



January 2022

Economic and Employment Indicators & Trends in South Africa

Issue # 01

National Economic Development and Labour Council



Contents



The Month in Review



Section A: Macro Data Trends and Analysis



Section B: Sector Analysis

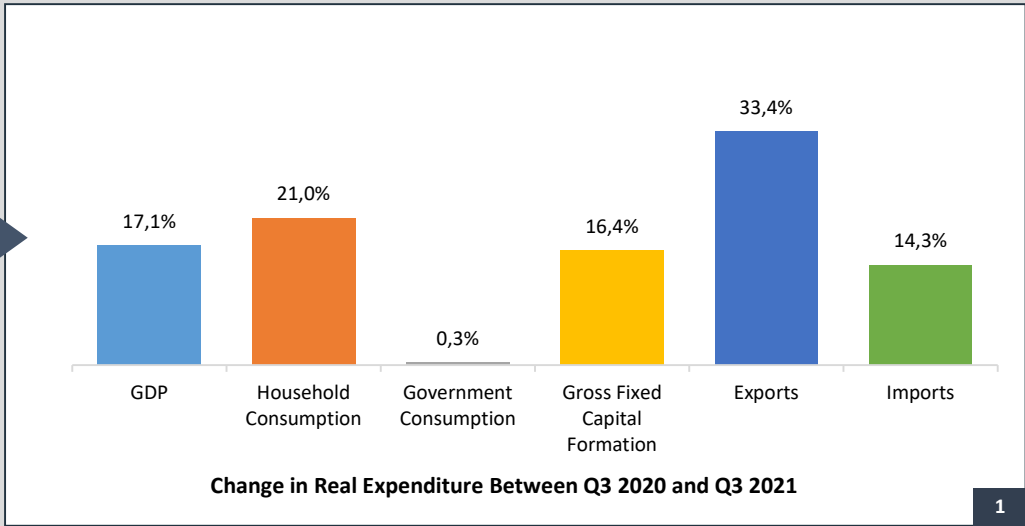


- South Africa starts 2022 with declining Omicron infection rates and hopes of a return to greater levels of pre-COVID “normality”. It does so against the backdrop of a global economy characterised by heightened uncertainty and increased risks that are tilted to the downside. Chief amongst these are increased inflation pressures arising from higher energy costs and disruptions to global supply chains. This has led monetary authorities around the world to bring forward plans to raise policy rates and – in the case of the United States and Europe – accelerate plans to taper asset purchases. This will almost certainly result in a tightening of global financial markets, currency depreciation in many emerging markets and increased borrowing costs for governments around the world.
- While it has reduced its forecasts for global growth in 2022, the International Monetary Fund nevertheless expects the post-COVID recovery to gain momentum over coming years. In this context it expects South Africa to lag behind many countries and regions – including sub-Saharan Africa. The latter’s growth in output in 2022 and 2023 is expected to be more than double that of South Africa.
- The recovery in production levels since the second quarter of 2020 – when the “lockdown” was at its most stringent – has not been strong enough to make material inroads into unemployment in South Africa – which reached record levels in the third quarter of 2021. Close to 47% of people in the 15 to 64 year age group who want to be employed are unable to find employment.
- A modest year-on-year up-tick in formal employment was driven almost entirely by an increase in jobs in government administration. This was partially offset by contractions in employment in all of the secondary sectors (manufacturing, utilities and construction) and in the finance, insurance, real estate and business services sector.



- While there was an increase in average consumer price inflation in South African during 2021, the annual rate remained firmly in the middle of the Reserve Bank's target range of 3% to 6%. There is, nonetheless, concern that higher global energy costs – particularly for crude oil – and a weaker currency prompted by reduced financial inflows could cause further inflation pressures that could easily become entrenched if they lead to wage inflation. This is – in part – why South Africa's Monetary Policy Committee elected to raise the Repo rate by a further 25 basis points to 4% p.a. following their January 2022 meeting.
- Amidst this somewhat more uncertain start to the year there are some positive signs. Average remuneration in the formal, non-agricultural sectors of the economy has shown some healthy nominal increases across most sectors. This is starting to translate into a rise in real remuneration for those households that are lucky enough to have members that are formally employed. Good summer rains also point to a reasonable agricultural season, and the gap between government spending and government revenue continues to narrow.
- While export earnings continue to be buoyed by higher unit prices and strong global demand – particularly for PGMs and iron ore – depressed import prices could place additional pressure on those sectors of the economy that are most directly exposed to international competition.

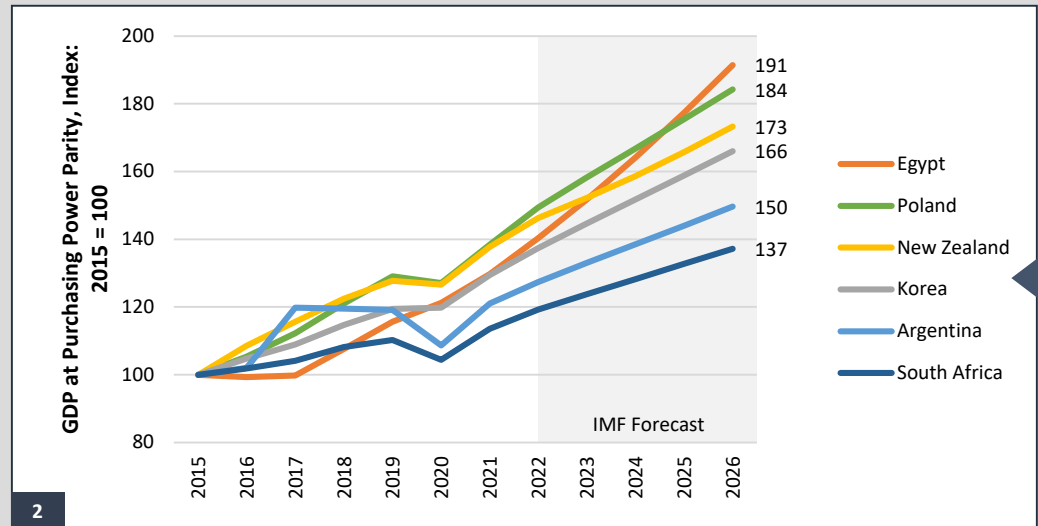
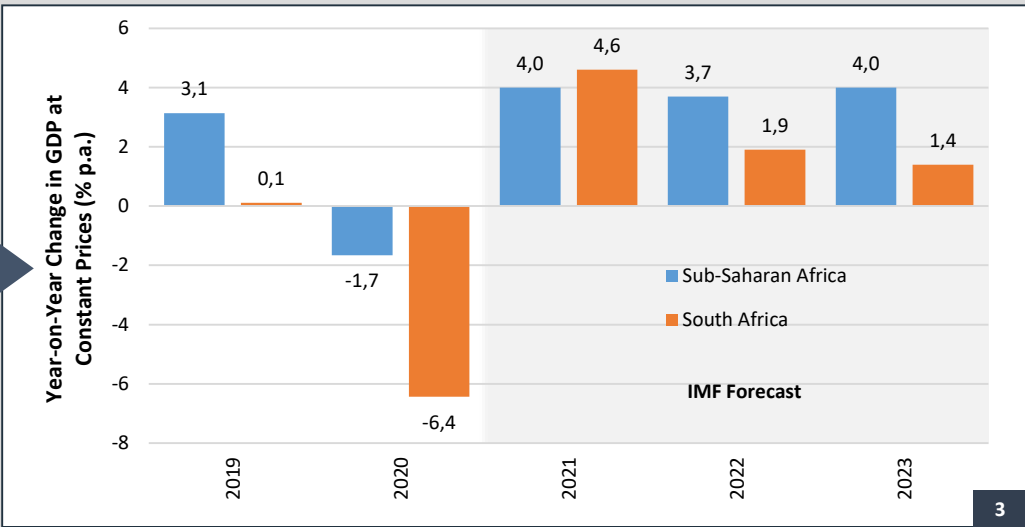
Exports of goods and services staged the biggest recovery between the second quarter of 2020 (when the COVID-19 lockdown was its most severe) and the third quarter of 2021. It rose by more than a third. By contrast consumption expenditure by general government remained steady over the period. It did not decrease under the lockdown, but also experienced little growth subsequently. In comparison with the overall growth in GDP, the recovery in imports was slightly subdued – due in part to relatively low levels of gross fixed capital formation spending.



Gross Domestic Product

Exports were a significant contributor to the recovery in the South African economy after the Stage 5 “lockdown” in Q2 2020. Despite this recovery, the IMF expects the performance of the South African economy to lag behind many other countries and sub-Saharan Africa as a whole in coming years

The International Monetary Fund (IMF) expects the recovery in South Africa to be slower than many other countries. It expects that the South African economy will expand by around 37% between 2015 and 2026. This is lower than countries such as Egypt (91%), Poland (84%), New Zealand (73%), Korea (66%) and Argentina (50%).

