Economic Insights | 12 May 2026

Quarterly Labour Force Survey

ECONOMICS | SOUTH AFRICA

NEDBANK

The unemployment rate rises on seasonal trends and tough economic conditions

- The unemployment rate increased from 31.4% in Q4 2025 to 32.7% in Q1 2026, driven by lower employment.
- Employment losses were broad-based across the formal, informal, and household sectors.
- The labour force contracted slightly (-44 000), as the number of discouraged workers increased sharply by 178 000.
- Seven of the ten sectors reported job losses, with the highest number of jobs declines recorded in community and social services, followed by construction.

Q1 2026

The unemployment rate (%)

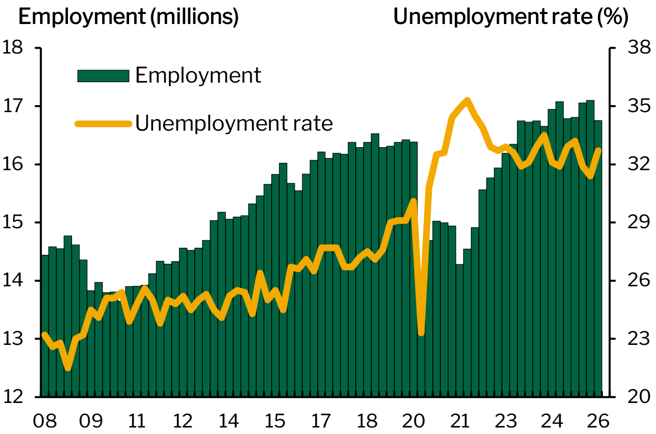
32.7%

Key metrics:

	Q3-25	Q4-25	Q1-26
Employment			
Millions	17.1	17.1	16.8
qoq %	1.5	0.3	-2.0
yoy %	0.6	0.1	-0.2
Unemployment			
Millions	8.0	7.8	8.1
qoq %	1.5	0.3	3.8
yoy %	0.6	0.1	-1.1
Unemployment rate %)	31.9	31.4	32.7
Discouraged worker seekers			
Millions	3.5	3.7	3.9
qoq %	1.0	6.7	4.8
yoy%	3.7	7.2	12.1

Source: Stats SA, Nedbank, Reuters Poll

Chart 1: The unemployment rate



Source: Stats SA

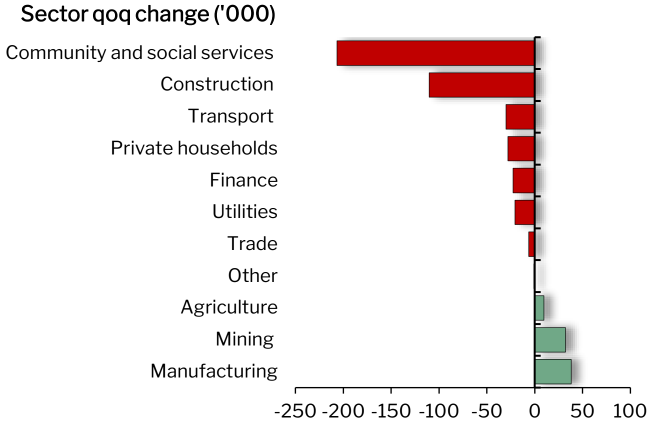
Quick insights

The number of employed people fell by 345 000 to 16.8 million, while the unemployed rose by 301 000. As a result, the labour force declined marginally by 44 000 (0.2% qoq). Employment losses were broad-based across the formal, informal, and household sectors. Across sectors, the drag came from community and social services, which shed 206 000 jobs, likely reflecting declines in temporary and contract-based jobs. This was followed by construction (-110 000), pointing to weak infrastructure activity and subdued fixed investment. Additional declines were seen in transport, suggesting ongoing constraints in logistics and trade. On the upside, employment increased in manufacturing, mining, and agriculture. However, these gains were modest and insufficient to offset the declines elsewhere, resulting in a net contraction in employment, contributing to the rise in the unemployment rate.

The decline in the labour force amplified the rise in the unemployment rate. There was an increase in discouraged workers (+178 000) over the quarter. The rise in the potential labour force probably points to more individuals wanting work but facing barriers to entry, such as the high costs of searching for a job amid generally weak labour demand. Overall, the increase in the unemployment rate was driven mainly by job shedding and insufficient job creation, compounded by rising unemployment and more potential workers giving up their search for employment.

