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1. Introduction

The performance of any economy has a bearing on employment and by extension the welfare of workers. Although the South African economy sometimes experiences jobless economic growth, it is important that organised labour keeps track of the country's economic performance such that it can leverage any benefits that comes from realising it. Otherwise, the benefits of economic growth will be expropriated by the employers alone.

The South African economy is one of the largest on the African continent based on the value of goods and service it produces. The country is rich in natural resources and is a leading producer of platinum, gold, chromium and iron. However, the country is faced with structural problems such as the widening gap between rich and poor, low-skilled labour force, high unemployment rate, deteriorating infrastructure, high corruption and crime rates. Moreover, South Africa's economic growth rate has been below the African continent average since the country experience a recession in 2008.

In this report, an assessment of the macro-economic and financial status of the South African economy as at the beginning of 2018 is presented. The focus is on the last two years, which is 2016 to 2017. Informed projections on how the country is likely to perform in economic terms in the coming years also made. The intention is to provide a consolidated economic status information of the country to guide workers as they negotiate with employers for better working conditions in 2018 going forward.

2. Gross Domestic Product (GDP) growth rate

Gross Domestic Product (GDP) is the most widely used indicator of the economic activity and hence the general 'economic health' of a country.

According to (Statista, 2016):

“GDP refers to the total market value of all goods and services that are produced within a country per year. It is an important indicator of the economic strength of a country. Real GDP is adjusted for price changes and is therefore regarded as a key indicator for economic growth.”

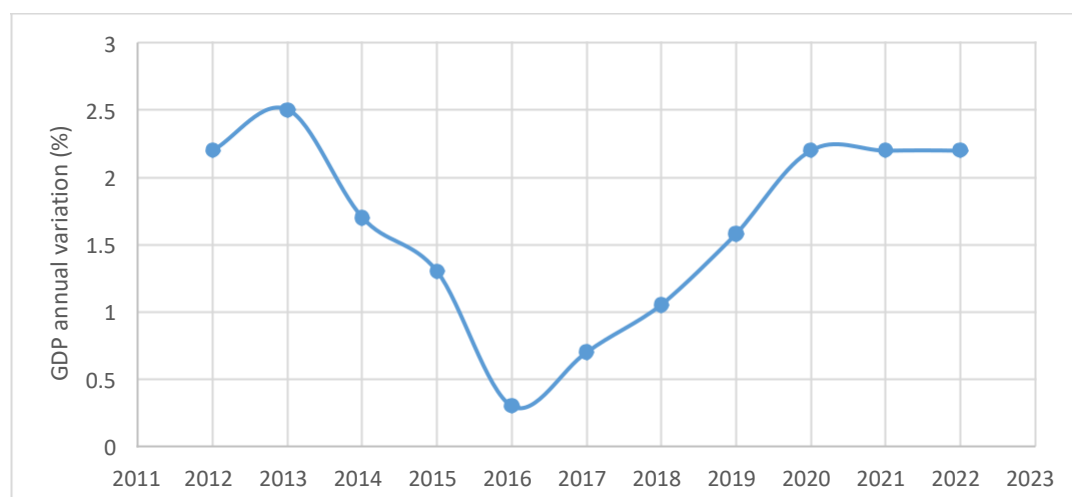
The level of economic activity, as captured by GDP, should ideally have an impact on job creation since workers are a factor of production and general improvement of people’s income, across board, through wages received.

South Africa’s GDP growth rate averaged 2.8% from 1993 to 2017. It reached an all-time high of 7.6% in the fourth quarter of 1994 and a record low of -6.1% in the first quarter of 2009. From 2002 to 2008, it grew at an average of 4.5% year-on-year, its fastest expansion since the establishment of democracy in 1994.

According to the recent statistics released by Statistics South Africa, the GDP growth rate in the third quarter of 2017 rose by 2.0% quarter-on-quarter, coming in below the 2.8% rise in the second quarter of 2017. The quarterly rise marks the second consecutive quarter of expansion after the country exited a technical recession in the second quarter of 2017. The growth was driven by, *inter alia*, higher production in key sectors such as agriculture and mining.

Estimates by Trading Economics, global macro models and analysts indicate that South Africa’s GDP growth rate is estimated to be 1.10% by the end of the first quarter of 2018 (Figure 1).

Figure 1: South Africa’s GDP growth rate from 2012 to 2022



Source: (StatsSA, 2017); (FocusEconomics, 2016); (Statista, 2016)

And in a year's time to be 1.90%. They estimate that in 2020 the growth rate is going to be around 2.1%. Similarly, Focus Economics panellists expect the economy to grow by 1.5% in 2018, and 1.7% in 2019 (TradingEconomics, 2018). Projections by StatsSA indicates that South Africa's GDP growth rate from 2018 to 2022 will average 2% annually (Figure 1).

Overall, the country's economic growth as captured by GDP growth rate is projected to remain low. This will most likely affect job creation and sustenance across all sectors of the economy in the long term.

It is important to note that according to the National Development Plan, the South African economy needs to grow by 6% on annual basis in order to reduce, significantly, unemployment in the country. Without achieving the 6% growth rate, unemployment in the country will remain relatively high.

3. Investment in the South Africa's economy

Investment is the fuel of economic activity of any country. Hence, it is a good indicator of how a country's economy is likely to perform in the near future. Without investment, the economy of a country stagnates, in fact it gets worse because of capital depreciation.

Investment in the South African economy remained subdued in the period 2016-2017. This was exacerbated by the country's downgrades by S&P Global Ratings credit rating over concerns of public finances and reform outlook, while Moody's placed the country's credit rating on review for a downgrade.

Economic experts indicate that investment will only marginally rise by 1.3 % in 2018, and by 1.2 % in 2019. In terms of Foreign Direct Investment (FDI) inflows into South Africa, they recovered by 43 % in 2017 to 3.2 billion dollars. However, this growth is not expected to be carried over into 2018, as economic analysts project a paltry growth outlook. Due to the country's high crime rate, increasing social unrest, high levels of corruption and structural issues in electricity supply and logistics. Investors are also worried about the lack of clarity concerning policy and structural reforms.

According to the survey on business confidence in South Africa by the Bureau for Economic Research (BER), there is a slight lack of confidence by business. Their research is based on:

BER Business Confidence Index;

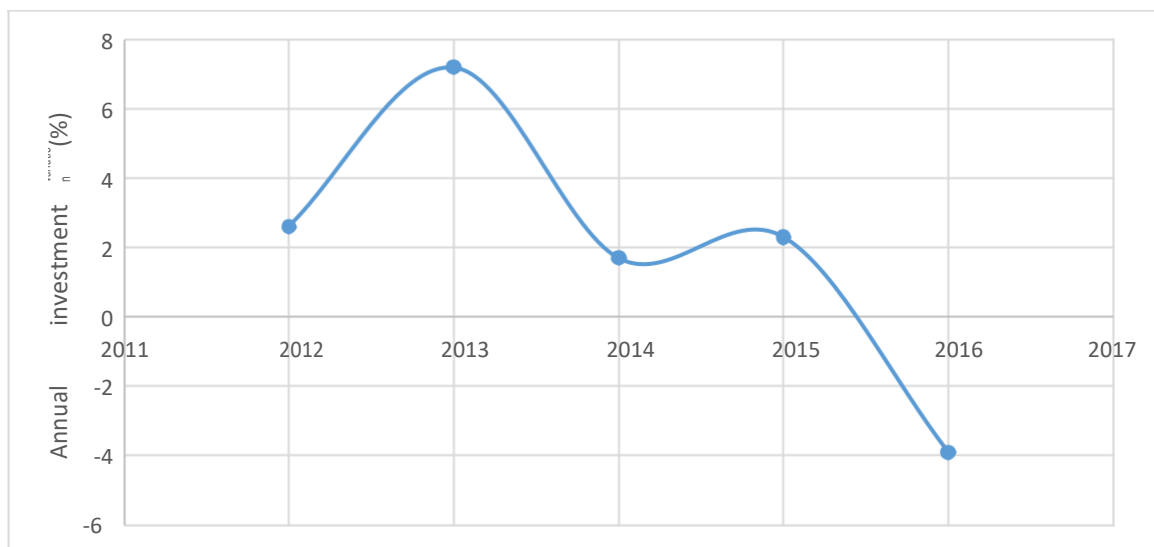
1400 business people in the building sector, 1400 in the trade sector and 1000 in manufacturing;

The assessment of the level of optimism that senior executives in the companies have about current and expected developments regarding sales, orders, employment, inventories and selling prices.

