



July 2021

Economic and Employment Indicators & Trends in South Africa

Issue # 07

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The Month in Review



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- The economic recovery stuttered in July as additional obstacles – ranging from violence, looting and damage to property in Kwa-Zulu Natal and Gauteng to fallout from a “cyber-attack, security intrusion and sabotage” of the IT network of Transnet Port Terminals (TPT) came to the fore. It is not yet clear what the impact of these developments will be on investment, employment and growth going forward and insurance payments and government support measures might make it harder to isolate and measure their respective impacts. Nevertheless, some economic commentators have lowered forecasts of GDP growth and raised unemployment projections as a consequence.
- In the absence of new quarterly and annual data relating to the growth of the economy and total employment, it is necessary to base perceptions on new monthly and quarterly data reflecting developments in different sectors of the economy. A somewhat mixed picture emerges. Although most indicators reflect further improvement relative to the periods of harsh lockdown in the 2nd and 3rd quarters of 2020, when compared with pre-Covid levels many have not fully recovered.
- One bright spot was a significant improvement in government finances in June 2021, with a strong rise in revenue collections and a drop in expenditure resulting in a R63 billion surplus. This followed a R5 billion deficit in May and an R80 billion deficit in April. The improvement in revenue was due primarily to a 28% year-on-year increase in corporate tax collections and a 12% rise in taxes on domestic goods and services.
- Another positive continues to be the trade balance which has experienced record-level surpluses in excess of R40 billion recent months, due largely to a significant improvement in South Africa’s terms of trade. The price received for exports between in Q1 2021 was 16% higher than in Q1 2020 while import prices were only 4% higher over the same period.
- The latest Quarterly Employment Survey suggests that there was a qualitative shift in formal employment during the Covid period, with the number of people employed on a part-time basis rising sharply while that of full-time employment fell.
- Most sectors of the economy have experienced some improvement in the levels of real GVA per worker during the Covid-19 pandemic – especially in the quarters since the harsh lockdown. These were more pronounced in the primary and secondary sectors of the economy and relatively muted in the tertiary sectors. These improvements in productivity may assist in offsetting some of the negative impacts of the pandemic on corporate balance sheets but are likely to delay a strong recovery in employment.

The 3rd wave of COVID-19 infections, lockdown restrictions and expected further Eskom load shedding has resulted in lower estimates for real GDP growth and higher unemployment in 2021 and 2022 by some commentators



Consumer Price Inflation				
	2019	2020	2021f	2022f
South African Reserve Bank (July '21)	4.1%	3.3%	4.3%	4.2%
International Monetary Fund (April '21)	4.1%	3.3%	4.3%	4.5%
PWC Baseline (July '21)	4.1%	3.3%	4.2%	4.4%
Real Gross Domestic Product				
South African Reserve Bank (July '21)	0.2%	-7.0%	4.2%	2.3%
International Monetary Fund (July '21)	0.2%	-7.0%	4.0%	2.2%
PWC Baseline (July '21)	0.2%	-7.0%	2.3%	2.0%
Official Unemployment Rate				
International Monetary Fund (April '21)	28.1%	32.5%	29.7%	30.8%
PWC Baseline (July '21)	28.1%	32.5%	32.4%	32.5%

PWC updated their forecasts for the South African economy in July 2021. Their outlook is strongly influenced by different developments, including:

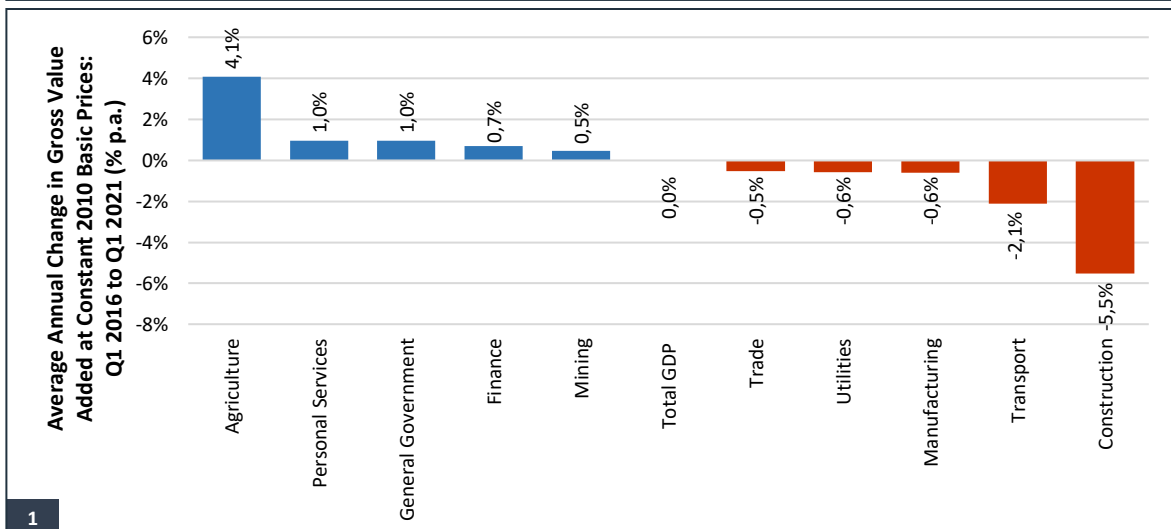
- The third wave of Covid-19 infections as well as the impact of the lockdown restrictions which influence the rate of economic recovery. In its “baseline assumptions” PwC assumes that lockdown restrictions will ease from August although they will remain a burden on the economic recovery.
- Recent unrest within the county which has impacted business activity.
- The adverse impact of Eskom load shedding. According to PwC calculations, this is likely to cost the country an estimated R75 bn in lost GDP and 450,000 in job losses.

Taking these factors into consideration, the outlook is for **real economic growth of 2.3% in 2021**, which is 1.4 percentage points lower than their previously-published forecasts. PwC estimates that the 7.0% decline in real GDP in 2020 could have been limited to around 4.7% were it not for Eskom power delivery failures. **They estimate that ongoing load shedding could reduce real GDP growth by 2.3 percentage points from what it otherwise could have been in 2021.** PwC forecasts CPI inflation to increase by 0.9 percentage points in 2021 and the official **unemployment rate is forecasted to increase to 32.5% by 2022.** Under its baseline assumptions, PwC expects that it will take the South African economy up to 4 years for real GDP to return to pre-Covid levels. Under its optimistic scenario, this shortens to 2.5 years and under its pessimistic scenario it could take 8 years.

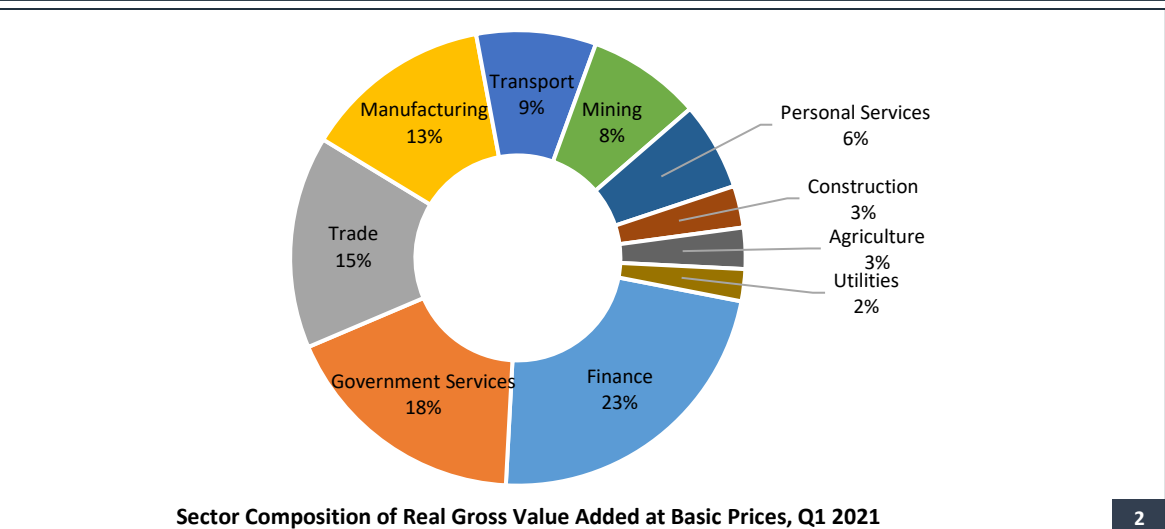
These forecasts are generally more pessimistic than the IMF’s July World Economic Outlook Update for South Africa, which projects **real GDP growth of 4.0% in 2021 and 2.2% in 2022.** However, these projections did not take account of the impact of recent unrest.

The Statement of the Monetary Policy Committee for July 2021 includes forecasts of **real GDP growth and CPI inflation that are more in line with the IMF for 2021, but slightly higher on growth and lower on inflation forecasts for 2022.**

The average growth rate over the last five years in terms of the expenditure side of GDP continued to decline. The finance sector was among the largest contributors to output in Q1 2021. In Q1 2021 household consumption was the largest contributor of GDP at 64%.



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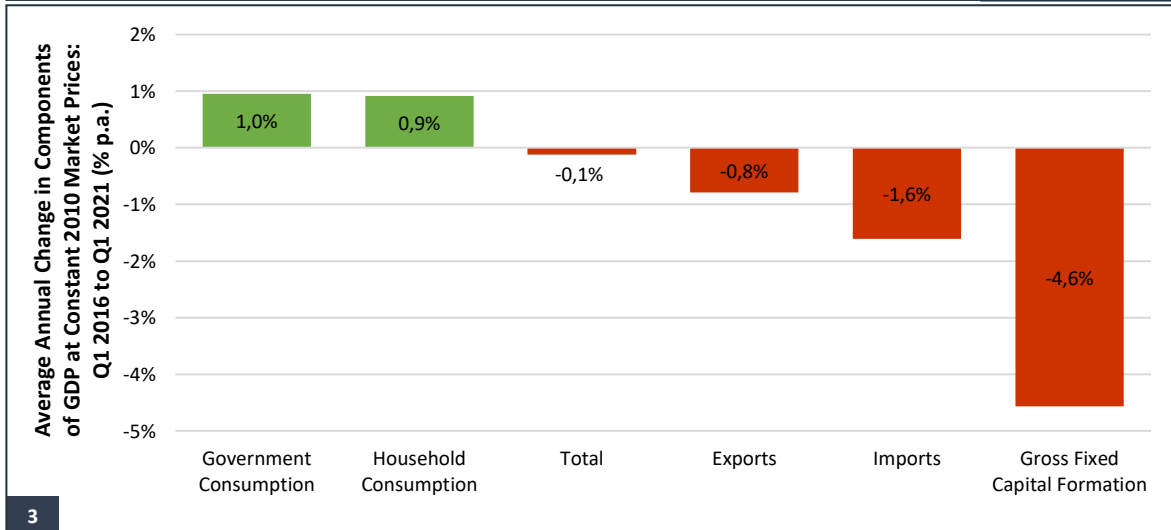


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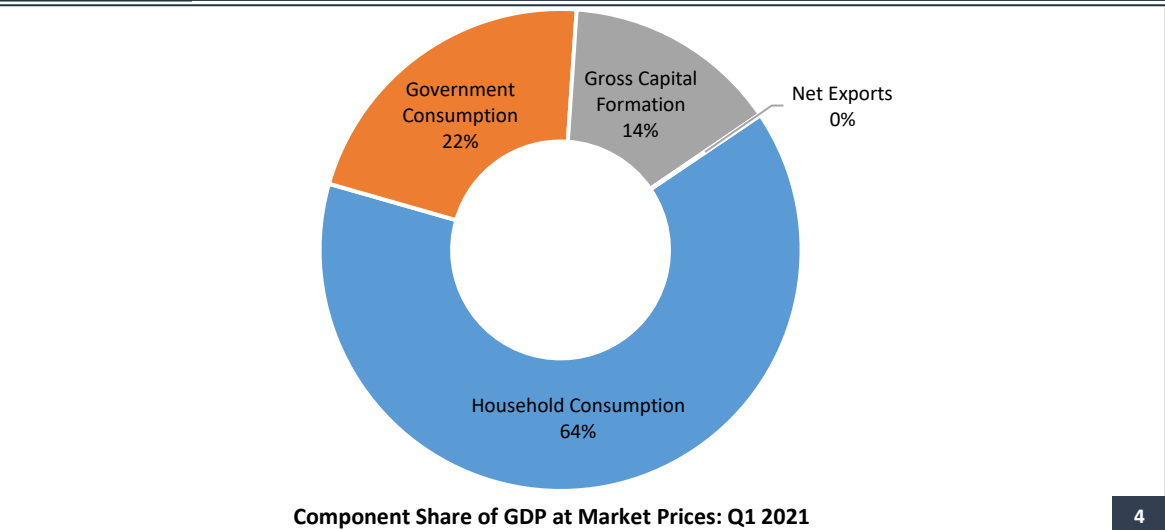
Only the production side of the economy only five sectors averaged positive growth over the five years from Q1 2016 to Q1 2021. Of the remaining five sectors, construction experienced the largest contraction. On the expenditure side modest growth in government & household consumption and a reduction in imports was offset by contractions in exports and investment.

