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16 January 2024

APPROVAL OF THE QUARTERLY ECONOMIC REVIEW FOR Q2 2024/2025

I approve the Quarterly Economic Review (QER) for the second 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 Q2 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.

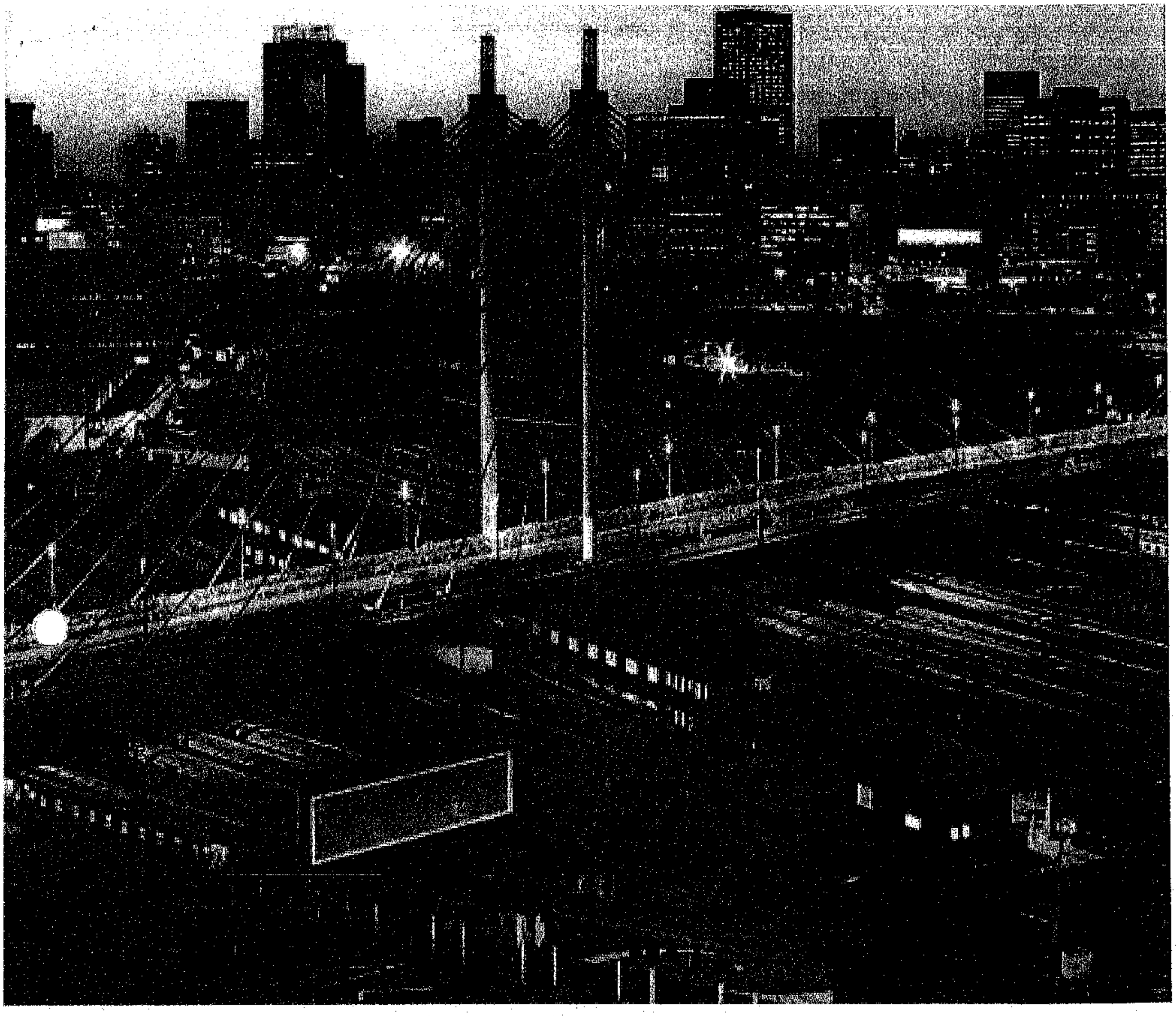
I thank the team for their diligent work in compiling this comprehensive report. Their efforts are vital to our mission of achieving sustainable economic development and improving the socio-economic well-being of our citizens.

Please proceed with disseminating this review to all relevant stakeholders.

APPROVED/NOT APPROVED

Mathopane Masha
Executive Director
Department of Economic Development

06|01|2025
DATE



2024/2025 QUARTER 2

(OCT-DEC 2024)

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World Economic Outlook

The global economic landscape remains a complex interplay of stability and uncertainty. With growth projections maintaining a steady rate of 3.2 percent for 2024 and 2025, the outlook reflects a subdued trajectory shaped by both regional upgrades and downgrades. While the United States (US) benefits from an improved forecast, significant challenges in major European economies and disruptions in emerging markets due to geopolitical tensions, commodity disruptions, and extreme weather events temper global optimism. Despite these impediments, emerging Asia demonstrates resilience, driven by increasing demand for semiconductors and advancements in artificial intelligence.

Table 1. Overview of the World Economic Outlook Projections

		Projections		Difference from July 2024 *WEO Update*[1]		Difference from April 2024 WEO[1]	
	2023	2024	2025	2024	2025	2024	2025
World Output	**3.3**	**3.2**	**3.2**	**0.0**	**-0.1**	**0.0**	**0.0**
Advanced Economies	**1.7**	**1.8**	**1.8**	**0.1**	**0.0**	**0.1**	**0.0**
United States	2.9	2.8	2.2	0.2	0.3	0.1	0.3
Euro Area	0.4	0.8	1.2	-0.1	-0.3	0.0	-0.3
Germany	-0.3	0.0	0.8	-0.2	-0.5	-0.2	-0.5
France	1.1	1.1	1.1	0.2	-0.2	0.4	-0.3
Italy	0.7	0.7	0.8	0.0	-0.1	0.0	0.1
Spain	2.7	2.9	2.1	0.5	0.0	1.0	0.0
Japan	1.7	0.3	1.1	-0.4	0.1	-0.6	0.1
United Kingdom	0.3	1.1	1.5	0.4	0.0	0.6	0.0
Canada	1.2	1.3	2.4	0.0	0.0	0.1	0.1
Other Advanced Economies[2]	1.8	2.1	2.2	0.1	0.0	0.1	-0.2
Emerging Market and Developing Economies	**4.4**	**4.2**	**4.2**	**0.0**	**-0.1**	**0.1**	**0.0**
Emerging and Developing Asia	5.7	5.3	5.0	-0.1	-0.1	0.1	-0.1
China	5.2	4.8	4.5	-0.2	0.0	0.2	0.4
India[3]	8.2	7.0	6.5	0.0	0.0	0.2	0.0
Emerging and Developing Europe	3.3	3.2	2.2	0.0	-0.3	0.1	-0.6
Russia	3.6	3.6	1.3	0.4	-0.2	0.4	-0.5
Latin America and the Caribbean	2.2	2.1	2.5	-0.3	-0.2	0.2	0.0
Brazil	2.9	3.0	2.2	0.9	-0.2	0.8	0.1
Mexico	3.2	1.5	1.3	-0.7	-0.3	-0.9	-0.1
Middle East and Central Asia	2.1	2.4	3.9	0.0	0.0	-0.4	-0.3
Saudi Arabia	-0.8	1.5	4.6	-0.2	-0.1	-1.1	-1.4
Sub-Saharan Africa	3.6	3.6	4.2	-0.1	0.1	-0.2	0.1
Nigeria	2.9	2.9	3.2	-0.2	0.2	-0.4	0.2
South Africa	0.7	1.1	1.5	0.2	0.3	0.2	0.3
Memorandum							
World Growth Based on Market Exchange Rates	2.8	2.7	2.8	0.0	0.0	0.0	0.1
European Union	0.6	1.1	1.6	-0.1	-0.2	0.0	-0.2
ASEAN-5[4]	4.0	4.5	4.5	0.1	-0.1	0.1	0.0
Middle East and North Africa	1.9	2.1	4.0	-0.1	0.1	-0.6	-0.2
Emerging Market and Middle-Income Economies	4.4	4.2	4.2	-0.1	0.0	0.1	-0.1
Low-Income Developing Countries	4.1	4.0	4.7	-0.2	-0.4	-0.5	-0.4
World Trade Volume (goods and services)	**0.8**	**3.1**	**3.4**	**0.0**	**0.0**	**0.1**	**0.1**
Imports							
Advanced Economies	-0.7	2.1	2.4	-0.3	-0.3	0.1	-0.4
Emerging Market and Developing Economies	3.0	4.6	4.9	0.4	0.1	-0.3	0.8
Exports							
Advanced Economies	1.0	2.5	2.7	-0.1	-0.2	0.0	-0.2
Emerging Market and Developing Economies	0.6	4.6	4.6	0.4	0.5	0.9	0.7
Commodity Prices (US dollars)							
Oil[5]	-16.4	0.9	-10.4	0.1	-4.4	3.4	-4.1
Nonfuel (average based on world commodity import weights)	-5.7	2.9	-0.2	-2.1	-1.8	2.8	0.2
World Consumer Prices[6]	**6.7**	**5.8**	**4.3**	**-0.1**	**-0.1**	**-0.1**	**-0.2**
Advanced Economies[7]	4.6	2.6	2.0	-0.1	-0.1	0.0	-0.1
Emerging Market and Developing Economies[6]	8.1	7.9	5.9	-0.1	0.0	-0.3	-0.2

Source: IMF, 2024

Inflationary pressures are attenuating, with global inflation projected to decline steadily over the next two years. However, downside risks ranging from financial volatility to geopolitical instability underscore the necessity for prudent fiscal policies and structural reforms to foster resilience and sustainable growth. Multilateral cooperation will be essential in addressing these challenges and capitalizing on opportunities in the evolving global economy. Economic growth is projected to remain constant at 3.2 percent in 2024 and 2025; however, certain low-income and developing economies have experienced significant downward revisions in growth projections, frequently associated with escalating conflicts.

What factors contribute to the decline in inflation? The surge and subsequent decline in global inflation reflects a unique combination of shocks: broad supply disruptions coupled with strong demand pressures in the aftermath of the pandemic, followed by sharp increases in commodity prices caused by the war in Ukraine. These shocks led to an upward shift and a steepening of the relationship between economic activity and inflation, known as the Phillips curve. As supply disruptions eased and monetary policy tightening began to constrain demand, normalization in labour markets facilitated a rapid decline in inflation without a significant deceleration in economic activity. Evidently, a substantial portion of the disinflation can be attributed to the unwinding of the shocks themselves, followed by improvements in labour supply, often associated with immigration. However, monetary policy also played a crucial role by helping to maintain anchored inflation expectations, thereby avoiding detrimental wage-price spirals and a recurrence of the severe inflation experience of the 1970s. The return of inflation to levels approximating central bank targets establishes the conditions for a necessary policy triple pivot. The first pivot, concerning monetary policy, has commenced. Since June, major central banks in advanced economies have initiated reductions in their policy rates, shifting their policy stance toward a neutral position. This adjustment will support economic activity at a time when many advanced economies' labour markets are exhibiting signs of weakness, characterized by rising unemployment rates. Additionally, it will contribute to mitigating downside risks.

The alteration in global monetary conditions is alleviating the pressure on emerging market economies, with their currencies appreciating against the US dollar and financial conditions improving. This will facilitate the reduction of imported inflation pressures, enabling these countries to pursue their own disinflation trajectory more readily. However, vigilance remains imperative. Inflation in services remains excessively elevated, nearly twice as high as before the pandemic. Some emerging market economies are experiencing a resurgence of inflationary pressures, occasionally due to elevated food prices. Furthermore, we have entered an era dominated by supply disruptions from climate, health, and geopolitics. It is inherently more challenging for monetary policy to maintain price stability when confronted with such shocks, which simultaneously increase prices and reduce output. Finally, while inflation expectations have remained well-anchored in this instance, it may prove more difficult in the future, as workers and firms will be more vigilant in safeguarding their standards of living and profits going forward.

