Draft for Review

Issue # 04

April 2022

Economic and Employment Indicators & Trends in South Africa

National Economic Development and Labour Council

Contents

The Month in Review

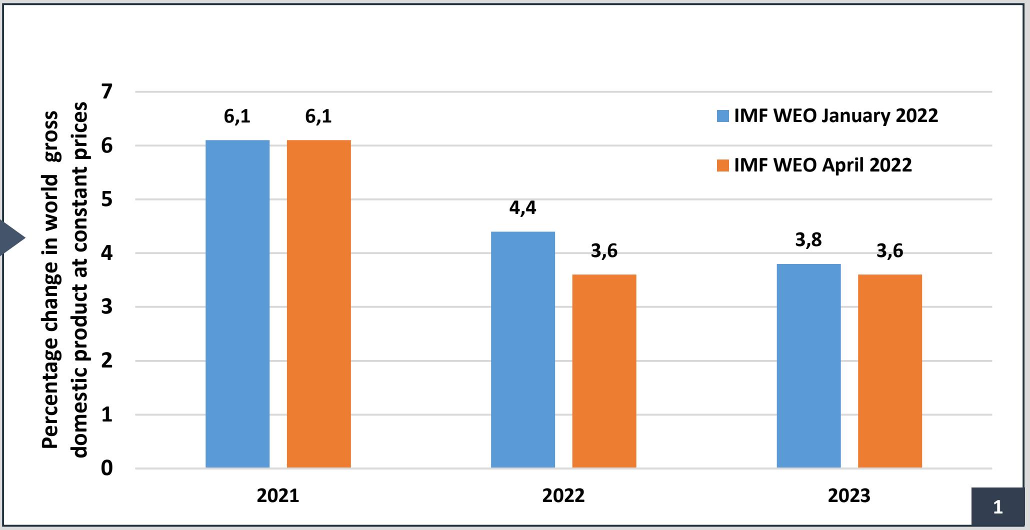
- Russia's invasion of Ukraine has heightened uncertainty and had a significant impact on the growth prospects of the world economy in 2022 and 2023 according to the IMF – shaving 0.8% and 0.2% off the institution's previous forecasts. This translates into a combined loss of global production of close to US$1 trillion over the two years. In addition to its direct costs, the conflict has also contributed to significant increases in the price of many agricultural commodities and fertilisers – thereby contributing to a significant increase in inflationary pressures around the world. This has, in turn, prompted monetary tightening in many countries. UNCTAD predicts that this lower GDP growth will also serve to limit growth in global trade in 2022 and 2023.
- Compared with most other African countries, South Africa's economy has experienced significantly lower growth since 2015. The IMF projects that this trend will continue over the coming five years (till 2027). As a result, the country's contribution to Africa's GDP - which declined steadily from 26% in 1994 to 16% in 2021 – is expected to decline further to 12% by 2027.
- The disposable income of households increased by R331 billion in 2021 due largely to increased social benefits and property income. Households (and lending institutions) adopted a more cautious approach to credit in 2020 and 2021 – resulting in positive savings rates for the first time since 2004.

The Month in Review (continued)

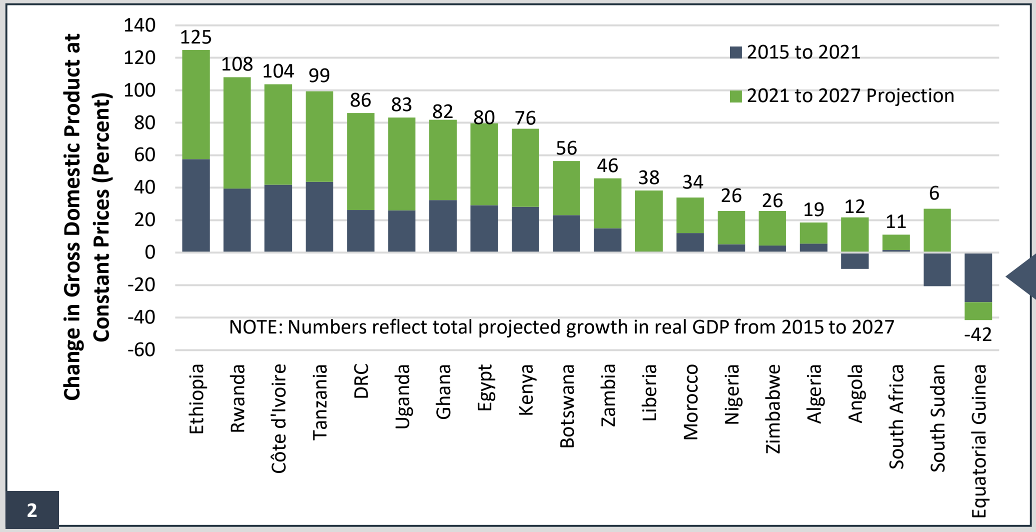
- Improved tax collections – particularly payroll, corporate and property taxes - resulted in a steady reduction in government's average monthly borrowing requirement, which was close to pre-COVID levels between October 2021 and March 2022. There are also signs of some normalisation of municipal finances – with increased contributions from property rates and service charges, and less from government transfers in 2021. On the expenditure side the share of employee-related costs and bulk purchases increased.
- Fixed capital stock on a per capita basis at constant 2015 prices reached a peak in 2017 and subsequently declined by 2.6%. This means that there was less infrastructure and other capital assets per resident at the end of 2021 than at the start of 2018.
- The number of people of working age who are not in employment, education or training (NEET) increased by 2.8 million during the COVID-19 pandemic (Q4 2019 to Q4 2021) to 18.8 million. Almost half of these people (9.3 million) are aged between 15 and 34. At the same time, the increased normalisation of economic activity in the fourth quarter of 2021 is reflected in a significant decrease in the proportion of people working from home. These reductions are evident across all occupations.
- Employment in all sectors apart from general government was still lower at the end of 2021 than its pre-COVID levels. The gap is still particularly large in the community, social and personal services sector (39%) and the utilities sector (32%)

Gross Domestic Product

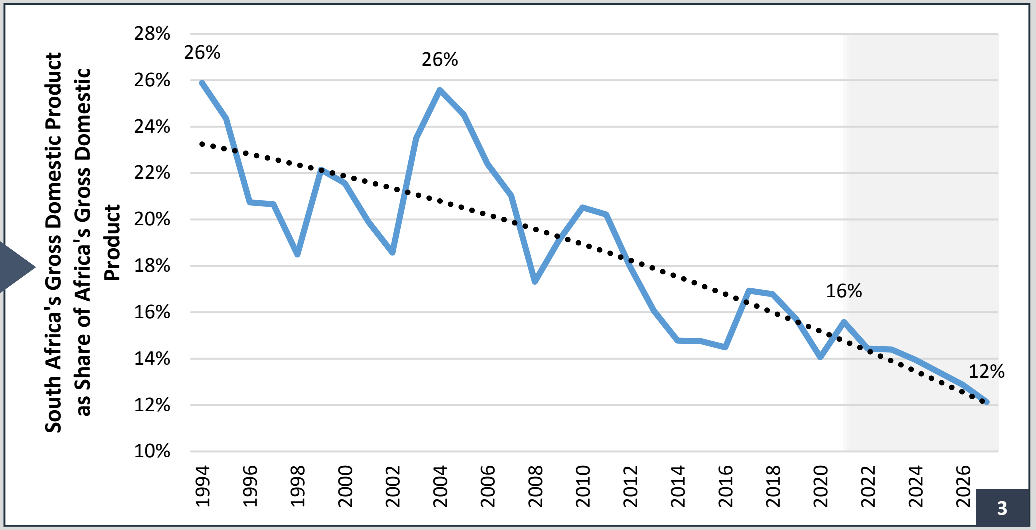
In January 2022 the International Monetary Fund (IMF) forecast that the world economy would grow by 4.4% in 2022 and by 3.8% in 2023. As a consequence of the impact of the war between Russia and Ukraine the IMF reduced its growth forecasts to 3.6% for both 2022 and 2023 in its April World Economic Outlook – a decline of 0.8% and 0.2% respectively. This equates to a cumulative loss in global production of US$985 billion (US$759 billion in 2022 and US$226 billion in 2023).



South Africa ranks 46th out of 51 African countries in terms of the actual and projected growth in real GDP between 2015 and 2027 – according to IMF World Economic Outlook data. The IMF estimates that over this period South Africa's real GDP will increase by 11%. This compares poorly with countries such as Ethiopia (125%), Côte d'Ivoire (104%), Ghana (82%) and Botswana (56%).



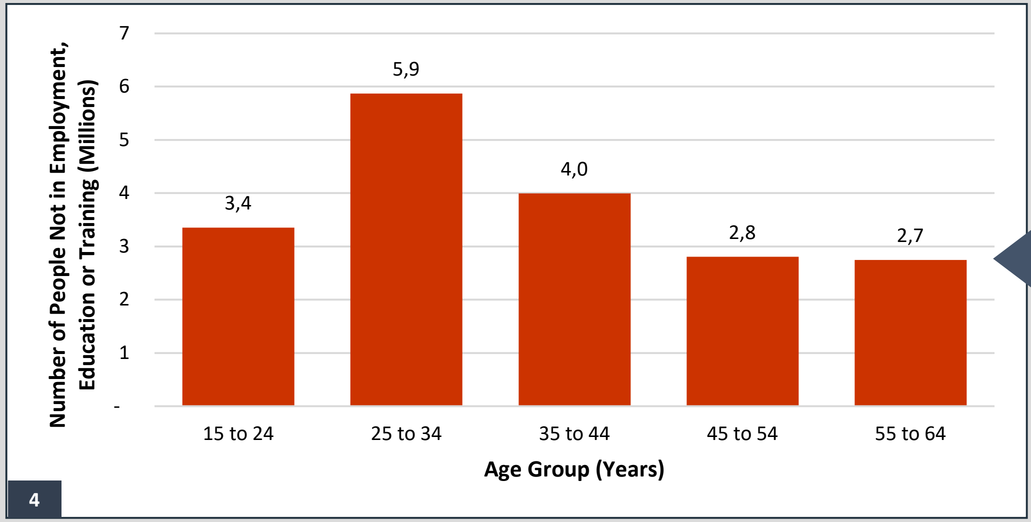
As a consequence of its relatively slower economic growth, South Africa's share of Africa's GDP fell from 26% in 1994 to 16% in 2021. The IMF projections for 2022 to 2027 suggest that this share will decline further in coming years and that by 2027 South Africa will only contribute 12% of the continent's GDP.



