ECONOMIC BULLETIN

2023/2024

Q 2

LIMPOPO
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF
PROVINCIAL TREASURY

Foreword

The 2023 second quarter Quarterly Economic Bulletin (QEB) is presented during the time when the country is facing an enduring electricity dilemma. Crippling power cuts, volatile commodity prices and a challenging external environment are continuing to contribute to the country's sluggish economic growth. Despite the continuing pain of load shedding that is facing the country, South Africa's real gross domestic product (GDP) for second quarter of 2023 has shown some resilience. The moderating power cuts in June compared to April and May help to boost economic activity, in addition, agriculture, mining and manufacturing industries data for quarter two showed better-than-expected growth and have given a major support to the GDP figures. SA economy grew by 0.6 percent in the second quarter following a 0.4 percent growth between January and March this year.

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. Inflation is easing in most countries but remains high, with divergences across economies and inflation measures. Following the build-up of gas inventories in Europe and weaker than expected demand in China, energy and food prices have dropped substantially from their 2022 peaks, although food prices remain elevated. Together with the normalization of supply chains, these developments have contributed to a rapid decline in headline inflation in most countries.

The country is continuing to face elevated public debt levels, which 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. These challenges appeal for joint efforts in the three spheres of government to advance interventions that will have sustainable impact in improving the lives of the poor people.

NGOBENI M.J.	**28 September 2023**
ACTING DDG: SRM	**DATE**

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LIST OF ABBREVIATIONS

BRICS	Brazil, Russia, India, China, and South Africa
CPI	Consumer Price Inflation
GDP	Gross Domestic Product
IMF	International Monetary Fund
LDP	Limpopo Development Plan
LP	Limpopo Province
MPC	Monetary Policy Committee
NAB	Non-Alcoholic Beverages
OPEC+	Organization of the Petroleum Exporting Countries, including Russia and other non-OPEC oil exporters)
Q	Quarter
QEB	Quarterly Economic Bulletin
Q on Q	Quarter on Quarter
SA	South African
SADC	Southern African Development Community
SARB	South African Reserve Bank
StatsSA	Statistics South Africa
SMEs	Small Medium Enterprises
UAE	United Arab Emirates
UK	United Kingdom
US	United States of America
WEO	World Economic Outlook

1.1 Introduction

The performance of the economy of the country and the province is continuing to be affected by the power supply constraints. This has a negative impact to the performance of businesses and the country's productivity; profitability and viability of businesses is threatened. Investment into new business prospects is also impacted as investors are holding back and this has a huge barring in the creation of employment for the youth in the country. Small Medium Enterprises (SMEs) are the hardest hit as they are unable to invest in other energy alternatives and they are closing down due to loss of income during the load shedding. 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.

South Africa's economy faces significant headwinds, with consumers under severe pressure from elevated inflation and interest rates. This will result in muted economic growth for the remainder of the year and potentially a recession. The South African economy grew by 0.6 percent in the second quarter of 2023, following a 0.4 percent growth in the first quarter of 2023. Agriculture, Manufacturing and finance were the driving forces in the second quarter growth. Indications are that the continuing Russia-Ukraine war will also be expected to put a major dent to South Africa and Limpopo economy as the country is faced with increases in fuel prices, which affects the production and transportation of many agricultural and other products.

1.2 World Economic Outlook

1.2.1 World Economic Outlook

Global growth is projected to fall from 3.5 percent in 2022 to 3.0 percent in both 2023 and 2024 on an annual average basis. Compared with projections in the April 2023 World Economic Outlook (WEO), growth has been upgraded by 0.2 percentage point for 2023, with no change for 2024. The forecast for (2023–24) remains well below the historical (2000–19) annual average of 3.8 percent. It is also below the historical average across broad income groups, in overall GDP as well as per capita GDP terms. Advanced economies continue to drive the decline in growth from 2022 to 2023, with weaker manufacturing, as well as idiosyncratic factors, offsetting stronger services activity. In emerging market and developing economies, the growth outlook is broadly stable for 2023 and 2024, although with notable shifts across regions. On a year-over-year basis, global growth bottomed out in the fourth quarter of 2022. However, in some major economies, it is not expected to bottom out before the second half of 2023.

