



NATIONAL YOUTH DEVELOPMENT AGENCY
OUR YOUTH. OUR FUTURE.



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Quarterly Youth Economic Bulletin

June 2026

50TH ANNIVERSARY OF THE 1976 YOUTH UPRISING

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Prepared by the Economic Research Unit within the Office of the CEO

For enquiries:

Mr Tshepo Moloi

Head of Economic Research

Tshepo.moloi@nyda.gov.za





**Preface by
Mr. Ndamiso Kubheka**

NYDA CEO



PREFACE

This edition of the Quarterly Youth Economic Bulletin is released during an important and historic moment for South Africa as the country commemorates the 50th Anniversary of the 1976 Youth Uprising. The June 16 generation occupies a profound place in our democratic history. Their courage, sacrifice and determination not only reshaped the course of South Africa's liberation struggle but also affirmed the central role of young people as drivers of social, political and economic transformation.

Fifty years later, the aspirations of the youth of 1976 continue to resonate strongly within contemporary South Africa. While significant democratic progress has been made since the end of apartheid, millions of young South Africans continue to face persistent socio-economic challenges, including unemployment, poverty, inequality and exclusion from meaningful economic opportunities. These realities remind us that the struggle for dignity, inclusion and freedom must also extend into the economic sphere.

The findings contained in this edition of the Quarterly Youth Economic Bulletin highlight the difficult economic environment confronting young people in 2026. Although South Africa's economy has remained in positive growth territory, economic expansion remains too weak to significantly reduce unemployment or absorb the growing number of young people entering the labour market each year. Youth unemployment remains alarmingly high, investment growth remains subdued, and many young people continue to experience rising living costs, unstable employment and limited access to productive economic opportunities.

Despite these challenges, this bulletin also points to emerging opportunities linked to digital transformation, renewable energy, entrepreneurship, localisation and regional economic integration. Unlocking these opportunities, however, will require deliberate and coordinated interventions aimed at strengthening youth capabilities, expanding labour-absorbing growth and improving access to finance, skills, markets and infrastructure.

As the National Youth Development Agency, we remain committed to advancing evidence-based youth development interventions that respond directly to the lived realities of young people. Through programmes focused on entrepreneurship development, skills development, labour market activation, grant funding, research and policy advocacy, the NYDA continues to play an important role in supporting youth economic participation and social inclusion.

The commemoration of the 1976 Youth Uprising should serve not only as a reflection on our past but also as a call to action for the future. It reminds us that investing in young people is not optional, but essential for achieving inclusive growth, social stability and sustainable development. The challenge before us is to ensure that the democratic freedoms fought for by the youth of 1976 are matched by expanding economic opportunities and improved living conditions for today's generation of young South Africans.

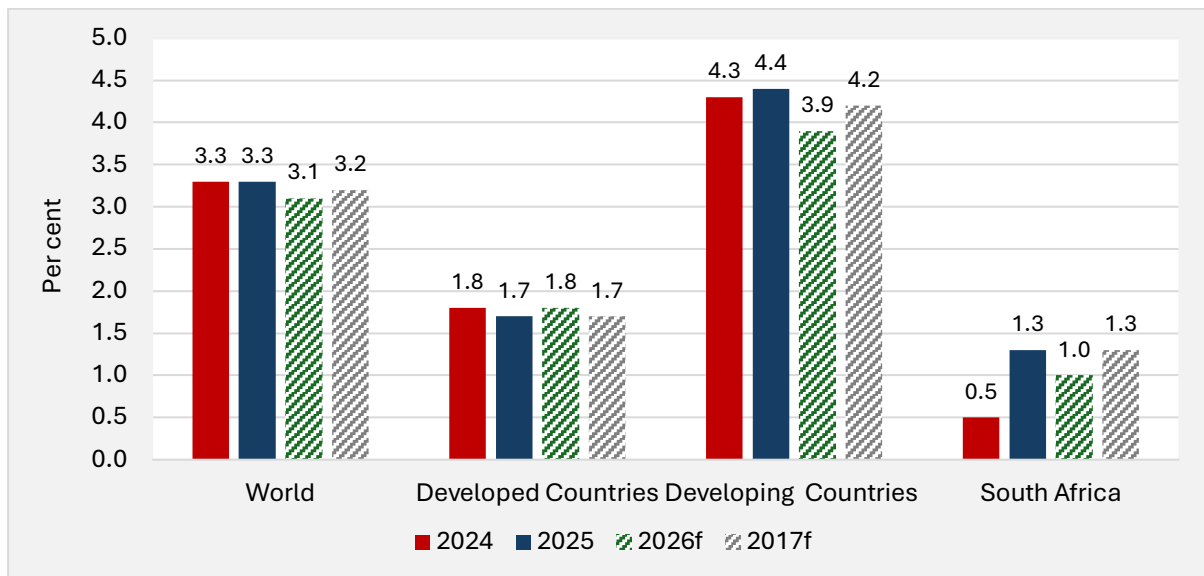
We hope that this edition of the Quarterly Youth Economic Bulletin contributes meaningfully to policy dialogue, evidence-based planning and collective action aimed at building a more inclusive, equitable and youth-centred economy.

1. Developments in the global economy

The global economy entered 2026 in a significantly more uncertain environment. Although inflation had begun to ease in many countries and global growth appeared to be stabilising after several years of post-pandemic volatility, recent geopolitical developments have considerably weakened the outlook. According to the latest International Monetary Fund (IMF) World Economic Outlook, the escalation of conflict in the Middle East and disruptions to global energy supply chains have increased risks to both global growth and inflation.

Global growth is now projected to slow to around 3.1 per cent in 2026, lower than previously expected. At the same time, global inflation is expected to rise to approximately 4.4 per cent due to higher energy prices and renewed supply-side pressures. The IMF has warned that the global economy remains highly vulnerable to a prolonged conflict, which could further weaken growth and trigger another wave of inflationary pressure.

Figure 1: IMF annual global economic growth projections



Source: International Monetary Fund

One of the major concerns in the global economy has been instability in energy markets. The Strait of Hormuz, one of the world’s most important oil shipping routes, has experienced major disruptions linked to the conflict in the Middle East. As a result, oil prices have risen sharply, fluctuating around \$100 per barrel in recent months. Rising energy prices have increased transport and production costs globally and have contributed to renewed inflationary pressures in both advanced and developing economies.

The current global shock differs from previous periods because it combines geopolitical instability, high debt levels, and weaker global demand. While inflation has moderated from the peaks seen in 2022 and 2023, many central banks have kept interest rates relatively high to prevent it from becoming entrenched. This has contributed to tighter financial conditions globally and increased borrowing costs for governments, businesses and households.

At the same time, growth patterns across the global economy remain uneven. Advanced economies such as the United States and European countries continue to experience slower growth, while large emerging economies such as India continue to expand at a relatively faster pace. China's economy has also continued to slow gradually as the country transitions away from property-driven growth toward a more consumption and technology-based model.

Global trade conditions have also become more fragmented. Ongoing tensions between the United States and China, combined with the continued effects of the Russia-Ukraine conflict, have accelerated efforts by many countries to reorganise supply chains and reduce dependence on strategic rivals. This has contributed to shifts in manufacturing, trade flows and investment patterns across regions.

For developing economies, these conditions create several challenges. Higher interest rates in advanced economies have strengthened the United States dollar and increased pressure on exchange rates in many emerging markets. At the same time, weaker global demand has reduced export growth in several developing countries. Rising debt-servicing costs and tighter financial conditions have also limited governments' ability to increase spending on infrastructure and social development programmes.

For South Africa and the broader African continent, these global developments have important implications. Slower global growth and weaker trade conditions may reduce export demand and foreign investment flows, while higher fuel and food prices continue to place pressure on inflation and household incomes. Countries that rely heavily on imported fuel and food remain especially vulnerable to global commodity price shocks.

The implications for young people are particularly significant. Weak global growth and tighter financial conditions slow the pace of job creation and limit investment in sectors that could absorb young entrants to the labour market. Young people are often the first to be affected during periods of economic uncertainty because they are more likely to be unemployed, to be concentrated in insecure forms of work, or to be entering the labour market for the first time. Rising transport and food costs also place additional pressure on unemployed youth and low-income households.

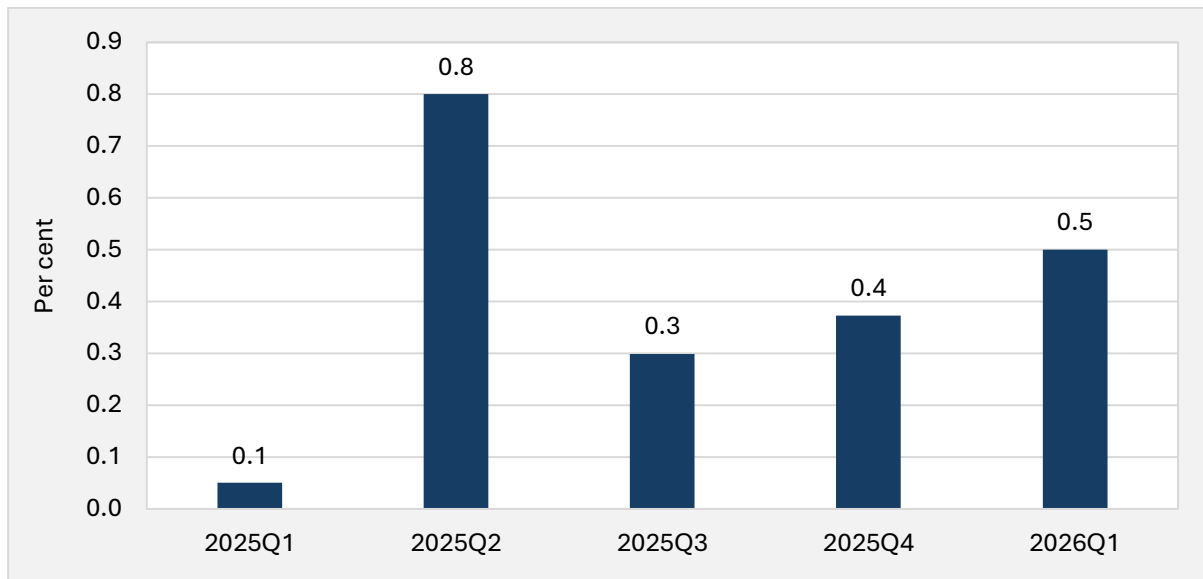
At the same time, changes taking place in the global economy may also create new opportunities. The growing importance of digital services, renewable energy, technology industries and regional value chains may create new areas of employment and entrepreneurship for young people. However, benefiting from these opportunities will require stronger investment in education, digital skills, industrial development and innovation.

Overall, the global economy in 2026 remains characterised by slower growth, elevated uncertainty and rising geopolitical risks. While the global economy has avoided a severe downturn thus far, persistent instability in energy markets, tighter financial conditions and weaker global demand continue to pose risks to growth and employment. For developing economies such as South Africa, these conditions are likely to continue shaping domestic economic performance and youth labour market outcomes over the medium term.

