



September 2022

Economic and Employment Indicators & Trends in South Africa

Issue # 09

National Economic Development and Labour Council



Contents



The Month in Review



Section A: Macro Data Trends and Analysis



Section B: Sector Analysis



Section C: Recent Research of Interest

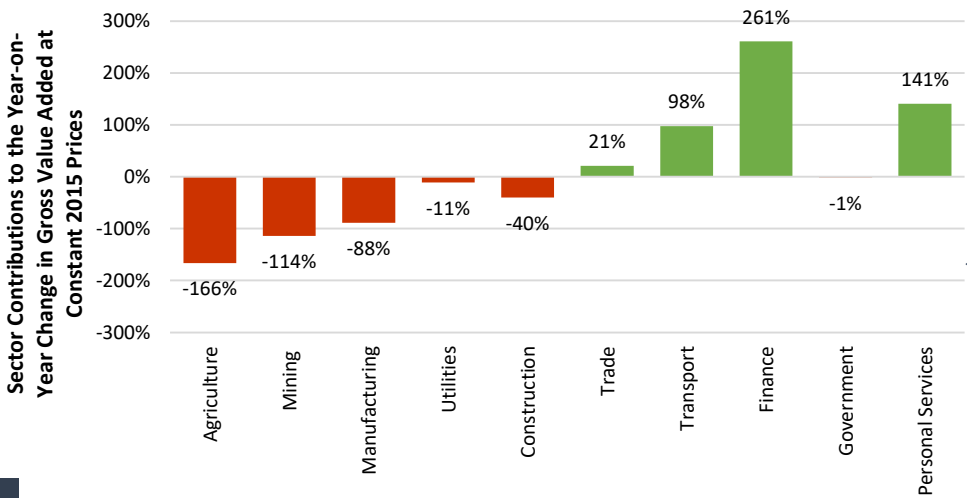


- The latest economic data continues to indicate a fragile economic recovery with diverse sector performance and weak spending growth. The recovery has not been helped by intensified loadshedding by Eskom that has disrupted economic activity and damaged confidence.
- While the GDP data for Q2 2022 points to marginal growth in relation to the previous year, it suggests a contraction in the seasonally-adjusted annualised data when compared to the preceding quarter and an economy that is, once again, smaller than it was before the start of COVID-19.
- In addition to some improvements in the aggregate number of people employed, there were reductions in the expanded unemployment rate in the first half of 2022. These were accompanied by relative increases in both absorption and participation rates. However, almost all employment and labour indicators are still notably worse than before COVID.
- The financial position of many consumers has deteriorated as a result of increased inflationary pressures arising from higher food, energy and transport costs. Although these pressures were already rising prior to Russia's invasion of Ukraine, they were exacerbated by that conflict. In response, the Monetary Policy Committee of the South African Reserve Bank has – along with monetary authorities in many other parts of the world – raised policy rates.

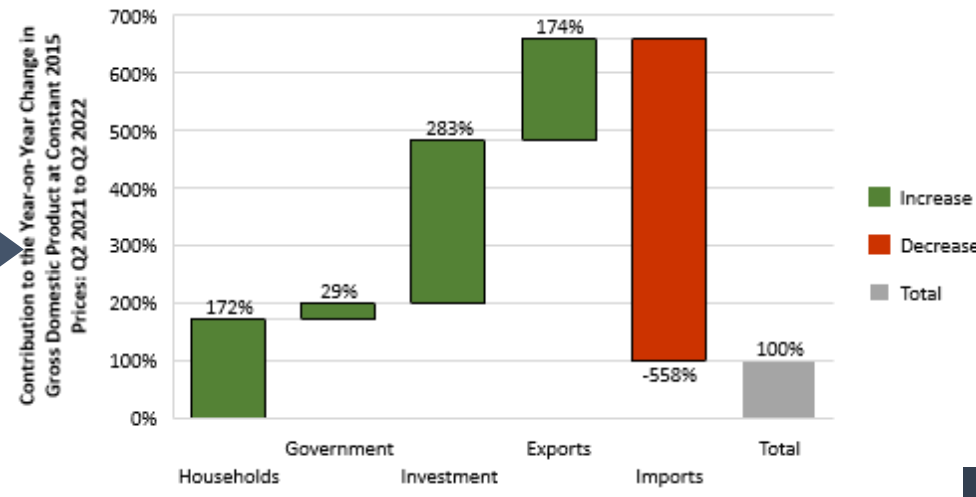


- In South Africa's case the repo rate was increased by 75 basis points to 6.25 percent in September 2022. This is the same level as prevailed before COVID. However, because of significantly higher inflation, real borrowing costs are substantially lower now than before COVID – with real prime overdraft rates of 183 basis points compared with 637 basis points in November 2019.
- One of the encouraging developments has been a relative improvement in levels of gross capital formation, with spending on both fixed capital formation and inventories increasing in both absolute and relative terms. The downside of this has been a rapid increase in imports – particularly of machinery and equipment – which has resulted in the trade balance moving from a large surplus to a small deficit. At the same time, export earnings have continued to be supported by high gold and coal prices that are beneficiaries of the heightened global uncertainty and disruptions to European gas supplies due to the war in the Ukraine.
- On the production side of the economy, the primary and secondary sectors – which are exposed to international competition to a greater extent - all contracted on a year-on-year basis in Q2 2022. The fragility of the recovery is also reflected in the recent performance of high frequency data, which remains quite mixed. Some indicators – such as manufacturing production volumes, vehicle exports, retail sales and tourism accommodation - suggest improvement and expansion, while others – such as mining production volumes, building plans passed and liquidations and insolvencies – point to deterioration and contraction.

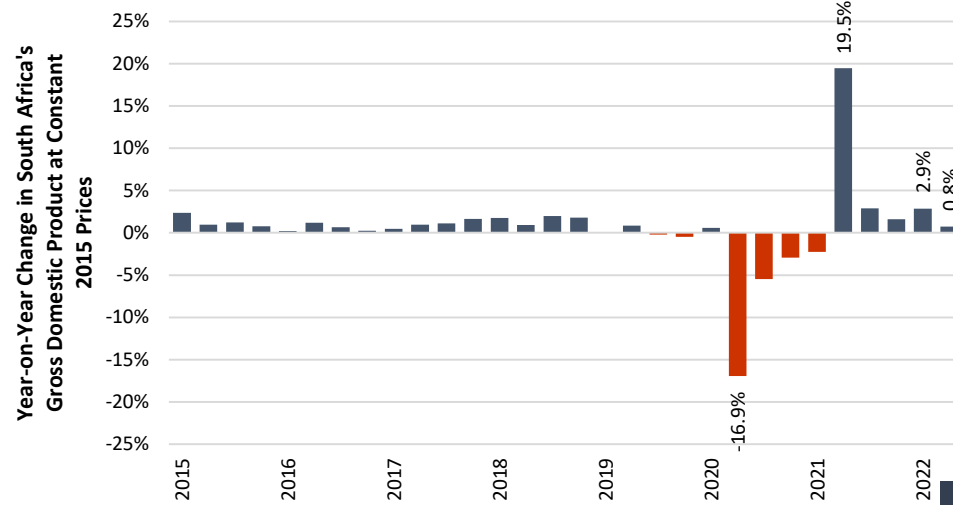
South Africa managed a fifth consecutive increase in year-on-year changes in real gross domestic product in Q2 2022, but the rate of economic growth slowed to 0.8 percent – which is below the rate of increase in the population over the same period. However, on a seasonally-adjusted quarter-on-quarter basis, real GDP contracted by 0.7 percent between Q1 2022 and Q2 2022 and was back to being below its pre-COVID levels (Q4 2019).



The expenditure/demand side of the economy saw positive contributions from gross capital formation (investment), exports and household consumption but these were largely offset by much higher imports. The high percentage contributions by a number of components are the result of a relatively small (R34 billion) increase in real GDP in the year to Q2 2022.



On the production side of the economy, all the primary and secondary sectors made negative contributions to the growth in total output in the year to Q2 2022. These were offset by relatively strong contributions from the tertiary sectors – especially finance, insurance, real estate and business services which accounted for more than 260 percent of growth.

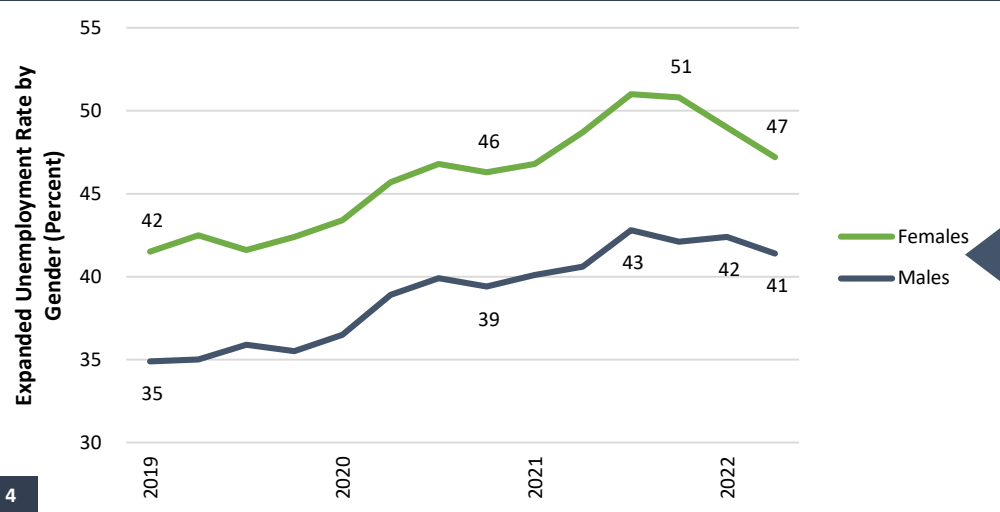


Gross Domestic Product

South Africa's economic recovery struggled to gain momentum in Q2 2022 – recording a small increase when compared with Q2 2021, but a decline in relation to the previous quarter. All the primary and secondary sectors made negative contributions to growth and imports recovered strongly on the expenditure side

