ECONOMIC UPDATE

Growing Gauteng Together

GAUTENG PROVINCE
TREASURY
REPUBLIC OF SOUTH AFRICA

ECONOMIC UPDATE

Third Quarter: 2020/2021

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TREASURY
REPUBLIC OF SOUTH AFRICA

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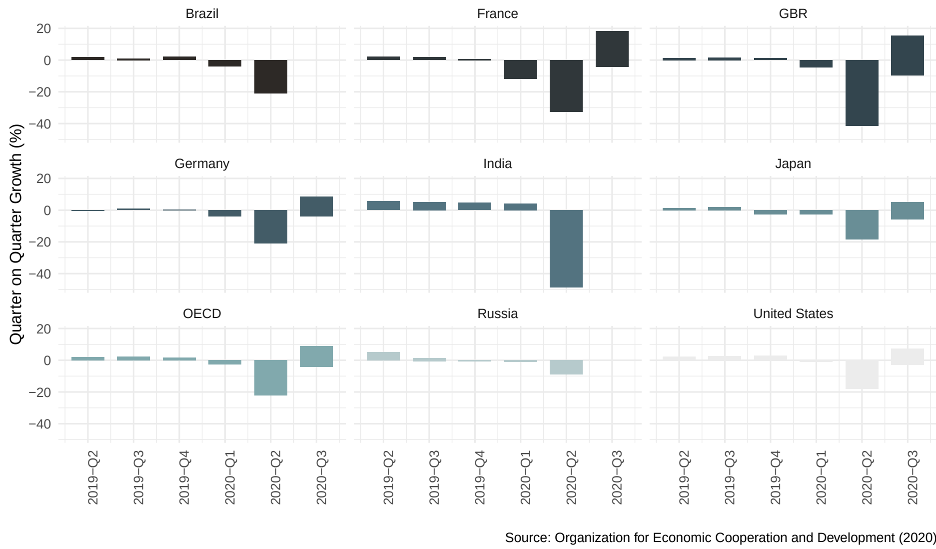
1 Introduction

