NATIONAL YOUTH DEVELOPMENT AGENCY
OUR YOUTH. OUR FUTURE.

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Quarterly Youth Economic Bulletin

September 2026

Contents

Preface by the Chief Executive Officer 3

1. Developments in the global economy........ 4
2. Domestic economy performance........ 7
3. Investment trends in the domestic economy 10
4. Youth labour market conditions........ 12
5. Sectoral employment trends 16

Box 1: Demand for NYDA Services Continues to Exceed Available Resources........19

6. Cost of living and youth household pressures 20
7. Business confidence trends and implications for employment and youth opportunities........ 25
8. Conclusion: Outlook and implications for the NYDA........ 28

Box 2: Unlocking the Potential of South Africa's Township and Rural Economies 29

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NYDA CEO

PREFACE

This September 2026 edition of the Quarterly Youth Economic Bulletin is published at a difficult point for South Africa's young people. The economy contracted by 0.2 per cent in the second quarter of 2026 after six consecutive quarters of positive growth. At the same time, the official unemployment rate increased to 33.6 per cent, while unemployment among young people aged 15 to 34 rose to 47.4 per cent. Almost one in every two young people participating in the labour market is therefore unable to find work.

These figures underline the structural nature of South Africa's youth unemployment crisis. Weak economic growth, declining investment, subdued business confidence and uneven employment creation continue to limit opportunities for young people. Gross fixed capital formation declined for a second consecutive quarter, while total fixed investment remained at approximately 13.6 per cent of GDP. Such levels remain insufficient for an economy facing major infrastructure, industrialisation and employment needs.

The challenge extends beyond unemployment. More than one in three young people aged 15 to 24 were not in employment, education or training during the second quarter. Young people also continue to face rising living costs, particularly for transport, housing and utilities. Although headline inflation moderated to 4.3 per cent in July, many young households have limited incomes and few financial buffers to absorb higher essential expenses.

The scale of demand for NYDA services reflects these wider economic pressures. Between 2023/24 and 2026/27, the Agency recorded more than 518,000 client interactions. More than 78,000 young people expressed interest in grant funding, yet fewer than 9,500 grant disbursements were recorded over the period. In 2025/26 alone, more than 63,000 young people expressed interest in employment opportunities, compared with 25,500 successful placements. These numbers point to strong demand among young people for economic participation and to the need for greater investment in youth development.

This edition also highlights the economic conditions facing young entrepreneurs in townships and rural communities. Recent Competition Commission research shows that smaller businesses continue to face weak bargaining power, higher input costs, limited access to formal retail and digital markets, and regulatory barriers linked to permits, licences, zoning and municipal by-laws. For the NYDA, this reinforces an important principle. Enterprise support must extend beyond financing individual businesses. Young entrepreneurs also need access to markets, procurement opportunities, infrastructure, business development support, and an environment in which enterprises can grow.

There are areas of opportunity. Employment increased in trade and construction during the second quarter, informal-sector employment also expanded, and global investment in artificial intelligence and digital technologies is creating new forms of economic activity. South Africa needs to position young people closer to these areas of growth through relevant skills, stronger links between training and labour demand, enterprise development and greater participation in emerging value chains.

For the NYDA, the evidence strengthens the urgency of our mandate. Youth unemployment requires a response equal to the scale of the challenge. This means expanding pathways into employment, strengthening support for youth-owned enterprises, improving access to finance and markets, investing in skills linked to areas of economic demand, and building stronger partnerships with government, business, state-owned enterprises and development partners. Evidence must continue to guide these choices so that limited resources reach young people where they have the greatest economic impact.

The Quarterly Youth Economic Bulletin remains an important part of this evidence base. Through regular analysis of economic growth, investment, employment, living costs and business conditions, the NYDA seeks to ensure that the realities facing young South Africans remain central to economic policy and national development planning.

1. Developments in the global economy

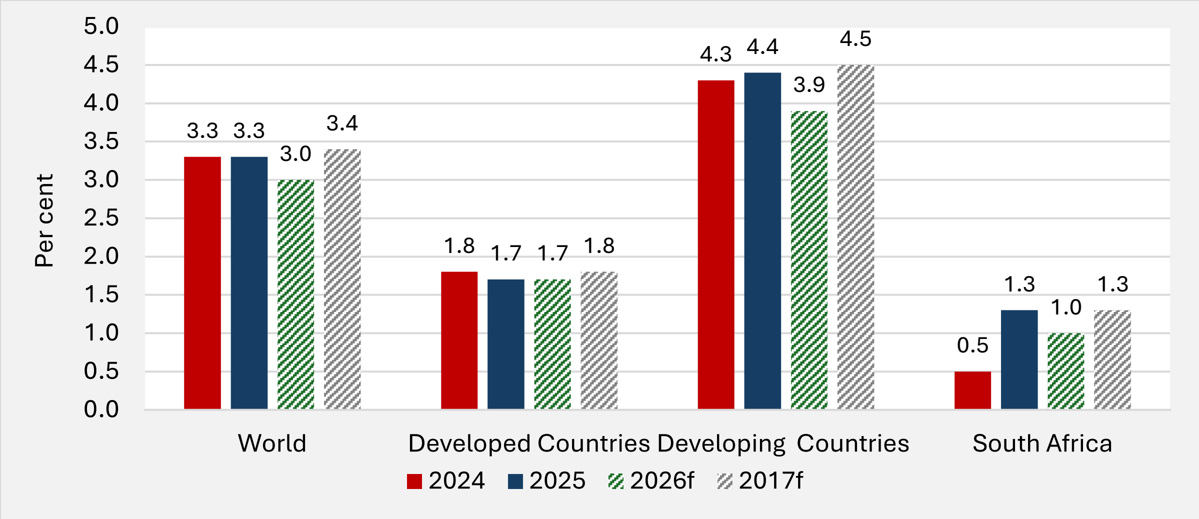
The global economy entered the second half of 2026 amid heightened uncertainty, with two contrasting forces shaping the economic outlook. War and technology are pulling the global economy in opposite directions. The ongoing conflict in the Middle East is further pressuring the global economy, creating a negative supply shock through higher energy prices, trade and supply-chain disruptions, and heightened economic uncertainty. These pressures are increasing input costs and weakening economic confidence, with developing economies particularly vulnerable given their greater exposure to external shocks and limited fiscal space to absorb rising costs.

On the other hand, rapid advances in artificial intelligence (AI) and growing investment in technology have provided an important source of economic momentum, particularly for countries that are well positioned within global technology and AI-related value chains. The technology and AI investment cycle is providing an offsetting boost to economies integrated into global technology value chains. This divergence highlights an increasingly uneven global economic environment, where the benefits of technological progress are concentrated among economies with the skills, infrastructure and productive capacity to participate in emerging technology-driven industries. As a result, economic growth is becoming increasingly uneven across countries, reflecting differences in their exposure to energy market disruptions and their ability to participate in and benefit from the technology cycle.

According to the latest International Monetary Fund (IMF) World Economic Outlook update, global growth is now projected to slow to 3.0 per cent in 2026 and recover to 3.4 per cent in 2027. This masks sharply divergent outcomes across countries depending on their exposure to the conflict and their position in the global technology value chain. Global headline inflation is expected to increase to 4.7 per cent in 2026 before declining to 3.9 per cent in 2027. Slightly revised upward from April, these projections indicate that the disinflation trend in place since the beginning of 2024 has stalled, driven mainly by higher energy and food prices.

Commodity prices, inflation expectations, and global financial conditions have remained relatively contained, limiting the shock’s immediate impact on global economic activity. However, the IMF cautions that the shock's transmission is still in its early stages, with commercial and strategic destocking providing only temporary relief. At the same time, forwardlooking indicators such as supply-chain pressure and manufacturing purchasing managers' indices point to softer momentum ahead.

Figure 1: IMF annual global economic growth projections



Source: International Monetary Fund

Energy markets remain a central concern. The average petroleum spot price index is currently projected at $89 per barrel for 2026, down from $100 per barrel in April, with natural gas prices also revised upward. The relatively muted increase in global oil prices reflects that part of the decrease in oil flows through the Strait of Hormuz has been offset by a drawdown of inventories, reducing the need for oil consumption and production to adjust through prices. Fertiliser costs are projected to rise by 26 per cent and food prices by 8 per cent, reflecting higher energy and transport costs, posing renewed risks to food security in vulnerable, food-import-dependent economies.

The implications extend beyond inflation to global trade and investment. World trade volume growth is projected to slow sharply from 5.0 per cent in 2025 to 3.5 per cent in 2026, before recovering to 4.3 per cent in 2027. The slowdown reflects not only weaker global demand but also the cumulative effects of tariffs, trade fragmentation and the restructuring of international supply chains. At the same time, technology-related trade flows are expanding rapidly, showing that globalisation is not necessarily retreating but becoming more fragmented and strategically concentrated. Countries with the productive capacity, infrastructure, and skills needed to participate in these emerging value chains are increasingly positioned to capture investment and export opportunities, while economies with limited technological integration risk weaker trade and investment outcomes.

This divergence is also evident across regions. Advanced economies are projected to grow by 1.7 per cent in 2026 and 1.8 per cent in 2027. The United States remains relatively resilient, with growth projected at 2.3 per cent in 2026, supported by continued technology-related investment. By contrast, the euro area is projected to grow by 0.9 per cent. In comparison, the United Kingdom is projected to fall to 1.0 per cent, reflecting weaker underlying activity and greater sensitivity to higher energy prices. Emerging markets and developing economies are expected to expand by 3.8

per cent in 2026, and 4.5 per cent in 2027. China is expected to grow by 4.6 per cent in 2026, while India remains one of the strongest-growing economies at 6.4 per cent. These differences reinforce the IMF's broader observation that exposure to the war and integration into the technology cycle are becoming increasingly important determinants of near-term economic performance.

The Middle East and Central Asia are expected to experience some of the conflict's most significant economic impacts, with regional growth projected to fall sharply to 0.7 per cent in 2026 before rebounding to 6.5 per cent in 2027 as energy production, trade and economic activity gradually normalise. The sharp slowdown reflects the region's exposure to disruptions in energy production and transportation, particularly through the Strait of Hormuz, with significant implications for exports, investment, inflation and domestic demand. However, the impact will vary across economies, with countries possessing diversified export routes, stronger fiscal buffers and less direct exposure to the conflict better positioned to absorb the shock. The projected 2027 recovery should therefore be viewed primarily as a normalisation-driven rebound following a severe temporary disruption and remains dependent on the conflict easing and energy and transport flows returning to more normal conditions.

For sub-Saharan Africa, the outlook is more resilient at the aggregate level but remains highly uneven across countries. Regional growth is projected at 4.3 per cent in 2026 and 4.5 per cent in 2027, following estimated growth of 4.5 per cent in 2025. However, the relatively strong regional growth rate should not be interpreted as evidence of broad-based economic resilience. This conceals substantial divergence across countries depending on policy space, reform momentum and exposure to external shocks. Oil-exporting economies may benefit from higher energy revenues, whereas fuel-importing and fragile economies face higher import bills, increased inflationary pressures and tighter fiscal constraints.

South Africa is projected to grow at 1.1 per cent in 2026, increasing modestly to 1.3 per cent in 2027. While this indicates a degree of macroeconomic stability, the projected pace of expansion remains insufficient to generate the sustained, broad-based growth needed to significantly improve employment outcomes, raise household incomes, and accelerate convergence with faster-growing emerging markets. This underscores the need to strengthen digital infrastructure, AI readiness, skills development and participation in technology-related value chains.

