



Western Cape
Government

2021

Municipal Economic Review and Outlook

Cape Winelands District

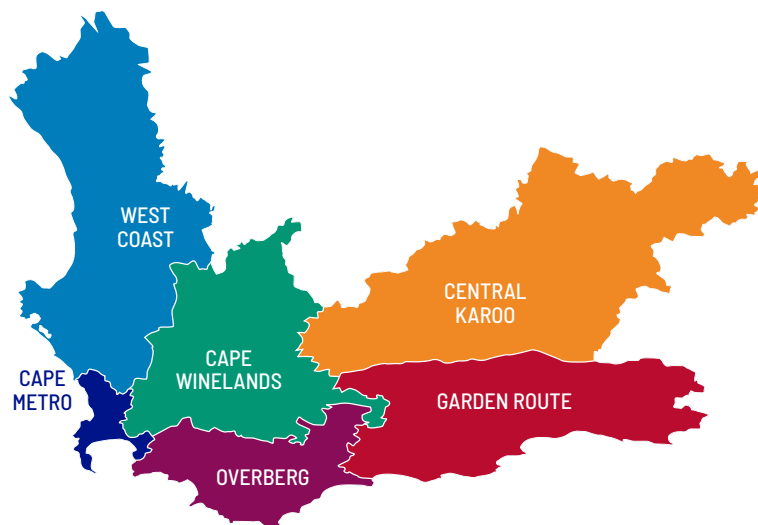




Western Cape
Government

2021 Municipal Economic Review and Outlook

Cape Winelands District



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PR366/2021

ISBN: 978-0-621-49944-5

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.

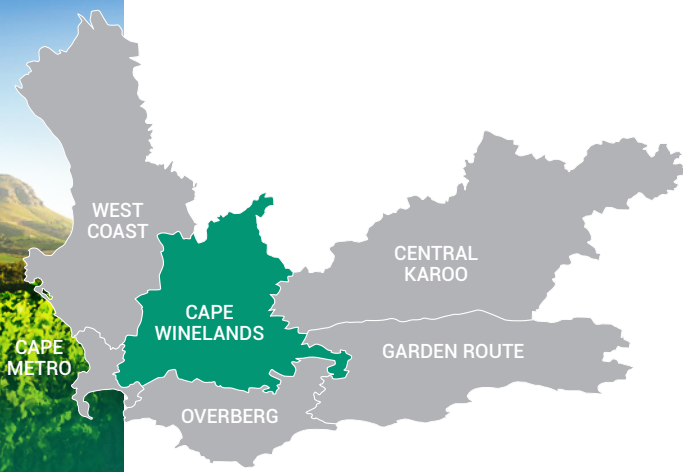


Mr David Maynier

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

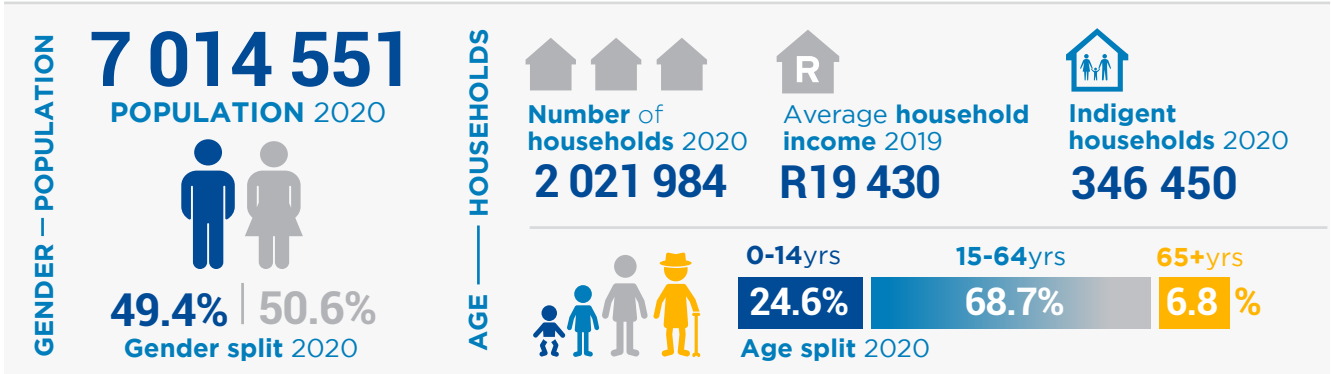
TERS	Temporary Employer/Employee Relief Scheme
TIPS	Trade & Industrial Policy Strategies
TVET	Technical Vocational Education and Training
UBPL	upper-bound poverty line
UIF	Unemployment Insurance Fund
UK	United Kingdom
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCTAD	United Nations Conference 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



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

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

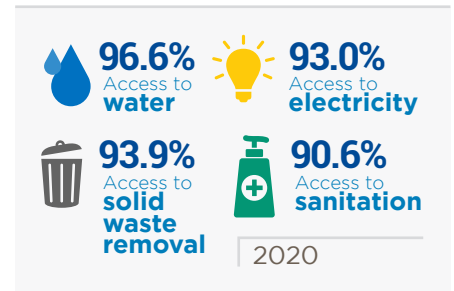
DEMOGRAPHICS



GROSS DOMESTIC PRODUCT



SERVICES



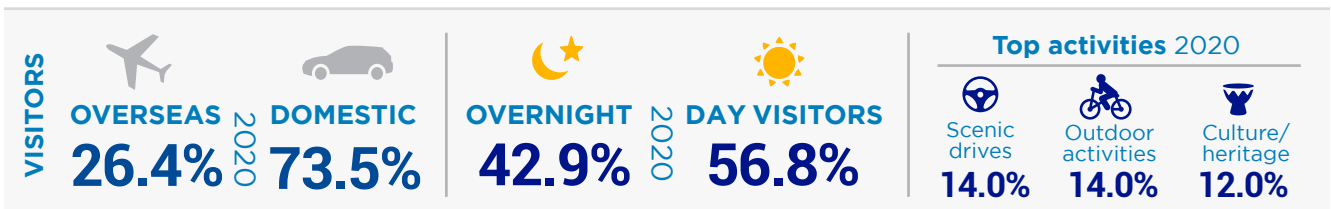
EMPLOYMENT



TRADE



TOURISM





GDPR

2019 2020

GDPR CONTRIBUTION GDPR GROWTH



EMPLOYMENT

2019 2020

EMPLOYMENT CONTRIBUTION EMPLOYMENT GROWTH

	GDPR CONTRIBUTION		GDPR GROWTH		EMPLOYMENT CONTRIBUTION		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:

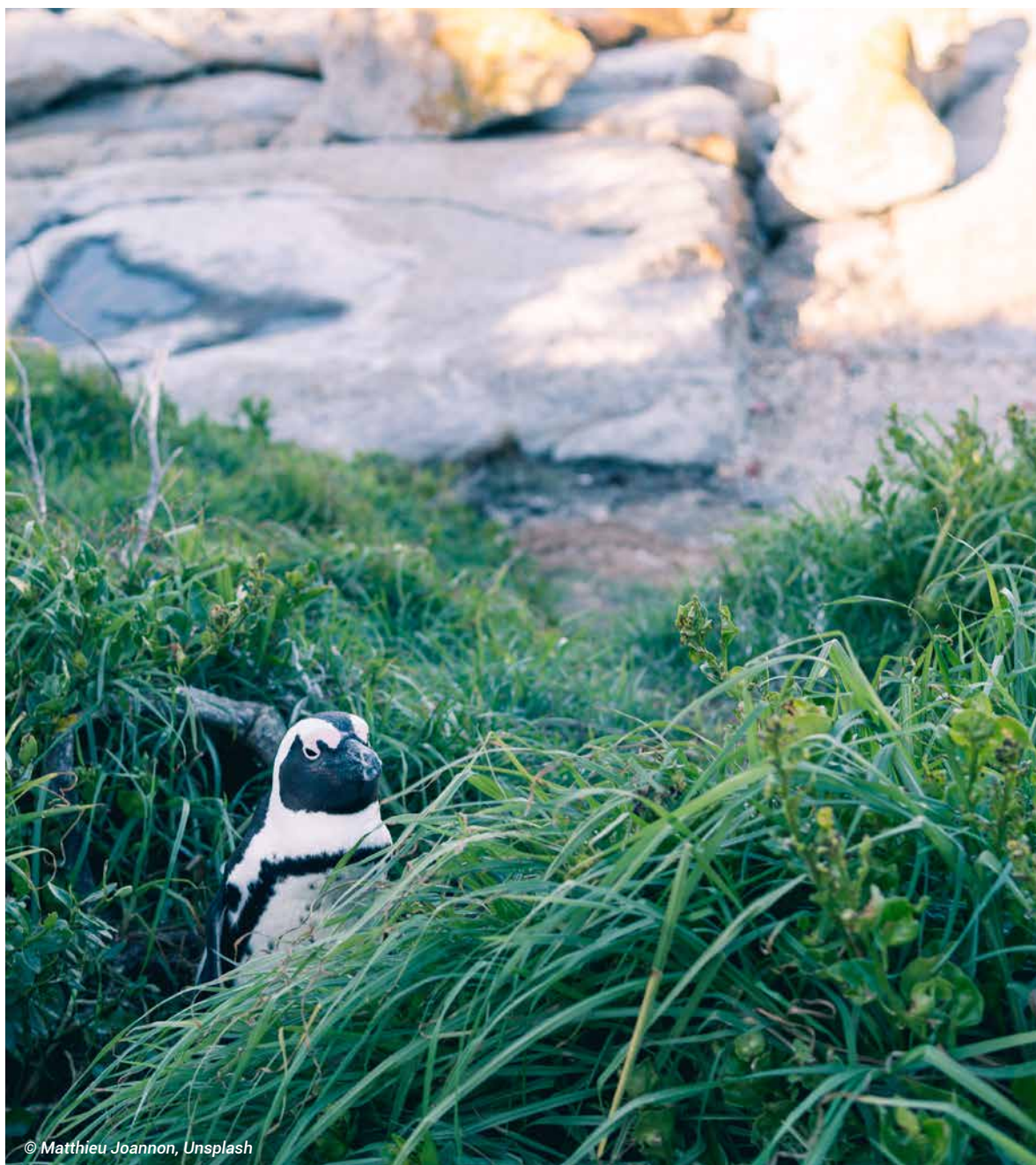
Chapter 1: Regional economic review and outlook - Broad overview of the Provincial macroeconomic context of each District by focusing on GDPR performance and labour trends. The period under review for MERO 2021 is 2015 to 2019, with 2020 figures being

estimated. This chapter also provides GDP 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 GDP, 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 outlook¹

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).

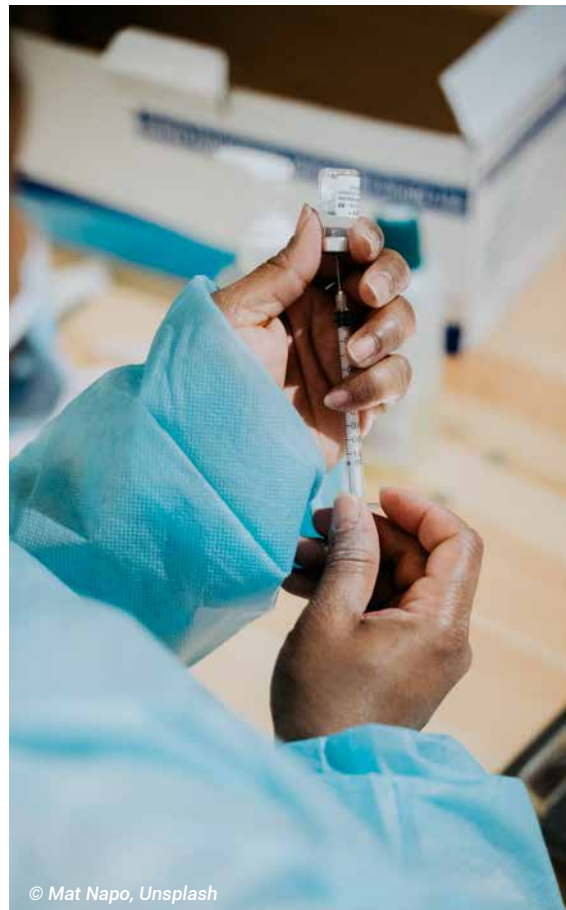
⁶ (World Bank, 2021).

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.



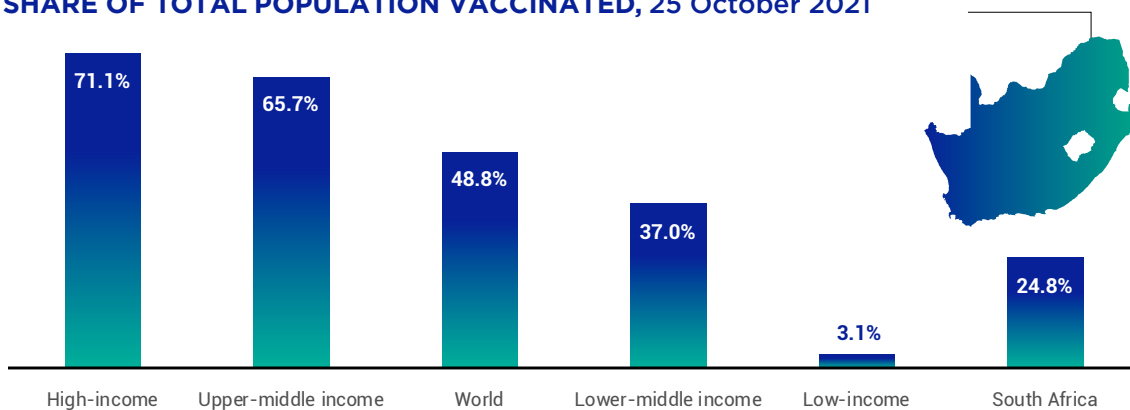
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GLOBAL VACCINE ROLL-OUT

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 accommodation¹¹ 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 fishing¹² 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 quarrying¹³ 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 services¹⁴ 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.

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.



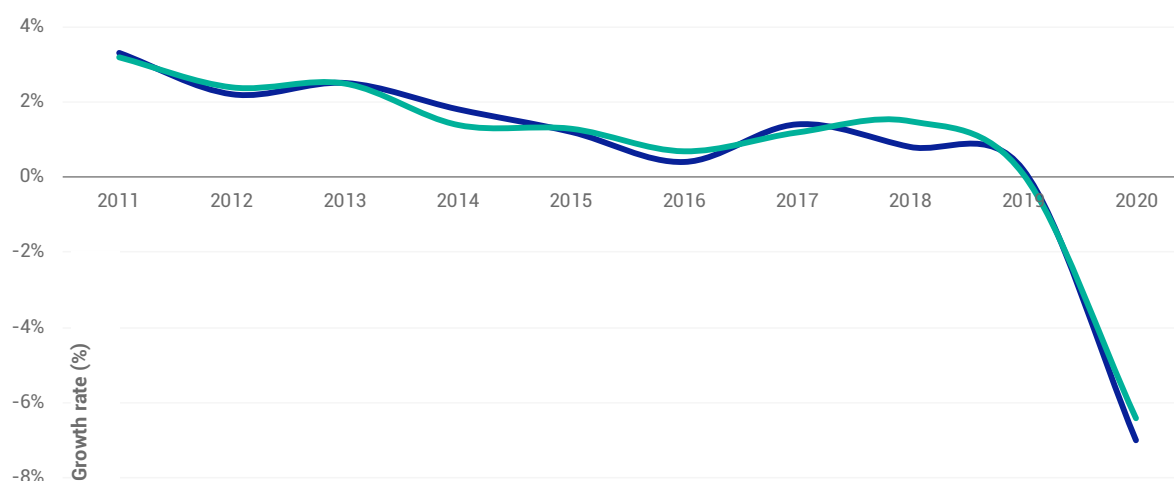
BENCHMARKING AND REBASING GDP ESTIMATES

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



● Previous (2010 prices)
● Revised (2015 prices)



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%

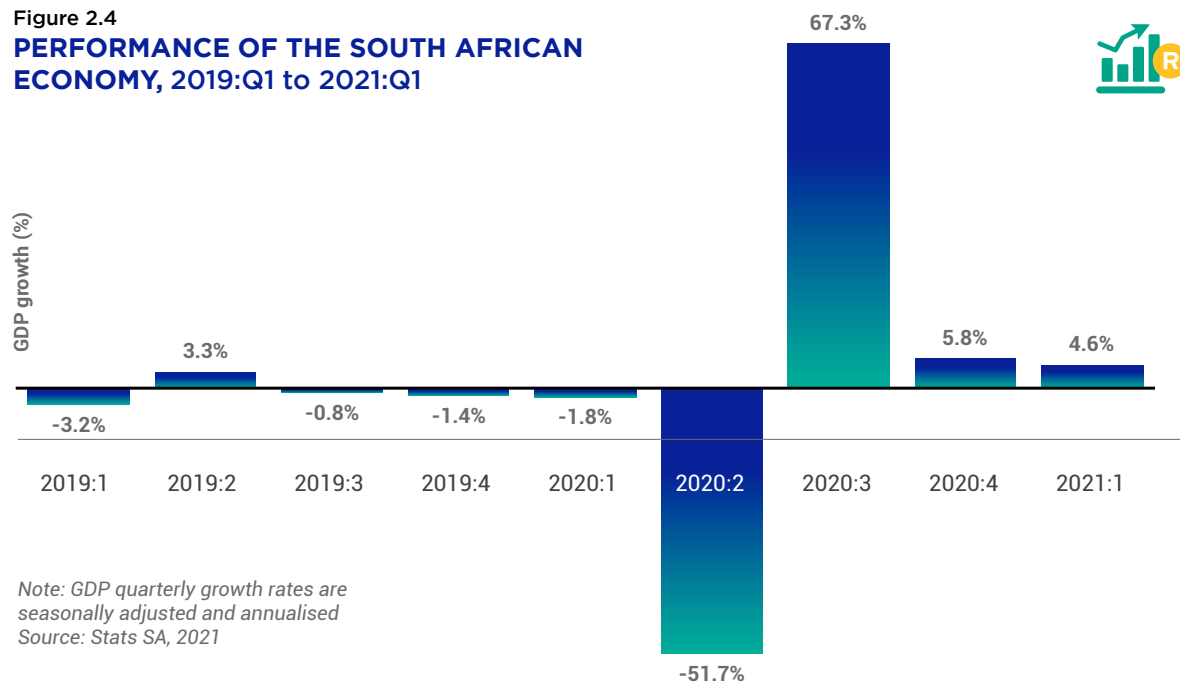
The revised estimate of GDP in 2020 increased by 11.0 per cent to R5 521 billion, compared with the previous estimate of R4 973 billion. Consequently, the annual contraction for 2020 was revised from -7.0 per cent to -6.4 per cent. Historically, benchmarking GDP has resulted in estimates that show an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



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



DESCRIPTION	Quarterly (q-o-q) percentage change		Annual (y-o-y) percentage change	
	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 2024/25, 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



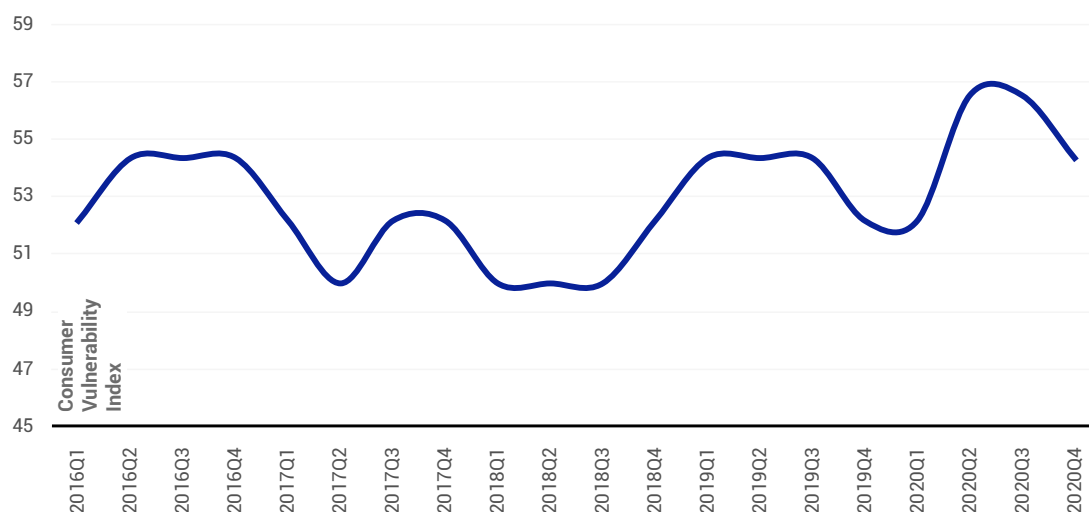
Source: Quantec Research, 2021

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.

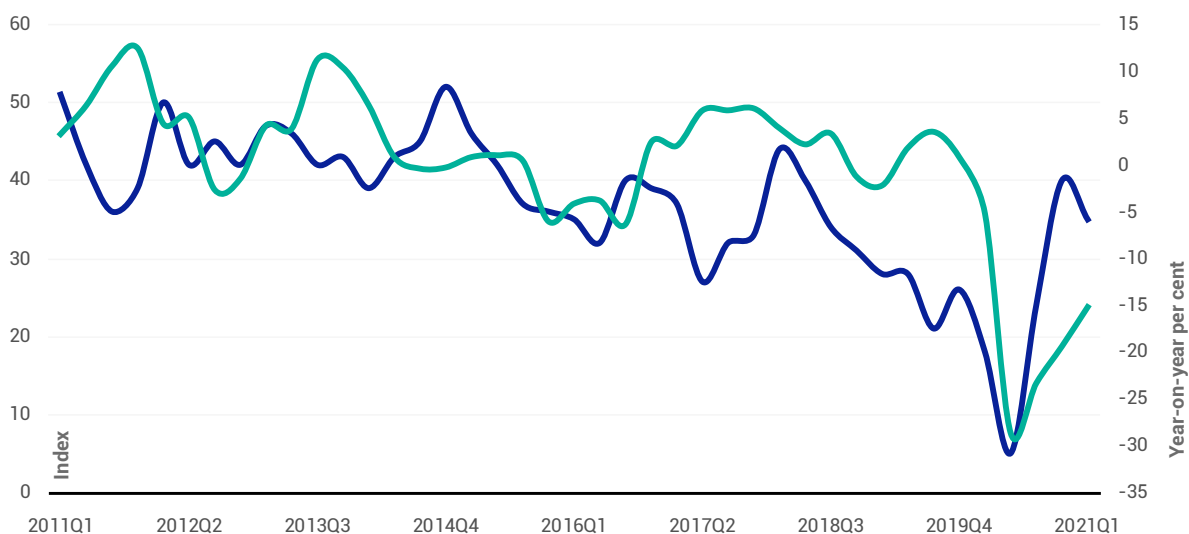
In contrast, fixed investment by private-business enterprises shrank by 8.9 per cent in the first quarter of 2021, following an increase of 5.8 per cent in the fourth quarter of 2020. Fixed investment in machinery and other equipment, including transport equipment, contracted markedly in the first quarter 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



- RMB/BER Business Confidence Index
- Gross fixed capital formation by private business enterprises



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.



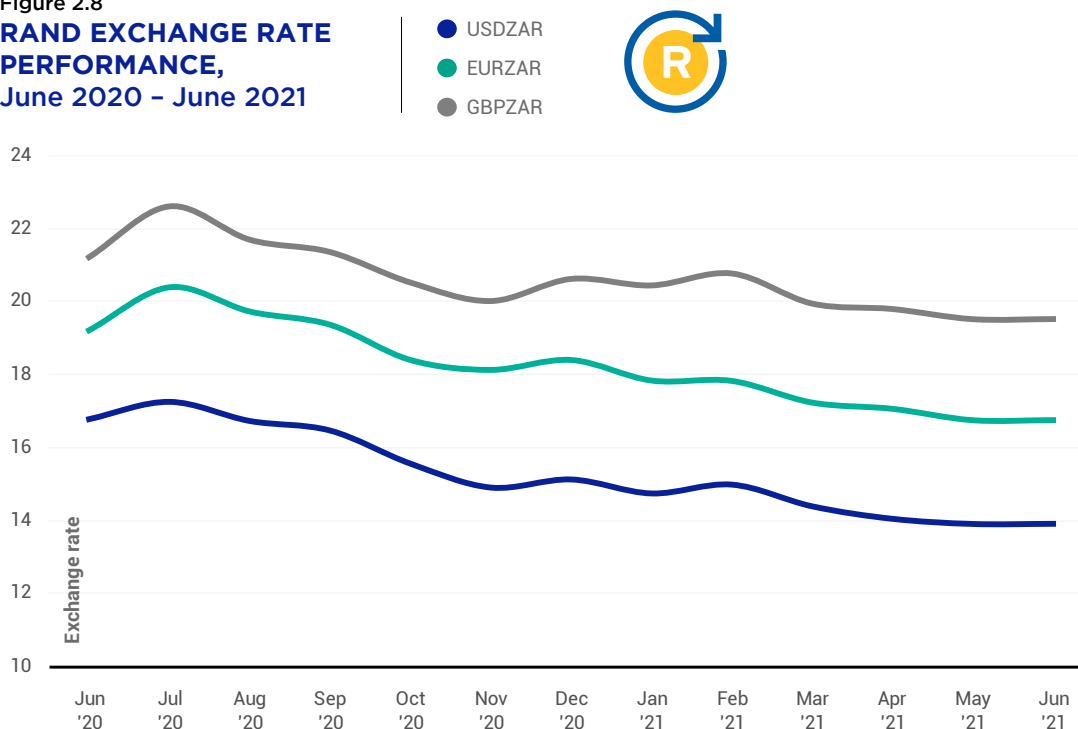
Source: National Income Dynamics Study – Coronavirus Rapid Mobile Survey (NIDS-CRAM), 2021

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.

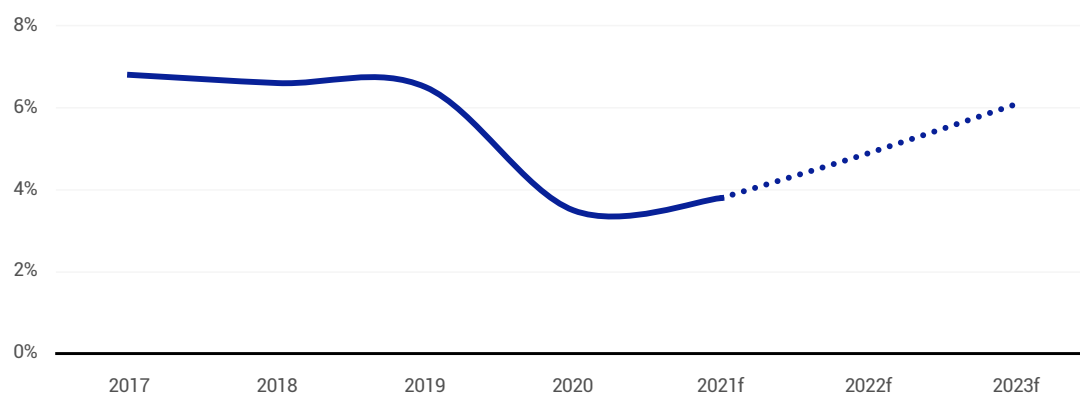
The current account surplus was in part due to a significant trade surplus, which increased from R425.0 billion in the fourth quarter of 2020 to R430.0 billion in the first quarter of 2021, with the largest surplus resulting from the value of merchandise exports. The trade surplus can be ascribed to 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).

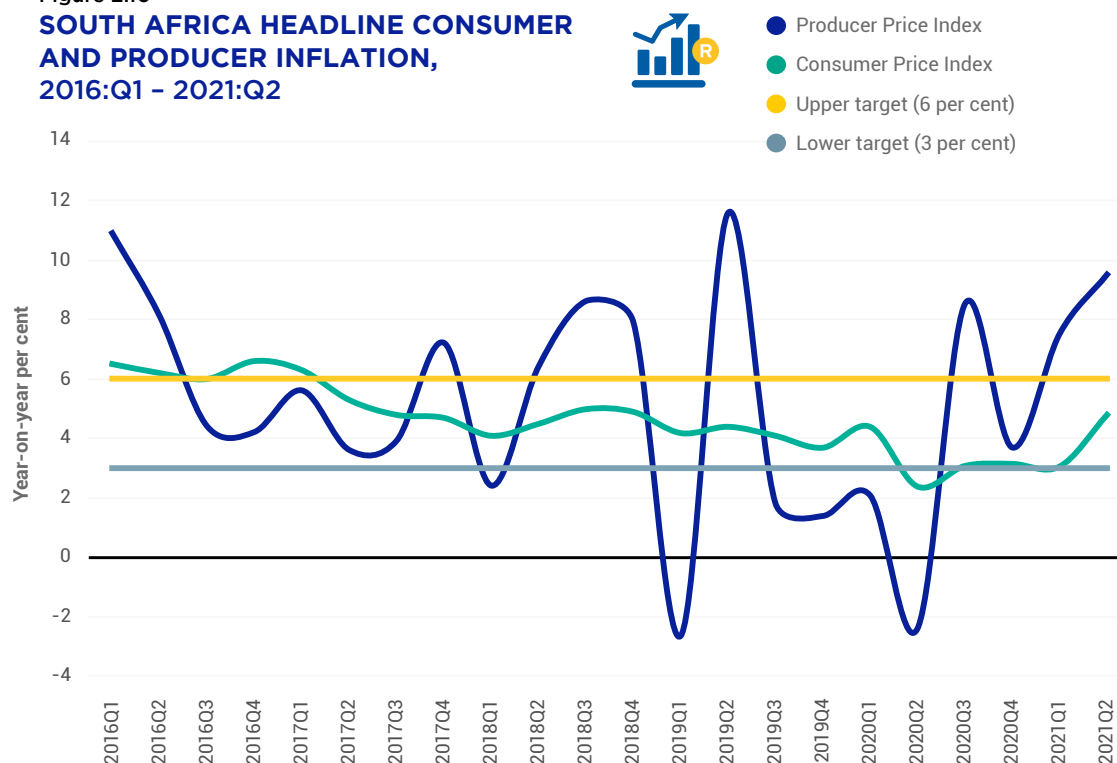
Figure 2.9
SOUTH AFRICA REPO RATE OUTLOOK, 2017 - 2023



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 coke¹⁶ 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 years¹⁷ 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

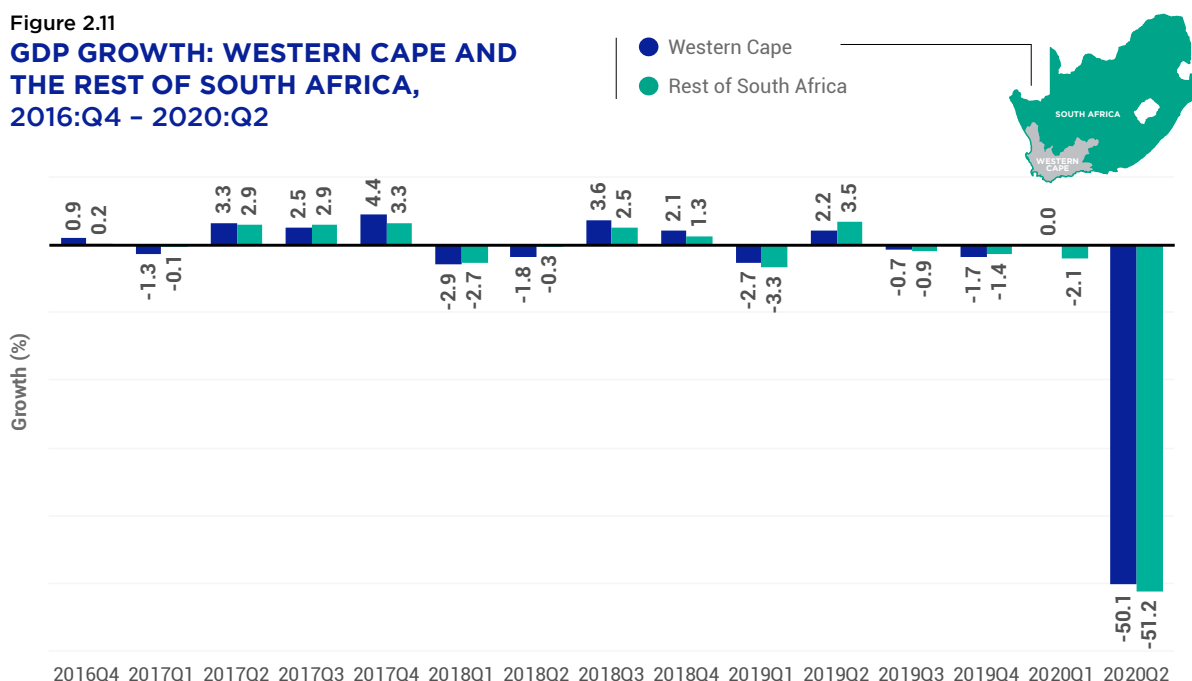
2.4.1 Western Cape economic performance

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

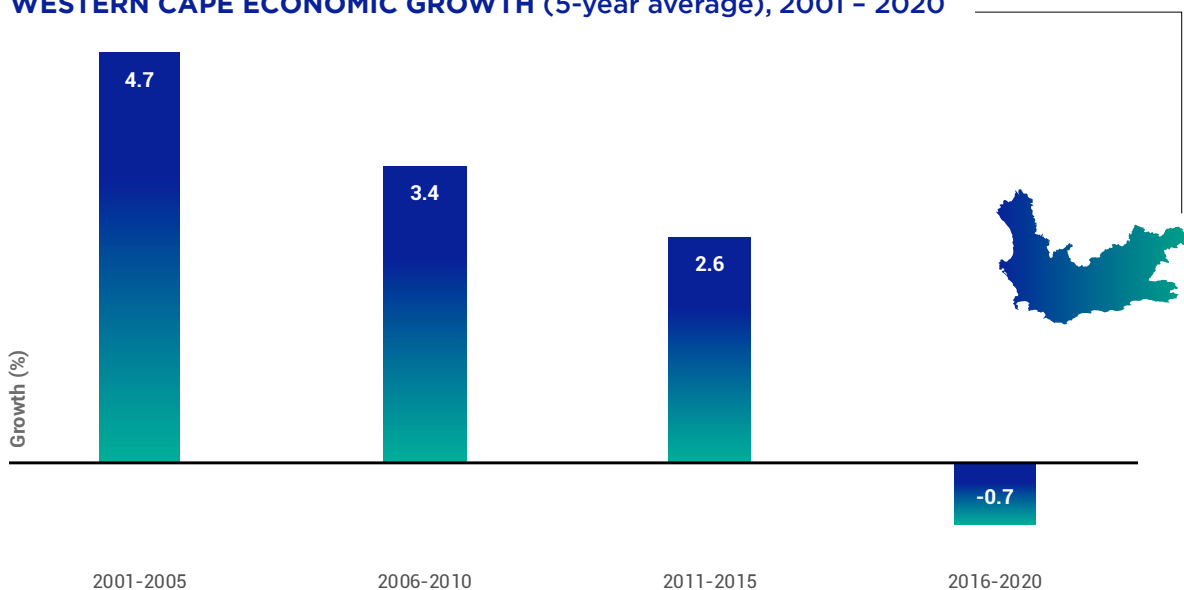


Note: The Western Cape growth rate for 2020 is an estimate. Source: Quantec Research, 2021

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

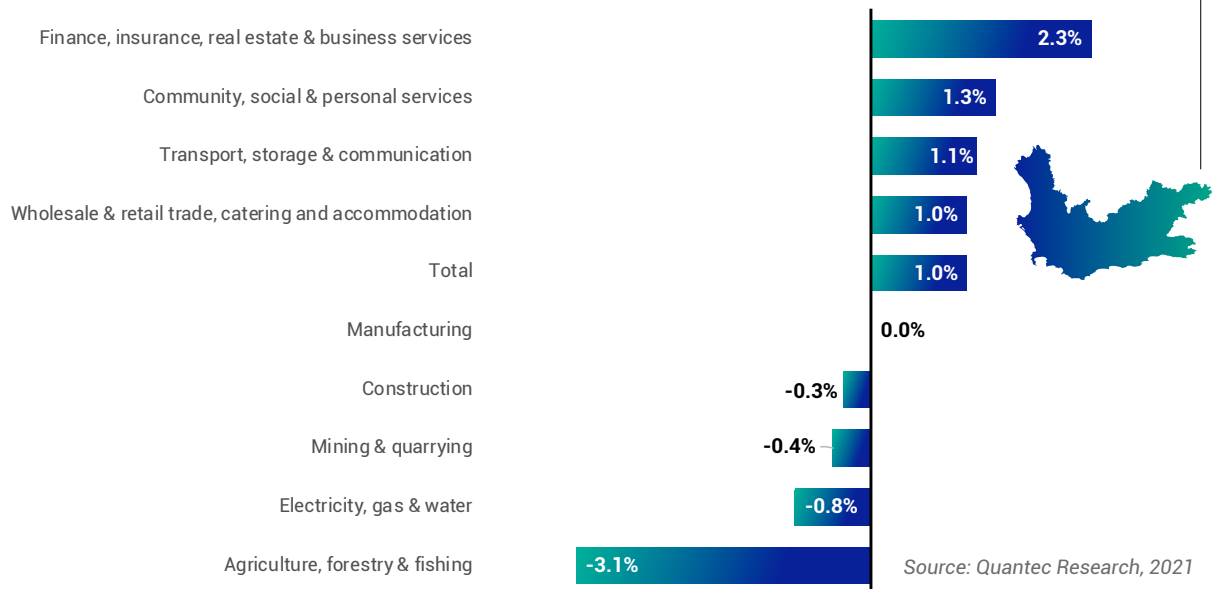
The COVID-19 pandemic set in as the drought eased and electricity supply interruptions became even more frequent. According to the Council for Scientific and Industrial Research (CSIR), 650 hours of load-shedding was recorded in the first half of 2021, which is an estimated 76.0 per cent of the load-shedding 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).

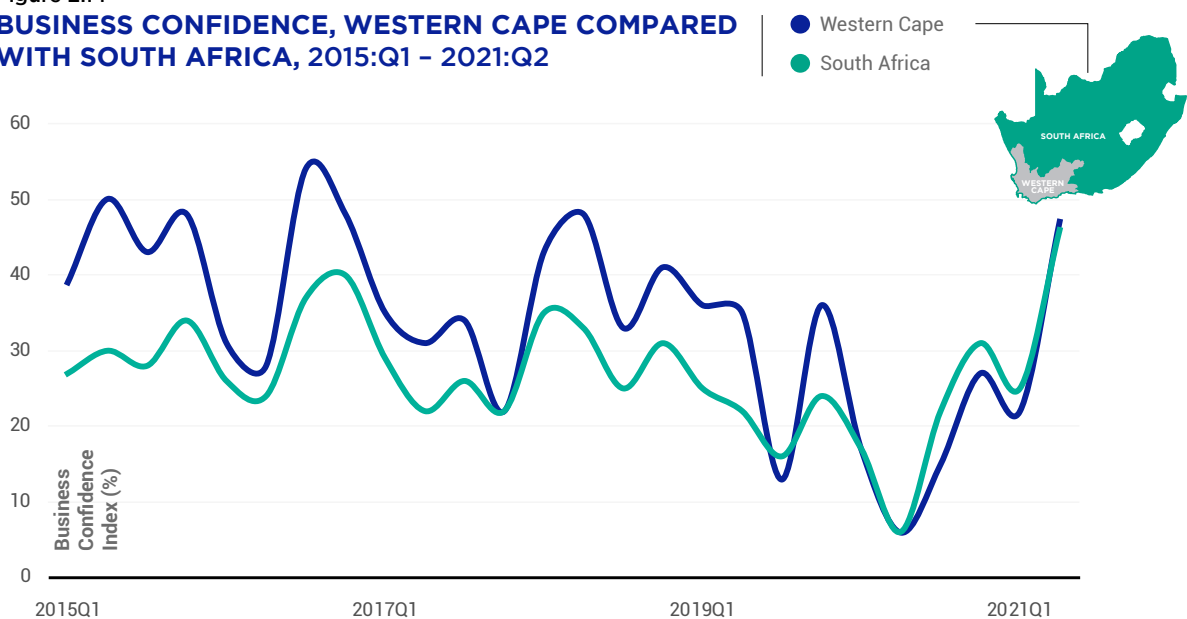
Growth between 2015 and 2019 was led by the finance sector (see Figure 2.13), emphasising the importance of the Cape Metro area as the business hub of the Province. The community services sector, the transport sector and the trade sector also contributed to growth. Growth was dragged down by a decline 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



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



Forecast average

DESCRIPTION	2019	2020e	2021f	2022f	(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.

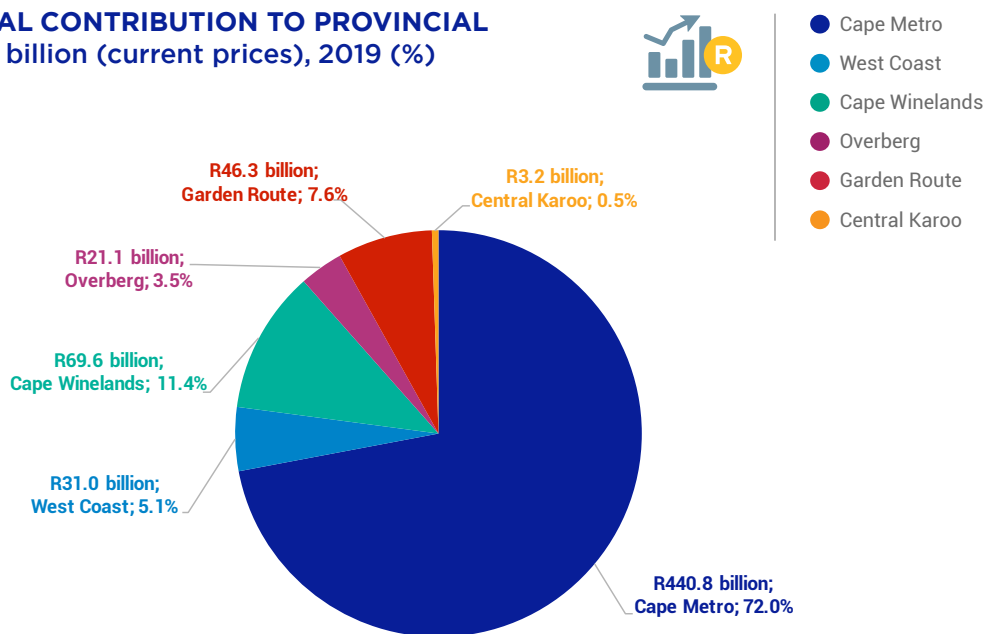
3.2 DISTRICT ECONOMIC OVERVIEW

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

3.2.1 GDP contribution

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

Figure 3.1
REGIONAL CONTRIBUTION TO PROVINCIAL GDP, R billion (current prices), 2019 (%)

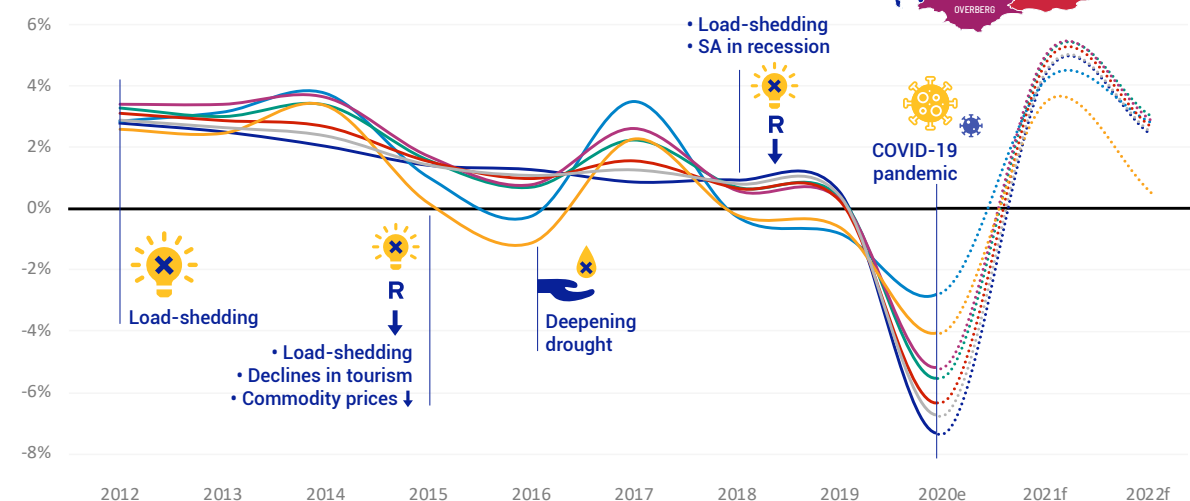


Source: Quantec Research, 2021

With a contribution of R440.8 billion, the Cape Metro area contributed the largest share to total GDP in the Province in 2019 at 72.0 per cent. The CWD contributed the second-largest share to Provincial GDP 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 GDP 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 GDP 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.

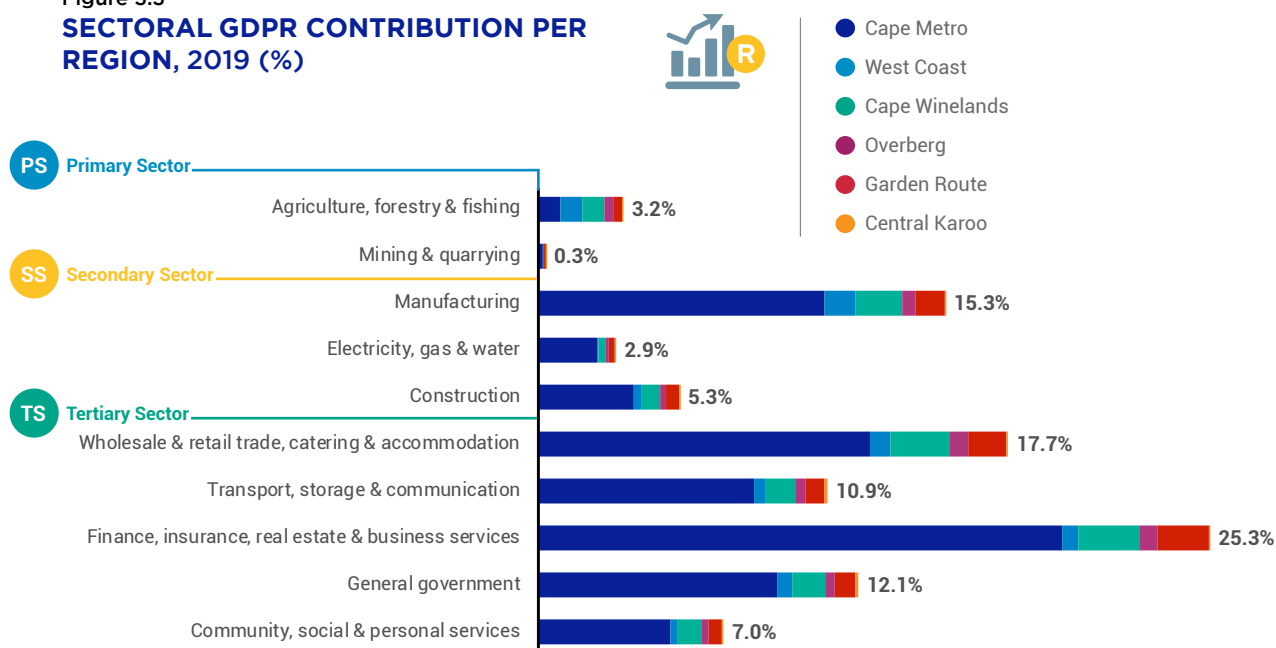
Provincial GDP growth improved marginally from 1.1 per cent in 2016 to 1.2 per cent in 2017, with all Districts apart from the Cape Metro area experiencing improvements in growth over the same period. Between 2018 and 2019, growth across all Districts and the Cape Metro area declined, with the WCD and 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.

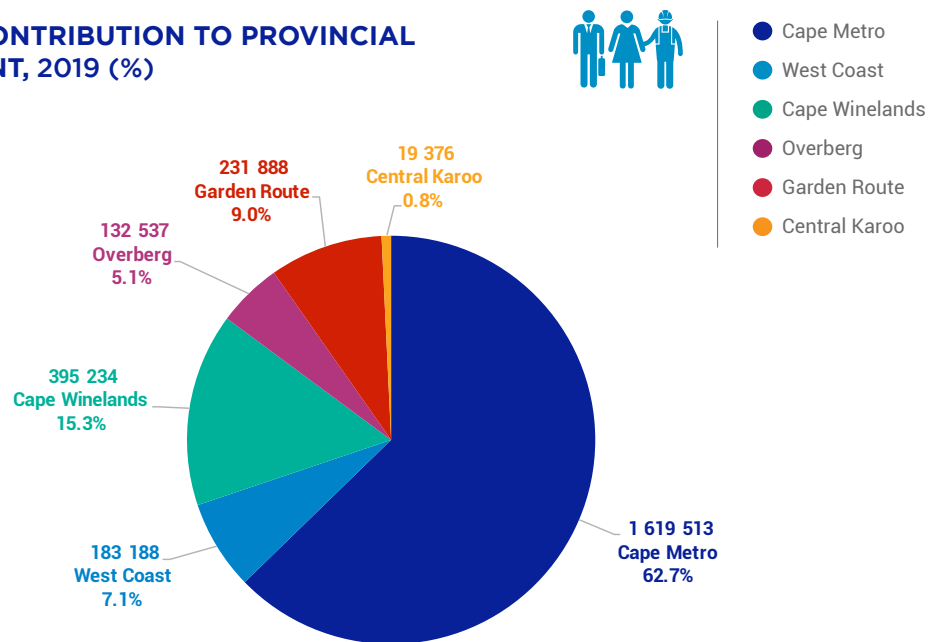
Economic activity in the secondary and tertiary sectors was concentrated in the Cape Metro area, highlighting its importance to the Provincial economy. Within the primary sector, mining activities were also concentrated in the Cape Metro area. However, in respect of the 3.2 per cent contribution to GDPR 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 GDP 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).



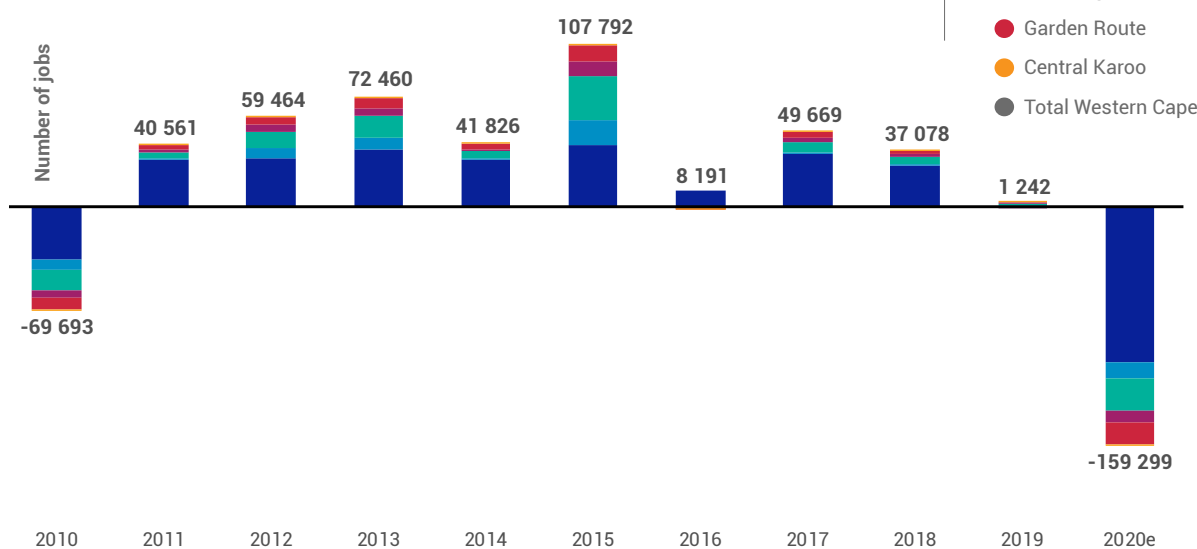
The employment trends in the Districts and Cape Metro area between 2010 and 2020 are indicated in Figure 3.5.

Figure 3.5

CHANGE IN EMPLOYMENT, 2010 – 2020



- Cape Metro
- West Coast
- Cape Winelands
- Overberg
- Garden Route
- Central Karoo
- Total Western Cape



	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.