2 Global Economy

2.1 Economic growth

Figure 1: Economic Growth in Key Economies



2.2 Production

Figure 2: Industrial Output in Key Economies

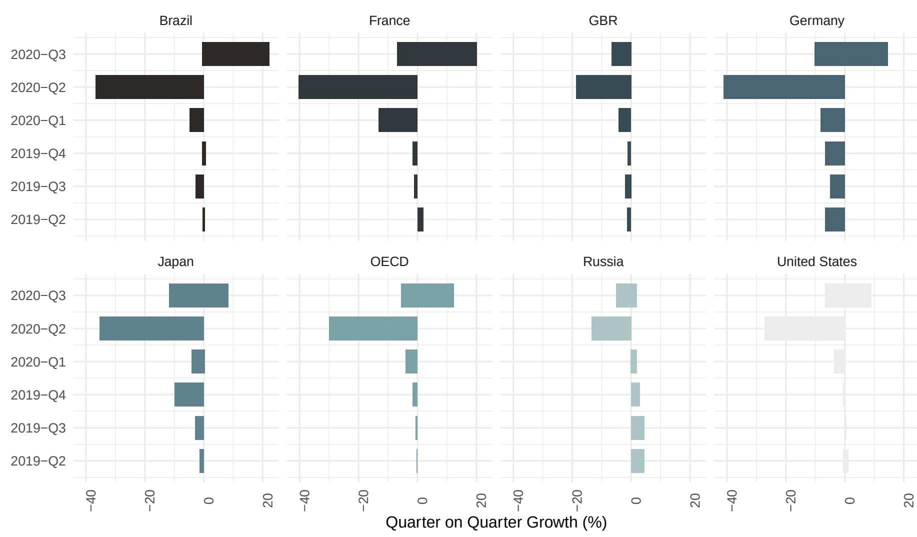
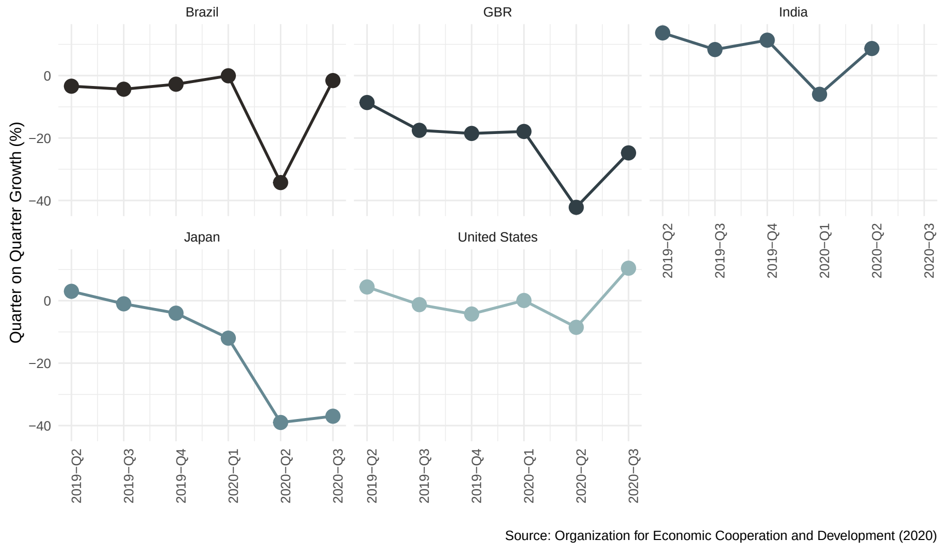
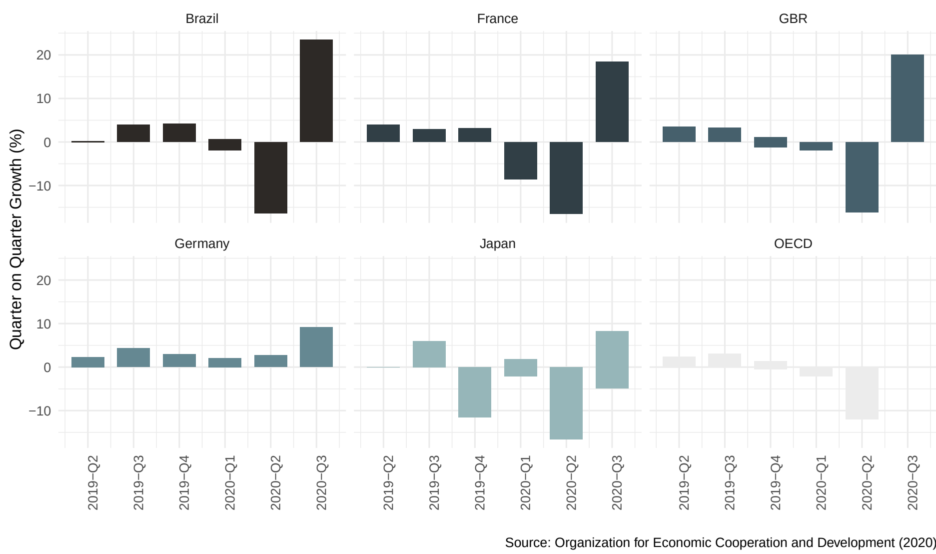


Figure 3: Manufacturing Confidence Index in Key Economies.



