

a world class African city

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06 October 2024

APPROVAL OF THE QUARTERLY ECONOMIC REVIEW FOR Q1 2024/2025

I approve the Quarterly Economic Review (QER) for the first quarter of the 2024/2025 financial year. This review's analysis and insights are crucial for understanding the current economic landscape and developing strategic initiatives for sustainable growth in the City of Johannesburg.

The QER provides an in-depth analysis of key economic indicators such as GDP growth, inflation trends, and employment statistics, along with a detailed assessment of sectoral performance. It highlights the economy's resilience and challenges, offering a balanced perspective essential for informed decision-making.

The QER for Q1 2024/2025 is a critical tool for monitoring economic performance and guiding policy responses. The insights from this review will inform our strategic planning and help navigate the current economic complexities.

I thank the team for their diligent work in compiling this comprehensive report. Their efforts are vital to our mission of achieving sustainable economic development and improving the socio-economic well-being of our citizens.

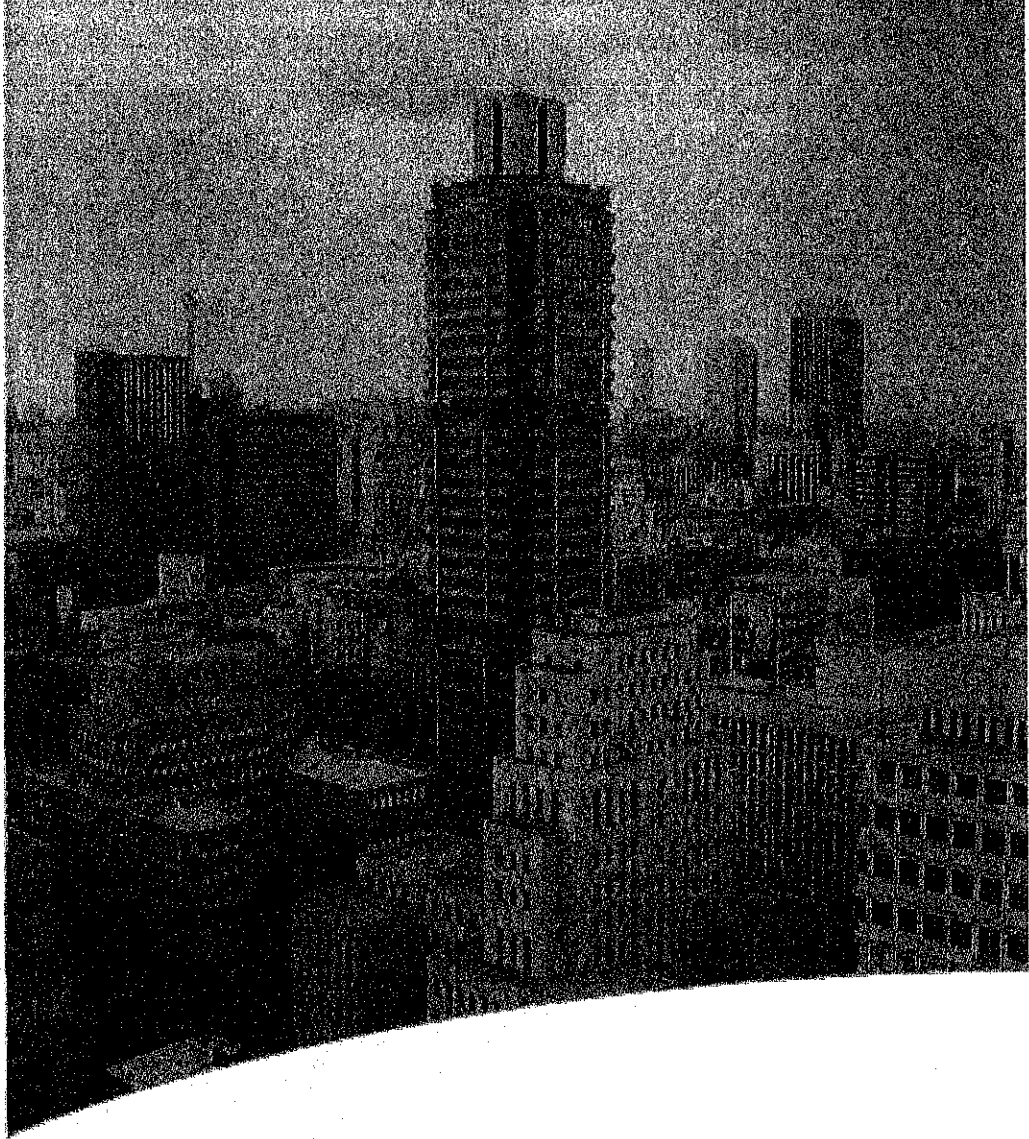
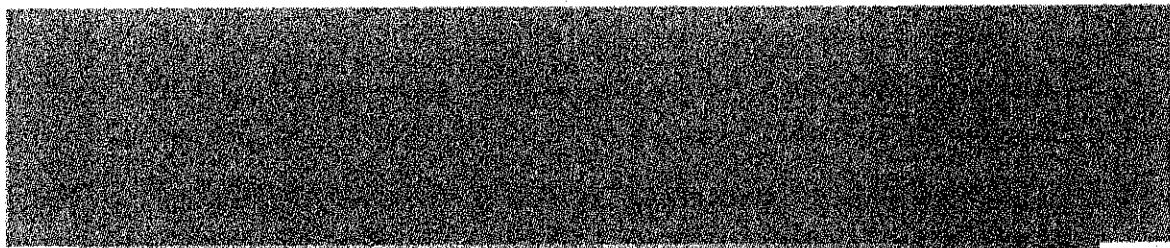
Please proceed with disseminating this review to all relevant stakeholders.

~~APPROVED/NOT APPROVED~~

Lulama Ndlovu
Acting Executive Director
Department of Economic Development

06 / 10 / 2024

DATE



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World Economic Outlook

The International Monetary Fund (IMF) World Economic Outlook (WEO) Update for July 2024 provides a comprehensive analysis of the global economic landscape, elucidating key growth forecasts, inflationary dynamics, and fiscal and monetary policy challenges. Table 1 presents projections for global and regional economic growth for the 2023-2025 period. Global growth is anticipated to remain stable, with projections of 3.2% in 2024 and 3.3% in 2025, which is consistent with the April 2024 WEO forecast. This represents a marginal deceleration from the 3.3% growth recorded in 2023, indicating a sustained recovery. The convergence of output across economies is noteworthy as cyclical factors diminish and economic activity aligns more closely with its potential. However, service price inflation remains a significant impediment to the progress of disinflation, complicating the process of monetary policy normalization. In this context, upside risks of inflation intensify, heightening the possibility of higher interest rates persisting for an extended period due to escalating trade tensions and increasing policy uncertainty. To address these risks while preserving growth, policymakers must meticulously sequence their policy mix to ensure price stability and replenish the fiscal buffers.

Table 1. Overview of the World Economic Outlook Projections

	Year over Year					Difference from April 2024 WEO ¹		Q4 over Q4 2f		
	2022	Projections			Projections 1f		Projections			
		2023	2024	2025	2024	2025	2023	2024	2025	
World Output	3.5	3.3	3.2	3.3	0.0	0.1	3.3	3.2	3.2	
Advanced Economies	2.6	1.7	1.7	1.8	0.0	0.0	1.7	1.8	1.8	
United States	1.9	2.5	2.6	1.9	-0.1	0.0	3.1	2.0	1.8	
Euro Area	3.4	0.5	0.9	1.5	0.1	0.0	0.2	1.5	1.5	
Germany	1.8	-0.2	0.2	1.3	0.0	0.0	-0.2	0.8	1.7	
France	2.6	1.1	0.9	1.3	0.2	-0.1	1.2	0.8	1.5	
Italy	4.0	0.9	0.7	0.9	0.0	0.2	0.7	0.5	1.3	
Spain	6.8	2.5	2.4	2.1	0.5	0.0	2.1	2.3	2.1	
Japan	1.0	1.9	0.7	1.0	-0.2	0.0	1.2	1.6	0.3	
United Kingdom	4.3	0.1	0.7	1.5	0.2	0.0	-0.2	1.5	1.6	
Canada	3.8	1.2	1.3	2.4	0.1	0.1	1.0	2.2	2.2	
Other Advanced Economies 3f	2.7	1.8	2.0	2.2	0.0	-0.2	1.7	1.9	2.8	
Emerging Market and Developing Economies	4.1	4.4	4.3	4.3	0.1	0.1	4.7	4.3	4.4	
Emerging and Developing Asia	4.4	5.7	5.4	5.1	0.2	0.2	5.9	5.3	5.0	
China	3.0	5.2	5.0	4.5	0.4	0.4	6.4	4.6	4.9	
India 4f	7.0	8.2	7.0	5.5	0.2	0.0	7.8	6.5	6.5	
Emerging and Developing Europe	1.2	3.2	3.2	2.6	0.1	-0.2	4.1	2.3	3.7	
Russia	-1.2	3.6	3.2	1.5	0.0	-0.3	4.8	1.8	1.7	
Latin America and the Caribbean	4.2	2.3	1.9	2.7	-0.1	0.2	1.5	2.5	2.5	
Brazil	3.0	2.9	2.1	2.4	-0.1	0.3	2.2	2.9	2.0	
Mexico	3.7	3.2	2.2	1.6	-0.2	0.2	2.3	3.0	1.1	
Middle East and Central Asia	5.4	2.0	2.4	4.0	-0.4	-0.2	...	...	...
Saudi Arabia	7.5	-0.8	1.7	4.7	-0.9	-1.3	-4.3	2.6	4.3	
Sub-Saharan Africa	4.0	3.4	3.7	4.1	-0.1	0.1	...	...	...
Nigeria	3.3	2.9	3.1	3.0	-0.2	0.0	2.8	3.3	2.7	
South Africa	1.9	0.7	0.9	1.2	0.0	0.0	1.3	1.3	0.9	
<i>Memorandum</i>										
World Growth Based on Market Exchange Rates	3.0	2.7	2.7	2.8	0.0	0.1	2.8	2.7	2.8	
European Union	3.7	0.8	1.2	1.8	0.1	0.0	0.5	1.7	1.8	
ASEAN-5 5f	5.5	4.1	4.5	4.6	0.0	0.0	4.2	5.5	2.9	
Middle East and North Africa	5.4	1.8	2.2	4.0	-0.5	-0.2	...	...	...
Emerging Market and Middle-Income Economies	4.0	4.4	4.2	4.2	0.1	0.1	4.7	4.3	4.4	
Low-Income Developing Countries	4.2	3.9	4.4	5.3	-0.3	0.1	...	...	...
World Trade Volume (goods and services) 6f	5.6	0.8	3.1	3.4	0.1	0.1	...	...	...
Advanced Economies	6.2	0.1	2.5	2.8	0.3	-0.1	...	...	...
Emerging Market and Developing Economies	4.5	2.0	4.2	4.5	-0.1	0.5	...	...	...
Commodity Prices										
Oil 7f	39.2	-16.4	0.8	-6.0	3.3	0.3	-4.4	-2.4	-5.7	
Nonfuel (average based on world commodity import weights)	7.9	-5.7	5.0	1.6	4.9	2.0	-0.2	7.7	0.5	
World Consumer Prices 8f	8.7	6.7	5.9	4.4	0.0	-0.1	5.8	5.5	3.6	
Advanced Economies 9f	7.3	4.8	2.7	2.1	0.1	0.1	3.1	2.5	1.9	
Emerging Market and Developing Economies 8f	9.9	8.3	8.2	6.0	-0.1	-0.2	8.0	8.0	4.9	

