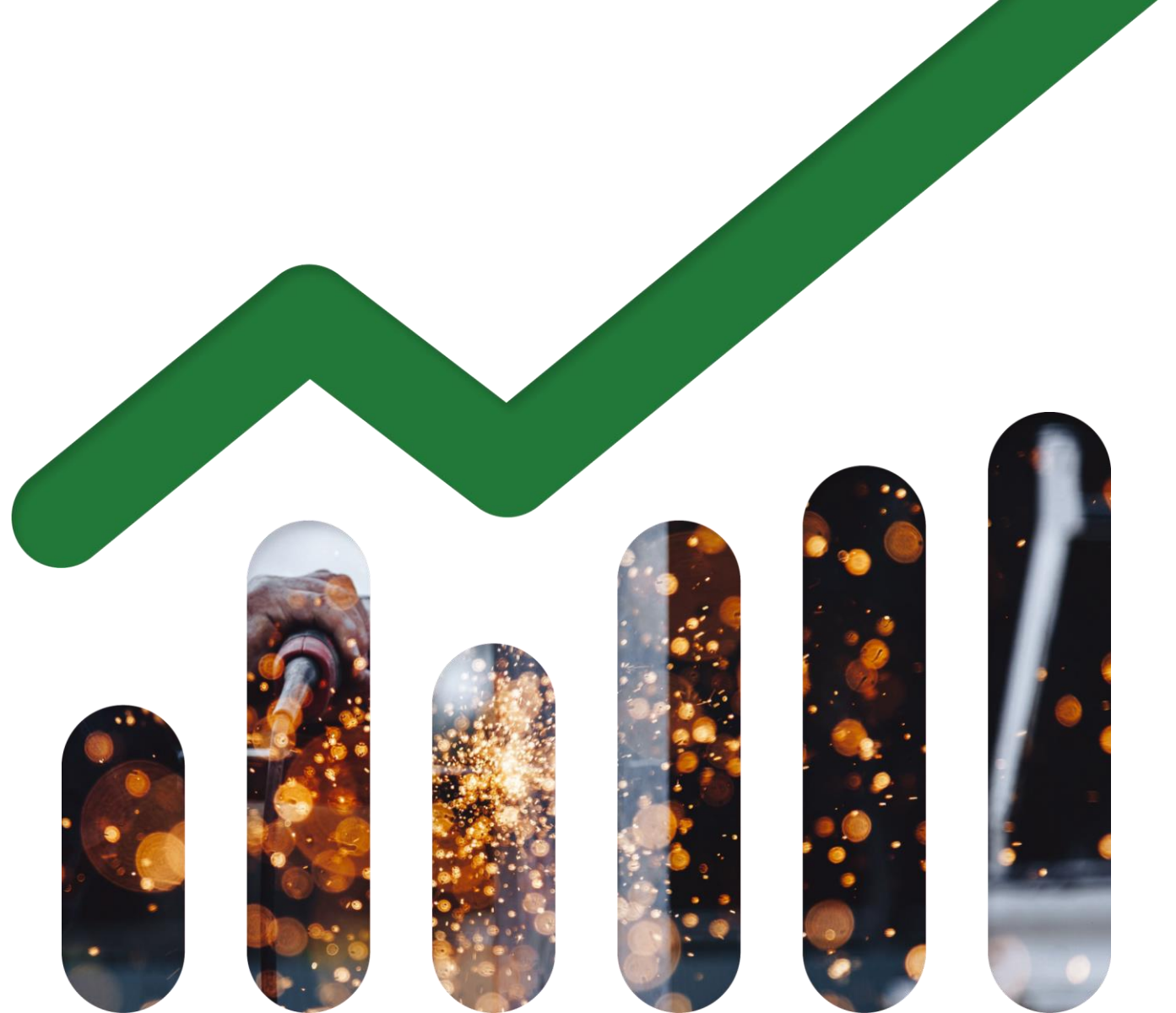




**National Economic  
Development and  
Labour Council**

## **Economic and Employment Trends in South Africa**

February 2024 | Issue 11





The Month in Review

**3**



Section A: Macro Data Trends and Analysis

**4**



Section B: Sector Analysis

**10**



Section C: Recent Research of Interest

**13**

## Navigating South Africa's Economic Horizon in 2024: Challenges and Opportunities

In 2024 economic growth is expected to remain low. The SARB forecasts a 1.2% growth rate for 2024, slightly more optimistic than the National Treasury's November projection of 1% ([Slide 4](#)).

Inflation showed signs of moderation in the fourth quarter of 2023 and rate cuts are likely in 2024, freeing up consumer demand and stimulating growth ([Slide 6](#)).

Besides inflation, other structural constraints, specifically in logistics and energy, create significant economic uncertainty, impeding South Africa's ability to attract investment.

According to the World Bank, a significant bottleneck in South Africa's economic recovery is its struggle to attract substantial foreign investment, lagging other emerging markets ([Slide 7](#)).

A major growth opportunity for South Africa will come through exports because of stronger-than-expected recovery in world markets. Among South Africa's largest export markets, compared to 2023, Germany, the UK, India, and the Netherlands anticipate stronger growth for 2024.