According to the IMF world economic growth prospects in 2022 and 2023 will be negatively affected by the conflict between Russia and Ukraine. Compared with other African countries South Africa's economic growth has been poor – contributing to a significant decline in its share of the continent's GDP.

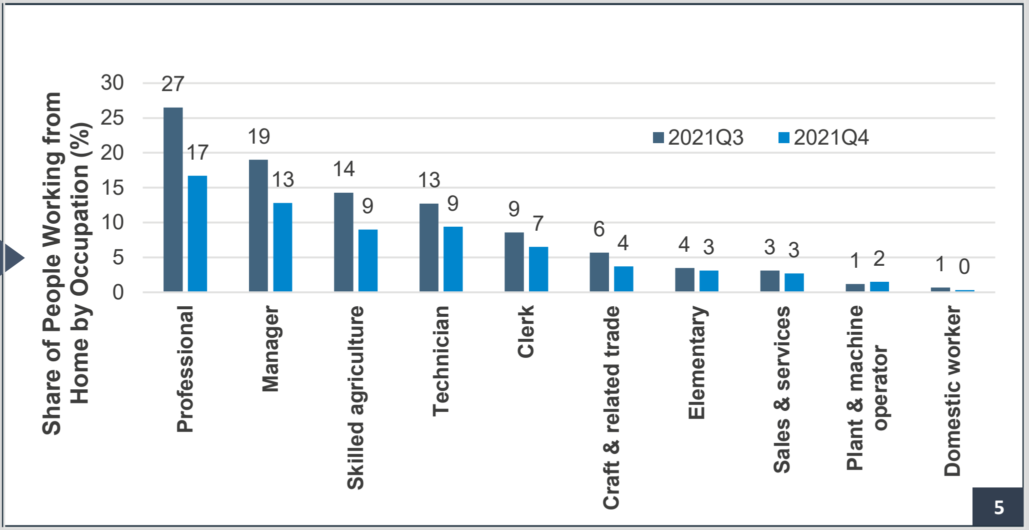
Employment

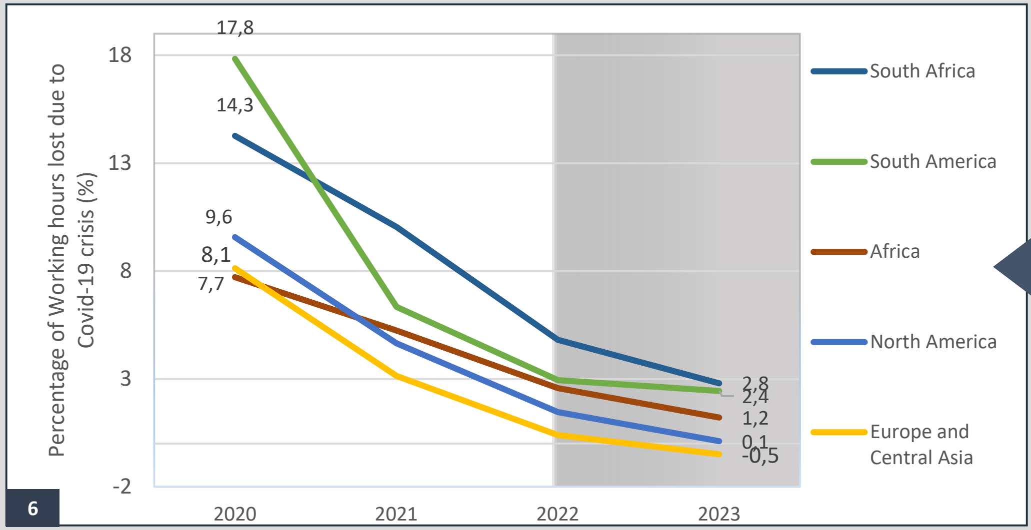
There was a significant increase in the number of people not in employment, education and training (NEET) during COVID. The proportion of people working from home decreased significantly between Q3 and Q4 2021. The ILO projects that the share of working hours lost due to COVID will continue to decline in 2022 and 2023



The number of people not in employment, education or training (NEET) increased by 2.8 million to 18.8 million between Q4 2019 and Q4 2021. In the latter quarter, 5.9 million people aged 25 to 34, 4 million aged 35 to 44 and 3.4 million aged 15 to 24 were NEET. Expressed as a share of the total population in that age group, this translates to 33% of 15 to 24 year olds, 56% of people in the 25 to 34 year age group, 46% of people in the 35 to 44 age group, 44% of 45 to 54 year olds and 65% of people aged 55 to 64.

In the fourth quarter of 2021, the share of those who worked from home was higher among those in Professional (16,7%) and Managerial (12,8%) occupations, indicating access to tools of trade to facilitate work from home for these workers. Domestic workers and Plant and machine operators were the least likely to work from home at 0,3% and 1,5%, respectively.

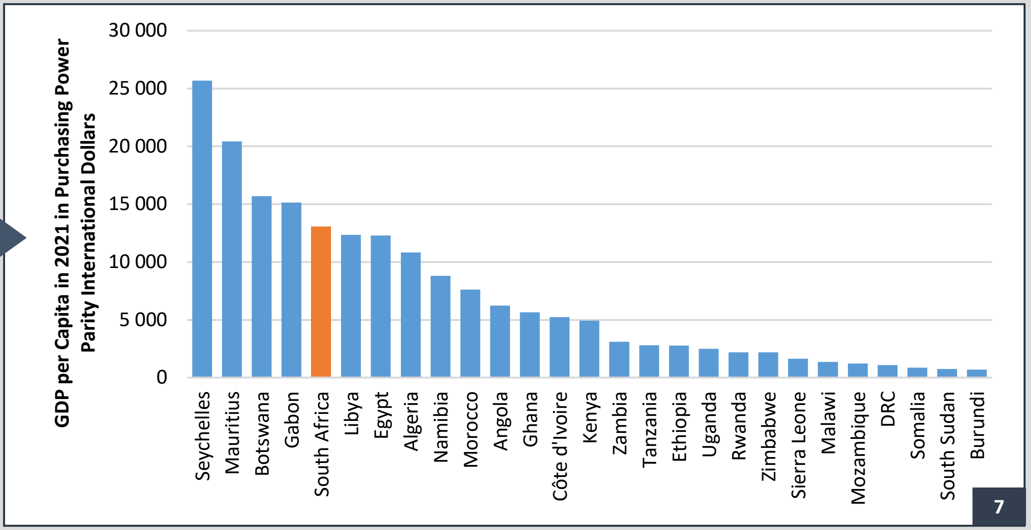


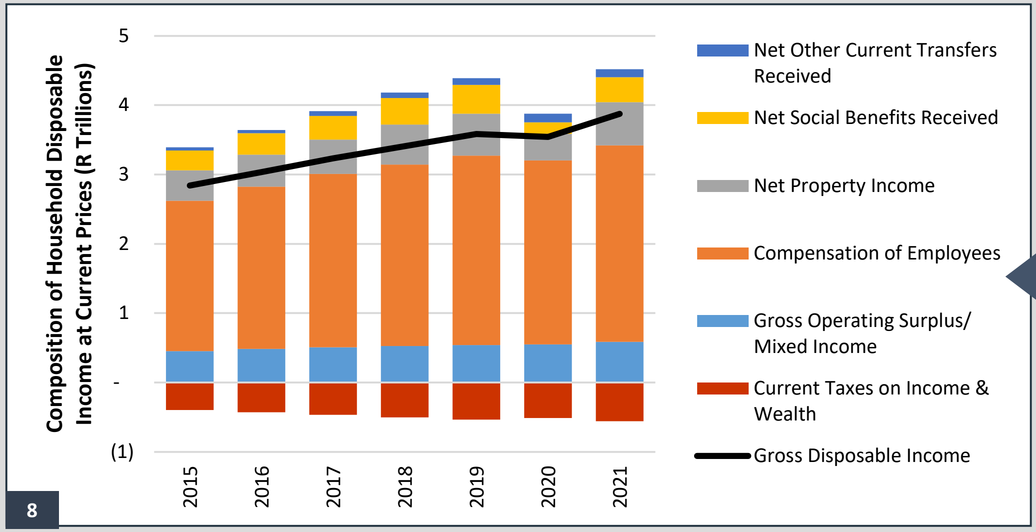


Compared to other regions around the world South Africa is expected to still have some of the highest percentages of working hours lost due to COVID-19. Although significantly lower than the 14.3% of working hours lost in 2020, the ILO projects that South Africa will still have "lost" 4.8% of pre-COVID working hours by the end of 2022 and that this will decline to 2.8% at the end of 2023. By contrast, the ILO expects total working hours recovered by the end of 2023 to exceed those lost due to the pandemic in Europe and Central Asia. North America will still experience a net loss of 0.1% of pre-COVID working hours.

Households

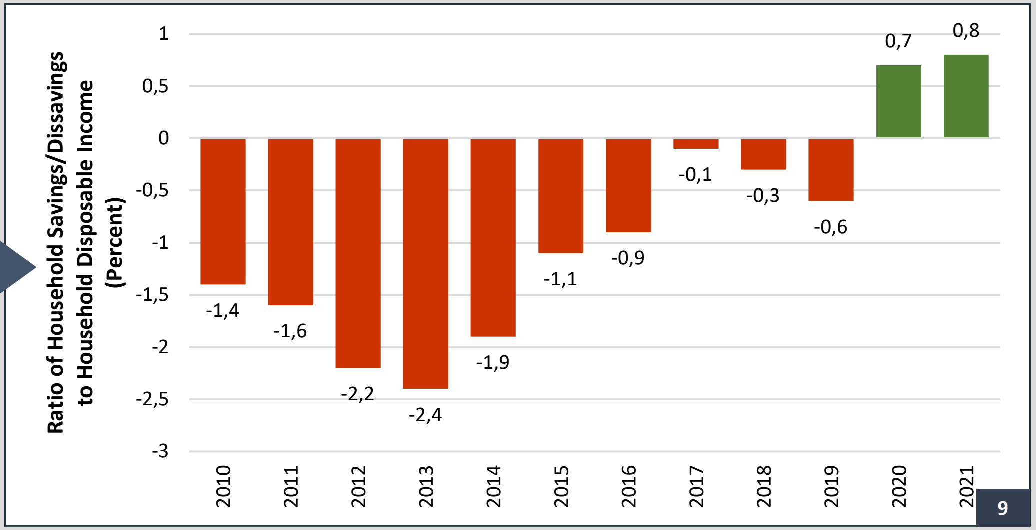
South Africa's GDP per capita in purchasing power parity terms in 2021 (PPP$13,031) ranked 5th out of 46 countries in Africa. However, the country lags behind other SADC economies, including Seychelles (PPP$25,678), Mauritius (PPP$20,417) and Botswana (PPP$15,706). Its GDP per capita also buys less than the average person in Gabon, but is higher than in Libya, Egypt and Algeria.