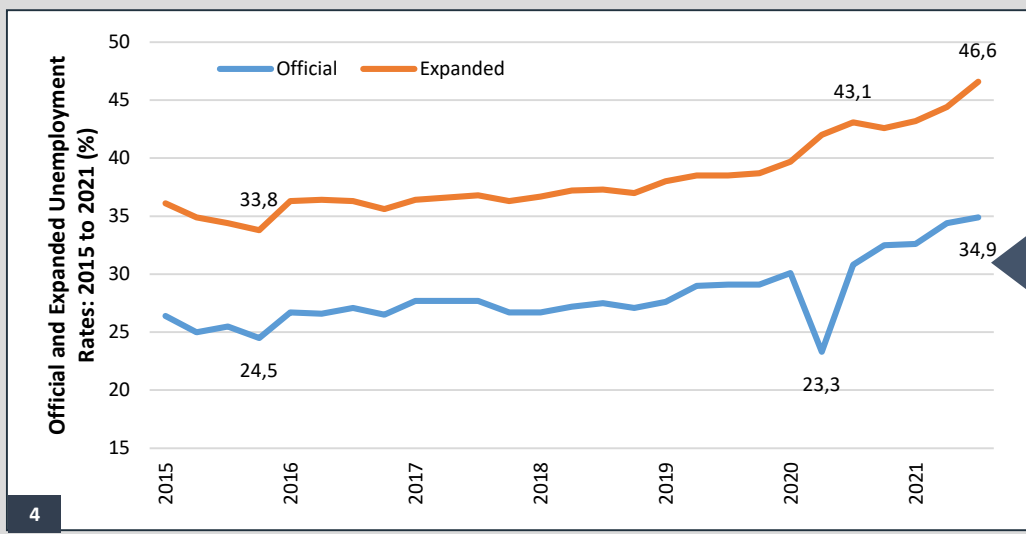


The South African economy was hit much harder by the COVID pandemic than most other sub-Saharan countries – contracting by 6.4% compared with an average of only 1.7% across the region (which includes the South African data). Looking forward, the IMF forecasts average growth across the sub-Saharan region that is more than double that of South Africa. It expects regional growth of 3.7% in 2022 increasing to 4% in 2023. By contrast it expects the South African economy to expand by 1.9% in 2022 and 1.4% in 2023.

Employment

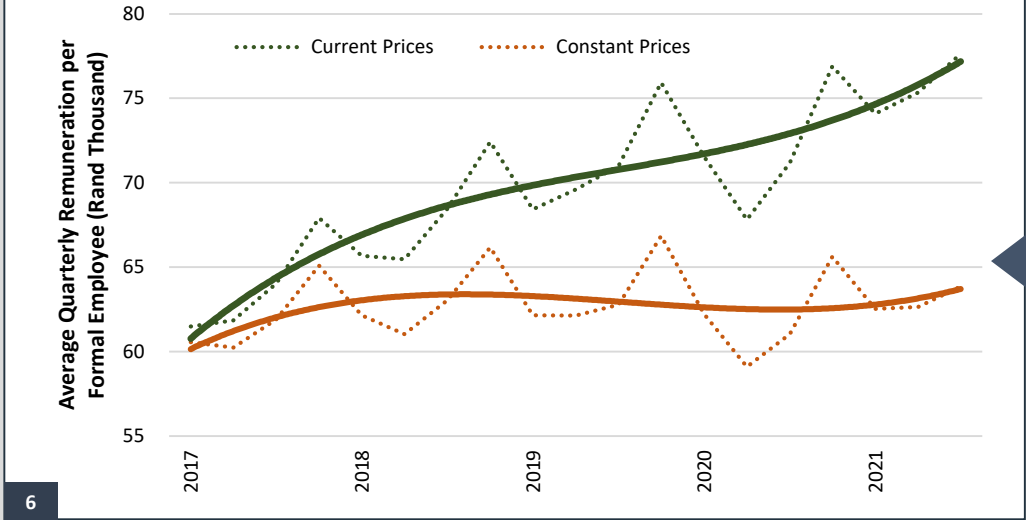
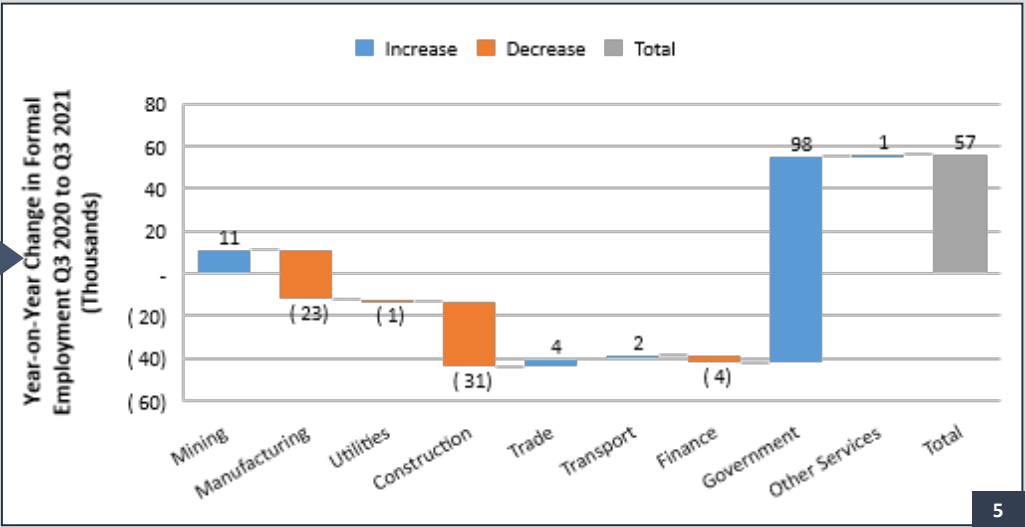
Both official and expanded unemployment rates increased further in Q3 2021 – with both reaching new highs. The modest recovery in formal employment was due almost exclusively to an increase in employment in government administration.

Average formal remuneration showed some signs of recovery.



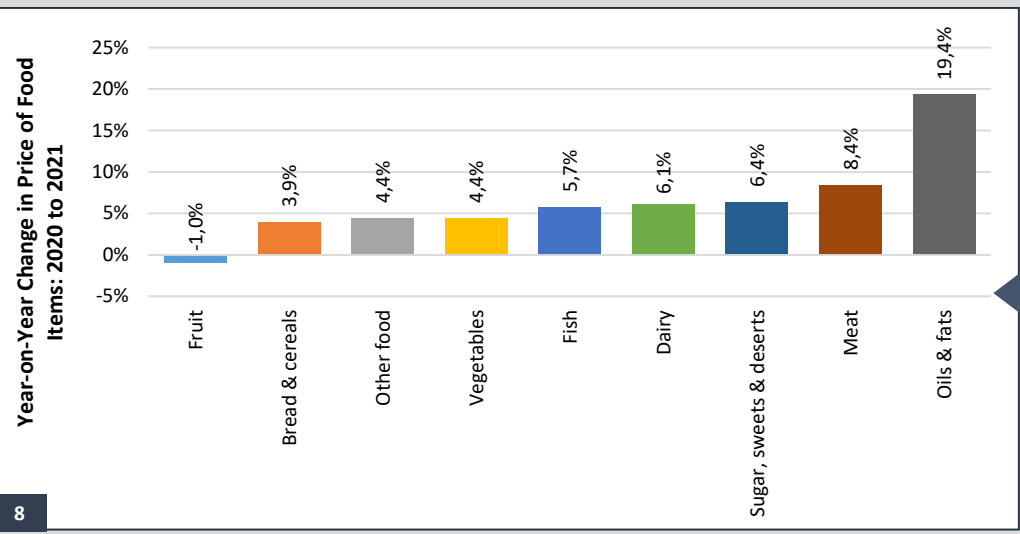
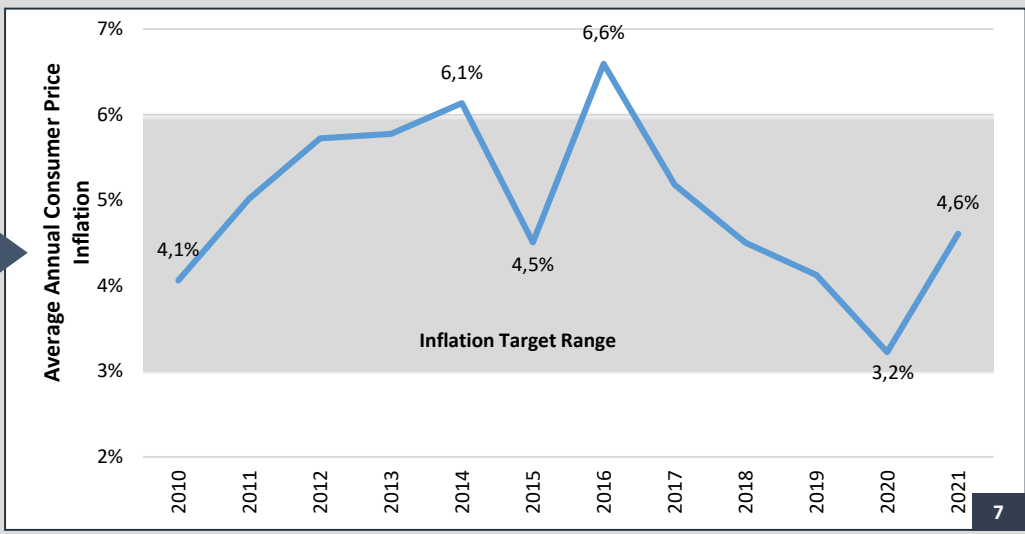
Both official and expanded unemployment rates had been increasing steadily in the years prior to the start of the COVID pandemic – with official unemployment rising from 24,5% in Q4 2015 to 30.1% in Q1 2020 and expanded unemployment (which includes discouraged work seekers that have given up actively looking for employment) increasing from 33.8% to 39.7% over the same period. During the pandemic both rates have increased sharply – to almost 35% in the case of the official unemployment rate and to 46.6% in the case of the expanded rate. The latter experienced a sharp rise of 2.2 percentage points between Q2 2021 and Q3 2021.