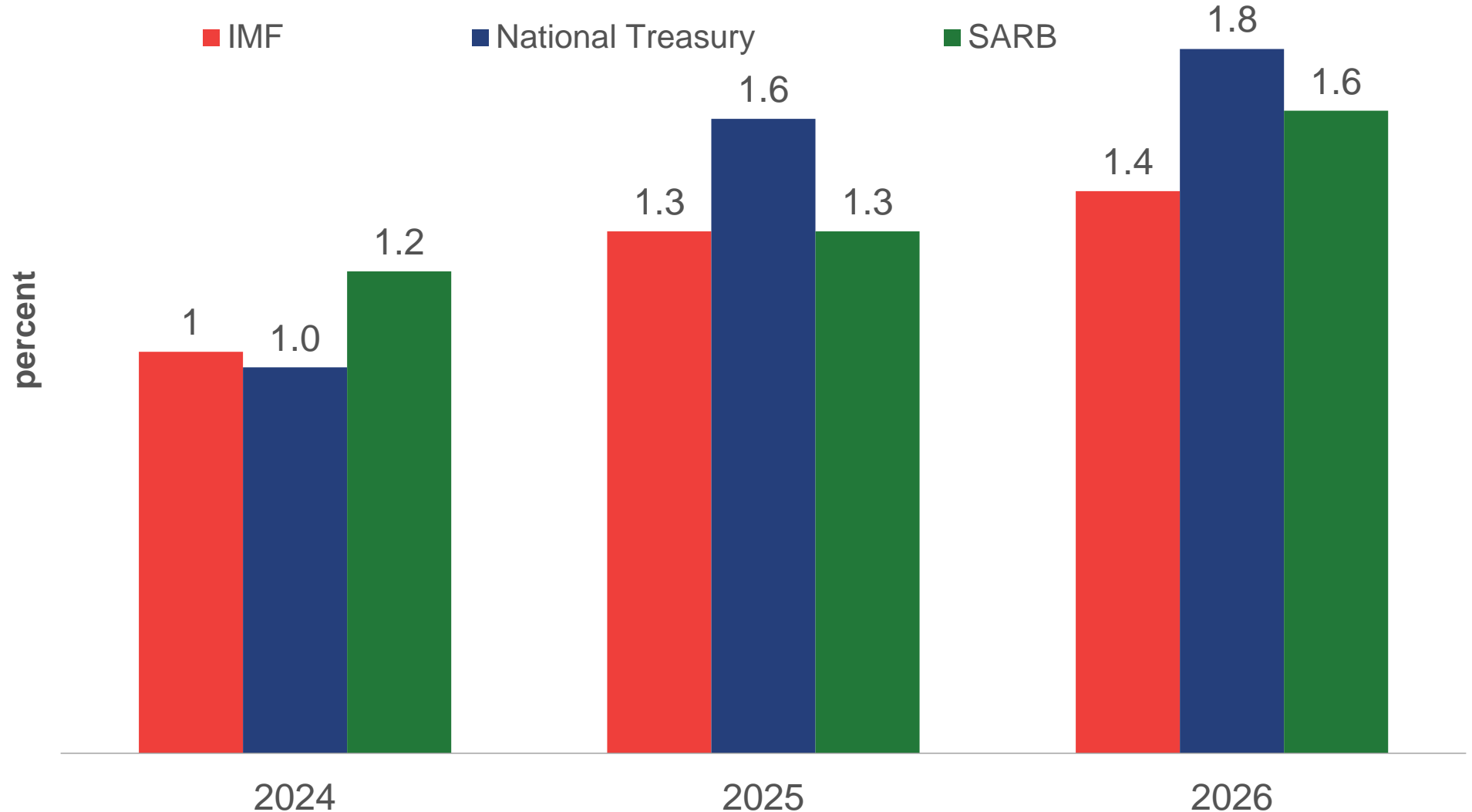
Unfortunately, other major South African export markets such as the United States, Japan, China, and Mozambique are expected to exhibit weaker economic performance in 2024 than in 2023. The poor economic outlook for China, which is South Africa's largest export partner, raises particular concern ([Slide 9](#)).

In respect of fiscal policy, the National Treasury has struggled to implement effective measures to consolidate debt ([Slide 8](#)). The mounting debt and fiscal uncertainty raises interest rates and the cost of servicing debt crowding out public spending crucial for fostering growth and addressing poverty and inequality.

## Gross Domestic Product

The growth outlook for South Africa for 2024 has been raised relative to 2023 by the Reserve Bank (SARB) to 1.2% in their latest forecasts, from 1% six months ago. The National Treasury expects 1% for 2024, rising to 1.8% in 2026. The IMF predicts weaker short-term growth, but only 1.4% in 2026.

