



May 2022

Economic and Employment Indicators & Trends in South Africa

Issue # 05

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The Month in Review



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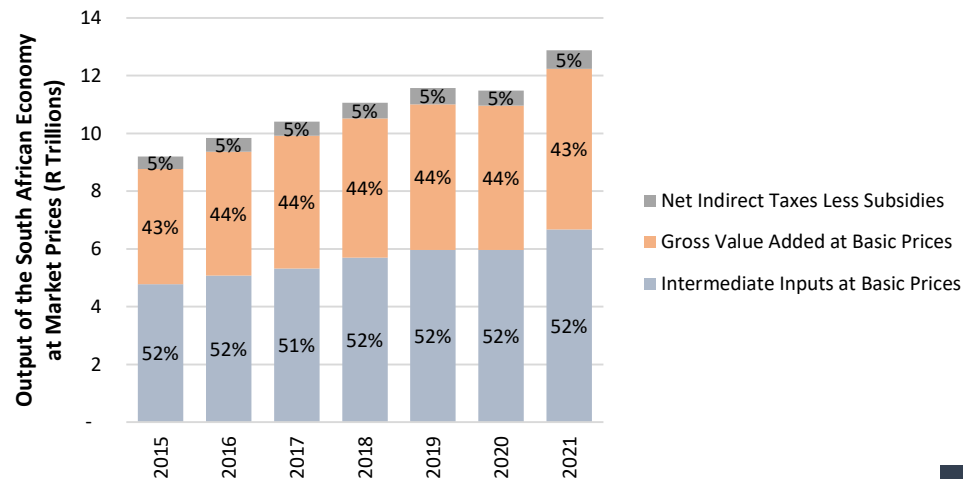


- The COVID-19 pandemic is expected to cause South Africa's real GDP in 2027 to be almost 5% lower than it would have been based on growth forecasts prior to the pandemic. This translates into a loss of around R250 billion in GDP at 2015 prices.
- The pandemic continues to have negative impacts on employment levels across most sectors and types of occupation. Professionals (+190,000) and managers (+62,000) are the only occupations to have experienced increased employment between 2015 and 2021, while government administration is the only sector that employed more people in Q1 2022 than it did in Q4 2019 (i.e. before COVID).
- There are indications of relative improvements in the financial positions of households: fewer individuals are being summonsed for debt (-13%), and the ratio of household debt to disposable income resumed its downwards trend in 2021 to 67%, after ticking upwards in 2020.
- The fragility of the medium term fiscal framework – around which expectations of relatively lower debt and debt-service costs rest - is reflected in expectations of lower-than-inflation (4.3%) increases in healthcare (2.4%) and social protection (2.4%) expenditures.



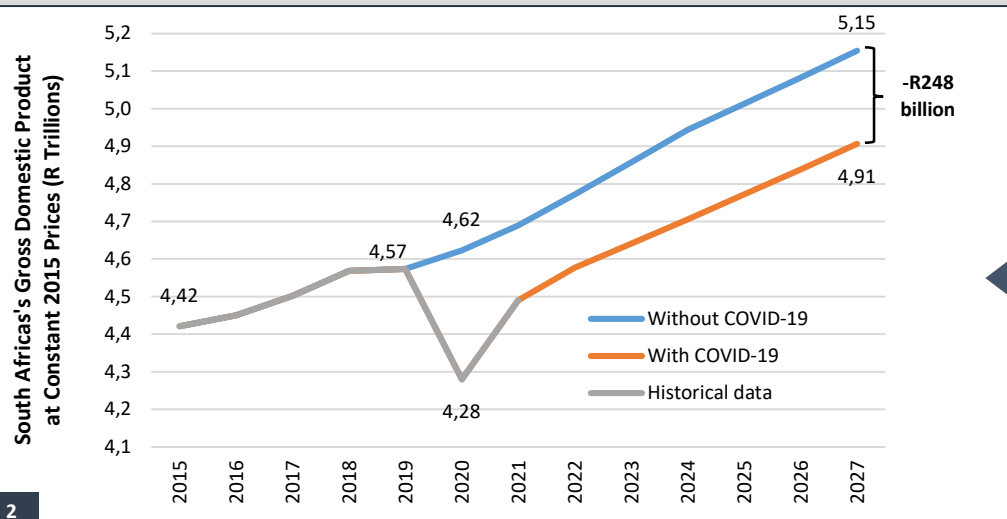
- The COVID-19 pandemic has resulted in an improvement in South Africa's International Investment Position – which reflects the difference between a country's foreign liabilities (local assets owned by non-residents) and foreign assets (foreign assets owned by residents). In 2021 South African residents owned foreign assets valued at US\$104 billion more than the value of foreign-owned assets in South Africa. However, foreign investors extracted significantly higher returns on their investments in South Africa than residents were able to extract from their foreign assets. This contributed to a deficit on the Primary Income Account of the Current Account of the balance of payments.
- South Africa has become a relatively less significant market for world exports in recent years – with the country's share of world exports declining in 75 of 96 merchandise goods categories. However, this is more of a reflection of the country's relatively weaker growth performance than a material decline in its propensity to import.
- A recently-released study on skills supply and demand in South Africa's labour market, estimated to have shortages in 27 of 35 key skills in 2020. The skill shortages are particularly concentrated in the basic skills categories such as writing, reading with comprehension, active listening and speaking which are regarded as essential, basic skills that facilitate learning or the more rapid acquisition of knowledge.

The output (effectively the sales) of the SA economy at market prices increased by 12% in 2021 after contracting by 1% in 2020. Intermediate inputs purchased from 3rd party suppliers constituted 52% of the R12.9 trillion in sales, with gross value added contributing a further 43% and net indirect taxes less subsidies on products the remaining 5%.

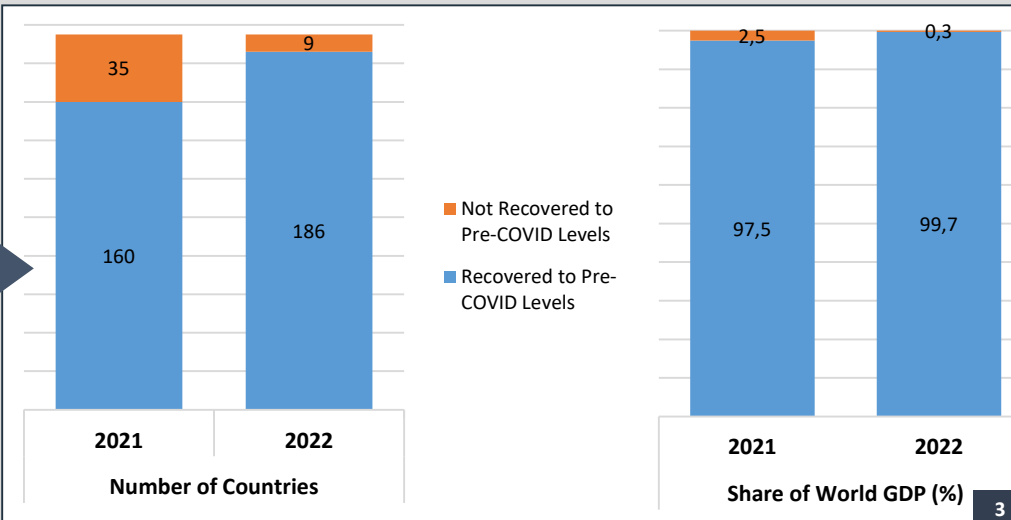


Gross Domestic Product

The value of the output/ sales of the South African economy approached R13 trillion in 2021. However, the COVID-19 pandemic is likely to shave 4.8% (around R250 billion) off the country's GDP by 2027. By the end of 2022 only 9 countries are expected to have GDP with lower purchasing power than before COVID.



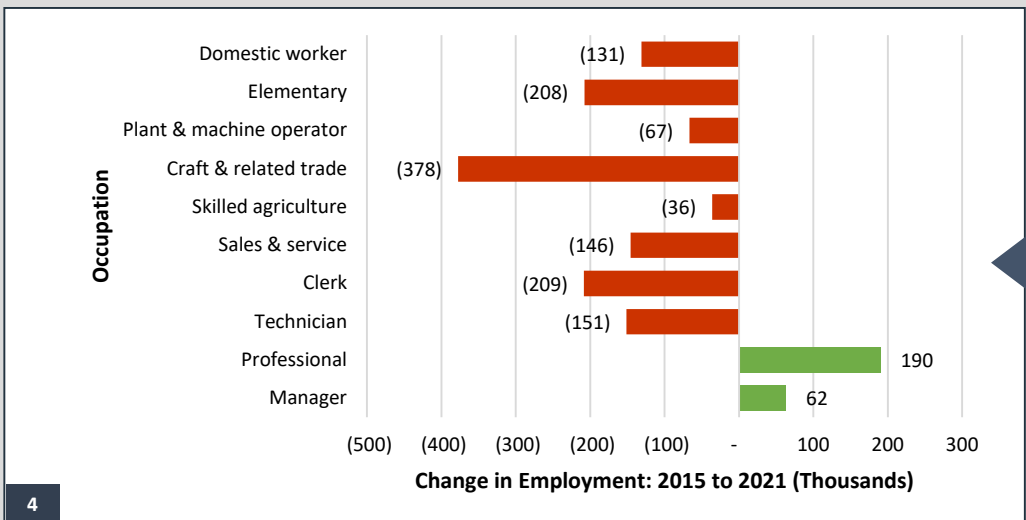
Based on IMF forecasts, South Africa's real GDP is estimated to be R250 billion (4.8%) lower in 2027 due to the impact of the COVID-19 pandemic. With the pre-COVID growth trajectory, South Africa's GDP at constant 2015 prices was projected to increase from R4.57 trillion in 2019 to R5.15 trillion in 2027 – an increase of 13%. As a result of the pandemic it is now expected to rise by 7% to R4.91 trillion.