Employment

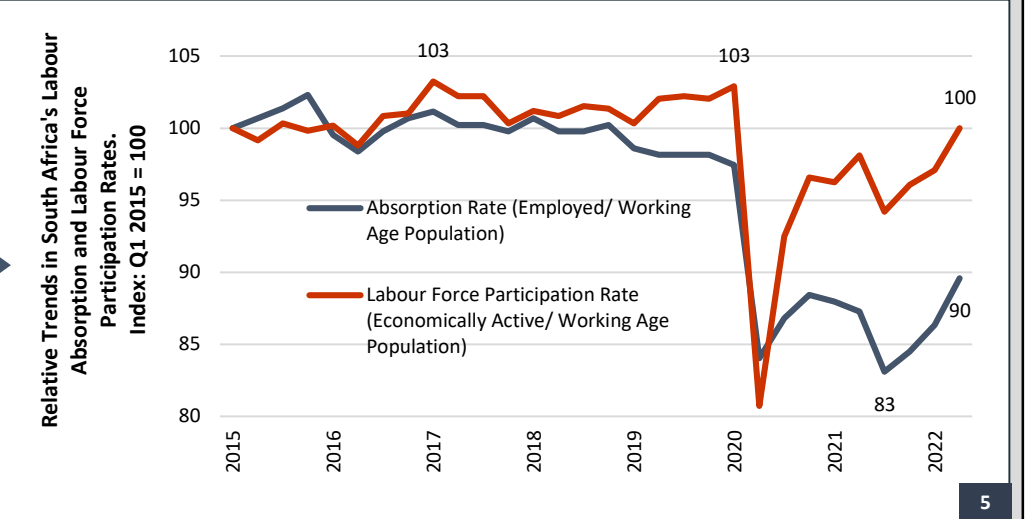
Although still worse than during the pre-COVID period, there was a qualitative improvement in some employment indicators in the first half of 2022 – with expanded unemployment rates declining, absorption and participation rates improving and a greater proportion of those employed working between 30 and 45 hours per week.



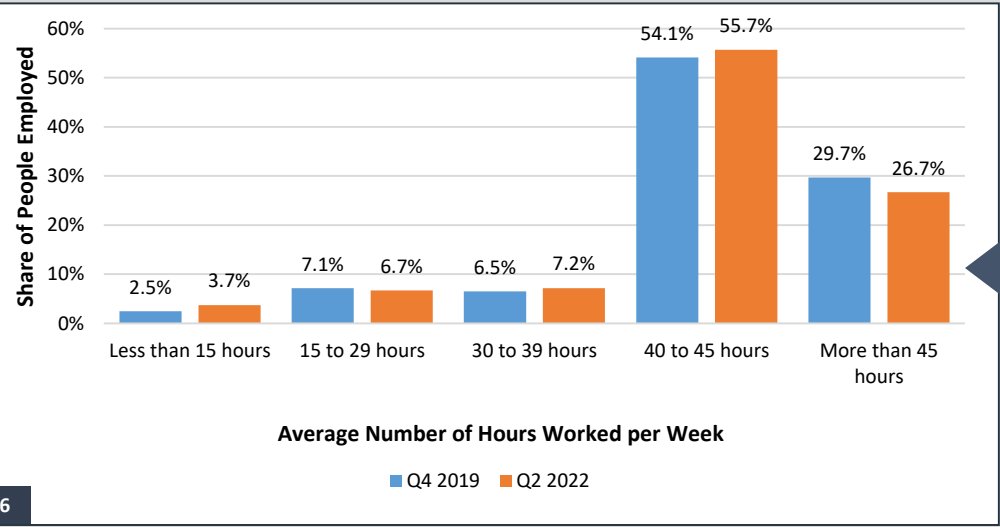
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The second quarter of 2022 saw a slight decline in the expanded unemployment rate for both males and females. While the rate of unemployment for females remained significantly higher than for males it showed a relatively greater decline – from 51 percent in Q4 2021 to 47 percent in Q2 2022. By contrast the decline in the male expanded unemployment rate was more muted – from 42 percent to 41 percent. These rates are still substantially higher than at the start of 2019, when 35 percent of males and 42 percent of females in the working age population were unable to find employment.

The absorption rate reflects the proportion of the working age population that is employed. This increased from 37.3 percent in Q1 2022 to 38.7 percent in Q2 2022 – but was still 10 percent lower than at the start of 2015. The participation rate reflects the proportion of the working age population that are participating in the labour market through employment or job-seeking. It rose to 58.6 percent in Q2 2022 - up from 56.9% in previous quarter.



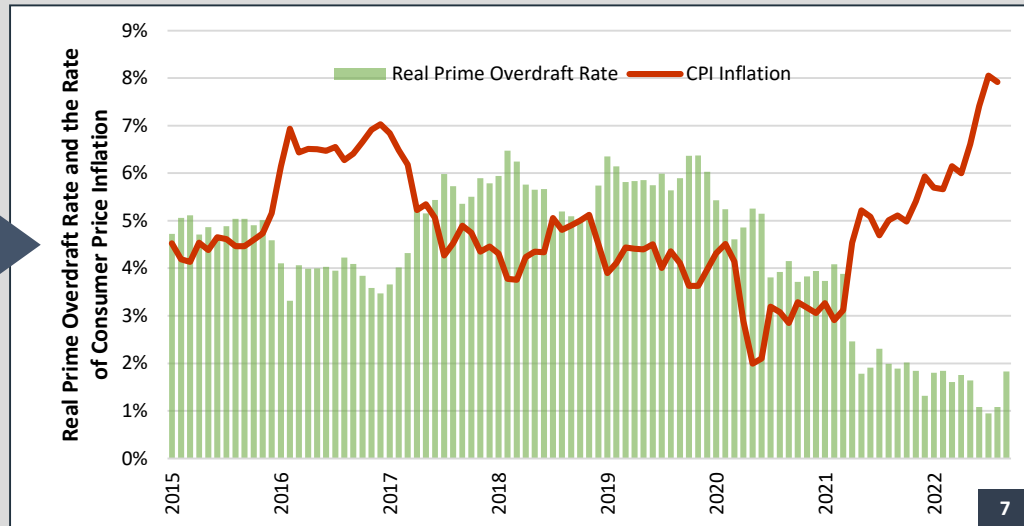
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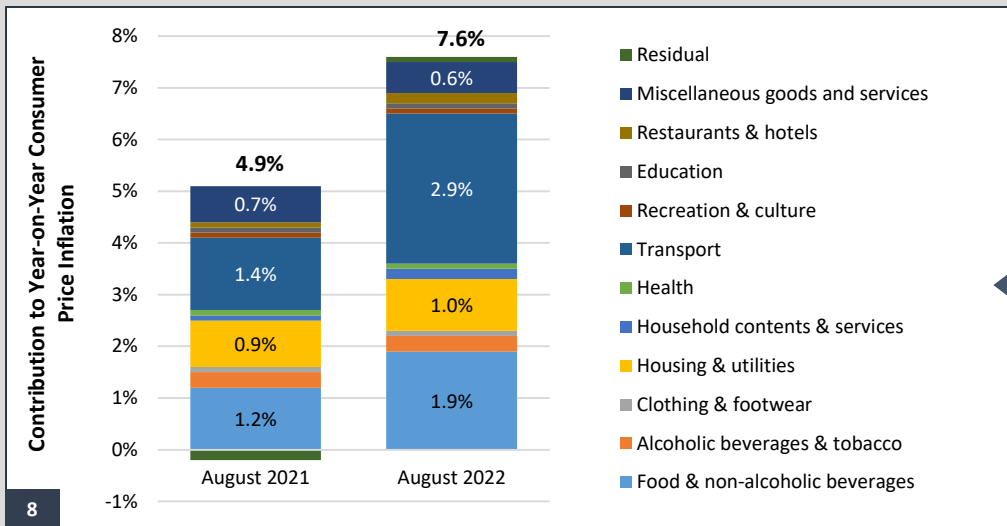
When compared with working hours in the pre-COVID period (60.6 percent in Q4 2019) a greater proportion of those employed (62.9 percent in Q2 2022) worked between 30 and 45 hours a week. Over the same period the proportion of employed people working less than 15 hours per week increased from 2.5 percent to 3.7 percent, while those working more than 45 hours per week declined from 29.7 percent to 26.7 percent.

In line with developments in most parts of the world, consumer price inflation in South Africa rose steadily for much of 2021 and the first half of 2022. In July 2022 it reached its highest level since 2009. In response the Monetary Policy Committee of the South African Reserve Bank progressively raised the repo rate back to its pre-COVID level of 6.25 percent. However, despite these increases real borrowing costs (represented by the real prime overdraft rate) remain at much lower levels than they were between January 2015 and March 2021. Following the latest increase, the real prime overdraft rate stood at 183 basis points.



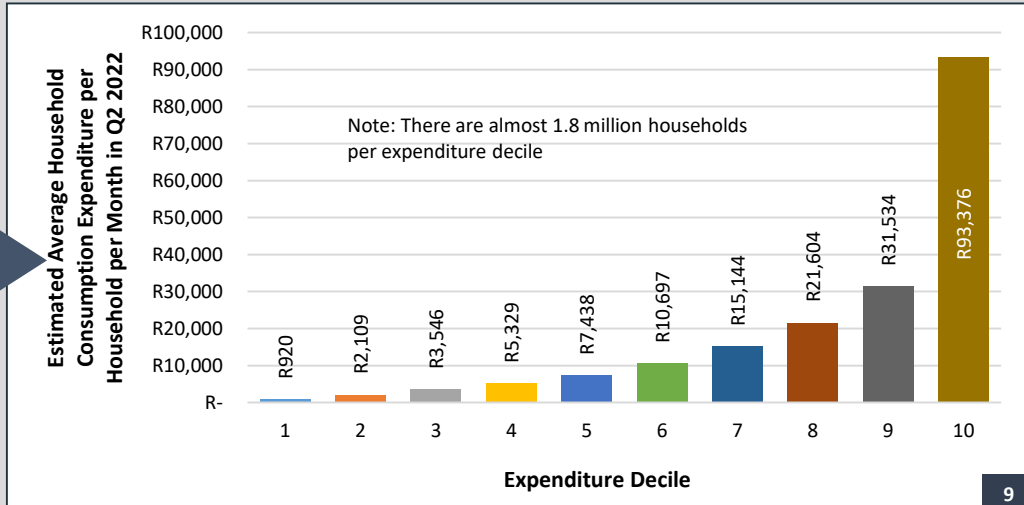
Households

Consumer inflation rose to its highest levels since 2009 in mid-2022 – resulting increases in the Reserve Bank’s accommodation (repo) rate. However, in real terms borrowing costs are still low compared to pre-COVID years. The stagnating economy has contributed to increases in poverty.