2. Domestic economy performance

South Africa’s economic growth remained weak but positive during the first quarter of 2026. According to Statistics South Africa, real gross domestic product (GDP) increased by 0.5 per cent quarter-on-quarter (seasonally adjusted) during the first quarter of 2026, following growth of 0.4 per cent in the fourth quarter of 2025. Although the economy has now recorded several consecutive quarters of positive growth, the overall pace of expansion remains modest and insufficient to significantly reduce unemployment or absorb the growing number of young people entering the labour market each year.

Figure 2: Quarterly real GDP rates

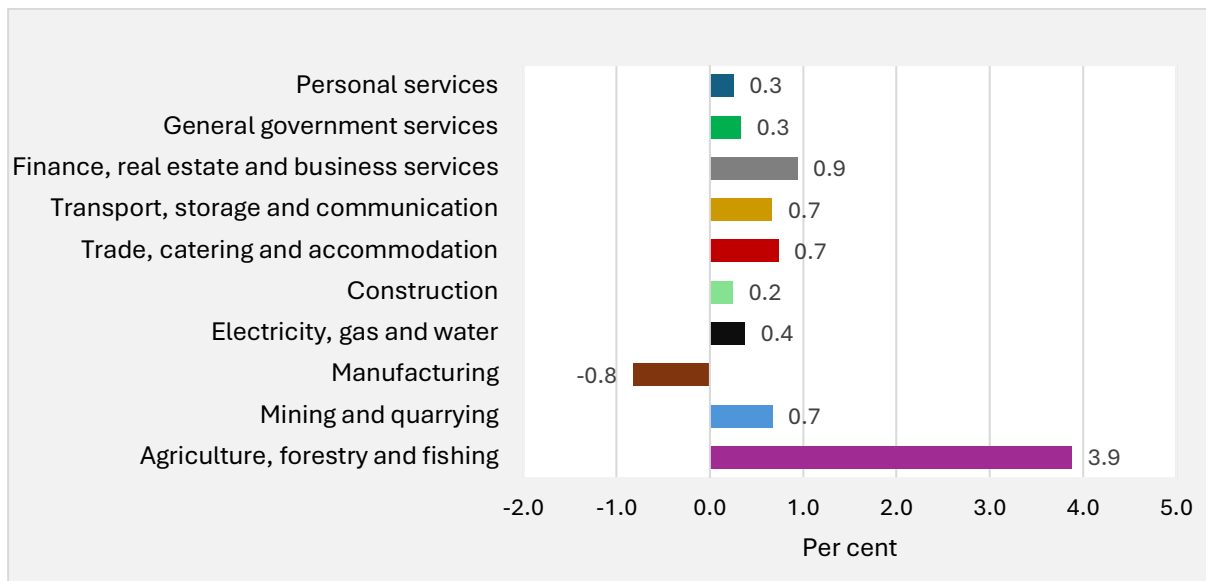


Source: Stats SA

The latest GDP figures suggest that South Africa’s economic recovery remains uneven and constrained by persistent structural weaknesses. While some service-related sectors continued to support economic activity, weakness in productive sectors such as manufacturing and ongoing declines in investment spending continue to limit broader economic expansion. Slow economic growth remains a major concern from a youth development perspective because low-growth environments generally produce insufficient employment opportunities, weak business expansion, and limited labour market absorption for first-time job seekers.

On the production side of the economy, growth during the first quarter of 2026 was largely driven by the services sector. The finance, real estate and business services industry increased by 0.9 per cent and contributed 0.2 percentage points to overall GDP growth, making it the largest positive contributor during the quarter. Increased activity in financial intermediation and related business services supported this growth. The trade, catering and accommodation sector also increased by 0.7 per cent, supported by improved activity in wholesale trade, retail trade, motor trade, food and beverage services, and accommodation-related activities. The transport, storage and communication industry similarly increased by 0.7 per cent, driven by stronger activity in land transport, air transport and transport support services.

Figure 3: Quarterly economic performance by sector



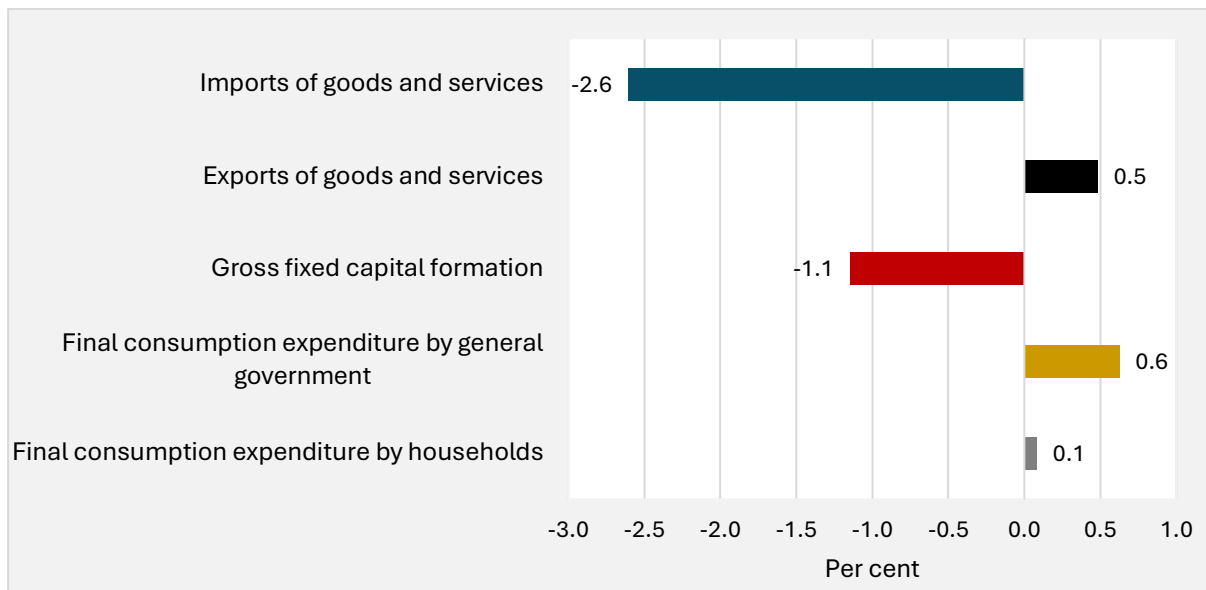
Source: Stats SA

The primary sector also recorded positive growth during the quarter. Agriculture, forestry and fishing increased by 3.9 per cent, mainly due to improved activity in field crops and horticultural products, while mining and quarrying increased by 0.7 per cent, largely supported by stronger production of platinum group metals and gold. These developments provided some support to overall economic activity. However, growth in these sectors remains vulnerable to commodity price fluctuations, weather-related disruptions linked to El Niño, infrastructure constraints and global demand conditions.

Despite these positive contributions, weakness within the secondary sector continued to weigh on economic performance. Manufacturing declined by 0.8 per cent during the first quarter and was the only negative contributor to GDP growth, subtracting 0.1 percentage point from overall growth. The contraction was driven by declines in several manufacturing divisions, including petroleum and chemical products, metals and machinery, and wood and paper products. Continued weakness in manufacturing is particularly concerning because the sector has historically played an important role in employment creation, industrialisation and skills development for semi-skilled workers and young entrants into the labour market.

The expenditure side of the economy also reflects the fragile nature of domestic demand conditions. Household final consumption expenditure increased marginally by 0.1 per cent during the quarter, while government consumption expenditure increased by 0.6 per cent. Household spending was supported mainly by higher expenditure on transport and housing-related services, including electricity and utilities. However, the modest pace of household consumption growth reflects continued pressure on disposable income amid weak employment growth, elevated living costs and high interest rates. Investment conditions remain particularly weak. Gross fixed capital formation declined by 1.1 per cent during the first quarter of 2026, reducing overall GDP growth by 0.2 percentage points.

Figure 4: Quarterly economic performance by expenditure components of GDP



Source: Stats SA

One of the more positive developments during the quarter was the contribution from net exports. Exports of goods and services increased by 0.5 per cent, while imports declined by 2.6 per cent, resulting in net exports contributing 0.9 percentage points to GDP growth. Export growth was mainly supported by mineral products, vegetable products, and food-related exports. However, the positive contribution from net exports partly reflects weak domestic demand, which reduced import activity, rather than a broad-based strengthening of export competitiveness.

Overall, the first-quarter 2026 GDP data point to an economy that continues to grow slowly and unevenly. Although South Africa has avoided an outright contraction, the pace of economic expansion remains too weak to significantly reduce unemployment, poverty and inequality. For young people, the implications remain particularly severe. Weak investment, slow industrial growth and limited labour market expansion continue to reduce opportunities for employment, entrepreneurship and income generation. Without stronger economic growth, higher levels of investment and more labour-absorbing forms of development, youth unemployment and socio-economic exclusion are likely to remain among the country’s most pressing challenges.

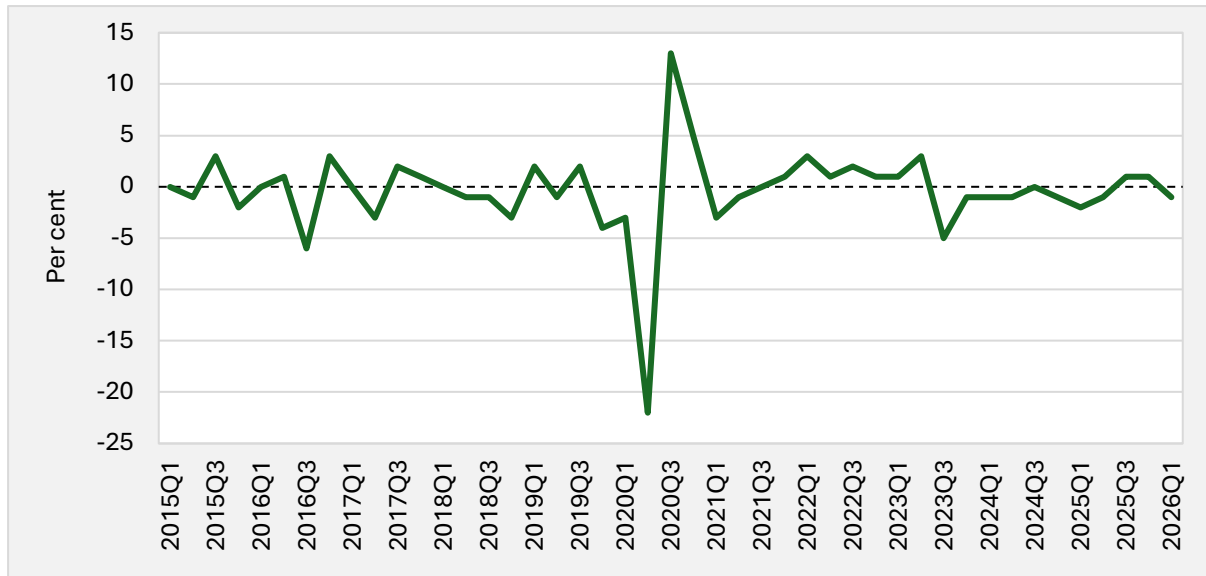
3. Investment trends in the domestic economy

Investment activity in South Africa remained weak during the first quarter of 2026, reinforcing concerns about the economy’s long-term productive capacity, industrial expansion, and employment-creation potential. Gross fixed capital formation declined by 1.1 per cent quarter-on-quarter in the first quarter of 2026, following several years of subdued and uneven investment performance. This continued weakness in investment remains one of the most important structural constraints facing the South African economy.

