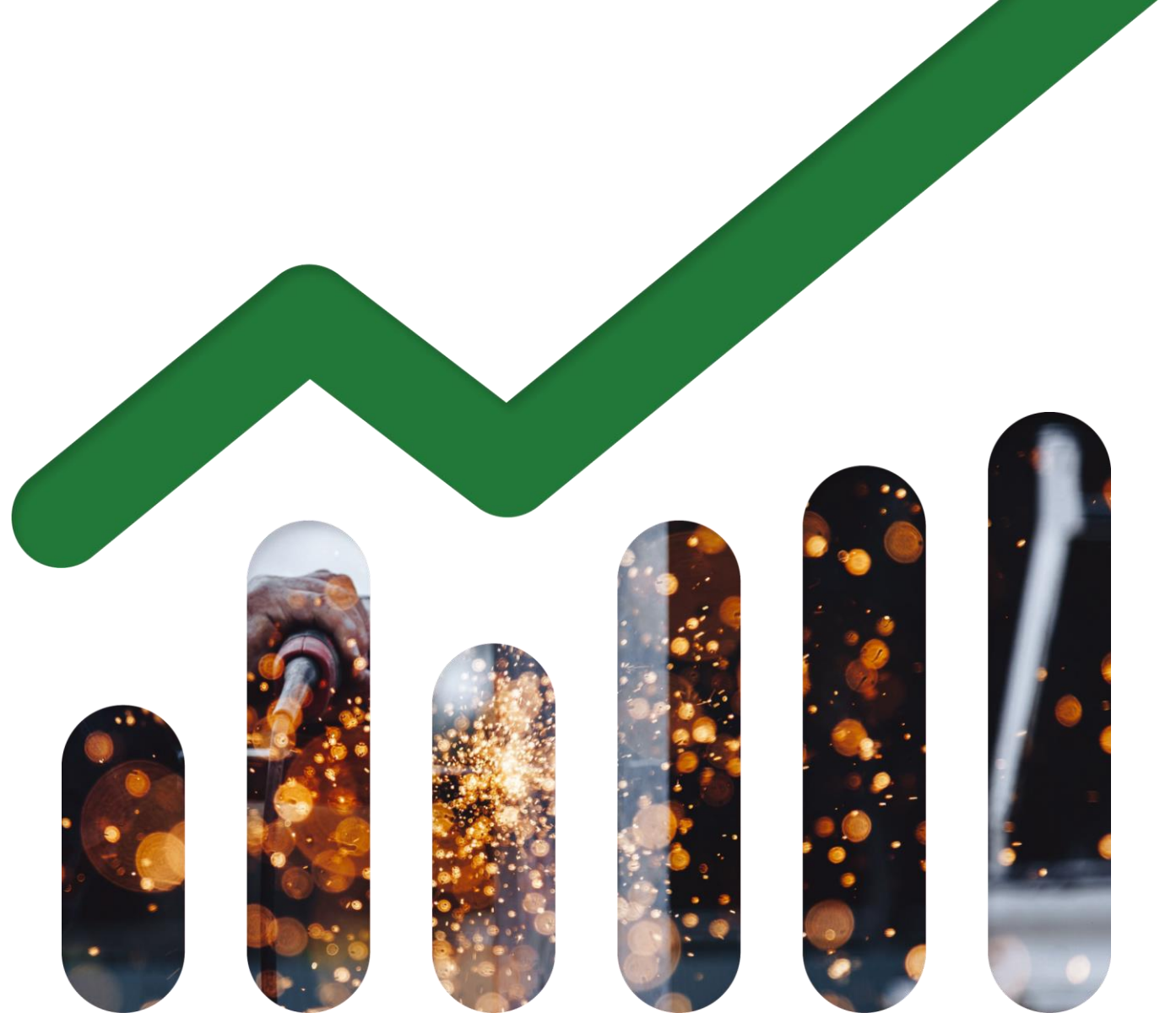




**National Economic
Development and
Labour Council**

Economic and Employment Trends in South Africa

March 2024 | Issue 12





The Month in Review

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Overview of the Budget Review 2024

In this issue, we review South Africa's:

- Long-term GDP per capita trend and its share in global economic activity ([Slide 4](#))
- Latest unemployment rate and the differences among the age groups ([Slide 5](#))
- Banking deposit and loan growth ([Slide 6](#))
- South Africa's international investment position ([Slide 7](#)), and
- most significant export products and export changes over time ([Slide 9](#)).

The month's focus is on the 2024 Budget Review (Slides [8](#), [12](#), [13](#), [14](#), [15](#) and [16](#)).

The South African Minister of Finance, Enoch Godongwana delivered the budget speech in Parliament on 21 February 2024. In the period leading up to the speech, there was widespread speculation about how the National Treasury would address the anticipated revenue shortfall. Increasing the VAT rate, not adjusting the personal income tax brackets for inflation, and deep spending cuts all made the list of possibilities.

South Africa's public debt has risen substantially since 2010, largely due to consistently low tax revenues ([Slide 16](#)). After an additional spike during the COVID-19 pandemic, National Treasury was able to decrease the debt trajectory, compared to the pre-2020 trajectory, by decreasing the growth in non-interest spending. **This decrease is particularly pronounced in per capita terms ([Slide 15](#)).**

