ECONOMIC BULLETIN Q1 2023/2024

LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF
PROVINCIAL TREASURY

Foreword

The 2023 first quarter Quarterly Economic Bulletin (QEB) is presented during the difficult times of the continuing war between Russia and Ukraine at the international level and the enduring electricity dilemma that is facing the country; which could impede global economic growth. Economic growth in some of the world's largest economies is set to slow in 2023, with Europe and the United States showing signs of weakening activity. Many countries are encountering the effects of high inflation through increased interest rates and while headline inflation seems to have peaked in many countries, it remains high. The challenges appeal for joint efforts at both nationally and provincial levels to advance interventions that will have sustainable impact in improving the lives of the poor people.

After the economic growth has contracted in the fourth quarter of 2022, the South African real gross domestic product (GDP) edged higher in the first quarter of 2023. The manufacturing and finance industries were the major drivers of growth on the supply side of the economy. The demand side was lifted by exports, with smaller positive contributions for household, government, and investment spending. South African economy grew by 0.4 percent between January and March this year. Crippling power cuts, volatile commodity prices and a challenging external environment have contributed to the country's weak growth performance.

The country's elevated public debt level is one of the highest among emerging markets and this limits the government's ability to respond to shocks and meet growing social and developmental needs. Stabilizing the country's debt and creating room in the budget for targeted social spending and public investment will require amongst others, reducing the government wage bill and transfers to state-owned enterprises. The persistently high food and energy prices have pushed up inflation. Monetary policy normalisation should continue to keep inflation expectations anchored and bring down headline inflation to the midpoint of the South African Reserve Bank's 3–6 percent target range.

PP ______________________ 27 June 2023

Mr. M. J. PHUKUNTSI **DATE**

DEPUTY DIRECTOR GENERAL: SUSTAINABLE RESOURCE MANAGEMENT

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LIST OF ABBREVIATIONS

ATMs	Automated Teller Machines
CPI	Consumer Price Inflation
GDP	Gross Domestic Product
EAF	Energy Availability Factor
GWh	Gigawatt hours
IMF	International Monetary Fund
LDP	Limpopo Development Plan
LP	Limpopo Province
MPC	Monetary Policy Committee
Q	Quarter
QEB	Quarterly Economic Bulletin
Q on Q	Quarter on Quarter
SA	South Africa
SADC	Southern African Development Community
SARB	South African Reserve Bank
StatsSA	Statistics South Africa
TDGDP	Tourism Direct Gross Domestic Product
SMEs	Small Medium Enterprises
UK	United Kingdom
USA	United States of America
WEO	World Economic Outlook

1.1 Introduction

The ongoing Eskom's power supply constraints are continuing to negatively affect the productivity and profitability of businesses, and may threaten the viability of some businesses, especially Small Medium Enterprises (SMEs). Domestic business confidence continues to slip as business conditions soured in the wake of higher stages of load shedding. The country is also facing inflationary risks from severe stages of load shedding, as higher operating costs from running diesel generators are passed to consumers and higher rates of wastage and spoilage, especially along food value chains, lead to possible goods shortages.

The South African economy grew by 0.4 percent in the first quarter of 2023, recovering from a decline of 1.1 percent in the fourth quarter of 2022. Indications are that the continuing Russia-Ukraine conflict is also expected to put a major dent to South Africa as the country has already witnessed spikes in fuel prices, which affects the production and transportation of many agricultural and other products. The electricity interruptions in the country continues to have a negative impact on both the country and provincial economic recovery.

Despite the ongoing tensions of rising prices and escalating costs of debt, there were some hopeful signs from the latest inflation data. Annual consumer inflation eased to an 11-month low in April, declining to 6.8 percent from 7.1 percent in March. Price increases for fuel, oils & fats and meat have lost steam, while upward inflationary pressure continues to haunt dairy products, vegetables and non-alcoholic beverages. Inflation on the producer side slowed for a ninth straight month, slipping from 10.6 percent in March to 8.6 percent in April. The slowdown in inflation at the factory rate provides a trace of optimism, as producer price inflation often predicts future movements in the consumer price index.

1.2 World Economic Outlook

Table 1:World Economic Outlook Real GDP, annual percent change

(Real GDP, annual percent change)	2022	PROJECTIONS 2023	2024
World Output	3.4	2.8	3.0
Advanced Economies	2.7	1.3	1.4
United States	2.1	1.6	1.1
Euro Area	3.5	0.8	1.4
Germany	1.8	-0.1	1.1
France	2.6	0.7	1.3
Italy	3.7	0.7	0.8
Spain	5.5	1.5	2.0
Japan	1.1	1.3	1.0
United Kingdom	4.0	-0.3	1.0
Canada	3.4	1.5	1.5
Other Advanced Economies	2.6	1.8	2.2
Emerging Market and Developing Economies	4.0	3.9	4.2
Emerging and Developing Asia	4.4	5.3	5.1
China	3.0	5.2	4.5
India	6.8	5.9	6.3
Emerging and Developing Europe	0.8	1.2	2.5
Russia	-2.1	0.7	1.3
Latin America and the Caribbean	4.0	1.6	2.2
Brazil	2.9	0.9	1.5
Mexico	3.1	1.8	1.6
Middle East and Central Asia	5.3	2.9	3.5
Saudi Arabia	8.7	3.1	3.1
Sub-Saharan Africa	3.9	3.6	4.2
Nigeria	3.3	3.2	3.0
South Africa	2.0	0.1	1.8
Memorandum			
Emerging Market and Middle-Income Economies	3.9	3.9	4.0
Low-Income Developing Countries	5.0	4.7	5.4

