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Economic and Employment Indicators & Trends in South Africa

Issue # 08

National Economic Development and Labour Council



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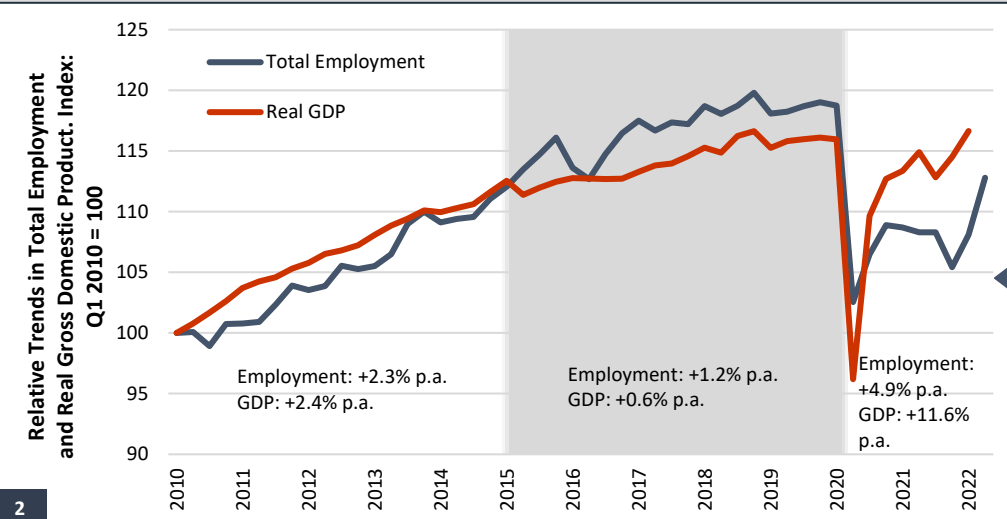
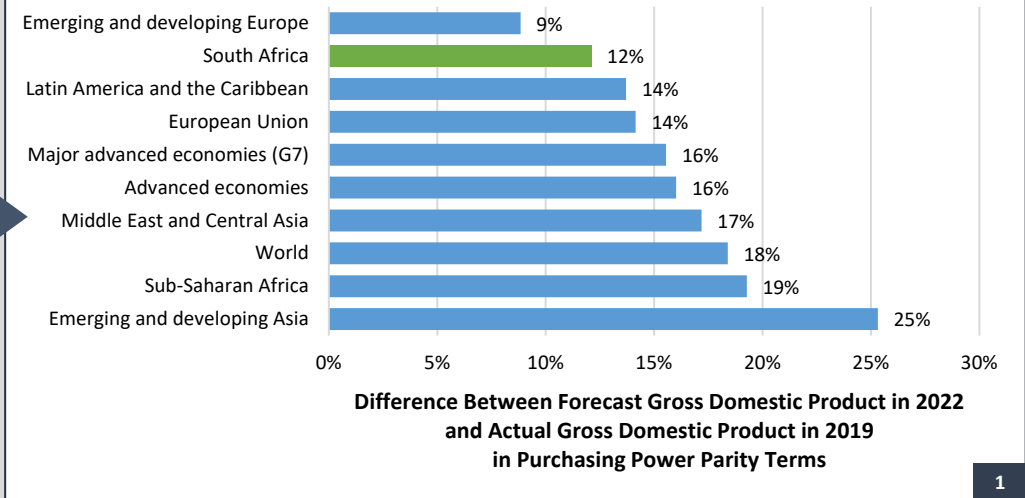


- There are signs of economic recovery although its pace and momentum lag behind most other countries and regions. In the face of continued electricity supply constraints, the country is reverting to its pre-COVID levels of growth.
- The rate of economic growth in South Africa has consistently been lower than the global average since the Global Financial Crisis in 2008/9. If the country had managed to match the average rate of world growth over this period, its economy at the end of 2022 would have been close to 30 percent larger than it currently is.
- While the burden of unemployment falls disproportionately on the youth – with close to 60 percent of those aged 15 to 34 unable to find employment – the share of total unemployment of those aged 35 to 54 has increased in recent years – from 31 percent at the start of 2015 to 37 percent in Q2 2022.
- The increase in inflationary pressures experienced by South African households over the COVID-period has been driven by higher transport, food, beverage and education costs. These were offset by relatively low increases in clothing and footwear costs and a decrease in communication costs. However, while above the upper limit of the Reserve Bank’s target range, the rate of consumer price inflation was much lower in South Africa in the year to July 2022 (7.8 percent) than in many other countries. Countries such as Türkiye (80 percent), Estonia (23 percent) and Lithuania (22 percent) had significantly higher rates of inflation.



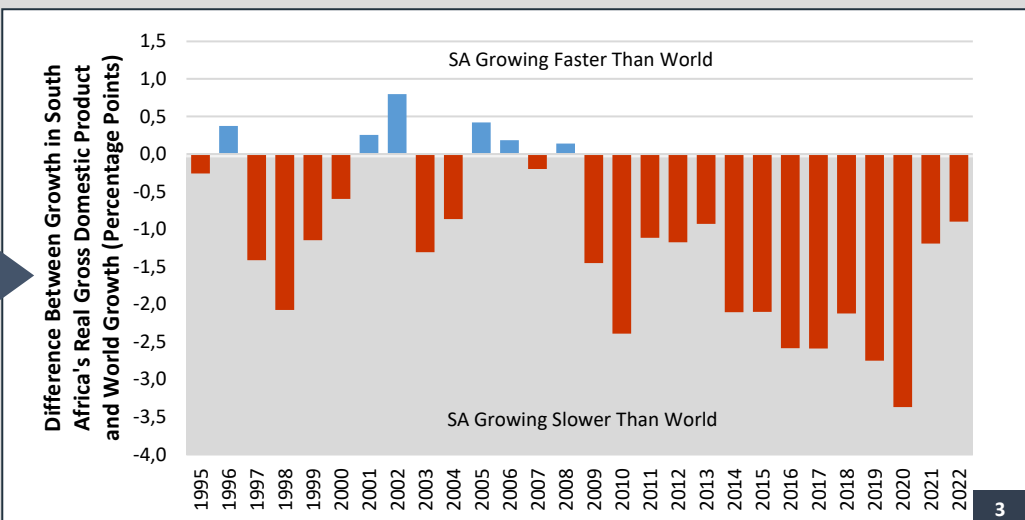
- South Africa has a similar rate of personal income tax to revenue to many advanced economies. While it has increased in recent years, the ratio of interest costs on government debt to revenue is relatively low compared with many developing countries. This is, in part, due to the fact that the effective nominal rates of interest paid on government debt have remained quite stable at around 6 percent per annum. After taking account of inflation, the real interest rate of government debt was negative in fiscal 2021/22.
- The levels of real fixed capital formation by all organisations declined relative to their post-2010 maximum values. The decline was most notable in the case of public corporations (54 percent) and general government (32 percent). Despite this, both of these organisation types invested significantly more in information, computer and telecommunications (ICT) equipment and in computer software.
- Declining prices of some of South Africa's most significant commodity exports have resulted in a decrease in the scale of the country's trade surplus since mid-2021. However, the value of merchandise exports have continued to exceed merchandise imports by a healthy margin in recent months. Nevertheless, an analysis of trade flows reveals that both merchandise exports and merchandise imports travel significant distances, which may make them relatively more vulnerable to logistics disruptions and increases in transport costs.
- While the COVID pandemic has had a negative impact on mental health in many countries, a new study suggests that South African respondents had the lowest mental health quotients and the highest proportion of respondents that were distressed or struggling out of 34 participating countries.

In nominal purchasing power parity (PPP) terms, South Africa's gross domestic product is expected to be 12 percent higher in 2022 than before COVID (2019). However, the country's recovery lags most regions of the world: Asia GDP is expected to be 25 percent higher in PPP terms, while Sub-Saharan Africa will be 19 percent higher if growth expectations are realized. Only Emerging and Developing Europe is expected to lag South Africa's recovery.



South Africa's average rate of real GDP growth since the hard lockdown in Q2 2020 has been significantly higher than the average rate of growth in employment. Between 2010 and the start of 2015 the country maintained a slightly higher rate of growth in GDP than employment. While both rates decreased in the subsequent five year period (Q1 2015 to Q1 2020), the slowdown in output was more pronounced.

South Africa enjoyed a rate of real economic growth higher than the world average in only 6 of the past 27 years (from 1995 to 2022). Since 2010 the country has undershot world growth by an average of 1.9 percentage points a year. If South Africa had matched the average rate of economic growth in the rest of the world over this period, its economy would be 28 percent larger than it will be at the end of 2022.