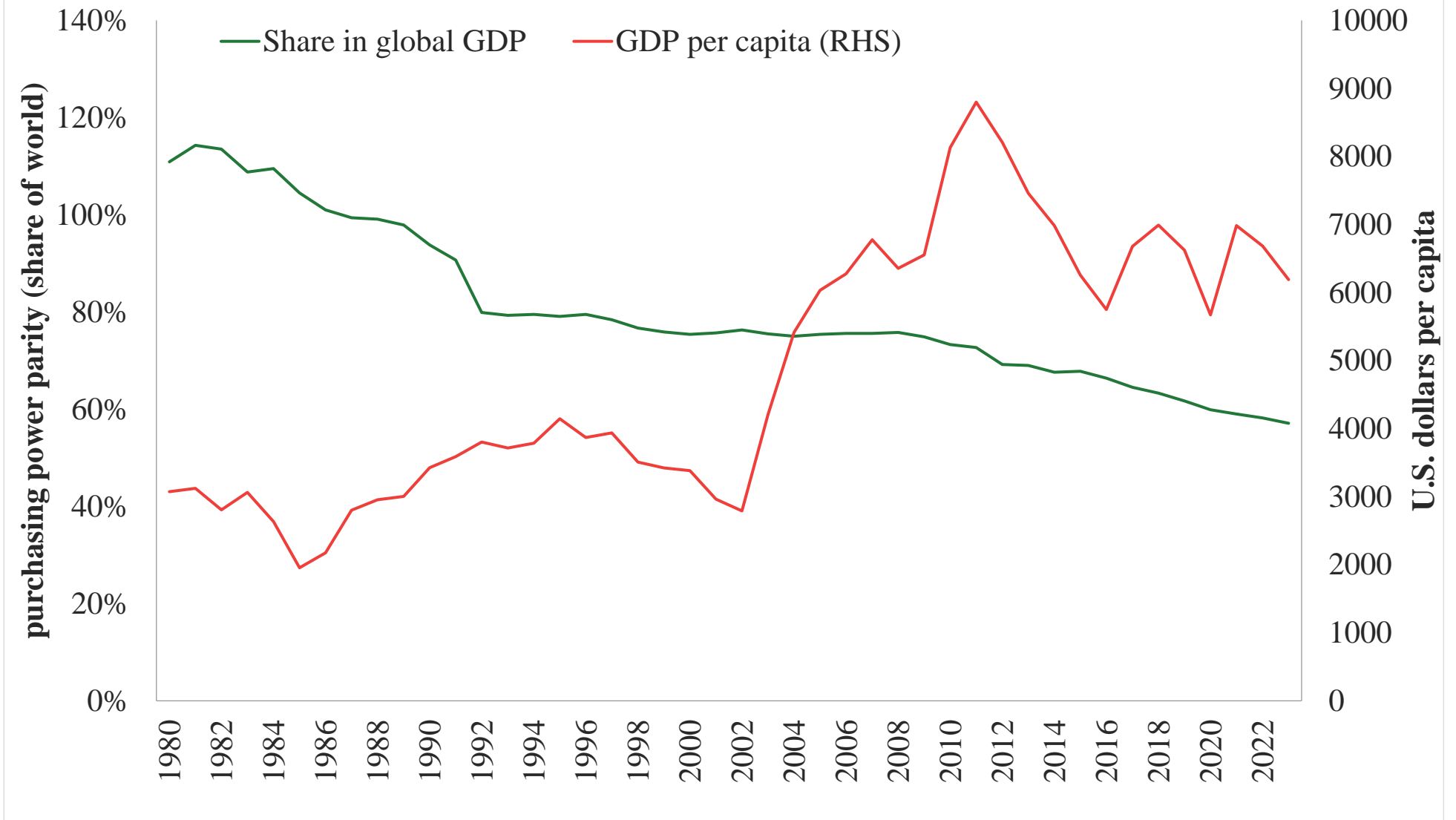
In the 2026/27 fiscal year, real spending after interest is expected to be just over R1 000 less than in 2010, and nearly R5 000 less than in 2020 ([Slide 15](#)). The Southern Centre for Inequality Studies points out that the current spending reduction is the largest in South Africa's democratic history ([SCIS 2024](#)).

As per the 2024 Budget, over the Medium-term, the debt trajectory is expected to turn negative ([Slide 16](#)). This is being achieved through the decreasing of non-interest spending and tapping into the South African Reserve Bank's Gold and Foreign Exchange Contingency Reserve Account (GFECRA) to lower government borrowing.

Gross Domestic Product

South Africa's GDP per capita has declined in US dollar terms over the last decade. South Africa's contribution to global output has also declined steadily from the early 1980s.

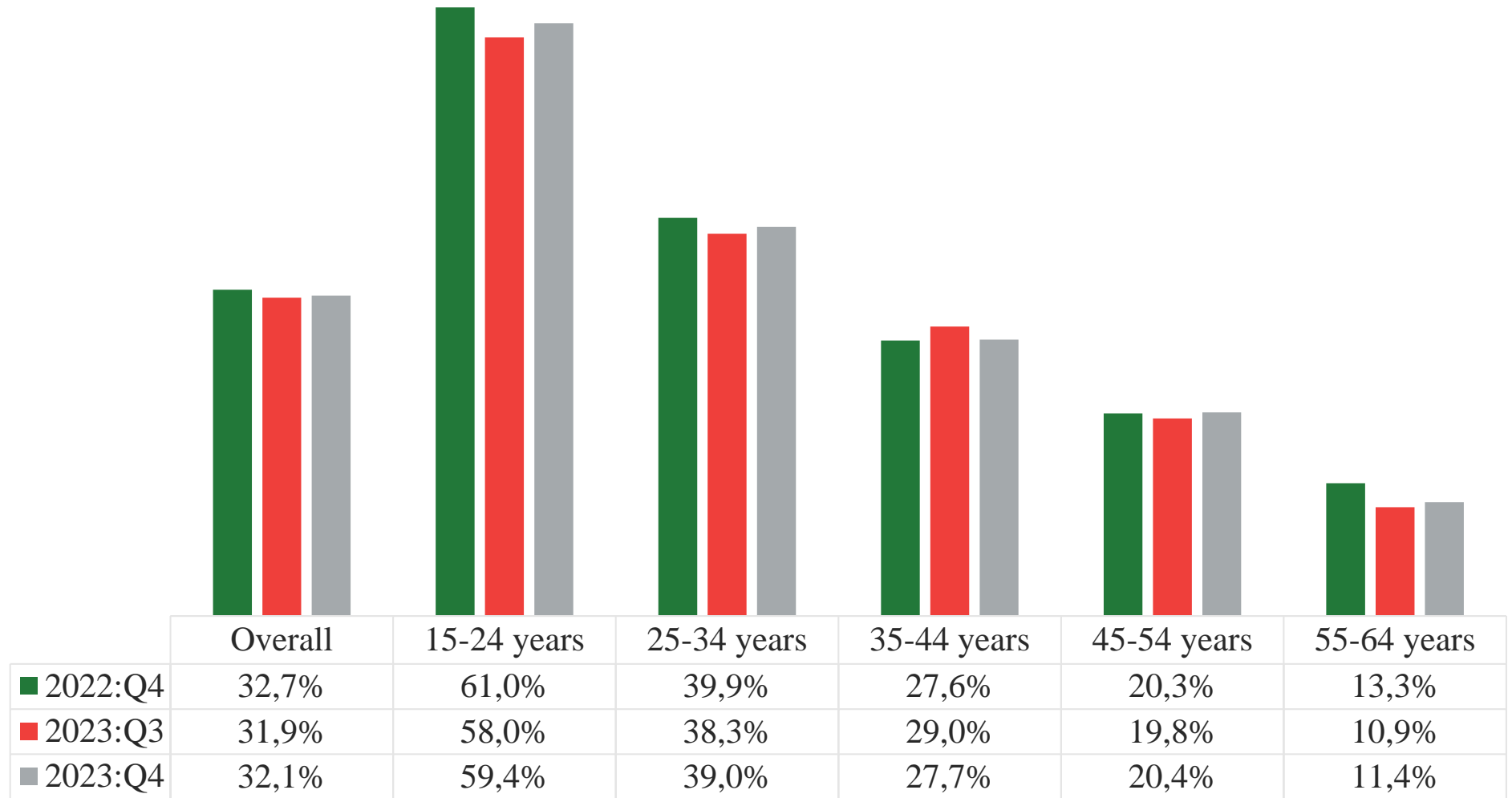
South Africa's GDP over the long term



Employment

Although still lower than the year before, South Africa’s unemployment rate increased by 0.2 percentage point between the third and fourth quarter of 2023. The unemployment rate was driven by increased unemployment across the age groups, apart from the 35–44-year cohort.

