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Statistical Update



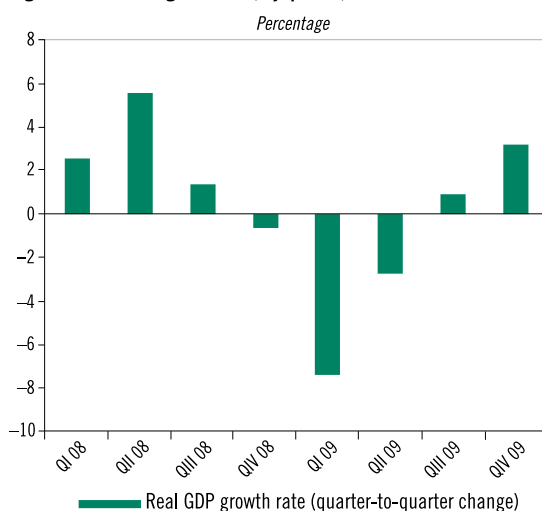
International
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RECESSION IN SOUTH AFRICA LED TO SHARP INCREASES IN DISCOURAGED WORKERS

Economy experienced a moderate contraction in 2009

- Prior to the crisis, South Africa enjoyed a healthy pace of economic growth, as real GDP growth averaged 5.5 per cent during the period 2005 to 2007.
- Due to the country's financial and trade links with the world, the effects of the crisis first became evident in the fourth quarter of 2008 when real GDP growth declined 0.7 per cent. The economic contraction intensified in the first half of 2009 but GDP returned to positive growth in the second half of the year.
- Overall, GDP declined 1.8 per cent in 2009 compared with a moderate expansion of 3.7 per cent in 2008. This was the country's first recession since 1992.

Figure 1. Real GDP growth rate, by quarter, 2008 and 2009

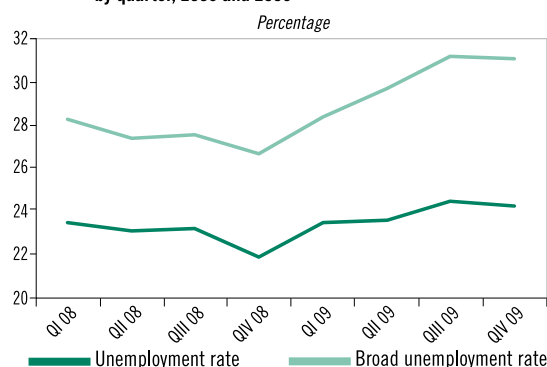


Source: South Africa National Accounts Statistics. Seasonally adjusted data.

Broader measure of unemployment expanded during the crisis

- Unemployment was already quite high prior to the crisis and worsened during the recent recession. The open unemployment rate increased 1.4 percentage points from its recent minimum in the second quarter 2008 to a maximum of 24.5 per cent in the third quarter of 2009.
- The open unemployment rate declined slightly (to 24.3 per cent) in the fourth quarter of 2009, but nonetheless remained higher than pre-crisis levels.
- The broader unemployment rate (which takes into account jobless persons who are not actively seeking work in addition to active jobseekers) has increased at a more rapid pace than the open unemployment rate. It rose 3.8 percentage points between the recent low in the second quarter of 2008 to a high of 31.2 per cent in the third quarter 2009. It remained about unchanged in the fourth quarter of 2009.

Figure 2. Unemployment rate (strict and broad definition), by quarter, 2008 and 2009



Source: Statistics South Africa, *Quarterly Labour Force Survey*. The broad unemployment rate equals the unemployed (as strictly defined) plus discouraged workers as a ratio of the labour force plus discouraged workers.

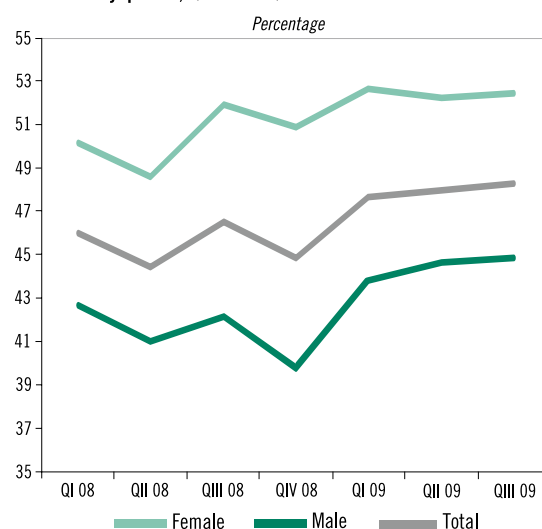
Stimulus programme includes large spending on infrastructure and public works programmes

- The South African government has recognized the severity of the downturn and responded with a loosening of monetary policy and a fiscal stimulus package that aims to support demand and create jobs.
- The Monetary Policy Committee (MPC) of the South African Reserve Bank started reducing interest rates in December 2008. The cumulative reduction in the repurchase rate over the past nine months is 5 percentage points (the rate is about 7 per cent now) (SA Reserve Bank, 2009).
- The result of tripartite negotiations, the Framework for South Africa's Response to the International Economic Crisis, outlines the main pillars of its action plan, including major public investment programmes of approximately Rand 787 billion.
- There is significant progress in implementing stimulus measures to support domestic demand and distressed companies, especially in the automotive and textiles industries.
- Similarly, commitments to infrastructure and public works spending may inject further dynamism into the construction sector. Nevertheless, due to their recent implementation, the effects of the stimulus programmes on employment have yet to be seen in 2010.