### Real GDP growth projections for South Africa

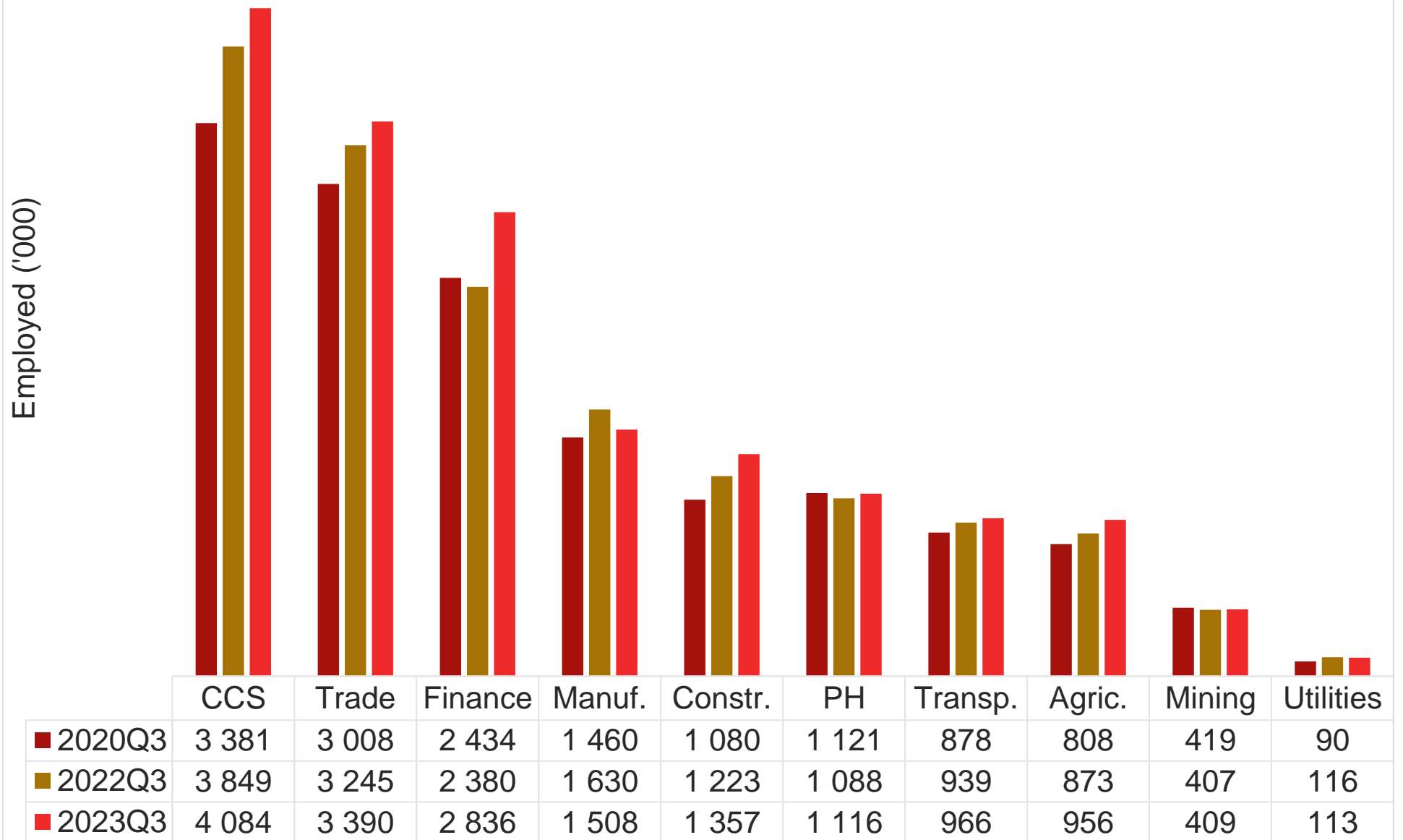


Source: [IMF WEO January 2024](#), [SARB January 2024 MPC](#), [National Treasury MTBPS 2023](#)

## Employment

Agriculture, Transport, Construction, Services and Finance have the most labour market momentum going into 2024. Finance, trade and transport have especially shown exceptional employment growth since the COVID-19 pandemic.

### Post-pandemic employment growth, by industry



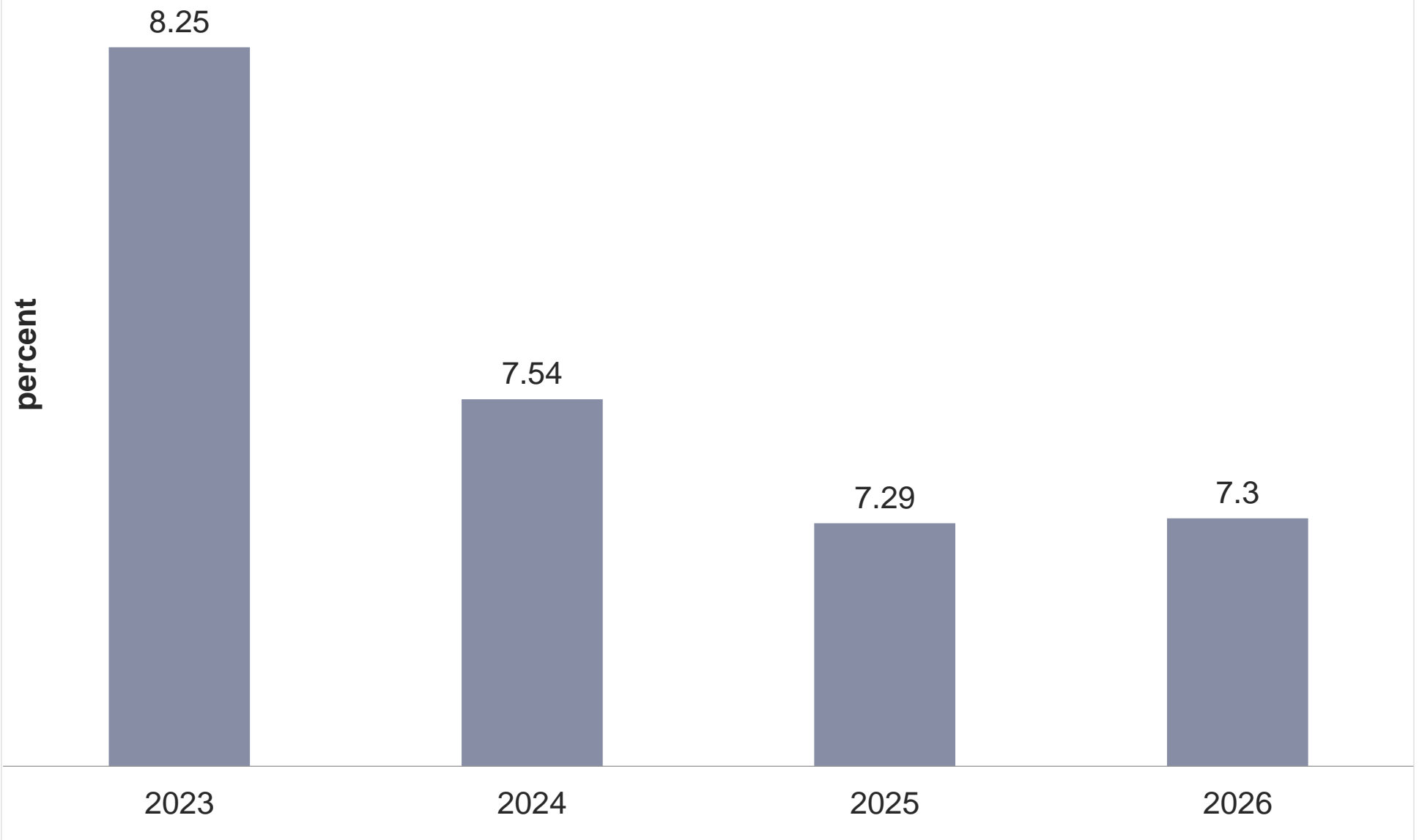
Source: [Statistics South Africa, P0211 - Quarterly Labour Force Survey \(QLFS\), 3rd Quarter 2023](#)

CCS: Community and Social Services, PH: Private Households

## Households

The SARB expects that inflation will remain above the mid-point target in 2024 only reaching it in 2025. The policy rate is, therefore, expected to be lowered from its current level of 8.25% to 7.5% in 2024 and 7.3% in 2025.