Unemployment rate by age group

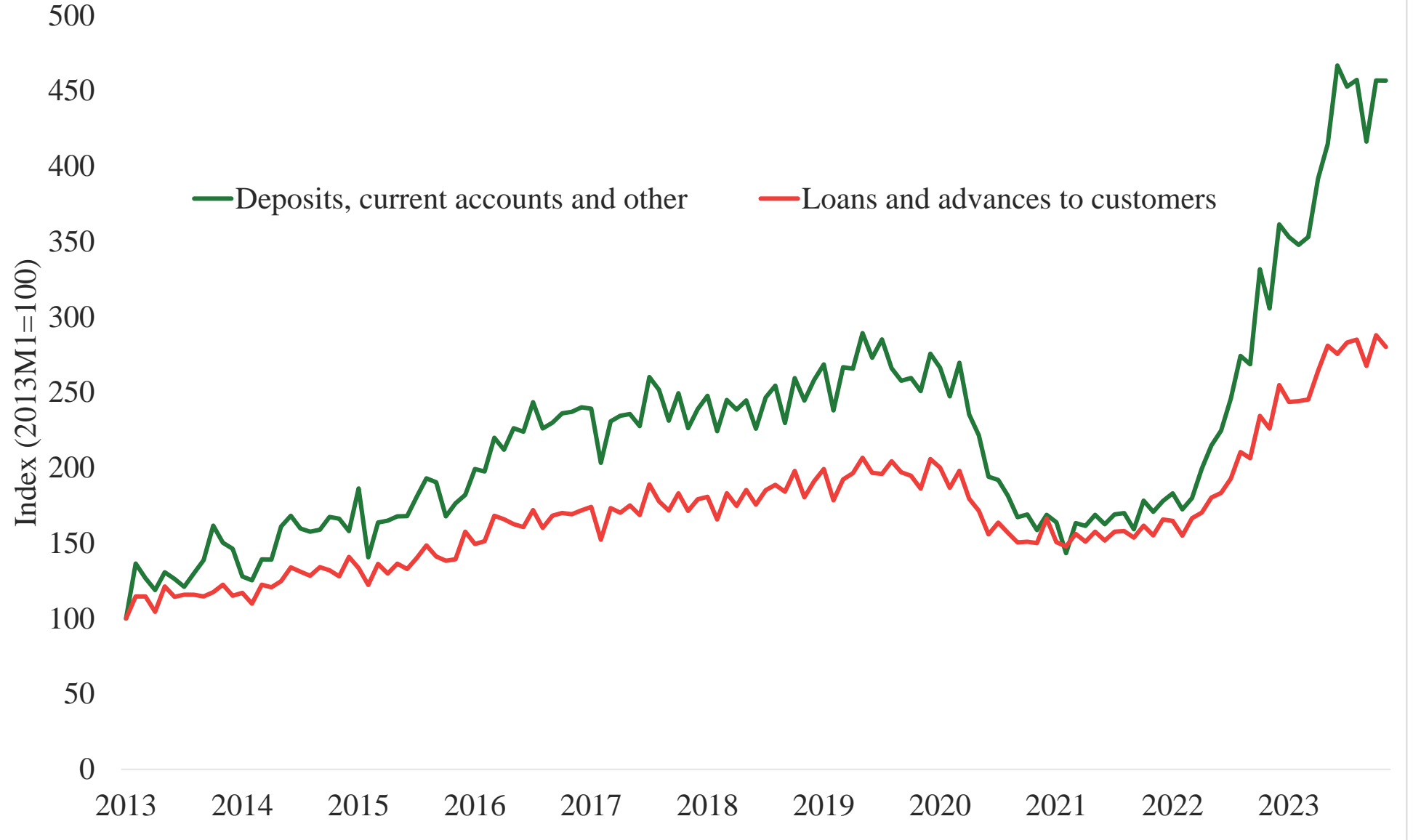


Source: Statistics South Africa, P0211 - Quarterly Labour Force Survey (QLFS), 3rd Quarter 2023

Households

Climbing interest rates have seen an increase in deposits, while credit growth has slowed down.

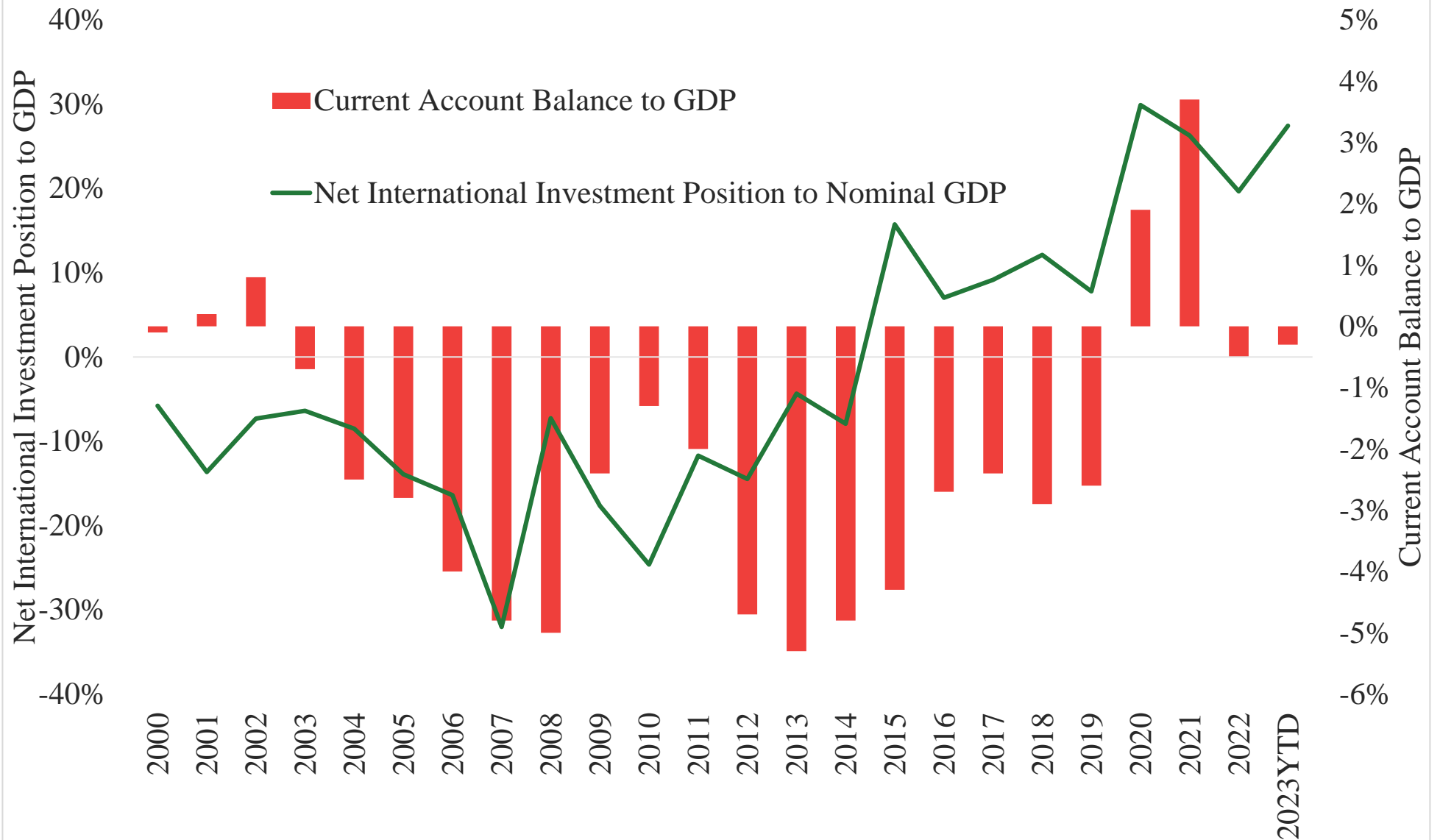
Banking deposit vs loan growth



Investment

Despite persistent current account deficits, South Africa's net international investment position (NIIP) remains positive.

