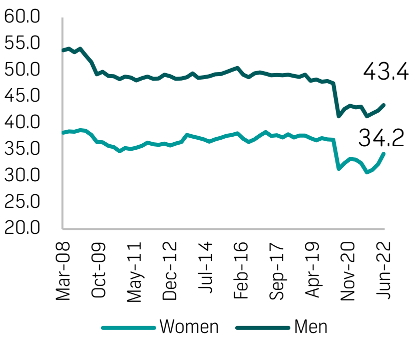
Economics weekly

26 August 2022

Under-representation of women in the labour market is a crucial concern

Figure 1: Employment-to-working age population



Source: Stats SA, FNB Economics

Figure 2: Women employers are low relative to their male counterpart

Source: Stats SA, FNB Economics

While domestic labour market conditions improved as the economy created 647 651 jobs between 2Q22 and 1Q22 (and 370 076 between 1Q22 and 4Q21), employment recovery to pre-pandemic levels remains incomplete. Furthermore, employment conditions for the youth (aged 15-24) remain unfavourable and also of particular concern, labour market dynamics still exhibit a favourable bias towards men. The employment level for women, which account for a larger share of the adult population (33% versus 32% for men), remains below the employment level of their adult male counterparts. In this report, we dive deeper into the Quarterly Labour Force Survey (QLFS) data to unpack these labour market dynamics.

Labour market outcomes by gender

Although employment gaps in the domestic labour market outcomes by gender are generally discussed and reasonably well known, their extent and persistence necessitate constant review. At 35.5%, the official unemployment rate for women is higher than the national average of 33.9%, while the official unemployment rate for men is below the national average at 32.6%. This has persisted since the start of the QLFS data in 2008, despite some measures to address labour market gender gaps. While the total level of unemployment between women and men is effectively split evenly, the lower level of employed women relative to men is worrying, underpinning the elevated unemployment rate for women. Effectively, the labour force (employed plus unemployed) for women is materially smaller, meaning that the current economic structure has not absorbed many women into the labour force. Indeed, the employment-to-working age population for women is 34.2%, while that for men is around 43.4%.

In addition, the QLFS data exhibits that out of 10 major types of employment occupations, women are a majority only in three, namely technicians in which women account for just over 50%, clerks in which they account for 71%, and domestic workers in which women account for 96%. The rest of the employment occupations are dominated by men. Notably, women only account for 32.2% of the 1 252 700 managerial occupations. Effectively, for every three managers in South Africa, one is a woman. When looking at employment by professional status, we also notice that women own-account

Analysts

Mamello Matikinca-Ngwenya
Siphamandla Mkhwanazi
Thanda Sithole
Koketso Mano

Contact us:

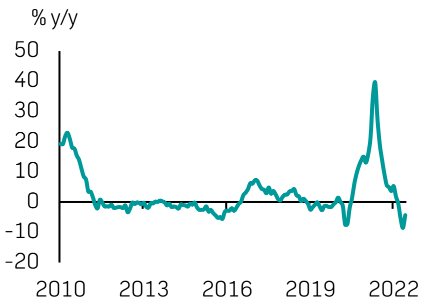
Telephone: 087 343 1678
Website: fnb.co.za/economics-commentary
Email: FNBEconomics@fnb.co.za

workers (i.e., those that are self-employed and working on their own without employees) account for 40.4% of total own-account workers (women and men) and about 4.0% (versus 6.0% for men) of total employment. Furthermore, women employers (i.e., self-employed who employ others) make up 22.4% of total employers (women and men) and 1.3% (versus 4.4% for men) of total employment.

The relatively lower rate of women at the managerial levels and lower rate of entrepreneurial activity among women is a crucial concern for policy. These dynamics represent the underutilisation of women at the managerial level. More critically, they represent an underutilisation of entrepreneurial human capital. The under-representation of women in the labour market potentially has negative implications for productivity, innovation, and broader economic gains. These dynamics reflect the need for more targeted enabling measures, including investment in women's education and training. Various economic sectors have a role in ensuring that employment gender disparities are addressed. This economy requires more entrepreneurs (and women in senior roles) to grow, create jobs and reduce poverty, therefore, enabling measures for women are critical.

