Fast Facts

FOUNDED 1929

SOUTH AFRICAN INSTITUTE OF RACE RELATIONS

No 12/2007/December 2007

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Inside

Editor-in-Chief: John Kane-Berman
Editor: Marco MacFarlane
Production Secretary and DTP:
Sarah Zwane
P O Box 31044, Braamfontein, 2017
Phone: 403-3600 / Fax: 403-3671
e-mail: sairr@sairr. org. za

THE SKILLS DEFICIT LOOKS PERMANENT

To deny that South Africa faces a critical skills deficit is to deny the past, ignore the present, and jeopardise the future.

History as well as current facts contradict the claim earlier this year by Mr Jimmy Manyi, chairman of the Commission for Employment Equity, that South Africa's skill shortage is an urban legend.

This issue of *Fast Facts* quotes statistics showing that our shortages of professional and technical people range horizontally across the various sectors of the economy.

It would be strange if it were otherwise. South Africa is not much more than a decade away from apartheid. The chairman of Massmart, Mr Mark Lamberti, put the point well in a recent speech in Johannesburg to Oxbridge alumni: 'Apartheid's most devastating and enduring legacy was that it destroyed the human capital of our nation. For the most part black people were not educated, the family unit was shattered, leadership icons outside of the struggle were scarce, and confidence, self-esteem, and humanity was insidiously and systematically destroyed. Concurrently a generation of moral, despondent white talent emigrated.'

Add to that the insanity of 'no education before liberation' and the way in which schoolchildren were used for revolutionary purposes, and it is obvious that the post-apartheid government faced no challenge greater than that of fixing education. Militant trade unionism has compounded the challenge, as have the pensioning off of teachers and the removal of disciplinary powers from school authorities.

Only belatedly has the government started paying attention to early childhood development and other forms of pre-school education. The shortage of teachers begins at that level and stretches right up to the abysmally few being produced who can prepare matriculants for university degrees in accountancy, engineering, or medicine. The standard of English coming out of our schools is so poor that many university graduates cannot even write a decent job application.

Although South Africa has some excellent private and government schools, it will take a generation to fix the rest. It is surely time to reverse the centralising thrust of education management, using lessons from elsewhere. New York also has rotten schools. The mayor, Mr Michael Bloomberg, recently introduced a system of rewards and punishments for good and bad principals. Incentives work in business. They can work in education too.

—*John Kane-Berman*

ISSN 1019-2514 SAIRR internal reference: PD14/2007

Published by the South African Institute of Race Relations with the financial assistance of the Friedrich Naumann Foundation, the International Republican Institute, and the National Endowment for Democracy.

Fast Facts is supplied with the compliments of the Royal Danish Embassy to all members of parliament; and with the compliments of Irish Aid to members of the nine provincial legislatures.

The skills shortage: Urban legend or fatal constraint?

Recent comments in the media by Mr Jimmy Manyi, chairman of the Commission for Employment Equity, have sparked much interest. Mr Manyi claimed that the skills shortage was merely an 'urban legend', and that skilled blacks 'who are out there are simply ignored'. The following article, using a number of statistics and reports, shows that contrary to Mr Manyi's statements, the country is facing a serious skills shortage, a problem which needs to be tackled decisively if we are to reach an annual economic growth rate of 6%. The country faces shortages in almost every profession. These include technical and academic skills. South Africa has shortages of engineers and shortages of artisans, it lacks sufficient draughtsmen, there are not enough accountants being produced, and the number of teachers is at an unacceptably low level, nor do we produce enough PhD graduates or research papers. This is but a small selection of the skills of which South Africa is short.

There is no skills shortage in South Africa. Skilled black people are deliberately being left out in the cold, according to the chairman of the Commission for Employment Equity, Mr Jimmy Manyi. Mr Manyi called the skills shortage an 'urban legend'.

Is he mistaken, or is there a conspiracy by white managers and human resources practitioners around South Africa to exclude skilled black people from contributing to the South African economy?

An overview of the skills crisis

A number of studies have shown that the skills shortage is a real obstacle to economic growth in South Africa, and that for many companies the biggest constraint upon doing business in this country is the shortage of skilled personnel. According to a report by an international accounting firm, Grant Thornton, some 58% of medium-to-large businesses said that the shortage of skills was a particular problem.

Another accounting firm, Deloitte, released a report in June 2007 indicating that 81% of companies struggled to find appropriate staff, with 76% saying that finding employment equity candidates was a particular problem. The report noted that there was a pronounced shortage of chartered accountants, information and communication technology (ICT) specialists, sales and marketing personnel, and scientists.

In 2005, Dr Iraj Abedian, the CEO of the economics consultancy Pan-African Advisory Group, estimated that there were at least 500 000 vacant posts in South Africa. These were for skills ranging from financial managers, to artisans, to computer technicians.

A June 2007 study by the Bureau for Economic Research (BER) at the University of Stellenbosch found that 47% of South African manufacturers said that the skills shortage was their most serious difficulty. A June 2007 survey of 40 companies in Gauteng, South Africa's economic and industrial heartland, by the Centre for Development and Enterprise (CDE), showed that 26 of the companies surveyed mentioned the skills shortage as a specific challenge to doing business; half the firms had had to source skills from abroad.

Speaking in September 2007, the minister of labour, Mr Membathisi Mdladlana, said that the skills shortage was a 'ticking timebomb'. The minister said that although the economy was creating jobs, over three-quarters were in positions which needed skilled or semi-skilled labour, excluding a large proportion of the workforce. The shortage of skills was called a 'fatal constraint' upon the goal of shared growth by the deputy president, Ms Phumzile Mlambo-Ngcuka, in 2006.

In a letter to the *Financial Mail* in early November 2007, Mr Mark Lamberti, chairman of the retail group Massmart, said that he was in agreement with Mr Manyi that the pace of transformation in the South African corporate sector was too slow. However, Mr Lamberti noted that he believed the reason for the slow pace of transformation was not racism, but simply the lack of skills.

The lack of artisans

The trade union Solidarity reported that in 2007 South Africa had only 10% of the number of artisans that it had 20 years ago; the country now had a 40% shortage of artisans. The average age of an artisan in 2007 was 54 years, meaning that in ten years' time, South Africa would be facing an even more serious shortage of skilled labour.

Illustrative of the decline in skills is that in 2006, there were 3 400 apprentices in training in the metals industry, compared to nearly 13 000 in 1982, as shown by figures from the Steel and Engineering Industries Federation of South Africa (Seifsa).

This can largely be attributed to the abolition of the apprenticeship system, which was replaced by Sector Education and Training Authority (Seta) learnerships in 1998.

These are often seen as being inferior to the apprenticeship system. Speaking in April 2007, Mr Garnett Cross, hydraulics course manager at the hydraulics training course provider of the same name, said that the current learnership programme was not producing a knowledgeable or experienced workforce, and that the apprenticeship system was preferable. Mr Cross also noted that many experienced artisans were emigrating.

Writing in *The Mercury* in June 2007, Mr Andrew Layman, CEO of the Pietermaritzburg Chamber of Business, noted that the majority of the organisation's members preferred the apprenticeship system. Professor David Kaplan, of the Department of Economics at the University of Cape Town (UCT), points out three areas where Setas are inadequate. In the first place Setas are bureaucracies, and to be effective, bureaucracies need effective management, and management skills are something which are in short supply in South Africa.

