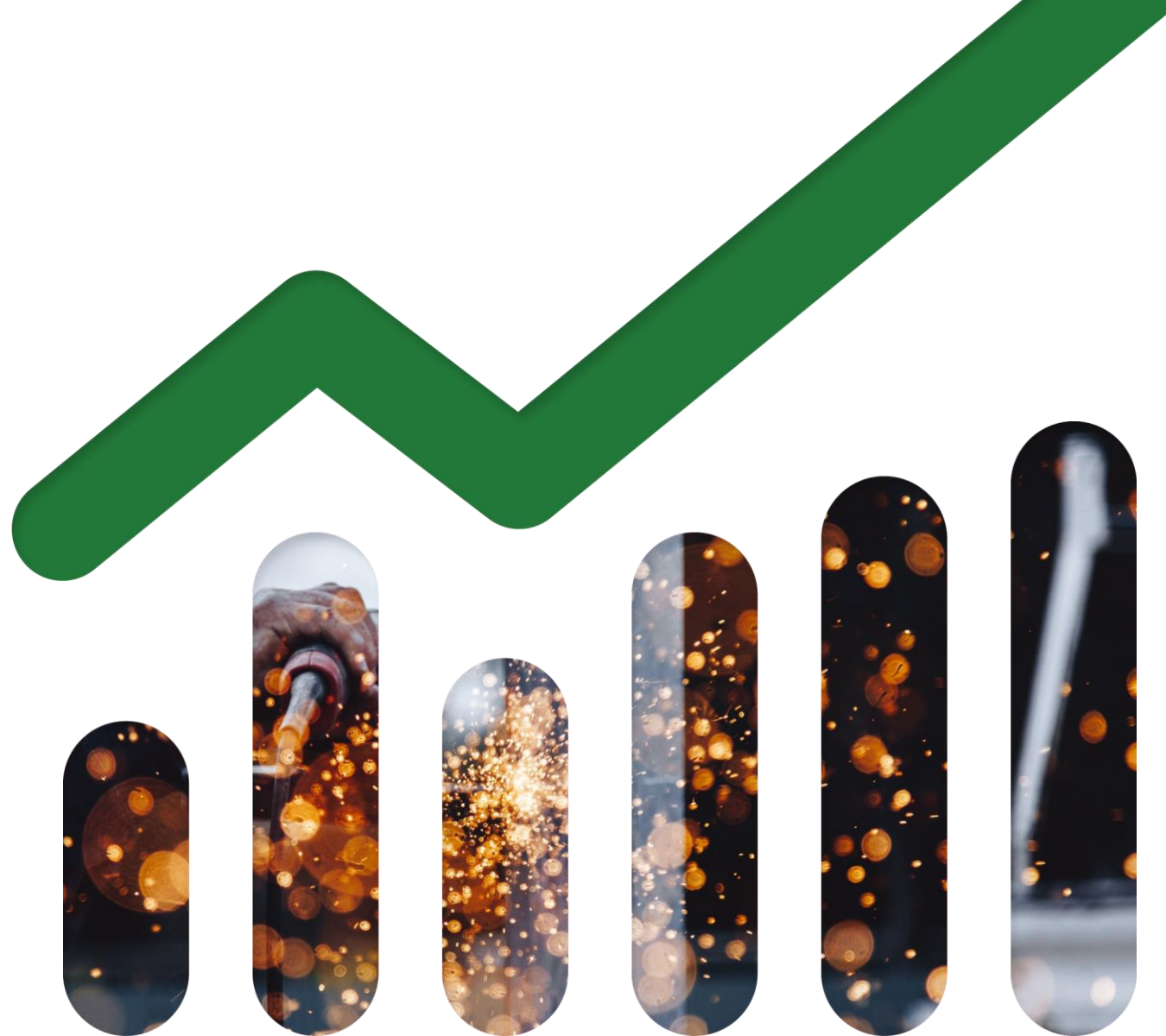




**National Economic  
Development and  
Labour Council**

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

June 2024 | Issue 15





The Month in Review

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## Overview of current economic and employment trends

The IMF predicts real GDP growth of only 0.9% for 2024, while the SARB predicts 1.2%, and the National Treasury expects 1.3% growth. The SARB expects inflation to be 5.1%, whereas the IMF and the National Treasury predict a slightly lower rate of 4.9% ([Slide 4](#)).

In the first quarter of 2024, all provinces experienced an increase in unemployment rates. The number of unemployed individuals surpassed those employed in all provinces, with Limpopo experiencing the highest growth in the number of those unemployed ([Slide 5](#)).

Petrol prices have increased significantly more than consumer prices or average wages. Average wages increased at a compounded annual average rate of 6.7% since 2008, compared to 5.6% for headline inflation ([Slide 6](#)).

Nedbank reports a significant decline in fixed investment activity for 2023. The total value of new projects announced was R184.8 billion, a drop from R259.9 billion in 2022. The most significant project planned by the private sector, valued at R11 billion, involves the construction of a solar farm in the Northern Cape by Mulilo Renewables. Nearly 50% of the private sector projects focus on transitioning to renewable energy sources, with a combined value of R27 billion ([Slide 7](#)).

Between 2012/13 and 2022/23, health spending per uninsured individual increased across most provinces, except Limpopo, Northern Cape, and Mpumalanga. Limpopo and Mpumalanga experienced a considerable shift from the highest to the lowest levels of spending ([Slide 8](#)).

The concentration of imports from South Africa's top 8 import trading partners steadily increased from 2019 to 2023. Over the last four years, China, the US, Germany, and India have been the most significant contributors to South Africa's imports ([Slide 9](#)).

