



Western Cape
Government

2021
**Municipal
Economic
Review and
Outlook**

**Central
Karoo
District**

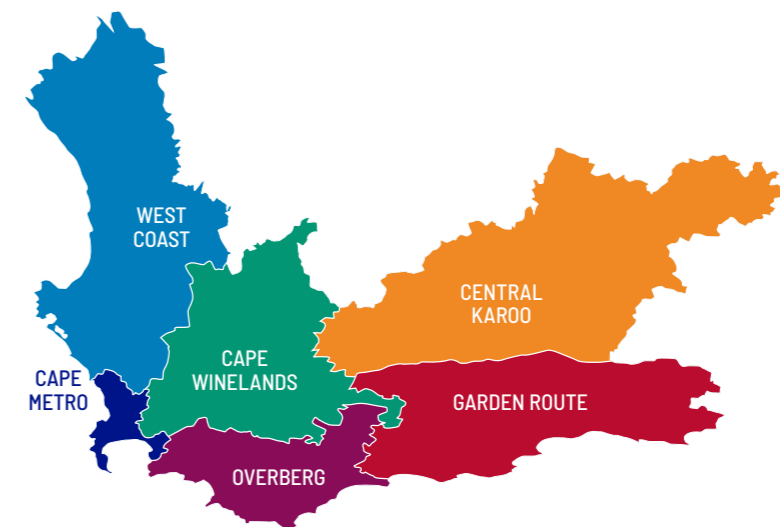




Western Cape
Government

2021 **Municipal Economic Review and Outlook**

Central Karoo District



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ABOUT THE MUNICIPAL ECONOMIC REVIEW AND OUTLOOK (MERO)

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

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

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

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

FOREWORD

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

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

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

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



Mr David Maynier

Minister of Finance and Economic Opportunities

6 December 2021

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THE OTHER DISTRICTS



MERO 2021 ALL DISTRICTS

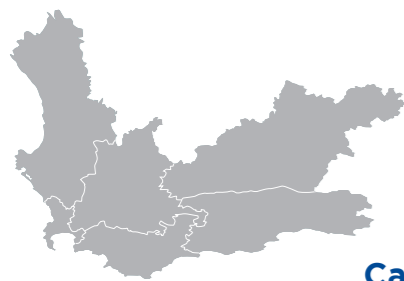
ACRONYMS AND ABBREVIATIONS

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

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

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

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

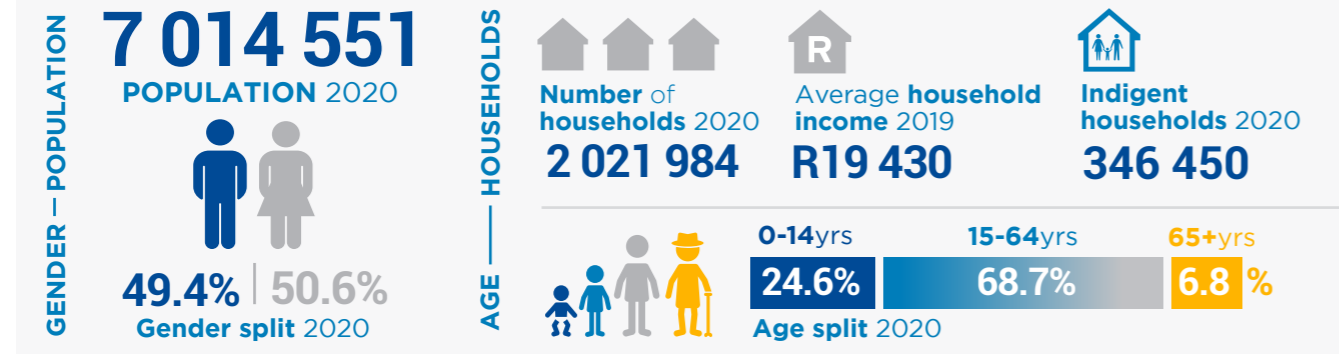


WC WESTERN CAPE

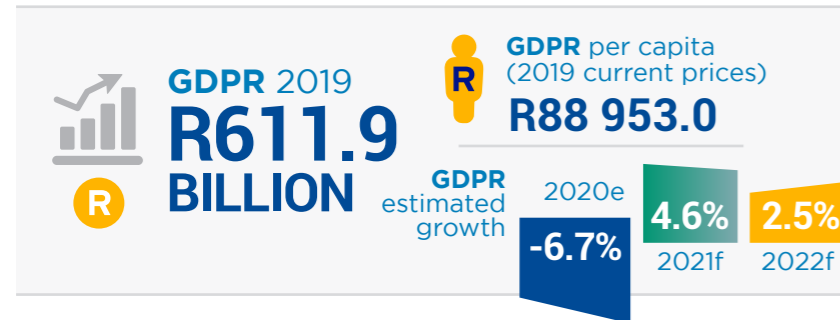
SEAT | AREA | DENSITY
Cape Town | **129 462 KM²** | **52.9 / KM²**

