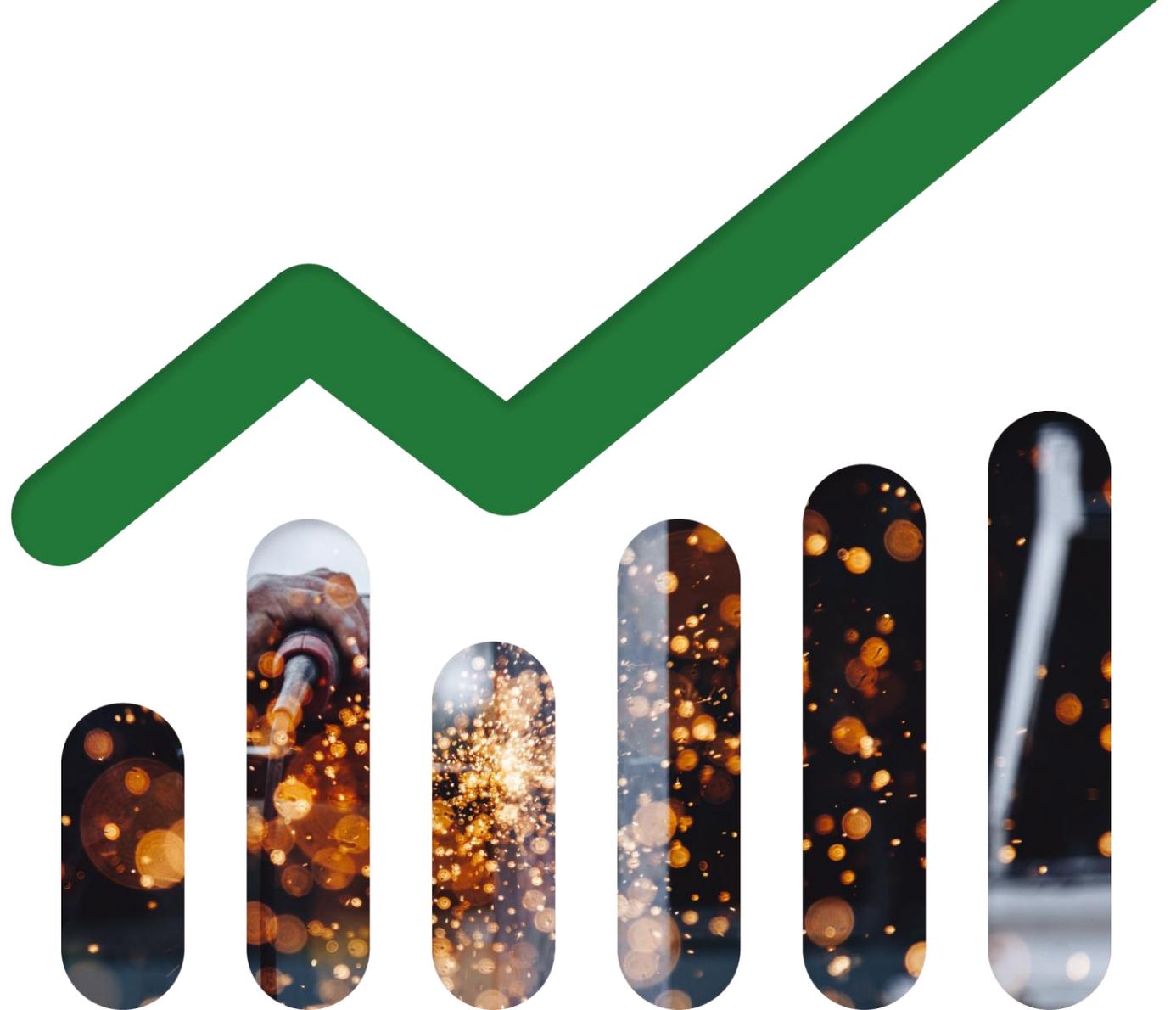




**National Economic
Development and
Labour Council**

Economic and Employment Trends in South Africa

January 2026 | Issue 34





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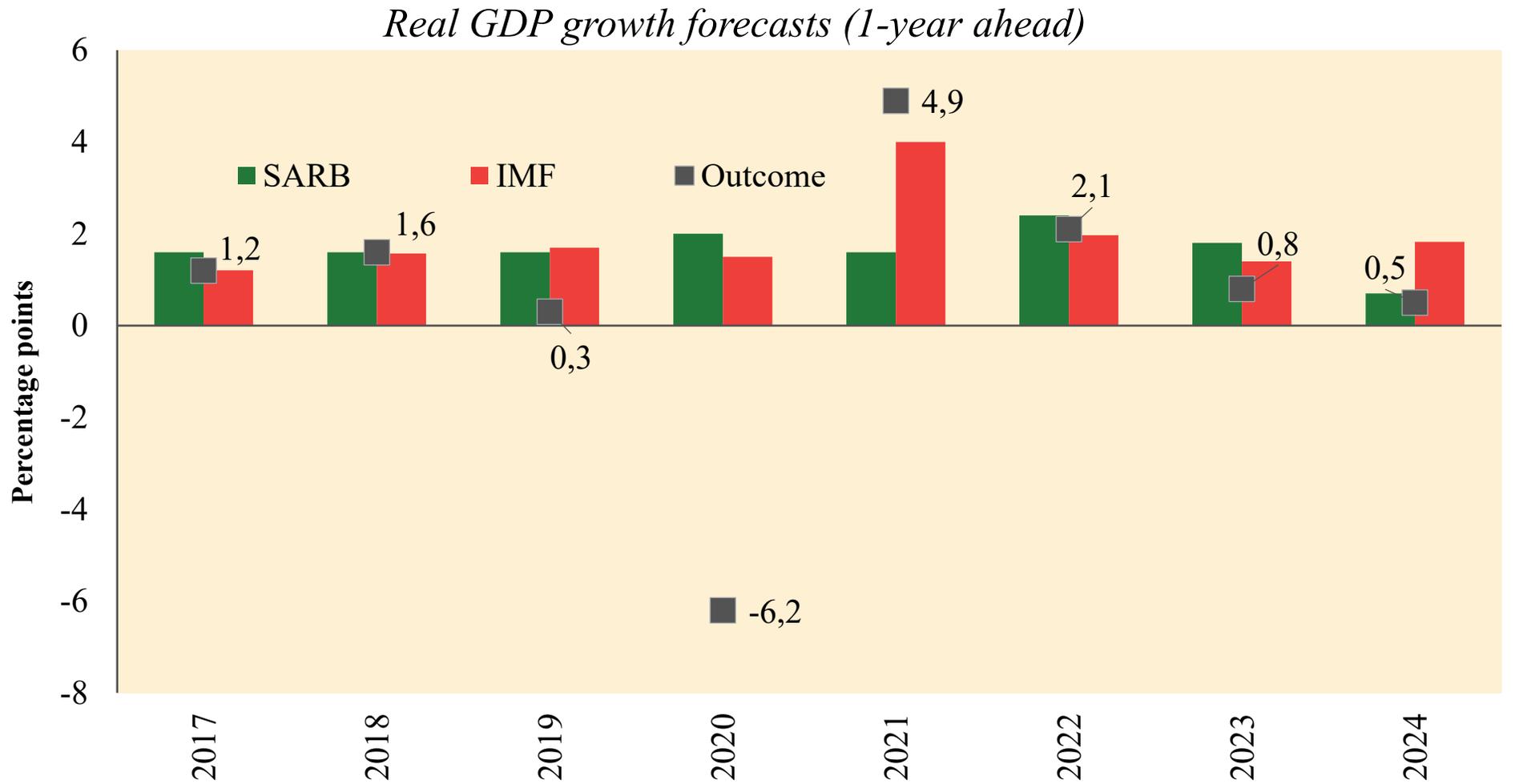
Overview of current economic and employment trends

- **Growth in South Africa has slowed unexpectedly**, with both the SARB and IMF surprised, though their forecast accuracy has been broadly similar since 2019 ([Slide 4](#)).
- **The formal sector remains the largest employer, accounting for over 70%** of total employment, while informal sector employment has increased due to the reclassification of agricultural activities; household employment has remained stable ([Slide 5](#)).
- **South Africa shows extreme income inequality**, with the poorest 20% holding a very small share of national income ([Slide 6](#)).
- Weak capital spending continues to slow South Africa's economic growth, **largely driven by declining investment from general government and public corporations** ([Slide 7](#)).
- **Public sector staffing has not kept pace with population growth, resulting in declining per-capita staffing across major services**; the largest gaps are in Education and Health, where tens of thousands of additional staff would be needed to maintain historical per-capita levels ([Slide 8](#)).
- South Africa's **exports of environmental goods are highly concentrated in gas-filtering machinery**, which makes up nearly two-thirds of total exports, while other categories, such as water filtration and renewable energy, remain underdeveloped ([Slide 9](#)).
- Since 2010, **value added has expanded most rapidly in agriculture and finance, real estate, and business services, while sectors like electricity, gas, water, and construction have contracted**; overall growth has slowed since the COVID-19 pandemic, though some industries are showing modest recovery ([Slide 10](#)).
- **Employment among domestic workers has declined since the COVID-19 pandemic**, while other low-wage informal occupations such as street vendors and cleaners have seen very little growth over the past two decades, despite population and economic expansion ([Slide 11](#)).