Secondly, Setas are funded by a payroll levy, adding further to a company's operating costs, thus discouraging hiring. Finally, Setas simply add another layer of bureaucracy to those which a company must already deal with.

Further emphasising this country's lack of skills, was a comment from the National Advisory Council for Innovation, quoted by the South African Press Association in July 2006, which estimated that South Africa would be short of 6 000 artisans in 2010. With the current economic boom, it is believed that the country may need as many as 15 000 extra artisans by the end of the decade.

A problem with artisanal skills is that becoming an artisan is not seen as an attractive option by young people, with most youngsters choosing to follow a more business-oriented route. This ironically means that many business graduates struggle to find employment when compared to those with more technical skills.

The dire technical skills shortage in South Africa is demonstrated by the fact that a construction major, Murray & Roberts, is offering a R20 000 sign-on bonus for artisans, specifically hydraulic fitters and electricians. If no skills shortage existed, such measures should not be necessary. It was also reported in July 2007 that the company had recently re-recruited South African engineers who had moved overseas.

The global petrochemicals giant Sasol is also working to counter the skills shortage. It is investing in a R140m skills development programme to develop artisans. The money will go directly to the Seta for the chemical industry, the Chemical Industries Education and Training Authority (Chieta), and Chieta-accredited institutions and programmes.

An engineering deficit

Engineers are important in any economy, as they are the professionals who will be most needed in any infrastructural development. This country is no different. South Africa had only one engineer for every 3 200 people in 2006, compared to one for every 130 people in China, one for between 250 and 300 people in Europe, and one for 450 people in Australia, according to the South African Institution of Civil Engineering (SAICE).

Mr Martin Westcott, MD of P-E Corporate Services, quoted by *Business Day* in June 2007, said that one-third of South Africa's engineering graduates of the last 40 years lived abroad.

It was also reported that only about half of South African engineering graduates actually remain in the profession, further adding to the skills shortage in this sector.

South Africa produces about 1 400 engineering graduates every year, but this needs to be expanded to at least 2 400 to alleviate the current skills deficit. Taiwan (which has a population about half that of South Africa) and South Korea (which has a population roughly equal to that of this country), produce 10 000 and 30 000 engineering graduates each year respectively.

The South African Association of Consulting Engineers (Saace) has added its voice to the skills debate. The association conducted a management information survey in the second half of 2006. More than 90% of firms revealed that they were looking for engineering personnel. It was found that 63% of firms were using 100% of their technical capacity. Ideally there should be some spare capacity to handle contingencies.

More than 95% of firms said that they were struggling to find engineers and technologists, both white males and those from the 'designated groups' (ie Africans, Indians, coloured people, women, and the disabled).

At the same time South Africa is undergoing a massive infrastructural drive (*see box*).

The various infrastructural developments listed in *the box* will mean that technical and engineering skills will be in greater demand than they already are. There is concern that the country does not have the capacity to deliver on these projects. Mr Sean Flanagan, an executive director at Murray & Roberts, told *Engineering News* in March 2007 that the government had the capital to fund the projects, but that contractor capacity was lacking within the government, and within the contractor community, to carry them out.

In May 2007 the Ethekwini municipality in KwaZulu-Natal, which includes Durban, revealed that it had over 40 vacancies for electricians and artisans, but a spokesperson for the municipality noted that probably only half the posts would be filled. It was likely that the city's administration would have to source skilled workers from abroad to fill the gap.

UPCOMING INFRASTRUCTURE DEVELOPMENTS

A number of projects are under way, or are currently planned. These range from (relatively small) projects linked to the 2010 Soccer World Cup and the R25bn Gautrain project (the rapid rail set to link OR Tambo International Airport, the Johannesburg city centre, the northern Johannesburg suburb of Sandton, and Pretoria), to planned expansions by Transnet, Eskom and at most of the major airports. Altogether the government, parastatals and public–private partnerships are planning on spending R482bn up until 2010 on infrastructural development. The spending will be primarily on new roads, railways, prisons and ports. This is equal to about 6.5% of gross domestic product.

Nedbank's annual capital expenditure listing for 2007 showed that there were approximately 102 projects, worth R174bn planned for 2007 alone, including government and private projects.

Eskom is planning capital expenditure expansions of R150bn, up until 2011. Transnet is expected to spend nearly R80bn on infrastructure between 2008 and 2012. The bulk of this will be spent by Transnet Rail Engineering (formerly Spoornet), with almost R35bn earmarked for Transnet's rail division. About R18.5bn will be spent by the National Ports Authority (which manages the country's ports on behalf of Transnet), while the Transnet Port Terminals (which is responsible for operations at the country's ports) will be receiving about R9.5bn over the next five years. Transnet will also be spending approximately R11bn to construct a petrol pipeline between Johannesburg and Durban. It is expected that the new pipeline, which will replace an existing pipeline, will come on stream in the third quarter of 2010.

There are also a number of road upgrades planned. These include the R5.9bn Winelands Toll Highway, the Cape Town Ring Road, the N2 Wild Coast Toll Highway, and upgrades to roads linking Johannesburg and Pretoria. The Airports Company of South Africa (Acsa), which owns and operates South Africa's ten major airports, will be spending nearly R20bn on airport infrastructure over the next five years. These include upgrades at OR Tambo and Cape Town International Airports, and the construction of a new international airport in Durban.

The private sector is also planning some significant infrastructural developments. The electrical engineering group Powertech is planning on spending over R600m on capital expansion, partly in anticipation of Eskom's planned expansions. It was reported in July 2007 that Sasol was planning on spending R65bn in infrastructure projects over the next three financial years, while the company had already spent R12bn in the 2007 financial year. Africa's largest steel producer, Mittal Steel South Africa, will be spending up to R9bn on capital expenditure up until 2010.

In August 2007, the insurance giant Alexander Forbes reported that the mining industry would have to start recruiting retired mining engineers, as the industry faced a skills crunch. In South Africa and globally there is a shortage of qualified mining personnel such as engineers, metallurgists and geologists, leading to the recruitment of retirees. The infrastructural drive in South Africa has also contributed to the shortage of mining engineers. For example, mining personnel have been recruited to work on the Gautrain, as their experience on working underground and constructing work areas and tunnels below the surface makes them a valuable commodity for the project.

The skills crisis in education

Although there is clearly a skills shortage, in 2005 South Africa had over 200 000 unemployed graduates, of which 36 000 had degrees, according to a report published by the Development Policy Research Unit (DPRU) at UCT.

The report also found that of all unemployed tertiary graduates, 85% were African. Professor Haroon Bhorat, director of the DPRU, noted that many black graduates lacked 'soft' skills such as communication or English language skills. He stated that the reason for the large pool of unemployed graduates was that they probably had qualifications that are not in short supply, such as in the social sciences or general commerce qualifications.

Another report by the DPRU found that companies stated that students from 'historically black universities' (HBUs), who were in all likelihood overwhelmingly black, did not get work experience opportunities at HBUs. In contrast, students at 'historically white universities' (HWUs), got the chance to intern at firms, or work in an administrative capacity at university, thus preparing them for the world of work and making them more attractive for hiring companies. The report also showed that students from HWUs, regardless of race, had better soft skills, and adapted to a corporate environment more readily than those who had attended HBUs.

