

PRODUCTIVITY STATISTICS

DECEMBER 2025



productivitysa  **KAIZEN**
Inspiring a Competitive South Africa



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Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

The background is a solid blue color with a complex, abstract pattern of overlapping, translucent geometric shapes, primarily triangles and polygons, creating a sense of depth and movement. A faint, light blue silhouette of the map of South Africa is visible in the lower-left quadrant, partially obscured by the geometric patterns.

“Labour and Capital productivity improved, while Multifactor productivity experienced a decline, highlighting ongoing structural weakness in South Africa’s productivity performance”

Productivity Statistics

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Summary



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EXECUTIVE SUMMARY

Looking forward, productivity growth will be shaped by both ongoing challenges and transformative opportunities. On the one hand, geopolitical tensions and economic uncertainty appear likely to reduce investment as firms delay or scale back investments, leading to slower technological innovation and adoption and decreased overall efficiency in production processes. On the other hand, new advances in Artificial Intelligence (AI), particularly Generative AI, could offer promising avenues for boosting innovation and driving future productivity growth. Yet, the potential productivity gains from AI come with notable challenges. Widespread adoption of AI will require new skillsets, placing pressure on both workers and employers to adapt.

TECHNICAL NOTES

This report from Productivity SA provides key productivity indicators for the private sector in South Africa (thus excluding the Government and Personal and Social Services sectors). It is based on official survey sources compiled by Statistics South Africa (national accounts statistics and labour force surveys) and from complementary data from the South African Reserve Bank. All data is calculated in constant, real terms for the total economy the main industries organised according to Statistics South Africa's Standard Industrial Classification (SIC) of all Economic Activities (2013). The methodology used in the calculation of the indices is in line with UN, OECD and ILO guidelines.

1. Labour, capital and multifactor productivity: recent trends

Real GDP growth in 2024 stood at 0.3%, prolonging the subdued growth level of 2023. A deep recession (-7.4%) had been registered earlier in 2020 in the context of the COVID-19 pandemic, and a growth recovery in 2021 and 2022. Labour and Capital productivity increased in 2024, while multifactor productivity recorded a negative growth, inverting their performance during 2021 and 2022.. Labour and capital inputs decelerated in 2024 after increases in 2021 and 2022, and as a result, the capital-labour ratio decreased in 2024. The indicator also recorded negative growth in 2020 and 2021.

Figure 1. Labour, capital and multifactor productivity, 2020-2024, annual percentage change

Annual percentage change

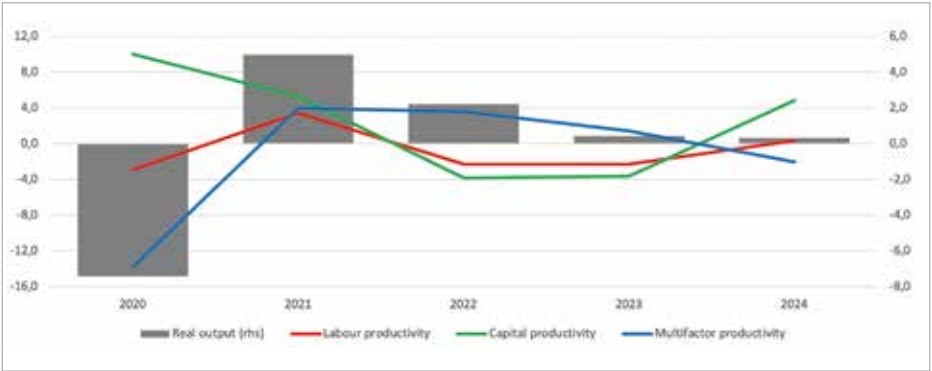
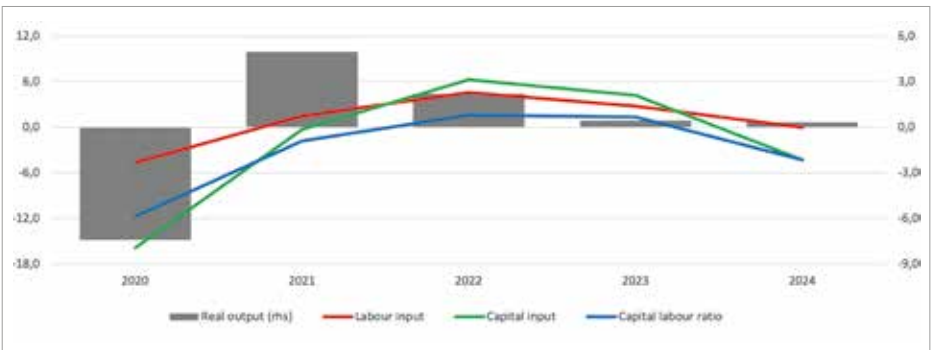


