13
2.4. Limpopo Economic Growth Outlook	13
3. The implications presented to the SA and Limpopo economy due to ban of cigarettes and alcohol during the lockdown.....	14
3.1 Impact of the ban of government revenue.	15
3.2 Loss in jobs.....	15
3.3 Loss in fixed investment	15
4. Provisioning of health care services in Limpopo: A Comparison of the Inland and Border Districts Health Care Provisioning	16
4.1. Introduction	16
4.2. Objective of the study	16
4.3. Key findings and recommendations.....	17
4.4 Conclusions	19
5. Conclusions and Recommendations.....	20

Table of Tables

Table 1 World Economic Outlook.....	6
Table 2 Manufacturing production in June 2020	11
Table 3 Tourism travel by travel directison.....	12
Table 4: Tourism Accommodation statistics	12
Table 5 Volume of Mining production	13

Table of figures

Figure 1: Growth in GDP (%)	9
Figure 2: Contributions to growth in GDP, Q2 2020 (% points)	10
Figure 3: GDPR vs Mining.....	14

1. Introduction

The second quarter of 2020 in South Africa will always be associated with the lockdown due to the outbreak of COVID-19. The aim of the lockdown was to enable the South African government enough time to prepare the Department of Health's hospitals for the huge number of patients that will need care. A serious concern was the need for beds in Intensive Care Units (ICU) in hospitals, fitted with enough ventilators for the COVID-19 patients who cannot cope with only received oxygen.

Although the lockdown had a positive effect on the health outcomes of the pandemic, with South Africa coping relatively well with the crisis in terms of infections and related deaths, the economic impact of the lockdown is severe. For the first time since the 2009 global economic crisis the World economy is expected to show a decline in terms of economic growth during 2020. The same is true of the national and provincial economies in South Africa.

One of the controversial issues during the lockdown was the ban that was placed on the use of alcohol and cigarettes with the aim of reducing the risk of an increased impact of COVID-19 on the patients when they get sick. Unfortunately the industries producing these goods suffered serious losses to an extent where possible capital projects had to be postponed and several jobs losses occurred. Concern has also been expressed about the excise tax that is lost by the fiscus during a time of severe budget deficits and a need for a fiscus stimulus in the local economy.

The COVID-19 crisis also highlighted the importance of health care in the life of the general population in South Africa. The Macro-Economic Research Unit conducted a research study to compare the health provisioning in the border and inland hospitals, especially with a focus on the impact of foreign nationals, with the aim of providing recommendations on improving the service delivery in the hospitals. It is clear that the foreign nationals are placing a significant additional burden on the hospitals and clinics in the border towns like Musina. The study also provided some interesting recommendations to improve the health care in the Province

2. Economic Outlook

2.1. World Economic Outlook

The IMF deemed it necessary to update its latest forecasts made in June 2020 due to the fact that the COVID-19 pandemic has a bigger negative impact on the economy than initially anticipated. In June 2020 the IMF expected global growth to decline by 4.9 percent during 2020. The current challenge is to determine the nature of the recovery after the crisis. At this stage it is expected that the world economy will recover gradually to reach growth of 5.4 percent in 2021. Despite this recovery overall production in the World economy will still be 6.5 percentage points lower than the expected production levels that was anticipated before the crisis.

Table 1 World Economic Outlook

Year over Year				
	2018	2019	2020	2021
				Projections
World output	3.6	2.9	-4.9	5.4
Advanced Economies	2.2	1.7	-8.0	4.8
United states	2.9	2.3	-8.0	4.5
Euro Area	1.9	1.3	-10.2	6.0
Germany	1.5	0.6	-7.8	5.4
France	1.8	1.5	-12.5	7.3
Italy	0.8	0.3	-12.8	6.3
Spain	2.4	2.0	-12.8	6.3
Japan	0.3	0.7	-5.8	2.4
United Kingdom	1.3	1.4	-10.2	6.3
Canada	2.0	1.7	-8.4	4.9
Other Advanced Economies	2.7	1.7	-4.8	4.2
Emerging Market and Developing Economies	4.5	3.7	-3.0	5.9
Emerging and Developing Asia	6.3	5.5	-0.8	7.4
China	6.7	6.1	1.0	8.2