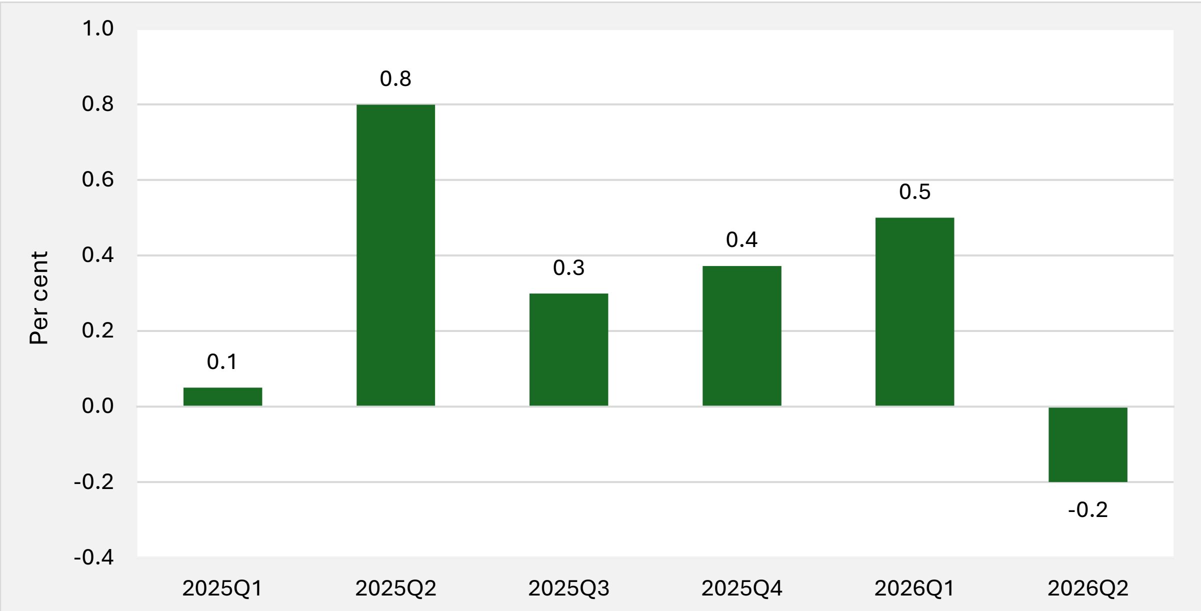
For young people, the outlook is particularly challenging, as subdued economic growth and potentially weaker investment flows constrain job creation. At the same time, higher food, transport, and energy costs put additional pressure on low-income and unemployed youth. At the same time, the rapid expansion of AI and digital technologies presents an important opportunity to create new pathways into employment and entrepreneurship, provided young people have the skills, capabilities, and access to productive opportunities needed to participate meaningfully in the evolving global economy.

Overall, the developments point to a global economy entering a period of divergent growth with opportunities increasingly concentrated in economies benefiting from favourable commodity positions or strong integration into AI and technology value chains. For South Africa and much of sub-Saharan Africa, this creates a twofold challenge: mitigating the immediate impact of higher energy, food and financing costs on households and firms, while positioning the economy to benefit from the emerging technology-driven investment cycle. This reinforces the importance of domestic reform, investment and youth-focused interventions to build resilience against these ongoing global crosscurrents.

2. Domestic economy performance

South Africa's economic performance weakened significantly in the second quarter of 2026, with the economy contracting after six consecutive quarters of positive growth. According to Statistics South Africa (Stats SA), real gross domestic product (GDP) contracted by 0.2 per cent quarter-on-quarter (seasonally adjusted) in the second quarter of 2026, following revised growth of 0.5 per cent in Q1 2026. This reversal is a significant setback for youth development. South Africa had built a modest but real growth streak over the previous year and a half. A return to contraction removes even the limited employment gains that slow, positive growth had been generating, and it comes against a backdrop of an official unemployment rate that climbed to 33.6 per cent in the second quarter, the highest in four years.

Figure 2: Quarterly real GDP rates



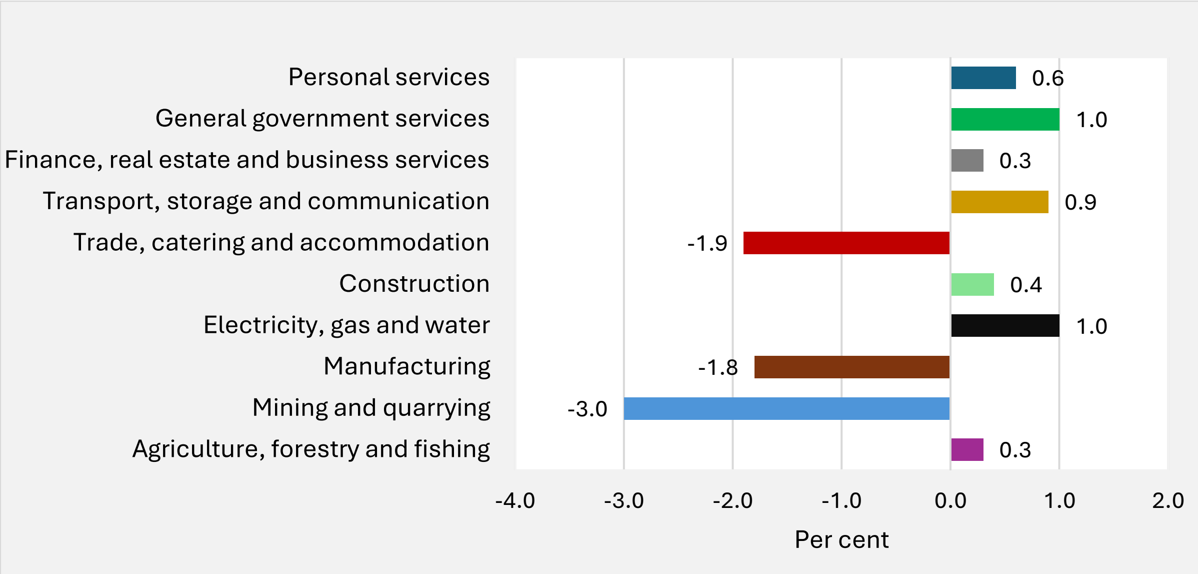
Source: Stats SA

South Africa's economic recovery remains fragile, having lost momentum in the second quarter of 2026. This return to contraction highlights the continued fragility and unevenness of domestic economic activity. The recovery has yet to build a sufficiently strong, broad-based foundation to withstand external shocks and sustain forward momentum. This trajectory is of concern from a youth development perspective. Subdued economic activity constrains businesses' capacity to expand, invest, and generate new employment opportunities. As a result, these dynamics disproportionately affect young people entering the labour market for the first time. They narrow the pool of opportunities for first-time job seekers and further limit youth-owned enterprises' ability to access growing markets and participate meaningfully in productive economic activity.

Without effective measures to address this trend, this risks a deepening of existing youth unemployment and underemployment challenges that reinforce the structural barriers already constraining youth economic inclusion.

On the production side of the economy, mining activity contracted by 3.0 per cent, led by declines in the production of platinum group metals, manganese ore, gold and iron ore. The trade industry was notably volatile in the second quarter, shrinking by 1.9 per cent. This was due to a decline in wholesale trade, motor trade and the food & beverages industry. Consumer activity remained relatively upbeat, reflected in stronger retail trade and accommodation. Softer fuel sales dragged motor trade lower, but new vehicle sales continued to strengthen. Manufacturing declined by 1.8 per cent. Food & beverages, furniture & 'other' manufacturing, basic iron and steel, non-ferrous metal products, metal products and machinery were the largest negative contributors.

Figure 3: Quarterly economic performance by sector



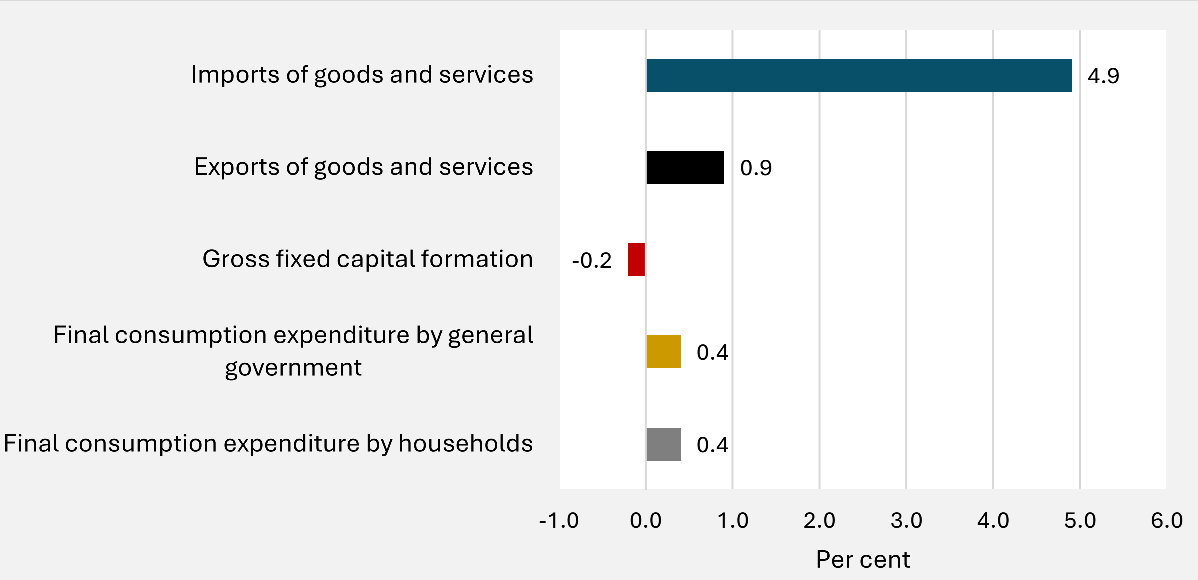
Source: Stats SA

Seven of the ten industries recorded positive growth in the second quarter. Still, this broad-based expansion was insufficient to offset weakness elsewhere and lift the economy into overall positive territory. Transport and communication expanded by 0.9 per cent, supported primarily by stronger performance in land transport. Construction grew by 0.4 per cent, underpinned by increased activity in both residential and non-residential building work. Agriculture increased by 0.3 per cent, driven by higher output of horticultural products and field crops.

The fact that a clear majority of industries recorded growth indicates underlying resilience in parts of the economy. This highlights the uneven nature of the recovery. While momentum is present across several parts of the economy, the performance of a few large, economically sensitive industries continues to influence overall growth disproportionately. As a result, the recovery remains vulnerable to downturns in these key sectors, even as conditions improve across much of the broader economy.

The expenditure side of the economy saw imports rise sharply by 4.9 per cent in the second quarter, largely driven by increased trade in machinery & electrical equipment and mineral products. Exports expanded by 0.9 per cent, led by higher exports of pearls, precious & semi-precious stones and precious metals. General government recorded a 0.4 per cent increase. Household consumption expenditure grew by 0.4 per cent. Consumers spent more on a range of items, with the highest increases in food & non-alcoholic beverages, alcoholic beverages, tobacco & narcotics, and restaurants and hotels. This aligns with the rise in retail trade and accommodation on the production side of the economy. On the other hand, capital formation declined by 0.2 per cent, with construction works and transport equipment the largest negative contributors.

Figure 4: Quarterly economic performance by expenditure components of GDP



Source: Stats SA

Overall, the second-quarter 2026 GDP results point to a fragile, uneven economic recovery that has lost momentum. The 0.2 per cent contraction in real GDP, following revised growth of 0.4 per cent in the first quarter, indicates that the economy has yet to establish a sufficiently strong and broad-based growth trajectory. Although seven industries recorded positive growth during the quarter, stronger activity in sectors such as transport and communication, construction and agriculture was insufficient to offset significant contractions in mining, trade and manufacturing.