Figure 2. Production Input indicators 2020-2024. Annual percentage change

Annual percentage change

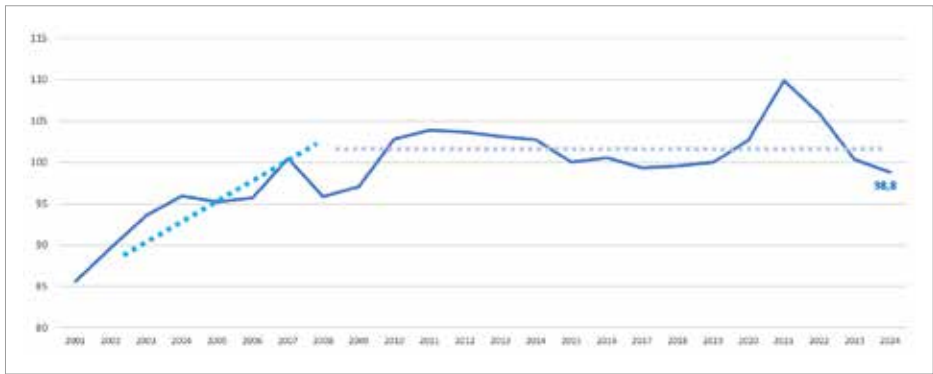


2. Aggregate labour productivity trends, 2001-2024

Labour productivity (LP) is the most broadly used measure internationally for an economy's productivity and economic transformation: GDP and incomes per capita increase when a country produces more output per worker¹.

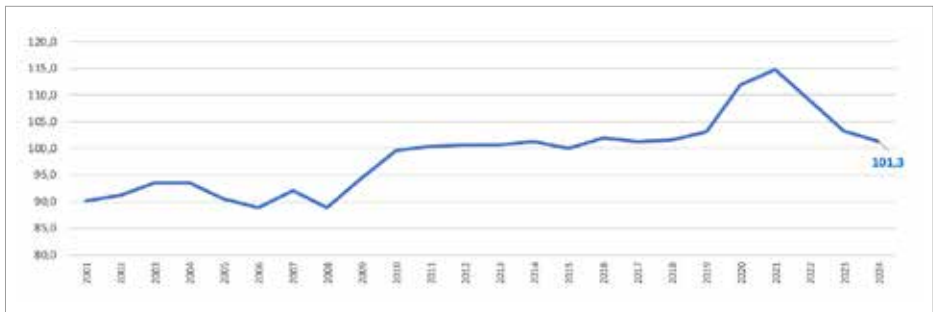
South Africa had achieved strong labour productivity growth from 2001 to 2007, with an average annual rate of 2,70% (fig. 3). Since then South Africa entered a long period of stagnating productivity. The annual growth rate of labour productivity averaged 0,19% from 2001 to 2024, much lower than the average for upper middle-income countries (of approximately 5.0% according to ILO estimates). Since 2010 South Africa's average annual labour productivity rate has even turned negative at -0.29%. In 2024 labour productivity stood at just under R250'000 per worker, R10'000 per worker below its level of 2010 (see fig. 8 for labour productivity expressed in rands per worker).

