

ECONOMY

SA's jobless rate jumps to 32.1% in fourth quarter

Stats SA's quarterly employment survey shows the youth remain vulnerable in labour market

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SA's unemployment rate increased in the fourth quarter of 2023 trending above pre-pandemic levels. The job losses were driven mainly by the formal sector, suggesting SA's volatile economic activity and poor business confidence will continue to hinder employment objectives.

Quarterly labour force survey data released by Stats SA on Tuesday showed the unemployment rate increased from 31.9% in the third quarter to 32.1% in the fourth quarter. The outcome was above the Bloomberg consensus, which put the unemployment rate at 31.6%.

The unemployment rate according to the expanded definition decreased by 0.1 percentage point to 41.1%.

The data is bad news for the ANC-led government, which faces a tough challenge in the upcoming elections as opposition parties such as the DA and EFF are likely to use the unemployment crisis as evidence of the party's failures to make good on its promises of economic transformation and inclusive growth.

The social crisis is not only a political one but a fiscal one as it has the potential to swell the ranks of millions of young and unskilled South Africans, many of whom survive on the social relief of distress grant.

Nedbank senior economist Johannes Khosa said the crippling structural constraints, notably power outages and transport bottlenecks, would continue to undermine sales and elevate operating costs, squeezing private sector profits.

“Concerningly, but not surprisingly, the job losses were driven by the formal sector, which shed 128,000 jobs, offsetting the 124,000 jobs created in the informal sector during the quarter,” Khosa said.

“Fading profits will force firms to cut costs, which could involve retrenchments. The platinum mining industry appears to have reached this point, with several companies announcing large-scale retrenchments over the next year.”

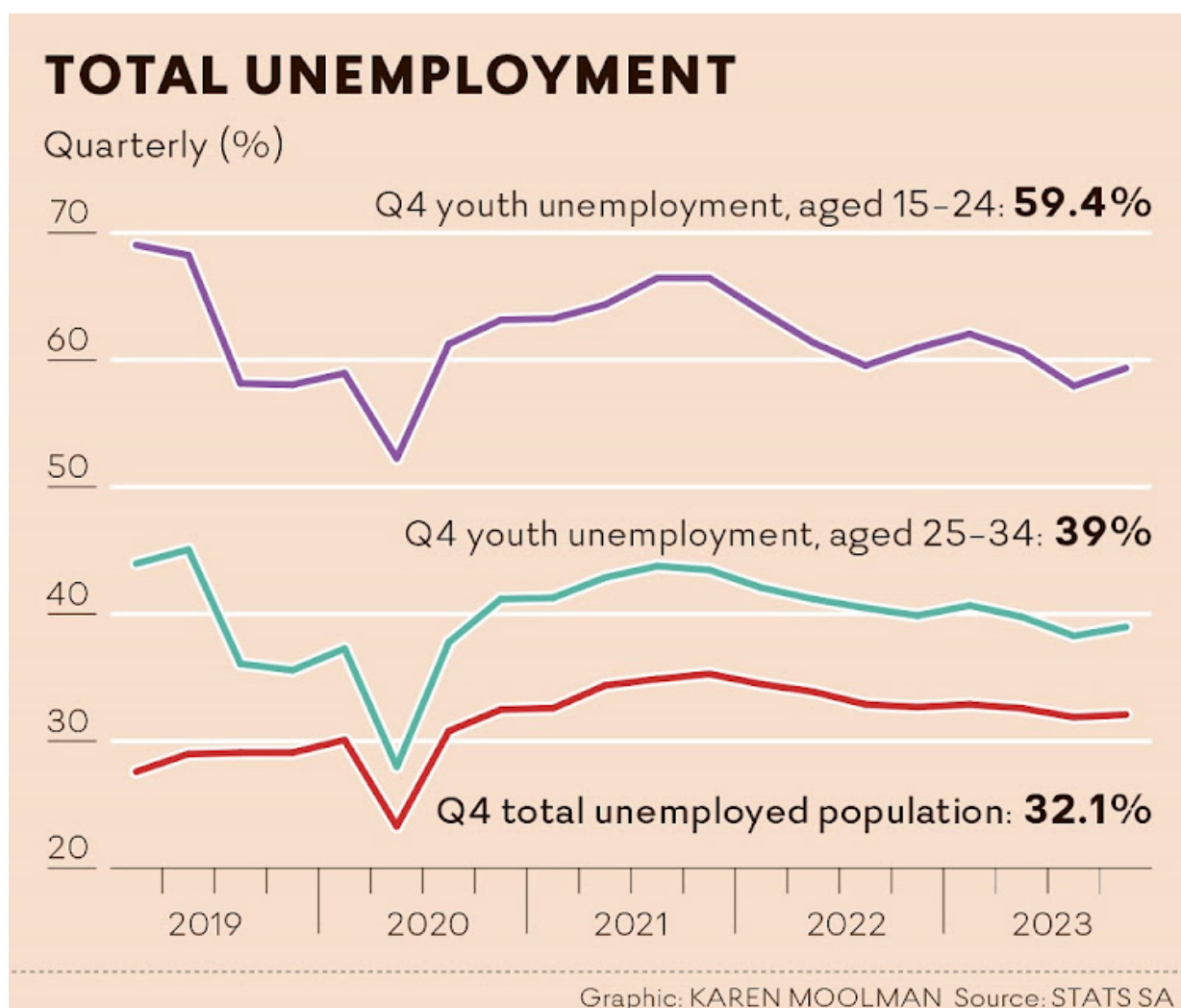
He said that given the country’s structural issues, subdued global demand and low commodity prices, employment in agriculture, mining and manufacturing was likely to decline further in 2024.

