Draft for Review

Issue # 06

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Economic and Employment Indicators & Trends in South Africa

National Economic Development
and Labour Council

Contents

The Month in Review

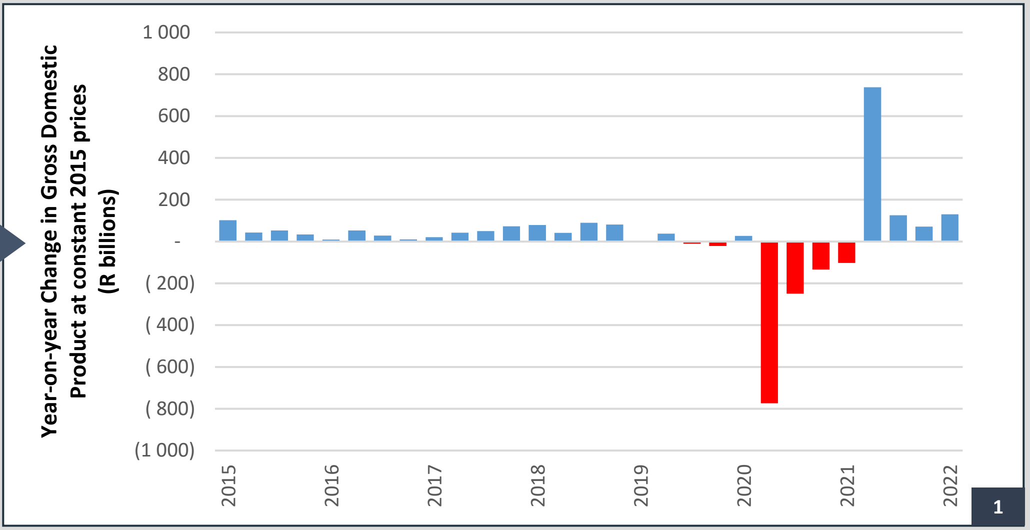
- Economic developments over the past month continue to reflect heightened levels of uncertainty as a result of both international and domestic events. Internationally, the ongoing conflict between Russia and Ukraine continues to impact key commodity prices – particularly fuel and food – negatively, resulting in rising inflationary pressures, interest rate tightening and mounting fears of recession. Domestically, another bout of load-shedding has damaged confidence levels and disrupted production at a time when it was starting to gather some momentum.
- Although South Africa’s gross domestic product finally returned to pre-COVID levels in the first quarter of 2022, the sources of growth were unbalanced. On the production side the tertiary sectors contributed more than 100 percent of the growth in real gross value added between Q1 2021 and Q1 2022. Apart from a small positive contribution from manufacturing, all the other primary and secondary sectors contributed negatively to economic growth.
- On the expenditure side, all components of gross domestic expenditure and exports made positive contributions to the 2.9 percent year-on-year expansion of the economy. These positive contributions were partly offset by a significant rise in imports – which has seen South Africa’s propensity to import return to similar levels to those seen in 2017 and 2018. In the first quarter of 2022, of every rand spent domestically, close to 28 cents were on imported goods and services.

The Month in Review (continued)

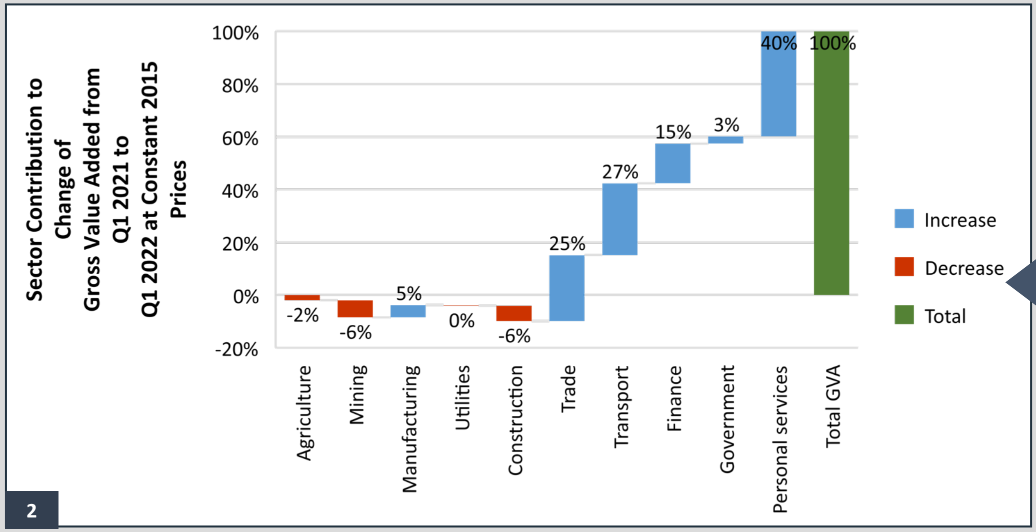
- The increasing normalisation of production and expenditure is not reflected in employment, as employment trends continue to lag those of output. On the unemployment side, unemployment levels were still 21 percent higher in the first quarter of 2022 than before the COVID-19 pandemic and there were also qualitative shifts in the nature of employment with relatively more people employed on a part-time basis, or on an unpaid basis within households.
- There was encouraging growth in gross fixed capital formation in the year to Q1 2022, which resulted in a slight uptick in the ratio of gross fixed capital formation to GDP. However, it remains at close to historic lows and is less than half the level identified in the National Development Plan as being required to sustain high levels of economic growth.
- Construction-related investment was hit particularly hard since 2015, with spending on non-residential buildings dropping by 49 percent, construction works by 43 percent and residential buildings by 22 percent. Over the same period investment in all fixed assets declined by 17 percent.
- Since the start of 2015 export prices rose by 69 percent while import prices increased by 45 percent. These improvements in South Africa's terms of trade coincided with record trade surpluses over the past two years. However, in Q4 2021 and Q1 2022 import prices rose at faster rate than export prices – resulting in a relative deterioration in the terms of trade.

Gross Domestic Product

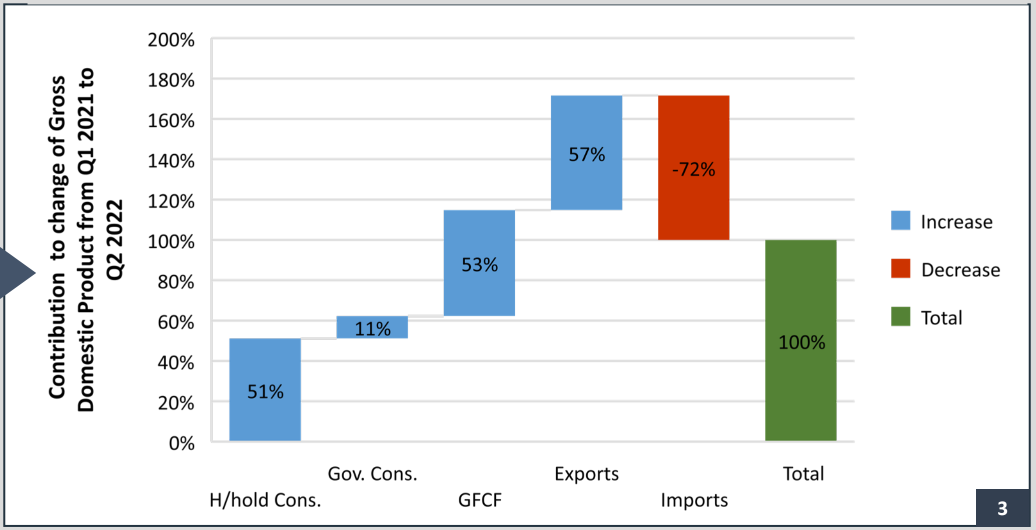
South Africa recorded its fourth successive quarter of positive year-on-year economic growth in the first quarter of 2022. The country's real GDP increased by R129 billion (2.9 percent) between Q1 2021 and Q1 2022 as the economy benefitted from the further normalisation of economic activity. However, this growth has only succeeded in taking South Africa's economy back to its pre COVID-19 levels.



On the production side, the recovery in the year to Q1 2022 was supported largely by improvements in the tertiary/services sectors – particularly personal services, transport, communication & storage and trade, catering and accommodation. While manufacturing made a small positive contribution to growth, all the other primary and secondary sectors contracted.



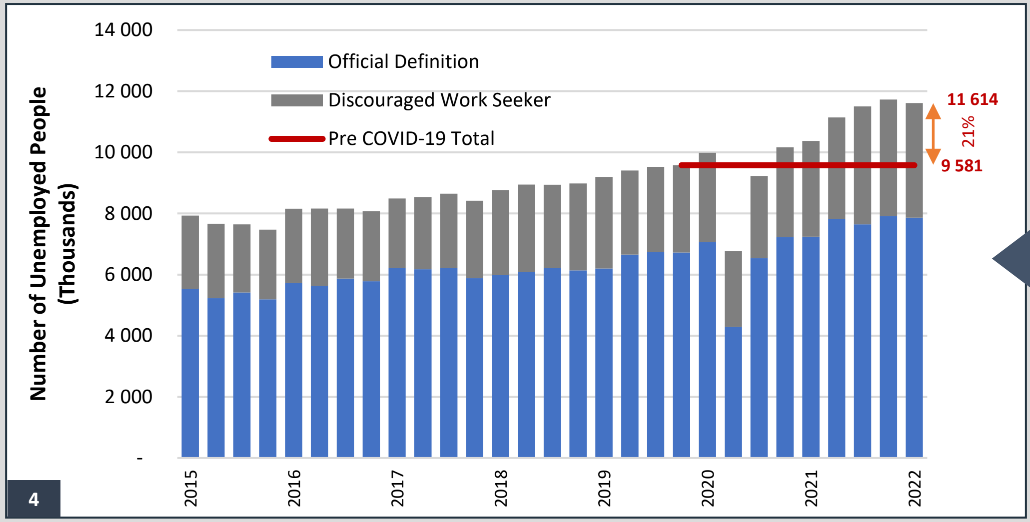
The normalisation of economic activity is reflected in positive contributions to economic growth by increases in all the components of gross domestic expenditure (GDE) and exports. Increased gross fixed capital formation (GFCF) contributed 53 percent of the growth while higher household consumption expenditure added 51 percent and exports 57 percent. However, a significant proportion of the increased growth in domestic spending was on imported products. Higher imports offset 72 percent of the growth in other components of expenditure.