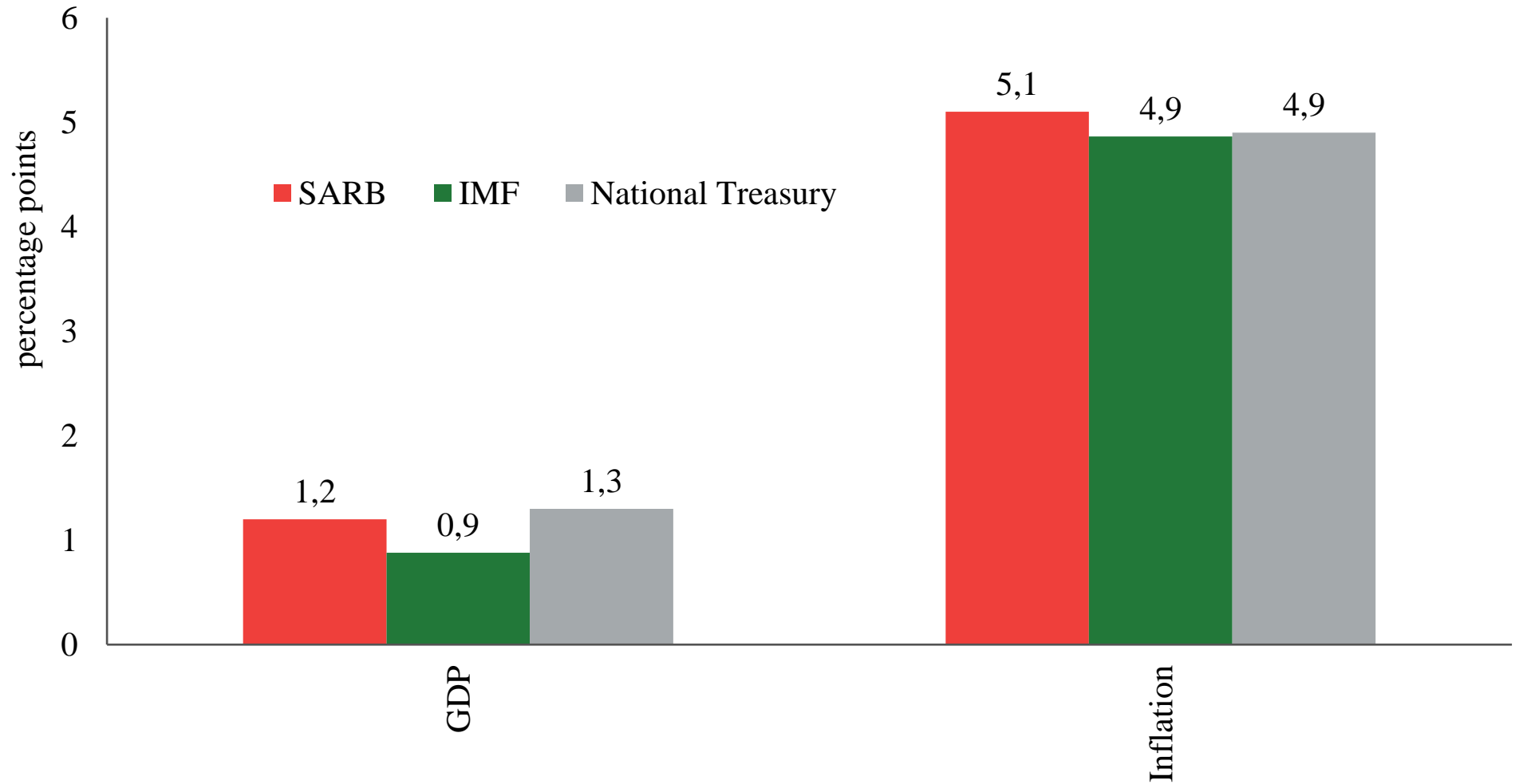
According to estimates by Productivity South Africa, the Finance, Insurance, Real Estate, and Business Services industry experienced the highest labour productivity growth. Conversely, several industries have seen significant declines in labour productivity since 2000 ([Slide 10](#)).

Regarding municipal finances, service charges constitute approximately 40% of municipal revenue, with electricity accounting for about 40%, property rates 25%, and water 15% ([Slide 11](#)). Wages are typically the largest expenditure component, followed by bulk purchases, while municipalities spend very little on maintenance ([Slide 12](#); [Slide 13](#)).

## Gross Domestic Product

The IMF predicts real GDP growth of only 0.9% for 2024, while the SARB predicts 1.2%, and the National Treasury expects 1.3% growth. Regarding inflation, the SARB expects it to be 5.1%, whereas both the IMF and the National Treasury predict a slightly lower rate of 4.9%.