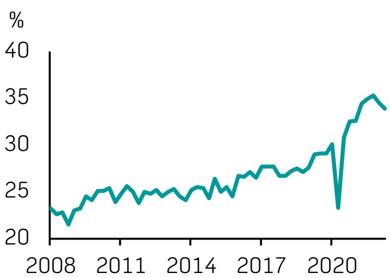
Week in review

Figure 3: SARB leading indicator



Source: SARB, FNB Economics

Figure 4: Unemployment rate

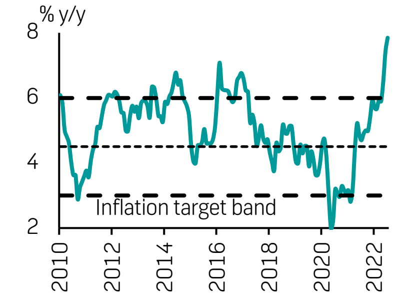


Source: Stats SA, FNB Economics

The **leading business cycle indicator** measured 125.2 points in June, up from 124.7 points previously, reflecting a monthly acceleration of 0.4% and a slower annual deceleration of -4.3% (-8.5% previously). The improvement in the indicator was led by an increase in residential building plans approved and new passenger vehicles sold. Mitigating the increase was a narrower interest rate spread and softer US dollar-denominated export commodity prices. While this improvement is an encouraging development, the leading indicator continued to show slower economic growth compared to a year ago. This could be exacerbated by slower global activity in the near-term.

The **Quarterly Labour Force Survey (QLFS)** data (not seasonally adjusted) showed that the economy created 647 651 jobs between 2Q22 and 1Q22, an increase of 4.3% q/q, taking the employment level to 15 561 858. The unemployment level increased by 1.7% q/q (or 132 499) to 7 994 292. Subsequently, faster employment growth relative to unemployment resulted in the official unemployment rate falling to 33.9% from 34.5%. The positive developments reflected in this 2Q22 labour market data come as a surprise given that the economy (as measured by GDP) is broadly expected to have performed poorly in that quarter, underpinned by KwaZulu-Natal (KZN) flooding, intense load-shedding, and depressed business confidence. Nevertheless, the employment gains in 2Q22 were broad-based across the formal non-agricultural sector (420 098 q/q), informal non-agricultural sector (146 352 q/q), agricultural sector (29 432 q/q), and private households (51 769 q/q). Employment losses were recorded in the formal manufacturing and transport sectors, which shed 87 503 and 37 950 jobs, respectively.

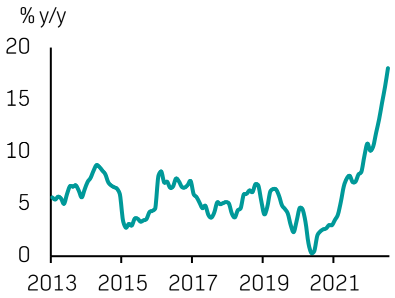
Figure 5: CPI



Source: Stats SA, FNB Economics

Consumer price inflation was 7.8% y/y in July, up from 7.4% in June, likely reflecting the peak for the current cycle. Headline inflation accelerated by 1.5% m/m, reflecting pressures mostly from fuel and core price inflation. Core inflation was 4.6%, up from 4.4% previously, and had monthly pressure of 0.7% which was driven by water and other services, public transport, recreation and culture and vehicle price pressures. Fuel prices increased by 9.4% m/m and 56.2% y/y, while electricity prices were up 7.4% m/m and 8.1% y/y, driving administered price inflation of 19.0% in July. Food and non-alcoholic beverages inflation posted 1.1% m/m and 9.7% y/y. The moderation in fuel price pressures since July supports slower headline inflation going forward, however, headline inflation is expected to remain elevated for the remainder of the year on food inflation. There are several risks developing, including drought conditions in Europe and China that could support elevated global food and energy prices. We also remain concerned about second-round effects as well as input and exchange rate passthrough. Nevertheless, our preliminary projection is for headline inflation to slow to 7.6% in August and average 6.9% this year.

Figure 6: PPI

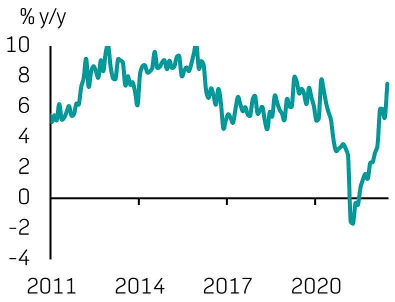


Source: Stats SA, FNB Economics

Producer price inflation accelerated further, reaching 18.0% y/y in July, from 16.2% y/y in June. The outturn was higher than our and the Bloomberg consensus prediction of 17.6% y/y. Monthly momentum picked up further, with producer prices rising by 2.2% m/m after increasing by 2.1% in the previous month. Petroleum-related product and food prices continued to have a significant influence on headline producer inflation. Petrol and diesel price inflation increased by over 60% y/y, adding a combined 5.8ppt to producer inflation, while food product prices increased by 15.1% y/y after increasing by 13.0% y/y in June, adding about 2.5ppt to producer inflation. Intermediate producer inflation continued moderating, reaching 14.7% y/y in July, from 15.2% y/y in June (and a peak of 23.1% y/y in November 2021). Although still elevated, the moderation in intermediate producer inflation is slightly encouraging for manufacturing and reflects some easing in supply chain pressures.