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

	Year over Year					
		Estimate	Projections		Difference from April 2023 WEO Projections 1/	
	2021	2022	2023	2024	2023	2024
World Output	**6.3**	**3.5**	**3.0**	**3.0**	**0.2**	**0.0**
Advanced Economies	**5.4**	**2.7**	**1.5**	**1.4**	**0.2**	**0.0**
United States	5.9	2.1	1.8	1.0	0.2	–0.1
Euro Area	5.3	3.5	0.9	1.5	0.1	0.1
Germany	2.6	1.8	–0.3	1.3	–0.2	0.2
France	6.4	2.5	0.8	1.3	0.1	0.0
Italy	7.0	3.7	1.1	0.9	0.4	0.1
Spain	5.5	5.5	2.5	2.0	1.0	0.0
Japan	2.2	1.0	1.4	1.0	0.1	0.0
United Kingdom	7.6	4.1	0.4	1.0	0.7	0.0
Canada	5.0	3.4	1.7	1.4	0.2	–0.1
Other Advanced Economies 3/	5.5	2.7	2.0	2.3	0.2	0.1
Emerging Market and Developing Economies	**6.8**	**4.0**	**4.0**	**4.1**	**0.1**	**–0.1**
Emerging and Developing Asia	7.5	4.5	5.3	5.0	0.0	–0.1
China	8.4	3.0	5.2	4.5	0.0	0.0
India 4/	9.1	7.2	6.1	6.3	0.2	0.0
Emerging and Developing Europe	7.3	0.8	1.8	2.2	0.6	–0.3
Russia	5.6	–2.1	1.5	1.3	0.8	0.0
Latin America and the Caribbean	7.0	3.9	1.9	2.2	0.3	0.0
Brazil	5.0	2.9	2.1	1.2	1.2	–0.3
Mexico	4.7	3.0	2.6	1.5	0.8	–0.1
Middle East and Central Asia	4.4	5.4	2.5	3.2	–0.4	–0.3
Saudi Arabia	3.9	8.7	1.9	2.8	–1.2	–0.3
Sub-Saharan Africa	4.7	3.9	3.5	4.1	–0.1	–0.1
Nigeria	3.6	3.3	3.2	3.0	0.0	0.0
South Africa	4.7	1.9	0.3	1.7	0.2	–0.1
Memorandum						
World Growth Based on Market Exchange Rates	6.0	3.0	2.5	2.4	0.1	0.0
European Union	5.5	3.7	1.0	1.7	0.3	0.1
ASEAN-5 5/	4.0	5.5	4.6	4.5	0.1	–0.1
Middle East and North Africa	4.0	5.4	2.6	3.1	–0.5	–0.3
Emerging Market and Middle-Income Economies	7.1	3.9	3.9	3.9	0.0	–0.1
Low-Income Developing Countries	4.1	5.0	4.5	5.2	–0.2	–0.2
World Trade Volume (goods and services) 6/	**10.7**	**5.2**	**2.0**	**3.7**	**–0.4**	**0.2**
Advanced Economies	9.9	6.1	2.3	3.2	–0.1	0.3
Emerging Market and Developing Economies	12.2	3.7	1.5	4.5	–0.9	–0.2
Commodity Prices						
Oil 7/	65.8	39.2	–20.7	–6.2	3.4	–0.4
Nonfuel (average based on world commodity import weights)	26.7	7.9	–4.8	–1.4	–2.0	–0.4
World Consumer Prices 8/	**4.7**	**8.7**	**6.8**	**5.2**	**–0.2**	**0.3**
Advanced Economies 9/	3.1	7.3	4.7	2.8	0.0	0.2
Emerging Market and Developing Economies 8/	5.9	9.8	8.3	6.8	–0.3	0.3

Source: International Monetary Fund, WEO, July 2023

For advanced economies, the growth slowdown projected for 2023 remains significant: from 2.7 percent in 2022 to 1.5 percent in 2023, with a 0.2 percentage point upward revision from the April 2023 WEO. About 93 percent of advanced economies are projected to have lower growth in 2023, and growth in 2024 among this group of economies is projected to remain at 1.4 percent.

In the United States, growth is projected to slow from 2.1 percent in 2022 to 1.8 percent in 2023, then slow further to 1.0 percent in 2024. For 2023, the forecast has been revised upward by 0.2 percentage point, on account of resilient consumption growth in the first quarter, a reflection of a still-tight labour market that has supported gains in real income and a rebound in vehicle purchases. However, this consumption growth momentum is not expected to last: Consumers have largely depleted excess savings accumulated during the pandemic, and the Federal Reserve is expected to raise rates further.

Growth in the euro area is projected to fall from 3.5 percent in 2022 to 0.9 percent in 2023, before rising to 1.5 percent in 2024. The forecast is broadly unchanged, but with a change in composition for 2023. Given stronger services and tourism, growth has been revised upward by 0.4 percentage point for Italy and by 1.0 percentage point for Spain. However, for Germany, weakness in manufacturing output and economic contraction in the first quarter of 2023 means that growth has been revised downward by 0.2 percentage point to –0.3 percent.

Growth in the United Kingdom is projected to decline from 4.1 percent in 2022 to 0.4 percent in 2023, then to rise to 1.0 percent in 2024. This is an upward revision of 0.7 percentage point for 2023, reflecting stronger-than-expected consumption and investment from the confidence effects of falling energy prices, lower post-Brexit uncertainty (following the Windsor Framework agreement), and a resilient financial sector as the March global banking stress dissipates.

For emerging market and developing economies, growth is projected to be broadly stable at 4.0 percent in 2023 and 4.1 percent 2024, with modest revisions of 0.1 percentage point for 2023 and -0.1 percentage point for 2024. However, this stable average masks divergences, with about 61 percent of the economies in this group growing faster in 2023 and the rest including low-income countries and three of the five geographic regions described in what follows growing more slowly.

Growth in emerging and developing Asia is on track to rise to 5.3 percent in 2023, then to moderate to 5.0 percent in 2024, reflecting a modest (0.1 percentage point) downward revision for 2024. The forecast for China is unchanged at 5.2 percent for 2023 and 4.5 percent for 2024, but with a change in composition: Consumption growth has evolved broadly in line with April 2023 WEO projections, but investment has underperformed due to the ongoing real estate downturn. Stronger-than-expected net exports have offset some of the investment weakness, although their contribution is declining as the global economy slows. Growth in India is projected at 6.1 percent in 2023, a 0.2 percentage point upward revision compared with the April projection, reflecting momentum from stronger-than-expected growth in the fourth quarter of 2022 as a result of stronger domestic investment.

Growth in emerging and developing Europe is projected to rise to 1.8 percent in 2023, reflecting a 0.6 percentage point upward revision since April, and to rise further to 2.2 percent in 2024. The forecast for Russia in 2023 has been revised upward by 0.8 percentage point to 1.5 percent, reflecting hard data (on retail trade, construction, and industrial production) that point to a strong first half of the year, with a large fiscal stimulus driving that strength.

Latin America and the Caribbean is expected to see growth decline from 3.9 percent in 2022 to 1.9 percent in 2023, although this reflects an upward revision of 0.3 percentage point since April, and to reach 2.2 percent in 2024. The decline from 2022 to 2023 reflects the recent fading of rapid growth during 2022 after pandemic reopening, as well as lower commodity prices; the upward revision for 2023 reflects stronger-than-expected growth in Brazil marked up by 1.2 percentage points to 2.1 percent since the April WEO given the surge in agricultural production in the first quarter of 2023, with positive spill overs to activity in services. It also reflects stronger growth in Mexico, revised upward by 0.8 percentage point to 2.6 percent, with a delayed post-pandemic recovery in services taking hold and spill overs from resilient US demand.