Investment plays a critical role in supporting economic growth and development by expanding productive capacity, improving infrastructure, supporting industrialisation, and creating employment opportunities over time. Persistently low investment levels, therefore, weaken the

economy’s ability to generate broad-based, labour-absorbing growth, particularly in a country facing extremely high levels of youth unemployment and inequality.

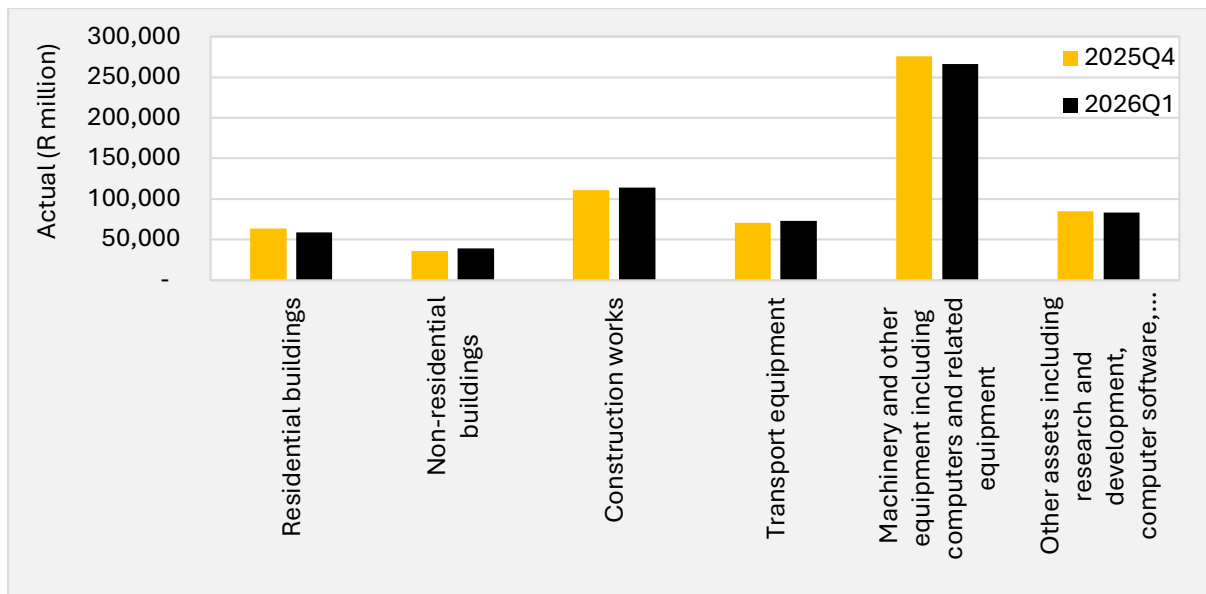
Figure 5: Quarterly gross fixed capital formation growth rate



Source: Stats SA

The latest data shows that investment weakness was largely driven by declines in machinery and equipment investment, residential buildings and other productive assets. Gross fixed capital formation related to machinery and equipment declined significantly during the quarter, suggesting continued caution among firms regarding expansion and productive investment decisions. Residential building investment also weakened, reflecting pressure within the construction and property sectors amid weak household demand and elevated borrowing costs.

Figure 6: Gross fixed capital formation by type of asset

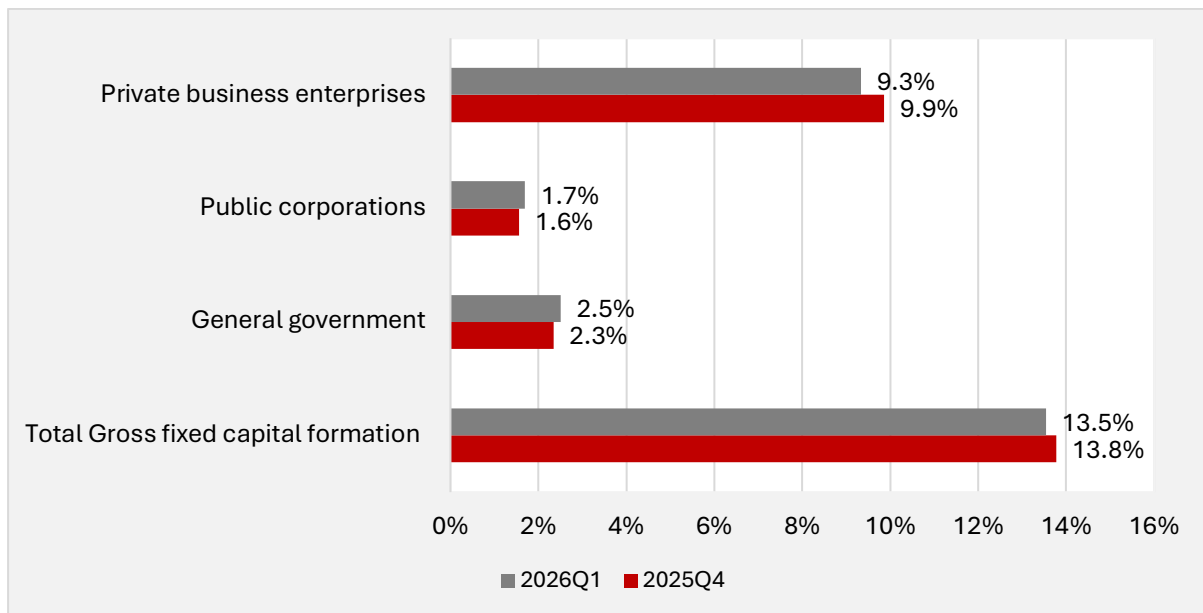


Source: Stats SA

Although some improvement was recorded in construction and non-residential buildings, these gains remained insufficient to offset broader investment weakness across the economy. This reflects the uneven nature of South Africa’s recovery, where isolated improvements in infrastructure-related activity continue to coexist with broader weakness in private-sector investment and industrial expansion.

Another important feature of South Africa’s investment landscape is the dominant role played by the private sector. Private business enterprises accounted for approximately 9.9 per cent of GDP in gross fixed capital formation during the first quarter of 2026, significantly larger than the contributions from general government (2.3 per cent) and public corporations (1.6 per cent). While private investment remains important for economic growth, the relatively small contribution from public corporations and the government raises significant developmental concerns, particularly given the state’s critical role in infrastructure development, industrial financing, and economic transformation.

Figure 7: Gross fixed capital formation by type of organisation (as a percentage of GDP)



Source: Stats SA

From a developmental perspective, weak public investment limits the economy’s ability to crowd in private investment, expand productive infrastructure and support long-term structural transformation. Historically, periods of stronger economic growth and industrialisation in South Africa were often associated with higher levels of state-led infrastructure and industrial investment. By contrast, prolonged underinvestment in logistics, rail, ports, water systems, housing and municipal infrastructure has increasingly constrained economic activity and increased the cost of doing business.

At the same time, investment trends continue to reflect the highly concentrated structure of the South African economy. Investment remains heavily concentrated in established sectors and larger firms, while smaller businesses, township enterprises, and youth-owned enterprises continue to face significant barriers to accessing finance, productive assets, and markets. This

contributes to uneven economic participation and limits the economy's broader entrepreneurial and employment potential.

Low levels of business confidence and weak domestic demand also continue to constrain investment activity. In an environment characterised by slow growth, high unemployment, rising household pressures and global uncertainty, firms remain cautious about expanding production capacity and hiring additional workers. This is particularly problematic for young people because weaker investment growth directly reduces the pace of employment creation and limits opportunities for first-time labour market entrants.

Infrastructure and logistics challenges also continue to weigh on investment outcomes. Although electricity supply conditions have improved significantly compared to previous years, persistent inefficiencies in freight rail, ports, municipal infrastructure and transport systems continue to undermine productivity and investor confidence. These constraints reduce export competitiveness, delay industrial activity and discourage investment in labour-absorbing sectors such as manufacturing, agro-processing and construction.

The weakness in investment also demonstrates broader structural features of the South African economy, including high levels of inequality, market concentration and uneven economic participation. Highly concentrated markets can discourage competition and innovation while limiting opportunities for new entrants, particularly black-owned businesses, youth enterprises and smaller firms. At the same time, weak household incomes and high unemployment constrain domestic demand, reducing incentives for firms to expand production and investment.

Addressing South Africa's investment challenge, therefore, requires more than short-term confidence measures. A stronger developmental approach is needed to expand productive investment, rebuild infrastructure, strengthen industrial capacity and support sectors with high employment multipliers. This includes greater public investment in strategic infrastructure, stronger industrial policy interventions, expanded development finance and targeted support for labour-absorbing sectors and youth-owned enterprises.

Ultimately, higher and more inclusive levels of investment will be essential for achieving sustained economic growth, structural transformation and meaningful reductions in unemployment. Without a significant improvement in productive investment, South Africa is likely to remain trapped in a cycle of low growth, weak employment creation and rising socio-economic pressures, particularly among young people.

4. Youth labour market conditions

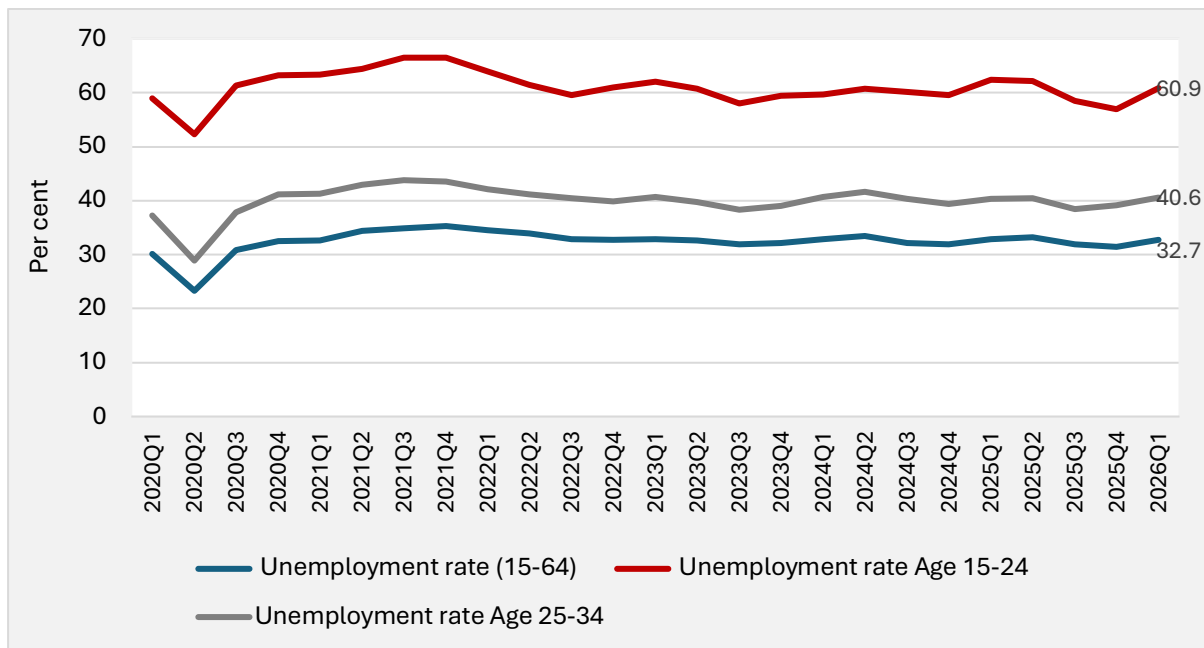
Labour market conditions for young South Africans remained difficult in the first quarter of 2026, with the latest data pointing to renewed weakness in employment creation and rising labour market exclusion. Although South Africa's broader labour market continues to face structural challenges, young people aged 15 to 34 remain disproportionately affected by unemployment, discouragement and unstable forms of work.