South Africa's real GDP finally recovered to its pre-COVID levels in Q1 2022. The growth over the year to Q1 2022 was supported almost entirely by increases in the output of the services sectors, but was more broad-based on the expenditure side with positive contributions by all components of gross domestic expenditure.

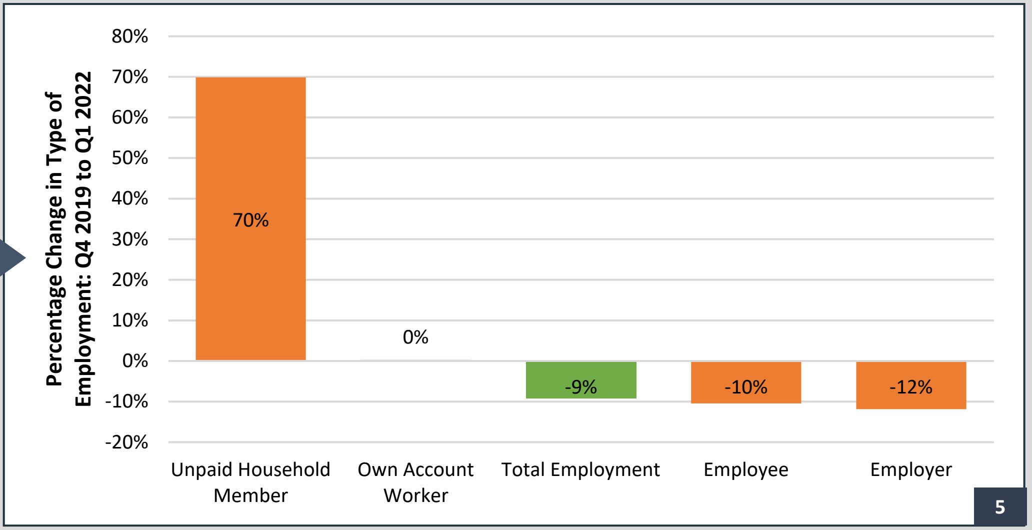
Employment

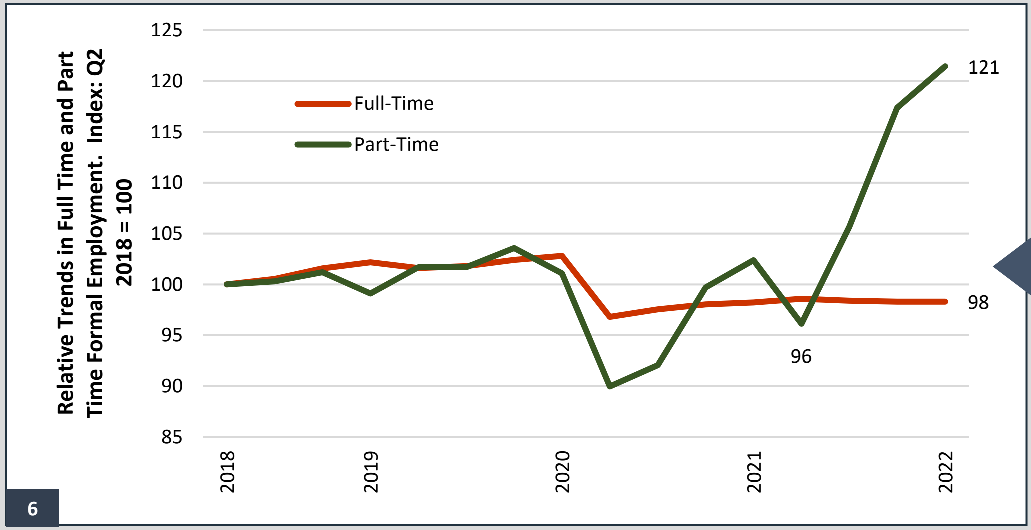
Employment trends continue to lag those of output – both quantitatively and qualitatively. The number of unemployed people was still substantially higher in Q1 2022 than before the COVID-19 pandemic began and an increased number of those employed were either unpaid, or employed on a part-time basis.



The recovery in employment continues to lag that of output. In Q1 2022, the total number of unemployed people (including discouraged workers) decreased slightly to 11.6 million - from 11.7 million the previous quarter. However, this was still 2.1 million (21 percent) higher than pre-COVID levels and significantly above the 7.5 million unemployed people in Q4 2015.

There were also qualitative shifts in those that were employed. Compared with pre-COVID level (Q4 2019) the number of unpaid household workers increased by 70 percent, own account workers essentially remained unchanged, the number of employees declined by 10 percent and the number of employers by 12 percent.

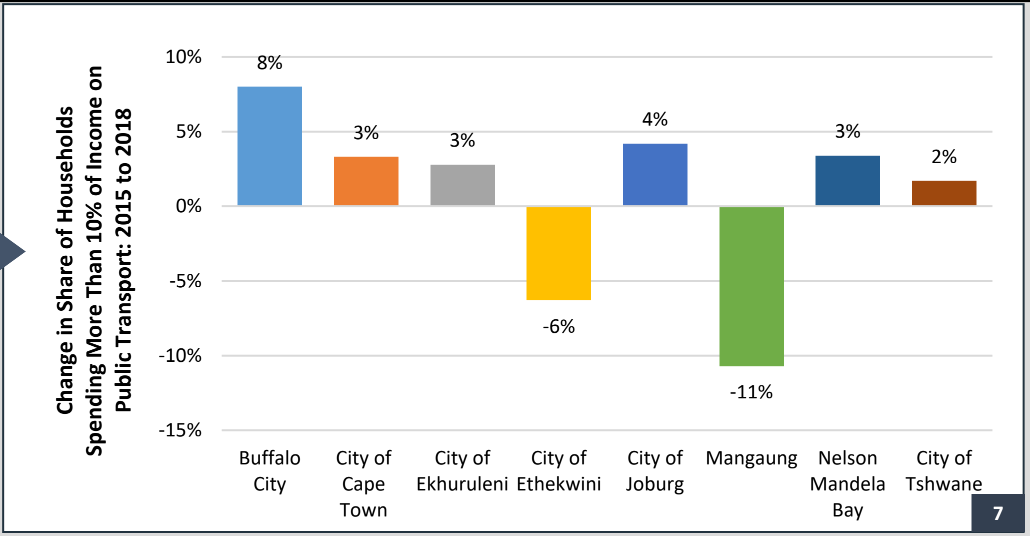




Formal employment has seen a rise in part-time employment and a relative fall in the number of people employed on a full-time basis. Between Q1 2018 and Q1 2022, the number of people employed formally on a full-time basis declined by 2 percent, while those employed on a part-timed basis increased by 21 percent.

Households

Between 2015 and 2018 it is noted than an increased proportion of households located in the country's metros spent more than 10 percent of their incomes of public transport. The increase was most pronounced in Buffalo City, where the share of households spending more than 10 percent of their incomes on public transport increased by 8%. By contrast, the proportion of households in this position in eThekwini and Mangaung declined by 6 percent and 11 percent respectively.



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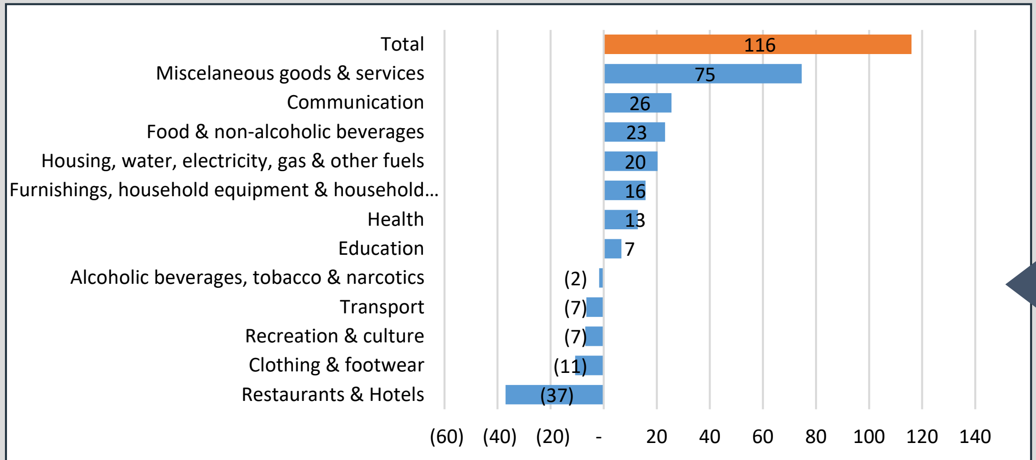