A November 2007 report in *City Press* pointed at a gap in the standards between HBUs and HWUs. Bachelor of Commerce degrees in accounting at both the former University of Transkei (Unitra), now part of Walter Sisulu University, and the University of Venda (Univen) are not accredited by the South African Institute of Chartered Accountants (Saica). Accounting graduates from these universities couldn't secure articles at the big four accounting firms, KPMG, Pricewaterhouse-Coopers, Deloitte, and Ernst & Young. The firms reportedly do not recognise their degrees as being of a sufficient standard. Students wanting to complete their articles are forced to do bridging courses at a Saica-recognised institution.

The skills deficit extends to South Africa's research capabilities, important in any economy. Professor Albert van Jaarsveld, vice president of the National Research Foundation (NRF), noted in August 2007 that South Africa was falling behind in the global knowledge economy. Professor van Jaarsveld stated that South Africa needs to produce about 6 000 PhD graduates per year, in order to ensure that the country stays competitive in the global knowledge economy. South Africa produced about 1 200 PhDs in 2005. South Africa only produced 23 PhDs per million citizens in that year, in comparison with South Korea, which produced 150, and Australia, with 200.

Further indicating South Africa's lack of research capacity, is the fact that between 40% and 50% of research papers produced in 2003 were written by people older than 50, compared to the 1990s' average of between 10% and 15%. The NRF was not simply bemoaning the lack of research capability in the country, since in 2006 the organisation ploughed R1.5bn into research, with this figure expected to rise to R3.1bn in 2008. Furthermore, the NRF was planning on sponsoring university chairs or academic positions, as well as centres of excellence in order to boost the country's research capabilities. Currently 20 chairs have been sponsored, with the goal being to sponsor 210 chairs by 2010. The NRF receives most of its funding from the government, through the Department of Science and Technology. It also receives some funding from overseas donors, and from revenue from entities it controls (for example, entrance fees to the National Zoological Gardens).

In addition, Professor van Jaarsveld said, South Africa was not producing nearly enough matriculants with good passes for maths and science. Part of the problem was that there were not enough teachers capable of teaching maths and science, and it was difficult to lure maths graduates from university into the teaching profession, as the low salaries were a 'fundamental hurdle'.

Within the broader sphere of education the country is also suffering from a lack of skilled personnel. In early 2007, Dr Azar Jammine, chief economist at economics consultancy Econometrix, said that South Africa needed 21 000 new teachers each year, but only 5 000 were being produced. Only 15% of maths teachers are suitably qualified. The University of the Witwatersrand (Wits) produced only one maths teacher in 2005. The Suid Afrikaanse Onderwysersunie (South African Teachers' Union) said in February 2007 that in Gauteng there was a shortage of teachers, although this was denied by the provincial Department of Education. A spokesperson for the department, Mr Panyaza Lesufi, said that there was no shortage of teachers, but that there was a problem in planning the deployment of the teachers. The late registration of pupils was also a problem, with schools taking in more students than they could adequately manage.

More alarming statistics were found by the Human Sciences Research Council (HSRC). It stated that South Africa would have a teacher shortage of 34 000 by 2008. The member of the executive council (MEC) for education in Limpopo, Mr Aaron Motsoaledi, said in May 2007 that if the province did not import maths and science teachers from abroad, there would be pupils who would not be taught those two subjects in 2008.

Furthermore, in September 2007, the minister of education, Ms Naledi Pandor, told Parliament that provincial education departments had appointed nearly 1 500 foreign teachers in the past two years, and that there were plans afoot to recruit 2 000 more teachers from abroad. The minister added that teachers who had retired or taken 'packages' were welcome to return to the profession. In the same month the minister of science and technology, Mr Mosibudi Mangena, noted that more than half of South Africa's maths and science teachers were not properly qualified. The closure, or incorporation of teachers' training colleges into universities (such as the absorption of the Johannesburg College of Education into Wits), could also explain the drop in numbers of teachers coming into the system.

A contrary view comes from Mr Fabian Arends, a researcher at the HSRC. Research done by Mr Arends found that there was no shortage of qualified teachers in the country, but that they were not teaching the subjects in which they were qualified. Taking the Eastern Cape as an example, he showed that in 2005 there were over 16 000 teachers qualified to give instruction in maths, but there were only 7 000 people teaching the subject. Of those 7 000, only 5 000 were actually qualified to teach the subject. The poor deployment of qualified teachers would point to deficiencies in the Department of Education, most likely the lack of skilled managerial professionals qualified to run a government department, indicating another skills bottleneck.

The high dropout rate and low throughput of schoolchildren is also a contributory factor to the current skills deficit. For example, in 1992 there were just over 1.5m children enrolled in Grade One. These children would be in matric in 2003, yet the number of children enrolled for the final year of school in 2003 was only 475 000, only 30% of the Grade One enrolment of 1992. This points to a high failure and dropout rate. The low number of matric students passing with endorsement (a matric result good enough to allow them to attend university) is also a cause for concern. In 2005 there were just over 500 000 children enrolled in matric, 68% of whom passed in that year, while only 17% passed well enough to attend university. The numbers passing maths on the higher grade gives even more cause for alarm. Of the 500 000 children who wrote matric in 2005, some 300 000 took the subject, 169 000 of them passed it, but only 32 000 did so on higher grade. A higher grade maths pass is normally essential in enrolling for degree courses such as accounting or engineering.

The university system's dropout rate is something which also needs attention. Figures from the Department of Education showed that 120 000 undergraduates entered tertiary study for the first time in 2000. Of these only 22% graduated in 2002 or 2003, while 50% dropped out in the period of 2000–2002.

Economic growth and skills

There are widespread claims of a skills shortage, yet the economy is still managing to grow at a robust 5% in the longest period of sustained growth since the 1960s. This could possibly prove Mr Manyi's point that there is, in fact, no skills shortage, and that it is simply nonsense. The more likely explanation is that the country is simply importing the parts and goods that it needs, because they cannot be sourced in this country. Dr Azar Jammine notes that this means South Africa has effectively outsourced its job creation capacity. This compensation for lack of goods in South Africa, leading to increased imports, is also the reason for the high trade deficit South Africa is presently experiencing.

The skills shortage and land reform

Land reform is one of the most emotional issues in South Africa, and the government has made it one of its priorities. However, there is some cause for concern that the Department of Agriculture does not have the capacity to manage the process satisfactorily. A 2005 report by the CDE quoted an unnamed land reform researcher as saying that the government would need to increase its '…budget, official capacity, interdepartmental co-ordination, and political consensus…' if it wanted to meet its own targets. The primary target is to transfer 30% of agricultural land to blacks by 2014. Land reform could also threaten food security in the country, a 2007 report by the FW de Klerk Foundation found. The report noted that many farms given to black farmers were operating at low levels. The report quoted a 2005 study by the University of Pretoria which found that on farms which had been transferred to black farmers, on 44% of the farms production had decreased drastically, while 24% had seen no production since transfer to their new owners. The report noted that ideally the new entrants into the agricultural sector should enjoy comprehensive support from either existing farmers or the agriculture department. However, there was doubt that the agriculture department had the skills to support these emerging farmers.

The skills deficit in government

There also seems to be a skills shortage within the government itself. A parliamentary reply given in August 2007 by the minister for public service and administration, Ms Geraldine Fraser-Moleketi, showed that there are serious skills shortages in the very department which is tasked with managing the South African public service.

