Western Cape Government

2021

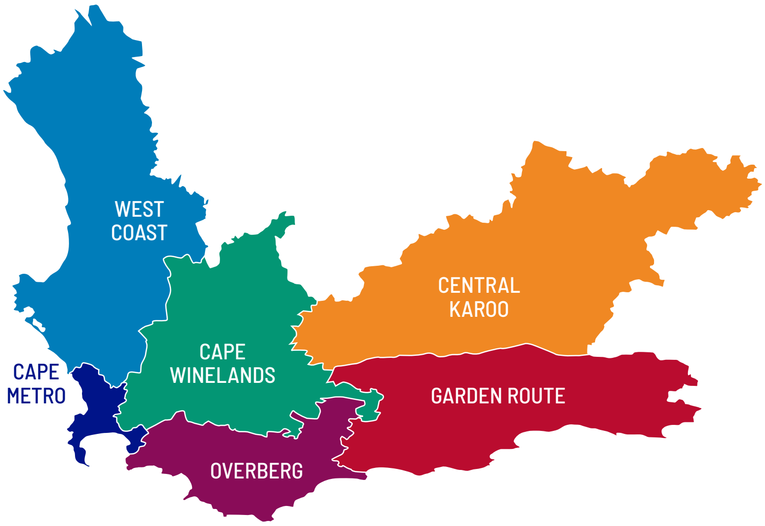
Municipal Economic Review and Outlook

Cape Metro

Western Cape Government

2021 Municipal Economic Review and Outlook

Cape Metro District



Provincial Treasury

Local Government Budget Office

Private Bag X9165

15 Wale Street

Cape Town

tel: +27 21 483 5618

www.westerncape.gov.za

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ABOUT THE MUNICIPAL ECONOMIC REVIEW AND OUTLOOK (MERO)

The Municipal Economic Review and Outlook (MERO) is a socio-economic research publication produced annually by the Western Cape Provincial Treasury since 2012. Together with its companion publication, the Provincial Economic Review and Outlook (PERO), the MERO informs the Western Cape Government's (WCG) evidence-based approach towards integrated planning and budgeting by guiding the equitable and sustainable distribution of financial resources.

The PERO provides policy-makers, sector departments and municipalities with a high-level review and outlook of past and forecasted economic developments that influence the national and sub-national spheres of government. In turn, the MERO disaggregates economic intelligence at a municipal level which feeds into municipal integrated development plans (IDPs), local economic development strategies (LEDs) and budgets.

The MERO starts off by providing an analysis of macroeconomic performance, a future growth outlook and labour market trends at a district level. It then proceeds with a more in-depth regional economic analysis by considering the trends in sectoral growth, skills and employment for each of the Western Cape's municipal areas. The MERO is not only a planning and budgeting tool for the public sector, but aims to support private sector developments by reflecting on investment potential and comparative advantages for each local municipal area i.e. unpacking levels of specialisation in different sectors and discussing whether certain regions are importing, self-sufficient or exporting its surpluses. Importantly, the MERO also attempts to consider the influence of exogenous factors on the future growth outlook (sectoral forecasting) of local economies. Lastly, the document assesses the extent to which economic developments impact on the social and living conditions of households and individuals per district.

The 2021 MERO is the 10th edition since its inception in 2012 and can be accessed on Provincial Treasury's website by using your mobile device to scan the QR code on the adjacent page.

FOREWORD

This year, the Municipal Economic Review and Outlook (MERO) is published shortly after the 2021 Local Government Elections. It provides the information needed for new councillors to set out a vision for their municipalities through the integrated development plans (IDPs), local economic development strategies and budgets.

In support of the Joint District and Metro Approach, the 2021 MERO has been disaggregated into separate district-specific publications to provide a more focussed overview of the challenges facing district structures while simultaneously acknowledging the development potential and bespoke offerings of each district. I am confident that the new district publications will contribute towards the notion of co-planning, co-budgeting and co-implementation as well as empower decision makers in their strategic policy responses aimed at ensuring a rapid and sustainable economic recovery in the post-COVID-19 environment.

The Western Cape Government, together with its municipalities, remain committed to the evidence-based approach towards planning and budgeting whereby credible research and a well-defined set of budget policy principles guide the equitable, sustainable allocation of scarce resources. The MERO contributes towards this cause by collating reliable data sources into regional-specific research publications.

Lastly, I wish to extend a sincere word of appreciation to the research and development team and their partners for compiling a research publication of the highest standard. Your commitment and dedication to develop an innovative publication of such quality, amidst trying times, has not gone unnoticed.

Mr David Maynier
Minister of Finance and Economic Opportunities
6 December 2021

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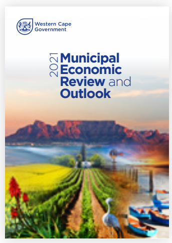
THE OTHER **DISTRICTS**

MERO 2021
ALL DISTRICTS



ACRONYMS AND ABBREVIATIONS

ACSA	Airports Company South Africa
AGOA	African Growth and Opportunity Act
AIDS	acquired immunodeficiency syndrome
ART	antiretroviral treatment
ASEZ	Atlantis Special Economic Zone
AVAT	African Vaccine Acquisition Trust
B&B	bed and breakfast
BER	Bureau for Economic Research
BFAP	Bureau for Food and Agricultural Policy
BPO	business processing outsourcing
CBO	community-based organisation
CKD	Central Karoo District
COVID-19	coronavirus disease 2019
CPF	Community Police Forum
CPI	Consumer Price Index
CSD	Central Supply Database
CSIR	Council for Scientific and Industrial Research
CTCP	Clothing and Textiles Competitiveness Programme
CWD	Cape Winelands District
DAFF	Department of Agriculture, Forestry and Fisheries
DFFE	Department of Forestry, Fisheries and the Environment
DOH	Department of Health
DoHS	Department of Human Settlements
DSD	Department of Social Development
DSD MYPE PPU	Department of Social Development Mid-year Population Estimate Provincial Population Unit
DTIC	Department of Trade, Industry and Competition
DTPW	Department of Transport and Public Works
e	estimate
ECD	early childhood development
EME	exempted micro enterprise
EPWP	Expanded Public Works Programme
ERRP	Economic Reconstruction and Recovery Plan
EU	European Union
f	forecast
FIFA	Fédération Internationale de Football Association

FPL	food poverty line
FTE	full-time equivalent
GBS	Global Business Service
GDP	gross domestic product
GDPR	gross domestic product per region
GPS	Growth Potential Study
GRD	Garden Route District
GSP	Generalised System of Preferences
HDI	Human Development Index
HIV	human immunodeficiency virus
HSRC	Human Sciences Research Council
ICCA	International Congress and Convention Association
ICT	information and communications technology
IDP	Integrated Development Plan
IDZ	Industrial Development Zone
ILO	International Labour Organization
IMF	International Monetary Fund
IPP	Independent Power Producer
IRM	Infrastructure Reporting Model
J&J	Johnson & Johnson
JDMA	Joint District and Metro Approach
JOC	Joint Operations Centre
kl	kilolitre
km	kilometre
kWh	kilowatt-hour
LBPL	lower-bound poverty line
LEAP	Law Enforcement Advancement Plan
LED	local economic development
LNG	liquefied natural gas
MDB	Municipal Demarcation Board
MDR	multidrug-resistant
MERO	Municipal Economic Review and Outlook
MOD	Mass Participation, Opportunity and Access, Development and Growth
mSCOA	Municipal Standard Chart of Accounts
MTEF	Medium Term Expenditure Framework
MYPE	Mid-year Population Estimate

NAMC	National Agricultural Marketing Council
NGO	non-governmental organisation
NHLS	National Health Laboratory Service
NHW	Neighbourhood Watch
NICD	National Institute For Communicable Diseases
NIDS-CRAM	National Income Dynamics Study – Coronavirus Rapid Mobile Survey
OD	Overberg District
OPEC+	Organization of the Petroleum Exporting Countries and their allies
OPMII	Overview of Provincial and Municipal Infrastructure Investment
PERO	Provincial Economic Review and Outlook
PGM	platinum group metal
PHC	primary healthcare
PPE	personal protective equipment
PPI	Producer Price Index
PPP	purchasing power parity
PPU	Provincial Population Unit
PSP	Provincial Strategic Plan
PV	photovoltaic
QES	Quarterly Employment Statistics
QLFS	Quarterly Labour Force Survey
QSE	qualifying small enterprise
REIPPPP	Renewable Energy Independent Power Producer Procurement Programme
RMB	Rand Merchant Bank
RSP	Rural Safety Plan
SA	South Africa
SACU	Southern African Customs Union
SAPS	South African Police Service
SARB	South African Reserve Bank
SARS	South African Revenue Service
SAWIS	SA Wine Industry Information and Systems
SBIDZ	Saldanha Bay Industrial Development Zone
SEZ	Special Economic Zone
SMME	small, medium and micro enterprise
SOE	state-owned enterprise
SRD	Social Relief of Distress
Stats SA	Statistics South Africa
TB	tuberculosis
TDA	Transport and Urban Development Authority

TERS	Temporary Employer/Employee Relief Scheme
TIPS	Trade & Industrial Policy Strategies
TVET	Technical Vocational Education and Training
UBPL	upper-bound poverty line
UIF	Unemployment Insurance Fund
UK	United Kingdom
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
US	United States
USD	United States dollar
VFR	visiting friends and/or relatives
VIP	vision-inspired priority
WCD	West Coast District
WCED	Western Cape Education Department
WCG	Western Cape Government
WCRP	Western Cape Recovery Plan
WHO	World Health Organization
ZAR	South African rand

WC WESTERN CAPE

SEAT **Cape Town** | AREA **129 462 KM²** | DENSITY **52.9 / KM²**

CAPE METRO, WEST COAST DISTRICT, CAPE WINELANDS DISTRICT, OVERBERG DISTRICT, GARDEN ROUTE DISTRICT, CENTRAL KAROO DISTRICT

DEMOGRAPHICS

GENDER – POPULATION

7 014 551
POPULATION 2020

49.4% | 50.6%
Gender split 2020

HOUSEHOLDS

Number of households 2020
2 021 984

Average household income 2019
R19 430

Indigent households 2020
346 450

AGE

0-14yrs	15-64yrs	65+yrs
24.6%	68.7%	6.8 %

Age split 2020

GROSS DOMESTIC PRODUCT

GDPR 2019
R611.9 BILLION

GDPR per capita (2019 current prices)
R88 953.0

GDPR estimated growth

2020e	2021f	2022f
-6.7%	4.6%	2.5%

SERVICES

96.6% Access to water

93.0% Access to electricity

93.9% Access to solid waste removal

90.6% Access to sanitation

2020

EMPLOYMENT

PEOPLE EMPLOYED
2 581 736
2019

159 299
Estimated number of jobs lost 2020

18.9%
Estimated unemployment rate 2020

TRADE

2020

IMPORTS
R195.9 BILLION

EXPORTS
R136.7 BILLION

2020

Top 3 exported products
- Citrus
- Wine
- Apples, pears & quinces

Top 3 export destinations
- Netherlands
- United Kingdom
- United States

TOURISM

VISITORS 2020

OVERSEAS	DOMESTIC
26.4%	73.5%

2020

OVERNIGHT	DAY VISITORS
42.9%	56.8%

Top activities 2020

Scenic drives	Outdoor activities	Culture/heritage
14.0%	14.0%	12.0%

GDPR | EMPLOYMENT

	GDPR 2019: GDPR CONTRIBUTION	GDPR 2020: GDPR GROWTH	EMPLOYMENT 2019: EMPLOYMENT CONTRIBUTION	EMPLOYMENT 2020: EMPLOYMENT GROWTH
PRIMARY SECTOR	**3.5%**	**11.2%**	**10.0%**	**-5.6%**
AGRICULTURE, FORESTRY & FISHING	3.2%	13.3%	10.0%	-5.6%
MINING & QUARRYING	0.3%	-19.4%	0.1%	-8.4%
SECONDARY SECTOR	**23.6%**	**-11.9%**	**16.1%**	**-9.3%**
MANUFACTURING	15.3%	-10.0%	9.9%	-7.2%
ELECTRICITY, GAS & WATER	2.9%	-6.8%	0.3%	-3.2%
CONSTRUCTION	5.3%	-21.1%	5.8%	-13.2%
TERTIARY SECTOR	**72.9%**	**-6.2%**	**73.9%**	**-5.6%**
WHOLESALE & RETAIL TRADE, CATERING & ACCOMMODATION	17.7%	-10.3%	23.9%	-6.7%
TRANSPORT, STORAGE & COMMUNICATION	10.9%	-15.3%	4.6%	-5.1%
FINANCE, INSURANCE, REAL ESTATE & BUSINESS SERVICES	25.3%	-4.4%	19.1%	-5.3%
GENERAL GOVERNMENT	12.1%	0.7%	11.5%	1.1%
COMMUNITY, SOCIAL & PERSONAL SERVICES	7.0%	-2.2%	14.8%	-9.4%

SECTION A

BACKGROUND AND MACROECONOMIC CONTEXT

1. INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION

The Municipal Economic Review and Outlook (MERO) provides detailed economic intelligence disaggregated at a metro, district and municipal level to help inform policy intervention and budgeting at local government. The MERO is a complementary publication to the Provincial Economic Review and Outlook (PERO), which provides detailed economic intelligence at a Provincial level.

The publication utilises a variety of data sources in order to provide an in-depth analysis of the economic and social trends across the various municipal areas of the Western Cape. National economic and employment data is sourced from Statistics South Africa (Stats SA), while the gross domestic product per region (GDPR) data utilised in this report is sourced from Quantec Research. The publication aims to utilise the most recent data sources for the numerous indicators. However, regional GDPR data is only available up to 2019, while 2020 data is estimated. Forecasts for 2021 and 2022 are based on the national forecast from the South African Reserve Bank (SARB), as well as the agriculture sector forecast from the Bureau for Food and Agricultural Policy (BFAP). Data sources for the various socio-economic indicators are sourced from Provincial departments such as Health, Education and Social Development, while tourism data is sourced from Wesgro and crime data from the South African Police Service (SAPS).

1.2 OBJECTIVE OF THE RESEARCH

The main objective of the research is to generate economic intelligence at a municipal level, to inform the municipal integrated development plans (IDPs), municipal budgets, local economic development strategies (LEDs), municipal reporting and the budget process of municipalities.

1.3 REPORT OUTLINE

The MERO 2021 publication is structured as follows:

SECTION A: Background and macroeconomic context - Introduction to the study and a broad overview of the macroeconomic performance and outlook of South Africa and the Western Cape.

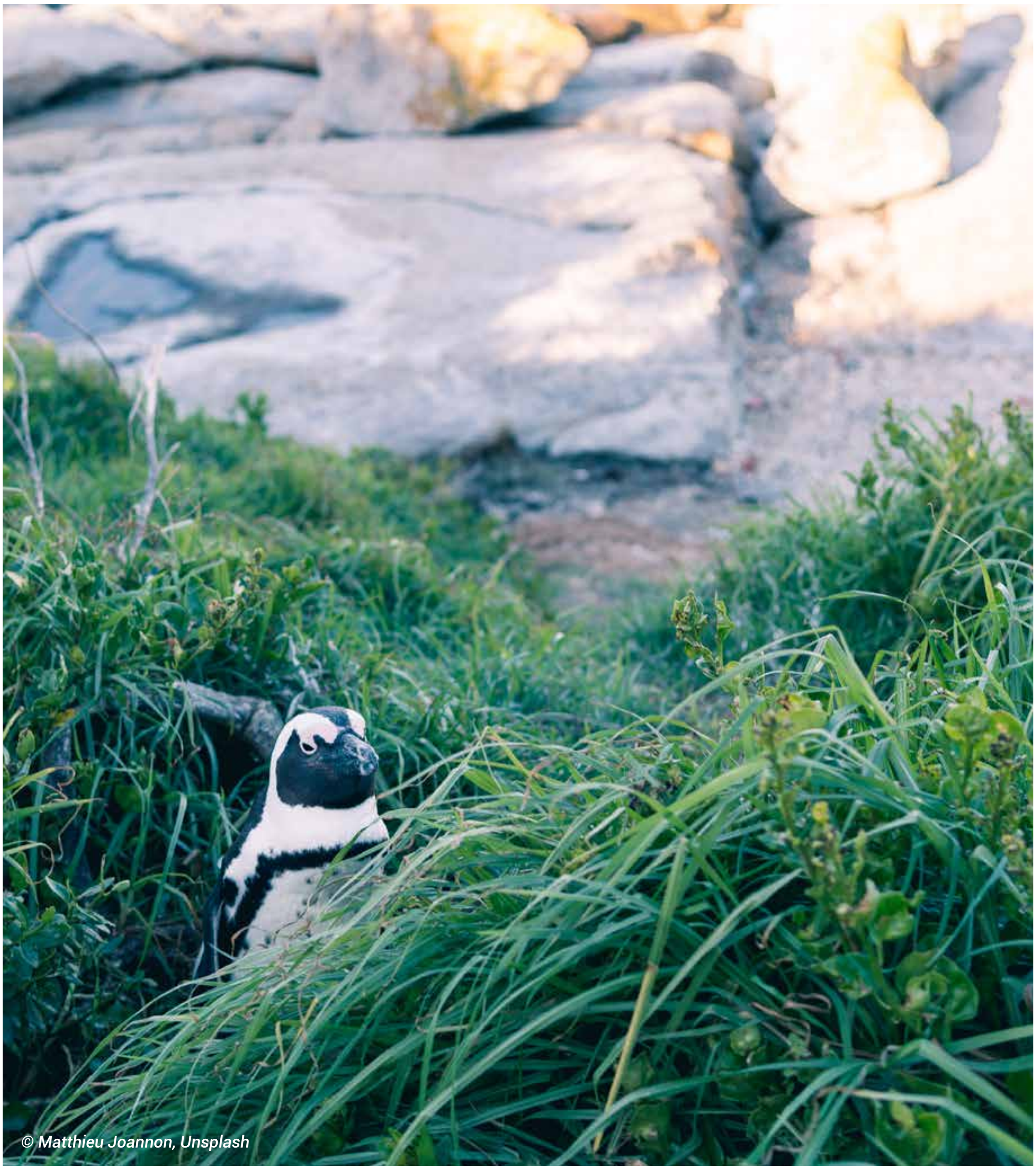
SECTION B: Western Cape regions - More detailed information for the Cape Metro area and the five Districts in the Western Cape, namely the West Coast District (WCD), Cape Winelands District (CWD), Overberg District (OD), Garden Route District (GRD) and Central Karoo District (CKD). Additionally, the 24 local municipal areas are also discussed. An overview of each District is provided as follows:

Chapter 1: Regional economic review and outlook - Broad overview of the Provincial macroeconomic context of each District by focusing on GDPR performance and labour trends. The period under review for MERO 2021 is 2015 to 2019, with 2020 figures being estimated. This chapter also provides GDPR forecasts for 2021 and 2022.

Chapter 2: Sectoral growth, employment and skills per municipal area - This chapter provides a more in-depth macroeconomic outlook by considering the trends in GDPR, employment and skill levels between 2010 and 2020 for each of the municipal areas.

Chapter 3: Trade, tourism and investment - This section explores trade, tourism and investment dynamics at a District level and analyses the comparative advantages of the various economic sectors within the District to identify growth opportunities and potential risks.

Chapter 4: Municipal socio-economic analysis - This chapter provides an overview of the economic and social circumstances of households by analysing population, human development, housing, crime and access to basic services. More specifically, human development in the region is assessed by exploring education levels, health and income.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2. MACROECONOMIC PERFORMANCE AND OUTLOOK

2.1 INTRODUCTION

This section provides an overview of the recent economic performance and medium-term prospects of the Western Cape. The overview is informed by global and national economic expectations and performances. **This section is an extract of Chapter 2 of the PERO. To read the full PERO:**

2.2 GLOBAL ECONOMIC PERFORMANCE

2.2.1 Global economic outlook[1]

The International Monetary Fund (IMF) expects the global economy to rebound to 5.9 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 down by 0.4 percentage points from the July forecast, while the forecast for emerging market and developing economies has been marked up by 0.1 percentage points. The divergence can be supply disruptions in advanced economies and improved commodity prices benefiting commodity-exporting emerging and developing economies. 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.

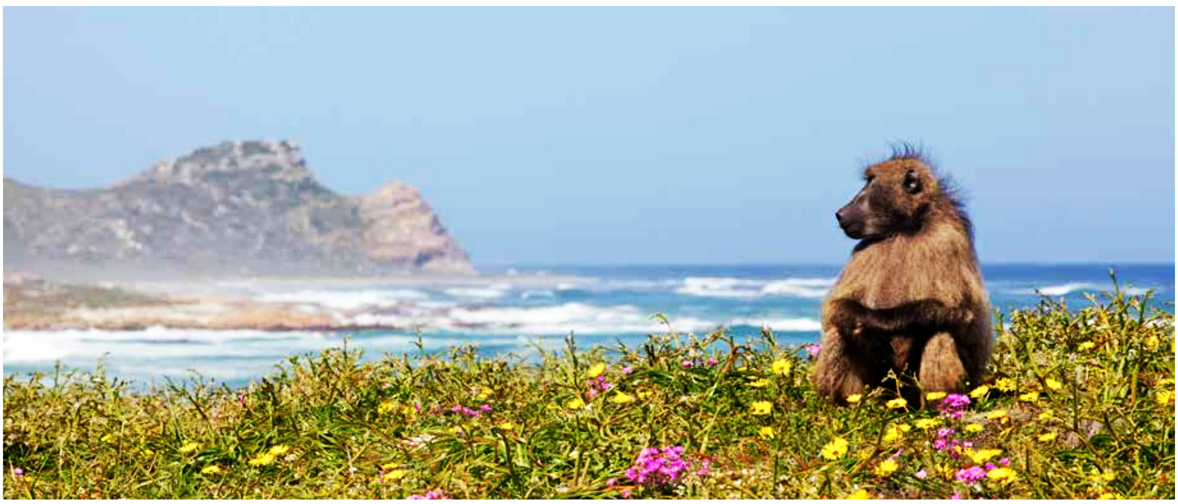
[1] *As released in October 2021.*

Table 2.1

GLOBAL ECONOMIC OUTLOOK, 2021 – 2022

	Size of global GDP in 2020	GDP growth (%)		GDP forecast (%)	
	(%)	2019	2020	2021	2022
World output	**100.0**	**2.8**	**-3.1**	**5.9**	**4.9**
Advanced economies	**59.8**	**1.6**	**-4.5**	**5.2**	**4.5**
United States	24.8	2.2	-3.4	6.0	5.2
Euro area	15.3	1.3	-6.3	5.0	4.3
Germany	4.5	0.6	-4.6	3.1	4.6
France	3.1	1.8	-8.0	6.3	3.9
Italy	2.2	0.3	-8.9	5.8	4.2
Spain	1.5	2.0	-10.8	5.7	6.4
Japan	6.0	0	-4.6	2.4	3.2
United Kingdom	3.2	1.4	-9.8	6.8	5.0
Canada	1.9	1.9	-5.3	5.7	4.9
Other advanced economies	8.7	1.9	-1.9	4.6	3.7
Emerging and developing economies	**40.2**	**3.7**	**-2.1**	**6.4**	**5.1**
Sub-Saharan Africa	1.9	3.2	-1.7	3.7	3.8
Nigeria	0.5	2.2	-1.8	2.6	2.7
Middle East and Central Asia	4.4	1.4	-2.8	4.1	4.1
Emerging and developing Europe	4.3	2.5	-2.0	6.0	3.6
Russia	1.7	2.0	-3.0	4.7	2.9
Emerging and developing Asia	24.5	5.4	-0.8	7.2	6.3
China	17.4	6.0	2.3	8.0	5.6
India	3.2	4.0	-7.3	9.5	8.5
Latin America and the Caribbean	5.1	0.1	-7.0	6.3	3.0
Brazil	1.7	1.4	-4.1	5.2	1.5
Mexico	1.3	-0.2	-8.3	6.2	4.0
Consumer prices					
Advanced economies		1.4	0.7	2.8	2.3
Emerging and developing economies		5.1	5.1	5.5	4.9

Source: IMF, 2021



2.2.2 Performance outlook of advanced economies

Advanced economies are forecast to rebound by 5.2 per cent in 2021 and 4.5 per cent in 2022. This strong post-COVID-19 normalisation is supported by a swift vaccine roll-out and fiscal support. This follows an economic contraction of 4.5 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 economy of the United States (US) is forecast to grow by 6.0 per cent in 2021 and by 5.2 per cent in 2022, following a contraction of 3.4 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 5.0 per cent in 2021 and by 4.3 per cent in 2022 owing to strong policy support and developments in bringing the COVID-19 pandemic under control. This is after the euro area experienced a sharp contraction of 6.3 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. Gross domestic product (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 contraction of 11.5 per cent in the second quarter of 2020 owing 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 6.3 per cent in 2021 and by 3.9 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 new 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.[2] The French Central Bank expects the country's economy to 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 3.1 per cent in 2021 and by 4.6 per cent in 2022 as the economy reopens and growth gains momentum. Germany experienced a 4.6 per cent economic decline in 2020. According to the Federal Statistical Office,[3] 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.

[2] *(Reuters, 2021).*
[3] *(Destatis, 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, when the pandemic emerged.[4]

The economy of the United Kingdom (UK) is forecast to rebound by 6.8 per cent in 2021 and by 5.0 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. A resurgence of infections caused by the Delta variant of the coronavirus nevertheless delayed the lifting of the remaining physical 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 to 2.4 per cent for 2021, but a rebound of 3.2 per cent in 2022 is expected as the Japanese economy reopens and vaccination coverage increases. This follows the sharp contraction of 4.6 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, forcing 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 owing 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.

[4] *(Destatis, 2021).*

2.2.3 Performance and outlook of emerging and developing economies

Emerging markets and developing countries are important and growing export markets for the Western Cape and South Africa. China and India are among the top 10 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 6.4 per cent in 2021 and by 5.1 per cent in 2022, following a contraction of 2.1 per cent in 2020. These economies face a double hit owing 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 5.2 per cent in 2021 and 1.5 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 to 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 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. 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.[5] However, a new, more contagious variant of the virus was discovered in Manaus in early 2021, and by March 2021 the country had reached its highest peak in infections since the start of the pandemic.

The outlook for Russia is promising, with growth forecasts of 4.7 per cent in 2021 and 2.9 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 owing to, among other factors, the macrofiscal stabilisation efforts undertaken in recent years, better regulation of its banking sector and closer trade ties to China.[6] 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.[7]

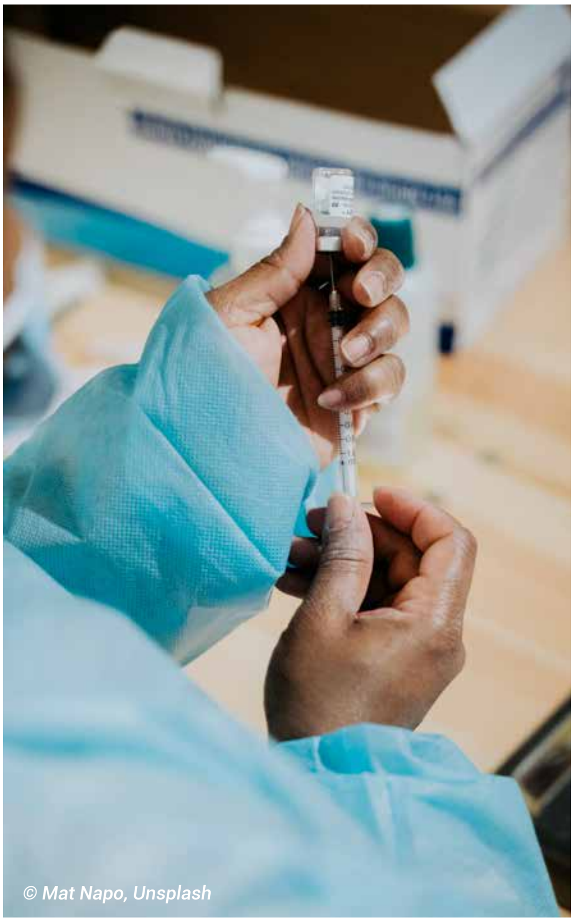
India is forecast to grow by 9.5 per cent in 2021 and 8.5 per cent in 2022, after the country is expected to have suffered an economic contraction of 7.3 per cent in 2020. In March 2020, the Indian government announced a national lockdown, pausing economic activity and resulting in negative growth for 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. Despite the high forecasted growth rates, India's economic growth prospects have been revised down following the March to May 2021 severe second-wave COVID-19 outbreak. 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 owing to a tapering in the spread of COVID-19 infections and an aggressive vaccination campaign.

[5] *(Reuters, 2021).*
[6] *(World Bank, 2021).*
[7] *(Reuters, 2021).*

China’s growth forecast has been revised down to 8.0 per cent for 2021 owing to the cut in public investment and overall fiscal support. The economy is expected to grow by 5.6 per cent in 2022. The Chinese economy expanded by 2.3 per cent in 2020 amid the outbreak of the COVID-19 pandemic, albeit its 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 reopen its economy for business, and managed to bring the spread of COVID-19 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 National Bureau of Statistics of China. 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 has weakened China’s growth prospects. However, the Chinese economy can be strengthened by improved relationships with the US, which is likely to increase exports.

2.2.4 Performance and outlook of sub-Saharan Africa

Sub-Saharan Africa is expected to rebound by 3.7 per cent in 2021 and 3.8 per cent in 2022, supported by growth in South Africa in the first quarter of 2021 and the gradual reopening of the regional economy. However, other countries in the region experienced a downward revision of their growth forecast owing to rising public and external debts and slow vaccine roll-out, especially to vulnerable groups. In 2020, the regional economy contracted by 1.7 per cent owing 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 multilayered 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.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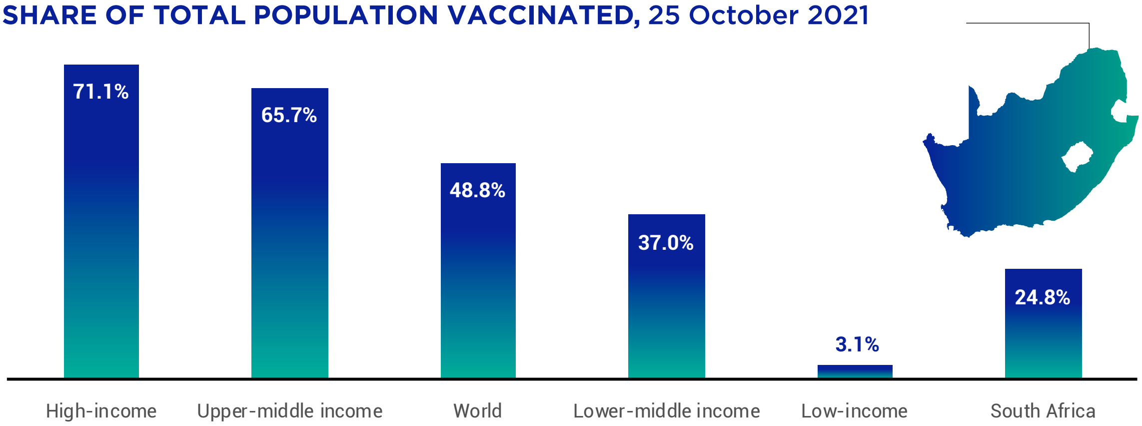
GLOBAL VACCINE ROLL-OUT

As of 31 October 2021, a total of 7.05 billion doses had been administered worldwide. Of this, 1.68 billion were administered by high-income economies and 34.3 million by low-income economies. Approximately 71.1 per cent of the population in high-income economies had been vaccinated (received at least one dosage), compared with 37.0 per cent in lower-middle-income economies and 3.1 per cent in low-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.

Figure 2.1
SHARE OF TOTAL POPULATION VACCINATED, 25 October 2021



Note: This data is only available for countries that report the breakdown of doses administered by first and second doses. Source: Ourworldindata.org, 2021

Of the 54 African nations, only 15 managed to meet the September target of vaccinating 10.0 per cent of their citizens. However, there was a significant increase in the supply of vaccines to Africa between June and September, which assisted with improving vaccination numbers across the continent. 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 African Vaccine Acquisition Trust (AVAT) was forced to strategise after the West failed to honour its promise to deliver funding for 700 million vaccines to Africa by the end of 2021. The multinational Covax facility 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 30.0 per cent of Africa's adult population are guaranteed vaccination, even though it will take until September 2022.

Global co-operation and support to developing economies around the distribution of vaccines and boosters can help immunise the global population, reduce pressure on health systems and prevent the emergence of new waves and vaccine resistant coronavirus variants.

Source: WHO, IMF, The Guardian, *2021*

The unexpected global spread of the pandemic severely affected export-dependent economies and has weakened 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.[8] 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. Owing 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 after Durban. The Port of Cape Town is strategically positioned as a hub terminal for cargo to South America and the Far East, as well as West/East Africa cargo, and for tourism. The Western Cape terminals were severely impacted by the COVID-19 pandemic in 2020, with the country 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, resulting in a significant cost for the container transport industry. The delays have resulted in an increased number of shipping lines omitting the Port of Cape Town and vessels thus bypassing this port. 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.

[8] *(United Nations Conference on Trade and Development [UNCTAD], 2018).*

2.2.5 Global inflation outlook

The IMF expects inflation to return to pre-pandemic ranges in most countries in 2022. The inflation outlook in advanced economies is forecast to be 2.6 per cent in 2021 and 2.0 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 12 months apart by the Federal Reserve Bank of Atlanta's Wage Growth Tracker, failed to show any pressure on the labour market. Similarly, data from Canada, Spain and the UK shows the same patterns of fairly stable wage growth.

The inflation outlook for emerging markets and developing economies is projected to improve slightly from 5.5 per cent in 2021 to 4.9 per cent in 2022. 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 10.7 per cent in 2021 to 8.6 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 to the global inflation outlook (see Figure 2.2). 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 roll-out and easing of movement restrictions, which promise 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 their allies (OPEC+) also contributed to higher crude oil prices.

Figure 2.2

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 have 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, storage and communication;[9] community, social and personal services;[10] and wholesale and retail trade, catering and accommodation[11] 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 community 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 agriculture, forestry and fishing[12] sector increased by 6.2 per cent, which was mainly due to the increased production of field crops, horticulture and animal products. The mining and quarrying[13] 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 10 manufacturing divisions reported contractions. The petroleum, chemical products, rubber and plastic products division made the largest contribution to the decrease. The electricity, gas and water sector increased by 0.7 per cent, which was 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. Stats SA reported that the value of building plans completed for residential and non-residential buildings as well as additions and alterations declined by 44.8 per cent between 2019 and 2020.

Within the tertiary sector, the trade sector grew by 2.2 per cent. Improved economic activity was reported in the wholesale, retail and motor trade, and there was increased spending on catering and accommodation services. The transport sector grew by 6.9 per cent; the increased economic activity was reported for land transport services. The finance, insurance, real estate and business services[14] sector contracted by 0.4 per cent. The decreased economic activity was reported for financial intermediation and auxiliary activities. The general government sector contracted by 0.9 per cent, which can mainly be attributed to decreased employment in national, provincial and local government. The community services sector improved 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 a par with GDP in the fourth quarter of 2017.

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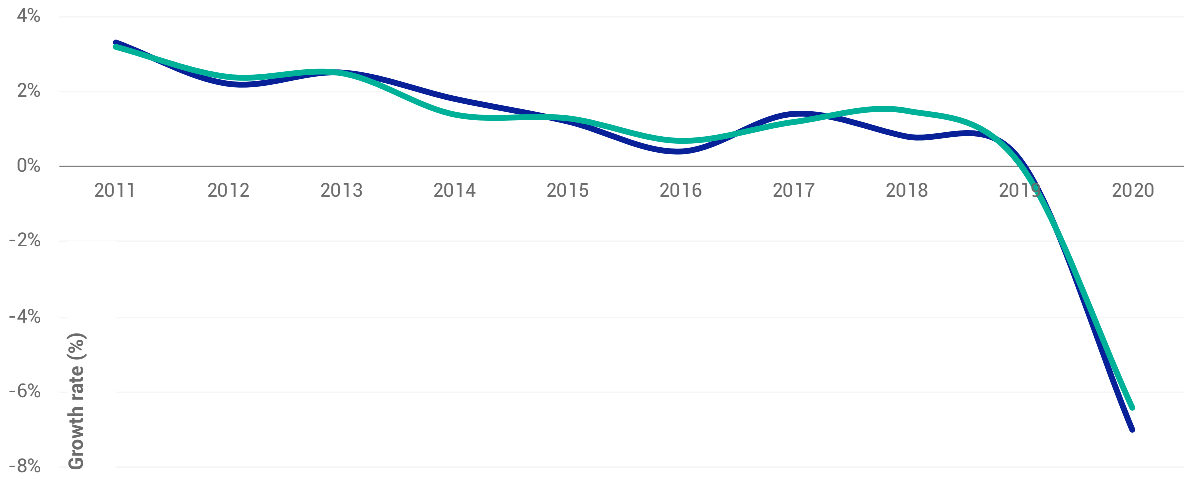
[9] *Hereafter abbreviated to transport.*
[10] *Hereafter abbreviated to community services.*
[11] *Hereafter abbreviated to trade.*
[12] *Hereafter abbreviated to agriculture.*
[13] *Hereafter abbreviated to mining.*
[14] *Hereafter abbreviated to finance.*

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 review and update the estimates of the size, structure and performance of the economy periodically. During this process, Stats SA included new sources of information, improved the compilation methodology, reviewed and refined the classification of economic activities, and 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.

Figure 2.3

REVISED SOUTH AFRICAN REAL GDP GROWTH, 2011 – 2020



Source: Stats SA, 2021

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Previous (2010 prices)	3.3%	2.2%	2.5%	1.8%	1.2%	0.4%	1.4%	0.8%	0.2%	-7.0%
Revised (2015 prices)	3.2%	2.4%	2.5%	1.4%	1.3%	0.7%	1.2%	1.5%	0.1%	-6.4%

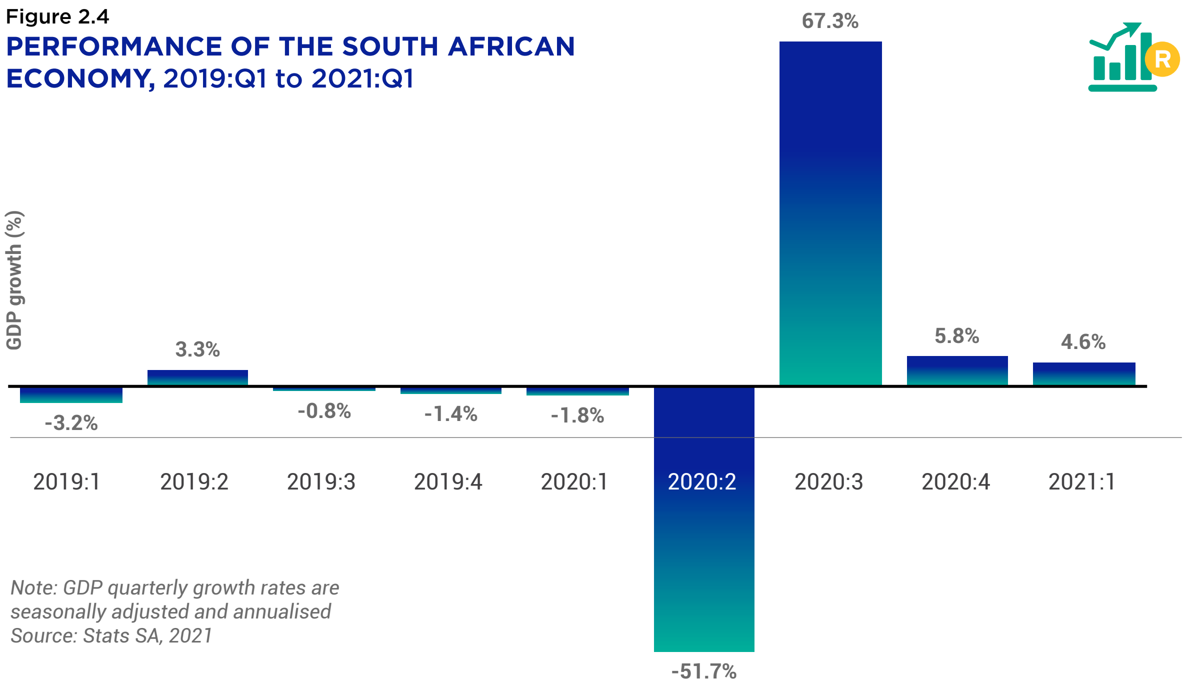
The revised estimate of GDP in 2020 increased by 11.0 per cent to R5 521 billion, compared with the previous estimate of R4 973 billion. Consequently, the annual contraction for 2020 was revised from -7.0 per cent to -6.4 per cent. Historically, benchmarking GDP has resulted in estimates that show an increase in the size of the economy. Over the last two decades, 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.

Figure 2.4

PERFORMANCE OF THE SOUTH AFRICAN ECONOMY, 2019:Q1 to 2021:Q1



Note: GDP quarterly growth rates are seasonally adjusted and annualised
Source: Stats SA, 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 to alleviate 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 (SRD) grant, farmers' relief, and other funds and initiatives aimed at supporting businesses and industries affected by the pandemic.

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 are likely to 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, which will all complicate consolidation efforts.

Table 2.2

SOUTH AFRICAN CREDIT RATINGS, November 2020 – May 2021

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 sector, the mining sector and the trade sector 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. Reviewing quarterly growth figures, it is evident that only two of the 10 major sectors contracted in the fourth quarter of 2020, while the agriculture and the electricity, gas and water sectors contracted in the first quarter of 2021 (see Table 2.3).

Table 2.3
SOUTH AFRICA CHANGE IN GDP PER SECTOR, 2020:Q4 – 2021:Q1

	Quarterly (q-o-q) percentage change		Annual (y-o-y) percentage change	
DESCRIPTION	**2020Q4**	**2021Q1**	**2020Q4**	**2021Q1**
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 rates and GDP yearly growth rates are not seasonally adjusted or annualised
Source: Quantec Research, 2021

2.3.2 Outlook for the South African economy

A gradual recovery of the South African economy 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 and soaring fuel, electricity and food prices, further complicates the country's social challenges. Social unrest is at a tipping point following the riots in KwaZulu-Natal and Gauteng in July 2021, which were characterised by violence, looting and protests that led to the loss of lives, the destruction of property and businesses, as well as the temporary closure of critical trade routes. The estimated cost to the national economy due to the civil unrest stands at 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. National debt is still a major concern, as gross loan debt is expected to increase by R430.8 billion to R4.745 trillion in 2022/23 and to increase further to R5.538 trillion by 2024/25. This will drive up debt service costs by R96.6 billion over the Medium Term Expenditure Framework (MTEF) period to R365.8 billion in 2924/25, thereby reducing the 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 would 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.

Table 2.4

GDP GROWTH RATES

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

Source: Stats SA, 2021

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 the 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.

Policy uncertainty has affected South Africa's investment outlook, resulting in sluggish growth. Fixed investment declined from 23.5 per cent of GDP in 2008 to 15.8 per cent in 2020. Regardless of the aforementioned challenges, the SARB forecasts that the South African economy will recover by 5.3 per cent in 2021, 1.7 per cent in 2022 and 1.3 per cent in 2023.[15]

Based on the first-quarter performance of the South African economy in 2021, the following projections are made.

Table 2.5
SOUTH AFRICAN ECONOMIC OUTLOOK, 2021 – 2022

DESCRIPTION	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 business enterprises	19.3	2.6	7.1
Residential buildings	-20.9	-7.4	-8.4
Non-residential buildings	-25.3	4.6	2.3
Public corporations	19.3	2.6	7.1
Exports of goods and services (%)	**-10.3**	**-7.0**	**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	104.4	100.4	105.3
Consumer prices	3.3	4.7	5.3
Average wage rate (rand)	20.19		
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**
Current account balance (R million)	**108 204**	**82 168**	**-93 956**

Source: Quantec Research, 2021 (e denotes estimate, f denotes forecast)

[15] *(SARB, 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 was a slowdown in household credit extension in the period from 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, but this was nevertheless an improvement on the growth rate in 2020 (see Figure 2.5). The most recent deceleration in household credit extension reflects the cautiousness of households to borrow owing to the uncertain economic environment posed by the pandemic, despite the favourable borrowing conditions.

Figure 2.5
SOUTH AFRICAN HOUSEHOLD CREDIT EXTENSION, 2011 – 2021

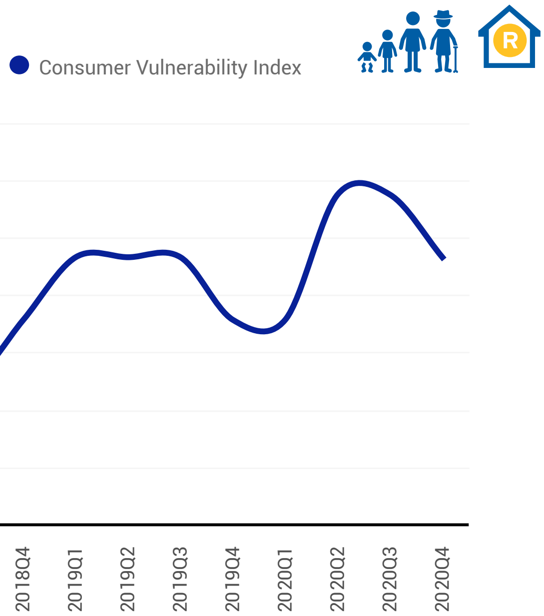
Source: Quantec Research, 2021

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, as well as 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 18.0 per cent in the first quarter of 2021, which is largely due to precautionary savings as households put off spending owing to uncertainty. Indeed, household savings as a percentage of GDP increased by 2.0 percentage points in 2020, the strongest saving performance since 2004.

The ratio of household debt to disposable income decreased marginally 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 the increase in household debt. Household credit has 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 2.6

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 RMB/BER Business Confidence Index. Final household consumption expenditure contracted by 5.4 per cent in 2020, owing to uncertainty regarding 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 Consumer Vulnerability Index above 50 per cent is a cause for concern. High household debt, reduced savings and constrained domestic investment growth force the country to depend on capital inflow for investment, some of which is susceptible to sudden reversals.

2.3.4 Investment

Fixed investment (real gross fixed capital formation) was the most significantly affected spending item in 2020 as a result of 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 fell 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.