Net social benefits received by households increased by 114% in 2021 while net property income rose 63% and net other current transfers decreased by 8%. Overall, the gross disposable income of households increased by R331 billion (9%) after decreasing by R42 billion in 2020. The average annual increase between 2015 and 2019 was 6%.

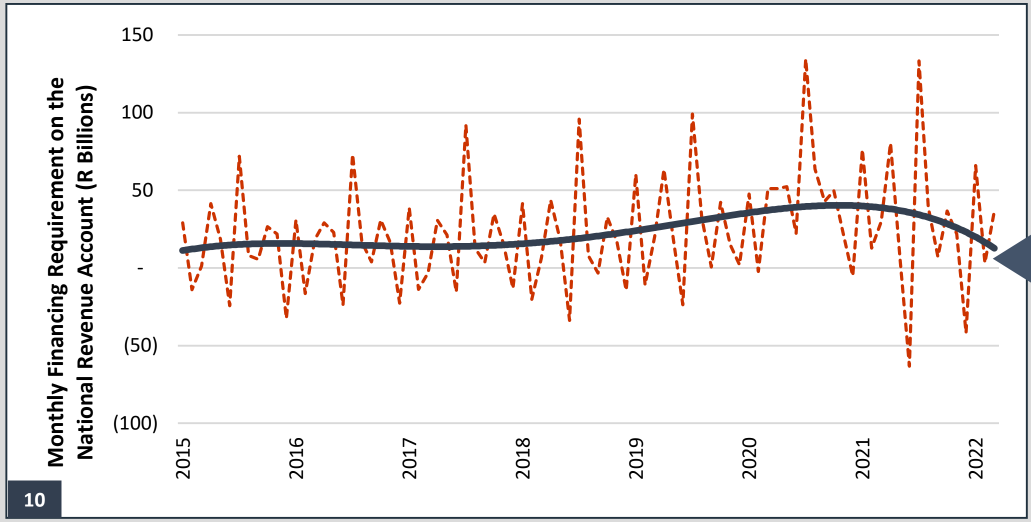
The COVID-19 pandemic resulted in South African households having positive savings rate for the first time since 2004. On average between 2010 and 2019, the extent to which households accessed credit (expressed as a share of their collective disposable income) exceeded their savings (also as a share of disposable income) by 1.25%. In 2021, household's net savings amounted to R31 billion, whereas in 2013 they dissaved to almost R52 billion.



South Africa lagged behind some other SADC member countries in terms of GDP per capita in 2021, but the disposable income of households recovered strongly - boosted by social benefits and property income. South African households also had positive savings rates in both 2020 and 2021.

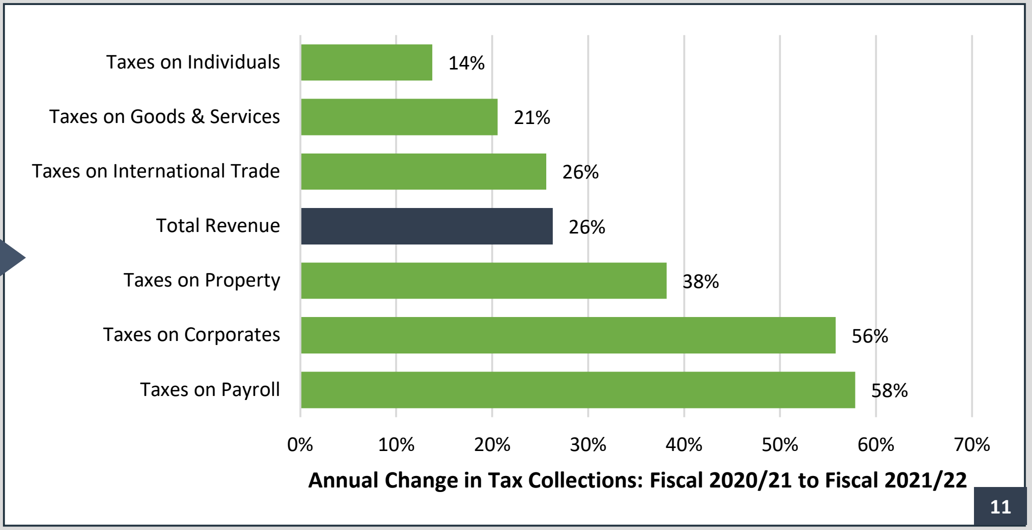
Government

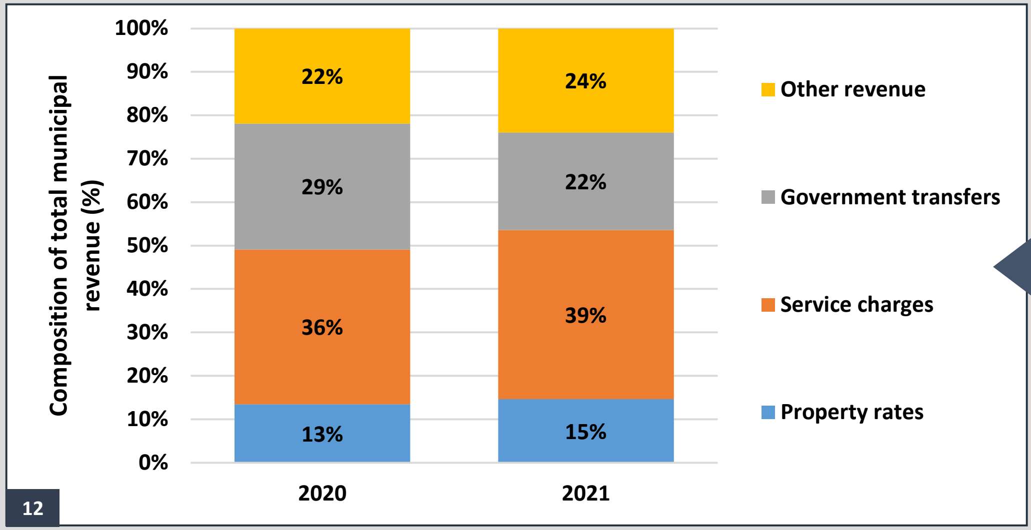
Improving revenue collections, combined with more restrained spending resulted in lower average monthly borrowing by the central government. Higher payroll, corporate and property tax collected boosted total tax collections in fiscal 2022. At a municipal level, the contribution of property rates, service charges & other revenue rose.



Although highly volatile, the monthly financing needs on the National Revenue Account trended lower since the second quarter of 2020. At the height of the COVID-19 lockdown, government was having to borrow an average of R63 billion per month to fill the gap between revenue and expenditure, but over the five months to March 2022 this had dropped to an average of less than R18 billion per month. This is similar to the equivalent period in 2018/19.

Total revenue collections increased by a healthy 26% in the fiscal year ending March 2022 due largely to a 56% increase in corporate tax collections, a 38% rise in property taxes and a 58% increase in payroll taxes. Taxes on individual income and wealth rose by 14% over the same period, while taxes on goods and services (which includes VAT and excise duties) increased by 21%.



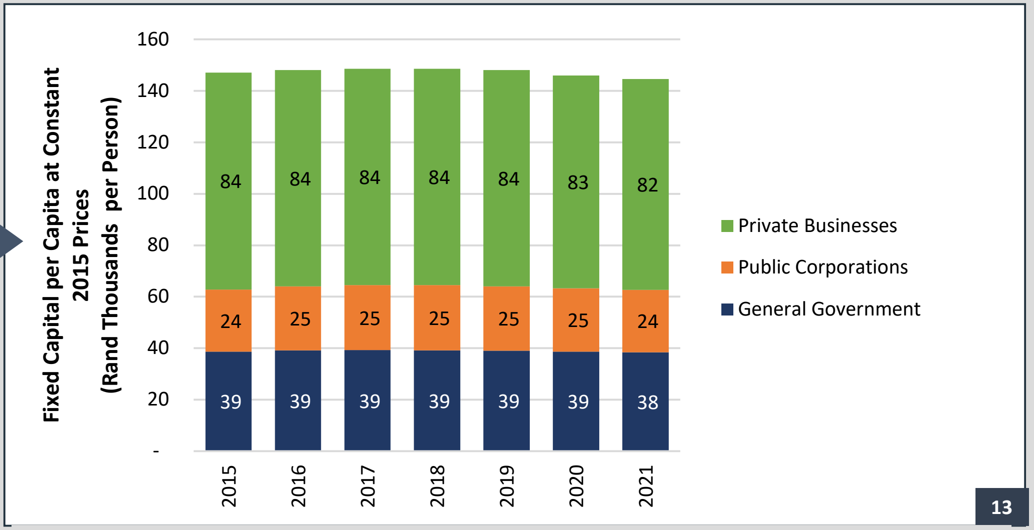


When compared with 2020, the composition of municipal revenues showed increases in the contributions of property rates (from 13% to 15%), service charges (from 36% to 39%) and other revenues (from 22% to 24%). These increases were offset by a significant decline in government transfers (from 29% to 22%)

Investment

The real fixed capital stock per capita declined by 2.6% between 2017 and 2021. Government dissaving and net foreign capital outflows constrained the growth in funding for gross capital formation in 2021. All organisation types made small positive contributions to the growth in net capital formation since 2015.

