



July 2022

Economic and Employment Indicators & Trends in South Africa

Issue # 07

Contents



The Month in Review



Section A: Macro Data Trends and Analysis



Section B: Sector Analysis



Section C: Recent Research of Interest

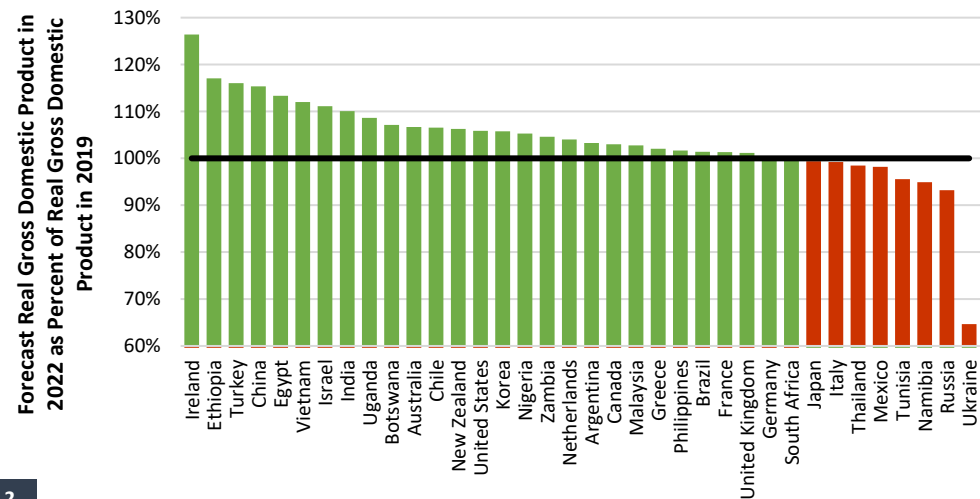


- The OECD expects that the growth in the world economy in 2022 will be 3 percent, down 1.5 percentage points on its forecast in December 2021. This is as a result of the combined effects of the conflict in Ukraine, disruptions to global supply chains, rising inflation and tighter monetary policy which have caused a significant downwards revision in the expected growth in most countries in 2022.
- The post-COVID recovery is nevertheless expected to continue – albeit at a slower pace. By the end of 2022, it is expected that the real GDP of 133 countries (including South Africa) will have at least recovered to their pre-COVID (2019) levels, while only 59 countries and self-governing territories will still have lower real GDP than in 2019.
- The increased uncertainty that surrounds the global economic outlook in 2022 is also reflected in the forecasts of South Africa’s GDP growth by major international organisations. Whereas the OECDs June Economic Outlook reduced South Africa’s growth forecast for this year from 1.9 percent to 1.8 percent, the IMF raised their forecast from 1.9 percent to 2.3 percent in the World Economic Outlook Update for July.
- Higher inflation - particularly in relation to food and fuel – has maintained pressure on household budgets in South Africa. While the share of households that benefitted from social grants was slightly lower in 2021 than in 2020 it was still significantly higher than in the pre-COVID period.
- While changing workplace practices may have allowed some households to spend relatively less on travel, much higher fuel and transport-related costs have negatively impacted lower income households and those that cannot work from home. In Q1 2022 only 6.2 percent of those employed were working from home.

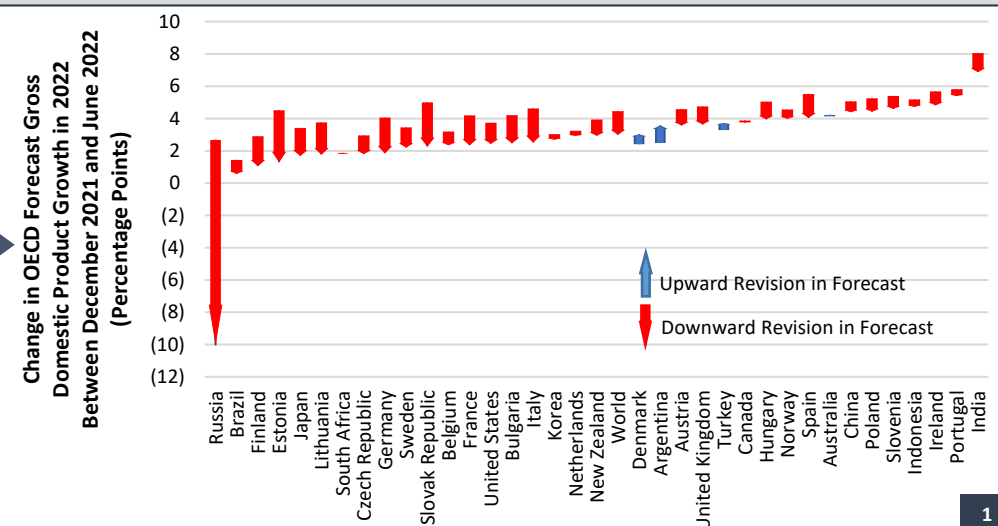


- New data reflecting household's access to, and use of, municipal services, and the finances of municipalities in South Africa indicates deteriorating levels of service and an increased reliance on transfers and grants from national and provincial government to sustain operations. After significant improvements between the early 2000s and the mid-2010s, the share of households that use electricity for cooking, that have easy access to piped water, and that have their refuse collected regularly by municipalities has fallen in recent years.
- Despite the better-than-generally-expected growth performance in the first quarter of 2022, the performance of the different major sector remains mixed, with some – such as trade, catering and accommodation, transport, storage and communication, finance, insurance, real estate and business services, and community, social and personal services – showing fairly strong growth and others – including construction, electricity, gas and water, mining and manufacturing – contracting
- Average growth rates since 2015 indicates that the year-on-year contractions in Q1 2022 were part of longer-term declines that pre-date the COVID-19 pandemic. In some sectors – such as mining and quarrying and manufacturing – there is a correlation between declining levels of investment in mineral exploration and research and development and steadily falling output.

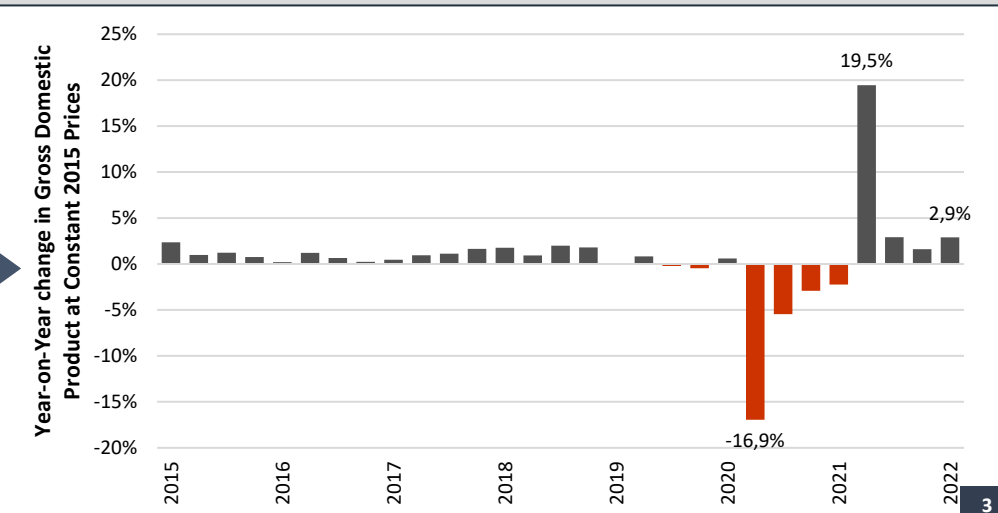
Expected real GDP growth in 2022 was adjusted downwards for most OECD-reporting countries between December 2021 and June 2022. Overall, the growth forecast for the world economy was reduced by over 1.5 percentage points – from 4.5 percent in December 2021 to 3 percent in June 2022. Forecast growth in the Russian economy was cut by 12.7 percentage points, while the OECD cut South Africa’s expected growth slightly – from 1.9 percent to 1.8 percent. This is at odds with the IMF’s World Economic Outlook for July 2022, which raised South Africa’s forecast growth to 2.3 percent in 2022.



South Africa’s gross domestic product at constant 2015 prices increased by 2.9 percent between Q1 2021 and Q1 2022 – up from 1.6 percent in the year to Q4 2021. Between Q1 2015 and Q1 2022 the South African economy expanded at an average annual rate of 0.5 percent – significantly lower than the 1.3 percent average rate of growth in the population. This implies an average annual decline in real GDP per capita of around 0.8 percent a year over this period.



By the end of 2022 it is expected that 133 countries and self-governing territories will have more than recovered their pre-COVID levels of production, while 59 countries and territories – including Japan, Mexico, Namibia, Russia and Ukraine will still be below their 2019 levels. Ireland’s economy is expected to be 26 percent larger and Ethiopia’s 17 percent. South Africa (together with Germany and Portugal) is one of 11 countries that will only just have returned to pre-pandemic levels in 2022.