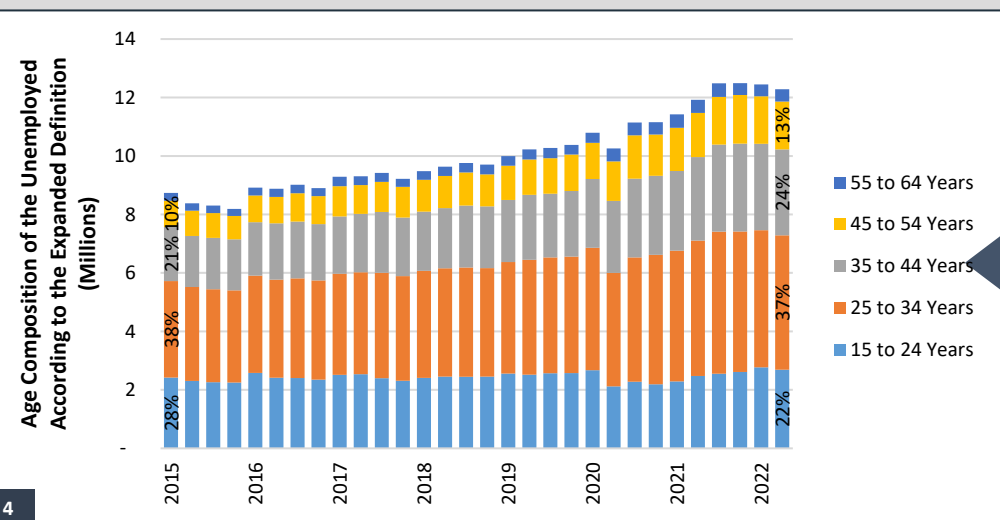


Gross Domestic Product

While South Africa's post-COVID economic recovery continues, its pace has generally been slower than most other countries and regional groupings. It has consistently lagged behind average world growth since 2009.

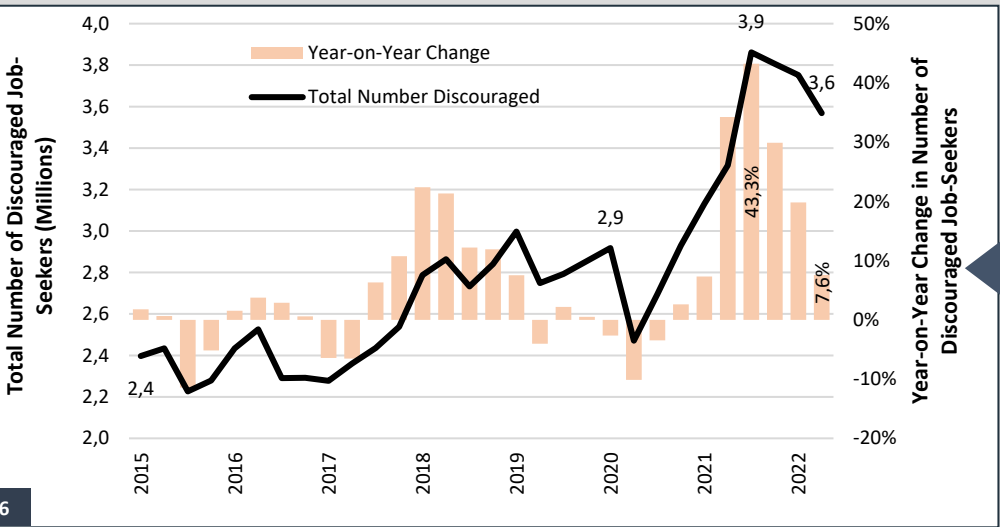
Employment

While the number unemployed youth unable to find employment has increased over time, the pace of this increase has been slower in the post-COVID period than for people aged 35 to 54. The number of discouraged job-seekers is off its peak but still higher than a year ago.



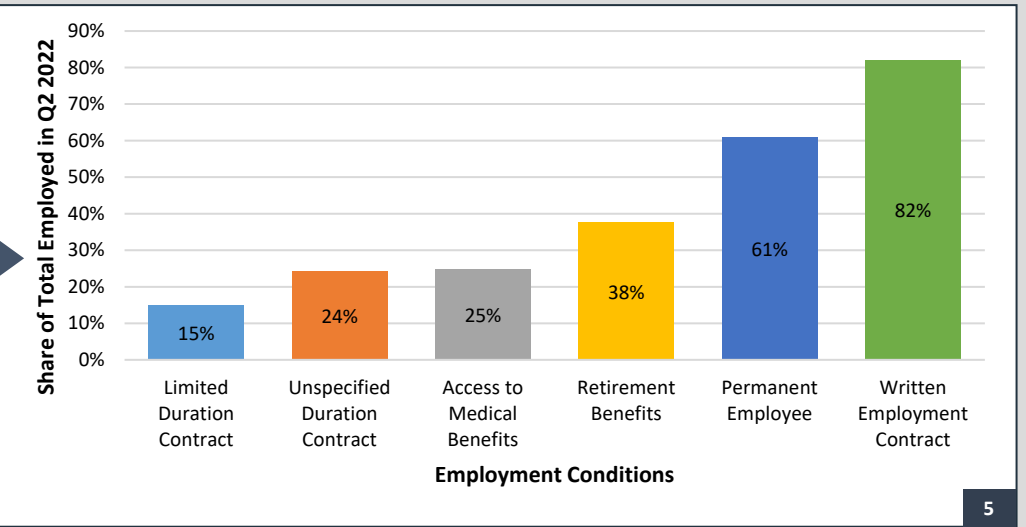
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In Q2 2022 61 percent of those employed were classed as permanent employees, while 24 percent had contracts of unspecified duration and 15% had limited duration contracts. A quarter of those employed had access to medical benefits and 38 percent were employed with retirement benefits.



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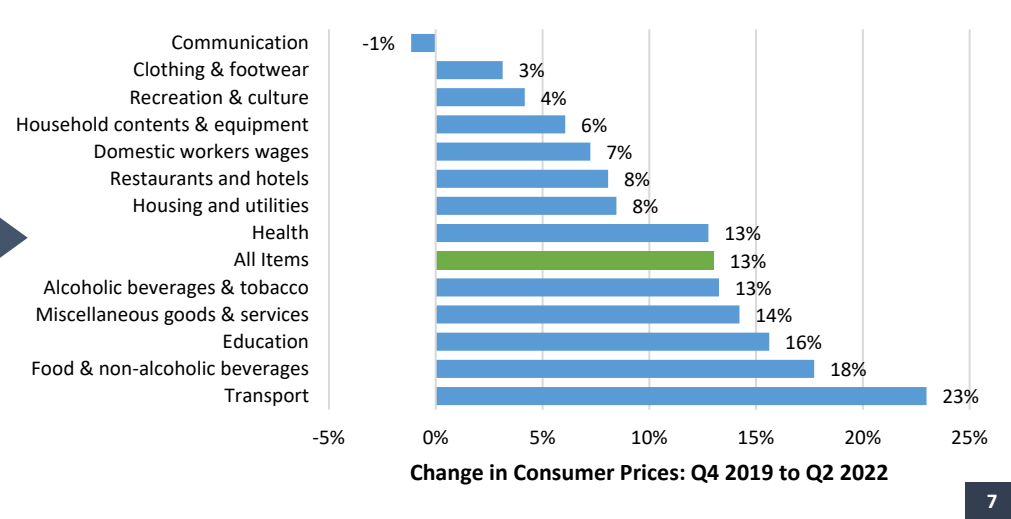
The total number of unemployed people according to the expanded definition decreased slightly to 12.28 million in Q2 2022 from 12.45 million in the previous quarter. Although youth unemployment (those aged between 15 and 34) increased in absolute terms from 5.7 million at the start of 2015 to 7.3 million in Q2 2022, its share of total expanded unemployment declined from 66 percent to 59 percent over the same period. The share of unemployed people aged 35 to 54 increased from 31 percent to 37 percent.



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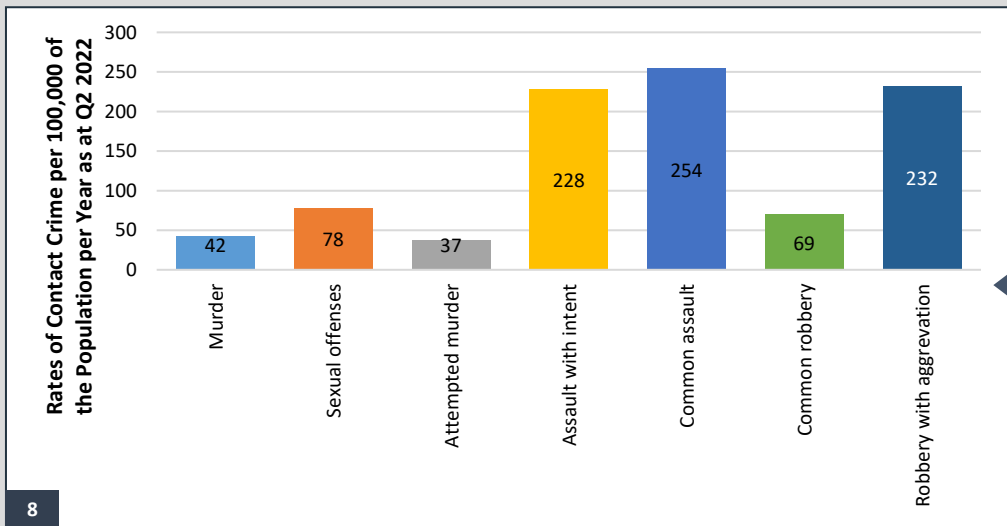
The number of discouraged job-seekers decreased to 3.6 million in the second quarter of 2022 – down from 3.9 million in Q3 2021. Despite this, the number of discouraged job-seekers was still 7.6 percent up in Q2 2022 than a year earlier. However the rate of increase in this number has been slowing since the third quarter of 2021 – when it reached more than 43 percent.

Over the COVID period (i.e from Q4 2019 to Q2 2022) the price of transport paid by consumers increased by 23 percent, while food and non-alcoholic beverages were up 18 percent and the price of education was 16 percent higher. Over this period the price of clothing and footwear only increased by 3 percent while communication costs decreased by 1 percent.