The index scale of 0 to 100, where 0 indicates an extreme lack of confidence, 50 neutrality and 100 extreme confidence.

Business confidence in South Africa is expected to be 36.54 by the end of the first quarter of 2018 and it is estimated to be at 43.00 in a year's time, and to trend around 45.00 in 2020. This decline in business confidence means reduced investment in South Africa, which would negatively affect the already sluggish economic growth. As can be seen in Figure 2 below, investment in 2016 declined by 3.9 %, similar to the drop recorded during the global financial crisis.

Figure 2: Investment from 2012 to 2016



Source: (FocusEconomics, 2016)

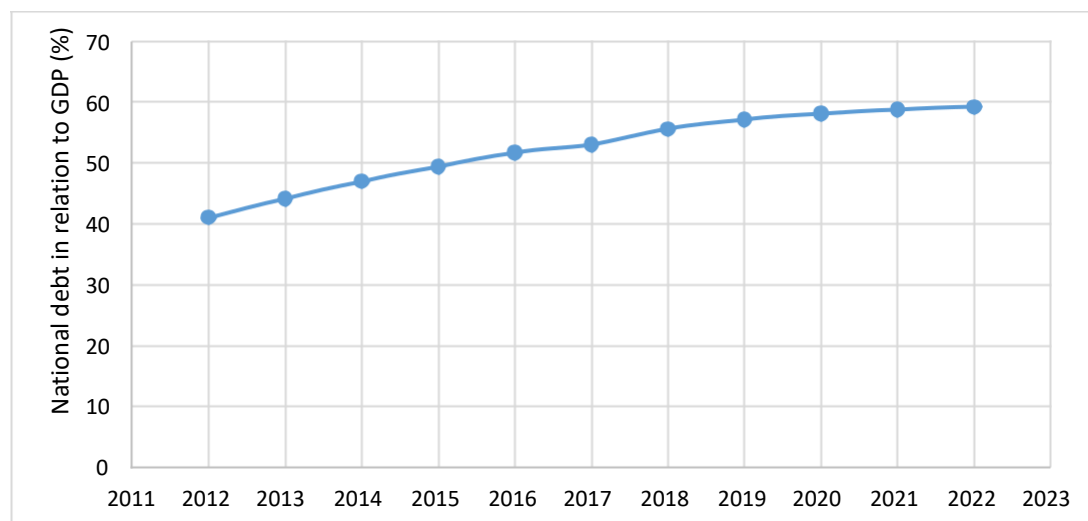
With the resigning of president Zuma and the ascendancy of Mr Ramaphosa to the presidency of the country, there is a new sense of optimism in the country among the business community and the population. If this optimism is sustained, it is likely to have a positive effect on investment in the country in general.

3.1. National debt in relation to GDP

Government debt as a percentage of GDP is used by investors to measure a country’s ability to make future payments on its debt, thus affecting the country borrowing costs and government bond yields (TradingEconomics, 2018).

South Africa’s government debt in relation to GDP averaged 38.65% from 2000 until 2016. In 2016, it reached a record high of 51.6%, while in 2008 it reached an all-time low of 27.8%. Looking ahead, Trading Economics global macro models and analysts predict that government debt in relation to GDP is going to be 54% by the end of the first quarter of 2018. They further estimate that the South African government debt to GDP is going to be around 53.00 % in 2020. Whilst Statista predicts South Africa’s national debt to GDP from 2012 to 2016, with forecasts until 2022 (Figure 3).

Figure 3: National debt in relation GDP from 2012 to 2022



Source (FocusEconomics, 2016); (Statista, 2016)

The rising national debt to GDP will not be good for attracting further investment as it raises doubt on the capacity of the country to service foreign debt and may subsequently lead to macro-economic instability in the local economy. Economic instability is a major ‘push away’ factor for investment.

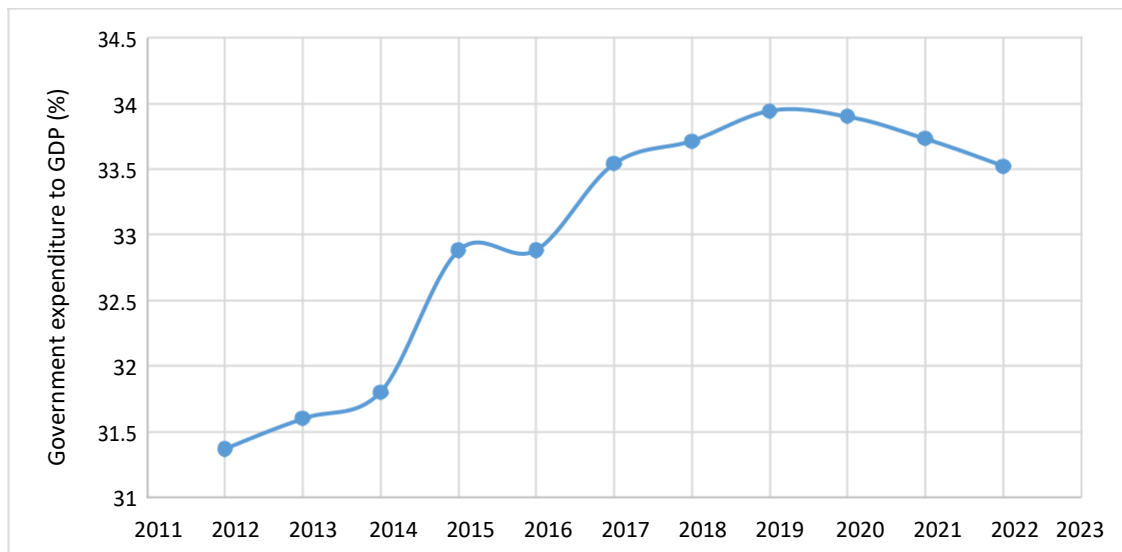
3.2. Ratio of government expenditure to GDP

The world is in the midst of a seemingly unending sovereign debt crisis with many nations either unwilling or unable to control government spending. One measure that investors may

use to track these expenditures on a global basis is government spending expressed as a percentage of GDP.

Economists and Statisticians from Focus Economics and Statista indicate that the ratio of South African government expenditure in relation to GDP from 2012 to 2016 was 32% on average. The project that the ratio will increase to 33.5% by 2022 (Figure 4).

Figure 4: Ratio of government expenditure to GDP from 2012 to 2022



Source: (FocusEconomics, 2016); (Statista, 2016)

The ratio of government expenditure to GDP, although rising, is expected to remain in the narrow range of 31-34%. As such it does not present a significant threat to the investment outlook of the country.