The second pivot pertains to fiscal policy. Fiscal space is also a fundamental component of financial stability. Following years of expansionary fiscal policy, it is now imperative to stabilize debt dynamics and reconstruct much-needed fiscal buffers. While the decline in policy rates provides some fiscal relief by lowering funding costs, this will not be sufficient, particularly as long-term real interest rates are significantly above pre-pandemic levels. In numerous countries, primary balances, the difference between fiscal revenues and public expenditures net of debt service, need to improve. For some countries, such as the US and China, debt dynamics are not stabilized under current fiscal plans. In many others, while initial fiscal plans showed promise after the pandemic and cost-of-living crises, there are increasing indications of deviation. The path is narrow: unduly delaying adjustment increases the risk of disorderly market-imposed adjustments, while an excessively abrupt turn toward fiscal consolidation would be counterproductive and detrimental to economic activity. Success necessitates adhering to the course by implementing gradual and credible multi-year adjustments without delay, where consolidation is necessary. The more credible and disciplined the fiscal adjustment, the more monetary policy will be able to assume a supporting role. However, the willingness and ability to deliver disciplined and credible adjustments have been lacking.

The third pivot, and arguably the most challenging, pertains to structural reforms. Substantial efforts are required to enhance growth prospects and increase productivity, as this represents the sole means of addressing the numerous challenges we face: rebuilding fiscal buffers, addressing aging and declining populations in many regions, managing young and growing populations in Africa seeking opportunities, addressing the climate transition, increasing resilience, and improving the living conditions of the most vulnerable, both within and across nations. Unfortunately, medium-term global growth remains suboptimal, at 3.1 percent. While this largely reflects China's weakened outlook, medium-term prospects in other regions, such as Latin America and the European Union, have also deteriorated. The recently published Draghi report provides a candid assessment of the diminished prospects in the region and the associated challenges. Confronted with increased external competition and structural weaknesses in manufacturing and productivity, numerous countries are implementing industrial and trade policy measures to safeguard their workforce and industries. While these measures can occasionally stimulate investment and economic activity in the short term—particularly when relying on debt-financed subsidies they often provoke retaliation, are unlikely to yield sustained improvements in living standards domestically or internationally, and should be firmly opposed when they do not carefully address well-identified market failures or national security concerns. Instead, economic growth must stem from ambitious domestic reforms that foster technology and innovation, enhance competition and resource allocation, further economic integration, and stimulate productive private investment.

SOUTH AFRICA'S ECONOMIC OUTLOOK

In the forthcoming triennium, the South African economy is anticipated to exhibit an average growth rate of 1.6 percent. This outlook is underpinned by the anticipated resurgence in household consumption as inflationary pressures subside, coupled with increased fixed investments in the energy sector. Persistent power interruptions and operational inefficiencies in freight rail and port systems continue to impede economic activities and restrict the nation's export capabilities. While comprehensive reforms are being implemented in these sectors, a tangible recovery in growth is expected to be gradual. Household spending remains constrained by elevated living expenses, and investment levels are subdued due to diminished confidence and challenging business conditions stemming from structural limitations. South Africa has endured a prolonged period of sluggish economic expansion. Since 2012, the annual GDP growth has averaged a mere 0.8 percent, perpetuating high unemployment rates and widespread poverty.

Figure 1 demonstrates that the real gross domestic product (GDP), as measured by production, decreased by 0.3 percent in the third quarter of 2024, following an increase of 0.3 percent in the second quarter of 2024. Figure 1: Real GDP (constant 2015 prices, seasonally adjusted)

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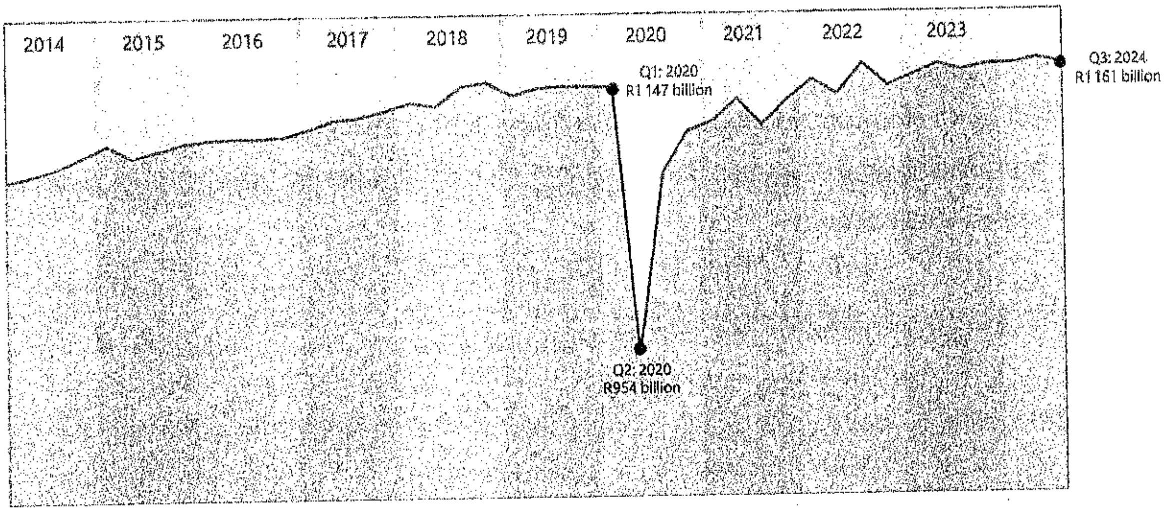

Source: StatsSA, 2024b

Figure 2 demonstrates that four industries exhibited negative growth between the second and third quarters of 2024.

- The agriculture industry was the most significant negative contributor, declining by 28.8 percent and contributing -0.7 of a percentage point to the negative GDP growth.
- The transport industry decreased by 1.6 percent, contributing -0.1 of a percentage point.
- The finance industry was the largest positive contributor, increasing by 1.3 percent and contributing 0.3 of a percentage point.
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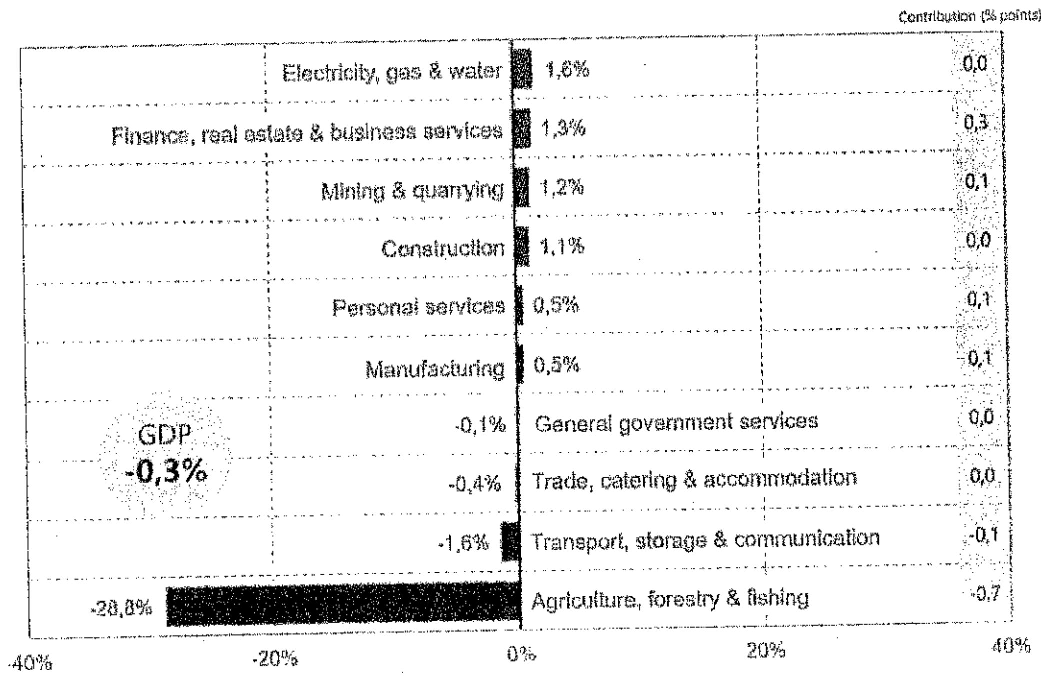
Figure 2: Industry growth rates, Q3: 2024 compared with Q2: 2024 (constant 2015 prices, seasonally adjusted)

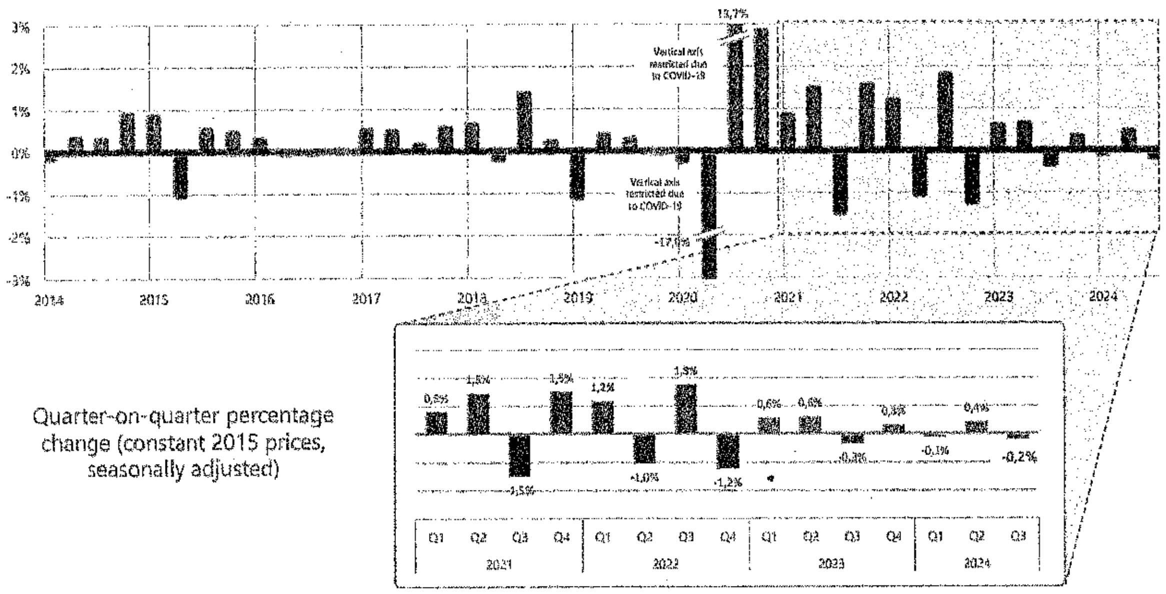


Source: StatsSA, 2024b

Figure 3 illustrates that expenditure on real GDP decreased by 0.2 percent in the third quarter of 2024, following an increase of 0.4 percent in the second quarter of 2024.

- Household final consumption expenditure increased by 0.5 percent, contributing 0.3 of a percentage point to the total negative growth.
- Government final consumption expenditure decreased by 0.5 percent, contributing -0.1 of a percentage point.
- Gross fixed capital formation increased by 0.3 percent.
- Changes in inventories in the third quarter of 2024 contributed -0.5 of a percentage point.
- Net exports contributed 0.1 of a percentage point, following decreases of 3.7 percent and 3.9 percent in exports and imports respectively.

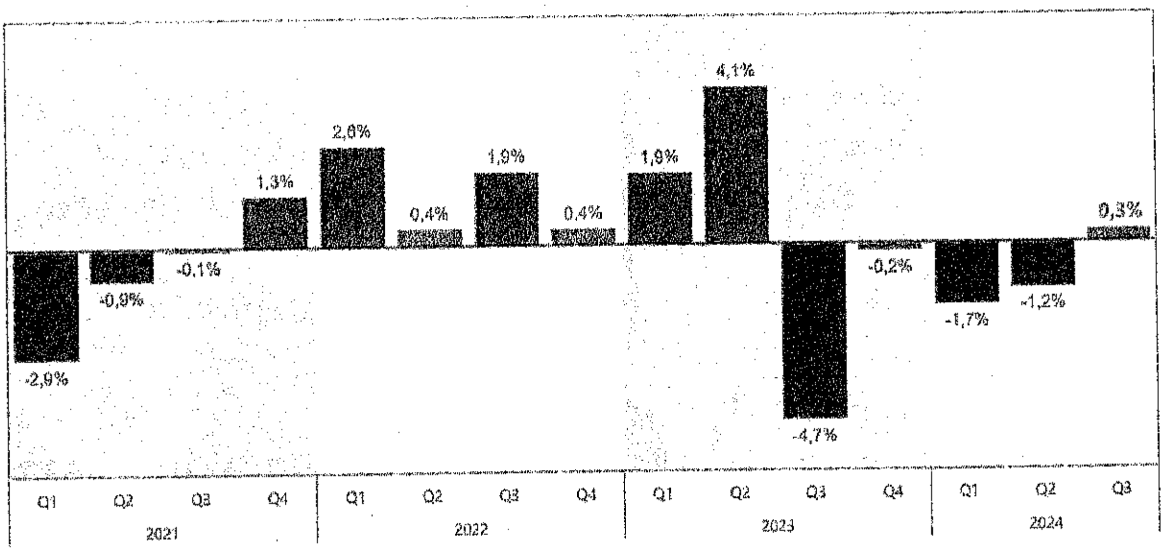
Figure 3: Expenditure on GDP



Source: StatsSA, 2024b

Figure 4 demonstrates that gross fixed capital formation increased by 0.3 percent. The primary positive contributors to this increase were other assets2 (4.4 percent and contributing 0.5 of a percentage point), construction works (1.4 percent and contributing 0.2 of a percentage point), and machinery and other equipment (0.5 percent and contributing 0.2 of a percentage point).