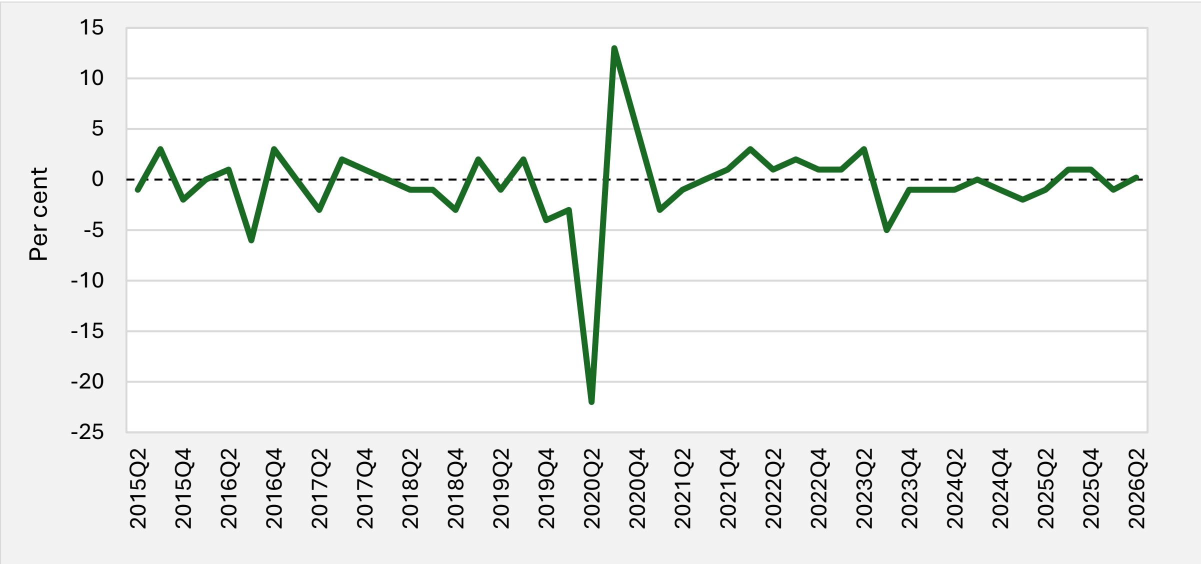
The combination of weaker investment and rising imports therefore suggests that domestic productive capacity remains constrained. This reinforces the structural nature of South Africa's youth employment challenge. The contraction occurred alongside an official unemployment rate of 33.6 per cent in Q2 2026, while the number of unemployed people increased to approximately 8.5 million. This indicates the need for a stronger focus on the quality, inclusiveness, and employment intensity of economic growth. In addition, interventions are needed to strengthen young people's participation in sectors with potential for enterprise development, investment, and sustainable job creation, particularly as the economy remains vulnerable to renewed weakness in major productive sectors.

3. Investment trends in the domestic economy

Investment activity in South Africa remains weak. Gross fixed capital formation, which captures expenditure on infrastructure, machinery, buildings, equipment and other productive assets, is a key driver of long-term economic growth, as it expands productive capacity, supports industrial modernisation, enhances productivity and strengthens the economy's ability to generate sustainable employment opportunities.

According to Stats SA, gross fixed capital formation declined by 0.2 per cent quarter-on-quarter (seasonally adjusted) in the second quarter of 2026, following a revised decline of 1.0 per cent in the first quarter of 2026. This marks a second consecutive quarterly decline in investment following several years of subdued and uneven capital formation. This persistent weakness in investment remains one of the deeper structural constraints facing the South African economy, with direct implications for its capacity to build productive industries and to create sufficient employment opportunities, particularly for young people over the long term.

Figure 5: Quarterly gross fixed capital formation growth rate

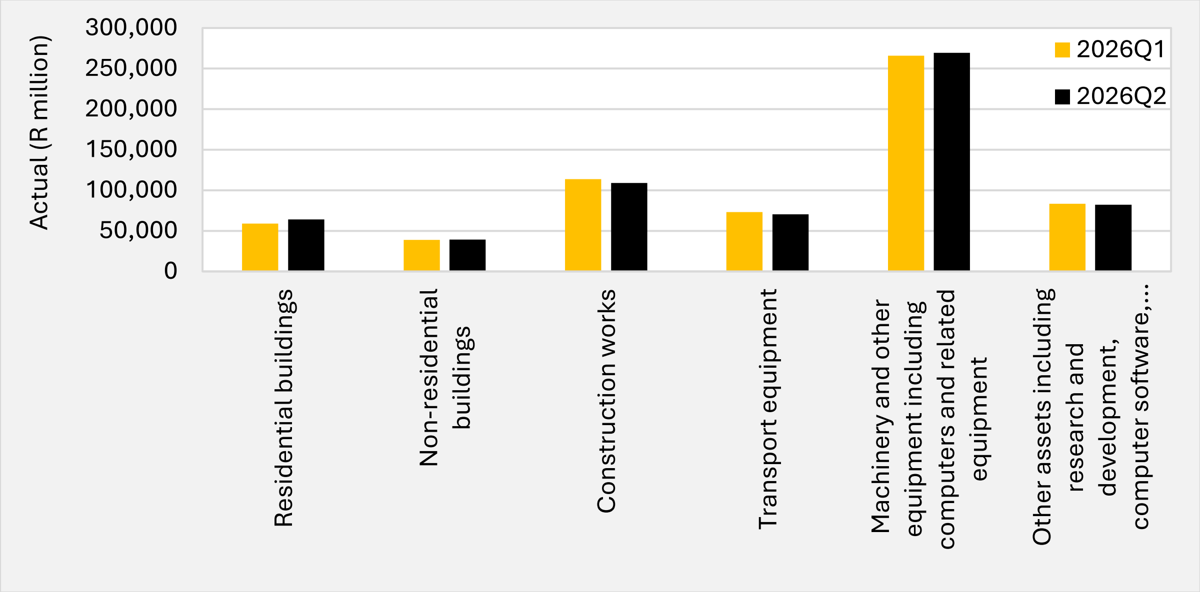


Source: Stats SA

The latest data show that investment weakness was largely driven by declines in construction works (4.0 per cent) and transport equipment (3.4 per cent). These declines are concerning because infrastructure, logistics and transport investment shape the economy's productive capacity and influence the cost of doing business. Machinery and other equipment increased, but not enough to offset weakness elsewhere.

Although residential building investment improved the most, adding 0.8 percentage points, machinery and other equipment investment also rose, contributing a further 0.3 percentage point, suggesting that some firms continued to invest in productive capacity even as broader investment activity weakened. 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.

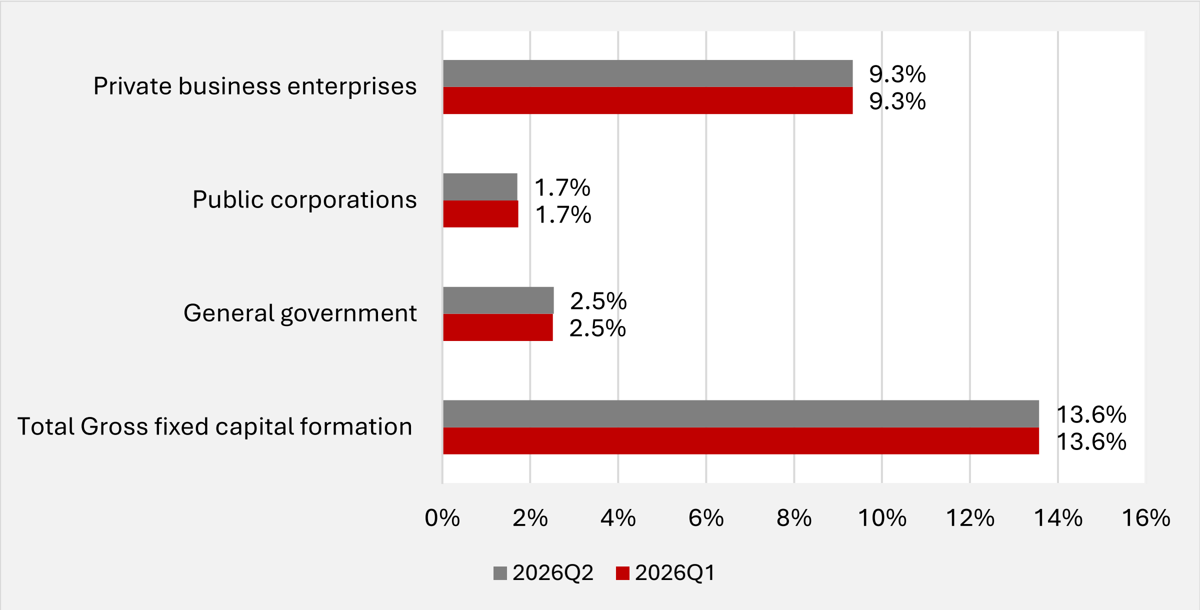
Figure 6: Gross fixed capital formation by type of asset



Source: Stats SA

Another defining feature of South Africa's investment landscape is the private sector's dominant role. Private business enterprises remained the largest source of fixed investment, accounting for approximately 9.3 per cent of GDP, compared with 2.5 per cent for general government and 1.7 per cent for public corporations. This left total GFCF at approximately 13.6 per cent of GDP, a level that remains low relative to South Africa's infrastructure, industrialisation and employment needs.

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



Source: Stats SA

For young people, persistently weak investment has direct labour-market consequences. Lower capital formation limits the expansion of productive capacity, slows the creation of new firms and jobs, and reduces opportunities for first-time labour-market entrants. This matters especially in labour-absorbing sectors such as manufacturing, construction, agro-processing, and logistics, where stronger investment could support both employment and enterprise development.

The investment slowdown also reflects broader structural constraints. Weak domestic demand, financialisation, subdued growth and uncertainty continue to make firms cautious about expanding capacity. At the same time, inefficiencies in freight rail, ports, water systems and municipal infrastructure raise operating costs and weaken the expected returns from new investment, even as electricity supply conditions have improved compared with previous years.

Investment patterns also remain uneven across the economy. Established firms have greater access to finance, assets, procurement opportunities and markets, while smaller businesses, township and rural enterprises, and youth-owned firms face higher barriers to expansion. Low aggregate investment, combined with unequal access to investment opportunities, limits new entrants' ability to participate in productive sectors and build sustainable businesses.

South Africa's investment challenge requires a stronger focus on productive and employment-supporting capital formation. Public infrastructure investment needs to address binding constraints in social infrastructure, logistics, water, transport and municipalities. At the same time, development finance and industrial policy should support investment in sectors with stronger domestic value chains and employment potential. Procurement and enterprise-support measures should also improve market access for youth-owned and smaller firms.

