



NATIONAL YOUTH DEVELOPMENT AGENCY
OUR YOUTH. OUR FUTURE.



NATIONAL YOUTH DEVELOPMENT AGENCY
OUR YOUTH. OUR FUTURE.

Quarterly Youth Economic Bulletin

March 2026

Contents

Foreword by the Chief Executive Officer	2
1. Developments in the global economy.....	2
2. Domestic growth performance	4
3. Investment trends in the domestic economy	7
4. Youth labour market conditions	11
5. Sectoral employment trends	13
6. Cost of living and youth household pressures	14
7. Business confidence trends and implications for employment and youth opportunities.....	18
8. 2026 Budget implications for youth employment and small businesses.....	19
9. Conclusion: Outlook and implications for the NYDA.....	20
Box 1: Repositioning the National Youth Service as a State Capacity Programme	22
Box 2: The Role of Public Employment Programmes in Supporting Sustainable Livelihoods	24

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

For enquiries:

Mr Tshepo Moloji

Head of Economic Research

Tshepo.moloji@nyda.gov.za

Foreword by the Chief Executive Officer

Young people remain at the centre of South Africa's development challenges and opportunities. With youth unemployment remaining persistently high and many young people facing barriers to entering the labour market, it is essential that policies and programmes aimed at supporting youth are guided by credible evidence and a clear understanding of economic realities. The National Youth Development Agency (NYDA) plays an important role in supporting young people through entrepreneurship development, skills programmes, employment initiatives and youth service opportunities. To ensure that these interventions are effective and responsive to changing economic conditions, the Agency is strengthening its commitment to evidence-based policy and economic research.

As part of this strategic direction, the NYDA is placing greater emphasis on the use of economic analysis to guide its programmes, partnerships and investments. Understanding the broader macroeconomic environment, labour market dynamics and structural trends affecting young people is critical for designing interventions that can meaningfully expand youth economic participation. Through strengthening its internal research capacity and producing regular analytical outputs, the Agency aims to ensure that its work is informed by rigorous data and aligned with the evolving needs of the youth economy.

The NYDA Quarterly Youth Economic Bulletin forms an important part of this approach. The publication provides regular analysis of economic trends affecting young people, including developments in the labour market, sectoral employment patterns and broader macroeconomic conditions. By making this information accessible, the Bulletin aims to contribute to better policy discussions and support stakeholders across government, the private sector and civil society who are working to expand opportunities for young people.

It is our hope that this publication will become a useful resource for policymakers, researchers, youth organisations and the public. Most importantly, it reflects the NYDA's commitment to strengthening the role of evidence in shaping youth development interventions and ensuring that our work is aligned with South Africa's broader economic and developmental priorities.

Ndumiso Kubheka

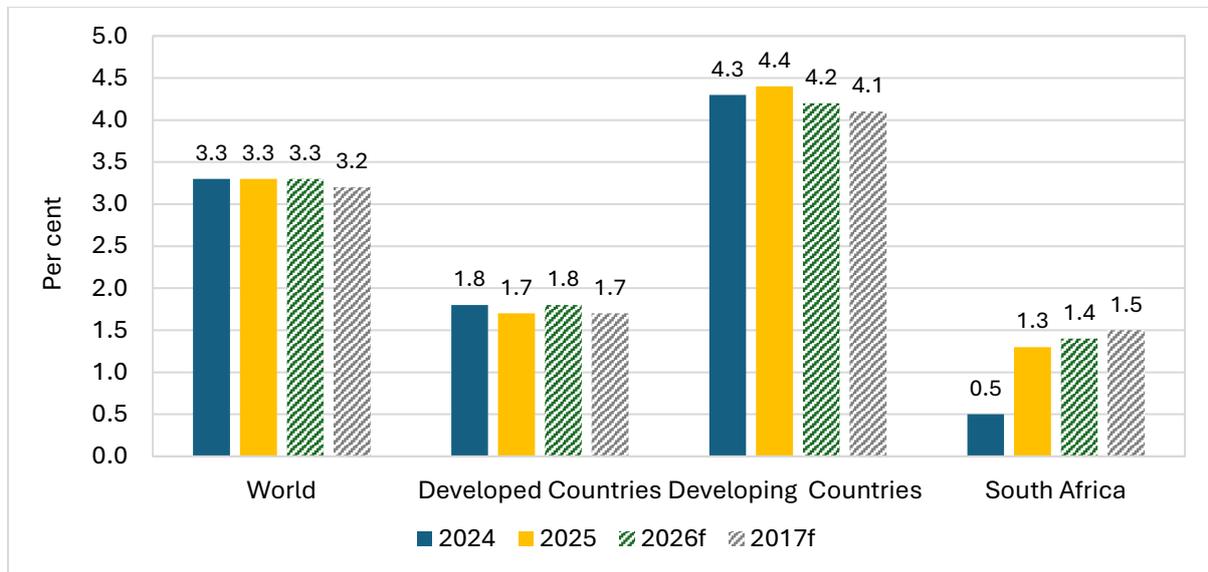
NYDA Chief Executive Officer

1. Developments in the global economy

The global economy in 2026 is expected to remain stable, with modest expansion. According to the latest projections from the International Monetary Fund (IMF), global growth is forecast at approximately 3.3 per cent in 2026, slightly above 2025 and broadly in line with the post-pandemic average. Headline inflation is projected to continue easing, declining from around 4.1 per cent in 2025 to about 3.8 per cent in 2026, reflecting improved supply conditions and softer demand pressures in major economies. It is important to note, however, that these projections

do not fully incorporate the economic implications of the most recent escalation of conflict in the Middle East, which introduces additional downside risks to both growth and inflation. While the baseline outlook signals progress from the high-inflation period of 2022 and 2023, global growth remains uneven and below the stronger rates seen before the global financial crisis and remains vulnerable to geopolitical shocks.

Figure 1: IMF annual global economic growth projections



Source: International Monetary Fund

Advanced economies are expected to grow more slowly than emerging markets. The United States is projected to expand at around 2.4 per cent in 2026, supported by resilient consumption and gradual monetary easing, while growth in the euro area remains relatively subdued. Emerging markets and developing economies are forecast to grow just over 4 per cent, led mainly by large Asian economies. China’s growth is expected to slow to about 4.5 per cent as it shifts away from property-driven expansion. Meanwhile, India continues to experience stronger growth rates compared to its global peers. Although global inflation is easing, financial conditions remain relatively tight, and debt levels across many countries still limit fiscal space.

At the same time, geopolitical tensions remain a central risk to the outlook. Continued conflict between Russia and Ukraine, instability in parts of the Middle East, and competition between the United States and China have contributed to trade fragmentation and supply chain reconfiguration. Recent conflict in the Middle East has added fresh uncertainty through its direct impact on energy markets, commodity prices, and financial conditions. Escalating tensions, particularly around the Strait of Hormuz, a critical shipping chokepoint through which roughly 20 per cent of global oil exports pass, have disrupted tanker traffic and led to sharp increases in oil and liquefied natural gas prices. Concerns about prolonged supply interruptions have pushed oil prices higher and increased volatility in global financial markets, contributing to equity market swings and greater demand for safe-haven assets such as gold. If the conflict persists, higher energy costs could feed back into global inflation, slow economic growth, and place renewed pressure on monetary authorities to maintain tighter policy for longer. Import-dependent

economies would be particularly exposed, while rising regional risk premia could trigger capital outflows from emerging markets.

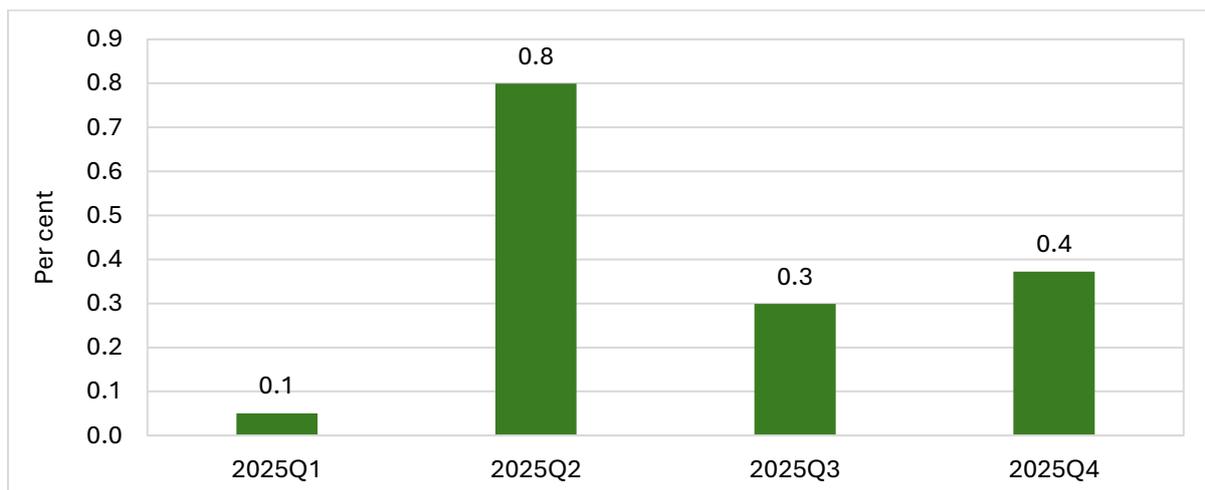
For African economies, these global changes present both opportunities and challenges. Rising commodity prices benefit countries that export minerals, oil, and agricultural products. However, many African nations also face higher borrowing costs, exchange rate volatility, and reduced demand in global markets, which can hinder economic growth. These pressures make it more difficult for governments to raise funds, invest in development, and promote economic expansion.

The effects are particularly important for young people. Africa has the youngest population in the world, but the number of new jobs being created is not keeping up with the growing number of young people entering the labour market. Slower global growth and tighter financial conditions can reduce foreign investment, trade opportunities, and government spending on youth programmes. At the same time, changes in the global economy, such as growth in digital services, renewable energy, and regional trade, could create new opportunities. To benefit from these opportunities, African countries will need to invest in skills, support new industries, and grow sectors of the economy that can create large numbers of jobs for young people.