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

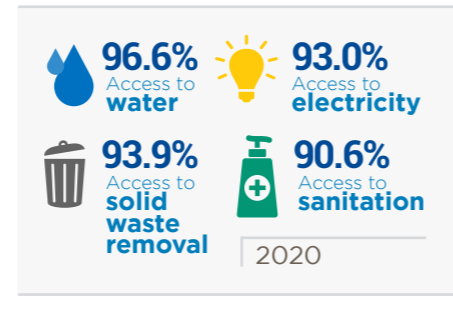
DEMOGRAPHICS



GROSS DOMESTIC PRODUCT



SERVICES



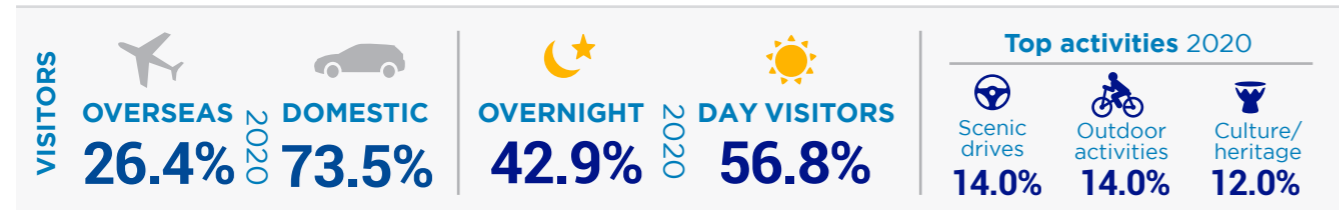
EMPLOYMENT



TRADE



TOURISM



GDPR

2019	2020
GDPR CONTRIBUTION	GDPR GROWTH

EMPLOYMENT

2019	2020
EMPLOYMENT CONTRIBUTION	EMPLOYMENT GROWTH

	2019	2020	2019	2020
	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:

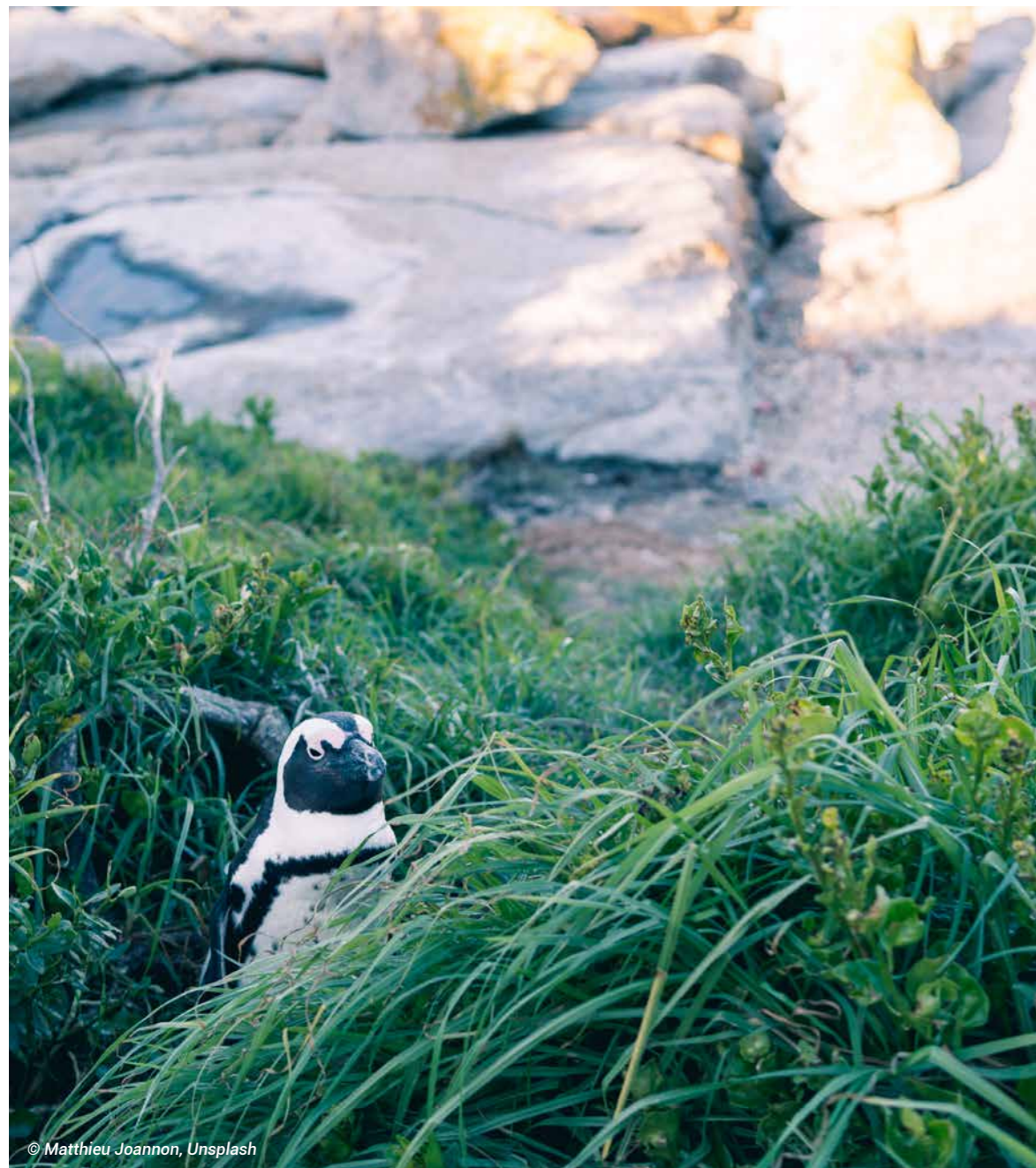
Chapter 1: Regional economic review and outlook - Broad overview of the Provincial macroeconomic context of each District by focusing on GDPR performance and labour trends. The period under review for MERO 2021 is 2015 to 2019, with 2020 figures being

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.