2.3 Retail Sales

Figure 4: Retail Sales in Key Economies

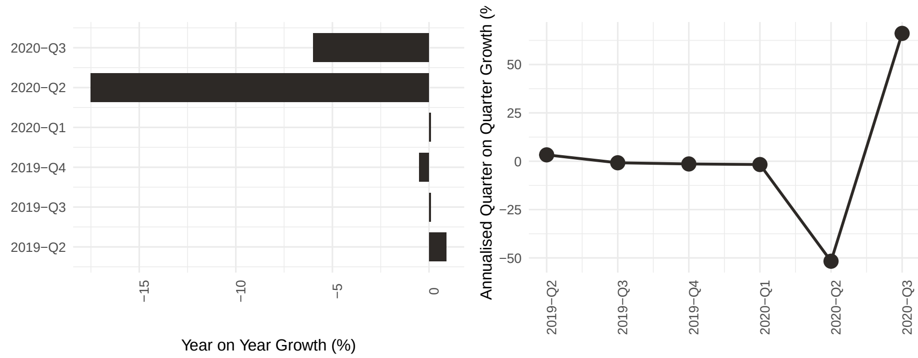


2.4 Policy interventions

3 South Africa Economy

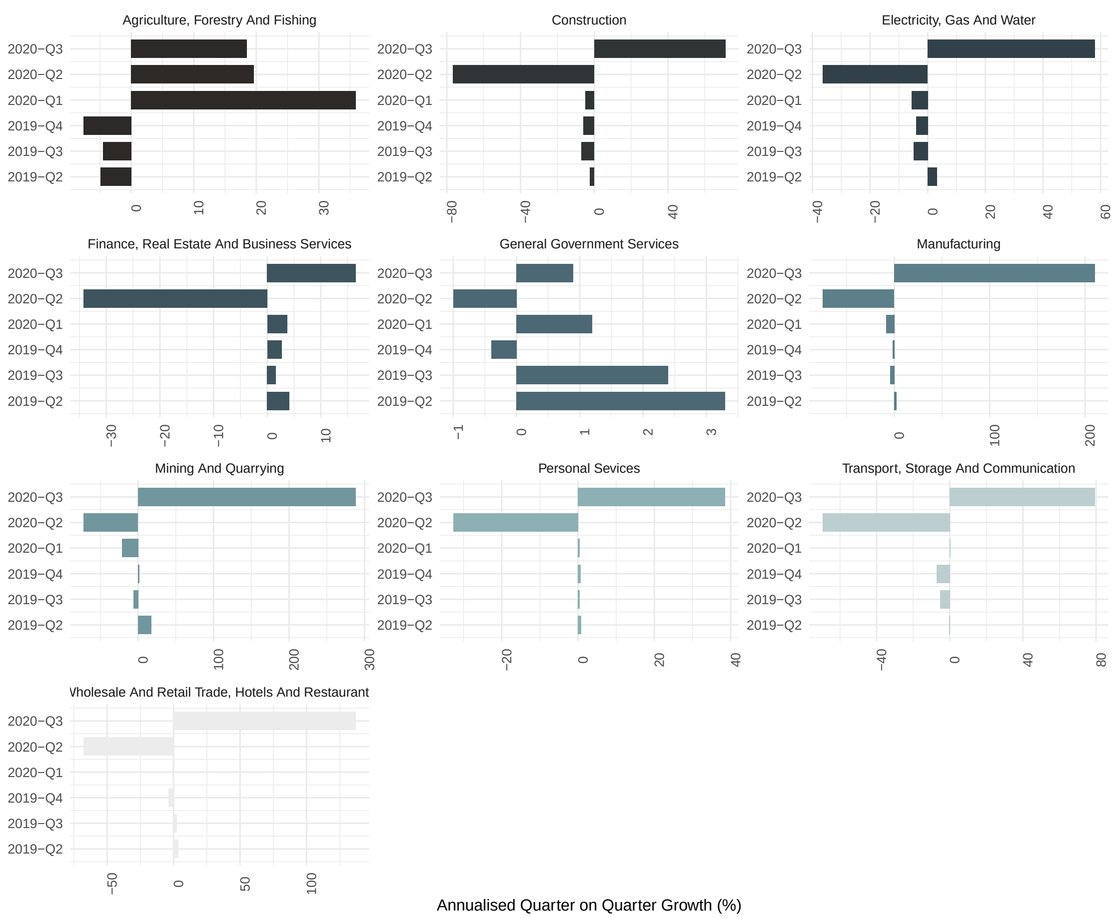
3.1 Economic growth

Figure 5: Gross Domestic Product



Source: Statistics South Africa (2020). Note: The annualised data is seasonally adjusted and constant

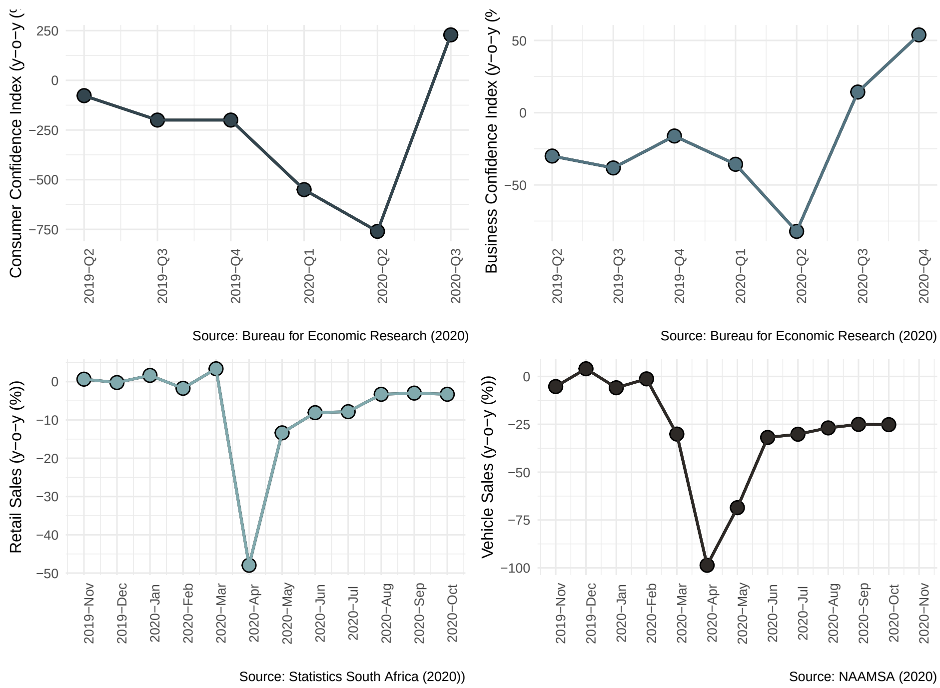
Figure 6: Industry Growth



Source: Statistics South Africa (2020)