Gross Domestic Product

- The accuracy of SARB and IMF GDP forecasts for South Africa has had similar accuracy since 2019, even though their forecasts have differed substantially for some years.

Both the SARB and IMF were surprised by the growth slowdown over this period and the pandemic

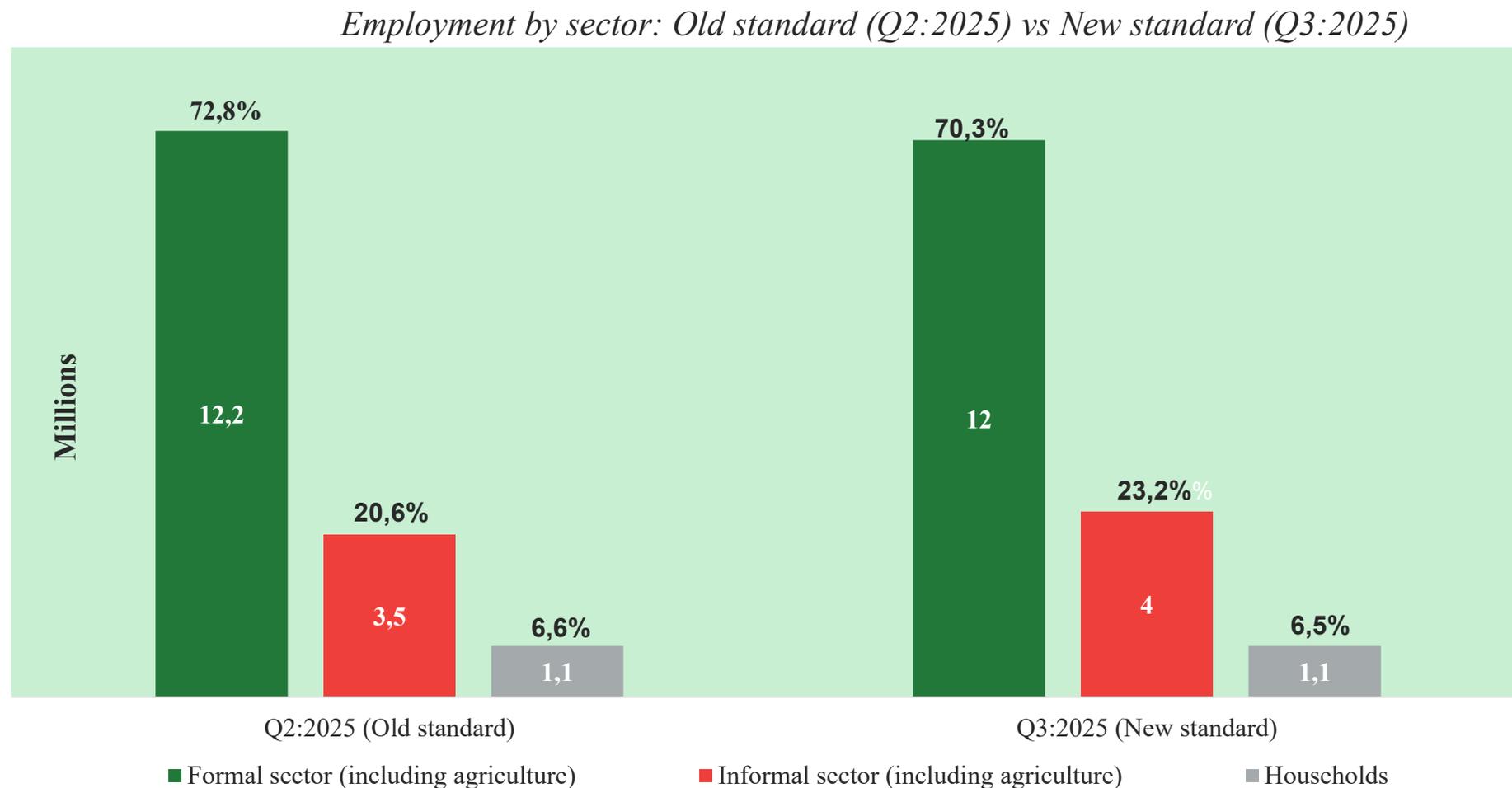


Source: SARB, Stats SA, IMF, EconData. SARB forecasts are from January projections each year and IMF projections are from April each year.

Employment

- The new classification standard consolidates employment into three sectors (formal, informal, and households) by **no longer treating agriculture as a separate sector**.
- In Q3 2025, **the formal sector remained the largest employer**, accounting for 70.3% of total employment, despite a slight decline from 12.2 million to 12 million.
- Informal sector employment increased from 3.5 million to 4 million **due to the reclassification of agricultural activities**, while **household employment remains unchanged at 1.1 million**.

