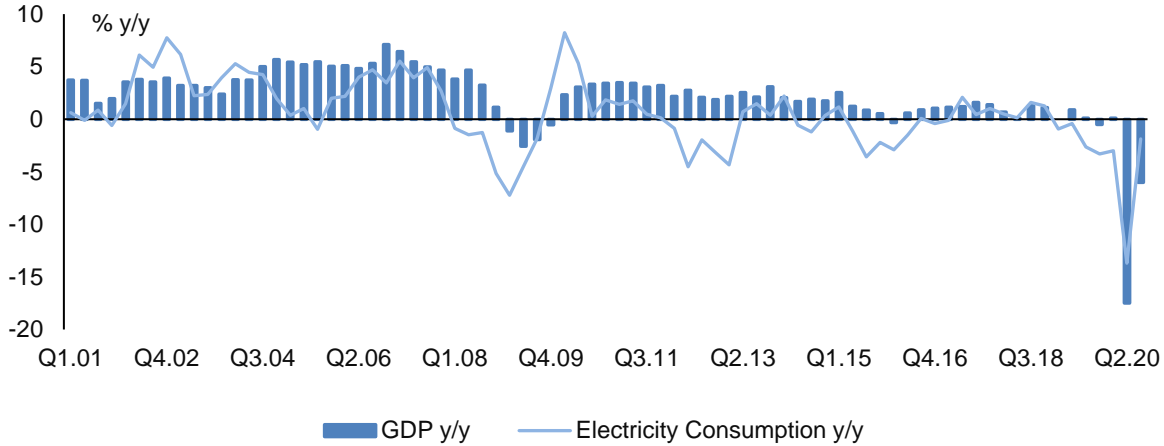




**Electricity update: Electricity generation and consumption fell by -3.2% y/y and -2.4% y/y in January respectively, as a spike in infections prompted the tightening of restrictions**

Thursday 4 March 2021

Figure 1: Quarterly trend in electricity consumption vs GDP



Source: Stats SA

- Electricity production fell by -3.2% y/y in January, following December’s 1.1% y/y lift. Similarly, consumption of electricity slid by -2.4% y/y, after rising by 1.7% y/y in December.
- Indeed, lockdown restrictions were tightened towards the end of last year, in the face of rising infections, weighing on economic activity. Furthermore, intermittent load shedding intensified during January.
- Eskom’s Energy Availability Factor (EAF) is currently sitting at 58.44 for the year-to-date, down from 2020’s average reading of 65.04. The swift extension of South Africa’s energy generation capacity remains one of government’s four key priority areas as specified in the Economic Reconstruction and Renewal Plan and further reiterated in the President’s State of the Nation Address (SONA).
- “Restoring Eskom to operational and financial health and accelerating its restructuring process is central to this objective,” according to the President. Indeed, aiding Eskom in managing its significant debt burden and heavy reliance on the fiscus is essential.
- A high court ruling on the 16 February will see Eskom increasing average tariff prices by 15.63% for the 2021/22 financial year, commencing 1st April, for standard tariff customers, allowing the cash strapped SOE to recover “prudently incurred” electricity production costs and helping it alleviate some of its financial burden.
- Indeed while 2021’s domestic growth prospects have improved, supported by the vaccination rollout and a likely recovery, albeit protracted in the global economy, electricity supply constraints remain a concern. Despite government’s efforts over the past year to increase energy generation capability, in addition to Eskom’s capacity, the utility projects that, there will still be an “electricity supply shortfall of between 4 000 and 6 000 MW over the next five years, as old coal-fired power stations reach their end of life.”
- In response to this an appeal for “(p)roposals for 2 600 MW from wind and solar energy as part of Bid Window 5”, will be released imminently, followed by another bid window in August, according to government.

Figure 2: Electricity production and consumption (%)

% y/y	2015	2016	2017	2018	2019	2020
Production	-1.9	1.0	1.0	0.3	-1.5	-5.3
Consumption	-1.3	-1.0	0.5	0.9	-1.9	-5.0

Source: Investec, Stats SA

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Thursday 4 March 2021



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