Figure 3. Labour productivity (index: 2015 = 100)



The spike in productivity over the COVID-19 pandemic is related to a temporary change in the composition of the economy, as seen in many other countries, as lower-productivity activities have been more impacted. The same annotation applies to the trend of capital-labour ratio over the 2020-22 period (fig.4). The capital intensity of the economy which had increased significantly (by 10 points) from 2000 to 2010 then entered a long period of stagnation since 2010 (see notes in annex for more sectoral detail).

Fig 4. Capital/labour ratio (index: 2015=100)

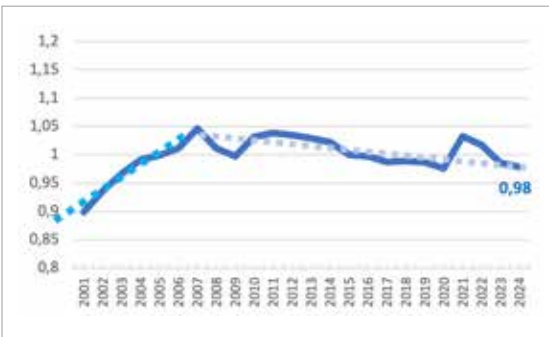


1 LP is measured as the ratio of economic output (in the context of this report, real gross value added at basic prices), to the number of persons employed or number of hours they work.

3. Aggregate multifactor productivity trends and quality-adjusted labour inputs

Multifactor productivity (MFP, also commonly known as Total-Factor Productivity or TFP) is the second most commonly used measure of economic efficiency and performance. The standard calculation formula for MFP includes measures of labour and capital inputs into economic growth, identifying MFP as a residual. MFP is commonly interpreted as technological, knowledge and other ‘pure efficiency’ gains, as distinct from physical and human capital accumulation². Mirroring LP trends, MFP increased significantly from 2001 to 2007. Since then MFP witnessed a long period of decline (Figure 5), suggesting that the overall efficiency of the South African economy is deteriorating. The level of MFP in 2024 stands 7 percentage points lower than at its peak in 2007.

Figure 3. Labour productivity (index: 2015 = 100)



The standard computation of MFP only takes into account the quantity of labour inputs – the number of employed persons or how many hours they work; but jobs and the workforce change over time – the educational attainment of employed persons and the industries and occupations they work in, whether in the formal or the informal sectors. The quality-adjusted measure of labour inputs and MFP in figure 6 allows to capture these changes, providing a more accurate depiction of contributions to growth taking into account economic and labour force transformations. Since 2011, the contribution of the quality of labour to economic growth has been negative overall: while secondary and tertiary educational attainment have progressed considerably, workers have not been able to contribute with their higher skills to economic growth, and the quality of jobs has been declining. The quality-adjusted measure of MFP’s contribution is significantly negative at an annual average of -0.30%.

Figure 3. Labour productivity (index: 2015 = 100)

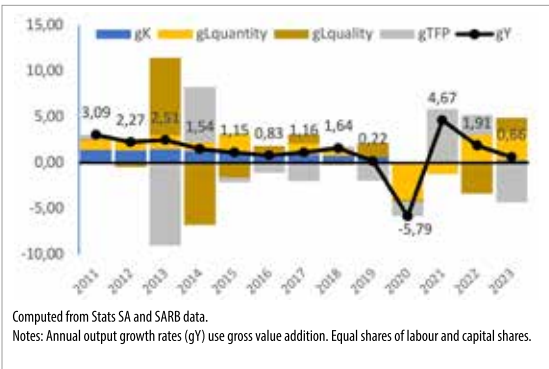


Table 1. Contribution to annual average growth (2011-2023) (%)

Annual average growth (Y)	1.29
Capital	1.81
Labour: quantity	1.50
Labour: quality	-0.09
Residual MFP	-0.30

Computed from Stats SA and SARB data. The capital share is here estimated at 0.44 and the labour share at 0.56, see Notes for details.

4. Sectoral productivity and employment trends

A sectoral disaggregation of labour productivity and employment trends indicates a strong negative drift across industries (fig. 7). Since 2010, manufacturing has been the only industry that has gained in productivity, but it has also been losing jobs. Job creation occurred on the other hand in sectors where productivity has been eroding.