Under the new three-sector classification, **the formal sector remains the largest employer, while informal sector employment increases due to the reclassification of agricultural activities**

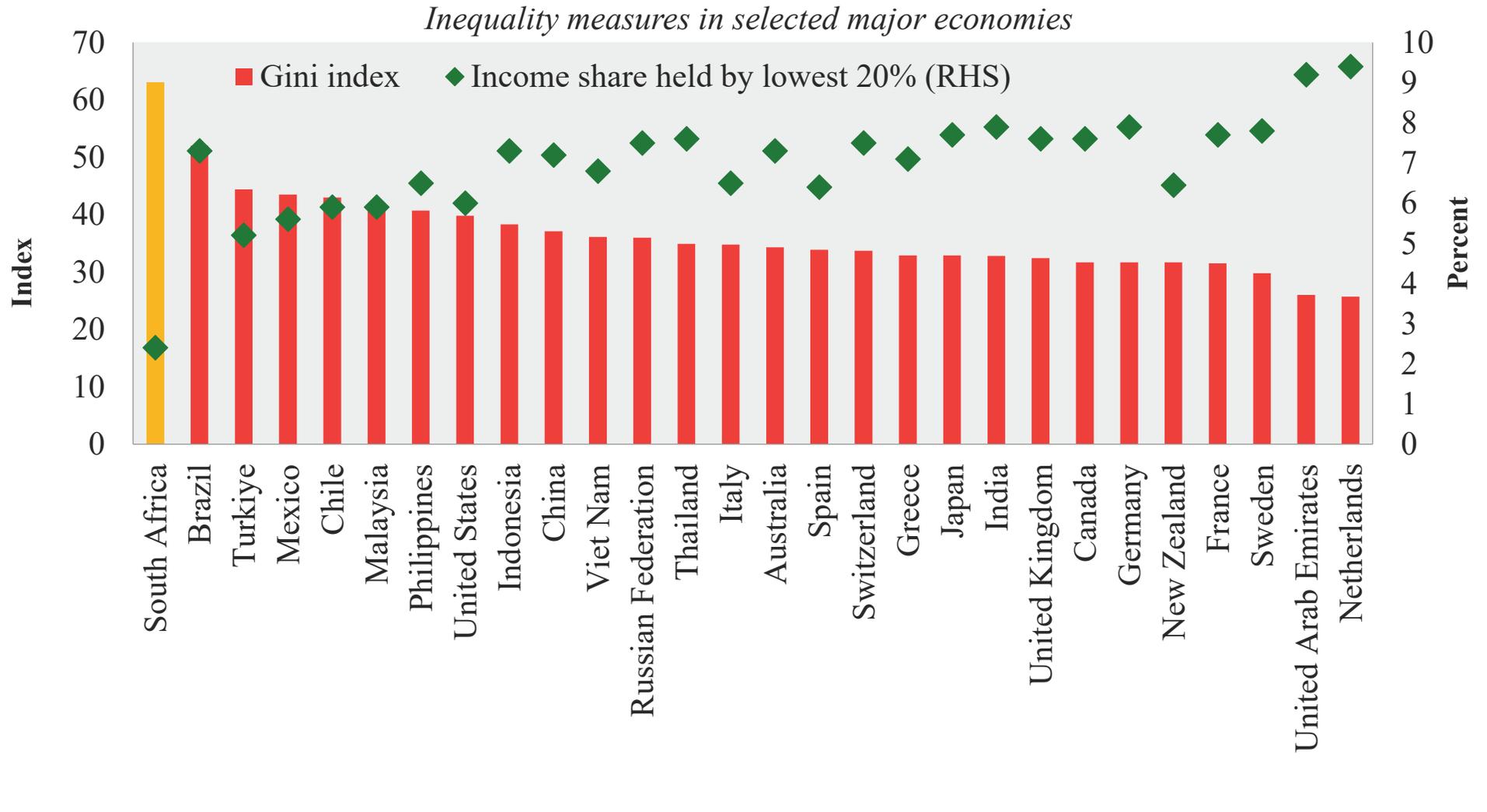


Source: QLFS 2025:Q3, Stats SA

Households

- **South Africa exhibits extreme inequality compared to other major economies, both when measured using the Gini Index or the income share held by the poorest 20% of the population.**