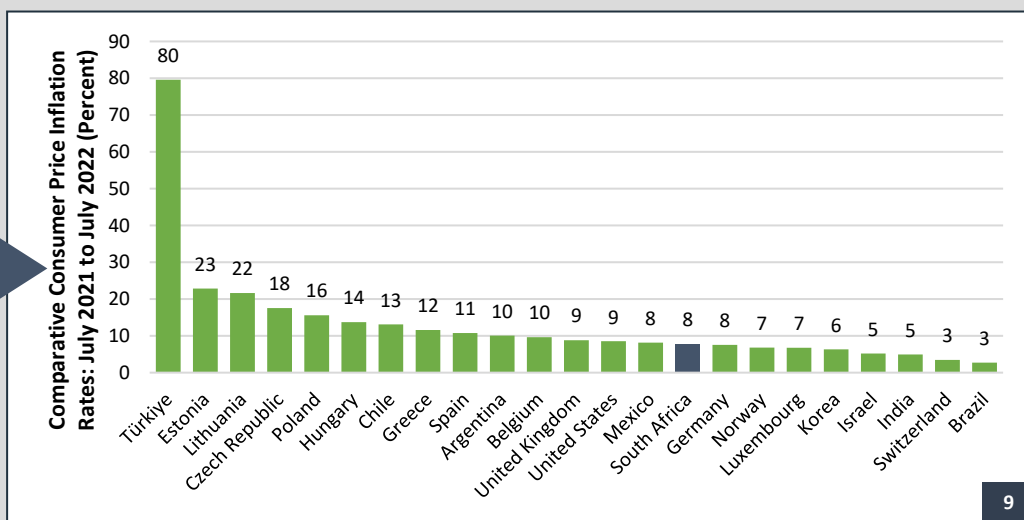
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On an annualized basis in Q2 2022 42 out of every 100,000 people in South Africa were murdered, 78 were victims of sexual offenses and 232 experienced robberies with aggravating circumstances.



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Although South Africa's rate of consumer price inflation once again breached the upper limit of the Reserve Bank's 3 to 6 percent target range in the year to July 2022, it was still lower than many advanced and other developing countries. Consumer price inflation reached 80 percent in Türkiye, 23 percent in Estonia and 16 percent in Poland, but was only 3 percent in Brazil.



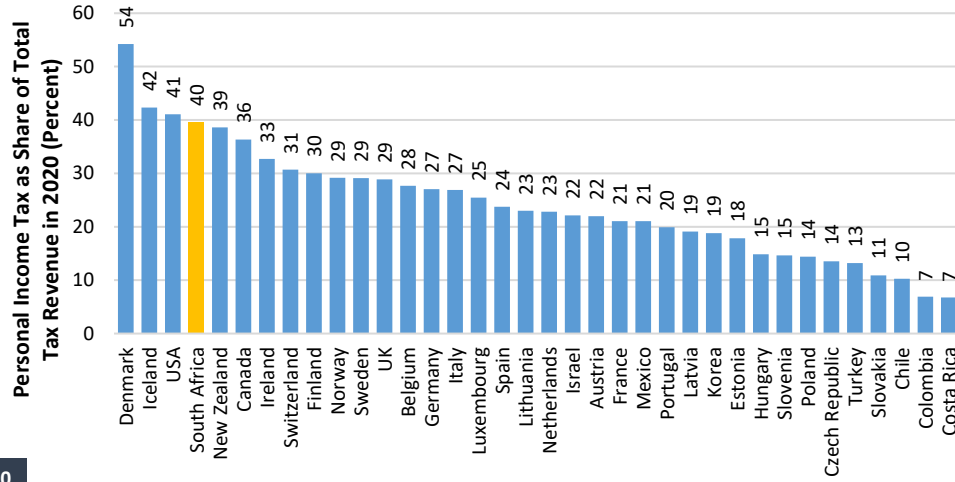
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Households

Price increases in transport, food and beverages and education have put upwards pressure on consumer price inflation over the COVID period. However, the rise in inflation has been less pronounced here than in many other countries in recent months. The rates of violent contact crimes have increased.

Government

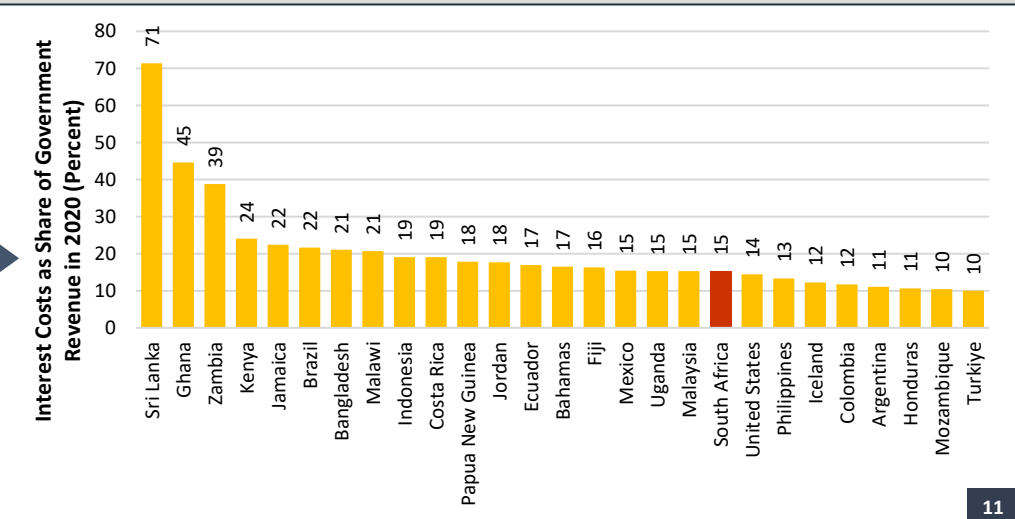
The contribution of personal income tax to total tax revenue in South Africa is on par with some, and higher than many other, advanced economies. As a share of revenue, interest costs on government debt in South Africa are lower than in many other countries – thanks in part to relatively stable nominal interest rates.



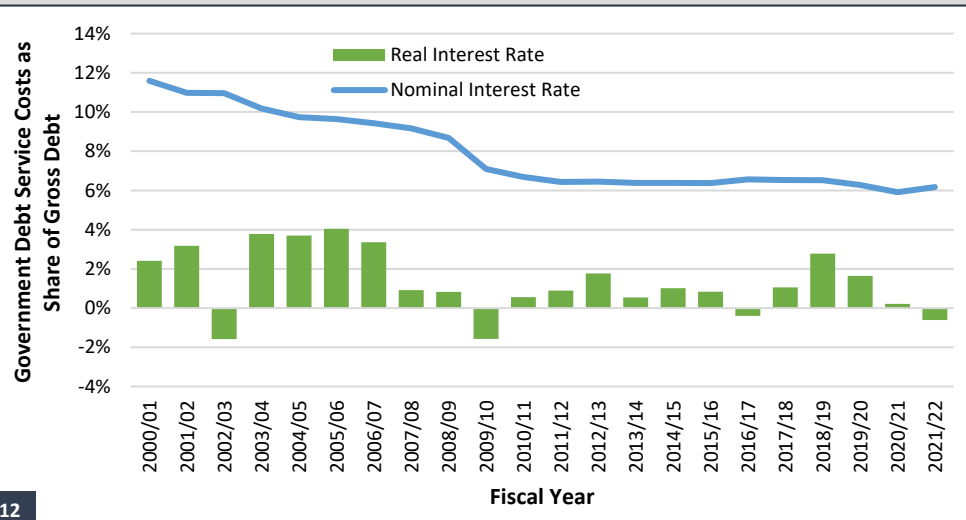
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Although they have risen significantly in recent years, interest costs as a share of government revenue in South Africa were on par with countries such as Mexico, Uganda and Malaysia at 15 percent in 2020. This was, however, much lower than countries such as Sri Lanka (71 percent), Ghana (45 percent) and Zambia (39 percent). High interest costs limit the capacity of governments to spend on other priorities.

Personal income tax contributed 40 percent of South Africa’s total tax revenue in 2020. This was similar to advanced economies such as the United States, Iceland, New Zealand and Canada, but much higher than developing countries such as Mexico (21 percent), Chile (10 percent and Colombia (7 percent).



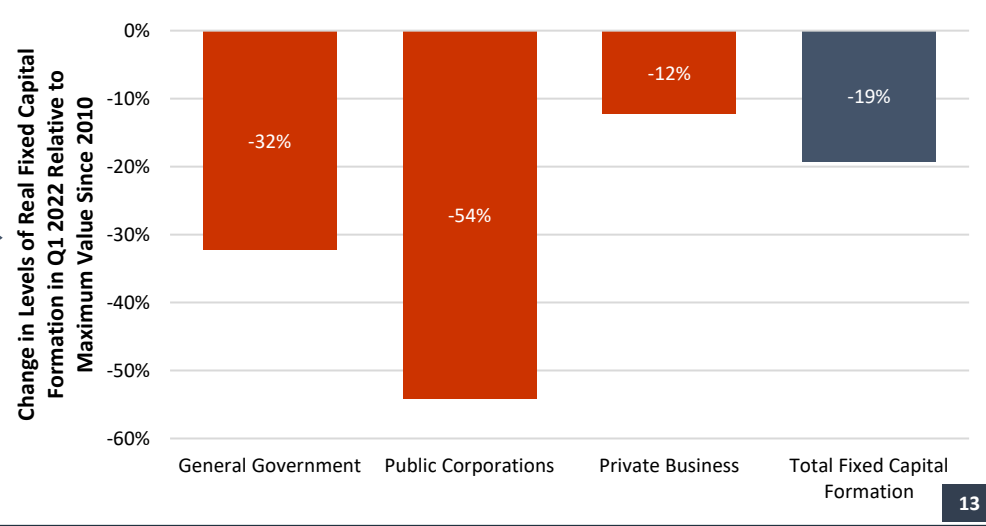
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The average nominal interest rate on South Africa’s gross government debt decreased from over 11 percent in 2000/01 to around 6 percent in 2011/12 and has remained around those levels since then. However, once account is taken of inflation (using the GDP deflator) the real rate of interest was generally lower and turned negative in the 2021/22 fiscal year.