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.



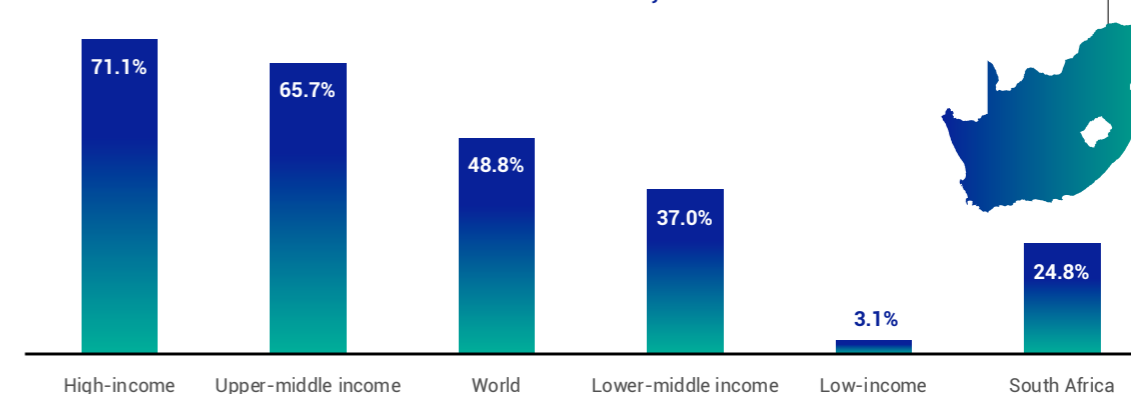
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GLOBAL VACCINE ROLL-OUT

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).

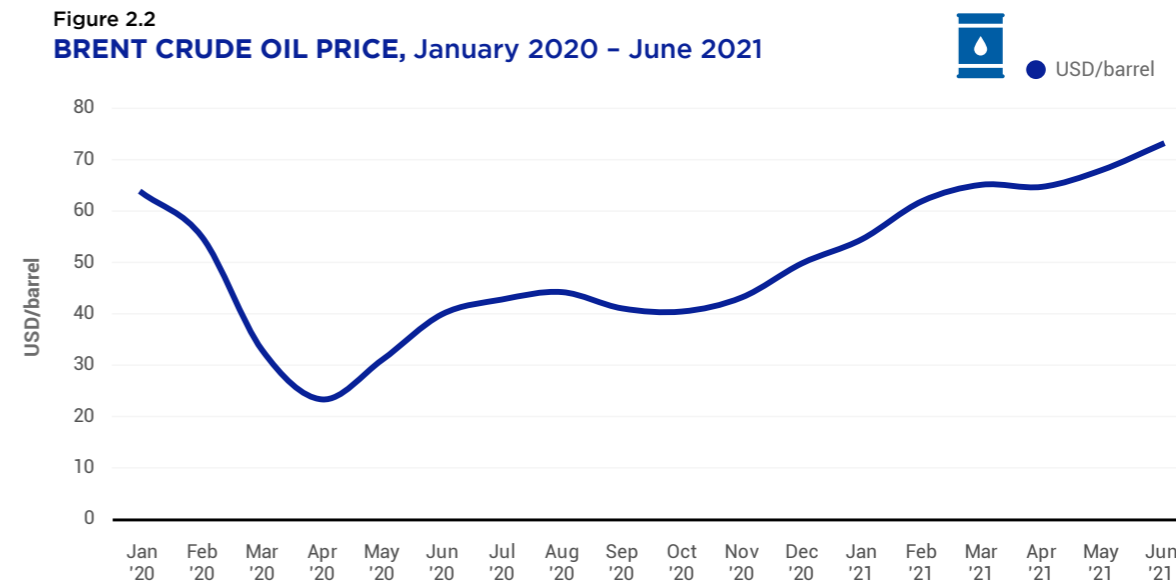
2.2.5 Global inflation outlook

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.