Young females are experiencing particularly high unemployment rates with the crisis

- When considering both the open and broader measures of unemployment, the youth unemployment rate (which refers to persons aged 15–24 years) is about double the total unemployment rate for the respective measure; the gap was about unchanged following the crisis.
- The open youth unemployment rate increased from a low of 44.5 per cent in second quarter 2008 to a maximum of 48.4 per cent in third quarter 2009, while the broader measure increased a remarkable 7 percentage points among youth to 57.3 per cent during the same period.
- The open unemployment rate among young females remained significantly higher than that for young males throughout the period, a difference of about 7.6 percentage points in the third quarter of 2009, reflecting the particular labour market difficulties faced by young females in South Africa.

Figure 3. Female and male youth open unemployment rates, by quarter, QI 2008 – QIII 2009

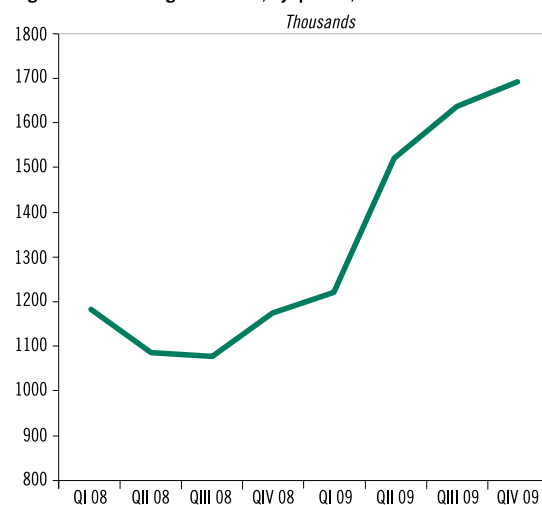


Source: Statistics South Africa, Quarterly Labour Force Survey. Youth covers persons aged 15–24 years.

Rising discouragement has been the predominant impact of the crisis on the labour market

- Related to the rising broader measure of unemployment, a key effect of the crisis in South Africa is evident in the rising number of discouraged workers, defined as persons without work, available to work, but not actively seeking work.
- The number of discouraged workers increased from nearly 1.1 million in the second quarter 2008 to almost 1.7 million in the fourth quarter 2009.
- These figures reveal that the impact of the current recession on the South African labour market is best reflected by the broader definition of unemployment.

Figure 4. Discouraged workers, by quarter, 2008–2009

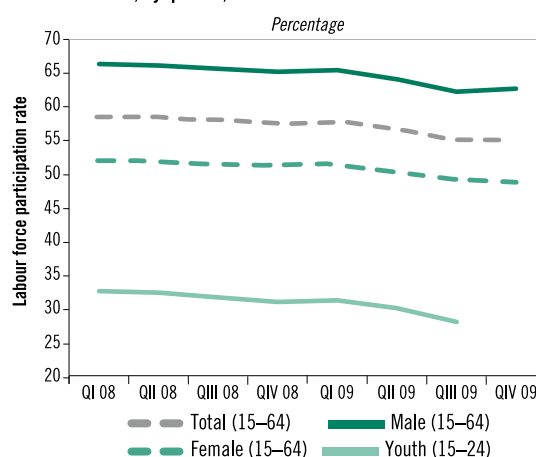


Source: Statistics South Africa, Quarterly Labour Force Survey.

The sharpest declines in labour supply occurred among men and youth

- The labour supply, as measured by the labour force participation rate, declined steeply among men (3.5 percentage points between the third quarter 2008 and the same quarter in 2009 to 61.9 per cent) and youth (-3.8 percentage points during the same period to 26.4 per cent).
- The male labour force participation rate recovered slightly in the fourth quarter 2009 (to 62.4 per cent), while it continued to decline among women, to 47.9 per cent.
- Declining labour supply is closely related to the increasing number of discouraged workers in South Africa.

Figure 5. Total, male, female and youth labour force participation rates, by quarter, 2008–2009

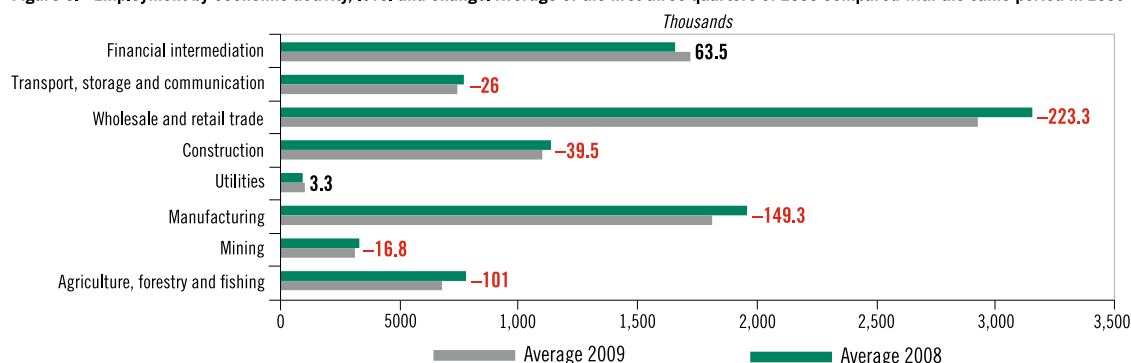


Source: Statistics South Africa, *Quarterly Labour Force Survey*.

