



STATE OF THE ETHEKWINI ECONOMY 2016/17



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SETTING THE SCENE: GLOBAL ECONOMY AT A GLANCE

"After years of disappointing global growth, we are encouraged to see stronger economic prospects on the horizon. Now is the time to take advantage of this momentum and increase investments in infrastructure and people. This is vital to accelerating the sustainable and inclusive economic growth required to end extreme poverty."

World Bank Group President Jim Yong Kim

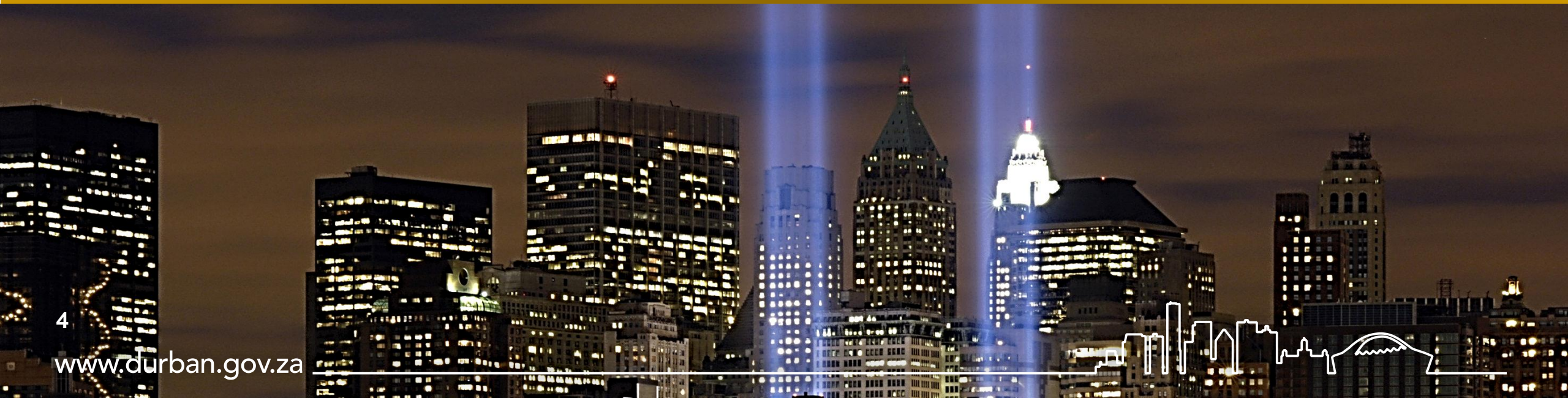
- Global growth: Differing forecasts- WB: 2.7% (2017), IMF: 3.5% (2017); 2.3% (2016); 2.6% (2015).
- Commodity prices have increased; and so has growth of developing economies reliant on commodity exports (their growth forecasted at 2.7% GDP growth in 2017; from 0.3% in 2016)
- Russia and Brazil have recovered from recession
- Growth forecasts for UK & USA reduced. Clouded by uncertainty about policy direction in these economies. This has resulted in a 'wait and see' attitude in investments.
- GDP growth of other advanced economies; expected to incr. slightly to 1.8%. Good for importers of SA goods.
- US fiscal expansionary policies expected to increase demand, **but** protectionist policies could contain this to local goods.



GLOBAL ECONOMY AT A GLANCE



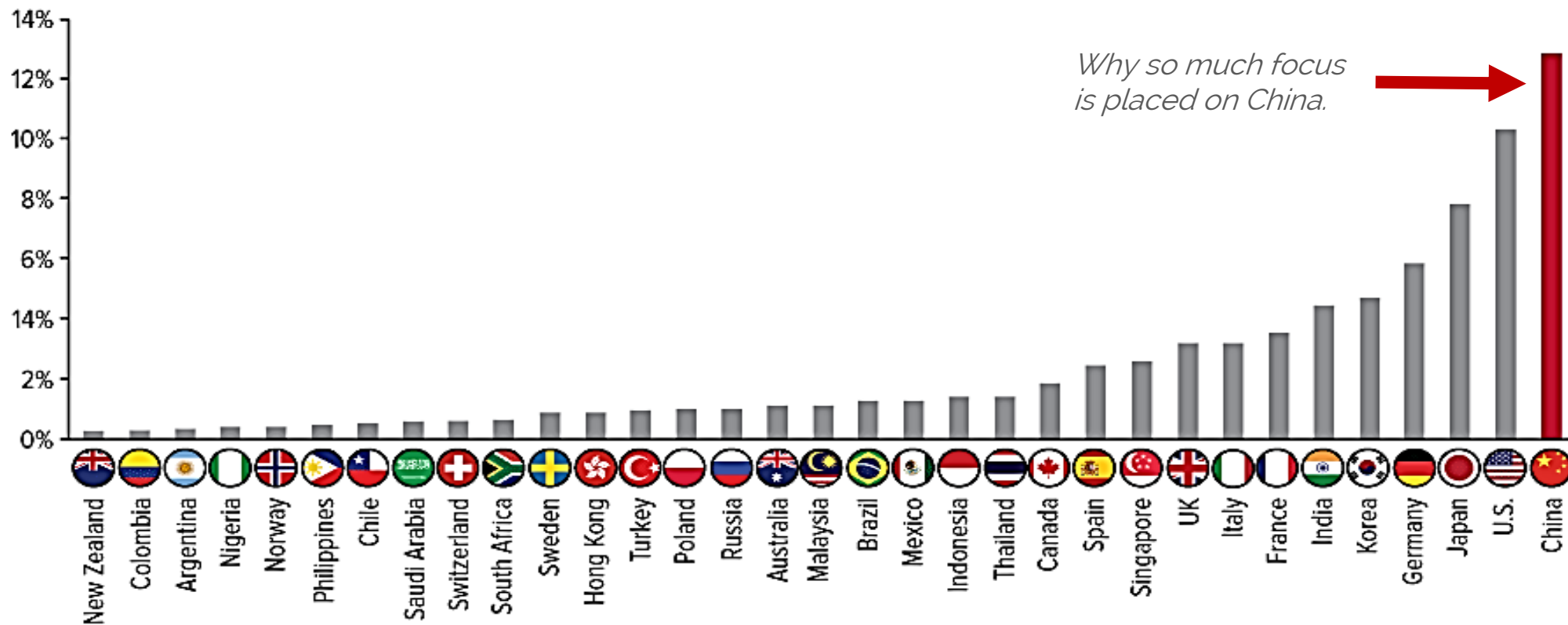
- China still projected to slow growth, at 6.5%, but other commodity importers will stabilise.
- Oil prices expected to recover significantly, but they will not soar (hence slight recovery for Russia).
- UK will receive trade offers and set new arrangements outside of the EU.
- In response to Donald Trump's promise to cancel some free trade agreements, African Union has responded by promising a Continental Free Trade Area in 2017.
- Germany's Merkel calls for more support for Africa's economy by G20 countries; in order to disincentivise economic refugee flow into Europe (dubbed "compact with Africa").



SETTING THE SCENE contd..

GLOBAL ECONOMY AT A GLANCE

SHARE OF GLOBAL COMMODITY IMPORTS PER COUNTRY



OVERVIEW OF KEY ISSUES IN AFRICA

"Africa's only hope is to honor the decision to commence its own Continental Free Trade Area in 2017"

Former Chairperson of the African Union Nkosazana Dlamini-Zuma

- Sub-Saharan Africa growth 2.9% (WB)
- This is the net effect of increased commodity prices and increased oil production in Nigeria on one hand, but drought in Kenya, struggling oil returns in Angola, and dampened growth in South Africa.
- However, given the fragile state of economic recovery and the high volatility of commodity prices this forecast is uncertain.
- Another issue at play in Africa..



AFRICA MUST



TRADE MORE..

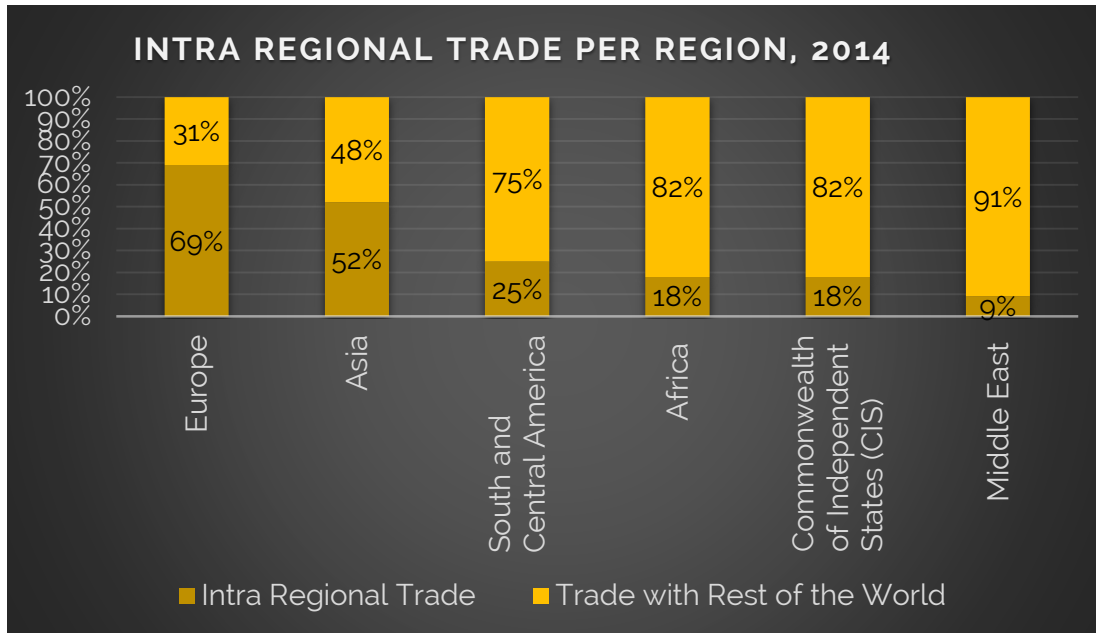
- Continent is reaching the point where it requires more economic independence. Commodity demand vulnerability is too high, protectionism increasing, interest rates in developed economies are increasing, and other global regions require more NGO donor support than ever before.
- Africa's blistering pace of urbanisation, combined with the so-called youth bulge – especially the high proportion of young people with few job prospects – is a major risk factor for instability.
- Western donor attention has substantially shifted to the refugee and migrant crisis in Europe, and tighter external financial conditions for Africa's frontier markets have led to sizeable capital outflows. Also, Africa's declining influence in multilateral trade agreements. One solution: Continental Free Trade Area (CFTA).
- CFTA: single continental market for goods and services, with free movement of business persons and investments. Intra Africa trade could increase by a further 5.3%, or even more than double to 21.9% by 2020. Initially expected to be adopted in December 2017, but this is unlikely as progress by the AU is unclear.

...WITH HERSELF

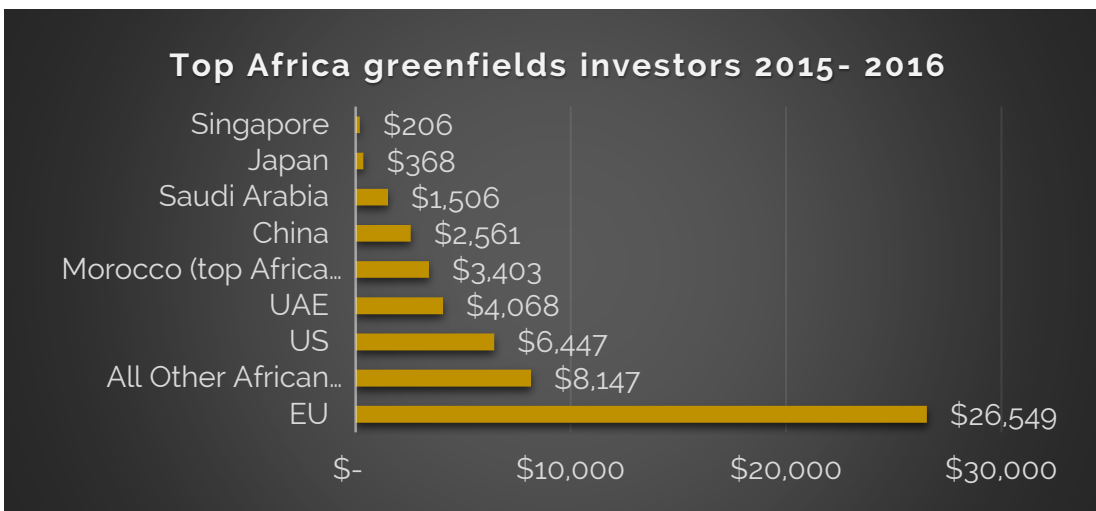


- Currently, only 18% of trade in Africa is conducted with other African countries.
- Despite immense potential, regional integration is hampered by distance, infrastructure, internet access and political stability.
- Since 90% of Africa's trade is conducted by ocean, much emphasis must be placed on upgrading ports.
- Notable activities addressing this, include World Economic Forum Open Africa initiative launched at WEF Africa 2017, as well as the East Africa Standard Gauge Railway (to connect Kenya, Uganda, Rwanda and South Sudan)





SOURCE: World Trade Organisation, 2017



SOURCE: 2017 World Investment Report Investment and the Digital Economy UNCTAD, 2017

- This is coupled with a planned Boosting Intra-African Trade (BIAT) programme; which aims to double intercontinental trade by 2022.
- In light of this, future industries are of increasing importance. E.g. In the year 2000, there were only 30,000 cellphones in the whole of Nigeria; by 2012 there were 113 million. Africa must become creators and not just consumers of technologies.
- Africa's top ten growth (consumer expenditure) cities by 2030: Abuja, Duala, Kisumu, Nairobi, Mombasa, Yaounde.
- The key hub economies (South Africa, Nigeria, Kenya, Egypt and Morocco) remain Africa's top recipients by FDI projects. EY ranks key attractive countries in Africa as SA, Morocco, Egypt, Kenya, Mauritius.





SOUTH AFRICAN ECONOMY..

ADAPTATION AND RESILIENCE

- Low growth, high unemployment
- Stubborn structural challenges – many SA people unemployable without skills
- Policy uncertainties gradually affecting investment
- Sovereign downgrades, and in all banks, SOEs, key firms

but

- Resilience of SA economy amidst challenges- 2.5% growth in Q2 17
- Recovery in key 2016 issues - commodity prices, drought- lead to recovery in mining & agriculture
- SA still on radar for global investment (e.g. Citi Group WGBI)
- SA still has among some of the highest levels of investment in Africa (Egypt)

SOUTH AFRICAN ECONOMY cont...



Good

- SA still **recognised by global investors** (SA still on major global bond indices).
- SA still acknowledged as having **sound financial systems** (public and private), although the ranking for this has recently dropped. SARB governor recently named Africa's Central Bank Governor of the Year (Sub-Saharan), by Global Capital.
- **Commodity prices have recovered** (SA economy still highly dependent on commodities).
- SA has recovered from the extent of drought reached in 2016 (although KZN and WC still report dam levels below 50%).
- SA has recovered from load shedding (although threats of limited supply and surging demand have resurfaced)
- Sovereign downgrades have mainly been only on SA's foreign currency debt (10.3% of total debt in 2017).
- **Labour strikes on the decrease.**
- **Investment sentiment increasing**, albeit slightly, amongst global Investment Promotions Agencies.
- SA Q2 2017 growth rate has **taken the country out of recession.**
- Recent **drop in repo rate by 25 basis points** to 6.75% a much needed boost to consumer confidence (although) this could prove problematic for the country's already high inflation rate).



SOUTH AFRICAN ECONOMY cont...



Bad

- SA economy has been on a **downward growth path since 2009**- low growth, high unemployment, moderate inflation – no clear recovery/ economic structural change in sight. Both fiscal and monetary policies have been either inadequate or ineffective to support economic growth.
- SA (along with Kenya and Nigeria) singled out by the World Bank as one of the countries with a **deterioration in political certainty**. This is hindering investment; markets are in 'wait and see' mode.
- Q4 2016 and Q1 2017 negative growth rates, (-0.3%) and (-0.7%), meant that South Africa was in technical recession; while country has recovered, the low extent of troughs in SA's economic cycles are concerning.
- **Inequality and lack of inclusive growth** is a stubborn recurring theme; contributing to social instability.
- **Rising** food **prices**, rising oil prices, and rising service costs.

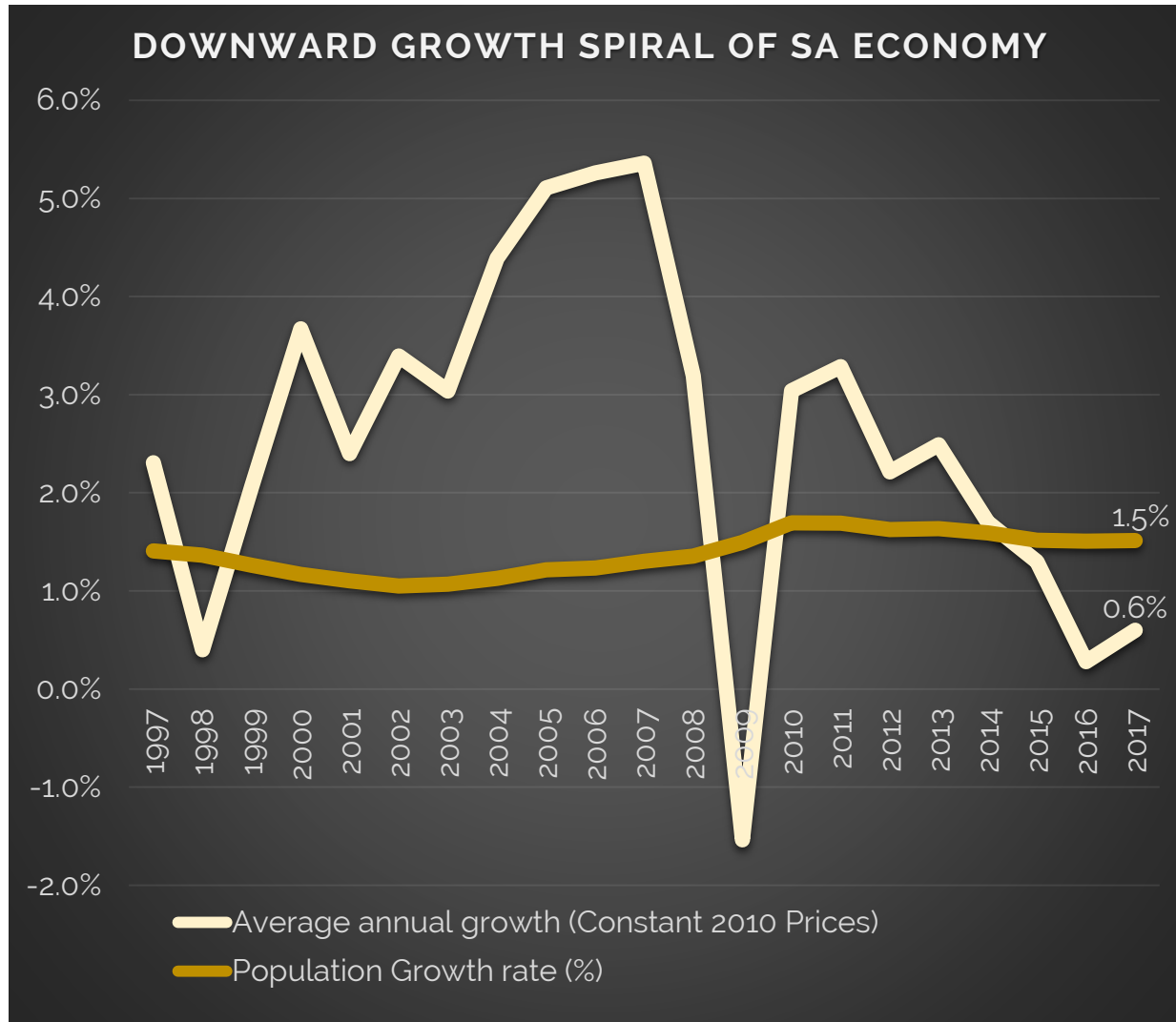
SOUTH AFRICAN ECONOMY cont...

Above upper band of 3%-6% target

- GDP (SA Treasury): 2% (2015), 0.5% (2016), **0.6% (2017, WB)**, 1.8% (2018, S&P)
- CPI (SA Treasury, annual average): 5.4% (2015), 6.4% (2016), **6.4% (2017)**, 5.7% (2018), 5.6% (2018)
- Current Account (Exports: Imports) to GDP (SA Treasury): -4.1% (2015), -4.0% (2016), -3.9% (2017), -3.7% (2018)
- Budget Deficit (Gvt Revenue: Expenditure) to GDP (SA Treasury): 3.9% (2015), 3.4% (2016), 3.1% (2017), 2.8% (2018)
- Reserve Bank (Repo) interest rate (SARB): 6.75 (July 2017), 7.00% (Feb 2017), 6.75% (Feb 2016), 5.75% (Feb 2015)
- National Debt as % of GDP (incl. service costs): 47.5% (2015); 49.1% (2016); **49.6%** (2017); **49.8%** (2018)
- **Moody's rating** for South Africa sovereign debt is **Baa2** (rating unchanged) – negative watch (outlook unchanged)
- **S&P's** credit rating for South Africa stands at **BBB-** (rating unchanged); negative outlook (outlook unchanged)
- **Fitch's credit rating** for South Africa is **BBB-** (rating unchanged); negative outlook (outlook dropped)



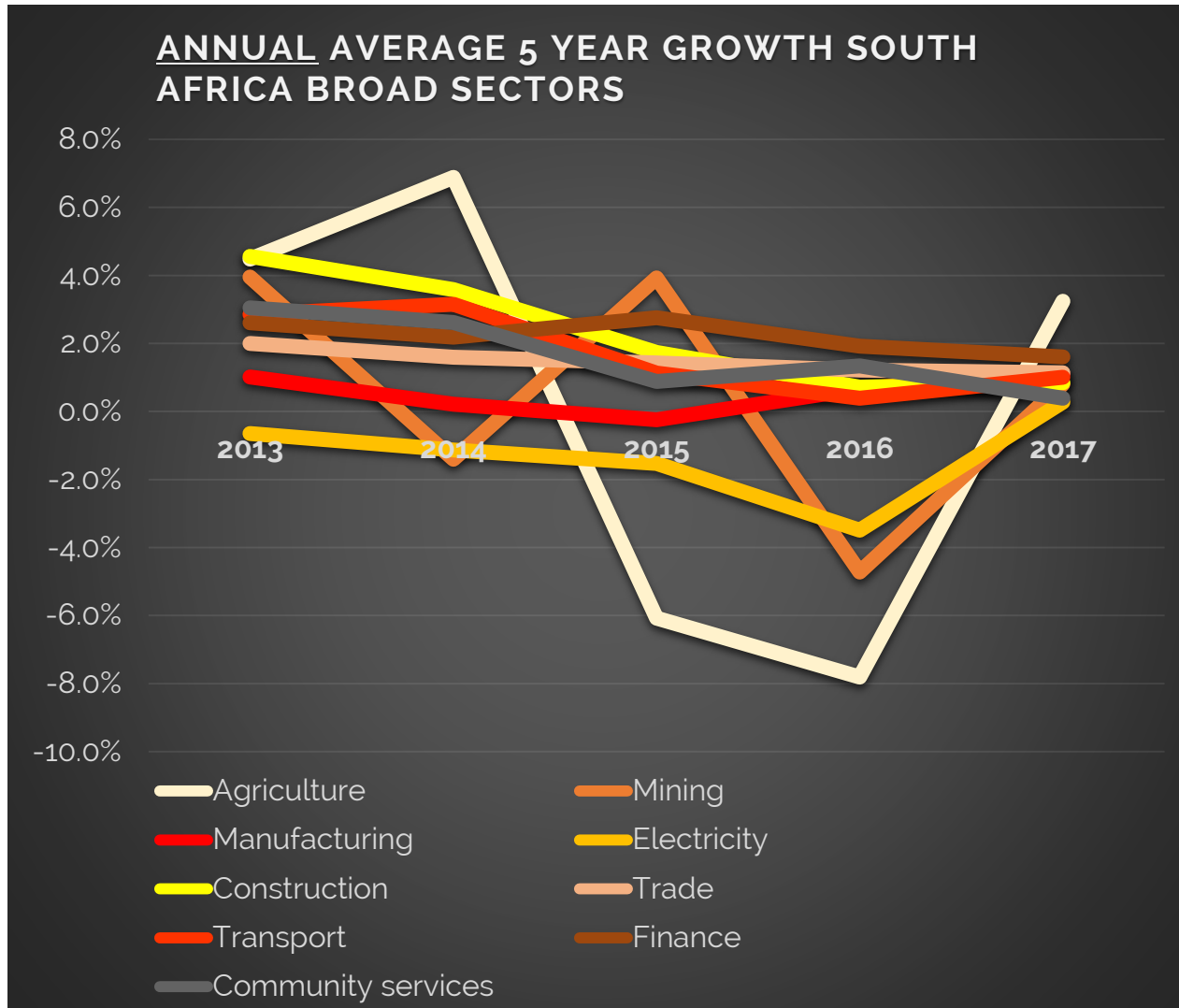
SOUTH AFRICA GROWTH TRENDS OVERVIEW



South Africa's economic growth is less than population growth, similar to trend during 2009 global recession period. SA economy not keeping up with the people it should provide for.