Contribution to Change in Real Household Consumption Expenditure: 2016 to 2021 (R Billions)
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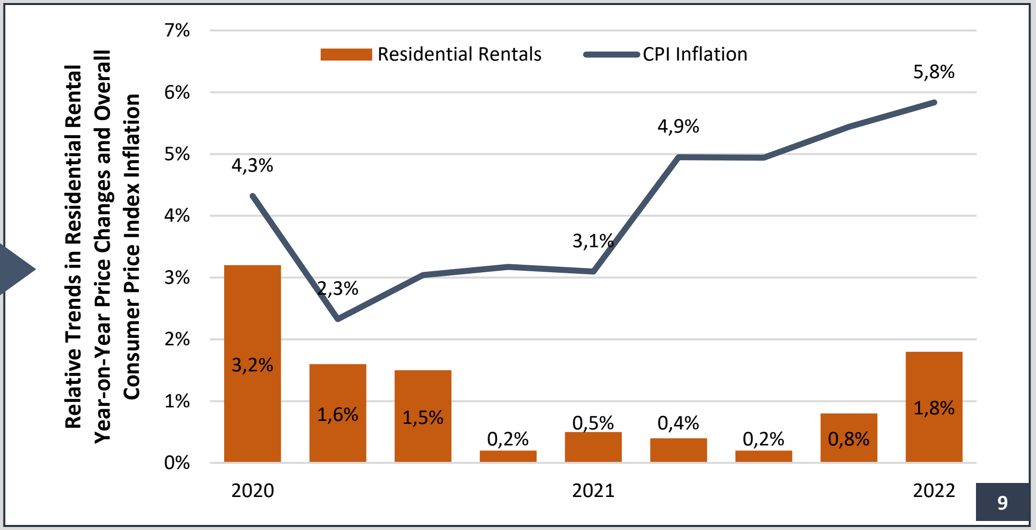
Between 2016 and 2021, total household consumption expenditure increased by R116 billion in constant 2015 price terms. Spending on miscellaneous goods and services accounted for R75 billion of this increase, followed by communication (R26 billion) and food and non-alcoholic beverages (R23 billion). Households reduced spending on restaurants and hotels, clothing and footwear, recreation and culture and transport in particular over this period.

According to PayProp data residential rentals increased by 1.8 percent in the year to Q1 2022. While this represented a significant increase over the 0.8 percent recorded in Q4 of 2021, it was substantially lower than increase in overall inflation of 5.8 percent. Since Q1 2020, residential rental have consistently increased at a lower rate than CPI inflation.



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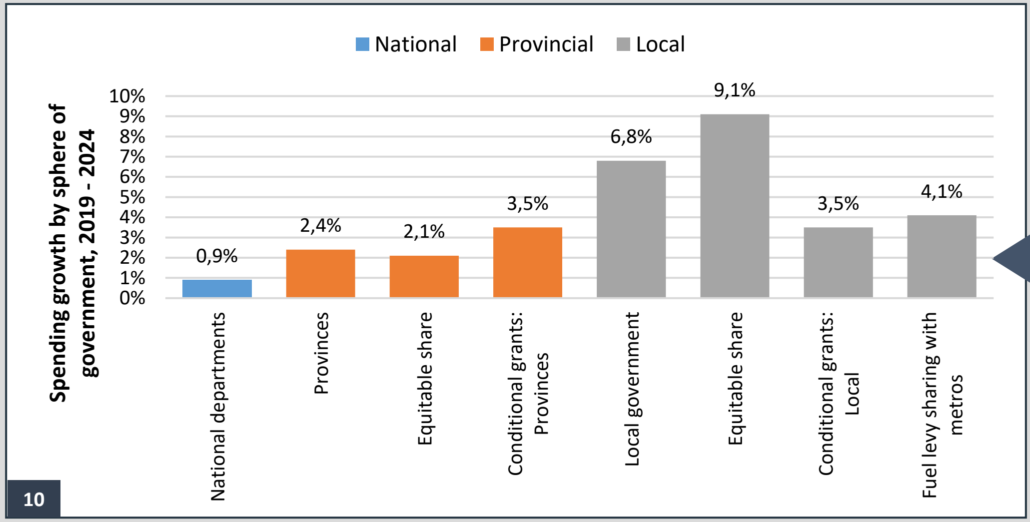
The financial position of most households remains under pressure. In most metros relatively more people were required to spend a greater proportion of their incomes on public transport. Households also shifted spending patterns with greater focus on essentials like food and communication and less on restaurants, hotels and clothing.

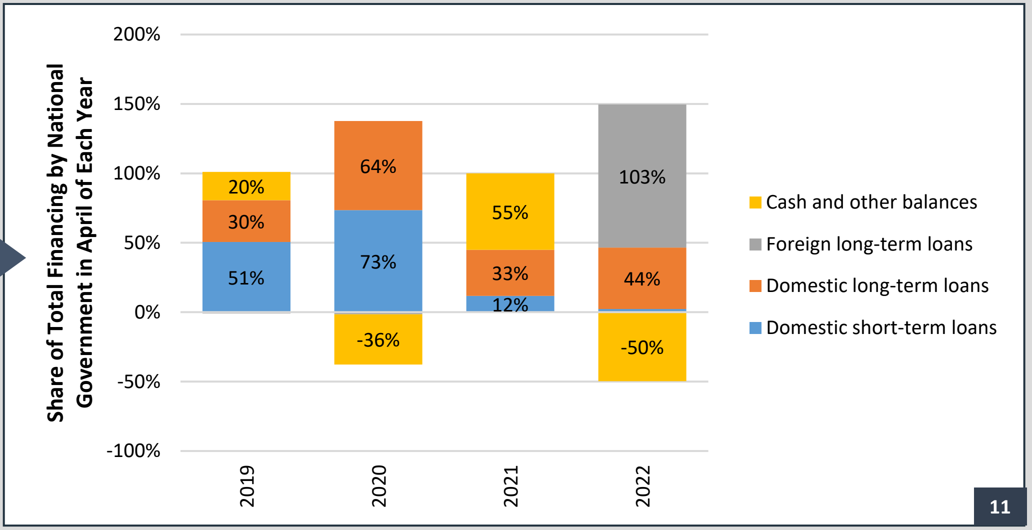
Government

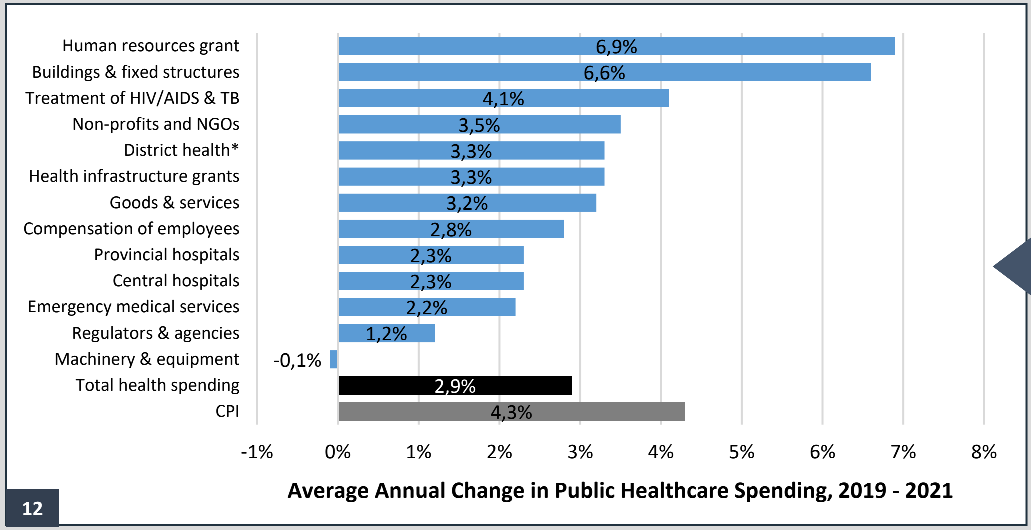
The latest Budget points to the redirection of spending towards the provincial and local government tiers over the medium term. Rising domestic money market interest rates have contributed towards a shift in government's financing of the deficit. Spending on public healthcare increased by less than inflation.



According to the 2022 Budget there will be a relative shift in spending by the different spheres of government over the medium term, with spending by national departments projected to rise by 0.9 percent a year, provinces by 2.4 percent and local governments by 6.8 percent. In the case of provinces and local government these increases will be funded by increases in equitable shares and conditional grants. Spending by metros will also be supported by a share of the fuel levy.

Relative to earlier years National Treasury made increased use of foreign long-term loans to finance the deficit in April 2022, while at the same time reducing cash and other balances. In response to the rising interest rate cycle, it also made less use of domestic short-term loans, but increased the share of domestic long-term lending.