India	6.1	4.2	-4.5	6.0
ESEAN-5	5.3	4.9	-2.0	6.2
Emerging and Developing Europe	3.2	2.1	-5.8	4.3
Russia	2.5	1.3	-6.6	4.1
Latin America and the Caribbean	1.1	0.1	-9.1	3.6
Brazil	1.3	10.1	-9.4	3.7
Mexico	2.2	-0.3	-10.5	3.3
Middle East and Central Asia	1.8	1.0	-4.7	3.3
Saudi Arabia	2.4	0.3	-6.8	3.1
Sub Saharan Africa	3.2	3.1	-3.2	3.4
Nigeria	1.9	2.2	-5.4	2.6
South Africa	0.8	0.2	-8.0	3.5
Memorandum				
Low-Income and Developing Countries	5.1	5.2	-1.0	5.2
World growth and Developing Countries	3.1	2.4	-6.1	5.3
World Trade Volume (Goods and services)	3.8	0.9	-11.9	8.0
Advanced Economies	3.4	1.5	-13.4	7.2
Emerging Market and Developing Economies	4.5	0.1	-9.4	9.4
Commodity Prices (U.S. Dollars)				
Oil	29.4	-10.2	-41.1	3.8
Nonfuel (Average based on world commodity Import weights)	1.3	0.8	0.2	0.8
Consumer Prices				
Advanced Economies	2.0	1.4	0.3	1.1
Emerging Market and Developing Economies	4.8	5.1	4.4	4.5
London Interbank Offered Rate (Percent)				
On U.S. Dollar Deposits (six month)	2.5	2.3	0.9	0.6
On Euro deposits (three month)	-0.3	-0.4	-0.4	-0.4
On Japanese Yen (six Month)	0.0	0.0	0.0	-0.1

Source IMF, 2020

According to Table 1 the Sub Saharan Africa economy is expected to decline by 3.2 percent during 2020 recovering slowly to a growth rate of 3.4 percent in 2021. The

South African economy is however impacted more negatively with economic growth expected to be a decline of 8 percent in 2020 recovering to 3.5 percent in 2021.

It should be noted that only the Chinese economy is expected to show positive growth during 2020 due to the fact that the lockdown in most of the Chinese cities ended in March 2020. According to National Bureau of Statistics of China, the GDP growth rate increased by 3.2 percent in the second quarter of 2020 compared to 6.8 percent decline in the first quarter.

Some of the actual economic growth outcomes includes the British economy that declined by 20.4 percent in the second quarter, on a quarter-on-quarter basis, following a decline of 2.2 percent in the first quarter of 2020. This created the first recession in Britain in 11 years causing the loss of 730 000 jobs since March 2020. The Spanish economy declined by 11.5 percent in the second quarter, while the American economy declined by 9.5 percent. The decline in the American economy is partly due to a reduction of 34.6 percent, on an annual basis, in consumption expenditure. Despite 7.5 million Americans returning to jobs during March and April, the total number of jobs losses due to the COVID-19 crisis is still 14.5 million jobs.