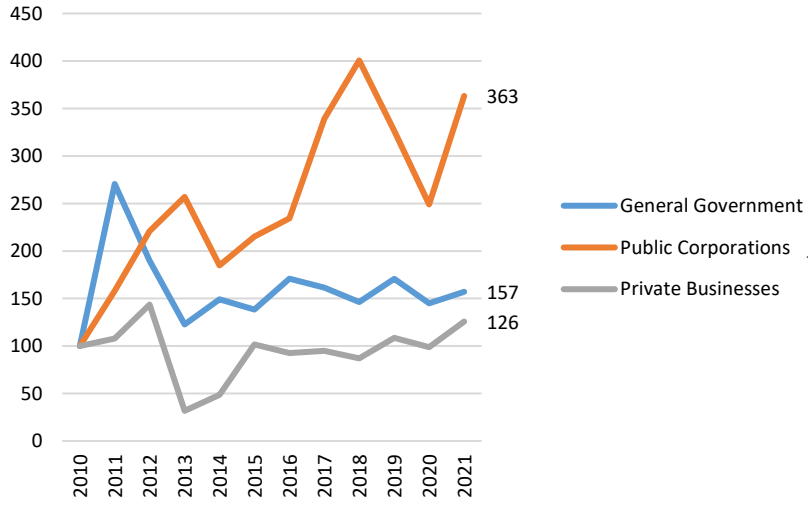
Compared with their respective maximum levels since 2010, general government spending on gross fixed capital formation was 32 percent down in real terms in Q1 2022, while public corporations were investing 54 percent less and investment by private businesses was 12 percent down. Overall, spending in constant price terms on fixed assets was 19 percent lower in Q1 2022 than during its post-2010 peak.



Investment

Investment rates by all organisation types are significantly lower than their post-2010 peaks. This is especially true of public corporations where levels of investment have declined by over 50 percent in real terms. Despite this the public sector has been investing significantly more in ICT and computer software since 2010.

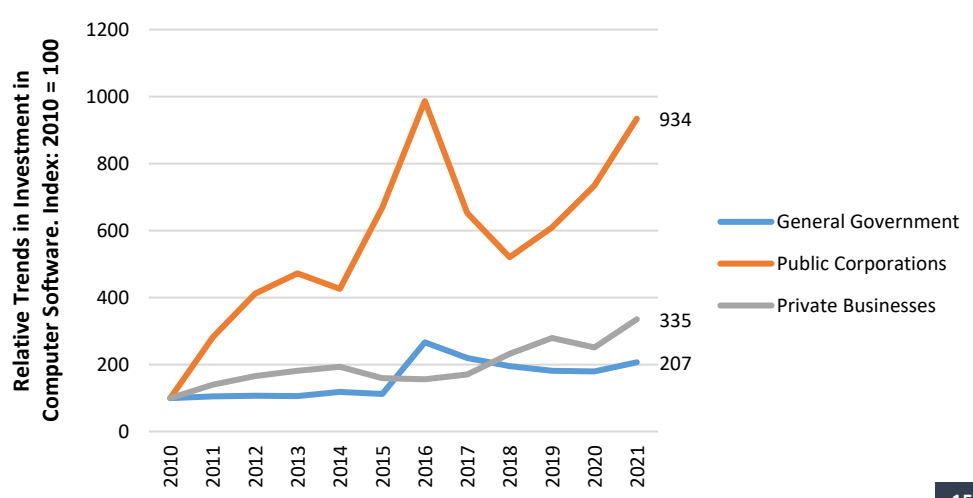
Relative Trends in Real Investment in Information, Computer & Telecommunications Equipment. Index: 2010 = 100



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Between 2010 and 2021 the real investment in information, computer and telecommunications equipment by public corporations increased by 263 percent. Over the same period, investment in this type of asset by general government increased by 57 percent and by private businesses by 26 percent.

Relative Trends in Investment in Computer Software. Index: 2010 = 100

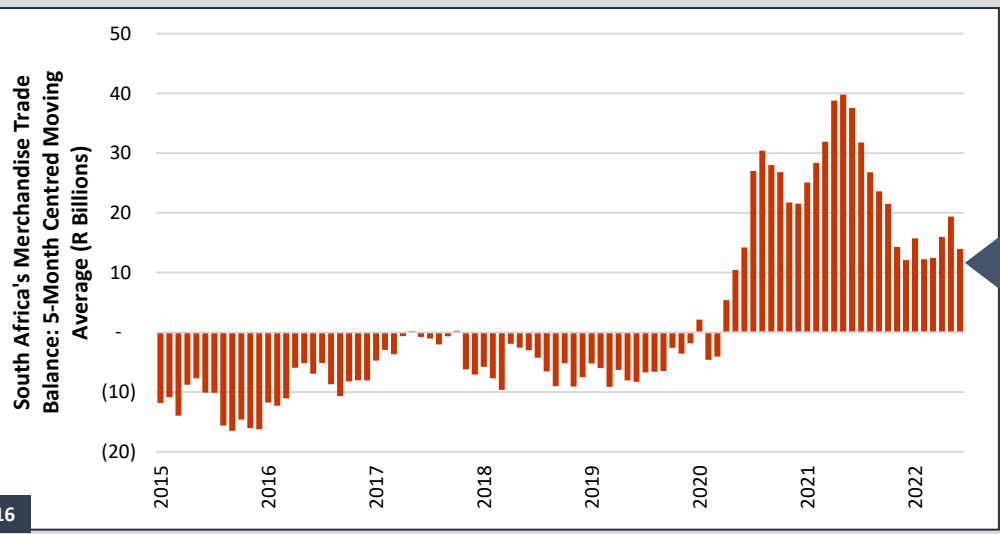


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Public corporations invested 834 percent more in real terms in computer software in 2021 than they did in 2010. Over the same period private businesses invested 235 percent more in software and general government investment in this type of asset was 107 percent higher.

International Trade

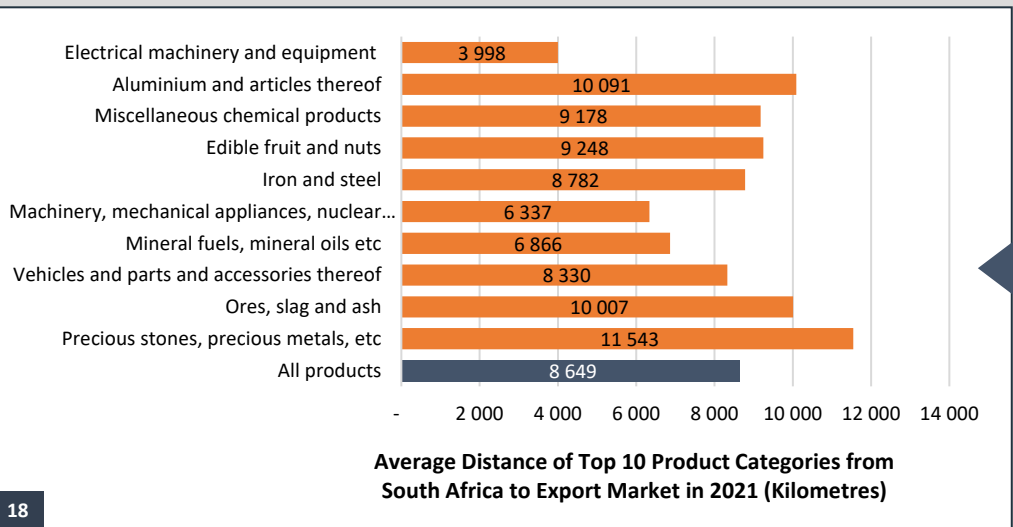
Although significantly lower than in mid-2021, South Africa has maintained a healthy merchandise trade surplus in recent months. The country's goods exports and imports generally have to travel significant distances – which increases their vulnerability to logistics backlogs and higher transport costs.



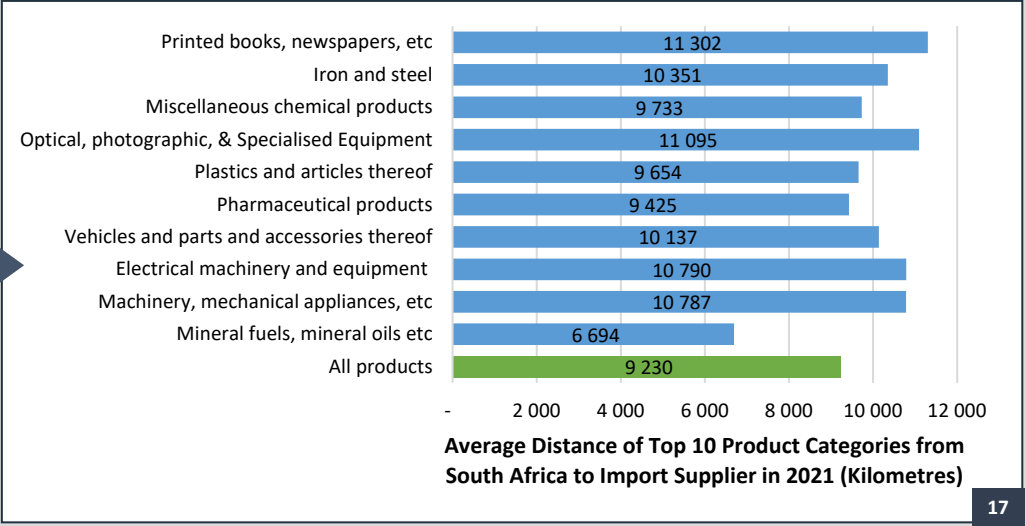
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On average imported merchandise had to travel 9,230 kilometres from the supplier to South Africa in 2021. Amongst the most significant import categories, printed books and newspapers had – on average - to travel the furthest (over 11,300 kilometres) while mineral fuels had to be transported around 6,700 kilometres.