3.2 Consumer and business confidence

Figure 7: Consumer and Business Confidence



3.3 Labour market

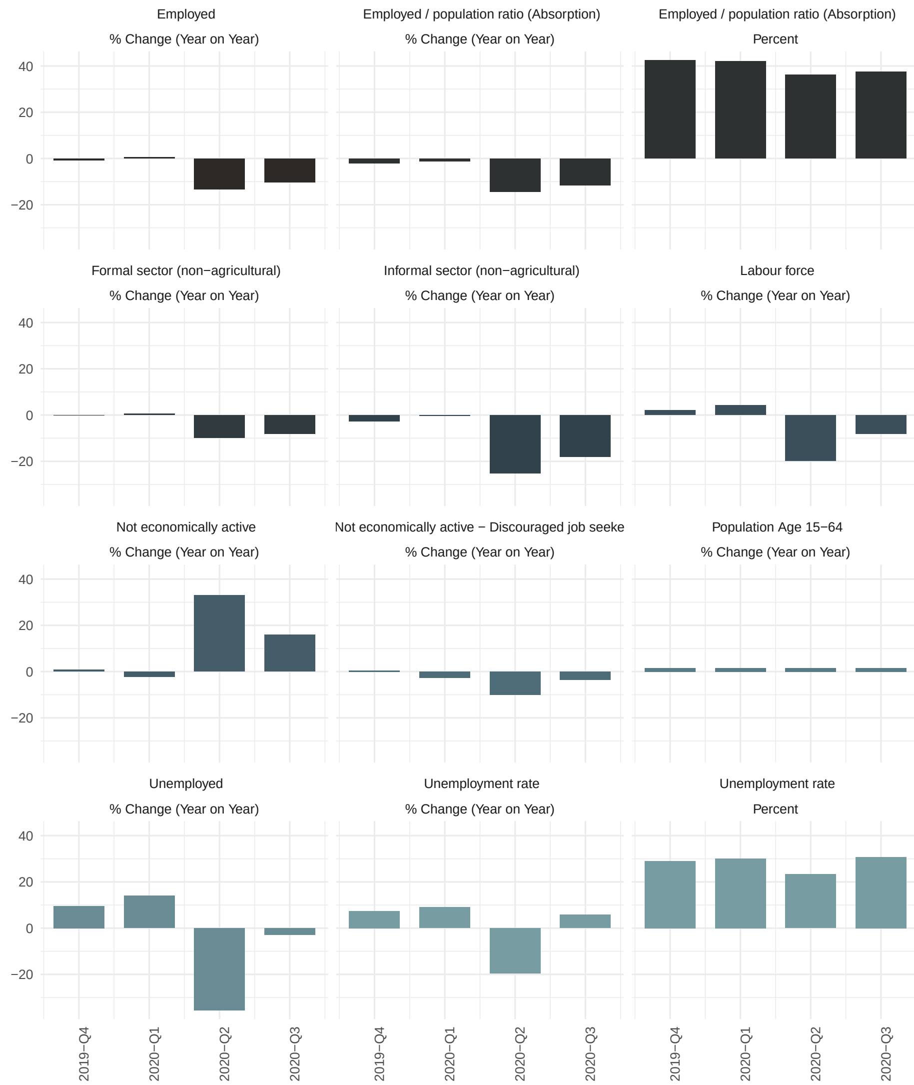
Statistics South Africa's data collection has been impacted by the COVID-19 pandemic[1]. Face-to-face data collection has been suspended for the safety of field staff and respondents and replaced with telephonic surveys. This has necessitated various assumptions and corrections on behalf of Statistics South Africa. Households with telephones that could not be contacted in the second quarter of 2020 were assumed to have maintained the same employment status assigned to them in the first quarter of 2020. These households were also assumed to have maintained the same employment status that they were assigned in the fourth quarter of 2019, except for the workers who became employed in the fourth quarter of 2019 after being unemployed or Not Economically Active (NEA).