GDP

In Q1 2021 the finance, insurance, real estate & business services sector made the largest contribution (23%) to South Africa's GVA at basic prices. Utilities only contributed 2% of GVA. On the expenditure side consumption accounted for 86% of GDP and gross capital formation the remaining 14%. Exports and imports were in balance.

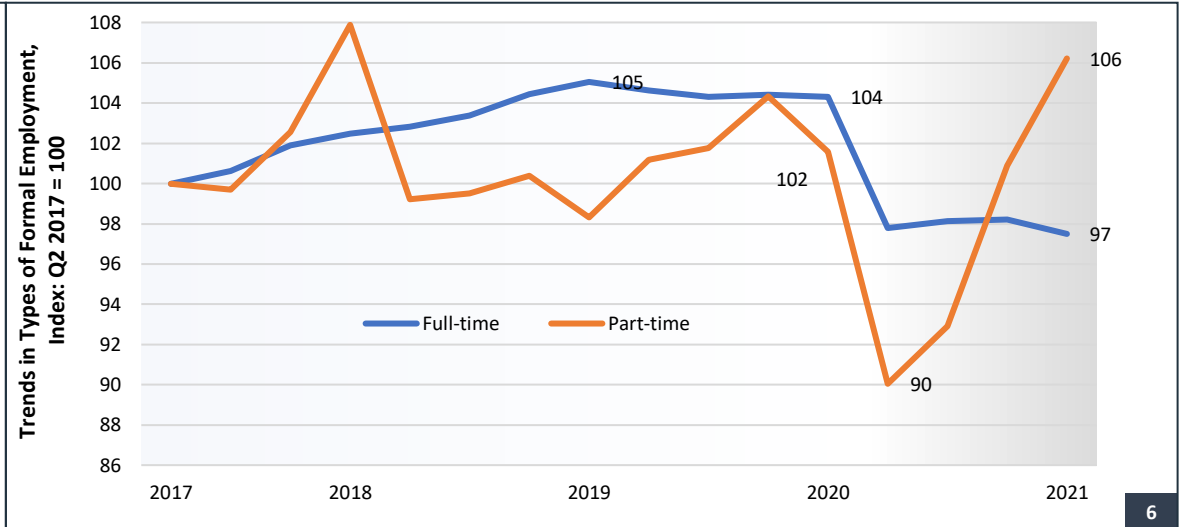
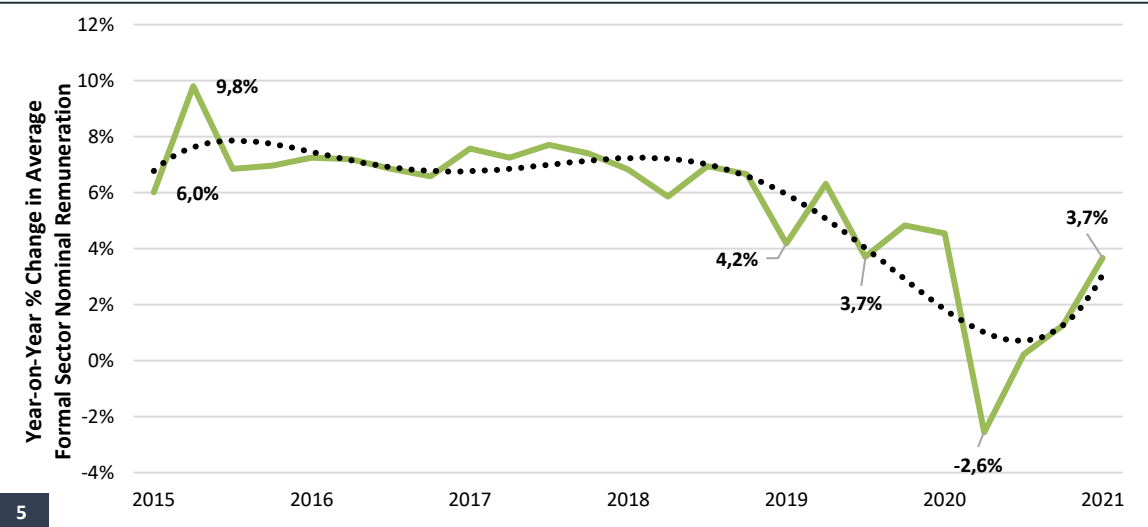


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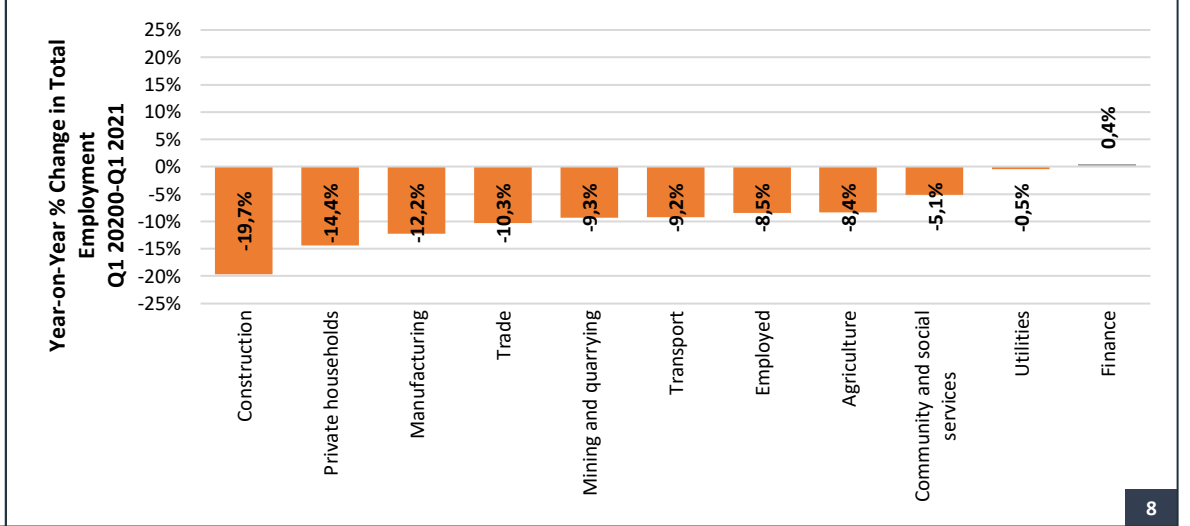
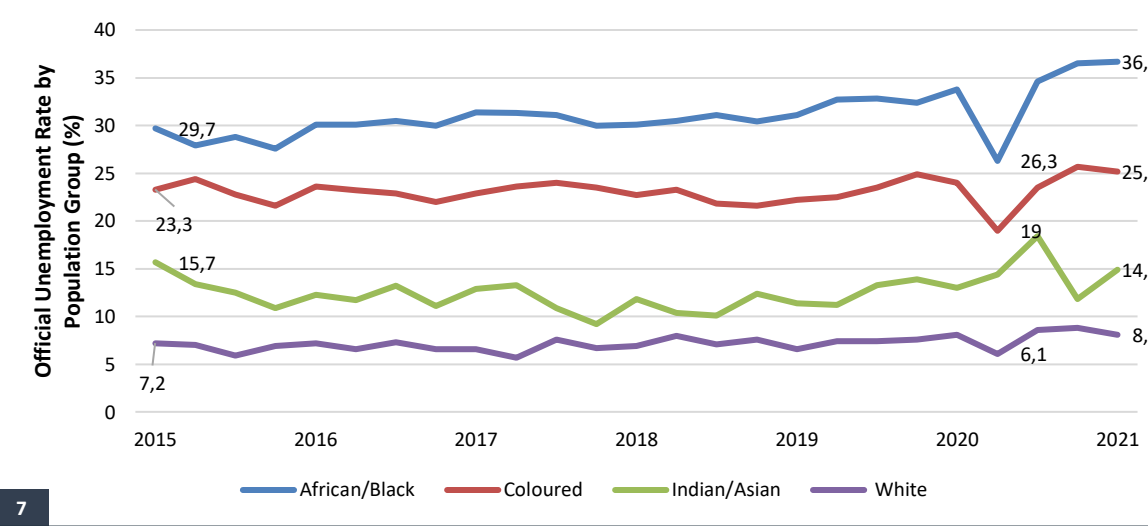
The average remuneration recovered slowly in Q1 2021. Part-time employment increased at a faster rate as compared to full-time employment. Black/African unemployment rate was the highest amongst population groups.



Average nominal remuneration of formally employed people increased by 3.7% in the year to Q1 2021 – up from a 1.3% rise in Q4 2020. This is still substantially lower than the 6% to 8% increases experienced between 2016 and 2018. Official unemployment rates for Black Africans rose to 36.7% in Q1 2021 compared with 15.2% for Coloureds and 8.1% for Whites.

Employment

Part-time employment was favoured over full-time employment as lockdown conditions were eased and economic activity resumed. The construction sector experienced the largest percentage decline (19.7%) in employment between Q1 2020 and Q1 2021. Finance was the only sector where employment expanded over this period.



In 2020 there were 16.6 million households with on average 3.59 people per household. Water and other services contributed higher inflationary pressures, whilst the richer households in the 10th expenditure decile experienced the highest inflation at 5.2%.

Number of Households in South Africa in 2020 and Average Household Size

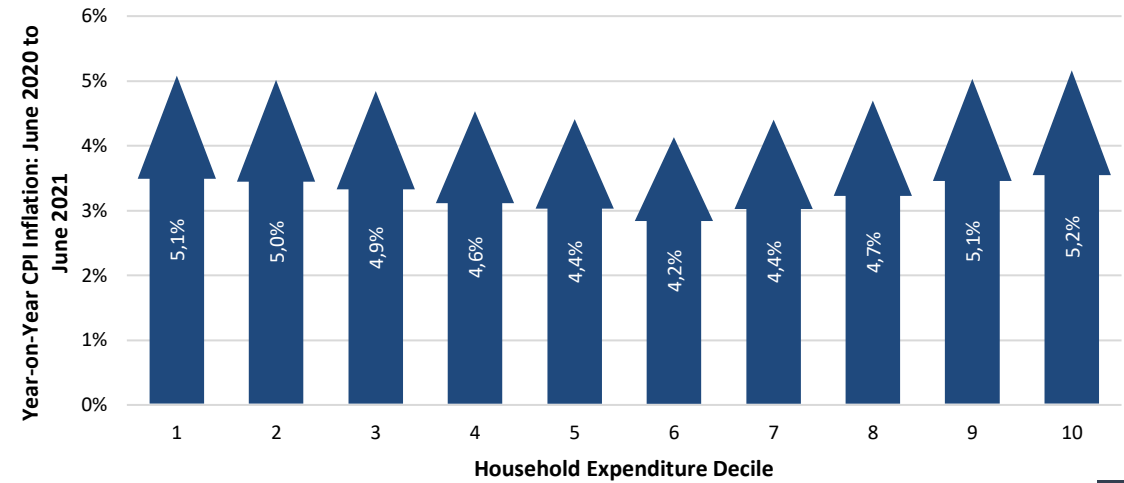


16.6 Million Households



3.59 People per Household

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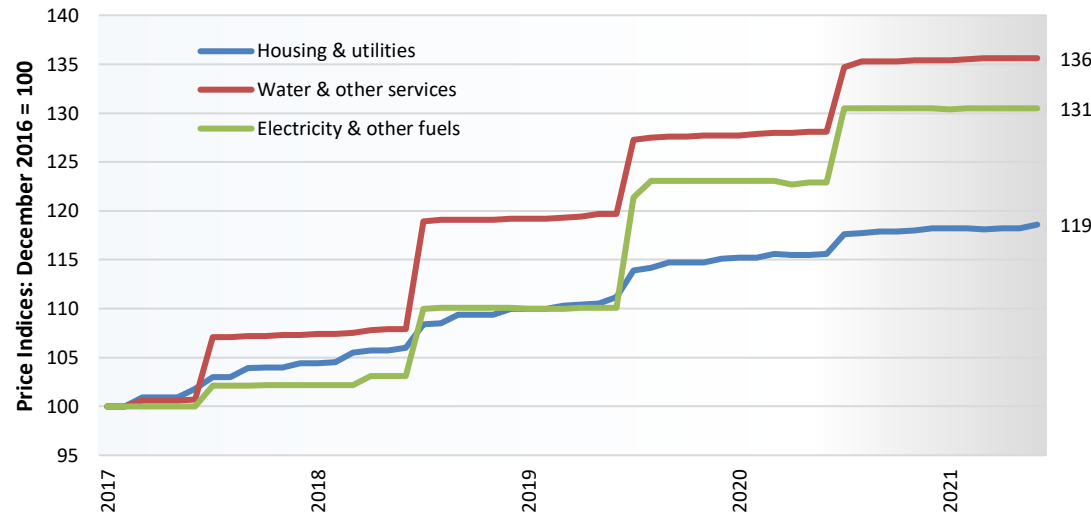


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In 2020 there were an estimated 16.6 million households in South Africa with an average household size of 3.59 people. Even before the latest annual increases in utility pricing take effect, the cost to households of water and other municipal services and electricity increased by much more than housing costs between January 2017 and June 2021.

