



**Western Cape
Government**

Provincial Treasury



Provincial Economic Review & Outlook 2020

**Western Cape Government
Provincial Treasury**

**Provincial Economic Review and
Outlook
2020**

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Foreword

The 2020 Provincial Economic Review and Outlook (PERO) provides critical economic intelligence on the economy of the Western Cape at a time of exceptional challenges. The 2020 PERO is published together with its companion publication, the Municipal Economic Review and Outlook (MERO), which further disaggregates economic data to a district and local government level. These publications together inform responsive and data-led policy, planning and budgeting in the Western Cape.

When South Africa entered national lockdown on 27 March 2020, the country was already in a recession and faced severe economic disruptions resulting from structural economic weaknesses, most notably in energy supply, and significant policy uncertainties. The extraordinary economic challenges and socio-economic implications of COVID-19, demands that we focus on the facts in determining the appropriate approach to economic recovery and growth. It is therefore appropriate that the theme of the 2020 PERO is “Resilience in a Post COVID-19 Environment”, collectively building on our economic strengths and tackling our weaknesses.

Our objective is to make sure that the Western Cape keeps on moving forward and enables residents of the Western Cape to live dignified lives, by creating jobs, building safer communities and strengthening overall social well-being. The 2020 PERO and MERO will therefore directly inform the development of our recovery plan which will support this government’s continuous efforts to drive responsive and impactful service delivery in the Western Cape.

My sincere appreciation is expressed to the Provincial Treasury for ensuring that the PERO continues to be a publication of exceptional quality. Thank you also to the officials from other provincial government departments and our research partners for their valuable contributions.

A handwritten signature in black ink, appearing to read 'Maynier', with a stylized initial 'M'.

Mr David Maynier
Minister of Finance and Economic Opportunities
20 October 2020

Data Disclaimer

The data provided in this publication is provided in good faith, and every reasonable effort has been made to ensure that it is correct and up to date. The publication made use of the most recent published economic data utilising sources such as the South African Reserve Bank (SARB) and Statistics SA. At the time of publication, the most recent economic forecast data was published by SARB in September 2020. The most recently published national economic data is for Quarter 2 of 2020, published by Statistics SA in September 2020. This was used to inform the provincial GDP forecast for 2020 and 2021. Published economic data on a regional level is only available up to 2018 (Statistics SA). However, estimates for 2019 are also provided in this publication.

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Acronyms

| | |
|----------|---|
| 4IR | Fourth Industrial Revolution |
| AAGR | AAGR Average Annual Growth Rate |
| ACI | Afrimat Construction Index |
| AfCTA | African Continental Free Trade Area |
| AIDS | Acquired Immune Deficiency Syndrome |
| ASEZ | Atlantis Special Economic Zone |
| BCI | Business Confidence In |
| BER | Bureau for Economic Research |
| BPO | Business Process Outsourcing |
| COVID-19 | Coronavirus Disease 2019 |
| CPI | Consumer Price Index |
| CRAM | Coronavirus Rapid Mobile Survey |
| CSIR | Council for Scientific and Industrial Research |
| CSP | Community, Social and Personal Services |
| DAFF | Department of Agriculture, Forestry and Fisheries |
| DEDAT | Department of Economic Development and Tourism |
| DHS | Demographic and Health Survey |
| ECB | European Central Bank |
| EPWP | Expanded Public Works Programme |
| EU | European Union |
| FDI | Federal Reserve Bank |
| FDI | Foreign Direct Investment |
| FTE | Full-time Equivalent |
| GDP | Gross Domestic Product |
| GDP | Regional Gross Domestic Product |
| GFCF | Gross Fixed Capital Formation |
| GVA | Gross Value Added |
| HDI | Human Development Index |
| HIV | Human Immunodeficiency Virus |
| ICT | Information Communications Technology |
| IDF | International Diabetes Federation |
| ILO | International Labour Organisation |
| IMF | International Monetary Fund |
| IMR | Infant Mortality Rate |
| IPP | Independent Power Producers |
| KZN | KwaZulu Natal |
| LE | Life expectancy |
| LFPR | Labour Force Participation Rate |

| | |
|-----------|--|
| MERO | Municipal Economic Review and Outlook |
| NDP | National Development Plan |
| NEET | Not in Education, Employment or Training |
| NIDS-CRAM | National Income Dynamics Study - Coronavirus Rapid Mobile Survey |
| NQF | National Qualification Framework |
| NSC | National Senior Certificate |
| PERO | Provincial Economic Review and Outlook |
| PSP | Provincial Strategic Plan |
| QLFS | Quarterly Labour Force Survey |
| RCTA | Revealed comparative trade advantages |
| RMB/BER | Rand Merchant Bank/Bureau for Economic Research |
| SACENDU | South African Community Epidemiology Network on Drug Use |
| SAMRC | South African Medical Research Council |
| SAPS | South African Police Service |
| SAQA | South Africa Qualification Authority |
| SARB | South African Reserve Bank |
| SMMEs | Small Medium and Micro Enterprises |
| SOE | State Owned Enterprise |
| Stats SA | Statistics South Africa |
| TB | Tuberculosis |
| TFDS | Total Foreign Direct Spend |
| TFR | Total Fertility Rate |
| UIF | Unemployment Insurance Fund |
| UK | United Kingdom |
| UN | United Nations |
| UNDP | United Nations Development Programme |
| US | United States |
| WCED | Western Cape Education Department |
| WCG | Western Cape Government |
| WHO | World Health Organisation |

1

INTRODUCTION AND EXECUTIVE SUMMARY

1.1 Overview

The Western Cape Provincial Economic Review and Outlook (PERO) provides an analysis and overview of key economic trends, priority sectors, labour market dynamics and socio-economic developments. It aims to provide a global, national and provincial perspective of economic statistics, trends and developments. The PERO aggregates economic information to a provincial level and is published annually together with its companion report, the Municipal Economic Review and Outlook (MERO).

The objective of the 2020 PERO is to provide evidence-based economic intelligence to inform budget processes and support policy development and planning for provincial departments and municipalities in the Western Cape. The PERO publication is coordinated by the Provincial Treasury and includes contributions from various Western Cape Government (WCG) departments and partners. The analyses in this publication are based on the latest available data from Statistics South Africa, Quantec Research and other established and reputable sources.

1.2 Introduction

The year 2020 will be remembered as the year of the COVID-19 pandemic and the “Great Lockdown”. In late 2019, China reported the first cases of a new coronavirus in the city of Wuhan in the Hubei province. The virus, initially referred to as the “novel coronavirus”, causing an illness now called “COVID-19” rapidly spread across the globe, forcing responses from nations worldwide and leading to a global recession.

The first major sign of a global economic recession was two months after the first case of coronavirus was confirmed in Wuhan when the stock market crashed on 20 February 2020¹. Later, on 14 April 2020 the International Monetary Fund (IMF) reported that all the G7 nations had already entered or were in the process of entering into a “deep recession” and that there had already been a significant slowdown of growth in emerging and developing economies.

When South Africa entered its national lockdown on 27 March 2020, the country was already in recession. The challenge facing South Africa, is navigating the turbulent waters of unprecedented economic disruption without the luxury of starting from a position of strength. Resilient Growth has never before been more crucial as South Africa and the Western Cape Province rebuilds its economy. It is therefore appropriate that the theme of the 2020 PERO, continues from the 2019 theme of Resilient Growth, towards achieving Resilience in a Post COVID-19 Environment.

1.2.1 Policy environment

The Western Cape Provincial Strategic Plan (PSP) 2019 – 2024, sets out the Western Cape Government’s (WCG) vision, strategic priorities and desired outcomes. The WCG developed a strategic plan to guide service delivery over the 5-year period. The vision of the WCG is “A safe Western Cape where everyone prospers”. The interventions that will realise this vision are outlined in the PSP and are based on the 5 Vision-inspired Priorities which are:

- Safe and Cohesive Communities;
- Growth and Jobs;
- Empowering People;
- Mobility and Spatial Transformation; and
- Innovation and Culture.

The WCG’s medium-term plans are framed in the context of various broader strategic imperatives such as:

- The United Nations Agenda for Sustainable Development focuses on People, Planet, Prosperity, Peace and Partnership. The Agenda recognises the challenge of eradicating poverty and acknowledges it as an indispensable requirement for sustainable development. The agenda, launched in 2015, includes 17 Sustainable Development Goals and 169 associated targets.

¹ The 2020 stock market crash is a global stock market crash that began on 20 February 2020. From 24 to 28 February, stock markets worldwide reported their largest one-week decline since the 2008 financial crisis.

- The Africa Agenda 2063 is a long-term strategic framework for socio-economic transformation in Africa. The agenda outlines 7 “Aspirations for the Africa we want” and sets out to harness the continent’s strengths to develop Africa’s human capital; build social assets, infrastructure and public goods; empower women and youth; promote lasting peace and security; build effective developmental states and participatory and accountable institutions and governance.
- The National Development Plan (NDP) 2030 provides a policy framework and sets clear goals for eradicating poverty and reducing inequality by the end of this decade. The NDP includes objectives spanning a variety of areas, and includes three core priorities that are centred around growth, jobs, education and a developmental state. These core priorities include:
 - Raising employment through faster economic growth;
 - Improving the quality of education, skills, development and innovation; and
 - Building the capability of the state to play a developmental, transformative role.

The South African Government developed the National Economic Reconstruction and Recovery Plan. The objectives of the plan are:

- To create jobs, primarily through aggressive infrastructure investment and mass employment programmes;
- To reindustrialise our economy, focusing on growing small businesses;
- To accelerate economic reforms to unlock investment and growth;
- To fight crime and corruption; and
- To improve the capability of the state.

The WCG is in the process of developing a Western Cape Recovery Plan which will focus on jobs, safety and well-being with the overarching objective of ensuring that the citizens of the Western Cape are enabled to live dignified lives. The three priority areas of the Western Cape Recovery Plan will be framed as follows:

- Jobs: these initiatives will create an enabling environment for job creation, primarily through the private sector, and this in turn will contribute to wellbeing and safety. This will be achieved by removing constraints to doing business, supporting businesses in vulnerable sectors, increasing infrastructure spending, and upscaling public employment programmes.
- Safety: safety is an aspiration. It is the state of being free from crime and violence. Jobs, safety, and a sense of belonging are necessary conditions to well-being. Safety requires a whole-of-society life-course approach. It combines law enforcement and a public health approach to violence prevention. The priority includes a data-led approach to track the problem of crime and violence and monitor change brought by our interventions, the promotion of evidence-based interventions to reduce crime and violence through better policing, social and spatial interventions and a hotspot approach to tailor responses to local challenges.
- Well-being: the promotion of wellbeing involves the protection of fundamental human rights, the progressive realisation of socio-economic rights, and the creation

of a sense of belonging. The priority comprises four focus areas including strengthening foundations specifically in the areas of 1st 1000 days and early childhood development, increasing wellbeing of our residents, meeting basic needs and protecting human rights; and building social cohesion and service in communities.

1.3 Executive summary

1.3.1 Macroeconomic performance and outlook

1.3.1.1 Global economy

Global growth was already slowing prior to COVID-19 due to the effects of the trade war between the United States and China, Brexit-related uncertainty and volatile energy prices. According to the International Monetary Fund (IMF), global growth decelerated from 3.6 per cent in 2018 to 2.9 per cent in 2019. Growth in advanced economies declined from 2.2 per cent in 2018 to 1.7 per cent in 2019, and growth in emerging and developing economies slowed from 4.5 per cent in 2018 to 3.7 per cent in 2019.

The global economy is in a crisis like no other and the extent of economic recovery over the medium term is uncertain. Many countries face a multi-layered crisis comprising a health shock, domestic economic disruptions, plummeting external demand, capital flow reversals, and declines in commodity prices. As the full impact and economic fallout from the pandemic unfolds, the economic outlook is expected to be bleak.

Recovery, on account of economic activity resuming, is expected to gain traction in the second half of 2020, albeit from a low base. The effect on the emerging market and developing economies will be felt the hardest by citizens already suffering from pre-existing high levels of poverty and unemployment. Emerging market and developing economies will also find it harder to recover on account of a narrower tax base and limited fiscal reserves. Many countries also face the threat of a second wave of COVID-19 infections, meaning that the economic shock could be deeper and recovery slower than anticipated.

As such, the IMF forecasts global growth to contract by 4.9 per cent. However, a global rebound of 5.4 per cent is expected in 2021 as economies open and economic activity resumes.

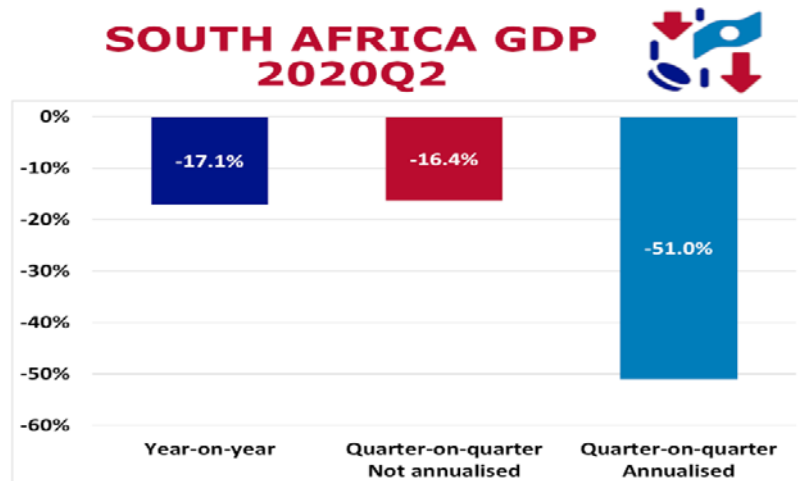
1.3.1.2 South African economy

The South African economy was already experiencing declining economic activity prior to the COVID-19 pandemic. It entered the national lockdown on 27 March 2020 on the back of a third consecutive quarter of economic decline. The national lockdown disrupted economic activity and compounded pre-existing constraints such as slow growth and high unemployment.

As with the global economy, South Africa's economic performance for the first half of 2020 was further constrained by the COVID-19 pandemic and exacerbated by a further sovereign credit rating downgrade by Standard and Poor on 29 April 2020. Business confidence reached an all-time low in the second quarter of 2020.

The South African economy contracted by an unprecedented 51 per cent (quarter-on-quarter, annualised) in the second quarter of 2020. The Tourism sector was especially hard-hit by the COVID-19 pandemic. The much-needed R500 billion relief package announced by the President, helped to ease some of the effects of the national lockdown, but came at the cost of an increased fiscal deficit and debt burden.

According to Quantec research, the already constrained national economy is forecast to contract by 9.8 per cent in 2020, signalling the country's largest economic decline in the last 90 years. Thereafter, the national economy is expected to rebound by 3.3 per cent in 2021.



1.3.1.3 Western Cape economy

The Western Cape economy suffered a significant shock in 2020. Even before the current economic crisis, brought upon by COVID-19 pandemic, the Western Cape, along with the rest of South Africa, struggled economically. In 2018, the Western Cape economy grew by only 0.8 per cent. In 2020, Tourism and restaurants suffered significant losses, while agriculture was the only sector that positively contributed to GDP growth in the 2nd quarter (Stats SA, 2020). These shocks in GDP have important implications for the Western Cape.

In line with global and national economic developments, the Province's economic outlook significantly deteriorated. The Western Cape is expected to grow on average at an annual growth rate of 1.0 per cent between 2020 and 2024, only surpassing the 2019 GDPR levels in 2023.

The Western Cape has an open economy and is therefore vulnerable to external shocks. As a prime global tourism destination and centre of wine production in South Africa, the Western Cape economy is particularly vulnerable to lockdown restrictions pertaining to tourism and alcohol. The restrictions on travel and the prohibition on the distribution and sale of alcohol during the national "hard" lockdown period impacted on the Province's tourism and wine industries and further deteriorated its economic outlook. On a more positive note, the positive agricultural performance in the 2nd quarter 2020 could be a source of resilience for the Western Cape, considering the importance of agriculture as an employment provider and export earner for the Provincial economy.

According to Urban Econ, the Western Cape economy is expected to contract by a significant 6.9 per cent in 2020 and rebound by 3.8 per cent in 2021.

1.3.2 Development of the Western Cape economy

The Western Cape economy has experienced various shifts over the past decade. In addition to the fallout from the COVID-19 Pandemic, the Province also faces a number of exogenous factors that have adversely impacted on economic growth, such as unreliable power supply by Eskom and low national economic growth. Load shedding intensified in 2020 with SARB reporting that South Africa has experienced its worst load-shedding this year, with total gigawatt hours shed surpassing the 2019 record in August 2020.

1.3.2.1 Sectoral overview of economic growth and employment

The Private services sector is the largest in the Western Cape economy, accounting for 64.1 per cent of the Province's Regional Gross Domestic Product (GDPR) in 2018; which testifies to the service-oriented structure of the Western Cape economy.

Between 2015 and 2019, the average annual GDPR growth of the Western Cape declined to 1 per cent from the 2.8 per cent recorded between 2010 and 2014. Between 2015 and 2019 three sectors recorded negative GDPR growth. The sectors include Agriculture, forestry and fishing (-2.5 per cent), 'Other' sector (-1 per cent) and Construction (-0.3 per cent). The negative average growth of Agriculture, forestry and fishing over this period can be attributed to an extended and severe drought which commenced in 2015.

Overall, the Western Cape economy is expected to grow at an average annual growth rate of 1.0 per cent between 2020 and 2024, while the rest of South Africa is expected to grow at an average annual rate of 0.7 per cent. Over the period, Private services is expected to record the highest average annual growth rate at 1.5 per cent, thereby making the largest contribution (79.9 per cent) to Western Cape economic growth.

1.3.2.2 Western Cape sectoral employment

Between 2015 and 2019 the average annual employment growth in the Western Cape was 1.5 per cent. The sectors with the highest average annual employment growth rate for this period were the Agriculture, forestry and fishing (2.3 per cent) and Private services sectors (1.5 per cent).

Between 2020 and 2025, employment in the Western Cape is expected to grow on average at 0.6 per cent per year, substantially less than the 1.5 per cent recorded between 2015 and 2019. The lower projected growth is mainly as a result of the large recession forecasted for 2020 and underlying structural challenges within the national economy.

1.3.2.3 Fixed investment in the Western Cape

Between 2015 and 2019 average annual investment, measured by Gross Fixed Capital Formation² (GFCF), has declined on average with 0.6 per cent in the Western Cape. Over the period GFCF declined in Agriculture, forestry and fishing (-3.7 per cent), General government (-0.4) and 'Other' (-3.7 per cent) sectors.

Between 2020 and 2024 the investment outlook for the Province is more optimistic than the previous five years with an expected average annual GFCF of 1.7 per cent. The sector with the largest expected growth contribution to average annual GFCF of the Province is Private services (120.9 per cent) whereas the 'Other' sector (-30.1 per cent) is projected to have the largest negative contribution over the same period. The contraction in the Sector's GFCF can be attributed to a planned capital expenditure reduction from Eskom due to its fragile financial position.

1.3.3 Western Cape Trade profile

Exports have on average grown by 2.1 per cent, slower than imports which grew by 2.7 per cent over the past decade. This trend is largely due to the severe drought conditions experienced in the Province. Exports from the Western Cape are predominantly agricultural and agri-processed products. The Western Cape has a high revealed comparative trade advantage in the following sub-sectors: Agriculture, forestry and fishing (4.5); Food, beverages and tobacco (3.2); and Textiles, clothing and leather goods (2.4).

Africa as a continent continues to be the greatest destination market for Western Cape exports, accounting for 43.7 per cent of export value from the Western Cape. This is followed by the United Kingdom (13.3 per cent share) and US (13.1 per cent share). Europe received the second largest share of exports, accounting for 33 per cent of exports from the Western Cape in 2019. In terms of individual countries, the majority of exports, in terms of value, was destined for Namibia, accounting for 18.4 per cent of total exports.

Provincial import growth slowed to 2.2 per cent between 2018 and 2019 from 19.5 per cent between 2017 and 2018. This trend is largely due to the decline in oil imports from Saudi Arabia and Angola, which declined by 35.5 per cent and 46.7 per cent respectively. The largest Western Cape importing countries is China (20.2 per cent) followed by Nigeria (19.1 per cent) and Saudi Arabia (16.3 per cent). Over the next five years, exports are expected to grow by 1.9 per cent and imports are expected to grow by 3.6 per cent.

1.3.4 Key priority sectors in the Western Cape

The Agriculture, Agri-processing, Tourism and Construction sectors all play an important role in the Western Cape economy.

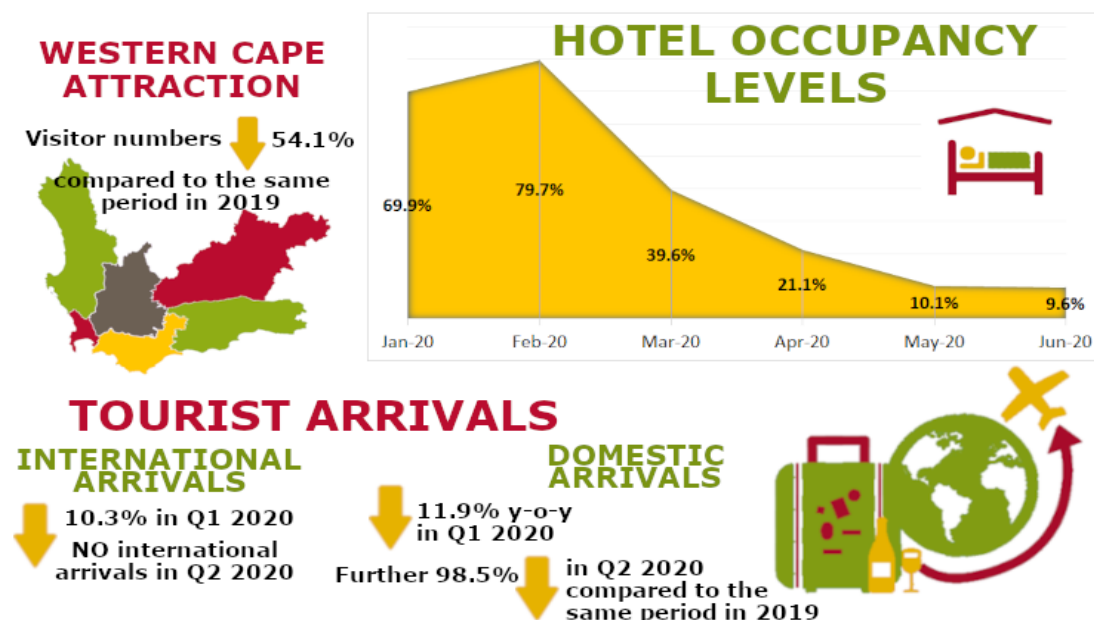
The COVID-19 lockdown measures affected agricultural exports in 2020. Among the worst affected export products included Cuttle fish and squid, frozen, with or without shell (-41 per cent), Cane or beet sugar and chemically pure sucrose (-39 per cent),

² Defined as the acquisition of produced assets (including purchases of second-hand assets), including the production of such assets by producers for their own use, minus disposals.

Cider, perry, mead and other fermented beverages (-35 per cent) and Beer made from malt (-35 per cent).

The ban on international and national travel severely impacted the Tourism industry in the Province. International arrivals through Cape Town International Airport decreased by 10.3 per cent in the first quarter of 2020 while no international arrivals were seen throughout the second quarter of 2020 due to border closures and travel restrictions.

The recent COVID-19 crisis dealt a severe blow to the Construction sector. The recent lockdown meant that almost no construction activity took place in the second quarter of 2020. The economic output of the Construction sector is expected to decrease in 2020 by 17.8 per cent (Urban-Econ, 2020).

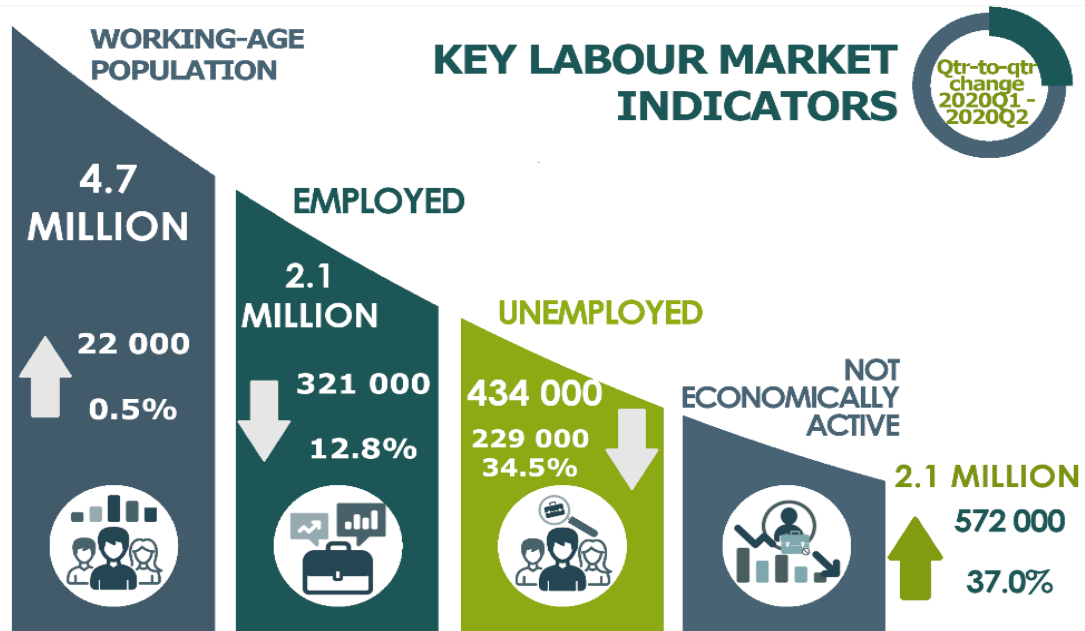


1.3.5 Labour market dynamics

1.3.5.1 Employment in the Western Cape

Unemployment continues to be a central challenge for South Africa and the Western Cape. In the first quarter of 2020, employment in the Western Cape was 2.5 million, while 662 000 people were unemployed according to the narrow definition of unemployment. The provincial unemployment rate registered a marginal decline from 21.0 per cent in the first quarter of 2015 to 20.9 per cent in the first quarter of 2020. The non-searching unemployed has grown rapidly, albeit off a small base, by 15.8 per cent between the first quarter of 2015 and 2020.

The lack of available jobs is highlighted by the country's employment-to-population ratio for persons aged 15 years and older. The gap in unemployment rates between the Western Cape and South Africa increased significantly from 5.4 percentage points in the first quarter of 2015 to 9.2 percentage points in the first quarter of 2020.



Formal and Informal sector employment

The formal sector dominates employment in South Africa accounting for 73.4 per cent of all employment in the first quarter of 2020. The informal sector accounted for 18.6 per cent of total employment, while private households account for the remaining 8.0 per cent. In the Western Cape, the formal sector is more dominant accounting for 82.2 per cent of all employment in the first quarter of 2020.

The Western Cape informal sector employed 300 000 individuals in the first quarter of 2020, representing 12.0 per cent of provincial employment and 9.8 per cent of all informal sector employment in South Africa. The limited size of the provincial informal sector prevents those who are unable to obtain employment in the formal sector from finding alternative informal work, making them more vulnerable to poverty. Wave 2 of the NIDS-CRAM surveys emphasises that the informal economy does not necessarily absorb workers who lose their formal jobs during economic crises - between February and June 2020, informal workers faced twice the employment loss of formal workers (14 per cent compared to 7 per cent).

1.3.5.2 Youth labour market

Youth unemployment trends continues to be one of the most pressing socio-economic problems in South Africa. Between the first quarters of 2015 and 2020 in the Western Cape, the employed youth group only grew by 0.9 per cent while the non-searching youth unemployed group grew rapidly by 14.9 per cent per annum.

The persistently high youth unemployment rate (30.0 per cent) has long been one of the most pressing socio-economic problems in South Africa. Some of the young work-seekers are not well educated (54.7 per cent of the youth unemployed only have primary or some secondary education) and do not possess sufficient skills and previous work experience demanded by employers in the labour market. The economy demands skilled and experienced work-seekers, which makes it difficult and lessens the chances of young people finding employment. Of the 2.2 million people in the Western Cape between the age of 15 and 34 years, 947 000 were employed, 405 000 were unemployed and 104 000 were non-searching unemployed.

1.3.5.3 Spatial considerations

According to the NIDS-CRAM Wave 2 surveys (2020), rural areas have been more affected by job losses than urban areas. Between February 2020 and April 2020 all regions lost about one-fifth of their jobs; however, between April 2020 and June 2020 metros and cities/towns started to recover while rural areas seemed to lag behind.

1.3.5.4 Demographic characteristics of employment

Employment growth trends in South Africa and the Western Cape continue to be biased in favour of individuals with higher levels of education. In the Western Cape, 54.1 per cent of the employed individuals in the first quarter of 2020 had Grade 12 or tertiary education. The past five years has seen a continuation of the trend towards a labour force that is older and more educated. Nationally and provincially, males are more likely to participate in the labour force than females. Nationally, 66.3 per cent of males participated in the labour force in the first quarter of 2020 compared to 54.5 per cent of females. Provincially, 73.9 per cent of males participated in the labour force in the first quarter of 2020 compared to 60.7 per cent of females.

Impact of COVID-19 lockdown measures on the Labour market



Source: NIDS CRAM surveys

1.3.6 Socio-economic developments

1.3.6.1 Population dynamics

Three provinces are home to more than half of the South African population, with Gauteng accounting for 20.8 per cent and KwaZulu-Natal and the Western Cape accounting for 19.3 per cent and 11.8 per cent respectively.

South Africa, including the Western Cape, has a youthful population although the median age and life expectancy have increased over the years. The Western Cape has a larger proportion of persons aged 65 years and older (6.8 per cent) compared to the national average (6.1 per cent), and a relatively smaller proportion of persons below the age of 15 years (24.4 per cent provincially compared to 29.6 per cent nationally). The increase in the proportion of working-age population offers potential for increased productivity, however the increasing unemployment rate puts increased strain on the demand for public goods and social relief services and opportunities for development.

The Western Cape's total fertility rate (TFR) is projected to decline from 2.14 children, recorded in the years between 2011 and 2016, to 2.01 children for the years between 2016 and 2021. This projection is lower than the average fertility rate of South Africa (2.33). The impact of COVID-19 on conception and subsequent fertility will only be reflected in the reported births of 2021.

Migration is fast becoming the primary driver of population growth in the Western Cape. The inward migration into the Western Cape contributes to the working-age proportion of the Province's population and a resulting decline in the dependency ratio. This means an inflow of potential human capital production units enter the Western Cape. Projections indicate that Gauteng and the Western Cape received the highest number of in-migrants since 2016.

1.3.6.2 Poverty, inequality and human development

The Gini coefficient, a universal measure of inequality has worsened in all districts in the Province between 2011 and 2019. Inequality in the Province is more pronounced in the City of Cape Town, where it has increased from 0.599 in 2011 to 0.621 in 2019.

The Human Development Index is a composite index statistic of life expectancy, education, and per capita income indicators. The Western Cape had an estimated Human Development Index (HDI) of 0.73 in 2019. The HDI score improved from 2011 across all districts in the Western Cape. However, the rising Gini co-efficient in all districts, in spite of improved human development, suggests that improvements in development have not translated into higher equality in income. The COVID-19 pandemic is expected to erode HDI. The crisis is hitting hard on all of human development's constitutive elements i.e. income, health and education. However, the severity of the impact of COVID-19 on HDI can only be determined once more data becomes available.

1.3.6.3 Education

Learner enrolment has increased in the Western Cape, particularly in the metropolitan educational districts; with total enrolment at 1 081 591 for the Province in 2020. This is an increase of 17 320 from the 2019 total. The matric pass rate for the Western Cape was 82.3 per cent - the fourth highest in the country. The Western Cape had the highest percentage of distinction passes and the second highest proportion of bachelor degree passes after Gauteng. Education has been severely disrupted in 2020 due to the COVID-19 pandemic. The true impact on academic performance will be felt at the end of the final examinations, particularly the NSC examination, with learner performance being used as a proxy for teaching and learning.

The performance in the Mathematics and Language tests for Grade 6 continued to improve from 2014 to 2019. The performance for Grade 9 Mathematics tests decreased from 2017 to 2019, but an increase was seen in Language test results for this grade. The performance for Grade 3 Language tests continued to decrease from 2017 to 2019. After a decrease in 2018, Grade 3 Mathematics test results increased to 58.1 per cent in 2019.

1.3.6.4 Health

The COVID-19 statistics dated 1 October 2020 show that the Western Cape reported a total of 110 139 confirmed COVID-19 cases, 2 114 active cases and 103 837 recoveries. Of the positive cases recorded, 1.9 per cent were still active cases (2 677), 94.3 per cent recovered and 3.8 per cent succumbed to the disease (4 187 people). All health-related issues need to be considered in the context of a worldwide pandemic that not only affects the health of individuals and the entire healthcare system, but also disrupts the collection of other health statistics.

The Western Cape average life expectancy (LE) at birth (68 years) is higher than all the other provinces. The most recent data on mortality trends in the Province indicates that the leading underlying cause of death was diabetes mellitus. Non-communicable chronic diseases place a significant burden on the Western Cape health system. The Western Cape has the highest proportion of deaths due to non-natural causes (13.0 per cent) compared to other provinces.

Poorly controlled or uncontrolled diabetes was associated with a substantially higher risk of death from COVID-19 than controlled diabetes. On the other hand, people with controlled diabetes had a fourfold greater risk of death compared to people without diabetes. The risk of death was nine times higher in people with poorly controlled diabetes and 13 times higher in people with uncontrolled diabetes.

Deaths due to other external causes or accidental injury account for over 60 per cent of non-natural deaths in the Western Cape followed by assault (22.5 per cent) and transport accidents (5.8 per cent). The highest proportion of deaths due to non-natural causes was observed in the Central Karoo (15.3 per cent).

1.3.6.5 Housing and municipal services

Adequate shelter and access to clean water and food are amongst the basic human needs. Households in the Western Cape enjoyed the highest rate of access compared to the rest of South Africa with 99.1 per cent of households having access to piped or

tap water in 2019, compared to 91.6 per cent nationally. 93.1 per cent of households in the Western Cape had access to electricity, which is above the national average of 84.9 per cent. Similarly, for sanitation, provincial access stood at 91.2 per cent which is slightly more than the national average of 90.9 per cent.

1.3.6.6 Substance abuse and crime

Between July and December 2019, Cannabis, alcohol and methamphetamine were the most common primary substances of abuse in the Western Cape. Each account for 26.0 per cent, 20.0 per cent and 29.0 per cent of patient admissions, respectively. Cannabis is one of the most common illicit drugs used among persons under 20 years of age attending specialist treatment centres. Treatment admissions for alcohol-related problems in persons younger than 20 years were less common in previous reporting periods.

In the Western Cape it was reported that sexual offences increased by 3.7 per cent from the previous year to 7 303 cases, which is greater than the average increase of 1.7 per cent nationally for the same category of crime. Rape increased by 4.9 per cent and Sexual assault increased by 8.7 per cent to 1 910 reported cases in 2019/20.

Eight of the top ten police precincts that reported the most sexual assault cases are located in the Western Cape where seven precincts reported increases in sexual assault cases. Most notable is the Cape Town Central police station with a 119.0 per cent increase from the previous year. Mitchells Plain reported the highest number of sexual assault cases (83) with a 25.8 per cent increase from the previous year. Since 2016/17, sexual assaults, rape and sexual offences have increased while contact sexual offences and attempted sexual offences have decreased. Common assault cases in the Western Cape decreased by 0.5 per cent. In 2019/20, no growth was reported in Murders as opposed to the 6.6 per cent growth reported in the previous year.

1.4 Policy implications of research findings

The global economic outlook is bleak. The COVID-19 pandemic has triggered the deepest global recession in decades and while the ultimate outcome is still unfolding, the pandemic will result in contractions across the vast majority of emerging and developing economies. As such, South Africa's economic activity deteriorated dramatically in the second quarter of 2020 mainly due to the national lockdown restrictions.

By the second quarter the national economy declined with 17.2 per cent, year-on-year. As a result, the 2020 economic growth expectations for South Africa in 2020 is a contraction of 9.8 per cent. The depth of South Africa's decline ranks amongst the worst of the countries that have already reported. Pre-COVID-19 vulnerabilities, a strict lockdown, the lack of fiscal space to aggressively support the loss of income and administrative delays in providing income relief to furloughed individuals are some of the reasons for the historic decline. The low national growth expectation for 2020 also brought negative growth expectations for the Western Cape. It is expected that the Provincial economy will contract with 6.9 per cent in 2020.

Unemployment has increased rapidly during the COVID-19 lockdown period to 2.2 million in the second quarter of 2020. However, unemployment is also a major

structural challenge to the national and provincial economies. In the Western Cape, unemployment grew by 2.1 per cent per annum from the first quarter of 2015 to the first quarter of 2020. Over the same period nationally, unemployment grew with 5.2 per cent per annum.

The current economic situation requires all spheres of government to adopt and coordinate policies which promote economic and employment growth. Nationally, the economy will require expansionary fiscal and monetary policy. This includes the lowering of taxes and the cost of money, and an increase in government expenditure. The South African Reserve bank, responsible for the Monetary policy, has already responded by decreasing the repo rate from 6.25 per cent in March 2020 to the current rate of 3.5 per cent. This was mainly possible due to a relatively low inflation environment. However, fiscally the national government has little room for tax cuts or a massive increase in government expenditure. South Africa is at risk of reaching unsustainable debt levels where debt will become impossible or difficult to repay. Increasing debt servicing costs will crowd out resources earmarked for social and economic relief. As a result of the growing social needs, government will have little resources to dedicate to economic recovery. Despite fiscal limitations, the national government has responded with a R500 billion social and economic support package in April 2020 of which R200 billion comprised of loan guarantees to assist businesses.

The Provincial response will rely and leverage off of the larger Private sector to drive the economic recovery and create sustainable employment opportunities. The Provincial Government can create an enabling environment for the Private sector by removing government obstacles that are identified by private enterprises. On a provincial level levers include lowering or below inflation increases of taxes and license fees, ensuring quality road infrastructure and targeted procurement support to vulnerable communities, industries and regions. Sound governance practices will root out corruption and ensure budgets are utilised to its full potential. Fiscal consolidation and increased efficiencies could be achieved through the increased use of technology. The resulting savings will provide the national government room to recover from its adverse debt situation, place a lower tax burden on the Private sector and thereby benefit the economy.

The WCG can achieve improved outcomes and efficiencies in creating and expanding partnerships with the private sector to protect and create employment opportunities. Support to vulnerable private enterprises with a large potential to create or maintain employment opportunities should be prioritised. Furthermore, the promotion of Private sector investments and exports should lead to the expansion of direct investments and employment growth in the Province.

The WCG will enable the Private sector with upscaled skills development initiatives in order to make the labour force more employable and serve in the demand for scarce skills. The Private sector and economy will benefit with the adoption of sustainable and clean energy as its main resources. It will reduce the reliance on coal powered electricity and make the economy more resilient to unreliable and increasingly cost inefficient electricity provision.

Public Employment Programmes (PEPs) will continue to contribute to valuable immediate income relief to the most impoverished citizens. Employment is not only a source of income but also provides a purpose, valuable skills and dignity to the employee. Households are an important source of social assistance. The PEPs should

therefore be structured to ensure each household has a job. The outputs of PEPs should serve and benefit the community. This will ensure that PEPs are located close to the residence, provide the employee with a purpose and reduce transport cost.

The Western Cape continues to experience in-migration from other provinces as well as high levels of urbanisation. This will put increased pressure on infrastructure, basic service delivery and the provision of housing, while higher population density and traffic volumes will drive the need for the development of improved and more affordable public transport systems. Due to the fiscal constrained environment, the WCG needs to adopt innovative solutions in order to service a larger population with relatively fewer resources. Technology and partnerships could play a key part in achieving higher efficiencies and leveraging resources.

Gender based violence still persists at unacceptable high levels in the Province. The Western Cape reported an increase of 3.7 per cent in sexual offences from the previous year to 7 303 cases. Rape increased by 4.9 per cent and sexual assault increased by 8.7 per cent to 1 910 reported cases in 2019/20. High crime levels not only impacts on society's physical and psychological wellbeing but also affects investment confidence and the economy. The WCG should continue with its focused approach in targeting certain high crime areas with additional security enforcements. In a fiscal constraining environment, the spatial approach should become more focused and narrower. Crime resources should not only become spatially narrower and focused but also focused more on priority crimes such as Gender Based Violence.

1.4.1 Resilient Growth

In 2014, the World Bank conducted a study to investigate the factors that influence resilience and key findings were that countries with higher shares of relatively young workers (aged 25 - 44 years) on average had lower resilience, suggesting that having a more experienced labour force allowed counties to cope better after the financial crisis. Surprisingly, having a more highly educated workforce, on the other hand, did not appear to make a country more resilient. As expected, though, a higher share of self-employed workers in a country was unambiguously associated with greater resilience.

The research results suggested that regions with more experienced workers and higher levels of self-employment may be more protected from a shock. Entrepreneurship can be viewed as a proxy for innovation and has shown to help economies better adjust to external shocks. Furthermore, those regions that have higher levels of both diversity and complexity may suffer less in the next downturn.

In economic terms, economic resilience would therefore refer to the ability of an economy to firstly adapt to a changing environment and secondly, to rebound from the negative aspects of this environment. These two distinctions, between adapting and rebounding, has been further developed. To be economically resilient in a static manner means that a system is able to withstand a shock, which links to its ability to adapt. In contrast, dynamic economic resilience refers to the ability and speed with which a system recovers from a shock (Xie et al., 2018: 1307-1308).

Resilience is an important perspective through which one can study crises and the response to crises. Economies can be statically or dynamically resilient. Given the current COVI-19 economic crisis, South Africa and the Western Cape has suffered

severe economic shocks. For the Western Cape, it is necessary to showcase both static and dynamic resilience.

The World Bank identified self-employment and entrepreneurship as key indicators of an economy's ability to withstand and recover from shocks. The Western Cape can enhance its economic resilience through fostering and supporting entrepreneurship. The SMME sector (both formal and informal) has the potential to be an important pillar of the Western Cape's recovery from the COVID-19 recession.

The COVID-19 pandemic has reinforced the importance of resilience and therefore the need for digital agility in society and digital transformation. During the pandemic, digital technologies have been vital to the continued functioning of economic and social life. Growth and profitability in the digital sector will lead to benefits that are shared across societies. Areas of Innovation and digitisation could be explored in schools, colleges and universities, as well as business and government.

1.5 Conclusion

The year 2020 brought unprecedented challenges, with dramatic changes to the global economic and societal landscape. Although there have been warnings regarding the threat of global pandemic in the past, the COVID-19 pandemic shocked the world out of a misguided complacency. The pandemic caused what was initially referred to as an economic disruption, but in view of the more than 50 per cent quarterly decrease in GDP announced by Statistics South Africa in September 2020, calling it an economic discontinuation appears to be more apt. There is a high level of uncertainty regarding the outlook as everything is non-linear and without precedent. It is critical that resilience is built into all aspects of our society and economy. However, with great challenges come great possibilities and as the world hits the reset button, we have the opportunity to carve a future of resilient growth for the Western Cape.

2

MACROECONOMIC PERFORMANCE AND OUTLOOK

2.1 Introduction

Countries around the world are not only battling the health threat posed by the COVID-19 pandemic, but also face an economic crisis as the result of the measures aimed at containing the spread of the coronavirus. This chapter reviews economic growth and considers the economic outlook of the Western Cape in the context of global and national economic performance and forecasts.

Global growth remained subdued and is attributed to global developments that include: the trade war between the United States and China; the prospects of United States sanctions on a number of countries and its impact on global technology supply chains; Brexit-related uncertainty; and volatile energy prices. The greatest threat to the global economic outlook, however, materialised, not as a result of any economic risk identified in 2019, but due to the world-wide COVID-19 pandemic.

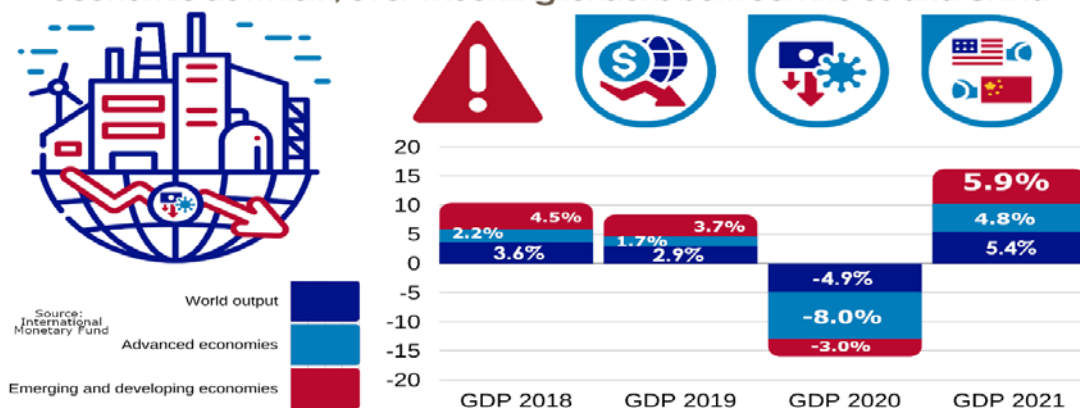
The COVID-19 pandemic is inflicting high and rising human costs worldwide. Nations across the world implemented isolation measures, lockdowns, and widespread closures to slow the spread of the coronavirus, protect lives and allow health care systems to manage the influx of people infected by the COVID-19 pandemic. The COVID-19 pandemic is unlike any other, the world has seen in terms of distribution and depth and has severely impacted economic activity. The global synchronised downturn is expected to dwarf the losses that triggered the global financial crisis.

South Africa and the Western Cape are not exempt from the economic shock brought on by the pandemic. Economic resilience will be key as the world navigates unprecedented circumstances and rebuilds economies in a post-COVID-19 pandemic future.

MACROECONOMIC OUTLOOK AND PERFORMANCE

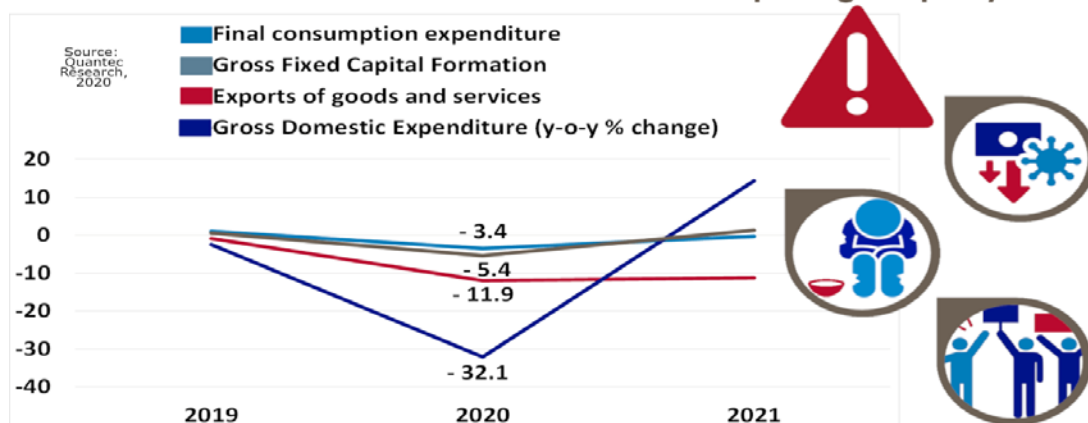
GLOBAL ECONOMIC OUTLOOK

Risk factors include: impact of the COVID-19 pandemic, sharp, synchronised economic downturn, ever-mounting tensions between the US and China



SOUTH AFRICAN ECONOMIC OUTLOOK

Risk factors include: adverse economic climate increasing unemployment, absolute poverty and intensity of poverty, risk of social unrest due to socio-economic strain and deepening inequality



WESTERN CAPE ECONOMIC OUTLOOK

Risk factors include: adverse global and national climate, scarring of tourism and agri-processing sectors



2.2 Global economic performance

Global economic growth was already moderating prior to the COVID-19 pandemic. According to the International Monetary Fund (IMF), global growth continued to slow, from 3.6 per cent in 2018 to 2.9 per cent in 2019. As the full impact and economic fallout from the COVID-19 pandemic unfolds, the economic outlook has become increasingly pessimistic. The COVID-19 pandemic has triggered a deep global economic recession as global industrial production, trade and activity were disrupted. Prices for crude oil plummeted since the start of the year, and oil demand is expected to decline by an unprecedented 8.0 per cent in 2020.

2.2.1 Performance of advanced economies

Growth in advanced economies declined from 2.2 per cent in 2018 to 1.7 per cent in 2019, continuing a trend that began in 2017. There has been convergence towards a downward trend among advanced economies, with the Euro area, G7, and other advanced economies all slowing in terms of growth between 2018 and 2019.

Growth in the United States (US) economy slowed between 2018 and 2019, softening to 2.3 per cent in 2019. The US economy contracted by 0.9 per cent in the first quarter of 2020, seasonally adjusted and annualised, and is expected to continue the decline after the first half of 2020. The US economy suffered contractions in industrial production as well as in the stock market during the first half of 2020.

The United Kingdom (UK), on the back of slow growth in the fourth quarter of 2019, experienced a decline in growth of 1.2 per cent in the first quarter of 2020. The UK and Euro area also experienced depressed industrial production during the first half of 2020.

Growth in the Euro area remained stable at 0.6 per cent throughout the last three quarters of 2019. Germany held steady at 0.6 per cent, however, France's growth rate slowed to 0.3 per cent in the fourth quarter of 2019. This diversion widened during the first quarter of 2020, when growth in France contracted by 4.4 per cent and in Germany by 1.5 per cent. In the first quarter of 2019, Italy and Spain experienced the greatest quarter-on-quarter decline in the Euro area with -5.2 per cent and -5.1 per cent growth, respectively. The first quarter of 2020 saw a steep fall in GDP in the Euro area with a contraction of 13.6 per cent, seasonally adjusted and annualised.

Japan's quarterly growth rate accelerated from 0.2 per cent in the fourth quarter of 2018 to 1.1 per cent in the first quarter of 2019. During the second and third quarters of 2019, growth moderated to 0.6 per cent and 0.4 per cent respectively, with a decline of 1.5 per cent in the fourth quarter. Japan's growth was tempered by slowing global demand in 2019 and Japan entered the pandemic already in recession.

2.2.2 Performance of emerging and developing economies

Following the same trend as advanced economies, growth in emerging and developing economies slowed from 4.5 per cent in 2018 to 3.7 per cent in 2019. Growth in the Chinese economy slowed from 6.7 per cent in 2018 to 6.1 per cent in 2019. China, where the first cases of the novel coronavirus were reported in late 2019, was the first country to implement lockdown measures, and the first to reopen its economy.

The Chinese economy advanced by 6.0 per cent in the third quarter of 2019, slowing from a 6.2 per cent expansion in the previous quarter, the slowest pace since the first quarter of 1992, according to Reuter's records. The fierce US trade war saw industrial production weakening to 5.7 per cent and retail sales slowing to 8.0 per cent in 2019. Households, spooked by the trade war and job losses, put off big purchases. Growth was further weighed down by weakening global demand.

Business sentiment received a boost in December 2019, after the signing of an interim deal in the costly war over Beijing's technology ambitions and trade surplus. The US agreed to cancel planned tariff hikes on additional Chinese imports and Beijing promised to buy more American farm goods, though punitive duties already imposed by both sides stayed in place. This suggested the cooling of tensions, but optimism was cut short by the emergence of the novel coronavirus in late 2019.



India's economic growth has decelerated since mid-2018, with GDP growth slipping to 5.0 per cent in the second quarter of 2019 and further softening to 4.5 per cent in the third quarter of 2019. India's economy grew at its slowest pace in over six years in the second quarter of 2019, following a sharp deceleration in consumer demand, weighed down by slow employment growth and tepid investment. India suffered the biggest contraction on record in the second quarter of 2020, as the country imposed a coronavirus lockdown in late March 2020 and extended it several times, halting most economic activities.

Growth in Brazil slowed from 1.3 per cent in 2018 to 1.1 per cent in 2019 after recovering from a negative growth rate in 2017, following a massive recession in 2015 and 2016. Brazil's President took office at the start of 2019 with the promise to rejuvenate the economy, but political instability hampered the government's reform agenda as tight fiscal policy constrained domestic demand and a crisis in neighbouring Argentina sapped exports. Growth in 2019 was led by household consumption, which rose by 1.8 per cent compared to 2018, and investment grew by 2.2 per cent, according to the Brazilian Institute of Geography and Statistics.

The growth rate in Russia declined from 2.5 per cent in 2018 to 1.3 per cent in 2019. Prices for crude oil, Russia's largest export product, plummeted since the start of the year, while oil demand is expected to decline by an unprecedented 8.0 per cent in 2020 (see Figure 2.1). The COVID-19 pandemic has resulted in reduced fiscal revenues and a weakened ruble. Unemployment increased to 6.1 per cent in May 2020, up from 4.5 per cent a year earlier.

After recovering in 2017, growth in sub-Saharan Africa slowed from 3.2 per cent in 2018 to 3.1 per cent in 2019. Sub-Saharan Africa's challenges are persistent with several long-standing challenges, not least of which are poverty and unemployment, that are holding back progress. Uncertainty in the global environment due to the COVID-19 pandemic continues to adversely impact the region's three largest economies, namely Nigeria, South Africa, and Angola, on the back of persistently weak growth and investment.

2.2.3 Global economic outlook

According to the IMF, the global economy is in a crisis like no other and the extent of economic recovery over the medium-term is uncertain. Many countries face a multi-layered crisis comprising of, a health shock, domestic economic disruptions, plummeting external demand, capital flow reversals, and contraction in commodity prices. The COVID-19 pandemic had a more negative impact on activity in the first half of 2020 than anticipated. Measures implemented to contain the spread of the coronavirus resulted in a significant deterioration in the global economic outlook. In June 2020, the IMF downwardly revised its global economic outlook for 2020 to -4.9 per cent, 1.9 percentage points below the April 2020 forecast (see Table 2.1). However, a global rebound of 5.4 per cent is expected in 2021 as economies open and economic activity resumes.



Table 2.1 Global Economic Outlook, 2020 - 2021

| | Size of Global GDP in 2019 | GDP Growth (per cent) | | GDP Forecast (per cent) | |
|--|-------------------------------|--------------------------|------------|----------------------------|------------|
| | (per cent) | 2018 | 2019 | 2020 | 2021 |
| World output | 100.0 | 3.6 | 2.9 | -4.9 | 5.4 |
| Advanced economies | 59.8 | 2.2 | 1.7 | -8.0 | 4.8 |
| United States | 24.8 | 2.9 | 2.3 | -8.0 | 4.5 |
| Euro Area | 15.4 | 1.9 | 1.3 | -10.2 | 6.0 |
| Germany | 4.5 | 1.5 | 0.6 | -7.8 | 5.4 |
| France | 3.1 | 1.8 | 1.5 | -12.5 | 7.3 |
| Italy | 2.3 | 0.8 | 0.3 | -12.8 | 6.3 |
| Spain | 1.6 | 2.4 | 2.0 | -12.8 | 6.3 |
| Japan | 6.0 | 0.3 | 0.7 | -5.8 | 2.4 |
| United Kingdom | 3.2 | 1.3 | 1.4 | -10.2 | 6.3 |
| Canada | 2.0 | 2.0 | 1.7 | -8.4 | 4.9 |
| Other advanced economies | 8.5 | 2.7 | 1.7 | -4.8 | 4.2 |
| Emerging and developing economies | 40.2 | 4.5 | 3.7 | -3.0 | 5.9 |
| Sub-Saharan Africa | 2.0 | 3.2 | 3.1 | -3.2 | 3.4 |
| Nigeria | 0.5 | 1.9 | 2.2 | -5.4 | 2.6 |
| Middle East and Central Asia | 4.4 | 1.8 | 1.0 | -4.7 | 3.3 |
| Emerging and Developing Europe | 4.4 | 3.2 | 2.1 | -5.8 | 4.3 |
| Russia | 1.9 | 2.5 | 1.3 | -6.6 | 4.1 |
| Emerging and Developing Asia | 23.5 | 6.3 | 5.5 | -0.8 | 7.4 |
| China | 16.3 | 6.7 | 6.1 | 1.0 | 8.2 |
| India | 3.4 | 6.1 | 4.2 | -4.5 | 6.0 |
| Latin America and the Caribbean | 6.0 | 1.1 | 0.1 | -9.4 | 3.7 |
| Brazil | 2.1 | 1.3 | 1.1 | -9.1 | 3.6 |
| Mexico | 1.5 | 2.2 | -0.3 | -10.5 | 3.3 |
| Consumer prices | | | | | |
| Advanced economies | | 2.0 | 1.4 | 0.5 | 1.5 |
| Emerging and developing economies | | 4.8 | 5.0 | 4.6 | 4.5 |

Source: International Monetary Fund, Quantec Research, 2020

The magnitude of the economic fallout depends on interrelated factors that are hard to predict, including the pathway of the COVID-19 pandemic, the intensity and efficacy of containment efforts, the extent of supply disruptions, the repercussions of the dramatic tightening in global financial market conditions, shifts in spending patterns, behavioural changes (such as people avoiding shopping malls and public transportation), confidence levels, and volatile commodity prices.



2.2.4 Outlook for advanced economies

Recovery, on account of economic activity resuming, is expected to gain traction in the second half of the year. The outlook for growth in advanced economies for 2020 is poor at -8.0 per cent with a rebound of 4.8 per cent growth forecast for 2021. The lifting of lockdown measures is proceeding at a more gradual pace than previously expected, and the impact on economic activity in 2020 will thus be more significant than anticipated. A recovery path depends on several factors, most notably a resurgence of the COVID-19 pandemic in the second half of 2020 and in 2021. Belgium, Italy and the UK appear to be experiencing a resurgence, with the UK registering 6 178 new COVID-19 cases on 23 September 2020.

The COVID-19 pandemic has dealt the US and world economies an unprecedented shock as the “Great Lockdown” closed a wide range of sectors, including travel, tourism, and entertainment and many more. Unemployment rates in the US reached 14.7 per cent in April 2020 from 4.4 per cent in March 2020, however, showed an improvement in September 2020 (7.9 per cent). US growth is expected to contract by 8.0 per cent in 2020, with growth of 4.5 per cent forecast for 2021.

Growth in the Euro area for 2020 is expected to contract by 10.2 per cent, with a recovery to 6.0 per cent in 2021. The UK is expected to experience a contraction of 10.2 per cent in 2020 and 6.3 per cent growth in 2021. The end to the lockdown has seen output gradually pick up across sectors. However, uncertainty about progress in combating the COVID-19 pandemic and the possibility of a resurgence in the coming winter, is causing major spending decisions to remain on hold. Timing of a vaccine or effective treatment for COVID-19, a potential second wave and the future relationship between the UK and European Union will all impact the rate of economic recovery in the UK and Euro area.

Japan implemented a state of emergency and successfully contained the spread of the coronavirus through effective contact tracing. However, the recovery is expected to be slow as cautious consumers restrain domestic demand, and weak global growth hits exports and industrial production. A contraction of 5.8 per cent in 2020 is forecast for Japan with a rebound in growth of 2.4 per cent in 2021.

2.2.5 Outlook for emerging and developing economies

COVID-19 has triggered the deepest global recession in decades and, while the outcome is still uncertain, the pandemic will result in contractions across the vast majority of emerging and developing economies. The unprecedented global sweep of this crisis hampers recovery prospects for export-dependent economies and jeopardises the prospects for income convergence between developing and advanced economies. The IMF forecasts an economic contraction of 3.0 per cent for this grouping in 2020. Growth is expected to rebound to 5.9 per cent in 2021.

China is one of the few countries for which the IMF forecasts a positive, although slow, growth rate of 1.0 per cent in 2020, and a strong recovery to 8.2 per cent in 2021. As the first economy to implement strict lockdown measures, China was also the first economy to open and resume trade. Beijing's measures brought the COVID-19 pandemic under control sooner than anticipated and the nationwide shutdown has led to the pandemic's slowdown in mid-February 2020. By March 2020, China reported that the number of new domestically driven COVID-19 cases fell to zero. Europe became the pandemic's new epicenter as the spread of the virus continued to accelerate in the US. However, weak consumer spending and the aftermath of disruption in production and supply chains have taken a toll on the Chinese economy. In addition, the phase one trade deal concluded with the US is now inoperative as China is unlikely to meet its agreement to purchase large quantities of American goods this year.

In India, where authorities imposed one of the most stringent lockdowns globally, measures are being relaxed very gradually. India is forecast to experience a decline of 4.5 per cent in 2020 due to the shock of the pandemic. India's economic recovery will be influenced by the country's ability to bring the pandemic under control and is forecast to rebound to 6.0 per cent in 2021.

Russia's GDP is expected to contract by as much as 6.6 per cent in 2020, an 11-year low. If containment measures are fully lifted in the second half of 2020, a moderate recovery could get underway. Some positive momentum is expected to spill over to 2021, pushing GDP growth to 4.1 per cent.

Brazil is expected to experience a 9.1 per cent contraction in 2020, followed by 3.6 per cent growth in 2021. Brazil had a relatively weak fiscal balance sheet and low growth prior to the pandemic. Recovery may be hindered by an uncertain fiscal trajectory, rising public debt, and periodic street protests and tension between the administration and the judiciary.