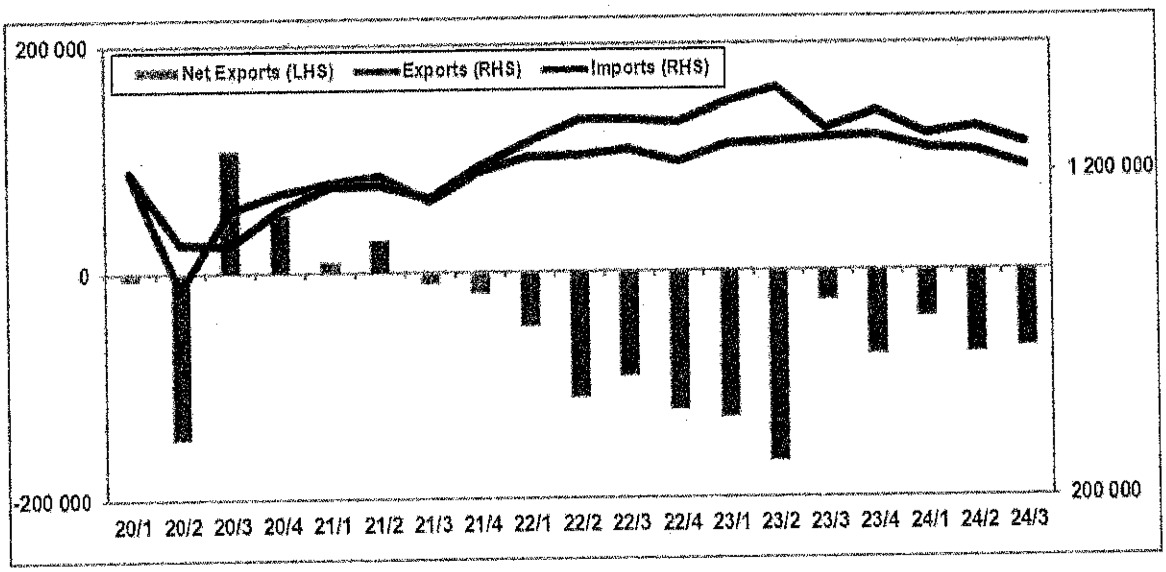
Figure 4: GFCF growth rate (%)



Source: StatsSA, 2024b

Figure 4 illustrare that net exports contributed positively to expenditure on Gross Domestic Product (GDP). Exports of goods and services decreased by 3.7 percent, primarily influenced by reduced trade in pearls, precious and semi-precious stones and precious metals; vehicles and transport equipment excluding large aircraft; chemical products; base metals and articles of base metals; and machinery and electrical equipment. Imports of goods and services decreased by 3.9 percent, predominantly influenced by reduced trade in vehicles and transport equipment excluding large aircraft; mineral products; vegetable products; and base metals and articles of base metals.

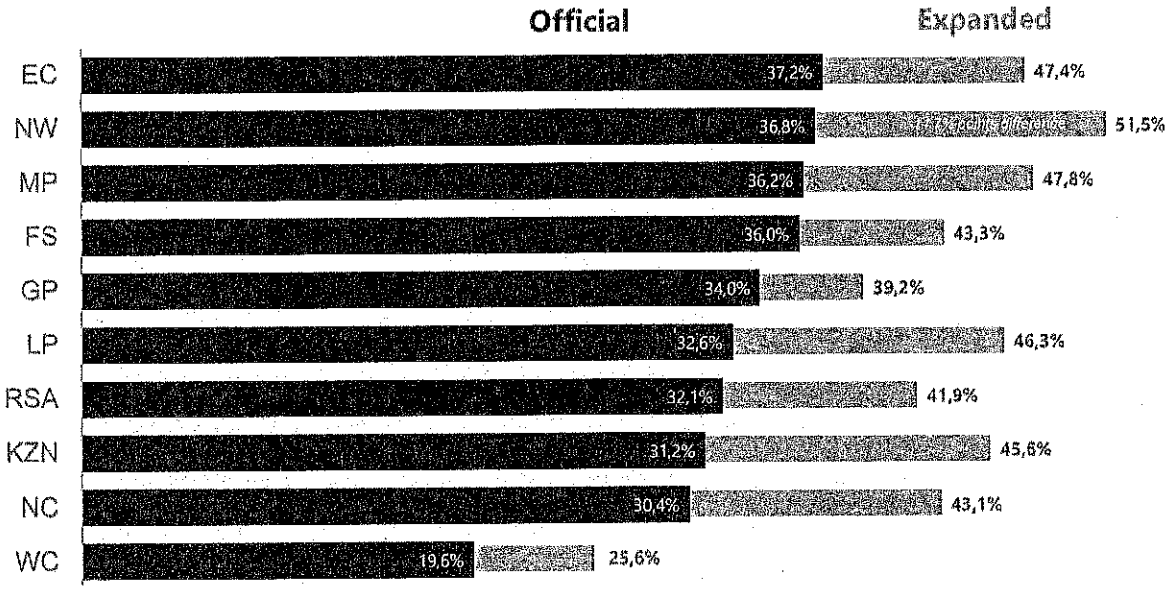
Figure 5: Exports and imports of goods and services



Source: StatsSA, 2024b

Figure 6 demonstrates that the official unemployment rate decreased by 1.4 percentage points to 32.1 percent in Q3: 2024 compared with Q2: 2024. The official unemployment rate decreased in seven of the nine provinces. The most substantial decreases were observed in North West (4.5 percentage points), followed by Eastern Cape (3.8 percentage points) and Western Cape (2.6 percentage points). Increases in the unemployment rate were observed in Limpopo (1.2 percentage points) and KwaZulu-Natal (0.1 of a percentage point). Year-on-year, the official unemployment rate increased by 0.2 of a percentage point. The official unemployment rate increased in five provinces. Increases in the unemployment rate were observed in Northern Cape (4.1 percentage points), followed by KwaZulu-Natal and Limpopo (1.8 percentage points each), Mpumalanga (0.7 of a percentage point) and Gauteng (0.3 of a percentage point). The decreases in the unemployment rate were observed in Free State (2.5 percentage points), North West (1.8 percentage points), Eastern Cape (1.6 percentage points) and Western Cape (0.6 of a percentage point). The expanded unemployment rate decreased by 0.7 of a percentage point in Q3: 2024 compared with Q2: 2024. All provinces exhibited a decrease in the expanded unemployment rate, except for KwaZulu-Natal where the rate increased by 0.7 of a percentage point, and Gauteng where the rate remained unchanged. The most substantial decreases were observed in North West (2.7 percentage points), followed by Eastern Cape (2.3 percentage points), Northern Cape and Free State (1.8 percentage points each) and Western Cape (1.7 percentage points). Compared with the same period last year, the expanded unemployment rate increased by 0.7 of a percentage point in Q3: 2024. Six out of the nine provinces exhibited increases in the expanded unemployment rate. The most substantial increases in the expanded unemployment rate were observed in Eastern Cape (3.5 percentage points), followed by Limpopo (1.2 percentage points) and Northern Cape and Mpumalanga (1.1 percentage points each). Decreases in the expanded unemployment rate were observed in Free State (1.4 percentage points) and Gauteng (0.2 of a percentage point), while Western Cape remained unchanged.

Figure 6: Official and Expanded unemployment rates across provinces.

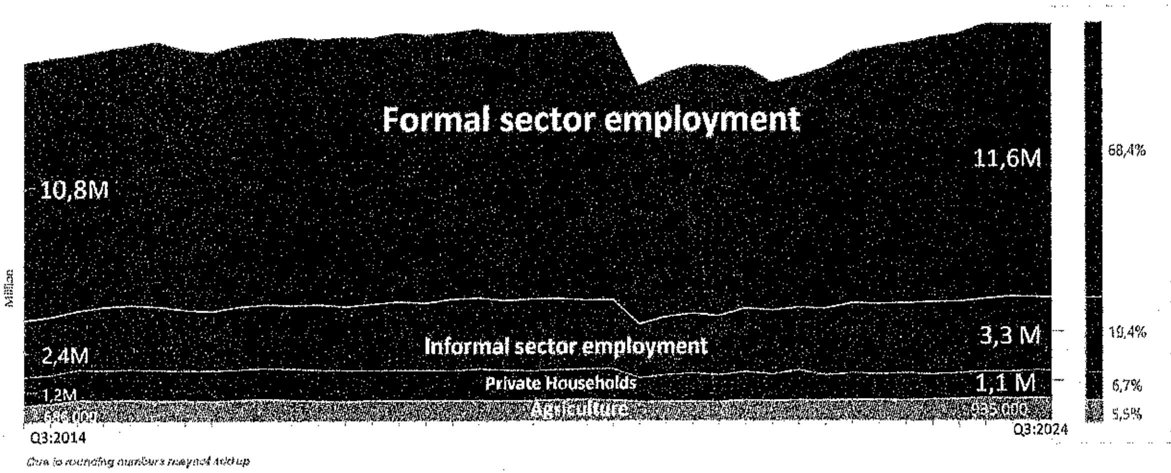


Source: StatsSA, 2024a

Figure 7 shows that the third quarter of 2024 exhibited increases in formal sector employment within the Community and social services (128,000), Construction (85,000), Trade (63,000), Mining (31,000), and Transport (11,000) industries compared to the second quarter of 2024. Concurrently, decreases in formal sector employment were observed in Finance (173,000) and Manufacturing (18,000), while Utilities remained constant. In comparison to the previous year, a net loss of 27,000 jobs in formal sector employment was primarily attributed to the Finance (111,000), Construction (102,000), and Community and social services (85,000) industries in Q3: 2024. Employment gains were noted in Manufacturing (111,000), Mining (64,000), Transport (62,000), Trade (39,000), and Utilities (1,000) industries during the same period.

Following an increase of 48,000 in Q2: 2024, informal sector employment rose by 165,000 in Q3: 2024. Employment in the formal sector increased by 122,000 in Q3: 2024 compared to Q2: 2024.

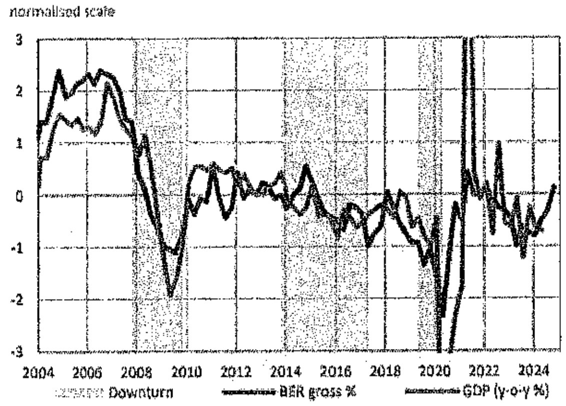
Figure 7: Formal and Informal sector in South Africa



Source: StatsSA, 2024a

Figure 8 illustrates a notable increase in the RMB/BER Business Confidence Index (BCI), which ascended to 45 index points during the fourth quarter of 2024, representing a significant rise from the previous quarter's 38 points. This metric indicates that slightly less than half of the surveyed individuals express satisfaction with the prevailing business landscape. The index has demonstrated a consistent upward trend for three consecutive quarters, now positioning it approximately 20 points above its recent low of 27, observed in the second quarter of 2023. Notably, this positive shift in sentiment correlates with enhanced business activity and improved economic conditions relative to the preceding quarter.