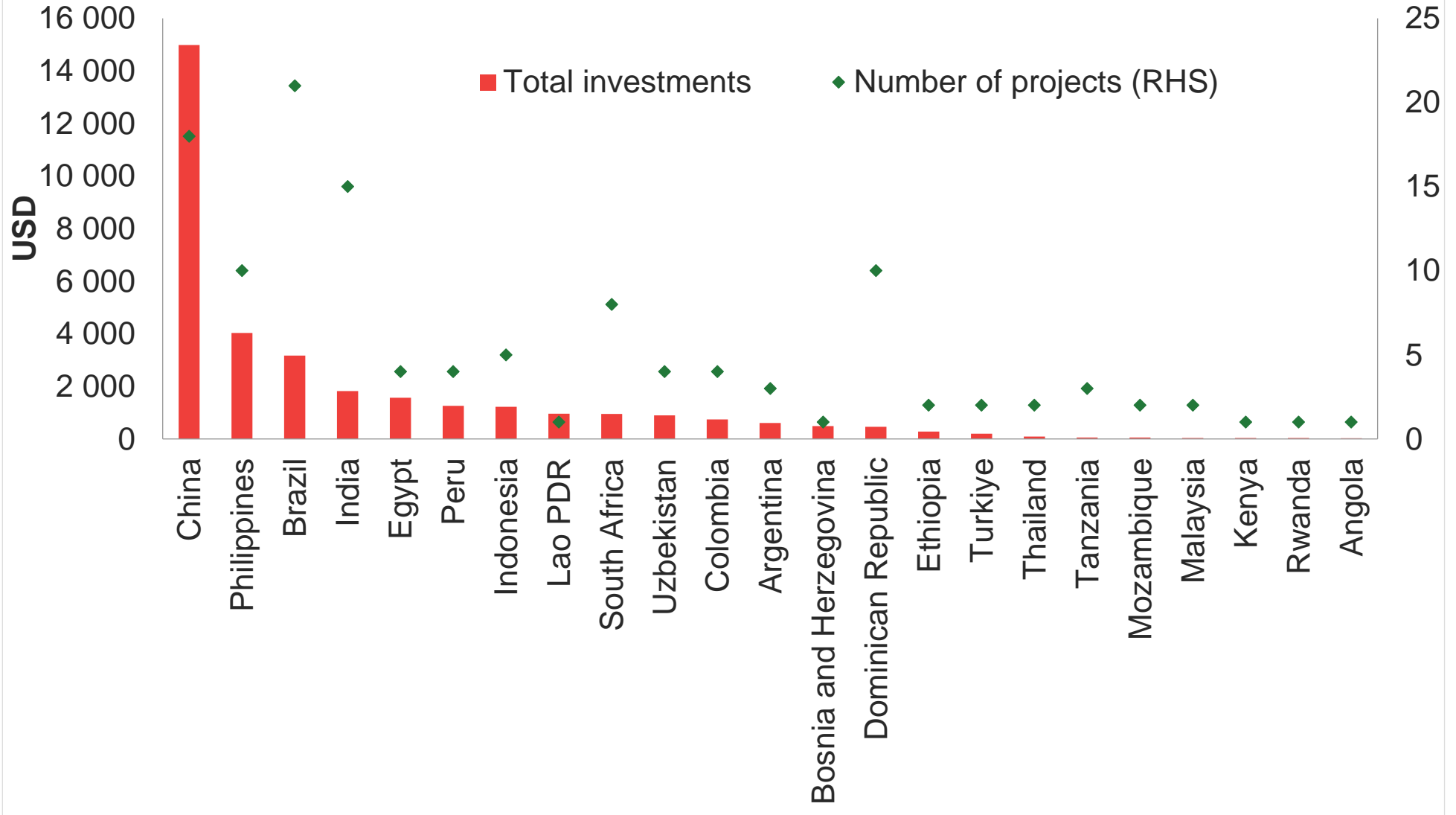
### Policy rate projections for South Africa (SARB)



## Investment

Private participation in infrastructure investments have been growing in South Africa, reflecting electricity sector investments. Despite this, South Africa is still failing to attract large-scale foreign investment, according to the World Bank