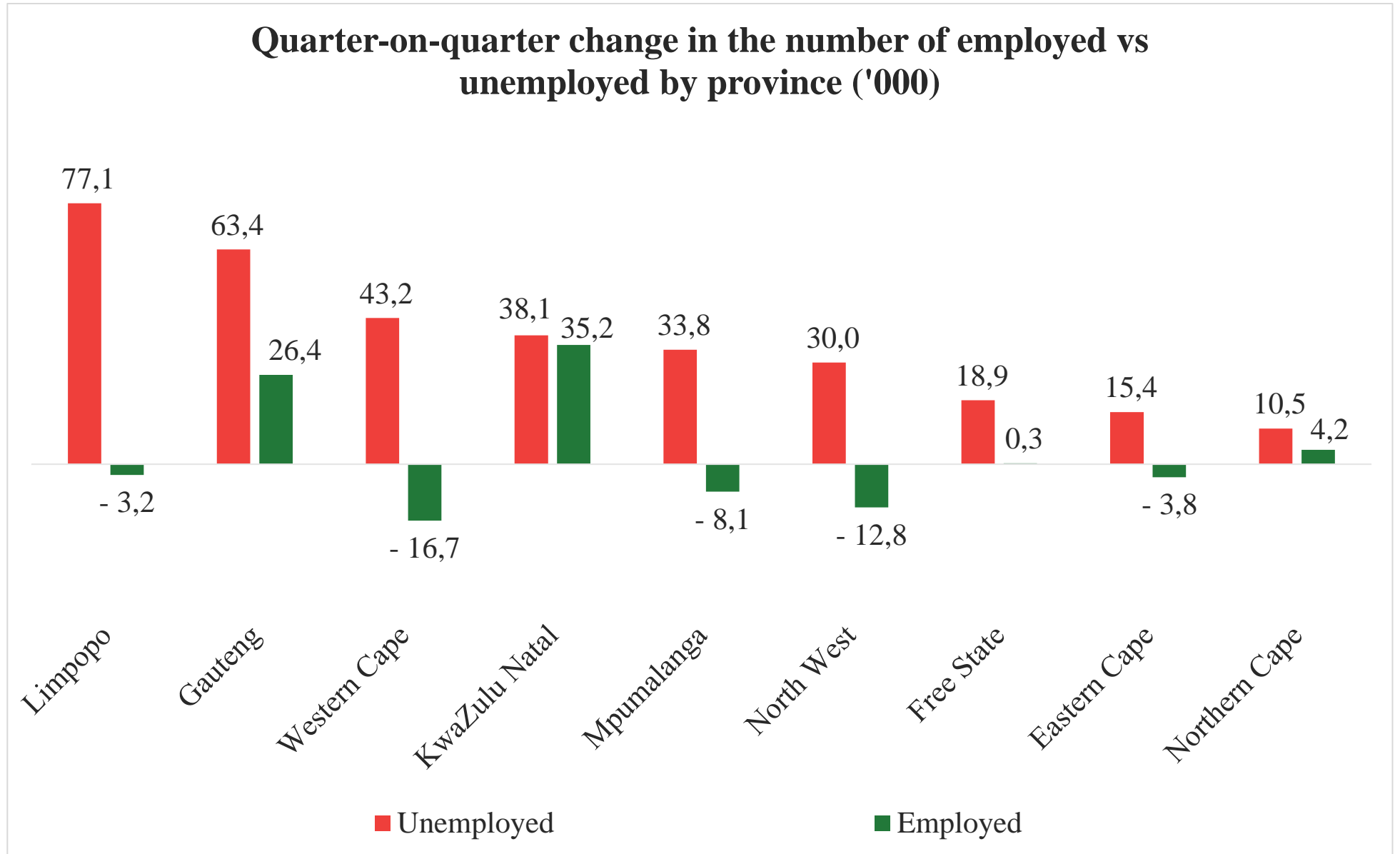
## Projections for South Africa for 2024 from the SARB, IMF and National Treasury



Source: IMF April WEOs, SARB March MPC Statement, NT Budget Review.

## Employment

In the first quarter of 2024, all provinces experienced an increase in unemployment rates. The number of unemployed individuals surpassed those employed in all provinces, with Limpopo experiencing the highest growth in the number of those unemployed.

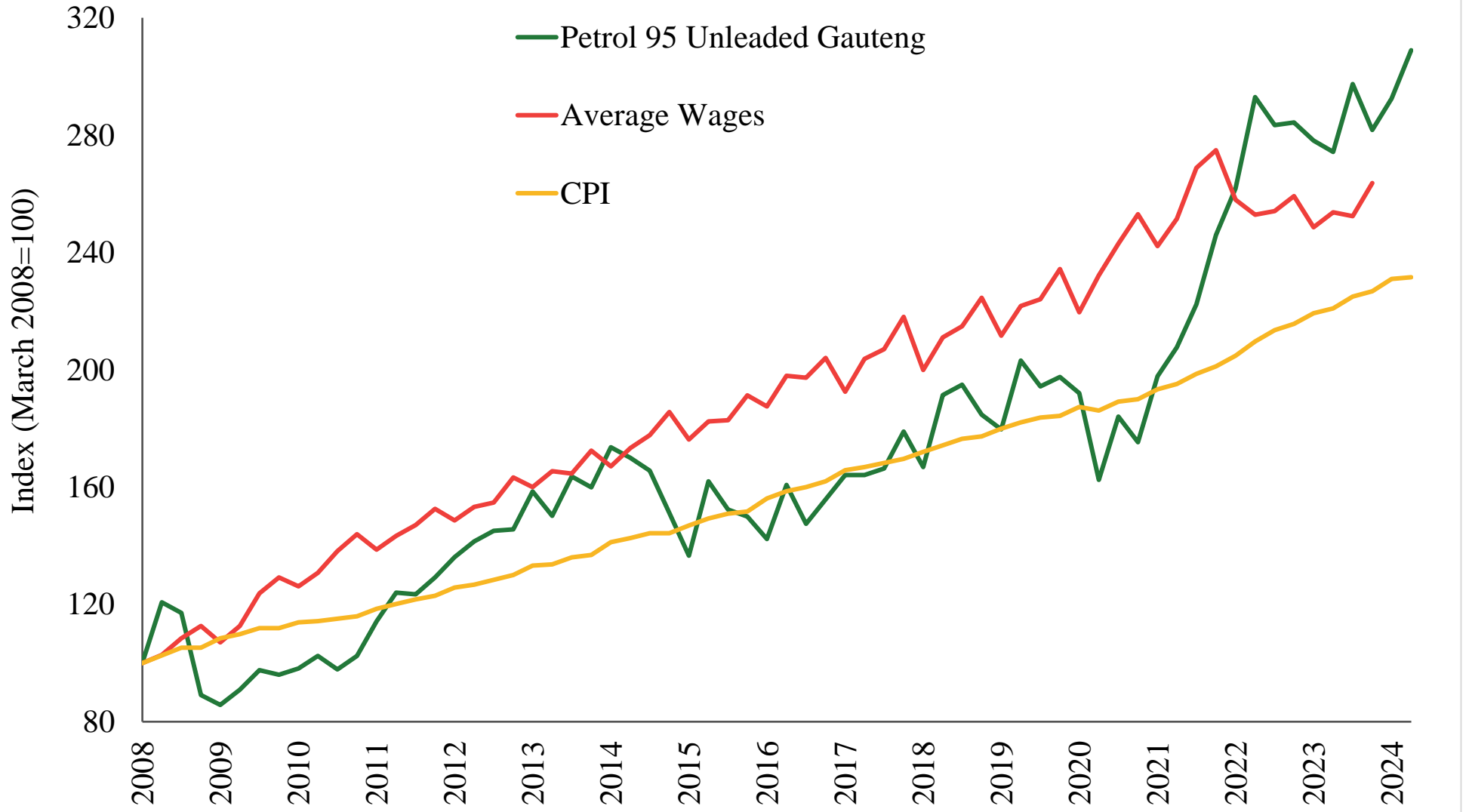


Source: Quarterly Labour Force Survey (QLFS), 1<sup>st</sup> Quarter 2024, Statistics South Africa

## Households

Petrol prices have increased significantly more than consumer prices or average wages. Average wages increased at a compounded annual average rate of 6.7% since 2008, compared to 5.6% for headline inflation.