SOURCE: IHS Global Insight Economic Indicators, 2017

SOUTH AFRICA GROWTH TRENDS OVERVIEW



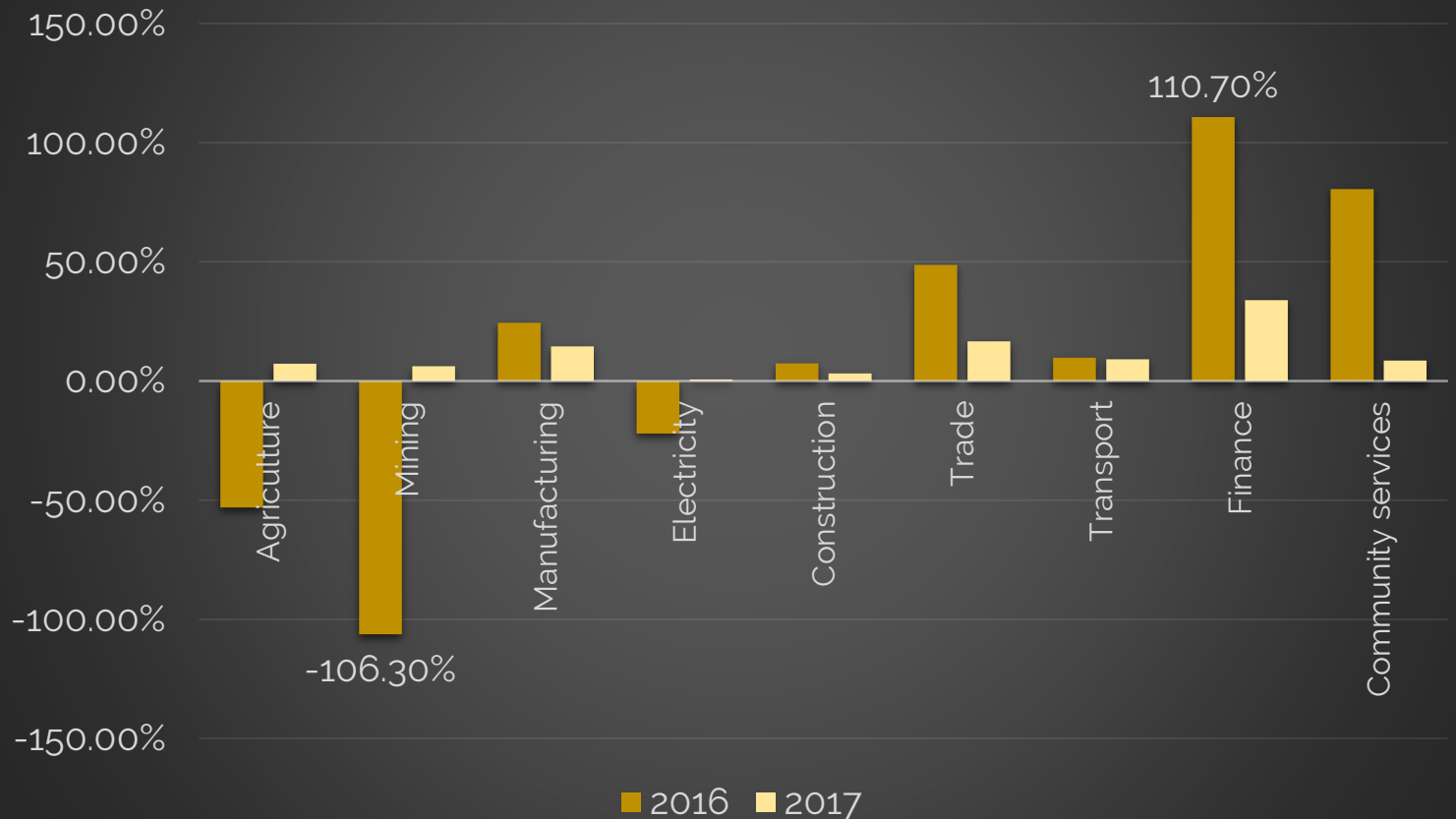
- Primary sectors, and electricity displayed worrying trends in 2017, but recovery has been seen throughout 2017. This is primarily due to the recovery in commodity prices throughout 2017.
- Finance and other tertiary sector industries such as trade and community services continue to perform exceptionally well, and in 2016 saved the economy from contraction. South Africa's economy is maturing further into tertiary sector dominated economy, with finance and business services contributing 111% to South Africa's (0.3%) growth in 2016. Had it not been for their contribution, economic growth would have been negative.

SOURCE: IHS Global Insight Economic Indicators, 2017

GROWTH TRENDS OVERVIEW CONTD...



BROAD SECTOR PERCENTAGE CONTRIBUTION TO ECONOMIC GROWTH



*This answers the question... "How positively or negatively did each sector contribute to **economic growth** in 2016 and (forecasted), in 2017?"*

Although agriculture and mining have displayed impressive growth rates in 2017, their real proportional contribution to national GDP is only 10% combined (8% and 2% respectively), meaning that their high growth rates have limited real contribution to the country's combined growth rate.

GLOBAL CREDIT RATINGS SCALE



Most of South Africa's bond ratings are concentrated at "speculative grade", meaning SA bonds are not considered ideal for investment, and investors that do accept SA bonds demand higher repayment interest rates.

Ratings Classification	Moody's	Fitch	S&P
Highest grade credit	Aaa	AAA	AAA
Very high grade credit	Aa1, Aa2, Aa3	AA+, AA, AA-	AA+, AA, AA-
High grade credit	A1, A2, A3	A+, A, A-	A+, A, A-
Good grade credit	Baa1, Baa2, Baa3, Baa4	BBB+, BBB, BBB-	BBB+, BBB, BBB-
Speculative grade credit	Ba1, Ba2, Ba3	BB+, BB, BB-	BB+, BB, BB-
Very speculative grade credit	B1, B2, B3	B+, B, B-	B+, B, B-
Substantial risks - in default	Caa1, Caa2, Caa3, Ca	CCC, CC, C, RD, D	CCC+, CCC, CCC-, CC, C, D

KEY GLOBAL CREDIT RATINGS IN SA ECONOMY



Ratings agency	Foreign currency	Domestic currency	Definition	Outlook	Date
Fitch	BB+	BB+	Speculative/ Non-investment grade	Stable	Jun-17
S&P	BB+	BB+	Speculative/ Non-investment grade	Negative Watch	Jun-17
Moody's	Baa3		Lower medium investment grade	Negative Watch	Jun-17

Total gross loan debt by RSA central gvt.	R 2,262,687,000,000
Domestic	R 2,051,157,000,000
Foreign	R 211,510,000,000
Other Debt	R 20,000,000

Moody's is the only ratings agency that has rated SA bonds at investment grade. As a result, SA is technically not at junk status.

In August 2017, Moody's also reported considering a change in outlook from 'negative' to 'stable'.

Downgraded debt (current proportion = 10.3%)



KEY GLOBAL CREDIT RATINGS IN SA ECONOMY



SA Banks ₁	Fitch (Apr-17)	S&P (Apr-17)	Moody's (Jun-17)
FirstRand Bank Ltd	BB+	BB-	Baa3
Nedbank Ltd	BB+	BB+	Baa3
Absa Bank Ltd	BB+	BB+	Baa3
Investec	BB+	BB+	Baa3
Standard Bank Ltd	BB+	-	Baa3
Outlooks	Stable outlook	Negative outlook	Negative outlook

State owned entity	Fitch	S&P	Moody's
Eskom	BB+ (-)	B+ (-)	Ba2 (-)
Transnet	BB+ (stable)	BB+ (-)	Baa3 (-)
Telkom	BBB- (-)	BBB- (-)	Baa3 (-)

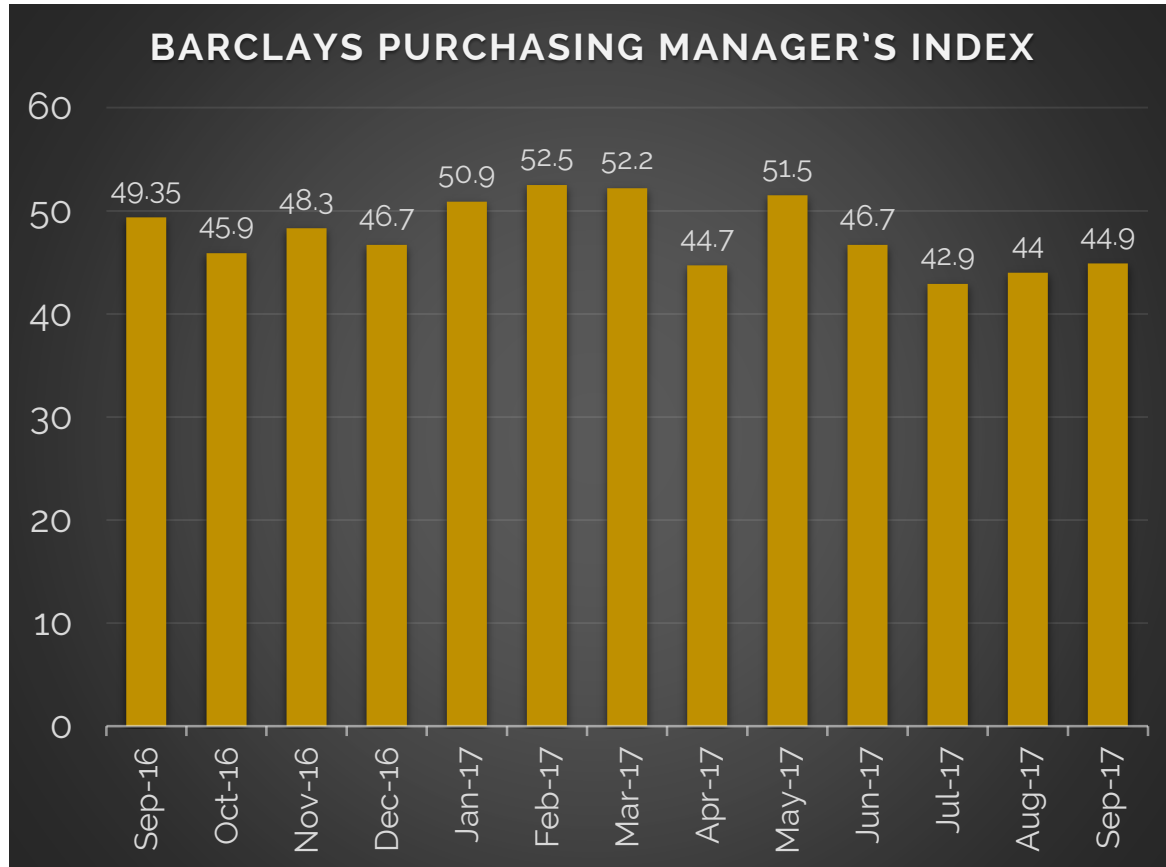
Banks: SA banks were downgraded mainly because, as a (loose) principle, bank bonds cannot be rated higher than sovereign bonds.

SOEs: Telkom bonds are rated the best (good grade credit) while Eskom's are rated the worst (very speculative), better and worse than sovereign bonds respectively.

1- Long term counterparty/ issuer foreign credit ratings only

2- Long term corporate foreign credit ratings only. Other SOEs, incl. Denel, SA Express, Alexkor and SAFCOL either not rated, or only subscribe for national (not global) ratings

BUSINESS PERFORMANCE INDICATORS: MANUFACTURING IN SA

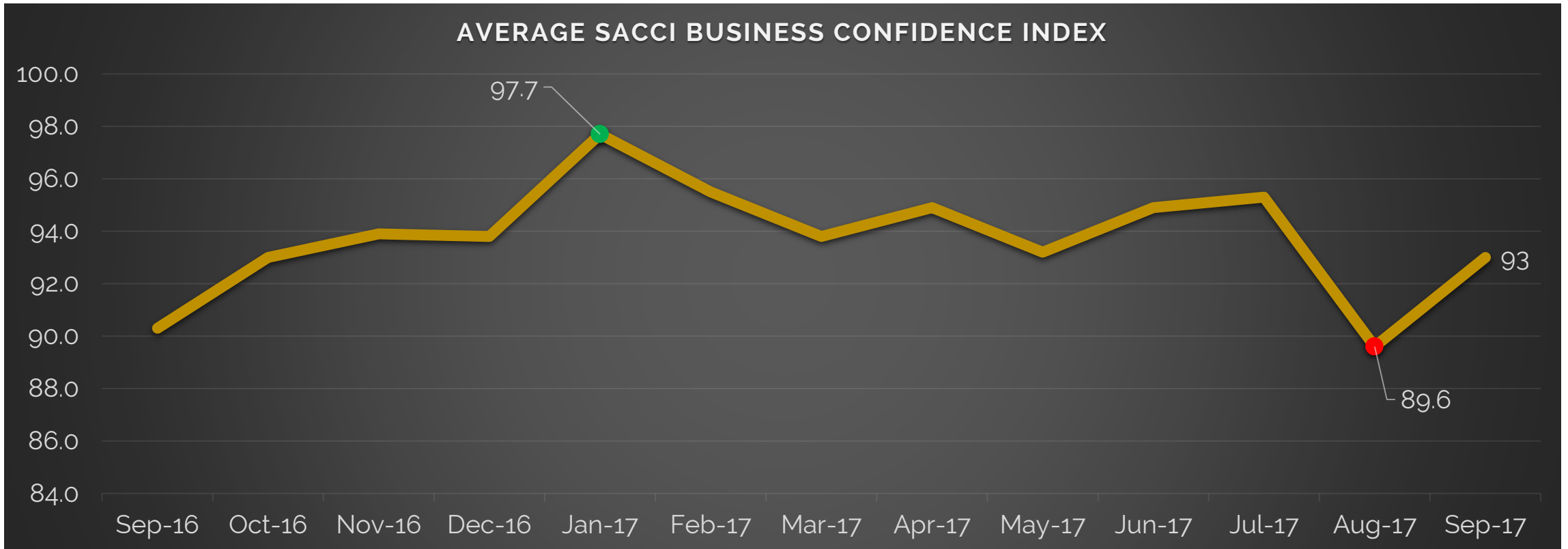


SOURCE: ABSA Media Centre, 2017

- PMI is an indicator of manufacturing health and is calculated based on new orders, inventory levels, production, supplier deliveries and the employment environment. PMI of 50 and above = expansion in industry. PMI of below 50 = contraction in industry.
- Drop in July, due to a decline in economic activity, particularly in new sales orders.
- Despite the PMI being at 2009 levels, the gradual pick up in August and September is due to an increase in new sales orders index; mainly due to an increase in exports, and not domestic demand.
- This is promising for the economy.



BUSINESS CONFIDENCE



- South Africa's business confidence reached its peak in Jan 2017, following efforts of Team South Africa to Davos.
- Following policy and stability uncertainties in the economy, as well as low growth and low capital formation, business confidence dropped to its lowest in over 35 years.
- Recovery is the result of recovery in the economy, in areas such as increased exports- and may be due to improved commodity prices.

SOURCE: South African Chamber of Commerce and Industry, 2017

INVESTMENT



Figure I.29. IPAs' selection of most promising home economies for 2016–2018
(Per cent of IPA respondents selecting economy as a top source of FDI)

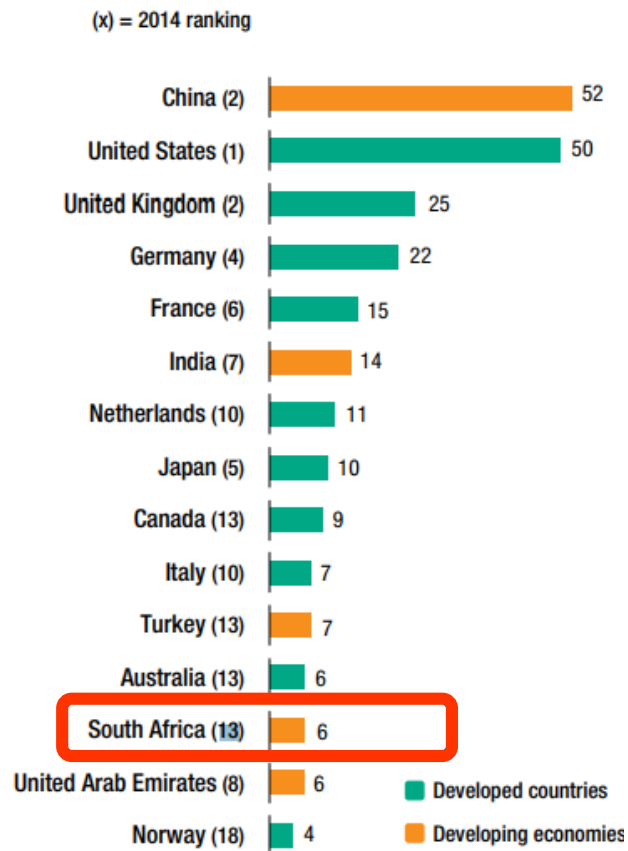
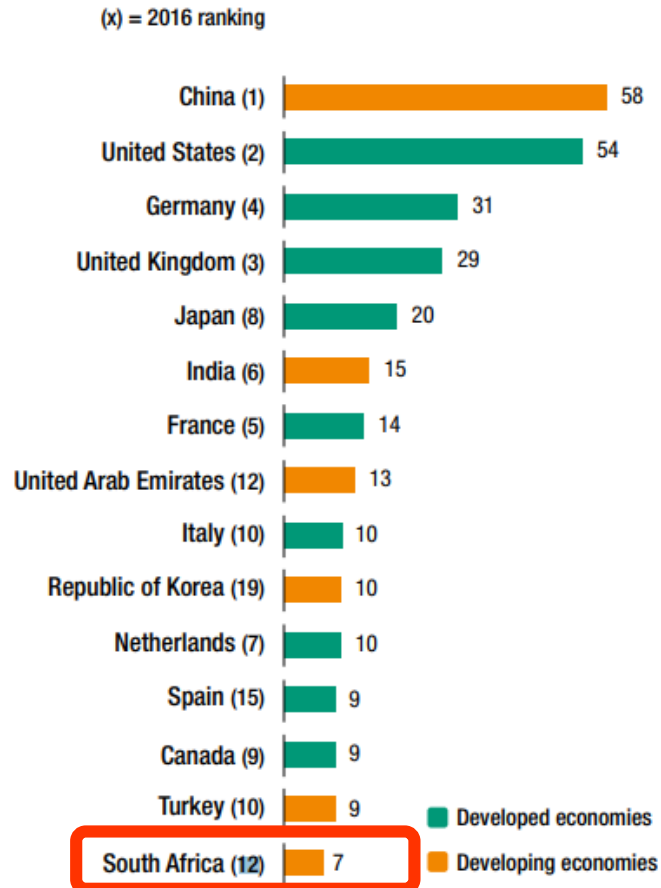


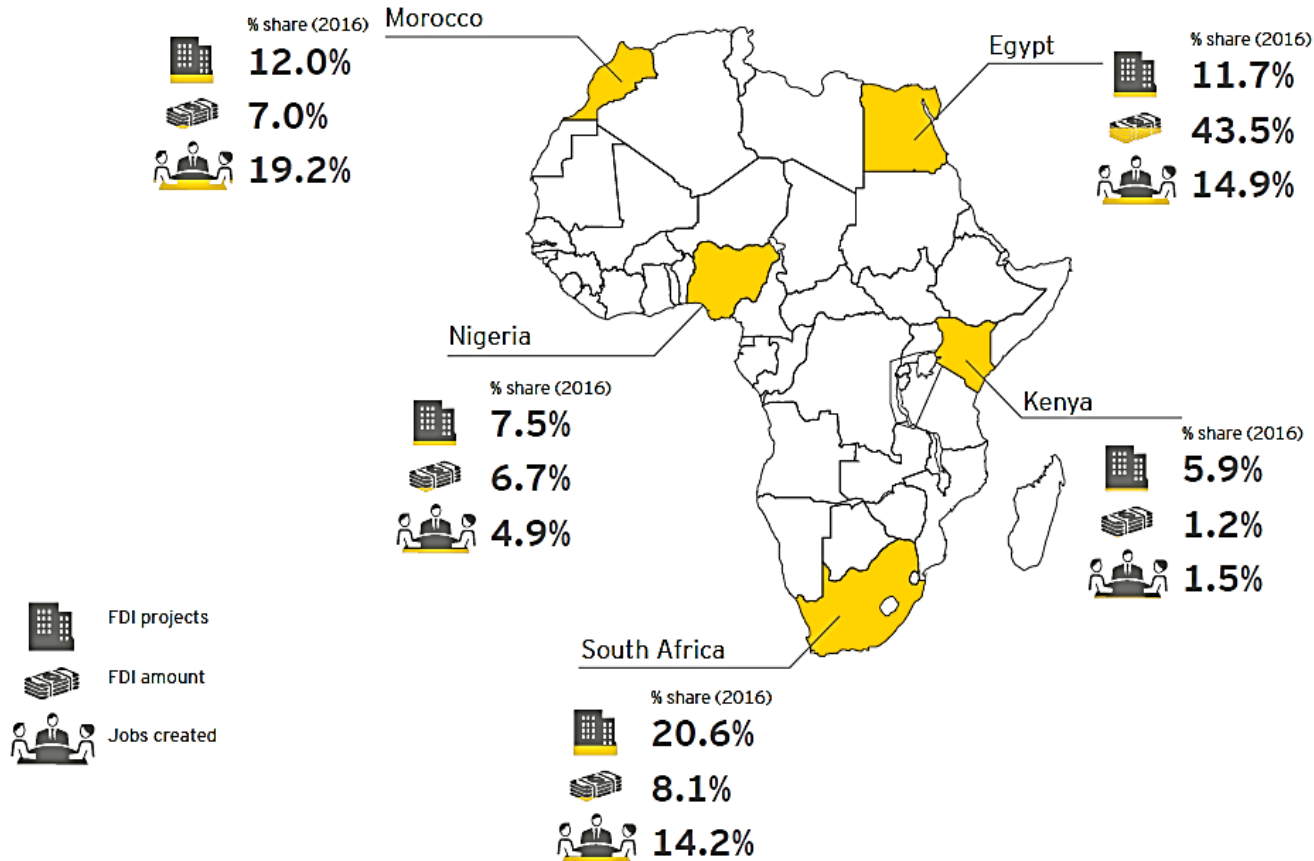
Figure I.7. IPAs' selection of most promising home economies for 2017–2019
(Per cent of IPAs responding)



- Between 2014 and 2016, 80 investment promotions agencies (IPAs) globally were surveyed by UNCTAD**.
- Interestingly, a higher % (albeit only 1%) of IPAs selected SA as a promising investment destination since 2014.
- In 2016, SA is ranked by IPAs as the 7th most promising home economy for investment.
- Despite domestic challenges, South Africa's global investment rank has also increased by one place since then.

***The same survey is conducted on top executives from global transnational corporations, but SA does not feature prominently in these results.*

INVESTMENT



FDI in Africa, 2016

SOURCE: 2016 EY attractiveness Report, 2017

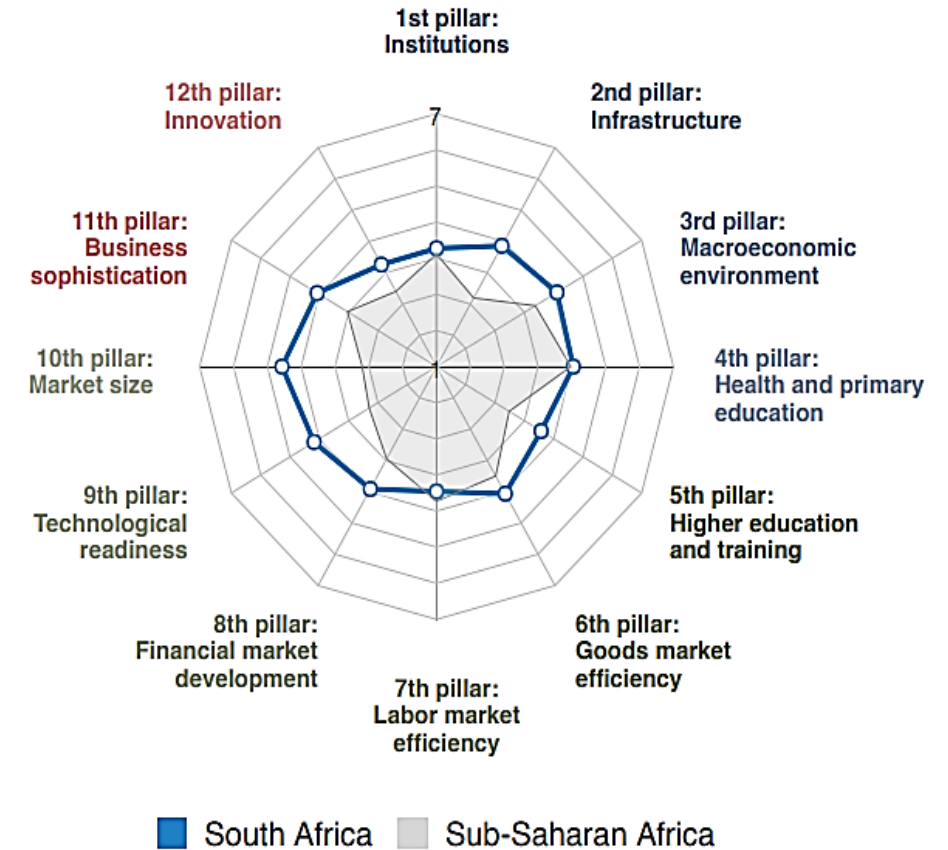
- Despite current state of SA economy, it is still the launch pad for growing across the continent.
- SA experienced a 6.9% increase in FDI projects from 2015 (to 2016).
- SA had highest number of FDI projects in Africa, although the highest FDI capital value was in Egypt (a new administrative capital and industrial City are being built).
- There was a strong pick-up in FDI activity in the consumer products and retail (CPR) sector: projects more than doubled from 19 in 2015 to 41 in 2016.
- Nestlé officially inaugurated its instant coffee factory in KZN after investing R1.2 billion in the plant's expansion April 2016,



SOUTH AFRICA'S BUSINESS COMPETITIVENESS



- According to the World Economic Forum Global Competitiveness Report, South Africa ranks 61st of 137 countries in 2017/ 18, re its competitiveness as a global business destination. SA was 47th last year.
- Highlights:
 - The ranking of SA's institutions dropped 36 places (e.g. the "strength of auditing standards" dropped from 1st place in the world, to 30th)
 - Financial market development ranking dropped 33 places
 - Labour market efficiency has increased- in real and relative terms.
 - Corruption, crime and theft, and gvt instability have risen to top 3 concerns of business executives.
- In some instances, South Africa's actual scoring does not decrease- for example scoring of "Innovation", and more direct business and economic indicators like "Business sophistication", "Macroeconomic environment" and "Market size" remain the same, but because other economies have improved their conditions, SA is less competitive.



SA's scoring per criteria in 2017/18; where 1 is the worst score and 7 is the highest.

SOUTH AFRICA'S BUSINESS COMPETITIVENESS RANKING



Institutions - ↓ 36 places



Infrastructure- ↑ 3 places



Macroeconomic environ. - ↓ 3 places



Health and primary educ. - ↑ 2 places



Higher educ. & training - ↓ 8 places



Goods market efficiency- ↓ 26 places



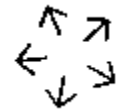
Labour market efficiency - ↑ 4 places



Financial market develop. - ↓ 33 places



Technological readiness - ↓ 5 places



Market size - ■ no change



Business sophistication - ↓ 7 places



Innovation - ↓ 4 places



DOING BUSINESS IN SOUTH AFRICA cont...



Topics	DB 2017 Rank	DB 2016 Rank	Change in Rank
Overall	74	72	↓ 2
Starting a Business	131	125	↓ 6
Dealing with Construction Permits	99	98	↓ 1
Getting Electricity	111	108	↓ 3
Registering Property	105	100	↓ 5
Getting Credit	62	60	↓ 2
Protecting Minority Investors	22	18	↓ 4
Paying Taxes	51	49	↓ 2
Trading across Borders	139	137	↓ 2
Enforcing Contracts	113	110	↓ 3
Resolving Insolvency	50	51	↑ 1

In 2017...