4. Youth labour market conditions

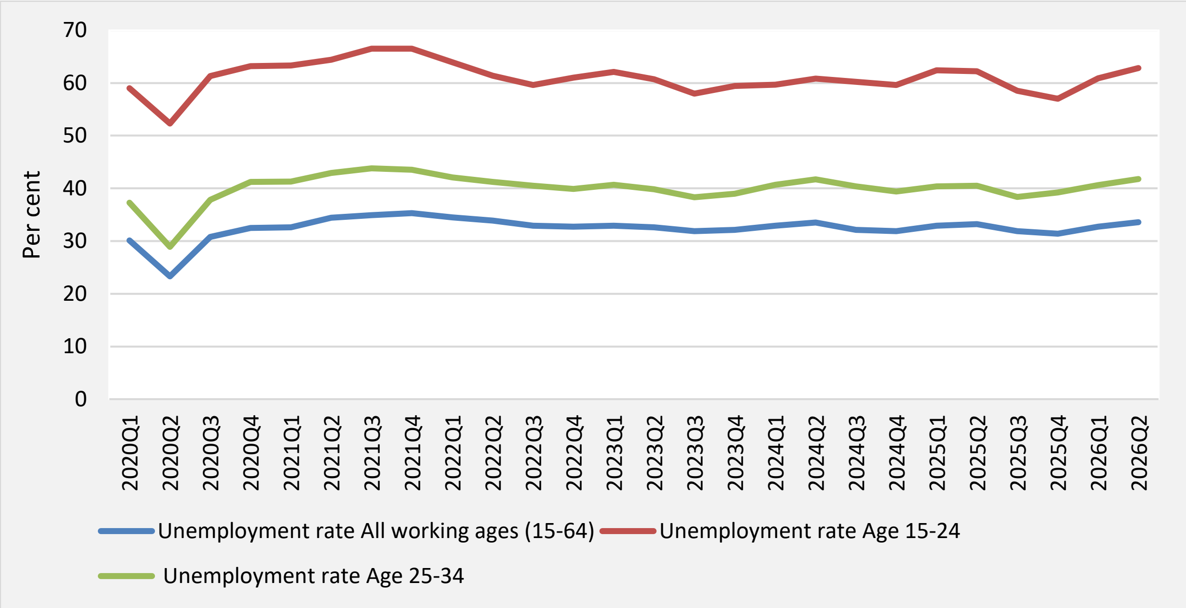
Labour market conditions for young South Africans remained difficult in the second quarter of 2026, with the latest data pointing to a further deterioration in employment outcomes and continued labour market exclusion. Although South Africa's broader labour market continues to face significant structural challenges, young people aged 15 to 34 remain disproportionately affected by unemployment, limited employment opportunities and weak labour market absorption.

According to the latest Quarterly Labour Force Survey (QLFS), the number of unemployed people increased by 345,000 to 8.5 million in the second quarter of 2026, while employment declined by 16,000 to 16.7 million. As a result, the official unemployment rate increased from 32.7 per cent in the first quarter of 2026 to 33.6 per cent in the second quarter. The rise in unemployment, despite only a modest decline in employment, reflects continued difficulty in creating enough jobs for the growing labour force.

For young people, these pressures remain significantly more severe than for the general population. The youth unemployment rate among people aged 15 to 34 increased by 1.5 percentage points to 47.4 per cent in the second quarter of 2026. The number of unemployed young people increased by 264,000 to 5.0 million, while youth employment declined by 40,000 to 5.6 million.

This means that almost one in every two young people participating in the labour market remained unemployed during the quarter, highlighting the persistent barriers young people face in transitioning into and remaining in employment.

Figure 8: Official and youth unemployment rates

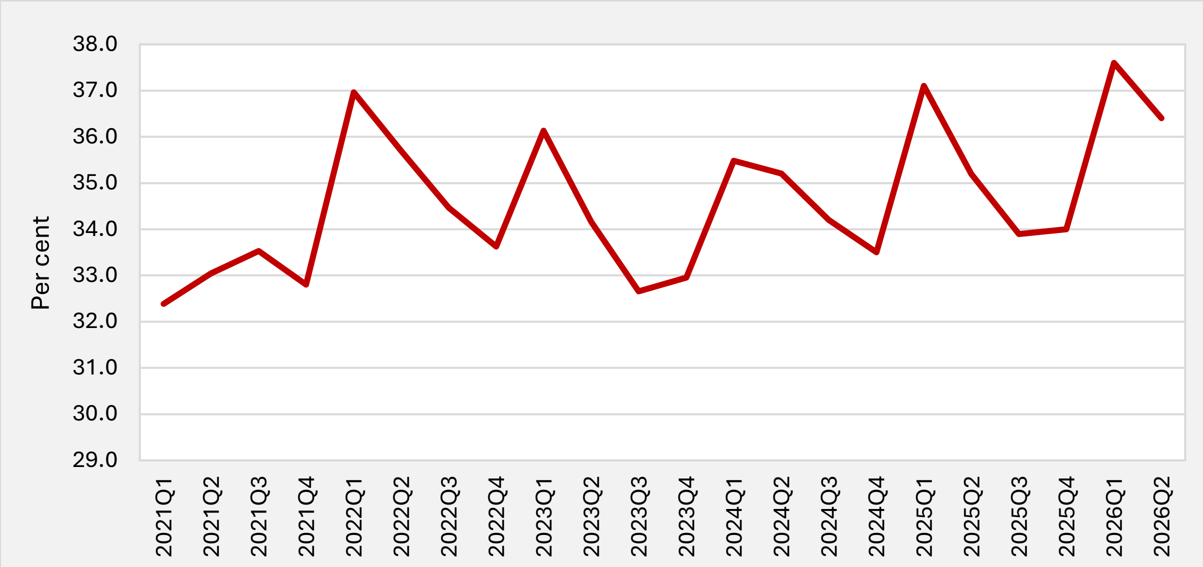


Source: Stats SA

The latest data also shows some improvement in labour market discouragement, although levels remain elevated. The number of discouraged job-seekers decreased by 227,000 in the second quarter of 2026 to approximately 3.7 million people, following an increase of 178,000 in the first quarter. Despite this decline, the number of discouraged job-seekers remains substantial, indicating that a significant share of the working-age population continues to struggle to access employment opportunities. More broadly, the combined rate of unemployment and the potential labour force (LU3) increased marginally from 43.7 per cent in the first quarter to 43.8 per cent in the second quarter of 2026. This indicates that a substantial proportion of the labour force remains either unemployed or only marginally attached to the labour market.

The challenge also extends beyond unemployment alone. Many young people remain disconnected from employment, education, or training. The latest labour market data indicate that 36.4 per cent of young people aged 15 to 24 were not in employment, education or training (NEET) in the second quarter of 2026, up 1.2 percentage points from the same quarter in 2025. This means that more than one in three young South Africans in this age group remained excluded from both employment and opportunities to develop their skills. Prolonged periods outside employment, education, or training can weaken the accumulation of work experience and skills, potentially reducing future earning opportunities and making it harder for young people to transition into stable employment.

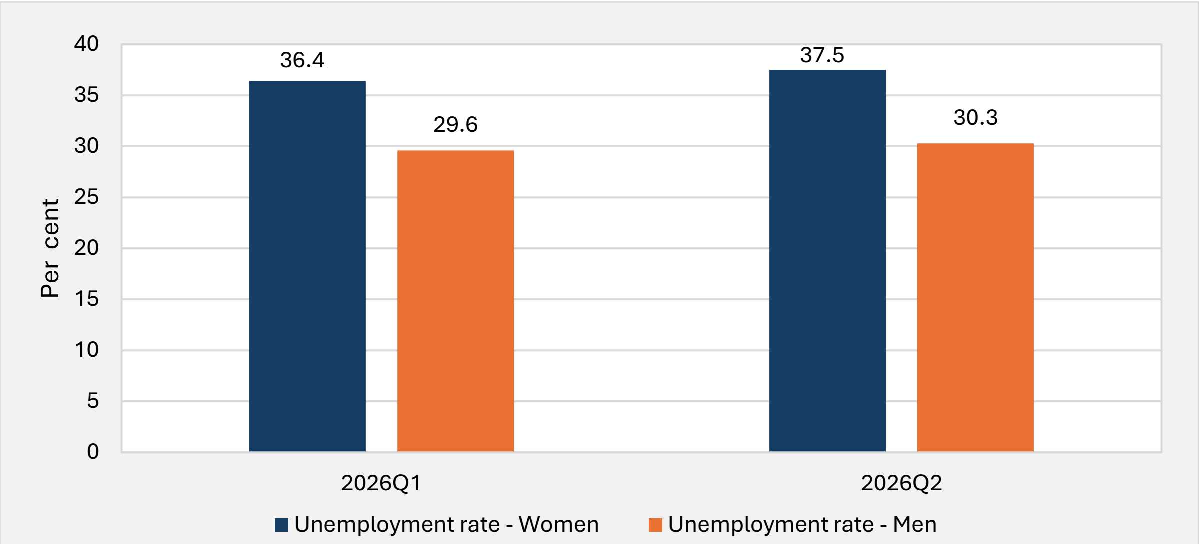
Figure 9: Not in Employment, Education or Training (NEET) Rate Among Youth (15-24 years)



Source: Stats SA

Young women continue to face significant barriers to labour market participation, with unemployment remaining substantially higher than among men. In the second quarter of 2026, the unemployment rate for women stood at 37.5 per cent, compared with 30.3 per cent for men, representing a gender gap of 7.2 percentage points.

Figure 10: Unemployment rate by gender

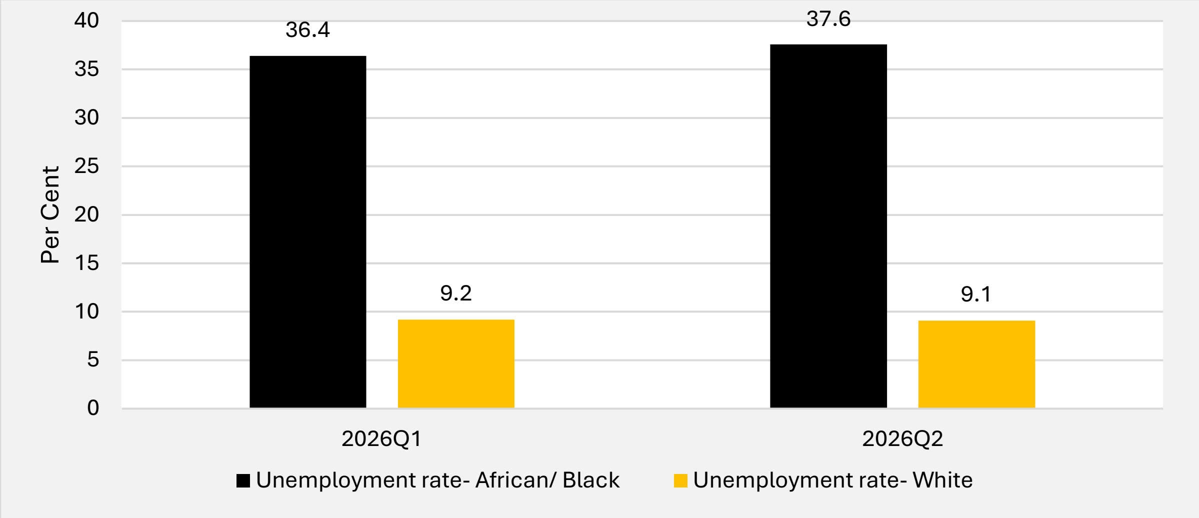


Source: Stats SA

South Africa's labour market also remains marked by significant racial disparities. In the second quarter of 2026, the unemployment rate among the Black African population stood at 37.6 per cent, substantially higher than the 9.1 per cent recorded among the White population. The persistence of these disparities reflects unequal labour market outcomes across population groups.

It highlights the continued importance of policies aimed at improving access to employment, skills development and economic opportunities for historically disadvantaged groups.