South Africa is the most unequal economy among its peers

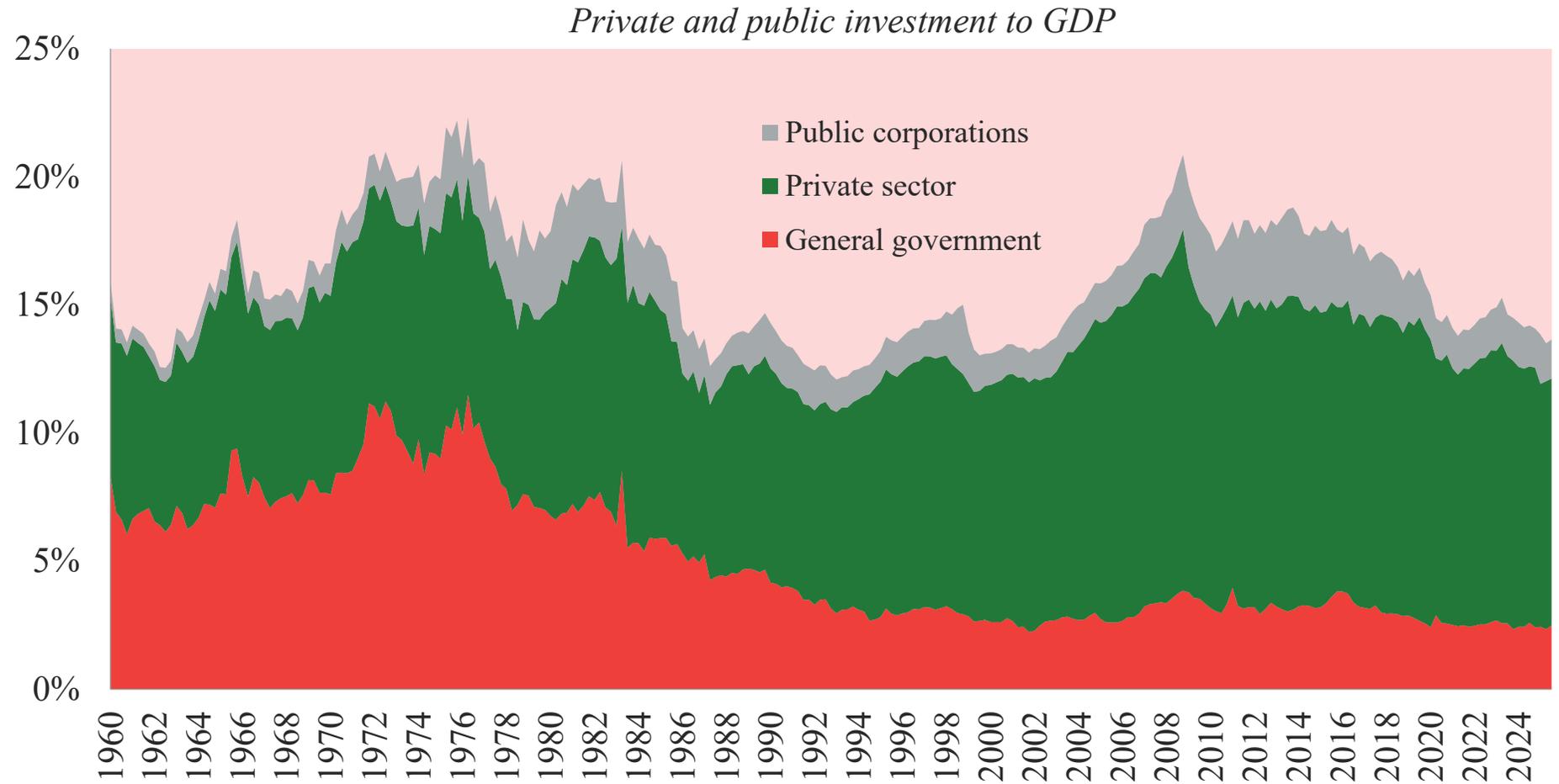


Source: World Bank, latest estimates.

Investment

- The decline in investment in South Africa has been driven by a decline in general government and public corporation investment.