Week ahead

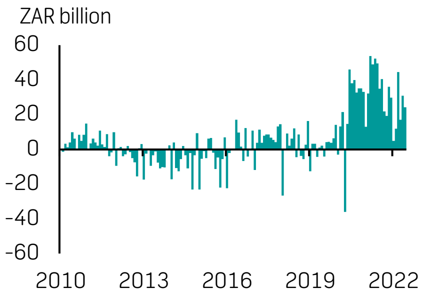
Figure 7: Private sector credit



Source: SARB, FNB Economics

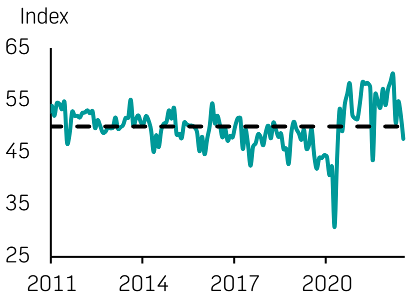
Data on **private sector credit extension (PSCE)** for July will be published on Tuesday. The June PSCE data revealed robust demand and lending conditions amid rising interest rates. The data covered 125bps cumulative interest hikes in the current cycle but excluded the 75bps increase in July. PSCE accelerated by 7.5% y/y, faster than 5.3% y/y in May, driven by both corporate and household sectors. After rising 4.5% y/y in May, corporate credit uptake accelerated by 8.1% y/y in June, however, part of this outcome was due to base effects. Nevertheless, the acceleration was largely supported by instalment sale credit (predominantly asset finance, 7.2% y/y), general loans (11.5% y/y) and overdrafts (22.4% y/y). Household credit accelerated by 6.8% y/y, faster than 6.4% y/y in May, with support coming from both the secured (7.3% y/y) and unsecured credit (5.3% y/y) components. Within unsecured credit, consumers were gearing towards general loans and credit cards, to support consumption. Within the secured components, support came from mortgage advances, which accelerated by 6.9% y/y in June, after rising 6.7% in May. Vehicle finance continued a robust performance, registering growth of 8.6% y/y, unchanged from the previous month. Arguably, PSCE outcomes so far suggest that the impact of interest rate hikes on demand for credit has not yet filtered through.

Figure 8: Trade balance



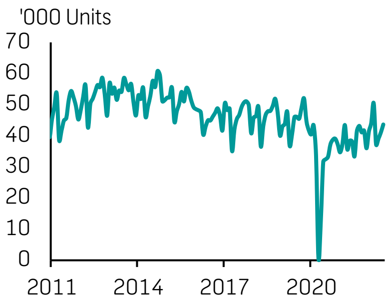
Source: SARS, FNB Economics

Figure 9: Absa PMI



Source: Absa, BER, FNB Economics

Figure 10: New vehicle sales



Source: Naamsa, FNB Economics

The **trade balance** for July will be published on Wednesday. The nominal trade surplus (not seasonally adjusted) narrowed to R24.2 billion in June 2022, from a revised surplus of R30.9 billion (previously R28.3 billion) in May. The June surplus reflected a modest 1.6% m/m growth in exports and a robust 6.3% m/m in imports relative to the previous month. The cumulative trade surplus amounted to R133.5 billion compared to R249.9 billion in the corresponding period last year. YTD (January to June) exports were up by 9.2%, while imports were up by 32.0%. While YTD growth in imports was stronger than exports, the persistent trade surplus was still reflective of favourable terms of trade and subdued domestic demand for external products.

The **Absa manufacturing PMI** for August will be published on Thursday. The Absa manufacturing PMI slowed further to 47.6 index points in July, after falling to 52.2 in June from 54.8 in May. This marked the first dip below the 50 index points neutral point since last year's July unrest. Load-shedding and weaker global economic activity likely weighed on manufacturing activity at the start of the third quarter. Indications of business activity and new sales orders are both below 40 index points and highlight weak demand and domestic activity, which should have implications for employment prospects. In addition, while input price pressures and supply chain disruptions appear to be waning, costs remain elevated. The index tracking expected business conditions in six months' time also dipped below the neutral mark for the first time since hard lockdown and indicates expectations for conditions to worsen. However, further moves in the right direction regarding energy reform are likely to stir more optimism in the industry.