Growth in the Middle East and Central Asia is projected to decline from 5.4 percent in 2022 to 2.5 percent in 2023, with a downward revision of 0.4 percentage point, mainly attributable to a steeper-than-expected growth slowdown in Saudi Arabia, from 8.7 percent in 2022 to 1.9 percent in 2023, a negative revision of 1.2 percentage points. The downgrade for Saudi Arabia for 2023 reflects production cuts announced in April and June in line with an agreement through OPEC+ (the Organization of the Petroleum Exporting Countries, including Russia and other non-OPEC oil exporters), whereas private investment, including from “giga-project” implementation, continues to support strong non-oil GDP growth.

In Sub-Saharan Africa, growth is projected to decline to 3.5 percent in 2023 before picking up to 4.1 percent in 2024. Growth in Nigeria in 2023 and 2024 is projected to gradually decline, in line with April projections, reflecting security issues in the oil sector. In South Africa, growth is expected to decline to 0.3 percent in 2023, with the decline reflecting power shortages, although the forecast has been revised upward by 0.2 percentage point since the April 2023 WEO, on account of resilience in services activity in the first quarter.

World trade growth is expected to decline from 5.2 percent in 2022 to 2.0 percent in 2023, before rising to 3.7 percent in 2024, well below the 2000–19 average of 4.9 percent. The decline in 2023 reflects not only the path of global demand, but also shifts in its composition toward domestic services, lagged effects of US dollar appreciation which slows trade owing to the widespread invoicing of products in US dollars and rising trade barriers. These forecasts are based on a number of assumptions, including those regarding fuel and nonfuel commodity prices and interest rates. Oil prices rose by 39 percent in 2022 and are projected to fall by about 21 percent in 2023, reflecting the slowdown in global economic activity. Assumptions regarding global interest rates have been revised upward, reflecting actual and signalled policy tightening by major central banks since April. Moreover, with near-term inflation expectations falling, real interest rates are likely to stay up even after nominal rates start to fall.

1.2.2 Risks to the Outlook

The balance of risks to global growth remains tilted downward, but adverse risks have receded since the publication of the April 2023 WEO. The resolution of US debt ceiling tensions has reduced the risk of disruptive rises in interest rates for sovereign debt, which would have increased pressure on countries already struggling with increased borrowing costs. The quick and strong action authorities took to contain banking sector turbulence in the United States and Switzerland succeeded in reducing the risk of an immediate and broader crisis.

Upside risks.

More favourable outcomes for global growth than in the baseline forecast have become increasingly plausible. Core inflation could fall faster than expected from greater than expected pass through of lower energy prices and a compression of profit margins to absorb cost increases, among other possible causes and declining job vacancies could play a strong role in easing labour markets, which would reduce the likelihood of unemployment having to rise to curb inflation. Developments along these lines would then reduce the need for monetary policy tightening and allow a softer landing. Scope exists for more favourable surprises to domestic demand around the world, as in the first quarter of 2023. In numerous economies, consumers have not yet drained the stock of excess savings they accumulated during the pandemic; this could further sustain the recent strength in consumption. Stronger policy support in China than currently envisaged particularly through means-tested transfers to households could further sustain recovery and generate positive global spill overs. Such developments, however, would increase inflation pressure and necessitate a tighter monetary policy stance.

Downside risks.

Despite the recent positive growth surprises, plausible risks continue to be skewed to the downside:

Inflation persists: Tight labour markets and pass-through from past exchange rate depreciation could push up inflation and risk de-anchoring longer-term inflation expectations in a number of economies. The institutional setup of wage setting in some countries could amplify inflation pressures on wages. Moreover, El Niño could bring more extreme temperature increases than expected, exacerbate drought conditions, and raise commodity prices. The war in Ukraine could intensify, further raising food, fuel, and fertilizer prices. The recent suspension of the Black Sea Grain Initiative is a concern in this regard. Such adverse supply shocks might affect countries asymmetrically, implying different dynamics for core inflation and inflation expectations, a divergence in policy responses, and further currency movements.

Financial markets reprice: Financial markets have adjusted their expectations of monetary policy tightening upward since April but still expect less tightening than policymakers have signalled, raising the risk that unfavourable inflation data releases could as in the first quarter of 2023 trigger a sudden rise in expectations regarding interest rates and falling asset prices. Such movements could further tighten financial conditions and put stress on banks and nonbank financial institutions whose balance sheets remain vulnerable to interest rate risk, especially those highly exposed to commercial real estate. Contagion effects are possible, and a flight to safety, with an attendant appreciation of reserve currencies, would trigger negative ripple effects for global trade and growth. China's recovery underperforms: Recent developments shift to the downside the distribution of risks surrounding China's growth forecast, with negative potential implications for trading partners in the region and beyond. The principal risks include a deeper-than-expected contraction in the real estate sector in the absence of swift action to restructure property developers, weaker-than- expected consumption in the context of subdued confidence, and unintended fiscal tightening in response to lower tax revenues for local governments.

Debt distress increases: Global financial conditions have generally eased since the March 2023 episode of banking stress, but borrowing costs for emerging market and developing economies remain high, constraining room for priority spending and raising the risk of debt distress. The share of emerging market and developing economies with sovereign credit spreads above 1,000 basis points remained at 25 percent as of June (compared with only 6.8 percent two years ago).