Since temporary jobs that exist only in the fourth quarter of each year are commonplace, these temporary job holders were treated as non-respondents for the first quarter of 2020 as their employment status could not be estimated to an acceptable degree. Households without telephones could not be contacted as a group and therefore this group has significantly different labour market characteristics from households with telephones. As a result, bias correction techniques were applied.

Additional estimation required for the publications surveyed under COVID-19 resulted in publications with a larger margin of error. Furthermore, changes in data collection methodology means that these publications are not truly comparable with publications that were unaffected by the pandemic.

[1] Statistics South Africa. (2020), Quarterly Labour Force Survey – 2020Q3

Figure 8: Labour Market



Source: Statistics South Africa (2020)

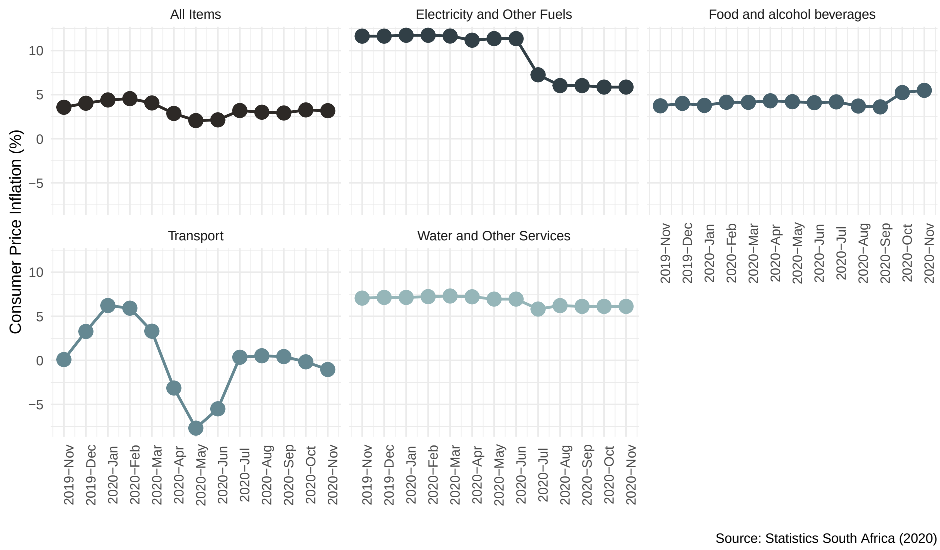
The figure above shows that South Africa's labour force was estimated at 21.2 million persons in the third quarter of 2020. This was an increase of approximately 15.1 per cent quarter on quarter and a decrease of approximately 8.2 per cent y-o-y. The quarterly increase of the labour force reflects a recovery from a relatively lower labour force in the second quarter caused by a significant higher number of NEA persons resulting from the imposed lockdown regulations.

The lockdown also harmed employment opportunities, with a decrease of 13.6 per cent quarter on quarter and a decrease of 13.3 per cent year y-o-y estimated for the second quarter of 2020. This decline in employment opportunities left approximately 14.1 million workers employed. The informal and private household sectors were hit particularly hard, with quarter on quarter decreases of 21.9 and 23.6 per cent in employment, respectively. The relatively smaller employment decrease of 10.8 per cent in the formal sector was likely influenced by the increased difficulty retrenching formal workers due to fixed-term contracts and the fact that a larger portion of formal sector jobs can be performed remotely. However, employment rebounded in the third quarter, when it increased by 15.1 per cent, and the largest employment increase in absolute terms was the sector. Moreover, despite the third quarter increase in employment, an annual comparison shows a decrease in employment.

The number of unemployed persons increased by 52.1 per cent and reached 6.5 million in the third quarter, after it decreased by 39.2 per cent to 4.3 million during the second quarter. The increase was largely due to discouraged work-seekers re-entering the market and increase the labour force, thus unemployment number. Hence the labour force participation rate recovered after it had dropped by 13pp to 47 per cent in the second and recovered to 54.2 per cent in the third quarter. The second quarter movements in the labour market are in line with those observed in the rest of the world as a result of the pandemic.