On a purchasing power parity basis the GDP of 160 of 195 countries (including South Africa) had already recovered to their pre-COVID levels in 2021. These countries represented 97.5% of world GDP. According to the IMF's World Economic Outlook for April 2022 by the end of this year only 9 countries will still have GDP that is lower in 2022 than it was in 2019. Collectively these countries only account for 0.3% of world GDP. They include Fiji, Myanmar, Syria and Venezuela.

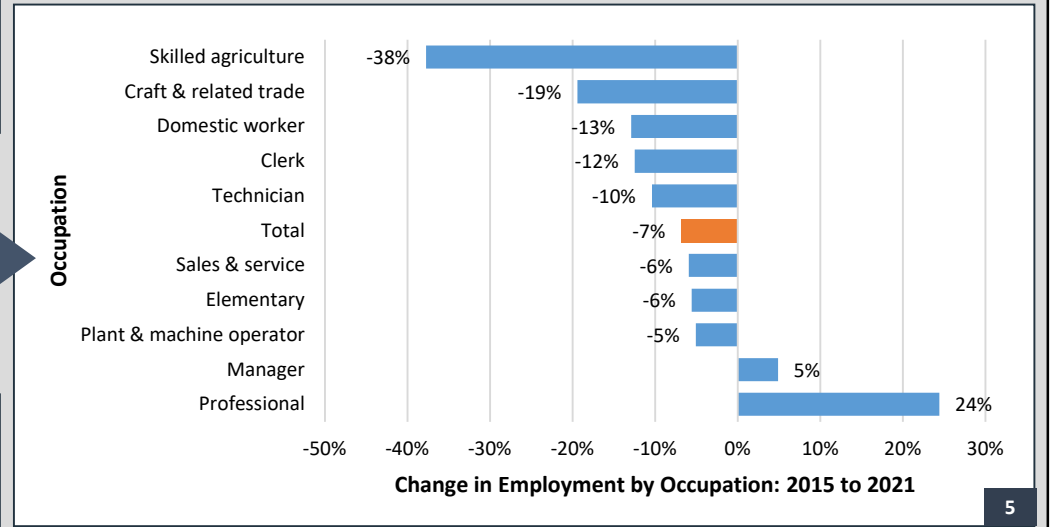
Employment

Professionals & managers are the only occupations that experienced an increase in employment between 2015 and 2021. Declines in occupational employment were most pronounced for skilled agriculture. Limited & unspecified employment contracts are being favoured over permanent ones.

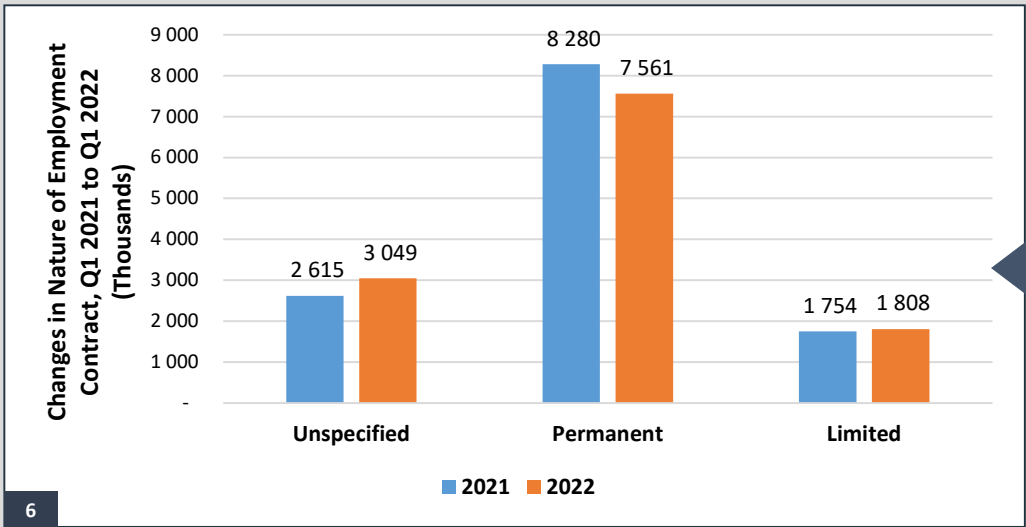


In percentage change terms, South Africa now employs 38% fewer people in skilled agriculture, 19% fewer craft and related trade workers and 13% fewer domestic workers. While the number of people employed in sales and service, elementary and plant and machine operator occupations also decline, the contraction was less than for the labour market as a whole. The number of professionals employed rose by 24% over this period.

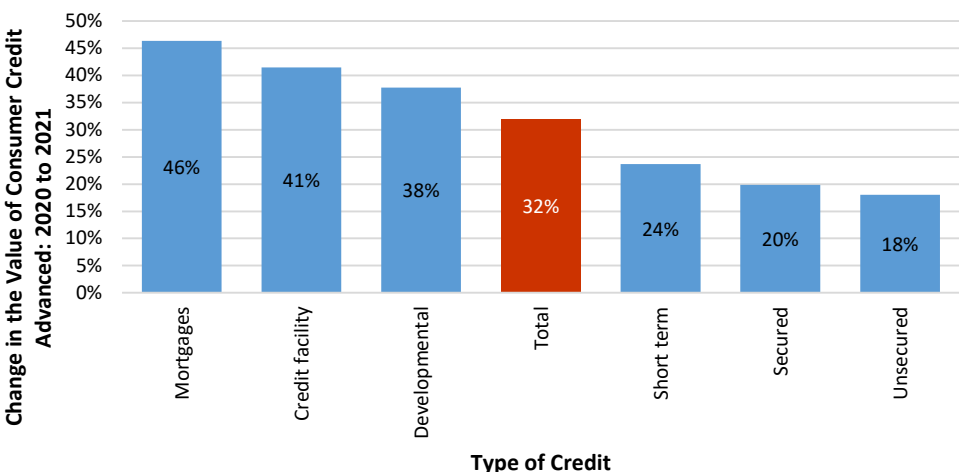
Between 2015 and 2021 South Africa lost 1.1 million employment opportunities. Over this period the number of managers increased by 62,000 and that of professionals by 190,000. There was a decline in the number of people employed in all other occupation groups. This was most pronounced in relation to craft and related trade workers (-378,000), clerks (-209,000) and elementary occupations(-208,000). By contrast, the number of people employed in skilled agriculture decreased by 36,000.



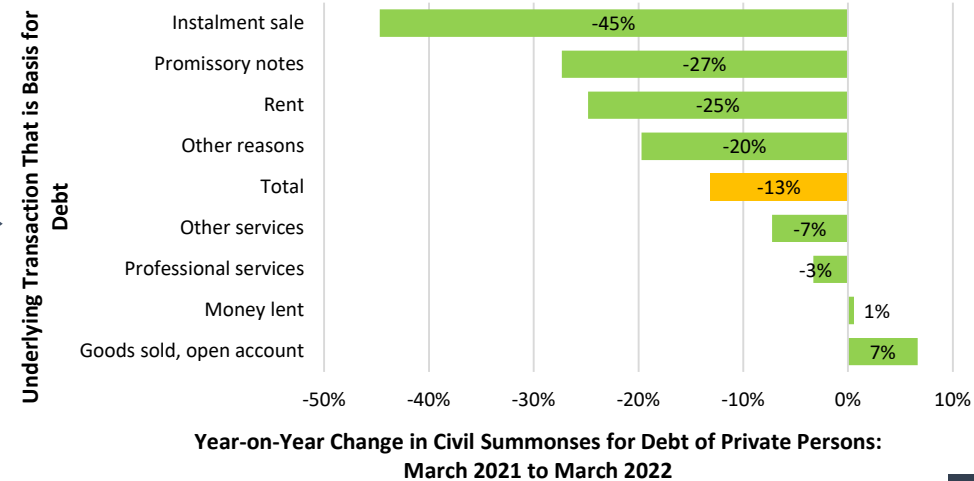
Most employees had permanent employment contracts. The year-on-year comparisons indicated that the number of employees with contracts of a permanent nature decreased by 719 000 (9% decrease), while the number of employees with contracts of unspecified duration and contracts of limited duration increased by 434 000 (17%) and 54 000 (3%), respectively.



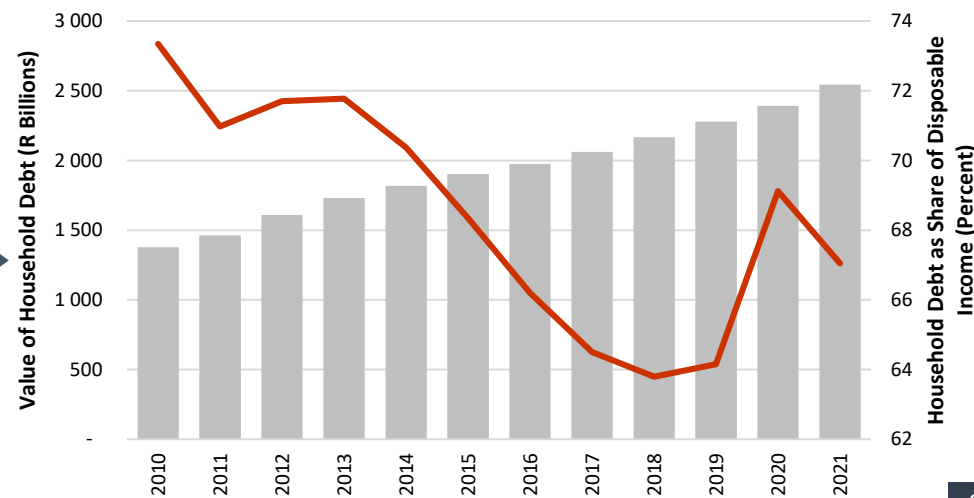
The number of civil summonses issued for debt against private individuals decreased by 13% in the year to March 2022. Large declines in summonses for debts arising from instalment sales (-45%), promissory notes (-27%) and rent (-25%) were partially offset by increases in summonses for failure to repay loans (+1%) and to service open accounts involving goods sold (+7%).



