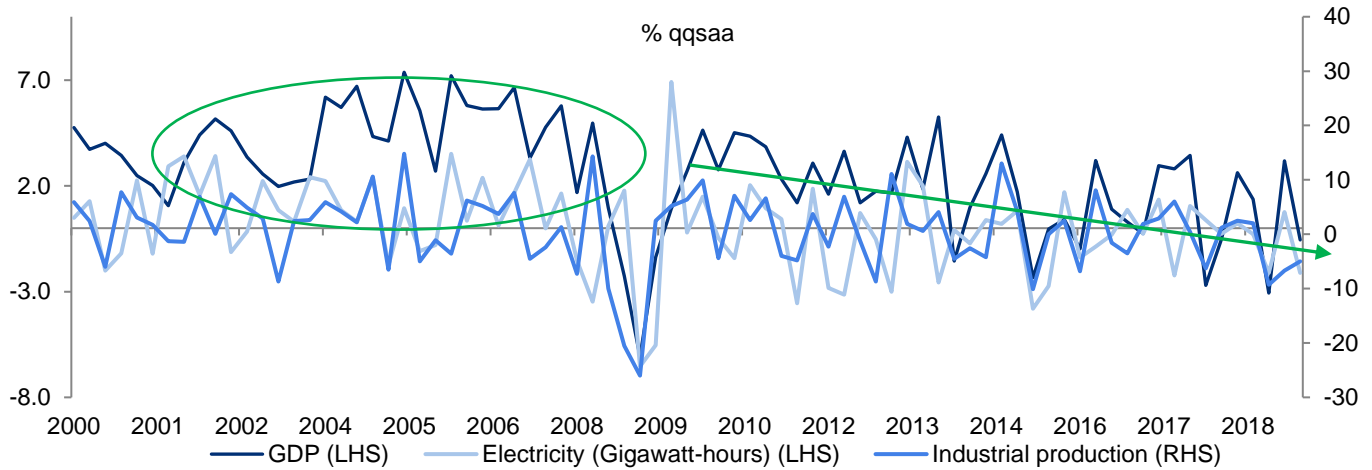


**Electricity update: the fall in production deepens in November, and will worsen in December, increasing the chance of a supply-side recession**

Tuesday 7 January 2020



Figure 1: Electricity available for consumption vs economic growth (% change y/y)



Source: Stats SA

- November's electricity production contracted by -2.8% y/y for the month. Eskom's average Energy Availability Factor (EAF) deteriorated to a low 65.8% for energy generation availability (versus energy generation capacity) in November as outages rose materially on a planned basis.
- Unplanned maintenance is planned in less than 28 days, and is often insufficient to address all the issues, while planned maintenance includes the lengthy time periods needed to order and receive required parts as well as often full servicing. Insufficient planned maintenance (included in planned outages) leads to a high number of unplanned outages (unplanned maintenance).
- In the absence of substantial repair of SA's electricity capacity, of which adhering to planned maintenance regimes is key, producers relying on state supplied electricity would risk their productive capacity reducing even further going forward, particularly as power stations age further.
- The EAF (Energy Availability Factor) is down from 67.2% in October (electricity produced fell -0.4% y/y in that month) and 68.0% in September (electricity produced fell -1.9% y/y). Year to date the EAF is at 67.3% versus 2018's 71.8%, contributing to a decline in potential economic growth.
- After substantial unplanned outages, December's EAF ratio is estimated at a very low 60.2%, heralding an even more severe contraction in electricity production in that month. There will likely be a negative impact on industrial production in Q4.19, and Q4.19 GDP is likely to have contracted by over 1.0% qqsaa, after contracting in Q3.19 GDP by -0.6% qqsaa.
- A GDP contraction is expected in Q1.20 as well, the first quarter of each calendar year has seen a contraction in GDP in the past four years. Eskom indicates rising planned maintenance in Q1.20, and even greater losses to the grid of unplanned outages versus planned outages.

Figure 2: Electricity production and consumption (%)

	Nov		Oct	
	y/y	m/m*	y/y	m/m*
Production	-2.8	-1.0	-1.9	-1.0
Consumption	-3.1	-1.4	-2.1	-0.5

\*seasonally adjusted. Source: Stats SA

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