(In real terms) starting a business is actually 'easier' because of SA's online CSD portal, where one can search for a company name

It is more expensive to transfer property - property transfer tax has increased

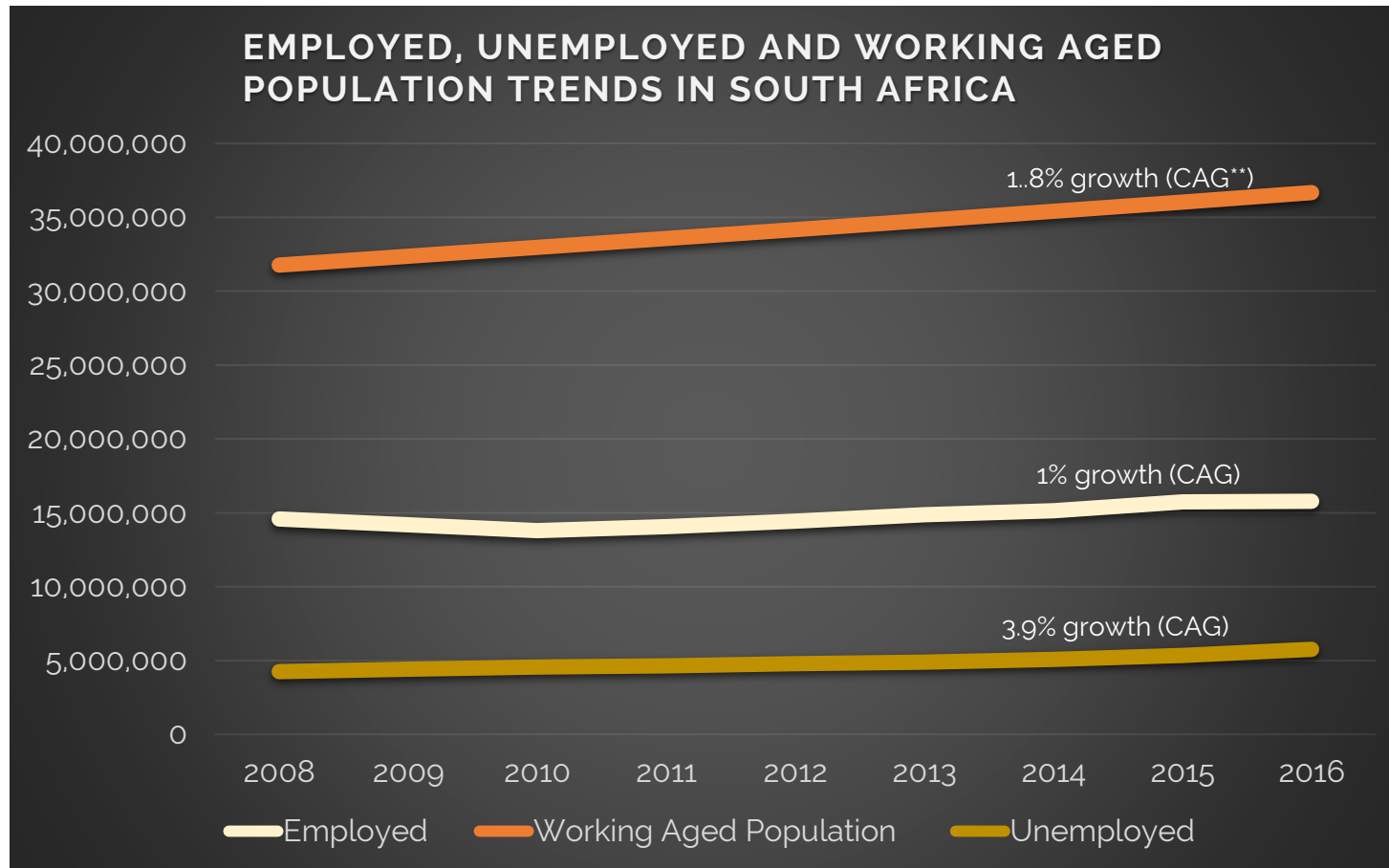
Business tax is more expensive -the rates of vehicle and property tax have increased. Paying taxes is also more complicated as the time it takes to prepare VAT returns has been increased.

SOURCE: World Bank, Doing Business in South Africa Report, 2017

- South Africa's ranking in doing business has declined on almost all fronts.
- The subnational doing business reforms are currently underway in all the metros of South Africa, and will be completed in 2017. This should increase South Africa's doing business rank.



NATIONAL LABOUR RATES



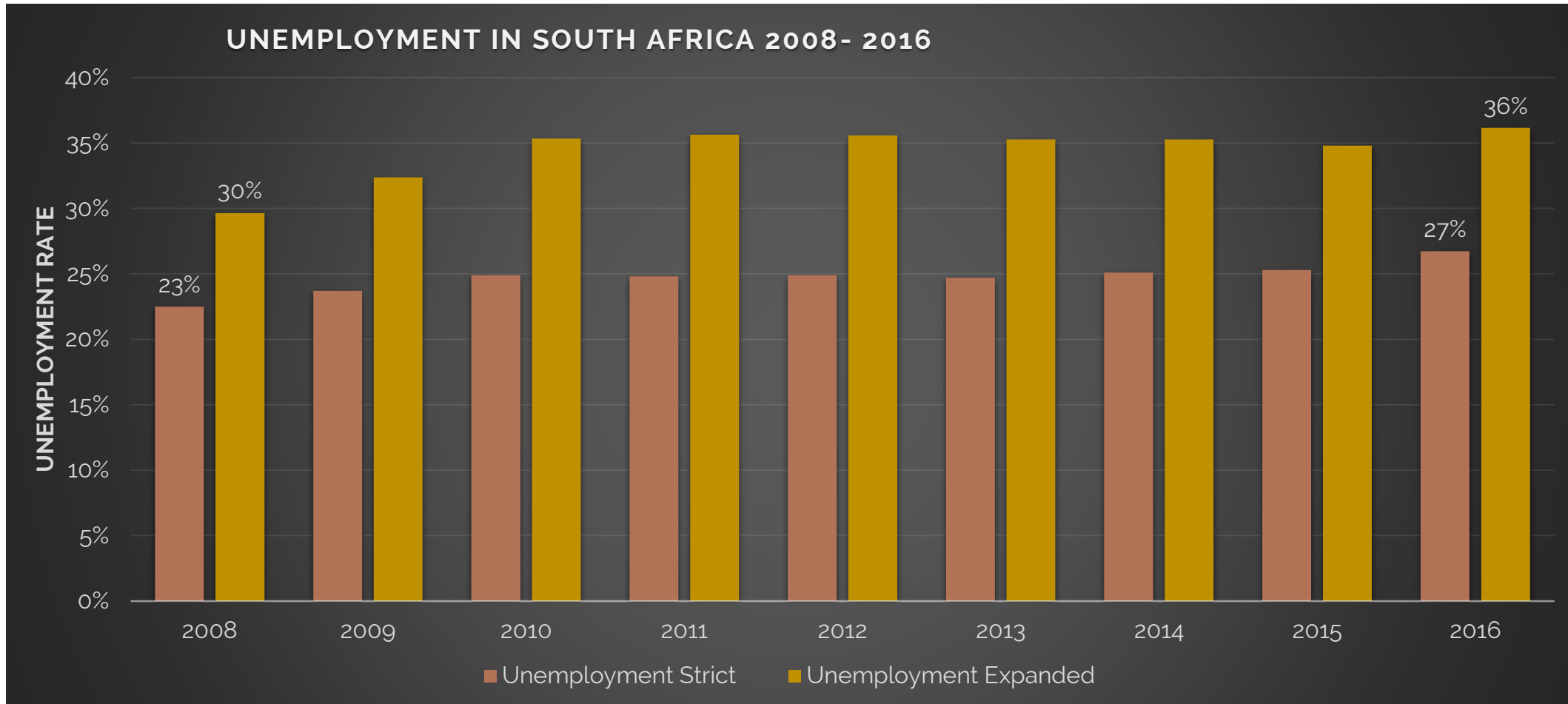
- The national working aged population is growing at a faster pace than the employed population.
- Between 2015 and 2016, employed grew by 0.3%, while unemployed grew by 7.6%. Employment would have to grow at over 6% pa for the next 10 years for unemployment to be eliminated; assuming unemployment and working aged population grow at the same rate.

SOURCE: Stats SA QLFS Time Series Data; Quantec, 2017

**Compound Annual Growth rate



NATIONAL LABOUR RATES



SOURCE: Stats SA QLFS Time Series Data; Quantec, 2017

- South Africa's average annual unemployment rate was 27% in 2016. In Q2 2017 this has risen to 27.7%. The proportion of discouraged jobseekers in the country has also increased since 2008, although marginally.



STATE OF THE ETHEKWINI ECONOMY



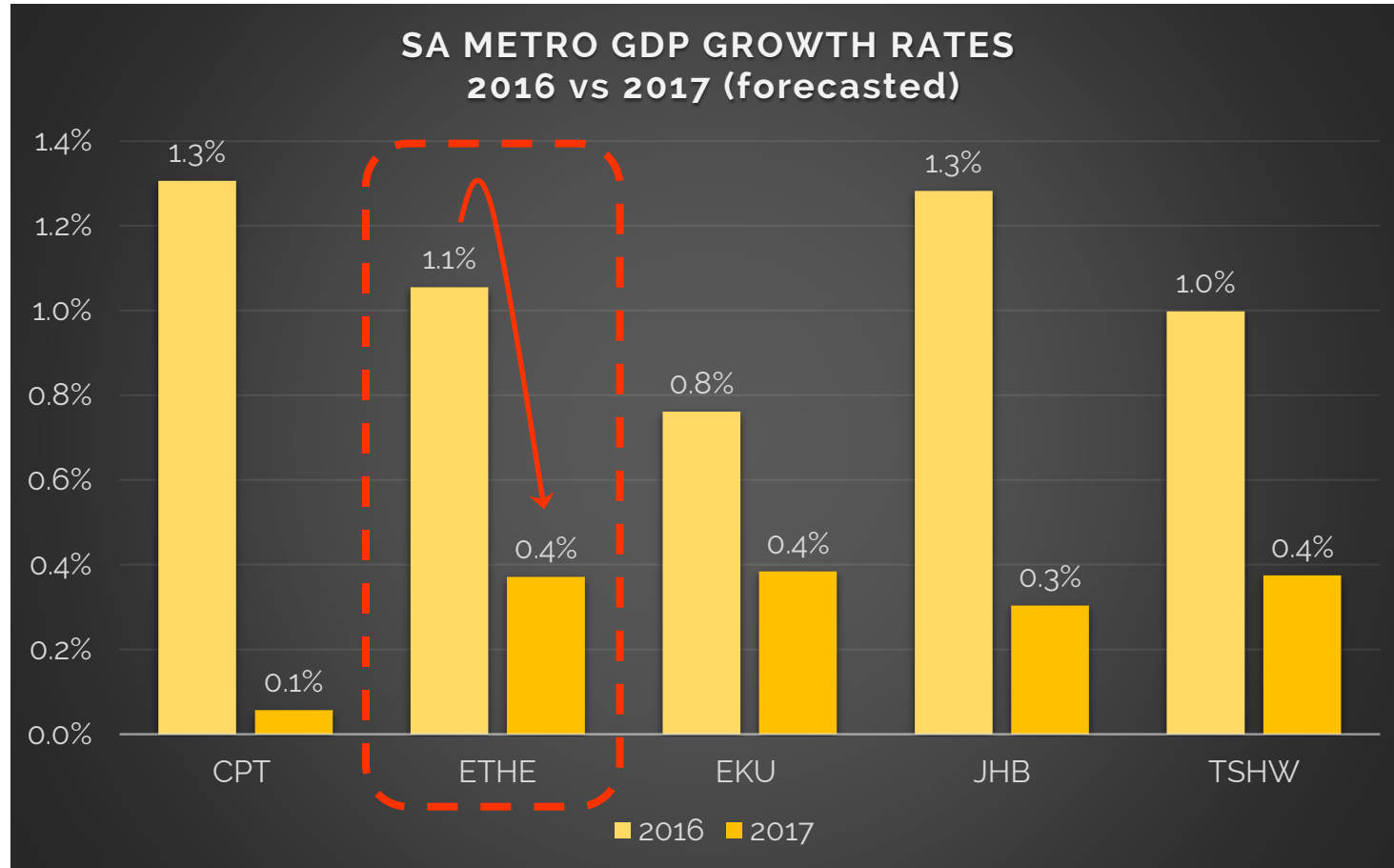


Growth Overview and Key Sectors

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OVERVIEW OF GROWTH

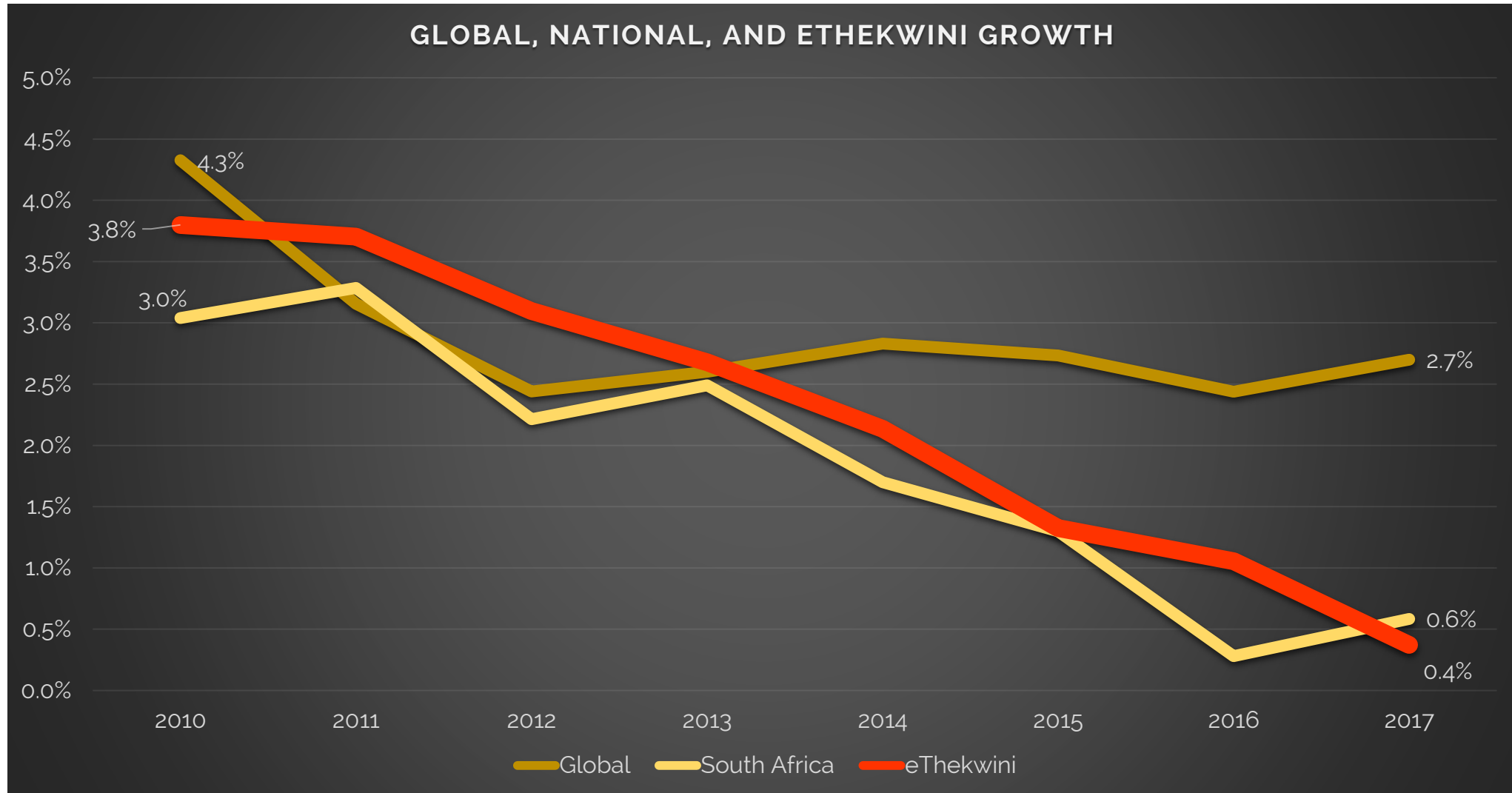


- Metros in general have low growth rates this year; notable drop from 2016.
- This is in contrast with the country-wide forecasted growth rates have increased.
- Ekurhuleni has the highest growth rate this year, while Cape Town's economy is close to stagnant.

SOURCE: IHS Global Insight Economic Indicators, 2017

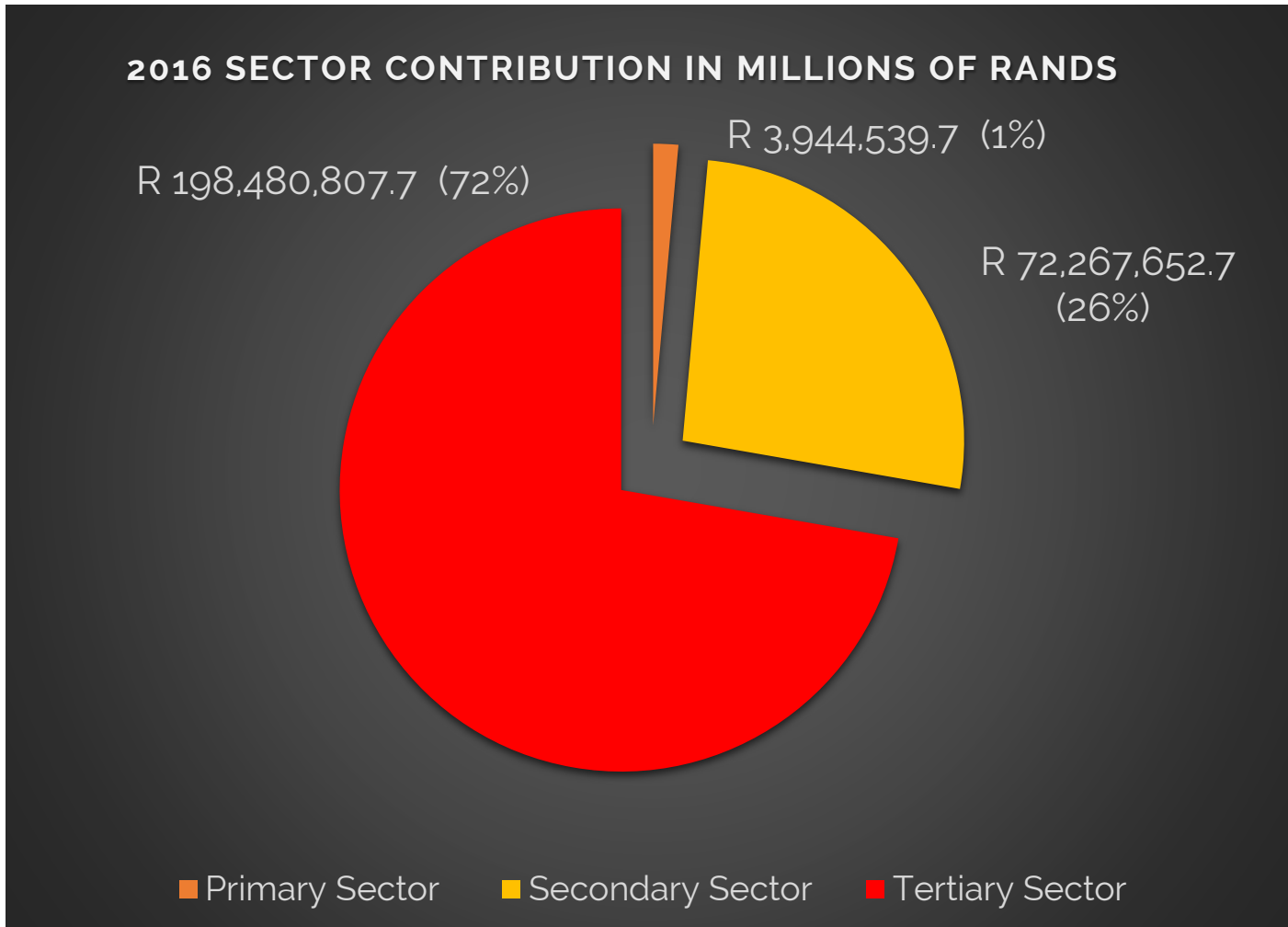


OVERVIEW OF GROWTH cont...



SOURCE: World Bank and IHS Global Insight Economic Indicators, 2017

ETHEKWINI ECONOMIC STRUCTURE

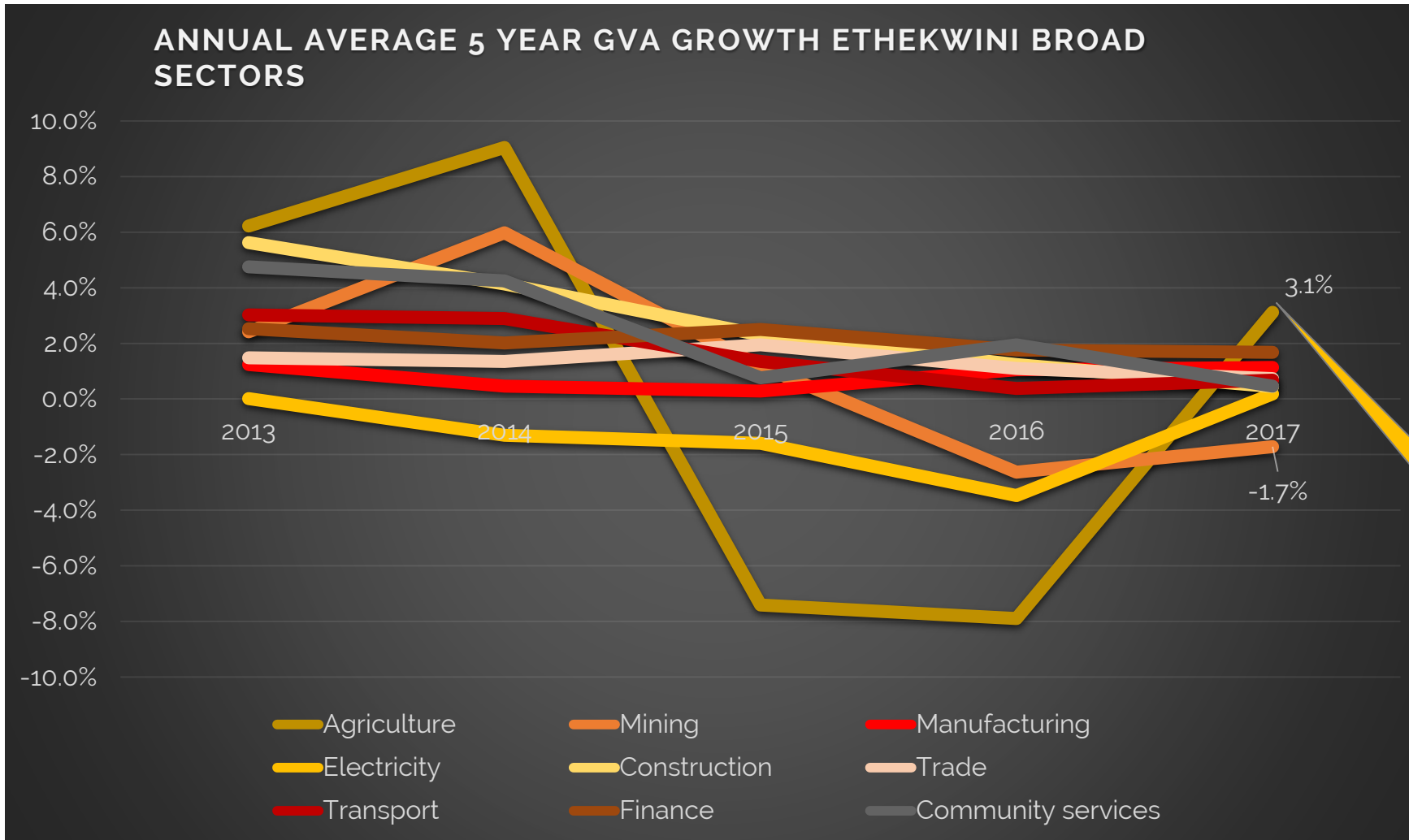


- The tertiary sector continues to grow, at 1.4% and then 1.6% between 2014 and 2016, and then 2015 and 2016. The secondary sector has grown at 0.5% and 0.8% respectively, while the primary sector retracted at 5% and 6.4% respectively.
- Setting the pace of the country together with other metros, eThekweni's tertiary sector (finance, business, government, etc.) is growing faster than other sectors and represents the lion's share of the economy.

IHS Global Insight Economic Indicators, 2017



GROWTH TRENDS AND KEY SECTORS



Best performing sectors in 2017?

Agriculture (3.1%), Finance (1.7%), Trade (0.7), Transport (0.7%), and Community services (0.5%)

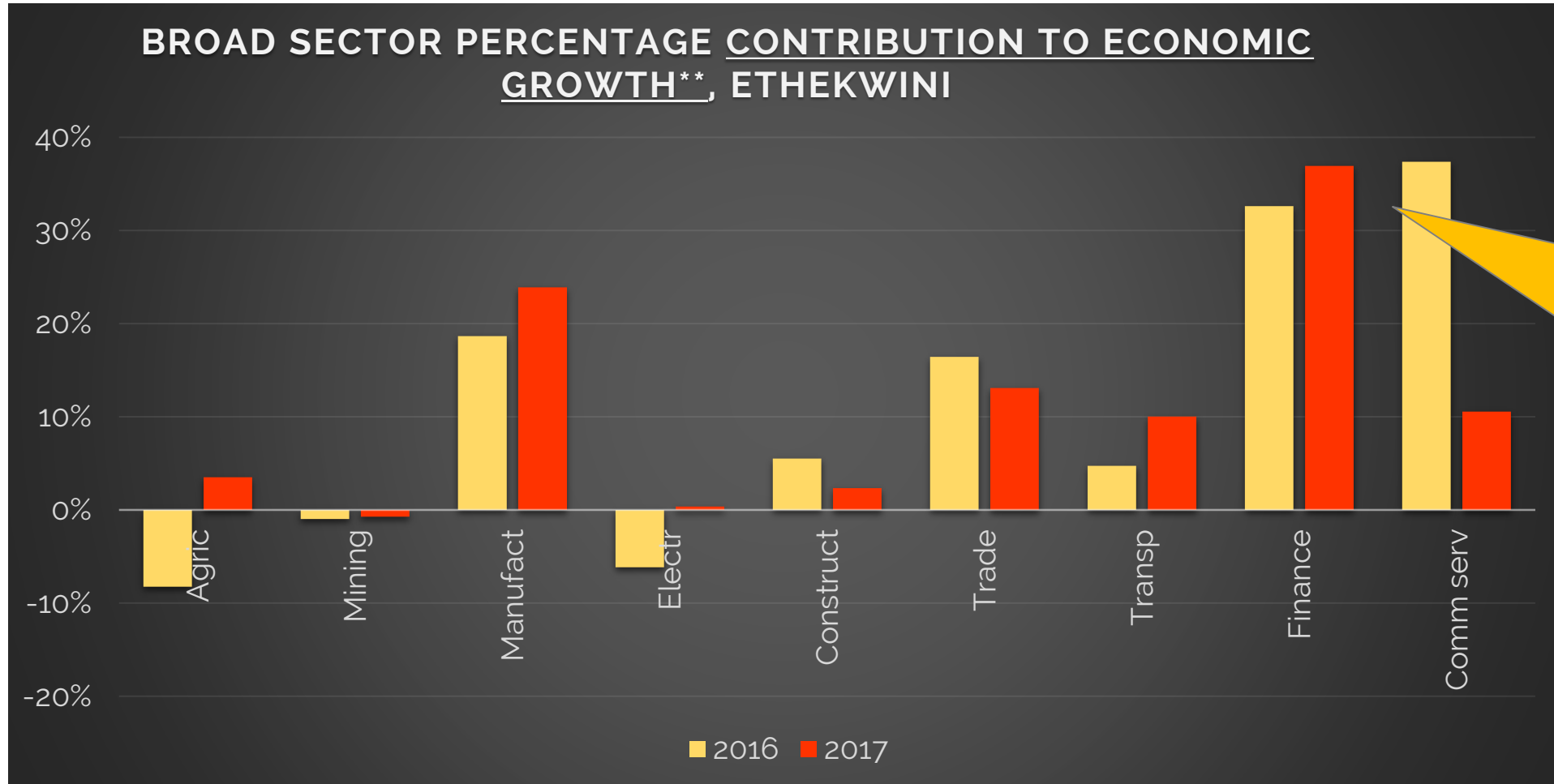
Worst performing sectors in 2017?