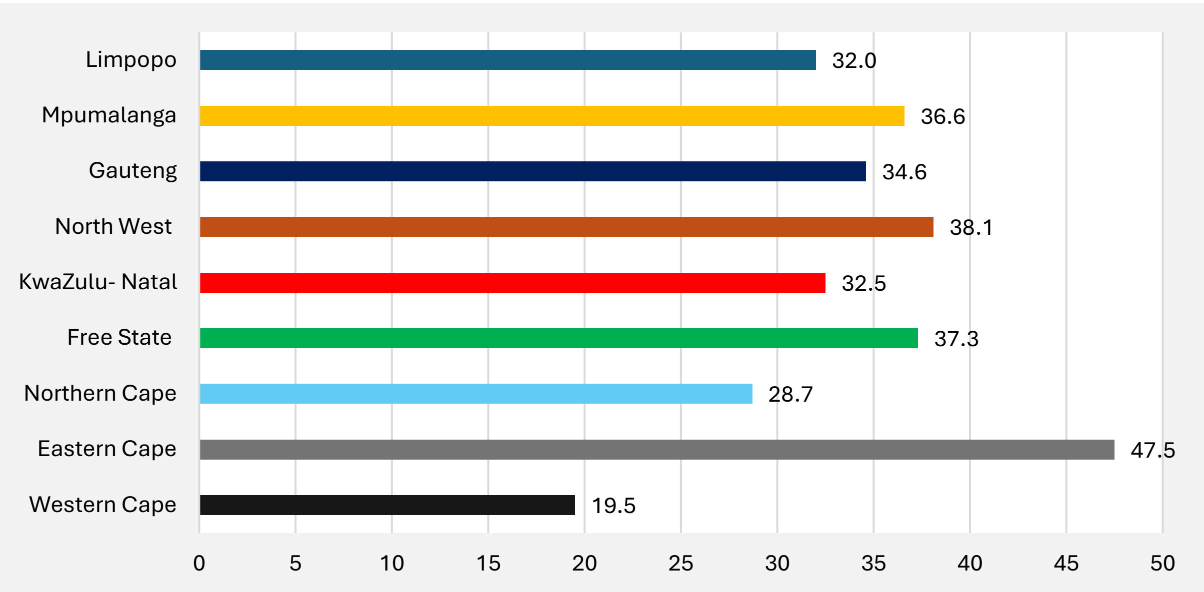
Figure 11: Unemployment rate by race



Source: Stats SA

Provincial labour market conditions also remain uneven. In the second quarter of 2026, the Eastern Cape recorded the highest unemployment rate at 47.5 per cent, followed by the North West at 38.1 per cent and the Free State at 37.3 per cent. These elevated unemployment rates highlight the persistent structural constraints facing several provinces, including limited economic opportunities and weak labour market absorption. For young people in these provinces, particularly those entering the labour market for the first time, limited employment opportunities can further constrain access to income, work experience, and pathways to economic participation.

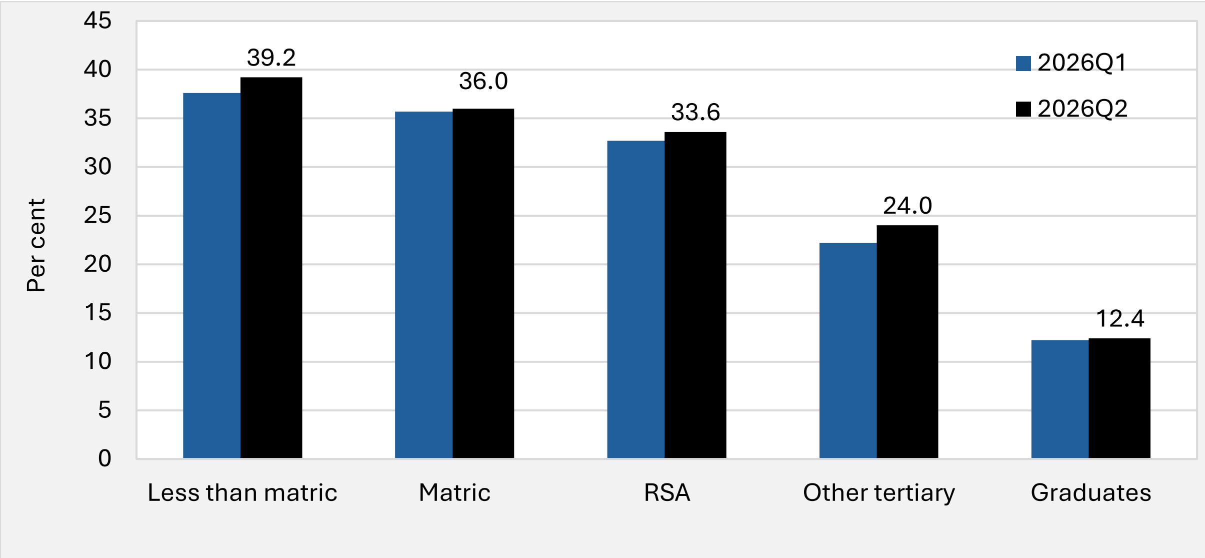
Figure 12: Unemployment rate by province



Source: Stats SA

The latest labour market data continue to show that education is strongly associated with improved employment prospects, particularly for individuals with tertiary qualifications. In the second quarter of 2026, individuals with less than a matric qualification recorded an unemployment rate of 39.2 per cent, compared with 12.4 per cent among graduates. Although graduate unemployment increased marginally by 0.2 percentage points from the previous quarter, the unemployment rate among graduates remained substantially below the national rate of 33.6 per cent. These outcomes highlight the stronger labour market prospects associated with higher levels of education and specialised skills, while also underscoring continued vulnerability of individuals with lower levels of educational attainment.

Figure 13: Unemployment rate by education level



Source: Stats SA

5. Sectoral employment trends

Sectoral employment trends in the second quarter of 2026 reflect a labour market that remains uneven and fragile, particularly for young people entering the economy. While some industries recorded employment gains, significant job losses in several sectors offset them.

Employment growth remained uneven across sectors. According to Stats SA, seven out of the ten industries surveyed recorded employment declines in the second quarter of 2026. Community and social services recorded the largest losses, shedding 57,000 jobs. This sector is particularly important for youth employment because it encompasses a range of social, community, and public-service activities that can provide employment opportunities for young people, including those entering the labour market for the first time. The decline therefore represents a contraction in an area that can provide relatively accessible employment opportunities, particularly for individuals with qualifications in education, social services, administration and related fields.

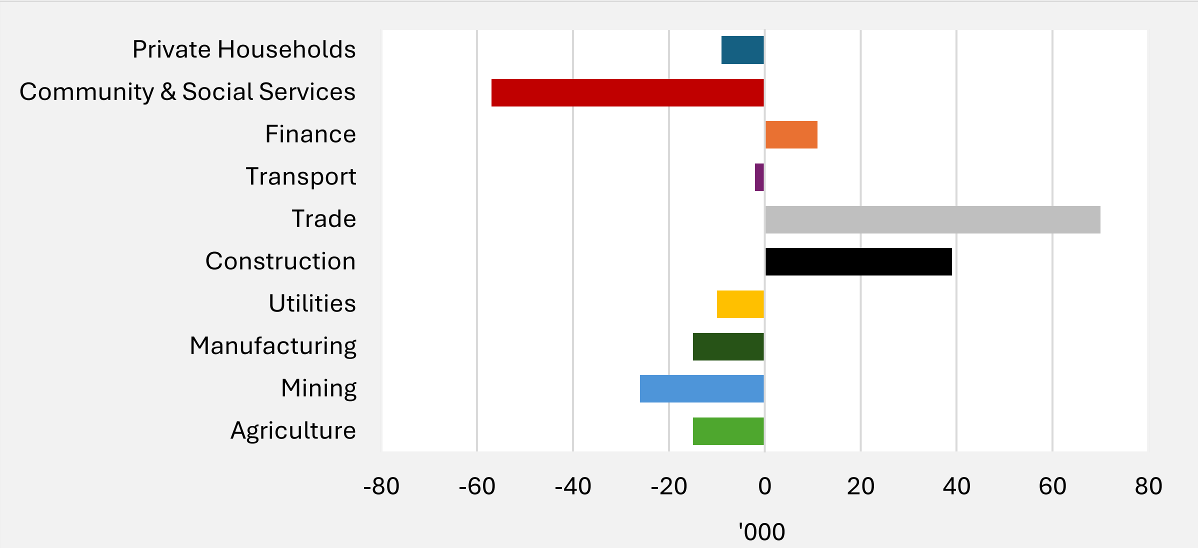
Mining recorded the second-largest employment decline, shedding 26,000 jobs during the quarter. This is notable given mining's strategic importance to South Africa’s economy and its linkages with manufacturing, transport, logistics and other supporting industries. However, mining's capital-intensive nature means the sector has limited capacity to absorb large numbers of new labour-market entrants directly. For young people, this highlights the importance of creating opportunities not only within mining itself, but also across the broader mining value chain, including mining services, logistics, manufacturing and other downstream activities.

Further employment losses were recorded in Agriculture and Manufacturing, which each declined by 15,000 jobs, while Utilities, Private households and Transport also recorded smaller declines. These losses highlight continued weakness across sectors that provide employment opportunities to workers with different levels of education and skills. The decline in Manufacturing is particularly important given the sector's potential to support industrialisation, skills development and more productive employment opportunities over the longer term.

Despite these losses, several industries recorded employment gains during the quarter. Trade recorded the largest increase, adding 70,000 jobs, followed by Construction (+39,000) and Finance (+11,000). Trade's strong performance is particularly significant because the sector remains one of the largest sources of employment in the economy and an important entry point for young job seekers. The increase in employment therefore provides some positive momentum for young people seeking to enter the labour market. However, the quality, stability and earnings associated with these opportunities remain important considerations.

Construction also improved notably, with employment increasing by 39,000 jobs. This is encouraging given the sector's potential to absorb semi-skilled and lower-skilled young workers through infrastructure development and public investment programmes. Sustained employment growth in construction could therefore provide important opportunities for young people, particularly where infrastructure investment generates demand across a broad range of occupations and skills.

Figure 14: Employment by sector



Source: Stats SA

Employment developments across the formal, informal and household sectors remained mixed in the second quarter of 2026. Informal sector employment increased by 34,000 jobs between the first quarter of 2026 and the second quarter of 2026, while formal sector employment declined by 41,000 jobs over the same period. Household sector employment also declined by 9,000 jobs. These developments point to mixed employment outcomes across the labour market, with increased informal employment providing limited absorption while formal-sector employment remained under pressure.

From a youth development perspective, developments in the informal economy remain important. Informal employment provides an important source of income and labour market participation, particularly for individuals who face barriers to entering formal employment. The 34,000 increase in informal-sector employment therefore provides some evidence of continued absorption into employment outside the formal economy. However, informal work can also involve greater income insecurity and fewer employment protections, highlighting the importance of creating pathways from informal economic activity to more sustainable and productive forms of employment.

Occupational trends provide further insight into the types of employment opportunities available in the labour market. During the second quarter of 2026, employment gains were recorded in sales and services occupations, which increased by 103,000 jobs; craft and related trade occupations, which increased by 78,000 jobs; and elementary occupations, which increased by 2,000 jobs. These gains matter from a youth employment perspective, as sales and services, craft and related trade, and elementary occupations can provide important entry points into the labour market, particularly for young people seeking initial work experience and a foothold in employment.

At the same time, employment fell across several occupational categories. Plant and machine operator occupations recorded the largest decline, with employment decreasing by 78,000 jobs, followed by managerial occupations (-40,000), professional occupations (-34,000) and technician occupations (-25,000). Further declines were recorded among domestic workers (-14,000), skilled agricultural occupations (-13,000) and clerical occupations (-3,000). These declines matter for youth employment, as sustained weakness across a range of occupational categories can limit job availability and make the transition from education or unemployment into the labour market more difficult. The decline in technician, clerical and other occupational categories is particularly relevant given the importance of these roles in providing pathways into employment for young people with vocational, technical and other skills.

Overall, the latest unemployment data point to a youth employment crisis that remains deeply structural rather than temporary. Weak economic growth, low levels of investment, uneven sectoral and occupational performance, and insufficient labour-absorbing industries continue to limit employment opportunities for young people. The increase in youth unemployment to 47.4 per cent in the second quarter of 2026, alongside a decline in youth employment, further highlights the scale and persistence of these challenges. Without stronger economic and industrial expansion, increased investment, targeted youth employment interventions, and improved alignment 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: Demand for NYDA Services Continues to Exceed Available Resources

Demand for NYDA programmes continues to exceed the Agency's resources, reflecting both the scale of youth unemployment and the growing need for entrepreneurship, employment, and skills support. Between 2023/24 and 2026/27, the NYDA recorded more than 518,000 client interactions, including 78,227 expressions of interest in grant funding, 158,102 in training and 183,741 in job opportunities. Demand extends beyond the Agency itself. Across Phases I to IV, the Presidential Youth Employment Intervention received more than 1.7 million applications, highlighting the scale of unmet demand for employment and skills opportunities among young people.