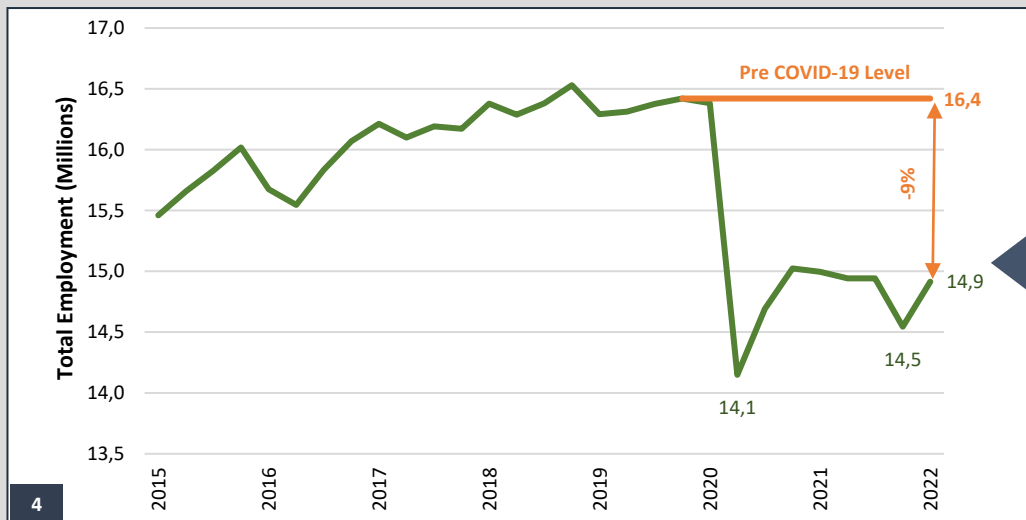


Gross Domestic Product

Developments during the first half of 2022 – including global disruptions of supply, rising inflationary pressures and monetary tightening – have resulted in significant reductions in the growth outlook of most economies. Despite this 133 countries will have more than recovered their pre-COVID levels of production by the end of 2022.

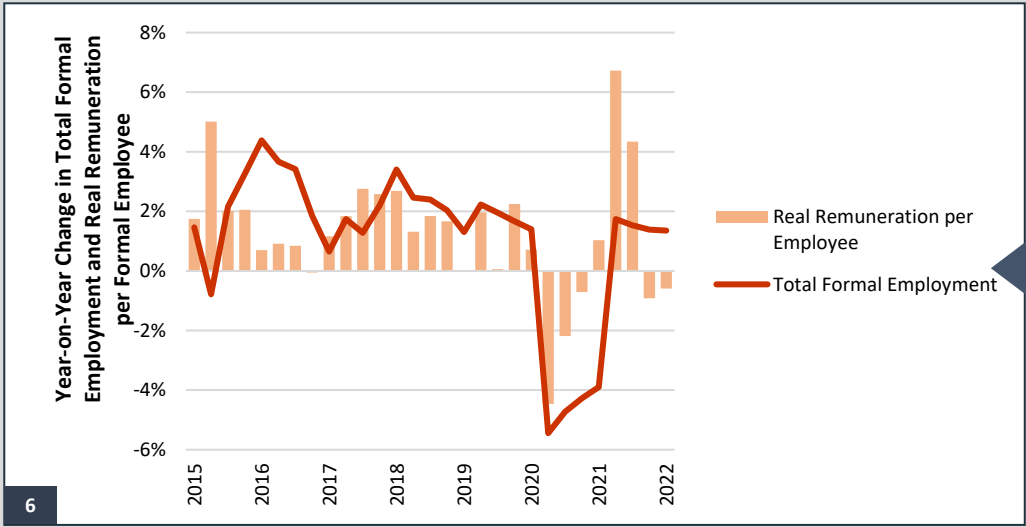
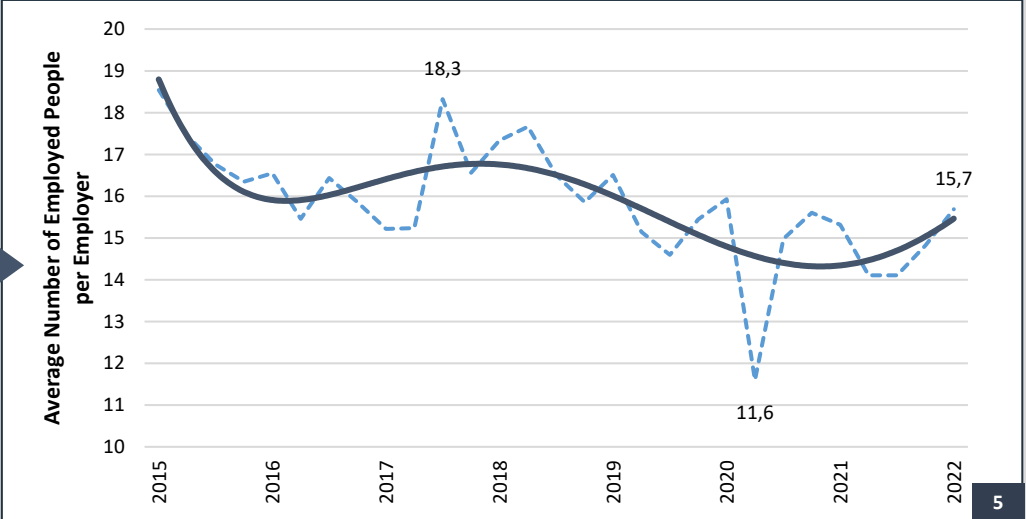
Employment

Total employment was still 9 percent (1.5 million jobs) lower in Q1 2022 than before COVID-19. The average number of employees per employer trended higher since Q2 2020. Recent growth in formal employment was not matched by further increases in real remuneration per formal worker.



At the start of 2015 the average employer employed 18.5 people. This declined and then recovered to 18.3 employees in mid-2017, before trending lower in the following years. It declined sharply to 11.6 employees in Q2 of 2020, but recovered to 15.7 employees in the first quarter of 2022.

Despite an increase of around 400,000 jobs, total employment in Q1 2022 was still 9 percent (1.5 million) below its pre-COVID levels and 600,000 lower than at the start of 2015. Following the dramatic decline of 2.3 million jobs in the second quarter of 2020, total employment only recovered by 5.4 percent. By comparison, real GDP rose by 23 percent over the same period.



Remuneration per formal employee declined in both Q4 2021 and Q1 2022 (by 0.9 percent and 0.6 percent respectively). These declines followed three consecutive quarters of relatively large year-on-year increases – peaking at 6.7 percent in Q2 of 2021. The recent declines in real remuneration are at odds with year-on-year formal employment growth of 1.4 percent in both the fourth quarter of 2021 and Q1 of 2022.

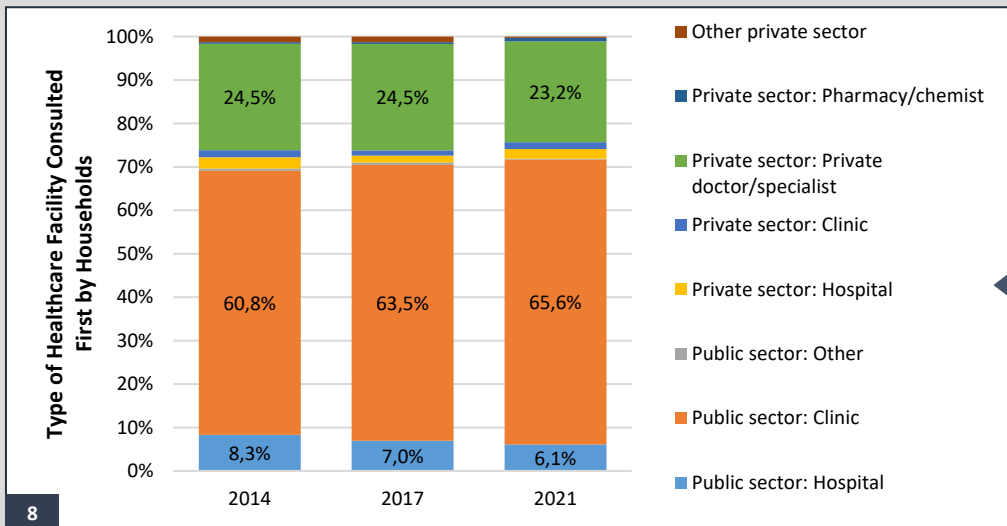
The proportion of households that had at least one recipient of social grants declined from 52.4 percent in 2020 to 50.6 percent in 2021. This was still significantly higher than in 2019 when 45.5 percent of households benefitted and 64 percent higher than the share of households that benefitted in 2003.



Households

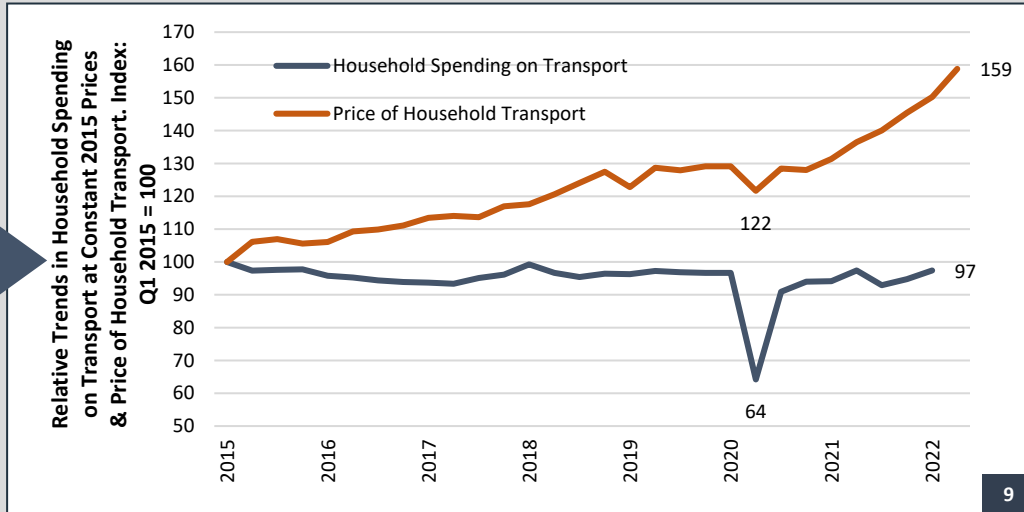
Recent data indicates that the proportion of households benefitting from social grants declined slightly in 2021 but was still higher than pre-COVID levels. Households have increasingly used public sector clinics as their first point of contact with the healthcare system, but have reduced real spending on transport since 2015.