Source: IMF, 2024

The Middle East and North Africa (MENA) region is projected to experience economic growth rates of 3.4% in 2024 and 3.5% in 2025, representing a modest upward revision (+0.1%) for 2024 compared with the April 2024 forecast. This growth trajectory is attributed to favourable oil prices, ongoing economic diversification initiatives, and enhanced fiscal policies. The region's economic prospects are further strengthened by robust commodity prices and concerted efforts to reduce its dependence on oil-based economies. Increased regional collaboration, particularly in the trade and infrastructure development domains, may yield additional economic benefits. Notwithstanding this positive outlook, the region remains susceptible to fluctuations in global oil prices, inflationary pressures, and rising global interest rates, which could potentially exacerbate the debt profiles of several economies. Political instability in certain areas poses significant risks to economic stability.

Sub-Saharan Africa is projected to experience a 3.7% growth rate in 2024, increasing to 4.1% in 2025 and from 3.4% in 2023. These figures indicate a gradual economic recovery for the region, reflecting improvements in domestic demand and external trade conditions as well as ongoing initiatives to enhance economic resilience. The region's growth outlook presents numerous opportunities, particularly in the context of the African continental free-trade area (AfCFTA), which has the potential to serve as a significant catalyst for intra-African trade and economic diversification. Investments in critical infrastructure coupled with advancements in digital and green technologies are also anticipated to support long-term economic growth.

Sub-Saharan Africa continues to face significant risks, including persistent inflationary pressure exacerbated by global commodity price volatility. Additionally, the prospect of rising interest rates poses challenges to the region's already elevated debt levels, particularly for economies heavily reliant on external borrowing. Political instability, inadequate governance, and the deleterious effects of climate change threaten the sustainability of a region's economic recovery.

South Africa is projected to experience an economic growth of 0.9% in 2024, a marginal increase from 0.7% in 2023, yet substantially below the regional average. The growth rate is anticipated to rise to 1.2% by 2025, although this remains suboptimal compared to its counterparts in sub-Saharan Africa. South Africa's economic performance is indicative of subdued domestic demand, elevated inflation, and persistent power-supply constraints. The nation is confronted with considerable fiscal challenges, as ongoing policy uncertainty and structural rigidities negatively impact investor confidence. The International Monetary Fund report emphasizes the imperative for South Africa to implement structural reforms to enhance productivity and foster sustainable growth.

South Africa could potentially utilize its comparatively robust financial system and industrial foundation to promote economic diversification, particularly in high-value sectors, such as technology, renewable energy, and advanced manufacturing. The global transition towards sustainable energy sources presents opportunities for South Africa to expedite its energy transition through investments in solar, wind, and hydrogen energy projects, potentially reducing its reliance on coal and addressing its electricity supply challenges. Furthermore, policy reforms that enhance infrastructure investment and address governance issues can facilitate economic growth. Energy insecurity, including persistent power outages from Eskom, remains one of the most significant impediments to economic growth. South Africa also faces elevated risks from inflationary pressures and rising interest rates, which could exacerbate debt dynamics and diminish consumer purchasing power. The modest growth trajectory indicates limited recovery from long-term structural challenges such as unemployment and low business confidence.

The overall forecast indicates steady growth in SSA, primarily driven by improving trade conditions and internal reforms. However, South Africa exhibits a lag in regional performance, contending with structural weaknesses that constrain economic recovery.

SOUTH AFRICA'S ECONOMIC OUTLOOK

The economic landscape of South Africa in 2024 continues to exhibit a challenging yet cautiously optimistic trajectory. The country's performance during the second quarter demonstrates resilience under several structural and external pressures. Notably, the South African economy remains constrained by persistently slow growth, underpinned by fundamental issues, such as energy insecurity, labour market rigidities, and policy uncertainties. Real GDP growth, while modest, has struggled to gain significant momentum as ongoing infrastructure bottlenecks impede industrial output and limit broader economic activity. This structural weakness is exacerbated by sluggish private sector investment and subdued consumer confidence, both of which are affected by high inflation and rising interest rates.

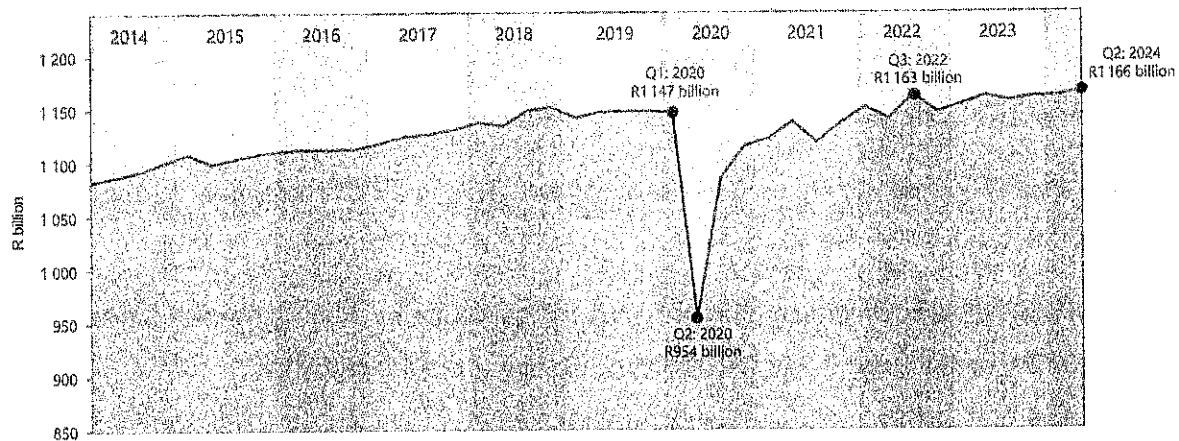
Notwithstanding these challenges, the government has implemented several measures to enhance energy stability and promote sustainable growth. These initiatives include increased investment in renewable energy sources, policy reforms to strengthen regulatory frameworks, and strategies to attract foreign direct investment (FDI). South Africa's labour market, characterized by high levels of unemployment and inequality, further accentuates the

precariousness of its economic recovery. Unemployment rates remain elevated, with youth unemployment being a particularly significant concern. In response, governmental programs have prioritized job creation, particularly within the public sector, although the private sector's capacity to absorb labour remains constrained.

On the external front, South Africa's trade performance has demonstrated relative stability, supported by robust demand for key export commodities including platinum group metals and agricultural products. To realize its potential, a country must navigate a complex policy environment, address energy inefficiencies, and implement structural reforms that promote inclusive growth and long-term stability.

Figure 1 illustrates that the real gross domestic product (GDP), as measured by production, increased by 0.4% in the second quarter of 2024, following 0.0% growth in the first quarter of 2024.

Figure 1: Real GDP (constant 2015 prices, seasonally adjusted)

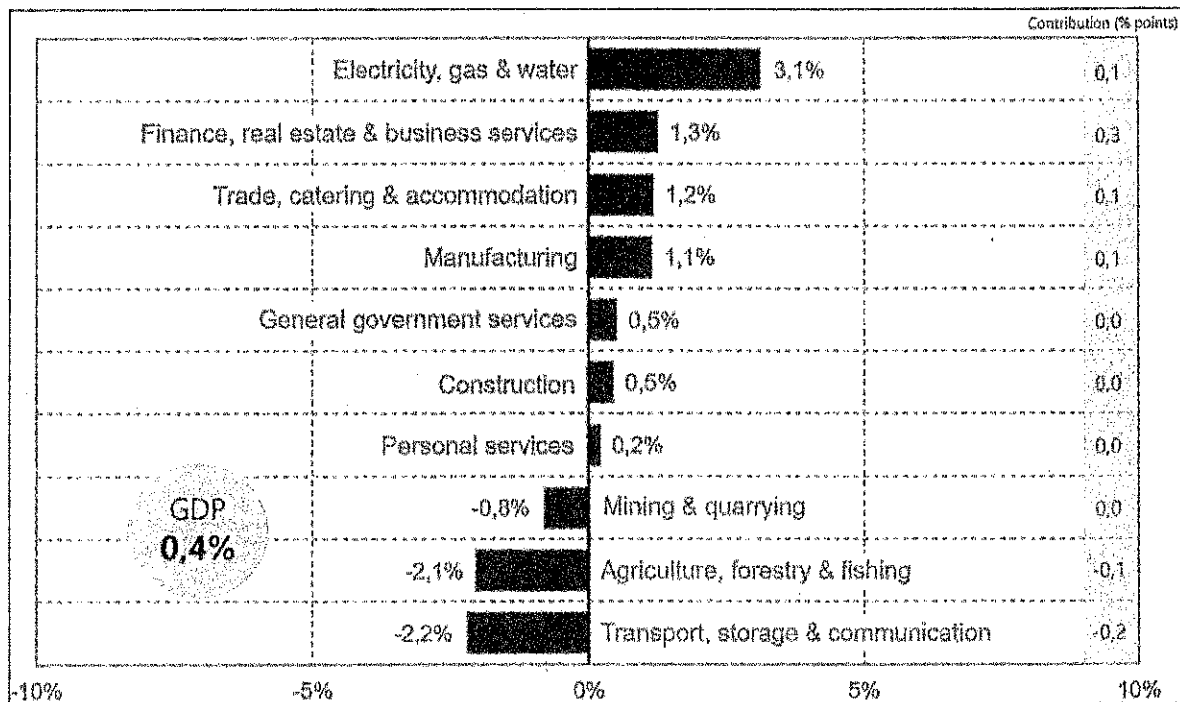


Source: StatsSA, 2024b

Figure 2 illustrates Q3:2023 in comparison with Q2:2023 (constant 2015 prices, seasonally adjusted). Seven industries demonstrated positive growth between the first quarter of 2024 and second quarters of 2024.