According to the latest Quarterly Labour Force Survey (QLFS), total employment in the economy declined by 345,000 jobs in the first quarter of 2026, while the number of unemployed people increased by 301,000. As a result, the official unemployment rate increased from 31.4 per cent in

the fourth quarter of 2025 to 32.7 per cent in the first quarter of 2026. At the same time, the labour force participation rate declined to 59.0 per cent, while the absorption rate fell to 39.7 per cent. These developments indicate that the labour market weakened at the start of 2026, with fewer people finding work and more people struggling to enter or remain in employment.

For young people, these pressures remain significantly more severe than for the general population. Youth unemployment among those aged 15 to 34 surged to 45.8 per cent in the first quarter of 2026, marking a 2.0 percentage point increase from the previous quarter. According to Stats SA, the number of unemployed youth rose by 181 000 to 4.7 million. Approximately 258 000 young people also lost their jobs between the fourth quarter of 2025 and the first quarter of 2026.

Figure 8: Official and youth unemployment rates

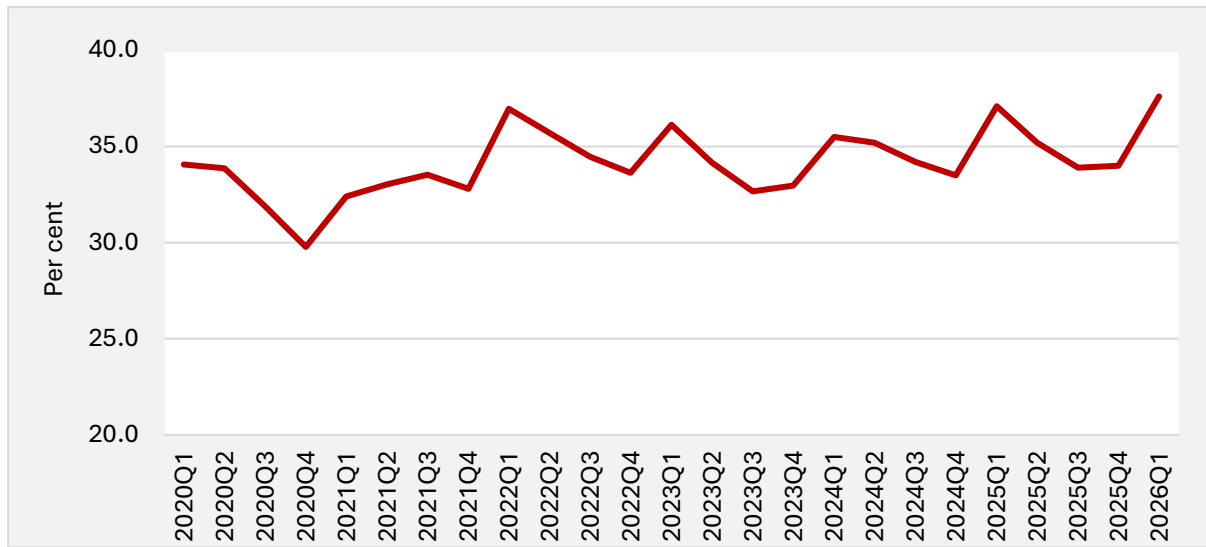


Source: Stats SA

The latest data also shows rising levels of discouragement. The number of discouraged work seekers increased by 178 000 in the first quarter of 2026, bringing the total to nearly 3.9 million people. More broadly, the combined rate of unemployment and the potential labour force, which includes discouraged workers and others marginally attached to the labour market, increased to 43.7 per cent. In simple terms, almost half of the labour force is either unemployed or struggling to find stable work opportunities.

The challenge also extends beyond unemployment alone. Many young people remain disconnected from both work and education. The latest labour market data indicates that approximately 37.6 per cent of young people aged 15 to 24 were not in employment, education or training (NEET) in the first quarter of 2026. This means that more than one in three young South Africans remains excluded from both economic participation and skills development opportunities. Prolonged periods without work or education reduce future earning potential, weaken skill development, and make it increasingly difficult for young people to transition into stable employment later in life.

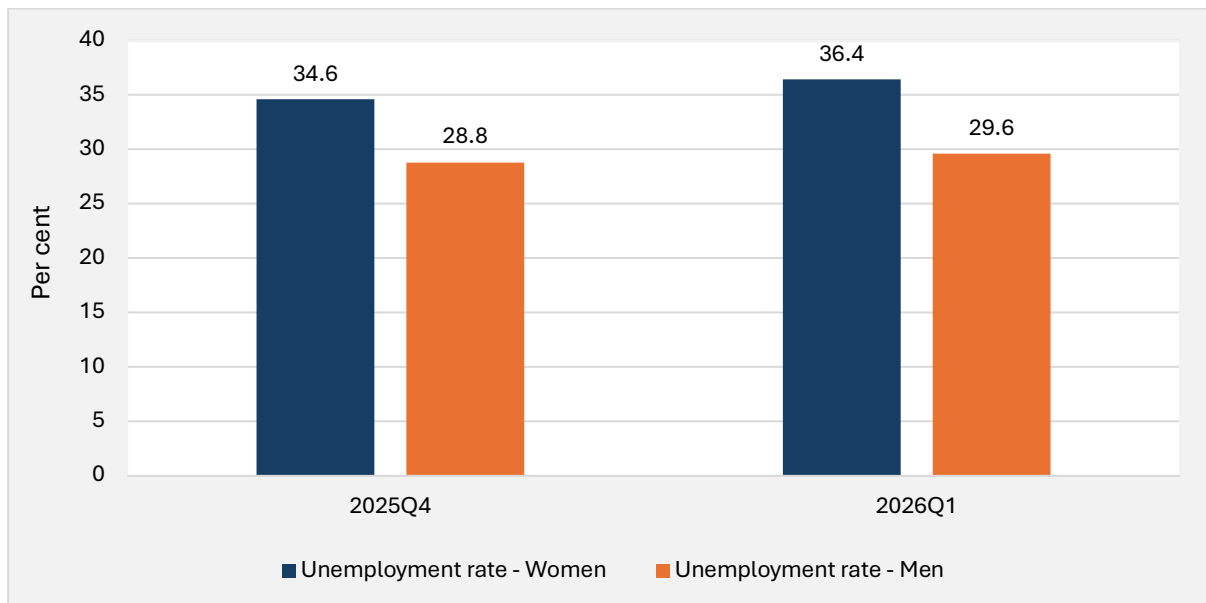
Figure 9: Not in Employment, Education or Training (NEET) Rate Among Youth (15-24 years)



Source: Stats SA

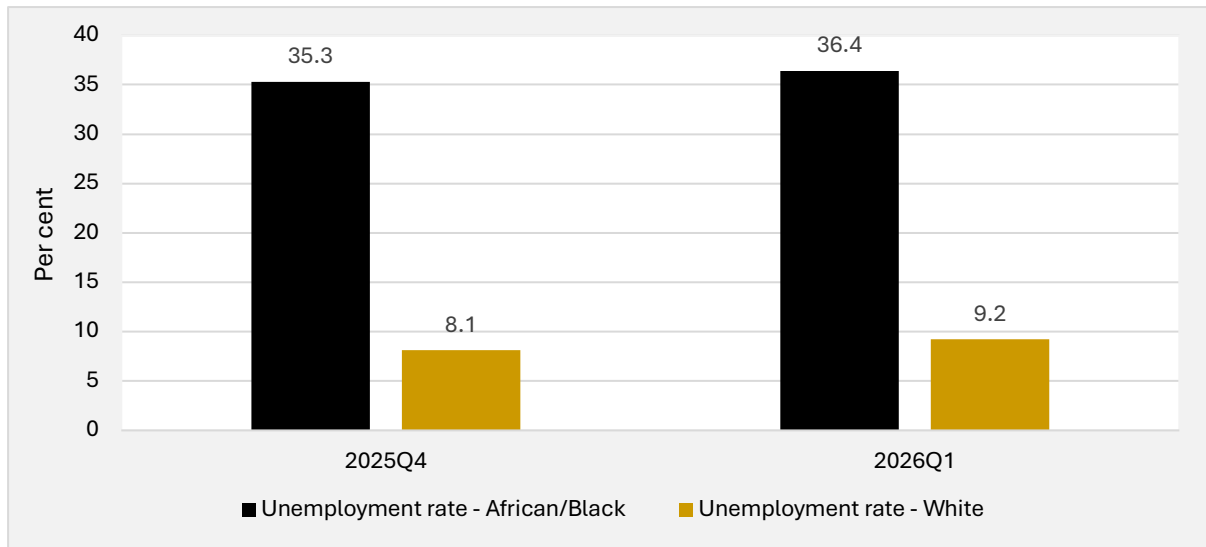
Young women continue to face high barriers to labour market participation, especially in poorer and more rural provinces where economic opportunities remain limited. In the first quarter of 2026, the unemployment rate for women was 36.4 per cent, compared to 29.6 per cent for men. South Africa's labour market also remains marked by notable racial disparities. The unemployment rate for the Black population was 36.4 per cent during the same period, which is considerably higher than the 9.2 per cent unemployment rate for the White population.