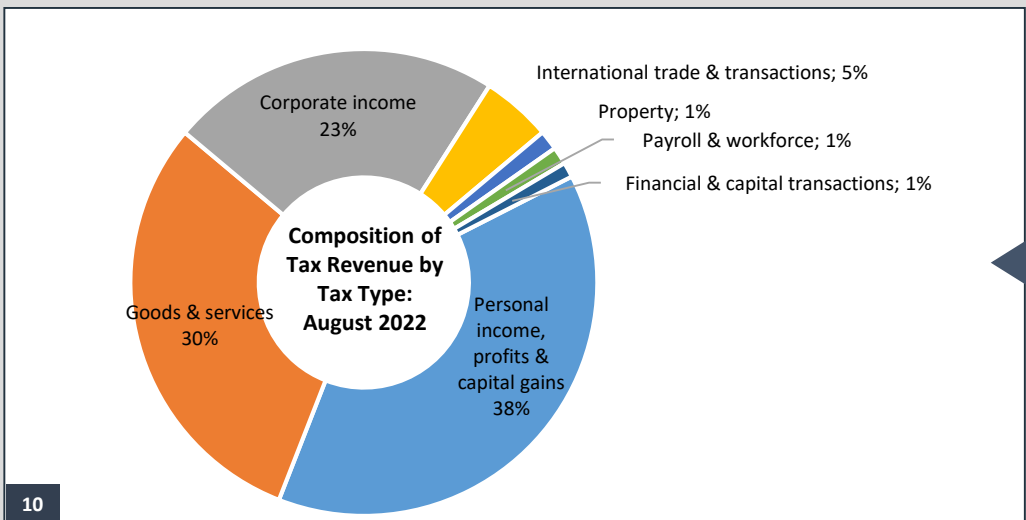
Inflationary pressures continue to be driven by food, utility and transport costs. Collectively, these three categories accounted for 5.8 percent of the 7.6 percent increase in the Consumer Price Index in the year to August 2022. By comparison, in August 2021 they contributed 3.5 percent of the 4.9 percent inflation.

Applying the weights per household expenditure decile published in the Consumer Price Index to the household consumption expenditure estimate for Q2 2022 indicates that – on average – households in the lowest decile were only able to consume around R920 of goods and services per month. This was less than one hundredth of what households in the top decile could consume and less than one tenth of what households in the 6th decile could consume. When account is taken of the 2022 Food Poverty Line of R663 per person per month and the Lower Bound Poverty Line of R945 per person per month it suggests a high poverty prevalence – especially in the bottom three expenditure deciles.



Government

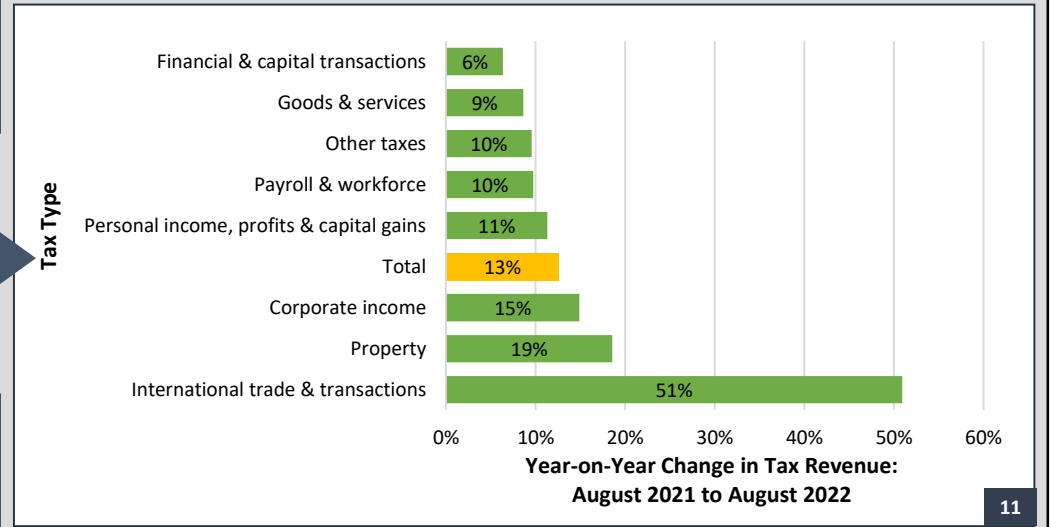
Direct taxes (personal and corporate taxes) contributed 61 percent of total taxes collected in August 2022. While the overall growth in tax collections was relatively muted, the tax on international trade and transactions increased by over 50 percent in the year to August 2022.



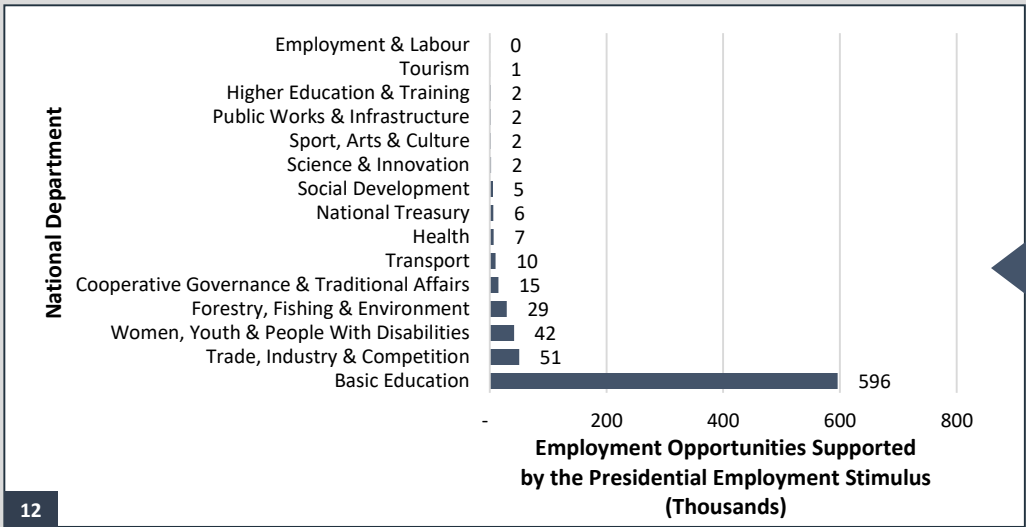
10

In the year to August 2022 total tax revenue increased by 13 percent. The rise was driven by a 51 percent increase in taxes on international trade and transactions and a 19 percent rise in property taxes. Increases in direct taxes on corporate (15 percent) and personal (11 percent) income were more muted. Indirect taxes on goods and services (primarily VAT) only rose by 9 percent.

In August 2022, taxes on personal income, profits and capital gains contributed 38 percent of total tax revenue. This compares with an average of around 23.5 percent in OECD countries. It was followed by goods and services taxes (30 percent) and corporate income taxes (23 percent). Property taxes, payroll taxes and financial and capital transaction taxes each contributed 1 percent or less of total tax revenue, while taxes on international trade added 5 percent.



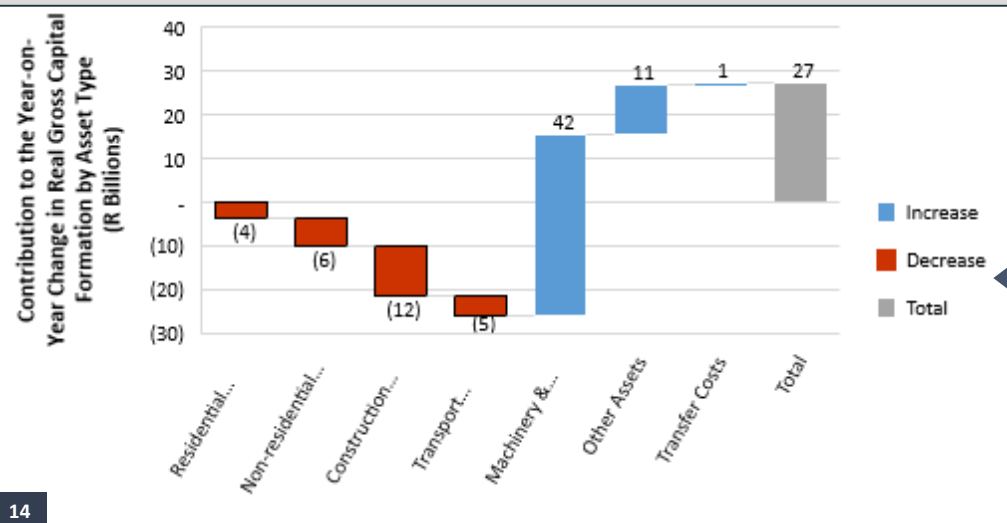
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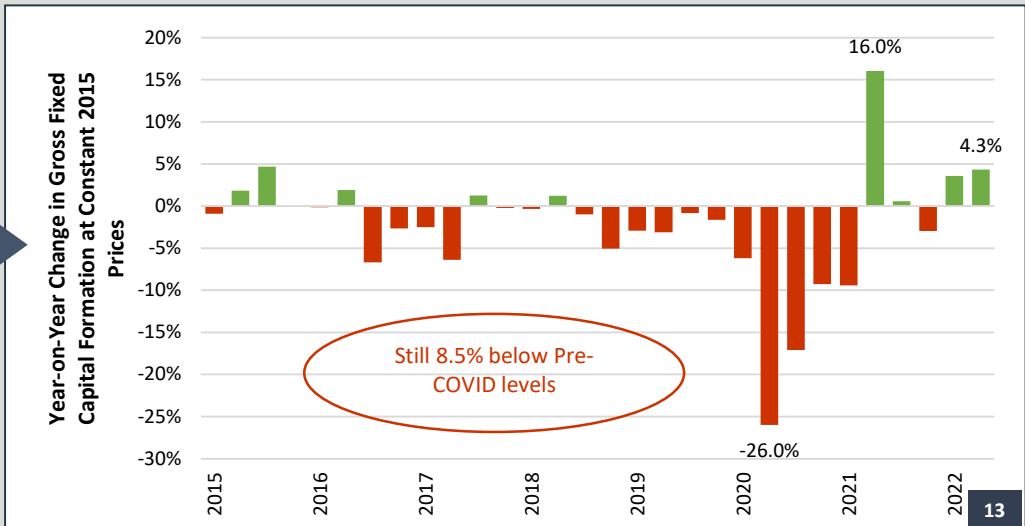
Statistics from the Presidential Employment Stimulus suggest that over 771,000 employment opportunities were supported over the past two years. The vast majority of these (77 percent) were in Basic Education, followed by Trade, Industry and Competition (7 percent) and Women, Youth & People With Disabilities (5 percent). Only 40,399 of these employment opportunities were retained.