Sub-Saharan Africa is expected to suffer an economic contraction of 3.2 per cent in 2020. The IMF projects a recovery of 3.4 per cent in 2021 subject to the continued gradual easing of restrictions and the region avoiding flare-ups causing second peaks of infections. The IMF expects developing economies dealing with the pandemic to have slower economic recoveries as global demand continues to suffer and lockdowns continue.

2.2.6 Global inflation outlook

Global inflation remained steady at 3.6 per cent in 2018 and 2019 and is expected to moderate slightly to 3.0 per cent in 2020 and increase to 3.3 per cent in 2021 according to the IMF. Upward cost-push inflation due to supply interruptions was offset by a decline in aggregate demand and lower fuel prices.

Average inflation in advanced economies dropped to 0.4 per cent in April 2020, declining by 1.3 percentage points since the end of 2019. The IMF forecasts inflation in advanced economies to moderate to 0.5 per cent in 2020 and rise to 1.5 per cent in 2021.

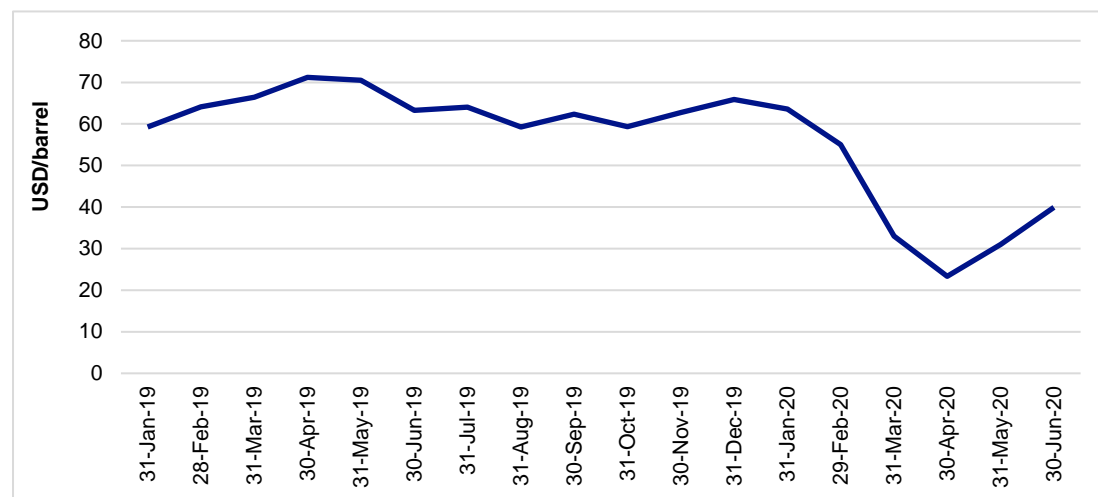


Weaker inflation in 2020 reflects a drop in energy prices and weak consumer demand. The European Central Bank expects food prices to remain elevated in the short term, but to decrease during of the year and record lower rates in 2021 than in 2020. Consumer price inflation in the US and UK remained steady, while inflation in the Euro area dipped to 0.1 per cent in May 2020.

Inflation in emerging and developing economies dropped by 1.2 percentage points, to 4.2 per cent between the end of 2019 and April 2020. On average, emerging and developing economy inflation is expected to ease to 4.6 per cent in 2020 and 4.5 per cent in 2021. Inflation in Sub-Saharan Africa is forecast to remain comparatively high at 9.6 per cent in 2020 and 7.6 per cent in 2021.

Energy prices were weighed down by the weakened global oil price due to increased production and the price war between Russia and Saudi Arabia (see Figure 2.1). The price per barrel for Brent crude oil declined sharply during the first half of 2020 and is expected to remain weak for the remainder of 2020, with somewhat of a recovery forecast for 2021.

Figure 2.1 Brent crude oil price, January 2019 - June 2020



Source: International Monetary Fund, 2020

2.2.7 Risks to the global outlook

The COVID-19 pandemic and global health response only added to pre-existing risks to the global outlook:

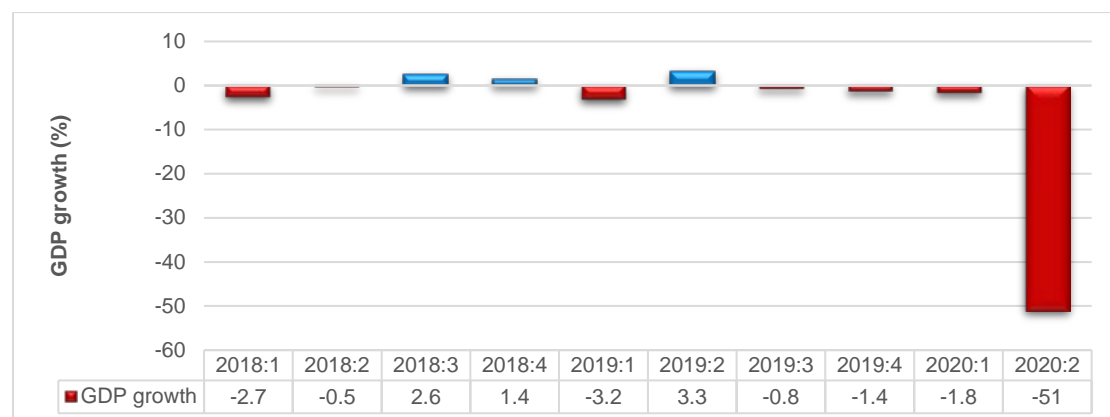
- A crisis such as the global COVID-19 pandemic brings a high level of uncertainty as the full impact is still unfolding and the fallout predictions continue to worsen as the year progresses.
- The sharp economic downturn resulting from the health response to COVID-19 is expected to have the greatest adverse effect on low-income households where the impact is expected to be experienced particularly acutely, eroding the progress made in reducing extreme poverty in the world since the 1990s.
- Geopolitical and trade tensions could damage fragile global relationships. Tensions between the US and China are ever-mounting, compounded by the COVID-19 pandemic and increased nationalism with the race to develop a vaccine.

2.3 Developments in the South African economy

2.3.1 Performance of the South African economy

The South African economy was already experiencing slowing economic activity prior to the COVID-19 pandemic as the national economy entered the national lockdown on 27 March 2020, on the back of a third consecutive quarter of economic decline (see Figure 2.2). The national lockdown exacerbated the economic collapse as the South African economy contracted by an unprecedented 51.0 per cent in the second quarter of 2020¹.

Figure 2.2 Performance of the South African economy, 2018:Q1 - 2020:Q2



Note: GDP quarterly growth rates are seasonally adjusted and annualised

Source: Statistics South Africa, 2020

¹ Trying to analyse and explain the behaviour of the South African economy through a single estimate is ill-advised, due mainly to the various complex interactions which prevail. As such, there are three methods to measure the economic growth rates of the country. The first is quarter on quarter seasonally adjusted and annualised rate (see Figure 2.2), the second is quarter on quarter unadjusted rate while the third is year on year unadjusted rate (see Table 2.3). By providing the three growth rates, Stats SA enables policymakers to have an informed view of the dynamics of the economy. However, in South Africa, the headline GDP growth rate utilised is the quarter on quarter seasonally adjusted and annualised rate.

Five of the ten major sectors contracted in the first quarter of 2020, which is largely attributed to energy supply shortages during this period (see Table 2.3). Construction and Manufacturing suffered the greatest quarter-on-quarter decline. The second quarter of 2020 saw a decline across all sectors, except for Agriculture, with Construction and Manufacturing still being the hardest hit. As with the global economy, South Africa's economic performance for the first half of 2020 was further constrained by the COVID-19 pandemic and exacerbated by a further sovereign credit rating downgrade by S&P on 29 April 2020 (see Table 2.2).

Table 2.2 South African sovereign credit ratings, July 2019 - April 2020



| Agency | Rating | Outlook | Date |
|---------|--------|----------|------------------|
| S&P | BB- | stable | 29 April 2020 |
| Fitch | BB | negative | 03 April 2020 |
| Moody's | Ba1 | negative | 27 March 2020 |
| S&P | BB | negative | 22 November 2019 |
| Moody's | Baa3 | negative | 01 November 2019 |
| Fitch | BB+ | negative | 26 July 2019 |

Source: Trade economics, 2020

GDP weakness was broad-based from both the consumption and production side. On the demand side, retail sales for the first 5 months of 2020 were down by 19.5 per cent compared to the same period last year. New vehicle sales in July 2020 declined by 29.6 per cent compared to July 2019, and credit growth to the domestic private sector in June 2020 eased to 5.6 per cent year-on-year from 6.3 per cent in May 2020 and 7.2 per cent year-on-year in April 2020.

Table 2.3 South Africa change in GDP per sector, 2019:Q4 – 2020:Q2



| Description | Quarterly (q-o-q) percentage change | | | Annual (y-o-y) percentage change | | |
|--|--|-------------|--------------|-------------------------------------|-------------|--------------|
| | 2019Q4 | 2020Q1 | 2020Q2 | 2019Q4 | 2020Q1 | 2020Q2 |
| Agriculture, forestry and fishing | -2.0 | 6.5 | 3.6 | -8.6 | 1.9 | 6.9 |
| Mining and quarrying | 0.5 | -5.9 | -28.0 | 0.0 | -3.1 | -32.9 |
| Manufacturing | -0.5 | -2.2 | -29.2 | -3.3 | -3.3 | -31.8 |
| Electricity, gas and water | -1.0 | -1.4 | -10.7 | -3.3 | -2.9 | -14.0 |
| Construction | -1.5 | -1.2 | -30.4 | -5.1 | -5.0 | -33.5 |
| Wholesale and retail trade, catering and accommodation | -1.0 | -0.2 | -24.6 | -0.4 | 0.4 | -24.9 |
| Transport, storage and communication | -1.9 | 0.1 | -24.7 | -4.4 | -3.2 | -27.1 |
| Finance, insurance, real estate and business services | 0.7 | 0.9 | -8.2 | 2.4 | 3.0 | -6.3 |
| General government | -0.1 | 0.2 | -0.2 | 1.9 | 1.6 | 0.6 |
| Community, social and personal services | 0.2 | 0.1 | -9.3 | 0.7 | 0.6 | -9.0 |
| GDP | -0.4 | -0.5 | -16.4 | -0.6 | -0.2 | -17.1 |

Note: GDP quarterly growth rates and GDP yearly growth rates are not seasonally adjusted or annualised

Source: Quantec Research, 2020

On the production side, seasonally adjusted manufacturing decreased by 29.2 per cent in the second quarter of 2020 compared with the first quarter of 2020, while mining production decreased by 29.8 per cent year-on-year in May 2020 (Quantec Research, 2020). The value of recorded building plans passed (at current prices) decreased by 33.0 per cent from January to April 2020 compared with the same period last year.

2.3.2 Outlook for the South African economy

The context for the South African growth outlook is marred by the COVID-19 pandemic, and the resulting societal and economic deterioration. The 51.0 per cent contraction in GDP in the second quarter of 2020 was the fourth consecutive quarter of economic decline. The already constrained national economy is forecast to contract by 9.8 per cent in 2020, signaling the country's largest economic decline in the last 90 years (see Table 2.4). Thereafter, the national economy is expected to rebound by 3.3 per cent in 2021, based on improved consumer and investor confidence post the COVID-19 lockdown measures and a low 2020 economic baseline.

Table 2.4 South African economic outlook, 2020 - 2021



| | 2019 | 2020f | 2021f |
|---|------------|-------------|------------|
| Final consumption expenditure, households (%) | 1.0 | -3.4 | -0.2 |
| Durable goods | 0.6 | -17.8 | -4.8 |
| Semi-durable goods | 0.5 | -15.1 | 3.3 |
| Non-durable goods | 1.1 | -0.6 | -3.7 |
| Services | 1.2 | 0.04 | 2.9 |
| Gross Fixed Capital Formation (%) | -0.9 | -11.9 | -11.2 |
| Private | 1.1 | -11.8 | -10.2 |
| Government | -8.9 | -12.9 | 9.7 |
| Public corporations | -1.6 | -11.1 | -37.0 |
| Exports of goods and services (%) | -2.5 | -32.1 | 14.4 |
| Interest rates (average of quarterly values) | | | |
| 3-month BA rate | 7.0 | 4.9 | 4.9 |
| 10-year Long bond yield | 9.1 | 10.1 | 11.4 |
| Prime overdraft rate | 10.1 | 7.9 | 7.8 |
| Inflation (annual average %) | | | |
| Producer prices | 4.6 | 2.3 | 0.9 |
| Consumer prices | 4.1 | 3.3 | 4.9 |
| Average wage rate (Rand) | 4.6 | 0.7 | 16.2 |
| Exchange rates (annual average) | | | |
| R/US dollar | 14.5 | 16.2 | 17.1 |
| R/Euro | 16.2 | 17.8 | 19.2 |
| R/Pound sterling | 18.4 | 20.4 | 21.7 |
| Yen/R | 7.5 | 6.7 | 6.3 |
| Gross Domestic Expenditure (Year on Year % Change) | 0.7 | -5.4 | 1.3 |
| Gross Domestic Product (Year on Year % Change) | 0.2 | -9.8 | 3.3 |
| Current account balance (R billion, seasonal adjustment) | -153.2 | -182.0 | -13.4 |

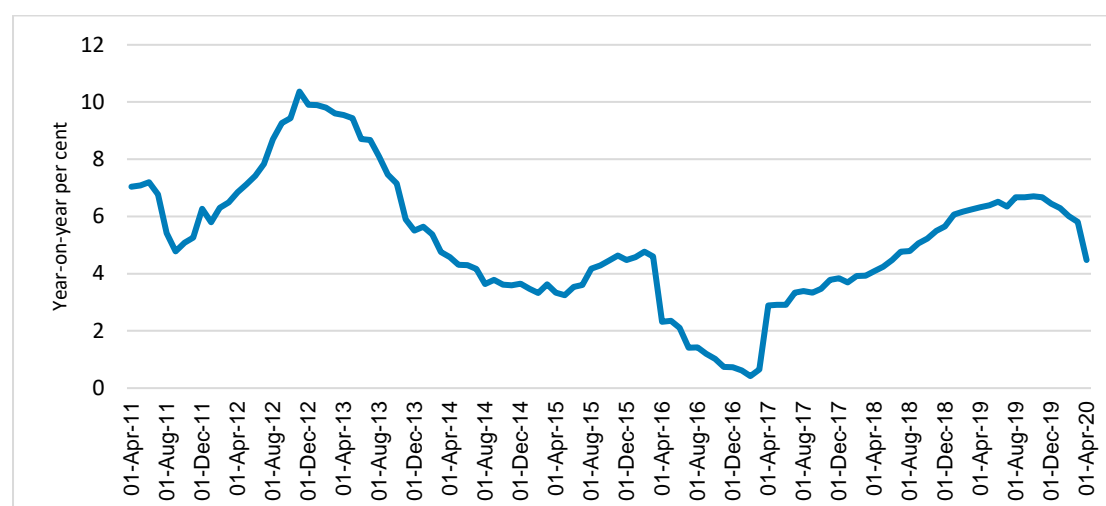
Note: f denotes forecast

Source: Quantec Research, 2020

2.3.3 Final household consumption expenditure

The national lockdown and alert level regulations, and associated business and operational restraints, resulted in a sharp decline in consumer demand and business confidence. Final household consumption is expected to shrink by 3.4 per cent in 2020 amid income uncertainty and aggregate demand shock. The decline is linked to increased unemployment, a decline in disposable income, higher debt and lower savings, supply constraints as businesses close, and an overall shrinkage in the tax base. Credit growth in the domestic private sector slowed to 4.5 per cent (year-on-year) in April 2020 (see Figure 2.3).

Figure 2.3 South African household credit extension, April 2011 - April 2020

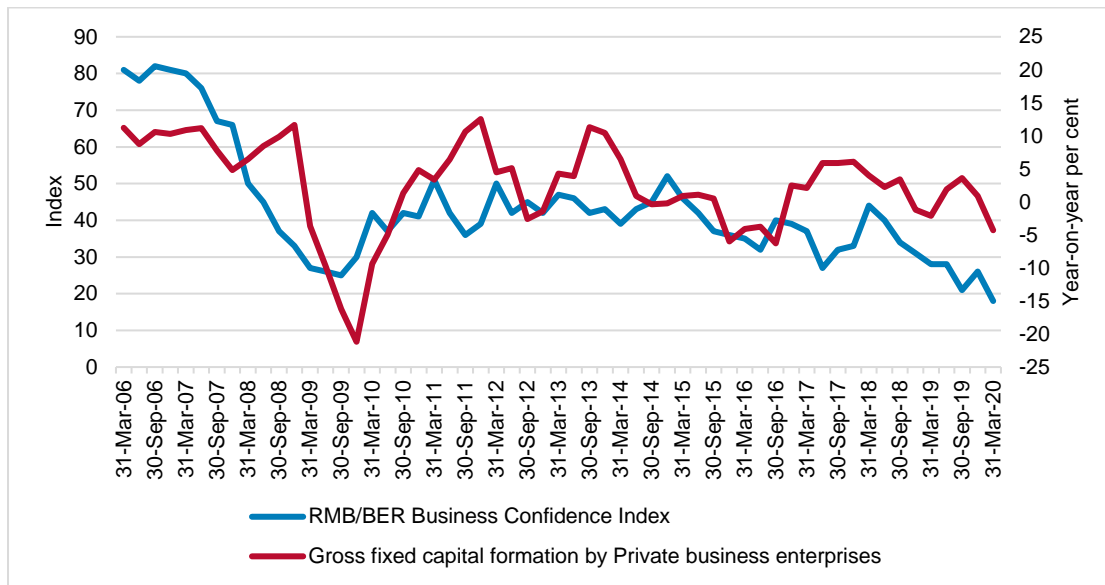


Source: Quantec Research, 2020

2.3.4 Gross fixed capital formation

Gross fixed capital formation by private businesses slowed by 2.1 per cent in 2018 and 1.1 per cent in 2019. Low business confidence is expected to have an adverse effect on private sector investment in 2020 (see Figure 2.3). The RMB/BER business confidence index in South Africa fell further to 5 index points in the second quarter of 2020 from 18 index points in the previous quarter, reaching a record low since the series began in 1975. The lockdown measures taken to address the health emergency posed by the COVID-19 pandemic, severely impacted on already-weak business conditions. Activity collapse across sectors agree with a severe contraction in GDP in the second quarter of 2020.

Figure 2.4 RMB/BER Business index vs private sector fixed investment, South Africa, March 2006 - March 2020



Source: Quantec Research, 2020

According to the South African Reserve Bank (SARB), real gross fixed capital formation plummeted by 20.5 per cent in the first quarter of 2020, after contracting by 10.0 per cent in the fourth quarter of 2019. Although the private sector was mainly responsible for the quarterly contraction, capital investment by public corporations also declined sharply. The level of fixed capital investment in the first quarter of 2020 was 6.2 per cent below that in the corresponding period of 2019 and reflected continued weak business confidence, political uncertainty, and the weak economic and fiscal environment.

The SARB estimates reveal that real fixed capital expenditure contracted across most industries in the first quarter of 2020, particularly in the mining; electricity, gas and water; and transport industries due to heightened uncertainty about South Africa's economic prospects amid the economic recession. Capital expenditure by private electricity producers declined in the first quarter of 2020, although spending on construction activity related to Independent Power Producer (IPP) projects remained significantly higher on a year-on-year basis.

Real gross fixed capital outlays by private business enterprises decreased by 25.3 per cent in the first quarter of 2020, following a decline of 10.3 per cent in the fourth quarter of 2019. This was the largest quarterly contraction since the first quarter of 2009 when capital investment by private enterprises declined by 38.7 per cent. Capital expenditure on transport equipment as well as on machinery and equipment decreased markedly. This downward trend resulted in a slight decrease in the private sector's share of total gross fixed capital formation, from 70.8 per cent in the final quarter of 2019 to 70.0 per cent in the first quarter of 2020.

Gross fixed capital formation by the public sector decreased for a fourth consecutive quarter in the first quarter of 2020, driven lower by a sharp decline in capital outlays by public corporations. The contraction reflected the persistent decline in capital

investment on construction works as well as machinery and equipment by state-owned entities. Real capital spending by general government rebounded by 7.7 per cent in the first quarter of 2020, adding 1.0 percentage point to growth in total gross fixed capital formation. The turnaround followed a sustained decline since the first quarter of 2018 and reflected increased real capital outlays by central and local government. According to Quantec Research, total fixed capital formation is expected to contract by 9.1 per cent in 2020 and 9.0 per cent in 2021.

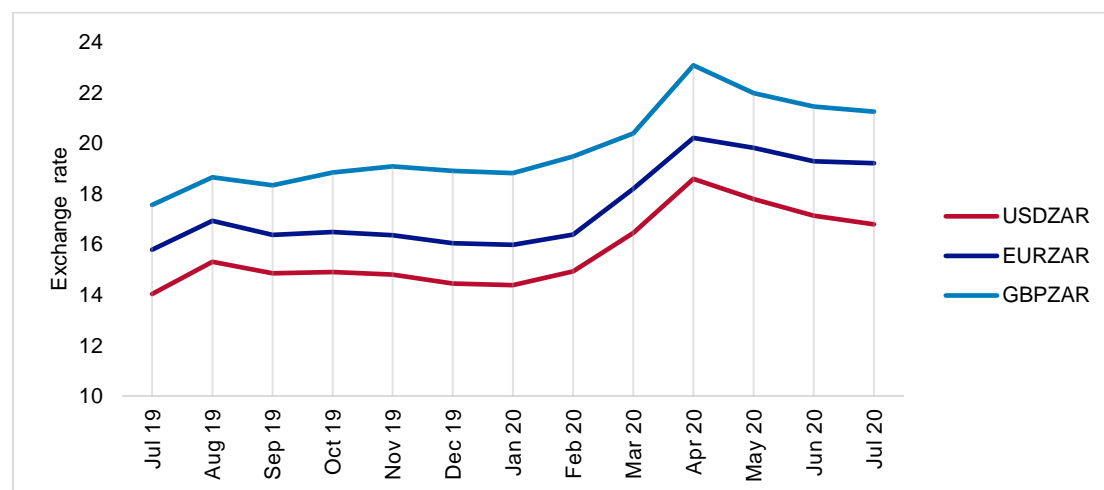
2.3.5 Exchange rate outlook

The currencies of many emerging markets have fallen sharply against the US dollar since January 2020, as investors applied caution due to concerns about the economic disruption caused by the COVID-19 pandemic. A gradual return to more normal levels of economic activity can be expected during the second half of 2020. This could result in some recovery of emerging market currencies. However, South Africa, with its growing fiscal constraints, electricity supply problems and recently attained junk status, is unlikely to see much appreciation in the value of the rand according to Quantec Research.

The rand weakened sharply between March 2020 and July 2020, reaching its lowest point in April 2020 (see Figure 2.5). The rand remained weaker against most currencies in June 2020, losing 14.8 per cent against the US dollar, 14.5 per cent against the Euro, 13.7 per cent against the pound and 18.0 per cent (year-on-year) against the Japanese yen (see Table 2.4). In July 2020, the nominal effective exchange rate was 15.1 per cent weaker than a year ago according to SARB.

The rand is expected to continue to weaken against all major currencies for at least the next 5 years according to Quantec Research. The poor outlook for the rand is due to the already-fragile state of the South African government's finances, soaring government debt and increased medical and social spending at the same time as tax revenues plummet.

Figure 2.5 Rand exchange rate, July 2019 - July 2020



Source: Quantec Research, 2020

2.3.6 Balance of payments

South Africa's trade surplus widened from R44 billion in the third quarter of 2019 to R102.5 billion in the fourth quarter of 2019. This happened as the quarter-on-quarter annualised change in the value of net gold and coal exports increased significantly by 213 per cent and 298 per cent respectively. By contrast, the value of agricultural and manufacturing exports contracted in the fourth quarter of 2019.

The current account balance shifted from a deficit of R68.1 billion in the previous quarter to a surplus of R69.7 billion in the first quarter of 2020, marking the first current account surplus since the first quarter of 2003. The more than doubling of trade surplus from R102.5 billion to R208 billion, can be attributed to a rise in exports value (increases in prices and volumes) amid lower value of imported goods due to reduced volumes.

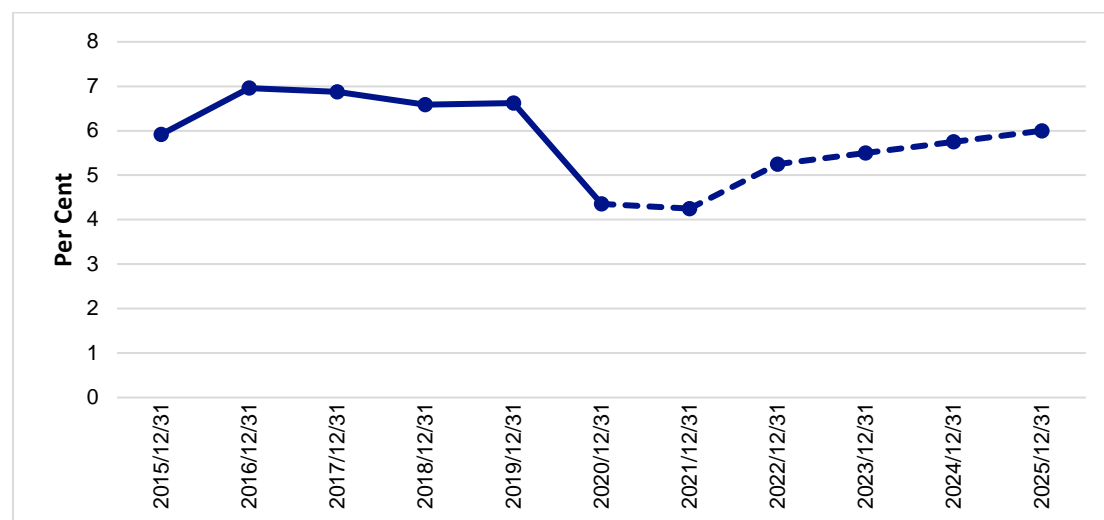
2.3.7 Inflation and interest rate outlook

Since late 2013, the SARB has increased the repo rate gradually to a level of 7.0 per cent in April 2016. During the ensuing 15 months, the SARB remained on hold. Two 25 basis points decreases during 2017 were partly neutralised by a 25-basis points repo rate increase in November 2018, because of higher oil prices, a weaker rand and perceived risks regarding future inflation.

However, the deteriorating economic environment and liquidity constraints due to the national lockdown, persuaded the SARB to cut the repo rate aggressively, by a total of 275 basis points since January 2020. The SARB cut the repo rate by 100 basis points during an emergency meeting in April 2020, followed by a further 50 basis points cut to 3.75 per cent during its May 2020 meeting. In July 2020, the SARB announced an additional cut by 25 basis points to 3.50 per cent to mitigate the effects of negative growth due to COVID-19 pandemic.

Given that inflation is at its lowest level in 15 years, it is expected that South Africa is nearing the end of its cutting cycle, with at most, room for an additional 25 basis points cut, where after the repo rate may remain steady into 2021. Following a meeting on 17 September 2020, the SARB decided to keep the repo rate on hold at 3.5 per cent. Consequently, the prime commercial lending rate remains at a more than 40-year low of 7.0 per cent.

Figure 2.6 Repo Rate (SA) average per cent per annum (Average of quarterly values)



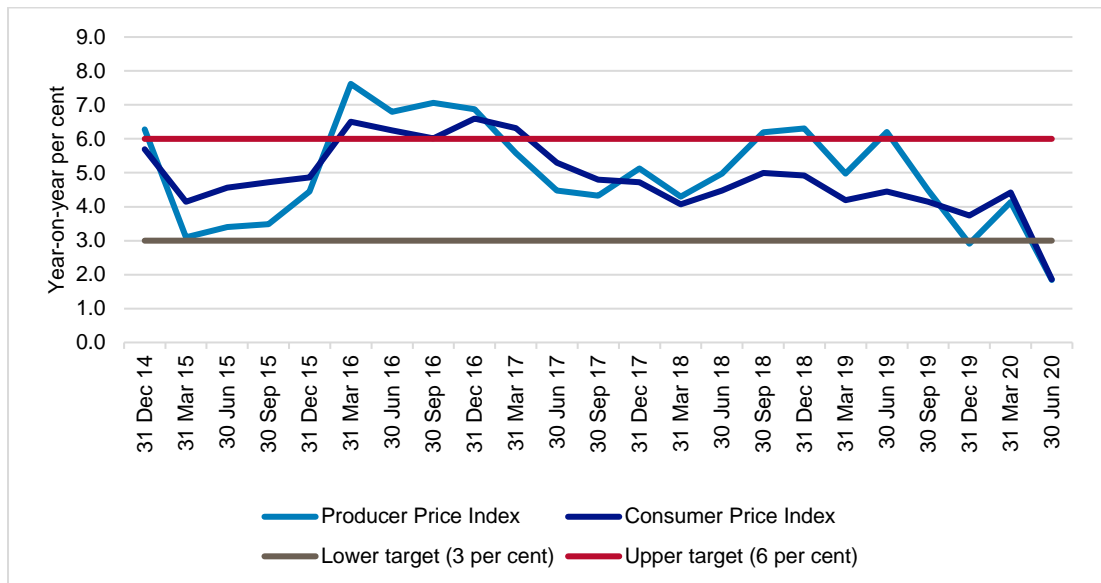
Source: Quantec Research, 2020

The Consumer Price Index (CPI) decreased by 0.5 per cent month-on-month in April 2020. Annual consumer price inflation was 3.0 per cent in April 2020, down from 4.1 per cent in March 2020, the lowest since June 2005 when the rate was 2.8 per cent. The main contributors to the 3.0 per cent annual inflation rate were food and non-alcoholic beverages; housing and utilities; transport; and miscellaneous goods and services.

Food and non-alcoholic beverages increased by 4.4 per cent year-on-year and contributed 0.7 of a percentage point to the total CPI annual rate of 3.0 per cent. Housing and utilities increased by 4.6 per cent year-on-year and contributed 1.1 percentage points. Transport decreased by 3.5 per cent year-on-year and contributed -0.5 of a percentage point to total inflation. Miscellaneous goods and services increased by 6.4 per cent year-on-year and contributed 1.0 percentage point.

The annual inflation rates for goods and services were 1.7 per cent and 4.1 per cent, respectively. Provincial annual inflation rates ranged from 2.4 per cent in Eastern Cape to 3.6 per cent in Western Cape.

Figure 2.7 South Africa headline consumer and producer inflation, December 2014 - June 2020



Source: Quantec Research, South African Reserve Bank, 2020

R500 BILLION RELIEF PACKAGE

In a national address on Tuesday 21 April 2020, President Cyril Ramaphosa announced a R500 billion social and economic support package - equal to about 10 per cent of the country's annual GDP.

The package was planned to be used to support the vulnerable South Africans, and to respond to the impact of the lockdown on workers and businesses. The funds were planned to go towards:

- Additional health relief efforts;
- Addressing hunger;
- Helping businesses;
- Working towards re-opening the economy.

R130 billion of the funding came from reprioritisation of the budget. The rest would be funded internally and externally – including approaching the World Bank, IMF, Development Bank and others. South Africa is entitled to as much as \$4.2 billion in emergency funding from the International Monetary Fund to support the fight against the coronavirus fallout, Bloomberg reported.

Some of the specific measures announced by President Ramaphosa include:

- A special coronavirus grant of R350 per month for the unemployed for six months;
- Grant beneficiaries would receive an extra R250 for three months;
- An additional R200 billion loan guarantee scheme, to assist enterprises with additional costs, such as salaries and paying suppliers. In the initial phase, companies with a turnover under R300 million a year will qualify to participate in this scheme. The scheme is run in partnership with major banks, National Treasury and SARB;
- The threshold for tax deferrals was set at R100 million a year;
- R40 billion was set aside for income support through UIF for employees whose employers were unable to pay wages; and
- R100 billion was set aside for the creation of jobs.

2.3.8 Shape and prospect of economic recovery post-COVID-19

The possible economic recovery scenarios post-COVID-19 are usually described by three letters, namely a V, U or L shape. A “V-shaped” recovery refers to a sharp decline in GDP followed by a rapid recovery. The rebound is quick, and the process takes only a few months. In a “U-shaped” recovery, the recovery lasts through several quarters. The extended period of low levels of GDP gives the recovery a U shape instead of a V shape. On the other hand, an “L-shaped” recovery refers to an economic recovery where low levels of GDP last for an extended period.

More recently, the focus has also been shifted to a “K-shaped” recovery. This recovery is characterised by a divergence in incomes of large sections of workers, where one segment recovers almost immediately while another suffers much longer. If the recovery is K-shaped, relatively few middle class and upper-class workers lose their jobs, compared to people who have very low incomes.

A full and fast recovery of the national or provincial economies does not appear likely. Going into 2020, the South African economy was already experiencing declining economic activity. Weak economic conditions before the COVID-19 pandemic damaged the economy’s ability to recover. As an example, the lack of reliable power supply was one constraint on economic growth before the crisis. Yet, 2020 has been the worst year on record for power outages thus far. However, leading and composite business cycle indicators have shown decent upward trends recently, indicating some form of economic recovery according to SARB. Yet, the current level of these trends is still far below their long-term average.

HIGH FREQUENCY ECONOMIC RECOVERY INDICATORS

Some other leading indicators can be used to assess the economic recovery to pre-lockdown levels includes mobility data, card transactions and Small Business turnover index. Mobility data shows that the rest of the country quickly recovered from the lockdown restrictions, in terms of going outside and visiting places. In fact, for most of the country, visits to supermarkets and parks are higher than they were before lockdown (de Wet, 2020). This has not been the case in the Western Cape.

By the end of August 2020, visits to retail stores and recreational locations was 25 per cent lower than before lockdown. There were also 11 per cent less visits to supermarkets and 39 per cent less visits to parks (De Wet, 2020). This can have a damaging impact on the Western Cape's economic recovery, since it is probably a good indication that household consumption is still lower than it was before the lockdown was imposed. The Western Cape is expected to lag the national economic recovery, due to the continuing lower levels of movement in the Province.

This is confirmed by data on card transactions. Card transactions increased strongly into July 2020, although they were still 9.0 per cent below the previous year's transaction level (Bankserv, 2020). Data per province is not available, but, as with mobility, card transactions in the Western Cape is expected to lag card transactions in the rest of the country. Consequently, the Western Cape might be experiencing a slower economic recovery than the rest of the country. Card transaction data points to a recovery, not as strong and rapid as a V-shaped recovery.

The Small Business Turnover Index managed by Yoco shows how small business turnover has been affected over time since the COVID-19 lockdown measures commenced. In other words, the total amount of money small businesses was making on card machines and online payments. By early October 2020, the index for the Western Cape stood at 96.0 per cent, the lowest of all provinces at the time. This points to a relatively weaker recovery for small businesses in the Western Cape compared to the rest of the country.

Main risks to the national outlook

The pre-COVID-19 risks remain with the added complications of economic disruption:

- The adverse economic climate due to a sharp, synchronised downturn will result in an increase in unemployment, absolute poverty and intensity of poverty.
- Increased inequality due to the digital divide and the impact of loss of income for those who cannot work from home. The retail, tourism, hospitality, and entertainment industries are most affected in the short run, due to lockdown measures and their limited ability to work online.
- Unreliable and interrupted electricity supply and the burden of failing SOEs comes at a significant cost to production and the national fiscus.
- Souring government debt levels as the country's credit rating is deteriorating.

2.4 Developments in the Western Cape economy

2.4.1 Western Cape economic performance

Although the Western Cape economy enjoyed continued growth over the last decade, the average growth rate gradually slowed since 2011 to an average annual growth of 1.9 per cent between 2010 and 2019. The Western Cape's growth rate for 2019 is estimated at 0.3 per cent compared to 0.2 per cent for the rest of South Africa.

Between 1995 and 2000, the GDP of the Western Cape grew at a weighted average annual rate of 2.0 per cent, while the national GDP (excluding the Western Cape) grew at a slower rate of 1.9 per cent. The Western Cape growth increased further to

4.4 per cent between 2000 and 2010, outstripping the national rate (excluding the Western Cape), of 3.5 per cent over the period.

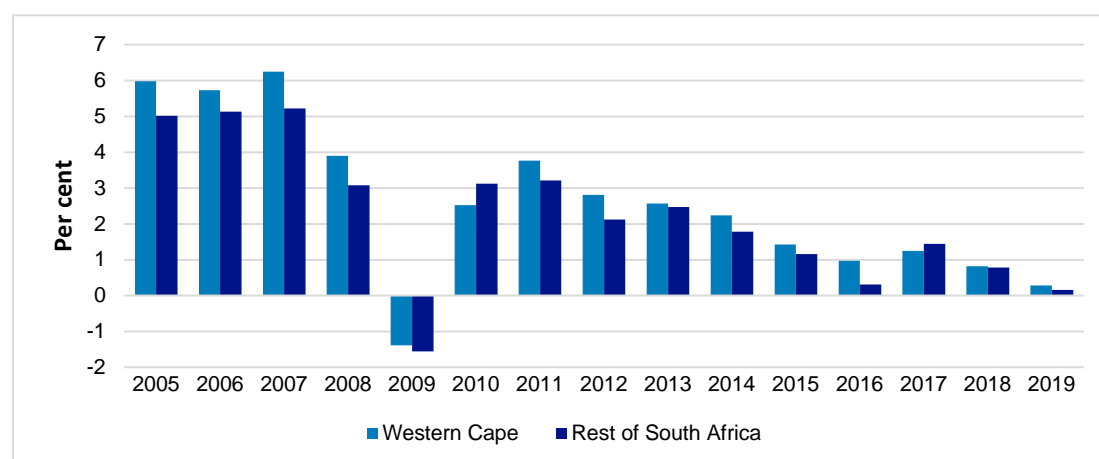
The Services sector, such as finance, insurance and banking, was an important driver of Provincial growth between 2000 and 2010. Over this period, this sector grew marginally faster in the Province than in the rest of the country. The Provincial economy was also fortunate in that it only contained a small mining sector. This sector, on which the rest of the country relies to a greater extent than the Province, contracted from 1995 and 2010, and is expected to contract from 2020 to 2025 too.

The Western Cape's economic advantages declined in recent years. By 2010 - 2019, there was a negligible difference between the Provincial weighted average annual growth rate and the national rate (excluding the Western Cape). This difference is expected to increase gradually, in the Province's favour, between 2019 and 2025, but it still is not expected to come close to the almost 1 percentage point difference that was recorded between 2000 and 2010.

The Western Cape economy faced many of the same constraints to growth as the national economy, indicating why the Provincial economy's growth slowed from 2000 - 2010 to 2010-2019. One factor that contributed to a slowdown in growth was a series of droughts. These droughts meant that agricultural output was lower than expected, dragging down the Province's growth. This also damaged the Provincial economy's export prospects since a large portion of the Province's exports consist of agricultural goods estimated at 25 per cent in 2019 according to IHS Markit.

Given the importance of the Western Cape as a tourist destination, in comparison to the rest of South Africa, the slow growth in tourism, due to various national challenges, disproportionately hurt the Province. Decreases in the Western Cape's economic performance, relative to the rest of South Africa, is therefore largely driven by dynamics in the Agricultural and Tourism sectors.

Figure 2.8 GDP growth: Western Cape and the rest of South Africa, 2005 - 2019



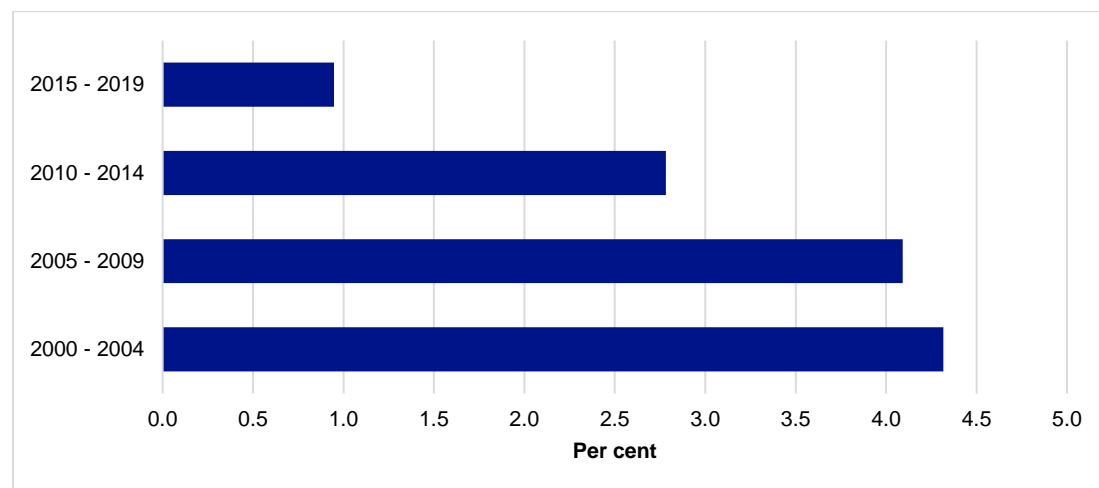
Note: Western Cape growth rate for 2019 is an estimate

Source: Quantec Research, 2020

The growth rate in the Western Cape peaked at 6.2 per cent in 2007, before dipping to -1.4 per cent in 2009. Except for the slight rebound in 2017, growth has been on a steady decline since 2011, ending 2019 at its lowest point since 2009.

The Province experienced a severe drought from 2015, and the end of the 2017 dry season was declared the worst in a century, necessitating the implementation of severe water restrictions in 2018. The drought had significant economic, health and environmental impacts. It is estimated that the drought cost the Western Cape 37 000 employment opportunities. Growth in the Western Cape was further muted by rolling electricity outages and lacklustre performance of the national economy. Average growth over a five-year period in the Western Cape peaked between 2000 and 2004, subsequently easing due to the 2009 global financial crisis (see Figure 2.9).

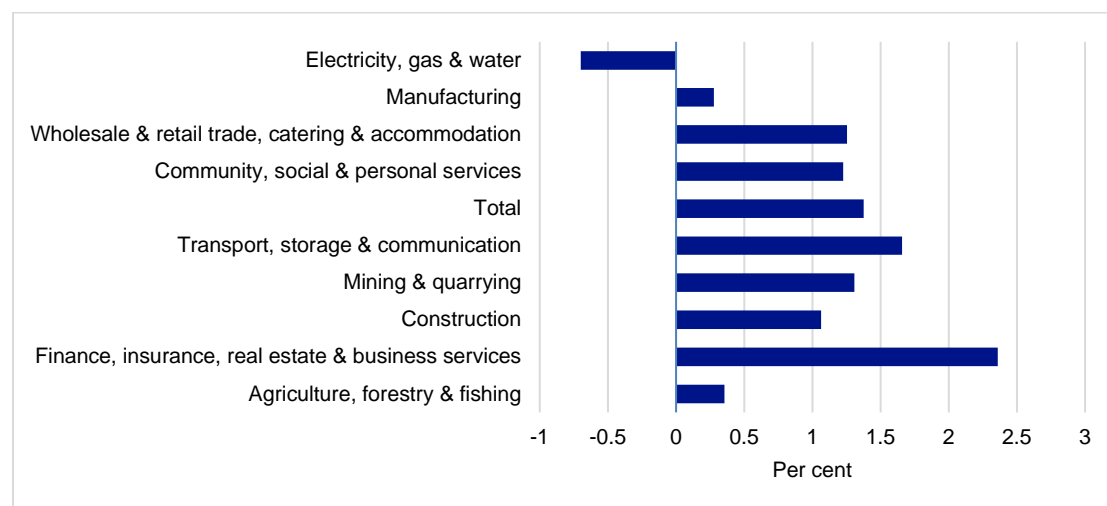
Figure 2.9 Western Cape economic growth (5-year average), 2000 - 2019



Source: Quantec Research, 2020; own calculations

The fastest growing sector in the Western Cape during 2014 - 2018 was the Finance, insurance, real estate and business services sector, followed by other tertiary sub-sectors (see Figure 2.10). The Manufacturing sector grew at the slowest rate and the Electricity, gas and water sector was the only sector that declined.

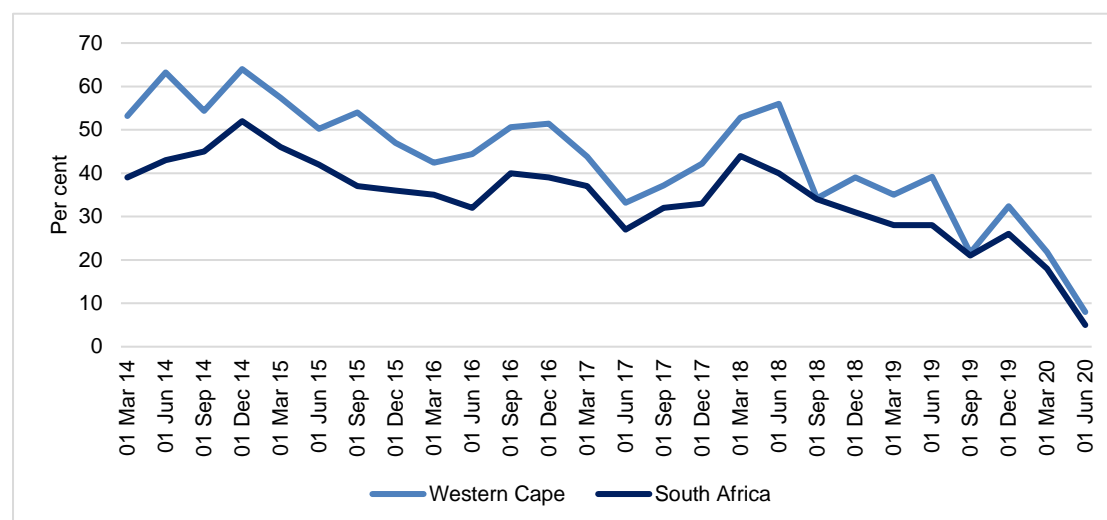
Figure 2.10 Western Cape average growth rate per sector, 2014 - 2018



Source: IHS Markit, 2020

Business confidence is essential for attracting investment to fuel much needed growth, but unfortunately dwindled along with growth. Although the Western Cape fared better than the national score, business confidence in the Province has been declining since 2018 and decreased dramatically in the first half of 2020 (see Figure 2.11).

Figure 2.11 Business confidence, Western Cape compared to South Africa, 2014 - 2020



Source: Quantec Research, 2020

2.4.2 Outlook for the Western Cape economy

In the context of the weak global and national economic outlook, the average growth in the Western Cape is expected to be marginally lower over the medium-term (2019 to 2025) than it was between 2014 and 2018. In line with global and national developments, the Province's economic outlook significantly deteriorated.

As a prime global tourism destination and centre of wine production in South Africa, the Western Cape economy was particularly vulnerable to lockdown restrictions related to tourism and alcohol. The restrictions on travel and the prohibition on the distribution and sale of alcohol during the "hard" lockdown period impacted on the Province's tourism and wine industries and further deteriorated its economic outlook.



According to Urban Econ, the Western Cape economy is expected to contract by a significant 6.9 per cent in 2020 and rebound by 3.8 per cent in 2021 based on a resurgence in the global and national economies after COVID-19 lockdown measures ends.

Table 2.5 Western Cape economic outlook, 2020 - 2021



| Description | Forecast average | | | |
|--|------------------|------------|-------------|------------|
| | 2018 | 2019e | 2020f | 2021f |
| Agriculture, forestry and fishing | -7.9 | -7.0 | 14.7 | -7.2 |
| Mining and quarrying | -1.9 | -3.2 | -23.8 | 14.4 |
| Manufacturing | 0.9 | -0.7 | -15.9 | 10.7 |
| Electricity, gas and water | 0.9 | -2.7 | -8.6 | -1.7 |
| Construction | -1.7 | -3.4 | -17.8 | 13.4 |
| Wholesale and retail trade, catering and accommodation | 0.7 | 0.0 | -18.5 | 14.0 |
| Transport, storage and communication | 1.5 | -0.4 | -15.6 | 11.6 |
| Finance, insurance, real estate and business services | 2.0 | 2.3 | 0.3 | -1.0 |
| General government | 1.1 | 1.6 | 2.5 | -3.1 |
| Community, social and personal services | 0.9 | 0.9 | 0.1 | -1.6 |
| Regional Gross Domestic Product | 0.8 | 0.3 | -6.9 | 3.8 |

Note: e denotes estimate and f denotes forecast

Source: Urban-Econ based on South African Reserve Bank, Statistics South Africa & BFAP, 2020

Although a broad-based contraction across all but four sectors is expected for 2020, most sectors are forecast to rebound in 2021. The strongest growth for 2021 is expected for the Mining and quarrying (14.4 per cent), followed by the Wholesale sector (14.0 per cent) mainly because of the expected low base for these two sectors in 2020.

The Agricultural sector is expected to grow by 14.7 per cent in 2020 and contract with 7.2 per cent in 2021. Beyond the rebound in 2020 the outlook for the Sector remains under pressure. Under the higher baseline conditions, the low economic growth and weak demand over the next few years are not conducive to rapid growth in farm output. The Western Cape Agricultural sector came under pressure from the drought which was immediately followed by the COVID-19 pandemic. The Agricultural sector typically employs unskilled workers. However, good rains in 2019 and 2020 have provided optimism for bumper crops and growth in this sector.

The Manufacturing sector is driven by investor sentiment and the strength of export markets. There has been a slowdown in the growth of manufactured exports over the past few decades, with negative growth experienced in the past decade. This phenomenon likely occurred due to weaker financial markets globally and a more risk averse investment climate as well as falling productivity levels over the past decade. There has, however, been growth in exports of textiles, clothing and leather goods; wood and paper; publishing and printing; electrical machinery and apparatus; and radio, TV, instruments, watches and clocks in the Western Cape. As a result of the implementation of the COVID-19 lockdown measures, Manufacturing GVA in the Western Cape is expected to decline by 15.9 per cent in 2020, followed by a recovery of 10.7 per cent in 2021.

Growth in the Construction sector is driven by population growth, property prices and investor sentiment. This sector has experienced slow growth over the last few years in South Africa due to financial uncertainty, above inflation municipal tax and rates increases and unnecessary red tape by local and provincial governments. The lowering of the repo rate by SARB since the start of the year will provide some relief to this sector in difficult circumstances. It is expected that the Construction sector will be among the worst affected in 2020, with a decrease in GVA of 17.8 per cent.

Growth in the Wholesale and retail trade, catering and accommodation, and the Transport, storage and communication sectors are expected to contract by -18.5 per cent and -15.6 per cent in 2020 due to the national lockdown restrictions and social distancing measures, but is expected to rebound by 14.0 per cent and 11.6 per cent in 2021. Over the medium term, both sectors are expected to have an average annual growth of -1.5 per cent. As such, the tourism industry, which is a mainstay of the Provincial economy, is expected to make a slow recovery.

The General government sector has grown by 2.6 per cent on average over the past decade and experienced a GVA growth of 1.6 per cent in 2019. The sector will be among the few that is expected to record positive GVA growth (2.5 per cent) in 2020, thereby providing some much-needed resilience to a weak economy. As a result of expected fiscal consolidation to gain momentum, GVA is forecast to decline by 3.1 per cent in 2021.

The main sectors of the Western Cape economy which are expected to grow between 2019 and 2021 include agriculture, finance, insurance, real estate and business services and general government. This means that the Western Cape economy will continue to be driven by a growing tertiary sector and experience accelerated urbanisation and the need for skilled workers.

2.4.3 Risks to the provincial outlook

The Western Cape has taken a hard knock, particularly the tourism and wine industry, as a result of the COVID-19 pandemic. Pre-existing risks of the unstable national economy and rolling electricity outages also impact the Province's outlook:

- Adverse global and national economic climate resulting in job losses, increased poverty, rising inequality, socio-economic challenges and social unrest.
- The negative impact of the COVID-19 response on the tourism and the wine industry in the Western Cape. Global travel has collapsed, and tourism flows and wine sales have ground to a halt after travel and alcohol bans were imposed.
- The COVID-19 response accelerated 4IR, and those who do not have access to internet and technology are at risk of being left behind.

2.5 Conclusion

The COVID-19 pandemic has had a far-reaching impact on economies across the world, causing a deep, synchronised economic downturn. The unprecedented economic disruption makes the outlook particularly uncertain with forecasts being downwardly adjusted as data becomes available. South Africa entered the national lockdown on the back of a third consecutive quarter of economic decline and the Western Cape was particularly affected by travel and alcohol sale restrictions. The economic outlook for the country and Province is bleak, and the focus should be on building resilience to overcome the crisis. The COVID-19 pandemic pushed economies into a "Great Lockdown", which helped contain the virus and save lives, but also triggered the worst recession since the Great Depression. Several countries have started to recover, however, in the absence of a vaccine and the risk of a resurgence, the strength of the recovery is highly uncertain and the impact on countries is uneven.