Mining (-1.7%), Electricity (0.2%).

SOURCE: IHS Global Insight Economic Indicators, 2017



BUT HOW MUCH DO THEY CONTRIBUTE TO GROWTH?



Agriculture has an impressive growth rate in 2017, but due to its size, its impact on economic growth is limited.

Finance, community services and manufacturing have been instrumental in maintaining positive growth in eThekweni, and are forecasted to do the same in 2017. This is also due to their size.

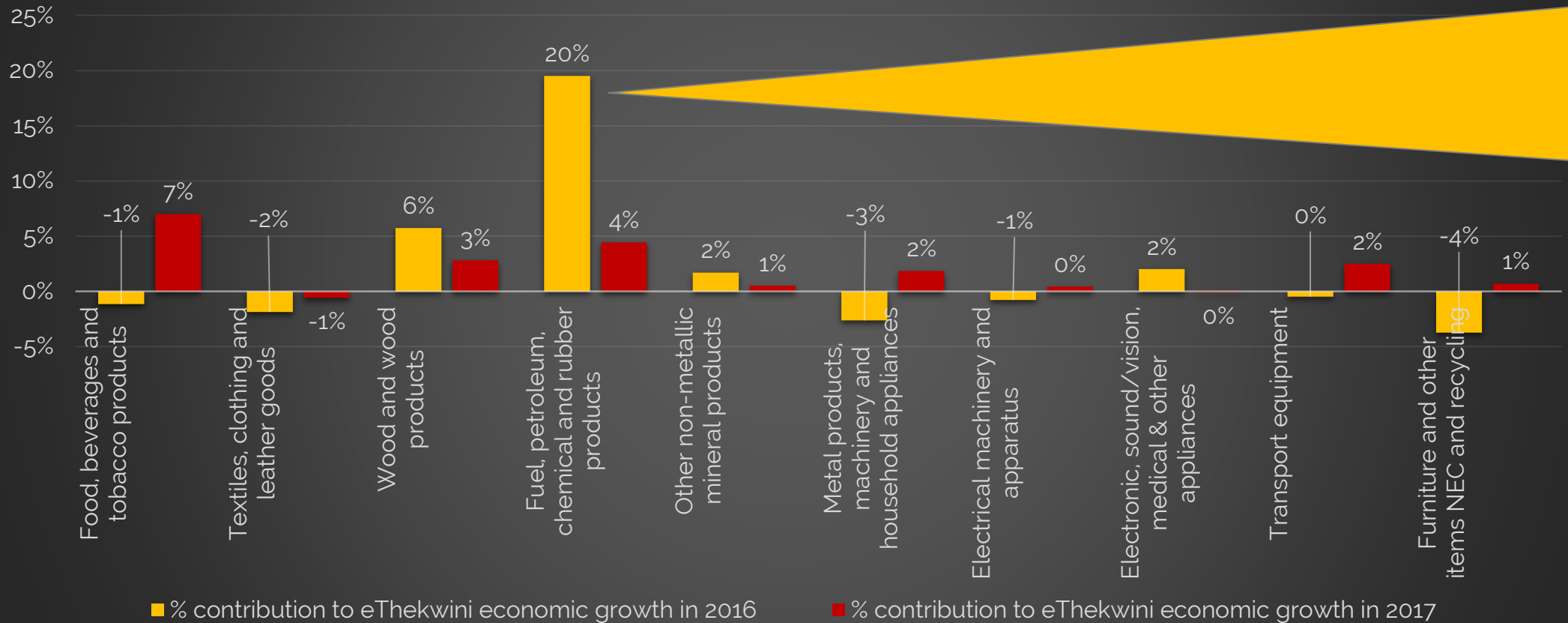
SOURCE: IHS Global Insight Economic Indicators, 2017

** A representation of each sector's *proportional* contribution to economic growth (not GDP) in 2016 and 2017; i.e. how important each sector has been, in determining the City's positive or negative economic performance in the said years.

MANUFACTURING CONTRIBUTION TO GDP



MANUFACTURING SUB SECTORS: % CONTRIBUTION TO ETHEKWINI ECONOMIC GROWTH IN 2016 VS 2017



Fuel, petroleum, etc. is a significant positive contributor to economic growth in manufacturing.

Food and Bev set to recover in 2017; linked to commodity prices recovery.

Risk imminent in potential strike action in steel sector.

SOURCE: IHS Global Insight Economic Indicators, 2017



TOURISM PERFORMANCE IN DURBAN



- There are differing tourism statistics and sources in tourism research
- General trend and message across all sources is that tourism numbers to the City are declining, however Durban maintains its structural strength in the local market.
- Durban also maintains its structural weakness in the international market.



TOURISM PERFORMANCE IN 2016



Measure	2015/16	2016/17
Total number of visitors	1.36 million	1.15 million ↓
Average room occupancy	83%	78% ↓
Overnight domestic length of stay	5 nights	5.5 nights ↑
Overnight foreign length of stay	9 nights	9 nights ■
Average spend per person per day (domestic overnight)	R905	R838 ↓
Average spend per person per day (foreign overnight)	R1 586	R1 755 ↑
Average spend per person per day (day visitors)	R2 273	R2 575 ↑

Visitor arrivals – percentage split

- domestic – 93.56% (Average length of stay – domestic 4.7 nights)
- international arrivals – 6.44% (Average length of stay – international 8.2 nights)

Domestic source markets

- 49% came from Gauteng

International source markets

- 25% came from Germany
- 20% came from the UK
- 9% came from USA
- 8% came from Netherlands

Purpose of travel

- 53% business
- 38% leisure

Total direct spend by tourists- R 12 billion

Tourism contribution to the city's GDP – R 20.3 billion

DURBAN TOURISM SOURCE MARKET TRENDS



Visitor arrivals to Durban have been declining notably since 2014- 1.2 million short of target

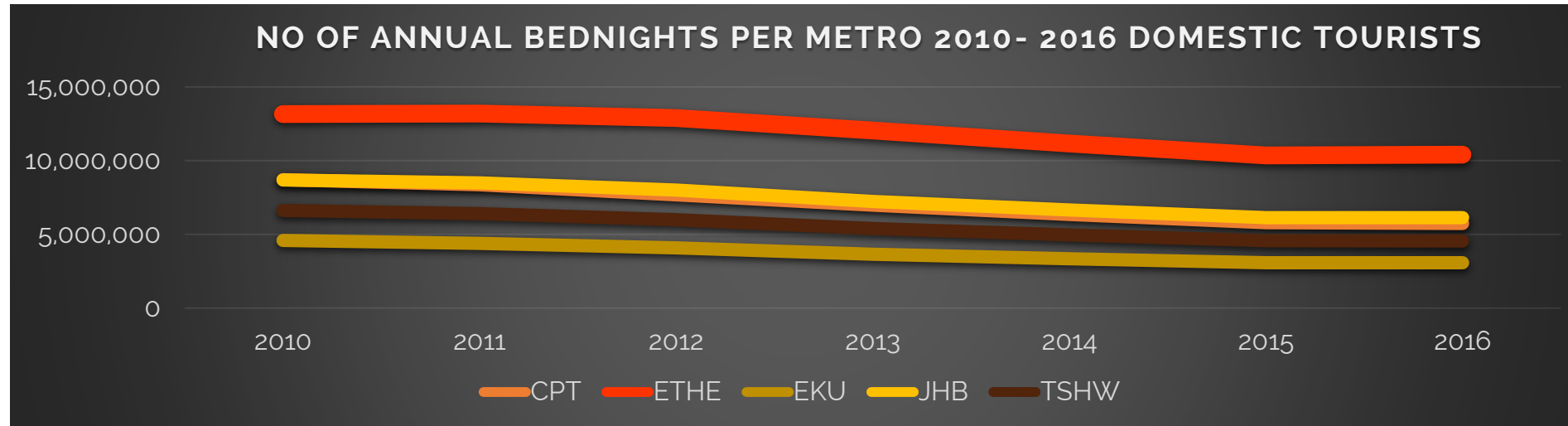
Declines in visitor numbers are a result of:

- Significant decline in intra-state visitors,
- International decline of +-20%,
- Decline of South African arrivals from (Durban's important) core markets,
- Distribution strategy delays and a lack of product presence in the market.

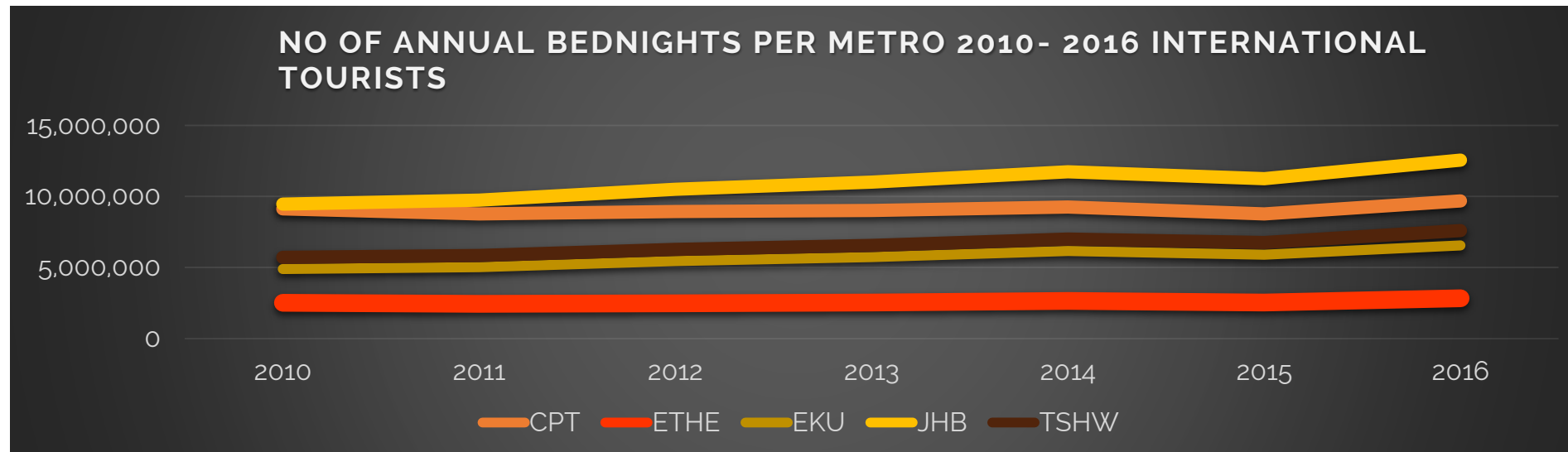
Source: Durban Tourism Strategy Review Summary, 2017



TOURISM TRENDS PER METRO



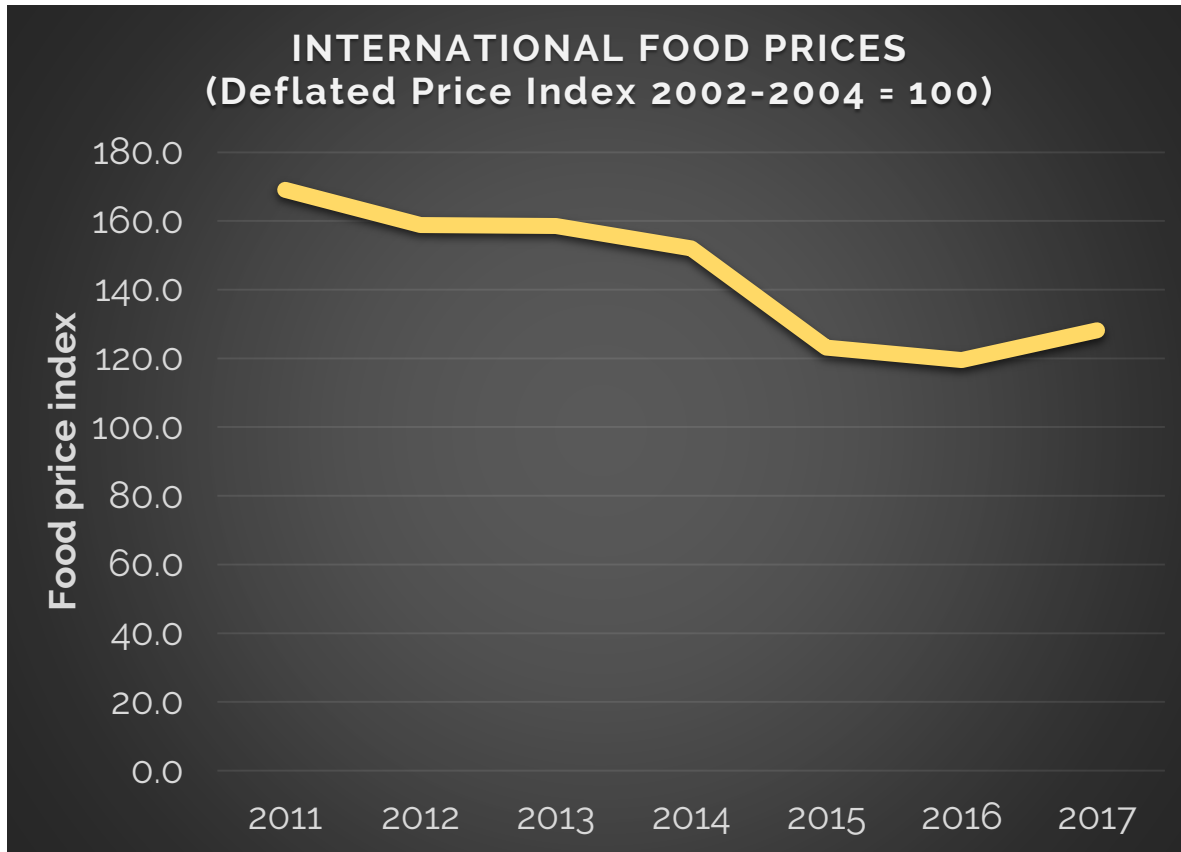
Durban attracts the highest bednights per metro for domestic tourists, and the lowest for international tourists



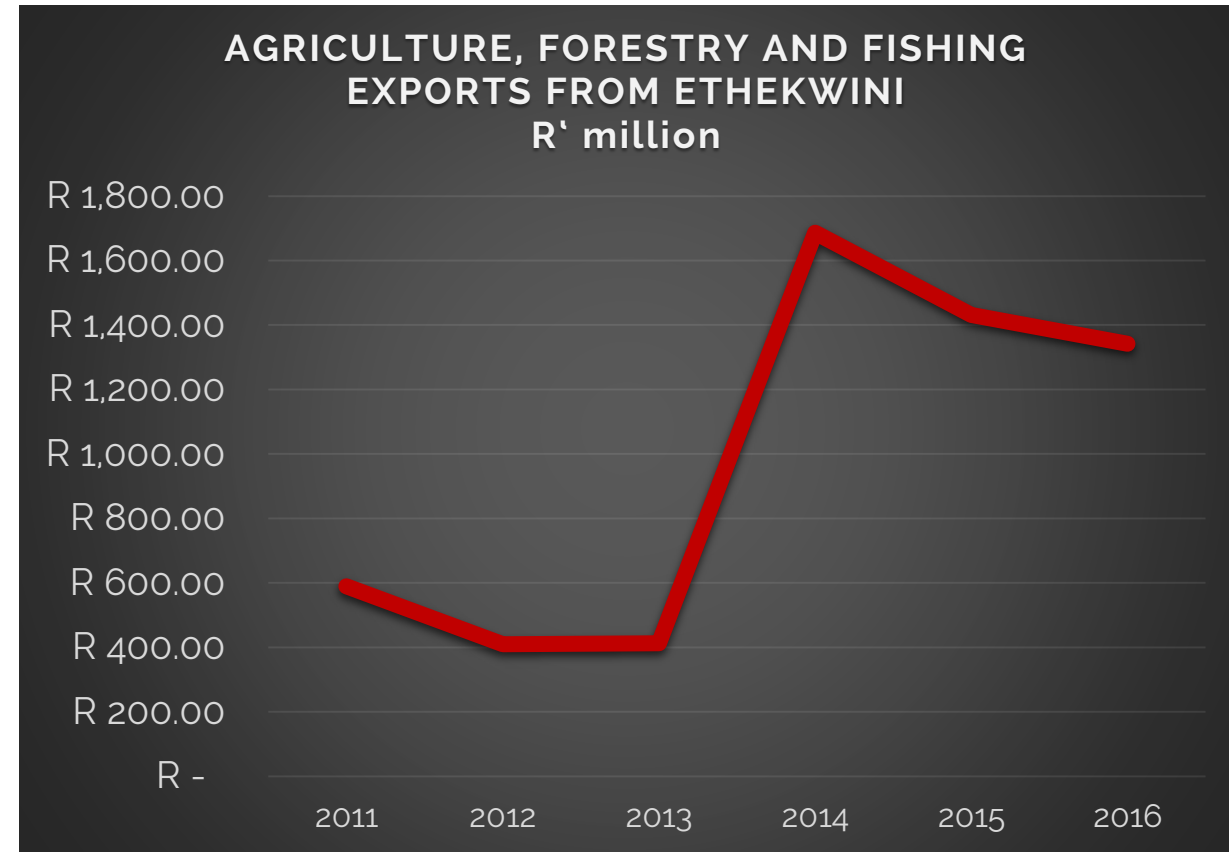
The annual trend indicates that this is structural- i.e. not due to seasons or economic reasons- but due to geographic and attraction preferences of tourists.

AGRICULTURE

Sudden upshoot in agricultural exports mainly due to sudden increase in sugars, cereal, and mineral fuel exports.



SOURCE: Food and Agriculture Organisation of the United Nations ,2017



SOURCE: Quantec International Trade Data,2017

- Food prices, along with other commodities have been on the decline since 2011, and except for a rapid increase in 2014, have affected the eThekweni agricultural sector. There is already notable recovery in food prices, which should impact the agricultural sector favourably.



Business, Foreign Trade, and Investment in Durban






www.durban.gov.za



HOW DOES DURBAN RANK IN TERMS OF THE COST AND EASE OF DOING BUSINESS IN SA?



- Of 9 metros, Durban is ranked... (1st place in brackets)

4 th for starting a business (JHB)		3 rd for enforcing contracts (MANG)	
3 rd for getting electricity (MANG)		6 TH for registering property (JHB)	
		5 TH for dealing with constr. permits (CPT)	


SOURCE: World Bank, Doing Business in South Africa Report, Sub National 2015

- Implementation of the recommendations of the World Bank for the Sub National Doing Business Project are currently underway. eThekweni is ranked 2nd (after the City of Cape Town) by the World Bank in terms of its progress in implementation of the Bank's recommendations to improve the City's business climate.



HOW IS THE CITY IMPROVING ITS RANKING?





- This includes automation and centralisation of application processes, so that the time and number of procedures to be completed in order to develop and invest in the City are reduced.
- Highlights in the targeted reforms include  and envisaged impact:
 - The combination of various electricity connection application forms into one standard form, reducing the business process for processing of electricity applications from **22 days, to 2 days** ⚡
 - The submission of electronic copies of certificates of wiring compliance, instead of physical submission of originals, reducing this process from **7 days to 2 days** ⚡
 - The reduction of the total time taken in dealing with construction permits, from **104 days to 88 days** 🏠
 - Possible further reduction of the time taken dealing with construction permits, by the introduction of an electronic construction permit system 🔧
 - The development of an integrated automated revenue system by the city's revenue management unit, one of the highlights of which will be the reduction of time taken to produce rates clearance certificates from **14 to at least 4 days** 🏠
- It must be noted that these reforms are still underway, and are being piloted and implemented in phases; and are therefore not yet fully available. The impact should be noticeable from 2018, and scoring will be updated then.



DOING BUSINESS IN DURBAN cont...

Excerpt from Draft eThekweni Budget:

- The MYPD3 determination allows for the approval of Eskom's tariff increase for a period of 5 years, i.e. 2013 – 2018. Currently set at **8% per year**. Eskom has submitted a motivation for a review
- The introduction of a 5 year price path is welcomed and ensures reasonable tariff stability and smooth changes over time, and provides a systematic basis for revenue/tariff setting.
- As the Eskom increase accounts for >65% of the total electricity budget, with a few assumptions and clear knowledge of future expenditure, the tariff increase of the municipality can be projected.
- Below are 5 scenarios showing what the municipal increases would be, based on ASSUMED Eskom tariff increases. This is just an estimate.

<i>If Eskom increase is</i>		8%	12%	14%	16%	18%
<i>Plausible eThek increase will be</i>		8/8.5%	11.0%	12.5%	13.7%	15.5%



DOING BUSINESS IN DURBAN cont...

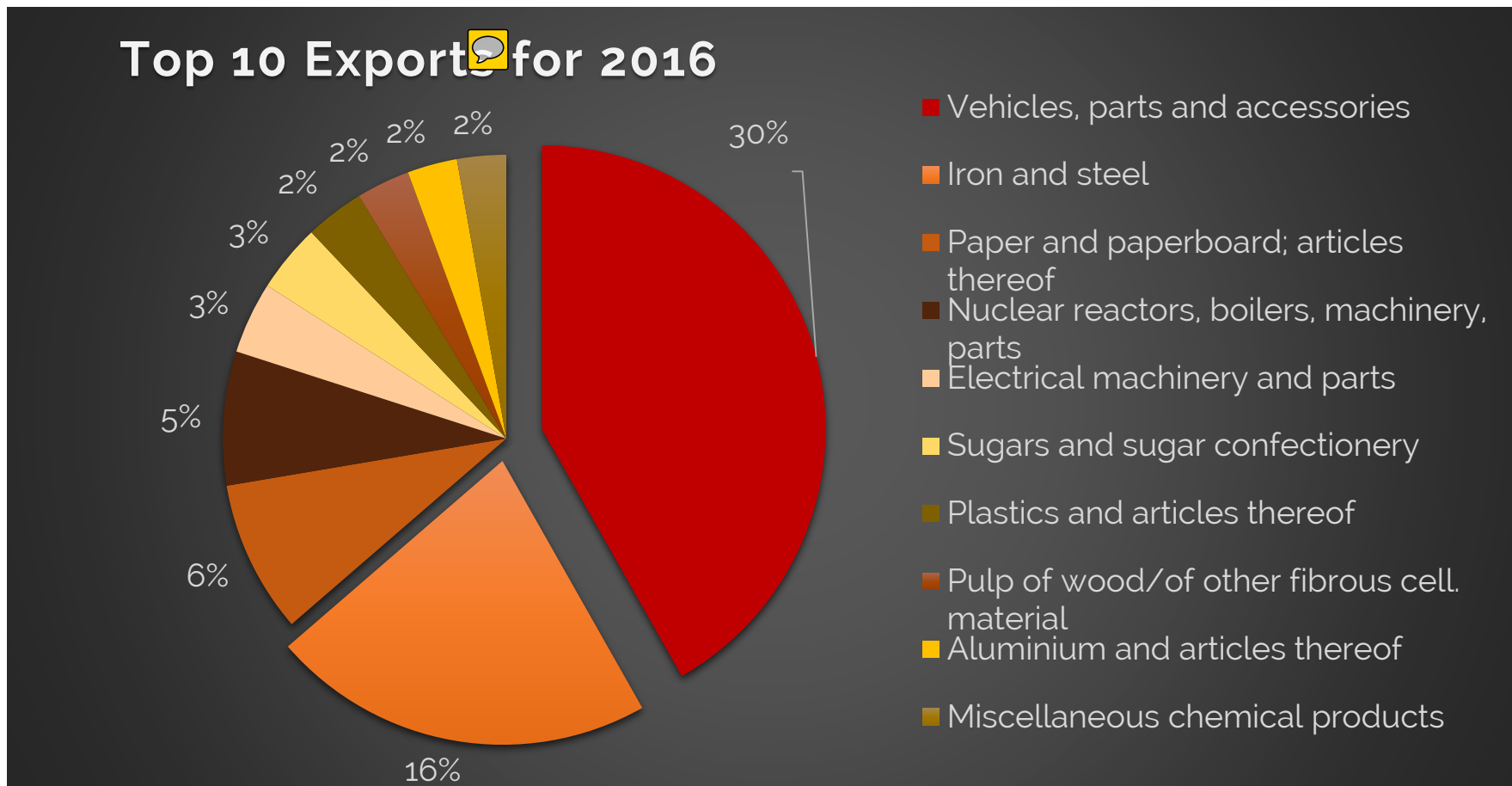
PROPOSED TARIFF INCREASES IN ETHEKWINI



	2017/18 TARIFF PROPOSALS	2017/18 ORIGINAL PROPOSAL	2016/17	2015/16	2014/15	2013/14
Electricity	8% Per National Treasury NERSA – 8%	12% - 15%	7.64%	12.2%	7.39%	5.5%
Water:	15%					
✗ Domestic	17%	15% - 18%	12.5%	9.5%	9.9%	9.5%
✗ Business	Umgeni Water indicated 15%	16% -19%	15.9%	12.9%	12.9%	12.5%
Refuse Removal	9.9%	7.9% – 8.9%	7.9%	7.9%	7.9%	6.9%
Sanitation	9.9%	9.9% – 11%	9.9%	7.9%	7.9%	6.9%
Rates: Average	6.9%	7 - 9%	6.9%	6.9%	6.9%	6.9%



IMPORTS AND EXPORTS

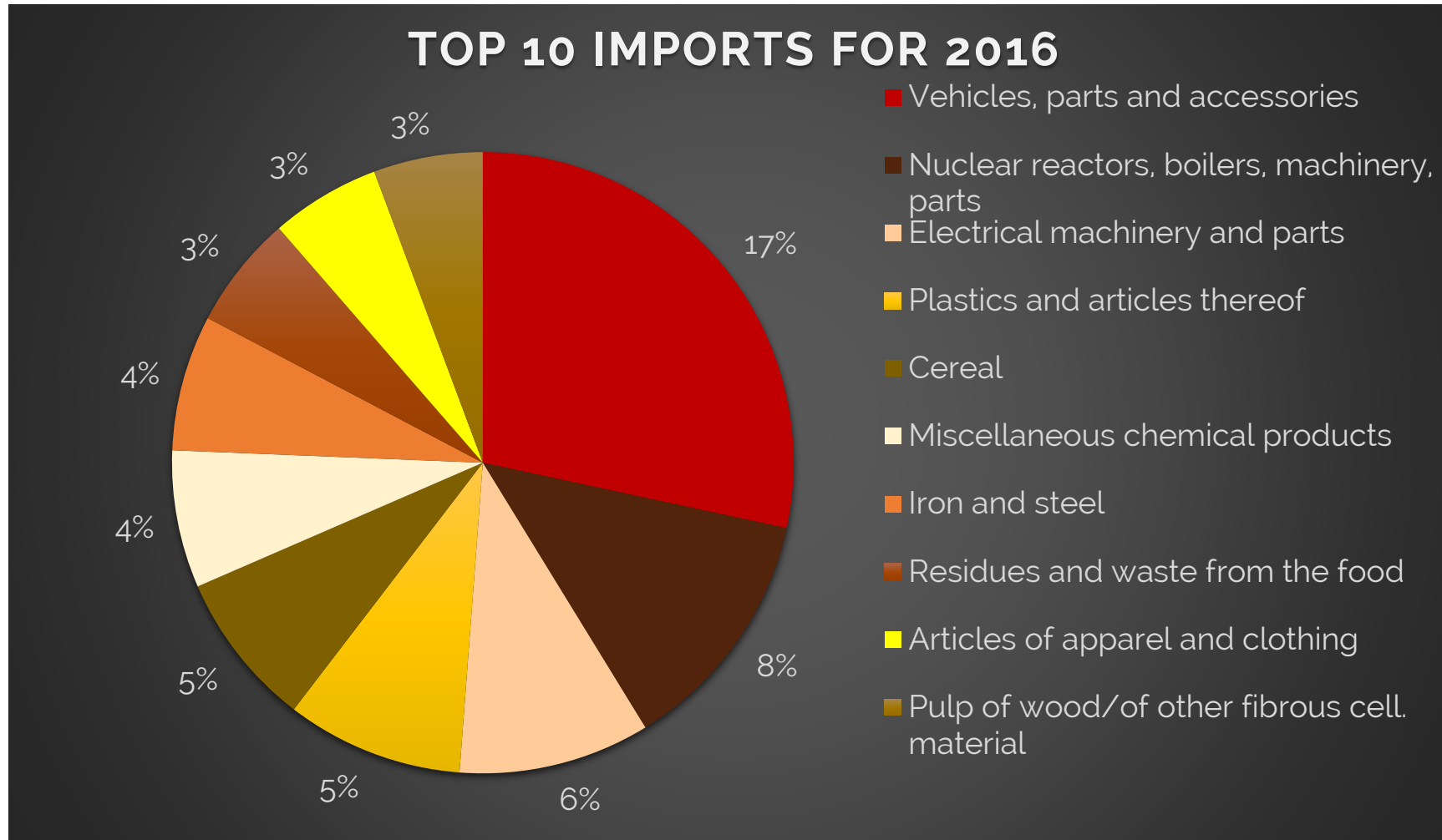


- EThekwini's international trade is highly dependent on the vehicles and parts industry, as well as steel.
- Main contributors to exports in eThekwini are vehicles and related exports (30% of total export value), iron and steel (16% of total export value), and paper and pulp (6% of total export value).
- All other goods contribute between 0%-3% to total exports, with exception of machinery, nuclear reactors.