3.4 Consumer prices

Figure 9: Consumer Inflation

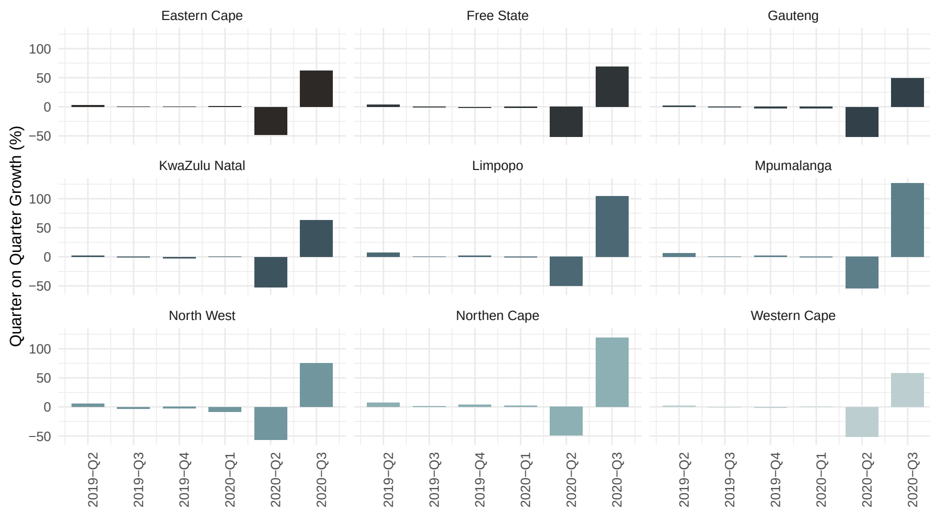


3.5 Policy interventions

4 Gauteng Economy

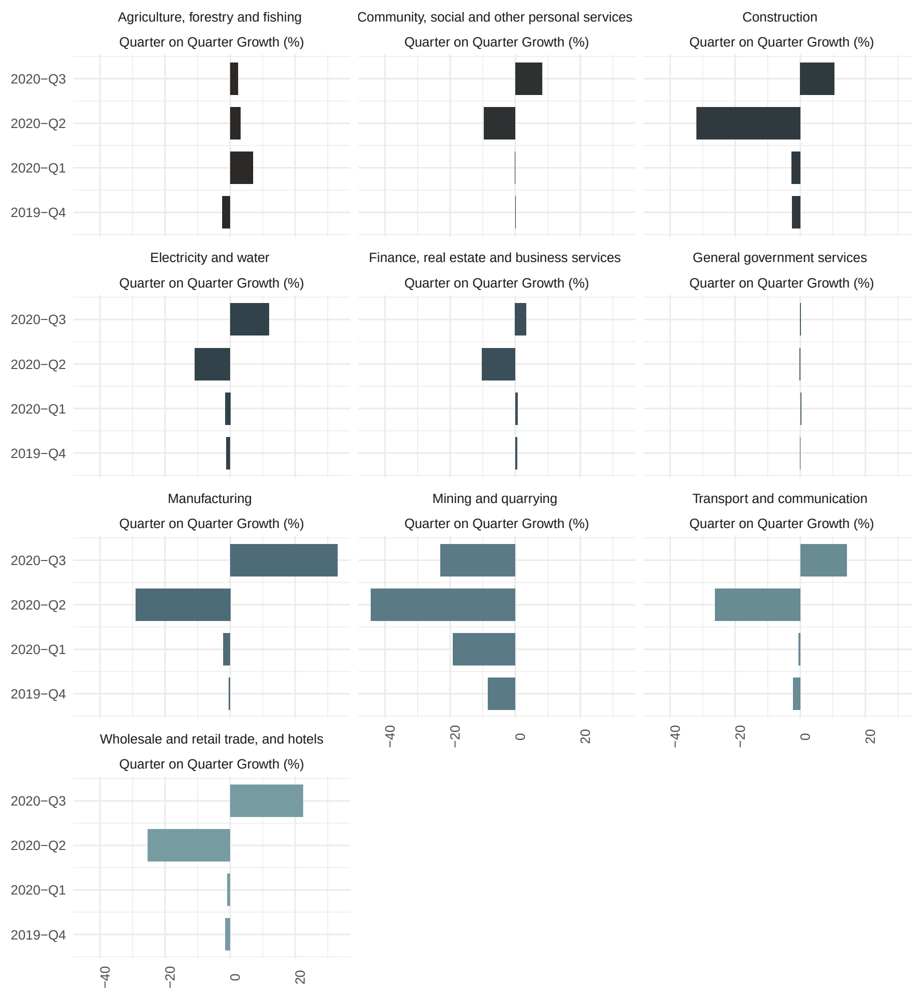
4.1 Economic growth

Figure 10: Regional Gross Domestic Product



Source: Quantec Research (2020). Note: All GDP data is seasonally adjusted and constant.