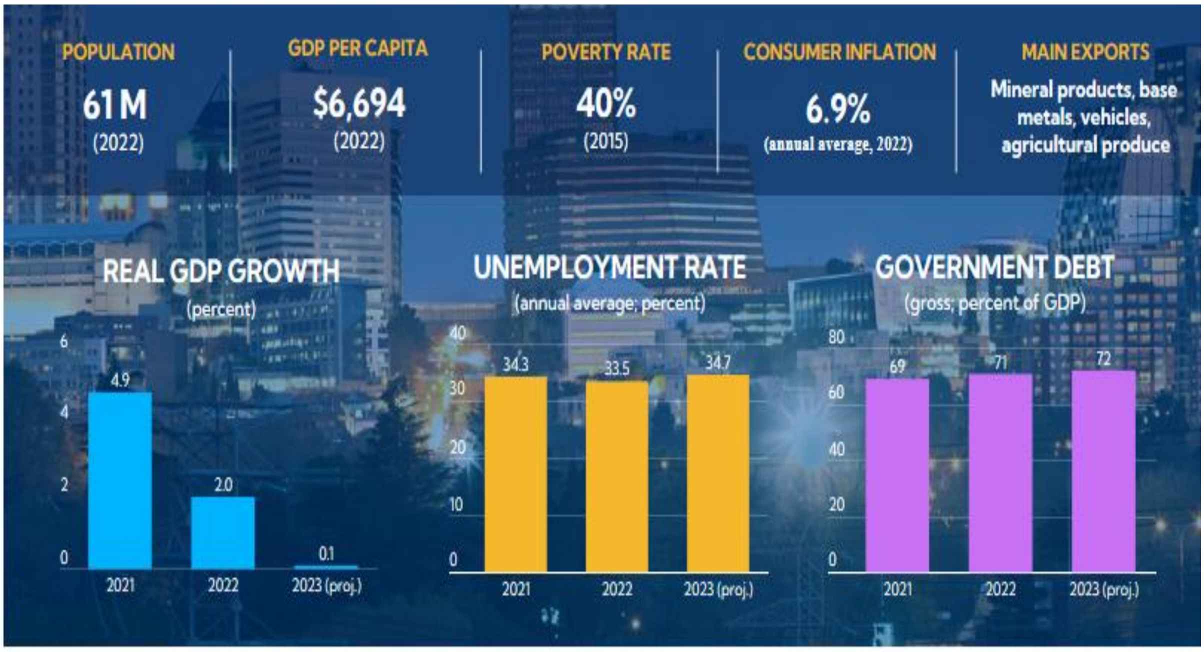
Source: International Monetary Fund, WEO, April 2023

Global economic growth forecast the baseline growth to fall from 3.4 percent in 2022 to 2.8 percent in 2023, before settling at 3.0 percent in 2024. Advanced economies are expected to see an especially pronounced growth slowdown, from 2.7 percent in 2022 to 1.3 percent in 2023. While growth in the Emerging Market and Developing Economies is expected to move from 4.0 percent in 2022 to 3.9 percent in 2023. In a plausible alternative scenario with further financial sector stress, global growth declines to about 2.5 percent in 2023 with advanced economy growth falling below 1 percent. Global headline inflation in the baseline is set to fall from 8.7 percent in 2022 to 7.0 percent in 2023 on the back of lower commodity prices but underlying (core) inflation is likely to decline more slowly. Inflation's return to target is unlikely before 2025 in most cases.

1.3 SA Economic Overview

1.3.1 SA Economic Overview

Figure 1:SA Economic overview



Source: IMF 2023

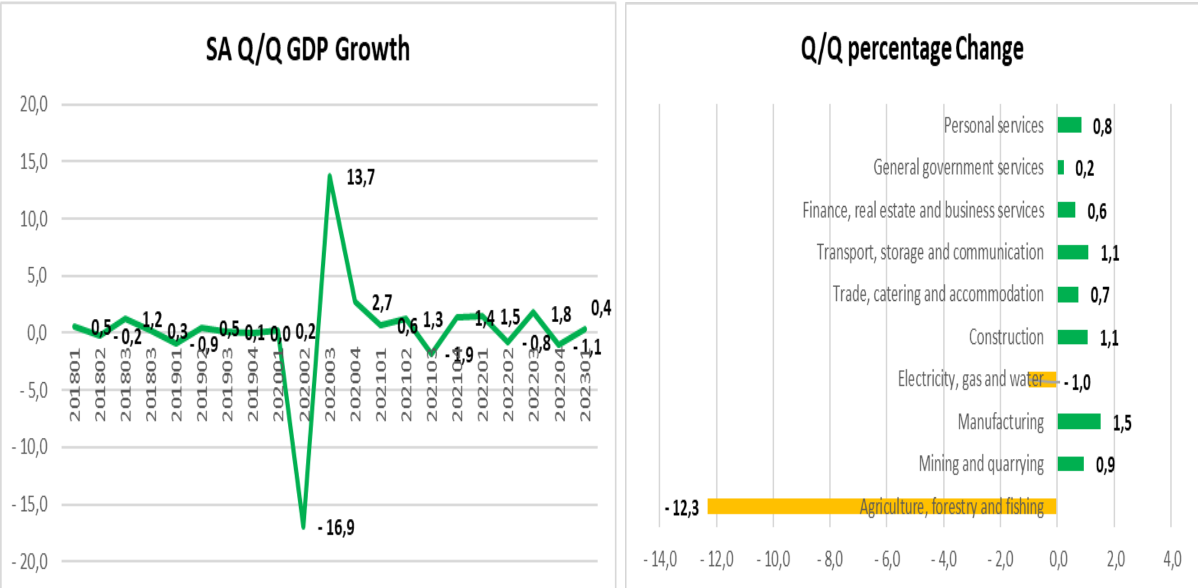
The International Monetary Fund (IMF) indicates that the South African population is recorded at 61 million in 2022, with GDP per Capita recorded at $6.694 in 2022. About 40 percent of the south African population continue to live in poverty, while there is massive decline in the GDP growth, increase in unemployment rate and increasing levels of Government debt to GDP. The main exports of the country are mineral products, base metals, vehicles and agricultural products.