Net International Position and Current Account Balance

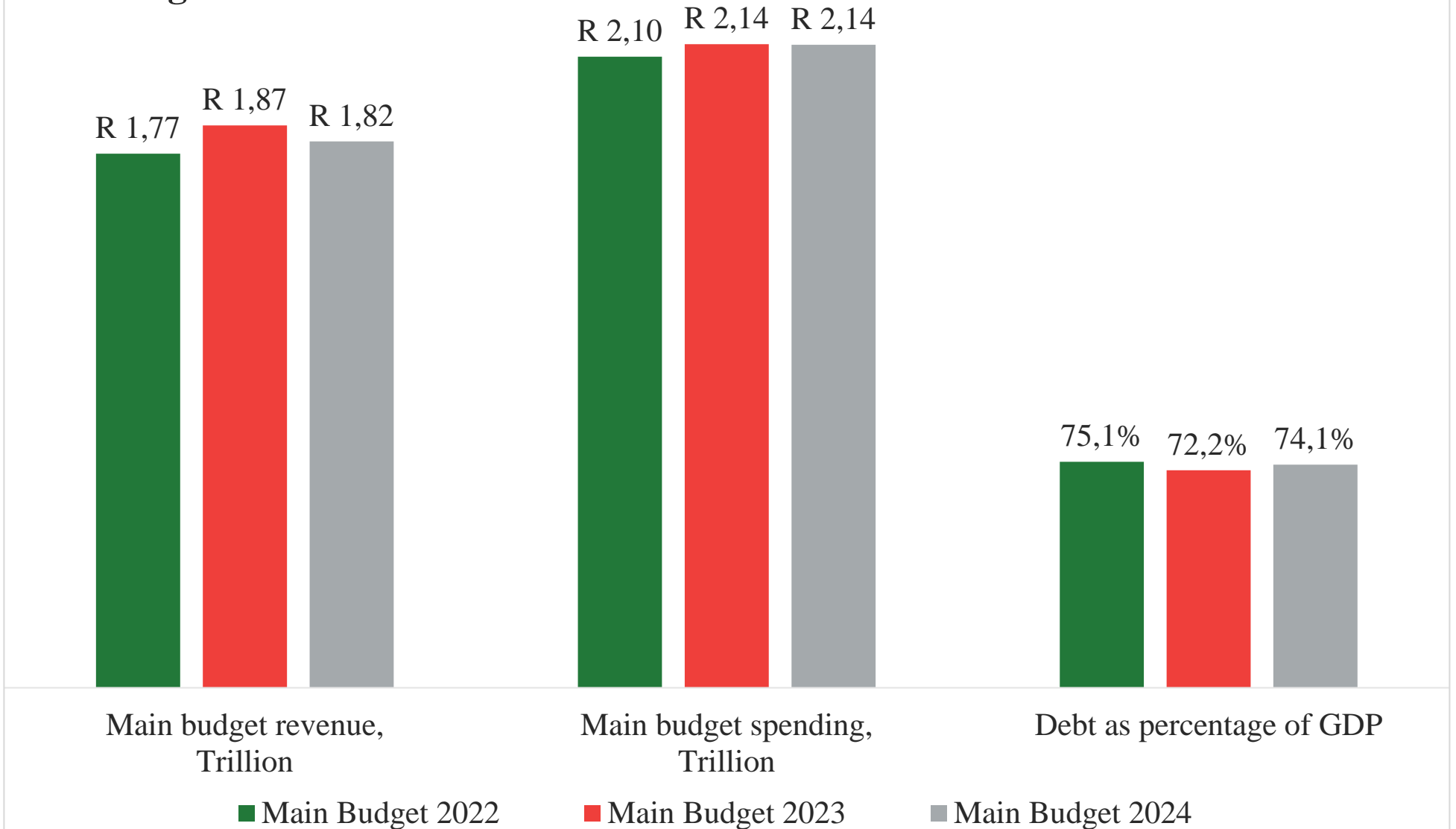


Source: [SARB\(Quarterly Bulletin\)](#), [EconData](#)

Government

Lower revenue and steady expenditure has implied slightly higher debt. Were it not for a transfer from the South African Reserve Bank's Gold and Foreign Exchange Contingency Reserve Account, the 2024/25 debt levels would have been higher still.

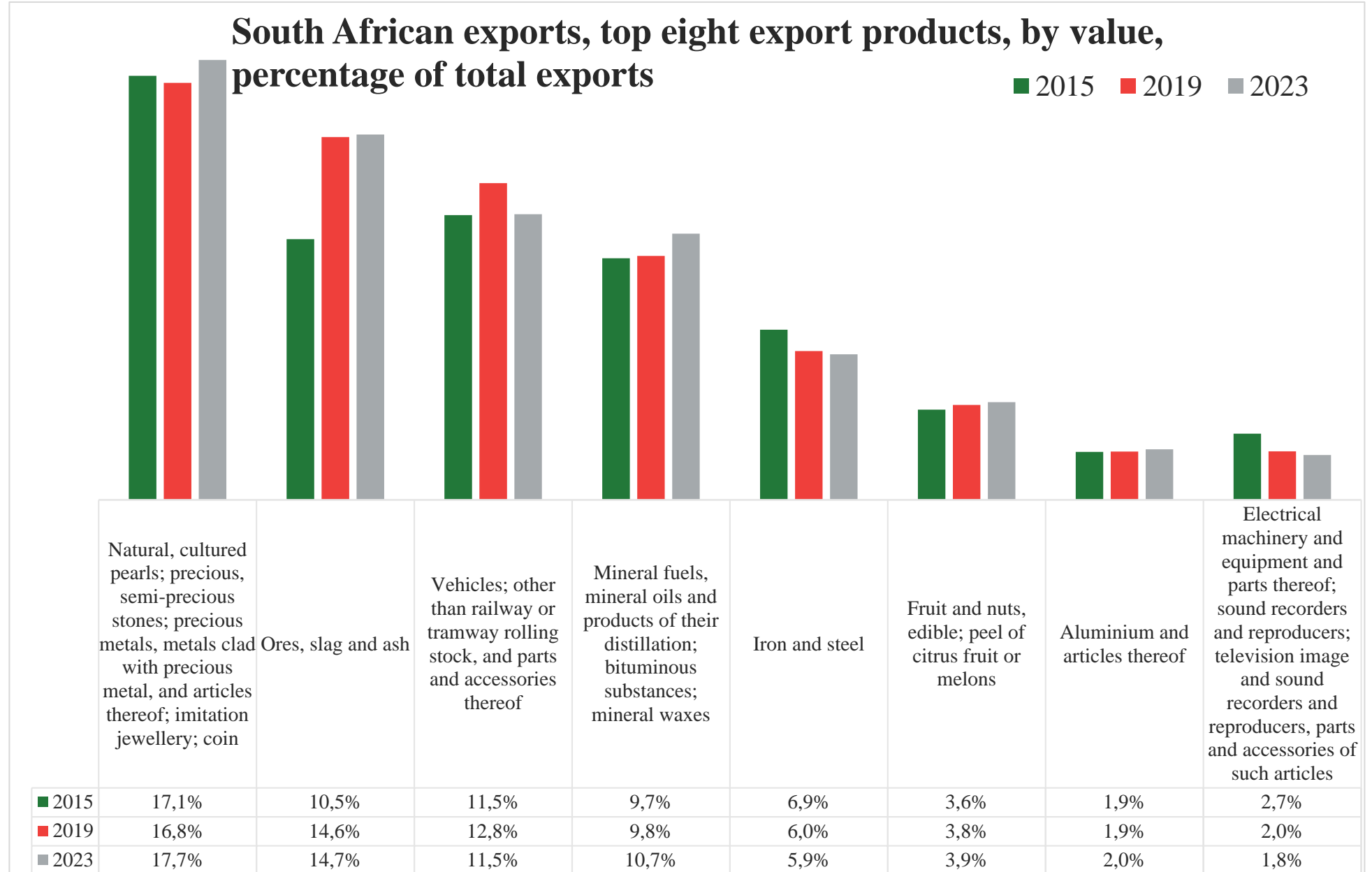
Budget estimates for 2024/25, comparison of the 2022, 2023 and 2024 budget review