The share of the population that uses public sector clinics as their first option when accessing healthcare rose from 60.8 percent in 2014 to 65.6 percent in 2021. Over the same period the share of households using public sector hospitals as their initial access point declined from 8.3 percent to 6.1 percent, while those approaching private doctors declined from 24.5 percent to 23.2 percent.



8

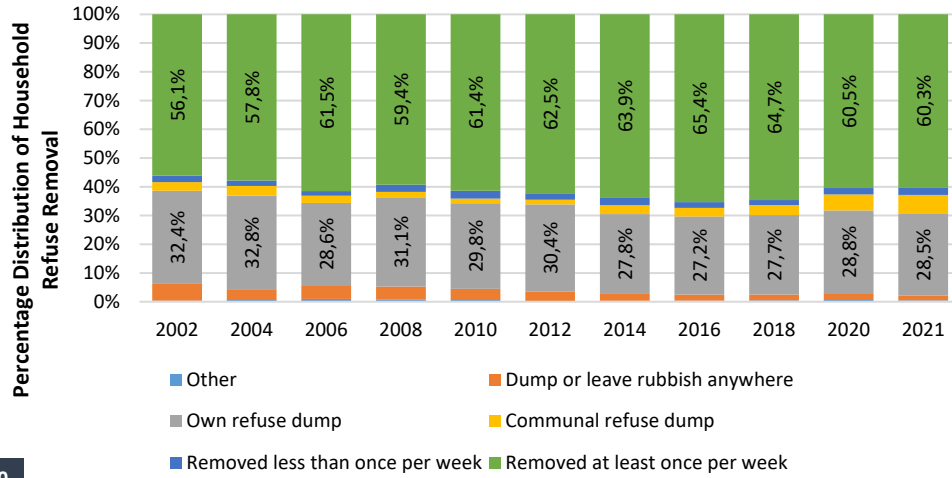
Between Q1 2015 and Q1 2022 total household spending on transport declined by 3 percent in constant price terms. However, the latest figure represents a significant increase compared with the height of the lockdown in Q2 2020, when spending was 36 percent lower than at the start of 2015. The price of household transport (which includes payments for vehicles, maintenance and fuels) rose by 59 percent between the first quarter of 2015 and the first quarter of 2022. This represents an average year-on-year increase of 6.8 percent over this period.



9

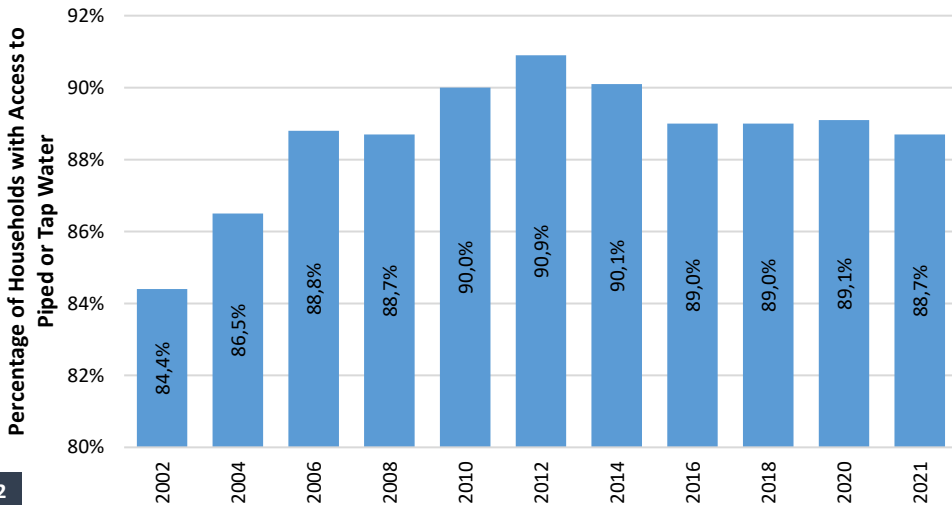
Government

Recent data indicates an increased reliance by municipalities on transfers and grants from other tiers of government. Declining levels of service delivery are reflected in a reduced share of households that benefit from municipal refuse collections and piped water to their dwellings.



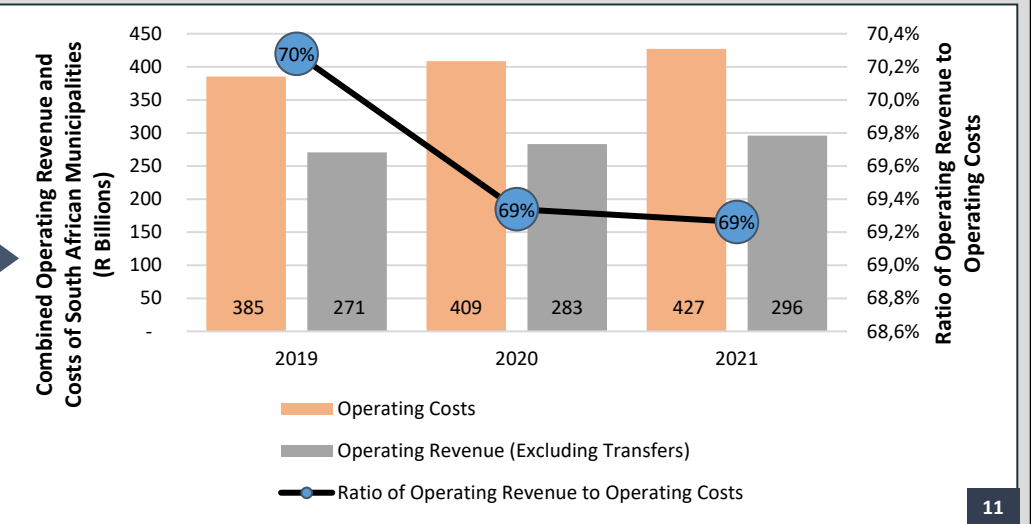
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The extent to which municipalities are – on average – able to cover operating costs with operating revenues declined from 70 percent in 2019 to 69 percent in 2020 and 2021. In 2021 municipalities collectively relied on R139.5 billion in transfers and subsidies from other tiers of government to cover their operational costs – up 14 percent on 2020.



12

The share of households that had refuse removed by municipalities declined from 65.4 percent in 2016 to 60.3 percent in 2021 – suggesting a deterioration in municipal services. Relatively more households made use of communal refuse dumps (6.6 percent) and their own refuse dumps (28.5 percent) in 2021 than in 2016.

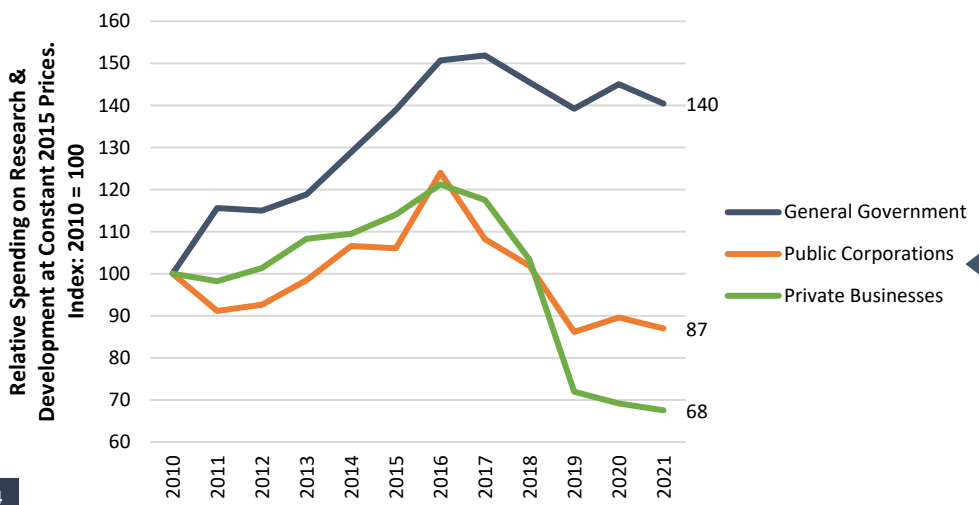
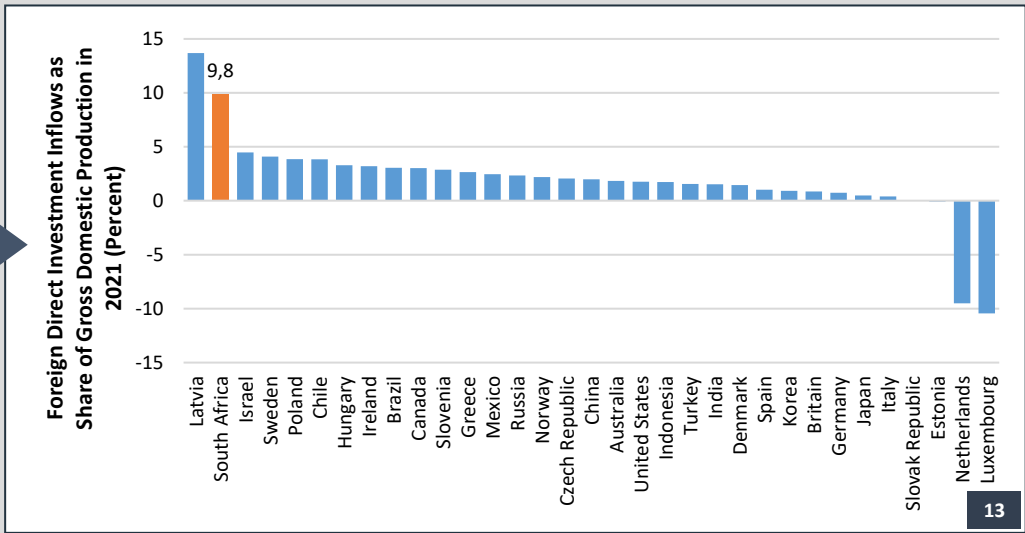


11

A further indication of declining service delivery in municipalities is reflected in the proportion of households with access to piped water – either on their property, or within close proximity. While this rose steadily from 84.4 percent in 2002 to 90.9 percent in 2012, it subsequently slipped back to 88.7 percent in 2021.

