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'WORSENING UNEMPLOYMENT FIGURES UNDERSCORE THE NEED TO TURN THE ECONOMY AROUND WITH PRO-GROWTH REFORM POLICIES SOONER RATHER THAN LATER' SAYS NWU BUSINESS SCHOOL ECONOMIST PROF RAYMOND PARSONS

'Although the rise in unemployment figures for 1Q 2019, the highest since late 2017, was widely expected, they remain a further wake-up call about the SA economy in the post-election period. Seasonal and temporary jobs apart, if 'discouraged work seekers' are included, this now puts the expanded unemployment level at 38%. Combining the latest unemployment trends with other high frequency 1Q 2019 economic data, it is likely that GDP growth in that quarter has been in negative territory.

The worsening unemployment situation owes much to the Eskom load-shedding and its negative impact on the economy in 1Q 2019 as well as to some extent a slowing global economy. The employment outlook now also invests new urgency in the commitments made at the Jobs Summit in October last year and particularly the role of the Presidential Jobs Committee tasked with monitoring progress towards the target set of 275,000 jobs per year. If that target is to remain credible, various components of the job creation strategy, such as the Youth Employment Service, need to be expedited and implemented.

But previous well-intended strategies, approaches, and summits have usually fallen far short of the unemployment challenge. Unless overall growth prospects are greatly strengthened, all these useful micro-measures to intensify job creation will inevitably only have a minimal impact. SA must therefore break out of its current 'low growth trap' of about 1% and get on to a higher growth path sooner rather than later.

Hence the recent positive official emphasis on boosting investor confidence. Post-election pro-growth reform policies on key issues are now urgently needed to create a confidence-building environment for business and investment. These will help to stabilize unemployment and encourage job-rich growth. Economic recovery and structural reform will therefore need to be seriously prioritized by the new Cabinet and also dominate the state-of-the-nation address next month.'

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