Table 1: NYDA interest across all products and services

Financial Year	Total Client Interactions	Grant Interest	Training Interest	Job Opportunities	PYEI (NYS)	Other **Services
2023/24	167 104	19 365	59 829	56 324		20 877
2024/25	139 246	18 192	46 145	50 290		13 533
2025/26	173 000	32 126	42 093	63 852		19 844
2026/27	38 981	8 544	10 035	13 275		3 625
Grand Total	518 331	78 227	158 102	183 741	1 715 708	57 879

The largest gap is evident in the NYDA Grant Programme. Across the period, 78,227 young people expressed interest in grant support, compared with 9,463 successful disbursements. This represents an overall conversion rate of 12.1 per cent, leaving almost 69,000 expressions of interest unmet. In 2025/26 alone, grant interest rose to 32,126, yet only 3,093 grants were disbursed, for a conversion rate of 9.6 per cent. The figures point to a significant financing constraint rather than an absence of entrepreneurial interest among young people.

Table 2: NYDA Grant Programme Conversion Rates and Gaps

Financial Year	Grant Interest	Successfully Disbursed	Unmet Demand	Conversion Rate	Gap %
2023/24	19 365	2 369	16 996	12.2%	87.8%
2024/25	18 192	2 067	16 125	11.4%	88.6%
2025/26	32 126	3 093	29 033	9.6%	90.4%
2026/27	8 544	1 934	6 610	22.6%	77.4%
Grand Total	78 227	9 463	68 764	12.1%	87.9%

Employment support faces similar pressure. Between 2023/24 and 2025/26, demand for job opportunities consistently exceeded the number of placements achieved. In 2025/26, 63,852 young people expressed interest in job opportunities, compared with 25,500 successful placements, leaving more than 38,000 opportunities unmet. These demand pressures strengthen the case for increased investment in youth development and deeper partnerships with government, the private sector and development partners. Expanding resources would allow the NYDA to convert a larger share of existing demand into businesses, skills development and pathways into employment.

Table 3: NYDA Jobs Programme Conversion Rates and Gaps

Financial Year	Jobs Interest	Successfully Placed	Unmet Demand	Conversion Rate	Gap %
2023/24	56 324	24 307	32 017	43.2%	56.8%
2024/25	50 290	26 583	23 707	52.9%	47.1%
2025/26	63 852	25 500	38 352	39.9%	60.1%
2026/27	13 275	26 000	-12 725	195.9%	-95.9%
Grand Total	183 741	102 390	81 351	55.7%	44.3%

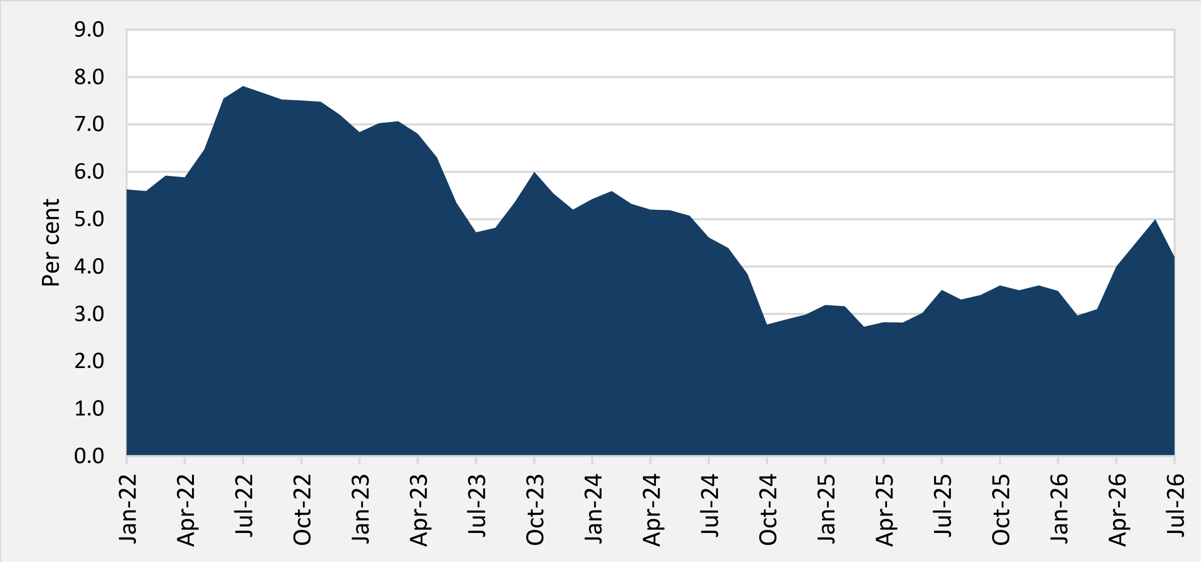
6. Cost of living and youth household pressures

Cost-of-living pressures began to moderate in the third quarter of 2026, following a pronounced acceleration in consumer inflation during the first half of the year. Headline consumer inflation declined from 5.0 per cent in June to 4.3 per cent in July, supported by lower fuel prices, easing food-price pressures and smaller increases in municipal tariffs. However, the moderation in headline inflation should be viewed against the backdrop of the cumulative increase in essential household costs over the preceding months. Consequently, households, particularly those with limited and irregular incomes, continue to face constrained purchasing power and reduced capacity to absorb higher living expenses.

According to Stats SA, annual consumer inflation increased from 3.1 per cent in March to 4.0 per cent in April, 4.5 per cent in May and 5.0 per cent in June, before moderating in July. The acceleration during the second quarter was driven primarily by transport and fuel costs, alongside increases in housing, utilities and other household expenditure categories. While the July moderation improves the inflation outlook, elevated prices for essential goods and services continue to weigh on household finances. For young people, particularly those experiencing unemployment or earning relatively low and insecure incomes, these conditions can further constrain disposable income and limit their capacity to participate in employment, education, training and other economic opportunities.

Easing fuel prices provided some relief to households and businesses by lowering direct transport costs and easing cost pressures associated with moving goods and services. However, the continued year-on-year increase in fuel prices indicates that transport costs remained an important source of household and business expenditure pressure during the quarter.

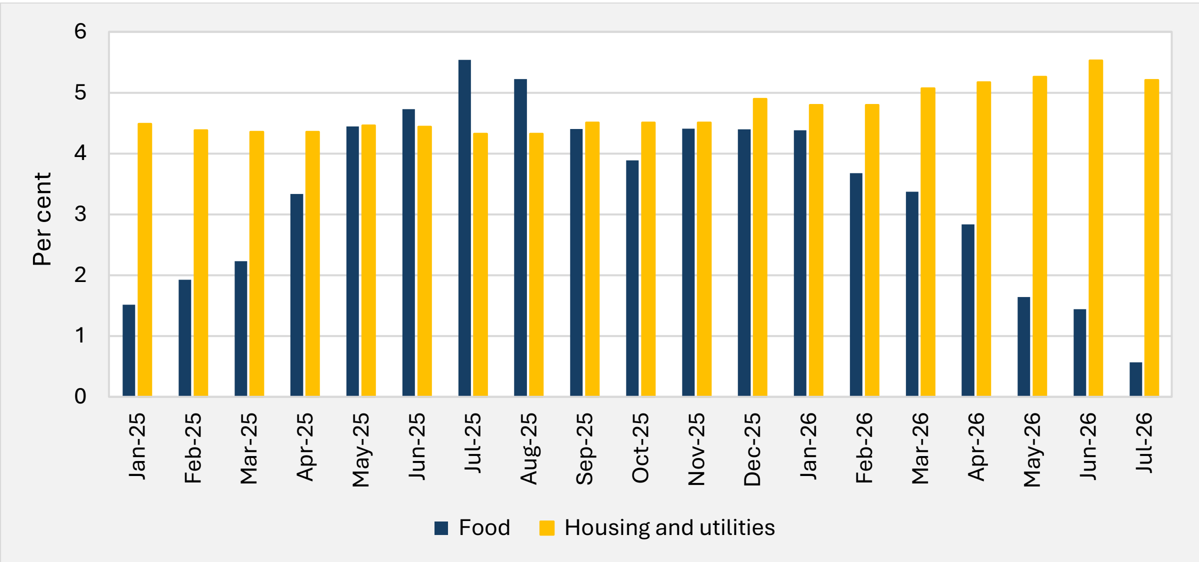
Figure 15: Headline consumer price inflation



Source: Stats SA

Electricity and utility costs also remained an important source of household expenditure pressure. In July 2026, inflation for electricity, gas and other fuels stood at 8.3 per cent, while water supply and miscellaneous services increased by 6.4 per cent year on year. Overall, housing and utilities inflation was recorded at 5.2 per cent during the month. Although these increases were lower than those recorded in some categories in earlier months of 2026, the continued rise in essential utility costs put pressure on household budgets.

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

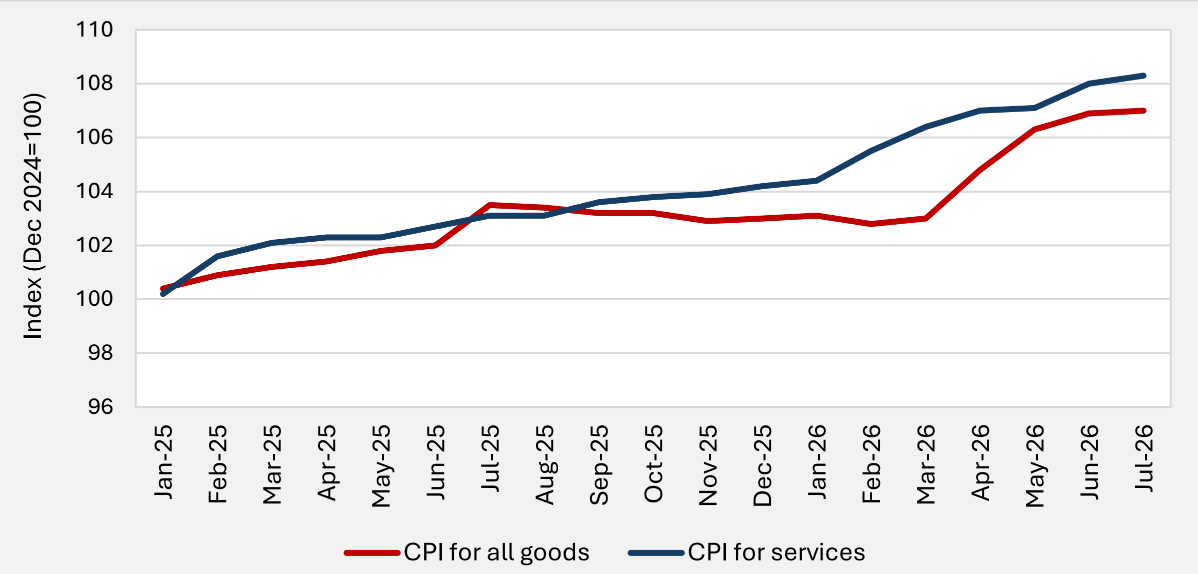


Source: Stats SA

Food-price pressures improved markedly at the beginning of the third quarter of 2026. Food and non-alcoholic beverage inflation declined to 0.9 per cent in July, representing the lowest rate recorded in more than 16 years. However, price pressures remained uneven across food categories. Meat prices increased by 1.5 per cent year on year, while hot beverages increased by 7.4 per cent. Other categories also recorded varying price movements, with fish and other seafood up 6.6 per cent and non-alcoholic beverages up 5.3 per cent. The moderation in overall food inflation therefore provided some relief to household budgets, although elevated prices in selected food categories continued to affect household expenditure.