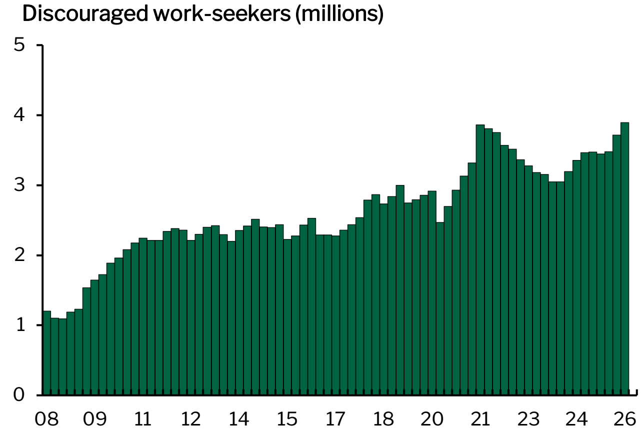
Over the year, total employment declined by 33 000, mainly in manufacturing, pointing to the ongoing constraints such as weak domestic demand, elevated input costs, and persistent infrastructure challenges, which continue to limit production and hiring.

Chart 2: Employment qoq change ('000)



Sources: Stats SA

Chart 3: Discouraged workers



Sources: Stats SA

Outlook and implications

The labour market outlook remains uncertain heading into Q2, with emerging downside risks offsetting recent signs of improvement in domestic conditions. While structural constraints had begun to ease, the Iran war has introduced new headwinds. The US-Iran war has disrupted global supply chains, driving up oil prices, which have already translated into rising energy and transport costs.

This shock is expected to place pressure on oil-intensive sectors through higher input costs and potentially supply disruptions. Export-orientated will feel effects through general weaker global demand. The most exposed sectors include agriculture, transport, logistics, and manufacturing (particularly, industries such as petrochemicals and plastics). For firms already operating in a low-growth environment, rising costs may limit their ability to expand operational capacity or their workforce. If the pressures persist, companies may be forced to shed jobs to save costs and restore profitability. On the positive, underlying domestic demand may prove more resilient under the current circumstances than during past shocks because consumers have experienced two years of rising real incomes, debt metrics at more sustainable levels, and increased access to contractional savings.

Some support could also come from the public sector, as government runs the local elections and push to improve service delivery. However, this will remain constrained by the need for fiscal consolidation, limiting the upside. The outlook for employment has deteriorated since the start of the war. Employers will face greater cyclical pressures in the months ahead, which pose significant downside risk to job creation. Consequently, sticky to rising unemployment appears likely during the remainder of the year.

Table 1: Employment by sector

Employment (million)	2024				2025				2026	Qoq (000)	Yoy
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	qoq (000)	yoy%
Agriculture	0.941	0.896	0.935	0.924	0.930	0.906	0.920	0.950	0.960	9.7	3.2
Mining	0.454	0.457	0.484	0.466	0.431	0.434	0.449	0.444	0.476	32.2	10.6
Manufacturing	1.606	1.655	1.635	1.675	1.677	1.672	1.610	1.548	1.587	38.2	-5.4
Utilities	0.105	0.114	0.127	0.111	0.145	0.139	0.109	0.134	0.113	-20.7	-22.3
Construction	1.215	1.204	1.381	1.359	1.240	1.259	1.390	1.425	1.314	-110.1	6.0
Trade	3.471	3.360	3.469	3.421	3.228	3.315	3.424	3.326	3.320	-6.2	2.9
Transport	1.062	1.064	1.047	1.064	1.131	1.115	1.113	1.140	1.111	-29.9	-1.8
Finance	2.914	2.905	2.716	2.948	3.008	2.983	2.930	2.962	2.939	-22.5	-2.3
Community and social services	3.791	3.827	4.021	3.959	3.914	3.872	3.988	4.034	3.828	-206.4	-2.2
Private households	1.178	1.160	1.128	1.146	1.078	1.106	1.111	1.129	1.101	-28.0	2.1
Other	0.006	0.010	0.004	0.005	0.006	0.004	0.011	0.007	0.006	-0.8	-0.4

Source: Stats SA, Nedbank calculations

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