On a smoothed basis (using a 5 month centred moving average) South Africa's merchandise trade surplus dipped to R14 billion in June 2022 – down from R19.4 billion the previous month. The country has enjoyed a healthy trade surplus since the start of the COVID-19 pandemic, although the decline in commodity prices of many of its key exports has seen the extent of the surplus narrow since mid-2021.



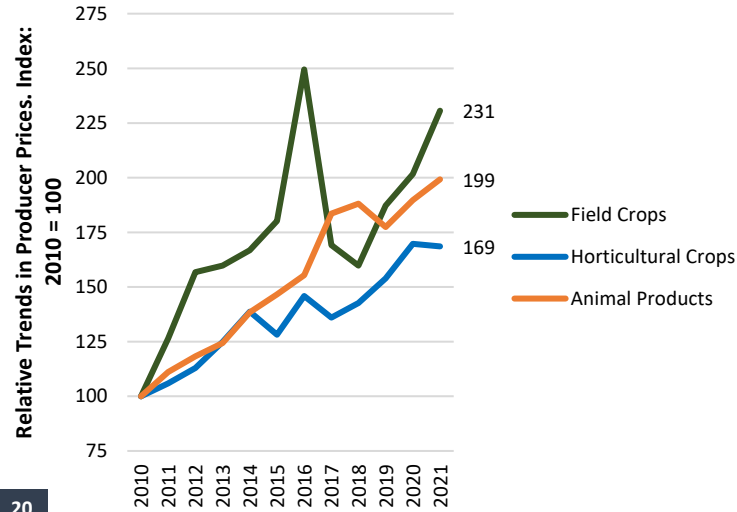
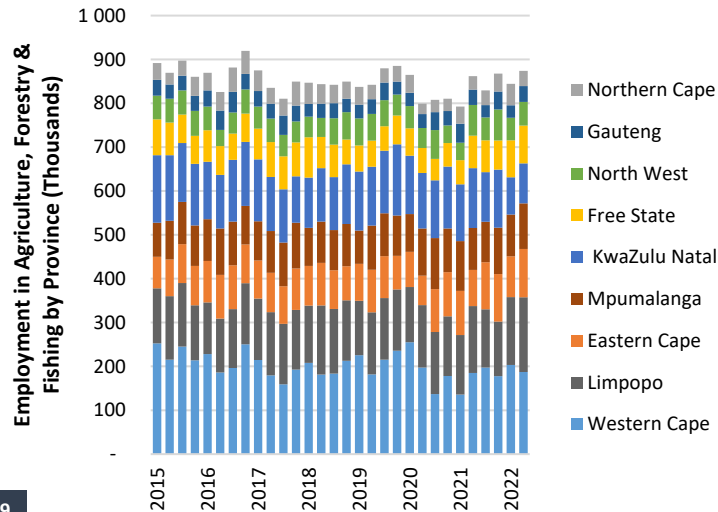
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On average South Africa's merchandise exports had to be transported almost 8,650 kilometres to reach their export markets in 2021. Precious stones and precious metal exports had –on average - to be shipped over 11,500 kilometres while electrical machinery and equipment only had to be transported 4,000 kilometres. The latter distance suggests that most of the export markets for this category of products are elsewhere on the African continent.

AGRICULTURE, FORESTRY & FISHING



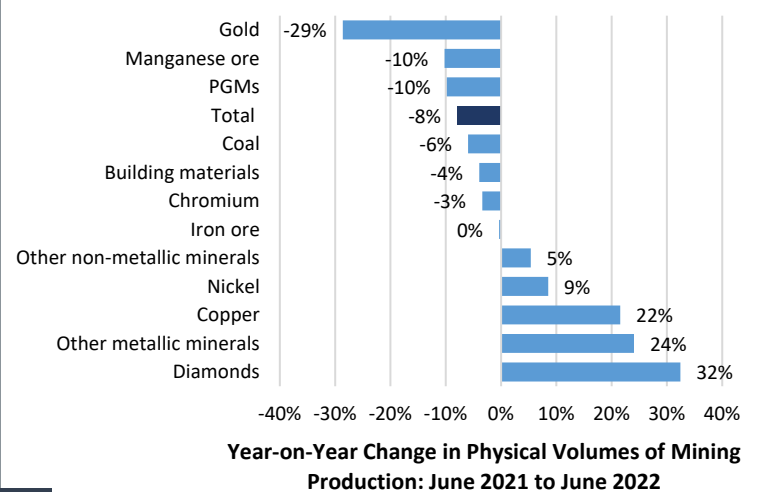
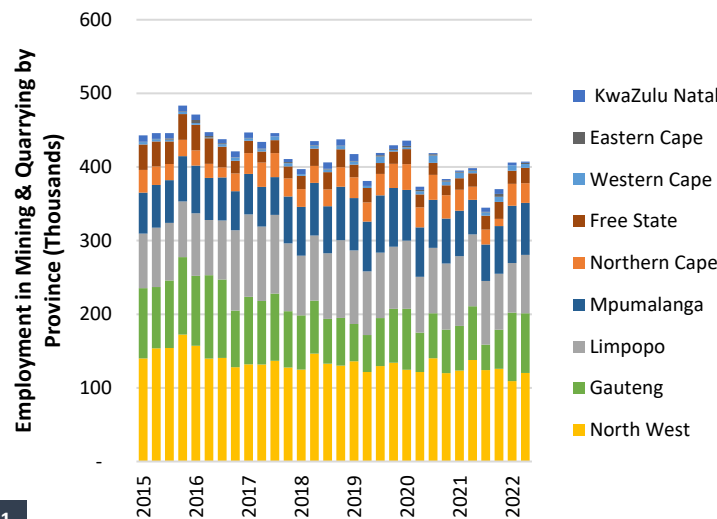
Total employment in agriculture, forestry and fishing increased from 844,000 to 874,000 between Q1 2022 and Q2 2022. The Western Cape accounted for 21 percent of this employment, followed by Limpopo (20 percent). Gauteng and the Northern Cape each accounted for only 4 percent of employment in this sector.

Producer prices of field crops increased by an average of 7.9 percent a year between 2010 and 2021. Horticultural crops rose 4.9 percent a year and animal products by an average of 6.5 percent a year over the same period.

MINING & QUARRYING

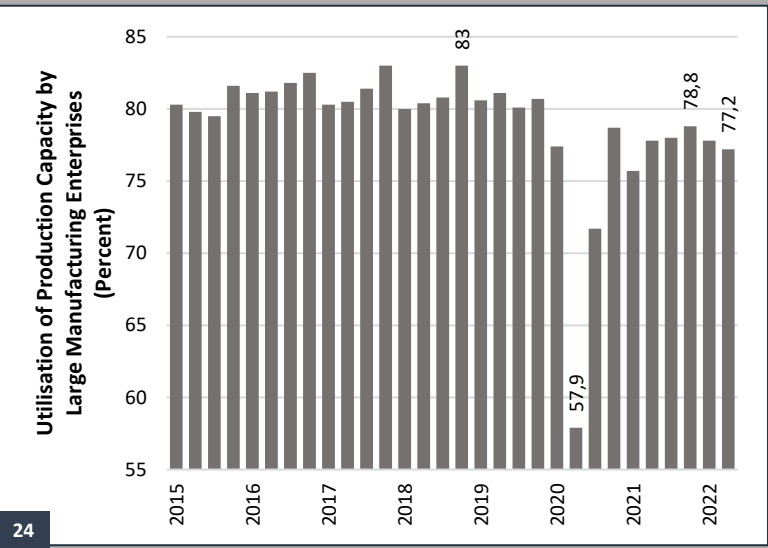
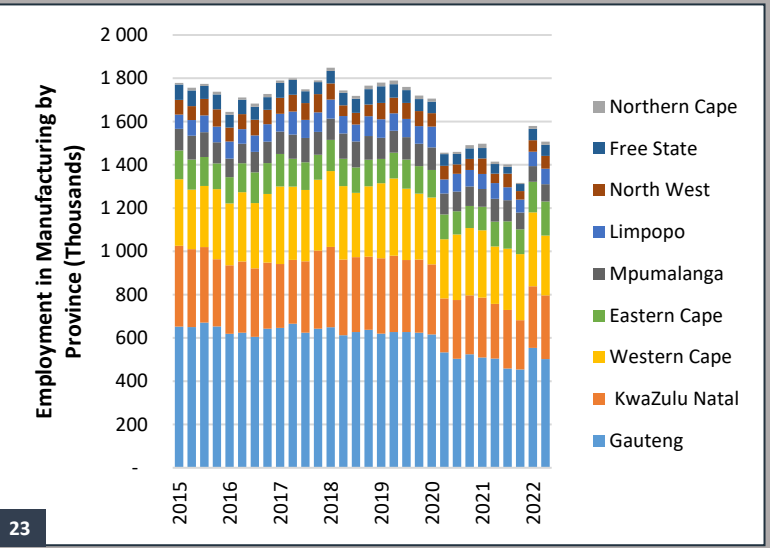
Total employment in mining and quarrying remained relatively stable at just over 400,000 in Q2 2022. Thirty percent of those employed were in the North West, followed by Gauteng (20 percent) and Limpopo (19 percent). There is not material mining employment in either the Western Cape or KwaZulu Natal.