### Petrol price vs CPI and wages in South Africa

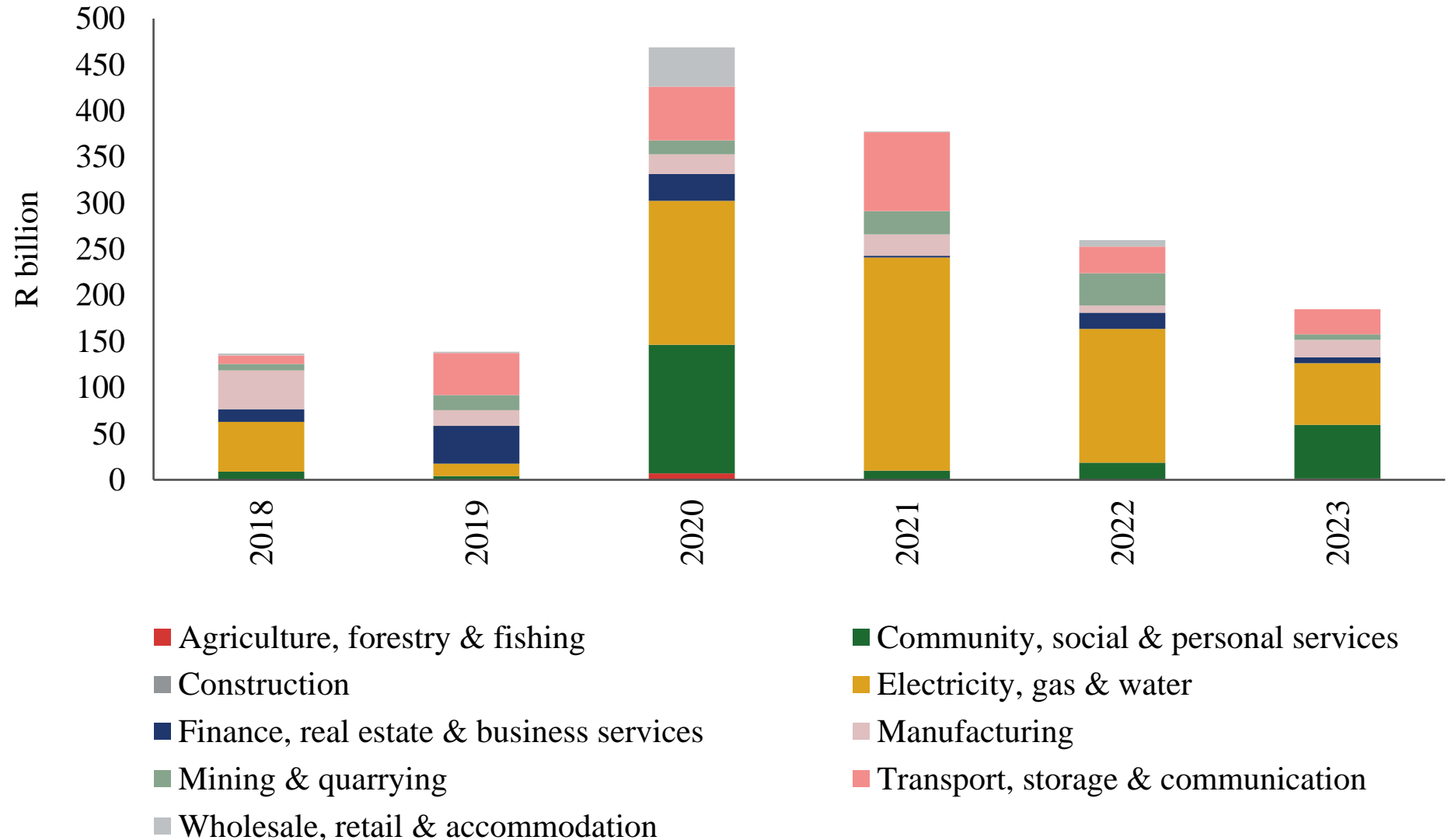


Source: Central Energy Fund, Stats SA, EconData. Average wages are compensation of employees over total employment.

## Investment

Nedbank reports a significant decline in fixed investment activity for 2023. The total value of new projects announced was R184.8 billion, a drop from R259.9 billion in 2022. Private sector projects announced totaled R56 billion, compared to R203 billion in 2022. Nearly 50% of the private sector projects focus on transitioning to renewable energy sources, with a combined value of R27 billion.