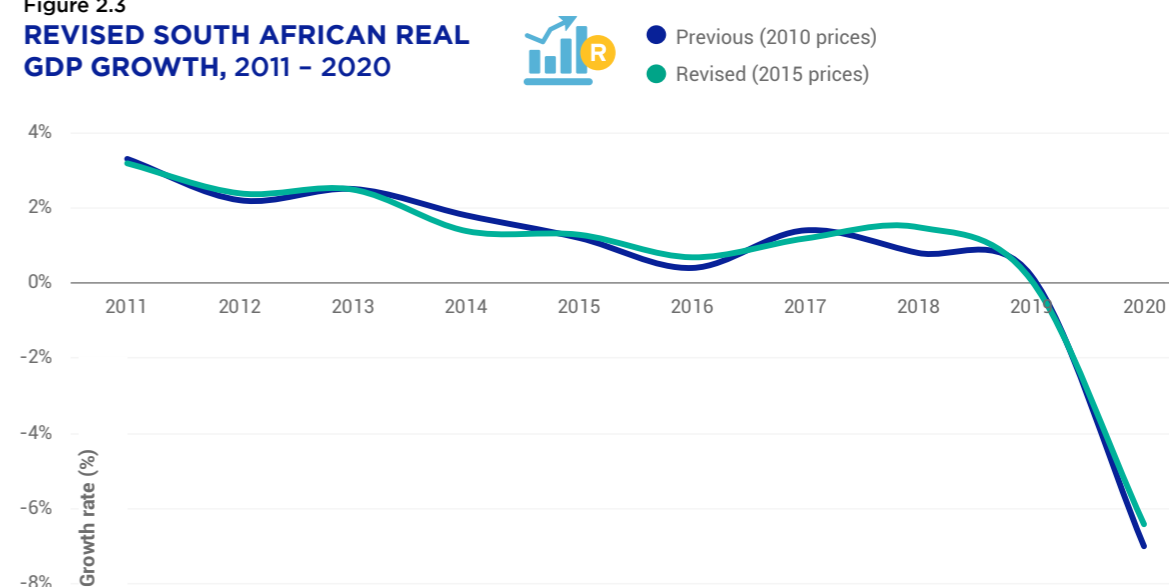
¹⁴ Hereafter abbreviated to finance.



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



Source: Stats SA, 2021

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

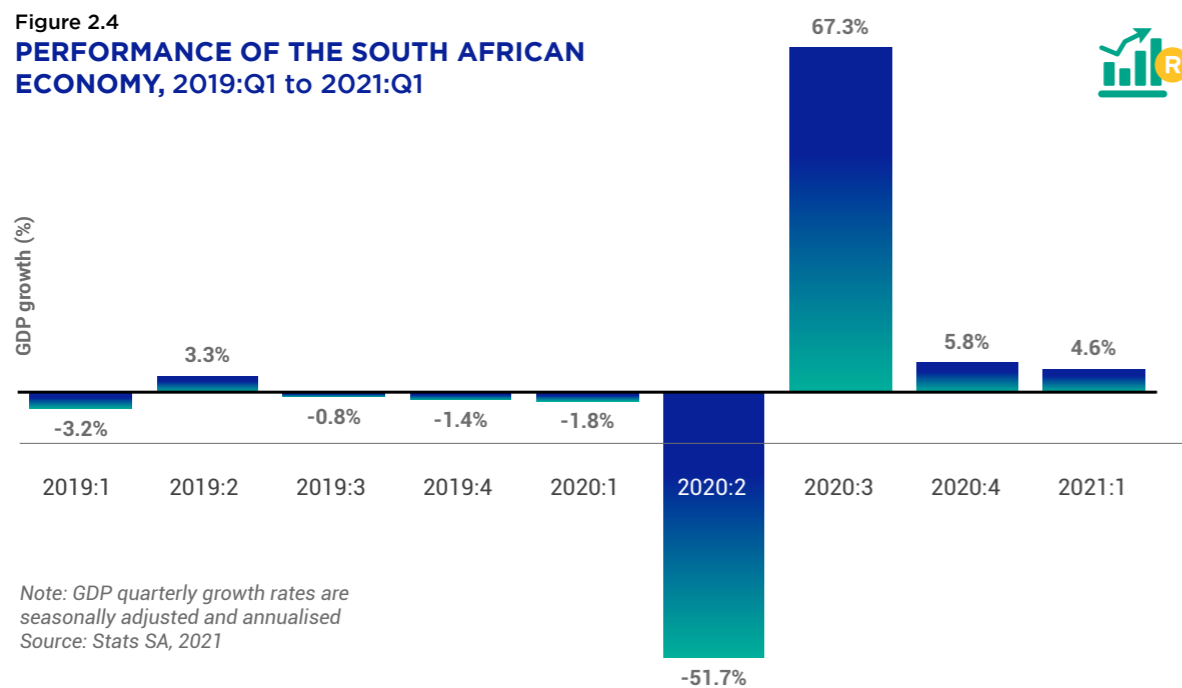
The revised estimate of GDP in 2020 increased by 11.0 per cent to R5 521 billion, compared with the previous estimate of R4 973 billion. Consequently, the annual contraction for 2020 was revised from -7.0 per cent to -6.4 per cent. Historically, benchmarking GDP has resulted in estimates that show an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



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

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

Figure 2.4
PERFORMANCE OF THE SOUTH AFRICAN ECONOMY, 2019:Q1 to 2021:Q1



Note: GDP quarterly growth rates are seasonally adjusted and annualised
Source: Stats SA, 2021

Growth increased by 4.6 per cent in the first quarter of 2021, which was aided by the R500 billion COVID-19 economic support package directed towards the country's health response and to alleviate economic distress. The package financed the procurement of personal protective equipment (PPE), the Temporary Employer/Employee Relief Scheme (TERS), the special COVID-19 Social Relief of Distress (SRD) grant, farmers' relief, and other funds and initiatives aimed at supporting businesses and industries affected by the pandemic.