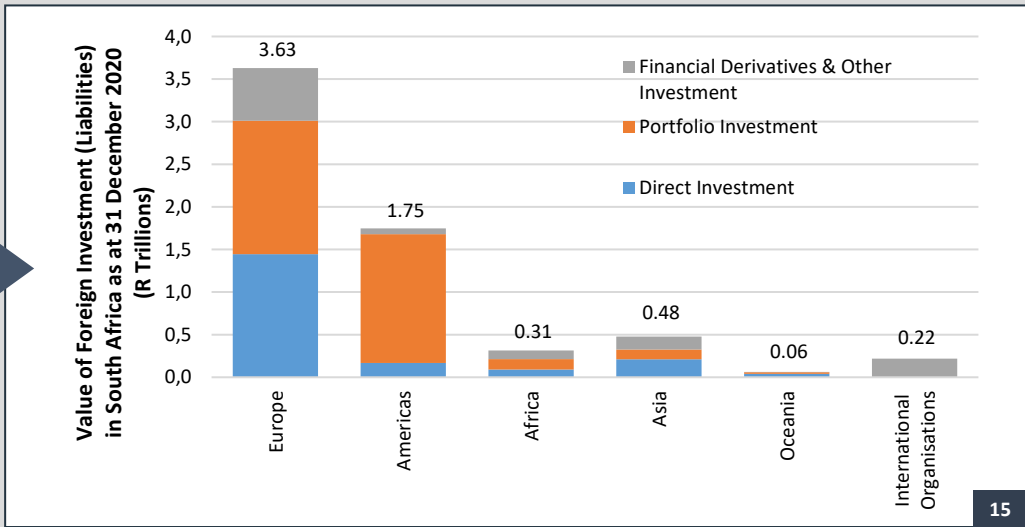


South Africa attracted foreign direct investment inflows equivalent to 9.8 percent of GDP in 2021 – second only to Latvia. The inflows were largely the result of a restructuring deal that saw Netherlands-based Prosus NV acquire over 45 percent of its South African-listed parent company – Naspers Ltd. The deal was valued at over US\$3.6 billion. In the same year the Netherlands had FDI outflows equivalent to 9.5 percent of its GDP.



Total investment in research and development in South Africa declined from R34.9 billion in 2016 to R30.1 billion in 2021 in constant 2015 price terms. Between 2010 and 2021 R&D spending by general government rose 40 percent in real terms but declined by 13 percent and 32 percent respectively in the case of public corporations and private businesses.

At the end of 2020 European investors had investment in South Africa with a stock value of R3.63 trillion – more than double that of investors from the Americas. The European investment consisted of direct investment valued at over R1.4 trillion, portfolio investment valued at close to R1.6 trillion and financial derivative and other investment of more than R600 billion. Total investment by Asian investment amounted to R0.48 trillion.

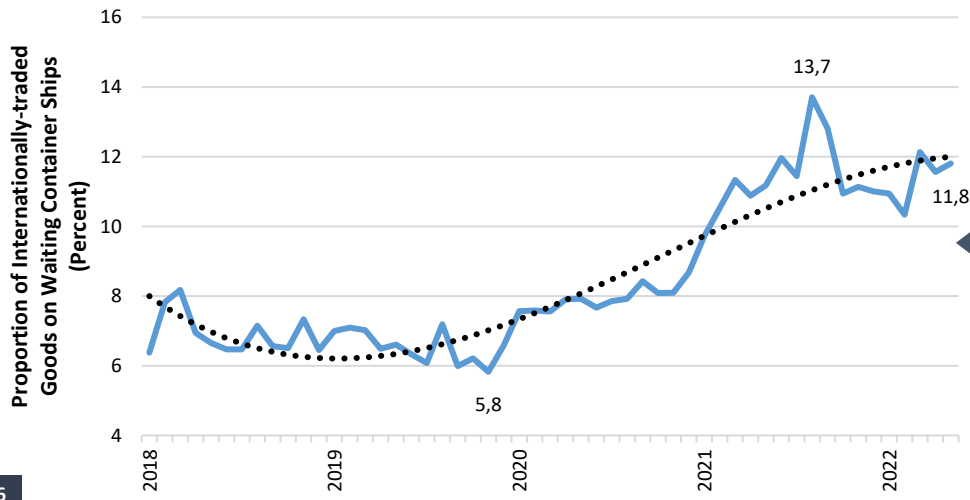


Investment

A very large restructuring transaction pushed South Africa to second in the ratio of FDI inflows to GDP in 2021 and will significantly increase the stock of European investment in this country. R&D investment – particularly by private businesses – has declined significantly since 2016.

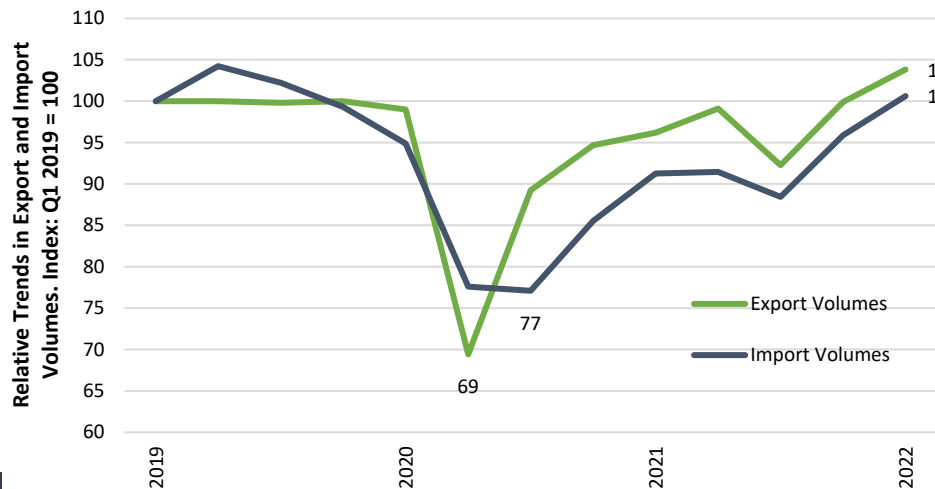
International Trade

Bottlenecks caused by the war in Ukraine and shutdowns in China have caused logistics delays to rise and added to inflationary pressures globally. Higher international prices caused the value of oil and petroleum product imports to increase in Q1 2022. Export volumes have recovered faster than import volumes since the “hard lockdown”.



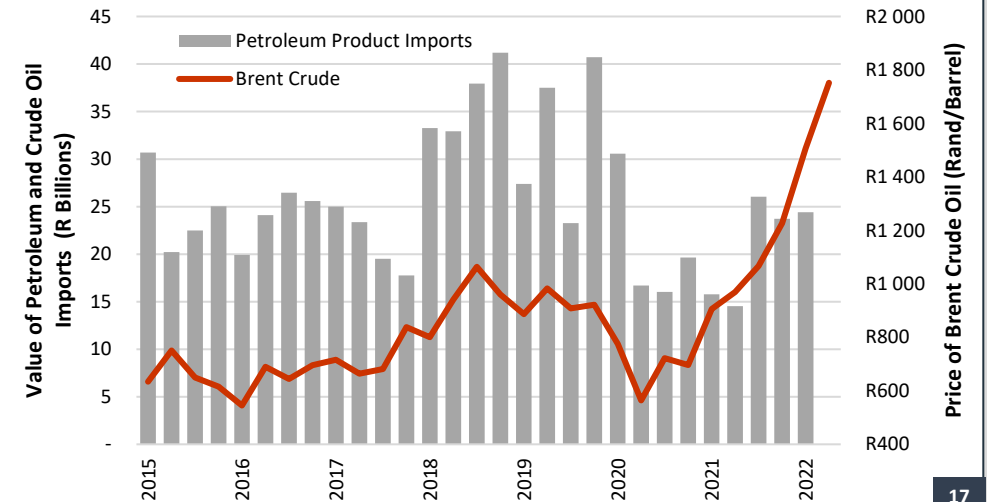
16

The value of South Africa’s petroleum and crude oil imports increased slightly to R24.4 billion in Q1 of 2022, from R23.7 billion in the previous quarter. This is still substantially lower than the R41.2 billion recorded in the fourth quarter of 2018. The rand price of Brent crude oil reached a record high of R1,752 per barrel in the second quarter of 2022 – 81 percent higher than a year earlier.