Figure 10: Unemployment rate by gender



Source: Stats SA

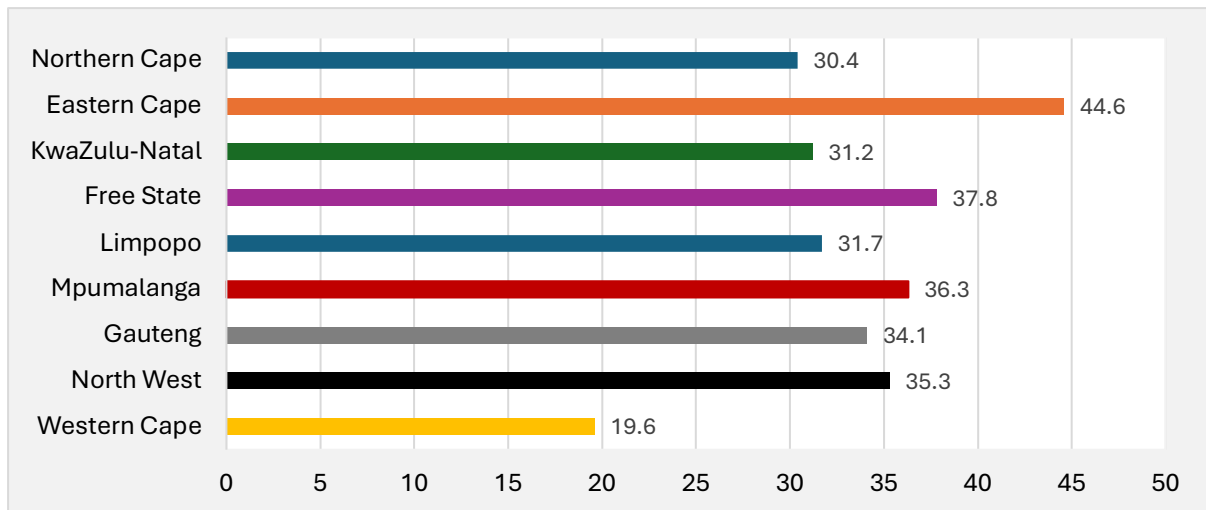
Figure 11: Unemployment rate by race



Source: Stats SA

Provincial labour market conditions also remain uneven. In the first quarter of 2026, the highest unemployment rates were recorded in the Eastern Cape at 44.6 per cent, followed by the Free State at 37.8 per cent and Mpumalanga at 36.3 per cent. These provinces continue to face deep structural economic constraints, including weak industrial activity, limited private-sector investment and high levels of poverty. For young people living in these areas, access to employment opportunities remains particularly constrained.

Figure 12: Unemployment rate by province

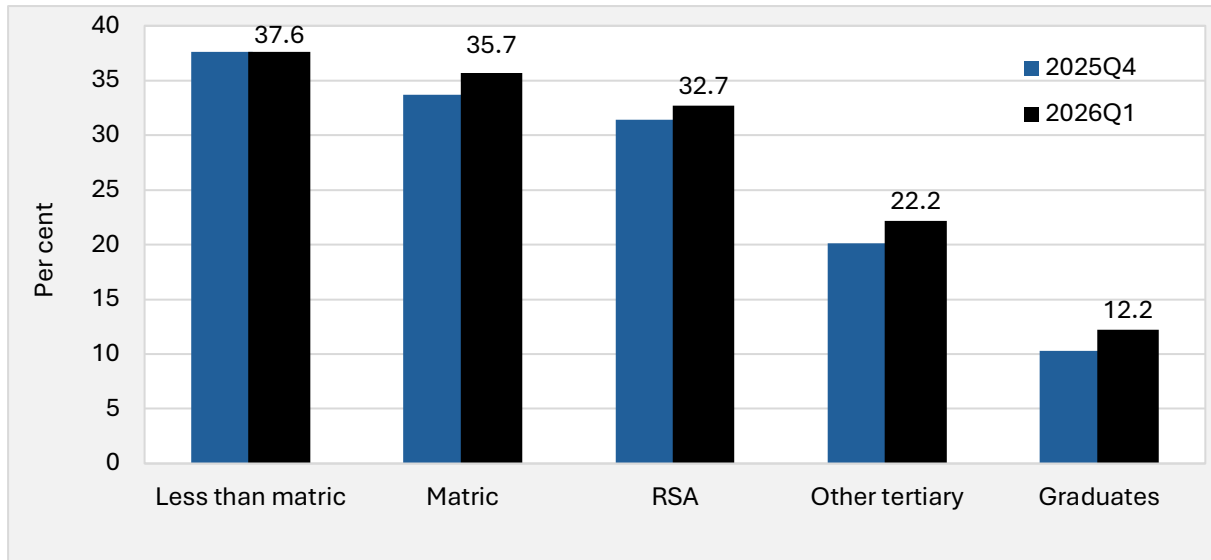


Source: Stats SA

The latest labour market data continues to show that education improves employment prospects, particularly for those with tertiary qualifications. In the first quarter of 2026, individuals without a matric qualification recorded an unemployment rate of 37.6 per cent, while graduates faced a significantly lower unemployment rate of 12.2 per cent. Although graduate unemployment increased compared with the previous quarter, the data still highlights the

stronger labour market outcomes associated with higher levels of education and specialised skills.

Figure 13: Unemployment rate by education level



Source: Stats SA

5. Sectoral employment trends

Sectoral employment trends in the first quarter of 2026 reflect a labour market that remains uneven and fragile, particularly for young people attempting to enter the economy. While some industries recorded modest employment gains, these gains were outweighed by significant job losses in several labour-intensive sectors.

Employment growth remains uneven and fragile across sectors. According to Stats SA, seven out of the ten industries surveyed reported job losses in the first quarter of 2026. The largest employment losses were recorded in community and social services, which shed 206 000 jobs. This sector is particularly important for youth employment because it includes areas such as education support services, community programmes and various forms of public and social service work where many young people often find entry-level opportunities.

Construction also experienced significant losses, with employment declining by 110 000 jobs. This is concerning, given the sector’s potential to absorb semi-skilled and lower-skilled young workers through infrastructure development and public investment programmes.

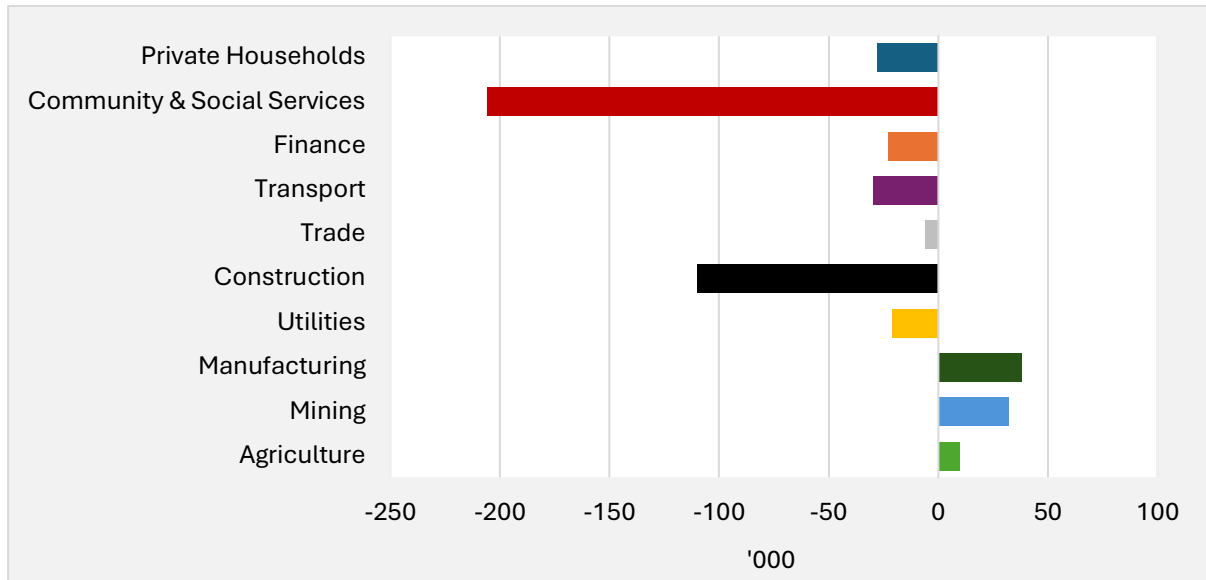
Additional job losses were recorded in transport (-30 000), finance (-23 000), and private households (-28 000). The decline in finance employment is particularly notable because the sector has increasingly become an important source of opportunities for educated youth, especially in urban areas. Trade, which remains one of the largest employers of young people, also showed weak performance, with a slight quarterly decline in employment.

Despite the broader weakness, a few industries recorded employment gains during the quarter. Manufacturing employment increased by 38 000 jobs, while mining added 32 000 jobs and agriculture recorded an increase of 10 000 jobs. Although these gains are positive, they remain

relatively modest when compared with the scale of unemployment facing young people. In addition, sectors such as mining remain highly capital-intensive and therefore have limited capacity to absorb large numbers of young work seekers.

Year-on-year trends also reveal important structural shifts in the labour market. Compared with the first quarter of 2025, the largest employment declines were recorded in manufacturing, community and social services, and finance. This suggests that sectors traditionally associated with more stable and formal employment continue to face pressure. At the same time, employment gains were recorded in trade, construction, mining and agriculture, indicating that some sectors are showing resilience despite broader economic weakness.

Figure 14: Employment by sector



Source: Stats SA

Informal sector employment declined by 127 000 jobs between the fourth quarter of 2025 and the first quarter of 2026, while formal sector employment declined by 189 000 jobs over the same period. Household sector employment also declined by 28 000 jobs. Although these figures point to broad-based weakness across the labour market, they should be interpreted with caution, as the measurement of formal and informal employment changed following Statistics South Africa's adoption of updated international statistical standards. The revised methodology, introduced from the third quarter of 2025, means that current informal-sector estimates are not directly comparable with earlier historical estimates.

Nonetheless, developments in the informal economy remain important from a youth development perspective. Young people are disproportionately represented in informal, low-paying and insecure forms of work that often lack employment protection, stable incomes and access to benefits. The continued decline in informal-sector employment, therefore, suggests that economic conditions remain particularly fragile for many young people, especially those relying on survivalist activities and low-barrier-to-entry occupations for income and labour market participation. At the same time, the decline in formal-sector employment further underscores the broader weakness in labour demand in the economy.

Occupational trends further reinforce concerns about the quality and accessibility of employment opportunities available to young people. Employment losses during the first quarter of 2026 were concentrated in sales and services occupations, which declined by 145 000 jobs, followed by technician occupations and craft and related trades, which each declined by 91 000 jobs. Elementary occupations declined by 72 000 jobs, while clerical occupations declined by 29 000 jobs. These are areas where many young people typically enter the labour market, particularly those aged 15 to 24 and first-time work seekers. The decline in these occupations therefore reduces entry-level employment opportunities and contributes to rising youth unemployment and discouragement.

At the same time, employment gains were recorded in managerial occupations, which increased by 65 000 jobs, followed by skilled agricultural work at 35 000 jobs and plant and machine operator roles at 31 000 jobs during the quarter. However, many of these positions require prior experience, specialised training or technical skills that many unemployed young people may not yet possess. This highlights a growing mismatch between the types of jobs being created in the economy and the existing skills profile of many young job seekers.