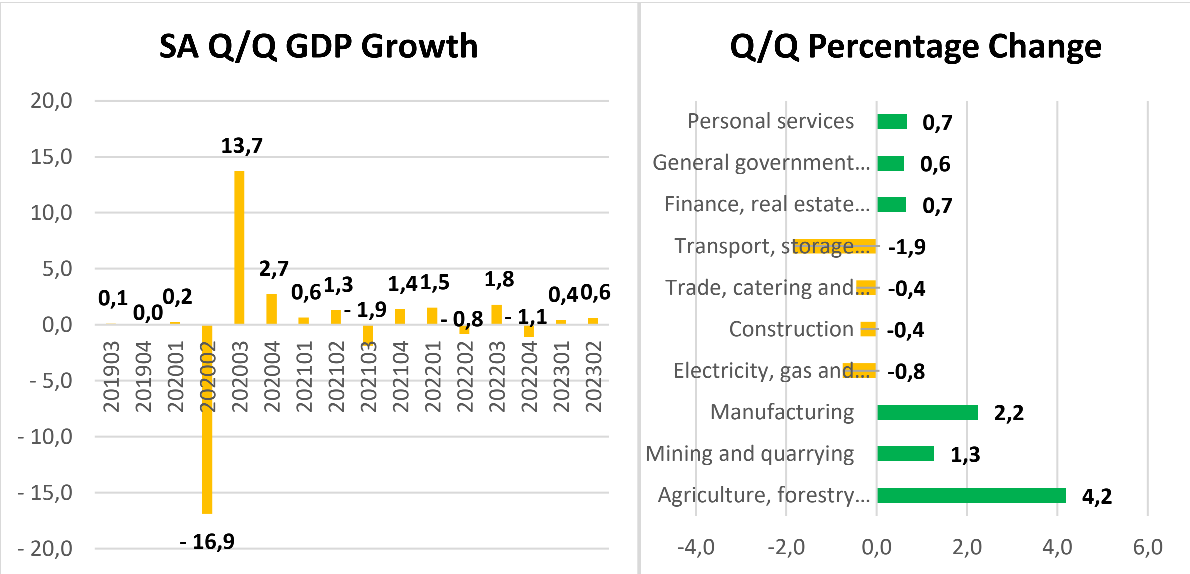
Geo-economic fragmentation deepens: The ongoing risk that the world economy will separate into blocs amid the war in Ukraine and other geopolitical tensions could intensify, with more restrictions on trade (in particular that in strategic goods, such as critical minerals); cross-border movements of capital, technology, and workers; and international payments. Such developments could contribute to additional volatility in commodity prices and hamper multilateral cooperation on providing global public goods.

1.3 SA Economic Overview

1.3.1 SA Quarterly GDP Growth

South African real gross domestic product (GDP) expanded by 0.6 percent in the second quarter (April–June) of 2023. This follows a 0.4 percent rise in the first quarter. Six industries on the supply side of the economy grew in the second quarter, with manufacturing and finance driving much of the upward momentum. On the demand side, the country benefitted from a sharp rise in investments in machinery and equipment, which included products related to renewable energy. Despite a decline in the overall household consumption, consumers continued to spend more on restaurants and hotels.

Figure 1: SA GDP growth in expenditure (constant 2015 prices seasonally adjusted percent change Q on Q) and industry growth



Source: StatsSA, Gross Domestic Product, Q2 2023

Six of the ten industries recorded growth in the second quarter, with Agriculture, Manufacturing and Finance making the most significant positive impact. Manufacturing production expanded by 2.2 percent, mainly pushed higher by petroleum, chemical products, rubber & plastic products. Manufacturers in metals, metal products, machinery & equipment also recorded a good quarter, driven in part by increased demand for crude steel. Increased investment in South Africa's automotive sector helped lift the production of transport equipment and motor vehicles.

The finance industry edged higher by 0.7 percent, boosted by financial intermediation, insurance and real estate services.

After two consecutive quarters of decline, South African agriculture turned positive. The 4.2 percent rise in output was driven by increases in the production of field crops and horticulture products. Favourable weather conditions, increased cultivation and a rise in export demand provided further support, while Mining looked good too, posting a second straight quarter of growth. Platinum group metals, gold, minerals classified in the category 'other metallic minerals and coal helped lift the industry. The personal services industry was positive on the back of higher growth in education and health, while the rise in general government services was mainly due to an increase in staff numbers.

Not all industries had a good second quarter. After 18 months of consistent growth, the transport, storage & communication industry stumbled, declining by 1.9 percent. Transport support services were lacklustre and there were declines in land freight and road passenger transport. The trade industry was down on the back of weaker retail and wholesale figures. The overall decline was partially offset by increased activities in the motor trade, tourist accommodation and restaurant, catering and fast-food sectors.

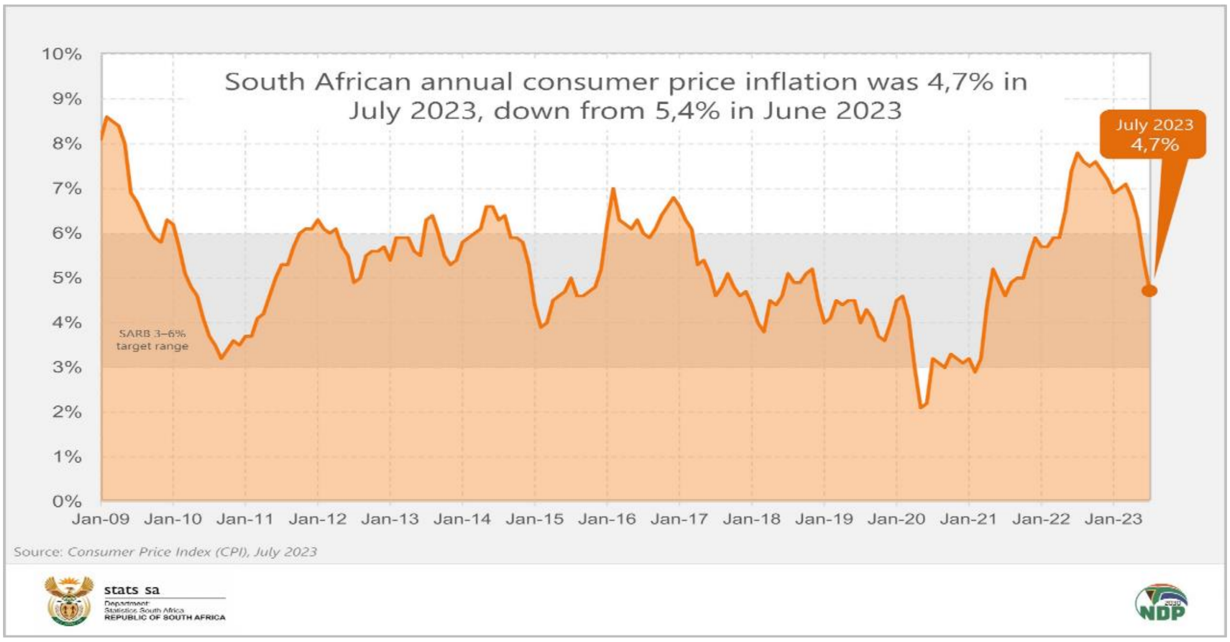
After holding its head above water for nine months, the construction industry lost steam in the second quarter. A decline in economic activity related to non-residential and residential buildings pulled the industry lower. There was a small uptick in construction works, but this was not enough to lift the industry into positive territory.