2. Domestic growth performance

South Africa’s economic growth remained modest in the fourth quarter of 2025. According to the latest release from Statistics South Africa, real gross domestic product (GDP) increased by 0.4 per cent quarter-on-quarter (seasonally adjusted) in the fourth quarter of 2025, following growth of 0.3 per cent in the third quarter of 2025. Although the economy continued to expand for a second consecutive quarter, the pace of growth remains relatively slow.

Figure 2: Quarterly real GDP rates

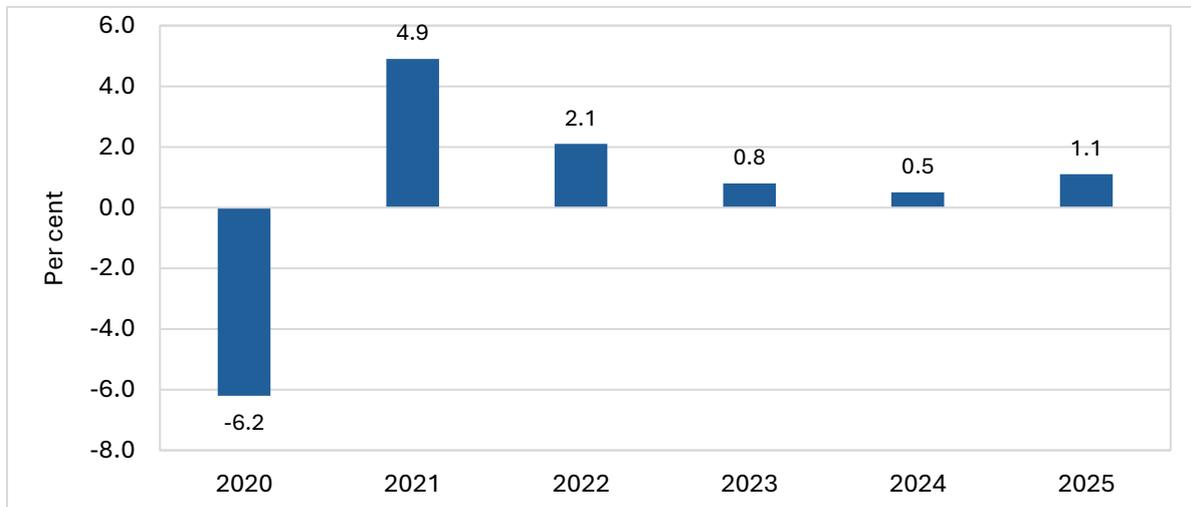


Source: Stats SA

For the full year 2025, GDP rose to 1.1 per cent, up from 0.5 per cent in 2024. Although this was the strongest annual growth rate since 2022, economic activity at this level remains insufficient to significantly expand employment or meaningfully reduce unemployment, particularly among young people, who already face substantial barriers to labour market entry. The modest nature of

the recovery reflects a combination of structural constraints in network industries, weak industrial production, subdued investment activity, and muted domestic and external demand, all of which continue to limit the pace and breadth of economic expansion.

Figure 3: Annual real GDP rates

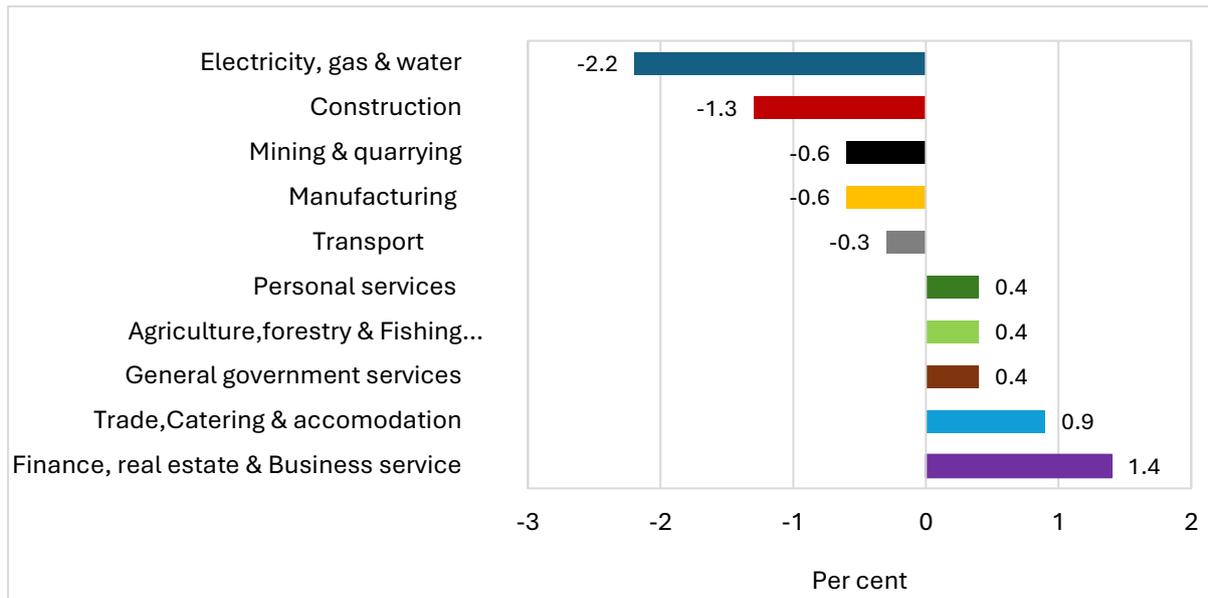


Source: Stats SA

On the production and supply side, economic activity in the fourth quarter was mainly driven by growth in the services sector, which remains the primary driver of South Africa’s economic expansion. The finance, real estate, and business services sector posted the strongest growth during the quarter, increasing by 1.4 per cent, largely due to higher activity in financial intermediation, insurance services, real estate, and other business services. The trade, catering, and accommodation sector also contributed positively, growing by 0.9 per cent, boosted by greater activity in wholesale trade, motor trade, retail trade, and accommodation services. Likewise, personal services grew by 0.4 per cent, mainly supported by increased activity in community services and other service-related industries. These results show how the services sector continues to act as a stabiliser for the economy during periods of weaker industrial performance.

The latest fourth quarter GDP figures also point to sustained weakness in the productive sectors of the economy. Despite positive contributions from services, several key productive sectors contracted during the quarter, limiting the overall pace of economic expansion. The manufacturing sector declined by 0.6 per cent, marking the largest negative contributor to GDP growth. The decline was largely driven by weak production in the motor vehicles and transport equipment industry, as well as declines in food and beverages and wood and paper products. The electricity, gas, and water sector contracted by 2.2 per cent, driven by lower electricity production and consumption during the quarter. Similarly, the construction sector declined by 1.3 per cent, with decreases recorded in both residential and non-residential building activity. The mining sector also recorded a contraction of 0.6 per cent, mainly due to reduced production of coal and platinum group metals. These declines show that South Africa continues to deindustrialise, with industries that usually create jobs and attract investment facing long-standing structural challenges that limit their ability to expand.

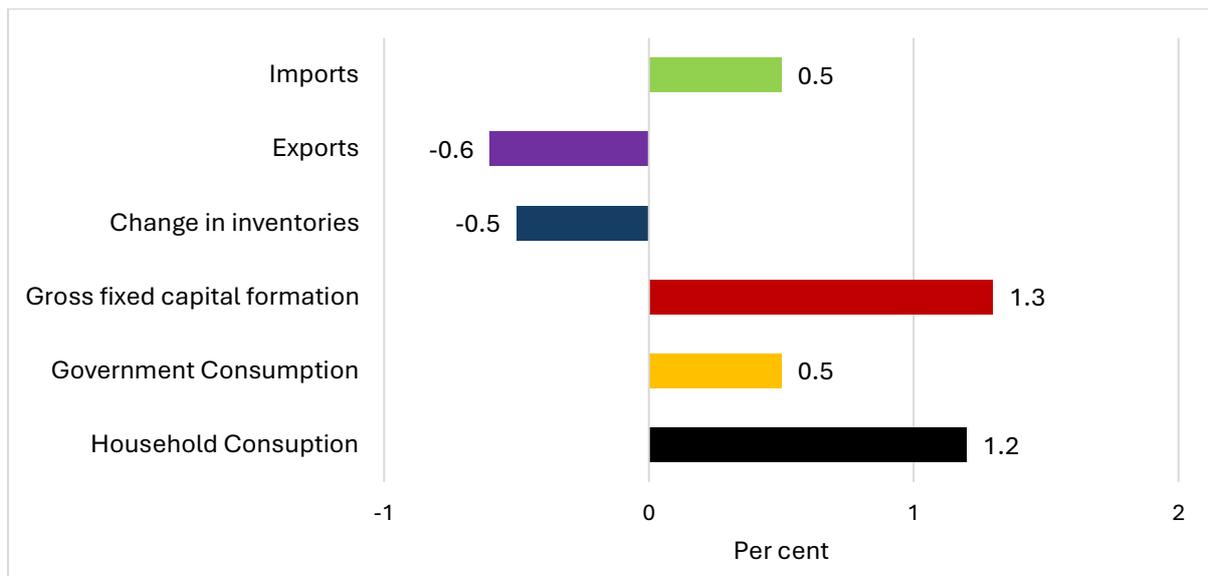
Figure 4: Quarterly economic performance by sector



Source: Stats SA

From an expenditure perspective, growth in the fourth quarter was mainly driven by household consumption. Household final consumption expenditure increased by 1.2 per cent, supported by higher spending across various categories, including transportation, clothing and footwear, recreation, communication, and dining out. Government final consumption expenditure rose by 0.5 per cent, primarily due to higher spending on public-sector wages and goods and services. Investment activities also experienced modest growth. Gross fixed capital formation grew by 1.3 per cent. In contrast, a decline in inventories and net exports slowed GDP growth during the fourth quarter.

Figure 5: Quarterly economic performance by expenditure components of GDP



Source: Stats SA

For young people, the latest GDP results carry several important implications. First, the slow pace of economic growth means that the economy isn't generating enough jobs to keep up with the large number of young people entering the labour market each year. With GDP growth staying near 1 per cent, job creation is likely to stay limited, especially in sectors that typically offer entry-level opportunities for young people.