The impact of inflation remains particularly significant for young people, given their exposure to unemployment, income insecurity and limited financial buffers. High unemployment and the prevalence of lower-paying, less secure employment can reduce young people's ability to absorb increases in essential living costs. Rising expenditure on transport, food and utilities can consequently reduce disposable income and constrain the resources available for savings, education, skills development and participation in economic opportunities.

Figure 17: Goods versus services inflation



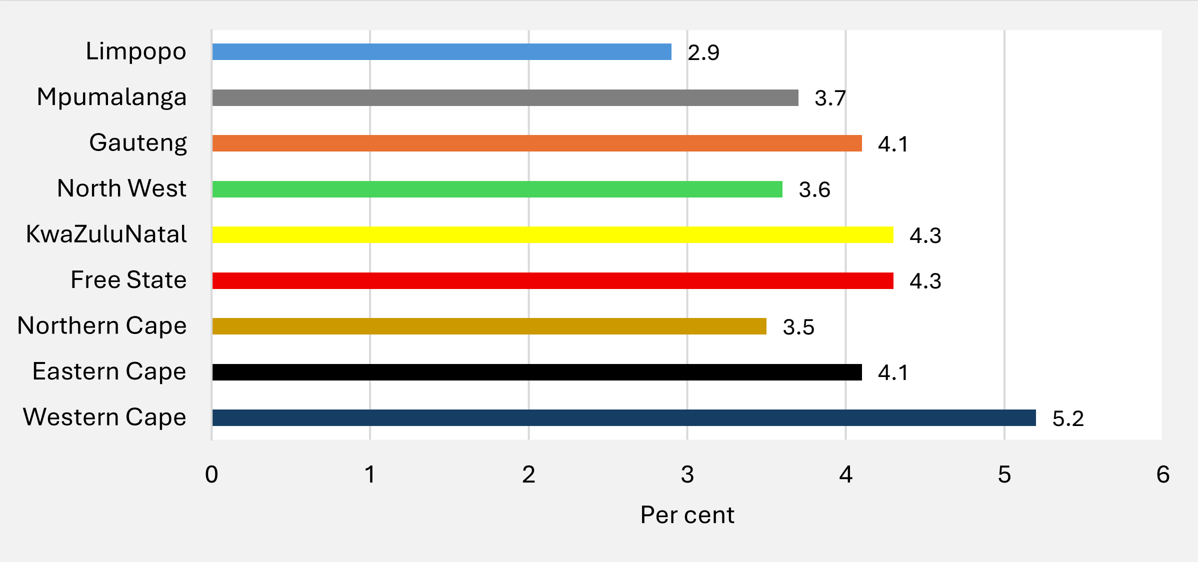
Source: Stats SA

An important feature of the current inflation environment is the continued divergence between goods and services inflation. According to Statistics South Africa, annual goods inflation stood at 3.4 per cent in July 2026, while services inflation remained higher at 5.0 per cent. This represents a notable shift from the second quarter, when goods inflation accelerated alongside rising fuel and transport costs. By July, goods inflation moderated, reflecting lower fuel prices and softer price increases across several goods categories, while services inflation remained comparatively elevated. The persistence of higher services inflation indicates that price pressures remain embedded in a range of recurring household expenditures, including housing, insurance, financial services, education and other services.

The continued gap between goods and services inflation is significant for household purchasing power. While moderation in goods inflation provides some relief from the cost of everyday consumer goods, higher services inflation means households still face rising costs for essential and recurring services. Together, these pressures suggest that, despite the recent moderation in headline inflation, cost-of-living pressures remain broad-based across different components of household expenditure.

The inflation outlook also highlights significant provincial disparities in the cost of living across South Africa. According to Statistics South Africa, provincial inflation rates varied considerably in July 2026. The Western Cape recorded the highest annual inflation rate at 5.2 per cent, followed by the Free State at 4.3 per cent. The Eastern Cape and Gauteng both recorded inflation of 4.1 per cent. North West recorded 3.8 per cent, followed by Mpumalanga at 3.7 per cent, KwaZulu-Natal at 3.6 per cent, and Northern Cape at 3.5 per cent. Limpopo recorded the lowest provincial inflation rate at 2.9 per cent.

Figure 18: Inflation per Province



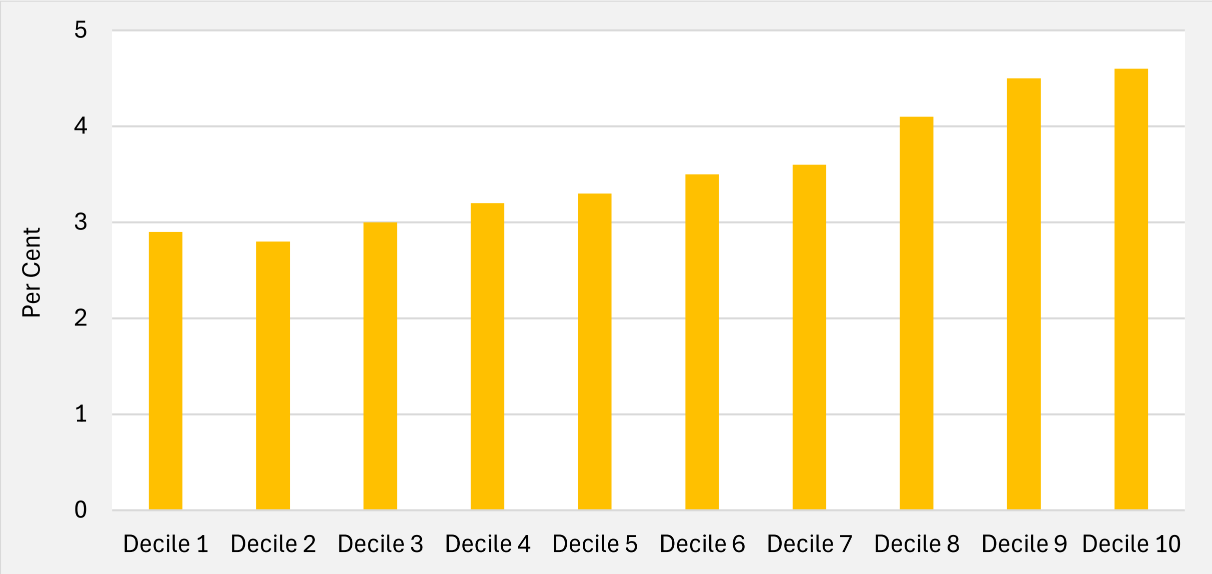
Source: Stats SA

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 job 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. They may further worsen affordability pressures for youth already facing high unemployment and weak income growth.

The provincial variation in inflation reflects differences in the composition and cost of household expenditure across regions, including housing and utilities, transport, food and other services. The relatively high inflation recorded in the Western Cape is particularly notable, with housing and utilities inflation reaching 7.0 per cent and transport inflation 10.0 per cent in July 2026. Gauteng, by comparison, recorded overall inflation of 4.1 per cent, with housing and utilities inflation at 4.5 per cent. These provincial differences have important implications for household affordability and economic participation. Provinces with higher inflation may put greater pressure on household budgets, particularly where increases concentrate in essential expenditure categories such as housing, utilities and transport.

For young people, these differences are especially relevant because employment and education opportunities are often geographically concentrated, requiring young work seekers and students to incur substantial transport, rental and other living costs. Higher living costs in major economic centres can therefore increase the financial cost of accessing employment, education and training opportunities, potentially reducing the resources available to young people to participate in the broader economy.

Figure 19: CPI per expenditure decile

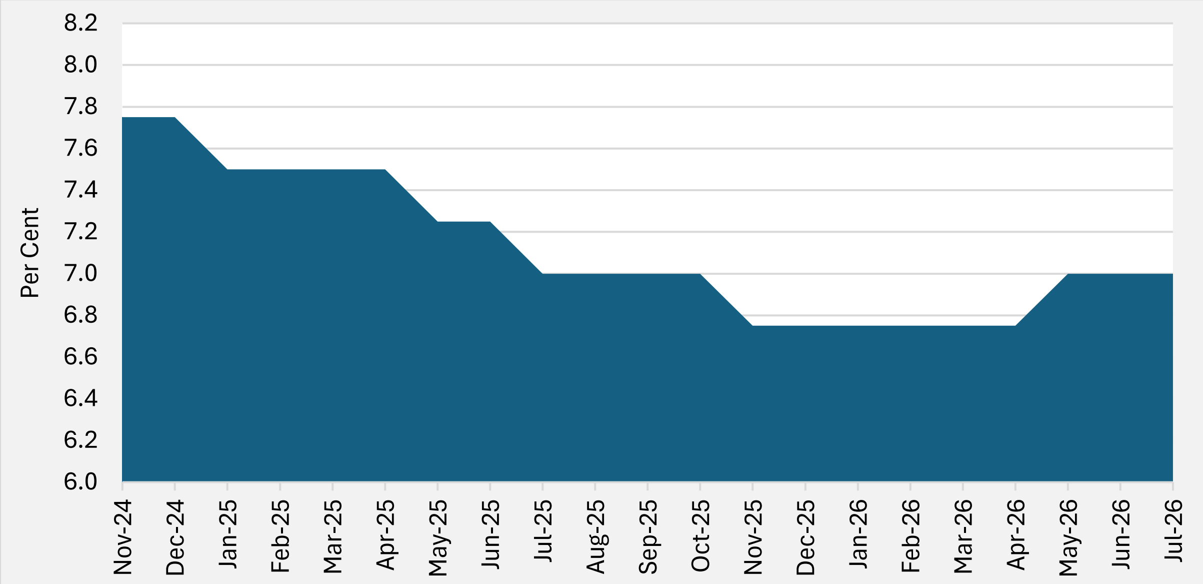


Source: Stats SA

The inflation burden also differs significantly across income groups. Stats SA's expenditure decile data shows that higher-expenditure households experienced stronger inflationary pressures in July 2026, with inflation in the highest expenditure decile reaching 4.6 per cent, compared with 2.8 per cent in the lowest expenditure decile. However, the lower measured inflation rate among households in the lowest expenditure decile does not necessarily imply lower cost-of-living pressures. Lower-income households have significantly less disposable income and more limited financial buffers to absorb increases in essential expenditure. As a result, even relatively moderate increases in transport, electricity, food, and municipal service costs can place considerable pressure on household welfare and reduce resources available for mobility, education, skills development, and participation in economic opportunities.

At the same time, slower economic growth and continued economic uncertainty are expected to place further pressure on household finances. Higher living costs can constrain disposable income and weaken household consumption, particularly where households have limited financial buffers. In response to inflationary pressures, the South African Reserve Bank raised the policy rate by 25 basis points to 7.0 per cent in May 2026. Subsequently, it maintained it at 7.0 per cent at its July 2026 Monetary Policy Committee meeting. Higher interest rates can increase borrowing costs and place additional pressure on households with debt obligations, while also potentially constraining consumption and investment. For young people, these conditions may further limit financial flexibility and the capacity to allocate income towards education, skills development and other pathways into economic participation.