SOUTH AFRICA'S CREDIT RATINGS

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



Table 2.2
SOUTH AFRICAN CREDIT RATINGS, November 2020 – May 2021

Agency	Rating	Outlook	Date
Fitch	BB-	Negative	21 May 2021
S&P	BB-	Stable	21 May 2021
Moody's	Ba2	Negative	20 November 2020
Fitch	BB-	Negative	20 November 2020

Source: Reuters, 2021



The finance sector, the mining sector and the trade sector were the main drivers of output on the production side of the economy, while household spending and changes in inventories supported growth on the expenditure side. Nevertheless, the South African economy is experiencing a gradual growth recovery. Reviewing quarterly growth figures, it is evident that only two of the 10 major sectors contracted in the fourth quarter of 2020, while the agriculture and the electricity, gas and water sectors contracted in the first quarter of 2021 (see Table 2.3).

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



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

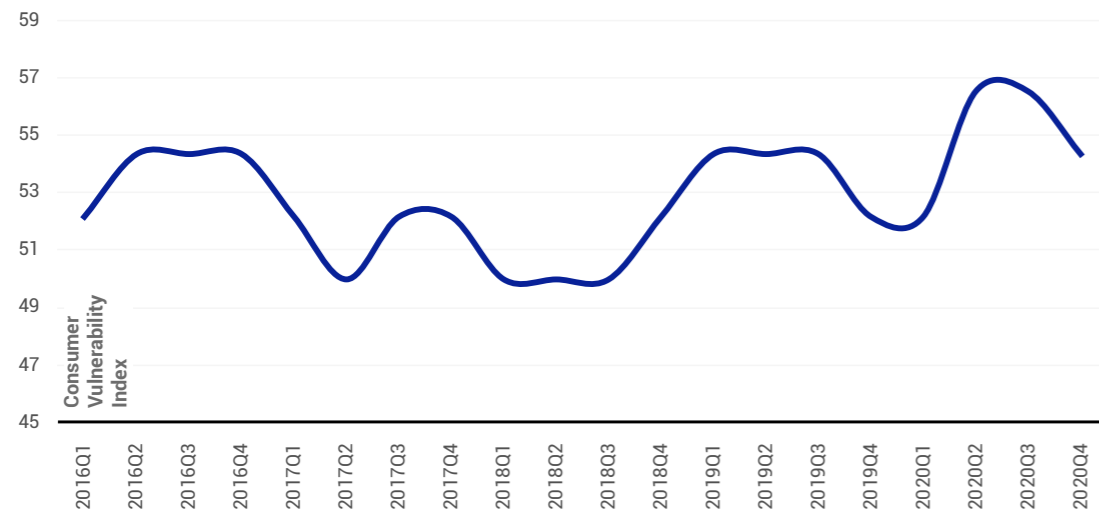


Source: Quantec Research, 2021

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 ● Consumer Vulnerability Index



Source: Quantec Research, 2021

The national lockdown and the associated business closures led to a steep fall in consumer demand and the RMB/BER Business Confidence Index. Final household consumption expenditure contracted by 5.4 per cent in 2020, owing to uncertainty regarding income and aggregate demand shock. The decline can be attributed to massive job losses, reduced salaries and constant shrinkage in household disposable income amid the rising cost of living. Although final household consumption expenditure is projected to grow by 7.7 per cent and 6.4 per cent in 2021 and 2022 respectively, the rising level of South Africa's Consumer Vulnerability Index above 50 per cent is a cause for concern. High household debt, reduced savings and constrained domestic investment growth force the country to depend on capital inflow for investment, some of which is susceptible to sudden reversals.

2.3.4 Investment

Fixed investment (real gross fixed capital formation) was the most significantly affected spending item in 2020 as a result of COVID-19 restrictions, ongoing power shortages, political uncertainty and crowding out from significant government borrowing. The current year, 2021, is expected to be the fifth consecutive year of shrinking fixed investment. Fixed investment as a percentage of GDP fell from 23.5 per cent in 2008 to 15.8 per cent in 2020, and is forecast to deteriorate further to only 15.0 per cent in 2021, its lowest relative level since 2002. In the first quarter of 2021, fixed investment declined by 13.4 per cent year-on-year and by 2.6 per cent quarter-on-quarter annualised.