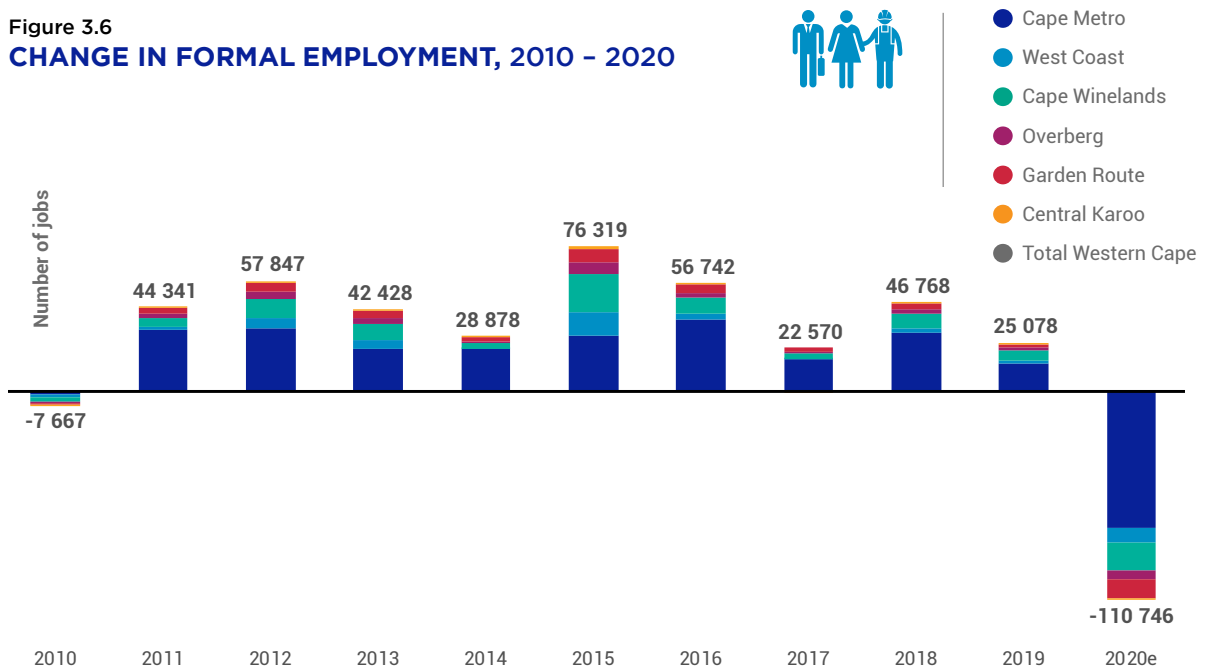
While improvements in job opportunities were experienced in 2017 and 2018, with a cumulative increase of 86 747 jobs in the Province, new job opportunities created declined significantly in 2019. The overall slowdown in employment creation may be attributed to the poor economic performance of the Western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

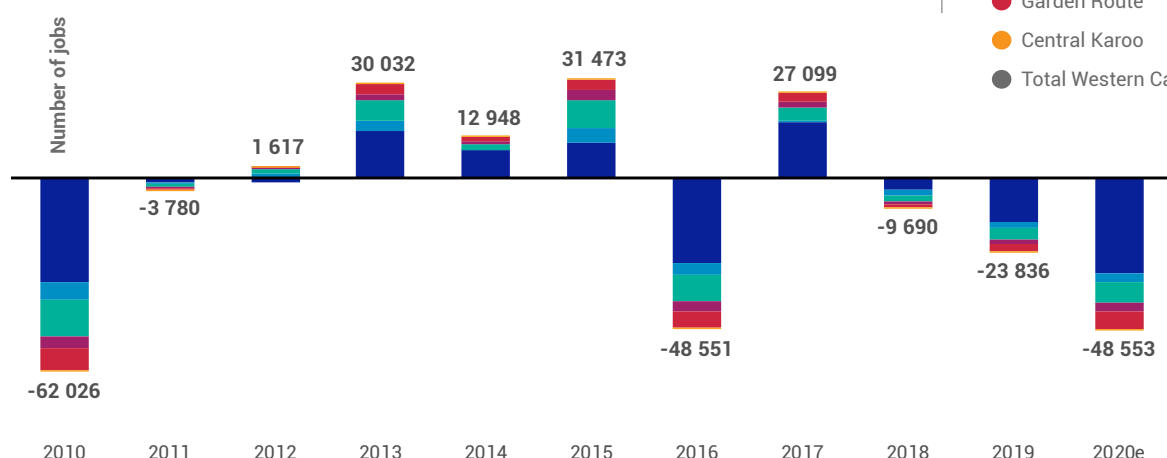
Figure 3.7 illustrates the change in informal employment between 2010 and 2020 across the regions in the Province. Between 2010 and 2019, a net total of 44 714 informal job opportunities were lost in the Province, with the Cape Metro area accounting for 67.8 per cent of this decline.

Figure 3.7

CHANGE IN INFORMAL EMPLOYMENT, 2010 - 2020



- Cape Metro
- West Coast
- Cape Winelands
- Overberg
- Garden Route
- Central Karoo
- Total Western Cape



	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**



- 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:

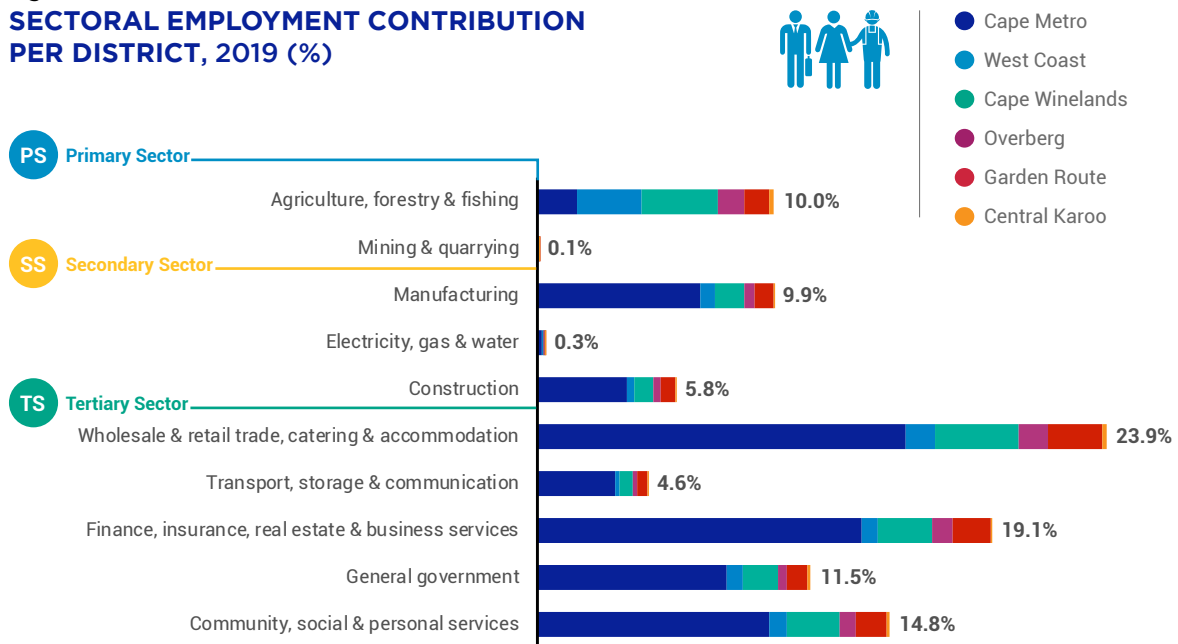
- Coastal management
- Parks and beautifications
- Sustainable energy
- Waste management
- Tourism and creative industries
- Sustainable land-based livelihoods

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

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-Hegyess, 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.

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 skills³⁹ 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.

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.



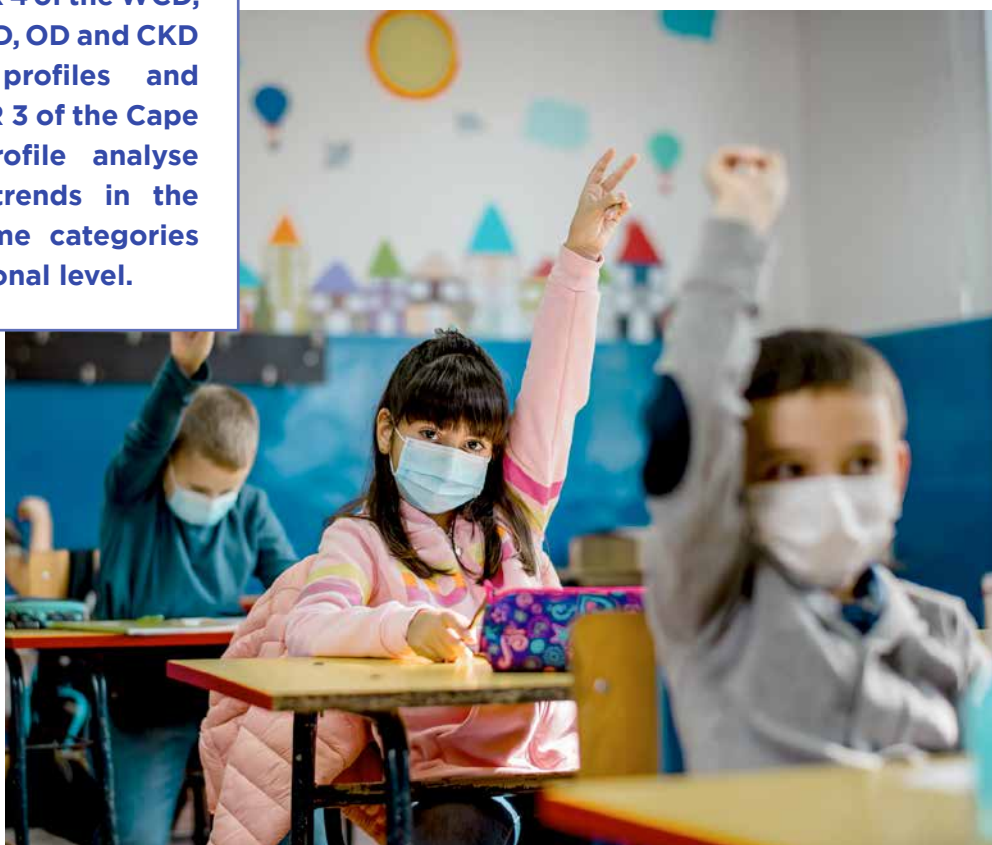
4.4.2 Focus areas in 2021 and beyond

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.



CAPE WINELANDS DISTRICT

21 473KM²



CAPE WINELANDS DISTRICT

WITZENBERG, DRAKENSTEIN,
STELLENBOSCH, BREEDE VALLEY,
LANGE BERG

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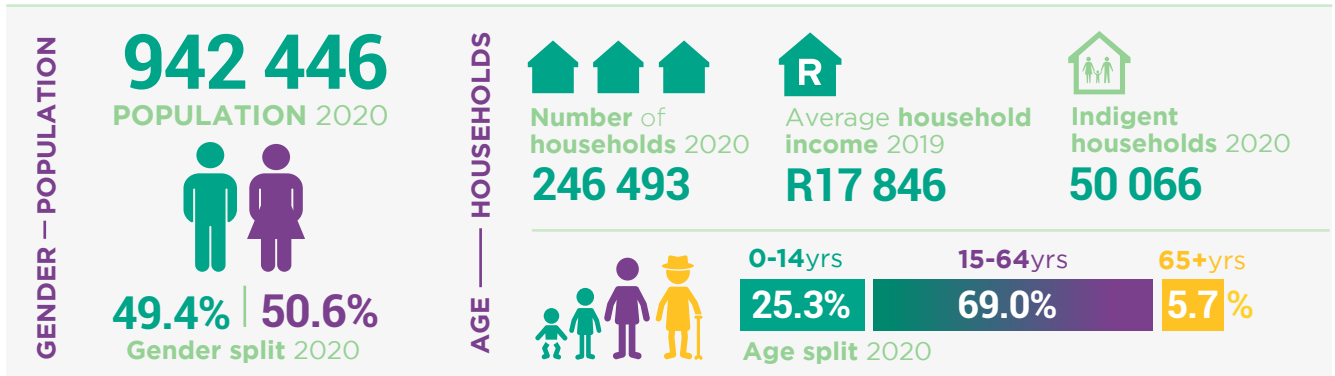


CAPE WINELANDS DISTRICT

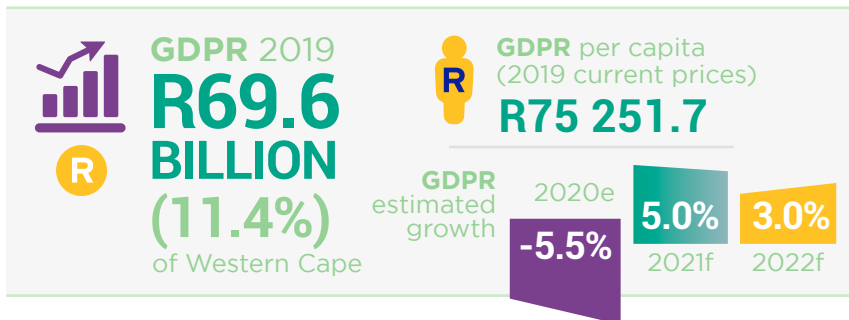
SEAT | AREA | DENSITY
Worcester | **21 473KM²** | **37/KM²**

MUNICIPALITIES | WITZENBERG, DRAKENSTEIN, STELLENBOSCH, BREEDE VALLEY, LANGEBERG

DEMOGRAPHICS



GROSS DOMESTIC PRODUCT



SERVICES



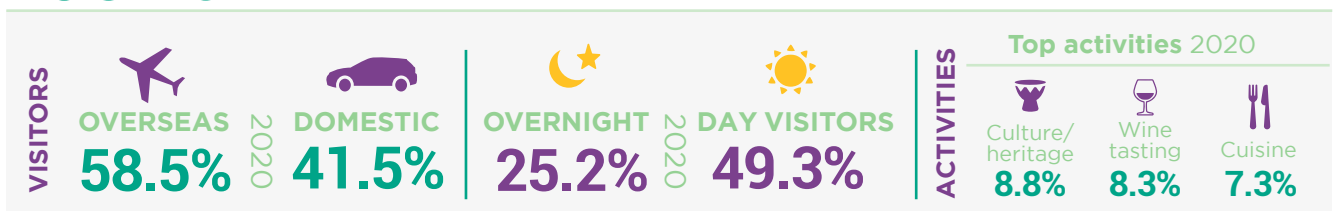
EMPLOYMENT



TRADE



TOURISM





GDPR

2019

2020

**GDPR
CONTRIBUTION**
**GDPR
GROWTH**


EMPLOYMENT

2019

2020

**EMPLOYMENT
CONTRIBUTION**
**EMPLOYMENT
GROWTH**

	GDPR		EMPLOYMENT	
	2019	2020	2019	2020
	GDPR CONTRIBUTION	GDPR GROWTH	EMPLOYMENT CONTRIBUTION	EMPLOYMENT GROWTH
PRIMARY SECTOR	7.7% ^R	10.9%	21.1% ^R	-4.1%
AGRICULTURE, FORESTRY & FISHING	7.5%	11.5%	21.0%	-4.1%
MINING & QUARRYING	0.2%	-18.5%	0.0%	-9.2%
SECONDARY SECTOR	24.4%	-12.6%	13.7%	-9.2%
MANUFACTURING	15.6%	-10.9%	8.0%	-7.3%
ELECTRICITY, GAS & WATER	2.4%	-6.1%	0.3%	-2.2%
CONSTRUCTION	6.5%	-19.8%	5.4%	-12.3%
TERTIARY SECTOR	67.9%	-5.4%	65.3%	-5.1%
WHOLESALE & RETAIL TRADE, CATERING & ACCOMMODATION	19.4%	-9.5%	23.0%	-6.0%
TRANSPORT, STORAGE & COMMUNICATION	9.6%	-14.3%	3.7%	-3.5%
FINANCE, INSURANCE, REAL ESTATE & BUSINESS SERVICES	20.2%	-2.7%	15.1%	-4.2%
GENERAL GOVERNMENT	10.8%	0.4%	9.3%	1.1%
COMMUNITY, SOCIAL & PERSONAL SERVICES	7.8%	-1.9%	14.2%	-9.0%



1

REGIONAL ECONOMIC REVIEW AND OUTLOOK

1.1 INTRODUCTION

The CWD is a landlocked area that borders five other regions¹ and covers 21 473km², constituting 16.6 per cent of the Western Cape's total area.² The CWD is the heart of the Provincial wine industry and consists of five local municipalities, namely Drakenstein, Stellenbosch, Witzenberg, Breede Valley and Langeberg. The CWD has an extensive agricultural industry that is mostly rural. However, several towns function as highly developed nodes, such as Worcester, Paarl and Stellenbosch.

¹ West Coast District, Cape Metro, Overberg District, Garden Route District and Central Karoo District.

² (MDB, 2018).

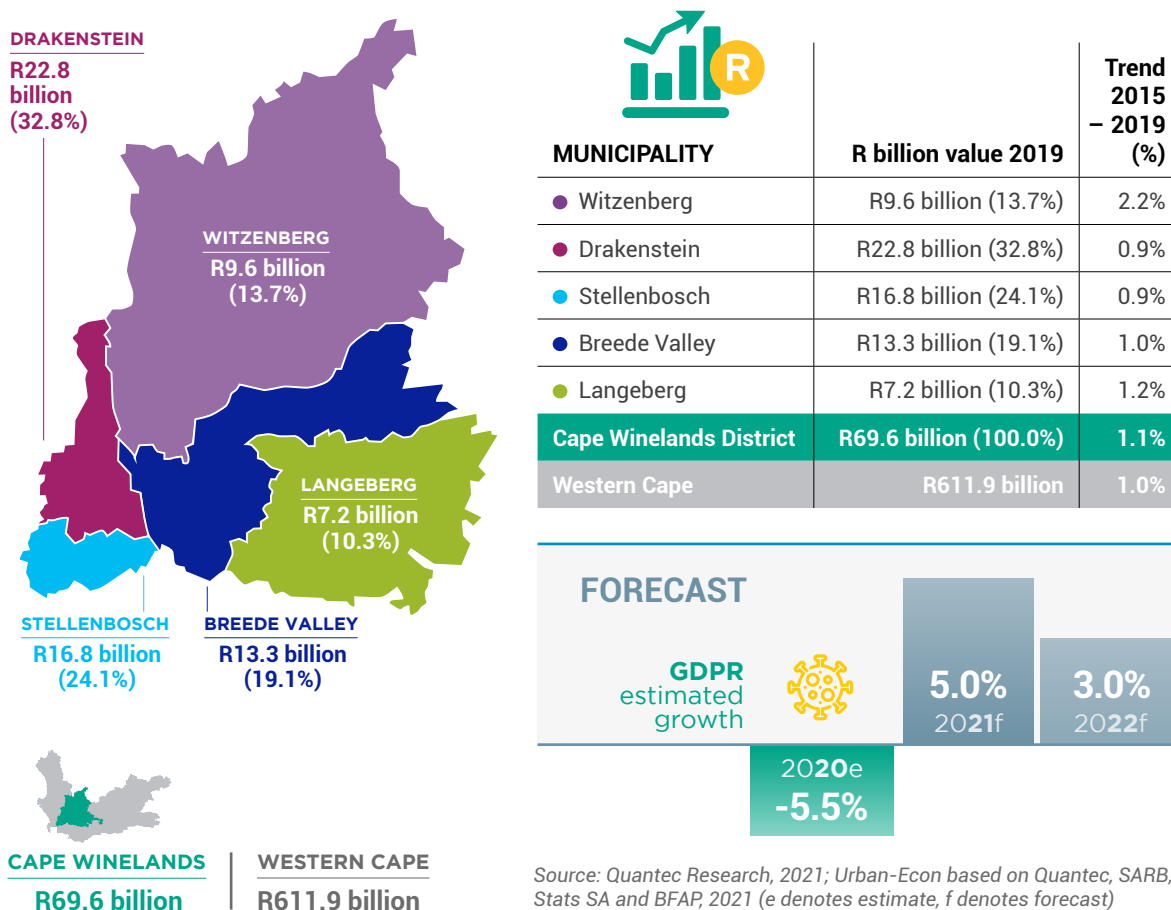
This chapter provides a macroeconomic outlook of the CWD in terms of GDPR performance and employment trends. The period under review for MERO 2021 is between 2015 and 2020.³ An outlook regarding GDPR for 2021 and 2022 is also provided.

1.2 GROWTH IN GDPR PERFORMANCE

This section provides a concise discussion of the size of the CWD’s economy, the average contribution to GDPR as well as the growth rates in the various municipal areas within the District.

1.2.1 GDPR performance per municipal area

Diagram 1.1
GDPR CONTRIBUTION AND AVERAGE GROWTH RATES PER MUNICIPAL AREA, Cape Winelands District



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

In 2019, the CWD economy was valued at R69.6 billion and contributed 11.4 per cent to the Provincial economy during the year. Between 2015 and 2019, the CWD experienced an average annual growth rate of 1.1 per cent, marginally higher than the 1.0 per cent growth rate of the Provincial economy over the same period.

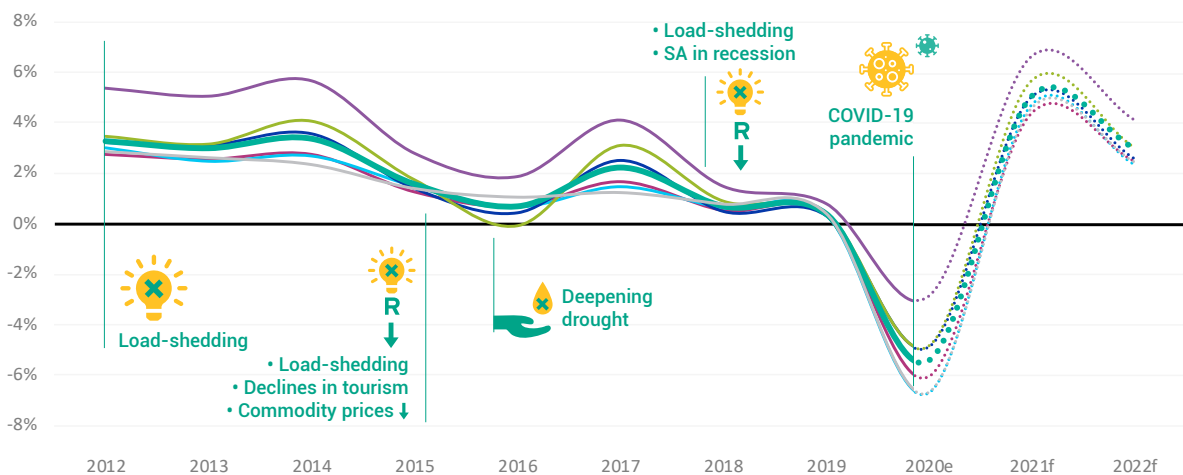
³ Stats SA will only release official regional indicators for 2020 in 2022.

The Drakenstein municipal area was the leading contributor to GDP in 2019 at 32.8 per cent. The Stellenbosch and Breede Valley municipal areas were the second- and third-largest contributors to the Provincial economy, with contributions of 24.1 per cent and 19.1 per cent respectively. They were followed by the Witzenberg municipal area with a contribution of 13.7 per cent in 2019. The Langeberg municipal area contributed the smallest share to GDP (10.3 per cent).

Between 2015 and 2019, the Witzenberg municipal area experienced the highest average annual growth rate out of the five municipal areas that comprise the District. With an average annual growth rate of 2.2 per cent over the five-year period, the Witzenberg municipal area outpaced average growth in the District over the period. The Langeberg municipal area experienced a marginally higher growth rate than that of the District economy between 2015 and 2019, growing at an average rate of 1.2 per cent per year. The remaining three municipal areas, including the leading two contributors to GDP, all experienced average growth rates below that of the District.

Figure 1.1 provides an overview of the historical growth trends of the respective municipal areas in the District, along with the growth rates of the CWD and the Province.

Figure 1.1
GDPR GROWTH PER MUNICIPAL AREA, Cape Winelands District, 2012 - 2022



	2012	2013	2014	2015	2016	2017	2018	2019	2020e	2021f	2022f
Western Cape	2.87%	2.63%	2.36%	1.41%	1.07%	1.25%	0.79%	0.41%	-6.7%	4.6%	2.5%
Cape Winelands District	3.28%	3.00%	3.38%	1.58%	0.70%	2.24%	0.70%	0.39%	-5.5%	5.0%	3.0%
Witzenberg	5.34%	5.03%	5.63%	2.78%	1.86%	4.09%	1.47%	0.79%	-2.9%	6.7%	4.2%
Drakenstein	2.75%	2.56%	2.75%	1.26%	0.68%	1.66%	0.52%	0.32%	-6.1%	4.4%	2.5%
Stellenbosch	2.99%	2.46%	2.66%	1.47%	0.65%	1.45%	0.62%	0.34%	-6.7%	4.7%	2.4%
Breede Valley	3.22%	3.11%	3.57%	1.39%	0.43%	2.51%	0.48%	0.31%	-4.9%	5.0%	2.6%
Langeberg	3.45%	3.14%	4.05%	1.72%	-0.10%	3.09%	0.88%	0.39%	-4.9%	5.7%	3.1%

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

Between 2012 and 2014, all municipal areas in the CWD experienced strong growth rates, with the District economy experiencing a higher annual growth rate than that of the Provincial economy over the three-year period.

In 2015, growth in the District slowed significantly to 1.6 per cent during the year. Growth in the CWD continued to decline in 2016, with the economy realising a growth rate of 0.7 per cent – a rate significantly lower than that of the 1.1 per cent growth rate of the Provincial economy. The downturn in growth over this two-year period was the result of domestic electricity supply constraints and drought conditions in the Province.⁴ As agricultural and agro-processing activities are some of the key drivers of the District economy, drought conditions adversely affected crop production in the District. While growth in the CWD recovered somewhat in 2017, the District was not able to achieve the growth rates realised pre-2015 in the remaining years under review.

Between 2018 and 2019, GDP growth in the District was on a downward trend. In 2018, growth in the District economy slowed to 0.7 per cent before declining to 0.4 per cent in 2019. The Witzenberg and Langeberg municipal areas were the only municipal areas that realised an annual growth rate higher than that of the District economy in 2018. However, this is likely due to their small economic bases. Furthermore, the South African economy entered a technical recession in both 2018 and 2019, further contributing to the poor performance of both the District and Province.

Estimates for 2020 indicate that growth in the District and Provincial economies deteriorated further. In 2020, GDP growth in the CWD registered an estimated contraction of 5.5 per cent, which is lower than the 6.7 per cent contraction recorded for the Provincial economy. This can be attributed to the COVID-19 pandemic and the implementation of lockdown measures to limit its spread. The two leading contributors to the District economy, the Drakenstein and Stellenbosch municipal areas, recorded the largest contractions during the year, estimated at 6.1 per cent and 6.7 per cent respectively. This was largely driven by contractions in the secondary and tertiary sectors. The Breede Valley and Langeberg municipal areas are expected to record contractions of a similar magnitude (4.9 per cent each), while the Witzenberg municipal area is expected to record the smallest contraction (2.9 per cent) in 2020.

GDP growth in the CWD is forecast to increase to 5.0 per cent in 2021 before easing to 3.0 per cent in 2022. The economy of the CWD is anticipated to recover faster than the Provincial economy. On a municipal level, the economies of the Witzenberg (6.7 per cent), Breede Valley (5.0 per cent) and Langeberg (5.7 per cent) municipal areas are anticipated to fully recover in 2021 from the contractions experienced in 2020. Partial recoveries are anticipated in the Drakenstein (4.4 per cent) and Stellenbosch (4.7 per cent) municipal areas. The improved growth rates observed in 2021 are as a result of the poor performance of the District economy in 2020 brought about by the COVID-19 pandemic. This should not be considered as an improved economic outlook for the District, as growth in 2021 originates from a constrained economic base.


⁴ (African Development Bank, Organisation for Economic Co-operation and Development, United Nations Development Programme, 2017).

1.2.2 Sectoral GDP performance

Table 1.1 indicates the CWD's GDP performance in 2019 by providing an overview of sectoral contributions. Furthermore, growth rates between 2015 and 2019, estimates for 2020 and forecasts for 2021 and 2022 are provided.

Table 1.1

GDP PERFORMANCE PER SECTOR, Cape Winelands District, 2019 – 2022 (%)

SECTOR		R million value 2019	Trend 2015 – 2019	Real GDP growth		
				2020e	2021f	2022f
Primary Sector		R5 350.2 (7.7%)	-3.6%	10.9%	5.0%	-1.2%
PS Agriculture, forestry & fishing		R5 211.6 (7.5%)	-3.6%	11.5%	4.9%	-1.2%
Mining & quarrying		R138.7 (0.2%)	-0.5%	-18.5%	9.0%	-1.4%
Secondary Sector		R16 983.0 (24.4%)	-0.1%	-12.6%	0.6%	6.7%
SS Manufacturing		R10 829.4 (15.6%)	-0.6%	-10.9%	0.4%	6.1%
Electricity, gas & water		R1 643.3 (2.4%)	0.0%	-6.1%	0.6%	4.8%
Construction		R4 510.3 (6.5%)	1.5%	-19.8%	1.2%	9.4%
Tertiary Sector		R47 242.9 (67.9%)	2.3%	-5.4%	6.3%	2.3%
TS Wholesale & retail trade, catering & accommodation		R13 501.5 (19.4%)	2.1%	-9.5%	10.3%	4.4%
Transport, storage & communication		R6 709.9 (9.6%)	1.8%	-14.3%	10.6%	-2.6%
Finance, insurance, real estate & business services		R14 075.0 (20.2%)	3.6%	-2.7%	6.1%	4.9%
General government		R7 521.2 (10.8%)	0.2%	0.4%	-2.8%	-0.6%
Community, social & personal services		R5 435.3 (7.8%)	1.9%	-1.9%	6.2%	-2.1%
Total Cape Winelands District		R69 576.2 (100.0%)	1.1%	-5.5%	5.0%	3.0%

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

In 2019, the tertiary sector was valued at R47.2 billion and contributed 67.9 per cent to GDP in the CWD, while registering an annual growth rate of 2.3 per cent between 2015 and 2019. This rate was higher than that of the District economy over the same reference period, highlighting the importance of the tertiary sector to growth in the District. Within the tertiary sector, finance and trade sectors were the leading contributors to GDP at 20.2 per cent and 19.4 per cent respectively in 2019. Between 2015 and 2019, the finance sector realised an average annual growth rate of 3.6 per cent, significantly higher than that of the tertiary sector. Furthermore, the trade sector grew at an average annual rate of 2.1 per cent over the five-year period.

Estimates for 2020 indicate that the tertiary sector contracted by 5.4 per cent. The finance sector is estimated to have contracted by 2.7 per cent during the year, while the trade sector is estimated to have contracted by 9.5 per cent. Travel and alcohol bans resulting in the closing of wine farms in 2020 significantly constrained the trade sector in the CWD. The general government sector is the only sector in the tertiary sector with a positive estimated growth rate in 2020 (0.4 per cent).

However, growth in the general government sector may be short-lived, given that the positive growth rate in this sector was mainly driven by the expansion of government services during the COVID-19 pandemic. Local municipalities are especially constrained owing to a reduction in income as households and businesses struggle to pay for services.

The secondary sector was the second-largest contributor to the District economy in 2019, with a contribution of 24.4 per cent. Between 2015 and 2019, the secondary sector remained near stagnant, with an average annual contraction of 0.1 per cent over the five-year period. The manufacturing sector was the largest contributor to economic activity in the secondary sector, at 15.6 per cent in 2019. Over the reference period, the manufacturing sector contracted by an average annual rate of 0.6 per cent and was thus the main contributor to the poor performance of the secondary sector. The poor performance of the manufacturing sector can be attributed to the drought conditions during the period, which affected agricultural output as well as the struggling wine industry.

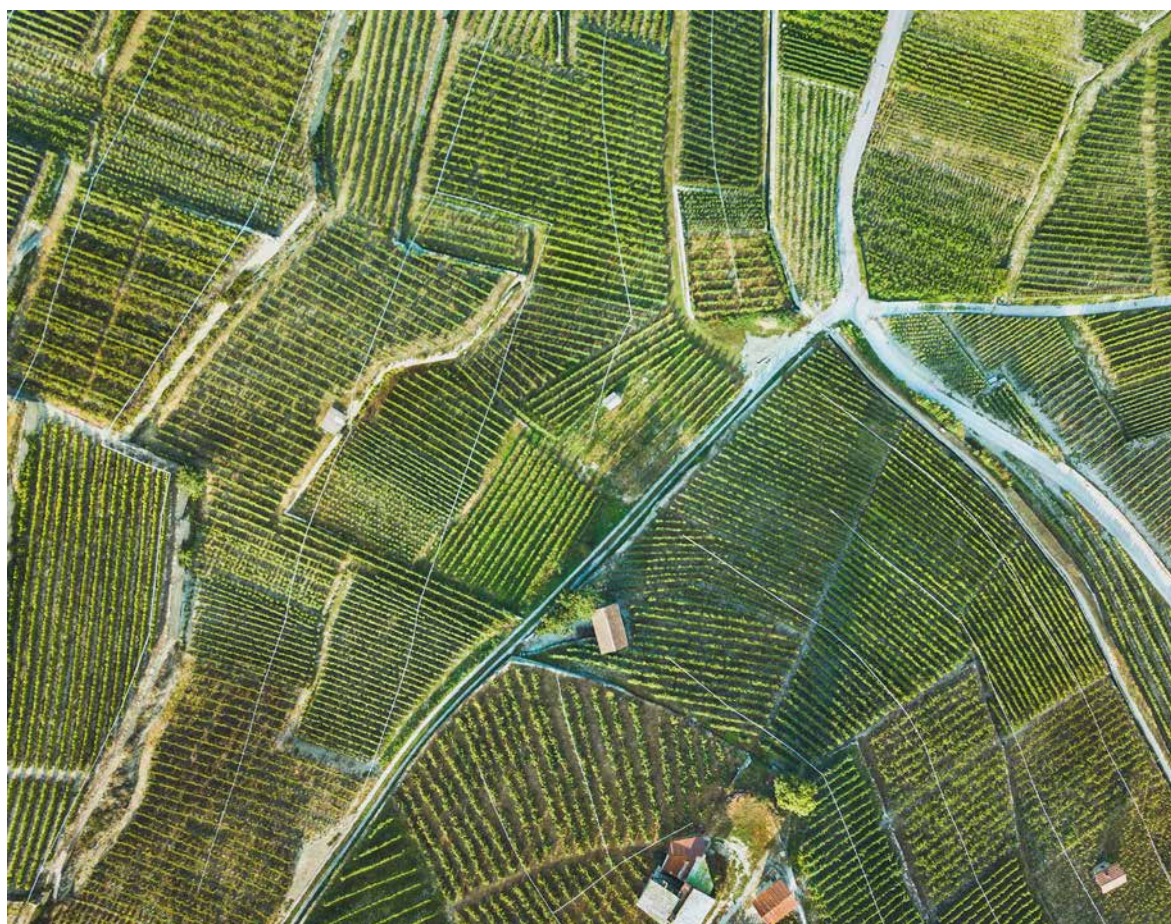
In 2020, economic activity in the secondary sector contracted by an estimated 12.6 per cent. Although all individual sectors that collectively form part of the secondary sector contracted, the construction sector is estimated to have contracted the most (19.8 per cent), followed by the manufacturing sector (10.9 per cent). Alcohol bans as part of the lockdown measures aimed at curbing the spread of COVID-19 contributed significantly to the poor performance of the manufacturing sector in the CWD.



Valued at R5.3 billion in 2019, the primary sector contributed 7.7 per cent to GDP in 2019 and registered an average annual contraction of 3.6 per cent between 2015 and 2019. The poor performance of the agriculture sector, which registered an average annual contraction of 3.6 per cent over the five-year period, was the largest contributor to the poor performance of the primary sector. The mining sector contributed a mere 0.2 per cent to GDP in 2019.

Economic activity in the primary sector is expected to have increased by 10.9 per cent in 2020. The sector's positive performance is expected to be driven by the agriculture sector, with an expected annual growth rate of 11.5 per cent in 2020. This is likely due to the less severe impact of COVID-19 lockdown measures on the agricultural sector, as well as the strong recovery in international agricultural prices towards the end of 2020.⁵

In the 2021 forecast period, annual growth across all sectors is expected to increase significantly. The tertiary sector is expected to realise an annual growth rate of 6.3 per cent in 2021, driven by a strong anticipated recovery of the trade (10.3 per cent) and finance (6.1 per cent) sectors. The secondary sector is expected to grow by a marginal 0.6 per cent in 2021 owing to recoveries in growth across all individual sectors. The primary sector is anticipated to register a growth rate of 5.0 per cent in 2021, largely as a result of continued strong growth in the agriculture sector (4.9 per cent). Although the mining sector is expected to realise a substantial recovery in annual growth at 9.0 per cent, this effect is minimal given the sector's contribution to the economy of the CWD. Although sectoral growth rates are forecast to have significant recoveries in 2021, these strong rates are not sustainable in the long run.



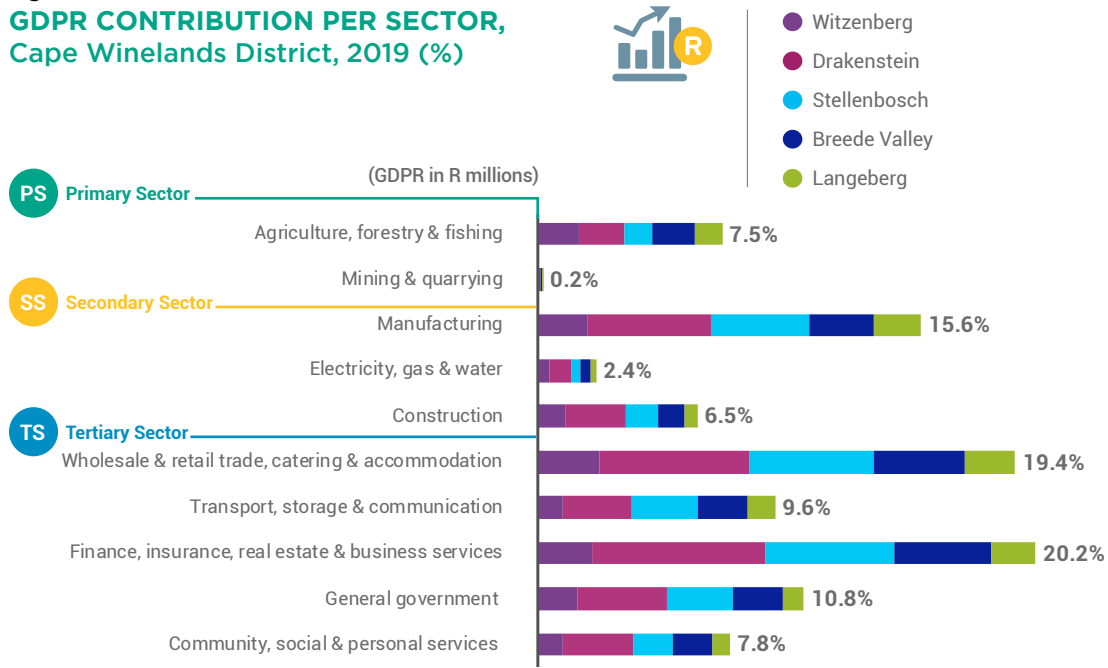
⁵ (World Bank Group, 2020).

Annual growth across most sectors is forecast to slow significantly in 2022. The secondary sector is anticipated to register substantial growth of 6.7 per cent, but the tertiary sector is expected to grow by a subdued 2.3 per cent in 2022, while the primary sector is expected to contract by 1.2 per cent during the same year.

Figure 1.2 illustrates the CWD’s sectoral GDP contribution per municipal area in 2019.

Figure 1.2

GDPR CONTRIBUTION PER SECTOR, Cape Winelands District, 2019 (%)



Source: Quantec Research, 2021

The leading contributor to economic activity in the CWD in 2019 was the finance sector in the Drakenstein (7.0 per cent) and Stellenbosch (5.2 per cent) municipal areas, followed by the trade sector, also in the Drakenstein (6.1 per cent) and Stellenbosch (5.1 per cent) municipal areas. Manufacturing sector activities were also more prominent in the Drakenstein (5.0 per cent) and Stellenbosch (4.0 per cent) municipal areas.

Most of the sectoral economic activity in the District was concentrated in the Drakenstein and Stellenbosch municipal areas. However, notable contributions to the agriculture sector were also made by the Witzenberg (1.7 per cent) and Breede Valley (1.7 per cent) municipal areas.



1.3 LABOUR TREND ANALYSIS

This subsection provides an overview of the key employment trends in the CWD by indicating which municipal areas contributed the largest share to employment in the District. Employment dynamics will also be discussed by identifying sectoral contributions in terms of the creation or shedding of job opportunities in the District.

1.3.1 Employment per municipal area

An overview of employment in the CWD in 2019 is provided in Table 1.2. Furthermore, average annual changes in employment and estimates for 2020 are also provided. In 2019, a total of 395 234 workers were employed in the District and contributed 15.3 per cent to Provincial employment during the year.

Table 1.2
EMPLOYMENT GROWTH, Cape Winelands District, 2019

MUNICIPALITY	Number of jobs 2019	Average annual change 2015 – 2019	Net change 2020e
● Witzenberg	64 930 (16.4%)	2 087	-2 812
● Drakenstein	112 599 (28.5%)	2 227	-6 452
● Stellenbosch	78 449 (19.8%)	1 346	-4 659
● Breede Valley	85 767 (21.7%)	1 917	-4 706
● Langeberg	53 489 (13.5%)	1 075	-2 921
Cape Winelands District	395 234 (100.0%)	8 653	-21 550
Western Cape	2 581 736	40 794	-159 299

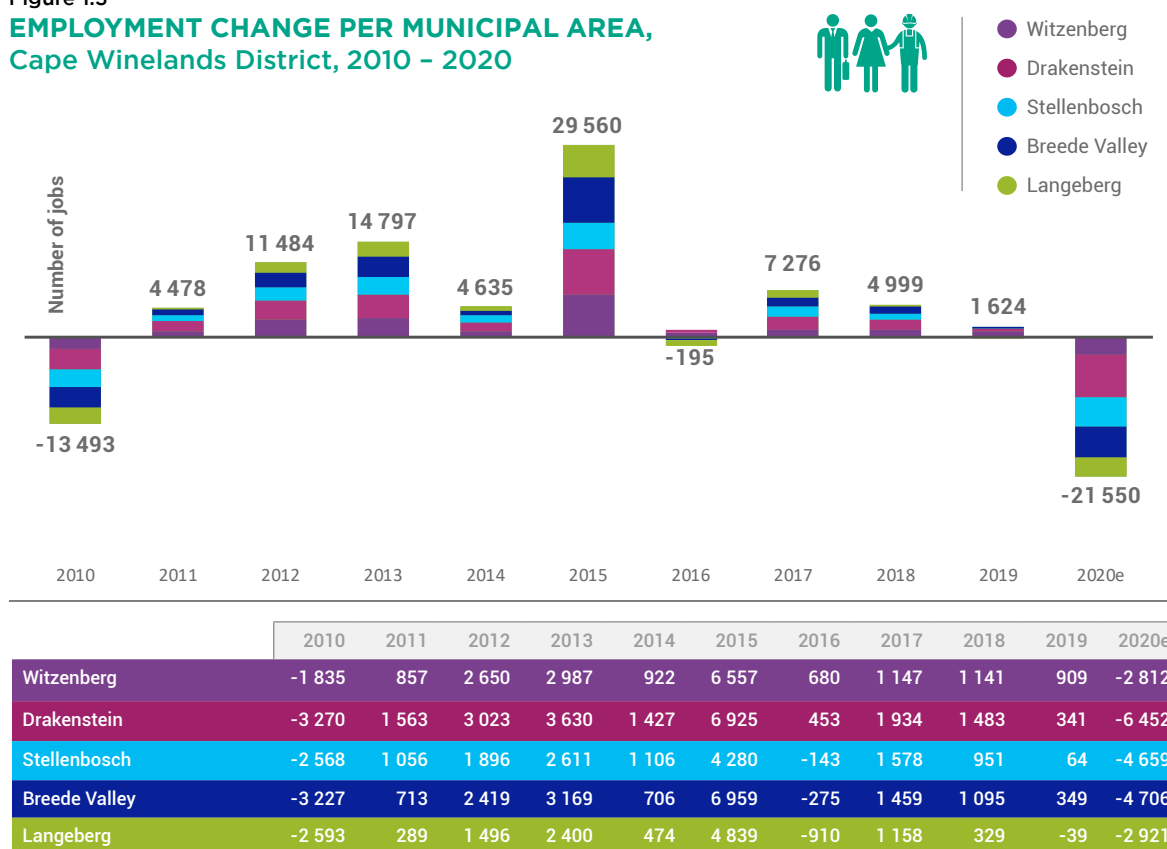
Source: Quantec Research, 2021 (e denotes estimate)

The Drakenstein and Breede Valley municipal areas contributed the most to employment in the CWD in 2019 at 28.5 per cent and 21.7 per cent respectively. This was followed by the Stellenbosch (19.8 per cent) and Witzenberg (16.4 per cent) municipal areas. The Langeberg municipal area contributed the smallest share to employment in the District at 13.5 per cent. Given the proximity to the Cape Metro area, there is significant labour movement between the Stellenbosch and Drakenstein municipal areas and the metro. This affects the flow of money in these economies, as income is spent in the area of residence.

Between 2015 and 2019, the CWD experienced an average annual increase of 8 653 jobs. The Drakenstein municipal area contributed the largest share to the average annual increase in jobs in the District, with an average annual increase of 2 227 jobs over the five-year period. This is reflective of the importance of the Drakenstein municipal area to economic activity and employment in the District. The Witzenberg municipal area experienced an average annual increase in jobs of similar magnitude, with 2 087 jobs contributed between 2015 and 2019.

Figure 1.3 illustrates the employment trends per municipal area in the CWD between 2010 and 2020.

Figure 1.3
EMPLOYMENT CHANGE PER MUNICIPAL AREA,
Cape Winelands District, 2010 – 2020



Source: Quantec Research, 2021 (e denotes estimate)

A significant amount of job-shedding was experienced in the CWD in 2010, with a total of 13 493 jobs lost in the District. This loss can be attributed to the lagged recovery of jobs from the global financial crisis and domestic electricity supply constraints. The Drakenstein municipal area accounted for the largest proportion of job-shedding in the District during the year, with a total of 3 270 jobs lost in 2010.

Between 2011 and 2013, the CWD experienced a sustained recovery in job creation, with 30 759 job opportunities created in the District over the three-year period. However, following the year-on-year increases in employment, the number of new job opportunities in the District declined to 4 635 jobs in 2014. In 2015, new job opportunities in the District peaked at 29 560 jobs.⁶ This substantial increase in job opportunities was followed by job-shedding in 2016, with a total of 195 jobs being lost in the CWD during the year.

Despite a recovery in job opportunities in 2017, a downward trend is evident until 2019. With a total of 7 276 jobs created in the District in 2017, new job opportunities in the CWD declined to an increase of 4 999 jobs and 1 624 jobs in 2018 and 2019 respectively. This trend was due to the deterioration of the South African economy’s growth prospects over the same period and was amplified by periods of drought in the Province.


⁶ 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).

It is estimated that the CWD shed 21 550 jobs in 2020, with the Drakenstein municipal area being the largest contributor to this decline (6 452 jobs), followed by the Breede Valley (4 706 jobs) and Stellenbosch (4 659 jobs) municipal areas. As is evident in the broader Province, labour market conditions in the District worsened significantly in 2020 as a result of the COVID-19 pandemic and the implementation of local lockdown measures.

1.3.2 Sectoral employment

Table 1.3 depicts the sectoral spread of employment in the CWD in 2019, along with the number of jobs created between 2015 and 2019, and estimates for 2020.

Table 1.3
EMPLOYMENT PER SECTOR, Cape Winelands District, 2019

		Number of jobs 2019	Average annual change 2015 – 2019	Net change 2020e
PS	Primary Sector	83 341 (21.1%)	1 532	-3 458
	Agriculture, forestry & fishing	83 178 (21.0%)	1 536	-3 443
	Mining & quarrying	163 (0.0%)	-4	-15
SS	Secondary Sector	53 985 (13.7%)	359	-4 966
	Manufacturing	31 524 (8.0%)	-22	-2 309
	Electricity, gas & water	1 023 (0.3%)	19	-23
	Construction	21 438 (5.4%)	362	-2 634
TS	Tertiary Sector	257 908 (65.3%)	6 762	-13 126
	Wholesale & retail trade, catering & accommodation	90 980 (23.0%)	3 172	-5 501
	Transport, storage & communication	14 546 (3.7%)	405	-511
	Finance, insurance, real estate & business services	59 560 (15.1%)	2 003	-2 495
	General government	36 787 (9.3%)	73	423
	Community, social & personal services	56 035 (14.2%)	1 108	-5 042
	Total Cape Winelands District	395 234 (100.0%)	8 653	-21 550

Source: Quantec Research, 2021 (e denotes estimate)

Similarly to GDP, the tertiary sector was the largest collective contributor to employment in the District, at 65.3 per cent in 2019. Furthermore, the tertiary sector had the strongest average annual increase in the number of jobs (6 762 jobs) between 2015 and 2019. The trade sector was the largest individual contributor to District employment (23.0 per cent), as well as to job creation, with an average annual increase of 3 172 jobs.

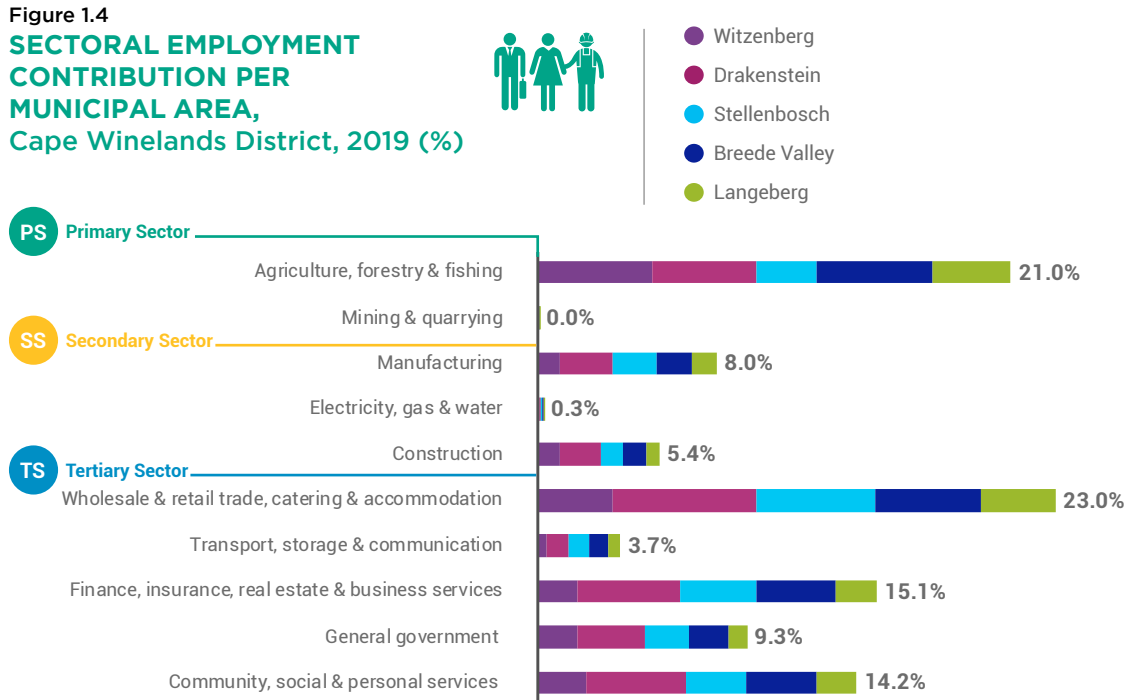
Other notable contributors to District employment include the finance (15.1 per cent) and community services (14.2 per cent) sectors. The finance sector also contributed substantially to job creation between 2015 and 2019 (2 003 jobs per annum).

The primary sector accounted for 21.1 per cent of total employment in the CWD in 2019. As the primary sector’s employment contribution outweighs its GDP contribution, it is concluded that the sector is predominantly labour-intensive. The agriculture sector contributed to nearly all new job opportunities in the primary sector in 2019, with a contribution of 21.0 per cent.

In 2019, the secondary sector accounted for 13.7 per cent of District employment, with the manufacturing sector contributing the largest proportion (8.0 per cent) during the year. Between 2015 and 2019, the secondary sector realised an average annual increase of 359 jobs, driven by increases in the construction sector. The manufacturing sector experienced an average annual decline of 22 jobs, which may be linked to the weakening performance of the agriculture sector, as well as an increase in mechanisation.

The estimated job losses in 2020 are mainly the result of significant job-shedding in the tertiary sector (13 126 jobs). However, job losses are also expected in the secondary (4 966 jobs) and primary (3 458 jobs) sectors. It is estimated that the trade sector shed the most jobs (5 501 jobs). This is followed by the community services sector, with expected job-shedding of 5 042 jobs in 2020. All other sectors, apart from the general government sector, are expected to have experienced job-shedding in 2020. The performance of employment in the general government sector is likely due to the government-led health response to the COVID-19 pandemic.

Sectoral employment contributions per municipal area in the CWD during 2019 are illustrated in Figure 1.4.



Source: Quantec Research, 2021

The trade sector in the Drakenstein (6.5 per cent) and Stellenbosch (5.2 per cent) municipal areas contributed the most to employment in the CWD. This was followed by the agriculture sector in the Witzenberg and Breede Valley municipal areas, at 5.1 per cent each in 2019. The finance sector in the Drakenstein (4.6 per cent), Breede Valley (3.5 per cent) and Stellenbosch (3.4 per cent) municipal areas also made a notable contribution to employment in the District in 2019.

Diagram 1.2 illustrates the unemployment rate, labour force participation rate, labour absorption rate and the “not economically active” population as a proportion of the working-age population in each municipal area in the CWD.

Diagram 1.2
UNEMPLOYMENT PROFILE, Cape Winelands District, 2019 (%)

Unemployed persons, according to the official Statistics South Africa (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.