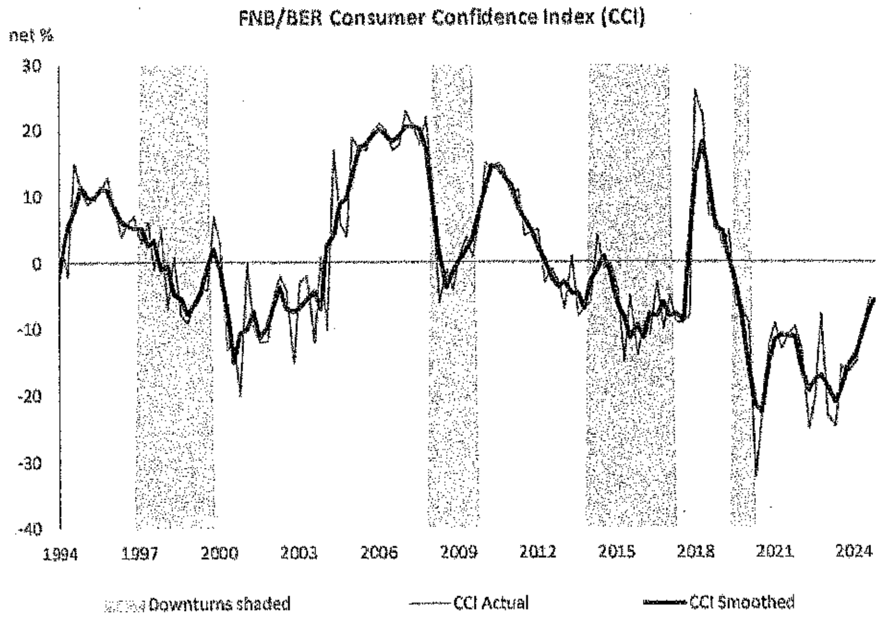
Figure 8: RMB/BER Business Confidence Index



Source: BER, 2024

Having increased from -15 index points in the first quarter of 2024 to a 5-year high of -5 in the third quarter, the FNB/BER Consumer Confidence Index (CCI) decreased by one point to -6 during the fourth quarter. Nevertheless, retail sales during the holiday season are anticipated to remain robust.

Figure 9: FNB/BER Consumer Confidence



Source: BER, 2024

Other Key Economic Indicators

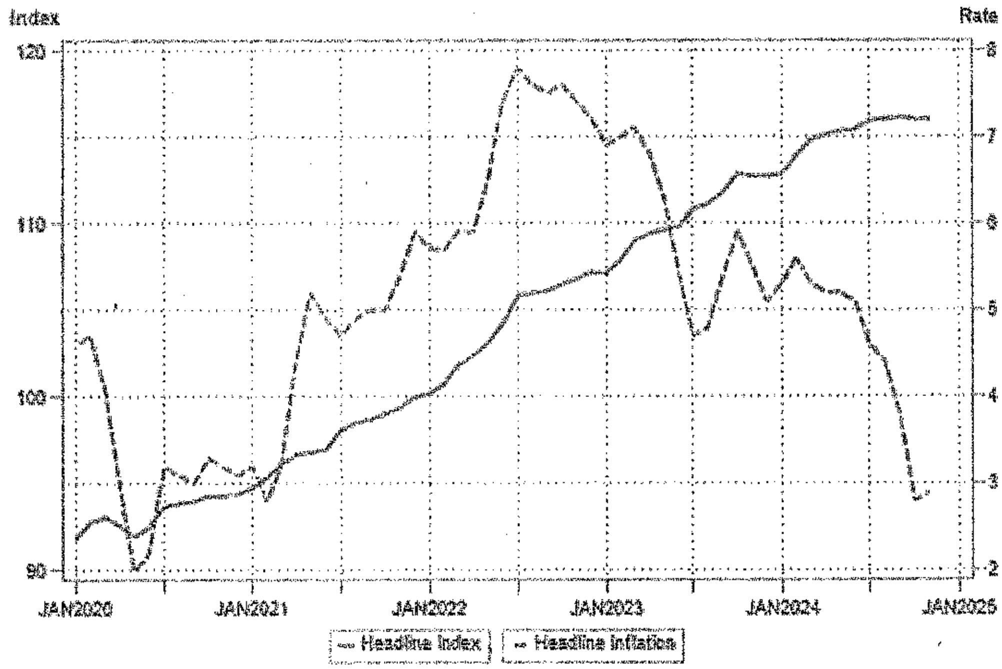
Annual consumer price inflation was 2.9 percent in November 2024, an increase from 2.8 percent in October 2024. The CPI remained unchanged month-on-month in November 2024. The primary contributors to the 2.9 percent annual inflation rate were:

- Housing and utilities (4.7 percent and contributing 1.1 percentage points);
- Miscellaneous goods and services (6.6 percent and contributing 1.0 percentage point);
- Food and non-alcoholic beverages (2.3 percent and contributing 0.4 of a percentage point); and
- Alcoholic beverages and tobacco (4.5 percent and contributing 0.3 of a percentage point).
- Transport was the sole negative contributor (-3.3 percent and contributing -0.5 of a percentage point)

In November 2024, the annual inflation rate for:

- goods was 1.6 percent, an increase from 1.4 percent in October 2024; and
- services was 4.3 percent, a decrease from 4.4 percent in October 2024.

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



Source: StatsSA, 2024c

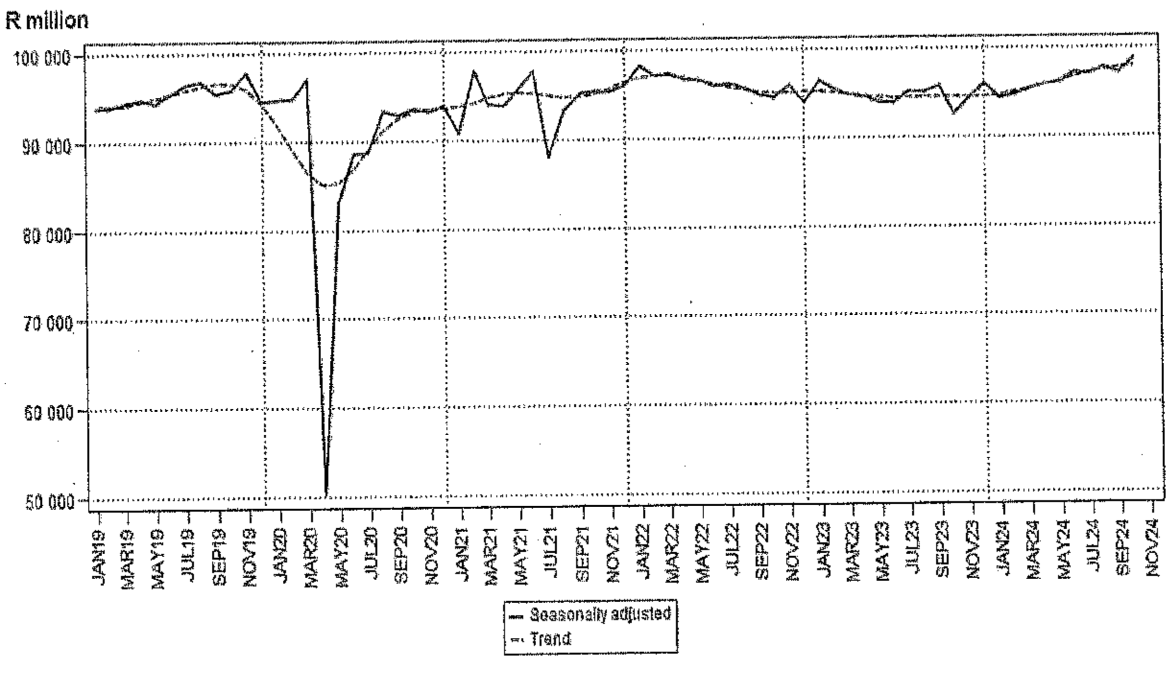
Measured in real terms (constant 2019 prices), retail trade sales exhibited a 6.3 percent year-on-year increase in October 2024. The primary positive contributors to this increase were:

- General dealers (11.5 percent and contributing 4.9 percentage points);
- Retailers in household furniture, appliances and equipment (16.6 percent and contributing 0.7 of a percentage point);
- Retailers in textiles, clothing, footwear and leather goods (3.1 percent and contributing 0.5 of a percentage point); and
- Retailers in pharmaceuticals and medical goods, cosmetics and toiletries (5.3 percent and contributing 0.4 of a percentage point).

The sole negative contributor was retailers in hardware, paint and glass (-3.7 percent and contributing -0.3 of a percentage point)

Seasonally adjusted retail trade sales demonstrated a 1.6 percent increase in October 2024 compared with September 2024. This followed month-on-month changes of -0.6 percent in September 2024 and 0.7 percent in August 2024.

Figure 11: Retail trade sales at constant 2019 price



Source: StatsSA, 2024c

Mining production increased by 1.4 percent year-on-year in October 2024. The largest positive contributors were:

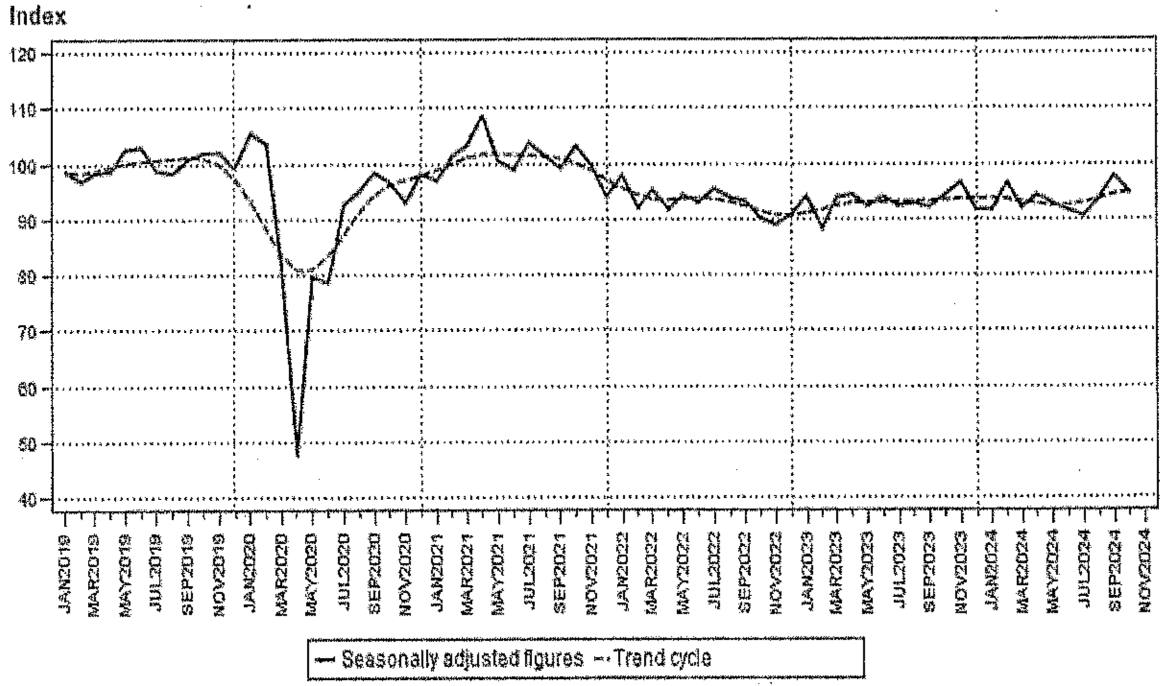
- PGMs (3.3 percent and contributing 1.0 percentage point);

- Chromium ore (14.0 percent and contributing 0.7 of a percentage point);
- Diamonds (27.9 percent and contributing 0.5 of a percentage point); and
- Coal (1.8 percent and contributing 0.4 of a percentage point).

Iron ore (-6.4 percent and contributing -0.8 of a percentage point) and gold (-3.4 percent and contributing -0.5 of a percentage point) were the largest negative contributors

Seasonally adjusted mining production decreased by 3.0 percent in October 2024 compared with September 2024. This followed month-on-month changes of 4.5 percent in September 2024 and 3.3 percent in August 2024.