Taking a longer perspective since the year 2000 (fig.8) three industries recorded a positive average annual growth rate in productivity namely agriculture (3.7%), manufacturing (2.0%) and trade (1.4%). The transport sector maintained a flat growth trend, while mining, construction, utilities and business services display significant declines in productivity.

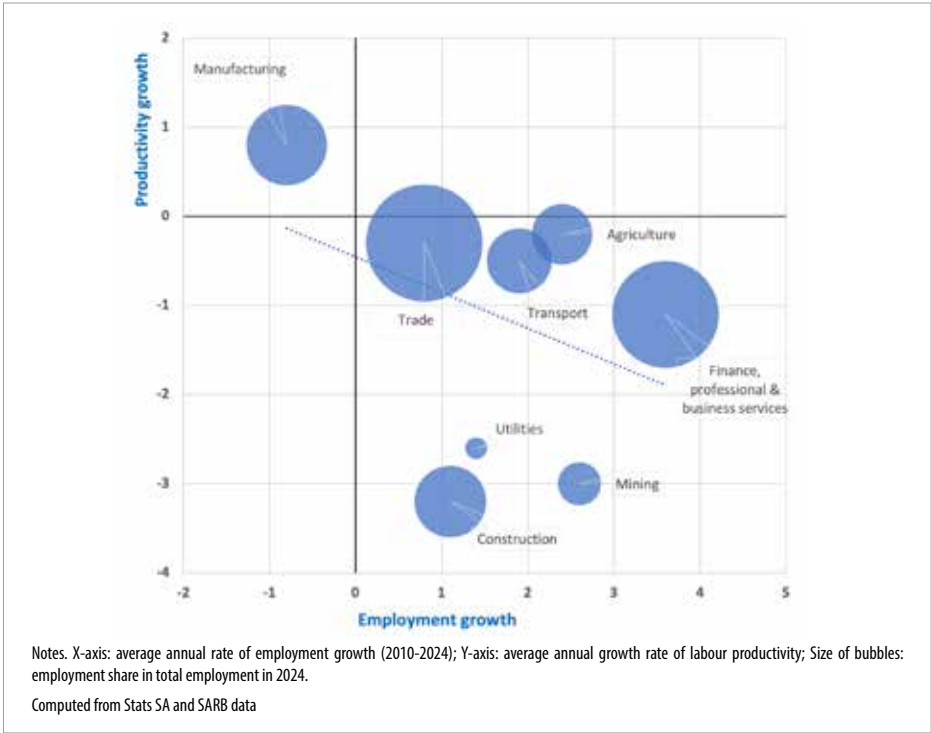
Table 2. Productivity and employment growth (2010-2024) (%)

	Annual avg growth LP	Annual avg growth Empl.	Share in tot. empl. (2024)
Agriculture	-0,2	2,4	7,7
Mining	-3,0	2,6	5,5
Manufacturing	0,8	-0,8	20,4
Utilities	-2,6	1,4	30,0
Construction	-3,2	1,1	9,7
Trade	-0,3	0,8	6,3
Transport	-0,5	1,9	17,0
Finance, real estate, prof. and bus. services	-1,1	3,6	2,8

Note: the sectoral shares in total employment do not add up to 100 as the Government and the Personal and Social Services sectors are omitted.

Computed from Stats SA and SARB data.

Fig. 7. Productivity and employment growth by industry (2010-2024)



The distribution of employment in South Africa follows broadly the pattern of a higher-middle income economy (fig.9), with relatively low employment shares in low productivity agriculture and construction activities, and higher rates of employment in mid-productivity sectors, from trade to manufacturing and business services. However as seen above, since the turn of the 2000s employment has been eroding in manufacturing and productivity in services.

Figure 9. Employment share (left axis, %) and labour productivity (rands per worker, right) by sector (2024).