### Announced projects by sector

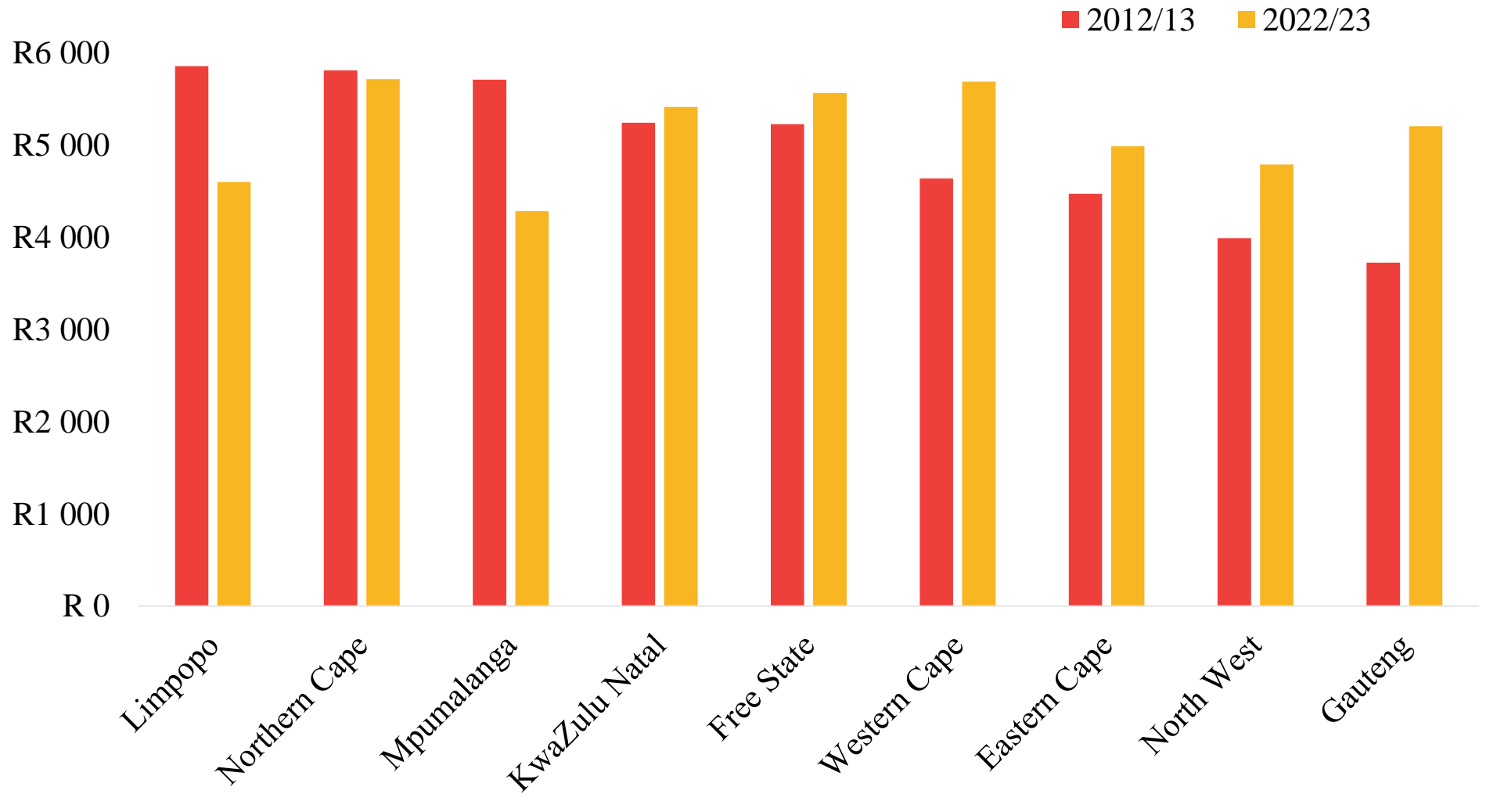


Source: Nedbank.

## Government

Between 2012/13 and 2022/23, health spending per uninsured individual increased across most provinces, except Limpopo, Northern Cape, and Mpumalanga. Limpopo and Mpumalanga experienced a considerable shift from the highest to the lowest levels of spending. By 2022/23, Mpumalanga spent the least, at only 75% of the amount spent by the Northern Cape, which spent the most.

**Provincial health spending per uninsured population, real (2023/24 rands)**



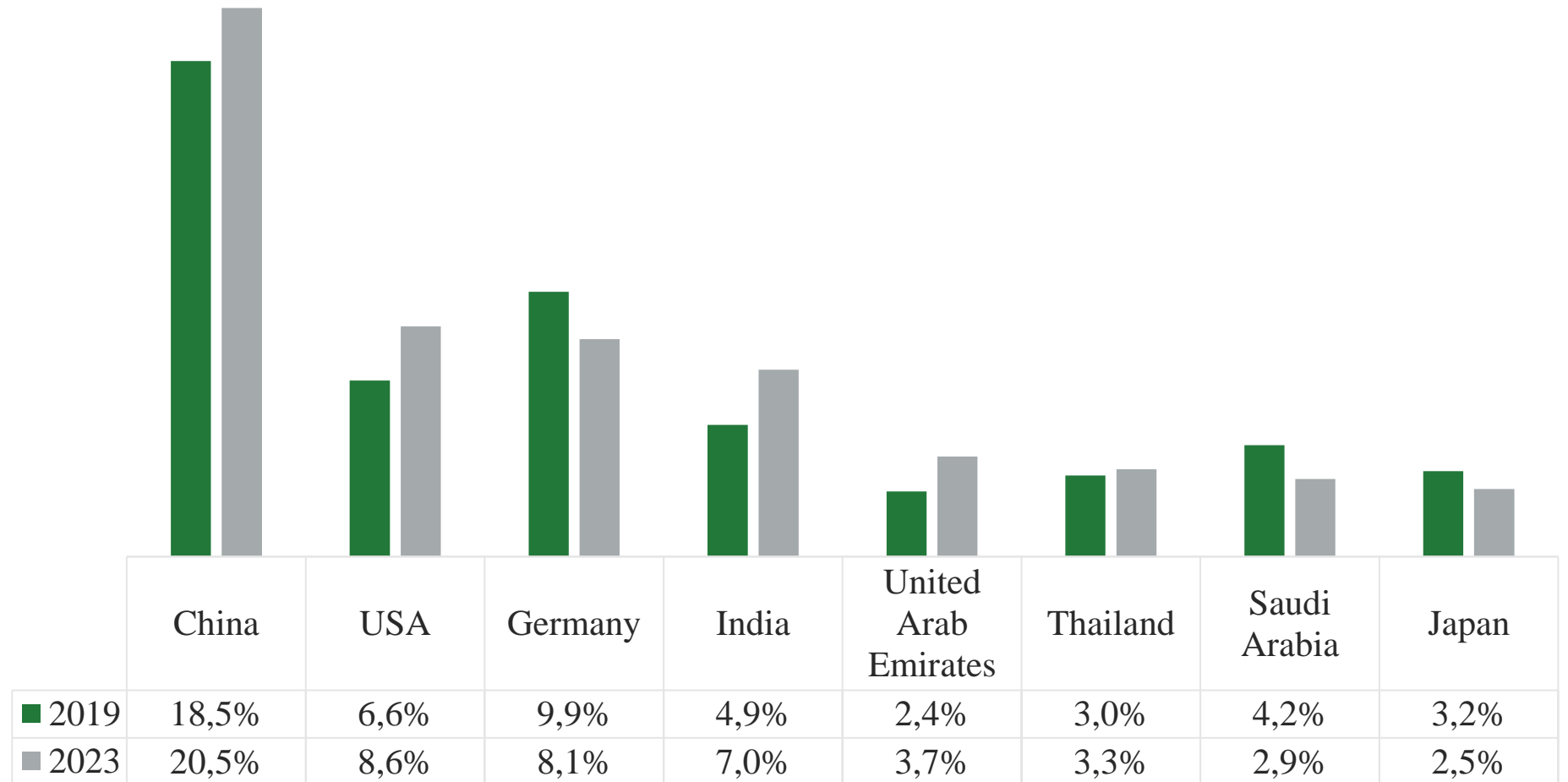
Source: National Treasury, Budget Review