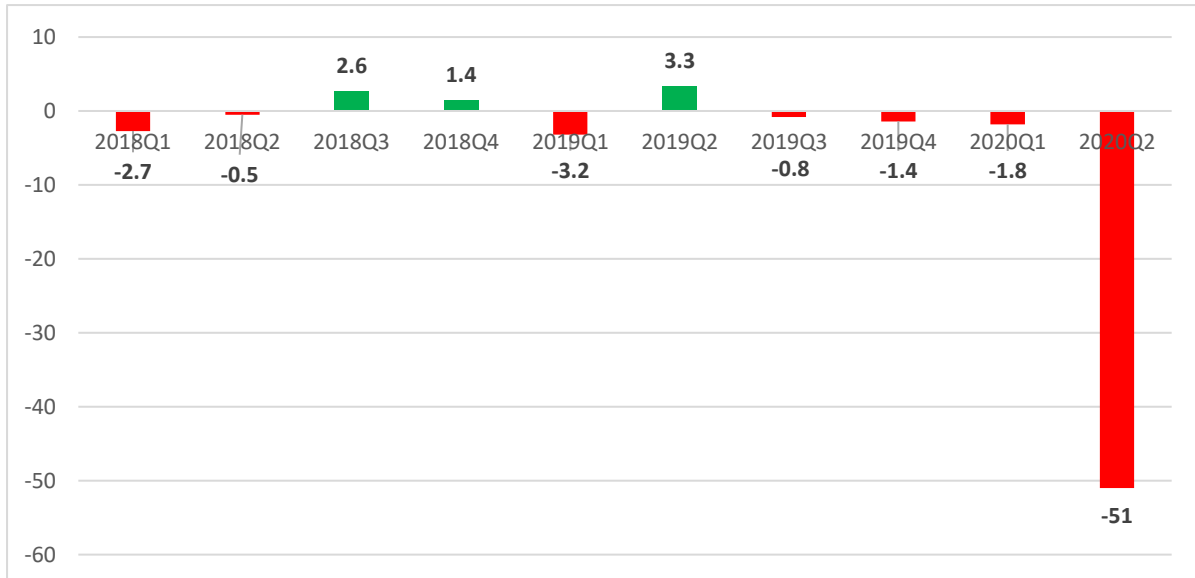
According to the International Labour Organization (ILO) the loss of hours worked between the fourth quarter of 2019 and the first quarter of 2020 is the equivalent of 130 million full time jobs. Depending on how fast countries opened their economies in the second quarter of 2020, the expected loss of jobs in the second quarter will be an equivalent to an additional 300 million full time jobs. The biggest impact was on the low skilled workers and workers in the informal sector that do not have the opportunity to work from home.

2.2. The South African Economic Outlook

The economic outlook for South Africa for 2020 is fairly negative since the country was already in a recession before the lockdown. The situation got worse with the lockdown and the downgrade by Moody's. The South African Reserve Bank expects the annual growth rate for 2020 to be a decline of 8.2 percent. In terms of the second quarter the

bank expected a decline of more than 32 percent. The forecasts for economic growth is lacking certainty since the growth outcome depends a lot of the length and level of the lockdown. Different forecasts of the economic growth rates for 2020 therefore differs markedly. A joint study by National Treasury indicated that the economy can even decline by more than 16 percent in a worst case scenario.

Figure 1 : Growth in GDP (%)