The country will need to improve Eskom's efficiency, foster competition, and accelerate the rollout of renewable energy, reduce the public wage bill and transfers to state-owned enterprises, reduce regulatory barriers to encourage competition, tackle corruption, and improve labour market flexibility.

1.3.2 SA Quarterly GDP Growth

South African Gross Domestic Product (GDP) escaped from entering into a technical recession by growing by 0.4 percent in Q1 2023 (Jan-Mar), after the GDP declined by 1.1 percent in the Q4 2022 (Oct–Dec). Growth was spurred mainly by Manufacturing; Transport; Storage & communication; Construction; Finance; Trade; Mining; Personal services; and General government services. On a negative side, two industries contracted in the first quarter, Agriculture and Electricity.

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



Source: StatsSA, Gross Domestic Product, Q1 2023

Mining production strengthened in the first quarter, rising by 1.0 percent. Gold, platinum group metals, iron ore, manganese and chromium lifted overall growth. On the downside, the country produced less nickel and copper. Nickel continued its poor run, recording a third consecutive quarter of decline.

Manufacturing output expanded by 1.4 percent, with four of the ten manufacturing divisions reporting increased production. Food & beverages was the largest positive contributor, driven mainly by the production of beverages. Motor vehicle parts & accessories, and paper products were the biggest drags on growth.

The finance, real estate and business services industry increased by 0.6 percent in the first quarter, contributing 0.2 of a percentage point to GDP growth. Increased economic activities were reported for financial intermediation, insurance and pension funding, real estate and business services. The personal services industry increased by 0.8 percent in the first quarter, contributing 0.1 of a percentage point to GDP growth. Increased economic activity was reported for community services.

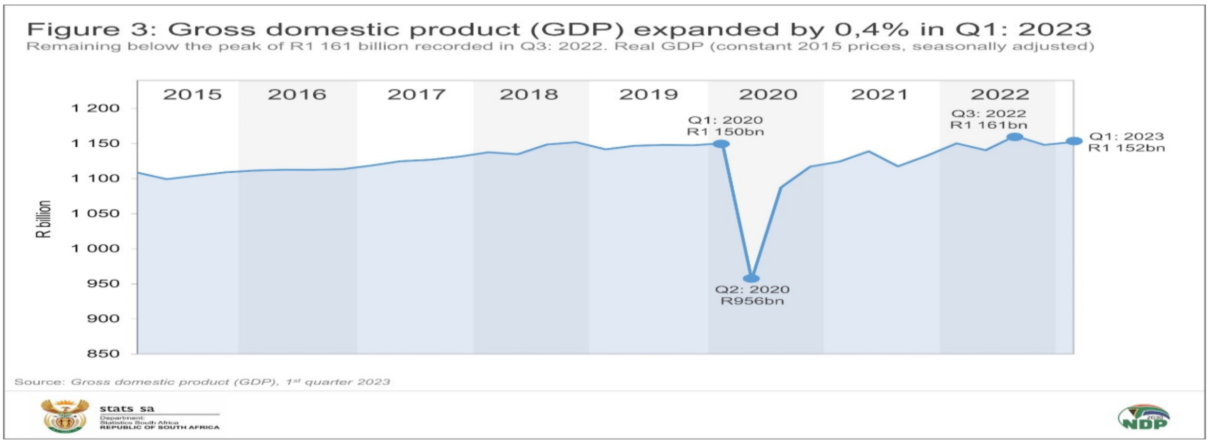
The transport, storage and communication industry increased by 1.1 percent, contributing 0.1 of a percentage point to GDP growth. Increased economic activities were reported for land transport, air transport, transport support services and communication services.

The trade, catering and accommodation industry increased by 0.7 percent in the first quarter, contributing 0.1 of a percentage point to GDP growth. Increased economic activities were reported for wholesale trade, retail trade and catering and accommodation.

Textiles & clothing stores posted strong, driving most of the 0.8 percent rise in retail trade sales. Other retailers that registered positive results include those specialising in pharmaceuticals & cosmetics, food & beverages, and general dealers (i.e., supermarkets). On the negative side, consumers spent less on hardware, paint & glass and household goods. Retailers in hardware, paint & glass continue to feel pain, recording an eighth consecutive quarter of declining sales.