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
Witzenberg	7.1%	↓	73.2%	↓	68.0%	↓	26.8%	↑
Drakenstein	14.5%	↓	67.7%	↓	57.9%	↓	32.3%	↑
Stellenbosch	11.6%	↓	68.8%	↓	60.8%	↓	31.2%	↑
Breede Valley	11.1%	↓	69.5%	↓	61.8%	↓	30.5%	↑
Langeberg	7.3%	↓	71.4%	↓	66.2%	↓	28.6%	↑
Cape Winelands District	11.1%	↓	69.6%	↓	61.9%	↓	30.4%	↑
Western Cape	19.6%	↓	67.9%	↓	54.6%	↓	32.1%	↑

Source: Quantec Research, 2021

In 2019, the CWD recorded an unemployment rate of 11.1 per cent, which is below that of the 19.6 per cent recorded in the Province during the same year. The Drakenstein municipal area had the highest unemployment rate of all municipal areas in 2019 at 14.5 per cent, while the Witzenberg municipal area recorded the lowest unemployment rate (7.1 per cent).

The unemployment rate in the District is expected to have declined in 2020. This should not be considered as an improvement in the District's labour market, as a large number of individuals were moved from the employed and unemployed categories to the "not economically active" category.⁷ This is reflected as an increase in the proportion of "not economically active" individuals across all municipal areas in 2020.

Between 2019 and 2020, the labour force participation and labour absorption rates indicate a decline in job opportunities in the District's labour market. This is indicative of the effect of the national lockdown on the District economy's ability to absorb and sustain new employees.

The job losses in the CWD have influenced migration patterns, with municipalities noting an increase in informal settlements in areas such as Stellenbosch, Worcester, the Hex River Valley, Wellington and Paarl. This increases the demand for formal housing and services. However, constrained budgets and the lack of suitable land available for housing developments delay service delivery.⁸

1.4 CONCLUDING REMARKS

Valued at R69.6 billion in 2019, the economy of the CWD contributed 11.4 per cent to the Provincial economy during the year. Between 2015 and 2019, GDP growth in the District averaged at 1.1 per cent, marginally higher than that of the Provincial economy. Estimates for 2020 indicate that the economy of the CWD contracted by 5.5 per cent, which is below the 6.7 per cent contraction estimated for the Provincial economy.

The Drakenstein and Stellenbosch municipal areas were the largest contributors to GDP in the CWD at 32.8 per cent and 24.1 per cent respectively in 2019. When evaluating sectoral contributions to GDP, the tertiary sector was the main driver of economic activity in the District, with a contribution of 67.9 per cent in 2019. Sectoral GDP estimates indicate that economic activity across the tertiary and secondary sectors declined. However, the primary sector, driven by strong performance in the agriculture sector, grew by an estimated 10.9 per cent in 2020. Furthermore, the general government sector is the only other sector with a positive expected growth rate in 2020, owing to increased government spending as a response to the COVID-19 pandemic.

In terms of municipal employment contributions, the Drakenstein municipal area contributed the largest share to employment in the District in 2019, at 28.5 per cent. The trade sector accounted for the largest individual contribution to employment (23.0 per cent). This was followed by the agriculture (21.0 per cent) and finance (15.1 per cent) sectors.

Unemployment in the District is expected to have worsened significantly in 2020, in accordance with the expected contraction in economic activity in the District during the year. Although the unemployment rate in the District is expected to decline between 2019 and 2020, this should not be considered as an improvement in the District's labour market, but rather an increase in the proportion of "not economically active" individuals. In 2019, the total number of jobs in the District stood at 395 234 jobs, with estimates indicating that a total of 21 550 jobs were lost in 2020.

⁷ (Stats SA, 2020).

⁸ (Drakenstein Municipality, 2021), (Breede Valley Municipality, 2021), (Stellenbosch Municipality, 2021) and (Witzenberg Municipality, 2021).

An aerial photograph of a lush green vineyard in a valley. The rows of grapevines are neatly spaced and extend across the landscape. In the background, there are rugged, brown mountains under a bright blue sky with scattered white clouds. A small cluster of buildings and a road are visible in the middle ground, nestled between the vineyard and the mountains.

2

SECTORAL GROWTH, EMPLOYMENT AND SKILLS PER MUNICIPAL AREA

2.1 INTRODUCTION

This chapter provides a more in-depth macroeconomic outlook by considering the trends in GDP, employment and skill levels between 2010 and 2020 for each of the municipal areas within the CWD.

2.2 CAPE WINELANDS DISTRICT WITZENBERG



GDP

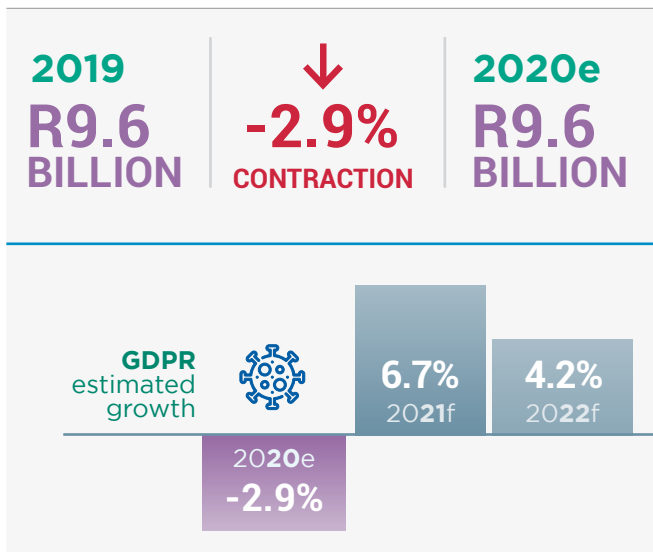
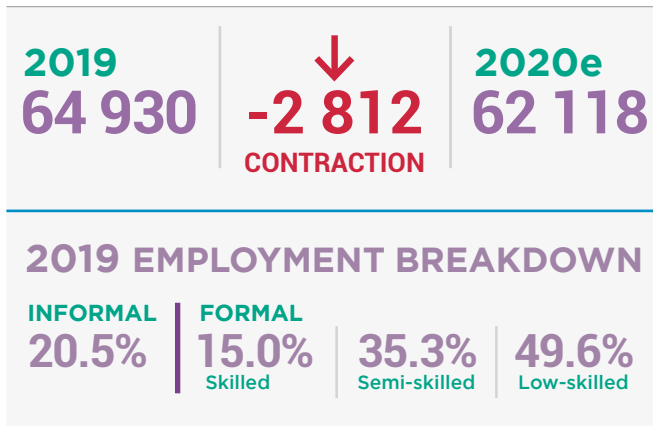


Diagram 2.1
GDPR (CURRENT PRICES) AND EMPLOYMENT, Witzenberg, 2019 and 2020e

JOBS



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

The Witzenberg municipal area consists of five towns, namely Ceres, Tulbagh, Wolseley, Op die Berg and Prince Alfred Hamlet. These towns provide goods and services for the local agricultural industry, with some agro-processing also taking place. The Witzenberg municipal area is well known for producing export-quality deciduous fruit, vegetables and wine, and has also created a footprint as a family and adventure-tourist destination.⁹

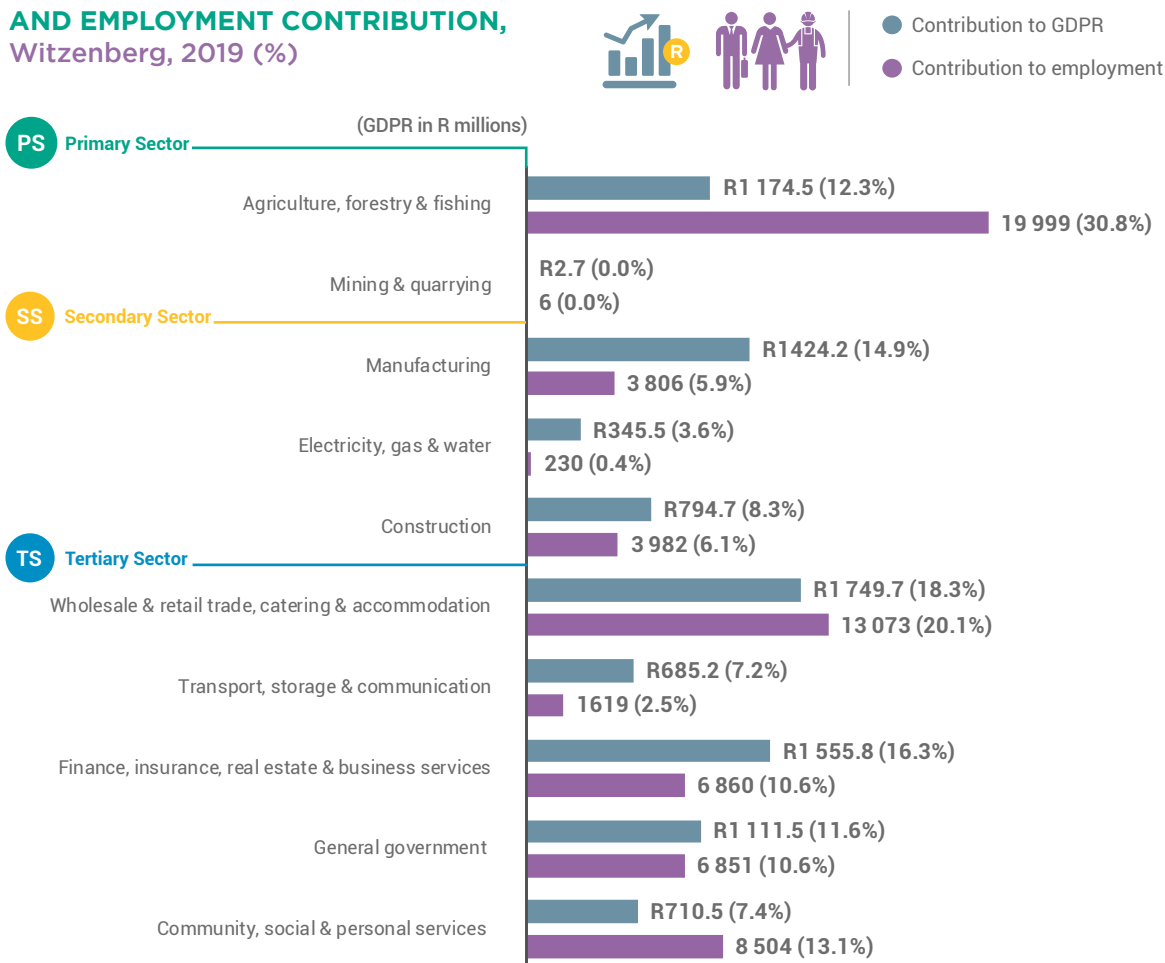
2.2.1 GDP and employment performance

The Witzenberg municipal area's economy was valued at R9.6 billion (in current prices) in 2019. Although the GDPR at current prices remained the same between 2019 and 2020, the region's economy is estimated to have contracted by 2.9 per cent in real terms. In 2019, 64 930 people were employed in the Witzenberg municipal area, with expected job losses of 2 812 jobs estimated for 2020. It is forecast that the economy will recover by 6.7 per cent in 2021, but decrease to 4.2 per cent in 2022.

⁹ (Witzenberg Municipality, 2020).

Figure 2.1 provides a breakdown of the sectoral contribution to GDP and employment in the Witzenberg municipal area in 2019.

Figure 2.1
SECTORAL GDP
AND EMPLOYMENT CONTRIBUTION,
Witzenberg, 2019 (%)




Source: Quantec Research, 2021

In the Witzenberg municipal area, the trade sector and the finance sector contributed the most to GDP in 2019, with 18.3 per cent and 16.3 per cent respectively. In terms of employment in the municipal area, the agriculture sector (30.8 per cent) and the trade sector (20.1 per cent) were the main sectors of employment in the region in 2019. In 2019, the mining sector and the electricity, gas and water sector contributed the least to employment and GDP. This is primarily due to the region's lack of mineral resources.

The agriculture sector contributed substantially more to employment than to GDP, which is indicative of the sector's high labour-intensive nature. The community services sector is also more labour-intensive, contributing 13.1 per cent to employment but only 7.4 per cent to GDP. In 2019, the manufacturing sector contributed 14.9 per cent to GDP but only 5.9 per cent to employment, and the finance sector also contributed more to GDP than to employment, indicating that these sectors are more capital-intensive.

Table 2.1 illustrates the sectoral changes in GDP and employment between 2015 and 2019, and provides the estimated performance for 2020.

Table 2.1
GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Witzenberg



SECTOR	GDPR		Employment	
	Trend 2015 – 2019	Real GDP growth 2020e	Average annual change 2015 – 2019	Net change 2020e
PS Primary Sector	-3.1%	12.2%	413	-786
Agriculture, forestry & fishing	-3.1%	12.3%	413	-785
Mining & quarrying	3.2%	-15.5%	0	-1
SS Secondary Sector	2.4%	-11.4%	214	-672
Manufacturing	2.2%	-8.9%	67	-199
Electricity, gas & water	1.5%	-4.9%	8	-3
Construction	3.0%	-19.1%	139	-470
TS Tertiary Sector	3.8%	-3.4%	1 459	-1 354
Wholesale & retail trade, catering & accommodation	2.9%	-9.0%	606	-648
Transport, storage & communication	2.2%	-11.9%	60	-54
Finance, insurance, real estate & business services	5.7%	-0.5%	314	-215
General government	2.6%	2.6%	157	186
Community, social & personal services	3.7%	-0.5%	323	-623
Total Witzenberg	2.2%	-2.9%	2 087	-2 812

Source: Quantec Research, 2021 (e denotes estimate)

The Witzenberg municipal area achieved an average growth rate of 2.2 per cent between 2015 and 2019. The tertiary sector had the highest average growth rate (3.8 per cent) during this period, followed by the secondary sector (2.4 per cent). The primary sector had a contraction of 3.1 per cent owing to the contraction in the agriculture sector. The contraction can be attributed to the drought experienced in the region, as well as low commodity prices. The finance sector and community services sector drove GDP growth in the municipal area between 2015 and 2019, with average annual growth rates greater than the local average. Although the mining sector achieved a noteworthy growth rate of 3.2 per cent in 2019, this sector's contribution to the overall GDP is very small and is unlikely to contribute substantially to the region's economy.

The estimates for the Witzenberg municipal area in 2020 show that the economy contracted by 2.9 per cent. The large contraction of 9.0 per cent for the municipal area's largest economic sector, trade, impacted the total economy significantly. The contraction in this sector can be related to the decline in the tourism industry owing to the travel restrictions and lockdowns imposed by COVID-19.

With limited movements and less use of transport facilities for both personal and business purposes, the transport sector was also negatively impacted by the lockdown restrictions, and contracted by 11.9 per cent. The agriculture sector is estimated to have had a significant increase of 12.3 per cent in 2020. The agriculture sector's strong performance helped the total municipal area's economy not to contract as significantly as anticipated in 2020. The main commodities in the municipal area are wheat, apples and pears. The growth in this sector is related to the price increase in wheat owing to the high exchange rate in 2020. Apples and pears are two of the top five most popular fruits in the country, and consumption is expected to increase by 25.0 per cent in the next decade. This will have a positive impact on purchasing power for local consumption, resulting in positive growth.¹⁰

In terms of employment, the Witzenberg municipal area created an average of 2 087 jobs per annum between 2015 and 2019. Employment creation was mainly driven by employment opportunities in the tertiary sector, which experienced an average annual increase of 1 459 jobs during this period. Between 2015 and 2019, the primary and secondary sectors experienced an annual average increase of 413 and 214 jobs respectively. The largest growth experienced for individual sectors was in the trade sector (606 jobs), followed by the agriculture sector with 413 jobs.

The municipal area is estimated to have lost 2 812 jobs in 2020 owing to the significant impact of COVID-19 on the local economy. Most of the jobs lost were in the tertiary sector (1 354 jobs), with the trade sector shedding 648 jobs. The agriculture sector is estimated to have contracted by 785 jobs, the largest portion of the total number of jobs lost within the municipal area. The potential explanation for the decline in jobs despite the positive economic growth is that agriculture employment could be related to endogenous labour. Some agricultural operations have been affected by the COVID-19 regulations, for example the wine industry was not able to operate under level five regulations. The other possible explanation is that the increase of the minimum wage from R18.68 to R21.69 per hour might have driven job losses in the sector.¹¹



¹⁰ (BFAP, 2020).

¹¹ (BFAP, 2021).



INDUSTRY PERFORMANCE

The multibillion-rand apple and pear industry is expecting a positive 2021 harvest after good rainfall in 2020, which will be welcome news for farmers from the Ceres and Grabouw regions. In 2020 farmers increased their hectareage of pome fruit planted in anticipation of future industry growth in years to come.^{12,13}

The total value of pear production from the Province's 17 million trees was up 13.0 per cent in 2020. Exports (which make up 47.0 per cent of total pear volumes) were marginally down in 2020, but this was countervailed by increased average international prices per tonne.

A total of 34 million apple trees are planted on more than 23 000ha in the Western Cape, and both of these metrics have grown steadily over the past few years. Apple export volumes were their highest level in more than a decade as total production also peaked in 2020. The industry's fortunes were further supported by high export prices.

Looking ahead, the recent opening of a Tissue Culture Facility in Paarl will help the local pome fruit industry to remain globally competitive. Beginning with apple rootstocks, the three-million-plants-a year facility will aid the industry in developing market-ready drought- and disease-resistant cultivars quicker than traditional methods.¹⁴

To read more on the performance of the deciduous fruit industry:



¹² (Hortgro, 2020a).

¹³ (Hortgro, 2020b).

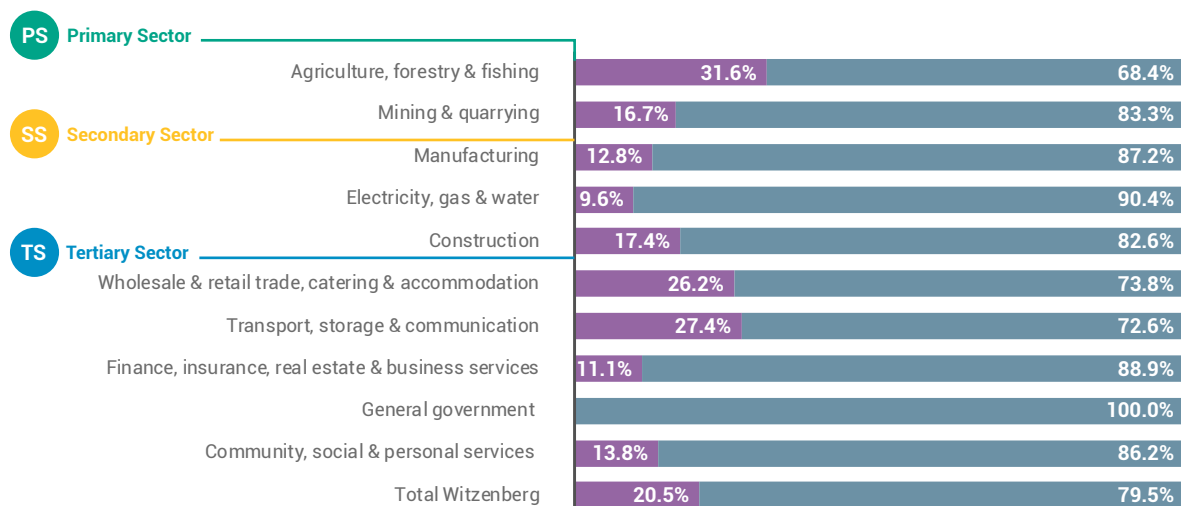
¹⁴ (Tissue Culture Facility, 2020).

Figure 2.2 illustrates the distribution of formal and informal employment in the Witzenberg municipal area in 2019.¹⁵

Figure 2.2
INFORMAL EMPLOYMENT DISTRIBUTION,
Witzenberg, 2019 (%)



● Proportion informal employment
● Proportion formal employment



Source: Quantec Research, 2021

In 2019, formal employment accounted for 79.5 per cent of workers in the Witzenberg municipal area, while informal employment accounted for 20.5 per cent. Agriculture (31.6 per cent), transport (27.4 per cent) and trade (26.2 per cent) were the sectors with the highest proportion of informal employment in the municipal area. Informal employment is important in the municipal area, since it contributes critically to job creation. The lack of availability of affordable trading space for informal businesses is a constraining factor for growth. During the COVID-19 pandemic, the municipality implemented a variety of services to support both formal and informal businesses. These included frequent communication on funding opportunities and support, providing permits that enabled businesses to operate during lockdown periods, providing sanitiser toolkits in conjunction with the Department of Economic Development and Tourism, and allowing informal traders to trade with old permits.¹⁶



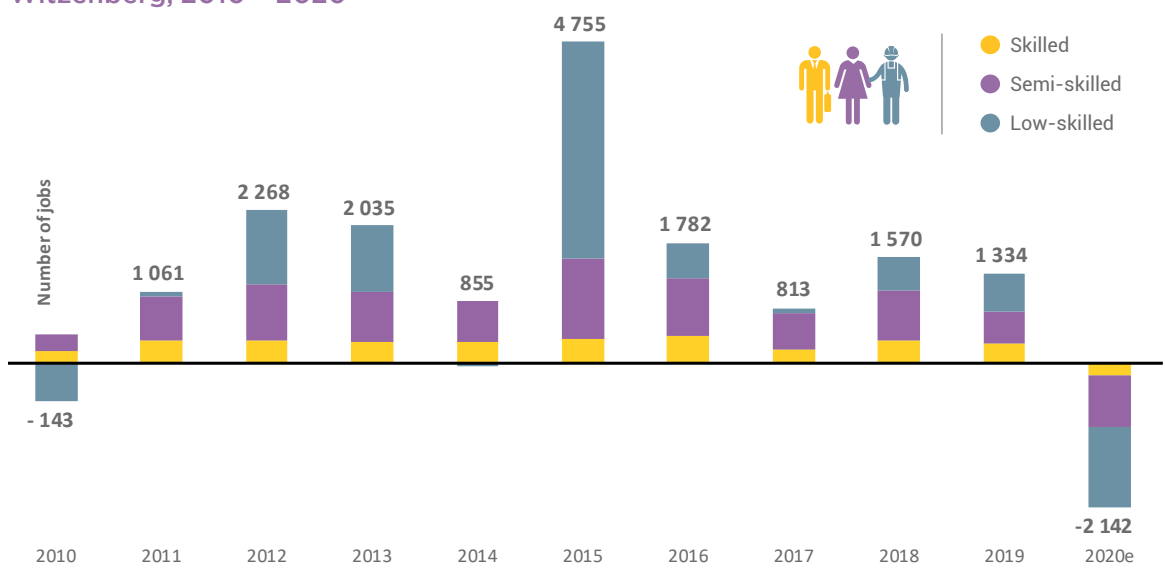
¹⁵ Throughout this chapter, it should be noted that the number of informal sector workers is determined by using labour data from the Quarterly Employment Statistics (QES) and the Quarterly Labour Force Survey (QLFS). Quantec uses the QES formal figure, to which it adds formal agricultural and domestic 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.

¹⁶ Employment estimates in the Quarterly Labour Force Survey (QLFS) of the first quarter of 2015 were based on the new Stats SA master sample. It is therefore hard to determine whether the significant employment growth is due to the adjusted master sample or an actual increase in employment (Stats SA, 2015).

2.2.2 Skills analysis

Figure 2.3 provides an overview of the changes in formal employment by skill levels in the Witzenberg municipal area between 2010 and 2020.

Figure 2.3
EMPLOYMENT GROWTH BY SKILL LEVELS,
Witzenberg, 2010 - 2020



Source: Quantec Research, 2021 (e denotes estimate)

Owing to the global financial crisis aftershock, a net loss of 143 jobs was recorded in the Witzenberg municipal area in 2010, with low-skilled workers in particular experiencing a significant number of job losses (557). It should be noted that despite the economic downturn, there was no job-shedding for skilled and semi-skilled workers during this period. This illustrates the resilient nature of skilled and semi-skilled jobs.

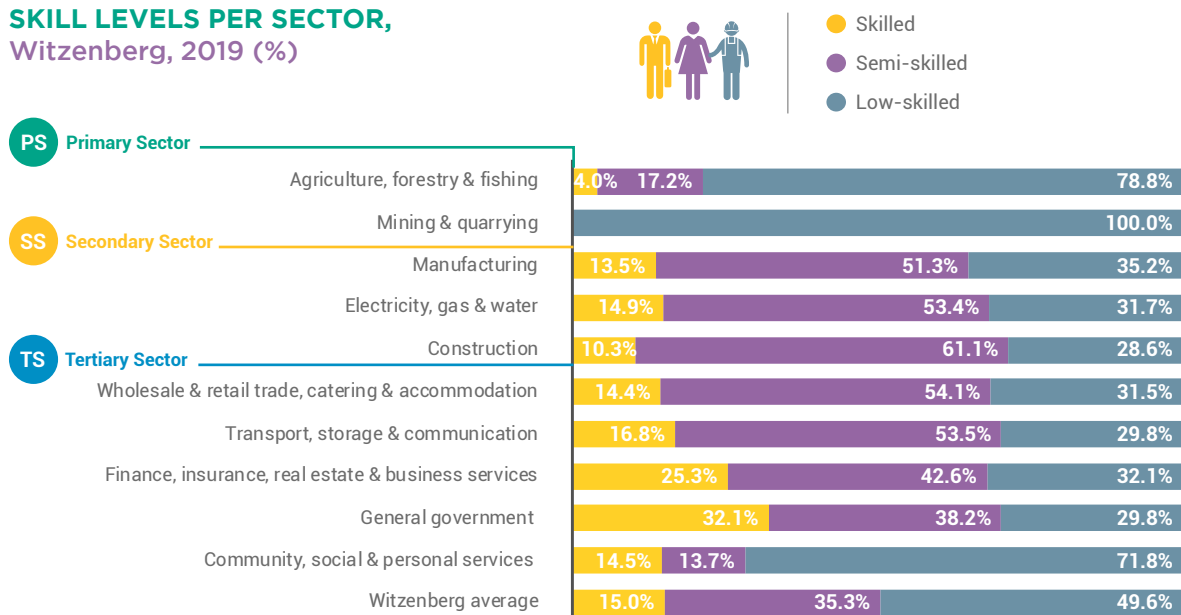
Between 2012 and 2013, most employment opportunities created in the region were for low-skilled workers. In 2014, however, low-skilled workers experienced further job-shedding, with 55 jobs lost. Employment opportunities in the region experienced a significant increase in 2015, with 4 755 job opportunities created, mainly for low-skilled and semi-skilled workers.¹⁷ The total number of formal jobs lost owing to the COVID-19 pandemic in 2020 was an estimated 2 142 jobs. A total of 173 jobs were lost in the skilled workforce and 1 191 in the low-skilled workforce.

Given that employment often lags economic growth, it is anticipated that despite the GDP growth forecast for 2021 and 2022, employment will not recover in the short term, which will have a significant impact on poverty in the local municipal area.

¹⁷ Employment estimates in the Quarterly Labour Force Survey (QLFS) of the first quarter of 2015 were based on the new Stats SA master sample. It is therefore hard to determine whether the significant employment growth is due to the adjusted master sample or an actual increase in employment (Stats SA, 2015).

Figure 2.4 illustrates the skill levels per sector for formal employment in the Witzenberg municipal area.

Figure 2.4
SKILL LEVELS PER SECTOR,
Witzenberg, 2019 (%)



Source: Quantec Research, 2021

Low-skilled employees made up most of the formal employment in the Witzenberg municipal area, accounting for almost half of all workers in the region (49.6 per cent) in 2019. The region also had a high concentration of semi-skilled workers (35.3 per cent). In 2019, 15.0 per cent of the region’s workforce was classed as skilled.

Semi-skilled workers were prevalent in most sectors in the region. The construction sector was a particularly significant source of semi-skilled employment, with 61.1 per cent of workers in this sector being semi-skilled. Skilled workers were more prevalent in the tertiary sector. In the general government sector, nearly a third (32.1 per cent) of all workers were classified as skilled. Employment in the finance sector also largely comprised skilled workers (25.3 per cent).

Low-skilled workers contributed the most to employment in the following sectors: the agriculture sector (78.8 per cent), the mining sector (100.0 per cent) and the community services sector (71.8 per cent). The significant job losses in the agriculture sector indicate that the sector will largely shed low-skilled workers in 2020. This will put pressure on the local municipality, as revenue will be lost and the need for basic service delivery will increase. Additional skills development programmes for low-skilled workers will be vital to help increase their ability to work in other economic sectors as the economy fluctuates.



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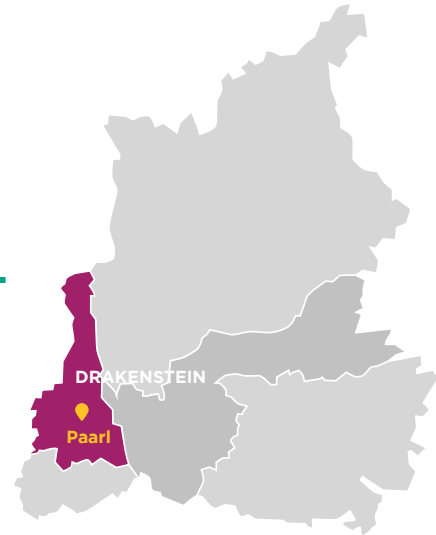
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2.3 CAPE WINELANDS DISTRICT DRAKENSTEIN



GDP

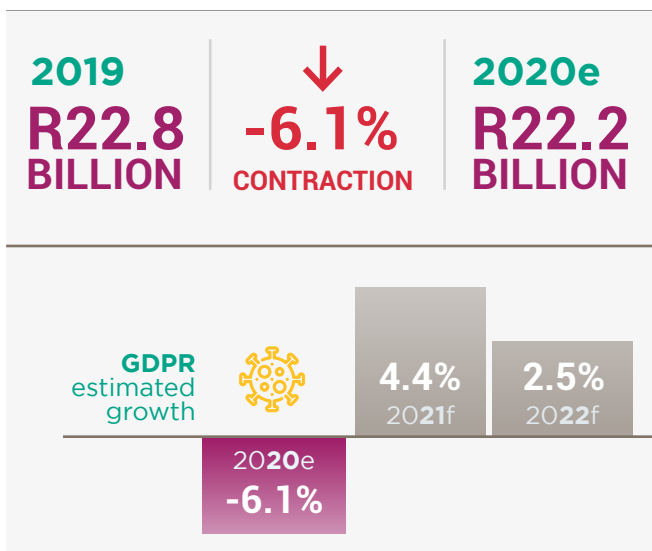
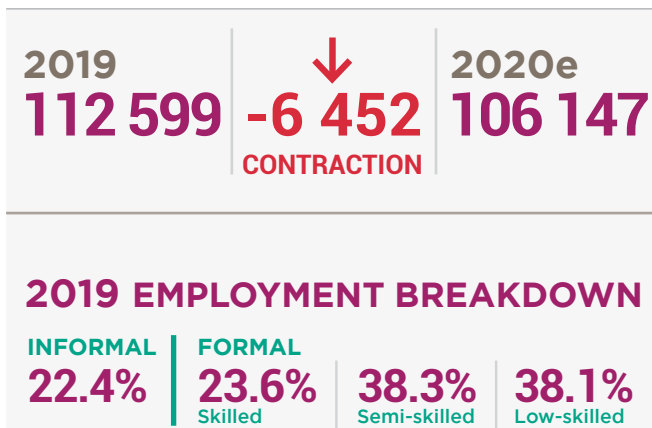


Diagram 2.2
**GDPR (CURRENT PRICES) AND EMPLOYMENT,
Drakenstein, 2019 and 2020e**

JOBS



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

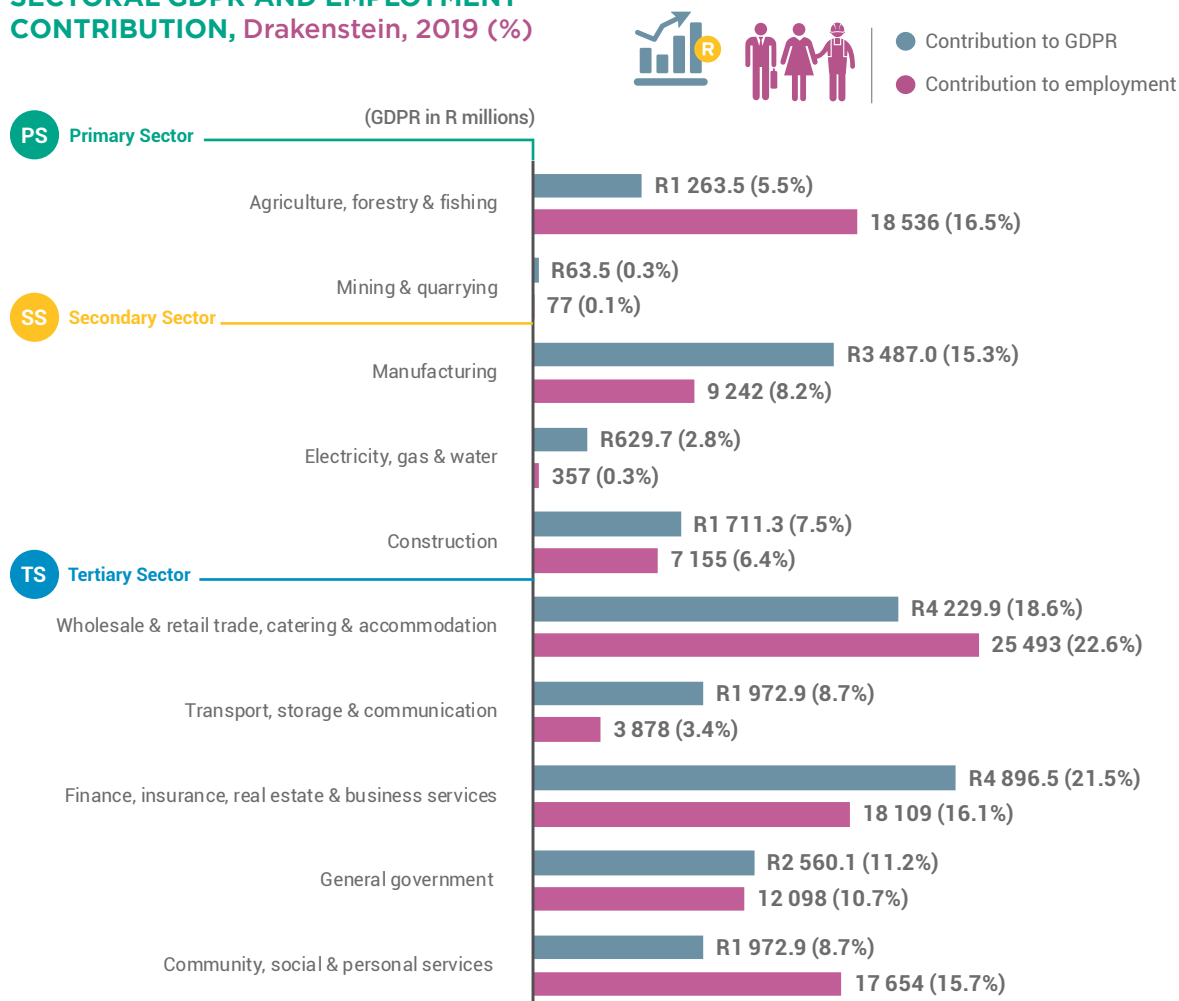
The Drakenstein municipal area is well known for its fruit and wine production and processing, as well as its heritage sites and tourist attractions. Paarl is the main service centre and has a rich history and several tourist attractions. Other towns in the municipal area include Wellington, Saron, Gouda, Hermon, Mbekweni and Simondium. These towns primarily serve as service centres for the local agricultural industry. The Drakenstein municipal area is very well connected, with the N1 traversing the area.

2.3.1 GDPR and employment performance

The Drakenstein municipal area's economy was valued at R22.8 billion (in current prices) in 2019, with 112 599 people being employed in the region during the year. It is estimated that the GDPR contracted significantly in 2020 in real terms (6.1 per cent). The contraction of the GDPR to R22.2 billion was mainly due to COVID-19. Employment contracted in 2020, with 6 452 jobs being lost as the total employment in the municipal area declined to 106 147 jobs. It is forecast that the economy will recover partially in 2021, as the economy is expected to increase by 4.4 per cent, but decrease to 2.5 per cent in 2022.

Figure 2.5 indicates the sectoral contribution to GDP and employment in the Drakenstein municipal area in 2019.

Figure 2.5
SECTORAL GDP AND EMPLOYMENT
CONTRIBUTION, Drakenstein, 2019 (%)




Source: Quantec Research, 2021

The finance sector was the largest contributor to GDP in the Drakenstein municipal area in 2019, accounting for 21.5 per cent of GDP. With 18.6 per cent, the trade sector was the second-largest contributor to GDP. This sector also provided the majority of jobs in the region, accounting for 22.6 per cent of total employment in 2019.

While the tertiary sector contributed the most to GDP and employment, there were several subsectors in the primary and secondary sectors that contributed significantly to the region's economy and employment. Despite contributing only 5.5 per cent to the region's GDP, agriculture was the region's second-largest employer, accounting for 16.5 per cent, illustrating the sector's labour-intensive nature. The manufacturing sector, which was the third-largest contributor to GDP at 15.3 per cent, only contributed 8.2 per cent to employment, which illustrates the capital-intensive nature of this sector.

Table 2.2 outlines the GDP and employment performance per sector in the Drakenstein municipal area between 2015 and 2019, and gives estimates for 2020.

Table 2.2
GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Drakenstein



SECTOR	GDPR		Employment	
	Trend 2015 – 2019	Real GDP growth 2020e	Average annual change 2015 – 2019	Net change 2020e
PS Primary Sector	-3.2%	10.6%	364	-761
Agriculture, forestry & fishing	-3.2%	11.7%	366	-752
Mining & quarrying	-1.1%	-18.7%	-2	-9
SS Secondary Sector	-1.0%	-13.8%	-29	-1 700
Manufacturing	-1.9%	-12.4%	-120	-785
Electricity, gas & water	0.3%	-5.7%	8	-7
Construction	1.3%	-19.9%	83	-908
TS Tertiary Sector	2.0%	-5.3%	1 892	-3 991
Wholesale & retail trade, catering & accommodation	1.9%	-9.6%	884	-1 568
Transport, storage & communication	0.8%	-15.3%	68	-160
Finance, insurance, real estate & business services	3.1%	-3.1%	525	-855
General government	0.3%	0.4%	-5	117
Community, social & personal services	2.3%	-1.6%	421	-1 525
Total Drakenstein	0.9%	-6.1%	2 227	-6 452

Source: Quantec Research, 2021 (e denotes estimate)

The Drakenstein municipal area achieved an average annual growth rate of 0.9 per cent between 2015 and 2019. Over the five-year period, the tertiary sector achieved an average annual growth rate of 2.0 per cent. The finance sector (3.1 per cent), community services sector (2.3 per cent) and trade sector (1.9 per cent) had the highest average growth rates. The secondary sector experienced an average annual contraction of 1.0 per cent between 2015 and 2019. The poor performance in the secondary sector was mainly caused by the contraction of the manufacturing sector (1.9 per cent), while the agriculture sector contracted by 3.2 per cent as the primary sector contracted by 3.2 per cent. The manufacturing sector is directly affected by the agriculture sector, which contracted owing to droughts across the region and resulted in a contraction in the manufacturing sector too. Manufacturing in the municipal area consists mostly of wine processing.

Estimates for 2020 indicate that the overall municipal area’s economy contracted by 6.1 per cent. Sectors that normally drive economic growth in the municipal area contracted. The finance sector is estimated to have contracted by 3.1 per cent and the trade sector by 9.6 per cent.

This could be a result of the downturn in the tourism industry owing to travel restrictions and hard lockdowns across the country as a result of the COVID-19 pandemic. It is assumed that several restaurants needed to close their doors owing to the economic strain caused by COVID-19. The agriculture sector had an 11.7 per cent increase in growth between 2019 and 2020, which could be as a result of improved weather conditions and higher commodity prices. This sector was able to be fully functional under lockdown level five in 2020. The general government sector also recorded marginal growth (0.3 per cent). The general government sector experienced numerous challenges in the year, such as unbudgeted expenses, reduction of income and contractor delays on projects.¹⁸

The Drakenstein municipal area created an average of 2 227 jobs per annum between 2015 and 2019. Employment creation was mainly driven by the tertiary sector during this period, particularly the trade sector (884 jobs per annum) and the finance sector (525 jobs per annum). The agriculture sector also created 366 jobs annually between 2015 and 2019. The secondary sector shed an average of 29 jobs per annum between 2015 and 2019, as the manufacturing sector shed an average annual of 120 jobs in the same period. It is estimated that 6 452 jobs were lost in the Drakenstein municipal area in 2020 owing to the impact of COVID-19. A significant number of jobs are estimated to have been lost in the trade sector (1 568 jobs). The sector that shed the second-highest number of jobs was the community services sector, with 1 525 jobs lost, followed by the construction sector (908 jobs) and the finance sector (855 jobs).

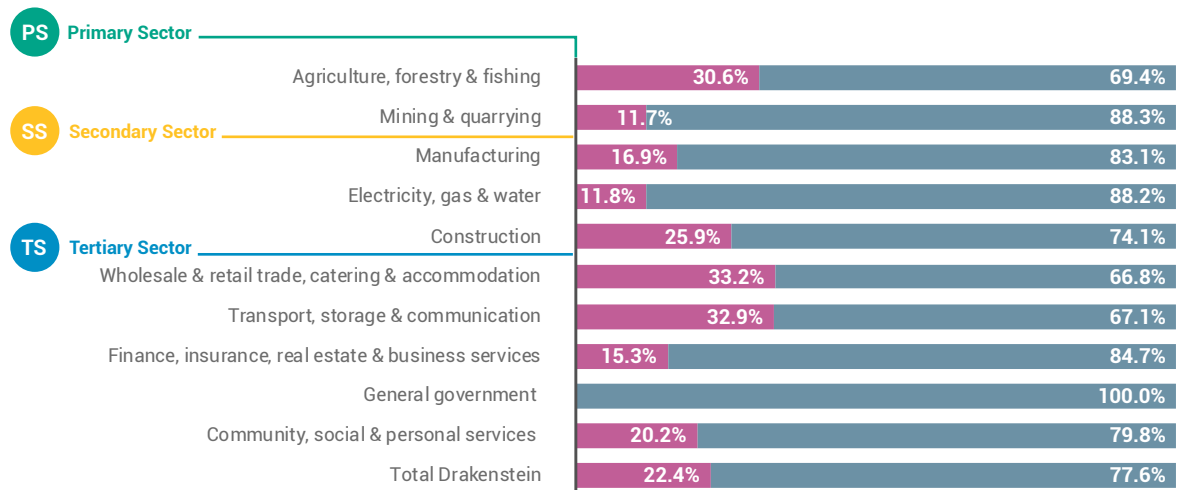


© Tim Mossholder, Unsplash

¹⁸ (Drakenstein Municipality, 2021).

Figure 2.6 depicts the sectoral distribution of formal and informal employment in the Drakenstein municipal area in 2019.

Figure 2.6
INFORMAL EMPLOYMENT DISTRIBUTION,
Drakenstein, 2019 (%)



Source: Quantec Research, 2021

The largest proportion of employment in the Drakenstein municipal area in 2019 was in the formal sector (77.6 per cent). The trade sector had the largest proportion of informal employment in 2019, with informal employment accounting for 33.2 per cent of the sector’s total employment. Other sectors that had a noticeable proportion of informal employment included the transport sector (32.9 per cent), the agriculture sector (30.6 per cent) and the construction sector (25.9 per cent).

There is a lack of municipal-owned industrial sites that can be released for new industrial development in the Drakenstein municipal area. Furthermore, the cost and challenges of doing business in the Drakenstein municipal area impede business growth and development, particularly in urban areas. Rural businesses are constrained by the lack of market access, as well as access to affordable supplies, as most suppliers are based in Paarl and Wellington. These factors impede formal and informal job creation. The lack of formal trading spaces, access to finance, skills and regulatory constraints negatively impact informal businesses in the municipal area.¹⁹



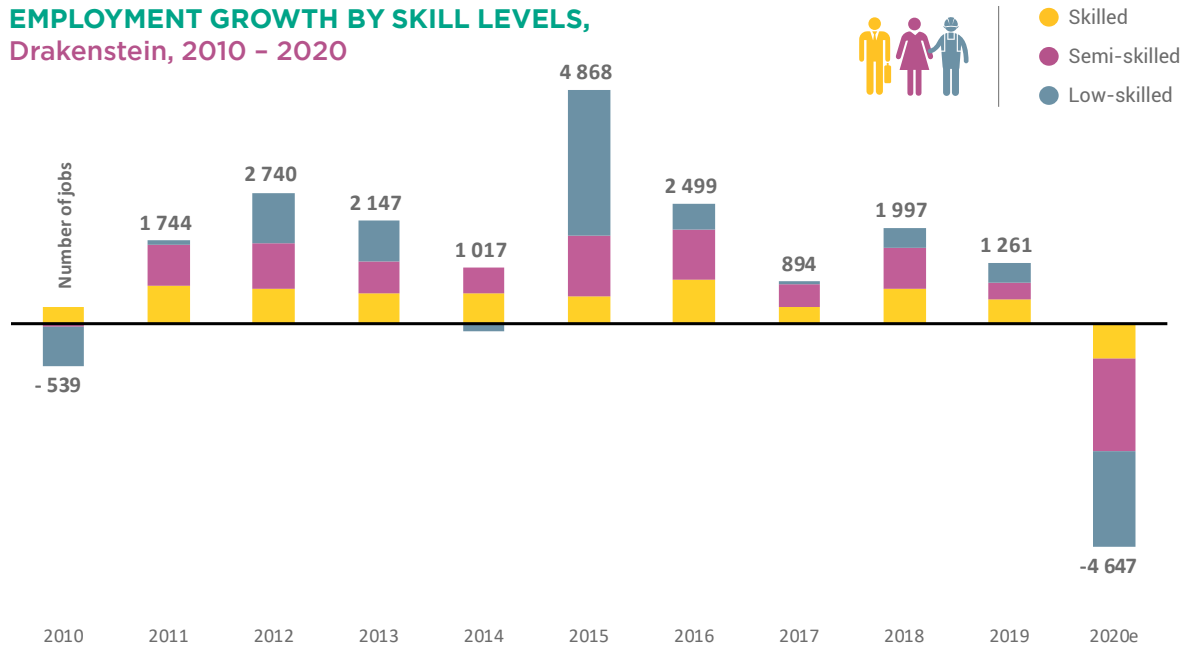
¹⁹ (Drakenstein Municipality, 2021).

2.3.2 Skills analysis

Figure 2.7 illustrates the change in employment by skill levels between 2010 and 2020 in the Drakenstein municipal area.

Figure 2.7

EMPLOYMENT GROWTH BY SKILL LEVELS, Drakenstein, 2010 – 2020



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e
Skilled	346	789	717	649	647	585	920	363	719	505	-730
Semi-skilled	-72	856	975	666	527	1 250	1 043	461	876	354	-1 923
Low-skilled	-813	99	1 048	832	-157	3 033	536	70	402	402	-1 994

Source: Quantec Research, 2021 (e denotes estimate)

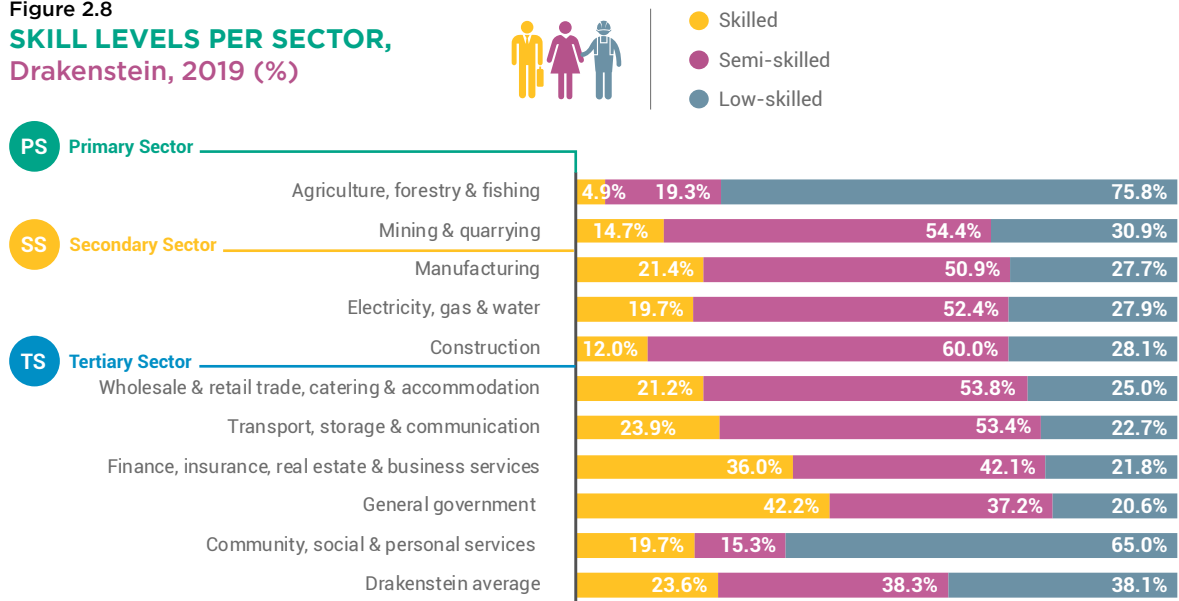
With the effects of the global financial crisis still being felt in 2010, substantial formal job losses (539 jobs) occurred in the Drakenstein municipal area. The job losses were mainly experienced by low-skilled and semi-skilled workers, while 346 skilled jobs were created in 2010, indicating the start of recovery.

Between 2011 and 2013, there was a significant increase in the number of jobs created, with the majority of jobs going to semi-skilled and skilled workers. Between 2014 and 2019, employment growth fluctuated, with low-skilled workers seeing a significant increase in 2015.²⁰ Of the 4 868 jobs generated in the Drakenstein municipal area in 2015, 3 033 were for low-skilled workers. The impact of COVID-19 caused 4 647 formal jobs to be lost in 2020, with the majority of jobs lost being for semi-skilled and low-skilled workers. A total of 730 jobs are estimated to have been lost in the skilled workforce for the municipal area.

²⁰ 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).

Figure 2.8 illustrates the skill levels per sector in formal employment in the Drakenstein municipal area in 2019.

Figure 2.8
SKILL LEVELS PER SECTOR,
Drakenstein, 2019 (%)



Source: Quantec Research, 2021

Given that employment often lags economic growth, it is anticipated that despite the GDP growth forecast for 2021 and 2022, employment will not recover in the short term, which will have a significant impact on poverty in the local municipal area.

Employment in the Drakenstein municipal area in 2019 was predominantly made up of semi-skilled workers (38.3 per cent) and low-skilled workers (38.1 per cent). Skilled workers accounted for 23.6 per cent of the region’s employment. Employment in the agriculture sector and the community services sector mainly consisted of low-skilled workers. In 2019, 75.8 per cent of workers in the agriculture sector were low-skilled, while 65.0 per cent of workers in the community services sector were classified as low-skilled.

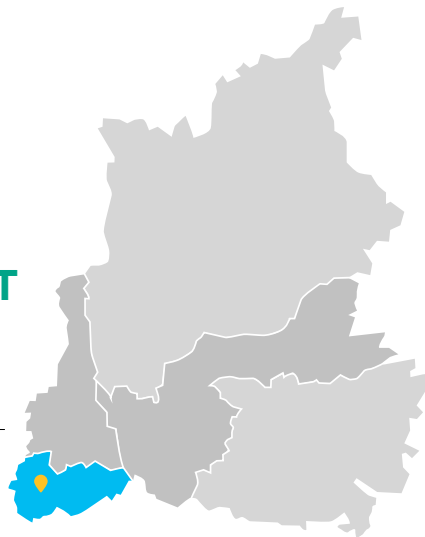
Semi-skilled workers were most prevalent in the construction sector (60.0 per cent) and the mining sector (54.4 per cent). All sectors barring the agriculture sector and the community services sector had a significant proportion of semi-skilled workers. In 2019, 42.2 per cent of workers in the general government sector were skilled. The finance sector also had a large proportion of skilled workers (36.0 per cent).

Additional skills development programmes will need to be initiated for the municipal area to ensure that workers in the low-skilled category have the opportunity to develop skills for other employment opportunities as the economy fluctuates in the various sectors. The agriculture sector is diversifying into a more mechanised sector and technology is improving, meaning that the workers’ skill levels will need to improve in order for them to sustain their jobs.