Gross fixed capital formation recorded its second consecutive year-on-year increase in Q2 2022, rising by 4.3 percent when compared with a year earlier. Despite this increase, levels of fixed capital formation were still 8.5 percent lower than before the start of COVID and 17 percent below their levels at the start of 2015. Gross fixed capital formation as a share of GDP was 14.5 percent in Q2 2022 – up from its levels of 14 percent a year earlier, but still well below the 30 percent target of the National Development Plan.

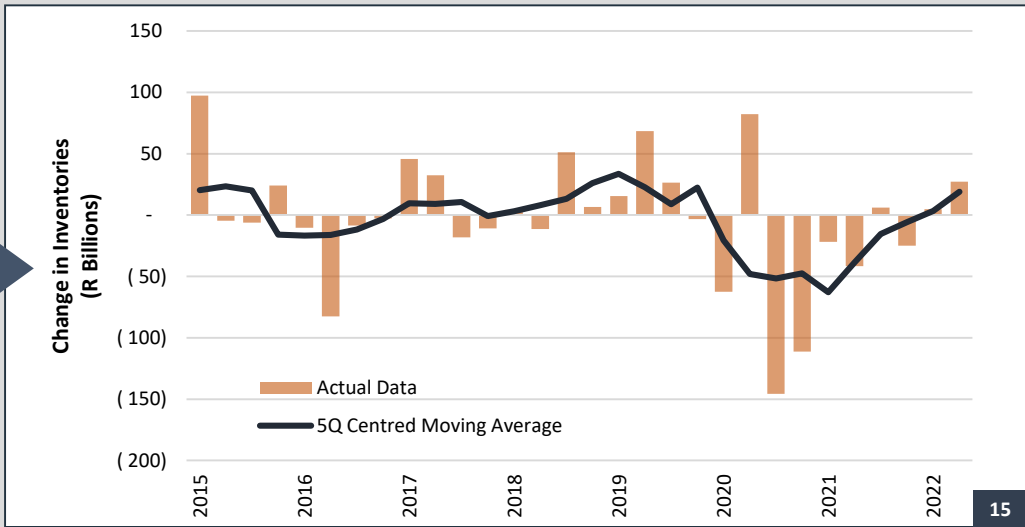


14

Although volatile, inventory changes have been on an improving trend since Q3 of 2020 and turned positive in the first half of 2022. This suggests that businesses are starting to recognise the need to increase stock levels to accommodate rising demand and/or limit the potential damage of further disruptions to global supply chains.



The R27 billion increase in real gross fixed capital formation between Q2 2021 and Q2 2022 was due almost entirely to a R42 billion rise in investment in machinery and equipment and a R11 billion increase in investment in other assets. These improvements were offset by further declines in construction-related fixed investment and a drop in investment in transport equipment.



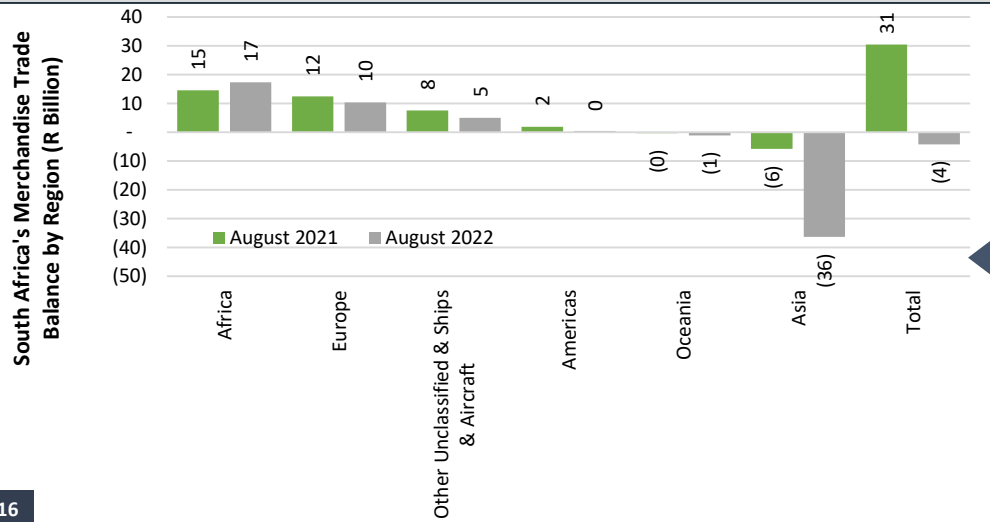
15

Investment

Although still fairly muted the recovery in both gross fixed capital formation and inventory levels gained further momentum in Q2 2022. However, improvements in fixed investment spending are currently confined to machinery and equipment and other assets.

International Trade

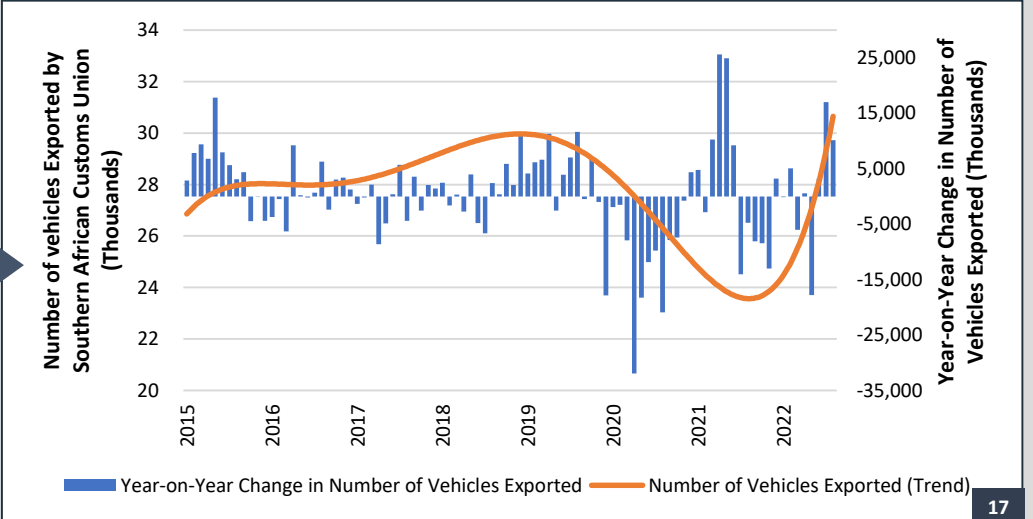
South Africa's trade patterns have experienced interesting shifts in recent months – due in part to changing commodity prices on exports and much higher imports linked largely to improved levels of fixed investment in machinery and equipment in particular. Vehicle exports have been on a rising trend since Q3 2021.



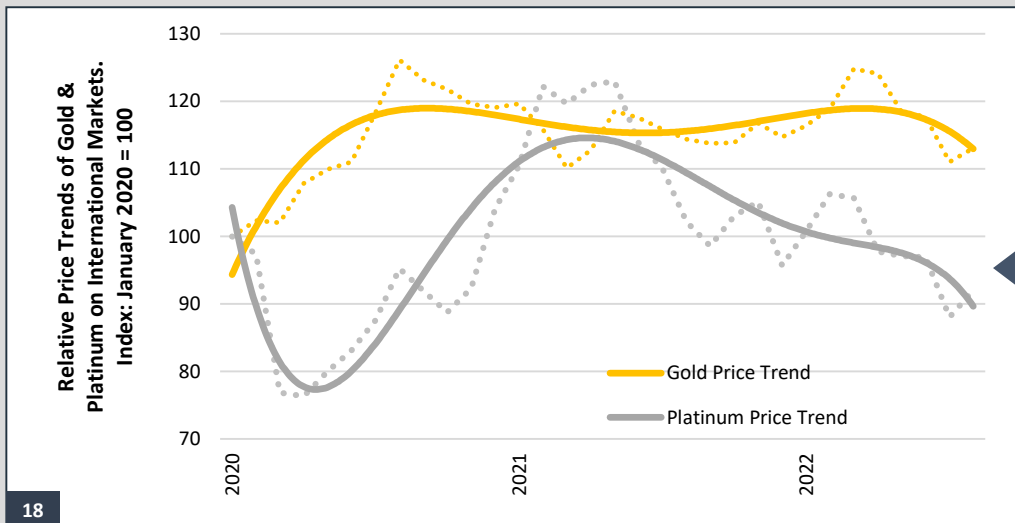
16

There was a significant swing South Africa's merchandise trade in the year to August 2022. These resulted in an increase in the trade surplus with Africa, smaller surpluses with Europe, the Americas and the unclassified goods and ships and aircraft category and a much larger deficit in the country's trade with Asia. Overall, the trade surplus of R31 billion in August 2021 swung around to a trade deficit of R4 billion a year later. Increased fixed capital formation and a build-up of inventories probably accounted for much of the turnaround in the trade balance.

Vehicle exports have been on an improving trend since mid-2021 and exceeded 28,000 in August 2022. This represented a 52 percent (over 10,000 unit) increase on the number of vehicles exported compared with a year earlier. Sixty-two percent of these exports were of passenger vehicles and the other 38 percent were various types of commercial vehicles.