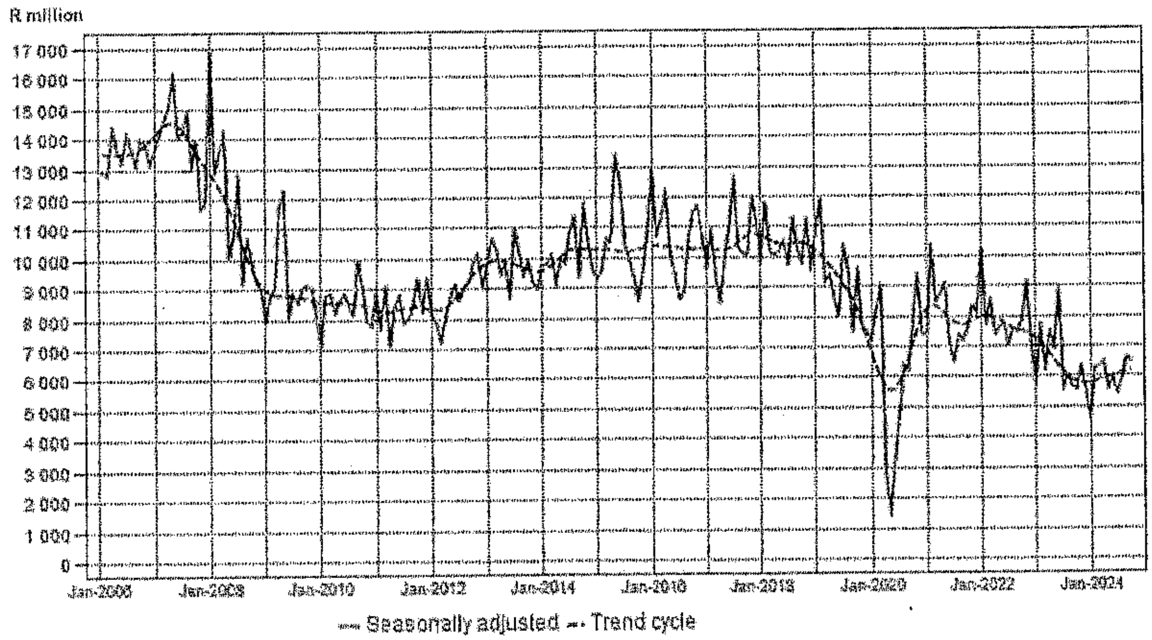
Figure 12: Volume of mining production (Base: 2019=100)



Source: StatsSA, 2024e

The value of building plans approved (at current prices) decreased by 4.4 percent (-R3,788.8 million) during January to October 2024 compared with January to October 2023. Decreases were observed for residential buildings (-R3,688.6 million) and additions and alterations (-R1,779.6 million). An increase was noted for non-residential buildings (R1,679.4 million).

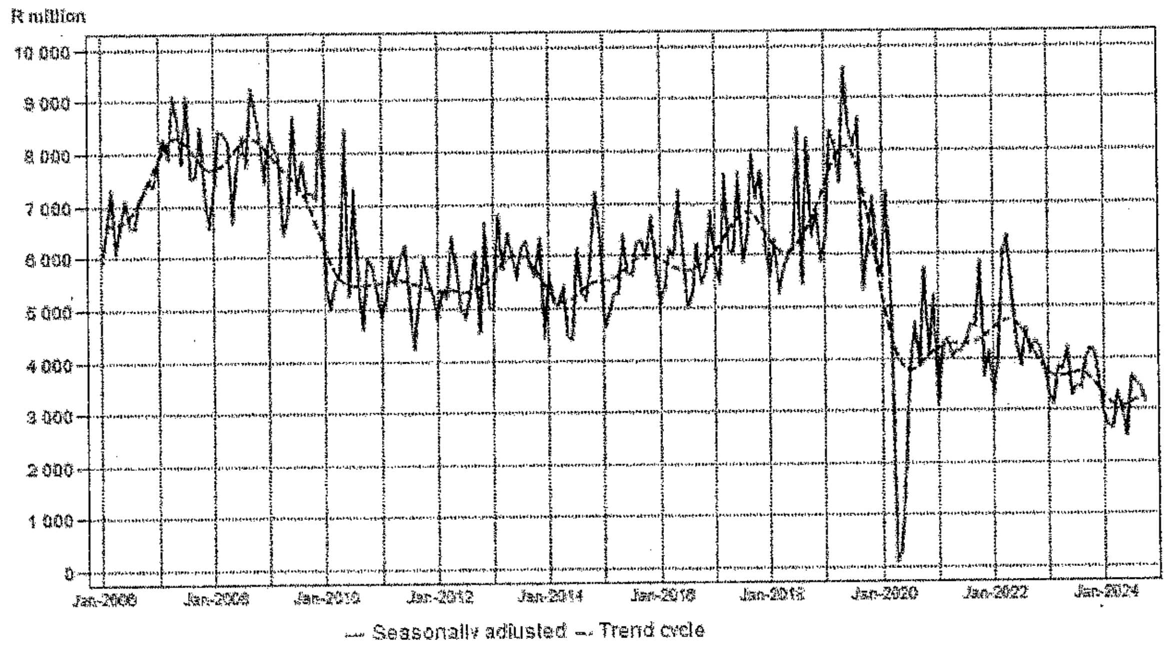
Figure 13: Real value of recorded building plans passed by larger municipalities, Constant 2019 prices.



Source: StatsSA, 2024g

The real value of buildings reported as completed (at constant 2019 prices) decreased by 15.5 percent (-R5,621.1 million) during January to October 2024 compared with January to October 2023. Decreases were observed for residential buildings (-R3,740.2 million) and non-residential buildings (-R2,316.1 million). Additions and alterations increased by R435.2 million.

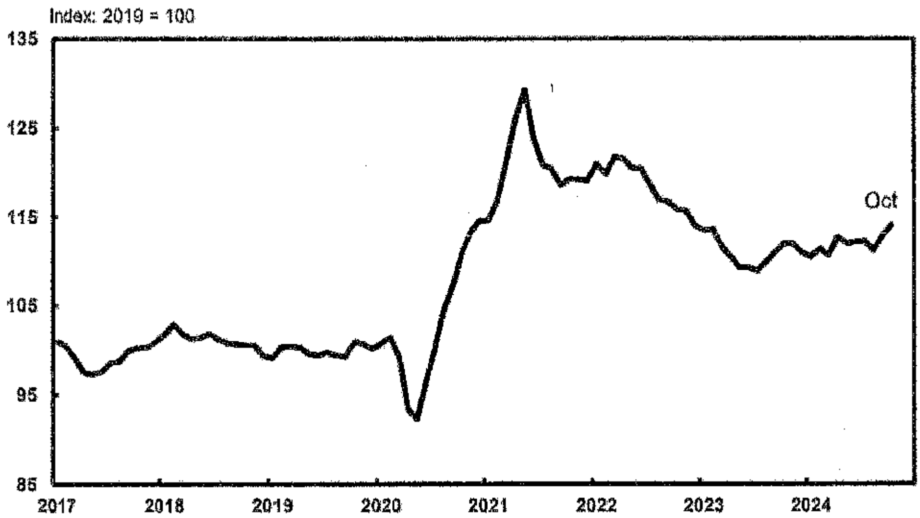
Figure 14: Real value of buildings reported as completed to larger municipalities



Source: StatsSA, 2024g

The composite leading business cycle indicator exhibited an increase of 1.1 percent in October 2024, as increases in eight of the ten available component time series outweighed decreases in the remaining two. The most significant positive contributors were accelerations in the six-month smoothed growth rates in the number of new passenger vehicles sold and job advertisement space. The sole negative contributors were a decrease in the number of residential building plans approved and a deceleration in the six-month smoothed growth rate in the real M1 money supply. The composite coincident business cycle indicator demonstrated an increase of 0.1 percent in September 2024, attributable to an increase in both the industrial production index and the real value of wholesale, retail, and motor trade sales. The composite lagging business cycle indicator experienced a decrease of 0.5 percent in September 2024.

Figure 15: Composite leading business cycle indicator

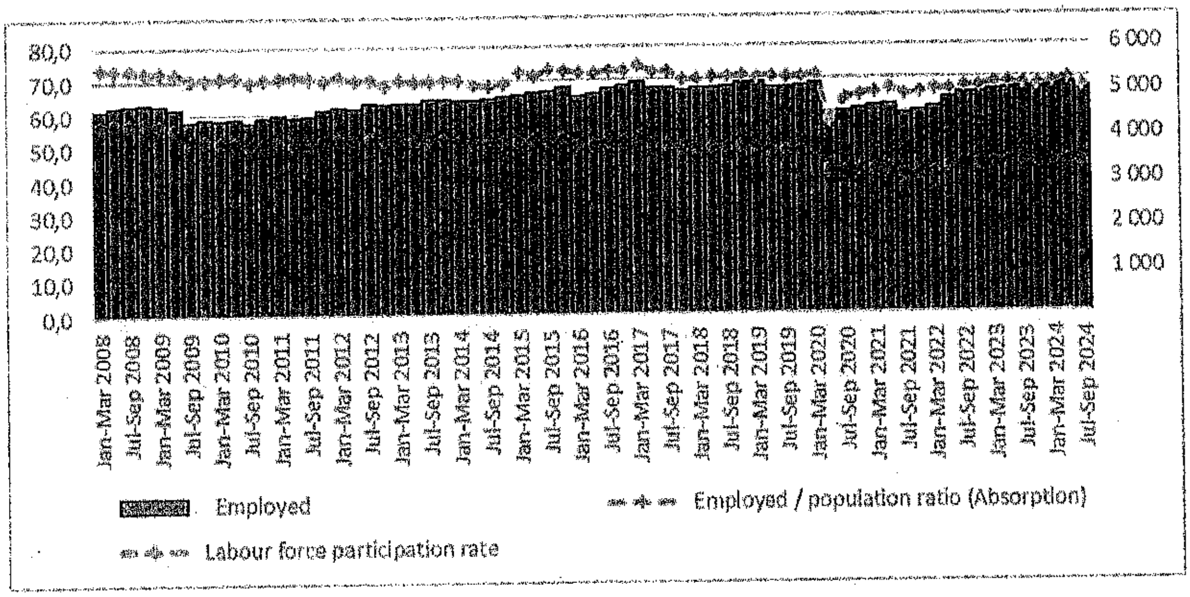


Source: SARB, 2024

GAUTENG ECONOMIC OUTLOOK

The latest employment trends in Gauteng reveal a nuanced economic landscape. The province experienced a decrease of 66,000 jobs, highlighting ongoing challenges in the labour market. Alongside this decline, the unemployment rate in Gauteng rose by 0.3 percentage points, signaling growing pressure on job seekers. However, despite these shifts, the expanded unemployment rate in the province remained unchanged, suggesting stability in broader labor force measures amidst fluctuating employment dynamics.

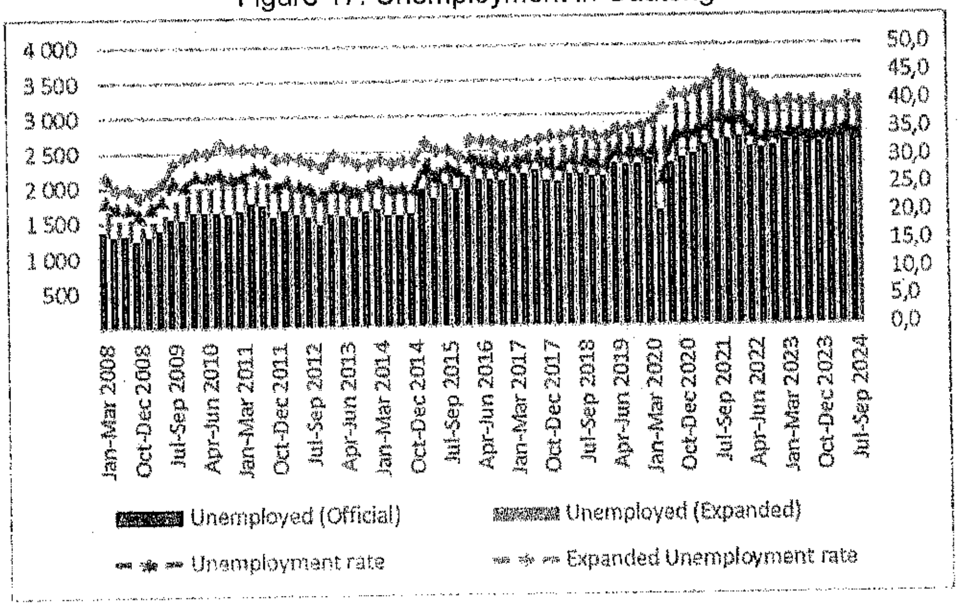
Figure 16: Labour Force Indicators: Gauteng



Source: StatsSA, 2024a

The graph illustrates trends in unemployment in Gauteng from Q1: 2008 to Q2: 2024. Over the 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 percent in 2008 and climbing to 34.0 percent in Q3:2024. 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 2024:Q3, it reaches 39.2 percent signalling the widespread difficulty in finding employment in Gauteng.