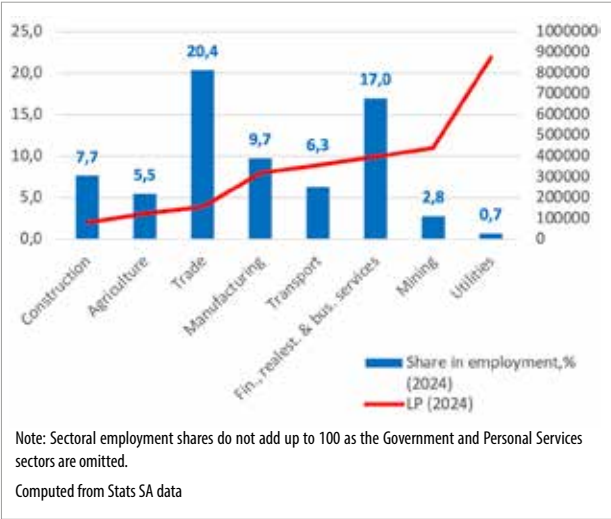
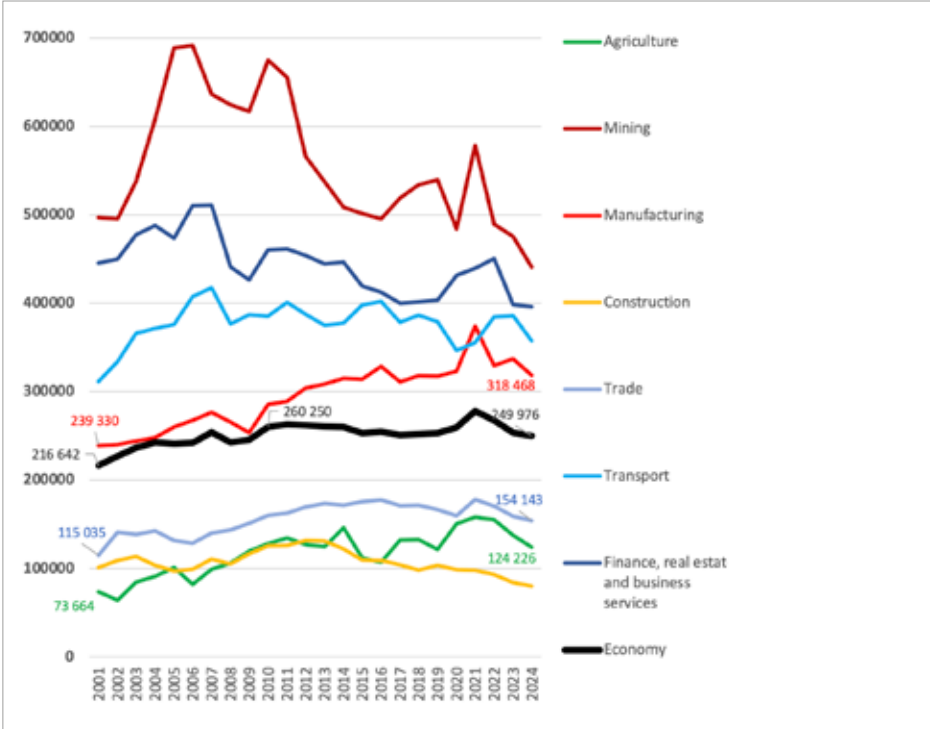