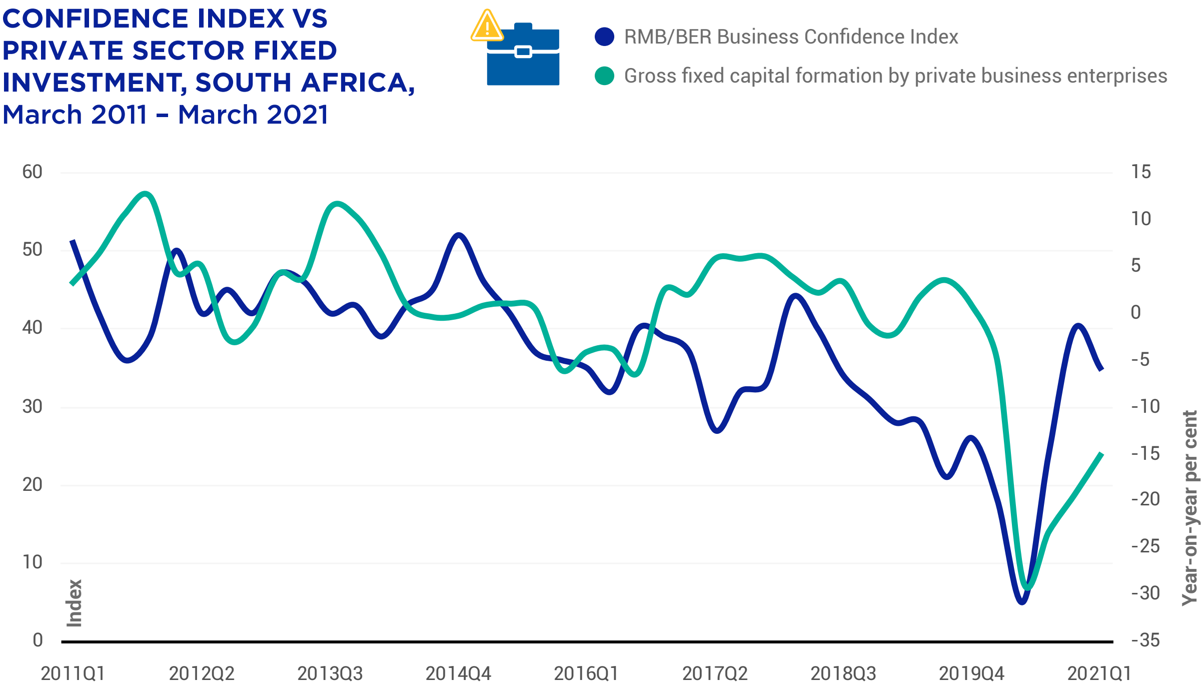
This trend continued into 2021. Public-sector investment increased by 12.6 per cent in the first quarter of 2021, following an expansion of 27.9 per cent in the fourth quarter of 2020. Despite the increase, capital investment by the public sector remained below pre-COVID-19 levels as the effects of the 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, including 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) from 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 2.7

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 five 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 2.7). The restrictions of economic activities under levels five and four 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 major 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 despite the contraction recorded in the first quarter of 2021.

TEMPORARY EMPLOYER/EMPLOYEE RELIEF SCHEME

TERS was introduced in April 2020 to assist vulnerable workers and mitigate job losses owing 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 as a result of 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 Unemployment Insurance Fund (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 owing to lockdown regulations affecting workers in industries whose operating activities were partially or fully restricted, TERS was extended to March 2021. By March 2021, approximately R59.0 billion had been paid to 5.4 million individual employees.

The scheme initially catered for workers who were registered with and contributing to the UIF, but following a legal challenge in May 2020 the benefits were extended to those who could prove an employment relationship. The benefits were extended to registered workers and contributors 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 were 60 years and above, those with comorbidities and those required to remain in COVID-19-related isolation or quarantine (Köhler and Hill, 2021). 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.

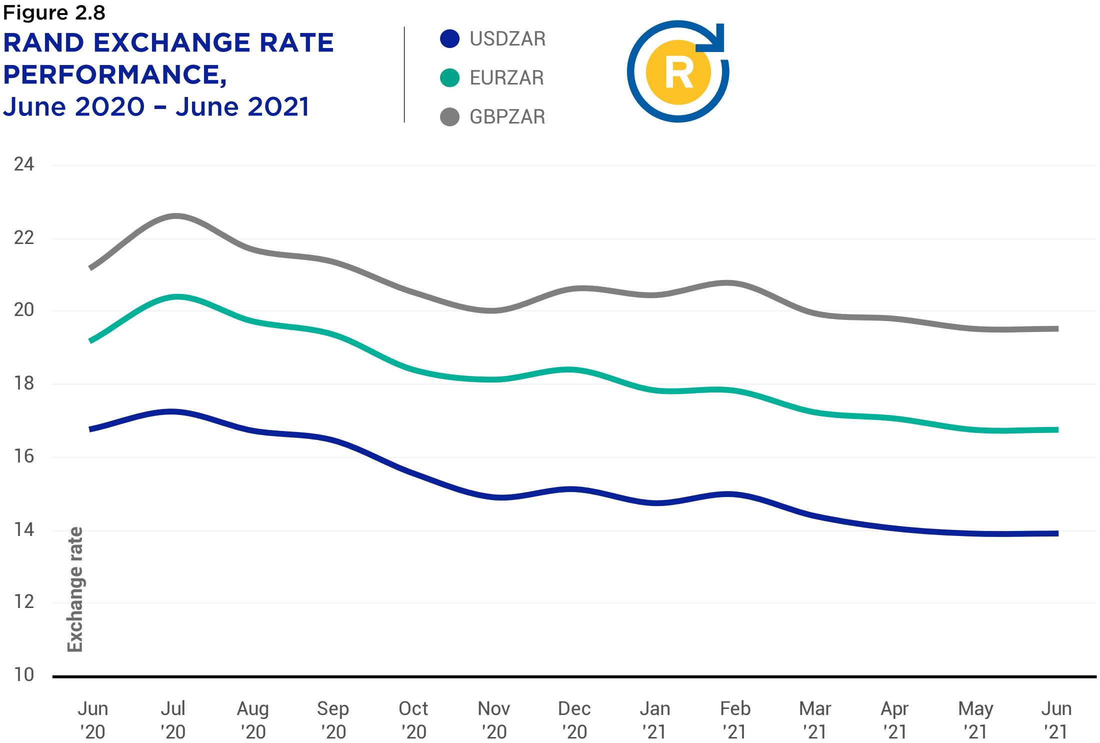
Source: National Income Dynamics Study – Coronavirus Rapid Mobile Survey (NIDS-CRAM), 2021

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 owing 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 2.8). However, the depreciation of the US dollar, the euro and the pound can partly be attributed to quantitative easing by the US Federal Reserve, the European Central Bank and the Bank of England respectively.

Figure 2.8
RAND EXCHANGE RATE PERFORMANCE,
June 2020 – June 2021



Source: Quantec Research, 2021

According to the IMF, the exchange rate recovery can be attributed to the commodity market price boom after 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. This is 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 as a result of 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 to be slightly weaker at R15.98 in 2022.

2.3.6 Balance of payments

South Africa experienced a significant current account surplus of R267.0 billion in the first quarter of 2021, rising from a R198.0 billion surplus in the fourth quarter of 2020. The SARB estimates that the current account surplus will be 5.0 per cent of GDP in the first quarter of 2021, rising from 3.7 per cent in the preceding quarter.

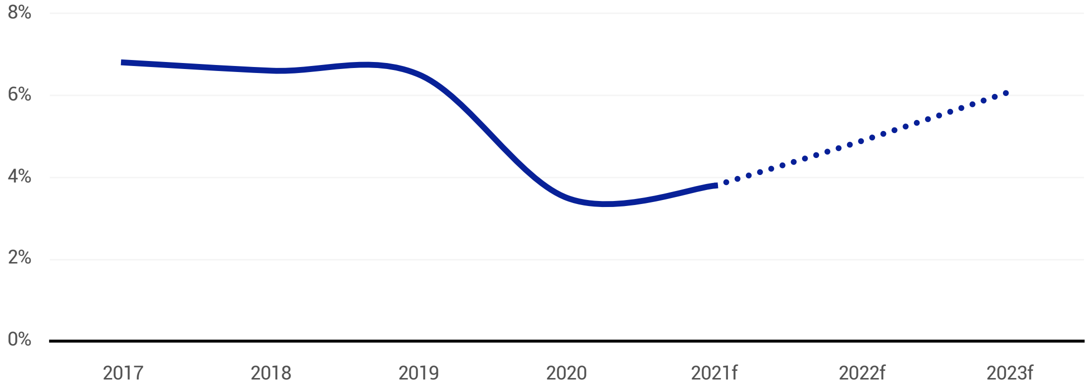
The current account surplus was in part due to a significant trade surplus, which increased from R425.0 billion in the fourth quarter of 2020 to R430.0 billion in the first quarter of 2021, with the largest surplus resulting from the value of merchandise exports. The trade surplus can be ascribed to 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. South African Revenue Service (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 hardship following the outbreak of the COVID-19 pandemic, 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 a further reduction 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, until increasing it with 25 basis points in November 2021. The repo rate is expected to increase gradually, on a quarterly average, to 4.9 per cent in 2022, on the back of the expected growth recovery and rise in inflation (see Figure 2.9).

Figure 2.9
SOUTH AFRICA REPO RATE OUTLOOK, 2017 – 2023

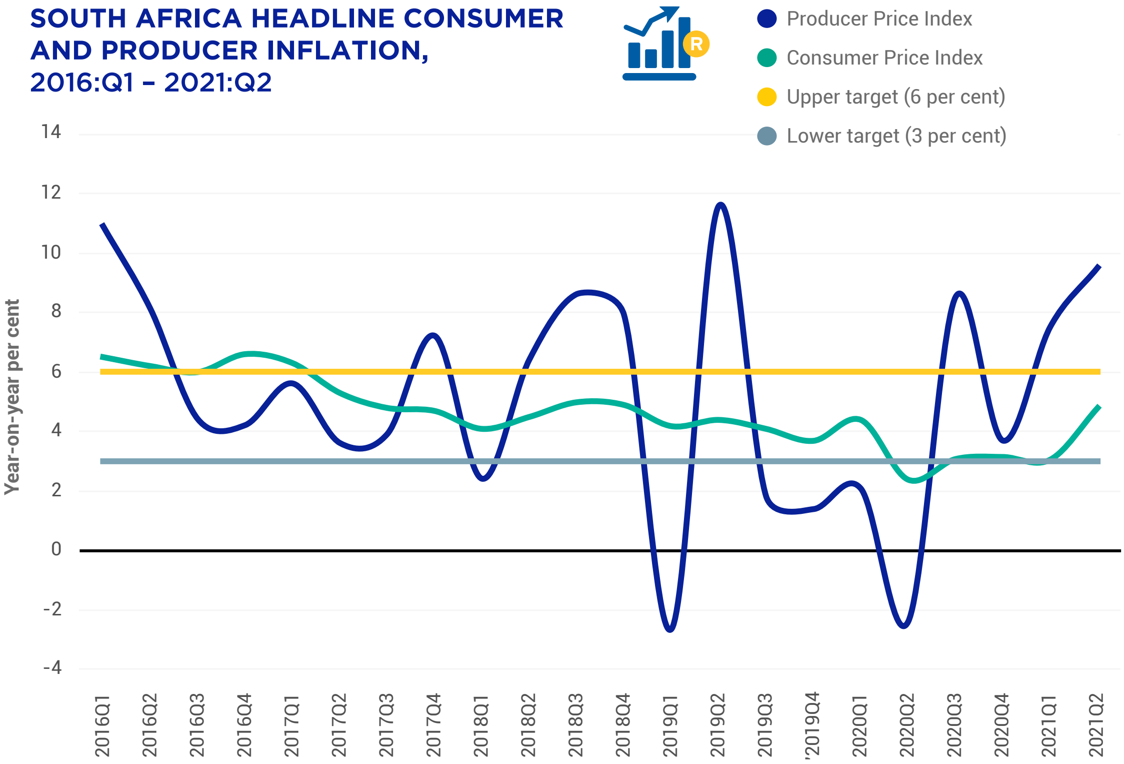


Notes: Values are average of quarterly values; f denotes forecast. Source: Quantec Research, 2021

Annual consumer price inflation increased from 3.3 per cent in 2020 to 4.8 per cent in the second quarter of 2021. The primary drivers behind the 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 2.10

SOUTH AFRICA HEADLINE CONSUMER AND PRODUCER INFLATION, 2016:Q1 – 2021:Q2



Source: Quantec Research, SARB, 2021

In October 2021, food and non-alcoholic beverage prices increased by 6.1 per cent year-on-year and contributed 1.1 percentage points to the total Consumer Price Index (CPI) annual rate of 5.0 per cent. Housing and utilities increased by 4.0 per cent year-on-year and contributed 1.0 of a percentage point. Transport increased by 10.9 per cent year-on-year and contributed 1.5 percentage points. Miscellaneous goods and services increased by 4.3 per cent year on year and contributed 0.7 percentage points.

The Producer Price Index (PPI) increased by 0.7 per cent month-on-month in October 2021. The main contributors to the headline PPI monthly increase were food products, beverages and tobacco products, which increased by 0.7 per cent month-on-month and contributed 0.2 of a percentage point; metals, coke, petroleum, chemical, rubber and plastic products, which increased by 0.9 per cent month-on-month and contributed 0.2 of a percentage point; and furniture and other manufacturing which increased by 9.5 per cent month-on-month and contributed 0.2 of a percentage point.

Annual producer price inflation (final manufacturing) was 8.1 per cent in October 2021, up from 7.8 per cent in September 2021. The main contributors to the annual headline producer price inflation rate were coke[16] petroleum, chemical, rubber and plastic products; food products, beverages and tobacco products; and metals, machinery, equipment and computing equipment.

[16] *Petroleum coke is a carbon-rich solid material that is a byproduct from the oil-refining process.*

COVID-19 VACCINE HESITANCY IN SOUTH AFRICA

Despite COVID-19 vaccines being available to all South Africans aged 18 years[17] and older, uptake remains low, with only 24.8 per cent of adults having received at least a first dose at the time of writing. The low uptake in the country has been ascribed to vaccine hesitancy on the part of many South Africans. The World Health Organization (WHO) 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.[18]

A large-scale survey, conducted by the Human Sciences Research Council (HSRC) 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 5.0 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 NIDS-CRAM Wave 5 Survey, one in five South Africans believed that the vaccine was unsafe, but only one in 10 was 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 were 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 with concerns about side-effects and vaccine testing timeframes, with only 1.0 per cent of respondents saying they were worried about vaccine safety owing to national or global plots, and fewer than 1.0 per cent were concerned about vaccine safety because they feared it may alter their DNA or that it was a fraudulent corporate attempt to extract profits.

The NIDS-CRAM Wave 5 Survey further revealed that 47.0 per cent of South Africans who were hesitant to receive a COVID-19 vaccine in February or March 2021 subsequently changed their minds over the following two months and had either been vaccinated or had agreed to be vaccinated when asked again in April or May 2021. However, the proportion of respondents who had registered for vaccination was 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 HSRC and the University of Johannesburg between 25 June and 12 July 2021 found that 45.0 per cent of South Africans aged 18 to 24 were hesitant to get the vaccine. This number increased from 37.0 per cent when a similar survey was carried out in January 2021. By comparison, only 14.0 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 33.0 per cent to 28.0 per cent.

[17] *People between the ages of 18 and 35 were eligible for vaccination from August 2021.*
[18] *(Solis, 2021).*

The only demographic groups where hesitancy grew between the two surveys was among youth aged 18 to 24, white adults, 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 among respondents living in traditional settlements, among isiZulu, Tsonga and Setswana speakers, and among black respondents. Vaccine acceptance is significantly lower among 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 was losing steam, with only about 15.0 per cent of the country's adults fully vaccinated.[19]

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 led by example.

Sources: WHO, 2021; MacDonald, NE. Vaccine 33, 4161–4164 (2015); Betsch, C, et al. PLOS One 13, e0208601 (2018); Wiysonge, CS, et al. Human Vaccines & Immunotherapeutics. 8, 1–3 (2021); Solís Arce, JS, et al. Nature Medicine, 2021; Coronavirus Rapid Mobile Survey, 2021; NIDS-CRAM Wave 5 Survey, 2021; Jolley, D, and Douglas, KM (2014). The Effects of Anti-Vaccine Conspiracy Theories on Vaccination Intentions. PLOS One 9(2): e89177, 2021

[19] *Having received the one-dose J&J vaccine or both doses of the Pfizer vaccine.*

2.3.8 Main risks to the national outlook

The COVID-19 pandemic adds another layer of complication to the South African economy, which was constrained prior to the outbreak of the pandemic. Key risks to the national economic performance include the following:

- Growing income inequality as a result of the differentiated impact of the pandemic. Those who are digitally illiterate will struggle to find work, and the impact of the loss of income has widened income inequality.

- Increasing government debt, corruption, the growing public-sector wage bill and rising borrowing costs owing to the country's downgrade to below investment grade by sovereign credit rating agencies.

- Eskom's frequent power cuts and the burden of state-owned enterprises (SOEs) on the fiscus are other major risks to the national outlook. The continual bailing out of SOEs is a drain on the fiscus and a burden on future generations in the form of higher income taxes.

- Political instability and uncertainty around public-sector policy reforms dampen private-sector investment.

- The new Omicron variant and anticipated fourth COVID-19 wave due in December 2021 could result in further lockdowns, as well as alcohol and travel restrictions. This could hamper the recovery of the tourism and hospitality sector and result in increased job losses. Vaccine hesitancy amplifies the likelihood and potential length of the anticipated fourth wave, and thereby also its negative economic impact.

2.4 DEVELOPMENTS IN THE WESTERN CAPE ECONOMY

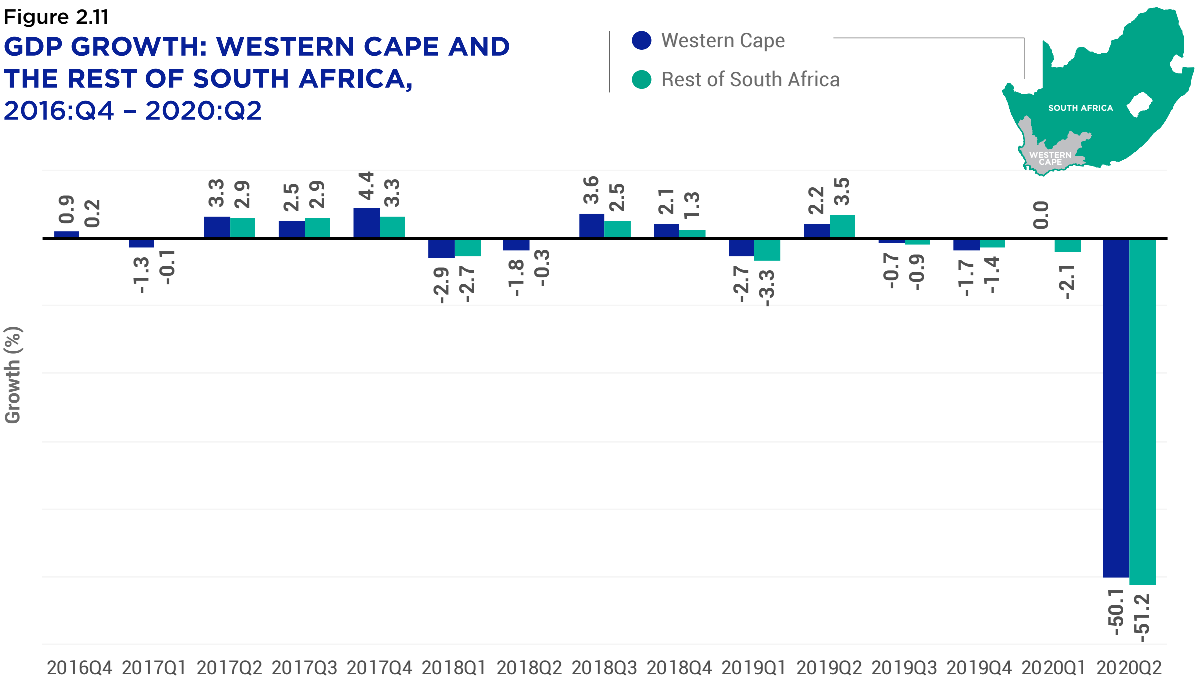
2.4.1 Western Cape economic performance

Over the past decade, growth in the Western Cape has been steadily declining from 3.8 per cent in 2011 to a contraction of 6.7 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, owing 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, as well as 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 agriculture 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 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 owing to a faster recovery, which is attributable to a relatively efficient vaccine roll-out and uptake, and the recovery of agricultural exports.

Figure 2.11
GDP GROWTH: WESTERN CAPE AND THE REST OF SOUTH AFRICA, 2016:Q4 – 2020:Q2

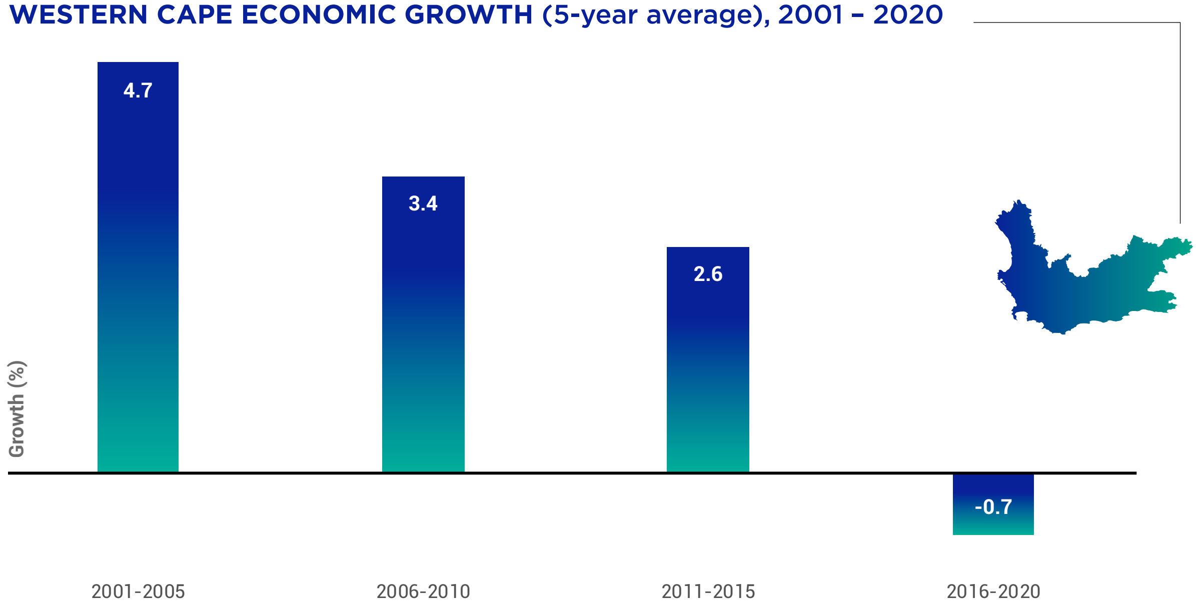


Note: The Western Cape growth rate for 2020 is an estimate. Source: Quantec Research, 2021

The Western Cape averaged a growth rate of 4.7 per cent between 2001 and 2005, which 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 2.12). 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.[20] Growth in the Western Cape was further muted by rolling electricity outages and the lacklustre 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 2.12

WESTERN CAPE ECONOMIC GROWTH (5-year average), 2001 – 2020



Source: Quantec Research & HS Business Solutions, 2021

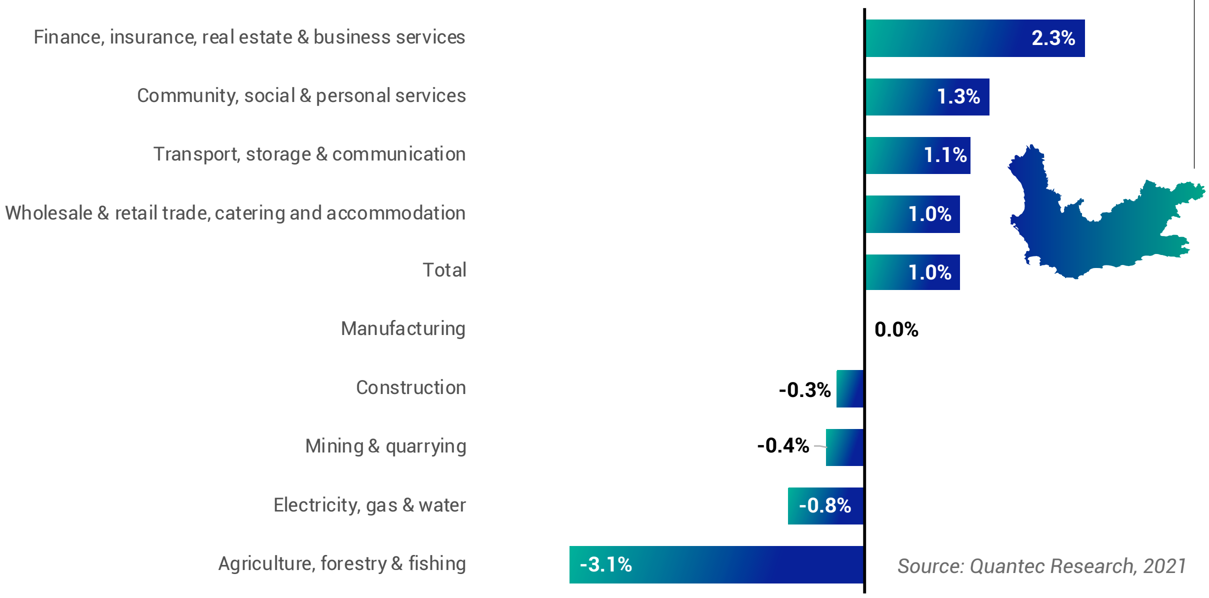
The COVID-19 pandemic set in as the drought eased and electricity supply interruptions became even more frequent. According to the Council for Scientific and Industrial Research (CSIR), 650 hours of load-shedding was recorded in the first half of 2021, which is an estimated 76.0 per cent of the load-shedding recorded for 2020. The effects of load-shedding, the drought and the COVID-19 pandemic are evident in the average annual contraction of 0.7 per cent between 2016 and 2020, with the negative growth rate for the period being largely driven by the negative growth in 2020 as a result of the pandemic.

[20] *(Department of Economic Development and Tourism, 2020).*

Growth between 2015 and 2019 was led by the finance sector (see Figure 2.13), emphasising the importance of the Cape Metro area as the business hub of the Province. The community services sector, the transport sector and the trade sector also contributed to growth. Growth was dragged down by a decline in the mining sector, the electricity, gas and water sector, the construction sector and the agriculture sector. The contractions were mainly driven by unreliable electricity supply, declining confidence and the drought.

Figure 2.13

WESTERN CAPE AVERAGE GROWTH RATE PER SECTOR, (5-year average), 2015 – 2019

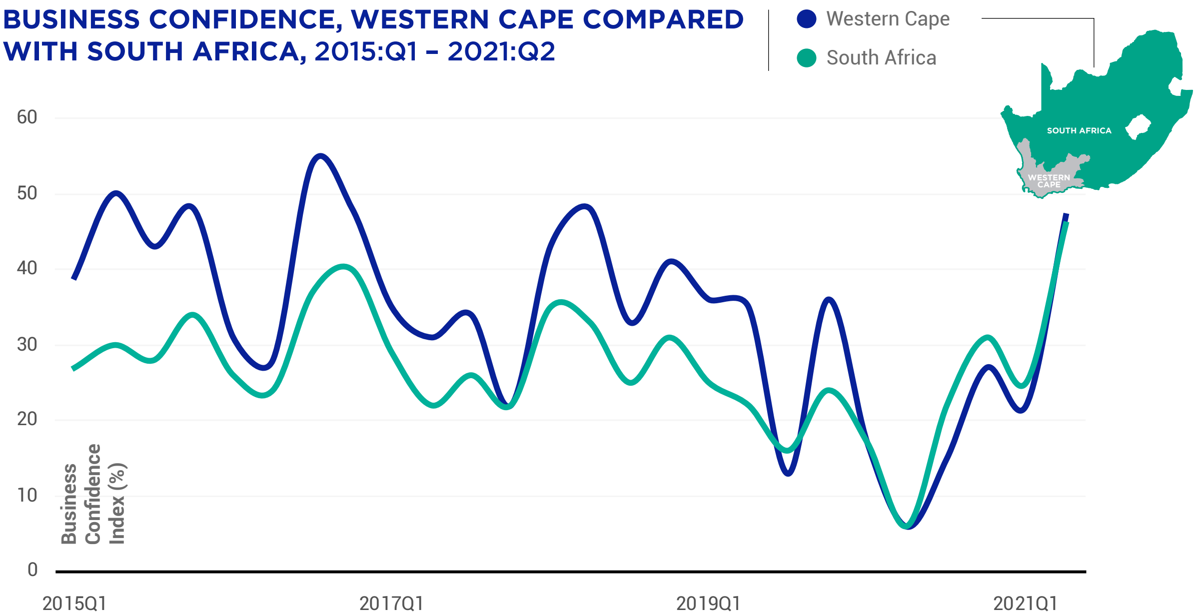


Source: Quantec Research, 2021

If the unprecedented contraction in 2020 is excluded, a sectoral analysis of the Western Cape economy from 2015 to 2019 reveals that the finance sector was the fastest-growing sector, followed by the community services sector. The trade sector grew by 1.0 per cent, while the manufacturing sector recorded no growth. The agriculture, construction, electricity, gas and water, and mining sectors recorded contractions.

Figure 2.14

BUSINESS CONFIDENCE, WESTERN CAPE COMPARED WITH 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, five index points, in the second quarter of 2020, on the back of the COVID-19 outbreak (see Figure 2.14). 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

The Western Cape's economy is estimated to have contracted by a significant 6.7 per cent in 2020, but is expected to recover to 4.6 per cent in 2021 as economic activity resumes, before slowing to 2.5 per cent in 2022. The recovery in 2021 is expected to be marginally slower, by 0.7 percentage points, compared with the 5.3 per cent growth expected for South Africa. Growth in the Western Cape is expected to overtake national growth in 2022 by 0.8 percentage points, compared with the 1.7 per cent projected for South Africa.

Table 2.6

WESTERN CAPE ECONOMIC OUTLOOK, 2019 – 2022

DESCRIPTION	2019	2020e	2021f	2022f	Forecast average (2021 – 2022)
Agriculture, forestry and fishing	-9.9	13.3	6.8	-0.5	3.2
Mining and quarrying	-1.5	-19.4	9.6	-1.4	4.1
Manufacturing	-0.5	-10.0	2.3	7.2	4.8
Electricity, gas and water	-1.4	-6.8	-1.3	3.6	1.2
Construction	-3.3	-21.1	-0.9	7.5	3.3
Wholesale and retail trade, catering and accommodation	0.5	-10.3	8.6	3.3	6.0
Transport, storage and communication	-0.4	-15.3	9.6	-3.5	3.0
Finance, insurance, real estate and business services	2.4	-4.4	5.0	3.7	4.3
General government	1.9	0.7	-1.8	0.1	-0.9
Community, social and personal services	1.0	-2.2	5.0	-2.7	1.1
Regional Gross Domestic Product	**0.4**	**-6.7**	**4.6**	**2.5**	**3.5**

Source: Urban-Econ based on Quantec Research, SARB, Stats SA and BFAP, 2021 (e denotes estimate, f denotes forecast)

The Provincial economy's expected recovery will be driven by the finance and trade sectors. However, the slower than expected vaccine uptake owing to vaccine hesitancy, which heightens the risk of a fourth wave of COVID-19 infections in the last quarter of 2021, will have a negative impact on the economic outlook for 2021.

In the primary sector, agriculture was the only sector to enjoy strong growth in 2020 after a bumper crop, favourable commodity prices and limited interruption in operations during the lockdown period, but the forecast for 2022 is a marginal contraction of 0.5 per cent, as commodity prices are expected to normalise. The mining sector is expected to make a strong recovery (9.6 per cent in 2021) after suffering a contraction of 19.4 per cent in 2020 as a result of base effects.

However, owing to the small contribution made by this sector to the Provincial economy, this recovery will only have a marginal positive impact on the overall economic performance of the Western Cape.

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 10.0 per cent contraction in 2020. This is largely due to the reopening of industries and expected recovery in international trade. The electricity, gas and water sector is expected to contract for a consecutive year in 2021. The continued contraction of the sector can be attributed to Eskom's ongoing electricity supply challenges. This has a dampening effect on other sectors that rely on power supply for production and productivity. The construction sector is expected to remain under pressure, with an anticipated contraction of 0.9 per cent in 2021 after a massive contraction of 21.1 per cent in 2020 as a result of the industry coming to a standstill during the lockdown period. 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 its 10.3 per cent contraction in 2020. The positive outlook suggests a strong expected recovery in catering and accommodation, which captures tourist activity to some extent, given the vaccine roll-out and a reopening of the global economy. Consumer spending on textiles, clothing and footwear, household furniture and appliances and hardware contributed to the recovery of the trade sector in 2021.[21] While bricks-and-mortar shops struggled during the pandemic, online shopping experienced boosted activity. This trend is expected to continue in future. With many online shops having their headquarters in the Cape Metro, this has the potential to boost the local economy, through increased activity in logistics and warehousing.

The finance sector has an average growth outlook of 4.3 per cent in the two-year forecast period. This is an improvement from its 4.4 per cent contraction in 2020. The positive outlook is largely driven by the growing business process outsourcing (BPO) industry and the thriving tech ecosystem. The general government sector is expected to contract by 0.9 per cent on average in the two-year forecast period, from 0.7 per cent growth in 2020. The contraction may be driven by fiscal constraints facing the country.

[21] *(Stats SA, 2021).*

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 that resulted in job losses, particularly for those working in hotels and restaurants, increased poverty, income inequality and social unrest.

- There was a substantial increase in service delivery demands owing 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.

- The COVID-19 pandemic will worsen the digital divide. With no access to the internet and technology, the poor risk being left behind. This will have a particularly negative impact on education outcomes, which will influence the labour market in the long run.

3. REGIONAL CONTEXT

3.1 INTRODUCTION

This section provides contextual information for the main sections in Section B of this publication, which provides an economic review and outlook per District.

3.2 DISTRICT ECONOMIC OVERVIEW

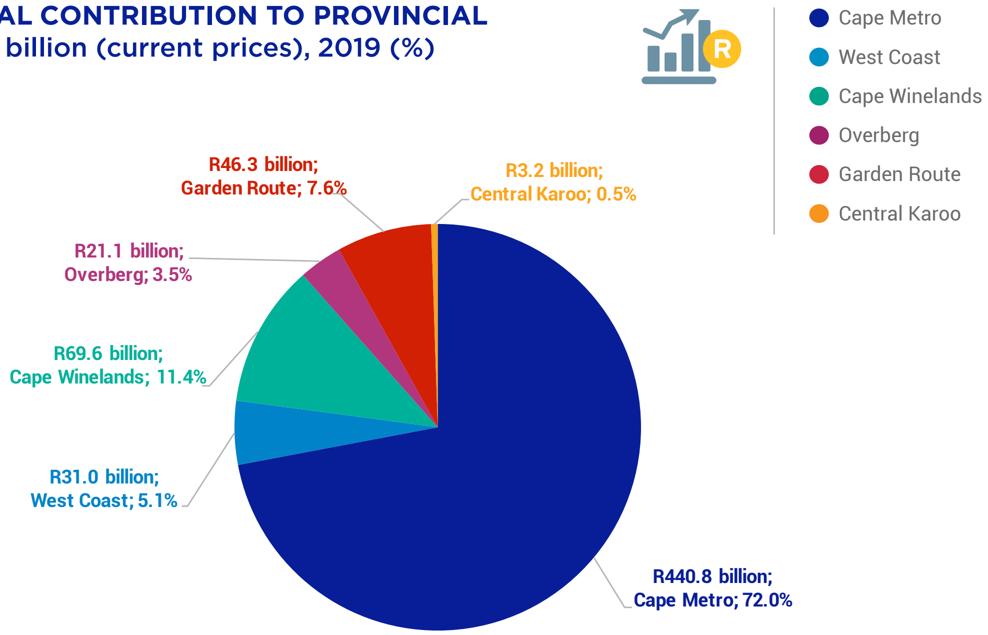
An overview of the regional GDPR and employment contributions to the Provincial economy is provided in this subsection. The most recent regional GDPR figures published by Stats SA are for 2019. However, estimates for 2020 are provided.

3.2.1 GDPR contribution

Figure 3.1 illustrates the GDPR contributions of the regional economies to the Provincial economy in 2019.

Figure 3.1

REGIONAL CONTRIBUTION TO PROVINCIAL GDPR, R billion (current prices), 2019 (%)

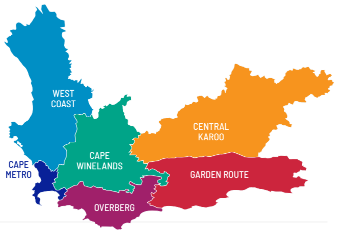


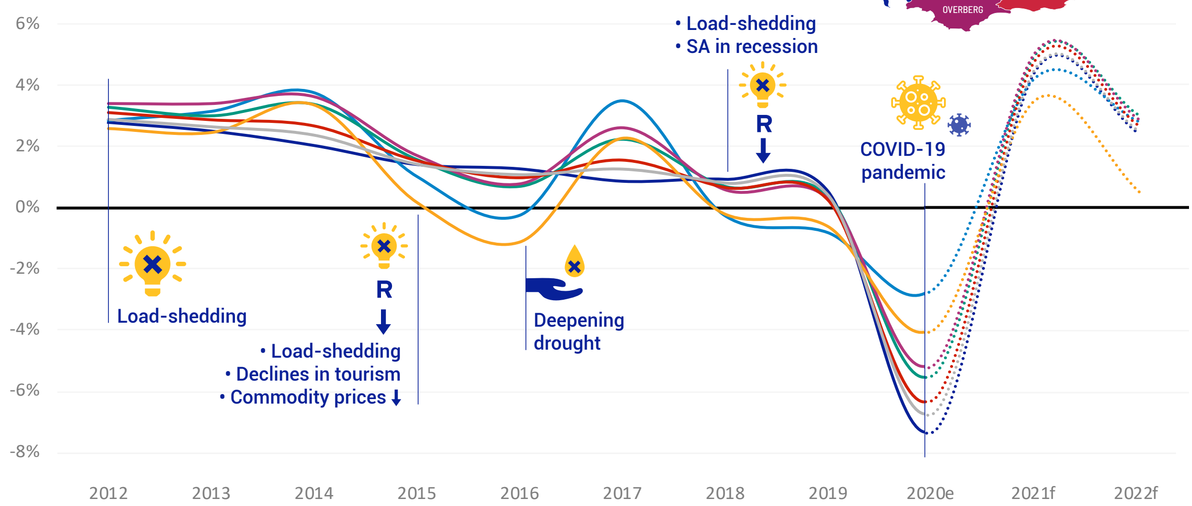
Source: Quantec Research, 2021

With a contribution of R440.8 billion, the Cape Metro area contributed the largest share to total GDPR in the Province in 2019 at 72.0 per cent. The CWD contributed the second-largest share to Provincial GDPR during the same year, with a contribution of 11.4 per cent. This was followed by the GRD and WCD, with contributions of 7.6 per cent and 5.1 per cent respectively in 2019. Valued at R3.2 billion in 2019, the CKD was the smallest contributor to the Provincial economy (0.5 per cent).

Figure 3.2 indicates the GDPR growth trends between 2012 and 2020 of the respective regions and the Province. In addition, forecasts for 2021 and 2022 are provided.

Figure 3.2
GDPR GROWTH RATE PER REGION, 2012 – 2022





	2012	2013	2014	2015	2016	2017	2018	2019	2020e	2021f	2022f
Western Cape	2.9%	2.6%	2.4%	1.4%	1.1%	1.2%	0.8%	0.4%	-6.7%	4.6%	2.5%
Cape Metro	2.8%	2.5%	2.0%	1.4%	1.3%	0.8%	0.9%	0.5%	-7.3%	4.5%	2.4%
West Coast	2.8%	3.1%	3.7%	1.0%	-0.3%	3.5%	-0.3%	-0.8%	-2.7%	4.2%	2.8%
Cape Winelands	3.3%	3.0%	3.4%	1.6%	0.7%	2.2%	0.7%	0.4%	-5.5%	5.0%	3.0%
Overberg	3.4%	3.4%	3.6%	1.7%	0.8%	2.6%	0.6%	0.3%	-5.1%	5.1%	2.9%
Garden Route	3.1%	2.9%	2.7%	1.5%	1.0%	1.6%	0.7%	0.3%	-6.3%	4.9%	2.7%
Central Karoo	2.6%	2.4%	3.3%	0.2%	-1.1%	2.3%	-0.2%	-0.6%	-4.0%	3.5%	0.5%

Source: Quantec Research, 2021 (e denotes estimate, f denotes forecast)

Between 2010 and 2020, the Province experienced an overall downward trend in annual growth. In 2010, regional economies in the Western Cape recovered somewhat from the global financial crisis, with an average annual growth rate of 2.3 per cent experienced in the Province during the year. However, the CKD lagged significantly behind other regions, with a growth rate of only 0.6 per cent in 2010. While most of the secondary and tertiary industries recovered in 2010, the agriculture sector performed poorly owing to low commodity prices, which resulted in a decline in farmer income. This had a significant impact on the economy of the CKD, which is more reliant on the agriculture sector than the other regions of the Province.

Growth in the Province continued to improve in 2011, following the boost in 2010 from the FIFA World Cup. All Districts and the Cape Metro area experienced growth rates in excess of 3.0 per cent. As a result, the Provincial economy grew by 3.8 per cent during the year. However, in 2012, District economies and the Cape Metro area experienced a slowdown in growth. This can possibly be attributed to the high growth rates achieved in 2011.

The WCD was the only District to realise an improvement in GDPR growth in 2013, while growth in the OD remained near stagnant during the year. All remaining Districts and the Cape Metro area experienced declines in their respective growth rates in 2013.

Provincial GDPR growth subsequently slowed from 2.9 per cent in 2012 to 2.6 per cent in 2013. This poor growth can largely be attributed to a decline in growth in the national economy owing to reduced output from the manufacturing sector. The sector was negatively affected by strike actions during the year.

In 2014, improvements were noted across most regions, apart from the Cape Metro area and the GRD. Growth in the Cape Metro area slowed from 2.5 per cent in 2013 to 2.0 per cent in 2014, while growth in the Provincial economy slowed from 2.6 per cent to 2.4 per cent over the same two-year period. This highlights the importance of the Cape Metro area to GDPR growth in the Province.

Between 2015 and 2016, a significant slowdown in growth was experienced across all regions. Although positive growth rates were realised across all regions in 2015, the WCD and CKD experienced contractions of 0.3 per cent and 1.1 per cent respectively in 2016. This was likely due to severe drought conditions across the Province, which resulted in considerable economic losses in many regions that rely on agricultural activities and agro-processing as key economic drivers.

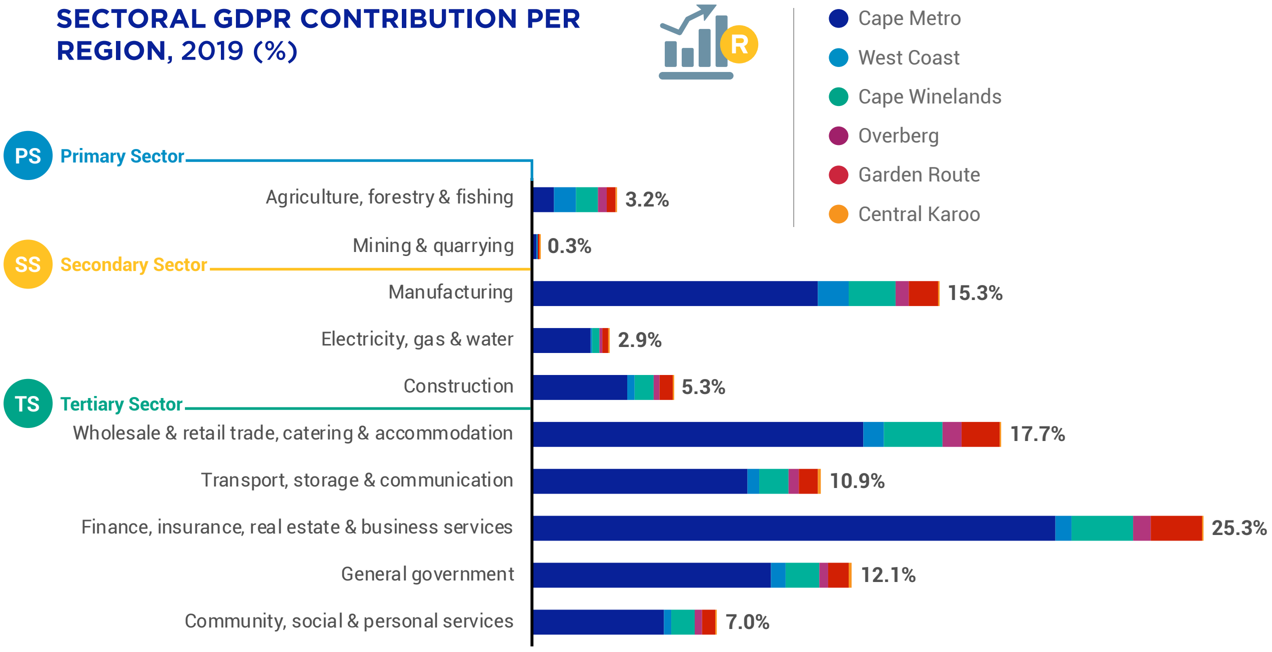
Provincial GDPR growth improved marginally from 1.1 per cent in 2016 to 1.2 per cent in 2017, with all Districts apart from the Cape Metro area experiencing improvements in growth over the same period. Between 2018 and 2019, growth across all Districts and the Cape Metro area declined, with the WCD and CKD experiencing contractions in both years. Subsequently, growth in the Province slowed from 0.8 per cent in 2018 to 0.4 per cent in 2019. This can be attributed to a deterioration in the national economy's performance, with South Africa entering two technical recessions over the two-year period, as well as the Provincial drought that occurred during the period.

Estimates for 2020 indicate that growth in the Province declined further, with the Provincial economy registering a contraction of 6.7 per cent during the year. The Cape Metro, being the economic hub of the Western Cape, recorded the largest contraction at 7.3 per cent in 2020. However, it should be noted that all remaining District economies in the Province contracted. The expected decline in growth across the Province is the result of the COVID-19 pandemic and lockdown measures to contain its spread.

In the 2021 and 2022 forecast periods, growth in the Province is expected to improve. The Province is expected to realise a growth rate of 4.6 per cent in 2021, with all Districts and the Cape Metro area realising significant recoveries during the same year. However, it should be noted that these high growth rates are not sustainable in the long run, with growth in 2021 originating from a constrained base in 2020. This effect is noticed in 2022, with growth in the Province slowing to average 2.5 per cent during the year. Growth in all the Districts and the Cape Metro area is forecast to slow in 2022. This showcases the unsustainability of the high growth rates achieved in 2021. Economic challenges that prevailed prior to the COVID-19 pandemic, coupled with the slow employment trends anticipated for 2021, will continue to put pressure on households in 2022.

Figure 3.3 illustrates the sectoral GDPR contributions from the various regions to the economy of the Western Cape.

Figure 3.3
SECTORAL GDPR CONTRIBUTION PER REGION, 2019 (%)



Source: Quantec Research, 2021

In the Province, the finance sector was the leading contributor to GDPR at 25.3 per cent in 2019. This was followed by the trade sector (17.7 per cent) and the manufacturing sector (15.3 per cent).

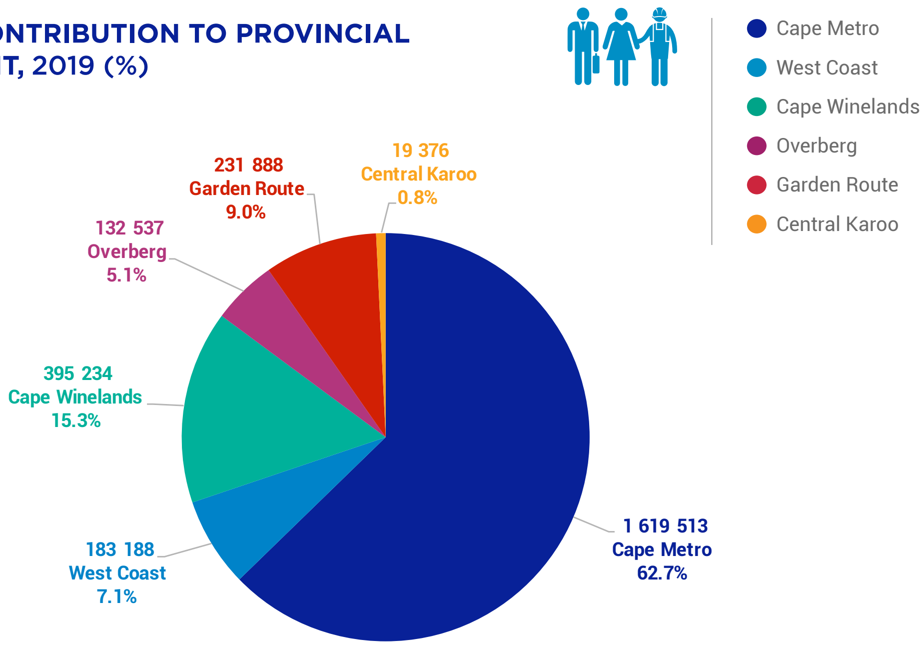
The two largest contributing sectors were concentrated in the Cape Metro area, the CWD and the GRD. In terms of the finance sector, the Cape Metro area contributed 19.8 per cent, while the CWD and GRD contributed 2.3 per cent and 1.9 per cent respectively. Of the 17.7 per cent contributed to GDPR by the trade sector, 12.5 per cent originated from the Cape Metro area, while 2.2 per cent and 1.4 per cent originated from the CWD and GRD respectively. Manufacturing activity was largely concentrated in the Cape Metro area (10.8 per cent), CWD (1.8 per cent) and the WCD (1.2 per cent). The GRD contributed 1.1 per cent to total manufacturing activity in the Province in 2019.