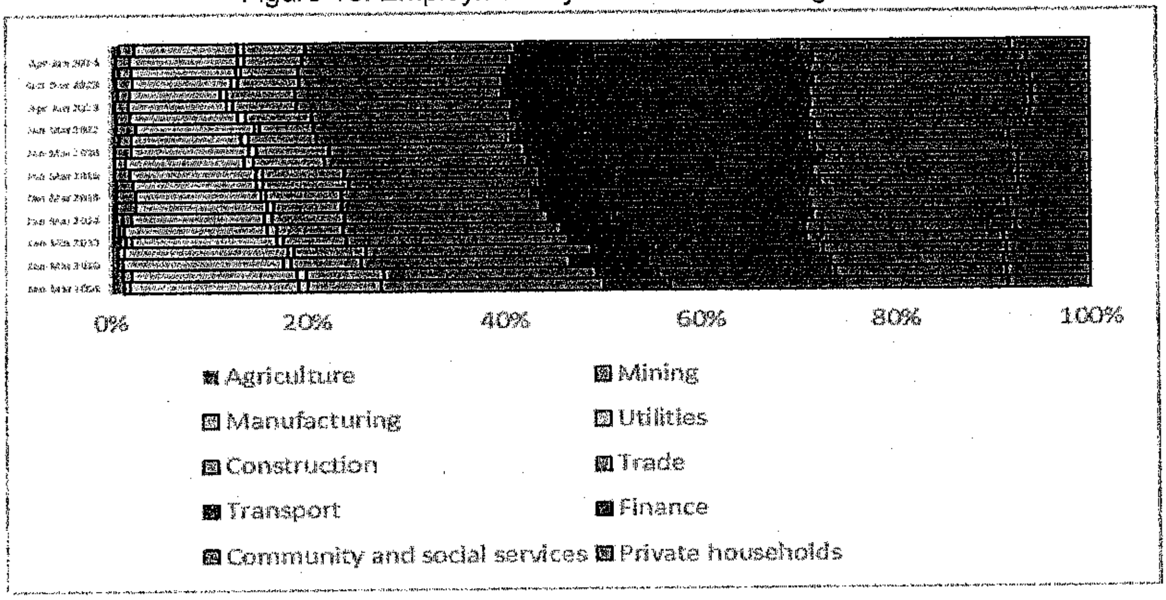
Figure 17: Unemployment in Gauteng



Source: StatsSA, 2024a

Relative to the previous year (Q3:2023), at provincial level, four sectors recorded net job losses while seven sectors recorded gains. Highest number of jobs lost in the finance (121 000) followed by community and social services (34 000), contruction (24 000) and utilities (6 000). The highest gains were experienced in the private households 121 000, followed by manufacturing 78 000, transport 40 000, trade 28 000, mining 23 000 and agriculture 9000.

Figure 18: Employment by Sector for Gauteng Province

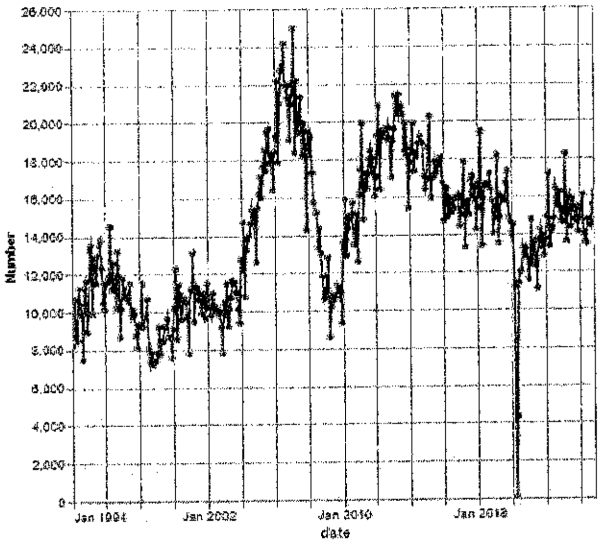


Source: StatsSA, 2024a

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, but these are not substantial, suggesting cautious consumer confidence in the first part of the year.

When analysing quarter-to-quarter trends, the data shows a more pronounced upward shift in sales as 2024 progresses. Sales volume in the second quarter of 2024 surpasses that of 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 19: Gauteng Vehicle Sales



Source: StatsSA, 2024g

JOHANNESBURG ECONOMIC OUTLOOK

The objective of this chapter is to provide essential information to policy makers within the city by presenting socioeconomic data and analysis for evaluating the efficacy 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 in shaping the city's development trajectory. Elevated unemployment rates, for instance, highlight the necessity for job creation initiatives, while the performance of key sectors can identify areas with growth potential or those requiring support. Through analyzing 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 the 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.

In 2023, the structure of the economy revealed a pronounced shift toward service-oriented sectors, with finance emerging as the predominant force, contributing a remarkable 38.2 percent of total Gross Value Added (GVA). This sector's performance underscores its critical role in facilitating investment and fostering economic dynamism. Community services followed, accounting for 19.9 percent of GVA, highlighting the essential nature of public goods in sustaining social stability and welfare. Trade, representing 12.9 percent of GVA, remains a vital link in the supply chain, ensuring the efficient movement of goods and services. Agriculture, while traditionally a smaller contributor, saw a notable increase to 0.4 percent of GVA, reflecting the sector's gradual adaptation and potential for growth in sustainable practices. In contrast, traditional sectors such as manufacturing and mining exhibited relative decline, with manufacturing dropping to 13.9 percent and mining further contracting to 1.1 percent. This shift away from primary industries towards services and community-focused sectors indicates a transformative phase in the economy, driven by urbanisation, technological advancements, and changing consumer preferences. (South Africa Regional eXplorer, 2024). The largest industries by Gross Value Added (GVA) included finance at 38.2 percent, community services at 19.9 percent, and trade at 12.9 percent, reflecting a shift towards a service-oriented economy. While manufacturing remains significant at 13.9 percent, agriculture and mining contribute minimally at 0.4 percent and 1.1 percent, respectively.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 services, 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 a key transport, logistics, and communication hub for the region.
- The city's infrastructure, comprising air, road, and rail links, provides seamless connectivity to South and Southern African markets and the global marketplace.
- The city is also 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 due to the high demand for jobs.

Johannesburg, like many other big developing world cities, faces tremendous obstacles. Some are relics of the country's racist apartheid history, while others are the consequence 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 some 51.1percent 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 in Johannesburg there are stark contrasts between rich and poor in income levels, living conditions and access to services, resources and opportunities.
- High levels of unemployment with the official rate of unemployment in the city at 33.7 percent in the third quarter of 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, and a skills 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 realm of electricity. Despite the substantial recovery in global commodity prices in 2022, the country's mining exports were unable to capitalize fully on this upswing. This can be attributed to the sabotage, vandalism, and scarcity of locomotives experienced by Transnet, the state-owned railway operator. Moreover, it is anticipated that water shortages will 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 left 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 and overcrowding and lack of adequate and decent housing. Access to decent housing, services and jobs requires spatial development which takes jobs to people and people closer to jobs.

After outlining the proposed strategic interventions, it is crucial to emphasise those concerning public infrastructure, municipal service delivery, and law enforcement. These interventions are pivotal as they enable the business environment and, therefore, serve as significant incentives for investment. Consequently, they should be the primary focus of the City of Johannesburg, alongside interventions targeting social amenities, public-private collaboration, environmental sustainability, education, and skills training.

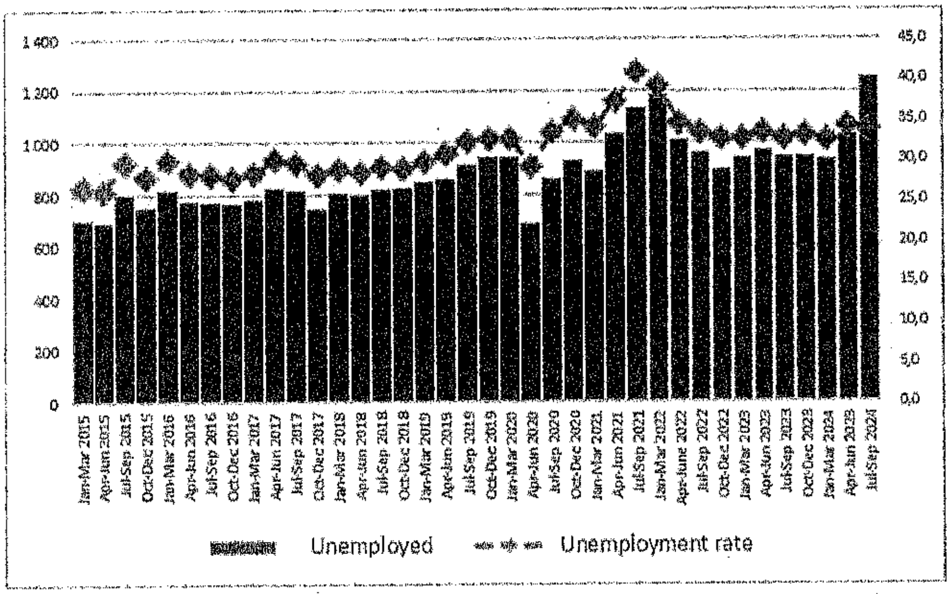
This prioritisation is based on the potential impact of these interventions. Improvements in public infrastructure, municipal service delivery, and law enforcement have the potential to benefit the City of Johannesburg as a whole, while also enhancing the efficacy of interventions related to social amenities, public-private collaboration, environmental sustainability, education, and skills training.

Furthermore, strategic planning should address the root causes of the economy's underperformance over the past decades. Until fundamental developmental platforms (tangible and intangible) are adequately addressed, emerging and "unicorn" sectors cannot be relied upon to drive economic growth. Recognising the crucial role of the enabling environment is essential. Continuing to focus solely on "unicorn" sectors without first enabling the business environment will lead to further economic decline. In summary, the priority should be first to enable the business environment and then focus on developing "unicorn" sectors.

Labour

The City of Johannesburg's economic outlook primarily comprises an analysis of the labour force utilizing the Quarterly Labour 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 are actively participating as workers, i.e. those who are either employed or seeking employment. This group is also referred to as the economically active population (EAP). Excluded from this group are students, retirees, stay-at-home parents, individuals in prisons or similar institutions, those employed in jobs or professions with unreported income, as well as discouraged workers who are unable to find employment.