## International Trade

The concentration of imports from South Africa's top 8 import trading partners steadily increased from 2019 to 2023. Over the last four years, China, the US, Germany, and India have been the most significant contributors to South Africa's imports.

South Africa's top 8 import trading partners (2019, 2023), percentage of total import value

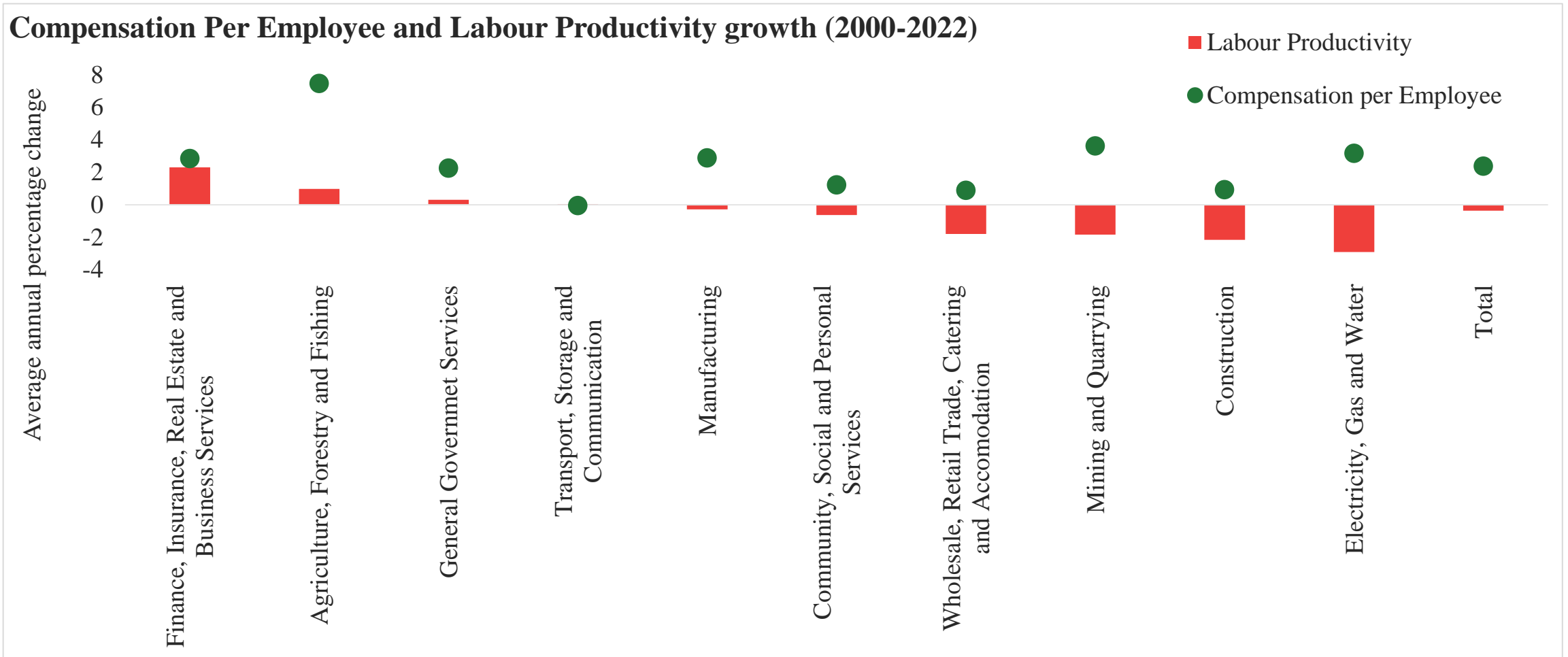


Source: UN Comtrade

## Productivity focus

According to estimates by Productivity South Africa, the Finance, Insurance, Real Estate, and Business Services industry experienced the highest labour productivity growth. Conversely, several industries have seen significant declines in labour productivity since 2000. Additionally, compensation per employee increased the most in General Government Services, while it grew the least in the Transport & Communication sector.