Economic activity in the secondary and tertiary sectors was concentrated in the Cape Metro area, highlighting its importance to the Provincial economy. Within the primary sector, mining activities were also concentrated in the Cape Metro area. However, in respect of the 3.2 per cent contribution to GDPR by the agriculture sector, the CWD had a marginally higher contribution than that of the Cape Metro area.

3.2.2 Labour trend analysis

Figure 3.4 illustrates the contribution to Provincial employment by each District and the Cape Metro area in 2019.

Figure 3.4
DISTRICT CONTRIBUTION TO PROVINCIAL EMPLOYMENT, 2019 (%)



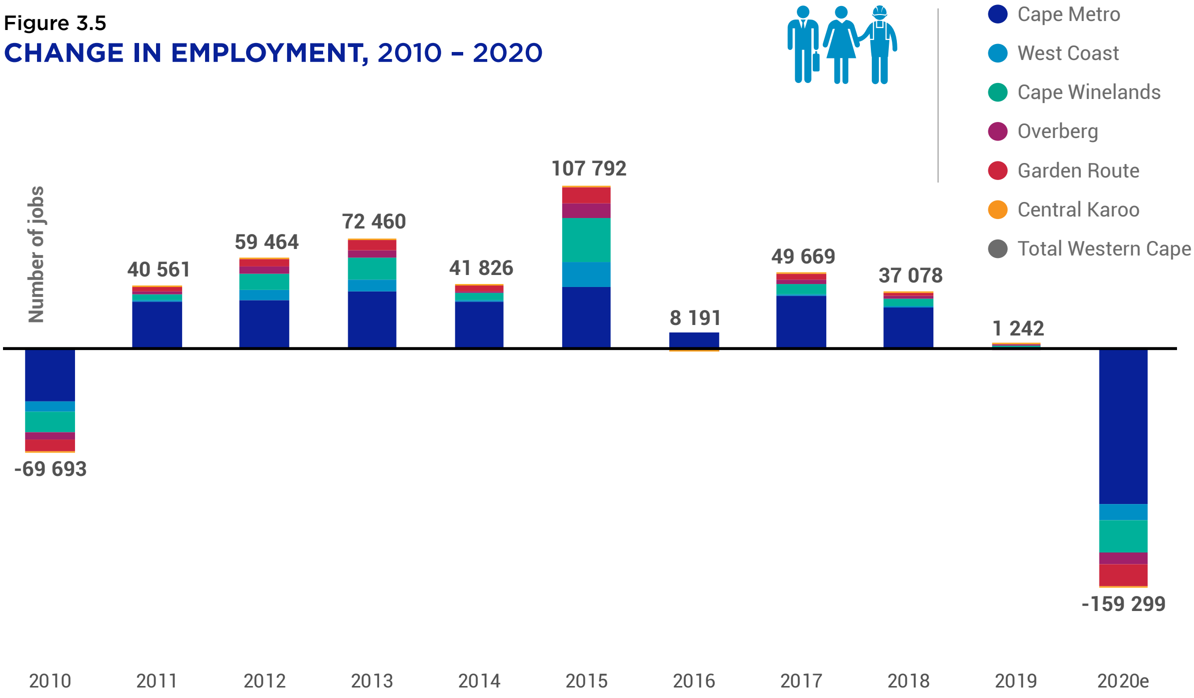
Source: Quantec Research, 2021

Employment contributions by the Districts and Cape Metro area broadly mirror that of GDPR contributions. The Cape Metro area was the leading contributor to employment in the Province in 2019, with a contribution of 62.7 per cent. The CWD and GRD were the second- and third-largest contributors to employment in the Province at 15.3 per cent and 9.0 per cent respectively. During the same year, the WCD and OD contributed 7.1 per cent and 5.1 per cent respectively to Provincial employment, while the CKD contributed the smallest share (0.8 per cent).

The employment trends in the Districts and Cape Metro area between 2010 and 2020 are indicated in Figure 3.5.

Figure 3.5

CHANGE IN EMPLOYMENT, 2010 – 2020



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e
Western Cape	-69 693	40 561	59 464	72 460	41 826	107 792	8 191	49 669	37 078	1 242	-159 299
Cape Metro	-35 135	30 564	31 252	37 045	30 854	40 581	10 156	34 403	26 758	-246	-103 402
West Coast	-7 502	720	6 851	8 367	603	16 300	-550	783	919	308	-10 278
Cape Winelands	-13 493	4 478	11 484	14 797	4 635	29 560	-195	7 276	4 999	1 624	-21 550
Overberg	-4 695	1 650	4 069	4 900	1 730	9 418	-373	2 645	1 766	198	-7 699
Garden Route	-8 092	3 028	5 381	6 812	3 911	10 563	-713	4 435	2 520	-678	-15 304
Central Karoo	-776	121	427	539	93	1 370	-134	127	116	36	-1 066

Source: Quantec Research, 2021 (e denotes estimate)

In 2010, the Western Cape experienced significant job-shedding, with a total of 69 693 jobs lost in the Province during the year. This was probably due to the continued after-effects of the global financial crisis, as employment recoveries typically lag behind economic recovery. These job losses could not be offset by the number of jobs created as a result of investment for FIFA World Cup 2010.

Between 2011 and 2013, a year-on-year increase in the number of employment opportunities was experienced in the Province. Despite a slowdown in the number of new employment opportunities in the Province in 2014, a substantial recovery was registered in 2015,[22] with 107 792 jobs created during the year. However, this increase was not sustained in 2016, with all regions apart from the Cape Metro area shedding jobs during the year.

While improvements in job opportunities were experienced in 2017 and 2018, with a cumulative increase of 86 747 jobs in the Province, new job opportunities created declined significantly in 2019. The overall slowdown in employment creation may be attributed to the poor economic performance of the Western Cape economy in 2018 and 2019, with the national economy entering two technical recessions during the same period.

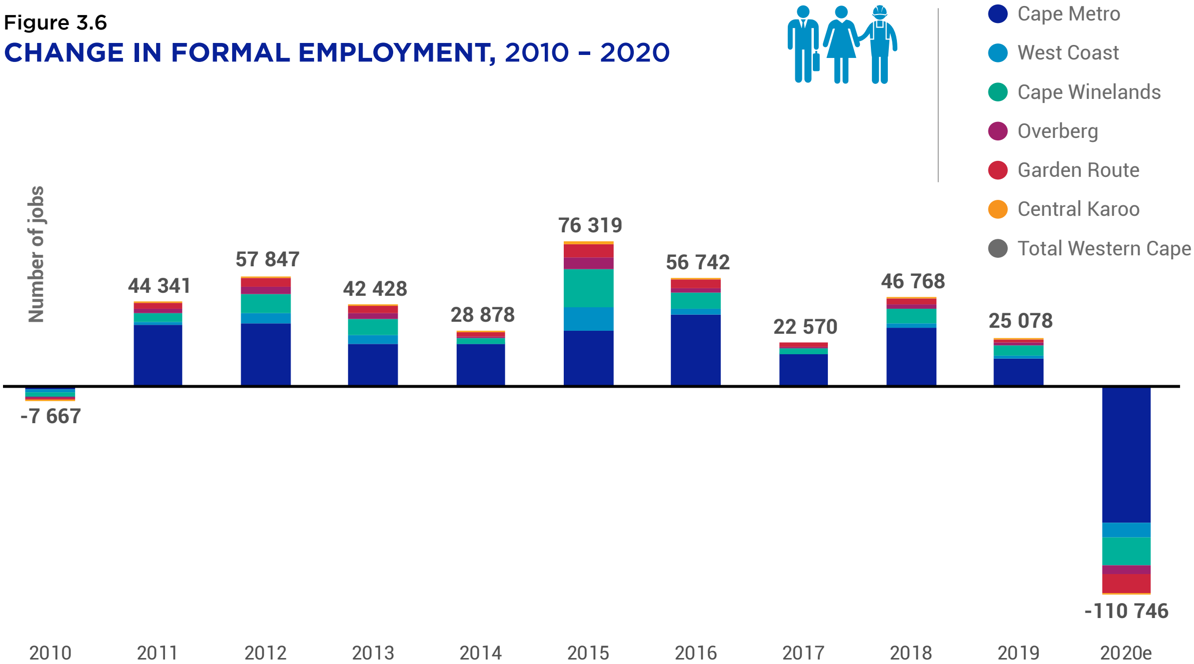
[22] *It should be noted, however, that in 2015, a new master sample was implemented in the Quarterly Labour Force Survey (QLFS), which may have impacted the data owing to variations in its design (Stats SA, 2015).*

Estimates for 2020 indicate that a total of 159 299 jobs were lost in the Province, with the Cape Metro area being the largest contributor to this decline. This highlights the dependence of employment creation in the Province on the performance of the Cape Metro area. However, it should be noted that the remaining Districts in the Province are also expected to have experienced job-shedding in 2020. This sharp decline in job opportunities is the result of national lockdown measures to limit the spread of COVID-19. Employment creation in the Province is not likely to experience an immediate recovery following the easing of lockdown restrictions. As previously mentioned, recoveries in employment typically lag behind economic recovery.

The formal employment trend for each District and the Cape Metro area between 2010 and 2020 is illustrated in Figure 3.6.

Figure 3.6

CHANGE IN FORMAL EMPLOYMENT, 2010 – 2020



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e
Western Cape	-7 667	44 341	57 847	42 428	28 878	76 319	56 742	22 570	46 768	25 078	-110 746
Cape Metro	-1 570	32 050	33 004	22 224	21 993	29 581	37 535	16 886	30 682	14 183	-72 944
West Coast	-1 810	1 486	5 622	5 012	501	11 668	3 367	21	2 671	2 077	-7 553
Cape Winelands	-2 147	5 308	10 123	8 440	2 945	20 291	8 244	3 023	7 144	5 110	-14 594
Overberg	-736	1 822	3 504	2 723	963	6 453	2 646	1 089	2 365	1 555	-5 073
Garden Route	-1 194	3 477	5 191	3 694	2 387	7 325	4 669	1 584	3 646	1 956	-9 881
Central Karoo	-210	198	403	335	89	1 001	281	-33	260	197	-701

Source: Quantec Research, 2021 (e denotes estimate)

The formal employment creation trend in the Province over the reference period broadly follows that of total employment creation over the same period. Declines in the number of formal jobs were evident in 2010, with strong recoveries registered between 2011 and 2013. This again points to a lagged recovery in formal employment creation following the global financial crisis.

New formal job opportunities in the Province peaked in 2015,[23] with 76 319 formal jobs created during the year.

[23] *It should be noted, however, that in 2015, a new master sample was implemented in the Quarterly Labour Force Survey (QLFS), which may have impacted the data owing to variations in its design (Stats SA, 2015).*

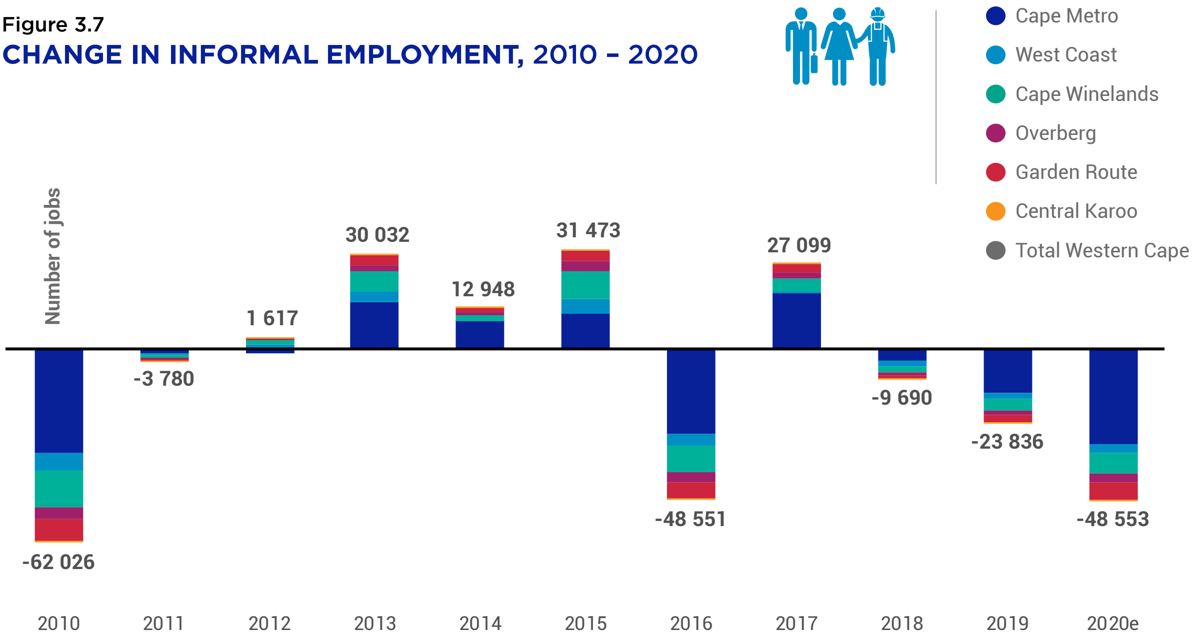
The Cape Metro area, CWD and WCD cumulatively contributed 80.6 per cent to the increase in formal job opportunities in the Province during the year. However, new formal job opportunities exhibited an overall downward trend between 2016 and 2019, despite a year-on-year recovery between 2017 and 2018. This is likely due to a marked slowdown in average growth in the Province over the period.

A total of 110 746 formal jobs are expected to have been lost in the Province in 2020. Formal job losses accounted for 69.5 per cent of total job-shedding in the Province during the year. Estimates indicate that a total of 72 944 formal jobs are expected to have been lost in the Cape Metro area, while 14 594 formal jobs are expected to have been lost in the CWD in 2020. Formal jobs are more likely to have been affected by the implementation of lockdown measures to contain the spread of COVID-19. As a result, formal job losses in the Province are expected to have exceeded informal job losses in 2020.

Figure 3.7 illustrates the change in informal employment between 2010 and 2020 across the regions in the Province. Between 2010 and 2019, a net total of 44 714 informal job opportunities were lost in the Province, with the Cape Metro area accounting for 67.8 per cent of this decline.

Figure 3.7

CHANGE IN INFORMAL EMPLOYMENT, 2010 – 2020



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e
Western Cape	-62 026	-3 780	1 617	30 032	12 948	31 473	-48 551	27 099	-9 690	-23 836	-48 553
Cape Metro	-33 565	-1 486	-1 752	14 821	8 861	11 000	-27 379	17 517	-3 924	-14 429	-30 458
West Coast	-5 692	-766	1 229	3 355	102	4 632	-3 917	762	-1 752	-1 769	-2 725
Cape Winelands	-11 346	-830	1 361	6 357	1 690	9 269	-8 439	4 253	-2 145	-3 486	-6 956
Overberg	-3 959	-172	565	2 177	767	2 965	-3 019	1 556	-599	-1 357	-2 626
Garden Route	-6 898	-449	190	3 118	1 524	3 238	-5 382	2 851	-1 126	-2 634	-5 423
Central Karoo	-566	-77	24	204	4	369	-415	160	-144	-161	-365

Source: Quantec Research, 2021 (e denotes estimate)

In 2010, 62 026 informal job opportunities were lost in the Province. The three leading contributors to this decline include the Cape Metro area (33 565 informal jobs), the CWD (11 346 informal jobs) and the GRD (6 898 informal jobs). When comparing formal and informal job opportunities in 2010, it is evident that informal jobs required a longer period of recovery from the global financial crisis than formal jobs.

Between 2012 and 2015, informal employment opportunities in the Province experienced sustained increases, peaking at 31 473 jobs in 2015.[24] However, in 2016 informal employment opportunities declined by 48 551 informal jobs during the year, with all Districts and the Cape Metro area registering declines.

Despite recovering in 2017, new informal job opportunities experienced a decline between 2017 and 2019. In 2017, a total of 27 099 informal job opportunities were created in the Province, with the Cape Metro area being the largest contributor to this increase. However, between 2018 and 2019 informal employment cumulatively declined by 33 526 informal jobs.

Estimates for 2020 indicate that a total of 48 553 informal jobs were lost in the Province during the year. However, it should be noted that formal job losses significantly outweighed informal job losses, indicating a less severe impact of the COVID-19 pandemic and lockdown measures on informal job opportunities. A limitation to this measure may be the undercounting of informal employment, especially of individuals who have secondary jobs in the informal economy, who would be left out during data collection.[25]

Given the continued rise in unemployment, government employment programmes such as the Expanded Public Works Programme (EPWP) are an important source of income in local communities, particularly for those with low skill levels.

[24] It should be noted, however, that in 2015, a new master sample was implemented in the Quarterly Labour Force Survey (QLFS), which may have impacted the data owing to variations in its design (Stats SA, 2015).

[25] (Stats SA, 2021).

Table 3.1

EXPANDED PUBLIC WORKS PROGRAMME MUNICIPAL PERFORMANCE, 2019/20 – 2021/22

EXPANDED PUBLIC WORKS PROGRAMME

2019/20
2020/21
2021/22

Period under review	EPWP. provincial target	EPWP. municipal work opportunity target	EPWP. municipal work opportunity performance
2019/20	63 571	39 976	49 437 (124%)
2020/21	64 467	40 555	30 647 (75%)
2021/22 (preliminary Q2 data)	65 594	41 145	24 034 (58%) (report extracted, 20 September 2021)

Source: Western Cape Department of Transport and Public Works – final EPWP Performance Annexures, 2021

Type of programmes implemented:

Infrastructure sector:

- Contractor development
- Large projects (exceeding R30 million)
- Municipal infrastructure
- Provincial roads: roads and non-roads

Social sector:

- Community safety programme
- Early childhood development
- Home community-based care programme
- Mass participation programme (sports coaching)

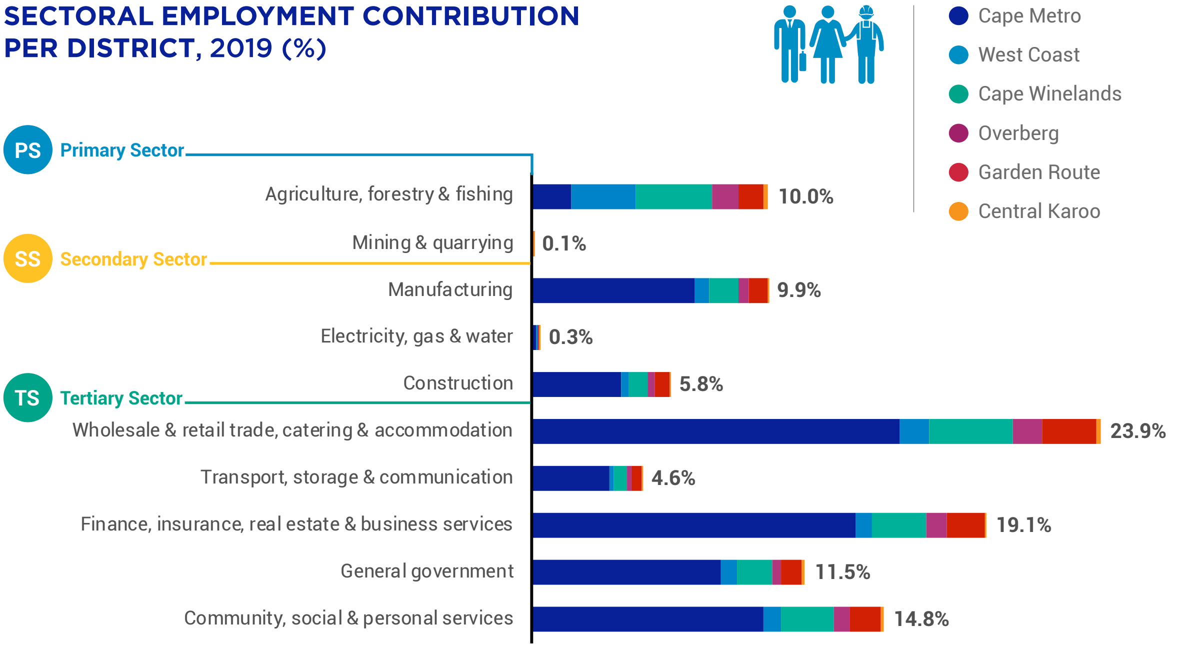
Environment and culture sector:

- Coastal management
- Parks and beautifications
- Sustainable energy
- Waste management
- Tourism and creative industries
- Sustainable land-based livelihoods

In 2019/20, the municipalities exceeded its target of 39 976 EPWP jobs by 24.0 per cent. However, in 2020/21 the COVID-19 pandemic hampered the efforts of employment creation through the EPWP and only 30 647 jobs were created (75.0 per cent of the target). As of September 2021, job creation in 2021 stood at 58.0 per cent of the target (24 034 jobs).

Figure 3.8 illustrates the sectoral employment contribution to the Provincial economy by region in 2019.

Figure 3.8
SECTORAL EMPLOYMENT CONTRIBUTION PER DISTRICT, 2019 (%)



Source: Quantec Research, 2021

The trade sector was the leading contributor to total employment in the Province, with a contribution of 23.9 per cent in 2019. Other prominent contributors to employment during the year included the finance sector (19.1 per cent) and the community services sector (14.8 per cent).

Employment in the trade sector was mainly concentrated in the Cape Metro area and the CWD, which contributed 15.5 per cent and 3.5 per cent respectively to the sector's total employment contribution of 23.9 per cent. These two regions were also the leading contributors to employment in the finance sector and the community services sector. With regard to the finance sector, the Cape Metro area contributed 13.6 per cent to the sector's total employment contribution of 19.1 per cent, while the CWD contributed 2.3 per cent. In terms of the community services sector, the Cape Metro area and the CWD contributed 9.7 per cent and 2.2 per cent respectively to total employment in the sector.

Employment in the agriculture sector contributed 10.0 per cent to total employment in the Province in 2019. The agriculture sectors in the CWD and WCD were the two leading contributors to overall employment in the primary sector, with contributions of 3.2 per cent and 2.7 per cent respectively during the year.

4. ECONOMIC RECOVERY

4.1 INTRODUCTION

The COVID-19 pandemic has resulted in severe consequences for the economic and social prosperity of the Western Cape. The response to the COVID-19 pandemic has restrained budgetary capabilities, not only in the Western Cape but also in the broader South African context. It is therefore necessary to prioritise interventions to allow for a concentrated approach to economic recovery.

As a recourse to the impact of COVID-19, the Economic Recovery Plan was launched in March 2020. This plan is aligned with the Provincial Strategic Plan (PSP) 2019 – 2024, which outlines the guiding principles for fast-tracking growth and development in the Province. The PSP outlines the priorities of the Western Cape Government (WCG) in the form of vision-inspired priorities (VIPs). These include (1) Safe and Cohesive Communities; (2) Growth and Jobs; (3) Empowering People; (4) Mobility and Spatial Transformation; and (5) Innovation and Culture.

Although the underlying problem statements that informed the VIPs have not changed, the COVID-19 pandemic has augmented the challenges faced by the Province. However, new challenges have emerged amid the COVID-19 pandemic that require consideration by the WCG. In March 2021, the WCG released the Western Cape Recovery Plan (WCRP) to simultaneously address existing and new challenges in the Province. The reasoning behind the development of the WCRP can be summarised as:

- The prioritisation of PSP interventions in the context of limited resources: this requires the prioritisation of certain PSP interventions and increased collaboration between stakeholders to address social and economic challenges augmented by the COVID-19 pandemic; and

- The institutionalisation of lessons learnt and improved implementation under COVID-19: owing to the agility, innovation and collaboration among stakeholders as part of the collective response to the COVID-19 pandemic, there exists a unique opportunity to reset the Province's transformation agenda. This is referred to as the "New Way to Work", which will be examined in the sections that follow.

The WCRP shares several interventions with the national Economic Reconstruction and Recovery Plan (ERRP), such as infrastructure development, the promotion of exports, energy security and the green economy, tourism recovery and growth, public employment interventions and food security. However, with dignity being the central concept of the WCRP, four themes have been outlined to facilitate the economic recovery of the Western Cape. These include:

- COVID-19 recovery: as the COVID-19 pandemic continues to spread in South Africa and the Western Cape, existing health measures need to be kept in place or augmented to address the secondary impacts of COVID-19 on health services delivery;

- Jobs: emphasis needs to be placed on economic growth and the generation of income by citizens to allow for the mitigation of the economic impact of COVID-19;

- Safety: as safety is highlighted in the PSP, the WCRP places equal importance on the maintenance of safety in the Province. The emphasis is on the dependence of safety on ensuring that basic human needs are met; and

- Wellbeing: the wellbeing of citizens, as enshrined in the South African Constitution, should be ensured by the Government.

In the sections that follow, each of the four themes identified in the WCRP will be examined. In addition, drawing from the PSP, programmes will be identified that the WCG will focus on.

4.2 COVID-19 RECOVERY

The Western Cape is still recovering from the first, second and third waves of COVID-19, with the risk of resurgence in the coming months. The health impact of COVID-19 can be categorised according to the direct and indirect health impacts.

Direct health impacts are centred on the spread of the COVID-19 pandemic across the Province. The Western Cape experienced a significant increase in COVID-19 infections before the rest of the country did during the onset of the pandemic. The COVID-19 pandemic has resulted in direct impacts, such as income losses arising from premature deaths, workplace absenteeism and a reduction in productivity.[26] These direct impacts have resulted in negative supply shocks owing to the slowdown in manufacturing activity brought about by disruptions in global supply chains and the closure of factories. In addition, consumer spending patterns were altered as a result of decreased household income and fear surrounding the spread of COVID-19.

Indirect health impacts have resulted from the direct health impacts of the COVID-19 pandemic. Employment losses during the pandemic have been associated with an increase in depressive symptoms among the working-age population.[27] Furthermore, a significant secondary impact has been the severe disruption to service delivery and the use of routine services.[28]

The socio-economic impact of the COVID-19 pandemic resulting from containment measures and economic recession in South Africa has severely affected mental and physical health. The following section will outline the recovery focus areas as determined by the direct and secondary health impacts of COVID-19.

4.2.1 Enabling safer choices and behavioural changes to mitigate COVID-19

Human behaviour was instrumental in the spread of COVID-19, and changing human behaviour has been vital in responding to the COVID-19 pandemic. The WCG has implemented several measures to mitigate the impact of COVID-19 on health and the economy by persuading the Province's population to enact large-scale behavioural changes. However, owing to the socio-economic inequalities in the Province and South Africa, the feasibility of behavioural changes depends on the living and livelihood circumstances of residents.[29] These factors and inequalities are vital when considering policies for implementation.

The WCG implemented a social marketing strategy that promotes the necessary personal protective behaviours to facilitate economic and societal recovery. The key message was framed around "Stay Safe. Move Forward" to prevent what is referred to as "COVID fatigue" and a resurgence in COVID-19 infections once lockdown measures were eased. The target audiences that were identified by the WCG for enabling safer choices include:

- Sectors that utilise public transport;
- Young adults between 18 and 30;
- Sectors posing a specific risk, such as bars and restaurants, to mitigate the impact of tourism; and
- Key identified stakeholders, including clinic committees and facility boards.

The behavioural change strategy required a strong element of regulation and enforcement, and was co-ordinated through the Joint Operations Centres (JOCs) located in the Provincial and District Disaster Management Centres. However, in a country as economically and socially divided as South Africa, it would be unrealistic to expect a uniform response from its residents.[30]

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[26] *(Pak, et al., 2020).*
[27] *(Western Cape Government, 2021).*
[28] *(Unicef, 2021).*
[29] *(Kollamparambil & Oyenubi, 2021).*
[30] *(Kollamparambil & Oyenubi, 2021).*

4.2.2 Surveillance and outbreak response to contain the spread of COVID-19

Surveillance enables a better understanding of infection risk and the likelihood of a resurgence through seroprevalence surveys.[31] The key objectives of surveillance that were identified by the WCG for COVID-19 include:

- Enabling rapid detection, isolation, testing and management of cases;
- Guiding implementation and adjustment of targeted control measures, while enabling the safe resumption of economic and social activities;
- Detecting and containing outbreaks among vulnerable population groups;
- Evaluating the impact of the pandemic on healthcare systems and society;
- Monitoring longer-term epidemiological trends and the evolution of the COVID-19 virus; and
- Contributing to the understanding of the co-circulation of SARS-CoV-2, influenza and other respiratory viruses or pathogens.

Owing to the human and economic toll resulting from the COVID-19 pandemic, there has been increased emphasis on regional disease surveillance and control as a policy response.[32] Testing for COVID-19 is the main surveillance tool utilised to curb the spread of the virus. The Department of Health (DOH) has continued to refine its contact-tracing capabilities in line with the fluctuating demands of the pandemic and to detect superspreader events. Furthermore, subdistrict teams play a central role in the provision of ground support and interventions that enable self-management.

4.2.3 Scaling up health platform capacity to manage COVID-19

The primary healthcare (PHC) platform ensures appropriate access to adequate COVID-19 testing for all symptomatic patients and appropriate triaging. Furthermore, advice for self-management of most patients with confirmed COVID-19 infections in the Western Cape is also provided.

The key support measures utilised by the WCG include oxygen supply availability, the provision of required PPE and additional staffing deployment. Other priorities of the WCG include the reintroduction of low-risk and high-impact services, such as immunisations, tuberculosis (TB) case detection and treatment, human immunodeficiency virus (HIV) testing and treatment, and mental health counselling and treatment.

[31] *A seroprevalence survey utilises antibody tests to estimate the percentage of people in a population who have antibodies against SARS-CoV-2 (Centers for Disease Control and Prevention, 2020).*

[32] *(World Bank, 2021).*

4.2.4 Employee health and wellness

The impact of COVID-19 resulted in a need to ensure employee health and wellness by providing health and wellness services. These services enhance mental health and support positive lifestyle changes. Factors such as healthcare support can be considered an important determination of employee wellbeing and satisfaction.[33]

The WCG is committed to ensuring that there is adequate support for employees who are impacted by COVID-19 through three components:

- Preventive interventions to strengthen the coping mechanisms of employees and modify any risk exposure associated with their health and wellness.
- Supportive interventions such as psychological first aid for those employees who are symptomatic.
- The appropriate treatment and referral as required.

The health and wellness of employees are crucial in maintaining productivity within the Provincial economy. It is therefore vital that initiatives aimed at improving the health and wellness of employees are implemented as part of the broader recovery of the Provincial economy.

4.2.5 Vaccine roll-out

On a national scale, the roll-out of mass COVID-19 vaccination campaigns to the public free of charge is vital for saving lives and supporting economic recovery.[34] The inherent objective of the mass vaccination drive in South Africa is to ensure that the country benefits from the resumption of international trade and resurgence in tourism. These are considered to be crucial drivers of economic growth in the Western Cape.

CHAPTER 4 of the WCD, CWD, GRD, OD and CKD District profiles and CHAPTER 3 of the Cape Metro profile contain trends relating to COVID-19 infections, admissions and deaths, as well as a snapshot of the vaccine roll-out up to August 2021.

The roll-out of the vaccine programme during 2021 and beyond is a central priority for the WCG. The WCG introduced an operational roll-out of vaccines by developing a service delivery and distribution model, ensuring cold-chain management and the provision of adequate human resources. This programme includes the development of required information systems that will allow the WCG to conduct targeted vaccinations and monitor the vaccine roll-out.

In support of the national programme, the WCG mobilised volunteers, health professional retirees and senior health science students to assist as vaccinators. The WCG collaborated with the DOH on the development of an information system to register facilities, vaccinators, clients and details of vaccines to capture the administration of the vaccine.

Furthermore, the WCG launched a major campaign in the Western Cape, using a variety of different media platforms and community voices to share accurate information with the public on the vaccines being used. Through a Provincial procurement process, the WCG will acquire additional vaccines to ensure that there is an adequate supply of safe, approved and effective vaccines for the residents of the Western Cape.

[33] *(Gorgenyi-Hegyes, et al., 2021).*
[34] *(National Treasury, 2021).*

4.3 JOBS

The impact of COVID-19 has been widespread on both a domestic and international level, with global and domestic lockdowns resulting in lower levels of investment and business confidence, job losses and limited trade, highlighting the vulnerabilities of South African businesses owing to their dependence on international trade.

Although the COVID-19 pandemic brought about a significant downturn in the performance of the respective economies of South Africa and the Western Cape, it should be noted that the national economy experienced two technical recessions between 2018 and 2019. Therefore, when local lockdown measures were implemented, the South African economy was not well positioned to mitigate the economic impact thereof. Within the Provincial context, the reliance on tourism as a source of economic growth and employment creation is of particular concern.

Policy considerations include the notion of staying safe, adapting job retention schemes, ensuring adequate income protection, the expansion of employment services and training, providing support to young people and reinforcing measures to promote gender equality in the South African labour market. The areas of discussion in the following section are broadly aligned with those suggested by the International Labour Organization (ILO):[35]

- Ensuring adequate income protection (including job search assistance and support): government needs to ensure that individuals in urgent need continue to receive income support. However, as the economy recovers, a balance between maintaining support and encouraging active job searching will need to be found;
- Adapting job retention schemes: job retention schemes may need to be adapted, as some sectors may reopen while others will remain constrained in their activities; and
- Staying safe: extended measures and guidelines will need to be introduced in the workplace as the economy reopens.

The objective for the focus area of the Jobs theme is to create an enabling environment for job creation, primarily through supporting the private sector and markets. This is expected to be closely linked with other focus areas, such as improving the wellbeing and safety of citizens. The following subsection will outline the recovery focus areas to allow for job creation in the Province from the 2021 MTEF onwards.

[35] *(ILO, 2020).*

4.3.1 Implement immediate interventions

The Jobs theme required some immediate responses that focused on providing relief in the form of income to households. Within the context of COVID-19, the implementation of domestic lockdown measures resulted in extensive job-shedding, severely restraining household income. This in turn affected the revenue received by municipalities and their respective capabilities to provide basic services.

To provide and sustain household income, several immediate interventions that focused on supporting and creating jobs in the public and private sectors were implemented. Key achievements as outlined in the WCRP include:

- The creation or support of more than 7 493 job opportunities through interventions aimed at supporting businesses to retain employees by December 2020;
- More than R1.3 billion in investments provided to the region, which supported more than 3 000 companies;
- Municipalities were able to take advantage of the legal approval for the self-generation of power, contributing to economic growth and energy security; and
- A total of 1 095 Provincial Public Works projects provided 27 690 employment opportunities as at December 2020, with a total of 6 776 full-time equivalent (FTE) employment opportunities created.

The abovementioned immediate interventions were crucial in sustaining household income during the COVID-19 pandemic. However, initiatives aimed at providing a sustainable recovery in household income through the creation of employment opportunities may be more beneficial in the long run.

CHAPTER 3 of the WCD, CWD, GRD, OD and CKD District profiles and CHAPTER 2 of the Cape Metro profile analyse the performance of and contributions to employment on a sectoral level with the aim of identifying key sectors that will contribute to future employment growth.

4.3.2 Accelerate the ease of doing business

The WCG has identified the ease of conducting business as a cornerstone of economic growth owing to its potential to unlock growth through the removal of growth constraints and job creation. The growth of businesses in any economy provides support to governments in addressing economic challenges faced by the society, such as job creation and financial resources generation, and in improving the standard of living of citizens. Accelerating the ease of doing business is also highlighted in the national ERRP through enacting regulatory changes and creating a supportive policy environment.[36]

To accelerate the ease of doing business, two aspects must be addressed, namely: (1) the binding and systemic constraints in the economy, and (2) the red tape of the Government and its agencies. Focus areas identified by the WCG over the short term, thus between April 2021 and March 2022, include the following:

- Determining and implementing systemic solutions for economic challenges and constraints;
- Providing Red Tape Reduction support to municipalities;
- Improving the efficiency of government procedures and administrative systems; and
- Providing clear policy direction and legislative reform.

Improving the ease of doing business is vital in stimulating entrepreneurship and facilitating the deployment of businesses. Addressing the focus areas listed above is also expected to contribute to confidence in South African businesses and their interactions with international markets.

4.3.3 Boost investment, exports and infrastructure

The ERRP identifies the need for infrastructure investment and the reorientation of trade policies to boost exports as key interventions in facilitating South Africa's economic recovery from the COVID-19 pandemic.[37] Large-scale infrastructure investment is likely to boost aggregate demand, which in turn assists in reviving the construction industry and contributes to employment creation.

Attracting investment and supporting exports remain fundamental in supporting economic diversification and creating employment. Investment in the Western Cape will be attracted into two special economic zones (SEZs) and through other economic development infrastructure initiatives. Foreign investment will also be attracted through international marketing interventions. The focus areas of boosting investment and exports in the Province include:

- Enhancing international and national positioning of the Western Cape;
- Implementing the investment facilitation and retention strategy;
- Promoting trade in key destination markets on the African continent;
- Increasing productivity growth and product complexity;
- Supporting tourism and agribusiness; and
- Supporting growth opportunities in sectors such as agriculture and small, medium and micro enterprises (SMMEs), including support to township economies.

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[36] *(South African Government, 2020).*
[37] *(South African Government, 2020).*

Infrastructure-driven economic growth will be centred on infrastructure maintenance, including dams and roads, and education, health and general facilities. This is expected to improve economic productivity and competitiveness, while increasing municipal infrastructure expenditure will stimulate economic growth and support the construction industry. Over the long term, an increase in public capital results in increased levels of economic output. This allows businesses and individuals to be more productive, as more time and resources are now available to generate additional economic output.[38]

The focus areas outlined in the WCRP, in terms of supporting infrastructure development and maintenance, are focused over the short term. These interventions include:

- Identifying and guiding the planning and execution of major public infrastructure interventions;
- Providing support to municipal infrastructure implementation and spend, with a particular focus on labour-intensive projects;
- Identifying infrastructure shortcomings; and
- Mobilising and directing infrastructure investments.

Attracting investment, supporting exports and maintaining or developing infrastructure are key cross-cutting interventions. The Western Cape requires reliable infrastructure to connect supply chains and efficiently transport goods and services across borders, which will in turn support exports, attract additional investment and support job creation. In accordance with the national ERRP, this focus area should prioritise network industries to support a long-term increase in the productive capacity of the economy and the modernisation of freight and public transport.

CHAPTER 3 of the WCD, CWD, GRD, OD and CKD District profiles and CHAPTER 2 of the Cape Metro profile contain details of the main products that are traded, as well as the key trading partners and recent export and import trends.

[38] *(Stupak, 2018).*

4.3.4 Increase employment opportunities and skills for people without jobs

Employability includes factors such as a foundation of core skills, access to education, availability of training opportunities, motivation and recognition of acquired skills. All these factors are essential for enabling workers to attain decent work, enabling enterprises to adopt new technologies and enter new markets.

Increasing the number of available job opportunities in the Western Cape will result in the increased probability of unemployed individuals finding employment in the private sector. This is to be supplemented by the provision of skills programmes, which will improve access to skills[39] development opportunities. Recovery areas over the short term include:

- Increasing internships and skills programmes;
- Improving access to skills and workplace opportunities;
- Improving the skills ecosystem;
- Placing people into public-sector work opportunities, such as EPWPs.

The focus area of advancing work opportunities and skills will provide a guide to assist the WCG in integrating the employability of individuals across the Province. Furthermore, it is also expected that the advancement of skills and increased employability of individuals will support other interventions outlined in the WCRP.

CHAPTER 2 of the WCD, CWD, GRD, OD and CKD District profiles and CHAPTER 1 of the Cape Metro profile discuss local skills profiles and employment trends on a municipal level.

4.3.5 Focus on economic resilience

Regional economic resilience can be linked to an area's ability to prevent, withstand and recover from major disruptions such as the COVID-19 pandemic. Improving the economic resilience of the Province will largely focus on facilitating energy and water resilience and security. This is expected to contribute to sustainable production and to support employment creation. The focus areas of economic resilience in the Province include:

- Diversifying the regional energy mix and reducing energy intensity by promoting the natural gas sector;
- Promoting and enabling solar photovoltaic (PV) installations and energy efficiency across the Province;
- Promoting initiatives that support the green economy;[40]
- Addressing climate change and water resilience; and
- Improving waste management.

Economic resilience is regarded as the focal point for post-incident co-ordination and information dissemination across the Province and its regions. The proposed interventions will create an enabling environment for job creation, and this in turn will sustainably contribute to the wellbeing and safety of citizens.

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[39] Skills development is identified as a cornerstone of the successful implementation of the national ERRP.
[40] Green economy interventions are important interventions identified in the national ERRP to address socio-economic challenges while simultaneously offering a sustainable solution to climate vulnerabilities (South African Government, 2020).

4.4 SAFETY

Lockdown measures implemented in South Africa have resulted in lower crime rates, which will be observed in the various District profiles. This is likely as a result of individuals not being able to leave their residences, the ban on alcohol consumption and the difficulty of residents being able to report crime to SAPS. Conversely, owing to the anticipated job losses and learning disruptions resulting from the COVID-19 pandemic and national lockdown, it is expected that crime rates will increase in the medium to long term.[41]

The WCG aims to increase safety for all individuals in the Western Cape by improving safety through effective oversight of policing, ensuring safety measures by optimising safety and security risk management. This is supported by three focus areas for intervention identified in the PSP:

- Enhancing the capacity and effectiveness of policing and law enforcement through the deployment of additional law enforcement officers, data-led and evidence-based policing, strengthening crime prevention partnerships with non-government agents and the implementation of the Rural Safety Plan (RSP);
- Implementing programmes to reduce children's exposure to violence to reduce future levels of crime; and
- Implementing programmes to increase the safety of public spaces and promote social cohesion in targeted communities.

Drawing from the PSP, the WCRP defines safety as an aspiration and a state of being free from crime and violence. To ensure that protective measures are impactful on the ground, the following critical elements are outlined in the WCRP:

- An evidence-based approach to safety: draw on international and local evidence of effective measures in addressing safety challenges faced by law enforcement and violence prevention streams;
- A data surveillance approach to safety: adapting the Cardiff Model for violence prevention to develop a safety data surveillance system to integrate data from different government departments; and
- An area-based approach for implementing the safety priority: the WCG aims to establish area-based teams in hotspots of violence, which will include representatives from the law enforcement and violence prevention streams. It should be noted that there should be close co-ordination with the wellbeing priority.

Close co-ordination between the safety and wellbeing priorities is of critical importance to the WCG. Recovery focus areas identified by the WCG may either be immediate or in 2021 and beyond.

[41] *(Western Cape Government, 2021).*

4.4.1 Immediate interventions

Based on the three critical elements identified in the WCRP, which draws on the PSP, the implementation of multisectoral and evidence-based processes will not be immediate. However, to address the urgent safety needs of communities in the Province, the following programmes are in the process of being implemented:

- The establishment of area-based teams according to geographical areas with high rates of murder and gang violence;
- The establishment and implementation of the Youth Safety Ambassador Programme;
- Via the EPWP, youth training and work placement in jobs in areas with high levels of crime;
- The expansion of the Chrysalis Academy, a youth development academy;
- The training and placement of peace officers in six municipalities;
- The establishment of a Rural Safety Desk;
- Maximising services to survivors of gender-based violence;
- The establishment of a highway patrol to monitor and apprehend flows of illicit goods; and
- The deployment of an additional 500 Law Enforcement Advancement Plan (LEAP) officials in high-crime areas in the City of Cape Town.

Safety is regarded as a necessary enabler for human development, improved quality of life and enhanced employee productivity. Safety is a collective responsibility and through the WCG's respective departments, civil society, active citizens and the private sector, a contribution to a safe and secure environment for the Western Cape can be executed.

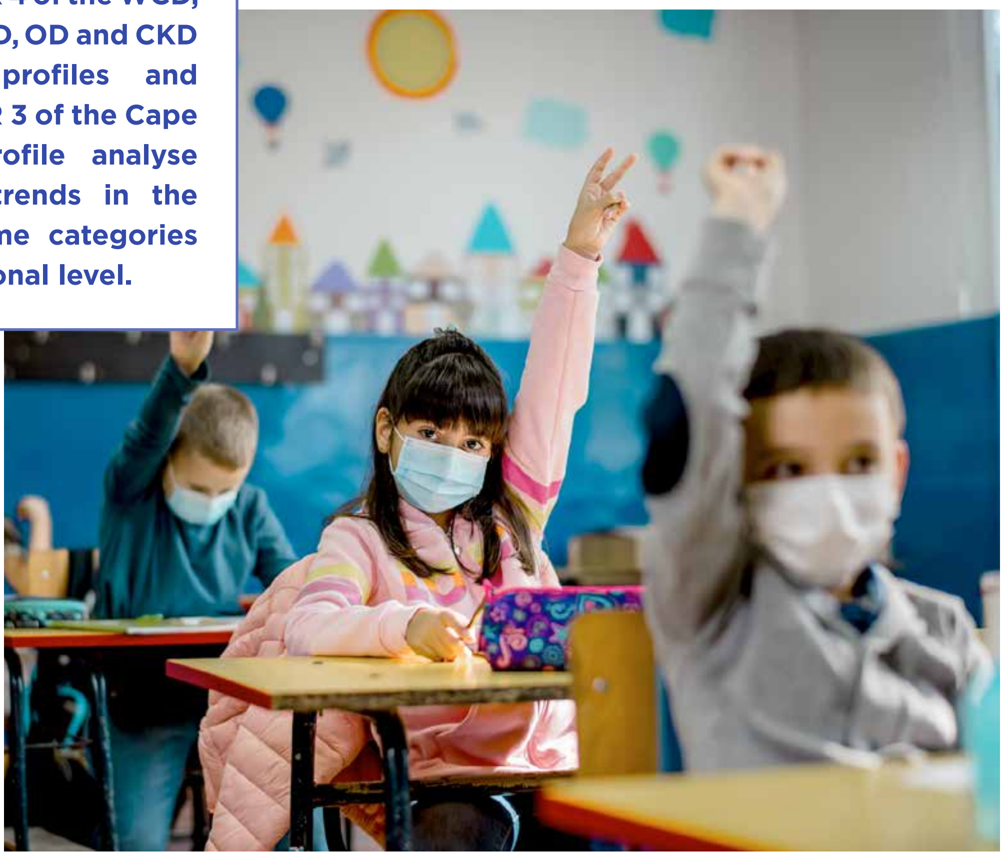
4.4.2 Focus areas in 2021 and beyond

The WCG identified eight focus areas for intervention in reducing interpersonal violence. These will inform the choice of interventions, which include the following:

- Developing safe, stable and nurturing relationships between children and their parents or caregivers;
- Having a school needs assessment to assess levels and drivers of violence in schools;
- Reducing the availability and harmful use of alcohol, in addition to reducing access to firearms and knives;
- Creating safe spaces through urban design;
- Promoting the economic and social empowerment of women;
- Changing social and cultural norms that support violence;
- Continuing Chrysalis Academy for youth development;
- Strengthening child protection services in high-crime areas under the co-ordination of area-based safety teams;
- Supporting safety partners such as Community Police Forums (CPFs), Neighbourhood Watches (NHWs), non-governmental organisations (NGOs) and community-based organisations (CBOs); and
- Ensuring that victim support services are effective.