1.3.3 SA Annual GDP Growth

Figure 3:SA Annual GDP Growth



Source: StatsSA 2023

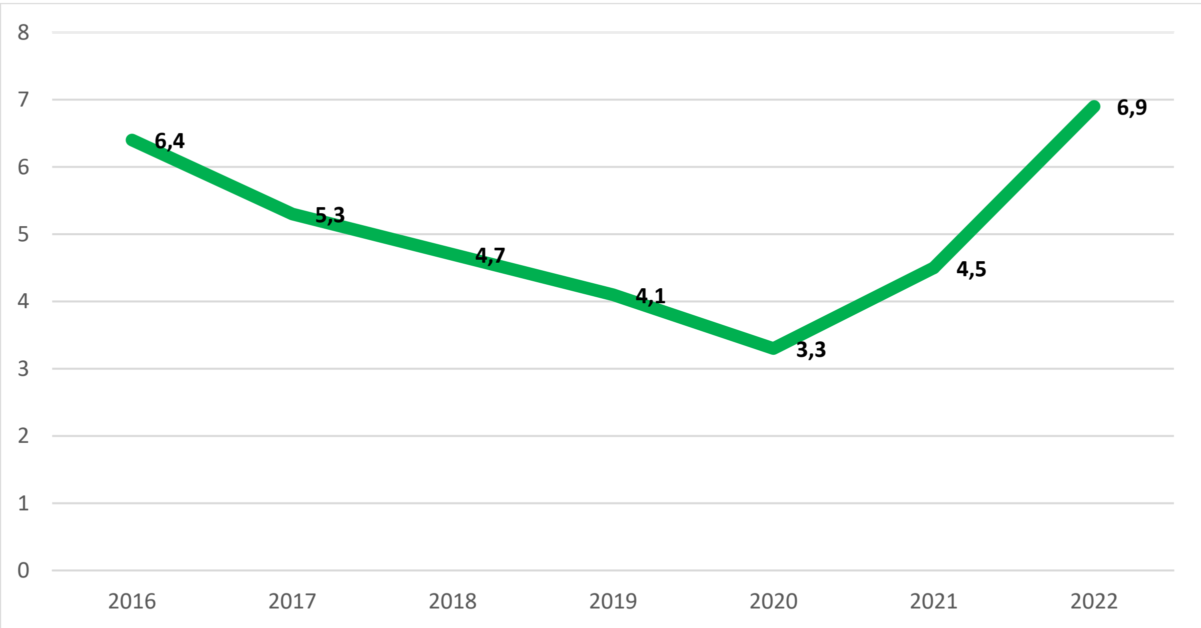
The above graph provides a quick overview of how the economy has performed since 2015. After the sharp downturn in the second quarter of 2020, real GDP (constant 2015 prices) took two years to return to pre-pandemic levels. In the third quarter of 2022, real GDP reached an all-time high of R1 161 billion. Despite the 0.4 percent rise in the first quarter of 2023, GDP remains below this peak. This is an indication of less activity during the first quarter 2023 as compared to the fourth quarter of 2022.

1.4 Headline Consumer Price Index (CPI)

1.4.1 Annual CPI Change

The headline consumer inflation was on decline from 2016 to 2020, moving from 6.4 percent in 2020 to a low of 3.3 percent in 2020. From 2021 CPI started to rise, this was impacted by the continuing rise in fuel prices in the country influenced by the continuing war of Russia and Ukraine that also has a major impact in fuelling the consumer prices which were already on an upward spiral. As per the December CPI release, the results for the 2022 calendar year and an average annual inflation for 2022 was 6.9 percent, higher than the 4.5 percent recorded for 2021.

Figure 4:CPI headline Year-on-Year rates



Source: StatsSA, CPI 2021

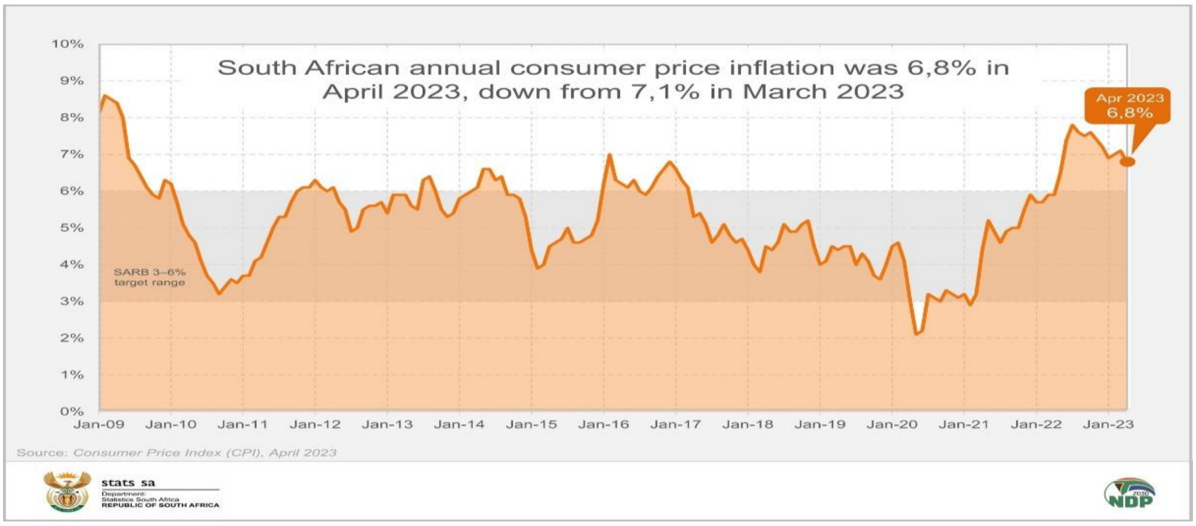
The annual change in the CPI is continuing to test the 6 percent upper limit of the South African Reserve Bank's monetary policy target range prompting the Bank to raise interest rates. Despite that decline, South Africa's central bank raised the repo rate during the year as it tries to bring inflation back within its 3%-6% target range, citing oil prices among potential risks.

Higher interest rates attract foreign investors, who are on the hunt for good returns and this bonds well for South Africa as a country as there is a need for foreign inflows of money to keep the rand stable, and local interest rates have been attractive for many years compared to other countries. However, the sharp hike in interest rates will heap more pain on the embattled South African economy and poor consumers, who are already struggling with sky-high fuel and food prices and record levels of load shedding.

1.4.2 Monthly CPI Change

Consumer inflation slowed to 6.8 percent in April from 7.1 percent in March. This is the lowest reading since May 2022, when the rate was 6.5 percent. The monthly change in the consumer price index (CPI) was 0.4 percent in April 2023.