Household Financial Position

Households in the first and tenth deciles experienced the highest rates of inflation in the year to June 2021, while those in the sixth decile had comparatively lower inflation. Over the five years to June 2021, administered prices rose by 34.3% while regulated prices increased by 31.2%. This was much higher than the 21.5% for non-administered prices.

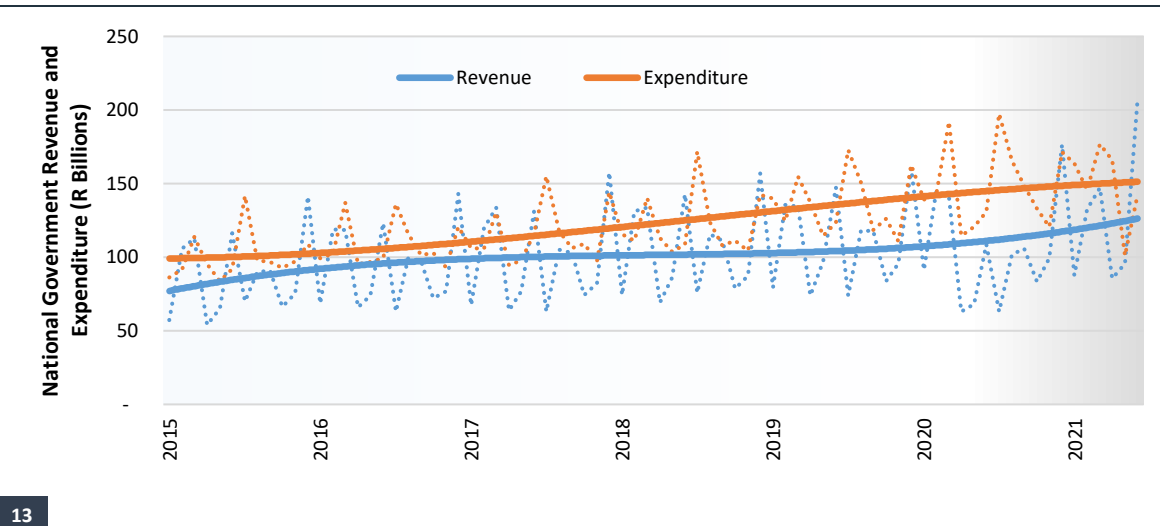


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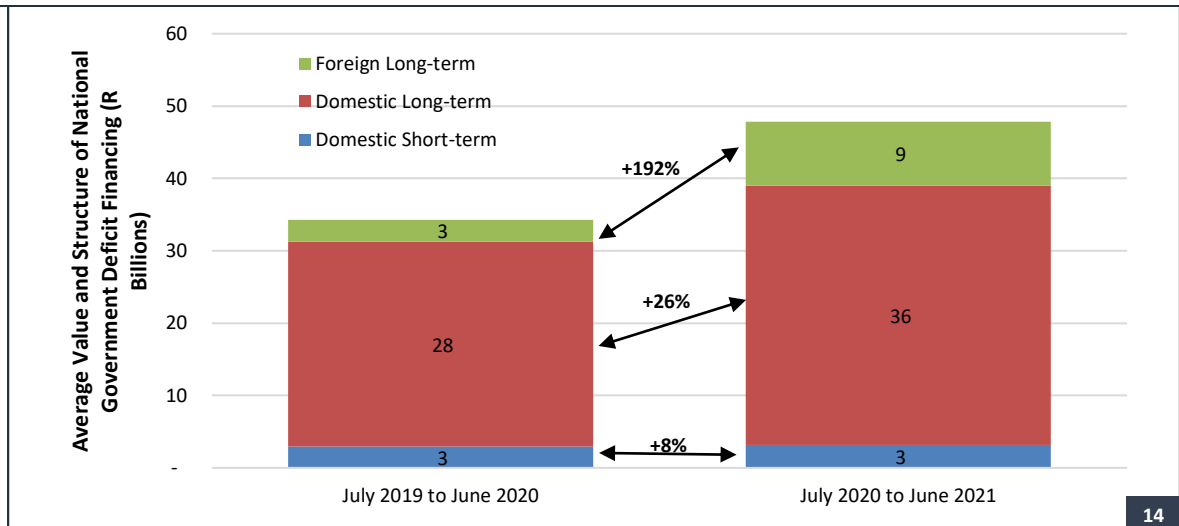


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Individual income tax and taxes on domestic good and services are the largest contributor to government monthly revenue. Conversely, transfers and subsidies are the largest contributor to the expenditure of National Departments.



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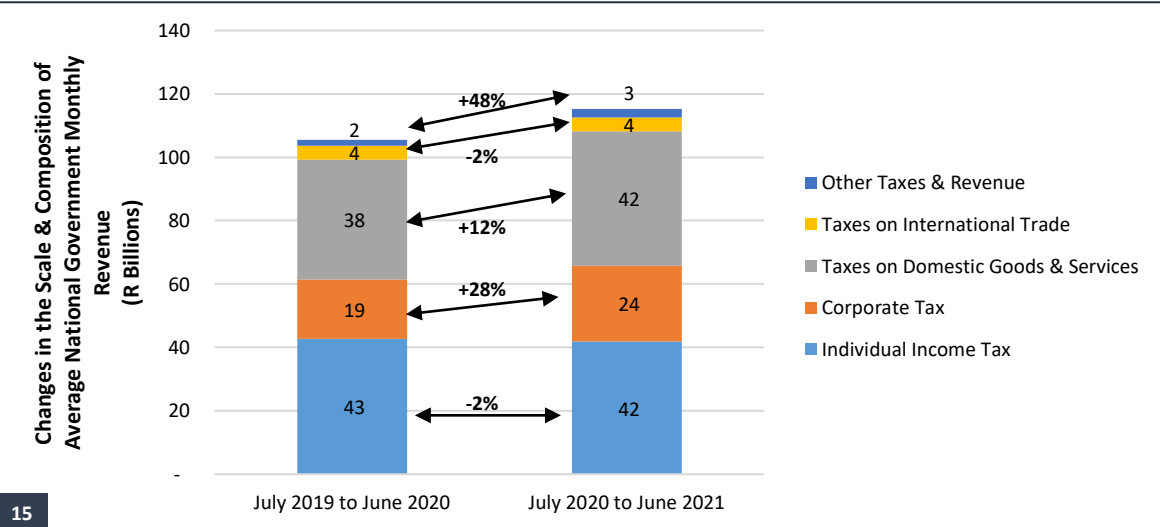


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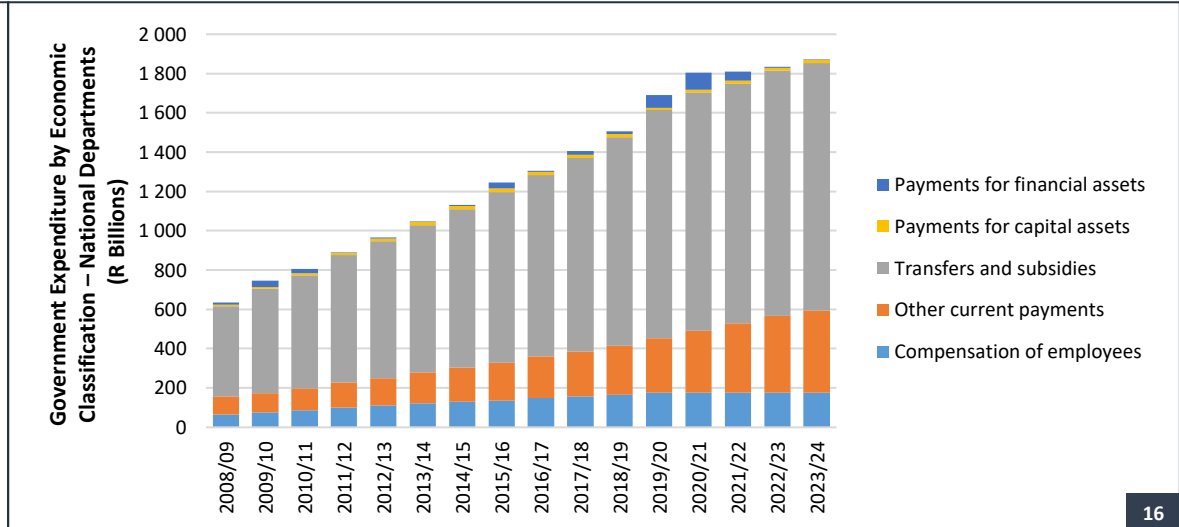
The deficit between national government revenue and expenditure shifted into a surplus in June 2021 as revenue jumped from R96 billion to R204 billion and expenditure rose from R101 billion to R141 billion. Over the latest 12 months, strong growth in corporate tax, taxes on domestic goods and services and other taxes and revenue offset a reduction in individual income tax.

Government Finances

The average value, and structure, of the national government's deficit increased from R34 billion to R47 billion per month. Long-term borrowing increased much faster than short-term borrowing. While spending by national government departments is still dominated by transfers and subsidies (67% of total expenditure) this is down from 73% in 2011/12.

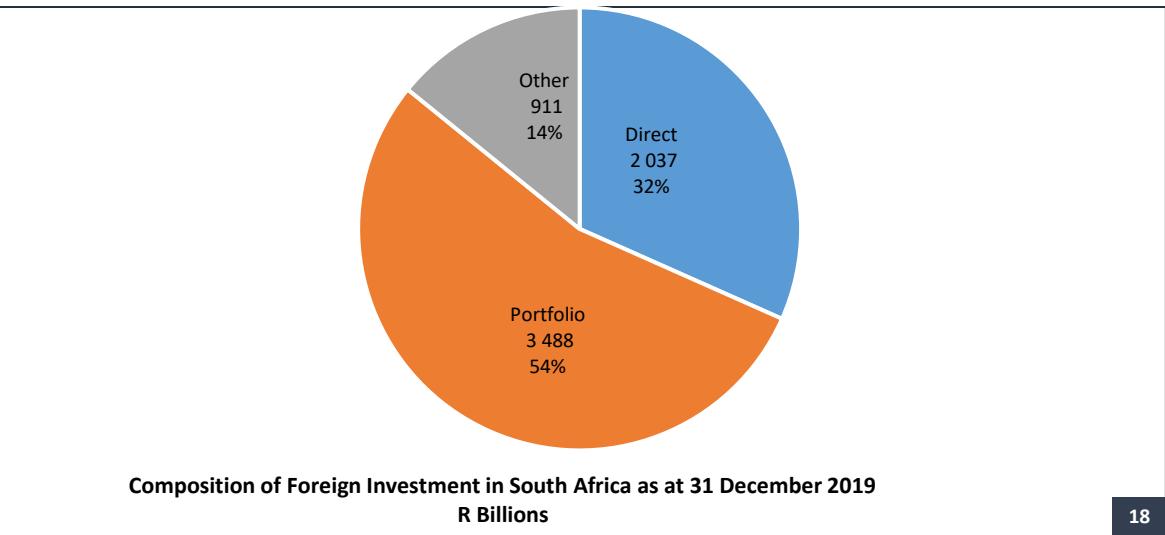
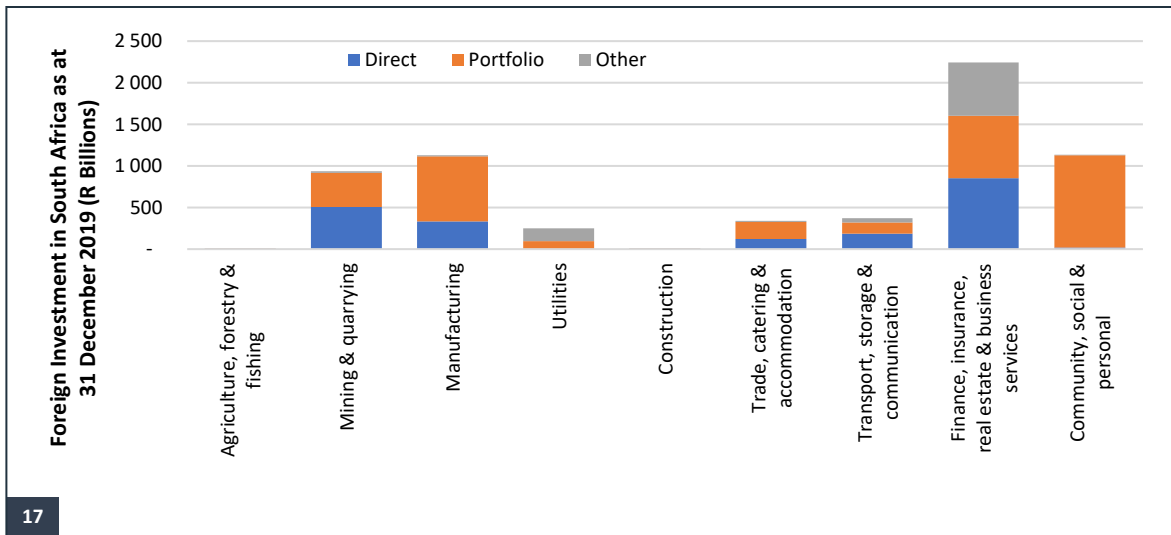