All these interventions are likely to rely extensively on intersectoral collaboration and co-ordination. This will also require a whole-of-government and whole-of-society approach.

CHAPTER 4 of the WCD, CWD, GRD, OD and CKD District profiles and CHAPTER 3 of the Cape Metro profile analyse historic trends in the main crime categories on a regional level.



4.5 WELLBEING

Wellbeing is related to the health and quality of life of individuals. The wellbeing of individuals is closely related to their safety and health, while also influencing labour productivity. The COVID-19 pandemic severely impacted public health, education and social outcomes in the Western Cape. In terms of healthcare services, COVID-19 has undoubtedly strained the health system and inhibited its ability to provide routine healthcare services.

The WCRP outlines the promotion of wellbeing as a fundamental human right, the progressive realisation of socio-economic rights and the creation of a sense of belonging. It should be noted that the wellbeing priority narrowly follows the PSP through the life course approach. This approach aims to intervene at critical stages during a person's life to ensure future success.

The importance of approaches to wellbeing can be initiated through appropriate policies at different levels of government and should consider factors such as health, education and social services. The recovery focuses of wellbeing in the Province are discussed below.

4.5.1 Immediate interventions

Some interventions identified in the PSP were implemented in 2020 to address immediate needs. These initiatives serve as the basis for those implemented during the 2021 MTEF and beyond. Specific interventions include:

- The provision of support to the early childhood development (ECD) sector through the provision of PPE and an income protection package;
- The provision of food relief through utilising community kitchens, partnerships with NGOs and food parcel deliveries to remote areas;
- Ensuring appropriate targeting of food relief schemes through malnutrition surveillance;
- Implementing the Growth Mindset programme in schools (commencing with Grade 12s);
- The provision of 1 000 shelter spaces and reunification services for the homeless;
- The Thusong homework hubs;
- Red Dot Lite – transport for healthcare workers;
- The expansion or enhancement of school feeding schemes;
- After-school Mass Participation, Opportunity and Access, Development and Growth (MOD) Programme, neighbourhood schools, partial aftercare, YearBeyond and Grade 8 and 9 programmes;
- YearBeyond Youth Service work experience for young people who are not engaged in education, employment or training;
- Community, school and household food gardens; and
- Provision of basic services and sanitation in targeted informal settlements.

4.5.2 Focus areas in 2021 and beyond

Many of the immediate initiatives listed above will continue into the 2021/22 financial year. However, additional focus areas will include:

- Finalisation and roll-out of the Gender-based Violence Implementation Plan;
- ECD infrastructure support and registration drive;
- Specialised learner support at ECDs, expanding into Grade R;
- First 1 000 Days services for maternal health and ECD;
- Libraries' reading drive;
- Continuation of food relief and roll-out of food gardens;
- Development and implementation of a "nourish to flourish" mobilisation strategy for the Province;
- Ongoing support for after-school programmes;
- @Home learning drive to extend education beyond the classroom;
- A catch-up on routine health services, including Road to Health scheduled vaccinations;
- Design of safe spaces in urban areas;
- Facilitation of sport, arts and culture spaces, activities and skills to build social cohesion; and
- Further expansion of a Youth Service programme to 1 000 young people per annum, where they are offered social sector services while gaining work experience and building their curricula vitae.

Improving the wellbeing of citizens in the Province is closely affiliated with the priorities of safety, health and wellness, jobs and productivity, and economic growth. The initiatives listed for immediate implementation, in addition to those proposed for the 2021 MTEF and beyond, emphasise the importance of the youth and women in the economic recovery of the Province. These measures will also contribute to the alleviation of poverty and malnutrition, thus addressing the socio-economic needs of the Western Cape.

CHAPTER 4 of the WCD, CWD, GRD, OD and CKD District profiles and CHAPTER 3 of the Cape Metro profile analyses key health, education and service delivery outcomes.

5. CONCLUDING REMARKS

In 2020, the global economy contracted by 3.1 per cent as a result of the COVID-19 pandemic and lockdown measures to contain its spread. The decline in growth was broad-based in 2020. However, the Chinese economy registered a growth rate of 2.3 per cent during the year. Forecasts for 2021 indicate a recovery in the global economy, with global economic growth accelerating to 5.9 per cent in 2021 before easing to 4.9 per cent in 2022.

The South African economy has registered four consecutive quarterly contractions since the third quarter of 2019. Despite the easing of domestic lockdown restrictions, the recovery of the South African economy in 2021 is expected to be short-lived. Beyond 2021, the gradual recovery of the national economy is expected to be undermined by domestic electricity disruptions and higher fuel, electricity and food prices. Furthermore, the main risks to the national economic outlook include the negative effect of the COVID-19 pandemic on the tourism and hospitality sectors, growing income inequality and increased public-sector debt.

Between 2011 and 2020, average annual growth in the Western Cape stood at 1.0 per cent. Despite the economic decline of the Province over the period, it is worth noting that growth in the Province outpaced that of the national economy in 2019. Given the dependence of the Western Cape on tourism activities and the wine industry as drivers for economic growth, the COVID-19 pandemic and subsequent lockdown measures greatly affected the Province's economic performance. As a result, the Provincial economy is expected to have contracted by 6.7 per cent in 2020. The risks to the Provincial outlook closely mimic the risks to the national outlook. However, reliance of the Western Cape economy on tourism, wine production and agriculture should be considered as additional contextual risks.

The WCG has outlined several focus areas in its recovery plan. These include a focus on the Province's recovery from COVID-19, jobs, safety and wellbeing. These focus areas are closely aligned with the national ERRP. However, it is important that the suggested approaches to recovery specific to each focus area address certain vulnerabilities and underlying inequalities in the Province. Striking a balance between extended public spending and the recovery of the Provincial and national economies remains vital in ensuring the stabilisation of public finances. As such, there is a need to co-ordinate both Provincial and national recovery policies.

The COVID-19 pandemic has accelerated emerging trends, particularly in the digital industries, while similarly emphasising pre-COVID-19 challenges that hampered growth in the economy, such as rising unemployment and low skill levels. The already struggling low-income earners were more likely to be adversely affected, while high-income earners could work from home. This will likely contribute to the already high levels of inequality in the country.

Businesses that are able to adapt and utilise new technologies to meet the changes in consumer behaviour have been more resilient during the pandemic. However, with the rise in remote working, labour supply and demand has been altered, with local businesses competing with global demand for highly skilled workers. Developing skills to meet the demand of local industries, access to the internet, promoting entrepreneurship and ease of doing business are key factors in unlocking sustainable job creation potential.

CM

CAPE METRO

2 446.4KM²

CAPE METRO

CAPE POINT, SOMERSET WEST, ATLANTIS, ROBBEN ISLAND

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- Introduction
- Growth in GDPR performance
- Labour trend analysis
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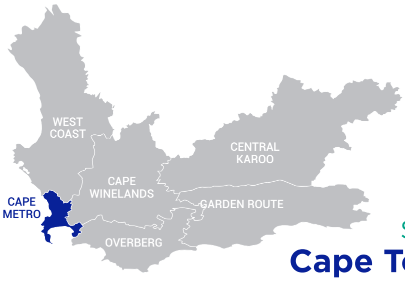

CM CAPE METRO

SEAT **Cape Town** | AREA **2 446.4KM²** | DENSITY **1844/KM²**

CAPE POINT, SOMERSET WEST, ATLANTIS, ROBBEN ISLAND

DEMOGRAPHICS

GENDER — POPULATION

4 610 777
POPULATION 2020

49.5% | 50.5%
Gender split 2020

HOUSEHOLDS

Number of **households** 2020
1 373 498

Average **household income** 2019
R20 616

Indigent households 2020
197 224

AGE

0-14yrs	15-64yrs	65+yrs
23.9%	69.3%	6.8 %

Age split 2020

GROSS DOMESTIC PRODUCT

GDPR 2019
R440.8 BILLION
(72.0%)
of Western Cape

GDPR per capita
(2020 current prices)
R92 445.9

GDPR estimated growth

2020e	2021f	2022f
-7.3%	4.5%	2.4%

SERVICES

96.4% Access to **water**

93.7% Access to **electricity**

91.1% Access to **solid waste removal**

97.6% Access to **sanitation**

2020

EMPLOYMENT

PEOPLE EMPLOYED
1 619 513
2019

-103 402
Estimated **number** of **jobs lost** 2020

22.4%
Estimated **unemployment** rate 2020

TRADE

2020

IMPORTS
R167.6 BILLION

EXPORTS
R87.2 BILLION

Top 3 exported products 2020
- Citrus
- Non-crude petroleum oils
- Apples, pears & quinces

Top 3 export destinations
- Namibia
- United States
- United Kingdom

TOURISM

VISITORS 2019

OVERSEAS	DOMESTIC	OVERNIGHT	DAY VISITORS
33.3%	66.7%	92.3%	4.0%

ACTIVITIES

Top activities 2019

Outdoor activities	Scenic drives	Culture/ heritage
52.0%	30.0%	17.0%

	GDPR 2019: GDPR CONTRIBUTION	GDPR 2020: GDPR GROWTH	EMPLOYMENT 2019: EMPLOYMENT CONTRIBUTION	EMPLOYMENT 2020: EMPLOYMENT GROWTH
PRIMARY SECTOR	1.4%	10.5%	2.8%	-7.9%
AGRICULTURE, FORESTRY & FISHING	1.2%	15.7%	2.7%	-7.8%
MINING & QUARRYING	0.2%	-18.5%	0.1%	-8.5%
SECONDARY SECTOR	23.1%	-12.2%	17.4%	-9.5%
MANUFACTURING	15.0%	-10.4%	10.9%	-7.7%
ELECTRICITY, GAS & WATER	3.1%	-6.8%	0.4%	-3.4%
CONSTRUCTION	5.0%	-21.3%	6.1%	-13.2%
TERTIARY SECTOR	75.5%	-6.4%	79.8%	-5.7%
WHOLESALE & RETAIL TRADE, CATERING & ACCOMMODATION	17.3%	-10.5%	24.6%	-6.7%
TRANSPORT, STORAGE & COMMUNICATION	11.3%	-15.4%	5.2%	-5.5%
FINANCE, INSURANCE, REAL ESTATE & BUSINESS SERVICES	27.4%	-4.8%	21.8%	-5.7%
GENERAL GOVERNMENT	12.6%	0.8%	12.7%	1.1%
COMMUNITY, SOCIAL & PERSONAL SERVICES	6.9%	-2.3%	15.5%	-9.5%

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1 REGIONAL ECONOMIC REVIEW AND OUTLOOK

1.1 INTRODUCTION

The Cape Metro is a vibrant metro area that dominates the economy of the Western Cape. The Cape Metro area spans approximately 2 446.4km^2 and is bordered by the WCD, CWD and OD. The metro area is the commercial and industrial hub of the Province as well as a valuable national port and tourist destination.

This chapter provides a macroeconomic outlook of the Cape Metro by focusing on GDPR performance and employment trends. It should be noted that the period under review for MERO 2021 is between 2015 and 2019, with 2020[1] figures being estimated.

[1] *Stats SA will only release official regional indicators for 2020 in 2022.*

1.2 GROWTH IN GDPR PERFORMANCE

This section provides an overview of the size of the Cape Metro's economy by discussing the average GDPR contribution and growth rates achieved by the metro area between 2015 and 2019, with 2020 figures being estimated.

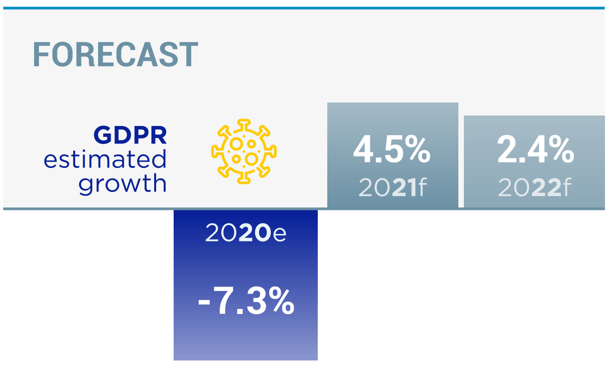
1.2.1 GDPR performance

The Cape Metro area's GDPR contribution and growth rates in relation to the Western Cape and South Africa are illustrated in Table 1.1.

Table 1.1
GDPR CONTRIBUTION AND AVERAGE GROWTH RATES, Cape Metro, 2019

MUNICIPALITY	R million value 2019	Trend 2015 – 2019 (%)	Real GDPR growth 2020e (%)
Cape Metro	R440 763.9 (9.7%)	1.0%	-7.3%
Western Cape	R611 928.2 (13.5%)	1.0%	-6.7%
South Africa	R4 523 573.1 (100%)	0.8%	-6.8%

Source: Quantec Research, 2021 (e denotes estimate)



In 2019, the economy of the Cape Metro area was valued at R440.8 billion (in current prices), contributing 72.0 per cent to the Provincial economy during the same year. The Cape Metro is thus the most valuable source of economic activity in the Province and contributed 9.7 per cent to the national economy in 2019.

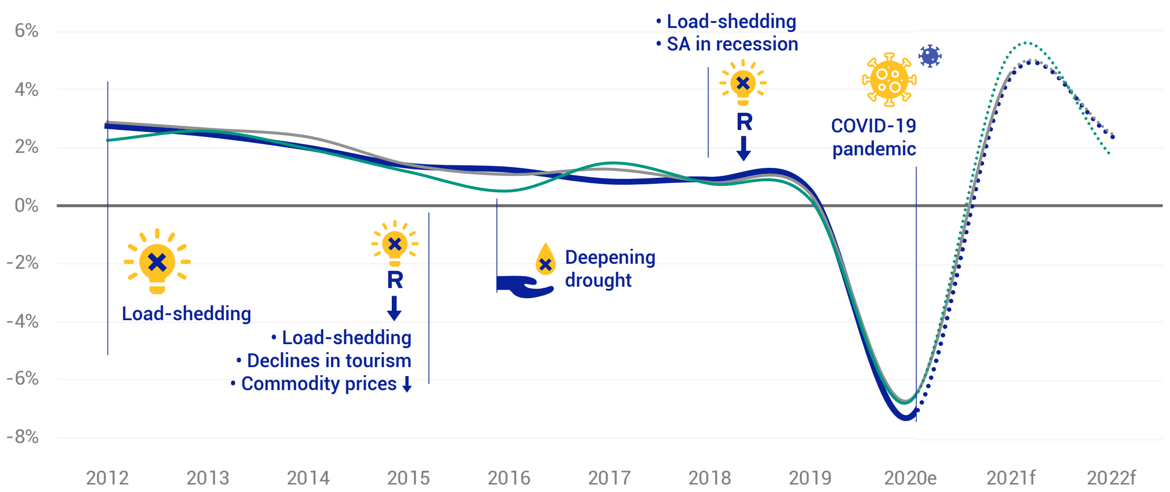
Between 2015 and 2019, the Cape Metro area experienced an average annual growth rate of 1.0 per cent – the same as that of the Province. This indicates that the economic performance of the Provincial economy is closely correlated with that of the metro area. The average annual growth rates of the Cape Metro and Provincial economies over the five-year period were slightly higher than that of the national economy (0.8 per cent) over the same period.

Estimates for 2020 indicate that growth prospects in the Cape Metro deteriorated significantly. The GDPR of the Cape Metro contracted by 7.3 per cent in 2020, which is higher than the contractions expected in both the Provincial and national economy at 6.7 per cent and 6.8 per cent respectively. The contraction in the Cape Metro, in addition to the contractions in the Provincial and national economy, may be ascribed to the health, social and economic impacts of the COVID-19 pandemic and lockdown measures to contain its spread.

The Cape Metro is considered the most significant single destination for tourism spend in South Africa.[2] As a result, the implementation of lockdown measures resulted in a significant impact on economic activity in the metropolitan area, contributing further to its poor performance in 2020. The other regions of the Province recorded a smaller decline in GDPR growth owing to the strong performance of the agriculture sector, which makes a smaller contribution to the Cape Metro area. The national economy was boosted by the strong recovery of the mining sector, especially in the third quarter of 2020. The improved performance of the mining sector owing to higher production levels of PGMs, iron ore, gold, manganese and diamonds was one of the main sources of economic growth nationally.[3]

The economic dynamics of the Cape Metro area, and its dependence on endogenous and exogenous factors within the Province and country, can be determined by analysing historical growth rates. Figure 1.1 depicts the historical growth rates of the Cape Metro, the Western Cape and South Africa between 2012 and 2022. Estimates for 2020 are provided, while the figures for 2021 and 2022 are provided as forecasts.

Figure 1.1
GDPR GROWTH, Cape Metro, 2012 – 2022



	2012	2013	2014	2015	2016	2017	2018	2019	2020e	2021f	2022f
Cape Metro area	2.8%	2.5%	2.0%	1.4%	1.3%	0.8%	0.9%	0.5%	-7.3%	4.5%	2.4%
Western Cape	2.9%	2.6%	2.4%	1.4%	1.1%	1.2%	0.8%	0.4%	-6.7%	4.6%	2.5%
South Africa	2.2%	2.6%	1.9%	1.1%	0.5%	1.5%	0.7%	0.2%	-6.8%	5.3%	1.7%

Source: Quantec Research, 2021; Urban-Econ based on Quantec, SARB, Stats SA and BFAP, 2021
(e denotes estimate, f denotes forecast)

[2] (Rogerson, 2020).
[3] (Stats SA, 2020).

Barring a slight increase in 2018, the GDPR growth in the Cape Metro area was on an overall downward trend between 2012 and 2019, which mirrors that of the Provincial economy over the same period. In 2012, the Cape Metro area registered a growth rate of 2.8 per cent, before easing to 2.5 per cent and 2.0 per cent in 2013 and 2014 respectively. Over the eight-year period, GDPR growth in the Cape Metro area registered the largest decline between 2014 and 2015, with growth declining by 0.6 percentage points. This decline may be ascribed to declines in tourism and commodity prices, and electricity supply constraints in South Africa, which also influenced the local economy. The decline in the performance of national tourism in 2015 was brought about by the introduction of new visa regulations, economic crises in several source countries and acts of terror across the African continent.[4]

Post-2015, GDPR growth in the Cape Metro area continued to deteriorate. In 2016, growth in the metropolitan area stood at 1.3 per cent, before declining further to 0.8 per cent in 2017. Despite a marginal increase in 2018 (0.9 per cent), GDPR growth slowed to 0.5 per cent in 2019. Intermittent load-shedding across South Africa and consecutive periods of drought in the Province contributed to the poor performance of the Cape Metro area over the period. Furthermore, the economic performance of the Cape Metro area is likely to have been worsened by the poor performance of the national economy, as South Africa entered two technical recessions throughout 2018 and 2019.

In 2021, GDPR growth in the Cape Metro area is expected to increase to 4.5 per cent, similar to that of the Province (4.6 per cent) but below that of South Africa (5.3 per cent). It is anticipated that the mining sector will boost the South African economy in 2021. Higher commodity prices and growing global demand, particularly for PGMs, is anticipated to boost the sector substantially. However, this sector is less prominent in the Western Cape and Cape Metro area. The Provincial economy will nevertheless benefit from the anticipated strong performance of the agriculture sector, resulting from high global commodity prices and record exports in 2020.[5] These high growth rates should not be considered as an improved economic outlook, as growth in 2021 originates from a constrained economic base. This effect is evident in the 2022 forecast period, with GDPR growth in the Cape Metro area slowing to 2.4 per cent during the year, marginally lower than the 2.5 per cent anticipated in the Provincial economy.

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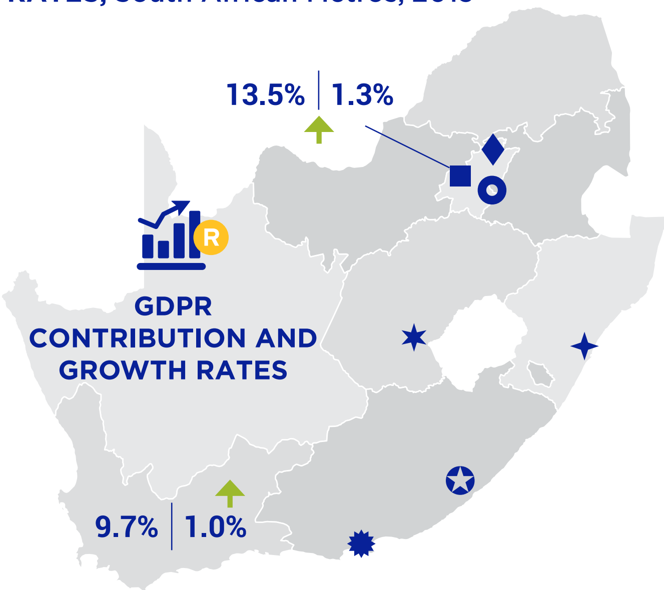
[4] *(Department of Tourism, 2016).*
[5] *(BFAP, 2021).*

Diagram 1.1

GDPR CONTRIBUTION AND GROWTH RATES, South African Metros, 2019

	% of national GDPR	2015 – 2019 GDPR growth
■ **Johannesburg Metro**	**13.5%**	**1.3%**
● **Cape Metro**	**9.7%**	**1.0%**
◆ Tshwane Metro	9.0%	1.3%
✦ eThekwini	8.8%	0.8%
◉ Ekurhuleni	8.0%	0.7%
✹ Nelson Mandela Bay	2.9%	0.4%
✶ Mangaung	1.7%	0.9%
✪ Buffalo City	1.5%	0.1%



Source: Quantec research, 2021

Of the eight metro economies in South Africa, the Johannesburg Metro is the leading contributor to the South African economy. This is followed by the Cape and Tshwane Metros. Between 2015 and 2019, the Cape Metro economy was the third-fastest-growing metro economy in South Africa, after the Tshwane and Johannesburg Metros.

1.2.2 Sectoral GDPR performance

Table 1.2 provides an overview of the sectoral GDPR contribution in the Cape Metro area in 2019. Average annual growth rates for the respective economic sectors are provided for the five-year period between 2015 and 2019, as well as estimates for 2020 and forecasts for 2021 and 2022.

Table 1.2
GDPR CONTRIBUTION PER SECTOR, Cape Metro, 2019 – 2022 (%)

SECTOR	R million value 2019	Trend 2015 – 2019	Real GDPR growth		
			2020e	2021f	2022f
Primary Sector	**R6 191.5 (1.4%)**	**-2.1%**	**10.5%**	**9.5%**	**0.4%**
Agriculture, forestry & fishing	R5 120.5 (1.2%)	-2.4%	15.7%	9.5%	0.5%
Mining & quarrying	R1 071.0 (0.2%)	0.1%	-18.5%	9.2%	-1.0%
Secondary Sector	**R101 677.2 (23.1%)**	**-0.2%**	**-12.2%**	**1.7%**	**6.8%**
Manufacturing	R66 053.5 (15.0%)	0.0%	-10.4%	2.7%	7.1%
Electricity, gas & water	R13 489.9 (3.1%)	-0.8%	-6.8%	-1.5%	3.6%
Construction	R22 133.8 (5.0%)	-0.5%	-21.3%	-1.2%	7.3%
Tertiary Sector	**R332 895.1 (75.5%)**	**1.4%**	**-6.4%**	**5.1%**	**1.4%**
Wholesale & retail trade, catering & accommodation	R76 357.4 (17.3%)	0.7%	-10.5%	8.3%	3.0%
Transport, storage & communication	R49 926.8 (11.3%)	0.8%	-15.4%	9.4%	-3.7%
Finance, insurance, real estate & business services	R120 902.6 (27.4%)	2.1%	-4.8%	4.8%	3.4%
General government	R55 340.7 (12.6%)	1.0%	0.8%	-1.5%	0.2%
Community, social & personal services	R30 367.6 (6.9%)	1.0%	-2.3%	4.7%	-2.9%
Total Cape Metro	**R440 763.9 (100%)**	**1.0%**	**-7.3%**	**4.5%**	**2.4%**

Source: Quantec Research, 2021; Urban-Econ based on Quantec, SARB, Stats SA and BFAP, 2021
(e denotes estimate, f denotes forecast)

Valued at R332.9 billion in 2019, the tertiary sector was the largest contributor (75.5 per cent) to GDPR in the Cape Metro area during the year. Between 2015 and 2019, the tertiary sector experienced an average annual growth rate of 1.4 per cent. This rate is 0.4 percentage points higher than that of the Cape Metro area over the same period, highlighting the tertiary sector's importance as a source of economic growth in the Cape Metro area.

The main drivers of economic activity in the tertiary sector were the finance (27.4 per cent), trade (17.3 per cent) and general government (12.6 per cent) sectors. Between 2015 and 2019, the finance sector realised an average annual growth rate of 2.1 per cent, while the general government sector grew at an average annual rate of 1.0 per cent. The trade sector grew at an average annual rate of 0.7 per cent over the same period.

The tertiary sector is expected to contract by 6.4 per cent in 2020 owing to contractions in the two largest sectors, namely the finance (4.8 per cent) and trade (10.5 per cent) sectors.

Other notable contributors to the poor performance of the tertiary sector include the transport sector, with an estimated contraction of 15.4 per cent during the year. The general government sector is the only sector within the tertiary sector with a positive estimated growth rate in 2020 owing to the expansion of fiscal expenditure amid the COVID-19 pandemic.

In 2019, the secondary sector was the second-largest contributor (23.1 per cent) to GDPR in the Cape Metro economy. However, this sector contracted at an average annual rate of 0.2 per cent between 2015 and 2019. Within the secondary sector, the manufacturing sector was the largest contributor to the metropolitan area's GDPR in 2019 at 15.0 per cent, but it remained near stagnant between 2015 and 2019. In addition, the construction sector contributed 5.0 per cent to the Cape Metro economy in 2019.

Estimates for 2020 indicate that the secondary sector contracted by 12.2 per cent, with all individual sectors experiencing contractions during the year. The construction and manufacturing sectors experienced the largest contractions in 2020, at 21.3 per cent and 10.4 per cent respectively. However, the overall poor performance of the secondary sector in 2020 was primarily driven by the expected contraction in the manufacturing sector, given its GDPR contribution. The lockdown level five restrictions halted the manufacturing of all non-essential goods, while unstable and intermittent energy supply and supply chain disruptions severely constrained the sector.

The primary sector registered an average annual contraction of 2.1 per cent between 2015 and 2019. The agriculture sector contributed 1.2 per cent to the Cape Metro's GDPR in 2019 and realised an average annual contraction of 2.4 per cent over the five-year period. It is estimated that the primary sector grew by 10.5 per cent in 2020 as a result of the strong performance of the agriculture sector during the year.

With a contribution of 0.2 per cent to the Cape Metro's GDPR in 2019, the mining sector remained near stagnant between 2015 and 2019, with an average annual growth rate of 0.1 per cent. Despite an estimated decline of 18.5 per cent in the mining sector, the impact is not realised within the broader primary sector, owing to the minimal contribution of mining activities to the Cape Metro's GDPR.

Forecasts for 2021 and 2022 point to a recovery across most economic sectors in the Cape Metro area. The tertiary sector is forecast to expand by 5.1 per cent in 2021, driven by strong growth in the transport sector and the trade sector. Furthermore, the secondary and primary sectors are expected to recover by 1.7 per cent and 9.5 per cent respectively in 2021.

Growth across most individual sectors is forecast to slow significantly in 2022, mainly as a result of the stabilising economy. The construction sector is expected to show substantial growth in 2022 (7.3 per cent), which can be attributed to increased infrastructure investment from the public sector. The tertiary and primary sectors are forecast to register growth rates of 1.4 per cent and 0.4 per cent respectively in 2022.

1.3 LABOUR TREND ANALYSIS

This subsection provides an overview of key employment trends in the Cape Metro area in relation to the Western Cape. Employment dynamics will be discussed by evaluating the employment growth, unemployment rate, labour absorption rate, labour participation rate and the "not economically active" population as a proportion of the working-age population. It also discusses sectoral employment by identifying which sectors employ the most persons and highlighting which sectors have contributed more to creating new job opportunities (or have experienced job losses) in the metropolitan area.

1.3.1 Employment growth

Table 1.3 indicates the trend in employment growth in the Cape Metro area in relation to the Western Cape and South Africa. More specifically, it depicts the status of employment in 2019, the number of jobs created over a five-year period and the estimated employment change for 2020.

Table 1.3
EMPLOYMENT CONTRIBUTION, Cape Metro, 2019

MUNICIPALITY	Number of jobs 2019	Average annual change 2015 – 2019	Net change 2020e
Cape Metro	1 619 513 (10.0%)	22 330	-103 402
Western Cape	2 581 736 (15.9%)	40 794	-159 299
South Africa	16 251 213 (100%)	196 446	-989 155

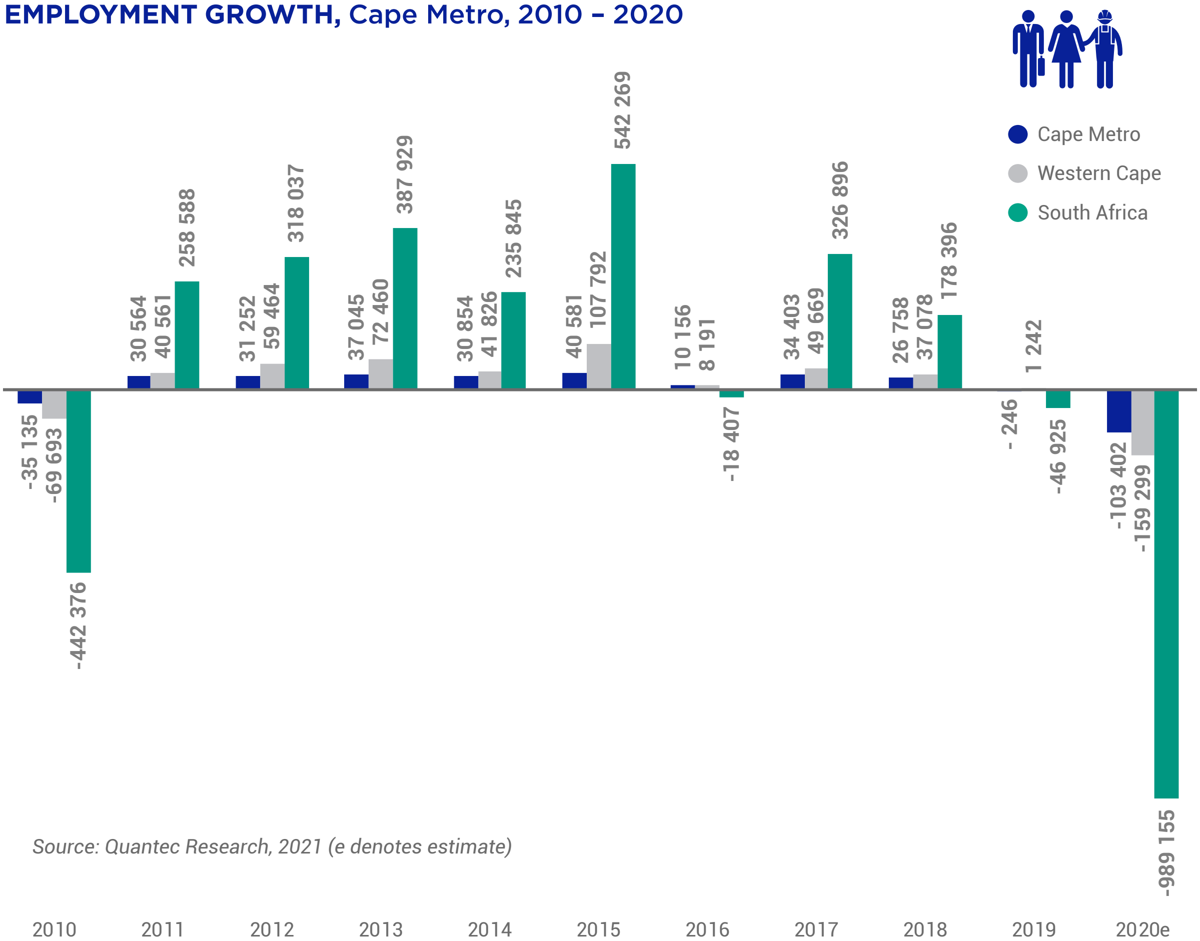
Source: Quantec Research, 2021 (e denotes estimate)

The Cape Metro area employed 1.6 million workers in 2019 and contributed 62.7 per cent to Provincial employment during the year. Nationally, the metropolitan area accounted for 10.0 per cent of total employment in 2019. Between 2015 and 2019, employment in the Cape Metro area increased by an average of 22 330 jobs per annum. However, in 2020 it is estimated that the Cape Metro area experienced job-shedding amounting to 103 402 jobs. This accounts for 64.9 per cent and 10.5 per cent of the jobs lost in the Province and nationally, respectively, during the same year.

Figure 1.2 provides an overview of the historical employment trends in the Cape Metro area in relation to the Western Cape and South Africa between 2010 and 2020.

Figure 1.2

EMPLOYMENT GROWTH, Cape Metro, 2010 – 2020



Source: Quantec Research, 2021 (e denotes estimate)

A total of 35 135 jobs were lost in the Cape Metro area in 2010 owing to the delayed recovery in employment creation following the global financial crisis of 2008 and 2009. In addition, job-shedding in the metropolitan area may also be ascribed to industrial strike action during the year.

Between 2011 and 2013, a sustained recovery in employment creation was evident in the Cape Metro, Western Cape and South Africa. This trend remained relatively consistent until 2015, with employment creation peaking at 40 581 jobs during the same year.[6] However, employment creation in the Cape Metro slowed to 10 156 jobs in 2016. This is likely owing to the influence of persistent drought conditions on economic activity in the metropolitan area. However, it should be noted that employment creation in the Cape Metro area outweighed that of the Province in 2016, while the national economy shed 18 407 jobs during the same year.

Employment creation in the Cape Metro area recovered in 2017, with a total of 34 403 jobs created during the year. However, a downward trend is observed in the two-year period thereafter, with employment opportunities declining by 246 jobs in 2019. A similar trend is evident in the national economy, with 46 925 jobs lost across the country during the same year. This trend is likely a result of drought conditions across the Province, which negatively impacted the performance of the metropolitan economy and is likely to have been compounded by the poor performance of the national economy in 2018 and 2019.

[6] *In 2015 a new master sample was implemented in the Quarterly Labour Force Survey (QLFS), which may have impacted the data owing to variations in its design (Stats SA, 2015).*

Labour market conditions in the Cape Metro area worsened significantly in 2020, with an estimated 103 402 jobs lost. Declines in employment are also recorded in the Provincial and national economy in the same year owing to the COVID-19 pandemic and restraints on economic activity brought about by the national lockdown.

Diagram 1.2 summarises the employment dynamics in the Cape Metro area in relation to the Western Cape and South Africa by illustrating the unemployment rates, labour absorption rates and labour participation rates in 2019. Furthermore, the "not economically active" population as a proportion of the working-age population is also provided.

Diagram 1.2

UNEMPLOYMENT PROFILE, Cape Metro, 2019 (%)

Unemployed persons, according to the official Stats SA definition, are those (aged 15 to 64 years) who: a) were not employed in the reference week; and b) actively looked for work or tried to start a business in the four weeks preceding the survey interview; and c) were available for work, i.e. would have been able to start work or a business in the reference week; or d) had not actively looked for work in the past four weeks, but had a job or business to start at a definite date in the future and were available. This does not include people who were not actively looking for work.

Labour force participation rate is the proportion of the working-age population that is either employed or unemployed.

Employment-to-population ratio (labour absorption rate) is the proportion of the working-age population that is employed.

Not economically active refers to persons aged 15 to 64 years who were neither employed nor unemployed in the reference week.

MUNICIPALITY	Unemployment rate (%) 2019	2020e	Labour force participation rate (%) 2019	2020e	Labour absorption rate (employment-to -population ratio) 2019	2020e	Not economically active 2019 (% of working-age population)	2020e
Cape Metro	23.2%	↓	67.3%	↓	51.7%	↓	32.7%	↑
Western Cape	19.6%	↓	67.9%	↓	54.6%	↓	32.1%	↑
South Africa	28.8%	↓	59.5%	↓	42.4%	↓	40.5%	↑

Source: Quantec Research, 2021 (e denotes estimate)

The unemployment rate in the Cape Metro area stood at 23.2 per cent in 2019, lower than the national unemployment rate of 28.8 per cent. In contrast, the Cape Metro's unemployment rate was 3.6 percentage points higher than that of the Western Cape in 2019.

Of the Cape Metro's population aged between 15 and 64 years, 67.3 per cent formed part of the metropolitan area's labour force in 2019. This rate is expected to decline in 2020, owing to an increase in the number of "not economically active" individuals.[7]

The labour absorption rate can be used as an indicator for the economy's ability to create jobs. The Cape Metro's labour absorption rate (51.7 per cent) is 9.3 percentage points higher

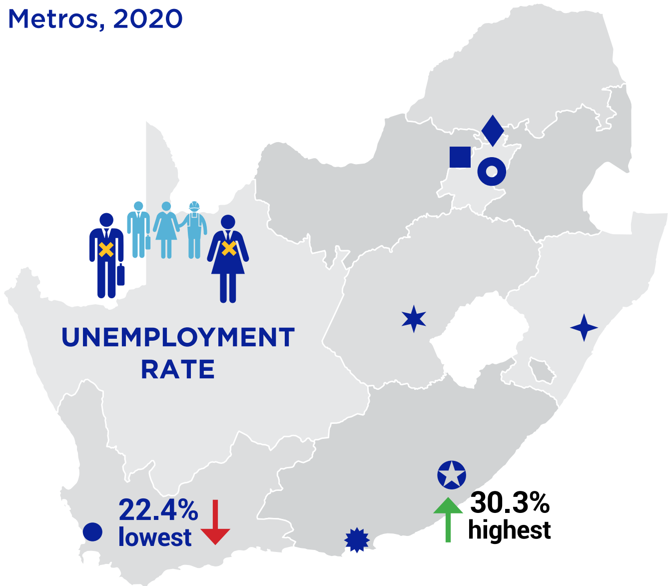
[7] *(Stats SA, 2020).*

compared with South Africa's (42.4 per cent). The decline in the labour force participation and labour absorption rates between 2019 and 2020 indicate a deterioration in labour market conditions in the Cape Metro area. The anticipated decline in the unemployment rate between 2019 and 2020 should not be considered an improvement in employment in the metropolitan area, as workers were not able to seek employment owing to the national lockdown or gave up on seeking employment because of the limited number of jobs. Increased dependence of individuals on the public sector for income support is likely to strain public finances further.

Diagram 1.3

UNEMPLOYMENT RATE, South African Metros, 2020

	Unemployment rate 2020
Cape Metro	**22.4%**
Mangaung	24.0%
Tshwane Metro	25.2%
Johannesburg Metro	27.0%
eThekwini	26.8%
SOUTH AFRICA	**27.1%**
Ekurhuleni	28.5%
Nelson Mandela Bay	27.8%
Buffalo City	**30.3%**



Source: Quantec Research, 2021

The Cape Metro area had the lowest unemployment rate in 2019 out of all the metropolitan areas in South Africa. This was followed by the Mangaung (24.0 per cent) and Tshwane (25.2 per cent) Metros. The Buffalo City Metro had the highest unemployment rate, at 30.3 per cent.

1.3.2 Sectoral employment

Table 1.4 depicts the sectoral spread of employment in the Cape Metro area in 2019, along with the average annual changes in employment between 2015 and 2019 and an estimate for 2020.

Table 1.4
EMPLOYMENT PER SECTOR, Cape Metro, 2019

SECTOR	Number of jobs 2019	Average annual change 2015 – 2019	Net change 2020e
PS Primary Sector	**44 923 (2.8%)**	**1 050**	**-3 528**
Agriculture, forestry & fishing	44 071 (2.7%)	1 063	-3 456
Mining & quarrying	852 (0.1%)	-12	-72
SS Secondary Sector	**281 580 (17.4%)**	**363**	**-26 711**
Manufacturing	177 306 (10.9%)	438	-13 567
Electricity, gas & water	6 046 (0.4%)	52	-203
Construction	98 228 (6.1%)	-128	-12 941
TS Tertiary Sector	**1 293 010 (79.8%)**	**20 917**	**-73 163**
Wholesale & retail trade, catering & accommodation	399 121 (24.6%)	9 943	-26 895
Transport, storage & communication	84 113 (5.2%)	1 208	-4 663
Finance, insurance, real estate & business services	352 317 (21.8%)	6 473	-20 083
General government	206 129 (12.7%)	181	2 340
Community, social & personal services	251 330 (15.5%)	3 113	-23 862
Total Cape Metro	**1 619 513 (100.0%)**	**22 330**	**-103 402**

Source: Quantec Research, 2021 (e denotes estimate)

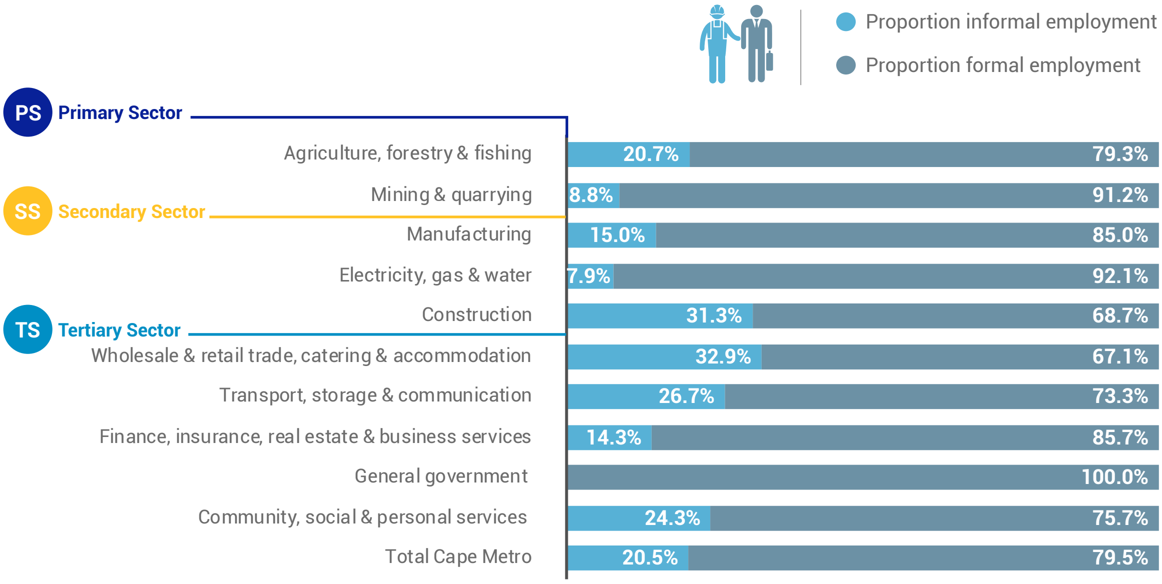
The tertiary sector was the leading contributor to employment in the Cape Metro area, accounting for 79.8 per cent of the metropolitan area's total employment in 2019. The tertiary sector showed the strongest average annual increase in the number of jobs (20 917 jobs) between 2015 and 2019, which highlights its importance to the Cape Metro economy. The trade sector contributed 24.6 per cent to employment in the Cape Metro area in 2019. Furthermore, between 2015 and 2019, this sector created an average of 9 943 jobs per annum. Other notable contributors during the year include the finance (21.8 per cent) and community services (15.5 per cent) sectors. Estimates for 2020 indicate that a total of 73 163 jobs were lost in the tertiary sector, with the general government sector being the only sector registering a net increase in employment during the year.

A total of 17.4 per cent of employment in the Cape Metro area was concentrated in the secondary sector in 2019. This sector exhibited the smallest average annual increase in employment over the review period, at 363 jobs per annum. The net increase in employment in the secondary sector between 2015 and 2019 was driven by the manufacturing sector (438 jobs), while the construction sector lost an average of 128 jobs over the same period. In total, the secondary sector lost an estimated 26 711 jobs in 2020.

The primary sector was the smallest contributor to total employment in the Cape Metro area in 2019, accounting for 2.8 per cent of total employment in the metropolitan area during the year. The agriculture sector was the leading source of employment within the primary sector, contributing 2.7 per cent to total employment in the Cape Metro area. A total of 3 528 jobs are expected to have been lost in the primary sector in 2020, with the agriculture sector contributing the largest share to this decline.[8] Despite being able to continue with production during level five of the lockdown period, challenges such as rising minimum wage and mechanisation remain a constraint to agriculture sector employment.

Figure 1.3 shows the formal and informal employment[9] distribution per economic sector in the Cape Metro area in 2019.

Figure 1.3
FORMAL AND INFORMAL EMPLOYMENT DISTRIBUTION, Cape Metro, 2019 (%)



Source: Quantec Research, 2021

Across all economic sectors, formal employment accounted for the largest share of employment in the Cape Metro, at 79.5 per cent in 2019. The sectors with a high proportion of formal employment were the electricity, gas and water (92.1 per cent), mining (91.2 per cent) and finance (85.7 per cent) sectors.

Informal employment accounted for 20.5 per cent of total employment in the Cape Metro in 2019. Sectors of note include the trade (32.9 per cent) and construction (31.3 per cent) sectors. The construction and trade sectors are typically categorised as dominant sectors for informal employment in South Africa.[10] Challenges faced by informal businesses in the Cape Metro area generally include financial and skills constraints, while informal traders often struggle with access to markets. Non-accommodative town planning is also considered a constraint for the informal economy.[11]

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[8] *Employment estimates are based on the Stats SA Quarterly Labour Force Survey (QLFS). As a result of COVID-19, interviews in 2020 for the survey were conducted telephonically, which may have affected data collection, particularly for farm workers in rural areas with limited connectivity (BFAP, 2021).*

[9] *The number of informal sector workers is determined by using labour data from the Quarterly Employment Statistics (QES) and the Quarterly Labour Force Survey (QLFS). Quantec uses the QES formal figure, to which it adds formal agricultural and domestic workers. Using the total employment from the QLFS, informal employment is calculated as a residual. This residual is higher than the figure given in the QLFS owing to the inclusion of small, medium and micro enterprises, which are not accounted for in the QES.*

[10] *(Etim & Daramola, 2020).*

[11] *(City of Cape Town, 2021).*

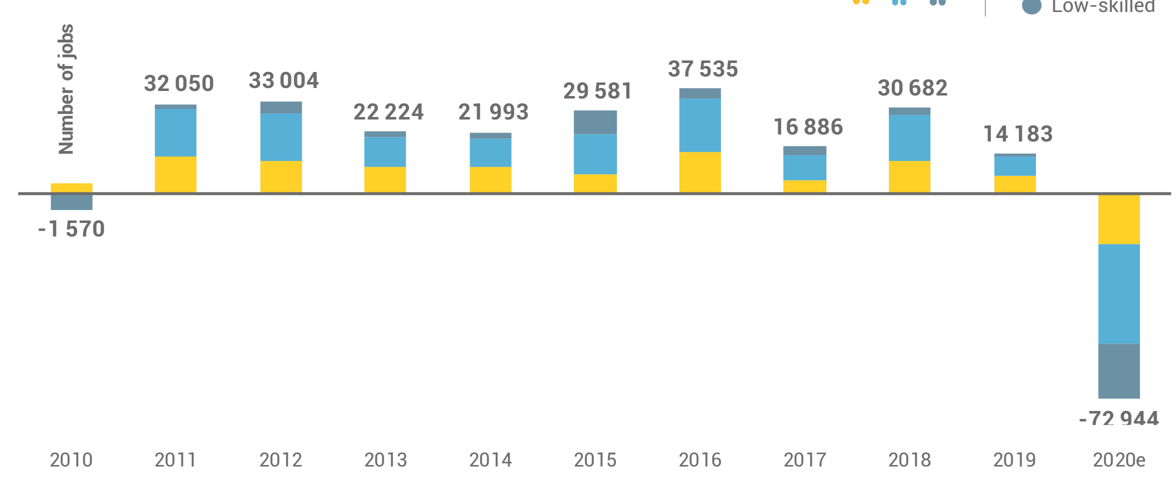
In 2020, additional support for informal businesses and SMMEs by the City of Cape Town included issuing 8 953 informal food trading permits so that vendors could operate during lockdown level five and distributing COVID-19 toolkits, which included safety information, information on relief funding and support opportunities, hand sanitiser and face masks. In collaboration with Productivity SA, the City of Cape Town launched a Business Support Programme to assist small businesses.[12]

1.4 SKILLS ANALYSIS

Figure 1.4 illustrates the change in employment by skill levels between 2010 and 2020 in the Cape Metro area.