Annexure B

Annexure B1 Key monthly indicators - domestic, 2020

| | Jul 19 | Aug 19 | Sep 19 | Oct 19 | Nov 19 | Dec 19 | Jan 20 | Feb 20 | Mar 20 | Apr 20 | May 20 | Jun 20 | Jul 20 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| USDZAR | 14.03 | 15.30 | 14.85 | 14.90 | 14.80 | 14.44 | 14.38 | 14.93 | 16.44 | 18.58 | 17.78 | 17.13 | 16.78 |
| EURZAR | 15.78 | 16.92 | 16.36 | 16.48 | 16.35 | 16.04 | 15.97 | 16.38 | 18.19 | 20.20 | 19.81 | 19.27 | 19.20 |
| GBPZAR | 17.55 | 18.64 | 18.33 | 18.83 | 19.07 | 18.90 | 18.81 | 19.47 | 20.38 | 23.07 | 21.97 | 21.44 | 21.24 |
| Nominal effective exchange rate (2000=100) (% y/y) | -2.1 | -4.4 | 2.8 | -0.8 | -3.6 | -0.6 | -2.0 | -5.5 | -10.5 | -20.3 | -17.7 | -13.1 | #N/A |
| Real effective exchange rate (2000=100) (% y/y) | 1.8 | -0.8 | 6.2 | 1.5 | -2.7 | -0.2 | -1.2 | -4.1 | -9.2 | -19.1 | -16.9 | #N/A | #N/A |
| Balance of payments | | | | | | | | | | | | | |
| Total imports (cumulative 12 months) (% y/y) | 2.8 | 1.4 | -1.2 | -3.7 | -5.2 | -3.7 | -4.5 | -3.5 | -4.6 | -7.3 | -10.6 | -13.5 | #N/A |
| Total exports (cumulative 12 months) (% y/y) | -0.4 | -2.0 | -3.1 | -4.2 | -5.3 | -4.3 | -2.2 | -2.6 | -2.6 | -6.6 | -8.3 | -7.8 | #N/A |
| Trade balance (Rbn: 12m moving total) | -89.8 | -93.9 | -85.6 | -77.5 | -75.2 | -77.7 | -67.5 | -57.4 | -38.5 | -65.6 | -44.7 | -0.7 | #N/A |
| Non-resident net purchases of shares (R bn) | -12.4 | -21.5 | -10.6 | -22.6 | -15.6 | -2.3 | -6.5 | -4.7 | -16.0 | -5.3 | -11.6 | -9.0 | #N/A |
| Non-resident transactions net purchases of bonds (R bn) | -18.5 | -17.8 | -10.3 | -3.4 | -1.1 | 6.8 | 6.8 | -14.2 | -67.6 | -13.1 | -1.9 | 1.8 | #N/A |
| Gross reserves of the SARB (\$ bn) | 49.4 | 49.9 | 54.9 | 54.5 | 54.9 | 55.1 | 54.6 | 54.7 | 52.4 | 53.0 | 52.8 | 52.3 | #N/A |
| International liquidity position of the SARB (\$ bn) | 43.9 | 44.2 | 44.1 | 44.6 | 44.4 | 44.9 | 45.1 | 45.4 | 44.8 | 45.5 | 45.5 | 45.7 | #N/A |
| Monetary Sector & Financial Markets | | | | | | | | | | | | | |
| M3 Money supply (seasonally adjusted) (% y/y) | 8.3 | 7.4 | 6.1 | 7.2 | 7.4 | 6.1 | 7.1 | 7.8 | 9.5 | 10.3 | 10.5 | 11.0 | #N/A |
| Total domestic credit extension (% y/y) | 9.2 | 9.7 | 6.6 | 6.9 | 5.9 | 5.5 | 4.4 | 4.3 | 7.8 | 7.3 | 7.0 | 7.0 | #N/A |
| Credit to the domestic private sector (seas adj) (% y/y) | 7.2 | 6.9 | 6.2 | 7.3 | 6.6 | 6.0 | 5.0 | 5.3 | 7.9 | 7.2 | 6.2 | 5.5 | #N/A |
| Instalment sales credit (% y/y) | 7.7 | 7.3 | 7.9 | 8.1 | 7.8 | 7.8 | 7.9 | 7.0 | 6.9 | 4.2 | 3.7 | 4.1 | #N/A |
| Leasing finance (% y/y) | 25.5 | 25.7 | 15.0 | 5.7 | 3.6 | -5.1 | -9.7 | -7.6 | -8.9 | -22.5 | -19.5 | -12.1 | #N/A |
| Mortgage advances (% y/y) | 5.2 | 5.7 | 5.8 | 6.0 | 6.0 | 6.2 | 6.3 | 6.3 | 6.7 | 6.2 | 5.3 | 5.1 | #N/A |
| Other loans and advances (% y/y) | 7.3 | 6.5 | 5.4 | 7.8 | 6.7 | 4.4 | 2.7 | 2.7 | 3.9 | 2.7 | 1.6 | -0.3 | #N/A |
| 3m NCD rate (% p.a.) | 7.0 | 7.0 | 6.8 | 6.8 | 6.8 | 6.6 | 6.6 | 6.5 | 5.6 | 4.6 | 4.0 | 3.9 | 3.6 |
| Long-term bond yield (% p.a.) | 8.8 | 9.0 | 8.9 | 8.9 | 9.1 | 9.2 | 9.0 | 9.3 | 10.9 | 11.3 | 10.1 | 9.8 | 10.2 |
| Prime overdraft rate (% p.a.) | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 9.75 | 9.75 | 8.75 | 7.75 | 7.25 | 7.25 | 7.25 |
| JSE All share index (% y/y) | 0.5 | -6.0 | -1.6 | 4.4 | 7.8 | 11.2 | 7.7 | 3.1 | -19.1 | -17.7 | -10.3 | -7.5 | -3.6 |
| JSE Resources (% y/y) | 15.1 | 9.8 | 4.1 | 8.6 | 21.0 | 28.7 | 23.0 | 10.0 | -21.4 | -12.3 | 4.0 | 6.8 | 16.4 |

| | Jul 19 | Aug 19 | Sep 19 | Oct 19 | Nov 19 | Dec 19 | Jan 20 | Feb 20 | Mar 20 | Apr 20 | May 20 | Jun 20 | Jul 20 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| JSE Industrials (% y/y) | 3.3 | 3.6 | 3.4 | 3.4 | 3.3 | 3.4 | 3.5 | 3.8 | 4.8 | 5.4 | 5.3 | 4.9 | 5.1 |
| JSE Financials (% y/y) | -6.0 | -12.6 | -8.2 | -2.6 | -4.3 | -3.2 | -9.0 | -12.9 | -32.4 | -41.8 | -41.9 | -36.0 | -35.0 |
| Prices | | | | | | | | | | | | | |
| CPI Headline (% y/y) | 4.0 | 4.3 | 4.1 | 3.7 | 3.6 | 4.0 | 4.5 | 4.6 | 4.1 | 3.0 | 2.1 | 2.2 | #N/A |
| CPI: Food and NAB (% y/y) | 3.4 | 3.9 | 3.9 | 3.6 | 3.5 | 3.9 | 3.7 | 4.2 | 4.2 | 4.4 | 4.4 | 4.2 | #N/A |
| CPI: Education (% y/y) | 6.6 | 6.6 | 6.6 | 6.6 | 6.6 | 6.6 | 6.6 | 6.6 | 6.4 | 6.4 | 6.4 | 6.4 | #N/A |
| CPI: Health and medical insurance (% y/y) | 8.3 | 8.2 | 8.1 | 8.2 | 8.2 | 8.2 | 8.2 | 9.0 | 8.8 | 8.8 | 8.7 | 8.6 | #N/A |
| CPI: Housing and utilities (% y/y) | 5.1 | 5.3 | 4.8 | 4.8 | 4.8 | 4.6 | 4.7 | 4.7 | 4.8 | 4.6 | 4.5 | 4.0 | #N/A |
| CPI: Clothing (% y/y) | 1.9 | 2.1 | 2.2 | 2.2 | 2.3 | 2.3 | 2.2 | 2.3 | 2.3 | 1.4 | 0.6 | 0.6 | #N/A |
| CPI: Administered prices (excl fuel) (% y/y) | 7.0 | 7.4 | 7.4 | 7.4 | 7.4 | 7.4 | 7.4 | 7.4 | 7.3 | 7.2 | 7.2 | 7.2 | #N/A |
| CPI: Household contents and equipment (% y/y) | 3.0 | 3.3 | 3.2 | 3.0 | 2.9 | 2.8 | 2.7 | 2.4 | 2.6 | 2.4 | 2.0 | 1.7 | #N/A |
| CPI: Transport (% y/y) | 3.0 | 3.1 | 2.4 | 0.3 | -0.3 | 3.3 | 6.4 | 6.2 | 3.4 | -3.5 | -8.4 | -5.9 | #N/A |
| CPI: Communication (% y/y) | -0.1 | -0.1 | 0.0 | 0.1 | 0.0 | 0.1 | 0.1 | 0.0 | 0.1 | -0.3 | -0.4 | -0.1 | #N/A |
| CPI: Recreation and culture (% y/y) | 0.9 | 1.3 | 1.4 | 1.1 | 1.3 | 1.2 | 0.8 | 0.8 | 0.9 | 0.4 | 0.9 | 1.1 | #N/A |
| PPI: Final Manufactured goods (% y/y) | 4.9 | 4.5 | 4.1 | 3.0 | 2.3 | 3.4 | 4.6 | 4.5 | 3.3 | 1.2 | 0.4 | 0.5 | #N/A |
| PPI: Intermediate Manufactured goods (% y/y) | 1.7 | 1.9 | 0.5 | -0.6 | -1.1 | -1.5 | 0.7 | 1.8 | 0.0 | 1.3 | 1.7 | 1.4 | #N/A |
| Petrol price: 95 Gauteng (R/l) | 15.81 | 15.72 | 15.83 | 15.79 | 15.66 | 15.88 | 15.84 | 15.84 | 15.52 | 13.76 | 12.02 | 13.20 | 14.83 |
| Petrol price: 95 Gauteng (% y/y) | -1.3 | -1.9 | -7.3 | -7.6 | 2.8 | 18.7 | 13.1 | 12.5 | 4.7 | -14.7 | -27.9 | -21.2 | -6.2 |
| Standard Bank house prices (nominal) (% y/y) | 4.0 | 4.5 | 3.7 | 4.0 | 3.8 | 4.3 | 5.2 | 5.5 | 5.1 | 5.5 | 4.5 | 4.0 | #N/A |
| Standard Bank house prices (real) (% y/y) | 0.0 | 0.2 | -0.4 | 0.4 | 0.2 | 0.2 | 0.6 | 0.9 | 0.9 | 2.4 | 2.4 | 1.8 | #N/A |
| Real Economic Indicators | | | | | | | | | | | | | |
| Building plans passed (real, seasonally adjusted) (% y/y) | 2.4 | -25.9 | -37.2 | -11.4 | -29.6 | -43.8 | -46.9 | -41.5 | 1.6 | -82.1 | #N/A | #N/A | #N/A |
| Buildings completed (real, seasonally adjusted) (% y/y) | -1.6 | 60.0 | -35.1 | -2.1 | 2.6 | -0.4 | -10.9 | -14.7 | -41.4 | -98.7 | #N/A | #N/A | #N/A |
| Electricity consumed (% y/y) | 9.2 | 3.1 | 6.0 | 0.7 | 2.8 | 2.1 | 1.1 | 6.7 | 5.0 | -5.3 | -2.8 | -1.1 | #N/A |
| Electricity produced (% y/y) | -0.7 | -2.3 | -0.4 | -1.9 | -2.7 | -3.9 | -2.4 | 1.0 | -4.0 | -22.8 | -13.2 | -5.8 | #N/A |
| Sales: Manufacturing (constant prices) (% y/y) | -0.4 | 1.1 | -3.9 | -2.2 | -3.3 | -8.2 | -5.6 | -2.1 | -8.3 | -51.9 | #N/A | #N/A | #N/A |
| Sales: Wholesale trade (constant prices) (% y/y) | 5.5 | -4.2 | -4.3 | -1.0 | -4.5 | 0.5 | 2.2 | -3.5 | -4.3 | -38.3 | -18.7 | #N/A | #N/A |
| Sales: Retail trade (constant prices) (% y/y) | 2.6 | -1.4 | 2.0 | -0.2 | 1.1 | 0.2 | 2.6 | -5.5 | 3.4 | -49.4 | -13.2 | #N/A | #N/A |
| Sales: New passenger vehicles (number) (% y/y) | -8.2 | -7.8 | 1.0 | 2.4 | 1.1 | 9.1 | -1.8 | 7.5 | -27.0 | -99.6 | -65.7 | -33.9 | #N/A |

| | Jul 19 | Aug 19 | Sep 19 | Oct 19 | Nov 19 | Dec 19 | Jan 20 | Feb 20 | Mar 20 | Apr 20 | May 20 | Jun 20 | Jul 20 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Sales: New commercial vehicles (number) (% y/y) | 5.2 | -0.2 | -4.9 | -4.4 | -19.2 | -5.6 | -15.0 | -15.8 | -34.3 | -96.0 | -72.7 | -26.5 | #N/A |
| Volume of production - Gold mining (% y/y) | -12.9 | -4.6 | -1.8 | -1.4 | 4.3 | 24.1 | 5.1 | 12.4 | 9.4 | -60.2 | -20.3 | #N/A | #N/A |
| Volume of production - Other mining (% y/y) | 5.4 | -1.6 | 0.9 | 0.3 | 0.7 | -2.5 | 7.6 | 5.3 | -22.5 | -49.0 | -30.8 | #N/A | #N/A |
| Volume of production - Total mining (% y/y) | 2.7 | -2.0 | 0.7 | 0.1 | 1.1 | 0.3 | 7.4 | 6.2 | -19.1 | -50.3 | -29.8 | #N/A | #N/A |
| Volume of production - Manufacturing (% y/y) | -1.9 | -1.0 | -2.8 | -0.9 | -3.0 | -6.8 | -1.9 | -3.2 | -5.7 | -48.6 | #N/A | #N/A | #N/A |
| Purchasing Managers Index: Business activity (% y/y) | 15.4 | 18.8 | -1.1 | 10.1 | -18.2 | -32.5 | -7.1 | -20.9 | -27.2 | -89.2 | -0.3 | 43.0 | 14.2 |
| Leading business cycle indicator (% y/y) | -1.3 | -1.0 | -1.6 | -1.6 | -1.0 | -0.9 | -0.7 | -2.1 | -2.2 | -9.0 | -8.1 | #N/A | #N/A |
| Coincident business cycle indicator (% y/y) | 1.0 | 0.0 | -0.5 | -1.0 | -2.0 | -2.2 | -1.6 | -1.9 | -5.6 | -26.7 | #N/A | #N/A | #N/A |
| Insolvencies (% y/y) | 79.7 | 30.8 | 24.0 | 15.9 | 6.7 | -15.2 | 13.9 | -4.6 | -23.6 | -95.5 | -79.3 | #N/A | #N/A |
| Liquidations (% y/y) | 24.5 | 13.5 | -13.8 | -9.2 | 56.4 | -5.0 | -10.1 | 12.3 | -18.5 | #N/A | -9.7 | -17.8 | #N/A |
| US industrial production (% y/y) | 0.5 | 0.4 | -0.1 | -1.3 | -0.7 | -0.9 | -0.8 | 0.0 | -4.9 | -16.2 | -15.4 | -10.8 | #N/A |
| Euro Area industrial production (% y/y) | -1.4 | -2.3 | -1.2 | -1.6 | -1.3 | -3.4 | -2.2 | -2.2 | -13.5 | -28.0 | -20.9 | #N/A | #N/A |
| UK industrial production (% y/y) | -1.1 | -1.8 | -1.4 | -0.6 | -2.5 | -1.8 | -2.8 | -3.4 | -8.2 | -23.8 | -20.0 | #N/A | #N/A |
| Japan industrial production (% y/y) | 0.7 | -4.7 | 1.3 | -7.7 | -8.2 | -3.1 | -2.3 | -5.7 | -5.2 | -15.0 | -26.3 | -17.7 | #N/A |
| China industrial production (% y/y) | 4.8 | 4.4 | 5.8 | 4.7 | 6.2 | 6.9 | -13.5 | -13.5 | -1.1 | 3.9 | 4.4 | 0.0 | 0.0 |
| US consumer price inflation (% y/y) | 1.8 | 1.7 | 1.7 | 1.8 | 2.1 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| Eurozone consumer price inflation (% y/y) | 1.0 | 1.0 | 0.8 | 0.7 | 1.0 | 1.3 | 1.6 | 1.2 | 0.7 | 0.3 | 0.1 | 0.3 | #N/A |
| UK consumer price inflation (% y/y) | 2.1 | 1.7 | 1.7 | 1.5 | 1.5 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 |
| Japan consumer price inflation (% y/y) | 0.5 | 0.3 | 0.2 | 0.2 | 0.5 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| China consumer price inflation (% y/y) | 2.8 | 2.8 | 3.0 | 3.8 | 4.5 | 4.5 | 5.4 | 5.2 | 4.3 | 3.3 | 2.4 | 2.5 | #N/A |
| US unemployment rate | 3.7 | 3.7 | 3.5 | 3.6 | 3.5 | 3.5 | 3.6 | 3.5 | 4.4 | 14.7 | 13.3 | 11.1 | 10.2 |
| EU unemployment rate | 6.6 | 6.7 | 6.7 | 6.6 | 6.6 | 6.5 | 6.5 | 6.5 | 6.5 | 6.7 | 7.0 | 7.1 | #N/A |
| UK unemployment rate | 3.8 | 3.9 | 3.8 | 3.8 | 3.8 | 3.8 | 3.9 | 4.0 | 3.9 | 3.9 | 3.9 | #N/A | #N/A |
| Japan unemployment rate | 2.2 | 2.2 | 2.4 | 2.4 | 2.2 | 2.2 | 2.4 | 2.4 | 2.5 | 2.6 | 2.9 | 2.8 | #N/A |
| US Federal Funds rate | 2.25 | 2.25 | 1.75 | 1.75 | 1.75 | 1.75 | 1.75 | 1.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| Eurozone 3m sett rate (%p.a.) | -0.4 | -0.4 | -0.4 | -0.4 | -0.4 | -0.4 | -0.4 | -0.4 | -0.4 | -0.2 | -0.3 | -0.4 | -0.5 |
| UK 3m BBA rate (% p.a.) | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.7 | 0.7 | 0.6 | 0.6 | 0.6 | 0.2 | 0.1 | 0.1 |
| Japan short-term interest rate | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 |
| China short-term interest rate | 4.4 | 4.3 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 | 4.1 | 4.1 | 3.9 | 3.9 | 3.9 | 3.9 |
| China bond yield (>10yr) | 3.2 | 3.1 | 3.2 | 3.2 | 3.2 | 3.5 | 3.5 | 3.1 | 3.1 | 3.3 | 2.7 | 3.1 | 3.0 |
| Japan bond yield (>10yr) | -0.2 | -0.3 | -0.2 | -0.2 | -0.1 | 0.0 | -0.1 | 0.0 | 0.0 | 0.4 | 0.0 | 0.1 | 0.0 |
| UK bond yield (>10yr) | 0.6 | 0.5 | 0.5 | 0.6 | 0.7 | 0.8 | 0.5 | 0.4 | 0.4 | 0.3 | 0.2 | 0.2 | 0.1 |

| | Jul 19 | Aug 19 | Sep 19 | Oct 19 | Nov 19 | Dec 19 | Jan 20 | Feb 20 | Mar 20 | Apr 20 | May 20 | Jun 20 | Jul 20 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| US bond yield (>10yr) | 2.0 | 1.5 | 1.7 | 1.7 | 1.7 | 1.9 | 1.5 | 0.7 | 0.7 | 0.6 | 0.6 | 0.7 | 0.5 |
| US stock market: S&P500 (% y/y) | 5.8 | 1.8 | 9.9 | 8.1 | 13.7 | 29.6 | 19.5 | 5.9 | -9.7 | -0.9 | 10.0 | 4.9 | 11.5 |
| UK stock market: FTSE all share (% y/y) | -2.8 | -5.2 | -1.4 | 2.3 | 6.4 | 14.2 | 6.0 | -5.5 | 0.9 | -19.9 | -14.3 | -15.7 | -20.6 |
| Germany stock market: DAX (% y/y) | -6.2 | -5.8 | -0.6 | 10.0 | 15.8 | 25.2 | 15.0 | 2.8 | -14.5 | -12.9 | 0.1 | 0.3 | 1.4 |
| Japan stock market: Nikkei 300 (% y/y) | -9.0 | -10.2 | -10.8 | 2.6 | 3.3 | 16.2 | 10.0 | -8.3 | -12.2 | -7.8 | 4.9 | 5.5 | 1.1 |
| Switzerland stock market: Zurich SMI (% y/y) | 8.1 | 10.3 | 10.9 | 13.3 | 16.1 | 26.0 | 18.5 | 4.7 | -1.8 | -1.4 | 3.2 | 1.5 | 0.9 |
| Gold price (USD/oz) | 1410 | 1519 | 1513 | 1488 | 1463 | 1528 | 1586 | 1573 | 1640 | 1685 | 1718 | 1780 | 2034 |
| Platinum price (USD/oz) | 871 | 932 | 883 | 943 | 897 | 979 | 958 | 862 | 732 | 762 | 842 | 817 | 961 |
| Brent crude oil (\$/bl) | 65 | 61 | 54 | 60 | 61 | 66 | 58 | 22 | 33 | 25 | 39 | 42 | 44 |
| Maize price (USD/ton) | 399 | 359 | 387 | 389 | 370 | 388 | 382 | 343 | 330 | 321 | 323 | 342 | 308 |
| EURUSD | 1.12 | 1.11 | 1.10 | 1.11 | 1.11 | 1.11 | 1.11 | 1.10 | 1.11 | 1.09 | 1.11 | 1.12 | 1.14 |
| USDCNY | 6.74 | 7.14 | 7.03 | 7.10 | 7.02 | 7.02 | 6.92 | 7.00 | 7.03 | 7.05 | 7.11 | 7.09 | 7.05 |
| USDJPY | 112.2 | 106.4 | 115.6 | 108.1 | 108.9 | 109.3 | 109.1 | 109.5 | 108.1 | 107.8 | 107.5 | 107.6 | 106.8 |
| USDGBP | 0.80 | 0.82 | 0.81 | 0.79 | 0.78 | 0.76 | 0.76 | 0.77 | 0.81 | 0.81 | 0.81 | 0.80 | 0.79 |

Source: Quantec, 2020

Annexure B2 COVID-19 relief funds

Economic stimulus measures

- The Solidarity Fund: The Solidarity Fund is a public benefit organisation with a mandate to support the national health response, contribute to humanitarian relief efforts and mobilise South Africans in the fight against COVID-19.
- The Debt Relief Fund: aims to provide relief on existing debts and repayments, to assist SMEs during the COVID-19 outbreak.
- The Business Growth or Resilience Facility: seeks to enable continued participation by SMEs in supply value-chains, in particular those who manufacture (locally) or supply various products that are in demand due to current shortages arising from COVID-19. This facility will offer working capital, stock, bridging finance, order finance and equipment finance and the amount required will be based on the funding needs of the business.
- Repo Rate: From 20 March, the Reserve Bank cut the repo rate by 100 basis points from 6.25 per cent to 5.25 per cent. The repo rate was reduced by a further 100 basis points to 4.25 per cent from 15 April 2020. The repo rate was reduced by a further 50 basis points from 22 May 2020 to 3.75 per cent.
- Restructuring of SEFA-funded loans: The Debt Restructuring Facility is geared towards SEFA-funded SMME's which are negatively affected by the pandemic. A payment moratorium/ holiday will be given to the qualifying SMME's for a period of a maximum of 6 months, in an effort to reduce the instalment burden of loan obligations on the affected SMME's
- Business Growth/Resilience Facility: SMME's who locally manufacture or supply hygiene, medical products, and food items which are in demand in order to curb and manage the spread of the COVID-19 virus. This facility offers working capital, stock, bridging finance, order finance and equipment finance. The funding amount will be based on the funding needs of the actual business.
- Spaza Support Scheme: This scheme aims to strengthen Spaza shops as locals' convenient access to basic goods, as well as facilitate bulk buying opportunities, and realise the potential for Spaza shops to serve as a market for locally manufactured goods.
- COVID-19 Agricultural Support Disaster Fund: Support for smallholder and communal farmers with a minimum turnover of R20 000, but not exceeding R1 million per annum.
- The Tourism Relief Fund: provides once-off capped grant assistance to Small Micro and Medium Sized Enterprises (SMMEs) in the tourism value chain to ensure their sustainability during, and post, the implementation of government measures to curb the spread of COVID-19 in South Africa. Capped at R50 000 per entity grant funding can be utilised to subsidise expenses towards fixed costs, operational costs, supplies and other pressure cost items.
- Loans: Eligible businesses can access this financial relief measure by contacting the banks with which they bank directly. The loan guarantee scheme is an initiative to provide loans, guaranteed by government, to businesses with an annual turnover of less than R300 million, in order to meet some of their operational expenses. Funds

borrowed through this scheme can be used for operational expenses such as salaries, rent and lease agreements, contracts with suppliers, etc. Government and commercial banks are sharing the risks of these loans. Initially, the National Treasury has provided a guarantee of R100 billion to this scheme, with the option to increase the guarantee to R200 billion if necessary, and if the scheme is deemed successful.

- South African Future Trust: The local banks (Absa, First National Bank, Investec, Mercantile Bank, Nedbank and Standard Bank) (the "Partner Banks") have partnered with SAFT (an independent trust set up by the Oppenheimer family) to extend financial support to SMMEs. SAFT funds will be disbursed as concessionary loans to qualifying SMMEs, and these loans will be interest-free over a 5-year term and will be administered by the Partner Banks on behalf of SAFT.
- National Empowerment Fund ("NEF") Support: The NEF is making R200 000 000 in loans available for black entrepreneurs to manufacture and supply a range of medical products, including medical masks, sanitisers, dispensers and related healthcare products to support the healthcare sector during the COVID-19 crisis.
- Industrial Development Corporation ("IDC") Support: The IDC and the Department of Trade, Industry and Competition have compiled a more than R3 000 000 000 package for industrial funding to help vulnerable businesses. Furthermore, the IDC is providing a capital allocation of R3 000 000 000 in the second quarter of 2020 to support businesses during the COVID-19 pandemic.
- BASA Supporting Grants: BASA has expanded the scope of its Supporting Grants programme. While the existing opportunities for funding for arts organisations and business sponsors are still available, eligibility is now extended to support South African artists and creatives infected by the COVID-19 pandemic.

Employment-related measures

- The Employment Tax Incentive (ETI): The Disaster Management Tax Relief Administration Bill makes provision for the extension of ETI benefits. Save as otherwise indicated, the amendments are deemed to have come into operation on 1 April 2020 and will apply to any remuneration paid on or before 31 July 2020.
- COVID-19 Temporary Employee/Employer Relief Scheme: A new Directive, the COVID-19 Temporary Employee/Employer Relief Scheme (C19 TERS), was issued by the Minister of the Department of Employment and Labour in Government Gazette. The Directives create a special benefit under the UIF for employees who have lost all (or part of) their income as a result of the national disaster, thereby minimising the economic impact of the loss of income due to the COVID-19 pandemic. The Directives provides for loss of income due to short term shut down, illness benefit and death benefit.

Tax measures:

- On 24 June 2020, the Disaster Management Tax Relief Bill, 2020 and Disaster Management Tax Relief Administration Bill, 2020 were tabled in parliament. These bills provide for tax measures in order to assist with alleviating cash flow burdens on tax compliant small to medium sized businesses arising as a result of the COVID-19 pandemic and lockdown and to provide for matters connected therewith. Tax relief measures introduced include a delay of remittances of the "Pay As Your Earn" (PAYE), without triggering penalties or interest, a delay in the remittances of

provisional payments of income tax, without triggering penalties or interest and an acceleration of certain employment tax incentives.

- In terms of the Disaster Management Tax Relief Bill, all employers are exempt from liability and payment of the Skills Development Levy for the period 1 May 2020 to 31 August 2020.
- South Africa's National Treasury on 23 April 2020 issued a statement concerning value added tax (VAT), The VAT relief includes the following:
 - Fast-tracking of VAT refunds, with "smaller VAT vendors" in a net VAT refund position being allowed temporarily to file monthly VAT returns instead of bi-monthly returns.
 - Case-by-case application to South African Revenue Service for a waiver of penalties by "larger businesses" (with gross income of more than R100 million) that can show they are incapable of making tax payments due to the COVID-19 disaster and by businesses with gross income of less than R100 million for an additional deferral of payments without incurring penalties - apparently this relief would also apply with regard to VAT.
- Relief from the filing and payment requirements for the carbon tax was announced on April 21, 2020, in response to the coronavirus (COVID-19) pandemic. The carbon tax-related relief is a three-month extension of the carbon tax accounts filing and the first payment of the carbon tax. The submission of annual carbon tax accounts and payment of the carbon tax is now due by October 31, 2020 (from July 31, 2020) for the period ended December 31, 2019.
- The South African Revenue Service will accelerate payments of employment tax incentive reimbursements, so that tax-compliant employers receive them each month (up from twice a year).

Other:

- SASSA:
- Child support grant beneficiaries =received an extra R300 in May and from June to October they received an additional R500 each month.
- All other grant beneficiaries received an extra R250 per month for six months.
- In addition, a special COVID-19 Social Relief of Distress grant of R350 a month for the next 6 months was introduced for individuals who were currently unemployed and do not receive any other form of social grant or UIF payment. (The Department of Social Development will issue the requirements needed to access and apply for this funding.)
- The South African Social Security Agency - SASSA - will implement a technology-based solution to roll out food assistance at scale through vouchers and cash transfers to ensure that help reaches those who need it faster and more efficiently.
- In addition, the Department of Social Development has partnered with the Solidarity Fund, NGOs and community-based organisations to distribute 250 000 food parcels across the country over the next two weeks.

Annexure B3 COVID-19 regulations

President Cyril Ramaphosa first addressed the nation on COVID-19 on 15 March, declaring a national state of disaster in terms of the Disaster Management Act.

On 23 March, the President announced a national lockdown, initially for 21 days, and outlined more stringent interventions in a comprehensive plan to limit transmission of the virus and to mitigate its economic and social impact.

The country went into lockdown from midnight 26 March to 30 April 2020. (Alert level 5):

- The country was on alert level 4 from 1 to 31 May 2020;
- The country was on alert level 3 from 1 June to 17 August 2020;
- The country will be on alert level 2 from 00h01 on 18 August 2020; and
- Alert level 1 21 September 2020.

3

DEVELOPMENT OF THE WESTERN CAPE ECONOMY: SECTORAL AND SPATIAL DIMENSIONS

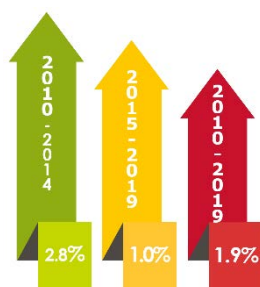
3.1 Introduction

This chapter provides an analysis of the Western Cape economy on a sectoral and spatial level. The structure of the Western Cape economy in terms of its trade profile, employment, investment and sectoral contribution to growth is also analysed. Insight into priority sectors that drive the Western Cape economy, such as the agricultural value chain and tourism will be provided. Along with the review of economic performance over the past year, the chapter also looks at the economic outlook and opportunities in the Western Cape.

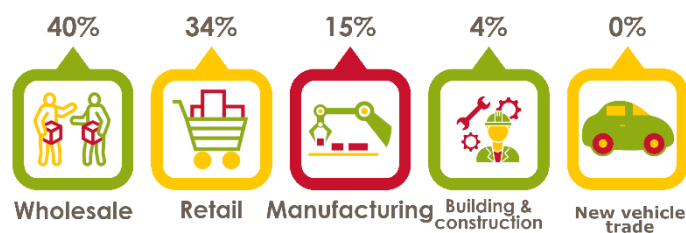


DEVELOPMENT OF THE WESTERN CAPE ECONOMY

ECONOMIC GROWTH



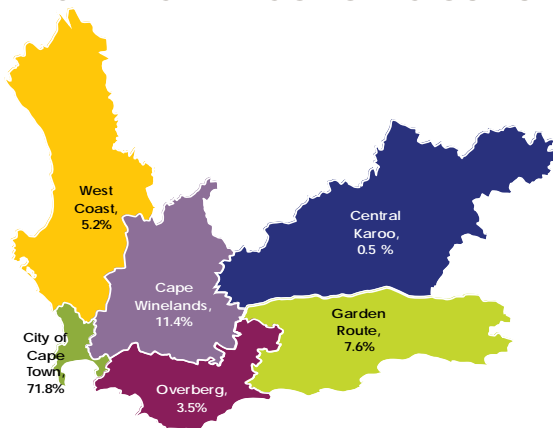
BUSINESS CONFIDENCE IN SECTORS 2019 - 2020Q2



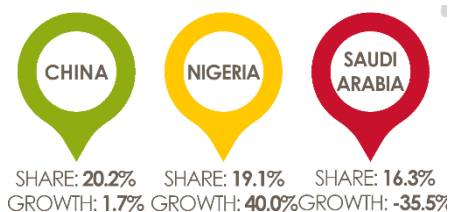
STRUCTURE OF THE WESTERN CAPE ECONOMY – GDP CONTRIBUTION 2019



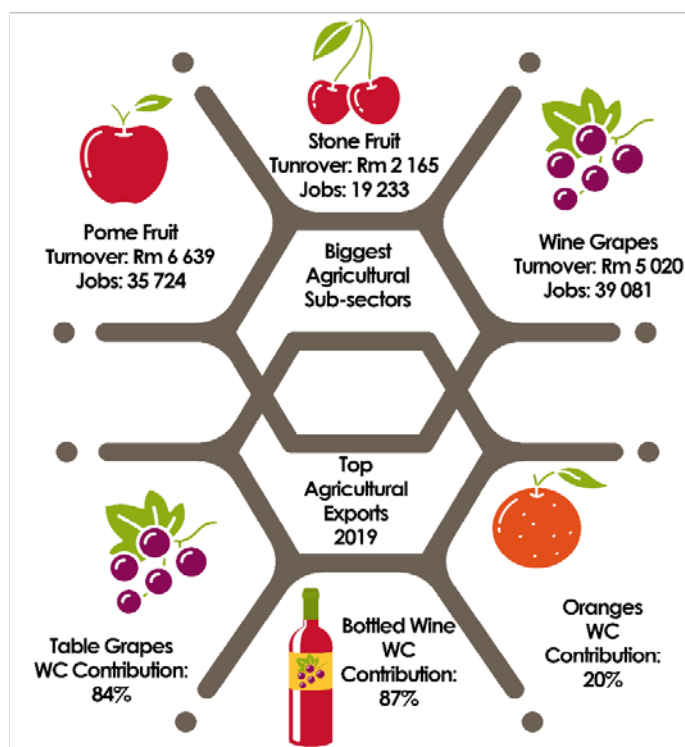
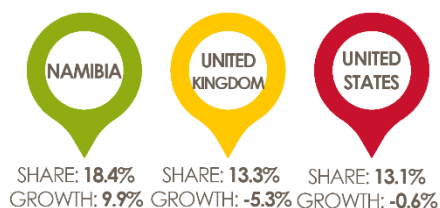
WESTERN CAPE ECONOMIC OUTPUT



TOP IMPORT MARKETS



TOP EXPORT MARKETS



3.2 A sectoral overview of economic growth and employment

The Western Cape economy is subjected by the global and national economic shocks that has erupted in the face of the COVID-19 pandemic and its subsequent lockdown measures. This chapter reveals that while some sectors such as Agriculture, forestry and fishing were more resilient to the impact of the COVID-19 lockdown measures, while sectors such as Tourism and Construction were particularly vulnerable. As a result of the significant contraction expected for 2020, the economic outlook and employment prospects for the Province has also been affected.

3.2.1 Western Cape sectoral economic growth

The section will first consider the structure and sectoral performance of the Western Cape economy in terms of growth trends and the relative performance of sectors. Each sector's contribution to the growth and forecasted performance will then be analysed. The six major sectors discussed below include Private services, Manufacturing, General government, Construction, Agriculture, forestry and fishing, and 'Other' sectors.

Structure of the Western Cape economy

The Private services sector is the largest in the Western Cape economy, accounting for 64.1 per cent of the Province's Regional Gross Domestic Product (GDPR) in 2018; which testifies to the service-oriented structure of the Western Cape economy. This was followed by the Manufacturing sector at 14.9 per cent and the General government sector at 10.7 per cent. The Agriculture, forestry, and fishing, and Construction sectors respectively contributed 4.0 per cent and 4.2 per cent to provincial GDPR in 2018. 'Other' sectors, which includes Mining and quarrying and the Electricity, gas and water sectors, accounted for 2.1 per cent of GDPR in 2018.

In 2019, the make-up of the Western Cape economy is estimated to have remained mostly unchanged, with GDPR share of the Private services sector estimated to have increased slightly to 64.7 per cent. Finance, insurance, real estate and business services (49 per cent in 2019) is the largest sub-sector, which makes up almost half of the Private services sector in the Western Cape. This is followed by Wholesale and retail trade, catering and accommodation sector (25 per cent); Transport, storage and communication sector (16 per cent) and finally; Community, social and personal services sector (10 per cent).

The Manufacturing sector is estimated to have held steady at 14.8 per cent, General government at 10.8 per cent and Construction at 4.1 per cent. The share of the Agriculture, forestry and fishing sector is estimated to have decreased slightly to 3.7 per cent in 2019, as a result of the estimated decline in GDPR of 7.0 per cent in the Sector for the same year.

Sectoral growth trends

The Western Cape GDPR grew with an average of 1.9 per cent per year over the past decade (2010 - 2019). Over the same period, average growth per annum was primarily driven by the Private services (2.2 per cent) and General government sectors (2.4 per cent) whilst the Agriculture, forestry and fishing (-0.1 per cent) and 'Other' (-0.2 per cent) sectors recorded negative growth. Over the period, the Private Services

and General government sectors contribution to total GDP growth were 75.2 per cent and 13.5 per cent respectively. The two sectors combined, contributed 94.4 per cent of total growth in the Western Cape over this period.

Over the same period, both the Agriculture, forestry and fishing and 'Other' sectors made negative contributions to total Provincial growth of -0.7 per cent and -0.3 per cent respectively. The negative contributions of Agriculture, forestry and fishing can largely be attributed to the drought that commenced in 2015, whilst the 'Other' sectors negative contribution can be ascribed to the intermittent power outages experienced in South Africa since 2007.

In the first half of the decade (2010 - 2014) the average GDP growth per annum in the Western Cape was 2.8 per cent. Over this period, General government's economic output increased on average with 4.1 per cent per annum, the highest growth rate of any sector. No sector recorded negative growth over this period. Private services and General government sectors' combined contribution to Provincial growth amounted to a substantial 83.9 per cent.

Between 2015 and 2019, the average annual GDP growth of the Western Cape declined to 1.0 per cent with three sectors recording negative GDP growth. The sectors include Agriculture, forestry and fishing (-2.5 per cent), 'Other' sector (-1 per cent) and Construction (-0.3 per cent). The negative average growth of Agriculture, forestry and fishing over this period can be attributed to an extended and severe drought which commenced in 2015. Private services grew at 1.6 per cent and contributed a significant 104.8 per cent to total Provincial growth. The Sector was mainly supported by the Finance, insurance, real estate and business services sub-sector which recorded a 2.3 per cent average annual growth rate over the period.

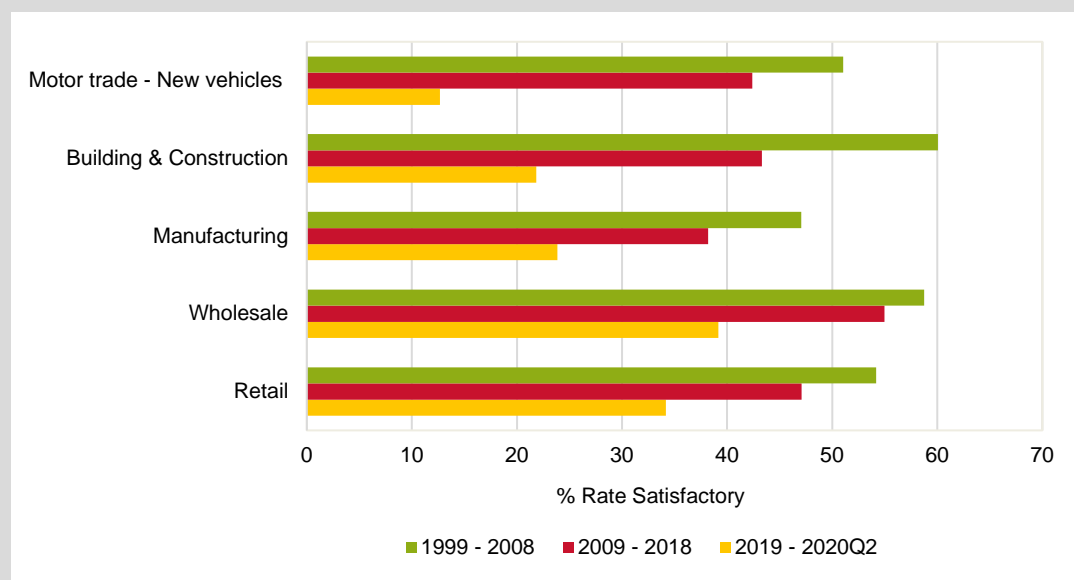
The difference in the average annual growth rate in the first (2.8 per cent) and second (1.0 per cent) five year period of the Western Cape economy can be ascribed to a weaker performance of all sectors in the second half of the decade. Most notably General government sector declined from 4.1 per cent to 0.8 per cent mainly due to an increasingly fiscal constraining environment; Agriculture, forestry and fishing sector declined from 2.3 to -2.5 per cent as a result of the drought; and Manufacturing sector declined from 2.3 per cent to 0.1 per cent as a result of an underlying weaker economy and lower productivity levels.

The Construction sector grew on average by 2.6 per cent between 2010 and 2014. However, growth slipped to -0.3 per cent between 2015 and 2019, bringing the average growth over the last decade down to 1.1 per cent. The decline in the Construction sector over the last five years can be attributed to energy and water disruptions accompanied with depressed economic growth, nationally and provincially.

TRENDS IN BUSINESS CONFIDENCE

There is a link between economic growth and business confidence as high levels of business confidence supports investment and opportunities for job creation. Business confidence is affected by factors such as taxation policies, electricity and water shortages, low growth performance, volatile exchange rate and the availability of infrastructure; these factors can be regional, national or global. The RMB/BER Business Confidence Index tracks business sentiment in the Province and provides insight into investor confidence.

Business confidence in the Western Cape eroded due to a combination of factors, which include policy uncertainty, electricity supply disruptions and slow growth. Although slightly higher than that for the rest of South Africa, business confidence in the Western Cape reached a record low in 2020. Regaining business confidence will depend on recovery from the COVID-19 pandemic and the level of policy certainty going forward.



Source: Bureau for Economic Research, 2020

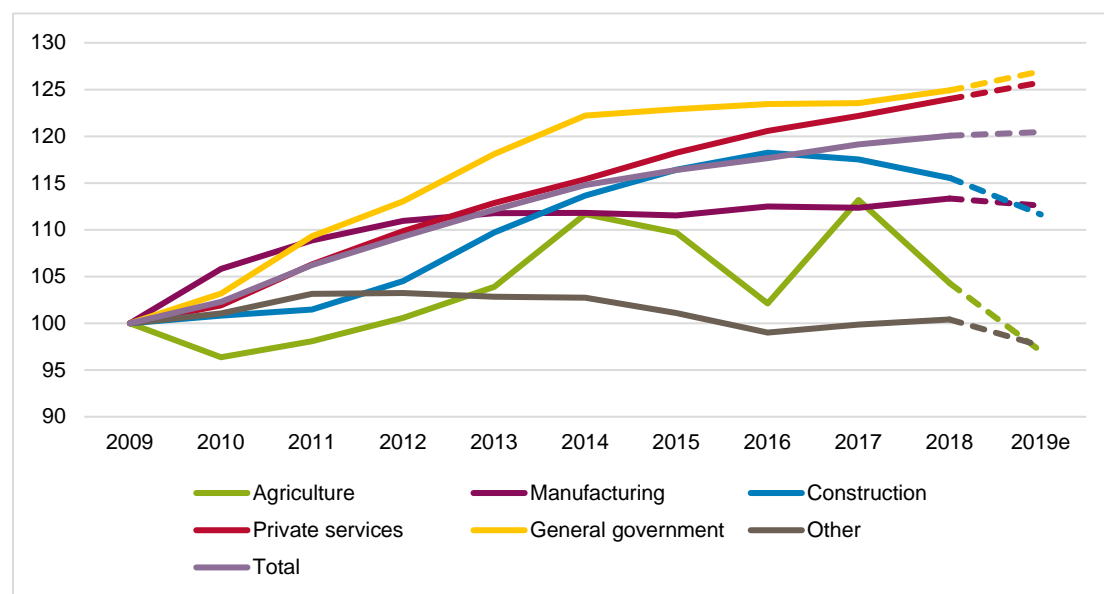
Relative performance of Western Cape sectors

Figure 3.1 shows the GDPR level of the Western Cape and its key sectors, equalised to 100 in 2009; subsequent years, therefore, show the relative performance of the sectors from 2009. This is useful for gauging the comparative growth performance of the sectors and recovery after the global financial crisis.

Since 2009, total growth across all sectors equated to 20.5 per cent. The General government and Private services sectors showed the strongest relative growth since 2009; with the General government sector growing by 26.9 per cent between 2009 and 2019, the fastest of all sectors. The sector with the second fastest growth, was the Private services sector which grew by 24.6 per cent since 2009. Compared to 2009, the Agricultural, forestry and fishing sector contracted with 5.0 per cent by 2019. A contraction in Other¹ sectors of -2.4 per cent since 2009, was driven by a deterioration in the Electricity, water and gas sector.

¹ The other sector includes mining and quarrying as well as electricity, gas and water.

Figure 3.1 Relative GDPR performance per sector, Western Cape, 2009 - 2019²



Note: e denotes estimate

Source: Quantec, 2020; Own calculations

Growth in the Construction sector peaked in 2016 at 18.2 per cent, after which it steadily deteriorated. Key factors that weighed on the Construction sector in 2019 includes the on-going fiscal constraints; energy and water disruptions; uncertainty over the issue of land expropriation without compensation and generally low business confidence levels.

Forecasted performance for the Western Cape economy (2020 - 2024)

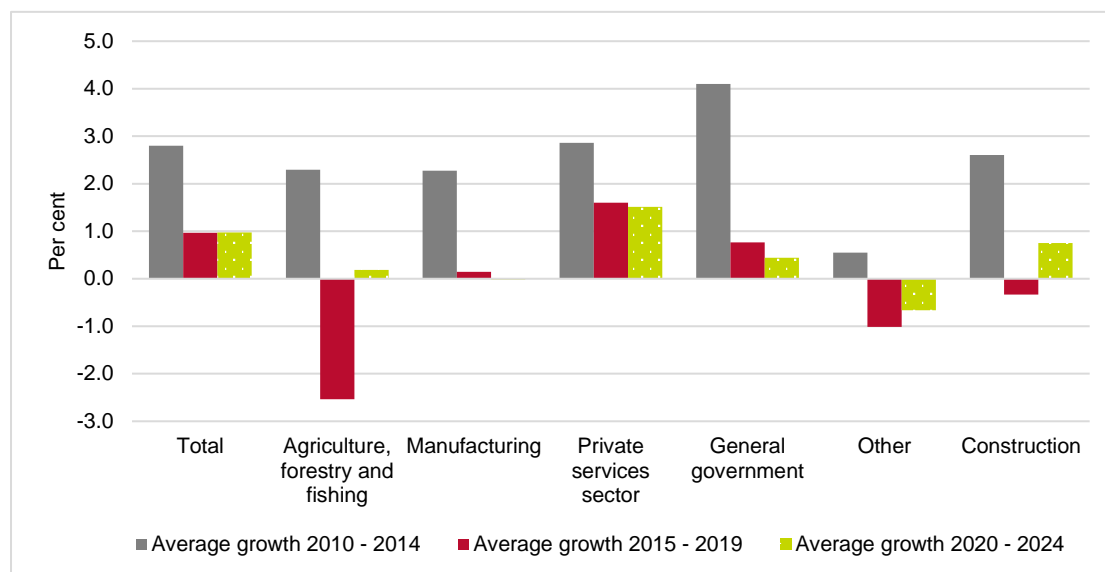
Figure 3.2 shows average growth in Western Cape sectors for 2010 - 2014, 2015 - 2019 and forecasted growth for 2020 - 2024.

Overall, the Western Cape economy is expected to grow at an average annual growth rate of 1.0 per cent between 2020 and 2024, while the rest of South Africa is expected to grow at an average annual rate of 0.7 per cent. In the Western Cape, growth in the Agricultural, forestry and fishing sector is expected to remain subdued with an average growth of 0.2 per cent between 2020 and 2024, due to an underlying slow growing economy, weak demand and property rights uncertainty. The Construction sector is expected to grow at an average annual rate of 0.8 per cent over the same period. The outlook of the Sector is impacted by an expected 17.8 per cent GDPR contraction in 2020 as a result of COVID-19 lockdown measures. The Afrimat Construction Index (ACI), a composite index of the level of activity within the building

² The latest Stats SA data for GDPR uses actual GDPR for 2018 and GDPR for 2019 are therefore estimates. Private sector services include wholesale and retail trade, catering and accommodation; transport, storage and communication; finance, insurance, real estate and business services; as well as community, social and personal services. The other sector includes mining and quarrying as well as electricity, gas and water. GDPR level of the Western Cape and key sectors equalised to 100 in 2009 and subsequent years show relative performance of the sectors without taking account of the size of the sector.

and construction sectors, showed a slump below 100 for the first time to 97 in the first quarter of 2020, and nosedived to 65 in the second quarter of 2020.

Figure 3.2 Average growth per sector, Western Cape, 2010 - 2024



Source: Quantec, 2020

Between 2000 and 2024 Private services sector is expected to record the highest average annual growth rate at 1.5 per cent, thereby making the largest contribution (79.9 per cent) to Western Cape economic growth over this period. The 'Other' sector is expected to have the bleakest outlook with a contraction of 0.7 per cent expected over this period. The negative outlook can be attributed to rolling power outages expected for this period, and the devastating impact of the COVID-19 lockdowns measure on the Mining and quarrying sector in 2020.

Sectoral employment in the Western Cape

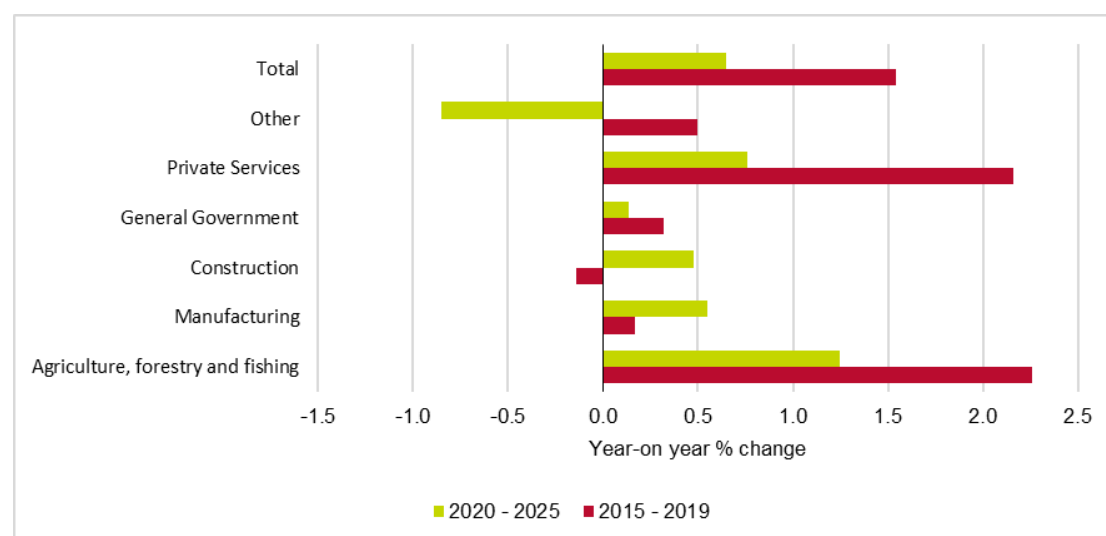
In 2018, the Private services sector contributed the largest share of employment in the Western Cape at 61.5 per cent. The Sector was followed by General government (11.9 per cent), Agriculture, forestry and fishing sector (10.0 per cent) and Manufacturing sector (10.0 per cent) and Construction sector (6.3 per cent). Tertiary services was responsible for 73.4 per cent of all employment opportunities in the Province.

Between 2015 and 2019 the average annual employment growth in the Western Cape was 1.5 per cent. The sectors with the highest average annual employment growth rate for this period were the Agriculture, forestry and fishing (2.3 per cent) and Private services sectors (1.5 per cent). The Agriculture, forestry and fishing sector contribution to total Provincial employment growth over the period was a significant 11.3 per cent. The increase in employment under drought conditions can be attributed to increased focus on labour intensive commodities such as fruit, citrus, berries and nuts as revealed by the 2017/18 Flyover project map as well as longer production cycles of increasingly popular commodities such as Fruit in the Western Cape.

The Private services and General government sectors contribution to employment growth over this period was 85.4 per cent and 2.5 per cent respectively. The Construction sector's average annual employment growth contracted with 0.1 per cent, mirroring the contraction of the Sector's GDP (-0.3 per cent) over the same period. The contraction in the Sector over this period can largely be attributed to a general decline of business confidence of the Sector in South Africa. The index for RMB/BER business confidence index for main building contractors declined from 45.25 points in 2015 to 26.75 points in 2019. Lower business confidence is linked to a weaker economy and uncertainty on land expropriation policy outcomes.

Between 2020 and 2025 (see Figure 3.3), employment in the Western Cape is expected to grow on average at 0.6 per cent per year, substantially less than the 1.5 per cent recorded between 2015 and 2019. The lower projected growth is mainly a result of the significant recession forecast for 2020 and underlying structural challenges within the national economy.

Figure 3.3 Employment growth per sector, Western Cape, 2015 - 2019 and 2020 - 2025³



Source: Quantec research, 2020

The Agriculture, forestry and fishing sector is expected to have the highest average annual employment growth rate of all sectors at 1.2 per cent, yet still lower than the previous five year period (2.3 per cent). The outlook for the Sector beyond 2020 remains under pressure as a result of slow economic growth, weak demand and property rights policy uncertainty. The 'Other' sector is the only sector expected to record a negative average annual growth in employment (-0.9 per cent) linked to the pressure on Eskom to rationalise its personnel in order to improve its financial sustainability.

The COVID-19 lockdown measures are expected to have a devastating impact on employment in the Western Cape. Table 3.1 below as provided by the Department of Economic Development and Tourism indicates that the Western Cape will lose 151 744 direct employment opportunities or 6.4 per cent of total employment in 2020.

³ When reference is made to the net number of jobs created between 2015 and 2019, it refers to the change in total employment from 2015 to 2019. The total number of jobs created between 2015 and 2019 could be more than this figure, but jobs could have been lost subsequently.

The Tourism sector will contribute almost half of all employment losses in the Province with 75 477 or 43.1 per cent expected employment losses in 2020. Other vulnerable sectors include the Informal and the Construction sectors, which are expected to respectively shed 25 705 and 19 197 jobs for the year. In conjunction, the Tourism, Informal and Construction sectors are expected to shed 120 379 job opportunities or 79.3 per cent of all expected job losses for the Province in 2020.

Table 3.1 Expected direct job losses for 2020 in the Western Cape

| Sectors | Employed 2019 | Net Job Losses 2020 | Net Employment loss as % of sector |
|---------------------------|------------------|------------------------|---------------------------------------|
| Tourism | 174 982 | 75 477 | 43.1 |
| Informal | 301 543 | 25 705 | 8.5 |
| Construction | 159 542 | 19 197 | 12.0 |
| Trade | 354 328 | 18 628 | 5.3 |
| Manufacturing | 295 183 | 9 622 | 3.3 |
| Finance | 466 741 | 3 426 | 0.7 |
| Community Services | 354 331 | 2 971 | 0.8 |
| Transport | 54 100 | 1 176 | 2.2 |
| Mining | 4 590 | 146 | 3.2 |
| Electricity | 8 892 | 76 | 0.9 |
| Agriculture | 209 798 | -4 680 | -2.2 |
| Total | 2 384 030 | 151 744 | 6.4 |

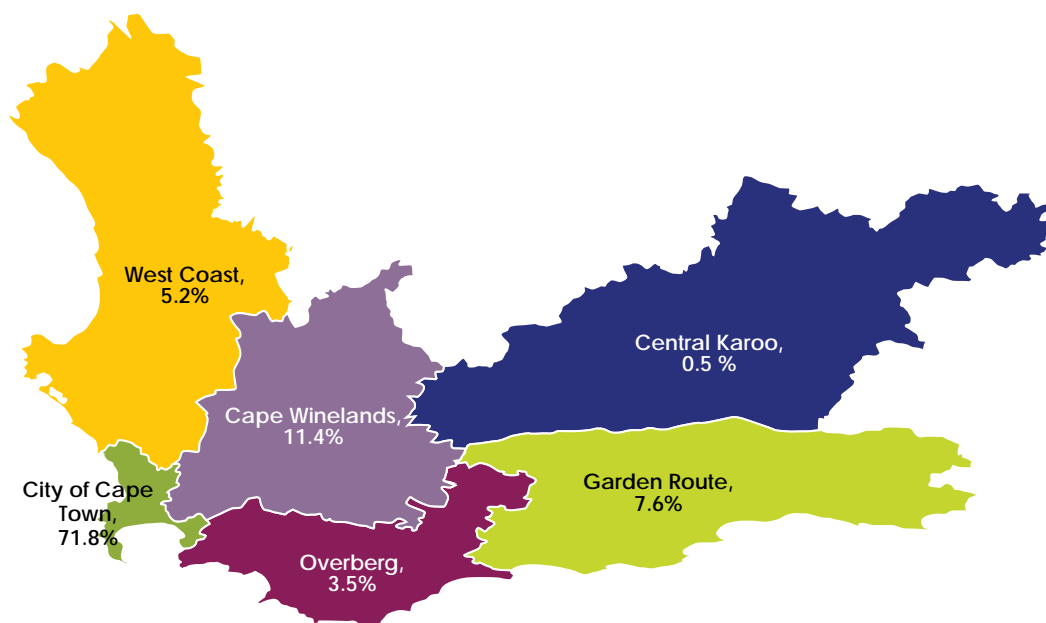
Source: Western Cape Department of Economic Development and Tourism

Sectors that are expected to record relative smaller job losses in 2020 include Finance (0.7 per cent), Community Services (0.8 per cent) and Electricity (0.9 per cent). The Agriculture, forestry and fishing sector is expected to show resilience with an additional 4 680 or 2.2 per cent employment growth in 2020. The positive employment expectation is based on positive national GDP growth of 28.6 per cent and 15.1 per cent recorded in the first and second of 2020 quarters respectively after the Sector experienced four consecutive negative quarters in GDP growth in 2019.

3.2.2 Spatial aspect of economic growth in the Western Cape

The Cape Metro is the largest regional economy in the Western Cape, contributing 71.8 per cent to the Province's nominal GDP in 2018 (see Figure 3.4). The Cape Metro is followed by the Cape Winelands (11.4 per cent), Garden Route (7.6 per cent), West Coast (5.2 per cent), Overberg (3.5 per cent) and the Central Karoo (0.5 per cent).

Figure 3.4 Western Cape economic output contribution per district, 2018⁴



Source: Quantec Research, 2020; Own calculations

The Cape Metro's contribution towards the Province's output, decreased marginally by 0.8 percentage points from 72.6 per cent in 2008 to 71.8 per cent in 2018. Over the same period, the nominal GDP contributions of West Coast (0.3 percentage points), Cape Winelands (0.3 percentage points), Overberg (0.2 percentage points) and Eden (0.1 percentage points) have each increased while the contribution of the Central Karoo remained steady at 0.5 per cent. The relatively small economic contribution for this large geographical district can be attributed to its sparse population and geographical remoteness of economic activity within the region.

Table 3.2 compares economic growth rates and contribution to economic growth, across different sectors and districts. Between 2008 and 2018, the Overberg recorded the highest average growth rate (2.2 per cent), followed by the Garden Route (1.9 per cent), and Cape Winelands (1.9 per cent). Over the same period, the Central Karoo recorded the lowest average growth rate (1.3 per cent).

The Finance, insurance, real estate and business services sub-sector in the Cape Metro plays a pivotal role in the overall economic growth of the Province. Between 2008 and 2018 economic growth in the Cape Metro, was mainly driven by the Finance, insurance, real estate and business services sub-sector with a 41.6 per cent contribution to the Metro's 1.6 per cent average annual growth over this period. Over the same period the Cape Metro contributed 70.0 per cent of the Province's 1.7 per cent average annual growth. The important role of Finance, insurance, real estate and business services sub-sector, was again apparent in 2018, when the Sector contributed 65.1 per cent to the Cape Metro's growth and 41.5 per cent to the Province's growth.

⁴ GDP, measured in real terms.



Table 3.2 GDP growth rates and contribution to economic growth, Western Cape (per district) 2008 - 2018

| GDP growth (%) | | | | | | | | | | | | | | |
|---|------------|-------------------|------------|-------------------|----------------|-------------------|----------|-------------------|--------------|-------------------|---------------|-------------------|--------------|-------------------|
| | Cape Metro | | West Coast | | Cape Winelands | | Overberg | | Garden Route | | Central Karoo | | Western Cape | |
| Sectors | 2018 | 2008 - 2018 (Avg) | 2018 | 2008 - 2018 (Avg) | 2018 | 2008 - 2018 (Avg) | 2018 | 2008 - 2018 (Avg) | 2018 | 2008 - 2018 (Avg) | 2018 | 2008 - 2018 (Avg) | 2018 | 2008 - 2018 (Avg) |
| Primary Sector | -7.4 | 2.1 | -7.5 | 1.3 | -7.2 | -0.9 | -8.2 | -1.3 | -8.2 | -0.7 | -0.4 | 1.2 | -7.5 | 0.3 |
| Agriculture, forestry and fishing | -8.3 | 2.2 | -7.7 | 1.3 | -7.3 | -0.9 | -8.3 | -1.4 | -8.6 | -0.8 | -6.1 | -0.3 | -7.9 | 0.3 |
| Mining | -1.4 | 1.5 | -3.7 | 0.4 | -1.8 | 1.3 | -2.1 | 1.8 | -1.3 | 1.3 | -6.2 | -0.4 | -1.9 | 1.2 |
| Secondary Sector | 0.2 | 0.5 | 2.6 | 1.1 | 0.0 | -0.1 | 1.6 | 2.3 | 0.1 | 0.9 | -1.8 | 1.9 | 0.4 | 0.6 |
| Manufacturing | 0.6 | 0.3 | 3.7 | 1.0 | 0.1 | -1.3 | 3.1 | 2.6 | 1.2 | 1.2 | 0.5 | 1.3 | 0.9 | 0.3 |
| Electricity, gas and water | 0.9 | -0.2 | -0.2 | -1.1 | 1.1 | 1.7 | 0.9 | 0.2 | 0.6 | -0.3 | 2.8 | 0.3 | 0.9 | -0.1 |
| Construction | -1.7 | 1.6 | -2.3 | 2.3 | -0.4 | 3.9 | -1.5 | 2.0 | -3.2 | 0.5 | 2.6 | 1.6 | -1.7 | 1.9 |
| Tertiary Sector | 1.3 | 2.0 | 1.5 | 2.3 | 2.1 | 3.1 | 1.9 | 2.9 | 1.7 | 2.5 | -2.7 | 1.9 | 1.4 | 2.1 |
| Wholesale, retail trade, catering and accommodation | 0.4 | 1.7 | 1.3 | 2.7 | 1.7 | 3.4 | 1.6 | 3.1 | 0.6 | 1.9 | 0.9 | 1.6 | 0.7 | 2.0 |
| Transport, storage and communication | 1.4 | 1.7 | 0.3 | 0.1 | 2.4 | 2.7 | 2.6 | 3.3 | 2.1 | 2.6 | -0.6 | 1.0 | 1.5 | 1.8 |
| Finance, insurance, real estate and business services | 1.8 | 2.1 | 2.7 | 2.8 | 3.2 | 3.8 | 2.5 | 3.0 | 2.8 | 3.3 | 0.0 | -0.3 | 2.0 | 2.4 |
| General government | 1.3 | 2.8 | 1.0 | 2.6 | 0.5 | 1.9 | 0.5 | 2.0 | 0.2 | 1.6 | 2.3 | 2.3 | 1.1 | 2.6 |
| Community, social and personal services | 0.8 | 1.1 | 1.8 | 2.3 | 1.5 | 2.1 | 1.3 | 2.0 | 0.7 | 1.3 | 1.5 | 3.1 | 0.9 | 1.3 |
| Total | 0.9 | 1.6 | -0.3 | 1.7 | 0.7 | 1.9 | 0.6 | 2.2 | 0.7 | 1.9 | 0.7 | 1.3 | 0.8 | 1.7 |
| Contribution to GDP growth (%) | | | | | | | | | | | | | | |
| | Cape Metro | | West Coast | | Cape Winelands | | Overberg | | Garden Route | | Central Karoo | | Western Cape | |
| Sectors | 2018 | 2008 - 2018 (Avg) | 2018 | 2008 - 2018 (Avg) | 2018 | 2008 - 2018 (Avg) | 2018 | 2008 - 2018 (Avg) | 2018 | 2008 - 2018 (Avg) | 2018 | 2008 - 2018 (Avg) | 2018 | 2008 - 2018 (Avg) |
| Primary Sector | -13.8 | 1.9 | 572.6 | 16.3 | -114.8 | -5.6 | -156.4 | -8.1 | -79.6 | -2.8 | 302.8 | -5.3 | -43.5 | 0.9 |
| Agriculture, forestry and fishing | -13.5 | 1.8 | 559.5 | 16.1 | -114.3 | -5.7 | -156.1 | -8.1 | -79.0 | -3.0 | 302.5 | -5.4 | -42.9 | 0.7 |
| Mining | -0.3 | 0.2 | 13.1 | 0.2 | -0.5 | 0.1 | -0.3 | 0.1 | -0.6 | 0.2 | 0.3 | 0.1 | -0.6 | 0.2 |
| Secondary Sector | 4.3 | 7.0 | -210.5 | 16.4 | 0.8 | -0.7 | 53.6 | 21.5 | 3.3 | 10.2 | -15.2 | 12.3 | 9.3 | 7.4 |
| Manufacturing | 9.9 | 3.3 | -242.0 | 12.5 | 1.9 | -11.9 | 65.1 | 16.0 | 24.5 | 9.1 | -21.1 | 0.6 | 16.4 | 2.9 |
| Electricity, gas and water | 2.0 | -0.3 | 1.0 | -1.0 | 2.4 | 1.4 | 2.3 | 0.2 | 1.8 | -0.3 | -27.3 | 5.0 | 2.1 | -0.1 |
| Construction | -7.6 | 3.9 | 30.5 | 4.9 | -3.5 | 9.8 | -13.8 | 5.4 | -23.0 | 1.4 | 33.2 | 6.6 | -9.2 | 4.6 |
| Tertiary Sector | 109.5 | 91.1 | -262.2 | 67.3 | 214.0 | 106.3 | 202.8 | 86.5 | 176.3 | 92.5 | -187.5 | 93.0 | 134.2 | 91.7 |
| Wholesale, retail trade, catering and accommodation | 7.3 | 16.1 | -64.4 | 22.1 | 44.2 | 29.5 | 46.1 | 25.3 | 14.2 | 16.8 | 25.4 | 12.2 | 13.6 | 18.5 |
| Transport, storage and communication | 16.3 | 11.1 | -6.6 | 0.6 | 30.6 | 12.5 | 40.1 | 14.3 | 28.9 | 12.7 | 1.3 | -4.2 | 19.6 | 10.9 |
| Finance, insurance, real estate and business services | 65.1 | 41.6 | -122.9 | 22.4 | 114.7 | 46.0 | 95.6 | 33.0 | 123.2 | 50.1 | -83.8 | 24.5 | 78.4 | 41.5 |
| General government | 15.3 | 17.7 | -31.7 | 13.9 | 7.2 | 9.7 | 6.8 | 7.6 | 2.7 | 8.0 | -87.1 | 49.3 | 14.6 | 15.4 |
| Community, social and personal services | 5.6 | 4.6 | -36.5 | 8.3 | 17.4 | 8.7 | 14.2 | 6.3 | 7.3 | 4.9 | -43.3 | 11.1 | 8.0 | 5.4 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Total contribution to WC growth | 83.2 | 70.0 | -1.9 | 5.0 | 9.6 | 12.2 | 2.7 | 4.3 | 6.6 | 8.3 | 7.3 | 4.9 | 100.0 | 100.0 |

Source: Quantec, 2020; Own calculations

The Agriculture, forestry and fishing sector is a key contributor to the economies of districts outside of the Cape Metro. As a result of the severe drought, the Sector recorded contractions in each of the districts and consequently also recorded a contraction in the Province of 7.9 per cent in 2018. The Sector made a significant contribution to the contraction of the West Coast (-0.3 per cent) in 2018.

In 2018, economic growth was lower than the average for the past ten years in each of the Provincial districts. This culminated in a 0.8 per cent growth for the Province in 2018 against a 1.7 per cent average growth between 2008 and 2018.

3.2.3 Fixed investment in the Western Cape

As depicted in Table 3.3, between 2015 and 2019 average annual investment, measured by Gross Fixed Capital Formation⁵ (GFCF), has declined on average with 0.6 per cent in the Western Cape. Over the period GFCF declined in Agriculture, forestry and fishing (-3.7 per cent), General government (-0.4) and 'Other' (-3.7 per cent) sectors. All sectors with the exception of the Construction (4.2 per cent) and Manufacturing (0.3 per cent) sectors failed to grow its GFCF over this period. The 'Other' sector (72.2 per cent) made the largest contribution to the negative growth experienced by the Province over this period.

