



Western Cape
Government

2021 Provincial Economic Review and Outlook



**Western Cape Government
Provincial Treasury**

**Provincial Economic Review and
Outlook
2021**

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Foreword

There is no doubt that the COVID-19 pandemic and associated lockdown measures disrupted economic activity and deepened existing socioeconomic challenges in the Western Cape.

This impact is reflected in the 2021 Provincial Economic Review and Outlook (PERO), which also tells us that after experiencing an unprecedented recession in 2020, the Western Cape is expected to rebound and grow at 3.0 per cent in 2021.

With nearly 36.6 per cent of adults vaccinated in the Province and economic activity resumed through the active implementation of the Western Cape Recovery Plan - the Western Cape is ready to reopen and recover.

Last year's edition of the PERO provided valuable data and insights to guide the development of the Western Cape Recovery Plan, and this year's edition will continue to be a valuable resource to inform and guide policymakers, departments and municipalities on key economic and socioeconomic trends and patterns that will impact on policy, planning and budgeting in the Western Cape.

I wish to extend a sincere word of appreciation to the dedicated research team in the Provincial Treasury, the officials from other provincial government departments who contributed to the process and our research partners for their valuable inputs.



Mr David Maynier

Minister of Finance and Economic Opportunities

30 September 2021

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. Published economic data on a regional level is only available as estimates up to 2020.

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Acronyms

AfCTA	African Continental Free Trade Area
ANC	African National Congress
API	Active Pharmaceutical Ingredients
ASEZ	Atlantis Special Economic Zone
AVAT	African Vaccine Acquisition Trust
BCI	Business Confidence Index
BER	Bureau for Economic Research
BPO	Business Process Outsourcing
CDC	Centres for Disease Control and Prevention
COVID-19	Coronavirus Disease 2019
CPI	Consumer Price Index
CSIR	Council for Scientific and Industrial Research
CSP	Community, Social and Personal Services
DEDAT	Department of Economic Development and Tourism
EAP	Economically Active Population
ECB	European Central Bank
EVDS	Electronic Vaccination Data System
EWC	Expropriation Without Compensation
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GDPR	Regional Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GHG	Greenhouse Gas
GWh	Gigawatt hours
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
ICT	Information Communications Technology
ILO	International Labour Organisation
IMF	International Monetary Fund
IMR	Infant Mortality Rate
IPCC	Intergovernmental Panel on Climate Change
IPP	Independent Power Producers
IT	Information Technology
KZN	KwaZulu-Natal
LE	Life expectancy
LFPR	Labour Force Participation Rate
MERO	Municipal Economic Review and Outlook
MTEF	Medium Term Expenditure Framework

NDMP	National Drug Master Plan
NDP	National Development Plan
NIDS-CRAM	National Income Dynamics Study - Coronavirus Rapid Mobile Survey
NQF	National Qualification Framework
NSC	National Senior Certificate
PERO	Provincial Economic Review and Outlook
PGM	Platinum Group Metals
PPE	Personal Protective Equipment
PPI	Producer Price Index
PPP	Purchasing Power Parity
PSP	Provincial Strategic Plan
QLFS	Quarterly Labour Force Survey
RCTA	Revealed comparative trade advantages
REIPPP	Renewable Energy Independent Power Producers Programme
RMB/BER	Rand Merchant Bank/Bureau for Economic Research
SACENDU	South African Community Epidemiology Network on Drug Use
SAPS	South African Police Service
SARB	South African Reserve Bank
SARS	South African Revenue Services
SEZ	Special Economic Zone
Stats SA	Statistics South Africa
TB	Tuberculosis
TERS	Temporary Employer - Employee Relief Scheme
TFDS	Total Foreign Direct Spend
TFR	Total Fertility Rate
UK	United Kingdom
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNDP	United Nations Development Programme
UNEP	United Nations Environmental Programme
US	United States
WCG	Western Cape Government
WHO	World Health Organisation

READY TO REOPEN AND RECOVER

After a long, disruptive COVID-19 pandemic, the Western Cape is ready to reopen and recover.

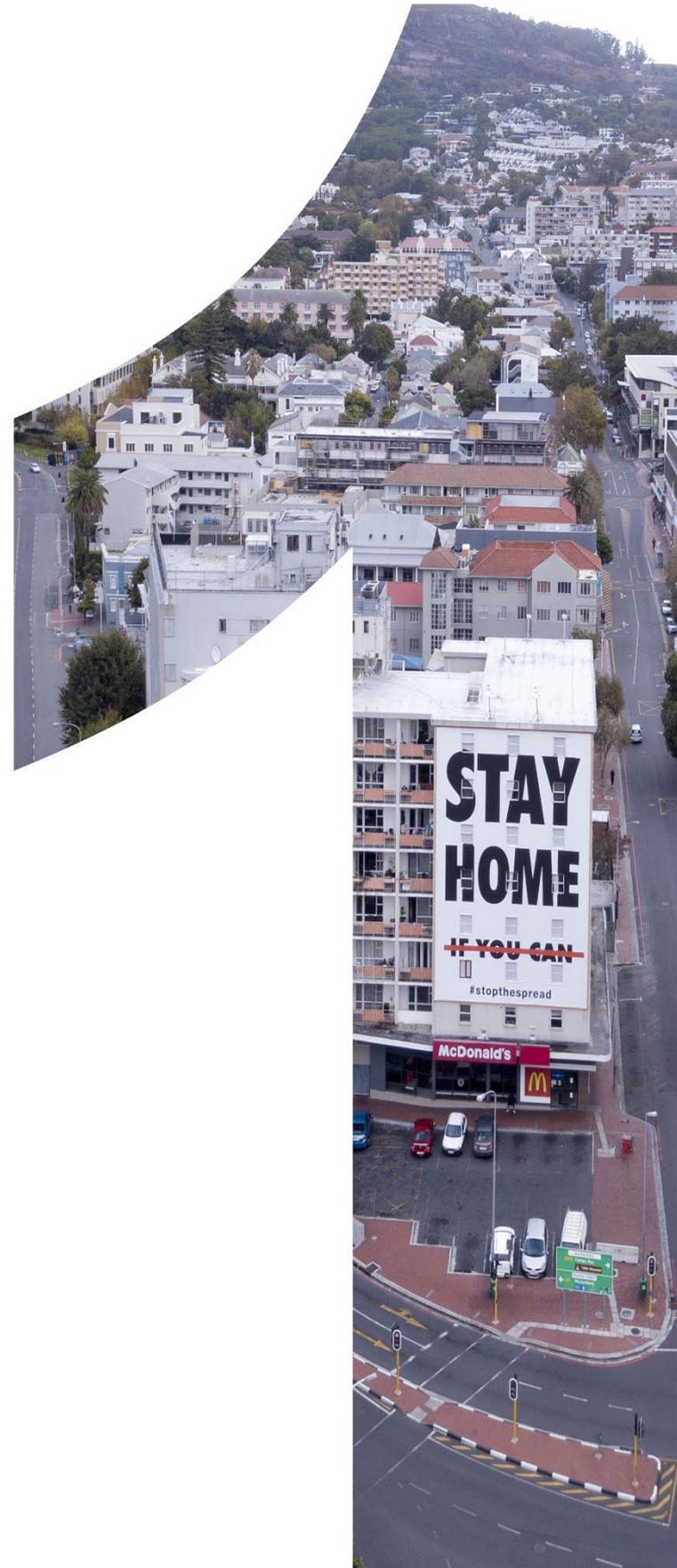
Through an extraordinary collaboration between the public and private sectors, nearly 36.6 per cent of adults in the Province have been vaccinated.

The Western Cape economy is slowly returning to normal. Activity at retail and recreation areas and workplaces is now only 10 per cent less compared to pre-COVID-19 period – a substantial improvement from the April 2020 shutdown.

To complement the fight against the pandemic, the Western Cape Recovery plan focuses on Job, Safety and Wellbeing.

Jobs growth will be accelerated by making it easier to do business in the Province and boosting infrastructure and skills. Safety will be enhanced through community safety programmes. In Wellbeing, a strong health care system will be complemented by early childhood development interventions, dealing with homelessness, food security measures and basic services and sanitation in informal settlements.

Risks remain, including a possible fourth wave of the pandemic, ongoing power shortages and climate change. These will be addressed through health system improvements, municipal energy resilience initiatives and a strategy to deal with all aspects of climate change in the Province.



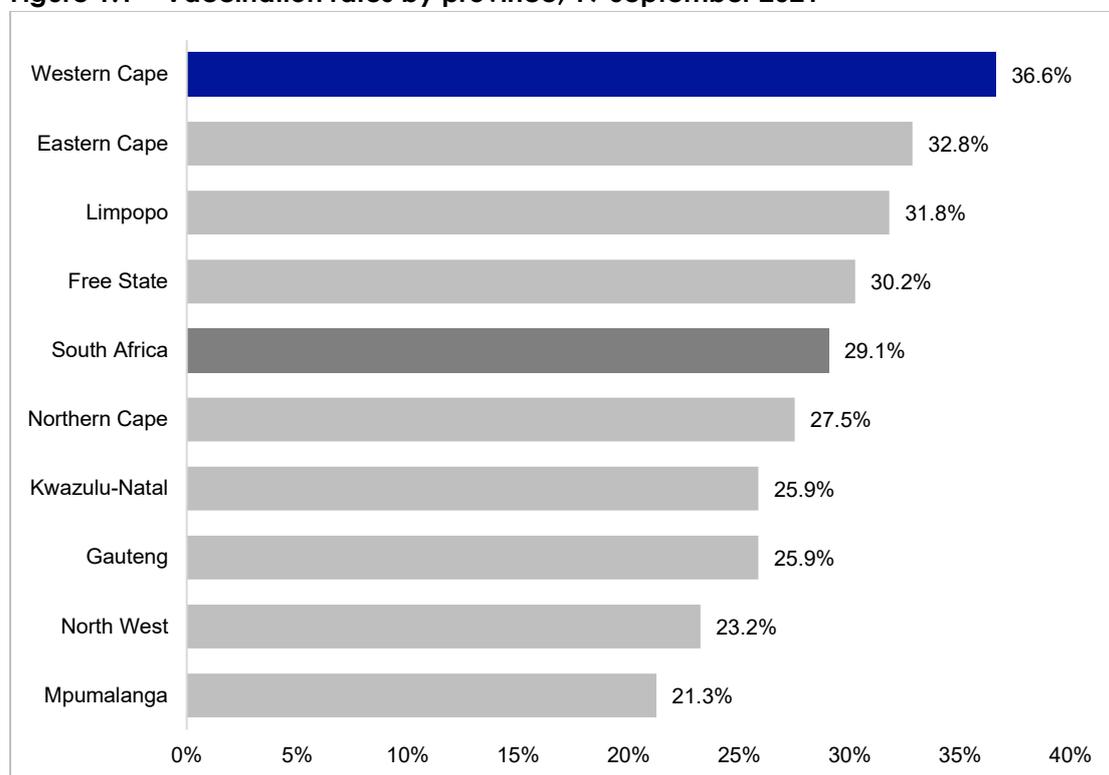
1.1 Introduction

In 2020 and 2021, the COVID-19 pandemic severely disrupted the global economy. Movement restrictions, closures of borders and businesses, and other lockdown measures significantly reduced economic activity and caused a global recession.

As 2021 draws to a close, the fight against the pandemic is showing signs of success. As vaccination rates improve, global, national and provincial economies are reopening and recovering.

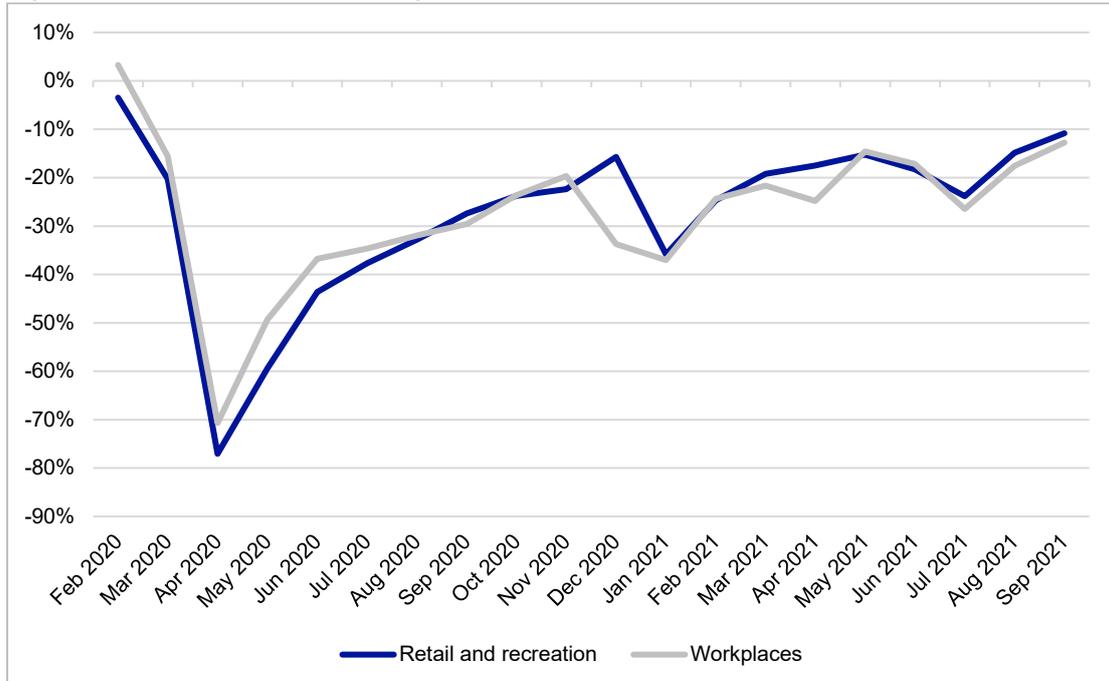
2022 is likely to be one of the fastest periods of economic growth in history. The world economy is forecast to expand by 6 per cent and the South African economy by 3.4 per cent. This recovery has been supported by the swift rollout of vaccines. By mid-September 2021, on the back of an extraordinary public and private sector collaboration, 2.5 million vaccines had been administered in the Western Cape to 36.6 per cent of adults. In comparison to 29.1 per cent of the adult population for South Africa as a whole had received a vaccination.

Figure 1.1 Vaccination rates by province, 19 September 2021



Source: <https://sacoronavirus.co.za/latest-vaccine-statistics/> accessed 19 September 2021

The rapid vaccine rollout has supported an economic recovery in the Western Cape economy. Mobility data has shown a slow recovery as more and more people return to their workplaces and retail and recreation venues. In April 2020, during the first lockdown, activity at these places was 80 per cent lower than the corresponding period prior to lockdown. In contrast, in September 2021, activity at workplaces was 13 per cent less than the pre-COVID-19 period. Activity at retail and recreation venues was 11 per cent less.

Figure 1.2 Western Cape Google mobility data

Google Mobility data uses aggregated, anonymised insights from Google Maps and other Google data to measure average activity at a location compared to the pre-COVID-19 period. For more information see <https://www.google.com/covid19/mobility/>

The reopening of the economy has supported business confidence, which has fared better in the Western Cape than the rest of South Africa. A rebound in business confidence in the third quarter of 2020 and the second quarter of 2021, points a robust recovery consistent with the upward revision of the country's growth forecast.

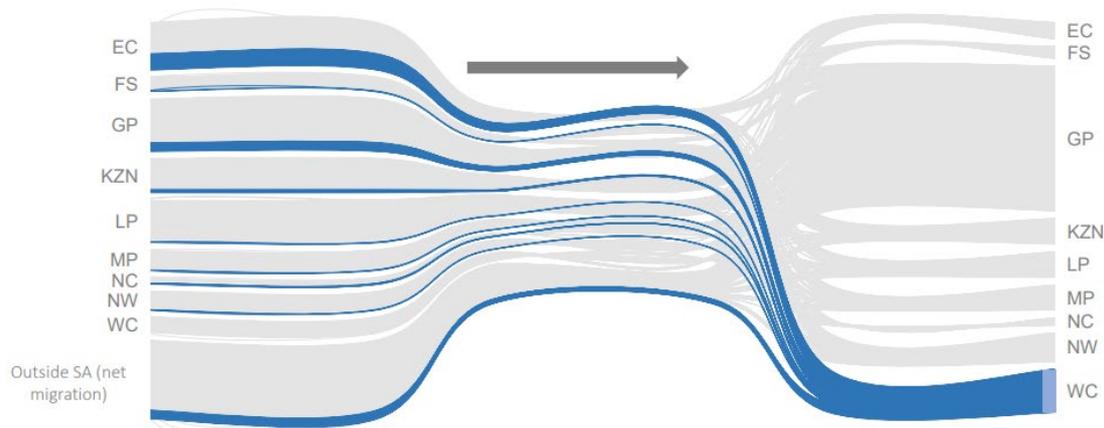
The Western Cape Recovery plan aims to respond to the most urgent needs of the community arising from the pandemic. The Recovery Plan was developed in the context of pre-COVID pressure points such as malnutrition, unemployment, crime and violence which become more severe and prevalent due to the negative impact of COVID-19.

The Recovery Plan aims to implement the strategy for an effective response to the pandemic in four areas:

- **COVID Recovery:** The 2020 focus was on strengthening the health system to fight the pandemic. While this remains important, in 2021 the accelerated vaccination drive become the cornerstone of this strategy.
- **Jobs:** Addressing the significant jobs and income losses by making it easier to do business in the Western Cape, boosting Infrastructure, skills and enhancing long-term resilience, particularly climate resilience.
- **Safety:** The redoubling of community safety efforts as envisioned in the PSP 2019 - 2024.
- **Wellbeing:** This focuses on strengthening of health service delivery, early childhood development interventions, dealing with homelessness, supporting food security and the provision of basic services and sanitation in informal settlements.

The Western Cape economy has recorded some exceptional accomplishments over the past decade. To continue this, due to global economic conditions, fiscal pressure and a growing population, it is necessary to find ways to support economic growth and job creation.

Figure 1.3 Net migration to Western Cape, 2016 - 2021



The Western Cape Provincial Strategic Plan, 2019 – 2024 (PSP) 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 includes 5 Vision-inspired Priorities:

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

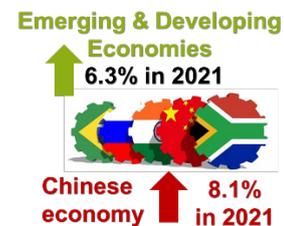
The WCG's medium-term plans are framed in the context of various broader strategic imperatives such as the United Nations Agenda for Sustainable Development, the Africa Agenda 2063 and South Africa's National Development Plan 2030. This plan provides a policy framework and sets clear goals for eradicating poverty and reducing inequality by the end of this decade. The plan aims to raise employment through faster economic growth, improving the quality of education, skills, development and innovation; and build the capability of the state to play a developmental, transformative role.

1.2 Executive summary of the 2021 PERO

1.2.1 Chapter 2: Macroeconomic performance and outlook

Following the 2020 recession the global economy is expected to recover by 6 per cent in 2021. The recovery will largely be driven by developed economies, which will benefit from early and advanced vaccinations and extensive fiscal support programmes. The outlook for the world's largest economy, the United States, has improved due to additional fiscal support measures and legislation boosting infrastructure development in 2021. The United States is expected to expand by 7 per cent in 2021.

While most advanced economies are recovering and looking forward to normalising pre-pandemic activities, emerging markets and developing economies are still battling the resurgence of new infections and rising death tolls. Emerging and developing economies are expected to grow at 6.3 per cent in 2021.

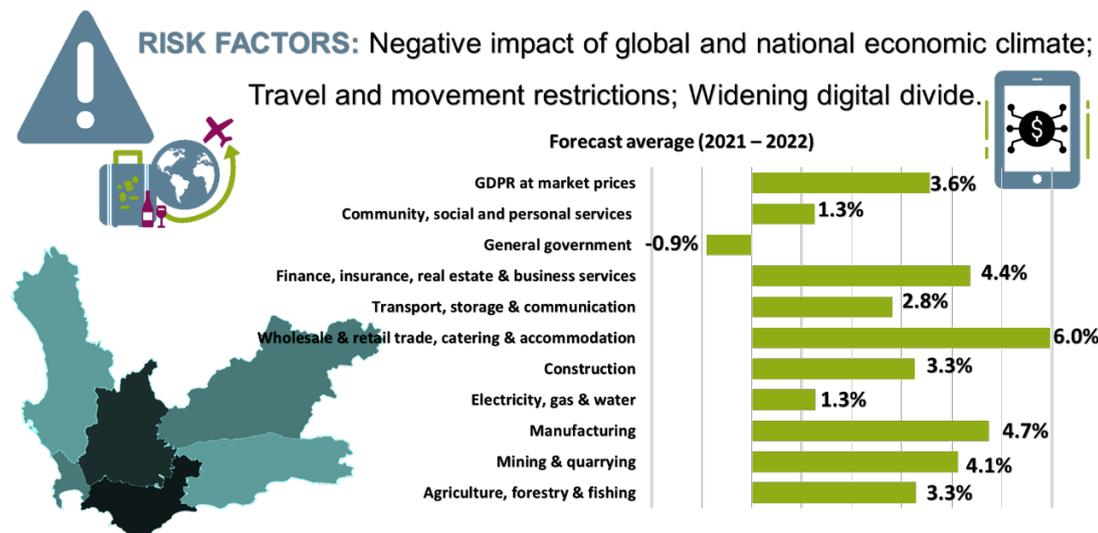


China was the first country to impose a lockdown and the first to reopen its economy for business and managed to contain the spread of the coronavirus. The Chinese economy is expected to grow by 8.1 per cent in 2021.

The South African economic recovery is underway: Gross Domestic Product (GDP) was 7.5 per cent larger in the first half of 2021 compared to the same period in 2020. However, the economy is still smaller than pre-pandemic levels: GDP in the second quarter of 2021 was on same level as in the second quarter of 2018.

After experiencing a large recession in 2020, the Western Cape economy is bound to track the economic recovery of South Africa with a growth projection of 3.0 per cent in 2021. Changes in the Western Cape's economic performance relative to the rest of South Africa are driven by a relative larger exposure to the Finance (WC 31.9 per cent; SA 23.1 per cent), Manufacturing (WC 14.7 per cent; SA 13.1 per cent) and Agriculture (WC 4.4 per cent; SA 3.0 per cent) sectors, and relative lower exposure to the Mining (WC 0.2 per cent; SA 7.4 per cent) and Government (WC 11.5 per cent; SA 18.1 per cent) sectors.

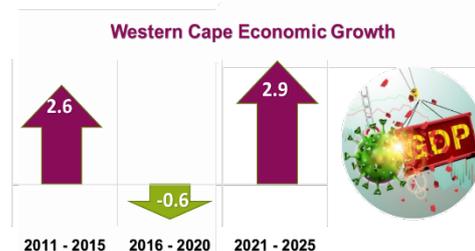
One of the key reasons for the weaker rebound in the Western Cape is the significant role that the Tourism sector plays in the Province. The sector accounts for 4.5 per cent of GDP, and 6.6 per cent of total employment. The sector was deeply affected by the COVID-19 pandemic and the associated lockdown restrictions. The outlook for the Western Cape is dampened by a possible fourth wave of COVID-19 infections in 2021 and vaccine hesitancy.



1.2.2 Chapter 3: Developments in the Western Cape economy

The Western Cape economy will be supported by the recovery of our main export destinations, with 47.3 per cent of all exports destined for developed economies, among which the United States (7 per cent) and the United Kingdom (7 per cent), are expected to record robust recoveries in 2021. Between 2016 and 2020, export growth in the Western Cape was mainly supported by agriculture exports largely due to a stellar performance (44.4 per cent) in 2020. Supported by a relative weaker local currency and fewer COVID-19 restrictions, the sector is likely to continue its important contribution to Western Cape exports.

The Province's Regional Gross Domestic Product (GDPR) grew by an average of 2.6 per cent over the first half of the decade (2011 – 2015). Between 2016 and 2020 the average annual GDPR growth of the Western Cape declined to -0.6 per cent, with only the Government sector recording positive growth at 0.8 per cent. The negative growth in the over the last five years was mostly due to the 2020 recession, however the Province also experienced sluggish average growth (0.9 per cent) in the four years prior to the recession. Between 2021 and 2025, the Western Cape economy is expected to grow at an average annual growth rate of 2.9 per cent.

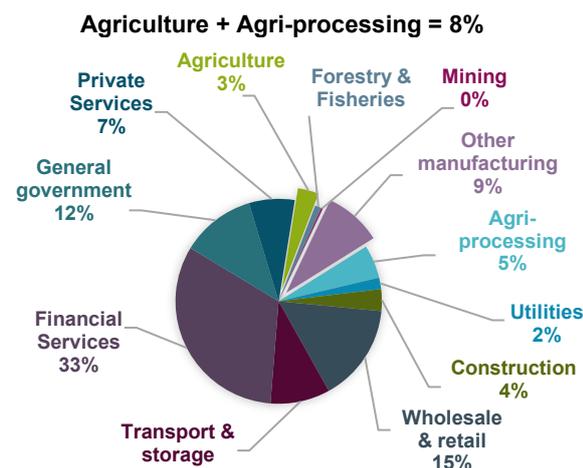


For the period 2016 to 2020, an average annual decline of 5.4 per cent is observed in fixed investment in the Western Cape, measured by Gross Fixed Capital Formation (GFCF). The deterioration in fixed investment was broad-based as a contraction was experienced across all sectors. The investment outlook for the Western Cape between 2021 and 2025 is positive relative to the previous five-year period, with an average growth of 4.2 per cent expected during this period.

In 2020, the Western Cape lost 159 266 employment opportunities or a decline of 6.2 per cent from the previous year. The largest portion of these losses was in the Private services sector (68.7 per cent), followed by the Construction (12.5 per cent) and Manufacturing (11.6 per cent) sectors. The Government sector was the only sector not to shed employment opportunities during the year. The Sector added 3 236 employment of opportunities in 2020.

Between 2011 and 2020, Building and Construction works contributed on average 42.7 per cent to all fixed investments (GFCF) in the Province. The Construction sector is also a critical user of informal employment since the portion of informal employment used by the sector (31.5 per cent) exceeds the share of informal employment used by all sectors (22 per cent) in the Province. The Construction sector was one of the most severely affected by the COVID-19 lockdown measures adopted in 2020.

In 2020, Agriculture and agri-processing together contributed 8 per cent to the total economic activity and provided 10.4 per cent of all employment opportunities in the Province, and 50 per cent of national agricultural exports. The Western Cape contributes more than 90 per cent of national exports of blueberries, bulk wine, pears, bottled wine and apples. Between 2016 and 2020, average annual export growth in the Western Cape was -1.2 per cent. In 2020, export growth in the Western Cape contracted by 3.5 per cent. The Agriculture sector (9.1 percentage points) made the largest positive contribution to export growth due to a blistering 44.2 per cent growth rate in the same year.



The worldwide spread of COVID-19 heavily impacted the outlook for tourism in 2020 and 2021, with a significant decrease in international and local tourists travelling to the Western Cape. Due to border closures and travel restrictions, there were no international arrivals from April to September 2020 and limited domestic air travel was introduced in a phased approach at lockdown Level 3, which came into effect on 1 June 2020. The Western Cape accounted for 12.7 per cent of all South African international tourist arrivals in 2020 and received 28.3 per cent of South Africa's international tourists spend.

1.2.3 Chapter 4: Labour market dynamics

South Africa continues to face an employment challenge. Employment levels have declined and unemployment has risen. Total employment growth in the Western Cape declined on an annual average basis by 0.6 per cent from 2016 to 2020, due to declining economic activity (GDPR) over the same period. The Agriculture (-3.0 per cent), Construction (-2.9 per cent) and 'Other' (-0.9 per cent) sectors recorded the largest employment contractions, while the Government (0.6 per cent) sector recorded the largest employment expansion.

Between 2016 and 2021, neither South Africa (-2.0 per cent) nor the Western Cape (-4.3 per cent) could attain positive growth in employment levels. The decrease in employment nationally and for the Province over this period is mainly due to the COVID-19 lockdown measures adopted since the end of the first quarter in 2020, but also due to the economic stagnation since the beginning of 2018.



In the Western Cape, the unemployment rates are estimated at 23.7 per cent and 27.9 per cent using the narrow and expanded definitions, respectively. Unemployment is more prevalent among the youth. Although the unemployment rate in the Western Cape is 23.7 per cent, 45.2 per cent of young people aged 15 to 24 in the labour force were unemployed in the first quarter of 2021.

Between the first quarter of 2016 and 2021, Youth¹ employment in the Province declined by 168 000 or -17.9 per cent while the narrow unemployment rate among youth has increased by 4.6 percentage points to 35.7 per cent. In the first quarter of 2021, there were an estimated 427 000 unemployed youth in the Western Cape.

The informal sector plays an important role in absorbing the relative lower skilled workforce into employment and making the labour market more flexible toward employers and entrepreneurs. In the Western Cape, the African (6.0 percentage points) and Coloured (1.6 percentage points) populations provide a relative larger contribution to informal employment than to total employment.

1.2.4 Chapter 5: Socio-economic developments

The Western Cape's demographic profile continues to change primarily due to in-migration and improved health outcomes. The relatively high levels of in-migration continue to drive the demand for public services, especially the social sector services such as education, healthcare and the expansion of housing opportunities, and access to basic services in the Province. Between 2016 and 2020, the Western Cape gained 292 521 people due to net in-migration. The Western Cape is now home to 7.1 million residents, accounting for 11.8 per cent of the South African population.

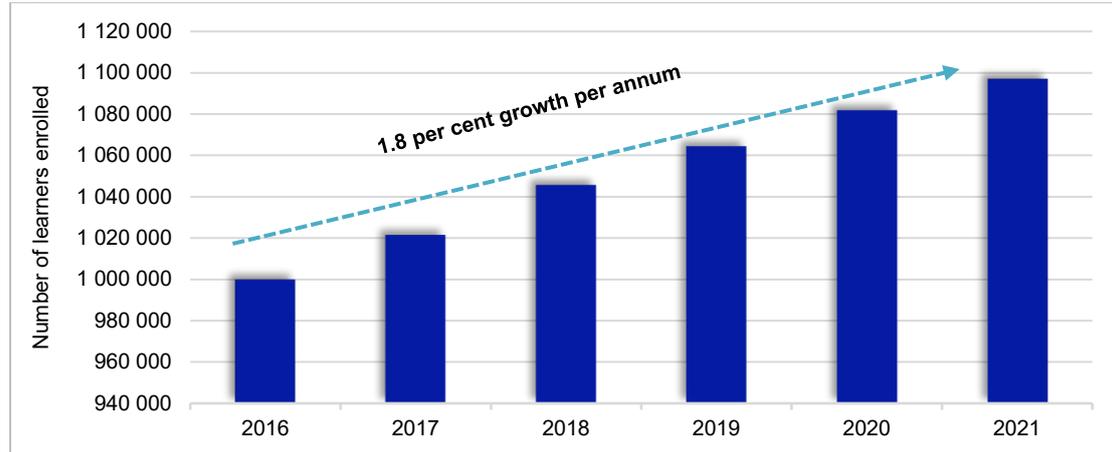
Income inequality remains an immense challenge in South Africa and is expected to be exacerbated by the COVID-19 pandemic. Between 2012 and 2020 the Western Cape Gini Coefficient increased from 0.60 to 0.63. In contrast to the deterioration of income inequality the Western Cape made progress in human development with the HDI increasing from 0.709 to 0.769 over the same period.

Education and health services continue to experience rising demand as the population increases. Learner enrollment in ordinary public schools increased from 999 914 in 2016 to 1 096 637 in 2021 - increasing on average by 1.8 per cent per annum. Despite the impact of COVID-19 on the education system, over 51 000 students in Western Cape

¹ Refers to ages 15 – 34.

wrote their National Senior Certification final exams in 2020, of which 79.9 per cent passed.

Figure 1.4 Number of learners enrolled in the Western Cape, 2016 - 2021

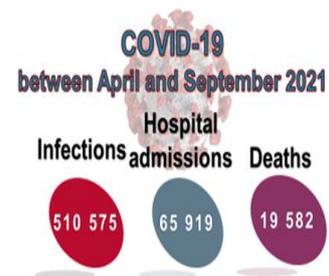


Source: Western Cape Department of Education, 2021

Life expectancy continues to improve in the Western Cape. Between 2001 and 2021, life expectancy improved for both females (from 63.7 to 70.3 years) and males (from 59.2 to 64.9 years).

Comorbidities are often linked to COVID-19 related mortalities and adds significant pressure on the health system. The top leading underlying natural causes of death in the Western Cape were; Diabetes Mellitus (15.8 per cent), Cerebrovascular diseases (12.0 per cent), Ischaemic Heart diseases (12.1 per cent) and HIV (11.4 per cent).

The COVID-19 pandemic placed severe pressure on the health system during 2020 and the first half of 2021 – due to prioritising the COVID-19 response, while non-COVID-19 comprehensive services were de-escalated, such as HIV & TB testing, routine maternal health checks, immunisations, and elective surgeries. The Western Cape reported a total of 510 575 COVID-19 infections; 65 919 hospital admissions and 19 582 deaths between April 2020 until September 2021. The Western Cape Department of Health has acknowledged the inequity in accessing vaccinations, evident in registration and vaccination data. A higher proportion of the insured population has been vaccinated compared to the uninsured population. As of 22 September 2021, 37 per cent of the Western Cape citizens were fully vaccinated. Nearly 1.3 million people in the Western Cape have registered on the Electronic Vaccination Data System (EVDS), representing 43 per cent of the currently eligible population (35 years and older)².



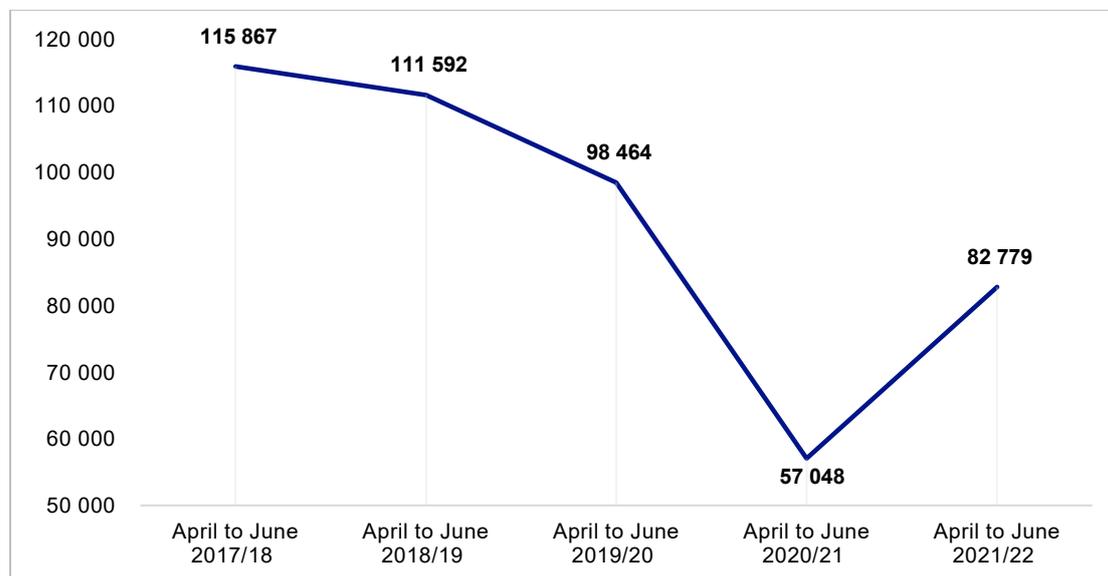
As with health and education services, there is an increase in demand for basic services provision such as, access to piped water, sanitation, electricity, telecommunications etc. because of rapid population growth/urbanisation. In the Western Cape, 79.0 per cent of households live in formal dwellings, 19.5 per cent in informal dwellings, while 0.5 per cent of households lived in traditional dwellings. While there is an increase

² <https://coronavirus.westerncape.gov.za/vaccine-dashboard> (accessed 9 August 2021)

in demand, the Province's provision remains relatively high, compared to the rest of the country.

Crime in the Western Cape has increased by 45.1 per cent between the first quarters of 2020/21 and 2021/22 following low crime levels recorded due to COVID-19 lockdown measures. Contact sexual offences (102.9 per cent) was reported as the highest increase in crime from April - June 2020 to April - June 2021, followed by sexual assault (100.0 per cent), attempted sexual offence (88.2 per cent) and rape (64.2 per cent).

Figure 1.5 Total number of crimes committed in the Western Cape, April to June 2017/18 – April to June 2021/22



Source: South African Police Service, 2021; Own calculations

1.3 Policy implications of research findings

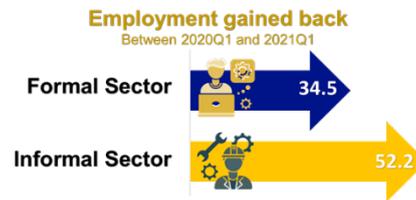
The 2021 PERO research highlights economic and socio-economic trends, opportunities and risks that may potentially impact on the welfare of Western Cape citizens. As such the interpretation of the data trends provides a robust context for planning and budgeting as well as possible implications for the Province.

The close linkages between the provincial, national and global economy highlight the importance of steps to reopen trade and tourism links and continue the integration of the Western Cape economy in the global economy.

The recovery will be led by the private sector, particularly Tourism, Trade and Finance sectors. Steps to support this private-sector recovery are critical. The Recovery Plan takes this forward through the Jobs lever, focusing on making it easier to do business in the Western Cape, boosting economic infrastructure, increasing skills levels and enhancing long-term resilience will be particularly important.

The economic contraction has led to a significant reduction in resources, which will have budget and service delivery implications at both provincial and municipal level. This requires more to be done with less. As the largest portion of the provincial budget is allocated toward education and health services (72 per cent), steps will need to be taken to ensure education, health, housing and other social and community services can respond to rising demand.

The 2020 recession had a significant impact on the labour market aggregates in the Western Cape. Informal employment does not provide pension and medical aid benefits or a written contract to employees. That said, this type of employment has rebounded quicker from the 2020 recession than formal employment. Between the second quarter of 2020 and the first quarter of 2021, the informal sector in the Western Cape gained back 53.2 per cent of jobs lost compared. In comparison, the formal sector recovered by 34.5 per cent. Informal employment also absorbs relatively more African and Coloured people, men, youth, and less educated individuals. Less stringent labour legislation may, for example, not only benefit these groups but also incentivise companies to take more risks and encourage fixed investment.



There is a close link between education and jobs. In the first quarter of 2021, 5.7 per cent of graduates were unemployed, compared to those with Grade 12 (25.5 per cent) and those with only some secondary education (30.0 per cent). That said, rising levels of higher education have not necessarily translated into higher levels of employment, in part due to a weak economy.

This highlights the complex dynamics between fixed investment, economic output, education and employment. While national economy has posted a strong recovery since the third quarter of 2020, the unemployment rate has continued to rise, reaching an all-time high (34.4 per cent) in the second quarter of 2021.

The 2020 recession has left the Western Cape with more socio-economic challenges. Data from Chapter 5 points to increased poverty and inequality in an already highly impoverished and unequal country. Between 2012 and 2020 the Gini-coefficient for the Western Cape increased from 0.600 to 0.625. There is a close link between income inequality and educational attainment inequality. The wellbeing lever of the Recovery Plan includes programmes to support early childhood development and food nutrition. These will play a key role to support a more equal educational attainment. The increased use of information technology could make quality education opportunities more affordable and accessible.

Population size and growth impact on service delivery. Between 2016 and 2020, the Western Cape received an in-migration of 470 657 people, increasing the population by an additional 7.1 per cent relative to natural population growth. The continuation of in-migration to the Western Cape will place increased pressure on its health, education and public infrastructure. In the context of more constrained budget growth, the WCG will need innovative policies that involve the increased use of information technology and improved spatial planning to strengthen economic connectivity.



A shift in the health policy focus from treatment to prevention could lead to substantial budgetary gains as well as increased levels of wellbeing. Incentives to promote healthy lifestyles, could possibly reduce the burden on the health system. The COVID-19 response already contained increased elements of prevention with both the vaccine rollout and restriction on alcohol sales promoting improved immune systems and protection against disease with great success, albeit with mixed economic implications in the latter case.

1.4 Conclusion

The COVID-19 pandemic has provided a unique opportunity to think about the kind of future we want. The world was facing daunting challenges before the COVID-19 crisis. Climate change, environmental destruction, worsening inequality and widening disparities are problems that some among us chose to downplay or dismiss. Those challenges can no longer be ignored. The COVID-19 crisis has exposed and amplified our problems, and in some cases made them worse.

The recovery in 2021 introduced a world forever transformed focusing on remote work, e-commerce, automation. The COVID-19 pandemic has come to re-value just how precious our families and personal relationships are, with as many as 1 in 4 people working from home globally, up from more than 1 in 12 before the pandemic.

A post COVID-19 recovery, built around Jobs, Safety and Wellbeing, will support an opportunity to rebuild the Western Cape economy to ensure a resilient, equitable and sustainable future.

MACROECONOMIC PERFORMANCE AND OUTLOOK

2.1 Introduction

In 2020, the COVID-19 pandemic severely disrupted economies around the globe. Movement restrictions, closures of borders and businesses, and other lockdown measures had a profound impact on economic activity and caused a global recession. This disruption in business and operating activities are expected to erode the gains made in reducing extreme poverty and inequality since the 1990s. The second half of 2020 saw the beginning of the global vaccine rollout and a return to normality. However, the recovery has been uneven and uncertainty remains high.

In 2021, the battle against the pandemic is ongoing with new variants of the coronavirus causing disruptions to economic responsive measures. Some countries are showing strong recovery, while others continue to battle a resurgence of COVID-19 cases. The pandemic has deepened the divide between advanced economies and emerging market and developing economies, due to vastly different responses to the pandemic, most notably the speed and scale at which they have been able to obtain access to vaccines.

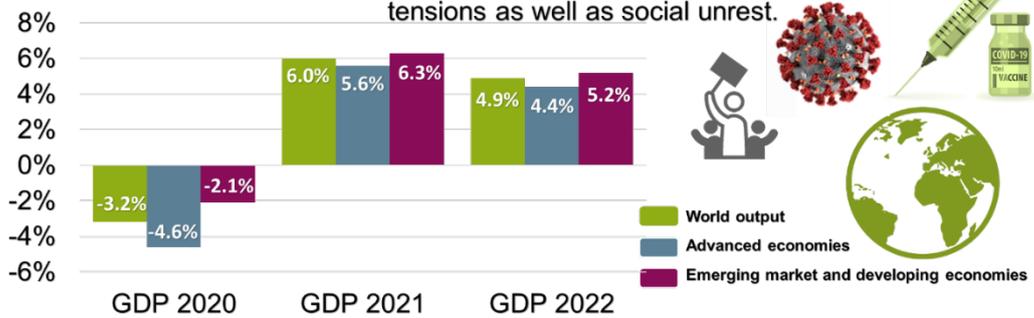
The swift and equitable rollout of vaccines is paramount in the recovery of the global economy. Multilateral action is critical in building global prospects and diminishing divergences. This chapter considers the economic performance and outlook of the Western Cape in the context of the global and national economic performance and recovery from the COVID-19 pandemic.

MACROECONOMIC OUTLOOK AND PERFORMANCE

GLOBAL ECONOMIC OUTLOOK

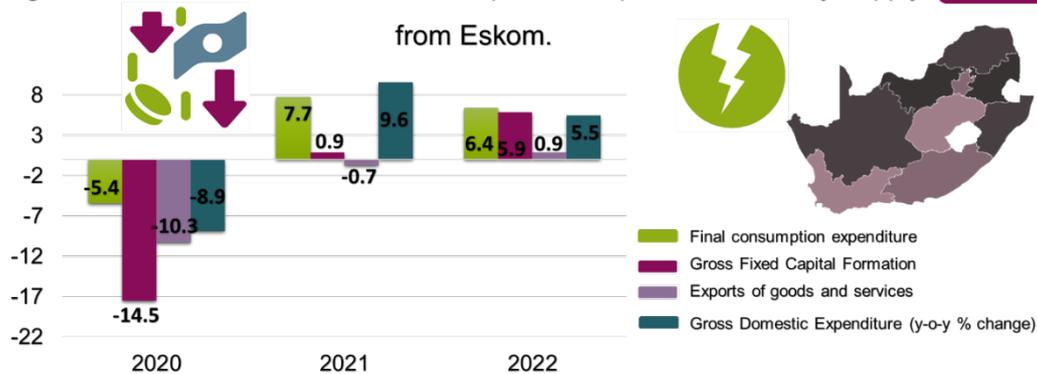


RISK FACTORS: Uneven recovery from the COVID-19 pandemic; Slow vaccine rollout in poorer countries; Sharp contraction in economic activities; Widening global income inequality; Geopolitical and trade tensions as well as social unrest.



SOUTH AFRICAN ECONOMIC OUTLOOK

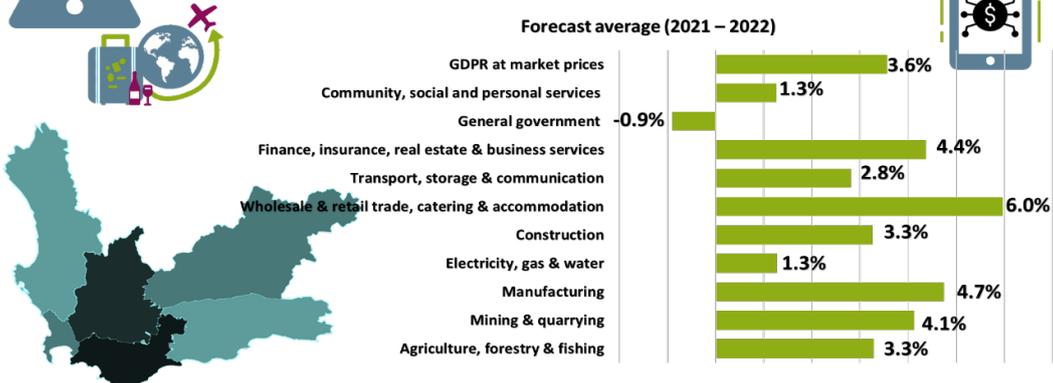
RISK FACTORS: Negative effect of the pandemic on output, The tourism and the hospitality sectors; Growing income inequality; Soaring government debt; Unreliable and frequent disruption in electricity supply



WESTERN CAPE ECONOMIC OUTLOOK



RISK FACTORS: Negative impact of global and national economic climate; Travel and movement restrictions; Widening digital divide.



2.2 Global economic performance

The International Monetary Fund (IMF) expects the global economy to rebound to 6.0 per cent in 2021, from a low base in 2020, before easing to a growth of 4.9 per cent in 2022 (see Table 2.1). The 2022 forecast for advanced economies has been revised up by 0.5 percentage points, while the forecast for emerging market and developing economies has been marked down by 0.4 percentage points. The divergence can be attributed to differences in vaccine access, coverage between advanced economies, developing and emerging market economies and unequal fiscal and policy responses. There are risks to the rebound – there may be further virus mutations, social unrest, geopolitical tensions, cyberattacks on critical infrastructure, and natural disasters associated with climate change.



Table 2.1 Global economic outlook, 2021 – 2022

Region / Country	Size of Global GDP in 2020	GDP Growth (per cent)		GDP Forecast (per cent)	
	(per cent)	2019	2020	2021	2022
World output	100.0	2.8	-3.2	6.0	4.9
Advanced economies	59.8	1.6	-4.6	5.6	4.4
United States	24.8	2.2	-3.5	7.0	4.9
Euro Area	15.3	1.3	-6.5	4.6	4.3
Germany	4.5	0.6	-4.8	3.6	4.1
France	3.1	1.8	-8.0	5.8	4.2
Italy	2.2	0.3	-8.9	4.9	4.2
Spain	1.5	2.0	-10.8	6.2	5.8
Japan	6.0	0	-4.7	2.8	3.0
United Kingdom	3.2	1.4	-9.8	7.0	4.8
Canada	1.9	1.9	-5.3	6.3	4.5
Other advanced economies	8.7	1.9	-2.0	4.9	3.6
Emerging and developing economies	40.2	3.7	-2.1	6.3	5.2
Sub-Saharan Africa	1.9	3.2	-1.8	3.4	4.1
Nigeria	0.5	2.2	-1.8	2.5	2.6
Middle East and Central Asia	4.4	1.4	-2.6	4.0	3.7
Emerging and Developing Europe	4.3	2.5	-2.0	4.9	3.6
Russia	1.7	2.0	-3.0	4.4	3.1
Emerging and Developing Asia	24.5	5.4	-0.9	7.5	6.4
China	17.4	6.0	2.3	8.1	5.7
India	3.2	4.0	-7.3	9.5	8.5
Latin America and the Caribbean	5.1	0.1	-7	5.8	3.2
Brazil	1.7	1.4	-4.1	5.3	1.9
Mexico	1.3	-0.2	-8.3	6.3	4.2
Consumer prices					
Advanced economies		1.4	0.7	2.4	2.1
Emerging and developing economies		5.1	5.1	5.4	4.7

Source: International Monetary Fund, 2021

2.2.1 Performance and outlook of advanced economies

Advanced economies are forecast to rebound by 5.6 per cent in 2021 and 4.4 per cent in 2022. This strong post-COVID-19 normalisation is supported by a swift vaccine rollout and fiscal support. This follows an economic contraction of 4.6 per cent in 2020. These economies account for nearly 60.0 per cent of global economic activity and the destination of more than 30.0 per cent of Western Cape exports.

The United States (US) economy is forecast to grow by 7.0 per cent in 2021 and by 4.9 per cent in 2022, following a contraction of 3.5 per cent in 2020. Since taking office, President Joe Biden has mobilised a whole-of-government effort to provide the support needed to fight the COVID-19 pandemic and get people vaccinated. The additional support is expected to boost growth in the US by 0.3 percentage points in 2021. The US unemployment rate peaked at 14.8 per cent in April 2020, the highest rate since 1948. The strong recovery supported an improvement in the unemployment rate to 5.8 per cent in May 2021 and a gradual improvement in the labour market participation rate from 60.2 per cent, the lowest since the 1970s, to 61.7 per cent in July 2021.



There were similar developments in the Euro Area which is expected to recover by 4.6 per cent in 2021 and by 4.3 per cent in 2022 due to strong policy support and developments in bringing the COVID-19 pandemic under control. This after the Euro Area experienced a sharp contraction of 6.5 per cent in 2020. The impact of the COVID-19 pandemic was most evident in the economic decline in Spain (-10.8 per cent) and Italy (-8.9 per cent) in 2020. GDP growth in the Euro Area reached an all-time high of 12.4 per cent in the third quarter of 2020, after a record low of -11.5 per cent in the second quarter of 2020, due to widespread pandemic-related lockdowns. After the rebound in the third quarter of 2020, many European countries experienced a second wave of COVID-19 infections causing the regional economy to contract by 0.6 per cent in the fourth quarter of 2020 and by 0.3 per cent in the first quarter of 2021. The second quarter of 2021 brought modest growth of 2.0 per cent as the pandemic was brought under control and vaccination coverage increased.

Within the Euro area, the French economy is forecast to rebound by 5.8 per cent in 2021 and by 4.2 per cent in 2022, as smaller than expected productivity losses and strong spending and investment are expected to support growth. France was the second-fastest growing economy in the Euro Area in 2019, however, the country experienced a steep contraction of 8.0 per cent in 2020. France and its European neighbours faced a fresh wave of COVID-19 infections in 2021, prompting governments to reimpose lockdowns to contain the resurgence. France's economy contracted by 0.1 per cent in the first quarter of 2021, slipping into recession as it struggled to recover from the pandemic-induced downturn (Reuters, 2021). The French Central Bank expects the country's economy will return to pre-pandemic output at the start of 2022, as the lifting of restrictions and the acceleration of vaccinations fuel a rebound in the second half of 2021.

The German economy is expected to grow by 3.6 per cent in 2021 and by 4.1 per cent in 2022 as the economy re-opens and growth gains momentum. Germany experienced a 4.8 per cent economic decline in 2020. According to the Federal Statistical Office (Destatis, 2021), Germany's economy expanded by 1.5 per cent in the second quarter of 2021, after a 2.1 per cent contraction in the first quarter of 2021. The recovery in the second quarter followed the gradual easing of coronavirus restrictions and was mainly due to higher household and government final consumption expenditure. GDP was still 3.4 per cent lower in the first quarter of 2021 than in the first quarter of 2020, before the pandemic emerged (Destatis, 2021).



The United Kingdom (UK) economy is forecast to rebound by 7.0 per cent in 2021 and by 4.8 per cent in 2022. This is after the UK experienced a contraction of 9.8 per cent in 2020, more than twice as much as the previous largest annual contraction on record according to the British Office for National Statistics. UK growth picked up at the end of the year, expanding by 1.3 per cent in the fourth quarter of 2020 as restrictions eased but contracted by 1.5 per cent in the first quarter of 2021. It is then estimated to have increased by 4.8 per cent in the second quarter of 2021 following the easing of COVID-19-related restrictions. However, a resurgence of infections caused by the Delta variant of the coronavirus delayed the lifting of the remaining social distancing rules until July 2021. However, by the end of July 2021, the UK had fully vaccinated more than 70.0 per cent of adults, successfully slowing the surge of infections and boosting the economic outlook.

The growth forecast for the Japanese economy was downgraded by 0.5 percentage points to 2.8 per cent for 2021, but a rebound of 3.0 per cent in 2022 is expected as the Japanese economy re-opens and vaccination coverage increases. This follows the sharp contraction of 4.7 per cent in 2020, its first since 2009. The Japanese economy suffered a 3.7 per cent slump in the first quarter of 2021 as COVID-19 infections again surged, driven by the Delta variant and forced policymakers to implement a third state of emergency at the end of April 2021. Japan hosted the 2020 Olympics which were postponed to August 2021 due to the pandemic. However, the lack of spectators and the expected windfalls from tourism, coupled with cost overruns for building new venues and upgrading infrastructure, eroded any hope of an economic boost for the Japanese economy.

2.2.2 Performance and outlook of emerging market and developing economies

Emerging markets and developing countries are important and growing destinations for exports from the Western Cape and South Africa. China and India are amongst the top ten export markets for South Africa, accounting for 15.2 per cent of total exports as of 2020. China and Russia account for 7.4 per cent of total exports from the Western Cape.



In these economies, growth is expected to recover by 6.3 per cent in 2021 and by 5.2 per cent in 2022, following a contraction of 2.1 per cent in 2020. These economies face a double-hit due to worsening COVID-19 pandemic dynamics and tightening

external financial conditions. Imports and exports remain substantially below the 2019 levels for Brazil, India and Russia.

The Brazilian economy is expected to grow by 5.3 per cent in 2021 and 1.9 per cent in 2022, however, Brazil's outlook is dampened by soaring inflation and persistent unemployment. Brazil was hard-hit by the COVID-19 pandemic as the economy contracted by 4.1 per cent in 2020, while it was recovering from its 2014 - 2016 recession. The Brazilian President's delayed approach to the pandemic did not support the recovery. Measures to slow the spread of the coronavirus and contain its impact on the health system capacity were finally implemented, but the virus had already spread rapidly as infections soared. The government introduced a fiscal package focused on social assistance to mitigate the impact of the pandemic, and the fiscal stimulus limited the economic decline. As such, the Brazilian economy expanded by 1.2 per cent in the first quarter of 2021, marking its third consecutive quarter of growth driven by services, industry and fixed business investment (Reuters, 2021). However, a new, more contagious variant of the virus was discovered in Manaus in early 2021, and by March 2021, the country reached its highest peak in infections since the start of the pandemic.

The outlook for Russia is promising, with growth forecasts at 4.4 per cent in 2021 and 3.1 per cent in 2022 supported by global economic recovery, higher oil prices, household consumption and public investment. This follows the 3.0 per cent contraction in 2020. The economic contraction experienced by Russia in 2020 was smaller than that experienced by other emerging market and developing economies due to, amongst others, the macro-fiscal stabilisation efforts undertaken in recent years, better regulation of its banking sector and closer trade ties to China (World Bank, 2021). After a contraction of 0.7 per cent in the first quarter of 2021, the economy showed a strong rebound with growth of 10.3 per cent in the second quarter of 2021. The Russian economy is showing a strong recovery on the back of a rebound in consumer demand and high prices for oil, its key export (Reuters, 2021).

India is forecast to grow by 9.5 per cent in 2021 and 8.5 per cent in 2022, after the country is expected to have suffered an economic contraction of 7.3 per cent in 2020. Despite the high growth rates, India's economic growth prospects have been revised down following the March to May 2021 severe second wave outbreak of COVID-19. Economic recovery was marred by the emergence of the Delta variant of the coronavirus during a severe second wave of COVID-19 in April 2021. India's economy is estimated to have grown at a modest 1.6 per cent during the first quarter of 2021. However, the Reserve Bank of India estimates growth at 22.1 per cent in the second quarter of 2021 due to a tapering in the spread of COVID-19 infections and an aggressive vaccination campaign. In March 2020, the Indian government announced a national lockdown, pausing economic activity, resulting in negative growth for the first half of the year, and modest growth for the second half of the year. The economy slowly reopened in the second half of 2020, creating hope for recovery.



China's growth forecast has been revised down by 0.3 percentage points to 8.1 per cent for 2021 due to the cut in public investment and overall fiscal support and is expected to grow by 5.7 per cent in 2022. The Chinese economy expanded by 2.3 per cent in 2020 amidst the outbreak of the COVID-19 pandemic, albeit the lowest

growth since 2010. China and Turkey were the only two countries of the G20 that managed to escape a recession in 2020. China was the first country to impose a lockdown and the first to re-open its economy for business and managed to bring the spread of the coronavirus under control. The Chinese economy grew by 18.3 per cent in the first quarter of 2021, marking the largest quarterly growth figure since China began keeping records in 1992, according to the country's National Bureau of Statistics. The growth was driven by a strong rebound in the retail sector and strong growth in industrial production. However, in May 2021, China's Guangdong province imposed restrictions amid an outbreak of infections after months of minimal new infections. Although China has managed to contain the spread of the coronavirus, weak consumer spending and the disruption of global production and supply chains will weaken China's growth prospect.

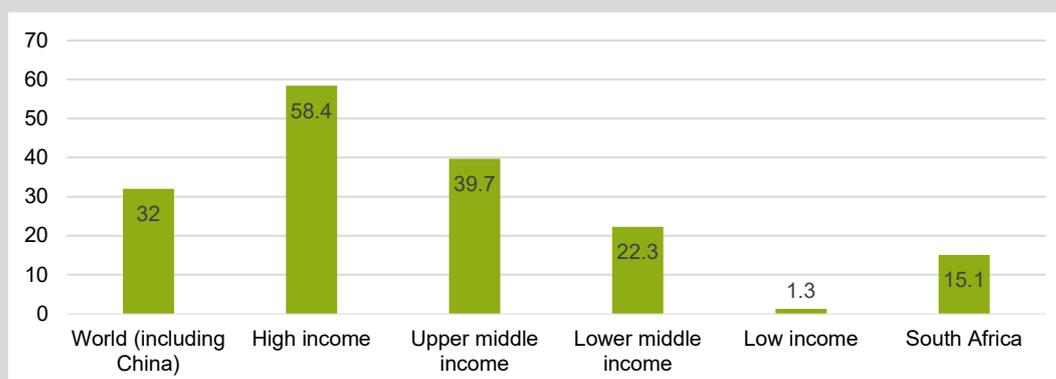
2.2.3 Performance and outlook of Sub-Saharan Africa

Sub-Saharan Africa is expected to rebound by 3.4 per cent in 2021 and 4.1 per cent in 2022, supported by surprising growth in South Africa in the first quarter of 2021 and the gradual reopening of the regional economy. Yet, other countries in the region experienced a downward revision of their growth forecast due to rising public and external debts and slow vaccine rollout, especially to vulnerable groups. In 2020, the regional economy contracted by 1.8 per cent due to the pandemic induced restrictions. While most advanced economies are recovering and looking forward to normalising pre-pandemic activities, emerging markets and developing economies are still battling the resurgence of new infections and rising death tolls. Developing economies, particularly Sub-Saharan African countries, face multi-layered challenges such as the health shock, vaccination take-up, disruption in economic activities, growing public and external debts, declining commodity prices, and poor governance issues.

GLOBAL VACCINE ROLLOUT

As of 17 August 2021, a total of 4.8 billion doses have been administered worldwide. Of this, 1.2 billion have been administered by high-income economies and 13.32 million by low-income economies. Close to 60 per cent of the population in high-income economies have been vaccinated (received at least one dosage), compared to less than 25 per cent in lower-middle economies and two per cent in lower-income economies. Variance in vaccine coverage is expected to deepen inequality between developed and developing economies. Low vaccine administration is also associated with the emergence of new variants of the virus, thus posing many threats to the global economy.

Share of total population vaccinated (%), August 2021



Note: This data is only available for countries that report the breakdown of doses administered by first and second doses.

Source: World Health Organization, 2021; Statistics South Africa, 2021; Department of Health, 2021

Consequently, the World Health Organization (WHO) now predicts that of the 54 African nations, 47 will probably miss the September target of vaccinating 10 per cent of their citizens. In countries like Burundi, not a single vaccine has yet been administered. Economic recovery speed is also impacted, accelerating in high-income economies while conditions worsen for lower-middle-income and lower-income economies. The damage to jobs and livelihoods is causing a further divergence between the fate of poor and rich countries.

The IMF revised the growth prospects for advanced economies by 0.5 per cent in August 2021, while emerging and developing economies were given a downward revision. The African Vaccine Acquisition Trust (AVAT) was forced to strategise after the West failed in honouring its promise of delivering funding for 700 million vaccines to Africa by the end of 2021. The multinational Covax facility has now negotiated a deal with Johnson & Johnson (J&J) for 400 million single-shot vaccines. From October 2021, all J&J's future African-produced vaccines could remain in Africa. Now 30 per cent of Africa's adult population are guaranteed vaccination, even though it will take until September 2022.

Global cooperation and support to developing economies on the distribution of vaccines and boosters can help immunise the global population, reduce pressure on the health systems, and avoid the emergence of new waves and resistant coronavirus variants.