Second, the type of economic growth also impacts youth employment. Recently, much of the growth has occurred in the services sector, particularly in finance and business services. These sectors are crucial for the economy, but they generally require higher education and specialised skills. This means that many young people without tertiary qualifications or advanced training may find it hard to access these opportunities. Meanwhile, sectors that traditionally create jobs for young people, such as manufacturing, construction, and parts of the trade sector, have not grown enough to absorb new entrants to the labour market.

Third, ongoing weakness in the investment and industrial sectors raises concerns about the economy's capacity to create more jobs in the coming years. Without stronger growth in areas such as manufacturing, infrastructure development, and industrial production, employment opportunities for young people are likely to stay limited.

From a youth development perspective, this highlights the importance of linking economic growth strategies more closely with youth employment goals. Investment in infrastructure, industrial development, and emerging sectors such as the digital economy and renewable energy could help create more opportunities for young people. At the same time, strengthening programmes that support entrepreneurship, skills development, and work experience, including through public employment programmes, can help ensure that young people are better prepared to take advantage of new opportunities as they arise.

Overall, while the small rise in GDP growth in 2025 might signal an economic recovery, stronger and more inclusive growth will be needed to enhance employment prospects for young South Africans. Improving the connection between economic policy, industrial development, and youth employment remains essential in tackling South Africa's persistent youth unemployment problem.

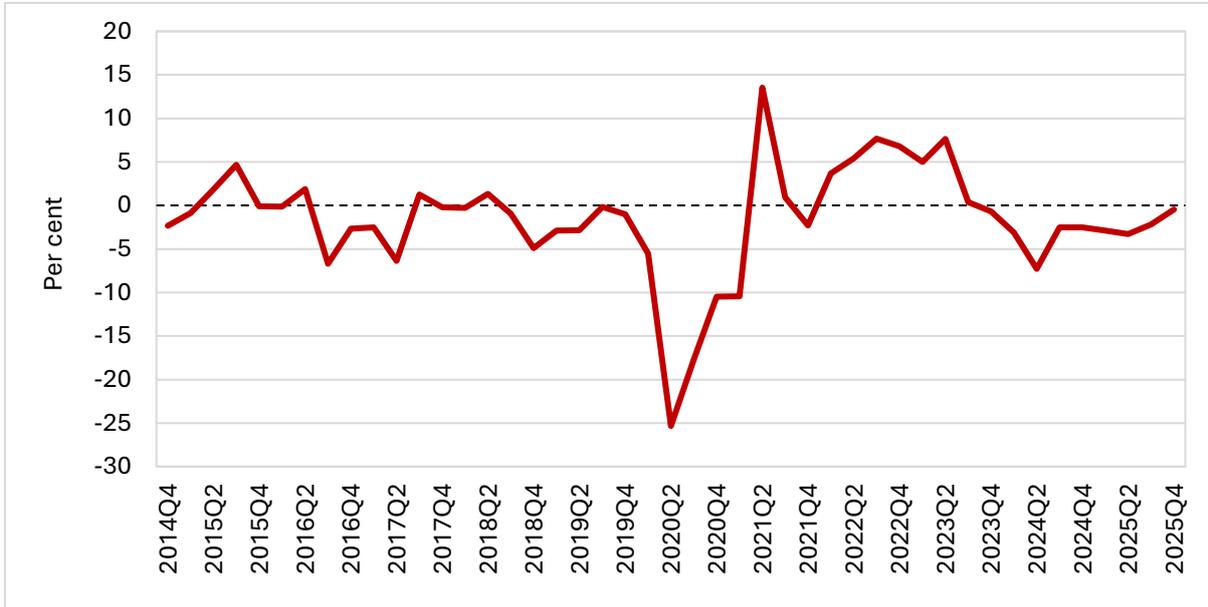
3. Investment trends in the domestic economy

Investment activity in South Africa continues to be weak. This is partly caused by cyclical downturns in the economy, but also due to deeper structural issues that have hindered the growth of productive industries over time. Gross fixed capital formation, which tracks spending on infrastructure, machinery, buildings, and other assets that produce goods and services, is a crucial factor for long-term economic growth because it influences the economy's capacity to increase output, modernise industries, and generate jobs.

Recent trends indicate that investment in the domestic economy remains uneven and fragile. After the sharp decline during the COVID-19 pandemic, investment only partially recovered and has since remained volatile.

Several quarters in recent years have seen negative investment growth, indicating that firms remain cautious about expanding productive capacity amid weak demand, infrastructure bottlenecks, and ongoing uncertainty.

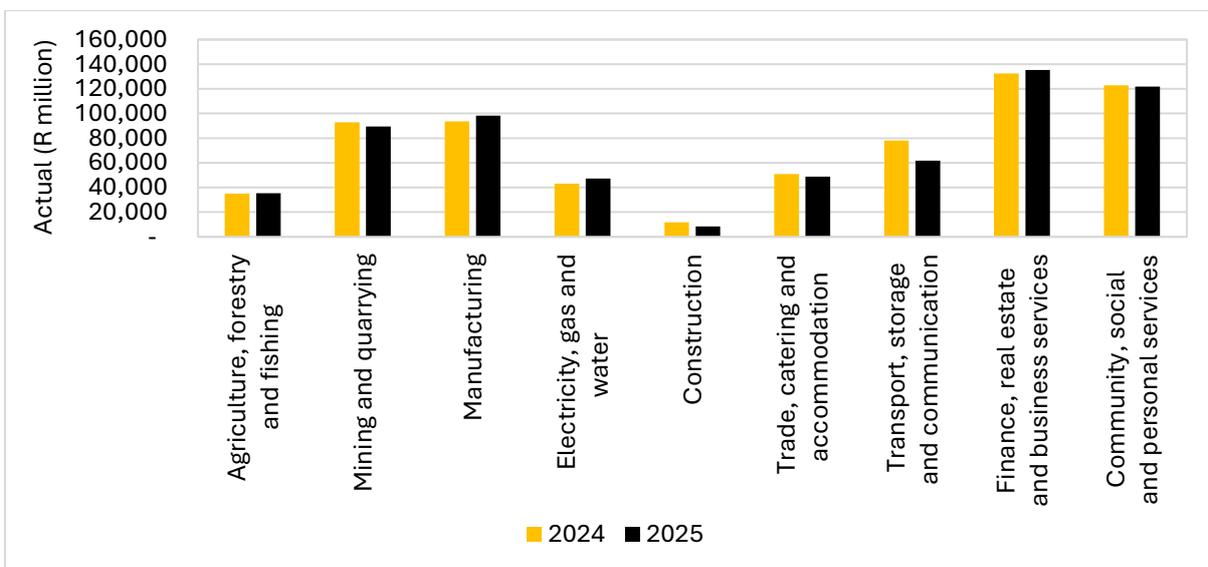
Figure 6: Quarterly gross fixed capital formation growth rate



Source: Stats SA

From a broader macroeconomic perspective, weak investment is not just about business confidence. It also relates to demand in the economy. When demand from households and businesses is low and economic growth is slow, companies have little reason to expand production. As a result, investment remains weak, further slowing economic growth. This can create a cycle in which low growth leads to weak demand, and weak demand results in fewer jobs being created.

Figure 7: Gross fixed capital formation by sector (real, annualised)



Source: Stats SA

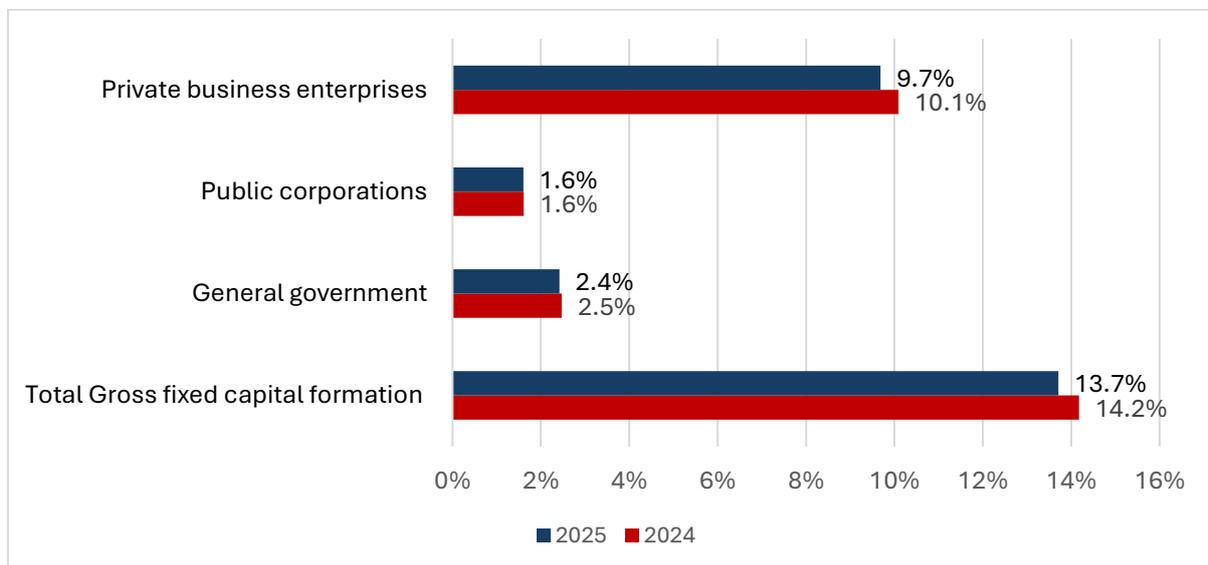
Investment across sectors highlights the changing structure of the South African economy. Recently, a large share of investment has gone into the finance, real estate, and business services sector, followed closely by the community, social, and personal services sectors.

While growth in service sectors supports economic activity, these sectors often create fewer jobs relative to their output. In contrast, sectors such as construction, manufacturing, and infrastructure have traditionally played a larger role in driving labour-intensive growth and expanding employment opportunities.

Recent investment patterns indicate that sectors typically responsible for generating many jobs have not attracted significant investment. Specifically, investment in construction remains weak, despite the country's substantial infrastructure needs. This raises concerns about the slow progress of infrastructure development and the economy's capacity to support stronger, more sustained growth.