### Private Participation in Infrastructure Investments in selected countries (H1 2023)

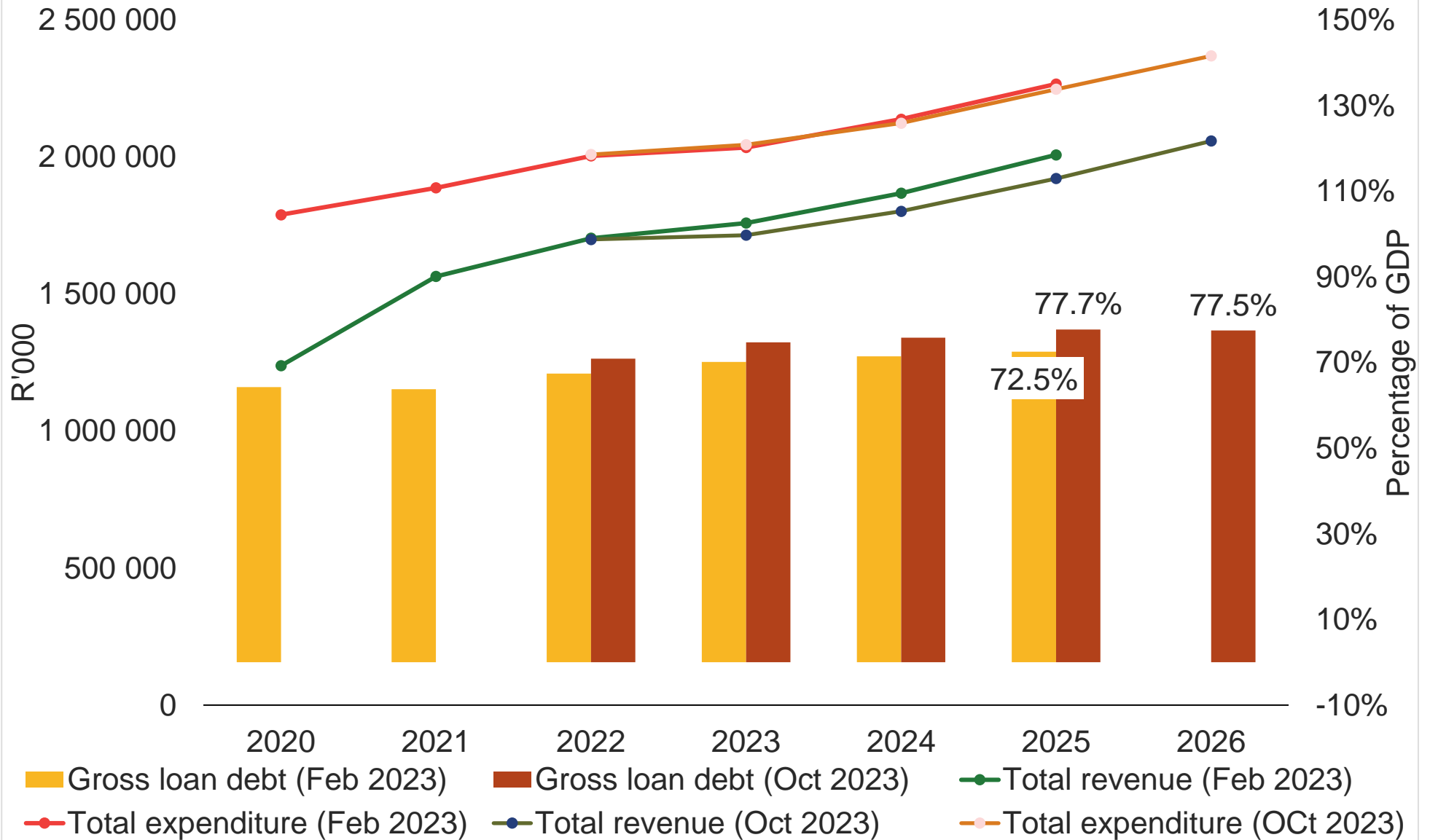


Source: World Bank. Private Participation in Infrastructure (PPI) H1 22023 Update

## Government

The February 2023 budget projected an optimistic fiscal scenario with debt reaching 72.5% of GDP by 2025/26. However, a more cautious update in the October Medium-Term Budget Policy Statement revised this estimate upward to 77.7% due to lower-than-expected revenue.

### Public debt, spending and revenue



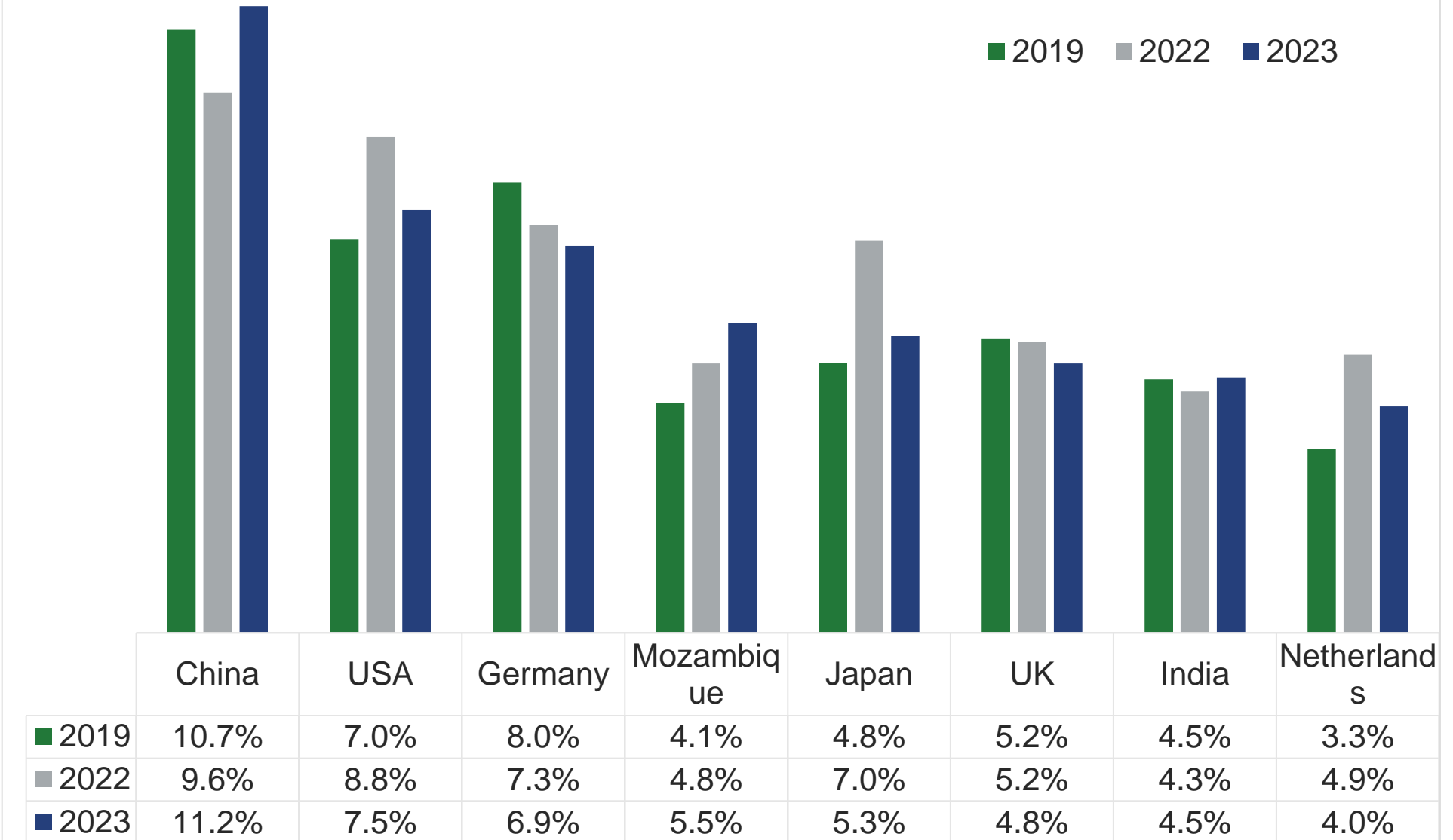
Source: National Treasury, National Budget Review



## International Trade

Over the last four years, China, USA, Mozambique, Japan, and the Netherlands have been the most significant contributors to South Africa's export growth. Looking to 2024, opportunity may lie with Germany, the UK, India, and the Netherlands who are expected to experience stronger growth than in 2023.

