QUARTER 4 (2022/2023)

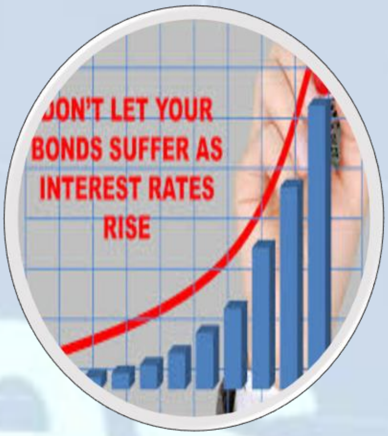
LABOUR MARKET ECONOMIC DASHBOARD

THE LATEST PROMINENT FACTORS IN THE SA LABOUR MARKET

1. INTEREST RATES AND INFLATION HIKES IN SOUTHAFRICA

INTEREST RATES in South Africa are approaching their peak, according to submissions from Nedbank Economists; opening the door for even more interest hikes expected this year.

This means middle class South Africans, who are already heavily indebted with home loans, vehicle-finance loans and credit card repayments, will be paying even more to service their debts in the first half of this year.



AS AT 26 JANUARY 2023, THE PRIME LENDING RATE AT RETAIL BANKS IS AT **10.5%.**

2. LOADSHEDDING AND POWERCUTS

- Data for the week ending 20 January 2023 shows an under-recovery of **25 to 32 cents** per litre for petrol. For diesel, 0.05% sulphur diesel could be going up by **6 cents** per litre, while 0.005% could still be coming down by **6 cents** per litre.

- **Petrol 93:** increase of 32 cents a litre;
- **Petrol 95:** increase of 25 cents a litre;
- **Diesel 0.05%:** increase of 6 cents a litre;
- **Diesel 0.005%:** decrease of 6 cents a litre;
- **Illuminating paraffin:** increase of 8 cents a litre.

Food prices are likely to also spike if the current load shedding is sustained for a longer period. Food inflation in particular will erode household budgets, especially for the poor and the working class. The substantial Eskom tariff increase will also eventually add to consumer costs.

Business Research Intelligence and Communications Unit
The Governance & Strategy Department, 2022/23

The ongoing energy supply interruptions, in addition to the elevated input costs, the rising interest rates and the increasingly higher wage demands, are placing downward pressure on company profits/margins. Furthermore, a less favourable global economic backdrop adds to the economic challenges for many sectors-according to Independent Economist, Elize Kruger

According to Naidoo, 2022 proved to be an exceptionally challenging year for the economy, with the rising cost of living, higher interest rates and this year with the worst loadshedding experience, which has affected economic stability.

2. LOAD SHEDDING AND POWER CUTS

CONSEQUENCES OF LOADSHEDDING ON THE ECONOMY:

- A North West poultry farmer, who had approximately **40 000 to 50 000** of his chickens perish due to the continuous electricity disruptions is set to submit a claim of **R1.5 million** against Eskom for the financial loss his farm has suffered.
- The continuation of Stage 6 load shedding in 2023 has sparked fears that disruptions in the agricultural supply chain could push up already elevated food prices and even result in shortages.
- The South African Poultry Association warned earlier in January 2023 that load shedding had exacerbated pressure on egg producers, and about **10% or close to 200** egg famers have already gone out of business. Chicken shortages have also forced or remove certain items from their menus.

- SA's largest poultry producer, Astral Foods, put the direct cost of load shedding at its operations at **R138 million** in its 2022 year and has battled for years with unreliable water and electricity at its facility in Standerton, Mpumalanga.
- Water utility authorities across South Africa have warned that the high levels of load shedding will have an impact on water supply operations, and that some areas may experience low to no water pressure as a result. Water pump systems and critical pipelines have all been thusly affected.
- Water treatment works and pump stations need electricity to operate. While there are reservoirs with storage to last through short interruptions, these reservoirs rely on a continuous water flow in order to maintain sustainable levels. Currently, it is this water in the storage reservoirs that is running low due to the repeated load shedding.