Figure 5:SA Monthly CPI



Source : StatsSA 2023

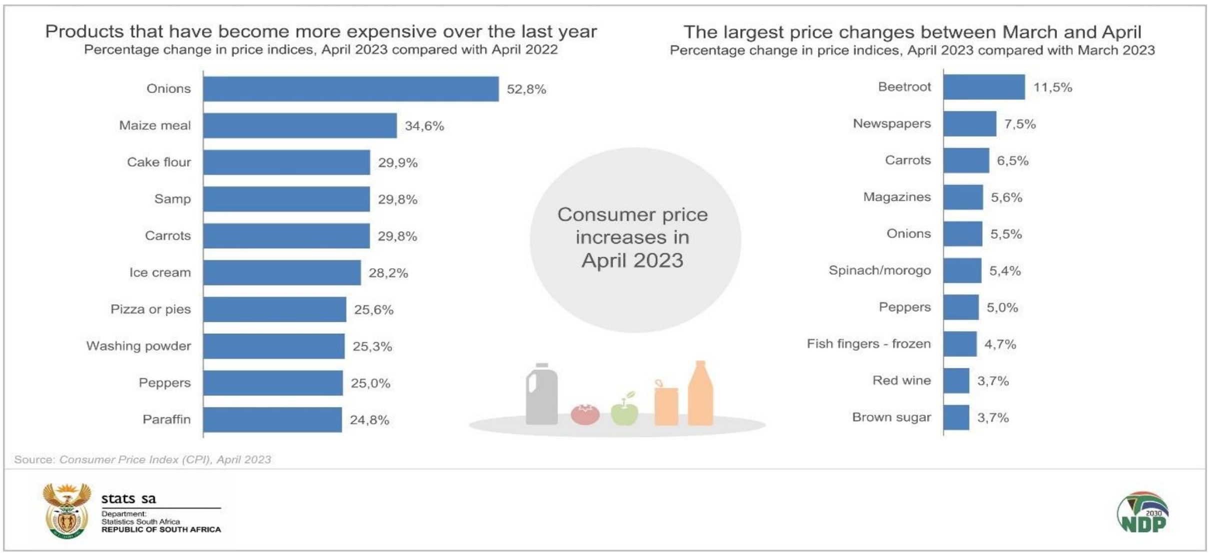
1.4.3 Percentage Changes in Price Indices

Annual Inflation for food and non-alcoholic beverages eased to 13.9 percent in April from 14.0 percent in March. The bread & cereals price index increased by 20.8 percent in the 12 months to April, slightly higher than March's reading of 20.3 percent, but lower than the recent peak of 21.8 percent recorded in January. Milk, eggs & cheese product group recorded an annual price increase of 14.5 percent, the largest rise in 14 years (since January 2009). The average price of a 2-litre carton of fresh full-cream milk increased from R30.14 to R35.88 in the 12 months to April. Over the same period, the average price of a kilogram of cheddar cheese climbed from R118.24 to R135.11 and a tray of six eggs from R20.38 to R21.59.

On average, vegetables were 23.1 percent more expensive in April 2023 compared with April 2022. This is the highest annual rate since November 2007, more than 15 years ago. Products pushing up the rate include onions (up 52.8%), carrots (up 29.8%), peppers (up 25.0%) and potatoes (up 24.4%). Coffee aficionado are feeling the pinch too. Annual inflation for non-alcoholic beverages was 10.4 percent in April, the highest rate since January 2010. Products that registered higher than average price changes were ground coffee or beans (up 17.8%), instant coffee (up 14.8%), dairy blends (up 19.2%) and fruit juices (up 16.5%).

Meat and oils & fats are bucking the trend. Those who enjoy their steak will be glad to know that meat inflation slowed for a second consecutive month, cooling to 9.5 percent from 10.6 percent in March. Inflation for oils & fats slowed for an eighth consecutive month, tumbling from 16.0 percent in March to 9.9 percent in April. The last time this rate was in single-digit territory was November 2020.

Figure 6: Price indices that recorded notable increases in April.



Source: StatsSA,2023

Transport recorded its ninth successive month of disinflation in April, softening to 7.6 percent. This was mainly due to the annual rate for fuel easing to 5.0 percent, the lowest reading since March 2021 (2.4%).

The purchase of vehicles category carries a weight of 5.9 percent in the CPI basket. The annual rate for this category increased to 7.2 percent in April from 7.0 percent in March. Breaking this down further, used vehicles are 12.9 percent more expensive than a year ago. New vehicles witnessed slower inflation, with prices increasing by 6.7 percent over this period.

Sharp monthly price hikes were recorded for traditional reading material, such as newspapers (up 7.5%) and magazines (up 5.6%). This took the annual rate for the books, newspapers & stationery category from 10.2 percent in March to 11.5 percent in April.

The miscellaneous goods & services price index jumped by 1.3 percent between March 2023 and April 2023. This category was the biggest factor behind the 0.4 percent monthly rise in the headline CPI, contributing 0.2 of a percentage point. Personal care prices climbed by 1.2 percent from March 2023. Some health insurance companies increased prices in April, lifting the health insurance index by a monthly 2.4 percent.

1.5 The SA Electricity

The South African Reserve Bank (SARB) forecasts GDP growth of 0.3 percent in 2023, with load shedding expected to detract two percentage points from overall growth this year. This is assuming 280 days of load shedding at varying stages, but predominantly at stage 4. In the first five months of this year, about 13,000 GWh have been shed, more than in the entire 2022 when 11,697 was shed. Both years showed a significant worsening of electricity supply: In 2018, about 219 gigawatt hours (GWh) were shed; 1,326 GWh in 2019; 1,701 GWh in 2020; and 2,558 GWh in 2021.The more frequent and higher stages of load shedding are caused by amongst others, the declining performance of Eskom's fleet of ageing power stations.

The average energy availability factor (EAF) for this year so far is 52.8 percent, down from an average of 58.1 percent in 2022, 61.8 percent in 2021 and 65 percent in 2020. This sustained decline in the EAF is primarily attributable to an increasing number of unplanned outages amid increasingly frequent breakdowns of generating units at old and unreliable coal-fired power stations. The total unplanned outage factor has averaged 35.9 percent in 2023 thus far; again, the highest on record (the 2022 average was 31.3 percent). Load shedding is expected to ease to 150 days (lowering GDP growth by 0.8 percentage points) and 100 days (reducing GDP growth by 0.4 percentage points) in 2024 and 2025 respectively, as some mitigating interventions are implemented.