1.4 Headline Consumer Price Index (CPI)

1.4.1 SA Monthly CPI Change

South Africa's annual Consumer Price Inflation (CPI) slumped to 4.7 percent in July from 5.4 percent in June. This is the lowest reading since July 2021, when the rate was 4.6 percent. The consumer prices increased on average by 0.9 percent between June 2023 and July 2023. This is up from the monthly rise of 0.2 percent recorded in both May and June.

Figure 2:SA Monthly CPI

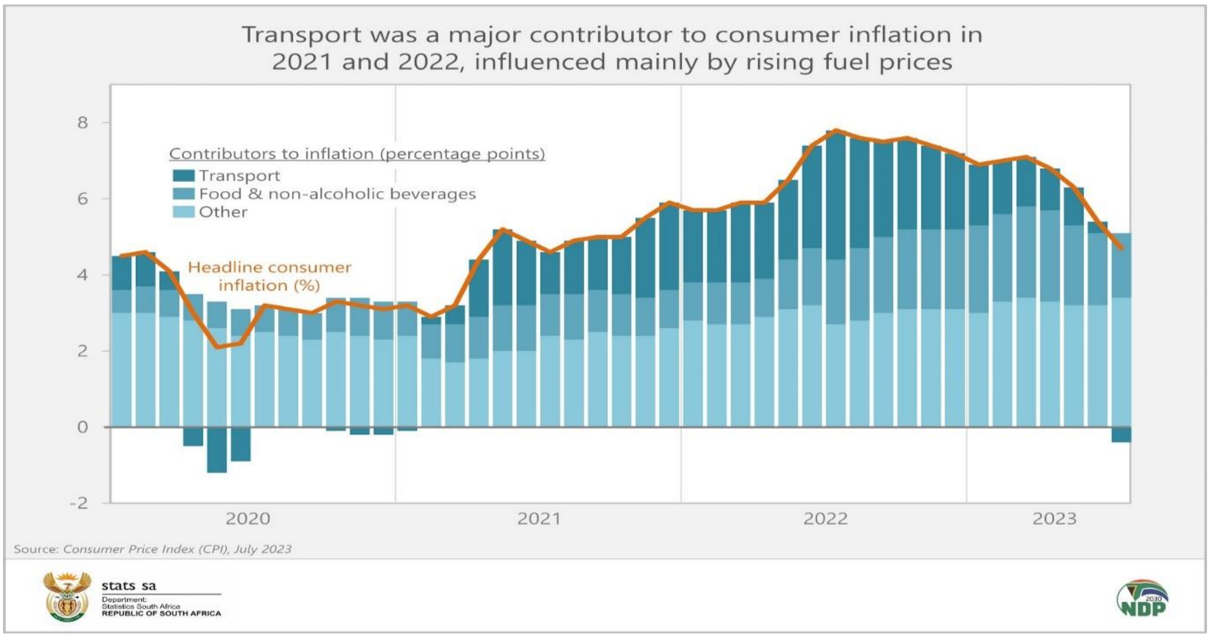


Source : StatsSA, 2023

1.4.2 Percentage Changes in Price Indices

Previously a major upward driver of inflation in the country, the transport category helped pull overall inflation down in July 2023. In 2021 and 2022, overall inflation was mainly pushed higher by transport, as shown in the chart below. Headline consumer inflation hit a thirteen year high of 7.8 percent in July 2022, with transport contributing 44 percent (3.4 percentage points) to the headline rate.

Figure 3:Contributors to CPI 2020 to 2023



Source: StatsSA, 2023

The increase in fuel prices were largely to blame for inflation increases. In July 2021 the price of inland 95-octane petrol was R17.39 per litre, increasing sharply to a record high of R26.74 per litre in July 2022. In that regard, South Africa's inflation rate would have been 5.5 percent instead of 7.8 percent in July 2022 if fuel prices were stable, according to Stats SA's analytical series. After peaking in July 2022, fuel prices began to ease. Inland 95-octane petrol receded to R22.46 per litre in July 2023. For a vehicle with a 50-litre fuel capacity, this translates to a saving of R214.00. The decline in fuel prices weakened the upward push of transport on consumer inflation. The annual rate for fuel was negative at 16.8 percent in July 2023. This dragged the transport category down into negative territory for the first time since January 2021. This also occurred in 2020 when annual transport inflation was negative from April to June and again from October to December.