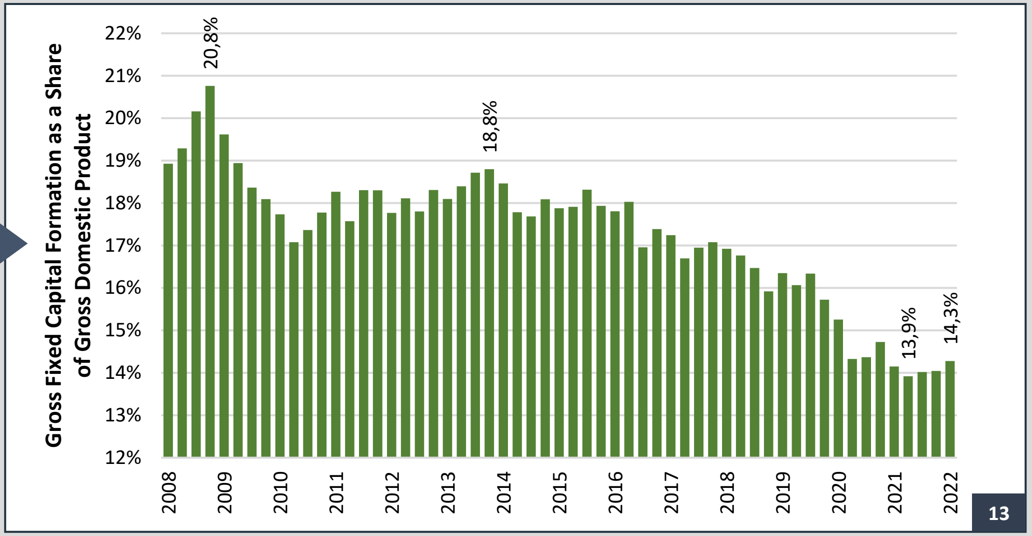


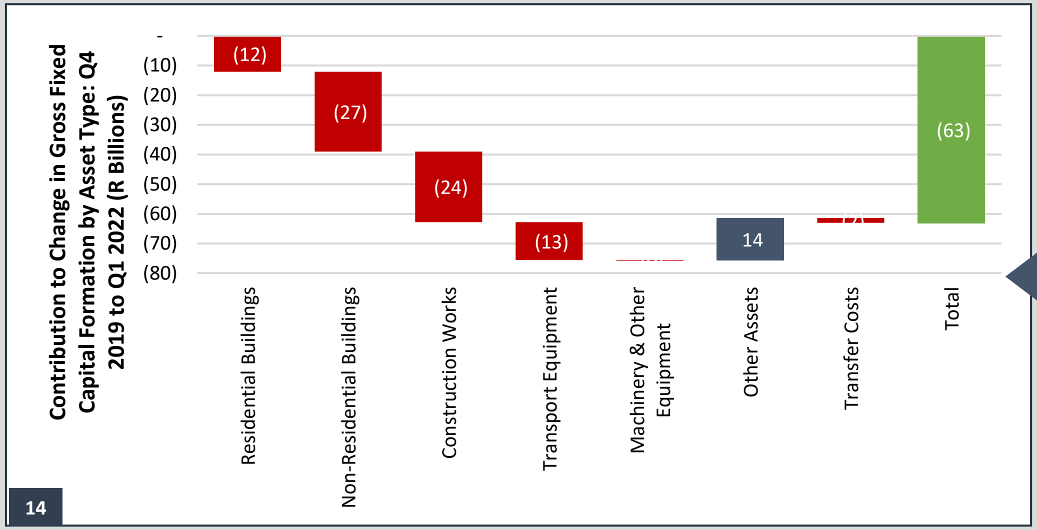


Total spending on public healthcare increased by 2.9 percent a year between 2019 and 2021 – compared with CPI inflation averaging 4.3 percent a year. There were relatively greater increases in human resources grants (6.9 percent), spending on buildings and fixed structures (6.6 percent) and spending on treating HIV/Aids and tuberculosis (4.1 percent) while spending on machinery and equipment declined by 0.1 percent. Provincial and central hospitals and emergency medical services also received below-inflation increases.

Investment

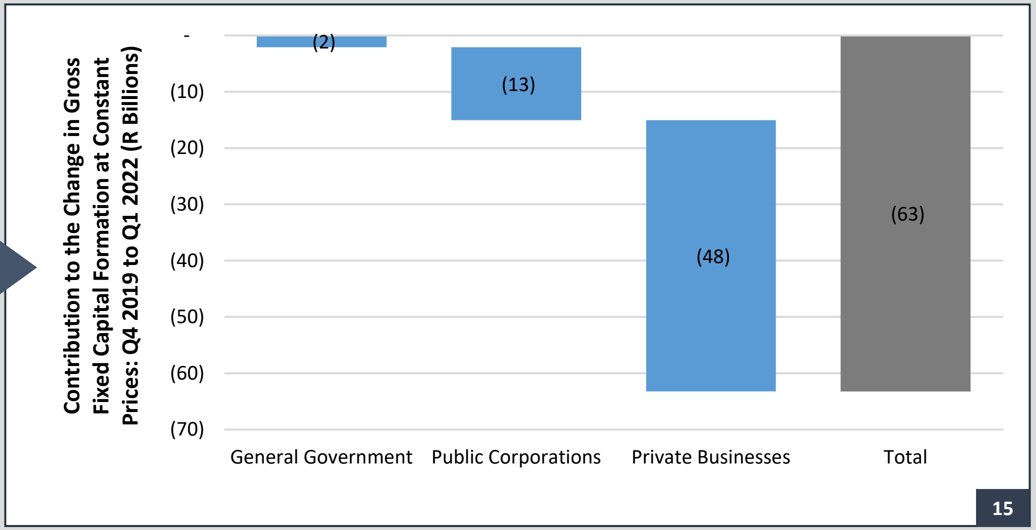
Although still at low levels, there was a slight increase in the share of gross fixed capital formation of GDP to 14.3 percent – from 13.9 percent in Q2 2021. This is significantly lower than the almost 21 percent recorded in Q4 2008 and less than half of what the National Development Plan set as a target to support sustainably higher rates of economic growth.





Other assets was the only asset class of gross fixed capital formation to record an increase since Q4 2019. There were large contractions in spending on buildings and construction works – equivalent to 100 percent of the decline in overall real GFCF spending of R63 billion. Spending on transport equipment also contracted.

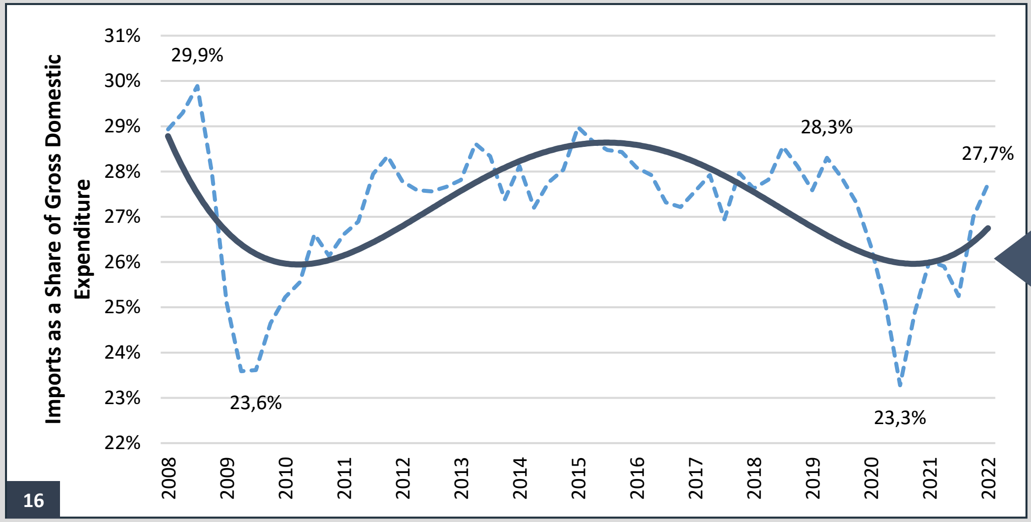
All three types of organisations (general government, public corporations and private businesses) engaged in reduced levels of fixed capital formation over the COVID period. Private businesses spent R48 billion less in constant price terms on fixed assets than they did before the pandemic began, while public corporations reduced their spending by R13 billion in real terms.



Fixed capital formation levels edged upwards from their historic lows but were still well below required levels in Q1 2022. There was reduced investment by all organisation types in all asset classes apart from "other assets" over the COVID period, with construction-related activities particularly hard-hit.

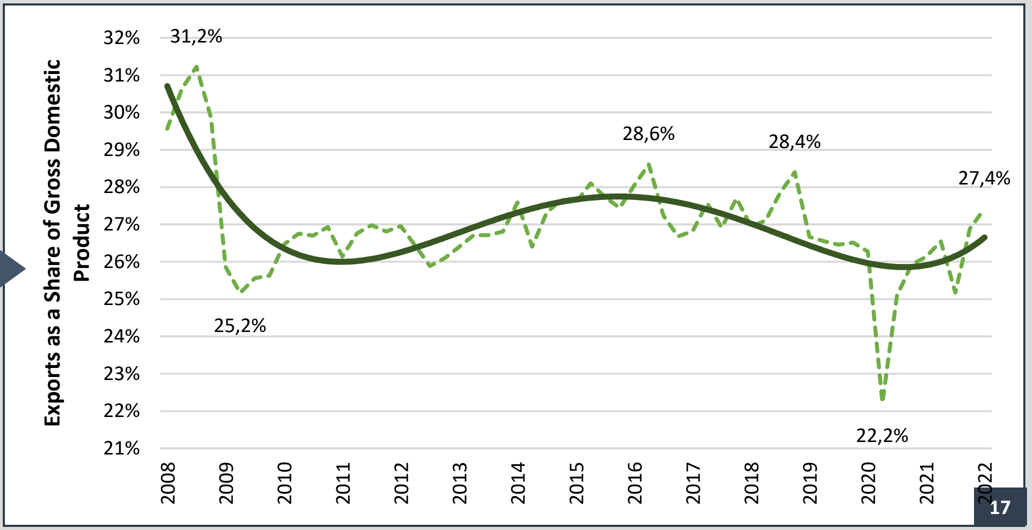
International Trade

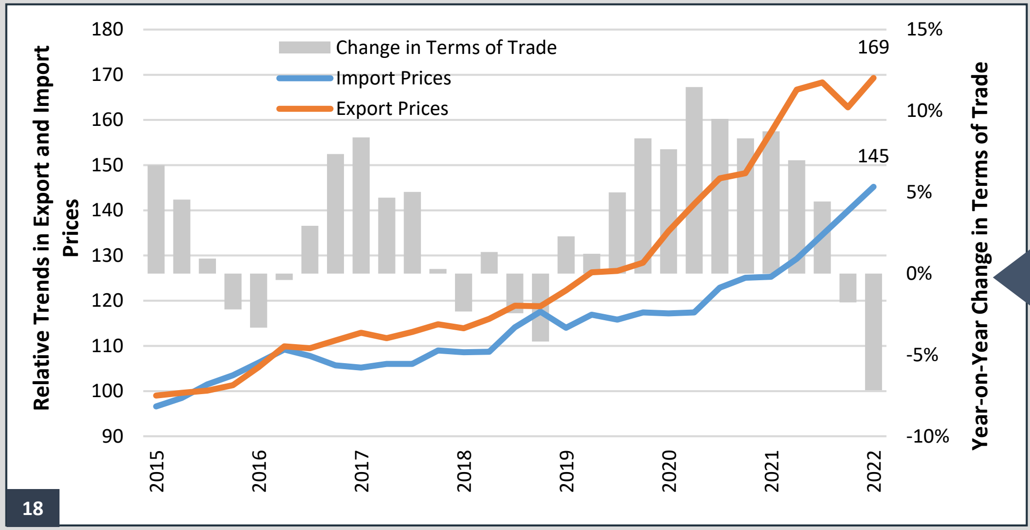
South Africa's propensity to import and export both increased in Q1 2022. While the price received for exported goods and services increased at a faster rate than import prices in recent years, the dynamics of the terms of trade turned negative in the past two quarters.