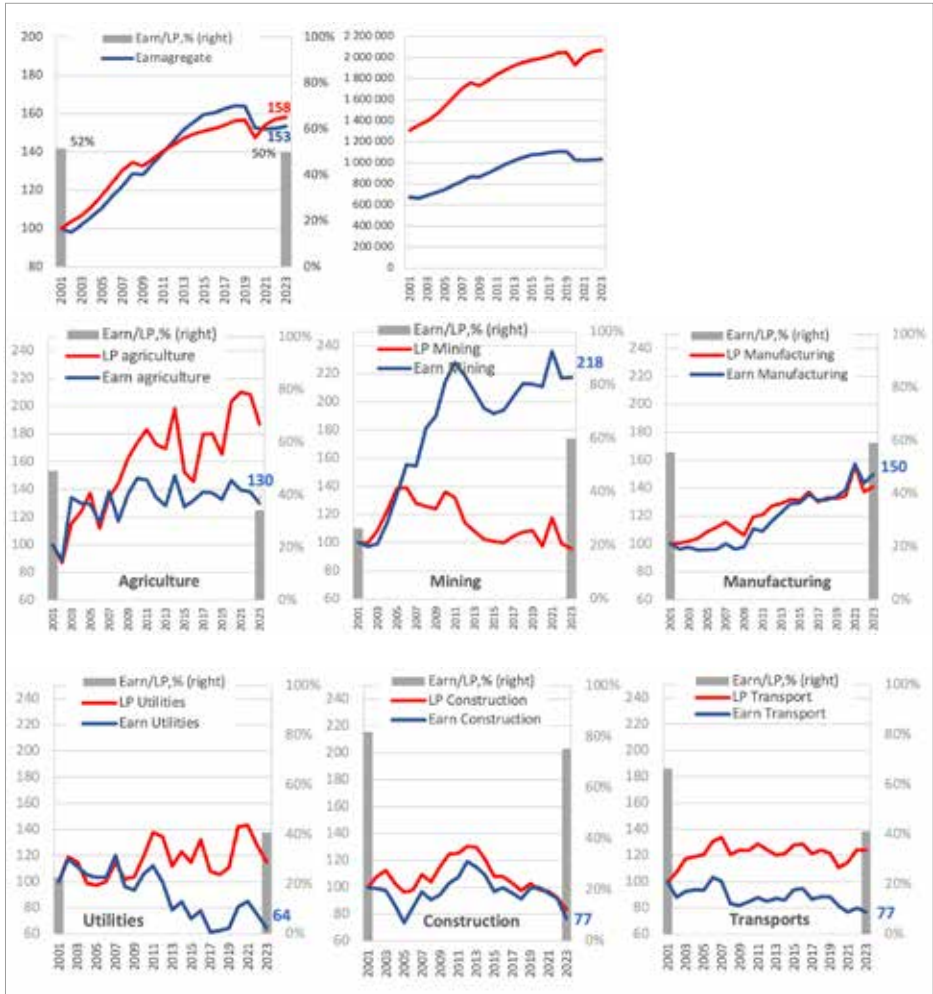
Figure 8. Labour productivity level by industry, 2001-2024 (rands per worker)



5. Productivity, earnings and the labour share

Overall the evolution of labour earnings has matched the evolution of labour productivity³ over the entire period of observation (fig. 10 and 11). Earnings had been growing slightly faster than productivity in the years preceding the COVID-19 pandemic. Following the pandemic productivity recovered more rapidly than earnings. Real labour earnings stood 5 points below the level of productivity in 2023. These trends occur in an economy where earnings from labour represent only 50% of the economic output, decreasing slightly from 52% in 2001, a low level by international comparison.

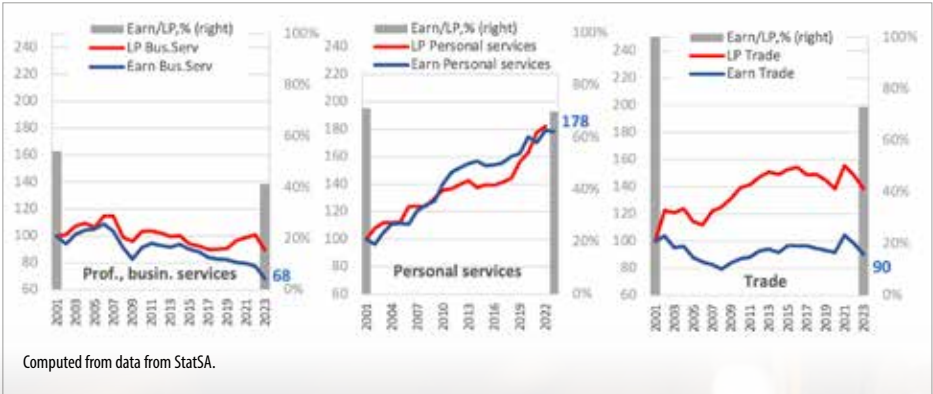
Figures 12a to 12j: Labour productivity and labour earnings by sector, 2001-2023



3 Labour earnings include wages and other compensations of wage workers as well as the part of the earnings of the self-employed that may be attributed to their labour. For the purpose of this report the labour earnings of the self-employed is equated to the earnings of wage workers in each economic sector. This represents a 'high estimation' as the self-employed include a higher proportion of informal and precarious employment where incomes are lower than in the more formal wage-employment sector.