Of the eight top-level management posts in the Department of Public Service and Administration, only three were filled in April 2006. There was a 29% vacancy rate in senior management posts, middle management had a vacancy rate of 24%, while the vacancy rate for highly skilled supervisors was 40%.

An analysis of the government's 28 national departments' annual reports for 2005/2006, done by the Democratic Alliance, showed that there was a vacancy rate of 10% in national government. This equated to about 40 000 of all available posts. All national departments, with the exception of the Departments of Safety and Security, and Correctional Services, were found to have vacancy rates in excess of 10%. Twenty of the national departments analysed had vacancy rates of 20% or more. If one excludes the safety and security department, which had a vacancy rate of only 0.3%, then the vacancy rate for government at national level rises to 18%.

In the Presidency, which combines the offices of the president, the deputy president, and the minister in the presidency, there is also a skills deficit. According to the Presidency's Annual Report for 2007, the vacancy rate in the organisation was 25%. The turnover rate in the Presidency was also reported as being 13.5%.

The office of the auditor-general is also suffering from a severe skills shortage, *The Daily News* reported in October 2007. Auditor-general Mr Terence Nombembe told the National Assembly's standing committee on the auditor-general that there was a shortage of 700 qualified audit managers in his office. The auditor-general had had to outsource work to independent auditing firms in order to deal with the shortage, Mr Nombembe told the committee.

The minister of public enterprises, Mr Alec Erwin, said in July 2007 that as a requirement in practice, affirmative action no longer existed in South Africa, due to the skills shortage. The minister was speaking at a South African business club meeting in London, but he emphasised that affirmative action was still government policy.

Skills and immigration

The skills shortage is exacerbated by the difficulty in obtaining work permits for foreigners, especially nationals of other African countries who want to work in South Africa. An article in June 2007 in *The Citizen* stated that of the foreign African nationals who had visited the newly opened Migrants' Helpdesk in Johannesburg, a significant number had sought-after qualifications, and there were a number of teachers, nurses and assorted professionals who could not get work permits because of the massive amount of red tape and the chaos which passes for the Department of Home Affairs.

The government has revised legislation to encourage foreign skilled workers to come to South Africa through the issuing of quotas for specific scarce skills, allowing foreigners with the requisite skills to come to South Africa without first securing employment. Only about 10% of the quota of 70 000 work permits were taken up in 2006 (although the quota of available work permits was reduced to 35 000 this year). This was due to poor publicity by the home affairs department, the red tape and bureaucracy which companies run into, and negative perceptions of South Africa abroad.

The South African Qualifications Authority (Saqa) doesn't recognise many foreign qualifications, making it more difficult for foreigners to be gainfully employed in this country.

South Africa's immigration laws are rather onerous by Western standards. Another problem is that it does not appear that there is much communication between industry and home affairs, and the job categories for which quotas are available are not necessarily the skills that are in demand by business.

Evidence of the operational shortcomings in the department in dealing with immigration was reported in *The Star* in September 2007. Two would-be immigrants, Maruti Satyappa Tamnnavar, an engineer from India, and Zare Jovanovic, a Serbian granite cutter and polisher, had to get court interdicts against the minister of home affairs to allow them to stay in South Africa to get work permits for offered jobs. Both the men were on visitor's visas, but were told to return to their home countries to apply for work permits.

However, Section 10 (6) of the Immigration Act allows temporary residence visas, including visitor's visas, to be changed to work permits within South Africa. Mr Gary Eisenberg, an immigration lawyer, was quoted in the report as saying that home affairs red tape was causing major problems for businesses, and that there were 17 000 permanent residence applications waiting to be attended to. This is largely due to the fact that the minister centralised decision making in the department at a central office which does not have the human or administrative resources to handle the large amount of work. Mr Eisenberg said the system was on the verge of collapse.

The CDE has suggested that responsibility for the country's immigration be taken away from the Department of Home Affairs, and given to a specialised agency, along the lines of the South African Revenue Service. Both the CDE, and a document released by the Development Policy Research Unit at UCT, call for a more relaxed immigration regime, to allow foreign skills to be imported into South Africa.

The former chief economist for the Zimbabwean government, Dr Norman Reynolds, recommends legitimising the presence of the tens of thousands of Zimbabweans who have fled the economic implosion in their country and are now illegally in this country. He contends that this would immediately bring many new skills into our economy.

Emigration and the loss of skills

Further adding to the skills shortage is the large-scale emigration of South Africans, especially whites. Largely due to the history of our country, whites are still the most skilled group in South Africa. Research done by the South African Institute of Race Relations shows that 800 000 or more white South Africans have left the country since 1995. It is likely that many of these people were skilled.

Large-scale emigration is not necessarily a bad thing, if a country enjoys high immigration levels. For example, it is estimated that more than one million Britons have left the United Kingdom since the turn of the century to live abroad. This has, however, been tempered by high levels of immigration. In 2005 alone, 464 000 foreigners entered Britain with the intention to settle there. It can be safely assumed that a large number of these people are skilled, and are replacing the large number of British emigrants. An October 2007 report from the British government's Migration Impact Forum said that migrants were, in general, more skilled and earned more money than their British counterparts. The study also estimated that they added £6bn to the country's economy annually. The report also noted that large-scale immigration did not have a discernible impact on unemployment, an issue which was raised by anti-immigration campaigners who were concerned that workers from abroad would undercut British workers in filling low-paid positions.

The cost of skills

The skills shortage is also driving up inflation, as labour costs go up. Skilled labour is at a premium, especially skilled 'employment equity' candidates, and therefore labour becomes more expensive, contributing to the current inflationary pressures in the economy. The previously referenced CDE survey of 40 Gauteng based companies, found that 25% of these companies paid a premium for staff which were highly-experienced or sought-after, while seven of the 40 respondents similarly paid a premium for employment equity personnel. Of the 40 companies surveyed, 27 paid staff more because their skills were in short supply, ranging from management, to IT personnel, to artisans and engineers.

The shortage of skilled black staff is particularly acute, and this has led to companies needing to pay a premium for their services. Black financial and banking professionals earned up to 30% more than their white counterparts, a 2007 study by the international recruitment firm Robert Walters found. The report stated that this was particularly true for accountants, especially those that had a few years' experience.

Figures from *Finweek* published in September 2005 showed a similar trend. Black executives could earn up to 40% more than white executives. However, on average black executives were paid about 20% more than their white counterparts. This fell to 16% for those at middle-management level: for professionals, those with basic degrees, the premium was 13%.

The government's response

The South African government has initiated a number of projects to help combat the skills shortage. It is working to ensure that vital skills are developed in the country. The main programme set up to deal with this is the Joint Initiative on Priority Skills Acquisition (Jipsa), which is part of the Accelerated and Shared Growth Initiative for South Africa (Asgisa).

Jipsa, which is being driven largely by the deputy president, Ms Phumzile Mlambo-Ngcuka, aims to develop the skills needed by South Africa in order to reach the targets of 6% economic growth and halve the unemployment rate to 15% by 2014. Through Jipsa, graduates are placed in positions where they get marketable skills, such as working on the Gautrain project or being sent to work abroad. Jipsa has already sent graduates to the United Arab Emirates, China and the United States. Jipsa is also encouraging companies to spend 4% of their payrolls on skills development, whereas they are now obliged to contribute one percent of their payroll as part of a skills levy, to the South African Revenue Service.