- The finance industry increased by 1.3% and contributed 0,3 percentage point to the GDP growth.
- The trade industry increased by 1.2% and contributed 0,1 of a percentage point.
- The manufacturing industry increased by 1.1% and contributed 0.1 of a percentage point.
- The transport industry was the main negative contributor, decreasing by 2.2% and contributing -0.2 of a percentage point.

Figure 2: Industry growth rates – Q3: 2023 compared with Q2: 2023 (constant 2015 prices, seasonally adjusted)

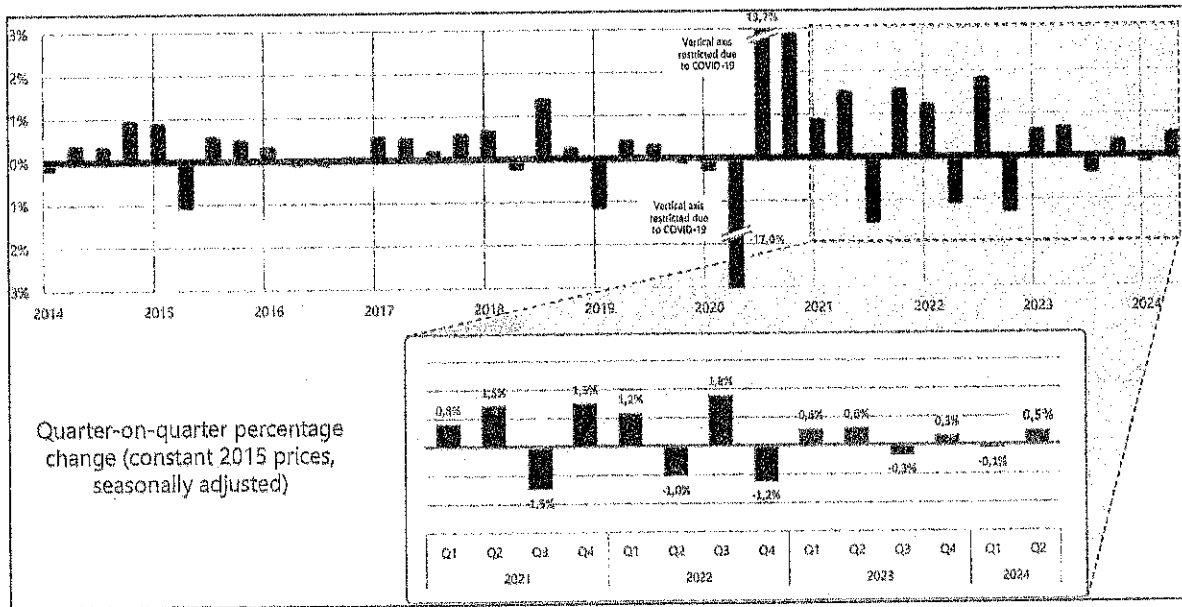


Source: StatsSA, 2024b

Figure 3 exhibit expenditure on GDP. Expenditure on real GDP increased by 0.5% in the second quarter of 2024, following a decrease of 0.1% in the first quarter of 2024.

- Final household consumption expenditure increased by 1.4% in the second quarter of 2024, contributing 0,9 of a percentage point to the total growth.
- The final government consumption expenditure increased by 1.0%, contributing 0.2 percentage point.
- Gross fixed capital formation decreased by 1.4%, contributing -0.2 of a percentage point. Changes in inventories in the second quarter of 2024 contributed to 0.1 percentage point.
- Net exports contributed -0.6 of a percentage point, following a decrease of 0.4% in exports and an increase of 1.7% in imports.

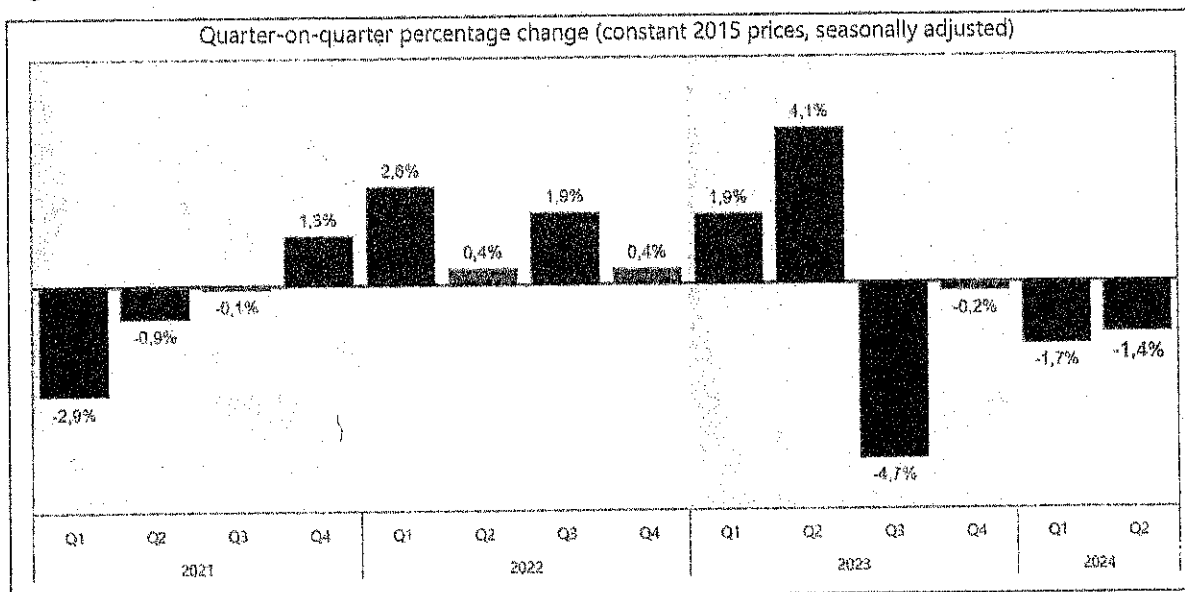
Figure 3: Expenditure on GDP



Source: StatsSA, 2024b

Figure 4 illustrates the gross fixed capital formation (GFCF) growth rate. Gross fixed capital formation decreased by 1.4%, contributing -0.2 percentage point to total growth. The primary negative contributors to the decrease were other assets (-8.4% and contributing -0.9 of a percentage point), construction works (-3.7% and contributing -0.6 of a percentage point), and machinery and other equipment (-1.2% and contributing -0.5 of a percentage point).

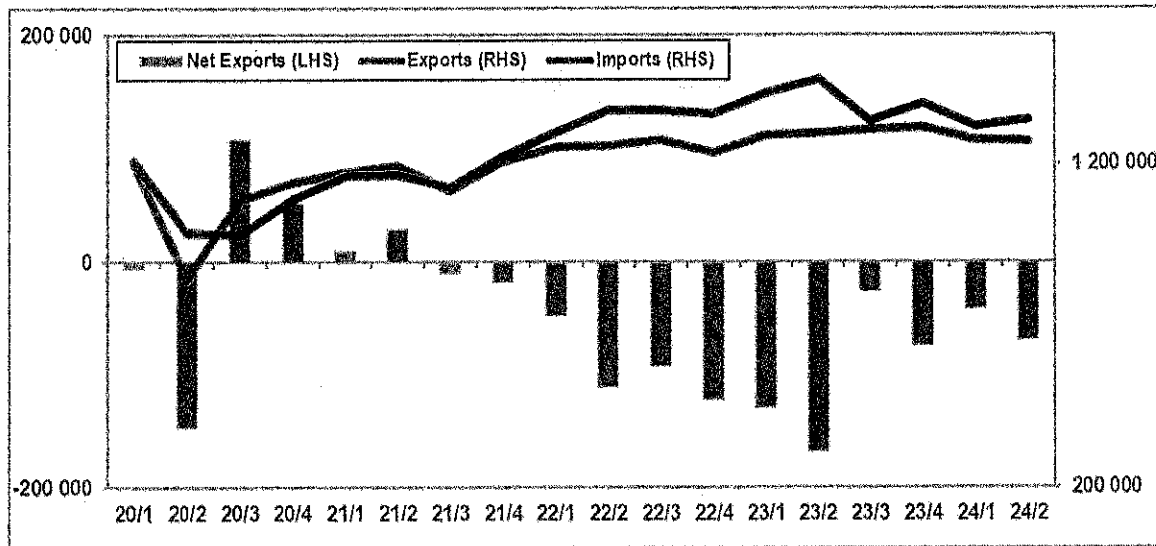
Figure 4: GFCF growth rate (%)



Source: StatsSA, 2024b

Net exports contribute negatively to expenditures on Gross Domestic Product (GDP). The exports of goods and services decreased by 0.4%, primarily influenced by decreased trade in vegetable products, mineral products, vehicles, and transport equipment, excluding large aircraft, base metals, and articles on base metals. Imports of goods and services increased by 1.7%, predominantly due to increased trade in vehicles and transport equipment, excluding large aircraft, vegetable products, mineral products, textiles, and textile articles.