Source: [National Treasury. National Budget 2024](#)

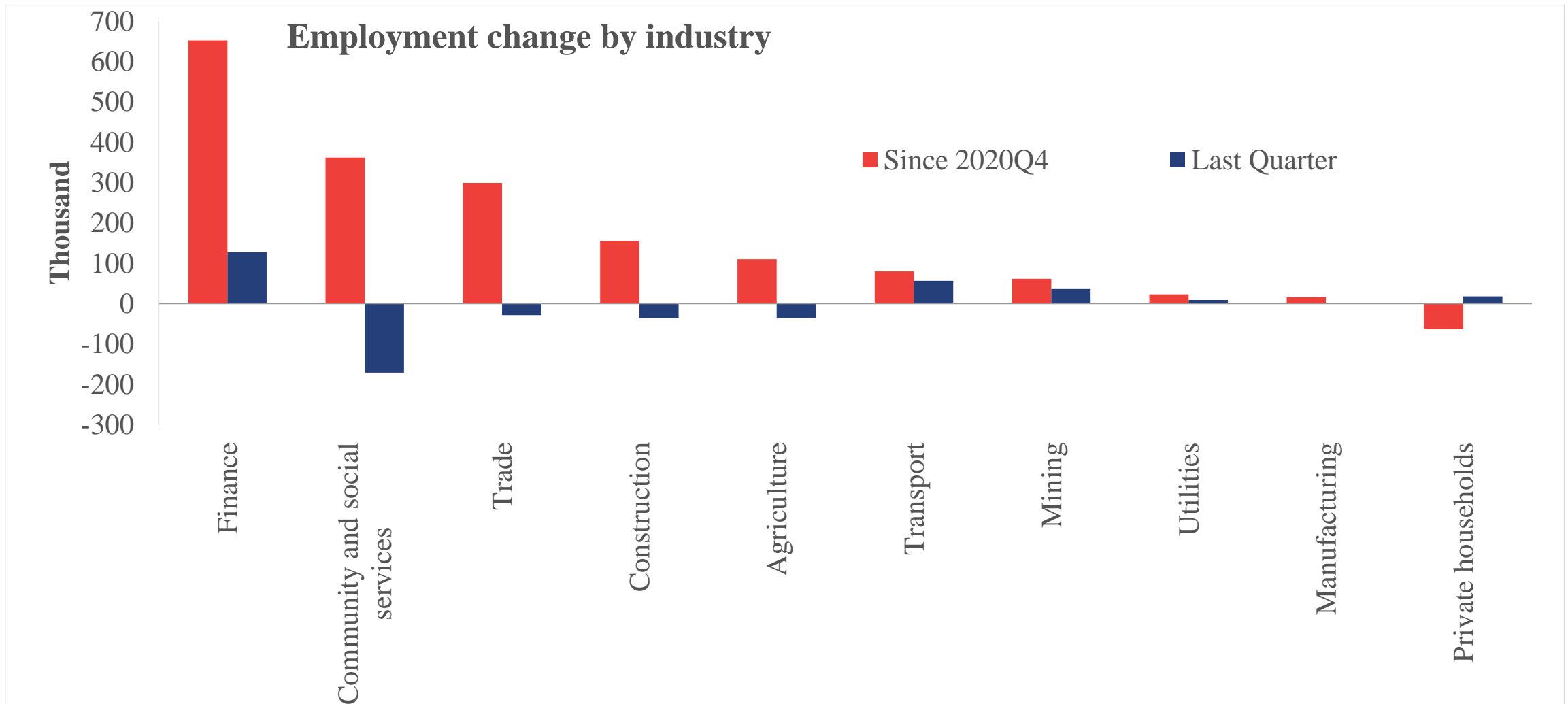
International Trade

South Africa’s exports are dominated by mining and agriculture, vehicles and electrical equipment. Over the last four years, the contribution of the manufacturing products (vehicles and electrical equipment) have declined.