Figure 1.4

EMPLOYMENT GROWTH BY SKILL LEVELS, Cape Metro, 2010 – 2020



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e
Skilled	4 059	13 359	11 896	9 476	9 854	6 883	14 928	4 684	11 536	6 743	-17 658
Semi-skilled	-39	16 923	16 977	10 735	10 094	14 606	18 958	9 422	16 487	6 462	-35 755
Low-skilled	-5 590	1 768	4 131	2 013	2 045	8 092	3 649	2 780	2 659	978	-19 531

Source: Quantec Research, 2021 (e denotes estimate)

Owing to the global financial crisis and domestic electricity supply constraints, formal job losses across semi-skilled and low-skilled jobs were experienced in the Cape Metro area in 2010. However, skilled jobs registered an increase of 4 059 jobs during the same year.

Between 2011 and 2019, a recovery in formal employment creation in the metropolitan area across all skill levels was evident, peaking at 37 535 jobs in 2016. Furthermore, over the nine-year period, it is observed that labour demand in the Cape Metro area was driven by a need for both semi-skilled and skilled workers. Demand for low-skilled workers peaked in 2015[13] at 8 092 workers and declined in the following years. Technological progress brought about by the Fourth Industrial Revolution has resulted in a higher demand for skilled workers relative to the demand for lower-skilled workers. Furthermore, growth in the BPO industry in South Africa further contributes to the demand for skilled labour in South Africa, with Cape Town being one of the top 100 global outsourcing destinations.[14]

[12] *(City of Cape Town, 2021).*
[13] *In 2015 a new master sample was implemented in the Quarterly Labour Force Survey (QLFS), which may have impacted the data owing to variations in its design (Stats SA, 2015).*
[14] *(Deloitte, 2016).*

INDUSTRY PERFORMANCE

The Western Cape's BPO or Global Business Service (GBS) sector created 5 644 new job opportunities in 2020,[15] cementing its role as a key growth area for the Provincial economy. Over a thousand of these job opportunities were facilitated through the Department of Economic Development and Tourism's Work and Skills Programme, which assists with experiential learning and placement for young persons.[16] CapeBPO is the regional industry body supported by the Department of Trade, Industry and Competition (DTIC), the Provincial Government of the Western Cape and the City of Cape Town.[17] In 2020, the Province's first-ever Call Centre Academy was launched, recognising the industry's historic ascent and future potential. The Call Centre Academy is run through an accredited Technical Vocational Education and Training (TVET)[18] and has strong links with the industry to ensure close alignment of skills demand and supply.

The Province accounts for almost two-thirds of all industry employment and is well poised for future expansion.[19] The industry's future looks positive, with large corporates such as Amazon,[20] Capita[21] and Ascensos[22] having announced their intention to expand their operations within Cape Town.

While South Africa has been voted as being in the top-two ranked countries for offshore BPO delivery every year since 2018,[23] international competition remains fierce.[24] The technological backbone that underpins most of the industry's work was improved in 2021 by the opening of the new Teraco data centre in Cape Town,[25] and is set to be further bolstered by the Google Equiano undersea cable, which is currently being constructed.[26]

To read more on job creation in the BPO sector in South Africa:

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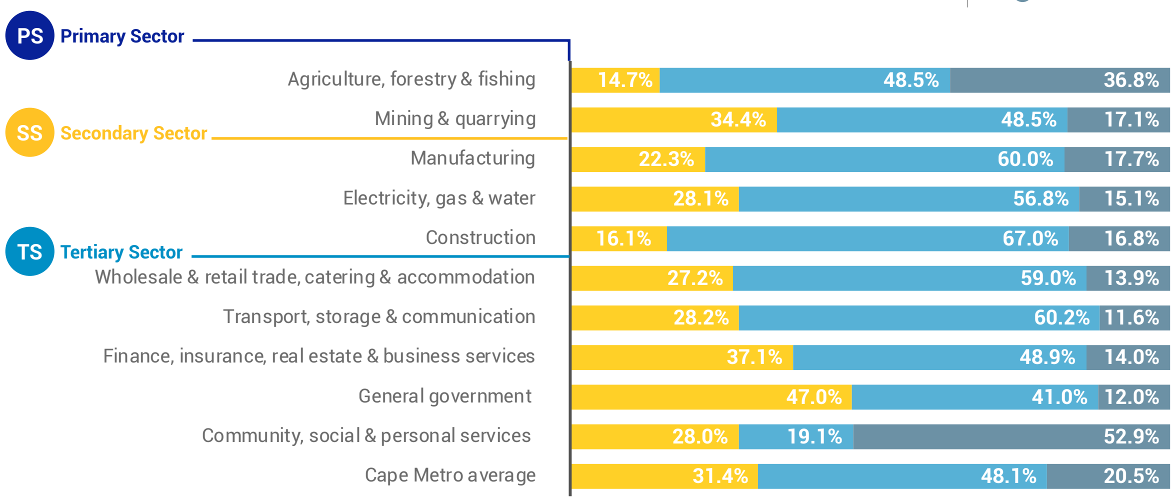
[15] (Business Process Enabling South Africa, 2021).
[16] (Western Cape Government, 2021).
[17] (CapeBPO, 2021).
[18] (College of Cape Town, 2021).
[19] (Department of Economic Development and Tourism, 2021).
[20] (CHRO South Africa, 2020).
[21] (Trade & Industrial Policy Strategies, 2021).
[22] (The Scotsman, 2021).
[23] (Ryan Strategic Advisory, 2021).
[24] (McKinsey & Company, 2020).
[25] (Teraco, 2021).
[26] (Presidency, 2020).

In 2020, job losses were recorded for workers of all skill levels. Semi-skilled and low-skilled workers, however, contributed the largest shares to overall job losses. Many skilled workers across the tertiary sector were more likely to work from home, resulting in more stable employment, for these workers.

Figure 1.5 illustrates the skill levels by economic sector in the Cape Metro area in 2019.

Figure 1.5

SKILL LEVELS PER SECTOR, Cape Metro, 2019 (%)



Source: Quantec Research, 2021

In 2019, semi-skilled workers constituted the largest share of formal workers across all economic sectors in the Cape Metro area, apart from the community services sector. During the year, semi-skilled workers constituted 48.1 per cent of formally employed workers in the metropolitan area and skilled workers accounted for 31.4 per cent. There is a growing demand for skilled workers, but upskilling workers is very costly. Skills mismatches also hinder employment in the Cape Metro area.[27]

The sector with the largest proportion of low-skilled workers in 2019 was the community services sector (52.9 per cent). This sector generally does not require highly skilled workers, as it is not considered to be technologically advanced, and lends itself to volunteer work.

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[27] *(City of Cape Town, 2021).*

1.5 CONCLUDING REMARKS

The Western Cape economy is dominated by the Cape Metro area, which accounted for 72.0 per cent of the Western Cape's GDPR in 2019. Growth in the metropolitan area averaged 1.0 per cent between 2015 and 2019, which was the same as that of the Provincial economy. Estimates for 2020 indicate that the Cape Metro economy contracted by 7.3 per cent, which is higher than the estimated contraction of 6.7 per cent for the Provincial economy.

In terms of sectoral contributions to the Cape Metro's GDPR in 2019, the tertiary sector was the main driver of economic activity, contributing 75.5 per cent during the year. The finance sector was the single largest contributor in 2019 at 27.4 per cent, followed by the trade sector (17.3 per cent). The manufacturing sector also contributed significantly to the Cape Metro economy in 2019 (15.0 per cent). A similar trend is evident in terms of employment contributions by the respective sectors. The tertiary sector constituted the vast majority of employment in 2019 at 79.8 per cent, followed by the secondary and primary sectors at 17.4 per cent and 2.8 per cent respectively.

The unemployment rate across the Cape Metro area is expected to have declined in 2020, despite a sharp contraction in economic activity during the year. This decrease in the unemployment rate was driven by an increase in the proportion of the discouraged/"not economically active" population, rather than an improvement in labour market conditions. In 2019, the total number of jobs in the Cape Metro area amounted to 1.6 million, with estimates indicating that 103 402 jobs were lost in 2020, mainly from the tertiary and secondary sectors.

Since 2011, there has been a greater proportion of workers who are semi-skilled and skilled relative to those who are low-skilled. As most sectors comprise workers who are skilled and semi-skilled, it is concluded that low-skilled workers are more susceptible to becoming unemployed in the Cape Metro area. Despite this, an estimated total of 72 944 jobs across all skill levels in formal employment across the metropolitan area were lost in 2020. Semi-skilled and low-skilled workers contributed the most to this decline, as labour-intensive jobs were likely to have been more adversely affected by the national lockdown.


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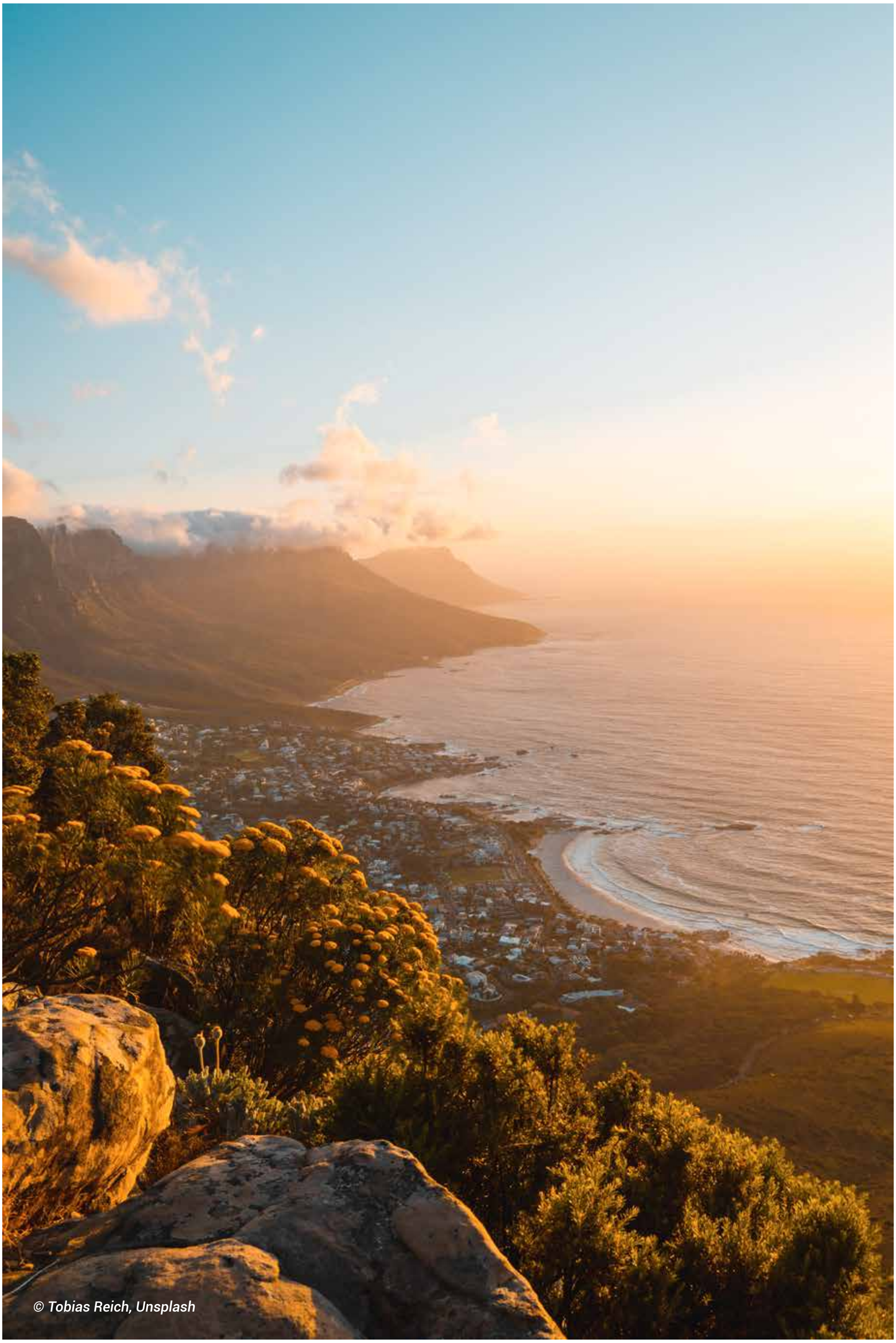

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2

TRADE, TOURISM AND INVESTMENT

2.1 INTRODUCTION

The Cape Metro's economy is influenced not only by the spending of local households but also by several economic activities within the region. These economic activities include local and international cross-border trade of goods and services, domestic and international tourists visiting towns and attractions within the region, as well as private- and public-sector investments. Therefore, exports, tourism and investments can be considered injections into the economy, while imports are considered leakages.

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CAPE METRO TRADE AND TOURISM

IMPORTS
EXPORTS

This chapter explores trade, tourism and investment dynamics, and analyses the comparative advantages of the various economic sectors in the Cape Metro area to identify growth opportunities in the metropolitan area.

IMPORTS R167.6 BILLION

2020

EXPORTS R87.2 BILLION

TOP 3 EXPORTED PRODUCTS

2020

- Citrus
- Non-crude petroleum oils
- Apples, pears & quinces

TOP 3 EXPORT DESTINATIONS

- Namibia
- United States
- United Kingdom

TOP 3 IMPORTED PRODUCTS

2020

- Crude petroleum oils
- Other than crude petroleum oils
- Unclassified imports

TOP 3 IMPORT DESTINATIONS

- China
- Nigeria
- Saudi Arabia

TOURISM

VISITORS 2019

OVERSEAS	DOMESTIC
33.3%	66.7%

2019

OVERNIGHT	DAY VISITORS
92.3%	4.0%

ACTIVITIES

Top activities 2019

Outdoor activities	Scenic drives	Culture/ heritage
52.0%	30.0%	17.0%

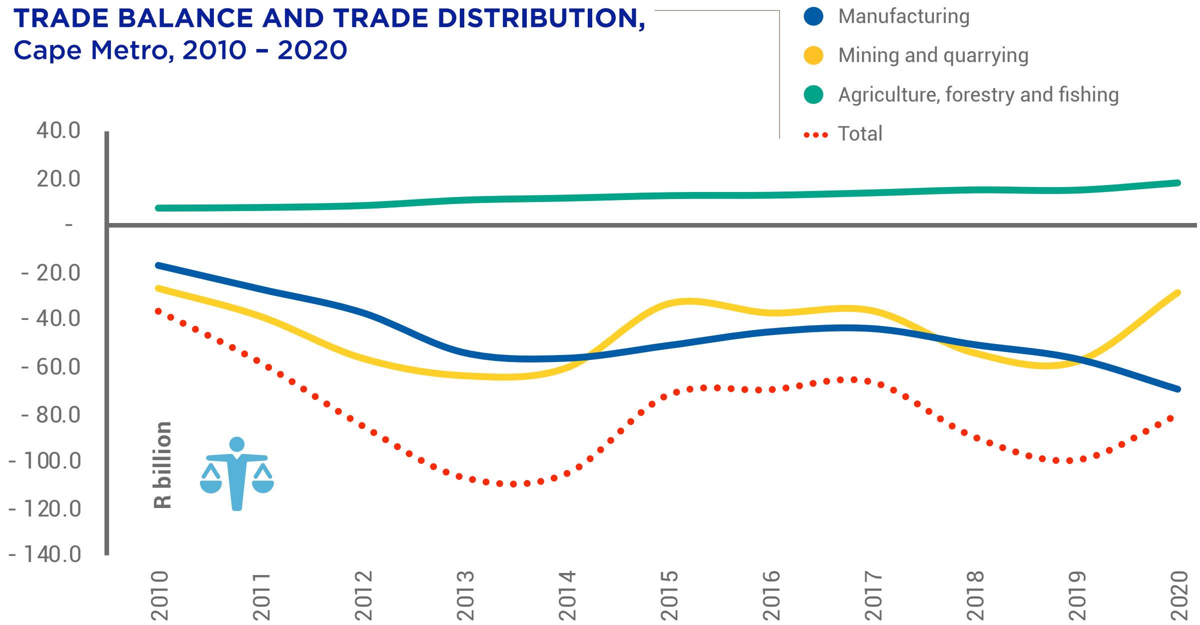
2.2 INTERNATIONAL TRADE

It is important to emphasise that the Cape Town harbour and international airport are recognised as major trade hubs in the national economy. As such, the Cape Metro area should not be interpreted as the destination of imported goods per se, as the goods will mostly be redistributed to other provinces or regions. Similarly, goods produced by other regions in the country will be exported through the Cape Metro area. Despite its importance to facilitate international trade, congestion and delays in 2020 hampered trade prospects. The port is challenged by ageing infrastructure and equipment, while cases of COVID-19 resulted in staff shortages in 2020. In the Container Port Performance Index of 2020, the Cape Town harbour was ranked 347th out of 351 ports that were included in the index.[28]

Figure 2.1 illustrates the trade balance for the Cape Metro area between 2010 and 2020.

Figure 2.1

TRADE BALANCE AND TRADE DISTRIBUTION, Cape Metro, 2010 – 2020



Source: Quantec Research, 2021

The Cape Metro experienced a trade deficit for the entire period under review, which reflects the fact that the Cape Metro area contains a national port. From 2011 to 2013, the Cape Metro area's trade deficit increased from R36.2 billion in 2010 to R107.2 billion in 2013. Thereafter, it steadily improved from a R105.5 billion deficit in 2014 to a deficit of R99.7 billion in 2019 and R80.3 billion in 2020. The trade deficit during the period of review was largely due to imported manufactured goods and mining products. The agriculture sector experienced a trade surplus throughout the period of review, increasing from R7.4 billion in 2010 to R18.1 billion in 2020.

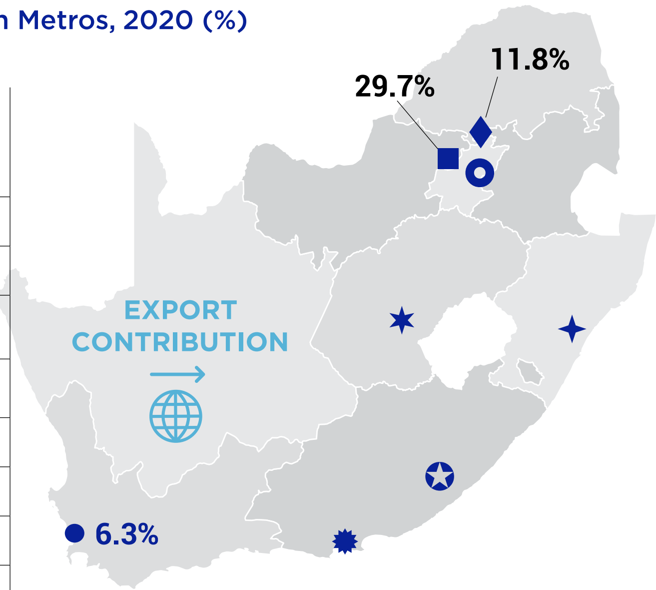
The Western Cape is a major agricultural export hub and exported agro-processed and agricultural products worth more than R77.0 billion in 2020, accounting for more than half of the country's agricultural exports. Furthermore, the Western Cape contributed the most to gross farm income and agriculture employment in the country.[29]

[28] *(The World Bank & IHS Markit, 2021).*
[29] *(Western Cape Department of Agriculture, 2020).*

There are about 340 agro-processing facilities distributed across the Cape Metro, making the food value chain in this area rather extensive. The Cape Metro also offers a highly diverse food- and beverage-manufacturing industry, playing a key role in the Western Cape's agricultural industry. The Cape Agriculture Export Week provides a virtual platform that enables local exhibitors to showcase quality agriculture and agro-processed products. This initiative is considered a catalyst for boosting exports and is also important for growth and investment opportunities.[30]

Diagram 2.1
EXPORT CONTRIBUTION, South African Metros, 2020 (%)

	% of South African exports	Main export product
Johannesburg Metro	**29.7%**	
Tshwane Metro	**11.8%**	
Cape Metro	**6.3%**	
Ekurhuleni	6.0%	
eThekwini	5.5%	
Nelson Mandela Bay	3.7%	
Buffalo City	2.4%	
Mangaung	0.2%	



The metropolitan economies that contributed the most to South African exports in 2020 were the Johannesburg Metro (29.7 per cent), the Tshwane Metro (11.8 per cent) and the Cape Metro (6.3 per cent).

Source: Quantec Research, 2021

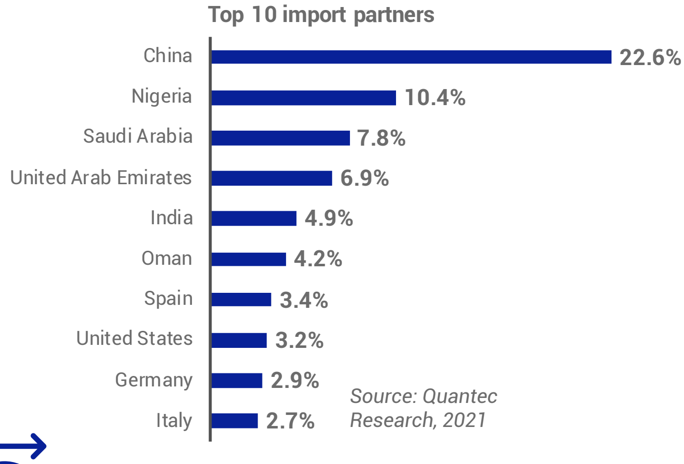
[30] *(Wesgro, 2021).*

2.2.1
IMPORTS

Figure 2.2 illustrates the Cape Metro's top 10 import partners in 2020.

Table 2.1 provides a detailed breakdown of the top 10 imported products in the Cape Metro area.

Figure 2.2
TOP 10 IMPORT PARTNERS, Cape Metro, 2020



Source: Quantec Research, 2021

Table 2.1
MAIN IMPORT PRODUCTS, Cape Metro, 2020

PRODUCT	R billion 2020	% share	Main trading partners
Petroleum oils and oils obtained from bituminous minerals, crude	33.5	20.0%	Nigeria, Saudi Arabia, United Arab Emirates
Petroleum oils and oils obtained from bituminous minerals, other than crude	29.7	17.7%	United Arab Emirates, Oman, India
Unclassified	5.1	3.1%	China
Electric generating sets and rotary converters	4.2	2.5%	Spain, India, China
Telephone sets, including telephones for cellular networks or for other wireless networks	2.1	1.2%	China, Hong Kong
Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses	2.0	1.2%	India, Uganda, Slovenia
Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear)	2.0	1.2%	Mauritius, China
Other footwear with outer soles and uppers of rubber or plastics	1.7	1.0%	China
Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib-and-brace overalls, breeches and shorts (other than swimwear)	1.6	1.0%	China, Swaziland
T-shirts, singlets and other vests, knitted or crocheted	1.5	0.9%	China, Madagascar, Mauritius
Total imports	**167.6**		

Source: Quantec Research, 2021

China was the Cape Metro's largest import partner in 2020, with imports valued at R37.9 billion and accounting for 22.6 per cent of the metro's total imports. Imports included a variety of goods, mainly from the manufacturing sector, such as clothing, footwear and electronics. Improving local production capabilities, such as supporting the local clothing and textile manufacturing sector, can reduce imports and promote local job creation.

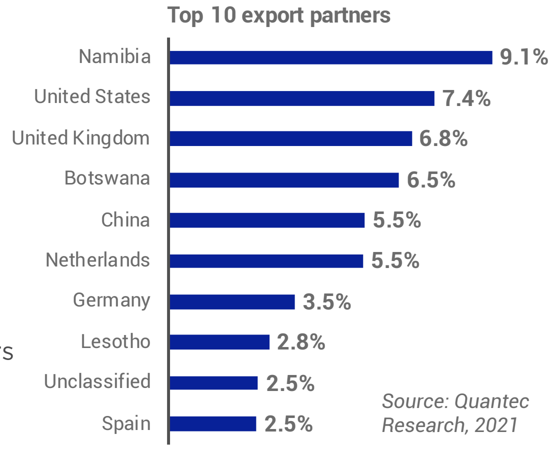
In 2020, petroleum products contributed the largest share of the Cape Metro's imports (20.0 per cent), with a value of R33.5 billion. The main commodities of petroleum oils and oils obtained from bituminous minerals were mainly imported from Nigeria, Saudi Arabia, the United Arab Emirates, Oman and India. With the onset of the COVID-19 pandemic and the associated restrictions on movement, the demand for petroleum and petroleum products decreased and there was an oversupply of these products, resulting in the subsequent drop in prices.

2.2.2
EXPORTS

Figure 2.3 illustrates the Cape Metro's top 10 export partners in 2020. The Metro area's exports are distributed across various trading partners.

Table 2.2 shows the value and main trading partners associated with the top 10 product categories that were exported from the Cape Metro area in 2020.

Figure 2.3
TOP 10 EXPORT PARTNERS, Cape Metro, 2020



Source: Quantec Research, 2021

Table 2.2
MAIN EXPORT PRODUCTS, Cape Metro, 2020

PRODUCT	R billion 2020	% share	Main trading partners
Citrus fruit, fresh or dried	8.5	9.7%	Netherlands, United Kingdom, Russian Federation
Petroleum oils and oils obtained from bituminous minerals, other than crude	7.9	9.0%	Botswana, ship or aircraft, Namibia
Apples, pears and quinces, fresh	4.7	5.4%	United Kingdom, Russian Federation, Netherlands
Grapes, fresh or dried	3.2	3.7%	Netherlands, United Kingdom
Antiques of an age exceeding one hundred years	2.3	2.7%	Unclassified
Beauty or makeup preparations and preparations for the care of the skin (other than medicaments)	2.1	2.4%	United States, United Kingdom, Japan
Frozen fish	2.0	2.3%	Spain, Portugal, Mozambique
Fish fillets and other fish meat (whether or not minced), fresh, chilled or frozen	1.9	2.2%	Spain, Italy, Australia
Yachts and other vessels for pleasure or sports; rowing boats and canoes	1.9	2.1%	United States, British Virgin Islands, Australia
Articles of jewellery and parts thereof, of precious metal or of metal clad with precious metal	1.7	1.9%	United States
Total exports	**87.2**		

Source: Quantec Research, 2021

Namibia was the Cape Metro's largest export partner in 2020, with exports to Namibia valued at R7.9 billion and accounting for 9.1 per cent of the metro area's total exports.

Valued at R8.5 billion, citrus fruit contributed the largest share (9.7 per cent) of commodities exported from the Cape Metro. Export citrus is sourced from areas such as the Citrusdal area in the WCD. The main export partners for citrus fruit were the Netherlands, United Kingdom and the Russian Federation. With the onset of the COVID-19 pandemic in 2020, the demand for citrus increased as consumers were driven to boost their immune system.[31] This could have also contributed to the major export volumes in 2020. Furthermore, production could continue during the level five lockdown period, as food production was considered an essential service.

[31] *(BFAP, 2020).*

The Cape Metro's export of non-crude petroleum oils and oils obtained from bituminous minerals was valued at R7.9 billion and accounted for 9.0 per cent of the metro area's total exports in 2020. Botswana and Namibia were the main export markets for these products. The petrochemical industry in the Cape Metro area therefore imports crude- and non-crude petroleum oils and oils obtained from bituminous minerals in order to manufacture a variety of products, including petrol, diesel and jet fuel for South Africa, as well as for exports.

2.3 TOURISM PROFILE[32]

Known as the most cosmopolitan city in South Africa, Cape Town is a popular international tourism destination. Visitors are attracted to the Cape Metro area because of its natural beauty, urban landscape, sandy beaches, Mediterranean climate and well-developed infrastructure. Some of its iconic attractions include Table Mountain, the V&A Waterfront, Cape Point, Kirstenbosch National Botanical Garden and Robben Island. The metropolitan area is not only known for its natural and historical attractions, it is also one of Africa's top business tourism (meetings, conferencing and exhibitions) destinations.[33]

Nature continues to be one of the key drawcards, and a range of nature-based adventure tourism and leisure activities has developed around the Cape Metro's natural resources, including rock climbing, hiking, mountain biking, hang-gliding, abseiling, shark-cage diving, horse riding on the beach, birding, fishing, surfing, kitesurfing, kayaking and sunbathing, as well as other activities such as golf, running and road cycling.

The tourism sector is not a stand-alone economic sector, as tourists demand goods and services from a variety of sectors, such as travel and transport services, accommodation, restaurant services, general shopping and fuel. However, the catering and accommodation sector is often used to determine at least a portion of the size of the tourism industry in an area. The catering and accommodation services industry was valued at R4.2 billion in 2019 and employed 62 027 people, with informal employment accounting for 37.0 per cent of the sector's total employment. Estimates for 2020 indicate that the sector was valued at R3.9 billion and shed 10 056 jobs as a result of the impact of the COVID-19 pandemic.

2.3.1 The impact of COVID-19 on the tourism sector

Each district in the Western Cape offers a unique product that attracts many international and domestic tourists annually. The Cape Metro is a popular destination for the international and domestic markets, which enjoy exploring all the city has to offer.

The tourism sector is one of the sectors that was hit the hardest by COVID-19. Many tourism businesses suffered big losses in revenue and many jobs were lost. The future of tourism is uncertain owing to COVID-19's current travel and movement restrictions, which frequently change. However, it is important for the sector, along with the relevant management authorities, to improve the "readiness" of tourism destinations to receive visitors and prioritise their wellbeing through the implementation of COVID-19 health and safety protocols.

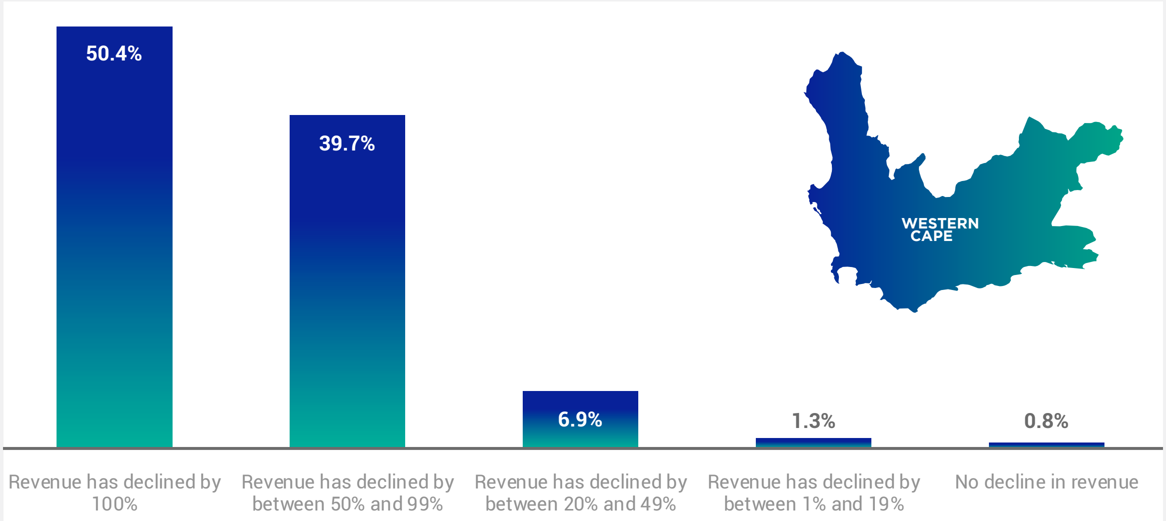
[32] *The tourism profile for the Cape Metro area does not contain the same indicators as the tourism profile for the other regions as 2020 data for these indicators are not available for the Cape Metro area. Therefore, the tourism statistics in the infographic on page 25 are based on the 2019 Cape Town Visitor Trends published by Wesgro.*

[33] *(ICCA, 2018).*

The full extent of the economic damage caused by COVID-19 and the subsequent national lockdown cannot be determined with certainty because, at the time of writing this publication, the national lockdown is still ongoing. A closer look at the labour market indicates a decline in household and business income as a result of job losses and business closures, while the South African economy is under severe pressure to sustain livelihoods.

Figure 2.4 indicates the overall impact of COVID-19 on the Western Cape's tourism businesses.

Figure 2.4
IMPACT OF COVID-19 ON TOURISM BUSINESSES, Western Cape, 2020



Source: Wesgro, 2020

It is estimated that more than half of the tourism businesses experienced a 100.0 per cent loss of revenue because of the COVID-19 pandemic and about 39.7 per cent saw their revenue decline between 50.0 and 99.0 per cent.

Other COVID-19 impacts on the Western Cape tourism sector include:[34]

- Approximately 43.2 per cent of the respondents did not lose any workers. However, nearly half of the sector lost between one and 10 workers, and a further 7.5 per cent lost between 11 and 50 workers.
- Approximately 70.0 per cent of respondents had between one and 10 workers before COVID-19 and just under 50.0 per cent lost at least one worker.
- Approximately 20.8 per cent of respondents had between 11 and 50 workers before the pandemic and 52.6 per cent lost between one and 10 workers.
- Approximately 30.8 per cent of respondents that employed 51 to 250 workers before COVID-19 lost between one and 10 workers, and 26.9 per cent of respondents lost between 11 and 50 workers.

[34] *(Wesgro, 2021).*

- Approximately 46.7 per cent of the respondents had to reduce employee salaries.
- Temporary closure and increased marketing efforts were among the most widely used methods to reduce the impact of the pandemic on the sector. Other methods implemented to reduce the impact included applying for payment holidays and adding more specials to secure future bookings. Many respondents also had to access their savings to cope during the pandemic.
- More than half of the respondents did not receive financial support from the government. However, 54.3 per cent of respondents who did not receive funding did not apply for it at all.
- Approximately 23.2 per cent of the respondents received funding and 9.1 per cent of respondents who received funding did not receive sufficient funding for their operational needs.
- Approximately 55.0 per cent of the respondents applied for funding from UIF TERS, 30.1 per cent applied to the Department of Tourism's Tourism Relief Fund and 18.4 per cent applied to the SMME Debt Relief Finance Fund.
- The national government implemented a risk-adjusted strategy that allowed certain activities to open under lockdown levels three and four. Approximately 40.0 per cent of the respondents indicated that occupancy levels or revenue marginally increased because of this relief measure.
- The easing of restrictions also had a huge impact on close to 10.0 per cent of respondents, who experienced a moderate to significant increase in revenue. However, almost 50.0 per cent of respondents did not experience any change in occupancy or revenue.

In mid-December 2020 stricter lockdown regulations were introduced as South Africa entered a second wave. During the 2020/21 festive season, 96.9 per cent of tourism businesses in the Cape Metro experienced a significant decline in revenue, while 1.7 per cent experienced a slight decline when compared with the previous year. The decline in revenue was because of occupancy levels being low. In December 2020, 61.0 per cent of accommodation establishments had an occupancy level below 30.0 per cent, while 20.4 per cent had an occupancy level between 30.0 and 60.0 per cent. A total of 15.3 per cent of accommodation establishments had an occupancy level above 60.0 per cent, indicating that some travellers did travel to the Cape Metro during the festive season.

Approximately 83.1 per cent of tourism businesses said that they lost revenue owing to the beach closures, and 84.7 per cent of tourism businesses lost revenue owing to the ban on alcohol sales. In terms of rand value, 18.6 per cent of establishments recorded an estimated loss of more than R1 million owing to cancellations and a further 15.3 per cent experienced an overall loss of between R0 and R10 000, R50 001 and R100 000, and R300 001 and R500 000 respectively. Since the beaches were closed, visitors had to find alternative activities to enjoy in Cape Town. Visitors mainly enjoyed Cape Town's top attractions such as Table Mountain, Cape Point and Kirstenbosch National Botanical Garden. Other popular activities included hiking, going on self-drives, visiting shopping malls, walking, taking part in adventure activities and exploring cycle routes. The Cape Metro area is also considered a gateway to the rest of the Province. The losses observed in the Cape Metro area are therefore likely to have been replicated in the other regions of the Province.

The top three major concerns among establishments were no income/cash flow, getting international tourists back to Cape Town and the current lack of tourists. Uncertainty about the future, unemployment, retrenchments, booking cancellations and a negative destination image were additional concerns raised.

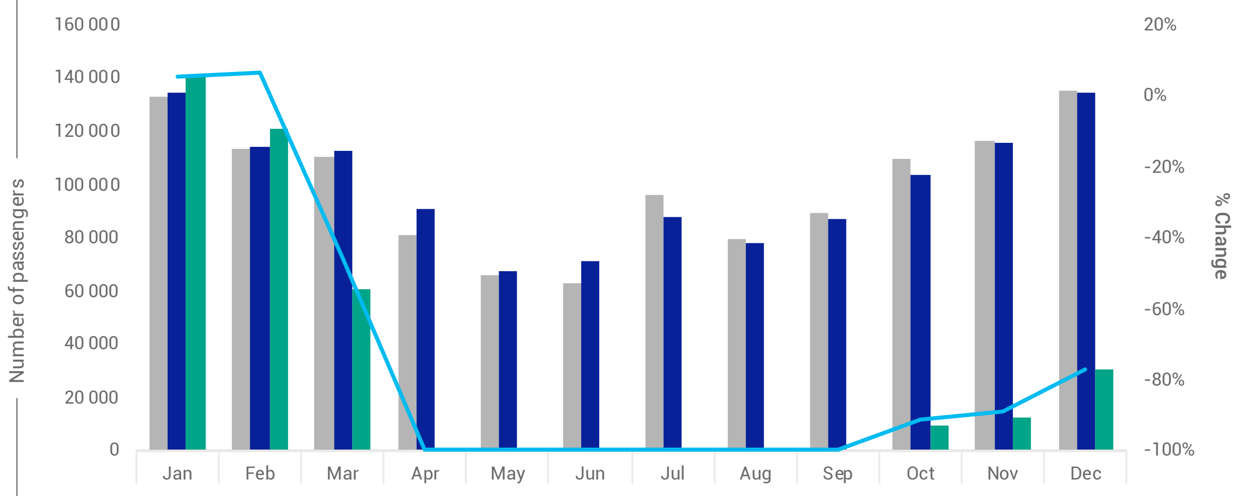
2.3.2 Arrivals at Cape Town International Airport

Cape Town International Airport is an award-winning airport, having won the most awards in Africa, including the following awards at the annual Skytrax World Airport Awards 2021: Best Airport in Africa (for the sixth consecutive year), Best Airport Staff in Africa and Cleanest Airport in Africa. As Africa's third-largest airport, it records passenger movement of more than 10 million annually. The last decade has seen growth in passenger traffic as passenger movement (arrivals and departures) reached the 10 million mark in 2016 and continued to grow, with 10.8 million in 2018 and 11 million in 2019.

Figure 2.5 shows more details about international arrivals at Cape Town International Airport.

Figure 2.5

INTERNATIONAL PASSENGERS THROUGH CAPE TOWN INTERNATIONAL AIRPORT, 2018 – 2020



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2018	132 839	113 468	110 282	80 465	66 088	62 952	95 776	79 618	88 811	109 517	115 921	134 810
2019	133 973	113 585	112 112	90 618	67 494	70 798	87 846	77 665	86 458	103 363	115 654	134 021
2020	141 014	120 808	60 802	0	0	0	0	0	0	9 049	12 506	30 376
2019/20 % change	5.3%	6.4%	-45.8%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-91.2%	-89.2%	-77.3%

Source: Wesgro, 2021

International arrivals through Cape Town International Airport decreased by 68.6 per cent in 2020, reaching a total of 374 555 passengers compared with about 1.2 million over the same period in 2019. Owing to travel restrictions, there were no international arrivals from April to September 2020. On 1 October 2020, South Africa opened its borders for international travellers, which resulted in 9 049 arrivals at Cape Town International Airport in October. Arrivals increased to 30 376 by December 2020.

Figure 2.6 depicts domestic passengers through Cape Town International Airport from 2018 to 2020.

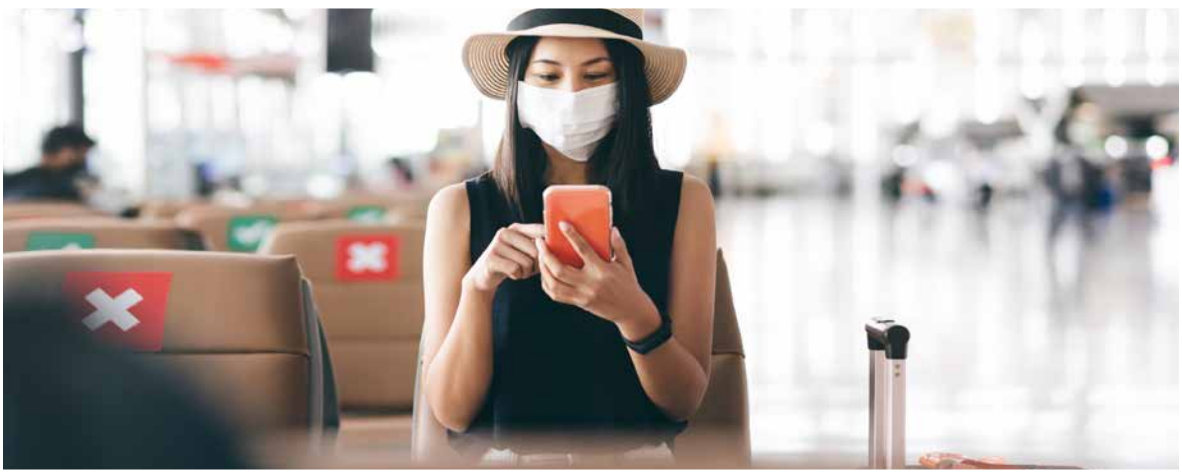
Figure 2.6

DOMESTIC PASSENGERS THROUGH CAPE TOWN INTERNATIONAL AIRPORT, 2018 – 2020

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2018	313 296	325 377	363 786	341 917	313 507	290 622	342 489	336 768	340 759	365 689	342 336	389 896
2019	317 459	324 845	381 023	357 001	298 781	313 692	350 433	340 904	369 050	363 511	344 575	409 094
2020	339 627	351 750	210 254	0	0	14 176	33 044	53 218	92 327	125 292	142 223	204 671
2019/20 % change	7.0%	8.3%	-44.8%	-100.0%	-100.0%	-95.5%	-90.6%	-84.4%	-75.0%	-65.5%	-58.7%	-50.0%

Source: Wesgro, 2021

In 2020, the domestic market showed growth of 7.0 per cent in January and 8.3 per cent in February, followed by a 44.8 per cent decrease in March. Domestic arrivals declined by 62.4 per cent year-on-year in 2020 compared with 2019. Limited domestic air travel was phased in at lockdown level three, which came into effect on 1 June 2020. Between June and December domestic arrivals increased monthly, reaching 204 671 in December 2020, which was 50.0 per cent lower compared with the same period in 2019. The closing of the beaches is likely to have influenced December arrivals in 2020.

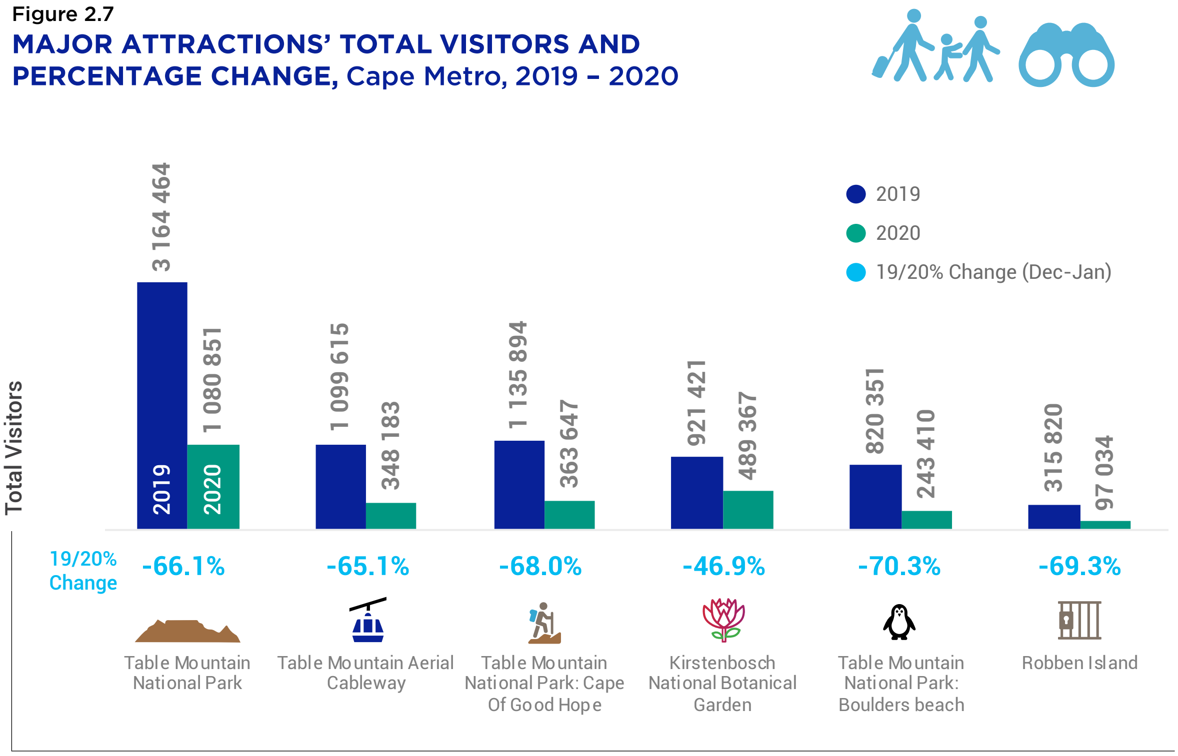


2.3.3 Performance of Cape Metro attractions

The top attractions in the Cape Metro area collectively recorded 7.5 million visitors in 2019, which declined to 2.6 million in 2020.

Figure 2.7 indicates the total visitors and percentage change for the Cape Metro attractions in 2020.