Formal employment in the non-agricultural sectors increased by 57,000 between Q3 2020 and Q3 2021. However, this was due to a significant rise in the number of people employed in government administration (98,000) and smaller increases in mining, trade, transport and other services. These increases were offset by contractions in manufacturing, utilities, construction and finance.



Average nominal/current price remuneration of formal employees in the non-agricultural sectors increased to R77,630 – up 9.1% on its levels of a year earlier. While real average remuneration trended flat-to-lower in 2018 and 2019 and declined sharply under the hard “lockdown” in Q2 2020 it has since started to trend upwards and rose by 4.5% in the year to Q3 2021.

The average annual rate of consumer price inflation increased to 4.6% in 2021 – up from 3.2% in 2020. With the exceptions of 2014 and 2016 – when the average rate breached the upper limit, CPI inflation has remained within the 3% - 6% target range. The increase in the average inflation rate in 2021 is consistent with the experience of many countries – where higher energy costs and price increases linked to disrupted supply chains were the main culprits.

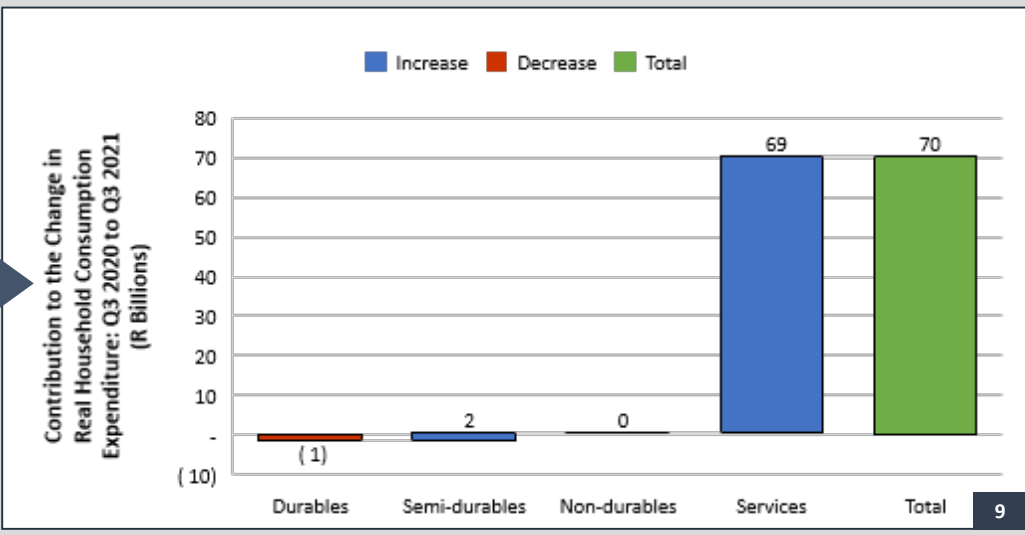


8

Fruit was the only food item in the consumer basket to experience a decline in average prices in 2021. Increases in the price of other product categories in the food basket ranged from 3.9% (bread & cereals) to 6.1% (dairy products) to 8.4% in the case of meat products. The average price of oils and fats rose by over 19% in 2021.



In the year to Q3 2021, real household consumption expenditure increased by an estimated R70 billion. This was due almost entirely to an increase in spending on services (up R69 billion). There was no change in spending on non-durables and only a small increase (R2 billion) in semi-durable expenditure over this period, while durable goods spending dropped by R1 billion.



9

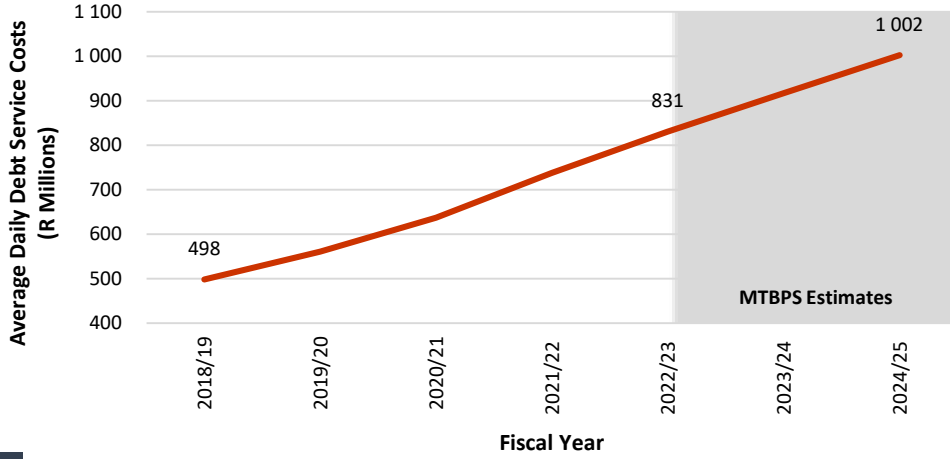
Households

The increase in average consumer price inflation in South Africa in 2021 was largely consistent with global trends, but still well within the target range. Food inflation was driven by higher prices for proteins and fats, while additional household spending was directed almost exclusively towards services

Government

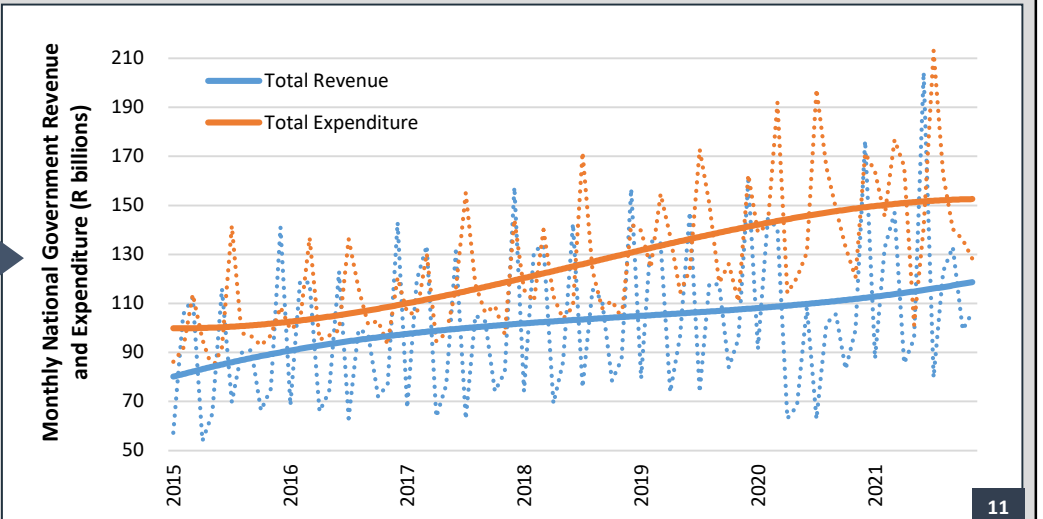
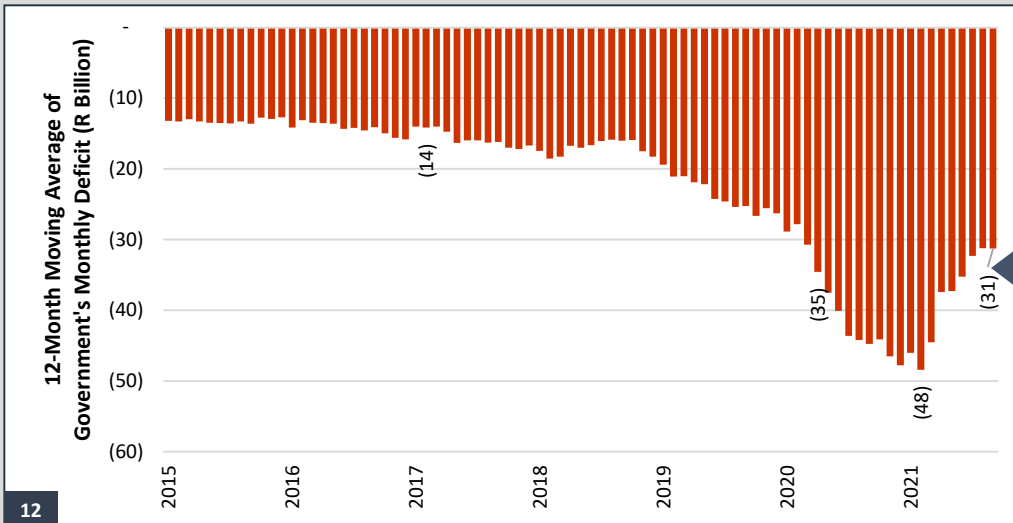
Average daily debt service costs are expected to continue to increase over the medium term, albeit at a slightly slower rate. Improvements in government finances have seen some narrowing of the gap between revenue and expenditure. This has contributed to a reduction in the average monthly deficit.

10



Between the 2018/19 and 2021/22 financial years, average daily debt service costs increased on average by 14% a year. The Medium Term Budget Policy Statement (MTBPS) estimates that these costs will continue to rise by 11% a year and will pass the R1 billion/day mark by 2024/25.

In 2020, the average monthly national government revenue was R104 billion compared with government expenditure of R148 billion over the same period. In the case of national government revenue this increased by 13% to an average of R118 billion per month between January and November 2021 compared to a 3% rise in average monthly national expenditure to R152 billion.