Almost 28 percent of total domestic spending in Q1 2022 was on imported goods and services – up from 27 percent in Q4 2021. This was similar to levels in 2017 and 2018, but substantially higher than the 23 percent recorded at the height of the lockdown in Q2 2020.

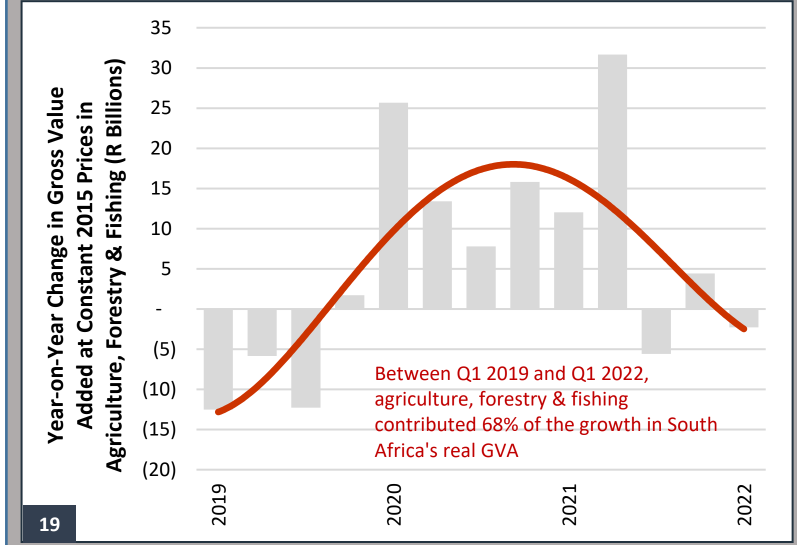
Exports of goods and services contributed 27.4 percent of South Africa's GDP in Q1 2022 – up from 27 percent in Q4 2021 and 22.2 percent in Q2 2020. Despite favourable commodity prices, the latest export propensity is still significantly lower than in Q3 2008 when exports were equivalent to 31.2 percent of GDP.





South Africa's terms of trade (prices received for exports relative to those paid for imports) deteriorated for the second quarter in a row in Q1 2022. While export prices remained reasonably buoyant, import prices increased at a faster rate. Despite this, the weighted average price of South African exports still increased by 69 percent since Q1 2018, while import prices only increased by 45 percent over the same period.

AGRICULTURE, FORESTRY & FISHING



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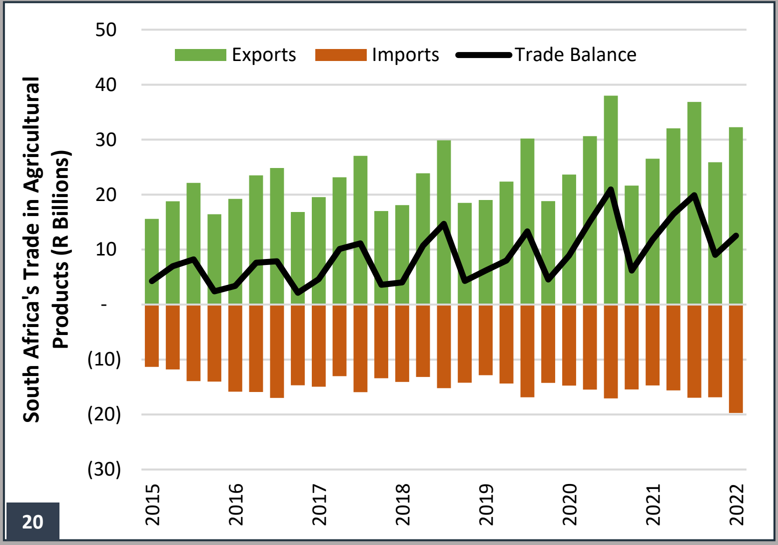

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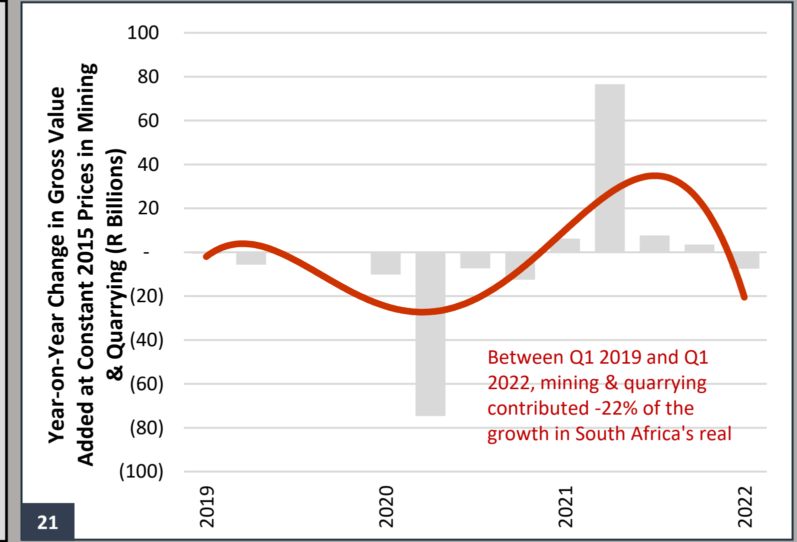
Agriculture, forestry and fishing made a negative contribution to the growth in output in Q1 2022. However, between the start of 2019 and the first quarter of 2022, the sector contributed 68 percent of the country's economic growth.
Agriculture also generated a consistent trade surplus that reached almost R21 billion in Q3 2020. In Q1 2022 the surplus – which has a significant seasonal pattern - was R12.5 billion.

MINING & QUARRYING

Mining and quarrying made a negative contribution to the growth in output in Q1 2022, with real GVA contracting by R7.5 billion. Since Q1 2019, the sector made an overall negative contribution to economic growth of 22 percent.
Although off its high of Q2 2021 – when mining and quarrying achieved a trade surplus of R206 billion – the sector maintained a significant surplus of R174.6 billion with exports of over R282 billion.



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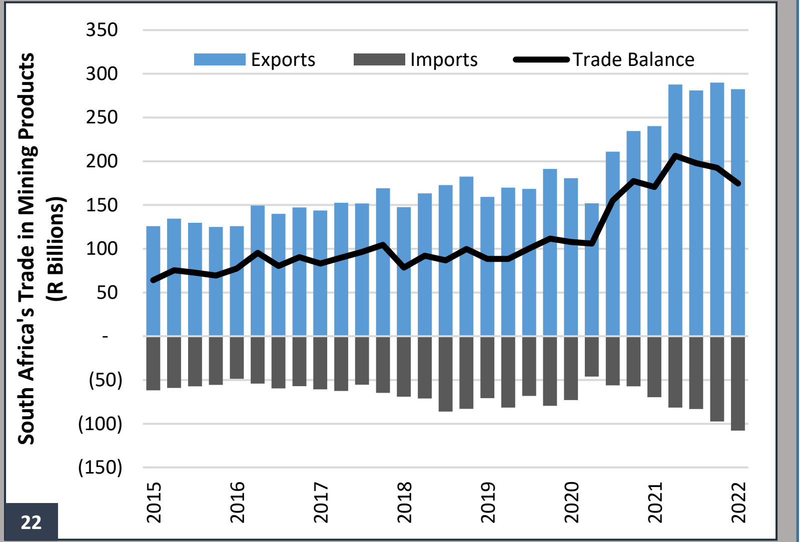

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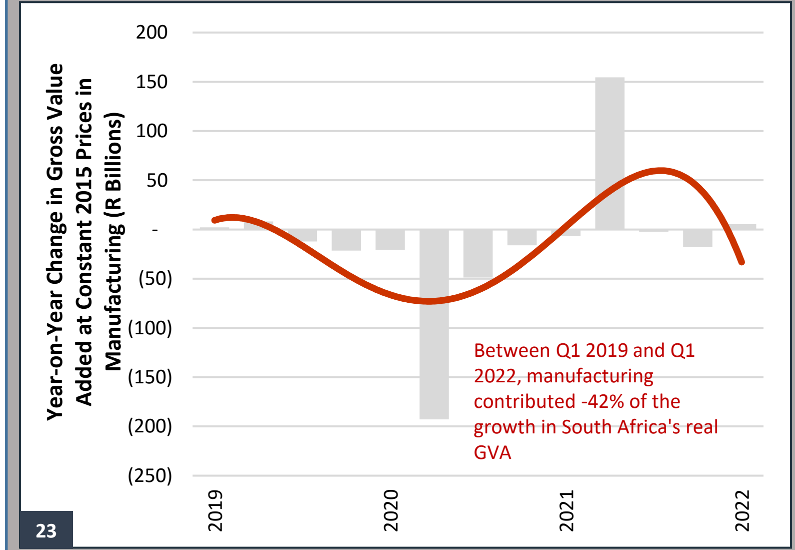
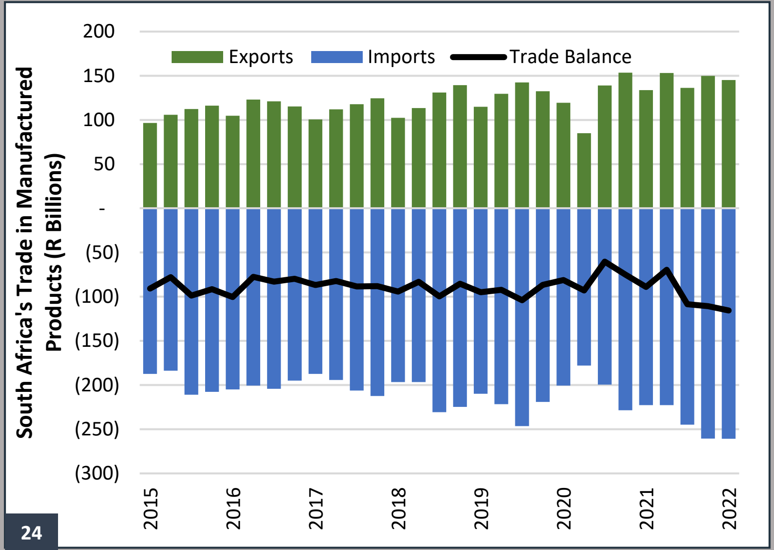
MANUFACTURING