“Employment growth in most other sectors, including services, will likely stagnate, but not necessarily reverse course,” he said.

He added that though domestic demand was fading, with consumers under considerable financial strain, the cycle should turn later in 2024 as inflation receded further and interest rates started to decline.

Nedbank expected employment growth to soften in 2024, before picking up more convincingly in 2025, he said.

FNB senior economist Thanda Sithole said the latest outcome is 3.2 percentage points lower than the peak of 35.3% in the first quarter of 2021, during the pandemic.



“It remains three percentage points higher than the 29.1% recorded in the fourth quarter of 2019, indicating persistent structural labour market challenges,” Sithole said.

However, he added that despite the slight rise in the unemployment rate, the labour market had reflected resilience over the past two years, recording net job gains of 2,441,187.

“With economic growth expected to have bottomed at 0.6% last year and projected to gradually lift, reaching 1.8% by 2026, modest job gains are likely to be realised over the horizon,” Sithole said.

Construction

Stats SA’s quarterly labour force survey shows the industries that contributed to the net employment decline include the community and social services sector, which lost 171,000 jobs. Construction was down by 36,000 jobs. Agriculture fell by 35,000 jobs, while trade and manufacturing fell by 28,000 and 1,000, respectively.

Sithole said the manufacturing and construction sectors’ jobs were still below the fourth-quarter 2019 level.

Sectors that contributed positively to employment include finance, transport and mining.

The highest employment losses were recorded in Eastern Cape, Limpopo, the North West and Northern Cape. There were employment increases in KwaZulu-Natal, Mpumalanga and the Western Cape.

Stats SA data shows youth, aged 15-34 years, remain vulnerable, with the total number of unemployed youth increased by 87,000 to 4.7-million. The youth unemployment rate rose 0.9 percentage point to 44.3% in quarter four.

Statistician-general Risenga Maluleke said the number of unemployed people increased by 46,000 to 7.9-million in the last quarter of 2023.

“Additionally, the number of people who were not economically active for reasons other than discouragement increased by 218,000 to 13.4-million, while discouraged work-seekers decreased by 107,000 in the fourth quarter of 2023 compared to the third quarter of 2023.

“This resulted in a net increase of 111,000 in the not economically active population,” he said.

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