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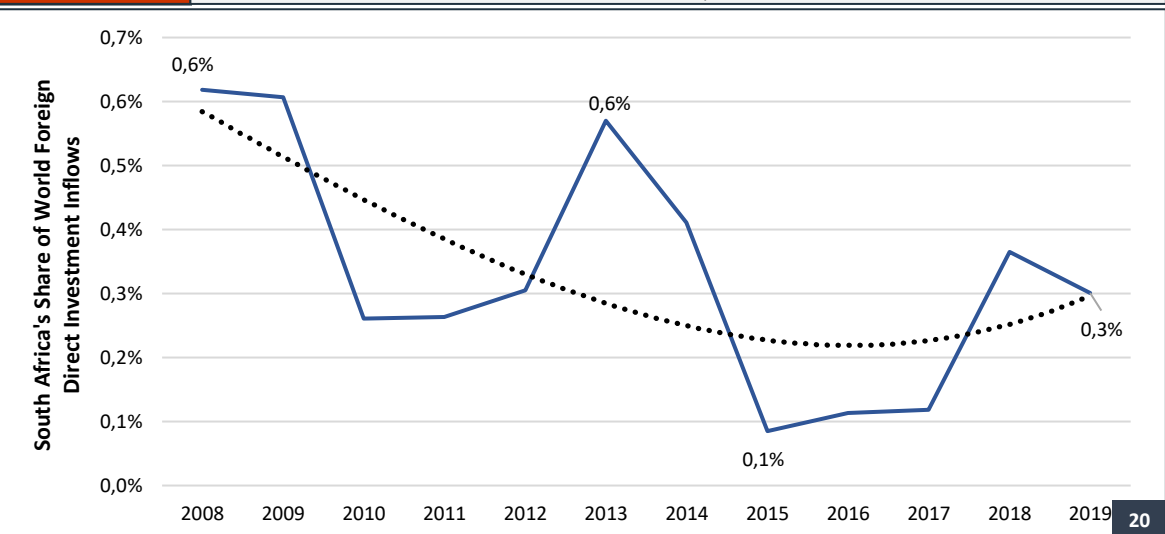
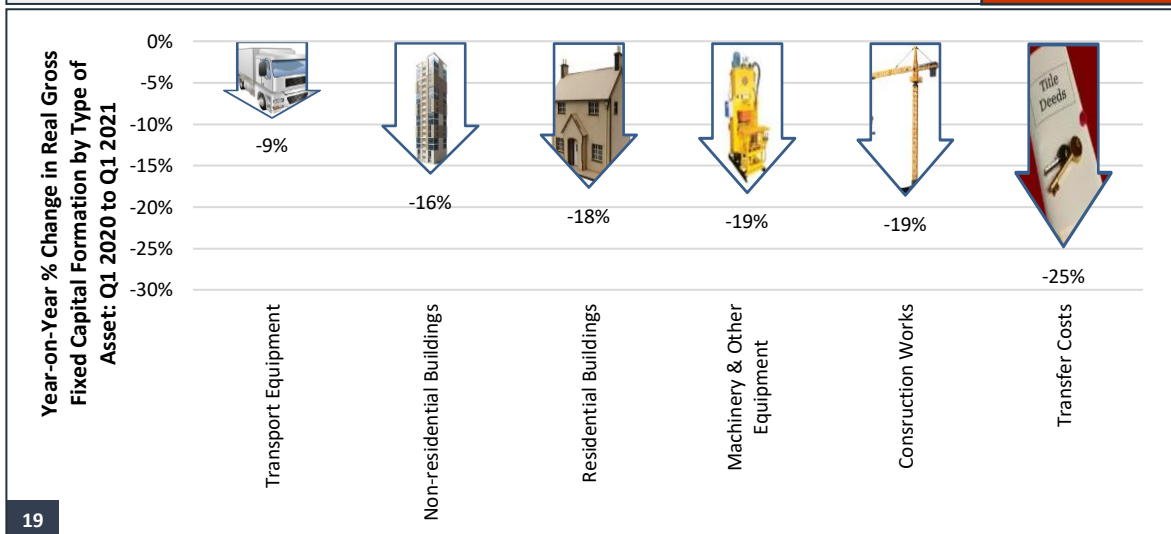
Portfolio investments contributed the largest portion of investment in South Africa in 2019 at 54%. The finance sector received the most investment from varying investments. Investment levels declined across all asset types.



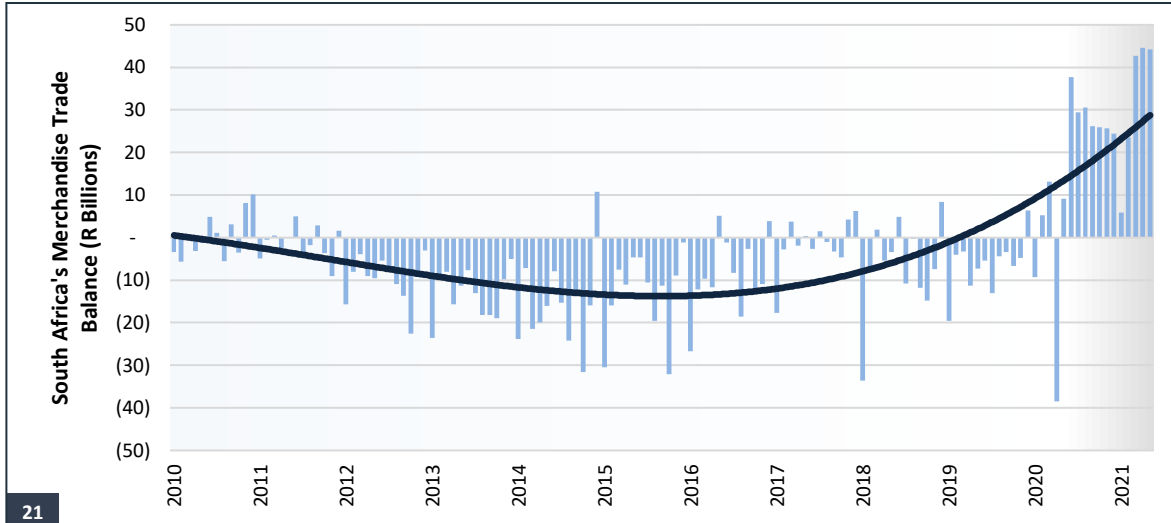
Foreign investment in South Africa is focused on the finance, insurance, real estate & business services sector, followed by community, social & personal services (foreign purchase of government bonds), manufacturing and mining. Over the year to Q1 2021 investment in all types of assets contracted in real terms. Declines were largest in transfer costs (-25%).

Investment

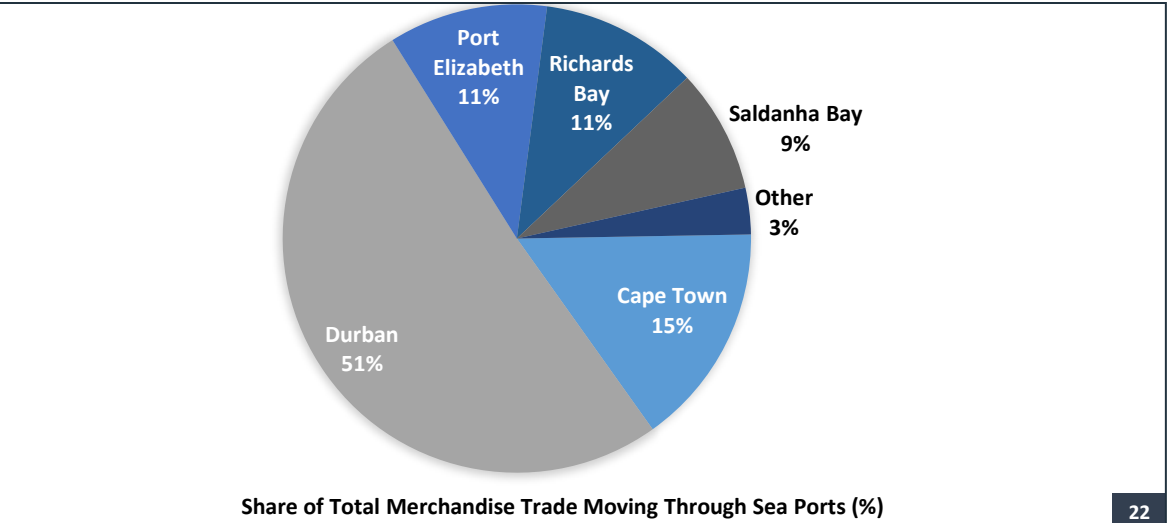
Foreign portfolio investment accounted for 54% of total foreign investment in South Africa at the end of 2019, followed by direct investment (32% and other investment (14%). In total foreign investment was valued at R6.5 trillion. South Africa's share of world foreign direct investment inflows halved between 2008 and 2019, but was off its 2015 lows.



South Africa has received record trade surpluses over the past few months due to increases in exports. The Durban harbour was the largest receiver of SA trade with 51% of trade moving through this port. In 2020 wine imports to the UK were 7,7% higher than 2019.



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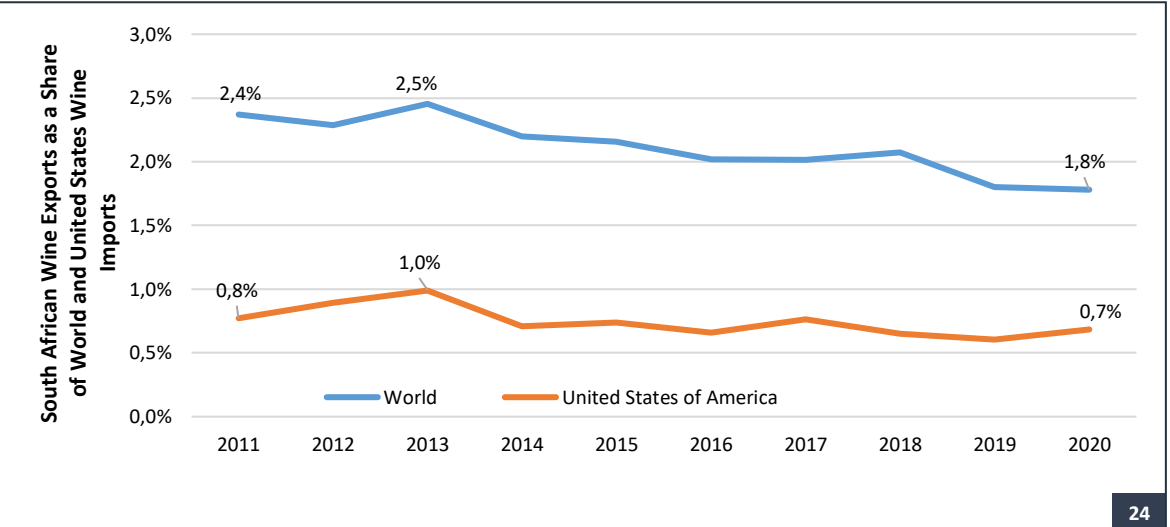
South Africa recently recorded its highest trade surpluses in history. Between January and May 2021 exports were up 56% and imports only 13% compared with the corresponding period in 2020. The rise in export earnings was due primarily to improved terms of trade – with export prices rising faster (16%) than import prices (4%) between Q1 2020 and Q1 2021.

International Trade

Of the merchandise trade moving through South Africa's sea ports just over half (by value) is transported through Durban Harbour, followed by Cape Town (15%), Port Elizabeth and Richards Bay (both 11%). South Africa's share of world and United States wine imports declined between 2013 and 2020, although US market share rose from 0.6% in 2019 to 0.7% in 2020.