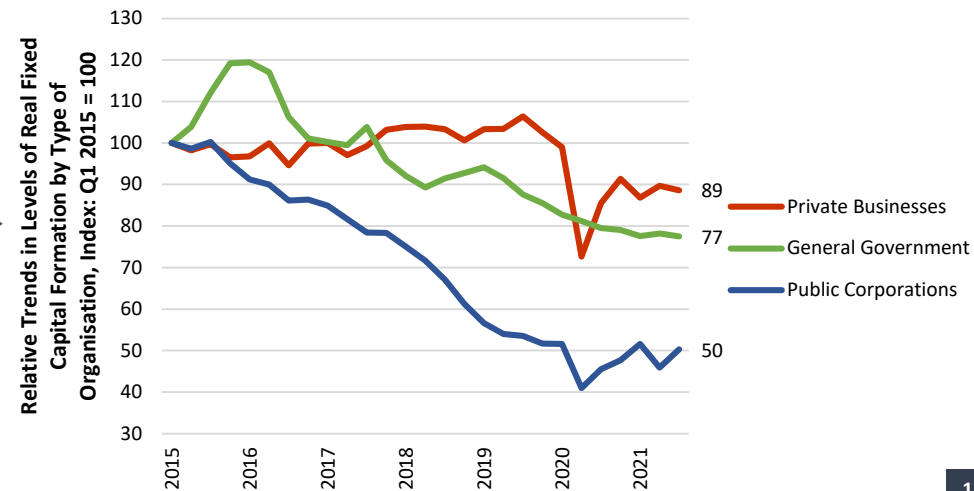


Although highly variable, the narrowing of the gap between average monthly revenue and average monthly expenditure has contributed to a reduction in the average deficit. The 12-month moving average deficit decreased from R48 billion in February 2021 to R31 billion in November 2021. This is more or less in line with pre-COVID levels but still significantly higher the R13 billion to R18 billion range that was maintained between 2015 and 2018.

12

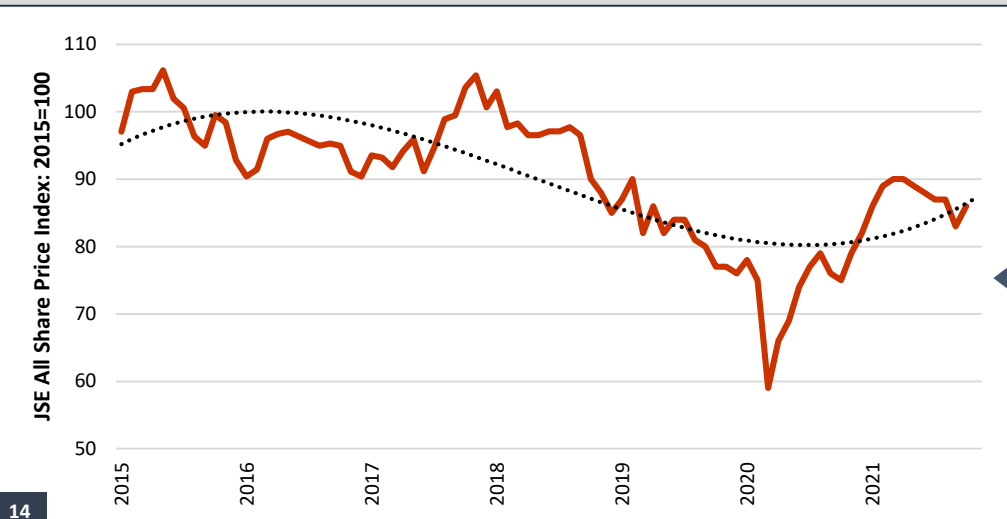
11

The levels of real gross fixed capital formation declined for all types of organisations between the beginning of 2015 and Q3 2021. In the case of public corporations real fixed investment declined by 50% over this period, while that of general government dropped by 23% and private businesses by 11%. Although the fixed investment activity of private businesses and public corporations has stabilized in recent quarters, fixed capital formation by general government has continued to trend lower.



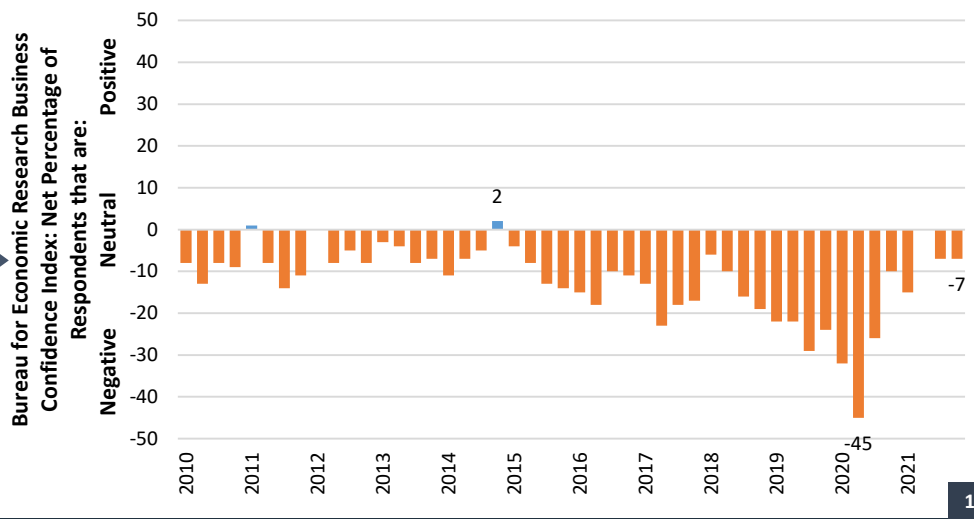
13

According to South African Reserve Bank data, the average price of shares on the Johannesburg Securities Exchange has trended higher following a sharp dip at the start of the COVID pandemic. In the year to March 2021 the average price of shares traded rose by 52%. They subsequently declined by almost 8% between March and October 2021. Despite a small up-tick in November 2021, share prices were still almost 18% lower than in April 2015.



14

The Bureau for Economic Research Business Confidence Index indicates that a majority of business respondents have been pessimistic about the future in almost every quarter since the start of 2010. There has, however, been a significant reduction in the net proportion of negative responses since the height of the “lockdown” in Q2 2020. In that quarter a net 45% of respondents had negative perceptions of future business conditions but by the fourth quarter of 2021 this had dropped to 7%.



15

Investment

While levels of fixed investment have fallen across all organisation types, the decline was most pronounced in relation to public corporations. A stabilisation in gross fixed capital formation by private businesses in recent quarters coincides with a significant reduction in the proportion of business decision-makers that are pessimistic about the future.

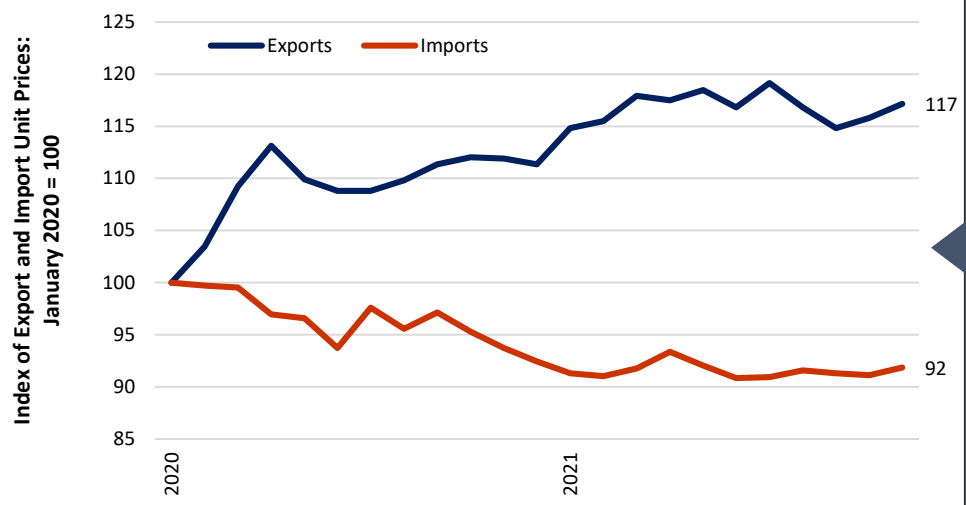
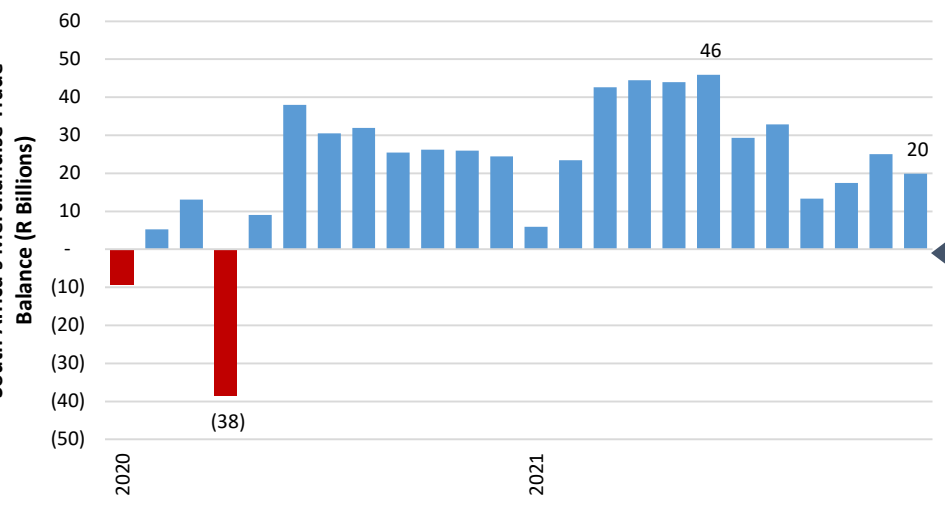
International Trade

South Africa's merchandise trade has continued to be boosted by higher unit export prices and lower unit import prices, as well as a relatively lower import propensity. As a consequence the country has sustained a trade surplus for 20 months in a row.