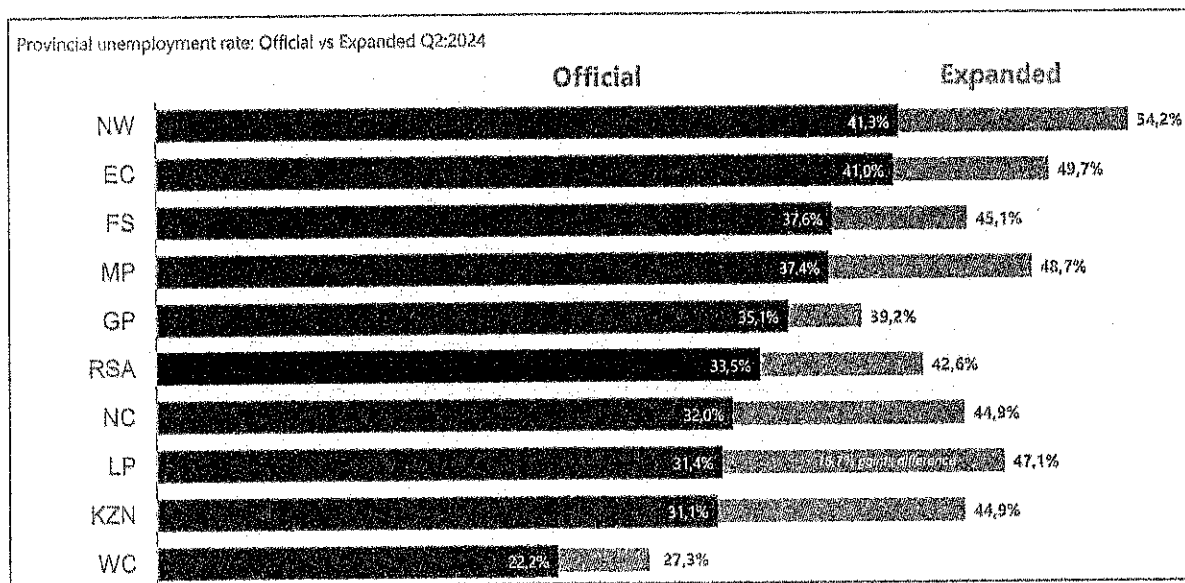
Figure 5: Exports and imports of goods and services



Source: StatsSA, 2024b

According to the QLFS findings, the number of employed persons decreased in the five provinces between Q12024 and Q22024. Employment reductions were observed in Western Cape (65 000), Mpumalanga (50,000), KwaZulu-Natal (49 000), Northern Cape (17 000), and Northwest (12 000). Employment increases were recorded in Gauteng (42 000), followed by Limpopo (31 000), Eastern Cape (25 000), and the Free State (3 000) during the same period. Compared to Q2:2023, the most substantial increase in employment was observed in KwaZulu-Natal (200 000), Gauteng (115 000), and Limpopo (57 000). Eastern, Western, and Northern Cape were the only provinces that experienced decreases in employment, with reductions of 75 000, 37 000, and 9 000, respectively, during the same period. KwaZulu-Natal exhibits the largest year-on-year percentage increase in employment (7.6%).

Figure 6: Official and Expanded unemployment rates across provinces.

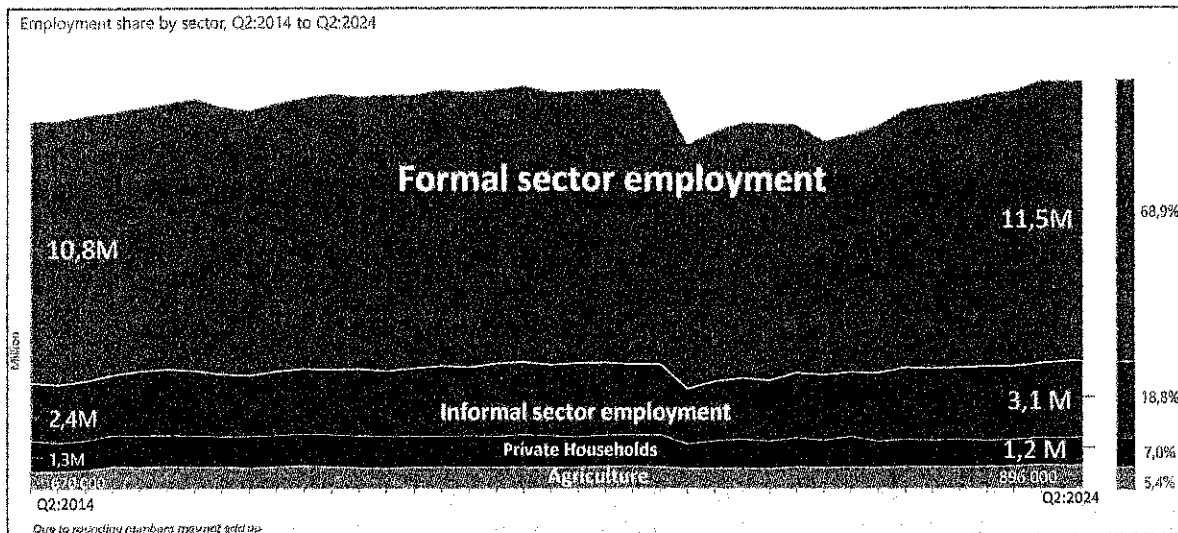


Source: StatsSA, 2024b

The second quarter of 2024 exhibited decreases in formal sector employment within the trade (118 000), finance (24 000), construction (15 000), mining (10 000), and transport (1 000) industries, compared to the first quarter of 2024. Conversely, during the same period, increases in formal sector employment were observed in manufacturing (41 000), community and social services (37 000), and utilities (8 000) sectors.

In comparison to the previous year, a net gain of 138 000 jobs in formal sector employment was primarily attributed to the finance (292 000) and manufacturing (59 000) industries in Q2:2024. Concurrently, employment losses were recorded in the community and social services (111 000), construction (65 000), trade (36 000), and utilities (11 000) industries during this period (Figure 7).

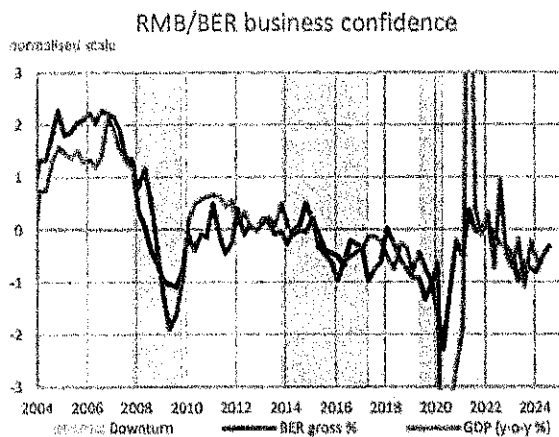
Figure 7: Formal and Informal sector in South Africa



Source: StatsSA, 2024b

Following a five-point increase in the second quarter, the RMB/BER BCI rose by another three points, reaching 38 in the third quarter of 2024. This is the first business sentiment survey in South Africa following the formation of the Government of National Unity (GNU) and reflects cautious optimism about improving business conditions.

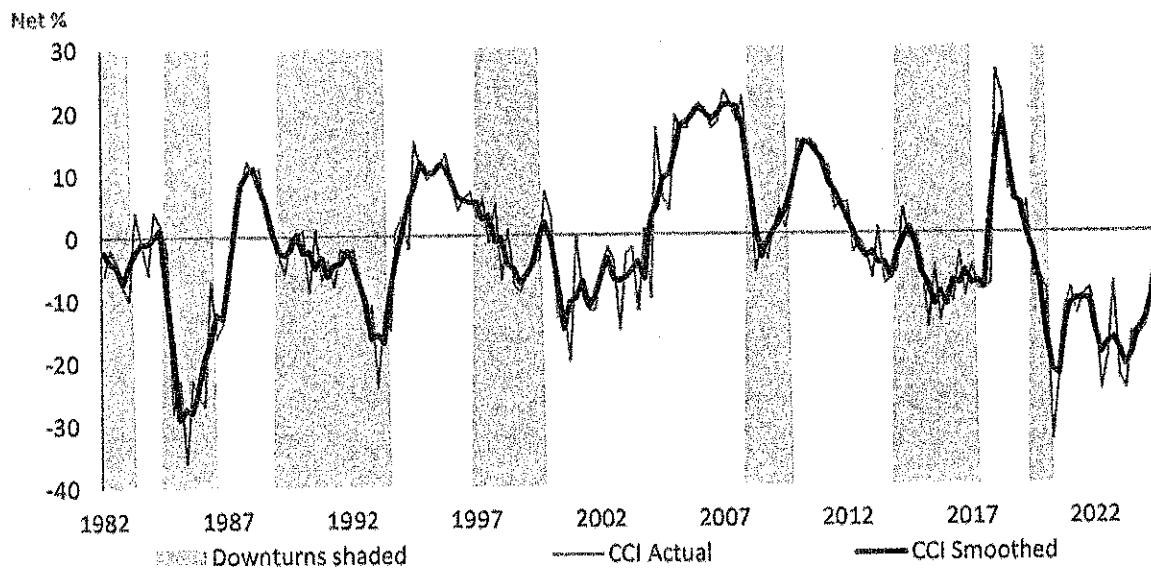
Figure 8: RMB/BER Business Confidence Index



Source: StatsSA, 2024b

The FNB/BER Consumer Confidence Index (CCI) jumped from -10 to -5 index points during the third quarter of 2024, recording its second consecutive 5-point increase. Although the latest reading remains somewhat below the long-term average of the CCI (at zero since 1994), the reading of -5 has been the highest since the first half of 2019.

Figure 9: FNB/BER Consumer Confidence



Source: BER, 2024

Other Key Economic Indicators

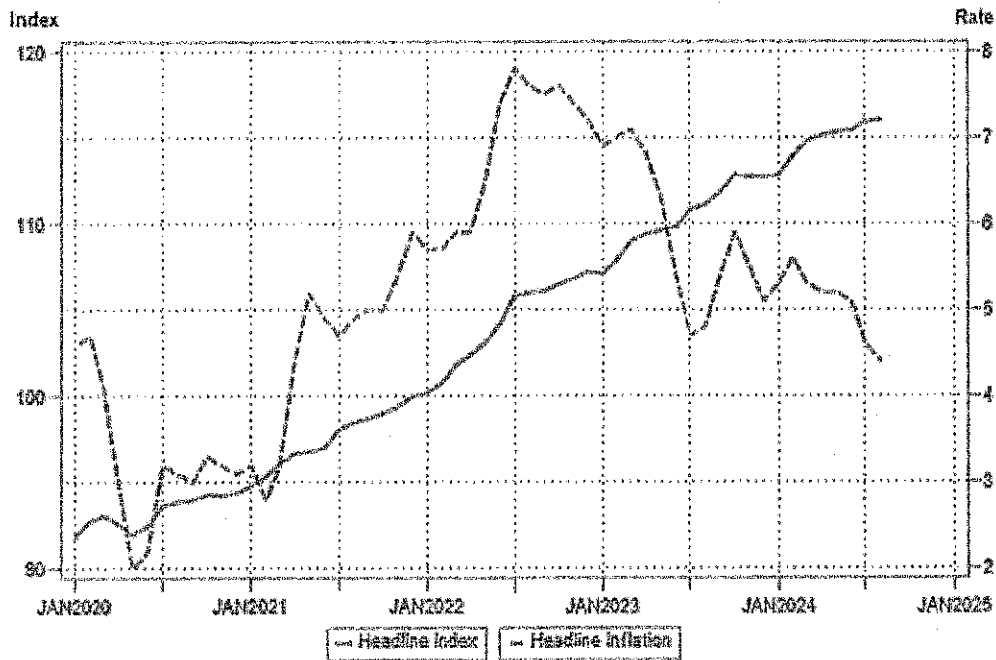
Annual consumer price inflation was 4.4% in August 2024 and decreased from 4.6% in July 2024. The CPI increased by 0.1% month-on-month in August 2024. The main contributors to the 4.4% annual inflation rate are as follows:

- Housing and utilities (4.8% and contributing 1,1 percentage points).
- Miscellaneous goods and services (7.0% and contributing 1.0 percentage point).
- Food and non-alcoholic beverages (4.7% and contributing 0.9 of a percentage point)
- Transport (2.8% and contributing 0.4 of a percentage point).