Whether initiatives such as Jipsa and Asgisa can contribute to ending the skills shortage remains to be seen. Although the ideas are good and possibly worthy of elaboration, perhaps the country would be better served by concentrating on traditional education systems, and by allowing tax breaks for companies which invest in training their staff, rather than the skills levy. The skills levy, like our rather onerous labour legislation has resulted in companies being reluctant to hire staff. This has added to the country's unemployment and poverty rates.

Conclusion

South Africa is in a global struggle for skills, since the skills shortage is a global phenomenon. The country needs to make sure that it is competitive in the worldwide hunt for skills. A survey done in 2007 by The Economist's Intelligence Unit and the global recruitment firm Heidrick & Struggles, found that out of 30 countries studied, South Africa came 24th in terms of attracting and retaining global talent. Developed countries surveyed all ranked higher than South Africa, but other emerging markets, such as Malaysia, Poland, the Ukraine, Mexico, Argentina and Thailand were all ranked higher than South Africa. It is thus vital that South Africa makes itself more attractive to foreign skilled workers. This can be done by improving South Africa's image abroad, as issues such as the high crime rate and the Zimbabwe question can cloud foreigners' perceptions of the country. Underlying issues in South Africa need to be addressed first, including the unacceptably high crime rate, corruption, government incompetence, and financial mismanagement. Once the country has shown that these issues are being tackled proactively, then perceptions will change and foreign skills will be easier to attract.

There are a number of steps that the government can take immediately in order to begin alleviating the skills crisis. The first is to liberalise the country's immigration laws. It is unacceptable that when South Africa is crying out for new skills, skilled foreigners who want to come to this country run into a mountain of red tape, and have to jump through innumerable hoops to be allowed to settle here. The responsibility should be given to an independent government agency, perhaps along the lines of the US's Immigration and Naturalisation Service which has now become part of that country's Homeland Security Department. South Africa has shown that certain governmental departments and agencies, such as the Treasury and the South African Revenue Services, can be efficient, world-class institutions. A world-class immigration agency needs to be established as a matter of urgency. The Sector Education and Training Authority (Seta) system needs to be examined as well, and ways found to either strengthen the Setas, or replace them with a different system, including returning to the apprenticeship system.

Other problems also need to be addressed, but these will be longer-term projects. Crime needs to be tackled effectively, as this is one of the reasons driving the emigration of skills, as well as fuelling the reluctance of those with skills to come to South Africa. The battle against crime will be a long struggle, but it is a battle which South Africa must win.

The shocking levels of education in this country, also need to be addressed, from pre-school to post-graduate levels. Education throughput levels in South Africa are unacceptable, and teaching at all levels needs to be strengthened. As noted previously, there are shortcomings in the country's post-graduate environment as well, and any country which wants to be competitive globally needs to have strong tertiary institutions.

The racialising of the problem needs to cease. Instead of blaming the great white corporate ogre at every opportunity for the skills shortage, the core problems of the skills shortage should be addressed, namely the rigid immigration regulations and the poor education system. The sooner the skin colour of skilled people available is no longer an issue, the better for the country, and we will be one step closer to reaching the government's stated goal of 6% economic growth.

It is clear from the above that the skills shortage that exists in South Africa is neither an 'urban legend' nor some conspiracy cooked up by reactionary whites. The skills deficit is a real concern, and is a clear threat to the country's reaching and maintaining the 6% growth rate that is vital if unemployment and poverty are to be reduced substantially.

The South African Skills Shortage by Sector

Architecture

The South African Institute of Architects said that 80% of the country's architectural practices had shortages of up to 40%.

Management

The Human Sciences Research Council stated that there is a shortage of between 350 000 and 500 000 people qualified to fill managerial and technical posts.

Technicians and engineers

In 2006 the South African Institution of Civil Engineering reported that 79 of South Africa's 231 local municipalities did not have a single engineer, technologist or technician.

Information and Communication Technology

The IQ Group, an information and communication technology (ICT) company, is planning on importing 150 software developers from India, to meet contract deadlines, as well as use them to mentor local recruits. The company revealed that it could handle more work, but could not source the skills in South Africa. An ICT multinational, Oracle, also noted that by 2010 there will be a shortage of 14 000 ICT specialists in the manufacturing sector alone. Oracle and Hewlett-Packard have committed themselves to establishing skills training centres by 2008. A study commissioned by Cisco Systems found that by 2009 South Africa would have a 24% shortfall in skills needed to develop, build and manage the ICT systems required to support economic growth. This equates to over 100 000 people. Shortage of skilled ICT personnel is a global phenomenon. Regions and countries as diverse as Pakistan, Israel and Western and Eastern Europe are all facing shortages of skilled ICT workers within the next few years.

Financial professionals

Accounting giant KPMG estimated that there would be a shortfall of about 500 qualified Certificate in the Theory of Accounting (CTA) graduates for South African tax and auditing firms to recruit from in 2007, and this shortfall was expected to increase. In 2006 the Independent Regulatory Board for Auditors (IRBA) warned that due to a shortage of trained financial personnel, South Africa's goal of reaching 6% growth was under threat. Mr Kariem Hoosain, CEO of the IRBA, said that too much attention had been focused on the lack of engineering and medical personnel in the country, while neglecting the lack of qualified financial personnel. He noted that accurate financial reporting was as vital to an economy as sound infrastructure and well-developed communications systems.

Draughtsmen

South Africa is currently producing 1 000 draughtsmen per year, but 5 000 are needed to meet demand, according to the South African Institute of Draughting.

Artisans

Engineering firm Grinaker-LTA has had to import welders from Malaysia, Ireland and India, while it was reported in June 2006 that Sasol would be importing 1 300 Thai artisans and welders to perform maintenance work on the company's Secunda synthetic fuel plant.

Nurses

Statistics from the Department of Health and a private hospital group, Netcare, showed that there were between 28 000 and 30 000 vacancies for nurses in the public sector, and 5 000 in the private sector. Nurses from India were also being imported by a large private hospital group, Medi-Clinic, in order to fill vacancies, with the first nurses arriving in August 2007. Some reasons for the nursing shortage are that South Africa is not training enough nurses, and many South African nurses are working in the Middle East and the UK, where salaries and working conditions are generally better. It was reported in July 2007 that the government would build six new nursing colleges around the country before the end of 2008. However, Dr Ruth Rabinowitz, the Inkatha Freedom Party's health spokesperson, pointed out that this would not solve the problem, as nurses would still move abroad or remain in the private sector, due to the poor working conditions in state hospitals. In November 2007 the Democratic Alliance said in parliament that 60% of the country's nurses were over the age of 50.

Management

International recruitment firm Robert Walters noted that there was a 'notable shortage' of middle-management professionals in South Africa, with the company singling out emigration, especially to the UK and Australia, as the cause.

Forensic specialists

In November 2006 it was reported by the *Cape Times* that there was a shortage of forensic specialists in the country. Mr David Klatzow, a private forensics consultant was quoted as saying that staff quality was poor, with chemical laboratories getting through only 10% of their monthly caseloads. National forensic laboratories had backlogs of at least 400 cases a month. The *Pretoria News* revealed in September 2006 that many criminals were not being brought to justice, as victims of crime were often being buried before DNA samples had been taken, losing an opportunity to implicate suspects. These claims were subsequently denied by the police. In addition, in September 2006, a new DNA analysis robotic system was launched at the police's forensics laboratory in Pretoria, the South African Press Association reported. It was claimed that the new system would greatly increase the efficiency of the laboratory, where 50 analysts were processing between 200 and 300 samples a day. The new system could process 800 samples per day.