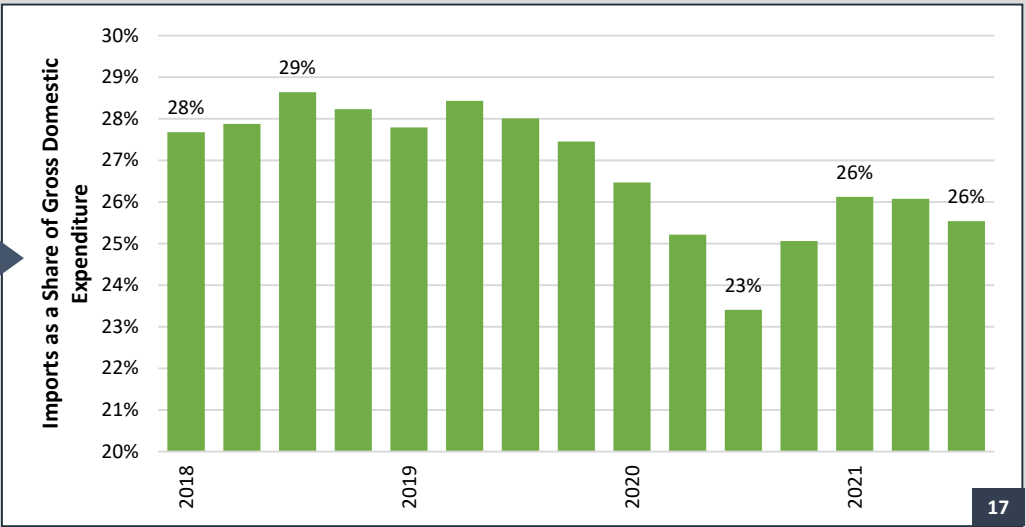
16

South Africa's import propensity (calculated as the share of imports of goods and services of gross domestic expenditure) declined from a high of 29% in Q3 2018 to 23% in Q3 2020. It has since stabilised at around 26%. It is not clear to what extent the declining trend is due to the localisation of supply chains, continued disruptions to international supply chains, or reduced levels of gross fixed capital formation necessitating fewer capital goods imports.

18



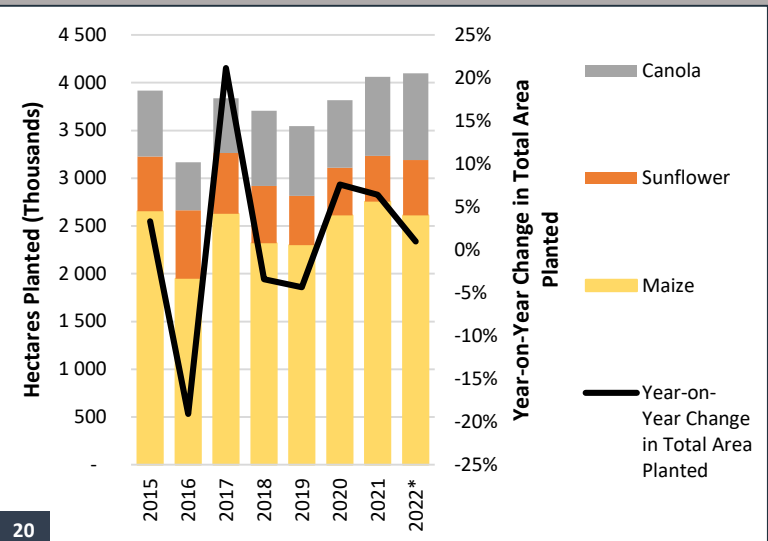
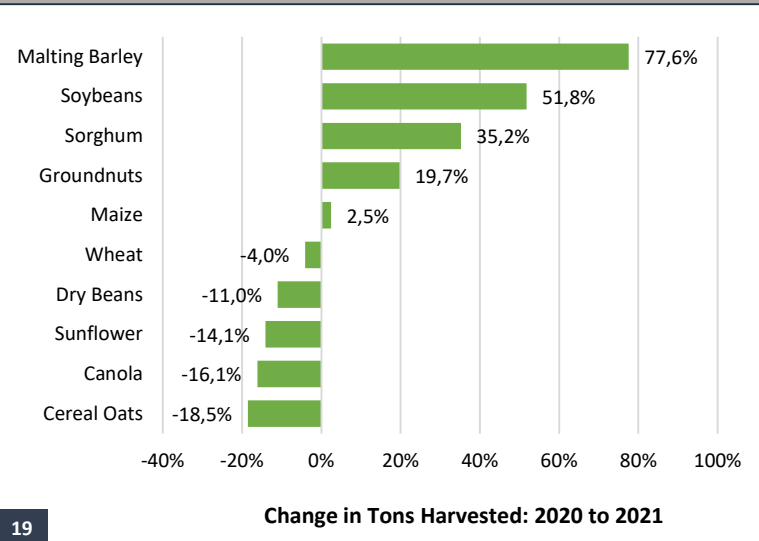
South African exporters continued to benefit from relatively buoyant export prices in November 2021. Compared with the start of 2020, they were receiving average unit prices that were 17% higher. Over the same period the average unit cost of imports dropped by 8% and the rand weakened against the US dollar by a similar amount. This suggests that average unit import prices dropped by close to 16% in US dollar terms and unit export prices increased by around 9%.



After many years of trade deficits South Africa was able to sustain merchandise trade surpluses for most months during the COVID pandemic. After a deficit of R38 billion in April 2020, the surplus reached a peak of R46 billion in mid-2021. It subsequently declined to R20 billion at the end of 2021. These trade surpluses are the result of the higher export prices, lower import prices and reduced import propensity referred to above.



AGRICULTURE, FORESTRY & FISHING



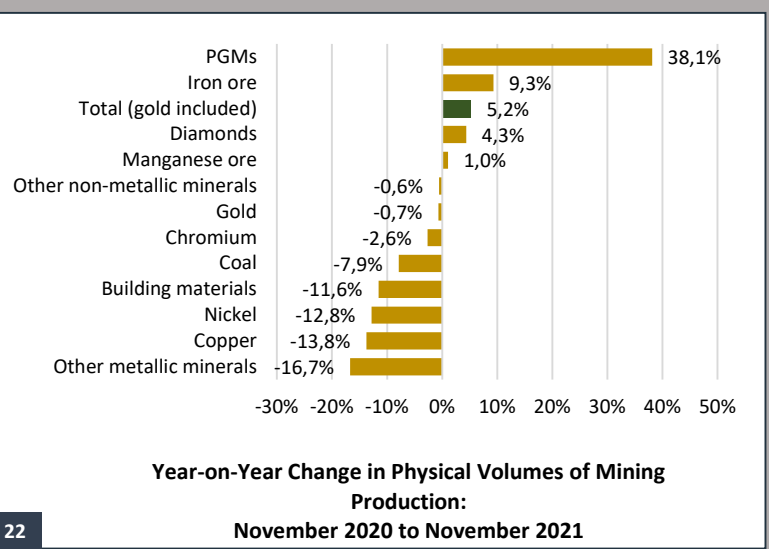
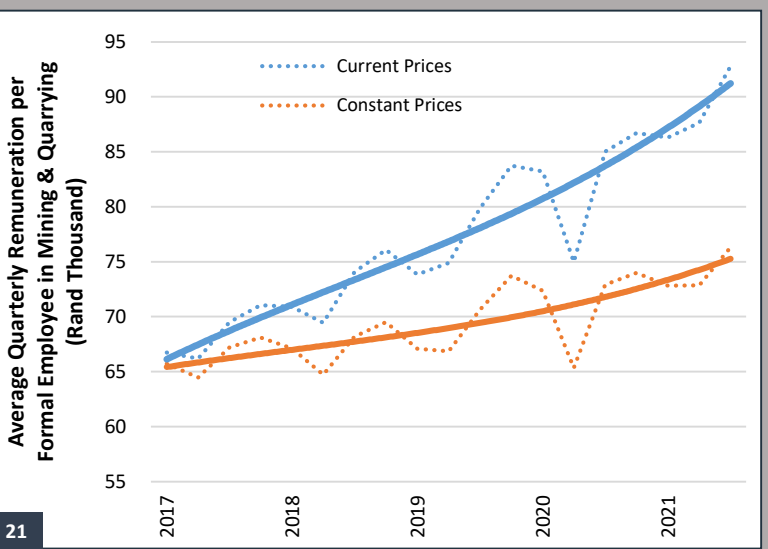
There was a 78% increase in the quantity of malting barley harvested between 2020 and 2021. This may be a reflection of the recovery in beer sales that accompanied the easing of lockdown restrictions. By contrast the quantity of cereal oats harvested dropped by close to 19%. The Crop Estimates Committee indicates a small (1%) increase in the area planted for summer grain crops in the 2022 harvesting season. A reduction in the area planted for maize is expected to be offset by increased plantings of sunflower and canola.