Figure 2.7
MAJOR ATTRACTIONS' TOTAL VISITORS AND PERCENTAGE CHANGE, Cape Metro, 2019 – 2020



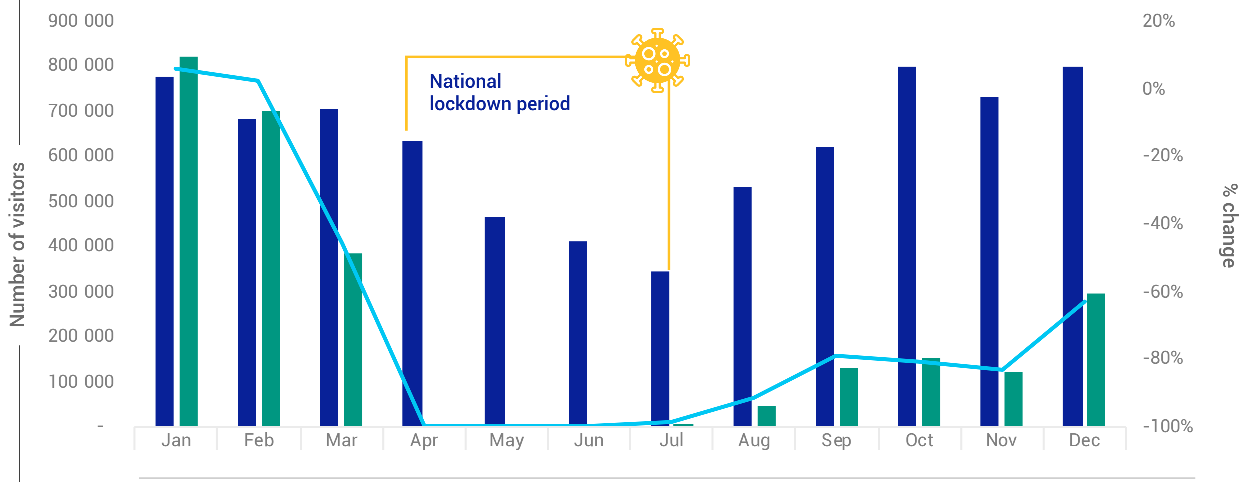
Source: Wesgro, 2020 and 2021

All the attractions were negatively affected by the pandemic in 2020. The Boulders Beach portion of Table Mountain National Park experienced the biggest decline in visitors (70.3 per cent), followed by Robben Island (69.3 per cent). The attraction least affected by the pandemic was Kirstenbosch National Botanical Garden, which had a 46.9 per cent decline in visitors. The overall declining trend was due to the nationwide lockdown imposed on 26 March 2020.


© Casey Allen, Unsplash

Figure 2.8 provides more detailed information about the aggregated monthly performance of the Cape Metro's main attractions.

Figure 2.8
TOTAL NUMBER OF VISITORS, Cape Metro area, Jan – Dec 2019/20



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2019	774 667	682 531	705 522	633 985	462 381	410 127	340 940	531 273	616 832	795 622	728 442	796 281
2020	818 591	697 397	383 291	0	0	0	4 601	43 503	128 647	153 576	119 761	293 557
2019/20 % change	5.7%	2.2%	-45.7%	-100.0%	-100.0%	-100.0%	-98.7%	-91.8%	-79.1%	-80.7%	-83.6%	-63.1%

Source: Wesgro, 2021

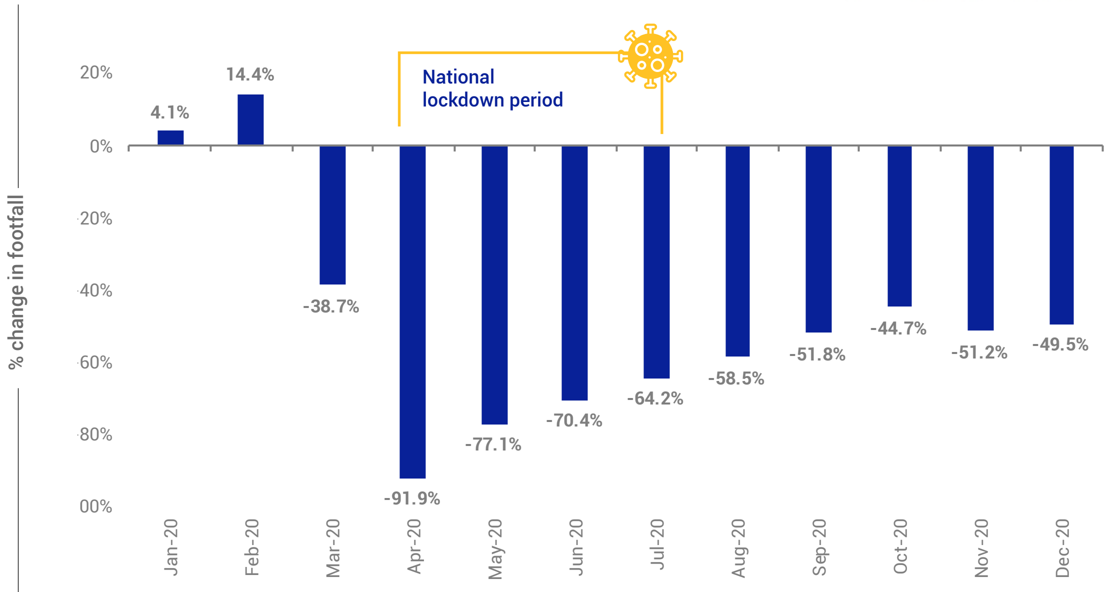
The total visitor count for the main attractions in the Cape Metro area reflected a positive year-on-year increase in visitors between January 2020 and February 2020. However, the Table Mountain Aerial Cableway increased in January (9.3 per cent) but decreased in February (5.2 per cent). The Kirstenbosch National Botanical Garden had a 1.8 per cent decrease in visitors during January but recovered with an 11.0 per cent increase in visitors during February. Despite the sudden impact of COVID-19, visitor numbers across January and February resulted in a successful close to the 2019/2020 tourism peak season.

© Bella the Brave, Unsplash

Figure 2.9 indicates the percentage change in footfall to the V&A Waterfront for January to December 2020.

Figure 2.9
PERCENTAGE CHANGE IN FOOTFALL, V&A Waterfront Jan – Dec 2019/20

V&A WATERFRONT CAPE TOWN



Source: Wesgro, 2021

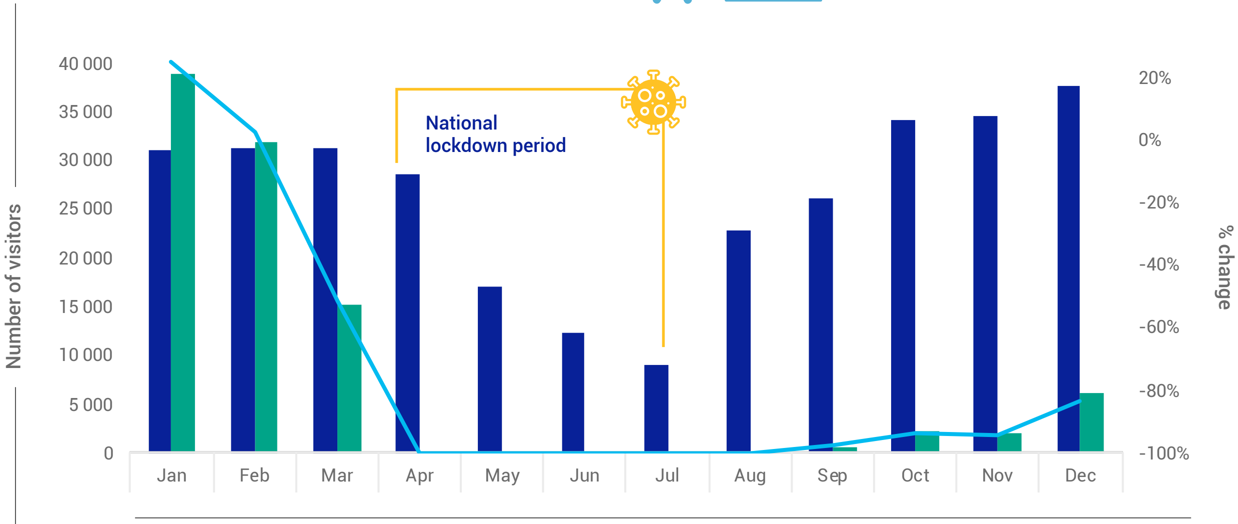
In 2019, the V&A Waterfront had nearly 1.3 million visitors. However, in 2020 it experienced an 80.0 per cent decline, to only 255 096 visitors. The V&A Waterfront is on a steady recovery path and was the top attraction in the Western Cape in 2020, followed by Cape Town City Central, with 230 894 visitors. All the main attractions in the Cape Metro recorded visitor declines of between 76.0 per cent and 81.0 per cent between 2019 and 2020.[35]

© Jean van der Meulen, Pixabay

[35] *(South African Tourism, 2020).*

Figure 2.10 takes a closer look at monthly visitors to Robben Island in 2020.

Figure 2.10
VISITORS TO ROBBEN ISLAND, 2019 – 2020



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2019	31 111	31 248	31 250	28 530	16 976	12 239	8 980	22 910	26 183	34 140	34 574	37 680
2020	38 926	31 964	15 197	0	0	0	0	0	635	2 143	1 994	6 175
2019/20 % change	25.1%	2.3%	-51.4%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-97.6%	-93.7%	-94.2%	-83.6%

Source: Wesgro, 2021

Robben Island was closed during the nationwide lockdown period and recorded no visitors between April and August 2020, resulting in a 69.3 per cent year-on-year decline. Inefficiencies owing to boat capacity constraints, lack of funding for infrastructure maintenance and tour-guiding services not meeting market expectations constrain the tourist potential of Robben Island.[36]

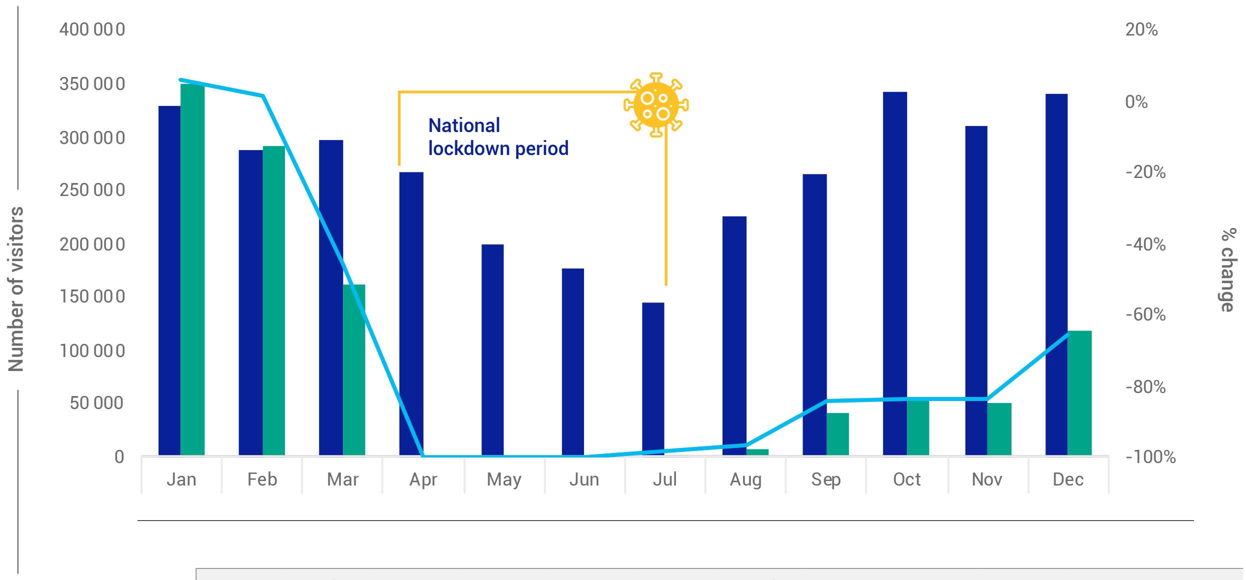

© Tom Podmore, Unsplash

[36] *(Robben Island Museum, 2020).*

Figure 2.11 depicts the visitors to Table Mountain National Park in 2020.

Figure 2.11

VISITORS TO TABLE MOUNTAIN NATIONAL PARK, 2019 – 2020



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2019	329 289	288 010	296 516	266 812	199 063	176 837	144 548	226 028	264 789	342 749	309 862	340 998
2020	350 285	292 005	160 880	0	0	0	2 238	7 772	41 918	56 314	51 262	118 177
2019/20 % change	6.4%	1.4%	-45.7%	-100.0%	-100.0%	-100.0%	-98.5%	-96.6%	-84.2%	-83.6%	-83.5%	-65.3%

Source: Wesgro, 2021

Despite the impact of COVID-19 on tourism businesses, Table Mountain National Park had more than a million mostly local visitors in 2020. Visitors to the park increased by 6.4 per cent in January and 1.4 per cent in February. March was severely impacted by the nationwide lockdown and resulted in a 45.7 per cent decline in visitors, followed by complete closure between April and June. Table Mountain National Park showed some steady recovery once it was reopened to visitors.

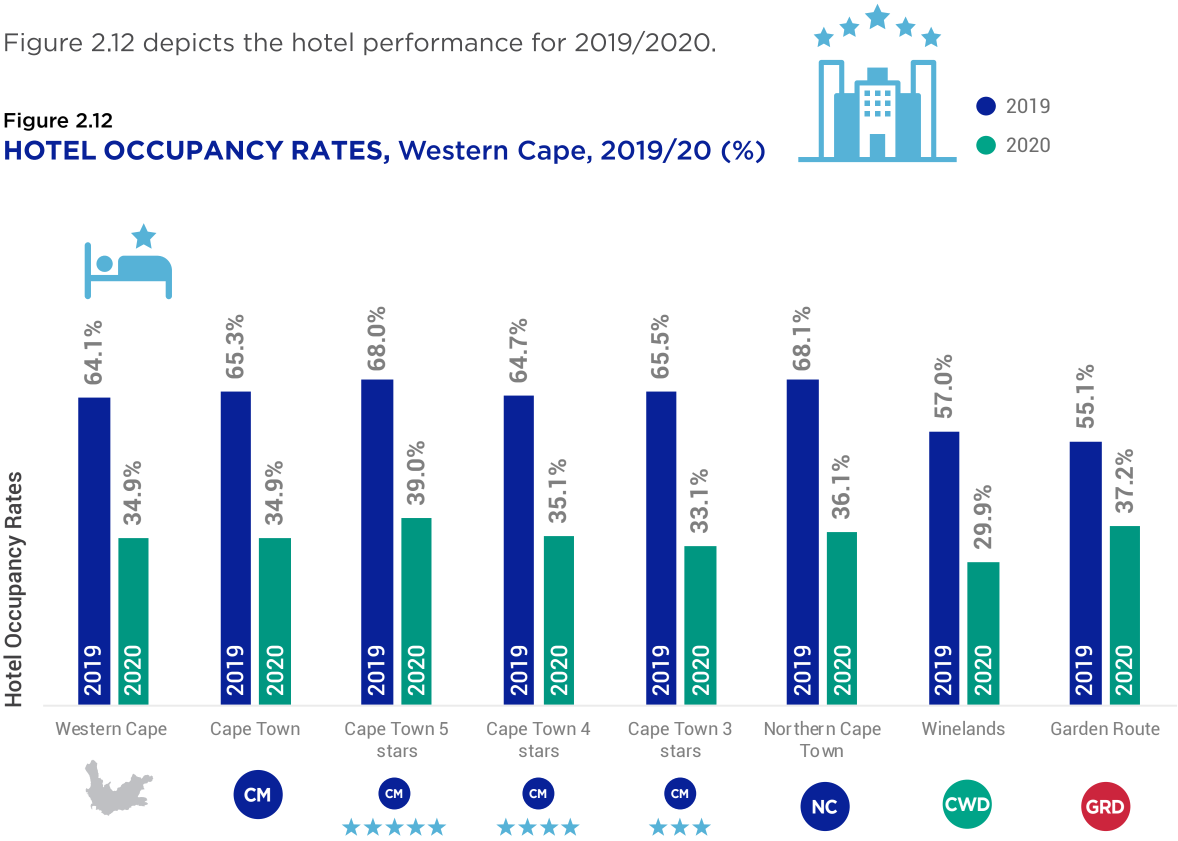
2.3.4 Performance of the Cape Metro's hotel sector

The hotel industry was one of the most vulnerable industries when the nationwide lockdown took effect. Many restrictions that were implemented by the Government to curb the spread of the virus directly impacted tourism activity in the Cape Metro.

Figure 2.12 depicts the hotel performance for 2019/2020.

Figure 2.12

HOTEL OCCUPANCY RATES, Western Cape, 2019/20 (%)



Source: Wesgro, 2021

Hotel statistics indicate an average occupancy rate of 34.9 per cent in the Western Cape in 2020. The highest occupancy level reached in the Cape Metro was among the five-star hotels (34.9 per cent). These occupancy rates largely reflect the January to March period before lockdown commenced. It should be highlighted that many hotels were used as quarantine sites and housed many foreign visitors who were on holiday when lockdown commenced. The decline in occupancy and revenue in the Cape Metro is due to the direct impact that lockdown had on the hotel sector when all tourism activity halted.

Key interventions that will assist to promote the local tourism industry include strategic destination marketing to promote Cape Town and the Western Cape, developing new tourism products in order to diversify the product offering of the Cape Metro area and implementing dedicated strategies aimed at promoting and developing tourism, such as the City of Cape Town's Responsible Tourism Strategy.[37] Initiatives such as the Safe Travels website (developed by the Western Cape Department of Economic Development and Tourism, in partnership with the City of Cape Town's Invest Cape Town and Wesgro) help to inspire confidence in the Cape Metro and the Province as a tourist destination by providing updated information regarding health and safety protocols when travelling to the Province.[38]

[37] *(City of Cape Town, 2021).*
[38] *(Department of Economic Development and Tourism, 2020).*

2.4 COMPARATIVE ADVANTAGE AND EMPLOYMENT POTENTIAL

This subsection analyses the comparative advantage of the various economic sectors within the Cape Metro area by exploring the historic growth of the respective sectors to identify growth opportunities for the Metro's economy.

This subsection also determines the level of specialisation in the different economic sectors of the Cape Metro area by using a location quotient. The location quotient is defined as a ratio between two economies (in this case, the national and Cape Metro economies) that indicates whether the metro area is importing, is self-sufficient or is exporting goods and services from a particular sector. In determining the level of specialisation of different economic sectors and understanding the local trade dynamics in the Cape Metro area, a location quotient of more than one represents a comparative advantage in the local economy compared with the national economy. A location quotient of less than one indicates that an industry is weaker in the local economy than in the national economy. A location quotient of one indicates that the industry in the local economy is the same as its representation in the country.

Table 2.3 summarises the classification and interpretation of the location quotient. It is important to note that a location quotient, as a tool, does not consider external factors such as government policies, investment incentives and proximity to markets, etc., which can influence the comparative advantage of an area in a sector.

Table 2.3
LOCATION QUOTIENT INTERPRETATION

LOCATION QUOTIENT	Classification	Interpretation
Less than 0.75	Low	Regional needs are probably not being met by the sector, resulting in an import of goods and services in this sector.
0.75 to 1.24	Medium	The sector is meeting most local needs. The region will probably be both importing and exporting goods and services in this sector.
1.25 to 4.99	High	The sector is serving needs beyond the border, exporting goods and services in this sector to other regions or provinces.
More than 5.00	Very high	This is indicative of a very high level of local dependence on the sector, typically in a "single-industry" community.

Source: Urban-Econ, 2021


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Table 2.4 outlines the sectoral location quotient for the Cape Metro area in terms of GDPR and employment.

Table 2.4
LOCATION QUOTIENT IN TERMS OF GDPR AND EMPLOYMENT,
Cape Metro, 2019

SECTOR	In terms of GDPR	In terms of employment
Primary Sector		
Agriculture, forestry & fishing	0.5	0.4
Mining & quarrying	0.0	0.0
Secondary Sector		
Manufacturing	1.1	1.2
Electricity, gas & water	0.8	0.9
Construction	1.3	1.1
Tertiary Sector		
Wholesale & retail trade, catering & accommodation	1.1	1.1
Transport, storage & communication	1.2	1.1
Finance, insurance, real estate & business services	1.4	1.2
General government	0.7	1.0
Community, social & personal services	1.2	0.9

Source: Quantec Research, 2021

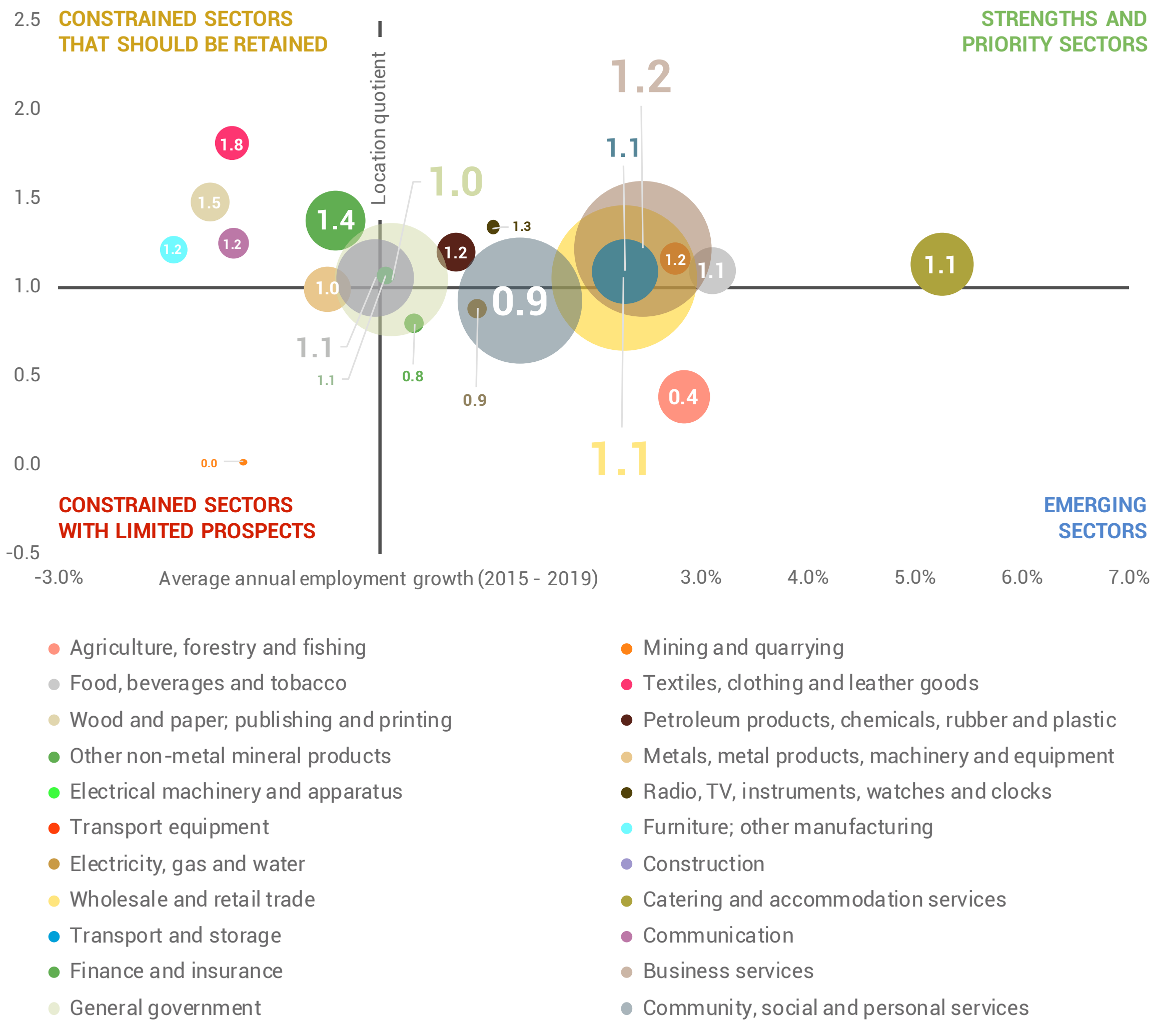
In 2019, agriculture and mining had relatively low location quotient values in terms of GDPR and employment, suggesting that the Cape Metro area sources goods from other regions to meet the needs of these industries. The Cape Metro area has limited mining resources that can be extracted compared with the rest of the country. Compared with the country and the rest of the Province, the Cape Metro area is more urban in nature, with comparatively less agricultural land available for production.

Within the secondary sector, the construction and manufacturing sectors had a high location quotient value in terms of GDPR and employment in 2020, meaning that the Cape Metro was meeting the needs relating to these sectors and therefore did not have to import on a net basis. The migration of households into the Cape Metro has fuelled the demand for residential property, which has boosted the construction sector substantially over the last few years. Large-scale commercial development in the CBD has further contributed to the GDPR and employment in the sector. However, the electricity, gas and water sector was only able to partially meet the needs for this industry, as it had location quotient values just below one in terms of GDPR and employment. Additional investment in renewable energy resources is likely to increase the comparative advantage in this sector.

Several sectors in the tertiary sector had a comparative advantage in terms of both GDPR and employment in 2019, which suggests that the Cape Metro area does not need to import expertise. The Cape Metro area serves as the economic hub of the Province and also provides services nationally and internationally. In the tertiary sector, the finance sector had the highest location quotient in terms of GDPR and employment, followed by the transport and community services sector.

To assess the sectoral development opportunities in the Cape Metro area, the comparative advantage in sectors is further analysed together with the historical sectoral growth rate. Figure 2.13 illustrates the comparative advantage and the average sectoral employment growth in the Cape Metro area.

Figure 2.13
COMPARATIVE ADVANTAGE AND SECTORAL EMPLOYMENT GROWTH, Cape Metro, 2019



Note: Size of bubble illustrates the contribution to total employment (2019)
Source: Quantec Research, 2021

Sectors that had a location quotient greater than one and that recorded positive employment growth over the 2015 to 2019 period are priority sectors for employment growth. Sectors that had a location quotient greater than one but that shed jobs over the period under analysis require intervention in order to benefit from the comparative advantage.

Sectors in which the Cape Metro area did not have a comparative advantage (a location quotient less than one) but that showed positive employment growth are considered to be emerging sectors, but prospects may be limited owing to the size of the sector or external trends. This includes the textiles, clothing and leather goods, the wood and paper, publishing and printing sectors, as well as the construction, communication and finance sectors.

Table 2.5 provides further information relating to the sectors that are considered strengths in terms of job creation based on historic trends, as well as the sectors that should also be focused on, despite their lack of employment growth.

Table 2.5
PRIORITY SECTORS FOR EMPLOYMENT,
Cape Metro, 2019

SECTOR	GDPR R million 2019	GDPR trend 2015 – 2019	Number of jobs 2019	% informal jobs 2019	Average annual change in employment 2015 – 2019	Average gross fixed capital formation growth 2015 – 2019
Food, beverages and tobacco	R20 205.0	3.2%	34 511	15.3%	974	3.8%
Textiles, clothing and leather goods	R2 487.2	-3.7%	19 629	14.5%	-291	-2.3%
Wood and paper; publishing and printing	R7 881.2	-3.2%	24 326	13.8%	-408	-2.1%
Petroleum products, chemicals, rubber and plastic	R12 741.6	-1.2%	23 927	13.4%	155	-2.2%
Radio, TV, instruments, watches and clocks	R887.7	-2.4%	3 074	11.0%	30	-2.0%
Transport equipment	R4 655.9	1.1%	15 792	12.2%	400	-1.3%
Construction	R22 133.8	-0.5%	98 228	31.3%	-128	4.1%
Wholesale and retail trade	R72 069.2	0.9%	337 094	32.1%	7 148	1.9%
Catering and accommodation services	R4 288.2	-2.0%	62 027	37.0%	2 794	-1.6%
Transport and storage	R38 815.8	0.3%	69 162	29.6%	1 428	0.1%
Communication	R11 111.1	1.7%	14 951	13.2%	-220	4.0%
Finance and insurance	R40 064.6	1.6%	56 593	4.1%	-263	-2.6%
Business services	R80 838.0	2.3%	295 724	16.3%	6 736	-0.8%
General government	R55 340.7	1.0%	206 129	0.0%	181	0.2%

Source: Urban-Econ calculations based on Quantec Research, 2021

The Cape Metro area has a diverse economy, with a comparative advantage in several of the manufacturing subsectors as well as many of the tertiary sectors. This ensures that the Cape Metro can provide employment opportunities for workers of various skill levels. The manufacturing sector, in particular, has a large proportion of semi-skilled workers (60.0 per cent).

Economic diversity allows for entrepreneurial innovation. Various industries benefit from the Cape Town Harbour and Cape Town International Airport. However, inefficiencies at the Cape Town Harbour can dampen investment prospects and limit the growth potential of industries that are reliant on the port. Cape Town is well known internationally and has won numerous awards, particularly regarding tourism. Most recently, Cape Town was listed as number 20 on *Travel + Leisure*'s 25 Best Cities in the World list,[39] while Cape Town International Airport won the Best Airport in Africa Award in the Skytrax World Airport Awards 2021.[40] These, and other accolades won in previous years, help to promote Cape Town as the ideal investment location for various industries. Despite the potential to capitalise on key infrastructure in order to leverage growth, low business confidence, weak national economic performance and electricity shortages dampen investment prospects.

[39] *(Travel + Leisure, 2021).*
[40] *(ACSA, 2021).*

Food, beverages and tobacco

One of the most prominent manufacturing subsectors is the food, beverages and tobacco subsector. This sector was valued at R20.2 billion in 2019 and grew at an average annual rate of 3.2 per cent between 2015 and 2019. The sector also employed 34 511 people and created 974 jobs on average per annum. The food, beverages and tobacco sector has also seen substantial growth in private investment, with gross fixed capital formation growing at an average annual rate of 3.8 per cent per annum. This sector was not as severely affected in 2020, since food production was considered an essential service during the level five lockdown period, and only contracted by an estimated 3.5 per cent. Job-shedding was also lower in this sector compared with other sectors, with an estimated 448 jobs shed in 2020. This sector will benefit from the strong growth in the agriculture sector, which benefited from favourable weather conditions in 2020. This sector contributes significantly to exports. In 2015, 12.0 per cent of the Cape Metro's exports originated from the food, beverages and tobacco manufacturing sector. This increased to 15.0 per cent in 2020. Promoting access to markets and removing barriers to trade through trade agreements can thus be a valuable boost for the sector. However, rising commodity prices and energy supply constraints are seen as growth deterrents.

Textiles, clothing and leather goods

Some of the smaller manufacturing subsectors in which the Cape Metro has a comparative advantage have not been performing well and additional support is required in order to ensure that these sectors can benefit from the metro's comparative advantage and continue to create jobs. One such sector is the textiles, clothing and leather goods sector, which was valued at R2.5 billion in 2019. This sector contracted by 3.7 per cent annually and shed an average of 291 jobs between 2015 and 2019. Price competitiveness is a major constraint within the industry and results in large volumes of imported clothing, particularly from China. This sector has been prioritised on a national level with the establishment of the Clothing, Textiles, Footwear and Leather Growth Programme from the DTIC.

Thirty local industry members and their 10 000 employees are represented through the Cape Clothing and Textile Cluster. Twelve firms from the Province are currently part of the DTIC and Industrial Development Corporation's Programme. The survival, recovery and now success of these firms have also been supported by initiatives such as the Western Cape Industrial Symbiosis Programme.[41]

The Cape Skills and Employment Accelerator Project was launched in the past year through a partnership between the City of Cape Town, Cape Town City of Design, The Craft and Design Institute, the EPWP and the National Skills Fund.[42] The Accelerator will provide businesses from the Province with practical National Qualifications Framework level training on skills such as pattern cutting, garment making and sewing.

Large corporates such as The Foschini Group and its associate Prestige Clothing have in the past year made significant commitments to improve their localisation through plant and people investments in Maitland (Cape Town) and Caledon.[43] These financial undertakings have also been matched with improved local supplier development, worker welfare and environmental

[41] *(GreenCape, 2019).*
[42] *(The Craft and Design Institute, 2020).*
[43] *(The Foschini Group, 2021).*

stewardship. Similarly, PepClo opened a new factory in 2021.[44] The R25.0 million facility created 42 new jobs located in the flip-flop and sterile-wear product lines.[45] These investments will help ensure that graduates from initiatives such as the Cape Skills and Employment Accelerator Project are absorbed into industry positions where their skills will be utilised fully.

This change in strategic direction towards greater local content will have been hastened by disruptions to local supply chains resulting from the COVID-19 pandemic,[46] and more broadly supported by the South African Retail-Clothing, Textile, Footwear and Leather Master Plan.[47] This master plan's target of 65.0 per cent local content bodes well for the industry's resurgence after decades of shrinkage. The local textile sector's medium-term prospects have also been buoyed by the recent industry collective bargaining agreement[48] and import rebate dispensation.[49]

Construction

The construction sector in the Cape Metro area was valued at R22.1 billion and employed 98 228 workers in 2019. This sector also had a large proportion of informal workers (31.3 per cent) in 2019. This sector experienced numerous challenges prior to COVID-19, and between 2015 and 2019 the sector contracted by an average annual rate of 0.5 per cent, while shedding 128 jobs per annum. Despite this, gross fixed capital formation has increased by 4.1 per cent per annum between 2015 and 2019, mainly due to investment in new machinery. Many construction projects were halted in 2020 as a result of the COVID-19 pandemic, resulting in a GDPR decline of 21.3 per cent and a loss of 12 941 jobs. Economic uncertainty has also influenced the commercial property sector, which contributes significantly to construction sector activity in the Cape Metro area. Despite these challenges, the Cape Metro area still has a significant demand for residential property, particularly affordable housing, and government infrastructure investment projects will stimulate new growth for the sector.

The BPO industry in Cape Town has experienced substantial growth in the last few years. The activities in this industry are recorded in the business services sector. This sector was valued at R80.8 billion in 2019 and was the fastest-growing sector in the tertiary sector between 2015 and 2019, at 2.3 per cent. Furthermore, this sector provided employment opportunities for 295 724 people, while creating 6 736 jobs on average per annum between 2015 and 2019. Cape Town has a competitive advantage owing to the English-speaking capabilities of the population and network capabilities in terms of its information and communications technology (ICT) infrastructure. Reducing red tape and improving the ease of doing business in the Cape Metro area are two essential activities in growing the BPO industry.

Communication

Another growing industry that is attracting significant investment from entities such as Amazon and Microsoft, and which spans a multitude of sectors, is the tech industry. Industry leaders in the spheres of gaming and entertainment, e-commerce, digital services, health, finance, education and travel have their headquarters in Cape Town. Despite the challenging economic conditions of 2020, with many people working from home, demand for internet services, online schooling and online shopping increased. One of the main economic sectors which creates an enabling environment for the industry is the communications sector, which includes various activities related

[44] *(Pepkor, 2021).*
[45] *(DTIC, 2021).*
[46] *(Bloomberg, 2020).*
[47] *(DTIC, 2021a).*
[48] *(Department of Employment and Labour, 2021).*
[49] *(DTIC, 2021b).*

to connectivity and telecommunications. The communications sector was valued at R11.1 billion in 2019 and has been growing at an average annual rate of 1.7 per cent between 2015 and 2019, which is the second-fastest sector in the tertiary sector. The communications sector employs 14 951 people. This sector has nevertheless been shedding jobs annually between 2015 and 2019 (220 jobs per annum). However, gross fixed capital formation has shown strong growth at 4.0 per cent per annum between 2015 and 2019.

Another industry that forms part of the communications sector is the film industry. The film industry has been identified as a key sector for investment in the Cape Metro area, as well as the Province. The scenery around the Cape Metro area makes it the ideal location for film, television and advertising productions. Between July 2019 and March 2020, 5 175 film permits were issued by the City of Cape Town. Although activities had to be stopped owing to COVID-19 lockdown measures, they could resume from May 2020.[50] Between 2016/17 and 2018/19, the value of media and film productions increased from R1.6 billion to R2.4 billion. However, as a result of a halt in the industry because of lockdown measures in 2020, the value declined to R2.2 billion.[51] Cape Town Film Studios plays an integral role in the success and growth of the sector in the Cape Metro area. In the first 10 years of its operation, the studio provided 98 000 job opportunities while contributing R21.0 billion to the local economy.[52]

Tourism

Tourism is another industry that spans multiple economic sectors; however, a large portion of activities are recorded in the catering and accommodation sector. This sector was valued at R4.2 billion in 2019 and created 62 027 jobs, of which 37.0 per cent were informal. Furthermore, on average, this sector created 2 794 jobs per annum between 2015 and 2019. The industry was severely constrained in 2020 given the lockdown conditions and targeted interventions are required from all stakeholders to revitalise the sector. The large proportion of informal workers emphasises the importance of skills development and SMME support to develop sustainable jobs in tourism in the Cape Metro area.

The restaurant industry in Cape Town was particularly hard-hit by the pandemic, with many businesses forced to shut their doors. Private-sector initiatives such as the Restaurant Rescue Project (#RestaurantRescueProject), which allowed patrons to purchase a meal voucher at participating restaurants and receive a complimentary case of wine from a local wine farm, helped to support many restaurants and wine cellars through the pandemic.

INNOVATION

The COVID-19 pandemic disrupted most business operations. However, it also resulted in new, innovative businesses and solutions that created new opportunities. In Langa, a group of youth launched a delivery service, Cloudy Deliveries, that delivers groceries and takeaways by bicycle. This has enabled employment for 17 young people in Langa. In 2021, the businesses expanded to Observatory and employed another 14 young people.

[50] *(City of Cape Town, 2021).*
[51] *(City of Cape Town, 2021).*
[52] *(Cape Town Film Studios, 2021).*

2.5 INVESTMENTS

This subsection discusses various forms of investments occurring in the Cape Metro area, especially building plans passed and completed, sectoral investments and business expansions, and a consolidated overview of municipal spending on contracted services and infrastructure.

2.5.1 Private-sector investment

2.5.1.1 Sectoral investments and business expansion

Wesgro plays an important role in attracting new investment into the Western Cape. In 2019/20, this organisation facilitated 18 investment projects in the Cape Metro to the value of R2.2 billion, creating an estimated 1 485 jobs. Other investments as recorded by the City of Cape Town include:[53]

- R29.0 billion investment value in the ICT industry, which will create 60 job opportunities;
- R3.2 million investment in the textile industry, which will create 200 job opportunities;
- R20 million investment in the chemicals industry, which will create 20 job opportunities;
- R900 million investment in the pharmaceuticals industry, which will create 400 job opportunities;
- R50 million investment in the film industry, which will create 400 job opportunities;
- R30 million investment in the education industry, which will create 20 job opportunities;
- R15 million investment in the boat-building industry, which will create 10 job opportunities; and
- R18 million investment in the agro-processing industry, which will create 10 job opportunities.

Health industry

The transfer of city-owned land was approved by the council of the City of Cape Town for the establishment of the Cape Health Technology Park. This development is aimed at unlocking economic benefits through the expansion of the local manufacturing sector. The Cape Health Technology Park project is a Provincial Department of Economic Development and Tourism and national Department of Science and Innovation project aimed at establishing a high-class innovation facility, culminating in the co-location of innovation firms, government and academia health innovation programmes, as well as business and innovation support organisations. The main purpose is to build a stronger pharmaceutical and human health technology industry in South Africa.

Renewable industry

The Atlantis Special Economic Zone (ASEZ) has attracted about R700 million in investment to date and is responsible for creating 300 direct jobs in this SEZ. The ASEZ received applications for investments worth R3.5 billion in a six-month period in 2020, which could support 800 jobs upon approval. These projects are projected to start at the end of the 2021/22 financial year. The ASEZ is used as a catalyst for industrial development, manufacturing, employment, technology and skills transfer.[54]

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[53] *(City of Cape Town, 2021).*
[54] *(Invest Cape Town, 2020).*

Kaytech Engineered Fabrics manufactures geotextiles and geosynthetic solutions used by civil engineering and sourced from pre- and post-consumer recycled plastic bottles. Kaytech Engineered Fabrics has the potential to unlock great investment opportunities.[55]

Tourism

Cape Town's cruise industry has experienced significant growth over the last few years. In 2012, more than 6 000 passengers arrived on cruise ships in Cape Town, and in 2018/19 more than 52 000 passengers were recorded arriving in Cape Town. The Tourism Development Framework for 2019 is aimed at promoting Cape Town as a top cruise destination and also at connecting with other port cities worldwide.[56] The City of Cape Town has funded several special projects, one of which is Cruise Cape Town receiving R800 000 during 2019/20.[57]

Agricultural industry

The council of the City of Cape Town approved the allocation of R3.0 million in funding for the Urban Agriculture Programme in April 2021. This project is aimed at encouraging and upskilling urban farmers across the Cape Metro area in partnership with the City of Cape Town and the South African Institute for Entrepreneurship. The programme will include 720 farmers and aims to implement 30 food (urban) farms in the city, distributed across 24 subcouncils. Furthermore, the programme also intends to assist urban farmers to establish co-operatives and to assist in hosting market days and informal trade.[58]


© Jean van der Meulen, Pixabay

[55] (Western Cape Government, 2020).
[56] (City of Cape Town, 2021).
[57] (Wesgro, 2020).
[58] (City of Cape Town, 2021).

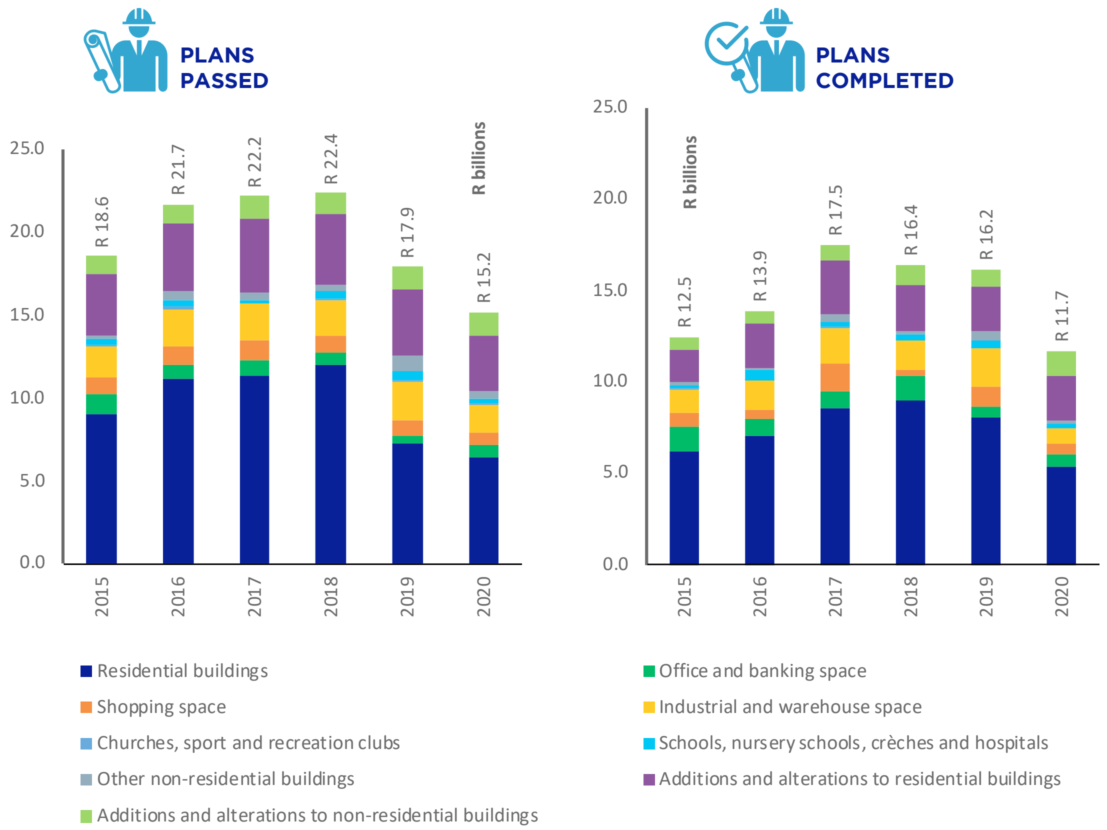
2.5.1.2 Building plans passed and completed

Building plans passed and completed are indicators used to measure the changes in economic activity and business cycles. The value of building plans passed[59] can be used as a leading indicator, while building plans completed[60] can be used as a lagging indicator. Building plans passed and completed have further implications for municipal spatial planning and budgeting. Furthermore, building plans passed indicate the private sector's willingness to invest in an area, and the development of non-residential buildings has a positive impact on the local economy during the construction and operational phase.

Figure 2.14 shows the trend in the value of building plans passed and completed in the Cape Metro area between 2015 and 2020. The value of building plans passed and completed is expressed in current prices.

Figure 2.14

VALUE OF BUILDING PLANS PASSED AND COMPLETED, Cape Metro, 2015 – 2020 (R billion)



Source: Stats SA & Quantec Research, 2021

The total value of building plans passed in the Cape Metro was on an increasing trend between 2015 and 2017, highlighting the property boom in the Cape Metro, with declines recorded since then. A substantial decline was recorded from R17.9 billion in 2019 to R15.2 billion in 2020. A decline in investor confidence and household income, as well as administrative backlogs, could have contributed to the decline. Since 2015, most of the building plans passed were for residential building plans, which decreased in value from R11.1 billion in 2016 to R6.5 billion in 2020. The downward trend since 2018 can probably be attributed to an increase in the supply

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[59] *Number of residential building plans passed larger than 80m².*

[60] *Value of non-residential buildings completed (constant prices).*

of housing stock that is saturating the middle and luxury housing markets. There is still a growing demand and need for affordable housing options in the Cape Metro area.

However, policy uncertainty, lack of developable land and funding are deterrents to providing affordable housing. Building plans passed for additions and alterations to residential buildings also experienced a decline, from a value of R4.5 billion in 2017 to R3.4 billion in 2020. Building plans passed for industrial and warehouse space also decreased from R2.3 billion in 2016 to R1.7 billion in 2020.

The total value of building plans completed in the Cape Metro area decreased from R12.5 billion in 2015 to R11.7 billion in 2020. Residential building plans comprised most of the building plans completed and these experienced a decrease in value from R6.2 billion in 2015 to R5.4 billion in 2020. The value of building plans completed for additions and alterations to residential buildings increased from R1.8 billion in 2015 to R2.5 billion in 2020. Building plans completed for industrial and warehouse space decreased from R1.3 billion in 2015 to R0.8 billion in 2020. Generally, building plans completed for commercial space also declined. The value of office and banking space declined from R1.3 billion in 2015 to R0.7 billion in 2020, and the value of building plans completed for shopping space also decreased from R0.8 billion in 2015 to R0.5 billion in 2020. Other building plans completed during the period of review included plans for schools, nursery schools, crèches and hospitals, which remained relatively stable – the value of building plans completed was R0.2 billion in 2015, R0.3 billion in 2018 and R0.2 billion in 2020. There is thus a consistent supply of social infrastructure in the Cape Metro, which is positive given the growing demand as a result of population growth.

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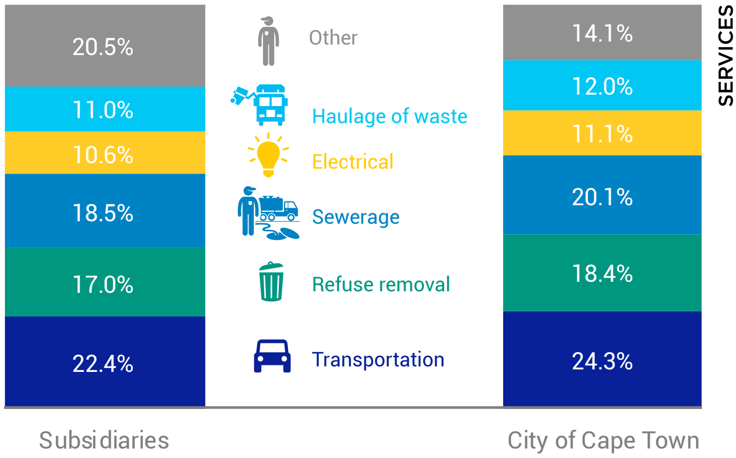
2.5.2 Public-sector investment

2.5.2.1 Municipal contracted services

The procurement processes of local municipalities can facilitate the development of local SMMEs that provide goods and services, while spending on infrastructure promotes the creation of an enabling environment for households and businesses to function optimally.

Figure 2.15
PROPORTION OF SPENDING ON CONTRACTED SERVICES, Cape Metro, 2019/20[61]



Source: National Treasury, 2021

In 2019/20, most spending by the City of Cape Town and its subsidiaries was on transportation services, refuse removal services and sewerage services. Having efficient and affordable public transport systems is essential for creating an enabling environment for business activities. In 2019, more than 1 400 registered buses and contracted bus services transported approximately 250 000 passengers a day.[62] Bus and taxi services have become increasingly in demand given the deterioration of rail services.