Meanwhile, the National Energy Regulator of South Africa has granted Eskom authorisation to increase electricity tariffs by 18.7% in 2023. While this was lower than the 32% hike the power utility initially requested, it will still be a significant contributor to the country's inflation rate.

Ironically, the Eskom office in Empangeni in the KwaZulu-Natal province was recently disconnected due to its inability to pay its exorbitantly "high" electricity bill. According to reports, the power utility owes the uMhlathuze municipality almost **R500, 000.00**. Other entities to be disconnected are: Mhlathuze Water in Richards Bay, the departments of Education, Transport and Social welfare,

Eskom board chairperson Mpho Makwana said they wanted to implement PERMANENT **stage 2 and stage 3** load shedding over the next 24 months. Makwena said the plant performance recovery plan was in its final stages of being approved, however, the reality is that the recovery of the Eskom coal fleet, currently comprising 80% of the generation power mix, will not be achieved within the short term. It will take at least two years to ultimately reach the perfectly desirable energy availability factor. This means that South Africa should expect a possible **4-6 hours** of no electricity, **EVERYDAY** for the next two years.

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Monday January 16, 2023

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Mr President, cancelling your Davos trip is one thing. Dealing with the crisis is another. Here is a reminder of some small businesses crippled by every failed promise to fix Eskom page 3

Unplugged

- Soweto Creamery, Soweto
- K-LA-K Food Court and Carwash, Mangaung
- P.H Network Café, Randburg
- Uitenhage Funerals, KwaNobuhle
- Mogale bar lounge, Mabitsi
- Tattooboy Inkworld, Kimberley
- T-LOOKS Salon, Soweto
- PP Mhlanga Funeral Services, Bushbuckridge
- Gags in Gugs Comedy, Gugulethu
- Endaweni Lounge, KwaNobuhle
- Odwa Duru Funerals, Zwide
- Tuscan Guesthouse, Polokwane
- Kwano's Meat Corner, KwaNobuhle
- Tubb's Carwash, Bramley
- #YourSecondWife, Kariega
- Tinties Family Butchery, Naturena
- Opinionated Trading, Kroonstad
- Nonyana Trading and Projects, Nzhelele
- Ndash Food Café, Midrand
- AM Cakes, Table View
- 701 Carwash, KwaNobuhle
- Mokopane Perfect Laundry and cleaning services, Mokopane
- Royal Pies, Alexandra and Soweto
- Mokopane Perfect Laundry and cleaning services, Mokopane
- Pawn King, Lenasia South
- Analit Africa, food and skin care product manufacturers, St Georges
- Reedy Supermarket, Thulamela
- Dwellas Printing, Kroonstad
- Matt Bakery and Fast Foods, Lenasia
- Fundza Training Institute, Mokopane
- Dear Bella, Bloemfontein
- NG Goniwe, Gqeberha
- Umta fresh Produce, Tzaneen
- The Sandwich bite, Tembisa
- Letjedi environmental sales and services, Mokopane
- Sausage Saloon, Dobsonville
- Buska Foods, Kroonstad
- Amace Creations, KwaNobuhle
- Lute and Tovho General Trading, Thulamela
- Ngobese Spaza shop, Katlehong
- Sensational Gardens and landscape, Kroonstad
- Adelante Lodge, Bloem
- Emapapeni Food Court, Orlando East
- Phutuma Funeral Services, Hazyview
- Skeem Corner, Tzaneen
- Clayville Crossing Chesanyama, Clayville
- Skype Lounge, Orlando East
- T&N Butcheries, Moletsane
- Dexters Meat Market, Katlehong
- Niki's Jazz Restaurant, Newtown
- Palesa's Bake and Treats, Parklands, Cape Town
- Nyeleti Funeral Services, Bushbuckridge
- Mostert Funeral Services, Upington
- Le Pot, Khayelitsha, Cape Town
- Nyeleti Farm, Bushbuckridge
- GS Funeral Services, Vosloorus
- ItuSue Collection, Pretoria
- MPBizrabbitry, Putfontein
- Eve's Eden Farming Estate, Vaal

3. JOB CUTS FROM UNIONS' PERSPECTIVES

According to various trade unions and employer stakeholder submissions, the escalating energy crisis will probably deal a bigger blow to business and employment than the national Covid-19 lockdown did in 2020.

