

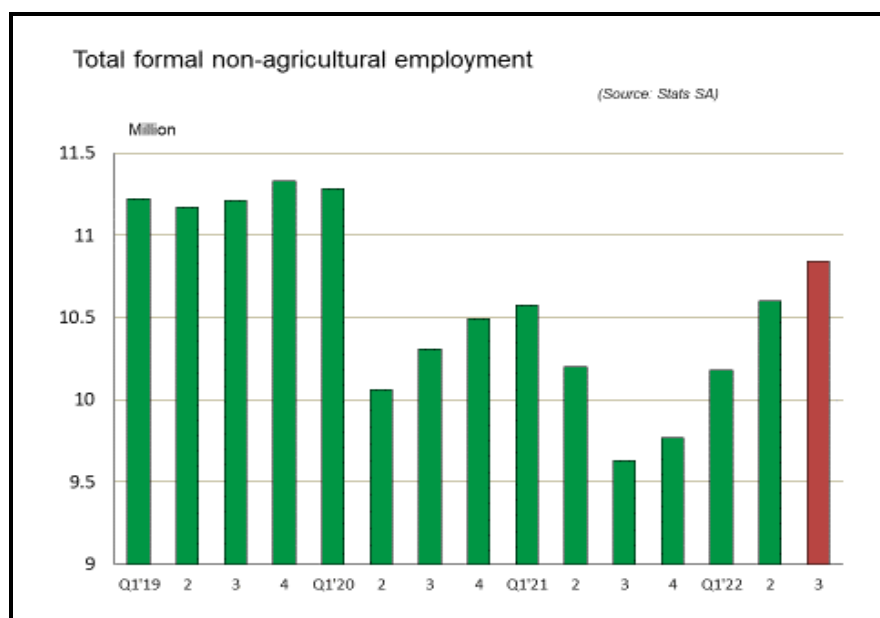
NEW FORMAL EMPLOYMENT HITS THE 1-MILLION MARK

By Dr Roelof Botha, Joint Managing Director, GOPA Group SA (5 December 2022)

The upward trend in new job creation continued unabated in the 3rd quarter of 2022, with total formal sector employment rising by more than one million during the first nine months of the year.

Although more muted than during the first two quarters of the year, another 235,000 new jobs were created between July and September. Total employment in the economy has now moved from 14.3 million a year ago to almost 15.8 million. The following sectors were the best performers during the third quarter (increase in quarter-on-quarter jobs in parentheses):

- Manufacturing (123,000)
- Wholesale & retail trade (82,000)
- Construction (46,000)
- Transport (33,000)
- Community & social services (27,000)
- Utilities (13,000)



The increase in employment in manufacturing may be attributed, in part, to the strength of the US dollar, which led to a switch amongst wholesalers and retailers alike to the procurement of locally made goods, due to the substantial increase in the prices of imported goods.

During the 3rd quarter, manufacturing sales increased by more than 19% in nominal terms and almost 12% in real terms, reaching an all-time record high and finally staging a full recovery from the Covid pandemic. The 3rd quarter sales figure of R776 billion was marginally higher than the previous record of R772 (in real terms), achieved in the 3rd quarter of 2019.

To some extent, this trend is aligned with the international trade data for the third quarter of the year, which saw another substantial surplus of close to R20 billion. The rand's recovery from the impact of a rampant US dollar since the 2nd quarter of 2022 is bound to start reversing this trend somewhat, as already evident in a small trade deficit for October.

Anomalies in official data

When analysing the data for employment, retail sales and private consumption expenditure, some anomalies emerge, as a rather predictable and stable correlation exists between private consumption expenditure and labour remuneration. On average, the relevant ratio is 1.32, i.e. for every rand of salaries, R1.32 gets spent, presumably mostly in retail outlets.

With formal sector employment having risen by 12.5% year-on-year during the 3rd quarter and average nominal remuneration levels having risen by 4% year-on-year in the 2nd quarter (latest available data), one would have expected stronger growth in nominal retail trade sales than the 9.7% year-on-year figure recorded in the third quarter.

The starkest anomaly, however, is the huge difference between the expansion of wholesale trade and retail trade since the third quarter of 2019 (pre-Covid). When deflated by the consumer price index (CPI), the value of real retail trade sales for the 3rd quarter of 2022 remains below the figure recorded during the same quarter in 2019 (prior to Covid).

In sharp (and somewhat inexplicable) contrast, the value of real wholesale trade sales has increased by almost 16% over this period. This may be attributable to the expansion of new smaller retail trade outlets that are not fully accommodated in Stats SA surveys (particularly in informal urban settlements). If this is, in fact, the case, then Statistics SA is clearly underestimating the value added by informal retail sector activity in South Africa.

The welcome and meaningful rise in new job creation will nevertheless spill over into some measure of improvement in retail sector trade sales and a strong GDP growth rate for the 4th quarter of the year is on the cards.