The total debt of South African households increased by 84% between 2010 and 2021 - from R1.4 trillion to R2.5 trillion. This equates to an average annual increase of 5.7%. Over the same period the aggregate nominal disposable income (gross income less direct taxes) of households rose by an average of 6.6% a year. As a result, while the ratio of household debt to disposable income increased from 64% in 2019 to over 69% in 2020 as a result of the impact of the COVID-19 pandemic on incomes, it has still trended lower since 2010 – when it stood at over 73%.



Total consumer credit advances increased by 32% between 2020 and 2021. The rise was due particularly to higher mortgage advances (+46%), increases in credit facilities (+41%) and higher developmental loans (+38%). By contrast advances of unsecured credit, secured credit and short-term credit experienced relatively smaller increases.

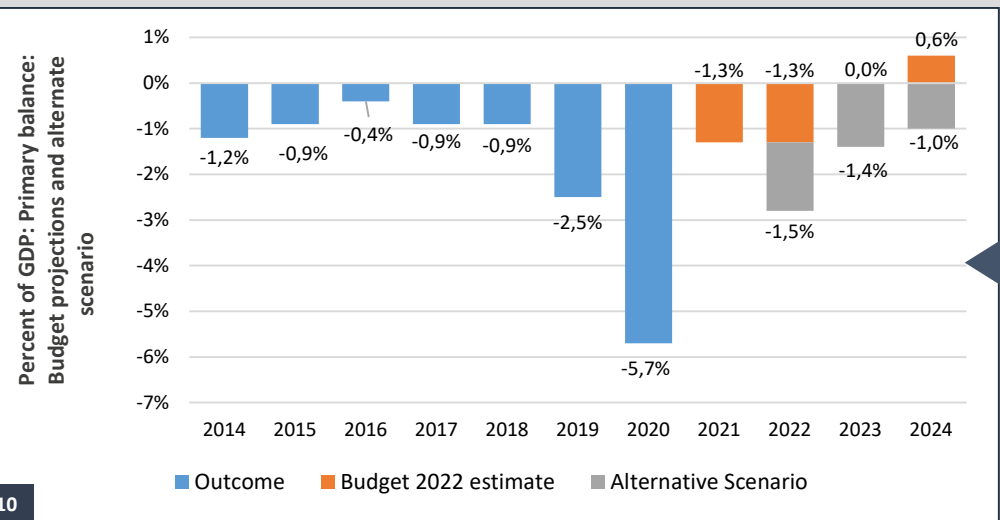


Households

Fewer private individuals were summonsed for debt. At the same time total credit advanced to households increased significantly during 2021. Growth was particularly strong in relation to mortgages and credit facilities. Household debt as a share of disposable income trended lower.

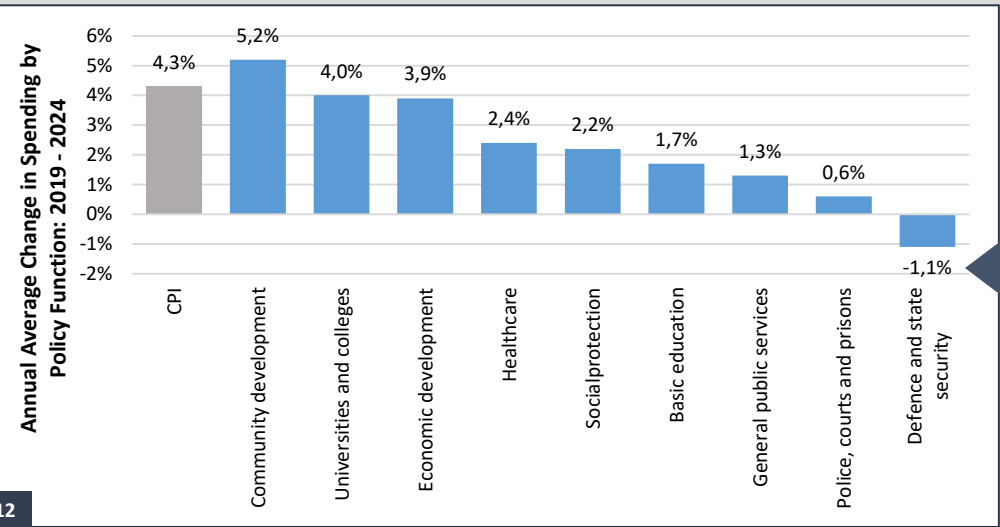
Government

The medium term fiscal framework is predicated on lower-than-inflation increases in COVID-19 relief measures. A greater proportion of households in Mangaung and Buffalo City experienced environmental problems than in other metros. Community development is the only policy function with a real increase.



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Environmental problems experienced by households are prevalent across all metropolitan municipalities. Data collated by the South African Cities Network (SACN) suggests that residents of Mangaung Municipality and Buffalo City Municipality on average experience the highest rate of environmental issues across the four main categories. The City of Cape Town Municipality experienced the lowest rate of environmental challenges.



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The primary balance is main budget revenue less non-interest expenditure. It is expressed as a share of GDP. According to research undertaken by the Southern Centre for Inequality Studies, if it is assumed that the Social Relief of Distress Grant and the Presidential Employment Stimulus all grow at the rate of inflation in 2023 and 2024 (with all other assumptions in the fiscal framework maintained), the primary balance will be higher than prior to the COVID-19 pandemic. This implies rising debt and higher debt service costs.

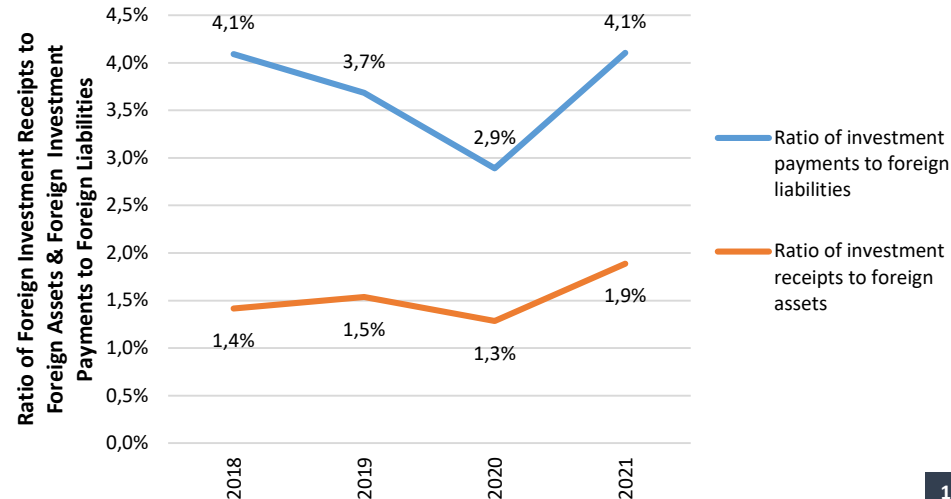
Share of Households Experiencing Environmental Problems per Metro in 2019

	Air Pollution	Water Pollution	Waste Removal & Littering	Land Degradation
Buffalo City	35%	25%	48%	52%
Cape Town	8%	8%	24%	11%
Ekurhuleni	22%	12%	22%	17%
eThekweni	19%	19%	47%	21%
Johannesburg	22%	25%	47%	24%
Mangaung	31%	25%	68%	53%
Nelson Mandela Bay	15%	6%	42%	3%
City of Tshwane	16%	15%	31%	27%

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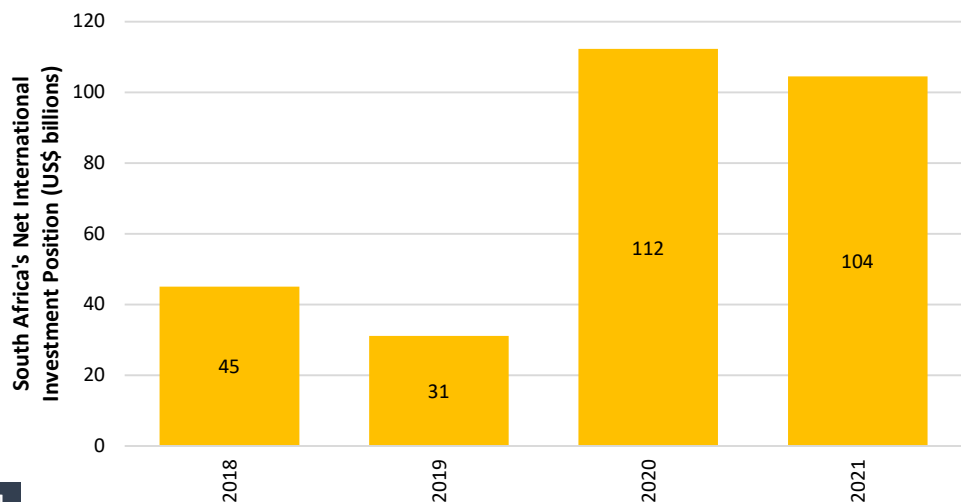
According to research undertaken by the Southern Centre for Inequality Studies, over the medium term it is estimated that spending on community development will be the only policy function with spending growth higher than inflation. Every other policy function faces real spending cuts over the next three years. Between 2019 and 2024 defence and state security spending will experience the largest decline due to significant budget cuts to real resource allocation.

