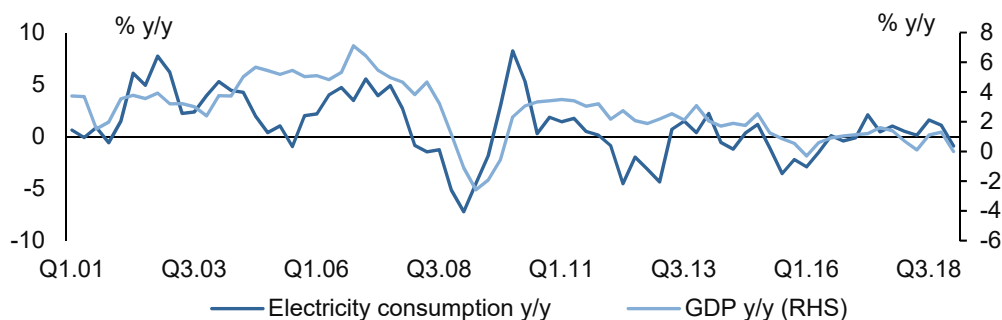




Electricity update: Production and consumption figures contract in May and continue to be constrained by muted domestic activity

4th July 2019

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



Source: Stats SA

- Electricity production contracted by a marginal 0.6% y/y in May, following April's 1.8% y/y lift. Including May's reading, generation numbers for the year-to-date are down -1.1% y/y, owing to the dismal performance in Q1.19, which was characterised by heightened rotational load shedding.
- The volume of electricity consumed also fell somewhat in May, sliding by 1.3% y/y, following April's 1.6% y/y gain, bringing the year-to-date consumption reading to -0.7% y/y. Distribution fell across six of the nine provinces in May, on a year-on-year basis, led by Gauteng and the Free State, which experienced drops of 4.6% y/y and 2.9% y/y respectively.
- Depressed domestic activity, particularly within the manufacturing and mining sectors, which are the largest consumers of electricity in South Africa, is likely to constrain any notable consumption growth going forward. Additionally, frustration around the reliability of electricity supply, coupled with high tariff increases and technological advancements are driving consumers to find alternatives to the national grid.
- The repair of South Africa's electricity sector remains a central priority of government as Eskom represents a significant downside risk to the fiscus and is a key threat to South Africa's sovereign credit rating.
- In his latest State of the Nation Address, President Ramaphosa stressed that "(f)or growth, we need a reliable and sustainable supply of electricity", stating that the "(u)tility's financial position remains a matter of grave concern". As such, he indicated that a "Special Appropriation Bill", would be tabled urgently "(t)o allocate a significant portion of the R230 billion fiscal support that Eskom will require over the next 10 years in the early years".
- He also confirmed that Eskom is "(w)orking with government and other stakeholders to address its broad structural plan and its overall debt as well as the debt owed by municipalities and individual users".

Eskom Figure 2: Electricity production and consumption (%)

% y/y	2014	2015	2016	2017	2018	2019 YTD
Production	-0.5	-1.9	1.0	1.0	0.3	-1.1
Consumption	0.2	-1.3	-1.0	0.5	0.9	-0.7

Source: Investec, Stats SA

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