Marked job losses in the trade, manufacturing and agricultural sectors while hours of work fell slightly

- Job losses were widespread throughout the economy. On average, the largest employment declines between 2008 and 2009 occurred in wholesale and retail trade (223,300), manufacturing (149,300) and agriculture, forestry and fishing (101,000).
- Employment fell in these sectors the fourth quarter 2009 (over the previous year) by 9, 10 and 19.5 per cent, respectively, as a result of the decline in domestic production and a contraction of demand in export markets. Job losses in manufacturing were broad-based, but were more pronounced in the chemicals, electrical machinery and textiles industries.
- Total hours actually worked per week have fallen on average from 43.8 hours in the third quarter 2008 to 42.8 hours in third quarter 2009.

Figure 6. Employment by economic activity, level and change. Average of the first three quarters of 2009 compared with the same period in 2008

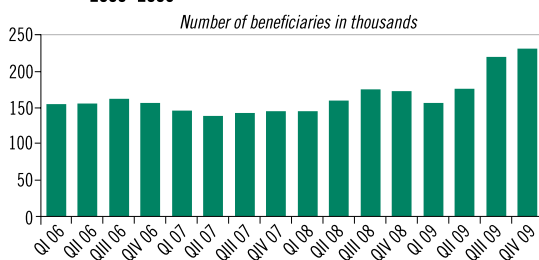


Source: Statistics South Africa.
Figures next to the bars reflect changes in employment between the two periods.

Unemployment insurance beneficiaries rose in the second half of 2009

- Unemployment insurance provides short-term financial relief to those who contributed to the schemes and lost their jobs as a result of retrenchments, dismissals, close of business and end of contracts.
- The number of unemployment insurance beneficiaries in South Africa rose sharply in the second half of 2009 and reached 229,193 in the fourth quarter (versus 170,635 a year earlier).
- The unemployment insurance scheme in South Africa has had minimal effect against the large number of unemployed (estimated at over 4 million in 2009).

Figure 7. Unemployment insurance beneficiaries, by quarter, 2006–2009

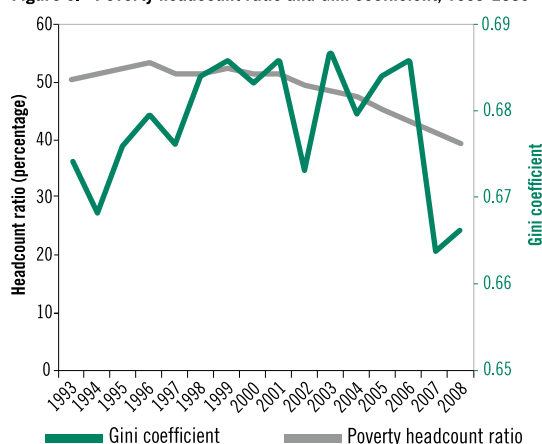


Source: ILO, based on official administrative records. Data are not seasonally adjusted.

Structural imbalances remain in the South African economy, particularly inequality and poverty

- Income inequality, as measured by the Gini coefficient (which ranges from 0 to 1, with 0 being perfect equality), dropped from 0.685 in 2006 to 0.666 in 2008, but remains one of the highest in the world.
- Using the R388 per month poverty line, the headcount ratio of persons in poverty fell from 43 per cent in 2006 to 39 per cent in 2008.

Figure 8. Poverty headcount ratio and Gini coefficient, 1993–2008



Source: World Bank, World Development Indicators, 2009.

The South African economy is projected to grow below its potential in 2010

- South Africa's labour market has been hit hard by the crisis. However, rather than experience a large increase in open unemployment, the downturn has resulted in a substantial rise in discouragement.
- Following a contraction in economic growth of 1.8 per cent in 2009, real GDP growth is forecast to rebound in 2010 by 3 per cent according to the South African Standard Bank. This will nonetheless be insufficient to reverse the weak labour market situation. Economic growth needs to accelerate in order to generate more jobs, which in turn requires a supportive set of industrial and macroeconomic policies.
- Policymakers will continue to face both the challenges emanating from the past and new ones resulting from the current recession. While poverty and inequality indicators reveal a favourable trend in recent years, the worsening labour market situation could reverse these trends.
- The main challenges are thus increasing job creation in the formal economy, particularly for low-skilled workers, and supporting unemployed persons during their job search. Creating a positive labour market environment for discouraged workers, whose numbers have reached peak levels, will also be an important challenge to policymakers.