17

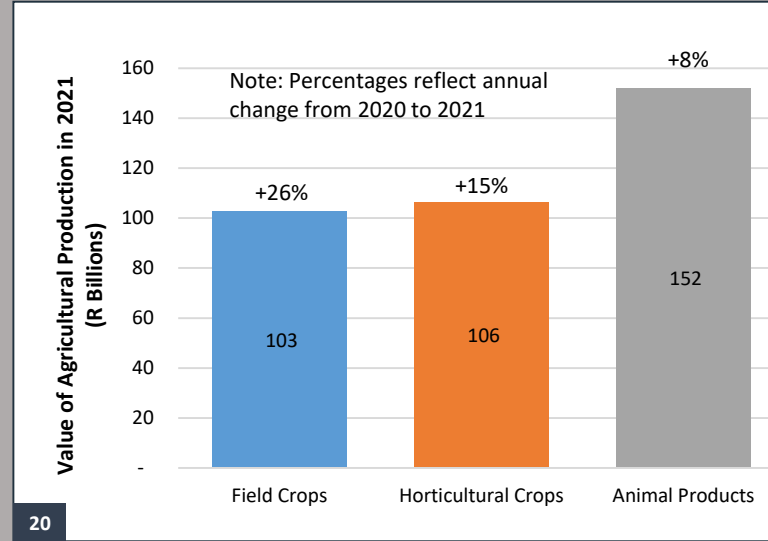
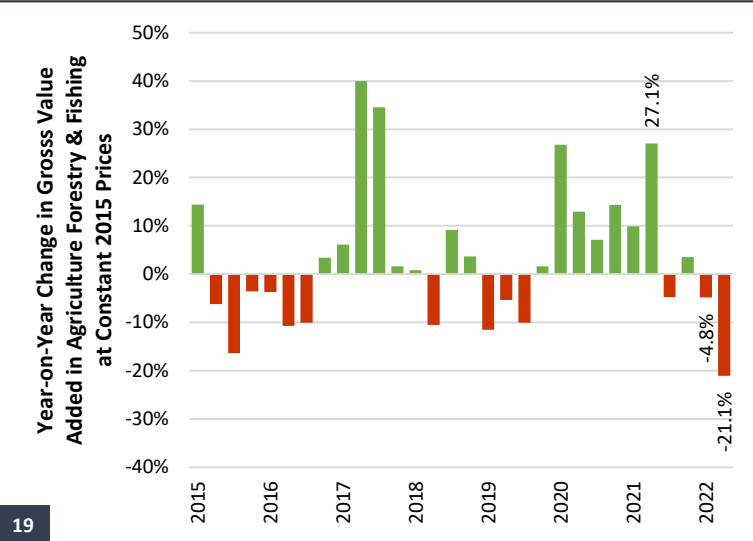


18

Gold and platinum have followed different price trajectories on international markets over the course of the COVID-19 pandemic and the post-pandemic era. The gold price was already rising on international markets before the pandemic was declared, and has remained at relatively high levels since mid-2020. The platinum price was more volatile – declining in the months leading up to the start of the pandemic, then recovering strongly between mid-2020 and early 2021, and then trending lower. In August 2022 the gold price was 13 percent higher than at the start of 2020, while the platinum price was 8 percent lower.



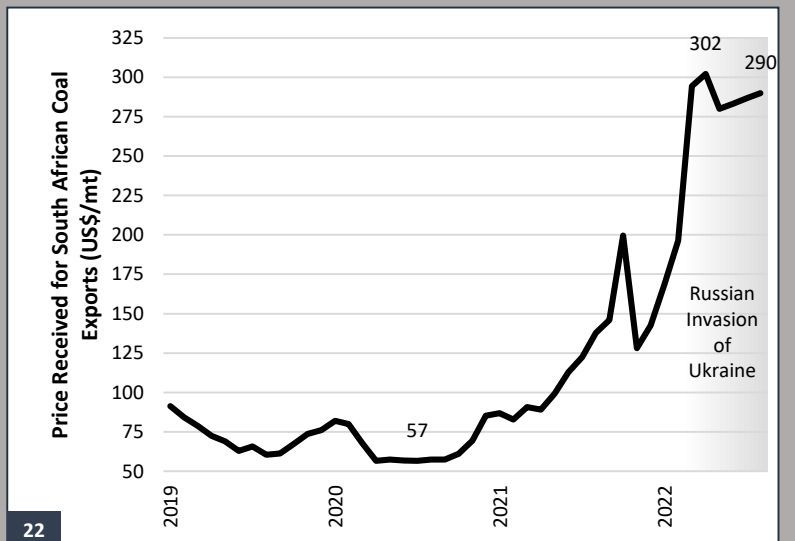
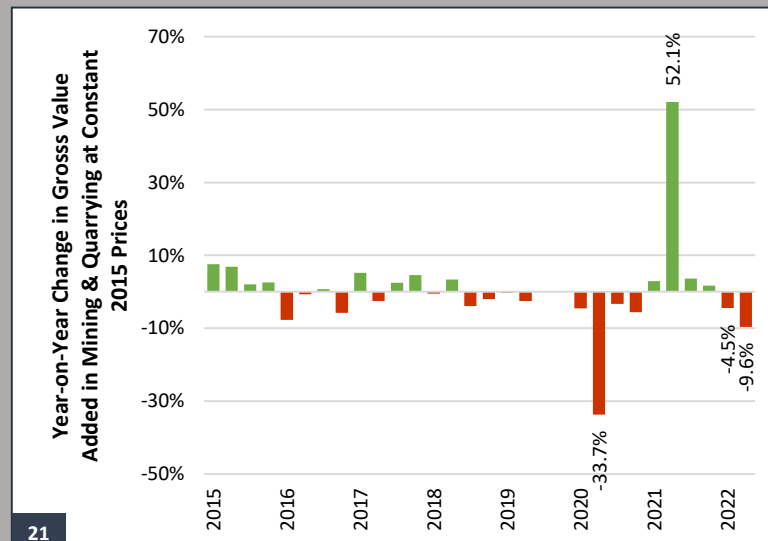
AGRICULTURE, FORESTRY & FISHING



The gross value added by agriculture, forestry and fishing decreased by over 21 percent between Q2 2021 and Q2 2022, following an almost 5 percent contraction in the previous quarter. Despite this output was still 6.6 percent higher than its pre-COVID levels. In 2021 field crops accounted for R103 billion of the R361 billion agricultural production – up 26 percent on a year earlier. Horticultural crops contributed R106 billion (up 15 percent) and animal products the remaining R152 billion (up 8 percent on 2020 levels).

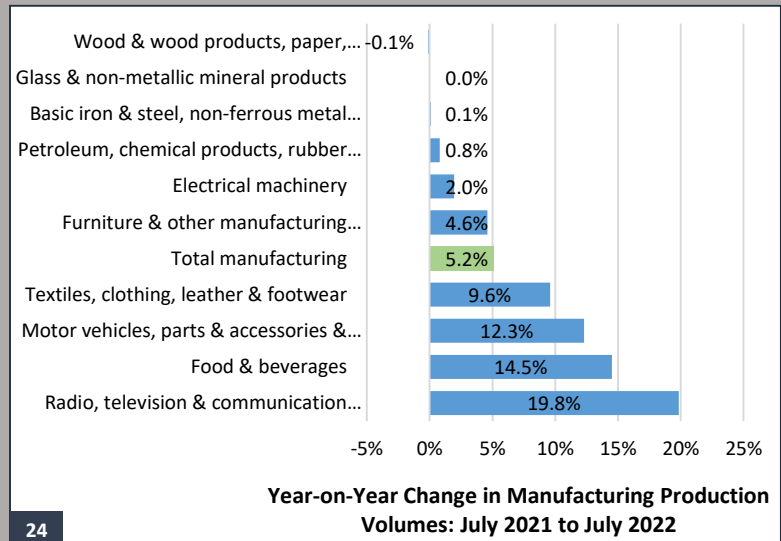
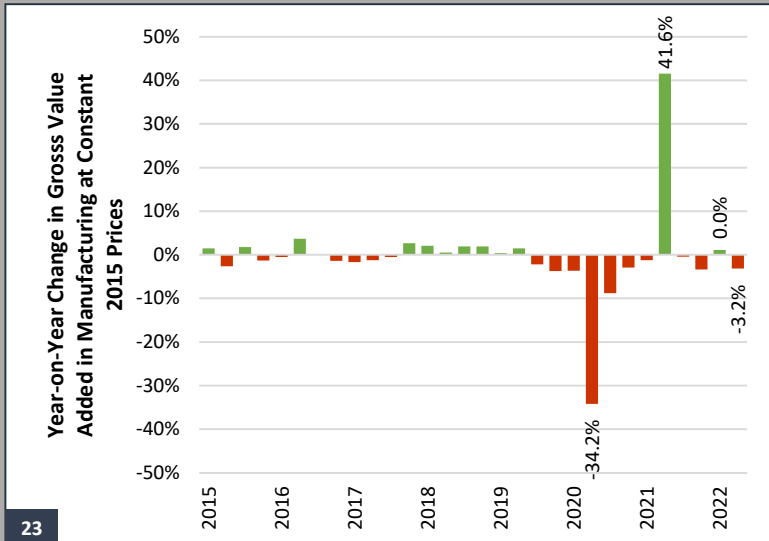
MINING & QUARRYING

The output of the mining and quarrying sector contracted by almost 10 percent in the year to Q2 2022, following a 4.5 percent decline in the previous quarter. As a result of these and earlier contractions, the output of the sector was still 9.4 percent below its pre-COVID levels. Russia's invasion of the Ukraine contributed to a significant increase in the price of South Africa's coal exports. These rose from US\$196/metric ton in March 2022 to US\$302/metric ton in April 2022 and were still at US\$290/metric ton in August 2022.