Doctors

To an extent South Africa faces a skills shortage with regard to doctors. The *Cape Times* reported in December 2006 that three quarters of general practitioners in South Africa, work in the private sector, serving only 25% of the population. The country's rural health care system could be on the brink of collapse in 2008, the *Cape Times* noted in that same month. This was because the current supply of conscripted local doctors doing their community service and foreign doctors would dry up. The new two-year academic internship will first impact in 2008, and reduce the pool of available, sufficiently qualified recruits from 1 390 to about 400. The situation is expected to be rectified in 2009, but that is the year when the three-year contracts of hundreds of foreign doctors will come to an end, depleting the 2 250 strong foreign doctor force each subsequent year. In August 2007 the *Mail & Guardian* quoted a 2006 report from the Centre for Global Development which reported that 20% of South African born doctors worked outside the country.

Hospitality industry

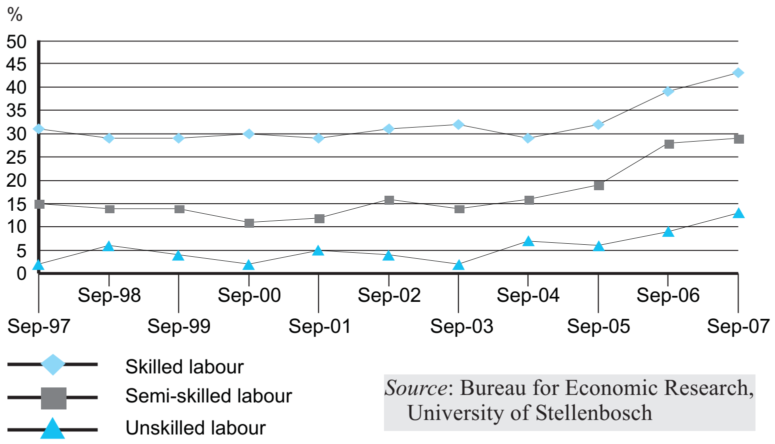
A skills audit by the Department of Environmental Affairs and Tourism found that the hospitality sector was suffering from a skills deficit. The audit found that over the next three years the industry would need 24 000 chefs or cooks, 23 500 waiters and waitresses, 15 000 cleaners, nearly 8 000 cashiers, and 8 000 managerial staff. The sourcing of waiters and waitresses, cleaners and cashiers will in all likelihood not be difficult, as these are relatively low-skilled positions, but the shortage of chefs and managers is something more serious.

Aviation

The country's air force is also suffering from a shortage of skills. An SABC news report revealed in December 2006 that 70 pilots and over 500 technicians had resigned from the air force between October 2004 and October 2006, and that there was serious doubt over whether there would be sufficient skills available to maintain the available air craft. There is also concern that the government's affirmative action policy will also result in a skills deficit in the air force. In November 2006 it was noted by the *Southern Africa Report* that the top three trainee pilots for training on the Air Force's new Hawk fighter jets were rejected, apparently because they were white. Concern was also raised in March 2007 over slackening entry requirements for pilots in the air force. *Beeld* revealed that there were it was found certain trainee pilots had not even taken science up until matric, previously a prerequisite for entry to the air force's flying school. South Africa was losing pilots to airlines based abroad at an alarming rate, according to Mr Tony Laubser, head of the Airline Pilots Association of South Africa. Quoted by the *Pretoria News* in November 2007, Mr Laubser said that at least 60 pilots would have left the country between November 2007 and February 2008, and this number could reach over 1 000 in a few years. Mr Laubser said this would have dire consequences for the charter industry, as well as established South African airlines.

— Marius Roodt, Researcher
Tel: (011) 403-3600 x 259, Fax: (011) 403-2202
mroodt@sairr.org.za

PROPORTION OF MANUFACTURERS CITING THE SHORTAGE OF SKILLS AS A CONSTRAINT



Source: Bureau for Economic Research, University of Stellenbosch

Fast stats

FORECASTS OF KEY ECONOMIC INDICATORS, 2007–10[a]

	2007	2008	2009	2010
Real GDP growth	5.0%	4.7%	5.1%	5.5%
	4.5%	4.0%	4.5%	4.6%
CPIX inflation (average)	6.3%	6.3%	5.7%	5.5%
	6.2%	5.4%	4.6%	4.5%
Producer price rise (PPI) (average)	10.1%	7.9%	6.7%	5.2%
	9.6%	4.8%	4.5%	4.1%
Gross fixed capital formation growth	16.3%	15.0%	15.0%	15.0%
	11.0%	9.3%	9.2%	8.7%
Final consumption expenditure by households growth	6.6%	5.0%	5.0%	5.3%
	5.1%	4.0%	4.1%	4.5%
Government consumption expenditure growth	6.0%	6.0%	6.5%	6.0%
	5.1%	5.0%	4.9%	5.6%
Gross domestic expenditure growth	6.0%	5.8%	6.6%	6.0%
	5.5%	4.6%	5.2%	5.2%
Exports growth	14.0%	8.0%	9.0%	8.0%
	8.0%	4.3%	5.5%	6.0%
Imports growth	16.0%	11.0%	13.0%	12.0%
	10.0%	6.5%	7.5%	7.5%
Current account deficit as proportion of GDP	6.7%	7.0%	7.7%	7.8%
	6.3%	6.5%	6.4%	6.1%
Prime overdraft rate (year end)	14.50%	13.58%	13.00%	12.50%
	13.66%	12.94%	11.80%	12.00%
R/Euro exchange rate (year end)	10.14	11.25	11.27	10.95
	9.85	10.26	10.88	10.93
R/$ exchange rate (year end)	7.20	7.75	8.11	7.90
	6.81	6.92	7.68	7.72
Gold price per ounce (average)	$697	$792	$780	$664
	$679	$680	$640	$624

Sources: Absa; Bureau for Economic Research; First National Bank; National Treasury; Nedcor; Reuters Econometer; Standard Bank

a These forecasts contain the highest and lowest estimates available at the time of going to press.

