



Economic Commentary: Issue No. 18

November 2017

Directorate: Statistics & Economic Analysis

Sub-directorate: Economic Analysis

Purpose of the Economic commentary

This publication is meant to inform internal stakeholders of the department about the impact of the macro economic indicators and related issues on the overall performance of the Agriculture, Forestry and Fisheries (AFF) sector. National announcements are frequently pronounced on macro economic issues; therefore the intension of the economic commentary is to digest the implication of the indicators and recommend actions that could be taken into account to cushion the performance and image of the AFF sector.

SOUTH AFRICA'S ECONOMIC INDICATORS

This publication discusses the following economic indicators which include : Employment, Petrol Price, and minimum wage . Unemployment levels are set to skyrocket as the economy weakens fuelling fears of another credit rating downgrade towards the end of November. In the third quarter evidence of job losses were seen in the Quarterly Labour Force Survey reported by Statistics SA. South Africans will face heavy fuel price hikes for the remainder of 2017 and into early 2018. This is not good news for consumers as they are looking forward to Christmas spending and farmers busy with planting season. Elevated policy and political uncertainty, coupled with weak confidence, discourage investment and consumption remain central risks to the domestic economic outlook.

1. Employment

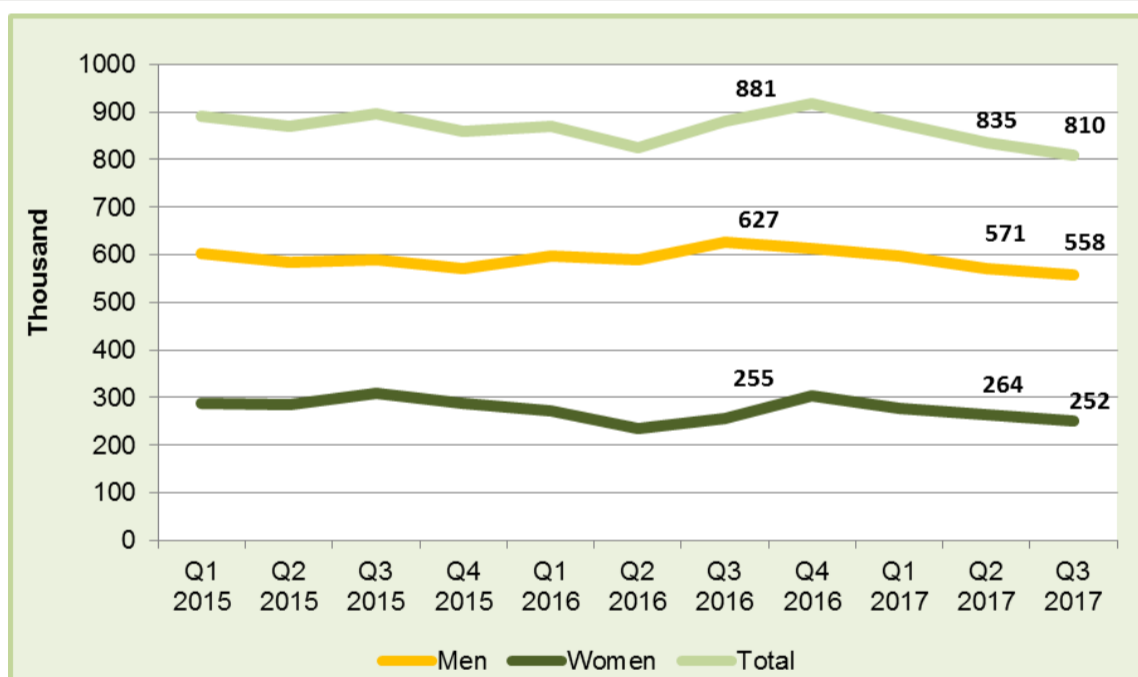


Figure 1: Total number of people employed in the agriculture sector between 2015 and 2017.

Source : Statistics SA

The unemployment rate in South Africa was stable at 27,7% for the third quarter in a row, although still at record high levels last seen in 2003. According to Statistics South Africa, the quarterly labour force survey results showed there was a 92 000 growth in employment in the third quarter, but the number was offset by 33 000 extra job seekers during the period. The expanded unemployment rate which include those who wanted to work but stopped looking for jobs increased by 0,2 of a percentage point to 36,8% in the third quarter. This number now stands at 9,4 million people and represents a 118 000 increase from the second quarter of this year. The latest figures show that 6,2 million South Africans are currently without work. Of the current 15 million non-economically active people in the country, 2,4 million were discouraged work seekers, a 75 000 increase from the second quarter of 2017. The biggest contributors to job growth were in the finance and other business sectors (68 000) and the community, social and personal services sectors (56 000). However, altogether 105 000 jobs were shed in the manufacturing, construction and agriculture sectors. Compared to the same quarter last year, employment increased by 358 000 or 2,3% while unemployment grew by 337 000 or 5,7%. This led to an increase in the unemployment rate by 0,6 of a percentage point to 27,7% in the third quarter of 2017. Between the third quarter of 2016 and the third quarter of 2017, the number of discouraged work-seekers grew by 145 000 or 6,3% to 2,4 million persons, a 75 000 increase from the second quarter of 2017. The biggest contributors to job growth were in the finance and other business sectors (68 000) and the community, social and personal services sectors (56 000). However, altogether 105 000 jobs were shed in the manufacturing, construction and agriculture sectors. Compared to the same quarter last year, employment increased by 358 000 or 2,3% while unemployment grew by 337 000 or 5,7%. This led to an increase in the unemployment rate by 0,6 of a percentage point to 27,7% in the third quarter of 2017. Between the third quarter of 2016 and the third quarter of 2017, the number of discouraged work-seekers grew by 145 000 or 6,3% to 2,4 million persons.