In August 2024, the annual inflation rate of:

- Goods was 4.4%, down from 4.6% in July 2024; and
- Services was 4.5%, down from 4.7% in July 2024.

Figure 10: CPI headline index numbers and year-on-year rates



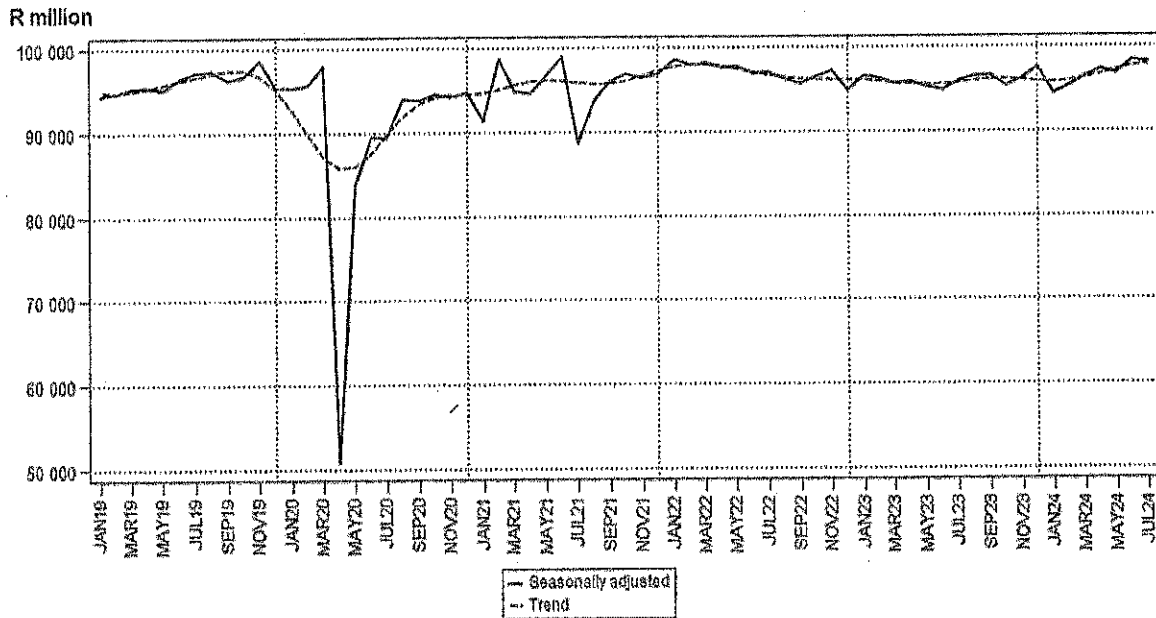
Source: StatsSA, 2024c

Measured in real terms (constant 2019 prices), retail trade sales increased by 2.0% year-on-year in July 2024. The largest positive contributors to this increase were as follows:

- General dealers (4.4% and contributing 1.8 percentage points); and
- Retailers in pharmaceuticals and medical goods, cosmetics, and toiletries (5.9% and contributing 0.5 percentage point).

The largest negative contributor was retailers in hardware, paint, and glass (-6.3% and contributing -0.5 of a percentage point). Seasonally adjusted retail trade sales decreased by 0.2% in July 2024 compared with June 2024. This followed monthly changes of 1.6% in June 2024 and -0.5% in May 2024.

Figure 11: Retail trade sales at constant 2019 price



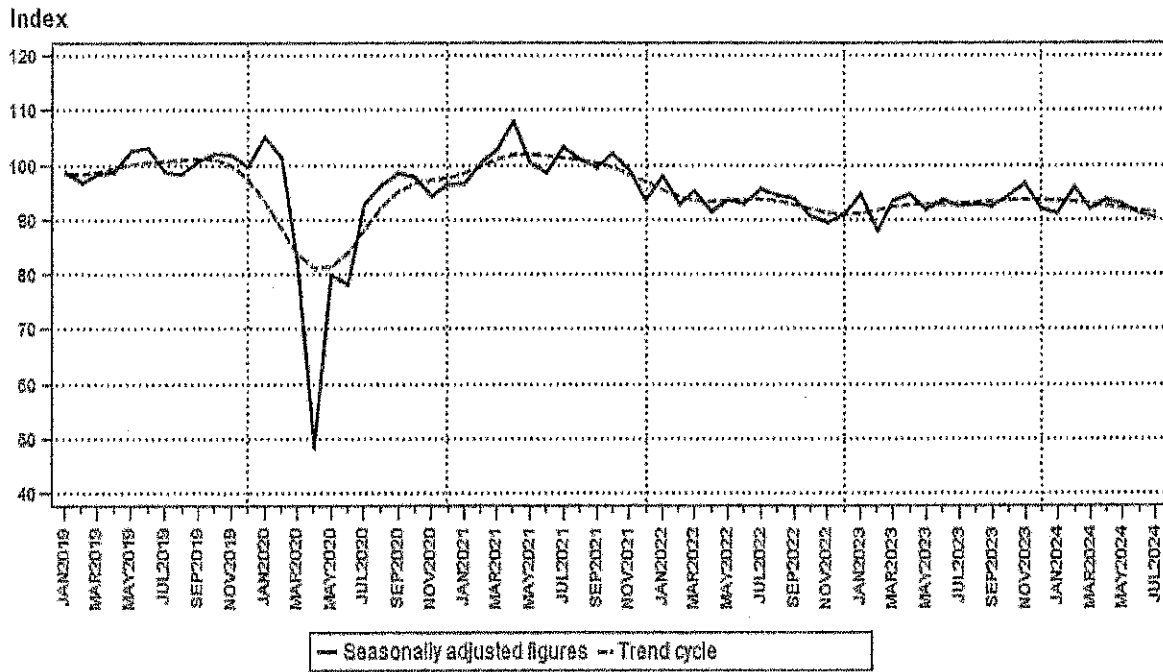
Source: StatsSA, 2024c

Mining production decreased by 1.4% year-on-year in July 2024. The largest negative contributors were as follows.

- Iron ore (-19.0% and contributing -2.8 percentage points);
- 'Other' metallic minerals (-36.2% and contributing -1.1 percentage points); and
- Gold (-3.5% and contributing -0.5 of a percentage point).

Manganese ore (27.0% and contributing 2.0 percentage points) and chromium ore (23.3% and contributing 1.0 percentage point) were the largest positive contributors. Seasonally adjusted mining production decreased by 0.9% in July 2024 compared to that in June 2024. This was followed by month-on-month changes of -1.7% in June 2024 and -0.9% in May 2024.

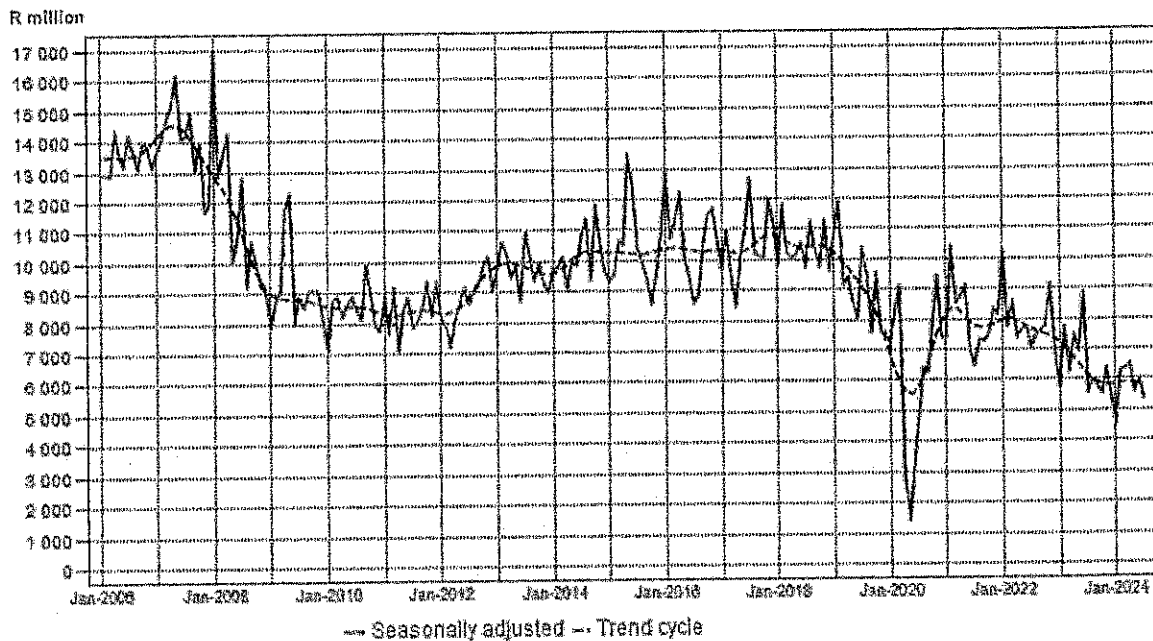
Figure 12: Volume of mining production (Base: 2019=100)



Source: StatsSA, 2024e

The value of the building plans passed (at current prices) decreased by 11.1% (-R6 871.6 million) from January to July 2024 compared with January to July 2023. Decreases were reported for residential buildings (-R4 406.7 million), additions and alterations (-R1 608.4 million) and non-residential buildings (-R856.5 million)

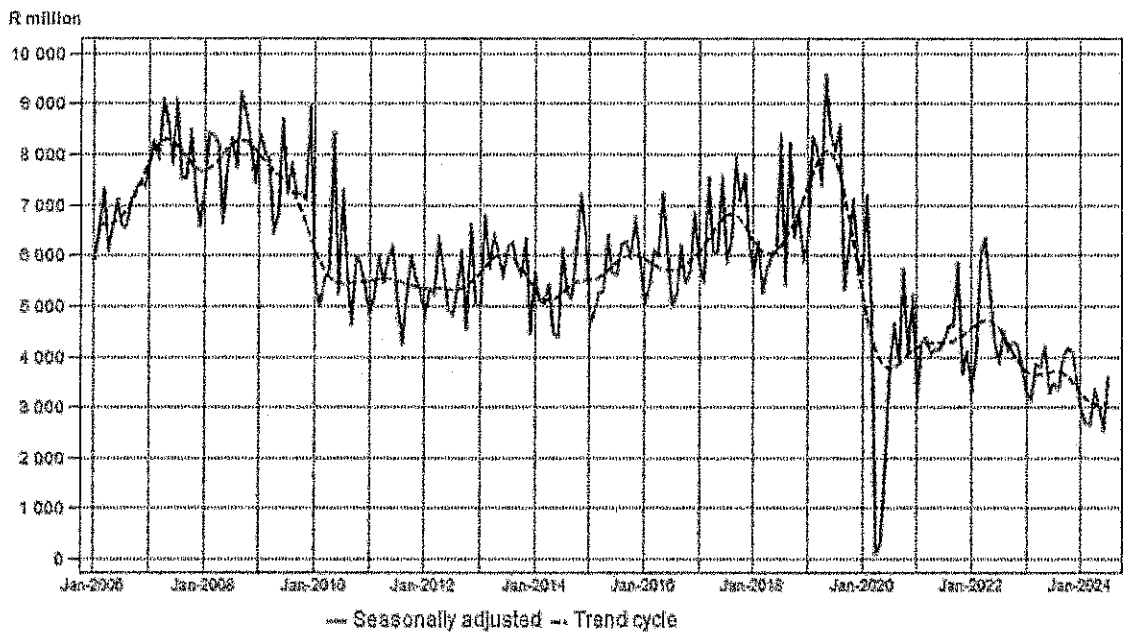
Figure 13: Real value of recorded building plans passed by larger municipalities, Constant 2019 prices.