SOURCE: Quantec International Trade Data, 2017



IMPORTS AND EXPORTS cont...



SOURCE: Quantec International Trade Data, 2017

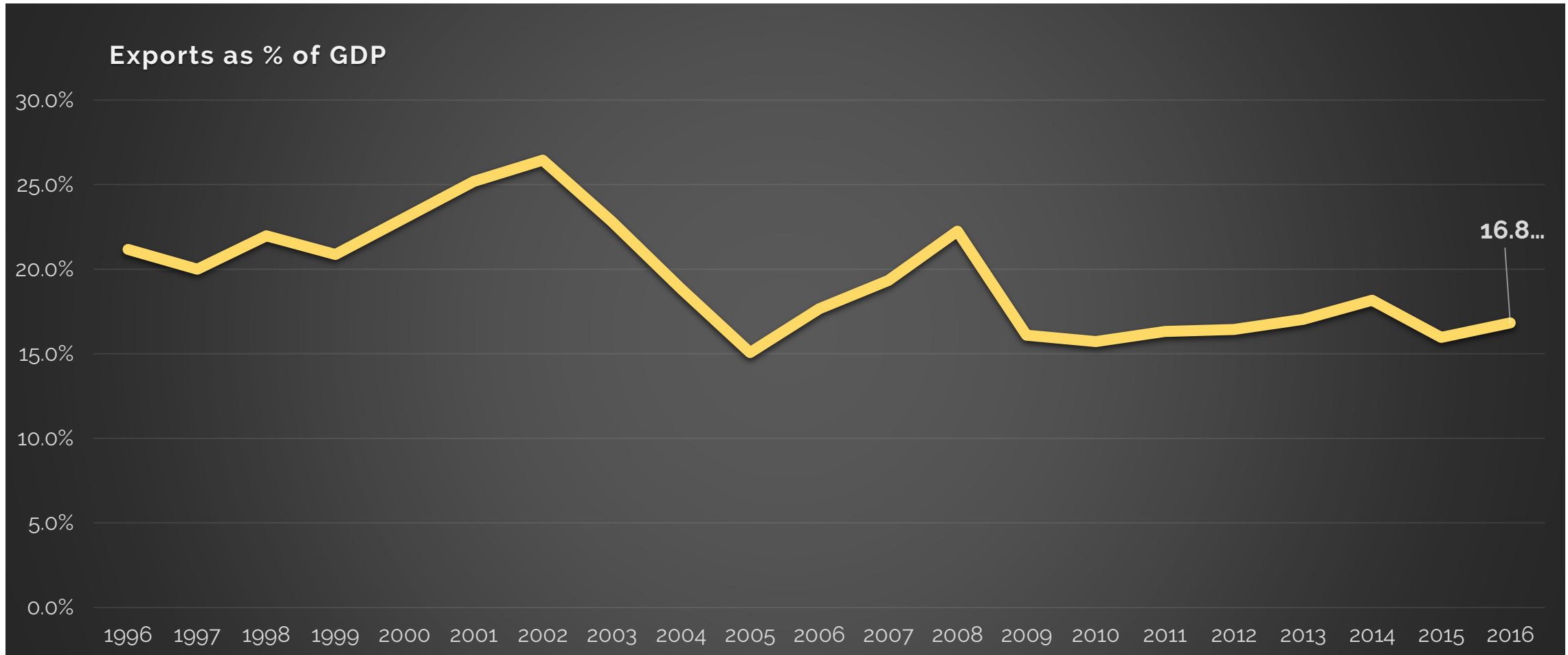
- The prominence of the same dominant sectors in imports (vehicle and parts) indicates an *opportunity* for import substitution programmes.



INTERNATIONAL TRADE

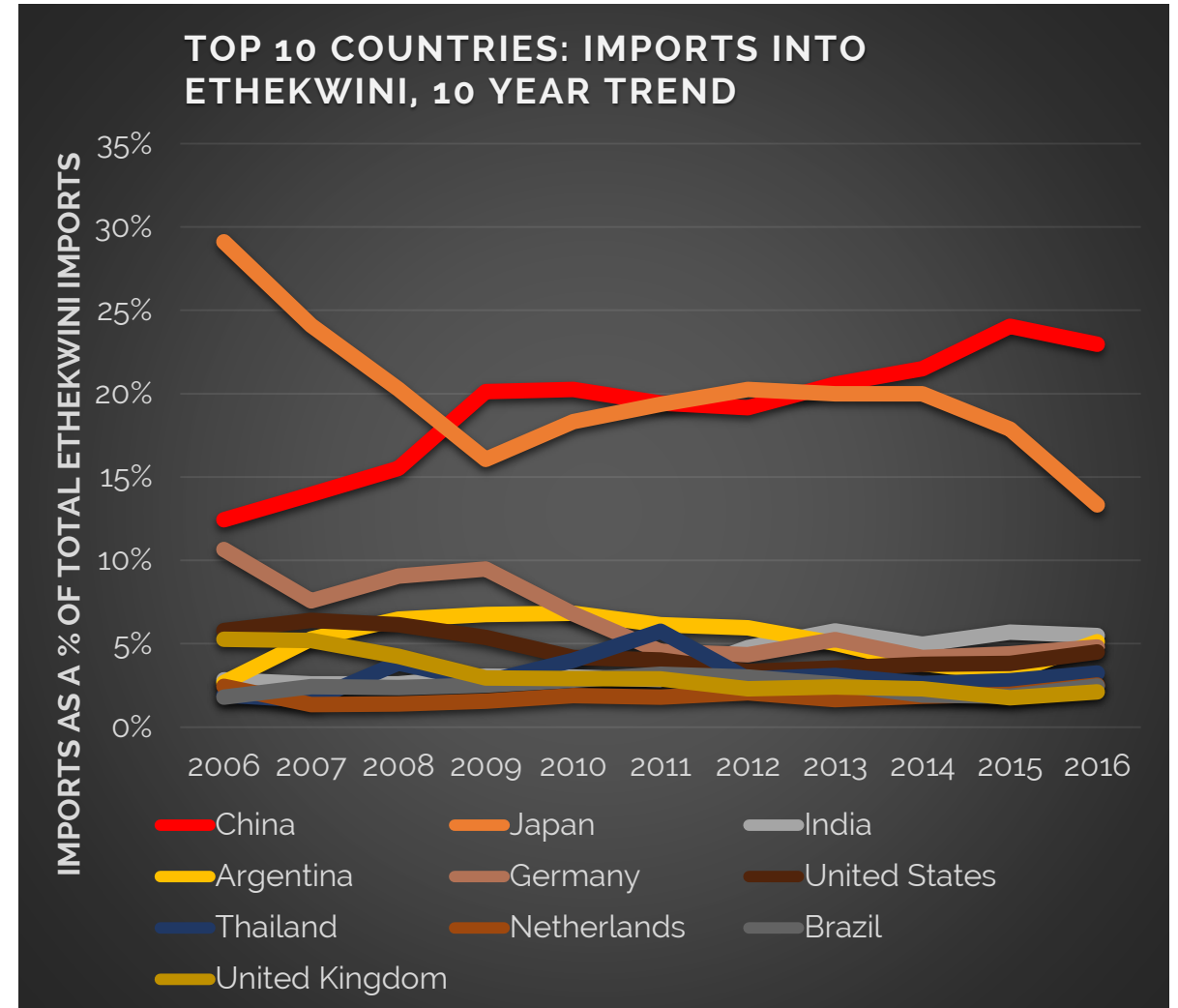
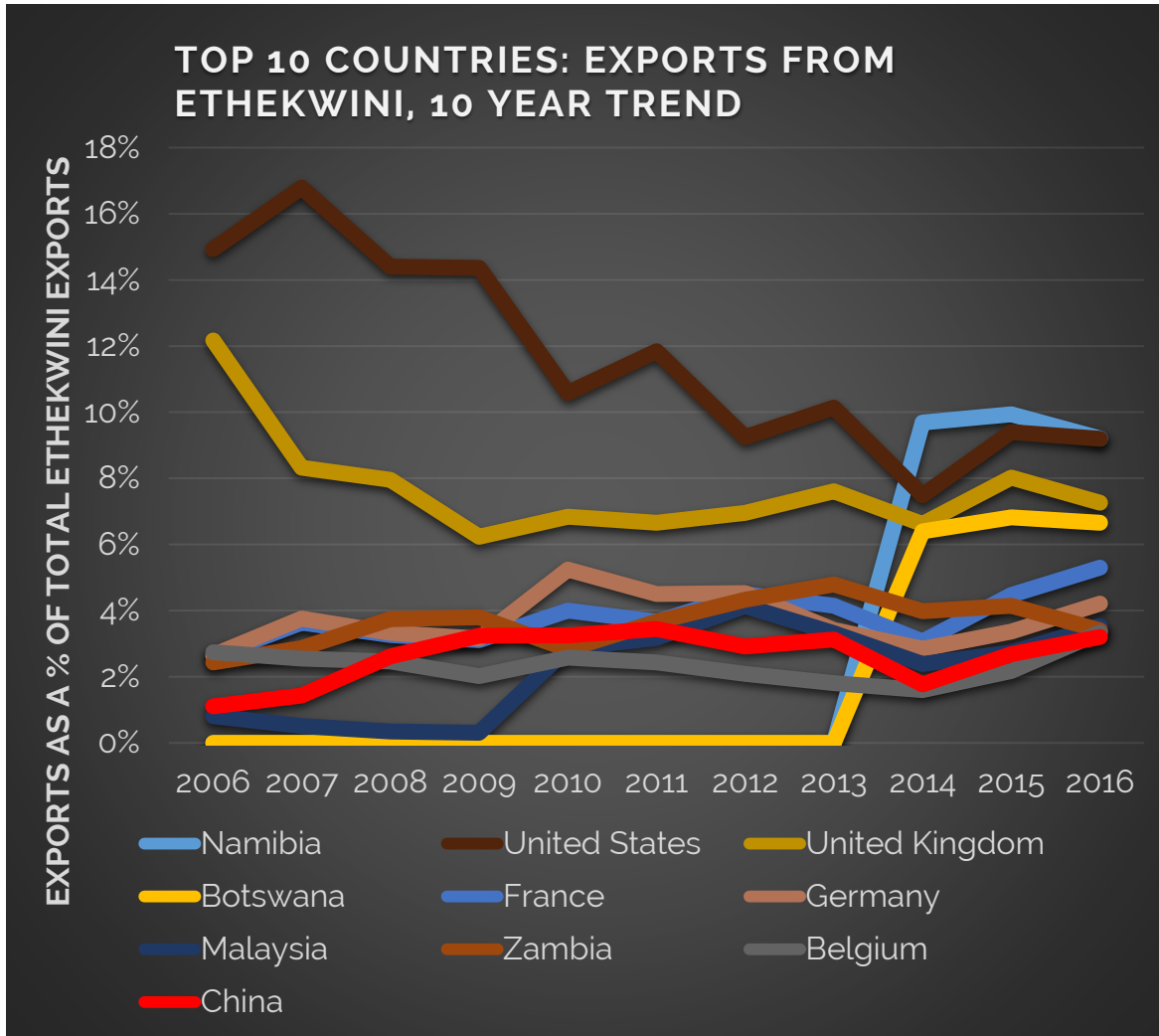


- Exports are an important part of the City's GDP- contributing 17%.
- The growth of exports as % of GDP may be attributed vehicles and related exports, iron and steel, and paper and pulp.



SOURCE: IHS Global Insight, 2017, and Quantec, 2017

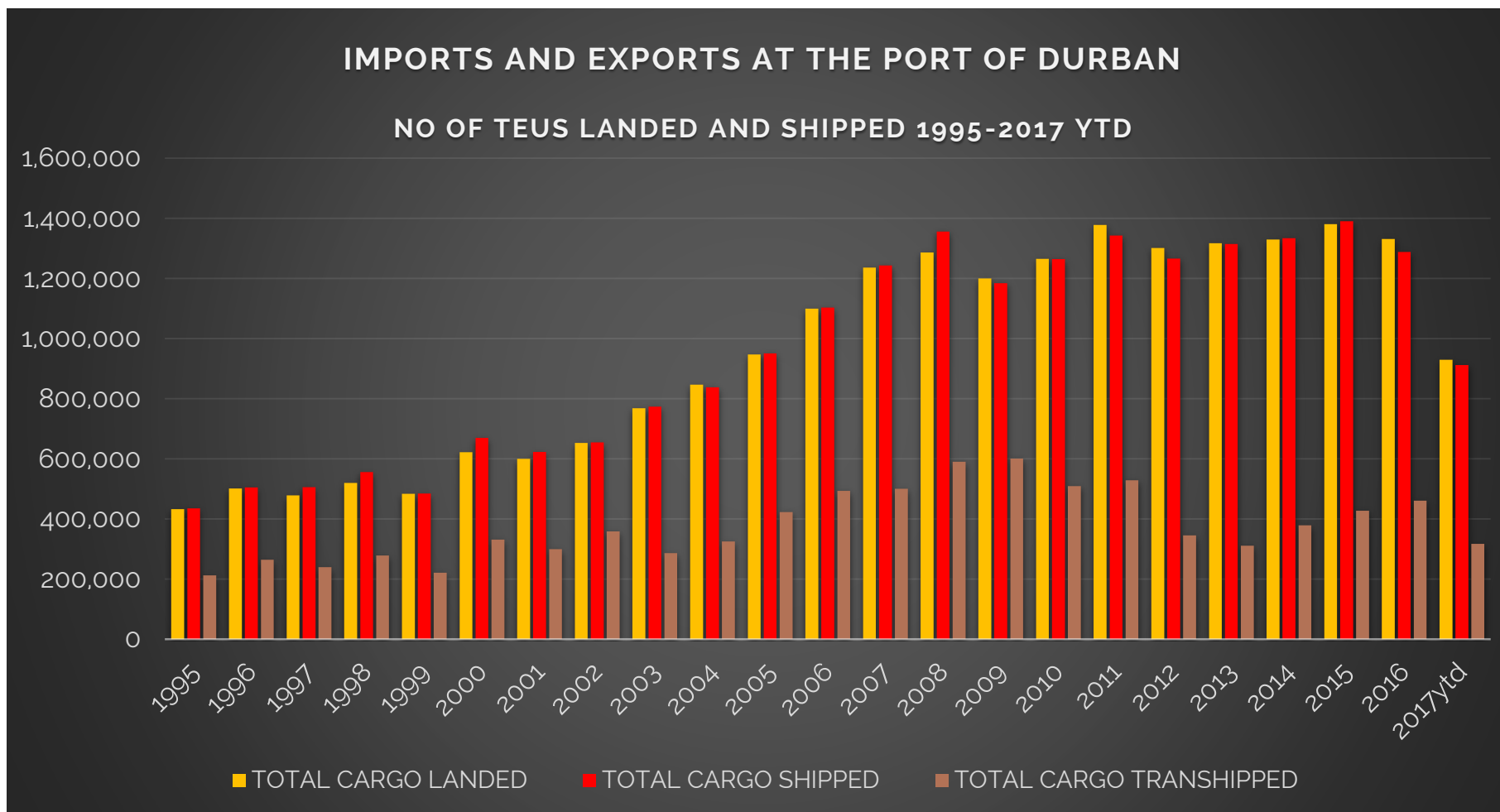
WHO ARE ETHEKWINI'S TOP 10 TRADING PARTNERS?



SOURCE: IHS Global Insight Economic Indicators, 2017

The African market is becoming increasingly important, and the USA relatively less. There is a clear trade imbalance with China.

IMPORTS AND EXPORTS cont...



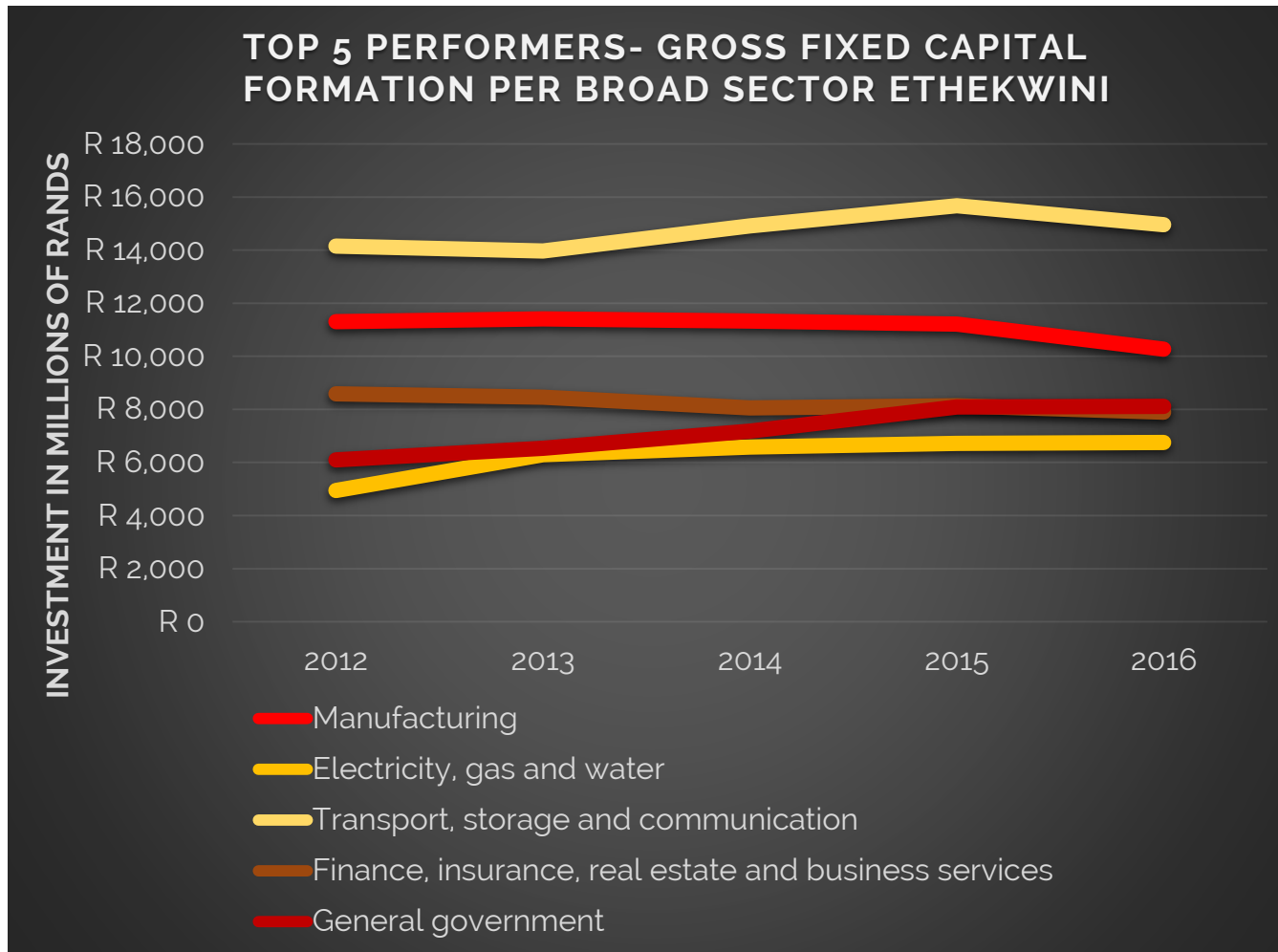
A steady increase in port activity is notable from 2004 - 2015, followed by a sudden decline in 2016.

The decrease in the number of imports and exports from 2015 to 2016 could be indicator of the decline in global demand.

SOURCE: Transnet National Ports Authority, 2017



INVESTMENT TRENDS

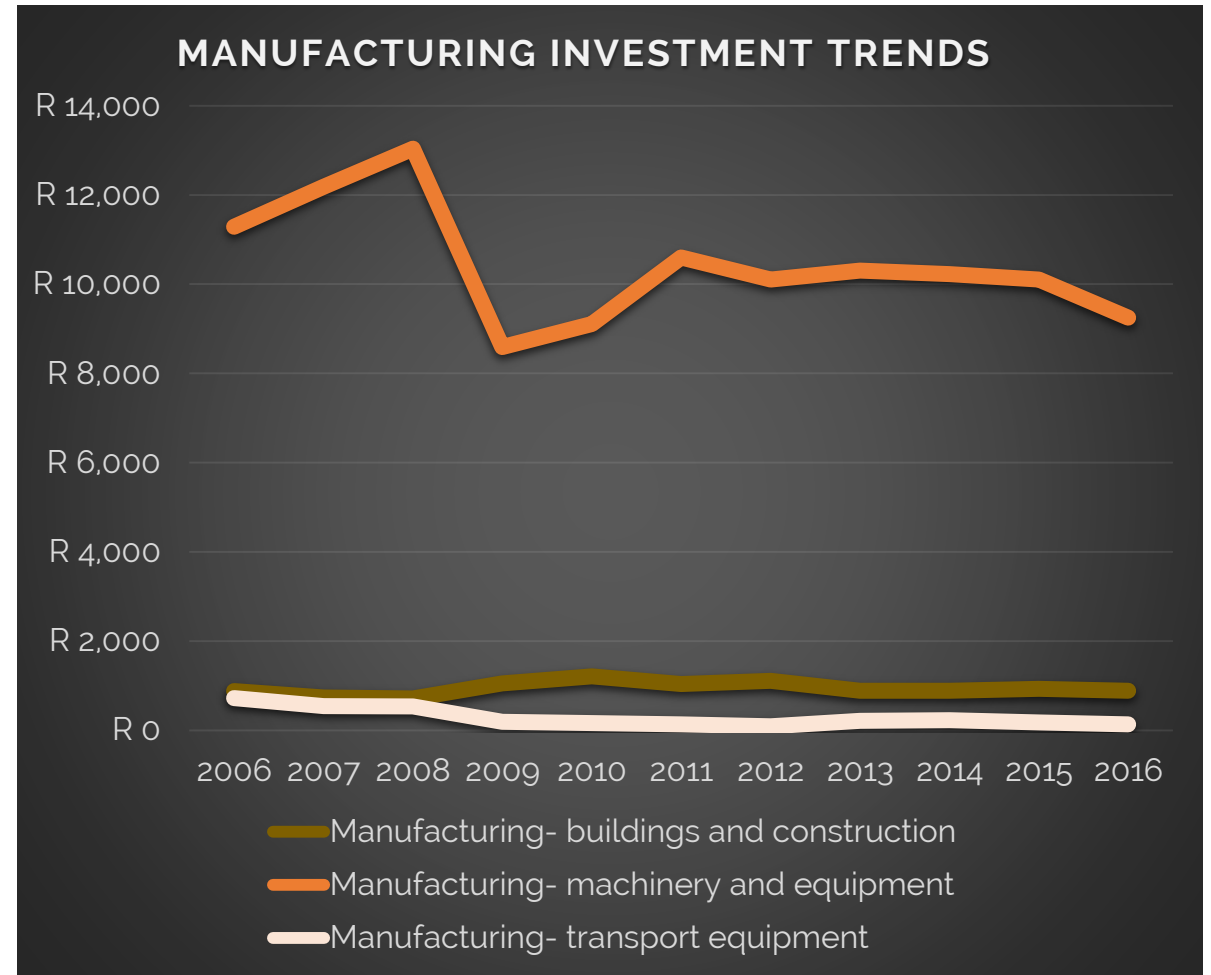
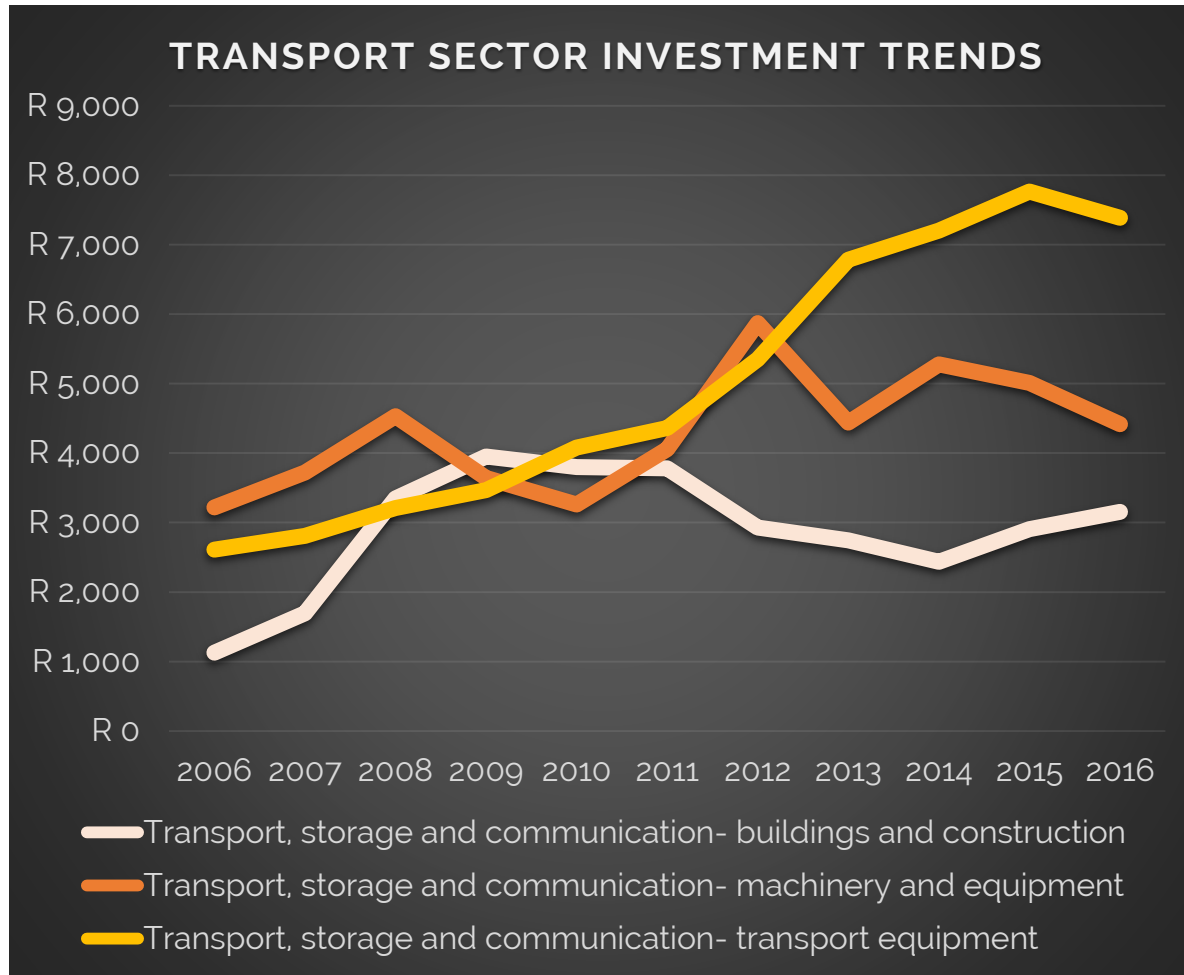


SOURCE: Quantec Standardised Regional Data, 2017

- Transport, Storage and Communication remains the largest sector in terms of gross fixed capital formation, although figures indicate a marginal decline in 2016, while some growth was recorded in general government.
- In terms of the Transport sector, the largest investments were in transport equipment.
- Manufacturing sector investments are primarily in machinery and equipment.