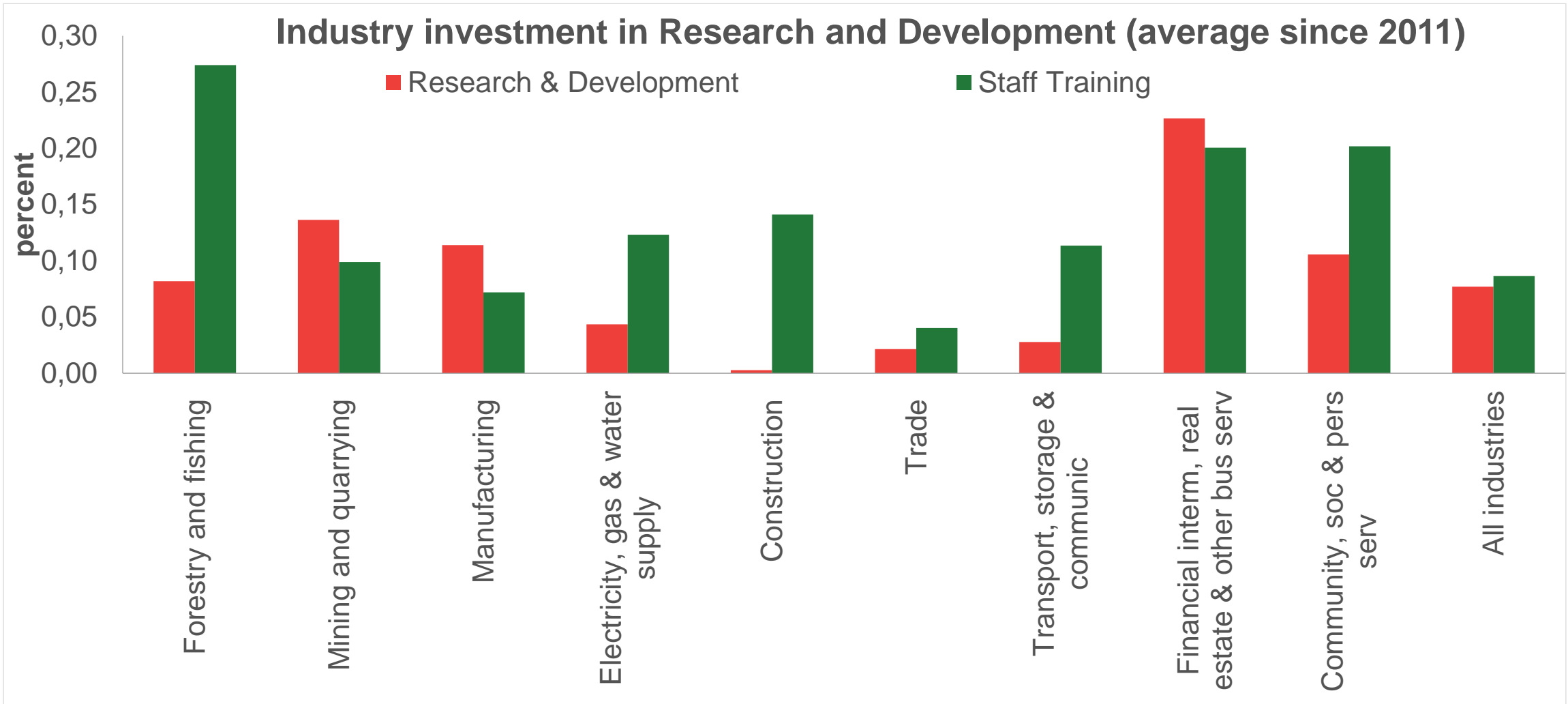


Source: [UN Comtrade Database](#)

The Finance industry saw the biggest increase in employment in 2023Q4 (up by 128 thousand) and was also the industry with the highest employment growth over the last three years. Community and social services experienced a decline of 171 thousand jobs in 2023Q3, but employment is still 300 thousand jobs higher than three years ago.



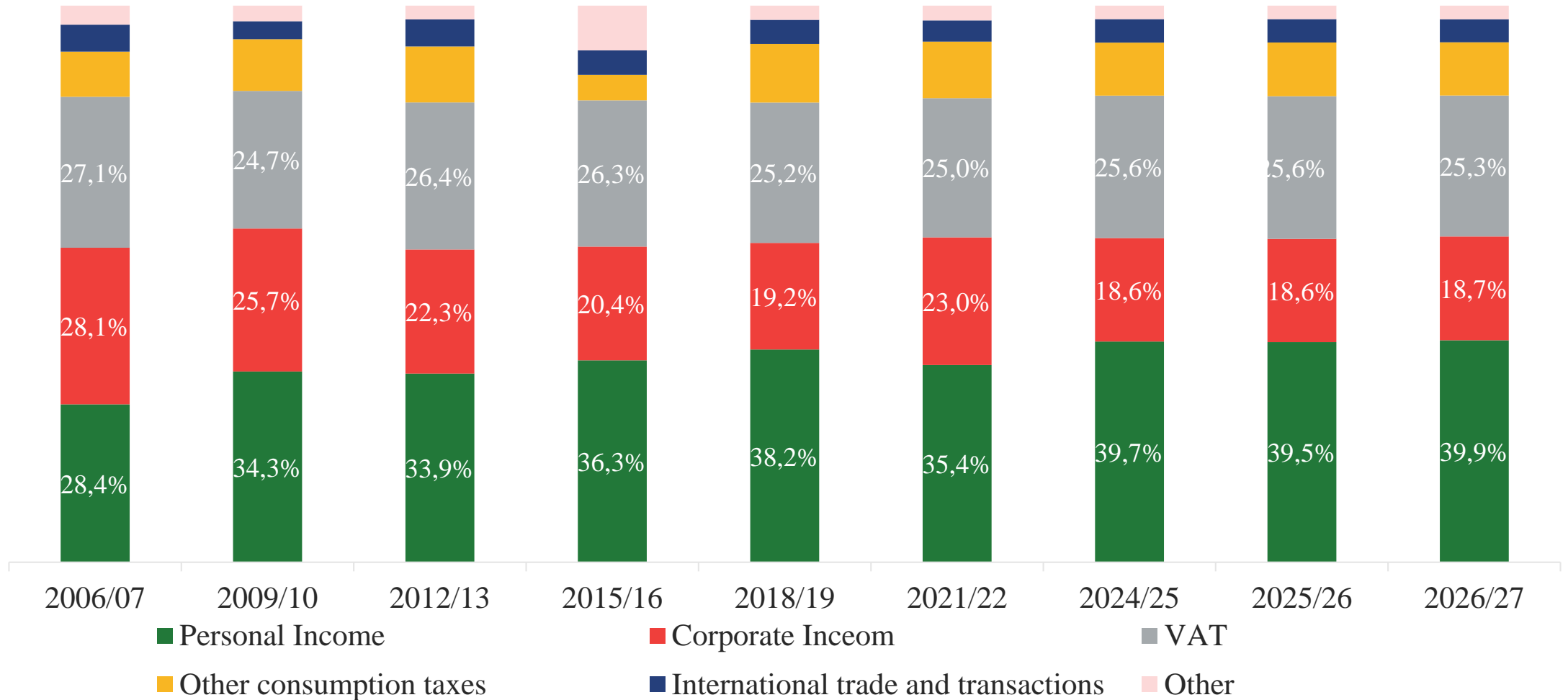
Business services industry has spent the most relative to turnover on Research and Development, while Trade has spent the least. The forestry and fishing industry has spent the most on staff training, followed by Finance and Business services.



Source: Stats SA (P0021), R&D and staff training expenditure over turnover, 2011 to 2022.

Budget Review 2024: South Africa’s tax revenue continues a trend of being increasingly reliant on personal income tax
 While small changes in tax composition are forecast over the MTEF, South Africa’s tax composition has shifted from being equally reliant on corporate and personal income tax to being much more reliant on personal income over the last two decades.