Non-residents generally extracted higher returns on their assets in South Africa than South African residents extracted from their assets abroad. After declining from 4.1% to 2.9% between 2018 and 2020, the ratio of foreign investment payments (interest, rent, royalties and profits) to foreign liabilities increased back to 4.1% in 2021. By contrast, foreign investment receipts as a share of foreign assets increased from 1.4% in 2018 to 1.9% in 2021. These differences in returns may be a reflection of the quality of the underlying assets, the patience of investors and risk differentials – amongst other things.



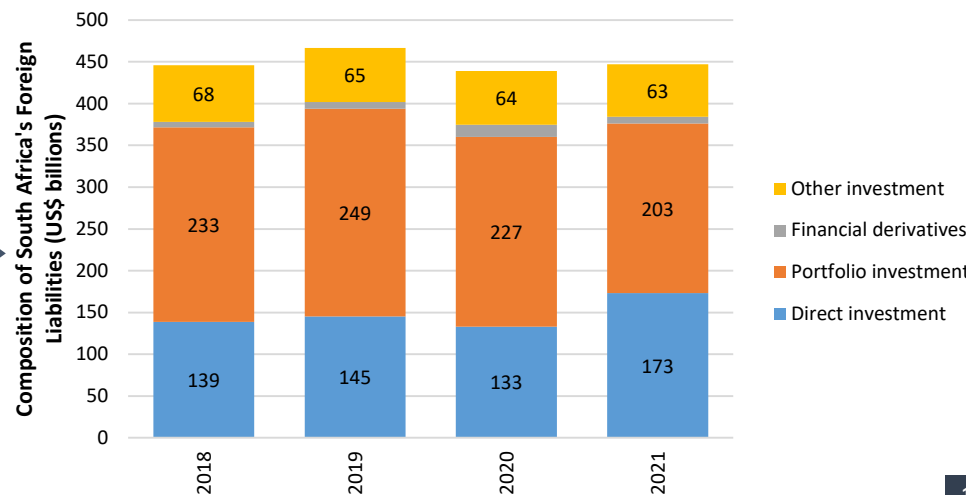
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South Africa's international investment position – which reflects the difference between foreign assets owned by residents and foreign liabilities owned by non-residents – improved significantly during the COVID-19 pandemic. In 2020, South African residents owned US\$112 billion more foreign assets than foreigners owned South African assets – up from just US\$31 billion in 2019.



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The stock of foreign direct investment in South Africa increased by US\$28 billion over the COVID-19 period (i.e. between 2019 and 2021) to US\$173 billion. Over the same period the stock of foreign portfolio investment decreased by US\$46 billion to US\$203 billion. The stock of other investment remained fairly stable at around US\$63 billion and financial derivatives were relatively insignificant. Overall, foreign liabilities arising from investments in South African assets by non-residents decreased from US\$467 billion to US\$447 billion between 2019 and 2021.



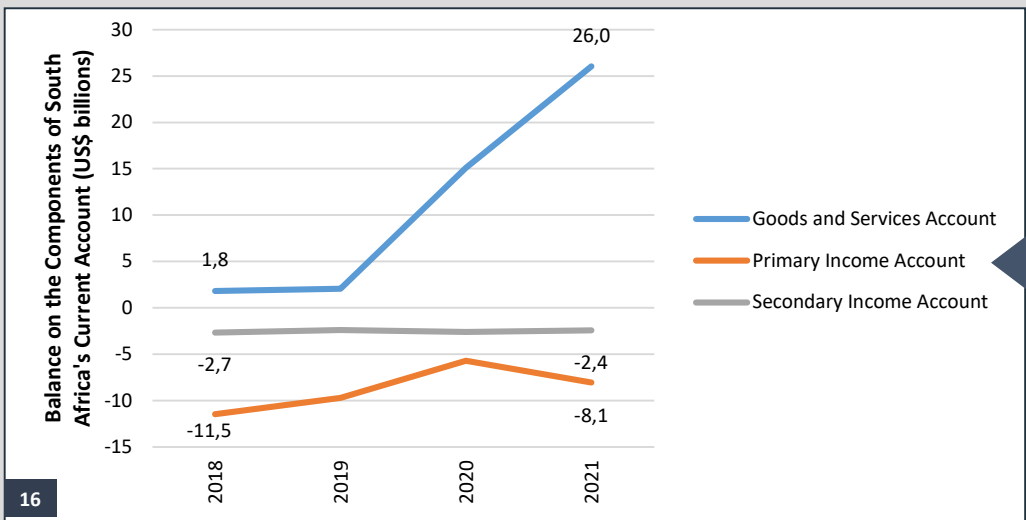
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Investment

In recent years non-residents extracted greater returns on their South African assets than South African earned on their foreign assets. The COVID-19 pandemic resulted in a significant improvement in South Africa's International Investment Position. Total foreign investment in South Africa decreased under COVID.

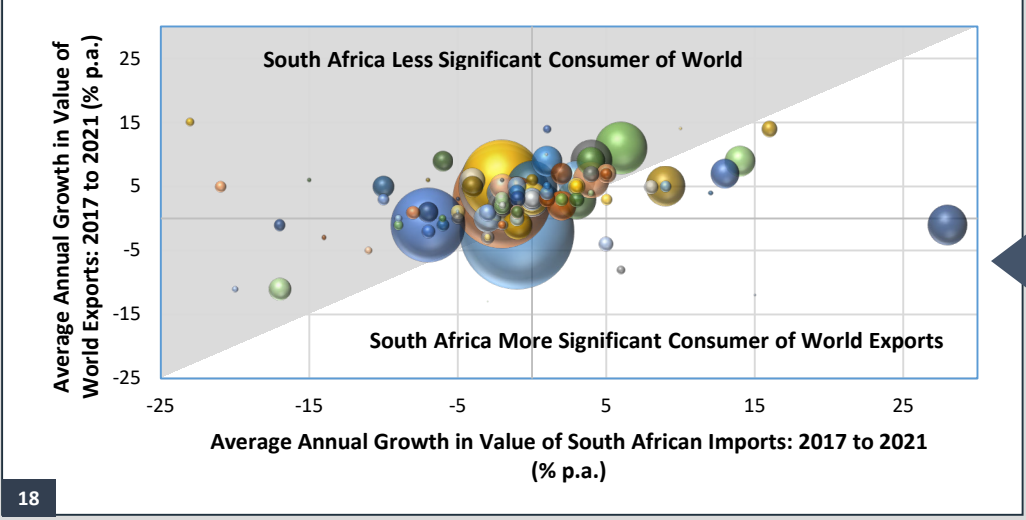
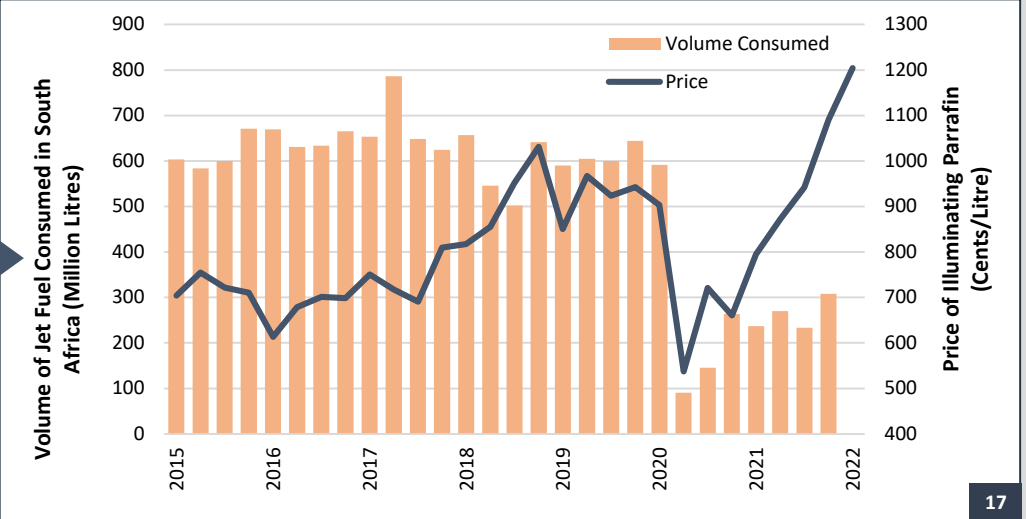
International Trade

A record surplus on the Goods & Services Account was partly offset by deficits in the Primary and Secondary Income Accounts. While consumption of jet fuel was still significantly lower than pre-COVID levels, the price increased by more than 120% since Q2 2020. South Africa has become a less-significant market for world exports.



The Current Account of the Balance of Payments consists of three sub-accounts: the Goods & Services Account (which reflects trade in goods and services), the Primary Income Account (which reflects factor income flows) and the Secondary Income Account (which reflects transfer receipts and payments). During the COVID-19 pandemic South Africa's surplus on the Goods & Services Account reached a record US\$26 billion, while the deficit on the Primary Income Account narrowed from US\$11.5 billion to US\$8.1 billion, and the deficit on the Secondary Income Account – which is largely the result of personal transfers between residents and non-residents – narrowed slightly to US\$2.4 billion.