INVESTMENT TRENDS cont...



SOURCE: Quantec Standardised Regional Data, 2017

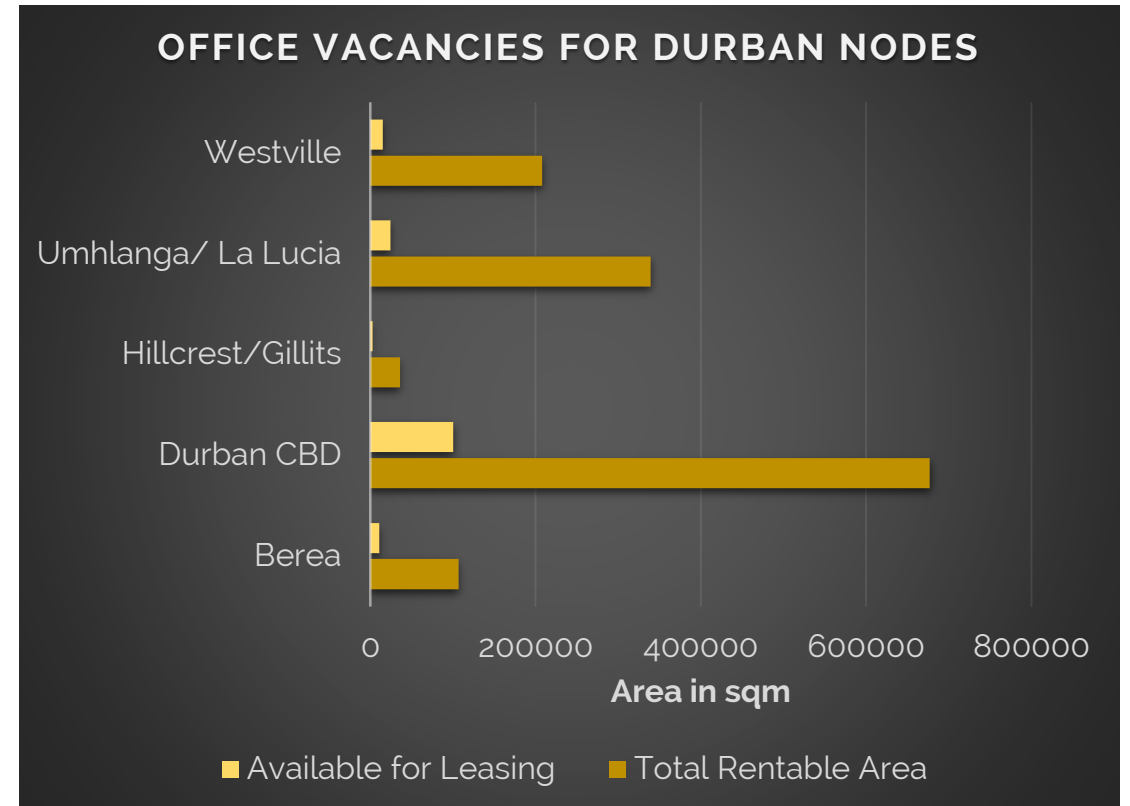


OFFICE VACANCIES 2016



Location		Annual Office Vacancy Rate (%)	
Nelson Mandela Bay Municipality		14,15	
City of Johannesburg		11,88	
City of Tshwane		9,35	
eThekweni Municipality		11,13	
City of Cape Town		7,55	

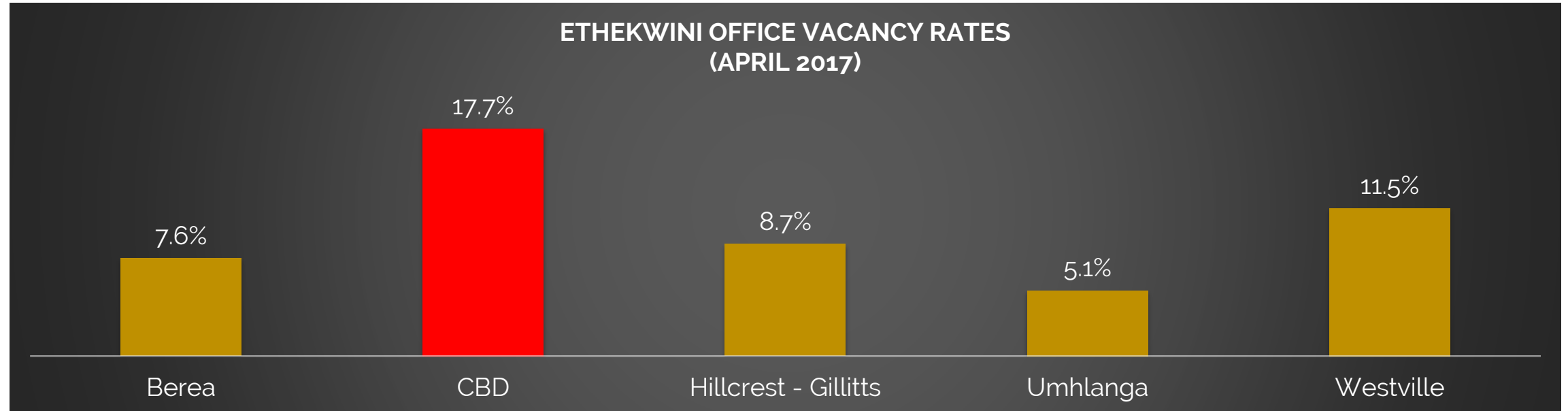
Annual CBD Vacancies	% Vacancy	Total Rentable Area	Available for Leasing
Johannesburg CBD	20.5	1 749 580	395 373
Cape Town CBD	10.1	1 034 461	104 427
Durban CBD	14.9	676 938	100 468
Pretoria CBD	8.7	707 352	61 531



The average office vacancy rate in Durban was at 11.13% for 2016. However, the largest vacancy was in the CBD at 14.9%. While in overall terms, the Municipality is average among the metros, in terms of office vacancy in the CBD, it ranks as the second highest vacancy behind Johannesburg’s CBD. The Pretoria CBD was the lowest at 8.7% followed by Cape Town at 10.1%.

SOURCE: South African Property Owners' Association, 2017

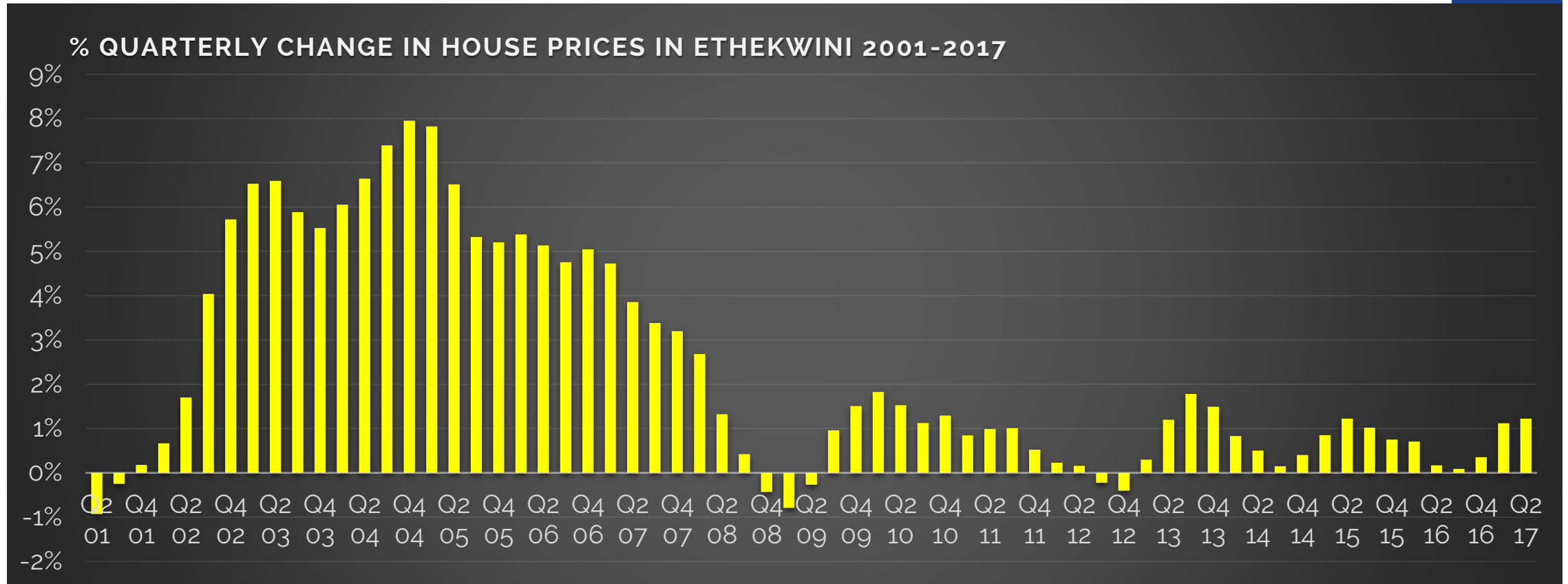
OFFICE VACANCIES 2017



SOURCE: South African Property Owners' Association, 2017

- In 2016 the quarterly average of office vacancies in the CBD was 14.9%.
- In 2017 the vacancy rate in the CBD rose sharply to 17.7% on average. This could be the result of building decay, crime, and general squalor. In response, the City Manager has launched Operation 'Khuculul'iTheku'; a clean up campaign aimed at addressing urban decay and creating a clean environment. Inner city regeneration is another program aimed at making Durban more cleaner.
- The success of this campaign could potentially reduce the office vacancy rates in the CBD.
- The north region of Durban remains the fastest growing of all key nodes in the city. This is evident in Umhlanga having the lowest vacancy rate.

ETHEKWINI ECONOMIC EFFECTS ON CONSUMERS



SOURCE: Quantec Macro Economic Data; FNB House Prices 2017

- Changes in house prices remain stable, have not recovered to their pre recession increases; indicating that consumers in the City are under pressure.



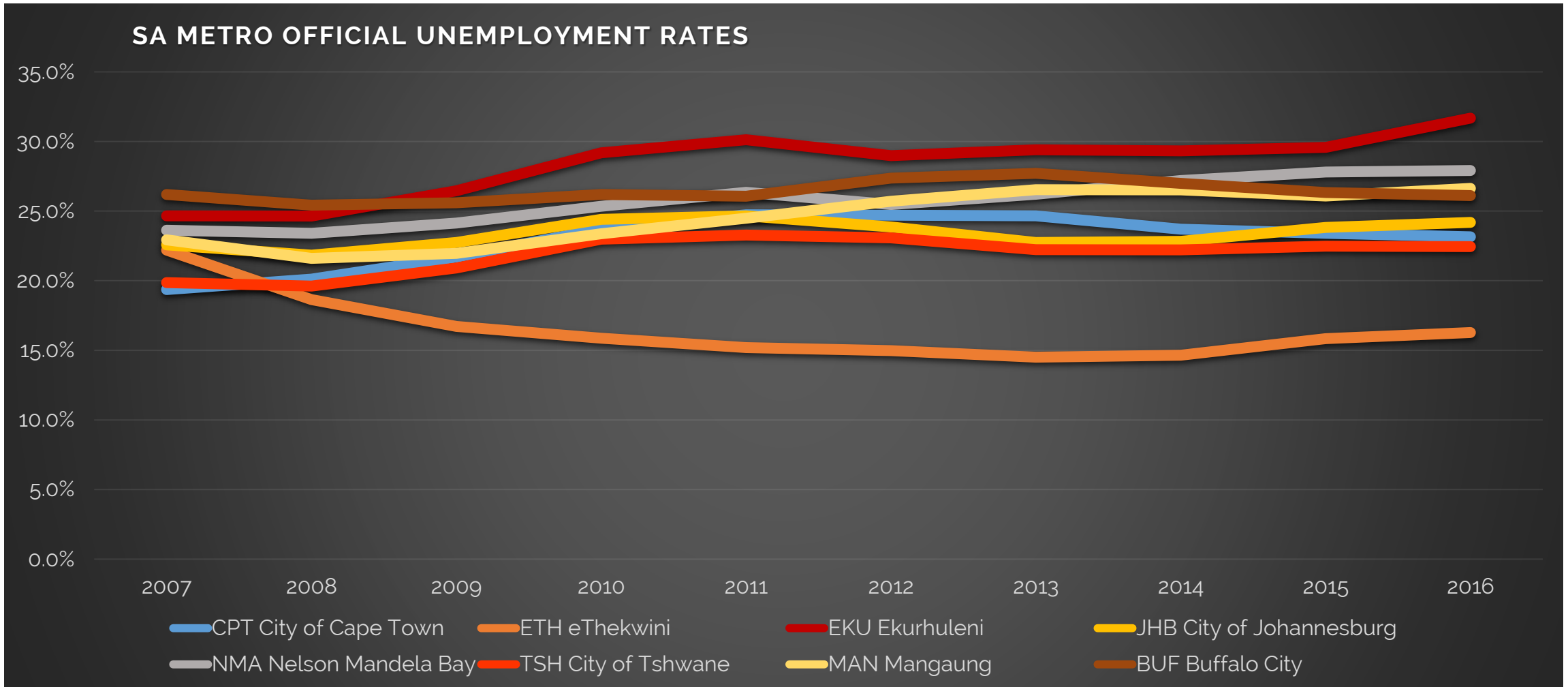
The Labour Market in Durban



ETHEKWINI LABOUR

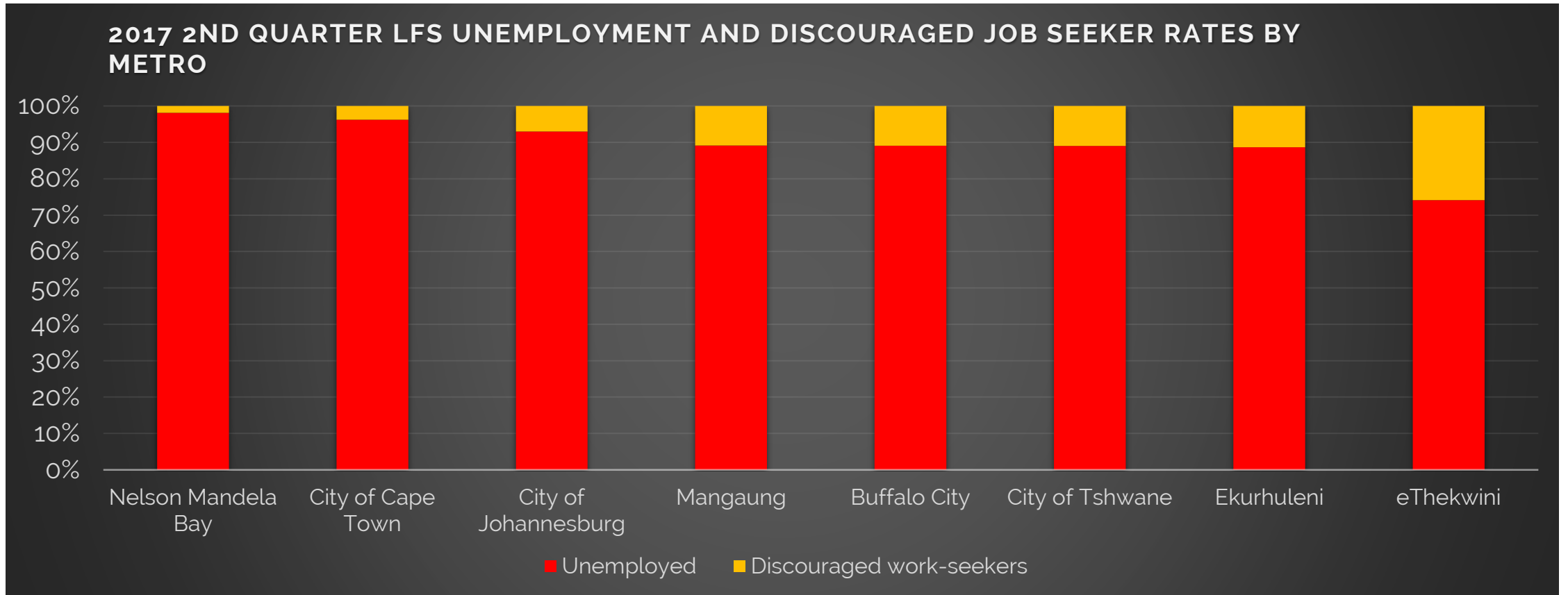


EThekweni has the lowest official unemployment rate amongst metros in the country.



SOURCE: Quantec Standardised Regional, 2017

LABOUR OVERVIEW cont...

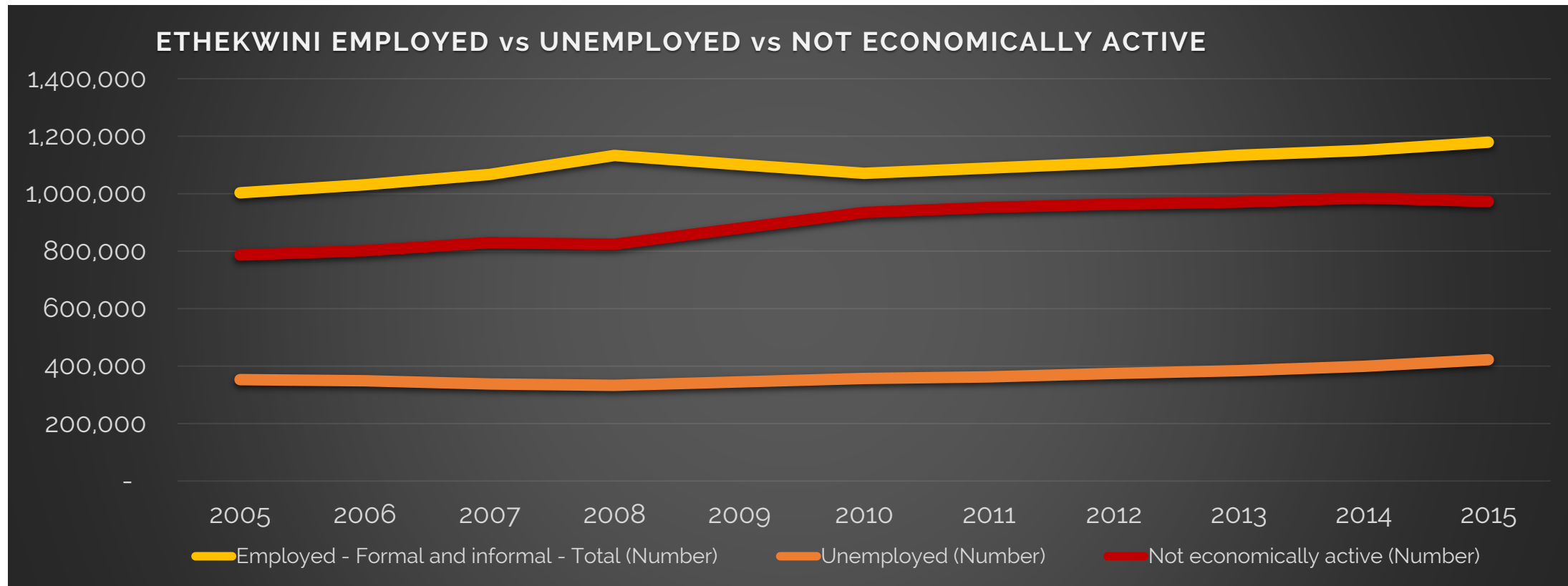


SOURCE: QLFS, Statistics South Africa, 2017

EThekweni and Ekurhuleni Metro Municipalities have the highest proportion of discouraged work seekers in South Africa. EThekweni has had the highest percentage of DWS, as a proportion of all its unemployed citizens, for 8 consecutive quarters running.



LABOUR cont...

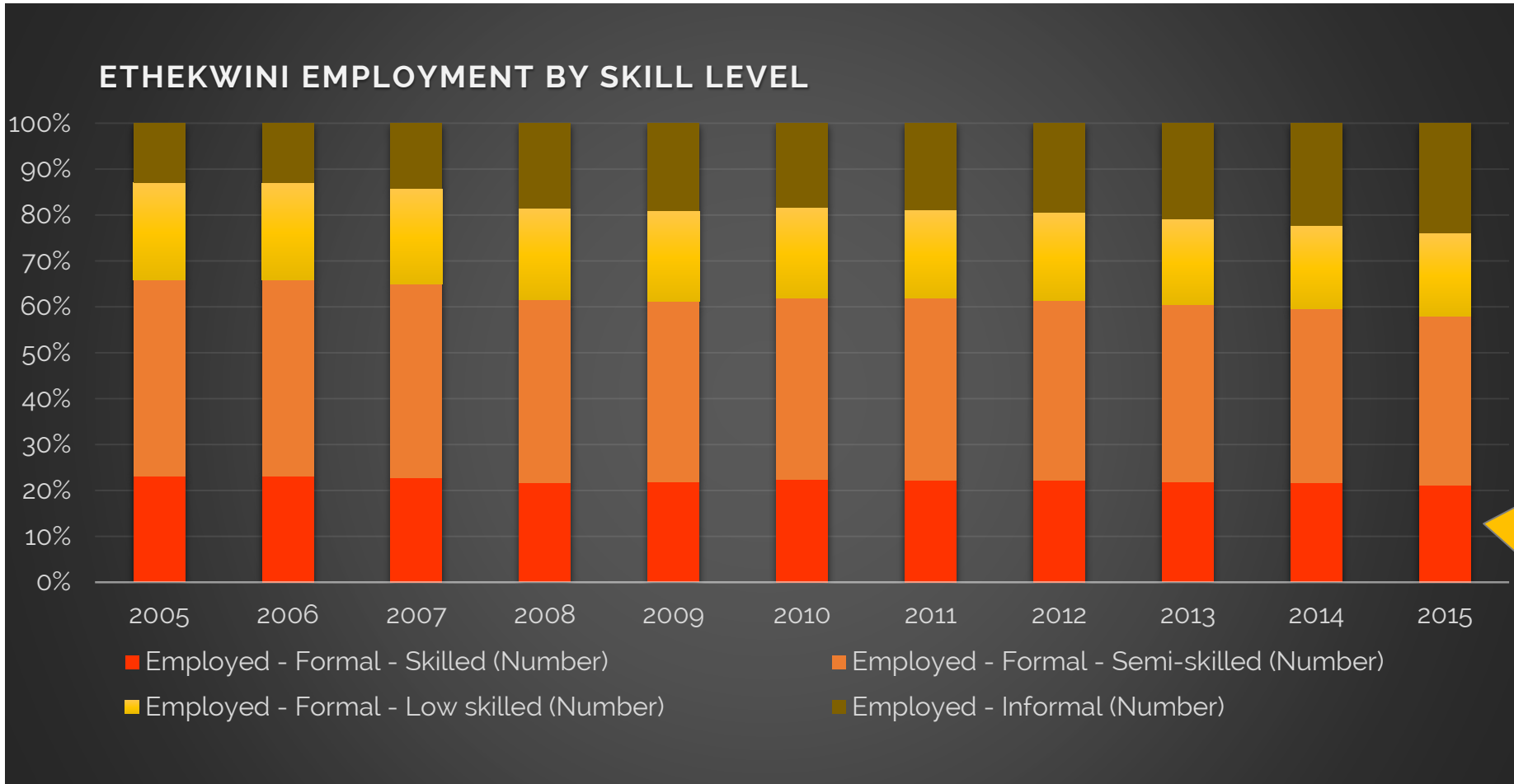


SOURCE: Quantec Standardised Regional Data, 2017

- The not economically active population in eThekweni are the main contributing factor to the drop in the percentage of those unemployed. In 2010 a sharp increase of 6% was witnessed and in 2014 it decreased by 1% and is now on a downward trend.
- Unemployment is also steadily increasing in an upward trajectory.
- The number of employed increased by 2% from 2014 to 2015.