Sources: World Health Organization, International Monetary Fund, The Guardian, 2021

The unexpected global spread of the pandemic severely affected export-dependent economies and is weakening the prospect of income convergence between developing and advanced economies. Approximately 80.0 per cent of global trade by volume is carried by sea and handled by ports worldwide (UNCTAD, 2018). The COVID-19 pandemic has led to a disruption in global supply chains, shipping networks and ports, resulting in plummeting cargo volumes and reduced growth prospects with an estimated contraction of 4.1 per cent of maritime trade in 2020. Due to the pandemic, the shipping industry has faced crew change crises, volatile trade volumes, and capacity constraints. While the dry bulk market has benefited from the recovery of commodity prices resulting in a rise in deliveries over the course of the pandemic, crude oil trade declined by 8.0 per cent, and oil product trade declined by 12.0 per cent despite improved oil prices.

The Port of Cape Town is a major economic gateway for the Western Cape, and is South Africa's second-biggest seaport, being strategically positioned as a hub terminal for cargo to South America, and the Far East as well as West/East Africa cargo. The Western Cape Terminals were severely impacted by the COVID-19 pandemic in 2020, having recorded a high number of infections in the second quarter of 2020, which led to the closure of some parts of the ports and a significant decrease in vessels moving out. Inefficiencies in operational activities of the ports and the pandemic challenges led to congestion and long truck turnaround times, posing a significant cost to the container transporter industry. The delays have resulted in an increased number of shipping lines omitting the Port of Cape Town and vessels, thus bypassing the Port of Cape Town. This has had a detrimental impact on the Western Cape economy as exporters prefer to use other ports at a higher transport cost to export their goods.

2.2.4 Global inflation outlook

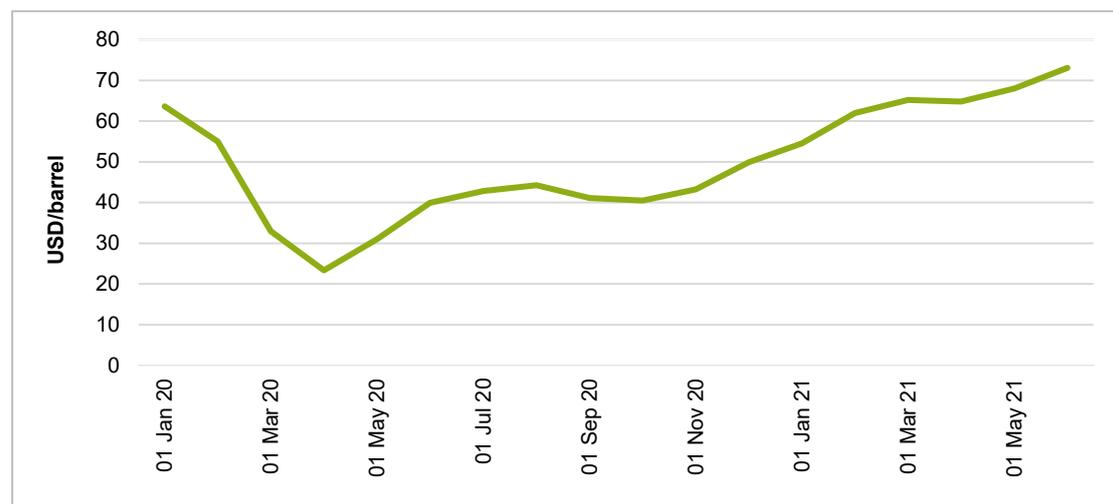
The IMF expects inflation to return to its pre-pandemic ranges in most countries in 2022. Global inflation is expected to ease slightly from 3.5 per cent in 2021 to 3.2 per cent in 2022. The inflation outlook in advanced economies is forecast to be modest at 2.4 per cent in 2021 and 2.1 per cent in 2022. The recent rise in core inflation in the US largely mirrors side effects from the pandemic rather than rising consumer spending. Wage growth in the US is fairly stable as individual wages, observed over 12 months

apart by the Federal Reserve Wage Growth Tracker in Atlanta, failed to show any pressure on the labour market. Similarly, data from Canada, Spain and the UK show the same patterns of fairly stable wage growth.

The inflation outlook for emerging markets and developing economies is projected to improve slightly from 5.4 per cent in 2021 to 4.7 per cent in 2022. Some emerging markets and developing economies in Sub-Saharan Africa, the Middle East and Central Asia have experienced unexpected food price increases, as a result of shortages and the global rise in food prices. Weak local currencies have further fuelled the prices of imported goods, thus adding to the overall inflation. Inflation in Sub-Saharan Africa is expected to ease from 9.8 per cent in 2021 to 7.8 per cent in 2022.

The price per barrel for Brent crude oil rose from below US\$30 in April 2020 to US\$73 per barrel in June 2021, thereby adding pressure on the global inflation outlook (see Figure 2.1). The spot price of Brent crude oil increased at double-digit rates in both January and February 2021, following economic recovery on the back of the global COVID-19 vaccination rollout and easing of movements restrictions, which promises to contribute to the revival of global economic activity and thus the demand for oil. On the supply side, constraints brought about by severe winter storms, with extreme cold weather conditions in some parts of the US, disrupted crude oil production and supported the oil price. Supply curtailments introduced by the Organization of the Petroleum Exporting Countries and allies (OPEC+) also contributed to higher crude oil prices.

Figure 2.1 Brent crude oil price, January 2020 - June 2021



Source: Quantec Research, 2021

The spot price of Brent crude oil surged by 37.7 per cent in the first quarter of 2021 to its highest quarterly average since the fourth quarter of 2019. However, prices eased in April 2021 after OPEC+ gradually increased supply between May and June 2021. There are rising concerns regarding fuel demand, as several European countries reintroduced lockdown measures, which have also weighed on the price. Japan's new wave of COVID-19 cases and the death toll surge in India further contributed to the crude oil price increases slowing down.

2.3 Developments in the South African economy

2.3.1 Performance of the South African economy

By the first half of 2021, the South African growth recovery was well under way. Unadjusted GDP for the first six months of 2021 increased by 7.5 per cent, compared with the first six months of 2020. By the second quarter of 2021, the largest positive contributors to growth were the Transport, Personal services and Trade sectors – all of which responded positively to the easing of pandemic-related lockdowns. The Transport sector increased by 6.9 per cent and contributed half a percentage point to GDP growth. The Personal services sector increased by 2.5 per cent and contributed 0.4 of a percentage point to GDP growth, while the Trade sector increased by 2.2 per cent and contributed 0.3 of a percentage point to GDP growth.

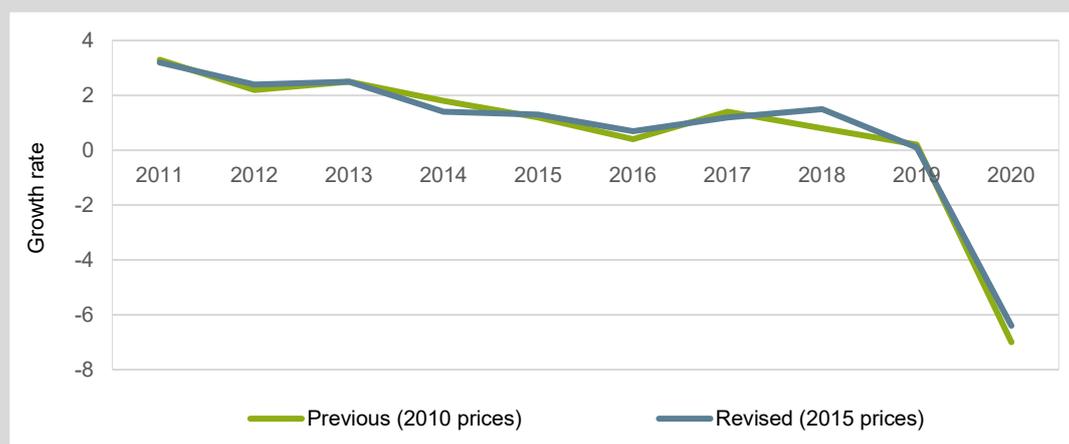
Within the Primary sector, the Agricultural sector increased by 6.2 per cent; of which the increase was mainly due to increased production of field crops, horticulture, and animal products. The Mining sector increased by 1.9 per cent, and the increased production was reported for platinum group metals (PGMs), gold and coal.

Within the Secondary sector, the Manufacturing sector decreased by 0.8 per cent. Six of the ten manufacturing divisions reported negative growth rates. The petroleum, chemical products, rubber and plastic products division made the largest contribution to the decrease. The Utilities sector increased by 0.7 per cent, largely due to increases in electricity and water distributed, while the Construction sector decreased by 1.4 per cent. Decreases were reported for residential buildings, non-residential buildings and construction works.

Within the Tertiary sector, the Trade sector increased by 2.2 per cent. Increased economic activity was reported in wholesale, retail and motor trade, and there was increased spending on catering and accommodation services. The Transport sector increased by 6.9 per cent; of which the increased economic activity was reported for land transport and communication services. The Finance sector decreased by 0.4 per cent. The decreased economic activity was reported for financial intermediation and auxiliary activities. The Government sector decreased by 0.9 per cent, mainly attributed to decreased employment in national, provincial and local government. The Personal services sector increased by 2.5 per cent. Increases in personal services were reported for community services and other producers. Although the growth recovery continued into the first half of 2021, the level of GDP in the second quarter of 2021 was on par with GDP in the fourth quarter of 2017.

BENCHMARKING AND REBASING GDP ESTIMATES

In August 2021, Stats SA published updated estimates of real GDP as a result of a comprehensive project to benchmark and rebase the statistics. This is aligned with international best practice to periodically review and update the estimates of the size, structure and performance of the economy. During this process, Stats SA included new sources of information, improved the compilation methodology, reviewed and refined the classification of economic activities, as well as updated the base year from 2010 to 2015. As a result, GDP is now measured at constant 2015 prices instead of 2010 prices. Together with new methods, data sources and benchmarking, this has resulted in revisions to the entire set of GDP-related time series.

Revised South African real GDP growth, 2011 – 2020

The revised estimate of GDP in 2020 increased by 11.0 per cent to R5 521 billion, compared with the previous estimate of R4 973 billion. Consequently, the annual contraction for 2020 was revised from -7.0 per cent to -6.4 per cent. Historically, benchmarking GDP has resulted in estimates that show an increase in the size of the economy. Over the last two decades and using the new base year in each case as a measure, these increases have ranged between 1.8 per cent (2005 new base year, published in 2009) and 13.5 per cent (1995 new base year, published in 1999). In this benchmark cycle the size of the economy is 9.2 per cent larger in the new base year of 2015, as measured by GDP at current prices (based on the production approach, which is the official measure of GDP). In the 10 years between 2011 and 2020, the percentage difference between the previous and revised levels averaged 9.6 per cent based on current prices.

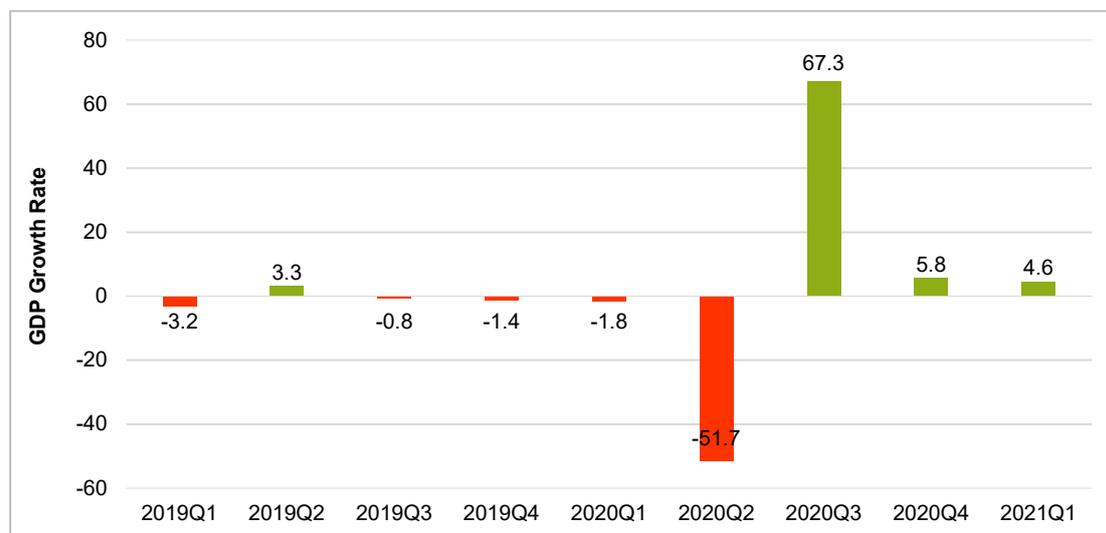
The impact of the revision to the estimates has improved the accuracy of GDP. A more accurate measure of GDP will improve indicators that use GDP as a source. For example, the upward revision of the size of the economy means that the value of how much the economy is producing per person is now slightly higher than what was previously estimated, increasing GDP per capita. Another example is gross fixed capital formation as a percentage of GDP. With the revised GDP series, the ratio drops by about two percentage points. A third example is South Africa's debt-to-GDP ratio. This will also be smaller using the new GDP values. Other examples of ratios that will be affected include equity-market capitalisation to GDP, government spending to GDP, and household debt to GDP, to name a few. Although these ratios will change, the trends and patterns will remain largely unaffected.

In terms of purchasing power parity (PPP), the World Bank currently ranks South Africa as the third largest economy on the continent after Egypt and Nigeria. Egypt's GDP (PPP\$ in current prices) was PPP\$1 290 billion according to the World Bank's estimate, higher than that of Nigeria (PPP\$1 069 billion) and South Africa (PPP\$717 billion). If the 2020 World Bank figure for South Africa is adjusted by Stats SA's upward revision of 11.0 per cent (i.e. to PPP\$796 billion), the South African economy still lags behind that of Nigeria and Egypt.

Source: *Statistics South Africa, 2021*



Figure 2.2 Performance of the South African economy, 2019:Q1 to 2021:Q1



Note: Quarterly GDP growth rates are seasonally adjusted, annualised and are in constant 2010 prices
 Source: Statistics South Africa, 2021

Growth increased by 4.6 per cent in the first quarter of 2021, which was aided by the R500 billion COVID-19 economic support package directed towards the country's health response and alleviating economic distress. The package financed the procurement of personal protective equipment (PPE), the Temporary Employer-Employee Relief Scheme (TERS), the special COVID-19 Social Relief of Distress Grant, Farmers Relief, and other funds and initiatives aimed at supporting businesses and industries affected by the pandemic. The reduction in the repo rate by 275 basis points in 2020 to 3.5 per cent, through multiplier effects, increased the demand of businesses and households. Lower borrowing costs lends itself to higher disposable incomes, which in turn, encourages borrowing and investing, thereby stimulating the economy.

SOUTH AFRICA'S CREDIT RATINGS

In May 2021, S&P affirmed its sovereign rating for South Africa's long term foreign and local currency debt ratings at 'BB-' and 'BB', respectively. An issue rated 'BB' is regarded as having speculative characteristics. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or exposure to adverse conditions. The agency maintained a stable outlook. Fitch also affirmed South Africa's long term foreign and local currency debt ratings at 'BB-' while maintaining a negative outlook. Both agencies affirmed South Africa's sovereign rating and outlook in May 2021, citing an upturn in near-term economic performance and improved public finances. According to Fitch, South Africa's rating is constrained by high and rising government debt, low trend growth and exceptionally high inequality that will complicate consolidation efforts.

South African credit ratings

AGENCY	RATING	OUTLOOK	DATE
Fitch	BB-	Negative	21 May 2021
S&P	BB-	Stable	21 May 2021
Moody's	Ba2	Negative	20 November 2020
Fitch	BB-	Negative	20 November 2020

Source: Reuters, 2021

The Finance, Mining and Trade sectors were the main drivers of output on the production side of the economy, while household spending and changes in inventories supported growth on the expenditure side. Nevertheless, the South African economy is experiencing a gradual growth recovery, with only two of the ten major sectors contracting in the fourth quarter of 2020, and only the Utilities sector contracting in the first quarter of 2021 (see Table 2.2).

Table 2.2 South Africa change in GDP per sector, 2020:Q4 – 2021:Q1



Description	Quarterly (q-o-q) percentage change		Annual (y-o-y) percentage change	
	2020:Q4	2021:Q1	2020:Q4	2021:Q1
Agriculture, forestry and fishing	5.9	-3.2	12.7	7.5
Mining and quarrying	-5.7	18.1	-7.0	3.5
Manufacturing	21.1	1.6	-2.0	-1.1
Electricity, gas and water	2.2	-2.6	-0.8	-0.9
Construction	11.2	0.8	-19.8	-17.5
Wholesale and retail trade, catering and accommodation	9.8	6.2	-5.2	-3.8
Transport, storage and communication	6.7	4.8	-12.3	-11.5
Finance, insurance, real estate and business services	-0.2	7.4	-4.3	-5.3
General government	0.7	0.9	0.5	0.5
Community, social and personal services	4.8	1.7	0.5	-0.6
GDP	5.8	4.6	-4.2	-3.2

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

Source: Statistics South Africa, 2021

2.3.2 Outlook for the South African economy

The economic recovery in 2021 is likely to be short-lived. A slow and gradual recovery is expected in 2021 and beyond. The long contraction of the economy from the third quarter of 2019 to the second quarter of 2020, coupled with frequent power cuts, soaring fuel, electricity and food prices, will further complicate the country's social challenges. Social unrest is on the tipping point following the riots of KwaZulu-Natal and Gauteng in July 2021, which were characterised by violence, looting and protests leading to the loss of lives, the destruction of property and businesses, as well as the temporary closure of critical trade routes. The unrest is estimated to have cost the national economy R50 billion in lost output, while 150 000 jobs have been placed at risk.

According to the National Treasury, it will take the national economy up to two years to recover from the impact. Political tension is expected leading up to the local government elections, which might further fuel social unrest. Also, national debt is still a major concern, as gross loan debt is expected to increase by R433.1 billion to R4.382 trillion in 2021/22 and increase by R1.3 trillion to R5.234 trillion by 2023/24 as tax revenues decline while expenditure increases. This will drive up debt-service costs by R105.7 billion over the MTEF period to R338.6 billion in 2023/24, thereby reducing Government's ability to deliver on services and programmes.

HEADLINE GDP ESTIMATES WILL NO LONGER BE ANNUALISED

In June 2021, Stats SA announced that the headline GDP growth rate will no longer be annualised. Several real GDP growth rates can be calculated from the value of GDP. These GDP growth rates provide different perspectives on the performance of the economy. Historically, Stats SA has treated the quarter-on-quarter annualised rate as the headline growth rate. The quarter-on-quarter annualised rate shows what the annual growth rate would be if the quarter-on-quarter rate were to occur over four consecutive quarters.

During periods of steady economic growth, annualising is a useful way of expressing quarter-on-quarter performance in annual terms. However, during periods of economic instability, annualising can be misleading, because it exaggerates growth rates that are unlikely to be repeated. For example, largely as a result of the COVID-19 pandemic and lockdown regulations, real GDP contracted sharply in the second quarter of 2020 and rebounded strongly in the third quarter of the same year.

GDP growth rates

Growth rate	Seasonality	Description (e.g. 3 rd quarter of 2020)
% year-on-year	not seasonally adjusted	% change from 3 rd quarter of 2019 to 3 rd quarter of 2020
% quarter-on-quarter	seasonally adjusted	% change from 2 nd quarter of 2020 to 3 rd quarter of 2020
% quarter-on-quarter, annualised	seasonally adjusted	% change from 2 nd quarter of 2020 to 3 rd quarter of 2021, annualised
% year-on-year, year-to-date	not seasonally adjusted	% change from the first three quarters of 2019 to the first three quarters of 2020

From the second quarter of 2021, Stats SA will publish the quarter-on-quarter, seasonally adjusted, real GDP growth rate, in 2015 constant prices, as the headline rate. This is the practice in many countries, e.g. Australia, Brazil, Canada, France, Germany, Italy, Japan, Mexico, New Zealand, Norway, Sweden and United Kingdom. Supplementary growth rates, namely year-on-year growth for individual quarters and for year-to-date, will continue to be published. The current practice of publishing quarterly seasonally adjusted data in R million as annual equivalent values will be continued.

Source: Statistics South Africa, 2021

Policy uncertainty has affected South Africa's investment outlook resulting in sluggish growth, and this can be seen by how fixed investment declined from 23.5 per cent in 2008 to 15.8 per cent in 2020. Regardless of the above challenges, Quantec Research forecast a gradual recovery from the 7.0 per cent contraction in 2020, by 3.6 per cent in 2021 and by 3.4 per cent in 2022 (see Table 2.3).

Table 2.3 South African economic outlook, 2021 - 2022

	2020e	2021f	2022f
Final consumption expenditure, households (%)	-5.4	7.7	6.4
Durable goods	-8.4	10.5	-0.2
Semi-durable goods	-18.3	8.5	9.0
Non-durable goods	-3.9	12.1	14.5
Services	-3.2	3.3	0.1
Gross Fixed Capital Formation (%)	-17.5	0.9	5.9
Private	-19.3	2.6	7.1
Government	-1.3	4.7	1.5
Public corporations	-25.0	-13.3	6.8

	2020e	2021f	2022f
Exports of goods and services (%)	-10.3	-0.7	0.9
Interest rates (average of quarterly values)			
3-month BA rate	4.5	3.9	4.9
10-year long bond yield	10.1	9.8	9.7
Prime overdraft rate	7.7	7.1	8.1
Inflation (annual average %)			
Producer prices	2.5	4.9	4.3
Consumer prices	3.3	4.7	5.3
Average wage rate (Rand)	7.4	10.7	9.8
Exchange rates (annual average)			
R/US dollar	16.46	15.11	15.98
R/Euro	18.71	18.25	19.03
R/Pound sterling	21.11	20.63	22.28
Yen/R	2.38	2.34	2.38
Gross Domestic Expenditure (Year on Year % Change)	-7.1	9.6	5.5
Gross Domestic Product (Year on Year % Change)	-7	3.6	3.4
Current account balance (R billion, seasonal adjustment)	108 204	82 168	-93 956

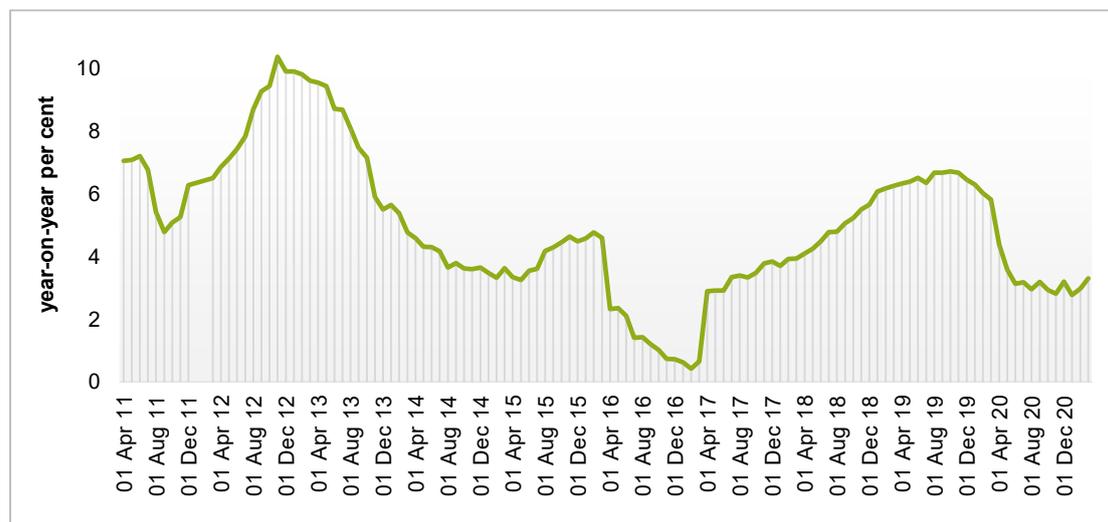
Note: e denotes estimates and f denotes forecast

Source: Quantec Research, 2021

2.3.3 Final household consumption expenditure

The spending side of the economy has also seen a rebound. Household consumption spending rose 4.7 per cent in the first quarter of 2021 and 7.5 per cent in the fourth quarter of 2020. Spending on durable goods surged in the first quarter of 2021 (20.7 per cent quarter on quarter) after a marginal increase in the fourth quarter of 2020. However, real household consumption expenditure was still 0.9 per cent lower in the first quarter of 2021 than in the corresponding quarter of 2020.

There has been a slowdown in household credit growth in the period 2011 to 2021, from 7.0 per cent growth in the first quarter of 2011 to 3.3 per cent in the first quarter of 2021, albeit an improvement from the growth rate in 2020 (see Figure 2.3). The most recent deceleration in the household credit growth reflects cautiousness of households to borrow due to the uncertain economic environment posed by the pandemic.

Figure 2.3 South African household credit extension, 2011 – 2021

Source: Quantec Research, 2021

Other key factors affecting the uptake and supply of unsecured credit in South Africa include the weak labour market as seen by the unemployment rate, which is the highest in the world, income insecurity in the form of reduced salaries and uncertainty over future income, depressed consumer confidence and a tendency towards precautionary savings in times of uncertainty. Over the past decade, the national savings ratio, as measured by the ratio of gross domestic saving to GDP, deteriorated and averaged at 15.4 per cent after peaking at 18.4 per cent by the end of 2010. There has been a notable increase, to 18 per cent in the first quarter of 2021, largely due to precautionary savings as households put off spending due to uncertainty. Indeed, household savings as a percentage of GDP increased by 2.0 percentage points in 2020, the strongest saving performance since 2004.

Households are also deleveraging, in part because of uncertainty. The ratio of household debt to disposable income decreased slightly from 75.4 per cent in the fourth quarter of 2020 to 75.3 per cent in the first quarter of 2021, as the quarter-to-quarter increase in nominal disposable income exceeded that in household debt. Household credit remained subdued since the second quarter of 2020. Households' cost of servicing debt relative to nominal disposable income remained unchanged at 7.7 per cent over this period, amid the lower interest rates.

Figure 2.4 South African consumer vulnerability index, 2016:Q1 – 2020:Q4



Source: Quantec Research, 2021

The national lockdown and the associated business closures led to a steep fall in consumer demand and the business confidence index. Final household consumption expenditure contracted by 5.4 per cent in 2020, due to uncertainty in income and aggregate demand shock. The decline can be attributed to massive job losses, reduced salaries and constant shrinkage in household disposable income amid the rising cost of living. Although final household consumption expenditure is projected to grow by 7.7 per cent and 6.4 per cent in 2021 and 2022, respectively, the rising level of South Africa's vulnerability index above 50 per cent is a call for concern (see Figures 2.3 and 2.4). High household debt, reduced savings and constrained domestic investment growth, forces the country to depend on capital inflow for investment, some of which are susceptible to sudden reversals.

2.3.4 Investment

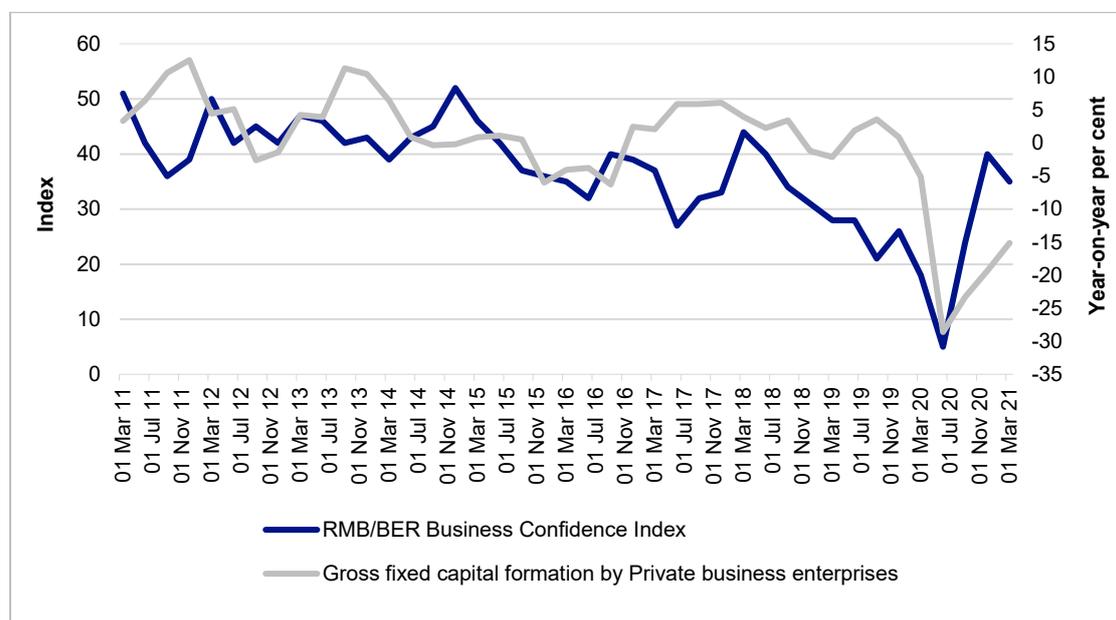
Fixed Investment (real gross fixed capital formation) was the most significantly affected spending item in 2020, due to COVID-19 restrictions, ongoing power shortages, political uncertainty and crowding out from significant government borrowing. The current year, 2021, is expected to be the fifth consecutive year of shrinking fixed investment. Fixed investment as a percentage of GDP has fallen from 23.5 per cent in 2008 to 15.8 per cent in 2020 and is forecast to deteriorate further to only 15.0 per cent in 2021, its lowest relative level since 2002. In the first quarter of 2021, fixed investment declined by 13.4 per cent year-on-year and by 2.6 per cent quarter-on-quarter annualised. Fixed investment has grown on average by only 0.6 per cent per annum over the past 15 years. The growth was largely due to public sector investment – indeed, private sector fixed investment grew by a fraction of this rate, at only 0.1 per cent per annum.

This trend continued into 2021. Public sector investment increased by 12.6 per cent in the first quarter of 2021, following an expansion of 27.9 per cent in the fourth quarter of 2020. Despite the increase, capital investment by the public sector remained below pre-COVID-19 levels as the effects of the pandemic lingered.

In contrast, fixed investment by private business enterprises shrank by 8.9 per cent in the first quarter of 2021, following an increase of 5.8 per cent in the fourth quarter of 2020. Fixed investment in machinery and other equipment, as well as in transport equipment contracted markedly in the first quarter of 2021. As a result, fixed investment levels remained well below pre-pandemic highs. The decline in the first quarter resulted in the private sector's share of total nominal gross fixed capital formation falling from 69.3 per cent in the fourth quarter of 2020 to 68.1 per cent in the first quarter of 2021.

According to Stats SA, the value of recorded building plans passed (at current prices) increased by 34.1 per cent (R8.7 billion) during January to April 2021, compared with January to April 2020. Increases were recorded for residential buildings (44.9 per cent or R5.6 billion), non-residential buildings (24.1 per cent or R1.4 billion) and additions and alterations (23.6 per cent or R1.7 billion). The rebuilding after the recent violence and destruction that affected large parts of KwaZulu-Natal and Gauteng could give a small boost to capital formation over the next few quarters. However, fixed investment on large new projects will remain affected for much longer by the COVID-19 measures and economic and policy uncertainty.

Figure 2.5 RMB/BER Business Confidence Index vs Private Sector Fixed Investment, South Africa, March 2011 - March 2021



Source: Quantec Research, 2021

The RMB/BER business confidence index for South Africa fell to 5 index points in the second quarter of 2020, from 18 index points in the first quarter of 2020, reaching its lowest point since 1975 (see Figure 2.5). The restrictions of economic activities under levels 5 and 4, to contain the spread of the coronavirus and relieve the health sector from pressure, negatively affected an already weak economy. Economic activities in the hospitality industry collapsed, as some big hotels in Cape Town closed their doors for business completely. As business confidence improves, gross fixed capital formation of private sector businesses, business plans and capital inflow will gradually recover, given the promising outlook for 2021 and 2022.

TEMPORARY EMPLOYER-EMPLOYEE RELIEF SCHEME

The Temporary Employer-Employee Relief Scheme (TERS) was introduced in April 2020 to assist vulnerable workers and mitigate job losses due to COVID-19. It served as a core component of the country's economic policy response to the pandemic's detrimental effects, which threatened many jobs due to reduced demand in the economy. According to the Organisation for Economic Co-operation and Development, such job retention policies aid labour market recovery by alleviating labour costs in firms experiencing a reduction in economic activity.

The TERS benefits were distributed through the employer or the applicable bargaining council to ensure administrative efficiency instead of the employees applying to the UIF directly. The employers would then distribute the benefits to their employees within two days of receipt and submit the proof of payment to the UIF within five days. The payment would then be effected after the signing of the Memorandum of Agreement by both parties. Upon introduction, the benefits were available from April 2020 to June 2020, but due to lockdown regulations affecting workers in industries whose operating activities were restricted partially or in full, the TERS was extended to March 2021. By March 2021, approximately R59 billion had been paid to 5.4 million individual employees.

The scheme initially catered for workers registered and contributing to the UIF, but the benefits were extended to those who could prove an employment relationship following a legal challenge in May 2020. The benefits were extended to registered workers and contribute to the UIF in the tourism, hospitality, transport services, liquor services, public recreational spaces, and any other industry along the value chain. The TERS benefits were also applicable to workers who are 60 years, those with comorbidities, and those required to remain in COVID-19-related isolation or quarantine (Kohler and Hill, 2021). The TERS was further extended for the period March 2021 to July 2021 for firms whose operations were restricted by the laws of the alert levels given the resurgence of COVID-19 cases.

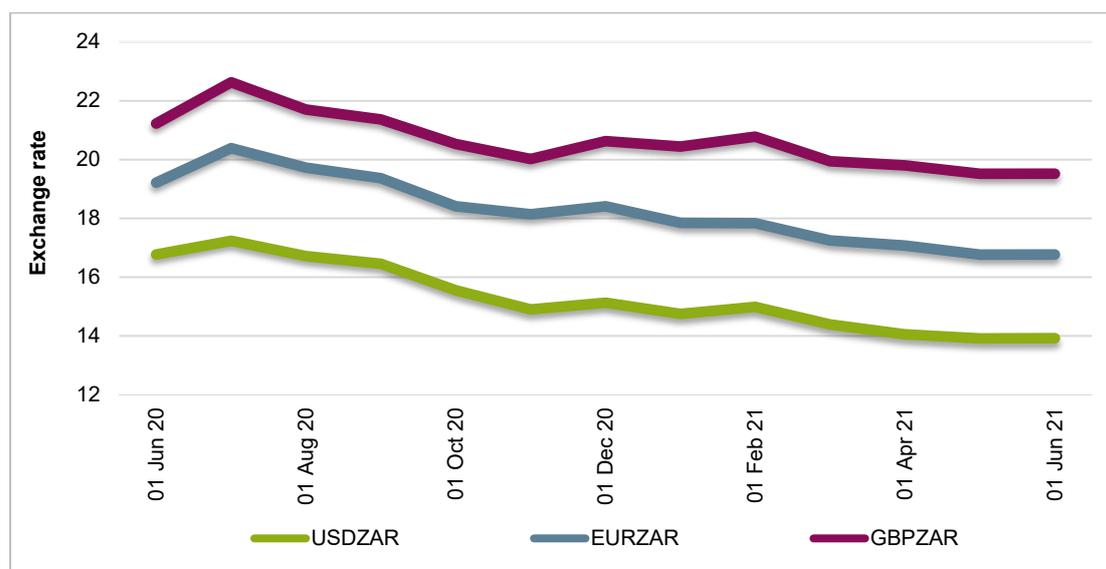
Sources: National Income Dynamics Study – Coronavirus Rapid Mobile Survey, 2021

2.3.5 Exchange rate outlook



The COVID-19 pandemic has resulted in major disruptions for exchange rates and global capital flows. In the first quarter of 2020, the currencies of many emerging markets fell sharply due to the uncertainty faced by investors. The hardest-hit currencies began to recover in April 2020, when the rand was at its lowest point, 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 against the yen (year-on-year).

However, the rand has since stabilised, outperforming most emerging market currencies such as the Brazilian real and Russian ruble. Since the beginning of 2021, the rand has appreciated 13.9 per cent to the US dollar, despite the recession in South Africa and the negative effects of COVID-19 on the supply and demand sides of the global economy (see Figure 2.6). However, the depreciation of the US dollar, the euro, and the pound is in part attributed to quantitative easing by the US Federal Reserve, the European Central Bank, and the Bank of England, respectively.

Figure 2.6 Rand exchange rate performance, June 2020 – June 2021

Source: Quantec Research, 2021

According to the IMF, this recovery can be attributed to the commodity market price boom post the 2020 global recession, which resulted in a 67.8 per cent increase in the index of all primary commodities at the end of the first quarter of 2020. South Africa also recorded a trade surplus in 2020, attributable to a stronger rand that reduced the cost of imports, which helped create a current account surplus. In addition, delays/backlogs in logistics have reduced imports. However, the outlook for the rand remains poor, due to increasing government debt, with debt servicing costs being the fastest growing expenditure item, the ongoing health crisis, and the weak economic backdrop. The R/US\$ is forecast to average R15.11 in 2021, and slightly weaker at R15.98 in 2022.

2.3.6 Balance of payments

South Africa experienced a significant current account surplus of R267 billion in the first quarter of 2021, rising from an R198 billion surplus in the fourth quarter of 2020. The South African Reserve Bank (SARB) estimates that the current account surplus will be 5.0 per cent of GDP in the first quarter, rising from 3.7 per cent in the preceding quarter.

The current account surplus was in part due to a significant trade surplus, which increased from R425 billion in the fourth quarter of 2020 to R430 billion in the first quarter of 2021, with the largest surplus resulting from the value of merchandise exports. The trade surplus can be ascribed to rising export earnings on goods and services accompanied by a lower price of imports. Export earnings were supported by strong terms of trade, which improved for the seventh consecutive quarter in the first quarter of 2021, marking one of the longest consecutive quarterly increases in terms of trade on record.

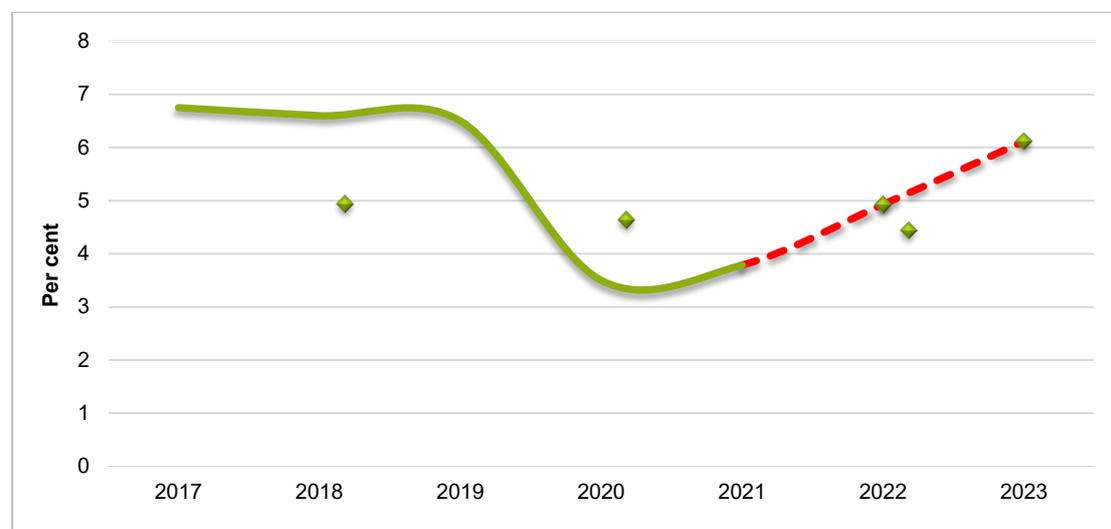
Commodity prices are expected to remain elevated for the remainder of 2021. According to Bloomberg Economics, South Africa is number 10 on the list of countries that have gained the most from the commodities boom in terms of the country's net

exports in proportion to its GDP. The South African Revenue Services (SARS) statistics show that South Africa's best performing exports were precious metals, chemical and mineral products and base metals.

2.3.7 Inflation and interest rate outlook

Given the deteriorating economic conditions and the untold hardship following the outbreak of the COVID-19 pandemic in March 2020, the SARB responded with an aggressive repo cut of 100 basis points in April 2020. The expansionary monetary policy to support the economic recovery from the COVID-19 pandemic, led to further reductions in the repo rate to 3.5 per cent in the fourth quarter of 2020. Following the strong recovery of the domestic economy in the third quarter of 2020 and the robust growth forecast for 2021, reflecting improved sectoral performance and strong terms of trade, the SARB decided to keep the repo rate unchanged at 3.5 per cent. However, the repo rate is expected to gradually increase, on a quarterly average, to 3.8 per cent in 2021 and to 4.9 per cent in 2022, on the back of the expected growth recovery (see Figure 2.7).

Figure 2.7 South African repo rate outlook, 2021 - 2023

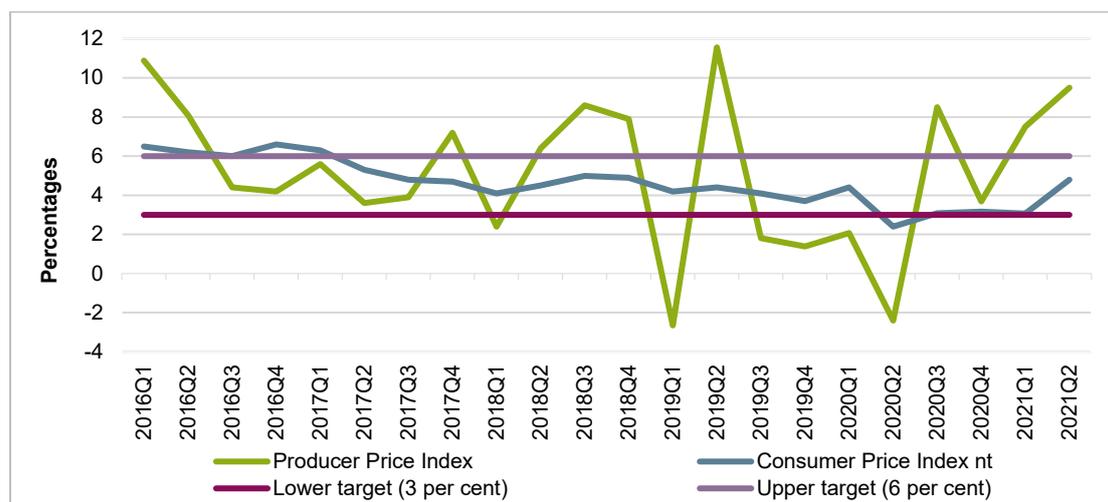


Note: Values are average of quarterly values

Note: 2021, 2022 and 2023 are forecasts

Source: South African Reserve Bank, 2021

Annual consumer price inflation increased from 3.3 per cent in 2020 to 4.7 per cent in 2021. The primary drivers behind the monthly rise were alcoholic beverages, housing and utilities, transport and medical insurance. In July 2021, the annual inflation rate for goods was 6.7 per cent, down from 7.1 per cent in June 2021; and for services, it was 2.7 per cent, down from 2.9 per cent in June 2021.

Figure 2.8 South African headline consumer and producer inflation, 2016:Q1 - 2021:Q2


Source: Quantec Research, South African Reserve Bank, 2021

Food and non-alcoholic beverage prices increased by 6.7 per cent year-on-year and contributed 1.1 percentage points to the total CPI annual rate of 4.6 per cent. Housing and utilities increased by 3.8 per cent year-on-year and contributed 0.9 of a percentage point. Transport increased by 8.0 per cent year-on-year and contributed 1.1 percentage points. Miscellaneous goods and services increased by 4.2 per cent year-on-year and contributed 0.7 percentage points.

The producer price index (PPI) increased by 0.8 per cent month-on-month in June 2021. The main contributors to the headline PPI monthly increase were transport equipment, which increased by 3.2 per cent month-on-month and contributed 0.3 of a percentage point; metals, machinery, equipment and computing equipment, which increased by 1.6 per cent month-on-month and contributed 0.2 of a percentage point; whilst coke, petroleum, chemical, rubber and plastic products increased by 0.7 per cent month-on-month and contributed 0.2 of a percentage point.

Annual producer price inflation (final manufacturing) was 7.7 per cent in June 2021, up from 7.4 per cent in May 2021. The main contributors to the headline PPI annual inflation rate were coke, petroleum, chemical, rubber and plastic products; food products, beverages, and tobacco products; and metals, machinery, equipment and computing equipment.

COVID-19 VACCINE HESITANCY IN SOUTH AFRICA

Despite COVID-19 vaccines being available to all South Africans over the age of 18 years, uptake remains low, with only 23.2 per cent of adults having received at least a first dose. The low uptake in the country has been ascribed to vaccine hesitancy on the part of many South Africans. The World Health Organisation defines vaccine hesitancy as a delay in acceptance or refusal of vaccines despite the availability of vaccine services. The reluctance of people to receive safe and recommended available vaccines was already a growing concern before the COVID-19 pandemic (MacDonald, 2015). Vaccine hesitancy is influenced by five main determinants, namely confidence, complacency, convenience (or constraints), risk calculation, and collective responsibility (Betsch, 2018; Wiysonge, 2021). Vaccine acceptance is primarily driven by an interest in personal protection against COVID-19, whereas concerns about side effects are the most common reasons for hesitancy, and health workers are the most trusted sources of guidance about vaccines against COVID-19 (Solis, 2021).

A large-scale survey, conducted by the Human Sciences Research Council and the University of Johannesburg between 25 June and 12 July 2021, found that those hesitant to receive the vaccine raised concerns over side effects, efficacy, and distrust of the vaccine or governments as the main reasons. Side effects were more common concerns among poor adults, while people living in urban areas said they were more worried about side effects than those who live in rural areas. The study found that Whites were far more concerned about ineffectiveness and side-effects than other groups and were also more likely to try alternative treatments over a vaccine. Only 5 per cent of respondents said "social media or other rumours" were the reason they did not want to get vaccinated, and an even smaller proportion said their reservations were because of religious beliefs.

According to the National Income Dynamics Study - Coronavirus Rapid Mobile Survey (NIDS-CRAM Wave 5 survey), one in five South Africans believed that the vaccine is unsafe, but only one in ten were very convinced of this. A third of individuals who thought vaccines were unsafe said they believed this because vaccine development was rushed and not adequately tested. One in five of those who believed vaccines are unsafe or could harm them reported that this was because of side effects of the vaccine. Conspiracy-theory driven safety concerns were cited infrequently compared to concerns about side-effects and vaccine testing time frames, with only 1 per cent of respondents saying that they worry about vaccine safety due to national or global plots and fewer than 1 per cent are concerned about vaccine safety because they fear it may alter their DNA or that it is a fraudulent corporate attempt to extract profits.

The NIDS-CRAM wave 5 survey further revealed that 47 per cent of South Africans who were hesitant to receive a COVID-19 vaccine in February or March 2021, have subsequently changed their minds over the following two months and either had been vaccinated or agreed to be vaccinated when asked again in April or May 2021. However, the proportion of respondents who have registered for vaccination is much lower than their willingness to be vaccinated as asserted in surveys, indicating that opinion does not always translate into action. The survey conducted by the Human Sciences Research Council and the University of Johannesburg survey between 25 June and 12 July 2021, found that 45 per cent of South Africans aged 18 - 24 were hesitant to get the vaccine. This number increased from 37 per cent when a similar survey was carried out in January 2021. By comparison, only 14 per cent of those aged 60 and above were hesitant. Overall, vaccine hesitancy has dropped since the last survey, carried out between 29 December 2020 and 6 January 2021, from 33 per cent to 28 per cent. The only demographic groups where hesitancy grew between the two surveys was among youth aged 18 - 24, adult Whites, and students and learners. In all other groupings, hesitancy fell or stayed the same as before.

The NIDS-CRAM wave 5 survey further found that vaccine acceptance is higher amongst respondents living in traditional settlements, amongst isiZulu, isiTsonga and Setswana speakers, and amongst black respondents. Vaccine acceptance is significantly lower amongst respondents living in urban formal residential housing, Afrikaans speakers, and White and Coloured respondents. Users of social media and the youth are more likely to show low vaccine acceptance. The older generations and those with underlying health conditions are more willing to be vaccinated. In August 2021, recent reports showed a slump in demand at vaccination centres around the country, with concerns growing that the vaccination drive is losing steam with only around 15 per cent of the country's adults fully vaccinated¹.

Campaigns to increase vaccine registration and uptake should promote the fact that vaccine acceptance is the norm. Spreading the message that most people say they will accept a vaccine has increased COVID-19 vaccination rates worldwide. Conversely, while it is important to address myths and rumours, frequently discussing vaccine scepticism can perversely give credence to myths by creating the impression that these beliefs are widespread and that there is a valid reason to be concerned about getting vaccinated (Jolley & Douglas, 2014). According to the NIDS-CRAM wave 5 survey, respondents are willing to accept vaccines if local community leaders are vaccinated and stay healthy. Half of those who do not fully accept vaccinations said they would be convinced if their trusted local leaders lead by example.

Sources: WHO, 2021; MacDonald, N. E. *Vaccine* 33, 4161–4164 (2015); Betsch, C. et al. *PLoS One* 13, e0208601 (2018); Wiysonge, C. S. et al. *Hum. Vaccine. Immunother.* 8, 1–3 (2021); Solis Arce, J. S. et al. *Nat. Med.*, 2021; *Coronavirus Rapid Mobile Survey, 2021; NIDS-CRAM Wave 5 survey, 2021; Jolley, D., and Douglas, K.M. (2014). The Effects of Anti-Vaccine Conspiracy Theories on Vaccination Intentions. PLoS ONE 9(2): e89177, 2021*

¹ Having received the one-dose Johnson & Johnson vaccine or both doses of the Pfizer vaccine.

Main risks to the national outlook

The outbreak of the COVID-19 pandemic in March 2020 adds another layer of complication to the South African economy:

- The negative effect of the pandemic on output, the tourism and the hospitality sectors will result in an increase in unemployment, which is now the highest in the world, exacerbating poverty and inequality.
- Growing income inequality due to the differentiated impact of the pandemic. Those who are digitally illiterate will struggle to find work, and the impact of the loss of income widened income inequality.
- Increasing government debts and rising borrowing costs due to the country's downgrade to below investment grade by sovereign credit rating agencies.
- Another major risk to the national outlook is Eskom's frequent power cuts and the burden of state-owned enterprises (SOE) on the fiscus. Continuous bailing out of SOEs, is a drain on the fiscus and a burden on the future generation in the form of higher income taxes.

2.4 Developments in the Western Cape economy

2.4.1 Western Cape economic performance

Over the past decade, growth in the Western Cape has been steadily declining from 3.8 per cent in 2011 to -6.9 per cent in 2020, mirroring the economic decline in the rest of South Africa. Between 2011 and 2020, provincial economic growth is estimated to have averaged 1.0 per cent. In 2019, growth in the

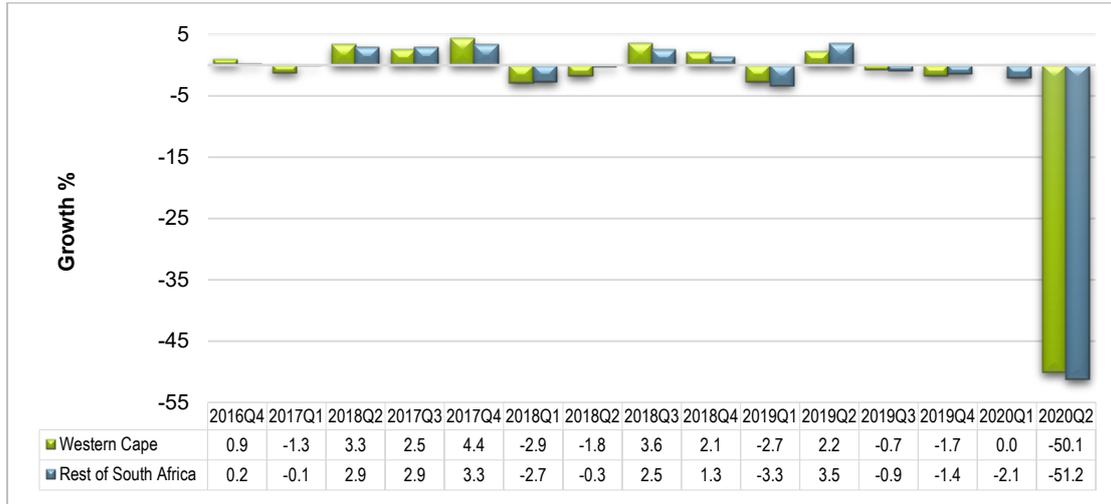


Western Cape again outperformed the rest of South Africa, due to good rainfall boosting agricultural output and a relatively small mining sector, which dragged growth for the rest of the country.

The relative importance of the Tourism industry, which is the most developed in South Africa and the Wine industry, accounted for 4.5 per cent of GDP and 6.6 per cent of total formal and informal employment in the Western Cape in 2019, which means that the Province was greatly affected by the COVID-19 pandemic and the associated restrictions. Changes in the Western Cape's economic performance relative to the rest of South Africa are largely driven by dynamics in the Agricultural and Tourism sectors.

The Western Cape's economy is estimated to have contracted by an unprecedented 6.7 per cent in 2020, 0.3 percentage points less than the 7.0 per cent contraction for South Africa. The COVID-19 pandemic remains a threat to the growth prospect of the Tourism sector, given the occasional surge in cases and the identification of new variants. Despite the negative growth outlook, the Western Cape is expected to make gains in growth due to a faster recovery attributable to a relatively efficient vaccine rollout and uptake, and the recovery of agricultural exports.

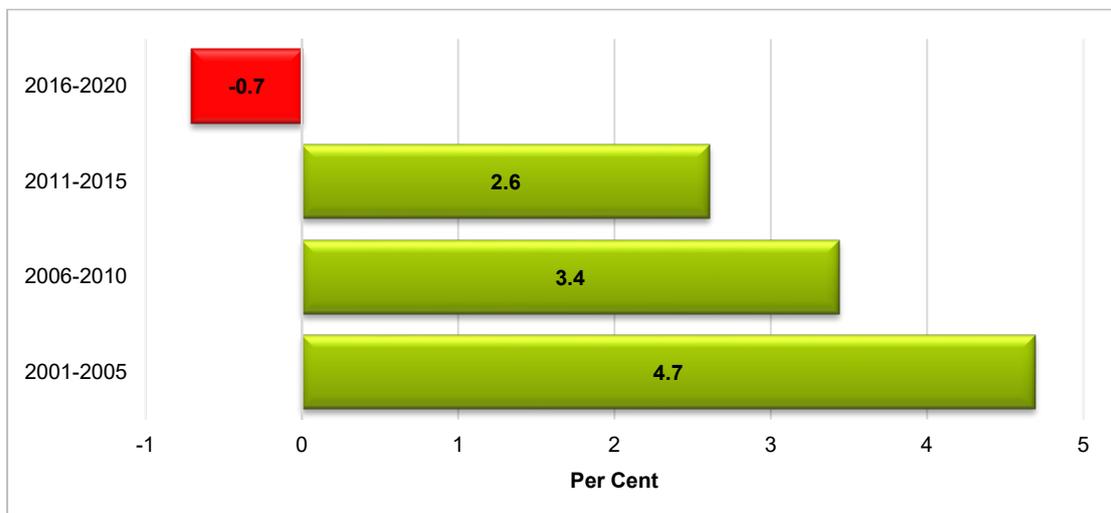
Figure 2.9 GDP growth: Western Cape and the rest of South Africa, 2016:Q4 – 2020:Q2



Source: Quantec Research, 2021

The Western Cape averaged a growth rate of 4.7 per cent between 2001 and 2005, which further slowed to an average of 3.4 per cent between 2006 and 2010 and again slowed to 2.6 per cent between 2011 and 2015 (see Figure 2.10). The Province was in the grip of a severe drought from 2015 to 2019, which had significant economic, health and environmental impacts and is estimated to have cost the Western Cape 37 000 employment opportunities (Department of Economic Development and Tourism, 2020). Growth in the Western Cape was further muted by rolling electricity outages and the lackluster performance of the national economy. The unprecedented contraction in 2020 meant that the Province's economy averaged a contraction rate of 0.7 per cent for the period 2016 to 2020.

Figure 2.10 Western Cape 5-year average economic growth, 2001 – 2020



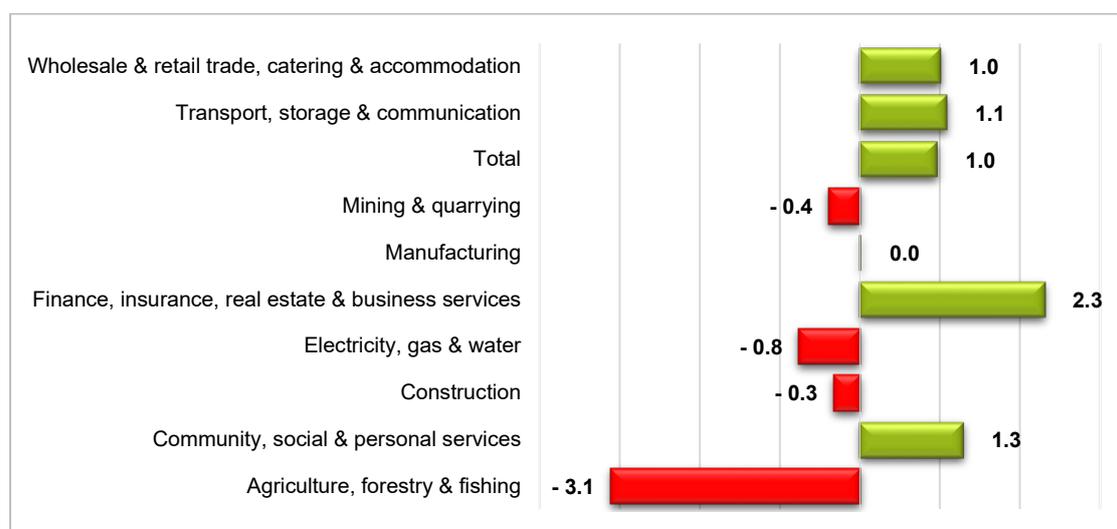
Source: Quantec Research, 2021; Own calculations

The COVID-19 pandemic set in as the drought eased and electricity supply interruptions became even more frequent. According to the SARB, South Africa suffered the worst year of loadshedding in 2020. Eskom data shows that 559 hours of loadshedding were already implemented in the first half of 2021. The effects of loadshedding, the drought and the COVID-19 pandemic are evident in the average growth rate of -0.6 per cent between 2016 and 2020; with the negative growth rate for the period, being largely driven by the negative growth in 2020, due to the pandemic.

Growth between 2015 and 2019 was led by the Finance sector (see Figure 2.11). The Personal services; Transport; and Trade sectors also contributed to growth. Growth was dragged down by a decline in the Mining; Utilities; Construction; and Agriculture sectors. The contractions were mainly driven by unreliable electricity supply, declining confidence and the drought.



Figure 2.11 Western Cape 5-year average annual growth rate per sector, 2015 – 2019



Source: Quantec Research, 2021

If the unprecedented contraction in 2020 is excluded, a sectoral analysis of the Western Cape economy from 2015 to 2019 revealed that the Finance sector was the fastest-growing sector followed by the Personal services sector. The Trade sector grew by 1.0 per cent, while the Manufacturing sector recorded no growth. Meanwhile, the Agriculture, Construction, Utilities and the Mining sectors recorded negative growth.



Figure 2.12 Business confidence, Western Cape compared to South Africa, 2015:Q1 – 2021:Q2



Source: Quantec Research, 2021

Although the business confidence for the Western Cape fared better than the rest of South Africa, the two indices reached the lowest level, 5 index points in the second quarter of 2020, on the back of the COVID-19 outbreak (see Figure 2.12). However, the rebound of the business confidence in the third quarter of 2020 and the second quarter of 2021, points to the potential of a robust recovery consistent with the upward revision of the country's growth forecast.

2.4.2 Outlook for the Western Cape economy

According to Quantec Research, the Western Cape's economy is estimated to have contracted by a significant 6.9 per cent in 2020. However, growth is expected to recover by 3.0 per cent in 2021 and by 4.1 per cent in 2022 as economic activity resumes. The recovery in 2021 is expected to be marginally slower, by 0.6 percentage point, compared to the 3.6 per cent growth expected for South Africa. However, growth in the Western Cape is again expected to overtake national growth in 2022, by 0.7 percentage point, compared to the 3.4 per cent projected for South Africa.

Table 2.4 Western Cape economic outlook, 2021 – 2022

Description	2019	2020e	2021f	2022f	Forecast average
					(2021 - 2022)
Agriculture, forestry and fishing	-10.0	15.0	2.3	4.3	3.3
Mining and quarrying	-1.6	-19.7	7.6	0.7	4.1
Manufacturing	-0.5	-10.6	2.5	7.0	4.7
Electricity, gas and water	-1.1	-7.2	-1.4	3.9	1.3
Construction	-3.4	-21.0	0.4	6.1	3.3
Wholesale and retail trade, catering and accommodation	0.4	-10.5	5.5	6.4	6.0
Transport, storage and communication	-0.4	-14.9	2.6	3.0	2.8
Finance, insurance, real estate and business services	2.3	-4.6	5.3	3.4	4.4
General government	1.8	0.8	-2.3	0.5	-0.9
Community, social and personal services	0.9	-2.6	0.0	2.5	1.3
Total GDP at market prices	0.3	-6.9	3.0	4.1	3.6

Note: e denotes estimates and f denotes forecast

Source: Quantec Research, 2021

The Provincial economy's expected recovery will be driven by Finance, Trade and Tourism sectors. However, the recovery is expected to be slower than previously anticipated due to a resurgence in COVID-19 cases and subsequent waves of infections forcing renewed lockdown restrictions. The outlook is further dampened by slower than expected vaccine uptake due to vaccine hesitancy, which heightens the risk of a fourth wave of COVID-19 infections in the last quarter of 2021.

