Don Consultancy Group (DCG)

LIMITED INVESTMENT AND BUSINESS ACTIVITY IN KEY SECTORS OF THE SOUTH AFRICAN ECONOMY IS IMPEDING EMPLOYMENT CREATION, SAYS CHIEF ECONOMIST OF DCG.

JOHANNESBURG, 15th DECEMBER 2021 – The Don Consultancy Group (DCG) Chief Economist Mr Chifi Mhango says the Quarterly Employment Statistics (QES) data released today by Statistics South Africa (StatsSA) reflects limited investment and business activity in key sectors of the South African economy which is impeding employment creation, despite marginal gains in overall total employment numbers.

Statistics South Africa data on employment released today shows total employment increasing by 52 000 or (0.5%) quarter-on-quarter, from 9 568 000 in June 2021 to 9 620 000 in September 2021. This was largely due to increases in the following industries: community services (63 000 or 2.3%), mining (7 000 or 1.5%) and transport (1 000 or 0.2%). According to StatsSA, total employment increased by 56 000 or (0.6%) year-on-year between September 2020 and September 2021

On a negative note, there were decreases in the following industries: trade (-13 000 or -0.6%), business services (-3 000 or -0.1%), manufacturing (-2 000 or -0.2%) and construction (-1 000 or -0.2%).

DCG Chief Economist Mr Chifi Mhango said: “The year 2021 has been a mixed picture. There were some green shoots in the first six months with regard to economic data. The third quarter has been the most challenging due to a number factor that are well documented. These included rising unemployment level of 34.9% coupled with overall total GDP decline of 1.5%, thus reflective of the dent caused by the July 2021 unrest, electricity load-shedding and metals industry strike; with rising costs of production such as logistical and energy costs adding to further impediment to the economic growth potential and employment creation.”

Mr Mhango said that: “it is concerning to continue observing low levels fixed investment, currently at a ratio of 14.2% to national Gross Domestic Product in the South African economy, hence more needs to be done to improve the overall business conditions from the South African Government side so that job opportunities are created.”

“Both Business Confidence and Consumer Confidence remain depressed in the fourth quarter of 2021 due to rising inflationary pressures amid supply chain challenges, soaring fuel prices, the resumption of rolling blackouts, further job losses and the threat of a fourth wave of infections. These are not conducive conditions to attract much needed investment in an economy.” Mr Mhango noted

On the policy front, Mr Mhango continued to advocate for a speedy implementation of the Economic Recovery Plan as announced in October 2020 and all supporting job creation and retention initiatives, with a national strategic follow-up approach across all sectors of the South African economy.

Taking an international comparison of the employment trends, Mr Mhango indicated that: “In countries such as the USA, the number of employed persons in the USA is increasing, with latest Bureau of Statistics data showing an increase to 155.2 million in November of 2021 from 154 million in October of 2021.”

Mr Mhango also observed that: “In other BRICS countries where current data is available, the number of employed persons in Brazil increased to 92.98 million in the third quarter of 2021 from 90.2 million second quarter of 2021. In Russia, the number of employed persons remained unchanged at 72.3 million in October of 2021 from September 2021. However, rising inflation rate across the global is now a concern, as hikes in interest rates may derail global consumption patterns thus reducing potential personal consumer driven investments.”

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