18

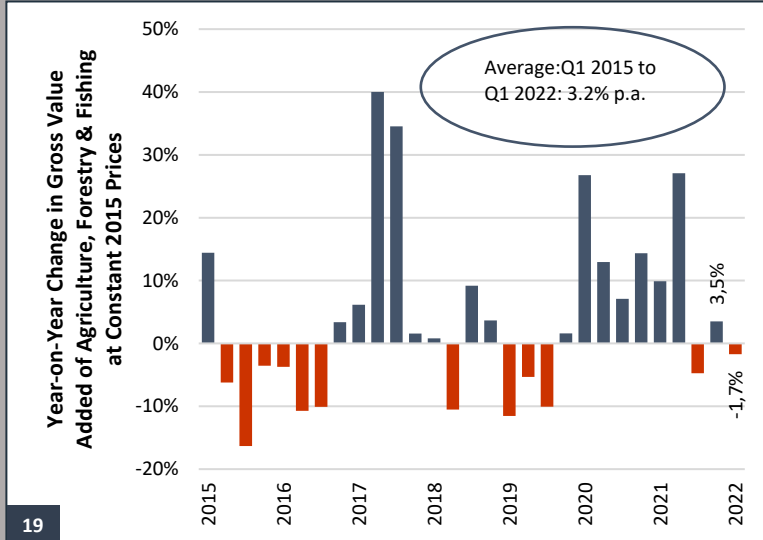
Bottlenecks in international trade, caused largely by the war in Ukraine and the shutdowns in China, have caused logistics delays to increase again in 2022. The proportion of internationally-traded goods that are waiting to be off-loaded from container ships rose to 11.8 percent in May 2022. While this is still lower than the 13.7 percent recorded in August 2021, it is substantially higher than the 5.8 percent recorded in late 2019 and has been trending higher for much of 2022. These bottlenecks are contributing to global inflationary pressures.



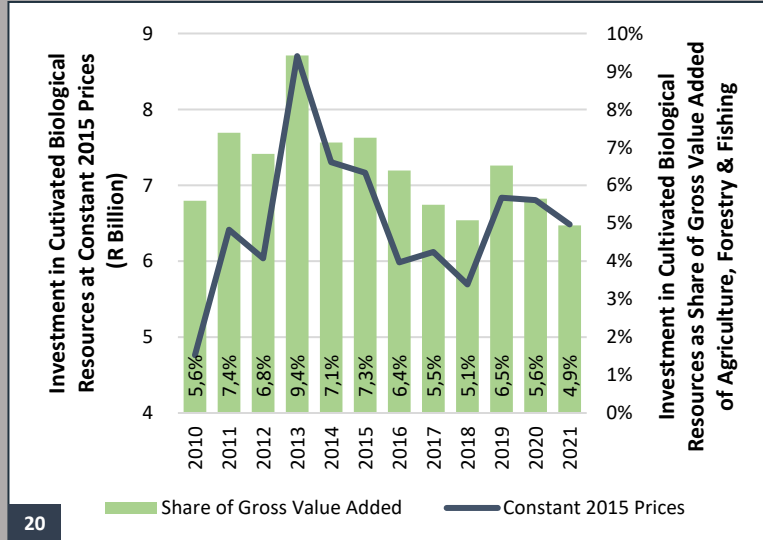
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South Africa’s export volumes were more affected by the COVID-19 shutdowns in Q2 2020 than import volumes, but recovered relatively faster. By the first quarter of 2022, export volumes were 4 percent higher than at the start of 2019 and 51 percent up on their Q2 2020 low. By contrast import volumes were only 1 percent higher than in Q1 2019 and 31 percent above their “hard lockdown” low.

AGRICULTURE, FORESTRY & FISHING



19



20

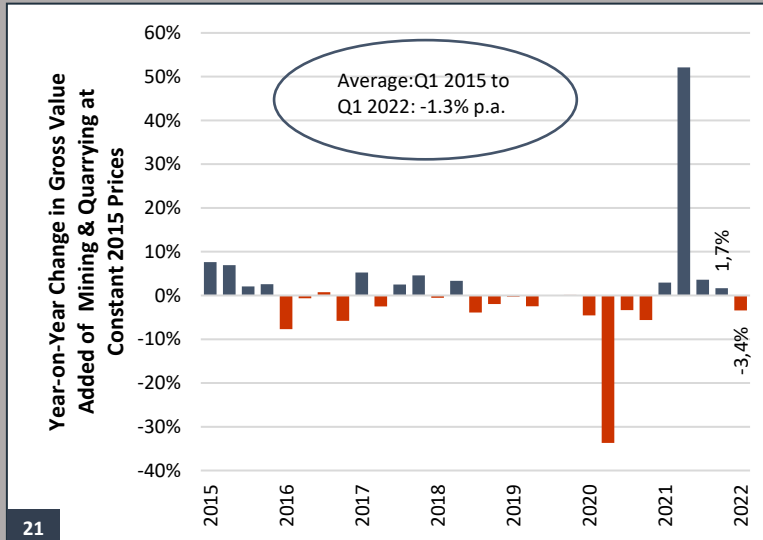
The real gross value added by agriculture, forestry and fishing contracted by 1.7 percent in the year to Q1 2022. On average production volumes in the sector have increased by 3.2 percent a year since the start of 2015.

In real terms investment in cultivate biological assets – which includes animal breeding programmes and the planting of orchards and crops that yield repeat products – declined in both absolute terms and as a share of the sector’s gross value added in 2021.

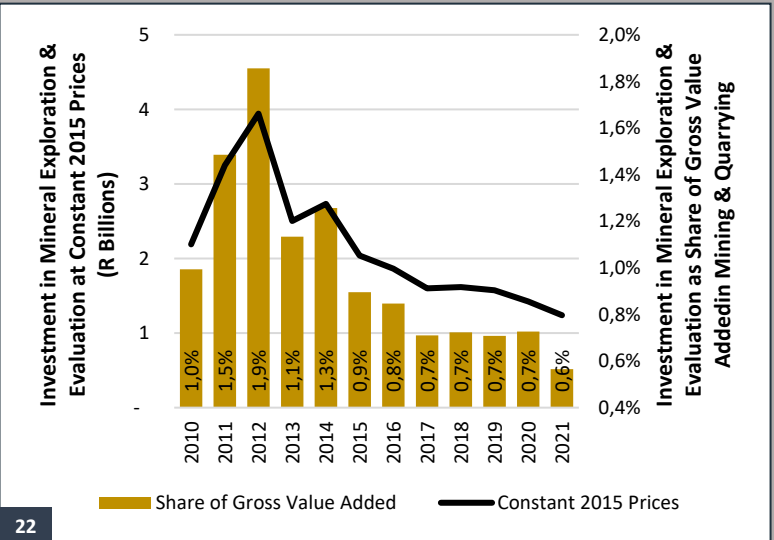
MINING & QUARRYING

The gross value added of the mining and quarrying sector declined by 3.4 percent in constant price terms between Q1 2021 and Q1 2022. On average, the real GVA of the sector has contracted by 1.3 percent a year since the start of 2015.

Part of the reason for the contraction has been a steady decline in investment in mineral exploration and evaluation. This dropped from 1.9 percent of GVA in 2012 to 0.6 percent in 2021.



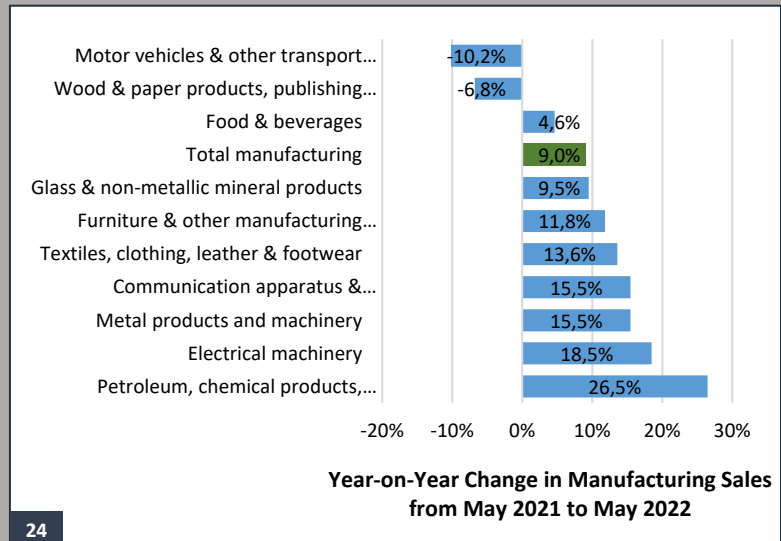
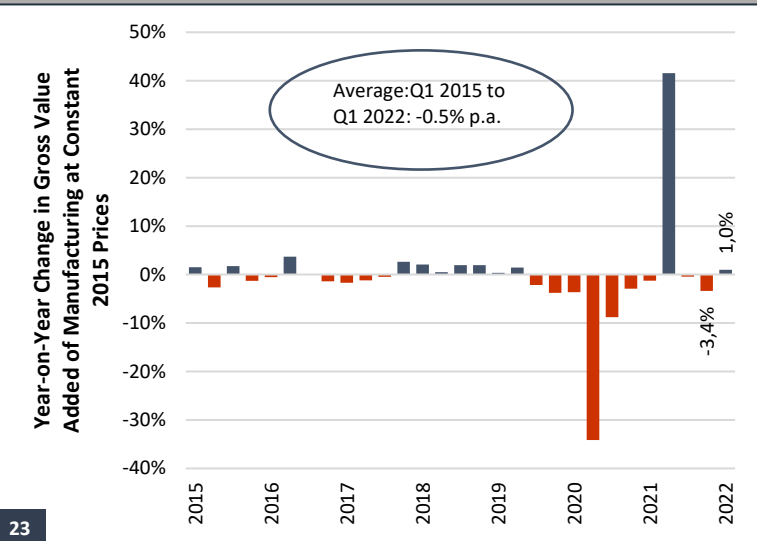
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22