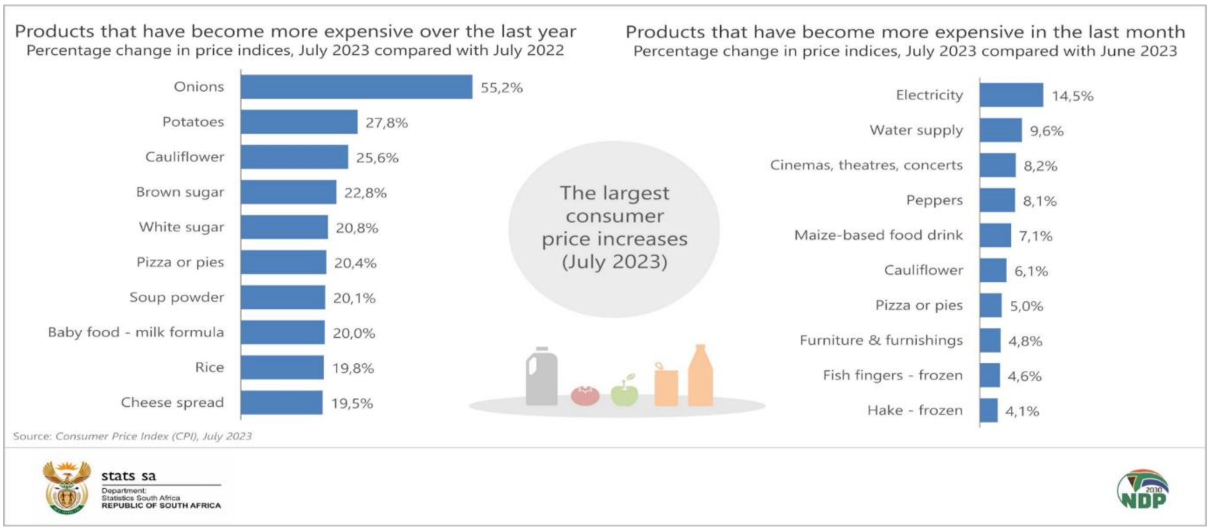
Food inflation has also eased, but not as quickly as transport. The annual rate for the food and non-alcoholic beverages (NAB) category was 9.9 percent in July, lower than June's print of 11.0 percent. Annual inflation for bread and cereals slowed to 13.1 percent from 15.5 percent in June. Maize meal, an important staple, was cheaper in July compared with June, with prices falling on average by 0.7 percent. Annual meat inflation declined for a fifth consecutive month, easing to 5.1 percent.

The CPI for the following items is continuing to be sticky, resisting the downward trend: Dairy; beverages; and sugar; sweets and desserts. The annual rate for milk, eggs and cheese increased to 14.4 percent from 14.1 percent in June. Cheese prices are rising sharply, with large annual increases recorded for cheese spread (up 19.5%), cheddar cheese (up 19.0%) and Gouda cheese (up 16.6%).

Annual inflation for hot beverages steamed to 9.0 percent in July from 8.7 percent in June, with the rate for instant coffee increasing from 10.3 percent to 11.5 percent. White sugar is on average 20.8 percent and brown sugar 22.8 percent more expensive than a year ago. The sugar, sweets and desserts category recorded an annual inflation rate of 18.7 percent, up from 16.4 percent in June. This is the highest reading for this category since May 2017. Inflation for alcoholic beverages is also picking up. The annual rate for the category increased to 7.8 percent in July from 6.9 percent in June. Annual wine inflation edged higher to 9.8 percent and beer saw its rate bubble up to 7.4 percent.

The graphs below show where consumers are currently feeling the pinch, listing the products that recorded notable price increases in July.

Figure 4:Price indices that recorded notable increases in July



Source: StatsSA,2023

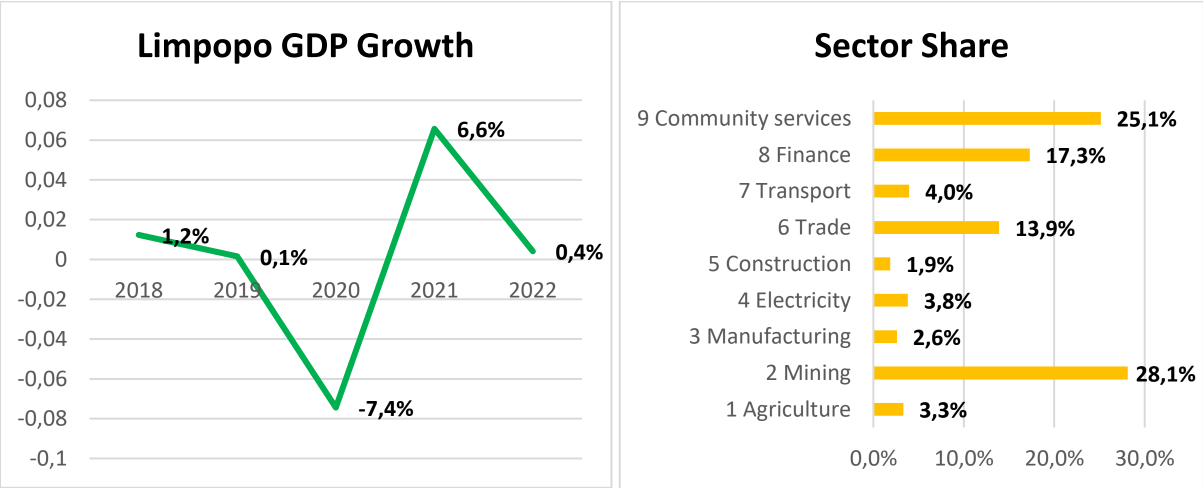
Stats SA surveys municipal tariffs every year in July and August. The housing and utilities index increased by 2.8 percent between June and July. On average, households are paying 14.5 percent more for electricity. Water tariffs increased by 9.6 percent and property rates by 2.9 percent. A final picture will emerge in the August consumer price index (CPI) release with the completion of the survey.

1.5 Limpopo Economic Growth

The economic growth of the province has been on sluggish over the recent years, growing on an average below 2.0 percent since 2010 to 2019 and the COVID-19 pandemic and the Russia-Ukraine war has worsened the situation, putting a negative dent to the growth prospects in the province. This has led to the downwards revision of the provincial economic growth prospects to 2.0 percent in the Limpopo Development Plan (LDP).

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



Source: IHS Regional Explorer, 2023

The Provincial economy is dominated by the Mining industry, with 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 widely 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. The province will require to invest and attract investors who can invest in mining beneficiation as this will assist in adding value to our mineral products and create employment for the young people in the province.