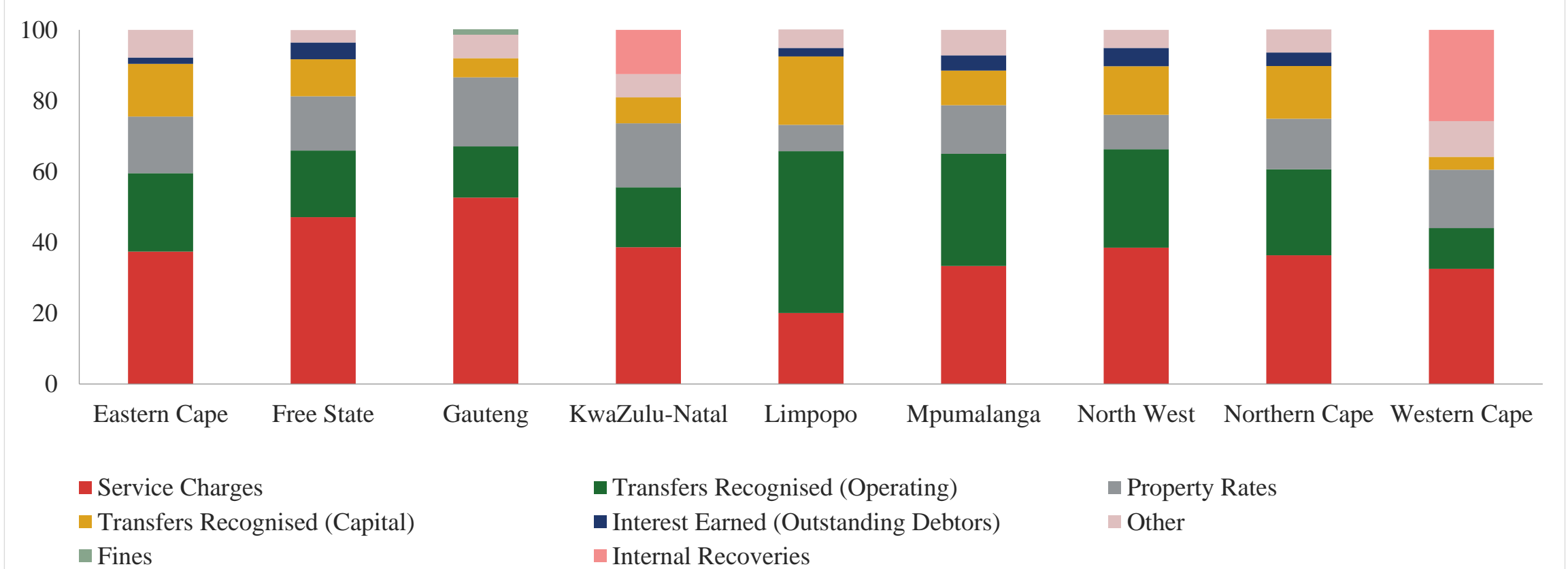
**Compensation Per Employee and Labour Productivity growth (2000-2022)**



Source: Productivity South Africa. Labour productivity is the amount of output produced per person engaged. It measures how productively labour is used to generate output, hence an increase in labour productivity means that a worker produced more output than in the previous year or that the same amount of output is produced by fewer workers.

## Overview of municipal finances

Revenue composition by province (top 7 components, 2022)

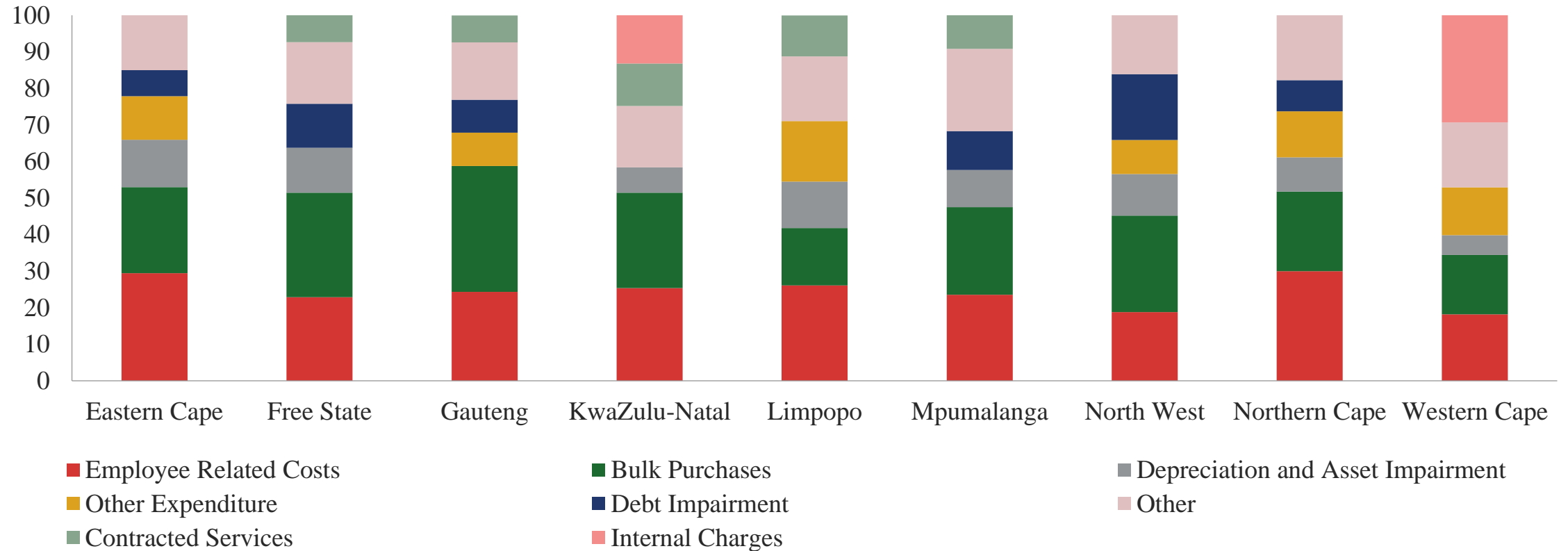


Source: National Treasury, Codera Analytics

- Service charges constitute approximately 40% of municipal revenue in South Africa. Of this service income, electricity accounts for about 40%, property rates for 25%, and water for around 15%.
- The Western Cape and KwaZulu-Natal saw large internal recoveries on outstanding debt in 2022.