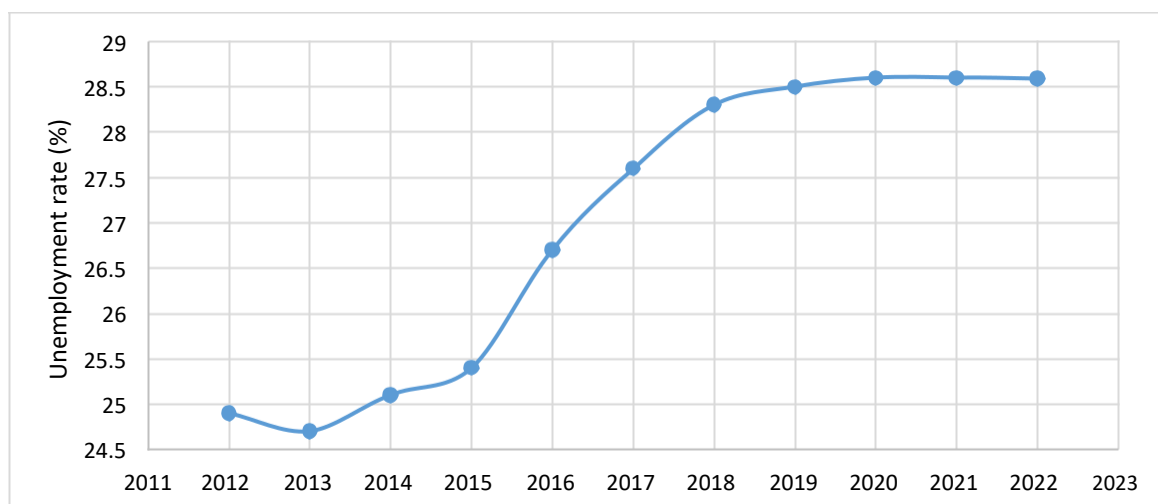
4. National Unemployment rate

Unemployment remains a perennial problem for South Africa. From 2000 to 2017, unemployment rate averaged 25.5%, and it reached a record high of 31.2% in the first quarter of 2003. An all-time low of 21.50% was recorded in the fourth quarter of 2008. According to Statistics South Africa, unemployment rate was 27.7% from the first quarter to the third quarter of 2017, remaining the highest rate in 13 years.

The most recent statistics by Statistics South Africa show that unemployment rate decreased to 26.7% in the fourth quarter of 2017. The number of unemployed people fell by 330,000 to 5.88 million and the number of employed declined by 21,000 to 16.17 million in the fourth quarter

of 2017. The unemployment rate is expected to still go up to 28% by the end of the first quarter of 2018, but go down to 24% in 2020, according to Trading Economics. However, Statista and Focus Economics show a different view on unemployment rate forecasts up until 2022 (Figure 5). According to them, unemployment rate will reach 28.5% in 2020 and thereafter stabilise.

Figure 5: Unemployment rate from 2012 to 2022



Source: (StatsSA, 2017); (FocusEconomics, 2016); (Statista, 2016)

What is not contestable is that unemployment remains a challenge in the country and creative interventions are needed to bring it into check. Otherwise there is a risk that, with the unemployment of many people, especially the young people, undesirable behaviour including crime and political unrest will arise to levels never witnessed before. This will in turn have an adverse effect on economic performance of the country.

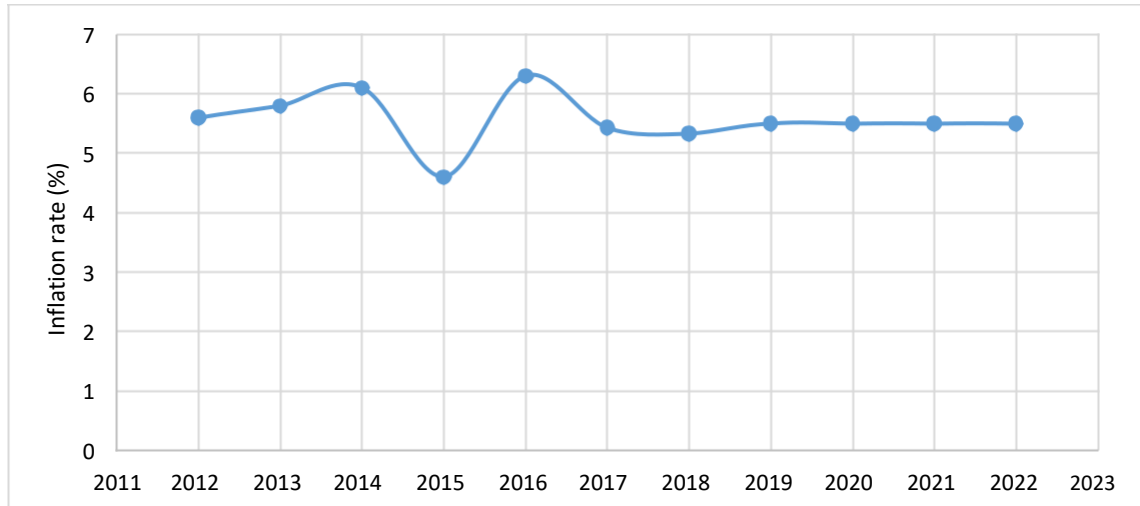
5. Inflation rate

Inflation, the general rise in goods and services of a country, has a direct bearing on the welfare of the workers and all citizens. It steals away their purchasing power, leaving them poorer despite getting the same income. Hence, it is an indicator that labour should always keep track of and use to motivate wage adjustments.

From 1968 to 2017, inflation rate in South Africa averaged 9.13 %, recording an all-time high of 20.7% in January of 1986 and an all-time low of 0.20 % in January of 2004. According to Investec, inflation rate averaged 5.3 % year on year in 2017. This was a moderation from 6.4 % year on year in 2016.

Looking forward, inflation rate is expected to be 4.6 % by the end of the first quarter of 2018, and to stand at 5% by the end of 2018. Focus Economics share the same sentiments, as they also expect inflation to average 5.1% in 2018 and 5.3 % in 2019. Statistics provided by Statista and Focus Economics on South Africa’s inflation rate estimates are similar and are presented in Figure 6 below.

Figure 6: Inflation rate from 2012 to 2022



Source: (StatsSA, 2017); (FocusEconomics, 2016); (Statista, 2016)

In terms of inflation, therefore, there is an expected stabilisation in the local between 5 to 6% in the foreseeable future. Given the fact that the country is also implementing an inflation targeting policy between 4 to 6% band, it is less likely that drastic policy interventions will be initiated to influence the inflation rate.

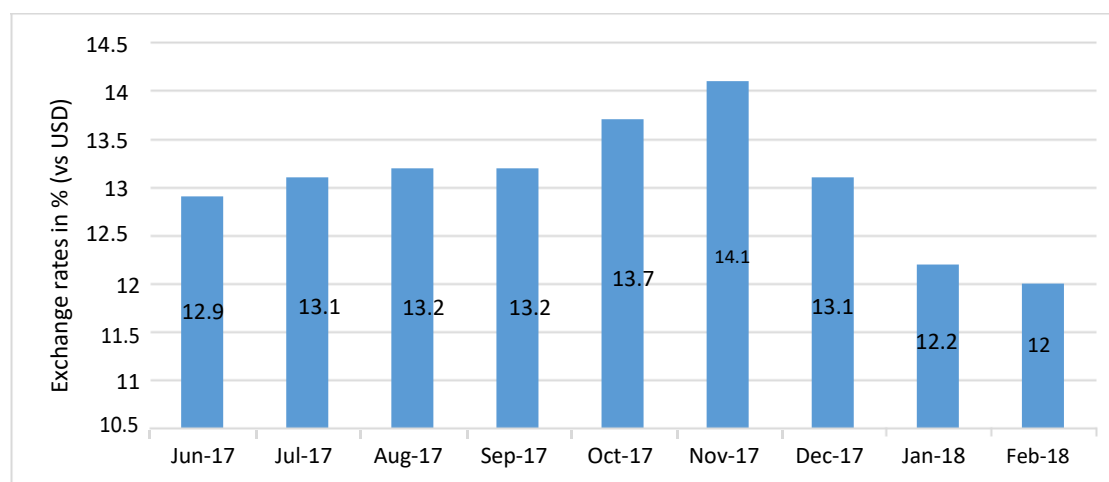
6. Exchange rate

To any country that is engaged in international trade, exchange rate is important because it affects relative competitiveness and subsequently sales on international markets. Depending on how export intensive the economy of the country is, this will affect local economic activity. In other words exchange rate do influence the economic performance of a country that exports and imports goods and services. As such, it is an important economic indicator to consider when analysing and projecting the economic dynamics of a country. If the currency of a country weakens, this will be good for exporting but the opposite is also true. Hence, impact of the

exchanges rate changes will differ from one sector of the economy to the other depending on import\export intensity.