Decreases in agricultural investment was largely due to the extreme drought experienced over this period, as well as other disasters, such as Avian flu (Smith, 2018). It is also likely that the announcement to pursue expropriation without compensation dampened investors' willingness to invest in agriculture (Hlomendlini & Makgolane, 2017). Overall, decreases in GFCF was further fuelled by lower business confidence, making businesses less willing to invest in fixed assets.

Table 3.3 Gross fixed capital formation per sector in the Western Cape, 2015 - 2024



| | 2015 - 2019 | | 2020 - 2024 | |
|---------------------------|--------------------------|------------------------------|--------------------------|--------------------------|
| | Average Change (y-o-y %) | Average Contribution (% pts) | Average Change (y-o-y %) | Average Contribution (%) |
| Agriculture | -3.7% | 28.8 | 1.3% | 2.5% |
| Manufacturing | 0.3% | -7.8 | -0.2% | -5.0% |
| Construction | 4.2% | -14.1 | -0.3% | -0.9% |
| Private services | 0.0% | 8.9 | 3.3% | 120.9% |
| General government | -0.4% | 12.1 | 2.2% | 12.6% |
| Other | -3.7% | 72.2 | -4.7% | -30.1% |
| Total | -0.6% | 100.0 | 1.7% | 100.0% |

Source: Quantec, 2020; Own calculations

⁵ Defined as the acquisition of produced assets (including purchases of second-hand assets), including the production of such assets by producers for their own use, minus disposals.

Between 2020 and 2024 the investment outlook for the Province is more optimistic than the previous five years with an expected average annual GFCF of 1.7 per cent. In all but three sectors (General government, Private Services and Agriculture, forestry and fishing) the expected growth prospects in GFCF is negative. It is expected that the Manufacturing (-0.2 per cent), Construction (-0.3 per cent) and 'Other' (-4.7 per cent) sectors will experience a decline in average annual GFCF growth over the period. The sector with the largest expected growth contribution to average annual GFCF of the Province is Private services (120.9 per cent) whereas the 'Other' sector (-30.1 per cent) is projected to have the largest negative contribution over the same period. The expected negative contribution to Provincial growth can be ascribed to the Electricity, gas and water sector's expected average annual decline in GFCF of 4.8 over the period. The contraction in the Sector's GFCF can be attributed to a planned capital expenditure reduction from Eskom due to its fragile financial position.

FOREIGN DIRECT INVESTMENT TRENDS

Foreign direct investment (FDI) is critical to stimulate economic growth and financial sustainability. For emerging economies, foreign investment inflows are vital for transferring money and expertise from multinationals to local enterprises. Reuters reported in March 2020 that South Africa experienced a dip in FDI in 2019 compared to the previous year, with inflows falling to R66.8 billion from R72.1 billion in 2018.

The amount of FDI that accrue to any country is dependent on both the international economic situation, as well as the economic situation of the recipient country (Akoto, 2016: 113). Worldwide, FDI flows decreased in 2018 due to increased global trade uncertainty and low economic growth in emerging market countries.

South Africa was no exception, being a slow-growing emerging market economy as well. Yet, South Africa continued to attract FDI, despite this global trend. This could be due to the fact that the South African president, President Ramaphosa, made attracting FDI an important policy goal. However, low economic growth, a shortage of skills and a high tax burden are likely to continue constraining future FDI, as it has in the past (Akoto, 2016: 114). Between 2008 and 2018, the Western Cape attracted \$8,3 billion in FDI. These investments were mainly made in the sectors that showed strong growth over this period, such as Business Services and Communication. However, it is likely that the recent COVID-19 pandemic will significantly damage both local and international growth, leading to a decrease in new sources of FDI.

3.3 Western Cape trade profile

Exports from the Western Cape is largely dominated by agricultural and agri-processed products, such as, edible fruit and nuts; peel of citrus fruit or melons; mineral oils and products of their distillation; bituminous substances; and mineral waxes. Agricultural and agri-processed products made up 40.1 per cent of all exports from the Western Cape in 2019 (see table 3.4). Imports into the Province is dominated by mineral fuel products and mechanical appliances, accounting for 16.8 per cent of imports.

Table 3.4 Top 10 imports and exports for the Western Cape in terms of value, 2019

| Rank | Imports | % Share to total imports |
|------|---|--------------------------|
| 1 | Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes | 16.8 |
| 2 | Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof | 12.0 |
| 3 | Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles | 8.9 |
| 4 | Original equipment components | 8.4 |
| 5 | Vehicles other than railway or tramway rolling stock, and parts and accessories thereof | 7.8 |
| 6 | Plastics and articles thereof | 2.7 |
| 7 | Pharmaceutical products | 2.7 |
| 8 | Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof | 2.5 |
| 9 | Miscellaneous chemical products | 1.8 |
| 10 | Organic chemicals | 1.6 |

| Rank | Exports | % Share to total exports |
|------|--|--------------------------|
| 1 | Edible fruit and nuts; peel of citrus fruit or melons | 23.6 |
| 2 | Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes | 15.8 |
| 3 | Beverages, spirits and vinegar | 8.6 |
| 4 | Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof | 5.1 |
| 5 | Fish and crustaceans, molluscs and other aquatic invertebrates | 4.6 |
| 6 | Iron and steel | 4.1 |
| 7 | Preparations of vegetables, fruit, nuts or other parts of | 3.3 |
| 8 | Ships, boats and floating structures | 2.1 |
| 9 | Ores, slag and ash | 1.8 |
| 10 | Tobacco and manufactured tobacco substitutes | 1.7 |

Source: Quantec Research, 2020

Over the past decade, exports in the Province grew on average by 2.1 per cent per annum, while imports grew on average by 2.7 per cent per annum. Export growth has been stronger in the Western Cape than the rest of South Africa, which experienced an average annual growth of 1.5 per cent. This can mainly be attributed to the Province's relative comparative advantage in Agricultural and Agri-processing goods to the rest of the Country.

Over the past few decades manufactured exports experienced negative growth. This phenomenon likely occurred due to the weaker financial markets globally, and a more risk averse investment climate over the past decade. There has, however, been growth in exports of textiles, clothing and leather goods; wood and paper; publishing and printing; electrical machinery and apparatus; and radio, TV, instruments, watches and clocks in the Western Cape.

3.3.1 Trade source and destination markets

Africa continues to be the most significant destination market for Western Cape exports, accounting for 43.7 per cent of total export value in 2019, likely to have been boosted by the African Continental Free Trade Area (AfCFTA) agreement that came

into effect on 30 May 2019. The AfCFTA aims to establish a free trade area spanning the 55 Member States of the African Union (AU). It was launched in March 2018 and has been signed by 52 countries. The AfCFTA includes undertakings by Member States to progressively eliminate tariffs and non-tariff barriers to trade in goods and liberalise trade in services; cooperate on investment, intellectual property rights, competition policy, customs matters, and to establish a dispute settlement system (Wesgro, 2019).

Europe received the second largest share of exports, accounting for 33.0 per cent of exports from the Western Cape in 2019. In terms of individual countries, the majority of exports, in terms of value, was destined for Namibia, accounting for 18.4 per cent of total exports. This was followed by the UK, receiving 13.3 per cent of exports and the US at 13.1 per cent in 2019. Exports to the UK, US, Germany and Lesotho declined, while exports to Namibia, the Netherlands, Botswana, China, Kenya and Lesotho expanded between 2018 and 2019. The top three destination markets for exports from the Western Cape remained unchanged between 2018 and 2019. The only change in terms of export value share, was China overtaking Germany to claim sixth spot in 2019. Exports to China increased by 5.5 per cent between 2018 and 2019. Between 2018 and 2019 Namibia was the fastest growing export destination market in terms of value, growing by 9.9 per cent, followed by Botswana growing by 7.4 per cent.

As depicted in Table 3.5, imports from China amounted to 20.2 per cent of the total value, in 2019. The Middle East region was the biggest regional source market of imports into the Western Cape, accounting for 36.2 per cent of total imports. As the largest African import source markets in 2019, imports from Nigeria and Angola accounted for 19.1 per cent and 4.3 per cent, respectively.

Table 3.5 Top ten export and import markets for the Western Cape, 2019



| Rank | Imports | Value 2019 (Rbn) | % Share | % Growth 2018 - 2019 | Rank | Exports | Value 2019 (Rbn) | % Share | % Growth 2018 - 2019 |
|----------------------|----------------------|------------------|------------|----------------------|----------------------|----------------|------------------|------------|----------------------|
| 1 | China | 30.3 | 20.2 | 1.7 | 1 | Namibia | 12.7 | 18.4 | 9.9 |
| 2 | Nigeria | 28.6 | 19.1 | 40.0 | 2 | United Kingdom | 9.1 | 13.3 | -5.3 |
| 3 | Saudi Arabia | 24.4 | 16.3 | -35.5 | 3 | United States | 9.0 | 13.1 | -0.6 |
| 4 | United Arab Emirates | 21.4 | 14.3 | 148.3 | 4 | Netherlands | 8.7 | 12.6 | 1.8 |
| 5 | India | 9.8 | 6.6 | 17.8 | 5 | Botswana | 7.9 | 11.5 | 7.4 |
| 6 | Oman | 8.4 | 5.6 | -0.4 | 6 | China | 5.3 | 7.8 | 5.5 |
| 7 | United States | 7.6 | 5.1 | 24.1 | 7 | Germany | 4.9 | 7.1 | -2.8 |
| 8 | Germany | 6.6 | 4.4 | -2.3 | 8 | Kenya | 3.8 | 5.7 | 4.7 |
| 9 | Angola | 6.5 | 4.3 | -46.7 | 9 | Lesotho | 2.9 | 4.3 | 3.0 |
| 10 | Italy | 6.1 | 4.1 | -24.0 | 10 | Zambia | 2.5 | 3.8 | -8.4 |
| Total imports | | 149.8 | 100 | 2.2 | Total exports | | 68.8 | 100 | 5.3 |

Source: Quantec, 2020; Own calculations

Provincial import growth slowed to 2.2 per cent between 2018 and 2019 from 19.5 per cent between 2017 and 2018. The slower growth was mainly due to a decline experienced in oil imports from Saudi Arabia, declining by 35.5 per cent, and Angola,

declining by 46.7 per cent. During 2019, China overtook Saudi Arabia to claim the top spot in terms of import source market value share to the Western Cape.

3.3.2 Western Cape sector revealed comparative trade advantages

A Revealed Comparative Trade Advantage (RCTA)⁶ level above one signals a comparative advantage relative to the rest of South Africa, while a level below one indicates a comparative disadvantage. Subsectors with an RCTA above one have a larger share of exports in the Western Cape compared to the rest of South Africa.

The Western Cape has revealed a high comparative trade advantage in the following sector and sub-sectors: Agriculture, forestry and fishing (4.5); Food, beverages and tobacco (3.2); and Textiles, clothing and leather goods (2.4), (see Table 3.6).

The Western Cape's significant comparative advantage for Agriculture, forestry and fishing and Food, beverages and tobacco has diminished since 2004 when the RTCA for these sectors were 5 and 4.5, respectively.

Table 3.6 Western Cape relative comparative trade advantage (RTCA) per subsector, 2004 - 2019



| Sector | 2004 | 2009 | 2014 | 2019 |
|---|------|------|------|------|
| Agriculture, forestry and fishing | 5.0 | 4.4 | 4.2 | 4.5 |
| Food, beverages and tobacco | 4.5 | 3.8 | 3.4 | 3.2 |
| Textiles, clothing and leather goods | 2.3 | 3.3 | 3.0 | 2.4 |
| Finance and insurance | 2.2 | 1.8 | 1.8 | 2.0 |
| Petroleum products, chemicals, rubber and plastic | 1.6 | 1.7 | 1.6 | 1.7 |
| Business services | 1.8 | 1.5 | 1.5 | 1.6 |
| Construction | 1.6 | 1.3 | 1.4 | 1.6 |
| Communication | 1.4 | 1.4 | 1.4 | 1.5 |
| Catering and accommodation services | 1.8 | 1.5 | 1.4 | 1.5 |
| Wholesale and retail trade | 1.5 | 1.3 | 1.3 | 1.4 |
| Community, social and personal services | 1.1 | 1.2 | 1.3 | 1.4 |
| Radio, TV, instruments, watches and clocks | 1.4 | 2.3 | 1.2 | 1.3 |
| Transport and storage | 1.1 | 1.1 | 1.1 | 1.3 |
| Furniture and other manufacturing | 0.7 | 0.7 | 0.9 | 1.1 |
| Other non-metal mineral products | 0.6 | 0.6 | 0.6 | 0.7 |
| Metals, metal products, machinery and equipment | 0.4 | 0.4 | 0.5 | 0.6 |
| Wood, paper, publishing and printing | 0.5 | 0.5 | 0.6 | 0.6 |
| Electrical machinery and apparatus | 0.5 | 0.4 | 0.5 | 0.4 |
| Transport equipment | 0.4 | 0.4 | 0.4 | 0.3 |
| Mining | 0.1 | 0.1 | 0.1 | 0.0 |
| Electricity, gas and water | 0.6 | 0.0 | 0.0 | 0.0 |

Source: Quantec, 2020

⁶ A sector's export share of total provincial exports can be expressed as a ratio of the same sector's share to the South African exports to calculate the **RTCA** of the sector.

3.3.3 Spatial aspect of the Western Cape trade profile

The Western Cape's trade profile is geographically concentrated in the Cape Metro due to the regions' large share of economic activity and the location of international ports (the harbours and airport). This applies to both the import and export profile. The Cape Metro accounted for 68.9 per cent of total export value in 2019, followed by Cape Winelands at 19.8 per cent and West Coast at 4.9 per cent. In terms of export growth, the Garden Route grew at the fastest average annual rate of 3.0 per cent between 2015 and 2019, followed by Cape Winelands at 1.9 per cent. Between 2015 and 2019, exports from the Central Karoo and West Coast contracted on average by 1.7 per cent and 1 per cent respectively.

Between 2018 and 2019, imports into the Western Cape increased by 4.6 per cent. The Cape Metro received the majority (80.7 per cent) of all imports into the Western Cape in 2019. This was followed by Cape Winelands (15.6 per cent) and Garden Route (1.6 per cent). Imports into the Overberg increased the most between 2018 and 2019 (6.3 per cent), followed by the Cape Metro (5.9 per cent).

3.4 Key priority sectors in the Western Cape

3.4.1 Agriculture and agri-processing

The agriculture value chain plays a critical role in the Western Cape economy due to its distinct comparative advantage and employment creation potential. Agri-processing is an integral part of the agricultural value chain. According to the Western Cape Department of Agriculture, the Agri-processing sector contributes to approximately 9.9 per cent of national exports and 4.4 per cent of total employment in South Africa. In addition, the Department of Agriculture, Forestry and Fisheries (DAFF) estimates that 36.8 per cent of jobs in the Manufacturing sector is attributable to the Agri-processing sector. In the Western Cape, Agriculture and Agri processing combined, contributed 11.0 per cent to GDP and 14.0 per cent to formal employment in 2018. In 2019, the Province contributed significantly toward total national agriculture exports as depicted in Table 3.7. The Western Cape contributed more than 90.0 per cent of national exports of blueberries, bulk wine and pears; and more than 80.0 per cent of table grapes, bottled wine and apples exports in 2019.



Table 3.7 Agriculture exports, South Africa and Western Cape, 2019

| Rank | Products | RSA Export Value 2019 | WC Export Value 2019 | WC Contribution |
|------|--------------|-----------------------|----------------------|-----------------|
| | | (Millions) | (Millions) | (Per cent) |
| 1 | Table Grapes | 7 523 | 6 317 | 83.97 |
| 2 | Oranges | 9 629 | 5 802 | 60.25 |
| 3 | Bottled Wine | 6 658 | 5 769 | 86.65 |
| 4 | Apples | 5 398 | 4 560 | 84.47 |
| 5 | Soft Citrus | 3 766 | 2 989 | 79.36 |
| 6 | Pears | 2 641 | 2 427 | 91.90 |
| 7 | Lemons | 4 037 | 2 007 | 49.28 |
| 8 | Bulk Wine | 1 927 | 1 838 | 95.36 |
| 9 | Blueberries | 1 537 | 1 527 | 99.33 |
| 10 | Grapefruit | 2 016 | 1 133 | 56.21 |

Source: Western Cape Department of Agriculture, 2020; Quantec, 2020

The Western Cape's Agriculture, forestry and fishing sector was severely affected by the COVID-19 response and related trade restrictions. Table 3.8 shows the most severely affected agricultural exports as determined by the percentage decrease in exports for 2020 compared to 2019. Among the worst affected export products included Cuttle fish and squid, frozen, with or without shell (-41.0 per cent), Cane or beet sugar and chemically pure sucrose (-39.0 per cent), Cider, perry, mead and other fermented beverages (-35.0 per cent) and Beer made from malt (-35.0 per cent).



Table 3.8 Worst affected agricultural exports between year to date 2019 vs 2020

| Rank | HS-6 | Name | Jan-Jun 2019 vs. Jan-June 2020 Per cent |
|------|--------|--|---|
| 1 | 30743 | Cuttle fish and squid, frozen, with or without shell | -41 |
| 2 | 170199 | Cane or beet sugar and chemically pure sucrose | -39 |
| 3 | 220600 | Cider, perry, mead and other fermented beverages | -35 |
| 4 | 220300 | Beer made from malt | -35 |
| 5 | 220299 | Non-alcoholic beverages | -29 |
| 6 | 220870 | Liqueurs and cordials | -27 |
| 7 | 200870 | Peaches, incl. nectarines, prepared or preserved | -26 |
| 8 | 200899 | Fruit and other edible parts and plants, prepared or preserved | -25 |
| 6 | 121410 | alfalfa meal and pellets | -21 |
| 10 | 30474 | Frozen fillets of hake "Merluccius spp., Uropygids spp." | -19 |
| 11 | 220421 | Wine of fresh grapes, incl. fortified wines | -18 |

Source: Western Cape Department of Agriculture, 2020; SARS, 2020

CENSUS OF COMMERCIAL AGRICULTURE, 2017

The province with the highest number of farms in 2017 was Free State with 7 951 farms or 19.8 per cent of the national total, followed by Western Cape with 6 937 or 17.3 per cent, North West with 4 920 or 12.3 per cent and Northern Cape with 4 829 or 12.0 per cent. The proportions of farms found in each province were relatively stable between 2007 and 2017. In each year, the two provinces with the most farms were Free State and Western Cape. Cape Winelands was the district with the highest number of farms in 2017, with 1 995 farms or 28.8 per cent of the Western Capes total.

The Western Cape Province contributed the most to total income in 2017 (R64.4 billion or 19.3 per cent), followed by Free State (R46.9 billion or 14.1 per cent), North West (R39.7 billion or 11.9 per cent), Mpumalanga (R38.4 billion or 11.6 per cent) and KwaZulu-Natal (R34.0 billion or 10.2 per cent). Horticulture contributed 41.5 per cent to the total income of the Western Cape. Cape Winelands contributed the most to farming income in the Province (R27.3 billion or 42.4 per cent). Cape Winelands was also the biggest income generating district in South Africa in 2017.

Between 2007 and 2018, Western Cape lost the largest number of jobs (-17 516), followed by Mpumalanga (-13 572) and Free State (-10 329). However, Western Cape was by far the largest provincial employer in 2018 (186 997 employees or 24.7 per cent of the national total), followed by Limpopo and KwaZulu-Natal. Although the Free State recorded the largest number of farms in 2017, the Western Cape earned the most income (19.3 per cent of total income) and employed the most workers (24.7 per cent of total employment). Activities related to horticulture accounted for 57.4 per cent of employees in commercial agriculture. Cape Winelands employed the highest number of people in commercial agriculture followed by the West Coast.

On 30 September 2018, the total land used in Western Cape for commercial agriculture was 4 099 thousand hectares. Central Karoo accounted for the largest share of commercial agricultural land in Western Cape, at 1 821 thousand ha (44.4 per cent of the provincial total). The West Coast is the leading producer in oranges in the Province while Central Karoo produces the most onions, Garden Route the most lucerne, Overberg the most apples and Cape Winelands the most grapes. Cape Winelands produced 59 per cent of the nation's grapes in 2017.

The Western Cape was the leading national producer of grapes, apples, peaches, pears, plums, berries, onions, canola, wheat, barley and oats in 2017. Wheat was the largest field crop produced in Western Cape in both 2007 and 2017. However, wheat production decreased by 32.1 per cent in 2017. The largest proportion of the country's onions was produced in Western Cape (35.9 per cent). Onion production in Western Cape increased by 44.9 per cent in the period 2007 - 2017, while potatoes decreased by 48.4 per cent. Orange production in Western Cape declined by 23.1 per cent in the period 2007 - 2017. The production of wine grapes in Western Cape declined by 31.5 per cent in the period 2007 - 2017. Apple production increased by 17.4 per cent.

Source: Statistics South Africa

3.4.2 Tourism

The Tourism sector cuts across many sectors and plays an important role in terms of GDP and job creation in the Western Cape. The Western Cape received 19.6 per cent of all tourist arrivals and 22.9 per cent of tourist spend in South Africa in 2019 (SA Tourism, 2020). The Tourism sector accounted for nearly 7.0 per cent of employment in the Province in 2018 with 175 000 employment opportunities. The Western Cape will be particularly affected by the ban on international travel since international tourists spend almost 4 times as much as domestic tourists (Western Cape Department of Economic Development and Tourism, 2020).

The Province attracted more than 2 million tourists, increasing the number of tourist arrivals in the Western Cape by 16 per cent in 2019. It is estimated that tourism contributed over R15.5 billion to Western Cape GDP in 2019. The Total Foreign Direct Spend (TFDS, excluding capital expenditure) in the Western Cape was estimated at R18.6 billion, while the Province also recorded 25.7 million bed nights in 2019. In terms of the number of jobs created in 2019, the tourism sectors' employment creation amounted to a total of 174 982 direct jobs.

According to Wesgro, Germany (28.5 per cent), the UK (21.3 per cent) and Netherlands (7.0 per cent) ranked as the top three international tourism source markets across the regions of the Western Cape. Other countries among the top ten source markets included France, the US, Switzerland, Australia, Belgium, Italy and Spain. Tourists arriving at Cape Town International Airport from Germany decreased by 7 024 from 128 907 in 2018 to 121 883 in 2019 but UK remained mostly unchanged for UK tourist arrivals with a small increase of 298 over the same period. Arrivals from the US grew consistently from 2015 to 2019, increasing with 15.3 per cent between 2017 and 2018; and 5.4 per cent between 2018 and 2019. Domestic tourists hailed mostly from the Western Cape (56.4 per cent), followed by Gauteng (11.5 per cent), Eastern Cape (5.5 per cent), Kwa Zulu Natal (3.0 per cent) and Northern Cape (2.4 per cent).

Through the Cape Town Air Access initiative; 19 new routes were established, and 23 existing routes were expanded since its inception in July 2015. The Cape Town Air Access initiative is a collaboration between the Airports Company of South Africa, City of Cape Town, Western Cape Government, South African Tourism, Cape Town Tourism and Wesgro to enhance accessibility and market access to the Province.

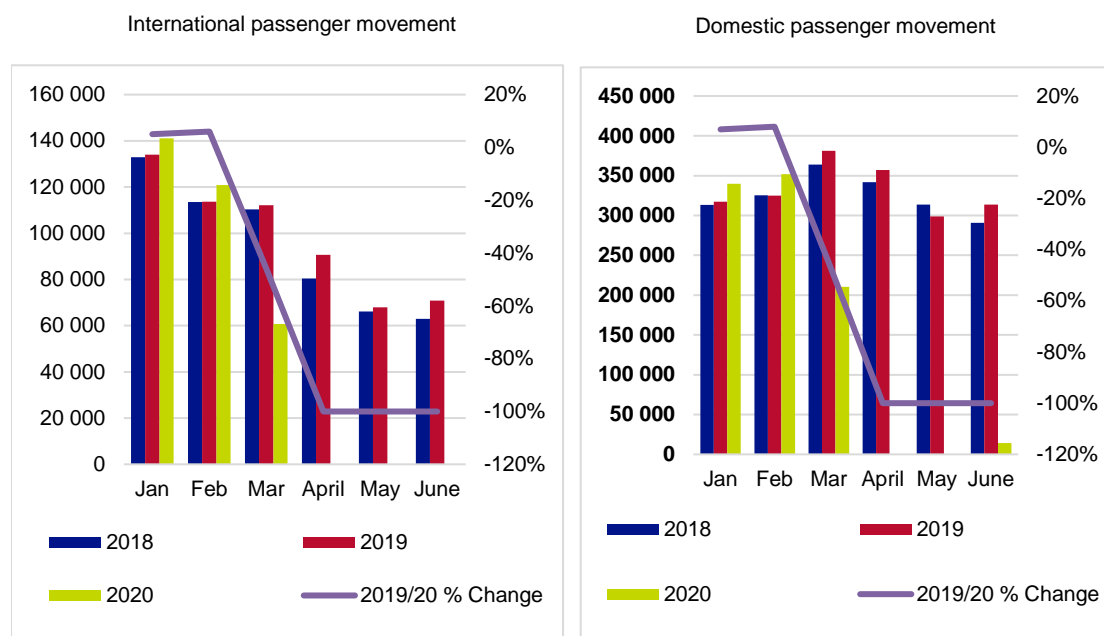
Table 3.9 Western Cape Tourism Performance Indicators, 2015 - 2019

| Western Cape Performance Indicators | 2015 | 2016 | 2017 | 2018 | 2019 | 2018/19 % Change |
|---|---------------|---------------|---------------|---------------|---------------|------------------|
| International | | | | | | |
| Total number of tourist arrivals | 1.3 million | 1.6 million | 1.7 million | 1.7 million | 20.0 million | 16.0 |
| % Share of South Africa's arrivals | 14.9 | 15.6 | 16.8 | 16.5 | 19.6 | - |
| Total foreign direct spend (excl capital expenditure) | R14.9 billion | R18.1 billion | R23.1 billion | R16.3 billion | R18.6 billion | 14.1 |
| % Share of South Africa's spend | 21.8 | 23.9 | 28.6 | 19.8 | 22.9 | - |
| Total number of bed nights spend by tourists | 15.6 million | 16.7 million | 23.3 million | 23.3 million | 25.7 million | 10.2 |
| % Share of South Africa's bed nights | 19.2 | 18.9 | 19.3 | 19.7 | 22.9 | - |
| Length of stay | 12.2 nights | 11.1 nights | 14.1 nights | 13.9 nights | 13.4 nights | -4.1 |
| Domestic | | | | | | |
| Total domestic trips | 1 829 000 | 2 139 000 | 1 587 000 | 1 288 000 | 4 431 140 | 244.0 |
| Total direct domestic spend | R2.0 billion | R2.5 billion | R1.6 billion | R1.9 billion | R7.7 billion | 315.4 |
| Total annual domestic bed nights | 8 316 000 | 10 393 000 | 533 000 | 4 885 441 | 16 647 773 | 240.8 |
| Length of stay | 4.8 nights | 4.9 nights | 3.4 nights | 3.8 nights | 3.8 nights | -0.9 |

Source: SA Tourism, 2020

The ban on international and national travel severely impacted the tourism industry in the Province, during the first half of 2020. International arrivals through Cape Town International Airport decreased by 10.3 per cent in the first quarter of 2020, reaching a total of 322 624 passengers compared to 359 670 over the same period in 2019. No international arrivals were seen throughout the second quarter of 2020 due to border closures and travel restrictions. Domestic arrivals declined by 11.9 per cent year-on-year in the first quarter of 2020 and decreased further by 98.5 per cent in the second quarter of 2020 compared to the same period in 2019. Limited domestic air travel was introduced in a phased approach at lockdown Level 3, which came into effect on 1 June 2020. Domestic arrivals reached 14 176 in June 2020, a 95 per cent decline when compared to the same period in 2019. For the period January 2020 to June 2020, international arrivals decreased by 45.2 per cent and domestic arrivals declined by 54.0 per cent. The nationwide lockdown and travel restrictions are the main factors which contributed to the massive declines in visitor arrivals during this period.

Figure 3.5 International and Domestic passenger movement through Cape Town International Airport, January - June 2018 - 2020



Source: Wesgro, 2020; Airports Company South Africa, 2020

Hospitality, accommodation and tourism-related businesses have been hit the hardest by the decline in international and domestic tourists, with a business survey conducted by Western Cape Department of Economic Development and Tourism projecting a contraction in the tourism industry of 67.1 per cent in GDP. According to a business survey conducted by the Department in April 2020, 76.0 per cent of tourism-related businesses and 73.0 per cent of the hospitality accommodation businesses expected to not generate any revenue in the second and third quarters of 2020.

Hotel Occupancy

January and February 2020 showed promising growth for the Western Cape, with 70.0 per cent and 80.0 per cent occupancy, respectively. Since March 2020, however, as a result of travel restrictions implemented to contain the COVID-19 pandemic, occupancy levels decreased to around 40.0 per cent in March 2020 and continued on a downward spiral into June (9.6 per cent occupancy). As at June 2020, occupancy percentage in the Western Cape reached 48.2 per cent compared to 63.2 per cent over the same period in 2019. Revenue per average room was R916.89 in 2020, compared to R1 053.30 in 2019.

Western Cape Attractions

All attractions were closed from mid-March 2020 to the end of May 2020, due to COVID-19 lockdown restrictions, resulting in sharp declines in visitor numbers when compared to 2019. The participating Western Cape attractions received 1 948 247 visitors over the period January 2020 to March 2020, and no visitors were recorded for the second quarter of 2020 due to the nationwide lockdown. Visitor numbers from January 2020 to June 2020 show an overall decline of 54.1 per cent when compared to the same period in 2019. Between the first halves of 2019 and 2020, all attractions showed a decline of 40.0 per cent in visitor numbers.

South Africa developed a risk categorisation model for different international travellers to classify international travellers according to a scale of high, medium and low risk. Travellers considered high-risk are those who come from countries with higher numbers of COVID-19 infections and reported deaths compared to South Africa. Leisure travellers from countries deemed high-risk will not be allowed in South Africa. On 30 September 2020, a list of high-risk countries, banned from entering the country for leisure purposes was announced. The list comprises of 57 countries, including France, Netherlands, Switzerland, the US and UK, five of the ten the biggest source markets for tourists for the Western Cape.

3.4.3 Construction

The Construction sector in South Africa contributes 4.0 per cent to GDP and 8.0 per cent to national employment (Western Cape Department of Economic Development and Tourism, 2020). The Construction sector is a key sector in providing the South African economy with much-needed quality infrastructure to enhance competitiveness and product diversification.

Over the past two decades economic output in the Construction sector grew at an average annual growth rate (AAGR) of 3.1 per cent and contributed 5.5 per cent of total GDP growth in the Western Cape. In the first decade (2000 - 2009), the Sector grew at an AAGR of 9.2 per cent against a more subdued 1.1 per cent in the latter decade (2010 - 2019). The relative large growth in the first decade can be attributed to a property boom mainly as a result of the dramatic drop in prime lending rates over this period.

Over the same two decades the Construction sector added 52 520 employment opportunities in the Western Cape at an AAGR of 2.4 per cent. The Sector contributed 7.9 per cent of all employment growth in the Province over the same period. In the first decade (2000 - 2009), the sector added 24 229 employment opportunities at an AAGR of 2.6 per cent. In the second decade (2010 - 2019) the Sector grew with 28 291 employment opportunities at an AAGR of 2.4 per cent.

In the previous five years (2015 - 2019), this was also the sector in the Western Cape that enjoyed the fastest increase in GFCF, at an annual rate of 4.2 per cent. Construction has therefore become particularly important in the Western Cape economy, as it is a labour absorptive sector of the unskilled and – low skilled workers.

The COVID-19 pandemic dealt a severe blow to the Construction sector. The recent lockdown meant that almost no construction activity took place in the second quarter of 2020. Lower economic growth can further dampen construction activity, as demand for residential and retail property decreases. It is also important to note that, in response to the COVID-19 pandemic, interest rates have been lowered to the lowest rate in more than 20 years. This can provide a much-needed boost to construction activity. The implications of the slowdown in the growth of General government as a result of fiscal constraints, will also impact the Sector adversely.

The economic output of the Construction sector is expected to decrease in 2020 by 17.8 per cent (Urban-Econ, 2020). The Sector's GDP is expected to increase by 0.8 per cent per annum between 2020 and 2024, a slower growth rate than recorded for the period between 2010 and 2019 when the average annual growth was 1.1 per cent.

3.5 Economic opportunities in other provincial sectors

3.5.1 Small Medium and Micro Enterprises

Entrepreneurship is important for putting labour, natural resources and capital to productive use and is recognised as a key driver of economic growth, job creation, and poverty reduction (World Bank, 2013). Nations with higher levels of entrepreneurship are most competitive and, according to the World Bank, a robust Small Medium and Micro Enterprises (SMMEs) sector can be a transformational economic force in terms of enhanced competition, job creation, innovation, economic growth and poverty reduction. Private enterprises, however, depend on favourable local business conditions to achieve prosperity. In the Western Cape, SMMEs are concentrated in the Trade and accommodation sector, followed by Community businesses (including personal services such as hairdressers), Finance and business services (including attorneys and accountants) (Western Cape Department of Economic Development and Tourism, 2020).

Table 3.10 SMMEs by Industry in Western Cape, 2019: Q1

| Sector | Western Cape | % of WC Total SMMEs | South Africa | Western Cape % of SA |
|-------------------------|----------------|------------------------|------------------|-------------------------|
| Agriculture | 8 043 | 2.8 | 45 429 | 17.7 |
| Mining | 0 | 0.0 | 0 | 0.0 |
| Manufacturing | 27 301 | 9.5 | 228 303 | 12.0 |
| Utilities | 0 | 0.0 | 1 041 | 0.0 |
| Construction | 29 334 | 10.2 | 353 477 | 8.3 |
| Trade & Accommodation | 100 045 | 34.7 | 1 053 385 | 9.5 |
| Transport & Comms | 20 687 | 7.2 | 191 114 | 10.8 |
| Fin & Business Services | 48 069 | 16.7 | 339 697 | 14.2 |
| Community | 54 715 | 19.0 | 323 625 | 16.9 |
| Other | 0 | 0.0 | 14 470 | 0.0 |
| Total | 288 194 | 100 | 2 550 541 | 11.3 |

Source: SEDA, SMME Quarterly, from QLFS, Stats SA

The Western Cape is home to about 288 194 SMMEs, providing 1 225 000 jobs which amounts to 50.0 per cent of all employed people in the Province (see Table 3.10). SMMEs provide an entry point into the economy for the working-age population at a lower average capital cost per job than large corporates. SMMEs also drive innovation and supply chain efficiencies, unlocking economic resilience. Growth in the SMME sector is expected to be severely affected by the COVID-19 pandemic (Department of Economic Development and Tourism, 2020).

GREEN TECHNOLOGIES

The definition for the Green Economy, as proposed by the United Nations Environmental Programme (UNEP), is "an economy that results in improved human well-being and reduced inequalities over the long term, while not exposing future generations to significant environmental risks and ecological scarcities". The principle of the Green Economy is, therefore, to create a low carbon economy and dissociate resource depletion and waste generation from economic growth; in short, economic growth without depleting natural resources and generating excessive waste.

South Africa has the fastest growing Green Economy on the continent according to Invest Cape Town. South Africa's evolving energy landscape is creating opportunities for investors, financiers, project developers, component manufacturers and suppliers wanting to invest in the energy services market. This is why many even refer to Cape Town as Africa's "green economy hub", as it is the ideal location from which to tap into South Africa's energy services and other green technology markets. The City of Cape Town is home to the only green technology Special Economic Zone (SEZ) in Africa, the Atlantis Special Economic Zone (ASEZ). Invest Cape Town expects the ASEZ to attract investment amounting to R3.7 billion to the Western Cape over the next two decades.

Green technology is important to build resilience in the Province to cope with future shocks through resilient infrastructure, new skills development and job creation. The need to grow and develop green economic potential and unlock social, economic and environmental opportunities is essential as South Africa finds itself on the brink of a Circular Economy⁷.

According to the International Labour Organisation (ILO)⁸, a global Green Economy could create 24 million jobs by 2030 (against the potential loss of 6 million jobs in carbon and resource intensive industries). The ILO has also found that 23 countries (including the US, Great Britain, and Germany) have already succeeded in growing their economies while reducing carbon emissions at the same time. Green technologies and services provide good opportunities in the quest of a fully recovered economy - both in terms of direct job creation, but also in terms of improving the energy and water resilience of the economy, consequently supporting growth, reducing costs and improving business and investor confidence.

Source: Western Cape Department of Economic Development and Tourism, 2020

3.5.2 Energy and water

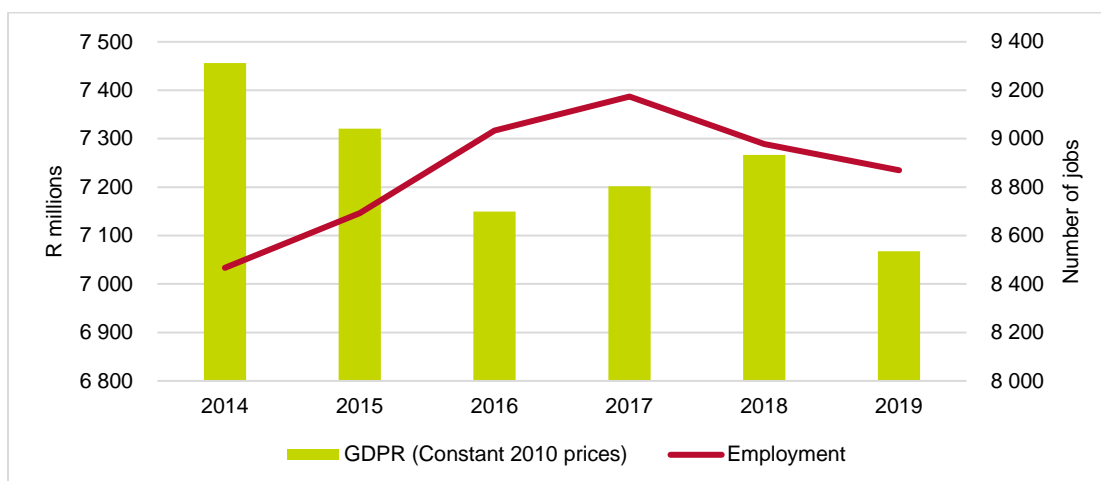
Electricity currently contributes R17.7 billion (2.8 per cent of total Western Cape GDP) to the Western Cape economy and has a total employment of 8 892 people (0.4 per cent of total employment). Employment in the Sector has declined since 2017 while the estimated GDP in 2019 is lowest in the past six years.

⁷ A circular economy is an economic system aimed at eliminating waste and the continual use of resources. Circular systems employ reuse, sharing, repair, refurbishment, remanufacturing and recycling to create a closed-loop system, minimising the use of resource inputs and the creation of waste, pollution and carbon emissions.

⁸ https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/-publ/documents/publication/wcms_628654.pdf



Figure 3.6 Electricity, gas and water GDPR and jobs, 2014 - 2019⁹



Note: numbers for 2019 are estimates

Source: Quantec Research, 2020

Eskom supplies approximately 90.0 per cent of the electricity in South Africa and 45.0 per cent of the electricity for the African continent (Eskom, 2019). In 2019, 22 373 (10.0 per cent) of the total 223 017 gigawatt-hours distributed by Eskom in South Africa, was distributed to the Western Cape.

Since 2007, South Africa experienced widespread rolling-blackouts (load-shedding). Eskom has been struggling with serious operational, financial and governance challenges, affecting its ability to provide reliable electricity supply for a number of years. The utility is failing in meeting the electricity needs of households and businesses, negatively impacting on production, investment and economic growth nationally and provincially. Not only did supply disruptions contribute significantly to slowing economic growth nationally and provincially, it also resulted in a decline in GDP and jobs in the Energy, gas and water sector itself.

During the first three months of 2019, load-shedding disrupted production and economic activity for the equivalent of more than 11 days and came at a significant cost to the economy. By the end of 2019, load-shedding was reintroduced in South Africa when Stage 6 was activated for the first time ever. The South African Reserve Bank (SARB) reported that South Africa experienced its worst load-shedding this year, with total gigawatt hours shed surpassing the 2019 record in August 2020. Cumulative shedding for 2020 is already 23.0 per cent worse than 2019 even though real GDP is currently about 9 per cent lower than it was this time in 2019.

The cost of unserved energy¹⁰ for South Africa due to load-shedding equates to between R60 billion to R120 billion annually with the impact on the Western Cape between R7.5 billion to R15 billion per annum, thus 1.25 per cent to 2.5 per cent of total

⁹ 2019 GDP figures are estimates.

¹⁰ The Cost of Unserved Energy (COUE) range between R6.77/kWh (for households), R23 to R50/kWh (direct, up to R87.50/kWh for total economic cost.

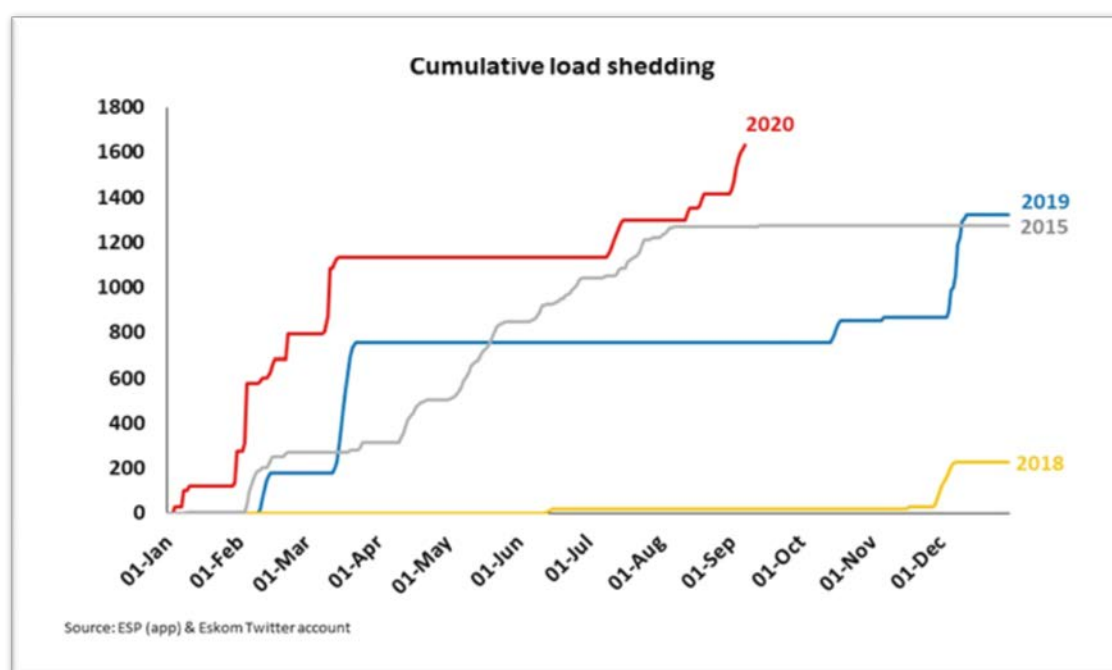
GDPR. The latest cost estimate is of R160 billion (R20 billion for the Western Cape) in 2020 thus far due to the increased amount of load-shedding this year.

Coupled with the cost of load-shedding is the increased cost of electricity with the Council for Scientific and Industrial Research (CSIR) calculating that during the period of 2007 - 2017, the electricity price increases were roughly 4 times higher than inflation.

Whilst currently there is shortage of electricity supply options on the grid, the opportunity of new electricity build presents an opportunity for accelerating a new round of the acclaimed Renewable Energy Independent Power Producer Procurement Programme that will allow for 6 000 mW of additional capacity to be brought onto the grid by 2030. In the current COVID-19 pandemic, the World Economic Forum highlights the opportunity that investment into renewable energy offers not just for economic recovery for South Africa and the Western Cape but also to accelerate our energy transition.

The City of Cape Town has long fought a court battle with the national government and the energy regulator to avoid load shedding by sourcing its own electricity with 23 out of the 30 Western Cape municipalities are ready to provide their residents with electricity of their own and may soon become South Africa's first power independent Province. At least 19 of the municipalities already have regulator-approved tariffs, when the municipalities receive their rights to procure energy they will also be able to reduce long-term costs of electricity as they see fit. Once provinces receive concrete deadlines for implementation from the national government, they will be ready to procure their electricity from Independent Power Producers.

Figure 3.7 Cumulative load-shedding 2018 - 2020: SARB chart of the week 18 September 2020¹¹



Source: SARB, 2020

¹¹ 2019 GDPR figures are estimates.

3.5.3 ICT

The COVID-19 pandemic has demonstrated business's ability to rapidly adapt to a new way of doing business and to adopt new technology. The Western Cape Department of Economic Development and Tourism expects the digital economy to increasingly become a driver of the provincial economy. Figure 3.8 depicts the GDPR and employment growth in the Communications sectors in the Western Cape, using the Communications sector as proxy for the digital economy.

Figure 3.8 Western Cape ICT sector GDPR and Employment, 2010 - 2019



Source: Quantec Research

The figure reveals that employment in the Information Communications Technology (ICT) industry has declined from a peak of around 21 500 employment opportunities in 2014 and commenced with a recovery period at the start of 2017. However, employment levels in 2019 was still below the 2014 peak.

ICT AND TECHNOLOGICAL ADVANCEMENT

Technological advancement is typical in the private sector as private firms are more flexible and more efficient, and constantly reorganising themselves (Fafchamps, 2000). However, using modern equipment and machinery requires better trained workers, and human capital accumulation can thus complement physical capital accumulation, and is vital for accessing new technologies.

ICT infrastructure, connectivity and the sharing of information are important for citizens as well as an important factor for tourists when choosing a destination. The IMF highlighted the importance of expediting the process of allocating broadband spectrum in order to enhance the competitiveness of the telecommunications sector in its 2018 report.

ICT services are critical for development, since these enable a better utilisation of resources and promote production possibility. In South Africa the growth in ICT services is on par with the expansion of the sector globally, with the business and software services sub-sector being the highest value-add activities and the category around which the Cape Town sector is largely based (Stuart, 2017). However, since many of the ICT businesses in Cape Town are well established, it has far less opportunities/ scope for value chain upgrading than in other sectors where it is needed in the Western Cape, like the agricultural sector.

The Fourth Industrial Revolution (4IR) will provide substantive opportunities for the Western Cape economy. The digital revolution, driven by the 4th wave of industrialisation, will have an impact on a number of sectors such as construction, retail and wholesale, manufacturing, tourism, agriculture, the green economy, transport, financial and business services and government. However, the full potential of technologies and related capabilities has yet to be fully explored and is yet to fully penetrate all aspects of business models in the Western Cape and emerging markets generally.

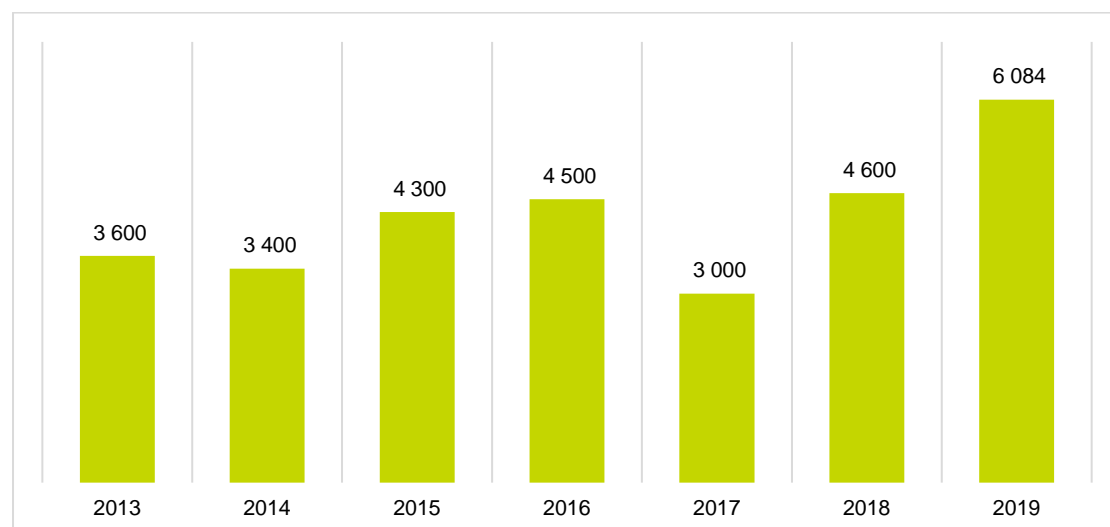
The 4IR has the potential for South African businesses to access global value chains and the opportunity for SMMEs to capitalise on new technologies. However, 4IR also poses challenges as it is predicted that unskilled labour would become automated first (the dti, 2018).

3.5.4 Business Process Outsourcing

The Business Process Outsourcing (BPO) industry is comprised of companies that specialise in undertaking responsibility for information intensive business processes on behalf of their clients. BPO operations are intensive users of IT and telecommunications. According to the 2020 Front Office BPO Omnibus Survey, South Africa is one of the top three most preferred BPO destinations globally.

The high unemployment level among school leavers with good English communication skills in the Western Cape, offers a significant supply opportunity to the BPO sector. The BPO sector already employs 60 000 people in the Western Cape and has the potential to absorb young unemployed school leavers and graduates. The Western Cape Government is currently driving initiatives to boost local growth and employment.. The BPO sector has also increased the number of offshore jobs, depicted in Figure 3.9 which indicates the number offshore jobs created in the Western Cape since 2013.

Figure 3.9 New offshore jobs created annually by the BPO sector, 2013 - 2019



Source: Business Process enabling SA (BPesa), 2020

3.6 The impact of COVID-19 on the Western Cape economy

The consequences of the COVID-19 pandemic had a profound effect on the global, national and provincial economy. The pandemic resulted in an unprecedented societal and economic disruption with broad and deep socio-economic consequences. The pandemic resulted in several problems, including a demand-side crisis, an economy-wide firm-level liquidity crisis (and resulting solvency crisis), a decline in productivity and a disruption in global supply chains (Western Cape Department of Economic Development and Tourism, 2020).

Travel bans and the prohibition on the distribution and sale of alcohol between 27 March and 17 August 2020 had a significant impact on the Western Cape Tourism and Wine industries. The Wine industry, which is estimated to contribute approximately R47 billion annually to the Provincial economy and provided about 300 000 employment opportunities in 2019, reportedly lost R300 million per week during the level 5 lockdown regulations, with 350 wine producers going out of business. Wines of South Africa estimates revenue lost due to export disruption at more than R1 billion while VinPro estimates that 18 000 jobs are at risk.

Due to lockdown measures and travel restrictions, the Tourism industry was severely affected by the COVID-19 pandemic. The effect is expected to linger while international travel slowly reopens, and fear of contracting COVID-19 subsides.

3.7 Conclusion

The Western Cape economy experienced various shifts over the past decade. The Western Cape experienced relative faster growth than the national economy in population, exports, employment in recent years. The average investment, measured by GFCF, has moderated in the Western Cape over the past decade, except for investment in Construction and Manufacturing sectors. The Western Cape still reveals a comparative trade advantage in Agricultural and Agri-processing goods although the advantage has diminished since 2004.

The largest sector in the Western Cape economy remains the Private services sector with Finance, insurance, real estate and business services (49.0 per cent) as the largest sub-sector. The Sector in the Cape Metro plays a pivotal role in the overall economic growth of the Province with a contribution of 41.5 per cent to the Province's growth in 2018. The Western Cape will be particularly affected by the ban on international travel as visitor numbers, from January to June 2020 show an overall decline of 54.1 per cent when compared to the same period in 2019. Between the first halves of 2019 and 2020, all attractions showed a decline of 40 per cent in visitor numbers.

The economic outlook for the Province remains uncertain. In addition to the fallout from the COVID-19 pandemic, the Province also faces a number of pre-existing factors that adversely impact on economic growth, such as unreliable power supply by Eskom, depressed national economic growth, rising unemployment and the added pressure of a rapidly increasing population.

Annexure C

Annexure C1 Employment Trends. Western Cape and South Africa (Excluding Western Cape)

| Sector | Western Cape | | | | | |
|---|------------------|-----------------------|--------------------|---|-------------------------------|--|
| | Employed 2019 | Share (per cent) 2019 | Change 2015 - 2019 | Average growth (yoy per cent) 2015 - 2019 | Change 2020 - 2025 (forecast) | Average growth (yoy per cent) 2020 - 2025 (forecast) |
| Agriculture, forestry and fishing | 257 135 | 10.7 | - 27 981 | 2.3 | -20 189 | -1.4 |
| Mining | 1 603 | 0.1 | - 242 | -1.8 | 165 | 2.2 |
| Food, beverages and tobacco | 58 143 | 2.4 | -165 | 1.0 | -594 | -0.2 |
| Textiles, clothing and leather goods | 25 190 | 1.1 | -3 735 | -1.9 | -4 258 | -2.7 |
| Wood, paper, publishing and printing | 34 883 | 1.5 | -1 476 | -1.0 | 206 | 0.1 |
| Petroleum products, chemicals, rubber and plastic | 33 041 | 1.4 | 3 101 | 1.9 | 1 910 | 1.2 |
| Other non-metal mineral products | 9 781 | 0.4 | -62 | 0.1 | -268 | -0.5 |
| Metals, metal products, machinery and equipment | 45 844 | 1.9 | 738 | -0.3 | -4 700 | -1.9 |
| Electrical machinery and apparatus | 7 614 | 0.3 | 957 | 3.9 | -32 | -0.1 |
| Radio, TV, instruments, watches and clocks | 3 931 | 0.2 | 318 | 1.3 | -23 | -0.1 |
| Transport equipment | 20 065 | 0.8 | 1 049 | 1.8 | -569 | -0.5 |
| Furniture and other manufacturing | 16 387 | 0.7 | -1 600 | -1.6 | -762 | -0.9 |
| Electricity, gas and water | 8 869 | 0.4 | 177 | 1.0 | -152 | -0.4 |
| Construction | 149 323 | 6.2 | -2 308 | -0.1 | 13 950 | 1.8 |
| Wholesale and retail trade | 519 555 | 21.7 | 38 032 | 2.3 | 55 336 | 2.2 |
| Catering and accommodation services | 100 720 | 4.2 | 17 050 | 5.3 | 11 148 | 2.4 |
| Transport and storage | 99 802 | 4.2 | 3 539 | 2.3 | 15 320 | 3.2 |
| Communication | 20 468 | 0.9 | -317 | -1.0 | -245 | -0.2 |
| Finance and insurance | 74 949 | 3.1 | -5 445 | -0.3 | 5 921 | 1.5 |
| Business services | 418 052 | 17.4 | 41 025 | 2.8 | 48 168 | 2.3 |
| General government | 313 194 | 13.1 | 8 969 | 0.3 | -761 | 0.0 |
| Community, social and personal services | 366 094 | 15.3 | 10 634 | 1.2 | 3 214 | 0.2 |
| Total | 2 395 788 | 100.0 | 82 256 | 1.5 | 122 786 | 0.9 |

| Sector | South Africa (excluding Western Cape) | | | | | Average growth (yoy per cent) 2020 - 2024 (forecast) |
|---|---------------------------------------|-----------------------------|-----------------------|--|-------------------------------------|---|
| | Employed 2019 | Share (per cent) 2019 | Change 2015 - 2019 | Average growth (yoy per cent) 2015 - 2019 | Change 2020 - 2024 (forecast) | |
| Agriculture, forestry and fishing | 895 838 | 6.6 | - 77 900 | 3.1 | -90 184 | -1.8 |
| Mining | 505 332 | 3.7 | - 33 270 | -1.9 | 4 872 | 0.2 |
| Food, beverages and tobacco | 250 765 | 1.8 | 11 102 | 2.1 | 3 911 | 0.3 |
| Textiles, clothing and leather goods | 78 361 | 0.6 | -13 696 | -2.4 | -10 526 | -2.1 |
| Wood, paper, publishing and printing | 133 597 | 1.0 | -10 273 | -1.8 | 3 211 | 0.5 |
| Petroleum products, chemicals, rubber and plastic | 178 072 | 1.3 | 13 826 | 1.4 | 19 498 | 2.3 |
| Other non-metal mineral products | 68 781 | 0.5 | 224 | 0.4 | -309 | -0.1 |
| Metals, metal products, machinery and equipment | 287 228 | 2.1 | -6 566 | -1.0 | -32 853 | -2.0 |
| Electrical machinery and apparatus | 50 861 | 0.4 | 3 785 | 2.2 | 923 | 0.5 |
| Radio, TV, instruments, watches and clocks | 18 908 | 0.1 | 1 413 | 1.1 | 170 | 0.2 |
| Transport equipment | 107 814 | 0.8 | -3 116 | -0.3 | -188 | 0.0 |
| Furniture and other manufacturing | 80 031 | 0.6 | -7 445 | -1.6 | -2 073 | -0.5 |
| Electricity, gas and water | 60 086 | 0.4 | -1 222 | 0.0 | -181 | -0.1 |
| Construction | 788 052 | 5.8 | 4 415 | 0.3 | 63 436 | 1.5 |
| Wholesale and retail trade | 2 696 132 | 19.7 | 109 227 | 1.5 | 189 930 | 1.5 |
| Catering and accommodation services | 456 093 | 3.3 | 86 167 | 6.0 | 32 456 | 1.5 |
| Transport and storage | 538 888 | 3.9 | 22 383 | 2.3 | 76 657 | 2.9 |
| Communication | 99 389 | 0.7 | -3 609 | -1.5 | -1 995 | -0.4 |
| Finance and insurance | 335 495 | 2.5 | -37 774 | -1.0 | 29 453 | 1.7 |
| Business services | 2 025 865 | 14.8 | 162 548 | 2.3 | 243 615 | 2.4 |
| General government | 1 786 009 | 13.1 | 26 337 | -0.1 | -2 182 | 0.0 |
| Community, social and personal services | 2 233 442 | 16.3 | 30 769 | 0.9 | 33 869 | 0.3 |
| Total | 13 675 039 | 100.0 | 277 328 | 1.1 | 561 509 | 0.8 |

Source: Quantec Research, 2020

Annexure C2 Revealed Comparative Trade Advantage of Sectors in the Western Cape Economy

| Sector | Western Cape | | South Africa | | Revealed comparative trade advantage 2019 |
|---|-----------------------|---|-----------------------|---|---|
| | Share (per cent) 2019 | Average growth (yoy per cent) 2015 - 2019 | Share (per cent) 2019 | Average growth (yoy per cent) 2015 - 2019 | |
| Agriculture, forestry and fishing | 21.9 | 6.9 | 4.9 | 7.7 | 4.5 |
| Mining | 1.0 | -6.9 | 28.5 | 6.5 | 0.0 |
| Food, beverages and tobacco | 15.6 | 1.0 | 4.9 | 4.1 | 3.2 |
| Textiles, clothing and leather goods | 3.5 | -3.9 | 1.4 | 2.0 | 2.4 |
| Wood and paper; publishing and printing | 1.0 | -0.3 | 1.7 | 1.5 | 0.6 |
| Petroleum products, chemicals, rubber and plastic | 17.9 | 3.3 | 10.5 | 4.0 | 1.7 |
| Other non-metal mineral products | 0.4 | 8.5 | 0.6 | 3.0 | 0.7 |
| Metals, metal products, machinery and equipment | 7.5 | 1.8 | 13.0 | 2.4 | 0.6 |
| Electrical machinery and apparatus | 0.4 | -1.4 | 1.0 | 0.9 | 0.4 |
| Radio, TV, instruments, watches and clocks | 1.3 | -1.9 | 1.0 | -4.2 | 1.3 |
| Transport equipment | 4.4 | 2.5 | 14.0 | 9.4 | 0.3 |
| Furniture; other manufacturing | 3.9 | 9.3 | 3.4 | 3.7 | 1.1 |
| Electricity | 0.0 | -47.3 | 0.7 | 15.1 | 0.0 |
| Construction | 0.4 | 9.8 | 0.3 | 10.2 | 1.6 |
| Wholesale and retail trade | 0.9 | 4.6 | 0.6 | 4.4 | 1.4 |
| Catering and accommodation | 1.3 | -7.4 | 0.9 | -6.6 | 1.5 |
| Transport | 6.5 | 5.2 | 5.1 | 5.1 | 1.3 |
| Communication | 1.4 | -4.1 | 0.9 | -4.1 | 1.5 |
| Finance and insurance | 3.0 | -0.5 | 1.6 | -0.4 | 2.0 |
| Business services | 4.6 | 6.1 | 2.9 | 6.6 | 1.6 |
| Community, social and personal services | 2.8 | 7.1 | 2.0 | 7.0 | 1.4 |
| Total | 100.0 | 2.5 | 100.0 | 4.9 | |

