

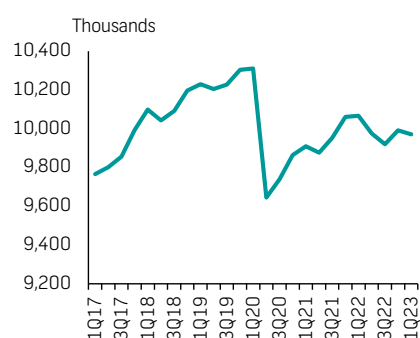


Flash Note: Employment

June 2023

SA records net job losses in 1Q23¹

Figure 1: Employment

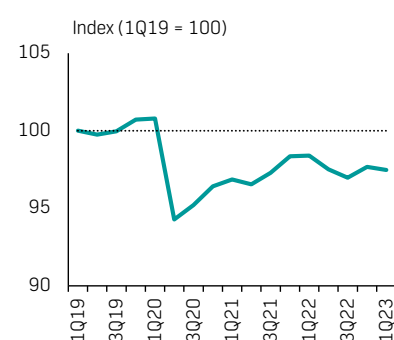


Source: Stats SA, FNB Economics

Employment in the formal non-agricultural sectors of the economy, as shown by the Quarterly Employment Survey, contracted by 21 000 jobs or -0.2% q/q in 1Q23. Many of jobs shed were in trade, in line with post-festive season layoffs. Relative to a year ago, employment has fallen by 97 000 jobs or -1.0%, reflecting a weakening economy. Furthermore, the recovery in employment remains incomplete, with employment still lower by 259 000 or 2.5% compared to 1Q19.

Job losses were recorded in trade (-36 000 or -1.6% q/q), followed by business services (-32 000 or -1.4%), transport (-2 000 or -0.5%) and construction (-2 000 or -0.4%). Meanwhile, employment gains were recorded in community services (41 000 or 1.5%), followed by mining (5 000 or 1.1%), manufacturing (4 000 or -0.3%), and electricity (1 000 or 1.8%). Full-time employment declined by 63 000 jobs q/q and by 24 000 or -0.3% y/y. Most of the jobs lost in business services and transport were full-time jobs, while trade shed mostly part-time jobs. Part-time employment increased by 42 000 or 3.8% q/q, led by the community services sector, but jobs have been lost compared to last year, 73 000 jobs or -6.0% y/y.

Figure 2: Employment recovery is protracted



Source: Stats SA, FNB Economics

Total gross earnings declined by 4.0% q/q but are 5.5% higher than a year ago and have firmly surpassed 1Q19 levels by 18.6%. Many sectors had lower basic salary/wage payments compared to last quarter, signalling constrained profit margins as the cost of doing business has lifted amid a challenging economic climate. Only the construction sector recorded a contraction in basic salary payments compared to last year. Overall average monthly earnings (including overtime and bonuses) are down by 2.7% q/q but up 6.8% y/y. Inflation-linked wage adjustments should support growth in nominal compensation, but real incomes in many industries are likely to remain under pressure.

Outlook

Sticky inflation and tighter financial conditions should slow global activity this year. This, along with local energy and logistical constraints, are likely to impede employment prospects. Furthermore, the lift in the local cost of doing business should weigh on profitability and wage bargaining. While the recovery in earnings has outpaced that in

¹ Any differences in figures from Stats SA's report are due to rounding.

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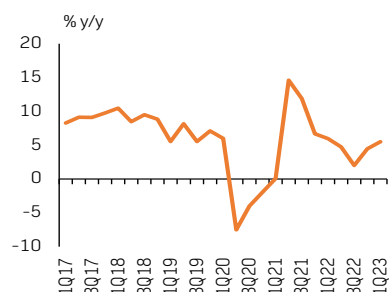
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Figure 3: Gross compensation



Source: Stats SA, FNB Economics

employment, these headwinds should constrain growth in both measures in the near-term. Over the longer-term, continued investment in alleviating productivity constraints should usher in more robust economic growth and support more broad-based and inclusive employment growth.

Selected sector analysis

Job losses in construction have continued but at a slower rate, although the sector has lost a net 2 000 jobs compared to the previous quarter, the figure expands to over 100 000 jobs lost since the start of 2019, highlighting a sector mired with demand and profitability issues. Many of the quarterly jobs gained in manufacturing were in the food, beverages, and tobacco sector, but intensified load-shedding and the impact on profit margins likely contributed to the fall in compensation. Gains in community service part-time jobs were led by provincial and local government departments, reflecting the resumption of the Presidential Youth Employment Initiative and the Extended Public Works Programme. Meanwhile, employment growth in restaurants and hotels continues to improve, recording 0.7% q/q and 12.8% y/y, highlighting the ongoing recovery in tourism. Although a weaker exchange rate will continue to be supportive to the sector, sticky global inflation and elevated interest rates pose a risk to discretionary consumer spending growth.

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