Source: StatsSA, 2020

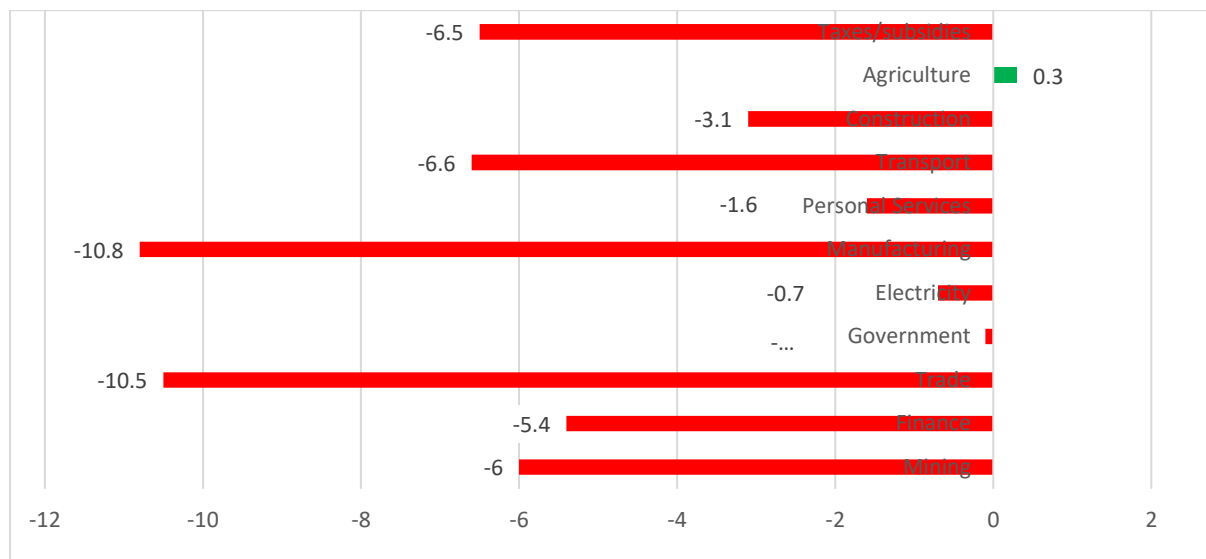
Real gross domestic product (measured by production) decreased by a record -51.0 percent in the second quarter of 2020 owing to the impact of the COVID-19 lockdown restrictions since the end of March 2020. This is the lowest growth number reported since Statistics SA started to report the GDP figures for South Africa. The loss in production equals the increases achieved since 2007 and the first quarter of 2020. The only sector that contributed to economic growth in the first quarter is Agriculture, which grew by 15.1 percent making a positive contribution of 0.3 percent to GDP.

It should be noted that the national economy is now in a decline for fourth consecutive quarters. Due to the low base of the second quarter it is expected that the national economy will show positive growth in quarters three and four, with the overall decline in GDP expected to around 10 percent for the year.

2.3. South African Sectoral performance

All the sectors of the South African economy, except for Agriculture, were negatively impacted by the lockdown during the second quarter. The largest negative contributors to growth in GDP in the second quarter were the manufacturing, trade and transport industries. The manufacturing industry decreased by 74.9 percent and contributed -10.8 percentage points to GDP growth. The trade, catering and accommodation industry decreased by 67.6 percent and contributed -10.5 percentage points. The transport, storage and communication industry decreased by 67.9 percent and contributed -6.6 percentage points. The agriculture, forestry and fishing industry was the only positive contributor to GDP growth.

Figure 2: Contributions to growth in GDP, Q2 2020 (% points)



Source: StatsSA, 2020

The impact of the crisis on the different sectors in the South African economy will now be analysed in more detailed.

2.3.1 Impact on the manufacturing sector

The lockdown had a negative impact on the manufacturing sector since the factories were not allowed to operate on full capacity

Table 2 Manufacturing production in June 2020

	Jan- 20	Feb- 20	Mar- 20	Apr- 20	May- 20	Jun- 20
Year-on-year % Change, unadjusted	-1,9	-2,1	-5,2	-49,3	-32,2	-16,3
Month-on-Month % change, seasonally adjusted	3,0	-2,6	-1,1	-44,4	30,4	16,8
3-Month % change, seasonally adjusted	-1,9	-2,5	-2,1	-16,9	-25,4	30,2

Percentage change between the previous and the 3 months ending in the month indicated

Source: StatsSA, 2020

The manufacturing declined by 16.3 percent between June 2020 and June 2019. In terms of the lockdown the manufacturing production declined by 30.2 percent compared to the previous preceding three months. This is a continuation of the poor performance of the manufacturing industry. Table 2 indicates that the manufacturing production, if compared to the corresponding month in 2019, declined from January to June 2019. The poor performance thus started well before the lockdown, emphasizing the fact that the South African economy was in a tight spot even before the outbreak of COVID-19.