MINING & QUARRYING

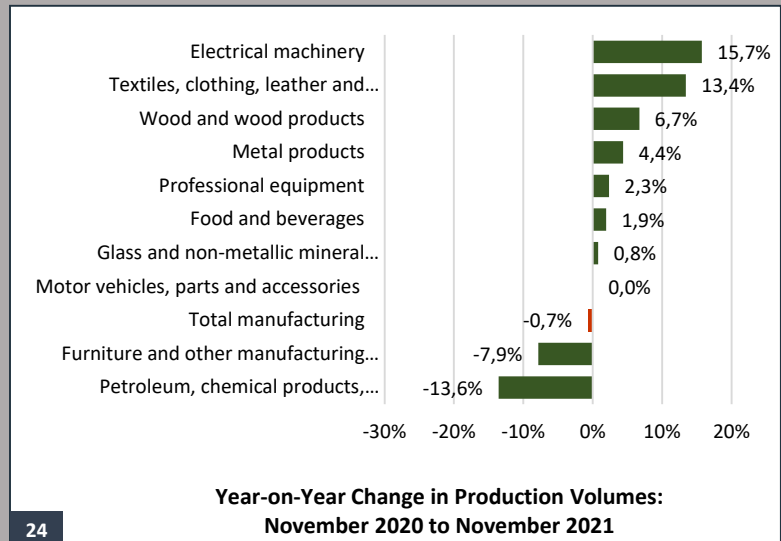
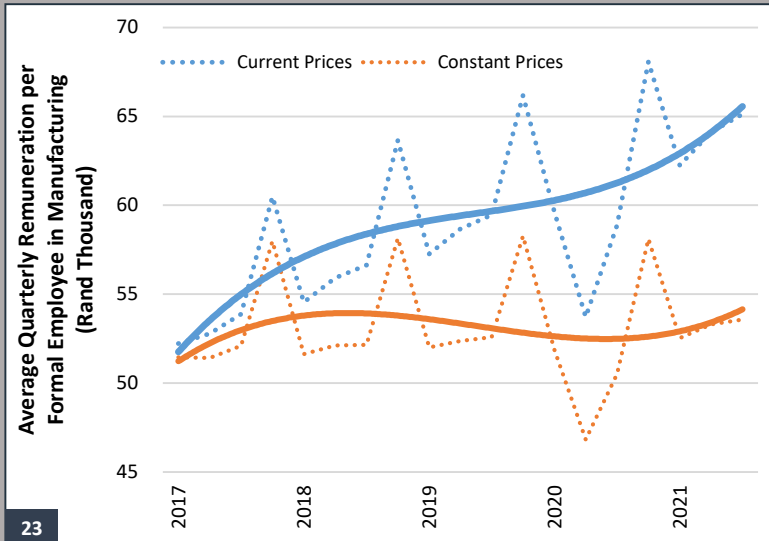
Average nominal remuneration per formal employee in the mining sector increased to R92,785 in Q3 2021 – up 9% on levels of a year earlier. This translates into a 5% increase in real remuneration.

The production of platinum group metals (PGMs) rose 38% in the year to November 2021, while iron ore production increased by 9% over the same period. Overall mining production volumes were 5.2% higher than a year earlier. There were, however, contractions in the production of a number of mining commodities – ranging from around 1% for other non-metallic minerals and gold to almost 17% for other metallic minerals.

21



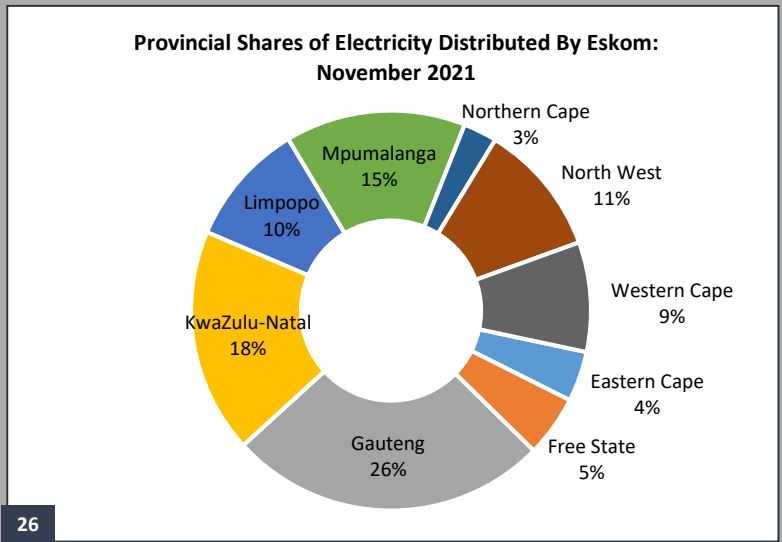
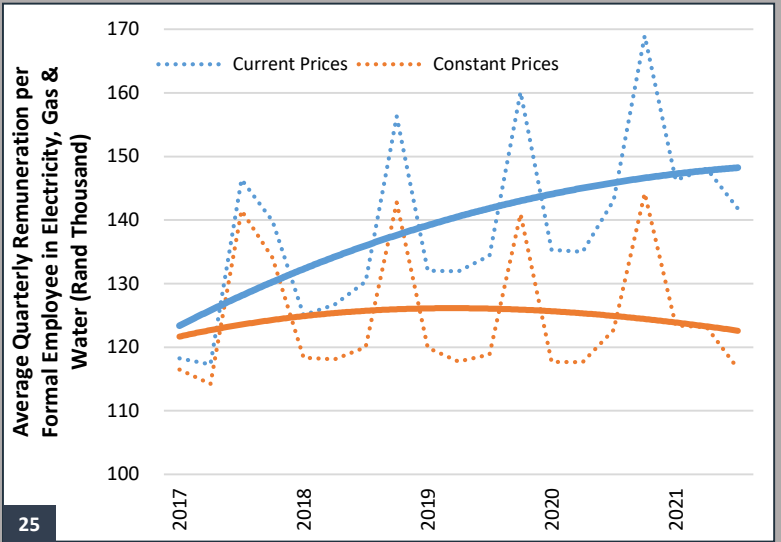
MANUFACTURING



Average quarterly nominal remuneration per formal employee in the manufacturing sector increased by 11% in the year to Q3 2021. This translates into an increase in real average remuneration of 6%. Overall manufacturing production volumes declined by 0.7% in the year to November 2021. Larger contractions in petroleum, chemical products etc (14%) and furniture and other manufacturing (8%) were partially offset by increases in the production of other products such as electrical machinery (+16%), textiles, clothing and leather (+13%) and wood and wood products (+7%).

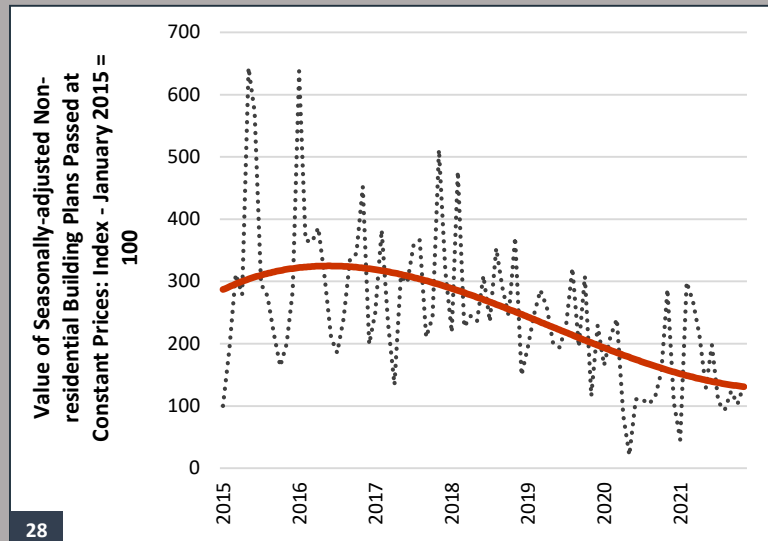
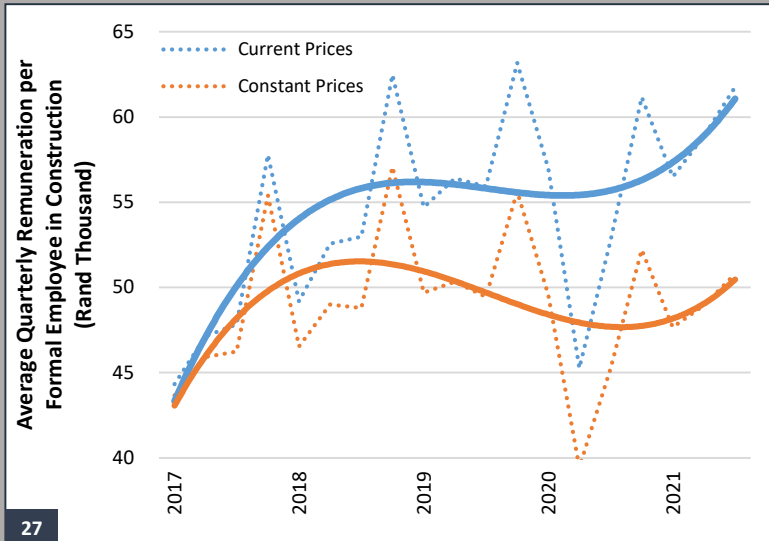
ELECTRICITY GAS AND WATER

The average nominal remuneration per formal employee in the utilities sector dropped to R141,786 in Q3 2021 – 1% lower than a year earlier. This translated into a decline in real per capita remuneration of 5%. In November 2021, consumers in Gauteng received the largest share of electricity generated by Eskom (26%), followed by KZN (18%), Mpumalanga (15%), North West (11%) and Limpopo (10%). The Northern Cape only received 3% of the electricity generated by Eskom