LABOUR cont...



59% of all jobs created in the City in 2016 were skilled and semi skilled jobs in the tertiary sector.

Only 24% of the City's jobs are suitable for low skilled labour.

It is harder to find work in eThekweni if you are low skilled.

SOURCE: Quantec Standardised Regional Data, 2017

- The labour force in eThekweni is relatively skilled. Low skilled and informal employment represent a small component of those employed



LABOUR cont...



Top 10 Skills that are More Abundant in Durban than Other Global Cities

- 1 Ecology & Environmental Science
- 2 Logistics & Supply Chain Management
- 3 Human Resources Management
- 4 Accounting
- 5 Construction
- 6 Transportation
- 7 Strategy & Strategic Planning
- 8 Purchasing & Contract Negotiation
- 9 Lean Manufacturing and Quality Management
- 10 Legal Services

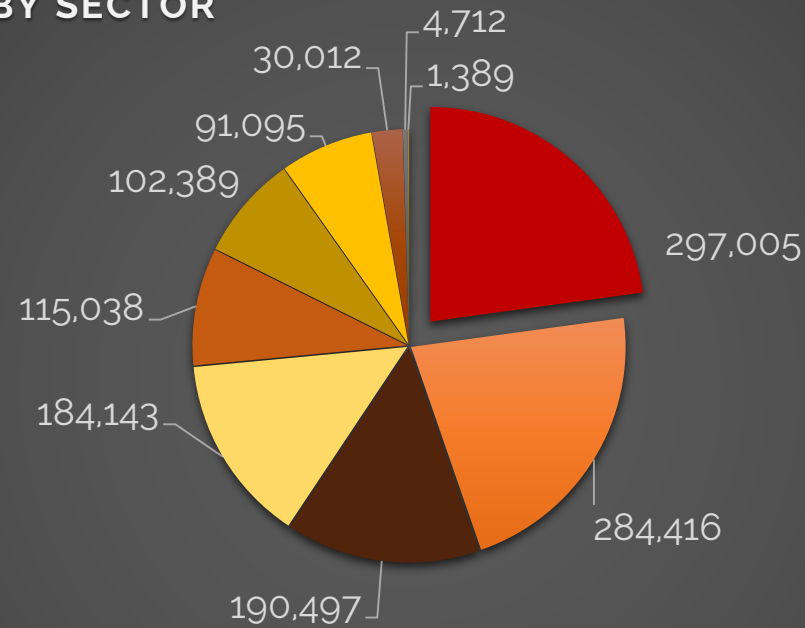
SOURCE: Linked In, 2017

This is a reflection of mainly skilled employment in the City, and indicates a number of industries related to logistics and manufacturing.

LABOUR cont...



**ETHEKWINI EMPLOYMENT BY SECTOR
2016**

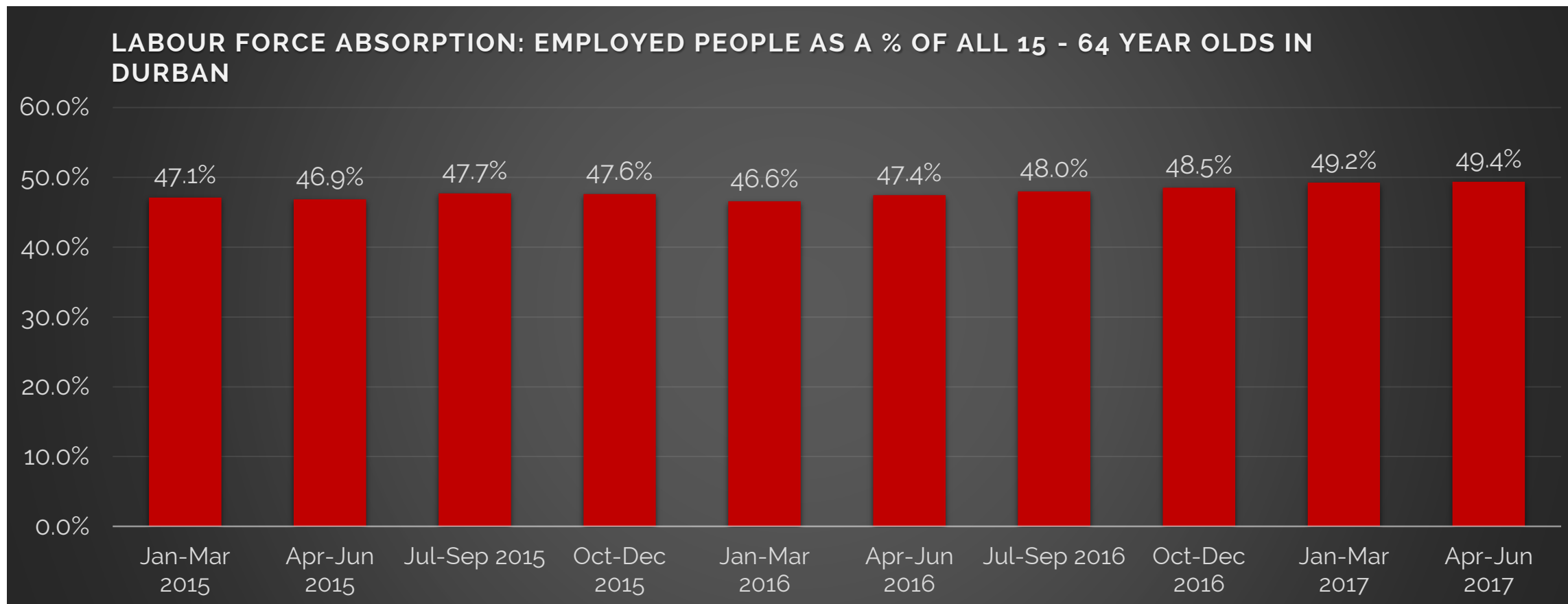


- Community Services
- Households
- Electricity
- Trade
- Construction
- Mining
- Finance
- Transport
- Manufacturing
- Agriculture

SOURCE: Quantec Standardised Regional Data, 2017



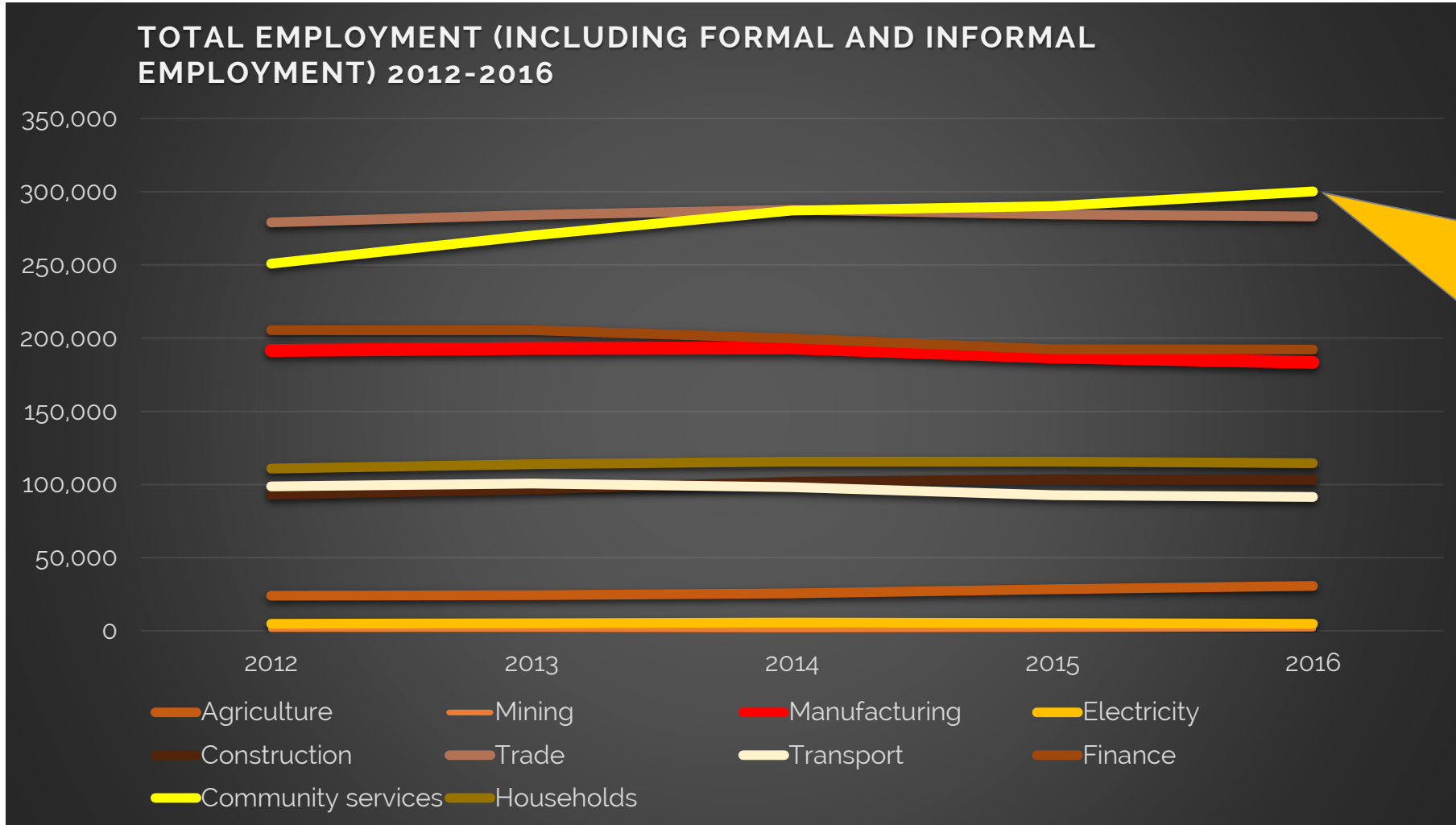
LABOUR cont...



SOURCE: Stats SA QLFS, 2017

The labour force absorption rate; which measures employment as a % of all working aged people in eThekweni, indicates that the likelihood of finding a job in the city has increased slightly, and in fact been on an increase since Q2 2016.

EMPLOYMENT TRENDS PER SECTOR



Employment in community services is on the increase while employment in manufacturing is on a slow decline. Continued support is needed for productive sectors

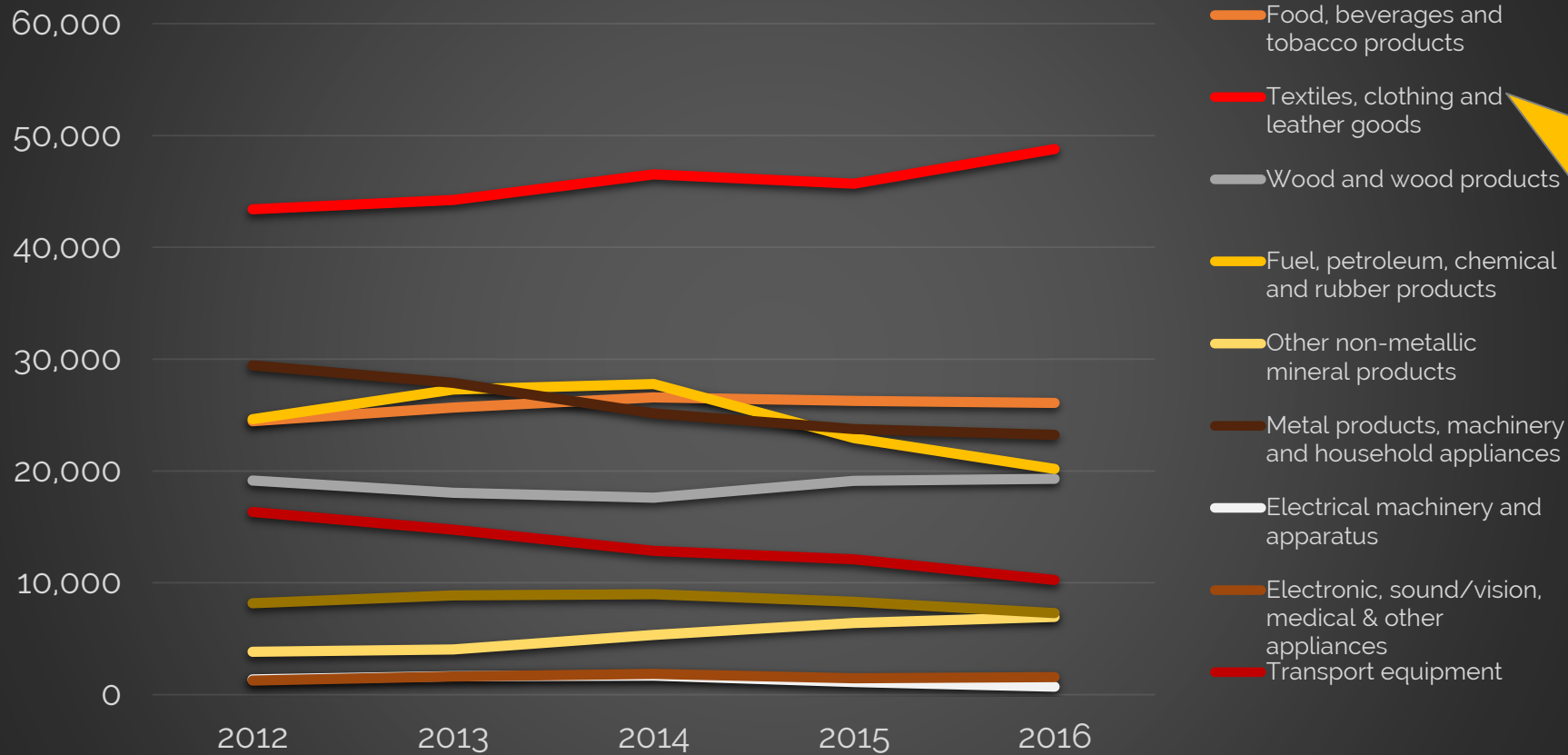
SOURCE: Global Insight, 2017



EMPLOYMENT TRENDS PER SECTOR



MANUFACTURING SUB SECTOR EMPLOYMENT 2012-2016



Clothing and textiles is by far the highest manufacturing employer, and is showing signs of recovery in employment

SOURCE: Global Insight, 2017

LABOUR TRENDS



- The strict **unemployment rate in Q2 2017 is 21.8%**. This is higher than Q2 2016's 19.7% unemployment rate.
- Despite the fact that the local economy **increased employment by 58 000 (5.2%)** from Q2 2016 to Q2 2017, the net effect was that **unemployment grew** in the same period. However, it is important to note that the labour force absorption rate increased (from 47.4% to 49.4%) and the participation rate also increased (from 59.1% to 63.1%) over the same period.
- This means that since last year this time, there **are more people looking for employment** and the **likelihood of finding employment has increased**, albeit marginally.
- Despite the fact that in overall terms it is still more likely that people in the economically active age group will not be working, the trend that has been emerging is a positive one.
- The **tertiary sector accounts for the largest portion of the workforce**, which includes Community Services, Finance and Trade, followed by Manufacturing. In terms of skill level, the largest portion of the workforce is employed at semi-skilled level followed by skilled workers.
- LinkedIn highlights Transport and Logistics as a key global advantage skill area, and **Community Services as the fastest growing sector between 2015 and 2016**, its fastest growing industries being fitness and wellness, and non-profit and religious industries. This trend is not seen in other metros.



City's Finances



THE CITY'S FINANCES

- Major strain on capital budget due to increased demands and eradication of backlogs

- Capital budget considers the key focus areas:
 - Social
 - Economic
 - Asset Management/ Rehabilitation
 - Environmental
 - Admin and support systems
- Budget aims to contribute to achieving strategic objectives of the reviewed IDP.
- Inputs from the Planning Commission have been considered.
- Loans included in budget are sustainable and affordable and utilised for capital projects only

SOURCE: EThekweni Municipality Budget, 2017



THE CITY'S FINANCES



	ORIGINAL BUDGET 2016/2017		PROPOSED BUDGET 2017/2018		PROPOSED BUDGET 2018/2019		PROPOSED BUDGET 2019/2020	
	R bn	%	R bn	%	R bn	%	R bn	%
Total Capital Expenditure	6,626		7,330		7,318		7,828	
<u>Funded as follows:</u>								
Grant Funding	3,667	55%	3,718	51%	3,690	50%	3,891	50%
Internal Funding	1,959	30%	2,612	36%	2,628	36%	2,937	38%
Borrowings	1,000	15%	1,000	14%	1,000	14%	1,000	13%
	6,626	100%	7,330	100%	7,318	100%	7,828	100%

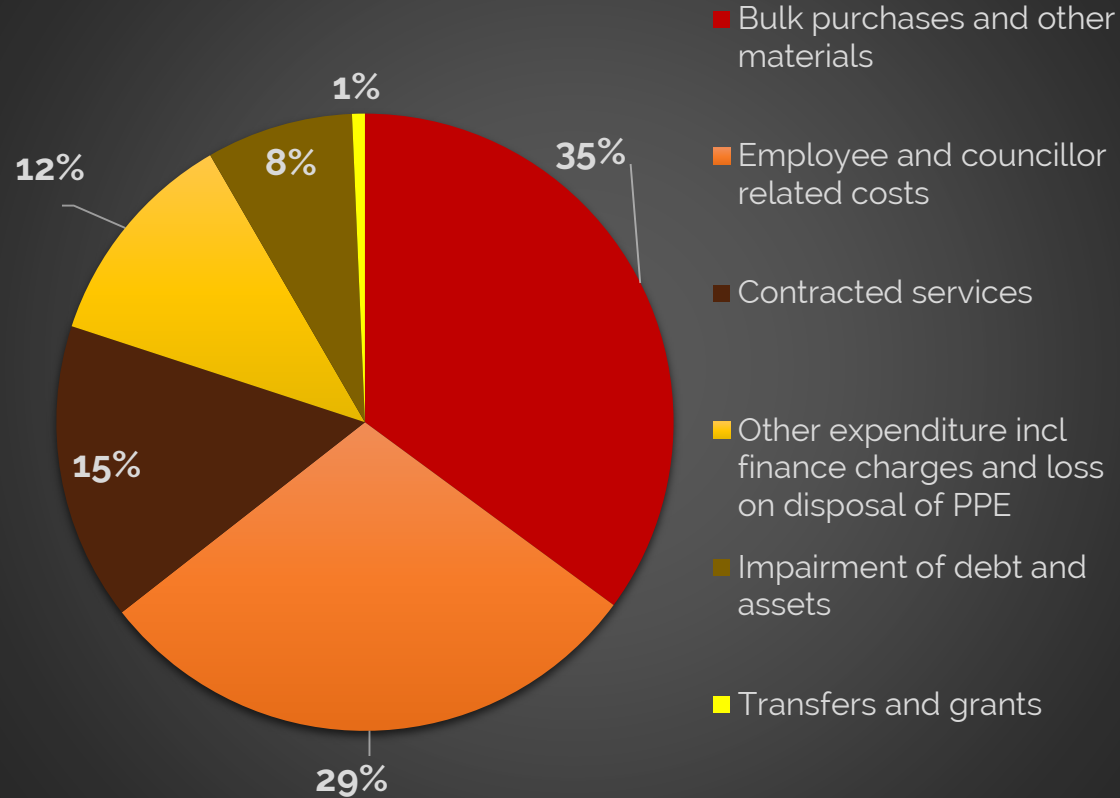
SOURCE: EThekweni Municipality Budget, 2017

- City's revenue will increase in 2017/18 by 9.03%/ R3,1million; but expenditure will increase by 10.83%/ R3.2million.
- Main contributors to increase in revenue are electricity revenue (30% of the increase), property rates (25% of the increase), outstanding debtors (18%), and property rates (15%)
- Main contributors to increase in expenditure are bulk purchases (39% of the increase), employee related costs (29% of the increase), contracted services (28% of the increase).