Source: Quantec Research, 2020

Annexure C3 Composition. Growth and Revealed Comparative Advantage of Western Cape Goods Exports (2-Digit HS Code)

| Commodity (HS Code) | Western Cape | | | South Africa | | | Revealed comparative trade advantage 2015 | Revealed comparative trade advantage 2019 |
|--|---|--|---|--|---|---|---|---|
| | Avg. growth (yoy per cent) 2010 - 2019 | Avg. growth (yoy per cent) 2015 - 2019 | Share of total WC exports (per cent) 2019 | Avg. growth (yoy per cent) 2010 - 2019 | Avg. growth (yoy per cent) 2015 - 2019 | Share of total WC exports (per cent) 2019 | | |
| Live animals | 163.1 | 16.1 | 0.1 | 21.0 | 11.8 | 0.1 | 0.8 | 1.0 |
| Meat and edible meat offal | 94.1 | 3.3 | 0.3 | 31.5 | 5.3 | 0.3 | 1.5 | 1.0 |
| Fish. crustaceans. molluscs. aquatic invertebrates nes | 22.8 | 6.3 | 4.6 | 10.4 | 7.0 | 0.6 | 7.2 | 8.4 |
| Dairy products. eggs. honey. edible animal product nes | 49.3 | -2.0 | 0.5 | 48.4 | 1.2 | 0.3 | 2.1 | 2.1 |
| Products of animal origin. nes | 12.0 | -2.3 | 0.1 | 13.1 | 9.2 | 0.0 | 4.1 | 2.4 |
| Live trees. plants. bulbs. roots. cut flowers etc. | 56.5 | 15.4 | 0.4 | 9.7 | 13.0 | 0.1 | 3.1 | 4.3 |
| Edible vegetables and certain roots and tubers | 32.9 | -1.1 | 0.5 | 51.4 | 9.1 | 0.2 | 2.4 | 2.1 |
| Edible fruit. nuts. peel of citrus fruit. melons | 15.5 | 7.5 | 23.6 | 18.0 | 10.1 | 3.8 | 5.6 | 6.2 |
| Coffee. tea. mate and spices | 23.4 | -4.0 | 0.2 | 40.3 | 6.7 | 0.1 | 2.1 | 1.3 |
| Cereals | 130.4 | 2.6 | 0.2 | 22.7 | -3.9 | 0.4 | 0.4 | 0.4 |
| Milling products. malt. starches. inulin. wheat gluten | 20.4 | -4.6 | 0.1 | 22.0 | 4.0 | 0.2 | 0.7 | 0.6 |
| Oil seed. oleagic fruits. grain. seed. fruit. etc. nes | 28.5 | 15.7 | 1.1 | 5.8 | 16.5 | 0.3 | 3.5 | 4.3 |
| Lac. gums. resins. vegetable saps and extracts nes | 14.3 | 37.5 | 0.0 | 30.2 | 20.7 | 0.0 | 1.5 | 2.7 |
| Vegetable plaiting materials. vegetable products nes | 63.1 | -6.9 | 0.0 | 178.4 | 77.7 | 0.0 | 0.8 | 0.2 |
| Animal. vegetable fats and oils. cleavage products. etc | 36.4 | 6.5 | 0.2 | 35.0 | 1.6 | 0.2 | 0.8 | 0.8 |
| Meat. fish and seafood food preparations nes | 32.1 | 0.1 | 0.7 | 32.0 | 4.2 | 0.1 | 5.0 | 5.1 |
| Sugars and sugar confectionery | 53.5 | -1.6 | 0.1 | 12.4 | 13.8 | 0.7 | 0.7 | 0.2 |
| Cocoa and cocoa preparations | 27.0 | 5.2 | 0.1 | 26.6 | 6.3 | 0.1 | 1.1 | 1.0 |

| Commodity (HS Code) | Western Cape | | | South Africa | | | Revealed comparative trade advantage 2015 | Revealed comparative trade advantage 2019 |
|--|---|--|---|--|---|---|---|---|
| | Avg. growth (yoy per cent) 2010 - 2019 | Avg. growth (yoy per cent) 2015 - 2019 | Share of total WC exports (per cent) 2019 | Avg. growth (yoy per cent) 2010 - 2019 | Avg. growth (yoy per cent) 2015 - 2019 | Share of total WC exports (per cent) 2019 | | |
| Cereal. flour. starch. milk preparations and products | 50.7 | 1.3 | 0.5 | 41.4 | 8.2 | 0.3 | 1.9 | 1.6 |
| Vegetable. fruit. nut. etc food preparations | 15.1 | 0.6 | 3.3 | 17.0 | 4.5 | 0.7 | 5.1 | 5.0 |
| Miscellaneous edible preparations | 45.5 | 1.2 | 0.8 | 29.1 | 1.5 | 0.4 | 1.9 | 2.0 |
| Beverages. spirits and vinegar | 10.6 | 0.6 | 8.6 | 12.6 | 4.2 | 1.4 | 5.9 | 5.9 |
| Residues. wastes of food industry. animal fodder | 108.6 | 6.4 | 0.9 | 86.2 | 12.9 | 0.3 | 3.3 | 2.7 |
| Tobacco and manufactured tobacco substitutes | 16.3 | -2.1 | 1.7 | 15.0 | 2.9 | 0.2 | 7.8 | 7.2 |
| Salt. sulphur. earth. stone. plaster. lime and cement | 77.7 | 5.3 | 0.9 | 23.0 | 6.9 | 0.6 | 1.7 | 1.6 |
| Ores. slag and ash | 4.8 | 153.6 | 1.8 | 22.5 | 9.4 | 14.6 | 0.0 | 0.1 |
| Mineral fuels. oils. distillation products. etc | 15.7 | 3.6 | 15.8 | 14.7 | 5.1 | 9.7 | 1.6 | 1.6 |
| Inorganic chemicals. precious metal compound. isotopes | 52.5 | 6.5 | 0.3 | 6.0 | 11.9 | 1.2 | 0.3 | 0.2 |
| Organic chemicals | 14.3 | 8.6 | 0.3 | 15.3 | 1.1 | 1.2 | 0.2 | 0.3 |
| Pharmaceutical products | 28.6 | 2.2 | 0.4 | 33.8 | 6.0 | 0.5 | 0.6 | 0.8 |
| Fertilisers | 9.8 | 19.0 | 0.2 | 18.9 | 1.5 | 0.3 | 0.5 | 0.8 |
| Tanning. dyeing extracts. tannins. derives. pigments etc. | 10.0 | 6.4 | 0.4 | 17.3 | 0.6 | 0.3 | 0.8 | 1.2 |
| Essential oils. perfumes. cosmetics. toiletries | 31.7 | 6.7 | 1.6 | 32.9 | 4.0 | 0.6 | 2.0 | 2.5 |
| Soaps. lubricants. waxes. candles. modelling pastes | 34.0 | 2.7 | 0.3 | 32.3 | 5.1 | 0.5 | 0.6 | 0.7 |
| Albuminoids. modified starches. glues. enzymes | 21.4 | 4.7 | 0.2 | 23.5 | 8.1 | 0.1 | 3.0 | 2.6 |
| Explosives. pyrotechnics. matches. pyrophorics. etc. | 26.5 | -6.1 | 0.0 | 15.6 | 2.8 | 0.1 | 0.8 | 0.4 |
| Photographic or cinematographic goods | -44.1 | -8.6 | 0.0 | -7.8 | -1.7 | 0.0 | 0.3 | 0.2 |
| Miscellaneous chemical products | 8.8 | -3.8 | 0.6 | 22.9 | 8.3 | 1.3 | 0.8 | 0.5 |
| Plastics and articles thereof | 22.4 | 2.9 | 1.5 | 23.7 | 2.7 | 1.5 | 1.0 | 1.0 |
| Rubber and articles thereof | 130.1 | -14.2 | 0.1 | 22.0 | 0.2 | 0.5 | 0.4 | 0.3 |

| Commodity (HS Code) | Western Cape | | | South Africa | | | Revealed comparative trade advantage 2015 | Revealed comparative trade advantage 2019 |
|--|---|--|---|--|---|---|---|---|
| | Avg. growth (yoy per cent) 2010 - 2019 | Avg. growth (yoy per cent) 2015 - 2019 | Share of total WC exports (per cent) 2019 | Avg. growth (yoy per cent) 2010 - 2019 | Avg. growth (yoy per cent) 2015 - 2019 | Share of total WC exports (per cent) 2019 | | |
| Raw hides and skins (other than fur skins) and leather | 31.0 | -2.9 | 0.5 | 31.0 | -6.5 | 0.2 | 1.9 | 2.5 |
| Articles of leather. animal gut. harness. travel goods | 44.6 | -5.4 | 0.1 | 66.9 | -3.4 | 0.1 | 1.8 | 2.6 |
| Fur skins and artificial fur. manufactures thereof | 48.0 | -19.9 | 0.0 | 3.2 | -5.2 | 0.0 | 2.5 | 1.5 |
| Wood and articles of wood. wood charcoal | 15.8 | 6.2 | 0.5 | 18.9 | 5.9 | 0.6 | 0.6 | 0.8 |
| Cork and articles of cork | 192.4 | 90.7 | 0.0 | 65.1 | 6.7 | 0.0 | 4.8 | 6.7 |
| Manufactures of plaiting material. basketwork. etc. | 38.8 | 1.5 | 0.0 | 19.5 | -1.1 | 0.0 | 1.3 | 2.3 |
| Pulp of wood. fibrous cellulosic material. waste etc. | 73.7 | 24.9 | 0.0 | 16.7 | 0.7 | 0.6 | 0.0 | 0.1 |
| Paper & paperboard. articles of pulp. paper and board | 15.7 | 2.2 | 0.4 | 8.0 | 1.7 | 0.7 | 0.5 | 0.6 |
| Printed books. newspapers. pictures etc. | 39.2 | 3.4 | 0.4 | 31.2 | 2.7 | 0.1 | 3.3 | 3.8 |
| Silk | 267.2 | -15.3 | 0.0 | 106.9 | 4.7 | 0.0 | 0.4 | 0.3 |
| Wool. animal hair. horsehair yarn and fabric thereof | -22.7 | 28.4 | 0.0 | 15.3 | 7.4 | 0.4 | 0.0 | 0.0 |
| Cotton | 30.7 | 71.0 | 0.1 | 55.9 | 21.4 | 0.1 | 1.8 | 1.1 |
| Vegetable textile fibres nes. paper yarn. woven fabric | 48.0 | -37.4 | 0.0 | 32.9 | -21.9 | 0.0 | 6.9 | 1.5 |
| Manmade filaments | -7.4 | -1.7 | 0.0 | 4.8 | 8.2 | 0.0 | 0.9 | 0.8 |
| Manmade staple fibres | 148.0 | 5.0 | 0.1 | 34.9 | 20.3 | 0.1 | 1.5 | 1.2 |
| Wadding. felt. nonwovens. yarns. twine. cordage. etc. | 30.6 | 1.0 | 0.1 | 14.3 | 5.4 | 0.1 | 1.6 | 1.4 |
| Carpets and other textile floor coverings | 36.6 | 7.0 | 0.0 | 12.9 | 5.9 | 0.0 | 0.6 | 0.4 |
| Special woven or tufted fabric. lace. tapestry etc. | 46.2 | 12.6 | 0.0 | 21.2 | 9.1 | 0.0 | 1.2 | 1.6 |
| Impregnated. coated or laminated textile fabric | 15.7 | 4.1 | 0.0 | 25.1 | -1.4 | 0.0 | 1.0 | 1.3 |
| Knitted or crocheted fabric | 43.3 | 8.5 | 0.1 | 99.0 | 2.1 | 0.0 | 1.9 | 3.7 |
| Articles of apparel. accessories. knit or crochet | 78.5 | -4.3 | 0.6 | 92.3 | 3.7 | 0.2 | 3.5 | 2.3 |

| Commodity (HS Code) | Western Cape | | | South Africa | | | Revealed comparative trade advantage 2015 | Revealed comparative trade advantage 2019 |
|---|---|--|---|--|---|---|---|---|
| | Avg. growth (yoy per cent) 2010 - 2019 | Avg. growth (yoy per cent) 2015 - 2019 | Share of total WC exports (per cent) 2019 | Avg. growth (yoy per cent) 2010 - 2019 | Avg. growth (yoy per cent) 2015 - 2019 | Share of total WC exports (per cent) 2019 | | |
| Articles of apparel. accessories. not knit or crochet | 94.5 | -0.8 | 0.7 | 83.7 | 3.5 | 0.2 | 3.7 | 3.2 |
| Other made textile articles. sets. worn clothing etc. | 39.9 | -0.7 | 0.3 | 26.7 | 4.4 | 0.2 | 2.2 | 1.8 |
| Footwear. gaiters and the like. parts thereof | 343.2 | -9.3 | 0.3 | 131.9 | 1.6 | 0.2 | 2.8 | 1.6 |
| Headgear and parts thereof | 288.8 | -2.0 | 0.0 | 50.9 | 6.0 | 0.0 | 2.2 | 1.2 |
| Umbrellas. walking-sticks. seatsticks. whips. etc. | 22.3 | 13.8 | 0.0 | 27.2 | 6.9 | 0.0 | 3.0 | 4.8 |
| Bird skin. feathers. artificial flowers. human hair | 46.1 | 18.3 | 0.2 | 64.7 | 12.4 | 0.0 | 4.0 | 5.7 |
| Stone. plaster. cement. asbestos. mica. etc. articles | 33.1 | 0.8 | 0.1 | 28.0 | 0.5 | 0.1 | 0.9 | 0.8 |
| Ceramic products | 17.6 | 33.7 | 0.3 | 29.0 | 12.7 | 0.2 | 1.7 | 1.6 |
| Glass and glassware | 36.1 | -1.7 | 0.1 | 14.2 | 1.3 | 0.2 | 0.6 | 0.6 |
| Pearls. precious stones. metals. coins. etc. | 22.3 | -2.0 | 1.6 | 7.5 | 5.2 | 17.1 | 0.1 | 0.1 |
| Iron and steel | 27.4 | 0.8 | 4.1 | 10.9 | 0.5 | 6.0 | 0.6 | 0.7 |
| Articles of iron or steel | 35.0 | 4.2 | 1.0 | 18.5 | -1.6 | 1.1 | 0.6 | 0.8 |
| Copper and articles thereof | 13.7 | 4.2 | 0.5 | 7.3 | 12.2 | 0.7 | 0.9 | 0.7 |
| Nickel and articles thereof | 334.9 | 301.1 | 0.0 | 24.6 | 1.3 | 0.4 | 0.0 | 0.0 |
| Aluminium and articles thereof | 18.8 | -3.1 | 0.2 | 9.9 | 3.2 | 1.8 | 0.2 | 0.1 |
| Lead and articles thereof | 34.4 | 358.4 | 0.0 | 19.1 | 10.0 | 0.0 | 0.0 | 0.0 |
| Zinc and articles thereof | -7.8 | 31.6 | 0.0 | 0.7 | 1.6 | 0.0 | 0.8 | 0.3 |
| Tin and articles thereof | 29.6 | -10.3 | 0.0 | 20.3 | 4.7 | 0.0 | 1.2 | 0.1 |
| Other base metals. cermets. articles thereof | 4745.3 | -10.1 | 0.1 | 19.9 | 9.8 | 0.2 | 2.1 | 0.7 |
| Tools. implements. cutlery. etc of base metal | 33.9 | -2.1 | 0.1 | 25.3 | 5.4 | 0.2 | 0.6 | 0.4 |
| Miscellaneous articles of base metal | 36.2 | 0.5 | 0.1 | 23.3 | 2.0 | 0.1 | 1.2 | 1.1 |
| Nuclear reactors. boilers. machinery. etc | 19.8 | -0.6 | 5.1 | 18.4 | 1.8 | 6.0 | 0.8 | 0.8 |
| Electrical. electronic equipment | 10.8 | 0.7 | 1.6 | 25.1 | -1.7 | 1.9 | 1.2 | 0.9 |

| Commodity (HS Code) | Western Cape | | | South Africa | | | Revealed comparative trade advantage 2015 | Revealed comparative trade advantage 2019 |
|--|---|--|---|--|---|---|---|---|
| | Avg. growth (yoy per cent) 2010 - 2019 | Avg. growth (yoy per cent) 2015 - 2019 | Share of total WC exports (per cent) 2019 | Avg. growth (yoy per cent) 2010 - 2019 | Avg. growth (yoy per cent) 2015 - 2019 | Share of total WC exports (per cent) 2019 | | |
| Railway. tramway locomotives. rolling stock. equipment | 10.9 | -1.7 | 0.1 | 19.4 | -2.9 | 0.2 | 0.1 | 0.3 |
| Vehicles other than railway. tramway | 53.9 | 0.6 | 1.1 | 19.4 | 11.9 | 12.7 | 0.1 | 0.1 |
| Aircraft. spacecraft. and parts thereof | 157.8 | 22.5 | 0.2 | 46.4 | 8.3 | 0.4 | 0.6 | 0.5 |
| Ships. boats and other floating structures | 22.6 | 17.4 | 2.1 | 20.4 | 16.8 | 0.2 | 7.7 | 9.2 |
| Optical. photo. technical. medical. etc. apparatus | 28.6 | 0.2 | 1.0 | 18.4 | 2.3 | 0.6 | 1.5 | 1.6 |
| Clocks and watches and parts thereof | 113.3 | 6.3 | 0.0 | 102.2 | 17.4 | 0.0 | 1.4 | 1.1 |
| Musical instruments. parts and accessories | 35.9 | 2.8 | 0.0 | 55.5 | -11.5 | 0.0 | 1.7 | 2.5 |
| Furniture. lighting. signs. prefabricated buildings | 31.8 | 1.0 | 0.7 | 10.9 | -3.8 | 0.4 | 1.2 | 2.0 |
| Toys. games. sports requisites | 71.9 | -1.3 | 0.2 | 39.8 | 0.8 | 0.1 | 2.3 | 2.4 |
| Miscellaneous manufactured articles | 57.1 | -2.0 | 0.2 | 69.6 | 0.0 | 0.1 | 1.3 | 1.5 |
| Works of art. collectors' pieces and antiques | 87.6 | 78.4 | 1.5 | 117.8 | 12.2 | 0.4 | 0.8 | 3.8 |
| Unclassified | N/A | N/A | 0.3 | 38.3 | 428.1 | 0.9 | 0.0 | 0.4 |
| Total: All commodities | 16.9 | 3.0 | 100 | 15.2 | 5.2 | 100 | | |

Source: Quantec Research. 2020

4

LABOUR MARKET DYNAMICS

4.1 Introduction

The South African economy continues to face the triple challenge of poverty, inequality and unemployment. Effectively combating the high levels of income and wealth inequality, as well as persistent poverty, necessitates a multi-pronged approach and stronger growth patterns.

Unemployment remains a central challenge for South Africa and the Western Cape. Job creation and skills development should occur more rapidly than labour force growth to reduce unemployment. It is also imperative that the labour market grows across the country to afford citizens the opportunity to gain access to resources to sustain themselves and their families, invest in human capital, and save for their retirement.

This chapter analyses labour market trends for the Western Cape over the five-year period from the first quarter of 2015 to the first quarter of 2020.

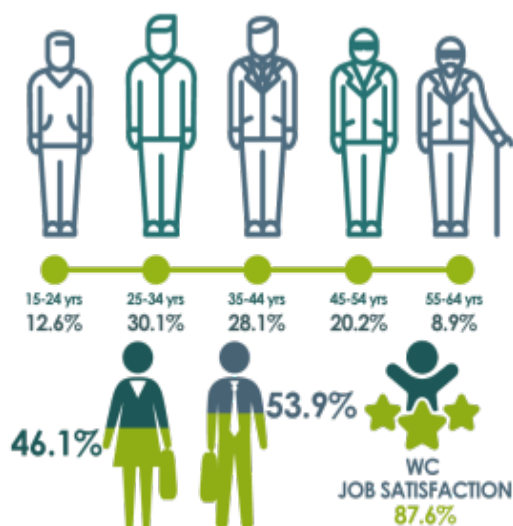
The objective of this chapter is to highlight key trends and anomalies in the labour market to enable policymakers to monitor the effectiveness of current policies and guide future policies linked to employment creation. The full impact of the COVID-19 pandemic on the labour market dynamics of South Africa and the Western Cape cannot be determined by the data currently available.

WESTERN CAPE LABOUR MARKET DYNAMICS

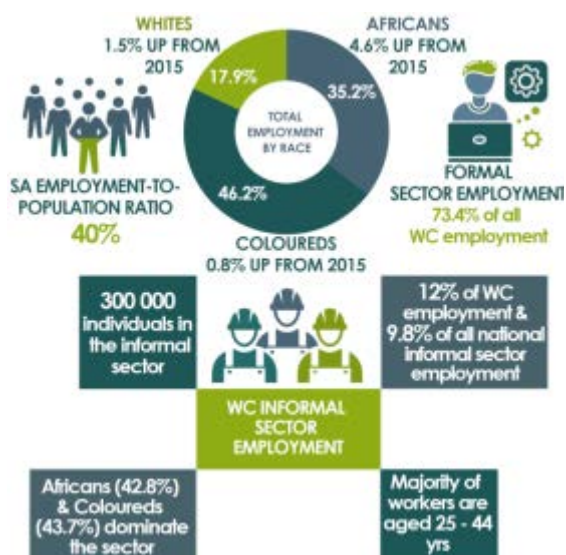
OVERVIEW OF THE WESTERN CAPE LABOUR MARKET 2020Q1



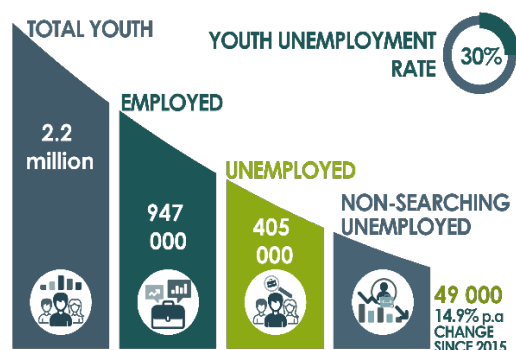
LABOUR FORCE SHARE BY AGE & GENDER 2020Q1



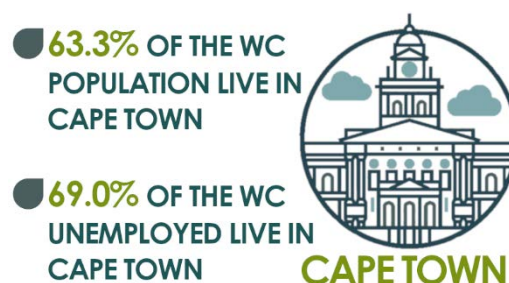
EMPLOYMENT RATIOS & SECTORS 2020Q1



YOUTH (15-34 yrs) LABOUR MARKET



SPATIAL CONSIDERATIONS 2020Q1



SOURCES OF SUPPORT FOR THE UNEMPLOYED 2020Q1



4.2 Overview of the labour market

The COVID-19 pandemic and associated containment measures had a devastating impact on the South African labour force with an estimated 2.2 million jobs lost between the first and second quarters of 2020. The number of people who were not economically active for reasons other than discouragement increased by 5.6 million between the first and second quarters of 2020, which resulted in a net increase of 5.2 million in the not economically active population.

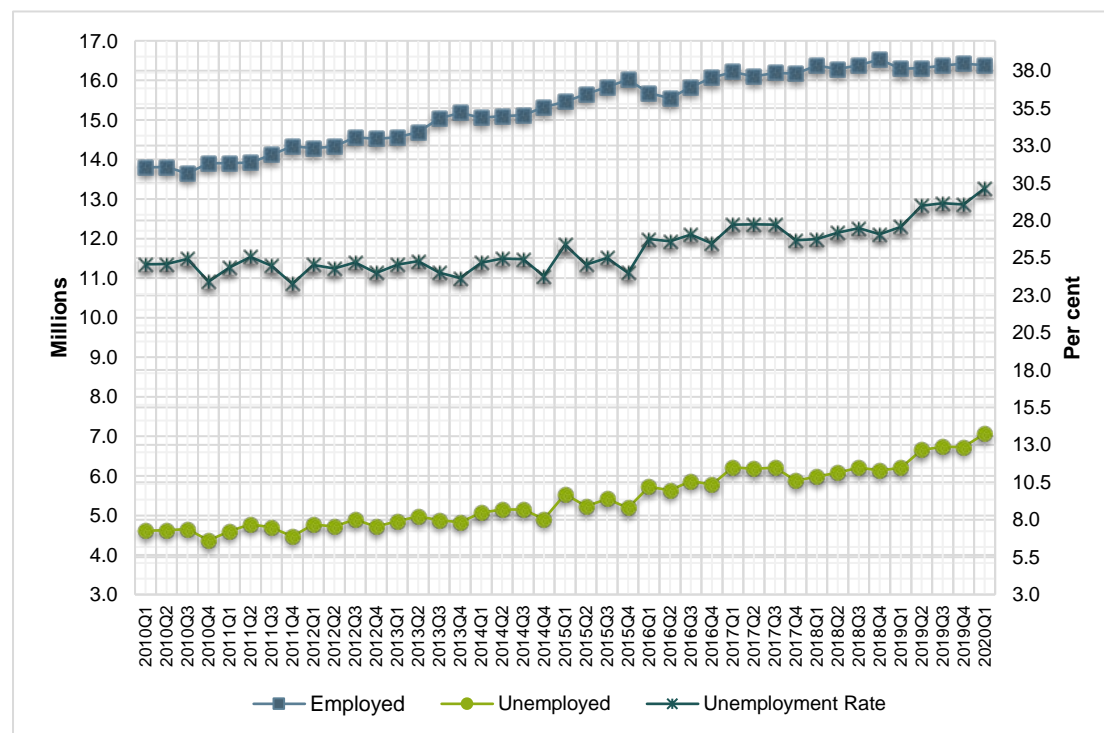
Employment in South Africa decreased by 1.8 per cent and unemployment decreased by 2.0 per cent between the second quarters of 2015 and 2020 with the non-searching unemployed increasing by 16.1 per cent. In the Western Cape, employment decreased by 0.5 per cent from 2.3 million to 2.2 million between the second quarters of 2015 and 2020. Narrow unemployment in the Province decreased by 6.0 per cent and the unemployment rate was estimated at 16.6 per cent for the second quarter of 2020. Unemployment decreased, not as a result of job creation, but because people became not economically active. Growth of the non-searching unemployed population in the Province accelerated rapidly with an average per annum growth rate of 50.4 per cent between the second quarters of 2015 and 2020 (Annexure D5).

The Stats SA Quarterly Labour Force Survey (QLFS) for the second quarter of 2020 was released during the finalisation of this chapter. The analyses in this chapter therefore focuses on the labour market trends from the first quarter of 2015 to the first quarter of 2020.

The QLFS¹ in the first quarter of 2020 puts employment in South Africa at 16.4 million people, while 7.1 million people were unemployed according to the narrow definition of unemployment (see Figure 4.1). The narrow unemployment rate for the quarter was 30.1 per cent, a 2.5 per cent increase from the previous year. This emphasises the urgency for rapid economic growth and sustainable job creation.

¹ The QLFS for Quarter 1 of 2020 data collection was disrupted when, on 19 March 2020, Stats SA suspended face-to-face data collection for all its surveys due to the COVID-19 pandemic. As a result, some dwellings (621 or 2.0 per cent of the 30 608 sampled dwelling units) were not visited. Sampled dwelling units in the QLFS span four successive quarters. In order to compensate for dwelling units not visited in the first quarter of 2020, Stats SA used data from previous quarters instead. For example, responses from people who had been visited in the fourth quarter of 2019, were carried over to the first quarter of 2020.

Figure 4.1 National employment and narrow unemployment trends 2010:Q1 – 2020:Q1



Source: Quantec Research, various QLFS surveys, Stats SA, various years

Employment grew steadily from early 2010 with only one relatively large decrease seen in the first quarter of 2016. This was a temporary setback as employment reached an all-time high of 16.5 million in the fourth quarter of 2018. Employment has remained steady from the first quarter of 2018 to the first quarter of 2020, currently standing at 16.4 million. In contrast to relative stable employment numbers, unemployment has grown rapidly with an additional 1 million South Africans over the same period due to the increase in working age population. This trend is a continuation of a longer trend over the past decade. Unemployment increased to 30.1 per cent in the first quarter of 2020, a 3.4 per cent increase since the first quarter of 2018. Unemployment is rising as a consequence of low employment growth, in the context of slowing economic growth and a growing working-age population and labour force.

The distribution of the employed and unemployed within the Western Cape, according to various demographic categories, is summarised in Table 4.1.

Table 4.1 Overview of the Western Cape labour market, 2020:Q1



| | Working-age population | | Employed | | Narrow unemployed | | Narrow labour force | | Narrow labour force participation rate (%) | Narrow unemployment rate (%) |
|---------------------|------------------------|-------------|---------------|-------------|-------------------|------------|---------------------|-------------|--|------------------------------|
| | Total ('000s) | Share (%) | Total ('000s) | Share (%) | Total ('000s) | Share (%) | Total ('000s) | Share (%) | | |
| Total | 4 708 | 100.0 | 2 501 | 100.0 | 662 | 100.0 | 3 163 | 100.0 | 67.2 | 20.9 |
| By Race | | | | | | | | | | |
| African | 1 721 | 36.5 | 881 | 35.2 | 356 | 53.8 | 1 237 | 39.1 | 71.9 | 28.8 |
| Coloured | 2 230 | 47.4 | 1 154 | 46.2 | 261 | 39.4 | 1 416 | 44.8 | 63.5 | 18.5 |
| White | 708 | 15.0 | 448 | 17.9 | 34 | 5.2 | 482 | 15.2 | 68.1 | 7.1 |
| By Gender | | | | | | | | | | |
| Male | 2 305 | 49.0 | 1 360 | 54.4 | 344 | 51.9 | 1 704 | 53.9 | 73.9 | 20.2 |
| Female | 2 403 | 51.0 | 1 141 | 45.6 | 318 | 48.1 | 1 459 | 46.1 | 60.7 | 21.8 |
| By Age | | | | | | | | | | |
| 15 to 24 years | 1 095 | 23.3 | 222 | 8.9 | 178 | 26.9 | 400 | 12.6 | 36.5 | 44.5 |
| 25 to 34 years | 1 142 | 24.3 | 725 | 29.0 | 227 | 34.3 | 952 | 30.1 | 83.4 | 23.9 |
| 35 to 44 years | 972 | 20.6 | 744 | 29.8 | 145 | 21.9 | 889 | 28.1 | 91.5 | 16.3 |
| 45 to 54 years | 841 | 17.9 | 549 | 21.9 | 91 | 13.7 | 640 | 20.2 | 76.1 | 14.2 |
| 55 to 64 years | 578 | 12.3 | 261 | 10.4 | 21 | 3.2 | 282 | 8.9 | 48.8 | 7.4 |
| By Education | | | | | | | | | | |
| Primary | 241 | 5.1 | 114 | 4.5 | 36 | 5.5 | 150 | 4.7 | 62.3 | 24.2 |
| Some secondary | 1 943 | 41.3 | 888 | 35.5 | 321 | 48.4 | 1 211 | 38.3 | 62.3 | 26.5 |
| Grade 12 | 1 470 | 31.2 | 823 | 32.9 | 233 | 35.2 | 1 068 | 33.8 | 72.6 | 21.8 |
| Tertiary | 666 | 14.1 | 569 | 22.7 | 38 | 5.7 | 577 | 18.2 | 86.6 | 6.5 |
| Certificate/Diploma | 372 | 7.8 | 287 | 11.5 | 31 | 4.6 | 321 | 10.2 | 86.3 | 9.5 |
| Degree | 294 | 6.2 | 245 | 9.8 | 7 | 1.0 | 256 | 8.1 | 87.0 | 2.7 |

Notes: Shares may not sum to 100 due to rounding or, in the case of race, to the omission of Asians from the table.

Source: Stats SA (2020a), Own calculations

The Western Cape unemployment rate was estimated at 20.9 per cent in the first quarter of 2020 (see Table 4.1). There is significant variation across age groups, with unemployment amongst 15 to 24-year olds estimated at 44.5 per cent, reflecting a 5.0 percentage point increase from the first quarter of 2019. The distribution of the employed and unemployed within the Western Cape, among various demographic categories, has remained relatively stable compared to the first quarter of 2019.

The QFLS data collection for the first quarter of 2020 was disrupted when Stats SA suspended face-to-face data collection for all its surveys as a result of the COVID-19 pandemic. If a person was recorded as unemployed or not economically active in the last quarter of 2019, the same status was assigned to them for the first quarter of 2020. If a person was recorded as employed in the fourth quarter of 2019, the imputation was somewhat more complex. This was complicated by the fact that there are usually temporary jobs created in the fourth quarter of each year that does not continue into the following year. Accordingly, if a person started a job that they held in the fourth quarter of 2019 in some previous quarter, it was assumed that the job continued into the first quarter of 2020. On the other hand, if the job held in the fourth quarter of 2019 had only started in that quarter, that person was treated as non-respondent in the first quarter of 2020².

² Stats SA, 2020

Table 4.2 Labour market aggregates, 2015:Q1 and 2020:Q1



| | 2015Q1 | 2020Q1 | Change | |
|--------------------------|-----------|-----------|------------------------|-----------------|
| | Thousands | Thousands | Thousands | Per cent (p.a.) |
| Western Cape | | | | |
| Working-age population | 4 246 | 4 708 | 462 | 2.1 |
| Employment | 2 261 | 2 501 | 240 | 2.1 |
| Narrow unemployment | 600 | 662 | 62 | 2.1 |
| Narrow labour force | 2 861 | 3 163 | 302 | 2.0 |
| Expanded unemployment | 689 | 826 | 137 | 3.9 |
| Expanded labour force | 2 949 | 3 326 | 377 | 2.4 |
| Non-searching unemployed | 88 | 163 | 75 | 15.8 |
| Narrow unemployment rate | 21.0% | 20.9% | -0.1 percentage points | |
| South Africa | | | | |
| Working-age population | 35 799 | 38 874 | 3 075 | 1.7 |
| Employment | 15 459 | 16 383 | 923 | 1.2 |
| Narrow unemployment | 5 535 | 7 070 | 1 535 | 5.2 |
| Narrow labour force | 20 994 | 23 452 | 2 458 | 2.3 |
| Expanded unemployment | 8 736 | 10 797 | 2 061 | 4.4 |
| Expanded labour force | 24 195 | 27 179 | 2 984 | 2.4 |
| Non-searching unemployed | 3 201 | 3 727 | 526 | 3.3 |
| Narrow unemployment rate | 26.4% | 30.1% | 3.7 percentage points | |

Source: Stats SA (2015a, 2020a), Own calculations, Quantec Research

Nationally, the working-age population increased by 3.1 million between the first quarters of 2015 and 2020, with a narrow labour force growth of 2.5 million (see Table 4.2). Provincially, the working-age population increased by 462 000 between the first quarters of 2015 and 2020, with a narrow labour force growth of 302 000. The Western Cape had a steeper annual growth rate (2.1 per cent per annum) in the working-age population compared nationally (1.7 per cent). However, the annual growth rate for the narrow labour force for the Western Cape was lower (2.0 per cent) compared nationally (2.3 per cent). This indicates that nationally the working-age population grew faster than the Western Cape.

Nationally, employment increased with 923 000 resulting in a 1.2 per cent per annum growth rate. Over this period, the increase in unemployment was over 60 per cent larger than the increase in employment, which highlights the significant challenges faced by the labour market to create jobs at the rate required to reduce unemployment. Critically, the five-year period saw significant changes in the narrow unemployment rate, with the unemployment rate increasing by 3.7 percentage points.

In the Western Cape, employment increased from 2.3 million in the first quarter of 2015 to 2.5 million in the first quarter of 2020. Narrow unemployment increased to 662 000 from the first quarter of 2015 with the unemployment rate estimated at 20.9 per cent. Growth of the non-searching unemployed population in the Western Cape accelerated rapidly. This group increased from 88 000 in the first quarter of 2015 to 163 000 in the first quarter of 2020, equivalent to a growth rate of 15.8 per cent per annum. As a result, expanded unemployment in the Western Cape grew by 137 000 from 689 000 in the first quarter of 2015 to 826 000 in the first quarter of 2020.

4.3 The Western Cape labour force

4.3.1 Composition of the labour force

The Western Cape labour force grew by 302 000 from 2.9 million in the first quarter of 2015 to 3.2 million in the first quarter of 2020, which is equivalent to an annual average growth rate of 2.0 per cent (see Table 4.3). Assuming no change in the rate of growth, this implies that the labour force would double in size in roughly 36 years.

The growth of the Western Cape labour force is driven primarily by the rapid growth of the African labour force, which expanded by 4.4 per cent per annum and accounted for about half of the total expansion in the provincial labour force. Slower growth in the Coloured and White labour forces meant that Africans increased their share of the narrow labour force by 4.0 percentage points to 39.1 per cent. Coloureds remain the largest group within the provincial labour force at 44.8 per cent, while Whites account for 15.2 per cent. In terms of gender, males (53.9 per cent) outnumber females (46.1 per cent) by 245 000 within the Western Cape labour force. The female labour force grew by 1.6 per cent per annum while the male labour force grew more rapidly by 2.5 per cent per annum.

The past five years have seen a continuation of the trend towards a labour force that is older and more educated. In line with the ageing population in the Western Cape, the labour force has also aged. Almost 80 per cent of the labour force is between the ages of 25 and 54, while 12.6 per cent is between the ages of 15 and 24 years. Rapid labour force growth rates are observed amongst the older age cohorts of 55 to 64-year olds (7.0 per cent per annum) and 45 to 54 years (4.2 per cent per annum). In contrast, younger age cohorts of 25 to 34 years (1.5 per cent per annum), and 35 to 44 years (1.2 per cent per annum) grew at a slower pace.

As far as the highest educational attainment trend is concerned, the labour force portion in the higher educational cohorts has marginally increased between the first quarters of 2015 and 2020. The higher educational cohorts' increase consists of tertiary education (0.1 percentage points), Grade 12 (1.4 percentage points) and secondary education (0.9 percentage points). In contrast, the labour force share of the two lowest educational attainment cohorts have declined. Over the same period, educational attainment cohorts for no schooling and some primary has declined with 0.7 and 2.2 percentage points respectively.

Table 4.3 Composition of the Western Cape narrow labour force, 2015:Q1 and 2020:Q1

| | 2015Q1 | | 2020Q1 | | Change | |
|----------------------------|-------------------|---------------------|-------------------|---------------------|-------------------|-------------------------|
| | Number (‘000s) | Share (Per cent) | Number (‘000s) | Share (Per cent) | Number (‘000s) | Rate (Per cent p.a.) |
| Narrow Labour Force | 2 861 | 100.0 | 3 163 | 100.0 | 302 | 2.0 |
| By Race | | | | | | |
| African | 1 001 | 35.0 | 1 237 | 39.1 | 236 | 4.4 |
| Coloured | 1 380 | 48.2 | 1 416 | 44.8 | 35 | 0.6 |
| White | 454 | 15.9 | 482 | 15.2 | 28 | 1.3 |
| By Gender | | | | | | |
| Male | 1 509 | 52.7 | 1 704 | 53.9 | 195 | 2.5 |
| Female | 1 352 | 47.3 | 1 459 | 46.1 | 107 | 1.6 |
| By Age | | | | | | |
| 15 to 24 years | 408 | 14.3 | 400 | 12.6 | -8 | 0.0 |
| 25 to 34 years | 884 | 30.9 | 952 | 30.1 | 68 | 1.5 |
| 35 to 44 years | 845 | 29.5 | 889 | 28.1 | 45 | 1.2 |
| 45 to 54 years | 522 | 18.2 | 640 | 20.2 | 118 | 4.2 |
| 55 to 64 years | 202 | 7.1 | 282 | 8.9 | 80 | 7.0 |
| By Education | | | | | | |
| No schooling | 31 | 1.1 | 14 | 0.4 | -17 | -12.7 |
| Some primary | 179 | 6.2 | 127 | 4.0 | -52 | -6.3 |
| Primary | 122 | 4.3 | 150 | 4.7 | 28 | 5.2 |
| Some secondary | 1 067 | 37.3 | 1 209 | 38.2 | 142 | 2.6 |
| Grade 12 | 916 | 32.0 | 1 056 | 33.4 | 141 | 2.9 |
| Tertiary | 513 | 17.9 | 569 | 18.0 | 55 | 2.1 |
| Certificate/Diploma | 280 | 9.8 | 317 | 10.0 | 38 | 2.8 |
| Degree | 234 | 8.2 | 252 | 8.0 | 18 | 2.3 |

Notes: Shares may not sum to 100 due to rounding or, in the case of race, to the omission of Asians from the table.

Source: Stats SA (2015a, 2020a), Own calculations, Quantec Research

It is evident that the improved educational attainment of the Western Cape labour force is linked to strong improvements amongst the African labour force participants. The total education attainment³ for Africans grew by 4.4 per cent from the first quarter in 2015 to the first quarter in 2020 (see Table 4.4). Most of the growth was observed in some secondary education. In the first quarter of 2020, 41.6 per cent of the African labour force participants in the Western Cape had Grade 12 certificates and higher. A growth of 4.7 per cent per annum was seen in the obtainment of Grade 12 certificated for Africans. Furthermore, 47.8 per cent completed some secondary education (a growth of 5.2 per cent per annum).

The total education attainment for the Coloured labour force participants in the Western Cape grew by 1.2 per cent from the first quarter in 2015 to the first quarter in 2020. In absolute numbers, an increase of 44 000 Coloured labour force participants obtained tertiary education, a growth of 11.0 per cent per annum. Of the White labour force participants in the Western Cape, 42.7 per cent had Grade 12 certificates. The total education attainment for the White labour force participants in the Western Cape grew by 26.9 per cent from the first quarter in 2015 to the first quarter in 2020. The bulk

³ Total education attainment includes primary, some secondary, Grade 12 and tertiary education i.e. those functionally literate.

of the African and Coloured labour force participants have some secondary education and Grade 12 as their highest educational attainment in comparison to the White labour force, the bulk of whom have Grade 12 and tertiary education as their highest educational attainment. The African and Coloured labour force participants lag in a lack of tertiary education.

Table 4.4 Composition of the Western Cape narrow labour force by race and education attainment, 2015:Q1 and 2020:Q1



| | | 2015Q1 | | 2020Q1 | | Change | |
|----------------------------|------------------------|-------------------|---------------------|-------------------|---------------------|-------------------|-------------------------|
| | | Number (‘000s) | Share (Per cent) | Number (‘000s) | Share (Per cent) | Number (‘000s) | Rate (Per cent p.a.) |
| Narrow Labour Force | | 2 861 | 100.0 | 3 163 | 100.0 | 302 | 2.0 |
| By Race | | | | | | | |
| African | African | 1 001 | 35.0 | 1 237 | 39.1 | 236 | 4.4 |
| | Coloured | 1 380 | 48.2 | 1 416 | 44.8 | 35 | 0.6 |
| | White | 454 | 15.9 | 482 | 15.2 | 28 | 1.3 |
| | Total Education | 941 | 94.0 | 1 164 | 94.1 | 224 | 4.4 |
| Coloured | Primary | 37 | 3.7 | 58 | 4.7 | 21 | 13.2 |
| | Some secondary | 463 | 46.2 | 592 | 47.8 | 129 | 5.2 |
| | Grade 12 | 314 | 31.3 | 393 | 31.7 | 79 | 4.7 |
| | Tertiary | 127 | 12.7 | 122 | 9.8 | - 5 | 0.8 |
| White | Total Education | 1 243 | 90.0 | 1 315 | 92.9 | 72 | 1.2 |
| | Primary | 84 | 6.1 | 90 | 6.3 | 5 | 2.5 |
| | Some secondary | 593 | 43.0 | 576 | 40.7 | - 17 | -0.5 |
| | Grade 12 | 428 | 31.0 | 468 | 33.0 | 39 | 1.9 |
| | Tertiary | 137 | 9.9 | 181 | 12.8 | 44 | 11.0 |
| White | Total Education | 465 | 102.4 | 498 | 103.2 | 33 | 26.9 |
| | Primary | 1 | 0.2 | - | 0.0 | - 1 | 0 |
| | Some secondary | 48 | 10.5 | 33 | 6.7 | - 15 | -6.5 |
| | Grade 12 | 173 | 38.0 | 206 | 42.7 | 33 | 4.2 |
| | Tertiary | 244 | 53.7 | 259 | 53.8 | 15 | 1.4 |

Notes: Shares may not sum to 100 due to rounding or, in the case of race, to the omission of Asians from the table.

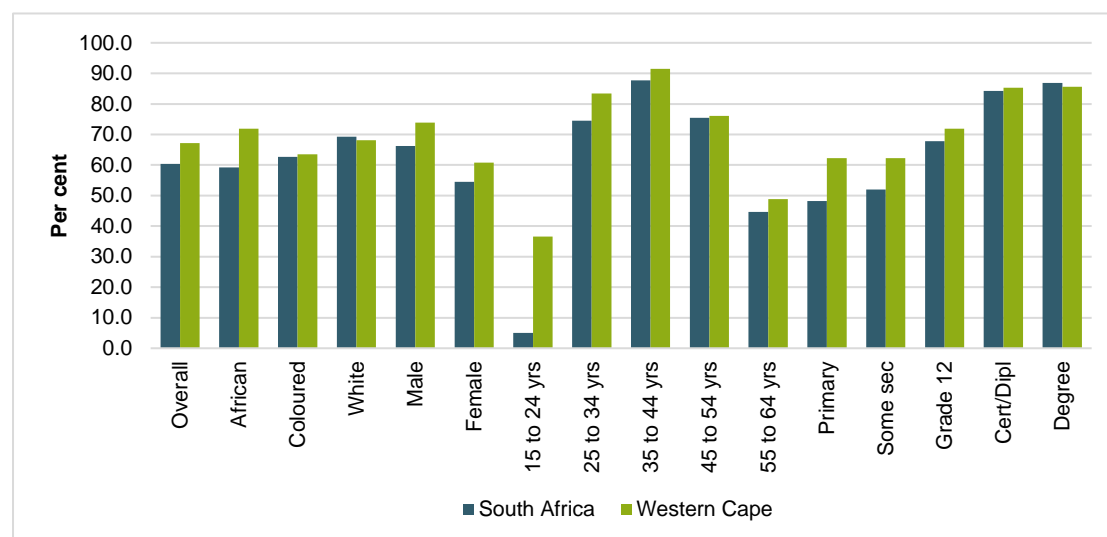
Source: Stats SA (2015a, 2020a), Own calculations, Quantec Research

4.3.2 Labour force participation

Labour force participation rates (LFPR) give a sense of the likelihood of working-age adults being economically active. The LFPR is defined as the proportion of the working-age population (15 - 64 years) that is willing or able to work. Participants in the labour force are influenced by several factors, including perceptions of current labour market conditions and accessibility of jobs. Under poor economic conditions, jobseekers may not actively seek employment, thereby lowering the narrow LFPR. Conversely, improved prospects of finding employment may lure the non-searching unemployed back into active search, raising the participation rate. Figure 4.2 presents the narrow labour force participation rate for South Africa and the Western Cape for the first quarter of 2020.



Figure 4.2 Labour force participation rate, 2020:Q1



Source: Stats SA (2020a), Own calculations

In the Western Cape, the participation rates by race are relatively similar: 71.9 per cent for Africans, 63.5 per cent for Coloureds, and 68.1 per cent for Whites, as opposed to the LFPR by educational attainment, where the LFPR tends to increase as educational attainment increases. In the first quarter of 2020, 62.3 per cent of those with only a primary certificate were economically active, compared to 71.9 per cent of those with Grade 12 certificates and 85.4 per cent of those with tertiary education. The trend is also observed for national LFPRs.



Nationally and provincially, males are more likely to participate in the labour force than females. Nationally, 66.3 per cent of males participated in the labour force in the first quarter of 2020, while 54.5 per cent of females participated. Provincially, 73.9 per cent of males participated in the labour force in the first quarter of 2020, while 60.7 per cent of females participated.

Participation rates are typically lowest amongst the youngest and oldest cohorts of the working-age population. In the Western Cape, the LFPR amongst 15 to 24-year olds in the first quarter of 2020 was 36.5 per cent, while that of 55 to 64-year olds was 48.8 per cent. During the prime working ages of 25 to 54 years, labour force participation rates in the Western Cape are above 75.0 per cent, with as many as 91.5 per cent of 35 to 44-year olds participating in the labour force. Low participation amongst the population under 25 years could be as a result of them being in the education system, and thus, not yet participating in the labour force. Participation rates amongst those in the older cohorts are eroded by the increasing rates of retirement as

age increases. In the Western Cape 10.3 per cent of the population is of retirement age (60+), while 9.8 per cent is close to retirement age (50 to 59 years).

In the first quarter of 2020, the Western Cape had a higher LFPR at 67.2 per cent than South Africa at 60.3 per cent. The higher LFPR was for all race, gender, age and educational attainment cohorts except for white males and labour participants with a degree as highest educational attainment.

LABOUR MARKET DYNAMICS IN SOUTH AFRICA IN THE TIME OF COVID-19

The labour market in South Africa is a primary indicator for determining several socio-economic welfare measures, including poverty and inequality. Thus, understanding the dynamics in the labour market is key to understanding how South Africa as a society is adapting and evolving in response to the COVID-19 pandemic and related national lockdown restrictions. The impact of the COVID-19 pandemic and the national lockdown restrictions at present remains uncertain due to the lack of data.

The proportion of adults who were employed decreased from 57.0 per cent in February 2020 to 48.0 per cent in April 2020, using the conventional definition of employment⁴. However, according to Ranchhod et al. (2020), the conventional definition is currently not an appropriate measure as it classifies people who are temporarily not able to work as employed. Ranchhod et al. created two additional variables for employment according to which they classified furloughed workers as “not employed”. Using these alternative definitions, Ranchhod et al. (2020) estimate that the proportion of adults who were employed decreased from 57.0 per cent in February 2020, to 38.0 per cent in April 2020. Thus, almost 1 in 3 of the employed adults in February 2020 lost their jobs, either permanently or temporarily by April 2020. By June 2020, according to the latest CRAM survey, the 3 million jobs lost between February 2020 and April 2020 have not been recovered, despite the easing of the lockdown. Although most groups experienced some recovery between April 2020 and June 2020, employment levels remain well below the February 2020 levels. The lowest levels and slowest recoveries are experienced by disadvantaged groups. Ranchhod & Daniels (2020) reported that employment recovery rates are lowest for Africans, those with less than matric and those in rural areas. In these three groups, only about one-fifth of the loss has been regained.

The impact of this substantial loss in employment is broad-based, but was more acutely felt amongst groups who have historically had worse labour market experiences. Alarming, the incidence of employment losses has been much greater among female workers, manual workers, informal workers, and those at the bottom half of the income distribution, thereby exacerbating existing inequalities. Wave 2 of the CRAM surveys indicated that from February 2020 to June 2020, workers who were poor, rural, female, unskilled and less educated have experienced the largest declines in employment. Excluding changes in temporary non-employment, the percentage decline in employment between February 2020 and June 2020 was ten times higher for the poorest 50 per cent of workers compared to the richest 25 per cent of workers.

Employed individuals in the African race group had a 43.0 per cent chance of losing their job, using the alternative definition⁵, as compared to a 17.0 per cent chance for employed Whites. In contrast, 15.0 per cent of Whites found employment between February 2020 and April 2020, as compared to only 7.0 per cent of African people. Women have seen a 49.0 per cent reduction in active employment over the February-April 2020 period. This is 15.0 percentage points greater than for men. Over half of women’s net employment loss is attributable to severed employment relationships, compared to one third for men.

Wave 2 of the CRAM survey showed that there was a narrowing of the gap between men and women between April 2020 and June 2020, although women have still experienced greater job losses during the pandemic. Between February 2020 and April 2020 employment declined considerably more for women (-23 per cent) than for men (-10 per cent). From April 2020 to June 2020 there were very small changes in employment, although they were in favour of women (+3 per cent for women and -4 per cent for men). However, the total change over the whole period (February 2020 to June 2020) still shows much higher employment losses for women (-20 per cent) than men (-13 per cent).

Source: Ranchhod & Daniels, 2020; Jain et al., 2020

⁴ These are people who are working or who are absent from work but say they have a job that they will return to.

⁵ These are employees who are working, excluding absentee workers.

4.4 Employment in the Western Cape

4.4.1 Overview of total employment

South Africa's unemployment rate has been high for decades and continues to increase. This indicates a continuous shortage of employment opportunities. The lack of jobs is highlighted by the country's employment-to-population ratio for adults aged 15 years and older. The International Labour Organisation (ILO) estimates that in 2019, the employment-to-population ratio for adults aged 15 years and older was 57.0 per cent in middle-income countries, and 61.0 per cent in upper-middle-income countries⁶. The comparable figure for South Africa is only 40.0 per cent (World Bank, 2020).

Estimates of employment growth over the last five years point to greater success in growing employment in the Western Cape than in the country as a whole. The number of employed people in South Africa increased by 923 000 or 1.2 per cent per annum from 15.5 million in the first quarter of 2015 to 16.4 million in the first quarter of 2020 (see Table 4.5). In the Western Cape, 2.5 million people were employed in the first quarter of 2020, which is equivalent to an average annual growth rate of 2.1 per cent. This growth rate is more rapid than the rates of growth for the narrow labour force, which is 2.0 per cent per annum. Out of every 100 net new jobs created in South Africa, approximately 26 of these jobs are created in the Western Cape.

In the first quarter of 2020, just less than half of the employed population in the Western Cape (46.2 per cent) are Coloured, while 35.2 per cent are African and 17.9 per cent are White. Employment of Africans in the Western Cape expanded between the first quarter of 2015 and 2020 from 704 000 to 881 000. This represents a 4.6 per cent annual growth rate, twice the average growth rate of the Province.



Job creation over the five-year period favours Africans as approximately 73 of every 100 net jobs created in the Western Cape are filled by Africans. Although an increase in job creation for Africans can be seen, relative to the labour force, Africans remain underrepresented in employment in relation to the labour force. Only 71.2 per cent of the African labour force in the first quarter of 2020 was employed while 93 per cent of the White labour force was employed and 81.5 per cent of the Coloured labour force was employed in the first quarter of 2020.

Males account for 54.4 per cent of employment in the Western Cape in the first quarter of 2020, which is marginally lower than their proportion nationally (55.8 per cent) but still slightly higher than in the first quarter of 2015 (53.5 per cent). This small increase in the male share of employment over the period is due to slightly more rapid employment growth for men (2.5 per cent per annum) than for women (1.7 per cent per annum). Almost 63.0 per cent of net new jobs created over the five-year period are accrued to men.

⁶ World Bank, 2020

Employment is dominated by individuals aged between 25 and 54 years. In the first quarter of 2020, 80.7 per cent of the Province's employed population, and 83.2 per cent of those nationally, fall within this age range. Employment of 15 to 24-year olds declined by 1.1 per cent per annum, with a loss of 21 000 jobs. In South Africa, for the same age category, 274 000 jobs were lost, a 4.0 per cent decline per annum from the first quarter of 2015 to the first quarter of 2020. A gradual shift of employment to slightly older ages can be seen provincially and nationally. The age cohort 45 to 54 years saw a 4.2 per cent per annum growth in the Western Cape over the five-year period, while the age cohort 55 to 64 years saw a 7.0 per cent per annum growth. The age structure of employment is changing in line with the changes in the labour force.

Table 4.5 Demographic characteristics of employment, 2015:Q1 and 2020:Q1



| | 2015Q1 | | 2020Q1 | | Change | |
|-------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|---------------------------------|
| | <i>Number (‘000s)</i> | <i>Share (Per cent)</i> | <i>Number (‘000s)</i> | <i>Share (Per cent)</i> | <i>Number (‘000s)</i> | <i>Rate (Per cent p.a.)</i> |
| Western Cape | | | | | | |
| Total Employment | 2 261 | 100.0 | 2 501 | 100.0 | 240 | 2.1 |
| By Race | | | | | | |
| African | 704 | 31.2 | 881 | 35.2 | 176 | 4.6 |
| Coloured | 1 113 | 49.2 | 1 154 | 46.2 | 41 | 0.8 |
| White | 419 | 18.5 | 448 | 17.9 | 29 | 1.5 |
| By Gender | | | | | | |
| Male | 1 209 | 53.5 | 1 360 | 54.4 | 151 | 2.5 |
| Female | 1 052 | 46.5 | 1 141 | 45.6 | 89 | 1.7 |
| By Age | | | | | | |
| 15 to 24 years | 243 | 10.7 | 222 | 8.9 | -21 | -1.1 |
| 25 to 34 years | 663 | 29.3 | 725 | 29.0 | 62 | 1.9 |
| 35 to 44 years | 717 | 31.7 | 744 | 29.8 | 27 | 0.9 |
| 45 to 54 years | 451 | 19.9 | 549 | 21.9 | 98 | 4.2 |
| 55 to 64 years | 187 | 8.3 | 261 | 10.4 | 74 | 7.0 |
| By Education | | | | | | |
| Primary | 89 | 3.9 | 114 | 4.5 | 24 | 6.2 |
| Some secondary | 764 | 33.8 | 888 | 35.5 | 123 | 3.2 |
| Grade 12 | 743 | 32.9 | 823 | 32.9 | 80 | 2.1 |
| Tertiary | 474 | 21.0 | 531 | 21.2 | 57 | 2.4 |
| Certificate/Diploma | 251 | 11.1 | 287 | 11.5 | 36 | 2.9 |
| Degree | 223 | 9.9 | 245 | 9.8 | 21 | 2.6 |
| South Africa | | | | | | |
| Total Employment | 15 459 | 100.0 | 16 383 | 100.0 | 923 | 1.2 |
| By Race | | | | | | |
| African | 11 344 | 73.4 | 12 317 | 75.2 | 973 | 1.7 |
| Coloured | 1 650 | 10.7 | 1 667 | 10.2 | 17 | 0.2 |
| White | 1 965 | 12.7 | 1 863 | 11.4 | -101 | -1.0 |
| By Gender | | | | | | |
| Male | 8 696 | 56.3 | 9 149 | 55.8 | 453 | 1.0 |
| Female | 6 763 | 43.7 | 7 234 | 44.2 | 471 | 1.4 |

| | 2015Q1 | | 2020Q1 | | Change | |
|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|-------------------------|
| | Number (‘000s) | Share (Per cent) | Number (‘000s) | Share (Per cent) | Number (‘000s) | Rate (Per cent p.a.) |
| By Age | | | | | | |
| 15 to 24 years | 1 418 | 9.2 | 1 143 | 7.0 | -274 | -4.0 |
| 25 to 34 years | 4 822 | 31.2 | 4 747 | 29.0 | -74 | -0.3 |
| 35 to 44 years | 4 742 | 30.7 | 5 126 | 31.3 | 384 | 1.6 |
| 45 to 54 years | 3 098 | 20.0 | 3 747 | 22.9 | 650 | 3.9 |
| 55 to 64 years | 1 381 | 8.9 | 1 619 | 9.9 | 238 | 3.3 |
| By Education | | | | | | |
| Primary | 665 | 4.3 | 573 | 3.5 | -91 | -2.7 |
| Some secondary | 5 187 | 33.6 | 5 440 | 33.2 | 254 | 1.0 |
| Grade 12 | 4 774 | 30.9 | 5 483 | 33.5 | 709 | 2.8 |
| Tertiary | 3 089 | 20.0 | 3 531 | 21.6 | 442 | 2.8 |
| Certificate/Diploma | 1 839 | 11.9 | 2 049 | 12.5 | 210 | 2.4 |
| Degree | 1 250 | 8.1 | 1 483 | 9.1 | 233 | 3.5 |

Notes: Shares may not sum to 100 due to rounding or, in the case of race, to the omission of Asians from the table.

Source: Stats SA (2015a, 2020a), Own calculations, Quantec Research

Employment growth trends continue to be biased in favour of individuals with higher levels of education, both nationally and within the Western Cape. Particularly rapid growth nationally is observed for those with degrees (3.5 per cent per annum), those with diplomas and/or certificates (2.4 per cent), and those with Grade 12 certificates (2.8 per cent). Jobs for those with some secondary education grew relatively more slowly (1.0 per cent) over the same period. In contrast, the employment of individuals with only primary education decreased over the period (-2.7 per cent). The pattern of employment growth in the Western Cape was similar. Growth was observed for those with degrees (2.6 per cent per annum), those with diplomas and/or certificates (2.9 per cent), and those with Grade 12 certificates (2.1 per cent). Jobs for those with some secondary education grew more rapidly (3.2 per cent) over the same period, an absolute gain of 123 000. This re-emphasises the importance of boosting economic activities that can effectively employ workers with lower levels of education, while improving educational outcomes and skills levels of young cohorts.

The Agriculture sector accounts for 255 000 of the 2.5 million jobs in the Province for the first quarter of 2020 (see Table 4.6). Private households account for 145 000 jobs (5.8 per cent of employment). The non-agriculture sector accounts for the vast majority of employment (84.0 per cent) in the Province.

The Western Cape informal agriculture sector expanded by 19.7 per cent per annum between the first quarter of 2015 and the first quarter of 2020. As noted by Makgetla (2016), this massive surge in employment in agriculture in the Western Cape coincides with the introduction by Stats SA of the new master sample in the first quarter of 2015, which may be impacting the estimates.

Table 4.6 Sector composition of total employment 2015:Q1 and 2020:Q1



| | 2015Q1 | | 2020Q1 | | Change | |
|---------------------------|-------------------|---------------------|-------------------|---------------------|-------------------|-------------------------|
| | Number (‘000s) | Share (Per cent) | Number (‘000s) | Share (Per cent) | Number (‘000s) | Rate (Per cent p.a.) |
| Western Cape | | | | | | |
| Total Employment | 2 261 | 100.0 | 2 501 | 100.0 | 240 | 2.1 |
| Agriculture | 252 | 11.2 | 255 | 10.2 | 3 | 0.6 |
| Formal agriculture | 245 | 10.9 | 244 | 9.8 | -1 | 0.3 |
| Informal agriculture | 7 | 0.3 | 11 | 0.4 | 4 | 19.7 |
| Non-Agriculture | 1 859 | 82.2 | 2 101 | 84.0 | 241 | 2.5 |
| Formal non-agriculture | 1 651 | 73.0 | 1 811 | 72.4 | 160 | 1.9 |
| Informal non-agriculture | 208 | 9.2 | 290 | 11.6 | 82 | 7.1 |
| Private households | 149 | 6.6 | 145 | 5.8 | -4 | -0.2 |
| South Africa | | | | | | |
| Total Employment | 15 459 | 100.0 | 16 383 | 100.0 | 923 | 1.2 |
| Agriculture | 891 | 5.8 | 865 | 5.3 | -27 | -0.6 |
| Formal agriculture | 782 | 5.1 | 739 | 4.5 | -44 | -1.1 |
| Informal agriculture | 109 | 0.7 | 126 | 0.8 | 17 | 4.4 |
| Non-Agriculture | 13 280 | 85.9 | 14 202 | 86.7 | 922 | 1.4 |
| Formal non-agriculture | 10 796 | 69.8 | 11 282 | 68.9 | 485 | 0.9 |
| Informal non-agriculture | 2 483 | 16.1 | 2 921 | 17.8 | 437 | 3.3 |
| Private households | 1 288 | 8.3 | 1 316 | 8.0 | 28 | 0.5 |

Source: Stats SA (2015a, 2020a), Own calculations, Quantec Research

In the Western Cape, the vast majority of net new jobs added (241 000 out of the 240 000 net new jobs) to the Provincial economy over the five-year period are located in the non-agriculture sector. This expansion translates into an average annual growth rate of 2.5 per cent while employment in private households in the first quarter of 2020 is virtually unchanged.