The fixed capital stock represents the cumulative value of all prior investment in capital assets less all prior consumption/depreciation of those capital assets. On a per capita basis the fixed capital stock at constant 2015 prices reached a peak in 2017 and subsequently declined by 2.6%. This means that there was less infrastructure and other capital assets per resident at the end of 2021 than at the start of 2018. The decline was evident across all organisation types – with the real fixed capital stock per capita of public corporations dropping by 4%, that of private businesses by 2.5% and that of general government by 2% between 2017 and 2021.



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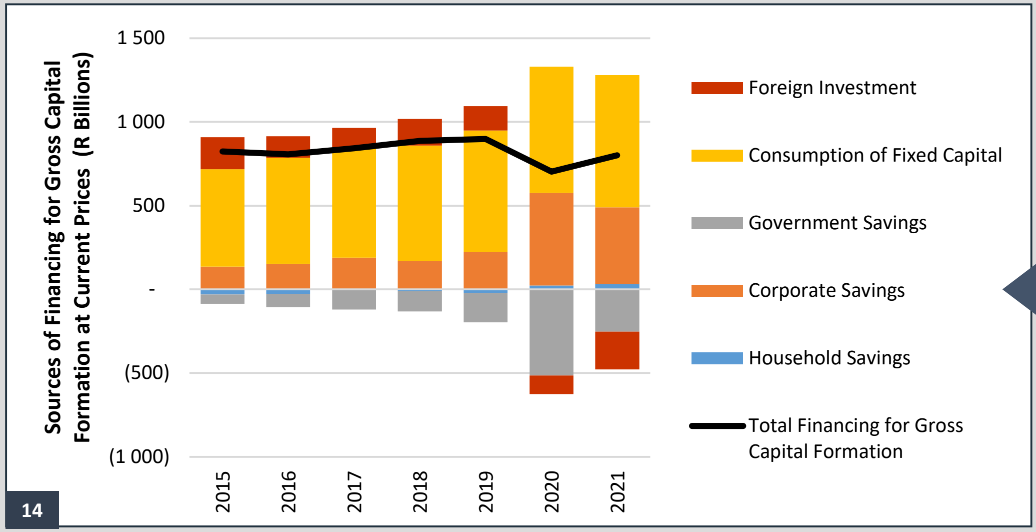
Total financing for gross capital formation dropped from R898 billion in 2019 to R704 billion in 2020 before increasing to R801 billion in 2021. In 2021 consumption of fixed capital (essentially depreciation provisions) accounted for 99% of funding, followed by corporate savings (57%) and household savings (4%). Government dissaving (-32%) and net foreign disinvestment (-28%) made negative contributions.



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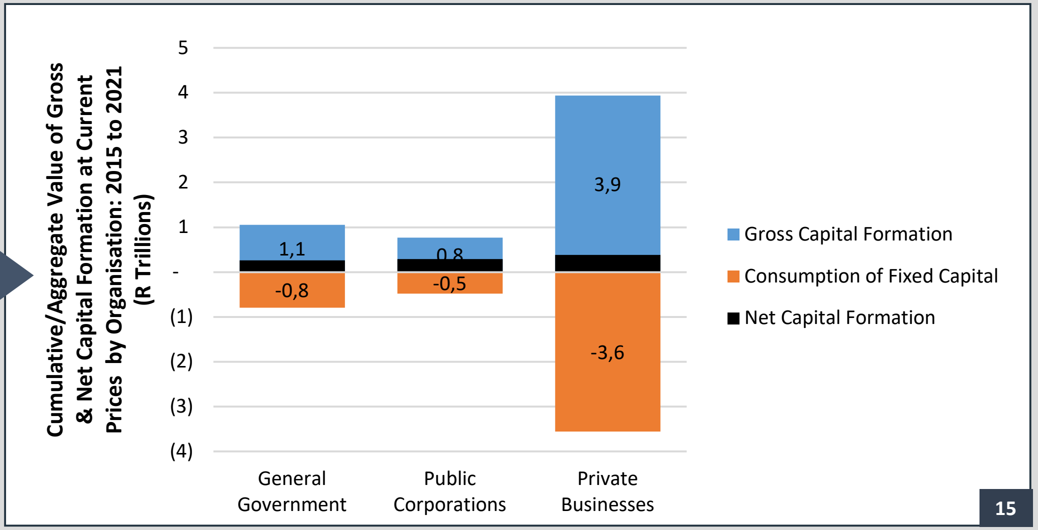
On a cumulative basis all organisation types made small positive contributions to net capital formation in current price terms between 2015 and 2021. Over this period private businesses made gross investments of R381 billion more than they consumed. General government invested a net R260 billion and public corporations R293 billion. It should, however, be noted that in 2020 and 2021, net capital formation by private businesses declined by a total of R88 billion.



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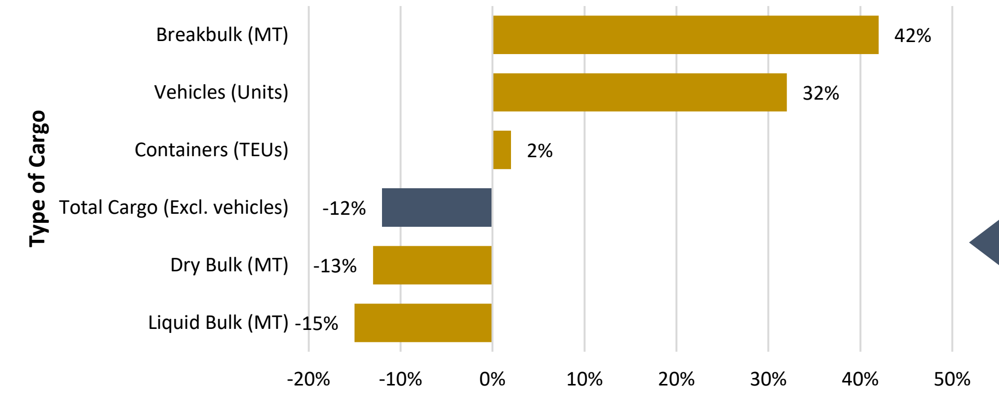
International Trade

The cargo passing through South Africa's ports declined by 12% in the year to March 2022. Precious stones and metals made the largest single contribution to South Africa's merchandise export earnings in 2021 – followed by ores and vehicle exports. On the import side mineral fuels was the most significant goods import in 2021.



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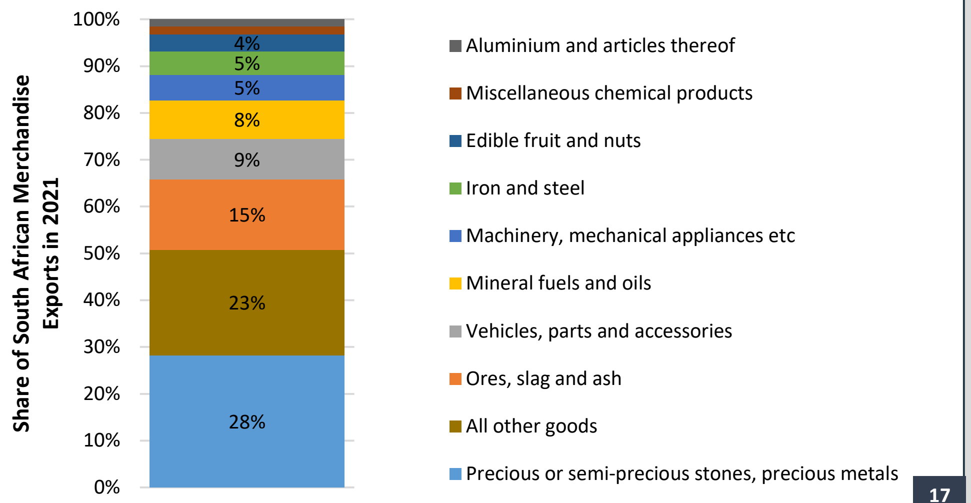
Change in Volumes of Cargo Handled by Transnet National Ports Authority: March 2021 to March 2022

The total volume of cargo handled by Transnet National Ports Authority (TNPA) (excluding vehicle imports and exports) in March 2022 decreased by 12% when compared with a year earlier. This was due to a 15% decrease in liquid bulk cargo and a 13% decline in dry bulk cargo. These decreases were partially offset by significant increases in breakbulk cargo (42%) and containers (2%).
The number of vehicles handled (exported and imported) increased by 32% in the year to March 2022.

Exports of precious stones and metals accounted for 28% of South Africa's merchandise exports in 2021. This was followed by ores, slag and ash (15%), vehicles (9%), mineral fuels and oils (8%) and machinery exports and iron and steel exports (both 5%). Edible fruit and nuts accounted for 4% of total merchandise exports. Collectively all other goods with individual shares of less than 2% contributed 23% of the total.