Figure 20: SARB Repurchase/Policy Rate



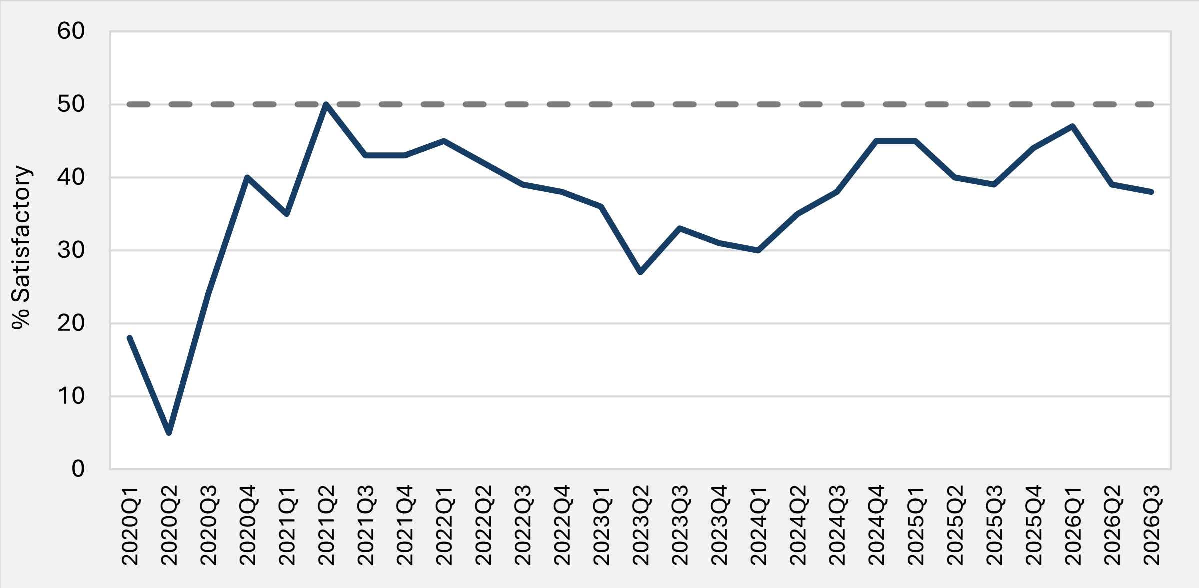
Source: SARB

Overall, the latest inflation trends indicate that cost-of-living pressures remain a significant socio-economic challenge for young South Africans, despite the recent moderation in headline inflation. Consumer inflation fell to 4.3 per cent in July 2026, after accelerating in the first half of the year. However, continued increases in essential household expenses, including transport, electricity and other utilities, mean households continue to face pressure on their purchasing power. For young people, particularly those experiencing unemployment, income insecurity or limited earnings, these pressures can further constrain disposable income and reduce their ability to save, pursue education and skills development, and participate in economic opportunities. With youth unemployment remaining elevated, weak labour market outcomes and persistent cost-of-living pressures continue to increase young people's financial vulnerability and may reinforce existing socio-economic inequalities.

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

Business confidence remained subdued during the third quarter of 2026, reflecting continued uncertainty in the domestic and global economic environment. According to the latest RMB/BER Business Confidence Index (BCI), confidence declined by a further 1 point to 38 in Q3 2026, following the sharp 8-point decline recorded in the second quarter. The latest reading indicates that business sentiment has stabilised somewhat, but it has not yet regained the improvement recorded in the first quarter. With the BCI remaining below the neutral level of 50 and two points below its long-term average, businesses continue to operate with a relatively cautious outlook.

Figure 21: RMB/BER Business Confidence Index (BCI)



Source: RMB/BER

The current data outcome suggests that the effects of the global energy shock and heightened geopolitical uncertainty continue to weigh on business sentiment. The relatively limited movement in the BCI indicates that the sharp deterioration in Q2 has largely stabilised, rather than translating into a further substantial decline in confidence. Nevertheless, continued uncertainty around energy prices, inflation, financing conditions, and the broader economic outlook is likely to keep firms cautious about expansion and investment decisions.

Weakness in business confidence was broad-based across most sectors, with four of the five sub-indices declining during the quarter. New-vehicle dealers recorded the sharpest deterioration, with confidence falling 11 points to 38 as inventories increased relative to demand. Although new-vehicle sales showed some resilience, weaker second-hand vehicle sales largely offset it. The deterioration in vehicle dealer confidence matters for youth employment, as the sector supports jobs across sales, customer service, administration, logistics, and related activities, many of which offer potential entry points into the labour market for young people.

Manufacturing confidence also weakened significantly, declining from 31 to 27 during the quarter. The deterioration reflects continued weakness in domestic demand, softer export conditions, and declining capacity utilisation, pointing to persistent spare capacity in the sector. Weak manufacturing activity is a concern for employment creation because the sector has important linkages with transport, logistics, wholesale, business services and other productive activities. Prolonged spare capacity may therefore limit firms' incentives to expand production and invest in additional labour, constraining the creation of new employment opportunities.

Continued weakness in domestic demand presents a further challenge for sectors highly dependent on household consumption. Businesses facing subdued demand may respond by reducing operating costs, postponing expansion plans and limiting new recruitment. This is particularly relevant for young job seekers, as consumer-facing sectors such as retail, wholesale, hospitality, transport and related services provide many entry-level and lower-experience employment opportunities.

The deterioration in business confidence also affects private-sector investment. When firms remain uncertain about future demand and operating conditions, they are more likely to delay investment decisions until the economic outlook is clearer. Lower investment can, in turn, constrain the expansion of productive capacity and reduce the pace at which new employment opportunities are generated. This is particularly concerning in an economy where creating sufficient jobs remains a major structural challenge.

The subdued business environment matters for employment, given the relationship between business activity, investment, and labour demand. When firms face uncertainty regarding future demand and operating costs, they may postpone expansion plans, defer investment and adopt a more cautious approach to recruitment. These effects can be particularly significant for young people, who are more likely to seek entry-level positions and build their initial attachment to the labour market.

Provincial trends continued to reveal uneven business conditions across the country. Business confidence in Gauteng improved by 4 points to 30, while confidence in KwaZulu-Natal remained unchanged at 40. In contrast, confidence in the Western Cape declined by 9 points to 46, although it remained the strongest among the three major provinces. These regional differences have important implications for youth employment opportunities, as provinces with stronger business confidence are generally better positioned to attract private-sector investment, support enterprise expansion and generate employment opportunities. In contrast, persistently weak business sentiment may constrain hiring and investment growth.

Persistent subdued business confidence is likely to have broader implications for employment creation over the medium term. Although confidence declined only marginally during the third quarter, the RMB/BER Business Confidence Index remained at 38, indicating that businesses continue to operate below levels associated with a strong expansionary environment. When firms face weak domestic demand and uncertainty about future economic conditions, they are more likely to delay investment decisions, moderate expansion plans and exercise greater caution in hiring. Young people may be particularly affected by these conditions, given their greater reliance on entry-level opportunities and their relatively limited labour-market experience.

At the same time, faltering domestic demand is putting additional pressure on businesses, particularly those in sectors highly dependent on household consumption. Weak demand can constrain business revenues and reduce firms' incentive to expand capacity or increase their workforce. This could limit employment opportunities for young job seekers, particularly in consumer-facing sectors such as retail, wholesale, hospitality, transport and related services. While the Q3 retail confidence index improved by 9 points to 40, returning to its long-term average, the broader business confidence environment remains subdued, suggesting that the improvement in individual sectors has not yet translated into a broad-based strengthening of business conditions.

Despite the decline, the business confidence environment points to stabilisation at a subdued level rather than a broad-based improvement in business conditions. Youth employment remains a concern, given the exceptionally high youth unemployment rate and the limited capacity of weak business investment and expansion to generate sufficient new jobs. Sustained improvements in youth economic opportunities will therefore depend on stronger domestic demand, improved infrastructure performance, greater policy certainty and increased private-sector investment. Strengthening these conditions will be critical to enabling businesses to expand productive capacity and, in turn, increase their demand for labour and create more sustainable economic opportunities for young South Africans.

8. Conclusion: Outlook and Implications for the NYDA

The second-quarter data points to a challenging and increasingly complex economic environment for young South Africans. The global economy is navigating a period of divergent growth, shaped by the competing forces of geopolitical conflict and rapid technological change. At the same time, South Africa's own recovery lost momentum in the second quarter of 2026, slipping into contraction after six consecutive quarters of positive growth. Persistently weak investment, subdued business confidence and elevated cost-of-living pressures continue to constrain the pace and inclusiveness of economic growth, limiting the economy's capacity to absorb the large and growing number of young people entering the labour market each year.

Against this backdrop, youth unemployment remains one of South Africa's most pressing structural challenges. The youth unemployment rate rose to 47.4 per cent in the second quarter of 2026, meaning almost one in every two young people participating in the labour market cannot find work, while more than a third of young people aged 15 to 24 remain not in employment, education or training. These outcomes are further compounded by persistent gender, racial, provincial and educational disparities in labour market outcomes, underscoring that youth exclusion in South Africa is deeply structural rather than cyclical, and will not be resolved by economic growth alone.

At the same time, sustained employment gains in trade and construction, continued growth in informal-sector employment, and the accelerating global technology and AI investment cycle all point to potential pathways into economic participation for young people. Realising these opportunities will, however, require coordinated interventions to address the structural constraints, including weak public investment, high market concentration, limited MSME participation, and uneven access to finance, skills and markets.

For the NYDA, these findings underscore the urgency of its mandate and the need for evidence-based, targeted interventions that respond directly to the realities young South Africans face. Addressing youth unemployment will require sustained support for entrepreneurship development and improved access to finance for youth-owned enterprises, particularly given the continued dominance of large, established firms and the limited participation of MSMEs in the broader economy; strengthened skills development and labour market activation programmes that improve the transition of young people, especially those without tertiary qualifications, into sustainable employment; continued support for young people navigating the informal economy, to help build pathways towards more secure and productive forms of work; and robust research and policy advocacy to ensure that the structural nature of youth unemployment remains firmly on the national policy agenda, informing government's investment, industrial and labour market policy choices.

Box 2: Unlocking the Potential of South Africa's Township and Rural Economies

The Competition Commission's latest Rural and Township Economy Project Research Report provides new evidence on the barriers limiting the growth of businesses in South Africa's townships and rural towns. Drawing on dedicated business and consumer surveys, the report finds that these local economies remain dominated by independent, informal, micro and small enterprises, many owned by historically disadvantaged individuals. Yet these businesses operate in environments shaped by low household incomes, high unemployment, spatial exclusion and limited links to mainstream markets.

Weak local demand is particularly important. The survey found that 53 per cent of respondents in rural towns, 47 per cent in large townships and 39 per cent in metropolitan townships reported monthly household incomes below R3 500. Low incomes restrict consumer spending and affect the scale and growth prospects of local businesses.

The report identifies two major market barriers: procurement and market access. Smaller independent and informal businesses tend to rely on smaller suppliers and intermediaries, leaving them with weaker bargaining power than national chains and franchises. This often translates into higher input costs, less reliable supply and a reduced ability to compete on price and product range.

Access to larger markets presents another constraint. Many smaller enterprises want to enter malls, shopping centres and other formal retail spaces but face high rental costs, exclusivity arrangements, preference for established brands and limited information on how to enter these markets. Digital markets also remain difficult to access. Lack of registration, infrastructure and business capability prevents many smaller firms from supplying larger buyers or selling online.

Red tape compounds these challenges. Permits, licences, zoning rules, municipal by-laws and other compliance requirements impose costs that fall disproportionately on smaller and less formal businesses. The report finds that these barriers can delay entry, discourage investment and expansion, restrict access to finance and reinforce informality.

For youth development, the findings point to an important shift in how entrepreneurship support is understood. Supporting young people to start businesses is only one part of the challenge. Young entrepreneurs also need affordable supply channels, access to formal retail and digital markets, suitable trading infrastructure and a regulatory environment that supports formalisation and growth. The report therefore strengthens the case for linking youth enterprise support to wider reforms that open markets, reduce unnecessary regulatory burdens and improve the ability of township and rural enterprises to participate in established value chains. This is particularly important if entrepreneurship is expected to contribute meaningfully to employment creation and inclusive growth.