Eskom's ongoing power supply constraints are continuing to negatively affect the productivity and profitability of businesses, and may threaten the viability of some businesses, especially SMEs. Domestic business confidence continues to slip as business conditions soured in the wake of higher stages of load shedding. The country is also facing inflationary risks from severe stages of load shedding, as higher operating costs from running diesel generators are passed to consumers and higher rates of wastage and spoilage, especially along food value chains, lead to possible goods shortages.

Load shedding will likely adversely affect other macroeconomic variables, for example the contractionary effect on growth could lead to higher levels of unemployment, as well as weigh-in heavily on investor sentiment, in turn raising South Africa's risk premium and placing pressure on the exchange rate as it has happened recently. Higher stages of load shedding also pose an immediate risk to the efficient functioning of infrastructure such as automated teller machines (ATMs) and cellular networks, which are crucial for the smooth functioning of the financial system.

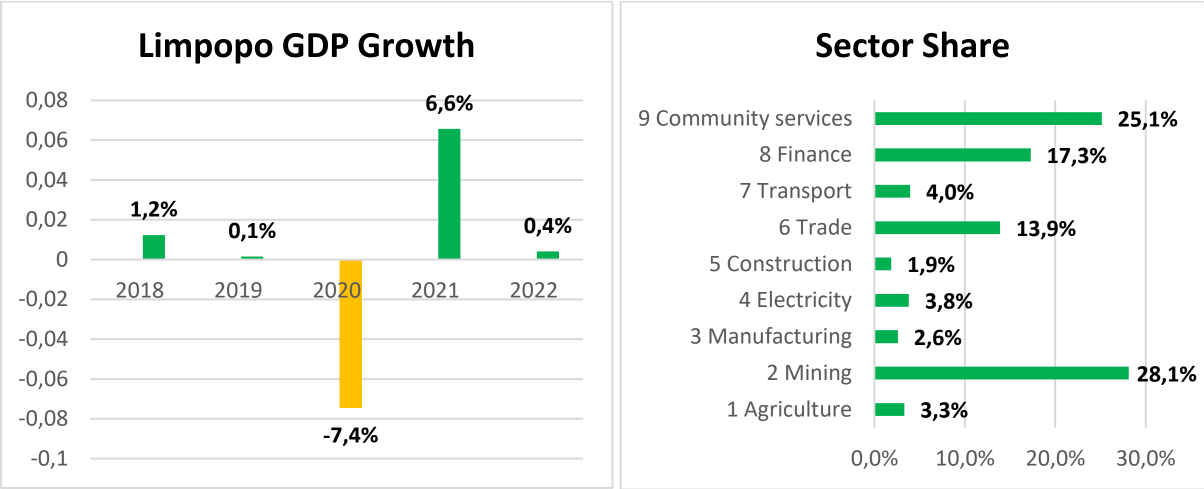
For some municipalities especially smaller ones and those in rural areas the revenue generated by electricity sales constitutes the bulk of municipal revenue. While a transition to alternative energy sources should have long-term benefits for the economy, it will have a structural impact on the income base of municipalities. This will potentially place further strain on the fiscus while negatively impacting on service delivery.

Though there is massive investment in construction of private generation capacity, this will likely only begin to have materially positive impacts in the medium term, as the lagged effect, coupled with the fact that Eskom's major repair, capital investment and maintenance projects are only expected to be completed over the next 12 to 18 months. This suggests that load shedding will remain severe and impact economic activity negatively over at least the next 12 months.

1.6 Limpopo Economic Growth

The growth of the provincial economy has been on slow trajectory, growing on an average below 2.0 percent since 2010 to 2019 and the situation was worsened by the COVID-19 pandemic in 2020. The provincial economy contracted by 7.4 percent in 2020 and followed by a rebound from the effects of the pandemic by 6.6 percent in 2021. In 2022 the provincial growth was recorded at a positive growth of 0.4 percent, the positive economic growth in 2022 can be mainly credited to the booming mining commodity prices and exports.

Figure 7: Limpopo GDP and Sector Share (Constant 2010 prices percent change year-on-year)