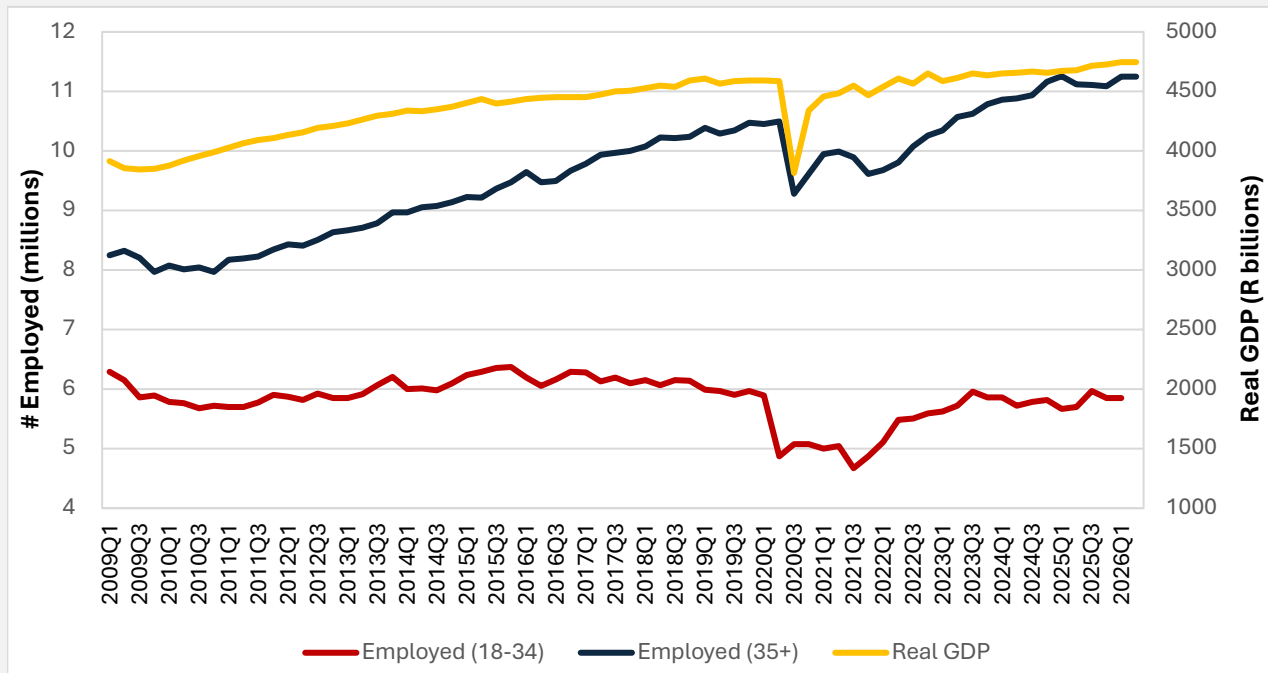
Overall, the latest unemployment data points to a youth employment crisis that remains deeply structural rather than temporary. Weak economic growth, low levels of investment, uneven sectoral performance and insufficient labour-absorbing industries continue to limit opportunities for young people. Without stronger economic and industrial expansion, investment, targeted youth employment interventions, and improved links between education, skills development, and labour market demand, youth exclusion is likely to remain one of South Africa's most pressing socio-economic challenges.



Box 1: Why Economic Growth Is Not Translating into Youth Employment

Since the 2008 Global Financial Crisis, economic growth in South Africa has not translated into sufficient employment opportunities for young people. In many cases, periods of economic growth have not been accompanied by meaningful improvements in youth employment outcomes. While the economy may expand, youth unemployment often remains extremely high or improves only marginally.

Figure 15: Real GDP Growth vs the number of youth and non-youth employed



Source: Stats SA

A key reason for this disconnect is the nature of South Africa’s growth path. Much of the country’s economic activity has increasingly been concentrated in sectors that are capital-intensive, highly skilled or unable to absorb large numbers of first-time work seekers. Sectors such as mining, finance, and parts of manufacturing can increase output without creating employment at the same pace. As a result, economic growth does not automatically lead to broad-based job creation, particularly for young people entering the labour market for the first time.

At the same time, several structural challenges continue to weaken the link between growth and youth employment. These include low levels of fixed investment, weak domestic demand, slow growth in small and medium enterprises, spatial inequality, and poor transitions between education and work. Many young people also struggle to access employment because they lack prior work experience, while firms facing economic uncertainty often prefer experienced workers over first-time entrants.

Another growing challenge is the increasing shift toward productivity and technology-driven growth. While productivity improvements are important for competitiveness and long-term growth, they can reduce labour absorption if not accompanied by deliberate employment-creation strategies. In practice, this means that businesses may become more efficient and profitable without significantly increasing employment levels.

The labour market is therefore becoming increasingly divided. Opportunities are expanding mainly in higher-skilled occupations, while many entry-level and lower-skilled jobs continue to decline. This creates additional barriers for young people, particularly those from poorer households, rural areas and under-resourced education systems.

These trends highlight an important policy lesson: economic growth alone is not enough to solve South Africa's youth unemployment crisis. The structure and inclusiveness of growth matter just as much as the growth rate itself. Addressing youth unemployment requires a more deliberate focus on labour-absorbing sectors such as agriculture, construction, manufacturing, tourism, the care economy and parts of the digital economy.

It also requires stronger support for youth entrepreneurship, township and informal economies, public employment programmes, localisation strategies and targeted industrial policy measures that actively connect young people to economic opportunities. Equally important is the need to strengthen pathways between education, skills development and labour market demand so that young people are better equipped to participate in a changing economy.

Without these structural interventions, South Africa risks continuing a growth path in which economic expansion occurs without meaningful improvements in youth inclusion and employment.

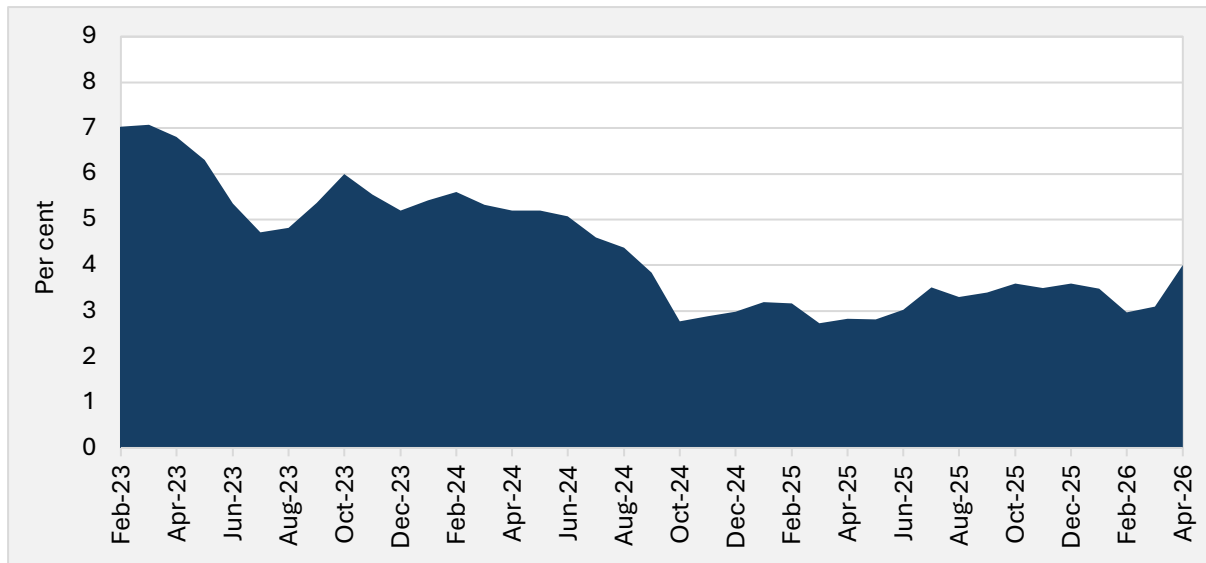
6. Cost of living and youth household pressures

Cost-of-living pressures intensified during the first half of 2026, placing additional strain on young people and low-income households already facing weak labour market conditions. Although inflation remained within the South African Reserve Bank's target range, price increases accelerated noticeably in April 2026, reducing household purchasing power and increasing financial pressure on unemployed and working youth alike.

According to Statistics South Africa, annual consumer inflation increased from 3.1 per cent in March 2026 to 4.0 per cent in April 2026. The increase was largely driven by higher transport, housing and utility costs, as well as rising insurance and financial service costs. Housing and utilities contributed 1.2 percentage points to headline inflation, while transport contributed 0.7 percentage points. These categories are particularly important because they affect essential household expenses such as electricity, fuel, public transport and rental costs.

Fuel prices emerged as one of the biggest sources of pressure during the quarter. Fuel inflation increased sharply by 11.4 per cent year-on-year in April 2026 following renewed global oil market disruptions linked to the Middle East conflict and the partial closure of the Strait of Hormuz. Higher fuel prices have direct and indirect effects on young people because they increase transport costs, raise food distribution expenses and place upward pressure on the prices of everyday goods and services.

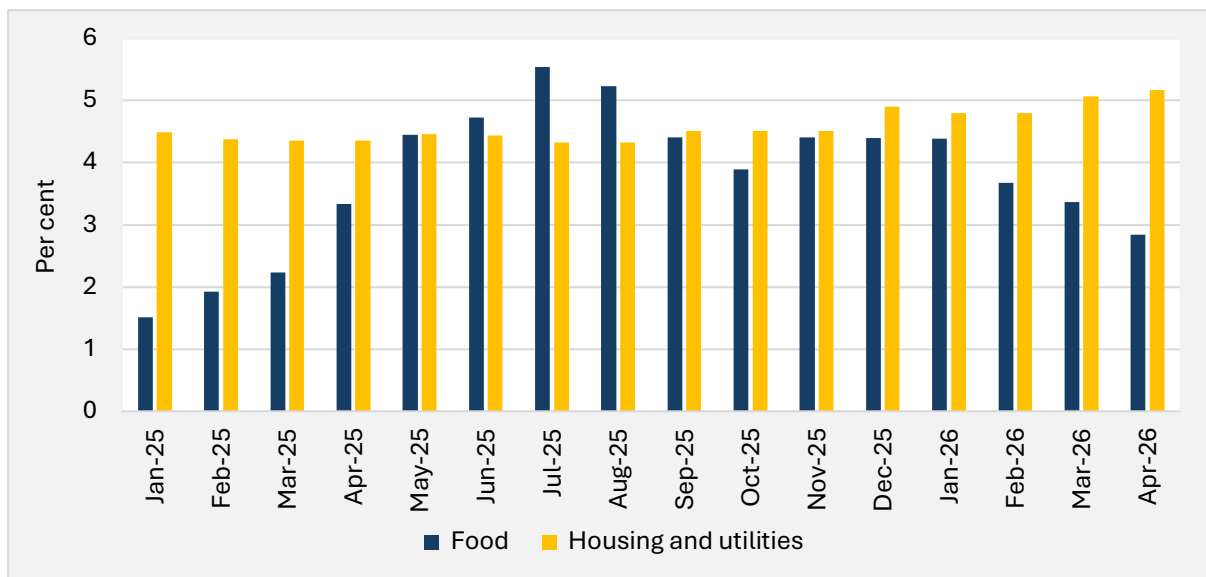
Figure 16: Headline consumer price inflation (year-on-year)



Source: Stats SA

Electricity and utility costs also continued to rise rapidly. Inflation for electricity, gas and other fuels reached 8.2 per cent in April 2026, while water supply and municipal-related services increased by 7.0 per cent. For many young households, particularly those supporting extended families or living in townships and informal settlements, these increases place additional pressure on already constrained household budgets.