CONSTRUCTION

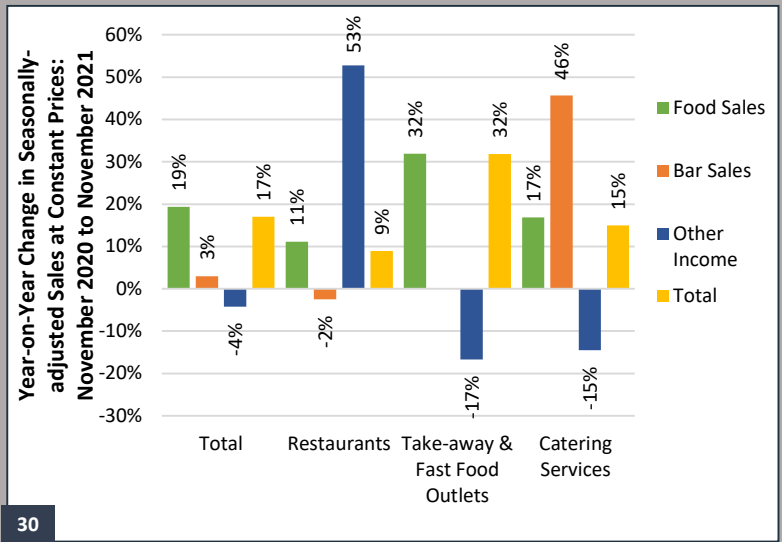
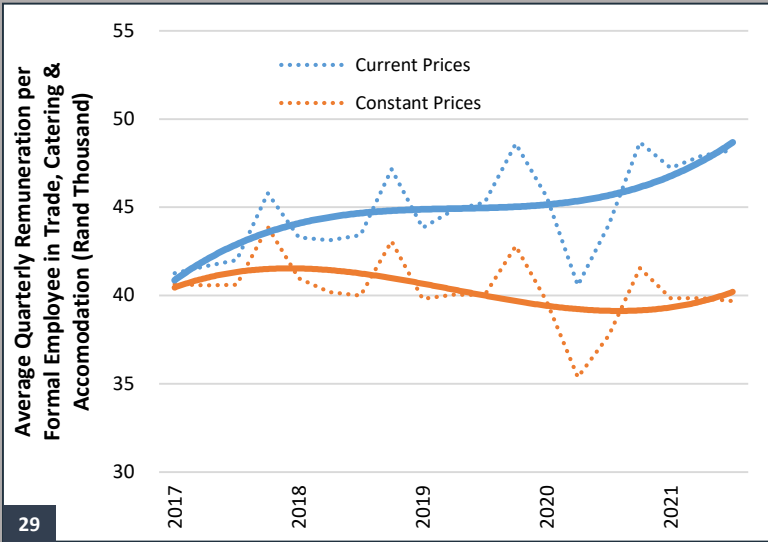


Average quarterly nominal remuneration per formal employee in the construction sector increased sharply to R61,763 in Q3 2021 – up 17% on their levels of a year earlier. This translates into an increase in real per capita remuneration of 12%.

In keeping with the relatively depressed economic conditions and changed working patterns under COVID, the real value of building plans passed for non-residential buildings continued to trend lower in November 2021. It was 53% lower than a year earlier and 79% below its 2015 peak.

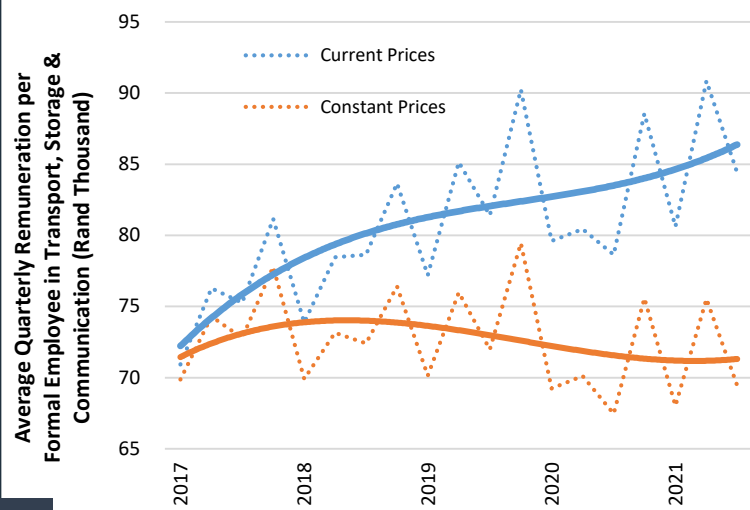
TRADE, CATERING AND ACCOMMODATION

Average remuneration per formal employee in the trade, catering and accommodation sector increased to R48,244 in Q3 2021 – up 10% on its levels of a year earlier. In real terms, this translates into a 5% increase. Total food and beverage sales by restaurants, take-away and fast food outlets and catering services increased by 17% in the year to November 2021. This was driven by a 19% increase in food sales, a 3% rise in bar sales and a 4% reduction in income from other sources. Restaurants relied heavily on an increase in other income (up 53%) to drive a 9% rise in their sales, while catering services saw a 15% increase in sales on the back of a 46% rise in bar sales and 17% increase in food sales.

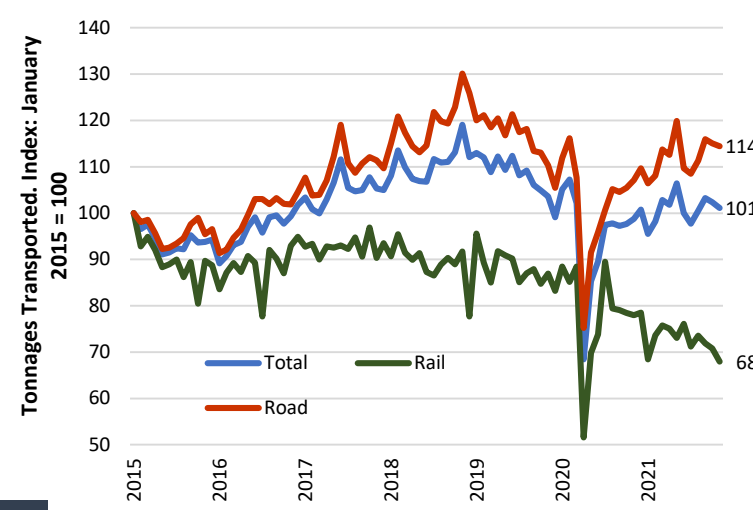




TRANSPORT, STORAGE AND COMMUNICATION



31



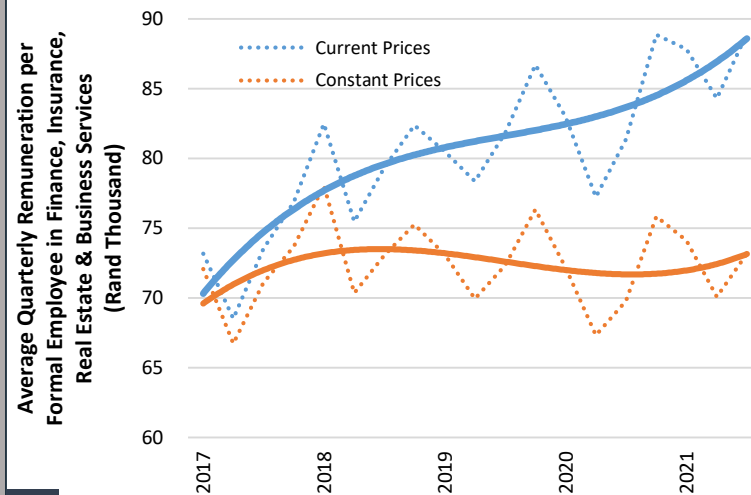
32

Average nominal remuneration per formal employee in the transport, storage and communication sector stood at R84,405 in Q3 2021 – 7% higher than a year earlier. This translates into a real increase of 3%. The volume of freight transported by rail continued to decline. In November 2021 it was 32% lower than at the start of 2015. By contrast tonnages transported by road were 14% up over the same period. Overall, tonnages transported by land in November 2021 were only 1% higher than those transported in January 2015 and 2% up on levels of a year earlier.

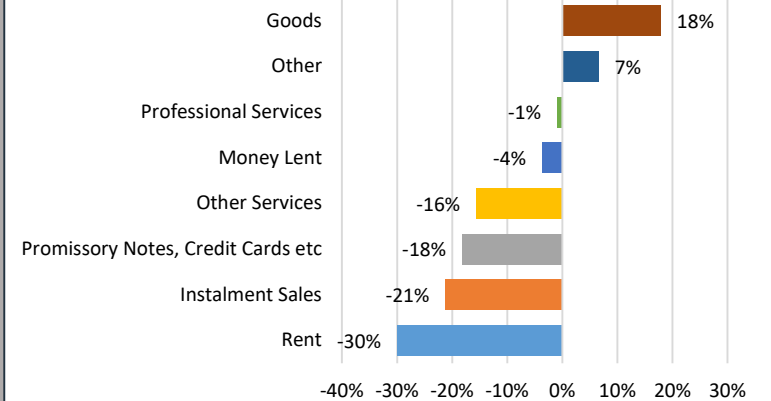
FINANCE, INSURANCE, REAL ESTATE AND BUSINESS SERVICES

Average nominal remuneration per formal employee in the finance, insurance, real estate and business services sector in Q3 2021 was R88,956 – 9% higher than a year earlier. This translates into a 5% increase in real remuneration.

Generally, there was a reduction in the number of civil cases recorded and summonses issued for debt across most types in the year to November 2021. There were 30% fewer summonses for rent default, 16% fewer summonses for other services and a 4% decline in summonses for money lent. By contrast the number of summonses issued for failure to pay for goods purchased increased by 18% over this period.