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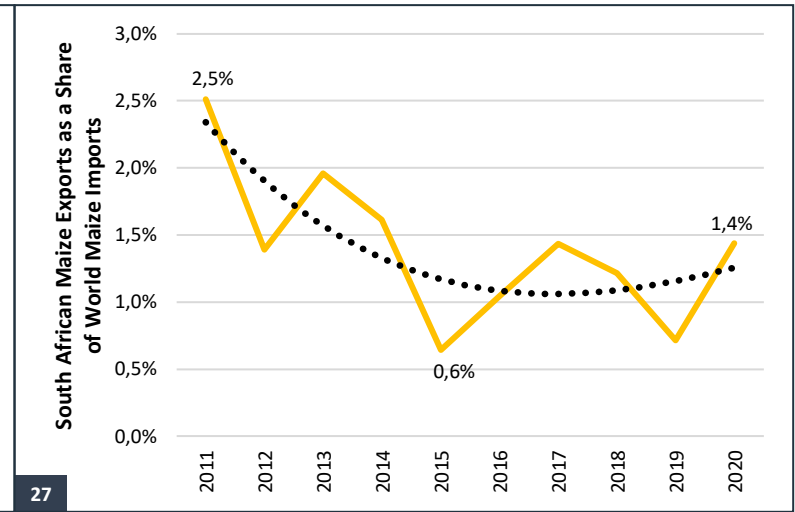
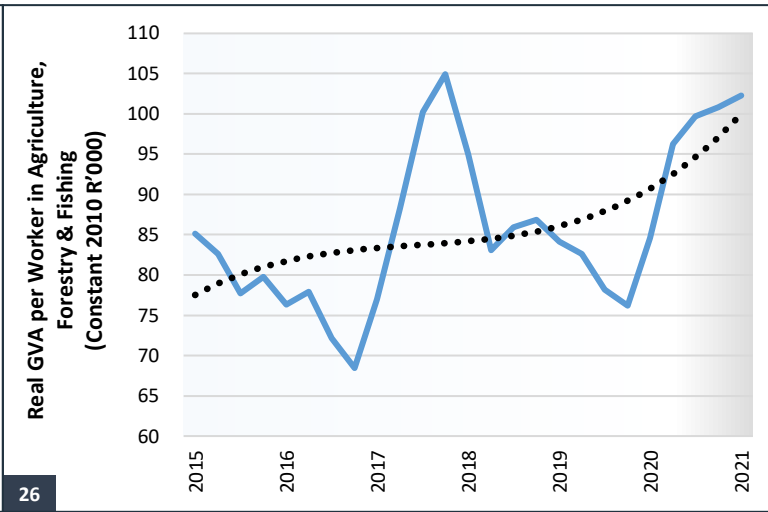
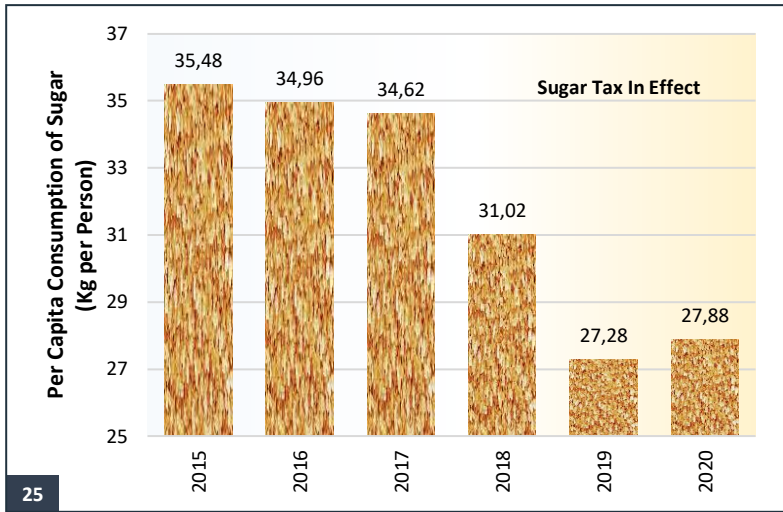


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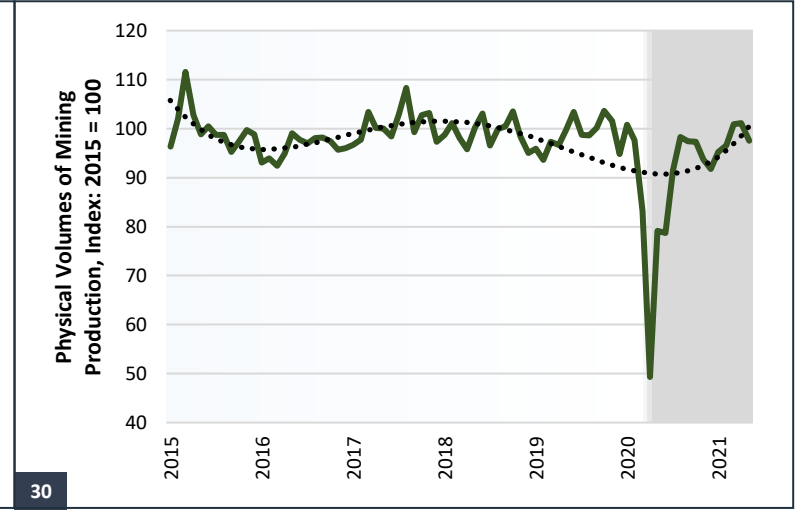
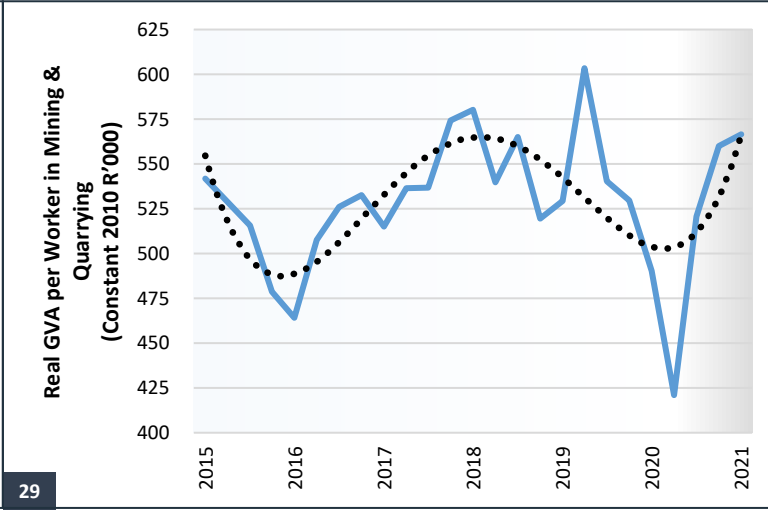
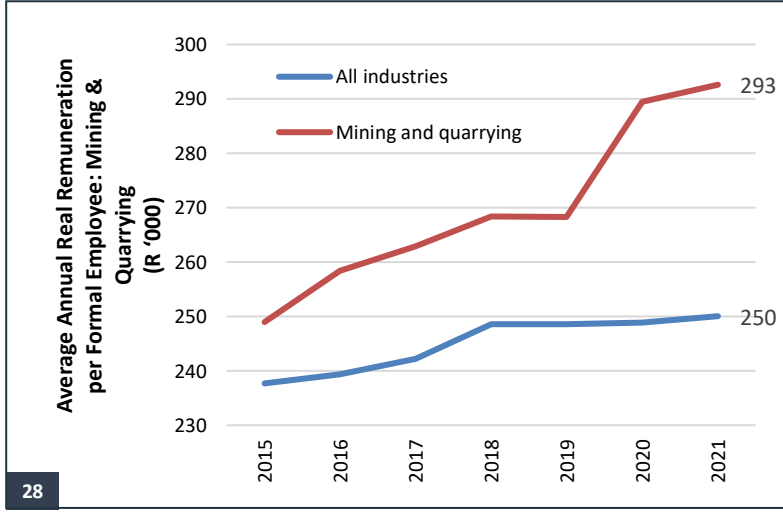
AGRICULTURE, FORESTRY & FISHING

Although there was a slight increase in sugar consumption in 2020, the introduction of the sugar tax seems to have contributed to a sharp (19%) fall in per capita sugar intake. Real GVA per worker continued to rise in Q1 2021 and was close to levels last seen in Q4 2017. South Africa's share of world maize exports recovered to 1.4% in 2020.



MINING & QUARRYING

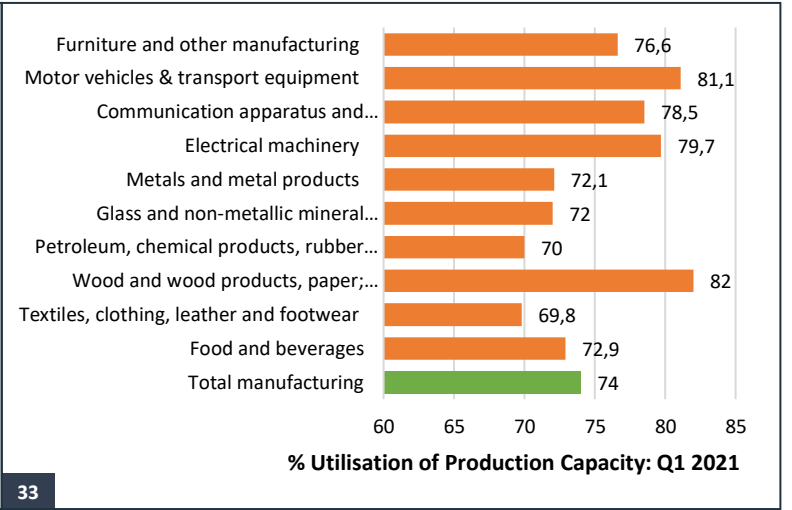
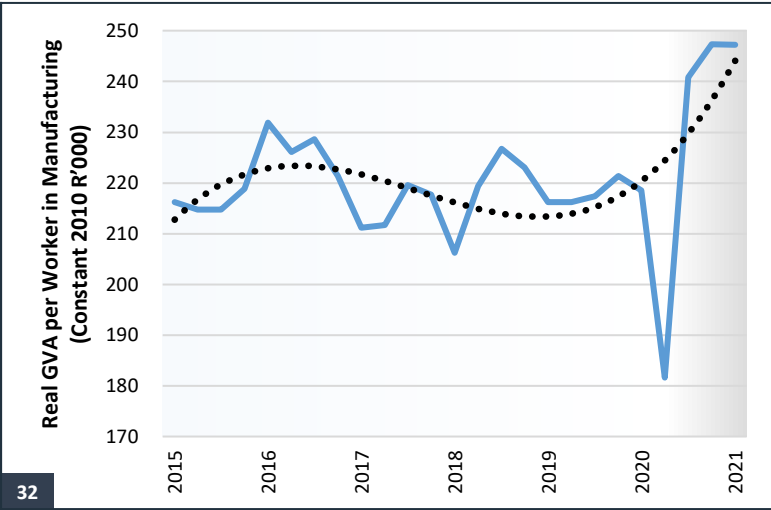
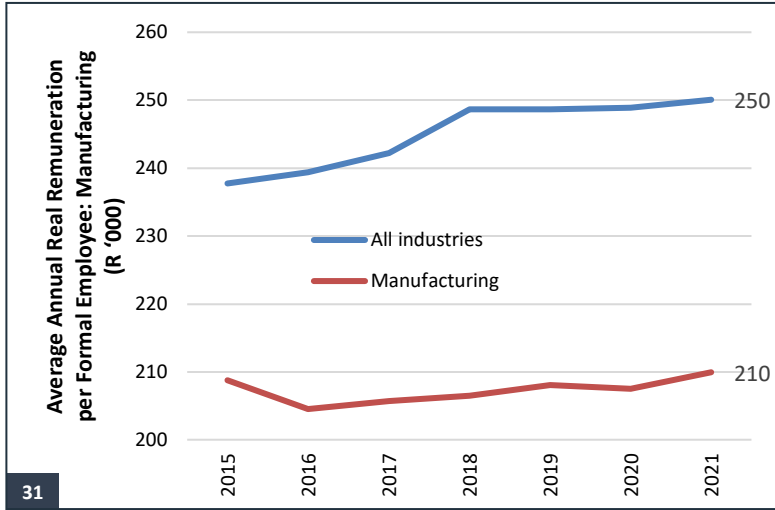
In Q1 2021 average annual formal remuneration was R43,000 higher in mining than for the economy as a whole. Real GVA per worker continued to recover – but at a slower rate – and was still below Q2 2019 levels. The physical volume of mining production in May 2021 was 22% up on a year earlier but still slightly below 2015 levels.