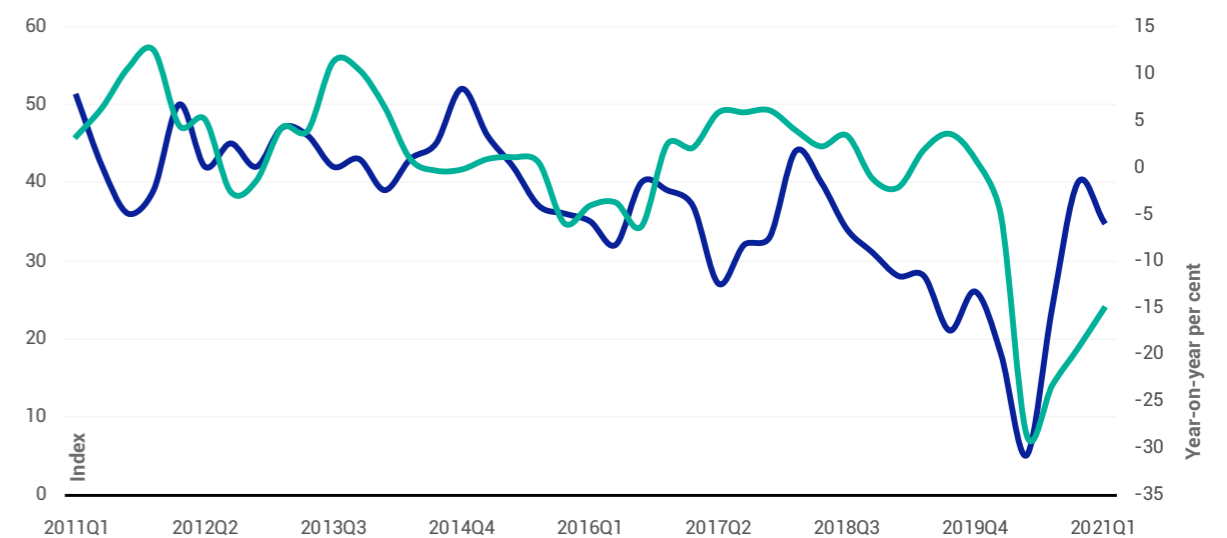
Fixed investment has grown on average by only 0.6 per cent per annum over the past 15 years. The growth was largely due to public-sector investment – indeed, private-sector fixed investment grew by a fraction of this rate, at only 0.1 per cent per annum.

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

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

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

Figure 2.7
RMB/BER BUSINESS CONFIDENCE INDEX VS PRIVATE SECTOR FIXED INVESTMENT, SOUTH AFRICA, March 2011 – March 2021



Source: Quantec Research, 2021

The RMB/BER Business Confidence Index for South Africa fell to five index points in the second quarter of 2020 from 18 index points in the first quarter of 2020, reaching its lowest point since 1975 (see Figure 2.7). The restrictions of economic activities under levels five and four to contain the spread of the coronavirus and relieve the health sector from pressure negatively affected an already weak economy. Economic activities in the hospitality industry collapsed, as some major hotels in Cape Town closed their doors for business completely. As business confidence improves, gross fixed capital formation of private-sector businesses, business plans and capital inflow will gradually recover despite the contraction recorded in the first quarter of 2021.



TEMPORARY EMPLOYER/EMPLOYEE RELIEF SCHEME

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

The TERS benefits were distributed through the employer or the applicable bargaining council to ensure administrative efficiency instead of the employees applying to the Unemployment Insurance Fund (UIF) directly. The employers would then distribute the benefits to their employees within two days of receipt and submit the proof of payment to the UIF within five days. The payment would then be effected after the signing of the memorandum of agreement by both parties. Upon introduction, the benefits were available from April 2020 to June 2020, but owing to lockdown regulations affecting workers in industries whose operating activities were partially or fully restricted, TERS was extended to March 2021. By March 2021, approximately R59.0 billion had been paid to 5.4 million individual employees.

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



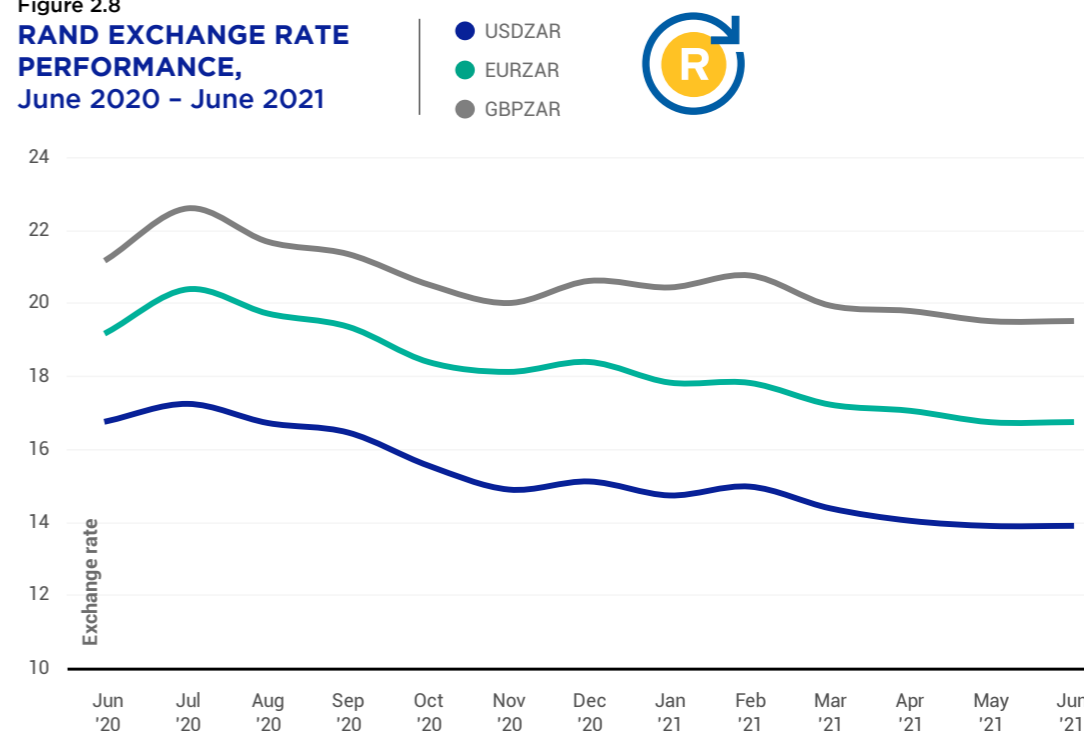
Source: National Income Dynamics Study – Coronavirus Rapid Mobile Survey (NIDS-CRAM), 2021