Source: StatsSA, 2024g

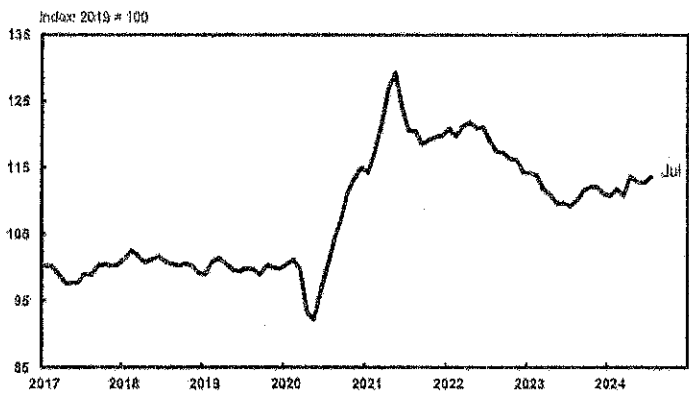
The largest negative contributions to the total decrease of 11.1% (-R6 871.6 million) were made by Gauteng (contributing -6,9 percentage points or -R4 274.4 million) and Western Cape (contributing -5.7 percentage points or -R3 544.7 million). The largest positive contributions were made by KwaZulu-Natal (2.4 percentage points or R1 465.7 million) and North West (1.2 percentage points or R745.5 million)

Figure 14: Real value of buildings reported as completed to larger municipalities



Source: StatsSA, 2024g

Figure 15: Composite leading business cycle indicator



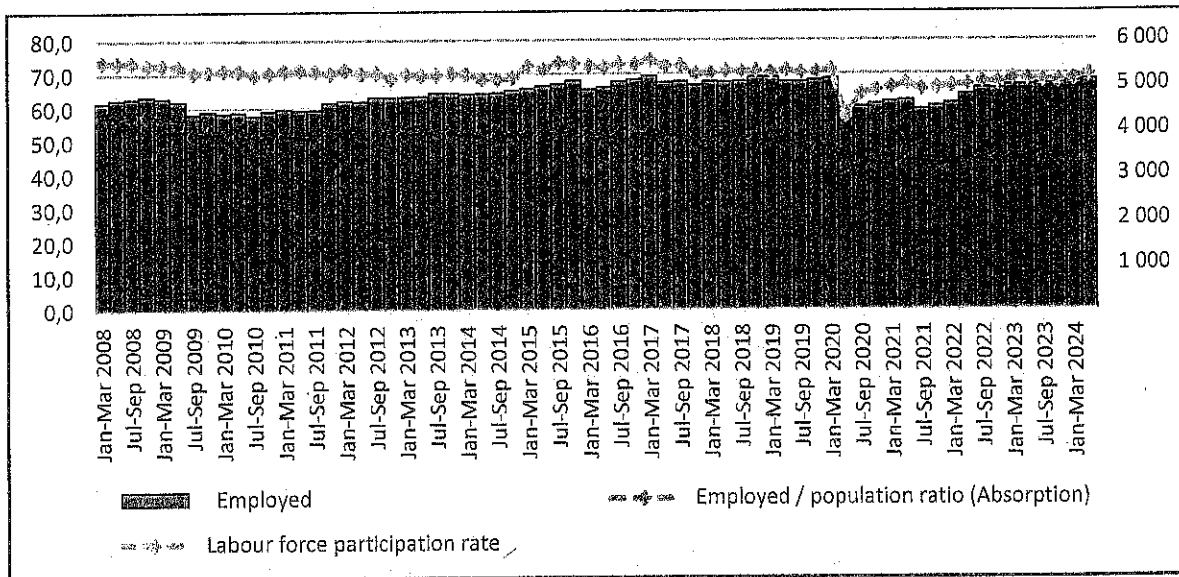
Source: SARB, 2024

The composite leading business cycle indicator increased by 0.7% in July 2024, as increases in six of the ten available component time series outweighed decreases in the remaining four. The largest positive contributors were accelerations in the six-month smoothed growth rates in the job advertisement space and number of new passenger vehicles sold. The largest negative contributors were a narrowing of the interest rate spread and a decrease in South Africa's U.S. dollar denominated export commodity price index. The composite coincident business cycle indicator increased by 0.2% in June 2024 owing to an increase in the real value of retail and new vehicle sales. The composite lagging business cycle indicator will decrease by 0.8% in June 2024.

GAUTENG ECONOMIC OUTLOOK

In Gauteng, employment increased by 15 000 to 5.03 million in Q3:2023, this increase comes after an increase in employment of 31 000 in the third quarter of 2023. Compared to the first quarter of 2020, employment in Gauteng has decreased by 32 000. This means that Gauteng is yet to fully recover from significant job losses as a result of COVID-19. The labour force participation rate increased by 1.2 percentage points from the previous quarter and by 1.2 percentage points compared to the same quarter of 2022. This shows that more people actively participate in the labour market.

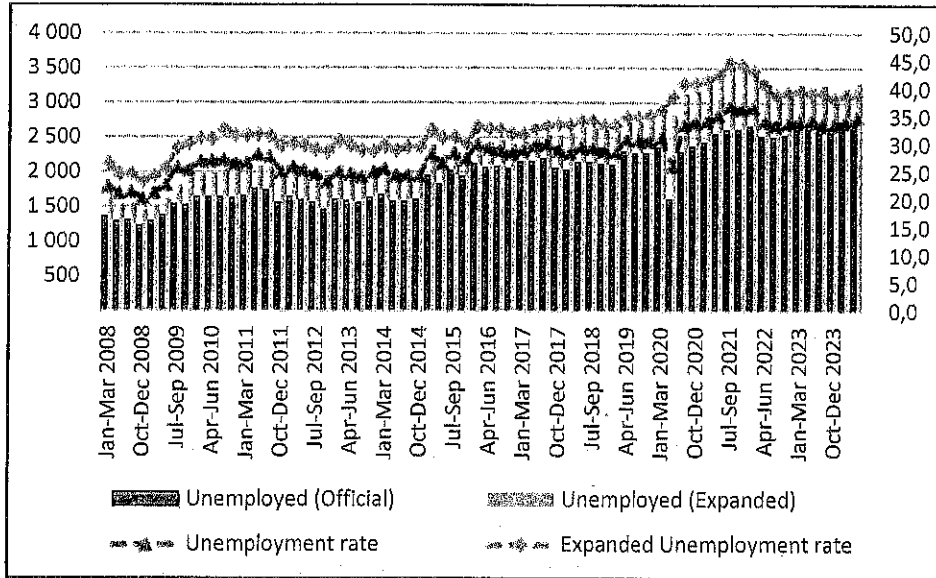
Figure 17 : Labour Force Indicators: Gauteng



Source: StatsSA, 2024a

The graph illustrates unemployment trends in Gauteng from Q1 2008 to Q2 2024. Over this period, there is a clear upward trend in the number of officially unemployed individuals, particularly from around 2014 onwards, with a notable spike during the COVID-19 pandemic in 2020. The unemployment rate (orange dotted line) follows a consistent upward trend, starting at 22.6% in 2008 and increasing to 35.1% in Q2:2024. The sharp increase in 2020 coincides with the pandemic, indicating the severe disruption it caused to the labour market. The expanded unemployment rate (yellow dashed line) remains significantly higher than the official unemployment rate throughout the period, reflecting the broader challenges within the labour market. By Q4:2024, it reached 39.2% in Q2:2024, signifying the widespread difficulty in finding employment in Gauteng.

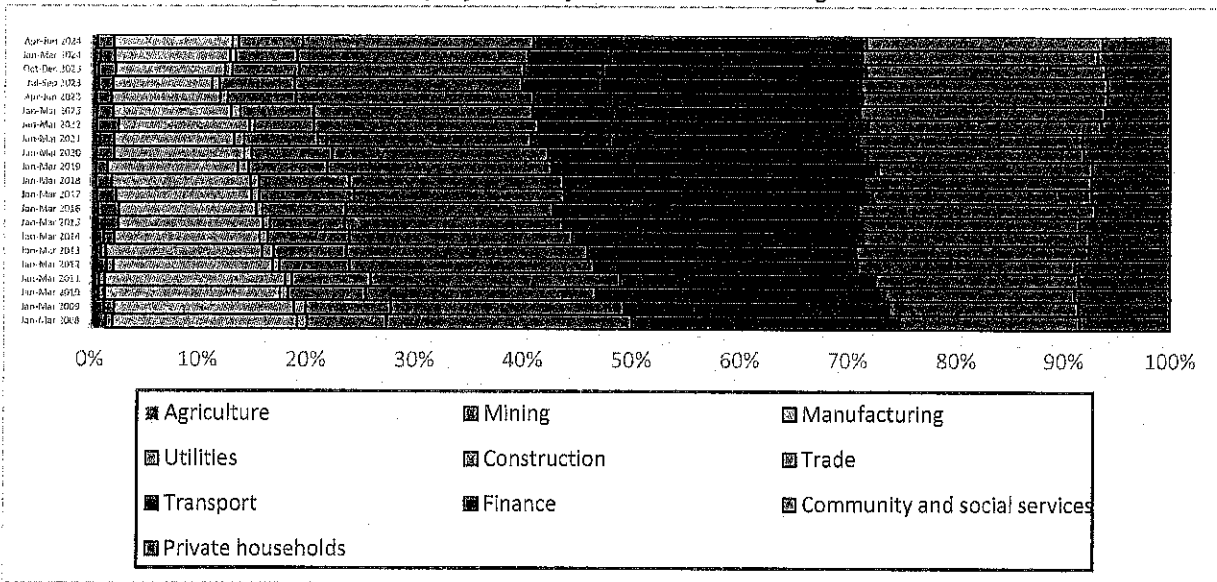
Figure 18: Unemployment in Gauteng



Source: StatsSA, 2024a

Relative to the previous year (Q1:2024), at the provincial level, three sectors recorded net job losses, whereas seven sectors recorded gains. The highest number of jobs was lost in finance (24 000) followed by private households (21 000). The highest gains were experienced in transport 33 000, followed by manufacturing 19 000, community and social services 13 000, mining 11 000 and trade gained 7 000 and utilities 3 000 jobs.