Figure 17: Food, housing, and utilities inflation (year-on-year)



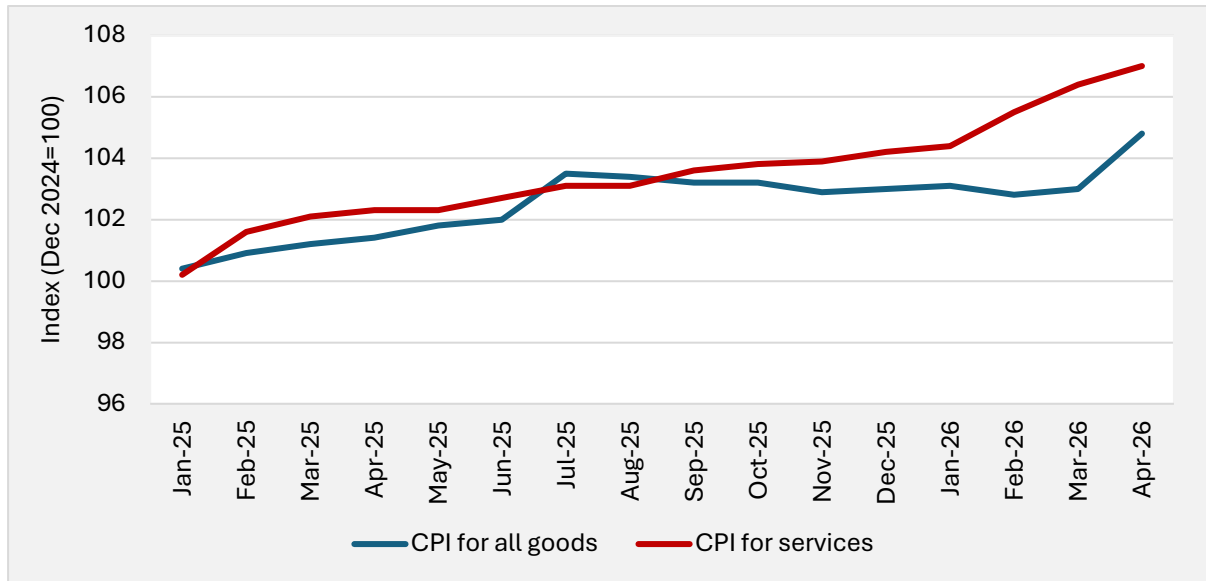
Source: Stats SA

Food inflation remained lower than in previous years, easing to 2.9 per cent in April 2026. However, important food categories continued to experience elevated price pressures. Meat prices increased by 9.4 per cent year on year, while hot beverages increased by 6.7 per cent. The South African Reserve Bank has also warned that higher fuel prices, rising fertiliser costs and

possible weather-related disruptions linked to El Niño could place renewed upward pressure on food prices in the coming months

The impact of inflation is particularly severe for young people because many youth households are already financially vulnerable. High unemployment, unstable income sources and growing levels of discouragement mean that many young people have limited ability to absorb rising living costs. Even employed youth are increasingly concentrated in lower-paying and less secure forms of work, making them more exposed to rising transport, food, and utility costs.

Figure 18: Goods versus services inflation



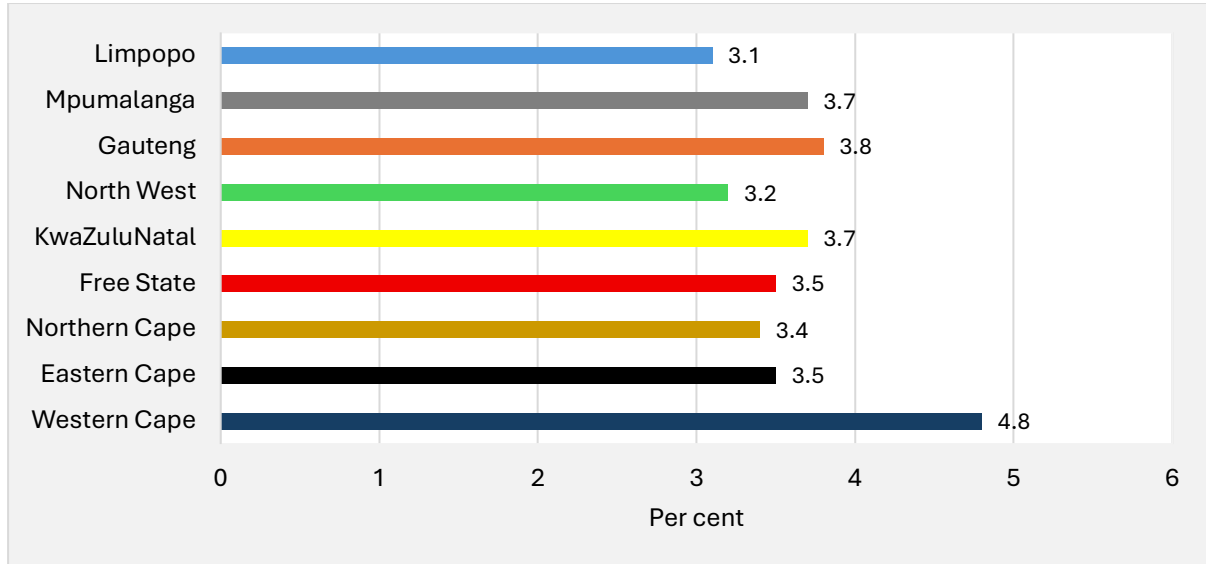
Source: Stats SA

An important feature of the current inflation environment is the growing divergence between goods and services inflation. According to Statistics South Africa, annual goods inflation increased sharply from 1.8 per cent in March 2026 to 3.4 per cent in April 2026, while services inflation increased from 4.2 per cent to 4.6 per cent over the same period. The acceleration in goods inflation was largely driven by higher fuel prices, transport-related costs and increases in non-durable consumer goods, while services inflation continued to reflect rising insurance, financial, accommodation and education-related costs. This trend is significant because lower-income and youth households typically spend a larger share of their income on goods such as food, transport fuel and basic household necessities. At the same time, rising services inflation places additional pressure on households through higher costs for transport services, financial products, rentals, accommodation, and other recurring expenses. The simultaneous increase in both goods and services inflation therefore suggests that cost pressures are becoming more broad-based across the economy, reducing households' ability to shield themselves from rising prices.

The inflation outlook also reveals important provincial disparities in the cost of living experienced across South Africa. According to Statistics South Africa, the Western Cape recorded the highest annual inflation rate in April 2026 at 4.8 per cent, followed by Gauteng at 3.8 per cent and KwaZulu-Natal at 3.7 per cent. By contrast, Limpopo recorded a lower inflation rate of 3.1 per

cent, while the North West recorded 3.2 per cent. These provincial differences partly highlight variations in housing costs, transport patterns, municipal tariffs and consumer spending behaviour across provinces.

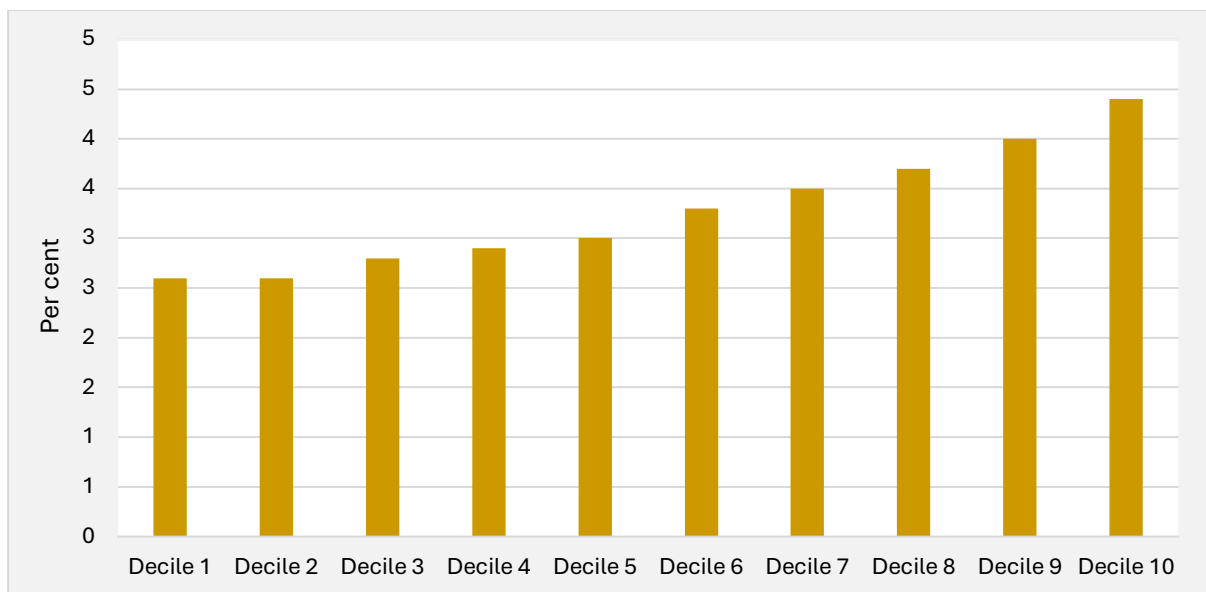
Figure 19: Inflation per Province



Source: Stats SA

The higher inflation rates recorded in major urban economic centres such as Gauteng and the Western Cape are particularly important from a youth perspective because these provinces attract large numbers of young work seekers and students. Rising transport, rental and utility costs in these provinces increase the financial burden on young people seeking employment opportunities in urban areas and may further worsen affordability pressures for youth already facing high unemployment and weak income growth.

Figure 20: CPI per expenditure decile

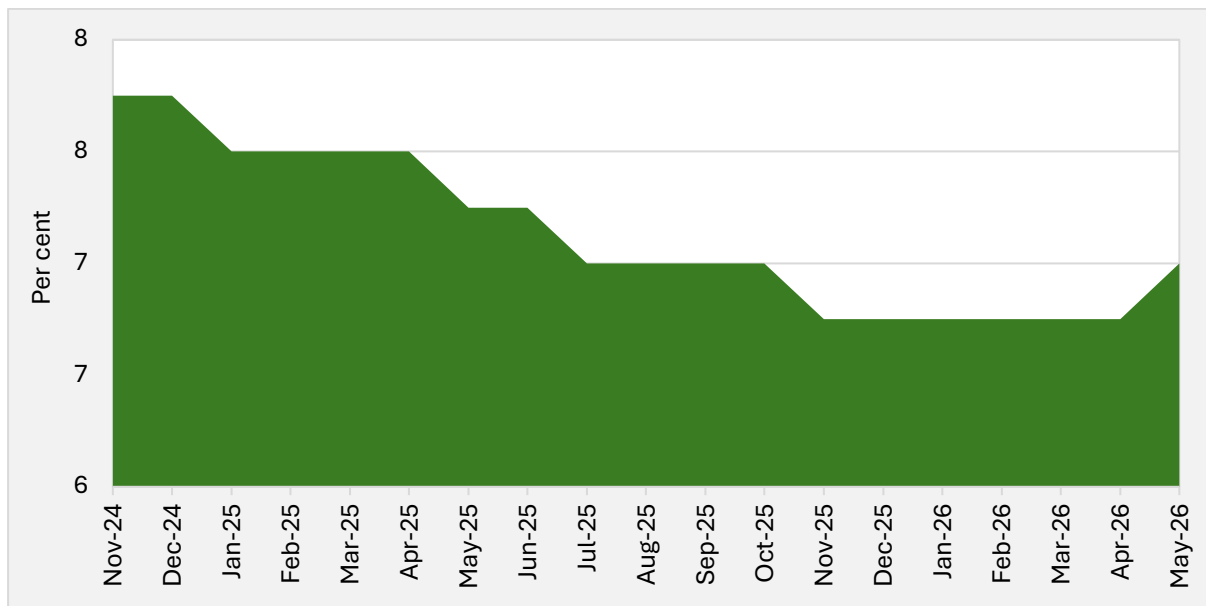


Source: Stats SA

The inflation burden also differs significantly across income groups. Statistics South Africa’s expenditure decile data show that higher-income households experienced stronger inflationary pressures in April 2026, with inflation in the highest expenditure decile reaching 4.4 per cent, compared with 2.6 per cent in the lowest expenditure decile. However, despite lower measured inflation among poorer households, low-income youth remain highly vulnerable because they have significantly less disposable income and limited savings buffers to absorb rising costs. As a result, even relatively moderate increases in transport, electricity, food and municipal service costs can have severe consequences for household welfare, nutrition, mobility and access to economic opportunities.