1.6 Visualizing the BRICS Expansion

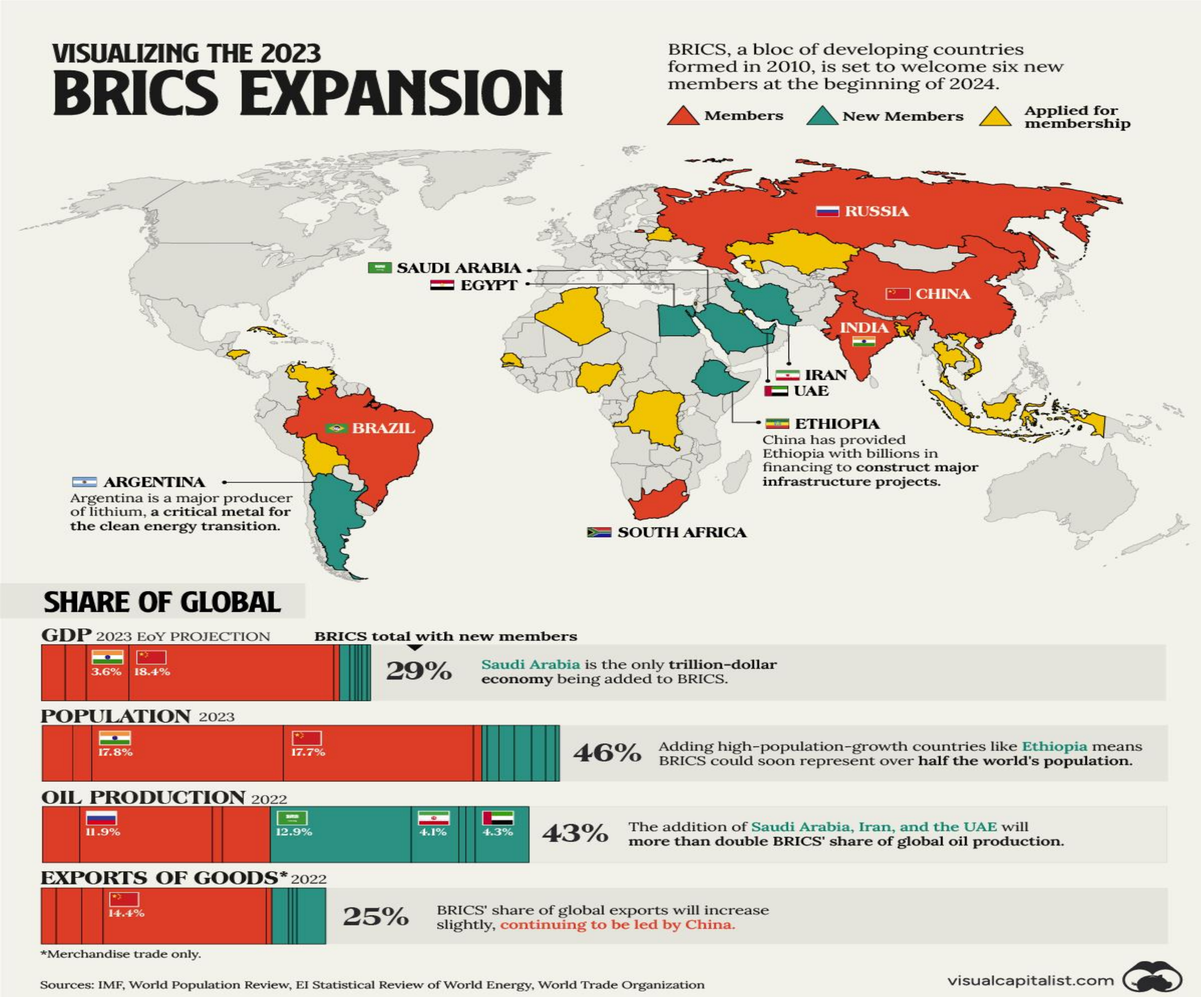
1.6.1 Overview of BRICS expansion

BRICS is an association of five major countries including Brazil, Russia, India, China, and South Africa. Distinguished by their emerging economies, the group has sought to improve diplomatic coordination, reform global financial institutions, and ultimately serve as a counterbalance to Western domination.

On Aug. 24, 2023, BRICS announced that it would formally accept six new members at the start of 2024: Saudi Arabia, Iran, Ethiopia, Egypt, Argentina, and the United Arab Emirates (UAE).

Below is a data-driven overview of how the BRICS expansion will grow the group's influence and reach.

Figure 6:Data-driven overview of BRICS expansion



Source: IMF, 2023

Most of the new BRICS members are considered to be developing economies, their addition to the group will not have a major impact on its overall share of GDP. The following table includes GDP projections for 2023.

Table 2:BRICS countries GDP projections for 2023 and % Share of Global Economy

Original BRICS Member	Country	GDP (USD billions)	Share of Global (%)
Yes	Brazil	$2,081	2.0%
Yes	Russia	$2,063	2.0%
Yes	India	$3,737	3.6%
Yes	China	$19,374	18.4%
Yes	South Africa	$399	0.4%
No	Saudi Arabia	$1,062	1.0%
No	Iran	$368	0.4%
No	Ethiopia	$156	0.1%
No	Egypt	$387	0.4%
No	Argentina	$641	0.6%
No	UAE	$499	0.5%
-	**BRICS Total**	**$30,767**	**29.3%**
-	**Rest of World**	**$74,362**	**70.7%**

Source: IMF, 2023

The original six BRICS members are expected to have a combined GDP of **$27.6 trillion** in 2023, representing 26.3 percent of the global total. With the new members included, expected GDP climbs slightly to **$30.8 trillion**, enough for a 29.3 percent global share.

1.6.2 Share of Global Population

BRICS has always represented a major chunk of global population thanks to China and India, which are the only countries with over 1 billion people. The two biggest populations being added to BRICS are Ethiopia (**126.5 million**) and Egypt (**112.7 million**). See the following table for population data from World Population Review, which is dated as of 2023.