2.4 CAPE WINELANDS DISTRICT STELLENBOSCH

STELLENBOSCH



GDPR

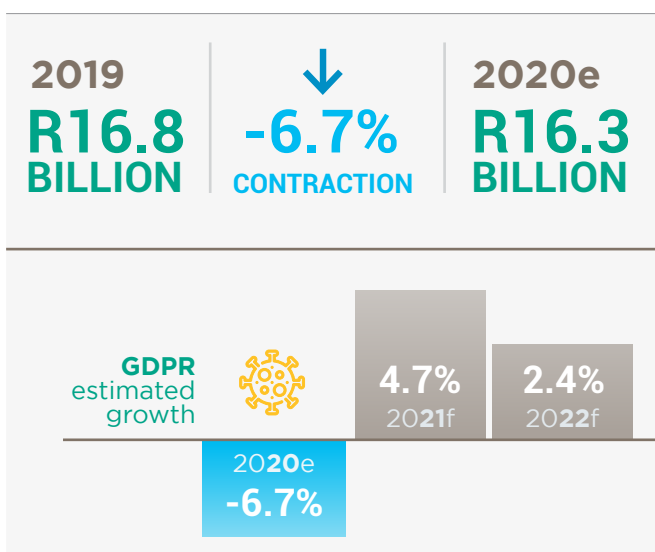
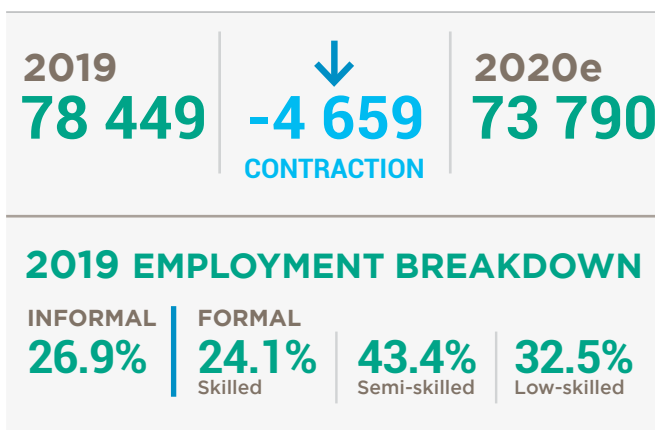


Diagram 2.3

**GDPR (CURRENT PRICES) AND EMPLOYMENT,
Stellenbosch, 2019 and 2020e**

JOBS



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

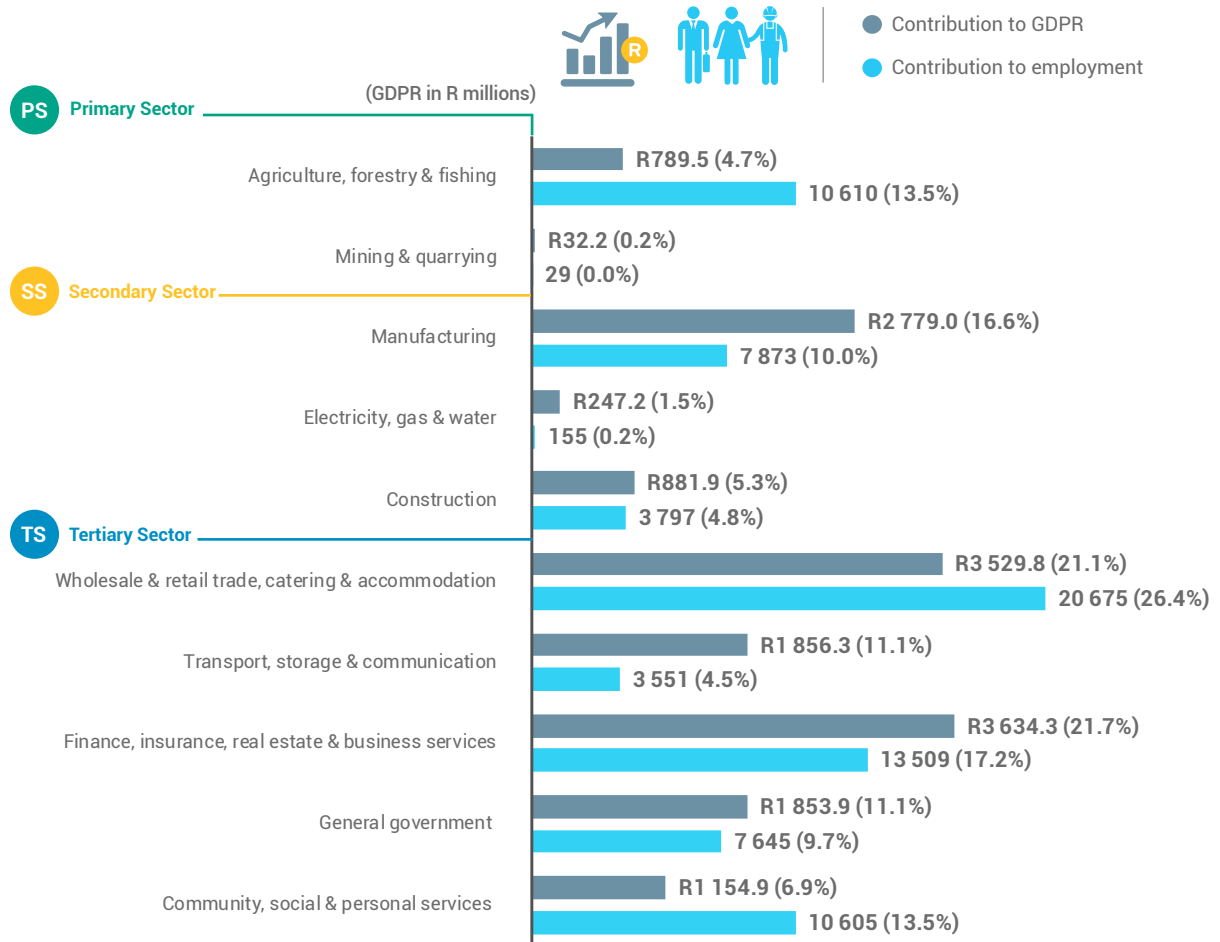
Towns within the Stellenbosch municipal area include Franschhoek, Stellenbosch, Pniël, Klapmuts, Kylemore, Jamestown, Raithby, Ida's Valley, Cloeteville, Kayamandi and Vlottenburg. The town of Stellenbosch is the main economic node within the municipal area and is the second-oldest town in South Africa. The Stellenbosch and Franschhoek areas are well known for their fruit- and wine-production activities, and cultural and heritage attractions. Stellenbosch is also considered a university town, as it houses Stellenbosch University, which attracts both national and international students.

2.4.1 GDPR and employment performance

The Stellenbosch municipal area's economy was valued at R16.8 billion (in current prices) in 2019, with 78 449 people being employed in the region during the year. Estimates for 2020 indicate that the Stellenbosch municipal area's economy contracted by 6.7 per cent to R16.3 billion, while the municipal area is estimated to have shed 4 659 jobs in 2020. It is forecast that in 2021, the economy will recover partially by 4.7 per cent, and by a further 2.4 per cent in 2022.

Figure 2.9 illustrates the sectoral contribution to GDP and employment in the Stellenbosch municipal area in 2019.

Figure 2.9
SECTORAL GDP AND EMPLOYMENT CONTRIBUTION,
Stellenbosch, 2019 (%)




With a contribution of 21.7 per cent in 2019, the finance sector was the largest contributor to GDP in the Stellenbosch municipal area. The trade sector (21.1 per cent) and the manufacturing sector (16.6 per cent) were other sizable contributors to GDP in the region. Despite its minor contribution to GDP (4.7 per cent), the agriculture sector is a key driver of the Stellenbosch municipal area's economy, with agro-processing accounting for a large share of the manufacturing sector's operations.

The trade sector was the biggest contributor to employment in the region. This sector employed 26.4 per cent of the region's total workforce in 2019. The trade sector is a labour-intensive sector that contributes more to employment than to GDP. The finance sector is also a significant contributor to employment at 17.2 per cent. However, similar to the manufacturing sector, the finance sector is more capital-intensive, with a larger contribution to GDP than to employment.

Table 2.3 provides an overview of the performance of each sector in the Stellenbosch municipal area between 2015 and 2019, and provides estimates for 2020.

Table 2.3
GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Stellenbosch

		GDPR		Employment	
		Trend 2015 – 2019	Real GDPR growth 2020e	Average annual change 2015 – 2019	Net change 2020e
SECTOR					
PS	Primary Sector	-4.1%	10.1%	172	-490
	Agriculture, forestry & fishing	-4.2%	10.9%	172	-489
	Mining & quarrying	0.2%	-18.4%	0	-1
SS	Secondary Sector	-0.6%	-12.9%	26	-1 081
	Manufacturing	-0.9%	-11.5%	-8	-601
	Electricity, gas & water	-0.4%	-6.4%	3	-3
	Construction	0.7%	-19.8%	31	-477
TS	Tertiary Sector	1.9%	-6.3%	1 149	-3 088
	Wholesale & retail trade, catering & accommodation	2.1%	-9.6%	625	-1 298
	Transport, storage & communication	3.1%	-13.9%	113	-127
	Finance, insurance, real estate & business services	2.4%	-4.2%	365	-644
	General government	-0.2%	-0.1%	-21	60
	Community, social & personal services	0.7%	-2.8%	66	-1 079
Total Stellenbosch		0.9%	-6.7%	1 346	-4 659

Source: Quantec Research, 2021 (e denotes estimate)

Between 2015 and 2019, the tertiary sector achieved an average annual growth rate of 1.9 per cent, with the transport sector performing particularly well over the five-year period, with a growth rate of 3.1 per cent. The region's other two main contributors to GDP, the finance sector and the trade sector, also achieved positive average growth rates of 2.4 per cent and 2.1 per cent respectively. The Stellenbosch municipal area's GDP grew at an average annual rate of only 0.9 per cent between 2015 and 2019. The marginal growth was due to the primary and secondary sectors' average annual growth contractions of 4.1 per cent and 0.6 per cent respectively. This was mainly a result of the significant drought that the Western Cape experienced during this time. Between 2015 and 2019, the manufacturing sector experienced an average annual contraction of 0.9 per cent. Agro-processing of produce, obtained from the region's agriculture sector, accounted for a substantial share of manufacturing activity. As a result, the manufacturing sector's performance was influenced by the poor performance of the agriculture sector.

In terms of employment, the tertiary sector had the largest employment growth between 2015 and 2019, with 1 149 jobs created annually. The trade sector created the highest number of jobs on an annual basis (625 jobs). The manufacturing sector had a contraction of eight jobs annually between 2015 and 2019, indicating the impact of the poor performance of the agriculture sector. The total number of jobs created annually by the Stellenbosch municipal area for the reviewed period was 1 346.

It is estimated that the economic pressure of COVID-19 has significantly impacted the municipal area, and resulted in a 6.7 per cent contraction of the economy. Tourism and hospitality businesses, including restaurants, accommodation, the wine industry, tour guides, shuttle services, tour operators, booking agents and visitor attractions, have suffered significantly. SMMEs that are less capital-intensive have also been significantly affected by the COVID-19 pandemic. The decline in tourist activities in 2020 as a result of the pandemic, plus the restrictions in many forms of retail trade, resulted in the trade sector contracting by an estimated 9.6 per cent between 2019 and 2020. Tourism and hospitality are directly linked to the wine industry not only in terms of providing an outlet for the consumption of wine but also in terms of wine tourism, where the associated revenue generated at the wine farms has been reduced.²¹

The impact of COVID-19 on the wine industry has been severe. Under the level five lockdown regulations (announced on 23 March 2020 and effective starting at midnight on 26 March), wine farmers were initially not allowed to harvest grapes for the remainder of the harvesting season.²²

The transport sector is estimated to have had a significant contraction of 13.9 per cent in 2020. COVID-19 has led to a serious reduction in travel. Some airlines have stopped or restricted flights, and travel companies have seen most of their tours being cancelled. Hotels and restaurants are seeing lower occupancy levels and patronage respectively. The manufacturing sector is also estimated to have contracted by 11.5 per cent in 2020. This sector was severely impacted by the restrictions imposed in the lockdown period of 2020, as well as by load-shedding. The agriculture sector is the only sector in the municipal area that had an increase in economic growth between 2019 and 2020. This could be attributed to improved weather conditions, better prices for commodities on a national level and the fact that this sector was able to operate under lockdown level five in 2020. The general government sector contracted less (0.1 per cent) compared with other sectors, which is likely because of the integral role the sector played in managing the pandemic, not only from a health perspective but also from a community services perspective. On a local level, there were numerous challenges that affected productivity and service delivery, such as reduced income, which affected capital expenditures, delays in implementing existing projects, increased expenditures on personal protective equipment and staff shortages owing to illness.²³

Employment in 2020 is estimated to have been severely impacted, and a total of 4 659 jobs are expected to have been lost. The majority of jobs lost were estimated to have been in the trade sector, with 1 298 jobs, followed by the community services sector (1 079 jobs).

²¹ (Cape Wine Academy, 2020).

²² (SAWIS, 2021).

²³ (Drakenstein Municipality, 2021).



INDUSTRY PERFORMANCE

Within the Western Cape, the wine industry contributes R31 billion towards Provincial GDP and supports 166 652 jobs.²⁴ The wine industry experienced thousands of job losses and millions of rands' worth of unrealised sales as a result of the restrictions on alcohol sales imposed by the Government in response to COVID-19. These losses were not only felt by wine producers and grape growers but would have spread to components of the tourism sector²⁵ that are closely aligned with the broader wine industry. This was exacerbated by reduced exports in 2020,²⁶ also largely owing to the effects of COVID-19 on international trade. It is estimated that the sales and export bans of 2020 threatened the viability of, or led to the demise of, 80 wineries and 350 wine grape producers, affecting up to 20 000 workers and households.²⁷ On a macro level, the bans may have strengthened the illegal trade of alcohol,²⁸ detracting from the industry's efforts to promote ethical production and consumption.

The alcohol bans and other recent events (such as the Provincial drought) have resulted in consolidation within the sector, as many smaller operators have been forced out through insolvency.²⁹ However, industry operators remain optimistic about the future, leveraging their heritage of innovation and resilience to survive.

To read more on the macroeconomic impact of the wine industry on the South African economy:



²⁴ (FTI Consulting, 2021).

²⁵ (Western Cape Department of Agriculture, 2020).

²⁶ (Wines of South Africa, 2021).

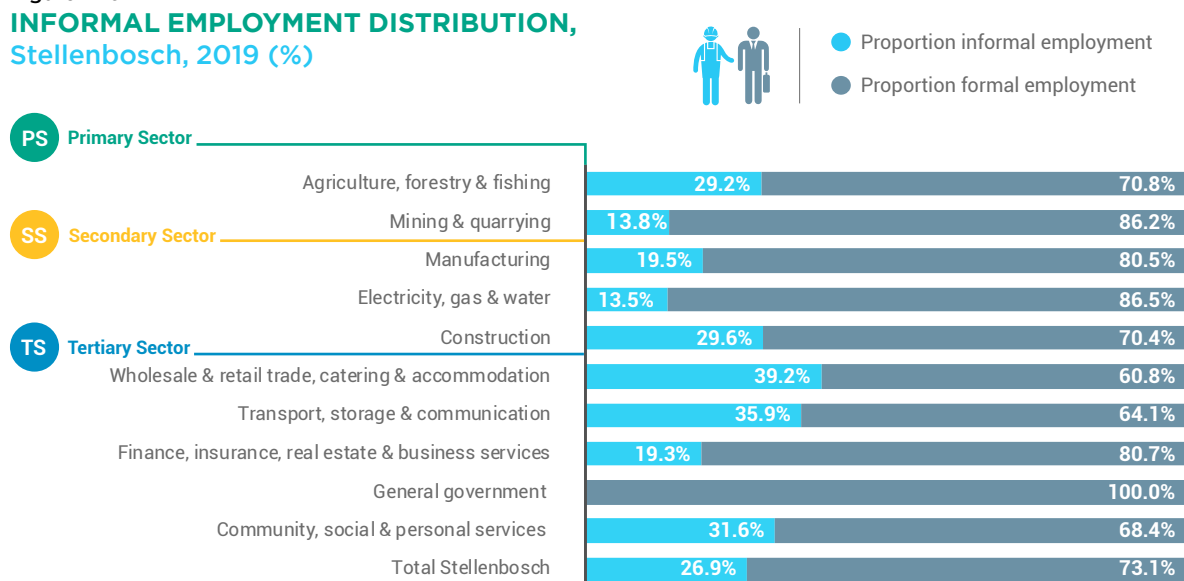
²⁷ (SAWIS).

²⁸ (Vinpro, 2021).

²⁹ (Wesgro, 2021).

Figure 2.10 illustrates the distribution of formal and informal employment in the Stellenbosch municipal area in 2019.

Figure 2.10
INFORMAL EMPLOYMENT DISTRIBUTION,
Stellenbosch, 2019 (%)



Source: Quantec Research, 2021

Employment in the municipal area was mostly concentrated in the formal sector, with 73.1 per cent of all employment being formal in 2019. Besides the general government sector being fully represented by formal employment, the electricity, gas and water sector had the largest proportion of formal employment (86.5 per cent), followed by the mining sector (86.2 per cent). The trade sector had the largest portion of informal employment (39.2 per cent), followed by the transport sector (35.9 per cent) and the community services sector (31.6 per cent).

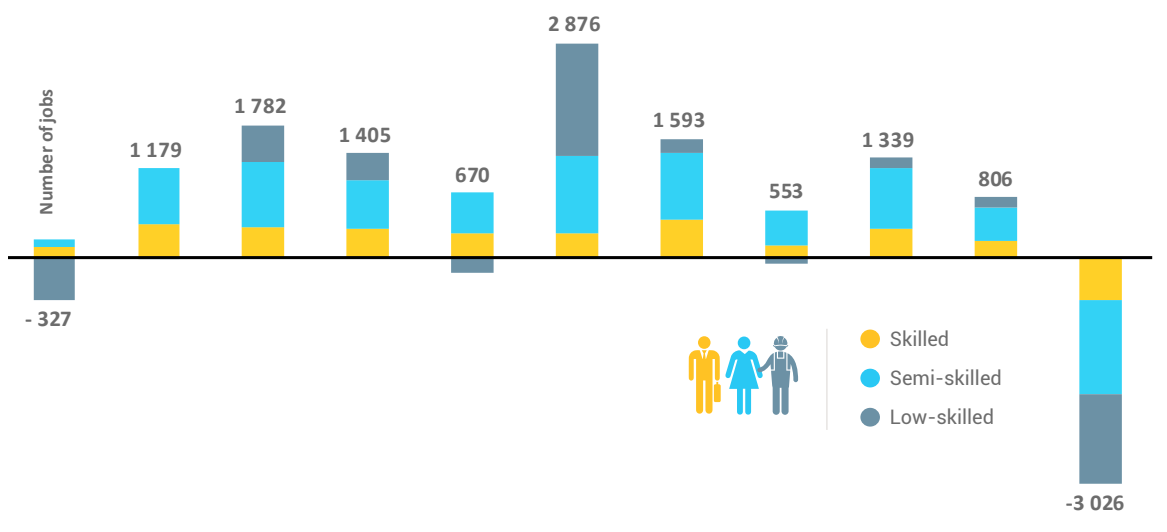
One of the primary barriers faced by informal businesses in the Stellenbosch municipal area is the availability of property to facilitate expansion. Lack of access to empowerment opportunities such as ongoing training, start-up hubs and trading spaces in areas with more economic activity, as well as the high cost of doing business and limited opportunities to join the formal sector's formalisation path to gain access to finance and seed funding, are some additional barriers that informal businesses face in achieving their goals. Informal businesses in the municipal area are also constrained by red tape and bureaucracy.



2.4.2 Skills analysis

Figure 2.11 illustrates the change in employment according to skill levels between 2010 and 2020 in the Stellenbosch municipal area.

Figure 2.11
EMPLOYMENT GROWTH BY SKILL LEVELS,
Stellenbosch, 2010 - 2020



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e
Skilled	136	449	408	383	331	318	520	161	398	234	-564
Semi-skilled	111	751	872	651	543	1 051	876	476	800	439	-1 276
Low-skilled	-574	-21	502	371	-204	1 507	197	-84	141	133	-1 186

Source: Quantec Research, 2021 (e denotes estimate)

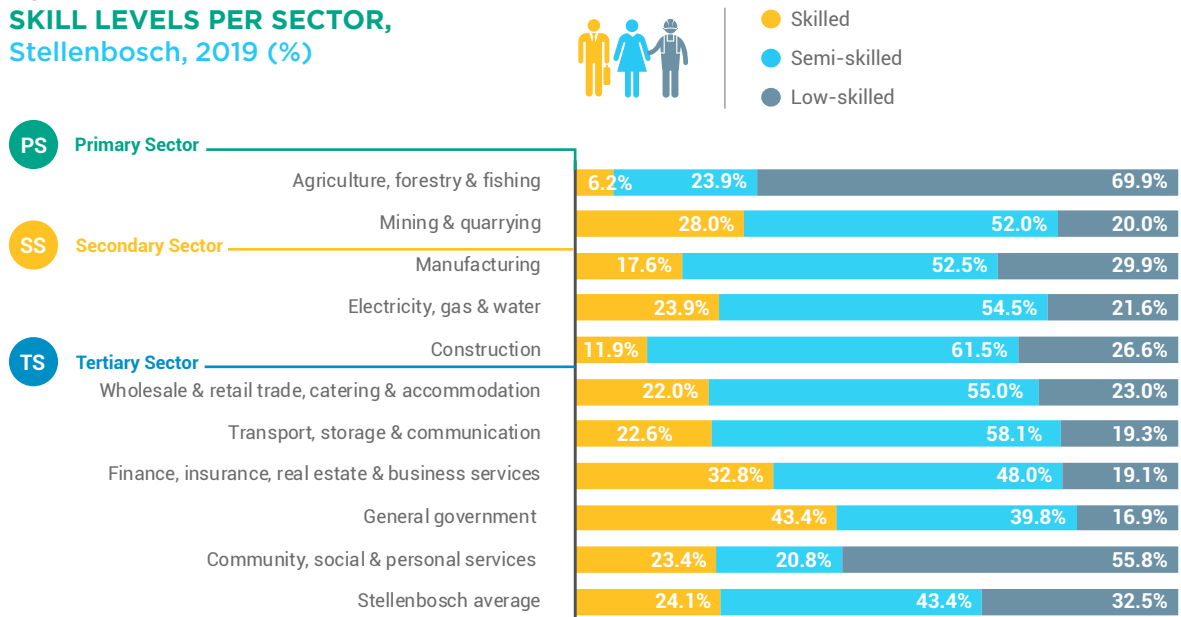
The impact of the global financial crisis in 2008/09 continued, with a net decline of 327 jobs in 2010 in the Stellenbosch municipal area. Low-skilled workers were particularly affected, with 574 job losses being experienced by low-skilled workers. The creation of jobs in the skilled and semi-skilled workforce in 2010 indicates that the municipal area started to show resilience after the economic downturn. There was an improvement in job creation between 2011 and 2013. Over the three-year period, 4 366 jobs were created, most of which were for semi-skilled workers. Low-skilled workers experienced job-shedding in 2014 and 2017.

In 2015 the number of jobs created grew substantially by 2 876, most of which were for low-skilled workers.³⁰ Estimates for 2020 show substantial job losses of 3 026 for formal employment in the municipal area. The majority of jobs were shed in the semi-skilled and low-skilled workforce, while a total of 564 skilled workers were expected to lose their jobs. Given that employment often lags economic growth, it is anticipated that despite the GDP growth forecast for 2021 and 2022, employment will not recover in the short term, which will have a significant impact on poverty in the local municipal area.

³⁰ 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).

Figure 2.12 illustrates the skill levels per sector in 2019 in the Stellenbosch municipal area.

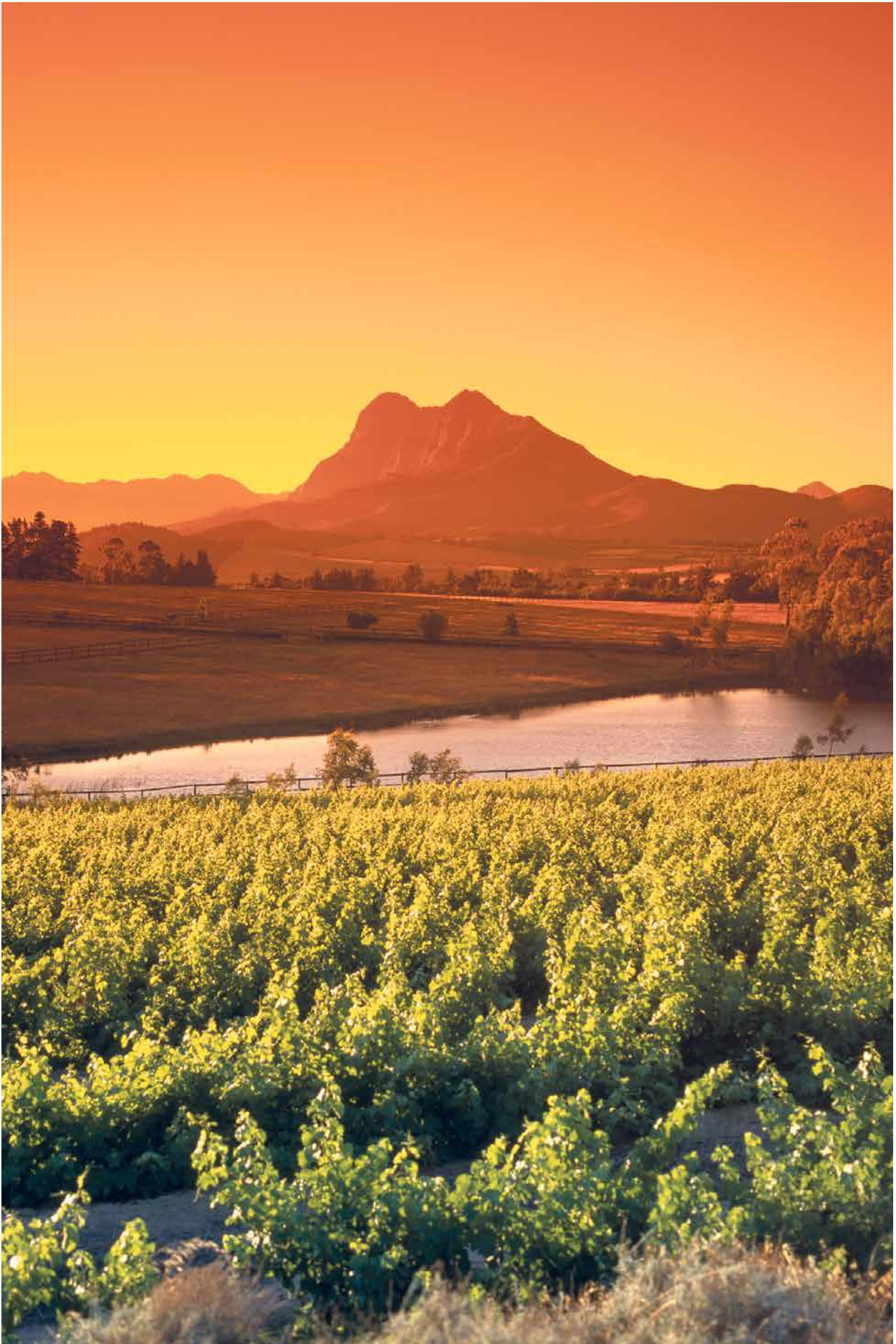
Figure 2.12
SKILL LEVELS PER SECTOR,
Stellenbosch, 2019 (%)



Source: Quantec Research, 2021

Employment in the Stellenbosch municipal area is largely characterised by semi-skilled workers. In 2019, 43.4 per cent of workers in the region were classified as semi-skilled, while 32.5 per cent of workers were low-skilled and 24.1 per cent were skilled. The two sectors that absorb the highest proportion of low-skilled workers are the agriculture sector (69.9 per cent) and the community services sector (55.8 per cent). The agriculture sector had the lowest number of skilled workers in 2019 – only 6.2 per cent of workers in this sector were classified as skilled.

SMME skills development programmes to help the workforce to improve their skills will play an important function in terms of job creation. This will reduce the pressure on the municipality, with the decrease in revenue resulting in pressure for basic services.





2.5 CAPE WINELANDS DISTRICT BREEDER VALLEY



GDP

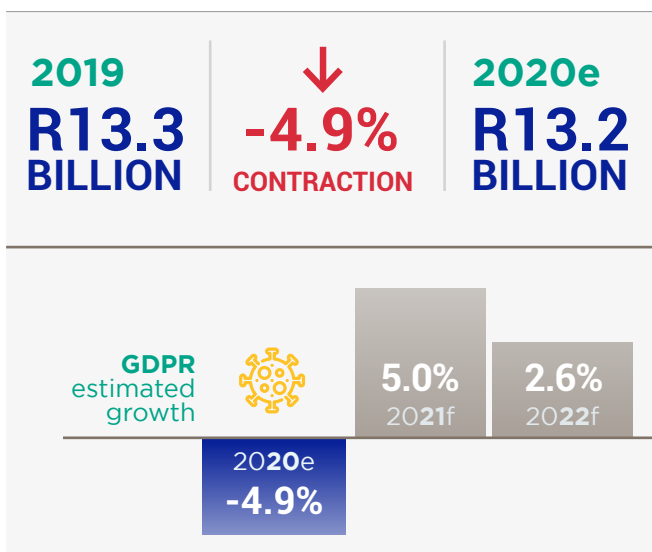
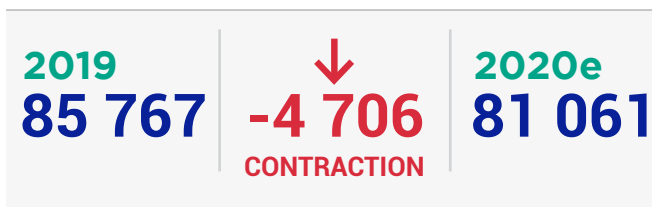
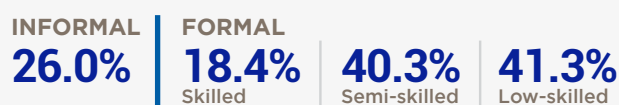


Diagram 2.4
GDPR (CURRENT PRICES) AND EMPLOYMENT,
Breede Valley, 2019 and 2020e

JOBS



2019 EMPLOYMENT BREAKDOWN



The Breede Valley includes towns such as Rawsonville, De Doorns, Touws River and Worcester. Worcester, approximately 100km from Cape Town, is the main economic node in the Breede Valley municipal area and is well connected through the N1 and the rail network. The Breede Valley municipal area is well known for its scenic beauty, wine industry and other farming activities.

2.5.1 GDPR and employment performance

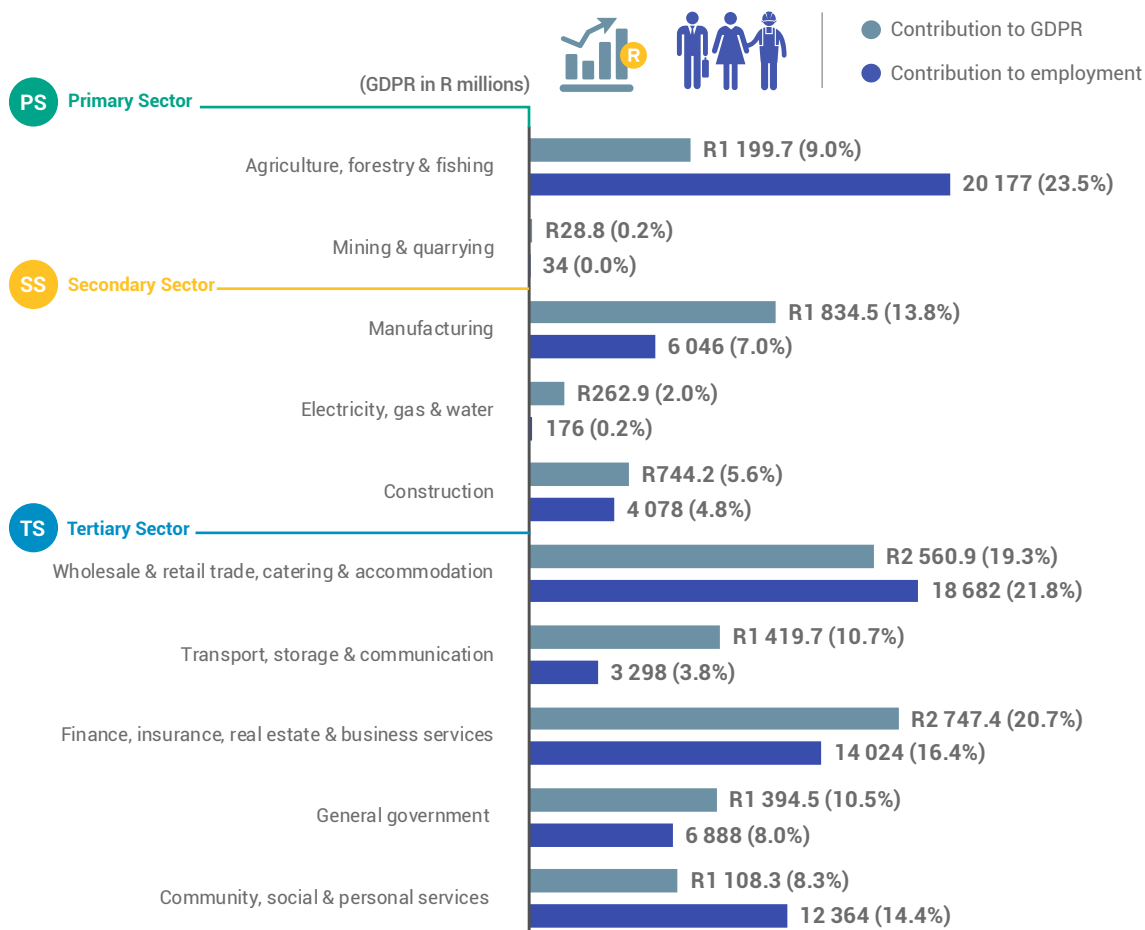
The value of the Breede Valley municipal area's economy was R13.3 billion (in current prices) in 2019, with 85 767 people being employed in the region. Estimates indicate that the region's economy contracted by 4.9 per cent in 2020, resulting in 4 706 jobs being lost. It is forecast that the economy will recover in 2021 with a GDPR growth rate of 5.0 per cent, and 2.6 per cent in 2022.

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

Figure 2.13 illustrates the sectoral composition of GDP and employment in the Breede Valley municipal area in 2019.

Figure 2.13

SECTORAL GDP AND EMPLOYMENT CONTRIBUTION, Breede Valley, 2019 (%)



Source: Quantec Research, 2021


The finance sector is the leading contributor to the Breede Valley municipal area's economy. In 2019, this sector accounted for 20.7 per cent of the region's total GDP, followed by the trade sector (19.3 per cent). Another significant contributor to GDP in the region was the manufacturing sector, which contributed 13.8 per cent to GDP in 2019.

The agriculture sector accounts for the majority of jobs in the Breede Valley municipal region. Despite contributing only 9.0 per cent to GDP in the region in 2019, the sector employed 23.5 per cent of the region's total workforce, highlighting the sector's labour-intensive character. The manufacturing sector, which is the third-largest contributor to GDP, accounted for only 7.0 per cent of employment, representing the manufacturing sector's capital-intensive nature. The trade sector is another major contributor to the Breede Valley municipal area's employment (21.8 per cent).

Table 2.4 depicts the performance of employment per sector between 2015 and 2019 in the Breede Valley municipal area.

Table 2.4

GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Breede Valley



SECTOR	GDPR		Employment	
	Trend 2015 – 2019	Real GDPR growth 2020e	Average annual change 2015 – 2019	Net change 2020e
PS Primary Sector	-3.9%	10.6%	364	-851
Agriculture, forestry & fishing	-3.9%	11.2%	365	-848
Mining & quarrying	-0.3%	-18.6%	-1	-3
SS Secondary Sector	0.6%	-11.5%	142	-902
Manufacturing	0.7%	-9.0%	52	-399
Electricity, gas & water	-2.9%	-8.4%	-1	-7
Construction	1.6%	-19.9%	91	-496
TS Tertiary Sector	2.1%	-5.5%	1 412	-2 953
Wholesale & retail trade, catering & accommodation	1.8%	-9.8%	646	-1 180
Transport, storage & communication	0.8%	-15.2%	86	-118
Finance, insurance, real estate & business services	4.4%	-1.7%	538	-531
General government	-1.0%	-1.0%	-71	15
Community, social & personal services	1.1%	-2.5%	214	-1 139
Total Breede Valley	1.0%	-4.9%	1 917	-4 706

Source: Quantec Research, 2021 (e denotes estimate)

Between 2015 and 2019, the tertiary sector experienced an annual average growth rate of 2.1 per cent, which was largely driven by the significant average growth rate of 4.4 per cent per annum in the finance sector. The primary sector, which is mainly driven by the agriculture sector, experienced an average annual contraction of 3.9 per cent between 2015 and 2019. The poor performance in this sector could be the result of droughts experienced across the Province. Despite the construction sector's positive growth between 2015 and 2019, the secondary sector only grew at a marginal annual rate of 0.6 per cent. This can be attributed to the manufacturing sector's low growth of 0.7 per cent and the electricity, gas and water sector's average annual contraction of 2.9 per cent.

The economy in the municipal area created an average of 1 917 jobs annually between 2015 and 2019. The tertiary sector was the leading contributor, with 646 annual jobs created in the trade sector. The agriculture sector created 365 jobs annually in the municipal area.

The COVID-19 pandemic had a significant negative impact on most sectors in the Breede Valley municipal area. Sectors such as the trade sector and the manufacturing sector contracted by 9.8 per cent and 9.0 per cent respectively. The decline in tourist activities as a result of travel restrictions had a significant negative impact on many local businesses in the municipal area. The assumed business closures and job losses as a result of the weak economy will influence the revenue-collection ability of the local municipality. The agriculture sector had an increase of 11.2 per cent in 2020, which can be attributed to the improved weather conditions in the region and overall higher commodity prices experienced. The sector was also allowed to operate under the level five lockdown in 2020. The general government sector contracted less compared with other sectors (1.0 per cent) owing to the fact that it played an integral role in managing the spread of COVID-19. However, the sector also experienced significant challenges, particularly at a local municipal level. Income loss and reprioritisation of budgets affected infrastructure projects, while necessary goods and services were unavailable at times.³¹

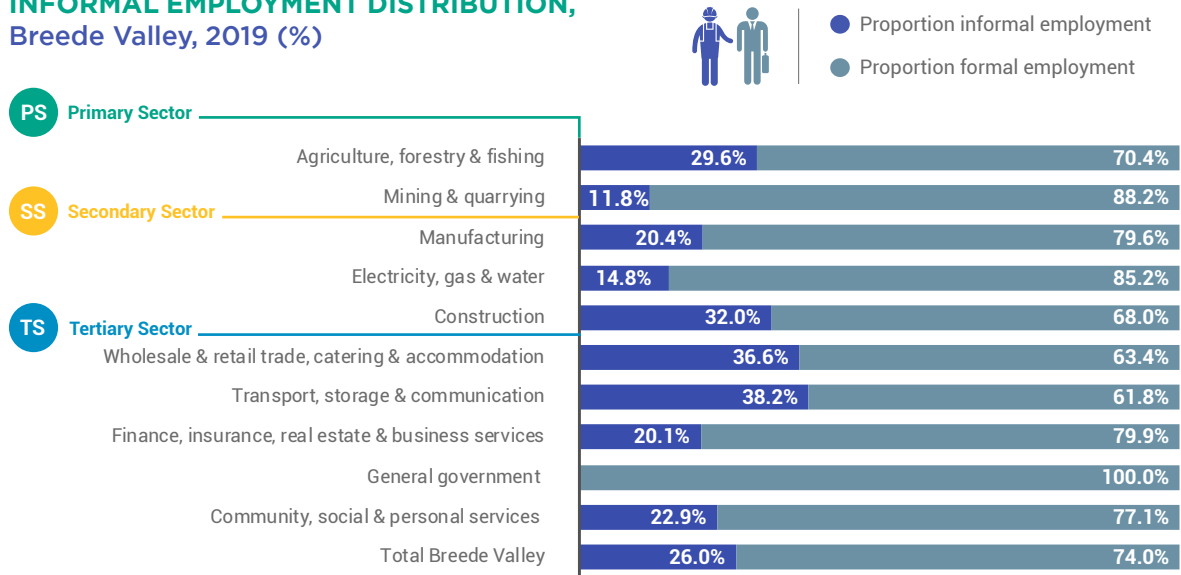
The municipal area had a significant reduction in employment, with an estimated 4 706 jobs being shed in 2020. The majority of jobs lost were in the tertiary sector (2 953 jobs). The trade sector shed 1 180 jobs, followed by the community services sector with 1 139 jobs. Despite the positive growth of the agriculture sector, 848 jobs were lost in the same year. Some of the job losses in the municipal area were as a result of the closure of businesses, for example Hextex and PA Venter furniture manufacturers. Many businesses also had to reduce their number of staff.



³¹ (Breede Valley Municipality, 2021).

Figure 2.14 illustrates the sectoral distribution of informal employment in the Breede Valley municipal area.

Figure 2.14
INFORMAL EMPLOYMENT DISTRIBUTION, Breede Valley, 2019 (%)



Source: Quantec Research, 2021

Most workers in the municipal area are employed in the formal sector. In 2019, 74.0 per cent of the region’s employment was in the formal sector. The largest proportion of informal employment was in the transport sector (38.2 per cent) and the trade sector (36.6 per cent). The construction sector also had a large number of informal workers (32.0 per cent).

In the Breede Valley municipal area, informal businesses encounter several challenges in extending their operations and creating jobs. Start-up expenses, location and logistics are among the main challenges. In the informal economy, a lack of business knowledge continues to be a major issue. Most businesses in the informal sector are survivalists, fighting for market dominance in this sector, which frequently lacks regulatory change, poses a direct danger to livelihoods and is a major source of conflict. A lack of trading infrastructure is also a big impediment to growth.³²

Since formal and informal businesses alike were under pressure in 2020, additional support from the government sector was provided, which included the distribution of safety kits to informal traders and the distribution of information on financial relief and support programmes.³³



³² (Breede Valley Municipality, 2021).

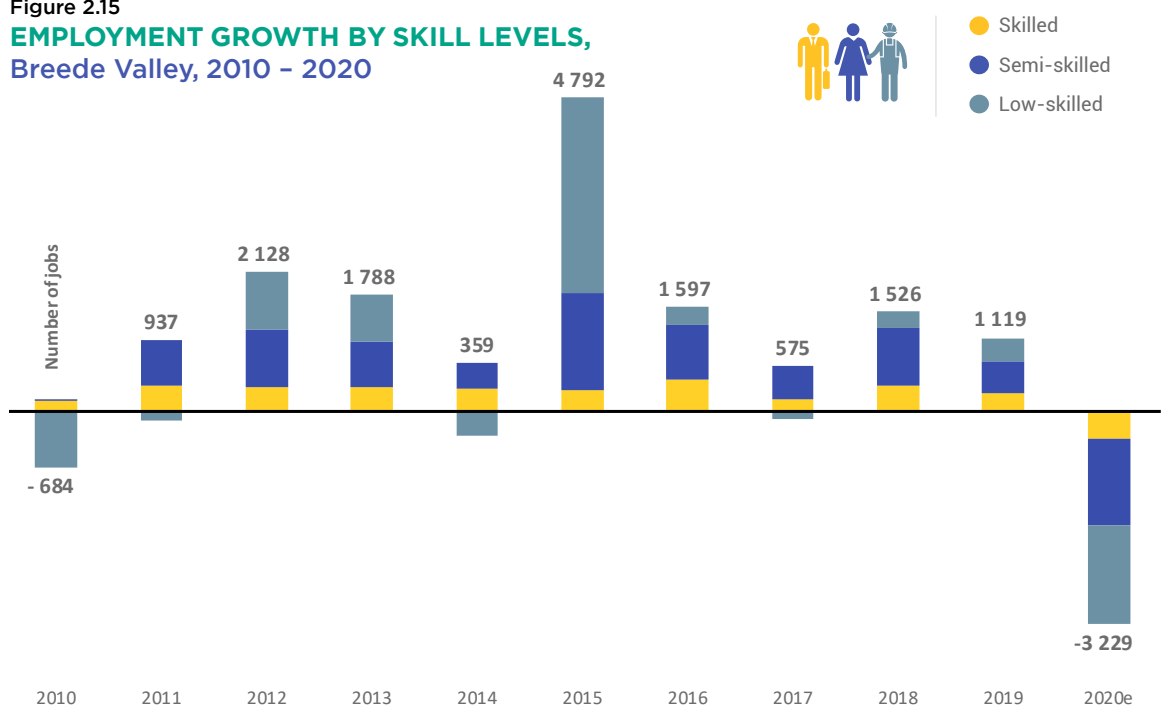
³³ (Breede Valley Municipality, 2021).

2.5.2 Skills analysis

Figure 2.15 depicts the changes in employment by skill levels between 2010 and 2019, as well as estimates for 2020, in the Breede Valley municipal area.

Figure 2.15

EMPLOYMENT GROWTH BY SKILL LEVELS, Breede Valley, 2010 – 2020



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e
Skilled	161	407	370	366	352	326	480	197	402	275	-426
Semi-skilled	19	676	890	701	384	1 487	852	495	867	498	-1 308
Low-skilled	-864	-146	868	721	-377	2 979	265	-117	257	346	-1 495

Source: Quantec Research, 2021 (e denotes estimate)

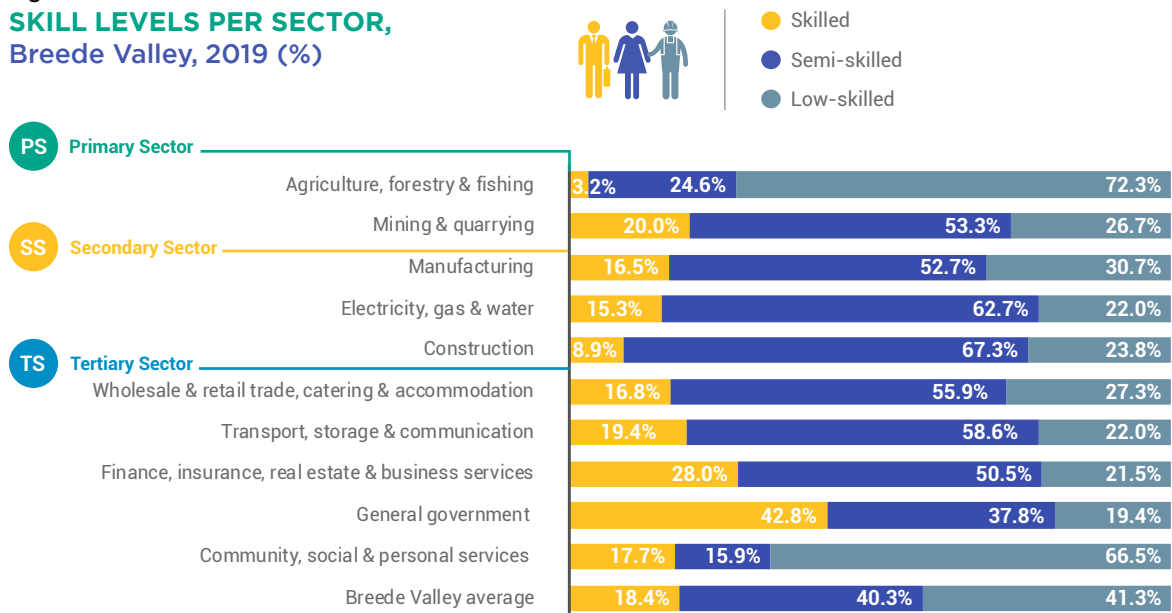
The 2008/09 global financial crisis was still impacting the municipal area in 2010. Despite an improvement in employment opportunities for semi-skilled and skilled workers in 2011, low-skilled workers continued to experience job losses during the year. In 2012, job growth remained on the rise, with 2 128 new jobs added during the year. Employment growth decreased to 1 788 jobs in 2013 and 359 jobs in 2014. The loss of 377 jobs for low-skilled labour was the main reason for the considerable drop in the number of new opportunities in 2014. Positively, 2015 saw the biggest employment creation during the period (4 792 jobs), the majority of which were for low-skilled workers.³⁴

The estimated number of job losses because of the impact of COVID-19 in 2020 was 3 229 formal jobs. Most jobs were lost in the low-skilled and semi-skilled workforce, while 426 jobs were lost for skilled workers. Given that employment often lags economic growth, it is anticipated that despite the GDP growth forecast for 2021 and 2022, employment will not recover in the short term, which will have a significant impact on poverty in the local municipal area.

³⁴ 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).

Figure 2.16 illustrates the sectoral distribution of skill levels in the Breede Valley municipal area in 2019.

Figure 2.16
SKILL LEVELS PER SECTOR,
Breede Valley, 2019 (%)



Source: Quantec Research, 2021

Employment in the Breede Valley municipal area consisted predominantly of low-skilled (41.3 per cent) and semi-skilled (40.3 per cent) workers in 2019. Only 18.4 per cent of the region's workers were classified as skilled.

A significant proportion of workers in the agriculture sector (72.3 per cent) and the community services sector (66.5 per cent) were classified as low-skilled. Semi-skilled workers were most prevalent in the construction sector (67.3 per cent), as well as the electricity, gas and water sector (62.7 per cent). Most sectors in the region had a significant number of semi-skilled workers. The general government sector had the highest proportion of skilled workers (42.8 per cent) and the finance sector also absorbed a significant amount of skilled labour (28.0 per cent).





2.6 CAPE WINELANDS DISTRICT

LANGEBERG



GDP

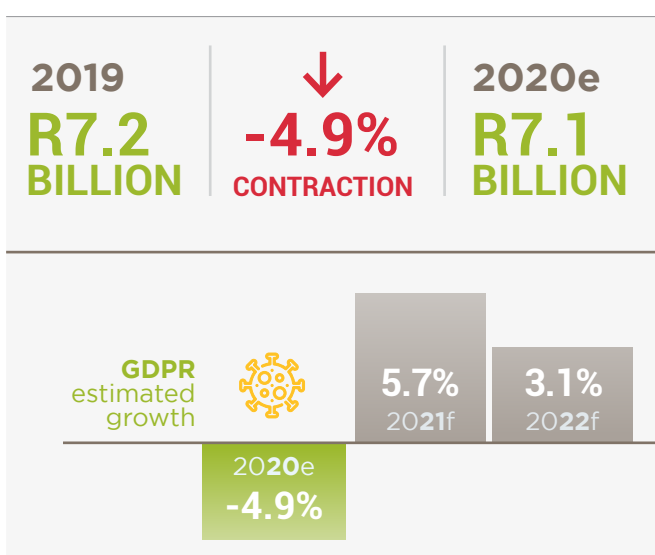
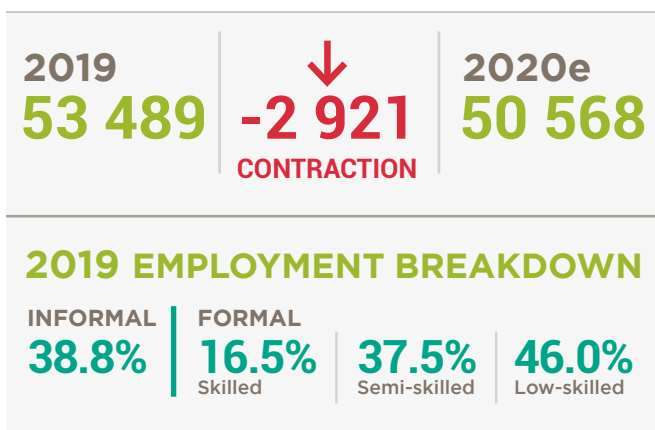


Diagram 2.5
GDPR (CURRENT PRICES) AND EMPLOYMENT,
Langeberg, 2019 and 2020e

JOBS



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

The Langeberg municipal area is well known for its wine route (Route 62), which is the longest in the world. The municipal area includes the towns of Robertson, Ashton, Bonnievale, McGregor and Montagu, with Robertson being the main service centre. The towns in the municipal area possess a rich history, and the scenic beauty of the area makes it a popular tourist destination.³⁵

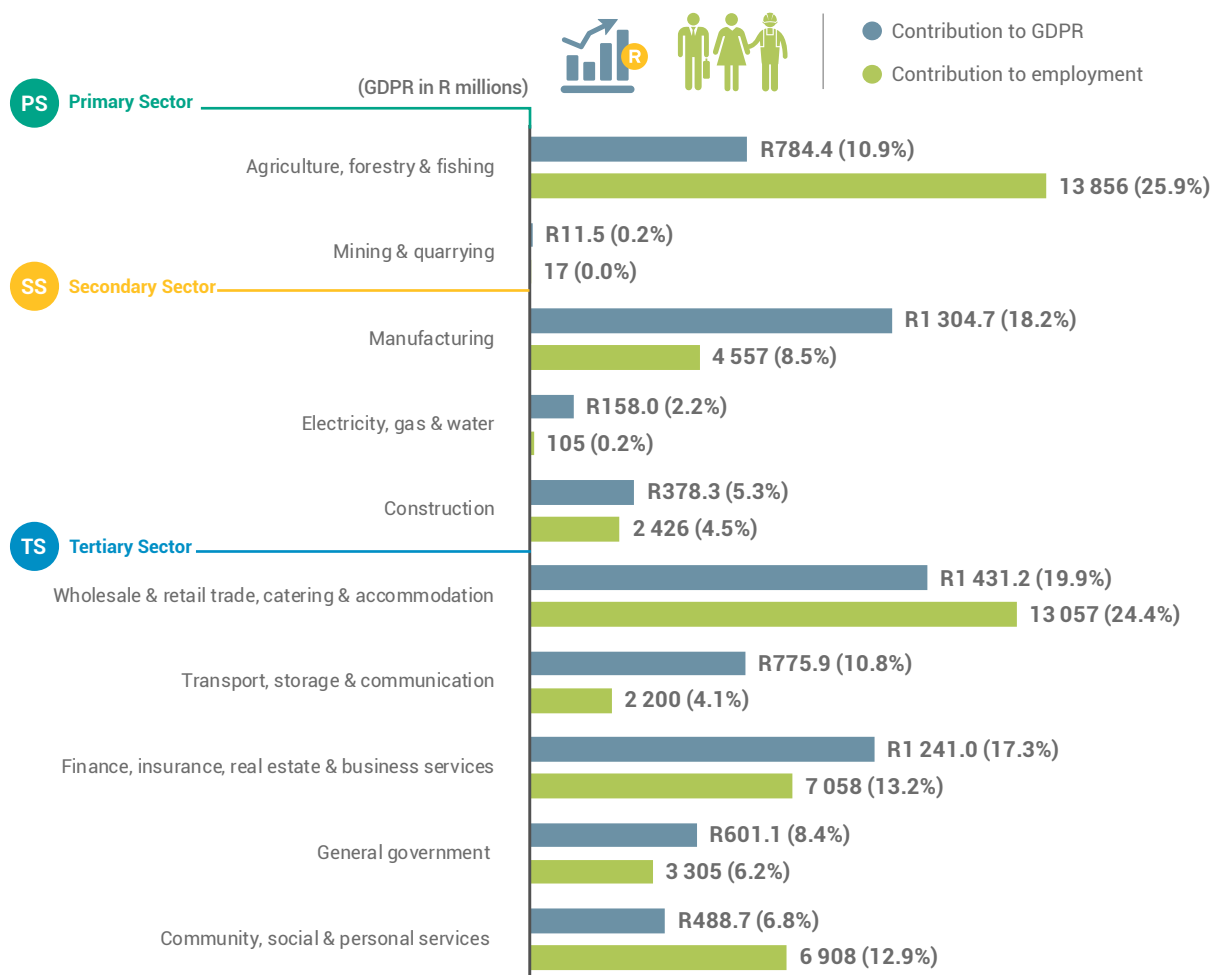
2.6.1 GDPR and employment performance

The Langeberg municipal area's economy was valued at R7.2 billion (current prices) in 2019, with 53 489 people being employed during the year. In 2020, the region's GDPR contracted by 4.9 per cent in real terms. It is estimated that employment also declined in 2020, with the region experiencing 2 921 job losses during the year. It is forecast that the economy will recover in 2021 with 5.7 per cent growth, and a further 3.1 per cent growth in 2022.