Fast stats

PROPERTY PAGE

House Price Index (nominal) Oct	up 13.6%	compared to Oct 2006		Absa
House Price Index (real) Sept	up 6.8%	compared to Sept 2006		Absa
Mortgage advances Sept	up 26.1%	compared to Sept 2006		SARB
House price trends (nominal) (average) 3Q 2007				
Affordable houses (40–79m^2; priced at under R370 000)	up 21.1%	compared to 3Q 2006		Absa
Small houses (80–140m^2; R651 931) (average price)	up 10.5%			Absa
Medium houses (141–220m^2; R928 882)	up 18.1%			Absa
Large houses (221–400m^2; R1 348 082)	up 19.5%			Absa
All houses (80–400m^2; R943 989)	up 14.7%			Absa
Luxury housing (costing more than R2.7m)	up 8.8%			Absa
Greater Johannesburg (80–400m^2; R1 401 503)	up 14.9%			Absa
Cape Town metro (80–400m^2; R1 622 594)	up 9.3%			Absa
Durban metro (80–400m^2; R1 467 697)	up 18.8%			Absa
PE/Uitenhage metro (80–400m^2; R1 403 521)	up 28.8%			Absa
Cost of building a new house (average)	up 9.8%			Absa
CBD office vacancy rate 3Q 2007				
Johannesburg	15.1%	nine months before:	17.3%	SAPOA[a]
Sandton	2.9%		7.0%	SAPOA
Cape Town	5.8%		5.9%	SAPOA
Durban	16.8%		18.0%	SAPOA
Pretoria	3.4%		6.4%	SAPOA
CBD office rental rates (A-grade) R/m^2 3Q 2007				
Johannesburg	up 30.3%	compared to 3Q 2006		R&A[b]
Sandton	up 24.2%			R&A
Cape Town	up 44.1%			R&A
Durban	up 1.9%			R&A
Pretoria	down 11.6%			R&A
Industrial rental rates R/m^2 for 1000m^2 3Q 2007				
Central Witwatersrand	up 27.7%	compared to 3Q 2006		R&A
Durban	up 18.4%			R&A
Cape Peninsula	up 21.2%			R&A
Port Elizabeth	up 25.3%			R&A
Shopping centre rental index 2007				
Regional	up 8.7%	compared to 2006		R&A

a South African Property Owners' Association

b Rode and Associates

Fast stats

BUSINESS INDICATORS

Use of manufacturing production capacity Aug	85.8%	Aug 2006: 85.8%	Stats SA
Manufacturing production (volume) (this year to Sep)	up 4.4%	on same period last year	Stats SA
Total vehicles sold (this year to Oct): 578 623	down 3.3%	on same period last year	NAAMSA
Vehicles exported (this year to Oct): 137 953	down 6.0%	on same period last year	NAAMSA
Tractors sold (this year to Oct): 4 405	down 8.5%	on same period last year	SAAMA
Electricity consumed (this year to Sep)	up 4.9%	on same period last year	Stats SA
Total building plans passed (value) (this year to Sep)	up 0.4%	on same period last year	Stats SA
Total buildings completed (value) (this year to Sep)	up 3.8%	on same period last year	Stats SA
All building costs (average) 3Q 2007	up 9.6%	compared to 3Q 2006	BER
Mining production (volume) (this year to Sep)	up 0.8%	on same period last year	Stats SA
Cement sales (tonnes) (this year to Oct)	up 9.0%	on same period last year	CCI
Retail sales (value) (this year to Sep)	up 7.1%	on same period last year	Stats SA
Current adspend (this year to Sep): R16.5bn	up 17.2%	on same period last year	A C Nielsen
Number of liquidations (this year to Sep): 2 465	up 10.6%	on same period last year	Stats SA
Judgements for debt (this year to Aug): 499 631	down 10.9%	on same period last year	Stats SA
Tourism accommodation occupancy rate June	45.5%	June 2006: 60.7%	Stats SA
Arrival foreign travellers (this year to Aug): 5 954 983	up 9.4%	on same period last year	Stats SA

SOCIO-ECONOMIC AND LABOUR INDICATORS

Total population (mid 2007 estimates)(average)	47.85m	2006: 47.39m	Stats SA
GDP per head (2Q 2007 annualised, adjusted)	R40 122	current prices	SAIRR/SARB
Real growth in GDP per head 2006	3.6%	2005: 3.7%	SARB
Household saving to disposable income 2Q 2007	-0.1%	2Q 2006: -0.4%	SARB
Household debt to disposable income 2Q 2007	76.6%	2Q 2006: 70.8%	SARB
Average wage settlements (this year to Sep) [a]	7.9%	Jan–Sep 2006: 6.0%	ALEP
Number of strike mandays lost (this year to Sep)	12.6m	Jan–Sep 2006: 2.7m	ALEP
Unemployment rate Mar 2007 (strict definition) [b]	25.5%	Mar 2006: 25.6%	Number: 4.3 million
Unemployment rate Mar 2007 (expanded definition) [b]	38.3%	Mar 2006: 39.0%	Number: 7.8 million
Increase in total employment [b]	197 000	Mar 2006–Mar 2007	Stats SA/LFS
Employees in enterprises registered for income tax [c]	up 3.0%	June 2007 vs June 2006	Stats SA/QES
Number of such employees [c]	up 238 000	to 8 297 000	Stats SA
Nominal wages per worker 1Q 2007 [c]	up 4.6%	compared to 1Q 2006	SARB
Real wages per worker 1Q 2007 [c]	down 2.6%	compared to 1Q 2006	SARB
Labour productivity 1Q 2007 [c]	up 2.4%	compared to 1Q 2006	SARB
Nominal unit labour costs 1Q 2007 [c]	up 2.2%	compared to 1Q 2006	SARB
Average monthly earnings Feb 2007 [c]	R7 862	Nov 2006: R7 924	Stats SA
Houses built smaller than 81m^2 (this year to Sep)	up 35.3%	on same period last year	Stats SA
Houses built/being built (government subsidy) [d]	2 355 913	Apr 1994– Mar 2007	up 2.2% from Dec 2006

a Excluding farms and homes. b Stats SA. All sectors. *Labour Force Survey* c Non-agricultural formal sector. *Quarterly Employment Statistics* d Housing Dept.

Fast stats

INVESTMENT INDEX

Real gross fixed capital formation (GFCF) 2Q 2007	R61.52bn	up 15.5% compared to 2Q 2006	SARB
GFCF ÷ GDP 2Q 2007(annualised, adjusted)	21.1%	2Q 2006: 18.5% (Target: 25%)	
Gross domestic saving ÷ GDP 2Q 2007	15.9%	2Q 2006: 13.9%	
Real GFCF by public authorities	up 14.9%	2Q 2007 vs 2Q 2006	
by public corporations	up 28.8%		
by private business	up 13.4%		
Real GFCF in mining and quarrying	up 31.3%		
in manufacturing	up 9.5%		
in electricity, gas and water	up 33.9%		
in transport and communication	up 26.2%		
in finance etc	up 7.2%		
in community, social and personal services	up 14.1%		
Real GFCF in residential buildings	up 8.5%		
in non-residential buildings	up 18.2%		
in construction works	up 31.4%		
in transport equipment	up 23.8%		
in machinery and equipment	up 10.6%		
Foreign investment into SA 2Q 2007			
direct (FDI)	R11.98bn	2Q 2006: R3.76bn	
portfolio	R42.02bn	R35.99bn	
other	R18.84bn	R27.47bn	
SA investment abroad 2Q 2007			
direct	-R7.93bn	2Q 2006: -R9.09bn	
portfolio	-R7.06bn	-R3.27bn	
other	-R20.55bn	-R16.93bn	
Balance on financial account 2Q 2007	R37.30bn	R37.93bn	