In 2016 up to mid-2017 the rand was very weak relative to the US dollar. At one point, the US dollar costed more than 14 rands. The situation has since changed and rand is strong again at least against the US dollar. According to Investec, the South African rand rallied to a multi-month high following Cyril Ramaphosa’s victory as party president in the ANC National Conference held in December 2017. As of February 2018, the US dollar was below 12 rands (Figure 7).

Figure 7: Exchange rates between South African Rand and the U.S Dollar



Source: (Exchange-Rate, 2018)

Part of the strength of the rand has been attributed to the weakness of the U.S Dollar but there is no doubt that the recent political developments in the country have had a positive effect on the exchange rates.

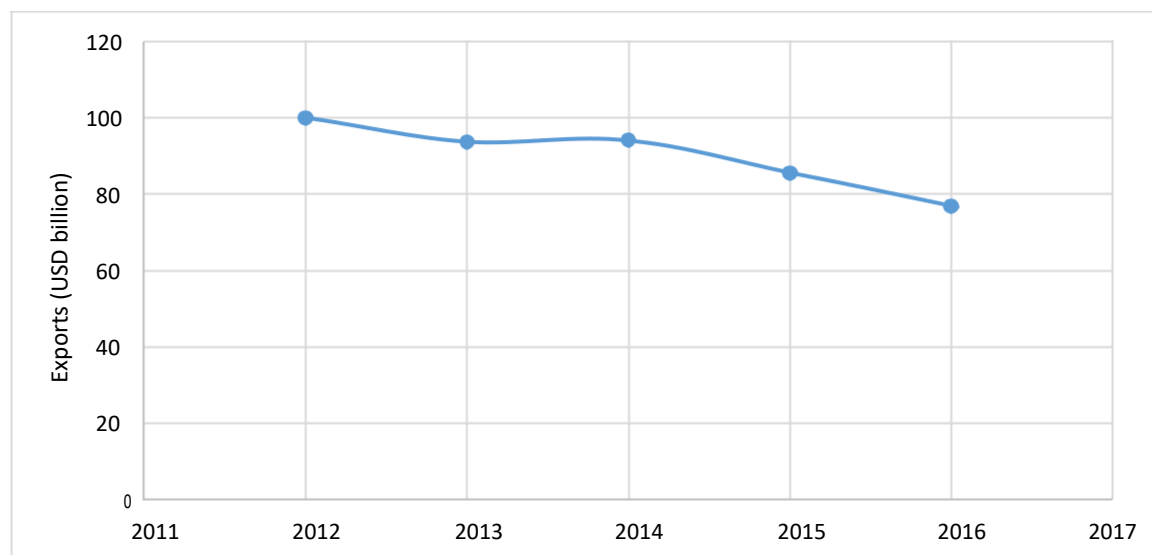
Some analysis however claim that the rand can still weaken if the budget which is scheduled for 21 February 2018 does not meet fiscal consolidation and the avoidance of excessive tax hikes. Therefore, the budget will be watched very closely by rating agencies, particularly Moody’s which is the last key agency which has South Africa on investment grade review.

7. Exports

Exports are an injection to the macro-economic performance of the country. They stimulate local production by providing market opportunities for products or commodities produced in the local economy and bring in income from external sources. The mining sector in particular is very sensitive commodity export dynamics.

In 2016, goods with a value of around 76.8 billion U.S. dollars were exported from South Africa. The value of goods exported from South Africa from 2006 to 2016 is depicted in Figure 8 below.

Figure 8: Exports (USD billion) from 2012 to 2016



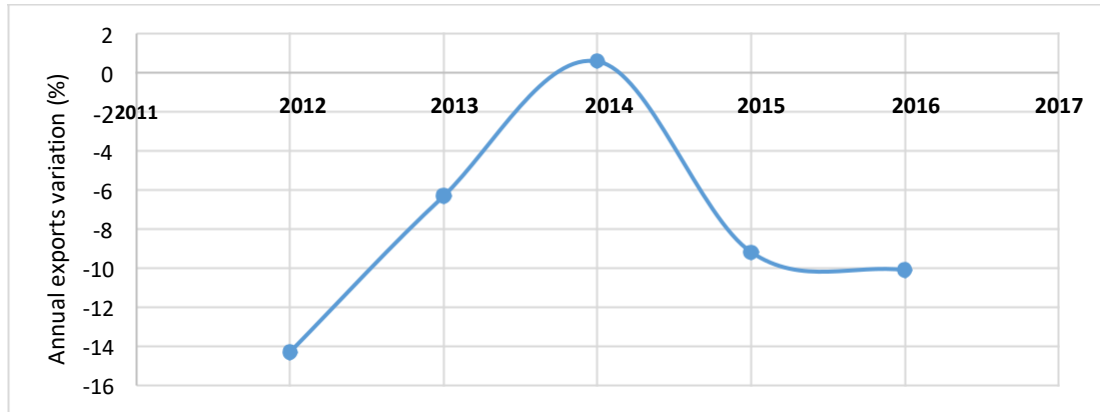
Source: (FocusEconomics, 2016)

What is notable from Figure 8 is that value of exports from the country has been declining between 2012 and 2016. The decline in the export value should be cautiously interpreted. It does not necessarily mean that less volumes were exported but it could also be a result of the changing terms of trade, that relative market price value that exports earn on international markets.

The alternative indicator that can provide more light on the export performance of the country is the export rate which is an annual export variation. In 2012, the export variation rate was as low as -14%. It recovered to be above zero in 2014, but then dropped to -10.1% in 2016. The

exports annual variation from 2006 to 2016 is presented in Figure 9 below. What is not disputable is that in terms of the exports the countries continues to struggle.

Figure 9: Exports (annual variation in percentage) from 2012 to 2016



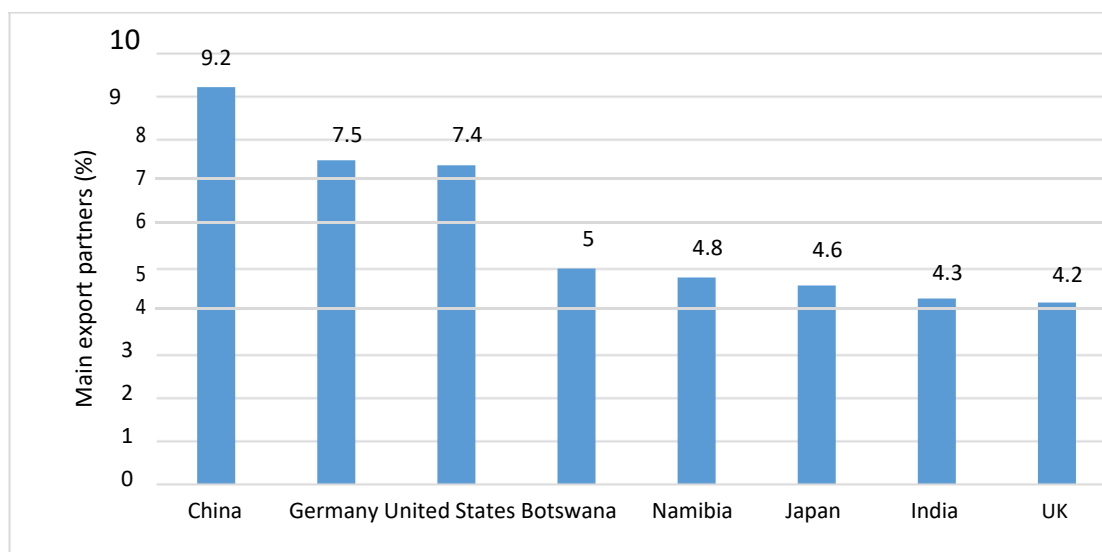
Source: (FocusEconomics, 2016)

7.1. Main export partners

It is important to note that exports are not only a function of what is happening in the local economy. They also have to do with the economic performance of the countries to which exports are destined. In this regard, it is important to keep track of the key trading partners of a country and what is actually happening in those countries

In 2016, the main export partner countries for South Africa were China, Germany, United States, Botswana, Namibia, Japan, India and the United Kingdom with a total share of 47% in exports (Figure 10).