In the Primary sector, the Agricultural sector was the only sector to enjoy strong growth in 2020 after a bumper crop, but the forecast for 2021 is more modest at 2.3 per cent. The Mining sector is expected to make a strong recovery (7.6 per cent in 2021) after suffering a contraction of 19.7 per cent in 2020, due to base effects.

In the Secondary sector, the Manufacturing sector is expected to recover by an average of 4.8 per cent in the two-year forecast period after a 10.6 per cent contraction in 2020. This is largely due to the reopening of industries and expected recovery in international trade. The Utilities sector is expected to contract for a consecutive year in 2021. The continued contraction of the sector can be attributed to Eskom's continued electricity supply challenges. This has a dampening effect on other sectors which rely on power supply for production and productivity. The Construction sector is expected to remain under pressure and only grow by 0.4 per cent in 2021 after a massive contraction of 21.0 per cent in 2020. The investment in infrastructure will boost economic activity, increase economy-wide productivity growth and reduce unemployment.

In the Tertiary sector, the Trade sector has an average of 6.0 per cent growth forecast in the two-year forecast period, which is a strong recovery from the 10.5 per cent contraction in 2020. The positive outlook suggests a strong expected recovery in catering and accommodation, as well as tourism given the vaccine rollout and a reopening of the global economy. The Finance sector has an average growth outlook of 4.4 per cent in the two-year forecast period. This is an improvement from the

4.6 per cent contraction in 2020. The positive outlook is largely driven by the growing Business Processing Outsourcing (BPO) industry and the thriving tech ecosystem. The Government sector is expected to contract with 0.9 per cent on average in the two-year forecast period, from 0.8 per cent growth in 2020. The contraction may be driven by fiscal constraints facing the country.

2.4.3 Risks to the provincial outlook

The Provincial risks outlook for the Western Cape is almost similar to the national context, except that the Western Cape economy is heavily dependent on tourism, wine production, and farming.

- The negative effect of the COVID-19 pandemic on the global and domestic economy resulting in job losses, particularly for those working in hotels and restaurants, increased poverty, income inequality and social unrest.
- A substantial increase in service delivery demands due to in-migration and maternal health.
- Travel restrictions and the restriction on global flights during the peak of COVID-19 almost collapsed the tourism and wine sector in the Western Cape, as global travel collapsed.
- Vaccine hesitancy.
- The COVID-19 pandemic will worsen the digital divide. With no access to the internet and technology, the poor risk being left behind.

2.5 Conclusion

Last year, the COVID-19 pandemic severely disrupted economies around the world. Movement restrictions, closures of borders and businesses, and other lockdown measures had a profound impact on global economic activity and caused an unprecedented global recession. The second half of 2020 saw the beginning of the global vaccine rollout and a return to normality. However, while some countries are showing strong recovery, others continue to battle a resurgence of COVID-19 cases. The pandemic has deepened the divide between advanced economies and emerging market and developing economies, due to vastly different responses to the pandemic, most notably the speed and scale at which they have been able to obtain access to vaccines.

The South African growth recovery was well under way by the first half of 2021. Although the growth recovery continued, the level of GDP in the second quarter of 2021 was the same as the level of GDP in fourth quarter of 2017. The economy was already in a recession before the onset of the pandemic in March 2020 as the economy experienced four consecutive quarters of negative growth ending in the second quarter of 2020, where GDP contracted by an unprecedented 51.7 per cent. The growth outlook is expected to be slow and gradual. The social unrest in KwaZulu-Natal and Gauteng in July 2021, was characterised by violence and looting which led to the loss of lives, destruction of property and businesses, as well as the temporary closure of critical trade routes, dampened the growth recovery.

The relative importance of the Tourism sector to the Western Cape economy, meant that the Province was greatly affected by the pandemic and the associated lockdown restrictions. The pandemic remains a threat to the growth prospect of the Tourism sector, given the occasional surge in cases and the identification of new variants. Despite the uncertainty around the pandemic, the Provincial economy is expected to recover as the Tourism and Wine sectors recovers. However, due to a resurgence in COVID-19 cases, subsequent waves of infections, and slower than expected vaccine uptake due to vaccine hesitancy, the recovery is expected to be slower than previously anticipated. Nevertheless, Provincial growth is expected to rebound and recover over the forecast horizon as global and national economic activity resumes.

Annexure B

Annexure B1 Key monthly indicators - domestic, 2020

	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
USDZAR	17.1	16.8	17.3	16.7	16.5	15.6	14.9	15.1	14.8	15.0	14.4	14.1	13.9
EURZAR	19.3	19.2	20.4	19.7	19.4	18.4	18.2	18.4	17.9	17.9	17.2	17.1	16.8
GBPZAR	21.4	21.2	22.6	21.7	21.4	20.6	20.1	20.6	20.5	20.8	20.0	19.8	19.5
Nominal effective exchange rate (2000=100) (% y/y)	-12.9	-15.1	-13.6	-13.3	-11.6	-7.6	-7.2	-8.8	-3.5	5.8	20.7	19.7	16.5
Real effective exchange rate (2000=100) (% y/y)	-10.6	-12.3	-10.7	-10.6	-8.5	-4.1	-4.1	-5.8	-1.6	6.3	19.7	17.8	#N/A
BALANCE OF PAYMENTS													
Total imports (cumulative 12 months) (% y/y)	-13.5	-17.0	-19.0	-19.1	-19.7	-19.5	-17.5	-19.0	-18.3	-16.7	-14.6	-11.5	-5.7
Total exports (cumulative 12 months) (% y/y)	-8.5	-7.5	-7.4	-4.8	-3.4	-1.3	1.5	2.3	2.6	5.2	17.4	22.0	25.4
Trade balance (Rbn: 12 month moving total)	-8.4	34.1	69.1	98.7	1 31.3	161.7	1 79.7	1 95.0	2 13.2	242.8	325.8	360.6	371.7
Non-resident net purchases of shares (R bn)	-10.0	-9.0	-25.9	-14.9	-16.8	-16.7	11.7	5.3	-15.2	0.8	-1.7	-5.6	-24.6
Non-resident transactions net purchases of bonds (R bn)	-12.3	-0.9	0.5	-8.5	-1.0	20.6	13.2	14.3	4.4	-13.9	18.3	3.9	-9.8
Gross reserves of the SARB (\$ bn)	52.3	57.9	55.7	54.4	53.7	53.8	55.0	54.8	53.8	53.0	53.7	54.1	54.5
International liquidity position of the SARB (\$ bn)	45.7	48.1	50.5	50.7	51.4	51.3	52.1	52.0	51.6	50.9	51.5	52.2	51.4
MONETARY SECTOR & FINANCIAL MARKETS													
M3 Money supply (seasonally adjusted) (% y/y)	10.4	10.0	10.0	9.7	10.0	8.9	9.5	9.1	7.5	3.6	2.0	1.8	0.1
Total domestic credit extension (% y/y)	7.0	3.6	3.0	4.5	4.8	3.8	3.8	3.5	3.3	-1.4	-1.3	-0.8	-3.0
Credit to the domestic private sector (seas adj) (% y/y)	5.3	5.1	3.4	3.3	3.2	3.7	3.6	3.3	2.6	-1.6	-1.8	-0.4	-0.6
Instalment sales credit (% y/y)	4.1	4.0	3.6	3.1	2.5	2.9	2.9	2.7	3.3	3.5	5.2	6.2	5.8
Leasing finance (% y/y)	-12.1	-11.7	-11.1	-7.3	-5.5	-7.0	-7.3	-5.8	-7.7	-13.3	-14.4	-13.4	-16.1
Mortgage advances (% y/y)	5.1	4.8	4.6	4.6	4.4	4.3	4.6	4.5	4.4	4.0	4.7	5.7	5.6
Other loans and advances (% y/y)	-0.3	-0.1	-1.0	-3.7	-2.5	-2.4	-2.3	-1.5	-1.2	-6.4	-6.8	-5.3	-3.6

	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
3m NCD rate (% p.a.)	3.9	3.6	3.4	3.4	3.3	3.5	3.6	3.6	3.6	3.7	3.7	3.7	3.7
Long-term bond yield (% p.a.)	9.8	10.2	9.3	9.4	10.1	10.0	9.7	8.7	9.5	9.3	9.2	8.9	8.8
Prime overdraft rate (% p.a.)	7.3	7.3	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
JSE All share index (% y/y)	-7.5	-3.6	2.6	-1.6	-1.5	0.0	5.1	10.2	16.2	48.6	40.4	32.7	24.6
JSE Resources (% y/y)	6.8	16.6	29.4	26.0	18.7	10.8	17.4	28.3	35.3	90.9	67.2	52.3	30.6
JSE Industrials (% y/y)	4.9	5.1	5.0	5.1	5.1	4.2	3.4	3.0	2.9	2.4	3.0	3.1	3.1
JSE Financials (% y/y)	-36.0	-35.1	-31.8	-36.1	-35.7	-31.0	-24.1	-22.3	-16.4	14.5	26.1	33.0	25.0
PRICES													
CPI Headline (% y/y)	2.2	3.2	3.1	3.0	3.3	3.2	3.1	3.2	2.9	3.2	4.4	5.2	4.9
CPI: Food and NAB (% y/y)	4.2	4.3	3.9	3.9	5.4	5.8	6.0	5.4	5.2	5.7	6.3	6.7	6.7
CPI: Education (% y/y)	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	4.1	4.1	4.1	4.1
CPI: Health and medical insurance (% y/y)	8.6	8.6	8.7	8.7	8.7	8.7	8.8	8.8	4.3	4.4	4.5	4.5	4.5
CPI: Housing and utilities (% y/y)	4.0	3.2	3.1	2.8	2.8	2.9	2.7	2.6	2.6	2.2	2.3	2.3	2.6
CPI: Clothing (% y/y)	0.6	0.4	0.2	0.2	0.2	0.2	0.3	0.6	0.3	0.3	1.0	1.8	1.7
CPI: Administered prices (excl. fuel) (% y/y)	7.2	5.5	5.2	5.2	5.2	5.2	5.2	5.2	5.2	4.7	4.7	4.7	4.7
CPI: Household contents and equipment (% y/y)	1.7	1.8	1.9	1.5	1.9	1.9	1.8	1.9	1.7	0.7	0.7	0.9	1.3
CPI: Transport (% y/y)	-5.9	0.0	0.2	0.3	-0.5	-1.3	-1.6	-0.4	1.2	3.8	10.6	15.3	12.3
CPI: Communication (% y/y)	-0.1	-0.2	-0.3	-0.2	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5	-0.4	-0.2	-0.5
CPI: Recreation and culture (% y/y)	1.1	1.2	1.0	1.2	1.8	1.8	1.7	1.6	1.4	1.8	2.3	1.6	1.5
PPI: Final Manufactured goods (% y/y)	0.5	2.0	2.4	2.6	2.7	3.0	3.0	3.5	4.0	5.2	6.7	7.4	7.7
PPI: Intermediate Manufactured goods (% y/y)	1.4	2.4	3.2	3.0	3.4	4.1	6.8	8.6	9.9	11.2	11.4	15.2	16.4
Petrol price: 95 Gauteng (R/l)	13.4	15.1	15.2	15.2	14.9	14.6	14.5	14.9	15.7	16.3	17.3	17.2	17.1
Petrol price: 95 Gauteng (% y/y)	-20.0	-4.4	-4.7	-5.3	-8.3	-9.3	-11.3	-8.0	-2.2	3.0	24.1	41.0	27.8
Standard Bank house prices (nominal) (% y/y)	4.0	2.6	2.2	#N/A									
Standard Bank house prices (real) (% y/y)	1.8	-0.6	-0.8	#N/A									

	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
REAL ECONOMIC INDICATORS													
Building plans passed (real, seasonally adjusted) (% y/y)	-63.1	-56.8	-17.6	0.3	-5.4	17.9	28.8	32.2	12.1	-13.9	478.1	540.1	#N/A
Buildings completed (real, seasonally adjusted) (% y/y)	-76.1	-51.6	-45.7	-27.8	-6.7	-43.9	-11.6	-45.0	-39.9	-9.1	3 902.0	1 188.6	#N/A
Electricity consumed (% y/y)	-1.1	-3.0	-3.1	-7.0	-3.6	-7.9	-3.2	-3.5	-3.4	-2.8	9.4	3.0	#N/A
Electricity produced (% y/y)	-5.8	-4.5	-2.4	-3.1	-2.8	-2.5	1.0	-3.2	-4.4	1.8	25.5	12.1	#N/A
Sales: Manufacturing (constant prices) (% y/y)	-19.2	-14.5	-14.7	-7.3	-4.1	-3.0	-0.2	-4.3	-2.4	8.3	100.2	#N/A	#N/A
Sales: Wholesale trade (constant prices) (% y/y)	-7.3	-5.3	-1.3	-1.8	-4.9	-2.1	0.9	-3.3	1.8	5.6	57.4	31.2	#N/A
Sales: Retail trade (constant prices) (% y/y)	-8.0	-8.2	-3.2	-2.8	-3.6	-2.7	-0.3	-4.8	5.1	-2.2	90.5	16.7	#N/A
Sales: New passenger vehicles (number) (% y/y)	-33.9	-36.0	-33.3	-31.6	-25.7	-19.0	-15.3	-18.4	-18.5	20.1	21 546.7	169.0	#N/A
Sales: New commercial vehicles (number) (% y/y)	-26.5	-18.3	-15.5	-8.9	-25.2	2.3	-0.1	-3.8	-3.3	47.6	2 642.6	264.4	#N/A
Volume of production - Gold mining (% y/y)	-16.3	-9.0	-14.3	-1.1	-4.9	-6.4	-0.9	-14.3	-9.1	10.5	178.3	44.5	#N/A
Volume of production - Other mining (% y/y)	-22.4	-5.4	-1.2	-2.3	-5.1	-9.3	-2.4	-7.6	-0.7	24.5	111.2	19.1	#N/A
Volume of production - Total mining (% y/y)	-21.7	-5.9	-3.0	-2.1	-5.1	-8.9	-2.2	-8.3	-1.9	22.4	117.4	21.9	#N/A
Volume of production - Manufacturing (% y/y)	-15.0	-10.6	-8.7	-3.9	-3.7	-3.1	0.9	-1.8	-1.2	4.5	83.3	36.9	#N/A
Purchasing Managers Index: Business activity (% y/y)	43.1	12.5	40.9	57.5	40.5	32.9	23.8	-3.2	52.6	73.2	827.4	36.3	#N/A
Leading business cycle indicator (% y/y)	-4.7	-1.7	3.1	6.8	9.5	10.9	12.3	12.1	14.0	18.2	31.5	#N/A	#N/A
Coincident business cycle indicator (% y/y)	-30.3	-23.5	-16.5	-14.7	-13.0	-10.8	-10.6	-11.1	-10.1	0.4	#N/A	#N/A	#N/A
Insolvencies (% y/y)	-51.3	-69.5	-59.4	-38.3	-47.1	-7.6	32.7	-40.2	-60.2	-40.6	-71.4	#N/A	#N/A
Liquidations (% y/y)	-17.8	5.5	29.5	54.0	20.8	24.2	14.2	-2.4	8.5	49.0	#DIV/0!	-2.1	#N/A
US industrial production (% y/y)	-11.0	-7.0	-6.6	-6.6	-4.7	-4.7	-3.3	-1.7	-4.9	1.5	17.5	16.1	9.8
Euro Area industrial production (% y/y)	-11.0	-6.7	-6.0	-5.5	-2.9	-0.4	0.3	0.6	-1.3	11.5	38.8	20.5	#N/A
UK industrial production (% y/y)	-11.9	-6.7	-4.7	-4.8	-4.6	-2.7	-2.3	-4.1	-3.7	3.1	27.2	20.6	#N/A
Japan industrial production (% y/y)	-18.4	-15.9	-14.0	-9.1	-3.4	-4.1	-2.9	-5.3	-2.0	3.4	15.8	21.1	22.6
China industrial production (% y/y)	4.8	4.8	5.6	6.9	6.9	7.0	7.3	35.1	35.1	14.1	9.8	8.8	8.3

	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
US consumer price inflation (% y/y)	0.6	1.0	1.3	1.4	1.2	1.2	1.4	1.4	1.7	2.6	4.2	5.0	5.4
Eurozone consumer price inflation (% y/y)	0.3	0.4	-0.2	-0.3	-0.3	-0.3	-0.3	0.9	0.9	1.3	1.6	2.0	1.9
UK consumer price inflation (% y/y)	0.6	1.0	0.2	0.5	0.7	0.3	0.6	0.7	0.4	0.7	1.5	2.1	2.5
Japan consumer price inflation (% y/y)	0.1	0.3	0.2	0.0	-0.4	-0.9	-1.2	-0.6	-0.4	-0.2	-0.4	-0.1	0.2
China consumer price inflation (% y/y)	2.5	2.7	2.4	1.7	0.5	-0.5	0.2	-0.3	-0.2	0.4	0.9	1.3	1.1
US unemployment rate	11.1	10.2	7.9	8.4	6.9	6.7	6.7	6.3	6.2	6.0	6.1	5.8	5.9
EU unemployment rate	7.3	7.6	7.7	7.7	7.5	7.3	7.4	7.5	7.5	7.4	7.4	7.3	7.1
UK unemployment rate	3.9	4.1	4.5	4.8	4.9	5.0	5.1	5.0	4.9	4.8	4.7	4.8	#N/A
Japan unemployment rate	2.8	2.9	3.0	3.0	3.1	3.0	3.0	2.9	2.9	2.6	2.8	3.0	2.9
US Federal Funds rate	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Eurozone 3m sett rate (% p.a.)	-0.4	-0.5	-0.5	-0.5	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	0.5	-0.6	-0.6
U.K. 3m BBA rate (% p.a.)	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.1	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	-1.0	-0.1
China short-term interest rate	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
China bond yield (>10yr)	3.1	3.0	3.7	3.8	4.0	3.3	3.3	3.7	3.8	3.7	3.7	3.6	2.8
Japan bond yield (>10yr)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.0
UK bond yield (>10yr)	0.2	0.1	0.3	0.2	0.1	0.3	0.2	0.3	0.8	0.8	0.8	0.8	0.6
US bond yield (>10yr)	0.7	0.5	0.7	0.7	0.6	0.9	0.9	1.1	1.6	1.7	1.6	1.6	1.2
US stock market: S&P500 (% y/y)	4.9	11.5	20.6	12.9	5.4	17.9	16.8	15.2	29.2	55.3	45.6	38.7	42.4
UK stock market: FTSE all share (% y/y)	-15.7	-20.6	-15.5	-19.4	-19.3	-12.9	-12.4	-10.2	0.8	23.3	22.2	19.4	17.9
Germany stock market: DAX (% y/y)	0.3	1.4	8.9	4.2	-0.3	1.5	4.8	6.0	18.1	51.7	41.0	32.0	27.4
Japan stock market: Nikkei 300 (% y/y)	5.5	1.1	9.1	5.0	1.0	9.9	11.5	9.1	32.3	42.8	34.1	26.7	24.9
Switzerland stock market: Zurich SMI (% y/y)	1.5	0.9	2.4	1.1	0.2	-0.2	0.8	-0.3	7.0	18.6	14.5	15.6	20.6

	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
Gold price (USD/oz)	1 780.0	20 34.0	1 961.0	1 887.0	1 813.0	1 780.0	1 895.0	1 842.0	1 731.0	1 735.0	1 767.0	1 900.0	1 809.0
Platinum price (USD/oz)	817.0	961.0	935.0	889.0	843.0	963.0	1 067.0	1 075.0	1 185.0	1 225.0	1 195.0	1 176.0	1 051.0
Brent crude oil (\$/bl)	42.0	44.0	45.0	41.0	36.0	47.0	51.0	55.0	65.0	60.0	67.0	70.0	75.0
Maize price (USD/ton)	342.0	308.0	348.0	377.0	406.0	420.0	481.0	546.0	554.0	557.0	710.0	665.0	553.0
EURUSD	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
USDCNY	7.1	7.1	7.0	6.8	6.7	6.6	6.5	6.5	6.5	6.5	6.5	6.4	6.4
USDJPY	107.6	106.8	106.1	105.7	105.3	104.5	103.9	103.7	105.2	108.3	109.1	109.1	110.1
USDGBP	0.8	0.8	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7

Source: Quantec Research, 2021

Annexure B2 COVID-19 regulations

President Cyril Ramaphosa first addressed the nation on COVID-19 on 15 March 2020, declaring a national state of disaster in terms of the Disaster Management Act.

On 23 March 2020, 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 mitigate its economic and social impact. Since the initial lockdown in March 2020, the country has moved between different alert levels, each with different restrictions, in response to resurgent COVID-19 infections.

The timeline for alert levels is as follows:

- The country went into full lockdown (Alert level 5) from midnight 26 March 2020 – 30 April 2020.
- The country moved to alert level 4 from 1 May 2020 - 31 May 2020.
- The country was on alert level 3 from 1 June 2020 - 17 August 2020.
- The country was on alert level 2 from 18 August 2020 - 20 September 2020.
- The alert level was adjusted to level 1 from 21 September 2020 - 28 December 2020.
- The country moved to adjusted alert level 3 on 29 December 2020 – 28 February 2021.
- On 1 March 2021, South Africa returned to alert level 1.
- The country was on adjusted alert level 1 from 1 March 2021 - 30 May 2021.
- The country moved to adjusted alert level 2 from 31 May 2021 - 15 June 2021.
- The country was on adjusted alert level 3 from 16 June 2021 - 27 June 2021.
- South Africa moved to adjusted level 4 from 28 June 2021 - 25 July 2021.
- On 26 July 2021, South Africa returned to adjusted alert level 3.



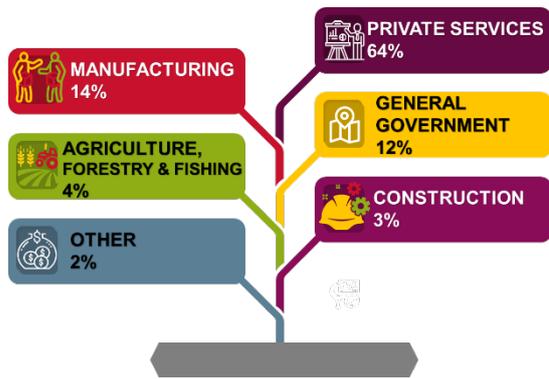
DEVELOPMENT OF THE WESTERN CAPE ECONOMY

3.1 Introduction

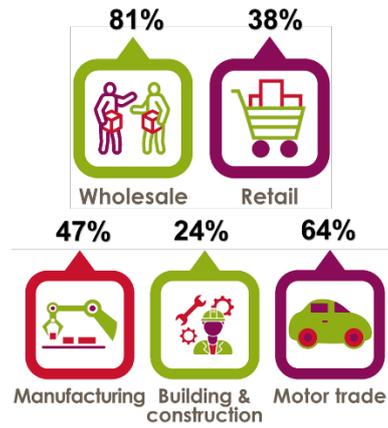
Chapter 3 focuses on the Western Cape and examines its economy by reviewing past performance and considering the outlook for the next five years. The chapter also considers the provincial economy in terms of its spatial and sectoral dimensions, analysing growth and contribution per sector and district. The chapter underlines the unique growth potential, trends, role and contribution of each sector to the provincial economy, given that neither structural constraints nor COVID-19 have impacted equally across sectors and regions. The structure of the economy in terms of trade, employment and investment is also discussed. Finally, developments of key economic sectors as well as economic opportunities and risks in the Province are discussed.

DEVELOPMENT OF THE WESTERN CAPE ECONOMY

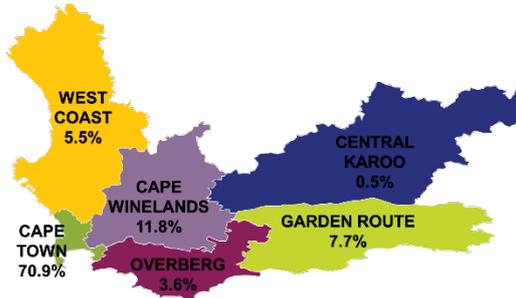
STRUCTURE OF THE WC ECONOMY
(GDPR CONTRIBUTION 2020)



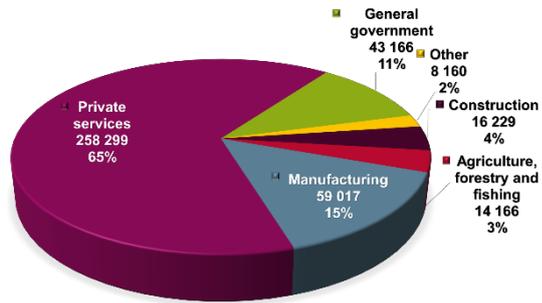
BUSINESS CONFIDENCE IN SECTORS (2020:Q2)



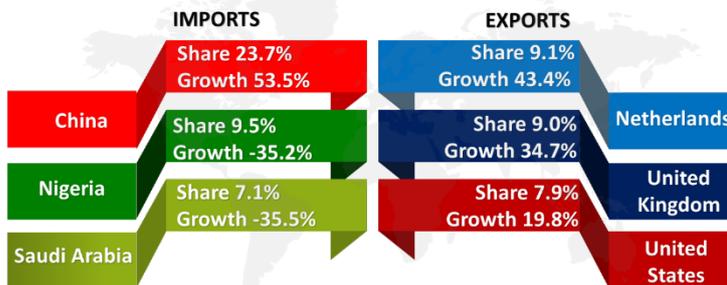
WESTERN CAPE ECONOMIC OUTPUT
(2019)



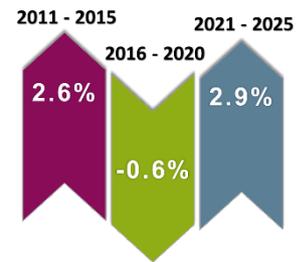
GDPR PER SECTOR, R MILLION (2019)



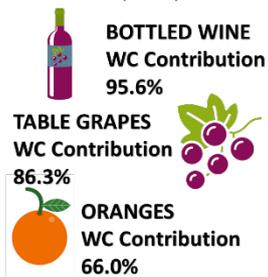
TOP IMPORT AND EXPORT MARKETS (2020)



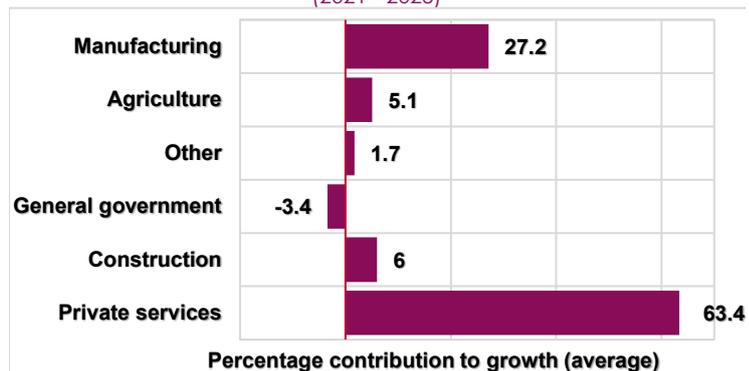
ECONOMIC GROWTH AVERAGE



TOP AGRICULTURAL EXPORTS
(2020)



CONTRIBUTION TO ECONOMIC GROWTH PER SECTOR
(2021 - 2025)



3.2 A sectoral overview of economic growth and employment

The COVID-19 pandemic has resulted in the worst global recession since the Great Depression, due to the width of the economic impact cutting across all sectors of the economy to varying degrees. The Western Cape economy has been impacted by the economic downturn resulting from the pandemic and its subsequent lockdown measures. This chapter reveals that while some sectors such as Government and Private services were more resilient to the impact of the COVID-19 lockdown measures, maintaining an average positive growth in output and employment, sectors such as Construction and Manufacturing were more vulnerable. The pandemic and the significant contraction in output in 2020 presents a major risk to employment prospects for the Province.

This section provides an overview of the structure and the relative sectoral performance of the Western Cape economy in terms of growth trends. The relative size of each sector determines its contribution to overall growth and employment in the Province, and explains the difference between provincial and national economic forecasts. A change in structure over time would change each sector's impact on the Western Cape economy. Each sector's contribution to growth and forecasted performance is considered. The six major sectors discussed include Private services, Manufacturing, Government, Construction, Agriculture¹ and the 'Other' sector.

3.2.1.1 Structure of the Western Cape economy

The Western Cape economy has a service-oriented structure, with the largest share of the provincial Regional Gross Domestic Product (GDPR²) being the Private services sector³, accounting for 64.3 per cent or R372.308 billion (R110 637 per worker) of the GDPR in 2020. Within the Private services sector, sub-sectors making the largest contributions to total GDPR are Finance⁴ (32.4 per cent), Trade⁵ (15.4 per cent) and Transport⁶ (9.3 per cent). The Manufacturing sector followed at 14.3 per cent and the Government⁷ sector at 11.7 per cent. The Agriculture and Construction sectors contributed 4.3 per cent and 3.4 per cent, respectively. 'Other'⁸ sectors, which includes Mining⁹ and the Utilities¹⁰ sectors, accounted for 2.0 per cent of GDPR in 2020. The relative size of each sector determines its influence on the overall economic growth. Relatively larger sectors could therefore exert more influence with relatively lower growth than smaller sectors.

Between 2011 and 2020, the Western Cape economy has become more services orientated with an increase in the share of Private (3.0 percentage points) and Government (1.1 percentage points) services, as opposed to the decline in the

¹ Refers to Agriculture, forestry and fishing

² All macro-economic indicators are in real terms for this chapter

³ Refers to the tertiary sector minus the General Government sector

⁴ Refers to Finance, insurance, real estate and business services

⁵ Refers to Wholesale and retail trade, catering and accommodation

⁶ Refers to Transport, storage and communication

⁷ Refers to General government

⁸ Comprises of Mining and quarrying; and Electricity, gas and water sectors

⁹ Refers to Mining and quarrying

¹⁰ Refers to Electricity, gas and water sector

Secondary sector (-3.1 percentage points) contribution to the economy. The 2020 recession failed to reinforce this long-term trend for Private services, which decreased by -0.4 percentage points. However, the Secondary sector (-1.1 percentage points) and Government services (0.9 percentage points) continued its long-term trend in this regard.

3.2.1.2 Sectoral growth trends

The Western Cape's average growth over the past five years (2016 - 2020) was lower than the previous five years (2011 - 2015). The difference in the average annual growth rate in the first (2.6 per cent) and second (-0.6 per cent) five-year period of the Western Cape economy, can mostly be attributed to the 2020 recession when COVID-19 lockdown measures halted economic activity. However, the average growth rate (0.8 per cent) of the Western Cape in the four years prior to 2020 was sluggish at best. This was mainly due to a weaker underlying national economy; uncertain and more expensive electricity supply; drought and water restrictions.

In the first half of the decade (2011 - 2015), the average GDP¹¹ growth per annum was 2.6 per cent. The growth in the Private services sector was the primary driver of provincial growth over this period, accounting for 70.1 per cent of the total provincial growth rate. As a result, Private services' contribution to the economy increased by a 1.0 percentage point to 74 per cent in 2015. However, over this period, Government's annual GDP¹¹ increased on average by 3.6 per cent, the highest growth rate of any sector. The reason for the large expansion in the Government services during this period was due to a healthier underlying economy, which contributed to higher tax revenues and a relatively healthier fiscus. No sector recorded negative growth over this period.

Not surprisingly, all sectors recorded lower growth in the latter five-year period compared to the former period. Within the Government sector, which is known for its resilience to business cycles, annual average GDP¹¹ declined to 0.8 per cent from 2016 to 2020. The decline reflected increasing pressure on Government to consolidate its budget as the weaker economy eroded tax revenues over time.

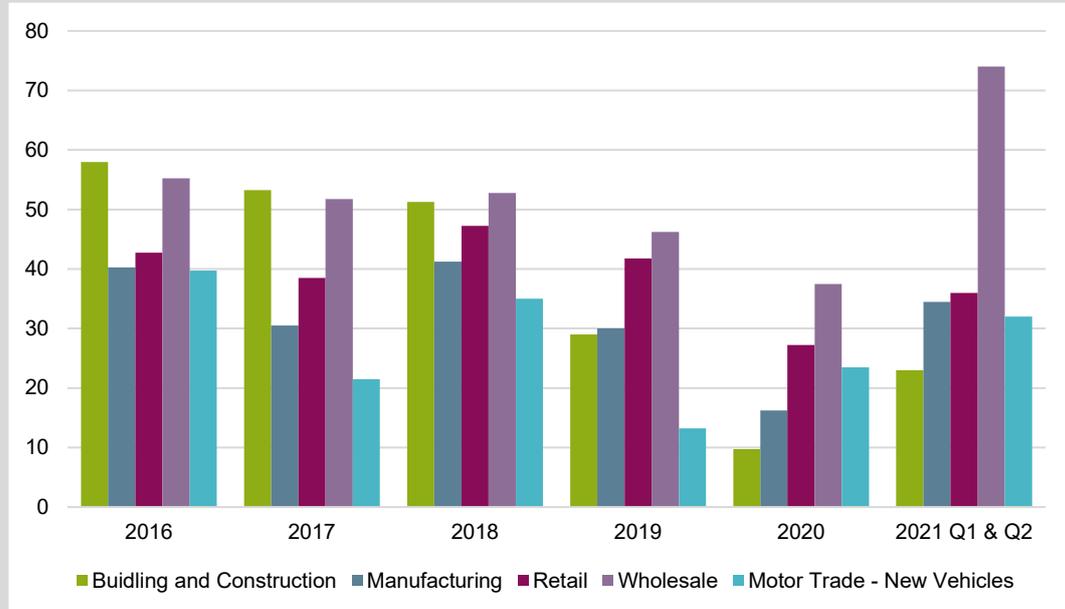
The Government sector traditionally stabilises weaker economies, by borrowing and increasing expenditure during economic hardship. However, the data shows that although the Government sector is resilient to a sluggish and a contracting economy, it does not radically reverse its expenditure trends in response to economic cycles.

TRENDS IN BUSINESS CONFIDENCE

The Rand Merchant Bank/Bureau for Economic Research (RMB/BER) Business Confidence Index tracks business sentiment in the Province and provides insight into investor confidence. There has been a decline in business confidence across all sectors in the Western Cape from 2016 to 2020. However, there was a recovery in business confidence for Trade and Construction in the first and second quarters of 2021, supporting an increase of 1.0 percentage points to yield an average of 40 index points.

¹¹ All GDP¹¹ are measured in basic prices in this chapter

Between 2016 and 2020, several factors have been driving the erosion of business confidence in the Western Cape. These include policy uncertainty regarding issues, including but not limited to expropriation without compensation, Eskom's unstable power supply hindering production and labour productivity, water shortages, a volatile exchange rate, high corporate tax rates relative to other emerging and developing markets, and slow economic growth. The global recession induced by the COVID-19 pandemic in 2020 also had a huge impact on confidence and investment decisions.



The year 2021 has, however, seen a growth recovery in some industries to pre-pandemic levels. Business confidence for the first half of 2021 was exceptional for the Wholesale industry (74 index points) and the Motor trade – new vehicles industry (32 index points). Confidence is still, however, low on average, as the satisfaction rate is below 50 index points in Building and Construction (23 index points), Manufacturing (35 index points) and Retail (36 index points).

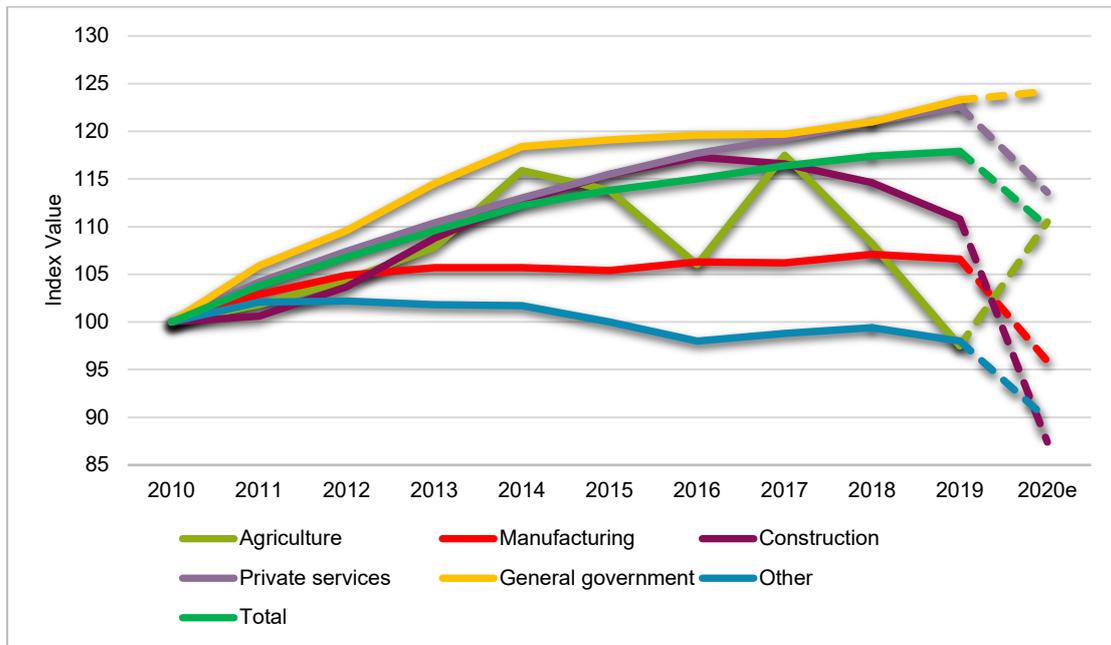
Source: Bureau for Economic Research, 2021

3.2.1.3 Relative performance of Western Cape sectors

Figure 3.1 shows the cumulative growth of key sectors in the Western Cape between 2011 and 2020. The figure depicts the Government sector (124.2 index points) as the fastest growing sector followed by Private services (113.6 index points). Growth of sectors in the Tertiary sector surpassed sectors located in the Primary and Secondary sectors. The figure also reveals the volatile nature of growth in the Agriculture sector. Three sector's GDP levels were lower by the end of 2020 compared to 2010. These sectors include Construction (87.4 index points), Manufacturing (95.9 index points) and 'Other' (89.8 index points).

The relative underperformance of the Construction, Manufacturing and 'Other' sectors is a major setback for the semi-to unskilled workforce, which comprises a large portion of these three sectors' total formal employment. In 2020, 58.6 per cent of formal employment in the Construction sector, 66.8 per cent in 'Other' sector and 66.3 per cent in the Manufacturing sector were either semi or unskilled. A significant portion of employment in the Construction sector (31.5 per cent) was informal.

Figure 3.1 Relative GDPR cumulative growth performance per sector, Western Cape, 2010 - 2020



Source: Quantec Research, 2021; Own calculations

3.2.1.4 Forecast for the Western Cape economy

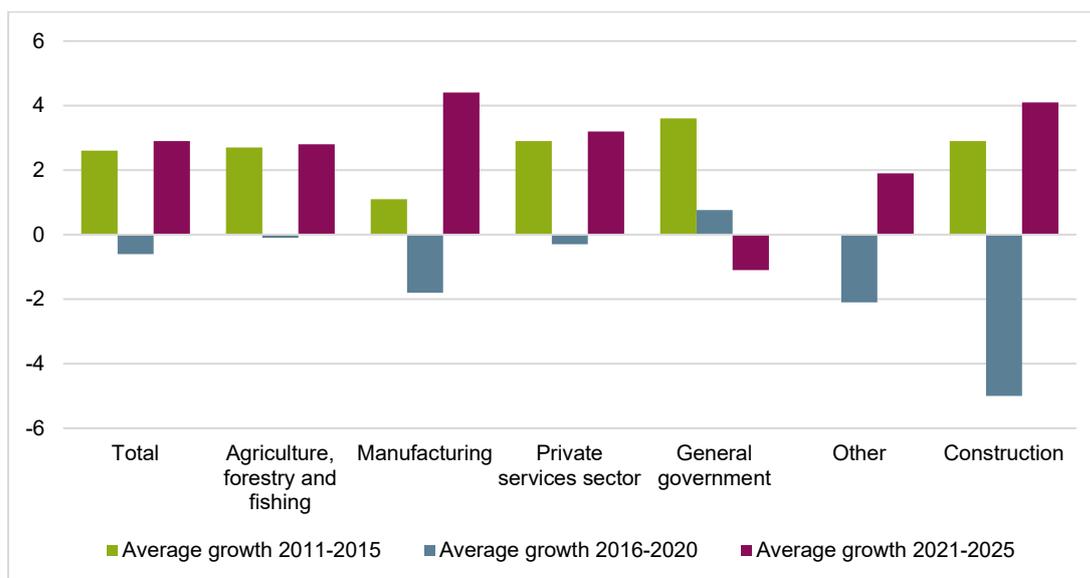
The Western Cape economy is projected to grow¹² at 2.8 per cent in 2021. Private services (2.7 percentage points) is projected to provide the largest contribution to growth, followed by the Manufacturing (0.3 percentage points) and Agriculture (0.1 percentage points) sectors. The relatively large expected growth contribution of Private services is due to its relative size (contributing 64.3 per cent of total GDPR) and a robust growth rate of 4.2 per cent projected for 2021. The strong growth rate is explained by the lower baseline of 2020.

Between 2021 and 2025, the Western Cape economy is expected to grow at an average annual growth rate of 2.9 per cent (see Figure 3.2). Positive growth is expected for all sectors except the Government sector (-1.1 per cent), which is expected to contract over this period due to the expected fiscal consolidation measures. As a result, pre-pandemic GDPR levels will be reached by the end of 2022.

As discussed, Manufacturing and Construction were among the worst performing sectors during the past five years. However, these sectors are expected to record the highest annual average growth rates over the next five years at 4.4 per cent and 4.1 per cent, respectively. The positive growth expectations of these sectors are mainly due to a low GDPR baseline from which growth is projected. The relatively rapid expected expansion for both the Manufacturing and Construction sectors bodes well for the semi- to unskilled workforce, which as discussed above, contribute a comparatively large share of formal employment to these sectors.

¹² Growth is based on GDPR at basic prices

Figure 3.2 Average growth performance and outlook per sector for the Western Cape, 2011 – 2015; 2016 – 2020 and 2021 - 2025



Source: Quantec Research, 2021

3.2.1.5 Western Cape employment dynamics

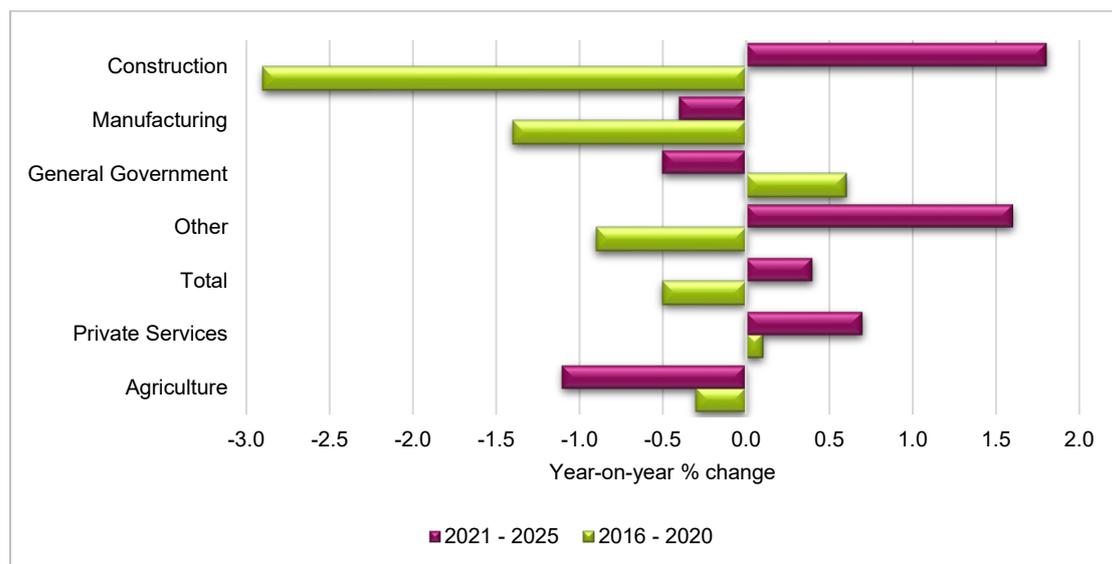
Between 2016 and 2020, employment opportunities in the Western Cape declined by 63 119 or 0.5 per cent on an annual average basis. Total employment losses were recorded for Agriculture (-40 985), Construction (-20 604) and 'Other' (-485) sectors, while the Government sector contributed 9 209 employment opportunities over the same period.

Over the same period, the main contributors to employment losses were mostly in the Primary (-0.3 percentage points) and Secondary (-0.3 percentage points) sectors. This included the Construction (-2.9 percentage points), the Manufacturing (-1.4 percentage points), 'Other' (-0.9 percentage points), and Agriculture (-0.3 percentage points) sectors, which made the largest contribution to the total employment contraction.

In 2020, the Western Cape lost 159 266 employment opportunities or a decline of 6.2 per cent from the previous year. The largest portion of these losses were in the Private services sector (68.7 per cent), followed by the Construction (12.5 per cent) and Manufacturing (11.6 per cent) sectors. The Government sector was the only sector not to shed employment opportunities during the year. The sector added 3 236 employment opportunities in 2020.

Employment in Construction is forecast to grow by 1.8 per cent between 2021 and 2025, while the 'Other' sector is expected to grow by 1.6 per cent. The biggest contraction is forecast for Agriculture of 1.1 per cent between 2021 and 2025, (see Figure 3.3).

Figure 3.3 Average annual employment growth performance and outlook per sector for the Western Cape, 2016 – 2020 and 2021 - 2025¹³



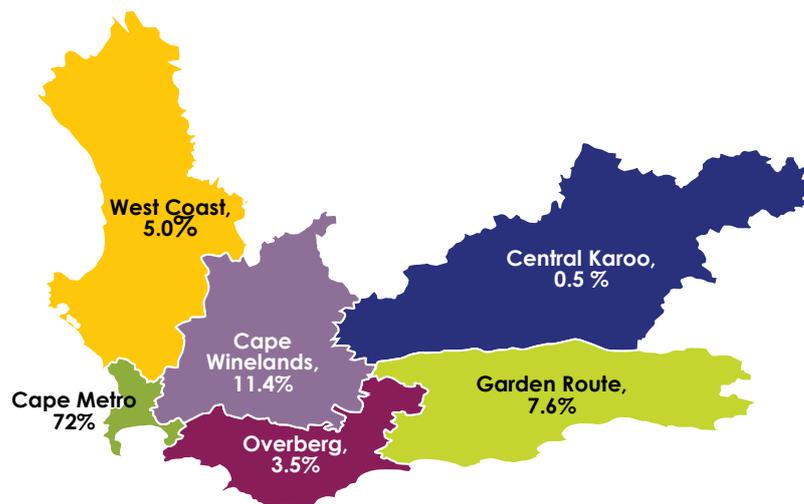
Source: Quantec Research, 2021

The Western Cape comprises of six regions (one metropolitan area and five districts) of which the City of Cape Town Metropolitan (Cape Metro) is the largest in terms of economic contribution, but the smallest geographically. The contributions of the various regions towards GDP have remained relatively stable over the last decade. Between 2011 and 2020, the economic contribution of the Cape Metro (-0.9 percentage points) declined, while the five districts' contributions increased – Cape Winelands (0.4 percentage points), Garden Route (0.1 percentage points), Overberg (0.2 percentage points), and West Coast (0.2 percentage points).

The gains in the contributions of the above mentioned rural districts to the Western Cape economy can be ascribed to excess growth of the largest sector (Tertiary services) in each district in comparison to the Cape Metro. Between 2011 and 2020, the Tertiary services sector of all rural districts, excluding the Central Karoo, expanded at a faster average rate than the Cape Metro. Since the Tertiary sector is the largest sector in all districts of the Western Cape, all rural districts, excluding the Central Karoo, outperformed the Cape Metro in economic expansion.

In 2020, the Cape Metro (72.0 per cent) made the largest GDP contribution, followed by the Cape Winelands (11.4 per cent) and Garden Route (7.6 per cent) districts. The Central Karoo district made the smallest contribution to total GDP in the Western Cape (see Figure 3.4).

¹³ When reference is made to the net number of jobs created between 2016 and 2020, it refers to the change in total employment from 2016 to 2020. The total number of jobs created between 2016 and 2020 could be more than this figure, but jobs could have been lost subsequently.

Figure 3.4 Western Cape economic output (GDPR) contribution per district, 2020

Source: Quantec Research, 2021; Own calculations

The 2020 recession had a substantial impact on the Western Cape economy, with contractions recorded in all districts. The Cape Metro (-7.3 per cent) is estimated to have declined the most, followed by the Garden Route (-6.3 per cent) and Cape Winelands (-5.5 per cent) districts, whilst the West Coast (-2.7 per cent) district suffered the smallest contraction (see Table 3.1). The relatively smaller contraction by the West Coast district is due to the comparatively large growth contribution by the Agriculture sector to this district in 2020. In the same year, the Agriculture sector made positive growth contributions¹⁴ in all districts, of which the West Coast (-98.6 per cent), Central Karoo (-42.5 per cent) and Overberg (-22.2 per cent) districts benefited the most. The Construction (-21.1 per cent), Mining (-19.4 per cent) and Transport (-15.3 per cent) sectors recorded the largest contractions, whilst Agriculture (13.3 per cent) was the only sector which expanded during the 2020 recession.

Between 2011 and 2020, the Western Cape's average annual growth (1.0 per cent) was lacklustre at best, mainly due to COVID-19 lockdown measures implemented in 2020. The Agriculture sector (-11.9 per cent) made the largest negative contribution to growth over this period, due to a severe drought that commenced in 2015, (see Table 3.1). The Utilities sector (-0.8 per cent) was the only other sector which made a negative contribution to growth over this period, due to electricity and water shortages.

Over the ten-year period, the Overberg district (1.5 per cent) recorded the highest average growth rate, followed by the West Coast (1.4 per cent) and Cape Winelands (1.3 per cent) districts. The Cape Metro (0.9 per cent) and Central Karoo (0.8 per cent) recorded the lowest average annual growth rates over this period.

The Manufacturing (22.0 per cent) and Construction (12.8 per cent) sectors made a relatively larger contribution to the 2020 contraction, compared to its ten-year average

¹⁴ Positive contributions to contractions will reflect as negative values and vice versa.

growth contribution of 5.5 per cent and 0.1 per cent, respectively, to the Western Cape economy. Although both the Agriculture and Government sectors made positive growth contributions in the 2020 recession, the growth contribution of Government (-1.2 per cent) was substantially less than its ten-year average (13.4 per cent).

Table 3.1 GDP growth rates and contribution to economic growth per district, in the Western Cape, 2011 – 2020

GDP growth (%)														
Sectors	Cape Metro		West Coast		Cape Winelands		Overberg		Garden Route		Central Karoo		Western Cape	
	2011 -	2011 -	2011 -	2011 -	2011 -	2011 -	2011 -	2011 -	2011 -	2011 -	2011 -	2011 -	2011 -	2011 -
	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020
	(Ave)	(Ave)	(Ave)	(Ave)	(Ave)	(Ave)	(Ave)	(Ave)	(Ave)	(Ave)	(Ave)	(Ave)	(Ave)	(Ave)
Primary Sector	10.5	2.0	12.4	2.0	10.9	0.5	11.2	-0.1	10.5	0.0	10.8	1.1	11.2	1.1
Agriculture	15.7	2.4	14.4	2.2	11.5	0.5	11.5	-0.1	12.3	0.1	10.9	1.1	13.3	1.3
Mining	-18.5	-0.4	-22.8	-2.1	-18.5	-0.6	-18.9	-0.1	-18.4	-0.5	-17.9	0.1	-19.4	-0.8
Secondary Sector	-12.2	-0.7	-7.4	0.6	-12.6	-0.9	-11.1	0.9	-12.2	-0.5	-12.7	-0.3	-11.9	-0.6
Manufacturing	-10.4	-0.4	-5.0	1.0	-10.9	-1.5	-7.6	1.9	-9.7	0.3	-8.9	0.0	-10.0	-0.4
Utilities	-6.8	-1.1	-7.8	-2.2	-6.1	0.3	-6.6	-1.0	-7.1	-1.3	-5.9	0.4	-6.8	-1.0
Construction	-21.3	-1.3	-20.6	-0.6	-19.8	0.9	-21.2	-0.9	-22.1	-2.3	-21.3	-1.0	-21.1	-1.0
Tertiary Sector	-6.4	1.3	-5.8	1.6	-5.4	2.3	-5.7	2.1	-5.9	1.7	-5.9	0.9	-6.2	1.5
Trade	-10.5	0.5	-9.9	1.3	-9.5	1.9	-9.6	1.7	-10.4	0.6	-11.1	-0.4	-10.3	0.8
Transport.	-15.4	-0.1	-16.5	-1.2	-14.3	1.2	-14.5	1.5	-14.7	0.8	-16.6	-1.5	-15.3	0.1
Finance.	-4.8	1.8	-2.9	2.6	-2.7	3.4	-2.2	2.8	-3.2	2.9	-3.5	2.1	-4.4	2.1
Government	0.8	2.4	1.0	2.2	0.4	1.6	0.2	1.6	0.0	1.3	1.4	2.8	0.7	2.2
Personal services	-2.3	1.1	-1.8	2.1	-1.9	2.0	-2.0	1.8	-2.4	1.3	-2.4	1.3	-2.2	1.3
Total	-7.3	0.9	-2.7	1.4	-5.5	1.3	-5.1	1.5	-6.3	1.1	-4.0	0.8	-6.7	1.0
Contribution to GDP growth (%)														
Sectors	Cape Metro		West Coast		Cape Winelands		Overberg		Garden Route		Central Karoo		Western Cape	
	2011 -	2011 -	2011 -	2011 -	2011 -	2011 -	2011 -	2011 -	2011 -	2011 -	2011 -	2011 -	2011 -	2011 -
	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020
	(Ave)	(Ave)	(Ave)	(Ave)	(Ave)	(Ave)	(Ave)	(Ave)	(Ave)	(Ave)	(Ave)	(Ave)	(Ave)	(Ave)
Primary Sector	-2.0	-1.9	-89.9	149.6	-18.0	-41.3	-21.8	-66.1	-9.2	-32.9	-42.5	66.6	-6.3	-11.8
Agriculture.	-2.5	-2.1	-98.6	146.0	-18.6	-41.4	-22.2	-66.2	-10.2	-33.0	-42.7	66.5	-7.0	-11.9
Mining	0.5	0.2	8.7	3.7	0.6	0.1	0.3	0.1	0.9	0.1	0.2	0.1	0.7	0.1
Secondary Sector	33.7	3.2	72.3	-17.3	49.3	3.7	45.0	28.1	40.0	-0.2	34.3	14.5	36.6	4.9
Manufacturing	20.9	3.8	39.1	-26.5	29.6	-3.4	20.2	30.2	21.4	9.4	6.1	-2.1	22.0	5.5
Utilities	1.7	-0.8	3.7	2.3	1.7	0.5	2.1	-1.0	2.2	-1.7	5.7	-1.8	1.8	-0.8
Construction	11.1	0.2	29.4	6.8	18.1	6.6	22.7	-1.2	16.4	-7.9	22.5	18.4	12.8	0.1
Tertiary Sector	68.3	98.7	117.6	-32.3	68.7	137.7	76.8	138.0	69.3	133.1	108.2	18.9	69.7	106.9
Trade	22.4	13.2	56.7	-7.7	30.8	34.6	34.9	36.0	27.9	17.4	40.5	16.4	24.6	17.5
Transport.	22.8	10.0	43.7	6.2	23.2	15.3	28.5	20.4	22.6	14.8	56.8	-2.5	23.5	10.5
Finance.	22.3	55.2	16.5	-20.5	12.6	67.9	11.0	63.2	16.2	86.1	12.2	5.1	20.6	58.4
Government	-1.3	14.2	-3.6	-3.2	-0.6	8.2	-0.3	8.0	0.0	7.2	-7.3	0.1	-1.2	13.4
Personal services	2.1	6.0	4.4	-7.1	2.7	11.7	2.8	10.4	2.6	7.6	6.0	-0.1	2.3	7.1
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	78.9	73.6	1.9	2.9	9.2	12.1	2.6	3.7	7.1	7.1	0.3	0.2	100.0	100.0

Source: Quantec Research, 2021; Own calculations

3.2.1.6 Fixed investment in the Western Cape

Fixed investment is essential to the economy since it expands production capacity and leads to production efficiencies. Table 3.2 depicts a 5.4 per cent decline in annual fixed investment, measured by Gross Fixed Capital Formation (GFCF), for the period 2016 to 2020 in the Western Cape. Investment over this period was negative in all sectors, having declined in the Agriculture (-4.7 per cent), Manufacturing (-1.9 per cent), Construction (-0.2 per cent), Private services (-5.8 per cent), Government (-3.6 per cent) and 'Other' (-11.1 per cent) sectors. The steepest decline was in 2020, mainly driven by the negative growth contributions of the 'Other' sector (31.8 per cent) and the Private services sector (51.3 per cent). The decline in the 'Other'¹⁵ sector can be ascribed to logistical issues in the Mining sector under COVID-19 lockdown measures that made exporting goods difficult and expensive, while the Utilities sector was subjected to loadshedding during this period.

Disasters such as the extreme drought and Avian flu negatively impacted agricultural output, and thus investment in the sector during this period. The announcement to pursue expropriation without compensation via a Constitutional amendment or the Expropriation Bill of 2015 during this period is likely to have negatively affected investment (see Figure 3.7).

Table 3.2 Average gross fixed capital formation performance and outlook per sector in the Western Cape, 2016 - 2025

	2016 - 2020		2021 - 2025	
	Average Change (y-o-y %)	Average growth Contribution (% pts)	Average Change (y-o-y %)	Average Growth Contribution (%)
Agriculture	-4.7	4.4	1.9	-7.5
Manufacturing	-1.9	-1	2.4	-15.2
Construction	-0.2	-2.8	1.5	-5.3
Private services	-5.8	51.3	4.1	148.1
General government	-3.6	16.3	-4	-78.3
Other	-11.1	31.8	17.7	58.1
Total	-5.4	100	4.2	100

Source: Quantec Research, 2021; Own calculations

The investment outlook for Western Cape between 2021 and 2025 is positive, relative to the previous five-year period, with an average expected growth of 4.2 per cent during this period. The promising growth rates are mainly due to the low baseline of 2020.

The 'Other' sector is forecast to record the highest average growth (17.7 per cent), following its large contraction over the previous five years. One of the main drivers of the robust expected growth is the strong possibility of another commodities boom post the 2020 global recession. The Government sector is the only sector expected to have negative average annual growth during this period at -4.0 per cent. The expected decline is due to government's expected implementation of fiscal consolidation measures.

¹⁵ Comprises of Mining and quarrying; and Electricity, gas and water sectors

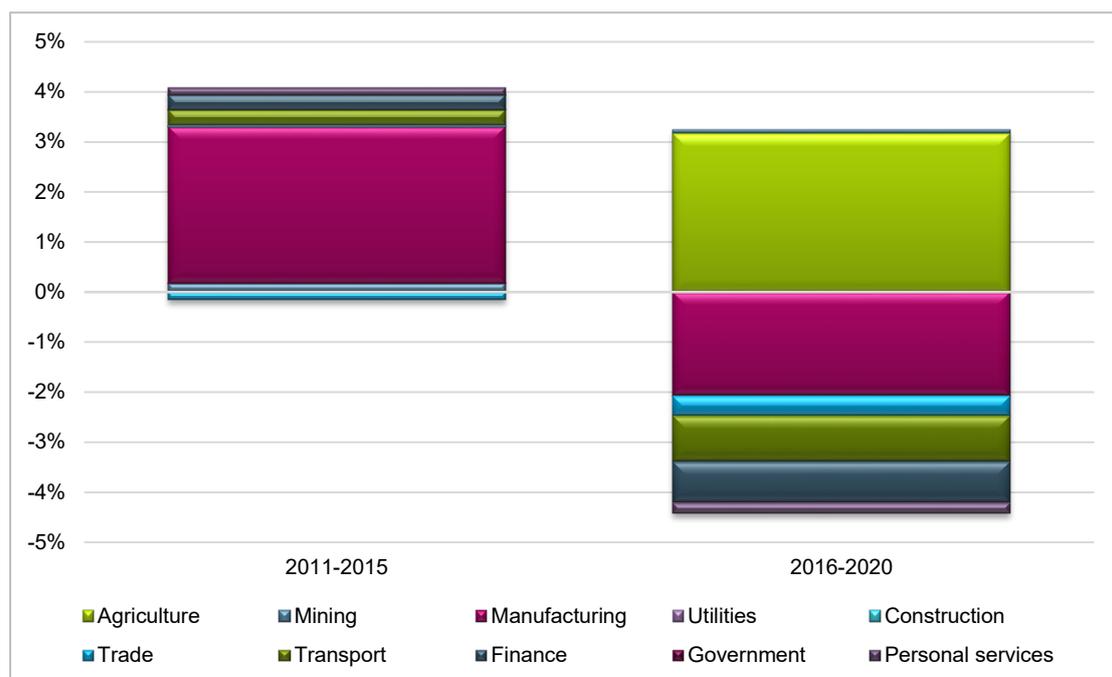
3.3 Western Cape trade profile

In 2020, export¹⁶ growth¹⁷ in the Western Cape contracted by 3.5 per cent. The Agriculture sector (9.1 percentage points) made the largest positive contribution to export growth, due to a blistering 44.2 per cent growth rate recorded in the same year. The surge in agriculture exports can be ascribed to favourable weather conditions, a relatively weaker currency and unhindered food value chain operations, thanks to joint efforts from the government, private sector, and various research institutions.