Between June 2021 and June 2022, there was a 8 percent decline in the total physical volume of mining production. This was largely due to a 29 percent decline in gold production. This decrease was partially offset by relatively strong increases in diamonds (32 percent) and other metallic minerals (24 percent).





MANUFACTURING



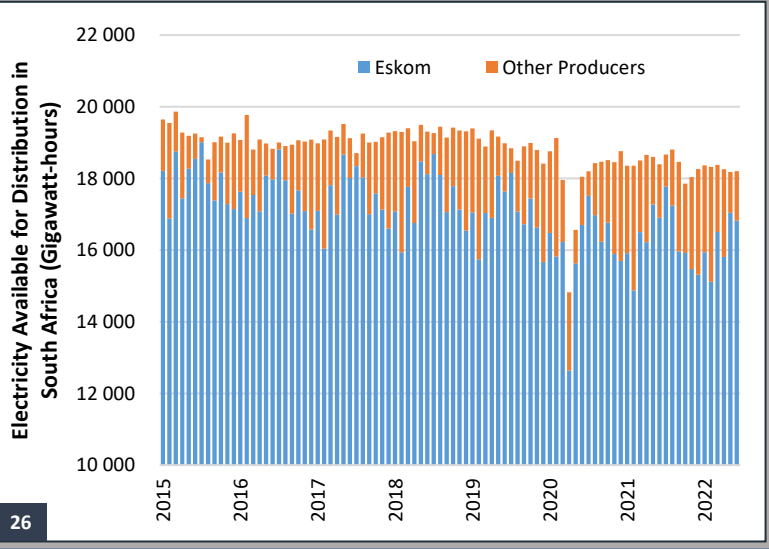
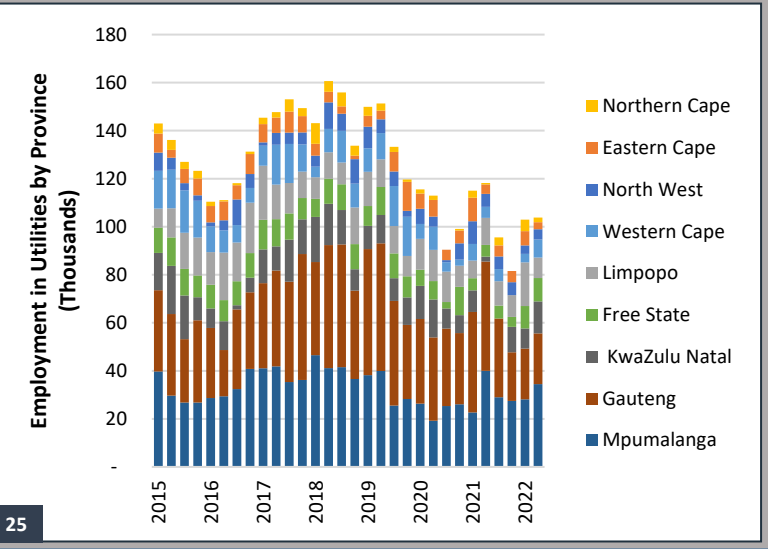
Total employment in manufacturing declined by 72,000 in Q2 2022 to 1.507 million. Gauteng accounted for a third of this employment, followed by KwaZulu Natal (20 percent) and the Western Cape (18 percent). Only 1 percent of manufacturing employment was in the Northern Cape.

After dropping sharply to less than 58 percent in Q2 2020, the extent to which large manufacturing enterprises utilized available production capacity improved steadily in subsequent quarters - but was still below pre-COVID levels. In Q2 of 2022 just over 77 percent of available capacity was utilized.

ELECTRICITY, GAS AND WATER

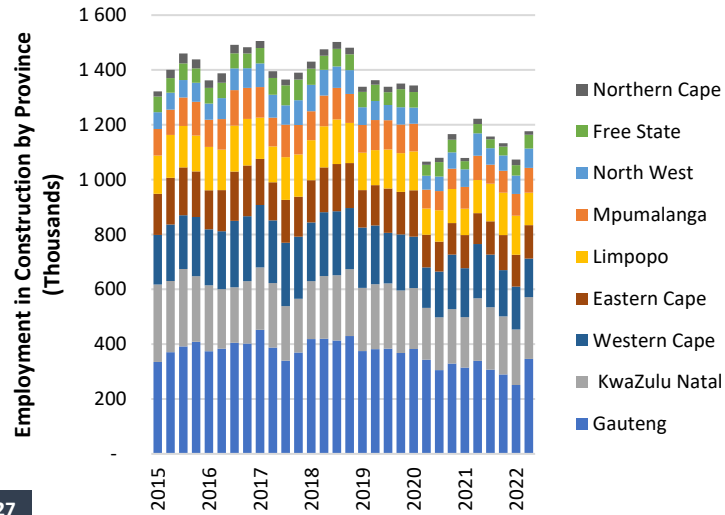
Total employment in utilities remained relatively stable at just over 100,000 in Q2 2022. A third of those employed in the sector were based in Mpumalanga, followed by Gauteng (20 percent) and KwaZulu Natal (13 percent). Two percent of those employed in the utility sector were in the Northern Cape.

In June 2022 producers other than Eskom contributed 8 percent of the electricity available for distribution within South Africa – significantly less than the 19 percent contributed in February 2021. The total electricity available in June 2022 was 11 percent lower than the maximum produced in August 2007.

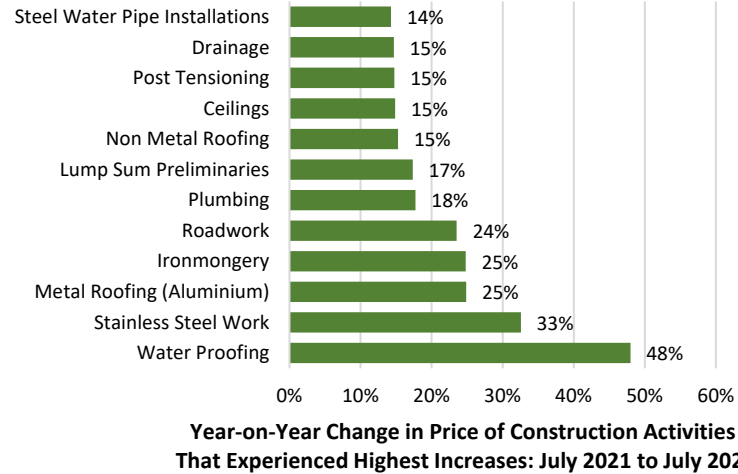




CONSTRUCTION



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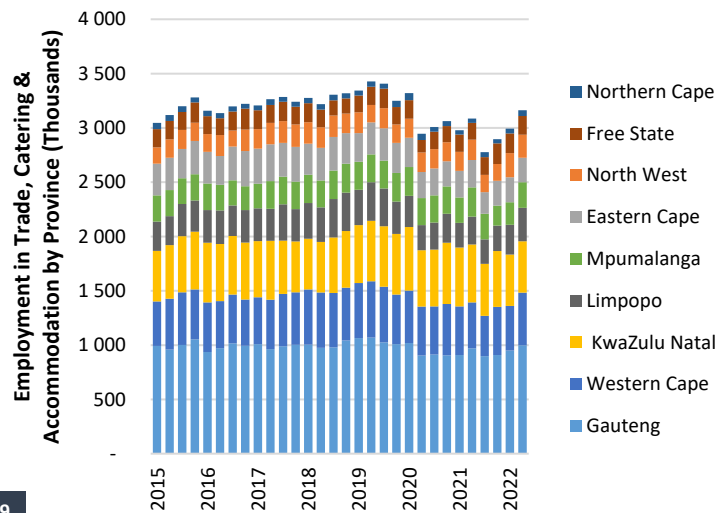
Total employment in construction increased by over 100,000 to 1.18 million in Q2 2022. Gauteng accounted for 29 percent of this employment, followed by KwaZulu Natal (19 percent) and the Western Cape (12 percent). The Northern Cape accounted for 1 percent of construction employment.

Between July 2021 and July 2022, the cost of water proofing activities in construction increased by 48 percent, and that of stainless steel work by a third. The price of a number of other construction activities increased by substantially more than the consumer price inflation rate.

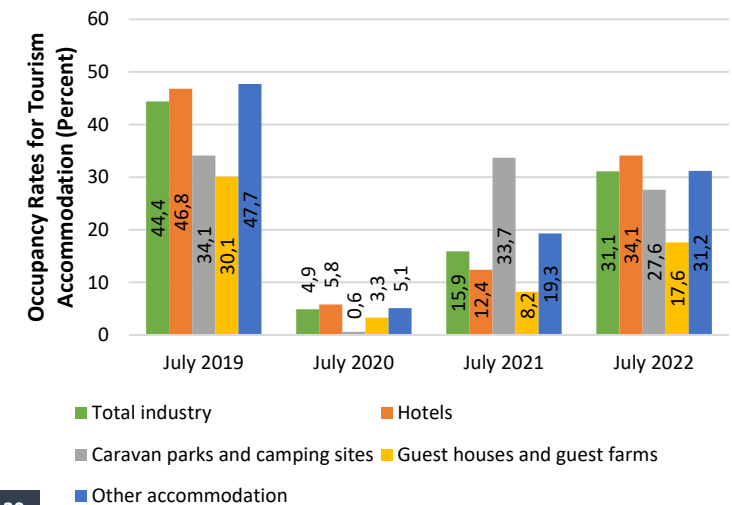
TRADE, CATERING AND ACCOMMODATION

In Q2 2022 total employment in the trade, catering and accommodation sector increased by 169,000 to 3.16 million. Thirty-two percent of those employed were based in Gauteng, with 15 percent each in the Western Cape and KwaZulu Natal respectively.