MANUFACTURING



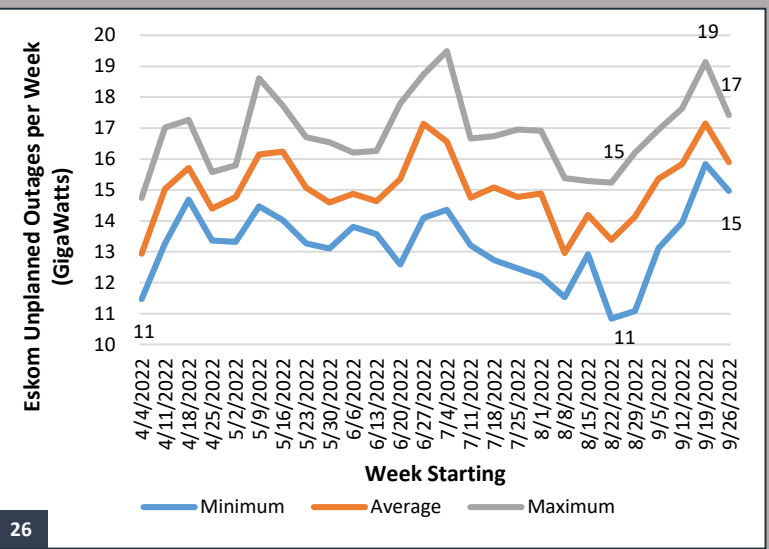
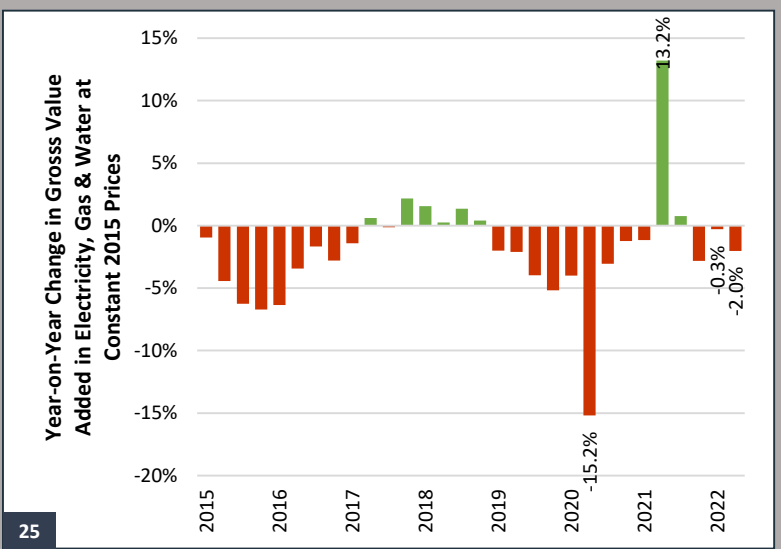
The real gross value added of the manufacturing sector decreased by 3.2 percent in the year to Q2 2022. The output of the sector was still more than 7 percent below its pre-COVID levels. In the year to July 2022, total manufacturing production volumes rose by 5.2 percent, boosted by an almost 20 percent increase in radio, television and communications equipment manufacture and a 14.5 percent rise in food and beverage manufacture. Wood and wood products, paper and printing was the only product category to record a slight decline (-0.1 percent) over this period.

23

24

ELECTRICITY GAS AND WATER

The real gross value added of the electricity, gas and water sector declined by a further 2 percent in Q2 2022, after a 0.3 percent contraction in the previous quarter. Following the latest contraction, the output of the sector was 3.2 percent lower than before COVID and 14 percent below its levels at the start of 2015. Eskom data reflecting unplanned outages showed a steady increase for much of September 2022. On average, the electricity lost to unplanned outages increased from 13.4 gigawatts to 17.2 gigawatts between the weeks starting 22 August 2022 and 19 September 2022. There was a slight reduction in these losses in the last week of September.

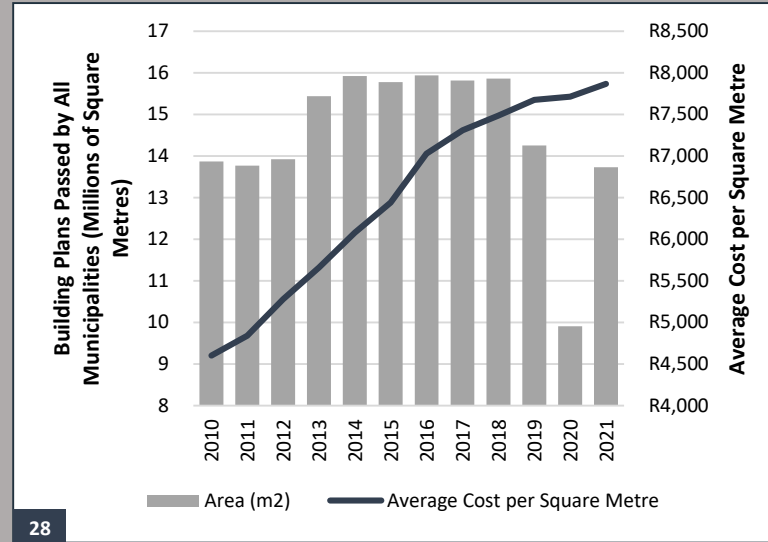
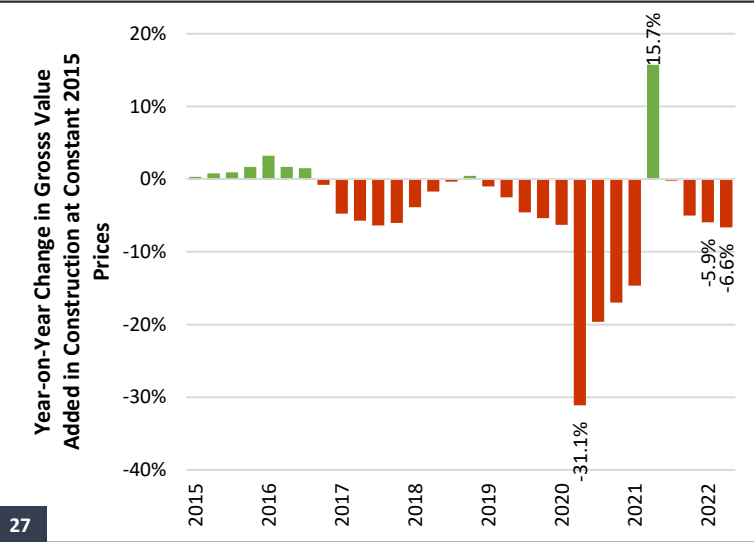


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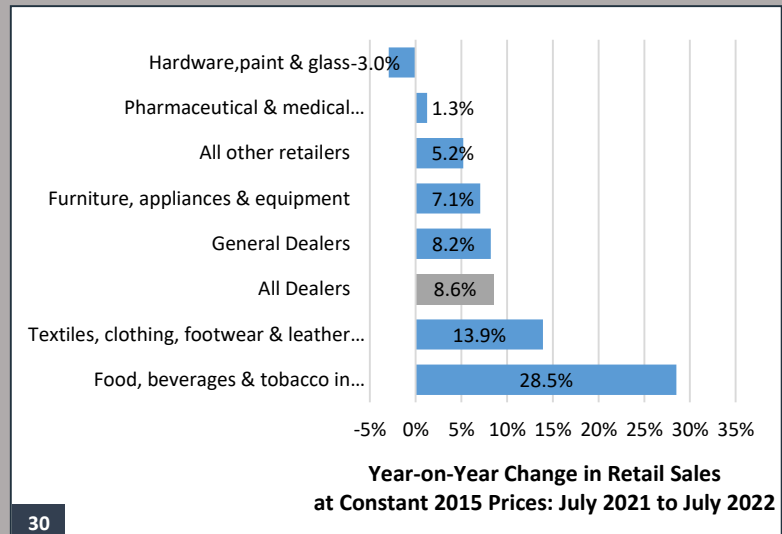
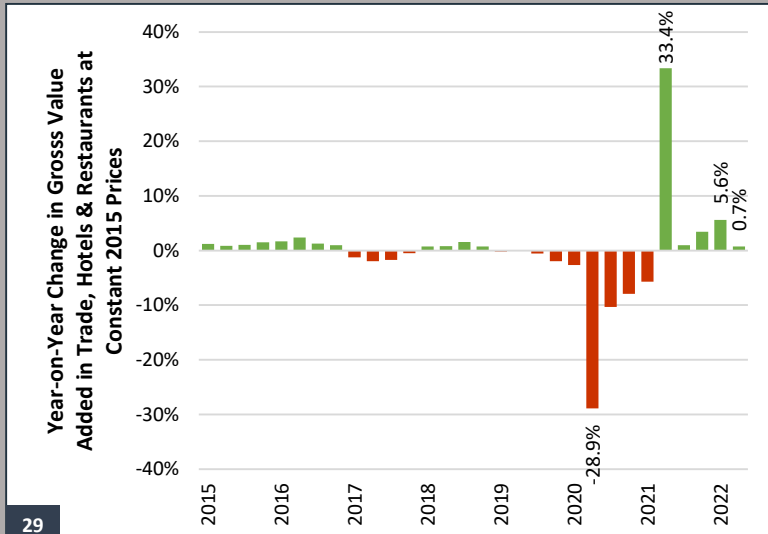
CONSTRUCTION



The real gross value added of the construction sector contracted by 6.6 percent in the year to Q2 2022, following additional contractions in the two preceding quarters. The output of the sector contracted on a year-on-year basis in 21 of the 30 quarters since the start of 2015 and was 24 percent lower in Q2 2022 than before COVID. The area of building plans passed recorded by all South African municipalities increased from 9.9 million m² in 2020 to 13.7 million m² in 2021. This was still 2.2 million m² lower than in 2016. The average building cost rose to R7,865/m² from R7,713/m² a year earlier.