There are considerable differences in wage growth and in its relation to productivity across sectors (figures 12a to 12j). Since 2001 earnings have increased in mining (+118%), manufacturing (+50%), personal services (+78%) and in agriculture (+30%). Earnings have grown in line with productivity in the manufacturing and in personal services sectors; productivity has instead outpaced earnings in agriculture, and in mining earnings have grown substantially faster.

All other sectors have recorded a reduction in real average earnings: -26% in utilities, -22% in professional and business services and finance, -23% in transports and construction and -10% in trade. The contraction in real earnings in trade, transport and utilities has occurred while productivity has increased.



6. PRODUCTIVITY STATISTICS REPORT

Productivity SA generates the Productivity Statistics Report, which is an annual statistical publication of productivity trends and is designed as a reference document for everyone interested in the economic sector and industry productivity trends. The annual productivity measurement initiative is in accordance with the strategic objectives of its key stakeholders, which include: Government, Business and Labour. The detailed productivity measurement report also highlights the overall impact of productivity changes on sustainability and competitiveness of companies within all the economic sectors of South Africa.

7. PRODUCTIVITY STATISTICS METHODOLOGY

Productivity SA collects data from official sources, namely, Statistics South Africa and the South African Reserve Bank. The productivity indices are then calculated using the data. These indices comprise Capital labour ratio, Labour productivity, Capital productivity, Multifactor productivity, Compensation per employee as well as Unit labour cost. The indices are calculated for the total economy, the 3 main sectors of the economy, the 10 main industries as well as the 8 selected manufacturing sub sectors organised according to the Statistics South Africa's Standard Industrial Classification (SIC) of all Economic Activities (2013). The methodology used in the calculation of the indices is in line with that recommended by the Organisation for Economic Cooperation and Development's (OECD) Manual: Measuring Productivity (2017).

8. PRODUCTIVITY SA

Productivity SA is established in terms of section 31 of the Employment Services Act, No. 4 of 2014 as a public entity of the Department of Employment and Labour. As a schedule 3A Public Entity, Productivity SA carries the responsibility to fulfil an economic or social mandate of government, which is to promote employment growth and productivity thereby contributing to South Africa's socio-economic development and competitiveness.

Vision: to lead and inspire a productive and competitive South Africa.

Mission: to improve productivity by diagnosing, advising, implementing, monitoring and evaluating solutions aimed at improving South Africa's sustainable growth, development and employment through increased competitiveness.

Overall Goal: to contribute to South Africa's achievement of a productive high-income economy which is globally competitive, with sustainable growth, full and productive employment and decent work for all.



HOW THE REPORT IS COMPILED

Multifactor productivity (MFP), growth accounting and the labour income share

MFP is the ratio of an output to an aggregate input that reflects both labor and capital geometrically weighted by the elasticity of output with respect to each input. The growth accounting technique presumes that the economy operates competitively and that production factors are utilised up to the point that their marginal revenue is equal to the price paid for their use, with constant returns to scale. The growth rate of MFP is computed as a residual after deducing from the growth rate of gross value added (denoted gY) what is due to the growth of capital (gK) and the growth of labour (gL), as follows:

$$gMFP1 = gY - (1-\alpha)*gK - \alpha*gL \qquad \text{Equ. 1}$$

where gMFP1 is the growth rate of the MFP1 and the parameter α is the labour share in total income.

In this exercise, we use a labour share of 50% (i.e. α=0,5) as per the analysis conducted from Stats SA data for the period 1994-2022. A computation of labour shares by sector is also provided.