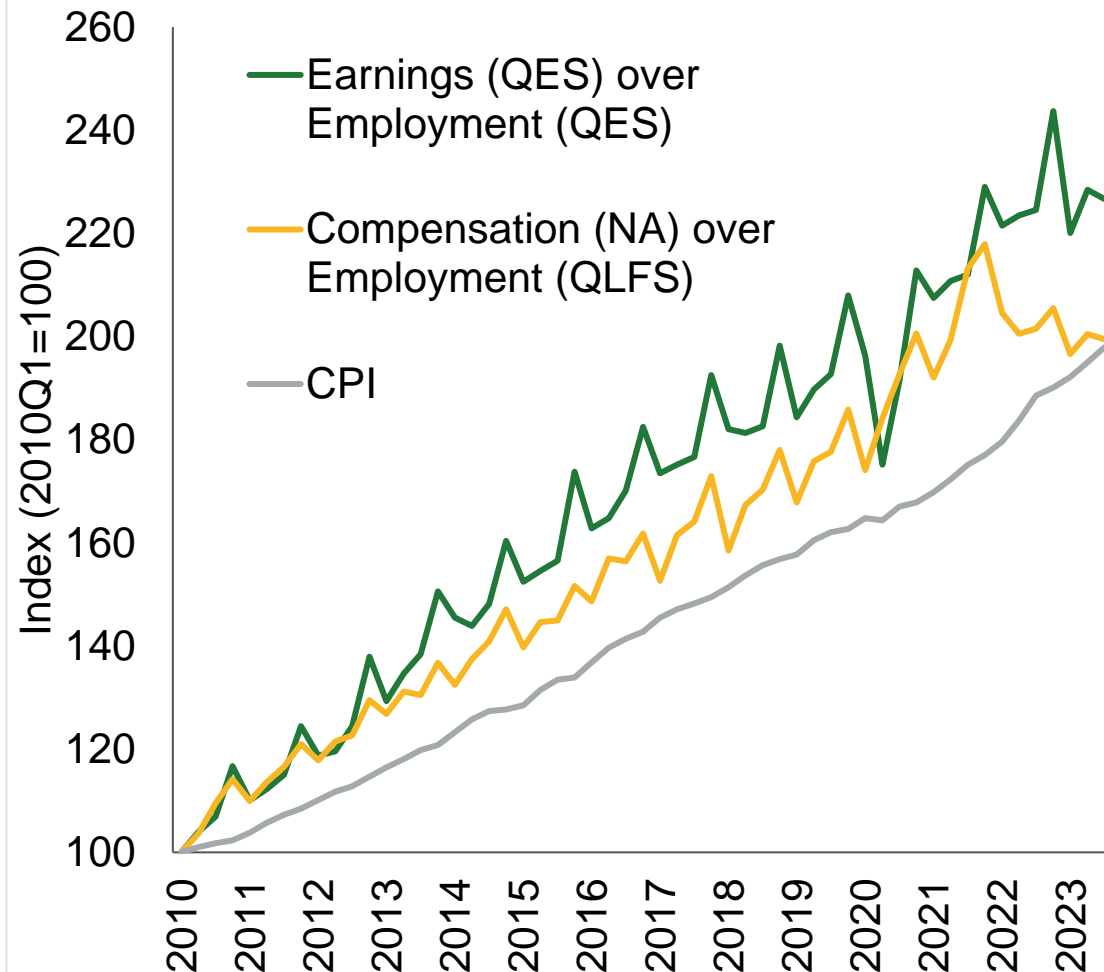
### South Africa's top 8 export destinations, percentage of total export value



