

THE REAL ECONOMY BULLETIN

TRENDS, DEVELOPMENTS AND DATA

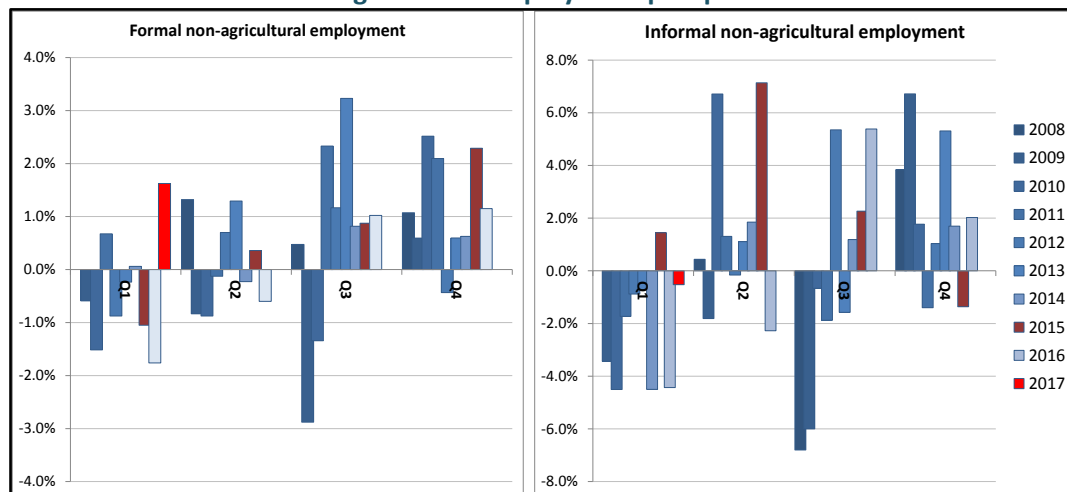
FIRST QUARTER 2017

Briefing note: What's going on with the employment data?

As Graph 1 shows, the Quarterly Labour Force Survey (QLFS) reported a markedly strong increase in formal non-agricultural employment in the first quarter for the first time since the survey was initiated nine years ago. Informal employment accounts for around 17% of all jobs and is more volatile.

The survey found that, on average, informal employment declined by 2,2% in the first quarter of the year, each year from 2010 to 2016. For the first quarter of 2017, in contrast, it reported that informal employment dropped just 0,5%.

Graph 1. Reported percentage change in formal and informal non-agricultural employment per quarter

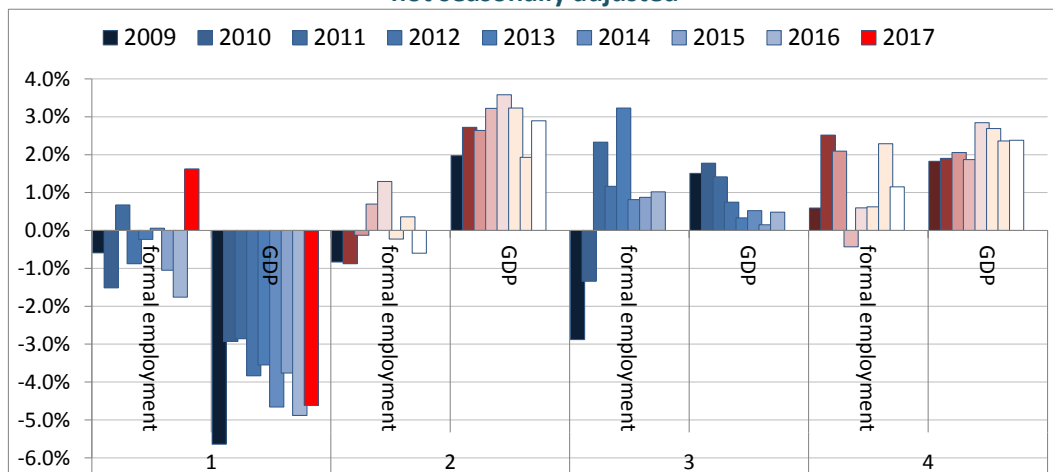


Source: Calculated from Statistics South Africa. Quarterly Labour Force Surveys for relevant year. Databases in SPSS. Downloaded from Nesstar facility at www.statssa.gov.za

If the economy were booming, this kind of jobs growth would not be exceptional. GDP growth has slowed, so the findings appear anomalous.

As Graph 2 shows, if the seasonal adjustment for GDP data is removed, employment and the GDP usually decline together in the first quarter each year, as a result of the holidays.

Graph 2. Percentage change in GDP and employment per quarter, not seasonally adjusted



Source: Calculated from Statistics South Africa. Quarterly Labour Force Surveys for relevant year. Databases in SPSS. Downloaded from Nesstar facility at www.statssa.gov.za; and GDP data in excel format, series on GDP in constant rand without seasonal adjustment. Downloaded from www.statssa.gov.za in June 2017.

Manufacturing alone accounted for 43% of the reported increase in formal employment, although it contributes just 14% of all formal jobs.

Food, beverages and the forestry value chain accounted for half the reported growth in manufacturing employment. This could in part reflect the recovery from the drought. The other main reported contributors were chemicals and non-metallic minerals, which is more difficult to explain in terms of their economic trends. In the past quarter, both of these industries reported a small decline in sales in constant terms.

In sum, the increase in employment reported for the past quarter seems at least as likely to result from data problems as from a real increase in job creation. If the QLFS results continue to diverge from other economic trends in the next few quarters, it might be useful if Statistics South Africa undertook a review of the survey's methodology.