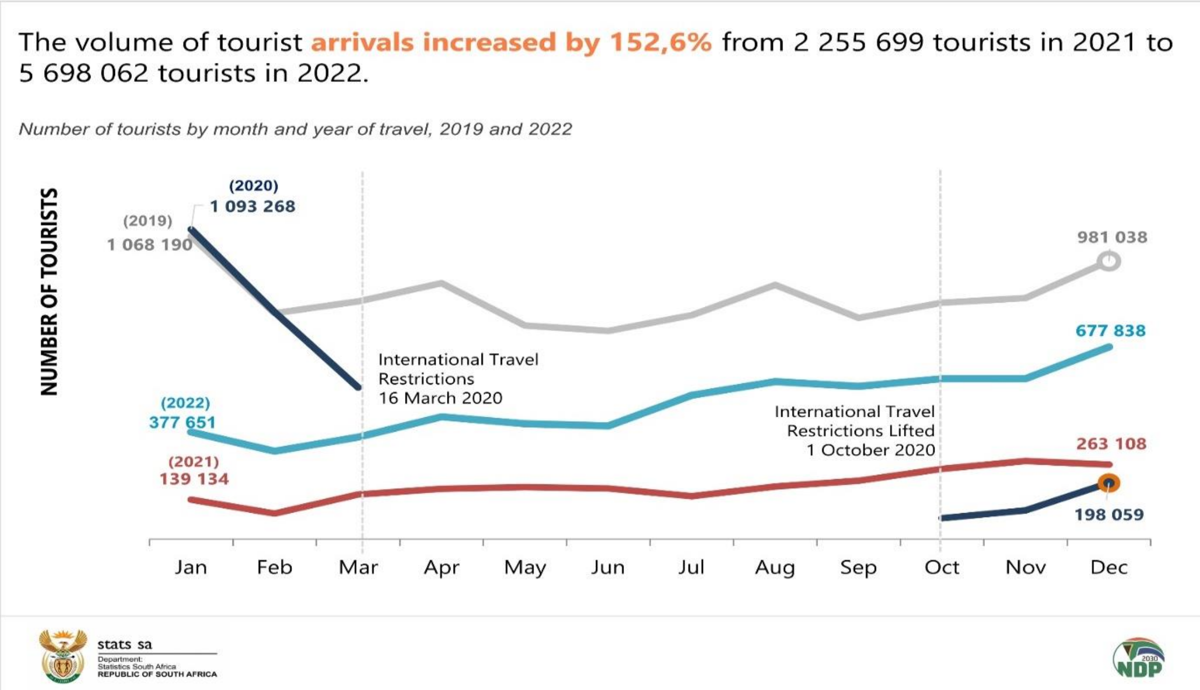
Source: IHS Regional Explorer, 2023

In 2022, the Mining industry continue to have the biggest share of (28.1%) in terms of percentage share to the provincial economy, followed by the community services (25.1%), Finance (17.1%) and Trade (13.9%). Other sectors contributed less each to the provincial economy, i.e., Transport (4.0%), Electricity (3.8%), Agriculture (3.3%), Manufacturing (2.6 %) and Construction (1.9%). This is an indication that the provincial growth prospects continue to rely comprehensively in the Mining sector for a prolonged period unless drastic measures are taken to stimulate the growth of the other sectors in the provincial economy.

1.7 Tourism Overview

The World Bank's thirteenth edition of the South Africa Economic Update, "Building back better from COVID-19", with a special focus on jobs, identified underlying factors or parts of the labour market that South Africa can leverage to be able to halve high levels of unemployment. It has been argued that, given the small percentage of self-employment in the country, the government should focus more on supporting entrepreneurship and self-employment since they provide opportunities for job creation in South Africa and Limpopo province. After a drastic drop in tourist arrivals in 2020 and 2021, the volume of tourist arrivals in South Africa is showing improvement. The Tourism 2022 report released by Statistics South Africa shows that the volume of tourists dropped by 72.6 percent from 10 228 593 in 2019 to 2 802 320 in 2020 and declined by 19.5 percent between 2020 and 2021. The volume of tourist arrivals increased by 152.6 percent from 2 255 699 tourists in 2021 to 5 698 062 tourists in 2022. A gradual improvement was observed in the number of tourists' arrivals from January to December 2022; however, it is still 44.3 percent below the pre-pandemic year of 2019.

Figure 8: Total Number of Tourists

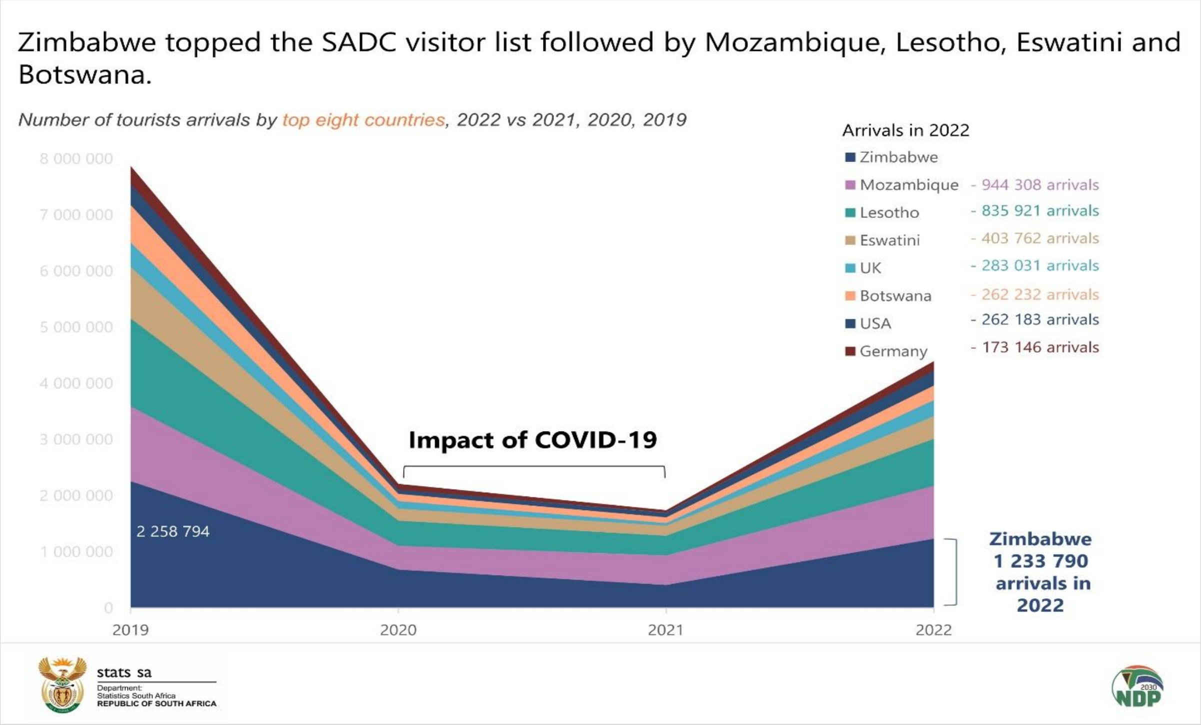


Source: StatsSA, 2023

Lockdowns and travel restrictions imposed by countries during the COVID-19 pandemic restricted the movement of people around the world. The tourism industry was hit quite hard because of this. In South Africa, tourism direct gross domestic product (TDGDP), which is a measure of the contribution of tourism activity to overall economic activity, decreased from R208 316 million in 2019 to R123 616 million in 2020 (40.7 % decrease). The tourism sector directly employed 459 533 persons in 2020, a decrease of 41.1 percent or 320 563 employees compared with 2019. The tourism sector's share of total employment decreased from 4.8 percent in 2019 to 3.1 percent in 2020.