Figure 1: Official Unemployment Rate



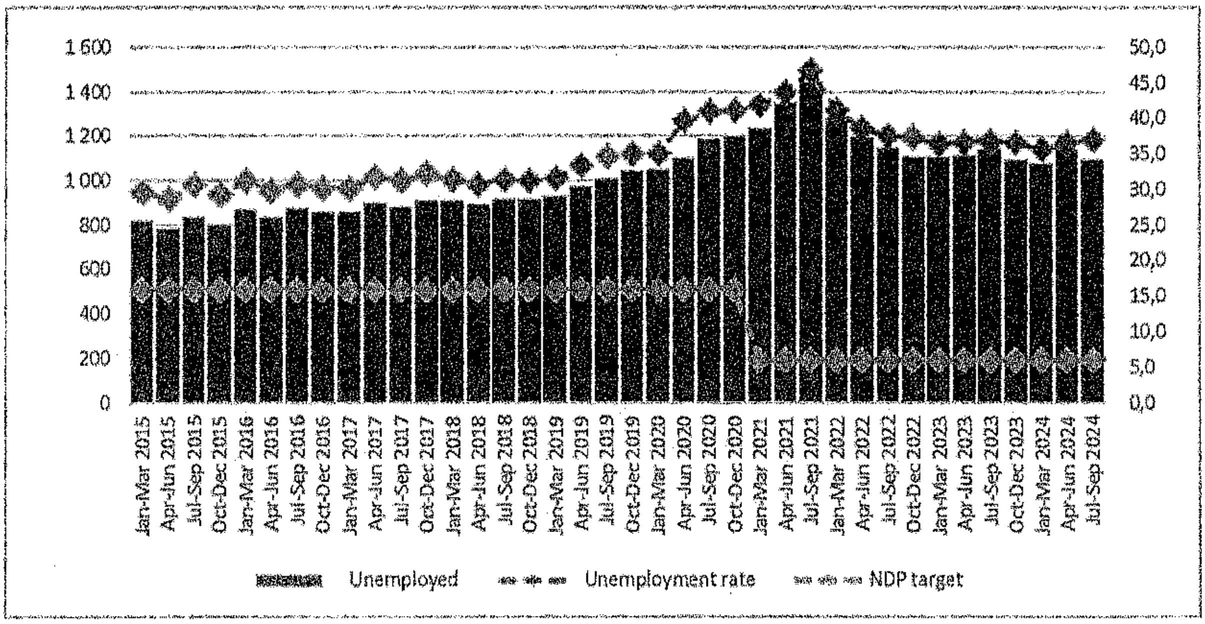
Source: StatsSA, 2024

The City of Johannesburg unemployment trend has on average been on the downward trajectory since the third quarter of 2021. The unemployment rate declined from 40.8 percent in Q3 2021 to 33,7 percent in Q3:2024 representing a decline of 7.7 percentage points. However when comparing with the same quarter of 2023, unemployment seems to be on the upward trend, increasing by 1.1 percentage points. The number of unemployed persons increased from 945 000 in 2023: Q3 to 948 000 in 2024:Q3.

The official unemployment rate in Johannesburg is higher (33.7 percent) than that of the country (32.1 percent) and lower than that of Gauteng (34.0 percent). The City has the higher labour force participation rate that is higher (67.0 percent) compared to that of the country (60.2 percent) however slightly lower than of the province (67.4 percent).

Within Gauteng metros, the City of Ekurhuleni has the lowest unemployment rate 32.0 percent followed by the City of Johannesburg with 33.7 percent then Tshwane leading at 33.9 percent. The City of Johannesburg has the lowest unemployment from the expanded definition within Gauteng with the rate of 37.1 percent followed by City of Tshwane with 37.8 percent and City of Ekurhuleni is leading with 40.2 percent. The other attributing factor to higher unemployment rate in Johannesburg is lower discouraged work seekers and the working age population. Johannesburg, the largest metropolitan area in South Africa, serves as a major hub for both internal and external migrants. This can be attributed to its status as the economic center 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 work-seekers from all skill levels, including professionals, skilled, semi- and unskilled individuals. However, the unemployment rate in the city continues to deviate from the national target of 6 percent by 2030, which is a cause for concern.

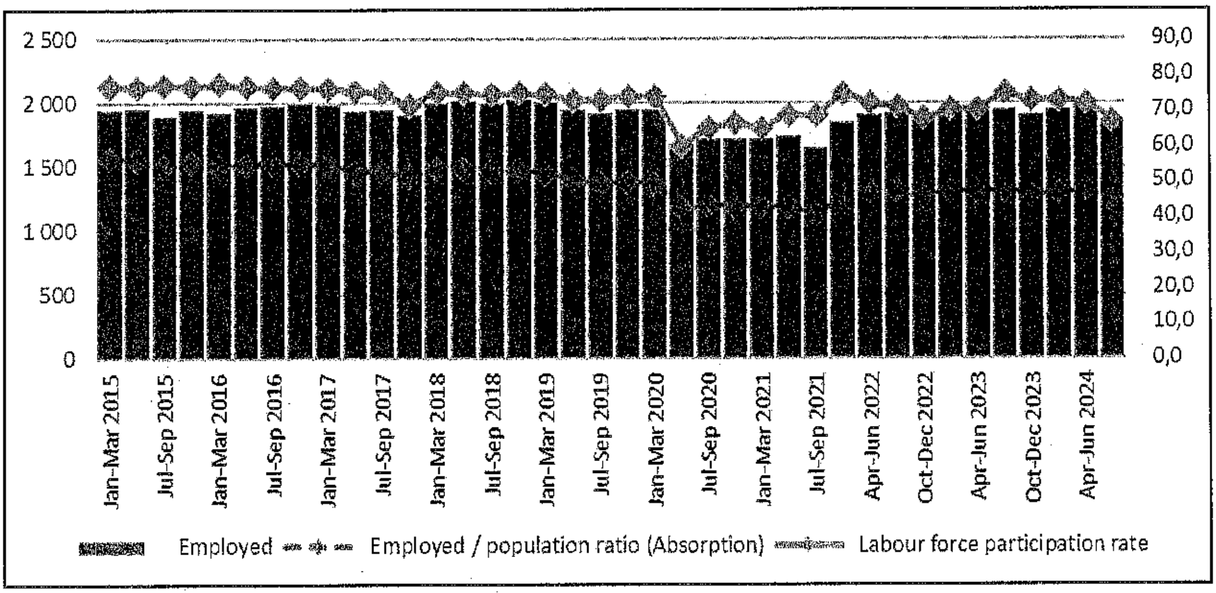
Figure 2: Expanded definition of unemployment



Source: StatsSA, 2024

Expanded definition of unemployment is important in that it looks at unemployment comprehensively by including the discouraged work-seekers. This entails that it includes those who are actively seeking for employment and those who have given up. The trend for expanded unemployment just like the official unemployment mirrors each other with downward trends since Q3:2021. The expanded unemployment rate decreased from 46.7 percent in 2021:Q3 to 37.1 percent in Q3:2024 which entails that the number of unemployed people decreased from 1.44 million to 1.10 million during the same period. The expanded unemployment rate in the City is lower than that of the country (41,9 percent) and that of the province (39.2 percent).

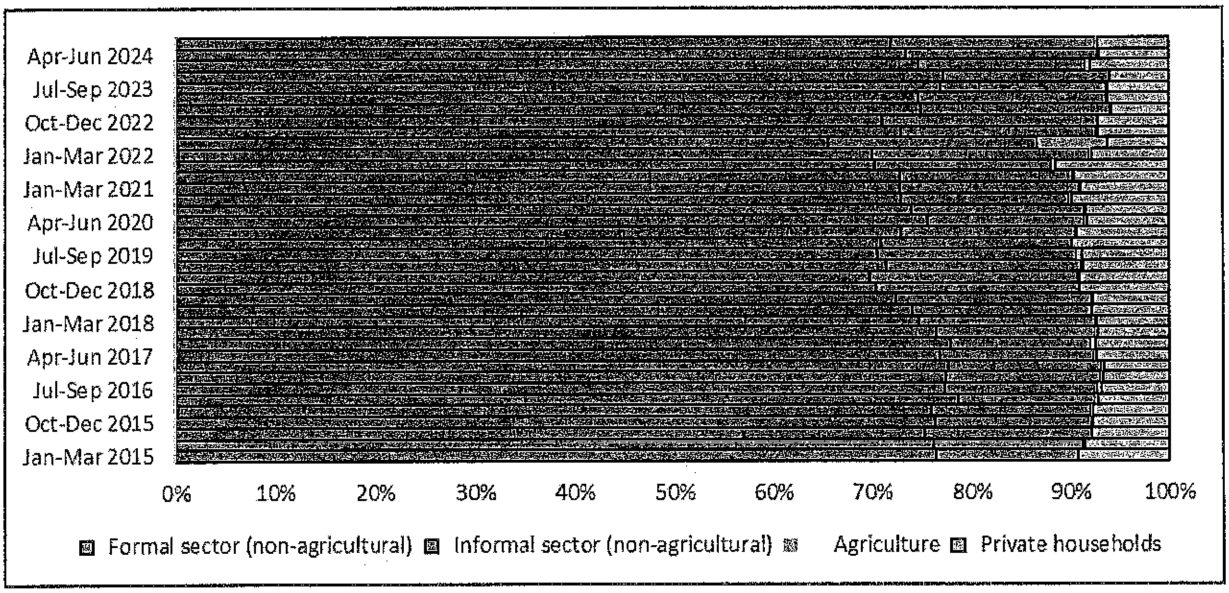
Figure 3: Labour force characteristics



Source: StatsSA, 2024a

In general, the City of Johannesburg's employment has almost rebounded from its pre-COVID-19 levels (i.e. Q1:2020 levels). 1.86 million individuals were employed in the third quarter of 2024, which translates to 85 000 additional jobs to be recovered from pre-COVID numbers (2020:Q1). The City has lost 87 000 when compared to the same period last year. Although it is still -5.0 percentage points lower than it was prior to the COVID-19 pandemic, the employment absorption ratios are progressively improving. Positive trends may also be seen in the labour force participation rate, which has been rising since Q3 of 2020. This can be explained by the fact that a large number of 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 broken down into formal and informal sector employment. Formal sector employment is measured from the formal business side, and the informal employment is measured from the household side where formal businesses have not been established. Formal employment is much more stable than informal employment. Informal employment is much harder to measure and manage, simply because it cannot be tracked through the formal business side of the economy. Informal employment is however a reality in South Africa and cannot be ignored.

The number of formal sector non-agricultural employed in City of Johannesburg Metropolitan Municipality counted 1.34 million in Q3:2024, which is about 71.85 percent of total employment, while the number of people employed in the informal sector (non-agricultural) counted 384 000 or 20.60 percent of the total employment. Private household employment accounted for 135 000 jobs in the City which equates 7.25 percent of the jobs in the City.

The data presented reveals the influence of low national economic growth and inadequate national infrastructure, such as 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 investment to construct infrastructure and stimulate growth in the city.

To achieve higher economic growth, the city must expand the capabilities of its workforce on a large scale. Improved education 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 the city, job creation is the most crucial factor for reducing poverty. An accelerated reduction of poverty can be achieved most efficiently through a better educated and skilled workforce. Moreover, enhanced education outcomes can eliminate skills constraints, which increase the premium for skilled labour, resulting in lower levels of income inequality.

Assistance and support ought to be furnished 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 that is currently underway. This plan will aid industries in achieving growth and fostering 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.

FDI Trends

This section examines foreign direct investment (FDI) trends by all companies investing in Johannesburg between January 2024 and November 2024. The section includes estimated values for capital investment and the number of jobs created in instances where information was not available at the time of project announcement. Retail and inter-state projects are excluded from this analysis.