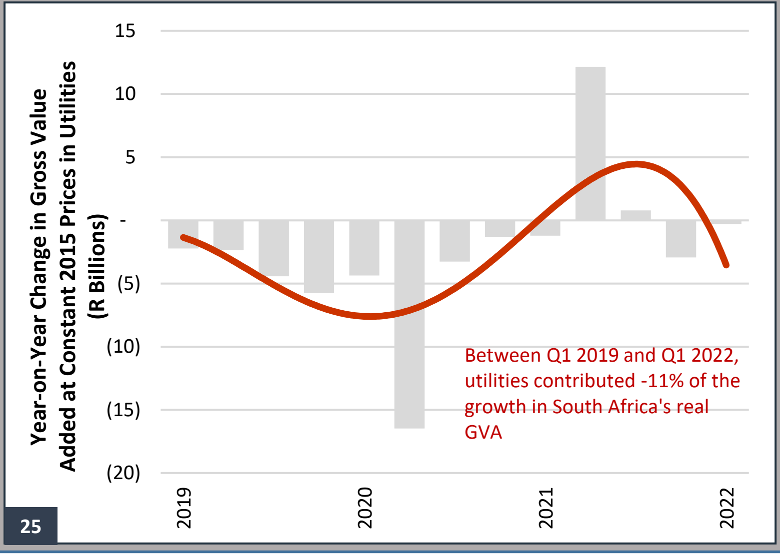


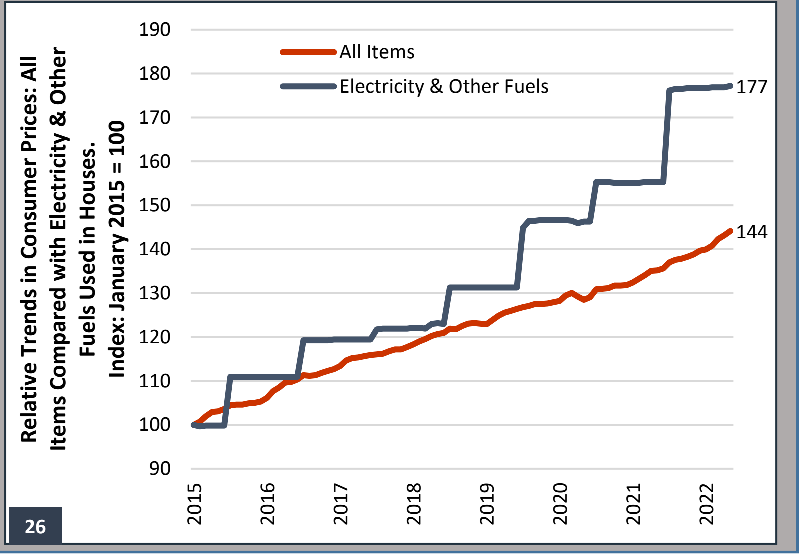


Although manufacturing made a small positive contribution to year-on-year growth in South Africa's real GVA in the first quarter of 2022, the sector made a negative contribution of 42 percent to economic growth between Q1 2019 and Q1 2022.
The trade deficit associated with the sector widened slightly to almost R116 billion in the latest quarter.

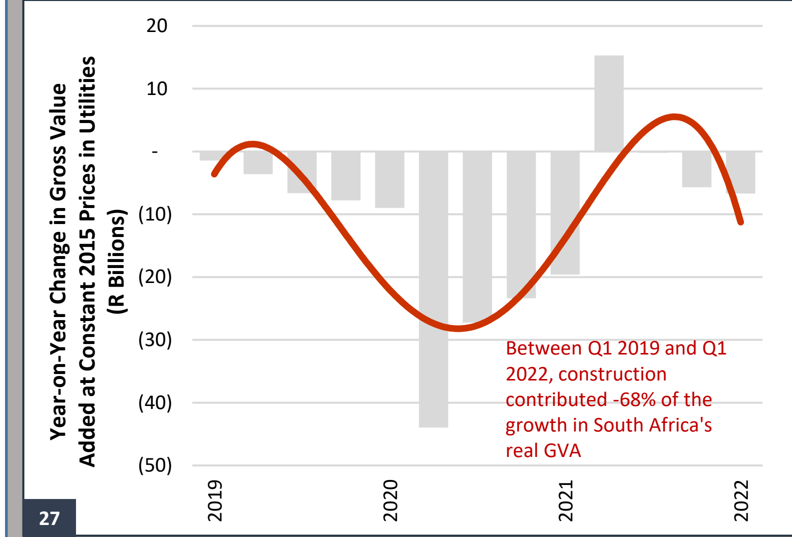
ELECTRICITY GAS AND WATER

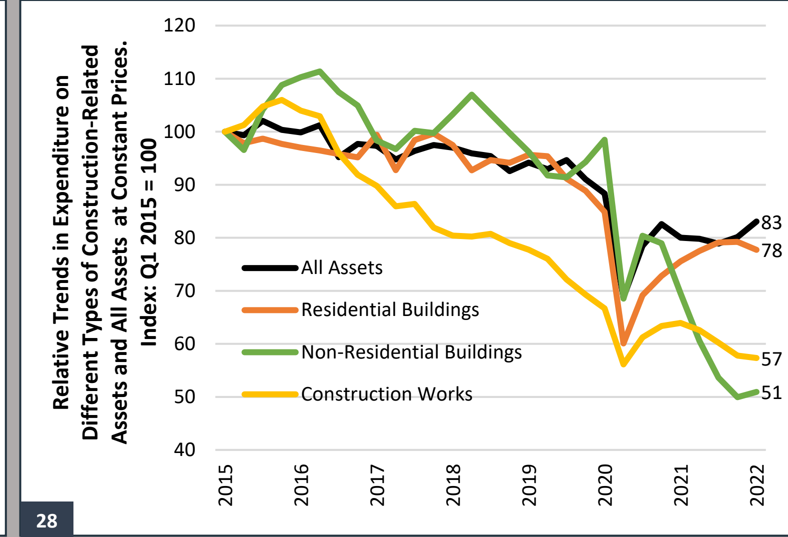
The utilities sector made a small negative contribution to the year-on-year growth in South Africa's real GVA in Q1 2022. Since Q1 2019 the sector made a cumulative negative contribution to economic growth of 11 percent.
According to the Consumer Price Index for May 2022 (which does not yet reflect the latest increases permitted by the National Energy Regulator of South Africa) the price of electricity and other fuels used in South African households (such as gas, wood, paraffin) increased by 77 percent since January 2015. Over the same period overall consumer prices rose by 44 percent.





CONSTRUCTION



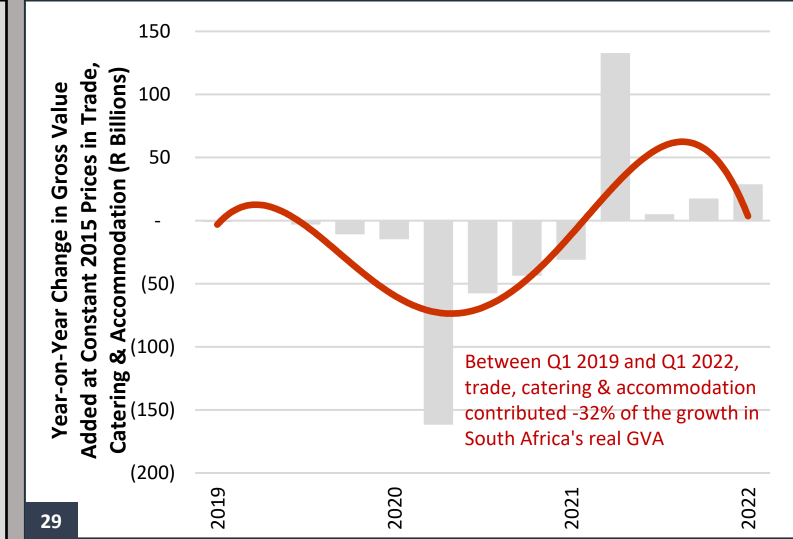


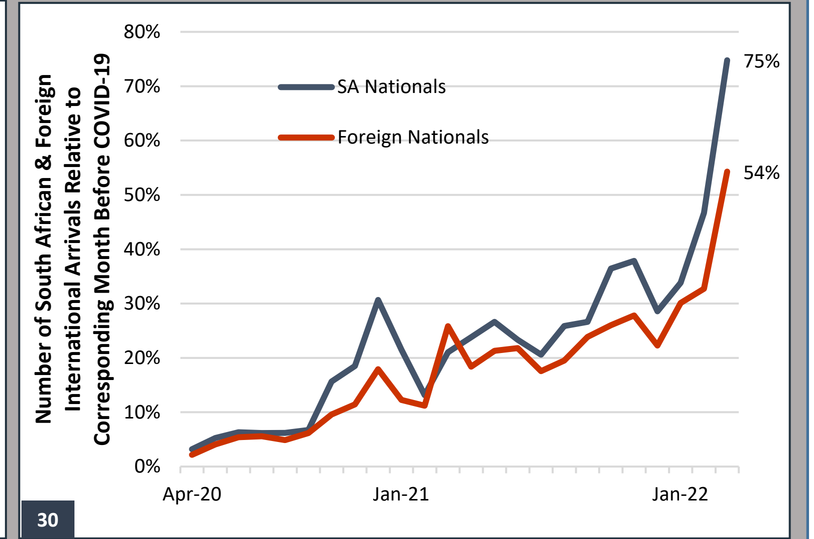
The construction sector made a negative contribution of R6.7 billion to the year-on-year growth in South Africa's real GVA . Since Q1 2019 the sector made a cumulative negative contribution to economic growth of 68 percent.