³⁵ (Langeberg Municipality, 2017).

Figure 2.17 illustrates the Langeberg municipal area's sectoral contribution to GDP and employment in 2019.

Figure 2.17
SECTORAL GDP AND EMPLOYMENT CONTRIBUTION,
Langeberg, 2019 (%)




Source: Quantec Research, 2021

The trade sector is the Langeberg municipal area's largest contributor to GDP, with a contribution of 19.9 per cent in 2019. Other main contributors to the region's economy are the manufacturing sector (18.2 per cent) and the finance sector (17.3 per cent). Employment in the region is concentrated in the agriculture sector, with 25.9 per cent in 2019. The trade sector also accounts for a large number of jobs in the region, at 24.4 per cent.

The agriculture sector, the trade sector and the community services sector are labour-intensive, contributing more to employment than to GDP. The manufacturing sector is highly capital-intensive, as it contributed only 8.5 per cent to employment in 2019.

Table 2.5 depicts the performance of each of the sectors in terms of GDP and employment between 2015 and 2019 in the Langeberg municipal area.

Table 2.5
GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Langeberg



SECTOR	GDPR		Employment	
	Trend 2015 – 2019	Real GDP growth 2020e	Average annual change 2015 – 2019	Net change 2020e
PS Primary Sector	-4.0%	10.6%	219	-570
Agriculture, forestry & fishing	-4.0%	10.9%	220	-569
Mining & quarrying	-0.5%	-18.5%	-1	-1
SS Secondary Sector	-0.1%	-11.8%	7	-611
Manufacturing	-0.5%	-10.1%	-13	-325
Electricity, gas & water	2.4%	-6.2%	1	-3
Construction	0.8%	-20.5%	18	-283
TS Tertiary Sector	3.1%	-5.6%	849	-1 740
Wholesale & retail trade, catering & accommodation	2.5%	-9.4%	411	-807
Transport, storage & communication	3.2%	-13.6%	79	-52
Finance, insurance, real estate & business services	4.9%	-1.9%	261	-250
General government	0.3%	0.3%	13	45
Community, social & personal services	2.2%	-1.7%	85	-676
Total Langeberg	1.2%	-4.9%	1 075	-2 921

Source: Quantec Research, 2021 (e denotes estimate)

The tertiary sector increased at an annual rate of 3.1 per cent between 2015 and 2019. The finance sector (4.9 per cent) and the transport sector (3.2 per cent) were the key drivers of the tertiary sector's economic growth. The trade sector, which was the largest contributor to GDP in the Langeberg municipal area, increased by 2.5 per cent annually during the period of review.

Between 2015 and 2019, the secondary sector experienced a marginal contraction of 0.1 per cent. This was mainly due to the manufacturing sector's average annual contraction of 0.5 per cent. The poor performance in the beverage sector contributed to the poor performance in the manufacturing sector, and the wine industry was influenced by the severe droughts experienced in the region. The electricity, gas and water sector and the construction sector experienced growth rates of 2.4 per cent and 0.8 per cent respectively during the period of review. The primary sector contracted by 4.0 per cent in the period under review, mainly as a result of the annual contraction of 4.0 per cent in the agriculture sector. The Western Cape experienced droughts during the reviewed period.

The tertiary sector had the largest contribution to annual jobs created between 2015 and 2019 in the municipal area. The trade sector created 411 jobs. In the primary sector, the agriculture sector created 220 jobs annually for the reviewed period. The municipal area created a total of 1 075 jobs annually.

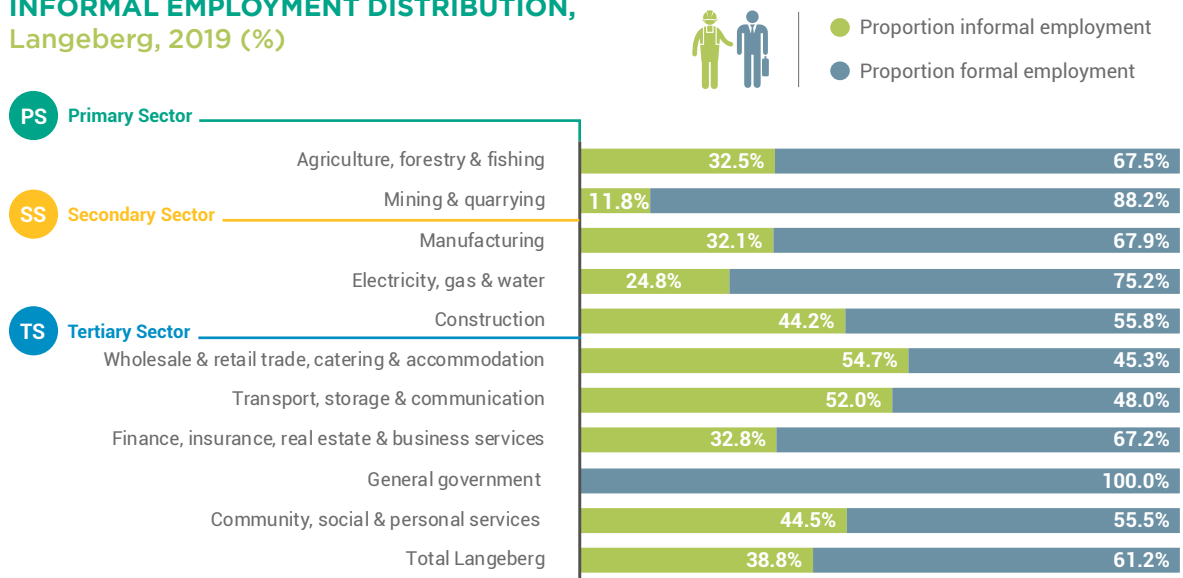
It is estimated that the municipal area's economy contracted by 4.9 per cent in 2020. The secondary and tertiary sectors had an estimated contraction of 11.8 per cent and 5.6 per cent respectively. The municipal area's largest contributor to the local economy, the trade sector, contracted by 9.4 per cent. The municipal area is well known for its wine farms, which attract high volumes of tourists each year. The regulations during level five and level four of lockdown impacted the wine farms significantly, as no trading was allowed. The construction sector is estimated to have contracted significantly in 2020 (20.5 per cent). However, it is estimated that the agriculture sector achieved significant growth in 2020, with a 10.9 per cent increase. This sector was able to operate under the strict lockdown regulations in 2020 and the weather conditions were favourable for farmers. The general government sector is also estimated to have had a marginal increase of 0.3 per cent.

The contraction in the overall economy of the municipal area affected employment significantly. The financial pressure on businesses resulted in retrenchments, and 2 921 jobs are estimated to have been lost in the municipal area. The largest contraction in employment was in the trade sector (807 jobs), followed by the community services sector (676 jobs) and the agriculture sector (569 jobs). The only sector that created additional jobs in 2020 was the general government sector, with 45 jobs created.



Figure 2.18 illustrates the distribution of formal and informal employment in the Langeberg municipal area in 2019.

Figure 2.18
INFORMAL EMPLOYMENT DISTRIBUTION,
Langeberg, 2019 (%)



Source: Quantec Research, 2021

Employment in the Langeberg municipal area was predominantly concentrated in the formal sector in 2019, at 61.2 per cent, with the remaining 38.8 per cent of workers being informally employed. The majority of employment in the trade sector and the transport sector was for informal workers, at 54.7 per cent and 52.0 per cent respectively. Other sectors that largely comprised informal activities were the community services sector (44.5 per cent) and the construction sector (44.2 per cent).

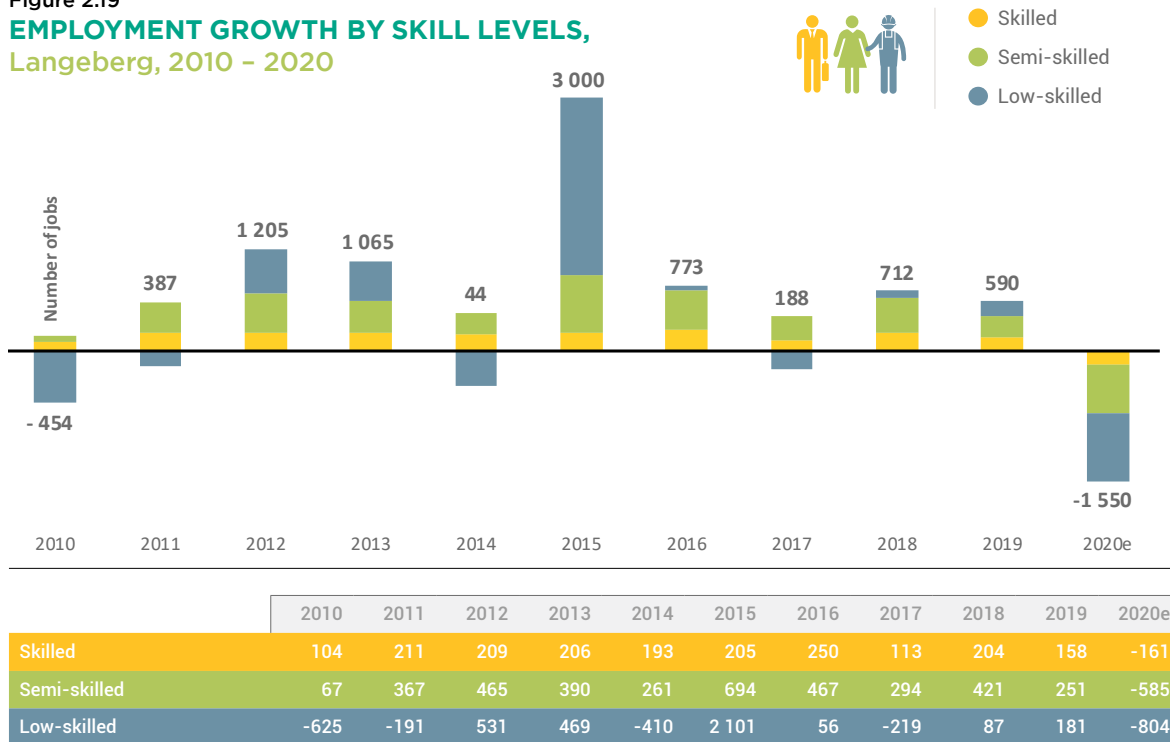


2.6.2 Skills analysis

Figure 2.19 illustrates the growth of employment by skill levels in the Langeberg municipal area between 2010 and 2019, plus the estimated growth in employment in 2020.

Figure 2.19

EMPLOYMENT GROWTH BY SKILL LEVELS, Langeberg, 2010 – 2020



Source: Quantec Research, 2021 (e denotes estimate)

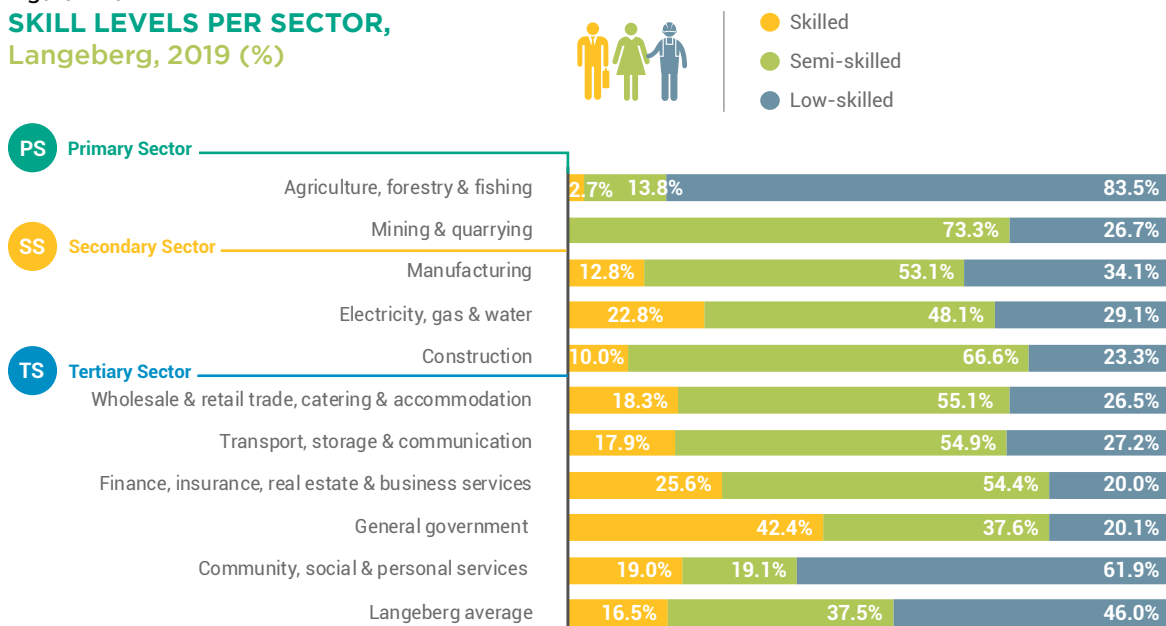
Between 2010 and 2019, the only jobs that were lost were for low-skilled workers, with jobs lost in 2010, 2011, 2014 and 2017. This indicates that when the economy was under pressure, low-skilled workers were the first to lose their jobs. The semi-skilled and skilled workforce showed more resilience against economic downturns in the municipal area. Between 2012 and 2013, employment opportunities in the municipal area experienced an improvement. During this period, most job creation was for low-skilled and semi-skilled workers. In 2015 there was a substantial increase in the number of jobs created. A total of 3 000 jobs were created in 2015, most of which were for low-skilled workers (2 101 jobs).³⁶ The number of jobs continued to fluctuate between 2016 and 2019. In 2019, 590 jobs were created, most of which were for semi-skilled workers.

Estimates indicate that in 2020 the municipal area lost 1 550 formal jobs, with 804 low-skilled workers, 585 semi-skilled workers and 161 skilled workers losing their jobs. These substantial job losses will put the municipality under pressure to get investment for additional projects so that the economy can recover. Given that employment often lags economic growth, it is anticipated that despite the GDP growth forecast for 2021 and 2022, employment will not recover in the short term, which will have a significant impact on poverty in the local municipal area.

³⁶ 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).

Figure 2.20 illustrates the skill levels per sector in the Langeberg municipal area in 2019.

Figure 2.20
SKILL LEVELS PER SECTOR,
Langeberg, 2019 (%)



Source: Quantec Research, 2021

Employment in the Langeberg municipal area is mainly characterised by low-skilled workers (46.0 per cent in 2019). Semi-skilled workers contributed 37.5 per cent to the region’s total employment, with the remaining 16.5 per cent classified as skilled workers. Employment in the agriculture sector, which is the Langeberg municipal area’s largest contributor to employment, is predominantly low-skilled (83.5 per cent in 2019). The community services sector also absorbs a significant number of low-skilled workers. In 2019, 61.9 per cent of workers in this sector were classified as low-skilled.

The general government sector is largely characterised by skilled workers (42.4 per cent in 2019). Other sectors with a large proportion of skilled workers are the finance sector (25.6 per cent) and the electricity, gas and water sector (22.8 per cent).



2.7 CONCLUDING REMARKS

The tertiary sector is the main driver of economic activity in the CWD, with the finance sector and the trade sector being important for economic growth. Most sectors in the CWD are estimated to have contracted in 2020 as a result of the COVID-19 pandemic. The wine farms were severely impacted as a result of the alcohol bans enforced by the government, which formed part of the COVID-19 restrictions and regulations. The mining sector, as well as the trade sector, had the largest reductions. The majority of the municipalities in the CWD are highly dependent on the tourism industry. The municipalities have several wine farms with offerings such as wine tasting and restaurants, which could not trade and operate under the level five lockdown regulations. Because the trade sector accounts for the majority of employment in most municipalities, the economic downturn is estimated to have had a negative effect on employment. Since agricultural activities were exempted during the lockdown period, the agriculture sector is estimated to have grown significantly in 2020.

In terms of employment contribution, the tertiary sector – in particular the trade sector – contributed the most to employment in the larger municipalities such as Drakenstein and Stellenbosch between 2015 and 2019. The agriculture sector is the largest contributor to employment in the Witzenberg, Breede Valley and Langeberg municipal areas. While the primary sector contributed significantly to employment in most of the municipal areas in the CWD, this sector experienced job-shedding between 2015 and 2019 in most municipal areas. Over the five-year period, the secondary sector also experienced a significant number of job losses. Positively, the strong economic performance in the tertiary sector has allowed for employment opportunities in this sector, which have been able to offset some of the losses in the primary and secondary sectors.

Low-skilled and semi-skilled workers make up the majority of the workforce in the CWD, while skilled employees make up the smallest portion of the region's workforce. The agriculture sector and the community services sector employ a large number of low-skilled people. Economic changes have had a substantial impact on the primary sector, resulting in a significant number of job losses for low-skilled individuals. Semi-skilled workers make up a large proportion of the workforce in almost every sector in the CWD. A considerable number of skilled workers are employed in the general government as well as the finance sectors. Semi-skilled and skilled workers have fared better in economic downturns than low-skilled individuals, with far fewer job losses. The CWD municipalities will need to prioritise skills development training, as the majority of jobs were lost in the low-skilled workforce, and this will put pressure on the local municipalities, as revenue will decrease and the need for basic services will increase.





3

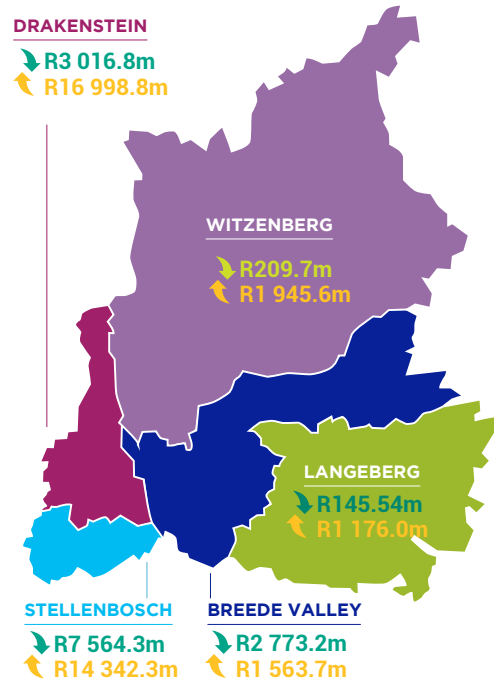
TRADE, TOURISM AND INVESTMENT

3.1 INTRODUCTION

District and local economies in the CWD are influenced not only by the spending of local households but also by the local and international cross-border trade of goods and services, domestic and international tourists who visit the various towns and attractions in the CWD, as well as private- and public-sector investments. Exports, tourism and investments can be considered injections into the economy, while imports are considered leakages.

CAPE WINELANDS TRADE AND TOURISM

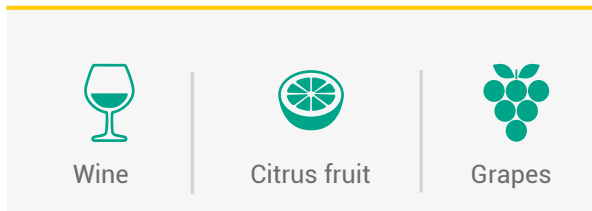
This chapter explores trade, tourism and investment dynamics at a District level and analyses the comparative advantages of the various economic sectors within the District to identify growth opportunities and potential risks in the CWD.



TRADE



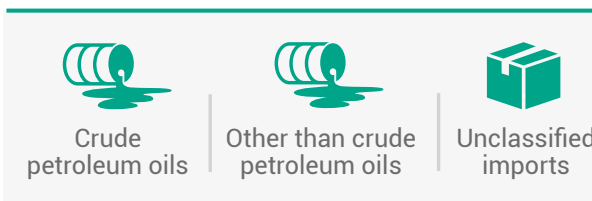
TOP 3 EXPORTED PRODUCTS



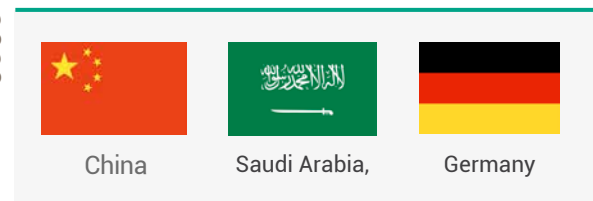
TOP 3 EXPORT DESTINATIONS



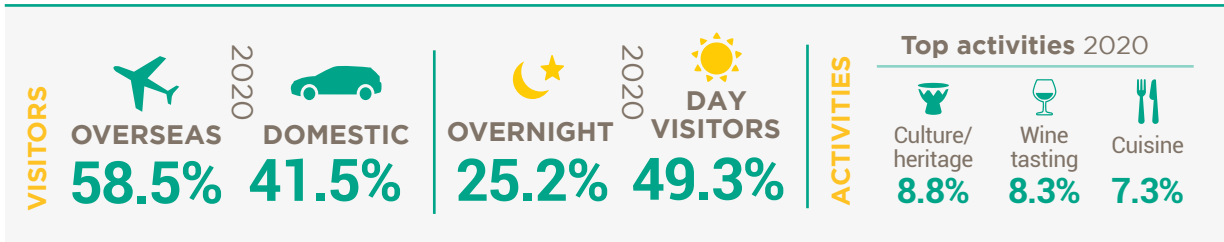
TOP 3 IMPORTED PRODUCTS



TOP 3 IMPORT DESTINATIONS



TOURISM



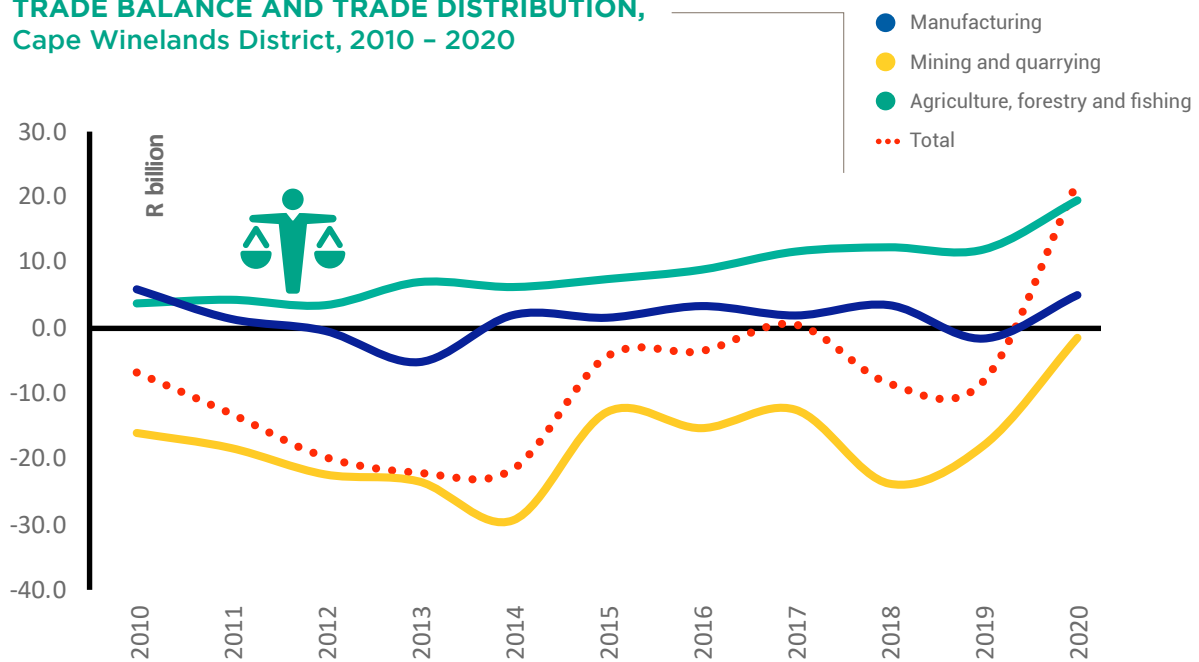
3.2 INTERNATIONAL TRADE

One of the indicators for international trade in an area is the trade balance, which is obtained by subtracting imports from exports. A positive trade balance for the CWD therefore indicates that the District exports more than it imports. Furthermore, a positive trade balance indicates a net inflow of foreign currency, which is beneficial to the economy.

Figure 3.1 provides an overview of the trade balance for the CWD between 2010 and 2020. The figure illustrates the total trade balance, as well as the trade balance for the main sectors that export and import goods, namely agriculture, manufacturing and mining.

Figure 3.1

TRADE BALANCE AND TRADE DISTRIBUTION, Cape Winelands District, 2010 - 2020



Source: Quantec Research, 2021

The CWD mostly experienced a negative trade balance between 2010 and 2019. However, the area experienced a positive trade balance in 2020, mainly owing to the trade surplus experienced in the agriculture sector. The CWD agriculture sector is boosted since the District is a well-recognised wine-producing region in South Africa, with significant volumes of wine exported from the CWD each year.

Overall, the trade balance went from a trade deficit of R6.9 billion in 2010 to a trade surplus of R22.3 billion in 2020. The trade surplus of the agriculture sector increased from R3.6 billion in 2010 to R19.2 billion in 2020. The trade balance of the manufacturing sector fluctuated during the period under review and in 2010 experienced a trade surplus of R5.8 billion, after which it declined to a trade deficit of R5.4 billion in 2013. Between 2014 and 2019 the manufacturing sector trade balance continued to fluctuate, after which it reached a high of R4.9 billion in 2020. The mining sector experienced a constant negative trade balance, but has seen improvement from a trade deficit of R15.6 billion in 2010 to a trade deficit of R1.8 billion in 2020.

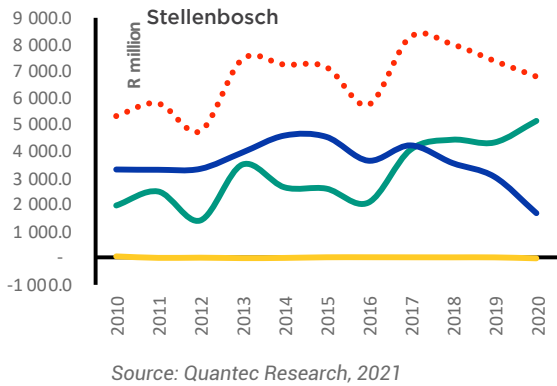
Manufacturing accounted for 80.3 per cent of the total imports into the District, whereas mining accounted for 12.8 per cent of imports in 2020. Agriculture accounted for 55.9 per cent of exports and manufacturing accounted for 44.1 per cent of exports.



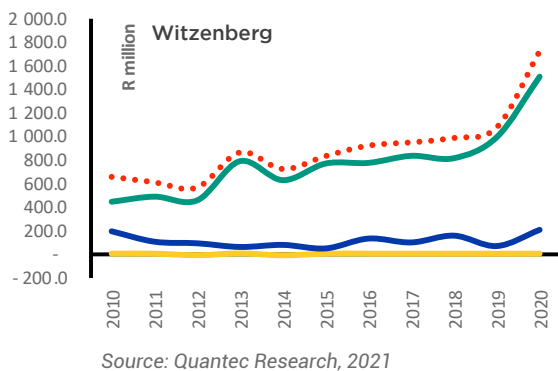
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Figure 3.2 illustrates the trade balance per municipal area in the CWD between 2010 and 2020.

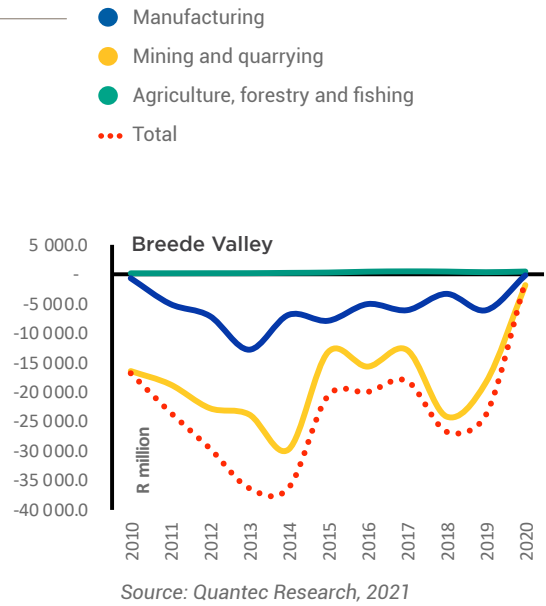
Figure 3.2
TRADE BALANCE PER MUNICIPAL AREA,
Cape Winelands District, 2010 – 2020



The Stellenbosch municipal area experienced a trade surplus between 2010 and 2020, which was mainly driven by the agriculture sector and the manufacturing sector, which contributed 39.6 per cent and 60.4 per cent respectively towards the total exports of the area. During 2020, this municipal area’s trade surplus was lower than in 2019, as import values almost doubled from 2019 to 2020. Manufacturing contributed 92.2 per cent of all imports and agriculture contributed 7.4 per cent.

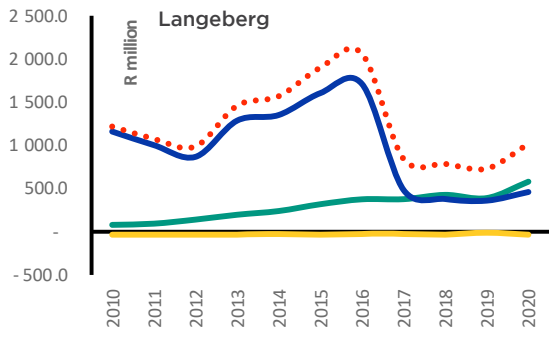


2020. The agriculture sector made the largest contribution, contributing 78.4 per cent towards total exports and 2.6 per cent towards imports. Manufacturing contributed 21.6 per cent towards total exports and 97.4 per cent towards total imports.



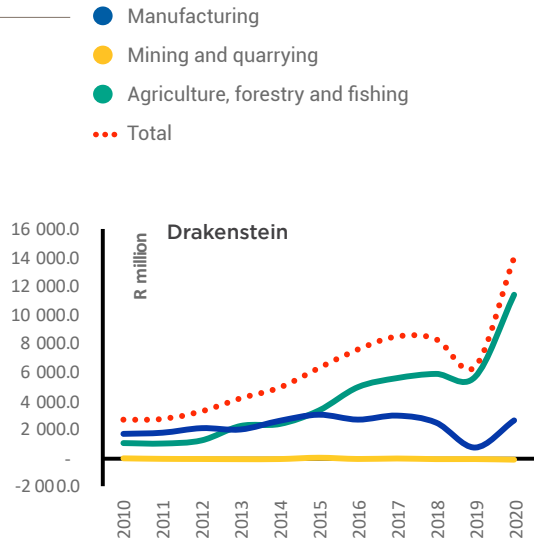
The Breede Valley municipal area experienced a trade deficit between 2010 and 2020, which was mainly driven by the mining sector, which contributed towards 62.1 per cent of imports in 2020. The agriculture sector experienced a trade surplus, contributing 39.5 per cent towards total exports. Manufacturing experienced a trade deficit for the entire period of review, but saw significant improvement in 2020. Manufacturing contributed a total of 37.6 per cent towards total imports.

For the entire period under review the **Witzenberg municipal area** experienced a trade surplus, which increased from R658.0 million in 2010 to R1.1 billion in 2019 and R1.7 billion in 2020. The agriculture and manufacturing sectors experienced a trade surplus for the period under review and also experienced an increase from 2019 to



Source: Quantec Research, 2021

The Langeberg municipal area experienced a trade surplus for the entire period under review, while experiencing a decline from R1.2 billion in 2010 to R742.5 million in 2019, after which it increased to R1.0 billion in 2020. Both the agriculture and manufacturing sectors experienced a trade surplus for the entire period under review. The manufacturing sector contributed 88.0 per cent towards total imports and 49.7 per cent towards total exports, while the agriculture sector contributed 50.3 per cent towards total exports and 12.0 per cent towards total imports.



Source: Quantec Research, 2021

The Drakenstein municipal area experienced a trade surplus for the period under review, which increased from R2.7 billion in 2010 to R6.3 billion in 2019 and R14.0 billion in 2020. The municipal area's trade surplus can mainly be attributed to the agriculture sector, with an export value of R11.7 billion in 2020, which was almost double that of the previous year. Agriculture also made the largest contribution towards exports (69.1 per cent) and contributed 11.5 per cent towards total imports. Manufacturing contributed 88.3 per cent towards imports and 30.9 per cent towards total exports.



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3.2.1


IMPORTS



Figure 3.3 provides the top 10 import partners in the CWD in 2020.

Table 3.1 provides the District's main import products and the main trading partners of those particular import products in 2020.

Table 3.1
MAIN IMPORT PRODUCTS,
Cape Winelands District, 2020



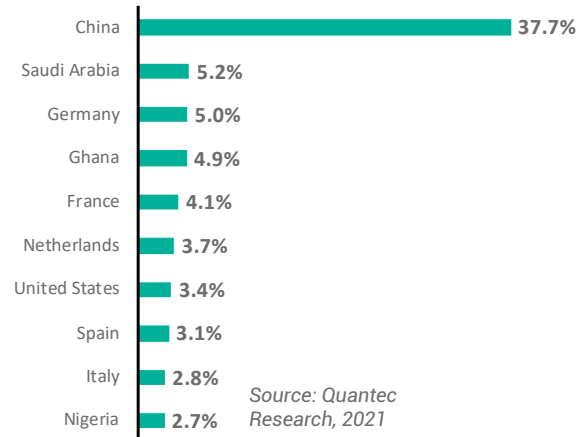
PRODUCT	R million 2020	% share	Main trading partners
Unclassified	3 974.0	29.0%	China
Petroleum oils and oils obtained from bituminous minerals, crude	1 721.7	12.6%	Saudi Arabia, Ghana, Nigeria
Petroleum oils and oils obtained from bituminous minerals, other than crude	821.7	6.0%	Oman, India, United States
Fruit and vegetable juices	372.2	2.7%	China
Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol.; spirits, liqueurs and other spirituous beverages	314.5	2.3%	Germany, United Kingdom, Australia
Harvesting or threshing machinery	230.4	1.7%	New Zealand, China, France
Jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes	185.7	1.4%	Swaziland
Dishwashing machines; machinery for cleaning or drying bottles or other containers; machinery for filling, closing, sealing or labelling bottles, cans, boxes, bags or other containers; machinery for capsuling bottles, jars, tubes and similar containers	182.1	1.3%	Italy, Germany
Flours, meals and pellets, of meat or meat offal, of fish or of crustaceans, molluscs or other aquatic invertebrates	177.4	1.3%	Netherlands, United Kingdom, Namibia
Wheat and meslin	175.2	1.3%	Russian Federation
Total imports	13 709.5		

Source: Quantec Research, 2021

China was the CWD's leading import partner in 2020, contributing 37.7 per cent towards total imports. This was followed by Saudi Arabia and Germany, which contributed 5.2 per cent and 5.0 per cent towards imports respectively. The remaining imports were distributed among countries such as Ghana, France, the Netherlands, the United States, Spain, Italy and Nigeria.

Unclassified imports from China contributed 29.0 per cent towards total imports of the CWD (R4.0 billion). Petroleum oils and oils obtained from bituminous minerals (crude) comprised 12.6 per cent (R1.7 billion) of total imports. This was followed by petroleum oils and oils obtained from bituminous minerals (other than crude), which comprised 6.0 per cent of imports (R821.7 million). These are all used as inputs into the agriculture sector in the CWD.

Figure 3.3
TOP 10 IMPORT PARTNERS,
Cape Winelands District, 2020



3.2.2 EXPORTS



Figure 3.4 provides the top 10 export partners in the CWD in 2020.

Table 3.2 lists the main exported products and trading partners in 2020.

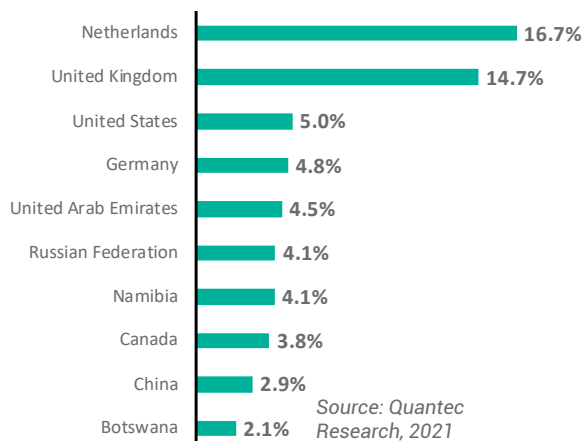
Table 3.2
MAIN EXPORT PRODUCTS,
Cape Winelands District, 2020



PRODUCT	R million 2020	% share	Main trading partners
Wine of fresh grapes	7 367.9	20.5%	United Kingdom, Germany, Netherlands
Citrus fruit, fresh or dried	7 235.0	20.1%	Netherlands, Russian Federation, United Kingdom
Grapes, fresh or dried	4 692.3	13.0%	Netherlands, United Kingdom
Apples, pears and quinces	3 296.7	9.2%	Netherlands, United Arab Emirates, Russian Federation
Other fresh fruit	1 928.2	5.4%	Netherlands, United Kingdom
Fruit and vegetable juices	1 385.4	3.8%	Japan, United States, Netherlands
Apricots, cherries, peaches (including nectarines), plums and sloes	968.8	2.7%	United Kingdom, Netherlands, United Arab Emirates
Prepared or preserved fruit, nuts and other edible parts of plants	891.2	2.5%	United States, United Kingdom, New Zealand
Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol.; spirits, liqueurs and other spirituous beverages	803.9	2.2%	Namibia, France, Germany
Other fermented beverages (for example, cider, perry, mead)	672.5	1.9%	Botswana, Mozambique, Zambia
Total exports	36 026.5		

Source: Quantec Research, 2021

Figure 3.4
TOP 10 EXPORT PARTNERS,
Cape Winelands District, 2020



The Netherlands was the CWD’s leading export partner in 2020, contributing 16.7 per cent to total exports. This was followed by the United Kingdom (14.7 per cent) and the United States (5.0 per cent).

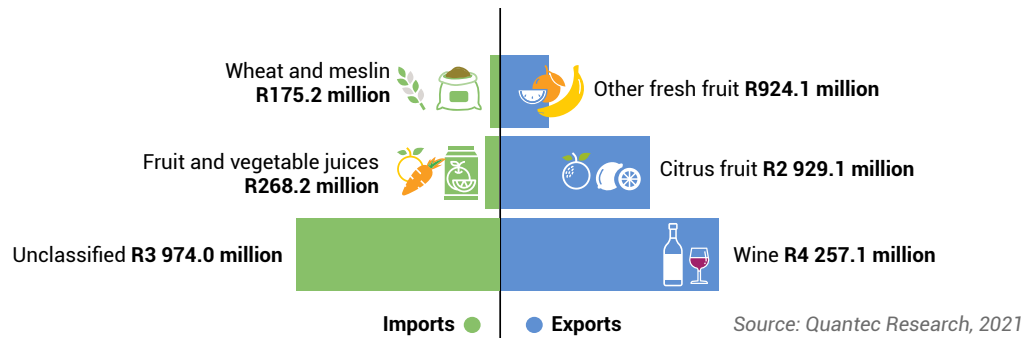
The food and beverage manufacturing industry is a key economic driver in the CWD, since the area exported substantial volumes of fruit, wine and other beverages to several countries in 2020. The CWD exported wine to the value of R7.4 billion in 2020, mainly to the United Kingdom, Germany and the Netherlands. Exports in 2020 were negatively impacted by the level five lockdown restrictions in 2020, which had a detrimental effect on local wine producers. Citrus and grape exports contributed R7.2 billion and R4.7 billion respectively in 2020. In 2020, international citrus prices were especially favourable for farmers, which boosted the agriculture sector considerably.

3.2.3 Municipal imports and exports

Imports and exports are a catalyst for economic growth and development. Exports increase a local economy’s customer base and diversify market opportunities. The following figures outline the main imports and exports for each of the municipal areas of the CWD.

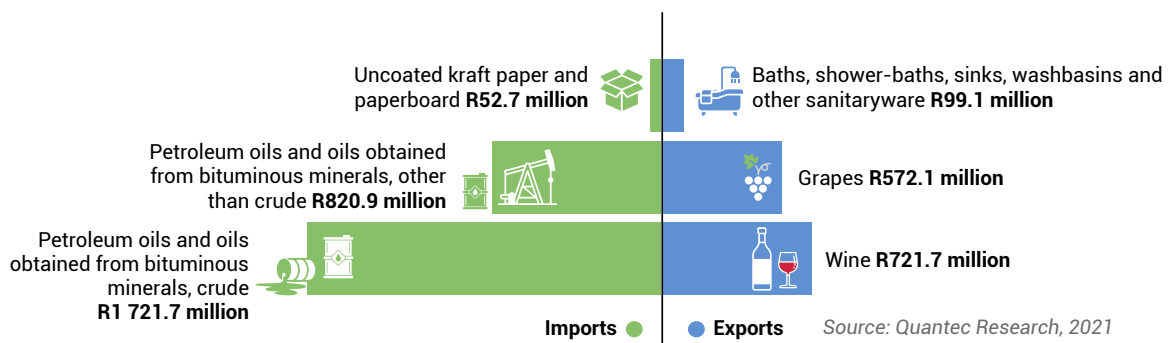
Figure 3.5
TOP 3 IMPORTS AND EXPORTS PER MUNICIPAL AREA, Cape Winelands District, 2020

Stellenbosch



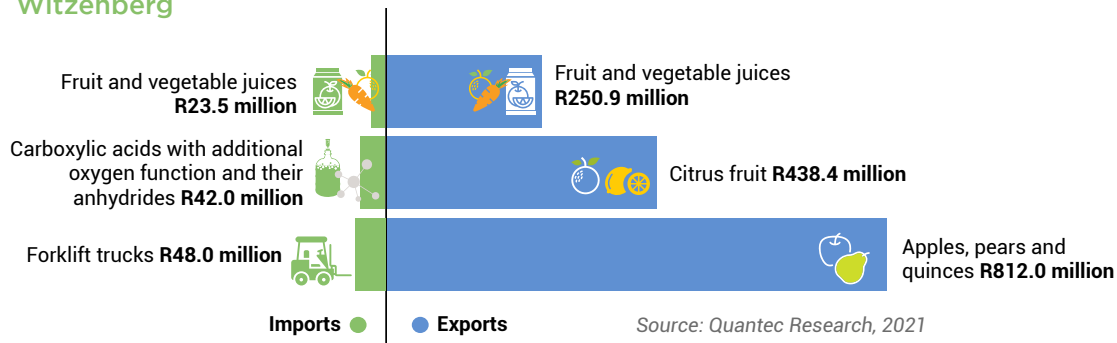
In the Stellenbosch municipal area, the top three imported products in 2020 were unclassified products to the value of R4.0 billion, fruit and vegetable juices to the value of R268.2 million and wheat and meslin to the value of R175.2 million. The top three exported products from the municipal area in 2020 were wine to the value of R4.2 billion, citrus fruit to the value of R2.9 billion and other fresh fruit to the value of R924.1 million.

Breede Valley



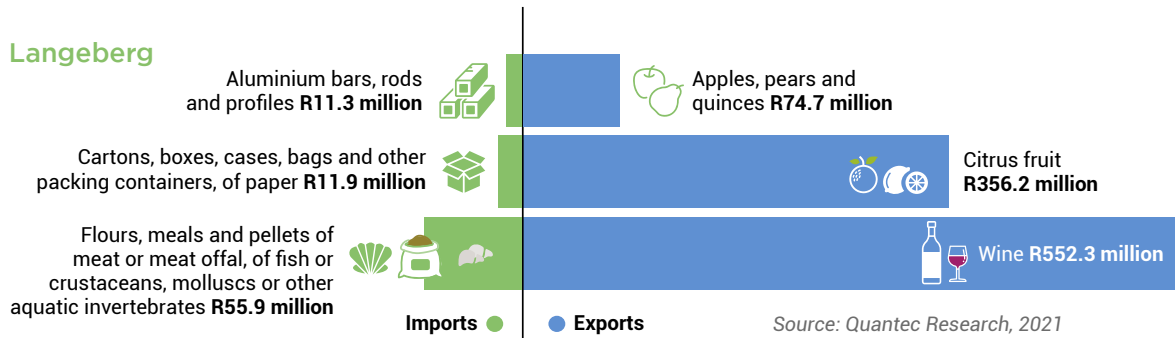
In the Breede Valley municipal area, the top three imported products in 2020 were petroleum oils and oils obtained from bituminous minerals, crude to the value of R1.7 billion, petroleum oils and oils obtained from bituminous minerals, other than crude to the value of R820.9 million and uncoated kraft paper and paperboard to the value of R52.7 million. The top three exported products in 2020 were wine to the value of R721.7 million, grapes to the value of R572.1 million and baths, shower-baths, sinks, washbasins and other sanitaryware to the value of R99.1 million.

Witzenberg



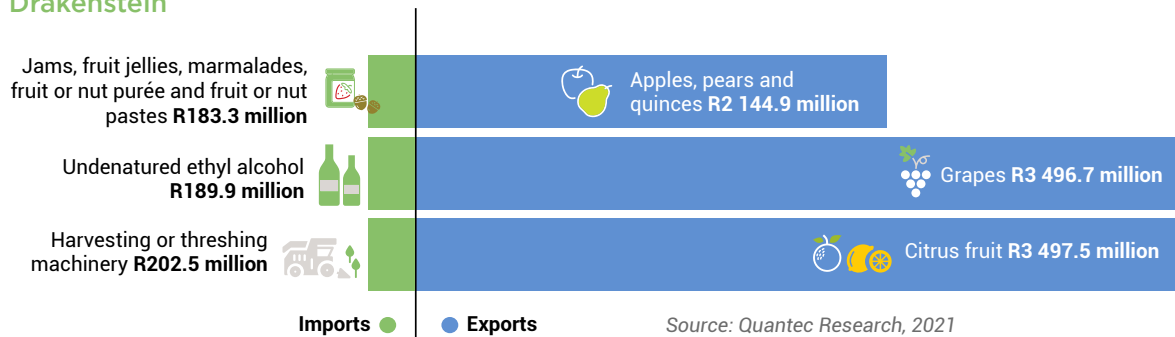
In the Witzenberg municipal area, the top three imported products in 2020 were forklift trucks to the value of R48.0 million, carboxylic acids with additional oxygen function and their anhydrides to the value of R42.0 million and fruit and vegetable juices valued at R23.5 million. The top three exported products in 2020 were apples, pears and quinces, which were valued at R812.0 million, citrus fruit valued at R438.4 million and fruit and vegetable juices to the value of R250.9 million.

Langeberg



In the Langeberg municipal area, the top three imported products in 2020 were flours, meals and pellets of meat or meat offal of fish or of crustaceans, molluscs or other aquatic invertebrates to the value of R55.9 million; cartons, boxes, cases, bags and other packing containers, of paper to the value of R11.9 million; and aluminium bars, rods and profiles to the value of R11.3 million. The top three exported products in 2020 from the municipal area were wine to the value of R552.3 million, citrus fruit to the value of R356.2 million and apples, pears and quinces to the value of R74.7 million.

Drakenstein



In the Drakenstein municipal area, the top three imported products in 2020 were harvesting or threshing machinery to the value of R202.5 million, undenatured ethyl alcohol valued at R189.9 million and jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes to the value of R183.3 million. The top three exported products in 2020 from the municipal area were citrus fruit to the value of R3.5 billion, grapes to the value of R3.5 billion and apples, pears and quinces to the value of R2.1 billion.

3.3 TOURISM PROFILE³⁷

The CWD is renowned for its architecture, beautiful scenery, world-class wineries and the longest wine route on a global scale (Route 62). It is situated close to Cape Town, with the towns of Stellenbosch and Paarl a 30- to 45-minute drive from Cape Town International Airport. The Cape Winelands is known for its mountainous landscapes and vineyards, and was selected by Lonely Planet as one of its “Top 10 Best Value Destinations for 2020”, coming in eighth position. The CWD offers a range of tourism facilities such as hotels, guest houses, lodges, health spas, restaurants, conference centres, museums, adventure activities, as well as arts and culture attractions. The Winelands is a wonderful example of agri-tourism (wine tourism), creating an integrated shared economy through the promotion of routes and experiential activities. The tourism sector plays an integral part in the CWD economy and has great potential for growth thanks to the availability of natural and historical resources. The Cape Winelands is an internationally proclaimed biosphere reserve and extends from the Kogelberg Biosphere Reserve in the south and northwards along the Cape Fold Belt mountain chain and the connecting valleys that make up the Cape Winelands.

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 sector in an area. The catering and accommodation services industry was valued at R951.4 million in 2019 and employed 15 600 people, with informal employment accounting for 38.8 per cent of the industry’s total employment. Estimates for 2020 indicate that the industry was valued at R900.3 million and shed 2 360 jobs.

3.3.1 The impact of COVID-19 on the tourism sector



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 also lost. Each District in the Western Cape offers a unique product that attracts many international and domestic tourists annually. The CWD is a popular leisure destination for both international and domestic markets, and visitors enjoy short or weekend getaways.

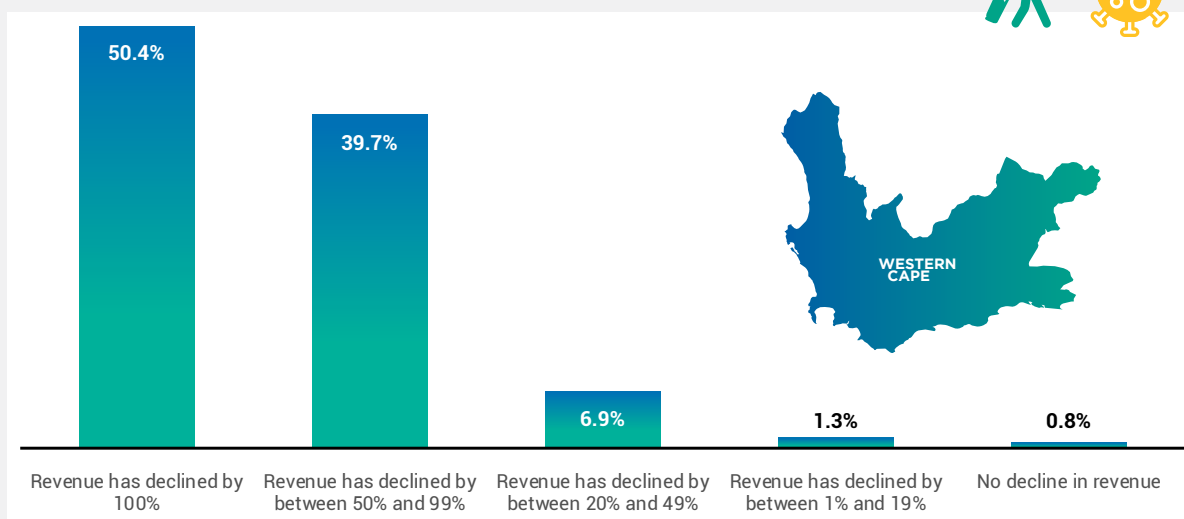
The future of tourism is uncertain as a result of travel and movement restrictions frequently changing. However, it is important for the sector, along with the relevant management authorities, to improve the “readiness” of tourism destinations to receive visitors and prioritise their wellbeing through the implementation of COVID-19 health and safety protocols.

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 was still ongoing. A closer look at the labour market indicates a decline in household income owing to job losses and business closures, while the South African economy is under severe pressure to sustain livelihoods.

³⁷ The Regional Visitor Trends reports published by Wesgro were used to report on regional tourism performance. It is important to note that the regional visitor tracking surveys can only be used as a proxy to indicate the key trends within the region owing to their survey collection method and sample size. Therefore, the information reported on cannot be seen as absolute figures. Furthermore, the information cannot be compared with other regions, nor with the information released by South African Tourism. It is also not advisable to compare year-on-year information, as the sample sizes are not comparable.