2.3.2 Impact on Tourism

Tourism, which is not formally measured by Statistics SA as a sector as part of the sectors constituting GDP, was severely impacted since it was closed during the lockdown for inter-provincial trips

Table 3 Tourism travel by travel direction

Travel Direction	May 2019	April 2020	May 2020	%Change April 2020- May 2020	%Change May 2019- May 2020
Total	3 285 819	97 425	153 450	57,5%	-95,3%
South African residents	896 563	31 014	49 414	59,3%	-94,5%
Arrivals	442 436	15 716	25 915	64,9%	-94,1%
Departures	453 266	15 298	23 499	53,6%	-94,8%
Transits	861	-	-	-	100,0%
Foreign travellers	2 389 256	66 411	104 036	56,7%	-95,6%
Arrivals	1 213 675	29 341	49 481	56,7%	-95,6%
Departures	1 106 649	37 068	54 551	56,7%	-95,6%
Transits	68 932	2	4	100,0%	100,0%

Source: StatsSA, 2020

The data for May 2020 is not strictly comparable to that of the previous year, but as expected the tourism industry almost experienced a total shutdown in terms of travel. The same is true of the utilizing and income from accommodation.

Table 4: Tourism Accommodation statistics

	Dec-19	Jan-19	Feb-20	Mar-20	Apr-20	May-20
Stay units available	-0,2	0,0	-0,1	-0,1	-0,2	-0,2
Stay units night sold	0,1	0,7	1,8	-38,9	-97,4	-98,0
Average income per stay unit night sold	1,0	4,0	6,2	-4,6	-25,8	-24,2
Income from accommodation	1,0	4,7	8,1	-41,7	-98,1	-98,5
Total 1/	2,4	4,9	6,4	-33,6	-98,7	-98,0

1/ includes restaurant and bar sales and 'other' income

Source: StatsSA, 2020

With Tourism estimated to contribute nearly 4 percent to the national and provincial economy these numbers provides a first glimpse of the serious impact the lockdown had on the economy.

2.3.3 Impact on Mining

The mining sector contributes nearly 30 percent to the provincial economy and its performance on national level provides a clear indication on what the impact of the lockdown most probably will be on the Limpopo economy

Table 5 Volume of Mining production

	Jan- 20	Feb- 20	Mar- 20	Apr- 20	May- 20	Jun- 20
Year-on-year % change, unadjusted	7,4	6,4	-18,4	-51,2	-27,6	-28,2
Month-on-month % change, seasonally adjusted	6,4	-2,3	-18,6	-37,8	46,6	-1,4
3-month % change, seasonal adjusted	-2,1	-3,1	-6,2	-22,7	-30,9	-30,2

Percentage change between the previous three months and the three months indicated

Source: StatsSA, 2020

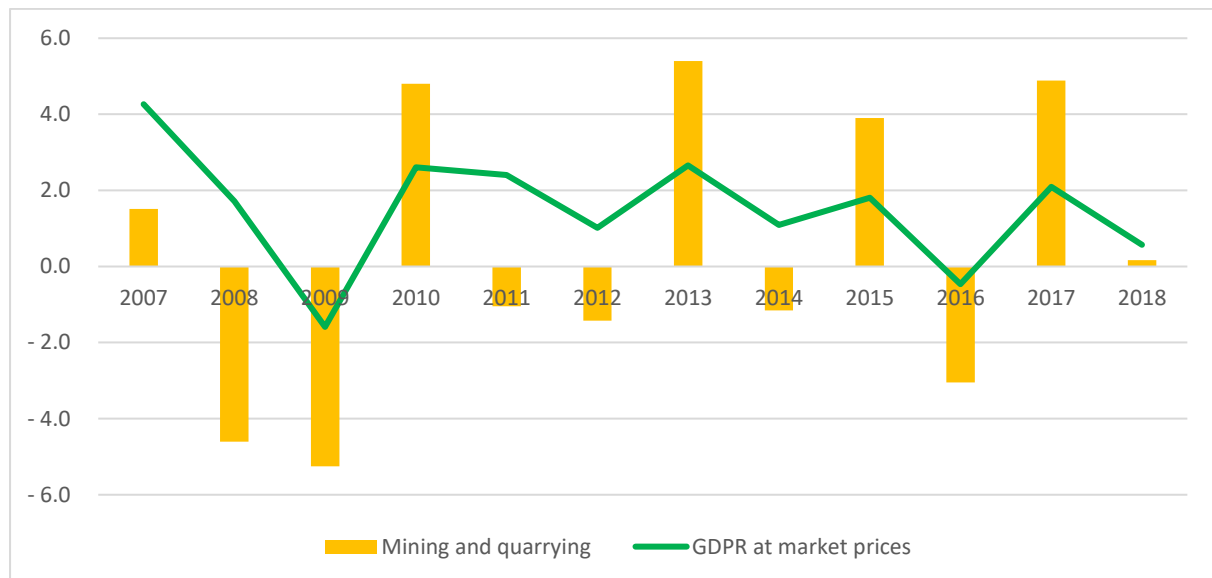
The biggest contributor to the decline in year-on-year mining production of -28.2 percent, on a national level, is PGMs which declined by 42.5 percent contributing a weighed 10.5 percent to the national decline. Depending on the phases of the lockdown it is clear that the provincial economy will experience a marked decline during 2020.