Given that the formal and informal sectors contribute differently to total employment in South Africa and in the Western Cape, as well as the small share of the Provincial informal sector, the following two sections provide separate analyses of the formal and informal sectors.

PUBLIC EMPLOYMENT PROGRAMMES

As with many other provinces, the Western Cape Government's largest employment programme is the Expanded Public Works Programme (EPWP) which is used to great effect to provide employment opportunities to vulnerable communities in the Province. Between 2014/15 and 2019/20 the EPWP created the equivalent of 78 578 Full-Time Employment (FTE) opportunities at a cost of R12.7 billion. In 2019/20, the EPWP facilitated 26 360 FTE opportunities at both a provincial and local government level. The impact of EPWP on employment levels can be measured as the portion of EPWP employment to the total employment in the Western Cape, which stood at 1.1 per cent in the first quarter of 2020.

The EPWP Grant provides funding for job creation efforts in specific focus areas, where labour intensive delivery methods can be incentivised. The grant incentivises the expansion of work creation efforts through the use of labour-intensive delivery methods in compliance with the EPWP guidelines. In 2020/21 the Western Cape Government allocated R1.438 billion towards EPWP of which R1.136 billion or 79 per cent is sourced from conditional grants and R302.039 million or 21 per cent is sourced from Provincial Equitable Share.

Table 4.7 FTE opportunities per Department (2016/17 - 2019/20)

| | 2016/17 | 2017/18 | 2018/19 | 2019/20 | Average |
|---|---------------|---------------|---------------|---------------|---------------|
| Community Safety | 800 | 489 | 510 | 540 | 585 |
| Education | 5 053 | 4 256 | 4 684 | 3 842 | 4 459 |
| Health | 1 830 | 3 294 | 2 363 | 3 219 | 2 677 |
| Social Development | 1 147 | 1 405 | 1 102 | 1 210 | 1 216 |
| Human Settlements | 356 | 544 | 202 | 329 | 358 |
| Environmental Affairs and Development Planning | 556 | 543 | 550 | 515 | 541 |
| Transport and Public Works | 3 562 | 3 277 | 2 893 | 3 941 | 3 418 |
| Agriculture | 126 | 136 | 113 | 179 | 139 |
| Cultural Affairs and Sport | 806 | 967 | 1 109 | 1 091 | 993 |
| Total | 14 236 | 14 911 | 13 526 | 14 866 | 14 385 |

Source: EPWP Annual Performance Report Annexure A - E

In 2019/20, the EPWP FTE opportunities were equal to 1.05 per cent of all employment opportunities in the Western Cape, an increase from 0.65 per cent in 2015/16. This analysis suggests that the EPWP's impact on employment levels has increased over time however there certainly is scope for further expansion given the current extent of unemployment in the Province. The average wage for WCG EPWP in 2019/20 was R173.91 per day compared to the minimum wage requirement of R92.31 per day. The current wage per day accounts for a well above inflation increase of 51 per cent from the 2016/17 average wage and the highest average wage of any provincial government in South Africa. The majority of the FTE opportunities were created by the Western Cape Government at 14 867 or 56 per cent.

Source: EPWP Annual Performance Report 2019/20

4.4.2 Formal sector employment

Total employment in the formal sector in the Western Cape is estimated at 2.1 million in the first quarter of 2020 (see Table 4.8).

Table 4.8 Demographic characteristics of formal sector employment, 2020:Q1

| | South Africa | | Western Cape | |
|---------------------------------------|-------------------|---------------------|-------------------|---------------------|
| | Number (‘000s) | Share (Per cent) | Number (‘000s) | Share (Per cent) |
| Total Formal Sector Employment | 12 020 | 100.0 | 2 055 | 100.0 |
| By Race | | | | |
| African | 8 443 | 70.2 | 663 | 32.3 |
| Coloured | 1 387 | 11.5 | 970 | 47.2 |
| White | 1 730 | 14.4 | 407 | 19.8 |
| By Gender | | | | |
| Male | 6 927 | 57.6 | 1 171 | 57.0 |
| Female | 5 093 | 42.4 | 885 | 43.0 |
| By Age | | | | |
| 15 to 24 years | 847 | 7.0 | 190 | 9.2 |
| 25 to 34 years | 3 555 | 29.6 | 602 | 29.3 |
| 35 to 44 years | 3 778 | 31.4 | 601 | 29.2 |
| 45 to 54 years | 2 702 | 22.5 | 439 | 21.4 |
| 55 to 64 years | 1 138 | 9.5 | 224 | 10.9 |

| | South Africa | | Western Cape | |
|---------------------|-------------------|---------------------|-------------------|---------------------|
| | Number (‘000s) | Share (Per cent) | Number (‘000s) | Share (Per cent) |
| By Education | | | | |
| Primary | 295 | 2.5 | 80 | 3.9 |
| Some secondary | 3 354 | 27.9 | 675 | 32.8 |
| Grade 12 | 4 430 | 36.9 | 701 | 34.1 |
| Tertiary | 3 302 | 27.5 | 495 | 24.1 |
| Certificate/Diploma | 1 879 | 15.6 | 261 | 12.7 |
| Degree | 1 423 | 11.8 | 234 | 11.4 |

Notes: Shares may not sum to 100 due to rounding or, in the case of race, to the omission of Asians from the table.

Source: Stats SA (2020a), Own calculations

The racial composition of formal sector employment in the Province is vastly different from that of South Africa, in line with its unique population composition. At 47.2 per cent, the share of Coloureds in provincial formal sector employment in 2020 is more than four times their share nationally. This is attributed to the working-age population size of Coloureds in the Province (47.4 per cent) compared to the working-age population of Coloureds nationally (9.0 per cent). Whites account for 19.8 per cent of formal sector employment in the Province, which is higher than their share of the labour force and total employment. Conversely, at 32.3 per cent in the first quarter of 2020, Africans’ share of formal sector employment in the Western Cape is 37.9 percentage points lower than their share nationally at 70.2 per cent and is lower than their share of the labour force (39.1 per cent).

Men hold similar proportions of formal sector jobs provincially and nationally. In the Western Cape, 57.0 per cent of formal sector jobs are held by men compared to women at 43.0 per cent.

In terms of the age structure of formal sector employment, the Western Cape and South Africa are broadly similar. Both nationally and provincially, formal sector employment is concentrated between age cohorts 25 to 34 years and 35 to 44 years. The Western Cape, however, has a larger group of 15 to 24-year olds within formal sector employment (9.2 per cent). The total share of youth employment in the Western Cape is 38.5 per cent.



A relatively large proportion of formal sector workers in the Province have only some secondary education (32.8 per cent compared to 27.9 per cent nationally). The Province also has relatively fewer formal sector workers with diplomas and/or certificates (12.7 per cent), different from national figures (15.6 per cent). Of the 2.0 million formal sector workers in the Western Cape in the first quarter of 2020, 11.4 per cent have degrees, while 34.1 per cent have Grade 12 certificates, both on par with national patterns.

The bulk of the formal sector is comprised of services-based economic activity. The tertiary (services) sector accounts for 69.7 per cent of formal sector employment nationally, followed by the secondary sector's 20.5 per cent, and 9.7 per cent in the primary sector (see Table 4.9). The pattern in the Western Cape is broadly similar; however, the Province has a relatively large primary and secondary sector in formal sector employment. The Western Cape primary sector accounts for 12.0 per cent share of formal employment while the secondary sector accounts for 21.7 per cent of formal employment.

In the Western Cape, community, social and personal (CSP) services is the largest industry in terms of employment, accounting for 21.9 per cent of formal sector employment. The second largest industry in terms of employment in the Western Cape is financial and business services (19.3 per cent) followed by wholesale and retail trade (17.9 per cent). In terms of employment, the three largest industries in the Western Cape are all service industries. Only two other industries in the Province contribute more than 10.0 per cent of formal sector employment: manufacturing (13.8 per cent) and agriculture (11.9 per cent).

In comparison to the industrial structure of formal sector employment nationally, CSP services and mining and quarrying account for significantly smaller proportions of formal sector employment; where CSP services is 5.5 percentage points smaller and mining and quarrying is 3.4 percentage points smaller in the Western Cape. In contrast, agriculture is 5.8 percentage points larger in the Province. This means that the compositions of the primary sector differ with the Province's relatively small mining and quarrying industry, compensated for by its relatively large agriculture industry.

Table 4.9 Industrial composition of formal sector employment, 2020:Q1



| | South Africa | | Western Cape | |
|---|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| | <i>Number</i> (<i>'000s</i>) | <i>Share</i> (<i>Per cent</i>) | <i>Number</i> (<i>'000s</i>) | <i>Share</i> (<i>Per cent</i>) |
| <i>Total Formal Sector Employment</i> | 12 020 | 100.0 | 2 055 | 100.0 |
| Agriculture, forestry and fishing | 739 | 6.1 | 244 | 11.9 |
| Mining and quarrying | 426 | 3.5 | 2 | 0.1 |
| Primary Sector | 1 165 | 9.7 | 247 | 12.0 |
| Manufacturing | 1 472 | 12.2 | 283 | 13.8 |
| Utilities | 110 | 0.9 | 6 | 0.3 |
| Construction | 881 | 7.3 | 156 | 7.6 |
| Secondary Sector | 2 463 | 20.5 | 445 | 21.7 |
| Wholesale and retail trade | 2 159 | 18.0 | 369 | 17.9 |
| Transport, storage and communication | 678 | 5.6 | 146 | 7.1 |
| Financial and business services | 2 255 | 18.8 | 397 | 19.3 |
| Community, Social and Personal (CSP) services | 3 289 | 27.4 | 451 | 21.9 |
| Tertiary Sector | 8 381 | 69.7 | 1 363 | 66.3 |

Source: Stats SA (2020a), Own calculations

Table 4.10 presents a disaggregation of formal sector employment by occupational category and skill level. In South Africa and the Western Cape, the largest proportion of formal sector workers are employed in skilled occupations with 60.3 per cent for South Africa, and 57.3 per cent for the Western Cape. This group is followed by low-skilled occupations at 21.5 per cent nationally and 24.0 per cent provincially. Formal sector employment in the Western Cape is slightly more concentrated amongst low-skilled occupations. High-skilled occupations account for 18.7 per cent of formal sector employment in the Western Cape.

The largest category for formal sector employment is elementary occupations, accounting for 21.5 per cent nationally and 24.0 per cent provincially. The elementary occupations account for the entire low-skilled category workers. Within the Province, elementary occupations are followed by service and sales workers (16.8 per cent), clerks (12.8 per cent), legislators, senior officials and managers (11.0 per cent) and crafts and related trades workers (10.5 per cent). The ranking of the five largest occupational categories is identical nationally, with slight variations in their shares of total formal sector employment.

The quality of jobs in the formal sector can be measured by a number of characteristics that point to the security and benefits associated with employment. These include factors such as the existence of a formal contract, benefits available and duration of the employment contract. Table 4.10 presents the shares of formal sector workers across these various characteristics. The estimates provided cover only employees (excluding employers, self-employed and unpaid family workers) in the formal sector for the first quarter of 2020.

Table 4.10 Occupation structure of formal sector employment, 2020:Q1



| | South Africa | | Western Cape | |
|--|-------------------|---------------------|-------------------|---------------------|
| | Number (‘000s) | Share (Per cent) | Number (‘000s) | Share (Per cent) |
| Total Formal Employment | 12 020 | 100.0 | 2 055 | 100.0 |
| Legislators; senior officials & managers | 1 265 | 10.5 | 226 | 11.0 |
| Professionals | 921 | 7.7 | 158 | 7.7 |
| High-skilled | 2 186 | 18.2 | 383 | 18.7 |
| Technical & associate professionals | 1 255 | 10.4 | 175 | 8.5 |
| Clerks | 1 579 | 13.1 | 264 | 12.8 |
| Service workers, shop and market sales workers | 2 074 | 17.3 | 346 | 16.8 |
| Skilled agricultural and fishery workers | 31 | 0.3 | 9 | 0.5 |
| Craft and related trades workers | 1 227 | 10.2 | 216 | 10.5 |
| Plant and machine operators & assemblers | 1 088 | 9.1 | 169 | 8.2 |
| Skilled | 7 253 | 60.3 | 1 178 | 57.3 |
| Elementary occupations | 2 579 | 21.5 | 494 | 24.0 |
| Low-skilled | 2 579 | 21.5 | 494 | 24.0 |

Source: Stats SA (2020a), Own calculations

In terms of contract type and duration, most formal sector employees nationally and provincially have written contracts. Permanent contracts (69.9 per cent) are slightly more widespread in the Western Cape than in the country overall (see Table 4.11). Contracts of unspecified duration are less common in the Western Cape than in South

Africa (8.9 per cent compared with 14.3 per cent). Just 14.3 percent of employees in the Western Cape have limited duration contracts.

In terms of other benefits, formal sector employees in the Western Cape are better off than formal sector employees in the country, apart from medical aid and pension benefits. In the first quarter of 2020, 29.7 per cent of formal sector employees in the Western Cape reported that they receive medical aid benefits while 33.2 per cent of the formal sector employees in the country reported they receive medical aid benefits, a 3.5 per cent difference. In the Western Cape, 50.9 per cent of formal sector employees reported to receive pension benefits, while 54.0 per cent of employees in the country reported to receive pension benefits.

In the Western Cape, more than three out of five employees reported that their employers were making Unemployment Insurance Fund (UIF) contributions on their behalf (76.0 per cent) and they had access to paid (79.1 per cent) and sick (80.7 per cent) leave. Women and men in the formal sector in the Province are more likely than their counterparts nationally to have access to paid maternity and paternity leave; where 79.8 per cent of women are entitled to maternity leave compared to 68.9 per cent of men that are entitled to paid paternity leave. Benefits that are legislated are more prominent in formal sector employment than benefits such as pension and medical aid.

Table 4.11 Characteristics of formal sector employment, 2020:Q1



| | South Africa (Per cent) | Western Cape (Per cent) |
|-------------------------------------|----------------------------|----------------------------|
| Contract type | | |
| Written contract | 86.6 | 86.6 |
| Contract duration | | |
| Limited duration | 13.8 | 14.3 |
| Permanent nature | 65.5 | 69.9 |
| Unspecified duration | 14.3 | 8.9 |
| Rights and benefits | | |
| Medical aid | 33.2 | 29.7 |
| UIF contributions | 66.0 | 76.0 |
| Pension contributions | 54.0 | 50.9 |
| Paid leave | 71.1 | 79.1 |
| Paid sick leave | 77.1 | 80.7 |
| Paid maternity leave (women only) | 70.2 | 79.8 |
| Paid paternity leave (men only) | 59.5 | 68.9 |
| Usual hours of work per week | | |
| 1 – 19 | 2.6 | 1.1 |
| 20 – 39 | 7.2 | 5.1 |
| 40 – 44 | 46.0 | 42.7 |
| 45 – 49 | 27.7 | 36.6 |
| 50+ | 16.6 | 14.4 |
| Other | | |
| Trade union membership | 33.3 | 30.0 |

Source: Stats SA (2020a), Own calculations

Formal sector workers in the Western Cape (79.3 per cent) are more likely to work between 40 and 49 hours per week when compared to South Africa (73.7 per cent).

Nearly half (42.7 per cent) of formal sector workers in the Province report usually working between 40 and 44 hours per week compared to 46.0 per cent in the country. However, 36.6 per cent of Western Cape formal sector workers work between 45 and 49 hours per week compared to 27.7 per cent in South Africa overall. Given the greater concentration of workers in the Western Cape working between 40 and 49 hours per week, working either relatively short hours (under 40 hours per week) or relatively long hours (over 50 hours per week) is less common in the Province compared to the rest of the country.

Membership with a trade union is less common amongst the Western Cape's formal sector workers than it is nationally. Nationally, the formal sector unionisation rate is estimated at just over a third (33.3 per cent), compared to 30.0 per cent within the Province for the first quarter of 2020. The 3.3 percentage point difference may at least partially be due to the Western Cape having a relatively large agricultural sector and a relatively small mining sector, which are respectively weakly and highly unionised.

4.4.3 Informal sector employment

In South Africa, the informal sector is not confined to any particular sector of the population (Roux, 2020). Flea markets, street vendors, homemakers who work from home, hawkers, seamsters and backyard mechanics are but some examples of informal businesses. Although the informal sector is unregulated and does not pay taxes, it does contribute to economic activity by producing goods and creating employment or a means of earning a livelihood.

The informal sector contributes to poverty alleviation by creating a livelihood for the poor, creating employment and producing goods and services for the local community. South Africa had 3.0 million people working in the informal sector in the first quarter of 2020 (before the COVID-19 pandemic).



The Western Cape employed 300 000 individuals in total in the informal sector in the first quarter of 2020 (see Table 4.12). This represents 12.0 per cent of provincial employment and 9.8 per cent of all informal sector employment in South Africa. The limited size of the informal sector in the Western Cape prevents those who are unable to obtain employment in the formal sector from finding alternative informal work, making them even more vulnerable to poverty.

Table 4.12 Demographic of informal sector employment, 2020:Q1



| | South Africa | | Western Cape | |
|---|-------------------|---------------------|-------------------|---------------------|
| | Number (‘000s) | Share (Per cent) | Number (‘000s) | Share (Per cent) |
| Total Informal Sector Employment | 3 047 | 100.0 | 300 | 100.0 |
| By Race | | | | |
| African | 2 669 | 87.6 | 129 | 42.8 |
| Coloured | 188 | 6.2 | 131 | 43.7 |
| White | 119 | 3.9 | 38 | 12.6 |
| By Gender | | | | |

| | South Africa | | Western Cape | |
|---------------------|-------------------|---------------------|-------------------|---------------------|
| | Number (‘000s) | Share (Per cent) | Number (‘000s) | Share (Per cent) |
| Male | 1 890 | 62.0 | 168 | 55.9 |
| Female | 1 157 | 38.0 | 132 | 44.1 |
| By Age | | | | |
| 15 to 24 years | 247 | 8.1 | 24 | 7.8 |
| 25 to 34 years | 928 | 30.5 | 81 | 27.1 |
| 35 to 44 years | 928 | 30.5 | 89 | 29.5 |
| 45 to 54 years | 641 | 21.0 | 63 | 20.8 |
| 55 to 64 years | 303 | 9.9 | 22 | 7.2 |
| By Education | | | | |
| Primary | 178 | 5.8 | 17 | 5.7 |
| Some secondary | 1 396 | 45.8 | 132 | 44.1 |
| Grade 12 | 816 | 26.8 | 93 | 31.1 |
| Tertiary | 214 | 7.0 | 35 | 11.6 |
| Certificate/Diploma | 157 | 5.2 | 23 | 7.5 |
| Degree | 57 | 1.9 | 10 | 3.4 |

Notes: Shares may not sum to 100 due to rounding or, in the case of race, to the omission of Asians from the table.

Source: Stats SA (2020a), Own calculations

Differing provincial demographic trends imply that informal sector employment in the Western Cape differs significantly from informal sector employment in the country in terms of race. Africans and Coloureds account for the largest share of informal sector employment in the Western Cape (42.8 per cent and 43.7 per cent respectively), while the African population is dominant in the South African informal sector with 87.6 per cent share. Two fifths (44.1 per cent) of the informal workers in the Western Cape are women while over half (55.9 per cent) of informal workers are men. This proportion is similar to their share of total employment in the Province. Nationally, men dominate informal sector employment with a 62.0 per cent share.

The majority of informal sector workers are between the ages of 25 and 44 years (61.0 per cent nationally and 56.6 per cent in the Western Cape). Compared to the formal sector, employment distribution amongst age groups is relatively the same. Relative to the national informal sector, education attainment within the provincial sector is slightly better, in contrast to the formal sector where it is slightly weaker than nationally. In the Western Cape, 5.7 per cent of informal sector employees have completed primary education, 44.1 per cent have some secondary education and 31.1 per cent have Grade 12 certificates. A further 11.6 per cent have tertiary education. The informal sector employs more individuals with primary and some secondary education (49.8 per cent) compared to the formal sector where most individuals with Grade 12 and tertiary education are employed (58.2 per cent). The informal sector predominantly employ Africans and Coloureds, persons aged 35 - 44 years, and those with lower levels of education.

THE COVID-19 CRISIS AND THE SOUTH AFRICAN INFORMAL ECONOMY

According to the International Labour Organisation (ILO, 2020), there is widespread international and national recognition that the measures to curb the spread of COVID-19 have impacted negatively on informal workers, whose jobs are precarious, depend on daily earnings for survival, and lack legal and social protection.

The South African government has introduced a range of relief measures for workers and their households that include food parcels, unemployment insurance, increases in the social grants, the introduction of the Special COVID-19 grant and measures to support small businesses. Unfortunately, there are design gaps and implementation failures. Two groups of workers within the informal economy were identified as being particularly vulnerable to the economic impact of the crisis and lockdown. These are employees without legal or social protection (who are unlikely to have access to unemployment insurance if they are unable to work) and workers in the informal sector who are self-employed and are particularly vulnerable to livelihood shocks as they rely on daily earnings to survive.

Generally, in terms of the effect of economic crises, the informal employment sector acts as a shock absorber for the formal economy. In South Africa, this is evidently not the case due to the incredibly low absorption rate (42.3 per cent) of labour in both the formal and informal sectors. South Africa has exceedingly high unemployment and relatively low informal employment. About 24 per cent of workers in South Africa in 2019 were informally employed, while the global average in 2019 was 61.0 per cent.

It is expected that the informal sector will be severely impacted by lockdown and physical distancing protocols. An analysis of the labour market impact of the 2008/9 global economic crisis in South Africa by Rogan and Skinner (2018) found that the informal sector was affected disproportionately by the crisis, relative to the formal sector. The formal sector contracted by 4.0 per cent and the informal sector by 7.0 per cent. This suggests that the informal economy does not necessarily absorb workers who lose their formal jobs. Wave 2 of the CRAM surveys further emphasised this statement by indicating that between February 2020 and June 2020 informal workers faced twice the employment loss compared to formal workers (14 per cent compared to 7 per cent).

Key findings of the survey conducted by Rogan and Skinner (2020) include:

- 31.0 per cent of informal workers who did not lose their livelihoods completely could not work during lockdown in April 2020, compared with 26.0 per cent of those in formal employment.
- 29.0 per cent of men and 33.0 per cent of women in informal employment could not work during lockdown in April 2020.
- Women in the informal economy saw a decrease of 49.0 per cent in the typical hours worked in April 2020, while men in informal employment saw a 25.0 per cent decrease in typical hours.
- For women in informal self-employment, typical earnings decreased by nearly 70 per cent between February 2020 and April 2020.
- About 37 per cent of the informally self-employed reported zero earnings in April 2020.

These findings, read in parallel to the assessment of the design of, and progress made with, government's relief measures suggest that current interventions need to be significantly scaled up and far better targeted at informal workers, in general, and women informal workers in particular.

Source: Rogan and Skinner, 2020

4.4.4 Job satisfaction

Stats SA in the QLFS included a question on whether employed respondents are satisfied with their main job. Respondents are only allowed to answer yes or no, and while the question is very broad ("Are you satisfied with your main job?"), it does provide some insight into job satisfaction in South Africa and the Western Cape.

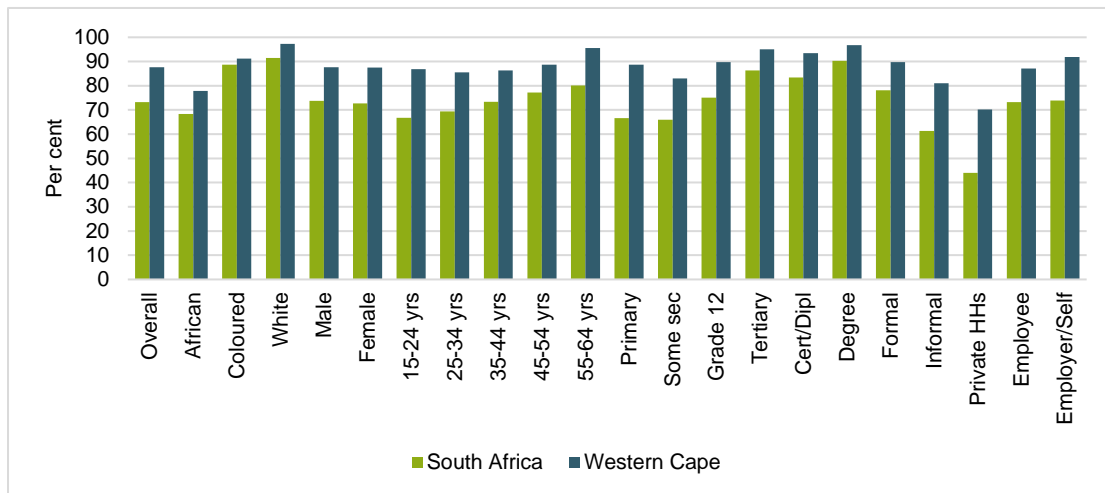
Figure 4.3 illustrates that, across all characteristics presented, job satisfaction rates are higher in the Western Cape than in South Africa in the first quarter of 2020. The overall rate of job satisfaction amongst the employed in the Western Cape was 87.6 per cent, while the job satisfaction rate for South Africa was 73.3 per cent. By race, job satisfaction rates in the Western Cape range between 77.9 per cent for Africans to 97.3 per cent for Whites. Amongst Coloureds, the rate of job satisfaction was 91.2 per cent.



Older age cohorts are more satisfied with their jobs than younger age cohorts. Satisfaction rates for ages 55 to 64 years are 95.6 per cent while satisfaction rates for ages 15 to 24 years and 25 to 34 years range from 86.8 per cent to 85.5 per cent. Employees with lower education attainment are less satisfied than employees with higher education attainment. Satisfaction levels are likely to be influenced by a number of factors and are correlated with the employment sector. It was noted that employees with lower education attainment mostly work in the informal sector while employees with higher education attainment work mostly in the formal sector. Formal sector workers (89.8 per cent) are more likely to report being satisfied with their jobs than informal sector workers (81.1 per cent), who in turn are more likely to report being satisfied than those employed in private households (70.3 per cent).

Many research studies have been conducted to evaluate job satisfaction in various sectors and levels of employment. Factors identified that may influence whether an individual is satisfied with a job include, compensation, work environment, development opportunities, employee well-being i.e. flexible working hours, and benefits offered. The formal sector is most likely able to provide factors that contribute to job satisfaction.

Figure 4.3 Rate of job satisfaction, 2020:Q1



- Notes:
1. Shares may not sum to 100 due to rounding or, in the case of race, to the omission of Asians from the table.
 2. Figures refer to all employed individuals.
 3. Exact estimates are presented in Annexure D4

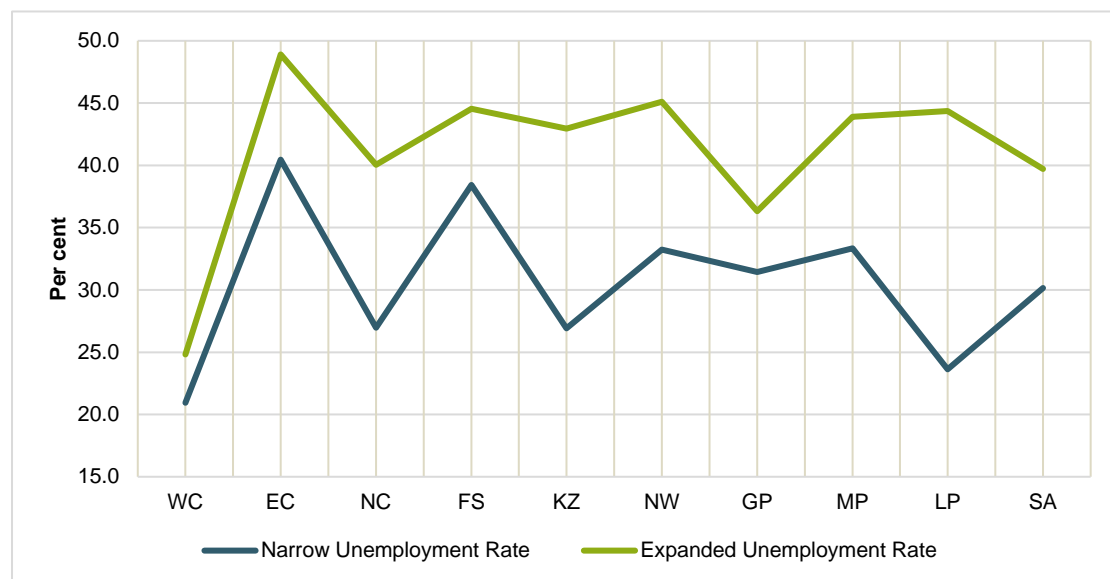
Source: Stats SA (2020a), Own calculations

4.5 Unemployment in the Western Cape

Unemployment remains a major socio-economic problem in South Africa. Unemployment implies hunger, misery and a loss of self-esteem for those who are jobless⁷. The unemployment rate in South Africa is particularly high. The potential, therefore, is worrying for socio-economic instability. High levels of unemployment also contribute to the lack of economic growth. Unemployed persons are not able to contribute to the production of goods and services in the economy and they are unable to purchase goods and services manufactured and provided by firms and businesses. In addition, an unemployed person does not earn an income and, therefore, does not pay taxes.

The Western Cape reported the lowest official unemployment rate, at 20.9 per cent compared to the national official unemployment rate of 30.1 per cent in the first quarter of 2020 (see Figure 4.4). The Province also reported the lowest expanded unemployment rate in the country at 24.8 per cent compared to the national rate at 39.7 per cent. Gauteng has the next lowest expanded unemployment rate at 36.3 per cent. Figure 4.4 presents provincial and national unemployment rates according to the narrow and expanded definitions of unemployment for the first quarter of 2020. The unemployment rate is calculated by expressing the number of unemployed persons as a percentage of the total number of persons in the labour force.

⁷ Roux, 2019

Figure 4.4 Provincial and national unemployment rates, 2020:Q1

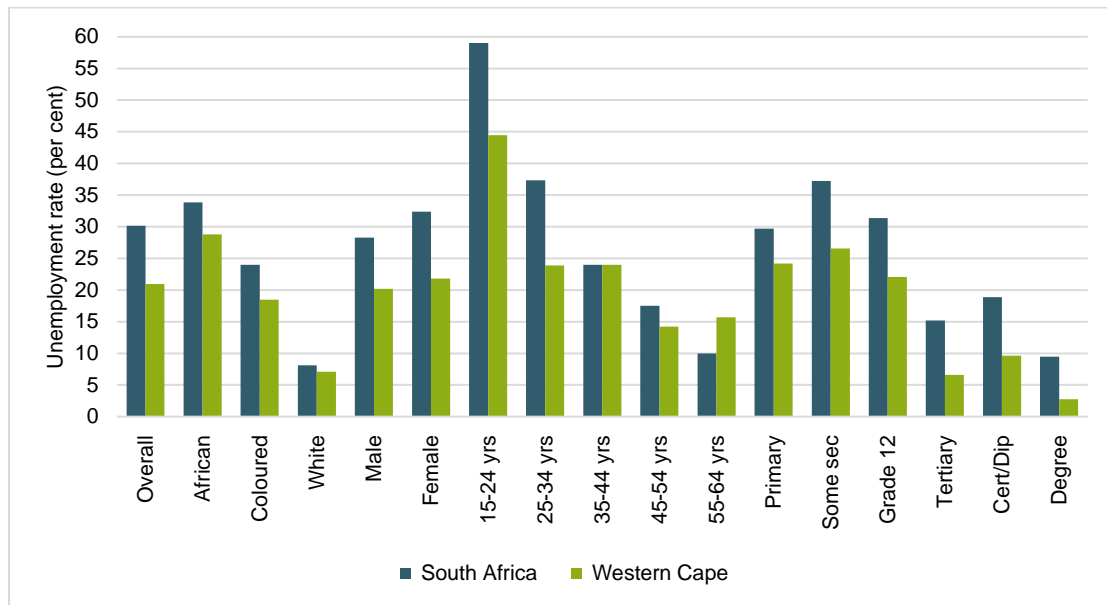
Note: Detailed estimates can be found in Annexure D2.

Source: Stats SA (2020a), Own calculations

The expanded unemployment rate is higher than the narrow unemployment rate by definition. The narrow definition of “unemployed” refers to individuals who are currently unemployed and searching for work but are unable to find a job. The expanded unemployment rate includes the non-searching unemployed. The gap between the two estimates is relatively small in the Western Cape at 3.9 percentage points followed by Gauteng with 4.9 percentage points and the Free State with a 6.1 percentage point gap. This indicates that there are a relatively small number of individuals classified as non-searching unemployed compared to the searching unemployed.

Although the unemployment rate for the Western Cape is relatively low, it varies substantially across demographic characteristics and over time. Figure 4.5 presents the narrow unemployment rate for the Western Cape and South Africa for the first quarter of 2020 across varying demographic characteristics. The narrow unemployment rate decreased marginally over the five-year period from 21.0 per cent to 20.9 per cent.

Figure 4.5 Western Cape and South Africa narrow unemployment rates 2020:Q1



Notes: Shares may not sum to 100 due to rounding or, in the case of race, to the omission of Asians from the table.

Source: Stats SA (2015a, 2020a), Own calculations, Quantec Research

Unemployment in the Western Cape differs substantially by race. It is highest for Africans (28.8 per cent), followed by Coloureds (18.5 per cent) and lowest for Whites (7.1 per cent). Women also appear to be relatively disadvantaged within the labour market, with an unemployment rate of 21.8 per cent compared to 20.2 per cent for men.

The Western Cape and South Africa follow the same trend when looking at the age cohorts and unemployment rates. The highest unemployment rates were observed for younger cohorts while lower unemployment rates were observed for older cohorts. In the first quarter of 2020, 44.5 per cent of 15 to 24-year olds were unemployed in the Western Cape while 23.9 per cent of 25 to 34-year olds were unemployed.

The unemployment rate in the Western Cape in the first quarter of 2020 for those with some secondary education was 26.5 per cent, falling to 22.1 per cent for those with Grade 12 certificates, 9.6 per cent for those with certificates and/or diplomas, and 2.8 per cent for those with degrees. Those with primary education recorded an unemployment rate of 24.2 per cent. It can therefore be concluded that lower levels of education is typically associated with higher rates of unemployment and the youth are the most affected. The youth cohorts need to compete with the older cohorts for work opportunities who are likely to have more work experience.

The persistently high youth unemployment rate has long been one of the most pressing socio-economic problems in South Africa. Some of the young work-seekers are not well educated and do not possess sufficient skills and previous work experience demanded by employers in the labour market. The economy demands skilled and experienced work-seekers, which makes it difficult and lessens the chances for young people to find employment, which ultimately results in some losing hope of ever finding a job

(thereby becoming discouraged work-seekers). In the first quarter of 2020, 1.9 million of the young people without work in South Africa were discouraged from looking for work.

Unemployment rates provide an indication of the severity of the unemployment problem afflicting specific groups. In contrast, Table 4.13 presents the composition of the unemployed (denoted by percentage shares) in the Western Cape for the first quarter of 2015 and 2020, identifying where the main groups of unemployed individuals are concentrated.

In the first quarter of 2020, approximately 662 000 individuals within the Western Cape were unemployed according to the narrow definition of unemployment. Of the unemployed, half (51.9 per cent) were women. The majority of the unemployed according to race were Africans (53.8 per cent), followed by Coloureds (39.4 per cent) and Whites (5.2 per cent). The share of unemployment for Africans compared to their share of the labour force is 14.7 percentage points higher. Whites, however, account for just 5.2 per cent of the unemployed, compared to their 15.2 per cent share of the labour force. The share of unemployment for Coloureds compared to their share of the labour force is 5.4 percentage points lower. It can therefore be concluded that the African population has more unemployed individuals than employed individuals.

Table 4.13 Demographic composition of unemployment, 2015:Q1 and 2020:Q1



| | 2015Q1 | | 2020Q1 | | Change | |
|-------------------------|-------------------|---------------------|-------------------|---------------------|-------------------|------------------------|
| | Number (‘000s) | Share (Per cent) | Number (‘000s) | Share (Per cent) | Number (‘000s) | Rate (Per cent p.a) |
| Western Cape | | | | | | |
| Total Unemployed | 600 | 100.0 | 662 | 100.0 | 62 | 2.1 |
| By Race | | | | | | |
| African | 296 | 49.4 | 356 | 53.8 | 60 | 4.1 |
| Coloured | 267 | 44.5 | 261 | 39.4 | -6 | -0.3 |
| White | 35 | 5.9 | 34 | 5.2 | -1 | 6.3 |
| By Gender | | | | | | |
| Male | 300 | 50.0 | 344 | 51.9 | 44 | 3.1 |
| Female | 300 | 50.0 | 318 | 48.1 | 18 | 1.3 |
| By Age | | | | | | |
| 15 to 24 years | 165 | 27.6 | 178 | 26.9 | 13 | 2.6 |
| 25 to 34 years | 222 | 36.9 | 227 | 34.3 | 6 | 0.7 |
| 35 to 44 years | 128 | 21.3 | 145 | 21.9 | 18 | 3.0 |
| 45 to 54 years | 71 | 11.9 | 91 | 13.7 | 20 | 9.7 |
| 55 to 64 years | 14 | 2.4 | 21 | 3.2 | 7 | 8.9 |
| By Education | | | | | | |
| Primary | 33 | 5.5 | 36 | 5.5 | 3 | 7.9 |
| Some secondary | 302 | 50.3 | 321 | 48.4 | 19 | 1.4 |
| Grade 12 | 173 | 28.8 | 233 | 35.2 | 61 | 6.5 |
| Tertiary | 39 | 6.5 | 38 | 5.7 | -2 | 0.0 |
| Certificate/Diploma | 29 | 4.8 | 31 | 4.6 | 2 | 5.3 |
| Degree | 10 | 1.7 | 7 | 1.0 | -3 | 1.1 |
| South Africa | | | | | | |
| Total Unemployed | 5 535 | 100.0 | 7 070 | 100.0 | 1 535 | 5.2 |
| By Race | | | | | | |
| African | 4 788 | 86.5 | 6 299 | 89.1 | 1 511 | 5.8 |
| Coloured | 501 | 9.0 | 526 | 7.4 | 26 | 1.1 |
| White | 153 | 2.8 | 164 | 2.3 | 11 | 2.1 |

| | 2015Q1 | | 2020Q1 | | Change | |
|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|------------------------|
| | Number (‘000s) | Share (Per cent) | Number (‘000s) | Share (Per cent) | Number (‘000s) | Rate (Per cent p.a) |
| By Gender | | | | | | |
| Male | 2 808 | 50.7 | 3 607 | 51.0 | 799 | 5.3 |
| Female | 2 727 | 49.3 | 3 463 | 49.0 | 736 | 5.1 |
| By Age | | | | | | |
| 15 to 24 years | 1 435 | 25.9 | 1 647 | 23.3 | 212 | 3.2 |
| 25 to 34 years | 2 211 | 39.9 | 2 828 | 40.0 | 617 | 5.1 |
| 35 to 44 years | 1 211 | 21.9 | 1 619 | 22.9 | 408 | 6.2 |
| 45 to 54 years | 548 | 9.9 | 797 | 11.3 | 249 | 8.0 |
| 55 to 64 years | 130 | 2.3 | 179 | 2.5 | 50 | 7.4 |
| By Education | | | | | | |
| Primary | 254 | 4.6 | 242 | 3.4 | -12 | -0.4 |
| Some secondary | 2 543 | 45.9 | 3 224 | 45.6 | 682 | 5.2 |
| Grade 12 | 1 764 | 31.9 | 2 504 | 35.4 | 740 | 7.4 |
| Tertiary | 456 | 8.2 | 633 | 9.0 | 177 | 7.5 |
| Certificate/Diploma | 367 | 6.6 | 478 | 6.8 | 112 | 6.4 |
| Degree | 90 | 1.6 | 155 | 2.2 | 65 | 12.1 |

Notes: Shares may not sum to 100 due to rounding or, in the case of race, to the omission of Asians from the table.

Source: Stats SA (2015a, 2020a), Own calculations, Quantec Research

The unemployed are predominantly younger than 34 years of age. In the first quarter of 2020, 26.9 per cent of the unemployed were 15 to 24-year olds, while a further 34.3 per cent were 25 to 34-year olds. In contrast, less than 14.0 per cent of the unemployed were 45 to 54-year olds, which was substantially lower than this group's share of the labour force of more than 20 per cent. Compared to South Africa, the percentage share in age groups are similar, apart from the 25 to 44-year age group where the Western Cape has less unemployed individuals (6.7 percentage points less).

In terms of education, the majority of the unemployed (53.9 per cent) in the Province have either primary or some secondary education in the first quarter of 2020. Individuals with Grade 12 certificates account for 35.2 per cent of the unemployed in the Western Cape, while individuals with tertiary education account for 5.7 per cent of the unemployed. These figures are similar to those for South Africa. It is therefore evident that most of the unemployed nationally and provincially do not have higher levels of education.

Employment amongst labour force members in the Western Cape that have Grade 12 certificates grew from the first quarter of 2015 to the first quarter of 2020 by 80 000 at an average annual growth rate of 2.1 per cent. This category of the labour force grew by 141 000 over the period. This means that around six out of ten persons with a Grade 12 certificate who enter the labour force are absorbed into employment. Indications show, however, that although employment performance appears favourable, it is still not sufficient to reduce or even halve the increase in their unemployment rate.

Table 4.14 shows the breakdown of unemployment in terms of the duration of the current unemployment spell for the Western Cape and South Africa. According to the data, in the first quarter of 2020, just over one quarter (24.6 per cent) of the unemployed in the Western Cape had never worked before. Around one third (31.7 per cent) reported having been unemployed for up to one year, while 19.9 per cent reported not having worked for at least three years. The most rapid growth is estimated to have occurred amongst those not having worked for three years or more (6.5 per cent per

annum). Nationally, the proportion of unemployed who had not worked for three years or more, at 27.6 per cent, was marginally higher than the proportion of unemployed in the Province. In order to decrease unemployment and unemployment rates, job opportunities offered need to be more sustainable.

Table 4.14 Unemployment by time since last work, 2015:Q1 and 2020:Q1



| | 2015Q1 | | 2020Q1 | | Change | |
|---------------------------------|-------------------|---------------------|-------------------|---------------------|-------------------|--------------------|
| | Number (‘000s) | Share (Per cent) | Number (‘000s) | Share (Per cent) | Number (‘000s) | Rate (Per cent) |
| Western Cape | | | | | | |
| Total Unemployment | 600 | 100.0 | 662 | 100.0 | 62 | 2.1 |
| By Unemployment Duration | | | | | | |
| Never worked | 156 | 26.0 | 163 | 24.6 | 7 | 1.6 |
| 0 to 11 months | 201 | 33.5 | 210 | 31.7 | 9 | 1.3 |
| 12 to 35 months | 102 | 17.0 | 132 | 19.9 | 30 | 5.7 |
| 36 months or more | 141 | 23.4 | 158 | 23.8 | 17 | 6.5 |
| South Africa | | | | | | |
| Total Unemployment | 5 535 | 100.0 | 7 070 | 100.0 | 1535 | 5.2 |
| By Unemployment Duration | | | | | | |
| Never worked | 2 070 | 37.4 | 2 788 | 39.4 | 718 | 6.3 |
| 0 to 11 months | 1 469 | 26.5 | 1 444 | 20.4 | -24 | -0.2 |
| 12 to 35 months | 723 | 13.1 | 873 | 12.4 | 150 | 4.3 |
| 36 months or more | 1 271 | 23.0 | 1 953 | 27.6 | 682 | 9.5 |

Note: Shares may not sum up to 100 due to rounding or the omission from the table of those who did not know how long it has been since they last worked

Source: Stats SA (2015a, 2020a), Own calculations, Quantec Research.

4.6 Youth labour market

Youth are defined as those aged between 15 and 34 years. There were 20.4 million young people aged 15 to 34 years in South Africa in the first quarter of 2020. In the Western Cape, over 2.2 million individuals were classified as youth in the same quarter (see Table 4.15). Youth typically have between 30 and 50 years of being economically active ahead of them and are tomorrow’s experienced workers, responsible for growing the economy and underpinning the country’s tax base. According to the ILO (2020), the labour force participation rate of young people (aged 15 to 24) has continued to decline globally from 56.4 per cent in 1994 to 41.2 per cent in 2019.

Of the 2.2 million people between the age of 15 and 34 years in the Western Cape, 947 000 were employed, 405 000 were unemployed and 104 000 were non-searching unemployed. The youth population in the Western Cape has grown more slowly over the past five years than the total population (1.3 per cent compared to 2.1 per cent). From the first quarter of 2015 to the first quarter of 2020, the employed youth group only grew by 0.9 per cent while the non-searching youth unemployed group grew rapidly by 14.9 per cent per annum, albeit off a small base. This group nearly doubled in size since the first quarter of 2015.

Using the narrow definition, youth labour force participation rates are relatively low on average at 60.5 per cent and using the expanded definition at 65.1 per cent. The unemployment rate for this group using the narrow definition was 30.0 per cent and using the expanded definition 35.0 per cent. This is 10.0 per cent higher than the unemployment rate for the Western Cape in total. Only 42.3 per cent of the youth population were employed in the first quarter of 2020.

**Table 4.15 Western Cape youth labour market aggregates
(15 - 34 years), 2015:Q1 and 2020:Q1**



| | 2015Q1 | 2020Q1 | Change | |
|-------------------------------------|-----------|-----------|------------------------|----------|
| | Thousands | Thousands | Thousands | Per cent |
| Working-age population | 2 097 | 2 237 | 139 | 1.3 |
| Employment | 905 | 947 | 41 | 0.9 |
| Narrow unemployment | 387 | 405 | 18 | 1.0 |
| Narrow labour force | 1 292 | 1 352 | 60 | 0.9 |
| Expanded unemployment | 442 | 509 | 67 | 2.9 |
| Expanded labour force | 1 347 | 1 456 | 108 | 1.6 |
| Non-searching unemployed | 55 | 104 | 49 | 14.9 |
| Rates/Ratios | | | | |
| Narrow labour force participation | 61.6 | 60.5 | -1.1 percentage points | |
| Expanded labour force participation | 64.2 | 65.1 | 0.9 percentage points | |
| Employment-to-population ratio | 43.2 | 42.3 | -0.9 percentage points | |
| Narrow unemployment | 29.9 | 30.0 | 0.1 percentage points | |
| Expanded unemployment | 32.8 | 35.0 | 2.3 percentage points | |

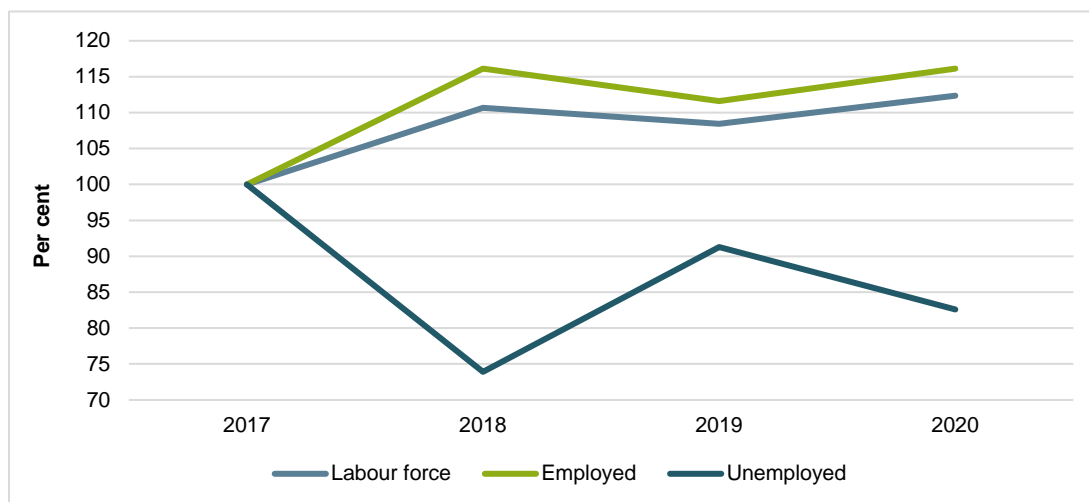
Source: Stats SA (2015a, 2020a), Own calculations, Quantec Research

Little has changed in terms of the youth labour market in the Western Cape between the first quarter of 2015 and the first quarter of 2020. Youth unemployment remains a concern. They are the age group with the most unemployed individuals. According to the ILO (2020), young workers globally continue to face high rates of poverty and are increasingly exposed to non-standard, informal and less secure forms of employment.

Considering the relative employment trends for youth with tertiary qualifications in the Western Cape (Figure 4.6), it is evident that in terms of labour force and the number of employed persons, there was an increase between 2017 and 2018, a slight decrease in 2019 and a recovery in 2020. Therefore, the number of persons that form part of the labour force and those who are employed both increased between 2017 and 2020.

The relative number of youth employed in the Province with tertiary qualifications were at the same level in 2020 as in 2018, however, the relative number of unemployed persons with tertiary qualifications increased in 2020 compared to the 2018 level.

Figure 4.6 Labour force, employment and unemployment for youth (15 - 34 years) with tertiary qualifications, 2017 - 2020



Note: Graph displays number of people in thousands, normalised at 2017 numbers to express relative growth.

Source: Quantec Research, various QLFS surveys, Stats SA, various years

ISSUES OF YOUTH UNEMPLOYMENT

South Africa has the highest youth unemployment rate globally. The youth unemployment rate in South Africa decreased from 59.0 per cent in the first quarter of 2020 to 52.3 per cent in the second quarter of 2020. However, in times of economic crisis, young people are the first to lose jobs and the last to gain them back. The South African government has identified a number of challenges that contribute to the high unemployment rate amongst youth in South Africa. Employment and Labour Minister, Thulas Nxesi, said in a written parliamentary Q&A session that key issues of youth unemployment include:

- The structural nature of the South African economy;
- Low economic growth levels compounded by insufficient investment in new ventures and infrastructure by the private and public sector;
- Socio-economic challenges and the high poverty levels that remain persistent amongst blacks and, in some instances, contributing to school dropouts, especially in peri-urban and rural areas;
- Limited skills acquisition and the resultant inadequate preparation of youth for entry into the workforce; and
- Rapid changes in the labour market fuelled by digitisation and automation.

Nxesi further said that the COVID-19 pandemic will further exacerbate the above challenges.

The Siyankha youth assets study identified a range of reasons for the particularly high rates of youth unemployment in South Africa. These reasons link up with the issues raised by Minister Thulas Nxesi. On the demand side of the labour market, there are simply insufficient jobs created to keep up with the labour supply, particularly the large numbers of young people entering the market. Banda (2015) and Kofi-Ocran (2019) attribute this to the dominance of a small number of large firms in every major sector and significant barriers to entry for small businesses, where there has been some job growth. On the supply side of the labour market, there are a myriad of challenges that young people face according to Graham et al. (2019). Amongst them are skills deficit, limited social capital and access to information. Furthermore, challenges exist in the way the labour market operates to match work seekers with available jobs (De Lannoy et al., 2018).

In the early 2000s, a policy decision was made to promote economic growth in the tertiary sector, including financial services; business process outsourcing, and retail and hospitality. These industries were widely viewed to be those with the most potential to create decent jobs (Graham et al., 2019). However, jobs in this sector typically require higher levels of skills and many young people exit the schooling system without even the most basic skills that employers require. This finding is testament to poor quality basic and general education to which too many young people are exposed (Spaull, 2015). A critical contributor to the youth unemployment problem is therefore the skills mismatch within the economy.

Another key challenge lacking intermediation in the labour market, making it more difficult for employers and work seekers to connect. According to Graham et al. (2019), one of the main reasons that the labour market is inefficient in matching work seekers with available jobs is that of geography. In post-apartheid South Africa, little has been done to shift the apartheid era spatial planning that sees large numbers of predominantly black people living in areas that are situated far from the economic hubs of the country (Seekings & Nattrass, 2005). Potential work seekers live too far away to connect with the available jobs and most live in areas where employment services are lacking (Patel et al., 2016). Given poor public transport infrastructure, the costs of both work seeking and working are often prohibitive (Graham et al., 2019). The transport costs are compounded by data and internet usage costs (Graham et al., 2019). The financial cost of work seeking is rarely addressed in Active Labour Market Programmes (ALMPs).

Internationally and locally, there are a range of tools that are traditionally used to address unemployment. These can be categorised into four types according to Kluge et al. (2019):

- Skills training and educational system reforms that address challenges on the supply side of the labour market;
- Employment services that address intermediation challenges. These challenges might include providing better information to work seekers and actively connecting work seekers with employers;
- Entrepreneurship support that promotes growth in self-employment and in turn job creation; and
- Direct job creation through public employment and/or incentives to promote growth in jobs or the employment of particularly vulnerable groups.

Source: Siyakha youth assets study, 2020; Stats SA, 2020b; Writer, 2020

4.7 Spatial considerations

The specific spatial context within which an economy operates, has a strong influence on economic outcomes and labour market dynamics. In the first quarter of 2020, close to two thirds (63.3 per cent) of the provincial population was located within the City of Cape Town, while 31.6 per cent were located in other urban areas within the Province and 4.8 per cent were located in rural areas (see Table 4.16).

**Table 4.16 Intra-provincial labour market aggregates (share of total)
2020:Q1**



| | City of Cape Town | Rest of Western Cape | |
|--------------------------|-------------------|----------------------|---------------------|
| | (Per cent) | Urban (Per cent) | Rural (Per cent) |
| Total population | 63.3 | 31.6 | 4.8 |
| Working-age population | 63.6 | 31.6 | 4.8 |
| Employed | 62.9 | 29.8 | 7.3 |
| Narrow unemployed | 69.0 | 30.3 | 0.7 |
| Narrow labour force | 64.1 | 29.9 | 6.0 |
| Expanded unemployed | 63.8 | 35.2 | 0.9 |
| Expanded labour force | 63.1 | 31.2 | 5.8 |
| Non-searching unemployed | 43.1 | 55.2 | 1.7 |
| NEETs (15 - 34 years) | 62.2 | 35.5 | 2.3 |

Source: Stats SA (2020a), Own calculations

The intra-provincial labour market aggregates are relatively stable in terms of share for each of the three geographical categories. The City of Cape Town accounts for just under two thirds of the total population, working age population, employment, expanded unemployment, and the labour force (narrow and expanded) numbers. Urban areas in the rest of the Province generally account for between 30.0 and 32.0 per cent of these aggregates, while rural areas typically account for between 4.0 and 7.0 per cent.

Of the Province's narrow unemployed, 69.0 per cent are located within the City of Cape Town. This indicates that the City of Cape Town is attractive for work seekers from within and outside the Western Cape. Given the number of unemployed individuals, it does not, however, mean that there are sufficient work opportunities in the City of Cape Town. The unemployment rate in the City of Cape Town for the first quarter of 2020 was 22.4 per cent while the unemployment rate for urban areas was 21.1 per cent and the rural area reported an unemployment rate of 2.5 per cent. Unemployment is therefore concentrated in the Metro in part due to work-seekers flocking to the area.

Two-fifths (43.1 per cent) of the Western Cape's non-searching unemployed are located in the City of Cape Town itself, with the majority (55.2 per cent) located in the Province's urban areas and the balance (1.7 per cent) located in the rural areas. Urban areas in the rest of the Province account for just 31.6 per cent of the provincial working-age population but are home to more than half of the non-searching unemployed. This pattern highlights the different labour market dynamics that exist in the Western Cape outside of the City of Cape Town.

Rural areas account for a relatively large share of employment in the Province (7.3 per cent) compared to their share of the working-age population (4.8 per cent). Of the 663 922 unemployed individuals in the Province, only 4 796 (0.7 per cent unemployed and 1.7 per cent non-searching unemployed) reside in rural areas.

EMPLOYMENT AND LOCATION

According to the CRAM Wave 2 surveys (2020), rural areas have been more affected by job losses than urban areas. Between February 2020 and April 2020 all regions lost about one-fifth of their jobs; however, between April 2020 and June 2020 metros and cities/towns started to recover while rural areas seemed to lag behind. Among those who were not employed in April 2020, 20 per cent of metro residents found jobs and 16 per cent of city/town residents found jobs, while only 13 per cent of rural residents found jobs.

Rural areas and peri-urban⁸ areas were hit the hardest by unemployment. The broad rate of unemployment in June 2020 was considerably higher in rural areas (52 per cent) compared to cities/towns (43 per cent) and metros (35 per cent). Those living in peri-urban areas were twice as likely to be unemployed (52 per cent) compared to those living in suburbs (24 per cent). Suburban residents were least affected by the shock of lockdown and the pandemic and had the lowest rates of unemployment at the start and end of the period.

Workers in rural areas are more likely to be searching for employment, but also considerably less likely to find employment than those in urban areas. The rural farm geographical area showed a doubling of the percentage looking for work (the searching unemployed), from 20 per cent to 40 per cent. This happened while the employment-to-population ratio in these areas declined from 50 per cent to 47 per cent. This means that new job opportunities in the formal rural sector were declining at the same time as more people were looking for work – a particularly difficult situation for rural people.

Source: Spaull et al., 2020

⁸ Peri-urbanisation relates to those processes of dispersive urban growth that create hybrid landscapes of fragmented urban and rural characteristics.

4.8 Support for the unemployed

The unemployed typically struggle to provide for their families and themselves. Outside support is available for the unemployed but where that is not possible, the unemployed may need to rely on family and household members to support them. The UIF is part of the South African social safety net, however, its coverage is limited as the system does not cover the informal sector nor does it cover the unemployed that have never been employed. Further, as was shown in Table 4.11, even within the formal sector, UIF coverage is not universal and 24.0 per cent of formal sector workers in the Western Cape reported that their employers do not make UIF contributions on their behalf (as do 34.0 per cent nationally).

Table 4.17 Sources of support amounts the unemployed, 2015:Q1 and 2020:Q1



| | 2015Q1 (Per cent) | 2020Q1 (Per cent) |
|---|----------------------|----------------------|
| Supported by persons in the household | 78.0 | 78.7 |
| Supported by persons not in the household | 21.4 | 26.4 |
| Supported by charity, church, welfare, etc. | 0.6 | 0.0 |
| Receive Unemployment Insurance (UIF) | 2.6 | 2.2 |
| Savings or money previously earned | 6.7 | 9.2 |
| Receive old age or disability pension | 1.0 | 1.1 |
| Receive child support or foster care grant | 12.1 | 16.5 |
| Receive any other welfare benefits | 0.8 | 1.9 |
| Any other sources of support (e.g. bursary, student loan) | 0.4 | 0.1 |

Source: Stats SA (2015a, 2020a), Own calculations, Quantec Research

In the first quarter of 2020, the vast majority of the unemployed report that they are supported by other household members (see Table 4.17). It is estimated that 78.7 per cent of unemployed individuals in the Western Cape rely on support from other household members. The second most frequently cited source of support for unemployed individuals are persons outside the household (26.4 per cent). Such support may come in the form of remittances from family members who have migrated for work purposes. This confirms the importance of support from family and friends in the absence of government support.

The third most often cited source of support amongst the unemployed in the first quarter of 2020, was the child support or foster care grant system (16.5 per cent). This raises concern from the perspective of social assistance and highlights the important ramifications of the current levels of joblessness in areas beyond the labour market.

Patterns of support in the Western Cape differ slightly between the first quarter of 2015 to the first quarter of 2020. More unemployed individuals are relying on support from persons inside and outside the household. While less unemployed individuals are receiving government support in the form of UIF, more unemployed individuals are also relying on child support and foster care grants (12.1 per cent in the first quarter of 2015 compared to 16.5 per cent in the first quarter of 2020). Citations of different sources of

support does not, however, provide a proper sense of the relative importance of these sources in monetary terms.

Table 4.18 provides an analysis of the extent of co-residence of the unemployed with the employed. The data suggest that a large percentage of the unemployed reside in households with no employed members (25.4 per cent). In the first quarter of 2020, however, 40.6 per cent of the unemployed resided in households with one employed member.