Between 2011 and 2020, exports in the Western Cape have been dominated by the Manufacturing and Agriculture sectors with a contribution of 59.9 per cent and 17.9 per cent to total exports, respectively. Within the Manufacturing sector, food, beverages and tobacco (30.0 per cent) and petroleum products, chemicals, rubber and plastic (27.0 per cent) made the largest contributions to total exports. Over the same period, the Agriculture sector's contribution increased by 15.5 percentage points to 31.7 per cent in 2020. In contrast, the Manufacturing sector's contribution to total exports declined marginally by 3.7 percentage points to 55.3 per cent in 2020. Manufacturing exports declined from R62.181 billion in 2016 to R54.018 billion in 2020.

Between 2011 and 2015, exports in the Western Cape grew on average by 3.9 per cent. As reflected in Figure 3.5, the Manufacturing sector (3.1 percentage points) contributed to the bulk of this growth with minor contributions from the Transport (0.3 percentage points) and Finance sectors (0.3 percentage points). In comparison to the second half of the decade, the Agriculture sector made no contribution to growth over this period, due to a relatively stronger currency and smaller focus on high export value commodities such as fruit and berries.

Figure 3.5 Export growth contribution per sector in the Western cape, 2011 - 2020



Source: Quantec Research, 2021; own calculations

¹⁶ Refers to exports in real terms

¹⁷ Measured in real terms, (2010 baseline).

Between 2016 and 2020, average annual export growth in the Western Cape was -1.2 per cent. The Manufacturing sector (-2.1 percentage points) made the largest contribution to the average contraction in exports, while the Agriculture sector (3.1 percentage points) made a significant positive growth contribution over the same period. The strong contribution by the Agriculture sector to export growth over this period can mainly be attributed to a robust contribution to growth in 2020 through high crop yields. The volatility in Agriculture exports are due to global weather patterns, exchange rate volatility, and international demand for certain commodities.

3.3.1 Trade source and destination markets

Between 2011 and 2020, the Western Cape had ten consecutive negative trade balances¹⁸. The main contributors, by average contribution, to the negative trading balance were the Manufacturing (55.8 per cent) and Mining sectors (47.4 per cent).

In 2020, the Western Cape's largest import markets were China (R46.5 billion), Nigeria (R18.5 billion) and Saudi Arabia (R13.8 billion), whereas the largest exports markets were the Netherlands (R12.5 billion), United Kingdom (R12.3 billion) and United States (R10.8 billion). The top three African export destinations included Namibia (R9.9 billion), Botswana (R9 billion) and Lesotho (R7.9 billion), (see Table 3.3).

The Western Cape economy will be supported by the recovery of our main export destinations, with 47.3 per cent of all exports destined for developed economies, among which the United States (7 per cent) and the United Kingdom (7 per cent), are expected to record robust recoveries in 2021.

Despite the negative growth in exports to most African markets in 2020, there is a positive growth outlook given that the African Continental Free Trade Area (AfCFTA) came into effect on 1 January 2021. It is expected to accelerate intra-African trade by eliminating tariff and non-tariff barriers as well as liberalising trade in services.

Table 3.3 Top ten export and import markets for the Western Cape, 2020

Rank	Imports	Value 2020 (Rbn)	% Share	% Growth 2020	Rank	Exports	Value 2020 (Rbn)	% Share	% Growth 2020
1	China	46.5	23.7	53.5	1	Netherlands	12.5	9.1	43.4
2	Nigeria	18.5	9.5	-35.2	2	United Kingdom	12.3	9.0	34.7
3	Saudi Arabia	13.8	7.1	-35.5	3	United States	10.8	7.9	19.8
4	United Arab Emirates	11.6	5.9	148.3	4	Namibia	9.9	7.2	-21.5
5	India	9.9	3.7	17.8	5	China	6.7	4.9	25.0
6	Oman	7.3	3.7	-0.4	6	Botswana	6.6	4.9	-16.0
7	United States	6.4	3.3	24.1	7	Germany	5.2	3.8	7.2
8	Spain	6.4	3.3	-2.3	8	United Arab Emirates	3.8	2.8	85.6
9	Germany	6.0	3.1	-46.7	9	Russian Federation	3.4	2.5	59.3
10	Italy	5.1	2.6	-24.0	10	Lesotho	2.8	2.1	-1.8
Total imports		195.9	100	-14.1	Total exports		136.7	100.0	7.4

Source: Quantec Research, 2021; Own calculations

¹⁸ Measured in real terms, 2010 baseline

3.3.2 Western Cape sector revealed comparative trade advantages

The Western Cape's Revealed Comparative Trade Advantage¹⁹ (RCTA) points to strong trade advantages in Textiles, clothing and leather goods (1.5 index points); Agriculture, forestry and fishing (1.4 index points); Food, beverages and tobacco (1.4 index points); Business services (1.3 index points); and Finance and insurance (1.3 index points) in 2020, (see Table 3.4). Since 2005, the RCTA of Agriculture, forestry and fishing; and Food, beverages and tobacco has declined, whereas Textiles, clothing and leather goods remained constant over the same period.

Table 3.4 Western Cape revealed comparative trade advantage (RCTA) per subsector, 2005 - 2020



Sector	2005	2010	2015	2020
Textiles, clothing and leather goods	1.5	1.5	1.5	1.5
Food, beverages and tobacco	1.6	1.5	1.4	1.4
Agriculture, forestry and fishing	1.6	1.5	1.5	1.4
Business services	1.4	1.3	1.3	1.3
Finance and insurance	1.3	1.2	1.3	1.3
Wood and paper; publishing and printing	1.3	1.3	1.2	1.2
Furniture; other manufacturing	1.2	1.2	1.2	1.2
Communication	1.2	1.2	1.1	1.1
Community, social and personal services	1.1	1.1	1.1	1.1
Construction	1.1	1.1	1.1	1.0
Catering and accommodation	1.3	1.1	1.1	1.0
Radio, TV, instruments, watches and clocks	1.1	1.0	1.0	1.0
Wholesale and retail trade	1.0	1.0	1.0	1.0
Transport	1.0	1.0	1.0	1.0
Other non-metal mineral products	1.0	0.9	0.9	0.9
Petroleum products, chemicals, rubber and plastic	0.9	0.9	0.9	0.9
Transport equipment	0.8	0.8	0.8	0.9
Electrical machinery and apparatus	0.7	0.8	0.8	0.8
Metals, metal products, machinery and equipment	0.7	0.7	0.7	0.7
Electricity	0.8	0.8	0.7	0.7
Mining	0.0	0.0	0.0	0.0

Source: Quantec Research, 2021; Own Calculations

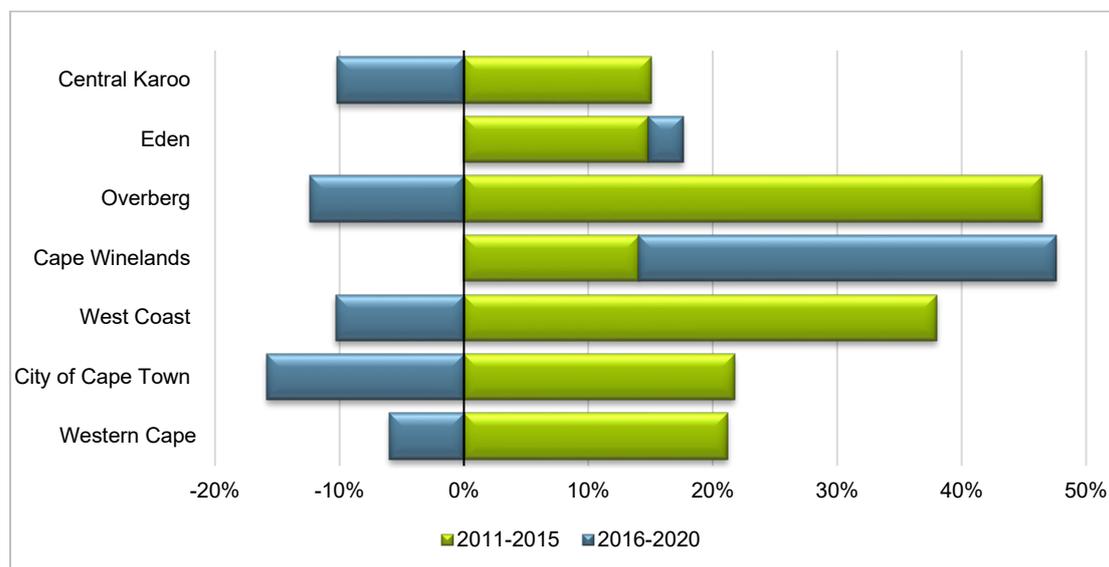
3.3.3 Spatial aspect of the Western Cape trade profile

The Western Cape's trade profile is geographically concentrated in the Cape Metro due to the region's economic size and the location of international ports (the harbours and airport). The Cape Metro accounted for 64.0 per cent of total export value in 2020, followed by the Cape Winelands at 25.5 per cent and West Coast at 4.3 per cent. Between 2016 and 2020, the Western Cape's exports declined by 6.0 per cent following

¹⁹ 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.

an expansion of 21.2 per cent between 2011 and 2015 (see Figure 3.6). The Cape Winelands and Garden Route were the only districts which could record export expansion in both periods. Between 2016 and 2020, Cape Winelands' exports (33.5 per cent) expanded the most, while the large export contractions were recorded by the Cape Metro (-15.8 per cent), Overberg (-12.4 per cent), the West Coast (-10.3 per cent) and Central Karoo (-10.2 per cent). The outperformance of the Cape Winelands district can be attributed to the comparatively higher number of agriculture related export companies that are located within this district. Agriculture exports grew by 113.0 per cent over this period.

Figure 3.6 Western Cape total exports per district, 2011 - 2020



Source: Quantec Research, 2021; Own calculation

3.4 Key economic sectors in the Western Cape

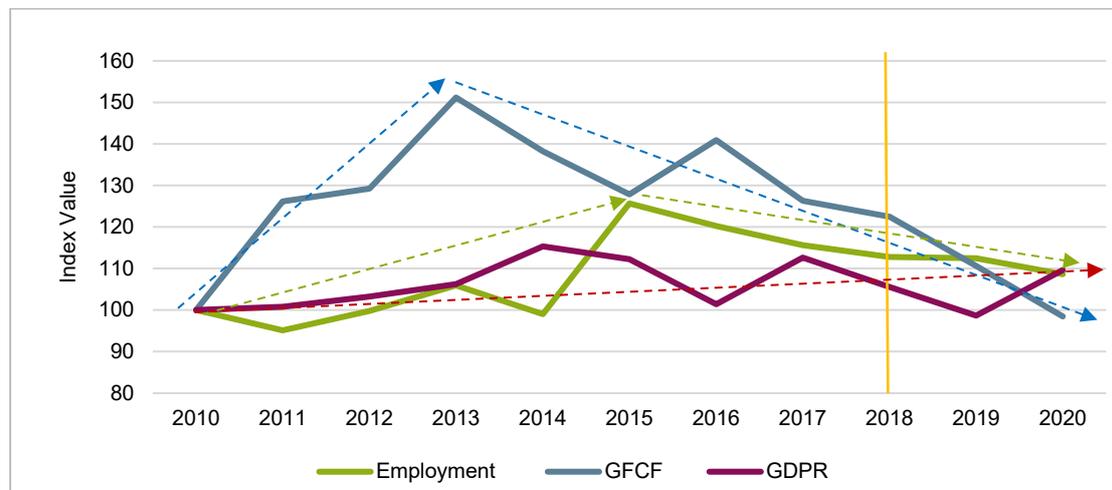
This section deals with sectors which provide the Province with a comparative trade advantage and high export growth potential; make important contributions in the value-supply chain; are unique to the Western Cape; and essential in providing infrastructure, fixed investment and relatively low-skilled employment opportunities in the Western Cape.

3.4.1 Agriculture and Agri-processing

On 20 December 2017, the African National Congress (ANC) announced at the 54th National Conference that it will seek to amend Section 25 of the South African Constitution, regarding property rights, to implement land expropriation without compensation (EWC), (date represented by the vertical yellow line), (see Figure 3.7). The announcement did not support investment confidence in the Agriculture sector, with GFCF declining by another 24 percentage points up to 2020. Furthermore, the data in Figure 3.7 indicates that the deterioration of investment confidence in the agriculture sector commenced approximately five years prior to the EWC announcement, most likely due to the severe drought in the Province.

In 2020, the Agriculture²⁰ and Agri-processing²¹ sectors played a pivotal role in the Western Cape economy, contributing 8.0 per cent to the total economic activity and providing 10.4 per cent of all employment opportunities in the Province.

Figure 3.7 Cumulative growth of GDPR, GFCF and Employment for Agriculture in the Western Cape, 2010 to 2020



Note: 2010 indexed to 100

Source: Quantec Research, 2021; Own calculations

Figure 3.7 displays the cumulative ten-year growth trends and correlations between the growth of fixed investment (GFCF), economic output (GDPR) and employment creation in the Agriculture sector.

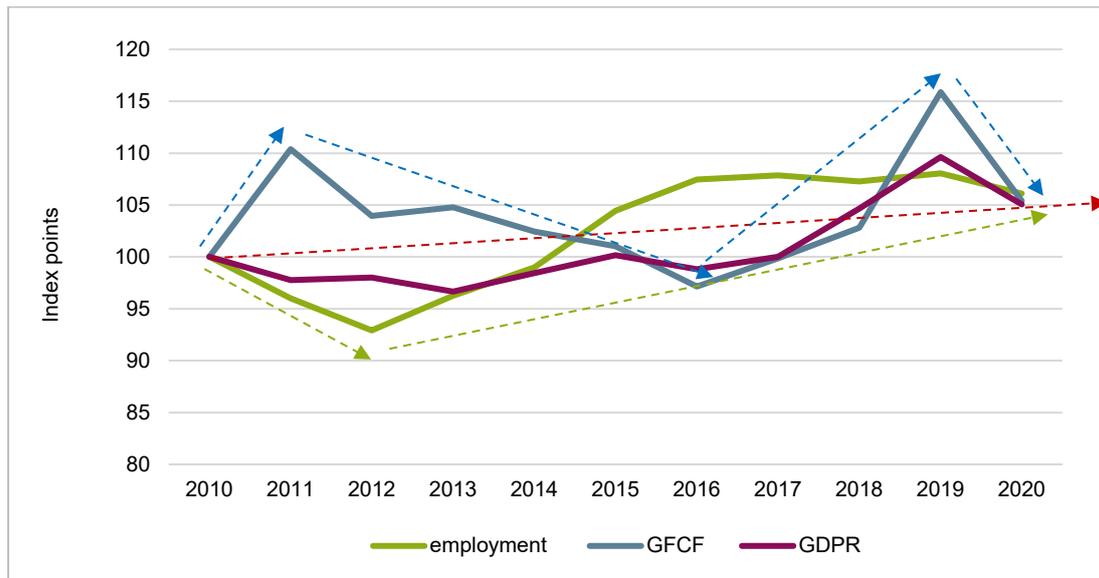
Fixed investment in the sector reached an initial peak by the end of 2013 and to a lesser extent in 2016, after which it declined by 43 percentage points to 98 index points in 2020. Economic output reached its first peak in 2014 and its second in 2017. There is a one-year lag between the peaks of fixed investment and economic output.

Employment levels in Agriculture reached a peak in 2015, one year after economic output reached its 2014 peak. However, employment levels failed to make a second expected peak in 2018.

²⁰ Refers to Agriculture as the sub-sector of Agriculture, forestry and fishing.

²¹ Food, beverages and tobacco.

Figure 3.8 Cumulative growth of GDP, GFCF and Employment for Agri-processing in the Western Cape, 2010 to 2020

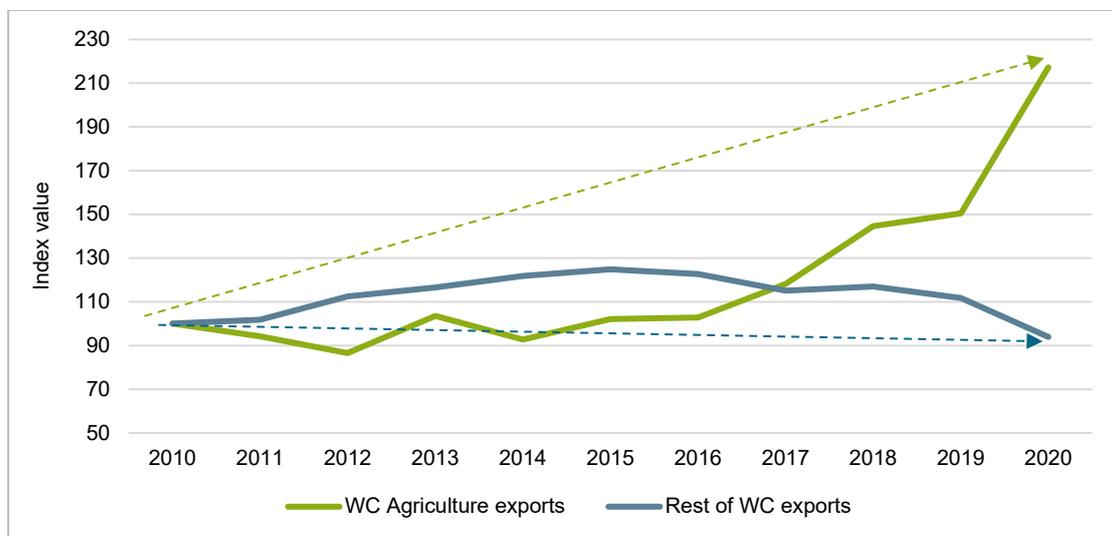


Note: 2010 indexed to 100

Source: Quantec Research, 2021; Own calculations

Figure 3.8 displays the cumulative ten-year growth trends and correlations between the growth of fixed investment (GFCF), economic output (GDP) and employment creation in the Agri-processing sector. The figure shows relatively sluggish cumulative growth for GFCF at 5.0 per cent, GDP at 5.0 per cent and employment levels of Agri-processing at 6.0 per cent, over the last 10 years. Economic output and employment did not respond to the fixed investment peaks reached in 2011 and 2019, most likely due to weaker than expected demand for Agri-processing products.

Figure 3.9 Comparison between rest of Western Cape sector exports and Agriculture export growth in the Western Cape, 2010 - 2020



Note: 2010 indexed to 100

Source: Quantec Research, 2021; Own calculations

The significance of the Agriculture sector to the rest of exports in the Western Cape has increased over the past ten years. Figure 3.9 displays the cumulative growth of exports for the Agriculture sector and the rest of the Western Cape exports, between 2011 and 2020. In 2017, the Agriculture sector's export growth surpassed total export growth from the rest of the Western Cape. Over the ten-year period, cumulative growth in agriculture exports was 117.0 per cent, as opposed to the rest of the total exports that cumulatively contracted by 6.0 per cent. In 2020, the contribution of Agriculture exports to total Western Cape exports was 30.9 per cent. The Western Cape's Agriculture and Agri-processing sector accounted for more than 50.0 per cent of national agricultural exports in value terms. Table 3.5 shows the individual contribution of the top exported agricultural commodities in 2020. The Western Cape made significant contributions to total South African exports with commodities, which includes bottled wine (95.6 per cent), pears (96.1 per cent), blueberries (98.1 per cent) and bulk wine (96.1 per cent).

Table 3.5 South Africa and Western Cape agricultural exports value, growth rates and share of the Western Cape to national exports of selected commodities, 2020

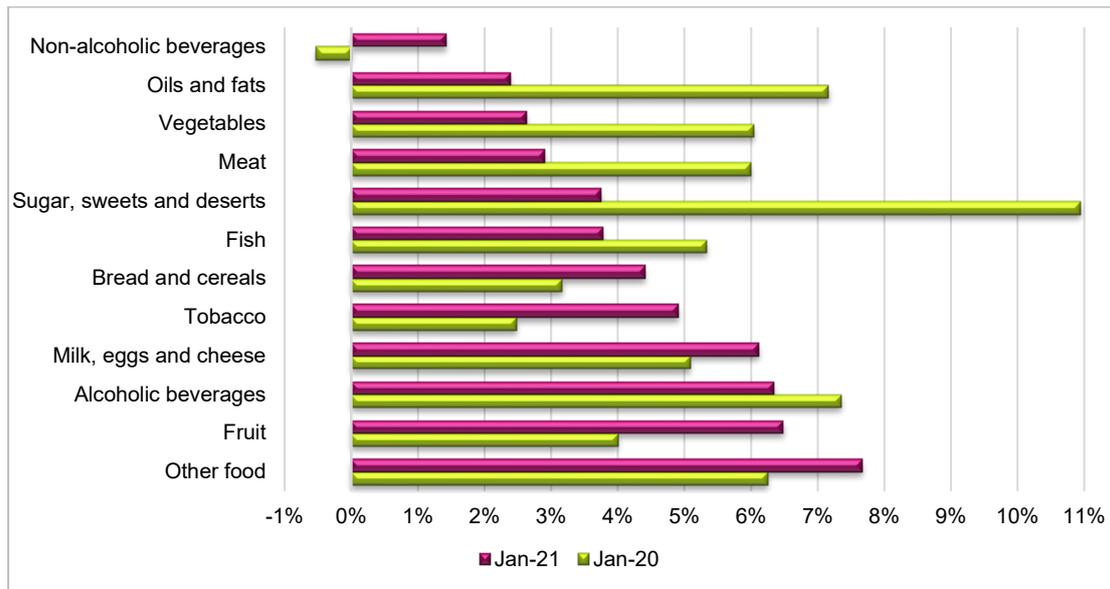
Rank	Products	RSA Export Value (Million)	Growth (%): 2019 -2020	WC Export Value (Million)	Growth (%): 2019 - 2020	WC Contribution (%) to RSA exports
1	Oranges	13 063	35.8	8 623	48.6	66.0
2	Table Grapes	8 510	13.1	7 347	16.3	86.3
3	Bottled Wine	6 937	4.4	6 633	15.0	95.6
4	Apple	6 692	24.0	6 146	34.8	91.8
5	Mandarins	6 384	69.9	5 370	79.7	84.1
6	Lemons	6 139	51.0	3 370	67.9	54.9
7	Pears	3 117	18.0	2 995	23.4	96.1
8	Blueberries	2 047	33.2	2 010	31.7	98.2
9	Bulk Wine	2 029	5.4	1 951	6.2	96.1
10	Other	111	10.0	28	16.0	25.0

Source: Quantec Research, 2021

3.4.1.1 Headline inflation and food prices in South Africa and the Western Cape

National average food prices between January of 2020 and 2021, show an increase in the prices of all food items (see Figure 3.10). The food products with the largest price increase in the first quarter of 2021 include 'other food' (7.7 per cent); Fruits (6.5 per cent); Milk, cheese and eggs (6.1 per cent); Tobacco (4.9 per cent) and Bread and cereals (4.4 per cent). The figure displays an inverse relationship (with a few item exceptions) on the extent of price increases for each item, when comparing the two periods. This relationship can be explained by baseline effects.

Figure 3.10 Year-on-Year Inflation for food and beverages products, January 2020 – January 2021



Source: Stats SA, 2021b

IMPACT OF CLIMATE CHANGE

Human activity and reliance on fossil fuels are causing unprecedented changes to the global climate system. These changes are taking place at a rate that is more rapid than before, and therefore beyond the capacity of human or natural systems to cope with under normal circumstances.

The Sixth Assessment Report from the Intergovernmental Panel on Climate Change (IPCC) released on 9 August 2021, confirms with unequivocal certainty that all temperature indices for the South West Africa region will rise in coming years. This includes average temperature, average minimum temperatures and extreme temperatures. The overall average annual temperature has increased by 1.5°C since 1980, and this will continue to increase at approximately 0.5°C per decade. Extreme temperatures will rise accordingly.

The exact change in rainfall is harder to predict, but current projections suggest decreasing total rainfall and increasing risk of droughts for all parts of the Western Cape.

Differential impacts will be felt in different regions. Whilst temperatures in coastal areas are softened by oceanic influences, the extreme temperatures will be felt in the interior. With respect to changes in rainfall, the biggest overall decrease will be experienced in the western part of the Province and this will have a significant impact on our water supply.

Important changes to highlight for the Western Cape are:

- An increase in the number of very hot days (above 35°C) - inland of Beaufort West up to about 7 more days per year by 2030, relative to 2005.
- More days with temperatures above 40°C – in the far North of the Province up to 3 more days per year by 2030, relative to 2005.
- A decrease in total rainfall – on the West Coast up to 8 per cent decrease in rainfall by 2030, as compared to 1995.
- A higher likelihood of droughts – droughts in the Western part of the Province are up to 30 per cent more likely by 2030.

Regarding sea-level rise, the IPCC report concludes that even if greenhouse gas (GHG) emissions are stabilised or reduced, sea levels will continue to rise for centuries due to the timescales associated with climate processes and feedbacks. Sea levels have risen by about 25 cm since 1900, and will rise a further 10-25 cm by 2050, which will impact coastal infrastructure, tourism, etc.

Source: Western Cape Department of Environmental Affairs and Development Planning, 2021

3.4.2 Tourism

Tourism is a key contributor to growth and job creation in the Western Cape economy. The Tourism sector enjoyed high growth rates from 2013 to 2016 when employment peaked at 198 417, creating an additional 24 526 employment opportunities. This illustrates the job creation potential the sector represents, when competitive, in favourable international market conditions. With the onset of the drought in 2017, employment declined to 177 329. However, the worldwide spread of COVID-19 heavily impacted the outlook for tourism in 2020 and 2021, with a significant decrease in international and local tourists travelling to the Western Cape, resulting in an employment decline to 99 505 in 2020. Due to border closures and travel restrictions, there were no international arrivals from April to September 2020 and limited domestic air travel was introduced in a phased approach at lockdown Level 3, which came into effect on 1 June 2020. As the recovery improves, tourism offers employment creation potential in sectors like hospitality, transport and retail, that favour unskilled and semi-skilled workers.

The Western Cape accounted for 12.7 per cent of all South African international tourist arrivals in 2020 and received 28.3 per cent of South Africa's international tourists' expenditure. The Western Cape also accounted for 12.9 per cent of all South African domestic tourist arrivals and 12.9 per cent of domestic expenditure in 2020.

When looking at the performance of the Western Cape's tourism sector in 2020, the number of international tourist arrivals decreased by 77.0 per cent, relative to the previous year. In 2020, international tourist arrivals in the Province amounted to only 400 000, the lowest on record. Domestic arrivals declined by 40.4 per cent from the previous year. Tourism contributed over R6 billion to Western Cape GDP in 2020, significantly lower from R15 billion in 2019²². The number of jobs lost in the Tourism sector amounted to approximately 75 000 jobs in 2020.

From a Western Cape attractions perspective, the COVID-19 pandemic had a severe adverse impact, with all major tourist attractions in the Province closing from mid-March 2020 to the end of May 2020, due to lockdown restrictions. This resulted in sharp declines in visitor numbers relative to 2019. Western Cape attractions received 2 205 307 visitors during January to March 2020, but only 4 108 visitors were recorded for the second quarter of 2020, due to the nationwide lockdown. More positively, visitors to participating attractions increased during the third (280 060 visitors) and fourth (677 598 visitors) quarters of 2020.

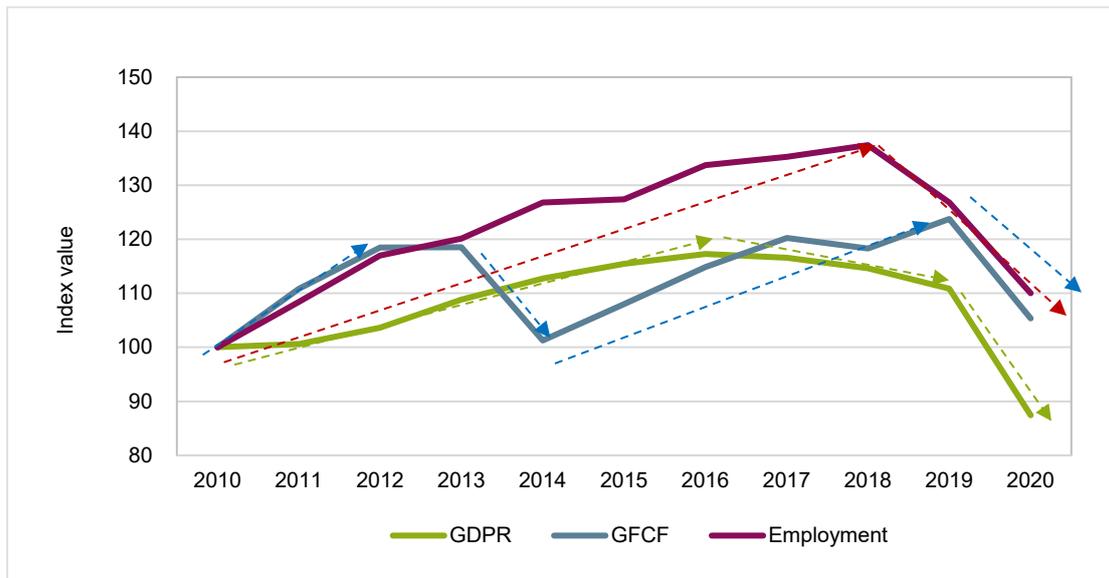
South America was the Western Cape's top region with respect to international tourism arrivals, accounting for 21.0 per cent, followed by Europe (19.0 per cent) in 2020. Furthermore, the provincial Total Foreign Direct Spend was estimated at R9.1 billion and a total of 6.2 million bed nights were recorded in 2020. The average length of stay in the Western Cape (14.5 nights) ranked as the highest amongst all provinces in 2020.

²² Note that this GDP is in nominal terms

3.4.3 Construction

The Construction sector in the Western Cape is a key sector in expanding overall production capacity, since it facilitates a relatively large portion of Gross Fixed Capital Formation (GFCF). Between 2011 and 2020, Building and construction works contributed, on average 42.7 per cent, to all fixed investments in the Province. The Construction sector is also a critical user of informal employment, since the portion of informal employment used by the sector (31.5 per cent) exceeds the share of informal employment used by all sectors (22.0 per cent) in the Province. The Construction sector was one of the most severely affected by the COVID-19 lockdown measures adopted in 2020.

Figure 3.11 Cumulative growth of GDP, GFCF and Employment for the Construction sector in the Western Cape, 2010 to 2020



Note: 2010 indexed to 100

Source: Quantec Research, 2021; Own calculations

Figure 3.11 provides for cumulative growth trends of fixed investment (GFCF), economic output (GDP) and employment in the Construction sector between 2011 and 2020. GFCF in the Construction sector increased by 8.0 per cent in 2015, reached two peaks in 2013 and 2019, and plummeted by 19.0 percentage points in 2020, after COVID-19 lockdown measures were adopted. Economic output reached a peak in 2016 (117.0 index points), after which it gradually contracted to 2019 (111.0 index points). However, in 2020, economic output plummeted to its lowest level (87.0 index points) in ten years.

Employment in the sector expanded steadily by 37 index points until 2018. However, between 2019 and 2020, the sector shed 32 468 employment opportunities, dropping to employment levels last seen in 2011. In theory, the expansion of productive capacity (fixed investment) will lead to the expansion of production (economic output), which then would result in expansion of employment opportunities. Fixed investment in the Construction sector reached an initial peak in 2013, after which economic output reached a peak in 2016, followed by the employment peak in 2018.

3.5 Economic opportunities in other provincial sectors

3.5.1 Green direct investment

The Atlantis Special Economic Zone (ASEZ) was designated as a green tech Special Economic Zone in October 2018, making the Western Cape the home to some of the first investments in renewable energy manufacturing in the country, and driving the region as a leader in the alternative energy sector. The ASEZ capitalises on the Province's established green tech eco-system, being home to research and development facilities at all four universities in the Province and hosting the first renewable energy training facility in the country.

The ASEZ supports manufacturing sectors to become suppliers and component manufacturers for the renewable energy sector, particularly Independent Power Producers (IPPs) in the government's Renewable Energy Independent Power Producers Programme (REIPPP). The ASEZ has already attracted investments of R680 million and created over 312 direct jobs to date, paving the way as Africa's only green tech hub. Gestamp Renewable Industries, a Spanish wind tower manufacturer, has invested R475 million into the ASEZ.

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". Therefore, the principle of the Green Economy is 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, while mitigating and adapting to climate change.

In the period of economic recovery from the COVID-19 pandemic, it is argued that there is an opportunity now to facilitate a more rapid and deep transition to a green economy – that the rebuilding of economies should happen based on environmentally sustainable and socially inclusive production and consumption, and that the green economy is one of the key levers for this. South Africa's evolving energy landscape creates opportunities for investors, financiers, project developers, component manufacturers, and suppliers to invest in the sustainable energy market. Cape Town is well placed as the location from which to tap into South Africa's energy services and other green technology markets, and to enter markets in other parts of Africa.

The City of Cape Town is home to the only green technology Special Economic Zone (SEZ) in Africa, the ASEZ. Invest Cape Town expects the ASEZ to attract investment amounting to R3.7 billion to the Western Cape over the next two decades. From a green technology perspective, the ASEZ is poised in the immediate term to land further component manufacturing in the sustainable energy space – battery storage and renewable energy – as anchors for the development of entire value chains in this green technology sub-sector. It is expected that two rounds of renewable energy procurement will go forward in 2021, with an estimated 2.6 gigawatts to be procured. The impact of renewable energy as a green technology sub-sector will be an estimated R50 billion per annum nationally. Should the Province be able to attract 20 per cent of this value, it would mean a R10 billion injection into the Province's economy. This investment will come in the form of both component manufacturing and power plants, be they utility-scale or small-scale embedded generation.

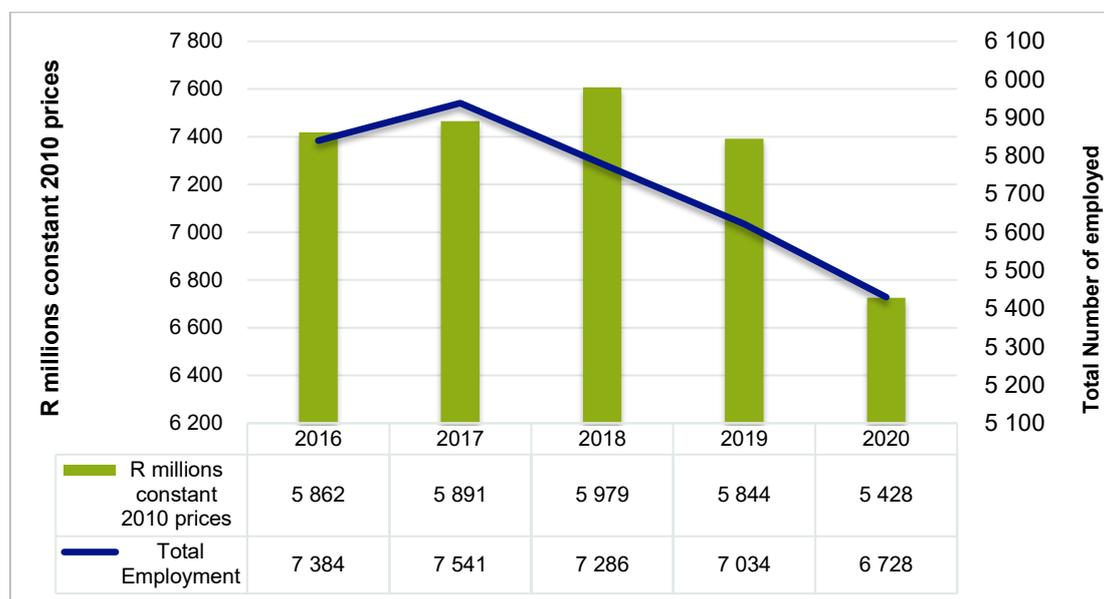
Green technology is important to build resilience in the Province to cope with future shocks through resilient infrastructure, processes and resources, new skills development and job creation. The need to grow and develop green economic potential and unlock social, economic and environmental opportunities is essential as the Western Cape, South Africa, and other countries move towards more sustainable economic recovery plans.

Source: Western Cape Department of Economic Development and Tourism, 2021

3.5.2 Energy

The Electricity and gas sector currently contributes R5.428 billion (1.5 per cent of total Western Cape GDP) to the Western Cape economy and has a total employment of 6 728 people or 0.3 per cent of total employment (see Figure 3.12). Employment in the sector has declined since 2017, while the estimated GDP in 2020 is the lowest in the past five years.

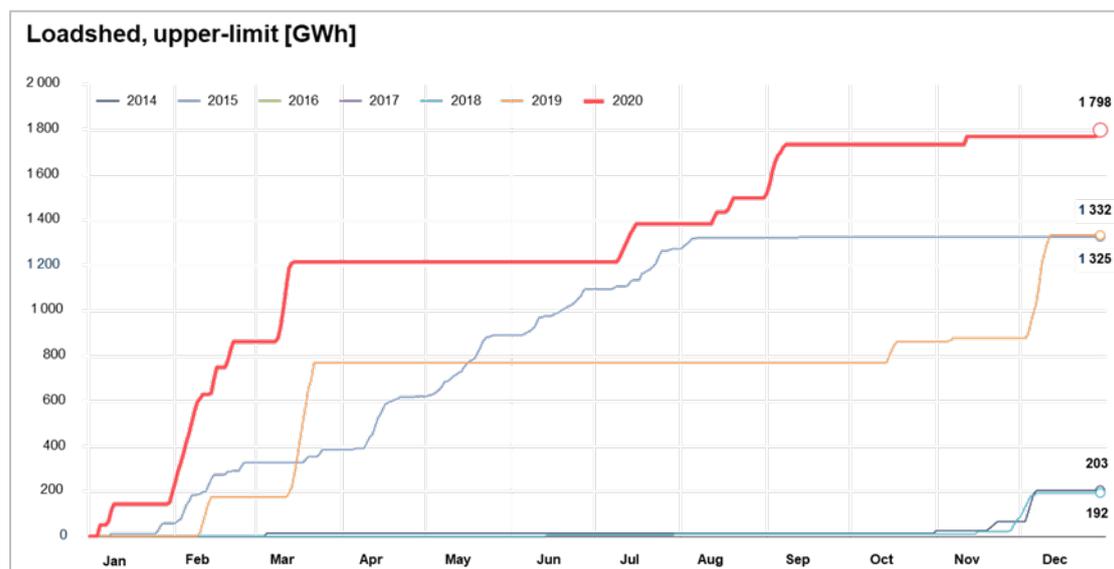
Figure 3.12 Western Cape Electricity and gas sector GDP and Employment, 2016 - 2020



Source: Quantec Research, 2021

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, 2020)²³. In 2020, 12.0 per cent (27 762 gigawatt-hours) of the total 231 356 gigawatt-hours distributed by Eskom in South Africa, was distributed to the Western Cape. Since 2007, South Africa has experienced widespread rolling-blackouts (loadshedding) (see Figure 3.13). Eskom has been struggling with serious operational, financial and governance challenges, affecting its ability to provide reliable electricity supply. The utility is failing in meeting the electricity needs of households and businesses, negatively impacting production, investment and economic growth, nationally and provincially. Supply disruptions contributed significantly to slowing economic growth and resulted in a decline in Energy, Gas sector jobs and contribution to GDP.

²³ Eskom Integrated report (2020)

Figure 3.13 Cumulative loadshedding in South Africa, 2014 – 2020

Source: CSIR²⁴

During the first six months of 2021, loadshedding (1 268 GWh) has already disrupted production and economic activity to almost the equivalent level of loadshedding experienced for the entire year of 2019 (1 325 GWh)²⁵. Following the Stage 6 loadshedding event in 2019, South Africa has experienced higher levels of loadshedding in 2020 (despite the temporary impact of reduced consumption during lockdowns), with a total of 1 798 gigawatt-hours shed, surpassing the 2019 record. The cost to the economy of unserved energy for South Africa, due to loadshedding in 2020, equates to R157 billion, with the impact on the Western Cape estimated at R21.8 billion²⁶.

The latest estimates are that loadshedding will reduce GDP growth by 2.3 per cent in 2021 and contribute to 275 000 job losses²⁷. Coupled with the cost of loadshedding, is the increased cost of electricity, with annual increases allowed by NERSA of 15.1 per cent from April 2021, and for municipalities, of up to 17.8 per cent from 1 July 2021.

3.5.3 Business Process Outsourcing

The Business Process Outsourcing (BPO) industry is composed of independent companies that are outsourced for specific responsibilities and operations for a business process on behalf of their clients²⁸. BPO operations involve the intensive use of Information Technology (IT) and telecommunications. According to the 2021 Front Office BPO Omnibus Survey, after three consecutive years of coming in second, South

²⁴ Calitz, Wright, Statistics of Utility-scale power generation in South Africa in 2020, CSIR, March 2021

²⁵ See figure below: Source CSIR

²⁶ Assumed 13.9% Western Cape share of total GDP (2010 prices) in 2019: Source StatsSA regional GDP statistics.

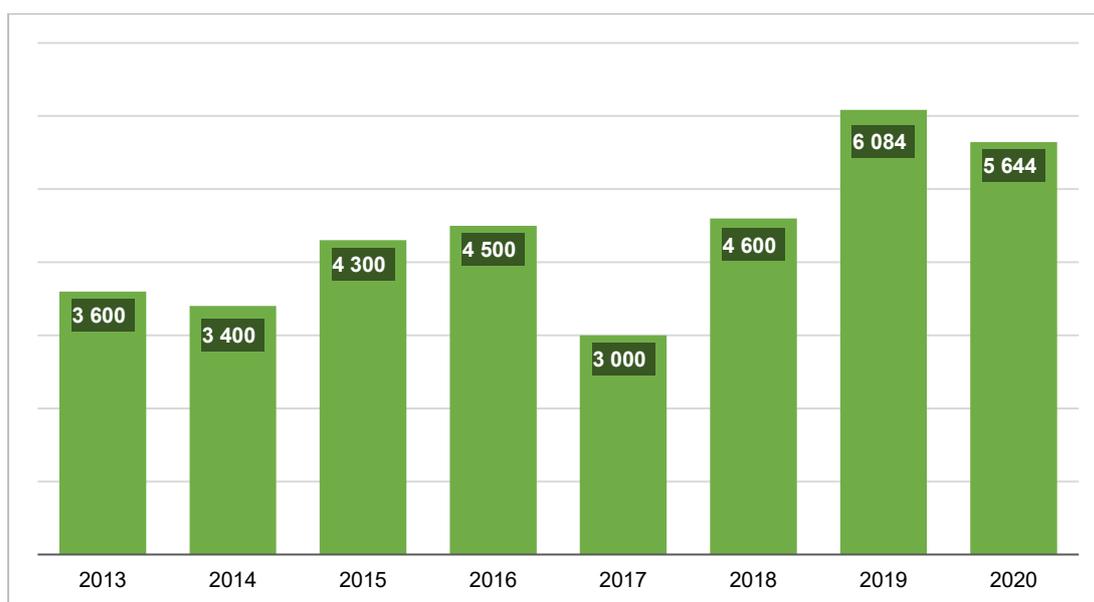
²⁷ Source: PWC South Africa Economic Outlook, July 2021

²⁸ Raven Naidoo and Mark Neville, The Call Centre and Business Process Outsourcing (BPO) industry in the Western Cape, 11.

Africa has now been voted the most favoured offshore Business Process Outsourcing destination in 2021²⁹.

Most of the global business service jobs in South Africa are largely concentrated in Western Cape. The Western Cape is responsible for 65.0 per cent of the national BPO market and employs well over 60 000 people in the Province^{30&31}. At the City level, Cape Town is one of the fastest-growing BPO industries in the country and the continent³². Cape Town is a highly favourable location because of its good quality voice-driven contact centres, its large and varied talent pool, excellent infrastructure and potential to deliver complex and non-complex processes, and the shared time zones with Europe, making it convenient for international businesses looking to outsource without losing any business.

Figure 3.14 New offshore jobs created annually by the BPO sector in the Western Cape, 2013 – 2020



Source: *Business Process enabling SA (BPeSA), 2021*

The BPO industry managed to be one of the few domestic industries that created employment opportunities amidst the COVID-19 pandemic, with 5 644 offshore employment opportunities³³ being created by the Western Cape BPO industry in 2020 (see Figure 3.14). The above figure highlights the resilience of the industry and its consistent employment creating capability, with a total of 35 128 new offshore employment opportunities being created since 2013. The local BPO industry has shown that it is a significant driver of economic growth and job creation with great potential for future expansion.

ESTABLISHING CAPE TOWN AS A TECH HUB

On November 5, 2020, the Western Cape Government announced the launch of a new brand that aims to position Cape Town and the Western Cape as the "Tech Capital" of Africa. The brand will promote the

²⁹ <https://ryanadvisory.com/south-africa-is-2021s-most-favored-offshore-cx-delivery-location/>

³⁰ <https://www.westerncape.gov.za/news/survey-ranking-sa-top-bpo-destination-boost-sector-wc>

³¹ <https://capebpo.org.za/>

³² <https://www.investcapetown.com/wp-content/uploads/2020/10/Investor-Confidence-BPO-Sector-brochure.pdf>

³³ A job outside your home country.

Western Cape as a leader of the African tech ecosystem. This is based on the number of technology and digital businesses based in Cape Town and Stellenbosch. Research shows that the Cape Town/Stellenbosch region already employs more than double the amount of people in the tech sector than both Nairobi and Lagos combined (Endeavour Insights, 2018). There are over 22 active incubators and accelerators for digital and tech businesses in the Western Cape, with Cape Town being home to the vast majority (almost 60 per cent) of South Africa's start-ups.

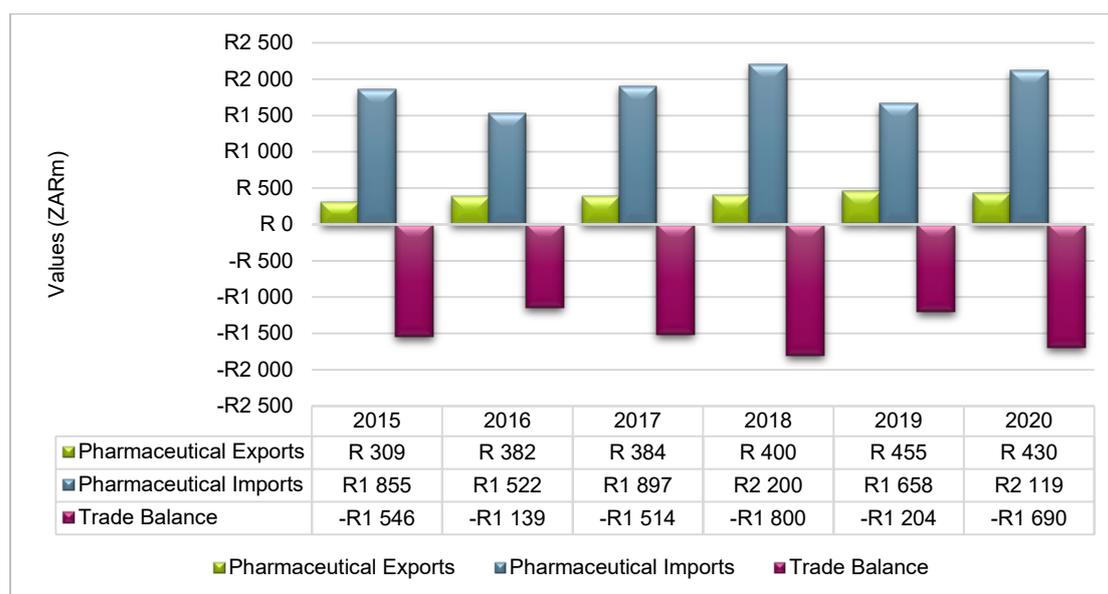
The Provincial Government has partnered with businesses and tourism promotion officials, Wesgro, CiTi, Silicon Cape, LaunchLab, and Startup Bootcamp to launch the new branding. The Provincial Government expressed that there is a need to affirm the status and for it to be declared on the international stage. This will attract international investment and funding, reinforce the Province's brand to stimulate exports of its tech products and services, stimulate up-take of tech in local industries, and raise awareness of tech career opportunities amongst youth. However, the Province has unbending competition considering the tech hubs on the rest of the continent. Nigeria, Ghana, and Kenya also have reputations for their innovative tech start-ups. However, the City plans to market itself as a tech capital, thereby attracting more tech business investment.

Source: Western Cape Government, 2021

3.5.4 Pharmaceuticals/Medical devices

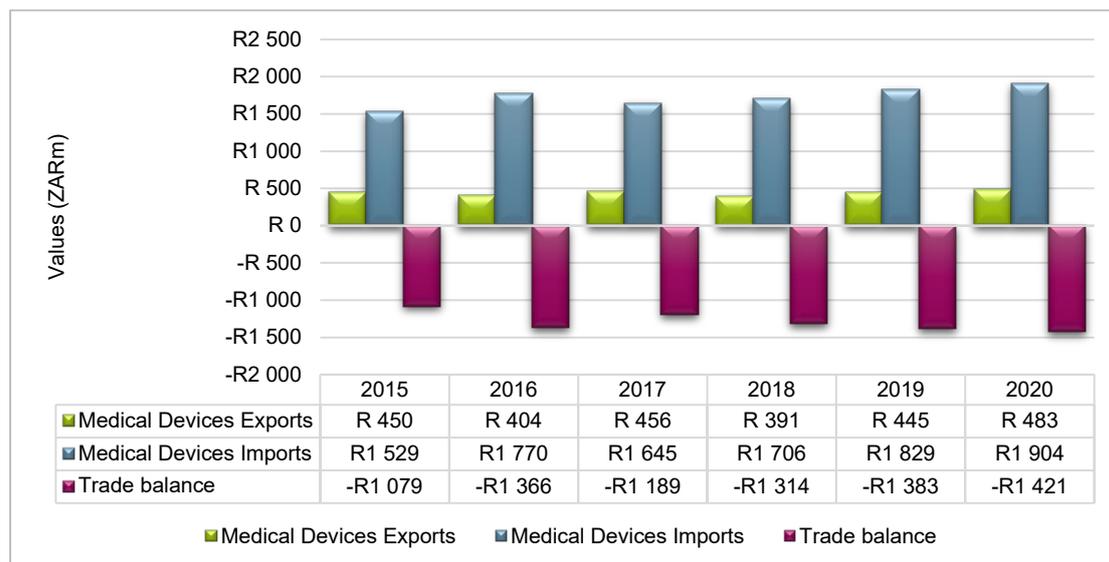
The Pharmaceutical industry plays an important role in the health care system through the production and provision of medicines to prevent, alleviate, and cure diseases. Similarly, medical devices are critical for safe and effective prevention, diagnosis, treatment, and rehabilitation of illnesses and diseases. Critical challenges in the supply of Active Pharmaceutical Ingredients (APIs), medicines, sanitiser, Personal Protective Equipment (PPE), and diagnostics, globally, have also negatively impacted the country during the COVID-19 pandemic.

Figure 3.15 Western Cape trade in pharmaceutical products, 2015 - 2020



Source: Quantec Research, 2021

For the Western Cape, the Pharmaceutical industry was estimated to contribute about R20.7 billion to the Province's retail trade, representing 10.4 per cent of all sales in 2020. Between 2015 and 2020, the Western Cape was a net importer of pharmaceutical products, with the trade deficit trending upwards. In 2020, this industry recorded imports of R2.119 billion and exports of R429.861 million, representing a trade deficit of R1.690 billion, (see Figure 3.15).

Figure 3.16 Western Cape trade in medical devices, 2015 - 2020

Source: Quantec Research, 2021

Trade for the provincial medical devices industry mirrors the Western Cape pharmaceutical industry. The Western Cape was a net importer of medical devices, with an increasing trade deficit between 2015 and 2020, as illustrated in Figure 3.16. In 2020, the industry recorded R1.904 billion in imports and exports of R483.4 million, representing a trade deficit of R1.421 billion.

OPPORTUNITIES FOR PHARMACEUTICALS/MEDICAL DEVICES

The Western Cape is uniquely positioned to address challenges due to an already well-functioning health technology ecosystem. Moreover, at least 35 per cent of health technology firms in South Africa are in the Western Cape, with medical devices and the pharmaceutical sector contributing about 30 per cent and 17 per cent, respectively, to the South African economy.

On the vaccine development front, Biovac and Afrigen Biologics and Vaccines (both based in Cape Town) are amongst the key players in vaccine development. Recently, South Africa has been chosen to host the World Health Organization's (WHO's) first COVID-19 messenger RNA (mRNA) vaccine technology transfer hub to scale up production and access to vaccines for current and future pandemics. The hub will be established by a consortium comprising Biovac, Afrigen Biologics and Vaccines, and a network of universities – partnering with the WHO and the Africa Centres for Disease Control and Prevention (Africa CDC).

At full operational capacity, the annual COVID-19 vaccine production will aim for 100 million finished doses annually, which some experts believe is a little optimistic. All doses will exclusively be distributed within the 55 African Union member states. Biovac's expansion in production and acquisition of specialised equipment related to mRNA technology entails an investment of R200 million in the coming six months.

Source: Western Cape Government, 2021

3.6 Conclusion

The Western Cape economy experienced a massive recession in 2020, like the rest of the country and world, with the consequences of the global COVID-19 pandemic being evident. The 2020 recession affected the Construction and Manufacturing sectors to a greater extent, whilst the Agriculture and Government sectors provided much needed support to GDP. In 2020, the Agriculture sector experienced one of its best export years in recent history, whilst the Manufacturing sector, historically the

largest contributor to total exports, contracted. All sectors except for the Government sector recorded employment losses during the year. The Construction, Private services and Manufacturing sectors experienced the most severe employment losses. The Tourism industry lost 77 per cent of its international visitors in 2020, which led to an estimated 75 000 in employment losses for the industry.

Between 2016 and 2020, the Western Cape economy underperformed compared to the previous five-year period, with a contraction of 0.6 per cent. Manufacturing and Construction were among the worst performing sectors over this period. Along with an economic decline, Fixed Investment in the Province declined by 5.4 per cent between 2016 and 2020. The underperformance of the Western Cape economy in 2020 can be attributed to the COVID-19 lockdown measures, however this deepened an existing sluggish trajectory due to the underlying national economy, drought and water shortages and intermittent electricity outages over the five-year period. Agricultural export growth was the main success story, growing at a staggering 117.0 per cent over the past ten years.

There are green shoots of opportunities within the Green economy (renewable and green technology), Pharmaceutical/medical devices, the BPO and Agri-processing industries that could address and reverse existing negative trends within the Province. These opportunities will be tempered by the scope and speed of structural/regulatory reforms at a national level.

The low baseline of 2020 has provided the Western Cape with a positive growth outlook for 2021 to 2025. Strong positive growth is projected for all sectors except for the Government sector, which is expected to implement fiscal consolidation measures over this period. The Manufacturing and Construction sectors are expected to record the fastest average GDP growth for 2021 to 2025. However, the outlook could be negatively impacted by possible future COVID-19 lockdown measures, power supply shortages and the underlying national economy.

Annexure C

Annexure C1 Employment Trends. Western Cape and South Africa (Excluding Western Cape) 2016 - 2025

Sector	Western Cape					
	Employed 2020	Share (per cent) 2020	Change 2016 - 2020	Average growth (yoy per cent) 2016 - 2020	Change 2021 - 2026 (forecast)	Average growth (yoy per cent) 2021 - 2026 (forecast)
Agriculture, forestry and fishing	261 243	10.7	-31 652	-3.0	-16 126	-1.5
Mining	1 714	0.1	-458	-4.4	105	1.2
Food, beverages and tobacco	59 162	2.4	-760	0.3	-5 200	-1.8
Textiles, clothing and leather goods	23 918	1.0	014	-3.6	-4 159	1.8
Wood, paper, publishing and printing	30 036	1.2	-4 806	-3.5	2 087	1.3
Petroleum products, chemicals, rubber and plastic	30 460	1.2	1 342	0.5	1 623	0.9
Other non-metal mineral products	9 036	0.4	-366	-1.6	-86	0.0
Metals, metal products, machinery and equipment	42 751	1.8	-461	-0.9	-1 318	-0.5
Electrical machinery and apparatus	5 874	0.2	-734	-1.9	145	0.3
Radio, TV, instruments, watches and clocks	3 704	0.2	-58	0.7	129	0.6
Transport equipment	19 132	0.8	-691	0.5	165	0.2
Furniture and other manufacturing	13 531	0.6	-4 252	-5.1	393	0.8
Electricity, gas and water	8 517	0.3	-436	-0.2	1 033	1.9
Construction	130 231	5.3	-28 099	-2.7	15 065	1.8
Wholesale and retail trade	491 874	20.1	12 059	0.7	26 070	1.0
Catering and accommodation services	83 986	3.4	-1 071	0.6	2 174	0.5
Transport and storage	94 508	3.9	4 330	0.0	1 227	0.7
Communication	19 326	0.8	-298	-1.2	-183	-0.1
Finance and insurance	72 685	3.0	-8 633	-2.0	3 066	0.9
Business services	393 865	16.1	13 534	1.1	23 914	1.2
General government	299 875	12.3	3 489	0.6	-10 869	-1.0
Community, social and personal services	345 896	14.2	-21 053	-1.1	5 357	0.8
TOTAL	2 441 325	100	-73 090	-1.2	44 612	0.5

South Africa (excluding Western Cape)						
Sector	Employed 2020	Share (per cent) 2020	Change 2016 - 2020	Average growth (yoy per cent) 2016 - 2020	Change 2021 - 2025 (forecast)	Average growth (yoy per cent) 2021 - 2025 (forecast)
Agriculture, forestry and fishing	840 682	6.6	-74 007	-2.3	-63 580	-2.1
Mining	501 143	3.9	-8 351	-1.3	11 042	3.6
Food, beverages and tobacco	252 330	2.0	5 767	1.2	-11 849	-1.0
Textiles, clothing and leather goods	74 492	0.6	13 672	-4.0	-9 857	0.4
Wood, paper, publishing and printing	115 714	0.9	-20 709	-4.1	4 038	0.7
Petroleum products, chemicals, rubber and plastic	163 920	1.3	5 177	0.1	10 087	1.5
Other non-metal mineral products	63 137	0.5	-1 839	-1.4	-863	0.0
Metals, metal products, machinery and equipment	267 981	2.1	-9 595	-1.6	-8 479	-0.5
Electrical machinery and apparatus	39 585	0.3	-6 654	-3.0	849	-0.4
Radio, TV, instruments, watches and clocks	17 749	0.1	-380	0.5	99	0.2
Transport equipment	104 271	0.8	-9 703	-1.1	162	0.0
Furniture and other manufacturing	65 176	0.5	-20 170	-5.3	-340	-0.1
Electricity, gas and water	57 869	0.5	-4 766	-1.1	3 884	1.5
Construction	683 750	5.3	-134 681	-2.2	87 380	2.4
Wholesale and retail trade	2 540 787	19.8	-4 121	-0.1	216 073	2.2
Catering and accommodation services	380 274	3.0	5 126	1.2	5 723	0.4
Transport and storage	505 808	3.9	5 234	-0.2	37 486	2.2
Communication	94 318	0.7	-2 452	-1.6	-134	0.1
Finance and insurance	321 760	2.5	-54 318	-2.9	10 744	0.9
Business services	1 901 391	14.8	43 116	0.6	135 303	1.8
General government	1 702 016	13.3	-4 873	0.3	-37 049	-0.8
Community, social and personal services	2 126 539	16.6	-151 844	-1.3	28 366	1.0
TOTAL	12 820 693	100	-457 715	-1.3	419 088	0.6

Source: Quantec Research, 2021

Annexure C2 Revealed Comparative Trade Advantage of Sectors in the Western Cape Economy 2020

Sector	Western Cape		South Africa		Revealed comparative trade advantage 2020
	Share (per cent) 2020	Average growth (yoy per cent) 2016 - 2020	Share (per cent) 2020	Average growth (yoy per cent) 2016 - 2020	
Agriculture, forestry and fishing	4.4	0.2	3.0	2.8	1.5
Mining	0.2	-4.3	7.4	-2.9	0.0
Food, beverages and tobacco	4.9	0.9	3.3	1.2	1.5
Textiles, clothing and leather goods	0.6	-5.7	0.4	-5.9	1.6
Wood and paper; publishing and printing	1.3	-4.5	1.0	-4.2	1.3
Petroleum products, chemicals, rubber and plastic	3.0	-2.6	3.1	-2.9	0.9
Other non-metal mineral products	0.5	-3.8	0.5	-4.4	1.0
Metals, metal products, machinery and equipment	2.0	-0.8	2.5	-1.5	0.8
Electrical machinery and apparatus	0.3	-5.0	0.3	-5.9	0.9
Radio, TV, instruments, watches and clocks	0.2	-3.8	0.2	-3.8	1.1
Transport equipment	0.9	-4.6	1.0	-5.5	0.9
Furniture and other manufacturing	1.1	-3.2	0.8	-3.8	1.3
Electricity	1.7	-2.0	2.2	-1.7	0.8
Construction	3.6	-5.0	3.3	-4.8	1.1
Wholesale and retail trade	14.2	-1.5	13.6	-1.5	1.0
Catering and accommodation	0.9	-2.6	0.9	-1.6	1.1
Transport	6.3	-2.4	6.1	-2.3	1.0
Communication	3.3	-1.7	2.8	-1.6	1.2
Finance and insurance	9.5	0.1	7.0	-0.2	1.4
Business services	22.4	1.1	16.2	1.0	1.4
General Government	11.5	0.8	18.1	0.9	0.6
Community, social and personal services	7.2	0.5	6.3	0.0	1.1
Total	100.0	-0.7	100.0	-0.8	

Source: Quantec Research, 2021

EMPLOYMENT DYNAMICS

4.1 Introduction

The COVID-19 pandemic continues to have a significant impact on labour market metrics, economic sectors, and demographic groups in South Africa and the Western Cape.

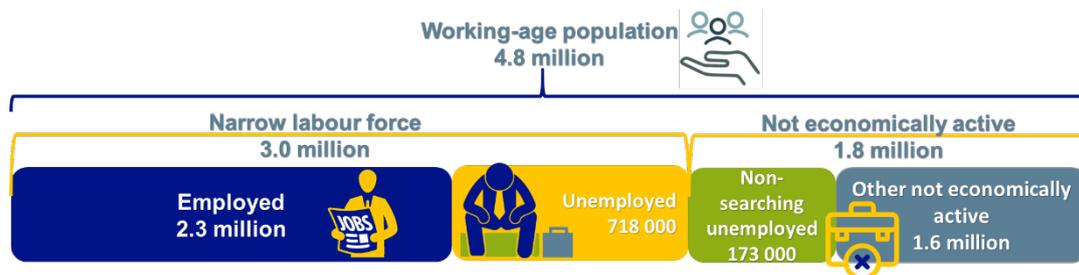
The South African economy continues to face the triple challenge of poverty, inequality and unemployment which has been exacerbated due to the COVID-19 pandemic. The labour market is one of the most important avenues through which individuals can actively participate in the economy. Access to employment provides access to income and opportunities. The labour market is thus central to the challenges of poverty, inequality and unemployment.