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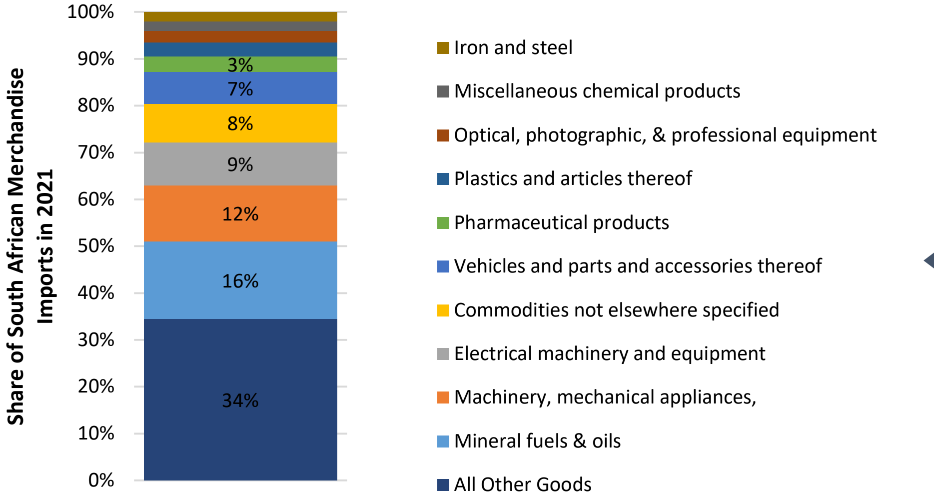

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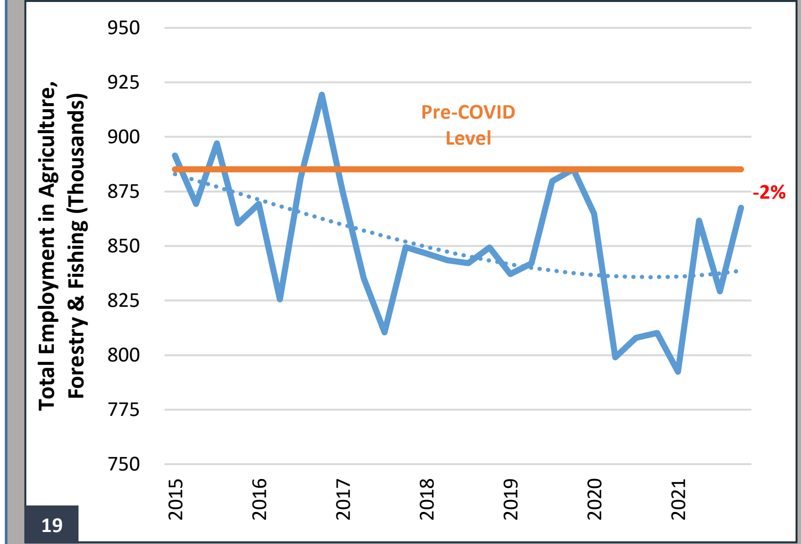
Mineral fuels and oils (essentially crude oil) was the most significant product import and accounted for 16% of South Africa's merchandise imports in 2021. It was followed by machinery imports (12%), electrical machinery (9%) and commodities not elsewhere specified (8%) Vehicle imports accounted for 7% of the total and iron and steel products for 2%. Collectively all other goods imports with shares of less than 2% of the total accounted for 34% of total merchandise imports.

AGRICULTURE, FORESTRY & FISHING



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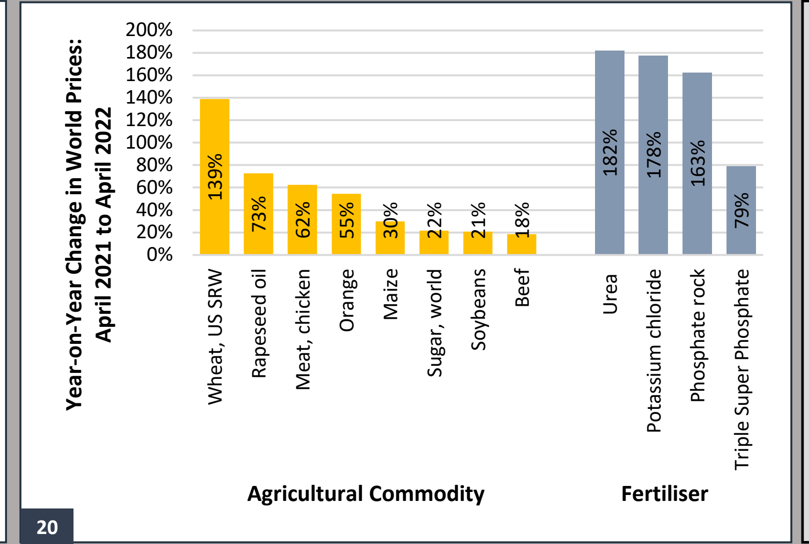

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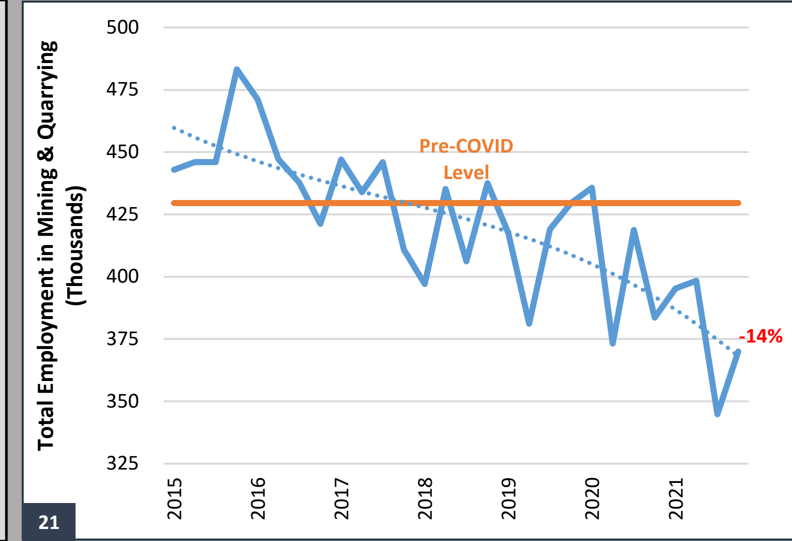
Total employment for agriculture, forestry and fishing in the fourth quarter of 2021 had not fully recovered to pre-COVID 19 levels. Although trending upwards, employment levels were still 2% lower than pre-COVID 19 levels.

The Russia – Ukraine conflict has contributed significantly to higher food commodity prices – with wheat prices up 139% in the year to April 2022, and rapeseed oil prices 73% higher. Disruption to global supply chains also resulted in significant increases in fertilizer prices, with urea up 182% and potassium chloride up 178%.

MINING & QUARRYING

Total employment in mining and quarrying has trended downwards over a number of consecutive years, with a more pronounced slump observed from the first quarter of 2020. In the fourth quarter of 2021, employment was 14% lower than pre-COVID-19 levels.

South Africa's ranking on the Fraser Institute's Mining Policy Perception Index has shown some improvement since 2017. In 2020, the country's ranking fell from 56 to 66 and in 2021 it improved slightly to 65 – 19 places higher than the last ranked mining destination.



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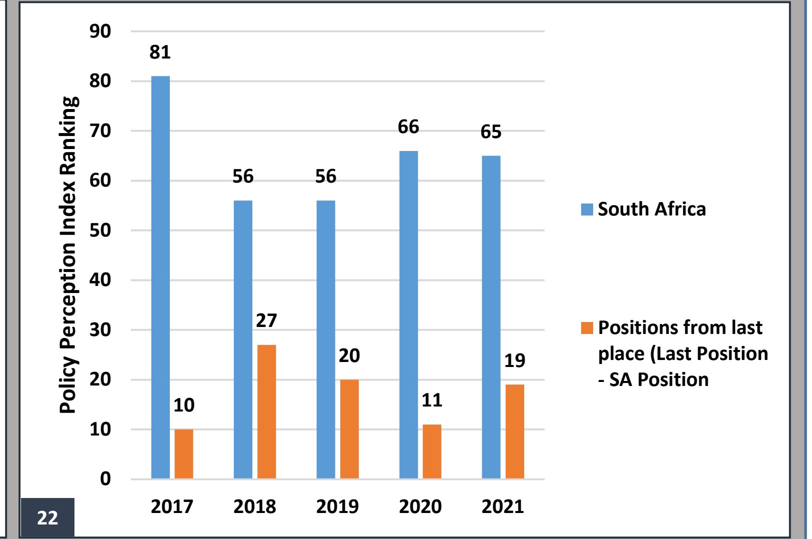

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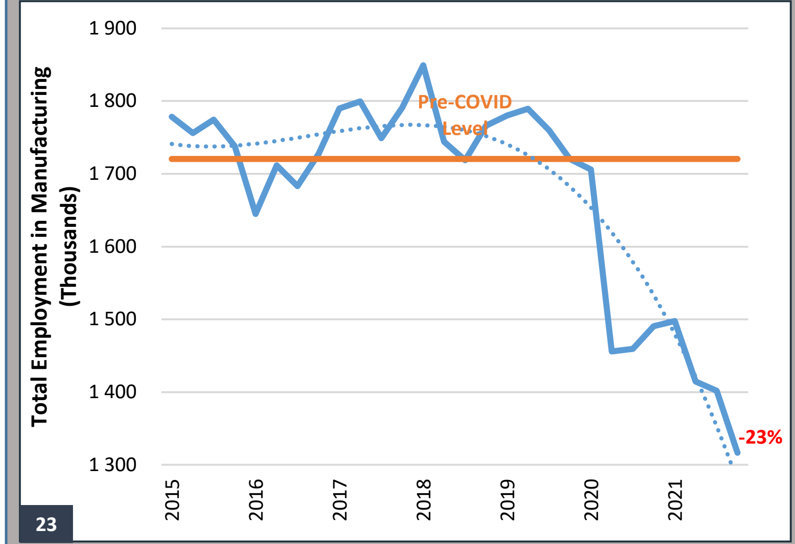
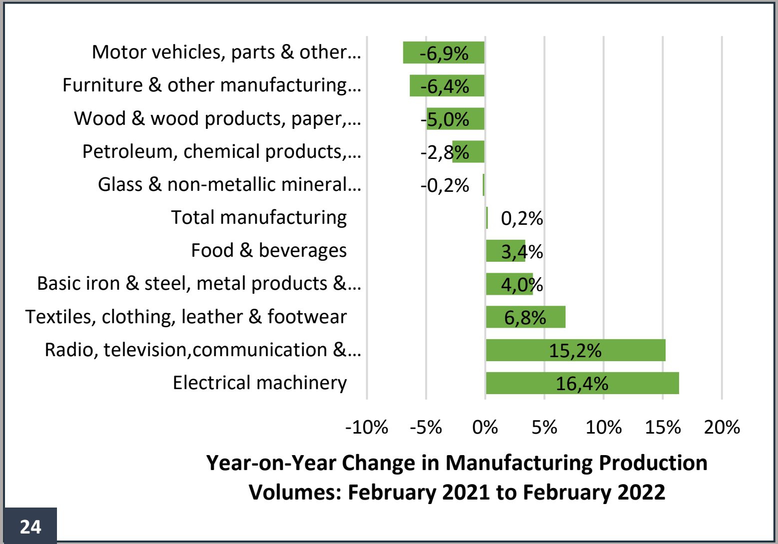
MANUFACTURING





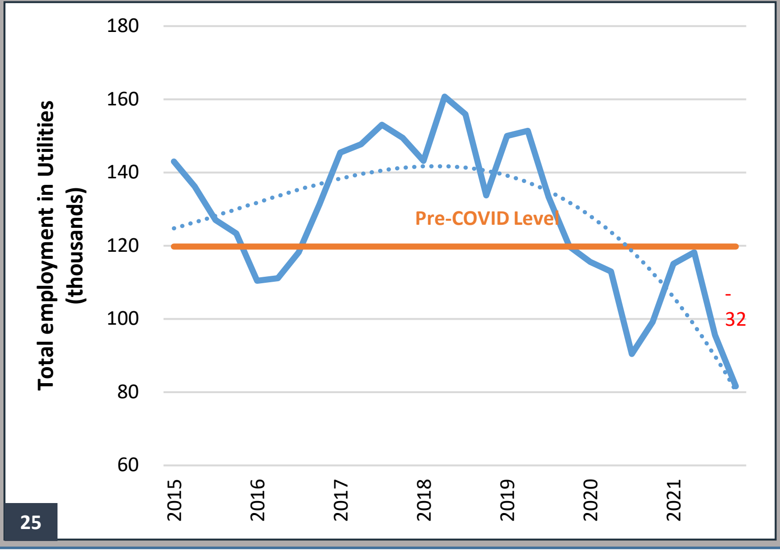
Total employment in manufacturing was significantly affected by the COVID-19 pandemic, and - despite the normalization of economic activity – continued to decline in 2021 has not been able to recover to pre-COVID-19 levels. In the fourth quarter of 2021, total manufacturing employment was 23% below pre-COVID-19 levels.