The **Naamsa new vehicle sales** data for August will also be published on Thursday. Despite the steeper-than-expected interest rate hiking cycle, domestic demand for vehicles has outperformed expectations. New vehicle sales volumes reached 43 593 units in July, an increase of 30.9% y/y. However, a large part of this jump was due to base effects, induced by the July 2021 riots and lockdown restrictions at the time. Notably, volumes declined compared to 1Q22, indicating that demand may be slowing. Nevertheless, the 13.9% YTD gain in domestic sales volumes showed a strong performance in the face of a challenging macroeconomic environment, reflecting resilient demand for cars and credit availability. Looking ahead, the rising probability of a global recession and escalating geopolitical tensions compound the pre-existing impediments to faster growth. Furthermore, elevated inflation and higher interest rates should weigh on demand and activity.

Data on **electricity generated and available for distribution** for July will also be published on Thursday. Electricity production (not seasonally adjusted) declined by a further 4.0% y/y in June, after falling by 4.2% y/y in May and 3.8% y/y in April. Seasonally adjusted electricity production decreased by 0.3% m/m, after falling by 0.5% m/m in May and 1.2% m/m in April. Production declined by 1.4% q/q and should have weighed on the GDP outcome for 2Q22. Consumption declined by 1.1% y/y but the negative momentum that had been recorded for the prior two months was arrested and growth of 0.1% m/m was recorded. However, consumption contracted by 0.8% q/q. Varying incidences of load-shedding should constrain growth in these indices, but July figures should fare better than what was experienced in the second quarter.

Tables

The key data in review

Date	Country	Release/Event	Period	Act	Prior
23 Aug	SA	Official unemployment rate	2Q	33.9%	34.5%
24 Aug	SA	CPI m/m	July	1.5%	1.1%
	SA	CPI y/y	July	7.8%	7.4%
	SA	CPI Core m/m	July	0.7%	0.6%
	SA	CPI Core y/y	July	4.6%	4.4%
25 Aug	SA	PPI y/y	July	18.0%	16.2%
	SA	PPI m/m	July	2.2%	2.1%

Data to watch out for this week

Date	Country	Release/Event	Period	Survey	Prior
30 Aug	SA	Money Supply M3 y/y	July	--	8.3%
	SA	Private Sector Credit y/y	July	7.1%	7.5%
	SA	Monthly budget balance (Rands)	July	--	73.8bn
31 Aug	SA	Trade balance (Rands)	July	20.2bn	24.2bn
1 Sep	SA	Manufacturing PMI	Aug	--	47.6
	SA	Electricity consumption y/y	July	--	-1.1%
	SA	Electricity production y/y	July	--	-4.0%
	SA	NAAMSA Vehicle sales y/y	Aug	10.1%	30.9%

Financial market indicators

Indicator	Level	1 W	1 M	1 Y
All Share	70,340.70	-0.9%	3.8%	4.3%
USD/ZAR	16.75	-0.7%	-0.3%	12.0%
EUR/ZAR	16.72	-1.7%	-2.6%	-5.0%
GBP/ZAR	19.80	-1.6%	-2.1%	-3.8%
Platinum US$/oz	887.26	-3.0%	0.5%	-11.2%
Gold US$/oz	1,758.71	0.0%	2.3%	-1.8%
Brent US$/oz	99.34	2.8%	-5.5%	37.5%
SA 10 year bond yield	10.20	0.4%	-3.0%	15.2%

FNB SA Economic Forecast

Economic Indicator	2020	2021	2022f	2023f	2024f
Real GDP %y/y	-6.3	4.9	1.8	1.8	1.8
Household consumption expenditure %y/y	-5.9	5.6	2.7	1.1	1.5
Gross fixed capital formation %y/y	-14.6	0.2	3.4	6.5	5.8
CPI (average) %y/y*	3.3	4.5	6.9	5.3	4.5
CPI (year end) % y/y*	3.1	5.9	7.2	4.2	4.5
Repo rate (year end) %p.a.	3.50	3.75	6.75	6.75	6.50
Prime (year end) %p.a.	7.00	7.25	10.25	10.25	10.00
USDZAR (average)	16.60	14.80	16.10	16.60	16.90

**Preliminary*

Source: FNB

Disclaimer