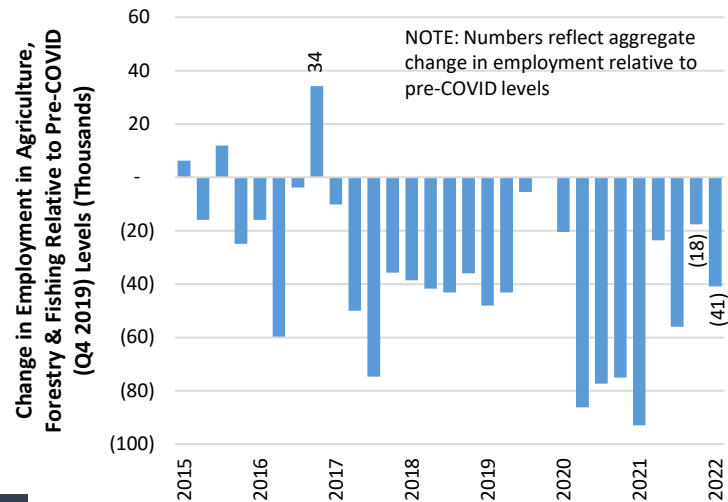
In the 4th quarter of 2021, South Africa's aviation sector consumed 308 million litres of jet fuel. While this was 241% more than in the 2nd quarter of 2020 at the height of the lockdown, it was still 52% less than in pre-COVID times. Despite reduced consumption of aviation fuel globally, the price of illuminating paraffin (a proxy for jet fuel) increased by 124% between Q2 2020 and Q1 2022.



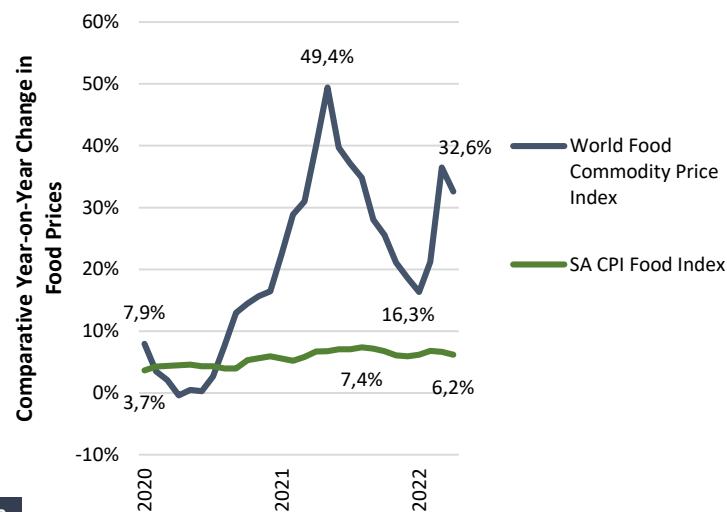
South Africa generally became a less significant consumer of world exports between 2017 and 2021. The average annual growth in the value of South African imports was lower than the corresponding growth in world exports in 75 of 96 product categories. These product categories represented 72% of the value of South Africa's merchandise imports in 2021. The product category that experienced the largest relative increase in world market share was printed books, newspapers and other printed products, while the product category where South Africa experienced the largest decline in its consumption of world exports was nickel and articles thereof.



AGRICULTURE, FORESTRY & FISHING



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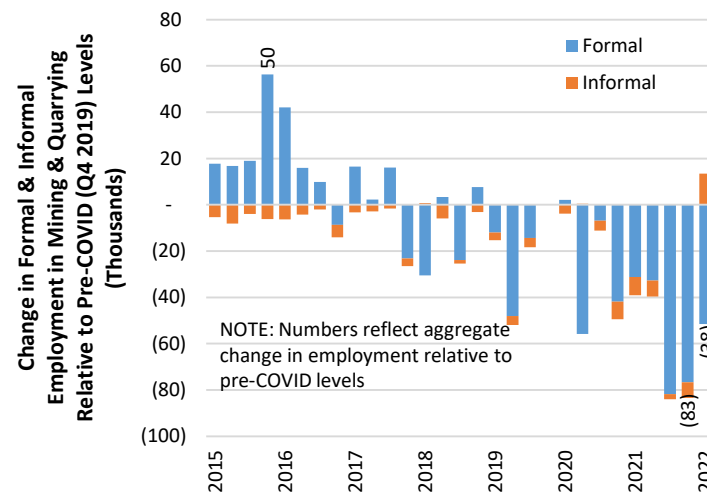
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Relative to Q4 2019, total employment has been declining, with no sign of recovery to pre COVID-19 levels. In the Q2 2022, total employment was 41 thousand less than pre COVID-19 levels. Although food inflation in South Africa – as measured by year-on changes in the food component of the CPI – has generally been above the overall rate of consumer price inflation since the start of the COVID-19 pandemic, it has still been significantly lower than corresponding changes in global food commodity prices. The latter peaked at over 49% in May 2021 and stood at close to 33% in April 2022. By comparison, South Africa's food inflation stood at 6.2% in April 2022.

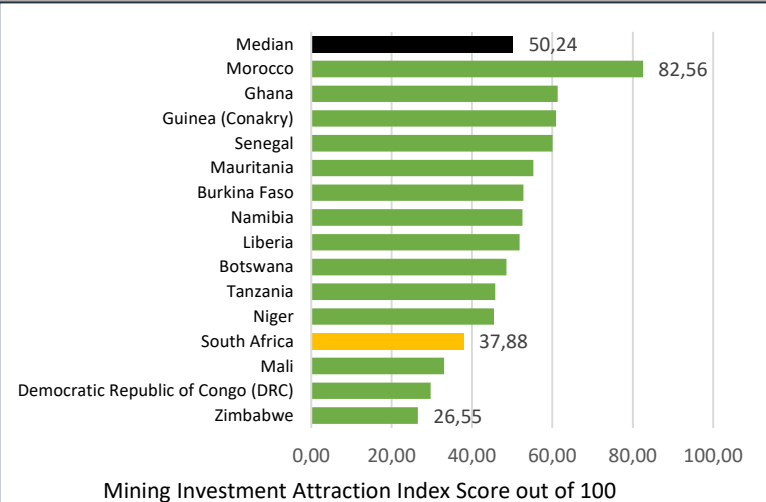
MINING & QUARRYING

In Q1 2022, informal employment in mining & quarrying recovered jobs relative to their pre COVID-19 levels. While formal employment has recovered somewhat from Q4 2021, total employment in Q1 2022 was still 38,000 lower than in Q4 2019.

The Investment Attractiveness Index is a composite index that is constructed by combining the Best Practices Mineral Potential index, which rates regions based on their geological attractiveness, and the Policy Perception Index, a composite index that measures the effects of government policy on attitudes toward exploration investment. South Africa ranks in the bottom 5 of 15 African countries in terms of investment attractiveness.



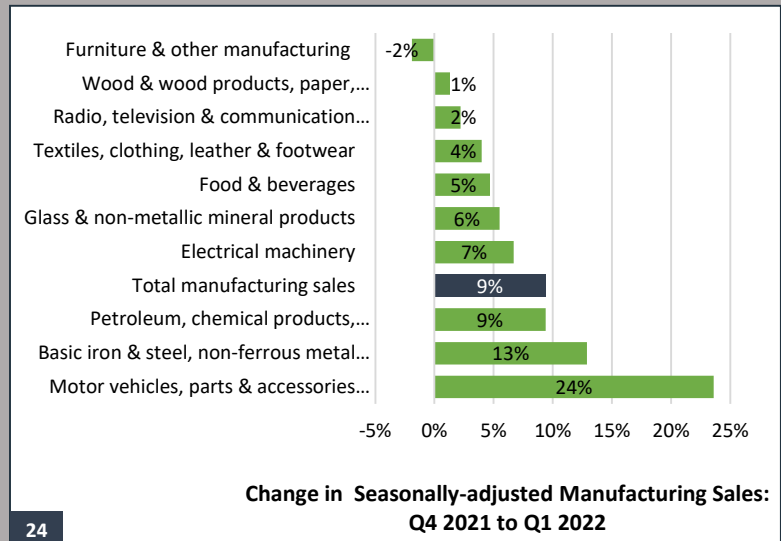
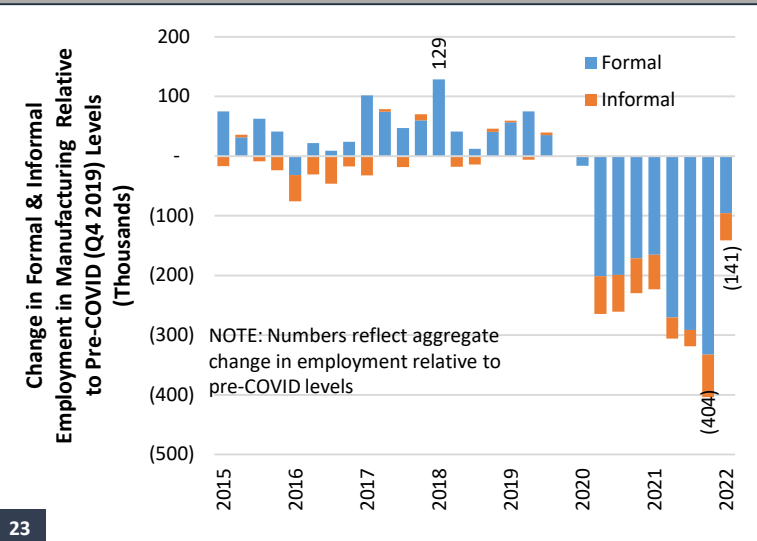
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MANUFACTURING