- Solidarity general secretary Gideon du Plessis reports that employers have told the union that load-shedding and higher electricity tariffs meant they had to curb or cancel wage hikes and possibly retrench workers. He advised that the union had established an internal recruitment company to assist its members for free to find new jobs if they were retrenched.
- Cosatu spokesperson Sizwe Pamla indicated the following, *"We anticipate that if nothing changes [in terms of load-shedding], there will be attempts to retrench. In the meeting we had with the president as labour federations, we demanded a joint meeting between the government, labour and employer associations to discuss and adopt a moratorium on retrenchments over load-shedding and focus on finding an urgent solution."* Cosatu general secretary Solly Phetoe pointed out that load-shedding affected workers as well as employers and indicated that *"employers using the energy crisis to reduce workers is not something Cosatu would agree to."*
- Mametlwe Sebei of the General Industrial Workers Union of SA pointed out that sectors in which the union organised had not recovered from the Covid lockdown.

In December 2022, the gold producer issued Uasa with a Section 189 notice, which was followed by meetings with Barberton Mines to explain the justification behind the notice. While proceeding with the matter, the company proposed a full calendar operations (Fulco) working system for the affected divisions

The Fulco working system is expected to create more working opportunities in these divisions, while preventing the proposed 600 job cuts. Bilateral meetings between Uasa and management at Barberton Mines are ongoing, as they aim to negotiate the terms and conditions of the Fulco system to ensure a zero job loss position at the company. At the same time, the union continues the battle with diversified miner

Sibanye-Stillwater's Beatrix 4 Shaft and Kloof 1 plant, both part of the company's gold division, to ensure that zero jobs are lost. This comes after the company also gave notice of possible retrenchments and restructuring late last year. "The fight is for all employees to be employed in all other Sibanye operations rather than to be retrenched," the union said.

The South African Reserve Bank recently reported that growth in the nominal remuneration per worker in the private sector remained unchanged at **5.7%** y/y, as the average wage settlement rate in collective bargaining agreements came to **6.0%** in the first nine months of 2022.

The average nominal take-home pay declined in December, ending the dismal compensation year at a low point, and starting households off on the back foot in 2023, according to the latest Bankserv Africa Take-home Pay Index (BTPI). The average nominal take-home pay was recorded at **R14,633**, 4.8% lower than the **R15,403** reflected in the previous year.

4. STATE OF THE NATION DISASTER DECLARED IN GAUTENG

- The Department of Cooperative Governance and Traditional Affairs (COGTA) has declared a provincial state of disaster in Gauteng, effective from 23 January 2023, following severe floods that took place in the City of Joburg (CoJ) and the greater Johannesburg region in December 2022.
- The torrential rain, hail storms and flooding resulted in the damage to property, infrastructure, environment and loss of life and has been exacerbated by the ongoing load shedding.
- Eskom granted the CoJ a three-day reprieve from load shedding following the floods, but the city has since continued to struggle in dealing with blackouts.

THE STATE OF DISASTER WILL REMAIN IN EFFECT UNTIL:

- The provincial executive dealt with the provincial disaster in terms of existing legislation and contingency arrangements without declaring a provincial state of disaster in terms of section 41 (1);
- The classification is revoked by the Head: National Disaster Management Center when the occurrence can no longer be regarded as a disaster in terms of the Act upon reassessment by the NDMC;
- The provincial executive dealt with the provincial disaster in terms of existing legislation and contingency arrangements as augmented by regulations and/or directions following the declaration of a provincial state of disaster in terms of section41(2)
- The classification of a provincial disaster is automatically revoked when the provincial state of disaster is terminated or lapses in terms of section 41(5) of the Act

5. SOURCES

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