While the occupancy rates of various types of tourism accommodation have improved significantly since July 2020 they are still below their pre-COVID levels. In July 2022, hotels had average occupancy rates of 34.1 percent compared with almost 47 percent in July 2019. Guest houses had occupancy rates of less than 18 percent compared with over 30 percent before COVID.



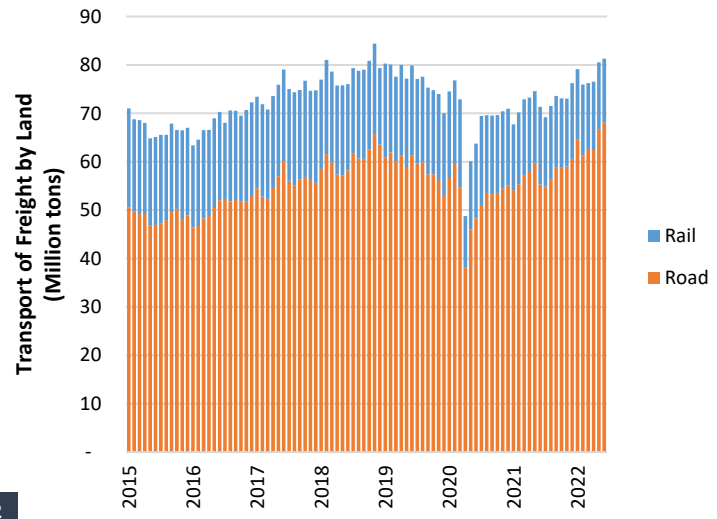
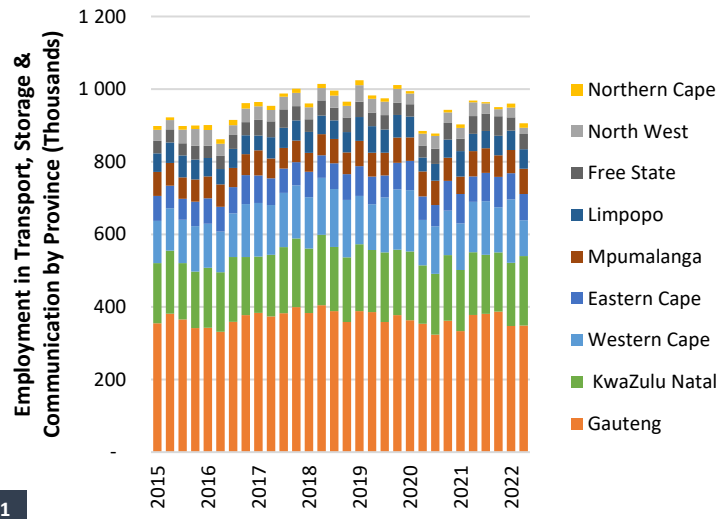
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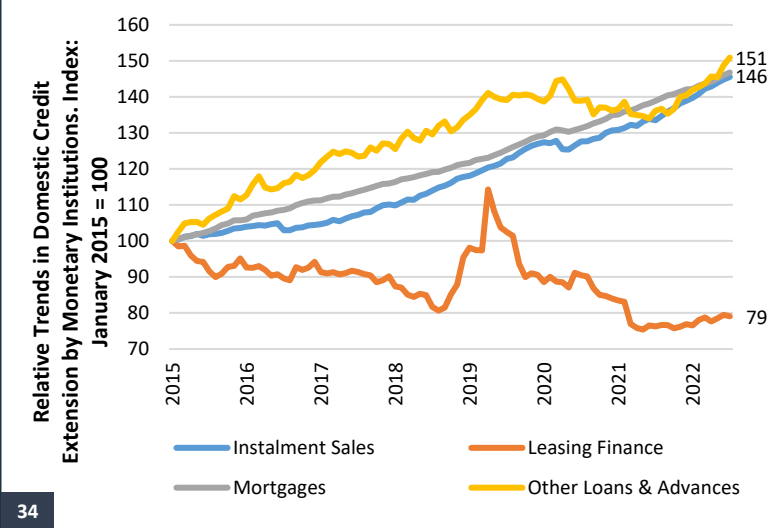
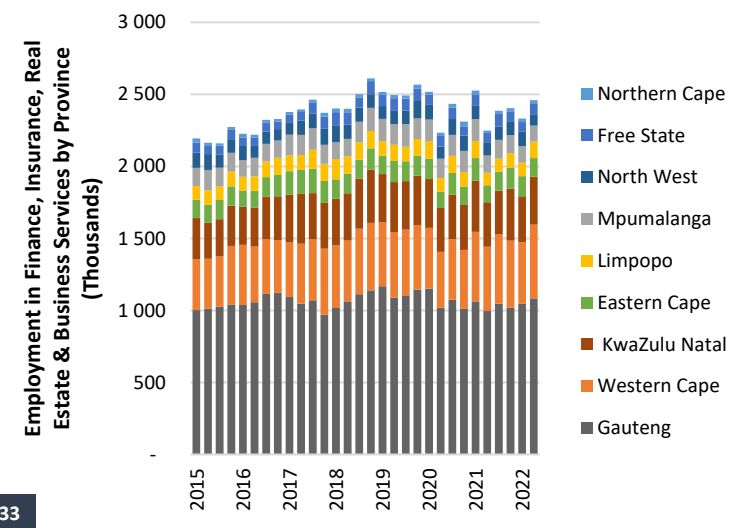
TRANSPORT, STORAGE AND COMMUNICATION



Total employment in the transport, storage and communication sector declined by 54,000 to 906,000 in Q2 2022. Gauteng accounted for 38 percent of this employment, followed by KwaZulu Natal (21 percent). The Northern Cape accounted for 1 percent of employment and the North West 2 percent. Freight tonnages transported by road increased by 23 percent in the year to June 2022 - reaching record levels of 68 million tons. By contrast, freight transported by rail declined by 18 percent over the same period and was 35 percent below its post-2015 peak. Total freight transported over land decreased by 4 percent in the year to June 2022.

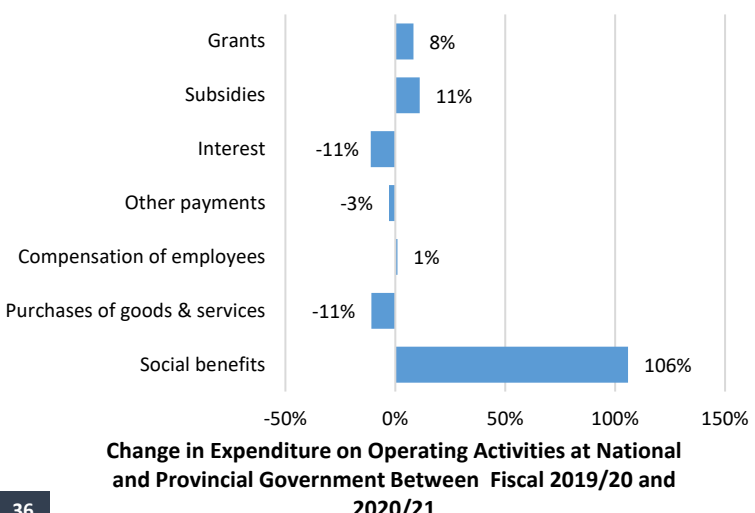
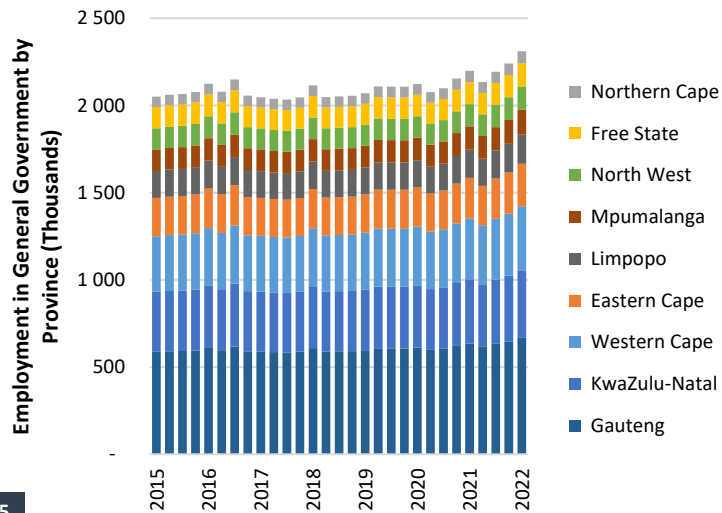
FINANCE, INSURANCE, REAL ESTATE AND BUSINESS SERVICES

Total employment in the finance, insurance, real estate and business services sector increased by 128,000 to 2.46 million in Q2 2022. Forty-four percent of those employed in the sector were based in Gauteng, followed by the Western Cape (21 percent) and KwaZulu Natal (14 percent). Total loans and advances to the domestic private sector increased by 8.3 percent in the year to July 2022. Instalment sales, mortgages and other loans and advances have converged and were between 46 percent and 51 percent higher in July 2022 than in January 2015. Leasing finance was 21 percent lower over the same period.