Figure 10: Most important export partners for South Africa in 2016



Source: (Statista, 2016)

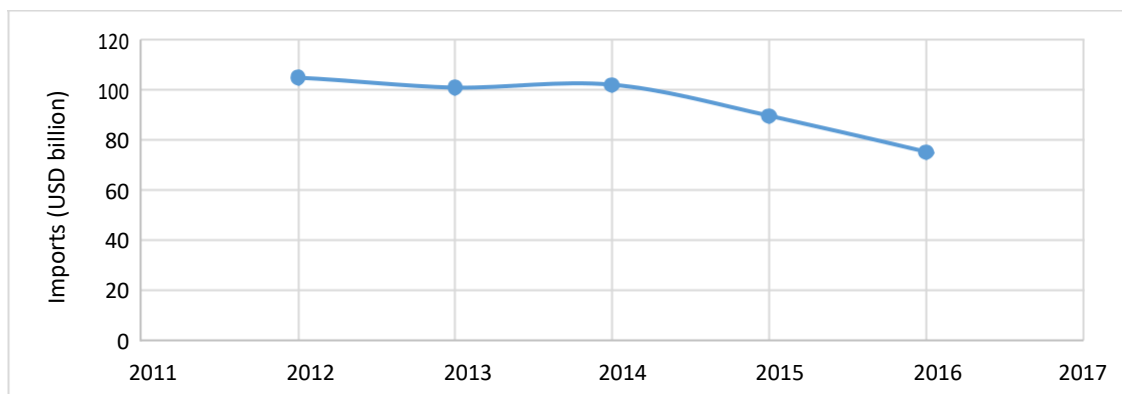
Given the importance of the Chinese market to South Africa's exports, it will be important to keep track of the performance of the Chinese economy as to a reasonable extent will determine the export performance of the South African economy.

8. Imports

Imports tend to have a displacement effect of local production unless it is the imports of factor inputs to be used in local production. If the imports displace local production, then adversely affect economic participation opportunities for the citizenry.

The value of goods imported to South Africa was around 75.2 billion U.S. dollars in 2016. This value has been declining though as indicated in Figure 11.

Figure 11: Imports (USD billion) from 2012 to 2016

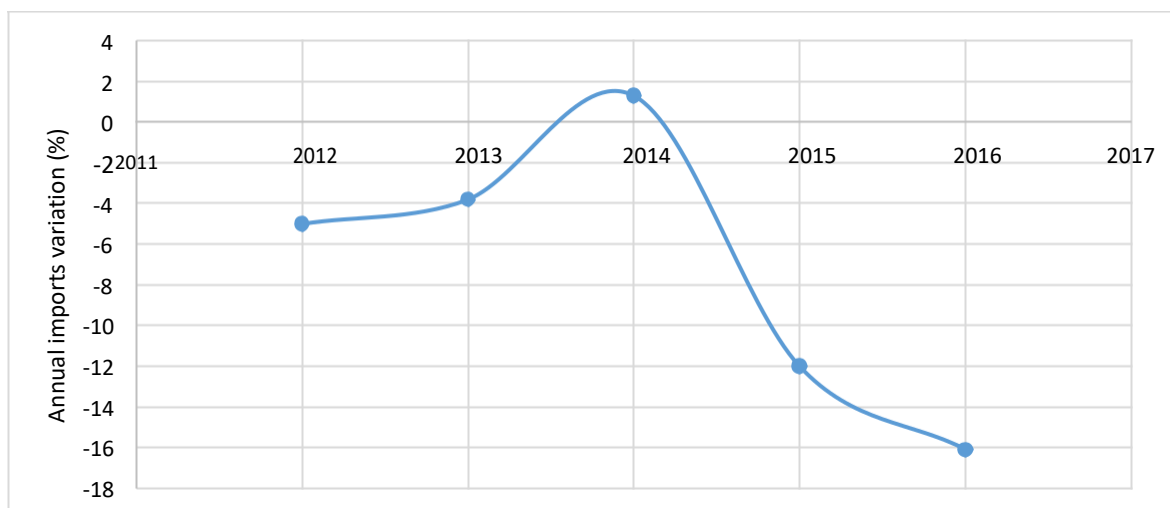


Source: (FocusEconomics, 2016)

In terms of annual imports variation rate, in 2016, South African import rate dropped significantly to -16.2 %. To make sense of this decline, though, one has to have some information of base year imports level. Otherwise, the imports annual variation from 2006 to 2016 is shown in Figure 12.

Again, a qualified statement on what the effect of the decline in imports has been to the local economy can only be made when once compares the values of exports and imports within the same period.

Figure 12: Imports (annual variation in percentage) from 2012 to 2016



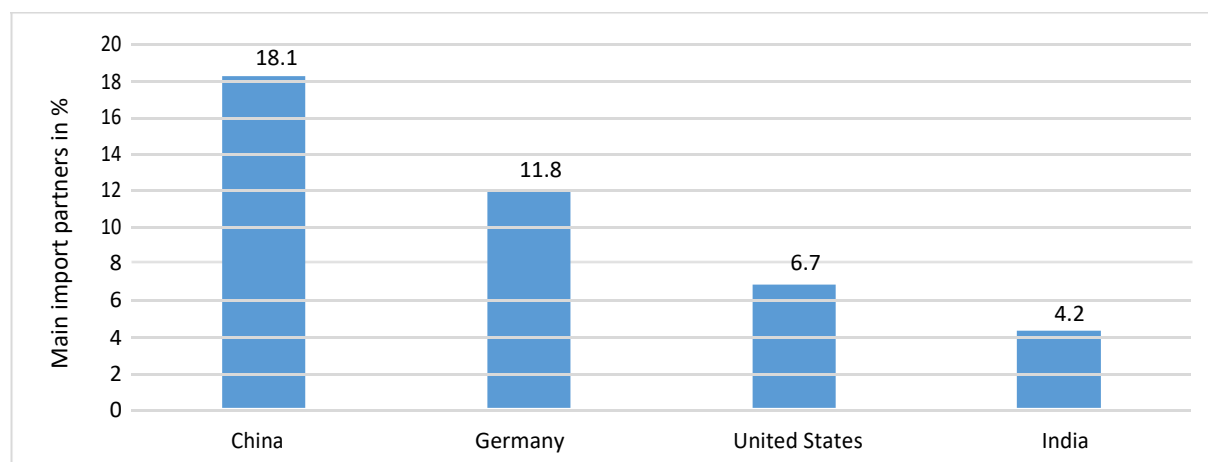
Source: (FocusEconomics, 2016);

8.1. Main import partners

Like in the case of exports, it is important to have information and keep track of those countries that are sending imports to the economy at least for planning and learning purposes.

South Africa's main import country partners in 2016 were China, Germany, United States and India, with a combined share of 40.8 %. Details of all the main import partners are presented in Figure

Figure 13: Main import partners in 2016



Source: (Statista, 2016)

What is notable from both the export and import information is that the performance of the Chinese economy will have a bearing on economic activities in South Africa. As such, it will be useful to keep track of developments in the Chinese economy.

9. Interest rate

Interest rate is the cost of capital for investors and the cost of debt for consumer. It is an important determinant of investment and consumption levels in the country. For workers who have loans from financial institutions the level of interest rate determines how much they have to pay back to the lender and how much remains to sustain their livelihood. For workers who have reached retirement, the interest rate determines how much they earn from their pension saving and the money available to learn on during old age. So, interest rate is an economic indicator of value to society.