3. Agriculture sub sector industries

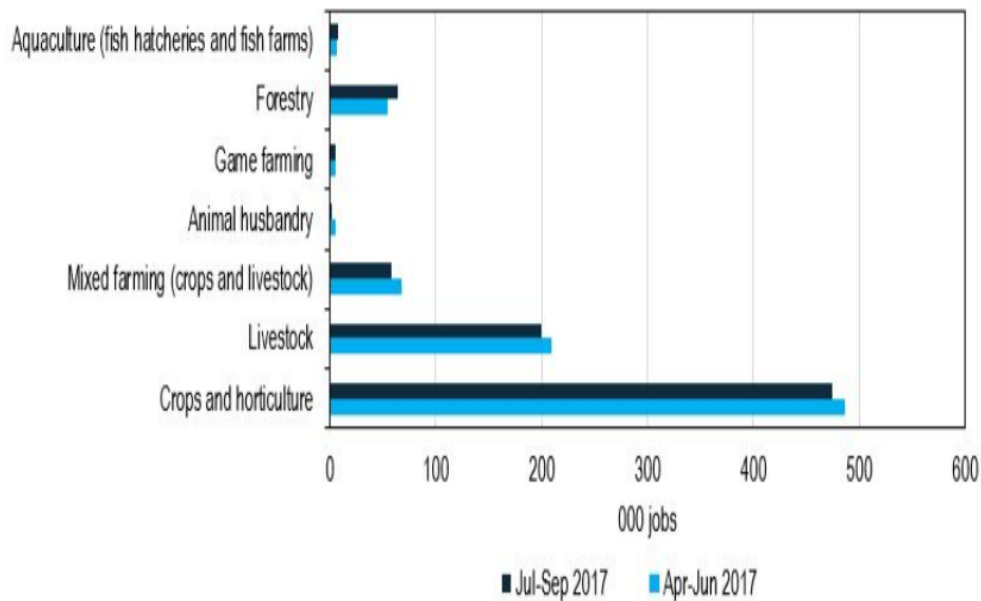


Figure 2 : Comparison of jobs within the AFF subsector industries

Source: Agbiz, 2017.

Figure 1 shows that the number of people employed in agriculture sector decreased by 3,0% in the third quarter of 2017, from 835 000 persons in the second quarter of 2017 to 810 000 persons in the third quarter of 2017. Of the 25 000 job losses by the sector in the third quarter of 2017, 12 000 jobs were lost by women meanwhile 13 000 jobs were lost by men. In total, the agricultural sector comprised of 252 000 women and 558 000 men in the third quarter of 2017 compared to 264 000 women and 571 000 men the previous quarter. Compared to a year ago the sector only decreased by 8,0%, which is 71 000 job losses . **Figure 2** In terms of sub-sector agricultural industries performance - The reduction in employment were in field crops and horticulture, livestock, mixed farming, and production of organic fertilizer. Meanwhile, the other sub-sectors, such as the game farming, forestry, as well as aquaculture showed job gains.

4. Petrol Price

Unaudited mid-month fuel price data released by the Central Energy Fund (CEF) is forecasting a sharp jump in fuel prices at the end of November. This is according to the Automobile Association, which says that motorists cannot expect much respite from a weakening domestic picture. The Rand is on a one-year lows against the US dollar, the Association says. In addition, there have been heavy increases in international oil prices. Illuminating paraffin tops the list with a projected increase of 75 cents a litre, petrol is set for a 74-cent rise and diesel 63 cents. The AA cautions that the picture may worsen before the end of the month. Signs that South Africa may face a further round of downgrades by ratings agencies cannot be ignored , possibly even before December, concerns over government's fiscal discipline are likely to continue weighing heavily on the Rand and if these factors combine with continued oil strength, fuel prices could increase further on 06 December 2017. While it is relatively early to be certain about the scale, the current estimates suggest that prices of petrol and diesel might increase by 5% and 3% from the previous month. This is mainly driven by higher Brent crude oil prices, as well as a relatively weaker domestic currency. According to the AGbiz ,fuel makes up 11% of grain production costs, and a notable share is utilised during planting .

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5. Minimum Wage

The South African cabinet has approved draft legislation to introduce a minimum wage of R20 per hour from May next year, the Department of Labour said. Credit ratings agencies have said a minimum wage could help stabilise the labour market and reduce the number of costly strikes in Africa's most industrialised economy. Deputy President Cyril Ramaphosa said in February that the new minimum wage would come into force next year, and cabinet's decision brings its introduction one step closer. The National Minimum Wage Bill must still be approved by South Africa's parliament before it becomes law, the ministry said in a statement. The ministry said the new wage legislation, as well as bills on basic employment conditions and labour relations would help address labour instability and wage inequality. More than two decades after the end of apartheid in 1994, South Africa's economy is still characterised by deep inequality and high levels of unemployment. Supporters of a minimum wage say it can reduce inequality and stimulate growth as workers can spend more. But critics say it could lead to increased unemployment as some employers will be unable to afford higher wage bills.

REFERENCES :

- Statistics South Africa (Stats SA), (2017): Employment Q3 September 2017: Available at <http://www.statssa.gov.za>
- Department of energy, (2016): Petrol Price, November 2016: Available at <http://www.energy.gov.za>
- <http://ewn.co.za/2017/11/02/cabinet-approves-r20-an-hour-national-minimum-wage>
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FREQUENCY

The publication will be released on the 1st and the 15th of every month covering events taking place on the period concerned. The dissemination will take place through emails to all SMS and professionals in the Department including provinces.

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