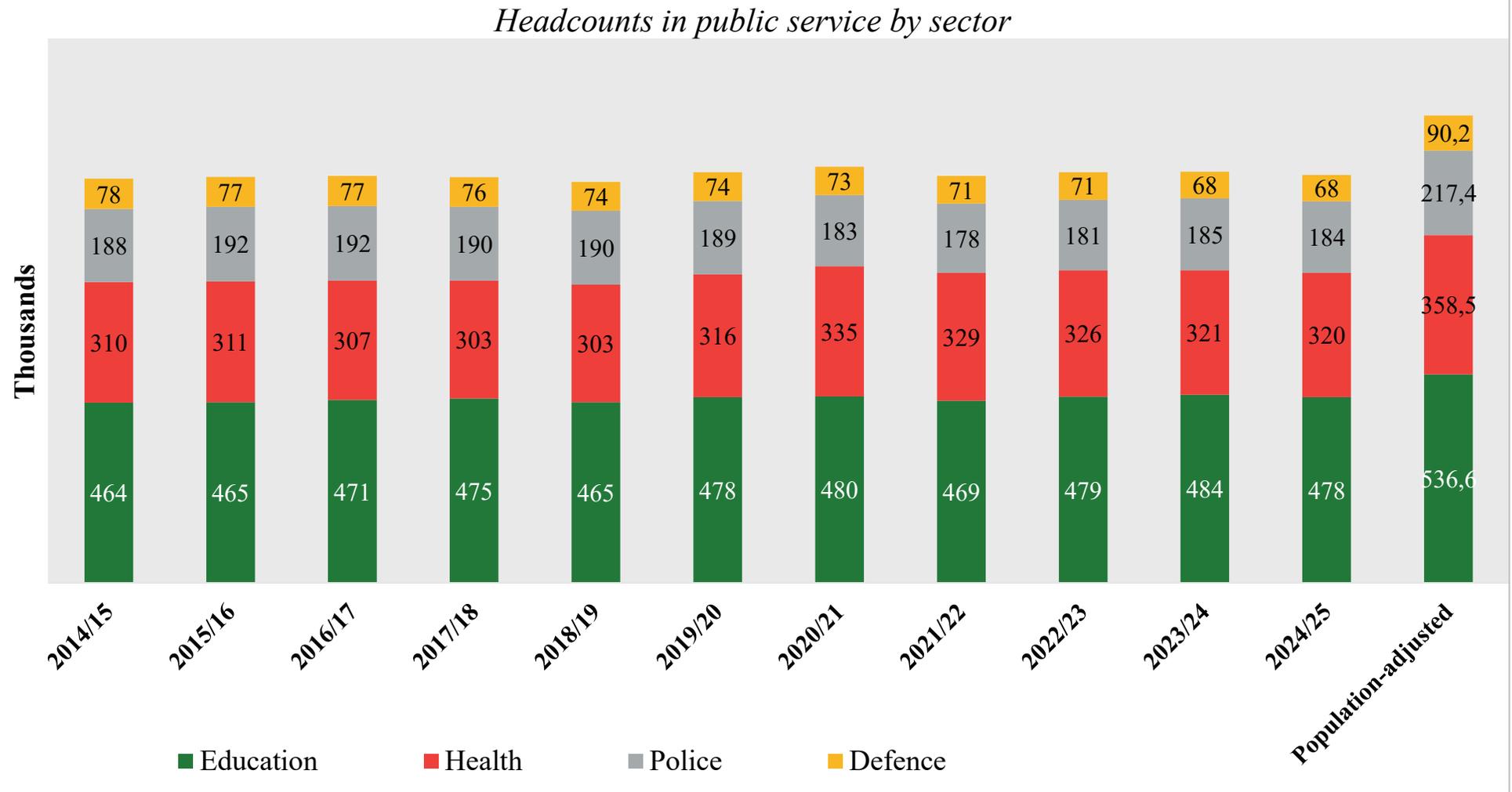
Weak capital spending is slowing South Africa's economic growth



Government

- In 2024/25, staffing headcounts in Education, Health, Police, and Defence all sat below population-adjusted benchmarks, indicating a **sustained decline in per-capita staffing over the last decade.**
- The largest shortfalls are in Education and Health,** where the education sector would require roughly 59 000 additional staff to maintain its 2014/15 per capita level.

Population growth has outpaced public sector staffing across all major service functions