Interest rate in South Africa averaged 12.67 % from 1998 until 2018, reaching an all-time high of 23.99 % in June of 1998 and a record low of 5 % in July of 2012. It is expected to stand at 6.50 % by the end of the first quarter of 2018 and to be 6.75 % at the end of 2018. It is also projected to trend around 7.00 % in 2020 (TradingEconomics, 2018).

The interest rate trend demonstrates a slow but systemic increase overtime. This is a useful aspect to be noted by workers especially those who plan to take loans from financial institutions for whatever reason.

10. Performance of the mining, energy and the construction sectors

a) The Mining Sector

10.1. Production

Volumes of resources of resources mined is a good indicator of the vibrancy of the mining sector and by extension creation of opportunities to benefit workers and mining communities.

According to StatsSA 2017, mining production increased by 0.1% year-on-year in December 2017. Total mining production was 4% higher in 2017 compared with 2016. However, the mineral sales decreased by 1.4% year-on-year in December 2017, although the total mineral sales were 8.5% higher in 2017 compared with 2016.

Table 1: Seasonally adjusted index of the volume of mining production for the last three months of 2017 by mineral group and mineral (Base: 2015=100)

Mineral group and mineral	Weight	Jul – Sep 2017	Oct – Dec 2017	percentage change between Jul – Sep 2017 and Oct – Dec 2017	Contribution (percentage points) to the percentage change in total mining production
Gold	15,49	98,8	87,5	-11,4	-1,7
Iron ore	13,61	101,2	108,9	7,6	1,0
Chromium 1	2,96	109,5	105,9	-3,3	-0,1
Copper	1,24	93,9	87,1	-7,2	-0,1

Manganese ore	3,27	124,3	133,5	7,4	0,3
PGMs	23,27	95,6	92,9	-2,8	-0,6
Nickel	1,85	89,6	84,9	-5,2	-01
Other metallic minerals	2,57	104,4	103,1	-1,2	0,0
Diamonds	3,89	129,9	115,6	-11,0	-0,5
Coal	24,69	101,3	101,0	-0,3	-0,1
Building materials	1,81	107,2	115,8	8,0	0,1
Other non-metallic minerals	5,35	103,4	106,5	3,0	0,2
Total	100,00	101,7	101,0	-1,7	-1,7

Source: (StatsSA, 2017)

However, the impact of the 2017 increased production to the country was negatively affected by a number of factors, such as decreased price of commodities, low investments and political instability. A report by PWC (2007) highlighting trends in the South African mining, stated that, in 2017 gold mining companies suffered a R114 billion loss or 52% decrease in market capitalisation, losing almost all the gains made in the prior year.

10.2. Mining contribution to GDP

A strong GDP growth is one of the good indicators of economic growth. This is because companies are able to employ more workers, can also manage to pay better salaries and wages. Ideally, the majority of people should share in economic growth through the salaries and wages they receive for their labour. However, this is not always the case.

An industry's contribution to the GDP can also be viewed as a good indicator of that industry economic performance. Unions and workers can use this indicator to negotiate for better salaries and conditions of work. As previously alluded to, although GDP growth and economic

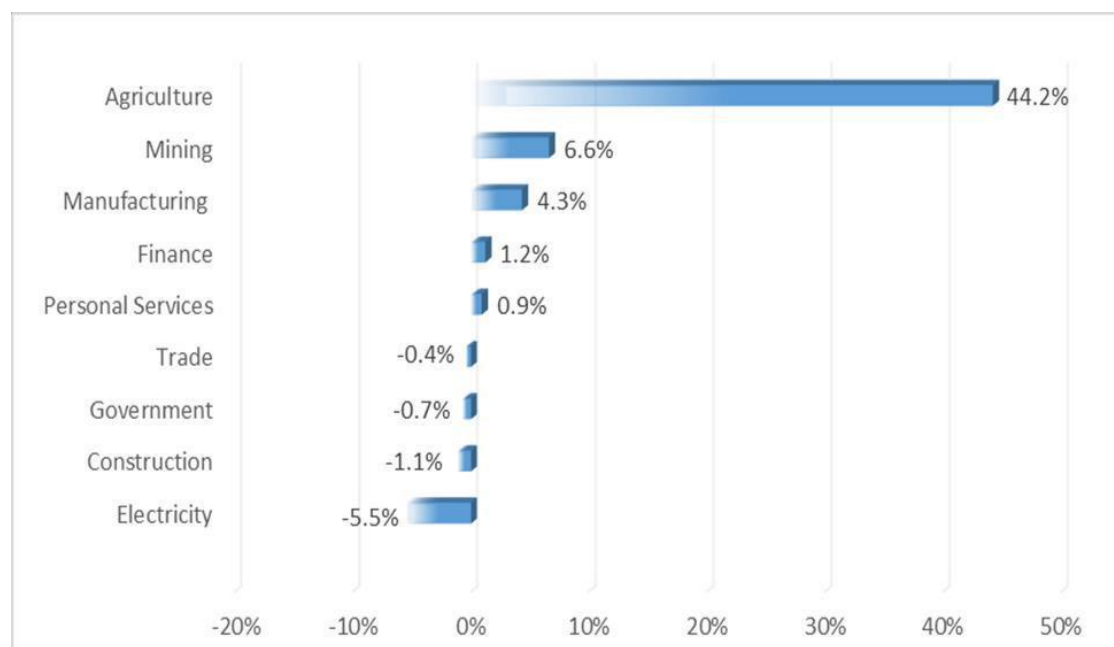
growth may lead to a rise in company profit, companies may not necessarily share this increase in profit with their employees.

In South Africa, during the period of the third quarter of 2017, the mining industry was amongst the main drivers of the economic growth, although the agriculture industry was the leading contributor to the GDP with 44.2% followed by 6.6% of mining (as per Figure 14 below).

According to StatsSA (2017) there was a decline in economic activities in the third quarter of 2017 by various industries. Other notable industries that saw a decline were trade and electricity, water and gas. The electricity, water and gas industry also experienced a 5, 5% reduction.

Nonetheless, despite having a relatively small contribution to GDP, the mining sector remained one of the main positively contributing sectors to the country's GDP, more than the manufacturing sector in 2017. Moreover, the contribution to GDP by the trade, government, construction and electricity sector was negative in the same period (Figure 14).

Figure 14: Sector Contributions to national GDP



Source: (StatsSA, 2017)

10.3. Employment in mining

The results of the Quarterly Employment Survey for the second quarter of 2017 released by Statistics South Africa shows that the quarterly national employment net decline of 113 000 in second quarter: The largest decreases were recorded in construction sector (110 000) due to insufficient demand for work and profitability of the business. However, other decreases in construction were recorded in 2016 with (-11 000 or -1, 8%). Compared to the same period, employment increased by 90 000 or 0, 9% year-on-year between December 2015 and December 2016 with (14 000 or 2, 4%) (StatsSA, 2017). Electricity industry lost 1 000 jobs (or -1.6%) in 2017 compared to 2016.

Specific to mining sector, significant job losses were experienced in 2016, attributed to lower commodity prices. Although there was some recovery in jobs in the sector, the 447.000 headcount in the first quarter of 2017 was lower than the 471,000 headcount in the second quarter of 2016 (Table 2).

Table 2: Sectoral Employment

Industry	Jan-Mar 2016	Oct-Dec 2016	Jan-Mar 2017	Qtr-to- qtr change	Year-on- year change	Qtr-to- qtr change	Year-on- year change
	Thousand			Per cent			
Agriculture	869	919	875	-44	6	-4,8	0,7
Mining	471	421	447	26	-24	6,1	-5,1
Manufacturing	1 645	1 727	1 790	62	145	3,6	8,8
Utilities	110	131	145	14	35	10,8	31,6
Construction	1 362	1 483	1 505	23	143	1,5	10,5
Total*	15 675	16 069	16 212	144	538	0,9	3,4

Source: (StatsSA, 2017)

10.4. Investments in the mining sector

When the economy is growing, companies also have the confidence to invest, and investment forms the foundation for economic growth in the future. When GDP growth is very low or the

economy goes into a recession, in most cases it is because of low investment and consumer demand, respectively. Low economic growth is often used by employers to justify retrenchments and or pay of lower wages.