Spending on construction-related assets decreased at a faster rate than overall gross fixed capital formation spending since the start of 2015. Spending on non-residential buildings was particularly badly affected by the COVID-19 pandemic and by Q1 2022 was 49 percent lower than in Q1 2015. Over the same period spending on construction works dropped by 43 percent and residential buildings by 22 percent.

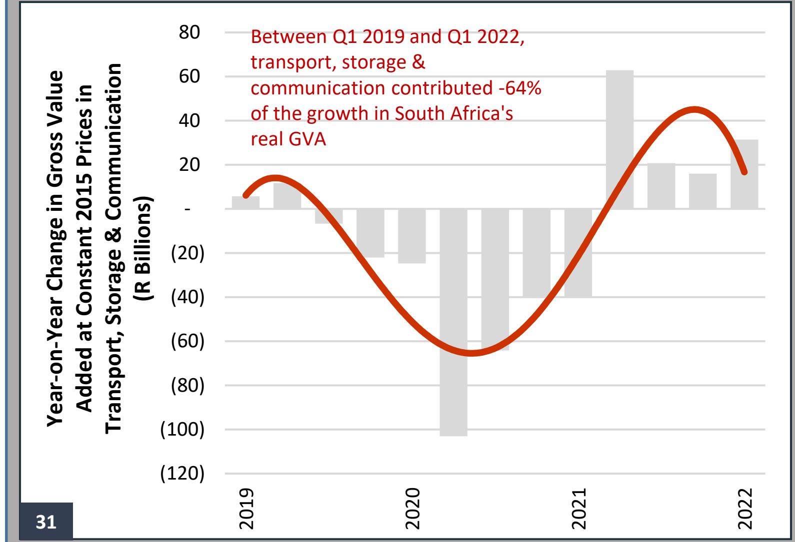
TRADE, CATERING AND ACCOMMODATION

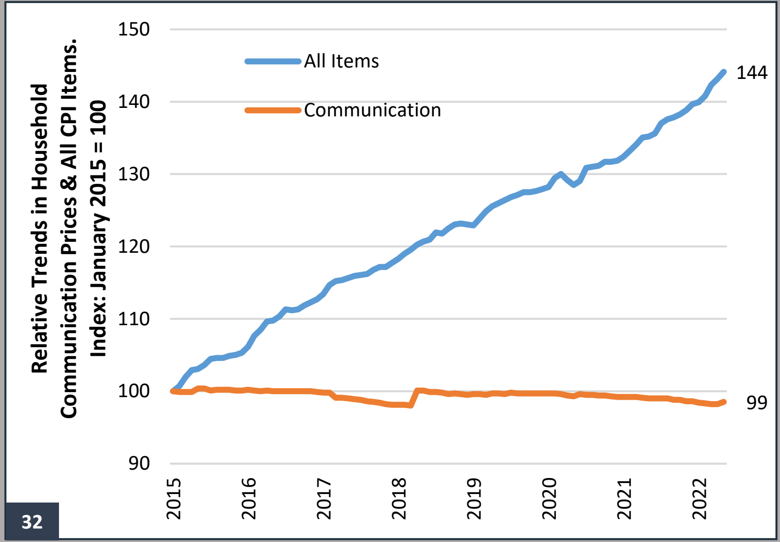
The trade, catering and accommodation sector made a positive contribution of R28.8 billion to the year-on-year growth in South Africa's real GVA in Q1 2022. However, since Q1 2019 the sector made a negative overall contribution of 32 percent to economic growth. Although there are continued signs of normalisation as economic restrictions linked to the pandemic are lifted, by April 2022, the number of South African nationals arriving on international flights was still 25 percent lower than the corresponding month in 2019, while international arrivals were still 46 percent lower.





TRANSPORT, STORAGE AND COMMUNICATION





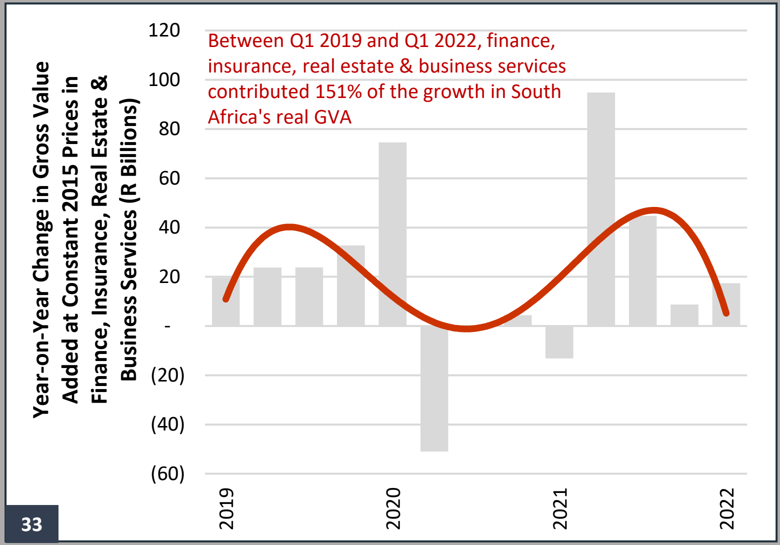
Increased value added by the transport, storage and communication sector contributed over R31 billion to the growth in South Africa's output in the year to Q1 2022. However, since Q1 2019 the sector made a cumulatively negative contribution of 64 percent to economic growth.

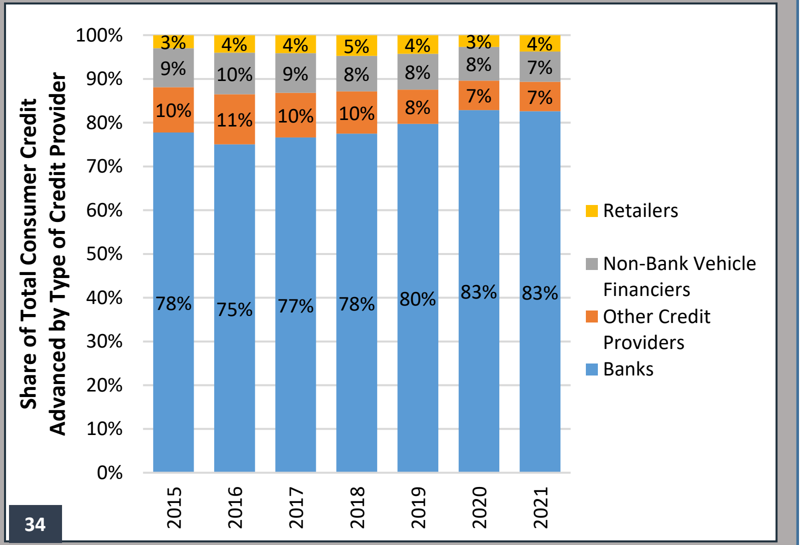
Since the start of 2015 the price of communication services purchased by households declined by 1 percent. Over the same period, overall consumer prices increased by 44 percent.

FINANCE, INSURANCE, REAL ESTATE AND BUSINESS SERVICES

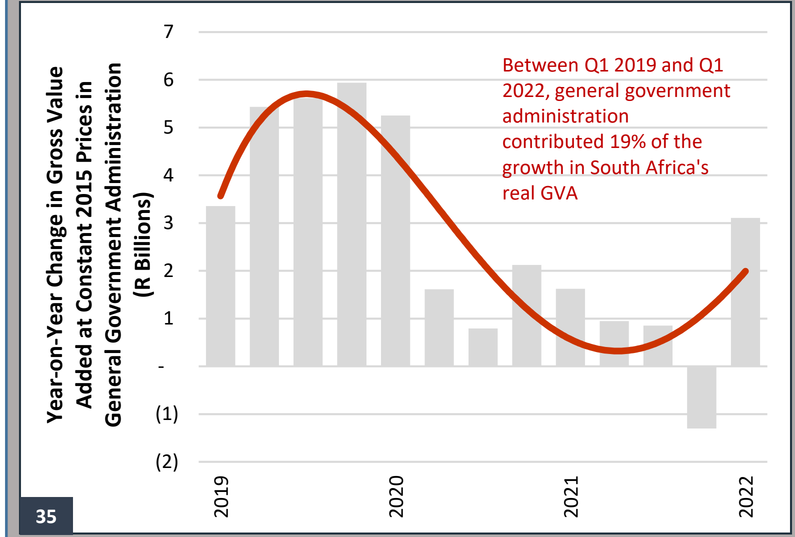
Growth in the real value added by the finance, insurance, real estate and business services sector contributed R17.4 billion to the growth in the economy in the year to Q1 2022. Since Q1 2019 the sector accounted for 151 percent of the growth in the South African economy.