The objective of this chapter is to highlight areas in which labour market outcomes have improved over the period, and where they have not, and to enable policymakers to review the effectiveness of existing policies and to guide future policies to stimulate job creation. This chapter analyses labour market trends i.e., employment and unemployment figures, for the Western Cape over the five-year period from the first quarter of 2016 to the first quarter of 2021.

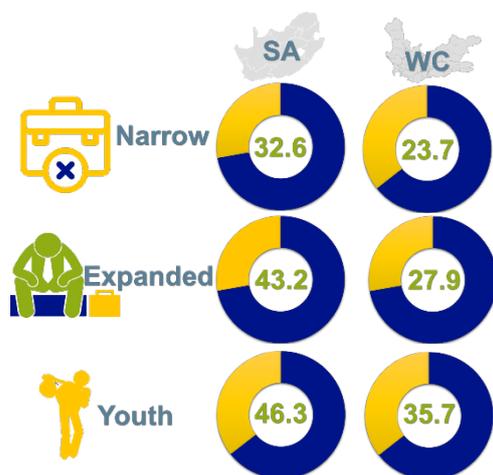


WESTERN CAPE EMPLOYMENT DYNAMICS

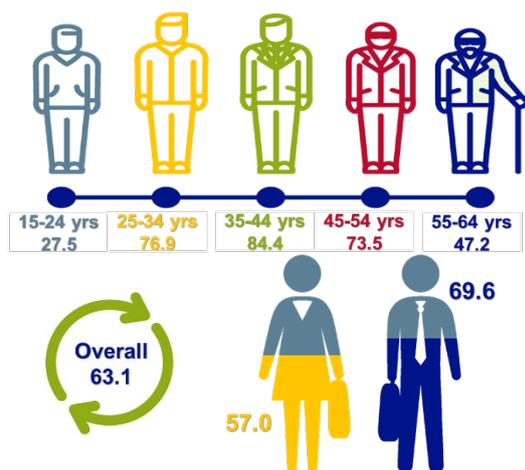
OVERVIEW OF THE WESTERN CAPE LABOUR MARKET



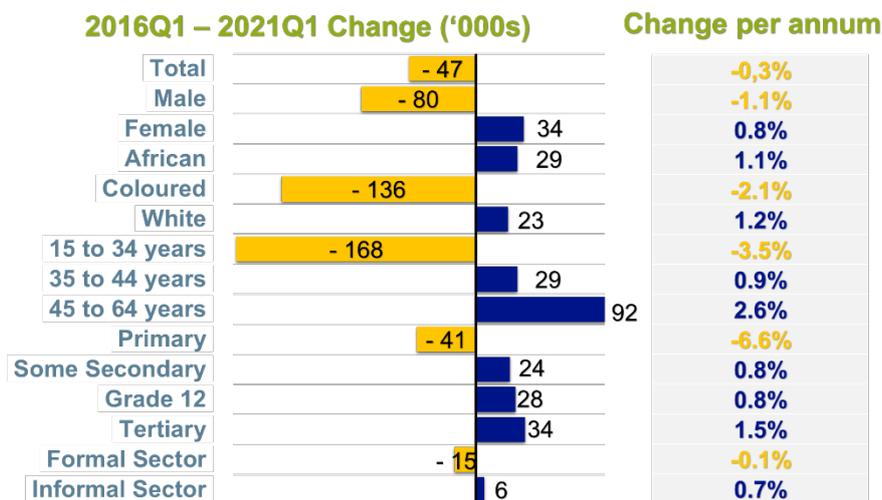
UNEMPLOYMENT RATE (%)



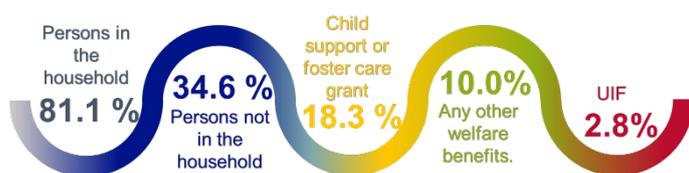
LABOUR FORCE PARTICIPATION RATE (%)



EMPLOYMENT



SOURCES OF SUPPORT FOR THE UNEMPLOYED



JOB SATISFACTION (%)



4.2 Overview of the labour market

Over the past five years, labour market trends in the Western Cape have tracked those in South Africa (see Table 4.1). The positive correlation between the Province and South Africa holds for all important labour aggregates including working-age population, employment and unemployment. Nevertheless, the Province outperformed South Africa across all the important labour indicators. Between the first quarters of 2016 and 2021, the Western Cape's narrow unemployment rate increased by 2.8 percentage points to 23.7 per cent. The increase was both slower and off a lower base than the national unemployment rate which increased with 5.9 percentage points to 32.6 per cent.

Given ongoing population growth, the number of jobs in South Africa declined over the past five years, from 15.7 million to 15.0 million. The number of jobs in the Western Cape also fell, although by a smaller percentage, from 2.4 million to 2.3 million. This reflects weak economic growth, due, in turn, to structural economic weaknesses that include an expensive and unreliable electricity supply, moribund state-owned enterprises in critical sectors, high barriers to entry and weak competition in the private sector, capital intensive growth, and poor export competitiveness.

Unique past challenges to the Western Cape included a long drought and subsequent water crises at the end of 2017. Finally, for both the Province and South Africa, the labour market was deeply impacted by the COVID-19 pandemic and related lockdown measures.

Table 4.1 Labour market aggregates, 2016:Q1 and 2021:Q1



	2016:Q1	2021:Q1	Change	
	Thousands	Thousands	Thousands	Per cent (p.a.)
Western Cape				
Working-age population	4 341	4 796	455	2.0
Employment	2 356	2 309	-47	-0.3
Narrow unemployment	622	718	96	3.1
Narrow labour force	2 978	3 027	50	0.4
Expanded unemployment	703	892	188	5.1
Expanded labour force	3 059	3 200	142	0.9
Non-searching unemployed	81	173	92	18.6
Narrow unemployment rate	20.9	23.7	2.8 percentage points	
South Africa				
Working-age population	36 431	39 455	3 024	1.6
Employment	15 675	14 995	-679	-0.8
Narrow unemployment	5 723	7 242	1 519	5.0
Narrow labour force	21 398	22 237	839	0.8
Expanded unemployment	8 916	11 422	2 506	5.1
Expanded labour force	24 591	26 417	1 827	1.5
Non-searching unemployed	3 193	4 180	987	5.8
Narrow unemployment rate	26.7	32.6	5.9 percentage points	

Source: Stats SA (2021); Quantec Research, 2021; Own calculations

The distribution of the employed and unemployed according to various demographic categories in the Western Cape for the first quarter of 2021 is summarised in Table 4.2 below. Unemployment is greatest amongst the youth (45.2 per cent), the African population (32.6 per cent), women (24.7 per cent) and those with only some secondary education (30 per cent). These mirror national trends.

Table 4.2 Snapshot of the Western Cape labour market, 2021: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	4 796	100.0	2 309	100.0	718	100.0	3 027	100.0	63.1	23.7
By Race										
African	1 728	36.0	766	33.2	370	51.6	1 136	37.5	65.8	32.6
Coloured	2 280	47.6	1 048	45.4	317	44.1	1 365	45.1	59.8	23.2
White	729	15.2	467	20.2	27	3.7	494	16.3	67.7	5.4
By Gender										
Male	2 319	48.4	1 245	53.9	370	51.5	1 615	53.3	69.6	22.9
Female	2 476	51.6	1 064	46.1	348	48.5	1 412	46.7	57.0	24.7
By Age										
15 to 24 years	1 052	21.9	159	6.9	131	18.2	290	9.6	27.5	45.2
25 to 34 years	1 179	24.6	610	26.4	296	41.2	907	30.0	76.9	32.7
35 to 44 years	1 079	22.5	745	32.3	166	23.1	911	30.1	84.4	18.2
45 to 54 years	888	18.5	553	24.0	99	13.8	652	21.5	73.5	15.2
55 to 64 years	568	11.8	242	10.5	26	3.7	268	8.9	47.2	9.8
By Education										
Primary	192	4.0	73	3.2	15	2.1	88	2.9	45.9	16.7
Some secondary	2 077	43.3	824	35.7	353	49.1	1 177	38.9	56.7	30.0
Grade 12	1 598	33.3	797	34.5	273	38.1	1 071	35.4	67.0	25.5
Tertiary	677	14.1	520	22.5	42	5.9	563	18.6	83.1	7.5
Certificate/Diploma	399	8.3	303	13.1	29	4.1	332	11.0	83.2	8.8
Degree	278	5.8	217	9.4	13	1.8	231	7.6	83.0	5.7

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

Source: Stats SA (2021); Own calculations

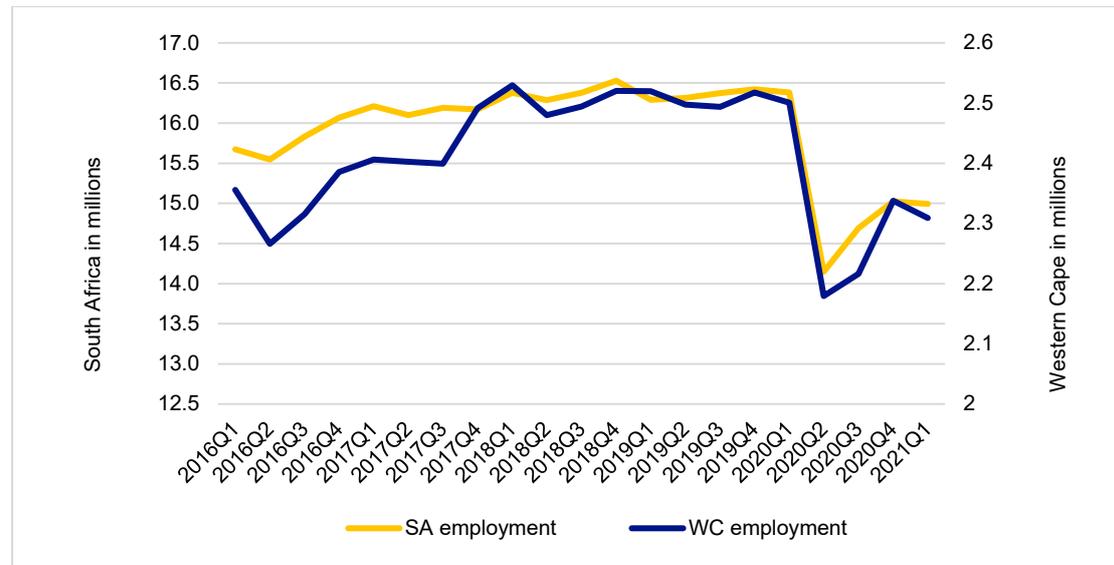
4.3 Employment in the Western Cape

The COVID-19 pandemic has had a significant impact on employment for both South Africa and the Western Cape. The sharp employment contraction in the second quarter of 2020 has only partially recovered by the first quarter of 2021. Figure 4.1 shows that in the second quarter of 2020, employment levels declined both nationally (13.6 per cent) and for the Province (12.8 per cent).

In the first quarter of 2021, the Coloured population made up 45.4 per cent of the total employed in the Western Cape, followed by the African population at 33.2 per cent and the White population at 19.4 per cent. Compared to the racial composition of the labour force, the African population is under-represented in employment, while the White population is over-represented (see Table 4.3).

Over the five-year period, the Coloured population is the only group that recorded employment losses in the Western Cape (-136 000) as opposed to employment gains recorded for the African (29 000) and White (23 000) populations.

Figure 4.1 Number of people employed, 2016:Q1 to 2021:Q1



Source: Stats SA (2021); Quantec Research, 2021; Own calculations

Between the first quarters of 2016 and 2021, women's share of total employment increased for both South Africa (0.4 percentage points) and the Western Cape (2.4 percentage points).

Over the five-year period, employment among the youth (15 to 34 years) declined significantly in both the Western Cape (-18.2 per cent) and South Africa (-19.2 per cent).

Table 4.3 Five-year changes in employment, 2016:Q1 and 2021:Q1



	2016:Q1		2021:Q1		Change	
	Number (^{'000s})	Share (Per cent)	Number (^{'000s})	Share (Per cent)	Number (^{'000s})	Rate (Per cent)
Western Cape						
Total Employment	2 356	100.0	2 309	100.0	-47	-2.0
By Race						
African	737	31.3	766	33.2	29	3.9
Coloured	1 184	50.3	1 048	45.4	-136	-11.5
White	425	18.0	448	19.4	23	5.3
By Gender						
Male	1 325	56.3	1 245	53.9	-80	-6.1
Female	1 030	43.7	1 064	46.1	34	3.3
By Age						
15 to 24 years	238	10.1	159	6.9	-79	-33.2
25 to 34 years	700	29.7	610	26.4	-89	-12.7
35 to 44 years	716	30.4	745	32.3	29	4.1
45 to 54 years	503	21.3	553	24.0	51	10.1
55 to 64 years	200	8.5	242	10.5	42	20.8

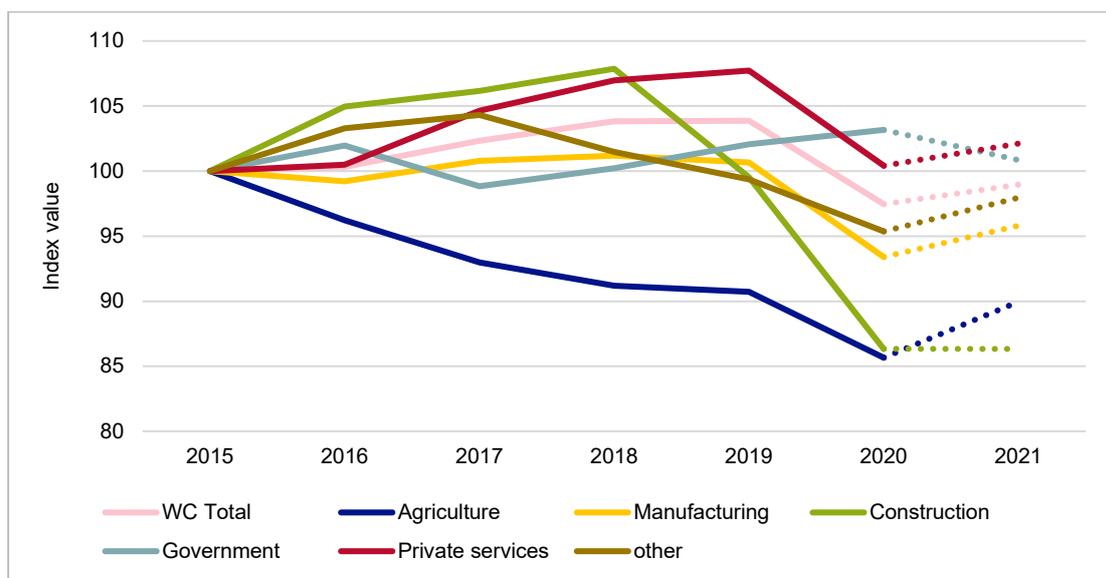
	2016:Q1		2021:Q1		Change	
	Number (‘000s)	Share (Per cent)	Number (‘000s)	Share (Per cent)	Number (‘000s)	Rate (Per cent)
By Education						
Primary	115	4.9	73	3.2	-41	-36.1
Some secondary	800	34.0	824	35.7	24	3.0
Grade 12	770	32.7	797	34.5	28	3.6
Tertiary	486	20.6	520	22.5	34	7.1
Certificate/Diploma	237	10.0	303	13.1	66	28.0
Degree	249	10.6	217	9.4	-32	-12.8
South Africa						
Total Employment	15 675	100.0	14 995	100.0	-679	-4.3
By Race						
African	11 576	73.9	11 205	74.7	-371	-3.2
Coloured	1 655	10.6	1 513	10.1	-142	-8.6
White	1 945	12.4	1 781	11.9	-163	-8.4
By Gender						
Male	8 835	56.4	8 404	56.0	-431	-4.9
Female	6 840	43.6	6 591	44.0	-248	-3.6
By Age						
15 to 24 years	1 256	8.0	775	5.2	-481	-38.3
25 to 34 years	4 939	31.5	4 230	28.2	-709	-14.4
35 to 44 years	4 868	31.1	4 849	32.3	-19	-0.4
45 to 54 years	3 220	20.5	3 629	24.2	409	12.7
55 to 64 years	1 391	8.9	1 512	10.1	121	8.7
By Education						
Primary	652	4.2	449	3.0	-203	-31.1
Some secondary	5 196	33.2	4 902	32.7	-294	-5.7
Grade 12	5 071	32.4	5 296	35.3	225	4.4
Tertiary	3 122	19.9	3 423	22.8	301	9.6
Certificate/Diploma	1 801	11.5	2 007	13.4	205	11.4
Degree	1 321	8.4	1 417	9.4	96	7.3

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 (2016a, 2021a); Quantec Research, 2021; Own calculations

The five-year trend in employment growth supports the value of higher education attainment as a means to obtain employment. Annual employment growth for the lowest education cohort (Primary) shrunk for both the Western Cape (-36.1 per cent) and South Africa (-31.1 per cent). Those with tertiary education, on the other hand, saw the strongest employment growth in both the Western Cape (7.1 per cent) and South Africa (9.6 per cent).

Figure 4.2 Cumulative employment growth per sector in the Western Cape, 2015 to 2021



Source: Stats SA (2016a, 2021a); Quantec Research, 2021; Own calculations

Figure 4.2 shows the cumulative employment growth per sector in the Western Cape. Between 2016 and 2019, the Private services¹ sector (7.7 per cent) followed by the Government sector² (2.1 per cent) recorded the highest cumulative employment growth whilst employment in the Agriculture sector³ (-9.3 per cent) declined the most.

In 2020, employment in the Construction (-13.2 per cent) and Manufacturing (-7.2 per cent) sectors were the most severely affected by the recession, while the Government sector (1.1 per cent) recorded employment growth.

The employment outlook for 2021 indicates that except for the Government (-2.2 per cent) and Construction (0.0 per cent) sectors, all other sectors are expected to record positive growth. Total employment in the Western Cape is expected to increase by 1.5 per cent in 2021.

¹ Tertiary services minus the Government sector

² Refers to the General Government sector

³ Refers to Agriculture, forestry and fishing sector

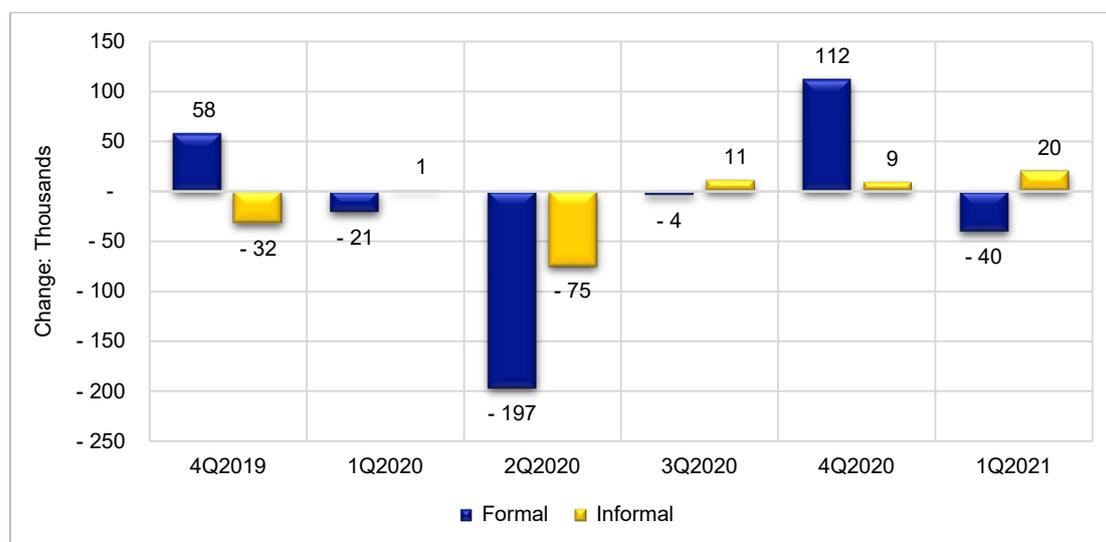
4.3.1 Informal sector employment

The informal sector⁴ plays an important role in absorbing the relatively lower skilled workforce into employment and making the labour market more flexible⁵ toward employers and entrepreneurs. The flexible nature of informal employment has made it more resilient, as it recovered quicker at a faster rate compared to the formal sector.



By the first quarter of 2021, the informal sector in the Western Cape gained back 53.2 per cent of employment lost in the second quarter of 2020, while the formal sector only gained back 34.5 per cent of employment lost in the second quarter of 2021 (see Figure 4.3).

Figure 4.3 Change in formal and informal sector employment in the Western Cape, 2019:Q4 – 2021:Q1



Source: Stats SA (2021a); Own calculations

Table 4.4 indicates that the informal sector makes a notable contribution to total employment in both the Western Cape (11.5 per cent) and South Africa (17.6 per cent). The informal sector employment mirrors the racial composition of South Africa and the Western Cape. In South Africa, the informal sector is dominated by the African population (86.8 per cent), as opposed to the Coloured population (47 per cent) which makes the largest contribution to the Western Cape. In the Western Cape, the African (6.0 percentage points) and Coloured (1.6 percentage points) populations provide a relatively larger contribution to informal employment than to total employment (compare Table 4.3 and Table 4.4).

⁴ Identifies persons who are in precarious employment situations, irrespective of whether or not the entity for which they work is in the formal or informal sector. Persons in informal employment, therefore, comprise all persons in the informal sector, employees in the formal sector, and persons working in private households who are not entitled to or receive basic benefits such as pension or medical aid contributions from their employer, and who do not have a written contract of employment.

⁵ Informal employees are not entitled to receive benefits such as medical aid, pension or a written contract.

Informal employment tends to absorb more men than women. Nearly two thirds (64.9 per cent) of informal sector employees in the Province are men, disproportionately more than the representation for men in total employment (53.9 per cent).

In the Western Cape, the youth make up 12.3 per cent of those in informal employment, 44.1 per cent of those in informal employment have some secondary education, and 64.9 per cent are male.

Table 4.4 Demographics of informal sector employment, 2021:Q1



	South Africa		Western Cape	
	Number (‘000s)	Share (Per cent)	Number (‘000s)	Share (Per cent)
Total Informal Sector Employment	2 644	100.0	265	100.0
By Race				
African	2 294	86.8	104	39.2
Coloured	187	7.1	125	47.0
White	109	4.1	31	11.5
By Gender				
Male	1 711	64.7	172	64.9
Female	993	37.6	93	35.1
By Age				
15 to 24 years	191	7.2	33	12.3
25 to 34 years	780	29.5	69	25.9
35 to 44 years	842	31.8	93	35.1
45 to 54 years	566	21.4	56	21.2
55 to 64 years	265	10.0	15	5.5
By Education				
Primary	140	5.3	13	4.9
Some secondary	1 197	45.3	117	44.1
Grade 12	778	29.4	77	28.8
Tertiary	212	8.0	36	13.6
Certificate/Diploma	156	5.9	27	10.2
Degree	56	2.1	9	3.4

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

Source: Stats SA (2021a); Own calculations

In the Western Cape the largest portion of the informal sector is absorbed in the tertiary services sector (75.6 per cent), where the Trade⁶ (30 per cent) and Personal services⁷ (24.3 per cent) are the largest contributors to total informal employment. The Personal services sector contribution to total informal employment in the Western Cape exceeds South Africa's contribution by 8.9 percentage points (see Table 4.5).

⁶ Refers to Wholesale and retail trade, catering and accommodation

⁷ Refers to Community social and personal services

Table 4.5 Industrial composition of Informal sector employment, 2021:Q1

	South Africa		Western Cape	
	Number (‘000s)	Share (Per cent)	Number (‘000s)	Share (Per cent)
Total Informal Sector Employment	2 644	100.0	265	100.0
Agriculture, forestry and fishing	142	5.4	25	9.5
Mining and quarrying	2	0.1	-	0.0
Primary Sector	144	5.5	25	9.5
Manufacturing	175	6.6	8	3.1
Utilities	2	0.1	-	0.0
Construction	396	15.0	32	12.1
Secondary Sector	573	21.7	40	15.2
Wholesale and retail trade, catering and accommodation	955	36.1	80	30.0
Transport, storage and communication	291	11.0	23	8.8
Financial, insurance, real estate and business services	274	10.3	33	12.5
Community, Social and Personal (CSP) services	406	15.4	64	24.3
Tertiary Sector	1 926	72.9	201	75.6

Source: Stats SA (2021a); Own calculations

4.3.2 Job satisfaction

Naturally, many factors can affect whether a person is satisfied with their job. Reasons for job satisfaction can include achievement, recognition, responsibility, growth, and other matters associated with the individual's motivation in their job. Environmental pressures inside the business can also contribute to job satisfaction. These include work rules, facilities, coffee breaks, benefits, salaries and wages.

In the first quarter of 2021, job satisfaction in South Africa was 75.4 per cent. Job satisfaction levels varied significantly between provinces with the Western Cape (91 per cent) recording the highest level of satisfaction while KwaZulu-Natal (52.6 per cent) recorded the lowest satisfaction levels.

Figure 4.4 illustrates the job satisfaction rate across all characteristics for the Western Cape and South Africa in the first quarter of 2021. In the Western Cape, women (92.1 per cent) are marginally more satisfied with their jobs than men (90.0 per cent), while the White population was most satisfied with their job (97.8 per cent) compared to the Coloured (94.7 per cent) and African (81.7 per cent) population groups.

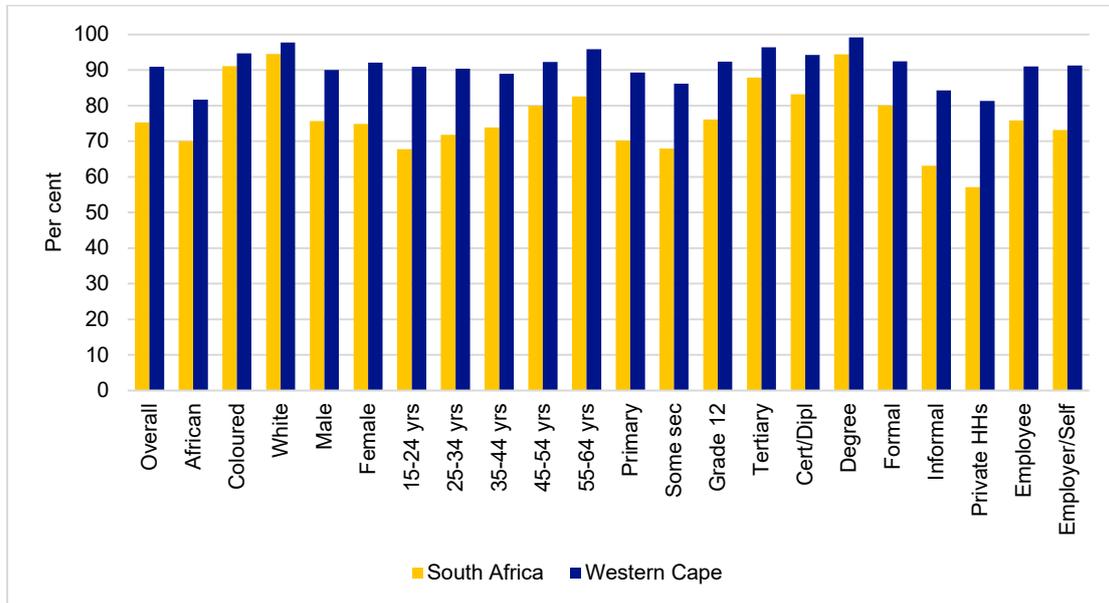
In South Africa, job satisfaction increases with age, while in the Western Cape different age cohorts recorded relatively similar job satisfaction levels. As a result, the job satisfaction of youth (15 - 34 years old) in the Western Cape is significantly higher than for South Africa.

In South Africa, job satisfaction improves as educational attainment improves. However, in the Western Cape, job satisfaction and educational attainment show a weaker positive correlation, since educational attainment only marginally increases job satisfaction. As a result, job satisfaction for the lower educational cohorts of the

Western Cape such as Primary (89.3 per cent) exceeds job satisfaction of higher educational cohorts such as Certificates and Diplomas (83.2 per cent) in South Africa.

For both South Africa and the Western Cape, formal sector workers are more likely to be satisfied with their work than informal workers, whilst employers and self-employed individuals recorded higher job satisfaction levels than employees.

Figure 4.4 Rate of job satisfaction, 2021:Q1



- Notes: 1. Shares may not sum to 100 per cent 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 (2021a); Own calculations

4.3.3 Composition of the economically active population (labour force)

The economically active population or labour force consists of both those who are employed and those who are unemployed and is a measure of those who are willing to work if work is available. Between the first quarters of 2016 and 2021 the provincial economically active population or labour force (EAP)⁸ increased by 1.7 per cent (see Table 4.6). However, over the same period the working age population in the Western Cape increased by almost 10.0 per cent.

In the Western Cape, the Coloured population make up the largest share of the EAP (45.1 per cent) and therefore contributed the largest share to EAP growth over time. However, the group declined as a labour force (-117 000) between the first quarters of 2016 and 2020 as opposed to the increase in the labour force of the African (108 000) and White (39 000) populations. The reduction in the EAP possibly points to greater negative employment expectations in the Coloured population group than for other racial groups in the Western Cape.

⁸ The terms supply of labour and the labour force are used as synonyms for the economically active population. Refers to narrow labour force unless specified otherwise.

Table 4.6 Composition of the Western Cape narrow labour force, 2016:Q1 and 2021:Q1

	2016Q1		2021Q1		Change	
	Number (‘000s)	Share (Per cent)	Number (‘000s)	Share (Per cent)	Number (‘000s)	Rate (Per cent p.a.)
Narrow Labour Force	2 978	100.0	3 027	100.0	50	1.7
By Race						
African	1 028	34.5	1 136	37.5	108	10.5
Coloured	1 482	49.8	1 365	45.1	-117	-7.9
White	455	15.3	494	16.3	39	8.5
By Gender						
Male	1 641	55.1	1 615	53.3	-27	-1.6
Female	1 336	44.9	1 412	46.7	76	5.7
By Age						
15 to 24 years	449	15.1	290	9.6	-160	-35.6
25 to 34 years	912	30.6	907	30.0	-5	-0.5
35 to 44 years	844	28.3	911	30.1	67	7.9
45 to 54 years	558	18.8	652	21.5	94	16.8
55 to 64 years	214	7.2	268	8.9	54	25.1
By Education						
Primary	155	5.2	88	2.9	-67	-43.0
Some secondary	1 129	37.9	1 177	38.9	48	4.2
Grade 12	944	31.7	1 071	35.4	127	13.4
Tertiary	518	17.4	563	18.6	45	8.7
Certificate/Diploma	258	8.7	332	11.0	74	28.6
Degree	260	8.7	231	7.6	-29	-11.2

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

Source: Stats SA (2016a, 2021a); Quantec Research, 2021; Own calculations

Although the male EAP decreased (-27 000) and the female EAP increased (76 000) between the first quarters of 2016 and 2021, men still outnumber women within the labour force. Males accounted for 53.3 per cent of the labour force, while females accounted for 46.7 per cent of the labour force in the first quarter of 2021.

Amongst the youth (15-34 years old), the labour force shrunk by 165 000 over this period, the only age cohort that recorded a decline in the labour force. The decline in the labour force for this age cohort can at least partially be attributed to a negative employment outlook as a result of employment losses (168 000) recorded over the same period (see Figure 4.5).

By educational attainment, the labour force only recorded losses in the Primary (67 000) and Degree (29 000) cohorts. These cohorts were also the only two cohorts that recorded employment losses over the same period.

Table 4.7 Composition of the Western Cape narrow labour force by race and education attainment, 2016:Q1 and 2021:Q1

	2016Q1		2021Q1		Change	
	Number (‘000s)	Share (Per cent)	Number (‘000s)	Share (Per cent)	Number (‘000s)	Growth rate (Per cent)
African						
Primary	40 000	3.9	37 000	3.2	-3 000	-7.5%
Some secondary	481 000	46.8	571 000	50.3	90 000	18.7%
Grade 12	342 000	33.2	360 000	31.7	18 000	5.3%
Tertiary	91 000	8.8	113 000	9.9	22 000	24.2%
<i>Grade 12 or better</i>	<i>433 000</i>	<i>42.0</i>	<i>473 000</i>	<i>41.6</i>	<i>40 000</i>	<i>9.2%</i>
Total Education	954 000	92.8	1 081	95.1	127	13.3
Coloured						
Primary	114 000	7.7	51 000	3.7	-63 000	-55.3%
Some secondary	603 000	40.7	576 000	42.2	-27 000	-4.5%
Grade 12	433 000	29.2	487 000	35.7	54 000	12.5%
Tertiary	181 000	12.2	186 000	13.6	5 000	2.8%
<i>Grade 12 or better</i>	<i>614 000</i>	<i>41.4</i>	<i>673 000</i>	<i>49.3</i>	<i>59 000</i>	
Total Education	1 331 000	89.8	1 300	95.3	-31	-2.3
White						
Primary	1 000	0.2	0	0	-1 000	-100.0%
Some secondary	44 000	9.7	27 000	5.4	-17 000	-38.6%
Grade 12	164 000	35.9	219 000	44.4	55 000	33.5%
Tertiary	241 000	52.9	243 000	49.1	2 000	0.8%
<i>Grade 12 or better</i>	<i>405 000</i>	<i>89</i>	<i>462 000</i>	<i>94</i>	<i>57 000</i>	<i>14.1%</i>
Total Education	450 000	98.8	489 000	98.9	39 000	8.7%

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

Source: Stats SA (2016a, 2021a); Quantec Research, 2021; Own calculations

There are notable education inequalities in the labour force as 49.1 per cent of the White population has a tertiary qualification, compared to 13.6 per cent of the Coloured population and 9.9 per cent of African populations (see Table 4.7). Excluding Asians, the White population group contributes 44.8 per cent of all tertiary qualifications in the Western Cape. The relatively higher qualification levels of the White population group can explain its relatively lower unemployment rate in comparison to other race groups in the Province (see Table 4.2).

Education levels have been rising in the Province. Over the past five years, there has been relatively strong growth in education levels amongst the African and Coloured population groups. The share of Coloured citizens with Grade 12 or better rose from 41.4 per cent to 49.3 per cent. While the share of African citizens with Grade 12 or better remained relatively stable (at 42 per cent), the number of African citizens with tertiary education rose by 24.2 per cent.

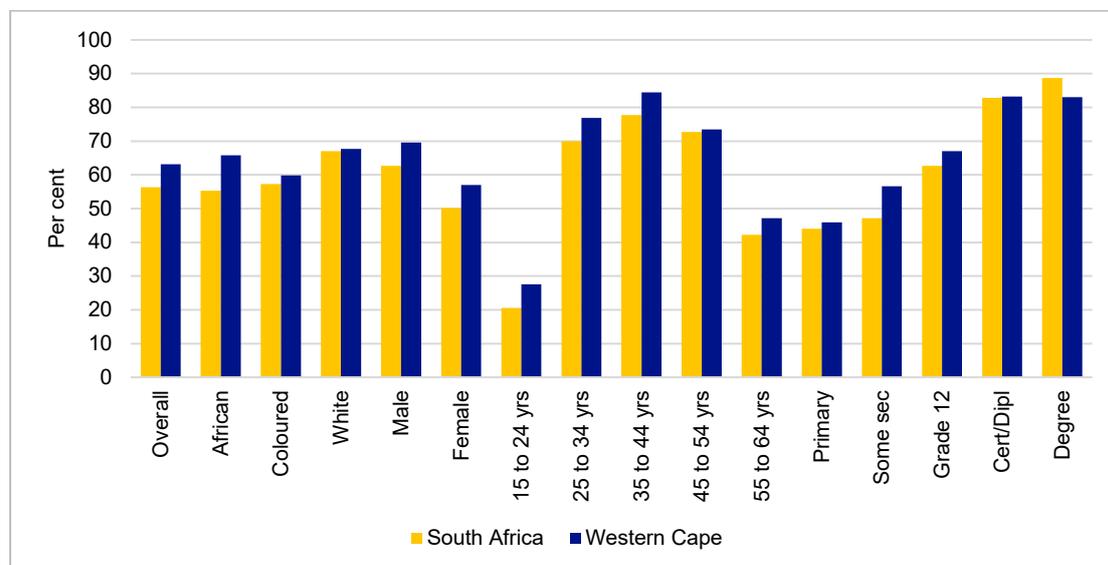
Despite rising education, employment levels declined over the same period whilst unemployment increased, (see Tables 4.2, 4.3 and 4.8). This may be due to other factors, particularly weak economic growth, which has not been sufficient to create demand for labour. Higher education levels provide an advantage to obtain employment opportunities, with a smaller probability to being unemployed.

4.3.4 Labour force participation

The labour force participation rate (LFPR) is a measure of the proportion of a country's working-age population that actively engages in the labour market, either by working or looking for work; it indicates the size of the supply of labour available to engage in the production of goods and services, relative to the working age population.

Participation rates are influenced by many social, economic and institutional factors and consequently vary substantially across countries.

Figure 4.5 Labour force participation rate, 2021:Q1



Source: Stats SA (2021a); Own calculations

In the first quarter of 2021, the LFPR for the Western Cape was 63.1 per cent, 6.7 percentage points higher than the LFPR of South Africa (56.4 per cent). The difference in participation rates relates to the perceptions of people of working age about labour market conditions and the probability of finding a job. The probability in finding a job is linked to educational attainment (see Table 4.2).

One factor that particularly influences participation rates is access to the labour market, particularly in areas where job seekers are not actively seeking employment opportunities due to the long distances from these opportunities.

Figure 4.5 compares the LFPR among race, gender, age, and education cohorts between South Africa and the Western Cape. Apart from the group with a degree, the Western Cape has higher LFPRs than South Africa.

In the Western Cape, the LFPR differs across race groups. Whites (67.7 per cent) have the highest LFPR and the Coloured (59.8 per cent) population the lowest LFPR. The LFPR for the African population in the Western Cape is 10.5 percentage points higher than that of South Africa.

Both nationally and in the Western Cape, males are more likely to participate in the labour force than females, while the male LFPR is higher in the Western Cape (69.6 per cent) than in South Africa (62.6).

Not surprisingly the LFPR amongst those aged 15 to 24 is the lowest. A large portion of this group would typically be in education. Labour force participation rates tend to rise with increasing educational attainment in the Western Cape. Higher educational attainment cohorts are less likely to be unemployed, (see Table 4.8).



In the first quarter of 2021, 45.9 per cent of those with only primary education were economically active, compared to 67.0 per cent of those with Grade 12 and 83.8 per cent of those with degrees. In the first quarter of 2021, the Western Cape had higher LFPR across all groups defined by race, gender, age and educational attainment apart from participants with a degree. Nationally, participants with a degree were the only cohort with a higher participation rate than in the Western Cape. The LFPR for participants with a degree in South Africa was 5.0 percentage points higher than the Western Cape.

LABOUR MARKET DYNAMICS IN THE ERA OF COVID-19

Daniels, Ingle and Brophy (2021) conducted an analysis of labour force states in South Africa during the first year of COVID-19, including those in employment (at work, not at work, or temporarily furloughed), and those who are not employed (unemployed – narrow (searching) and broad (discouraged), plus not economically active), using both NIDS-CRAM and the Quarterly Labour Force Survey (QLFS).

Because of the different reference periods for labour force participation questions (one month for NIDS-CRAM compared to one week for the QLFS), the two instruments are not directly comparable. Instead, they tell us different things about the labour force that can be used in combination to better understand the impact of COVID-19. Daniels et al. (2021) explains that NIDS-CRAM is the superior instrument when attempting to understand the immediate short-term impact of lockdown regulations on the labour force in a particular month. On the other hand, the QLFS is the superior instrument when attempting to understand employment and unemployment rates over the course of the entire year.

Because of the different reference periods between NIDS-CRAM and the QLFS, results for the two surveys should be seen as complementary rather than contradictory, shining different lights on the labour market during this unique period in SA's history. NIDS-CRAM shows that labour supply is very responsive to lockdown regulations, fluctuating dramatically when bans or restrictions on trading hours and curfews are at their strictest, and recovering when they are relaxed. The QLFS shows that employment rates in SA have not yet recovered to their pre-pandemic levels, remaining at approximately 10 per cent lower than the pre-pandemic 2020 baseline.

According to Daniels et al. (2021), this points to the fact that lockdowns can have tremendously negative economic impacts, and that wherever possible, efforts should be made to geographically differentiate them to minimize their national impact, while maximizing the potential for localized economic recoveries.

Source: Daniels, Ingle & Brophy, 2021

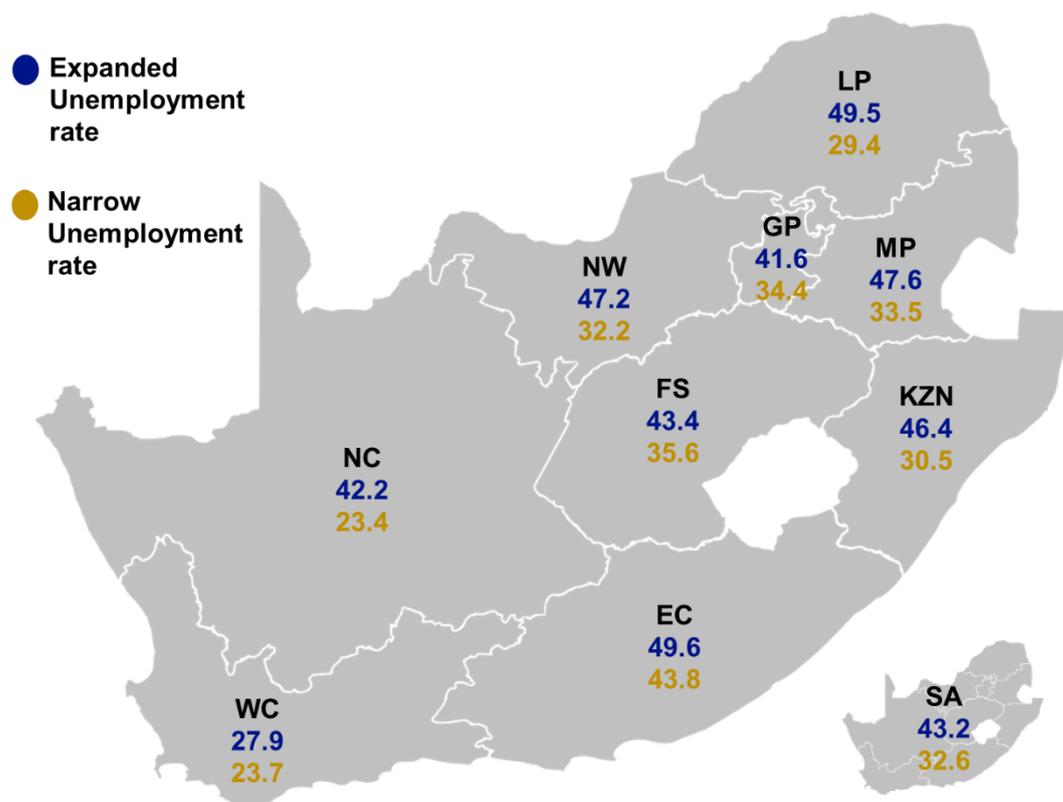
4.4 Unemployment in the Western Cape

Unemployment remains a key challenge to South Africa and the Western Cape. It is therefore critical to track unemployment trends, patterns and the underlying socio-economic characteristics linked to unemployment. The extent of the unemployment challenge is often obscured by statistical definitions. The narrow definition of unemployment is used as the official unemployment rate in South Africa, which can downplay the significance of the challenge at hand. The difference between the narrow and expanded unemployment rate varies considerably between different provinces.

According to the QLFS for the first quarter of 2021, South Africa's official expanded unemployment rate was 43.2 per cent and the narrow⁹ unemployment rate was 32.6 per cent.

In the Western Cape, the unemployment rates are estimated at 23.7 per cent and 27.9 per cent using the narrow and expanded definitions, respectively. The small gap (4.2 percentage points) between these two unemployment rates means relatively fewer individuals in the Province are not actively seeking employment. In most other provinces except for Eastern Cape, Gauteng and the Free State, the gap between the narrow and expanded unemployment rate is relatively large.

Figure 4.6 Provincial and national unemployment rates, 2021:Q1



Note: Detailed estimates can be found in Annexure D2.

Source: Stats SA (2021a)

⁹ The narrow definition of "unemployed" refers to individuals who are currently unemployed and searching for work but cannot find a job. The expanded unemployment rate includes the non-searching unemployed.

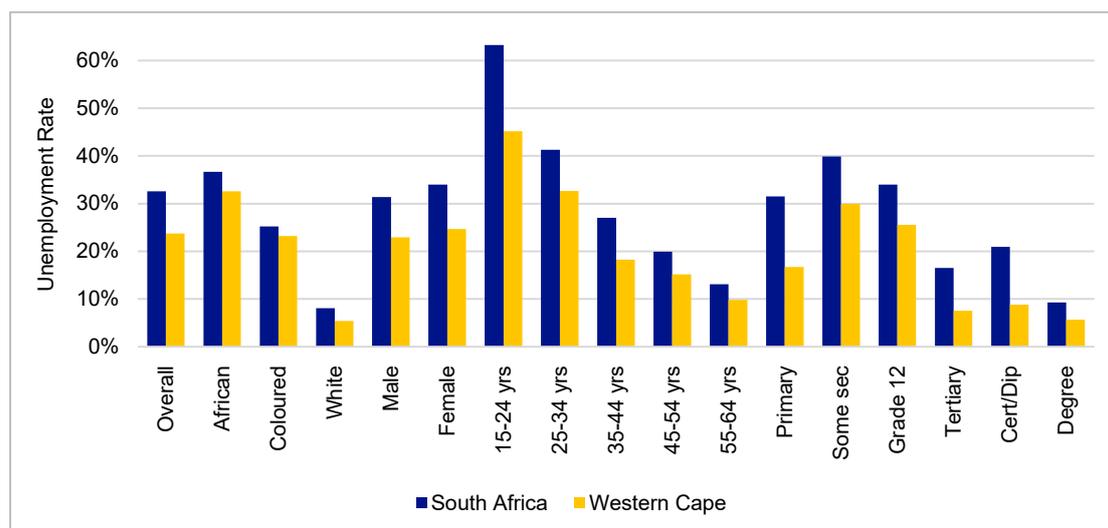
When the unemployment rate is disaggregated, it highlights deep inequalities in terms of race, gender, age and education (see Figure 4.7). Unemployment is consistently higher for women than it is for men. In the first quarter of 2021, the unemployment rate in the Western Cape for women was 24.7 per cent (34.0 per cent nationally), and for men 22.9 per cent (31.4 per cent nationally).

The unemployment rate among the African population group remains higher than the national average and other population groups. Nationally, the unemployment rate for the African population was 36.7 per cent, followed by the Coloured population (25.2 per cent), while the White population reported the lowest unemployment rate (8.1 per cent). In comparison, the unemployment rate for the African population in the Western Cape was 32.6 per cent, followed by the Coloured (23.2 per cent) and White (5.4 per cent) populations.

Unemployment is more prevalent among the youth. Although the average unemployment rate in the Western Cape is 23.7 per cent, 45.2 per cent of young people aged 15 to 24 in the labour force were unemployed in the first quarter of 2021. This rate drops to 32.7 per cent among people aged 25 to 34 and 18.2 per cent among people aged 35 to 44. The unemployment rate for youth will be further explored under section 4.6 of the chapter.

Higher educational attainment is linked to lower unemployment levels and vice versa. In the first quarter of 2021, the unemployment rate in the Western Cape for those with some secondary education (30 per cent) and Grade 12 (25.5 per cent) were higher than tertiary education (7.5 per cent).

Figure 4.7 Western Cape and South Africa narrow unemployment rates, 2021:Q1



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

Source: Stats SA (2016a, 2021a); Quantec Research, 2021; Own calculations

Although the national economy has recovered from the 2020 recession to some extent, the five-year unemployment trend up to the first quarter of 2021 reflects a deterioration in unemployment levels for both South Africa and the Western Cape. Table 4.8 shows the composition and growth of the unemployed population in the Western Cape between the first quarters of 2016 and 2021.

Table 4.8 Demographic composition of unemployment, 2016:Q1 and 2021:Q1

	2016Q1		2021Q1		Change		Share of unemployment within group
	Number ('000s)	Share (Per cent)	Number ('000s)	Share (Per cent)	Number ('000s)	Rate (Per cent)	
Western Cape							
<i>Total Unemployed</i>	622	100.0	718	100.0	96	15.5	23.7
By Race							
African	291	46.8	370	51.6	80	27.3	32.6
Coloured	298	47.8	317	44.1	19	6.5	23.2
White	30	4.9	27	3.7	-4	-11.7	5.4
By Gender							
Male	316	50.9	370	51.5	54	17.0	22.9
Female	306	49.1	348	48.5	43	13.9	24.7
By Age							
15 to 24 years	212	34.1	131	18.2	-81	-38.3	45.2
25 to 34 years	212	34.1	296	41.2	84	39.8	32.7
35 to 44 years	128	20.6	166	23.1	38	29.7	18.2
45 to 54 years	56	9.0	99	13.8	43	77.0	15.2
55 to 64 years	14	2.3	26	3.7	12	84.8	9.8
By Education							
Primary	40	6.4	15	2.1	-25	-63.1	16.7
Some secondary	329	52.9	353	49.1	24	7.2	30.0
Grade 12	175	28.1	273	38.1	99	56.7	25.5
Tertiary	32	5.1	42	5.9	11	33.5	7.5
Certificate/Diploma	22	3.5	29	4.1	8	35.9	8.8
Degree	10	1.6	13	1.8	3	28.4	5.7
South Africa							
<i>Total Unemployed</i>	5 723	100.0	7 242	100.0	1 519	26.5	32.6
By Race							
African	4 993	87.2	6 488	89.6	1 495	30.0	36.7
Coloured	511	8.9	510	7.0	-1	-0.2	25.2
White	150	2.6	157	2.2	7	4.8	8.1
By Gender							
Male	2 891	50.5	3 841	53.0	949	32.8	31.4
Female	2 832	49.5	3 401	47.0	569	20.1	34.0
By Age							
15 to 24 years	1 506	26.3	1 336	18.4	-170	-11.3	63.3
25 to 34 years	2 242	39.2	2 977	41.1	734	32.7	41.3
35 to 44 years	1 238	21.6	1 797	24.8	559	45.2	27.0
45 to 54 years	591	10.3	905	12.5	314	53.1	20.0
55 to 64 years	147	2.6	228	3.2	81	55.5	13.1
By Education							
Primary	250	4.4	207	2.9	-43	-17.3	31.0
Some secondary	2 619	45.8	3 256	45.0	637	24.3	39.9
Grade 12	1 933	33.8	2 731	37.7	798	41.3	34.0
Tertiary	435	7.6	676	9.3	242	55.6	16.5
Certificate/Diploma	348	6.1	531	7.3	184	52.8	20.9
Degree	87	1.5	145	2.0	58	66.5	9.3

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

Source: Stats SA (2016a, 2021a); Quantec Research, 2021; Own calculations

In the first quarter of 2021, there were 718 000 unemployed individuals in the Western Cape, while South Africa recorded 7.2 million unemployed. Between the first quarters of 2016 and 2021, unemployment expanded for both the Western Cape (15.5 per cent) and for South Africa (26.5 per cent).

In the Western Cape, the African and Coloured population groups comprised the majority of the unemployed population. The African population group accounts for just over half of the unemployed (51.6 per cent), followed by the Coloured (44.1 per cent) and White (3.7 per cent) population groups. The demographic composition for unemployment in South Africa is significantly different from the Western Cape. The largest portion of unemployed individuals in South Africa was the African population group (89.6 per cent) followed by the Coloured (7.0 per cent) and the White (2.2 per cent) population groups.

In the last five years, unemployment growth in the Western Cape was more robust among the African (27.3 per cent) and Coloured population (6.5 per cent) groups while unemployment declined among the White population group (-11.7 per cent).

Nationally, the annual unemployment growth among the African population (30.0 per cent) grew the most rapid in the last five years, as opposed to slower growth rates among the White (4.8 per cent) population and a recorded decline for the Coloured (-0.2 per cent) population.

In the Western Cape, the share of unemployment is almost evenly split between men (51.5 per cent) and women (48.5 per cent). The number of unemployed males grew by 17 per cent compared to the unemployed female population that grew by 13.9 per cent over the same period.



Youth unemployment remains a key challenge in the Western Cape. In the first quarter of 2021, the youth¹⁰ contributed almost 60 per cent of all unemployment while a large portion (35.7 per cent) among the youth was unemployed (see Tables 4.8 and 4.11). This highlights the vulnerability of

young people in the labour market and the need for targeted interventions.

In the Western Cape, unemployment over the last five years increased marginally for the youth (0.8 per cent). The small increase in youth unemployment was mainly due to the decline (-12.1 per cent) in the labour force over the same period.

The majority of unemployed persons in 2021, both nationally (85.6 per cent) and provincially (89.3 per cent), were people without some form of tertiary education. In the first quarter of 2021, unemployment within this group was 27.4 per cent in the Western Cape.

In the Western Cape, the highest educational cohort (Degree) had the lowest unemployment rate (5.7 per cent). However, between the first quarters of 2016 and 2021, unemployment for the Degree cohort increased by 28.4 per cent. Nationally unemployment for the same educational cohort increased at 66.5 per cent.

¹⁰ Ages 15 to 34 years

High levels of unemployment are an inherent structural challenge for both South Africa and the Western Cape. Consequently, a large portion of the labour force have never worked in their lifetime. In the first quarter of 2021, both the Western Cape (26.8 per cent) and South Africa (40.4 per cent) had significant portions of the unemployed that have never worked before while a large share of the unemployed in the Western Cape (20.3 per cent) and South Africa (25.3 per cent) were unemployed for three years or more. Over the last five years annual unemployment growth in the duration cohort for three years or more increased in both the Western Cape (10.1 per cent) and South Africa (42 per cent).

Table 4.9 Unemployment by time since last work, 2016:Q1 and 2021:Q1



	2016Q1		2021Q1		Change	
	<i>Number</i> (‘000s)	<i>Share</i> (Per cent)	<i>Number</i> (‘000s)	<i>Share</i> (Per cent)	<i>Number</i> (‘000s)	<i>Rate</i> (Per cent)
Western Cape						
<i>Total Unemployment</i>	622	100.0	718	100.0	96	3.1
By Unemployment Duration						
0 to 11 months	240	38.6	194	27.0	-47	-4.1
12 to 35 months	110	17.7	183	25.4	73	11.8
36 months or more	105	16.8	146	20.3	41	10.1
Never worked	166	26.7	193	26.8	26	4.0
South Africa						
<i>Total Unemployment</i>	5 723	100.0	7 242	100.0	1519	5.0
By Unemployment Duration						
0 to 11 months	1 469	25.7	1 386	19.1	-82	-1.0
12 to 35 months	657	11.5	1 092	15.1	436	11.1
36 months or more	1 301	22.7	1 831	25.3	530	42.0
Never worked	2 293	40.1	2 926	40.4	633	7.4

Note: Shares may not sum up to 100 per cent 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 (2016a, 2021a); Quantec Research, 2021; Own calculations

THE GENDERED EFFECTS OF THE COVID-19 CRISIS AND ONGOING LOCKDOWN IN SOUTH AFRICA

Women have been disproportionately affected by the COVID-19 pandemic. Research using Wave 1 of the NIDS-CRAM, found that women in South Africa were particularly hard hit by the crisis and the initial lockdown (Casale and Posel 2020). Not only were they much more likely than men to lose their jobs and to work fewer hours during the very strict Level 5 lockdown in April 2020 compared to the pre-crisis period, they were also more likely to take on additional childcare as a result of school closures. Casale and Shepherd (2021) use all five waves of the NIDS-CRAM survey to track gender differences in labour market outcomes and unpaid care work, in the home during South Africa's ongoing lockdown.

Their findings suggest that women suffered a large and disproportionate effect in the labour market as a result of the initial very strict lockdown in April 2020, both in terms of net job losses and a reduction in hours worked. Casale et al. (2021) find that compared to February 2020, women's employment in March 2021 was still down approximately 8 per cent, while men's employment was back to pre-COVID levels, according to the NIDS-CRAM data. An important finding from Casale et al. (2021) is that even though women accounted for the majority of the unemployed (or those not working) throughout the period, as well as the majority of the net job losses recorded between any two time periods, they were under-represented in the COVID-specific government income support provided for unemployed and furloughed workers.

Source: Casale & Shepherd, 2021

4.5 Support for the unemployed

In a country with high levels of unemployment like South Africa, those employed must often support not only themselves, children and the elderly but also those of working age who are not employed. The unemployed draw support from different sources, (see Table 4.10). It is important to note that these proportions refer simply to whether or not an individual was supported from a particular source. The data is unable to determine the relative importance of different sources.

In the first quarter of 2021, the most common means of support for the narrow unemployed are reported as persons within the household (81.1 per cent), persons outside the household (34.6 per cent) and own savings (11.1 per cent).

Table 4.10 Share of sources of support to the unemployed, 2016:Q1 and 2021:Q1



	2016Q1 (Per cent)	2021Q1 (Per cent)
Supported by persons in the household	80.7	81.1
Supported by persons, not in the household	20.7	34.6
Supported by charity. Church. Welfare. etc.	0.6	0.5
Receive Unemployment Insurance (UIF)	0.9	2.8
Savings or money previously earned	9.5	11.1
Receive old age or disability pension	0.7	0.3
Receive child support or foster care grant	13.7	18.3
Receive any other welfare benefits	0.5	10.0
Any other sources of support (e.g. bursary. student loan)	0.1	-

Source: Stats SA (2016a, 2021a); Quantec Research, 2021; Own calculations

Over the past five years, a larger portion of unemployed individuals have been relying more on government support, as reflected in most unemployment categories pertaining to government support. Unemployment insurance increased by 1.9 percentage points, old age or disability pension decreased by 0.4 percentage points, child support or foster care grants increased by 4.6 percentage points, and other welfare benefits increased by 9.5 percentage points.

The increased reliance on government for unemployment support can be ascribed to the wide range of government COVID-19 relief measures introduced in 2020, which included food parcels, unemployment insurance, social grants, and a Special COVID-19 Social Relief of Distress Grant.

THE DISTRIBUTION AND DYNAMICS OF SOUTH AFRICA'S TERS POLICY

Job retention policy – which aims to preserve jobs at firms experiencing a temporary reduction in activity by alleviating labour costs and supporting the incomes of workers – has served as one of the main tools used by governments across the world to mitigate job losses in response to the COVID-19 pandemic, particularly in the form of wage subsidies. In South Africa, the government's Temporary Employer-Employee Relief Scheme (TERS), introduced in April 2020, served as a core component of the country's economic policy response benefiting millions of vulnerable workers. Köhler & Hill (2021) provides a detailed, quantitative, descriptive analysis of TERS receipt over time by making use of all five waves of NIDS-CRAM.

Their findings show that the TERS reached the highest number of workers during the beginning of the national lockdown, with relatively few benefiting in 2021 so far. On aggregate, they estimate that over 4 million unique workers received TERS at least once over the period. They find that the number of recipients was highest during the most stringent lockdown level 5 in April 2020 (1.8 million) and level 3 in June 2020 (2 million), representing about 13.5 per cent of all workers. More than half of all April 2020 recipients continued to receive TERS in June 2020, but most recipients during this month (76 per cent) did not receive it in October 2020. Although many workers continued to benefit throughout the year as the economy re-opened (1.5 million during level 1 in October 2020), the scheme has reached far fewer workers during 2021 so far (675 000 in January and 970 000 in March) – a statistically significant difference. This reduction is likely partially attributable to payment backlogs but additionally to recovering economic activity and changes in the policy's eligibility criteria. Köhler et al. (2021) recommends that policymakers ought to consider extending the availability of the TERS beyond the October 2020 to March 2021 claim period.

Source: Köhler & Hill, 2021

4.6 Youth labour market

The first quarter QLFS of 2021 paints a grim picture of large scale and increasing youth unemployment in the Western Cape and South Africa. The statistics between the first quarters of 2016 to 2021 reveal that the South African youth, but more specifically the Western Cape youth, are still struggling to make progress against large scale unemployment levels within their age cohort (see Table 4.11).

Over the same period, the labour force participation rate among youth in the Western Cape declined by 11.1 percentage points, indicating a smaller share of working-age youth intending to work but also actively seeking employment opportunities. The LFPR amongst youth for South Africa declined by 4.7 percentage points. This is significantly less than the decrease observed in the Western Cape. The decline could possibly be linked to an increasing share of youth taking up further studies or giving up in actively seeking employment opportunities due to limited growth in employment opportunities in the Western Cape.



Over the same period, youth in employment provincially has declined by 168 000 or 17.9 per cent, while the narrow unemployment rate among youth has increased by 4.6 percentage points to 35.7 per cent. In the first quarter of 2021, there was an

estimated 427 000 unemployed youth in the Western Cape. Nationally, employment declined by 19.2 per cent, while unemployment increased by 15.0 per cent. Although the unemployed youth in the Western Cape only increased by 0.8 per cent over the period, it still paints a grim picture for the Western Cape. Instead of youth in the Western Cape actively searching for employment, they are discouraged and becoming non-searching unemployed individuals.