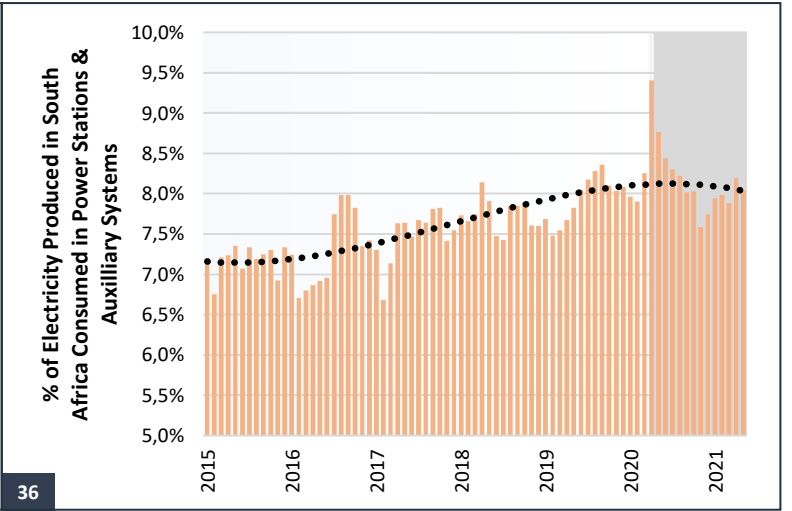
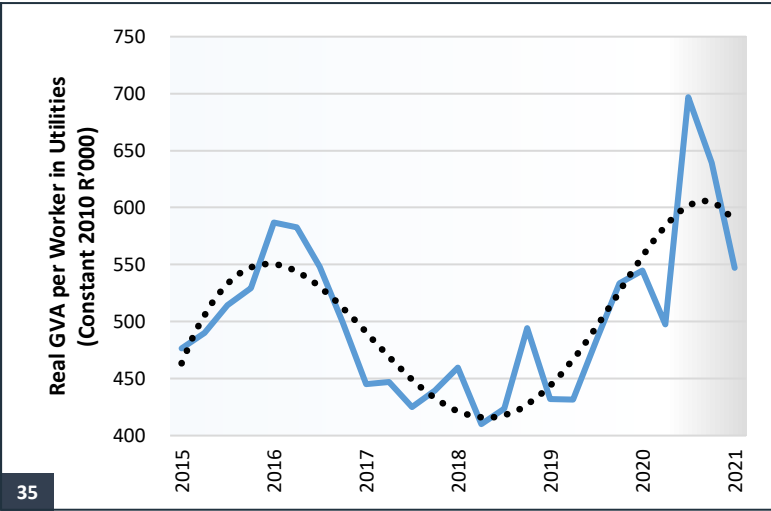
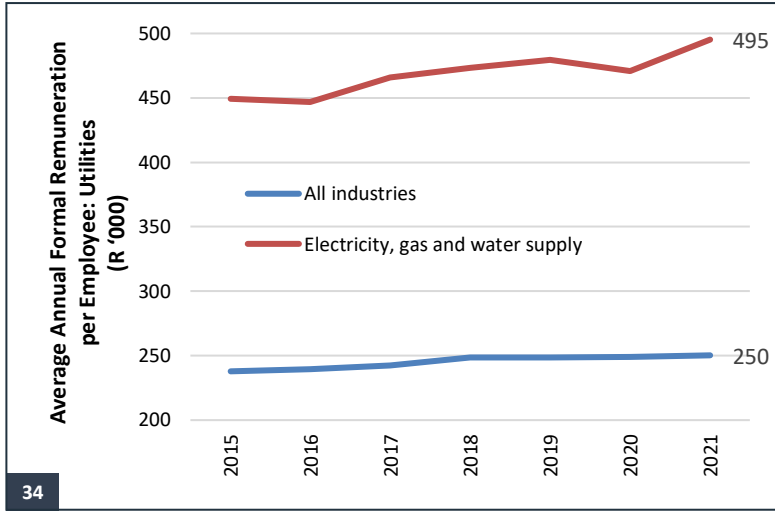
MANUFACTURING

In Q1 2021 average formal remuneration in the manufacturing sector was R40,000 lower than the national average. Real GVA per worker levelled-off in Q1 2021 but was still substantially higher than in pre-Covid years. The utilisation of production capacity in Q1 2021 averaged 74% and was highest in the wood products sector (82%)



ELECTRICITY, GAS & WATER

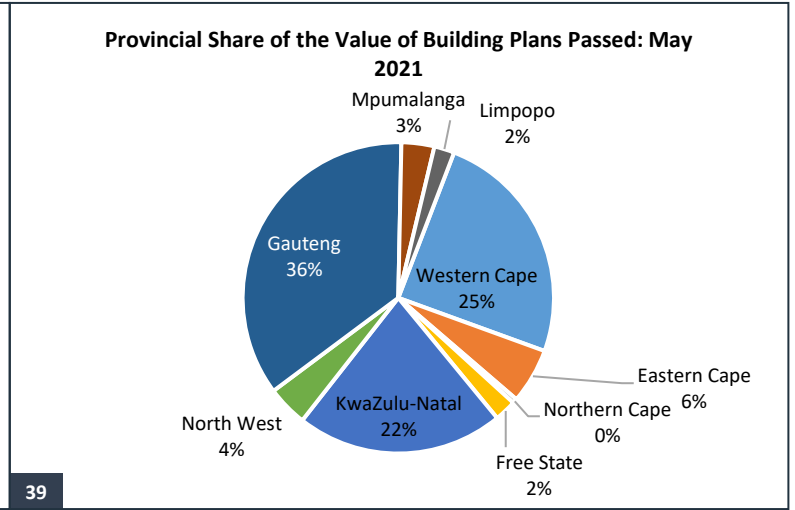
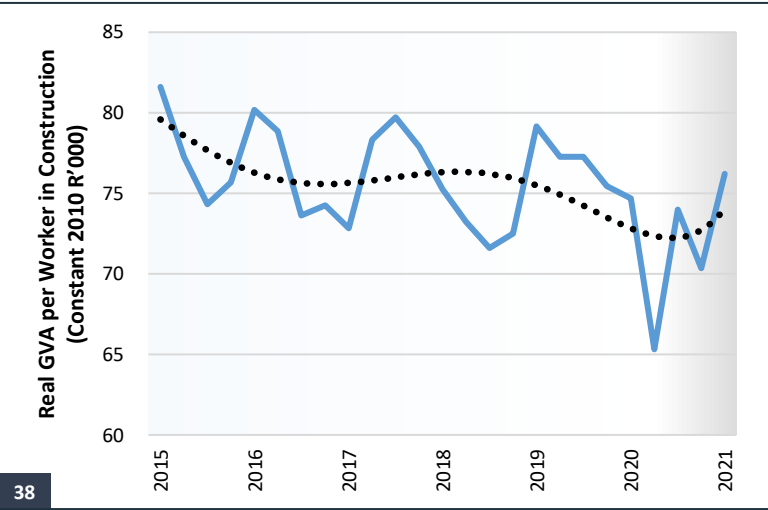
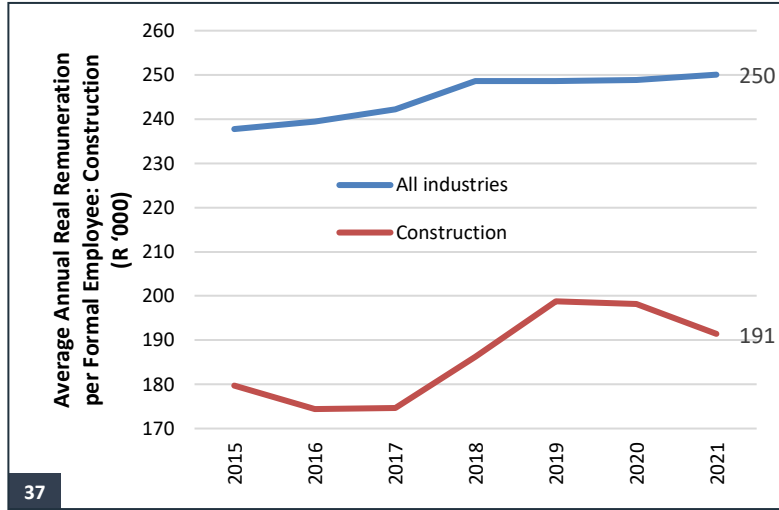
In Q1 2021 formal employees in the utilities sector earned R245,000 more than the national average. The real GVA per worker continued to trend lower, but was still higher than in pre-Covid years. The share of electricity generated that is consumed in power stations and auxiliary systems dropped slightly to 8.2%.





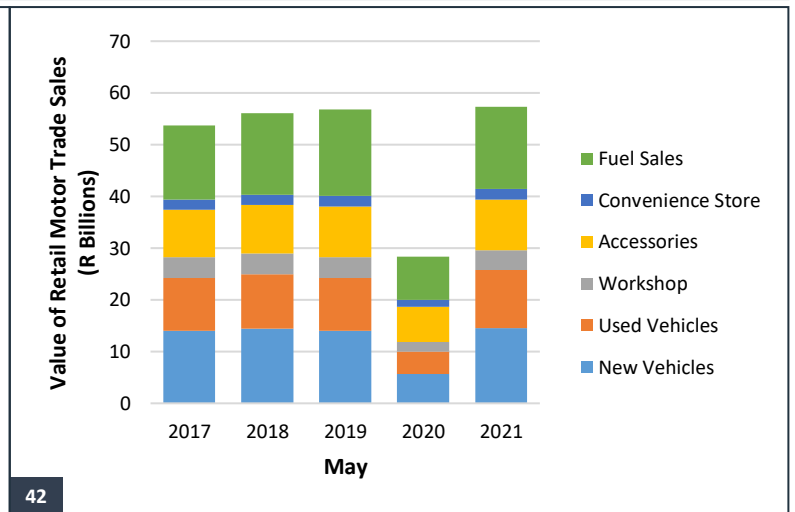
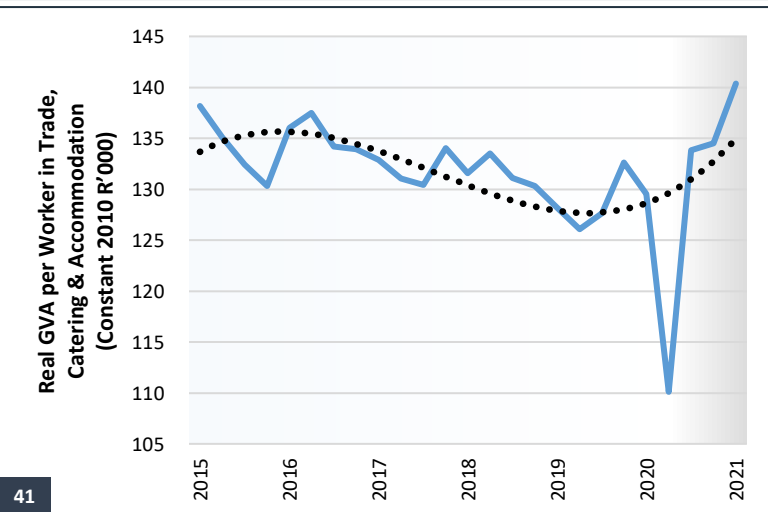
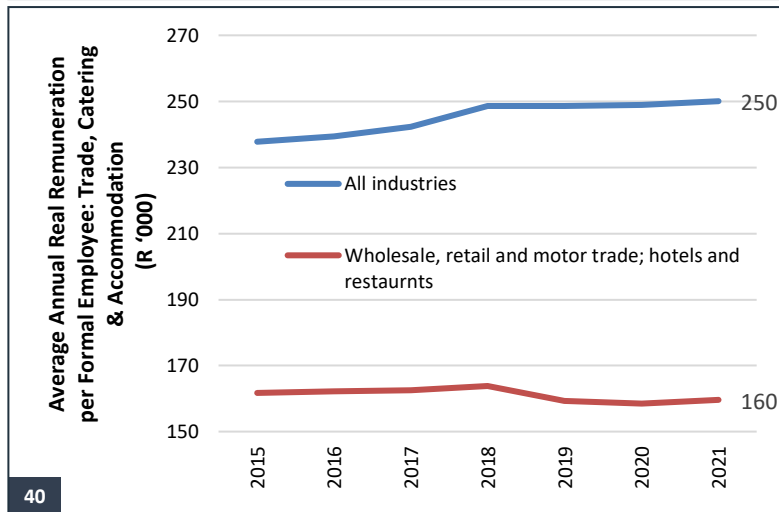
CONSTRUCTION

In Q1 2021 formal employees in the construction sector earned R59,000 less than the national average. Real GVA per worker continued to recover but was still below pre-Covid levels. Gauteng had a 36% share of the value of building plans passed in May 2021, while the Western Cape and Kwa-Zulu Natal had 25% and 22% respectively.