Figure 3.6 indicates the overall impact of COVID-19 on the Western Cape tourism businesses.

Figure 3.6
IMPACT OF COVID-19 ON TOURISM BUSINESSES, Western Cape, 2020



Source: Wesgro, 2021

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 39.7 per cent saw their revenue decline between 50.0 per cent and 99.0 per cent.

Other COVID-19 impacts on the Western Cape tourism sector include the following:³⁸

- 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 who 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.
- 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 the respondents who did not receive funding did not apply for it at all.

³⁸ (Wesgro, 2021).

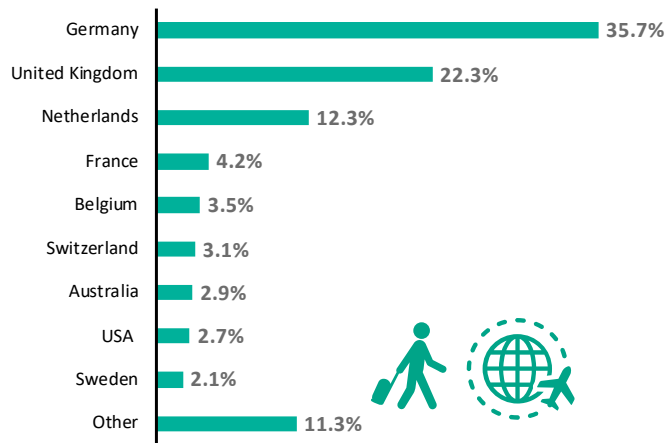
- Approximately 23.2 per cent of the respondents received funding and 9.1 per cent of respondents who received funding did not receive sufficient funding for their operational needs.
- Approximately 55.2 per cent of the respondents applied for funding from the UIF's TERS, 30.1 per cent applied to the Department of Tourism's Tourism Relief Fund and 18.4 per cent applied to the SMME Debt Relief Finance Scheme.
- 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 slightly increased because of this relief measure.
- The easing of restrictions also had a huge impact on almost 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.



3.3.2 Demographic profile of visitors

The CWD is an attractive destination for both international (41.5 per cent) and domestic (58.5 per cent) visitors. Figure 3.7 illustrates the percentage share of international and domestic visitors in the CWD in 2020.

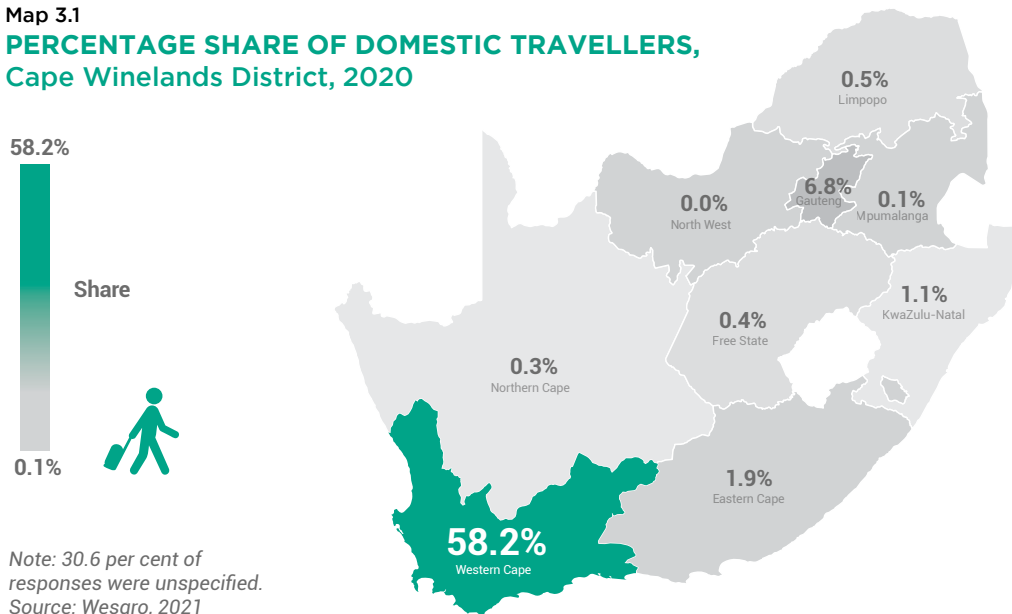
Figure 3.7
PERCENTAGE SHARE OF INTERNATIONAL TRAVELLERS,
Cape Winelands District, 2020



The top three international source markets to the CWD in 2020 travelled from Germany (35.7 per cent), the United Kingdom (22.3 per cent) and the Netherlands (12.3 per cent). The international visitor trend to the CWD is consistent with the Province, in the sense that European countries dominate source markets.

Source: Wesgro, 2021

Map 3.1
PERCENTAGE SHARE OF DOMESTIC TRAVELLERS,
Cape Winelands District, 2020

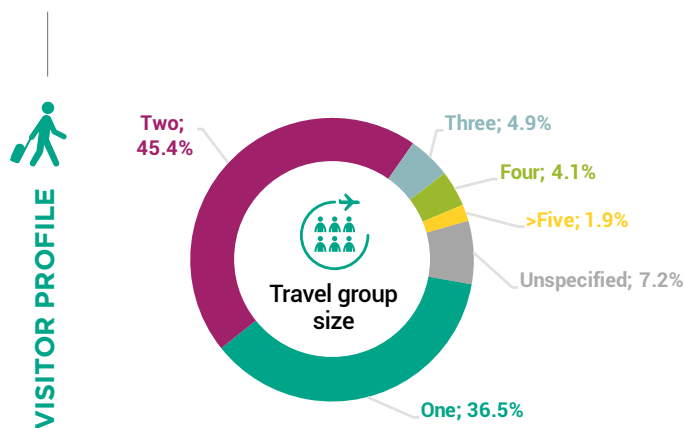


Note: 30.6 per cent of responses were unspecified.
Source: Wesgro, 2021

The top three domestic source markets to the CWD in 2020 were the Western Cape (58.2 per cent), Gauteng (6.8 per cent) and the Eastern Cape (1.9 per cent). Despite the COVID-19 regulations in respect of travel, the trends indicate that the domestic market started to travel to this region once the restrictions were eased, confirming that the Cape Winelands area is a popular destination for leisure activities. However, the poor performance of the economy had a negative impact on household income and therefore spending by domestic tourists.

Figure 3.8 provides a profile of the visitors who visited the CWD in 2020 in terms of group size.

Figure 3.8
VISITOR PROFILE, Cape Winelands District, 2020



Source: Wesgro, 2021

Visitors to the region mainly travelled in pairs (45.4 per cent) or alone (36.5 per cent) in 2020. It can be assumed that because a large number of visitors travelled in pairs, they were either partners or married, and travelled to the region for either short leisure getaways or weekends.

3.3.3 Purpose and duration of visit

As illustrated in Figure 3.9, the CWD is primarily seen as a leisure destination, with 87.7 per cent of visitors travelling to the area for this purpose.

Figure 3.9
MAIN PURPOSE OF VISIT, Cape Winelands District, 2020

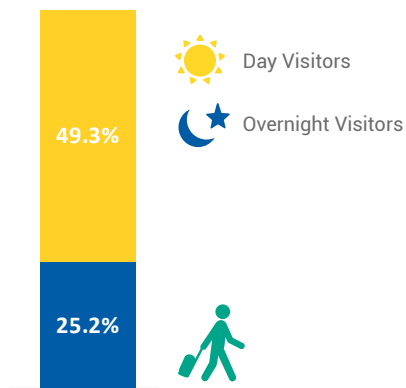


Source: Wesgro, 2021 (VFR denotes visiting friends and relatives)

Apart from leisure travel (87.7 per cent), 7.2 per cent of travel was for business and 3.1 per cent of visitors travelled for education purposes. This is likely related to the presence of Stellenbosch University in the CWD, which attracts students from across the country as well as internationally.

Figure 3.10 illustrates the distribution of overnight and day visitors to the CWD in 2020.

Figure 3.10
OVERNIGHT VS DAY VISITORS,
Cape Winelands District, 2020

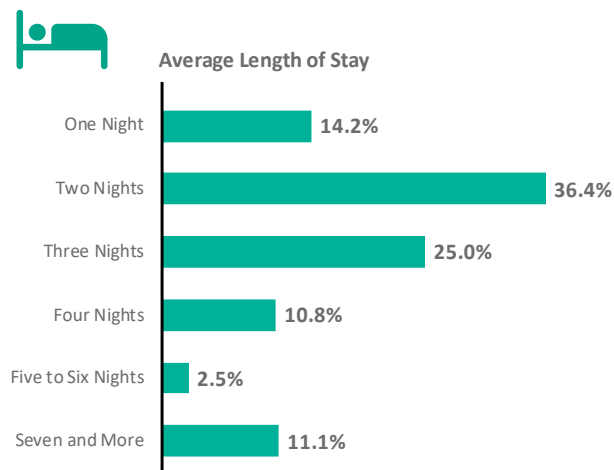


Source: Wesgro, 2021
Note: 25.6 per cent of responses were unspecified

The CWD is a popular destination for day visitors, accounting for 49.3 per cent of visits in 2020, while overnight visitors accounted for 25.2 per cent.

Figure 3.11 illustrates the average length of stay of visitors in the CWD in 2020.

Figure 3.11
AVERAGE LENGTH OF STAY BY VISITORS,
Cape Winelands District, 2020



Source: Wesgro, 2021

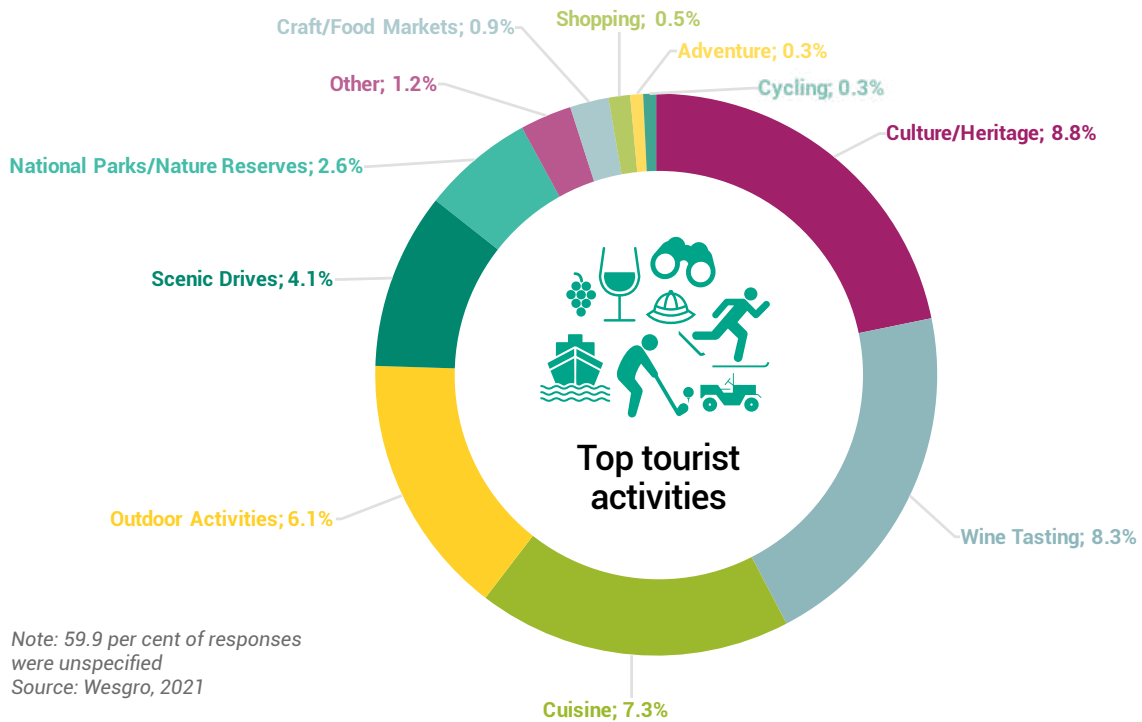


The region is popular for getaways of between two and three nights, and tourists mainly make use of guest houses, B&Bs and hotels. The length of stay is one of the key elements in a tourist's decision-making process and is of great economic importance for the tourist destination. Therefore, promoting longer stays would have a positive economic impact, especially when targeting the international markets, as they tend to spend more.

3.3.4 Activities and transport

Figure 3.12 illustrates the top activities undertaken by visitors during their visit to the CWD in 2020.

Figure 3.12
TOP TOURIST ACTIVITIES UNDERTAKEN, Cape Winelands District, 2020



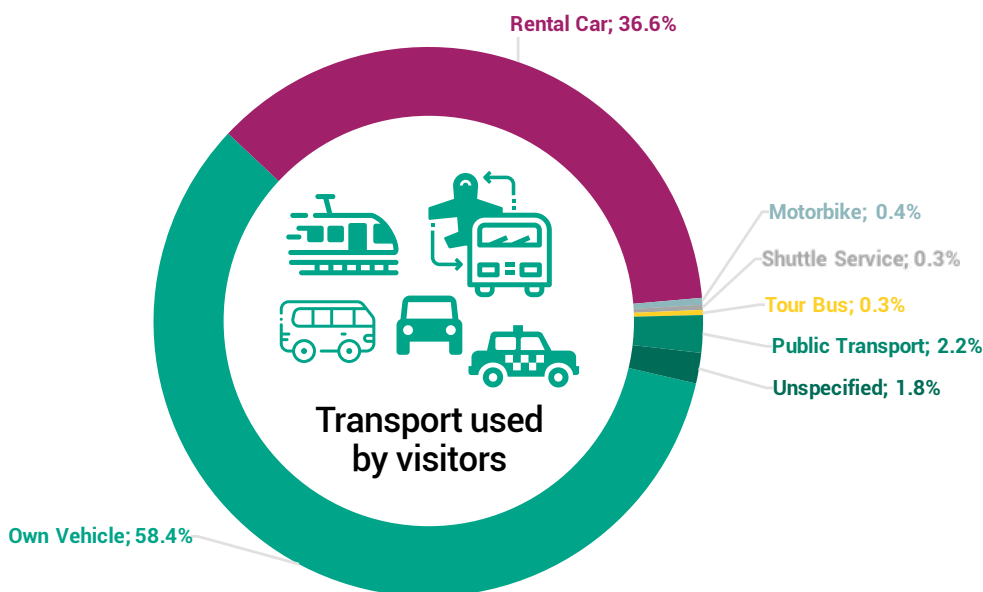
Activities enjoyed in 2020 by tourists visiting the CWD included culture/heritage activities (8.8 per cent), wine tasting (8.3 per cent) and cuisine (7.3 per cent). Activities participated in the least by tourists included cycling (0.3 per cent) and adventure activities (0.3 per cent). These percentages could be low because of low awareness levels, or because tourists simply prefer not to take part in these activities.



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Figure 3.13 indicates the mode of transport used by visitors in the CWD in 2020.

Figure 3.13
MODE OF TRANSPORT USED BY VISITORS, Cape Winelands District, 2020



Source: Wesgro, 2021

In terms of the preferred mode of transport, most tourists made use of their own cars (58.4 per cent), followed by rental cars (36.6 per cent). This indicates that locals, domestic travellers and international visitors made trips to the CWD, assuming that the latter mostly rented vehicles to travel to this region.



3.4 COMPARATIVE ADVANTAGE AND EMPLOYMENT POTENTIAL


The purpose of this section is to analyse the comparative advantage of the various economic sectors within the CWD by exploring the historic growth of the respective sectors to identify growth opportunities for the District economy.

A location quotient is used to determine the level of specification in the economic sectors of the CWD in comparison with South Africa. The location quotient provides a ratio between two economies (in this case, the national and District economies) to indicate the comparative advantage of sectors in the District and to indicate whether the District is exporting and self-sufficient, or is importing goods and services from a particular sector.

If the location quotient takes on a value of more than one, a comparative advantage exists in this local economy compared with the national economy, whereas a location quotient of less than one indicates that the representation of this industry is weaker in the local economy than in the national economy.³⁹ Furthermore, a location quotient of one indicates that the representation of an industry in the local economy is the same as its representation in South Africa.

Table 3.3 describes the classification and interpretation of the location quotient.

Table 3.3
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

However, the location quotient does not consider external factors that may influence the comparative advantage of an area in a particular sector. The external factors may include investment incentives, government policies, market proximities, etc. Furthermore, the location quotient showcases the importance of the local economy to the national economy, while not necessarily considering the size of the sector relative to the local economy or its importance. A value between 0.75 and 1.24 does not necessarily indicate that the local economy is exporting goods or services, and does not indicate that local needs are not being met.

³⁹ (Fennig and DaCosta, 2010).

Table 3.4 depicts the CWD location quotient in terms of GDPR and employment.

Table 3.4
LOCATION QUOTIENT IN TERMS
OF GDPR AND EMPLOYMENT,
Cape Winelands District, 2019



SECTOR	In terms of GDPR	In terms of employment
PS Primary Sector		
Agriculture, forestry & fishing	3.5	3.0
Mining & quarrying	0.0	0.0
SS Secondary Sector		
Manufacturing	1.2	0.9
Electricity, gas & water	0.6	0.6
Construction	1.7	0.9
TS Tertiary Sector		
Wholesale & retail trade, catering & accommodation	1.3	1.0
Transport, storage & communication	1.0	0.8
Finance, insurance, real estate & business services	1.0	0.9
General government	0.6	0.8
Community, social & personal services	1.3	0.8

Source: Quantec Research, 2021

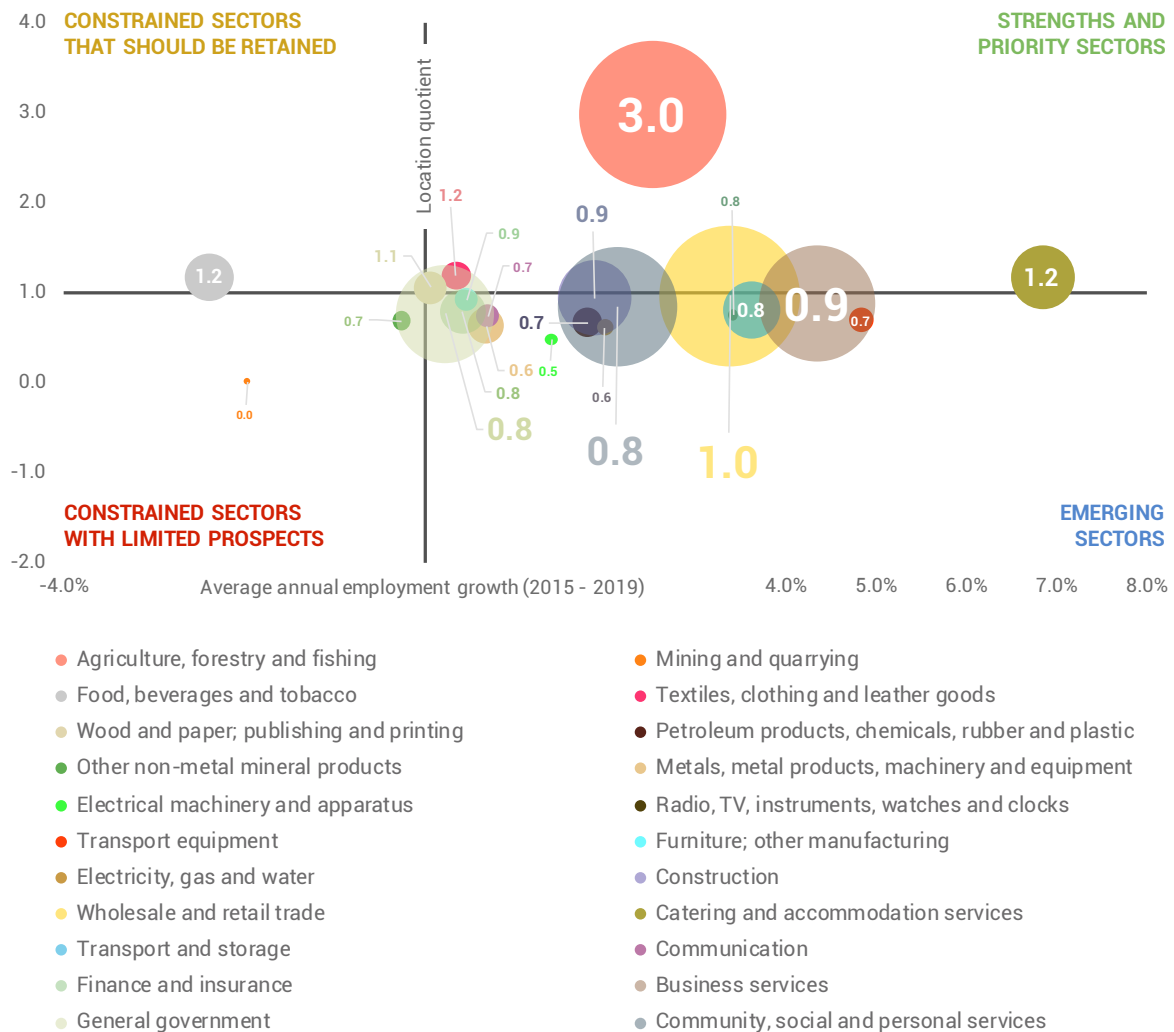
When compared with the structure of the South African economy, the CWD had a very high comparative advantage in terms of employment and GDPR in the agriculture sector in 2019. The manufacturing, construction, trade, and community services sectors had a high comparative advantage in terms of GDPR, with a somewhat lower comparative advantage in terms of employment, which highlights their respective capital intensities.

Sectors that had a medium comparative advantage include the finance sector (in terms of GDPR and employment), the general government sector (in terms of employment) and the transport sector (in terms of GDPR and employment). The sector with the lowest location quotient in terms of both GDPR and employment was the mining sector. Furthermore, when compared with the Provincial economy, the CWD also had a low comparative advantage in terms of employment in this sector.

To identify sectoral growth opportunities and risks, the comparative advantage (in relation to South Africa) of various sectors, as well as the historic growth rates of sectors, are analysed together.

Figure 3.14 illustrates the comparative advantage and sectoral employment growth in the CWD.

Figure 3.14
COMPARATIVE ADVANTAGE AND SECTORAL EMPLOYMENT GROWTH,
Cape Winelands District, 2019



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

Priority sectors for employment are those with a location quotient greater than one with a positive employment growth rate between 2015 and 2019. Sectors that require intervention are those that have a location quotient greater than one but that have shed jobs over the reference period. Interventions to consider may include, for example, financial, regulatory or capacity-building.

Within the CWD, sectors that have a location quotient of less than one (no comparative advantage) but have shown strong employment growth are considered to be emerging sectors. However, it should be noted that prospects in these sectors may be limited owing to their size or exogenous trends.



Table 3.5 below outlines additional information relating to the sectors that are considered as strengths in terms of job creation, according to historical trends. Furthermore, sectors with a comparative advantage in employment, despite their lack of employment growth, are also identified.

Table 3.5

PRIORITY SECTORS FOR EMPLOYMENT, Cape Winelands District, 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
Agriculture, forestry and fishing	5 211.6	-3.6%	83 178	30.7%	1 536	-4.8%
Food, beverages and tobacco	4 742.2	-2.6%	9 014	18.9%	-235	-2.4%
Textiles, clothing and leather goods	392.1	-0.9%	3 151	20.1%	9	-0.9%
Wood and paper; publishing and printing	1 204.4	-0.7%	4 246	20.7%	2	-0.8%
Catering and accommodation services	951.5	-0.2%	15 600	38.8%	877	0.2%

Source: Quantec Research, 2021

Agriculture, forestry and fishing

The agriculture sector is considered a priority sector in the CWD. This sector is of particular importance in the Breede Valley, Witzenberg and Drakenstein municipal areas as a source of employment. Valued at R5.2 billion in 2019, the agriculture sector employed 83 178 people in 2019, 30.7 per cent of whom were informally employed. Furthermore, an average of 1 536 jobs were added in this sector between 2015 and 2019. The average annual contraction recorded over this period in the sector may largely be attributed to abnormal heat and drought conditions in the region, resulting in significant ramifications for the wine industry. Other key farming activities in the District include fruit such as apricots, nectarines, pears and apples.

The production of wine grapes is of particular importance in the CWD. However, the recent stabilisation of grape production volumes in 2020, following the three-year drought in the Province, coincided with the imposition of COVID-19 lockdown restrictions.⁴⁰ As such, the grape industry, through its forward linkages with wine production, remains under severe pressure owing to the recurrent ban on alcohol sales in 2020 and 2021. Furthermore, pome fruit production (centred in the town of Ceres in the Witzenberg municipal area) was largely driven by strong apple production during 2020. Total apple production is expected to exceed 1.0 million tonnes for the first time in 2021 and is set to increase by 19.6 per cent by 2030 as a result of an increasing number of orchards reaching bearing age.⁴¹

Linkages of particular note are the forward linkages of the sector to the manufacturing sector for the processing of raw agricultural materials. The availability of agricultural production and processing infrastructure allows for the agriculture sector in the District to contribute to tourist activities through wine production and exportation.

⁴⁰ (BFAP, 2021).

⁴¹ (BFAP, 2021).

However, capital investment in the sector declined by 4.8 per cent on average between 2015 and 2019, which highlights possible future development constraints in the sector and its dependence on labour as a factor of production. To this end, it remains vital to note that the agriculture sector, including its forward linkages to other economic sectors of importance, requires consideration for its ability to absorb relatively low-skilled labourers and contribute to upstream industries. However, the increase in the minimum wage for farm workers in alignment with the national minimum wage is expected to have a severe impact on the sector's ability to create additional jobs. This effect is expected to be more pronounced in the wine, fruit and barley sector owing to the bans on alcohol sales that occurred intermittently in 2020 and 2021.⁴²

In 2020, the seaports accounted for approximately 85.0 per cent of the value of agricultural exports from the CWD.⁴³ This was followed by 12.0 per cent through inland and land borders, and 3.0 per cent from airports. Road infrastructure is a central component for other modes of transport for agricultural exports from the District. The choice of transport affects the speed of delivery, efficiency and costs of exported products. Therefore, good infrastructure is vital for the competitiveness of the sector.⁴⁴ Thus, public-private partnerships can be key in unlocking more private-sector investment in the CWD.

Food, beverages and tobacco

The food, beverages and tobacco manufacturing subsector was valued at R4.7 billion in 2019 and recorded an average annual contraction of 2.6 per cent between 2015 and 2019. The poor performance of the subsector is also evident in the average annual job-shedding recorded in the five-year period, with an average of 235 jobs lost per annum. Approximately 18.9 per cent of workers in this subsector were informally employed in 2019.

Given this subsector's dependence on wine production, and owing to its backward linkages with the agriculture sector, the subsector has struggled to recover from the prevailing drought conditions in the Province since 2018. The national wine industry recorded a steady increase in production⁴⁵ between 2018 and 2020, from 965.7 million litres to 1.0 billion litres.⁴⁶ However, producers' income declined from R6.3 billion to R5.8 billion over the same period. As such, increases in production levels and declines in producer income highlight demand constraints in the wine industry.

The subsector, given its dependence on the wine industry, is expected to record a contraction in 2020, which may be attributed to the ban on alcohol sales during the COVID-19 lockdown, with the ban on the domestic transportation and sale of alcohol only being lifted in February 2021. This highlights the need for engagement with the industry to identify needs and constraints to attract new investment and promote exports from this subsector.



⁴² (Coleman, 2021).

⁴³ (Western Cape Department of Agriculture, 2021).

⁴⁴ (Western Cape Department of Agriculture, 2021).

⁴⁵ This includes wine, wine for brandy, distilling wine, and grape juice concentrate and grape juice production (SAWIS, 2020).

⁴⁶ (SAWIS, 2020).

Textiles, clothing and leather goods

In 2019, the textiles, clothing and leather goods subsector was valued at R392.1 million and recorded an average annual contraction of 0.9 per cent between 2015 and 2019. Of the 3 151 people employed in this subsector in 2019, approximately 20.1 per cent of workers were informally employed. Exports of leather (further prepared) from the Western Cape to the rest of the world are mainly from the CWD.⁴⁷



As such, leather is considered to be the predominant exported commodity within the textiles, clothing and leather goods subsector, and largely originated from the Drakenstein municipal area.

Over the reference period, the subsector recorded an average annual increase of nine jobs per annum. The slow growth in employment within the subsector, along with the average annual contraction experienced over the five-year period, highlights the need to provide incentives to ensure its sustainability. Although the textiles, clothing and leather goods subsector has a comparative advantage in relation to the national economy, the South African clothing and textiles industry has experienced a decline in recent years. The subsector recorded an average annual contraction of 0.9 per cent in capital investment, which limits the prospects in terms of job creation.

The subsector is often categorised for its capacity to generate large-scale employment, its low barriers to entry and its short skills acquisition period. To this end, the Department of Trade, Industry and Competition (DTIC) launched the Clothing and Textiles Competitiveness Programme (CTCP), which aims to assist the industry in upgrading equipment, upskilling labourers and repositioning South Africa to compete against other low-cost-producing countries. As such, industry players in the CWD should align activities with the CTCP and capitalise on its proximity to the Port of Cape Town.

Wood and paper, publishing and printing

Between 2015 and 2019, the wood and paper, publishing and printing subsector contracted at an average annual rate of 0.7 per cent. Valued at R1.2 billion in 2019, the subsector employed a mere 4 246 people during the year, with 20.7 per cent being informally employed. However, despite its comparative advantage in relation to the national economy, this subsector recorded an average annual increase of only two jobs over the reference period. In relation to the Province, the Stellenbosch municipal area was the only municipal area with a comparative advantage in this subsector. Overall, the subsector recorded an average annual decline of 0.8 per cent, which constrains its ability to create employment opportunities. Furthermore, the digitisation of business activities should also be considered when evaluating the longer-term viability of this subsector.

⁴⁷ (DAFF, 2016).

Catering and accommodation services

The catering and accommodation services subsector in the CWD is considered a current strength and is primarily driven by tourism activities. The comparative advantage of this subsector in relation to the national economy is primarily driven by its status in the Drakenstein, Stellenbosch and Breede Valley municipal areas. Furthermore, the subsector is considered an emerging strength in the Witzenberg and Langeberg municipal areas.

In 2019, the subsector was valued at R951.5 million. However, it contracted at an average annual rate of 0.2 per cent between 2015 and 2019. Employment in the subsector stood at 15 600 people, with approximately 38.8 per cent being informally employed. Owing to its large share of informal employees, the catering and accommodation services sector is particularly vulnerable to external shocks, such as the COVID-19 pandemic and ensuing travel restrictions.

Between 2015 and 2019, the subsector recorded an average annual increase of 0.2 per cent in capital investment, with 877 jobs being added on average over the same period. The modest growth in capital investment in the subsector requires optimisation in terms of resource utilisation to ensure that the subsector can retain employment, particularly informal employment. However, the continued impact of the COVID-19 pandemic and disproportionate roll-out of global vaccination programmes are likely to constrain the recovery of tourism activities in the short to medium term.

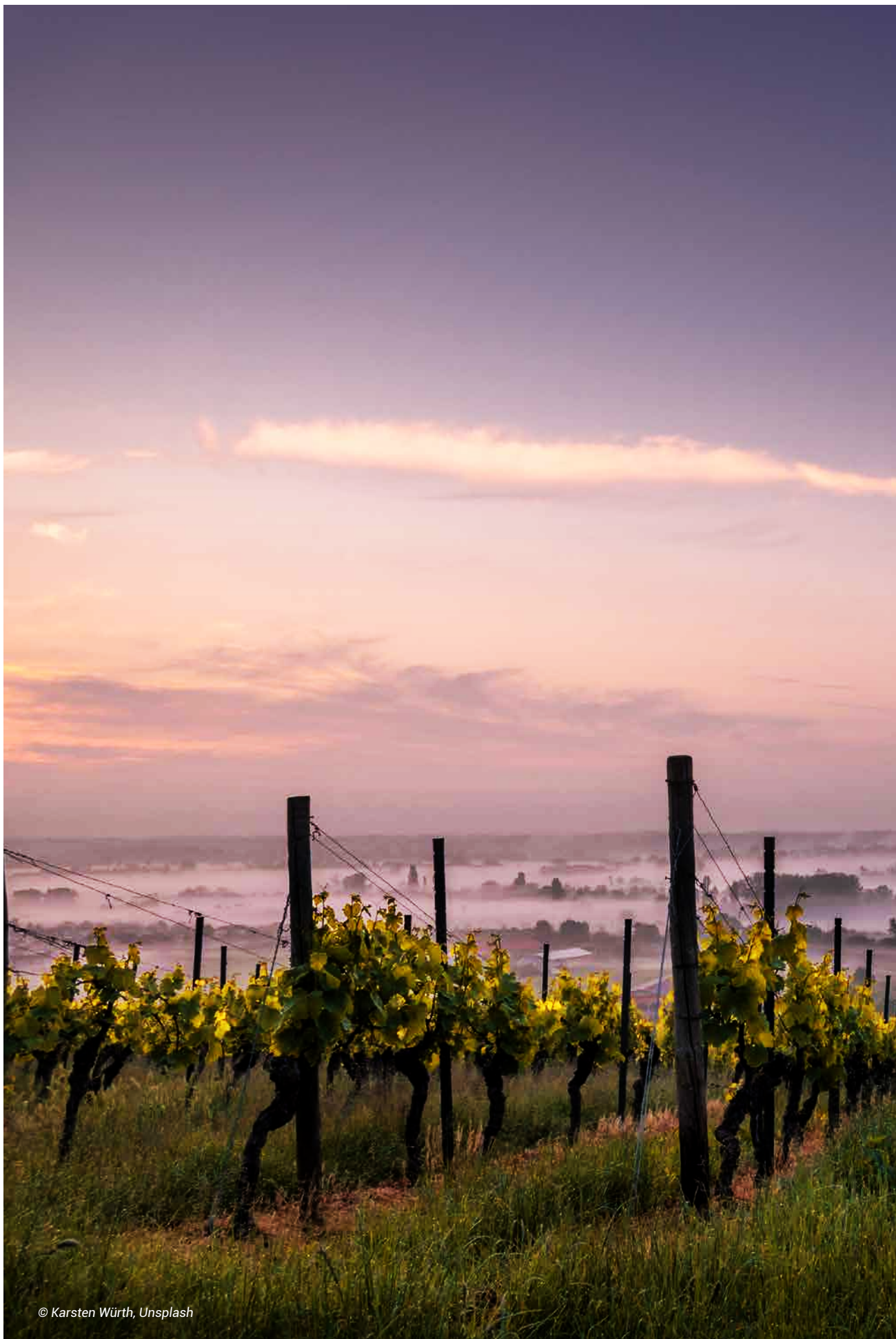
Other emerging sectors

In terms of employment creation in the CWD, several sectors are considered emerging in terms of employment opportunities. These sectors include the construction sector, along with the business services subsector and finance and insurance subsector.

Despite the construction sector being classified as an emerging strength on a District level, the sector is considered as a current strength in the Witzenberg and Drakenstein municipal areas. Infrastructure and housing investment projects such as the rehabilitation and refurbishment of the Paarl-Franschhoek road, education and health facilities, and human settlements are expected to contribute significantly to the sector in terms of employment. Paarl, in particular, has become increasingly popular for residential-estate development.

The business services subsector and finance and insurance subsector are considered as current strengths in the Stellenbosch municipal area. The Stellenbosch municipal area is central to the growth of the finance and insurance subsector, with banks such as Capitec establishing their headquarters in Stellenbosch in 2020. Furthermore, other businesses based in Stellenbosch include Mediclinic International, Compuscan and Reutech Radar Systems. Improved commercial activity is also likely to feed into the communication subsector and the construction sector, resulting in a multiplier effect in terms of employment creation.

The positive performance of employment creation across several tertiary sectors in municipal areas indicates an increasing rate of urbanisation and growing demand for skilled and highly skilled workers. Across all municipal areas encompassed by the CWD, strong growth has been recorded in the trade, catering and accommodation subsector and the transport and storage sectors. As such, both the public and private sectors must co-ordinate the identification of skills gaps in communities and align training with targeted interventions.



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3.5 INVESTMENTS

This subsection discusses various forms of investments occurring in the CWD, including building plans passed and completed, and new investments from prominent local companies, and gives a consolidated overview of municipal spending on contracted services.

3.5.1 Private-sector investment

3.5.1.1 Sectoral investments and business expansion

Businesses have been showing increased interest in the Breede Valley municipal area. The municipality is therefore aiming to upgrade and refurbish industrial properties over the next three financial years to accommodate this growing interest. In addition, there have been numerous expansions and developments since 2020. A local company, Brenn-O-Kem, has established an additional facility to extract organic compounds from winery waste. There have also been expansions from companies such as GRW Engineering and APL Cartons, and expansions to cool storage facilities in the Hex River Valley are in the pipeline. Moreover, there has been renewed interest from major retailers, with Boxer, Food Lover's Market and OK Foods stores having been established in the municipal area.⁴⁸

Other proposed developments are the Trans Hex low-cost housing and mix-use development (phase one), the Altona residential development, a 20 000m² extension of the Mountain Mill Shopping Centre, various small housing developments, and the Avian Park and Uitvlugt Industrial Park developments.⁴⁹

In the Drakenstein municipal area, Fall Creek Nursery opened a branch in 2020, creating approximately 75 employment opportunities, and Food Lover's Market opened a store in 2021 that created approximately 150 employment opportunities.⁵⁰ Moreover, there are numerous large developments on the horizon, namely the establishment of a Builders and a Food Lover's Market within a small mall development, the expansion of the Rembrandt Mall in Paarl, the Checkers shopping centre south of the N1, the Engen filling station and convenience store south of the N1, and the establishment of a Nissan car dealership in Southern Paarl.

The Stellenbosch municipal area is becoming increasingly popular for residential estate developments owing to growing demand. Developments such as the Bridge "Smart City" Development in Klapmuts, the Woodmill mixed-use development on Adam Tas Road as well as apartment developments in Stellenbosch⁵¹ will be a valuable boost for the local economy.

3.5.1.2 Building plans passed and completed

Building plans passed and completed form part of the indicators that measure economic activity and changes in the business cycle. The value of building plans passed⁵² can be used as a leading indicator, while building plans completed⁵³ can be used as a lagging indicator. Building plans passed and completed have further implications for municipal spatial planning and budgeting. Stats SA's information on building plans passed and completed is only available for selected municipalities, namely the Drakenstein, Stellenbosch and Breede Valley municipal areas. The values of building plans passed and completed are expressed in current prices.

⁴⁸ (Breede Valley Municipality, 2021).

⁴⁹ (Breede Valley Municipality, 2021).

⁵⁰ (Drakenstein Municipality, 2021).

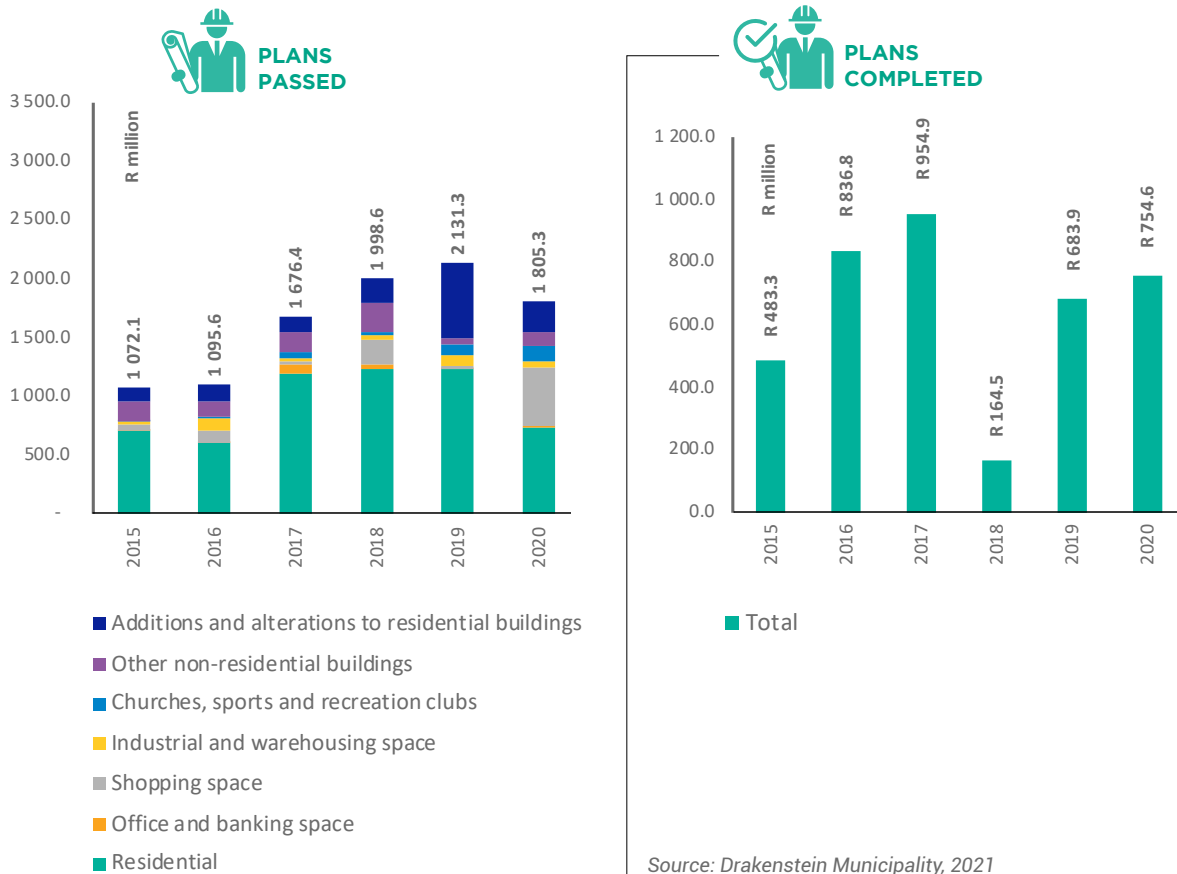
⁵¹ (Stellenbosch Municipality, 2021).

⁵² Number of residential building plans passed larger than 80m².

⁵³ Value of non-residential buildings completed (constant prices).

Figure 3.15 illustrates the value of building plans passed and completed in the Drakenstein municipal area between 2015 and 2020.

Figure 3.15
VALUE OF BUILDING PLANS PASSED AND COMPLETED,
Drakenstein, 2015 – 2020 (R million)



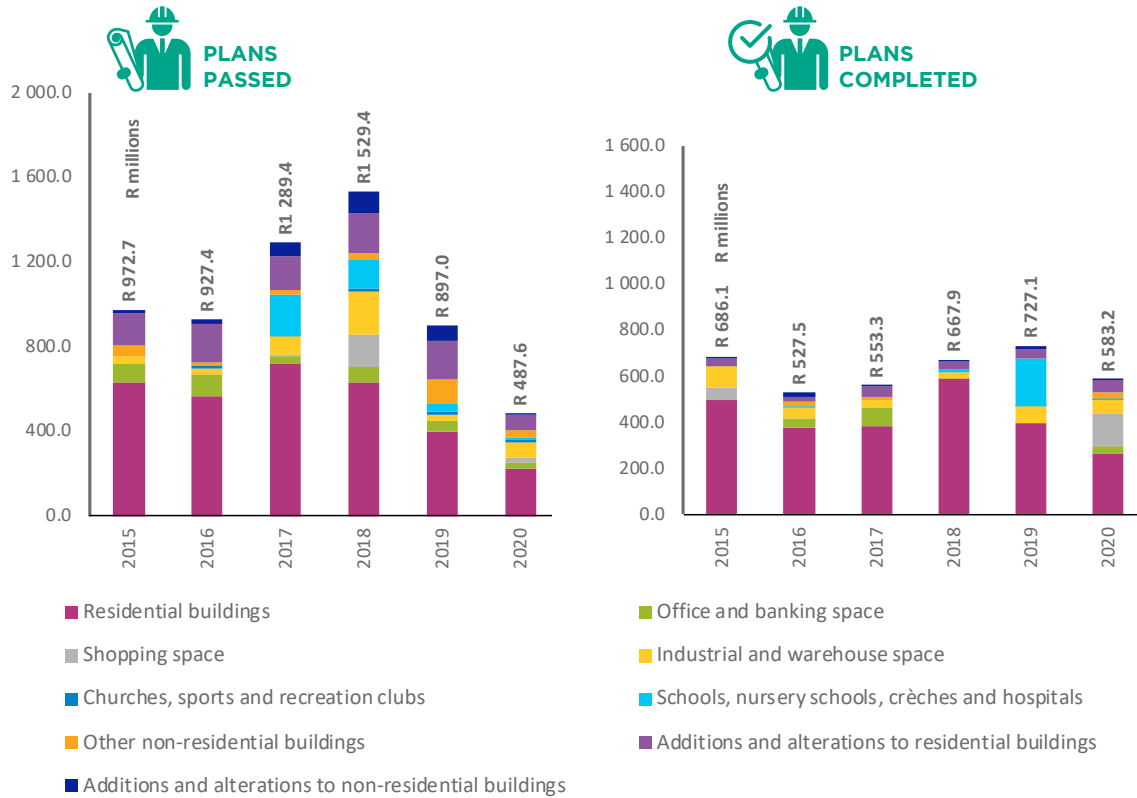
In the Drakenstein municipal area, the total value of building plans passed increased from R1.1 billion in 2015 to R2.1 billion in 2019, before declining to R1.8 billion in 2020. Throughout the period under review, most building plans passed were for residential buildings, which declined from R1.2 billion in 2019 to R736.3 million in 2020. The decline in building plans passed between 2019 and 2020 was mainly due to a reduction in building plans passed for additions and alterations to residential property – from R636.8 million to R265.7 million. This is likely to have been influenced by a decline in household income over the period as a result of job losses associated with COVID-19. Positively, substantial increases were recorded for building plans passed of office and banking space, and shopping space. This emphasises that the Drakenstein municipal area is a growing commercial and residential hub in the CWD. Furthermore, these developments can substantially boost the local construction sector in future. However, there is a lack of available land that is suitable for industrial development in the Drakenstein municipal area.⁵⁴

Building plans completed increased from R483.3 million in 2015 to R954.9 million in 2017, before dropping significantly to R164.5 million in 2018. The drought conditions prevalent during this time could have influenced construction projects, which are heavily reliant on water. However, building plans completed have been on an increasing trend since then, reaching R754.6 million in 2020. Despite the COVID-19 lockdown restrictions more than likely creating huge delays and backlogs in construction projects, more building plans were completed in 2020 than in 2019.

⁵⁴ (Drakenstein Municipality, 2021).

Figure 3.16 indicates the number of building plans passed and completed per building category in the Stellenbosch municipal area between 2015 and 2020.

Figure 3.16
VALUE OF BUILDING PLANS PASSED AND COMPLETED,
Stellenbosch, 2015 - 2020 (R million)



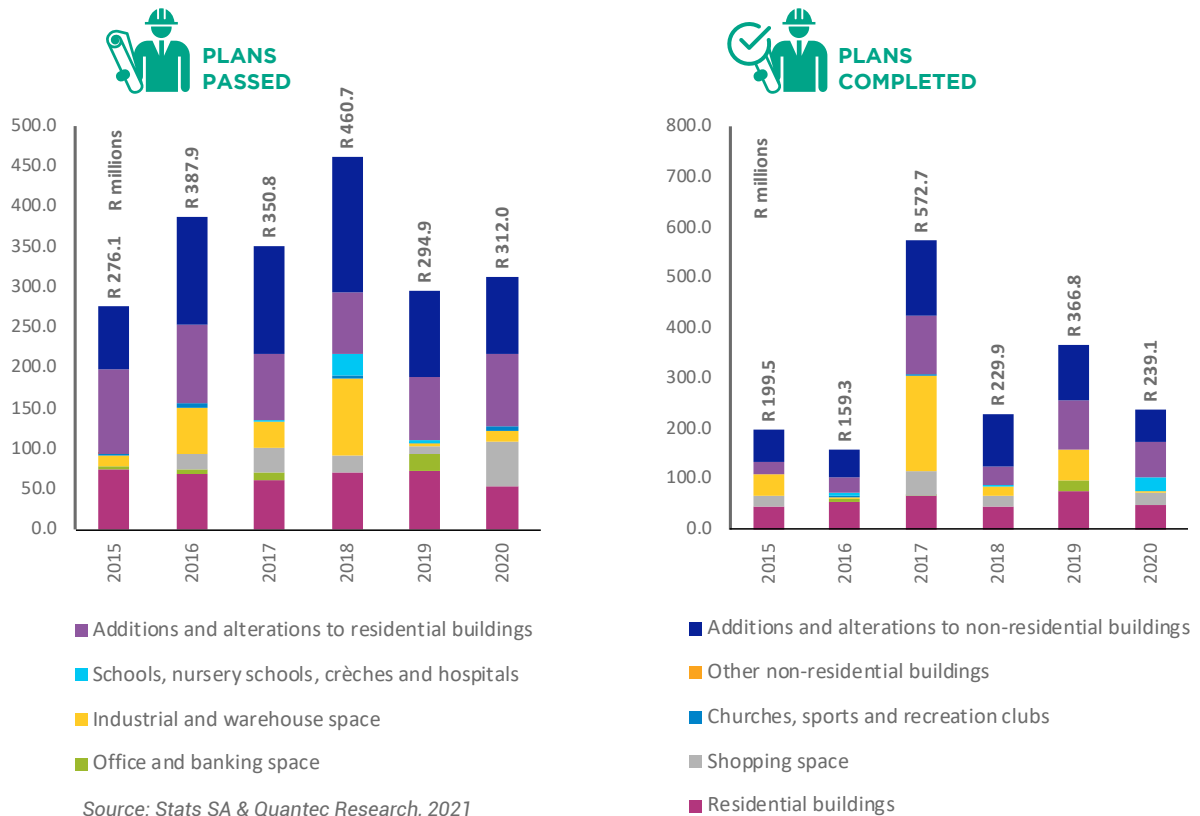
Source: Stats SA & Quantec Research, 2021

In the Stellenbosch municipal area, the total value of building plans passed decreased from R972.7 million in 2015 to R487.6 million in 2020. During this period residential building plans made up most of the building plans passed, with these plans decreasing in value from R630.9 million in 2015 to R222.6 million in 2020. This was followed by building plans passed for additions and alterations to residential buildings (R74.8 million) and industrial and warehouse space (R74.2 million).

The number of building plans passed peaked at R1.5 billion in 2018. Generally, building plans passed for commercial space (office and banking space, and shopping space) also declined during the period under review. Building plans completed decreased from R686.1 million in 2015 to R583.2 million in 2020. Building plans completed reached their lowest value of R527.5 million in 2016. Poor economic conditions likely affected households' demand and affordability for new homes, while businesses were hesitant to invest in new buildings. The drought conditions in the Province also likely influenced investor confidence. During this period residential building plans made up most of the building plans completed, followed by industrial and warehouse space. The reduction in 2020 is likely a result of the interruptions caused by the lockdown regulations. However, building plans completed for additions and alterations to residential buildings increased from 36 353m² in 2019 to 51 630m² in 2020. Smaller construction works such as this would have boosted the local retail trade sector's sales of building materials, despite the tough economic conditions.

Figure 3.17 indicates the value of building plans passed and completed between 2015 and 2020 in the Breede Valley municipal area.

Figure 3.17
VALUE OF BUILDING PLANS PASSED AND COMPLETED,
Breede Valley, 2015 – 2020 (R million)



In the Breede Valley municipal area, the total value of building plans passed increased from R276.1 million in 2015 to R312.0 million in 2020. Additions and alterations to residential buildings made up most of the building plans passed in this period, with these plans decreasing from R105.9 million in 2015 to R89.1 million in 2020. This was followed by building plans passed for additions and alterations to non-residential buildings.

The number of building plans passed peaked to R460.7 million in 2018. Generally, building plans passed for shopping space, industrial and warehouse space, and for churches, sports and recreation clubs increased from 2019 to 2020.

Building plans completed increased from R199.5 million in 2015 to R239.1 million in 2020 and reached the lowest value of R159.3 million in 2016. During this period additions and alterations to non-residential buildings made up most of the building plans completed in the Breede Valley municipal area.

⁵⁵ (Witzenberg Municipality, 2021).

The Witzenberg municipal area recorded a decline in building plans passed for residential, office, retail and industrial space between 2019 and 2020. Residential building plans declined from 24 223m² to 14 048m², office space declined from 168m² to 36m², retail space declined from 2 022m² to 1 809m² and industrial space declined from 12 405m² to 10 005m².⁵⁵

The COVID-19 pandemic likely affected business confidence to invest in new infrastructure, but the lack of developable land in the Witzenberg municipal area is also seen as a deterrent to business growth and expansion.⁵⁶

Real-estate development promotes the economic value and growth of an area. Capital is injected into the economy before the physical construction activities. The services of various people from different industries, including lawyers, engineers, architects and designers, benefit from the planning of real-estate development. An increase in the development of housing naturally creates new jobs for businesses in an area. Furthermore, an increase in the development of housing may also mean an increase of residents in an area, which translates into an increase in the labour force and economic growth.



⁵⁶ (Witzenberg Municipality, 2021).