At the same time, slower economic growth and rising global uncertainty are expected to place further pressure on household finances. The South African Reserve Bank recently revised down its growth outlook and warned that reduced disposable income is likely to weaken household consumption and investment activity. In response to rising inflation risks, the Reserve Bank increased the repo rate by 25 basis points to 7.0 per cent in May 2026. Higher interest rates will increase borrowing costs for households and may place additional pressure on young consumers with debt obligations such as vehicle finance, personal loans or student-related credit.

Figure 21: SARB Repurchase/Policy Rate



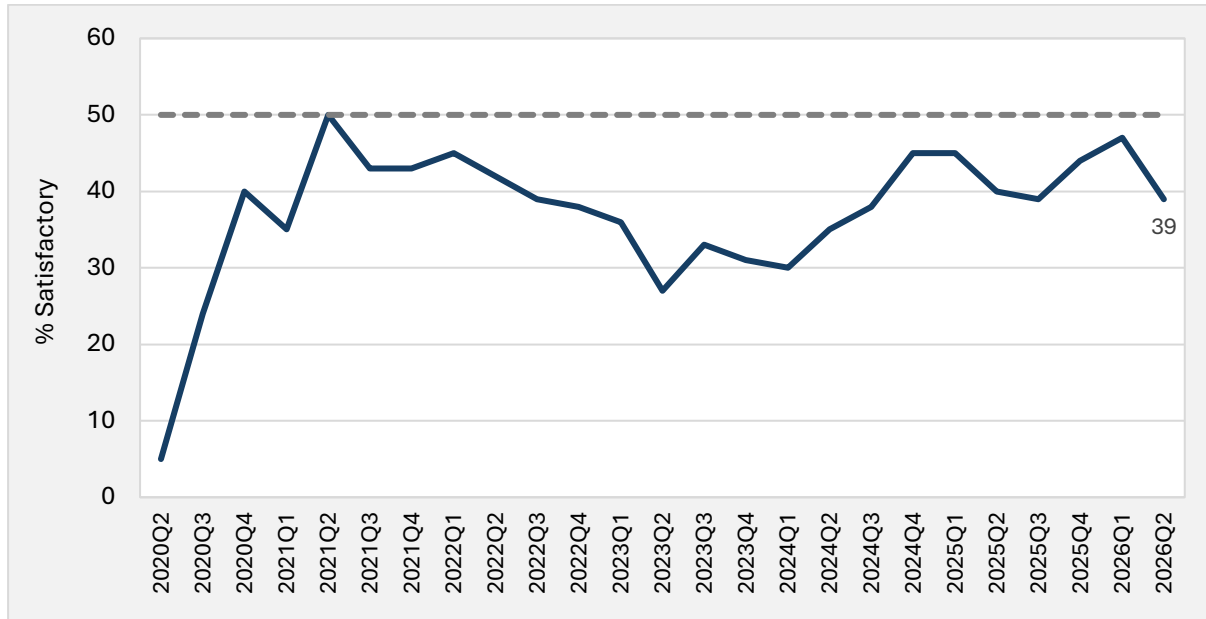
Source: SARB

Overall, current inflation trends suggest that the cost of living remains a significant socio-economic challenge for young South Africans. While inflation is lower than the peaks recorded in 2022 and 2023, rising fuel, electricity and transport costs continue to erode household purchasing power. In an environment of persistently high youth unemployment and weak income growth, these pressures are likely to deepen financial vulnerability and widen socio-economic inequality among young people.

7. Business confidence trends and implications for employment and youth opportunities

Business confidence weakened noticeably during the second quarter of 2026, reflecting growing uncertainty in both the domestic and global economic environment. According to the latest RMB/BER Business Confidence Index (BCI)¹, confidence declined by 8 points to 39, reversing the gradual recovery recorded over the previous two quarters. This means that fewer than four out of every ten businesses surveyed were satisfied with prevailing business conditions.

Figure 22: RMB/BER Business Confidence Index (BCI)



Source: RMB/BER

The deterioration in confidence was largely linked to escalating geopolitical tensions in the Middle East, which pushed global oil prices higher and significantly altered expectations around inflation and interest rates. Rising fuel prices and the prospect of further interest rate increases contributed to a more cautious business environment, particularly in sectors that depend heavily on consumer spending and financing conditions.

The sharpest declines in confidence were recorded among new-vehicle dealers, wholesalers, and retailers. Confidence among new vehicle dealers declined by 18 points to 49, while wholesaler confidence fell by 10 points to 40. Retail confidence also weakened further to 31. These sectors are important because they are relatively labour-absorbing and often provide entry-level employment opportunities for young people, particularly in sales, customer service, logistics, and administrative work.

Building contractor confidence also declined during the quarter as activity in both residential and non-residential construction came under renewed pressure. This is concerning from a youth

¹ The RMB/BER Business Confidence Index measures the level of confidence among South African businesses by surveying firms in key sectors such as manufacturing, retail, wholesale, and building, indicating whether business conditions are perceived as satisfactory or unsatisfactory.

employment perspective because the construction sector has historically played an important role in absorbing semi-skilled and lower-skilled workers through infrastructure development and public investment programmes.

Manufacturing was the only major sector to record a slight improvement in confidence, rising marginally from 30 to 31. However, the sector continues to operate at relatively weak levels overall, limiting its ability to generate employment at the scale required to meaningfully reduce youth unemployment.

Provincial trends also revealed uneven business conditions across the country. Confidence weakened sharply in Gauteng and KwaZulu-Natal, while the Western Cape was the only major province to record an improvement in sentiment. These regional disparities have important implications for youth employment opportunities, as provinces with weaker business confidence are less likely to see strong private-sector hiring and investment growth.

The decline in business confidence is likely to have broader implications for employment creation over the medium term. When businesses become more uncertain about the economic outlook, they tend to delay investment decisions, slow expansion plans, and become more cautious about hiring new workers. Young people are often the first to be affected by these conditions because they are more likely to occupy temporary, entry-level or insecure forms of employment.

At the same time, rising interest rates, higher fuel costs, and weaker household spending are placing additional pressure on firms operating in consumer-facing sectors. This could further limit employment opportunities for young work seekers, particularly in retail, hospitality, transport and other service-related industries that traditionally absorb younger workers.

Despite the recent decline, business confidence remains above the lows reached in 2023, suggesting that firms still see some resilience in the broader economy. However, sustained improvements in employment and youth economic opportunities will depend on stronger domestic demand, improved infrastructure performance, policy certainty, and higher levels of private-sector investment. Without a stronger recovery in business sentiment and productive investment, labour market conditions for young South Africans are likely to remain under pressure.

8. Conclusion: Outlook and implications for the NYDA

The South African economy entered 2026 amid weak, uneven growth, persistent structural constraints, and heightened global uncertainty. Although the economy remained in positive territory during the first quarter of 2026, the pace of growth remains insufficient to significantly reduce unemployment, poverty, and inequality. Weak investment activity, subdued industrial performance, rising household pressures and fragile labour market conditions continue to constrain broader economic recovery.

For young people, the economic environment remains particularly difficult. Youth unemployment, discouragement and NEET levels remain extremely high, while employment opportunities continue to be concentrated in a limited number of sectors and provinces. Weak investment growth, low business confidence and ongoing infrastructure constraints continue to reduce labour market absorption and entrepreneurial opportunities for young people.

At the same time, global economic shifts, technological change, renewable energy transitions, and the expansion of digital industries may create new opportunities for youth employment and enterprise development over the medium term. However, unlocking these opportunities will require stronger investment in education, skills development, infrastructure, industrialisation and innovation.

The findings of this bulletin reinforce the importance of a stronger developmental and employment-centred growth path. Sustainable reductions in youth unemployment will require higher levels of productive investment, stronger industrial policy interventions, expanded support for labour-absorbing sectors and deliberate measures to broaden economic participation among young people, women and historically disadvantaged communities.

For the NYDA, these conditions highlight the growing importance of integrated youth development interventions that combine support for entrepreneurship, skills development, labour market activation, public employment pathways, and social innovation. The current environment also reinforces the need for stronger partnerships between government, the private sector, development finance institutions and civil society to expand opportunities for young people.

Going forward, the Agency will continue to play an important role in advancing evidence-based youth development interventions, supporting youth entrepreneurship, strengthening economic participation and contributing towards broader national efforts aimed at inclusive growth and sustainable employment creation. In an environment characterised by slow growth and rising socio-economic pressures, investing in young people remains both an economic necessity and a developmental imperative.



Box 2: Market Concentration and MSME Participation in South Africa

The Competition Commission's 2026 Concentration Tracker Report highlights that the South African economy remains highly concentrated despite some modest improvements between 2017 and 2021. The report finds that a relatively small number of firms continue to dominate key sectors of the economy, particularly mining, manufacturing, electricity, transport and ICT. While the share of highly concentrated sub-sectors declined slightly over the period, concentration ratios remain elevated, with the top three firms accounting for more than 40% of turnover in nearly half of all sub-sectors analysed.

The report further shows that highly concentrated markets continue to undermine inclusive growth, economic transformation and employment creation. Large firms accounted for approximately 78% of total market turnover in 2021, while MSMEs accounted for only 22% of turnover, despite representing around 97% of firms in the economy. This remains significantly below OECD averages, where MSMEs typically contribute between 50% and 60% of value added.

Importantly, the report highlights that MSMEs remain far more employment-intensive than large firms. MSMEs accounted for approximately 44% of employment among tax-paying firms in 2021, with particularly strong employment contributions in construction, catering and accommodation, and wholesale trade. The findings suggest that expanding MSME participation could play an important role in addressing South Africa's unemployment crisis, especially youth unemployment.

However, MSMEs continue to face significant barriers to survival and expansion. The study found deteriorating survival rates, rising exit rates during the COVID-19 period, and limited transition of small firms into larger enterprises. According to the report, the key challenge is not only firm entry but also the inability of smaller firms to scale and secure market access within concentrated sectors.

The report therefore argues for stronger economy-wide efforts to reduce concentration, dismantle barriers to expansion, and improve MSMEs' access to markets. It emphasises that competition policy alone will not be sufficient, and that broader industrial policy, public procurement reforms, infrastructure reform, and targeted support for challenger firms will be necessary to build a more inclusive and employment-intensive economy.