TRADE, CATERING & ACCOMMODATION

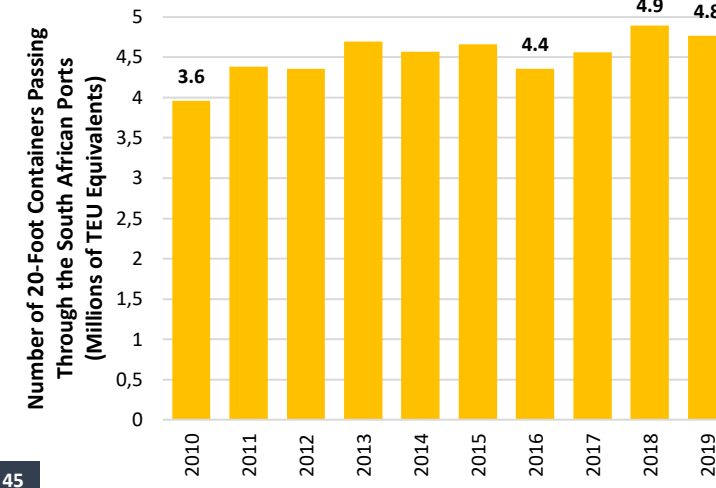
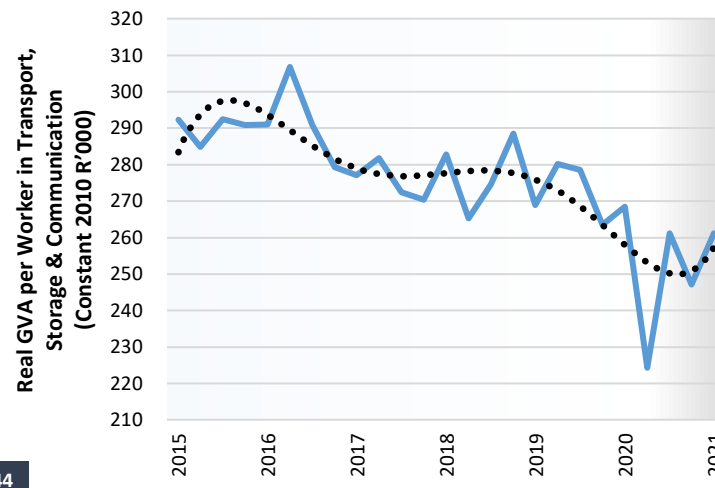
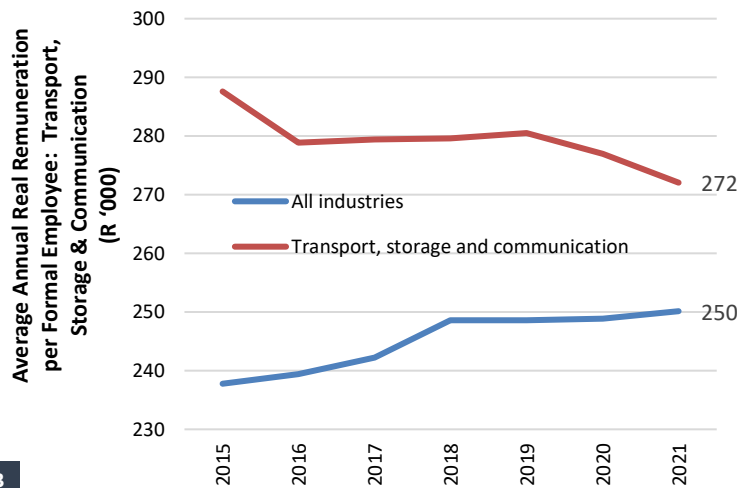
Average formal earnings in the trade sector were R90,000 lower in Q1 2021 than the national average. The real GVA per worker continued to increase and was above pre-Covid levels. The value of motor trade sales improved in May 2021 compared to a year earlier, with a recovery in all types of income – especially new vehicle sales.





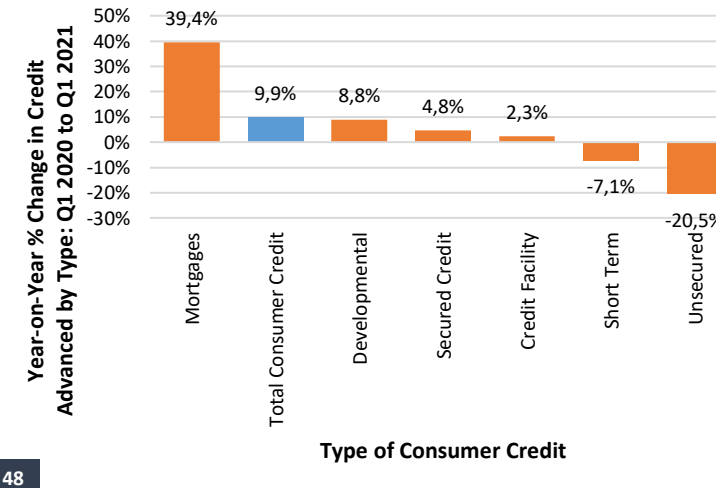
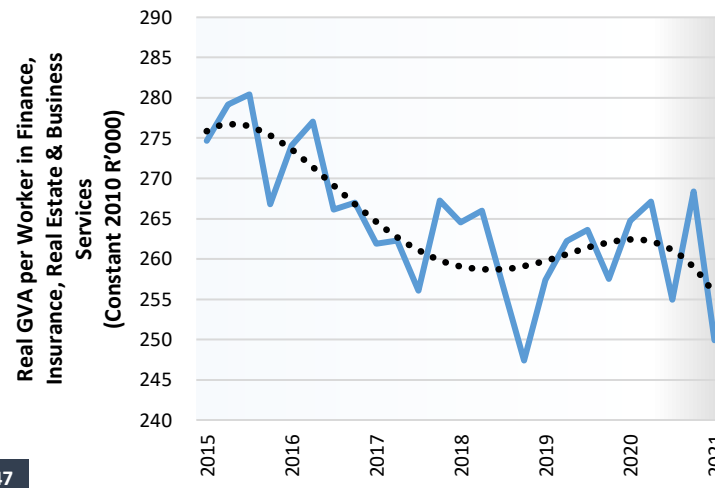
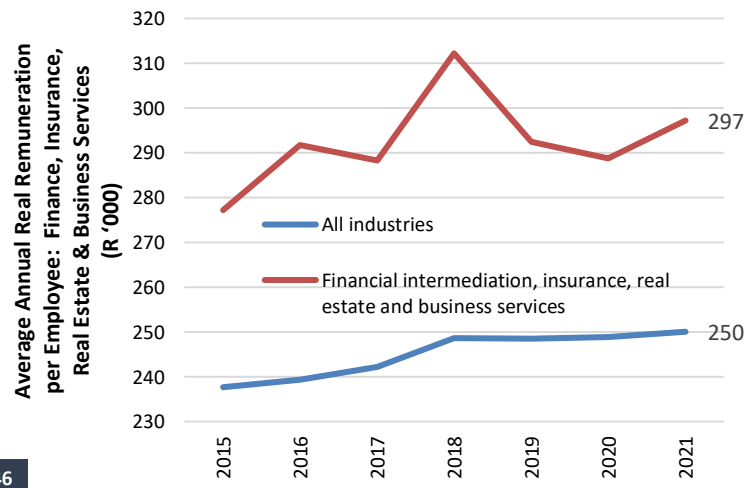
TRANSPORT, STORAGE & COMMUNICATION

In Q1 2021 formal employees in the transport sector earned R22,000 more than the national average. Although real GVA per worker continued to recover, it was still substantially lower than in the pre-Covid period. In 2019, 4.8 million 20-foot equivalent unit containers passed through South African ports – down from 4.9 million in 2018.



FINANCE, INSURANCE, REAL ESTATE & BUSINESS SERVICES

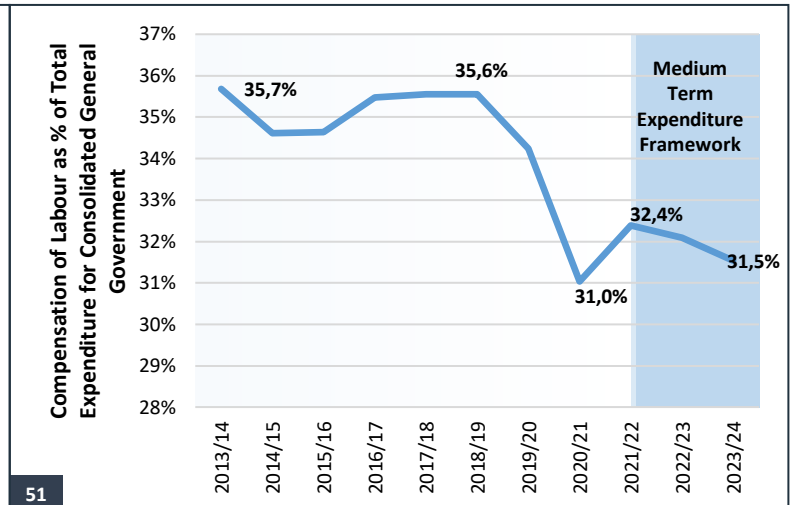
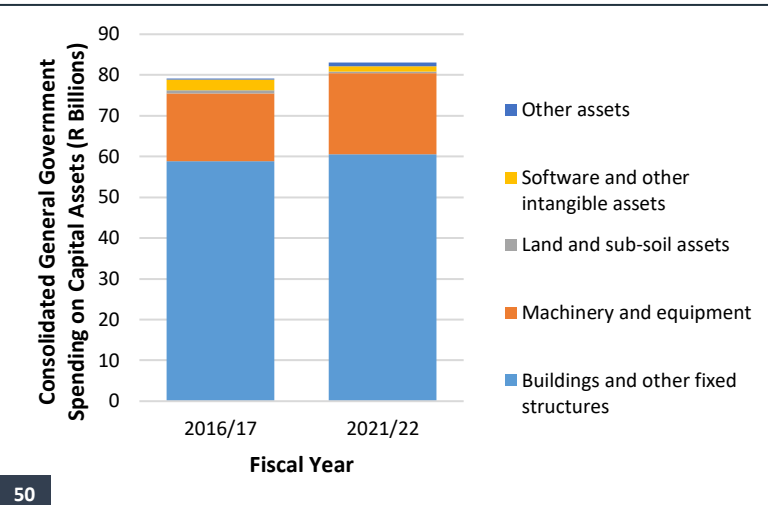
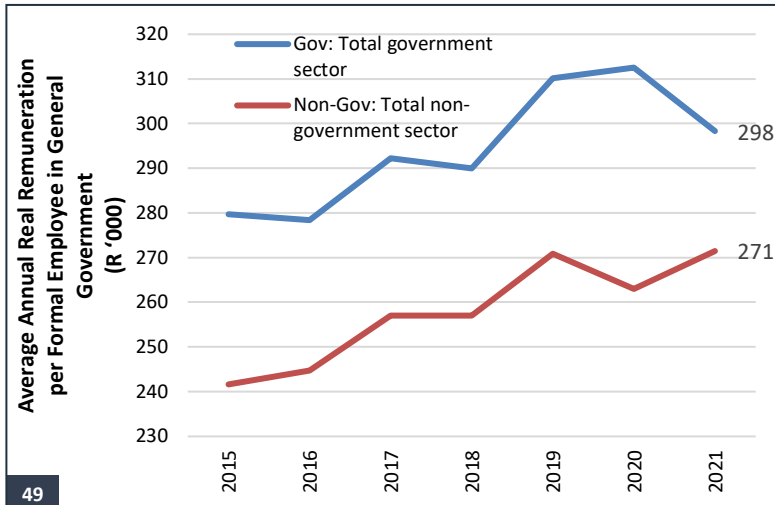
In Q1 2021, average real formal remuneration in the finance sector was R47,000 higher than the national average. Real GVA per worker dropped sharply in Q1 2021. Total consumer credit advanced in Q1 2021 was almost 10% up on a year earlier – driven by strong (39.4%) growth in the value of mortgages and declines in unsecured credit.