MANUFACTURING



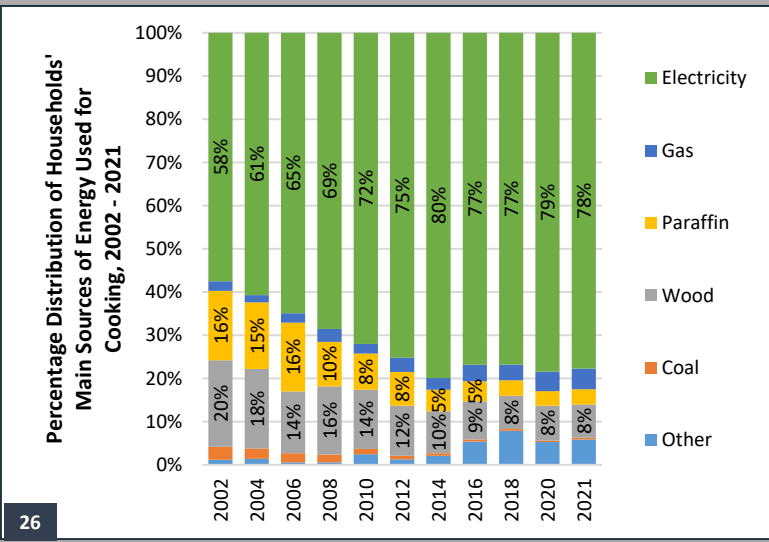
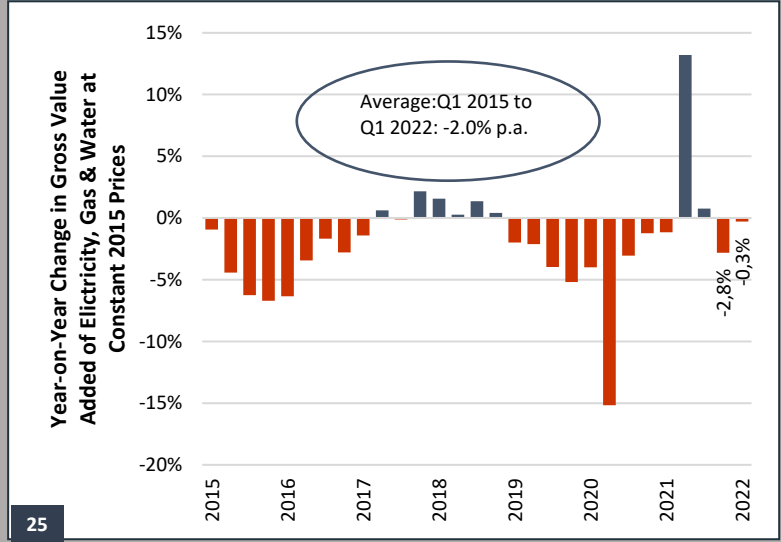
The real gross value added of the manufacturing sector increased by 1 percent in the year to Q1 2022, after a 3.4 percent contraction in the previous quarter. However, the output of the sector decreased by an average of 0.5 percent a year between Q1 2015 and Q1 2022.

Total manufacturing sales in current price terms increased by 9 percent between May 2021 and May 2022. Sales of motor vehicles and other transport equipment decreased by over 10 percent, while petroleum and other chemical products rose by close to 27 percent.

ELECTRICITY GAS AND WATER

The real gross value added of the electricity, gas and water sector contracted by 0.3 percent in the year to Q1 2022 – its 21st contraction since the start of 2015. The sector has contracted by an average of 2 percent a year since the start of 2015.

In response to significantly higher prices and continued supply constraints the proportion of households that use electricity as their main source of energy for cooking declined from 80 percent in 2014 to 78 percent in 2021. Use of gas and “other” energy sources have increased over this period.



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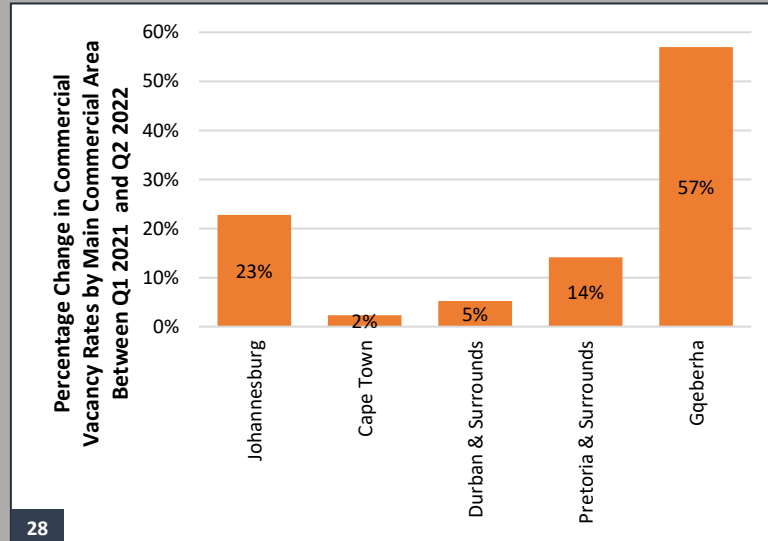
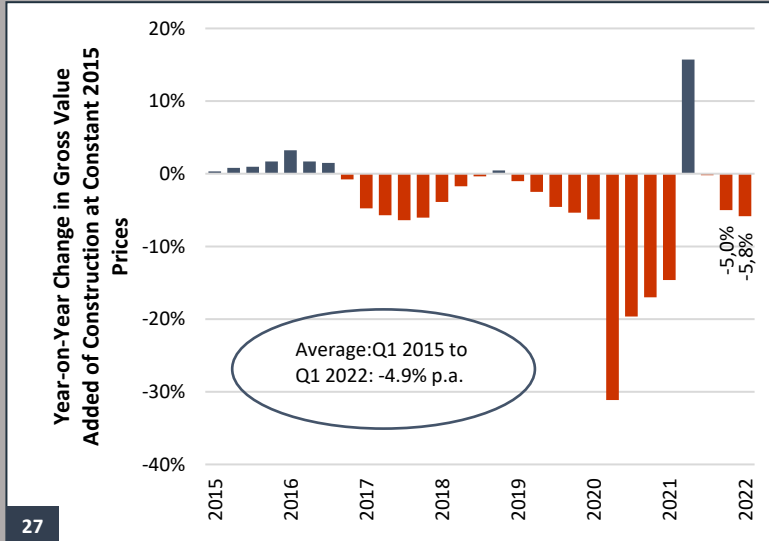
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26



CONSTRUCTION



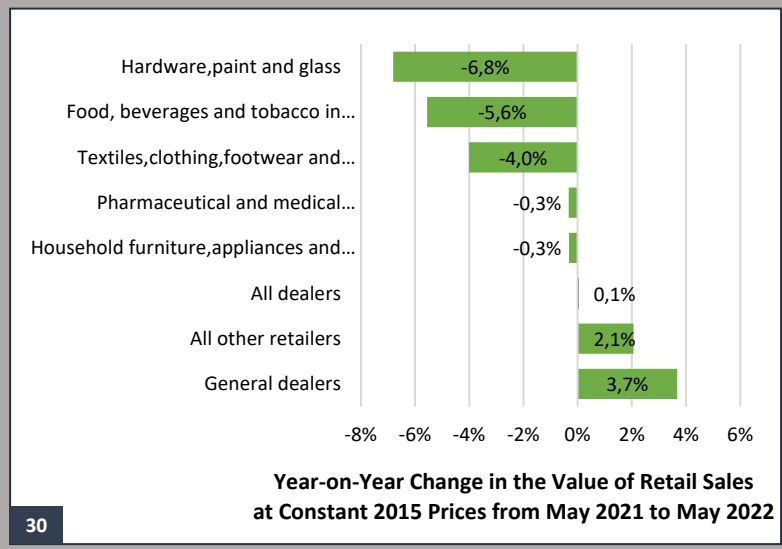
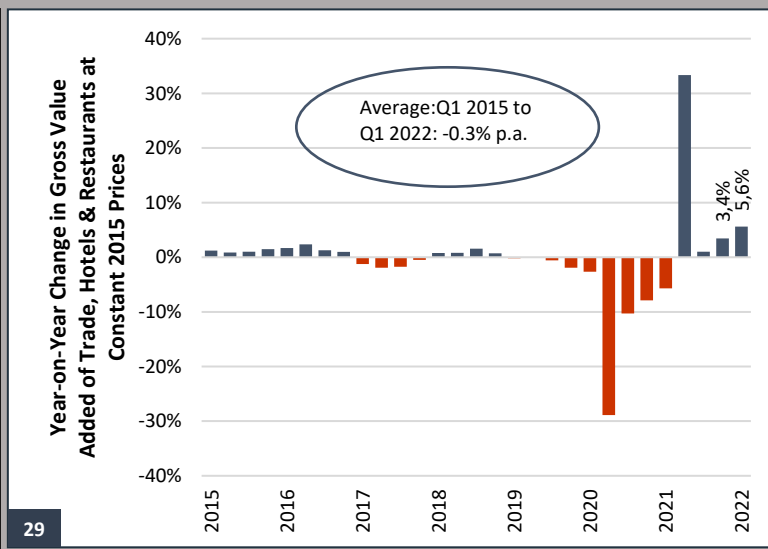
The real gross value added of the construction sector decreased by 5.8 percent in the year to Q1 2022 – its third consecutive contraction and the 20th since the start of 2015. The real GVA of the sector has contracted by an average of 4.9 percent a year between Q1 2015 and Q1 2022.

Part of the reason for the contraction has been a decline in the need for new commercial office space linked to increased vacancy rates. Between the start of 2021 and the second quarter of 2022 commercial vacancy rates rose by 57 percent in Gqeberha, 23 percent in Johannesburg and 14 percent in Pretoria & surrounds. Cape Town had the smallest increase (2 percent).