Figure 19: Employment by Sector for Gauteng Province

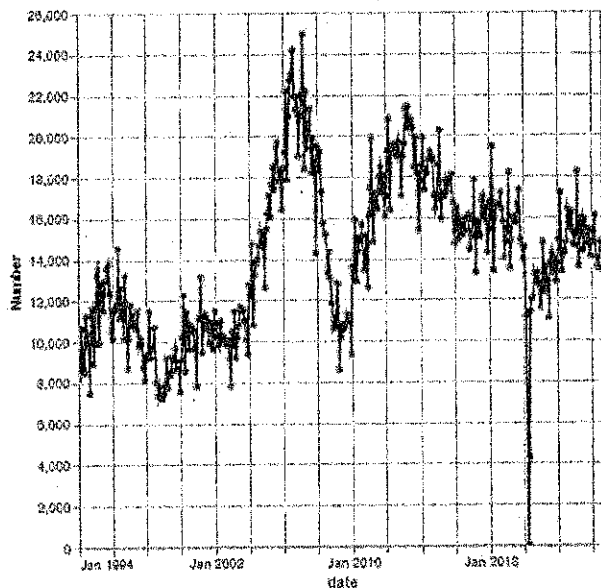


Source: StatsSA, 2024a

Figure 19 shows that in early 2024, there is a relatively stable trajectory, with slight fluctuations in sales across months. This steady movement reflects market stabilization following the post-pandemic recovery seen in 2023. Month-to-month comparisons indicate incremental increases in sales; however, these are not substantial, suggesting cautious consumer confidence in the first part of the year.

When analysing quarter-to-quarter trends, the data show a more pronounced upward shift in sales as 2024 progresses. The sales volume in the second quarter of 2024 surpasses that in the first quarter, indicating a gradual recovery in consumer spending on vehicles. This quarterly improvement may be driven by seasonal factors, economic growth, or temporary relief from external pressures such as inflation or interest rates. Nonetheless, the gains remain modest, indicating that, while the market is recovering, it has not yet reached the levels of pre-pandemic peaks.

Figure 20: Gauteng Vehicle Sales



Source: StatsSA, 2024g

JOHANNESBURG ECONOMIC OUTLOOK

The objective of this chapter is to provide essential information to policymakers within the city by presenting socio-economic data and analysis to evaluate the effectiveness of the city's social and economic policies. The chapter primarily utilizes secondary data to examine the city's demographic, socioeconomic, economic, and basic service delivery profiles. Understanding current economic indicators and conditions, such as employment rates and sectoral performance, is crucial for shaping a city's development trajectory. For instance, high unemployment rates highlight the need for job creation initiatives, while the performance of key sectors can identify areas with growth potential or those requiring support. By analysing economic indicators, a strategy can be developed to address specific challenges and opportunities within the region, ensuring that interventions are both relevant and effective.

Johannesburg, the largest city in South Africa and a hub for international trade, possesses a dynamic and diverse economy encompassing finance, manufacturing, mining, logistics,

tourism, information technology, and creative industries. Historically, Johannesburg has been a significant economic centre for South Africa and the African continent. Although Johannesburg remains the largest metro in terms of population and economic output, macroeconomic variables, such as inflation, sluggish GDP growth, high unemployment, and poor investment conditions, have negatively impacted its economic environment. Furthermore, the Covid-19 pandemic has exacerbated socio-economic hardships in vulnerable communities across various sectors.

Johannesburg's economy is characterized by its dynamism and global reach, with the services sector comprising a significant portion of its economic output. In fact, the services sector accounts for 78% of the city's GDP, with its largest industries including finance, insurance, real estate, and business services (28% of GDP); community services (24% of GDP—encompassing government); retail and wholesale trade (15% of GDP); and transportation, storage, and communication (9% of GDP). Additionally, the City's manufacturing sector, which falls under the secondary sector of the economy, also makes a substantial contribution to its economic output, accounting for 15% of the GDP. Although the City's origins are rooted in gold mining, the dominant sector of the economy has shifted. Modern Johannesburg's foundations are in gold mining, but the city's features and key economic strengths have evolved and may now be best summarized as follows:

- The city is widely acknowledged as a prominent regional financial, business, and trading hub on a global scale.
- It boasts a substantial diversified economy, which contributes positively to the agglomeration effects for businesses of all sizes.
- Moreover, the city and its surrounding areas in Gauteng Province function as key transport, logistics, and communication hubs for the region.
- The city's infrastructure, comprising air, road, and rail links, provides seamless connectivity to the South and Southern African markets and the global marketplace.
- The city is home to a significant presence of multinational corporations and is recognized as a regional headquarters for major corporations.
- Furthermore, Johannesburg is a melting pot of cultures, offering a consumer market of approximately 6.1 million people and a potential labour force within the borders of Gauteng Province.
- Additionally, the city has a thriving informal sector, although many workers are compelled to seek livelihoods in this sector because of the high demand for jobs.

Johannesburg, like many other large cities in the developing world, faces tremendous obstacles. Some are relics of the country's racist apartheid history, while others are the consequences of more recent global, regional, and local political, social, and economic processes. The following are the most significant economic challenges:

- High levels of poverty and inequality in Johannesburg, with 51.1% of the population living below the upper poverty income line, as defined by Statistics SA.
- Income inequality in South Africa is among the highest in the world, and stark contrasts exist between rich and poor income levels, living conditions, and access to services, resources, and opportunities.
- High levels of unemployment, with an official rate of unemployment in the city of 34.3% from April to June 2024. An inadequate rate of job creation is a major challenge to

overcome, being the result of flagging economic growth, suboptimal education and training system outcomes, a skill mismatch in the labour market with an abundant supply of semi-skilled and unskilled workers, and a shortage of skills.

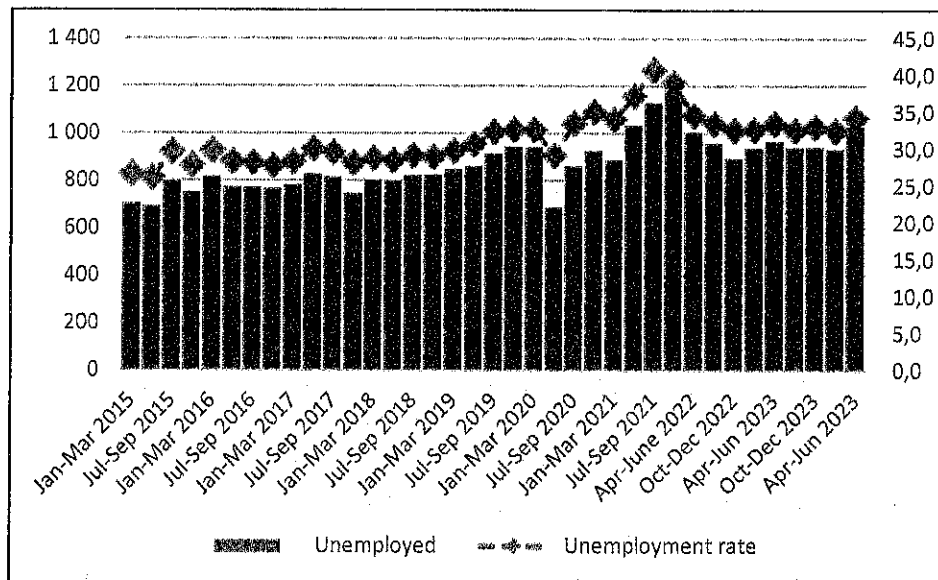
- Lagging economic growth and low rates of investment in production capacity and physical infrastructure. South Africa's infrastructure constraints extend beyond the electricity realm. Despite the substantial recovery in global commodity prices in 2022, the country's mining exports were unable to fully capitalize on this upswing. This can be attributed to the sabotage, vandalism, and scarcity of locomotives experienced by the state-owned railway operator, Transnet. Moreover, water shortages are anticipated to persist and intensify, posing a threat to the mining, agriculture, automobile, and energy sectors, all of which are heavy water users.
- Uneven spatial economic development in Johannesburg, flowing from the discriminatory ideology of the apartheid era, has left a legacy of inadequately served dormitory townships on the outer periphery of the city. It has also created a fragmented and inefficient urban form. A subsequent influx of migrants from elsewhere in South Africa and the African Region has also led to mushrooming informal settlements and overcrowding in inner-city areas. For residents of townships and informal settlements, this has meant hardship-poor access to services, long commutes to places of work, overcrowding, and a lack of adequate and decent housing. Access to decent housing, services, and jobs requires spatial development that takes jobs to people and people closer to them.

Promoting entrepreneurship, innovation, enterprise growth, and competitiveness in order to grow the economy and create jobs is a priority. Developing and supporting micro, small, and medium-sized entrepreneurs; enhancing skills development; promoting research, innovation, and technology adoption; and attracting and retaining corporate investment are among the focus areas required.

Labour

The City of Johannesburg's economic outlook primarily comprises an analysis of the labour force utilizing the Quarterly Labor Force Survey (QLFS). This analysis then draws implications for the local economy, based on global and national economic trends. The labour force of a nation consists of individuals of working age (above a certain age and below retirement) who actively participate as workers, that is, those who are either employed or seeking employment. This group is also referred to as the economically active population (EAP). Students, retirees, stay-at-home parents, individuals in prisons or similar institutions, those employed in jobs or professions with unreported income, and discouraged workers who are unable to find employment were excluded from this group.