## Overview of municipal finances

### Spending composition by province (top 7 components, 2022)

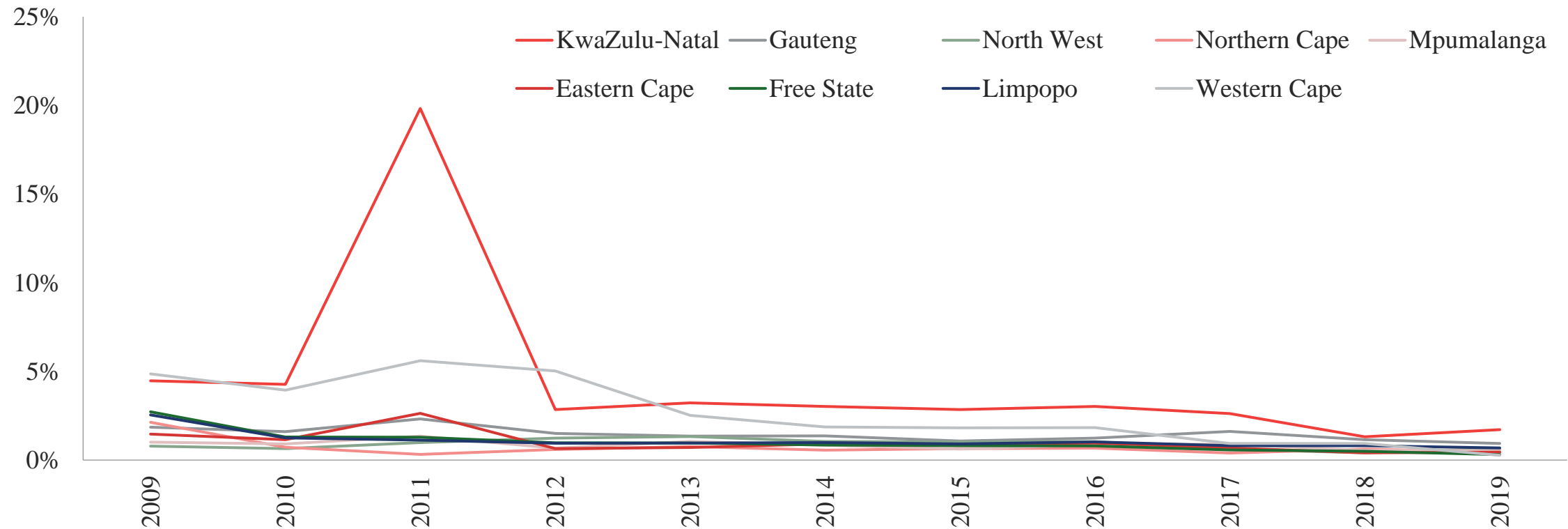


Source: National Treasury, Codera Analytics

- Wages are typically the largest expenditure component for Municipalities, followed by bulk purchases.
- As shown on the next slide, spending on infrastructure maintenance represents a very small proportion of total spending.

## Overview of municipal finances

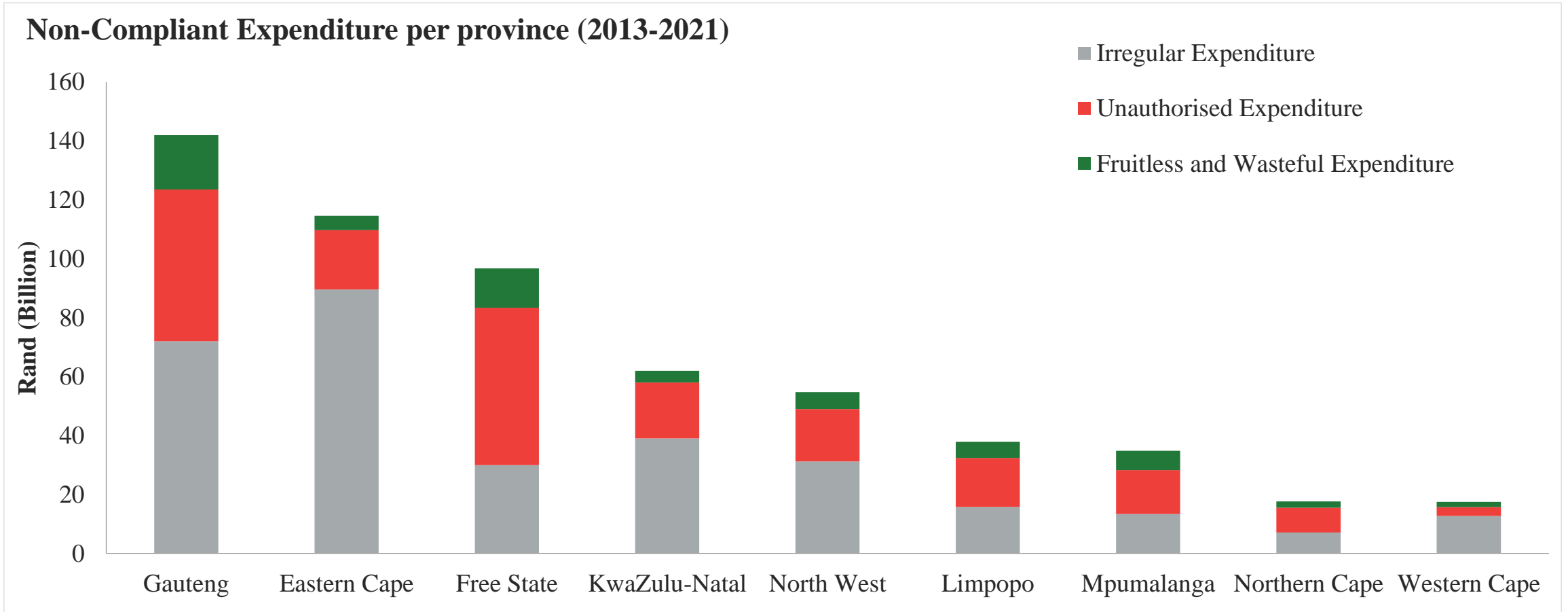
### Municipal maintenance & repairs as ratio of assets across South African provinces



Source: National Treasury, Codera Analytics

- South African municipalities are investing very little in maintaining their infrastructure. According to the latest available data, no province spent more than 2% of the value of their assets on maintenance and repair in 2019.
- The spike in spending for KwaZulu-Natal in 2011 reflects the impact of flooding on Msunduzi Municipality.

## Overview of municipal finances



Source: National Treasury, Codera Analytics

- Gauteng, the Eastern Cape, and Free State have had the highest levels of non-compliant expenditure (sum of irregular, unauthorised, and fruitless and wasteful expenditure) between 2013 and 2021.
- As a proportion of budgets, the North-West and the Free State have had the highest non-compliant expenditure at around 6% of expenditure.

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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

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.



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