Source: UN Comtrade Database

## Total Economy Wage developments

### Average wages (total economy) since 2010

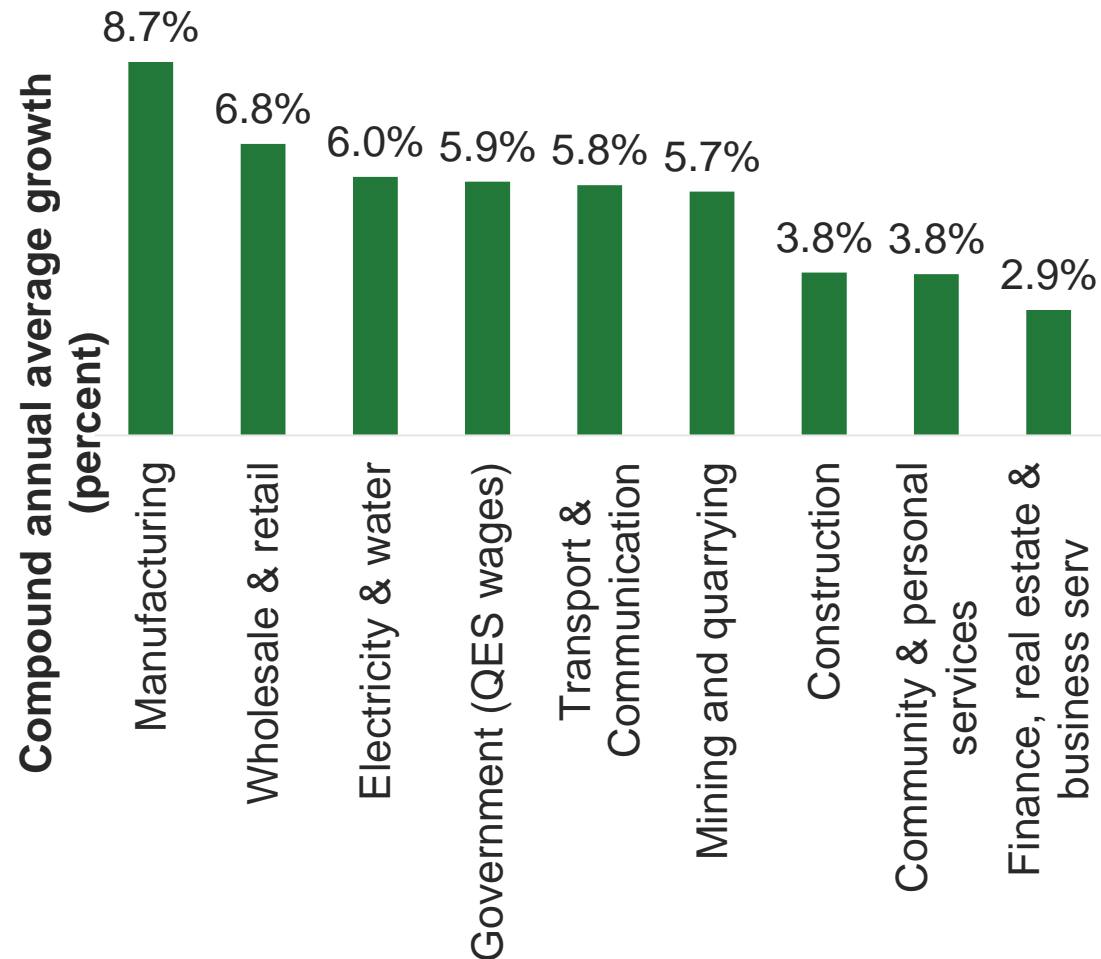


Source: Stats CPI, Stats SA QES, Stats SA QLFS, SARB GDP, EconData

- Headline CPI inflation has averaged 5.5% since 2010.
- Available sources of labour market data imply very different long-term and recent developments of average wages in South Africa. Average wage growth (i.e. total remuneration divided by number of employees) has been 6.7% if based on the Quarterly Employment Survey (QES), while it has been 5.6% for Compensation based on National Accounts data relative to Employment levels from the Quarterly Labour Force Survey (QLFS).
- Differences between these sources reflect differences in the sampling frames for different or the surveying approaches used to collect data from households and firms. The QLFS, for example, includes those employed, unpaid family workers, agricultural workers, those on unpaid leave, and employees of private households. The QES is based on a survey of non-agricultural firms, excludes the unincorporated self-employed, and includes only workers that are paid.

## Industry wage developments, by industry

### Average wages by industry since 2010

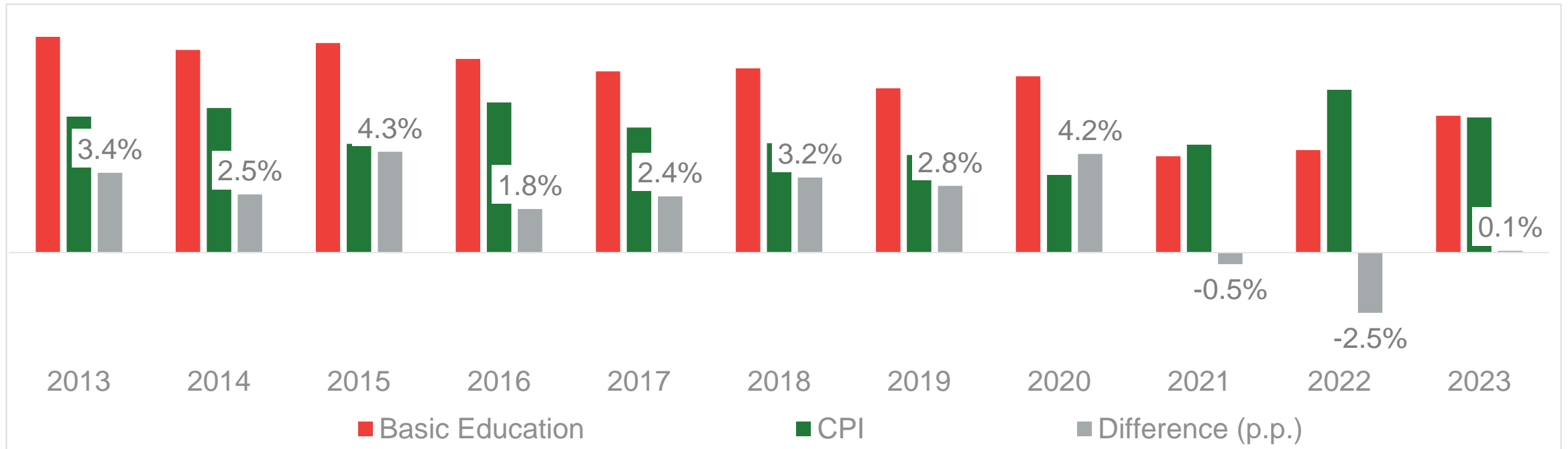


Source: Stats SA [QLFS](#), Stats SA [QES](#), SARB [GDP](#). For the total government sector since there is no QLFS employment category, so compensation data are divided by QES employment for the industry category.

- The industry that experienced the fastest average growth in average wages since 2010 according to the National Accounts and QLFS is the manufacturing industry at about 8.7% per year. Over the last year, average wages rose about 8.5% in manufacturing based on these data sources.
- The slowest growth was observed in the Finance, insurance, real estate and business services industry at only 2.9% on average since 2010, and average wages have fallen slightly over the last year according to the National Accounts and QLFS.

## Review of administered prices in South Africa: School fees

The South African Reserve Bank commissioned reviews of various administered prices in South Africa. An administered price is the price of a good or service as dictated by a government or centralized authority. The Bank was particularly interested in the drivers of the administered prices and its impact on headline inflation. A paper was published for (1) the fuel price (2) electricity tariffs (3) water tariffs (4) municipal rates and taxes and (5) school fees. The full report covering all five reviews can be found [here](#).