Figure 1: Official Unemployment Rate



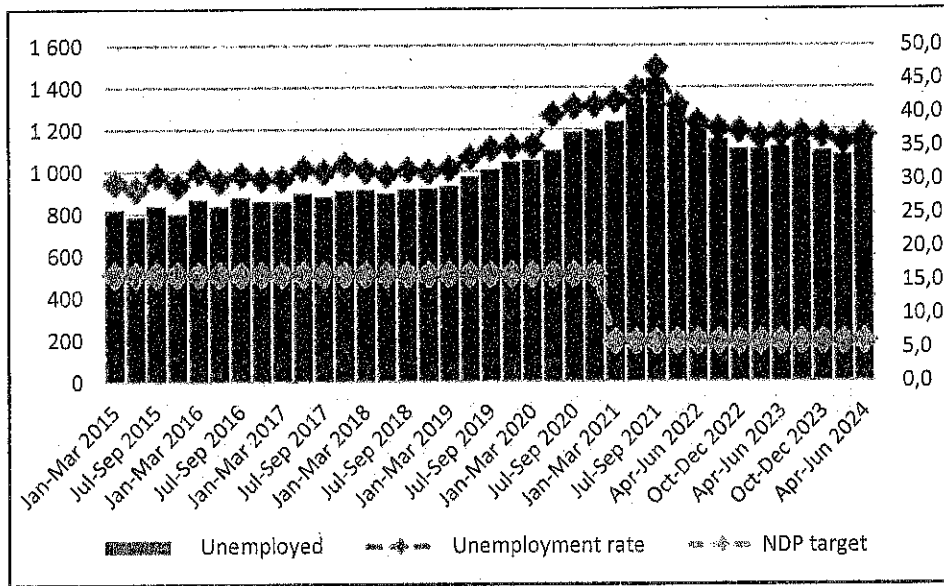
Source: StatsSA, 2024

The City of Johannesburg unemployment trend has, on average, been on a downward trajectory since the third quarter of 2021. The unemployment rate has declined from 40.8% in Q3 2021 to 34.3 percent in Q2:2024, representing a decline of 6.5 percentage points. Compared with the same quarter of 2023, unemployment increased by 0.8 percentage points. The number of unemployed persons has increased from 969 000 in 2023: Q2 to 1.03 million in 2024:Q2.

The official unemployment rate in Johannesburg is higher (34.3%) than that in the country (33.5%) and lower than that in Gauteng (35.1%). The City has a higher labour force participation rate (72.0%) than the country (60.6%) and province (69.7%).

Within the Gauteng metros, the City of Ekurhuleni has the lowest unemployment rate 33,4% followed by Johannesburg (34.3%), and Tshwane (35.3%). Johannesburg has the lowest unemployment from the expanded definition within Gauteng (36.6%), followed by Tshwane (37.6%) and Ekurhuleni (39.2%). The other contributing factor to the higher unemployment rate in Johannesburg is fewer discouraged work seekers and the working-age population. Johannesburg, the largest metropolitan area in South Africa, is a major hub for both internal and external migrants. This can be attributed to its status as the economic centre of Gauteng, the driving force behind the national economy, as well as its close proximity to two other metropolitan municipalities, Tshwane and Ekurhuleni. Furthermore, its location makes it easily accessible to neighbouring countries. The city's economy has consistently generated a substantial number of job opportunities annually, attracting workers from all skill levels, including professionals and skilled, semi-skilled, and unskilled individuals. However, the unemployment rate in the city will continue to deviate from the national target of 6% by 2030, which is a cause of concern.

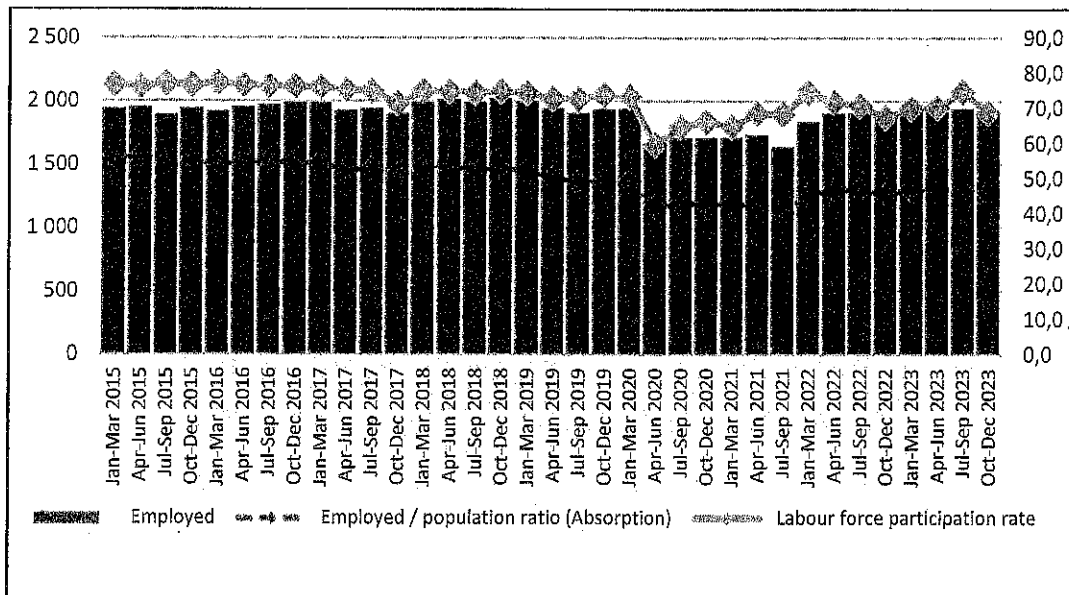
Figure 2: Expanded definition of unemployment



Source: StatsSA, 2024

The expanded definition of unemployment is important in that it examines unemployment comprehensively by including discouraged workers. This entails that it includes those who actively seek employment and those who have given up. The trend for expanded unemployment, similar to official unemployment, mirrors each other with downward trends since Q3:2021. The expanded unemployment rate decreased from 46.7% in 2021: Q3 to 36.6% in Q2:2024 which entails that the number of unemployed people decreased from 1.44 million to 1.14 million during the same period. The expanded unemployment rate in the city is lower than that of the country (42.6%) and province (39.2%).

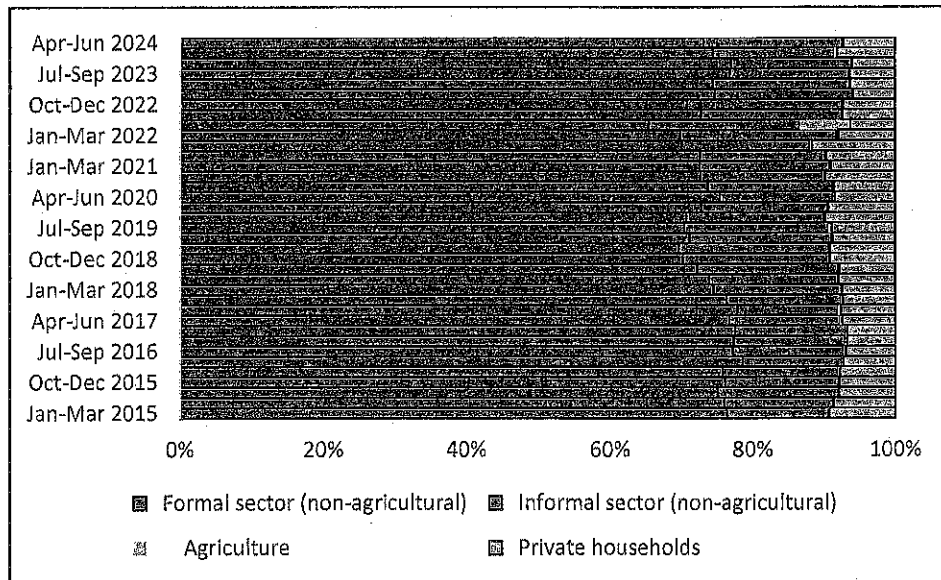
Figure 3: Labour force characteristics



Source: StatsSA, 2024

In general, Johannesburg's employment rebounded from its pre-COVID-19 levels in Q12020. 1.98 million individuals were employed in the second quarter of 2024, which translates to 25 000 additional jobs recovered from the pre-COVID numbers (2019: Q2). Positive employment trends are also evident in the city, where there has been a 50 000 rise in jobs over the same period last year. Although it is still -2.1 percentage points lower than it was prior to the COVID-19 pandemic, the employment absorption ratios are improving progressively. Positive trends may also be seen in the labour force participation rate, which has been rising since Q3 2020. This can be explained by the fact that many people began looking for work following the strict lockdown measures of Q2 2020.

Figure 4: Employment by Sector



Source: StatsSA, 2024

Total employment can be divided into formal and informal sector employment. Formal sector employment is measured from the formal business side, and informal employment is measured from the household side, where formal businesses have not been established. Formal employment is much more stable than informal employment is. Informal employment is much harder to measure and manage because it cannot be tracked through the formal business side of the economy. However, informal employment is a reality in South Africa and cannot be ignored.

The number of formal sector non-agricultural employed in City of Johannesburg Metropolitan Municipality counted 1.45 million in Q2:2024, which is about 73.26 percent of total employment, while the number of people employed in the informal sector (non-agricultural) counted 383 000 or 19.37 percent of the total employment. Private household employment accounted for 143 000 jobs in the city, or 7.24 percent of the jobs in the city.

The data presented reveal the influence of low national economic growth and inadequate national infrastructure, such as a weak electricity supply, on the city's economy. Most industries in the city failed to make substantial contributions in terms of average annual economic growth. Consequently, there is a need to focus on sustaining industrial sectors while fostering a knowledge-based and service-oriented economy by implementing appropriate industry development strategies and attracting investments to construct infrastructure and stimulate growth in the city.

To achieve higher economic growth, a city must expand its workforce capabilities on a large scale. Improved educational outcomes will likely lead to increased investment opportunities, resulting in more employment prospects and a lower unemployment rate. Although social grants have a positive impact on poverty reduction in cities, job creation is the most crucial factor for reducing poverty. An accelerated reduction in poverty can be achieved most efficiently through a better-educated and more skilled workforce. Moreover, enhanced educational outcomes can eliminate skill constraints, which increase the premium for skilled labour, resulting in lower levels of income inequality.

Assistance and support ought to be provided to floundering industries, particularly those that are labour-intensive, such as agro-processing, manufacturing, tourism, small and medium-sized enterprises (including the informal sector), and construction. To achieve inclusive growth, it is imperative to develop a clear vision for each industry, which will be facilitated by the local economic development plan currently underway. This plan will help industries achieve growth and foster economic participation.

In conclusion, the DED strives to attain inclusive growth for the city by examining the extent to which people living in specific regions can benefit from economic growth and national prosperity as well as their ability to participate in the economy. It is crucial to scrutinize the differences between regions to identify geographical patterns in economic inclusion and prosperity.

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