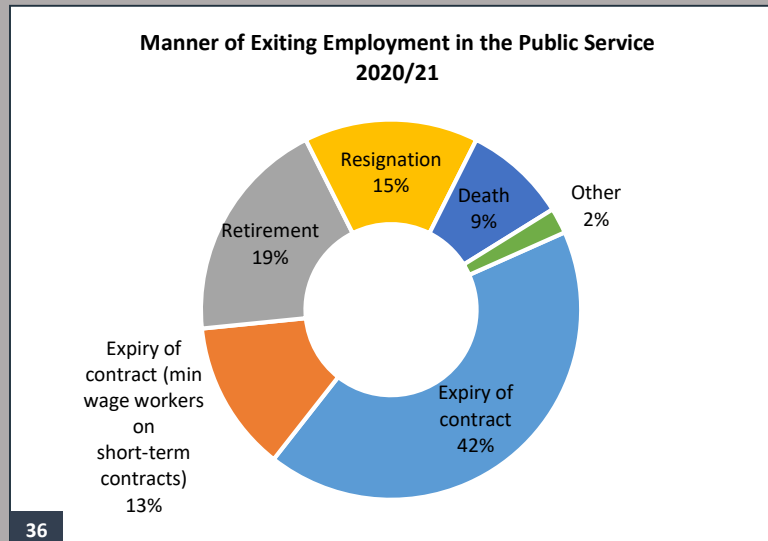
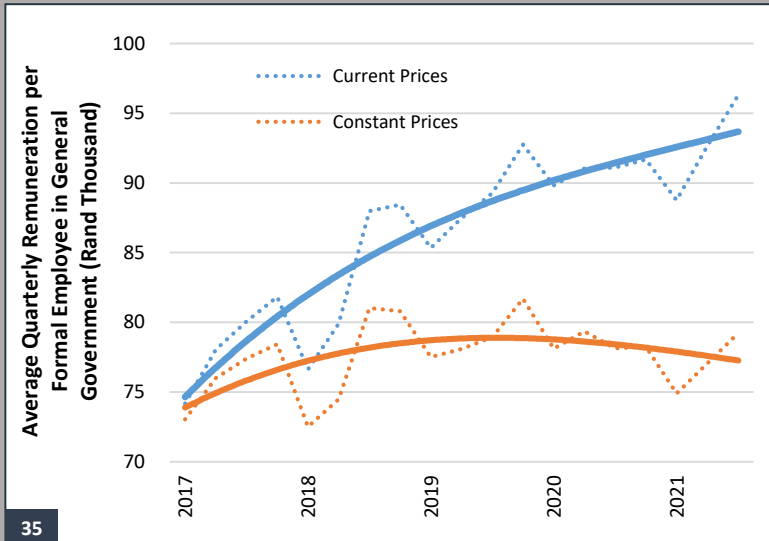
33



34



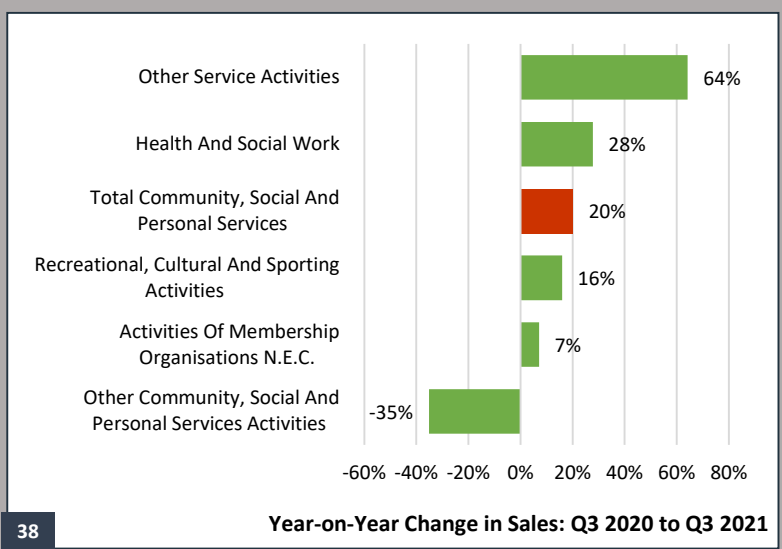
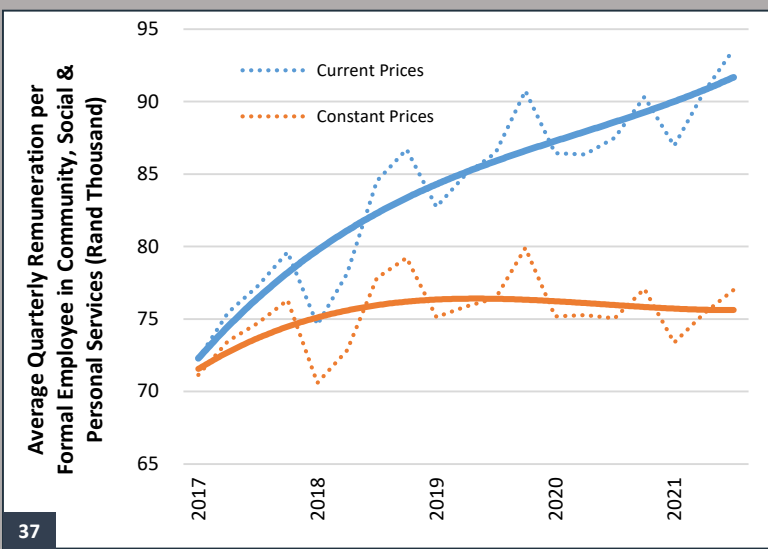
GENERAL GOVERNMENT



Average nominal remuneration per formal employee in general government administration increased to R96,316 in Q3 2021 – up 6% on a year earlier. This translates into an increase in real remuneration per employee of 1%. Data included in the Medium Term Budget Policy Statement indicates that of the 125,425 people who left the employ of the public service in fiscal 2020/21, 42% were due to their contracts expiring, 19% retired, 15% resigned, 13% were minimum wage workers whose short-term contracts expired and 9% died while in the employ of the public sector.

COMMUNITY, SOCIAL AND PERSONAL SERVICES

Average nominal remuneration per formal employee in the third quarter of 2021 in the community, social and personal services sector (excluding government administration) rose to R93,617 – 12% higher than a year earlier. This represents an increase in real remuneration of 7%. The easing of COVID restrictions contributed to a 20% rise in the sales of this sector between Q3 2020 and Q3 2021. This ranged from a 64% increase for other service activities to 28% for health and social work and 16% for recreational, cultural and sporting activities. By contrast the sales of other community, social and personal services activities declined by 35%.



Data sources used in this document

Section A

Graph	Source of data
1	Statistics South Africa GDP (P0441)
2	International Monetary Fund, World Economic Outlook Database, October 2021
3	International Monetary Fund, World Economic Outlook Database, January 2022
4	Statistics South Africa QLFS (P0211)
5	Statistics South Africa QES (P0277)
6	Statistics South Africa QES (P0277)
7	Statistics South Africa CPI (P0141)
8	Statistics South Africa CPI (P0141)
9	South African Reserve Bank Quarterly Bulletin
10	SARB Medium Term Budget Policy Statement (MTBPS)
11	National Treasury
12	National Treasury
13	South African Reserve Bank Quarterly Bulletin, December 2021
14	SARB Quarterly Bulletin
15	Bureau for Economic Research
16	Statistics South Africa GDP (P0441)
17	Statistics South Africa GDP (P0441)
18	South African Revenue Service Customs and Excise
19	Department of Agriculture, Land Reform and Rural Development, Crop Estimates Committee, January 2022
20	Department of Agriculture, Land Reform and Rural Development, Crop Estimates Committee, January 2022
21	Statistics South Africa QES (P0277)
22	Statistics South Africa Mining Production and Sales (P2041)
23	Statistics South Africa QES (P0277)
24	Statistics South Africa Manufacturing Production and Sales (P3041.2)

Section B

Graph	Source of data
25	Statistics South Africa QES (P0277)
26	Statistics South Africa Electricity generated and available for distribution (P4141)
27	Statistics South Africa QES (P0277)
28	Statistics South Africa Selected building statistics of the private sector as reported by local government institutions (P5041.1)
29	Statistics South Africa QES (P0277)
30	Statistics South Africa Food and Beverages(P6420)
31	Statistics South Africa QES (P0277)
32	Statistics South Africa Land Transport Survey (P7162)
33	Statistics South Africa QES (P0277)
34	Statistics South Africa Civil Cases for Debt (P0041)
35	Statistics South Africa QES (P0277)
36	SARB Medium Term Budget Policy Statement (MTBPS)
37	Statistics South Africa QES (P0277)
38	Statistics South Africa Quarterly Financial Statistics (P0044)

Economic and Employment Indicators and Trends in South Africa

Issue # 01 (January 2022)

Purpose of this Report

This report has been prepared in support of the NEDLAC Social Partners' Economic Recovery Action Plan.

The report provides a snapshot of key macro-economic and employment trends based on official statistics and other relevant sources of data.

Disclaimer


This document was independently prepared by RebelGroup. The opinions and recommendations expressed in this document represent the independent views of RebelGroup, and are not necessarily the views of NEDLAC or its Social Partners.

While every care has been taken to ensure the accuracy and completeness of this document, no liability will be accepted by RebelGroup and NEDLAC for any loss incurred by any person or entity acting or failing to act as a result of the contents and opinions expressed in this document.

The facts, estimates and opinions are taken from sources believed to be reliable but which we cannot guarantee.

National Economic Development and Labour Council



 14A Jellicoe Avenue, Rosebank, Johannesburg

 +27 11 328 4200

 Priscilla@nedlac.org.za

 www.nedlac.org.za

REBEL

 37 Bath Avenue, Rosebank, Johannesburg

 +27 11 591 1232

 admins@rebelgroup.com

 www.rebelgroup.com