2.4. Limpopo Economic Growth Outlook

According to Statistics SA, Limpopo economy grew by only 0.6 percent during 2018. This is a continuation of the relative poor growth performance since 2013. The growth of the provincial economy is still hugely influenced by the performance of the mining

industry. In Figure 3 it is indicated that the high and lows in the provincial economy corresponds with that of the performance of the mining industry.

Figure 3: GDP vs Mining



Source: StatsSA, 2020

Transport, storage and communication and finance, real estate and business services were the only two sectors showing higher than 1 percent growth during 2018, growing at 1.3 percent. The Agricultural sector decline by 1.7 percent during 2018.

The province is suffering from low industrial activity and it is more depended on the primary sector and it is characterized as an extractive economy. Albeit, it is well endowed with vast natural resources such as the land mass, sun and other minerals, which are the basis at which it can explore renewable energies and curb the effect of Eskom’s electricity cuts which is putting further strain in the provincial economy.

3. The implications presented to the SA and Limpopo economy due to ban of cigarettes and alcohol during the lockdown

The honourable President Ramaphosa announced a lockdown at the end of March and announced that under Level 5 not liquor or cigarettes will be available for sale. The sale of liquor was reinstated on Level 4, but again abruptly cancelled. The bans were initially supported by the public but eventually a fears resistance developed. The

various industries producing and selling these products also started to complain and actually lodged court applications against Government to change the regulations.

The ban of liquor and cigarettes started a debate between the Government, highlighting the risk of smoking and drinking of alcohol to COVID-19 patients, and the impact of especially liquor on car accidents, drunk driving and person-on-person violence, leading to a flood of patients to hospitals occupying beds that is more urgently needed and prioritized for COVID-19 and the consumers and producers of alcohol and cigarettes.

Consumers and producers have argued that the ban merely promotes the black market and illegal trade in these commodities. It is not a case that people will consume less liquor and cigarettes but that they will shift their consumption by procuring from illegal dealers. Consumers also stated that their constitutional right of freedom of choice is infringed by the ban.

3.1 Impact of the ban of government revenue.

It has been calculated that government is losing R35.8 million rand of excise tax on a daily basis because of the ban. According to the Minister of Finance, R1.7 billion has been lost on excise duty only in April 2020. The fact that the producers and retailers are not operating and making profits also impacts negatively on the tax income of government. SAB calculated that government lost R12 billion rand in taxes, just in the original ban.

3.2 Loss in jobs

SAB indicated that the original ban placed 120 000 jobs in danger at the company.