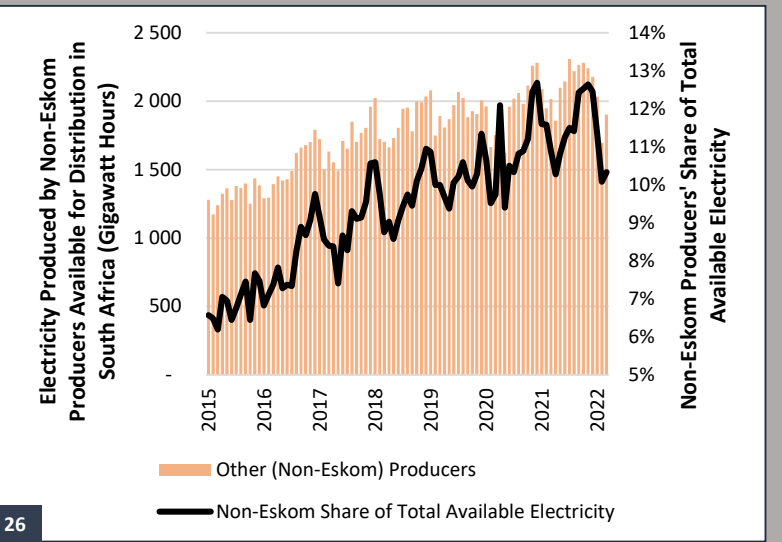
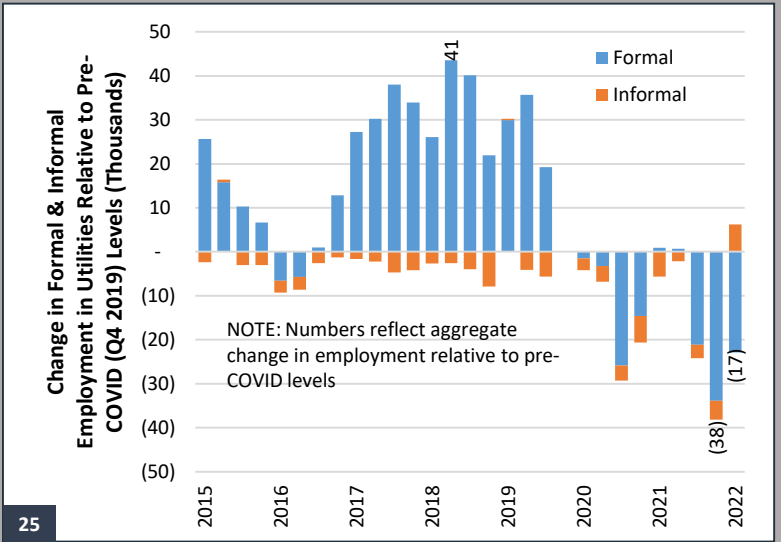
Both formal and informal employment in Q1 2022 showed some recovery from Q4 2022, but total manufacturing employment was still 141,000 lower in Q1 2022 than in Q4 2019.

Seasonally adjusted manufacturing sales increased by 9% in the first quarter of 2022 compared with the fourth quarter of 2021. The largest growth was in motor vehicles (24%), basic iron and steel, metal products and machinery (13%), followed by petroleum, chemical products, rubber and plastic products (9%). Furniture and other manufacturing was the only manufacturing division to experience a decline in sales over the period.

ELECTRICITY GAS AND WATER

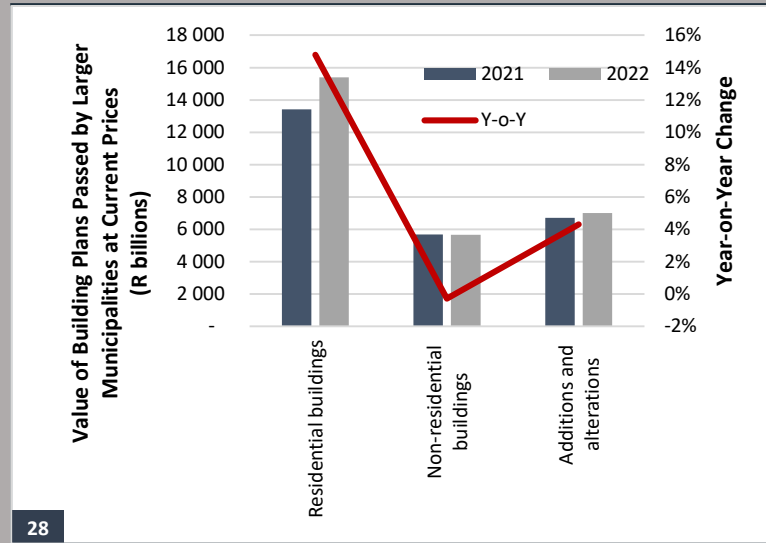
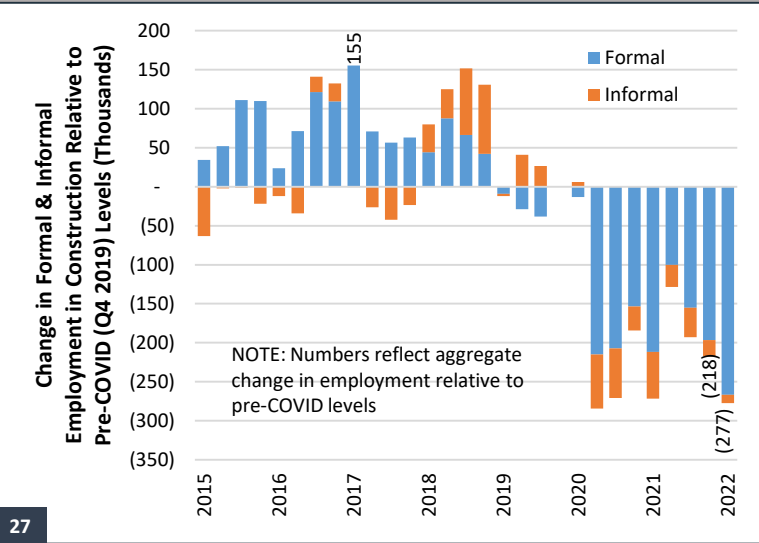
In Q1 2022, informal employment in electricity, gas & water increased relative to its pre COVID-19 levels. While formal employment recovered somewhat from Q4 2021, total employment in Q1 2022 was still 17,000 lower than in Q4 2019.

After excluding international trade in electricity and what was consumed in the generating process, electricity producers other than Eskom produced 1,902 Gigawatt hours of electricity that was available for consumption in South Africa in March 2022 – down 6% on a year earlier. They collectively accounted for 10.3% of available power – down from 12.6% in November 2021.





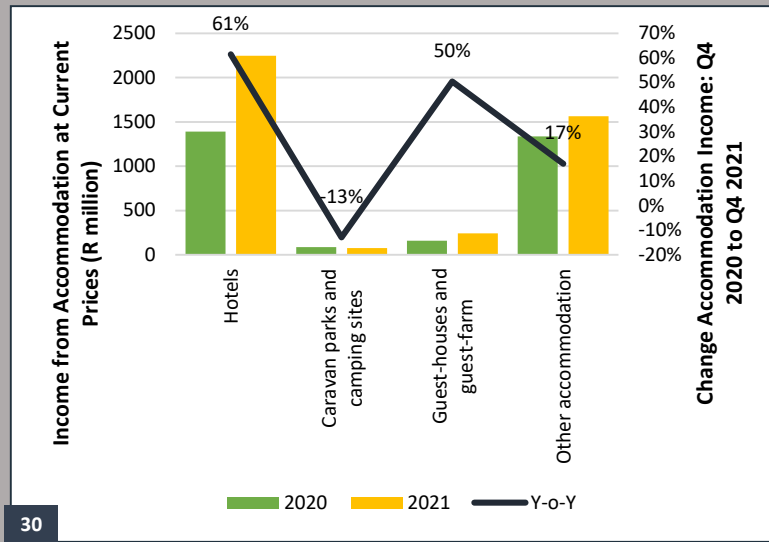
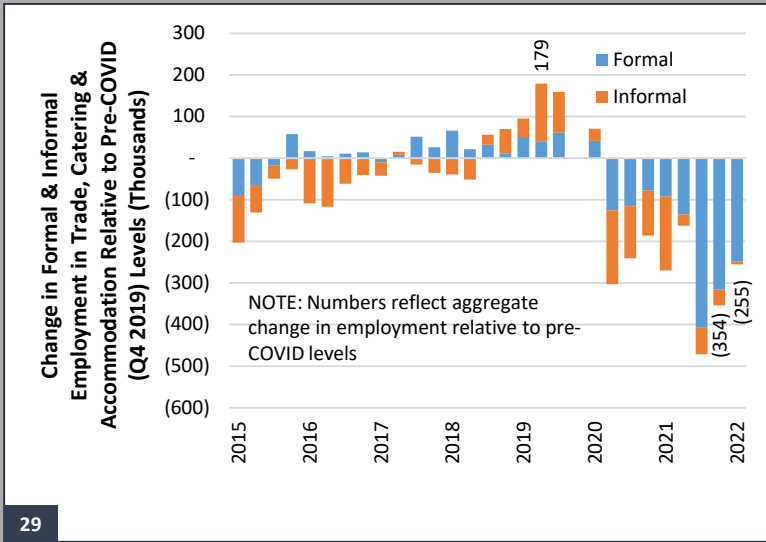
CONSTRUCTION



Over the last four quarters formal and informal employment in construction declined steadily. In the first quarter of 2022, total employment in construction was 277,000 less than its pre COVID-19 levels. The value of recorded building plans passed at current prices increased by 8.7% (R2.2 billion) in the first quarter of 2022 compared with the first quarter of 2021. Increases were recorded for residential buildings (14.8% or R1.9 billion) and additions and alterations (4.3% or R288 million). The value of non-residential building plans passed remained unchanged at R5.7 billion.