Table 4.18 Extent of co-residence of the unemployed with the employed, 2015:Q1 and 2020:Q1



| | 2015Q1 | 2020Q1 |
|--|-------------|-------------|
| Distribution of the unemployed by the number of employed household members (per cent) | | |
| 0 employed members | 23.1 | 25.4 |
| 1 employed member | 41.0 | 40.6 |
| 2 employed members | 27.3 | 26.0 |
| 3+ employed members | 8.6 | 8.0 |
| Mean number of employed household members for the unemployed | 3.77 | 3.78 |

Source: Stats SA (2015a, 2020a), Own calculations

COVID-19, SOCIAL PROTECTION, AND THE LABOUR MARKET IN SOUTH AFRICA

According to Köhler and Bhorat (2020), individuals in lower-income households have been disproportionately affected by the adverse labour market effects of the lockdown in terms of employment, working hours, earnings, and job security. In South Africa, Kerr and Thornton (2020) estimate that only 13.8 per cent of workers (just over 2 million people) could work from home under complete national lockdown, and the vast majority of workers (63 per cent or 10.5 million people) are neither essential nor could work from home. Furthermore, Kerr and Thornton (2020) found that this latter group of workers are concentrated amongst the poorest earners in the South African labour market. Only 28 per cent of workers in the poorest half of the income distribution are either essential or could work from home, in contrast to 61 per cent of workers in the top 10 per cent of households.

In light of the COVID-19 crisis and regulations which restrict social mobility and interaction, South Africa's government expanded its non-contributory social assistance system on both the intensive (an increase in the amounts of all existing transfers) and extensive (the introduction of a special COVID-19 Social Relief of Distress grant) margins for six months from May 2020 to October 2020. These changes are expected to benefit nearly 18 million existing grant recipients and a potential 12 million additional recipients (Bhorat et al., 2020). As of 30 June 2020, 3.2 million applications for the special COVID-19 Social Relief of Distress grant had been approved and 2.5 million paid.

About R270 per month was available for the average individual who lived in the poorest half of households. This is in stark contrast to those who live in the richest 10 per cent of households and receive about 30 times that amount. Grant receipts substantially increase the incomes of poor households in relative terms. Child support grant receipt increase per capita household income by about 63 per cent for those in the poorest 30 per cent of households, in contrast to the less than 3 per cent increase for those in the richest 30 per cent of households. Nearly half of all individuals who live in the poorest 50 per cent of households, reported grants as a source of household income, compared to 6 per cent of individuals in the richest 20 per cent. Overall, the estimates of Köhler and Bhorat (2020) suggest that grants are relatively well-targeted to low-income households in South Africa.

Although Köhler and Borat (2020) estimate that overall employment from February 2020 to April 2020 decreased by about 2.8 million, employment losses for individuals who live in the poorest 20 per cent of households accounted for more than a third of total employment losses. The percentage of individuals employed in the poorest 10 per cent of households was 55 per cent lower in April 2020 relative to February 2020, the largest relative change across the distribution. Just 17 per cent of individuals reported having a paid job to return to, however, this is the case for just 7.6 per cent for individuals in the poorest 10 per cent of households. Individuals in the richest 10 per cent of households are nearly seven times more likely to have a paid job to return to. Changes in working hours and earnings reflect similar patterns. Overall, mean weekly working hours decreased by just over 7.6 hours (or about 20 per cent), but 31 per cent for individuals in the poorest 20 per cent of households. More than half of all individuals who live in the poorest 20 per cent of households experienced any reduction in weekly working hours, as opposed to just a third who live in the richest 20 per cent of households. These disproportionate changes in outcomes emphasise the importance of the expansion of social grants as a source of relief for individuals in lower-income households.

The pandemic-induced additional government spending on grants have benefited the poor and additional spending on the child support grant has been particularly pro-poor in the beginning of lockdown. Through fiscal incidence analysis, Köhler and Borat (2020) show that 64 per cent of additional spending on child support grants accrued to the poorest half of all households, as opposed to just 5.6 per cent for the richest 20 per cent. Three in every four individuals who co-reside with a child support grant recipient live in the poorest 70 per cent of households. The old persons grant is slightly less, but still pro-poor, with 50 per cent of additional spending accruing to the poorest half of households and 13 per cent to the richest 20 per cent. This has important implications for the grant system in benefiting the informally employed. Nearly two-thirds of employed individuals who live in the poorest half of households are informally employed, and nearly four in every five of the employed who live in the poorest 10 per cent of households which receive the child support grant are informally employed.

Wave 2 of the CRAM survey conducted by Köhler and Borat (2020) concluded that while women accounted for just under half of those employed in February 2020, they still accounted for 58 per cent of net job losses over the February 2020 to June 2020 period. However, only 41 per cent of the UIF/UIF-TERS beneficiaries and 34 per cent of those who had been paid the COVID-19 SRD grant in June 2020 were women. This latter point is likely due to the eligibility criterion recipient of other grants — of which 85 per cent of whom are female — are not eligible to apply.

Policy instruments suggested by Köhler and Borat (2020) to help provide poor individuals and households with protection includes:

- First, the inefficiencies associated with the relatively slow-rollout of the COVID-19 Social Relief of Distress grant, attributable to limited administrative capacity or possible confusion surrounding the correct eligibility criteria, ought to be addressed and drastically improved.
- Regarding social insurance, the efficiency of the UIF's administrative system ought to be addressed to ensure that those eligible receive timeous income protection.
- Next, to provide greater targeted relief, government ought to consider amending the child support grant top-up policy from June 2020 onwards from a "per caregiver" increase to a "per grant" increase.
- Finally, if the adverse labour market effects observed persist, government ought to consider extending the expansion of the grant system for at least the remainder of 2020.

Source: Köhler & Borat, 2020

4.9 Impact of COVID-19 on the Labour Force

The release of the 2020 second quarter QLFS was delayed as Stats SA had to suspend face-to-face data collection and change to Computer Assisted Telephone Interviewing as the mode of collection due to COVID-19 pandemic. The same sample used for quarter one was used to collect data for quarter two, however, some of the participants in quarter one did not have contact numbers and could not be reached in quarter two. Where contact numbers were not available, the status of the participant in quarter one was assumed to have been maintained. Stats SA cautions

that, given the change in the survey mode of collection and the fact the quarter two estimates were not based on a full sample, comparisons with previous quarters should be made circumspectly. COVID-19 had a significant impact on the labour force as confirmed by the CRAM survey findings.

Compared to the first quarter of 2020, the working-age population in the Western Cape increased by 0.5 per cent in the second quarter of 2020 (see Table 4.19). The number of employed persons decreased by 321 000 to 2.1 million in quarter two. This unprecedented change is the largest quarter one to quarter two decline in the Western Cape since the survey began in 2008. Contrary to what would have been expected in the face of such a large decline in employment, unemployment declined substantially as well. Unemployment decreased by 229 000 to 434 000 compared to 2020 quarter one, resulting in a decrease of 550 000 (down by 17.4 per cent) in the number of people in the labour force. In spite of the massive decline in employment, the number of discouraged work-seekers⁹, decreased by 15 000, and the number of people who were not economically active, for reasons other than discouragement, increased by 588 000 between the two quarters. The result is a net increase of 572 000 individuals in the not economically active population¹⁰. The decline in employment, accompanied by a larger increase in not economically active people, was observed not only in South Africa, but in most countries across the world¹¹.

Table 4.19 Western Cape key labour market indicators 2020:Q1 and 2020:Q2

| | 2020Q1 | 2020Q2 | Qtr-to-qtr change | |
|--|-----------|-----------|------------------------|----------|
| | Thousands | Thousands | Thousands | Per Cent |
| Working-age population | 4 708 | 4 731 | 22 | 0.5 |
| Employment | 2 501 | 2 179 | -321 | -12.8 |
| Formal Sector (non-agricultural) | 1 811 | 1 670 | -141 | -7.8 |
| Informal Sector (non-agricultural) | 290 | 216 | -73 | -25.3 |
| Agricultural | 255 | 197 | -58 | -22.6 |
| Private Households | 145 | 95 | -50 | -34.4 |
| Narrow unemployment | 662 | 434 | -229 | -34.5 |
| Not economically active | 1 545 | 2 118 | 572 | 37.0 |
| Discouraged work-seekers | 96 | 80 | -15 | -16.1 |
| Other (not economically active) | 1 449 | 2 037 | 588 | 40.5 |
| Rates/Ratios | | | | |
| Unemployment rate | 20.9 | 16.6 | -4.3 percentage points | |
| Employment/population ratio (absorption) | 53.1 | 46.1 | -7 percentage points | |
| Labour force participation rate | 67.2 | 55.2 | -12 percentage points | |

Source: Stats SA (2020a and 2020b)

⁹ Discouraged work-seeker is a person who is not employed, wanted to work, was available to work/start a business but did not take active steps to find work, provided that the main reason given for not seeking work was any of the following: no jobs available in the area; unable to find work requiring his/her skills; lost hope of finding any kind of work.

¹⁰ Persons aged 15 – 64 years who are neither employed nor unemployed.

¹¹ ILO Monitor: COVID-19 and the world at work. Sixth edition. Updated estimates and analysis.

The large changes in the key labour market indicators between the first and second quarters of 2020 meant special tabulations needed to be done by Stats SA to study the movements between labour market status categories. It was observed that a large number of persons moved from employed and unemployed status to the “other not economically active” category between quarter one and quarter two of 2020. The movement was proportionately more for the unemployed than for the employed. This resulted in a significant decrease of 4.3 percentage points in the unemployment rate of the Western Cape to 16.6 per cent. South Africa saw an even more rapid decrease (6.8 per cent) in the unemployment rate. Moreover, the labour force participation rate was also lower in the second quarter of 2020 compared to the first quarter of 2020 and the labour force participation rate in the Western Cape decreased by 12 percentage points to 55.2 per cent as a result of these movements. The absorption rate decreased by 7 percentage points to 46.1 per cent in the second quarter of 2020 compared to the first quarter of 2020.

In absolute numbers, the largest decrease in employment was observed in the formal sector (141 000), followed by the informal sector (73 000), the agricultural sector (58 000) and private households (50 000). The percentage changes provide a more accurate indication of which sectors were the most affected. In the Western Cape and South Africa, private households (34.4 per cent and 23.6 per cent, respectively) followed by the informal sector (25.3 per cent and 21.9 per cent respectively) were most affected. South Africa’s agricultural sector (a decrease of 7.6 per cent) was less affected by the loss of employment compared to the Western Cape’s agricultural sector (a decrease of 22.6 per cent) in the second quarter of 2020.

4.10 Conclusion

Employment growth in the Province has been relatively strong and has enabled the Western Cape to maintain a comparatively low unemployment rate. Employment grew by 2.1 per cent per annum from the first quarter of 2015 to the first quarter of 2020. However, the unemployment rate in the Western Cape also increased by 2.1 per cent per annum during the five-year period. Nonetheless, the narrow unemployment rate in the Western Cape remains the lowest in the country at 20.9 per cent. The youth unemployment rate at 30.0 per cent, however, remains a concern, as it is much higher than the provincial unemployment rate.

Good progress has been made in many aspects of the labour market. There are, however, a number of areas in which further intervention may be needed, and in light of the COVID-19 pandemic, uncertain times are ahead. A decrease in employment and unemployment was observed in the second quarter of 2020 due to uncertainty in the labour market with a large number of persons moving from employed and unemployed status to the “other not economically active” category between the first and second quarter of 2020.

Youth unemployment is a problem for both the Western Cape and South Africa. Effective policies should be developed for the promotion of jobs and opportunities that absorb younger individuals. Strategies that promote the equitable and sustainable creation and provision of jobs should remain an urgent priority, with macroeconomic policies aimed at creating sustained economic growth.

Economic policy responses must also consider the informal economy and offer support where possible to absorb the shock of the COVID-19 pandemic. Generally, the informal employment sector can serve as a shock absorber for the formal economy, but in South Africa it does not seem to be the case. After the recession in 2008 it was found that the formal sector contracted by 4.0 per cent and the informal sector by 7.0 per cent. The COVID-19 pandemic will have a much larger impact than the 2008 recession, putting great pressure on the informal sector. Most of the relief fund programmes that the government made available for employers and employees only apply to those that receive UIF. Not only is the coverage of UIF in the formal sector not universal (24.0 per cent of formal sector workers in the Western Cape report that their employers do not make UIF contributions on their behalf), but informal sector employees are not registered for UIF contributions at all. The focus should be on developing entrepreneurship within the informal sector to absorb the shock of the COVID-19 pandemic.

Annexure D

Annexure D1 Narrow Labour Force Participation Rates, 2020Q1

| | South Africa | Western Cape |
|---------------------|--------------|--------------|
| | (Per cent) | (Per cent) |
| Overall | 60.3 | 67.2 |
| By Race | | |
| African | 759.2 | 71.9 |
| Coloured | 62.7 | 63.5 |
| Indian/Asian | 60.5 | 57.0 |
| White | 69.3 | 68.1 |
| By Gender | | |
| Male | 66.3 | 73.9 |
| Female | 54.5 | 60.7 |
| By Age | | |
| 15 to 24 years | 5.0 | 36.5 |
| 25 to 34 years | 74.5 | 83.4 |
| 35 to 44 years | 87.7 | 91.5 |
| 45 to 54 years | 75.4 | 76.1 |
| 55 to 64 years | 44.7 | 48.8 |
| By Education | | |
| No schooling | 37.0 | 27.2 |
| Some primary | 49.0 | 48.4 |
| Primary | 48.2 | 62.3 |
| Some secondary | 52.0 | 62.2 |
| Grade 12 | 67.7 | 71.9 |
| Tertiary | 85.3 | 85.4 |
| N4 - N6 | 77.3 | 71.8 |
| Certificate/Diploma | 85.3 | 86.6 |
| Degree | 86.9 | 85.6 |

Source: Stats SA (2020a), Own calculations

Annexure D2 Provincial Unemployment Rate, 2020Q1

| | Narrow Unemployment Rate | Expanded Unemployment Rate | Ratio of Expanded to Narrow Unemployment Rate |
|---------------------|--------------------------------|----------------------------------|--|
| | (Per Cent) | (Per Cent) | |
| Western Cape | 20.9 | 24.8 | 1.19 |
| Eastern Cape | 40.5 | 48.9 | 1.21 |
| Northern Cape | 27.0 | 40.0 | 1.48 |
| Free State | 38.4 | 44.5 | 1.16 |
| KwaZulu-Natal | 26.9 | 43.0 | 1.60 |
| North West | 33.2 | 45.1 | 1.36 |
| Gauteng | 31.4 | 36.3 | 1.16 |
| Mpumalanga | 33.3 | 43.9 | 1.32 |
| Limpopo | 23.6 | 44.4 | 1.88 |
| South Africa | 30.1 | 39.7 | 1.32 |

Source: Stats SA (2020a), Own calculations

Annexure D3 Narrow Unemployment Rates, 2015Q1 and 2020Q1

| | 2015Q1 | 2020Q1 |
|---------------------|------------|------------|
| | (Per cent) | (Per cent) |
| Western Cape | 21.0 | 20.9 |
| By Race | | |
| African | 29.6 | 28.8 |
| Coloured | 19.4 | 18.5 |
| White | 7.8 | 7.1 |
| By Gender | | |
| Male | 19.9 | 20.2 |
| Female | 22.2 | 21.8 |
| By Age | | |
| 15 to 24 years | 40.5 | 44.5 |
| 25 to 34 years | 25.1 | 23.9 |
| 35 to 44 years | 20.3 | 24.0 |
| 45 to 54 years | 13.7 | 14.2 |
| 55 to 64 years | 7.2 | 15.7 |
| By Education | | |
| Primary | 27.0 | 24.2 |
| Some secondary | 28.3 | 26.5 |
| Grade 12 | 18.9 | 22.1 |
| Tertiary | 7.7 | 6.6 |
| Certificate/Diploma | 10.3 | 9.6 |
| Degree | 4.4 | 2.8 |
| South Africa | 26.4 | 30.1 |
| By Race | | |
| African | 29.7 | 33.8 |
| Coloured | 23.3 | 24.0 |
| White | 7.2 | 8.1 |
| By Gender | | |
| Male | 24.4 | 28.3 |
| Female | 28.7 | 32.4 |
| By Age | | |
| 15 to 24 years | 50.3 | 59.0 |
| 25 to 34 years | 31.4 | 37.3 |
| 35 to 44 years | 20.3 | 24.0 |
| 45 to 54 years | 15.0 | 17.5 |
| 55 to 64 years | 8.6 | 10.0 |
| By Education | | |
| Primary | 27.7 | 29.7 |
| Some secondary | 32.9 | 37.2 |
| Grade 12 | 27.0 | 31.4 |
| Tertiary | 12.9 | 15.2 |
| Certificate/Diploma | 16.6 | 18.9 |
| Degree | 6.7 | 9.5 |

Source: Stats SA (2015a, 2020a), Own calculations, Quantec Research

Annexure D4 Rates of Job Satisfaction, 2020Q1

| | South Africa | Western Cape |
|---|--------------|--------------|
| Overall | 73.3 | 87.6 |
| By Race | | |
| African | 68.3 | 77.9 |
| Coloured | 88.6 | 91.2 |
| White | 91.5 | 97.3 |
| By Gender | | |
| Male | 73.8 | 87.6 |
| Female | 72.6 | 87.6 |
| By Age | | |
| 15 to 24 years | 66.8 | 86.8 |
| 25 to 34 years | 69.4 | 85.5 |
| 35 to 44 years | 73.4 | 86.3 |
| 45 to 54 years | 77.2 | 88.7 |
| 55 to 64 years | 80.1 | 95.6 |
| By Education | | |
| Primary | 66.6 | 88.7 |
| Some secondary | 66.0 | 83.0 |
| Grade 12 | 75.1 | 89.8 |
| Tertiary | 86.3 | 95.0 |
| Certificate/Diploma | 83.4 | 93.5 |
| Degree | 90.2 | 96.8 |
| By Sector | | |
| Formal sector (including agriculture) | 78.1 | 89.8 |
| Informal sector (including agriculture) | 61.3 | 81.1 |
| Private households | 44.0 | 70.3 |
| By Employment Type | | |
| Employee | 73.2 | 87.1 |
| Employer/Self-employed | 73.8 | 91.9 |

Source: Stats SA (2020a), Own calculations

Annexure D5 Labour market aggregates, 2015Q2 and 2020Q2

| | 2015Q2 | 2020Q2 | Change | |
|--------------------------|------------------|------------------|------------------------|------------------------|
| | <i>Thousands</i> | <i>Thousands</i> | <i>Thousands</i> | <i>Per cent (p.a.)</i> |
| Western Cape | | | | |
| Working-age population | 4 269 | 4 731 | 461 | 2.1 |
| Employment | 2 257 | 2 179 | -78 | -0.5 |
| Narrow unemployment | 627 | 434 | -193 | -6.0 |
| Narrow labour force | 2 884 | 2 613 | -271 | -1.6 |
| Expanded unemployment | 716 | 819 | 103 | 2.8 |
| Expanded labour force | 2 973 | 2 998 | 25 | 0.3 |
| Non-searching unemployed | 89 | 385 | 297 | 50.4 |
| Narrow unemployment rate | 21.7% | 16.6% | -5.1 percentage points | |
| South Africa | | | | |
| Working-age population | 35 955 | 39 021 | 3 066 | 1.7 |
| Employment | 15 657 | 14 148 | -1 509 | -1.8 |
| Narrow unemployment | 5 230 | 4 295 | -935 | -2.0 |
| Narrow labour force | 20 887 | 18 443 | -2 444 | -2.0 |
| Expanded unemployment | 8 378 | 10 259 | 1 881 | 4.2 |
| Expanded labour force | 24 035 | 24 408 | 373 | 0.4 |
| Non-searching unemployed | 3 148 | 5 964 | 2 817 | 16.1 |
| Narrow unemployment rate | 25.0% | 23.3% | -1.7 percentage points | |

Source: Stats SA (2015, 2020), Own calculations, Quantec Research

5

SOCIO- ECONOMIC DEVELOPMENT IN THE WESTERN CAPE

5.1 Introduction

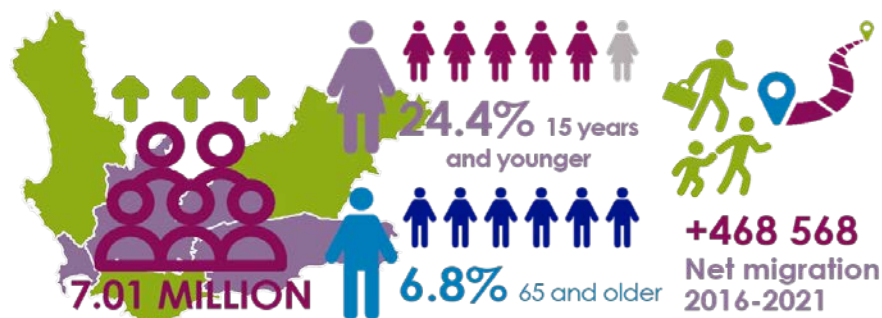
The relationship between economic and socio-economic development is complex. With economic growth and prosperity comes increased employment, improved incomes and better living conditions. However, a healthy, appropriately educated and skilled labour force is also necessary to leverage opportunities for further growth and development.

This chapter provides an overview of social conditions in the Western Cape, as well as an overview of the provincial population, inequality and human development indicators. Trends in health and education outcomes are also presented, as well as housing demand, access to basic services and the most recent data on social ills such as crime and substance abuse.



SOCIO-ECONOMIC DEVELOPMENT IN THE WESTERN CAPE

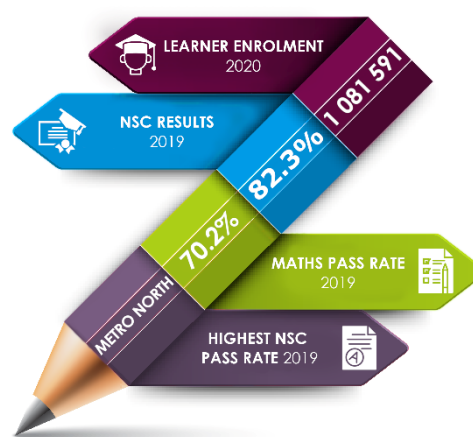
POPULATION DYNAMICS 2020



INEQUALITY & HUMAN DEVELOPMENT 2020



EDUCATION 2020



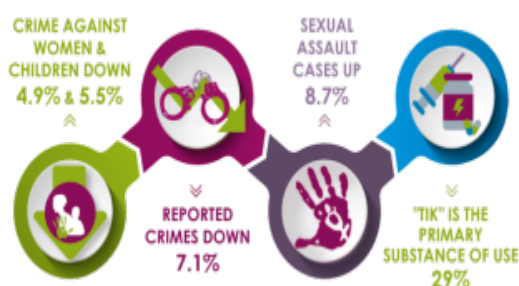
HEALTH 2020



HOUSING AND MUNICIPAL SERVICES IN THE WESTERN CAPE



SUBSTANCE ABUSE AND CRIME IN THE WESTERN CAPE



5.2 Population dynamics

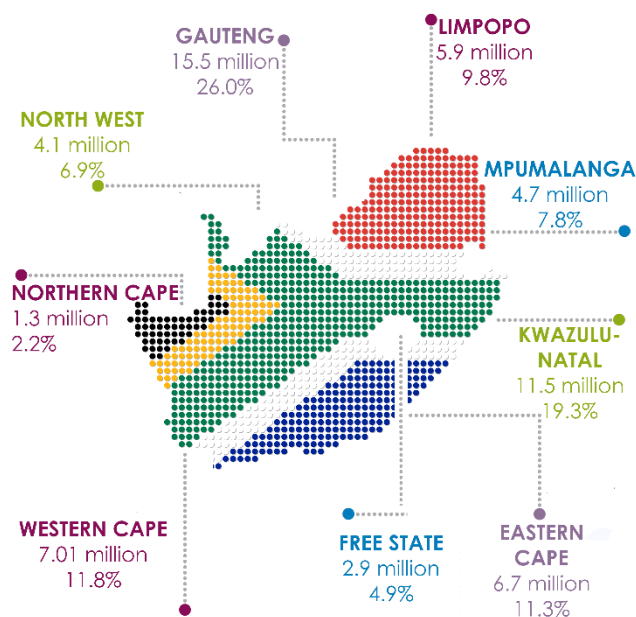
The demographic characteristics of an area influence socio-economic conditions and should therefore be considered for future planning. The needs of a population are also relevant to planning and required support in communities.

The most recent population data estimates that there are 59.62 million people living in South Africa in 2020. Births are the main driver of population growth nationally. More than 1.1 million births were recorded in 2019 whereas net migration only contributed 0.2 million to population growth of South Africa over the period. Between 2019 and 2020, the population is estimated to have grown by around 0.8 million.

More than half of the population live in just three provinces, namely, Gauteng, KwaZulu-Natal and the Western Cape. The largest proportion of the national population resides in Gauteng with a population of 15.5 million (26.0 per cent). KwaZulu-Natal has the second largest population, with an estimated 11.53 million people (19.3 per cent) followed by Western Cape with an estimated 7.01 million people (11.8 per cent). The Northern Cape remains the province with the smallest share of the South African population with approximately 1.3 million people (2.2 per cent).

Migration is fast becoming the primary driver of population growth in the Western Cape. This means an inflow of potential human capital production units are entering the Western Cape. The inward migration into the Western Cape mostly contributes to the working-age proportion of the Province's population and a resulting decline in the dependency ratio.

Figure 5.1 South African population estimates distribution by province, 2020

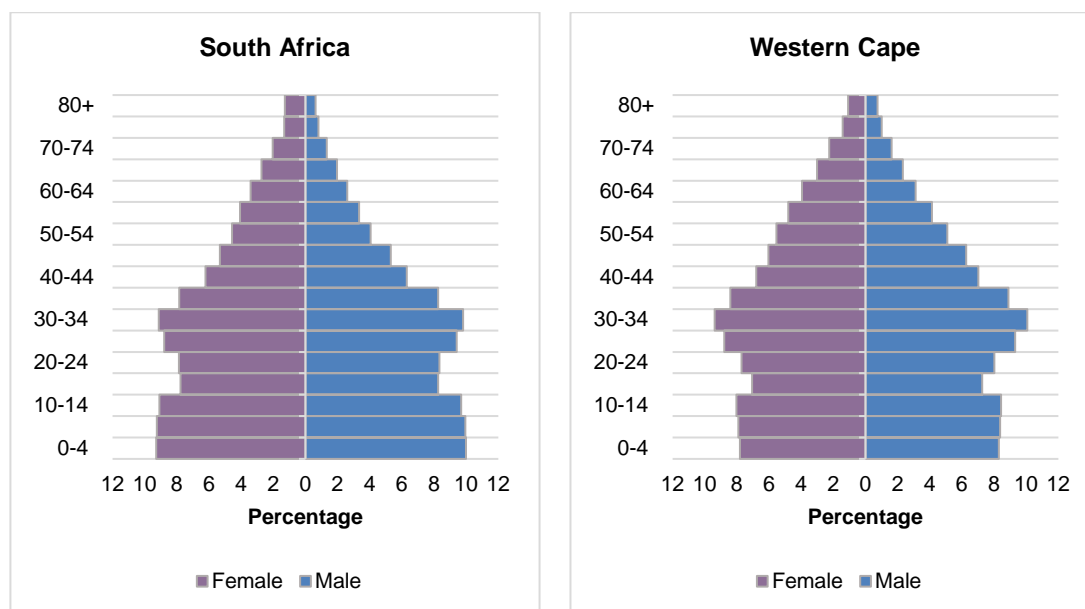


Source: Stats SA, 2020a

Although median age and life expectancy have increased over the years, South Africa, including the Western Cape, continues to have a youthful population. Stats SA estimated that 28.6 per cent of the national population was below the age of 15 years, while 6.1 per cent of the total population is accounted for by elderly persons aged 65 years and older in 2020, as illustrated in Figure 5.2. There are nearly 38 million children and youth in South Africa and children aged 0 - 14 and those aged 15 - 34 make up more than 60 per cent of the population. The median age in South Africa has risen from 23 in 2002 to 27 in 2020¹. The Western Cape has a larger proportion of persons aged 65 years and older (6.8 per cent) compared to the national average, and a relatively smaller proportion of persons under 15 years (24.4 per cent).

The Western Cape has a relatively large working-age population. While the rise in the working-age population offers potential for increased productivity, the higher number of unemployed persons puts an increased strain on the demand for public goods, social relief and development opportunities. Urban population growth is expected to continue to surpass rural population growth due to urbanisation. Continued urbanisation will put increased pressure on infrastructure, basic service delivery and the provision of housing, while higher population density and traffic volumes will drive the need for the development of improved and more affordable public transport systems.

Figure 5.2 National and Western Cape population distribution by age and sex, 2020



Source: Stats SA, 2020a, own calculations

The total dependency ratio is defined as the ratio of dependents (people younger than 15 or older than 64) to the working-age population (people aged 15 - 64 years). A higher dependency ratio indicates more dependent individuals per person of working age. The Western Cape is estimated to have a lower total dependency ratio

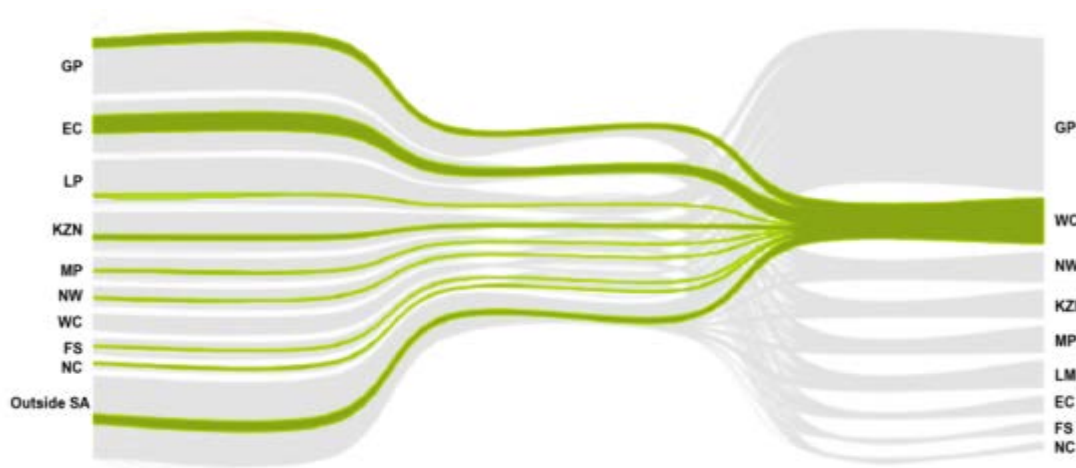
¹ Stats SA, MYPE, 2020

(45.3 per cent) in 2020 compared to South Africa's 53.1 per cent, a difference of about 7.8 percentage points.

The main drivers of the transitions in the demographic composition of the Western Cape population are changes in the total fertility rate (TFR) and migration patterns. The TFR decreased nationally from an average of 2.62 children per woman in 2009 to 2.33 children in 2020. The Western Cape's TFR is projected to decline from 2.14 children, recorded in the years between 2011 and 2016, to 2.01 children between 2016 and 2021. This projection is lower than the projected average fertility rate of South Africa. The impact of COVID-19 on conception and subsequent fertility will only be reflected in the reported births for 2021.

Projections indicate that Gauteng and Western Cape provinces will receive the highest number of in-migrants between 2016 and 2021. The Western Cape is expected to receive a gross inflow of 468 568 people over the period - an increase from 458 892 between 2011 and 2016. The net inflow of migration between 2016 and 2021 is expected to be 290 555, mainly coming from the Eastern Cape, Gauteng and outside the country. Opportunities for employment, study and quality of life are the main push-pull factors resulting in a high flow of migrants to the Western Cape.

Figure 5.3 Net migration into the Western Cape, 2016 - 2021



Source: Stats SA, 2020a

A rise in population means more mouths to feed, more labour to employ and more accommodation or housing to be built. Particularly from a Western Cape Government perspective, this translates into increased pressure on basic service delivery.

5.3 Poverty, inequality and human development

Poverty and inequality are at the heart of socio-economic development challenges. Poverty is multidimensional in nature and affected by a number of factors such as opportunities to access better shelter, education, health and employment. Despite making great strides in economic transformation and development during the past two decades, South Africa continues to be plagued by poverty and inequality. The COVID-19 pandemic is exacerbating these problems as slow economic growth drives unemployment and the increased dependence on technology poses a threat to those

who cannot work from home or who are missing out on learning due to technology related skills shortages and limited access to technology.

5.3.1 Income

Household income is declining. On average, real household disposable income per capita declined by 0.25 per cent per year over the five years leading up to the third quarter of 2019. During the five-year period from 2015 to 2019, real household disposable income averaged annual growth of 1.4 per cent, but in the third quarter of 2019, this growth slowed to 1.0 per cent year-on-year. Household disposable income growth lessened in 2018/19, from 2.8 per cent year-on-year in the first quarter of 2018 to 0.9 per cent in the second quarter of 2019.

With economic growth having stalled, income growth is unlikely to show a strong recovery soon and as such, total real household disposable income is expected to stagnate in 2020, and recover somewhat by an estimated 1.4 per cent year-on-year in 2021.

In order to achieve economic development, there must not only be growth in aggregate output, but also equitable distribution thereof (Nnadozie, 2003: 66). While it is important for an increase in income to be equitably distributed, growth must first occur, as resources for distribution need to be available before consideration can be given to how this distribution will take place (Dollar & Kraay, 2000).

The Gini coefficient is used to measure a country's economic inequality². South Africa, second only to Lesotho, has the highest Gini coefficient internationally. Although progress has been made since 1994 through government interventions like investments in health, education, transport, housing and the provision of social grants, resulting in a decline in poverty and an increase in the social wage, inequality on the other hand has worsened.

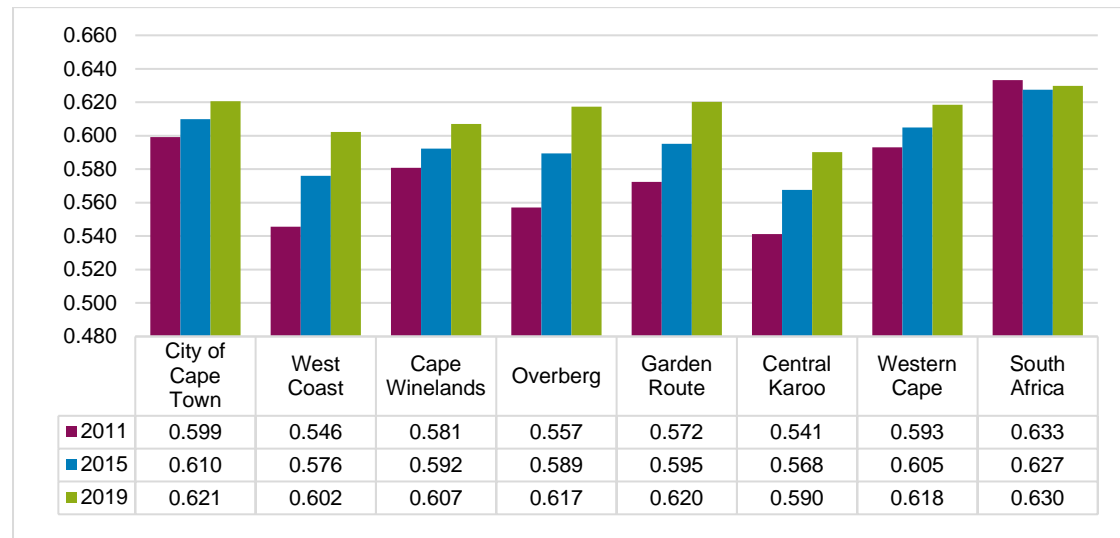


Figure 5.4 illustrates that the Gini coefficient in the Province has worsened in all districts between 2011 and 2019, but remains below levels experienced at a national level

² The Gini Coefficient is a statistical measure of distribution used to gauge income inequality in an area. It ranges between 0 and 1, with 0 representing completely equal distribution of income; this means that in an area where everyone earns the same, the Gini coefficient would be 0. The more unequal the distribution of income, the higher the Gini coefficient will be.

(0.630). Inequality in the Province is more pronounced in the City of Cape Town, where it has increased from 0.599 in 2011 to 0.621 in 2019. Inequality within districts is subject to particular economic and socio-economic dynamics.

Figure 5.4 Western Cape Gini coefficients by district, 2011 - 2019



Source: Western Cape Department of Economic Development and Tourism, IHS Markit, 2020

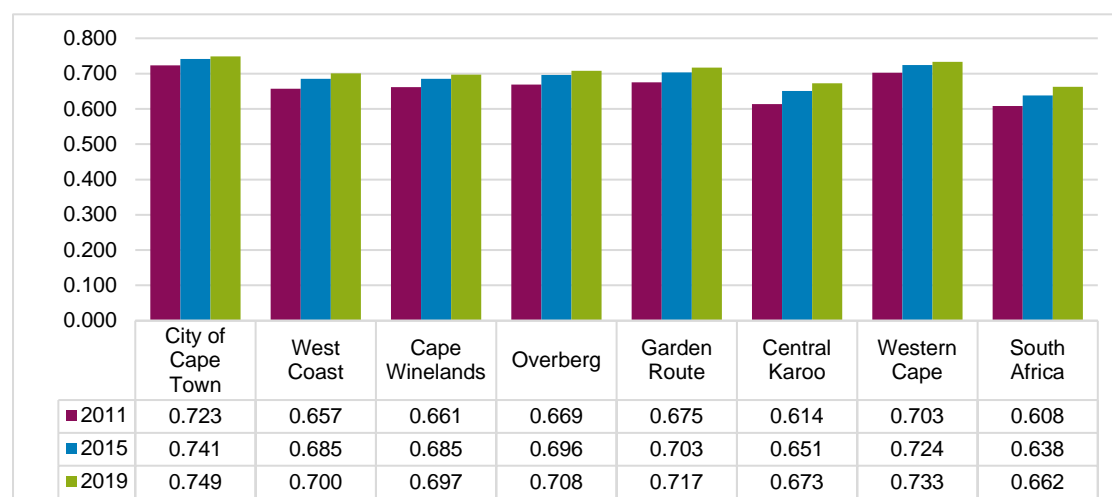
It is notable that the Gini coefficient for all districts in the Western Cape is lower than that of the rest of the country. Rising inequality is associated with increased social unrest and frustrates economic development. In 2019, the Central Karoo had the lowest Gini coefficient and the West Coast the second lowest. The City of Cape Town, followed by the Garden Route district, had the highest Gini coefficient (greatest inequality).

5.3.2 Measuring human development

The Human Development Index (HDI) measures the relative development of a population, including education, health and living conditions. In 2018, South Africa was placed in the 'high human development' category with an HDI of 0.705³. Globally, South Africa ranked 113 out of 189 countries and territories.

Considering that the HDI is a composite index made up of measures such as life expectancy, literacy and income, the increase in the HDI can be attributed to an increase in the uptake of social grants as the unemployment rate increased to 30.1 per cent in the first quarter of 2020. Improvements in the HDI in the Western Cape show that the provincial and district HDIs have improved between 2011 and 2019 (Figure 5.5). The Western Cape had an estimated HDI of 0.733 in 2019.

³ UNDP, 2019

Figure 5.5 Western Cape Human Development Index (HDI) by district

Source: Western Cape Department of Economic Development and Tourism, IHS Markit, 2020

The HDI improved across all districts in the Western Cape, meaning that all districts enjoyed improvements in education levels, health and per capita income. However, the rising Gini coefficient in all districts, in spite of improved human development, suggests that improvements in development have not been equally distributed.

FOOD SECURITY

The COVID-19 crisis threatens the food security and nutrition of millions of people, many of whom were already suffering prior to the pandemic. Unless immediate actions are taken, the world could see a global food emergency. In the long-term, the combined effects of COVID-19 mitigation measures and the emerging global recession could disrupt the functioning of food systems.

Measures to control or mitigate COVID-19 outbreaks are already resulting in food supply changes. Border restrictions and lockdowns are slowing down harvests in some parts of the world, leaving millions of seasonal workers without livelihoods, while also constraining transport of food to markets. High levels of unemployment, loss of income and rising food costs make access to food difficult for many people.

Prior to COVID-19, more than 820 million people globally were already identified as chronically food insecure. The latest United Nations Food and Agriculture Organization (FAO, 2020) data shows that the food security of 135 million people was categorised as 'crisis level' or worse in 2020. The United Nations World Food Programme warned that the number could double before the end of the year due to the impact of COVID-19. The World Bank estimates that the number of people who could be pushed into extreme poverty in 2020 may reach as high as about 49 million people, with around half of this increase occurring in Sub-Saharan African countries.

The recent COVID-19 pandemic, and the subsequent lockdown, has had severe economic repercussions for the South African economy. In terms of employment, it is estimated that it decreased by 40 per cent between February 2020 and April 2020 (Jain et al., 2020: 1). As many as 40 per cent of adults reported that their households have lost their main source of income (Wills et al., 2020: 1). These job losses disproportionately affected the poor, with those suffering the loss of employment predominantly having lower levels of education, doing manual labour, and working in the informal sector (Jain et al., 2020: 1). Tentatively, one million of the persons losing employment fell back into poverty, dragging a further two million dependents along with them. It has provisionally been estimated that the COVID-19 crisis caused a total of three million persons to fall back into poverty (Jain et al., 2020: 1). In this light, it is important to note that food expenditure accounts for 34 per cent of poor households' expenditure, while this number is 10 per cent for households that are not poor (Webb & Vally, 2020). A decrease in income within poor households will therefore have a significant impact on the household's ability to afford food.

To mitigate this situation, government has increased their social support. The amount of money available for existing grants was increased by R50 billion. These funds were used to increase the value of the child social grant, old age pension grants, as well as all other forms of existing grants (Webb & Vally, 2020). These raises are temporary, and it will last six months from implementation (Webb & Vally, 2020). These social grant top-ups are aimed at assisting poor households in affording food. Yet, there has been some trouble in implementing these top-ups. In May, some pensioners were paid double the value of their old-age pension, while other pensioners were not paid at all (Ngqakamba, 2020). There are also some persons who were not targeted by these grants. A third of the persons who found themselves unemployed after the crisis were not covered by any form of social grant (Jain et al., 2020: 13). Consequently, the poor implementation of the top-up, and the existence of unemployed persons who are not covered by it, diminishes the grant's ability to provide poverty alleviation.

Consequently, hunger and food insecurity has increased dramatically in South Africa. The recent NIDS-CRAM survey reports that, for households that received grants, 53 per cent said that they could not afford food, while 24 per cent stated that a household member suffered from hunger in the week before the survey (Wills et al., 2020: 2). Finally, 18 per cent of grant-receiving households report that a child had to go hungry in the last week (Wills et al., 2020: 2; Van der Berg et al., 2020: 3). Many organisations contributed to helping households suffering from food shortages. It is estimated that 5 million individuals received food parcels, to the total value of R400 million, from governmental and non-governmental organisations (Wills et al., 2020: 13). Food insecurity and hunger remains a large issue in South Africa, exacerbated by the COVID-19 crisis, despite governmental and non-governmental attempts to alleviate it.

Directly comparable data is lacking, but there are some indications that the Western Cape is strongly affected by the increase in food insecurity and hunger. The Western Cape has been a major recipient of food parcels from the Solidarity Fund, although the support that governmental and non-governmental organisations could offer to the Western Cape has steadily been decreasing (Williams, 2020). The Western Cape was also one of the provinces that suffered from the largest reductions in employment (Dludla, 2020). There are certain mitigating factors for the Western Cape, though. It is important to note that, before the current crisis, the Western Cape had lower levels of food insecurity than the rest of South Africa. A 2016 Demographic and Health Survey report shows that 90,4 per cent of the adult population in the Western Cape never or seldom struggled with food insecurity, while this number was only 85,7 per cent for the rest of South Africa (DHS, 2019: 34). The similar number for children was 89 per cent in the Western Cape, in comparison with 83,5 per cent nationally (DHS, 2019: 34). Households in the Western Cape also tend to spend less of their income on food (Troskie, 2020: 5). Western Cape households might therefore still be more able to afford food, even after suffering a loss of income. Therefore, the Western Cape was in a better condition, with regards to food security, before the crisis. Yet, the province might suffer more from food insecurity in the current crisis, due to higher rates of employment loss. More information is needed before any definitive conclusions can be drawn.

As of late May 2020, 368 million school children were missing out on daily school meals on which they depend. According to the United Nations World Food Programme (WFP) (2020), in South Africa more than 11 million children did not attend school due to COVID-19 school closings. The Western Cape has allocated an additional R18.000 million to supporting the 483 000 learners that are beneficiaries of the province's School Nutrition Programme. According to the Global Nutrition Report (2020), each percentage point drop in global GDP is expected to result in an additional 0.7 million stunted children.

The UN recommended the following priority actions:

- Mobilise to save lives and livelihoods, focusing attention where the risk is most acute.
- Strengthen social protection systems for nutrition.
- Invest in a sustainable future.

Source: *Demographic and Health Survey, 2020; Dludla, 2020; Jain et al., 2020; Ngqakamba, 2020; Troskie, 2020; United Nations Policy Brief, 2020; Van der berg et al., 2020; Webb & Vally, 2020; Williams, 2020; Wills et al., 2020*

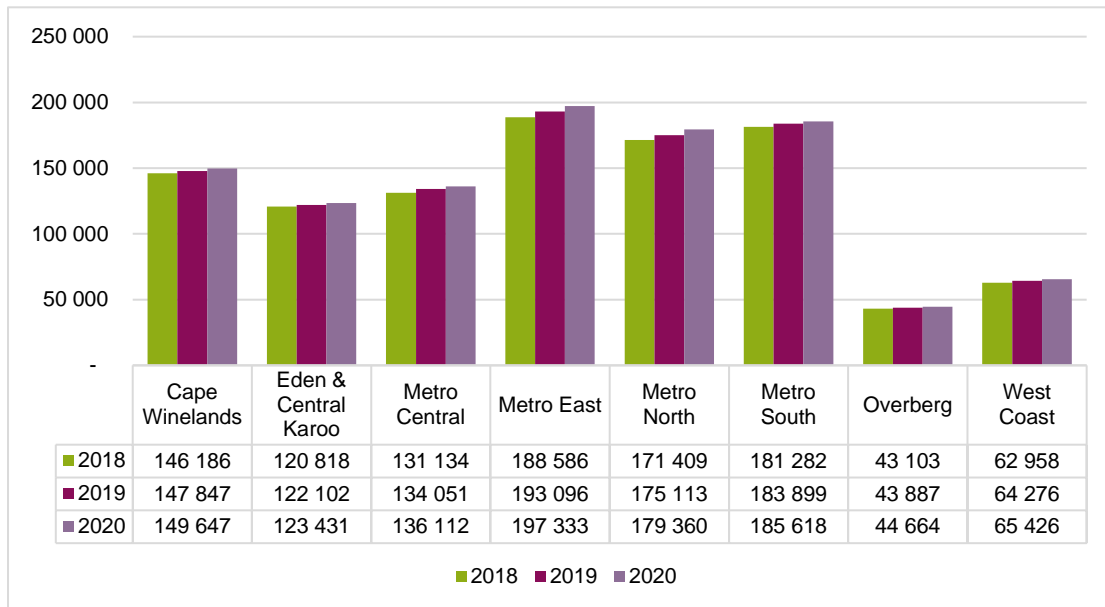
5.4 Education

According to the United Nations, in 2010 10.6 per cent of youth worldwide were illiterate, with no basic reading or numerical skills. This indicates a lack of quality education, which impacts on people's ability to find employment and contribute to the global economy (United Nations, 2013). A sound educational foundation is key to developing the skills and competitive resilience necessary to capture opportunities and grow the economy in an inclusive and sustainable manner. Although South Africa spends a comparatively high percentage of its GDP on education, educational outcomes in South Africa are relatively poor. This means that the level of education and appropriate skills are inadequate to generate the desired level of growth for a sustained period (Roux, 2016). The IMF (2018) also highlights the importance of improving education levels in order to address the mismatch between skills and employment opportunities in South Africa. The country and the Province will be able to exploit our economic growth potential by successfully raising the level of education and skills in our country.

Access to high quality education is a fundamental element for improving socio-economic development. In Chapter 4, a clear link between educational attainment and employment was noted. The Western Cape has made improvements in education outcomes, but there are still persistent issues that result in unequal learner development and academic outcomes.

5.4.1 Learner enrolment at Western Cape public ordinary schools

Learner enrolment has increased in the Western Cape, particularly in the metropolitan education districts. The total enrolment for 2020 was 1 081 591. This constitutes an increase of 17 320 from the 2019 figure. The greatest number of learners were concentrated in the three Metro Education Districts. The greatest increase in enrolment for 2020 was in the Metro North and Metro East districts.

Figure 5.6 Number of learners enrolled, Western Cape, 2018 - 2020

Source: Western Cape Department of Education, 2020

It is crucial for the Western Cape Department of Education to consistently improve the Province's performance in the NSC examinations, as well as increase learner retention between Grades 10 and 12 in order for as many learners as possible to achieve a matric pass for the period of 2020 to 2025⁴.

Despite the challenges faced by the WCED due to the numerous binding constraints and impact of psycho-social, psycho-emotional, societal and socioeconomic factors, the Department has the highest average learner retention in the country for Grades 10 to 12 at 66.8 per cent for the period 2016 to 2018, 67.3 per cent for the period 2017 to 2019 and an expected 67.8 per cent for the period 2018 - 2020. Despite the rapid decrease in learner retention rates between the period of 2015 - 2017 and 2016 - 2018, learner retention rates are increasing slowly, (Table 5.1).

Table 5.1 Learner Retention, Grades 10 to 12

| Period | FET Per Cent |
|-------------|-----------------|
| 2014 - 2016 | 67.1 |
| 2015 - 2017 | 68.3 |
| 2016 - 2018 | 66.8 |
| 2017 - 2019 | 67.3 |
| 2018 - 2020 | 67.8 |

Source: Preliminary - 2020 Annual Survey for Public Ordinary Schools

⁴ WCED: Strategic Plan 2020 - 2025

5.4.2 National Senior Certificate results

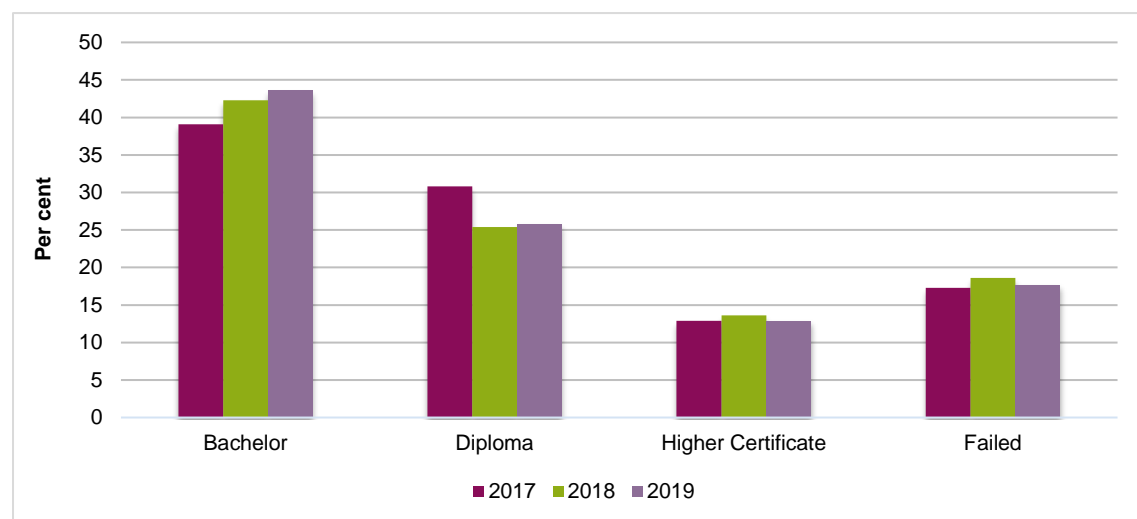
The National Senior Certificate (NSC), popularly called 'matric', is the nationally recognised and internationally comparable school leaving certificate registered by the South African Qualifications Authority (SAQA) on the National Qualifications Framework (NQF). The NSC enables learners to gain access to a variety of post-school opportunities depending on their performance in Grade 12. The opportunities include entry-level employment, admission to learnerships and internships, and admission to colleges, universities and other higher education institutions. Having a NSC also gives an indication to future employers regarding the basic capabilities of job applicants.



The Department of Basic Education's matric class of 2019 achieved a pass rate of 81.3 per cent, up from 78.2 per cent in 2018. The matric pass rate for the Western Cape was 82.3 per cent, the fourth highest in the country following the Free State (88.4 per cent), Gauteng (87.2 per cent) and the North West (86.8 per cent). Gauteng had the highest percentage of Bachelor's Degree passes at 44.5 per cent, followed by the Western Cape with 43.6 per cent and the Free State at 39.1 per cent.

The Bachelor's Degree passes for Western Cape increased by 4.5 percentage points from 39.1 per cent in 2017. The Western Cape had the highest percentage of distinction passes. This means that, although the Western Cape ranks fourth in terms of the overall matric pass rate, the matric results in the Province are relatively good and improving.

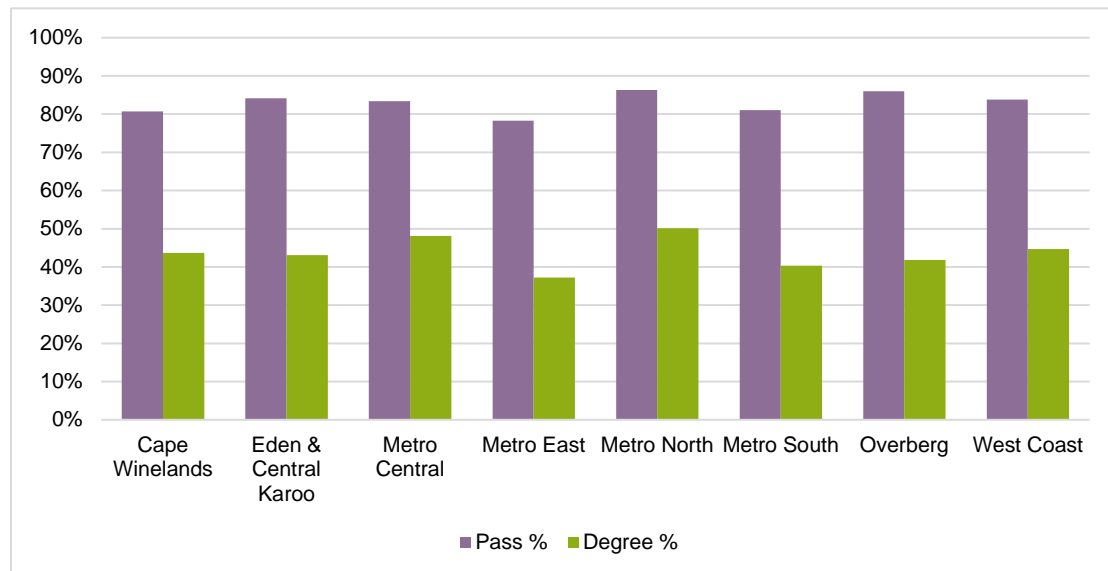
Figure 5.7 Comparison of the NSC categories of achievement, Western Cape, 2019



Source: Department of Basic Education, 2020

Only 17.7 per cent of Western Cape students who wrote the NSC exam in 2019 failed, 1 percentage point down from the previous year. Those that obtained a higher certificate pass rate also decreased from 13.6 per cent in 2018 to 12.9 per cent in 2019 and 25.8 per cent of the learners obtained a diploma pass rate, a slight increase from 2018.

Figure 5.8 NSC and B Degree pass rate by education district, Western Cape, 2019



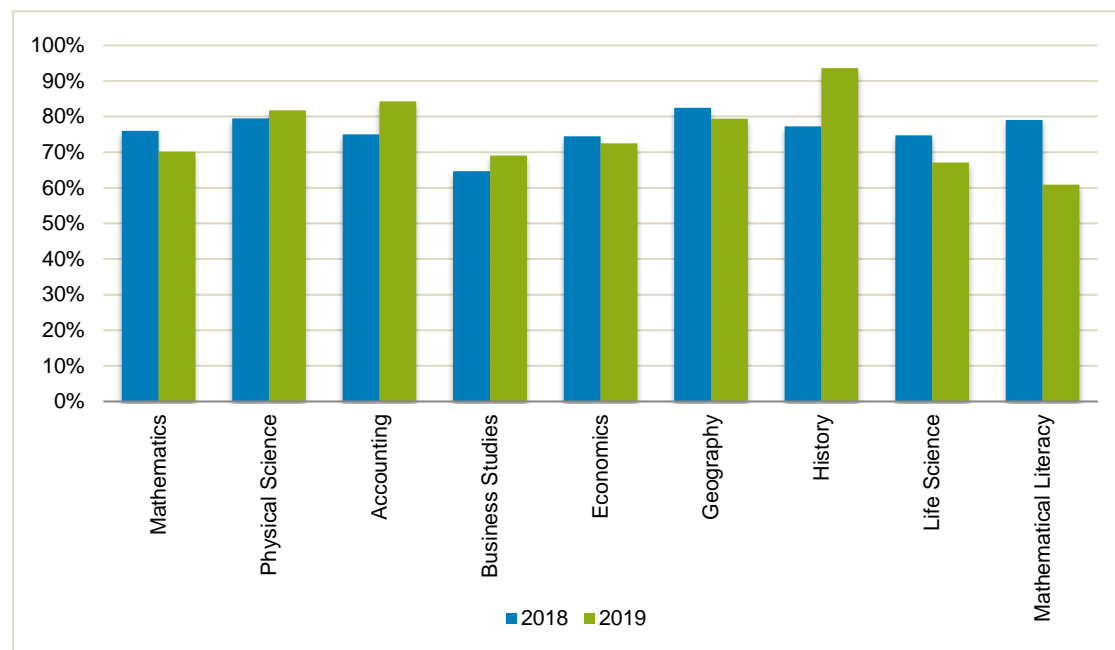
Source: Western Cape Department of Education, 2020

The NSC pass rate improved in nearly all districts across the Province, with only the Metro Central district declining and the Cape Winelands remaining stable. The Western Cape education district that obtained the highest NSC pass rate was Metro North (86.3 per cent), followed by the Overberg district with 86.0 per cent and Eden and Central Karoo with 84.1 per cent respectively. The Overberg district pass rate increased by 3.6 percentage points from 2018, while Eden and Central Karoo increased by 3.0 percentage points. Metro Central's NSC pass rate decreased by 1.5 percentage points.

All education districts in the Western Cape, apart from the Metro East education district, achieved bachelor's degree passes of 40 per cent or higher. The Metro North education district had the highest bachelor's degree passes at 50.1 per cent, followed by Metro Central (48.1 per cent) and West Coast (44.7 per cent).

Figure 5.9 illustrates the 2018 and 2019 NSC pass rates for mathematics, physical science, accounting, business studies, economics, geography, history, life science and mathematical literacy. In the Western Cape 70.2 per cent of the learners passed mathematics in 2019, a decrease of 5.8 percentage points from the 76.0 per cent recorded in 2018. The pass rate for mathematical literacy also decreased from 79.1 per cent in 2018 to 60.9 per cent in 2019. The pass rates for physical science, accounting, business studies and history increased from 2018 to 2019. Thus, the pass rate for mathematics decreased while the pass rate for other subjects generally increased. This is of particular concern, as Mathematics, along with technology and science, is a key skills requirement for many careers.

Figure 5.9 NSC pass rate in subjects, Western Cape, 2018 - 2019



Source: Department of Basic Education, 2020

ANALYSING THE LINKS BETWEEN CHILD NUTRITION AND EDUCATION OUTCOMES

A Wave 4 discussion paper from a National Income Dynamics Study (NIDS) titled, *Analysing the links between child health and education outcomes: Evidence from NIDS Waves 1-4*, by Daniela Casale linked health outcomes of Wave 1 with Educational Outcomes in a Wave 4 study. The focus of the discussion paper is on the relationship between child health and education outcomes in the National Income Dynamics Study (NIDS) panel data.

In the Wave 1 study, health data on stunting and obesity of children was analysed by Ardington and Case (2009). The study used the standard WHO cut-offs to classify children as stunted. Children that were two standard deviations below the mean of health reference population group were classified as "stunted", whereas children below three standard deviations were classified as "severely stunted".

Obese children were classified following Onis and Lobstein (2010) methodology. Overweight was defined as having a Body Mass Index (BMI) of more than two standard deviations above the mean for children under 5 years and one standard deviation for children aged 5-14 years. Obese children were defined as having a BMI of more than three standard deviations above the mean for children under 5 years and two standard deviation above the mean for children aged 5-14 years.

Overall, the prevalence of stunting among children aged 6 months to 14 years was just over 17 per cent, while 6.5 per cent of children were severely stunted. Close to 19 per cent of children were overweight and 7.5 per cent were classified as obese.

Stunting and severe stunting were higher in rural areas, while rates of overweight and obesity were lower in rural areas, compared to urban areas. Girls were marginally less likely than boys to be stunted or severely stunted, while they were more likely than boys to be overweight or obese. African and coloured children were much more likely to be stunted or severely stunted than Indian and white children. For example, the prevalence of stunting among African children is 18 per cent, among coloured children it is 20 per cent, while for Indian and white children it is 11 per cent and 7 per cent respectively (although these latter figures are based on very small samples sizes).

The estimates of obesity were also highest among African (7.2 per cent) and coloured children (13.9 per cent), compared to Indian (1.5 per cent) and white children (5.9 per cent). However, the data suggest similarly high rates of overweight (of between 19-21 per cent) for African, coloured and white children, with Indian children being the least likely to be overweight (11.5 per cent).

In Wave 4, the educational outcomes of children were examined in children depending on their childhood nutritional status from Wave 1.

Three measures of educational outcomes commonly used in the research on human capital accumulation in childhood (Glewwe et al., 2001; Yamauchi, 2008; Alderman et al., 2009; Timaeus et al., 2013) were chosen for further analysis.

The three measures were; the age the child started Grade 1; the number of grades completed; and a series of questions asked in NIDS on whether the child had passed, failed or withdrawn before completing the grade, conditional on attendance.