Another notable feature of South Africa's investment landscape is the dominant role of private-sector investment. Private businesses account for the largest share of gross fixed capital formation, while government and public corporations contribute smaller shares. From a developmental perspective, this setup raises important questions about the government's role in supporting long-term investment. In many successful developing economies, public investment has played a crucial role in expanding infrastructure, boosting industrial capacity, and encouraging private-sector investment. When public investment remains limited, infrastructure gaps can persist and hinder the broader economy's growth potential.

Figure 8: Gross fixed capital formation by type of organisation (as a percentage of GDP)

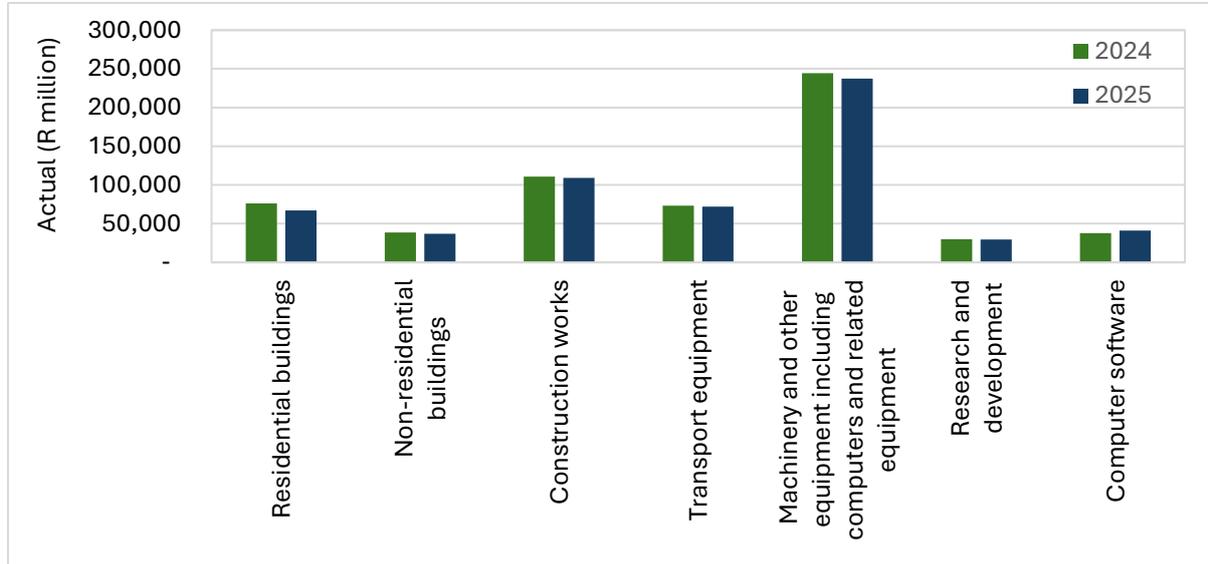


Source: Stats SA

Investment by asset type also indicates how the economy's structure is evolving. Machinery and equipment account for the largest share of investment, indicating that many firms are investing in tools and technology to support their operations. Investment in construction projects and residential buildings is also a significant part of total investment. However, investment in residential buildings has decreased in recent years, suggesting that property development has

slowed partly due to weaker household demand and tighter financing conditions. At the same time, investment in software and digital technologies has grown, demonstrating that the economy is gradually shifting toward greater use of digital tools and technology.

Figure 9: Gross fixed capital formation by type of asset (real, annualised)



Source: Stats SA

The current investment pattern has significant effects on youth employment and economic involvement. Investment is key to increasing productive capacity and creating jobs. When investment stays weak or is limited to a few sectors, the economy's ability to generate new employment is reduced.

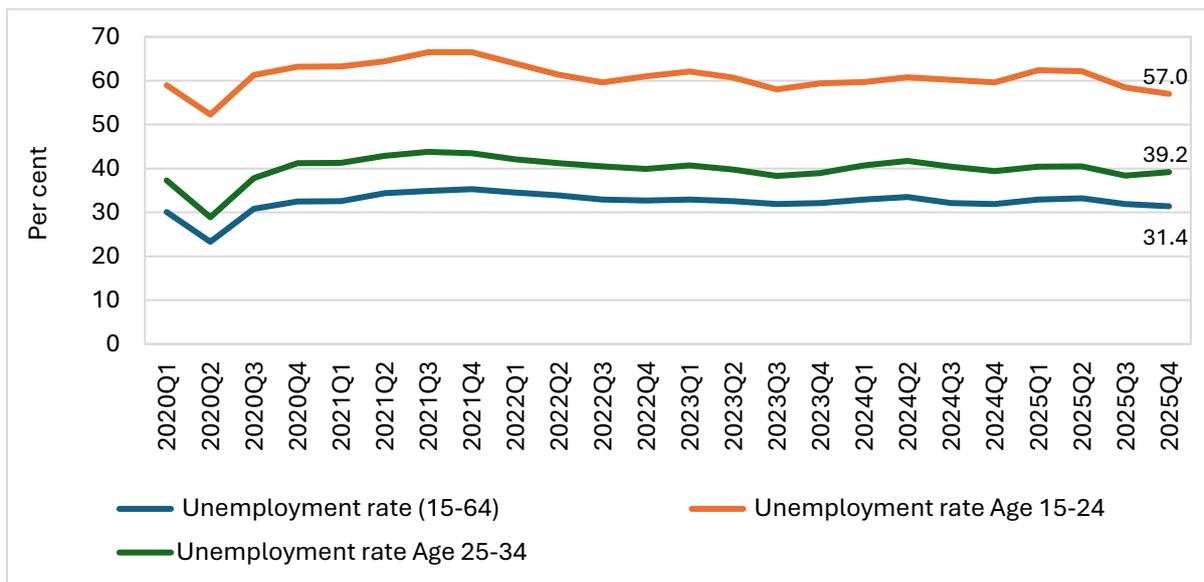
For young people entering the labour market each year, this situation poses a significant challenge. Many sectors that have traditionally offered entry points into employment, such as construction, manufacturing, and infrastructure-related industries, have seen relatively weak investment growth in recent years. Without increased investment in these sectors, the economy will struggle to absorb the growing number of young labour market entrants. Simultaneously, the gradual shift toward services and technology-driven sectors highlights the evolving nature of economic opportunities. While these sectors can drive economic growth, they often demand higher levels of education and specialised skills. This creates an additional barrier for many young people who may not yet have access to the training necessary to participate in these emerging areas of economic activity. Tackling these challenges requires a more coordinated approach to economic development. Enhancing infrastructure investment, supporting industrial growth, and promoting labour-intensive sectors can play a key role in stimulating broader economic activity and increasing employment opportunities.

For the NYDA, these trends emphasise the need to support youth entrepreneurship, improve access to finance for youth-owned businesses, and align skills development programmes with both current and emerging sectors of the economy. In the end, increased and sustained investment will be crucial for expanding productive capacity, enabling structural transformation, and creating meaningful economic opportunities for young South Africans.

4. Youth labour market conditions

South Africa’s youth labour market for people aged 15 to 34 continues to face significant structural challenges, despite a slight decline in the headline unemployment rate. In the fourth quarter of 2025, the overall unemployment rate dropped to 31.4 per cent, while the labour force participation rate fell to 59.3 per cent, and the employment rate decreased to 40.6 per cent. However, unemployment among young people aged 15 to 34 increased by 0.1 percentage points to 43.8 per cent, remaining even higher among those aged 15 to 24. This shows that more than four out of every ten young South Africans actively seeking work are unable to find employment.

Figure 10: Official and youth unemployment rates



Source: Stats SA

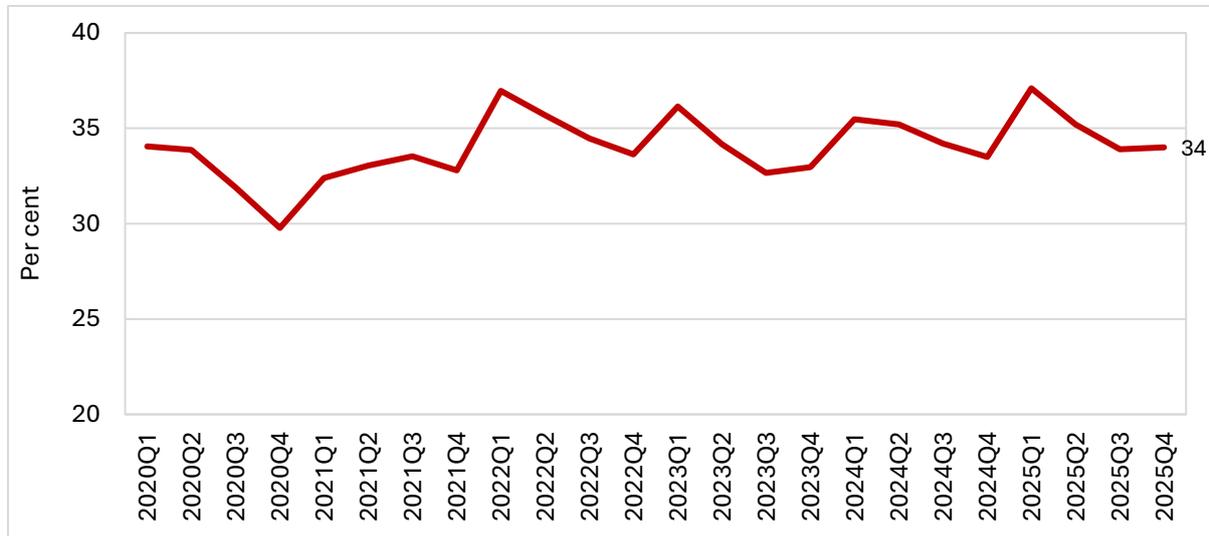
The modest decline in unemployment should be viewed with caution. It coincided with a decrease in the labour force, suggesting that some of the apparent improvement may reflect people leaving the labour market rather than genuine job growth. Total employment rose by only 44 000 compared to the previous quarter and by just 21 000 year-on-year. In an economy with a rapidly growing working-age population, this level of job creation is insufficient to accommodate new entrants, many of whom are young.