Figure 11: Gauteng Industry Growth



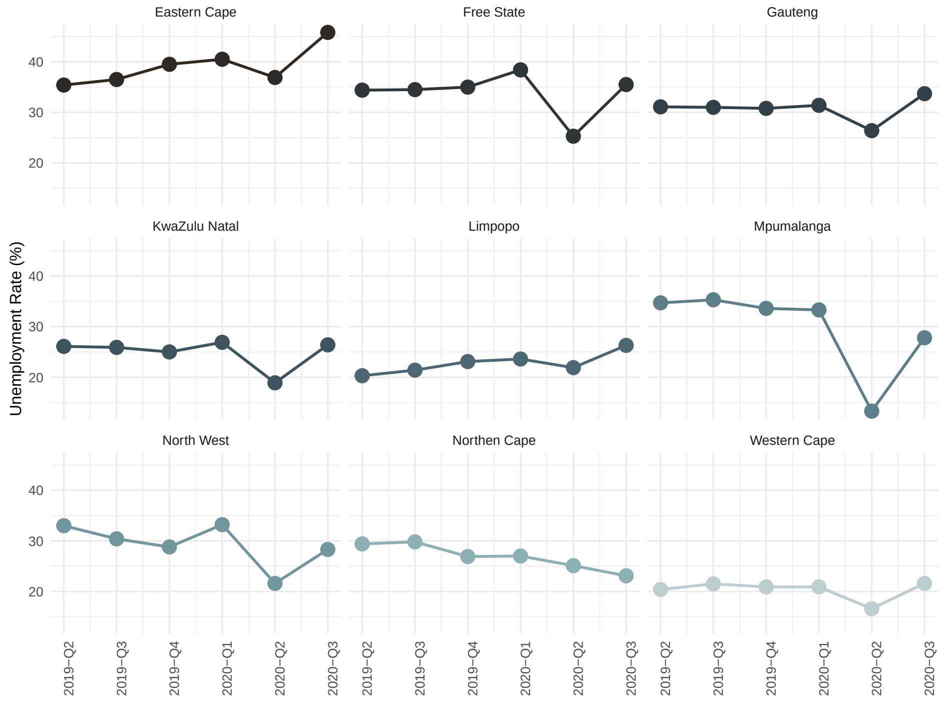
Source: Quantec Research (2020). Note: All GDP data is seasonally adjusted and constant.

4.2 Labour market

The Gauteng unemployment rate shockingly declined in the second quarter of 2020 to reach 26.4 per cent, equating to 5pp when compared to the first quarter. This was the lowest unemployment rate since the fourth quarter of 2014[2]. The decline was not, however, indicative of an improving labour market but instead reflects the unemployment rate definition used in Statistics South Africa's Quarterly Labour Force Survey (QLFS). This definition requires that eligible job seekers actively look for work in order to be classified as unemployed, which was impossible during the lockdown. Thus, as per the official definition, the unemployment rate fell. This is despite job losses of over half a million in the second quarter of 2020, which were the highest since the QLFS started.

[2]Statistics South Africa. (2014). Quarterly Labour Force Survey- 2014Q4.

Figure 12: Provincial Unemployment Rates



Source: Statistics South Africa (2020)

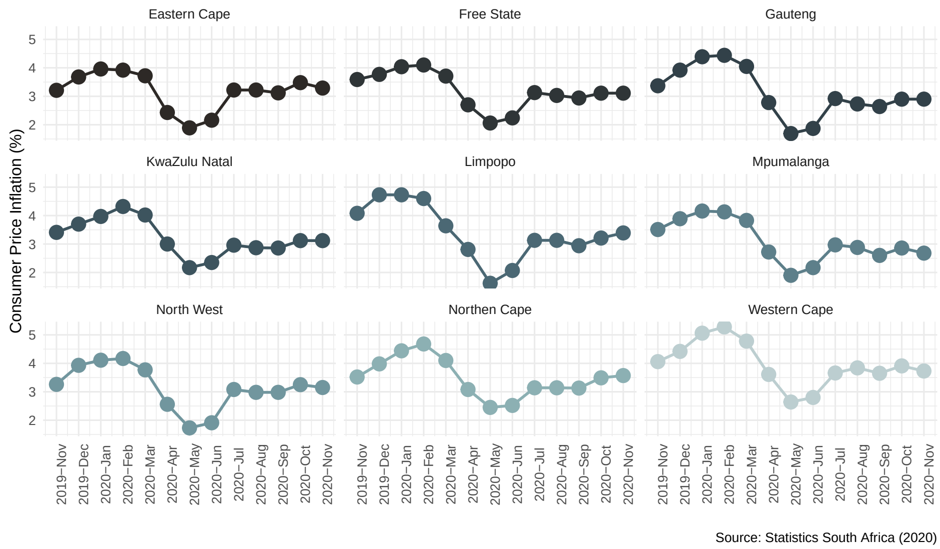
Evidently, the lock-down restrictions were relaxed in the third quarter of 2020, which resulted increase in the number of people who were looking for work, and the unemployment rate reverted to its trend of high unemployment; reaching 33.7 per cent in the third quarter of 2020. Moreover, employment in the third was very low relative to the labour force growth and high levels of unemployment, hence the spike in unemployment rate.