Table 4.11 Youth labour market aggregates (15 - 34 years old), 2016:Q1 and 2021:Q1



	2016Q1	2021Q1	Change	
	Thousands	Thousands	Thousands	Per cent
WESTERN CAPE				
Working-age population	2 128	2 261	134	6.3
Employment	937	769	-168	-17.9
Narrow unemployment	424	427	3	0.8
Narrow labour force	1 361	1 196	-165	-12.1
Expanded unemployment	475	529	54	11.3
Expanded labour force	1 412	1 298	-114	-8.1
Non-searching unemployed	51	101	51	99.2
Rates/Ratios				
Narrow labour force participation	64.0	52.9	-11.1 percentage points	
Expanded labour force participation	66.4	57.4	-9.0 percentage points	
Employment-to-population ratio	44.1	34.0	-10.0 percentage points	
Narrow unemployment	31.1	35.7	4.6 percentage points	
Expanded unemployment	33.6	40.7	7.1 percentage points	
SOUTH AFRICA				
Working-age population	19 891	20 552	661	3.3
Employment	6 195	5 005	-1 190	-19.2
Narrow unemployment	3 748	4 312	564	15.0
Narrow labour force	9 943	9 318	-626	-6.3
Expanded unemployment	5 906	6 760	854	14.5
Expanded labour force	12 101	11 765	-335	-2.8
Non-searching unemployed	2 157	2 448	290	13.4
Rates/Ratios				
Narrow labour force participation	50.0	45.3	-4.7 percentage points	
Expanded labour force participation	60.8	57.2	-3.6 percentage points	
Employment-to-population ratio	31.1	24.4	-6.8 percentage points	
Narrow unemployment	37.7	46.3	8.6 percentage points	
Expanded unemployment	48.8	57.5	8.7 percentage points	

Source: Stats SA (2016a, 2021a); Quantec Research, 2021; Own calculations

SOUTH AFRICA'S LABOUR MARKET CAN BENEFIT FROM YOUNG ENTREPRENEURS, SELF-EMPLOYMENT

The World Bank conducted an economic analysis for South Africa entitled "Building back better from COVID-19, with a special focus on jobs." The report examines how supporting young entrepreneurs could be one of the ways the country could address unemployment, among its other pressing social challenge in an environment of weakened economic growth.

According to the World Bank, by the end of 2020 the number of employed people in South Africa had fallen by nearly 1.5 million, and the wages of workers who still had jobs had fallen by 10 – 15 per cent. At the time of releasing their report (July 2021), only 40 per cent of employment losses had been recovered.

The World Bank found that job losses in COVID-19 times are disproportionately concentrated among low-income earners, worsening already severe inequalities despite the government's decisive and pro-poor response with transfer programs that partially cushioned the negative impacts of the pandemic. Low-wage workers suffered almost four times more job losses than high-wage earners. In addition, the COVID-19 pandemic crisis has exposed structural weaknesses in the job market. Young people, in particular face acute unemployment rates, with incidences twice as high as among older age groups. Among 15 – 24-year-olds, 63 per cent are unemployed and looking for work, whereas among 25 – 34-year olds, this rate reaches 41 per cent. When discouraged workers are included, unemployment rates are as high as 74 per cent for 15 – 24-year-olds and 51 per cent for 25 – 34-year-olds.

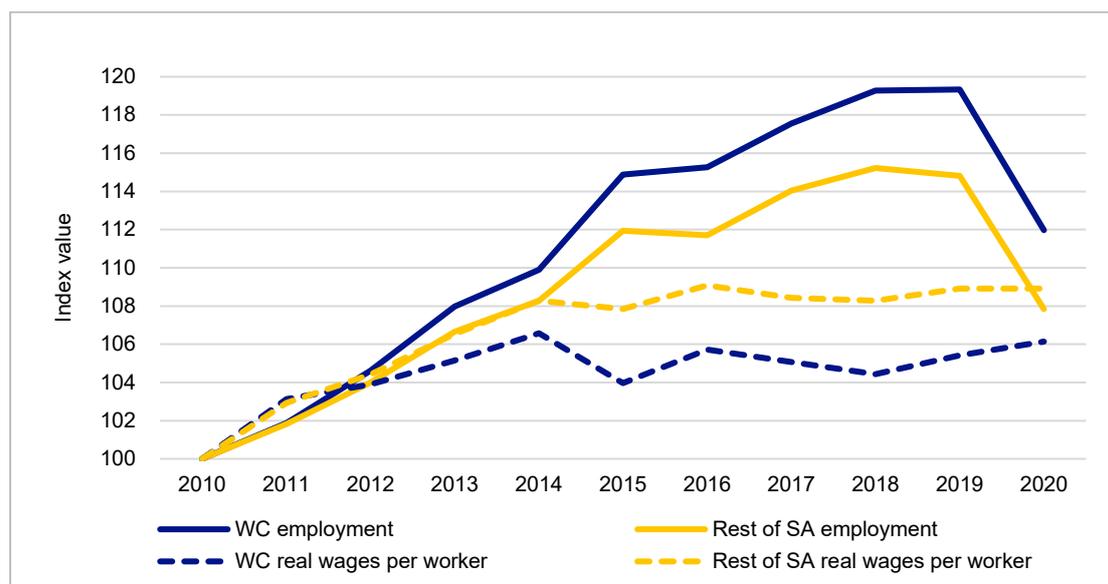
The World Bank believes that young entrepreneurs are one of South Africa's best hopes of solving the jobs crisis. Self-employment represents only 10 per cent of all jobs in South Africa, against 30 per cent in most upper-middle-income economies, such as Turkey, Mexico and Brazil. The emerging start-up sector in South Africa could help close this gap. The World Bank suggests that South Africa considers policies that target labour market outcomes and that can make a difference in the pace of employment recovery.

Source: World Bank, 2021

4.7 Compensation dynamics

Real wages are a significant input cost in the production and services processes and are an essential factor in determining the competitiveness of businesses and sectors on a national and international level. Growing real wages are also one of the important indicators of increased economic prosperity.

Figure 4.8 Cumulative growth in real wages per worker and employment, rest of South Africa and the Western Cape, 2010 - 2020



Source: Quantec Research, 2021; Own calculations

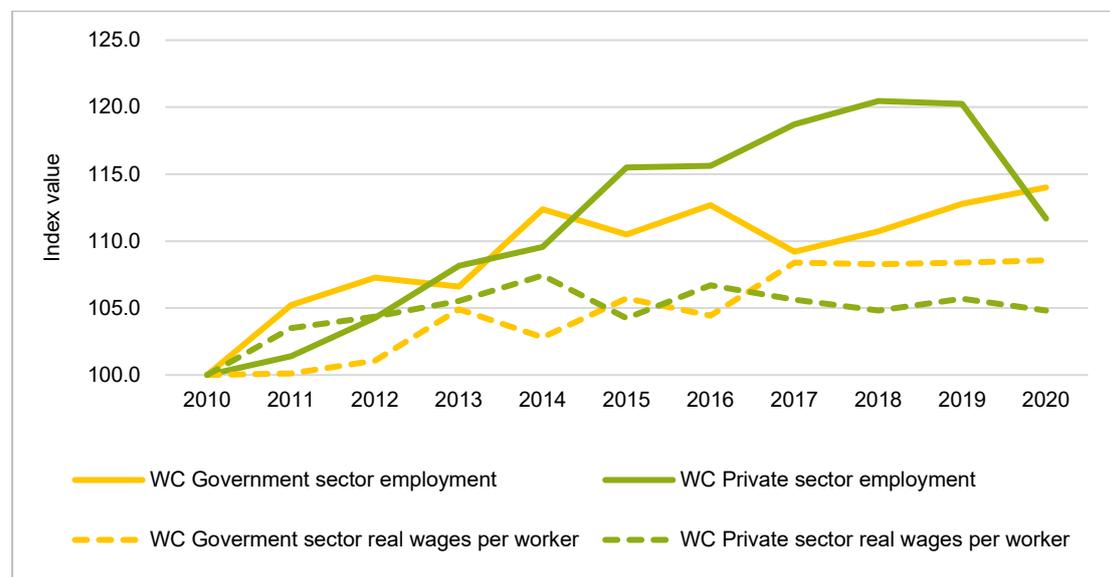
Between 2011 and 2020¹¹, real wages per worker in the Western Cape (6.1 per cent) grew at a slower pace than in the rest of South Africa (8.9 per cent), (see Figure 4.8). In contrast, employment in the Western Cape (12.0 per cent) grew at a faster pace than

¹¹ Refers to beginning of 2011 to the end of 2020.

in the rest of South Africa (7.8 per cent). The figure points to a negative correlation between the growth of wages per worker and employment levels.

Between 2011 and 2014, real wages increased for both the Western Cape and the rest of South Africa while remaining relatively stagnant between 2015 and 2020. The 2020 recession led to the decline in employment levels for both the Western Cape and the rest of South Africa, while real wages per worker remained inelastic to economic hardship.

Figure 4.9 Cumulative growth in real wages per worker and employment, Western Cape Private sector and Government, 2010 - 2020



Source: Quantec Research, 2021; Own calculations

Between 2011 and 2020, growth in real wages per worker increased more rapidly for the Government sector (8.6 per cent) than the Private sector (4.8 per cent) in the Western Cape. Between 2018 and 2020, real wages per worker remained stagnant in the Government sector by growing only at 0.2 percentage points while Private sector real wages per worker declined by 2.6 percentage points between 2015 and 2020.

Between 2011 and 2019, cumulative growth of Private sector employment exceeded Government employment growth by 7.4 percentage points. The 2020 recession led to the collapse of Private sector employment levels (8.5 percentage points) while Government employment remained unaffected and even increased marginally (1.2 percentage points).

WAGES AND MINIMUM WAGES IN THE TIME OF COVID-19

The National Minimum Wage (NMW) legislation in South Africa came into effect on 1 January 2019 at a level of R20 per hour, equal to R3 500 per month. In terms of the NMW Act of 2018, the policy framework is a floor level below which no employee should be paid. Before 2019, South Africa had multiple minimum wages, according to sectors, occupations and regions. In some industries, bargaining councils and/or sectoral determinations regulated minimum wages for employees. Minimum Wages in South Africa increased to R21.69 per hour in 2021 from R20.76 per hour in 2020.

Given the high and rising rate of youth unemployment in South Africa, Patel, Khan and Englert (2020) asked the question: How might a NMW affect the labour market outcomes of employed and unemployed youth? The perspectives of employed and unemployed youth aged 18 – 25 years old were solicited through focus group discussions in five provinces. Their findings suggest that a NMW could benefit youth engaged in formal employment, it could stimulate job-seeking for discouraged work seekers and is unlikely to crowd out investments in further education. However, they find that the vast majority of unemployed youth will probably not benefit from a NMW. This is due to the multiple and complex needs of disadvantaged youth. Other social interventions are needed to address the youth unemployment crisis.

Source: *Trading Economics, 2021; International Labour organisation, 2021; Patel, Khan & Englert, 2020*

4.8 Recent Labour market developments

After recording three quarters of robust economic expansion both the national and provincial unemployment rate continue to rise in the second quarter of 2021. It is not unusual for unemployment to lag behind economic growth and the sluggish employment recovery post the 2020 recession is not an exception.

WHY UNEMPLOYMENT LAGS BEHIND ECONOMIC GROWTH

In 2011, Sageworks analysed recessions over a period of 40 years to determine how long, on average it takes for employment to pick up post-recession. The outcome of the analysis found that on average, employment took about 19 months to recover after an economic contraction. According to Brian Hamilton, CEO of Sageworks, business owners require certainty in their operating environment in order to take the risk and hire additional employees. The certainty pertains to the tax environment, management of fiscal deficits and future interest rate movements.

Source: *Forbes, Sageworks, 2011*

Provincially the number of employed persons decreased by 53 000 in the second quarter of 2021 to 2.3 million (see Table 4.12). The number of unemployed persons increased by 65 000 to 784 000, compared to the first quarter of 2021. The number of discouraged work-seekers decreased by 35 000 (-36.5 per cent), and the number of people who were not economically active for reasons other than discouragement increased by 44 000 (2.6 per cent) between the two quarters, resulting in a net increase of 9 000 in the not economically active population.

These changes resulted in the official unemployment rate increasing by 2.1 percentage points from 23.7 per cent in the first quarter of 2021 to 25.8 per cent in the second quarter of 2021 - the highest for the Western Cape since the start of the QLFS in 2008. According to the expanded definition of unemployment, the unemployment rate increased by 1.2 percentage points to 29.1 per cent in quarter two of 2021 compared to quarter one of 2021.

Formal sector employment decreased by 107 000 (5.9 per cent) while informal sector employment decreased by 23 000 (9.6 per cent). Agriculture employment increased by 49 000 (36.2 per cent), and private household employment increased by 28 000 (23.9 per cent). Some industries created jobs, while others lost jobs between the first and second quarters of 2021, resulting in a net decline of 53 000 in total employment. Employment also increased in Construction (up by 19 000) and Transport (up by 11 000). Job losses were mainly observed in Community and Social Services (52 000), Manufacturing (46 000), Finance (37 000) and Trade (25 000). Mining and Utilities accounted for 6 000 job losses.

Table 4.12 Labour market aggregates, 2021:Q1 – 2021:Q2

	2021Q1	2021Q2	Qtr-to-qtr change	
			Thousands	Per cent
Western Cape				
Working-age population	4 796	4 818	22	0.5
Narrow labour force	3 027	3 040	13	0.4
Expanded labour force	3 200	3 181	-20	-0.6
Employment	2 309	2 256	-53	-2.3
Formal Sector (non-agricultural)	1 815	1 708	-107	-5.9
Informal Sector (non-agricultural)	240	217	-23	-9.6
Agricultural	136	185	49	36.2
Mining	8	3	-4	-54.8
Manufacturing	311	265	-46	-14.7
Utilities	7	5	-2	-32.8
Construction	179	198	19	10.8
Trade	447	423	-25	-5.5
Transport	128	139	11	8.3
Finance	483	447	-37	-7.6
Community and social services	492	441	-52	-10.5
Private Households	118	146	28	23.9
Narrow unemployment	718	784	65	9.1
Expanded unemployment	892	925	33	3.7
Not economically active	1 769	1 778	9	0.5
Discouraged work seekers	97	62	-35	-36.5
Other	1 672	1 716	44	2.6
NEET (15-64 years)	1 746	1 869	124	7.1
Rates (%)				
Narrow unemployment rate	23.7	25.8		2.0
Expanded unemployment rate	27.9	29.1		1.2
Employment/population ratio (absorption)	48.1	46.8		-1.3
Labour force participation rate	63.1	63.1		0.0
South Africa				
Working-age population	39 455	39 599	145	0.4
Narrow labour force	22 237	22 768	530	2.4
Expanded labour force	26 417	26 865	447	1.7
Employment	14 995	14 942	-54	-0.4
Formal Sector (non-agricultural)	10 574	10 200	-375	-3.5
Informal Sector (non-agricultural)	2 502	2 686	184	7.4
Agricultural	792	862	69	8.7
Mining	395	398	3	0.8
Manufacturing	1 497	1 415	-83	-5.5
Utilities	115	118	3	2.8
Construction	1 079	1 222	143	13.3
Trade	2 979	3 087	108	3.6
Transport	903	969	66	7.3
Finance	2 527	2 248	-278	-11.0
Community and social services	3 567	3 401	-166	-4.6
Private Households	1 127	1 194	67	6.0
Narrow unemployment	7 242	7 826	584	8.1
Expanded unemployment	11 422	11 923	501	4.4
Not economically active	17 218	16 832	-386	-2.2
Discouraged work-seekers	3 131	3 317	186	5.9
Other	14 086	13 515	-571	-4.1
NEET (15 - 64 years)	17 826	18 173	347	1.9

	2021Q1	2021Q2	Qtr-to-qtr change	
			Thousands	Per cent
Rates (%)				
Narrow unemployment rate	32.6	34.4	1.8 percentage points	
Expanded unemployment rate	43.2	44.4	1.1 percentage points	
Employment/population ratio (absorption)	38.0	37.7	-0.3 percentage points	
Labour force participation rate	56.4	57.5	1.1 percentage points	

Source: Stats SA (2021); Quantec Research, 2021; Own calculations

The Western Cape performed worse than South Africa between the first and second quarters of 2021 in employment and unemployment. In the second quarter of 2021, South Africa's employment declined by 54 000 or -0.4 per cent from the previous quarter. Sectors which recorded significant employment losses include Manufacturing (-83 000), Finance (-278 000) and Community and social services (-166 000). Positive GDP growth over the past three quarters could not prevent another quarterly increase in national unemployment by 584 000 or 8.1 per cent. Over the same period, employment in the Western Cape declined by 2.3 per cent, whilst unemployment increased by 65 000 or 9.1 per cent. Although the Western Cape still has the lowest provincial unemployment rate in the country at 25.8 per cent in the second quarter of 2021, the unemployment rate increased by 0.2 percentage points more than South Africa. The unemployment rate for South Africa in the second quarter of 2021 was 34.4 per cent. Nationally, not economically active persons decreased by 2.2 per cent from the first quarter of 2021 to the second quarter of 2021.

In contrast, the number of persons not economically active for the Western Cape increased by 0.5 per cent. In relation to the working-age population, more of the Western Cape population lost their jobs and became unemployed or not economically active than in South Africa. In South Africa, jobs were lost in the Manufacturing, Finance and Community and Social Service sectors. In all the other sectors in South Africa, employment increased. In the Western Cape, job losses were observed in almost all of the sectors apart from Agriculture, Construction, Transport and Private Households. These sectors in the Western Cape observed increased employment and are also the sectors that employ the most unskilled or semi-skilled individuals.

Table 4.13 compares the second quarter of 2020 to the second quarter of 2021. On an annual basis, South Africa's labour force increased by 4.3 million or 23.4 per cent from the same quarter the previous year. The significant increase can be attributed to the relatively low base of the second quarter in 2020 when a large portion of the workforce did not actively seek employment during the implementation of COVID-19 lockdown measures. Over the same period, the Western Cape labour force increased by 427 000 or 16.3 per cent. Provincially employment increased by 3.5 per cent from the second quarter of 2020 to the second quarter of 2021. South African employment increased by 5.6 per cent for the same period. In contrast, those unemployed in the Western Cape increased by 80.7 per cent and 82.2 per cent in South Africa. Nationally and provincially, the unemployment rate also increased from the second quarter of 2020 to the second quarter of 2021. Provincially, the unemployment rate increased by 9.2 percentage points, while nationally the unemployment rate increased by 11.1 percentage points.

Table 4.13 Key labour market indicators, 2020:Q2 – 2021:Q2

	2020Q2	2021Q2	Year-on-year change	
	Thousands	Thousands	Thousands	Per cent
Western Cape				
Working-age population	4 731	4 818	87	1.8
Narrow labour force	2 613	3 040	427	16.3
Employment	2 179	2 256	77	3.5
Narrow unemployment	434	784	350	80.7
Not economically active	2 118	1 778	-340	-16.1
Rates (%)				
Narrow unemployment rate	16.6	25.8	9.2 percentage points	
Employment/population ratio (absorption)	46.1	46.8	0.8 percentage points	
Labour force participation rate	55.2	63.1	7.9 percentage points	
South Africa				
Working-age population	39 021	39 599	578	1.5
Narrow labour force	18 443	22 768	4 325	23.4
Employment	14 148	14 942	793	5.6
Narrow unemployment	4 295	7 826	3 531	82.2
Not economically active	20 578	16 832	-3 746	-18.2
Rates (%)				
Narrow unemployment rate	23.3	34.4	11.1 percentage points	
Employment/population ratio (absorption)	36.3	37.7	1.5 percentage points	
Labour force participation rate	47.3	57.5	10.2 percentage points	

Source: Stats SA (2021); Quantec Research, 2021; Own calculations

4.9 Conclusion

Labour market trends in the Western Cape over the past five years indicated some significant concerns for the Western Cape population. While the working-age population continues to grow steadily, the labour force is growing at a much slower rate, with employment numbers declining and unemployment rising. The decrease in employment nationally and for the Province is mainly due to the COVID-19 lockdown measures adopted since the end of the first quarter in 2020, but also due to the economic stagnation since the beginning of 2008.

In the first quarter of 2021, unemployment rates in the Western Cape are estimated at 23.7 per cent and 27.9 per cent using the narrow and expanded definitions, respectively. Higher educational attainment is linked to lower unemployment levels - those with some secondary education (30.0 per cent) and Grade 12 (25.5 per cent) were higher than tertiary education (7.5 per cent). Rising levels of higher education have not necessarily translated into higher levels on employment, in part due to a weak economy.



Youth unemployment remains to be a significant challenge as 45.2 per cent of young people aged 15 to 24 in the labour force were unemployed in the first quarter of 2021. Youth employment in the Western Cape has declined by 168 000 or -17.9 per cent while the narrow unemployment rate among youth has increased by 4.6 percentage points to 35.7 per cent between the first quarters of 2016 and 2021. There were an estimated 427 000 unemployed youth in the Western Cape in the first quarter of 2021. The consequences of failing to address this challenge will be long-lasting and substantial. Effective policies for the promotion of jobs and opportunities that make use of younger individuals are crucial, alongside skills development initiatives for sustainable job creation.

The informal sector employees are mostly low-skilled individuals. After the significant drop in employment in the second quarter of 2021 due to the COVID-19 pandemic, the informal sector started gaining back employment from the third quarter of 2020 to the first quarter of 2021, while the formal sector only gained back employment in the fourth quarter of 2020 before dropping again.

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.

Annexure D

Annexure D1 Narrow labour force participation rate, 2021:Q1

	South Africa %	Western Cape %
Overall	56.4	63.1
By Race		
African	55.3	65.8
Coloured	57.3	59.8
White	67.1	67.7
By Gender		
Male	62.6	69.6
Female	50.2	57.0
By Age		
15 to 24 years	20.6	27.5
25 to 34 years	69.	76.9
35 to 44 years	77.8	84.4
45 to 54 years	72.7	73.5
55 to 64 years	42.2	47.2
By Education		
Primary	44.1	45.9
Some secondary	47.1	56.7
Grade 12	62.7	67.0
Certificate/Diploma	82.8	83.2
Degree	88.8	83.8

Source: Stats SA (2021a); Own calculations

Annexure D2 Sector composition of formal sector employment, 2020:Q1 – 2021:Q1

	2020Q1 (Per cent)	2021Q1 (Per cent)	Percentage Change
Western Cape			
Primary Sector	12.0	6.1	-5.9
Secondary Sector	21.7	23.7	2.0
Tertiary Sector	66.3	70.2	3.9
South Africa			
Primary Sector	9.7	9.3	-0.4
Secondary Sector	20.5	18.9	-1.6
Tertiary Sector	69.7	71.7	2.0

Source: Stats SA (2021a); Own calculations

Annexure D3 Job Satisfaction rate per province, 2021:Q1

	2021Q1
	(Per cent)
Western Cape	91.0
Eastern Cape	71.6
Northern Cape	89.5
Free State	83.3
KwaZulu-Natal	52.6
North West	76.5
Gauteng	77.5
Mpumalanga	75.5
Limpopo	77.8
South Africa	75.4

Source: Stats SA (2021a); Own calculations

Annexure D4 Provincial Unemployment Rate, 2021:Q1

	Narrow Unemployment Rate	Expanded Unemployment Rate	Ratio of Expanded to Narrow Unemployment Rate
	<i>(Per cent)</i>	<i>(Per cent)</i>	
Western Cape	23.7	27.9	1.17
Eastern Cape	43.8	49.6	1.13
Northern Cape	23.4	42.2	1.80
Free State	35.6	43.4	1.22
KwaZulu-Natal	30.5	46.4	1.52
North West	32.2	47.2	1.47
Gauteng	34.4	41.6	1.21
Mpumalanga	33.5	47.6	1.42
Limpopo	29.4	49.5	1.69
South Africa	32.6	43.2	1.33

Source: Stats SA (2021a); Own calculations

Annexure D5 Narrow Unemployment Rates, 2016:Q1 and 2021:Q1

	2016Q1 (Per cent)	2021Q1 (Per cent)
Western Cape	20.9	23.7
By Race		
African	28.3	32.6
Coloured	20.1	23.2
White	6.7	5.4
By Gender		
Male	19.3	22.9
Female	22.9	24.7
By Age		
15 to 24 years	47.1	45.2
25 to 34 years	23.2	32.7
35 to 44 years	20.3	18.2
45 to 54 years	10.0	15.2
55 to 64 years	6.7	9.8
By Education		
Primary	25.8	16.7
Some secondary	29.1	30.0
Grade 12	18.5	25.5
Tertiary	6.1	7.5
Certificate/Diploma	8.3	8.8
Degree	3.9	5.7
South Africa	26.7	32.6
By Race		
African	30.1	36.7
Coloured	23.6	25.2
White	7.2	8.1
By Gender		
Male	24.7	31.4
Female	29.3	34.0
By Age		
15 to 24 years	54.5	63.3
25 to 34 years	31.2	41.3
35 to 44 years	20.3	27.0
45 to 54 years	15.5	20.0
55 to 64 years	9.5	13.1
By Education		
Primary	27.7	31.5
Some secondary	33.5	39.9
Grade 12	27.6	34.0
Tertiary	12.2	16.5
Certificate/Diploma	16.2	20.9
Degree	6.2	9.3

Source: Stats SA (2016a, 2021a); Own calculations; Quantec Research

Annexure D6 Rates of Job Satisfaction, 2021:Q1

	South Africa %	Western Cape %
Overall	75.4	91.0
By Race		
African	70.1	81.7
Coloured	91.1	94.7
White	94.6	97.8
By Gender		
Male	75.7	90.0
Female	74.9	92.1
By Age		
15 to 24 years	67.8	90.9
25 to 34 years	71.8	90.4
35 to 44 years	73.9	89.0
45 to 54 years	80.0	92.3
55 to 64 years	82.6	95.9
By Education		
Primary	70.2	89.3
Some secondary	68.0	86.2
Grade 12	76.1	92.4
Tertiary	87.9	96.4
Certificate/Diploma	83.2	94.3
Degree	94.4	99.2
By Sector		
Formal sector (including agriculture)	80.1	92.5
Informal sector (including agriculture)	63.1	84.3
Private households	57.1	81.3
By Employment Type		
Employee	75.9	91.0
Employer/Self-employed	73.2	91.3

Source: Stats SA (2021a); Own calculations

Annexure D7 Labour market aggregates, 2016:Q2 and 2021:Q2

	2016Q2	2021Q2	Change	
	Thousands	Thousands	Thousands	Per cent (p.a.)
Western Cape				
Working-age population	4 365	4 818	453	2.0%
Employment	2 266	2 256	-10	0.1%
Narrow unemployment	646	784	138	9.5%
Narrow labour force	2 912	3 040	128	1.4%
Expanded unemployment	739	925	185	4.7%
Expanded labour force	3 005	3 181	176	1.3%
Non-searching unemployed	93	141	48	36.7%
Narrow unemployment rate	22.2	25.8	3.6 percentage points	
South Africa				
Working-age population	36 591	39 599	3 009	1.6%
Employment	15 545	14 942	-604	-0.6%
Narrow unemployment	5 634	7 826	2 192	12.9%
Narrow labour force	21 179	22 768	1 589	2.4%
Expanded unemployment	15 545	14 942	-604	-0.6%
Expanded labour force	24 425	26 865	2 440	2.1%
Non-searching unemployed	9 912	7 116	-2 796	-5.6%
Narrow unemployment rate	26.6	34.4	7.8 percentage points	

Source: Stats SA (2016, 2021); Own calculations; Quantec Research

SOCIO- ECONOMIC DEVELOPMENT IN THE WESTERN CAPE

5.1 Introduction

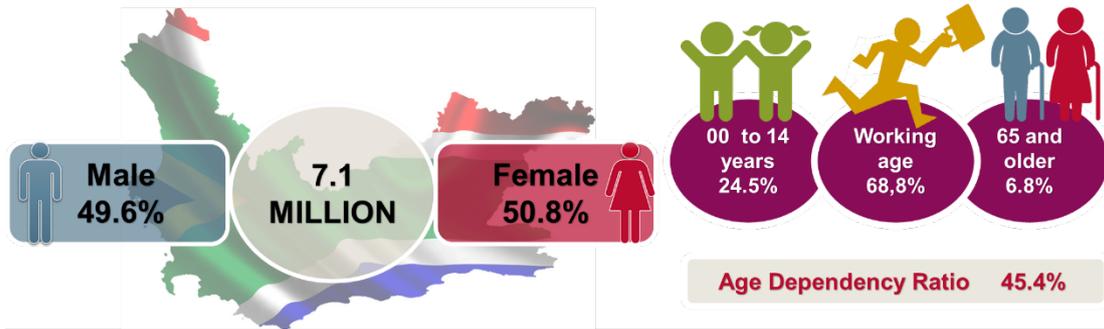
One of the fundamental elements and outcomes of economic growth and prosperity is the level of socio-economic development. Without education, skills and health, economic growth can be hindered.

However, causation works both ways. Economic growth improves opportunities for economic development and enhances socio-economic conditions through improved employment and income. When the benefits of economic growth reach everyone, especially the poor and the most vulnerable, inclusive economic growth is achieved.

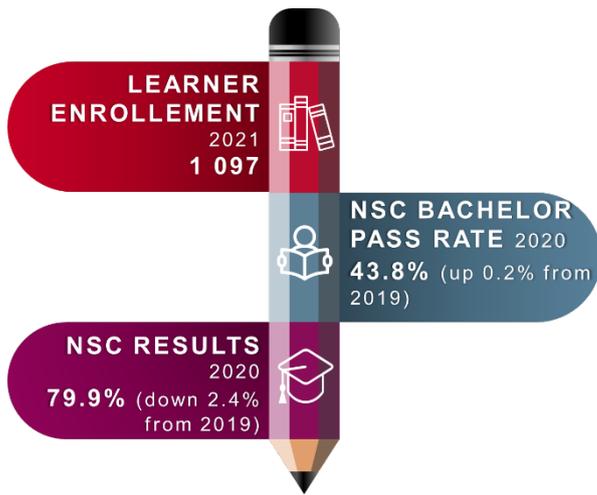
This chapter provides an overview of the socio-economic conditions in the Western Cape, framed within an overview of the provincial population dynamics, inequality, and human development indicators. Developments in health and education outcomes are also presented over time, as well as housing demand, 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 2021



EDUCATION



GINI COEFFICIENT 2020



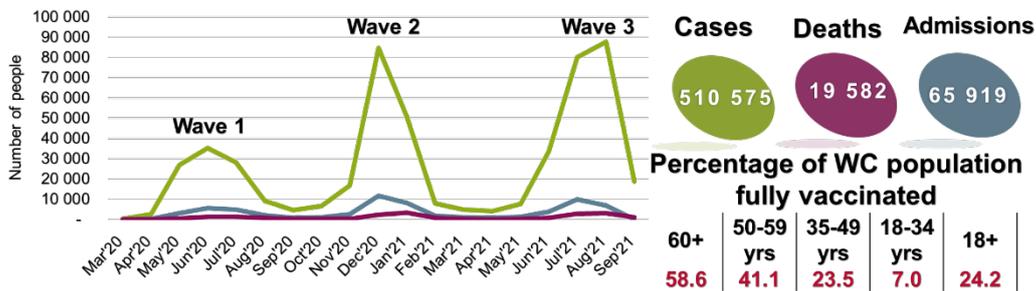
HUMAN DEVELOPMENT INDEX 2020



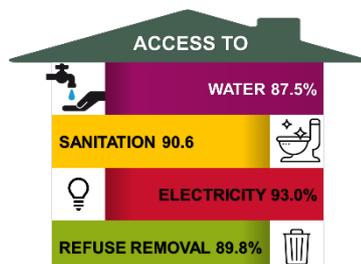
LEADING NATURAL CAUSE OF DEATH 2018



COVID-19 CASES SEPTEMBER 2021



MUNICIPAL SERVICES (2020)

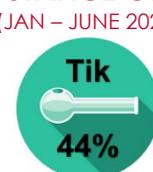


CRIME

(APRIL-JUNE 2020 to APRIL-JUNE 2021)



PRIMARY SUBSTANCE OF USE (JAN - JUNE 2020)



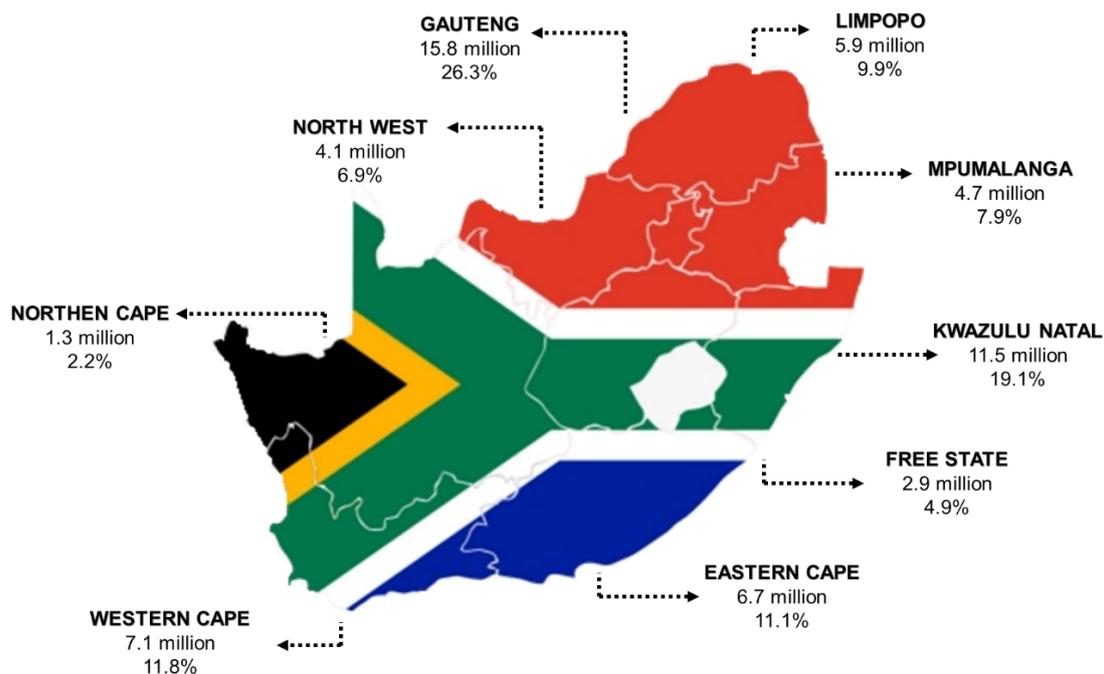
5.2 Population dynamics

The demographic composition and its changes over time has a direct impact on the socio-economic conditions of an area. Therefore, these indicators must be tracked to plan for development and to inform the adequate provision of support services to communities.

South Africa has the sixth largest population in Africa. The South African population in 2021 is estimated at 60.0 million, up by 604 281 (1 per cent) from the 2020 estimate. The growth in the population from an estimated 59.62 million in 2020, is largely driven by births, with 1.17 million births between 1 July 2020 and 30 June 2021.

Over 55 per cent of the South African population is concentrated in Gauteng, KwaZulu-Natal, and the Western Cape. Gauteng comprises the largest share of the South African population, with approximately 15.8 million people (26.3 per cent) living in this province (see figure 5.1). KwaZulu-Natal has the second largest population, with an estimated 11.5 million people (19.1 per cent) living in the province. The Western Cape has an estimated 7.1 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). In 2021, the largest municipality in South Africa is Cape Town Metro accounting for 3.4 million inhabitants.

Figure 5.1 South African population estimates distribution by province, 2021



Source: Stats SA, 2021a

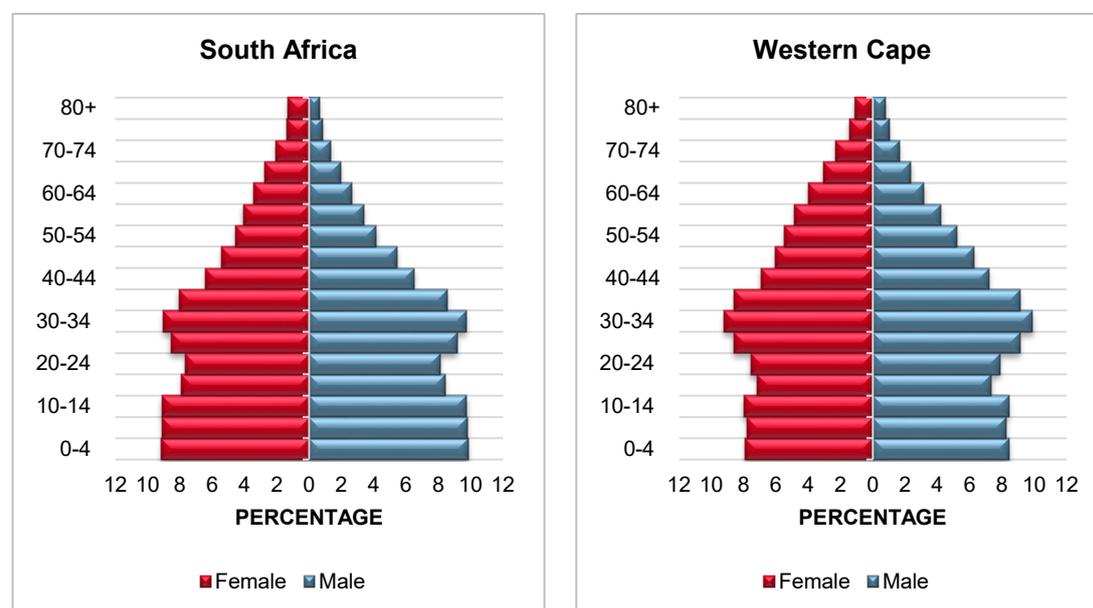
Whilst the COVID-19 pandemic has had a devastating social and economic impact, the change in population structure is minimal. The age analysis of the population structure, as illustrated in Figure 5.2, shows that 28.3 per cent of the country's population is under 15 years of age, while 6.1 per cent of the total population is 65 years or older. In South Africa, 65.5 per cent of the population is of working age, while this cohort

accounts for 68.8 per cent of the Western Cape. The Western Cape has a very clear bulge in its working-age population, however high unemployment places an added burden on the demand for public goods, social relief, and development opportunities. Increasing urbanisation also puts strain on infrastructure, basic service delivery and the provision of housing. At the same time, denser populations accelerate the need to develop modern urban transport and housing systems.

South Africa is a demographically youthful population with a median age of 28. The share of people aged 65 and older (6.8 per cent) in the Western Cape is higher than the national average of 6.1 per cent, while the percentage of people under 15 is relatively smaller than South Africa (24.5 per cent versus 28.3 per cent). The proportion of elderly persons aged 60 years and older in South Africa is increasing over time. As such, policies and programmes to care for the needs of this growing population should be prioritised.

The overall sex ratio (SR) depicts the number of males per 100 females in the population. South Africa and the Western Cape have slightly more females than males, representing (95.6 males per 100 females, and 97.5 males per 100 females respectively).

Figure 5.2 National and Western Cape population distribution by age and sex, 2021



Source: Stats SA, 2021a

The age profile of a population influences its dependency ratio. The total dependency ratio is defined as the ratio of dependents (people younger than 15 or older than 64 years) to the working-age population (people aged 15 - 4 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 of 45.4 per cent in 2020 compared to South Africa's 52.6 per cent, a difference of about 7.2 percentage points.

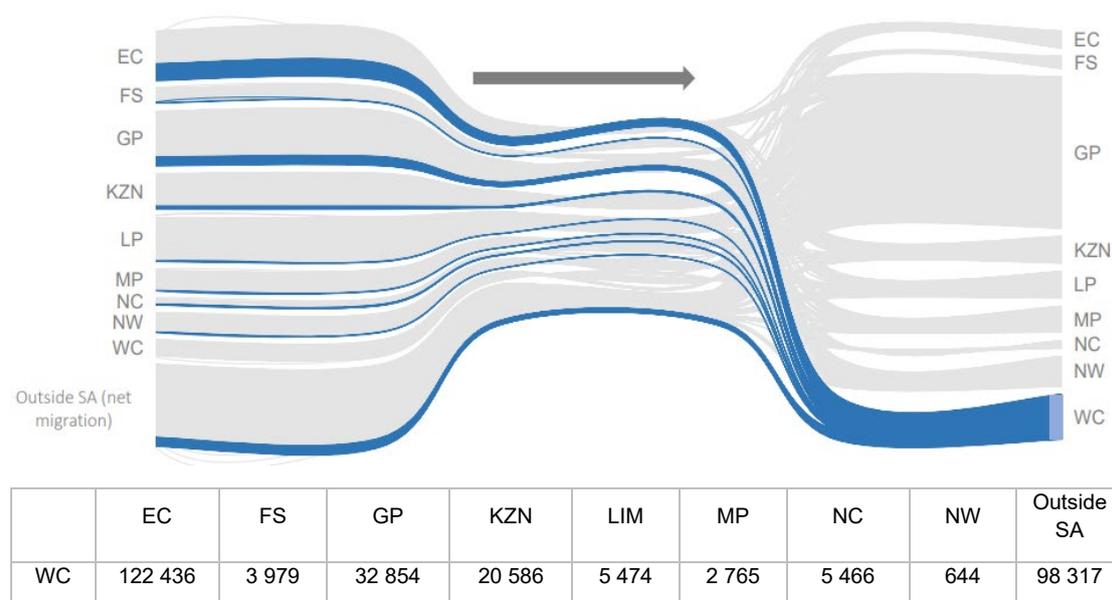
Demographic drivers of fertility, mortality and migration over time determine the provincial population age and sex profiles. According to Stats SA, the impact of COVID-19 on the conception and subsequent expected births in 2021 is anticipated to

decline, given the escalation in economic uncertainty. Literature has shown that in times of economic downturn people become more risk averse¹. Indicators influencing fertility, unemployment and the deterioration of the labour market is shown to be associated more so with negative fertility dynamics. Studies investigating the fertility intentions in Europe and United Kingdom post-COVID-19 have indicated that most women of childbearing ages have decided to postpone their first birth. Along with decreased job security, family routines around domestic work, childcare, school supervision, and other stressors, these contributing factors have shown to sway women to delay births further post-COVID-19.

A decline in the total fertility rate (TFR) has been observed across all provinces since 2011. The TFR is expected to decline in the Western Cape from 2.16 births in the period 2011 - 2016 to 2.04 between 2017 and 2021. The Western Cape has the second-lowest TFR nationally, after Gauteng. According to Stats SA, the current assumptions of provincial fertility are based on trends seen in published births data available at a provincial level, which excludes the effect of the COVID-19 pandemic on births. The impact of COVID-19 on fertility will only be reflected once the 2021 births have been recorded.

Migration is an essential demographic process, as it shapes the age structure and distribution of the provincial population. The inward migration into the Western Cape allows for an inflow of potential human capital production units, that contributes to the working-age population and a decline in the dependency ratio. There was a reduction in international migration, which is indicative of the COVID-19 travel restrictions and the subsequent impact on migratory patterns since March 2020. According to Stats SA Mid-year population estimates 2020, foreign travellers arriving into the country decreased by 88.8 per cent in February 2021, when compared to February 2020, whilst departures from the country decreased by 89.3 per cent when compared to February 2020 to February 2021.

¹ Matysiak, A., Sobotka, T., and Vignoli, D. (2021) The Great Recession and Fertility in Europe: A Sub-national analysis. *European Journal of Population* Vol 39: 29-64. Springer

Figure 5.3 Western Cape net migration, 2016 - 2021


Source: Stats SA, 2021a

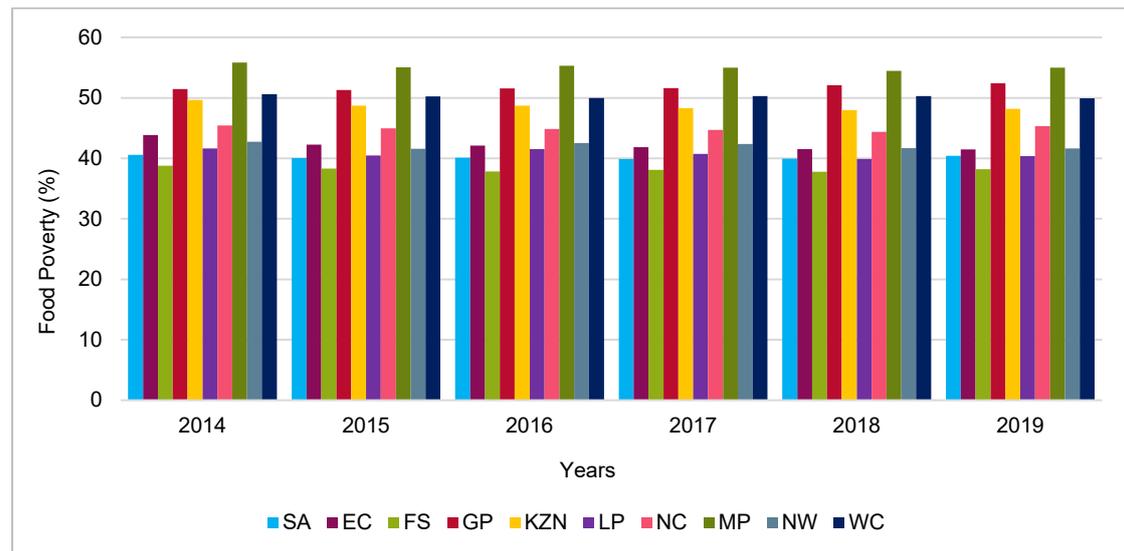
Nationally, for the period 2016 - 2021, estimated net migration was 852 992. Gauteng and the Western Cape were estimated to experience the largest inflow of migrants of approximately 1 564 861 and 470 657 people respectively. Opportunities for employment, study, and quality of life play an important role amongst the push-pull factors resulting in a high flow of migrants to the Western Cape. For the year 2021, it is expected that international migration will remain at a low level given the current situation of effective travel bans, lockdown reactions to surges in infection levels and mutation of the virus, as well as low vaccination roll-out numbers globally worsening economic and employment opportunities, among other factors.

It can be expected that as the population increases, there will be an increased need for economic opportunities and government services such as health, education, and other social services. Taking the population dynamics into consideration is important when considering policies to address major societal challenges such as poverty, inequality, unemployment, and human development.

5.3 Poverty, income inequality and human development

Poverty and inequality are at the heart of socio-economic development discourse, particularly in the South African context. Poverty is multidimensional in nature and is affected by several factors such as, opportunities to access better shelter, income inequality, education, health and employment. From an income perspective, the official lower-bound poverty line in South Africa is R890 (in April 2021 prices) per person per month, while the food poverty line is R624 (in April 2021 prices) per person per month.

Despite making strides in economic transformation and development during the past two decades, South Africa continues to be plagued by poverty, inequality, and unemployment. The COVID-19 pandemic has further intensified these problems with a surge in unemployment to its highest level ever of 32.6 per cent in Quarter 1 of 2021 (2.5 percentage point increase year-on-year) (Stats SA, 2021).

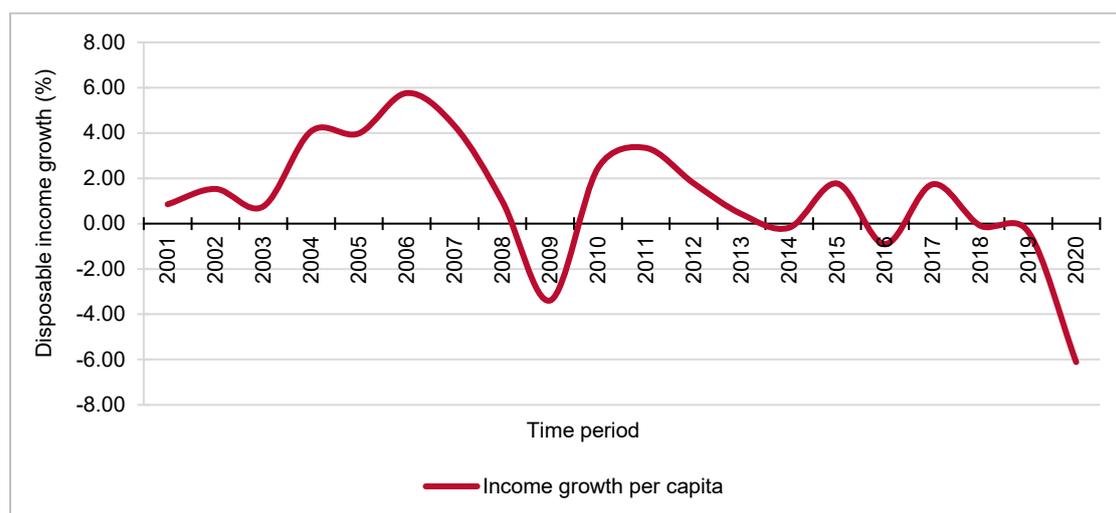
Figure 5.4 Trends in food poverty in South Africa by provinces, 2014 to 2019

Source: Quantec Research Poverty lines and Headcounts 2011 municipality/ward-based metro region, 2021

The national food poverty rate was stable on average at 40 per cent for the period 2014 to 2019, (see Figure 5.4). On a provincial level the provinces that recorded the highest rising food poverty rate during this period was, Mpumalanga recording an average of 55 per cent, followed by the Western Cape, Gauteng and KwaZulu-Natal. Although Figure 5.4 has not captured the effect of COVID-19, the projections for food poverty rate are likely to rise rapidly due to Government imposed restrictions to contain the pandemic, and the persistently dire economic environment, with the highest historical unemployment levels recorded for the country.

5.3.1 Income inequality

High unemployment is a big challenge in South Africa and was further exacerbated by the unexpected emergence of COVID-19 in March 2020, with the economy already in a recession, aggravating unemployment. Nationally, Stats SA Quarterly Labour Force Survey (QLFS), quarter 2 of 2021, showed that there was an increase in both unemployed and discouraged workers, increasing by 0.6 and 0.2 million people respectively, resulting in an official unemployment rate of 34.4 per cent. Conversely, household disposable income per capita has been on a downward trajectory since 2006 suggesting a struggling South African household, and due to the difficulty in finding employment opportunities.

Figure 5.5 Growth in household disposable income per capita, 2001 - 2020

Note: Data in constant 2010 prices

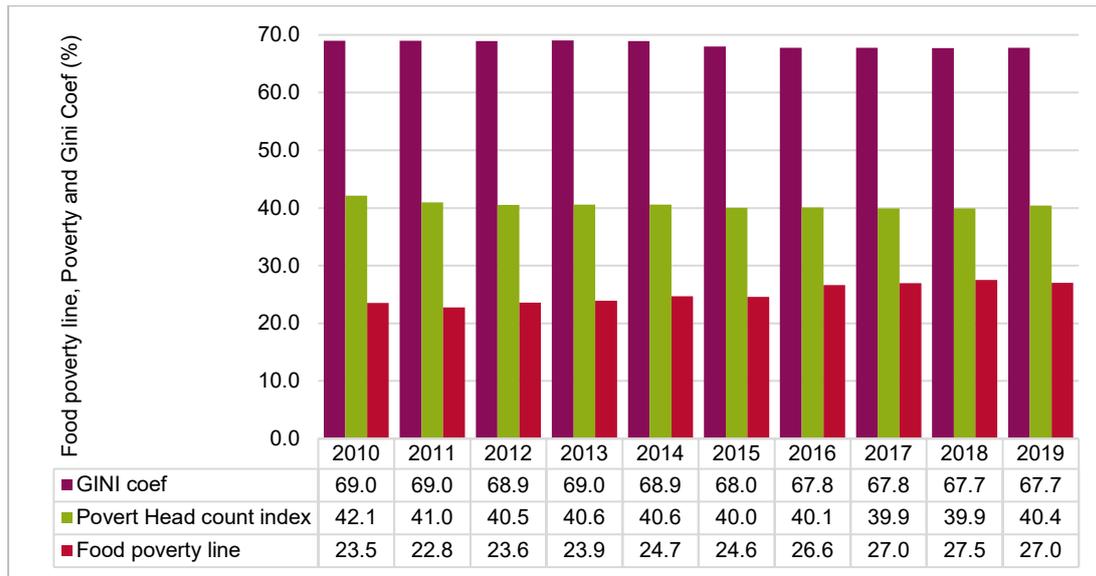
Source: South African Reserve Bank, 2021; Own Calculations

Household income growth is expected to be sluggish giving the continuous spikes in the COVID-19 cases which makes it difficult for the government to reopen the economy fully for business. The IMF Economic Outlook for June 2021 revised South Africa's economic growth upward, a positive indication that the economy is recovering well from the pandemic. However, the recent upsurge in infection that resulted in the economy being placed on level 4 restriction in July 2021 and subsequent relaxation to level 3 in early August 2021 is likely to reverse the gain made in the second quarter of 2021. With the current official unemployment rate estimated at 34.4 per cent, and disposable income per capita for 2020 falling with 6 per cent, growth is expected to be slow.

While economic growth is a requirement for economic development, the benefits of economic growth are not always equally distributed. A common measure of income distribution is the Gini coefficient². South Africa's average Gini coefficient from 2010 to 2020, is approximately 0.68, placing South Africa as one of the most unequal countries in the world (World Bank, 2018). The South African government's efforts through interventions such as investments in health, education, transport, housing and the provision of social grants has resulted in a decline in poverty headcounts and a stabilisation of income inequality, while food poverty has worsened (see Figure 5.6).

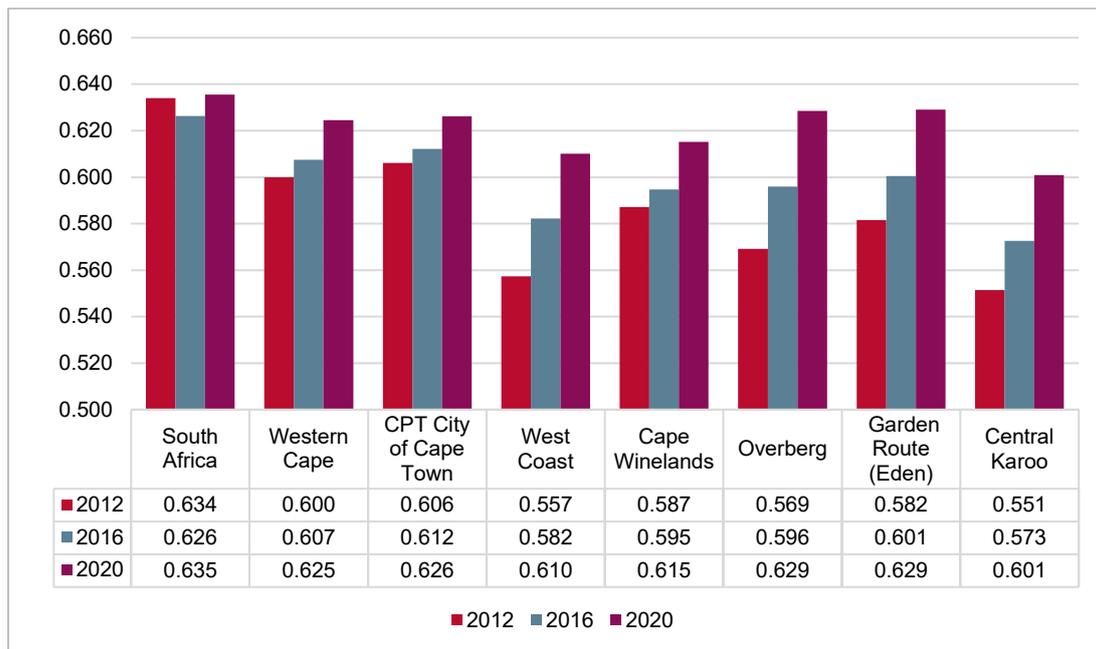
² The Gini index is a measure of the distribution of income across a population. A higher Gini index indicates greater inequality, with high-income individuals receiving much larger percentages of the total income of the population.

Figure 5.6 Trends in Food & Poverty Headcounts and Gini coefficient for South Africa, 2010 to 2019



Source: Poverty lines and Headcounts by 2011 municipality/ward-based metro region in South Africa

Figure 5.7 Western Cape Gini coefficients by district, 2012 – 2020

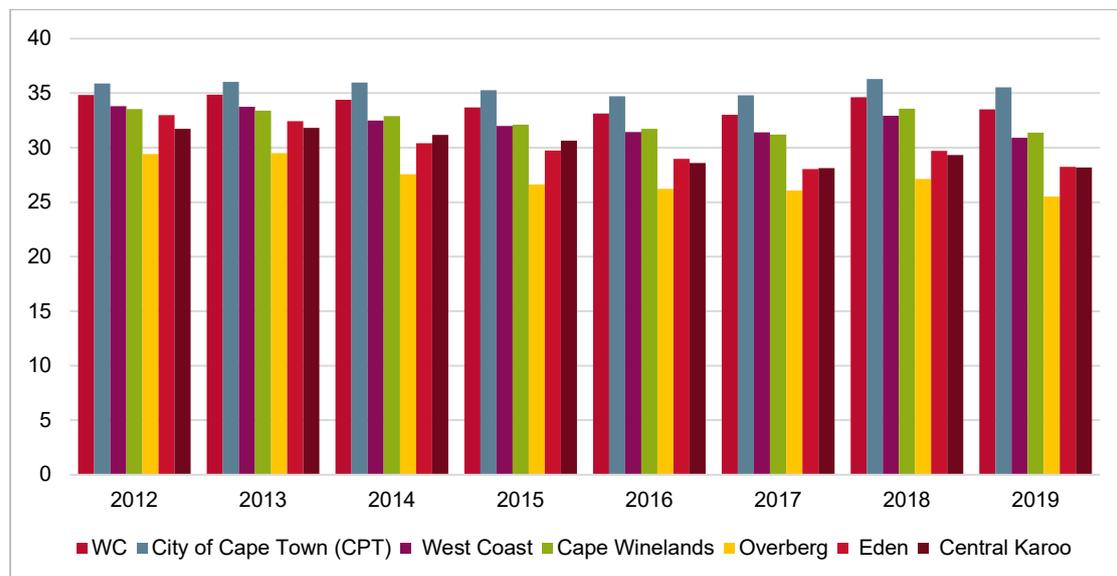


Source: Western Cape Department of Economic Development and Tourism, IHS Markit, 2021

It is notable that the Gini coefficient for all districts in the Western Cape is lower than that of the rest of the country. While the Gini for the Western Cape remains marginally lower in comparison to the rest of the country from 2012 to 2020, rising inequality is still being experienced in the Province, likely due to the struggling economy's inability to provide enough job opportunities, and the labour market dynamics which is often associated with scarce skills in relation to the major economic driving sectors, i.e. Private services. The slow growth and persistent joblessness can be associated with

increased social unrest and citizen frustration over time, which can further hinder economic development opportunities. For the period 2012 to 2019, food poverty in the Western Cape, particularly in the City of Cape Town, was persistent on average at 35.5 per cent. This can be attributed to the difficult economic conditions experienced by a large proportion of the population.

Figure 5.8 Trends in food poverty in the Western Cape by districts, 2012 - 2019



Source: *Poverty lines and Headcounts by 2011 municipality/ward-based metro region in South Africa*

INEQUALITY AND COVID-19

Inequality remains a pressing issue in South Africa, which is amongst the most unequal countries in the world, with a persistently high Gini Coefficient of 0.63 according to the World Bank. While the COVID-19 pandemic has affected the livelihoods of all people in South Africa, the effects have been unequal, thereby exacerbating existing inequalities.

Alert level regulations to curb the spread of the virus have greatly affected the tourism and hospitality industry, transport services, liquor services, and public recreational spaces having been forced to restrict their operations either partially or in full. These industries tend to mostly employ low and semi-skilled workers who live in townships, with the poorest living in informal settlements. As of April 2020, the unemployment was 50 per cent for shack dwellers, 40 per cent in townships and less than 30 per cent in suburbs (Turok and Visagie, 2021). More than two out of every five adults in poor urban communities are recorded to have experienced hunger during the period April 2020 to May 2021, while 80 per cent of adults in suburbs have never experienced hunger.

Source: *World Bank (2021)*

5.3.2 Measuring human development

The Human Development Index (HDI) measures the relative development of a population, including education, health and living conditions. HDI scores can be classified as follows:

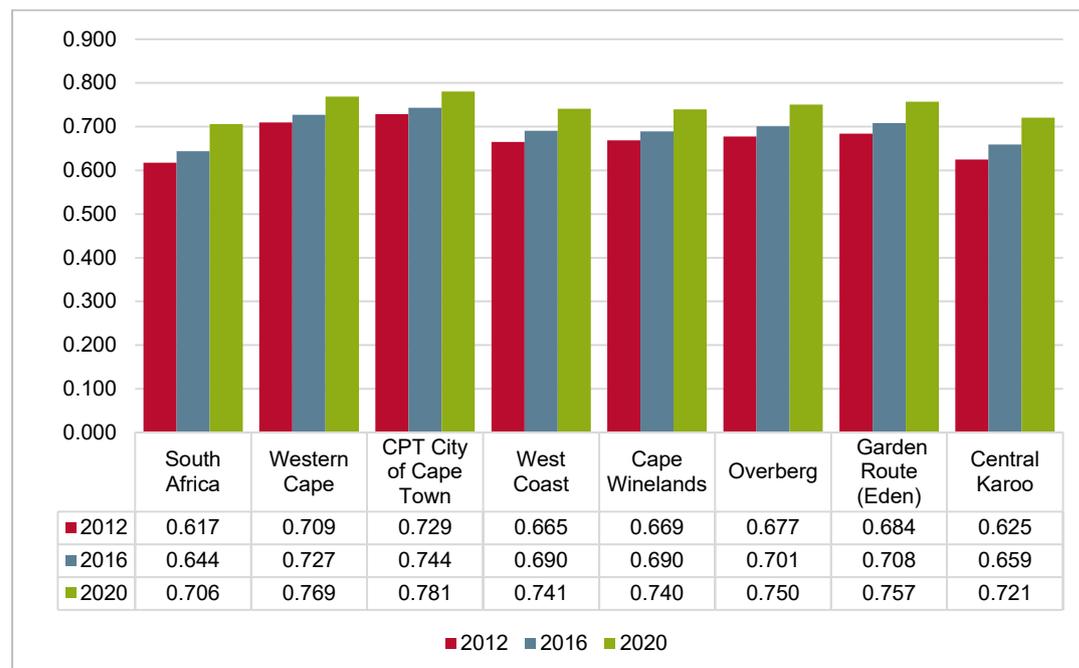
- Very high: 0.8 or above
- High: above 0.7
- Medium: 0.55 to 0.69
- Low: below 0.54

Most developed countries have an HDI score of 0.8 or above. In 2019, South Africa was positioned in the 'high human development' category with an HDI of 0.7093. Globally, South Africa ranked 114 out of 189 countries and territories, a drop of one place from 2018. The Sub-Saharan Africa region had an HDI of 0.547, while the world average HDI was 0.737.