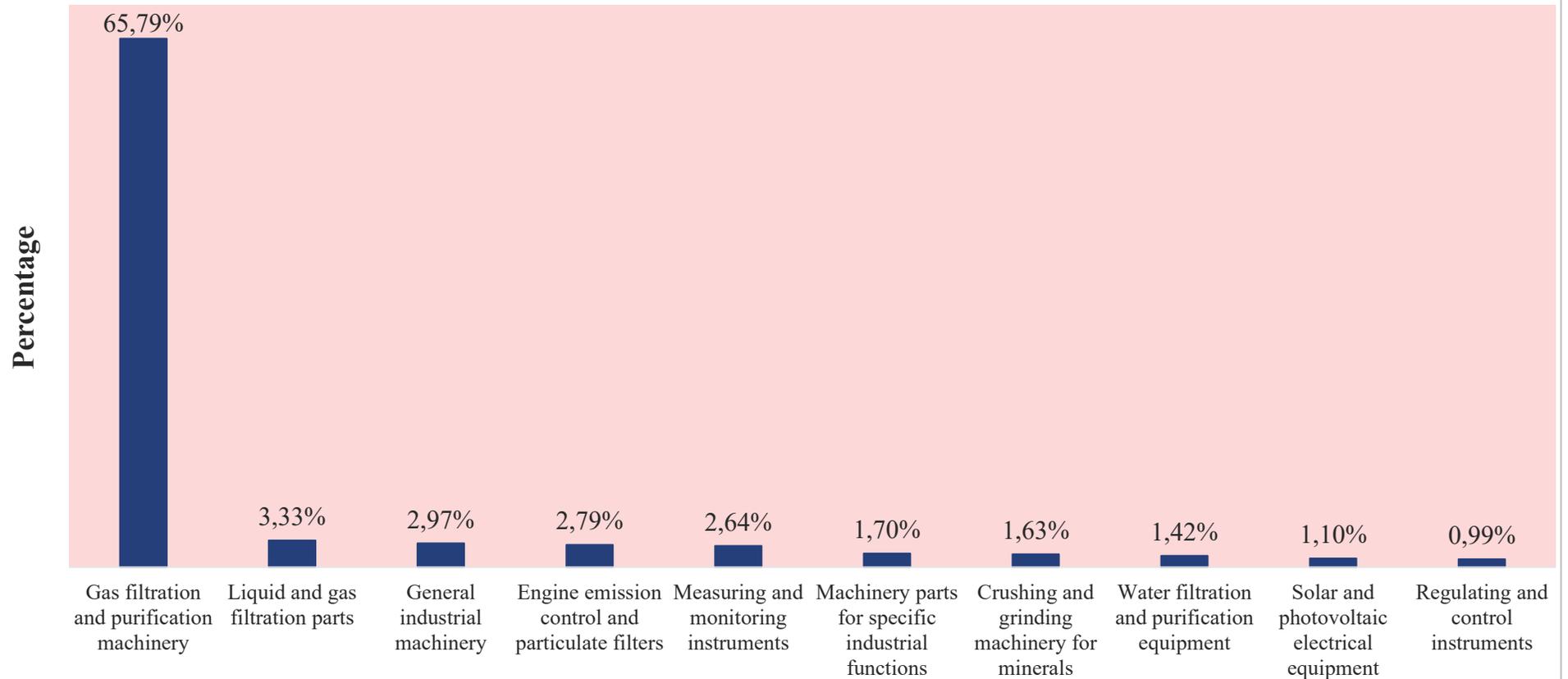
Source: Author's own and National Treasury 2025 MTBPS

International Trade

- With COP 2030 focused on **developing a global roadmap to phase out fossil fuels**, exports of environmental goods have become a key indicator of a country’s readiness to transition toward and compete in a low-carbon, green economy.
- Smaller shares in measuring, regulating, water-filtering, and renewable-energy goods **show that broader environmental export capabilities remain weak and underdeveloped.**

Between 2013 and 2024, exports of environmental goods were highly concentrated, **with gas-filtering machinery accounting for nearly two-thirds of total EG exports, while all other top EG categories contribute less than 4% each**, indicating limited diversification beyond the dominant gas-filtration segment