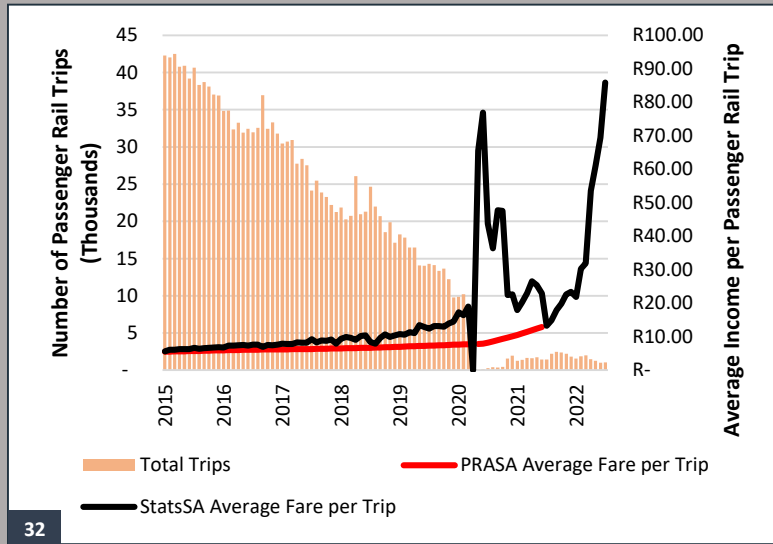
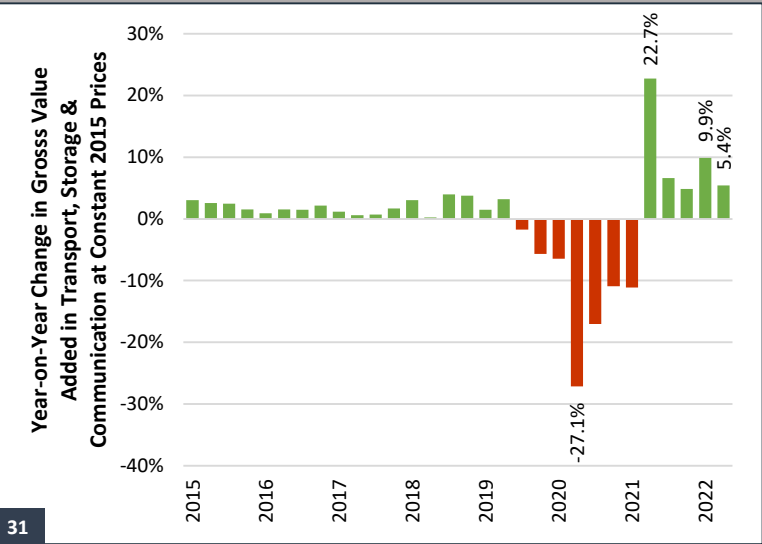
TRADE, CATERING AND ACCOMMODATION

The real gross value added of the trade, catering and accommodation sector recorded its fifth successive year-on-year increase in Q2 2022, but the rate of growth slowed to just 0.7 percent. Despite this, the output of the sector was still 3.3 percent lower than before COVID. In the year to July 2022, retail trade sales at constant 2015 prices increased by 8.6 percent – driven by significantly higher sales by speciality food, beverage and tobacco stores. Retailers of textiles, clothing, footwear and leather goods also experienced a healthy increase in sales volumes, but hardware, paint and glass retailers saw their sales decline by 3 percent.





TRANSPORT, STORAGE AND COMMUNICATION



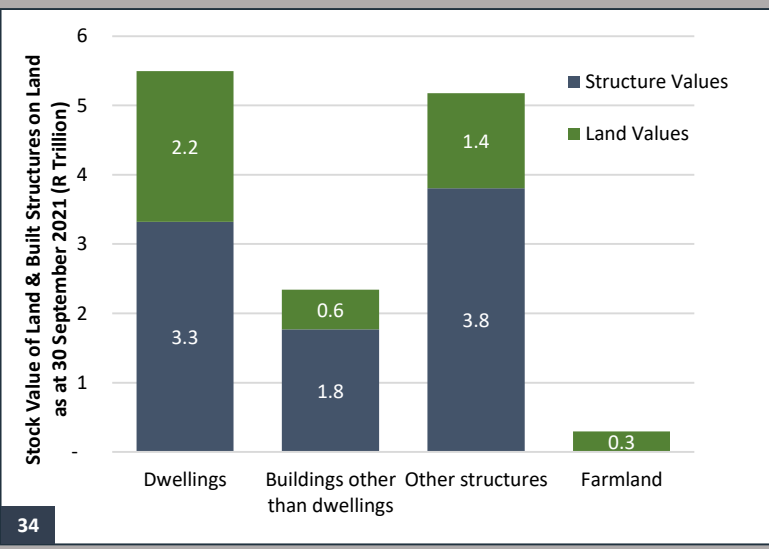
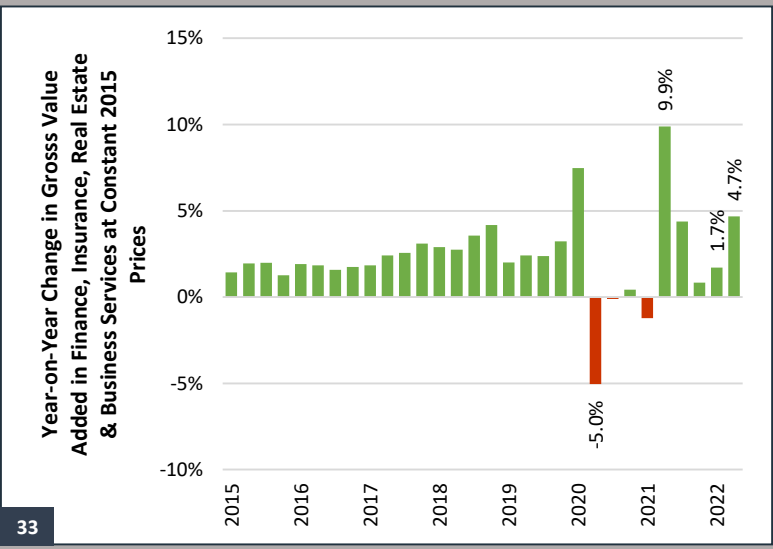
The real gross value added of the transport, storage and communication sector also recorded its fifth consecutive year-on-year increase in Q2 2022, with output up 5.4 percent on a year earlier. Despite this, the sector's output was still 2.7 percent below its pre-COVID levels.

The number of passenger rail trips undertaken in July 2022 dropped to just over 1 million – down from a peak of 54 million in 2008 and 1.2 million lower than a year earlier. Based on available data the average income (inclusive of fares, grants and subsidies) per trip increased to almost R86, from under R15 a year earlier.

FINANCE, INSURANCE, REAL ESTATE AND BUSINESS SERVICES

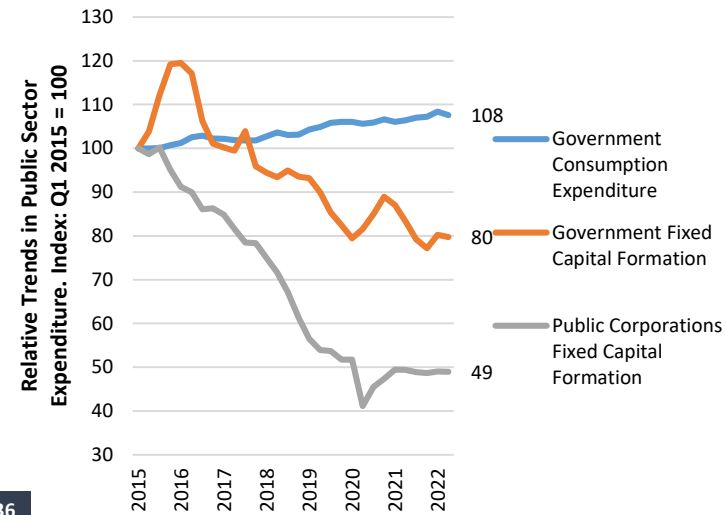
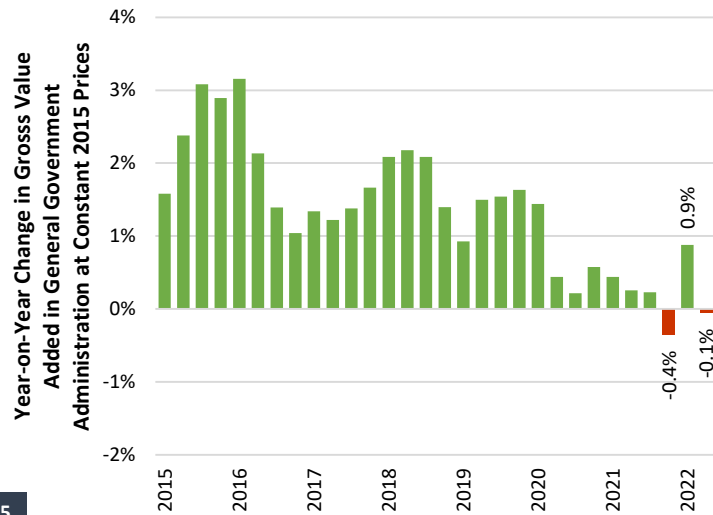
The real gross value added of the finance, insurance, real estate and business services sector increased by 4.7 percent in the year to Q2 2022. This followed consecutive year-on-year increases in the four preceding quarters. The sector is one of only four where output was higher in Q2 2022 than before COVID.

Estimates indicate that at the end of September 2021, the value of land in South Africa stood at R4.4 trillion and that the improvements on this land amounted to R8.9 trillion. The land on which dwellings are located was valued at R2.2 trillion and farmland at R0.3 trillion.