Discouragement remains a major concern. The potential labour force rose to 4.6 million and discouraged work seekers increased sharply by 233 000 in a single quarter and by 249 000 over the year. A large share of this discouragement is concentrated among young people who have been searching for extended periods without success. When we look beyond the official unemployment rate and include people who have given up looking for work or cannot start work immediately, about 42.1 per cent of the labour force is either unemployed or struggling to find stable work. This reflects deep and persistent exclusion rather than temporary weakness.

South Africa's labour market remains marked by notable gender and racial disparities. In the fourth quarter of 2025, the unemployment rate for women was 34.6 per cent, compared to 28.8 per cent for men.

Additionally, the unemployment rate for the Black population was 35.3 per cent during the same period, which is considerably higher than the 8.1 per cent unemployment rate for the White population.

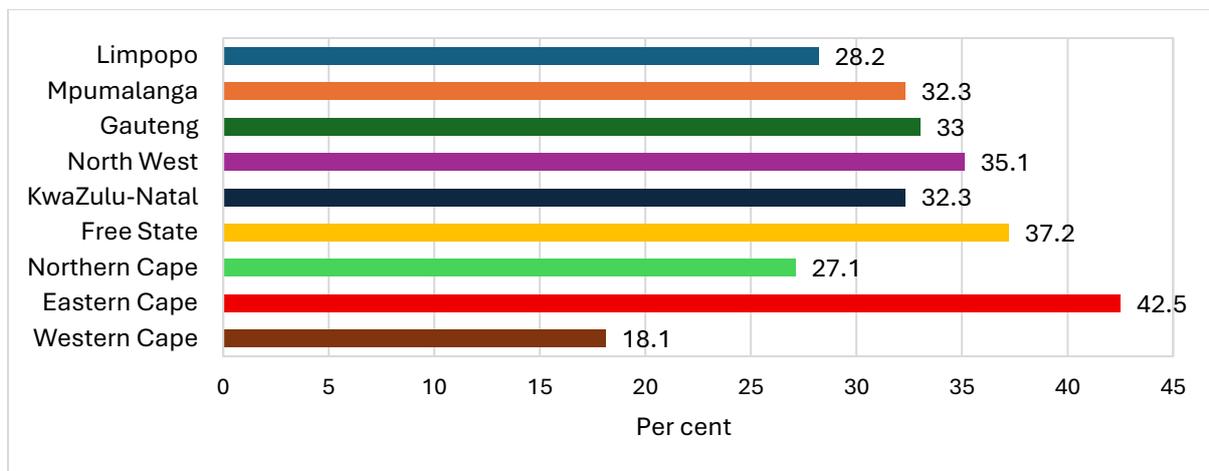
Figure 11: Not in Employment, Education or Training (NEET) Rate Among Youth (15-24 years)



Source: Stats SA

Beyond unemployment, many young people are disconnected from both work and learning. Among those aged 15 to 24, 34.0 per cent are not in employment, education, or training (NEET). In simple terms, that means about one in three young people is neither working nor studying. Although this figure focuses on the younger group, it indicates broader risks for everyone aged 15 to 34. When young people spend long periods without work or education, it becomes more difficult for them to develop skills, earn a stable income, and improve their economic situation later in life. Young women face even greater challenges, especially in poorer and more rural regions, where opportunities are more limited.

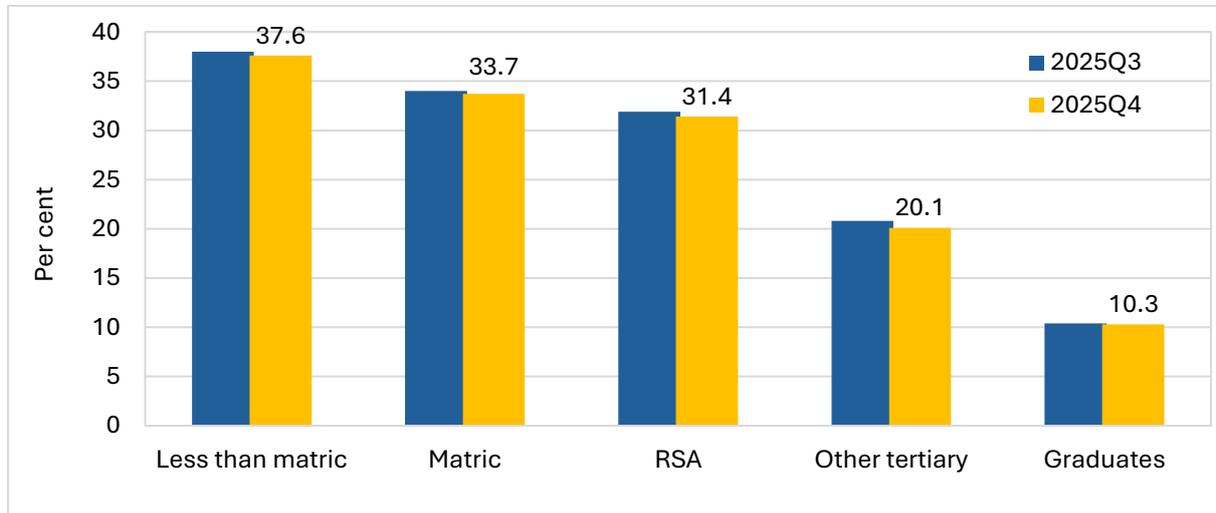
Figure 12: Unemployment rate by province



Source: Stats SA

Provincial disparities further compound these pressures. Unemployment rates remain above 35 per cent in provinces such as the Eastern Cape (42.5 per cent), North West (35.1 per cent), and the Free State (37.2 per cent). For young people living in these regions, access to formal employment opportunities is severely constrained.

Figure 13: Unemployment rate by education level



Source: Stats SA

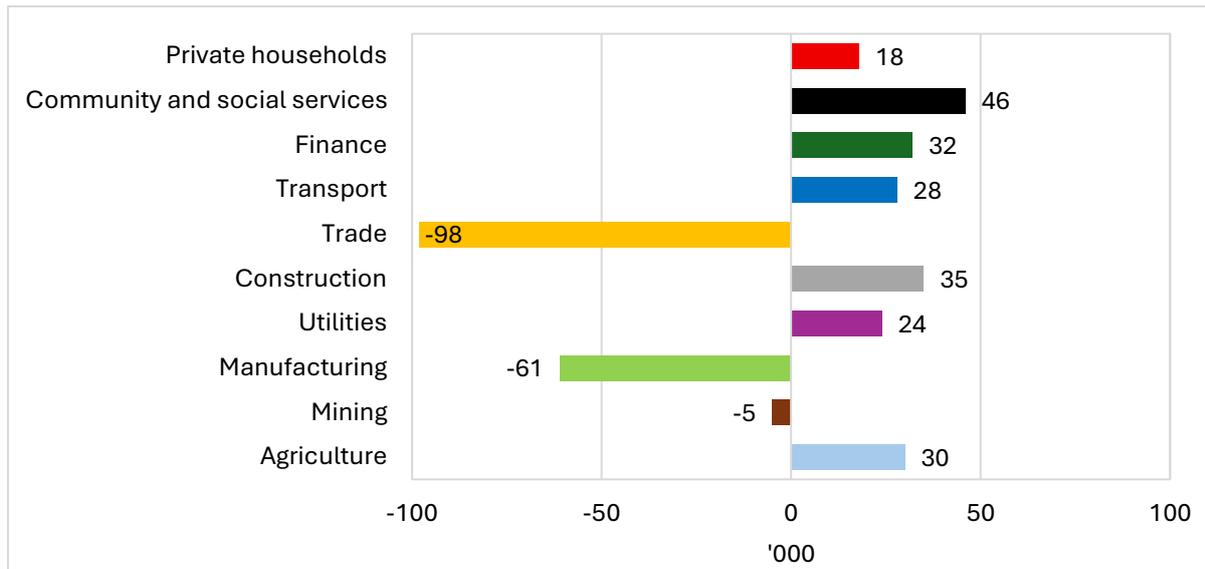
The latest unemployment data also shows that higher education, especially a degree, boosts the chances of finding a job. In the fourth quarter of 2025, people with less than a high school diploma faced an unemployment rate of 38.0 per cent, while graduates saw a small improvement, with their unemployment rate dropping by 1.8 percentage points from 12.2 per cent in the third quarter of 2025 to 10.4 per cent.

In conclusion, although headline indicators show slight improvement, the labour market for young people aged 15 to 34 remains marked by weak absorption, rising discouragement, and structural barriers to entry. Without stronger investment, labour-absorbing growth, and better alignment between education and labour demand, youth exclusion risks becoming even more entrenched.

5. Sectoral employment trends

Employment growth remains uneven across sectors. According to Stats SA, seven out of the ten industries surveyed reported job gains in the fourth quarter of 2025, mainly in the community and social services (+46 000), construction (+35 000), finance (+32 000), agriculture (+30 000), and transport (+28 000) sectors. Conversely, notable employment losses occurred in trade (-98 000), manufacturing (-61 000), and mining (-5 000) sectors. The decline in manufacturing remains especially concerning, given its historical role in absorbing semi-skilled young workers and supporting structural transformation. Although Stats SA rarely publishes detailed sectoral youth employment data, the structure of the South African economy indicates that a large share of young workers is employed in low-productivity service activities and informal businesses, where earnings can be unstable and social protection is limited.