The number of discouraged work-seekers grew further in the second quarter of 2020. This indicates that the labour market in Gauteng was not favourable to those who were looking for work, resulting in more people dropping out of the active labour market. Subsequently, the labour force participation rate also fell, as a result of lower labour force activity combined with an increase in discouraged work-seekers, caused by the lockdown.

Furthermore, although the lockdown has caused historical job losses, average quarterly employment growth was -1.0 per cent between the first quarter of 2019 and the first quarter of 2020. During this same period, the size labour force increased by 1.0 per cent. This means that employment growth was declining even before the impact of the lockdown.

4.3 Consumer prices

Figure 13: Provincial Consumer Inflation



4.4 Policy interventions

5 Concluding Remarks

Table 1: Gross Domestic Product

Period	R million	Annualised Quarter on Quarter	Quarter on Quarter	Year on Year
2016 Q1	3,054,386	-0.25	-0.98	-0.74
2016 Q2	3,078,482	0.79	3.19	0.64
2016 Q3	3,085,352	0.22	0.90	0.87
2016 Q4	3,087,641	0.07	0.30	0.84
2017 Q1	3,085,655	-0.06	-0.26	1.02
2017 Q2	3,108,212	0.73	2.96	0.97
2017 Q3	3,129,728	0.69	2.80	1.44
2017 Q4	3,156,342	0.85	3.45	2.23
2018 Q1	3,134,781	-0.68	-2.70	1.59
2018 Q2	3,130,669	-0.13	-0.52	0.72
2018 Q3	3,150,985	0.65	2.62	0.68
2018 Q4	3,161,721	0.34	1.37	0.17
2019 Q1	3,136,302	-0.80	-3.18	0.05
2019 Q2	3,161,916	0.82	3.31	1.00
2019 Q3	3,155,290	-0.21	-0.84	0.14
2019 Q4	3,143,840	-0.36	-1.44	-0.57
2020 Q1	3,130,556	-0.42	-1.68	-0.18
2020 Q2	2,609,570	-16.64	-51.72	-17.47
2020 Q3	2,962,669	13.53	66.13	-6.10

6 Selected Data

6.1 South African Economy

Table 2: Gross Domestic Product by Industry

Sector	Measure	2019 Q4	2020 Q1	2020 Q2	2020 Q3
Agriculture, forestry and fishing	% Change	-1.95	7.96	4.58	4.33
	% Change (Year on Year)	-8.59	3.34	9.45	15.50
Mining and quarrying	% Change	0.46	-5.89	-27.28	40.37
	% Change (Year on Year)	0.05	-3.12	-32.32	-3.49
Manufacturing	% Change	-0.46	-2.19	-29.19	32.71
	% Change (Year on Year)	-3.34	-3.25	-31.84	-8.52
Electricity, gas and water	% Change	-1.02	-1.44	-10.71	12.12
	% Change (Year on Year)	-3.32	-2.88	-13.97	-2.34
Construction	% Change	-1.52	-1.19	-30.40	14.37
	% Change (Year on Year)	-5.13	-4.99	-33.48	-22.54
Wholesale and retail trade, hotels and restaurants	% Change	-0.96	-0.18	-24.57	24.08
	% Change (Year on Year)	-0.38	0.36	-24.94	-7.48
Transport, storage and communication	% Change	-1.86	0.13	-25.60	15.72
	% Change (Year on Year)	-4.37	-3.16	-27.90	-15.40
Finance, real estate and business services	% Change	0.67	0.92	-9.93	3.89
	% Change (Year on Year)	2.38	3.05	-8.13	-4.94
General government services	% Change	-0.10	0.30	-0.25	0.24
	% Change (Year on Year)	1.95	1.61	0.54	0.18
Personal services	% Change	0.16	0.12	-9.44	8.51
	% Change (Year on Year)	0.74	0.58	-9.10	-1.46

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