The mining sector accounts for roughly one-third of the market capitalisation of the JSE, and continues to act as a magnet for foreign investment in the country. According to the Chamber of Mines, mining:

- Is a critical earner of foreign exchange at more than 50%.
- Accounts for 20% of investment (12% direct).
- Attracts significant foreign savings (R1.9-trillion or 43% of value of JSE).

Mining fixed investment has shrunk over the past two years. The industry made an accumulated loss of over R30 billion in 2015. In 2017, 65% of platinum mining sector made a loss (Chamber of Mines, 2017). Caution should however be taken on performance figures provided by the Chamber of Mines. The Chamber is not a neutral party. The possibility of exaggerating losses made in the mining sector exists for it serves the interests of members of the Chambers sometimes.

b) Energy sector

10.5. Production

Value added in the electricity sector fell by 2.9 % in the first three quarters of 2016 as electricity-intensive sectors such as mining contracted. A combination of increased power supply from Eskom and independent power producers (IPPs), Eskom's enhanced maintenance programme and low demand stabilised supply (National Treasury, 2017).

10.6. Industry contribution GDP

According to StatsSA (2017) there was a decline in economic activities in the third quarter of 2017 by various industries. Other notable industries that saw a decline were trade and electricity, water and gas. Despite a rebound in retail trade sales, falling wholesale trade sales pulled the trade industry down by 0, 4%. The electricity, water and gas industry experienced a 5, 5% contraction, a result of falling electricity generation and demand.

10.7. Employment

The results of the Quarterly Employment Survey for the third quarter of 2017 released by Statistics South Africa, show a decline of 31 000 jobs (or -0.3%) to 9 589 000 in the formal non-agricultural sector in the quarter ended in September 2017. This is a loss of 83 000 (or -0.9%) jobs when compared to the same period last year (September 2016). Electricity industry lost 1 000 jobs (or -1.6%) in 2017 compared to 2016. The sector had not lost job in the second quarter of 2016. In fact, releasing the findings of the Quarterly Employment Statistics (QES) for the second quarter of 2016, Statistician General Pali Lehohla said job losses had occurred in all industries, except in electricity and construction (StatsSA, 2017).

10.8. Investments

During the first three quarters of 2016, investment in fixed capital fell by -3.9 % the first decline since 2010. As Table 3 shows, investment by private businesses suffered the largest decline. Investment by public corporations also fell as they continued to delay capital expenditure plans. Investment growth is expected to recover moderately, from 1.5 % in 2017 to 2.8 % in 2019. However, levels of domestic savings remain insufficient to fund investment expenditure (National Treasury, 2017).

Specific to the energy sector, an annual growth rate of investment was realised in 2016. Whether this growth will be sustained in future will depend on the economic fundamentals of the country and the energy policy.

Table 3: Sectoral Growth in investment

% By industry	2014	2015	2016
Mining and quarrying	1.3	-1.1	1.3
Manufacturing	-3.0	-0.2	-4.3
Electricity, gas and water	6.4	2.1	4.1
Transport, storage and communication	5.8	4.6	-8.5
Finance, real estate and business services	-4.0	0.8	-6.8
Community, social and personal services	5.6	12.4	-0.7

By type of organisation			
General government	8.5	14.6	0.8
Public corporations	0.7	3.5	-1.5
Private business enterprises	0.3	-0.6	-5.9
Total gross fixed capital formation	1.5	2.5	-3.9

Source: (Reserve Bank);(StatsSA 2016)

c) Construction

10.9. Production

The construction industry is and has always been a very low-margin industry. In 2016, however, net profit increased by 161% and the PBIT margin more than doubled from the prior year. The increase in net profit from the prior year can largely be attributed to Aveng's R0.5 billion, Group Five's R0.2 billion and Basil Read's R0.9 billion projects (PWC Report, 2016). Construction revenue decreased by 9% mainly as a result of a decrease of R9 billion in revenues posted by Aveng, a R3.9 billion decrease by Murray & Roberts, and R0.9 billion by Stefanutti Stocks, partially offset by a R1.9 billion increase in revenues posted by WBHO and R0.5 billion by Raubex. These decreases were largely as a result of the weaker economy, in particular for commodity markets, with a notable decrease in revenue from energy, oil and gas projects. General civil works, which are infrastructure driven, had a challenging year. Building projects, on the other hand at least from a revenue point, showed remarkable strength, as the cranes in the Gauteng and Cape Town skylines would suggest (PWC Report, 2016).

Construction companies did well to reduce operating costs in the lower revenue environment. Margins began to show a slight improvement in the 2016 financial year. Construction profits seem to be following the same double dip experienced by most industries after the 2008 economic crisis (PWC Report, 2016).

Other revenue, consisting mainly of the sale of construction and related materials, decreased by 16%, mostly as a result of the R1.1 billion decrease posted by Aveng, R0.8 billion by

WBHO and R0.5 billion by Murray & Roberts. The decreases were partially offset by increases of R0.1 billion from Raubex and Stefanutti Stocks (PWC Report, 2016).

Total costs decreased by 12% in response to lower revenue. Construction material volumes would have decreased in line with the decrease in projects. Staff costs reduced by 15% on the prior year, indicative of re-sizing activities in the industry. Staff costs as a component of operating expenses have continued to represent a significant component of operating costs, constituting 29% of total operating costs (2015: 30%). The retention of key skills to serve prospective contracts is one of the construction companies' biggest investments in anticipation of the potential upswing. Companies therefore have to decide whether they can continue carrying excess staff or whether they need to downsize. The year 2016 saw a number of retrenchments as construction companies could no longer maintain their staff investment (PWC Report, 2016).

10.10. Industry contribution to GDP

Construction industry contribution to GDP decreased to 108.7 ZAR billion in the third quarter of 2017 from 109025.26 ZAR Million in the second quarter of 2017, and it averaged 52897.24 (StatsSA, 2017), Figure 15.

Figure 15: Construction sector contribution to GDP – ZAR Million



Source: (StatsSA, 2017)

10.11. Employment

The results of the Quarterly Employment Survey for the second quarter of 2017 released by Statistics South Africa shows that the quarterly employment net decline of 113 000 in Q2: 2017 was driven by six of the ten industries. The largest decreases were recorded in construction sector -110 000 jobs.

10.12. Investment

The outlook for South Africa's construction industry over 2016 was moderate, compared to the industry's performance between 2012 and 2016, according to data analysis company Timetric. Contributing to this was poor investor sentiment as a result of slow economic growth, and the embattled rand, which both impacted on construction spending.

The number of building projects awarded also showed some improvement, infrastructure investment in the transport and logistics, energy, and low-cost housing sectors are expected to create growth in the industry over the next four years (2017 – 2021).

11. Commodity Prices forecast in 2018

South Africa, as a major commodity exporter, has been in much slower growth environment owing to the downturn in the global commodity markets. The low commodity prices hamper South Africa's job creation efforts in general. Lower commodity prices encourages mining companies to cut back on expenditure in both real and nominal terms and also cut their wage bills, thus employing few people. As a result, unemployment rate worsens. This in turn affects mining communities. Hence the trend of commodity prices is of key interest to workers and mining communities.