GENERAL GOVERNMENT



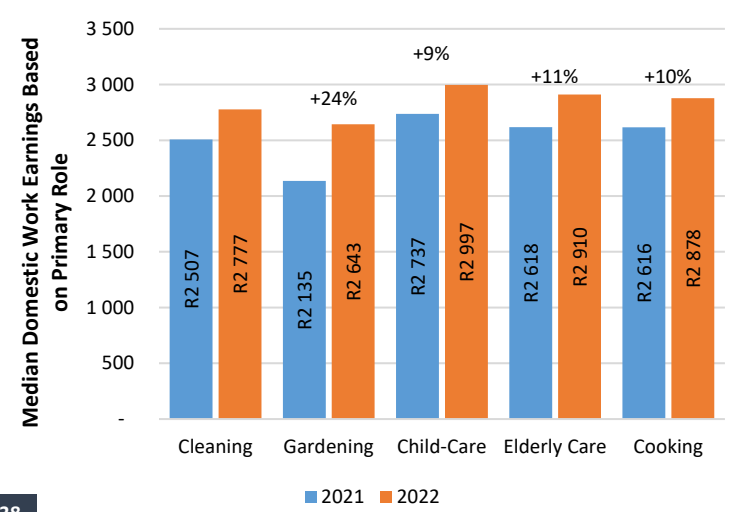
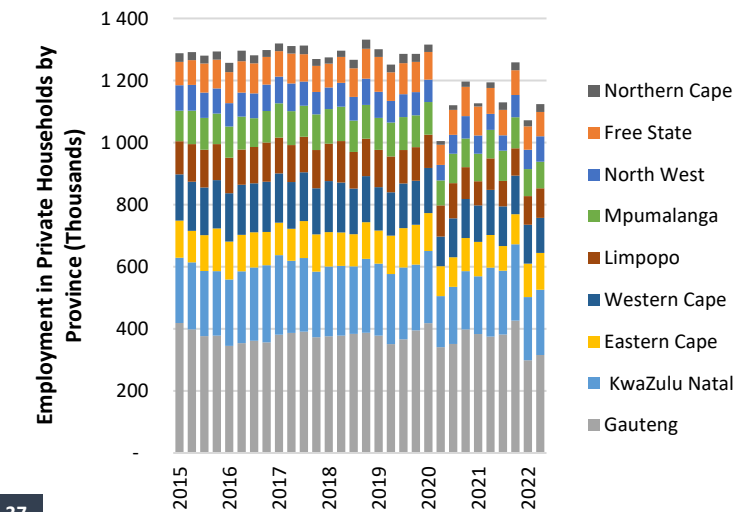
Total employment in general government rose by 69,000 in Q1 2022 – to 2.3 million. Gauteng accounted for 29 percent of those employed, followed by KwaZulu Natal (17 percent) and the Western Cape (16 percent). Three percent of government employees were in the Northern Cape.

Between the 2019/20 and 2020/21 fiscal years extra-budgetary cash payments for social benefits increased by 106 percent to R106.1 billion. Expense cash flows for grants and subsidies also increased by 8 percent and 11 percent respectively. Interest and other payments, both decreased by 11 percent.

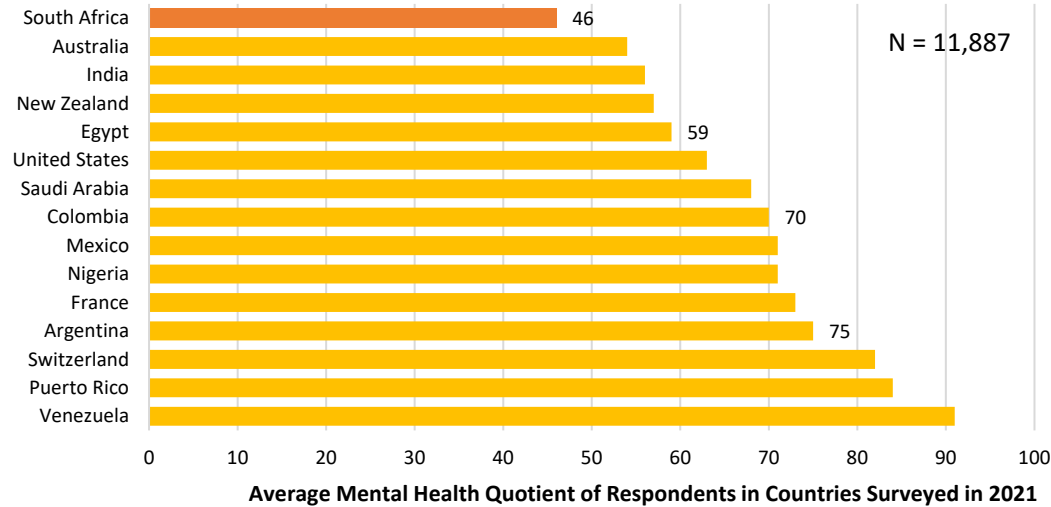
COMMUNITY, SOCIAL AND PERSONAL SERVICES

Total employment in private households increased by 52,000 to 1.12 million in Q2 2022. Twenty-eight percent of those employed were located in Gauteng, followed by KwaZulu Natal (19 percent) and the Western Cape (10 percent).

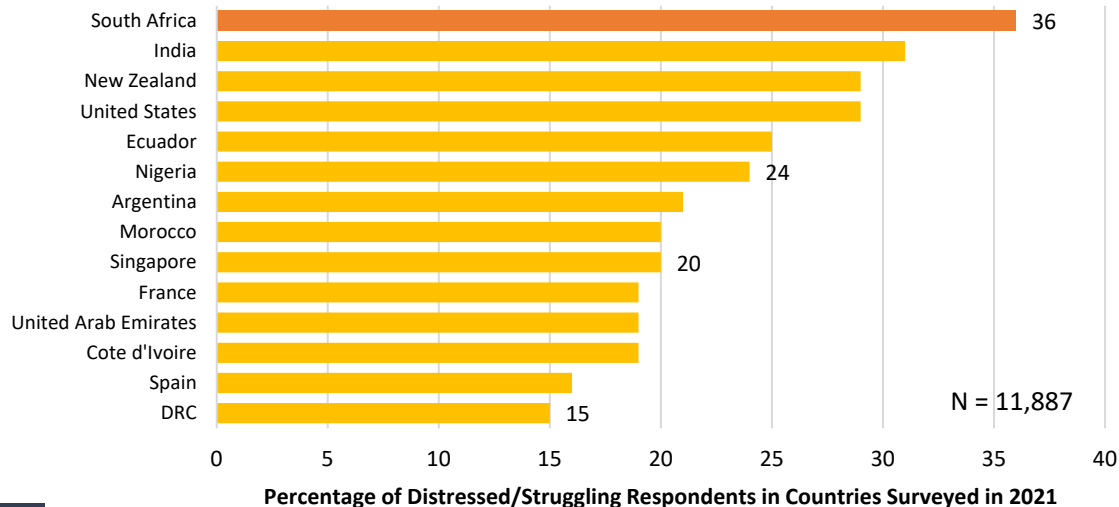
In 2022, the highest median domestic worker earnings was still in Child-care (R2,997) despite showing the lowest growth from 2021 at 9 percent. While remuneration for gardening activities experienced the largest increase (24 percent), its median earnings were the lowest (R2,643).



The Mental Wellbeing of Countries, Mental State of the World Report 2021
Sapien Labs



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- Sapien Labs conducted a study on the mental wellbeing of 34 different country populations in 2021. The data for the study was collected using an online assessment tool called the Mental Health Quotient (MHQ). The MHQ was developed to address existing challenges with mental health assessment, and the diversity and co-morbid nature of mental illness.
- It is comprised of 47 elements of mental function - including both problems and assets - and uses these elements to construct an aggregate score to position individuals on a spectrum from “Distressed” to “Thriving”, as well as sub-scores across 5 broad functional dimensions.
- The MHQ spans a possible range of scores from -100 to +200 where negative scores indicate a mental wellbeing status that has significant negative impact on the ability to function.
- Importantly the MHQ score is not based on a simple averaging of question ratings but rather each individual rating is thresholded along the functional scale between positive and negative impact to function and nonlinearly transformed based on a ranked severity of implications.
- Of the 34 countries that were surveyed, South Africa had the lowest average MHQ score with 46 - a decrease of 3 percentage points from 2020.
- The report found a significant link between declining MHQ scores between 2019 and 2021 and the stringent COVID-19 regulations introduced from 2020 across the world.
- The report also showed that South Africa had the highest percentage (36 percent) of people struggling or in mental distress - up 8 percentage points from 2020.

Data sources used in this document

Section A

Graph	Source of data
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33	Statistics South Africa QLFS (P0211)
34	South African Reserve Bank Monthly Release of Selected Data
35	Statistics South Africa QES (P0277), Quantec Standardised Regional Database
36	National Treasury, Budget 2022
37	Statistics South Africa QLFS (P0211)
38	Sweep South, Annual Domestic Worker Report. 2021 and 2022

Section C

Graph/ Table	Source of data
39	Sapien Labs. (2022). Mental State of the World 2021.
40	Sapien Labs. (2022). Mental State of the World 2021.

Economic and Employment Indicators and Trends in South Africa

Issue # 08 (August 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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