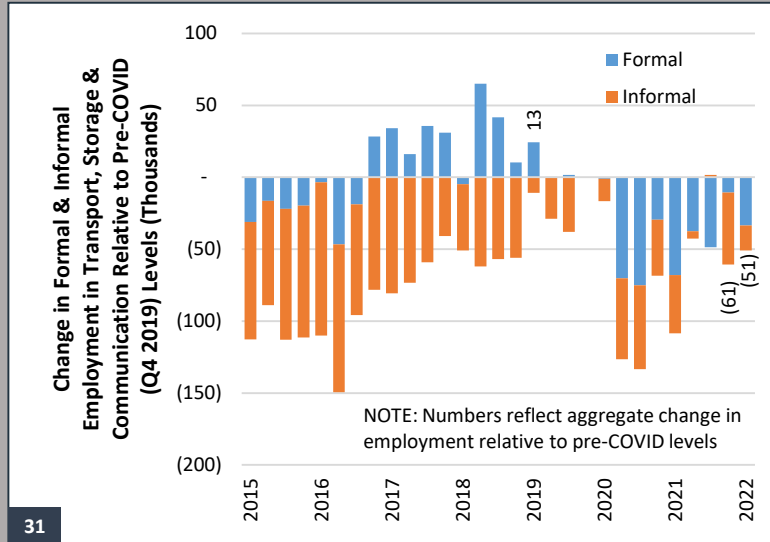
TRADE, CATERING AND ACCOMMODATION

Although total employment in trade, catering & accommodation was still 255,000 below its pre COVID-19 levels in Q1 2022, there were relative improvements in total employment since Q3 2021. Income from accommodation increased by 39% in the fourth quarter of 2021 compared with the fourth quarter of 2020. The main contributors to this increase were hotels (61%), guest houses and guest farms (50%) and other accommodation (17%). Income from caravan parks and camping sites declined by 13\$.

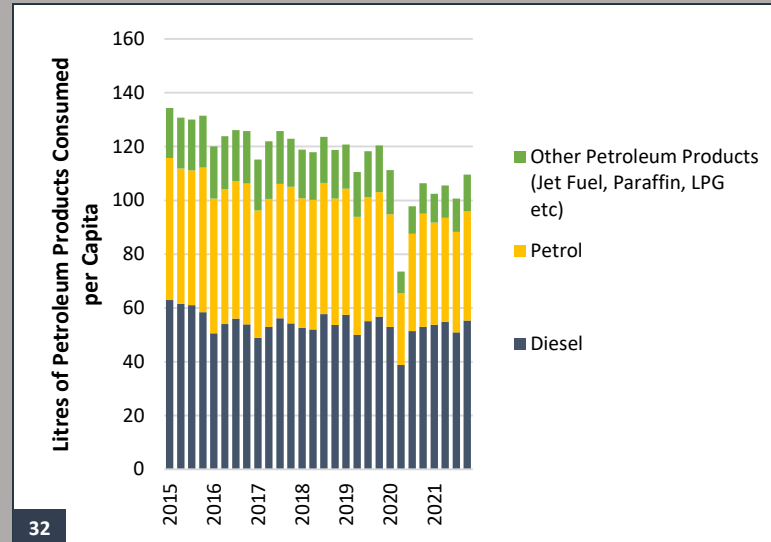




TRANSPORT, STORAGE AND COMMUNICATION



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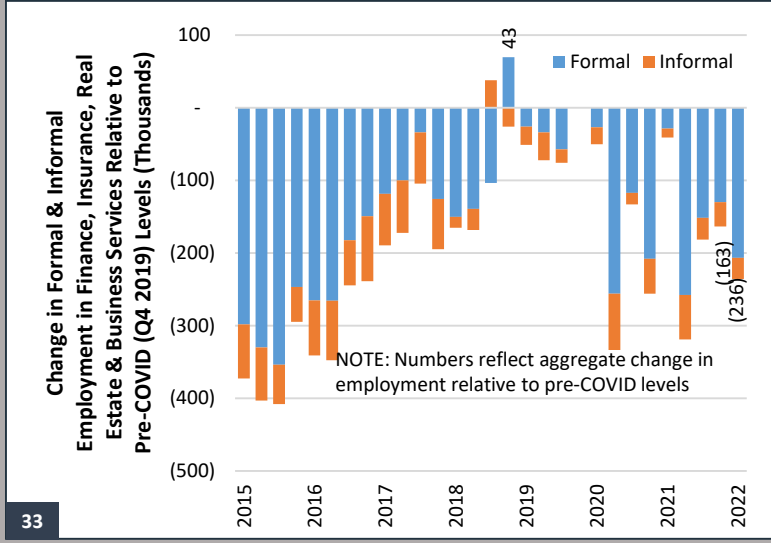


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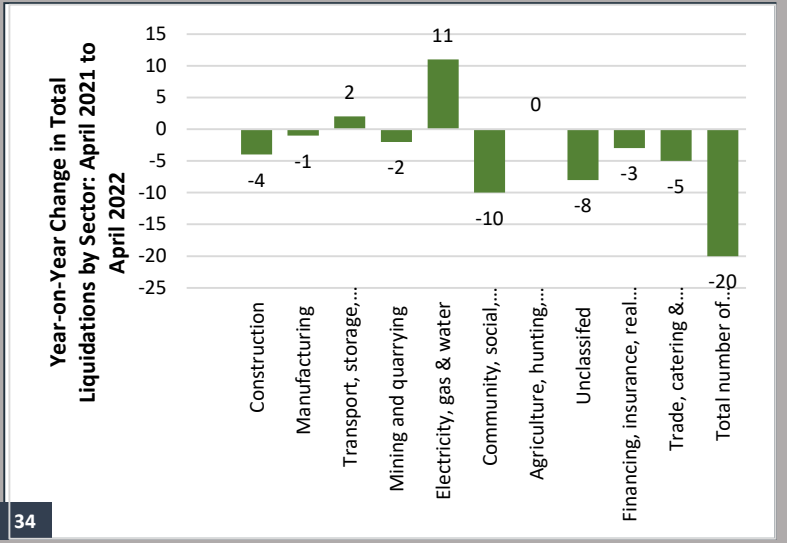
Total employment in transport, storage & communication was still 51,000 lower in Q1 2022 than in Q4 2019. Since 2015 informal employment in the sector was consistently lower than its Q4 2019 level. Although consumption of petroleum products increased by 49% on a per capita basis between Q2 2020 and Q4 2021, South Africans consumed 18% less petroleum products per person at the end of 2021 than they did at the start of 2015. On a per capita basis they consumed 12% less diesel, 23% less petrol and 27% less other petroleum products (including paraffin). It is, however, worth noting that per capita consumption of paraffin increased by 100% to 5 litres per person between Q1 2015 and Q4 2021.

FINANCE, INSURANCE, REAL ESTATE AND BUSINESS SERVICES

Total employment in finance, insurance, real estate & business services was still 236,000 below its pre COVID-19 levels in Q1 2022 – with relative declines in both formal and informal employment. Across all industries total compulsory and voluntary liquidations decreased by 20 (13%) between April 2021 and April 2022. The electricity, gas & water sector experienced the largest rise in liquidations (11), while the finance (-10) and trade (-8) sectors experienced declines in the number of liquidations in the year to April 2022.



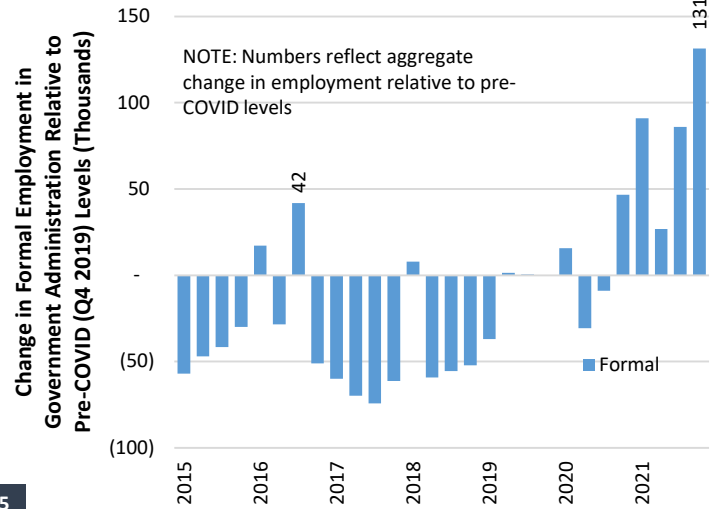
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GENERAL GOVERNMENT



Change in Access to Basic Services, 2015 - 2018

	Electricity	Sanitation	Water Supply	Weekly Refuse Removal
Buffalo City	0%	4%	-3%	-3%
Cape Town	0%	1%	0%	1%
Ekurhuleni	6%	3%	1%	1%
eThekweni	1%	0%	5%	0%
Johannesburg	2%	0%	0%	-2%
Mangaung	0%	-2%	-11%	-13%
Nelson Mandela Bay	0%	2%	0%	30%
City of Tshwane	2%	2%	-1%	1%

Relative to Q4 2019 employment in government administration trended upwards. In the fourth quarter of 2021, employment was estimated to be 131,000 higher than its pre COVID-19 levels. Between 2015 and 2018, the residents of all of South Africa's metros experienced improved access to some of the basic services provided. However, Ekurhuleni was the only metro where residents experienced improved access to all four of the basic services. Residents of Buffalo City, Johannesburg and Mangaung experienced no improvements or declining access to three of the four basic services.