2.3.5 Exchange rate outlook

The COVID-19 pandemic has resulted in major disruptions for exchange rates and global capital flows. In the first quarter of 2020, the currencies of many emerging markets fell sharply owing to the uncertainty faced by investors. The hardest-hit currencies began to recover in April 2020, when the rand was at its lowest point, losing 14.8 per cent against the US dollar, 14.5 per cent against the euro, 13.7 per cent against the pound and 18.0 per cent against the yen (year-on-year).

However, the rand has since stabilised, outperforming most emerging market currencies such as the Brazilian real and Russian ruble. Since the beginning of 2021, the rand has appreciated 13.9 per cent to the US dollar, despite the recession in South Africa and the negative effects of COVID-19 on the supply and demand sides of the global economy (see Figure 2.8). However, the depreciation of the US dollar, the euro and the pound can partly be attributed to quantitative easing by the US Federal Reserve, the European Central Bank and the Bank of England respectively.

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



Source: Quantec Research, 2021

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

2.3.6 Balance of payments

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

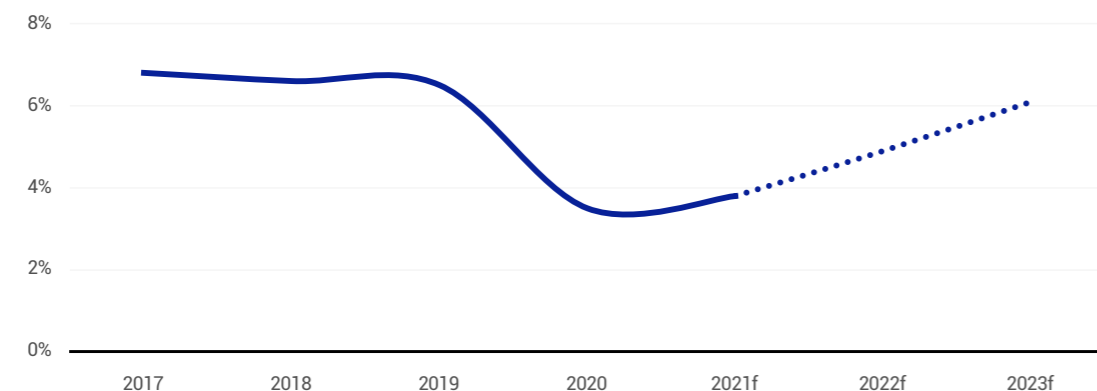
The current account surplus was in part due to a significant trade surplus, which increased from R425.0 billion in the fourth quarter of 2020 to R430.0 billion in the first quarter of 2021, with the largest surplus resulting from the value of merchandise exports. The trade surplus can be ascribed to rising export earnings on goods and services accompanied by a lower price of imports. Export earnings were supported by strong terms of trade, which improved for the seventh consecutive quarter in the first quarter of 2021, marking one of the longest consecutive quarterly increases in terms of trade on record.

Commodity prices are expected to remain elevated for the remainder of 2021. According to Bloomberg Economics, South Africa is number 10 on the list of countries that have gained the most from the commodities boom in terms of the country's net exports in proportion to its GDP. South African Revenue Service (SARS) statistics show that South Africa's best-performing exports were precious metals, chemical and mineral products, and base metals.

2.3.7 Inflation and interest rate outlook

Given the deteriorating economic conditions and the hardship following the outbreak of the COVID-19 pandemic, the SARB responded with an aggressive repo cut of 100 basis points in April 2020. The expansionary monetary policy to support the economic recovery from the COVID-19 pandemic led to a further reduction in the repo rate to 3.5 per cent in the fourth quarter of 2020. Following the strong recovery of the domestic economy in the third quarter of 2020 and the robust growth forecast for 2021, reflecting improved sectoral performance and strong terms of trade, the SARB decided to keep the repo rate unchanged at 3.5 per cent, until increasing it with 25 basis points in November 2021. The repo rate is expected to increase gradually, on a quarterly average, to 4.9 per cent in 2022, on the back of the expected growth recovery and rise in inflation (see Figure 2.9).