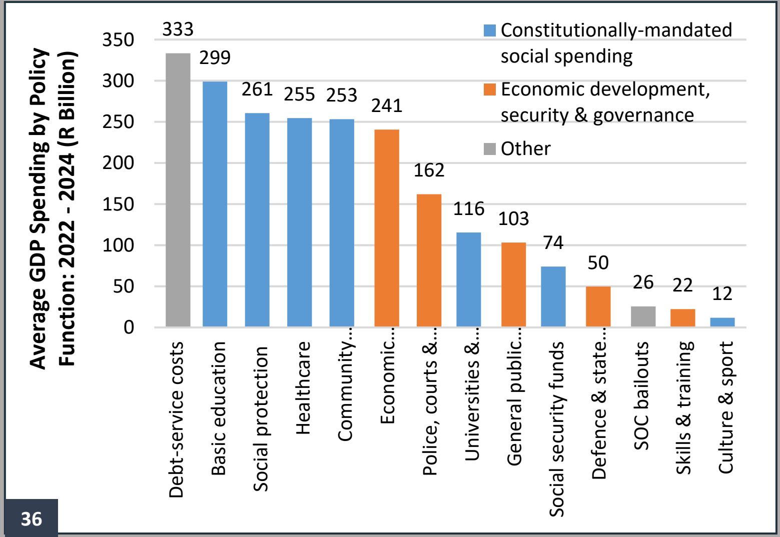
Banks maintained their share of total consumer credit advanced at 83 percent in 2021. This share has trended higher since 2016 when it stood at 75 percent. The shares of other types of credit providers (retailers, non-bank vehicle financiers and other credit providers) all declined.





GENERAL GOVERNMENT



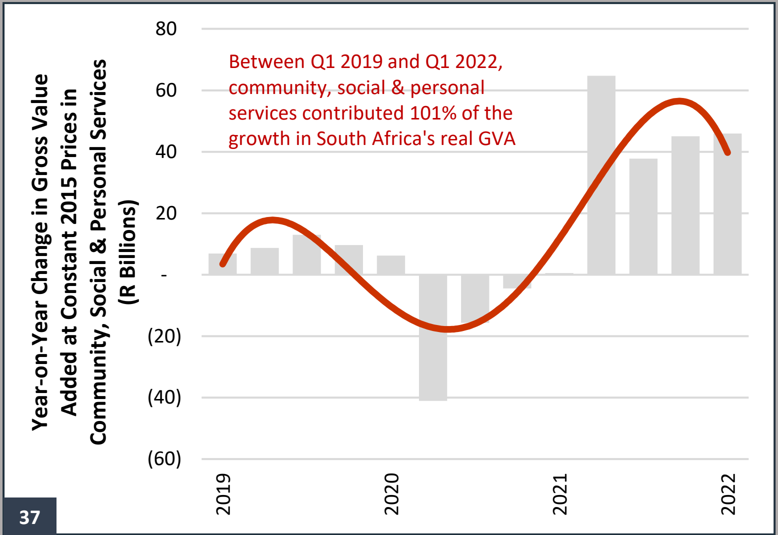


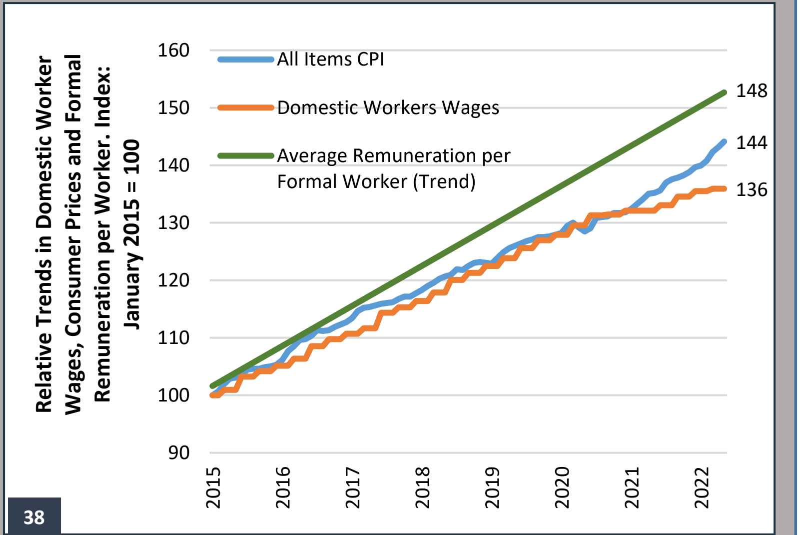
General government administration made a small positive contribution to the growth in real GVA in the year to Q1 2022. Since Q1 2019 the sector made a cumulative positive contribution to economic growth of 19 percent.

Over the medium term, debt service costs of R333 billion will top government spending by policy function. This will be followed by spending on basic education (R299 billion), social protection (R261 billion) and healthcare (R255 billion). R26 billion is budgeted for state-owned company bailouts.

COMMUNITY, SOCIAL AND PERSONAL SERVICES

Increased value added by community, social and personal services (excluding government administration) contributed almost R46 billion to the growth in the economy in the year to Q1 2022. Since Q1 2022 the sector made a cumulative positive contribution to economic growth of 101 percent. Domestic worker wages have failed to keep up with CPI inflation over the course of the COVID-19 pandemic. Between January 2015 and May 2022, domestic worker wages rose by 36% while overall CPI inflation increased by 44 percent and average remuneration per formally-employed worker rose by 48 percent.





The distributional effects of South Africa's national lockdown on gender wage inequality

	February 2020		June 2020	
	Male	Female	Male	Female
Real monthly wage	R9,548	R5,639	R10,614	R6,134
	(R7,761 ; R11, 334)	(R4,865 ; R6,413)	(R8,625 ; R12,602)	(R5,007 ; R7,262)
Real hourly wage	R69.20	R39.60	R86.30	R61.40
	(R50.30 ; R88.00)	(R34.40 ; R44.80)	(R67.50 ; R105.10)	(R47.70 ; R75.20)
Weekly working hours	39.3 hr	35.6 hr	41.0 hr	39.2 hr
	(37.8 ; 40.8)	(34.3 ; 37.0)	(39.0 ; 43.0)	(36.8 ; 41.68)
Daily childcare hours	6.2 hr	9.9 hr	4.2 hr	7.9 hr
	(5.1 ; 7.3)	(8.8 ; 11.1)	(3.1 ; 5.2)	(6.6 ; 9.4)

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- The Development Policy Research Unit produced a working paper on the distributional effects of South Africa's national lockdown on gender wage inequality, with a particular focus on those that retained their jobs.
- The study utilised NIDS survey data, conducted from 7 May to 27 June and 13 July to 13 August 2020, to investigate whether gender wage inequality had deepened among job retainers.
- The study estimates the unconditional and conditional gender wage gaps for February and June 2020 through a regression analysis.
- Even after controlling for several individual-level characteristics of men and women, both the unconditional and conditional monthly and hourly gender wage gaps were higher in June 2020 relative to February 2020.
- Figure 39 tabulates the average real monthly and hourly wages for men and women in February and June 2020, as well as the mean weekly working hours. The average man's real monthly earnings increased from R9,548 to R10,614 while that of the average woman also increased – from R5,639 to R6,134. However, the authors' point estimates suggest a widening of the unconditional gap at the mean (the percentage difference between the real monthly wages of men and women on average) , given that the average rate of increase for men (11%) was higher than for women (9%).
- Widening of the average conditional gap is also observed when comparing the real hourly wages of males and females over February and June 2020.
- Disparities in working hours may be at least partially explained by the disproportionate childcare burden that falls on women. The estimates in Figure 39 indicate that during both the relatively stringent Level 5 lockdown in April and the Level 3 lockdown in June and July, women devoted significantly more time to childcare relative to men on average.
- The study argues that increased wage inequality over the study period was driven by the childcare burden falling disproportionately on women during the lockdown.

Data sources used in this document

Section A

Graph	Source of data
1	Statistics South Africa GDP (P0441)
2	Statistics South Africa GDP (P0441)
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	SACN, State of SA Cities Report (2021)
8	South African Reserve Bank Quarterly Bulletin, June 2022
9	PayProp Rental Index
10	Southern Centre for Inequality Studies. Spending Choices in Budget 2022: Public Economy Project.
11	National Treasury National Revenue Account
12	Southern Centre for Inequality Studies. Spending Choices in Budget 2022: Public Economy Project.
13	Statistics South Africa GDP (P0441)
14	Statistics South Africa GDP (P0441)
15	Statistics South Africa GDP (P0441)
16	South African Reserve Bank Quarterly Bulletin, June 2022
17	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	South African Reserve Bank Quarterly Bulletin, June 2022

Section B

Graph	Source of data
25	Statistics South Africa GDP (P0441)
26	Statistics South Africa, Consumer Price Index (P0141)
27	Statistics South Africa GDP (P0441)
28	South African Reserve Bank Quarterly Bulletin, June 2022
29	Statistics South Africa GDP (P0441)
30	Statistics South Africa, Number of South African Residents and Foreign Travellers by Travel Direction, (P03511)
31	Statistics South Africa GDP (P0441)
32	Statistics South Africa, Consumer Price Index (P0141)
33	Statistics South Africa GDP (P0441)
34	National Credit Regulator, Consumer Credit Report Q4 2021.
35	Statistics South Africa GDP (P0441)
36	Southern Centre for Inequality Studies. Spending Choices in Budget 2022: Public Economy Project.
37	Statistics South Africa GDP (P0441)
38	Statistics South Africa, Consumer Price Index (P0141)

Section C

Graph/ Table	Source of data
39	Hill, R. & Kohler, T. (2021). The distributional effects of South Africa's national lockdown on gender wage inequality. Working Paper 202101. *Development Policy Research Unit.*

Economic and Employment Indicators and Trends in South Africa

Issue # 06 (June 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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