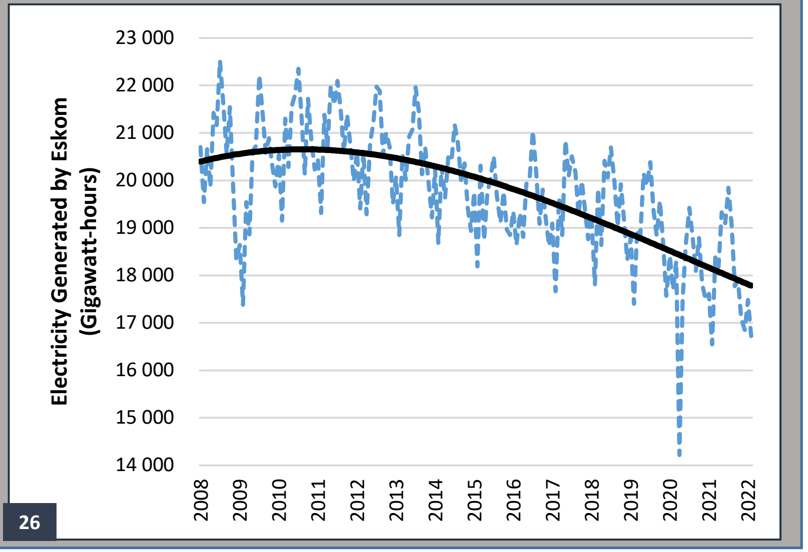
In the year to February 2022, the volume of total manufacturing production increased marginally by 0.2%. Growth was aided by increased electrical machinery and communications equipment production – but this was largely neutralized by declines in motor vehicle, furniture and wood product production.

ELECTRICITY, GAS AND WATER

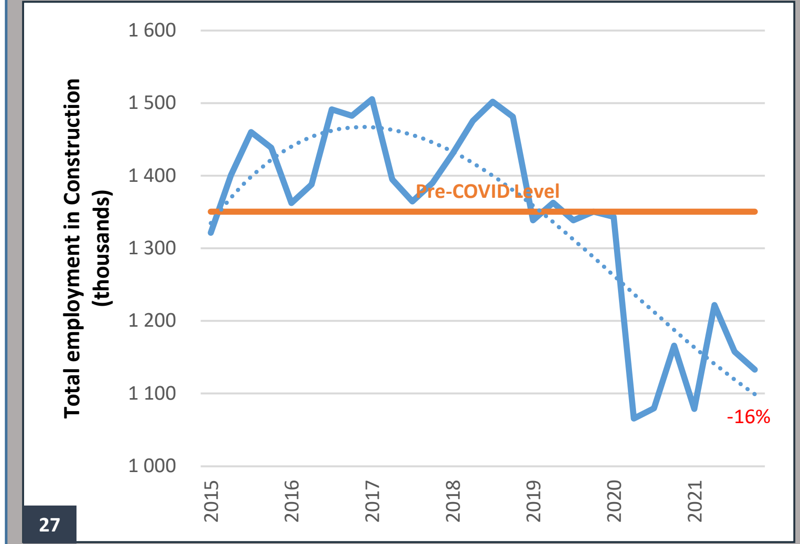
Total employment in utilities made a strong recovery in the fourth quarter of 2020, almost reaching pre-COVID-19. However, in 2021 employment levels have trended downwards and in the fourth quarter of 2021, total employment was 32% lower than pre-COVID levels.

Eskom produced 16% less electricity in the five months from October 2021 to February 2022 than it did in the corresponding period in 2007/8.





CONSTRUCTION



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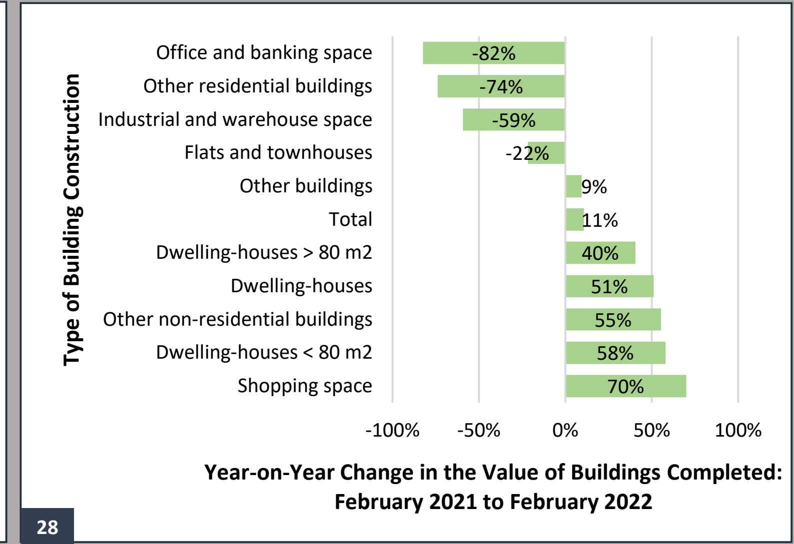

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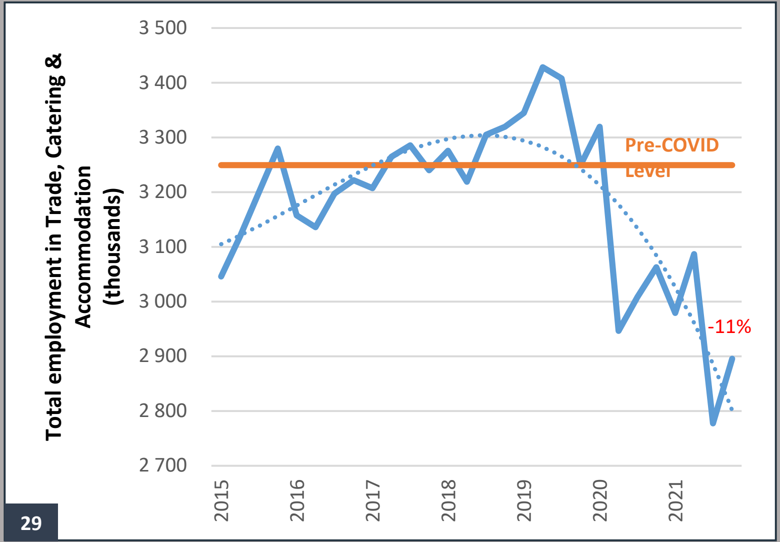
Total employment in construction dropped sharply at the start of the COVID lockdown in Q2 2020. The recovery since then has failed to maintain momentum and faltered in the second half of 2021 – ending the year 16% below its pre-COVID levels.

The value of buildings completed increased by 11% in the year to February 2022, due – in part - to increases in shopping space (70%) and dwellings less than 80m^{2}. However, over this period the value of office and banking and industrial and warehouse space completed declined by 82% and 59% respectively.

TRADE, CATERING AND ACCOMMODATION

Despite some improvement in the fourth quarter of 2021, total employment in trade, catering and accommodation is yet to fully recover – ending the year 11% below its pre-COVID-19 levels.

Fuel, followed by new vehicle sales jointly contributed to more than 65% (R6.1 billion) of the R9 billion increase in motor trade sales in the year to February 2022. Positive contributions to sales growth were also made by used vehicle sales (R1.2 billion), accessories (R1 billion), workshop (R0.5 billion) and convenience store sales (R0.2 billion).