Considering that the HDI is a composite index made up of measures such as life expectancy, literacy and income, the marginal decrease in the HDI ranking can be attributed to a slight decrease in Gross National Income per capita. Improvements in the HDI in the Western Cape show that the metro and district HDIs have improved between 2012 and 2020 (see Figure 5.9). The Western Cape's HDI of 0.769 is well above the world average.

The City of Cape Town's HDI of 0.781 is the highest in the Province. The HDI improved across all districts in the Western Cape, meaning that all districts enjoyed improvements in either education levels, health and living conditions, or a combination thereof. Considering the losses of income experienced in 2020 due to COVID-19 restrictions, it can be said that the increase in the uptake of social, distress and UIF-TERS grants has lessened the impact of income losses on the income component of the HDI. However, the rising Gini coefficient in all districts, in spite of improved human development, suggests that improvements in economic development have not been equally distributed. Moreover, the Western Cape's HDI levels can be attributed to the high quality of health care services, and particularly the educational sector that host some of the best universities that offer a wide range of specialist training relative to some provinces in South Africa.

Figure 5.9 Western Cape Human Development Index by district, 2012 - 2020

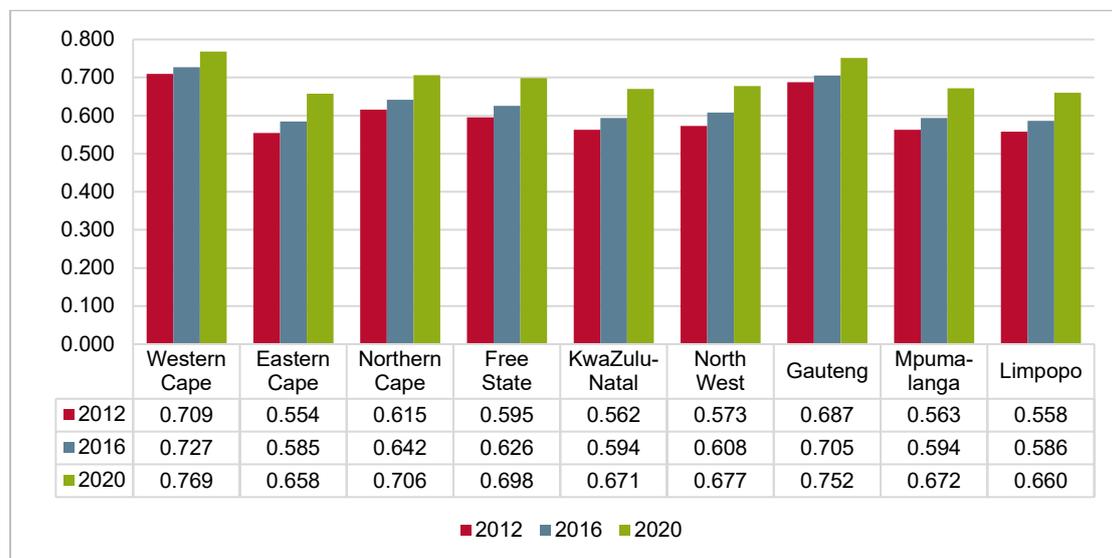


Source: Western Cape Department of Economic Development and Tourism, IHS Markit, 2021

³ United Nations Development Programme (UNDP), 2020

South Africa's HDI in 2020 was 0.706, placing the country in the high range. Between 2012 and 2020, while all districts in the Western Cape increased their HDI score. As depicted in Figure 5.10, the Western Cape boasts higher HDI ratings (0.769) than the rest of the provinces in South Africa. In 2020, the Eastern Cape had the lowest HDI score of all the provinces at 0.658, followed by Limpopo at 0.660 placing them in the medium range.

Figure 5.10 Human Development Index by province, 2012 - 2020



Source: Western Cape Department of Economic Development and Tourism, IHS Markit, 2021

5.4 Education

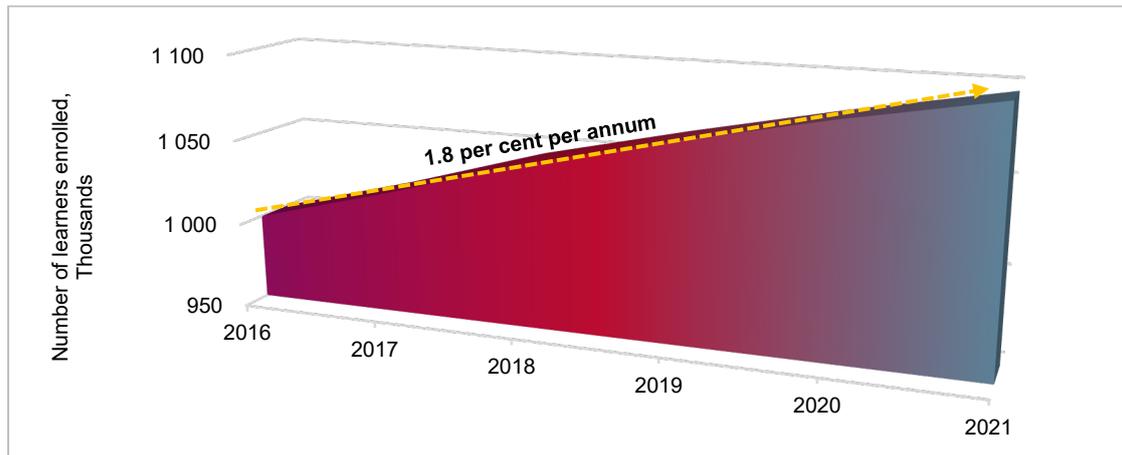
United Nations Educational, Scientific and Cultural Organisation (UNESCO) estimates that more than 84 per cent of the world's adults are currently literate. This is an 8 percentage point improvement since 1990, but it still leaves some 774 million adults who cannot read or write. Illiteracy is an indication of poor-quality education and adverse socio-economic conditions and has a direct impact on people's ability to meaningfully participate in the economy and improve their quality of life.

In education, the COVID-19 pandemic has led to the massive closure of face-to-face activities of educational institutions in more than 190 countries in order to prevent the spread of the virus and mitigate its impact. According to UNICEF, schools for more than 168 million children globally have been completely closed for almost an entire year due to COVID-19 lockdowns. Furthermore, UNICEF (United Nations International Children's Emergency Fund) reports that around 214 million children globally (1 in 7) have missed more than three-quarters of their in-person learning.

5.4.1 Learner enrolment at Western Cape public ordinary schools

The population growth in the Province continues to place increasing demands on the education system, both in terms of access and quality. The total learner enrolment in the Western Cape increased from 999 914 learners in 2016 to 1 096 637 learners in 2021, a 1.8 per cent average increase per annum.

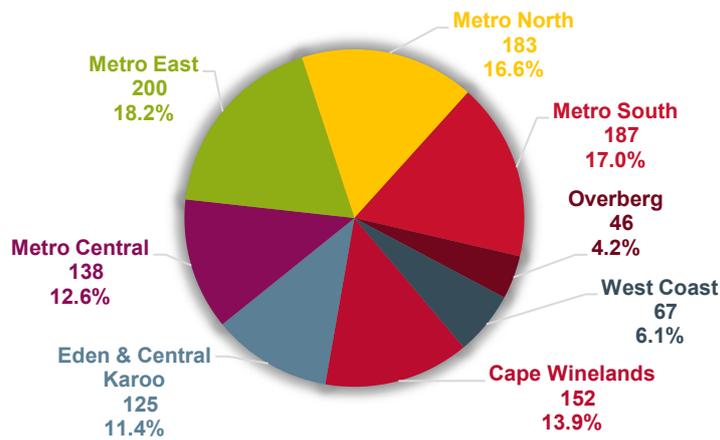
Figure 5.11 Number of learners enrolled in the Western Cape, 2016 - 2021



Source: Western Cape Department of Education, 2021

In 2021, Metro East (199 950 learners or 18.2 per cent) and Metro South (186 509 learners or 17.0 per cent) accounted for the highest number of learners enrolled in the Province. As the enrolment numbers of learners continue to increase, corresponding increases in the capacity of the education system, including the number of teachers available, will be required to produce the quality of education envisaged in the Province.

Figure 5.12 Number of learners enrolled in the Western Cape by education district, 2020



Note: Numbers displayed in thousands

Source: Western Cape Department of Education, 2021

Learner retention between Grades 10 and 12 is also a critical indicator of a healthy education sector, as it is ideal to ensure that learners remain in schools until they complete the Further Education and Training phase (Grades 10 - 12)⁴. The Western Cape has one of the best learner retention rates in the country, with 67.8 per cent of learners retained in the school system from Grades 10 - 12 in 2020.

⁴ WCED: Strategic Plan 2020 - 2025

Table 5.1 Learner Retention Grade 10 to 12, 2015 - 2021

Period	FET Per Cent
2015 - 2017	68.3
2016 - 2018	66.8
2017 - 2019	67.3
2018 - 2020	67.8
2019 – 2021	*ASS 2021 not yet available at time of publishing

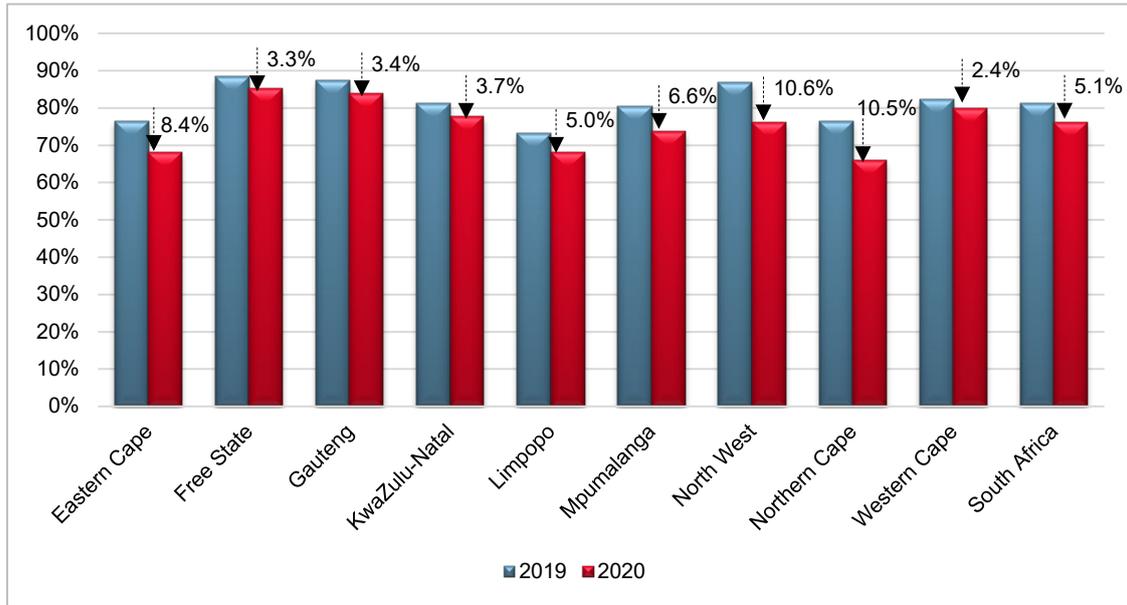
Source: Preliminary - 2020 Annual Survey for Public Ordinary Schools

5.4.2 National Senior Certificate results

Public education in South Africa culminates in the completion of Grade 12, and therefore aggregate learner performance in the National Senior Certificate examinations, which is tracked to assess the progress in the education sector. The National Senior Certificate (NSC), commonly referred to as “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). Opportunities unlocked by matric include entry-level employment, admission to learnerships and internships, and admission to colleges, universities and other higher education institutions.

Over 51 000 students in Western Cape wrote their NSC final exams in 2020, of which 79.9 per cent passed. Only two other provinces, Gauteng (83.8 per cent) and the Free State (85.1 per cent), obtained higher pass rates than Western Cape. While all provinces recorded a decline in pass rates from 2019 to 2020, due to the severe disruptions in the schooling calendar as a result of the COVID-19 pandemic, the Western Cape's pass rate has suffered the least of any of the provinces. The pass rate for the Western Cape declined by 2.4 percentage points compared to 2019. This impact is lower than the average national decrease of 5.1 percentage points.

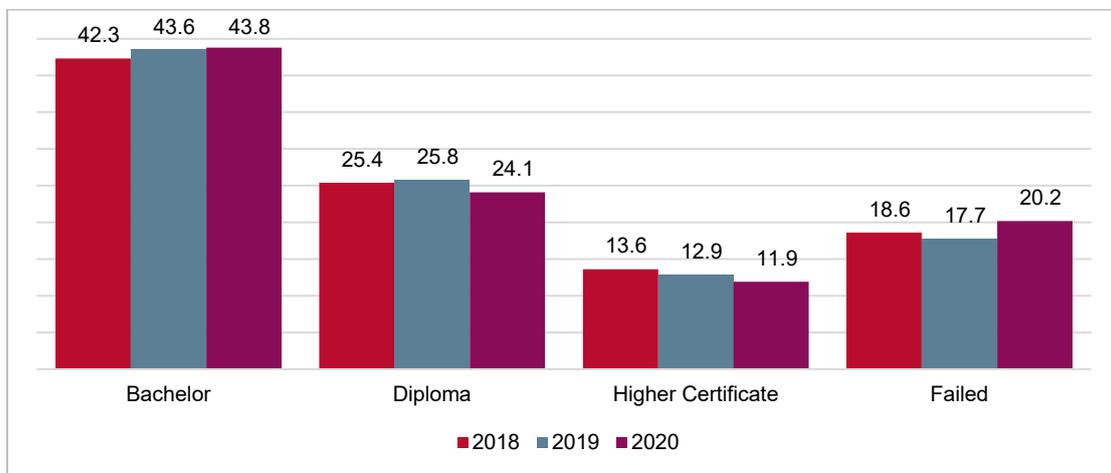
Figure 5.13 National Senior Certificate (Matric) Pass Rates per province, 2019 - 2020



Source: Department of Basic Education, 2021

In 2020, the diploma pass rate in the Western Cape was 24.1 per cent, and the certificate pass rate was 11.9 per cent. Gauteng had the highest bachelor degree pass rate (45.1 per cent), followed by the Western Cape (43.8 per cent) and the Free State (40.3 per cent). Despite the lockdown, the disruption to the school calendar, and the uncertainty throughout the 2020 school year, the number and percentage of bachelors' passes in the Western Cape has marginally increased from 43.6 per cent to 43.8 per cent, the highest percentage over the past five years.

Figure 5.14 Comparison of the NSC categories of achievement in the Western Cape, 2018 - 2021



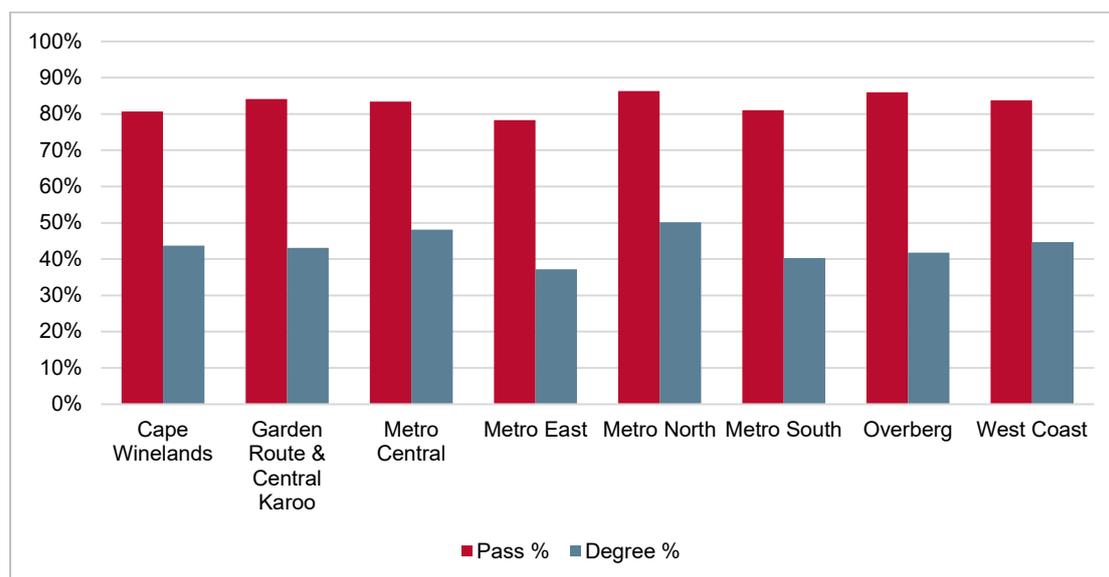
Source: Department of Basic Education, 2021

The NSC pass rate dropped in seven of the eight education districts in the Province, with only the Metro Central district recording a slight improvement of 0.5 percentage points (see Figure 5.15). The Metro North Education District obtained the highest matric pass rate in the Province (85.4 per cent), followed by the Metro Central district with 83.9 per cent and West Coast at 82.2 per cent. The Overberg district pass rate declined

the most when compared to the previous year by 5.3 percentage points, while Metro North and West Coast recorded the lowest declines of 0.9 and 1.6 percentage points respectively.

More than half of the learners who wrote Matric in the Metro North and Metro Central education district obtained a Bachelor Degree pass. Cape Winelands, Metro South and the West Coast education districts also fared well with over 40 per cent of learners obtaining Bachelor Degree passes.

Figure 5.15 NSC and B Degree pass rate by education district in the Western Cape, 2020

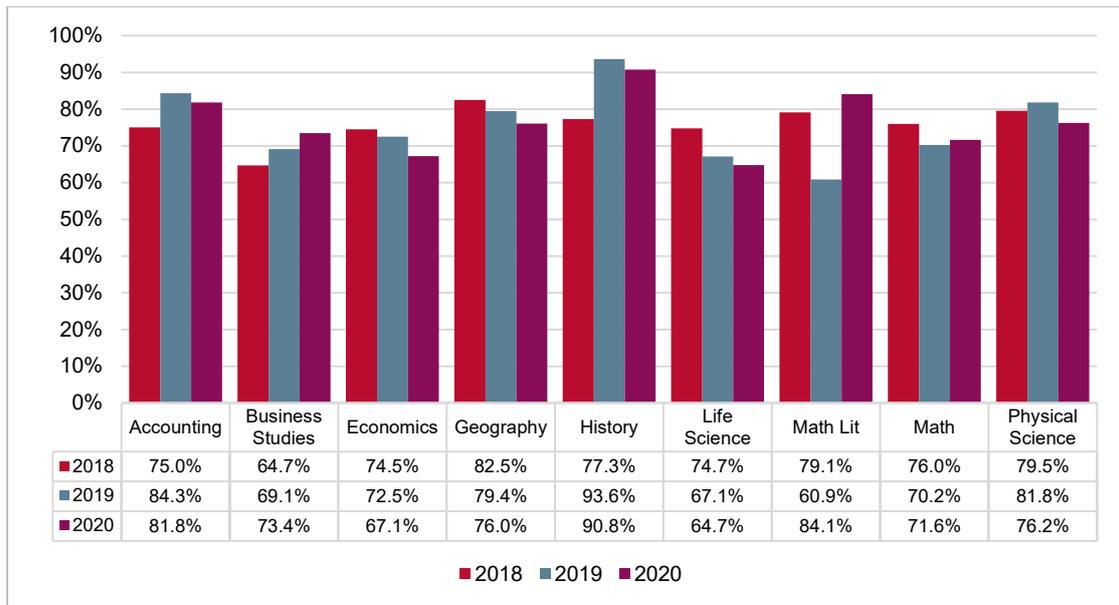


Source: Western Cape Department of Education, 2021

The 2020 NSC pass rates in the Western Cape for Business Studies, Mathematical Literacy and Mathematics improved from 2019 (see Figure 5.16). The pass rate for Business Studies improved by 4.3 percentage points to 73.4 per cent in 2020. The pass rate for Mathematical Literacy improved significantly with 23.2 percentage points from 2019 to 84.1 per cent in 2020. The pass rate for Mathematics increased by 1.4 percentage points from 2019 to 71.6 per cent. The subjects that recorded the highest decrease in pass rates were Physical Science decreasing by 5.6 percentage points, followed by Economics (5.4 percentage points).



Figure 5.16 NSC pass rate in subjects in the Western Cape, 2018 - 2020



Source: Department of Basic Education, 2021

5.5 Health

Health is an essential element of human development, well-being, and the prosperity of society. A healthy, active population is important for accessing opportunities to improve economic and socio-economic development. Improving health outcomes therefore remains a priority especially for developing economies, and to ensure every citizen has an equal opportunity to health care services and is able to effectively participate in the economy.

5.5.1 COVID-19

It has been more than a year and a half since the COVID-19 pandemic shook the world, and it is still having a major impact on health outcomes, economic and socio-economic developments across the globe. COVID-19 was reported for the first time on 31 December 2019 by the World Health Organization (WHO) following a cluster of pneumonia cases in Wuhan City, Hubei Province of China. To date, there has been approximately 231 million⁵ infections worldwide, 207.8 million recoveries, 18.6 million active cases, while 4.74 million people have succumbed to COVID-19. Nationally, as at 22 September 2021⁶, 2.9 million people have been infected, 2.8 million recoveries, and 86 500 deaths.

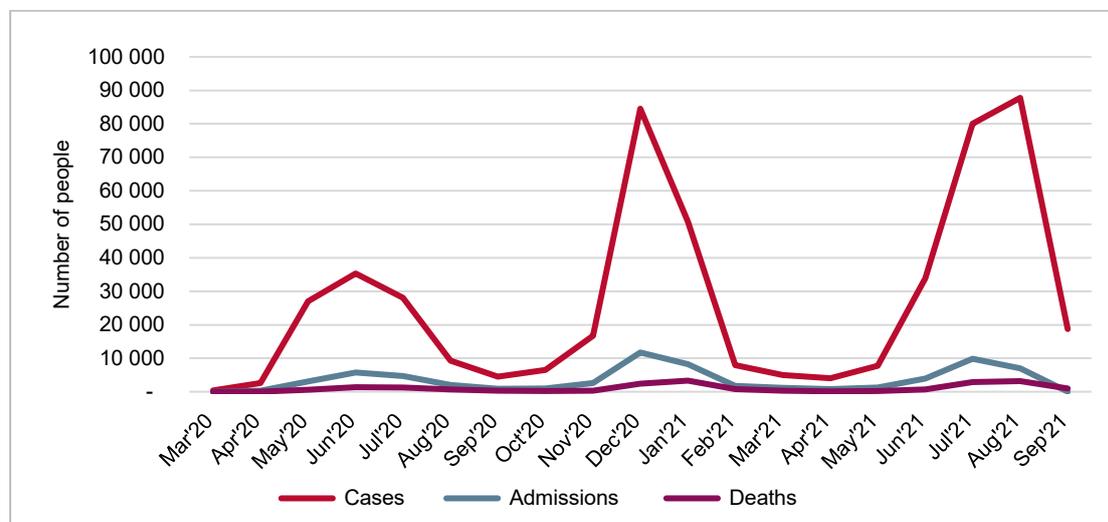
On a provincial level, the Western Cape and the rest of South Africa experienced 3 waves of COVID-19 since it hit South African in March 2020. Between April and September 2021 (see Figure 5.17), the Western Cape reported a total of 510 575 infections. In terms of the number of severe COVID-19 infections, a total of 65 919 people (13 per cent) were admitted into hospital, while 19 582 people died due to COVID-19. On a regional level, the City of Cape Town experienced the highest

⁵ <https://www.covidvisualizer.com/>

⁶ <https://sacoronavirus.co.za/>

number of infections, amounting to 313 553 (61.4 per cent) infections, followed by the Garden Route with 65 839 (12.9 per cent) infections, while the Central Karoo reported the least number of infections at 5 197 (1.0 per cent) cases, which could be correlated to the population size and density of the area.

Figure 5.17 Western Cape COVID-19 infections, recoveries and deaths, March 2020 – September 2021



Source: Western Cape Department of Health, 2021

Approximately 82 out of every 100 South Africans do not have access to medical aid or private health care. This means most of the population is dependent on the public health system, which places the public health system under severe pressure. Non-COVID-19 comprehensive health services have to continue, while managing the influx of COVID-19 patients into health care facilities.

The emergency services environment has experienced some of the most pressure, i.e. emergency rooms, ambulance services etc. Alcohol bans and restrictions were in place to limit the spread of the virus, to allow hospitals to cope with COVID-19 cases, and not deal with both COVID-19 and trauma cases, due to capacity constraints. The main aim of the Department of Health and the rest of society, was to and continues to be - flattening the curve - keeping infections low, while trying to limit social interactions that usually accompany alcohol use, as well as reduce the trauma burden in health care facilities. Pressure was managed accordingly, however, when the ban was lifted on multiple occasions, a surge in alcohol related emergency cases at health care facilities increased drastically. These outcomes, amongst others, have placed health care staff under severe strain and anxiety, over the past year and half. One of the reasons why pressure remains is due to staffing constraints - medical physicians remain low in the country at 7.92 medical doctors⁷ per 10 000 people, whereas in other developing countries, i.e. Brazil, have approximately 23.1 doctors per 10 000 people. Continued strain on the public health system, may exacerbate the already existing pressures, resulting in lower health outcomes for the country and the Province.

⁷ [https://www.who.int/data/gho/data/indicators/indicator-details/GHO/medical-doctors-\(per-10-000-population\)](https://www.who.int/data/gho/data/indicators/indicator-details/GHO/medical-doctors-(per-10-000-population))

5.5.1.1 Vaccination

South Africa adopted a staggered approach to the roll-out of vaccines against COVID-19. The National Department of Health initially planned a three-phased, risk-based approach. The phases were as follows: phase 1: healthcare workers (HCW); phase 2: individuals 60 years and older, essential workers and individuals in congregate settings; and phase 3: individuals 18 years and older, excluded in the first two phases⁸. For phase 1, 132 000 HCW were targeted, 2.3 million individuals for phase 2, and 2.6 million individuals for phase 3 in the Western Cape.

Important considerations for the largest vaccine roll-out programme in recent history include availability and supply of vaccines, maintaining cold chain for transportation and storage of vaccines, sufficient vaccinators at sites across the Province, an information system for vaccine registrations, appointment scheduling (including follow up if a 2-dose vaccine), and management of potential adverse incidents following immunisation. Of particular importance is the adherence to non-pharmaceutical interventions to mitigate the possible spread of the virus at vaccination sites since the scale-up of vaccination occurred when South Africa, and the Western Cape, were experiencing the third surge in COVID-19 infections.

The Western Cape Department of Health has acknowledged the inequity in accessing vaccination, evident in registration and vaccination data. A higher proportion of the insured population has been vaccinated compared to the uninsured population. Steps to address this inequity have been taken and include increasing visibility of vaccination sites, allowance for walk-in clients, assisting with registration, identifying strategic community-level partners to mobilise and increase demand (e.g., NGOs, local businesses, community leaders), and improved communication, including targeted localised messaging⁹.

As at 22 September 2021, 24.6 per cent of the Western Cape citizens were fully vaccinated (Johnson & Johnson, Sisonke and national roll-out; two doses of Pfizer). More than 2.1 million people in the Western Cape have registered on the Electronic Vaccination Data System (EVDS), representing 41.5 per cent of the currently eligible population (18 years and older)¹⁰. Figure 5.18 notes EVDS registrations and vaccination status of current eligible age groups¹¹.

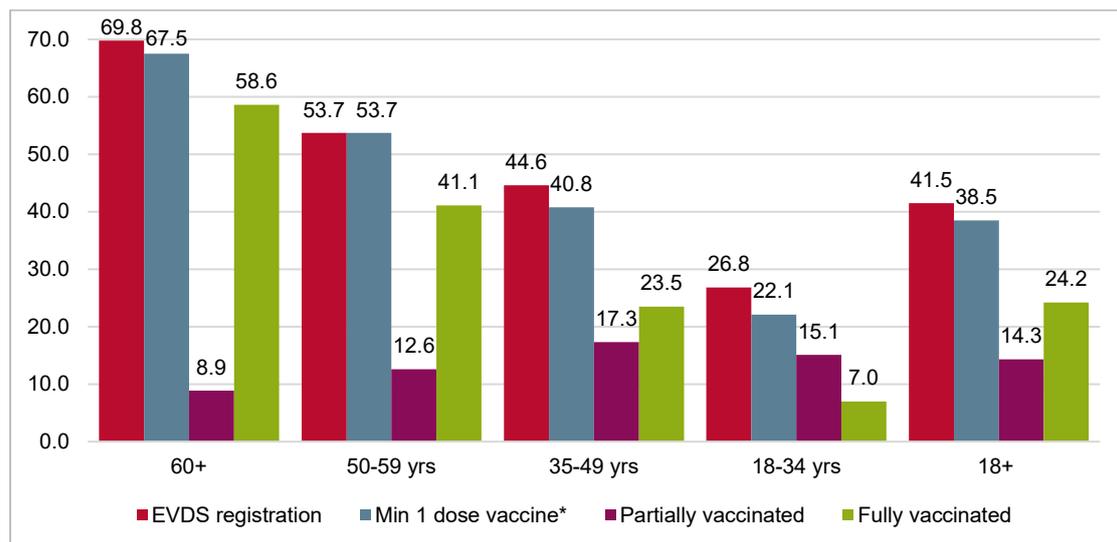
Of the more than 2 million persons between 18 and 34 years, 26.8 per cent registered on the EVDS to be vaccinated and by 22 September 2021, 15.1 per cent of this age group were partially vaccinated and 7 per cent fully vaccinated.

⁸ Circular H81-2021 Vaccine Implementation Framework (11 June 2021)

⁹ Circular H111-2021 Addendum to COVID-19 Vaccination Implementation Framework (23 July 2021)

¹⁰ <https://coronavirus.westerncape.gov.za/vaccine-dashboard> (accessed 23 September 2021)

¹¹ Registration on EVDS opens 1 September 2021 for 18 – 34-year-olds

Figure 5.18 Western Cape COVID-19 vaccination metrics (22 September 2021)


Note: Min 1 dose vaccine refers to a combination of partially and fully vaccinated individuals

Source: Western Cape Government: Health Vaccine Cascade report 22 September 2021

COVID-19 VACCINE DISTRUST AND VACCINE HESITANCE IN SOUTH AFRICA

The National Income Dynamics Study-Coronavirus Rapid Mobile Survey (NIDS-CRAM) dataset analyses the role of depressive symptoms in driving vaccine behaviour in South Africa, and further explores pathways of impact through vaccine distrust, risk perception and efficacy. The findings are as follows:

- At the time of NIDS-CRAM Wave 5 (April - May 2021), South Africa had vaccinated only 2 per cent of the population.
- Vaccine hesitancy has decreased from 29 per cent in February 2021 to 24.5 per cent in April - May 2021. During this period risk perception fell from 45 per cent to 43 per cent. Efficacy increased from 82 per cent to 89 per cent. This is not surprising as South Africa was in a period of low infection rate, with lowest lockdown level one, during the time of the fifth NIDS-CRAM wave.
- Depressive symptoms continued to increase over the pandemic from a PHQ-2 score of 1.3 in July - August 2020 (Wave 2) to 1.5 in April - May 2021 (Wave 5). Using the binary variable of those at risk of depression (with PHQ-2 cut-off of 3 and above), individuals at risk increased from 24.1 per cent to 27.6 per cent between Wave 2 and 5. Using the cut-off of 2 and above, those at risk increased from 38.7 per cent to 42.1 per cent.
- The Black African population group have lower vaccine hesitancy compared to non-African group.
- Wave 2 findings show depressive symptoms during Wave 5 are higher amongst the non-black group. This is contrary to the observations in the pre-pandemic period, when black Africans recorded higher depressive symptoms in multiple studies (Burger et al. 2017).
- Individuals that have experienced hunger are less hesitant of the vaccine but have resulted in higher levels of depressive symptoms.
- The respondents who relied on health workers for COVID-related information had less distrust of vaccines, whereas those dependent on social media for information had higher distrust of the COVID-19 vaccine.
- Almost 18 per cent of the population reported vaccines to be unsafe or harmful. The proportion amongst individuals who reject the vaccine is at 53 per cent, and 60 per cent are vaccine hesitant.
- The study finds room for confidence-building measures through community leaders as role models for vaccination, and for transparent health communication based on risk-benefit analysis of COVID-19 vaccines.

- Individuals with higher depressive symptoms had higher concentration of vaccine hesitancy, higher risk perception of infection, lower sense of efficacy, and higher distrust of vaccines. These individuals are concentrated at the upper end of the income distribution
- Age-related inequality is observed with vaccine hesitancy, vaccine distrust and self-efficacy. The risk perception of infection is concentrated among higher age groups.
- Multivariate regression analysis considering endogeneity concerns reveal that vaccine distrust is the most important predictor of vaccine hesitancy.
- There is little evidence of significant association of either pre-pandemic mental distress or current depressive symptoms with vaccine hesitancy in a fully specified model. However, mental distress is closely correlated with vaccine distrust and risk perception. No significant association was picked up between mental distress and efficacy.
- This study has established that the indirect effects are highly relevant and need to be considered closely while analysing the relationship between mental distress and vaccine behaviour.
- Lastly, the study has found feedback effect of mental distress with vaccine distrust as well as risk perception. Therefore, improved vaccine trust can lead to not just increased vaccine acceptance and reduced risk perception; but also, better mental health.

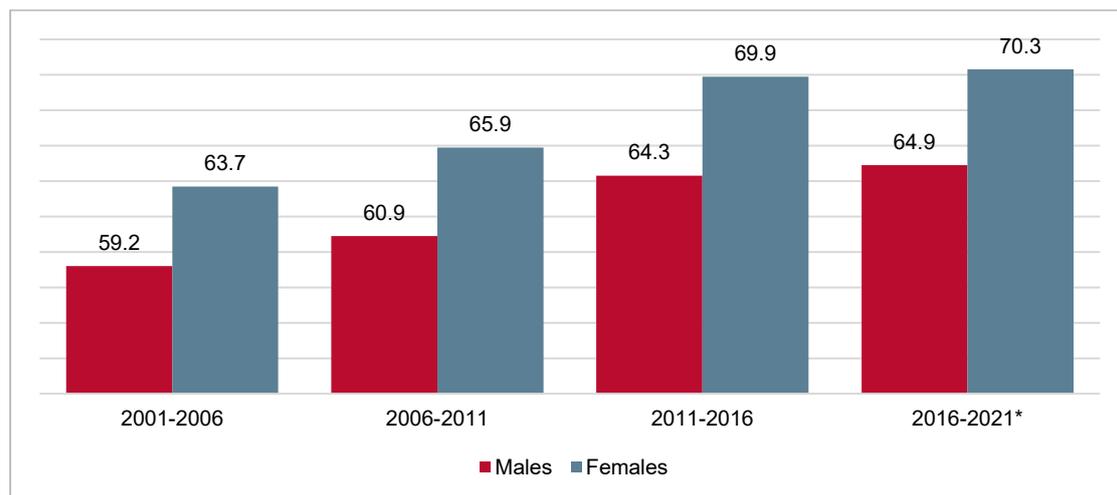
Source: Kollamparambil, Oyenubi and Nwosu, 2021

5.5.2 Life expectancy

Life expectancy can provide a sense of overall health and social wellbeing of a particular environment. When life expectancy is on the higher side, this can indicate a level of favourable health, education, and social outcomes for a particular area. Measuring life expectancy on a country level is important, since it can often be used to describe trends in mortality and can also be used to predict how the population will age, which may have enormous implications on planning and the provision of services and support to the population.

Life expectancy has been on the rise nationally since 2007 and has shown a slight decline since last year – the result of COVID-19 related deaths had a significant increase in the crude death rate (CDR) within a year, from 8.7 deaths per 1 000 people in 2020 to 11.6 deaths per 1 000 people in 2021 (Stats SA Mid-year population estimates, 2021). In 2021, Total Life Expectancy (LE) for the South African population was estimated to be 62.0 years, while for females' life expectancy it was estimated to be 62.6 years, and males 59.3 years old.

For the Western Cape, over the period 2016 to 2021 (see Figure 5.19), Life Expectancy (LE) for females is estimated to be 70.3 years old, while males are estimated to live for 64.9 years. The data shows there has been a slight increase in LE for males (from 64.3 years) and a slight increase in LE for females (from 69.9 years) in the Western Cape between 2011 - 2016 and 2016 to 2021. These results can be attributed to the WCG's health response related to addressing the increase in the burden of disease, since non-communicable disease - Years of Life Lost per 100 000 - increased in most districts in the Western Cape by approximately 5 per cent or less.

Figure 5.19 Life expectancy at birth (in years) in the Western Cape, 2001 - 2021

Source: Western Cape Department of Health, 2021

While the Western Cape follows a similar pattern to the rest of the country in terms of life expectancy patterns – a surge in the aging population - the health system will have to pay much more attention to the levels of non-communicable diseases as the prevalence of the three major risk factors (hypertension, diabetes, and cardiovascular diseases) increase with age, coupled with being the worst affected by the COVID-19 pandemic. The change in demographic patterns may also require a significant expansion of rehabilitative and palliative care services in the Province and South Africa across the board.

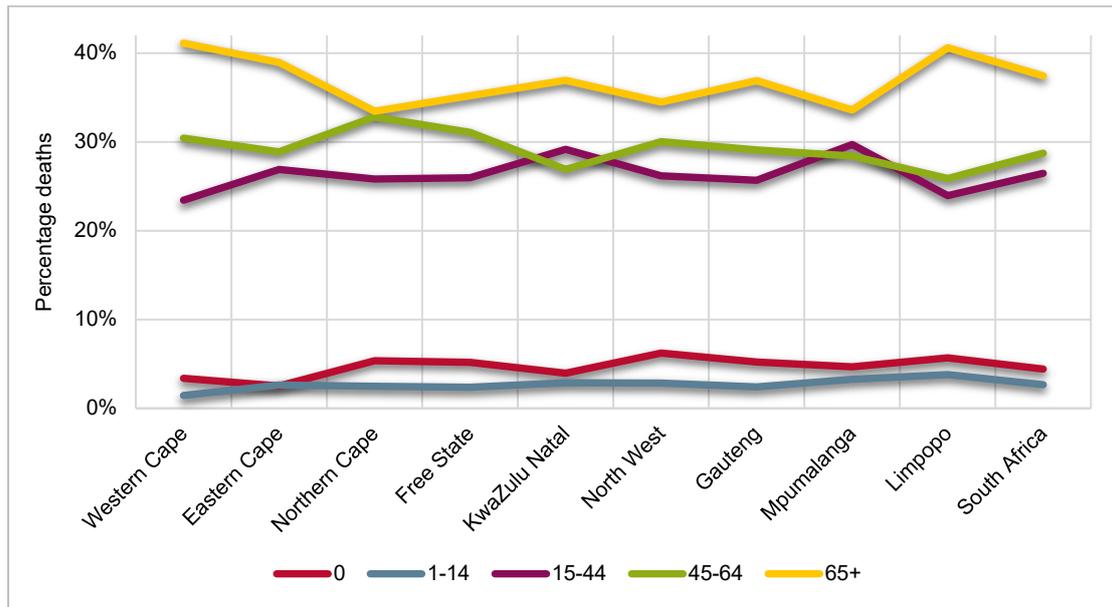
5.5.3 Mortality and causes of death

5.5.3.1 Distribution of death by age and sex

According to Stats SA, the number of deaths distributed by age and Province indicates that Gauteng had the highest number of deaths for age group zero (4 742). KwaZulu-Natal had the highest number of deaths for 1 to 14 years (2 441) and 15 to 44 years (24 718). Gauteng accounted for the highest number of deaths in 45 to 64 years (26 481) and 65 years and older (33 582).

Percentage variations in 2018 deaths by age and Province are presented in Figure 5.20. The Western Cape had the highest percentage of elderly deaths [ages 65 and older (41.1 per cent)]. North West (6.2 per cent) had the highest proportion of infant deaths. Limpopo (3.8 per cent) had the highest percentage of deaths amongst children (1 to 14 years). Deaths in Mpumalanga (29.7 per cent) had the highest percentage in the 15 to 44 years age category. Northern Cape had the highest proportion of deaths occurring in the 45 to 64 years age group (32.8 per cent).

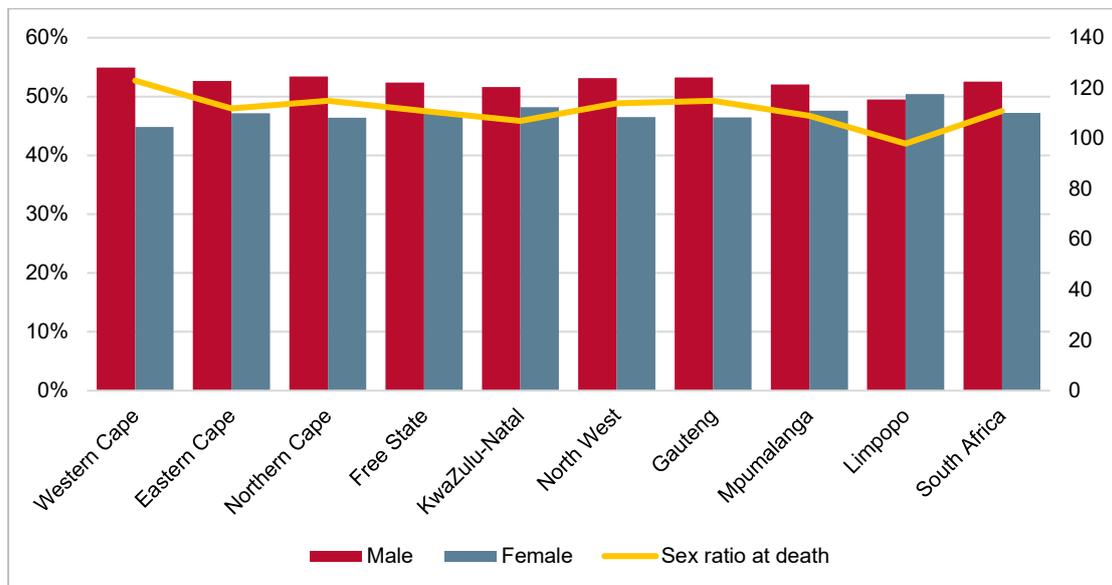
Figure 5.20 Percentage of deaths by age and province, 2018



Source: Stats SA: Mortality and causes of death in South Africa, 2021

The sex ratios at death depicted in Figure 5.21 show that Western Cape (123 male deaths per 100 female deaths) had the highest sex ratio of death, and Northern Cape and Gauteng (115 male deaths per 100 female deaths) had the second highest. In the remaining provinces, the sex ratio at death ranged from a high of 114 male deaths per 100 female deaths in North West to a low of 98 male deaths per 100 female deaths in Limpopo. In most instances the underlying causes of death are different across the different age groups and sex profiles, as women and men have specific health conditions pertaining to them as they reach specific ages.

Figure 5.21 Sex ratios and percentage of women and men at death by province, 2018



Source: Stats SA: Mortality and causes of death in South Africa, 2021

5.5.3.2 Leading underlying natural causes of deaths¹²

The leading causes of deaths in the Western Cape were diabetes mellitus (7.6 per cent), followed by ischaemic heart diseases (6.1 per cent) and cardiovascular diseases (5.9 per cent). The Western Cape was the only Province to report malignant neoplasms of respiratory and intrathoracic organs as part of the top ten leading underlying causes of death.

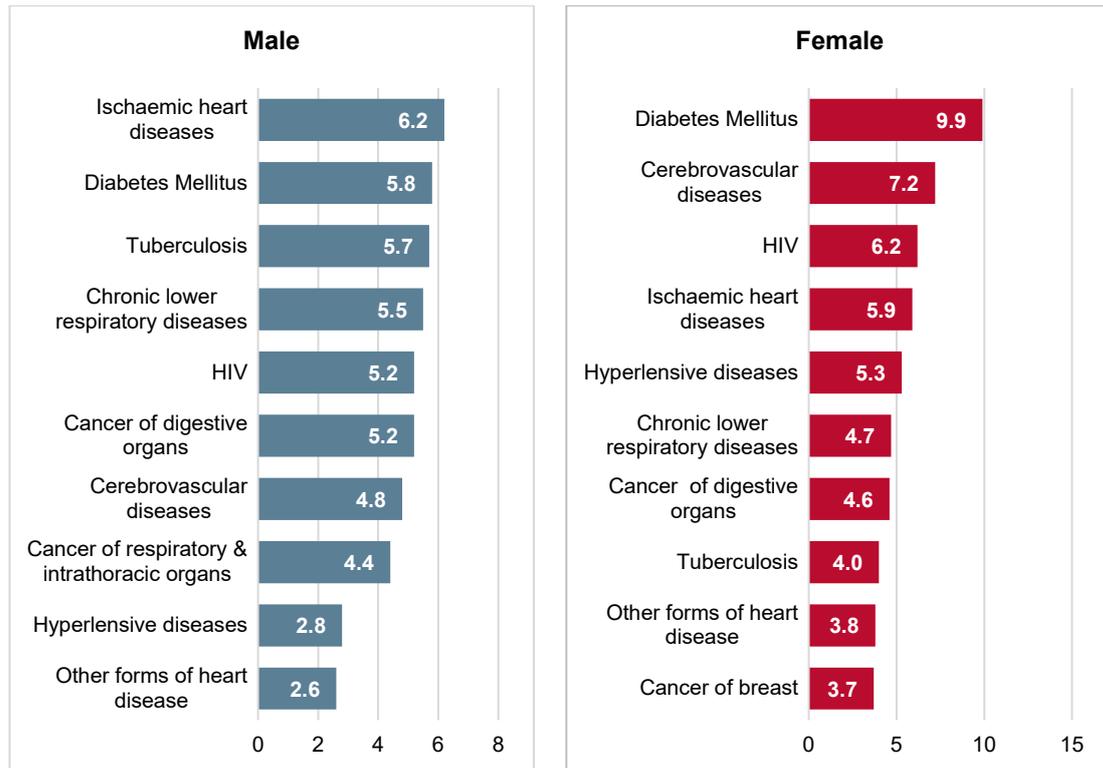
The leading underlying natural cause of death in the Western Cape for infant deaths (age 0) was respiratory and cardiovascular disorders specific to the perinatal period, responsible for 12.8 per cent of deaths at this age. The leading underlying cause of death for age group 1 – 14 years was cerebral palsy and other paralytic syndromes, responsible for 7.3 per cent of deaths in this age group. For persons aged 15 to 44, HIV was the leading underlying natural cause of death, constituting 15.7 per cent of deaths. Diabetes mellitus was the leading cause of death for women aged 45 to 64 (12.5 per cent) and 65 and older (12.2 per cent). Cancer of the respiratory and intrathoracic organs was the leading cause of death for men aged 45 to 64 (7.9 per cent), while ischaemic heart disease was the leading cause of death for men aged 65 and older (9.8 per cent).

The proportion of deaths due to communicable diseases¹³ was higher amongst males. Figure 5.22 shows the top ten leading underlying natural causes of death amongst women and men in 2018 in the Western Cape. The leading underlying natural cause of death for men was ischaemic heart diseases (6.2 per cent), followed by diabetes mellitus (5.8 per cent) and tuberculosis (5.7 per cent). The leading underlying natural cause of death for women was diabetes mellitus (9.9 per cent), followed by Cerebrovascular disease (7.2 per cent) and HIV (6.2 per cent).

¹² e.g. hypertension, diabetes, cardiovascular diseases, obesity

¹³ e.g. TB, HIV, chronic lower respiratory diseases

Figure 5.22 The ten leading underlying natural causes of death in the Western Cape by gender, 2018



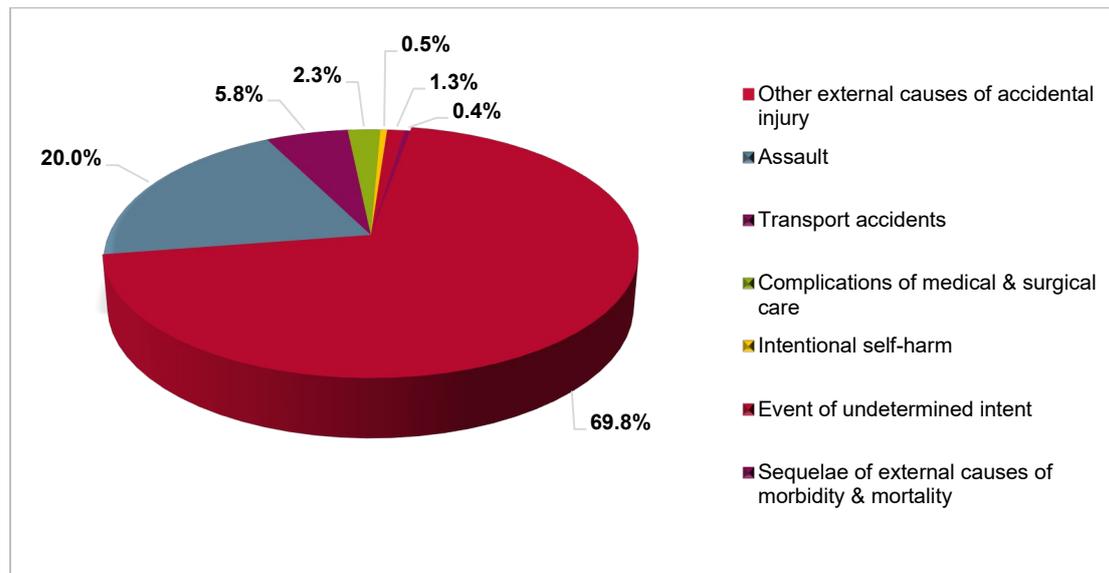
Source: Stats SA: Mortality and causes of death in South Africa, 2021

Annexure E2 shows the distribution of underlying non-natural causes of death by province for 2018 deaths. The Eastern Cape (13.7 per cent), KwaZulu-Natal (13.5 per cent) and the Western Cape (13.0 per cent) had the highest proportion of deaths due to non-natural causes. The lowest percentage of deaths due to non-natural causes were observed in Limpopo (8.9 per cent).

For all nine provinces, the second most common causes of non-natural deaths were either transport accidents or assault. Transport accidents were the second most common cause of non-natural deaths in Limpopo, Northern Cape, North West and Mpumalanga, with Limpopo having the highest number of deaths due to this cause, being responsible for 30.1 per cent of deaths. Assault was the second most common non-natural cause of death in the Eastern Cape (22.7 per cent), the Western Cape (20.0 per cent), the Free State (14.4 per cent), KwaZulu-Natal (13.0 per cent) and Gauteng (9.1 per cent), with the highest being in the Eastern Cape. Figure 5.23 shows the underlying non-natural causes of death for the Western Cape. Other external causes of accidental injury was the highest (69.8 per cent) reported non-natural cause of death in Western Cape. It is important to note, that there is a lot of complexity with coding causes of death, particularly unnatural deaths. The default is "other" when no detail is provided on the death notification form, therefore in reality this can be erroneously skewed, owing to poor quality data available.



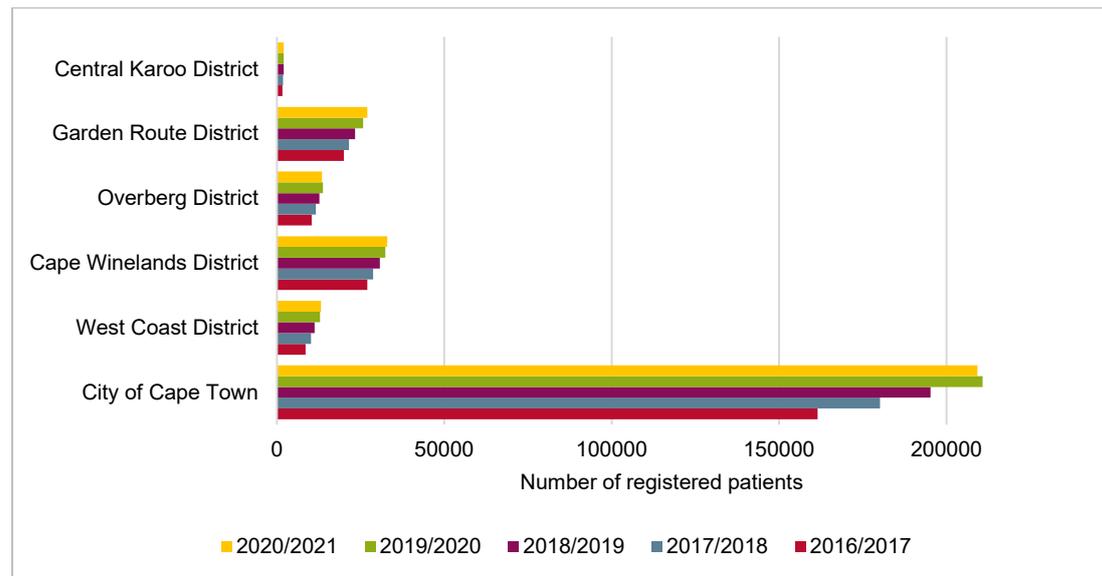
Figure 5.23 Underlying non-natural causes of deaths in the Western Cape, 2018



Source: Stats SA: Mortality and causes of death in South Africa, 2021

5.5.4 HIV/AIDS and TB

Testing for HIV and TB was severely affected by the COVID-19 pandemic. In 2020, HIV testing levels fell by nearly 50 per cent between February and April 2020. Testing increased from July 2020 onwards and then dipped again in December 2020 as the second wave of the pandemic hit. The number of HIV positive patients initiating antiretroviral therapy (ART) also fell between February and April 2020, following the same pattern for the rest of the year. The Western Cape Department of Health reported an estimated 534 391 HIV positive people in 2021. Moreover, the Western Cape reported 284 751 total registered patients receiving ART, and 24 910 new ART patients in 2021. On a regional level, the City of Cape had the highest number of total registered patients receiving ART (209 279 patients), while the Cape Central Karoo District recorded the lowest number of registered patients receiving ART (2 037 patients). The overall HIV testing and treatment declines have implications such as potential consequence for HIV incidence, as fewer people are aware of their HIV status and therefore do not access treatment services.

Figure 5.24 Total registered patients receiving ART in the Western Cape by district, 2018/19 to 2020/21

Source: Western Cape Department of Health, 2021

According to the Western Cape Department of Health¹⁴, Tuberculosis (TB) management services have taken a severe knock during the lockdown. The GeneXpert testing volumes declined by 50 per cent during levels 5 and 4 of lockdown. Furthermore, between March and April 2020, there was a 40 per cent decline in the number of TB cases diagnosed. In comparison to April 2019, there was a 47 per cent decrease in the number of diagnosed TB cases in April 2020. However, from August to September 2020, there was a 36 per cent and 42 per cent increase in testing volume and diagnoses, respectively.

TB test positivity rate has also increased in 2020 compared to 2018 and 2019. This indicates poorer TB epidemic control as a degree of suspicion, contact tracing, screening, and testing, and prophylactic measures such as IPT (isoniazid prophylaxis¹⁵) initiation all decrease due to COVID-19 operational requirements.

CHILD HUNGER

Child hunger remains extremely high: In April/May 2021, 15 per cent of households indicated a child had gone hungry in the past 7 days, which is very close to the February/March 2021 level (14 per cent). It was found that women were much more likely to shield children in their household from hunger than male respondents. Approximately 400 000 children went hungry in every wave of NIDS-CRAM between May 2020 and May 2021. Child hunger is once again at the same level as it was during the harshest period of lockdown in South Africa. In April 2021, access to food at school did, however, increase significantly from 49 per cent in November 2020 to 56 per cent in April 2021. In January 2021, 39 per cent of households ran out of money for food, this has now declined to 35 per cent of households running out of money for food in March 2021. The situation may improve in the short to medium term with the reinstatement of the COVID-19 Social Relief Distress grant of R350 which may likely contribute to reducing hunger in South Africa.

Source: NIDS-CRAM Wave 5 Synthesis Report, 2021

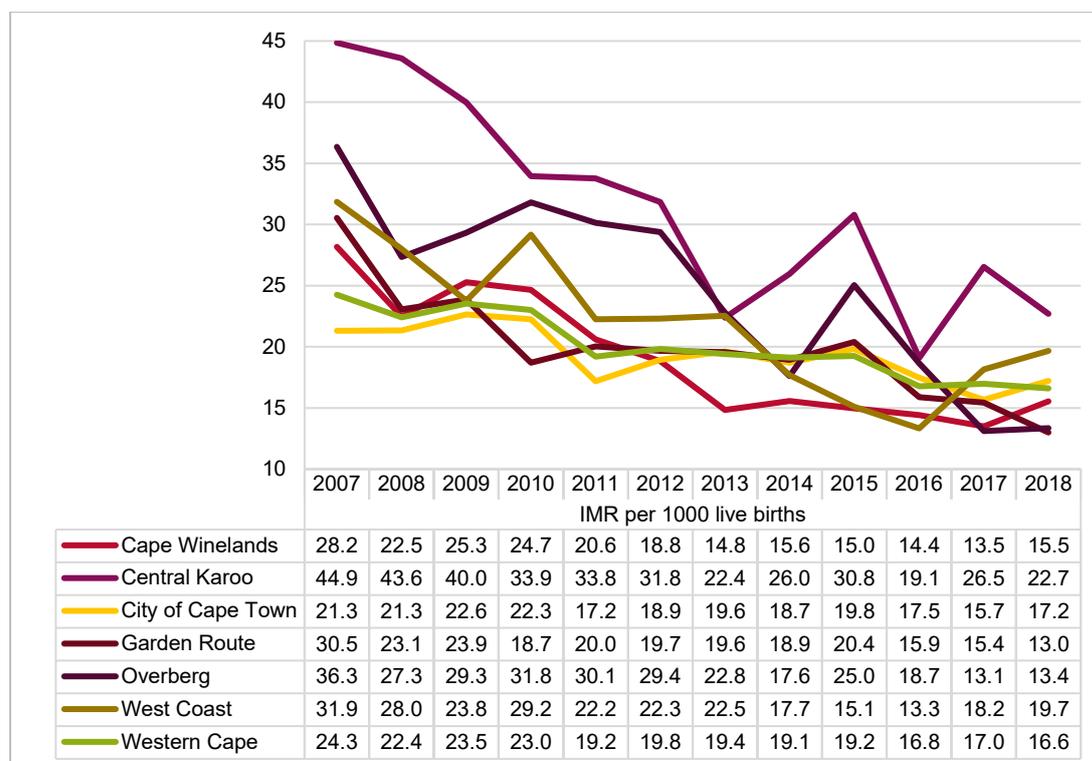
¹⁴ Western Cape Department of Health Annual Performance Plan 2021/22

¹⁵ isoniazid prophylaxis - is most often the treatment for primary infection in order to sterilize lesions and prevent the development of active tuberculosis (TB).

5.5.5 Infant, child and maternal health

On a national level, Infant mortality rate¹⁶ (IMR) has declined over time since 2006, from 53.8 to 24.1 in 2021. According to Stats SA, the child sparing pattern of COVID-19, has made no significant impact on child mortality levels in the country. As depicted in Figure 5.25, the Western Cape IMR decreased from 17.0 in 2017 to 16.6 in 2018. Three districts fell above the provincial IMR, with the Central Karoo District recording the largest IMR at 22.7, followed by the West Coast District which recorded an IMR of 19.7, and the City of Cape Town recorded an IMR 17.2.

Figure 5.25 Western Cape Infant Mortality rate (IMR), 2007 - 2018

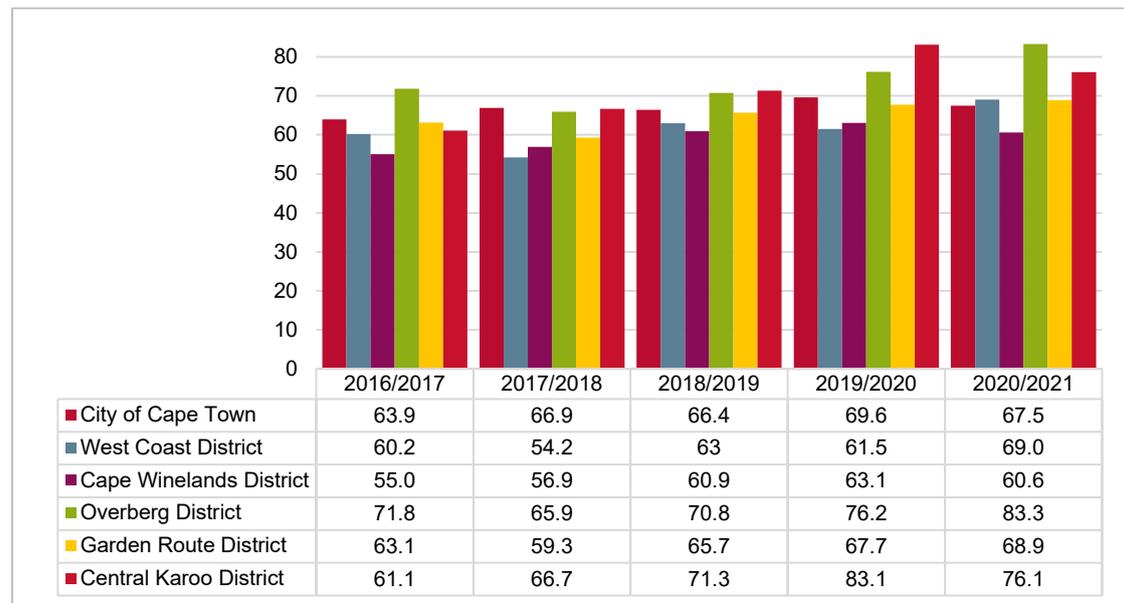


Source: Western Cape Department of Health, 2021

In terms of child and maternal or women health, the level 5 lockdown had a marginal impact on preventative health services across the Province. Childhood immunisation rate varied across Western Cape Districts, with decreases in immunisations¹⁷ experienced in the City of Cape Town, Cape Winelands, and the Central Karoo. As depicted in Figure 5.26, increases in immunisations were recorded in West Coast, Overberg and Garden Route Districts. According to the Western Cape Department of Health, the first dose for Measles saw a drop in April 2020, with an immediate return to 2018 and 2019 levels in May 2020, while the Measles second dose and fully immunised under 1 year followed similar patterns.