South Africa revenue composition

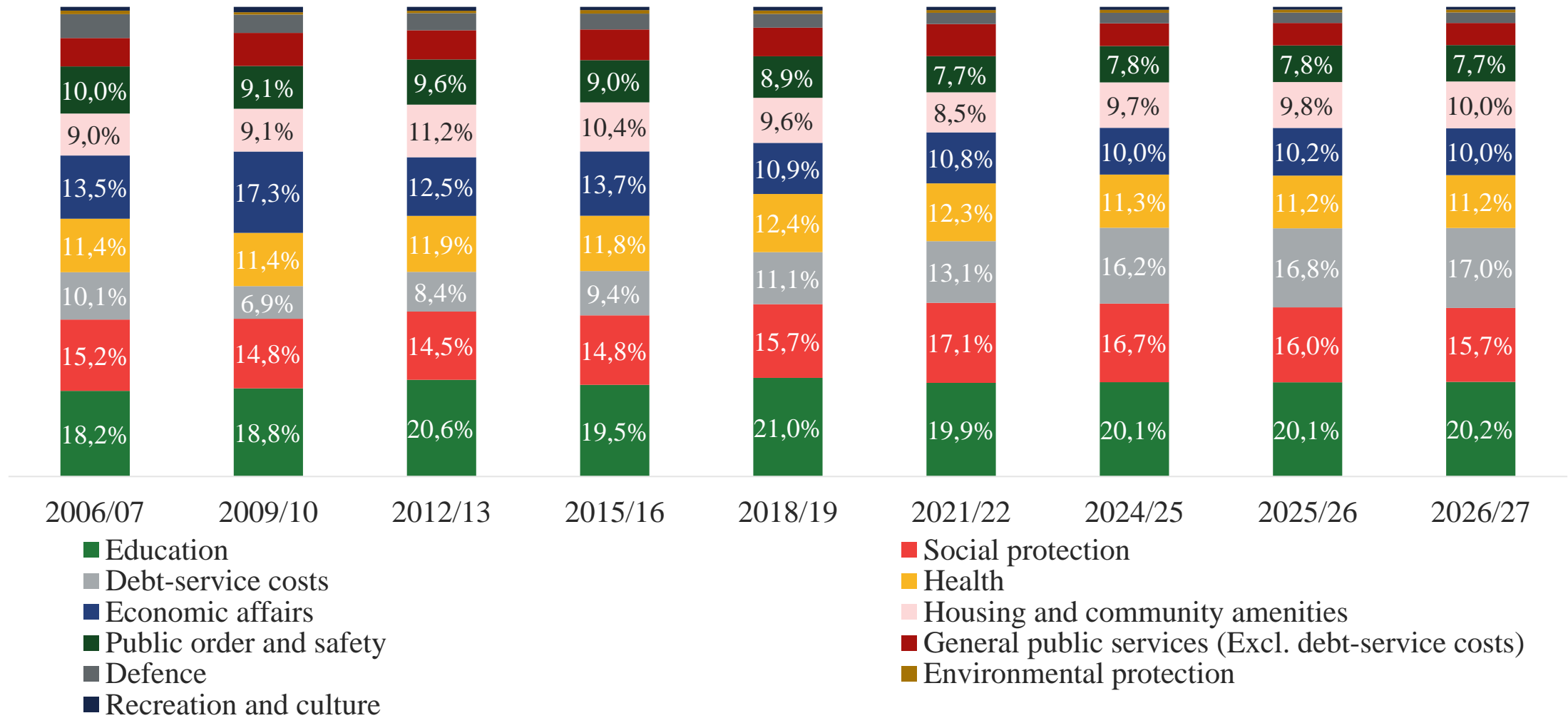


Source: National Treasury, National Budget 2024

Budget Review 2024: Debt-service costs continues to crowd out other public spending

Increasing debt-services spending has crowded out spending on economic affairs and public order and safety, while education, health and social protection have been comparatively more protected. Over the MTEF, only marginal compositional changes are budgeted.

South African public spending composition, by functional classification

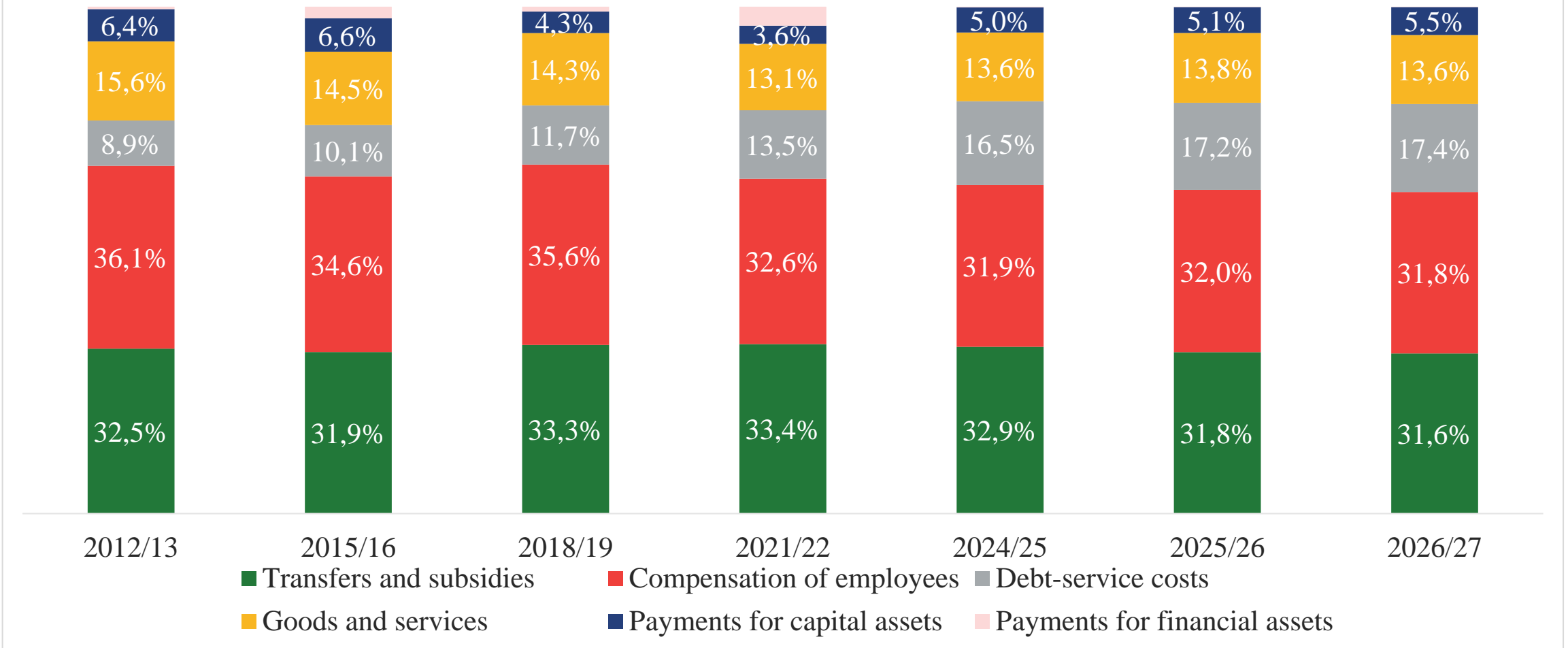


Source: National Treasury, National Budget 2024

Budget Review 2024: Capital spending prioritised in the budget

To address the increasing budget allocated to debt servicing over the last decade, a decreasing proportion of the budget was allocated to salaries, goods and services, and capital (infrastructure and equipment). Over the MTEF, while debt servicing continues to increase, capital spending is being protected.