Table 3. Average labor income shares over the period 1994-2022 (%)

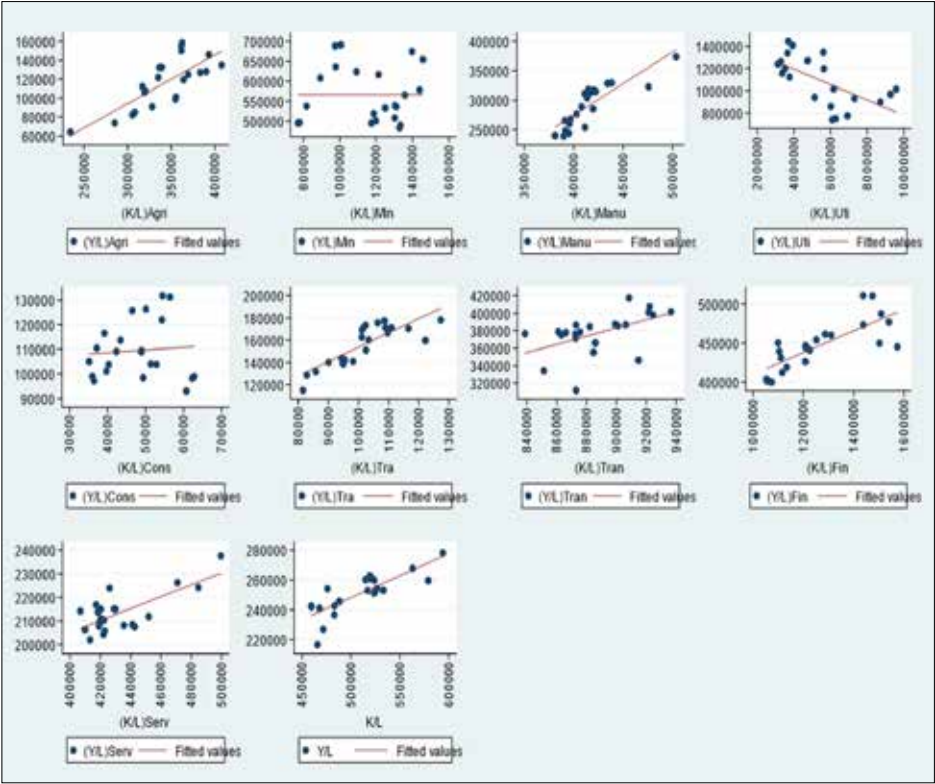
	Wage-earners income share	Adjusted labour income share (wage and labour self-employed income)
Economy	51,8	56
General government and personal services	76,7	77
Construction	60,4	65
Trade, catering and accommodation	51,6	56
Transport, storage and communication	43,4	50
Manufacturing	42,1	45
Agriculture, forestry and fishing	37,3	43
Electricity, gas and water	42,9	43
Mining and quarrying	39,9	40
Finance, real estate and business services	40,5	40

Data from Statistics South Africa (Stats SA)

Labour productivity and capital intensity

Expectedly, labour productivity and the capital-labour ratio are linked positively and significantly (figure 20). The strength of this relationship is high in agriculture, manufacturing, finance, trade, and in social and personal services and low in mining, transport and construction. In the most capitalistic sectors of the economy, such as utilities, the correlation between productivity and capital-labour ratio is negative.

Figure 13. Labour productivity (Y-axis) and the capital-output ratio (x-axis)



Source: Elaborated using data from Stats SA and SARB

NOTES

[illegible]





DISCLAIMER

Productivity SA collects data from two official sources, namely Statistics South Africa and the South African Reserve Bank. The collected data is then used to calculate the Productivity indices that include Capital labour ratio, Capital productivity, Labour productivity, Multifactor productivity, Compensation per employee as well as Unit labour cost. The analysis contained in the Productivity Statistics report is compiled by Productivity SA staff at the time of publication. Every effort is made to ensure timeliness, accuracy and completeness of the statistics.



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