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UNEMPLOYMENT

SA unemployment balloons in second quarter

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THE government's fiscus is going to be under pressure after unemployment again rose in South Africa in the second quarter, while trade union Cosatu said it was a wake-up call.

This week Statistics South Africa said the official unemployment rate rose to 33.5% in the second quarter of 2024, up from 32.9% in the first quarter.

Zanele Sabela, Cosatu's spokesperson, said Statistics SA's latest unemployment report was a jarring national wake-up call.

The trade union federation said the country dare not continue to normalise an economy where four out of 10 South Africans and 6 out of 10 young people cannot find work.

"This is our greatest national crisis and it is time the government and the private sector respond to it with the same decisiveness as we did for Covid-19. The dangers of meandering along this path are tantamount to playing Russian roulette with a live grenade," it warned.

As the government prepared to table the Medium-Term Budget Policy Statement (MTBPS) at Parliament in October, Cosatu said it was critical that the Cabinet treat this ticking time bomb with the urgency it deserved. "We need an MTBPS that will boldly declare war on unemployment and kickstart a painfully weak economy."

It added that more work needed to be done jointly by the government, business, labour and society to ensure the industrial master plans take off, an aggressive buy local campaign was revived across the economy and the



THIS week, StatisticsSA said the official unemployment rate rose to 33.5% in the second quarter of 2024, up from 32.9% in the first quarter, as more than 92 000 jobs were lost in the three months to June while the labour force continued to expand. | AFP

skills training regime was overhauled to ensure the skills provided were those required for the economy of today and tomorrow.

Cobus de Bruyn, the Head of Client Value Propositions for Agriculture at Nedbank Commercial Banking, explained why unemployment had risen despite the fact that the energy situation in the country had improved.

"There will be a significant lag effect post load shedding (as regards jobs), which is what we're seeing now. Load shedding resulted in low economic growth and alternative energy solutions increased operating expenses while solving for energy. When conditions improve a lag effect is a reality, and it takes time for businesses to

recover before they can grow.

"So, while Eskom can now provide sufficient power, the increase in electricity costs is harming many businesses and one of the solutions is, unfortunately, to lay off people," De Bruyn said.

He said with regard to the impact of unemployment in the agriculture sector specifically, fewer people employed implied that fewer people could afford to buy food.

Nedbank said while it was disappointing that 45 000 jobs were lost in the agricultural sector (+21 000 in Q1) it was important to note that the sector was highly concentrated with seasonal labour and unskilled labour, which explained why employment

might vary from quarter to quarter.

Dr Chris Harmse, a consulting economist at Sequoia Capital Management, said for many analysts as well as the public it came as a surprise. The consensus expectation in financial markets was a drop to 23.7%.

This meant 158 000 more people were unemployed in quarter two than in quarter one. In the formal sector of the economy 92 000 people lost their jobs.

Harmse said, according to the wide definition of unemployment, which consists out of people who cannot find a job plus the discouraged workers, there were 11 579 persons unemployed or 46% of the labour force. This was a strong increase from 45.1% during the first quarter.

He said this rise in unemployment should not have been a surprise. One should have expected this increased number because the South African economy was growing at levels close to zero during the fourth quarter of 2023 (0.3%) and quarter one 2024 (0.1%).

This was far less than the newcomers on the market looking for a job. The 200 000 matrics of 2023, who were not seeking further training or education could not find employment and a lot of them got discouraged during the second quarter, Harmse said.

Manufacturing production in South Africa also had tumbled by 5.2% year-on-year in June 2024, after a 1.2% fall in the prior month. This marked the second consecutive month of falling manufacturing activity, and at a solid pace.

South African retail sales also grew only 0.8% in May, the beginning of the quarter, and was also expected to record no or very low growth for the

rest of quarter two.

He also pointed out that most countries in the world experienced sharp increases in their unemployment during the second quarter.

For example, in the US, its unemployment rate grew from 3.7% at the beginning of quarter 2 to 4.3% in July. The Indian unemployment rate increased from the rural unemployment rate rose to 9.3% in June from 6.3% in May.

Harmse said over the short run, unemployment must be considered as the most important priority of the Government of National Unity.

"The economy must grow. During the period 2000 to 2007 when the South African economy on average grew by more than 3% unemployment came down to levels around 20%," Harmse said.

"Public works programs toward infrastructure repair like roads, railways, and services like water, electricity etc. must be implemented as soon as possible. The budget must target these programs as a priority. Over the short run public debt may be increased to around 75% of gross domestic product to finance these projects," he said.

Public Private Partnerships (PPP) should be the basis of delivering so that control over the tendering and delivering of these programs could be assured. Harmse said the training of teachers, in the skills shortage sectors, namely maths, science, IT and occupational subjects must be prioritised. Infrastructure spending on schools, equipment and supportive systems must be prioritised. Small business development and the cost of erecting and doing business must be enhanced," Harmse said.