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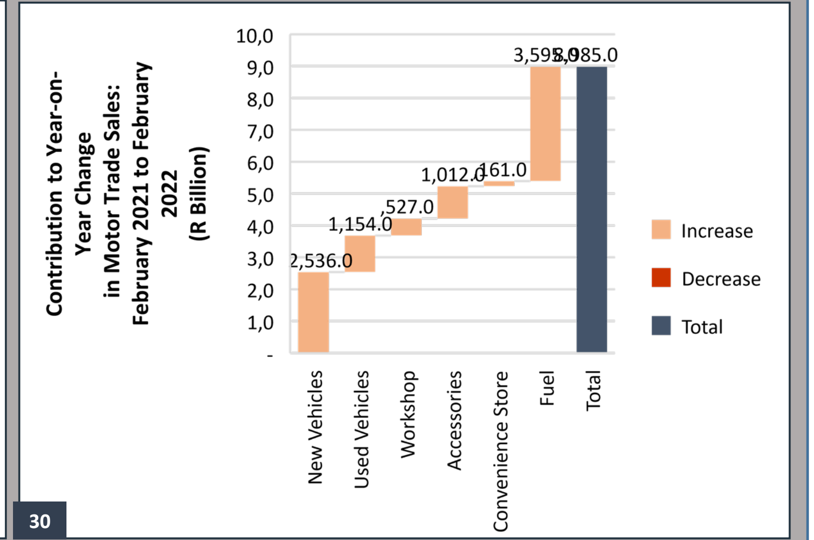

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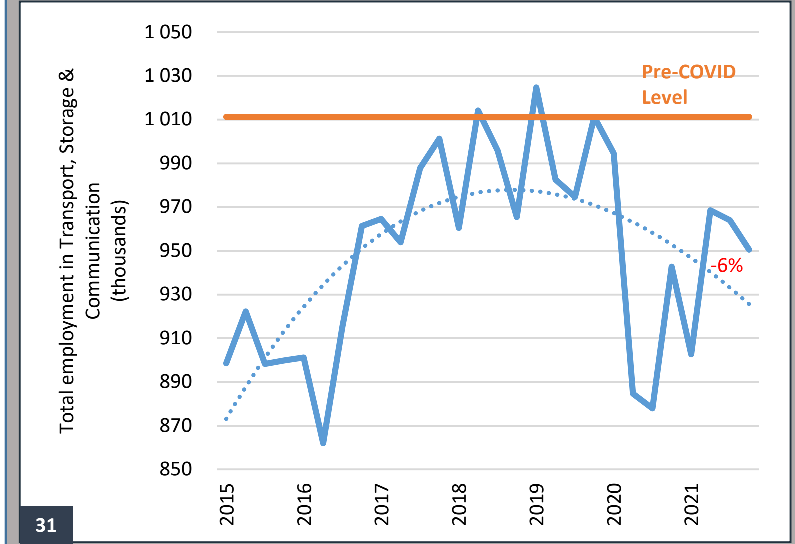
TRANSPORT, STORAGE AND COMMUNICATION



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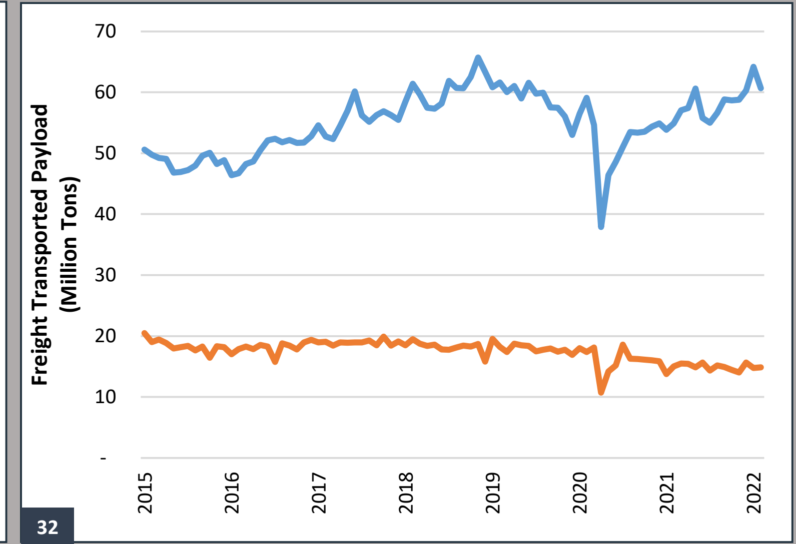

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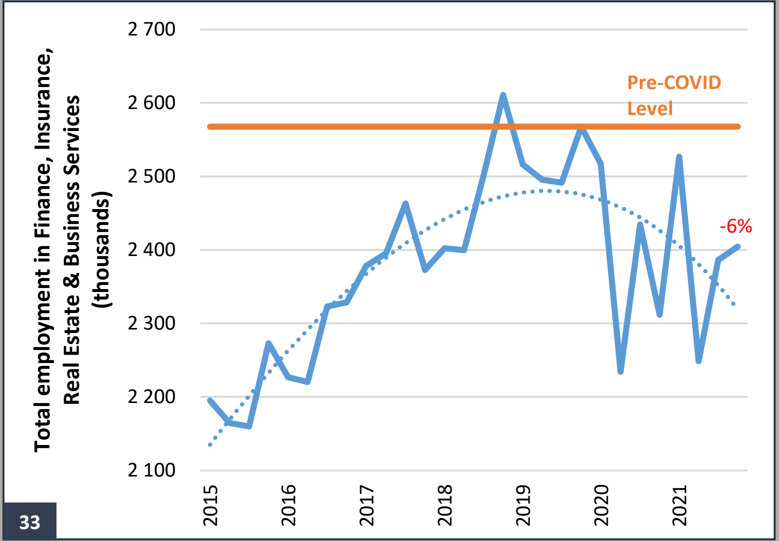
The recovery in total employment levels in the transport, storage and communications sector faltered in the fourth quarter of 2021, and was still 6% (around 60,000) below pre-COVID-19 levels.

Rail freight volumes dropped by 27% between the start of 2015 and February 2022. Over the same period road freight volumes increased by 20%. Total tonnages of land freight transported by road and rail increased by 6% over the same period.

FINANCE, INSURANCE, REAL ESTATE AND BUSINESS SERVICES

Total employment in finance, insurance, real estate and business services has been trended lower since the fourth quarter of 2019. A recovery in the second half of 2020 could not be sustained but there were improvements in the second half of 2021. In Q4 2021, total employment in the sector was still 6% lower than its pre-COVID levels.

In the year to February 2022 house prices across South Africa increased by an average of 3.8%. Between February 2015 and February 2022 house prices rose by an average of 4% a year. Over the same period CPI inflation averaged 4.7%.



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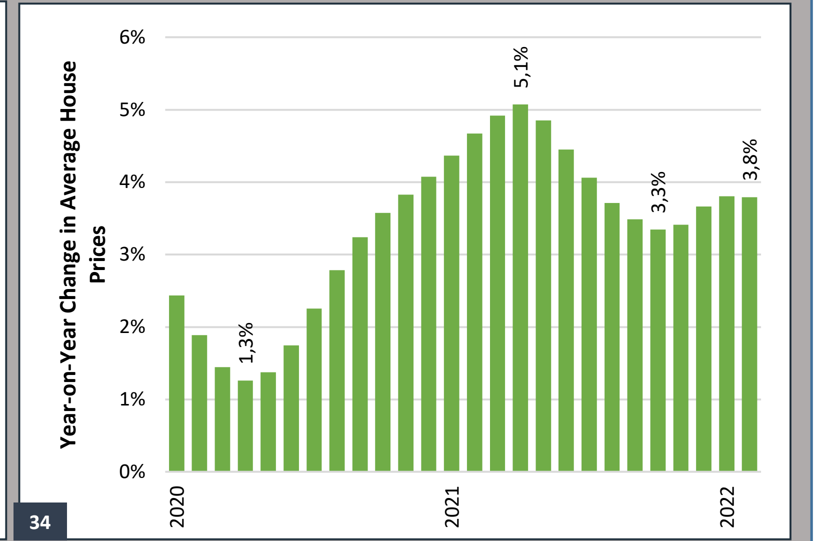

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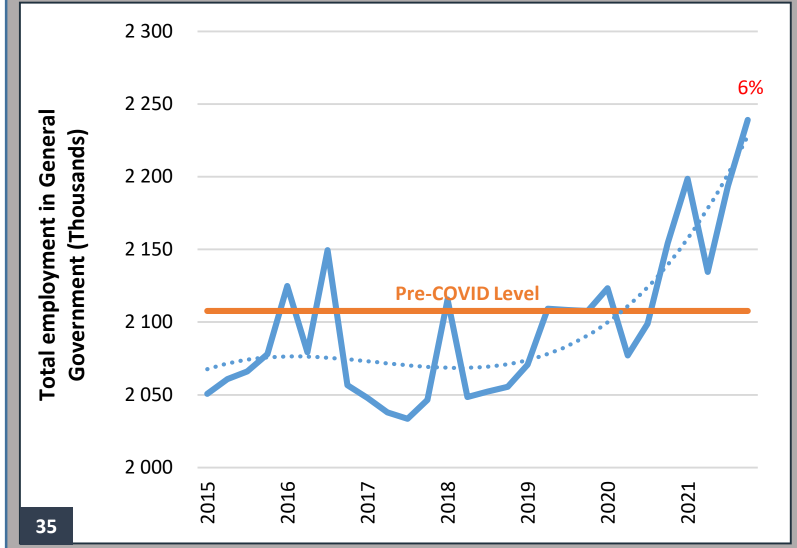
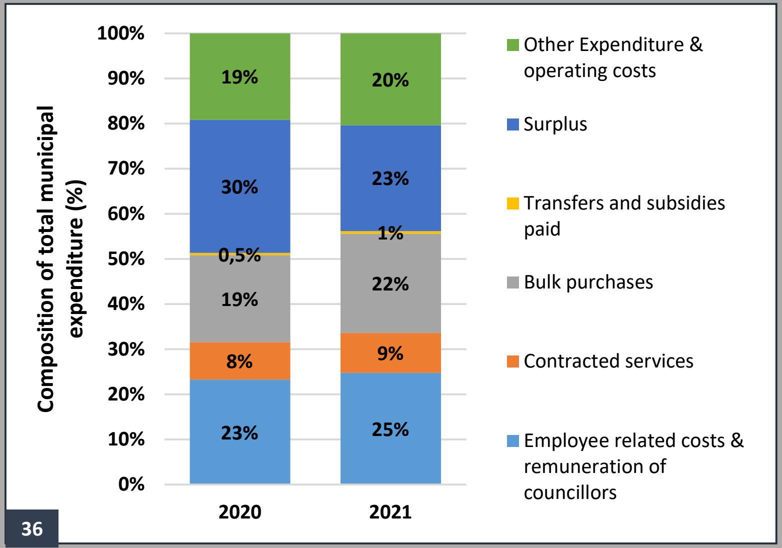
GENERAL GOVERNMENT





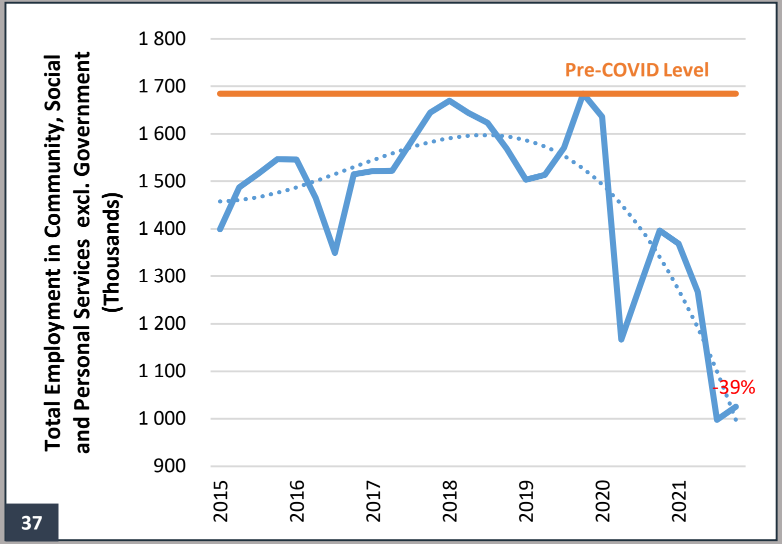
Total employment in general government increased again in the fourth quarter of 2021 after a decline in the second quarter. It ended 2021 6% above pre-COVID-19 levels.