Figure 14: Employment by sector



Source: Stats SA

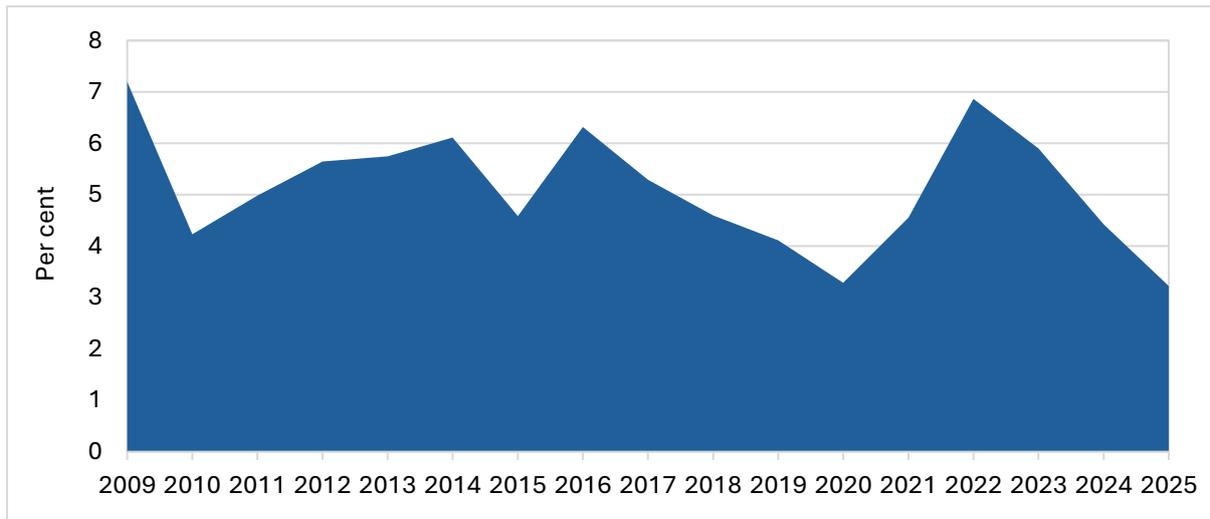
Informal sector employment declined sharply by 293 000 in the fourth quarter of 2025, while formal sector employment increased by 320 000. Although the increase in formal employment is a positive development, it should be interpreted with caution because the measurement of formal and informal employment changed following the adoption of new international statistical standards. Nonetheless, the sharp changes in informal-sector employment show that many young people remain vulnerable, as they are more likely to work in unstable, insecure jobs.

Occupational data indicates increasing segmentation. Over the past year, most job gains were in higher-skilled roles, such as technicians (+87 000) and professionals (+43 000). There were also increases in sales and service jobs (+130 000). Conversely, many jobs were lost in elementary work (-299 000 year-over-year), which includes basic and lower-skilled roles, as well as clerical and managerial positions. This suggests that job growth is primarily in higher-skilled areas, while many routine and lower-paying jobs are shrinking. Since young people often hold these entry-level positions, this trend makes it even harder for them to find stable employment.

6. Cost of living and youth household pressures

Throughout 2025, South Africa saw a significant decline in headline inflation, providing some macroeconomic relief but offering limited comfort for many young people. The average consumer price inflation for the year was around 3.2 per cent, the lowest annual rate in 21 years. Inflation stayed comfortably within the South African Reserve Bank's target range of 3 to 6 per cent, near the lower end at 3 per cent. The year started with inflation at 3.2 per cent in January, dipped slightly mid-year, and then gradually increased to 3.6 per cent in December 2025. This relatively stable inflation environment was supported by moderate domestic demand, a steady exchange rate, and easing food price pressures.

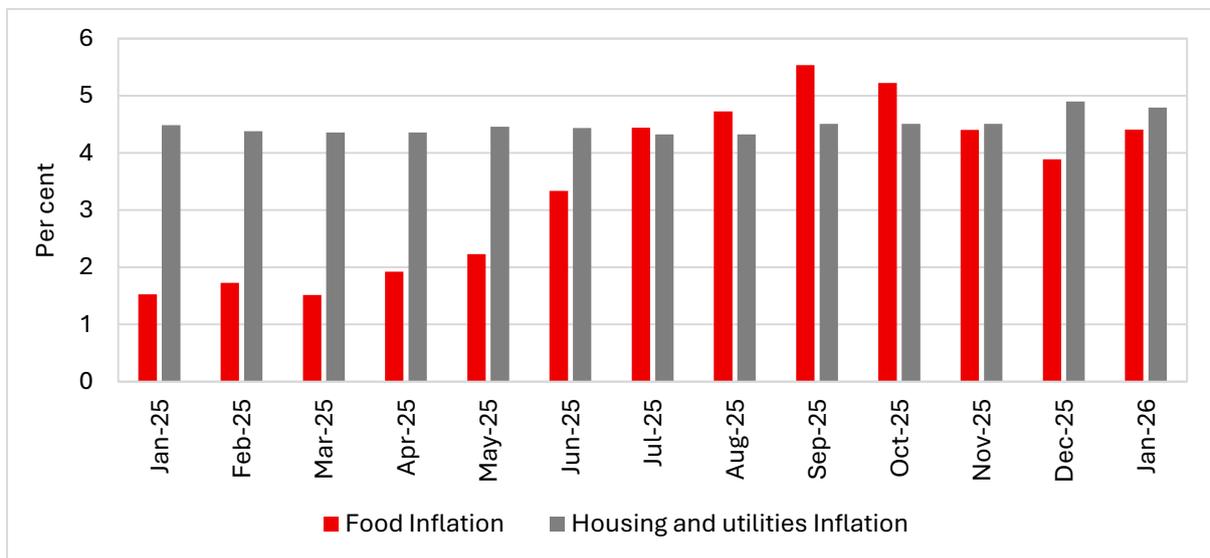
Figure 15: Headline consumer price inflation



Source: Stats SA

While the 2025 inflation result shows a significant improvement compared to the inflation spikes above 7 per cent seen in 2022, many young South Africans still face financial strain. Low inflation doesn't automatically mean things are affordable when income levels are low or absent. The main concern is not just the headline rate, but also which parts of the consumption basket continue to put pressure on low-income households.

Figure 16: Food, housing, and utilities inflation (year-on-year)

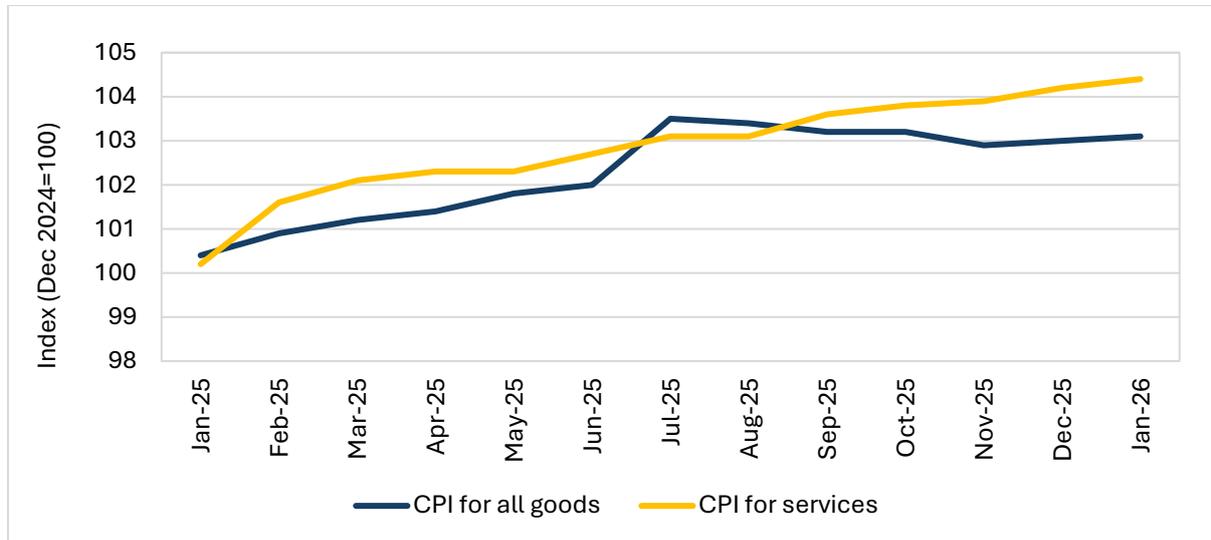


Source: Stats SA

Housing and utilities remained key contributors to price pressures in 2025. Electricity tariff hikes, municipal water rates, and rental costs continued to increase, often surpassing overall inflation. While food inflation slowed compared with previous years, food and non-alcoholic beverages still increased, directly affecting household welfare. For low-income youth, even small rises in staple goods like maize meal, bread, cooking oil, and chicken erode already tight budgets.

Many young people allocate a large share of their limited income to food, electricity, and transport, leaving very little room for savings or unexpected expenses.

Figure 17: Goods versus services inflation



Source: Stats SA

There also remains a divergence between goods and services inflation. Goods inflation has generally been contained due to stable supply conditions and exchange rate stability. Services inflation has proven more persistent. Services include education, healthcare, public transport, and telecommunications, all of which are vital for youth mobility and future opportunities. Education-related costs such as tuition, registration, and textbooks often increase faster than overall inflation, adding extra burdens on students and graduates. Even when prices of certain consumer goods remain stable, unemployed youth often cannot benefit significantly from that stability because income constraints stay tight.

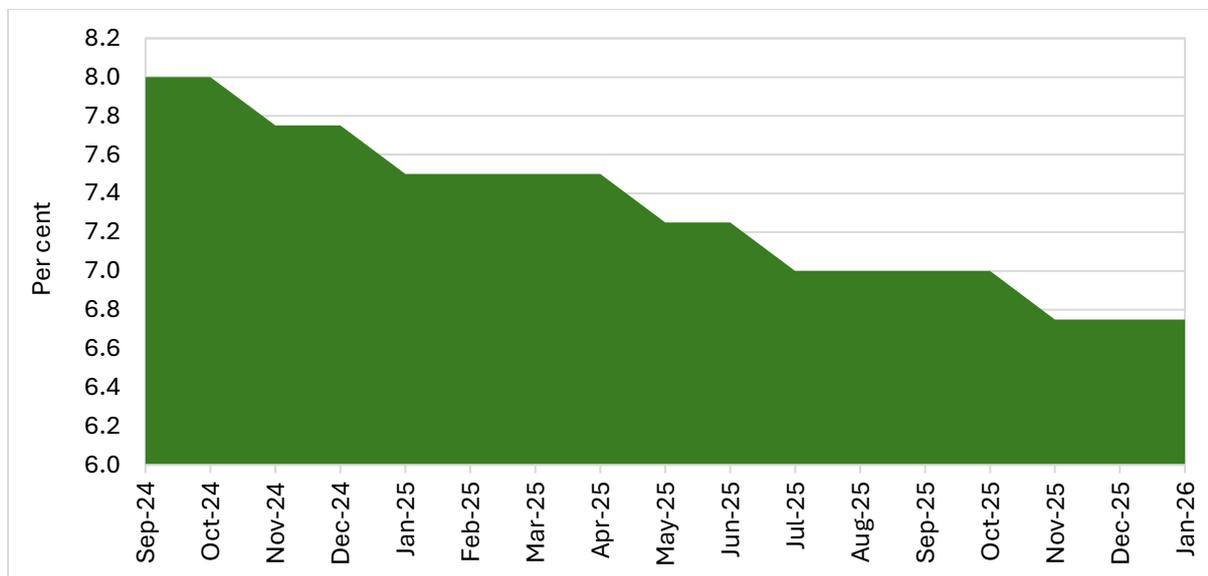
Regional differences further intensify these pressures. Poorer provinces with large rural youth populations often experience slightly higher effective inflation. In these areas, households spend most of their income on a limited basket of essentials. When food, transportation, and utility costs rise, there are few options for adjustment. Young people might skip meals, delay bill payments, restrict job-search travel, or rely more on extended family support to manage.