¹⁶ The infant mortality rate is the number of infant deaths for every 1,000 live births.

¹⁷ The immunisation rate is calculated as the number of children immunised as a percentage of the total number of children less than one year of age. Immunisation protects both adults and children against preventable infectious diseases. Low immunisation rates speak to the need for parents to understand the critical importance of immunisation, as well as the need to encourage parents to have their young children immunised.

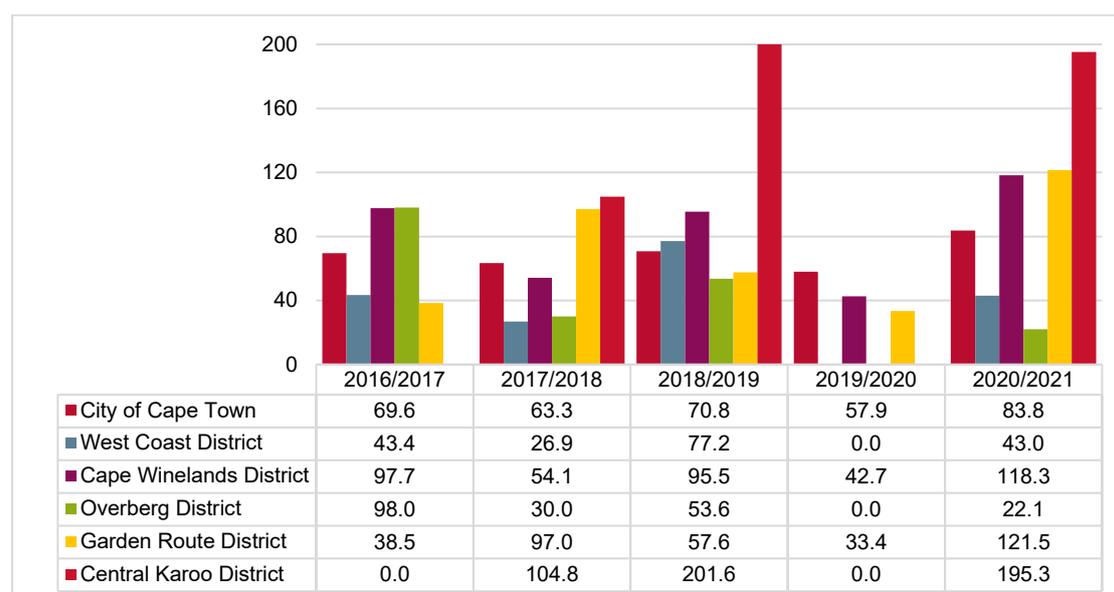
Figure 5.26 Western Cape Immunisation rate, 2016/17 to 2020/21

Source: Western Cape Department of Health, 2021

Maternal health in the Province was mainly affected during the lockdown level 5 period. The Western Cape Department of Health recorded a drop in the number of cervical smears to detect abnormalities from April to August 2020, compared to the same period in the two preceding years. However, by September 2020 the number of smears taken returned to 2018 and 2019 levels, with the same decrease in December 2020 seen in all three years. During 2020, a clear correlation can be seen between the subsequent COVID-19 waves and the rate with which women received their routine reproductive health checks. The number of pregnancy terminations followed the same pattern as cervical smears: a significant drop compared to prior years was seen in April 2020 to August 2020, with a return to expected levels from September 2020 onward.

In terms of Maternal mortality¹⁸ trends, the Central Karoo district had the highest maternal mortality ratio, recording 195.3 deaths per 100 000 live births, followed by the Garden route district at 121.5 deaths per 100 000 live births. The Overberg district recorded the lowest maternal mortality of 22.1 deaths per 100 000 live births, followed by the City of Cape Town which recorded the 43.0 deaths per 100 000 live births in 2020/21 (see Figure 5.27).

¹⁸ Maternal deaths per 100 000 live births in health facilities. Maternal death is death occurring during pregnancy, childbirth and the puerperium of a woman while pregnant or within 42 days of termination of pregnancy, irrespective of the duration and site of pregnancy and irrespective of the cause of death (obstetric and non-obstetric).

Figure 5.27 Western Cape Maternal Mortality Ratio, 2016/17 to 2020/21


Source: Western Cape Department of Health, 2021

MENTAL HEALTH

The COVID-19 pandemic has had a profound effect on mental health illness in the entire country. According to the Western Cape Department of Health, the loss of employment during the epidemic has been associated with an increase in depressive symptoms among working-age people. The Wave 2 NIDS CRAM survey reported that depressive symptoms were more prevalent amongst male workers. A survey conducted by Mudiriza and De Lannoy (2020) found that the prevalence of depressive symptoms was 72.2 per cent among 18–35-year-olds in South Africa. The same study also assessed emotional well-being among youth. Nearly one third reported feeling "depressed", "as though everything was an effort", "fearful", "restless", or "lonely" in the 24 hours prior to participating in the survey. Feelings of loneliness and not being able to get going were experienced by particularly high numbers (35 per cent and 44 per cent) within the week prior to the survey.

According to the Wave 3 NIDS CRAM survey, as the epidemic progressed, workers had higher odds of experiencing depressive symptoms in October compared to June 2020, despite the easing of lockdown regulations from level three to level one over the same period. Furthermore, childcare responsibility, which arose as a result of lockdowns (closure of schools and childcare facilities), was associated with poor mental health outcomes for the caregivers (Nwosu, 2021). This outcome was stronger for men than for women and also mediated by the effect of childcare on the caregivers' ability to work or look for work opportunities. Therefore, although lockdowns and social distancing measures were implemented to curb the transmission of the virus and ease the burden of COVID-related disease on the healthcare system, the unintended consequences of these restrictions give rise to an additional mental health burden in society with implications for the health system.

Source: Western Cape Department of Health Annual Performance Plan 2021/22

Over the past year, COVID-19 has had a major impact on all health outcomes, from a preventative and a reactionary/responsive perspective. The reactionary/responsive perspective was mainly attributed to the ongoing pandemic due to the subsequent wave of infections having a direct impact on the delivery of routine or preventative comprehensive health services. Other comprehensive services such as elective surgeries had to take a back seat, while resources had to be diverted to respond to the pandemic. Now that the vaccination programme is in progress, the public health system can potentially expect a downward trend in COVID-19 related hospitalisations and deaths, which may spill over positively into the health system's ability to restore service delivery on all levels – thereby working towards improving health outcomes for the Province.

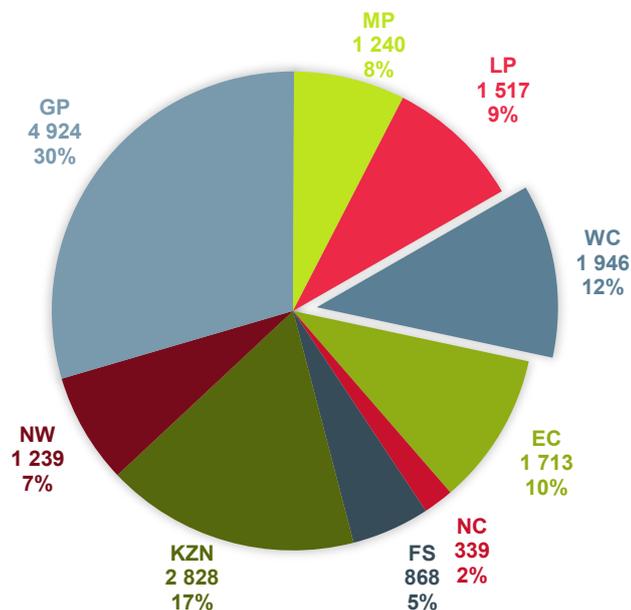
5.6 Housing and municipal services¹⁹

Housing satisfies a basic human need for physical security and comfort. The characteristics of the dwellings in which households live provide an important indication of the well-being of household members.

5.6.1 Housing

Stats SA defines households as individuals who live together under the same roof or in the same yard and share resources such as food or money to keep the household functioning. The definition is much more restrictive than the concept of a family, which usually refers to individuals related by blood and who may live very far apart. Although household members are usually related, blood relations are not prerequisites for the formation of a household. The number of South African households increased from 12.1 million in 2002 to 16.6 million in 2020. In 2020, Gauteng had the largest number of households at 4.9 million (30 per cent), followed by KwaZulu-Natal at 2.8 million (17 per cent), and then by the Western Cape at 1.9 million (12 per cent) (see Figure 5.30). In comparison, the Northern Cape is the least populous province with the smallest number of households at 339 000 (2 per cent).

Figure 5.28 Number of households and relative share per province, 2020



Note: Values are in thousands

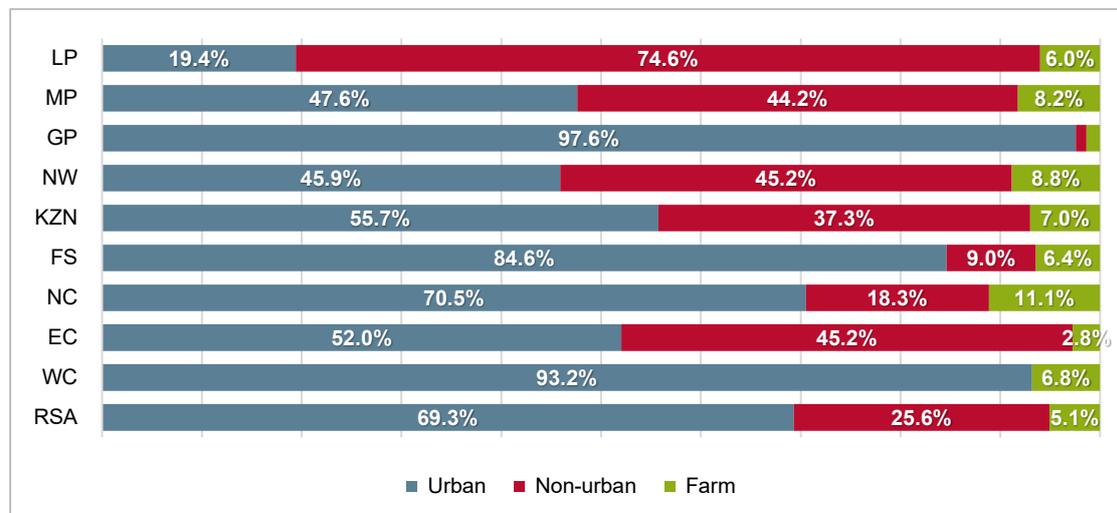
Source: Quantec Research, 2021

¹⁹ This section contains data from Quantec Research. Quantec Research uses the following sources when compiling their data for Housing and municipal services:

- Population Census Stats SA on ward level (2011 demarcation)
- Mid-year Population Estimates Stats SA on district council level (2011 demarcation)
- Demographic/AIDS model Actuarial Society of SA on provincial level
- General Household Survey Stats SA

Almost 70 per cent of South African households are situated in urban areas, while 25.6 per cent are located in non-urban areas and 5.1 per cent on farms. In the Western Cape, over 90 per cent of the households are situated in urban areas and 6.8 per cent on farms.

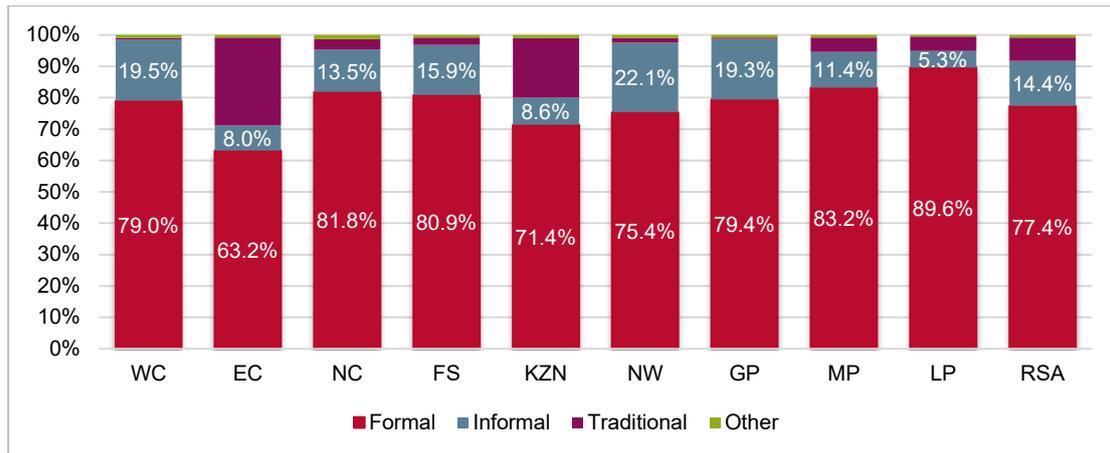
Figure 5.29 Geography type per province, 2020



Source: Quantec Research, 2021

Nationally, slightly more than three quarters (77.4 per cent) of households lived in formal dwellings, followed by 14.4 per cent in informal dwellings and 7.3 per cent in traditional dwellings in 2020 (see Figure 5.30). Households that lived in formal dwellings were most common in Limpopo (89.6 per cent) and least common in the Eastern Cape (63.2 per cent).

In the Western Cape, 79.0 per cent of households lived in formal dwellings, 19.5 per cent lived in informal dwellings, while 0.5 per cent of households lived in traditional dwellings. In the City of Cape Town, 77.2 per cent of households lived in formal dwellings, 21.7 per cent lived in informal dwellings, while 0.3 per cent of households lived in traditional dwellings. Although no formal data is available, the number of homeless people living on the streets has increased significantly in the wake of COVID-19 and related economic lockdowns. This issue is particularly prevalent in the City of Cape Town.

Figure 5.30 Percentage of households that lived in formal, informal and traditional dwellings by province, 2020

Source: Quantec Research, 2021

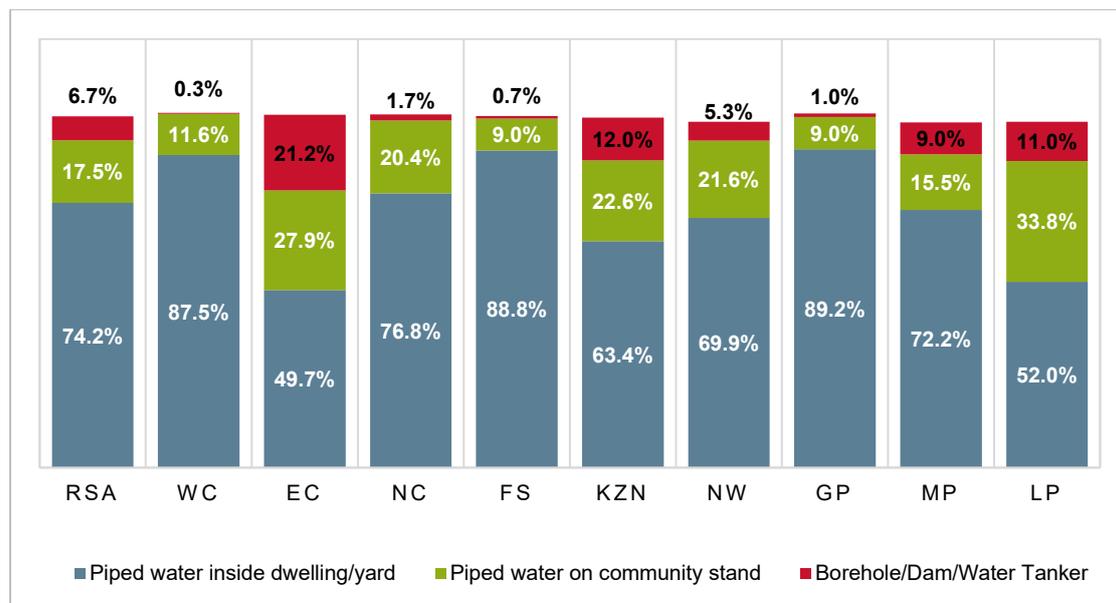
In 2010, 18.4 per cent of households in the Western Cape were informal dwellings. By 2020, 19.5 per cent of households were informal dwellings. Informal dwellings in the Western Cape grew at an annual average of 2.8 per cent over the ten-year period, likely due to the increase in in-migration, population growth and unemployment trends in the Province, over the past decade.

5.6.2 Municipal services

Having adequate and affordable access to energy sources, clean running water, sanitation and refuse removal are vital factors in improving living conditions and addressing household poverty.

5.6.2.1 Access to Water

Nationally, households with access to piped water in their dwellings increased by 2.9 per cent per annum between 2010 and 2020. Provincially, households with access to piped water in their dwellings increased by 2.4 per cent per annum between 2010 and 2020. In 2020, the percentage of households in South Africa with access to piped water inside their dwellings was 74.2 per cent, 17.5 per cent of households had access to piped water on communal stands, while 6.7 per cent used water from either a borehole, dam or water tanker (see Figure 5.31). Piped water inside dwellings was most common among households in the Free State (88.8 per cent), the Western Cape (87.5 per cent), and Gauteng (89.2 per cent), while the least common was recorded in Limpopo (52.0 per cent) and the Eastern Cape (49.7 per cent).


Figure 5.31 Access to water by province, 2020


Source: Quantec Research, 2021

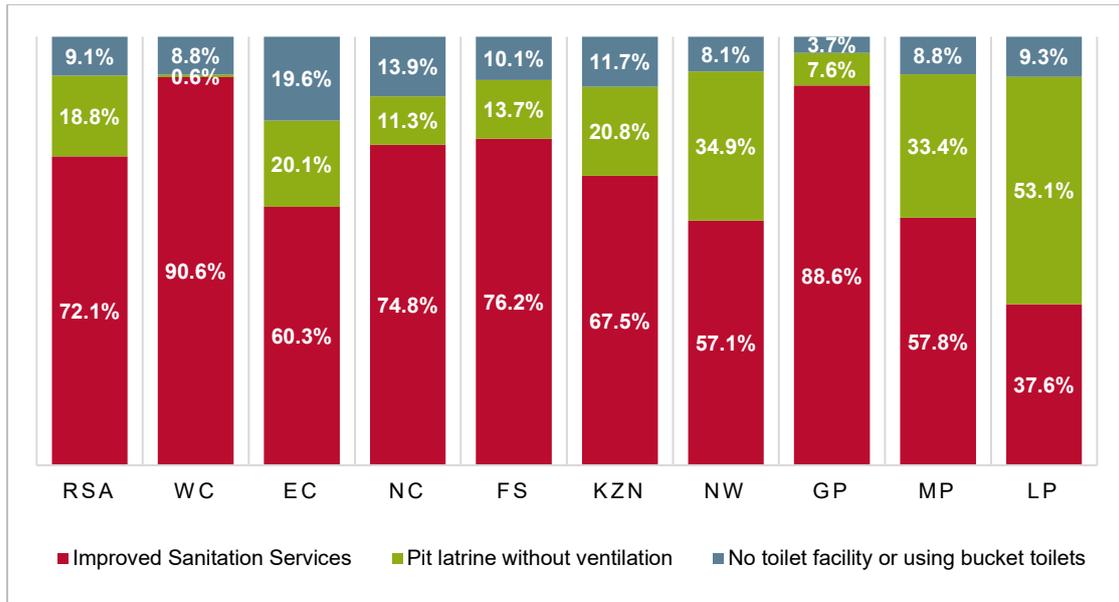
The 2019 General Household Survey measured the quality and frequency of interruptions of municipal water supply services to households. Nationally, the percentage of households that reported water interruptions was slightly more than one-fourth (25.8 per cent) in 2019. The functionality of municipal water supply services measures the extent to which households that received water from a municipality had reported interruptions that lasted more than two days at a time, or more than 15 days in total over 12 months. Households that reported the most water interruptions were in Limpopo (56.6 per cent) and Mpumalanga (54.5 per cent), while households that experienced the least water interruptions were in the Western Cape (4.6 per cent) and Gauteng (9.5 per cent).

5.6.3 Sanitation

Environmental hygiene plays an essential role in the prevention of many diseases. It also impacts the natural environment and the preservation of important natural assets, such as water resources. Proper sanitation is one of the key elements in improving environmental hygiene. Improved 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.



Figure 5.32 Access to sanitation by province, 2020



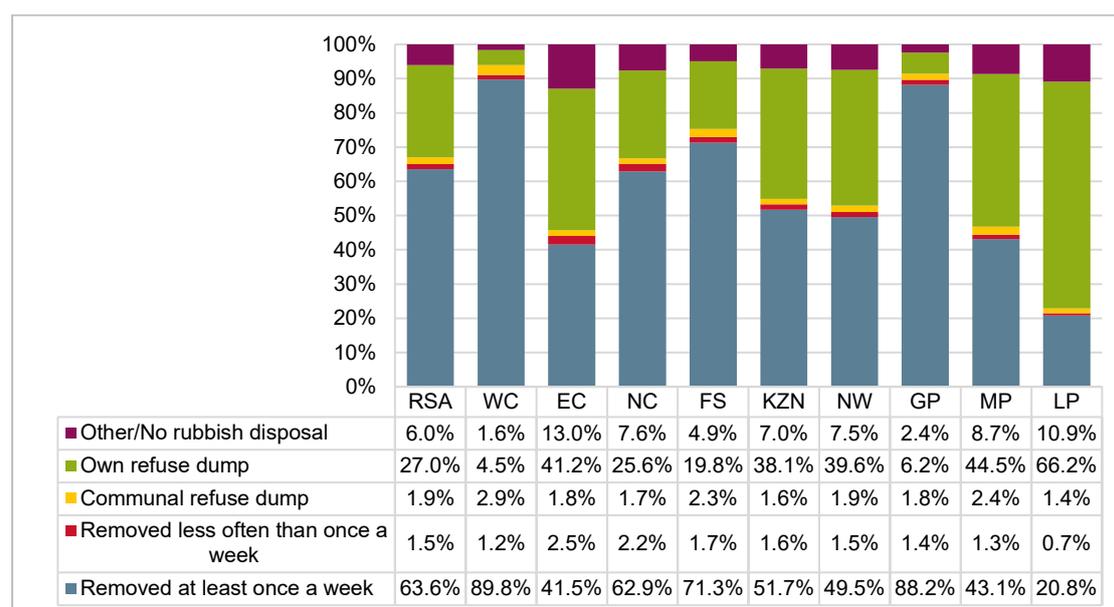
Source: Quantec Research, 2021

The percentage of households with access to improved sanitation increased by 1.5 per cent per annum from 2010 to 2020 nationally and 2.4 per cent per annum provincially. In 2020, the majority of households in the Western Cape (90.6 per cent) and Gauteng (88.6 per cent) had access to adequate sanitation. Access was most limited in Limpopo (37.6 per cent) and Mpumalanga (57.8 per cent). Despite the improved access to sanitation facilities, many households continue to be without any proper sanitation facilities.

Nationally, the percentage of households that continued to live without proper sanitation facilities have been declining consistently between 2010 and 2020, decreasing from 12.8 per cent to 9.1 per cent. In the Western Cape, the percentage of households that continued to live without proper sanitation facilities dropped from 10.6 per cent in 2010 to 8.8 per cent in 2020.

5.6.4 Refuse Removal

The proper disposal of household waste and refuse is important to maintain environmental hygiene of the households' neighbourhoods. Nationally, the percentage of households for which refuse was removed at least once per week in 2020 was 63.6 per cent. Provincially, weekly household refuse removal (89.8 per cent) was most common in the Western Cape in 2020.

Figure 5.33 Access to refuse removal by province, 2020

Source: Quantec Research, 2021

According to the Stats SA General Household Survey, households in urban and metropolitan areas were most likely to have refuse removal services usually provided through local municipalities, while rural areas primarily relied on their own refuse dumps. Nationally, 90.0 per cent of households in rural areas discarded refuse themselves compared to only 19.7 per cent of households in urban, and 15.6 per cent of households in metropolitan areas. The latter households were most likely to be in areas with informal housing. Provincially, 59.6 per cent of households in rural areas discarded refuse themselves compared to 7.1 per cent of households in urban, and 11.9 per cent of households in metropolitan areas. The Western Cape enjoyed the highest rate of improved refuse removal access compared to South Africa.

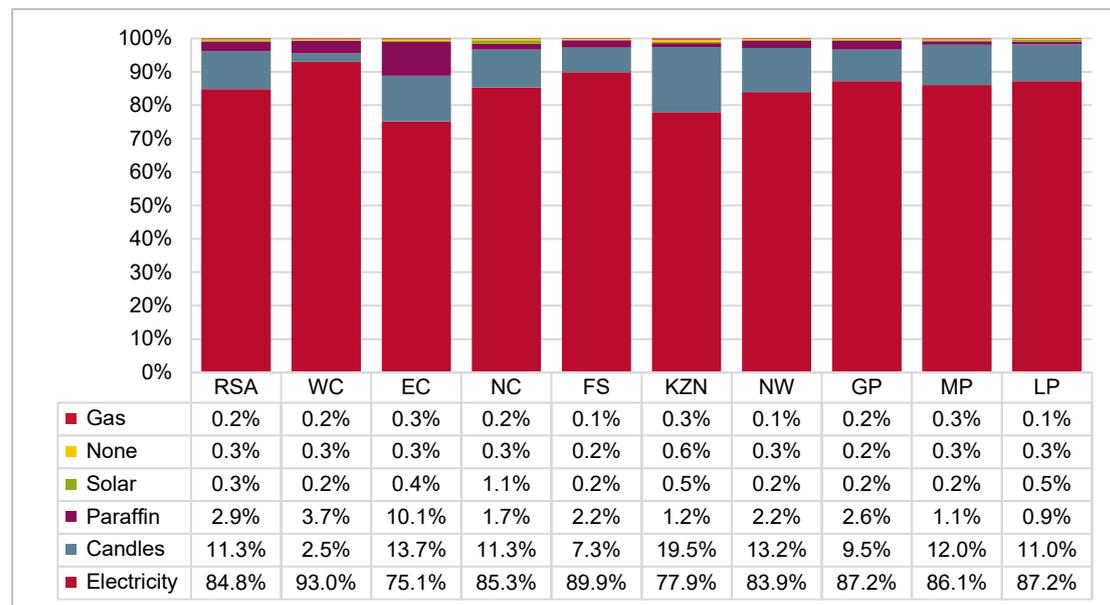
5.6.5 Energy

Having adequate and affordable access to energy sources is vital to address household poverty and to improve overall quality of life. In order to assess household access to energy, Stats SA measured the diversity, and main sources of energy used by households to satisfy basic human needs (cooking, lighting, heating water, space heating).

The percentage of South African households that were connected to the mains electricity supply increased by 2.8 per cent per annum from 78.1 per cent in 2010 to 84.8 per cent in 2020, (see Figure 5.34). In 2020, households with access to mains electricity were most common in the Western Cape (93.0 per cent), Free State (89.9 per cent), Gauteng (87.2 per cent), and Limpopo (87.2 per cent). The percentage of Western Cape households that were connected to the mains electricity supply increased by 2.6 per cent per annum from 89.9 per cent in 2010 to 93.0 per cent in 2020.

In the Western Cape, the second most common energy sources used in 2020 was paraffin (3.7 per cent) followed by candles (2.5 per cent). The least common energy source used in the Western Cape was gas, while only 0.2 per cent of households reported using gas as an energy source.

Figure 5.34 Access to energy by province, 2020



Source: Quantec Research, 2021

THE ROLE OF BASIC SERVICE DELIVERY IN CONTRIBUTING TO A DIGNIFIED LIFE

According to Pasqualucci (2008), a dignified life includes the right not to be prevented from having access to conditions that guarantee a dignified life. Water, electricity, and refuse removal form an integral part of ensuring a dignified life for citizens. Potable water, sanitation, refuse removal, and electricity are essential components of the basket of services required for a dignified life. According to Nleya (2011), service delivery forms a central part of a meaningful life in poor areas because improved services are linked to increased dignity for the poor. The study further points out the failure on behalf of the municipality to deliver basic services and how this causes hardship for residents and impedes social and economic development (Kanyane, 2013).

Basic services should have a development orientation to promote development and support poor households to escape the poverty trap. Having access to sufficient basic services should support the motivation for people to go on with life knowing that they can access their basic needs. Therefore, this will make it easier to accomplish more, like getting an education, a job, and eventually fulfilling their wants (Kraus, 2018).

Water and sanitation are crucial elements of living a healthy life. Being well-groomed and dressed in clean, ironed clothes could enhance the feeling of dignity and potentially increase the chances of finding employment. Access to electricity does not only provide heating for cooking and bathing but also allows households to run basic appliances, charge a phone or provide lighting to accomplish basic tasks such as doing homework or getting ready for work/ bed before and after sunset.

Electricity usage can have an effect on the productivity of citizens, especially those living in rural areas, e.g., improved lighting and access to television can bring about improvement to the quality of the working environment as well as the quality of life (Bond, 1998). Having access to basic services could mean that citizens would be less likely to resort to desperate measures to obtain them (Kraus, 2018), enhancing their dignity.

A dignified life also involves the opportunity to make choices based on public information and to act accordingly and is supported by access to basic services.

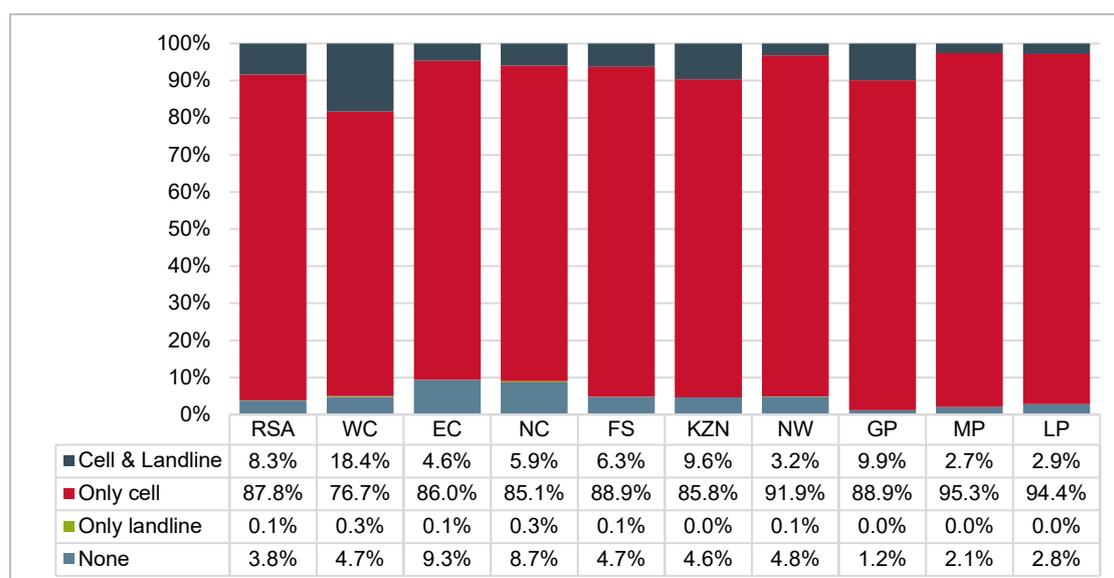
Source: Pasqualucci, 2008; Kanyane, 2013; Kraus, 2018; Bond, 1998; Nleya, 2011

5.6.6 Telecommunication

Communication plays an important role in the fundamental operation of a society. It links people and businesses, facilitating communication and the flow of ideas and information and coordinating economic activities and development. With the COVID-19 pandemic, people have become more reliant on telecommunication to keep individuals and organisations connected and running. Telecommunication is the key enabler of not just connectivity, but also of productivity to keep the world progressing.

The Stats SA General Household Survey gathered data on households that had access to a functional landline or cellular telephone as well as the number of households with access to internet. Figure 5.35 shows the percentage of households who have a functional landline and cellular telephone in their dwellings during 2019.

Figure 5.35 Percentage of households who have a functional landline and cellular telephone in their dwellings by province, 2019



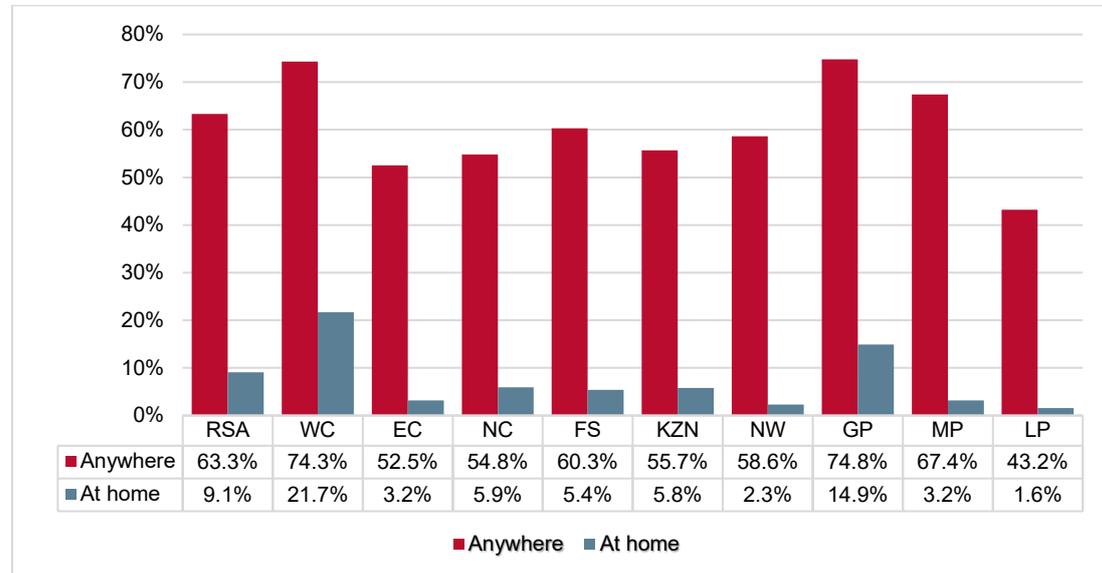
Source: Quantec Research, 2021

Households without access to these communication media were most common in Eastern Cape (9.3 per cent) and Northern Cape (8.7 per cent). Only 0.1 per cent of South African households only used landlines. By comparison, 87.8 per cent of South African households exclusively use cellular phones. The exclusive use of cellular phones was most common in Mpumalanga (95.3 per cent), Limpopo (94.4 per cent) and North West (91.9 per cent). Households that had higher usage of both cellular phones and landlines were most common in the more prosperous provinces, namely the Western Cape (18.4 per cent) and Gauteng (9.9 per cent).

Figure 5.36 shows that 63.3 per cent of South African households had at least one member who had access to, or used the Internet either at home, work, place of study, internet cafés, or at public hot spots. Having access to the internet is important as people can obtain information, use it as a social platform, search for work opportunities etc. Access to the Internet using all available means was highest in Gauteng (74.8 per cent), the Western Cape (74.3 per cent) and Mpumalanga (67.4 per cent), and lowest in Limpopo (43.2 per cent) and the Eastern Cape (52.5 per cent). Less than

one-tenth (9.1 per cent) of South African households had access to the Internet at home. Access to the Internet at home was highest among households in the Western Cape (21.7 per cent) and Gauteng (14.9 per cent), and lowest in Limpopo (1.6 per cent) and North West (2.3 per cent).

Figure 5.36 Percentage of households with access to the Internet at home, or for which at least one member has access to, or used the Internet by province, 2019



Source: Stats SA: General Household Survey, 2020

5.7 Substance abuse and crime

Substance abuse and crime causes a moral decay of society and has a negative impact on economic prospects and the social development of communities. The National Drug Master Plan (NDMP) recognises that the relationship between drug control and human development is complex and requires a coordinated and multi-sectoral approach. A concerted effort is required from all stakeholders to eradicate drug-related harms in communities.

Substance use, abuse and dependence negatively impact every aspect of an individual's life. Problematic patterns of substance use can lead to problems at school or work, cause or aggravate physical- and mental health issues, contribute to injuries such as motor vehicle accidents and strain peer and family relationships. The detrimental effects can also develop into lifelong issues such as chronic health problems resulting in social and financial exclusion.

Substance abuse imposes a range of costs and problems on communities and municipalities that result in economic and social costs such as to:

- Lower workforce productivity;
- Damage to the local economy;
- Negative perceptions of safety and reputation of the local area;
- Damage to public property due to criminality;

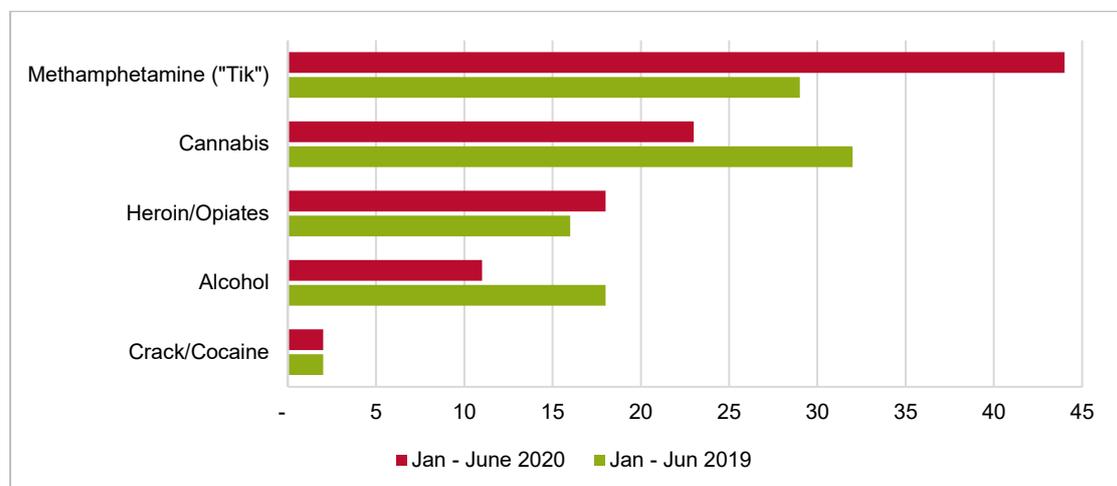
- Pressure on public health due to high-risk sexual behaviour such as unintended pregnancy and sexually transmitted infections, crime and violence, physical and mental problems; and
- Damage to the social fabric of a community.

There are strong links between gangs, drugs, firearms, prostitution, and violent crimes. Considering the high crime rates perpetrated by young people or persons under the influence of substances, focusing on these challenges holistically is central to promoting safety and security. Substance abuse poses a severe challenge for any city as it leads to traffic accidents, violence, crime, and anti-social behaviour, which collectively threaten the social fabric of communities.

5.7.1 Substance abuse²⁰

The South African Community Epidemiology Network on Drug Use (SACENDU) collected data monthly from 31 specialist treatment centres in the Western Cape. SACENDU is a network of researchers, practitioners and policymakers from all areas of South Africa. Due to the emergence of COVID-19, some centres could not collect data during the first half of 2020. Overall, 1 323 patients were treated across all treatment centres for January – June 2020. In the Western Cape, the most common primary substances of use for the period January – June 2020, were (Tik) (44 per cent), cannabis (23 per cent), heroin (18 per cent) and alcohol (11 per cent), together comprising 96 per cent of all admissions. A significant increase in the percentage of methamphetamine patients (15 percentage points) and a slight increase in patients treated for heroin/opiates (2 percentage points) were observed between 2019 and 2020. The percentage of cannabis patients decreased by nine percentage points, while the percentage of alcohol patients decreased by seven percentage points over the 12 months. The majority of patients reported that they used their primary substances daily. The substances that had the highest number of patients reporting daily use was heroin/opiates (86 per cent) and cannabis (61 per cent).

Figure 5.37 Primary substance of use in the Western Cape, 2019 - 2020



Source: Dada et al., 2020

²⁰ All information contained in this section is sourced from Dada et al. (2020)

The proportion of Coloured patients in treatment remains higher than any other racial groups in the Western Cape. Coloured patients in treatment were more likely to be admitted for methamphetamine use (45 per cent), followed by cannabis (22 per cent), heroin/opiates (18 per cent) and alcohol use (10 per cent). Previously, African patients were more likely to be admitted for cannabis use. However, the current period saw that most African patients were admitted for methamphetamine (44 per cent), followed by cannabis (24 per cent) and heroin/opiates use (19 per cent). Among White patients, the majority were admitted for both methamphetamine use (37 per cent), followed by cannabis (26 per cent) and heroin/opiates (16 per cent). A significant decrease in the proportion of cannabis admissions among African patients was noticed during this period (January - June 2019 to January - June 2020), while a substantial decrease in alcohol use was noted for patients of White descent.

Table 5.2 Primary substance of use by Race in the Western Cape, 2019 - 2020

	AFRICAN			COLOURED			WHITE		
	Jan - Jun 2019	Jan - June 2020	Change	Jan - Jun 2019	Jan - June 2020	Change	Jan - Jun 2019	Jan - June 2020	Change
	%	%		%	%		%		
Alcohol	27	9	-18	12	10	-2	42	15	-27
Cannabis	49	24	-25	29	22	-7	15	26	11
Crack / Cocaine	1	1	0	1	2	1	9	5	-4
Heroin / Opiates	4	19	15	21	18	-3	9	16	7
Methamphetamine ("Tik")	19	44	25	35	45	10	17	37	20

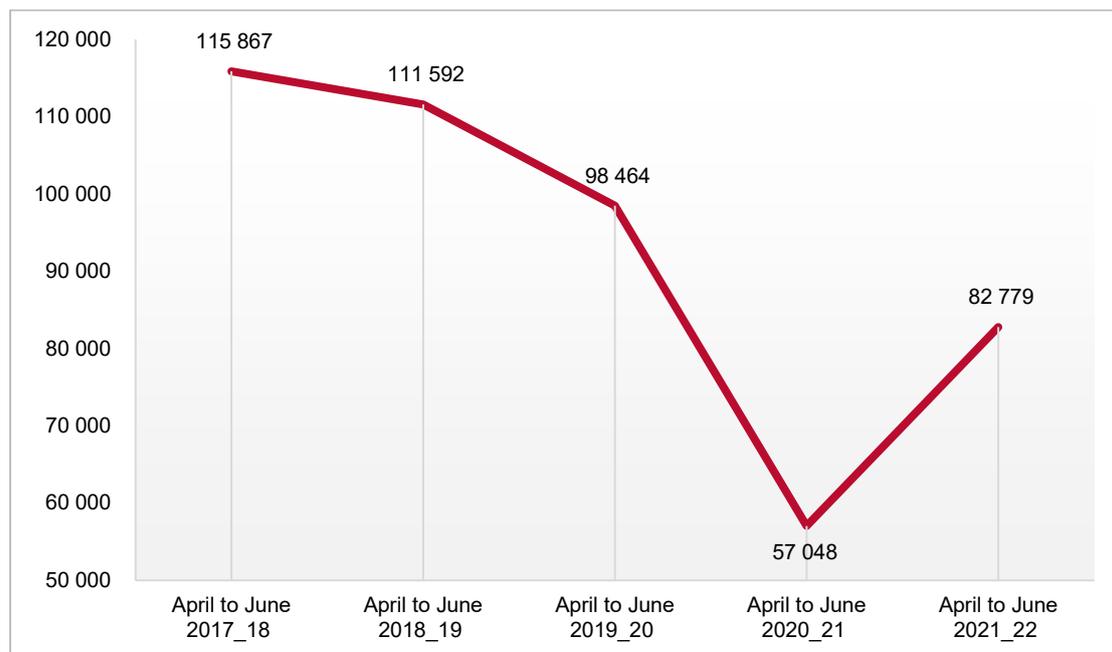
Source: Dada, S. et al., 2021. *Monitoring alcohol, tobacco and other drug abuse treatment admissions in South Africa: January - June 2020/Phase 48, South Africa: SACENDU.*

Patients often report a combination of sources of funding for treatment. According to SACENDU, in the Western Cape, the State (91 per cent) was the most common source of payment in January - June 2020, followed by medical aid (4 per cent) and family/friends (2 per cent).

5.7.2 Crime²¹

This section includes crime statistics for April - June 2020 compared to April - June 2021. Annexure E3 shows the first quarter crime statistics for the Western Cape from April to June 2017/18 – April to June 2021/22. Nationally and provincially all crime categories reported a significant increase in crime rates for April - June 2020 compared to April - June 2021. Overall, crime reported in the Western Cape increased by 45.1 per cent for the period. The significant increase observed in crime rates provincially and nationally can be attributed to the COVID-19 pandemic and hard lockdown implemented in the first quarter of 2020. Since lockdown restrictions have been eased, crime rates have increased. Figure 5.38 shows the number of crimes committed in the Western Cape from April - June 2017/18 to April - June 2021/22.

²¹ Data reported in financial years as per SAPS report

Figure 5.38 Total number of crimes committed in the Western Cape, 2017/18 – 2021/22

Source: South African Police Service, 2021; Own calculations

5.7.2.1 Contact crimes (Crimes against the person)

Contact crime refers to crimes in which the victims themselves are the targets of violence or instances where the victims are in the vicinity of property that criminals target and are subjected to the use of threats of violence by perpetrators. They include the following crime categories:

- Murder;
- Attempted murder;
- Sexual Offences (i.e. rape, sexual assault, attempted sexual offences and contact sexual offences);
- Assault with intent to inflict grievous bodily harm;
- Common assault;
- Common robbery; and
- Robbery with aggravating circumstances.

Contact crimes in South Africa increased by 60.6 per cent from April - June 2020 to April - June 2021, with the highest increase reported for sexual offences (74.1 per cent). Contact crimes in the Western Cape increased by 49.1 per cent from April - June 2020 to April - June 2021. Similar to South Africa, sexual offence reported the highest increase (74.1 per cent). Provincially, murders increased by 29.3 per cent, assaults with the intent to inflict grievous bodily harm increased by 67.5 per cent, common assaults increased by 51.8 per cent, common robbery increased by 46.2 per cent and robbery with aggravating circumstances increased by 39.1 per cent.

Sexual offences are sexual activities that a victim has not consented to, and it can refer to a broad range of sexual behaviours that make a victim feel uncomfortable, frightened or threatened. Sexual offences include the following crimes:

- Rape;
- Sexual Assault;
- Attempted Sexual Offence; and
- Contact Sexual Offence.

In the Western Cape, contact sexual offences (102.9 per cent) was reported as the highest increase in crime from April - June 2020 to April - June 2021, followed by sexual assault (100.0 per cent), attempted sexual offence (88.2 per cent) and rape (64.2 per cent).

5.7.2.2 Property-related crimes

Property-related crime refers to crimes during which tangible property of an individual or institution is taken by criminal elements without permission, and in the absence of the owner/custodian of such property. This type of crime includes:

- Burglary at residential premises;
- Burglary at non-residential premises;
- Theft of motor vehicle and motorcycle;
- Theft out of or from motor vehicle; and
- Stock theft.

Property-related crimes in South Africa increased by 6.0 per cent from April - June 2020 to April - June 2021. Property-related crimes in the Western Cape increased by 2.6 per cent from April - June 2020 to April - June 2021. Under this category, the highest percentage increase (49.5 per cent) was reported in theft of motor vehicle and motorcycle crimes followed by theft out of or from a motor vehicle (8.9 per cent) and burglary at residential premises (5.4 per cent). Crimes related to stock-theft and burglary at non-residential premises decreased with 20.4 and 25.8 per cent respectively.

5.7.2.3 Crime detected as a result of police action

Crime detected as a result of police action is usually not reported to the police, largely dependent on the deployment of law enforcement personnel and employment of intelligence. The crime is usually recorded after the apprehension of suspects in connection with following offences:

- Illegal possession of firearms and ammunition;
- Drug-related crimes;
- Driving under the influence of alcohol and/or drugs; and
- Sexual offences detected as a result of police action.

Nationally, crimes detected as a result of police action increased by 88.0 per cent from April - June 2020 to April - June 2021. Provincially, crimes detected as a result of police action increased by 136.7 per cent from April - June 2020 to April - June 2021. Almost twice as much as reported by South Africa. In the Western Cape under this category driving under the influence of alcohol or drugs increased by 262.1 per cent followed by drug related crimes (139.6 per cent).

5.8 Conclusion

The emergence of the COVID-19 pandemic introduced a new normal, where people had to keep their distance and wear a mask to protect themselves, loved ones and fellow citizens from the virus. The pandemic has already had a significant impact on the socio-economic conditions in South Africa and the Western Cape. Births remain the main driver of population growth in South Africa and the Western Cape. Approximately 7.1 million people live in the Western Cape. South Africa continues to be plagued by poverty, inequality, and unemployment. The pandemic has further intensified systemic problems, leading to further surges in unemployment levels. South Africa recorded the highest Gini coefficient globally. The Gini coefficient in the Province, metro and districts has worsened considerably between 2012 and 2020, but the Western Cape remains marginally below levels experienced at a national level.

In terms of education, the pandemic has led to the massive closure of face-to-face activities of educational institutions in more than 190 countries in order to prevent the spread of the virus and mitigate its impact. The Western Cape Government however continued to prioritise improving education as a means of achieving better socio-economic development during the 2020 school year. Although the NSC pass rate for all provinces dropped in 2020, the Western Cape reported the lowest drop in NSC pass rate in comparison to the national decrease. In terms of health outcomes in the Province, life expectancy for males declined, while it increased for females. The leading underlying cause of death in the Western Cape remains diabetes mellitus. Testing for HIV and TB was also severely affected by the pandemic, as HIV testing levels fell by nearly 50 per cent between February and April 2020. Policy-making and planning should not only focus on fighting the pandemic, but also ensure that existing non-communicable diseases are effectively addressed.

The combination of population growth, slow economic expansion and high unemployment is likely to result in an increasing demand for government services as an increasing proportion of the population is unable to privately source them.

Annexure E

Annexure E1 Top ten leading underlying natural causes of death in each Province of death occurrence, 2018

	WESTERN CAPE			EASTERN CAPE			NORTHERN CAPE			FREE STATE			KWAZULU-NATAL			NORTH WEST			GAUTENG			MPUMALANGA			LIMPOPO		
	Rank	No	%	Rank	No	%	Rank	No	%	Rank	No	%	Rank	No	%	Rank	No	%	Rank	No	%	Rank	No	%	Rank	No	%
Diabetes mellitus	1	3699	7.6	3	3905	5.8	5	659	4.7	3	1565	5.4	2	6022	7.1	4	1561	5.0	2	4252	4.7	3	1651	5.5	2	2787	6.6
Ischaemic heart diseases	2	2941	6.1				10	454	3.3				8	2494	2.9				7	3091	3.4	7	1260	4.2			
Cerebro-vascular diseases	3	2853	5.9	4	3315	4.9	4	668	4.8	6	1469	5.1	4	4866	5.7	7	1376	4.4	4	2735	4.1	5	1467	4.9	3	2607	6.2
HIV	4	2757	5.7	2	3991	5.9	2	912	6.5	4	1525	5.3	5	4571	5.4	3	1598	5.1	10	2414	2.7	6	1452	4.8	6	1962	4.6
Chronic lower respiratory diseases	5	2469	5.1	6	2914	4.3	7	614	4.4	10	766	2.6				9	817	2.6	8	2511	2.8						
TB	6	2393	4.9	1	5454	8.1	1	913	6.5	2	1573	5.4	3	5761	6.8	1	2143	6.8	3	3912	4.3	1	2191	7.3	5	2226	5.3
Malignant neoplasms of digestive organs	7	2174	4.5	9	1676	2.5							10	1771	2.1				9	2450	2.7						

	WESTERN CAPE			EASTERN CAPE			NORTHERN CAPE			FREE STATE			KWAZULU-NATAL			NORTH WEST			GAUTENG			MPUMALANGA			LIMPOPO		
	Rank	No	%	Rank	No	%	Rank	No	%	Rank	No	%	Rank	No	%	Rank	No	%	Rank	No	%	Rank	No	%	Rank	No	%
Malignant neoplasms of respiratory and intrathoracic organs	8	2 156	4.5																								
Hypertensive diseases	9	1 845	3.8	5	3 166	4.7	3	812	5.8	1	1 748	6.0	6	3 254	3.8	2	1 773	5.6	6	3 352	3.7	2	1 656	5.5	4	2 319	5.5
Other forms of heart disease	10	1 585	3.3	7	2 577	3.8	6	659	4.7	7	1 300	4.5	1	6 930	8.2	5	1 536	4.9	1	5 321	5.8	8	1 091	3.6	8	1 286	3.0
Influenza and pneumonia				8	1 874	2.8	8	606	4.3	5	1 512	5.2	7	2 763	3.3	6	1 415	4.5	5	3 540	3.9	4	1 507	5.0	1	2 854	6.8
Other viral diseases				10	1 392	2.1				9	840	2.9	9	1 855	2.2	8	975	3.1				9	980	3.3	7	1 447	3.4
Certain disorders involving the immune mechanism							9	477	3.4	8	863	3.0				10	784	2.5									
Intestinal infectious diseases																						10	769	2.6	9	1 204	2.8

	WESTERN CAPE			EASTERN CAPE			NORTHERN CAPE			FREE STATE			KWAZULU-NATAL			NORTH WEST			GAUTENG			MPUMALANGA			LIMPOPO			
	Rank	No	%	Rank	No	%	Rank	No	%	Rank	No	%	Rank	No	%	Rank	No	%	Rank	No	%	Rank	No	%	Rank	No	%	
Renal failure																												
Other Natural		17 228	35.6		28 765	42.9		59 09	42.3		12 607	43.6		33 070	39.0		1 4611	46.4		45 523	50.0		12 815	42.5		18 658	44.1	
Non-natural		6 276	13.0		8 090	12.1		1 279	9.2		3 159	10.9		11 421	13.5		2 897	9.2		1 0873	12.0		3 283	10.9		3 773	8.9	
TOTAL		48 376	100		67 119	100		13 962	100		28 927	100		84 778	100		31 486	100		90 974	100		30 122	100		42 270	100	

Source: Stats SA: Mortality and causes of death in South Africa, 2021

Annexure E2 Underlying non-natural causes of death by province, 2018

	WESTERN CAPE			EASTERN CAPE			NORTHERN CAPE			FREE STATE			KWAZULU-NATAL			NORTH WEST			GAUTENG			MPUMALANGA			LIMPOPO		
	Rank	No.	%	Rank	No.	%	Rank	No.	%	Rank	No.	%	Rank	No.	%	Rank	No.	%	Rank	No.	%	Rank	No.	%	Rank	No.	%
Other external causes of accidental injury	1	4 379	69.8	1	4 925	60.9	1	513	68.3	1	2 158	68.3	1	7 892	69.1	1	1 820	62.8	1	8 562	78.7	1	2 372	72.3	1	2 150	57.0
Assault	2	1 254	20.0	2	1 835	22.7	3	243	14.4	2	454	14.4	2	1 485	13.0	3	350	12.1	3	989	9.1	3	237	7.2	3	336	8.9
Transport accidents	3	3 66	5.8	3	907	11.2	2	378	29.6	3	287	9.1	3	1 407	12.3	2	524	18.1	4	347	3.2	2	503	15.3	2	1 136	30.1
Complications of medical & surgical care	4	145	2.3	5	97	1.2	6	23	1.8	6	56	1.8	5	197	1.7	5	45	1.6	5	338	3.1	5	42	1.3	5	50	13.0
Intentional self-harm	5	30	0.5	6	15	0.2	4	80	0.4	5	13	0.4	6	133	1.2	7	2	0.1	7	13	0.1	7	25	0.8	6	5	0.1
Event of undetermined intent	6	79	1.3	4	296	3.7	5	42	5.8	4	182	5.8	4	292	2.6	4	150	5.2	4	597	5.5	4	103	3.1	4	92	2.4
Sequelae of external causes of morbidity & mortality	7	23	0.4	6	15	0.2	7	0	0.3	7	9	0.3	7	15	0.1	6	6	0.2	6	27	0.2	6	1	0.0	7	4	0.1
SUBTOTAL		6 276	100		8 090	100		1 279	100		3 159	100		11 421	100		2 897	100		10 873	100		3 283	100		3 773	100
Non-natural		6 276	13.0		8 091	13.7		3 158	9.2		3 158	10.9		11 420	13.5		2 898	9.2		10 873	12.0		3 283	10.9		3 774	8.9
Natural causes		42 100	87.0		59 029	87.9		25 768	90.8		25 765	89.1		73 357	86.5		38 589	90.8		80 101	88.1		26 839	89.1		38 497	91.1
TOTAL		483 76	100		67 120	100		28 926	100		28 926	100		84 777	100		31 487	100		90 974	100		30 112	100		42 271	100

Source: Stats SA: Mortality and causes of death in South Africa, 2021

Annexure E3 First Quarter Crime Statistics, Western Cape, April to June 2017/18 – April to June 2021/22

	2017/18	2018/19	2019/20	2020/21	2021/22	Count Diff	% Change
CONTACT CRIMES (CRIMES AGAINST THE PERSON)	26 535	26 220	26 490	16 314	24 325	8 011	49.1%
Murder	885	935	1 056	767	992	225	29.3%
Sexual Offences	1 616	1 418	1 585	990	1 724	734	74.1%
Attempted murder	876	962	931	858	866	8	0.9%
Assault with the intent to inflict grievous bodily harm	5 193	5 297	5 300	3 028	5 072	2 044	67.5%
Common assault	9 066	8 940	8 520	5 737	8 710	2 973	51.8%
Common robbery	2 956	2 744	2 838	1 387	2 028	641	46.2%
Robbery with aggravating circumstances	5 943	5 924	6 260	3 547	4 933	1 386	39.1%
TOTAL SEXUAL OFFENCES	1 616	1 418	1 585	990	1 724	734	74.1%
Rape	1 107	926	1 107	707	1 161	454	64.2%
Sexual Assault	363	365	370	214	428	214	100.0%
Attempted Sexual Offences	83	69	60	34	64	30	88.2%
Contact Sexual Offences	63	58	48	35	71	36	102.9%
SOME SUBCATEGORIES OF AGGRAVATED ROBBERY							
Carjacking	546	568	765	497	589	92	18.5%
Robbery at residential premises	709	690	655	533	659	126	23.6%
Robbery at non-residential premises	508	457	478	310	433	123	39.7%
Robbery of cash in transit	8	2	1	-	6	6	6 Counts Higher
Truck hijacking	34	36	41	37	23	-14	-37.8%
CONTACT-RELATED CRIMES	6 661	6 948	6 900	4 755	6 304	1 549	32.6%
Arson	171	206	183	126	173	47	37.3%
Malicious damage to property	6 490	6 742	6 717	4 629	6 131	1 502	32.4%

	2017/18	2018/19	2019/20	2020/21	2021/22	Count Diff	% Change
PROPERTY-RELATED CRIMES	24 858	23 682	22 654	15 120	15 518	398	2.6%
Burglary at non-residential premises	2 974	2 801	2 624	2 838	2 105	-733	-25.8%
Burglary at residential premises	10 556	10 047	9 295	6 190	6 525	335	5.4%
Theft of motor vehicle and motorcycle	1 844	1 847	1 716	831	1 242	411	49.5%
Theft out of or from motor vehicle	9 227	8 716	8 775	4 976	5 419	443	8.9%
Stock-theft	257	271	244	285	227	-58	-20.4%
OTHER SERIOUS CRIMES	25 969	25 896	24 152	13 790	19 901	6 111	44.3%
All theft not mentioned elsewhere	19 622	19 431	17 356	9 307	13 626	4 319	46.4%
Commercial crime	2 838	3 350	3 291	2 322	4 038	1 716	73.9%
Shoplifting	3 509	3 115	3 505	2 161	2 237	76	3.5%
TOTAL 17 COMMUNITY REPORTED SERIOUS CRIMES	84 023	82 746	80 196	49 979	66 048	16 069	32.2%
CRIME DETECTED AS A RESULT OF POLICE ACTION	31 844	28 846	18 268	7 069	16 731	9 662	136.7%
Illegal possession of firearms and ammunition	737	766	723	542	571	29	5.4%
Drug-related crime	28 223	24 797	14 562	6 097	14 609	8 512	139.6%
Driving under the influence of alcohol or drugs	2 856	3 247	2 961	427	1 546	1 119	262.1%
Sexual Offences detected as a result of police action	28	36	22	3	5	2	66.7%
TOTAL NUMBER OF CRIMES COMMITTED IN THE WESTERN CAPE	115 867	111 592	98 464	57 048	82 779	25 731	45.1%

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Glossary

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.
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.
Coronavirus disease (COVID-19)	An illness caused by an infection with the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) virus strain.
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.
Dependency ratio	The size of the dependent population (children and the elderly) relative to the size of the working-age population.
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 work seekers 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 work seekers (i.e. the searching and the non-searching unemployed).
Expropriation without compensation (EWC)	This is a term that is part of a bill to amend the Constitution to allow expropriation without compensation (EWC). The bill would allow where land and any improvements thereon are expropriated for purposes of land reform, of which the amount of compensation may be nil.
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.
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.
NIDS-CRAM	The National Income Dynamics Study-Coronavirus Rapid Mobile Survey (NIDS-CRAM) is a broadly nationally representative panel survey of South African individuals. The same people are contacted every few months and asked a range of questions on their income and employment, their household welfare, receipt of grants, and about their knowledge and behaviour related to COVID-19.
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.
Producer Price Index (PPI)	A measure of inflation based on input costs to producers.

Purchasing Power Parity (PPP)	A measure to compare standards of living between countries by comparing different countries' currencies through a "common basket of goods" approach.
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.
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.
Renewable Independent Power Producer Programme (REIPPP)	Renewable Independent Power Producer Programme (REIPPP) is aimed at bringing additional megawatts onto the country's electricity system through private sector investment in wind, biomass and small hydro, among others.
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.
Special Economic Zone (SEZ)	Special Economic Zones (SEZs), are geographically designated areas of a country set aside for specifically targeted economic activities, supported through special arrangements (that may include laws) and systems that are often different from those that apply in the rest of the country.
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).

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.
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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