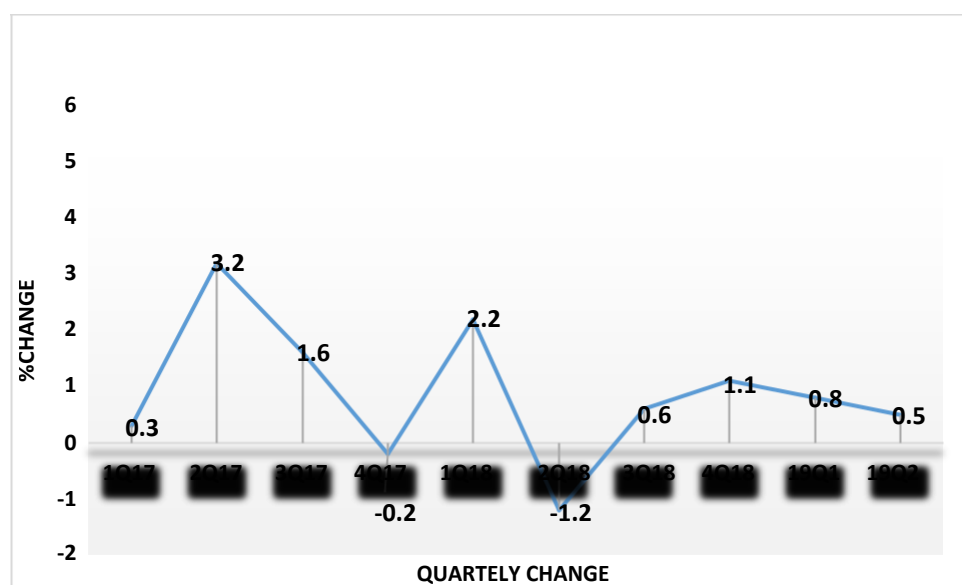
Prices for energy commodities – which include oil, natural gas, and coal are forecast to climb 4 percent in 2018 after a 28 percent leap last year (World Bank, 2018). Iron ore prices are forecast to tumble by 10 percent in the coming year but tight supply should push up prices for base metals including lead, nickel and zinc. Downside risks to the forecast include slower-than-anticipated demand from China, or an easing of production restrictions on China's heavy industries. The following section looks at key commodities and their price forecast.

11.1. Gold

Gold price was boosted over the 2017 year-end by weaker dollar, but is expected to fall in the first half 2018 on expectations of higher interest rates and a firming dollar. The uncertainty about runaway debt in the world and geopolitical tensions may increase safe-haven demand of gold over the forecast period (Afriforesight, 2018).

In addition, gold prices are anticipated to ease next year on expectations of higher U.S. interest rates (World Bank, 2018). Overall, gold prices have recovered and the sector is operating with a profit margin. The positive trend is expected to continue in the medium terms. It should be noted that gold mining still employs many mineworkers in South Africa’s mining. Its performance is therefore of key to creating jobs. Figure 16 presents the gold price change forecasts. The percentage changes are not expected to be drastic.

Figure 16: Gold price change forecast (%)



Source: (Afriforesight, 2018)

11.2. Uranium

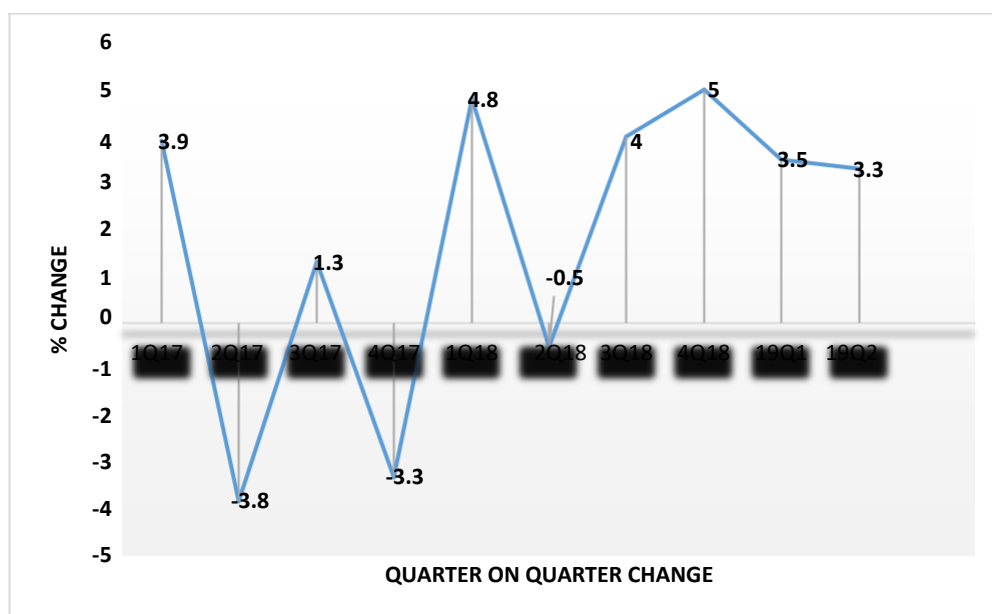
According to Afriforesight (2018) the price of uranium is expected to increase after production cuts from Kazatomprom and Cameco - world’s 2 largest producers. Rising physical demand to also boost prices.

11.3. Platinum

Platinum prices are expected to rise up to mid-2018. The price rise is expected to be driven rising jewellery and investment demand, as well as more stringent emission standards and replacement of more expensive palladium (Afriforesight, 2018).

The risk though is that Russia may continue to stockpile its palladium, which will in turn lead to overall supply (Stevens, 2018). Overall, the future of platinum prices is uncertain and will to some extent depend on the actions of Russia. An informed forecast of platinum prices is presented in Figure 17.

Figure 17: Platinum price forecast

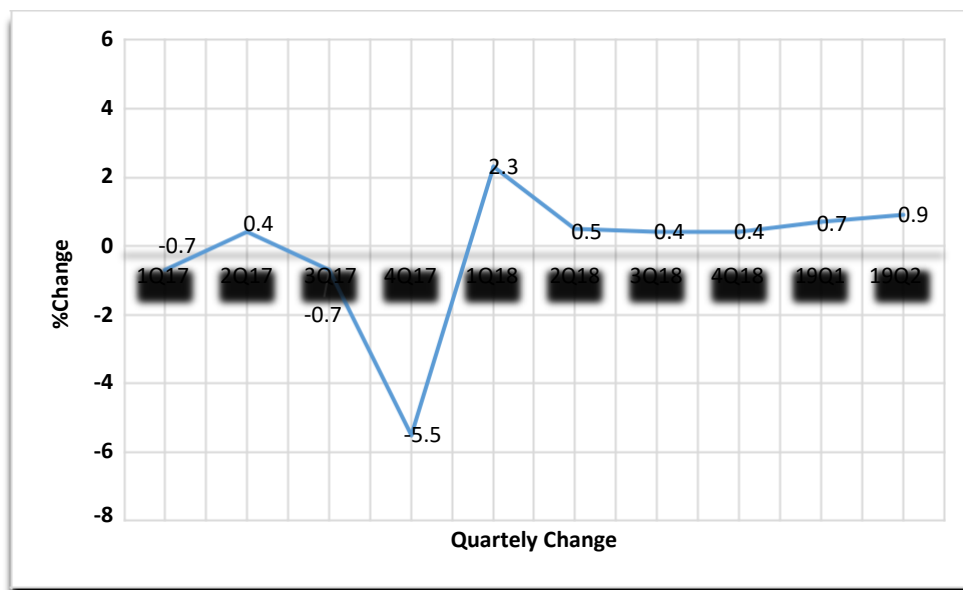


Source: (Afriforesight, 2018)

11.4. Diamonds

Diamond prices are expected to increase at a low but a steady rate. The prices are expected to rise as increasing jewellery sales outpaces production growth as most new mines reach full capacity (Afriforesight, 2018). A forecast of percentage change in diamond prices is presented in figure 18.

Figure 18: Percentage Change in Diamond Price forecast



Source: (Afriforesight, 2018)

11.5. Manganese Ore

According to Afriforesight (2018) prices of manganese ore are expected to fall in the first quarter of 2018 as a result of restocking from China and moderate global supply growth as Woodie Woodie (Aus) ramps up and Kalagadi (SA) mining starts. Later though, the prices are expected to rise on growing global demand for steel and battery manufacturing.

Commodities prices are very volatile and unpredictable. The few forecasts presented above are just tentative. One needs to keep track, on almost on daily basis, what is happening to commodity prices to increase certainty on their trends.

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