Top 10 exports of environmental goods (EGs) as a % of total exports, 2013 - 2024

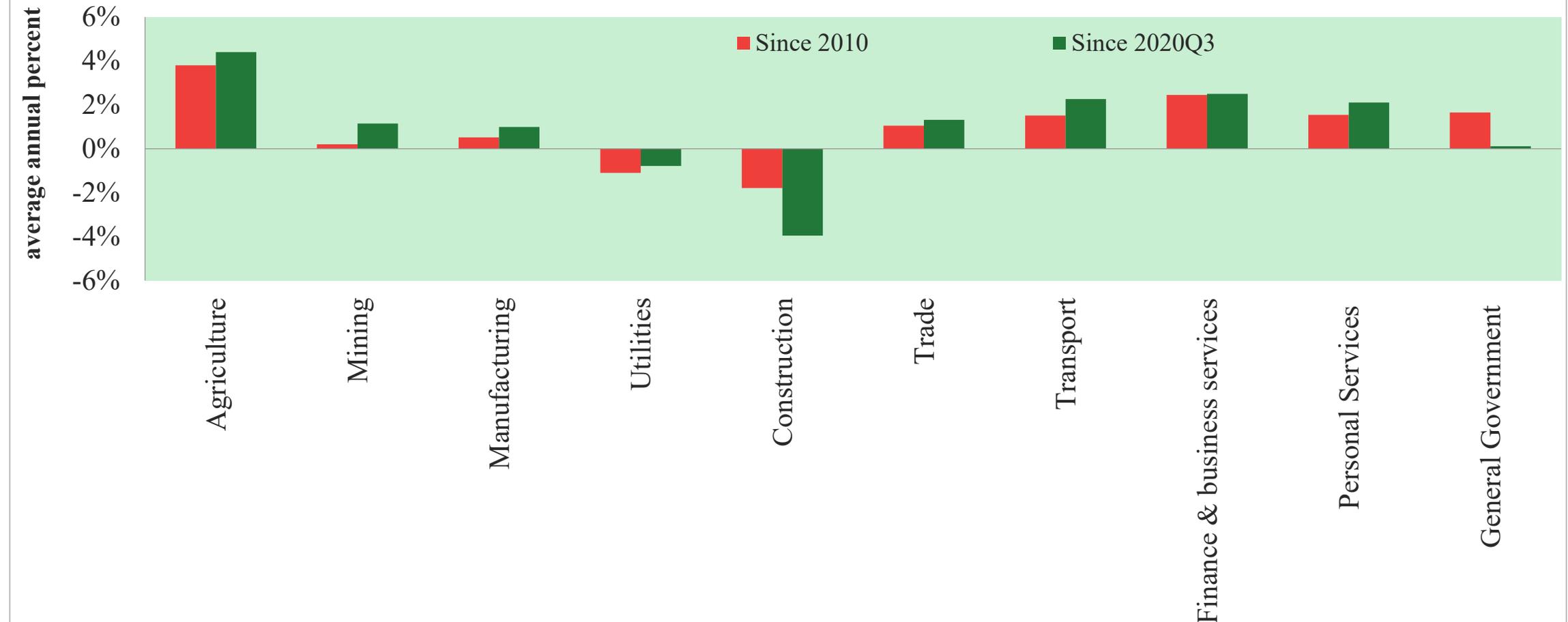


Source: UN Comtrade Database

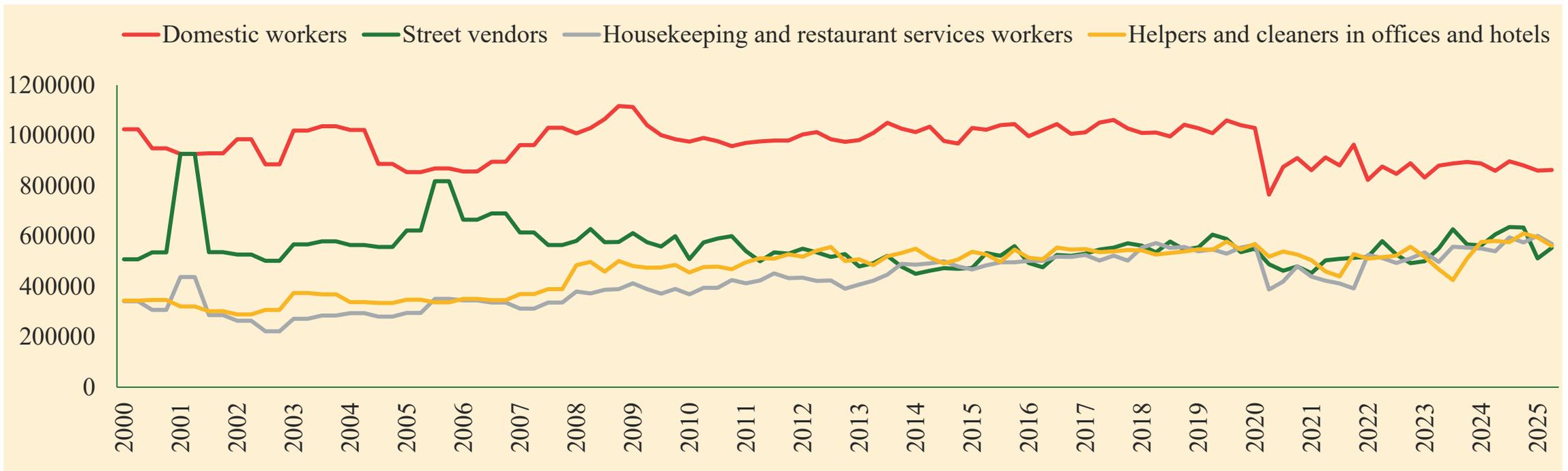
Industry growth

Since 2010, industry value added expanded most rapidly in **agriculture and finance, real estate, and business services**. Sectors like electricity, gas, water, and construction experienced notable contractions, and while aggregate growth has decelerated since the COVID-19 pandemic compared to the 2010-2019 period, certain industries have shown modest recovery recently.

Industry growth



Employment in selected informal sector occupations



Source: Stats SA (QLFS), EconData, Codera Analytics.

According to data from Statistics South Africa, **the number of domestic workers has declined since the COVID-19 pandemic, suggesting pressure on the middle and upper classes in South Africa that predominantly employ domestic workers in SA.**

Other low-wage occupations, such as street vendors or cleaners, have seen very little growth in employment over the last twenty years, despite the increase in the size of the economy and South Africa's population.

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Purpose of this Report

This report has been prepared in support of the NEDLAC Social Partners' Economic Recovery Action Plan. The report provides a snapshot of key macro-economic and employment trends based on official statistics and other relevant sources of data.

Disclaimer

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