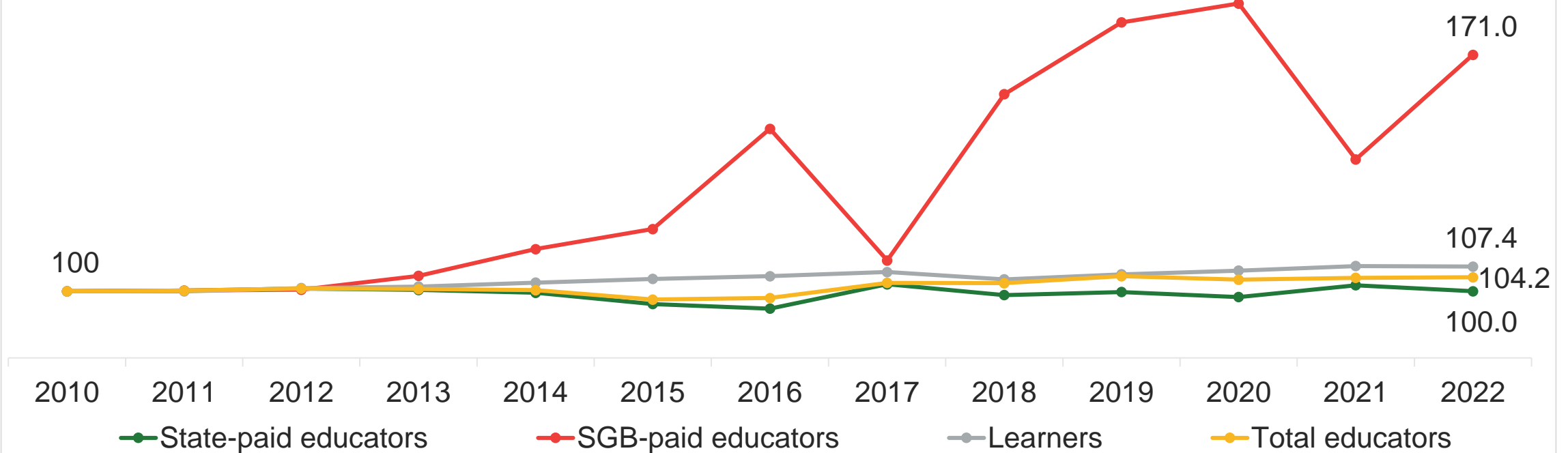


Source: South African Reserve Bank. Special Occasional Bulletin of Economic Notes. Review of Administered Prices: Basic Education

- Until the COVID-19 pandemic, school fee inflation has exceeded Consumer Price Inflation (CPI) having an overall and meaningful driving impact on average inflation in South Africa.
- The paper posits that school fees are necessary to supplement state funding, and therefore, if state funding decreases relative to the needs of the education system, school fees increase to compensate.

## Review of administered prices in South Africa: School fees (Increasing reliance of School Governing Body)

### Growth in public school educators and learners (Index: 2010 = 100)

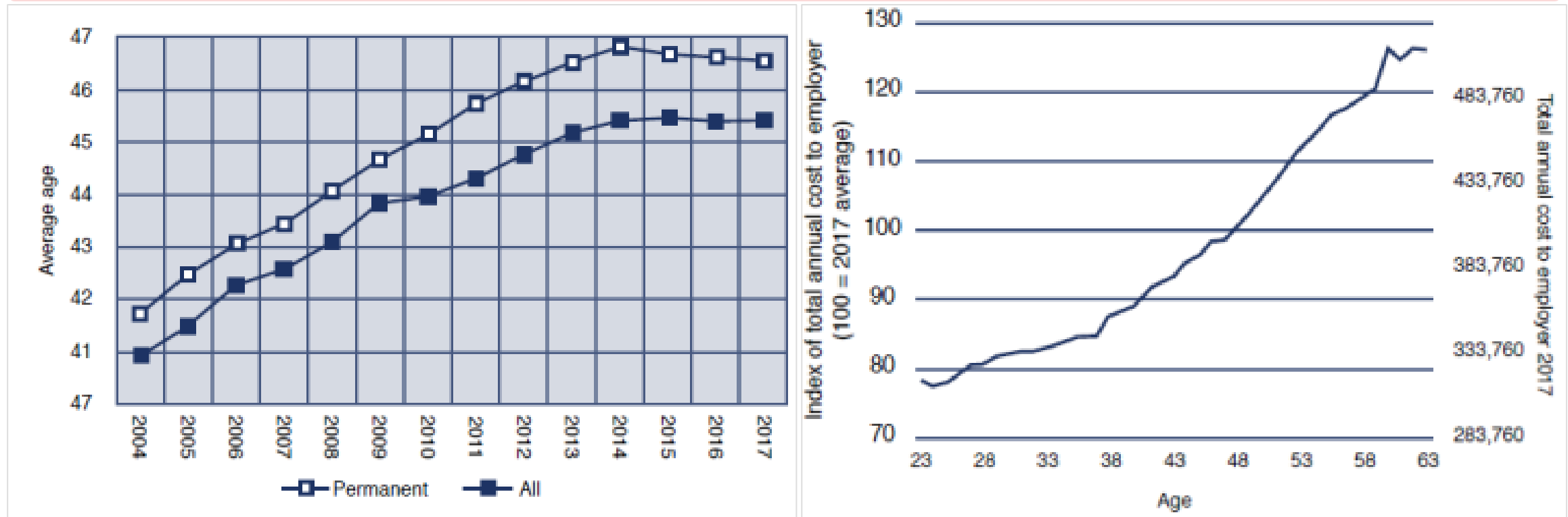


Source: South African Reserve Bank. Special Occasional Bulletin of Economic Notes. Review of Administered Prices: Basic Education

The number of state-funded teachers relative to learners has shown a persistent decline, leaving it to SGB's to compensate. While the number of state-paid educators have remained largely the same since 2010, SGB-paid educators increased 71%. The result is two-fold:

- The increase in SGB-funded educators over time puts upward pressure on school fees
- The increase in SGB-funded educators is insufficient to compensate for the increase in learners leading to an increase learner-teacher ratio – a commonly used metric to gauge education quality.

## Review of administered prices in South Africa: An aging educator workforce is driving inflation



- The graph on the left shows how South Africa's average teacher age has increased over time.
- The graph on the right shows the relationship between age and average wage.
- South Africa's ageing teacher population is putting upward pressure on provincial departments of education and School Governing Bodies' wage budgets.

# Economic and Employment Trends in South Africa

February 2024| Issue 11

## 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

This document was independently prepared by DNA Economics and Codera Analytics. The opinions and recommendations expressed in this document represent the independent views of DNA Economics and Codera Analytics and are not necessarily the views of NEDLAC or its Social Partners. While every care has been taken to ensure the accuracy and completeness of this document, no liability will be accepted by DNA Economics, Codera Analytics and NEDLAC for any loss incurred by any person or entity acting or failing to act as a result of the contents and opinions expressed in this document. The facts, estimates and opinions are taken from sources believed to be reliable but which we cannot guarantee.



## National Economic Development and Labour Council

📍 14a Jellicoe Avenue, Rosebank, Johannesburg  
☎ +27 11 328 4200  
✉ [mojalefa@nedlac.org.za](mailto:mojalefa@nedlac.org.za)  
🌐 [nedlac.org.za](http://nedlac.org.za)

This report was produced in partnership with