CONFIDENCE COUNT

RMB/BER business confidence index 3Q 2007	down 8 points	to 72 since 2Q 2007	(scale 0–100)	
BER/DTI manufacturing confidence index 3Q 2007	down 13 points	to 65 since 2Q 2007	(scale 0–100)	
BER building contractors confidence index 3Q 2007	down 5 points	to 83 since 2Q 2007	(scale 0–100)	
FNB/BER consumer confidence index 3Q 2007	down 3 points	to 18 since 2Q 2007	(scale minus 100–100)	
— ***black consumer confidence index 3Q 2007***	down 1 point	to 25 since 2Q 2007	(scale minus 100–100)	
— ***white consumer confidence index 3Q 2007***	down 6 points	to 3 since 2Q 2007	(scale minus 100–100)	
— ***high-income household confidence index 3Q 2007***	down 3 points	to 22 since 2Q 2007	(scale minus 100–100)	
— ***low-income household confidence index 3Q 2007***	down 3 points	to 17 since 2Q 2007	(scale minus 100-100)	
Investec purchasing managers index (PMI) (Oct)	up 4.5 points	to 56.1 since Sep	(2000 = 100)	BER
Sacob business confidence index (Oct)	down 1.8 points	to 96.9 since Sep	(2005 = 100)	Sacob
Agricultural business confidence index 4Q 2007	up 12.08 points	to 145.21 from 4Q 2006	(2001=100)	ABC/IDC

Fast stats

ECONOMIC BAROMETER

GDP 3Q 2007 (basic prices)	R454.21bn		
GDP growth at market prices (3Q annualised, adjusted)	4.7%	3Q 2006: 4.8%	
GDP growth (3Q 2007 vs 3Q 2006)	5.1%		
Agriculture (2.8% of GDP)	-2.2%	*Trade etc (15.0%)*	4.9%
Mining (6.1%)	0.8%	*Transport and communication (10.8%)*	5.0%
Manufacturing (17.7%)	2.1%	*Finance etc (22.3%)*	9.5%
Electricity and water (2.3%)	3.4%	*Community services (5.8%)*	4.6%
Construction (3.7%)	17.8%	*Government (13.6%)*	3.4%
Exports (this year to Oct)	R398.55bn	up 25.4% on same period in 2006	
Imports (this year to Oct)	R468.61bn	up 25.6% on same period in 2006	
Trade balance (this year to Oct)	-R70.05bn	Jan–Oct 2006: -R55.29bn	
Gold and forex reserves (Oct)	R207.46bn	Oct 2006: R182.70bn	
Reserves/imports (Oct)	3.2 to 1	Oct 2006: 3.5 to 1	
Current account deficit 2Q 2007	R33.73bn	2Q 2006: R25.29bn	
— as proportion of GDP	6.5%	2Q 2006: 6.1%	
Capital account surplus 2Q 2007	R47.05bn	2Q 2006: R28.65bn	
Gold price per ounce (average)(Nov)	$807.51	Nov 2006: $627.33	
Crude oil price (dated brent/barrel) 3/12/07	$88.64	year ago: $65.14	(Increase: 36.1%)
Petrol (premium pump price per litre Gauteng) 7/12/07	R7.47	year ago: R5.90	(Increase: 26.6%)
Prime overdraft rate (average) 7/12/07	14.5%	year ago: 12.5%	
Real prime overdraft rate (average)(Oct)	5.65%	Oct 2006: 6.26%	(based on headline inflation)
Repo rate (average) 7/12/07	11.0%	year ago: 9.0%	

€/R 0.1006	*£/R 0.0719*	*\$/R 0.1484*	*Y/R 16.46*	*€/\$ 0.6775*	*Y/\$ 110.86*	at 3/12/07
R/€ 9.944	*R/£ 13.912*	*R/\$ 6.737*	*R/Y 0.0770*	*\$/€ 1.4761*	*\$/Y 0.0090*	at 3/12/07

Depreciation of rand against euro last 12 months	6.70%	(Lowest: R/€ 11.70	Highest: R/€ 1.80)
Appreciation of rand against dollar last 12 months	4.48%	(Lowest: R/$ 13.00	Highest: R/$ 0.67)
Depreciation of rand against basket last 12 months	2.16%		

INFLATION INDEX

Headline inflation rate (Oct 2007 vs Oct 2006)	7.9%	same period previous year:	5.4%
Food price rise	12.3%		9.9%
Education	8.0%		7.0%
Clothing and footwear	-8.7%		-10.9%
Housing	10.0%		7.7%
Medical and health care	5.4%		6.2%
Transport	6.8%		0.9%
Rise in administered (non-market) prices	9.0%		3.6%
CPIX (CPI less mortgages)	7.3%	(Target: 3%–6%)	5.0%
Producer price rise (PPI)	9.5%		10.6%
Imported producer inflation	7.5%		10.4%

Fast stats

LATEST FORECASTS		
GDP growth 2008	4.7%	BER: revised downwards from 4.8%
	4.5%	National Treasury: revised downwards from 5.1%
Headline inflation rate (CPI) 2008 (average)	6.9%	Nedcor: revised upwards from 6.1%
	5.9%	BER: revised upwards from 5.4%
Expected CPI (business) 2008 (average)	5.9%	BER: revised upwards from 5.4%
(trade unions)	5.9%	BER: revised upwards from 5.5%
CPIX (CPI less mortgages) 2008 (average)	6.3%	Nedcor: revised upwards from 5.9%; Absa
	5.4%	National Treasury: revised upwards from 4.7%
Expected CPIX (business) 2008 (average)	5.8%	BER: revised upwards from 5.4%
(trade unions)	5.9%	BER: revised upwards from 5.5%
Producer price inflation 2008 (average)	7.8%	BER: revised upwards from 6.9%
	5.1%	Absa: revised upwards from 4.8%
Imported producer inflation 2008 (average)	4.4%	Absa: revised downwards from 7.1%
Gross fixed capital formation 2008	up 13.7%	Nedcor: no change
	up 10.4%	National Treasury: revised downwards from 10.9%
Final consumption expenditure by households 2008	up 4.2%	National Treasury: revised downwards from 4.8%
	up 4.0%	Nedcor: revised downwards from 4.2%; Absa; BER
Government consumption expenditure 2008	up 5.6%	Absa: revised downwards from 8.1%
Gross domestic expenditure 2008	up 5.8%	Nedcor: revised downwards from 6.2%
	up 5.4%	BER: revised upwards from 5.1%
Exports 2008	up 5.0%	Absa: revised downwards from 5.3%
	up 4.3%	BER: revised downwards from 6.3%
Imports 2008	up 9.8%	Nedcor: revised downwards from 10.1%
	up 6.5%	BER: revised downwards from 10.6%; Absa
Current account deficit 2008	R148.1bn	Reuters Econometer: revised upwards from R142.7bn
	R138.7bn	Nedcor: revised upwards from R138.6bn
— as proportion of GDP 2008	6.9%	National Treasury: revised upwards from 5.7%
	6.5%	BER: revised upwards from 6.3%
Capital account surplus 2008	R256.0bn	Nedcor: no change
Prime overdraft rate 2008 (year end)	13.5%	Absa: revised upwards from 13%
	13.0%	Nedcor: no change
R/€ exchange rate 2008 (average)	10.92	BER: revised from 10.41
	9.96	Nedcor: revised from 10.02
R/$ exchange rate 2008 (average)	7.48	BER: revised from 7.85
	6.83	Nedcor: revised from 7.08
Gold price per ounce 2008 (average)	$792	Nedcor: revised upwards from $730
	$680	Absa: no change
Nominal wage rise 2008	7.5%	BER: no change

These forecasts contain the highest and lowest estimates available to us.

Our Fast Stats pages are compiled by Tamara Dimant, Head of Information, phone (011) 403-3600 x 213, fax 403-3007/403-3671, e-mail TDimant@sairr.org.za