These cost-of-living pressures must be viewed within the context of persistently high youth unemployment. A significant portion of young people still lack a stable income. Many rely on family transfers, informal work, or indirect access to social grants. For unemployed youth living at home, rising food and electricity prices strain already tight household budgets, often causing financial stress within families. For those who are employed, earnings are often low. Many young workers are in entry-level or informal jobs paying around the national minimum wage of roughly R28.79 per hour in 2025, which equals about R4,600 per month for full-time work. In a weak labour market, wage growth has been limited. Even with an average inflation rate of 3.2 per cent, real purchasing power remains limited because baseline income levels are insufficient compared to the cost of necessities.

Transport, housing, and food remain main pressure points. Public transportation is essential for accessing jobs and education. Although fuel prices have been relatively stable compared to previous global shocks, transport fares tend to increase gradually over time. Rural and township youth often face especially high transportation costs due to the long distances from economic centres. Housing costs continue to consume a large portion of young people's income in urban areas. Those who cannot access formal rental markets often live in overcrowded conditions or informal settlements.

Meanwhile, debt conditions offer only limited relief. Modest interest rate reductions by the South African Reserve Bank (SARB) in 2025 slightly reduced the repayment burden for some formal borrowers. However, many young people remain excluded from formal credit markets or rely on informal lenders with extremely high interest rates. For those carrying retail debt, vehicle finance, or student loans, the benefits of rate cuts are modest relative to overall financial stress.

Figure 18: Repurchase (repo) rate set by the SARB



Source: SARB

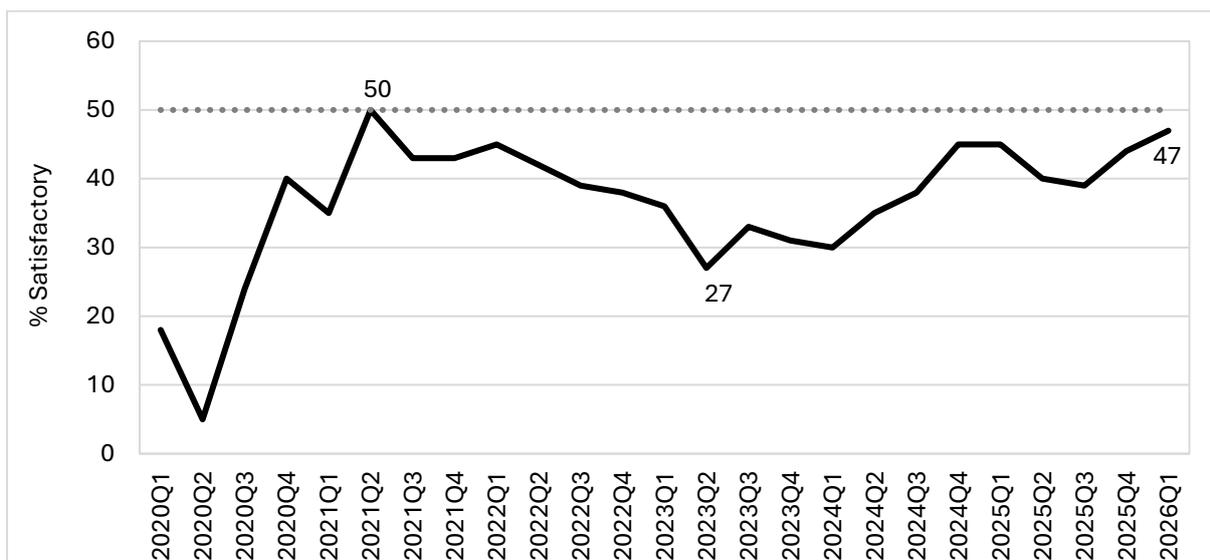
Although inflation moderation in 2025 was a positive macroeconomic development, the lived reality for South African youth remains one of financial fragility. The absolute cost of essentials relative to youth incomes remains high, and any economic shock can easily destabilise precarious household budgets. Sustaining low inflation is important, but improving youth incomes through employment creation, stronger social protection, and targeted cost-of-living interventions remains essential for securing a more dignified and stable future for young people.

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

The RMB/BER Business Confidence Index¹ increased to 47 in the first quarter of 2026, up from 44 in the fourth quarter of 2025, marking the highest level since the second quarter of 2021. The increase indicates that business sentiment in South Africa continued to improve at the start of the year. However, the improvement in the composite index was not broad-based. Confidence among manufacturers and retailers declined after encouraging gains in the previous quarter. In contrast, strong increases among new vehicle dealers, wholesalers, and building contractors more than offset these declines, leaving the overall index higher both quarter on quarter and compared to the same period a year ago.

Despite the improvement, the index remains below the neutral level of 50, meaning that most businesses are still not fully satisfied with prevailing conditions. Firms also remain cautious due to external risks, particularly geopolitical tensions in the Middle East, which could disrupt global supply chains and increase energy prices. According to the survey, businesses also flagged the water crisis in Gauteng, flooding in parts of Limpopo and Mpumalanga, and foot-and-mouth disease as contributing to unfavourable business conditions.

Figure 19: RMB/BER Business Confidence Index (BCI)



Source: RMB/BER

For young people, developments in business confidence are particularly important because they influence investment decisions, production activity, and hiring. When confidence improves, businesses are generally more willing to expand operations and recruit workers. The rise in confidence in sectors such as wholesale trade, construction, and vehicle sales could therefore support job creation, particularly in entry-level roles where many young people typically find employment. However, the uneven nature of the recovery and the index remaining below the

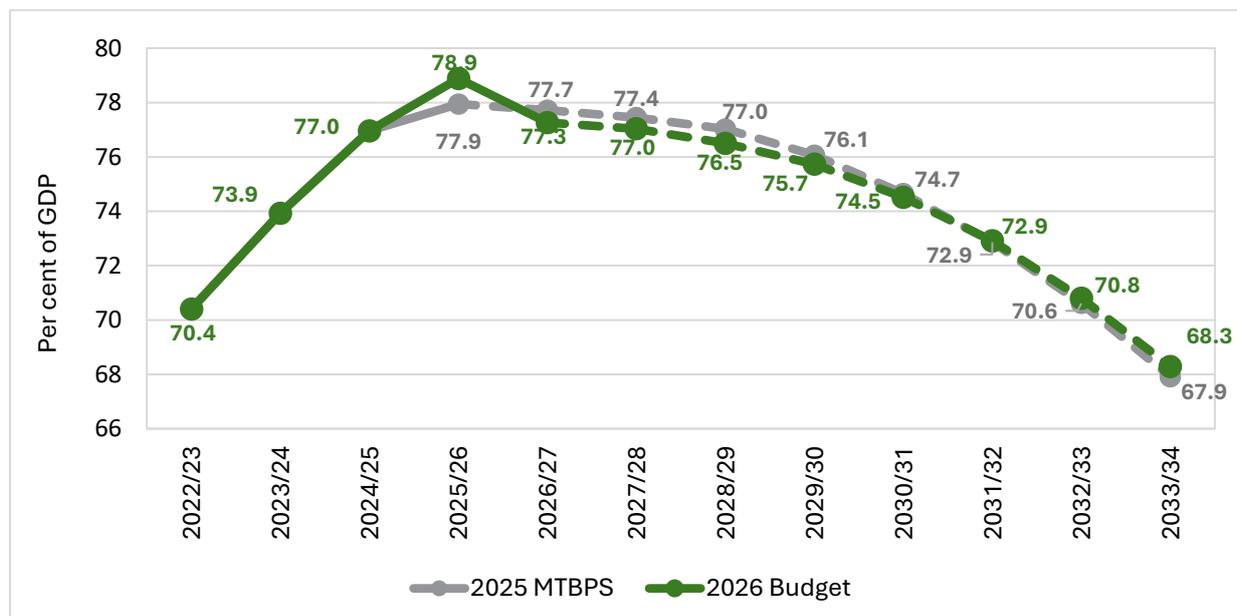
¹ The RMB/BER Business Confidence Index measures the level of confidence among South African businesses by surveying firms in key sectors such as manufacturing, retail, wholesale, and building, indicating whether business conditions are perceived as satisfactory or unsatisfactory.

neutral level suggest that firms may still be cautious about expanding their workforce. Sustained improvements in business confidence, alongside stronger economic growth, will therefore be important for translating improved sentiment into meaningful employment opportunities for young people entering the labour market.

8. 2026 Budget implications for youth employment and small businesses

The 2026 national budget has several implications for youth employment and youth-owned enterprises, reflecting both supportive measures and constraints within the broader fiscal framework. According to the National Treasury, the budget maintains a cautious fiscal stance by narrowing the deficit while still protecting key development spending. Economic growth is projected to reach 1.6 per cent in 2026, rising gradually to about 2 per cent by 2028, a level that remains below the threshold required to reduce unemployment. In this environment, the budget places emphasis on structural reforms, infrastructure investment, and macroeconomic stability as mechanisms to stimulate private investment and job creation. While the budget stipulates that these reforms may improve the investment climate over time, the relatively modest growth outlook suggests that employment gains, particularly for young people entering the labour market, may remain gradual in the short term.