The study found significant differences in educational outcomes by stunting status. Children who were not stunted in Wave 1 started school on average between a quarter and a third of a year earlier than children who were stunted. They also complete almost a full year of schooling more than the children who suffered poor early nutrition. Moreover, children who were not stunted perform better at school, helping to explain why the gap between completed schooling was wider than the gap between age at first enrolment.

However, children who were classified as obese in Wave 1 do not have significantly different educational outcomes from children who were not classified as obese. If anything, their educational outcomes in Wave 4 are marginally better than for the children who did not suffer from obesity. This is probably because the study did not control for socio-economic status, and the descriptive results that showed the prevalence of obesity rises with the household income quintiles.

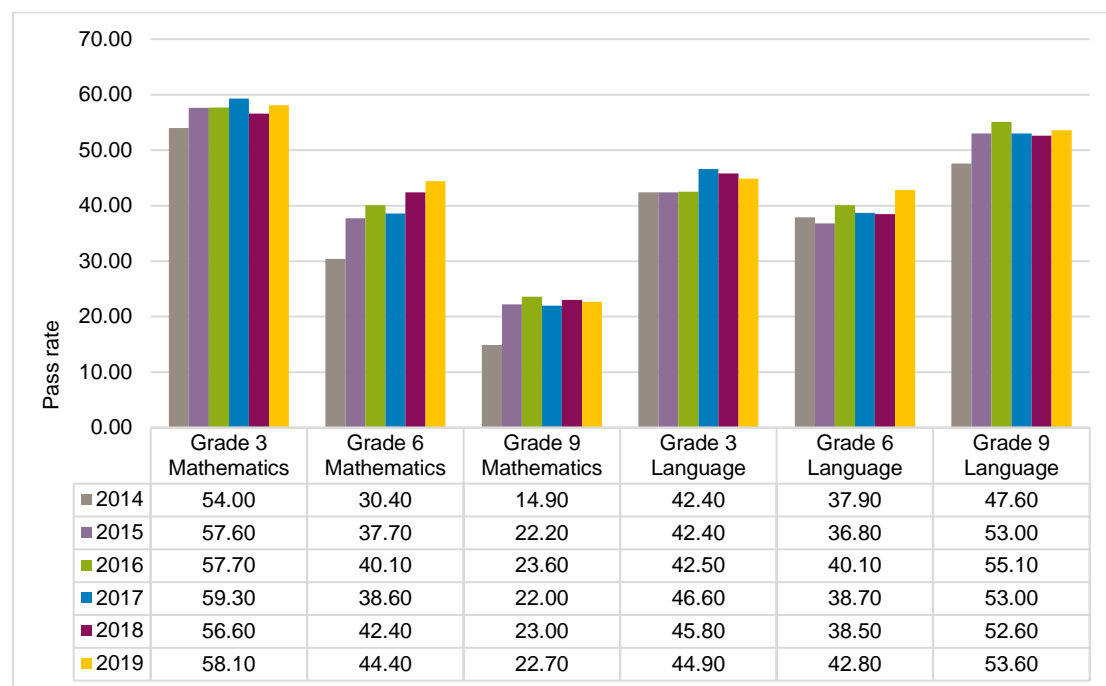
The results from the analysis suggested that poor nutrition in early childhood, and specifically undernutrition, has a negative effect on educational attainment among young children.

Source NIDS, *Analysing the links between child health and education outcomes: Evidence from NIDS Waves 1 - 4*, Daniela Casale.

5.4.3 Systemic testing in the Western Cape

The annual systemic test results give an indication of the level of performance in literacy and numeracy across Grades 3, 6 and 9 in the Western Cape (see Figure 5.10). According to the Western Cape Education Department, for the period of 2020 - 2025, early literacy and numeracy will remain a key provincial priority. The performance in the Mathematics and Language tests for Grade 6 continued to improve from 2014 to 2019. The performance for Grade 9 Mathematics tests decreased between 2017 and 2019, but in Language tests results for this grade improved over the period. The performance for Grade 3 Language tests continued to decrease between 2017 and 2019. After a decrease in 2018, Grade 3 Mathematics tests results increased to 58.1 per cent in 2019.

Figure 5:10 Systemic test mathematics and language pass rates for Grades 3, 6 and 9 for public ordinary schools, Western Cape, 2014 - 2019



Source: Western Cape Education Department, 2020

THE IMPACT OF COVID-19 ON EDUCATION OUTCOMES

The entire academic year was interrupted when schools closed in March 2020, due to the COVID-19 pandemic.

Curriculum coverage had to be adjusted and even with the gradual and phased re-opening of schools, the demands of, inter alia, social distancing, have as yet an unknown impact on education outcomes.

Learner retention: the impact of the pandemic on learner retention in the current year and on the Matric Class of 2020 will be more accurately seen after the completion of the September/October examinations.

Enrolment: WCED is yet to discover how COVID-19 has impacted enrolment, with possible increases in demand as smaller independent schools close and learners attempt to find new schools.

Protective equipment and sanitisers are imperatives in providing a safe environment to all learners and teachers as well as the employees supporting the schools. Procuring these materials has had financial implications for already constrained budgets.

Closure of infrastructure and the building sector tremendously impacted on the completion of infrastructure projects.

The WCED and many Western Cape schools has adapted to alternate learning approaches and modes of delivery including on-line learning and the use of social media to reach learners.

The curriculum has been trimmed to accommodate the reduced number of learning days available for curriculum coverage.

The true impact on academic performance will be felt at the end of the final examinations, particularly the NSC examination, with learner performance being used as a proxy for teaching and learning input.

Source: Western Cape Department of Education, 2020

5.5 Health

Health is an essential element of human development, well-being and the prosperity of society. A healthy, active population is an important precursor to accessing opportunities to improve economic and socio-economic development. There are many factors that affect a population's health status. Poverty and living conditions associated with poverty, i.e. the lack of safety, inadequate shelter, insufficient water supply and pollution, contribute toward ill-health. Diets rich in sugar and salt, coupled with a sedentary lifestyle, contribute to the rise of non-communicable diseases such as diabetes mellitus and cardiovascular diseases. The recent COVID-19 pandemic has affected, and continues to affect, the health of the global, national and provincial population mentally and physically. The pandemic has highlighted the risks associated with lifestyle diseases such as diabetes, which are rife in the Western Cape.

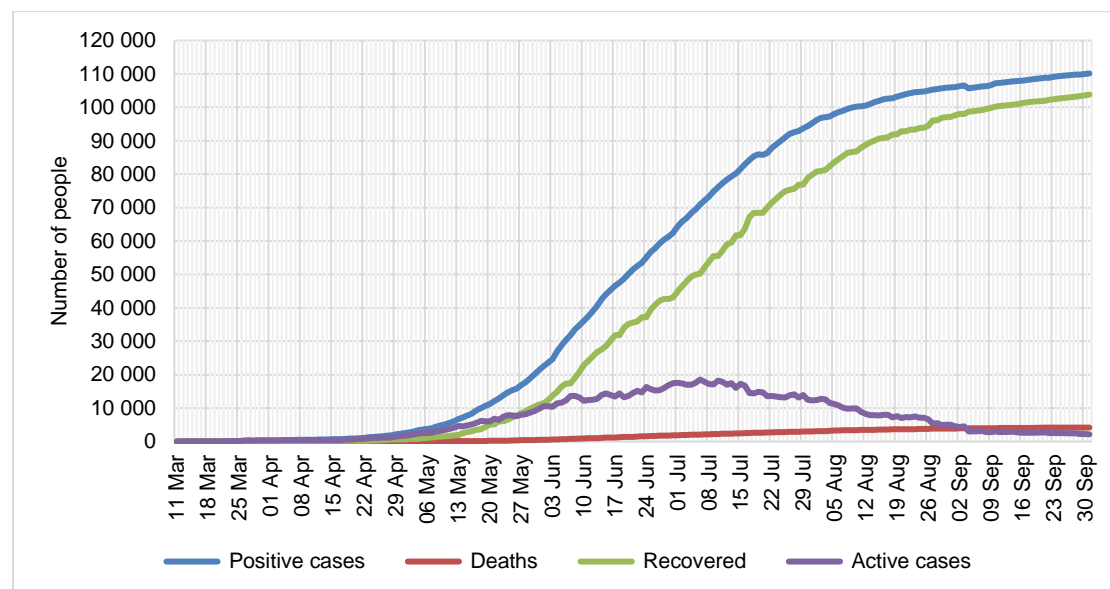
5.5.1 COVID-19

The coronavirus disease 2019 (COVID-19) was first reported on 31 December 2019 by the World Health Organization following a cluster of pneumonia cases in Wuhan City, Hubei Province of China. Severe acute respiratory syndrome Coronavirus 2 (SARS-CoV-2) has been confirmed as the causative virus of COVID-19. To date, COVID-19 has become a global pandemic and it is continuing to spread across the globe. COVID-19 affects different people in different ways. Most infected people develop mild to moderate illness and recover without hospitalisation.

COVID-19 statistics from 1 October 2020 indicate that the Western Cape reported a total of 110 139 confirmed cases, 2 114 active cases and 103 837 recoveries. Of the positive cases recorded, 1.9 per cent were still active cases, 94.3 per cent recovered and 3.8 per cent had succumbed to the disease (4 187 people).

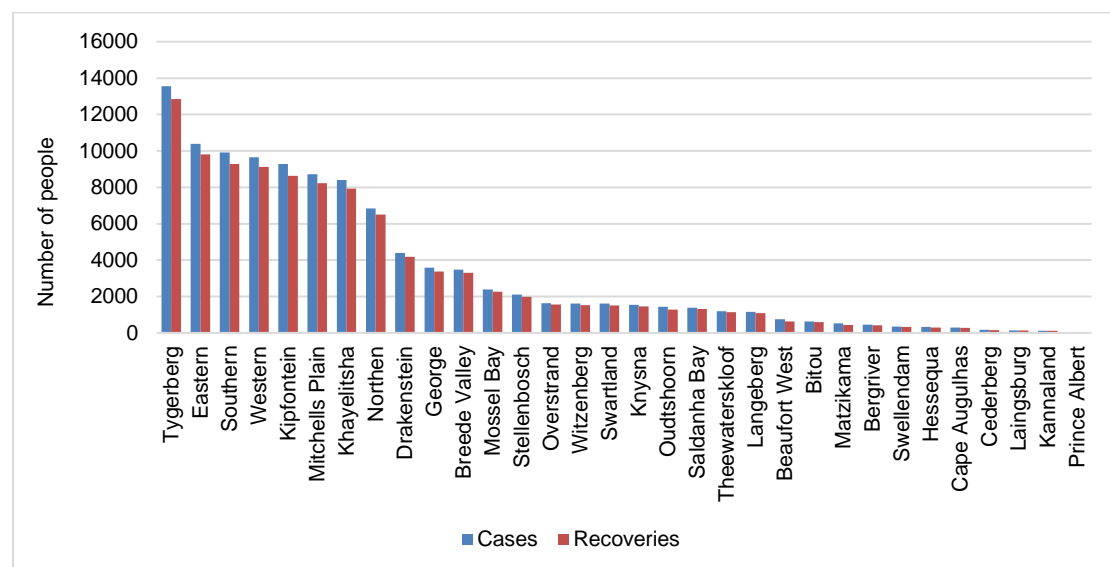


The number of reported cases increased dramatically from mid-May and showed signs of tapering off from September 2020, however small areas of resurgence have occurred.

Figure 5.11 COVID-19 cases in the Western Cape – 11 March 2020 to 1 October 2020

Source: Western Cape Government, Update on the coronavirus by Premier Alan Winde - 1 October 2020

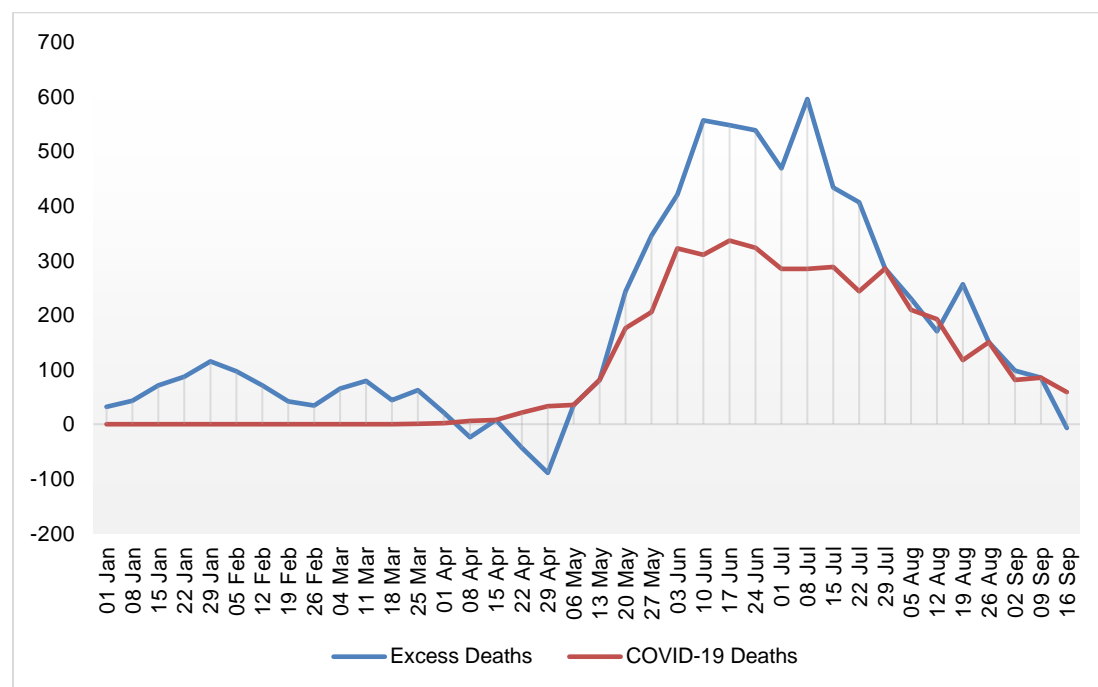
The City of Cape Town (76 734) reported the most COVID-19 cases, followed by the Cape Winelands (12 749) and the Garden Route District (10 019). Within the City of Cape Town, the majority of cases reported were located in Tygerberg (13 555) followed by the Eastern sub-district (10 384), Southern sub-district (9 912), Western sub-district (9 652) and Klipfontein (9 282), although it should be noted that population numbers and testing rates may vary considerably between districts and sub-districts

Figure 5.12 COVID-19 cases in the Western Cape by municipality, 1 October 2020

Source: Western Cape Government, Update on the coronavirus by Premier Alan Winde - 1 October 2020

The South African Medical Research Council (SAMRC) compared the estimated weekly excess deaths⁵ with the number of COVID-19 reported deaths to aid understanding of the emerging COVID-19 mortality. If all excess natural deaths were due to COVID-19, and all COVID-19 deaths were perfectly identified and reported, the two series could be identical. The number of estimated excess natural deaths began to decrease, consistently with the decrease in the number of confirmed COVID-19 deaths. SAMRC acknowledges that more data is needed on the underlying causes of death, but concluded that this observation is strongly supportive of the fact that a significant proportion of the current excess natural mortality being observed in South Africa and the Western Cape could be directly or indirectly attributed to COVID-19 i.e. COVID-19 cases who die in the community and for whom there were no laboratory confirmation, or collateral impact. Figure 5.13 shows the number of excess deaths and COVID-19 deaths from 1 January 2020 to 2 September 2020 with the correction in trend noticeable.

Figure 5.13 COVID-19 deaths and excess natural deaths, Western Cape, 1 January 2020 – 16 September 2020



Source: Bradshaw et al., 2020

All health-related issues need to be considered in the context of a worldwide pandemic that not only affected the health of individuals and the entire healthcare system, but also disrupted the collection of other health statistics.

⁵ Mortality above what would be expected based on the non-crisis mortality rate in the population of interest. Excess mortality is thus mortality that is attributable to the crisis conditions. It can be expressed as a rate (the difference between observed and non-crisis mortality rates), or as a total number of excess deaths.

5.5.2 Life expectancy and mortality

Improved health care increases life expectancy, contributing to an aging population and a potentially higher dependency ratio. It is estimated that by 2040 the over-65 population group would be double that of 2018 (QEB, 2017). The average life expectancy (LE) at birth of a South African male was estimated at 62.5 years in 2020, an improvement of 2.3 years from the 2015 estimate. Female average LE has improved by 2.5 years over the same period to 68.5 years. LE in South Africa has been increasing since 2007.

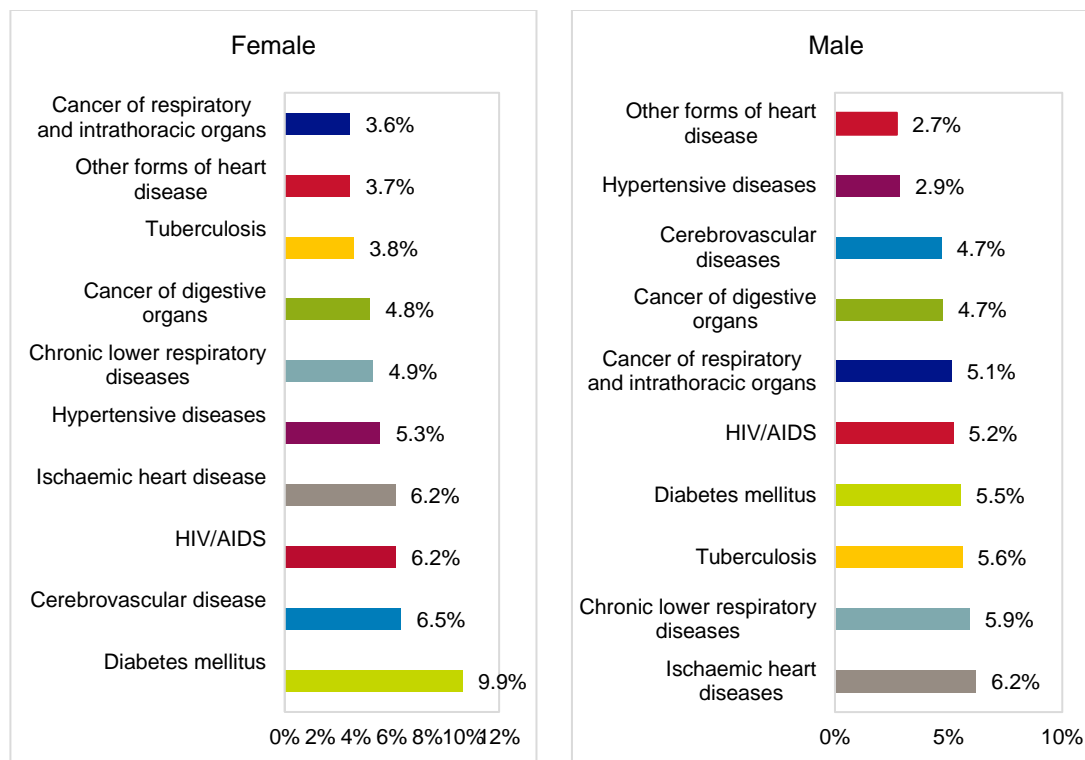
The Western Cape population has an average life expectancy of 68 years, the highest in South Africa for both males and females. According to the Mid-Year population estimates of 2020, the LE at birth for males in the Province was estimated at 65.7 years and for females at 71.0 years in 2020. There is a five-year average LE gap of 5.3 years in LE between males and females in the Western Cape.

The most recent data on mortality trends in the Province indicates that the leading underlying natural cause of death was diabetes mellitus. Tuberculosis had the lowest rank (sixth) in the Western Cape compared to any other province in 2017, accounting for 4.8 per cent of deaths in the Province. Human immunodeficiency virus (HIV) disease was the third leading underlying natural cause of death in the Western Cape (5.7 per cent). The Western Cape was also the only province in which cancer of respiratory and intrathoracic organs was in the top ten leading underlying natural causes of death. Eight of the ten leading underlying natural causes of death in the Western Cape were non-communicable.

Non-communicable chronic diseases place a significant burden on the Western Cape health system. These conditions are complex in nature and hard to track and measure; however, the Department of Health is currently working on formulating appropriate indicators that will allow better understanding of the underlying aspects that contribute towards a reduction in risk factors, incidence, and client- and clinician-management of the conditions⁶.

⁶ Western Cape Department of Health: Annual Performance Plan 2020/21

Figure 5.14 The ten leading underlying natural causes of death in the Western Cape by gender, 2017



Source: Stats SA: Mortality and causes of death in South Africa, 2020.

The International Diabetes Federation (IDF) reported in 2019 that 4.5 million people in South Africa are living with diabetes. As shown in Figure 5.15, the leading underlying natural cause of death amongst women in 2017 was diabetes mellitus. Diabetes mellitus was also the leading underlying natural cause of death amongst women in 2015. The International Diabetes Federation (IDF) reported in 2019 that 4.5 million people in South Africa are living with diabetes. The leading underlying natural cause of death amongst men in 2017 was ischaemic heart disease.

According to recent research, people with diabetes are at higher risk of death from COVID-19 than those with any other co-morbidity. The risk of death for those with diabetes is raised between five- and twelve-fold depending on the extent to which blood sugar was controlled. Around half the deaths from COVID-19 in Western Cape public sector patients are chiefly attributable to diabetes, making diabetes and old age the strongest risk factors for COVID-19 death in the Province⁷.

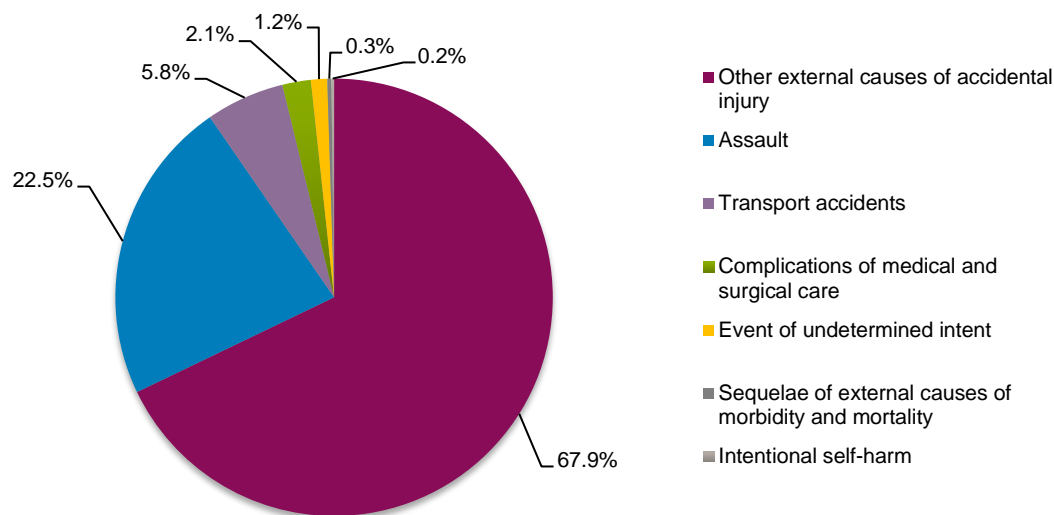
The Western Cape has the highest proportions of deaths due to non-natural causes (13.0 per cent) compared to other provinces in South Africa. Deaths due to other external causes of accidental injury⁸ account for over 60 per cent of non-natural

⁷ Dr Mary-Ann Davies of Western Cape Department of Health.

⁸ Other external causes of accidental injury include accidental exposure to other and unspecified factors; exposure to inanimate mechanical forces; other accidental threats to breathing; exposure to smoke, fire and flames; accidental drowning and submersion; accidental poisoning by and exposure to noxious substances; exposure to electric current, radiation and extreme ambient air temperature and pressure; exposure to forces by nature; falls; contact with venomous animals and plants; exposure to animated mechanical forces; overexertion, travel and privation; contact with heat and hot substances.

deaths in the Western Cape followed by assault (22.5 per cent) and transport accidents (5.8 per cent). The highest proportion of deaths due to non-natural causes was observed in the Central Karoo (15.3 per cent) in Western Cape.

Figure 5.15 Underlying non-natural causes of death, Western Cape, 2017



Source: Stats SA: Mortality and causes of death in South Africa, 2020.

5.5.3 HIV/AIDS and TB

Declining deaths due to HIV/AIDS means that by 2035, more individuals in the Western Cape are expected to die from natural or lifestyle diseases such as cancer, cardiovascular disease, diabetes and respiratory issues than HIV/AIDS. Since the cost of treatment for such diseases is higher, the strain on the healthcare system in the Province is expected to increase.

People with current TB or HIV are also at higher risk of death from COVID-19, although to a lesser extent than diabetes. According to studies, current tuberculosis more than doubled the risk of death (a hazard ratio [HR] 2.71 [1.81 - 4.04]) while a past TB diagnosis increased the risk of death by around 50 per cent (a HR 1.51 [1.18 - 1.93]), and HIV infection doubled the risk of death (a HR 2.14 [1.70 - 2.70]). Of the deaths from COVID-19 in the Western Cape, 12.0 per cent of public sector patients had HIV and only 2.0 per cent currently had TB.

5.5.4 Infant, child and maternal health

Measures of infant, child and maternity health can give one a good idea of how national or provincial healthcare sector is performing. It is a useful indicator of the level of socioeconomic development, and the quality of life, that a country or province experiences (DHS, 2019).

With this in mind, it is useful to consider the Western Cape's rate of infant, child, and maternal health. When considering infant health, it is useful to consider the infant mortality rate, which refers to the number of infants that pass away per 1 000 live births.

For the Western Cape, this number has been decreasing from around 24 infants per 1 000 live births in 2007, to 17 infants per 1 000 live births in 2017. Similarly, child health can be measured by the number of children (under five years old) that pass away per 1 000 live births. This number was around 29 per 1 000 live births in 2007, decreasing to a little more than 20 in 2016. The Western Cape has therefore already achieved one of South Africa's healthcare goals, outlined in its Vision 2030 (Stats SA, 2020). The number of infants and children dying of HIV/AIDS has dramatically decreased, with a lower-bound decrease of 76 per cent between 2009 and 2016. As an indication of maternal health, it has been recorded that the maternal mortality rate, for women admitted to hospital, was 68,3 per 100 000 live births between 2014 - 2016). These numbers can be better understood when placed in its national context.

Similar data on infant, child and maternal health is available for the whole of South Africa. The national infant mortality rate was higher than the Western Cape's infant mortality rate in 2016, reaching 25 per 1 000 live births, compared to the Western Cape number of less than 20 infants (Dorrington et al., 2019). The child mortality rate was also higher, at 34 deaths per 1 000 live births, compared to the Western Cape number of a little more than 20 per 1 000 live births (Dorrington et al., 2019). The national maternal mortality rate was almost double the Western Cape maternal mortality rate, at a rate of 134 women per 100 000 live births (Dorrington et al., 2019). The 2016 Demographic and Health Survey (DHS) shows that the Western Cape was the province with the second lowest child mortality rate (DHS, 2019). The latest available figures shows that, by 2017, the national infant and child mortality rates were 23 per 1 000 and 32 per 1 000, respectively (Dorrington et al., 2019). Comparable figures were not available for the Western Cape. What can be learned is that, in terms of infant, child and maternal health, the Western Cape performs significantly better than South Africa.

The impact that the current COVID-19 pandemic will have on infant, child and maternal health is not yet entirely clear, but there are some troubling signs. During the hard lockdown, child hunger has been greatly exacerbated. 15 per cent of respondents surveyed in a recent NIDS-CRAM survey reported that a child in their household suffered from hunger (Van der Berg et al, 2020). Furthermore, 16 per cent of the children that did go hungry were under 7 years old, which is an especially vulnerable young age (Van der Berg et al., 2020). This puts at risk a steady increase in child nutrition that was experienced between 2002 and 2018 (Van der Berg et al., 2020). While it is not yet possible to determine the impact that COVID-19 had on infant, child, and maternal mortality rates, it is likely to have a negative effect. Lower rates of child nutrition might put more children at risk of starvation or malnutrition.

5.6 Housing and municipal services

Adequate shelter and access to clean water and food are among the basic human needs according to Maslow's hierarchy of needs. Without these in place, the progressive realisation of improved health outcomes and a safe and secure environment cannot follow. Having access to clean water and sanitation is especially important to help combat COVID-19.

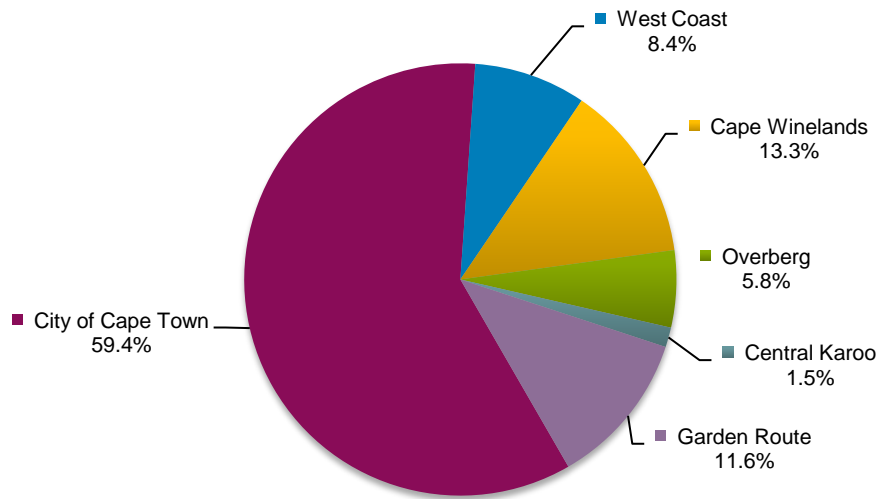
According to the Stats SA 2018 General Household Survey, the estimated number of households in South Africa in 2018 was 16.7 million. The Western Cape had the third largest number of households at 1.9 million which represents 11.3 per cent of the total number of households in South Africa in 2018.

5.6.1 Housing demand

A total of 550 889 households in the Western Cape had registered their demand for housing by the end of August 2020. The City of Cape Town has the largest share of housing demand at 327 435 (59.4 per cent), followed by Cape Winelands District Municipality at 73 467 (13.3 per cent), Garden Route District Municipality at 63 943 (11.6 per cent), West Coast District Municipality at 46 171 (8.4 per cent), and Overberg District Municipality at 31 744 (5.8 per cent). Central Karoo District Municipality registered the lowest housing demand at 8 129 (1.5 per cent). The distribution of housing demand per district mirrors the population size per district.



Figure 5.16 Registered housing demand in the Western Cape, as at end August 2020

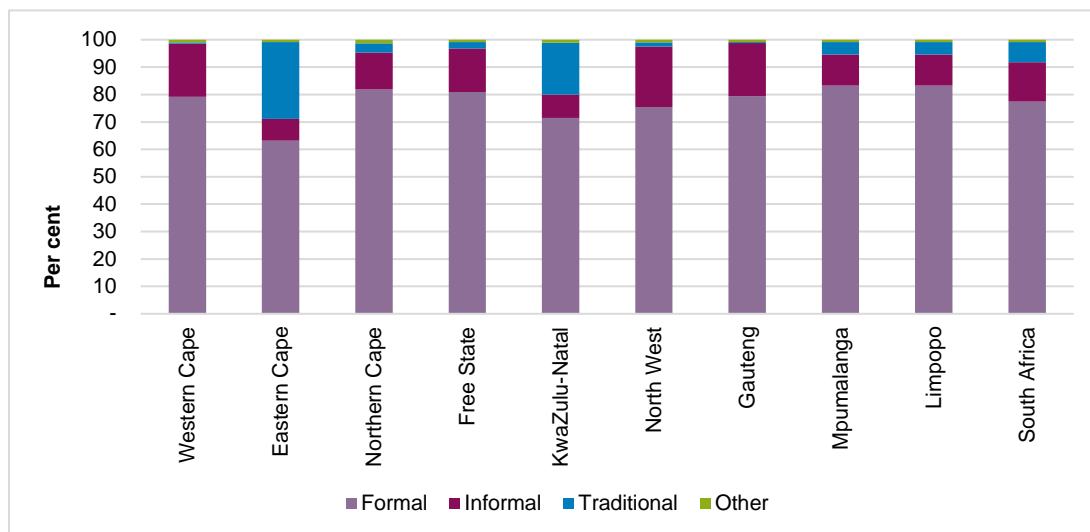


Source: Western Cape Department of Human Settlements, 2020

5.6.2 Dwelling types

Compared to other provinces in South Africa, the Western Cape has the lowest number of traditional houses and the highest proportion of informal dwellings in the country. This is largely due to the inward migration to informal settlements in the Province.

Figure 5.17 Percentage of households that lived in formal, informal and traditional dwellings in South Africa by province, 2018



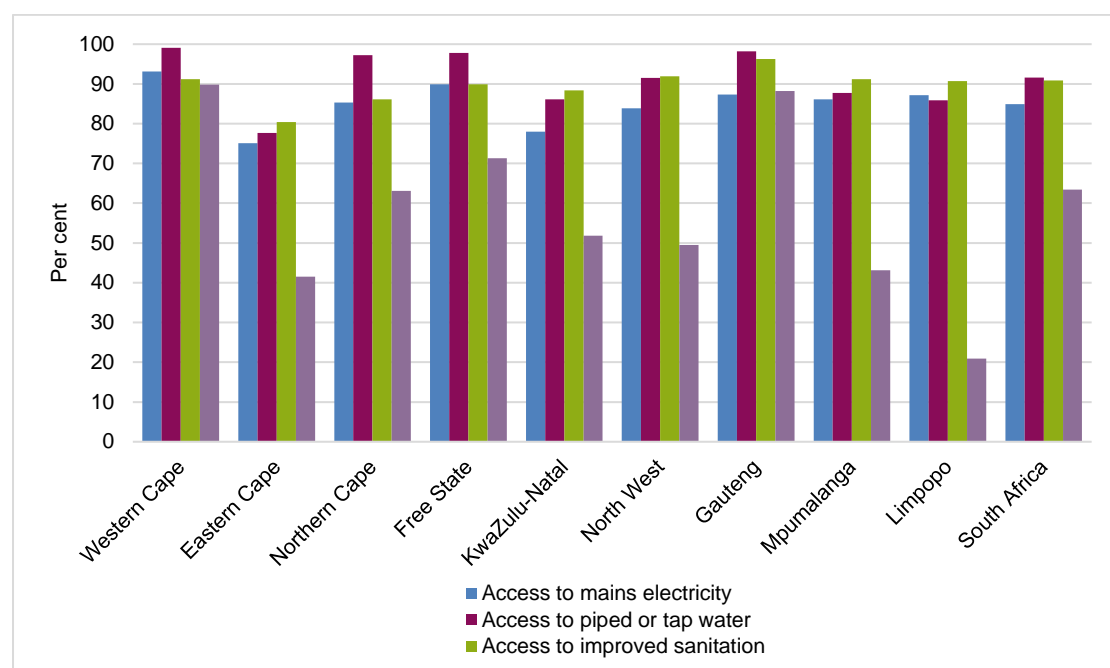
Source: Quantec Research, 2020

5.7 Access to municipal services

Access to basic services is an indicator of development and improved quality of life and is known to relieve the intensity of some forms of deprivation related to poverty. According to Quantec Research, 93.1 per cent of Western Cape households had access to electricity mains in 2019. This is a slight improvement from the previous year and above the national average of 84.9 per cent.

Due to the delay in the publication of the 2019 General Household Survey by Stats SA, the quality of electrical supply services by province was derived from the 2018 General Household Survey. Nationally, 65.7 per cent of households rated the service they received as 'good'. This represents a decline of 1.8 percentage points since 2010 when 67.5 per cent rated electricity supply services as 'good'. In the Western Cape, 84.5 per cent of households indicated that the electricity supply service they received in 2018 was 'good'. This is an increase of 2.9 percentage points since 2010 and the highest rating in the province for electricity supply services. It should, however, be noted that South Africa experienced the highest incidence of load-shedding in 2019.

Figure 5.18 Access to basic service by province, 2019



Source: Quantec Research, 2020

The proper disposal of household waste and refuse is important to maintain environmental hygiene and public health. The percentage of households in South Africa whose refuse is removed at least once per week was 63.4 per cent in 2019. The Western Cape, followed by Gauteng, had the highest recorded percentage of households with refuse removal services at least once a week. In the Western Cape, 89.8 per cent of households had refuse removed at least once a week in 2019.

The provision of water and sanitation is essential for preventing disease and for protecting human health during all infectious disease outbreaks, including COVID-19.

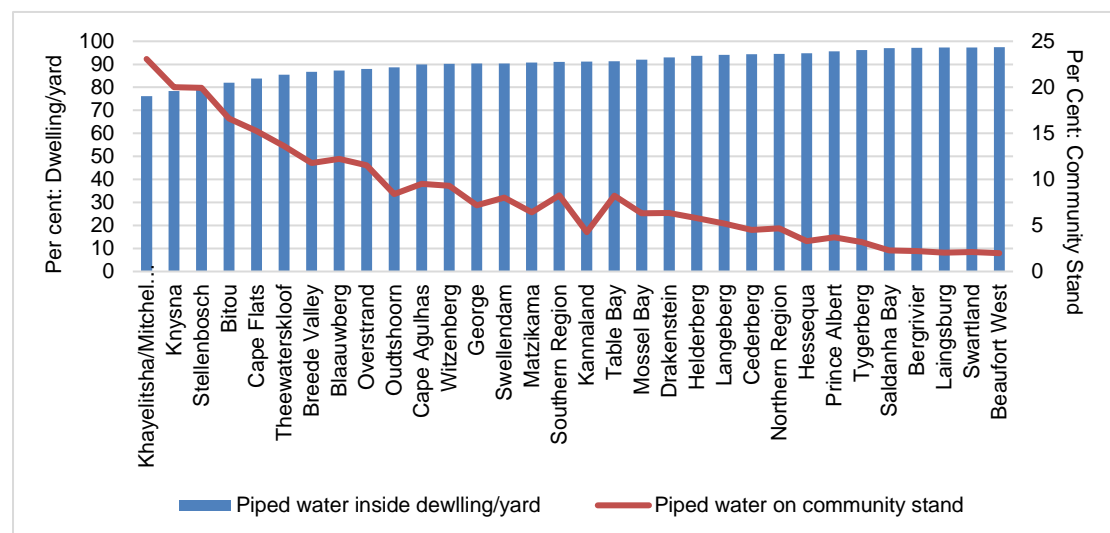
Nationally, 91.6 per cent of households reported access to piped or tap water. Households in the Western Cape enjoyed the highest rate of access compared to the rest of South Africa with 99.1 per cent of households having access to piped or tap water in 2019. The percentage of households in the Western Cape with access to piped or tap water on community stands was 11.5 per cent.



Access to piped water on community stands requires residents to walk a distance and queue to collect water. This increases the risk of disease infection, because residents come into close contact with each other, use water from the same source and touch these common surfaces. The risk of infection by COVID-19 from water supplies is currently considered to be low; however, the need for vastly improved wastewater management, increasing water quality output and strict measures for household grey water handling are essential.

The 2018 General Household Survey measured the quality and frequency of interruptions of municipal water supply services to households. The Western Cape (1.4 per cent) and Gauteng (5.4 per cent) experienced the fewest interruptions. Approximately one-fifth (20.3 per cent) of South African households reported some dysfunctional water supply service in 2018. An inverse relationship between the perceived quality of services and the number of interruptions seems to exist. The provinces with the lowest percentage of households that reported interruptions in water services, namely the Western Cape and Gauteng, also reported the highest satisfaction with water delivery services (87.3 per cent for Western Cape, and 76.9 per cent for Gauteng). Conversely, the provinces where interruptions were more frequent, were less likely to rate water service delivery as 'good'.

Figure 5.19 Access to water by municipality in the Western Cape, 2019



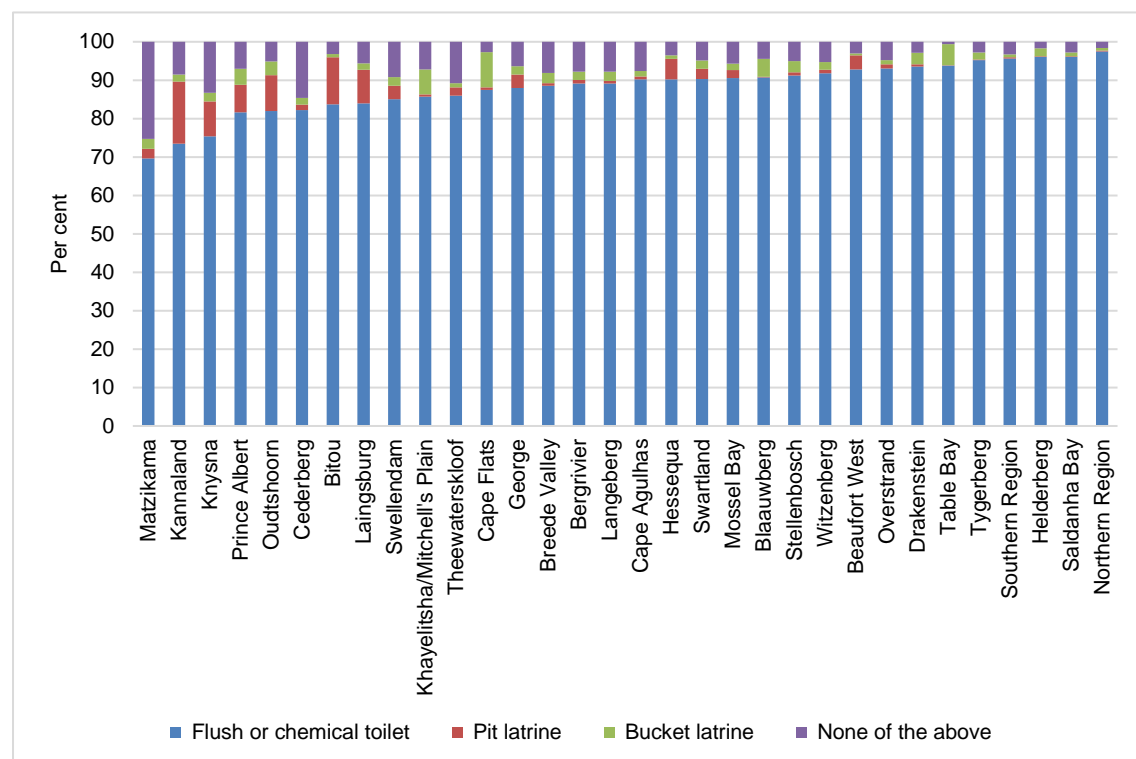
Source: Quantec Research, 2020

In the Western Cape, Khayelitsha and Mitchell's Plain (23.1 per cent) reported the highest percentage of households with access to piped water on community stands followed by Knysna (20.0 per cent), Stellenbosch (20.0 per cent), Bitou (16.6 per cent) and the Cape Flats (15.2 per cent).

Sanitation services are defined as access to flush toilets connected to a public sewerage system or septic tank, or a pit toilet with a ventilation pipe. Nationally, the percentage of households with access to sanitation in 2019 was 90.9 per cent. The majority of households in the Western Cape (91.2 per cent) had access to sanitation services. Flush toilets connected to public sewerage systems were most common in the Western Cape (90.1 per cent).

Matzikama reported the lowest percentage of households with flush toilets at 69.6 per cent followed by Kannaland (73.5 per cent), Knysna (75.4 per cent), Prince Albert (81.7 per cent) and Oudtshoorn (81.9 per cent). The Cape Flats (9.1 per cent) reported the most households that make use of bucket latrines followed by Khayelitsha and Mitchell's Plain (6.5 per cent) and Table Bay (5.4 per cent).

Figure 5.20 Access to sanitation by municipality in the Western Cape, 2019



Source: Quantec Research, 2020

5.8 Substance abuse and crime

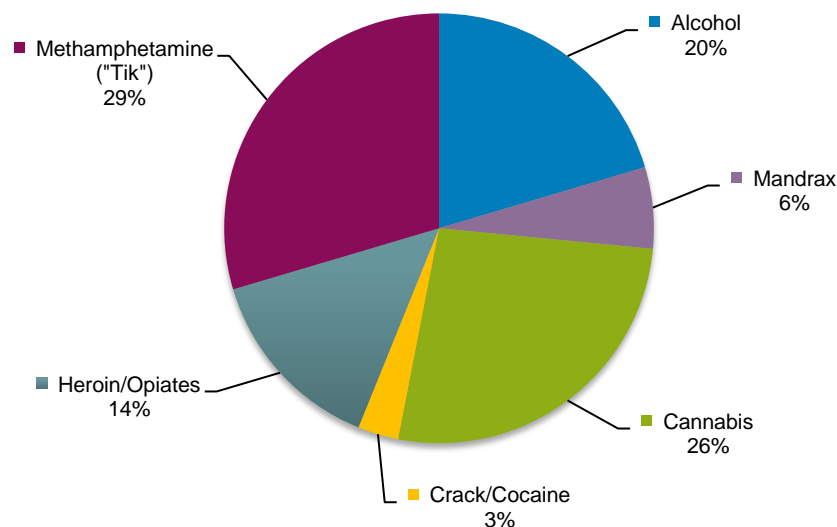
Social ills such as substance abuse and crime have continued to impact on the economic prospects and socio-economic development of the Province. The abuse of substances inflicts substantial harm on the state of public health, social cohesion and safety, which jeopardises and impedes development in communities. The prevalence of crime also has the same corrosive effect on economic growth through deterred investment and compromised physical safety of individuals and property.

5.8.1 Substance abuse⁹

The World Health Organisation defines substance abuse as the use or abuse of harmful substances, including tobacco, alcohol and illicit drugs (World Health Organization, 2019). The South African Community Epidemiology Network on Drug Use (SACENDU) is a network of researchers, practitioners and policy makers from all areas of South Africa collecting data on substance abuse. Due to COVID-19 they were unable to publish their latest report on monitoring alcohol, tobacco and other drug abuse treatment admissions in South Africa. The latest update and therefore used in this publication is for July to December 2019.

Cannabis, alcohol and methamphetamine(tik) were the most common primary substances of use in the Western Cape. Each one accounts for 26.0 per cent, 20.0 per cent and 29.0 per cent of patient admissions, respectively. The proportion of treatment admissions for cannabis as a primary drug decreased across all provinces apart from the Northern Region.

Figure 5.21 Primary substance of use, Western Cape, July - December 2019



Source: Dada et al., 2019

⁹ All information contained in this section is sourced from Dada et al. (2019).

Cannabis is one of the most common illicit drugs used among persons under 20 years of age attending specialist treatment centres. Treatment admissions for alcohol-related problems in persons younger than 20 years were less common in previous reporting periods. However, during the period July to December 2019, there was a significant increase in alcohol-related admissions for persons younger than 20 years in the Western Cape, with an increase in admissions from 9.0 per cent to 15.0 per cent. Youths facing social pressure and bullying at school often turn to substance abuse as a coping mechanism, according to the World Health Organisation. Polysubstance use remained high with 58 per cent of persons in the Western Cape indicating that they use more than one substance upon admission to treatment.

5.8.2 Crime

The statistics used for this section, cover all reported crimes between 1 April 2019 and March 2020, and thus excludes crime trends over the course of the country's COVID-19 lockdown. Overall crime levels in South Africa (-4.7 per cent) and the Western Cape (-7.1 per cent) declined over the 2019/20 period.

Gender Based Violence and Sexual offences

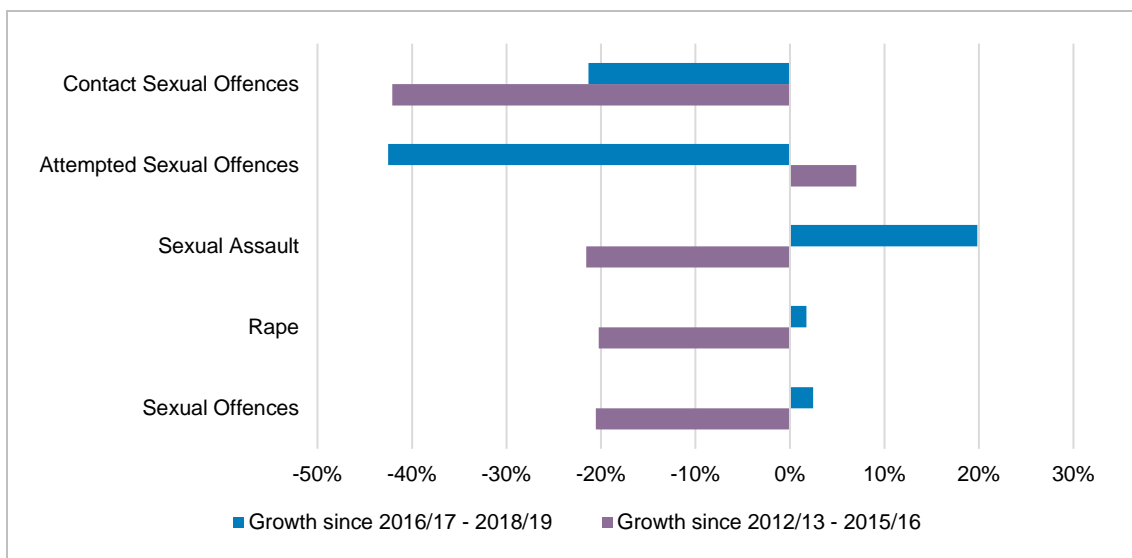
The World Health Organisation defines gender-based violence as any act of violence that results in, or is likely to result in, physical, sexual or psychological harm or suffering to women. According to president Ramaphosa, gender-based violence in South Africa should be considered as a second pandemic in the country, as serious as the coronavirus.

The South African Police Service 2019/20 crime statistics paints a grim picture of the state of violence against women and children in South Africa. Sexual crimes in South Africa showed an increase of 1.7 per cent to 53 293 cases, 873 more than the year before. Incidents of rape increased by the same percentage. In addition, rape and sexual assault constituted 93.9 per cent of the total number of sexual offenses, of which rape was the primary contributor at more than 79 per cent of offenses. However, according to police commissioner Khehla Sithole, there are some discrepancies in these figures as a result of police stations closing due to COVID-19 infections.

The Western Cape reported an increase of 3.7 per cent in sexual offences from the previous year to 7 303 cases. Rape increased by 4.9 per cent and sexual assault increased by 8.7 per cent to 1 910 reported cases in 2019/20. Most cases of rape occurred in public places (267 cases), followed by private residences (207 cases). The Western Cape reported slightly more rape cases in public areas compared to the other provinces.

Eight of the ten police stations reporting the most sexual assault cases are located in the Western Cape, where seven (7) precincts reported increases in sexual assault cases. Most notable is the increase at Cape Town Central police station, with a 119.0 per cent increase in reported sexual assault cases over the previous year. Mitchells Plain reported the highest number of sexual assault cases (83) with a 25.8 per cent increase from the previous year. Since 2016/17, sexual assaults, rape and sexual offences have increased while contact sexual offences and attempted sexual offences decreased.

Figure 5.22 Growth in reported sexual crime categories in the Western Cape, 2012/13 - 2018/19



Source: South African Police Service, 2020, own calculations

In the Western Cape, contact crime against women decreased by 4.9 per cent from the previous year, and contact crime against children also decreased by 5.5 per cent from the previous year.

In the president's state of the nation address on 17 June 2020 he stated that according to the police, violent crime increased since alert Level 3 took effect on 1 June 2020. Cases of abuse of women and children were also reported to have increased dramatically.

The 2019/20 crime statistics do not include crimes reported during the hard lockdown, although there were reports that gender-based violence "surged" during this period with victims forced to remain at home with their perpetrators. According to Police Minister Bheki Cele, one week into lockdown, more than 87 000 cases of gender-based violence were reported across the country.

Crimes detected as a result of police action

The declining trend in the reported cases for driving under the influence of alcohol or drugs continued with a recorded 1.8 per cent decrease from last year over the 2019/20 period. Last year, this category recorded the largest decline of the crime categories. This year, the crime category that recorded the largest decline in 2019/20 was drug-related crimes. This crime category declined substantially by 22.9 per cent from the previous year to 62 708 cases by the end of 2019/20.

Property-related crimes

Total property-related crimes in the Western Cape recorded negative growth from the previous year (-6.2 per cent). Under this category, stock-thefts increased by 3.7 per cent while all other property-related crimes decreased. Burglaries at residential premises recorded the highest decrease of -8.5 per cent under this category.

Contact crimes

Common assault cases in the Western Cape decreased by 0.5 per cent. In the previous year, murders increased by 6.6 per cent in the Western Cape. In 2019/20, 3 975 cases of murder were reported in the Province, with zero overall growth in the murder rate over the past year. Delft reported the most murder cases with a 7.3 per cent increase from the previous year. Khayelitsha reported a 13.6 per cent increase from the previous year.

5.9 Conclusion

The adverse economic climate resulting from the COVID-19 shock will undoubtedly have a significant impact on the socio-economic conditions in South Africa and the Western Cape. Many have already lost their jobs or are at risk of losing their jobs, and those who are unemployed are unlikely to find employment. Household income will therefore be under increasing pressure, affecting the socio-economic conditions of many families.

Income inequality continues to worsen, although improvements in HDI were recorded. Considering that the HDI is a composite index made up of measures such as life expectancy, literacy and income, the increase in the HDI can be attributed to an increase in the uptake of social grants and literacy not unemployment because unemployment saw an increase in the first quarter of 2020.

The Western Cape reported the highest percentage of passes with distinction in the 2019 NSC exams. However, education has been severely disrupted in 2020 due to the COVID-19 pandemic. The true impact on academic performance will be felt at the end of the final examinations in 2020, particularly the NSC examination. Care should be taken to ensure that learner performance remains consistent and does not suffer due to the disruptions.

The Western Cape average LE at birth (68 years) is higher than the rest of South Africa and continues to improve. The leading underlying cause of death in the Western Cape was diabetes mellitus. Non-communicable chronic diseases place a significant burden on the Western Cape health system.

Most households in the Western Cape reported having piped water inside their house or yard. The provision of water and sanitation is essential for preventing infection and maintaining human health during disease outbreaks, including coronavirus disease 2019 (COVID-19).

In order to be optimally productive, people need to be healthy, well-fed and generally taken care of. It is therefore imperative that socio-economic challenges be pro-actively addressed in order to overcome the economic shock of the COVID-19 pandemic and build a resilient and productive Western Cape citizenry.



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Glossary

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| Agri-processing | Refers to the subset of manufacturing that processes raw materials and intermediate products derived from the agricultural sector. Agri-processing industry thus means transforming products originating from agriculture, forestry and fisheries. |
| Balance of Payments | The Balance of Payments shows a country's transactions with the rest of the world. It notes inflows and outflows of money and categorises them into different sections. |
| Bond yields | The amount of return an investor will realise on a bond. Though several types of bond yields can be calculated, nominal yield is the most common. This is calculated by dividing amount of interest paid by the face value. Current yield is calculated by dividing the amount of interest it pays by current market price of the bond. |
| Business Process Outsourcing | A subset of outsourcing that involves the contracting of the operations and responsibilities of a specific business process to a third-party service provider. |
| Business Confidence Index | A survey completed by senior executives in the trade, manufacturing and building sector during the last month of every quarter. |
| Consumer Price Index (CPI) | The main measure of inflation, charting the price movements of a basket of consumer goods and services. |
| Revealed Comparative Trade Advantages | The relevant sector's export share of total provincial (regional) exports is expressed as a ratio of the same sector's share of South African exports to calculate a revealed comparative trade advantage ratio. |
| Current Account (of the balance of payments) | The difference between the total exports and total imports, also taking into account service payments and receipts, interest, dividends and transfers. The current account can be in deficit or surplus. |
| Currency Trade Weighted Index | A measurement of the foreign exchange value of a local currency compared against certain foreign currencies. Trade-weighted currency gives importance - or weight - to currencies most widely used in international trade, over comparing the value of the local currencies to all foreign currencies. Since the currencies are weighted differently, changes in each currency will have a unique effect on the trade-weighted local currency and corresponding indexes. |
| Dependency ratio | The size of the dependent population (children and the elderly) relative to the size of the working-age population. |

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| Discouraged work seeker | A person who was not employed during the reference week, who wanted to work and was available to work or start a business, but who did not take active steps to find employment or start their own businesses, on condition that the main reason for not seeking work was either a lack of available jobs in the area, an inability to find work requiring his/her skills, or the loss of hope of finding any kind of work. Discouraged workseekers are also referred to as the non-searching unemployed. |
| Employed | All working-age individuals who did any work for at least one hour during the reference week. Individuals who had a job or a business but were temporarily absent during the reference week are also considered employed. |
| Employment-to-population ratio | The size of the employed population relative to the size of the working-age population. |
| Expanded unemployment | Comprises all working-age individuals who were not employed during the reference week, but were willing and able to work. The expanded unemployed include all individuals unemployed according to the narrow definition of unemployment as well as all discouraged workseekers (i.e. the searching and the non-searching unemployed). |
| Fixed investment | Fixed investment is investment in physical assets such as machinery, land, buildings, installations, vehicles, or technology. |
| Formal sector | The formal sector covers all employment not included in the informal sector, but excludes domestic workers. |
| Gini coefficient | The Gini coefficient is a measure of statistical dispersion to represent income distribution. The coefficient varies between 0, representing complete equality, and 1, representing complete inequality. |
| Gross Domestic Product | A measure of the total national output, income and expenditure in the economy. GDP per head is the simplest overall measure of welfare, although it does not take account of the distribution of income, nor of goods and services produced outside the market economy. |
| GFCF (Gross Fixed Capital Formation) | Gross fixed capital formation (GFCF) also called "investment", is defined as the acquisition of produced assets (including purchases of second-hand assets), including the production of such assets by producers for their own use, minus disposals. |

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| Human Development Index (HDI) | The HDI attempts to quantify the extent of human development of a community and is based on measures of life expectancy, literacy and income. It is seen as a measure of people's ability to live a long and healthy life, to communicate, to participate in community life and to have sufficient resources to obtain a decent living. The HDI can assume a maximum level of 1, indicating a high level of human development, and a minimum value of 0. |
| Infant mortality | The probability of a child born in a specific year dying before reaching the age of one, expressed per 1 000 live births. |
| Inflation | An increase in the general level of prices. |
| Informal sector | The informal sector is comprised of (i) employees working in establishments that employ fewer than five employees and who do not deduct income tax from their wages; and (ii) employers, own account workers and individuals who help unpaid in household businesses that are not registered for either income tax or value-added tax. |
| Labour force | All individuals within the working-age population who are employed or unemployed (i.e. the labour force consists of all who are willing and able to work). |
| Labour force participation rate | The proportion of the working-age population who are members of the labour force (i.e. who are either employed or unemployed). |
| Labour market | A labour market is the place where workers and employees interact with each other. In the labour market, employers compete to hire the best, and the workers compete for the best satisfying job. |
| Labour productivity | A ratio measured by the output per worker ratio (total output/total formal employment). |
| Narrow labour force | All employed individuals plus all individuals who are not employed, but are either actively seeking employment or are planning on returning to existing jobs or enterprises soon. |
| Narrow unemployment rate | Refers to people who are unemployed and actively seeking work. |
| National Development Plan (NDP) | A long term vision and plan for South Africa. It serves as a blueprint for the work that is still required in order to achieve the desired results in terms of socio-economic development and the growth of this country by 2030. |

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| Non-searching unemployed | All employed individuals plus all individuals who are not employed, but are either actively seeking employment or are planning on returning to existing jobs or enterprises soon. |
| Provincial Strategic Plan (PSP) | The WCGs five-year strategic plan, coinciding with the 5-year electoral term, that gives effect to the National Development Plan and Provincial Strategic Goals. |
| Real Disposable Income per capita | The total earnings per person that are available to save or spend after provisions for taxes and inflation. |
| Regional Gross Domestic Product (GDPR) | GDPR at market prices equals the sum of gross value added by all industries at basic prices plus taxes on products minus subsidies on products in a region. |
| Semi-skilled labour | A segment of the workforce who generally performs work of a routine nature of limited scope, wherein the emphasis is not so much on judgment and skill capability - but more so the proper discharge of duties assigned. |
| Skilled labour | A segment of the workforce who has special skill, training, knowledge, and (usually acquired) ability in their work. A skilled employee is capable of working efficiently of exercising considerable independent judgment and of discharging his/her duties with responsibility. A thorough and comprehensive knowledge of the trade, craft or industry is required. |
| Southern African Customs Union | A customs union among five countries of Southern Africa: Botswana, Lesotho, Namibia, South Africa and Swaziland. Its headquarters is in the Namibian capital Windhoek, it was established in the year of 1910. |
| Total fertility rate | The number of children that would be born to a woman if she were to live to the end of her childbearing years and bear children in accordance with current age-specific fertility rates. |
| Total Dependency ratio | The ratio of dependents (people younger than 15 or older than 64) to the working-age population (people aged 15 - 64 years). |
| Under 5-years mortality rate | The probability of a child born in a specific year dying before reaching the age of five, expressed per 1 000 live births. |
| Unemployed | Comprises all working-age individuals who were not employed during the survey reference week, but were available to work during that time and actively sought employment or had taken steps to start their own business during the four weeks prior to the interview (or had not actively sought employment in the four weeks prior to the interview but had a job or business to start at a definite date in the future and were available). This is the official (narrow) definition of unemployment. |

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| Unemployment rate | The proportion of the labour force that is unemployed. |
| Value chain | Value chains reflect links as bundles of activities aimed at designing, producing, marketing, delivering or supporting the final product or service. Value chains are supported by secondary activities throughout the process, such as procurement, human resource management, and infrastructure and technological development. |
| Working-age population | All individuals aged between 15 and 65 years, irrespective of whether or not they are economically active. |

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