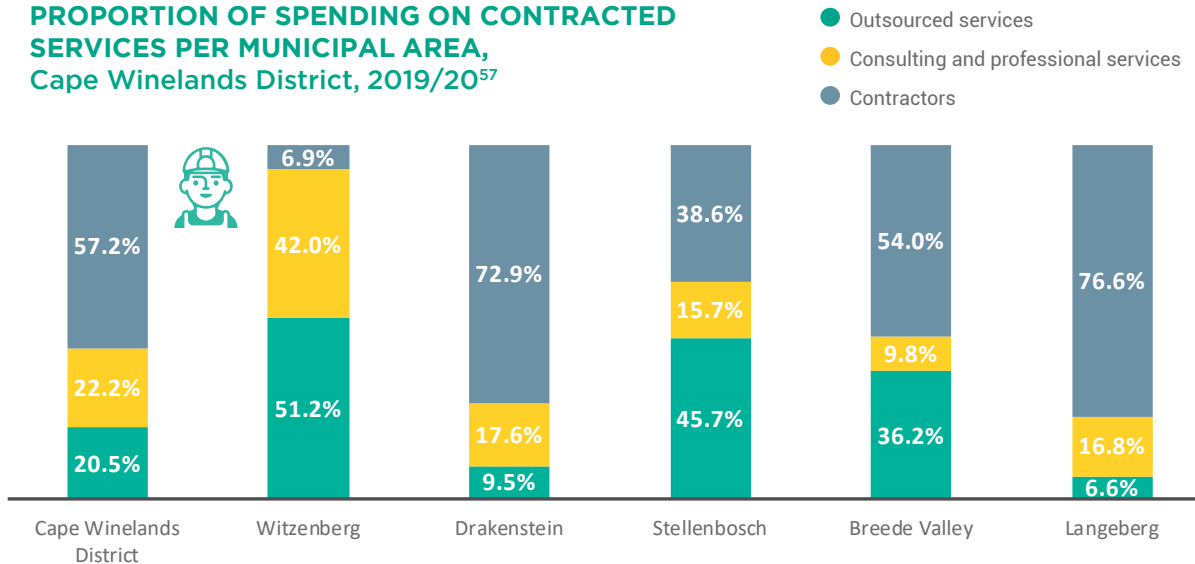
3.5.2 Public-sector investment

3.5.2.1 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 3.18 illustrates the breakdown of spending on contracted services by the municipalities in the CWD.

Figure 3.18

PROPORTION OF SPENDING ON CONTRACTED SERVICES PER MUNICIPAL AREA, Cape Winelands District, 2019/20⁵⁷



Source: National Treasury, 2020

Most of Witzenberg Municipality’s contracted service spend was on outsourced services (51.2 per cent), followed by consulting and professional services (42.0 per cent) and contractors (6.9 per cent) in the 2019/20 period. Security services made up the majority of the outsourced services utilised. Consulting and professional services contracted were mainly for infrastructure and planning purposes. Witzenberg Municipality recorded an increase in SMMEs on its supplier database, from 88 in 2019 to 137 in 2020. Not only does the municipality provide support services for registering on its database and the Western Cape supplier database, the municipality also provides a wide range of other services to support local SMMEs. Services include training facilitation, SARS workshops, linking SMMEs with funding opportunities, facilitating access to markets, and providing small business infrastructure, business advice and small business expos.⁵⁸

For Drakenstein Municipality, most of the spending was allocated to contractors (72.9 per cent), followed by consulting and professional services (17.6 per cent), while outsourced services made up 9.5 per cent of spending. The majority of outsourced services went towards the maintenance of buildings, equipment and infrastructure (R59.9 million), followed by safety and security services (R37.6 million). Drakenstein Municipality recorded an increase in the number of SMMEs registered on the supplier database, from 400 in 2019 to 586 in 2020. The municipality provides technical and business support to local SMMEs, and facilitates partnerships and access to funding.⁵⁹

⁵⁷ 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 not necessary 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.

⁵⁸ (Witzenberg Municipality, 2021).

⁵⁹ (Drakenstein Municipality, 2021).

Stellenbosch Municipality spent the most on outsourced services (45.7 per cent), followed by contractors (38.6 per cent), and spending on consulting and professional services amounted to 15.7 per cent of total spending. Some of the main contracted spending categories included maintenance of infrastructure, equipment and assets (R17.8 million), personnel and labour costs (R14.7 million), and safety and security services (R8.5 million).

The Breede Valley Municipality used 46 exempted micro enterprises (EMEs), with procurement totalling R7.3 million. Of the EMEs utilised, 64.0 per cent were black-owned enterprises and 14.0 per cent were women-owned. Furthermore, the municipality also utilised 496 large suppliers for goods and services, with a total procurement value of R163.1 million. Of these, 20.0 per cent were black-owned enterprises and 9.0 per cent were women-owned.⁶⁰ The Breede Valley Municipality spent the most on contractors (54.0 per cent), followed by outsourced services (36.2 per cent), and spending on consulting and professional services amounted to 9.8 per cent of total spending. Contracted spending on maintenance of buildings, equipment and assets (R45.6 million) and business and advisory services (R20.1 million) were some of the main spending categories. The Breede Valley Municipality recorded an increase in the number of SMMEs registered on its supplier database, from 3 285 in 2019 to 3 705 in 2020. The municipality provides a wide variety of support services to local SMMEs, such as hosting supplier open days and providing business guidance.⁶¹

Procurement in the Langeberg Municipality consisted of utilising two EMEs, eight qualifying small enterprises (QSEs) and eight large suppliers for goods and services, with procurement values of R1.4 million, R7.5 million and R139.1 million respectively. Of the EMEs, 15.4 per cent were black-owned, while 15.5 per cent of QSEs were black-owned and 8.3 per cent were women-owned.⁶² Most of Langeberg Municipality's spending on contracted services was allocated to contractors (76.6 per cent), followed by consulting and professional services (16.8 per cent), while outsourced services made up 6.6 per cent of spending.

3.5.2.2 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.

⁶⁰ (Breede Valley Municipality, 2020).

⁶¹ (Breede Valley Municipality, 2021).

⁶² (Langeberg Municipality, 2020).

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.

The table below outlines the budgeted expenditure on infrastructure by the local municipalities in the CWD for 2021/22.

Table 3.6
SPENDING ON INFRASTRUCTURE,
Cape Winelands District, 2021/22

DESCRIPTION R million	2021/22 Municipal infrastructure spend (original budget)
Economic infrastructure	194.7
Road transport and public works	188.3
Environmental services	6.4
Social infrastructure	32.3
Education	-
Health	0.0
Social development	12.9
Housing	19.4
Trading services	474.4
Energy sources	171.5
Water management	139.3
Wastewater management	114.7
Waste management	49.0
Other	243.8
Total infrastructure spend	945.2

Source: Provincial Treasury, 2021

Local municipalities have allocated R945.2 million to the capital expenditure budgets for 2021/22. This includes allocations made towards economic, social and trading services infrastructure of R194.7 million, R32.3 million and R474.4 million respectively. Other capital expenses to the value of R243.8 million were also budgeted in 2021/22.

Key municipal expenditure categories included road transport and public works (R188.3 million), energy sources (R171.5 million) and water management (R139.3 million).

The COVID-19 pandemic has emphasised the value of having access to the internet for education and business purposes. Access to broadband connection can assist in creating an attractive environment for the establishment of businesses as well as households, as many service workers are then able to work from home. Public-private partnerships that aim to improve access to the internet, particularly at a low cost, therefore have a valuable role to play in creating an enabling environment for economic and social development. In the Stellenbosch municipal area, approximately 4 000 people have access to the internet via the free public Wi-Fi hotspots.⁶³ In the Drakenstein municipal area, fibre roll-out is increasing. In Paarl, 14 322 units have access to fibre, as well as 5 633 units in Wellington.⁶⁴



⁶³ (Stellenbosch Municipality, 2021).

⁶⁴ (Drakenstein Municipality, 2021).

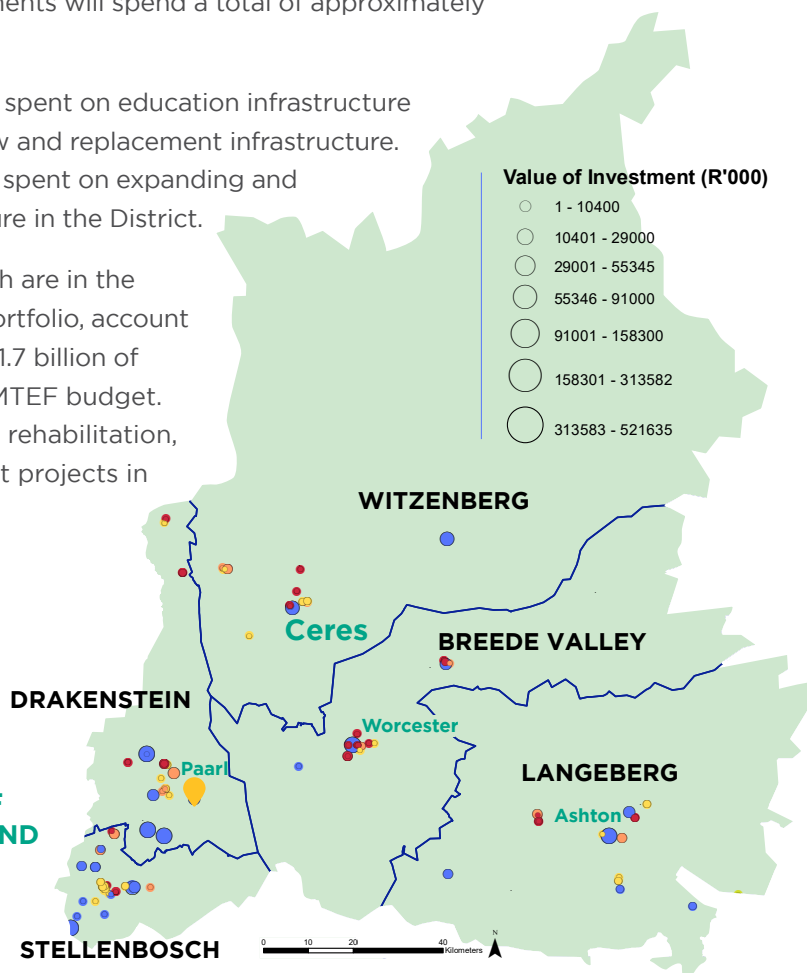
Provincial infrastructure spend in the Cape Winelands District accounts for the second-largest total (13.2 per cent) in the Province, a 2021 Medium Term Expenditure Framework (MTEF) total of close to R3.6 billion. New assets account for only 13.0 per cent of the total 2021 MTEF infrastructure investment, with the majority of the allocation being directed to rehabilitation, renovations and refurbishment at 57.4 per cent of the total MTEF.

- Of the planned investment over the MTEF, the largest and most predominant projects in the region are road rehabilitation and upgrades, amounting to R2.4 billion. The Department of Human Settlements will spend a total of approximately R479 million over the MTEF.
- A total of R374 million is to be spent on education infrastructure over the MTEF, specifically new and replacement infrastructure. A further R298 million is to be spent on expanding and maintaining health infrastructure in the District.
- The top 10 projects, all of which are in the Transport and Public Works portfolio, account for more than 47.8 per cent (R1.7 billion of R3.6 billion) of the total 2021 MTEF budget. These projects are directed at rehabilitation, renovations and refurbishment projects in the District.

- Education (WCED)
- Health (DoH)
- Human Settlements (DoHS)
- Transport and Public Works (DTPW)

Map 3.2
TOTAL DEPARTMENTAL MTEF INFRASTRUCTURE BUDGET AND NUMBER OF PROJECTS, Cape Winelands District, 2021/24

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



	No of projects	2021/22 MTEF (R'000)	2022/23 MTEF (R'000)	2023/24 MTEF (R'000)	MTEF total (R'000)
WC PROVINCIAL DEPARTMENT					
● Education (WCED)	15	71 000	132 000	171 000	374 000
● Health (DoH)	46	86 671	97 229	114 566	298 466
● Human Settlements (DoHS)	34	269 724	168 260	41 000	478 984
● Transport and Public Works (DTPW)	30	755 148	742 545	926 004	2 423 697
Total	125	1 182 543	1 140 034	1 252 570	3 575 147

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.



3.6 CONCLUDING REMARKS

The CWD mostly experienced a negative trade balance between 2010 and 2019, which was largely attributed to the negative trade balance of the mining sector. However, the District's trade balance increased from a deficit of R8.3 billion in 2019 to a surplus of R22.3 billion in 2020. The peak of the trade surplus for the period experienced was mainly driven by exports from the agriculture sector.

The District's top three import destinations were China, Saudi Arabia and Germany, while the top three export destinations were the Netherlands, the United Kingdom and the United States. The main imported products included unclassified products, petroleum oils and oils obtained from bituminous minerals (crude), as well as petroleum oils and oils obtained from bituminous minerals (other than crude). The main exported products from the CWD included wine of fresh grapes, citrus fruit and grapes.

In terms of investment, the CWD's infrastructure expenditure at a municipal level was greater than the expenditure at the Provincial level in 2020. The key municipal expenditure category was road transport and public works. For the District, the largest contracted service expenditure was allocated to contractors, followed by consulting and professional services, and outsourced services. The number of building plans passed in the Drakenstein and Stellenbosch municipal areas fell from 2019 to 2020. However, in the Breede Valley municipal area, building plans passed and completed increased slightly compared with 2019.





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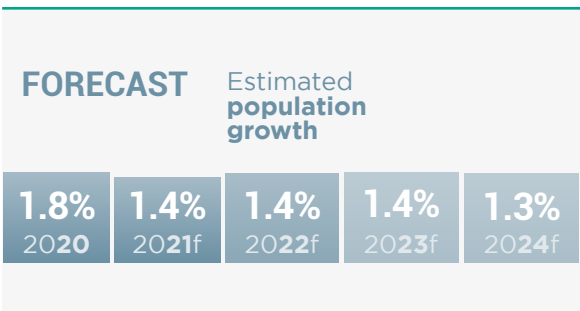
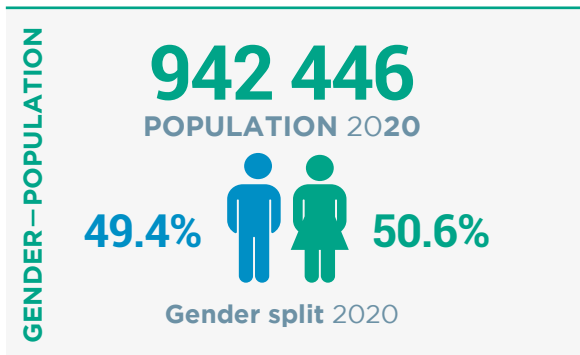
MUNICIPAL SOCIO- ECONOMIC ANALYSIS

4.1 INTRODUCTION

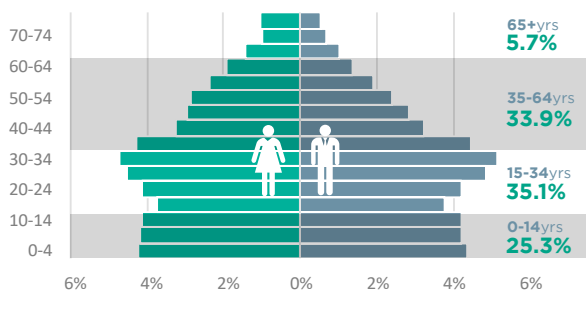
This chapter provides an overview of the economic and social dynamics of households living in the CWD by analysing population, human development, housing, access to basic services and crime. More specifically, human development in the region is assessed by exploring education levels, health and income.

CAPE WINELANDS DEMOGRAPHICS

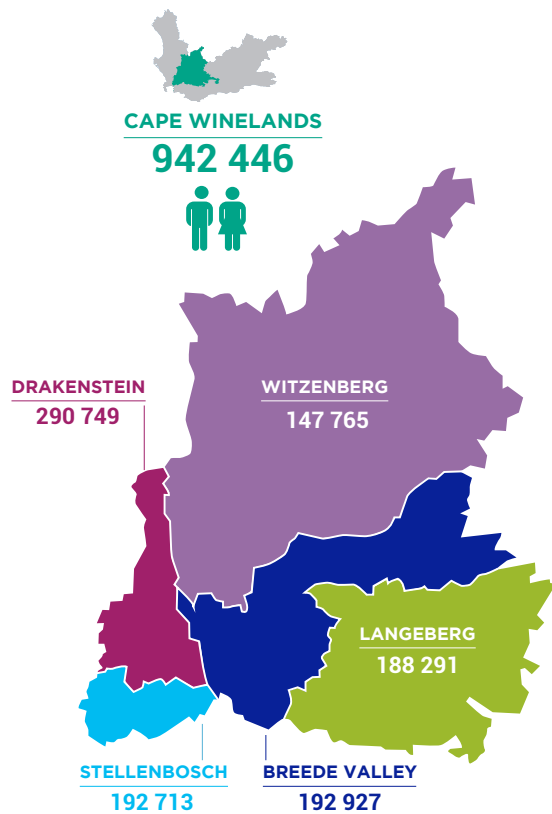
Some of the key indicators used in the socio-economic analysis include the population growth rate, GDP per capita, household income, the Gini coefficient, the Human Development Index (HDI), educational development, health, crime, dwelling types and access to basic services.



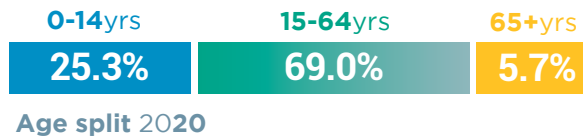
GENDER AND AGE DYNAMICS



CURRENT POPULATION, Cape Winelands District, 2020



AGE PROFILE



HOUSEHOLDS

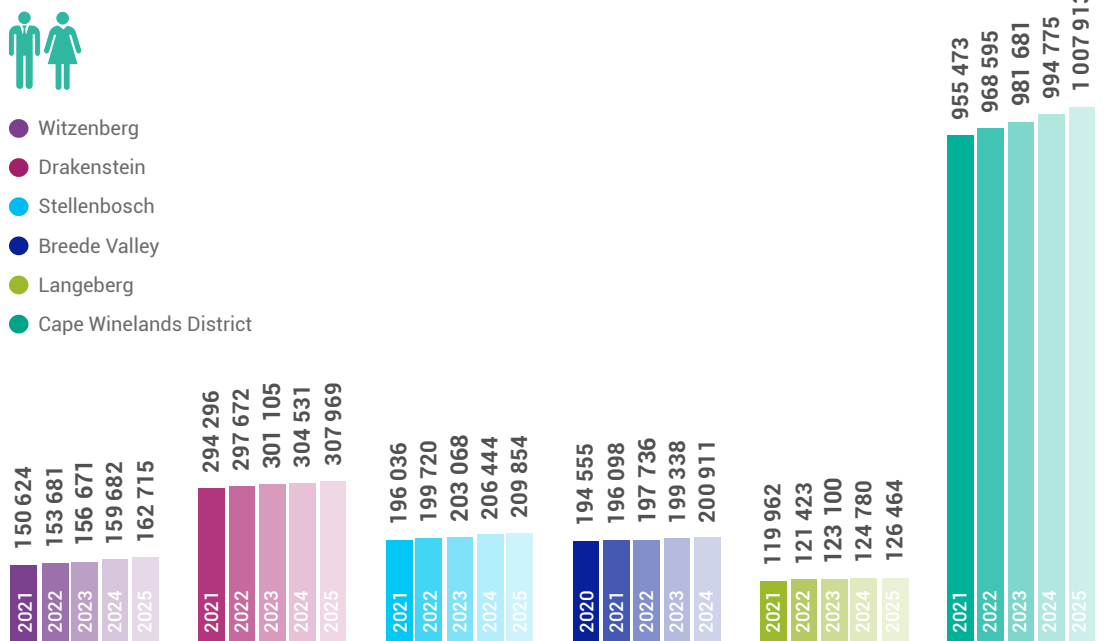


4.2 POPULATION PROFILE

The CWD has a population of 955 473 people in 2021, and this is estimated to increase to 1 007 913 in 2025. The Drakenstein municipal area has the largest population in the District (30.8 per cent), followed by the Stellenbosch (20.5 per cent) and Breede Valley (20.4 per cent) municipal areas. The least populated municipal area in the District is the Langeberg municipal area, with a total population of 119 962 people, accounting for 12.6 per cent of the CWD population.

Figure 4.1 illustrates the future population growth of the CWD and the municipal areas between 2021 and 2025.

Figure 4.1
FUTURE POPULATION GROWTH,
Cape Winelands District, 2021 – 2025



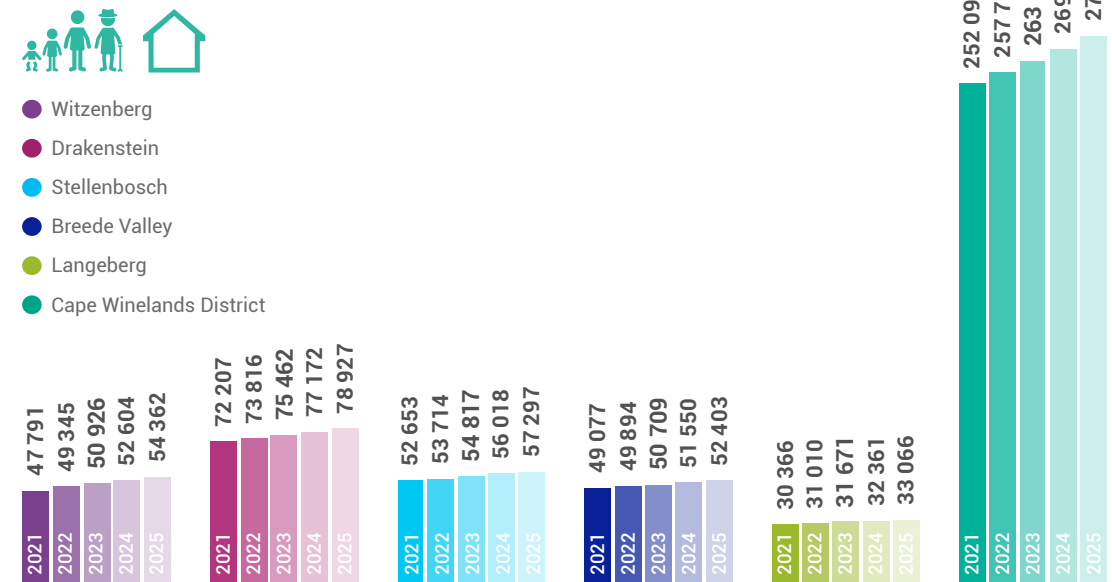
Source: Western Cape Government PPU, 2021. Provincial, District and local municipality population estimates by sex and age (2002 – 2036) based on Stats SA mid-year population estimate (MYPE) series 2021 and 2020

With an anticipated average annual growth rate of 1.2 per cent, the Drakenstein municipal area will be the leading source of population increases in the CWD between 2021 and 2025. Over the next five years, the Witzenberg and Stellenbosch municipal areas are expected to realise an average annual population growth rate of 1.9 per cent and 1.7 per cent respectively. The Langeberg municipal area is expected to grow at an average annual rate of 1.3 per cent between 2021 and 2025. The population of the Breede Valley municipal area, which has the third-largest population in the CWD in 2021, is only expected to increase by a marginal rate of 0.8 per cent over the reference period.

Households are the central point of various demographic, social and economic processes owing to decisions regarding education, lifestyles and standards, healthcare and labour force participation. An increase in household growth and the establishment of new households provide a diverse consumer market.

Figure 4.2 illustrates the future household growth in the CWD between 2021 and 2025. The number of households in the District is expected to increase from 252 094 households in 2021 to 276 054 in 2025, with an average annual growth rate of 2.3 per cent between 2021 and 2025.

Figure 4.2
FUTURE HOUSEHOLD GROWTH,
Cape Winelands District, 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

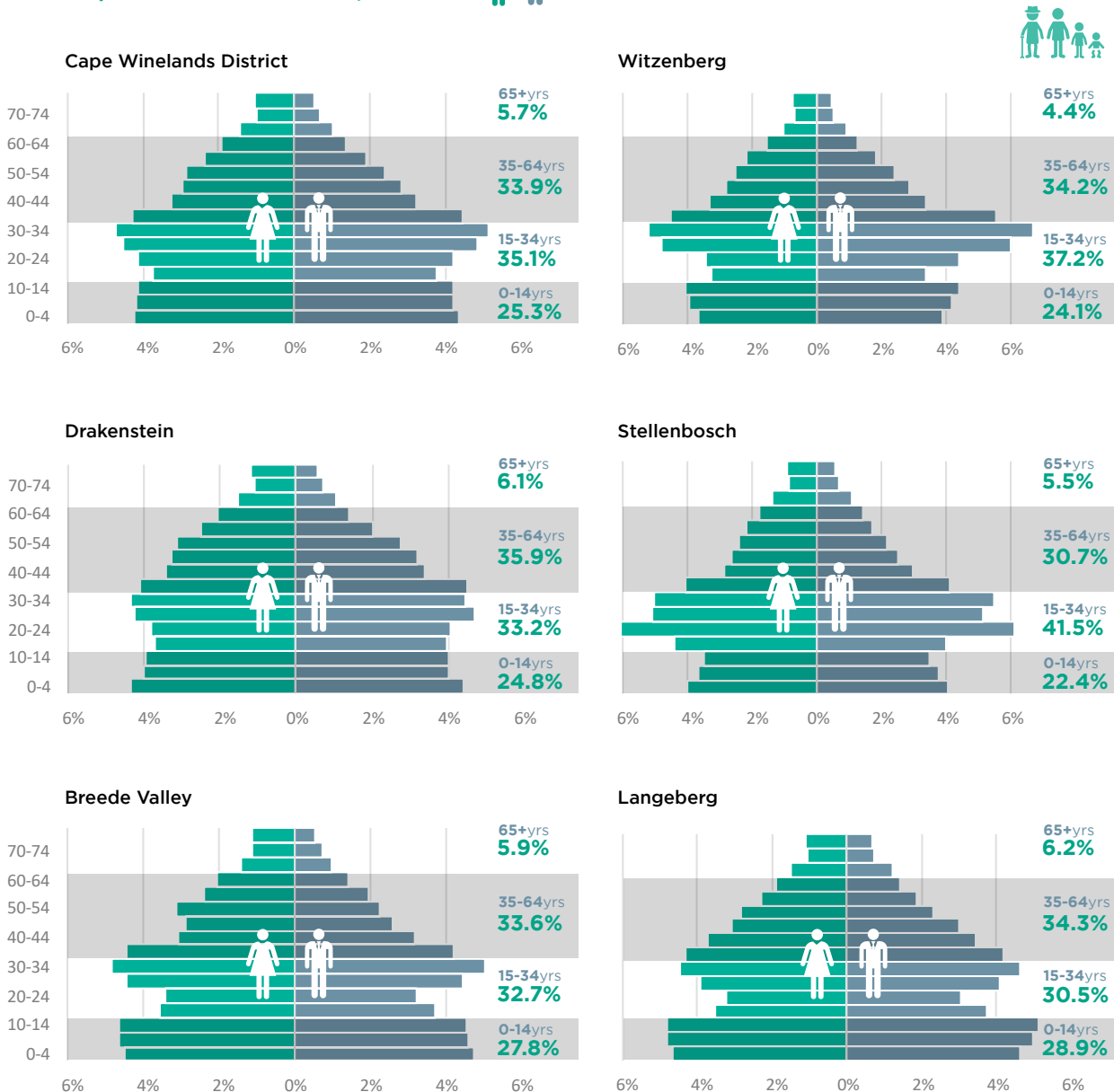
In line with the population data, the majority of the CWD’s households are concentrated in the Drakenstein municipal area, accounting for 28.6 per cent of the District’s total number of households. Furthermore, households in the Drakenstein municipal area are expected to increase by an average annual rate of 2.3 per cent and will therefore be the main source of household growth in the CWD.

The Witzenberg municipal area is also anticipated to grow substantially in terms of households, at an average rate of 3.3 per cent per annum between 2021 and 2025. The household growth rates in the Stellenbosch (2.1 per cent), Langeberg (2.1 per cent) and Breede Valley (1.7 per cent) municipal areas are anticipated to be slower than the District average (2.3 per cent). Household growth outpaces population growth in all municipal areas, showing that household sizes are declining over time. The increase in households will increase the demand for housing, municipal and other social services.



Figure 4.3 uses population pyramids to illustrate gender and age patterns in the CWD in 2020. The District's population was mainly aged between 15 and 34 years (35.1 per cent), followed by individuals between 35 and 64 years (33.9 per cent), indicating that the CWD had a large working-age population that consisted mainly of the youth. Conversely, the District had a small elderly population, with individuals 65 years and older accounting for only 5.7 per cent of the District's population.

Figure 4.3
GENDER AND AGE DYNAMICS,
Cape Winelands District, 2020



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

In the Witzenberg municipal area, the largest share of the municipal area's population was between 15 and 34 years old (37.2 per cent), followed by those aged between 35 and 44 years (34.2 per cent), while children younger than 15 made up 24.1 per cent of the population. The age trends in this municipal area could indicate a high dependency on the working-age population to care for children.

In the Drakenstein municipal area, the largest share of the population was between 35 and 64 years old (35.9 per cent), followed by individuals between 15 and 34 (33.2 per cent), while children younger than 15 accounted for 24.8 per cent of the population. The large working-age population means that there is a significant need for employment opportunities in the Drakenstein municipal area, particularly for young people.

In the Stellenbosch municipal area, the largest age group was those aged between 15 and 34 years (41.5 per cent), followed by individuals between 35 and 64 (30.7 per cent). This trend could point to an inward migration of job-seeking young adults to the area and could also reflect the large student body of Stellenbosch University. Furthermore, the Stellenbosch municipal area also had the smallest share of children between the ages of 0 and 14 years in 2020 (22.4 per cent) and the second-smallest share of individuals over 65 (5.5 per cent) compared with the other municipal areas in the District.

The Breede Valley municipal area had the District's largest share of individuals between 35 and 64 years in 2020, accounting for 33.6 per cent of the population. This was followed by individuals between 15 and 34 years old, who accounted for 32.7 per cent of the population in 2020. Compared with other municipal areas, children younger than 15 make up a substantial portion of the population in the Breede Valley municipal area (27.8 per cent in 2020). There is thus a high dependency on those who are able to work to take care of children. Furthermore, the large child population has implications for the current demand for school infrastructure and will result in a large increase in the labour force in future.

In the Langeberg municipal area, the largest share of the population was between 35 and 64 years old (34.3 per cent), followed by individuals between 15 and 34 years old (30.5 per cent). The municipal area had the District's largest portion of individuals older than 65 and children aged between 0 and 14 years old, accounting for 6.2 per cent and 28.9 per cent of the population of the municipal area respectively. There is thus a large dependency on working-age people to care for children as well as the elderly in the Langeberg municipal area.



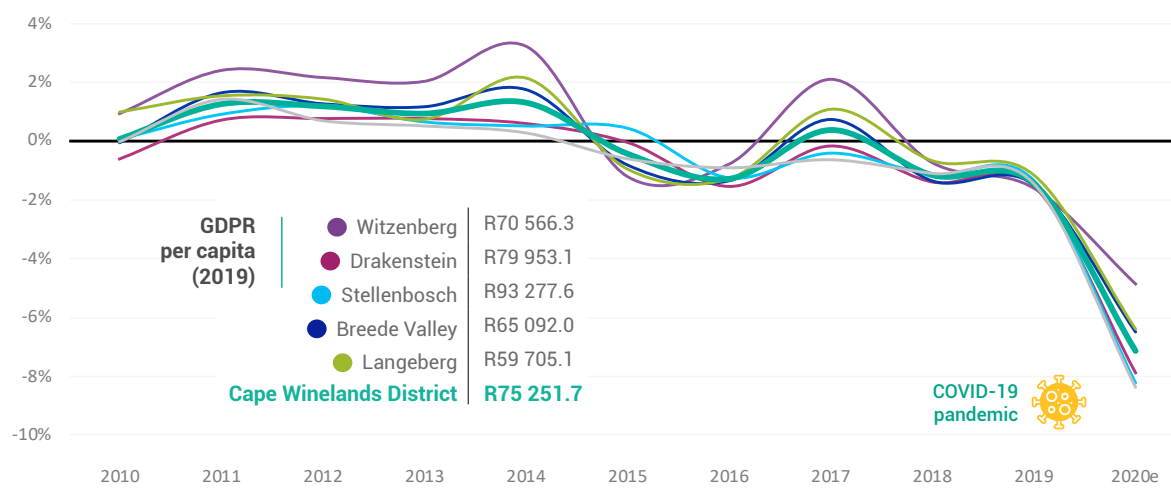
4.3 HUMAN DEVELOPMENT

The HDI is used 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 standard of education, health, dwellings, access to basic services and crime levels.

4.3.1 Income

The District's GDPR per capita decreased from R75 251.7 in 2019 to an estimated R72 778.1 in 2020 in current prices. However, in real prices, the GDPR contracted substantially in 2020. Figure 4.4 below illustrates the GDPR per capita growth in the CWD between 2010 and 2020.

Figure 4.4
GDPR PER CAPITA GROWTH, Cape Winelands District, 2010 - 2020



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e
Western Cape	0.0%	1.4%	0.7%	0.5%	0.3%	-0.6%	-0.9%	-0.6%	-1.1%	-1.5%	-8.4%
Cape Winelands District	0.1%	1.3%	1.2%	0.9%	1.3%	-0.4%	-1.3%	0.4%	-1.2%	-1.4%	-7.1%
Witzenberg	0.9%	2.4%	2.2%	2.0%	3.2%	-1.2%	-0.8%	2.1%	-0.7%	-1.6%	-4.9%
Drakenstein	-0.6%	0.7%	0.8%	0.8%	0.6%	0.0%	-1.5%	-0.1%	-1.4%	-1.5%	-7.9%
Stellenbosch	0.0%	0.9%	1.2%	0.6%	0.5%	0.4%	-1.3%	-0.4%	-1.2%	-1.4%	-8.2%
Breede Valley	-0.1%	1.7%	1.3%	1.2%	1.8%	-0.8%	-1.4%	0.7%	-1.4%	-1.5%	-6.5%
Langeberg	1.0%	1.6%	1.5%	0.8%	2.2%	-0.9%	-1.3%	1.1%	-0.7%	-1.1%	-6.4%

Source: Quantec Research, 2021 (e denotes estimate)

The GDPR per capita in the CWD fluctuated during the period under review, but has been on a declining trend over the reference period. Since 2018 the GDPR per capita has contracted, with the worst contraction recorded in 2020 (7.1 per cent). This decline was due to the poor economic performance in 2020 as a result of the COVID-19 pandemic.

All the municipal areas in the District experienced a downturn in GDP per capita owing to the economic downturn. However, the Stellenbosch and Drakenstein municipal areas experienced the most significant decline in GDP per capita growth, with contractions of 8.2 per cent and 7.9 per cent respectively in 2020. The decline in these municipal areas was greater than that experienced at the District level (7.1 per cent), but remained less than the GDP per capita contraction at a Provincial level (8.4 per cent). The GDP per capita contractions in the other municipal areas of the CWD were less severe, as these economies were somewhat boosted by the strong performance recorded in the agriculture sector in 2020.

Table 4.1 illustrates the average monthly household income of the CWD in 2019.

Table 4.1

**AVERAGE MONTHLY HOUSEHOLD INCOME (CURRENT PRICES),
Cape Winelands District, 2019**

MUNICIPALITY	Average household income 2019 (current prices)	Trend 2015 – 2019
● Witzenberg	R17 434	0.8%
● Drakenstein	R19 999	-0.2%
● Stellenbosch	R19 791	0.1%
● Breede Valley	R15 522	-0.3%
● Langeberg	R14 327	0.7%
Cape Winelands District	R17 846	0.0%
Western Cape	R19 430	-0.3%

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

In 2019, the average monthly household income in the CWD was R17 846 (in current prices), which was lower than the average household income in the Western Cape in 2019. Between 2015 and 2019, the average household income in the Province declined by an average annual rate of 0.3 per cent, while that of the CWD remained stagnant.

The municipal areas that had the lowest average household income were the Langeberg (R14 327) and Breede Valley (R15 522) municipal areas. However, the Witzenberg municipal area experienced the greatest improvement in the period under review, growing at an average annual rate of 0.8 per cent, followed by the Langeberg municipal area (0.7 per cent), while the Stellenbosch municipal area experienced only a marginal change in the average monthly household income (0.1 per cent) in the period under review. However, considering that the average inflation over the period was recorded at 5.0 per cent,⁶⁵ household income in these municipal areas did not grow sufficiently to compensate for higher prices caused by inflation. Since 2016, annual inflation has been on a declining trend, while remaining within the target bands set by the SARB. At a rate of 3.3 per cent in 2020, inflation was at its lowest level in more than a decade. However, the job losses caused by the economic downturn in 2020 are likely to result in a decline in household income.

The Drakenstein and Breede Valley municipal areas followed the Provincial trend, as the average household income declined by an average annual rate of 0.2 per cent and 0.3 per cent respectively.

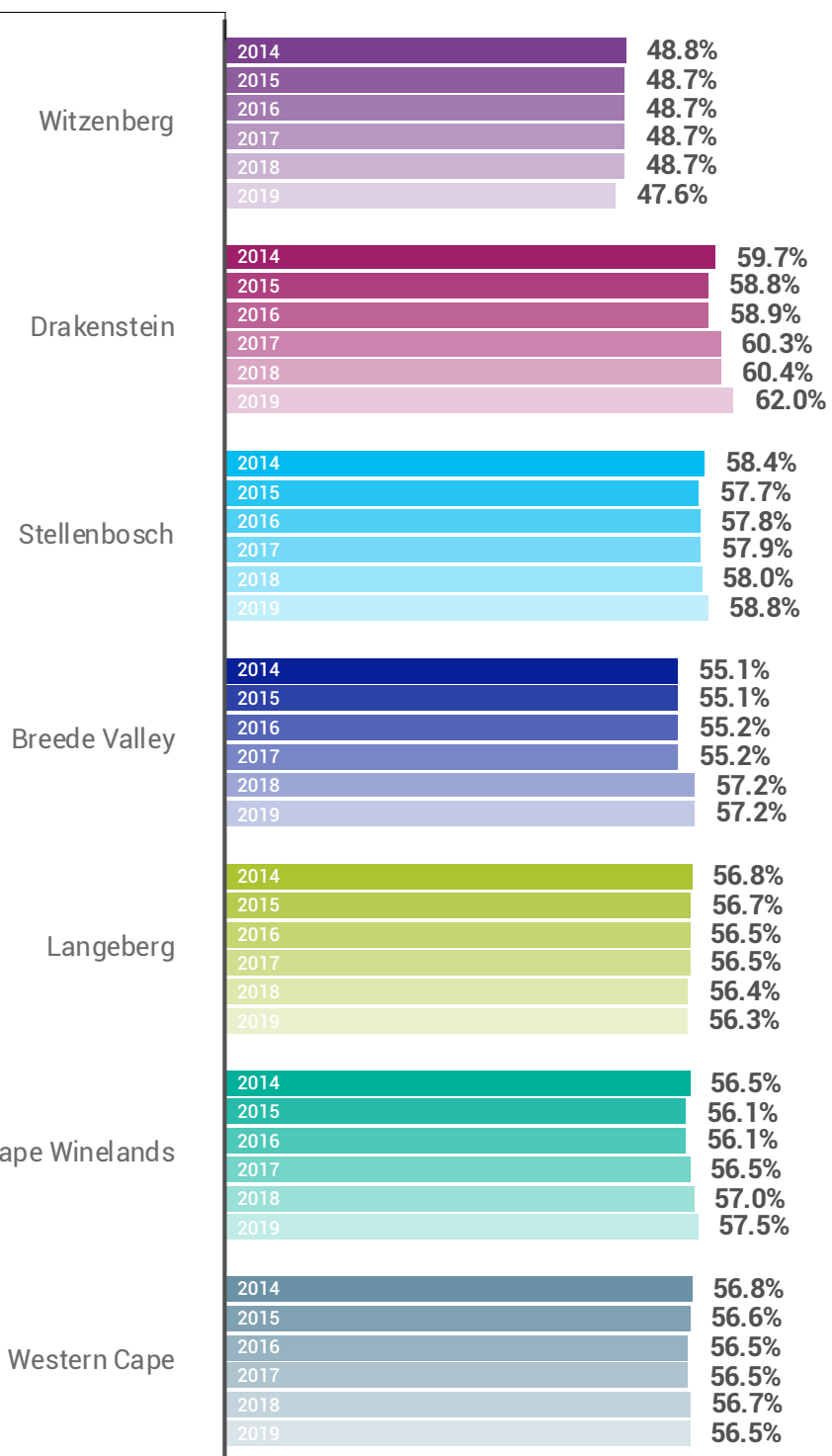
⁶⁵ (Stats SA, 2021).

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 FPL 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.⁶⁶ 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.⁶⁷

The figure below details the proportion of the population that are at the UBPL.

Figure 4.5
PROPORTION OF POPULATION AT UBPL, Cape Winelands District, 2014 – 2019

- Witzenberg
- Drakenstein
- Stellenbosch
- Breede Valley
- Langeberg
- Cape Winelands District
- Western Cape



⁶⁶ (Stats SA, 2017).

⁶⁷ (Stats SA, 2020).

Source: Quantec Research, 2021

Poverty levels in the CWD are very similar to that of the Province. The proportion of people at the UBPL declined between 2014 (56.5 per cent) and 2016 (56.1 per cent), from where it increased to 57.5 per cent in 2020. The Provincial drought is likely to have impacted poverty levels in the CWD. The Drakenstein municipal area had the largest proportion of people at the UBPL over the reference period. Furthermore, since 2015, the proportion of the population at the UBPL in the Drakenstein municipal area has also been on an increasing trend. The Stellenbosch and Breede Valley municipal areas recorded similar trends. In the Stellenbosch municipal area, the proportion of people at the UBPL increased from 57.7 per cent in 2015 to 58.8 per cent in 2020, and has increased from 55.1 per cent to 57.2 per cent in the Breede Valley municipal area over the same reference period. Between 2014 and 2019, the Witzenberg and Langeberg municipal areas recorded declines of 1.1 percentage points and 0.4 percentage points respectively.

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.⁶⁸ 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.

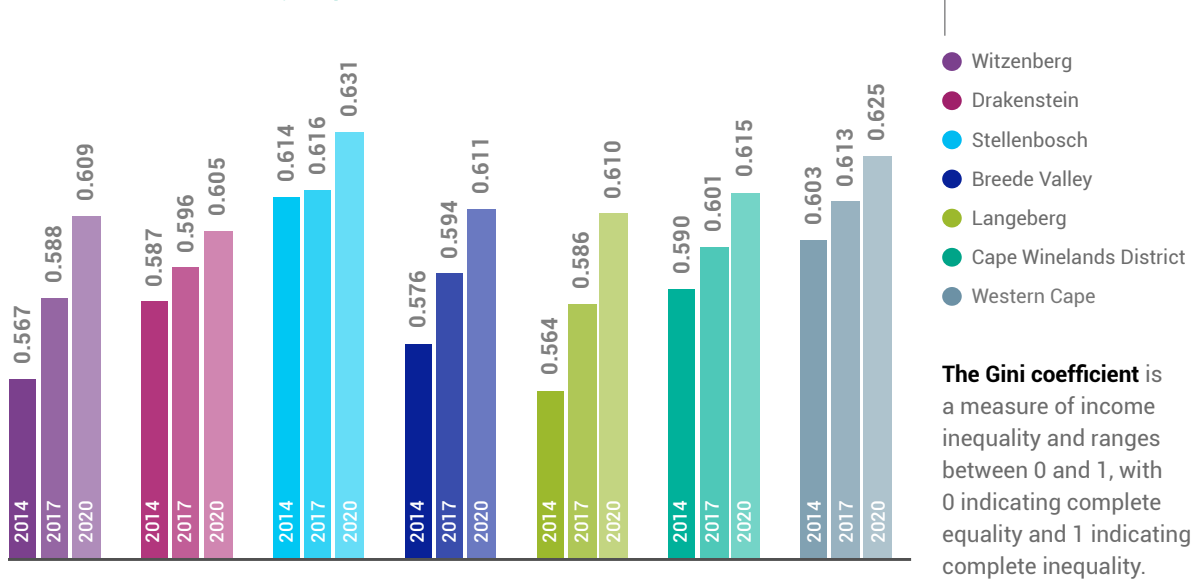


⁶⁸ (Stats SA, 2019).

Figure 4.6 illustrates the Gini coefficient per municipal area in the CWD between 2014 and 2020.

Figure 4.6

GINI COEFFICIENTS, Cape Winelands District, 2014 - 2020



Source: IHS Markit, 2020

The Gini coefficient was marginally lower in the CWD (0.615) than in the Province (0.625) in 2020. However, both the District and the Province recorded a similar increasing trend between 2014 and 2020. In 2014, the CWD recorded a Gini coefficient of 0.590, which increased to 0.615 by 2020, thereby showing an increasing level of income inequality in the District. The Stellenbosch municipal area recorded the highest level of income inequality compared with the other municipal areas, with a Gini coefficient of 0.631 in 2020. The Drakenstein and Witzenberg municipal areas recorded Gini coefficients of 0.605 and 0.609 respectively, which were lower than the other municipal areas, the District and the Province.



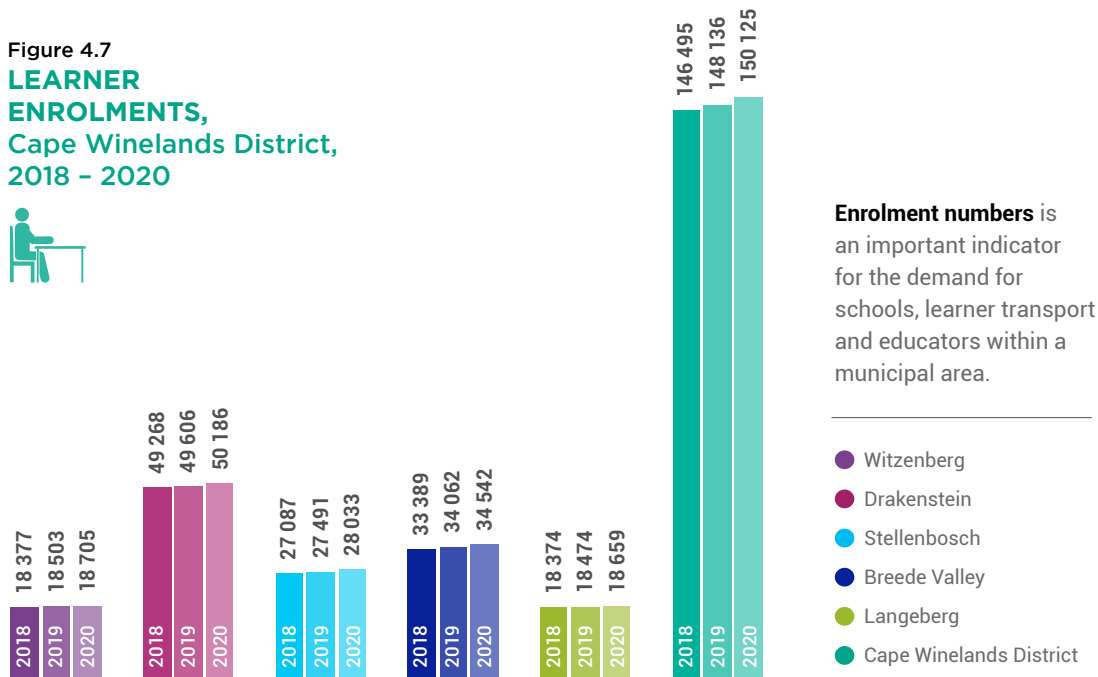
The job losses as a result of the COVID-19 pandemic would have contributed to income inequality in the CWD. Workers who were able to work from home would have been able to continue earning an income, while those who were unable to do so, either owing to the lack of connectivity or because their jobs required physical labour, would have been left without income. This also emphasises the importance of COVID-19 relief measures such as TERS.

4.3.2 Education

This subsection discusses the extent of improvement in the educational profile of households in the CWD based on learner enrolment, the Grade 10 to 12 retention rate, matric pass rates and learner-teacher ratios.

Figure 4.7 depicts the learner enrolment figures in the CWD between 2018 and 2020.

Figure 4.7
LEARNER ENROLMENTS,
Cape Winelands District,
2018 - 2020



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

- Witzenberg
- Drakenstein
- Stellenbosch
- Breede Valley
- Langeberg
- Cape Winelands District

Source: Western Cape Education Department, 2021

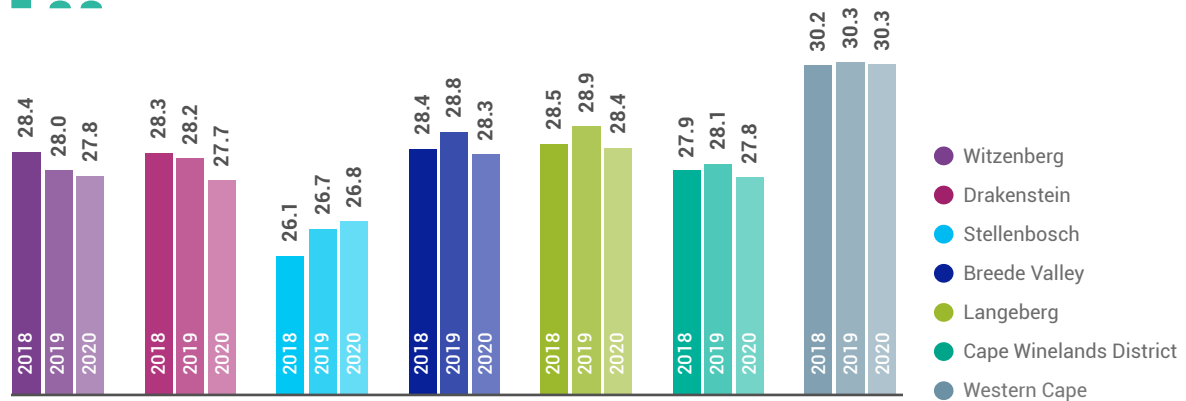
In the CWD, learner enrolments increased consistently from 146 495 learners in 2018 to 150 125 learners in 2020, and the municipal areas have also followed this positive trend, with a consistent increase in learner enrolments for the period under review. The Drakenstein municipal area had the largest learner enrolment for the period under review, with 50 186 learners enrolled in 2020, followed by the Breede Valley (34 542 learners) and the Stellenbosch (28 033 learners) municipal areas.

The Breede Valley municipal area experienced the largest increase in learner enrolments between 2018 and 2020, with learner enrolments increasing by 1 153 learners, followed by the Stellenbosch municipal area increasing by 946 learners. The Langeberg municipal area had the lowest increase in learner enrolments, with an increase of 285 learners between 2018 and 2020.



Figure 4.8 illustrates the learner-teacher ratio in the CWD between 2018 and 2020.

Figure 4.8
LEARNER-TEACHER RATIO,
Cape Winelands District, 2018 – 2020



Source: Western Cape Education Department, 2021

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 Department of Education.⁶⁹ Lower learner-teacher ratios are associated with more interaction between teachers and learners, which could contribute to better-quality education.⁷⁰

The learner-teacher ratio in the District was below 30 learners per teacher in 2020, which is associated with more interaction between teachers and learners, and contributes to better-quality education. However, the learner-teacher ratio in the CWD increased marginally from 27.9 learners per teacher in 2018 to 28.1 learners per teacher in 2019, before decreasing to 27.8 learners per teacher in 2020. Thus, the number of educators increased proportionally to the increase in learner enrolments in the District between 2019 and 2020.

Between 2018 and 2020, an increase in the learner-teacher ratio was recorded only in the Stellenbosch municipal area (from 26.1 learners per teacher in 2018 to 26.8 learners per teacher in 2020). However, the learner-teacher ratio in the Stellenbosch municipal area was the lowest recorded compared with the other municipal areas in the District.

The municipal areas with above-average learner-teacher ratios relative to the District were the Breede Valley and Langeberg municipal areas. However, between 2019 and 2020 the learner-teacher ratio declined marginally from 28.8 learners per teacher to 28.3 learners per teacher in the Breede Valley municipal area, and from 28.9 learners per teacher to 28.4 learners per teacher in the Langeberg municipal area. The trends indicate that the number of educators increased slightly in line with learner enrolments in these two municipal areas.

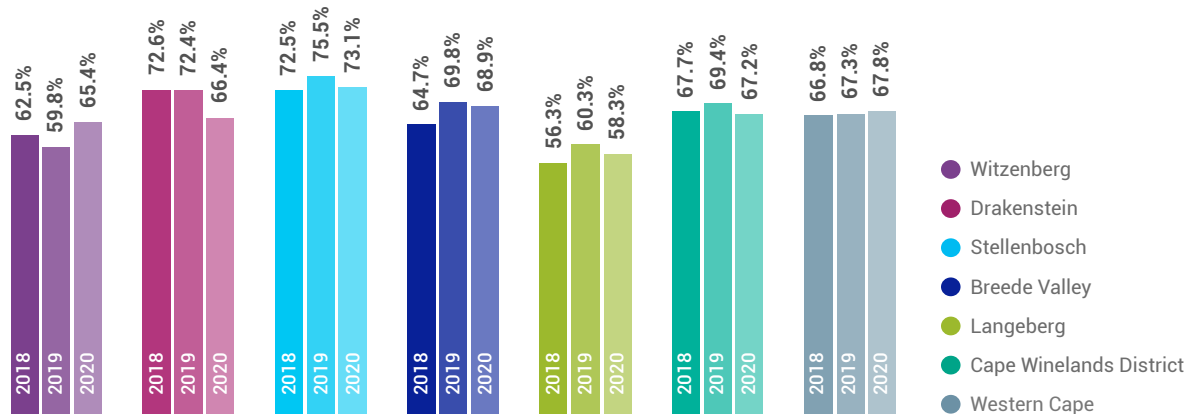
⁶⁹ (Sephton, S, 2017).