TRADE, CATERING AND ACCOMMODATION

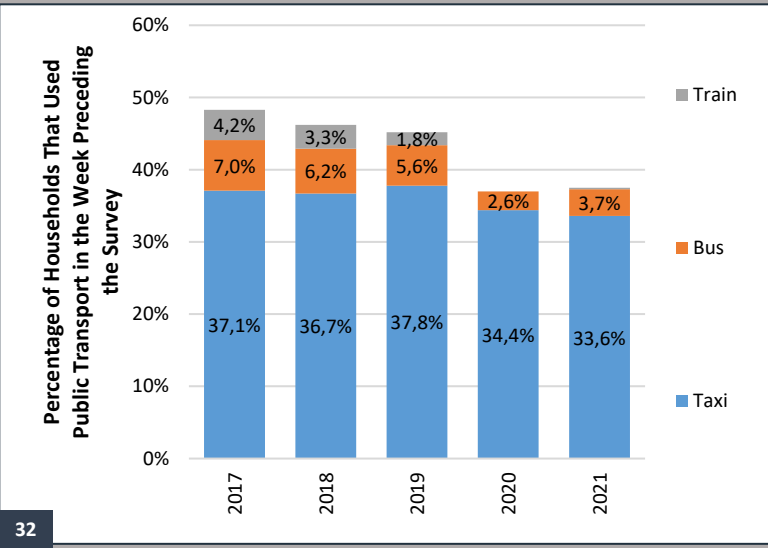
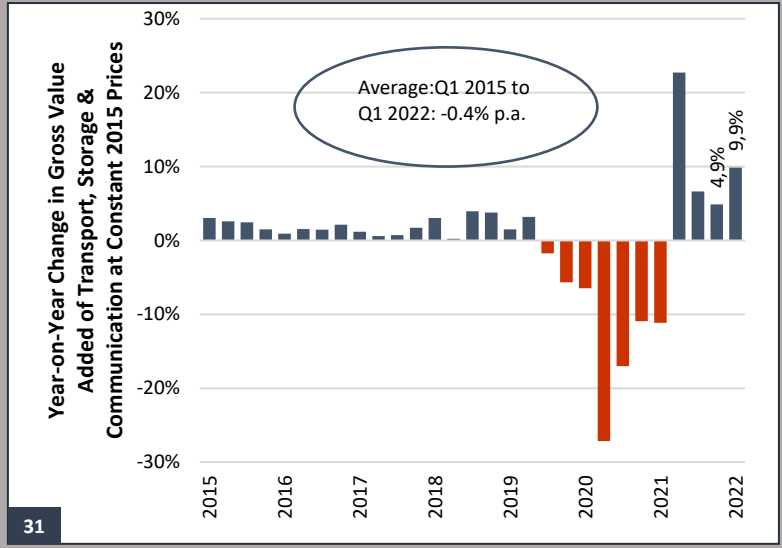
The trade, catering and accommodation sector recorded relatively strong growth of 5.6 percent in real gross value added in the year to Q1 2022 – its fourth consecutive expansion. However, the real GVA of the sector has contracted by an average of 0.3 percent a year since the start of 2015.

In the year to May 2022 total retail trade sales by all dealers increased marginally by 0.1 percent in constant price terms. Contractions of 6.8 percent and 5.6 percent in hardware, paint and glass and food, beverages and tobacco respectively were offset by increases of 2.1 percent by all other retailers and 3.7 percent by general dealers.





TRANSPORT, STORAGE AND COMMUNICATION



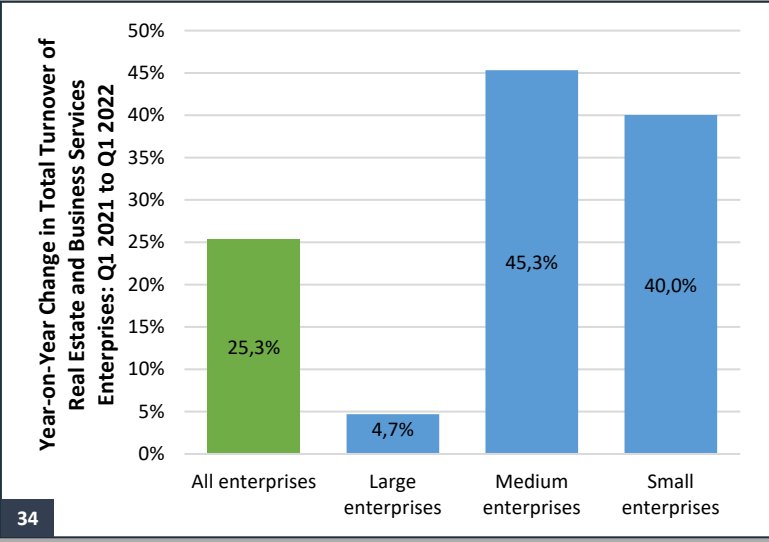
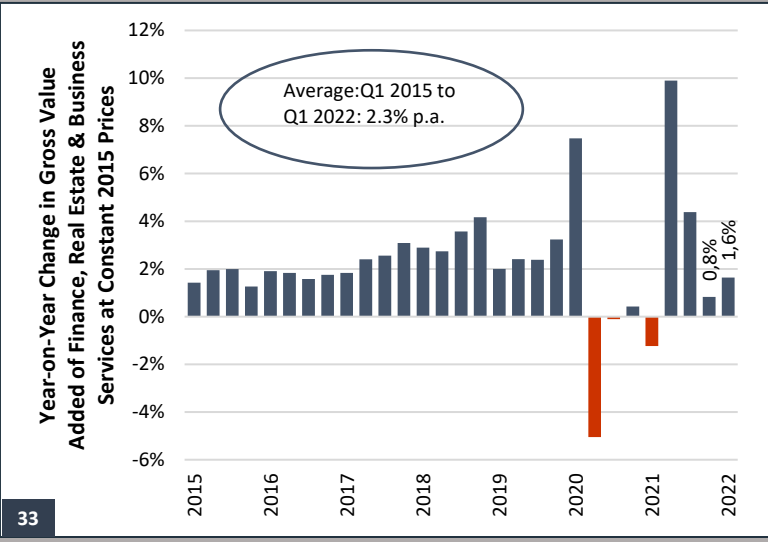
The gross value added of the transport, storage and communication sector increased by a healthy 9.9 percent in constant price terms in the year to Q1 2022. However, significant contractions in 2019, 2020 and early 2021 resulted in the real GVA of the sector contracting by an average of 0.4 percent a year between Q1 2015 and Q1 2022.

The proportion of households that made use of public transport increased marginally in 2021 to 37.3 percent from 37 percent in 2020. This is substantially lower than in 2017 when 48.3 percent of households used public transport. Trains have largely ceased to be a public transport option.

FINANCE, INSURANCE, REAL ESTATE AND BUSINESS SERVICES

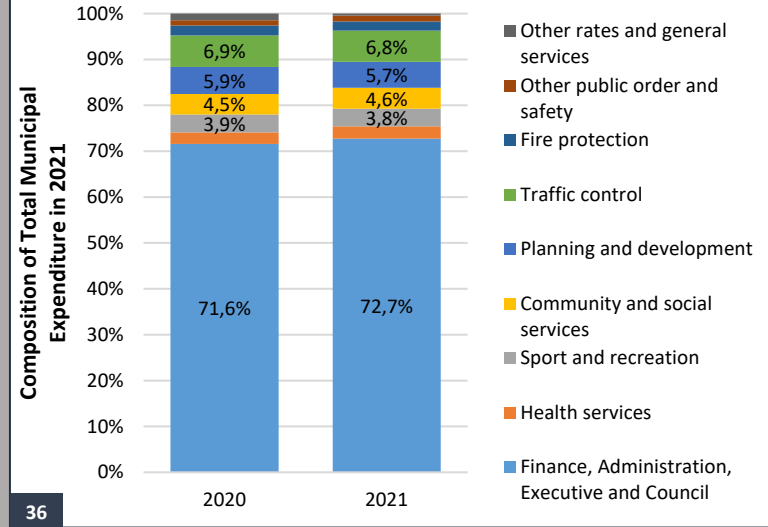
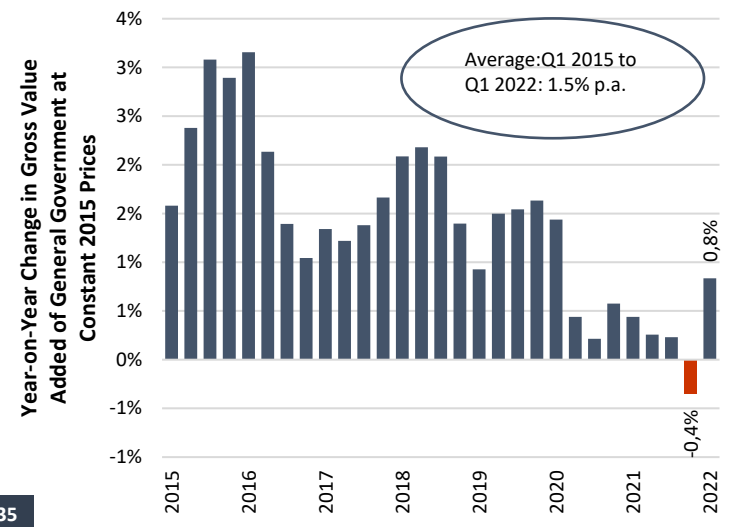
The real gross value added of the finance, insurance, real estate and business services sector increased by 1.6 percent in the year to Q1 2022. The real GVA of the sector has increased by an average of 2.3 percent a year since the start of 2015.