In 2019/20, the City of Cape Town spent R16.8 billion on procurement, of which R1.0 billion was spent on exempted micro enterprises (EMEs) and R2.7 billion was spent on qualifying small enterprises (QSEs). Furthermore, R57.2 million was spent on supplier development. During 2019/20, 1 278 small businesses participated in the City of Cape Town's enterprise and supplier development programme.[63] The City of Cape Town provides a range of support services to SMMEs, such as a dedicated help desk with information on doing business with government, funding SMME development programmes and development programmes for vendors registered on the supplier database, funding strategic economic partners as well as providing infrastructure to support development. Examples include the Furntech Incubator in Nyanga and the Khayelitsha Bandwidth Barn.[64]

[61] *According to the Municipal Standard Chart of Accounts (mSCOA), municipalities should have the capacity and expertise to carry out certain services. Outsourced services are therefore services procured by the municipality when it temporarily does not have the capacity to perform these functions, or to save costs. Consulting services refer to specialist services and skills provided to a municipality for the achievement of a specific objective. It is unnecessary to maintain these skills in-house since they are often only required on a once-off or temporary basis. Contractors are utilised for services that are not the core business of the municipality.*
[62] *(TDA, 2019).*
[63] *(City of Cape Town, 2020).*
[64] *(City of Cape Town, 2021).*

2.5.2.2 Infrastructure

Infrastructure spending by local and Provincial governments is not only an important injection into the local economy, it also helps to create an enabling environment for economic and social development. Infrastructure capital spending has both short- and medium-term benefits. The capital injection not only boosts the economy from the initial injection but may also create numerous employment opportunities. Additionally, it can also stimulate economic activity from the operational activities that result from the initial capital spending. Despite the importance and necessity of maintaining existing infrastructure and investing in new infrastructure, local governments are under pressure, as generating their own revenue is becoming increasingly constrained owing to rising unemployment and poor economic growth, while income from Provincial and national grants is declining.

The Joint District and Metro Approach (JDMA) promotes collaboration and is an essential governance instrument that will enable co-planning, co-budgeting and co-implementation to strengthen service delivery in communities. The JDMA provides an implementation plan for planning and strategic priorities, development initiatives, service delivery and capacity-building.

A co-ordinated and combined effort from all spheres of government, as well as the private sector, can successfully leverage infrastructure investment as a catalyst for broad-based economic growth and development.

Infrastructure spending by local and Provincial governments is an important injection into the Cape Metro area's local economy, as it contributes to economic and social development.

Table 2.6 outlines the budgeted expenditure on infrastructure by the Cape Metro area for 2021/22.

Table 2.6
SPENDING ON INFRASTRUCTURE, Cape Metro area, 2021/22

DESCRIPTION R million	2021/22 Municipal infrastructure spend (original budget)
Economic infrastructure	**2 277.7**
Road transport and public works	2 190.3
Environmental services	87.4
Social infrastructure	**958.4**
Education	-
Health	57.0
Social development	74.2
Housing	827.2
Trading services	**3 831.8**
Energy sources	1 012.2
Water management	966.8
Wastewater management	1 350.0
Waste management	502.8
Other	**1 258.1**
Total infrastructure spend	**8 326.0**

Source: Provincial Treasury, 2021

The City of Cape Town allocated R8.3 billion to the capital expenditure budgets for 2021/22. This includes allocations made towards economic, social and trading services infrastructure of R2.3 billion, R1.0 billion and R3.8 billion respectively. Other capital expenses to the value of R1.3 billion have also been budgeted for 2021/22. Key municipal expenditure categories include road transport and public works (R2.2 billion) and wastewater management (R1.4 billion).

JOINT DISTRICT AND METRO APPROACH

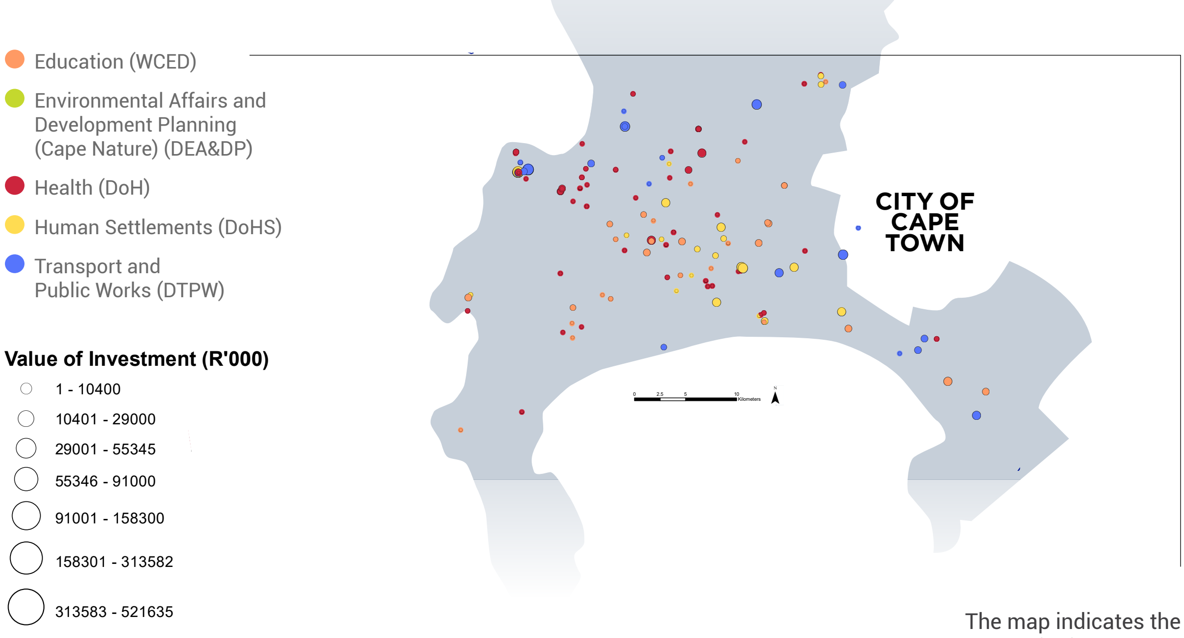
The Joint District and Metro Approach (JDMA) promotes collaboration and is an essential governance instrument that will enable co-planning, co-budgeting and co-implementation to strengthen service delivery in communities. The JDMA provides an implementation plan for planning and strategic priorities, development initiatives, service delivery and capacity-building.

A co-ordinated and combined effort from all spheres of government, as well as the private sector, can successfully leverage infrastructure investment as a catalyst for broad-based economic growth and development.

Provincial infrastructure spend in the City of Cape Town (City) over the 2021 Medium Term Expenditure Framework (MTEF) amounts to R10.4 billion or more than a third (38.1 per cent) of the total Provincial infrastructure 2021 budget. This allocation is focused on imperatives to drive change and bring about transition towards a more sustainable, integrated and resilient City. The infrastructure per capita spend in the City of Cape Town is R2 251, compared with a Provincial per capita infrastructure spend of R3 876. The City's per capita spend is lower than the average Provincial per capita spend on infrastructure. Key Provincial infrastructure investments in the City over the MTEF include:

- Investment in the road network, where funding has been directed towards maintenance, repairs, upgrades and additions. This includes a provision of R511.2 million for road maintenance, R300.0 million for the extension of the R300 to the N7, R100.0 million for the upgrading of Mariners Way, R91.0 million for resealing of roads in Somerset West, R80.0 million for the resealing of the N2/Sir Lowry's Pass bypass, R70.0 million for the West Coast Atlantis refurbishment and R44.0 million for the N1 reseal.
- Significant investments, proportionally higher than the Provincial averages, are committed to accommodating new and more sustainable integrated human settlements in areas of high localised growth and overcrowding. These include the Penhill Greenfields Development (8 000 sites), where R432.2 million is budgeted for, R246.0 million for upgrading the Taiwan informal settlement, R234.0 million for Taiwan YB Section, R171.5 million for Garden Cities – Fisantekraal phase three, R158.3 million for the forest Village development, R128.0 million for Macassar, R119.5 million for the City People's Housing Process, R116.0 million for the Silvertown development and R110.5 million for Beacon Valley.
- Investment by the Department of Health, including R115.0 million for Tygerberg Hospital Laundry and health technology replacement, R77.5 million for the refurbishment and replacement of equipment at various facilities, R77.2 million for routine maintenance at various facilities, R69.4 million for the Observatory Forensic Pathology Lab (FPL) and R68.1 million for ventilation and air-conditioning refurbishment at Groote Schuur Hospital.

- Further infrastructure investment in social facilities distributed across areas of highest need includes R102.0 million for rehabilitation and renovations at child and youth care centres, R84.0 million for urgent maintenance at child and youth care centre (CYCC), and R66.4 million for rehabilitation at the Kensington Treatment Centre. Upgrading and additions at MOD centres by the Department of Education of R161.5 million over the MTEF, a R150.0 million provision for ad hoc upgrade and additions at educational facilities, R135.2 million for the Nomzamo primary and high schools, and R88.4 million for the replacement of the Macassar Primary School No. 2.



The map indicates the distribution of infrastructure projects over the MTEF period. The total value of investments (projects and programmes) are indicated in the accompanying table for the applicable region or District.

Map 3.1
TOTAL DEPARTMENTAL MTEF INFRASTRUCTURE BUDGET AND NUMBER OF PROJECTS, Cape Metro, 2021/24

WC PROVINCIAL DEPARTMENT	No of projects	2021/22 MTEF (R'000)	2022/23 MTEF (R'000)	2023/24 MTEF (R'000)	MTEF total (R'000)
Education (WCED)	42	512 493	594 285	660 572	**1 767 350**
Environmental Affairs and Development Planning (DEA&DP)	15	39 577	41 477	43 302	**124 356**
Health (DoH)	175	704 797	609 310	843 716	**2 157 823**
Human Settlements (DoHS)	37	808 995	1 015 236	1 103 537	**2 927 768**
Transport and Public Works (DTPW)	44	1 152 676	1 024 048	1 204 775	**3 381 499**
Total	**313**	**3 218 538**	**3 284 356**	**3 855 902**	**10 358 796**

Note: WCED is the Western Cape Education Department, DoH is the Department of Health, DoHS is the Department of Human Settlements and DTPW is the Department of Transport and Public Works
Source: The Provincial Infrastructure Reporting Model (IRM) was used for the first time (except for the data of the Department of Human Settlements). There is room to improve on the accuracy in future publications.

Information about the **2021/22 budgeted Provincial infrastructure spend** is provided in the *Overview of Provincial and Municipal Infrastructure Investment* (OPMII), published by Provincial Treasury.

2.6 CONCLUDING REMARKS

The Cape Metro area experienced a trade deficit for the entire period under review. The trade deficit increased from R36.2 billion in 2010 to R107.2 billion in 2013, after which it steadily improved from a R105.5 billion deficit in 2014 to a R99.7 billion deficit in 2019 and R80.3 billion in 2020. The trade deficit during the period of review was largely due to imported manufactured goods and mining products. The agriculture sector experienced a trade surplus, increasing from R7.4 billion in 2010 to R18.1 billion in 2020.

In 2020, the Cape Metro's largest import trading partners were China (22.6 per cent), Nigeria (10.4 per cent), Saudi Arabia (7.8 per cent) and the United Arab Emirates (6.9 per cent). Petroleum products contributed the largest share of the Cape Metro's imports (20.0 per cent), with a value of R33.5 billion. The main commodities of petroleum oils and oils obtained from bituminous minerals were imported from regions such as Nigeria, Saudi Arabia, the United Arab Emirates, Oman and India.

The Cape Metro's main export trading partners in 2020 were Namibia (9.1 per cent), the United States (7.4 per cent), the United Kingdom (6.8 per cent), Botswana (6.5 per cent) and China (5.5 per cent). In 2020, the Cape Metro area exported goods (mainly petroleum oils and oils obtained from bituminous minerals) to the value of R7.9 billion to Namibia and Botswana.

Citrus fruit contributed the largest share of commodities exported (9.7 per cent), with a value of R8.5 billion. The main export partners for citrus fruit were the Netherlands, the United Kingdom and the Russian Federation. Petroleum oils and oils obtained from bituminous minerals contributed 9.0 per cent to the total exports in 2020.

The Cape Metro municipal area is a popular destination for the international and domestic markets. The future of tourism is uncertain because COVID-19's travel and movement restrictions are frequently changing. A closer look into the tourism labour market indicates a decline in income, job losses and business closures. International arrivals through Cape Town International Airport decreased by 68.6 per cent in 2020, as there were no international arrivals from April to September 2020. Domestic arrivals declined by 62.4 per cent year-on-year in 2020 compared with 2019. All attractions were negatively affected by the pandemic. The V&A Waterfront experienced an 80.0 per cent decline in visitors from 2019 to 2020, followed by the Boulders Beach portion of Table Mountain National Park (70.3 per cent) and Robben Island (69.3 per cent). Despite the impact of COVID-19 on tourism businesses, Table Mountain National Park had more than a million visitors in 2020. Hotel statistics indicate an average occupancy rate of 34.9 per cent in the Western Cape in 2020. The decline in occupancy and revenue in the Cape Metro is due to the direct impact that lockdown had on the hotel sector, when all tourism activity halted. Many hotels were used as quarantine sites and housed many foreign visitors who were on holiday when lockdown commenced.

The agriculture and mining sectors had a relatively low location quotient value, while the construction and manufacturing sectors had a high location quotient value in terms of GDPR and employment. Most industries in the tertiary sector had a competitive advantage in terms of both GDPR and employment, especially the finance sector and the transport sector.

The Cape Metro area has a diverse economy, with a comparative advantage in several of the manufacturing subsectors, as well as many of the tertiary sectors. One of the most prominent manufacturing subsectors is the food, beverages and tobacco subsector, which was valued at R20.2 billion in 2019 and grew at an average annual rate of 3.2 per cent between 2015 and 2019. Another growing industry that is attracting significant investment is the tech industry.

The total value of building plans passed in the Cape Metro decreased from R18.6 billion in 2015 to R15.2 billion in 2020. Most of the building plans passed were for residential building plans, which decreased in value from R11.1 billion in 2016 to R6.5 billion in 2020. The total value of building plans completed in the Cape Metro decreased from R12.5 billion in 2015 to R11.7 billion in 2020. Most of the building plans completed were for residential building plans, which decreased in value from 2015 to 2020.

3

MUNICIPAL SOCIO-ECONOMIC ANALYSIS

3.1 INTRODUCTION

This chapter describes the economic and social circumstances of households living in the Cape Metro area by analysing population, human development, housing, crime and access to basic services. More specifically, human development in the metro area is assessed by exploring education levels, health and income.

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CAPE METRO DEMOGRAPHICS

Some of the key indicators used in the socio-economic analysis include the population growth rate, GDPR per capita, household income, the Gini coefficient, the Human Development Index (HDI), educational development and dwelling types. These indicators are discussed in detail in the sections below.

GENDER – POPULATION

4 610 777
POPULATION 2020

49.5% | 50.5%

Gender split 2020

FORECAST

Estimated **population growth**

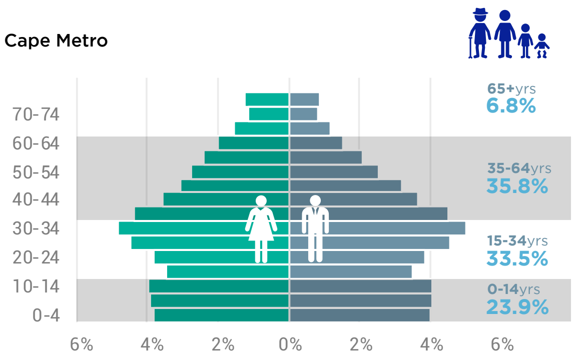
2020	2021f	2022f	2023f	2024f
2.0%	1.6%	1.6%	1.6%	1.6%

AGE PROFILE

0-14yrs	15-64yrs	65+yrs
23.9%	69.3%	6.8%

Age split 2020

GENDER AND AGE DYNAMICS



HOUSEHOLDS

Number of households 2020	Average household income 2019	Indigent households 2020
1 373 498	R20 616	197 224

3.2 POPULATION PROFILE

Figure 3.1 depicts future population growth in the Cape Metro area in comparison with the Western Cape and South Africa between 2021 and 2025.

Forecast trends indicate that the Cape Metro area has a population of 4.7 million in 2021. The population is expected to increase at an average annual rate of 1.6 per cent, reaching 4.8 million people in 2023 and 5.0 million people in 2025. The population of the Cape Metro accounts for 7.8 per cent of the total population of South Africa. The population of the Western Cape is expected to increase by an average of 1.4 per cent from 7.1 million in 2021 to 7.3 million in 2023 and 7.5 million in 2025. The population growth of both the Cape Metro area and the Western Cape is expected to be higher than that of South Africa's 1.3 per cent between 2021 and 2025.

The Cape Metro area is a major economic and employment hub with substantial in-migration, which might be one of the major factors contributing to the high population growth.[65]

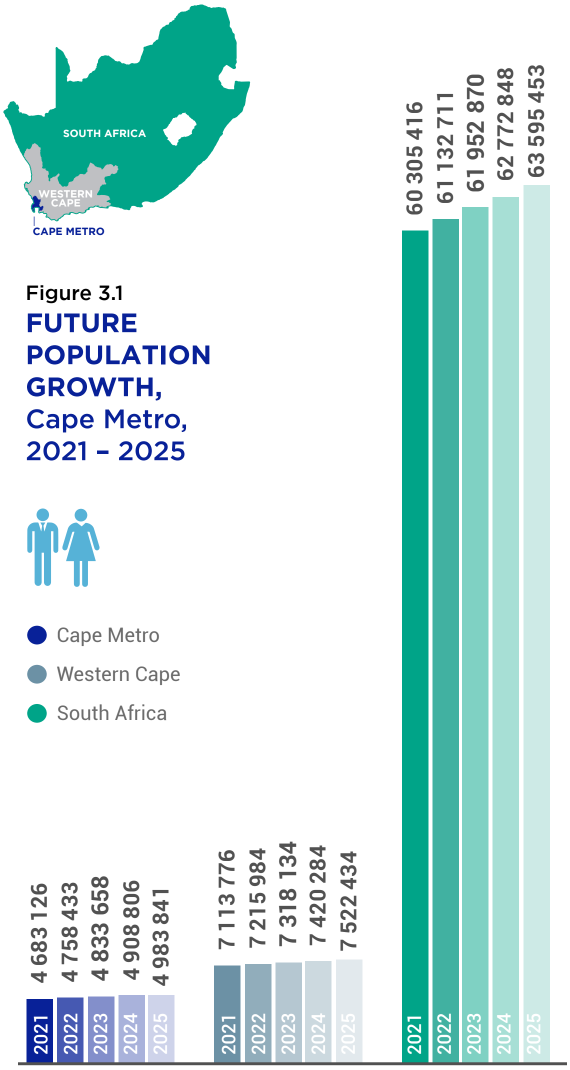


Figure 3.1
FUTURE POPULATION GROWTH, Cape Metro, 2021 – 2025

Source: Western Cape Government PPU, 2021. Provincial, District and local municipality population estimates by sex and age (2002 –2036) based on Stats SA MYPE series 2021 and 2020

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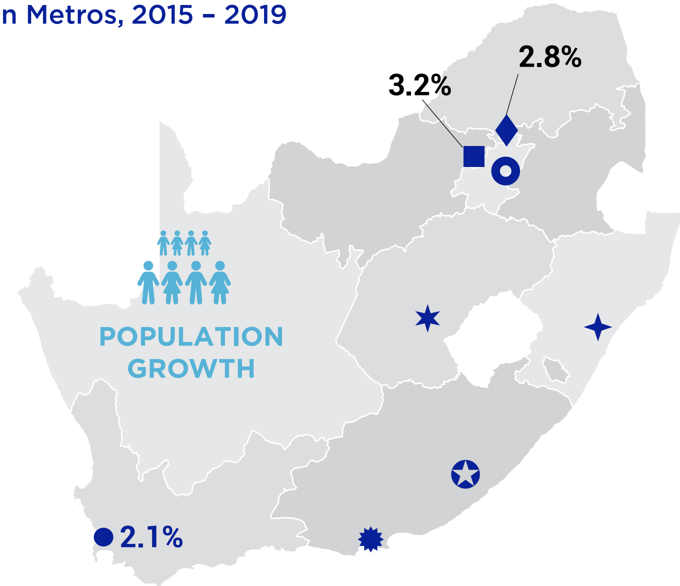
[65] *(World Population Review, 2021).*

Diagram 3.1

POPULATION GROWTH, South African Metros, 2015 – 2019

	Annual population growth rate (2015 – 2019)
Johannesburg Metro	**3.2%**
Tshwane Metro	**2.8%**
Ekurhuleni	2.5%
Cape Metro	**2.1%**
eThekwini	1.4%
Mangaung	1.1%
Nelson Mandela Bay	0.5%
Buffalo City	0.0%



Source: Quantec Research, 2021

All metropolitan areas experienced an increase in the population growth rate between 2015 and 2019, except for Buffalo City in the Eastern Cape, where the population growth rate remained unchanged. The metro with the highest population growth rate between 2015 and 2019 was the Johannesburg Metro, with a population growth rate of 3.2 per cent, followed by Tshwane Metro (2.8 per cent) and Ekurhuleni (2.5 per cent). The Cape Metro experienced a population growth rate of 2.1 per cent, which is the fourth highest of all the metros.

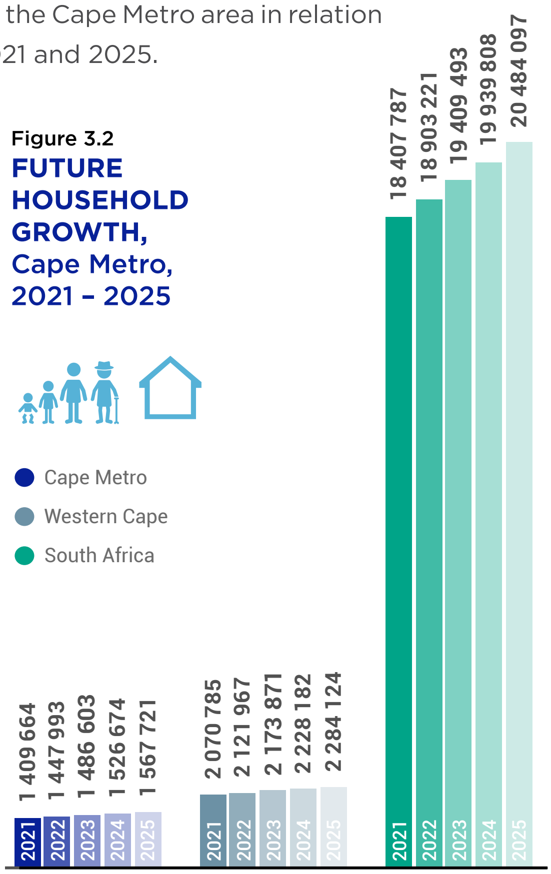
Figure 3.2 illustrates the future household growth in the Cape Metro area in relation to the Western Cape and South Africa between 2021 and 2025.

The Cape Metro area has an estimated 1.4 million households in 2021, which is expected to increase to 1.6 million in 2025, at an average annual growth rate of 2.7 per cent over the period. The average annual household growth rate of the Cape Metro area is higher than that of the Western Cape (2.5 per cent) and South Africa (2.6 per cent). Similar to the population growth, the household growth could also be attributed to the net inflow of people into the metropolitan area. The fact that household growth outpaces population growth indicates that household sizes are declining over time in the Cape Metro area.

Households are the central point of various demographic, social and economic processes owing to decisions regarding education, lifestyles, healthcare and labour force participation.

Figure 3.2

FUTURE HOUSEHOLD GROWTH, Cape Metro, 2021 – 2025



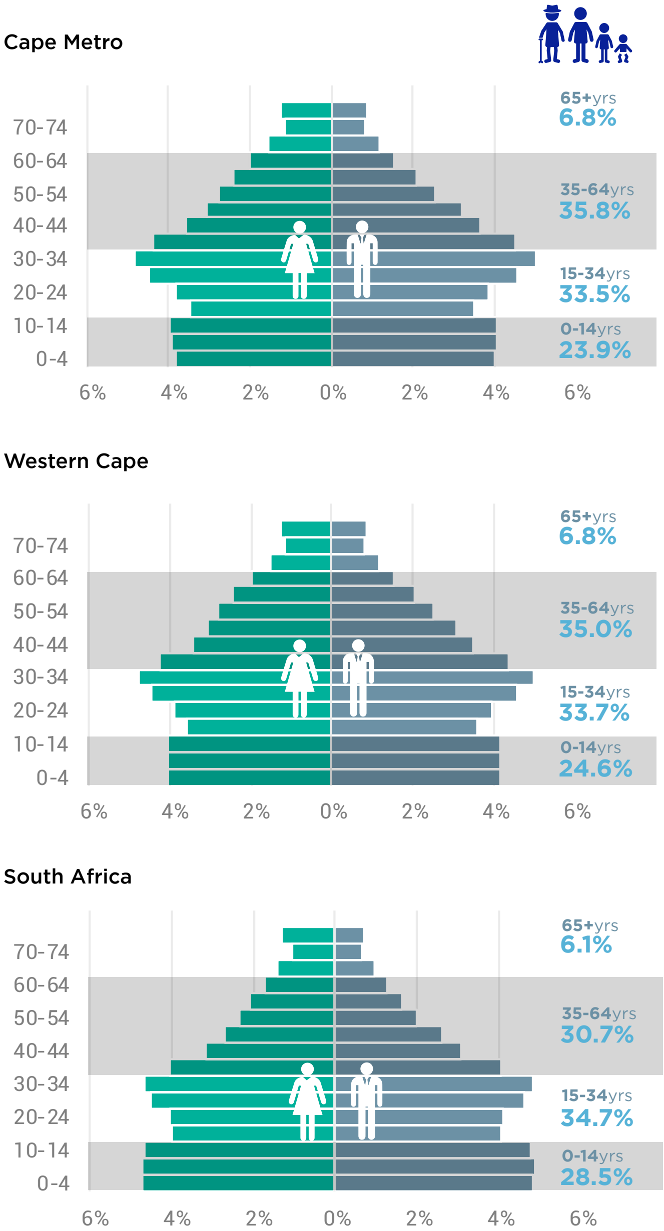
Source: Western Cape Government PPU, 2021. Provincial, District and local municipality population estimates by sex and age (2002 – 2036) based on Stats SA MYPE series 2021 and 2020

An increase in household growth and the establishment of new households provide a diverse consumer market. However, the household growth that outpaces population growth may suggest that the household composition is changing – households are getting smaller, and this could also have other implications, such as an increase in the demand for smaller residential units and other demand in terms of goods and services.[66]

Figure 3.3 uses population pyramids to illustrate gender and age patterns in the Cape Metro area, the Western Cape and South Africa in 2020.

Figure 3.3

GENDER AND AGE DYNAMICS, Cape Metro, 2020



Source: Western Cape Government PPU, 2021. Provincial, District and local municipality population estimates by sex and age (2002 – 2036) based on Stats SA MYPE series 2021 and 2020

People aged between 35 and 64 comprised 35.8 per cent of the Cape Metro's total population in 2020, followed by individuals aged between 15 and 34 (33.5 per cent). Those between the ages of 15 and 64 are potentially economically active and can contribute to the local economy. The Cape Metro area consisted of 23.9 per cent of children younger than 15, who are typically the young dependent population. This was followed by the population older than 64 years comprising 6.8 per cent of the population. Compared with the other regions of the Province, the Cape Metro area has a lower child dependency ratio. However, the Cape Metro area has a higher elderly dependency ratio compared with the WCD and CWD, but a lower elderly dependency ratio compared with the remaining regions. Regions such as the OD and GRD are very popular retirement destinations, which results in migration to these areas, often from the Cape Metro area.

The Western Cape has a similar age structure to the Cape Metro area, with individuals aged between 35 and 64 years comprising 35.0 per cent of the total population in 2020, followed by individuals between 15 and 34 years (33.7 per cent). A total of 24.6 per cent of the population consisted of children between the ages of 0 and 14, whereas 6.8 per cent of the population were 65 and older.

[66] *(Urban Institute, 2020).*

Compared with South Africa, the Western Cape and Cape Metro have a smaller proportion of children and youth, while having a larger proportion of the mature population. Compared with South Africa, there is thus a smaller dependency from children on those of working age, as well as a smaller proportion of inexperienced youth entering the job market.

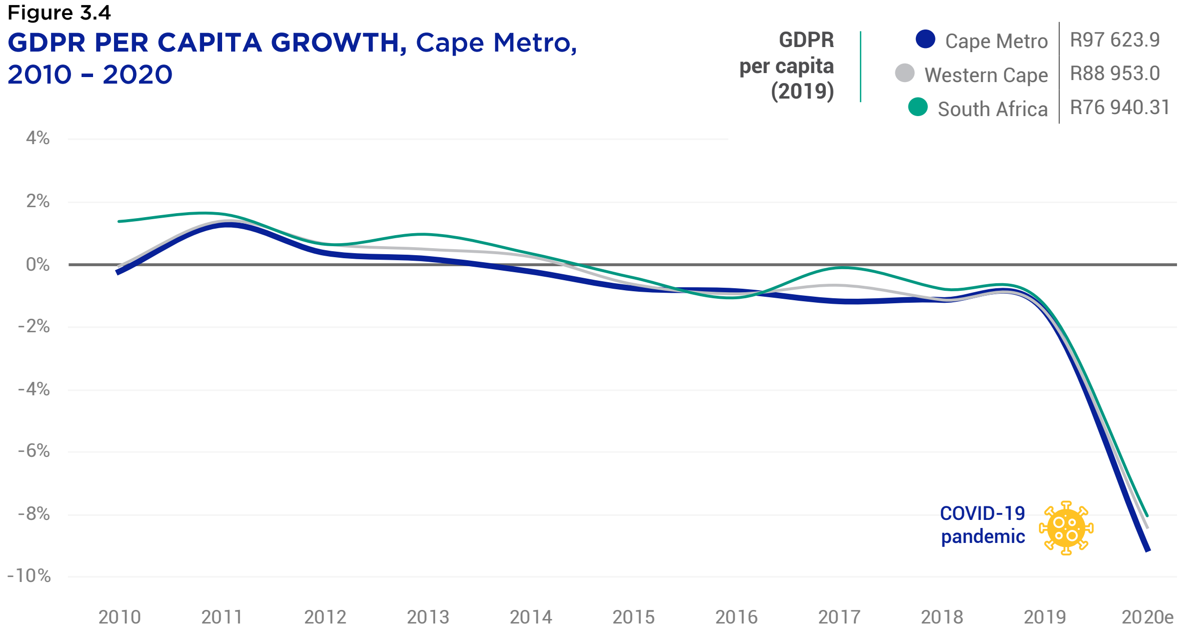
3.3 HUMAN DEVELOPMENT

Economists expect economic growth to result in improvements in human development, and economic decline to have an adverse effect on human development. The United Nations uses the HDI to assess the level of socio-economic development in countries. The performance of the economy plays a major role in determining the quality of life for citizens, which is measured by the standards of education, health, dwellings, access to basic services and crime levels.

3.3.1 Income

Figure 3.4 illustrates the Cape Metro area's GDPR per capita growth between 2010 and 2020 in comparison with the Western Cape and South Africa.

Figure 3.4
GDPR PER CAPITA GROWTH, Cape Metro, 2010 – 2020



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e
Cape Metro	-0.2%	1.3%	0.4%	0.2%	-0.2%	-0.8%	-0.9%	-1.2%	-1.1%	-1.5%	-9.1%
Western Cape	0.0%	1.4%	0.7%	0.5%	0.3%	-0.6%	-0.9%	-0.6%	-1.1%	-1.5%	-8.4%
South Africa	1.4%	1.6%	0.7%	1.0%	0.4%	-0.4%	-1.1%	-0.1%	-0.8%	-1.3%	-8.1%

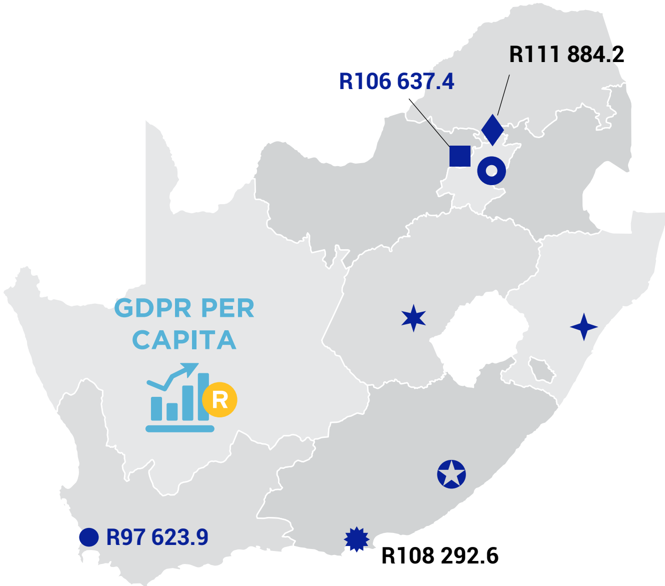
Source: Quantec Research, 2021 (e denotes estimate)

A continuous decline in the GDPR per capita is seen between 2014 and 2020. The GDPR per capita follows a similar trend in the Cape Metro, the Western Cape and South Africa. In 2020, the GDPR in the Cape Metro experienced a 9.1 per cent decline, which is higher than the contraction in the Western Cape (8.4 per cent decline) and South Africa (8.1 per cent decline). The deteriorating national economy, coupled with the growing population, has resulted in a downward trend in GDPR per capita. Restrictions on movement and ability to work and generate an income across various economic sectors as a result of the COVID-19 pandemic are likely to have been the main cause of the GDPR per capita contraction in 2020.

Diagram 3.2

GDPR PER CAPITA, South African Metros, 2019

	GDPR per capita 2019	GDPR per capita growth 2015 – 2019
Tshwane Metro	**R111 884.2**	**-1.4%**
Nelson Mandela Bay	**R108 292.6**	**-0.1%**
Johannesburg Metro	**R106 637.4**	**-1.8%**
eThekwini	R101 047.6	-0.6%
Cape Metro	**R97 623.9**	**-1.1%**
Ekurhuleni	R93 363.8	-1.8%
Mangaung	R90 233.5	-0.2%
Buffalo City	R84 403.2	0.1%
SOUTH AFRICA	**R76 940.3**	**-0.7%**



Source: Quantec Research, 2021

South Africa's average GDPR per capita was R76 940.3 in 2019, which was lower than that of the metropolitan areas. The national GDPR per capita declined at an average annual rate of 0.7 per cent between 2015 and 2019.

For the period between 2015 and 2019, all metropolitan areas experienced a decline in GDPR per capita except for Buffalo City, which had an average annual growth rate of 0.1 per cent. Buffalo City had a stagnant population and an average GDPR growth of 0.1 per cent between 2015 and 2019. The metropolitan areas with the highest GDPR per capita were Tshwane Metro (R111 884.2), Nelson Mandela Bay (R108 292.6), Johannesburg Metro (R106 637.4) and eThekwini (R101 047.6).

Table 3.1 provides an overview of the average monthly household income in the Cape Metro, the Western Cape and South Africa.

Table 3.1

AVERAGE MONTHLY HOUSEHOLD INCOME (CURRENT PRICES), Cape Metro, 2019

MUNICIPALITY	Average household income 2019 (current prices)	Trend 2015 – 2019
Cape Metro	R20 616	-0.6%
Western Cape	R19 430	-0.3%
South Africa	R15 926	0.0%

Source: Urban-Econ calculations based on Quantec Research, 2021

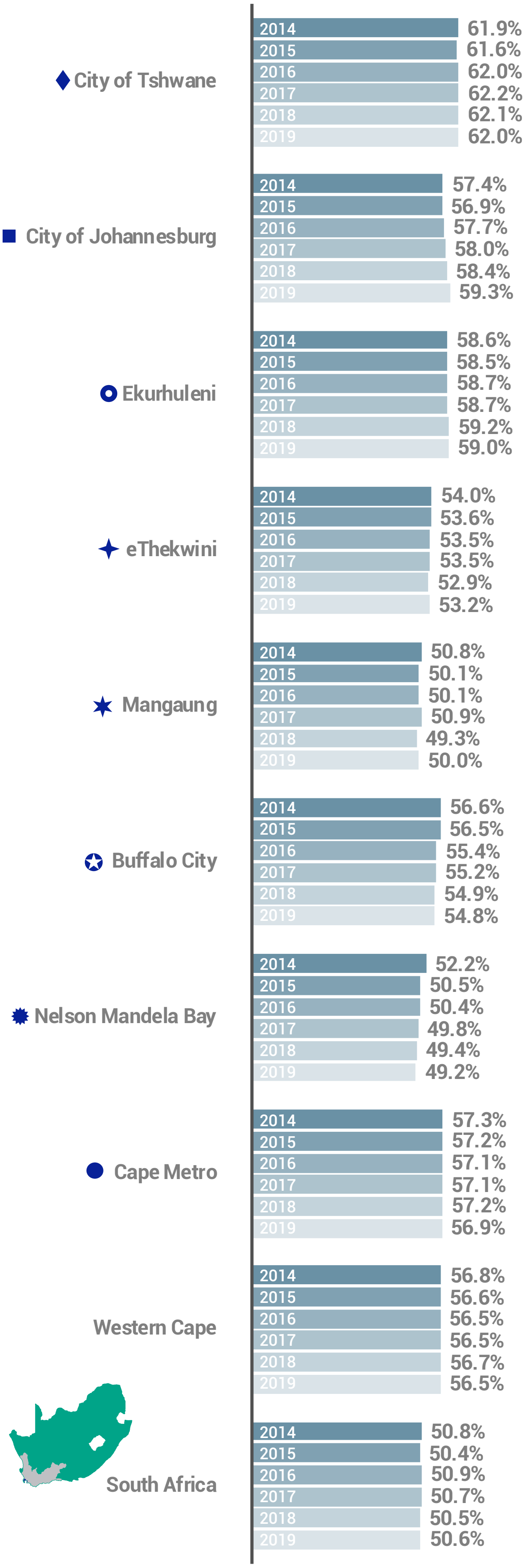
In 2019, the Cape Metro area had a higher average monthly income (R20 616) than the Western Cape (R19 430) and South Africa (R15 926). The Cape Metro is the economic hub of the Province and therefore also attracts skilled and experienced workers, which may be one of the reasons for the higher average monthly household income. However, for the period between 2015 and 2019 the Cape Metro experienced a decline of 0.6 per cent in the average household income, which is higher than that of the Western Cape, which experienced a 0.3 per cent decline.

Stats SA utilises a cost-of-basic-needs approach to produce three poverty lines, namely the food poverty line (FPL), the lower-bound poverty line (LBPL) and the upper-bound poverty line (UBPL).

This allows monitoring of poverty at different levels. The FPL is the rand value below which individuals are not able to afford sufficient food that is required for adequate health. The LBPL and the UBPL use the food poverty line as a base, but they also have a non-food component. Individuals at the LBPL do not have enough resources to purchase both adequate levels of food and non-food items, and must therefore sacrifice food to obtain essential non-food items. Those at the UBPL can afford both adequate food and non-food items.[67] Between 2019 and 2020, the FPL increased from R561 to R585, the LBPL increased from R810 to R840, and the UBPL increased from R1 227 to R1 268 per person per month.[68]

Figure 3.5 illustrates the proportion of the population that is considered to be at the UBPL.

Figure 3.5
PROPORTION OF POPULATION AT UBPL, Cape Metro, 2014 – 2019



Source: Quantec Research, 2021

There is a larger proportion of people in the Cape Metro area at the UBPL compared with South Africa and the Western Cape over the reference period. The proportion of people at the UBPL declined from 57.3 per cent in 2014 to 56.9 per cent in 2020. Given the increase in job losses in 2020, it is anticipated that the proportion of people at the UBPL will increase. This puts extra strain on all spheres of government; households struggle to pay rates and taxes to local authorities, income tax receipts decline and the need for income support increases.

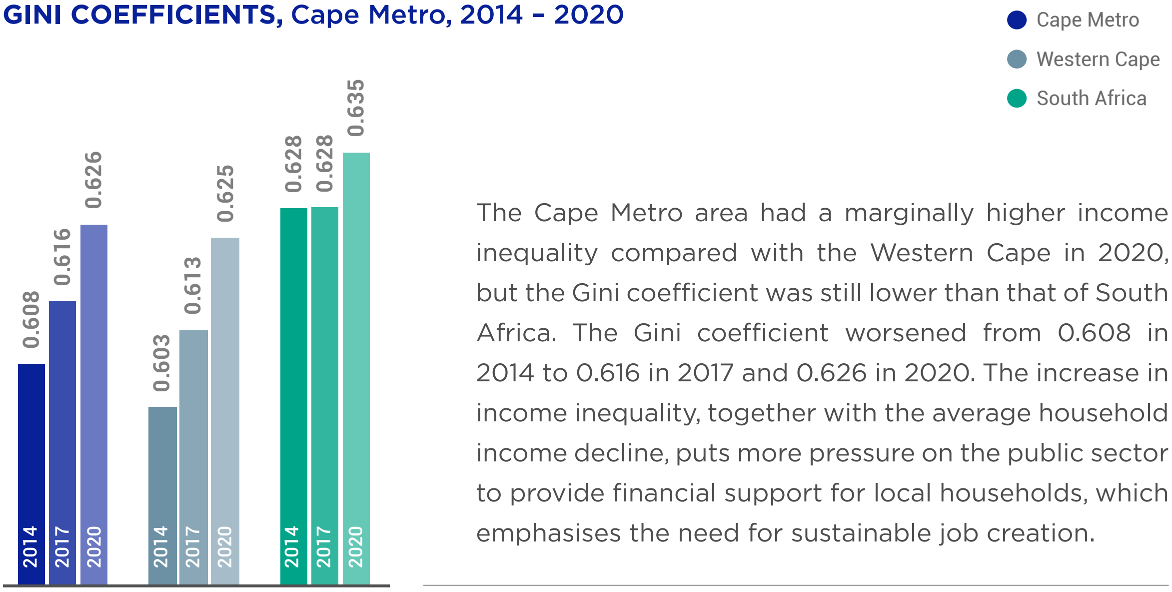
[67] *(Stats SA, 2017).*
[68] *(Stats SA, 2020).*

Compared with other metros, the Cape Metro has a relatively large proportion of people at the UBPL, with only the Johannesburg and Tshwane Metros recording higher proportions. However, while the proportion of people at the UBPL is declining, the Johannesburg and Tshwane Metro areas are recording increased levels of poverty.

Figure 3.6 illustrates the Gini coefficients for the Cape Metro area, the Western Cape and South Africa.

Figure 3.6

GINI COEFFICIENTS, Cape Metro, 2014 – 2020



The Cape Metro area had a marginally higher income inequality compared with the Western Cape in 2020, but the Gini coefficient was still lower than that of South Africa. The Gini coefficient worsened from 0.608 in 2014 to 0.616 in 2017 and 0.626 in 2020. The increase in income inequality, together with the average household income decline, puts more pressure on the public sector to provide financial support for local households, which emphasises the need for sustainable job creation.

Source: IHS Markit, 2021

The Gini coefficient is an indicator of income inequality and ranges between 0 and 1, with 0 representing complete equality and 1 representing complete inequality.

?

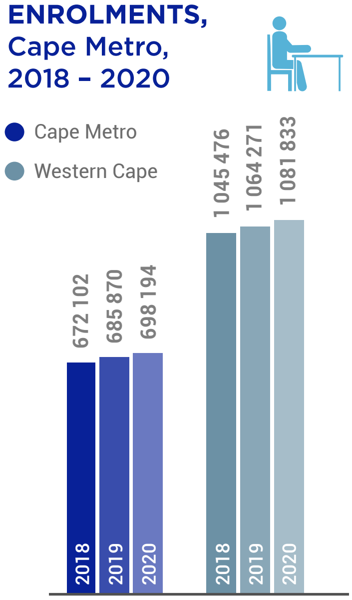
There are numerous measurements of inequality in a society, including income, expenditure, asset, employment, education, health, basic services and social mobility inequality. By utilising a multidimensional view of inequality, the broader context of the challenges South Africans face can be analysed. Ratios and indices that measure inequality include the Gini coefficient, the Theil index, general entropy, the Palma ratio and the Atkinson index.[69] However, on a local municipal level, data that is readily available is the Gini coefficient, which can therefore be utilised to analyse income inequality on a local level.

[69] *(Stats SA, 2019).*

3.3.2 Education

This subsection explores the educational circumstances of households in the Cape Metro area by using data on learner enrolments, the Grade 10 to 12 retention rate, matric pass rates and learner-teacher ratios.

Figure 3.7
LEARNER ENROLMENTS, Cape Metro, 2018 – 2020



Source: Western Cape Education Department, 2021

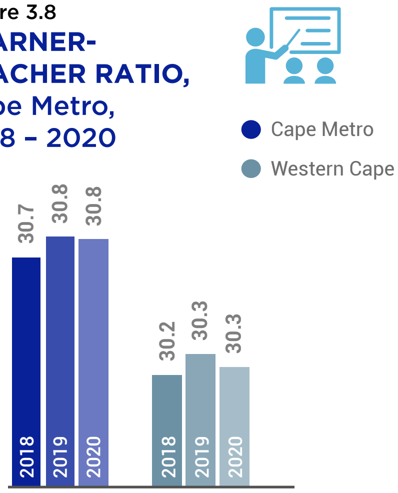
Enrolment numbers is an important indicator for the demand for schools, learner transport and educators within a municipal area.

Figure 3.7 illustrates the number of learners enrolled in schools in the Cape Metro compared with the Western Cape and South Africa between 2018 and 2020.

The number of learners enrolled in the Cape Metro increased by an annual average rate of 1.9 per cent from 672 102 in 2018 to 698 194 in 2020. Similarly, the number of learners in the Western Cape also increased by an average annual rate of 1.7 per cent from 1.0 million in 2018 to almost 1.1 million in 2020. This indicates that the Cape Metro area experienced a higher annual average growth rate than the Province.

The increased number of enrolments in the Province could be attributed to the increased population growth.[70] Increased learner enrolment may result in more crowded classes, which means it is important to ensure that there is sufficient space to accommodate continuously increasing enrolments and also to ensure that enough teachers are attending to learners. However, more enrolments mean that more students are educated, and they in turn acquire knowledge and skills, and can unlock socio-economic prosperity.[71]

Figure 3.8
LEARNER-TEACHER RATIO, Cape Metro, 2018 – 2020



Source: Western Cape Education Department, 2021

Figure 3.8 compares the learner-teacher ratio in the Cape Metro with the Western Cape and national learner-teacher ratios between 2018 and 2020.

The increase in the number of learner enrolments in the Cape Metro could have been one of the factors contributing to the increase in the learner-teacher ratio from 30.7 learners per teacher in 2018 to 30.8 learners in 2020. The learner-teacher ratio in the Western Cape deteriorated, as the ratio increased from 30.2 learners per teacher in 2018 to 30.3 learners in 2020. These increases occurred despite measures taken by the WCED to support schools and assist with reducing class sizes by increasing the number of teachers in schools.[72]

Learner-teacher ratios are indicative of the capacity of schools to accommodate more learners. Learner-teacher ratio upper limits of 40:1 in ordinary primary schools and 35:1 in ordinary high schools are set by the national Department of Education.[73] Lower learner-teacher ratios are associated with more interaction between teachers and learners, which could contribute to improved educational outcomes.[74]

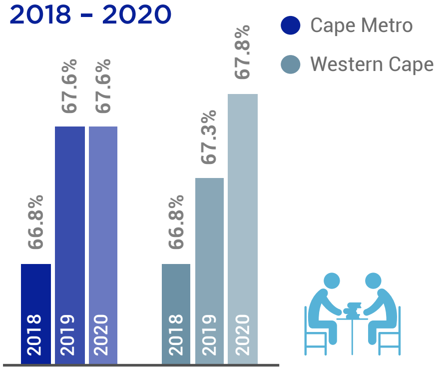
[70] *(Sephton, S, 2017).*
[71] *(Southern and Eastern Africa Consortium for Monitoring Educational Quality, 2011).*
[72] *(Department of Education, 2020).*
[73] *(Parliamentary Monitoring Group, 2020).*
[74] *(The Hun School of Princeton, 2019).*

The learner-teacher ratio is a strong indicator of the students' level of engagement in a class, the quality of education and student achievement. A lower learner-teacher ratio therefore indicates that there are fewer learners per teacher and learners generally have the advantage that teachers are able to provide more personalised/tailored teaching methods and support, which improves the quality of education received and the ability of students to achieve. Research has also shown that lower learner-teacher ratios are associated with better test results, fewer drop-out learners and higher graduation rates.[75]

Figure 3.9 depicts the municipal area, Provincial and national Grade 10 to 12 retention rate between 2018 and 2020.