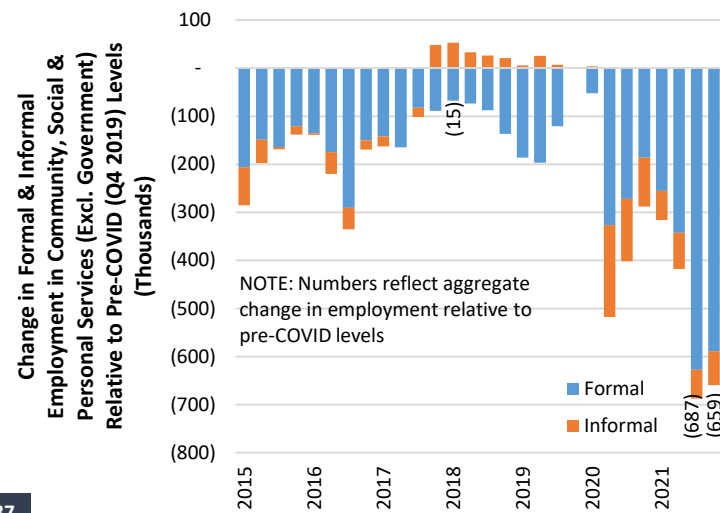
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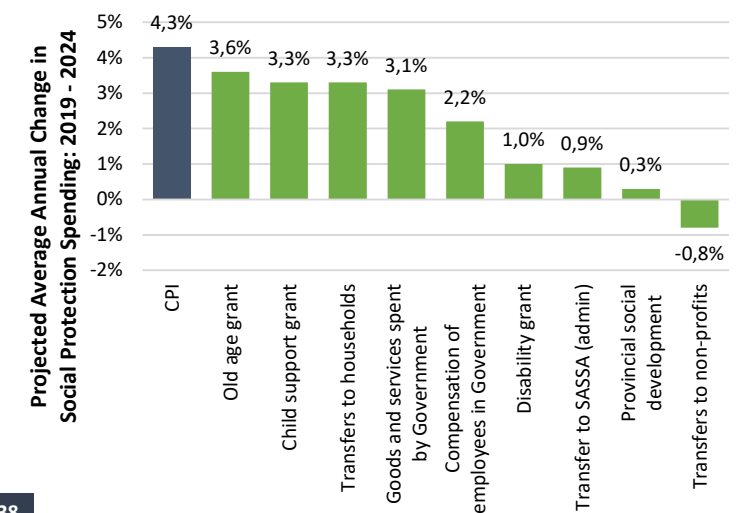
COMMUNITY, SOCIAL AND PERSONAL SERVICES

Compared to its pre COVID-19 levels, total employment in community, social & personal services (excluding government administration) decreased by 659,000. Both formal and informal employment levels have decreased relative to Q4 2019.

Research by the Southern Centre for Inequality Studies showed that between 2019 and 2024, none of the components of spending on social protection are – based on projections in the Medium-Term Expenditure Framework – expected to increase at a faster rate than inflation. Old age and child support grants should experience the largest increases over the period, while transfer to non-profits are expected to contract in nominal terms over the period.

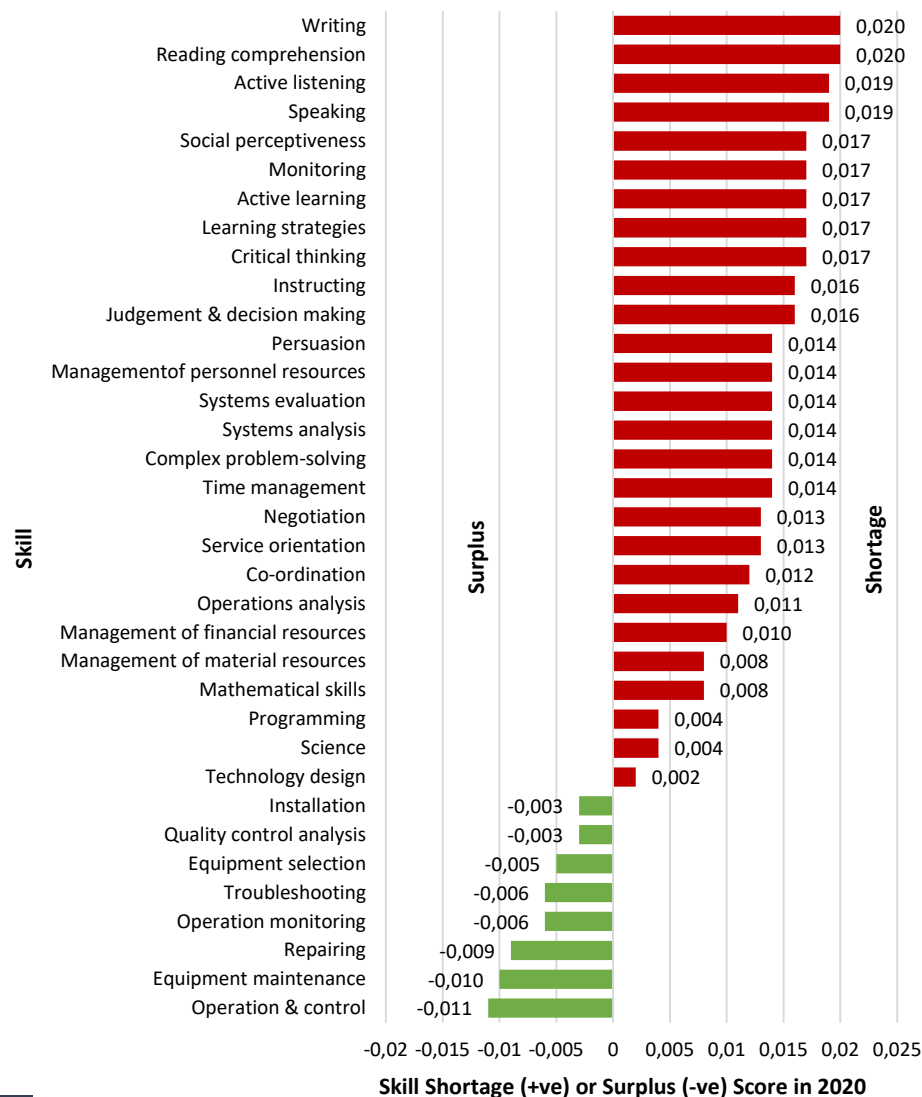


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- Labour Market Intelligence: Skills Supply and Demand in South Africa (2022)



- Labour Market Intelligence (2022) recently published a report that touched on occupational and skills shortages and surplus in South Africa. The research was analysed using the OECD Skills for Job Database.
- The skills mapped to occupations by the OECD were classified into six major skill groups:
 - Basic skills, or skills that “facilitate learning or the more rapid acquisition of knowledge”;
 - Complex problem-solving skills, or skills that are “used to solve novel, ill-defined problems in complex, real-world settings”;
 - Resource management skills, or skills that are “used to allocate resources efficiently”;
 - Social skills, or skills that are “used to work with people to achieve goals”;
 - Systems skills, or skills that are “used to understand, monitor, and improve socio-technical systems”;
 - Technical skills, or skills that are “used to design, set-up, operate, and correct malfunctions involving the application of machines or technological systems” (O*NET, 2019).
- Figure 39 shows the skills shortages (positive values) and surpluses (negative values) in South Africa, as calculated by the OECD, for the constituent parts of each of the six major skills groups as defined by the OECD. Out of the 35 individual skills considered, 27 (more than three quarters) are in shortage, while the remainder are in surplus.
- According to the research individual skill shortages are mostly observed in reading comprehension, active listening, speaking and writing. Learning strategies, critical thinking and active learning are also marked by significant shortages. These are all considered basic skills that facilitate learning and the more rapid acquisition of knowledge.
- Shortages in these areas are therefore worrying, as mastery of such skills is usually a prerequisite for obtaining more specialised skills.
- The value of the skills considered to be in surplus are very small, suggesting they are only marginally in surplus. In addition, the individual skills in surplus are considered technical skills, suggesting that South Africa may – with the current growth trajectory have a marginal surplus of workers in vocational occupations, such as plumbers or electricians.

Data sources used in this document

Section A

Graph	Source of data
1	South African Reserve Bank Quarterly Bulletin, March 2022
2	IMF World Economic Outlook, October 2019 and April 2022
3	IMF World Economic Outlook, April 2022
4	Statistics South Africa QLFS (P0211)
5	Statistics South Africa QLFS (P0211)
6	Statistics South Africa QLFS (P0211)
7	Statistics South Africa Statistics for Civil Cases for Debt (P0041)
8	National Credit Regulator, Consumer Credit Market Report, Q4 2021
9	South African Reserve Bank Quarterly Bulletin, March 2022
10	Southern Centre for Inequality Studies. Spending Choices in Budget 2022: Public Economy Project
11	SACN, State of SA Cities Report (2021)
12	Southern Centre for Inequality Studies. Spending Choices in Budget 2022: Public Economy Project
13	IMF Balance of Payments and International Investment Position data
14	IMF Balance of Payments and International Investment Position data
15	IMF Balance of Payments and International Investment Position data
16	IMF Balance of Payments and International Investment Position data
17	SAPIA, Department of Energy
18	TradeMap (using COMTRADE data)
19	Statistics South Africa QLFS (P0211)
20	World Bank Commodity Price data, Statistics South Africa Consumer Price Index (P0141)
21	Statistics South Africa QLFS (P0211)
22	Fraser Institute Annual Mining Survey (2021)
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24	Statistics South Africa Manufacturing Production and Sales (P3041.2)

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32	Department of Energy, SAPIA
33	Statistics South Africa QLFS (P0211)
34	Statistics South Africa P0043 Liquidations and insolvencies,(P0043)
35	Statistics South Africa QES (P0277)
36	SACN, State of SA Cities Report (2021)
37	Statistics South Africa QLFS (P0211)
38	Southern Centre for Inequality Studies. Spending Choices in Budget 2022: Public Economy Project.

Section C

Graph/ Table	Source of data
39	Labour Market Intelligence. (2022) Skills Supply and Demand in South Africa – 2022. Available: https://lmi-research.org.za/publication/skills-supply-and-demand-in-south-africa-2022/ .

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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.

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