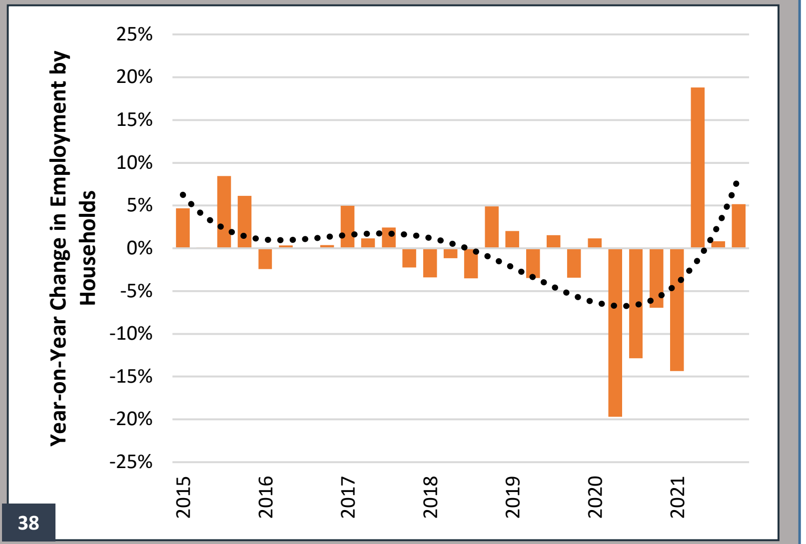
Most categories of municipal expenditure experienced an increase in their share of total spending between 2020 and 2021. The share of staff costs increased from 23% to 25%, while spending on bulk purchases rose from 19% to 22%. Increases were accommodated by a decline in the surplus from 30% to 23%.

COMMUNITY, SOCIAL AND PERSONAL SERVICES

Total employment in community, social and personal services has trended sharply lower since the fourth quarter of 2019. Although there was some recovery in the fourth quarter of 2021, employment levels were still 39% lower than their pre-COVID-19 levels.

Employment in households was significantly impacted by the COVID-19 pandemic in 2020, but recovered somewhat in 2021. By the end of 2021, total employment in households was still 27,000 (2%) below its pre-COVID levels.





- United Nations Conference on Trade and Development (UNCTAD) Global Trade Update for 2022

Annual % change: Merchandise trade volume by region	2018	2019	2020	2021	2022 Projection
Exports					
North America	3.8	0.3	-8.8	6.3	3.4
South America	-0.9	-1.2	-4.6	6.8	-0.3
Europe	1.8	0.6	-7.8	7.9	2.9
CIS	4	-0.3	-1.2	1.4	4.9
Africa	3.1	-0.3	-7.5	5.1	1.4
Middle East	4.6	-1.9	-9.3	7.3	11
Asia	3.7	0.9	0.5	13.8	2
Imports					
North America	5.1	-0.6	-6.1	12.6	3.9
South America	4.8	-1.7	-11.2	25.8	4.8
Europe	1.9	0.3	-7.3	8.1	3.7
CIS	4	8.3	-5.5	10.7	-12
Africa	5.4	3	-11.8	4.2	2.5
Middle East	-4.1	5.2	-9.8	5.3	11.7
Asia	5	-0.4	-1	11.1	2

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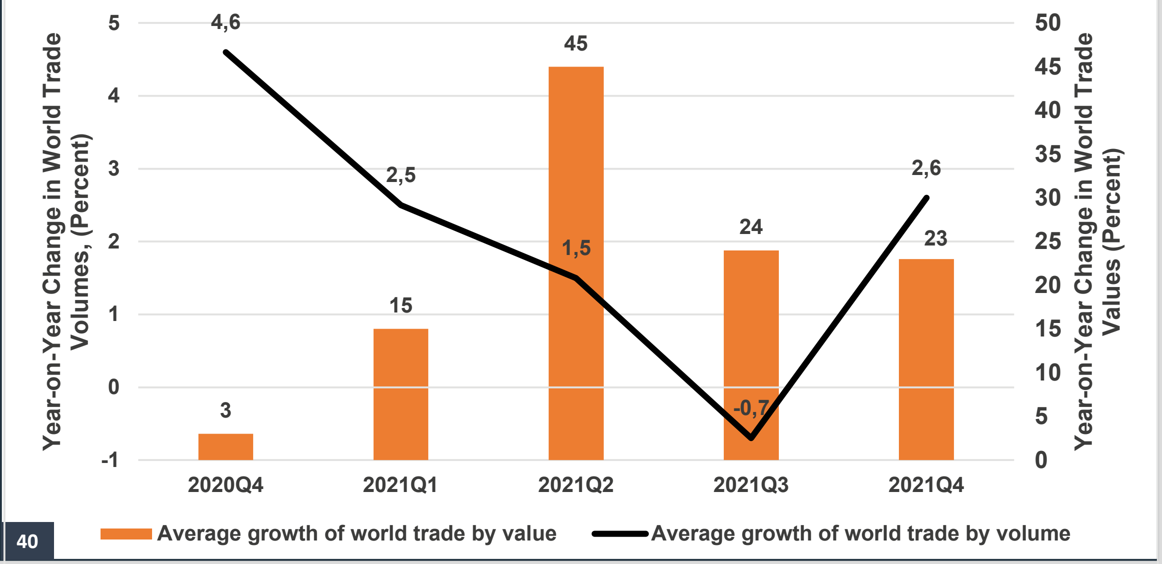

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- According to the United Nations Conference on Trade and Development's Global Trade Update (2022), all major trading economies saw imports and exports rise above pre-pandemic levels in the fourth quarter of 2021, with trade in goods increasing more strongly in the developing world than in developed countries.
- The growth was higher in commodity-exporting regions – driven by commodity price increases. Moreover, South-South trade growth was above the global average, with a 32% year-on-year increase.
- According to the report, the value of global trade reached a record level of USD28.5 trillion in 2021, which translates into an increase of 25% on 2020 and was 13% higher than in 2019 - before the COVID-19 pandemic struck.
- After a relatively slow third quarter of 2021, trade growth picked up again in the fourth quarter, when trade in goods increased by almost USD200 billion and achieved a new record of USD5.8 trillion
- Marginally positive growth rates are expected for trade in both goods and services in 2022 as a whole, keeping trade values at levels similar to the last three months of 2021. However, world trade growth will slow down during the first quarter of 2022.
- Given the prevailing macroeconomic trends and global developments, world trade growth in 2022 is likely to be lower than previously expected. The report notes that the International Monetary Fund has revised its world economic growth forecast downwards by 0.5 points – largely as a result of persistent inflation in the United States, disruptions caused by Russia's invasion of Ukraine and concerns related to China's real estate sector.

Data sources used in this document

Section A

Graph	Source of data
1	IMF World Economic Outlook (April 2022)
2	IMF World Economic Outlook (April 2022)
3	IMF World Economic Outlook (April 2022)
4	Statistics South Africa QLFS (P0211)
5	Statistics South Africa QLFS (P0211)
6	ILO Modelled Estimates
7	IMF World Economic Outlook (April 2022)
8	South African Reserve Bank Quarterly Bulletin, March 2022
9	South African Reserve Bank Quarterly Bulletin, March 2022
10	National Treasury
11	National Treasury
12	Quarterly Financial Statistics of Selected Municipalities, December 2021 (P9110.1)
13	South African Reserve Bank Quarterly Bulletin, March 2022
14	South African Reserve Bank Quarterly Bulletin, March 2022
15	South African Reserve Bank Quarterly Bulletin, March 2022
16	Transnet National Ports Authority (via BUSA)
17	TradeMap (using COMTRADE data)
18	TradeMap (using COMTRADE data)
19	Statistics South Africa QLFS (P0211)
20	World Bank Commodity Prices (Pink Sheets) data, May 2022
21	Statistics South Africa QLFS (P0211)
22	Fraser Institute Annual Mining Survey (2021)
23	Statistics South Africa QLFS (P0211)
24	Statistics South Africa Manufacturing Production and Sales (P3041.2)

Section B

Graph	Source of data
25	Statistics South Africa QLFS (P0211)
26	Statistics South Africa Electricity generated and available for distribution (P4141)
27	Statistics South Africa QLFS (P0211)
28	Statistics South Africa Selected building statistics of the private sector as reported by local government institutions (P5041.1)
29	Statistics South Africa QLFS (P0211)
30	Statistics South Africa Motor Trade Sales (P6343.2)
31	Statistics South Africa QLFS (P0211)
32	Statistics South Africa Land Transport Survey (P7162)
33	Statistics South Africa QLFS (P0211)
34	First National Bank
35	Statistics South Africa QES (P0277)
36	Quarterly Financial Statistics of Selected Municipalities, December 2021 (P9110.1)
37	Statistics South Africa QLFS (P0211) and QES (P0277)
38	Statistics South Africa QLFS (P0211)

Section C

Graph/ Table	Source of data
39	World Trade Organisation. (2022). Global trade rebound beats expectations but marked by regional divergences. Available: https://www.wto.org/english/news_e/pres21_e/pr889_e.htm.
40	World Trade Organisation. (2022). Statistics on Merchandise Trade. Available: https://www.wto.org/english/res_e/statis_e/merch_trade_stat_e.htm.

Economic and Employment Indicators and Trends in South Africa

Issue # 04 (April 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

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