3.3 Loss in fixed investment

Some of the bigger liquor companies like Distell, SA Breweries and Heineken indicated that they will either put projects on hold or call it off, due to the negative impact of COVID-19 on their sales and profit. According to SA Breweries the 12 trading weeks that was lost until 3 August represents approximately 30 percent of their annual production. In response to this the company cancelled R2.5 billion facility upgrades for 2020 and is reconsidering another R2.5 billion for 2021.

Heineken also cancelled an expansion project of R6 billion in Durban. The plant would have created 400 jobs. CONSOL also halted a project of R2.3 billion due to the alcohol ban. The project would have created 120 direct jobs and 2600 indirect jobs. CONSOL is providing the bottles that is used for beer and other drinks.

4. Provisioning of health care services in Limpopo: A Comparison of the Inland and Border Districts Health Care Provisioning

4.1. Introduction

Health care provision continue to be of priority for the Limpopo Provincial Government as it plays a major role in the livelihoods of the Limpopo province population, and in recent years there has been a huge influx of foreigners into the country and Limpopo in particular. The influx in Limpopo is due to the geographical location of the province as it is the gate way to the Southern African countries, neighbouring Botswana and Zimbabwe, and the provincial government foresee a scourge into the provincial health system due to the number of foreign nationals who will find residence in the province and those that cross the border in search for better health care in the province. The province saw it necessary to conduct a detailed research on the impact of the foreign nationals into the provincial health systems as they come unplanned and unbudgeted for and are more often than not able to pay for services.

4.2. Objective of the study

The objective of the study was to compare the impact of service delivery in terms of health care provision in the border towns such as Musina in the Vhembe Districts compared to the inland towns such as Lebowakgomo in the Capricorn District as well as the cost of provision of this health care services in the said towns. The study made recommendations on how to optimize the provision of health care services in the different areas given the different dynamics that might be facing the different parts of the province.

4.3. Key findings and recommendations

The key findings and recommendations of this study can be summarised as follows:

4.3.1 Availability of patient data

Patients treated and interviewed at the inland hospitals were found to be mostly from South Africa, mainly residing in Limpopo province, while those in the border hospitals are of higher percentage of foreign nationals mainly from the neighbouring Southern African countries. An indication from the admin staff and clinical staff is that both inland and border hospitals have high influx of foreign nationals who are treated daily in the hospital facilities. It is recommended that the Department of Health study these numbers closely or try to keep records of foreign nationals treated on a daily basis, as currently there are no clear records as of how many foreign national's patients are treated in each facility both in inland and border hospitals. Lack of data of foreign nationals treated in each hospital hinders planning in terms of budgeting and projecting for future expenses in relation to accommodating for the foreign nationals' influx. Better patients' records will also provide more data that is needed as management information.

4.3.2 Payment for services

The majority of the patients that are treated at the hospitals, in both the inland and border hospitals, are unemployed and they are not members of any medical aid, though a difference has been identified in terms of paying for service received at the hospital. The study found that the foreign nationals in the border hospitals are better paying clients in the hospitals as compared to their counterparts in the inland. It is recommended that a culture of paying be encouraged in the province. This can be in the form of awareness campaigns and enforcement by the Department of Health to alert the patients about the benefits of paying for the services received at the hospital. South African citizens should be made aware that paying for the services at the hospitals will help improve the service rendered by the hospitals. Some of the patients were under the impression that services in Public Hospitals is provided for free.

4.3.3 Proper communication with patients

Both the inland and border hospital patients gave an indication that they were assisted by both the doctor and nurse in the hospitals in relation to their sickness, though it was found that explaining the service and diagnosis to the patients is not always done. It is recommended that the hospital staff try to provide the patients with information in relation to the services they are providing to them, as this will help to make the patients aware of the services they will receive, the expected waiting time and expected quality of service to be given to them. This will help patients to evaluate the service received and minimise complains.