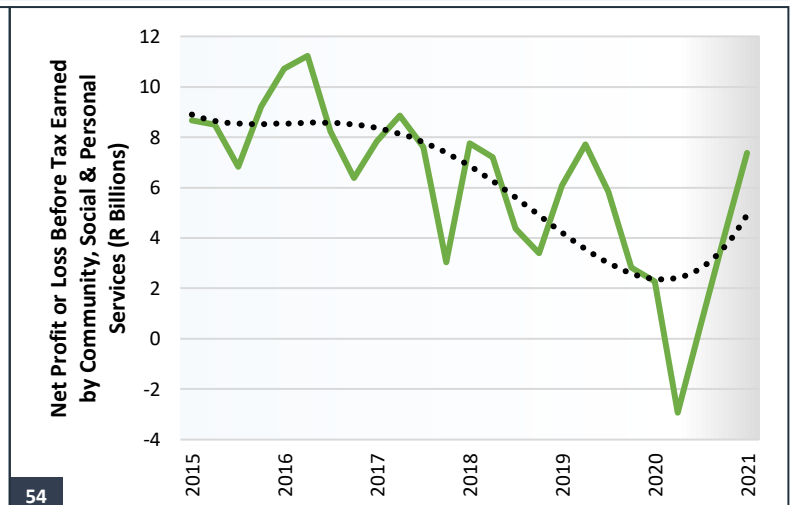
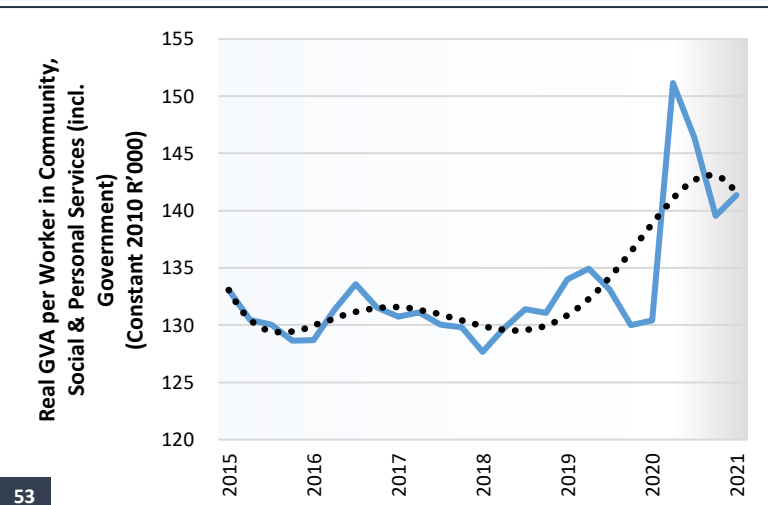
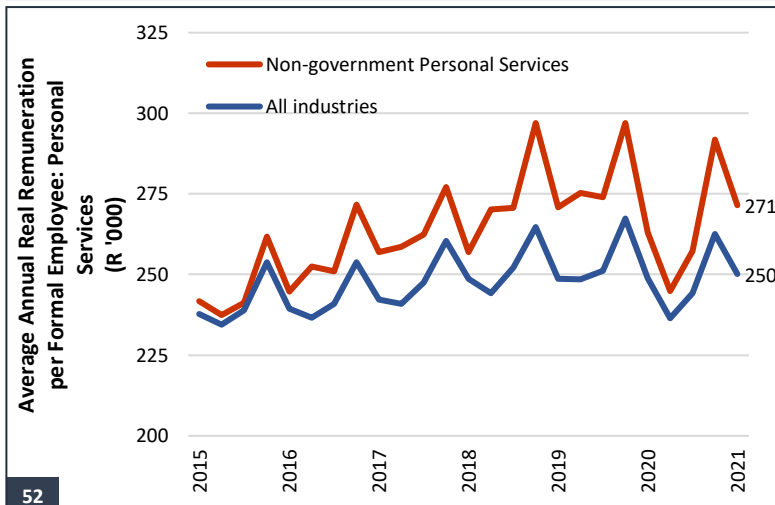
GENERAL GOVERNMENT

In Q1 2021 employees in general government earned R27,000 more on average than employees in private personal services sectors. Capital spending by general government showed little growth over the past 5 years, with additional spending focused on machinery. Labour remuneration's share of total spending will increase in 2021/22

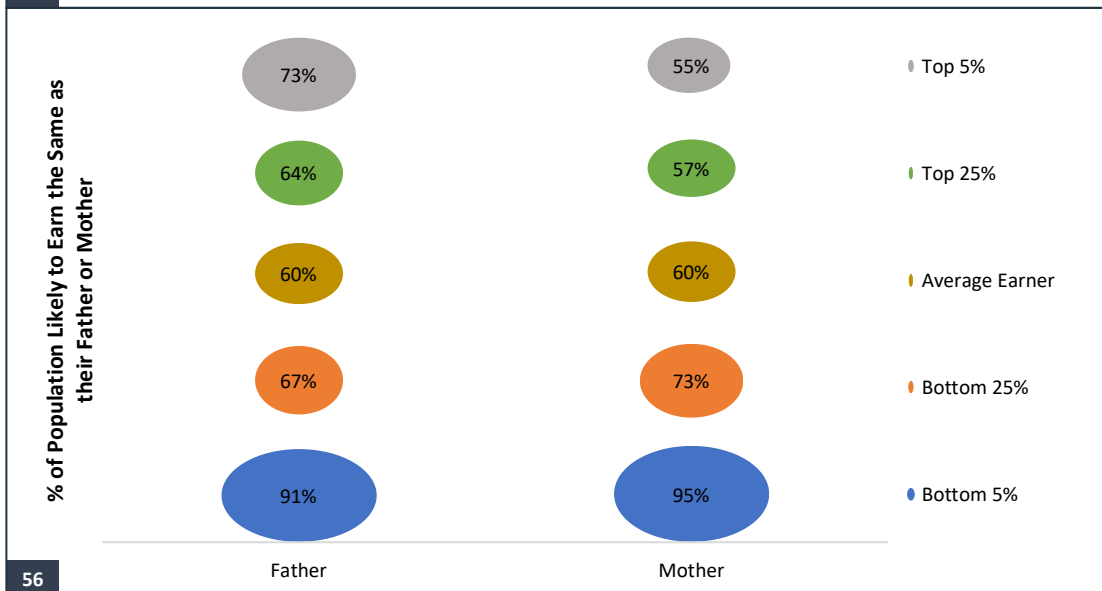
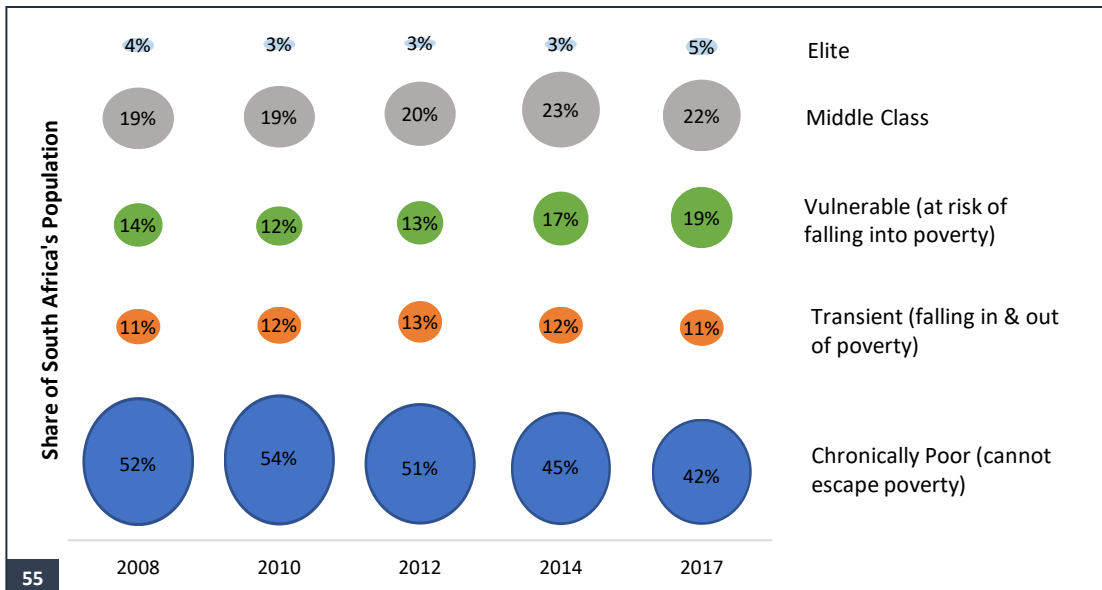


COMMUNITY, SOCIAL & PERSONAL SERVICES

In Q1 2021 average formal remuneration for personal services was R21,000 higher than the national average. Real GVA per worker increased slightly and remained above pre-Covid levels. Profits in the sector continued to recover and almost matched Q1 2019 levels.



Inequality in South Africa remains very high and there has been relatively little progress in moving people out of poverty. As a result research suggests there is a high probability that many South Africa's children will not have a better life than their parents.



Research by Murray Leibrandt – NRF Chair in Poverty and Inequality Research, and Director of the Southern Africa Labour and Development Research Unit at the University of Cape Town - finds that the policies that underpinned colonialism and apartheid were specifically geared to generating inequality. It is therefore not surprising that South Africa entered the post-apartheid era with a level of income inequality that, together with Brazil, was the highest in the world.

There is a growing global consensus – even among multilateral agencies and forums like the World Bank, IMF and World Economic Forum - that inequality is an obstacle to the sustainability and economic development of societies, and that its eradication should be prioritised. Economic growth that is not inclusive and that does not serve to reduce inequality ultimately stifles the momentum of growth – as is evident in most developing countries and most African states.

Despite the policies pursued in the post-apartheid era, income-generating opportunities, physical infrastructure and municipal services continue to be distributed unevenly across South Africa's urban and rural landscapes. As reflected in Figure 55, South Africa's social mobility is extremely low, has stalled in recent years and could have experienced a reversal of some of the progress made as a consequence of the Covid pandemic. While over half the population were either chronically poor, or perpetually at risk of slipping in, and out, of poverty in 2017, only 27% were safely "middle class" or "elite". The remaining 19% were vulnerable to slipping back into poverty.

In the absence of more effective measures to address poverty and inequality, there is a high probability that children from poor households will earn similar incomes to their parents - as Figure 56 indicates.

According to Professor Leibrandt, changing this dynamic requires good coordination and harmonisation of policies to broaden ownership of productive assets and address affordable access to water, electricity, housing, education, health and public transport - especially amongst women and the youth.

Data sources used in this document

Section A

Graph	Source of data
0	IMF World Economic Outlook April 2021, PwC Economic Outlook July 2021, South African Reserve Bank July 2021
1	Statistics South Africa GDP (P0441)
2	Statistics South Africa GDP (P0441)
3	Statistics South Africa GDP (P0441)
4	Statistics South Africa GDP (P0441)
5	Statistics South Africa QES (P0277)
6	Statistics South Africa QES (P0277)
7	Statistics South Africa QLFS (P0211)
8	Statistics South Africa QLFS (P0211)
9	Statistics South Africa
10	Statistics South Africa CPI (P0141)
11	Statistics South Africa CPI (P0141)
12	Statistics South Africa CPI (P0141)
13	National Treasury, National Revenue Account
14	National Treasury, National Revenue Account
15	National Treasury, National Revenue Account
16	National Treasury, National Revenue Account
17	South African Reserve Bank Quarterly Bulletin
18	South African Reserve Bank Quarterly Bulletin
19	South African Reserve Bank Quarterly Bulletin
20	UNCTAD, Investment Report
21	South African Reserve Service (TRD05)
22	South African Reserve Service (TRD11)
23	South African Reserve Bank Quarterly Bulletin
24	TradeMap.org, using UN Comtrade Data

Section B

Graph	Source of data
25	TradeMap.org, using UN Comtrade Data
26	Statistics South Africa QLFS (P0211 & P0441)
27	World Bank Commodity Prices
28	Statistics South Africa QES (P0277)
29	Statistics South Africa QLFS (P0211 & P0441)
30	Statistics South Africa QES (P2041)
31	Statistics South Africa QES (P0277)
32	Statistics South Africa QLFS (P0211 & P0441)
33	Statistics South Africa –(P3043)
34	Statistics South Africa QES (P0277)
35	Statistics South Africa QLFS (P0211 & P0441)
36	Statistics South Africa (P4141)
37	Statistics South Africa QES (P0277)
38	Statistics South Africa QLFS (P0211 & P0441)
39	Statistics South Africa (P5041.1)
40	Statistics South Africa QES (P0277)
41	Statistics South Africa QLFS (P0211 & P0441)
42	Statistics South Africa Retail Motor Trade(P6343.2)
43	Statistics South Africa QES (P0277)
44	Statistics South Africa QLFS (P0211 & P0441)
45	World Bank World Development Indicators
46	Statistics South Africa QES (P0277)
47	Statistics South Africa QLFS (P0211 & P0441)
48	National Credit Regulator – Credit Extension

Section B (continued)

Graph / Table	Source of data
49	Statistics South Africa QES (P0277)
50	National Treasury
51	National Treasury
52	Statistics South Africa QES (P0277)
53	Statistics South Africa QLFS (P0211 & P0441)
54	National Treasury

Section C

Graph	Source of data
55	Leibrandt, M. (2021). The Human Tragedy of South Africa's Inequality, 17 May 2021. Accessed at https://www.newframe.com/the-human-tragedy-of-south-africas-inequality
56	Leibrandt, M. (2021). The Human Tragedy of South Africa's Inequality, 17 May 2021. Accessed at https://www.newframe.com/the-human-tragedy-of-south-africas-inequality

Economic and Employment Indicators and Trends in South Africa

Issue # 07 (July 2021)

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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