Table 3:BRICS countries population projections for 2023 and % Share of Global population

Original BRICS Member	Country	Population	Share of Global (%)
Yes	Brazil	216,422,446	2.7%
Yes	Russia	144,444,359	1.8%
Yes	India	1,428,627,663	17.8%
Yes	China	1,425,671,352	17.7%
Yes	South Africa	60,414,495	0.8%
No	Saudi Arabia	36,947,025	0.5%
No	Iran	89,172,767	1.1%
No	Ethiopia	126,527,060	1.6%
No	Egypt	112,716,598	1.4%
No	Argentina	45,773,884	0.6%
No	UAE	9,516,871	0.1%
-	**BRICS Total**	**3.7 billion**	**46.0%**
-	**Rest of World**	**4.3 billion**	**54.0%**

Source: IMF, 2023

It is possible that BRICS could eventually surpass 50 percent of global population, as many more countries have expressed their desire to join.

1.6.3 Share of Oil Production

Although the world is trying to move away from fossil fuels, the global oil market is still incredibly large and BRICS is set to play a much bigger role in it. This is mostly due to the admission of Saudi Arabia, which alone accounts for 12.9 percent of global oil production.

Based on 2022 figures from the Energy Institute Statistical Review of World Energy, BRICS' share of oil production will grow from 20.4 percent to 43.1 percent.

Table 4: BRICS countries Share of oil for 2022 and % Share of Global Oil Production

Original BRICS Member	Country	Thousand Barrels per Day	Share of Global (%)
Yes	Brazil	3,107	3.3%
Yes	Russia	11,202	11.9%
Yes	India	737	0.8%
Yes	China	4,111	4.4%
Yes	South Africa	0	0.0%
No	Saudi Arabia	12,136	12.9%
No	Iran	3,822	4.1%
No	Ethiopia	0	0.0%
No	Egypt	613	0.7%
No	Argentina	706	0.8%
No	UAE	4,020	4.3%
-	**BRICS Total**	**40,454**	**43.1%**
-	**Rest of World**	**53,394**	**56.9%**

Source: Energy Institute Statistical Review of World Energy, 2023

It is worth noting that China has been pushing for oil trade to be denominated in yuan, and that Saudi Arabia's acceptance into BRICS could bolster this ambition, potentially shifting the dynamics of global oil trade.

1.6.4 Share of Global Exports

The last metric included in our graphic is global exports, which is based on 2022 data from the World Trade Organization. We can see that the BRICS expansion will grow the group's share of global exports (merchandise trade) to 25.1 percent, up from 20.2 percent.

Table 5:BRICS countries Share of Global Exports for 2022

Original BRICS Member	Country	Exports (USD billions)	Share of Global (%)
Yes	Brazil	334	1.3%
Yes	Russia	532	2.1%
Yes	India	453	1.8%
Yes	China	3,594	14.4%
Yes	South Africa	123	0.5%
No	Saudi Arabia	410	1.6%
No	Iran	73	0.3%
No	Ethiopia	3.9	0.02%
No	Egypt	49	0.2%
No	Argentina	88	0.4%
No	UAE	599	2.4%
-	**BRICS Total**	**6,259**	**25.1%**
-	**Rest of World**	**18,646**	**74.9%**

Source: World Trade Organization, 2022

Unsurprisingly, China is the world's largest exporter. Major exporters that are not a part of BRICS include the U.S. (8.3%), Germany (6.6%), the Netherlands (3.9%), and Japan (3.0%).

1.6.5 Who Else Wants to Join BRICS

According to Reuters, there are over 40 countries that have expressed interest in joining BRICS. A smaller group of 16 countries have actually applied for membership, and this list includes Algeria, Cuba, Indonesia, Palestine, and Vietnam. As the group grows in size, differing opinions and priorities among its members could create tensions in the future. For example, India and China have had numerous border disputes in recent years, while Brazil's newly elected President has sought to "kick-start a new era of relations" with the U.S. One thing that is certain, however, is that a new acronym for the group will be needed very soon.

1.7 Conclusions and Recommendations

Slow growth on the world economy is continuing, with global economic growth continuing to be supported mainly by Emerging Market and Developing Economies. The Russia-Ukraine war, as well as the trade tensions and tight financial conditions are the biggest risk factors lowering the world economic outlook. While growth is slowing down, there are ways that policymakers can shore up growth in the medium term and reduce the risks. This is a very sensitive moment for the global economy and it is very important for policymakers to do no further harm, as they need to work cooperatively to reduce the high levels of policy uncertainty in the world especially with regard to international trade policies.

With fiscal deficits and government debt above pre-pandemic levels, credible medium-term fiscal consolidation is in many cases needed to restore budgetary room for manoeuvre and ensure debt sustainability. Fiscal adjustment is currently projected to average 0.5 percent of GDP in 2024 (based on the change in structural fiscal balances) in both advanced economies and emerging market and developing economies. For economies with access to international markets, the pace of fiscal consolidation should depend on the strength of private demand. The composition of fiscal adjustment should protect targeted support for the most vulnerable. Phasing out untargeted fiscal measures, including those that blunt price signals such as energy subsidies is warranted, especially since energy prices have broadly returned to pre-pandemic levels. In cases in which countries are in or at high risk of debt distress, achieving debt sustainability may require not only well-timed fiscal consolidation, but also debt restructuring.

In South Africa, load shedding remains the biggest downside risk and drag on South Africa's and Limpopo province 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 and the province. The load shedding is continuing to have a negative contribution to the 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. Despite the sharp escalation in load shedding, economic activity in the second quarter of 2023 was healthier than expected. Though electricity supply will continue to be a growth risk, but the believe is that ongoing efforts in private generation will make the economy more resilient over time. The headline inflation is likely to ease furthering the year, which should lead to the South African Reserve Bank cutting rates in March next year. Central banks in economies with elevated and persistent core inflation should continue to clearly signal their commitment to reducing inflation. A restrictive stance with real rates above neutral is needed until there are clear signs that underlying inflation is cooling.

Load shedding will likely adversely affect other macroeconomic variables, for example the contractionary effect on growth could hamper a sustained recovery in employment; continuing 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.

The country and the province will need to come up with reforms that can loosen the labour markets, this can be done through encouraging participation and reducing job search and matching frictions. This can also include short-term training programs for professions experiencing shortages, passing labour laws and regulations that increase work flexibility policies. 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.