4.3.4 Filling of vacancies

It was found in the study that both the inland and border hospital face challenges in staff retention and filling of vacant post as there is a high vacancy in the hospitals on all levels. This leads to long waiting time for the patients, overloading and long working hours for the staff, as well as hospitals that are not cleaned. It is recommended that the Department of Health find ways to retain and recruit skilled staff, as this helps in terms of providing good quality services in the hospitals.

4.3.5 Recommending the hospital

Patients in both in land and border districts indicted that they are most likely to recommend the hospitals to other users as services provided by these facilities were of good quality and their health conditions were improving after visiting the hospitals. It is recommended that the hospitals staff and the department should continue to give their best to patients, as patients hold their hope to life to the hospitals.

4.3.6 Quality Service delivery

The challenges faced by patients and staff in the hospital ranges from having to deal with old and dirty hospitals, shortage of diagnosis equipment shortage of blankets and beds, slow service as it takes long to get files, shortage of Doctors (Mostly Specialists), patients having to wait for doctors, non-availability of medicine, some services not

offered at the hospital, nurses reluctant to help patients and patients are not helped on time. It is recommended that the Department of Health assess the way it renders the service to the patients as well as assessing the current hospital infrastructure as hospitals are found to be in a bad state and it is difficult for staff to give the best service. New hospitals and renovations are recommended as the current structures were built so many years ago. An operation and maintenance strategy is also needed for the equipment. The replacement cycle of equipment should be adhered to, to ensure that patients and doctors have access to the latest technology.

4.3.7 Availability of medicine

The availability and quality of medicine and drugs were found to be a challenge both in the border and inland hospitals, this was said to be caused by lack of supply from the depot. The Department of Health need to improve the quality of medication and the process flow of medication supply from the depot to the hospitals as this is found to be a challenge for all the stakeholders, from patients, doctors and the hospital CEOs. A proper stock management system should be implemented to ensure timely delivery of medicine.

4.4 Conclusions

Healthcare or health is one of the important factors in the human nature as people fall ill, accidents and emergencies happen and hospitals are needed as the first point of access for diagnosis to be made, for diseases to be treated and managed so they do not escalate into something worse.

The impact of foreign nationals on the provisioning of services in the hospital is viewed as of detrimental effect as they provide the hospital with wrong information and they consume the hospital budget as they continue to use the facilities mostly in the border districts. Proper administration, collaboration coupled with improvement of the use of IT to document and track foreign nationals and their country of origin, so that their mother countries can pay their bills, will help ease the burden.

The CEO's in their own words indicated that they are less likely to recommend their own hospitals to other users due to the long waiting times, cleanliness of the hospital and staff attitude. The Department of Health need to work on staff attitude as the issues of long waiting times and cleanliness of the hospital can be addressed if employees improve their attitude towards their duties.

5. Conclusions and Recommendations

COVID-19 crisis is a biggest economic crisis in South Africa since the Great Depression in the 1930's. The crisis will not be able to be solved by the market on its own but needs clear government intervention. It is recommended that National and Provincial government continue to provide dedicated support programmes to different sectors severely impacted by COVID-19 crisis. This can include providing exceptions to specific sectors to start and operate fully at an earlier stage and direct financial support like delayed tax payments and grants.

Limpopo province is suffering from a low industrial activity and it is more depended on the primary sector as the economy is characterized as an extractive economy. It is recommended that for the province to achieve rapid growth in the short to medium term, it should move from being a raw material producer to beneficiating these raw materials. This will help in value addition on the products produced in the province and by so doing more employment opportunities will be created for the youth in the secondary industries.

The province is well endowed with vast natural resources such as the land mass, sun and other minerals, which are the basis at which it can explore renewable energies and curb the effect of Eskom's electricity cuts which is putting further strain in the provincial economy. Massive investments should be channelled towards renewable energy in the province. The COVID-19 pandemic presented the province with opportunities to move from the tradition way of doing things, as it exposed the province with the chance to explore the use of technology. The move to use technology during the crisis has proved to be more efficient and cost effective and this can save the provincial government a lot of money in the long run.