In 2022, tourists from the United Kingdom (UK) topped the overseas visitor list, followed by the USA and Germany. Zimbabwe topped the SADC visitor list followed by Mozambique, Lesotho, Eswatini and Botswana. Other African countries did not feature in the top eight countries.

Figure 9:Number of tourists arrivals by top eight countries



Source: StatsSA, 2023

Europe shows an improvement of 6.2 percentage points from 9.6 percent in 2021 to 15.8 percent in 2022. However, tourist arrivals from the Southern African Development Community (SADC) dropped by 8.2 percentage points from 80.8 percent in 2021 to 72.6 percent in 2022.

There were more male (54.2%) than female (45.8%) tourists arriving in South Africa. The highest proportion of male tourists was from SADC countries (63.5%), followed by 'other' African countries (61.2%) and the lowest from overseas countries (60.2%). The highest proportion of female tourists was from overseas countries (39.8%), followed by 'other' African countries (38.8%) and the lowest from SADC countries (36.5%).

Tourists main reason for visits to South Africa was to take a holiday. The majority of tourists (95.3%) came for holidays whilst businesspersons, students and medical treatment constituted 3.9 percent, 0.7 percent and 0.1 percent respectively. The 2022 data reveals some regional and country differentials with respect to the purpose of visit. More tourists from 'other' African countries (7.9%) and SADC countries (4,4%) came for business compared with 2.1 percent who came from overseas countries. Students made up 4.7 percent of tourists from 'other' African countries compared to 0.7 percent of tourists from SADC countries and 0.6 percent of overseas tourists. A higher proportion of tourists who came for medical treatment (0.5%) were from 'other' African countries, compared with 0.1 percent from SADC countries and less than 0.1 percent were from overseas countries.

A large proportion of overseas tourists (92.9%) came into South Africa by air compared to 6.8 percent who came in by road and 0.3 percent who came by sea. Similarly, tourists from 'other' African countries generally entered the country by air (91.5%) rather than by road (8.5%) or by sea (less than 0.1%). The majority of SADC tourists used road (90.5%) compared to 9.5 percent who used air and less than 0.1 percent who used sea.

In 2022, tourists from overseas and 'other' African countries spent more days on average (about four to eight days per month) in the country compared to SADC residents who spent an average of two days in a month.

1.8 Conclusions and Recommendations

The International Monetary Fund predicts the slow growth on the global economy and urge leaders around the world to handle this 'delicate moment' with care. Global economic growth will continue to be supported mainly by Emerging Market and Developing Economies. As the Russia-Ukraine war is continuing with adverse effects on global prices, the South Africa economy is widely expected to enter into recession this year, driven by load shedding and the ongoing power crisis.

Trade tensions and tight financial conditions were the biggest factor lowering the outlook, while growth is slowing, there are ways that policymakers can shore up growth in the medium term and reduce the risk of a serious drop off. This is a delicate moment for the global economy and it is very important that policymakers do no harm and work cooperatively to reduce the high levels of policy uncertainty in the world especially with regard to trade policy. It's also very important that macro-prudential tools are used in place to make sure the financial risks are not building up, and fiscal policy will have to manage important trade-offs between demand growth and at the same time making sure that the debt remains sustainable. Additional far-reaching reforms are needed to achieve job-rich, inclusive, and greener growth. These include improving the country's energy and logistical constraints, reducing barriers to private sector investment, addressing structural rigidities in the labour market, and tackling crime and corruption.

In South Africa, the power crisis is unlikely to be dealt with in the short-term, and load shedding remains the biggest downside risk and drag on South Africa's growth prospects in the next two years. Strong interventions to solve or stabilize the electricity crisis are necessary as this will bring hope to the struggling economy of the country. The load shedding also contributed negatively to the Limpopo provincial economy as major industries were hit by power outages. The recently announced increase in electricity prices and other administered prices continue to present clear medium-term risks, this calls for the provincial government to seek and invest in alternative sources of energy. Given the current load shedding challenges in the country and the province, the provincial government will need to be on the drive to install and encourage the use of solar energy in the province for both households and businesses as an alternative source of energy. The province will also need to gradually shift from the electricity as it assists in relieving the pressure from Eskom and invest in alternative sources of energy supply and implement green energy initiatives as it develops new sustainable settlement.

Load shedding will likely adversely affect other macroeconomic variables, for example the contractionary effect on growth could hamper a sustained recovery in employment, while load shedding concerns will continue to weigh on investor sentiment, in turn raising South Africa's risk premium and placing pressure on the exchange rate. Higher stages of load shedding also pose an immediate risk to the efficient functioning of infrastructure such as ATMs and cellular networks, which are crucial for the smooth functioning of the financial system.

For some municipalities, especially smaller ones and those in rural areas of the Limpopo Province, the revenue generated by electricity sales constitutes the bulk of municipal revenue. While a transition to alternative energy sources should have long-term benefits for the economy, it will have a structural impact on the income base of municipalities, which calls for Municipalities to identify new revenue streams. This will potentially place further strain on the fiscus while negatively impacting service delivery.

After a dramatic drop in tourist arrivals in 2020 and 2021, the country experienced a rise in 2022. Just over 10 million tourists graced South African shores in 2019. This crashed to 2.8 million in 2020 and declined further to 2.3 million in 2021. This had a knock-on effect on tourism-related employment, with the sector shedding just over 320 000 jobs in 2020. Following the pandemic, South Africa welcomed 5.7 million tourists in 2022. This is still way below pre-pandemic levels. However, the latest monthly data shows the positive trend continuing in 2023.