⁷⁰ (Southern and Eastern Africa Consortium for Monitoring Educational Quality, 2011).

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 can 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.⁷¹

Figure 4.9 illustrates the Grade 10 to 12 retention rate in the CWD between 2018 and 2020. Retention rates are proxies for the level of drop-outs and by implication the efficiency of schools in facilitating learners’ completion of a given school stage.

Figure 4.9
GRADE 10 TO 12 RETENTION RATE,
Cape Winelands District, 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.

The Grade 10 to 12 retention rate in the CWD improved from 67.7 per cent in 2018 to 69.4 per cent in 2019, before dropping to 67.2 per cent in 2020. The disruptions to the school year in 2020 as a result of COVID-19 could have influenced the retention rate. The District’s learner retention rate was also slightly lower than the Western Cape retention rate (67.8 per cent) in 2020. Over the reference period, learner retention improved by 1.0 percentage point in the Province, compared with a 0.5 percentage point decline in the CWD.

The Stellenbosch municipal area recorded the highest learner retention rate in 2020 (73.1 per cent), followed by the Breede Valley (68.9 per cent) and Drakenstein (66.4 per cent) municipal areas. However, the Drakenstein municipal area recorded a significant decline (6.0 percentage points) from 72.4 per cent in 2019 to 66.4 per cent in 2020. The Stellenbosch, Langeberg and Breede Valley municipal areas also recorded declines, with the learner retention rate dropping by

⁷¹ (The Hun School of Princeton, 2019).

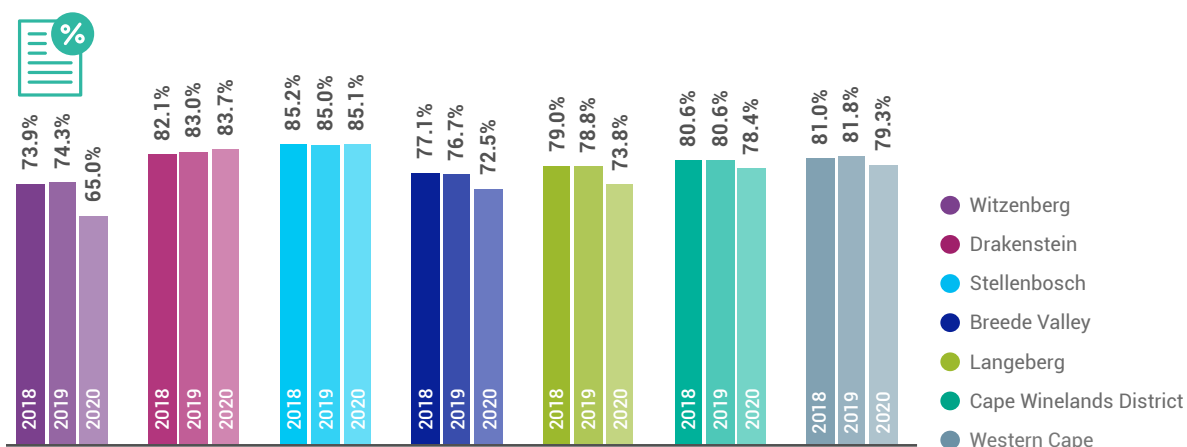
2.4 percentage points, 2.0 percentage points and 0.9 percentage points respectively between 2019 and 2020. Only the Witzenberg municipal area recorded a considerable improvement in learner retention rates between 2019 and 2020 (a 5.6 per cent increase).

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

Together with several other variables not considered in this section, learner enrolment, learner-teacher ratios and Grade 10 to 12 retention rates all contribute to an area's Grade 12 pass rate.

Figure 4.10 depicts the matric pass rate in the CWD between 2018 and 2020.

Figure 4.10
MATRIC PASS RATE,
Cape Winelands District, 2018 - 2020



Source: Western Cape Education Department, 2021

Over the reference period, the matric pass rate for the CWD was marginally lower than the pass rate in the Western Cape. The matric pass rate for the CWD also declined from 80.6 per cent in 2019 to 78.4 per cent in 2020. The challenges the education sector experienced in 2020 therefore translated into a reduced retention rate and matric pass rate in the District.

On a municipal level, only the Drakenstein and Stellenbosch municipal areas recorded an increase in the matric pass rate between 2019 and 2020. However, only the Drakenstein municipal area recorded consistent increases since 2018. Both the Witzenberg and Langeberg municipal areas recorded the steepest decline in the matric pass rate, decreasing by 8.9 percentage points and 5.2 percentage points respectively between 2018 and 2020. This is likely to have a negative impact on providing employment opportunities for the youth in these municipal areas.

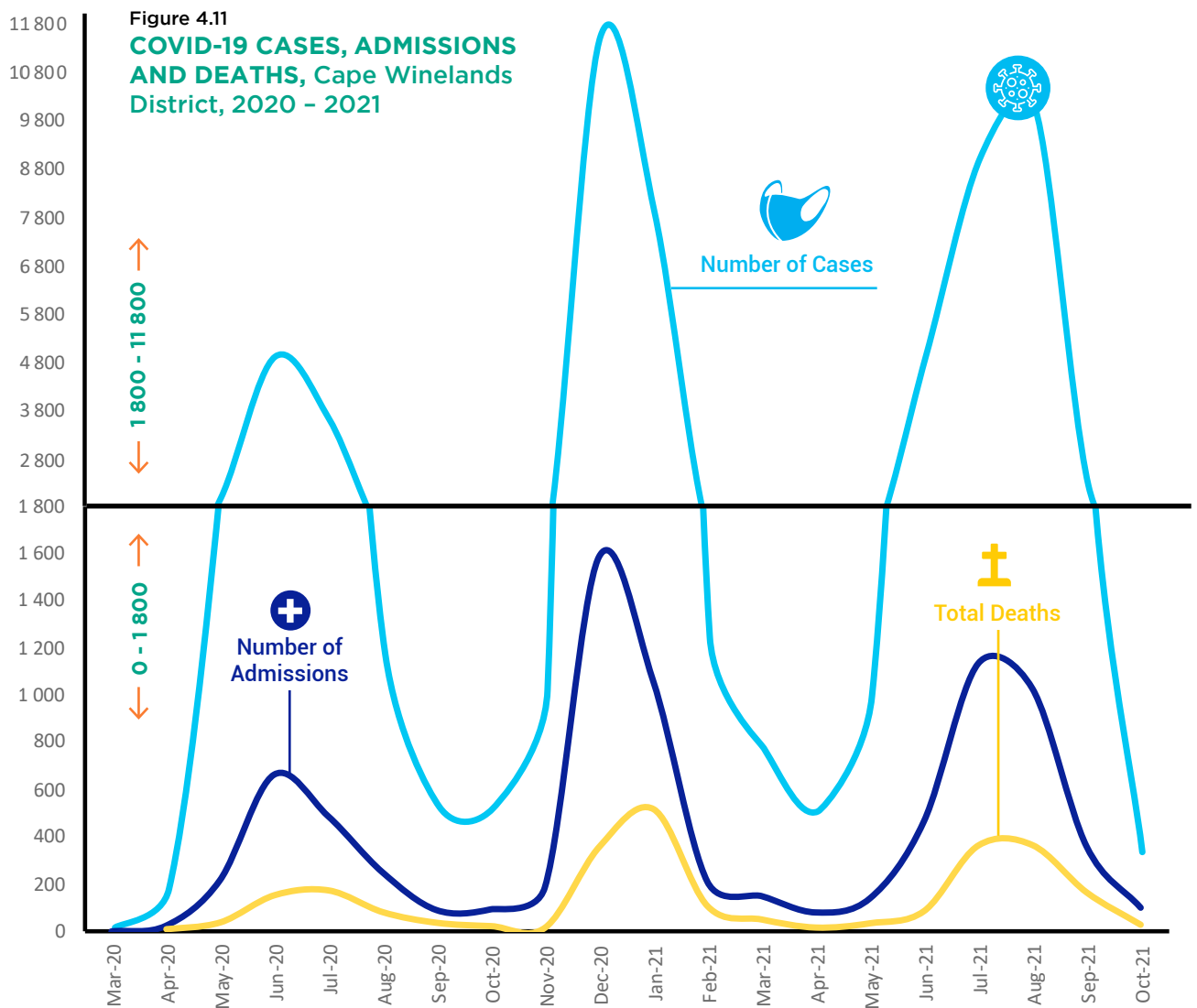


4.3.3 Health

The health conditions of people living within the CWD are analysed in this section by reviewing COVID-19, mortality, the prevalence of TB, HIV, infant mortality rates, maternal death rates and teenage pregnancies.

4.3.3.1 COVID-19

Figure 4.11 indicates the number of COVID-19 cases, admissions and deaths, as well as the distribution of deaths per age group in the CWD since the start of the COVID-19 pandemic in March 2020.⁷²



Source: Western Cape Department of Health, 2021

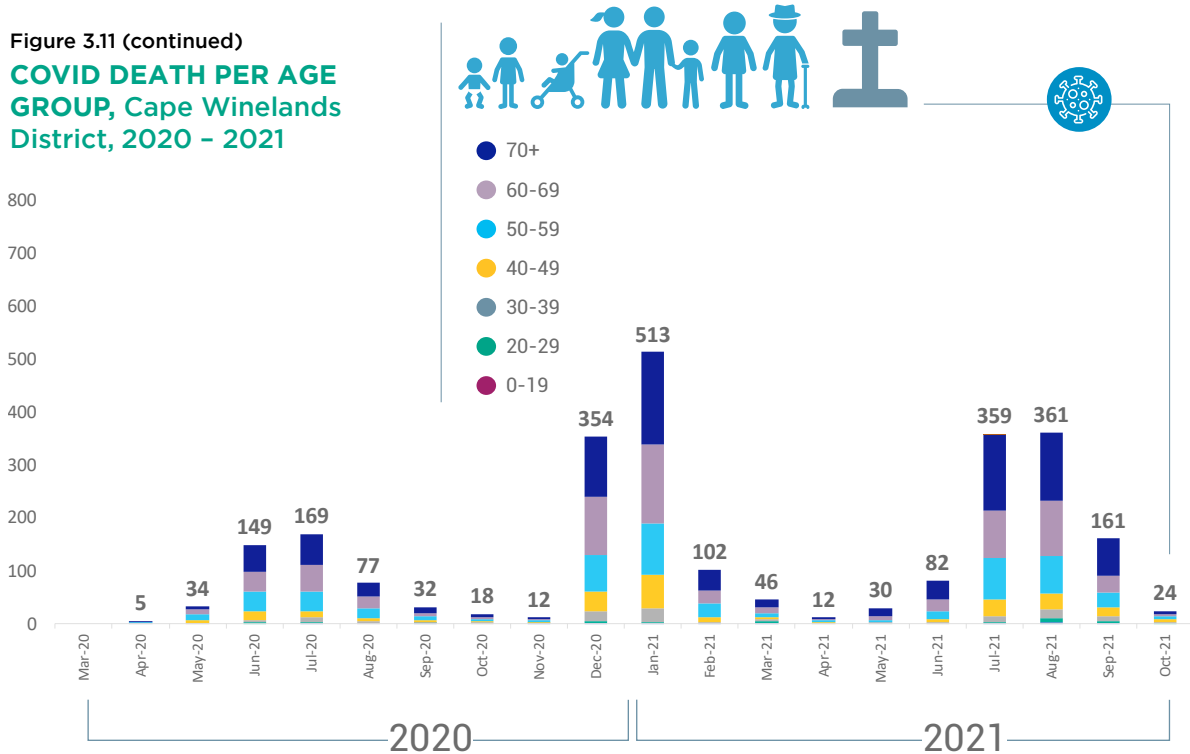
	Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Sep 20	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21
Cases	24	188	2 004	4 923	3 626	1 177	534	530	1 028	11 537	7 892	1 253	782	515	1 002	4 924	9 020	10 132	2 261	343
Admissions	1	24	216	662	487	251	91	94	186	1 581	1 058	211	150	81	140	466	1 131	1 026	360	101
Total deaths		5	34	149	169	77	32	18	12	354	513	102	46	12	30	82	359	361	161	24

⁷² Data for COVID-19 cases, admissions and deaths was extracted in November 2021.


During the start of the COVID-19 pandemic, 24 cases were recorded in the CWD in March 2020. The number of cases increased to 4 923 in June 2020 and fell to 3 626 by July 2020. This was during the first wave of COVID-19 in South Africa, which is defined as the period from weekly incidence of 30 cases per 100 000 persons to peak weekly incidence (week 24 to week 28).⁷³ During the second wave, which is defined as the period from week 47 of 2020 to the first week of 2021, the number of cases peaked at 11 537 in December 2020 and fell to 7 892 in January 2021. By August 2021, during the third wave, the number of cases peaked at 10 132.

The number of hospital admissions during the peak of the first wave of COVID-19 decreased from 662 in June 2020 to 487 in July 2020. During the second wave, the number of admissions peaked at 1 581 in December 2020 and fell to 1 058 in January 2021. The number of admissions during the third wave peaked at 1 131 in July 2021 before declining to 1 026 in August 2021. The number of deaths during the first wave was relatively low compared with the subsequent waves. During this period, 34.3 per cent of deaths were people older than 70, followed by 29.0 per cent of people between the ages of 60 and 69. During the second wave, 354 deaths were recorded in December 2020, with deaths peaking at 510 in January 2021. The number of deaths recorded during the height of the third wave (August 2021) was 361, of which 35.7 per cent were people older than 70 and 28.8 per cent were people between the ages of 60 and 69.

Figure 3.11 (continued)
COVID DEATH PER AGE GROUP, Cape Winelands District, 2020 - 2021



Source: Western Cape Department of Health, 2021

 By mid-August 2021, 54.6 per cent of persons older than 60 had been vaccinated in the CWD compared with 54.4 per cent provincially. Vaccinations of persons between the ages of 50 and 59 (34.8 per cent) were marginally higher compared with provincial vaccinations (33.4 per cent). For the 35 to 49 age group, vaccination progress (15.5 per cent) was marginally higher compared with the Province (14.2 per cent). The Witzenberg and Stellenbosch municipal areas recorded vaccination rates of 20.2 per cent and 18.9 per cent respectively in this age group.

⁷³ (Centre for Respiratory Diseases and Meningitis, NICD-NHLS, 2021).

4.3.3.2 Mortality

Table 4.2 provides an overview of the top 10 natural causes of death in the CWD in 2018.

Table 4.2
TOP 10 NATURAL CAUSES OF DEATH, Cape Winelands District, 2018



Rank	Cape Winelands District		Western Cape	
	Cause of death	%	Cause of death	%
1	Diabetes mellitus	7.9%	Diabetes mellitus	7.6%
2	Cerebrovascular disease	6.9%	Ischaemic heart disease	6.1%
3	HIV	6.6%	Cerebrovascular disease	5.9%
4	Chronic lower respiratory diseases	6.5%	HIV	5.7%
5	TB	5.6%	Chronic lower respiratory diseases	5.1%
6	Ischaemic heart disease	4.9%	TB	4.9%
7	Malignant neoplasms of respiratory and intrathoracic organs	4.7%	Malignant neoplasms of digestive organs	4.5%
8	Malignant neoplasms of digestive organs	4.4%	Malignant neoplasms of respiratory and intrathoracic organs	4.5%
9	Hypertensive diseases	3.5%	Hypertensive diseases	3.8%
10	Other forms of heart disease	2.8%	Other forms of heart disease	3.3%
Other natural		35.3%		35.6%
Non-natural		10.9%		13.0%

Source: Stats SA, 2021

The main natural causes of death in the CWD in 2018 were diabetes mellitus (7.9 per cent of deaths), cerebrovascular disease (6.9 per cent of deaths) and HIV (6.6 per cent). On a Provincial level, 7.6 per cent of deaths were caused by diabetes mellitus, while 6.1 per cent and 5.9 per cent of deaths were caused by ischaemic heart disease and cerebrovascular disease respectively. More people died of non-natural causes in the Province (13.0 per cent) compared with the CWD (10.9 per cent) in 2018.



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 psychosocial support, and it can therefore play a critical role in reducing the burden of lifestyle diseases, as well as mortalities, on the healthcare system.

4.3.3.3 HIV/AIDS and TB

Table 4.3 provides an overview of the trends in HIV testing, treatment and outcomes in the CWD between 2017/18 and 2020/21.

Table 4.3
TRENDS IN HIV TESTING, TREATMENT AND OUTCOMES,
Cape Winelands District, 2017/18 – 2020/21



	2017/18	2018/19	2019/20	2020/21
Known HIV+ (Tested; n)	48 715	49 363	46 804	49 592
Of which: Clients started but no longer on ART	40.9%	48.5%	46.4%	48.8%
Of which: Clients on ART	56.1%	58.5%	38.3%	37.6%
Of which: Clients with confirmed viral suppression	76.7%	74.5%	69.2%	68.7%

Source: Western Cape Department of Health, 2021

The number of people who are known to have tested HIV-positive in the CWD increased over the reference period, from 48 715 in 2017/18 to 49 592 in 2020/21. Knowledge of HIV status is an important starting point to receiving treatment. Even though more people knew their status in 2020/21 than in 2019/20, the treatment of HIV was influenced by the disruption of the healthcare system as a result of the COVID-19 pandemic.

The Joint United Nations Programme on HIV/AIDS (UNAIDS) targeted that by 2020, 90.0 per cent of all people living with HIV would know their status, 90.0 per cent of people diagnosed with HIV would be receiving antiretroviral treatment (ART) and 90.0 per cent of people receiving ART would have viral suppression.⁷⁴ 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. Between 2017/18 and 2019/20, the percentage of people who started ART but were no longer on it increased from 46.4 per cent in 2019/20 to 48.8 per cent in 2020/21. Furthermore, the percentage of people who were on ART has been on a declining trend since 2018/19. The percentage of people with confirmed viral suppression in the CWD has also been on a declining trend, from 76.7 per cent in 2017/18 to 68.7 per cent in 2020/21. This is likely to be associated with the decline in people receiving ART. Increasing ART and viral suppression are essential to keep the most economically and socially active individuals healthy in the CWD.⁷⁵

The age group that is most susceptible to infection (those between the ages of 15 and 50) is also the most economically and socially active.⁷⁶ The economic impacts of HIV/AIDS include reduced labour supply, reduced labour productivity, reduced exports and increased imports.⁷⁷ Given the current economic challenges in the CWD, increasing ART treatment and viral suppression is essential.

⁷⁴ (UNAIDS, 2014).

⁷⁵ (UNAIDS, 2000).

⁷⁶ (UNAIDS, 2000).

⁷⁷ (Dixon, et al., 2002).

Table 4.4 shows the trends in TB notification and outcomes in the CWD between 2018/19 and 2020/21.

Table 4.4
TRENDS IN TB NOTIFICATION AND OUTCOMES,
Cape Winelands District, 2018/19 – 2020/21



	2018/19	2019/20	2020/21
TB programme success rate	77.9%	76.9%	72.0%
TB clients lost to follow-up	13.3%	18.3%	22.8%
TB clients death rate	3.9%	3.9%	4.0%
TB/HIV co-infected	30.5%	38.3%	39.1%
TB MDR treatment success rate	54.5%	63.1%	64.5%

Source: Western Cape Department of Health, 2021

The success of the TB programme in the CWD declined from 77.9 per cent in 2018/19 to 72.0 per cent in 2020/21. TB clients lost to follow-up increased from 13.3 per cent in 2018/19 to 22.8 per cent in 2020/21. The multidrug-resistant (MDR) treatment success rate increased from 54.5 per cent in 2018/19 to 64.5 per cent in 2020/21.

The TB client death rate increased from 3.9 per cent in 2018/19 to 4.0 per cent in 2020/21. Although the MDR treatment success rate increased in the District, the TB client death rate also increased in the period under review.

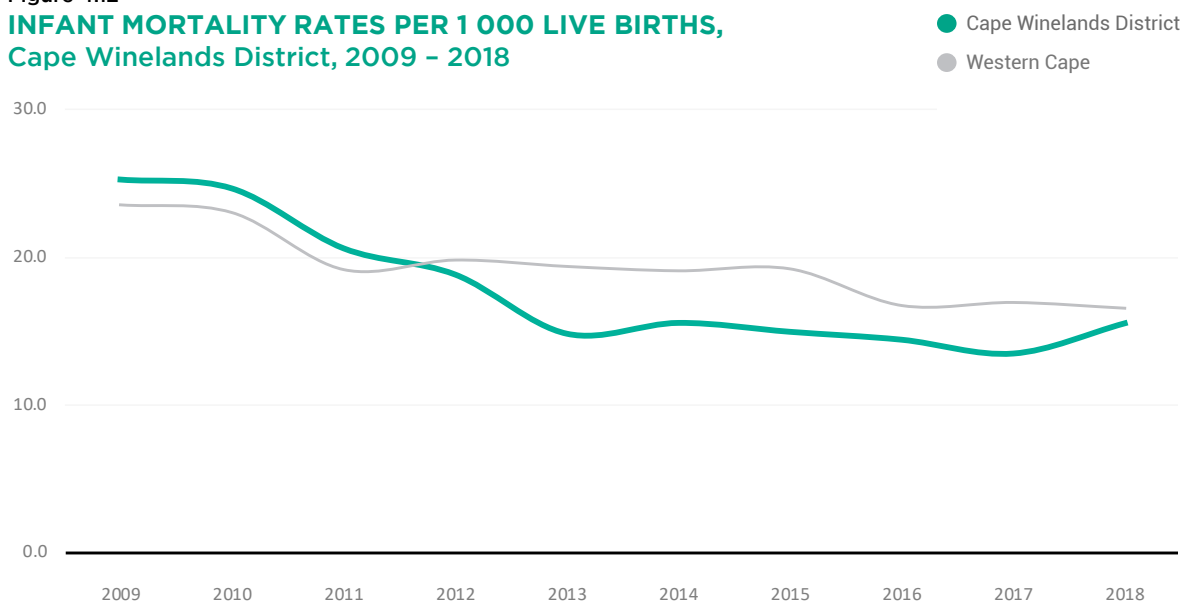


4.3.3.4 Infant, child and maternal health

Figure 4.12 depicts the infant mortality rates per 1 000 live births in the Western Cape and the CWD between 2009 and 2018.

Figure 4.12

INFANT MORTALITY RATES PER 1 000 LIVE BIRTHS, Cape Winelands District, 2009 - 2018



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Cape Winelands District	25.3	24.7	20.6	18.8	14.8	15.6	15.0	14.4	13.5	15.5
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

The infant mortality rates of the Western Cape and the CWD have been on a declining trend since 2009. From 2012, the infant mortality rate was lower in the CWD compared with the Province. The infant mortality rate of the CWD decreased steadily from 25.3 deaths per 1 000 live births in 2009 to 14.8 deaths per 1 000 live births in 2013. In 2014 the infant mortality rate increased to 15.6 deaths per 1 000 live births, but declined to 13.5 deaths per 1 000 live births in 2017. In 2018, the infant mortality rate increased to 15.5 deaths per 1 000 live births, but it remains lower than the Provincial infant mortality rate.

Table 4.5 provides the maternal death rates per 100 000 births in the CWD between 2018 and 2020.

Table 4.5

MATERNAL DEATH RATES PER 100 000 LIVE BIRTHS, Cape Winelands District, 2018 - 2020

MUNICIPALITY	2018	2019	2020
Witzenberg	72.7	0	204.4
Drakenstein	68.5	50.4	69.6
Stellenbosch	66.5	0	57.3
Breede Valley	207.1	84.2	184.7
Langeberg	0	0	123.2
Cape Winelands District	95.5	42.7	118.3

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).

Source: Western Cape Department of Health, 2021

The maternal death rate in the CWD decreased from 95.5 deaths per 100 000 live births in 2018 to 42.7 in 2019, before increasing to 118.3 deaths per 100 000 live births in 2020. In 2018 and 2019, the Breede Valley municipal area recorded the largest number of maternal deaths in the District (207.1 deaths per 100 000 live births and 84.2 deaths per 100 000 live births) respectively. However, in 2020, the Witzenberg municipal area recorded the highest number of maternal deaths in the District (204.4 deaths per 100 000 live births).

4.3.3.5 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 4.6 provides the delivery rate to women aged 10 to 19 years between 2018 and 2020.

Table 4.6
DELIVERY RATE TO WOMEN 10 – 19 YEARS,
Cape Winelands District, 2018 – 2020

MUNICIPALITY	2018	2019	2020
● Witzenberg	20.9%	18.8%	15.9%
● Drakenstein	10.2%	14.4%	13.5%
● Stellenbosch	13.6%	13.5%	11.4%
● Breede Valley	15.8%	14.5%	13.1%
● Langeberg	20.6%	17.2%	15.3%
Cape Winelands District	14.2%	15.1%	13.6%

Source: Western Cape Department of Health, 2021

The delivery rate to teenagers in the CWD declined from an average rate of 14.2 per cent in 2018 to 13.6 per cent in 2020. The delivery rates to teenagers in the Drakenstein and Stellenbosch municipal areas were lower than the average delivery rate to teenagers in the CWD between 2018 and 2020. The Witzenberg municipal area had the highest delivery rate to teenagers in 2020 (15.9 per cent), followed by the Langeberg municipal area (15.3 per cent).

Between 2019 and 2020, the delivery rate to teenagers in the CWD declined by 1.5 percentage points. All the municipal areas in the District recorded a decline in the delivery rate to teenagers between 2019 and 2020. The Stellenbosch and Witzenberg municipal areas experienced the highest decline (2.1 percentage points and 2.9 percentage points respectively) in the delivery rate to teenagers, while the Drakenstein municipal area recorded the smallest decline (0.9 percentage points) between 2019 and 2020.

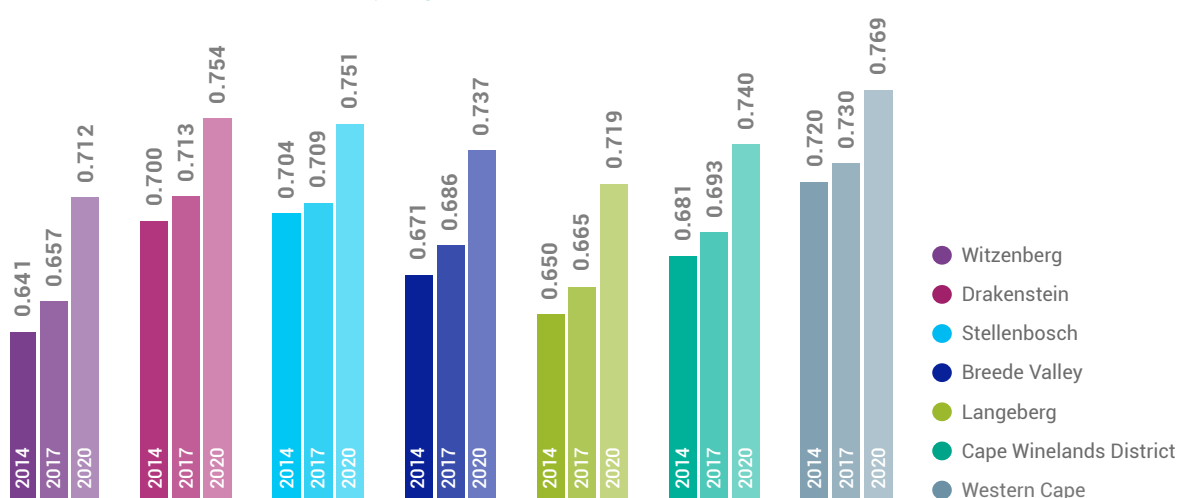
An increase in delivery rates to teenagers puts additional pressure on the public sector for support, as these teenagers often drop out of school and therefore struggle to find employment owing to low skill levels.

4.3.4 Human Development Index

The United Nations uses the HDI – a composite indicator reflecting education levels, health and income – to assess the relative level of socio-economic development in countries. Economic growth plays an important role in determining the quality of life of citizens; economists expect economic growth to result in improvements in human development and economic decline to have an adverse effect on human development.

Figure 4.13 illustrates the HDI per municipal area in the CWD between 2014 and 2020. HDI scores above 0.7 are considered to be high, while those between 0.55 and 0.69 are taken to be medium.⁷⁸

Figure 4.13
HDI PER MUNICIPAL AREA, Cape Winelands District, 2014 – 2020



Source: IHS Markit, 2021

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.

Despite the challenges in various economic and social spheres in 2020, the HDI of the CWD improved over the reference period – from 0.681 in 2014 to 0.740 in 2020. However, the CWD's HDI remains marginally lower compared with that of the Province (0.769). The Drakenstein municipal area had the highest HDI in 2020 (0.754), while the Witzenberg municipal area recorded the lowest HDI (0.712) in the same period.

GLOBAL HDI COMPARISON

According to the United Nations Development Programme (UNDP),⁷⁹ 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 was still considered to be high and was 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 also considered to be high according to the UNDP classification and above the world average. The 2019 HDI in the CWD (0.726) was considered to be high according to the HDI classification and was similar to that of Paraguay (0.728).

⁷⁸ (UNDP, 2019).

⁷⁹ (UNDP, 2021).

4.4 HOUSING AND ACCESS TO BASIC SERVICES

Access to decent formal housing is regarded as a basic human right and an important indicator of the level of human development within an economy. Table 4.7 shows the different types of dwellings of households living in the CWD in 2020.



Table 4.7
NUMBER AND PROPORTION
OF DWELLINGS, Cape
Winelands District, 2020

	Cape Winelands District		● Witzenberg		● Drakenstein	
	Number	% of total	Number	% of total	Number	% of total
Formal	189 559	80.8%	27 866	85.0%	57 112	83.9%
Informal	40 792	17.4%	4 163	12.7%	9 908	14.6%
Other	4 346	1.9%	740	2.3%	1 064	1.6%

	● Stellenbosch		● Breede Valley		● Langeberg	
	Number	% of total	Number	% of total	Number	% of total
Formal	36 592	72.7%	40 035	76.2%	27 954	90.2%
Informal	12 699	25.2%	11 376	21.7%	2 646	8.5%
Other	1 037	2.1%	1 104	2.1%	401	1.3%

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, room 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 in back yards.

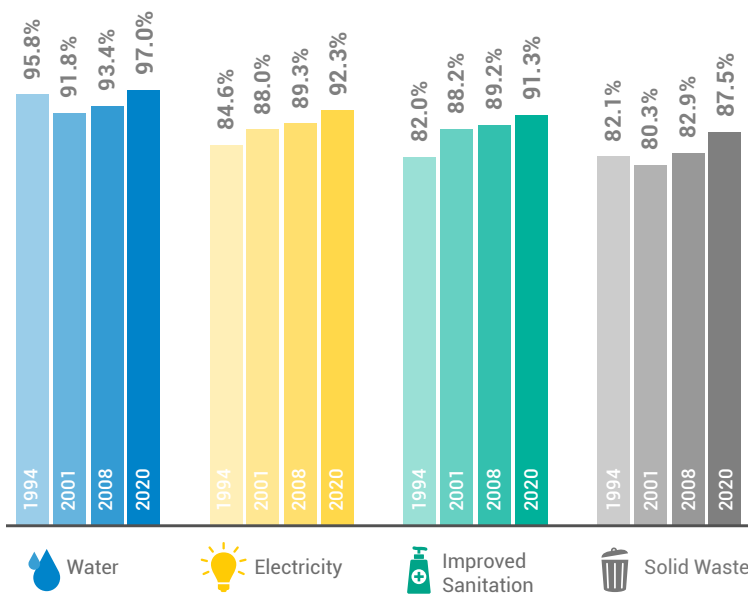
Most of the households in the CWD reside in formal dwellings (80.8 per cent in 2020). Municipal areas with proportionally more households residing in formal dwellings include Langeberg (90.2 per cent) and Witzenberg (85.0 per cent). The Stellenbosch (25.2 per cent) and Breede Valley (21.7 per cent) municipal areas have a large proportion of households residing in informal dwellings. Migration from farms to urban areas in these municipal areas is contributing to the large proportion of households in informal dwellings.



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. In some instances, households have access to electricity directly from Eskom, and not through a local authority.

Figure 4.14 illustrates households' access to water, electricity, sanitation and solid waste removal services in the CWD.

Figure 4.14
ACCESS TO BASIC SERVICES,
Cape Winelands District, 1994 – 2020



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.⁸⁰

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

The proportion of people with access to piped water declined from 95.8 per cent in 1994 to 91.8 per cent in 2001. However, since then access to piped water has increased, with 97.0 per cent of households in the CWD having access to piped water in 2020. Access to solid waste removal services followed a similar trend, declining from 82.1 per cent of households in 1994 to 80.3 per cent of households in 2001, before increasing to 87.5 per cent in 2020. Access to solid waste removal services often lags other services, particularly in areas with a large farming community, like the CWD. Access to electricity has improved by 7.6 percentage points since 1994, with 92.3 per cent of households having access in 2020. Access to improved sanitation increased the most (9.4 percentage points) over the reference period, from 82.0 per cent of households in 1994 to 91.3 per cent in 2020.



⁸⁰ (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 as specified by each local municipality in an indigent policy. Table 4.8 indicates the number of indigent households per municipal area of the CWD.

Table 4.8
NUMBER OF INDIGENT HOUSEHOLDS, Cape Winelands District, 2018 – 2020

	2018		2019		2020	
	Number	% of households	Number	% of households	Number	% of households
● Witzenberg	4 591	10.7%	6 742	15.1%	5 790	12.5%
● Drakenstein	19 030	28.2%	19 805	28.7%	21 636	30.6%
● Stellenbosch	6 453	13.1%	6 813	13.5%	7 011	13.6%
● Breede Valley	9 009	19.4%	8 596	18.2%	8 891	18.4%
● Langeberg	7 556	26.6%	6 665	22.9%	6 738	22.7%
Cape Winelands District	46 639	19.9%	48 621	20.2%	50 066	20.3%

Source: Department of Local Government & Drakenstein Municipality, 2021

The number of indigent households in the CWD increased marginally between 2019 and 2020. This is mainly as a result of a large increase in indigent households in the Drakenstein municipal areas (1.9 percentage points). Only the Langeberg (0.3 percentage points) and Witzenberg (2.6 percentage points) municipal areas recorded a decline in indigent households.

The Drakenstein and Breede Valley municipal areas recorded the highest number of indigent households in 2020, accounting for approximately 21 636 and 8 891 households respectively in the municipal areas. Furthermore, the Breede Valley municipal area recorded an increase of 295 indigent households in 2020, while 198 more indigent households were recorded in the Stellenbosch municipal area.

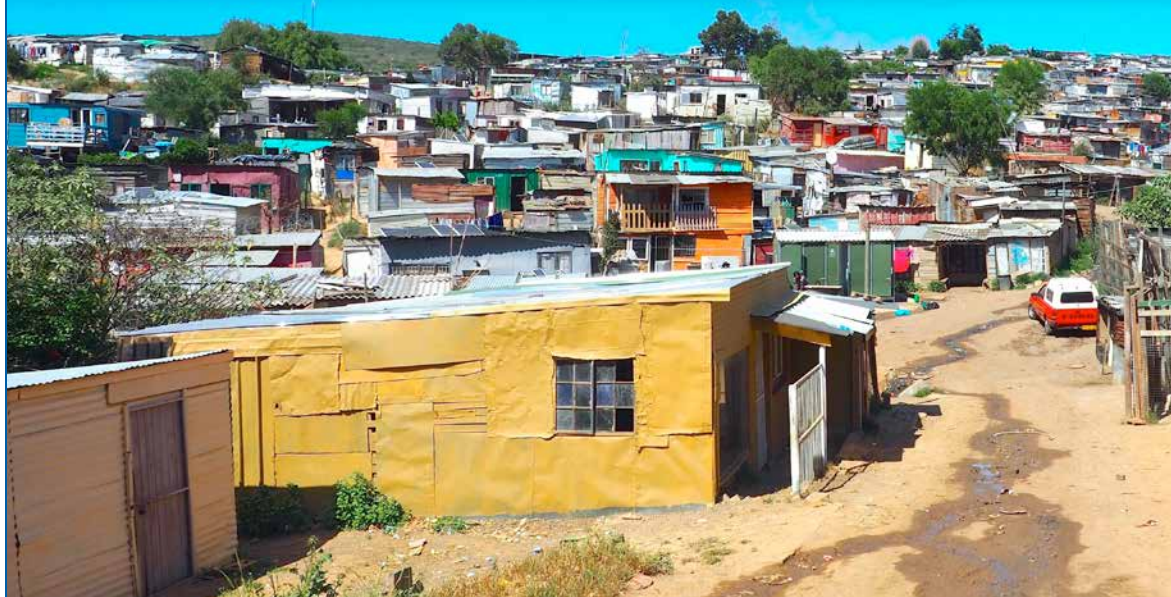


Figure 4.15 illustrates the access to free basic services in the CWD.

Figure 4.15
ACCESS TO FREE BASIC SERVICES, Cape Winelands District, 2016 - 2019



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

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. The number of households receiving free basic services was on an upward trend for all services except water services between 2016 and 2019. Between 2016 and 2019, access to free water services decreased by 17 591 households from 61 255 households in 2016 to 43 664 households in 2018. The sharp decline in free water services between the reference period is likely to be linked to the drought experienced at the time.⁸¹ Free access to water increased to 45 656 in 2019.

Between 2016 and 2018, access to free electricity services increased by 11 745 households, before declining to 45 101 households in 2019. Access to free sanitation services increased by 4 040 households and access to free solid waste services increased by 5 810 households. The estimated future growth of households in the CWD is anticipated to increase the demand for services. However, poor economic growth and declining household incomes will influence households’ ability to pay for these services.



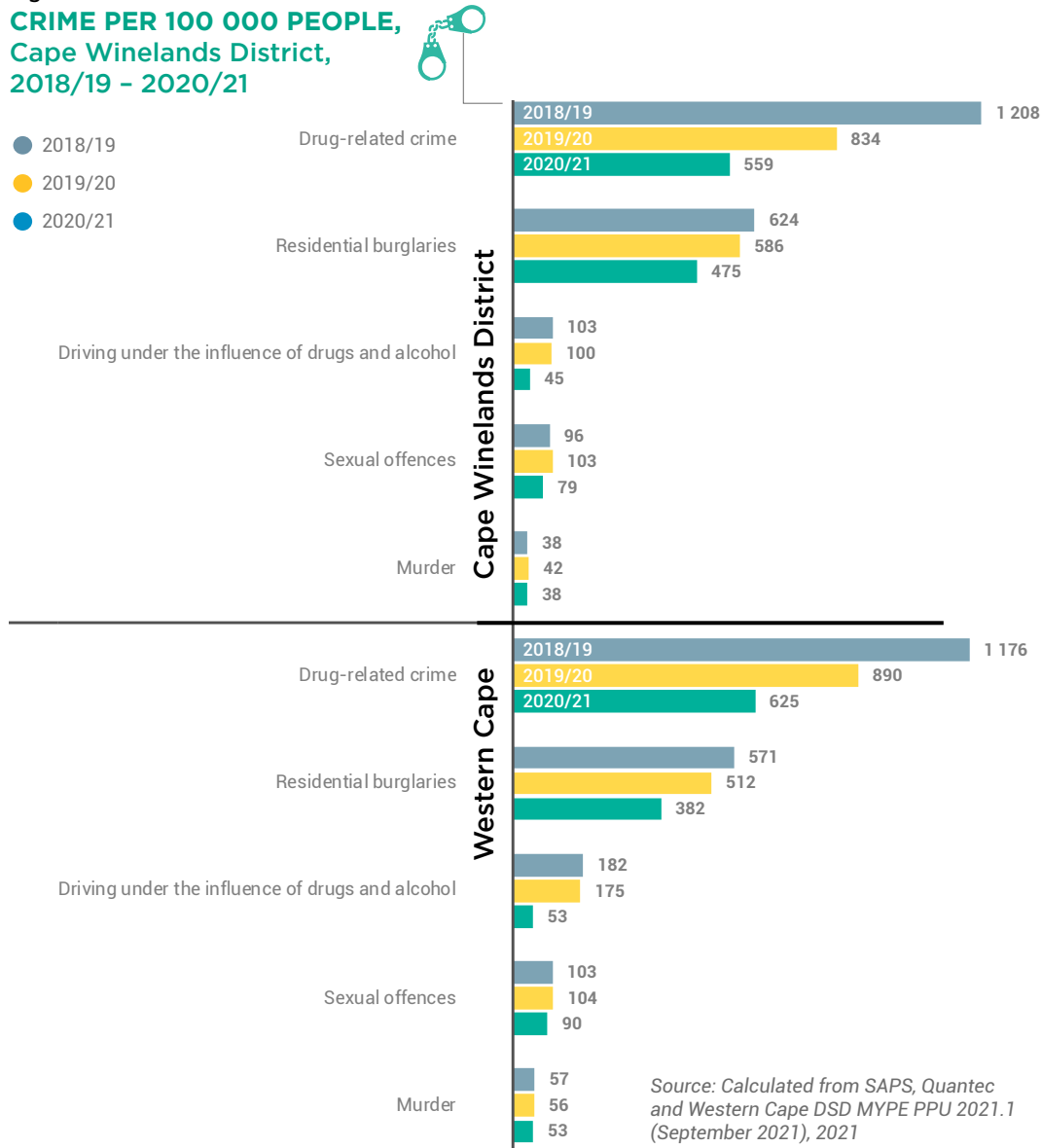
⁸¹ Cape Winelands District Municipality, 2017).

4.5 CRIME

An analysis of the CWD's crime trend is important to determine the potential occurrence and types of criminal activities that are prevalent in the region. Figure 4.16 compares the types of criminal activities in the CWD and the Western Cape between 2018/19 and 2020/21.

Figure 4.16

**CRIME PER 100 000 PEOPLE,
Cape Winelands District,
2018/19 – 2020/21**



The CWD recorded significantly fewer cases of murder per 100 000 people over the reference period compared with the Province. Both the Province and the CWD recorded a decline in the murder rate between 2019/20 and 2020/21. In the CWD, the murder rate declined from 42 cases per 100 000 people in 2019/20 to 38 cases per 100 000 people in 2020/21. On a municipal level, the steepest decline in murder rates was experienced in the Langeberg municipal area during the reference period. However, a decline in the murder rate was not recorded in all municipal areas, with the Breede Valley municipal area recording an increase in the murder rate per 100 000 people between 2018/19 (32 cases per 100 000 people) and 2020/21 (40 cases per 100 000 people).

Cases of sexual offences, driving under the influence of drugs and alcohol, residential burglaries and drug-related crime also declined in the Province and the CWD between 2019/20 and 2020/21. In 2020/21, the CWD also recorded fewer crimes per 100 000 people in these crime categories than the Province, with the exception of residential burglaries.

In 2020/21, the CWD recorded 475 residential burglaries per 100 000 people, whereas the Province recorded 382 residential burglaries per 100 000 people. On a positive note, all municipal areas in the CWD recorded a decline in residential burglaries during the reference period. The Langeberg municipal area recorded the most incidences of residential burglary compared with other municipal areas, with 673 cases per 100 000 people recorded in 2021/21.

The Drakenstein and Stellenbosch municipal areas recorded above-average incidences of sexual offences in 2020/21, with 100 cases and 99 cases per 100 000 people respectively, compared with 79 cases per 100 000 in the CWD and 90 cases per 100 000 people in the Province. Despite the high number of incidences, the Drakenstein and Stellenbosch municipal areas recorded a decline in cases between 2019/20 and 2020/21.

Despite a decline in cases between 2019/20 and 2020/21, the Stellenbosch and Witzenberg municipal areas recorded above-average incidences of driving under the influence of drugs and alcohol. The aforementioned municipal areas recorded 84 cases and 49 cases per 100 000 people respectively, compared with 45 cases per 100 000 people in the CWD in 2020/21.

As all the abovementioned types of crimes saw reduced incidences per 100 000 people in 2020/21, the lockdown measures implemented to curb the spread of the COVID-19 pandemic are likely to have reduced crime levels.



4.6 CONCLUDING REMARKS

The population of the CWD is predicted to increase by 1.3 per cent from 955 473 people in 2021 to 1 007 913 people in 2025. The majority of the CWD's population reside in the Drakenstein and Stellenbosch municipal areas. In terms of age dynamics, the CWD's population was mainly between the ages of 15 and 34 years (35.1 per cent), followed by individuals between 35 and 64 years (33.9 per cent) in 2020.

The CWD's GDP per capita declined by 1.5 per cent in 2019 and by an estimated 6.5 per cent in 2020. All the municipal areas in the District experienced a downturn owing to the economic slowdown, especially as a result of the COVID-19 pandemic. The District's average household income in 2019 was R17 846 (in current prices), which was less than the Province's average (R19 430). Despite the increase between 2017 and 2020, income inequality was marginally lower in the CWD (0.615) than in the Western Cape (0.625). The Drakenstein and Stellenbosch municipal areas had above-average household incomes, while the Drakenstein and Witzenberg municipal areas recorded higher levels of income equality.

The matric pass rate for the CWD declined from 80.6 per cent in 2019 to 78.4 per cent in 2020 and was also lower than the pass rate for the Western Cape over the same period. The challenges experienced by the education sector during the COVID-19 pandemic are evident since, despite increased learner enrolments, the Grade 10 to 12 retention rate in the CWD during the period under review declined from 69.4 per cent in 2019 to 67.2 per cent in 2020. However, the number of educators has increased in proportion with the increase in learner enrolments in the District.

Disruptions to and pressure on the healthcare system as a result of the COVID-19 pandemic contributed to declines in several health outcomes, including a decline in the percentage of people with confirmed viral suppression of HIV, an increase in TB clients lost to follow-up and an increase in the TB death rate. Infant mortality rates and delivery rates to teenagers in the CWD have nevertheless declined in recent years.

Although the CWD recorded a marginally lower HDI than the Western Cape, the District's HDI improved despite the challenges in various economic and social spheres in 2020. The HDI stood at 0.769 for the Province and 0.740 for the District in 2020.

Most of the households in the CWD reside in formal dwellings (80.8 per cent in 2020). The Stellenbosch (25.2 per cent) and Breede Valley (21.7 per cent) municipal areas had the highest proportion of informal dwellings. In terms of access to basic services, the number of consumers with access to water, electricity and solid waste removal services has increased substantially since 1994, particularly the number of people with access to electricity (7.6 percentage points) and improved sanitation services (9.4 percentage points).

There was a decline from 2019/20 to 2020/21 in all the crime categories under review. Although the CWD had higher cases of residential burglaries per 100 000 people than the Western Cape in 2021, the District had fewer incidents of murder, sexual offences, driving under the influence of drugs and alcohol, and drug-related crime per 100 000 people than the Province.





CAPE WINELANDS DISTRICT

GROWTH POTENTIAL STUDY 2018



The CAPE WINELANDS has the highest overall growth potential in the Western Cape. Comparatively, the District has the highest performance across the economic, infrastructure and institutional themes. While the population is expected to expand within the next five years, the challenge will be to maintain performance in indicators on economic growth, access to amenities and social service organisations, the digital economy and food security. Indicators on access to basic services, unemployment, economic empowerment and the labour force have room for improvement.

PRECONDITIONS FOR GROWTH



- Extent and diversity of retail and services sector
- Tourism potential
- Economic size and growth
- Economic diversity
- Market potential
- Change in labour force
- Property market



- Availability and quality of water
- Natural potential



- Land availability and use
- Transport and communication
- Availability of municipal infrastructure

INNOVATION POTENTIAL



- Quality of governance
- Safety and security
- Administrative and institutional function
- Availability of community and public institutions



- Poverty and inequality
- Human resources
- Population structure and growth



- Development potential reflects inherent preconditions for growth and innovation potential
- General improvement in infrastructure conditions and institutional components
- General regression in economic, physical natural and human capital conditions

The Growth Potential Study (GPS) is an instrument for effective spatial decision-making and implementation. This support tool aims to inform strategic objectives, policy-making and spatially targeted investment, and to strengthen allocative decisions for integrated management, service delivery and spatial alignment within the Provincial and municipal spheres of government in the Western Cape.

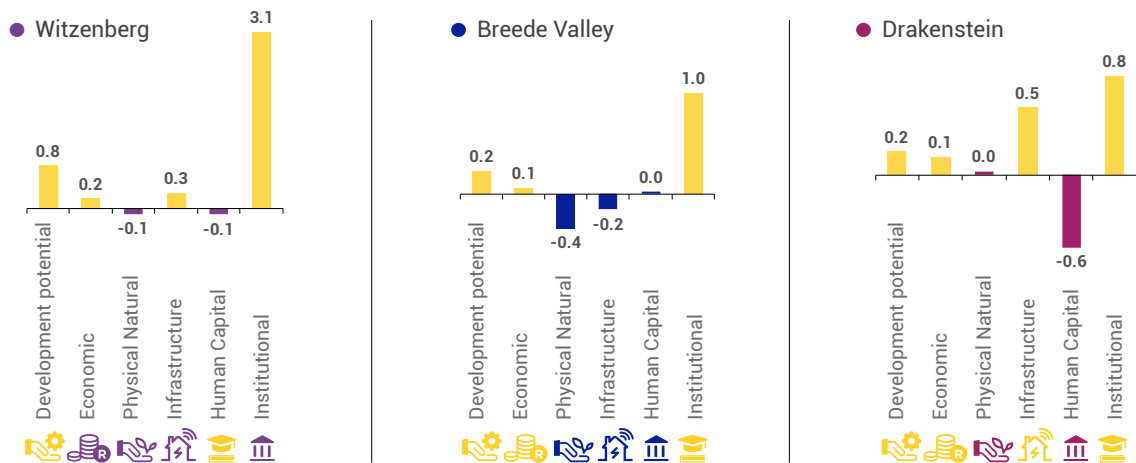
Economic, infrastructure and physical natural composite thematic indices form the basis for modelling growth preconditions, and institutional and human capital composite thematic indices model innovation potential. Indicators are informed by local, national and international literature, and are the premise for forecasting where economic growth is likely to occur, i.e. growth or development potential.

The GPS2018 shows that the Stellenbosch and Drakenstein municipal areas have “very high” growth potential and are the first and third most likely, respectively, to facilitate economic development. The Langeberg, Witzenberg and Breede Valley municipal areas have “medium” growth potential.

WITZENBERG is the only municipal area in the District where a change in growth potential classification has occurred, up from “very low” in GPS2013. This performance improvement is largely due to advances in the institutional theme and indicators such as audit outcomes, infrastructure backlog reduction and percentage of institutional posts filled.

The **BREEDE VALLEY** municipal area has also made gains in the Institutional theme and shows particularly strong performance in indicators on the provision of amenities and social service organisations. Improvements are required in human capital, economic and infrastructure indicators to progress the growth potential in future. A regression in the human capital theme has occurred in the **DRAKENSTEIN** municipal area from GPS2013 to GPS2018. Challenges in indicators relating to economic empowerment, labour force and matric pass rates are threats to the growth potential.

Difference between GPS18 Z-score and GPS13 Z-score⁸²

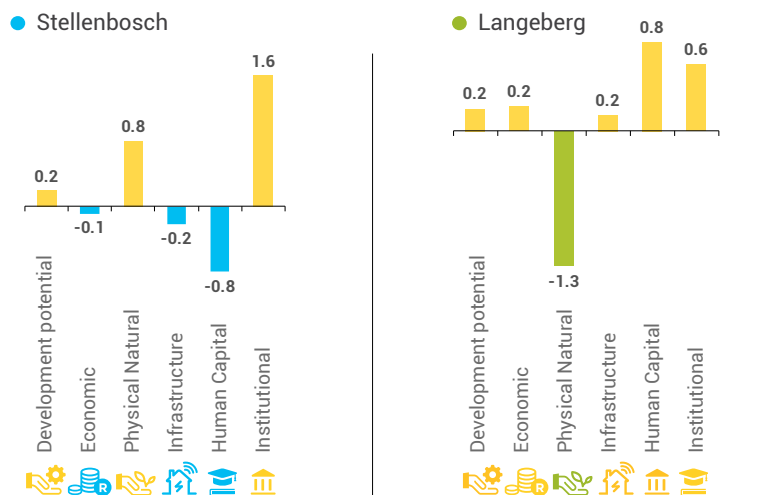


⁸² The Z-score is a method (statistical test) that can denote the range (gap) between the lowest- and highest-scoring municipalities, i.e. the greater the difference, the greater the gap. It signifies the extent of relative municipal performance. For instance, the further away from zero the indicator scores, the further away from the average score for municipalities, relative to one another. This type of scoring is useful to identify outliers and indicate areas for improvement or praise.

Access to basic services, infrastructure backlog reduction, economic empowerment and skilled labour are indicators that can be improved in the **STELLENBOSCH** municipal area.

The **LANGEBERG** municipal area has made gains in all themes except physical natural. The biggest gain is in the human capital theme, driven largely by improvements in economic empowerment and human development indicators. There remains room for improvement in most indicators to progress the growth potential outlook for the area.

Difference between GPS18 Z-score and GPS13 Z-score⁸³



⁸³ The Z-score is a method (statistical test) that can denote the range (gap) between the lowest- and highest-scoring municipalities, i.e. the greater the difference, the greater the gap. It signifies the extent of relative municipal performance. For instance, the further away from zero the indicator scores, the further away from the average score for municipalities, relative to one another. This type of scoring is useful to identify outliers and indicate areas for improvement or praise.



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**Western Cape
Government**

PR366/2021
ISBN: 978-0-621-49944-5