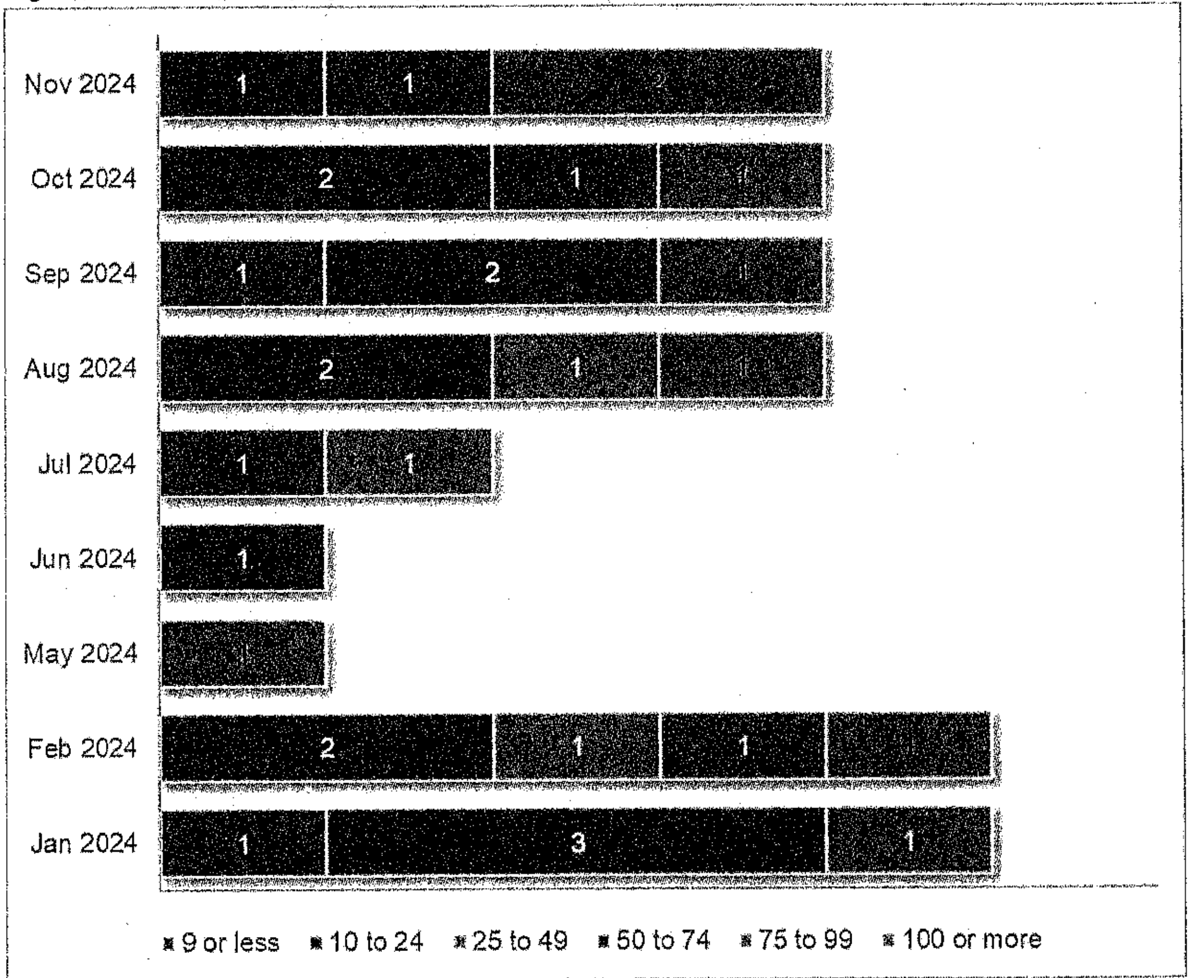
Table 2: FDI Headline figures

Headline figures	
No of FDI projects	30

Total jobs created	2,465
Average project size (jobs)	82
Total capital investment	ZAR 8,178.98 m
Average project size	ZAR 273.05 m

Source: The Financial Times Ltd, 2025

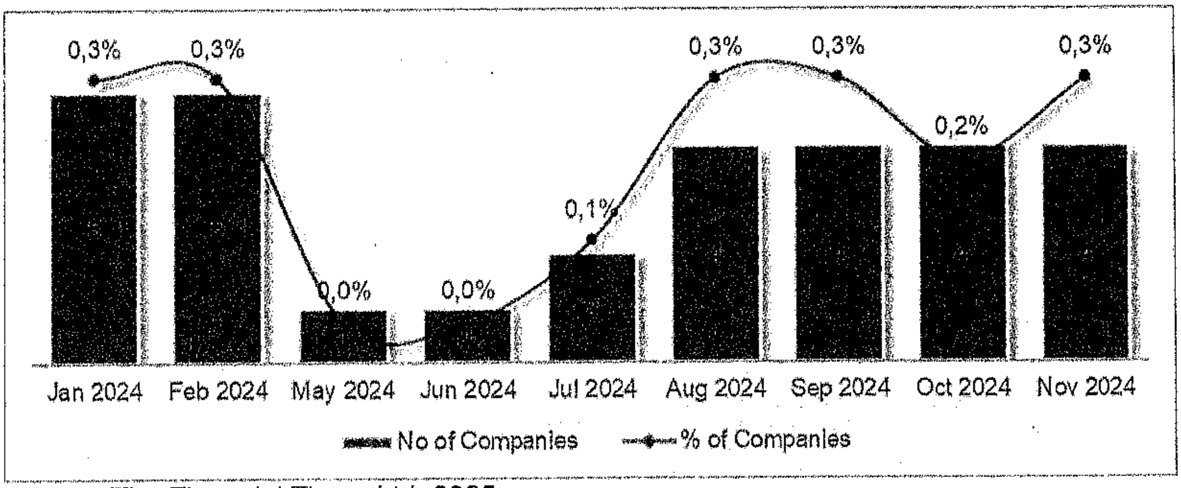
Figure Number of FDI projects by jobs created and month.



Source: The Financial Times Ltd, 2025

Approximately 5 projects, representing 16.7 percent of the total, were recorded in February 2024. This month exhibited the highest number of recorded projects. During this period, a total of 344 jobs were created, and ZAR 1.39bn in capital was invested by these projects, accounting for 14 percent and 16.9 percent of total jobs and capital investment, respectively. The top 10 percent of investors have initiated 4 projects, constituting 13 percent of the total projects. These investors have generated a combined total of 659 jobs, which equates to more than one-quarter of the overall employment creation.

Number of companies by month and percentage of all companies



Source: The Financial Times Ltd, 2025

The aggregate capital investment from these companies amounted to ZAR 214.76m, representing 3 percent of the total for all companies. Among 14 sectors, Business services constituted 33.3 percent of projects. Total employment generation and capital investment in this sector were 419 jobs and ZAR 3.10bn, respectively. With an average project size of ZAR 673.43m, projects originating in Germany are approximately 2.5 times larger than the mean across all source countries. Ranked second in overall projects recorded with 4 in total, Germany generated 1,032 jobs and ZAR 2.69bn in capital investment. The top 10 companies accounted for a combined total of 11 projects (36.7 percent of projects).

Table: Top 10 companies: number of projects

Company name	Source country	No of projects	Global projects*	% of global projects**	Projects in last 12 mths
International Workplace Group (Regus)	United Kingdom	2	1,796	0.1	n/a
Eisai	Japan	1	42	2.3	n/a
Baker McKenzie (Baker & McKenzie)	United States	1	36	2.7	n/a
Scania	Sweden	1	82	1.2	n/a
Airbus	Netherlands	1	162	0.6	n/a
Hankyu Hanshin Holdings	Japan	1	3	33.3	n/a
Reed	United Kingdom	1	9	11.1	n/a
Advanced Call Center Technologies (ACT)	United States	1	10	10	n/a
Rhenus Logistics	Germany	1	63	1.5	n/a
Hudson Sandler	United Kingdom	1	2	50	n/a

*Total number of projects worldwide from the company regardless of report criteria.
** The share of global projects from the company which match report criteria.
Source: The Financial Times Ltd, 2025

The top 10 companies account for 73.9 percent of capital investment. These companies generally provide substantially higher capital investment, with an average of ZAR 604.40 million per project.

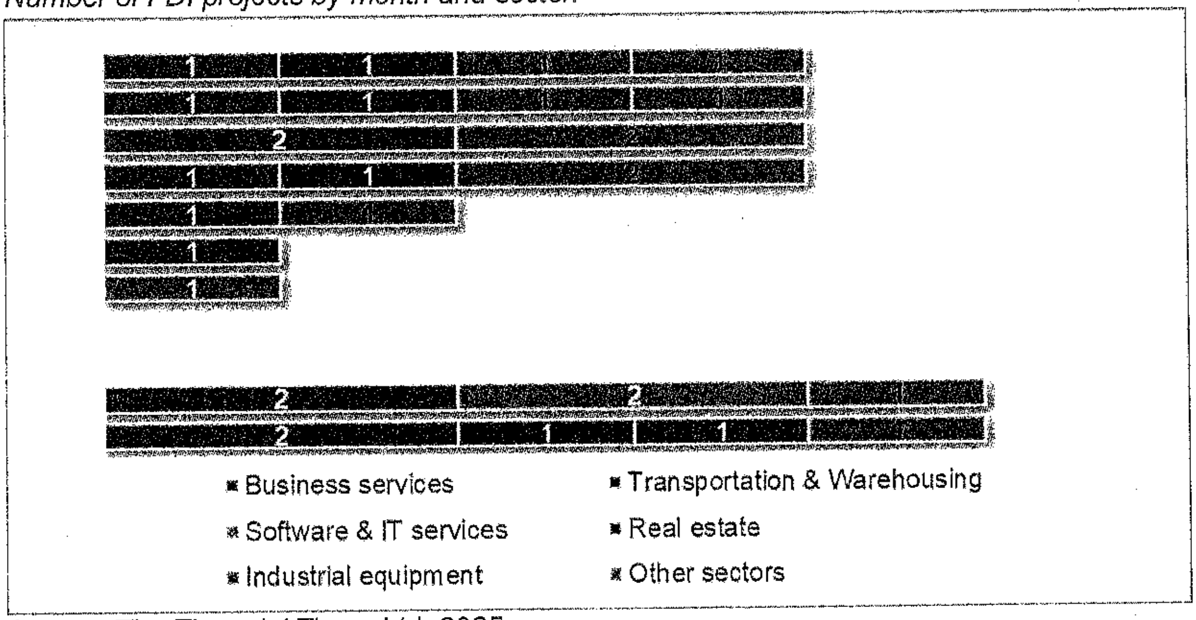
Top 10 Companies: Capital Investment.

Company Name	Jobs created		Capital investment	
	Total	Average per project	Total (ZAR m)	Average (ZAR m)
Scania	630	630	1,922.10	1,922.10
VRIZE	51	51	765.47	765.47
Fintechamps	13	13	426.45	426.45
GlobeVisa Group	13	13	426.45	426.45
Hudson Sandler	13	13	426.45	426.45
Reed	13	13	426.45	426.45
Spencer West	13	13	426.45	426.45
GI Outsourcing	13	13	426.45	426.45
Night Angle	13	13	426.45	426.45
Rhenus Logistics	104	104	371.23	371.23

Source: The Financial Times Ltd, 2025

Of the 14 sectors analyzed, the five most prominent sectors constitute over two-thirds of the projects. The business services sector predominates, representing one-third of the projects under examination.

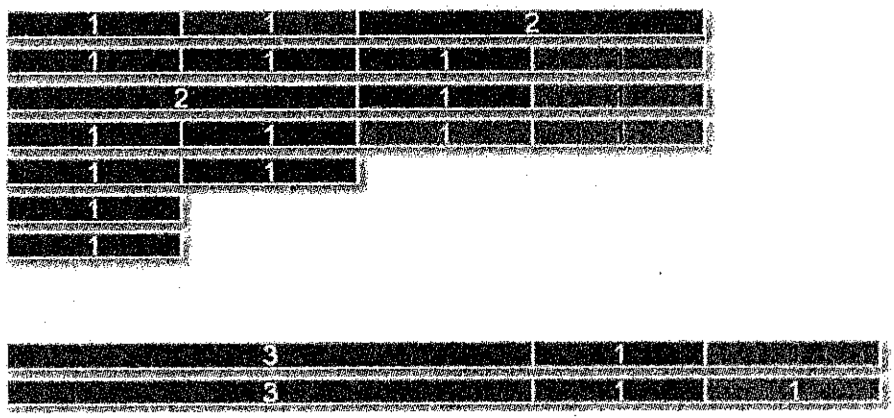
Number of FDI projects by month and sector.



Source: The Financial Times Ltd, 2025

The Automotive OEM sector has generated the highest number of total jobs and exhibits the largest project size, with an average of 630 jobs per project. Business services sector has the highest total investment, while the Automotive OEM sector demonstrates the highest average investment at ZAR 1.92 billion per project.Out of a total of seven business activities, the top five account for the majority of projects. Business Services is the top business activity accounting for almost half of projects tracked. Project volume in this business activity peaked in both January and February with three projects tracked in each of these periods.

Number of FDI projects by month and business activity.



Source: The Financial Times Ltd, 2025

The manufacturing sector has generated the highest number of total employment opportunities, while the Customer Contact Center sector demonstrates the largest project scale, with an average of 321 positions per project. The Business Services sector has attracted the highest total investment, whereas the Manufacturing sector exhibits the highest average investment at ZAR 859.04m per project.

FDI trends by business activity

Business activity	No of projects	Jobs Created		Capital investment	
		Total	Average	Total (ZAR m)	Average (ZAR m)
Business Services	14	614	43	3,365.60	240.80
Sales, Marketing & Support	6	150	25	362.00	59.80
Logistics, Distribution & Transportation	3	144	48	661.20	220.90
Manufacturing	3	764	254	2,575.60	859.00
Customer Contact Centre	2	643	321	156.50	78.20
Headquarters	1	99	99	293.00	293.00

Research & Development	1	51	51	765.50	765.50
Total	**30**	**2,465**	**82**	**8,179.30**	**273.10**

Source: Locations from The Financial Times Ltd, 2025

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