GENERAL GOVERNMENT

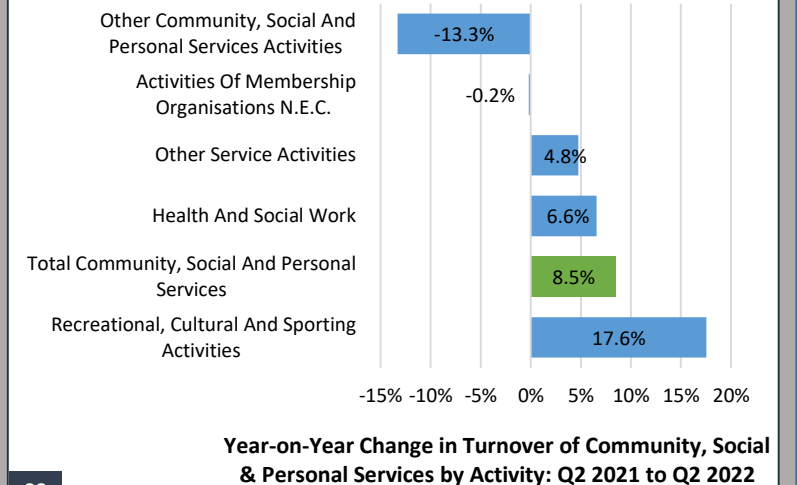
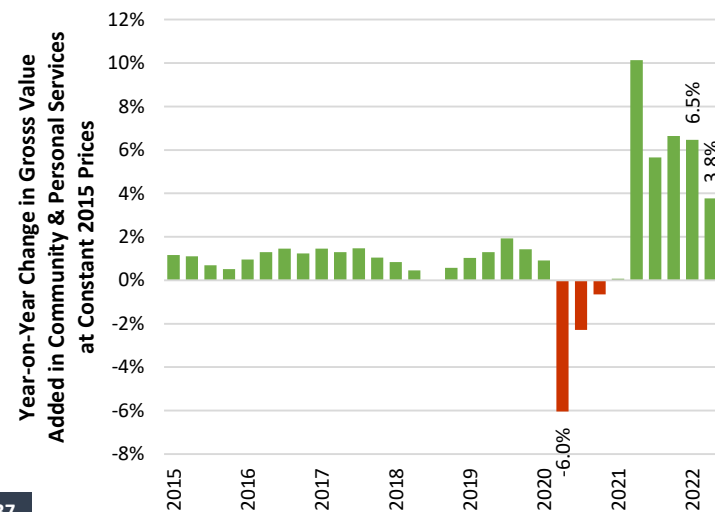


The real gross value added by general government administration decreased marginally by 0.1 percent in the year to Q2 2022. When compared with its pre-COVID levels, the output of this sector was 0.2 percent higher. While government consumption expenditure increased by 8 percent between Q1 2015 and Q2 2022, fixed capital formation by general government dropped by 20 percent and that of public corporations by 51 percent over the same period.

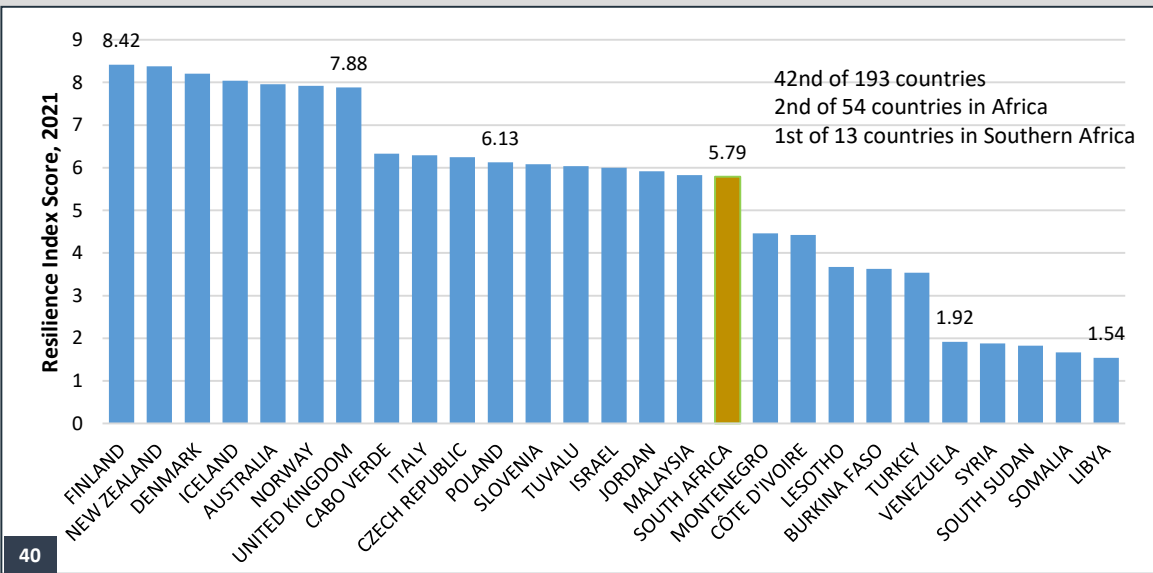
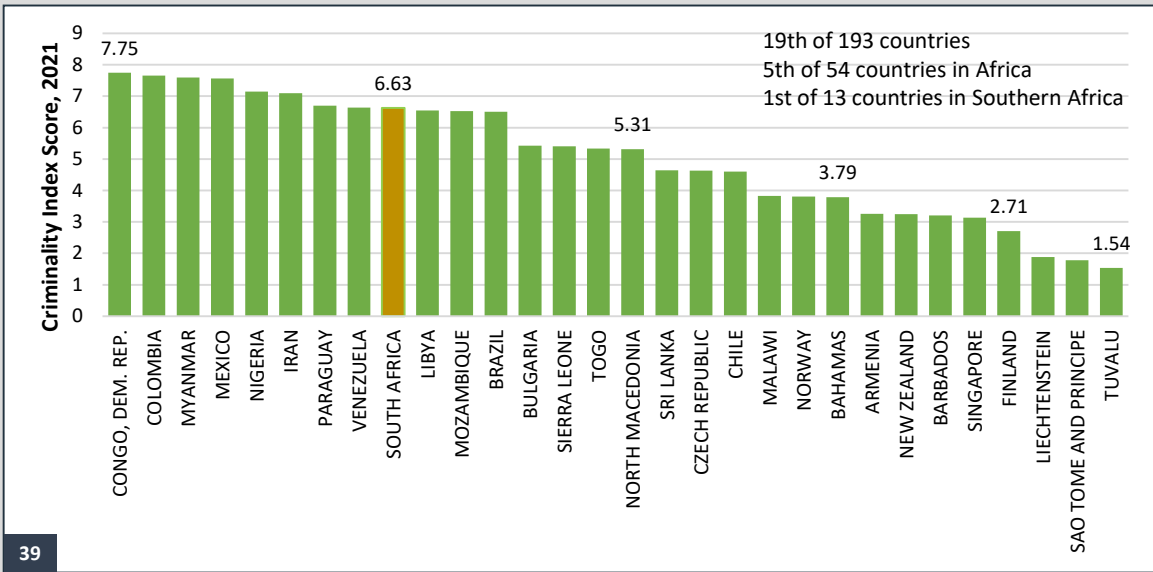
COMMUNITY, SOCIAL AND PERSONAL SERVICES

In the context of other sector movements the real gross value added of the community, social and personal services sector showed a relatively healthy year-on-year increase on 3.8 percent in Q2 2022. This was the fifth consecutive improvement and resulted in output that was almost 7 percent above its pre-COVID levels.

In nominal terms, the turnover of the sector increased by 8.5 percent between Q2 2021 and Q2 2022. The increase was driven by an almost 18 percent rise in the turnover associated with recreational, cultural and sporting activities, and supported by smaller rises in the areas of health and social work and other services.



- Global Organised Crime Index 2021 (Global Initiative Against Transnational Organised Crime)



- The Global Organized Crime Index is the first tool of its kind designed to assess levels of organized crime and resilience to organized criminal activity. It includes in its rankings all the 193 UN member states.
- The Index provides the most comprehensive assessment to date of the pervasiveness of criminal markets, the dynamics of criminal actors, and of countries' effectiveness in establishing the defence mechanisms and responses needed to ensure operational resilience to organized crime.
- It has three component metrics: the scope, scale and impact of specific criminal markets; the structure and influence of criminal actors; and the extent and effectiveness of countries' resilience measures. These three domains are used to assign each country a criminality score and a resilience score using a scale of 1 to 10.
- The index will be updated every two years, providing longitudinal measurement and analysis to track criminality and resilience over time. It aims to become a consistent and comprehensive resource that contextualizes and interprets evolving organized crime dynamics.
- Over 350 experts worldwide, as well as the Global Initiative Against Transnational Organized Crime's regional observatories, served as the information conduits through which the Index was established, and subsequently built upon.
- The Criminality Index takes account of the political, social and economic systems surrounding all stages of the illicit trade and/or exploitation of commodities or people, while the Resilience Index reflects the ability to withstand and disrupt organized criminal activities as a whole. Resilience refers to measures taken by both state and non-state actors.
- South Africa's criminality score of 6.63 is the 19th highest amongst the 193 countries assessed. This score is greater than Africa's average score of 5.17, is the 5th highest on the continent and the highest in Southern Africa. The country performs relatively poorly in relation to the synthetic drugs trade, arms trafficking, heroin trade, non-renewable resource crimes and fauna crimes.
- With respect to resilience, South Africa's score of 5.79 shows that there are some level of counter measures in place, ranking 42nd out of the 193 countries assessed in this index metric. This ranks South Africa 2nd out of the 54 African countries assessed.

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 QLFS (P0211)
7	South African Reserve Bank Quarterly Bulletin, Statistics South Africa CPI (P0141)
8	Statistics South Africa CPI (P0141)
9	Statistics South Africa CPI (P0141), Statistics South Africa GDP (P0441), Statistics South Africa Mid-year Population Estimates (P0302)
10	National Treasury National Revenue, Expenditure & Borrowing
11	National Treasury National Revenue, Expenditure & Borrowing
12	Presidential Employment Stimulus stateofthenation.gov.za
13	Statistics South Africa GDP (P0441)
14	Statistics South Africa GDP (P0441)
15	Statistics South Africa GDP (P0441)
16	South African Revenue Service Customs & Excise Preliminary Trade Data
17	National Association of Automobile Manufacturers of South Africa
18	World Bank Commodity Price Data, September 2022
19	Statistics South Africa GDP (P0441)
20	Department of Agriculture, Land Affairs, & Rural Development Abstract of Agricultural Statistics
21	Statistics South Africa GDP (P0441)
22	World Bank Commodity Price Data, September 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	Eskom Data Portal Weekly Unplanned Outages
27	Statistics South Africa GDP (P0441)
28	Statistics South Africa Building Statistics (P5041.3)
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 Land Transport Survey (P7162), PRASA Annual Reports
33	Statistics South Africa GDP (P0441)
34	South African Reserve Bank Quarterly Bulletin Experimental Tables
35	Statistics South Africa GDP (P0441)
36	South African Reserve Bank Quarterly Bulletin
37	Statistics South Africa GDP (P0441)
38	Statistics South Africa Quarterly Financial Statistics (P0044)

Section C

Graph/ Table	Source of data
39	Global Initiative Against Transnational Organized Crime. (2022). <i>Global Organised Crime Index 2021</i> .
40	Global Initiative Against Transnational Organized Crime. (2022). <i>Global Organised Crime Index 2021</i> .

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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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