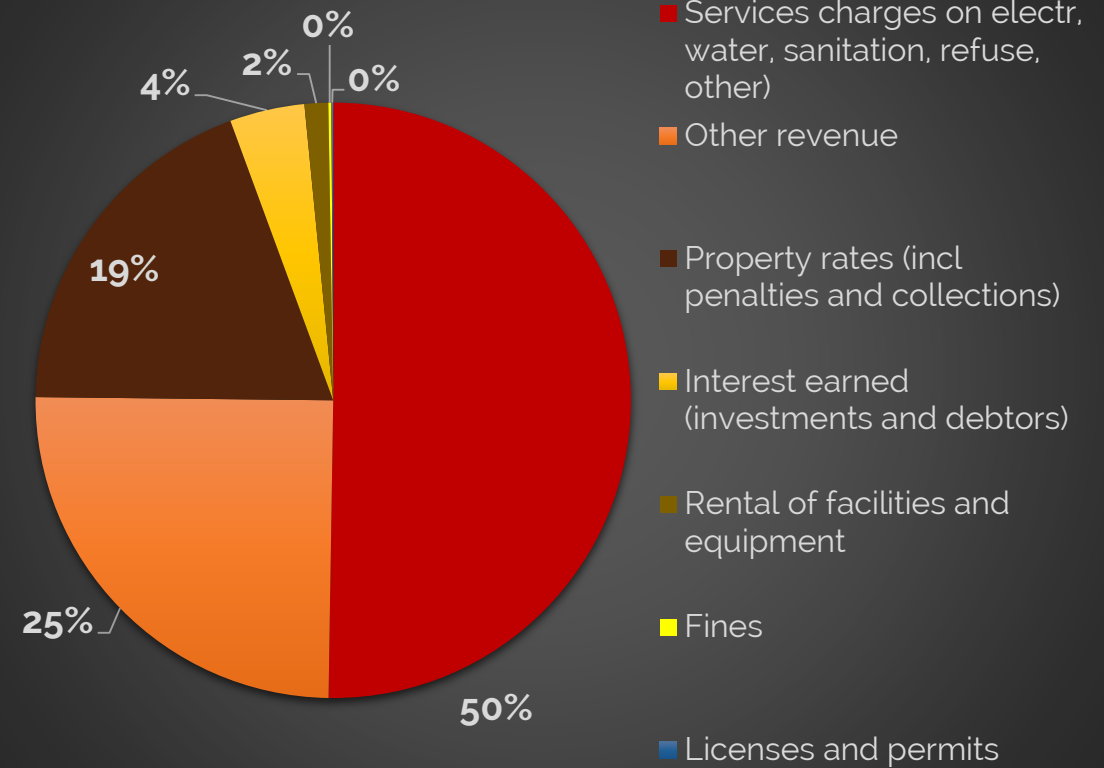


THE CITY'S FINANCES

% Split of operating expenditure for 2017/2018



% SPLIT OF REVENUE FOR 2017/2018



SOURCE: EThekweni Municipality Budget, 2017

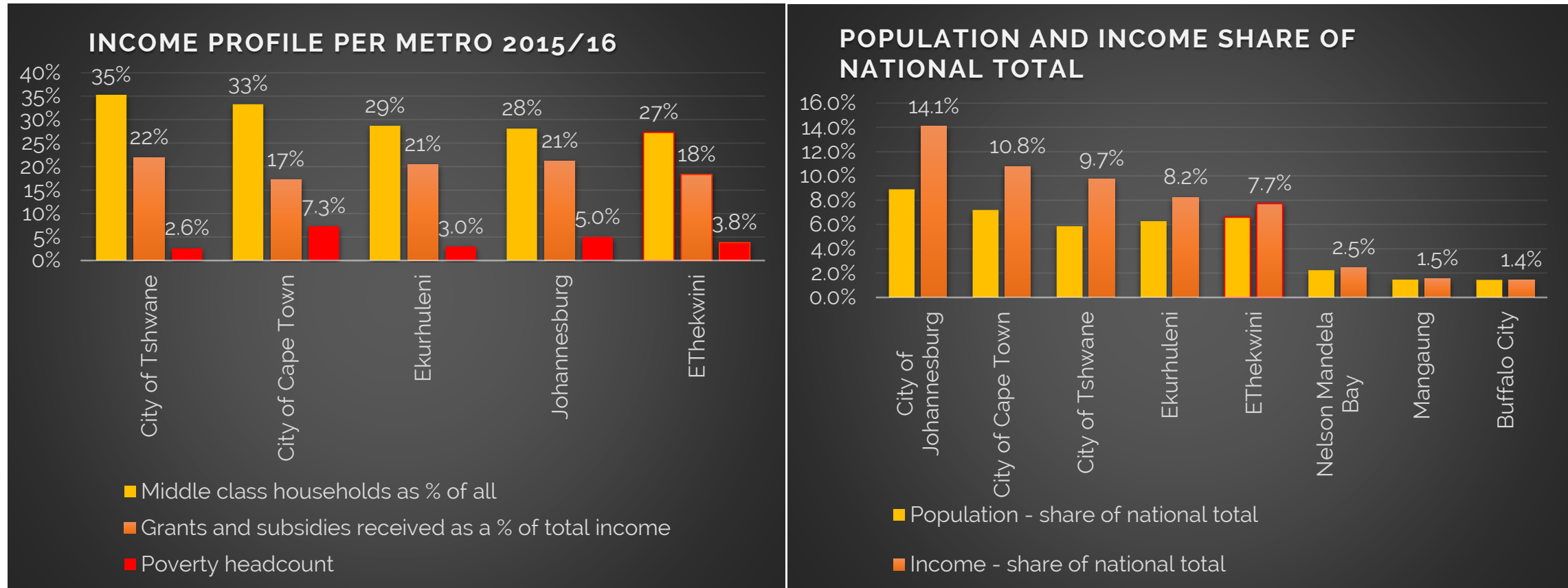


Household Income and Poverty



INCOME PROFILES OF THE CITY

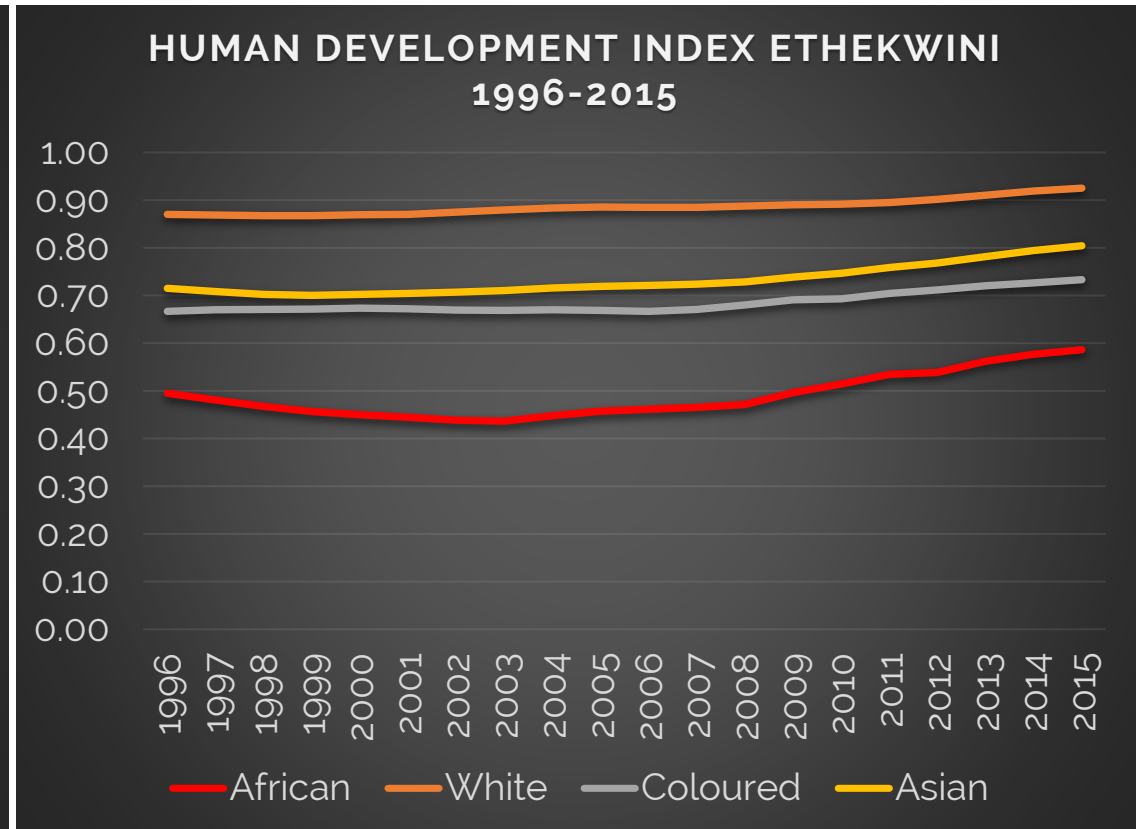
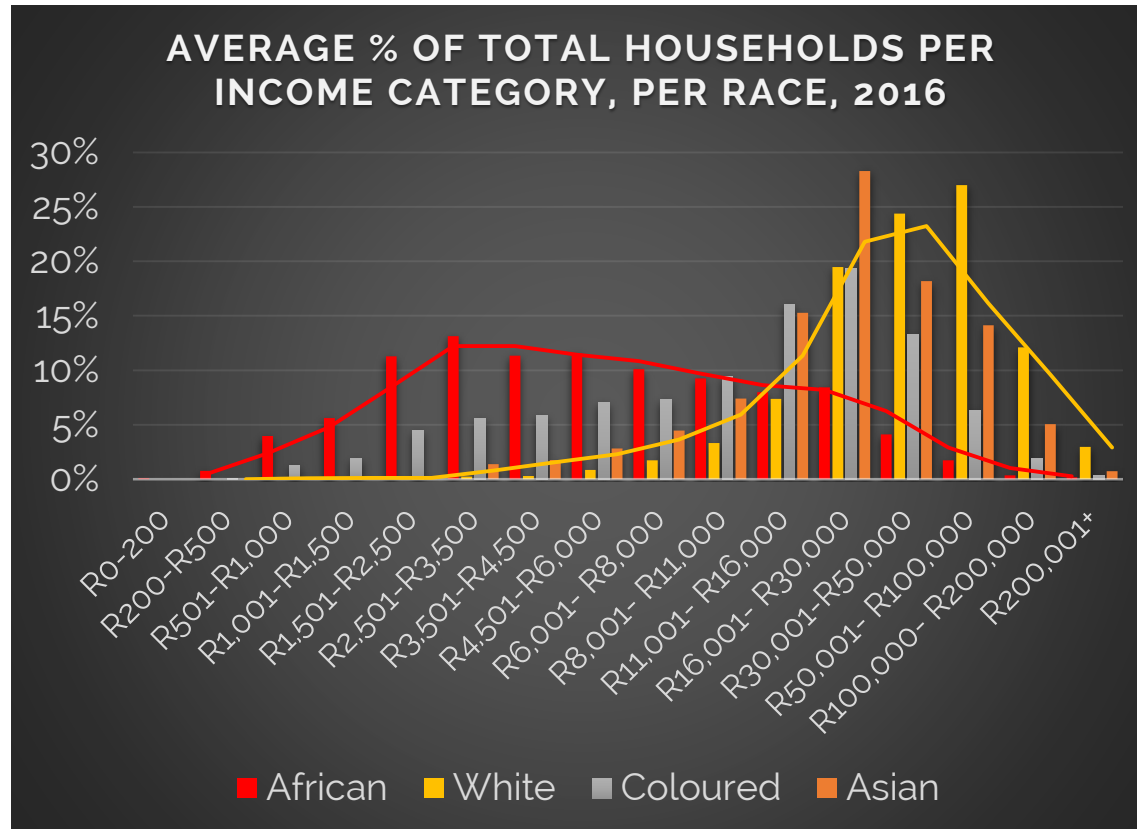
Income profiles of cities like Jhb and Cpt seem to suggest more productive populations than that of NMB and BC. The income contribution of eThekweni's population lags behind that of CoJ, CPT, Tshwane and Ekurhuleni, despite it having the 3rd largest population.



SOURCE: Community Survey 2016 and SACN 2015, 2016

Global Insight, 2016

ECONOMIC TRANSFORMATION IN INCOME AND DEVELOPMENT



Income and development graphs above indicate that income spread and human development- economic development included, are still fairly divided along racial lines. There has been progress in human development within races, but there has been little converging of racial income statuses.



POVERTY AND EQUALITY

- Multidimensional poverty headcount (skills, services, health)
 - DBN: 3.8% of the population
 - Provincial: 7.7% of the population
 - Metro Average: 4.5% of the population

This is a clear indication of EThekweni Municipality's expenditure priorities: "To be caring and liveable by 2030"

Since 2011, Durban has tackled poverty more successfully than any other metro. Since 2011, Durban's poverty headcount has dropped by 42%. In other metros, it has dropped by 17%.

BUT IS IT SUSTAINABLE?

NATIONAL TREASURY INDICATED THAT ETHEKWINI'S SOCIAL PACKAGE IS TOO GENEROUS ESPECIALLY WHEN COMPARED TO NATIONAL NORMS AND OTHER METROS.



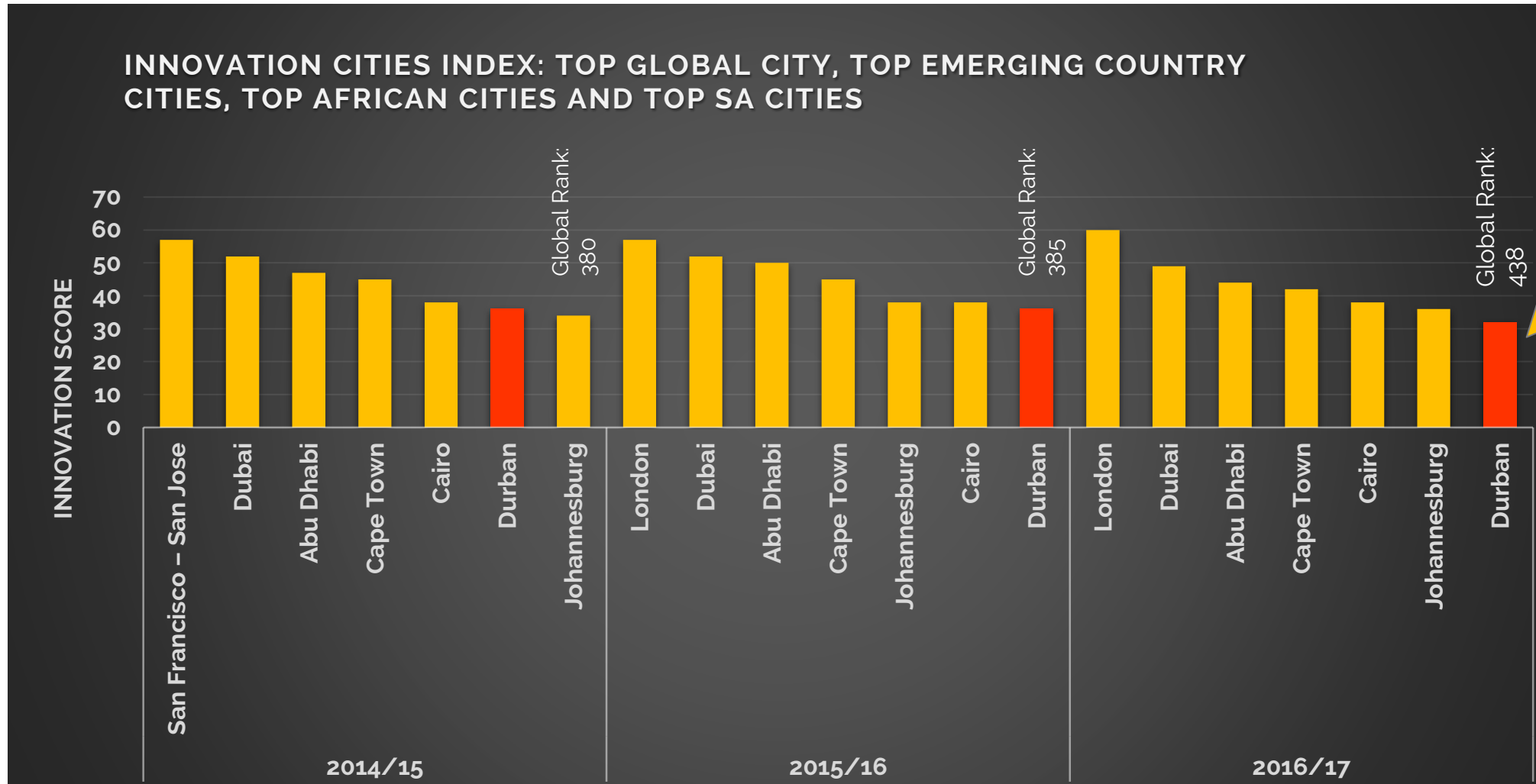


Innovation

www.durban.gov.za



INNOVATION



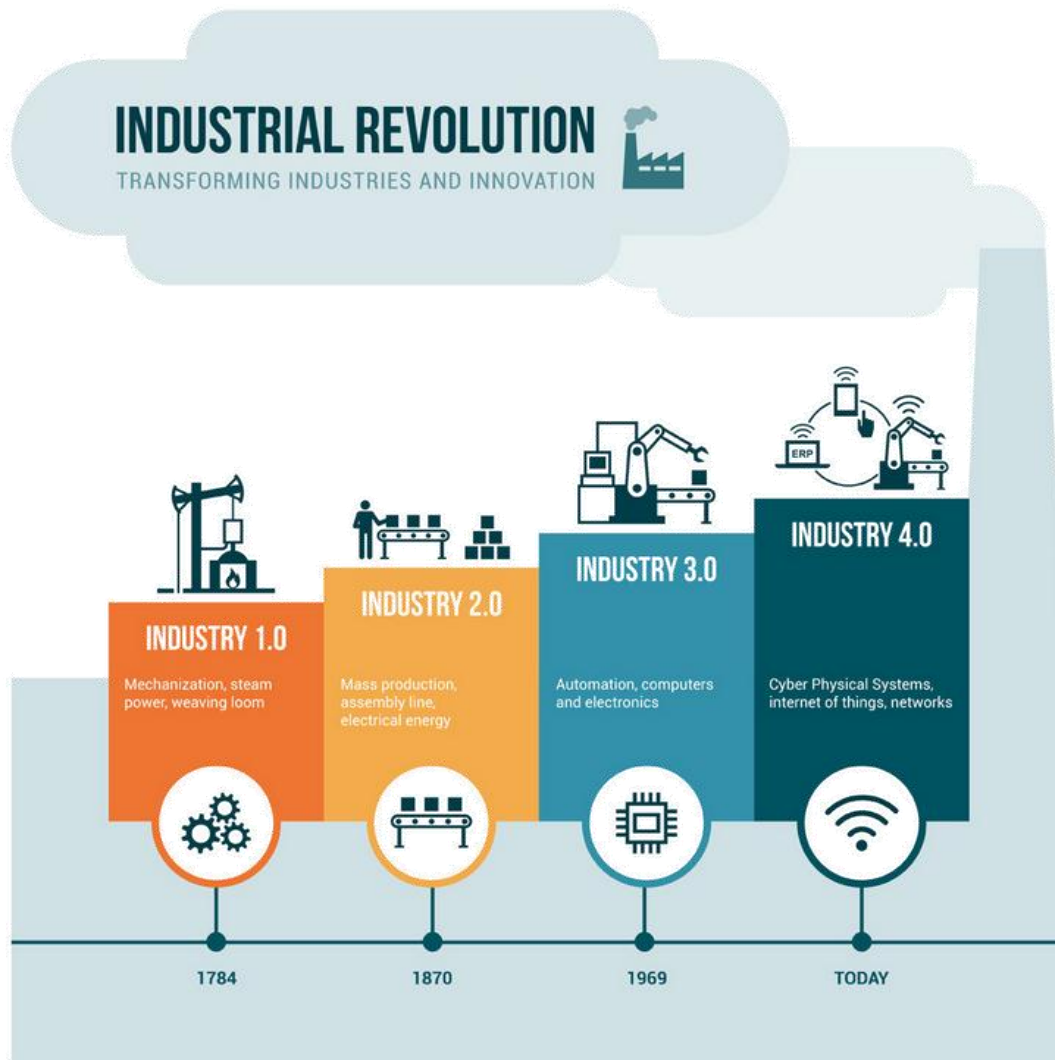
Durban's score is slipping in its global innovation ranking, indicating tough competition in city level innovation networks globally.

*Durban's coordinated innovation programme; **Innovate Durban** has recently been established as a non profit entity and aims to address this by providing an optimal enabling environment for innovation in the city.*

SOURCE: zthinknow Innovation Cities™ Index 2014, 2015 and 2016/17, 2017



NOTES ON 4IR



SOURCE: Atlas of Emerging Jobs , 2017; Space News, 2017

The fourth industrial revolution does not relate to automation, and electronic systems.

- Although it is not possible without automation; it is a merging of digital, physical and biological spheres; in order to enhance business, government and social functions. Examples include artificial intelligence, the internet of things, online networks, etc.
- It is important for government, industries and businesses, and individuals to know the effect that this is having, and will have on their particular spheres.
- The atlas of emerging jobs report is an essential tool in this regard and, provides detail on how industries are likely to change, which jobs are likely to become obsolete in the next 15 years, what new jobs are emerging in place of these jobs, and what skills are required to be eligible for these jobs. This can be accessed on at the Skolkovo Moscow Management School, on:

www.skolkovo.ru/public/media/documents/.../SKOLKOVO_SEDeC_Atlas_2.0_Eng.pdf



Narrative and Summary

www.durban.gov.za



NARRATIVE AND SUMMARY

KEY OBSERVATIONS ON

ETHEKWINI ISSUES

- The country's **abundance of natural resources** (valued in 2010 by Citigroup at US\$2.5 trillion, the largest in the world); **well-developed and highly regarded banking and financial sector; strong manufacturing and growing renewable energy sectors**; as well as considerable tourism potential, all contribute to its vibrant and diverse emerging market economy.
- Despite this potential, post-2009, **the country's economy has grown by an average of 2.2%**. The slowdown in the Chinese economy and the resultant drop in commodity prices have hit the mining industry hard. The manufacturing sector has also been negatively impacted on and has not returned to pre-2009 growth levels. This is also driven by a number of domestic factors. Despite the sovereign credit downgrades, South Africa remains on the investment radar of global IPAs, is still on the radar for its government bonds (e.g. Citi World Government Bond Index) and generally **ranks as a good investment destination**.
- The recent **rebound in the agricultural and mining sectors has lifted overall growth** in the last two quarters. However, these sectors are still below optimum levels and due to their capacity to absorb unskilled and low skilled labour, their growth is important for the country.



NARRATIVE AND SUMMARY

KEY OBSERVATIONS ON

ETHEKWINI ISSUES

- In terms of the country's trade data, it is notable that imports have increased rapidly over the last 10 years from Asia (China, Japan and India in particular). **SA has a particularly un-balanced trade relation with China**, which is characterised largely by an export of raw materials and import of manufactured products. However, Durban enjoys a more balanced trade relationship than the country in general, and exports more finished goods to China than raw material. SA generally enjoys more balanced trade with Europe to which it exports value added products.
- **Exports from SA have also increased rapidly into the rest of Africa**. This points directly at the potential for SA to build stronger trade relations and an improved trade environment within Africa. The African Union's intention to create a free trade area is timely, given the move towards greater protectionism in western markets.
- **Growth sectors for investment: Finance (and innovation within Finance) Manufacturing** (import replacements; e.g. automotive), Agriculture and Mining.



NARRATIVE AND SUMMARY

KEY OBSERVATIONS ON

ETHEKWINI ISSUES

- The city has been a **top performer in the delivery of basic services and provision of free basic service to poor residents**, which has meant that eThekweni residents are less likely to be living in extreme poverty (i.e., poor in eThekweni receive better service packages than those in other metros).
- EThekweni has a **poorer population than the other metros**, and consequently, a larger proportion of its budget is spent on its social package. The City has consequently done well in addressing poverty, relative to its metro counterparts; however, the extent to which this is sustainable is questionable.
- Compared to its metro counterparts, **a large proportion of eThekweni's working aged population is unskilled or low skilled**, while most jobs created are suitable for the semi skilled and skilled. The primary sectors that absorb the most unskilled and low-skilled labour (such as agriculture and mining) are very marginal in the eThekweni economy. While promoting more productive rural areas, eThekweni needs to grow tourism and agriculture, which can absorb some low skilled labour.
- The **smaller buying power in the city as a result of lower incomes and higher unemployment** means that there is less disposable income to support growth of the city's economy. The city should **aggressively pursue FDI, as well as companies with an export focus** to stimulate growth not dependent on internal consumption. This includes manufacturing and tourism, among others.

NARRATIVE AND SUMMARY

KEY OBSERVATIONS ON

ETHEKWINI ISSUES

- While it holds many opportunities, **the tourism sector is weak compared to the other large metros as eThekweni only ranks fifth among the cities for foreign visitors**. Durban is a strong *domestic* tourism destination, however some segments of this market bring relatively little value to the city (i.e. significantly price and budget conscious, and generally spend less). As this sector brings in outside buying power, it is important that it grows.
- Despite the poorer population, low economic growth and high unemployment, the **cost of development in the city is higher than in the other large metros** and it is particularly difficult to find affordable housing as the cost drivers make it unattractive to the private sector, in comparison with the other cities.
- EThekweni rates as mediocre in its competitiveness across multiple dimensions and in terms of its ease of doing business. A **reform action plan has been developed**, however, further measures are proposed in the next section.



NARRATIVE AND SUMMARY

KEY OBSERVATIONS ON

ETHEKWINI ISSUES

- The city's **well-managed financial performance and good credit rating** means that it is able to fund its developmental mandate, provided that expenditure is directed towards undertakings that are able to demonstrate real impact.
- Possibly **eThekweni's biggest competitive advantage is its port**, and related skills; which results in eThekweni's skilled population in the Transport and Logistics sector being larger than that in other cities, both nationally and globally.
- **Skills in this sector (Logistics and Supply Chain Management, as well as Transportation) are more abundant than in the country's other metros.**



MEGA TRENDS WHICH REQUIRE URGENT ATTENTION

Expanding within the continent- **Trading with other African countries is becoming increasingly important.** Numerous projections have **highlighted Africa as the next investment frontier**, because of its growing youth and middle class population, abundant natural resources and increasingly industrialising economies. While the CFTA is an important step; it is projected that instituting this may only increase intra continental trade by 5.3%. This is because major issues hampering trade include distance and infrastructure, inefficient bureaucracies and corruption. Much needs to be done in the way of increasing accessibility to and from our neighbouring countries. This includes infrastructure development between countries; including transport and financial infrastructure.

Catching up to the Fourth Industrial Revolution (4IR) - Increasingly, the 4IR impacts on the business models and sustainability of both business and government. This is particularly as it relates to the fusion of physical and digital spheres, and the impact that this has on time, convenience, efficiency; and ultimately, the consumer. **South African businesses who cannot make use of technologies to reduce time, inconveniences, and costs, through real time, digital communication and client centered service, will lose market and be phased out.** Although the effects will be seen at different paces, this is as applicable to small business, as it is to big business, and the formal sector as it is to the informal sector. In addition, South African city governments who do not keep up with the 4IR will increasingly be superseded by their global counterparts who also compete for investors by attracting and retaining them through more client centered, cost effective and innovative methods.

MEGA TRENDS WHICH REQUIRE URGENT ATTENTION

A crisis of confidence: **Declining private sector investment, currency volatility, business confidence, policy uncertainty, increasing debt and credit rating downgrades, have both contributed to the crisis of confidence** and are also manifestations of it, in as much as these issues becoming mutually reinforcing. A low manufacturing PMI (46.7) in September 2017, weak sentiment demonstrated through the FNB house price index, and depressed (contraction) in consumption expenditure by households as well as the volatility (and decline) in the SACCI business confidence index paint a picture of weak confidence levels. However, on the positive side, **SA still ranks on investment promotion agencies (IPAs) as having the most promising selection of home economies, and investment into SA is still among the highest on the continent.**

A structural relationship between skills and unemployment: at the country level as well as at the provincial and city levels, there exists a **strong relationship between education and unemployment. The unemployment among graduates and skilled labour is drastically lower than for the unskilled.** There are generally two faces to school education from primary school upwards, which is reflective of the income divide. These include a majority of schools that are poorly resourced and poor performing with questionable standards in mathematics and sciences, and schools that are better resourced and which sustain higher standards of teaching in line with the best global practices.



MEGA TRENDS WHICH REQUIRE URGENT ATTENTION

An increasing obsession with red tape: in the annual World Bank Doing Business study, SA has slipped from 72 to 74 mainly due to improvements in other countries. SA performs particularly poorly in trading across borders, enforcing contracts, getting electricity and registering property. Furthermore, according to the Global Competitiveness Index 2016/2017, the most problematic factors for SA were highlighted as being inefficient government bureaucracy, restrictive labour regulations, inadequately educated workforce, policy instability, corruption and crime and theft, respectively.

Dispersed development; poor spatial agglomeration: Cities become the centres of economic growth, employment and innovation due to the agglomeration of activities, talent and market. **The current dispersed nature of development discourages necessary density thresholds needed to, in turn, stimulate sustainable new economic activity.** Inner cities and town centres in many cities around the world create complex environments that provide public goods as well as market thresholds that generate and sustain economic agglomeration. While SA inherited fragmented cities from apartheid, they have further reinforced patterns of dispersal through housing policy and retail developments that are disconnected to the city centre. The shopping centre pattern of development has not only undermined inner cities, but has also fostered a model that is non-conducive to the development of small and micro business.



MEGA TRENDS WHICH REQUIRE URGENT ATTENTION

Economic equality- while it may seem unique to South Africa, the growing need for inclusive growth is a global issue increasingly harder to ignore. **A growing youth population who are peripheral to an economy's prosperity, are, understandably, dangerous for stability.** Conversely, a growing, productive youth population, who participate meaningfully in an economy, and stand a real chance to gain equitably from its growth, are a country and city's best asset. It is important that programmes that promote **Radical Economic Transformation** are continued, and implemented by both government and business within relevant spheres of influence. The ultimate goal is to encourage genuine equity, and not to create another societal elite.



5 STEPS THE CITY IS TAKING - OR SHOULD BEGIN TO TAKE, SOON



Build confidence – the **City Manager has instituted a process of customer relations management with the top 30 business customers in the city**. This has entailed meetings between the management of such businesses and the most senior management of the municipality, as well as the top executives playing the role of a single port of call for a specific business. This works towards building confidence among the largest businesses and improves their likelihood of investing further in the city. This could be broadened to include the largest employers as well. Creating a well-functioning sector desk to assist other businesses in resolving challenges and accessing incentives, etc. will improve the operating environment for businesses not targeted under the top 30 initiative.

Increasing the pace of investment –ensure opportunities are created for key sectors through the catalytic projects (facilitated through the Catalytic Projects Office in the municipality) and targeted investment promotion. **Council recently adopted the decision to establish a new Investment Promotion Unit with a medium-term view of establishing an IPA (Investment Promotion Agency)**. Such an IPA should be highly skilled and capable of attracting investment in targeted sectors, and yield a positive return on investment. The inner city should be a target area for investment in retail, services, tourism, recreation and residential development. While densification may be viewed as a long-term goal, inner city densification should be pursued with short-term urgency by lowering planning requirements (such as parking; rezoning processes and costs) while having dedicated brown field incentives for the inner city and key sectors.

5 STEPS THE CITY IS TAKING - OR SHOULD BEGIN TO TAKE, SOON



Improve competitiveness and ease of doing business- **the city should move towards an integrated electronic system for all city departments and services from Real Estate, Planning, Electricity, GIS; Water, etc.** This approach should be customer and citizen centric. The fundamental tenet of building a smart city is that the technology and approach should be centered on the citizen. In addition, cutting down on red tape and improving response times and lowering the costs of procedures and applications, will create confidence among small- and medium-sized businesses as well as improving the investment environment. It is recommended that all new procedures, policies, strategies and plans be assessed in terms of their impact on job creation and SMMEs and be reported to Council prior to their adoption.

Investment into technical and vocational education and training (TVET) – while education and skills remain a competency of provincial and national government, in reality, the city functions as one entity, and the impacts of dysfunctional systems are brought to bear on the city as a whole. It is important that the municipality firstly, plays a research and advocacy role, and secondly, **considers a more direct role in supporting TVET development.** This could take various forms, such as sponsoring specialised units at TVET colleges and leveraging the municipality's various units (such as electricity, transport, fleet, water, etc.) into supporting TVETs. **This applies equally to the private sector and the State-owned Entities present in the city.** Furthermore, the image of TVET needs to be greatly enhanced.

5 STEPS THE CITY IS TAKING - OR SHOULD BEGIN TO TAKE, SOON



Export led growth

Africa the frontier – greater focus needs to be provided in leveraging existing stakeholders and systems to supporting small- and medium-sized business to **export into identified African markets**.

- **Expand the consumer base of the city's for tourism and consumer goods to the growing African middle class.** This should be done such that fellow African countries are seen as potential business partners, and not just consumers of South African goods.
- Targeted **import replacement** – certain sectors have a high propensity for import replacement. For example, a motor vehicle typically consists of 20 000-30 000 components. While some are produced locally, the trade data shows that many components are imported. This suggests that through dedicated effort, specific products in the supply chain may be targeted in partnership with original equipment manufacturers (OEMs) and first tier supplies, for import replacement.



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Produced by the Policy Strategy, Information and Research (PSIR) Department of
The Economic Development and Investment Promotion Unit
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