Figure 3.9

GRADE 10 TO 12 RETENTION RATE, Cape Metro, 2018 – 2020

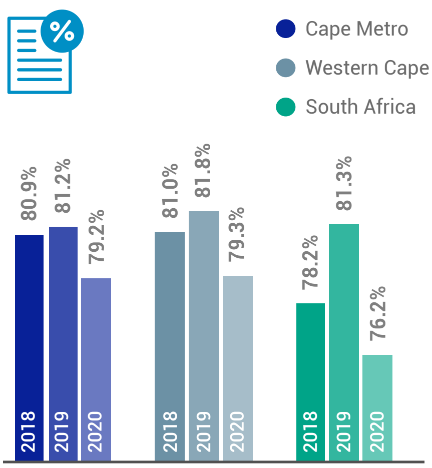


Source: Western Cape Education Department, 2021

The Grade 10 to 12 retention rate is determined by obtaining the proportion of Grade 12 learners in a particular year compared with the number of Grade 10 learners two years prior. This shows the proportion of students who progressed to Grade 12, compared with those enrolled in Grade 10 two years before.

Figure 3.10

MATRIC PASS RATE, Cape Metro, 2018 – 2020



Source: Western Cape Education Department and Department of Basic Education, 2021

Despite the challenges in the education sector in 2020, the learner retention rate for the Cape Metro improved from 66.8 per cent in 2018 to 67.6 per cent in 2020. No changes were recorded in the retention rate from 2019 to 2020. In the Western Cape, the retention rate improved from 66.8 per cent in 2018 to 67.3 per cent in 2019 and 67.8 per cent in 2020. In 2018 and 2019, the retention rate in the Cape Metro was higher than that of the Western Cape. However, in 2020 the Western Cape's retention rate overtook the Cape Metro area. In 2020, the Western Cape was the Province with the highest retention rate.[76]

Access to education is an important indicator for labour market skills and access to economic opportunity. Local challenges such as gangsterism, poverty and teenage pregnancy that result in learners leaving school before Grade 12 need to be assessed, especially considering that most sectors require semi-skilled and skilled labour.

Figure 3.10 shows the matric pass rate in the Cape Metro area compared with the Western Cape and South Africa.

A similar trend is seen in the Cape Metro, the Western Cape and South Africa. The matric pass rate increased from 2018 to 2019 and then decreased in 2020. The disruptions to the school calendar in 2020 as a result of COVID-19 created a challenging environment for learners as well as educators, particularly in areas with high levels of poverty where there is less access to the internet and technology, which will allow for online learning. The closing of public libraries also contributed to the decline in learning outcomes. In the Cape Metro area, the matric pass rate decreased from 81.2 per cent in 2019 to 79.2 per cent in 2020. In the Western Cape, the matric pass rate decreased from 81.8 per cent in 2019 to 79.3 per cent in 2020. Even though the Cape Metro and the Western Cape experienced a decrease in the matric pass rate in 2020, both managed to have a higher matric pass rate than South Africa's 76.2 per cent.

[75] *(The Hun School of Princeton, 2019).*
[76] *(Department of Education, 2020).*

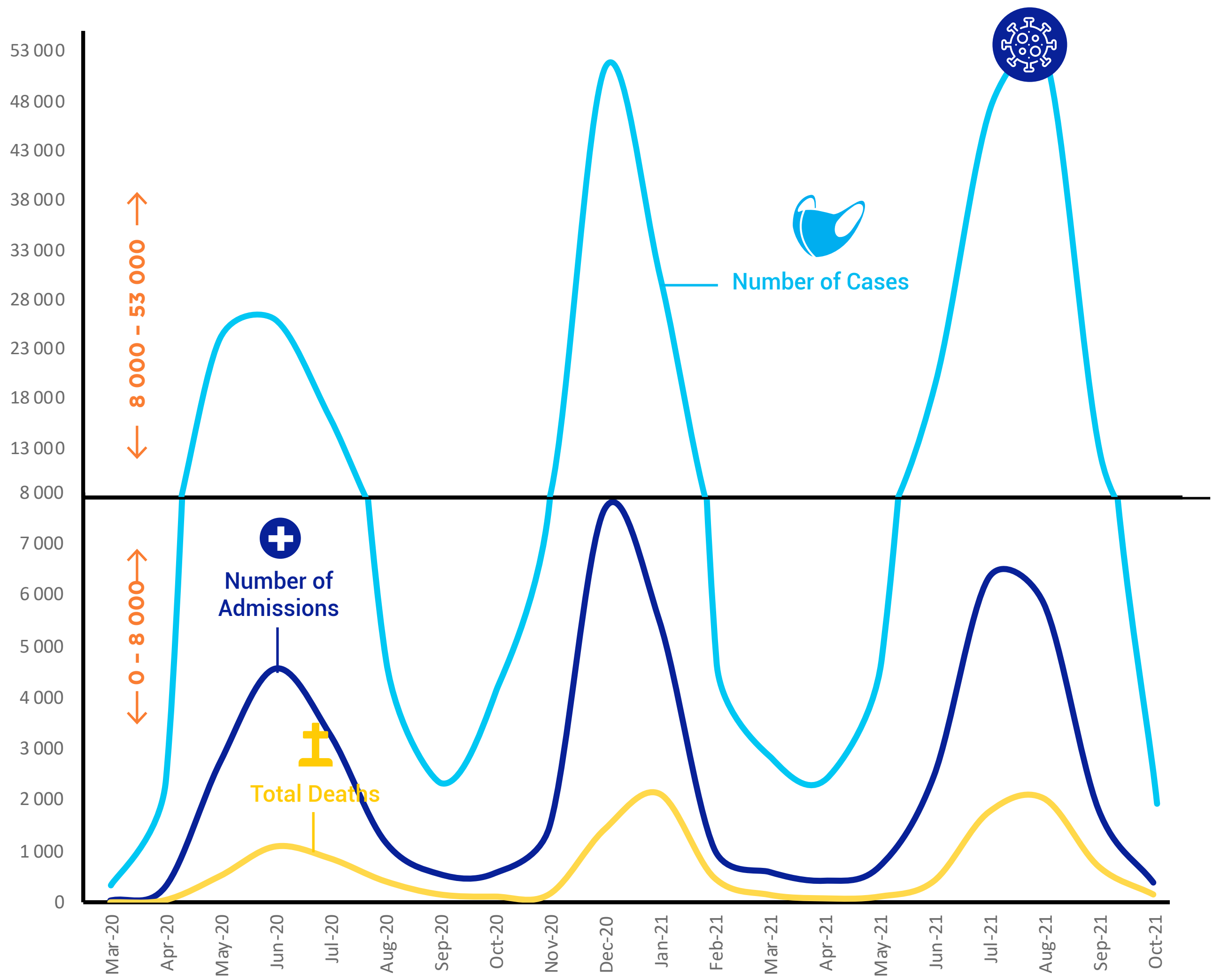
3.3.3 Health

The health conditions of persons living in the Cape Metro area are analysed in this subsection by reviewing COVID-19, mortality, the prevalence of TB, HIV/AIDS, infant mortality rates, maternal death rates and teenage pregnancies.

3.3.3.1 COVID-19

Figure 3.11 indicates the number of COVID-19 cases, admissions and deaths, as well as the distribution of deaths per age group in the Cape Metro area since the start of the COVID-19 pandemic in March 2020.[77]

Figure 3.11
COVID-19 CASES, ADMISSIONS AND DEATHS, Cape Metro, 2020 – 2021



	Mar 20	Apr 20	May 20	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	Jul 21	Aug 21	Sep 21	Oct 21
Cases	309	2 376	24 002	25 982	16 095	4 690	2 304	4 119	8 287	51 326	30 167	4 662	2 795	2 395	4 739	19 661	47 344	52163	12100	1903
Admissions	33	298	2 722	4 544	3 272	1 188	548	565	1 467	7 638	5 485	1 044	592	419	684	2 449	6 311	5 823	1807	384
Total deaths	1	45	510	1 079	852	412	155	113	161	1 407	2 100	479	149	79	112	411	1 742	2011	698	154

Source: Western Cape Department of Health, 2021

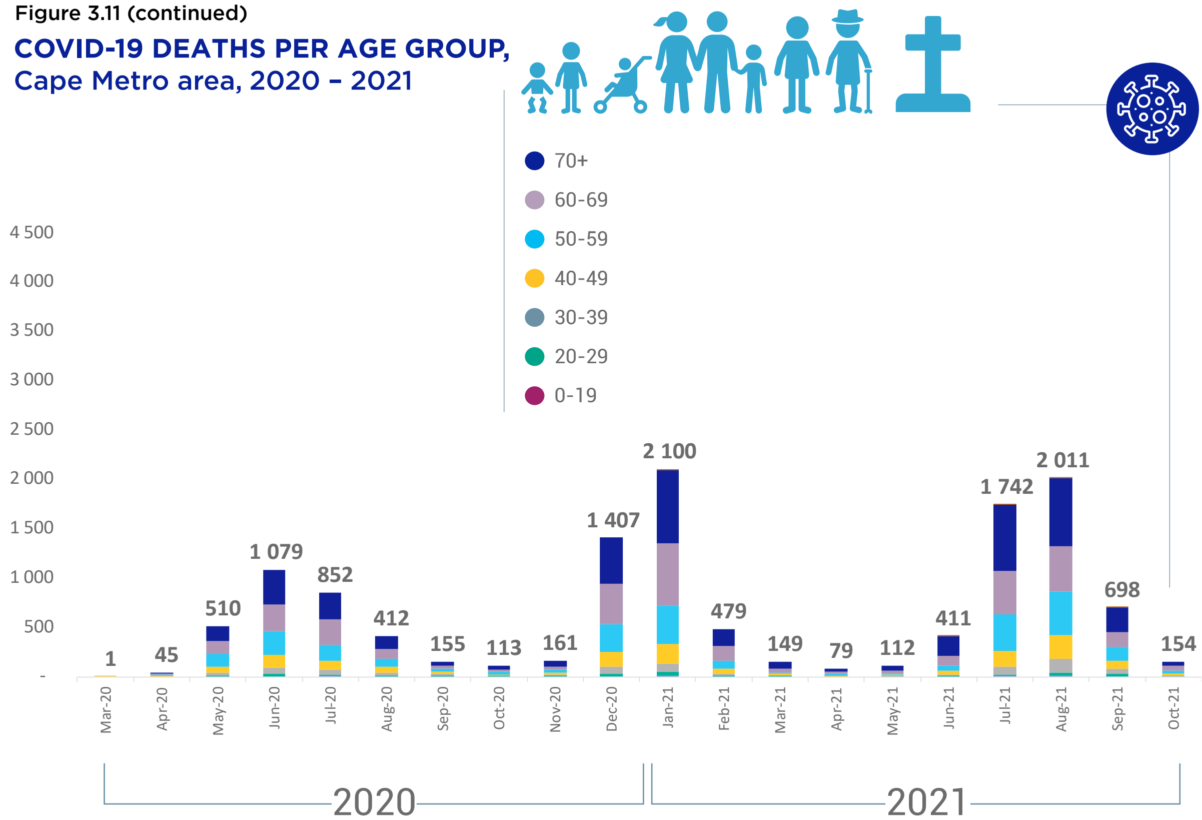
[77] *Data for COVID-19 cases, admissions and deaths was extracted in November 2021.*

The COVID-19 cases, admissions and related deaths follow a similar trend from March 2020 to October 2021. The Cape Metro area recorded 309 cases in March 2020, after which it experienced a rapid increase to 2 376 cases in April 2020, 24 002 in May 2020 and 25 982 in June 2020. This was the peak of the first wave, after which the number of cases started to decline and remained fairly low for the period between August and November. In December 2020, the number of COVID-19 cases experienced another rapid increase, reaching 52 326 COVID-19 cases (the peak of the second wave). The number of cases declined during January 2021 and April 2021. The Cape Metro experienced another surge of COVID-19 cases, increasing from 4 739 cases in May 2021 to 51 163 in August 2021, the peak of the third wave.

During the first wave, the number of admissions peaked at 4 544 in June 2020, after which the number of admissions declined. The peak of the second wave occurred in December 2020, with 7 638 hospital admissions, which was the highest number of admissions recorded over the reference period. With the onset of the third wave, the number of admissions reached 6 311 in July 2021. During the first wave, the number of deaths peaked at 1 079 in June 2020. During the second wave, deaths increased substantially to 2 100 in January 2020. Deaths peaked at 2 011 in August 2021, during the third wave. Older people were more likely to succumb to COVID-19. Over the reference period, 61.3 per cent of deaths were people older than 60.

Figure 3.11 (continued)

COVID-19 DEATHS PER AGE GROUP, Cape Metro area, 2020 – 2021



Source: Western Cape Department of Health, 2021

In the Cape Metro area, 51.4 per cent of persons older than 60, as well as 34.8 per cent of persons between the ages of 50 and 59, and 14.4 per cent of persons between the ages of 35 and 49, had received at least one vaccine dose by mid-August 2021. Areas with low levels of vaccination include Khayelitsha and Mitchell's Plain, where only 8.2 per cent and 7.6 per cent of persons between the ages of 35 and 49 respectively had been vaccinated by mid-August 2021.

3.3.3.2 Mortality

Table 3.2 provides an overview of the top 10 natural causes of death in the Cape Metro area in 2018.

Table 3.2
TOP 10 NATURAL CAUSES OF DEATH, Cape Metro, 2018

	Cape Metro		Western Cape	
Rank	**Cause of death**	**%**	**Cause of death**	**%**
1	Diabetes mellitus	7.7%	Diabetes mellitus	7.6%
2	Ischaemic heart disease	6.3%	Ischaemic heart disease	6.1%
3	HIV	5.5%	Cerebrovascular disease	5.9%
4	Cerebrovascular disease	5.2%	HIV	5.7%
5	Malignant neoplasms of digestive organs	4.5%	Chronic lower respiratory diseases	5.1%
6	Malignant neoplasms of respiratory and intrathoracic organs	4.3%	TB	4.9%
7	TB	4.2%	Malignant neoplasms of digestive organs	4.5%
8	Chronic lower respiratory diseases	4.1%	Malignant neoplasms of respiratory and intrathoracic organs	4.5%
9	Hypertensive diseases	3.8%	Hypertensive diseases	3.8%
10	Other forms of heart disease	3.3%	Other forms of heart disease	3.3%
Other natural		36.3%		35.6%
Non-natural		14.8%		13.0%

Source: Stats SA, 2021

Diabetes mellitus accounted for 7.7 per cent of deaths in the Cape Metro area and 7.6 per cent of deaths in the Western Cape in 2018. Ischaemic heart disease accounted for 6.3 per cent of deaths in the Cape Metro area and 6.1 per cent of deaths in the Western Cape. Further, other major causes of death in the Cape Metro area included cerebrovascular disease (5.2 per cent), malignant neoplasms of digestive organs (4.5 per cent) and malignant neoplasms of respiratory and intrathoracic organs (4.3 per cent).

Non-natural causes of death accounted for 14.8 per cent in the Cape Metro area in 2018. Compared with the Province, the Cape Metro recorded a higher percentage of non-natural deaths, which can partly be attributed to a higher murder rate in the Cape Metro area compared with the Province. Furthermore, this proportion increased from 14.0 per cent in 2017.

WELLBEING

Diabetes mellitus is considered a lifestyle disease that places severe strain on the public healthcare system. Obesity, caused by poor diet and lack of physical activity, is one of the leading causes of type 2 diabetes. One of the focus areas of the Western Cape Recovery Plan is increasing the wellbeing of citizens by promoting nutrition, exercise and psycho-social support, and it can therefore play a critical role in reducing the burden of lifestyle diseases, as well as mortalities, on the healthcare system.

3.3.3.3 HIV/AIDS and TB

Table 3.3 provides an overview of the trends in HIV testing, treatment and outcomes in the Cape Metro area between 2017/18 and 2020/21.

Table 3.3
TRENDS IN HIV TESTING, TREATMENT AND OUTCOMES, Cape Metro, 2017/18 – 2020/21

HIV

	2017/18	2018/19	2019/20	2020/21
Known HIV+ (Tested; n)	**290 427**	**294 496**	**291 354**	**293 927**
Of which: Clients started but no longer on ART	40.4%	48.1%	22.4%	20.0%
Of which: Clients on ART	**60.5%**	**63.7%**	**68.9%**	**69.6%**
Of which: Clients with confirmed viral suppression	82.9%	80.5%	74.7%	75.2%

Source: Western Cape Department of Health, 2021

The number of known HIV-positive tests increased from 290 427 in 2017/18 to 293 927 in 2020/21. Despite the challenges in the healthcare industry as a result of the COVID-19 pandemic, care for HIV clients was not affected. Clients who started with antiretroviral treatment (ART) but are no longer on it decreased from 40.4 per cent in 2017/18 to 19.95 per cent in 2020/21. Clients on ART increased from 60.5 per cent in 2017/18 to 69.6 per cent in 2020/21. In absolute numbers, the number of clients on ART declined, which indicates that the number of HIV clients decreased, despite the increased number of people testing positive.

Clients with confirmed viral suppression[78] decreased from 82.9 per cent in 2017/18 to 74.7 per cent in 2019/20, before increasing to 75.2 per cent in 2020/21. The economic impacts of HIV/AIDS include reduced labour supply, reduced labour productivity, reduced exports and increased imports.[79] Although not all of these aspects show a positive outcome, there are some improvements that will not only have a positive impact on the quality of life for persons with HIV but will also have a positive impact on the economy.

Table 3.4 provides an overview of TB notification and outcomes in the Cape Metro between 2018/19 and 2020/21.

Table 3.4
TRENDS IN TB NOTIFICATION AND OUTCOMES, Cape Metro area, 2018/19 – 2020/21

TB

	2018/19	2019/20	2020/21
TB programme success rate (%)	80.2	76.3	77.9
TB clients lost to follow-up (%)	10.7	19.5	17.9
TB client death rate (%)	3.9	3.5	3.5
TB/HIV co-infected (%)	44.6	55.6	54.9
TB MDR treatment success rate (%)	51.8	51.5	53.0

Source: Western Cape Department of Health, 2021

Despite the disruptions to the healthcare system in 2020 from COVID-19, the TB programme success rate improved from 76.3 per cent in 2019/20 to 77.9 per cent in 2020/21. The clients lost to follow-up and TB/HIV co-infections also decreased between 2019/20 and 2020/21. The multidrug-resistant (MDR) treatment success rate increased from 51.5 per cent in 2019/20 to 53.0 per cent in 2020/21. However, despite these positive outcomes, the TB client death rate remained constant at 3.5 per cent in 2020/21. The TB client treatment success rate, TB clients lost to follow-up rate and the TB/HIV co-infection rate in the Cape Metro area remains above the Provincial average for these indicators.

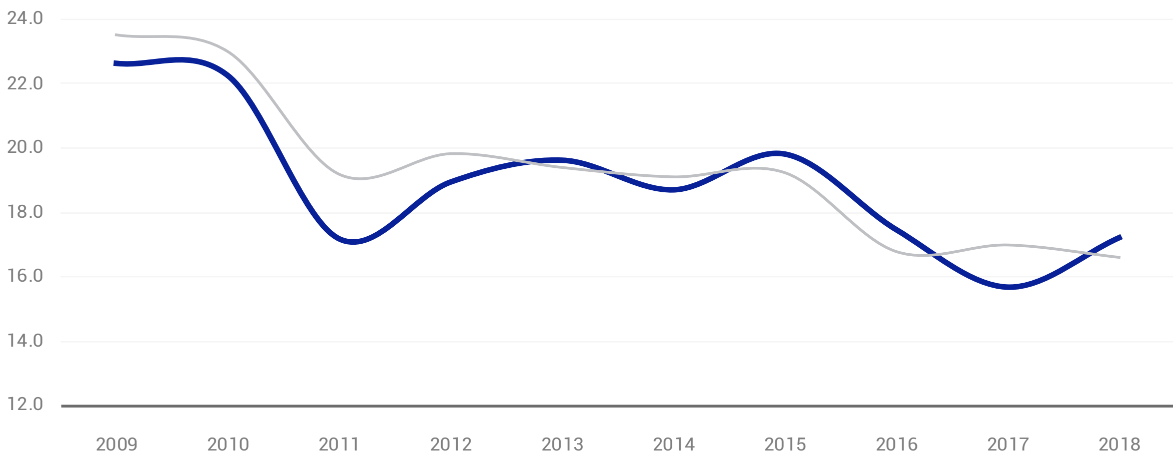
[78] *Viral suppression is when HIV medicine is used to reduce the viral load in the body in such a way that the immune system is able to function.*
[79] *(British Medical Journal, 2002).*

3.3.3.4 Infant, child and maternal health

Figure 3.12 depicts the infant mortality rates per 1 000 live births in the Cape Metro area and the Western Cape between 2009 and 2018.

Figure 3.12

INFANT MORTALITY RATES PER 1 000 LIVE BIRTHS, Cape Metro and Western Cape, 2009 – 2018



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Cape Metro	22.6	22.3	17.2	18.9	19.6	18.7	19.8	17.5	15.7	17.2
Western Cape	23.5	23.0	19.2	19.8	19.4	19.1	19.2	16.8	17.0	16.6

Source: Western Cape Department of Health, 2021

For the period between 2009 and 2018, the infant mortality rate followed a similar declining trend in the Cape Metro and the Western Cape. In the Cape Metro, 22.6 deaths per 1 000 live births were recorded in 2009, which decreased to 17.2 deaths per 1 000 live births in 2011. Between 2011 and 2015 the infant mortality rate fluctuated marginally, before declining to its lowest level of 15.7 deaths per 1 000 live births in 2017. An increase to 17.2 deaths per 1 000 live births was recorded in 2018. The Western Cape experienced a decrease from 23.5 deaths per 1 000 births in 2009 to 16.6 deaths in 2018.

Table 3.5 provides an overview of the maternal death rates per 100 000 live births in the Cape Metro between 2018 and 2020.

Table 3.5
MATERNAL DEATH RATES PER 100 000 LIVE BIRTHS, 2018 – 2020

	2018	2019	2020
Cape Metro	**70.8**	**57.9**	**83.8**
West Coast District	77.2	0	43.0
Cape Winelands District	95.5	42.7	118.3
Overberg District	53.6	0	22.1
Garden Route District	57.6	33.4	121.5
Central Karoo District	201.6	0	195.3

Source: Western Cape Department of Health, 2021

The maternal death rate is defined as 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).

The Cape Metro area experienced an increase from 70.8 deaths per 100 000 births in 2018 to 83.8 deaths in 2020. In 2020, the Cape Metro area recorded the fourth-highest maternal death rate per 100 000 live births in the Province. The District with the highest maternal death rate was the CKD (195.3), followed by the GRD (121.5) and CWD (118.3).

3.3.3.5 Teenage pregnancy

Teenage pregnancies can perpetuate the poverty cycle while also resulting in early school drop-out by pregnant teenagers. Teenage pregnancy is influenced by several factors, including lack of knowledge or access to contraceptives, access to healthcare services and other socio-cultural factors. Table 3.6 outlines the delivery rate of women between the ages of 10 and 19 in the Cape Metro and Western Cape between 2018 and 2020.

Table 3.6
DELIVERY RATE TO WOMEN 10 – 19 YEARS, 2018 – 2020

	2018	2019	2020
Cape Metro	**9.6**	**9.5**	**9.4**
West Coast District	16.2	16.3	14.7
Cape Winelands District	14.2	15.1	13.6
Overberg District	14.7	13.1	14.0
Garden Route District	15.9	15.6	14.7
Central Karoo District	17.7	15.4	17.7

Source: Western Cape Department of Health, 2021

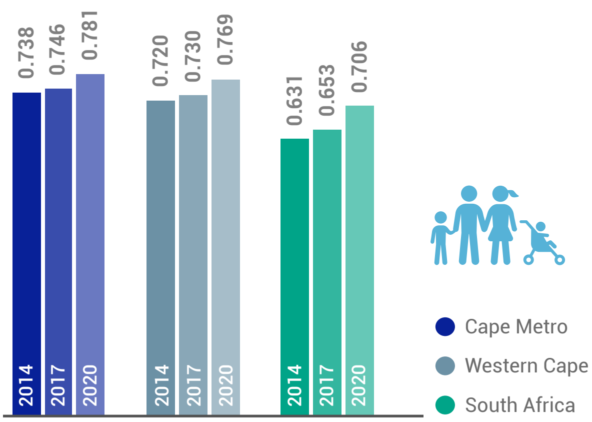
The Cape Metro area recorded a marginal decrease in teenage pregnancies from a 9.6 per cent delivery rate in 2018 to a 9.4 per cent delivery rate in 2020. The Cape Metro area also experienced the lowest number of teenage pregnancies between 2018 and 2020 compared with other Districts in the Western Cape. The District with the highest teenage pregnancies was the CKD, with a delivery rate of 17.7 per cent in 2020. The high delivery rate to women between the ages of 10 and 19 in the regions of the Western Cape adds additional pressure to households, as many live in poverty and earn low levels of income.

3.3.4 Human Development Index

Figure 3.13 depicts the HDI in the Cape Metro area, the Western Cape and South Africa between 2014 and 2020.

Figure 3.13

HDI, Cape Metro, 2014 – 2020



Source: IHS Markit, 2021

South Africa, the Western Cape and the Cape Metro experienced an increase in human development between 2014 and 2020. The HDI in the Cape Metro increased from 0.738 in 2014 to 0.781 in 2020, while the Western Cape experienced an increase from 0.720 in 2014 to 0.769 in 2020. Increased human development means that there is increased prosperity and improved living standards of residents. Social and economic aspects benefit from an increased HDI.

The HDI is a measure of people's ability to live a long and healthy life, to communicate, to participate in the community and to have sufficient means to afford a decent standard of living. The HDI is represented by a number between 0 and 1, where 1 indicates a high level of human development and 0 represents no human development. Capturing and evaluating HDI can be useful in developing policies and can also be used as a means to assess the development of the population, as this plays a critical role in the development of the economy.[80]

GLOBAL HDI COMPARISON

According to the United Nations Development Programme (UNDP),[81] South Africa was ranked 114th in the world, with an HDI of 0.709 in 2019, which was lower than the average world HDI of 0.737. However, the HDI in South Africa is still considered to be high and is above the average HDI of developing countries (0.689). Globally, Norway had the highest HDI in 2019 (0.957), while Niger was ranked lowest at 0.394. In 2019, the HDI in the Western Cape (0.757) was considered high according to the UNDP classification and above the world average. The HDI in the Cape Metro area in 2019 (0.771) was also considered high according to the HDI classification. Countries with a comparable HDI include Colombia (0.767) and North Macedonia (0.774).

[80] *(World Health Organization, 2021).*
[81] *(UNDP, 2021).*

3.4 HOUSING AND ACCESS TO BASIC SERVICES

Access to formal housing is regarded as a basic human right and an important indicator of the level of human development within an economy. Table 3.7 depicts the different types of dwellings for households living in the Cape Metro area in 2020.

Table 3.7
NUMBER AND PROPORTION OF DWELLINGS, Cape Metro, 2020

	Cape Metro		Western Cape		South Africa	
	Number	% of total	Number	% of total	Number	% of total
Formal	**1 006 214**	**77.2%**	1 537 538	79.0%	12 851 969	77.4%
Informal	**282 785**	**21.7%**	380 416	19.5%	2 393 866	14.4%
Other	**14 989**	**1.1%**	27 937	1.4%	1 367 512	8.2%

Source: Quantec Research, 2021

Formal dwelling refers to a structure built according to approved plans, i.e. house on a separate stand, flat or apartment, townhouse, room in back yard, rooms or flatlet elsewhere.

Informal dwelling is a makeshift structure not erected according to approved architectural plans, for example, shacks or shanties in informal settlements or back yards.

Similar to the trend at the national and Provincial levels, most of the households in the Cape Metro live in formal dwellings. A total of 77.2 per cent of residents in the Cape Metro area lived in formal dwellings and 21.7 per cent lived in informal dwellings in 2020. In the Western Cape, a larger share of the population lived in formal dwellings (79.0 per cent) and 19.5 per cent of residents lived in informal dwellings in 2020. The Western Cape and the Cape Metro have a significantly smaller proportion of residents staying in dwellings classified as "other" compared with the rest of South Africa. This category includes traditional dwellings, which are more prevalent in other provinces of the country.

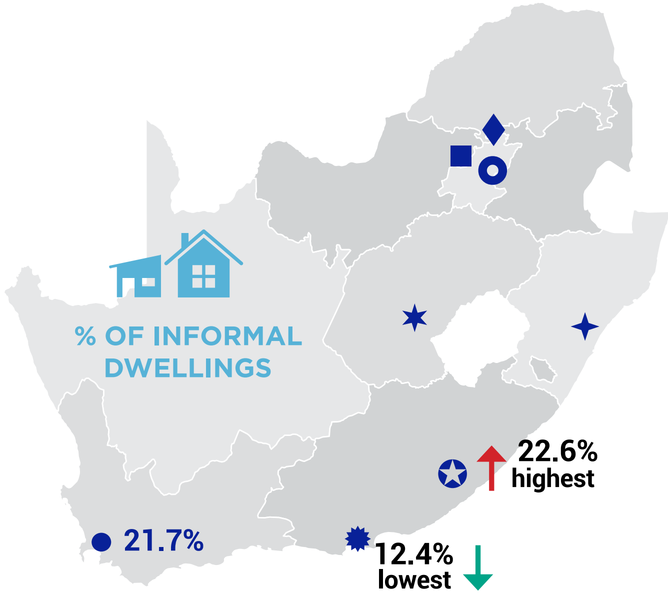
In 2020, there was an increase in informal settlements in the Cape Metro area, with an increase in illegal land occupations. This curtails the spatial transformation agenda of the City of Cape Town, as well as service provision and infrastructure development. Illegal occupation also threatens the development gains of established communities and can impede future development of industrial, residential, commercial and social spaces.[82]

[82] *(City of Cape Town, 2021).*

Diagram 3.3

PROPORTION OF INFORMAL DWELLINGS,
South African Metros, 2020 (%)

	% informal dwellings
Nelson Mandela Bay	**12.4%**
SOUTH AFRICA	**14.4%**
Mangaung	14.4%
eThekwini	15.9%
Johannesburg Metro	17.4%
Tshwane Metro	18.7%
Cape Metro	**21.7%**
Ekurhuleni	22.1%
Buffalo City	**22.6%**



Source: Quantec Research, 2021

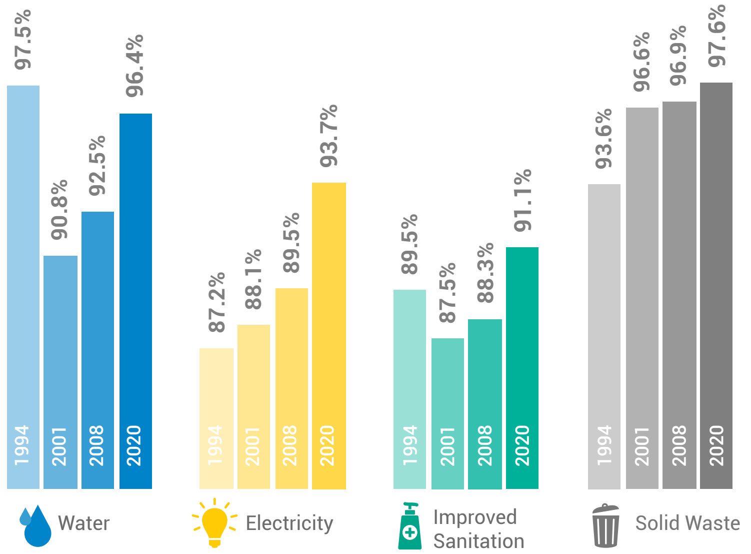
A larger share of the Cape Metro's population lives in informal settlements (21.7 per cent in 2020) compared with South Africa (14.4 per cent in 2020). The City of Cape Town has the third-largest share of its population residing in informal settlements. A total of 22.6 per cent of Buffalo City's population lived in informal dwellings and 22.1 per cent of Ekurhuleni's population resided in informal dwellings in 2019. One of the major causes of informal dwellings can be related to the lack of affordable housing in a given area.

Access to basic services, particularly water and sanitation, can influence the health, safety and wellbeing of communities. Furthermore, by providing basic services to communities, municipalities are creating an enabling environment that will allow for private investment and entrepreneurship that can create local economic opportunities.

Figure 3.14 illustrates the household access to basic services in the Cape Metro.

Figure 3.14

ACCESS TO BASIC SERVICES, Cape Metro, 1994 – 2020



Source: Non-financial Census of Municipalities, Stats SA, Quantec Research, 2021

Access to a basic level of piped or tap water refers to having access to water inside a dwelling or yard or within 200m of the home.

Access to improved sanitation includes having access to a flush or chemical toilet or a pit toilet with ventilation.

Access to a basic level of solid waste removal services includes having refuse removed at least once a week by local government, or having access to a communal refuse container or collection point.[83]

Since 1994, access to electricity, sanitation and waste removal services has improved in the Cape Metro by 6.5 percentage points, 1.7 percentage points and 4.0 percentage points respectively. Access to electricity and waste removal services has consistently increased but access to sanitation services declined between 1994 and 2001 before steadily increasing. Access to tapped water has not kept up with the household growth in the metro. Despite increasing steadily since 2011, access remains 1.1 percentage points lower compared with 1994.

Compared with other metros, the Cape Metro area surpasses the other metros in terms of access to electricity. Only the Johannesburg Metro has higher levels of access to water, improved sanitation and waste removal services.

[83] *(Stats SA, 2017).*

INDIGENT HOUSEHOLDS

A household is classified as indigent when the occupants of the household earn a combined income of less than a certain amount (poverty threshold) defined by the indigent policy of a municipality, which is reviewed on an annual basis. In the City of Cape Town, a household earning less than R7 500 per month is eligible to qualify for indigent support and discount on water, sewerage, electricity, waste collection and property rates.[84]

Table 3.8
NUMBER OF INDIGENT HOUSEHOLDS, Cape Metro, 2018 – 2020

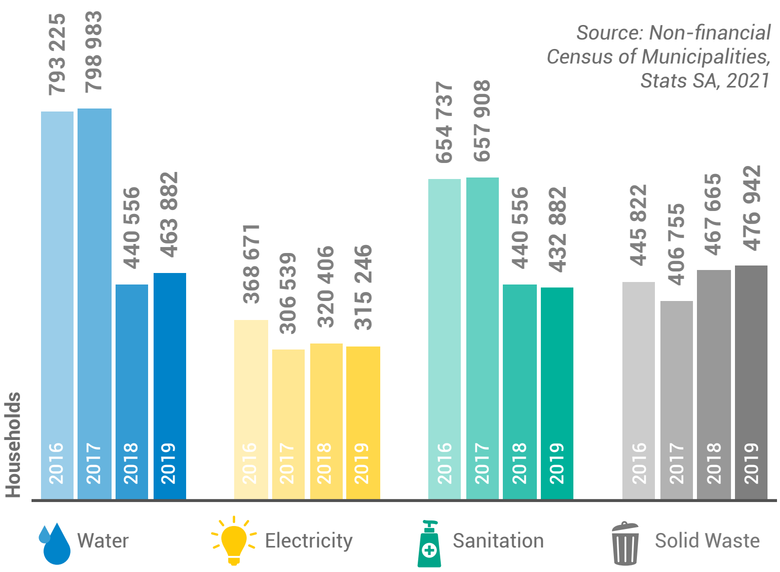
	2018		2019		2020	
	Number	% of households	Number	% of households	Number	% of households
Cape Metro area	225 217	17.4%	220 796	16.5%	197 224	14.4%
Western Cape	373 197	19.4%	372 303	18.9%	344 251	17.1%

Source: Department of Local Government, 2021

In the Cape Metro area, the share of indigent households decreased from 17.4 per cent in 2018 to 14.4 per cent in 2020. The share of indigent households in the Western Cape also decreased, from 19.4 per cent in 2018 to 17.1 per cent in 2020. A decrease in the number and share of indigent households means that there is less pressure on the public sector to support these low-income households.

Free basic services are available to households that qualify as indigent households. Figure 3.15 illustrates the number of households with access to free basic services in the Cape Metro between 2016 and 2019.

Figure 3.15
ACCESS TO FREE BASIC SERVICES, Cape Metro, 2016 – 2019



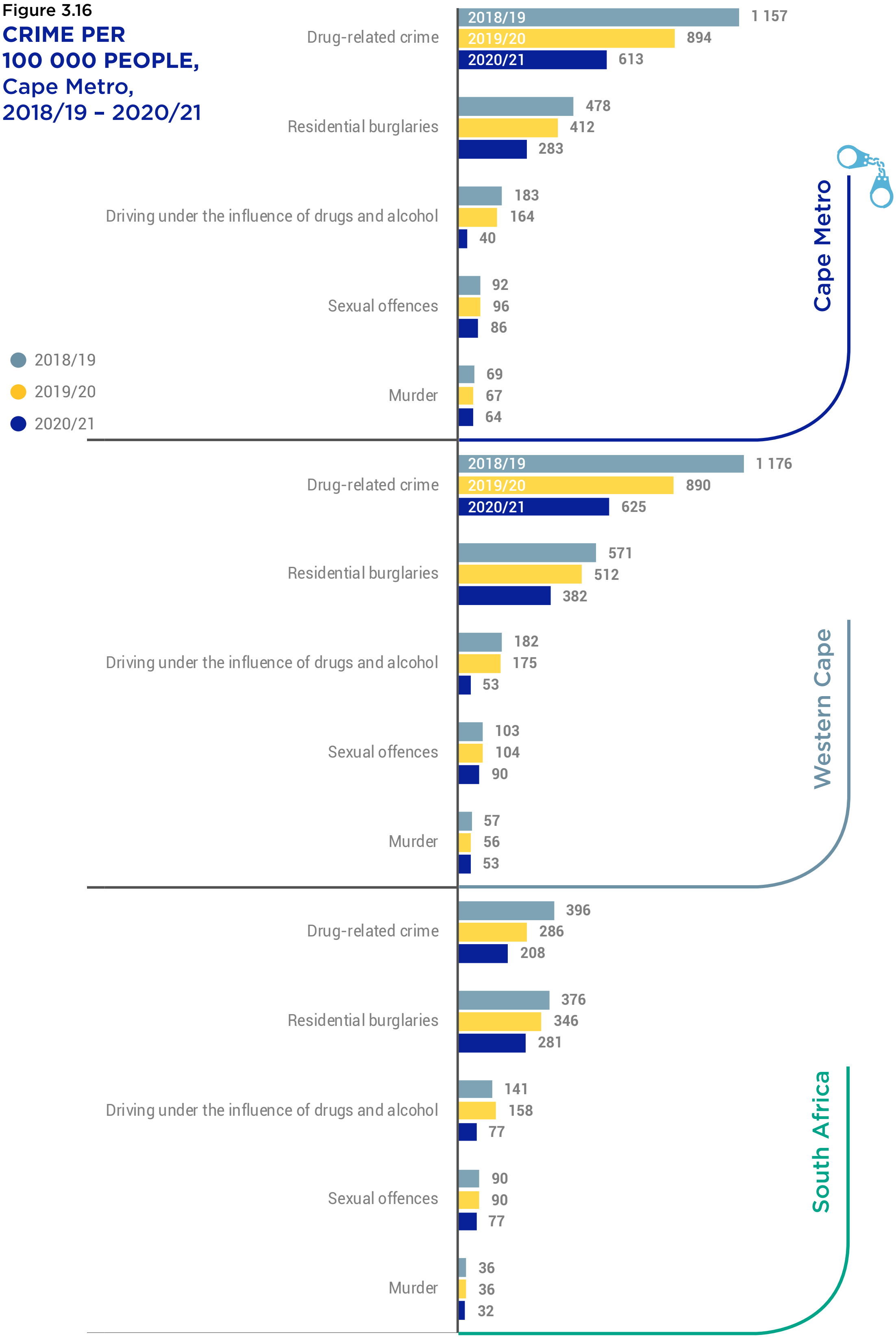
The extent of free basic services support is determined by the indigent policy of each local municipality. Most municipalities offer free basic water services (up to 6kl) and free electricity up to 50kWh – with some providing partial support for sanitation and solid waste services as well. The provision of free basic services therefore differs according to the type of service, as access levels and policies differ across municipalities. In the Cape Metro area, access to free basic water, electricity and sanitation decreased between 2016 and 2020. The number of households receiving free access to basic water decreased from 793 225 in 2016 to 463 882 in 2019, while the number of households receiving free basic sanitation services also declined, from 654 737 in 2016 to 432 882 in 2019. Households with access to free electricity experienced a decline from 368 671 in 2016 to 315 246 in 2019. Access to free solid waste removal was the only free basic service that experienced an increase, from 445 822 in 2016 to 476 942 in 2019.

[84] (City of Cape Town, 2021).

3.5 CRIME

An analysis of an area's crime trend is important to determine the potential occurrence and types of criminal activities that are prevalent. Figure 3.16 depicts the trends in selected crime categories in the Cape Metro area, the Western Cape and South Africa.

Figure 3.16
CRIME PER 100 000 PEOPLE, Cape Metro, 2018/19 – 2020/21



Source: Calculated from SAPS, Quantec Research and Western Cape DSD MYPE PPU 2021.1 (Sept, 2021), 2021

For the crime categories under review in the Cape Metro area, the Western Cape and South Africa, drug-related crime had the highest crime rate but experienced a decline from 2018/19 to 2020/21. In the Cape Metro, drug-related crime decreased from 1 157 cases per 100 000 people in 2018/19 to 613 in 2020/21. The recorded drug-related crime cases in the Western Cape also decreased, from 1 176 cases per 100 000 people in 2018/19 to 625 cases in 2020/21. The recent arrests of alleged organised crime bosses in the Cape Metro area are substantial gains made by law enforcement to reduce criminality in the metro.

Despite the declining trend, the murder rate in the Cape Metro area remains significantly high compared with the rest of the country and the world. In 2020, Cape Town ranked number 10 in the top 50 most violent cities in the world.[85] In the fourth quarter of 2020/21,[86] the top 10 police stations for murder in the country included Khayelitsha, Mfuleni, Kraaifontein, Delft, Nyanga and Gugulethu, with Harare, Philippi East, Samora Machel, Mitchell's Plain and Elsies River included in the top 30.[87]

The number of residential burglaries per 100 000 in the Cape Metro in 2020/21 was lower compared with the Western Cape but was on a par with that of South Africa. The curfew implemented in 2020 as part of the lockdown measures to curb the spread of COVID-19 had a positive impact on reducing the rate of residential burglaries. In the Cape Metro area, the crime rate in this category declined from 412 cases per 100 000 people in 2019/20 to 283 cases in 2020/21.

In the Cape Metro and the Western Cape, the number of cases for driving under the influence of drugs or alcohol decreased from 2018/19 to 2019/20, whereas in South Africa these cases increased. The restriction on alcohol sales and the curfew implemented in 2020 had a positive impact on the number of cases of people driving under the influence of drugs or alcohol. In the Western Cape, cases decreased from 175 cases per 100 000 people in 2019/20 to 53 cases per 100 000 people in 2020/21, and from 164 cases per 100 000 people in the Cape Metro in 2019/20 to 40 cases per 100 000 people in 2020/21.

The Western Cape and the Cape Metro area recorded more instances of sexual assault per 100 000 people compared with South Africa over the reference period. However, the number of cases declined between 2019/20 and 2020/21. Incidences of sexual assault declined from 96 cases per 100 000 in 2019/20 to 86 cases per 100 000 in 2020/21.

LAW ENFORCEMENT ADVANCEMENT PLAN

Through the Law Enforcement Advancement Plan (LEAP), made possible through the Western Cape Safety Plan, additional officers have been deployed in crime hot spot areas such as Bishop Lavis, Delft, Khayelitsha, Mitchells Plain, Nyanga and Philippi. Since the LEAP programme was launched in September 2019, 823 officers have been deployed and in December 2021, an addition 217 officers will be deployed as part of the programme.[88] The gains made by this programme also feeds into the Western Cape Recovery Plan, which prioritises the safety and wellbeing of Western Cape citizens.

[85] *(Seguridad, Justicia Y Paz, 2021).*
[86] *January to March 2021.*
[87] *(SAPS, 2021).*
[88] *(Western Cape Community Safety, 2021).*

3.6 CONCLUDING REMARKS

Forecast trends indicate that the Cape Metro area has a population of 4.7 million in 2021, which is expected to increase to 5.0 million people in 2025. In 2020, people aged between 35 and 64 comprised 35.8 per cent of the total population in the Cape Metro area, followed by individuals aged between 15 and 34 (33.5 per cent).

The Cape Metro area's GDPR per capita continuously declined between 2014 and 2020, following a similar trend to the Western Cape and South Africa. In 2020, the GDPR per capita in the Cape Metro area experienced a decline of 9.1 per cent, which could be attributed to the impact of regulations and restrictions brought about by the global COVID-19 pandemic. In 2019, the Cape Metro area had a higher average monthly income (R20 616) than the Western Cape (R19 430) and South Africa (R15 926). However, inequality is higher in the Cape Metro area when compared with the Western Cape.

Learner enrolments in the Cape Metro area increased from 672 102 in 2018 to 698 194 in 2020, which in turn contributed to the increased learner-teacher ratio over the same period. The Grade 10 to 12 retention rate for the Cape Metro area (67.6 per cent) remained unchanged between 2019 and 2020, and was marginally lower than that of the Province. The metro area's matric pass rate decreased from 81.2 per cent in 2019 to 79.2 per cent in 2020, but was higher than the national pass rate of 76.2 per cent.

The Cape Metro area recorded improvements in several health outcomes despite the disruptions to and pressure on the healthcare system as a result of the COVID-19 pandemic. These included an increase in the percentage of people with confirmed viral suppression and the TB programme success rate, as well as a decline in TB clients lost to follow-up, between 2019/20 and 2020/21. However, the maternal death rate in the metro area increased from 57.9 deaths per 100 000 live births in 2019 to 83.8 deaths per 100 000 live births in 2020.

The HDI of the Cape Metro area increased from 0.746 in 2017 to 0.781 in 2020, which was higher than the HDI recorded by the Western Cape (0.769) and South Africa (0.706) in 2020.

Although most households in the Cape Metro area live in formal dwellings (77.2 per cent in 2020), a larger share of the Cape Metro population lives in informal settlements compared with the Western Cape and South Africa. In terms of access to basic services, the number of consumers with access to water, electricity, sanitation and solid waste removal services remained the same between 2019 and 2020.

There was a decline in all the crime categories under review in the Cape Metro area between 2019/20 and 2020/21. However, the rates of murder and drug-related crime are still considered high compared with South Africa. A general decrease in crime rates can have positive impacts on the quality of life, the social wellbeing of residents and medium- and long-term economic prospects such as increased business confidence, etc.[89]

[89] *(Institute for Security Studies, 2014).*

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Provincial Treasury
Private Bag X9165
7 Wale Street
Cape Town
tel: +27 21 483 5618
www.westerncape.gov.za

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