The total turnover of enterprises engaged in real estate and business services activities increased by over 25 percent between Q1 2021 and Q1 2022. Medium-sided enterprises experienced the highest growth in turnover (45.3 percent), followed by small enterprises (40 percent) and large enterprises (only 4.7 percent).





GENERAL GOVERNMENT



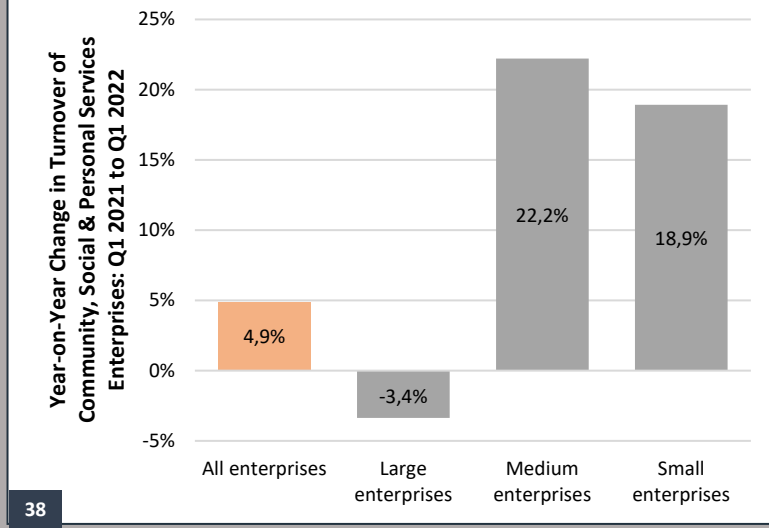
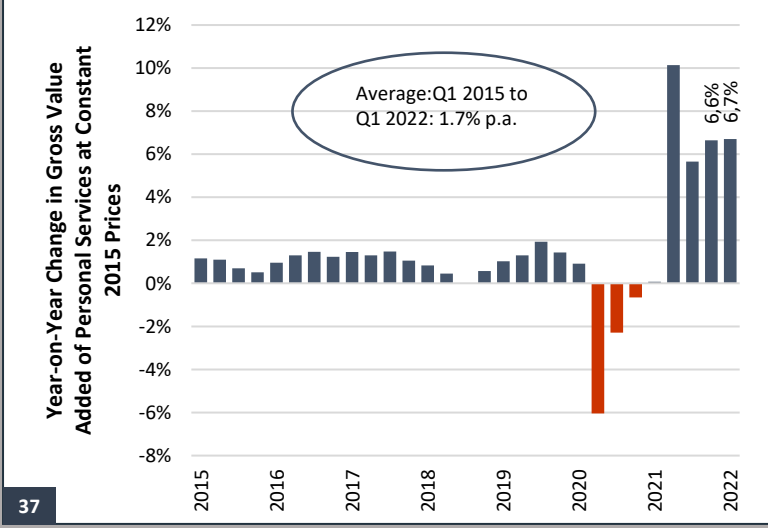
The real gross value added of general government administration rose by 0.8 percent in the year to Q1 2022 after a 0.4 percent contraction in the previous quarter. On average, the real GVA of this sector expanded by 1.5 percent a year between Q1 2015 and Q1 2022.

On average, finance, administration, executive and council expenses accounted for 72.7 percent of total expenditure in 2021 – up from 71.6 percent in 2020. Spending on health services and community and social services increased their shares of total expenditure marginally, while other services declined.

COMMUNITY, SOCIAL AND PERSONAL SERVICES

The real gross value added of the community, social and personal services sector (excluding government administration) increased by an impressive 6.7 percent in the year to Q1 2022. On average the real GVA of the sector has expanded by 1.7 percent a year since the start of 2015.

The turnover of enterprises in this sector increased by 4.9 percent between Q1 2021 and Q1 2022. Increases of over 22 percent and almost 19 percent by medium-sized and small enterprises respectively were offset by a decline in the turnover of large enterprises of 3.4 percent.



Net employment by education and skill-level, Q2 2019 and Q2 2020

Description	Number Employed		Change		Employment shares (%)		Share of change (%)
	2019Q2	2020Q2	Number	Percentage	2019Q2	2020Q2	
Total	16 312 706	14 148 215	-2 164 491	-13.27%	100%	100%	100%
Education							
<i>Primary or less</i>	1 879 845	1 329 658	- 550 187	-29.27%	11.68%	9.49%	26.33%
<i>Secondary incomplete</i>	5 360 983	4 443 230	- 917 753	-17.12%	33.30%	31.72%	43.91%
<i>Secondary complete</i>	5 346 917	4 846 446	- 500 471	-9.36%	33.21%	34.60%	23.95%
<i>Post-secondary</i>	3 511 214	3 389 699	- 121 515	-3.46%	21.81%	24.20%	5.81%
Skill-level							
<i>High-skilled</i>	2 367 575	2 360 096	- 7 479	-0.32%	14.51%	16.76%	0.34%
<i>Semi-skilled</i>	9 228 963	7 790 407	-1 438 556	-15.59%	56.58%	55.31%	64.63%
<i>Less-skilled</i>	4 715 050	3 935 253	- 779 797	-16.54%	28.91%	27.94%	35.03%

- South Africa's COVID-19 lockdown response was always expected to incur economic costs. Official labour force data shows that there were approximately 2.2 million fewer people employed in the second quarter of 2020 relative to the first, essentially erasing the preceding 10 years of job growth in the economy. As the pandemic progressed, the South African labour market made a partial recovery, but it was slow.
- By the end of 2020 there were still 1.4 million fewer people employed relative to pre-pandemic levels. The rate of recovery stalled during the first half of 2021 and the distribution and trajectory of both job loss and recovery was uneven.
- Considering education and skill-levels, there is evidence that job losses were disproportionately concentrated among individuals with lower levels of formal education and occupation-related skill.
- Köhler *et al* (2021) show that those with less than a Grade 12 qualification accounted for 70 percent of net employment loss over the short-term, despite representing just 45 percent of pre-pandemic employment, while low- and semi-skilled workers accounted for nearly all jobs lost. Less is known about recovery within and between these groups of workers: detailed analysis of education and skill levels may help to explain labour market inequalities during the recovery period in South Africa.
- The authors used standard statistical techniques to conduct a descriptive analysis of employment levels across education levels from before to during the pandemic. Figure 39 tabulates their weighted estimates on year-on-year changes in net employment from Q2 2019 to Q2 2020.
- The estimates in the table suggest that the immediate employment loss following the onset of the pandemic was concentrated among those with lower education levels, and among low and semi-skilled workers. Employment among those with a primary education or less fell by nearly 30 percent, in contrast to those with a matric (9 percent) or post-secondary education (3.5 percent).
- Those with a primary education or less can be said to have been disproportionately affected when their pre-pandemic employment share of just 11.7 percent is considered. A similar picture can be seen when considering skill-levels, with lower-skill workers being more adversely affected in terms of employment loss.

Data sources used in this document

Section A

Graph	Source of data
1	OECD Economic Outlook, June 2022
2	IMF World Economic Outlook Update July 2022
3	Statistics South Africa GDP (P0441)
4	Statistics South Africa QLFS (P0211)
5	Statistics South Africa QLFS (P0211)
6	Statistics South Africa QES (P0277)
7	Statistics South Africa General Household Survey 2021 (P0318)
8	Statistics South Africa General Household Survey 2021 (P0318)
9	South African Reserve Bank Quarterly Bulletin, June 2022, Statistics South Africa CPI (P0141)
10	Statistics South Africa General Household Survey 2021 (P0318)
11	Statistics South Africa Financial Census of Municipalities 2021 (P9114)
12	Statistics South Africa General Household Survey 2021 (P0318)
13	OECD Economic Outlook, June 2022
14	South African Reserve Bank Quarterly Bulletin, June 2022
15	South African Reserve Bank Quarterly Bulletin, June 2022
16	Kiel Institute and OECD calculations, OECD Economic Outlook, June 2022
17	South African Revenue Service, World Bank Commodity Prices, South African Reserve Bank Quarterly Bulletin, June 2022
18	South African Reserve Bank Quarterly Bulletin, June 2022
19	Statistics South Africa GDP (P0441)
20	South African Reserve Bank Quarterly Bulletin, June 2022
21	Statistics South Africa GDP (P0441)
22	South African Reserve Bank Quarterly Bulletin, June 2022
23	Statistics South Africa GDP (P0441)
24	Statistics South Africa Manufacturing Production and Sales (P3041.2)

Section B

Graph	Source of data
25	Statistics South Africa GDP (P0441)
26	Statistics South Africa General Household Survey 2021 (P0318)
27	Statistics South Africa GDP (P0441)
28	Jones Lang LaSalle (JLL), May 2022, South Africa 2022 Q1 snapshots
29	Statistics South Africa GDP (P0441)
30	Statistics South Africa Retail Trade Sales (P6242.1)
31	Statistics South Africa GDP (P0441)
32	Statistics South Africa General Household Survey 2021 (P0318)
33	Statistics South Africa GDP (P0441)
34	Statistics South Africa Quarterly Financial Statistics (P0044)
35	Statistics South Africa GDP (P0441)
36	Statistics South Africa Financial Census of Municipalities 2021 (P9114)
37	Statistics South Africa GDP (P0441)
38	Statistics South Africa Quarterly Financial Statistics (P0044)

Section C

Graph/ Table	Source of data
39	DPRU (2022). Skills, Education, and the Impact of Covid-19 on the South African Labour Market Conceptual Framework. Labour Market Intelligence research programme. <i>Development Policy Research Unit</i> .

Economic and Employment Indicators and Trends in South Africa

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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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