Figure 20: Gross debt-to-GDP outlook



Source: National Treasury

From a labour market perspective, the budget continues to support targeted programmes improving youth employment outcomes. Initiatives such as the Employment Tax Incentive remain important policy tools designed to lower the cost of hiring young workers and encourage firms to hire labour market entrants. However, the evidence on its effectiveness remains mixed. While some studies suggest that the incentive has supported modest increases in youth hiring in certain

sectors², other analyses indicate that a portion of the subsidy may benefit firms for workers who would have been hired regardless³. This suggests that while the incentive may reduce hiring risks at the margin, its ability to generate large-scale employment gains depends heavily on broader economic growth and labour demand. The budget also continues to support the Presidential Youth Employment Initiative, which has been an important platform for expanding work opportunities, skills development, and labour market entry points for young people. However, fiscal consolidation has also led to reductions in some labour-absorbing programmes. Allocations to initiatives such as the Basic Education Employment Initiative, which forms part of the broader youth employment stimulus, have been scaled down compared with earlier phases, implying fewer temporary placements for young people in schools.

The budget also introduces several measures supporting small businesses and entrepreneurship, which are critical channels for youth economic participation. The increase in the compulsory VAT registration threshold from R1 million to R2.3 million is expected to reduce compliance pressures for small and emerging enterprises, many of which are youth-owned and operate in cash-constrained environments. In addition, the increase in the capital gains tax exemption for the sale of a small business by older owners from R1.8 million to R2.7 million, together with the expansion of the qualifying business value threshold from R10 million to R15 million, may strengthen business continuity and create opportunities for intergenerational enterprise transfer. This could create space for younger entrepreneurs to acquire, sustain, and scale existing businesses rather than start entirely new ventures. The budget also recognises the role of public investment in supporting economic participation. The government has committed to over R1 trillion in public-sector infrastructure investment over the medium term, particularly in transport, logistics, energy, and water.

These investments create downstream opportunities for SMMEs to participate in supply chains, procurement pipelines, and local economic development initiatives. However, to maximise youth employment benefits, such infrastructure spending will need to be closely linked to a coherent industrial policy framework, including clear targets for youth employment and the deliberate inclusion of youth-owned enterprises in infrastructure-related value chains. In this regard, the budget's longer-term impact on youth enterprises will depend not only on direct funding but also on whether economic policy succeeds in strengthening domestic demand, supporting structural transformation, and creating an environment in which youth-owned businesses can grow sustainably.

9. Conclusion: Outlook and implications for the NYDA

The economic trends discussed in this Bulletin highlight the complex environment in which young South Africans are trying to enter the labour market and build sustainable livelihoods. Although

² Bhorat, H., Hill, R., Khan, S., Lilenstein, K. and Stanwix, B. (2020). *The Employment Tax Incentive Scheme in South Africa: An Impact Assessment*. Development Policy Research Unit Working Paper 202007. Cape Town: Development Policy Research Unit, University of Cape Town.

³ Ebrahim, A., Leibbrandt, M. and Ranchhod, V. (2017). The effects of the Employment Tax Incentive on South African employment. WIDER Working Paper 2017/5. Helsinki: United Nations University World Institute for Development Economics Research (UNU-WIDER).

the economy grew modestly by 1.1 per cent in 2025 and inflation pressures have eased compared to previous years, the overall pace of economic growth remains too slow to create enough jobs to absorb the large number of young people entering the labour market each year. Structural constraints in key productive sectors, weak investment activity, and uneven sectoral employment growth continue to limit the economy's ability to generate labour-absorbing opportunities.

The labour market data presented in this Bulletin confirms that youth exclusion from economic activity remains one of South Africa's most pressing development challenges. Despite marginal improvements in headline indicators, unemployment among young people remains extremely high, and many youth remain outside both employment and education. Rising discouragement and persistent regional disparities further illustrate the depth of the problem. These dynamics suggest that youth unemployment is not simply a short-term cyclical issue but rather reflects deeper structural weaknesses in the economy's growth model and its ability to generate inclusive employment opportunities.

At the same time, broader economic pressures continue to affect the daily realities of young people. While headline inflation has declined significantly, the cost of essential goods and services relative to youth incomes remains high. Housing, transport, and food costs continue to strain households, particularly young people with unstable employment or low earnings. For many young people, the challenge is therefore not only unemployment, but also the affordability of basic living costs in a context of limited income opportunities.

Looking ahead, improving youth economic outcomes will require a more coordinated approach that links macroeconomic policy, industrial development, and youth-focused interventions. Stronger investment in infrastructure, manufacturing, and other labour-absorbing sectors will be essential to expand productive capacity and create employment opportunities. At the same time, emerging sectors such as the digital economy, green energy, and new service industries present opportunities that can be leveraged through targeted skills development and entrepreneurial support.

For the NYDA, these trends reinforce the importance of strengthening programmes that support youth entrepreneurship, skills development, and work experience. Expanding partnerships with government, the private sector, and development finance institutions will also be critical in mobilising resources and creating pathways for youth participation in growing sectors of the economy.

Ultimately, addressing South Africa's youth unemployment challenge will require sustained economic transformation that prioritises inclusive growth and productive investment. While short-term programmes can provide important support and entry points into the labour market, long-term progress will depend on building an economy that can generate broad-based opportunities for young people to participate meaningfully.

Box 1: Repositioning the National Youth Service as a State Capacity Programme

Historically, the National Youth Service (NYS) has been framed primarily as a youth development and volunteerism initiative that provides short-term work exposure and civic participation opportunities for young people. While this role remains important in a country with persistently high youth unemployment, there is increasing recognition that the programme could play a broader developmental role.

In this context, the National Youth Development Agency (NYDA) has begun exploring how the NYS could be repositioned to strengthen state capacity while expanding youth economic participation. South Africa's public sector continues to face institutional capacity constraints in several areas, particularly within municipalities and frontline service institutions. At the same time, many young people struggle to gain the work experience and skills required to enter the labour market.

Aligning these two challenges presents an opportunity to redesign youth service programmes so that they contribute not only to youth development, but also to strengthening public administration and improving service delivery.

The evolving role of youth service programmes

Youth service programmes globally have often been used as instruments for national development. In several countries, such programmes combine civic participation with skills development, exposure to public service, and pathways into formal employment. These programmes can serve as an entry point for young people into sectors such as education, health services, environmental management, and local government administration.

In the South African context, the NYS has historically supported activities such as community service projects, infrastructure maintenance, and social support initiatives. However, these interventions have often been implemented on a temporary, project-based basis, limiting their potential to contribute to long-term institutional strengthening in the public sector.

State capacity and youth employment

South Africa's developmental challenges increasingly highlight the importance of capable public institutions. State capacity depends heavily on the availability of skilled personnel who can implement policies, manage public resources, and deliver services effectively. At the same time, youth unemployment remains one of the country's most pressing socio-economic challenges.

Repositioning the NYS as a structured apprenticeship pathway into public service could provide a mechanism to address both challenges simultaneously. Under such an approach, NYS participants could be placed within municipalities, schools, clinics, and other public institutions to support administrative functions, digital data management, service delivery monitoring, and community engagement activities. This would allow participants to acquire practical public-sector skills while contributing to improved service delivery.

Policy considerations

For such a repositioning to be effective, several policy considerations would need to be addressed. These include strengthening training frameworks, ensuring proper supervision and mentorship within host institutions, and linking participation in the programme to recognised qualifications or future employment pathways.

In this regard, institutions such as the NYDA could play an important coordinating role in aligning youth service programmes with broader youth employment and skills development strategies. Reframing the NYS in this way would shift the programme from a primarily short-term intervention to a strategic instrument for youth inclusion and institutional renewal within the South African state.

Box 2: The Role of Public Employment Programmes in Supporting Sustainable Livelihoods

By Dr Kate Philip - Presidential Employment Stimulus in South Africa

Public employment programmes (PEPs) are often understood as temporary job opportunities designed to bridge the gap between unemployment and formal employment. However, in contexts of persistent labour market exclusion, such as South Africa, this framing is increasingly insufficient. With fewer than 10% of unemployed work-seekers finding jobs each year, many participants do not transition from temporary work into formal employment simply because sufficient jobs do not exist. In this context, PEPs must be understood not only as a bridge to employment, but as a broader platform that supports livelihoods and economic participation.

Self-employment is frequently presented as an alternative pathway. Yet for many people living in poverty, entrepreneurship is risky and difficult to pursue without support systems. The absence of basic infrastructure, such as access to tools, networks, markets, finance and mentorship, makes it extremely difficult for individuals to initiate and sustain economic activity. Evidence increasingly suggests that well-designed PEPs can provide this missing scaffolding.

Programmes such as the Social Employment Fund (SEF) and National Youth Service illustrate this potential. Their model of part-time work, typically two days per week, intentionally creates space for participants to pursue complementary livelihood activities. The stable, predictable income provided by the programme offers participants a foundation from which to explore additional economic opportunities.

Evidence from the SEF demonstrates the potential impact of this approach. In the last financial year, more than 12,000 of the programme's 50,000 participants were engaged in **complementary livelihood activities**. In addition, 5,835 new **micro-enterprises** were established and more than 6,000 existing enterprises received support. These outcomes were enabled by implementing partners who actively connected programme worksites to enterprise development opportunities, including linking participants to local supply chains, procurement opportunities, tools, finance, mentorship and markets.

Work experience itself is also a critical component of this pathway. Beyond technical skills, PEP participation builds essential capabilities such as time management, teamwork, task management and accountability. These competencies are vital both for entering formal employment and for sustaining entrepreneurial activity. Through their work in schools, clinics, municipal services, community projects and environmental initiatives, participants also gain exposure to networks, local systems and opportunities that would otherwise remain inaccessible.

The social value created through PEPs further strengthens their developmental impact.

Work undertaken in areas such as care services, education support, environmental restoration and community safety contributes to building social and economic infrastructure within communities. These investments strengthen local systems while also enabling new forms of economic activity.

When participants receive even modest but predictable incomes, spending circulates within local economies, stimulating demand and creating opportunities for small-scale enterprise. In this way, PEPs contribute not only to individual livelihoods but also to broader local economic development.

South Africa does not lack people willing to work, innovate and contribute. What is missing are the systems that enable participation in economic life. In contexts of structural unemployment, PEPs can play a critical role in providing this missing social and economic infrastructure. When designed deliberately to support livelihood pathways, they offer a powerful instrument for enabling sustainable livelihoods at scale.