South African public spending composition, by economic classification

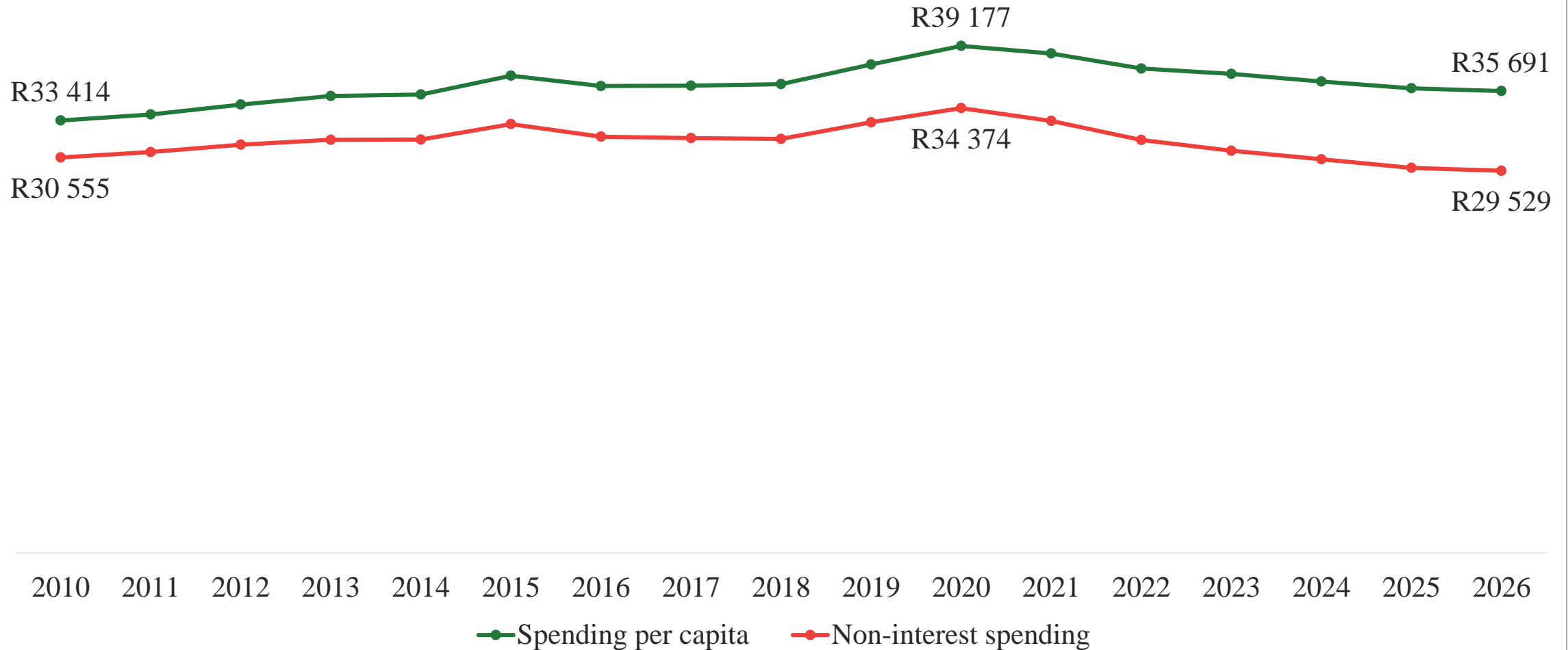


Source: National Treasury, National Budget 2024

Budget Review 2024: Government spending per capita continues its downward trend

After a long-term increasing trend in per capita spending, government has reduced real per capita spending since the COVID-19 pandemic and continues to do so over the MTEF. In the 2026/27 fiscal year, spending after interest payments is expected to be just over R1 000 less than it was in 2010, and nearly R5 000 less than in 2020.

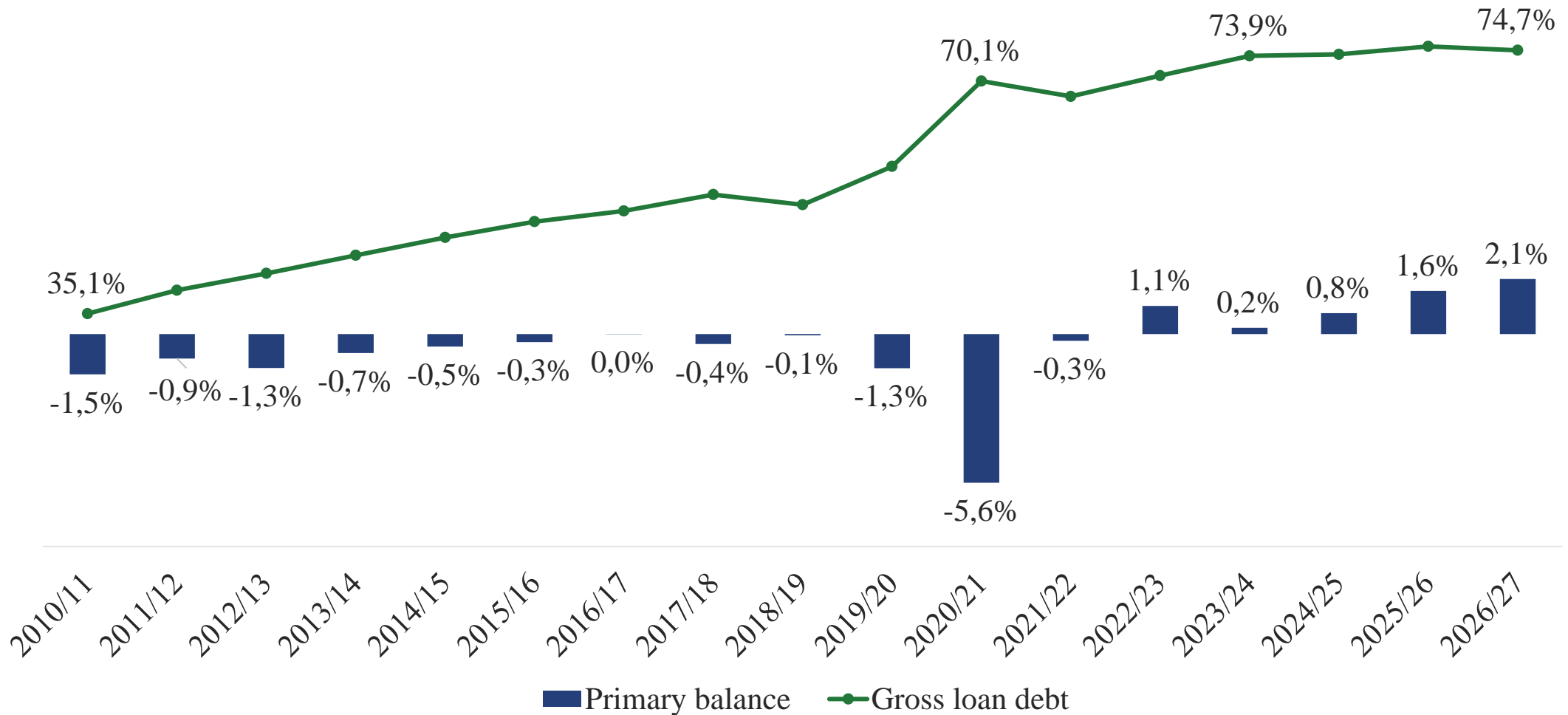
Consolidated public spending per capita (2023 prices)



Budget Review 2024

After a decade of rapidly increasing public debt, National Treasury projects the first decrease in the debt-to-GDP ratio in 2026/27. The stabilisation will be achieved through contained spending (and resultant primary surpluses) and a transfer from the South African Reserve Bank’s Gold and Foreign Exchange Contingency Account.

South Africa’s debt trajectory, percentage of GDP



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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.

Disclaimer

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