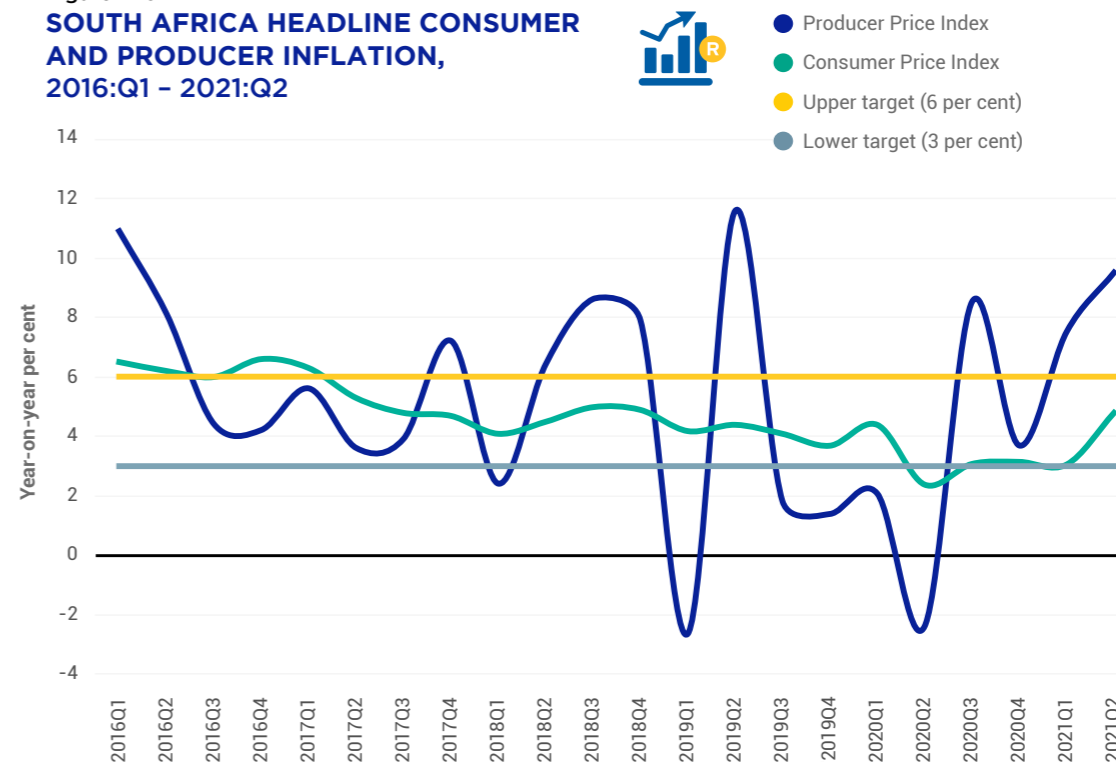
Figure 2.9
SOUTH AFRICA REPO RATE OUTLOOK, 2017 - 2023



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

Annual consumer price inflation increased from 3.3 per cent in 2020 to 4.8 per cent in the second quarter of 2021. The primary drivers behind the rise were alcoholic beverages, housing and utilities, transport and medical insurance. In July 2021, the annual inflation rate for goods was 6.7 per cent, down from 7.1 per cent in June 2021, and for services it was 2.7 per cent, down from 2.9 per cent in June 2021.

Figure 2.10
SOUTH AFRICA HEADLINE CONSUMER AND PRODUCER INFLATION, 2016:Q1 - 2021:Q2



Source: Quantec Research, SARB, 2021

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

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

Annual producer price inflation (final manufacturing) was 8.1 per cent in October 2021, up from 7.8 per cent in September 2021. The main contributors to the annual headline producer price inflation rate were 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); Solis Arce, JS, et al. *Nature Medicine*, 2021; *Coronavirus Rapid Mobile Survey, 2021*; NIDS-CRAM Wave 5 Survey, 2021; Jolley, D, and Douglas, KM (2014). *The Effects of Anti-Vaccine Conspiracy Theories on Vaccination Intentions*. *PLOS One* 9(2): e89177, 2021

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

2.3.8 Main risks to the national outlook

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

- Growing income inequality as a result of the differentiated impact of the pandemic. Those who are digitally illiterate will struggle to find work, and the impact of the loss of income has widened income inequality.
- Increasing government debt, corruption, the growing public-sector wage bill and rising borrowing costs owing to the country's downgrade to below investment grade by sovereign credit rating agencies.
- Eskom's frequent power cuts and the burden of state-owned enterprises (SOEs) on the fiscus are other major risks to the national outlook. The continual bailing out of SOEs is a drain on the fiscus and a burden on future generations in the form of higher income taxes.
- Political instability and uncertainty around public-sector policy reforms dampen private-sector investment.
- The new Omicron variant and anticipated fourth COVID-19 wave due in December 2021 could result in further lockdowns, as well as alcohol and travel restrictions. This could hamper the recovery of the tourism and hospitality sector and result in increased job losses. Vaccine hesitancy amplifies the likelihood and potential length of the anticipated fourth wave, and thereby also its negative economic impact.



2.4 DEVELOPMENTS IN THE WESTERN CAPE ECONOMY

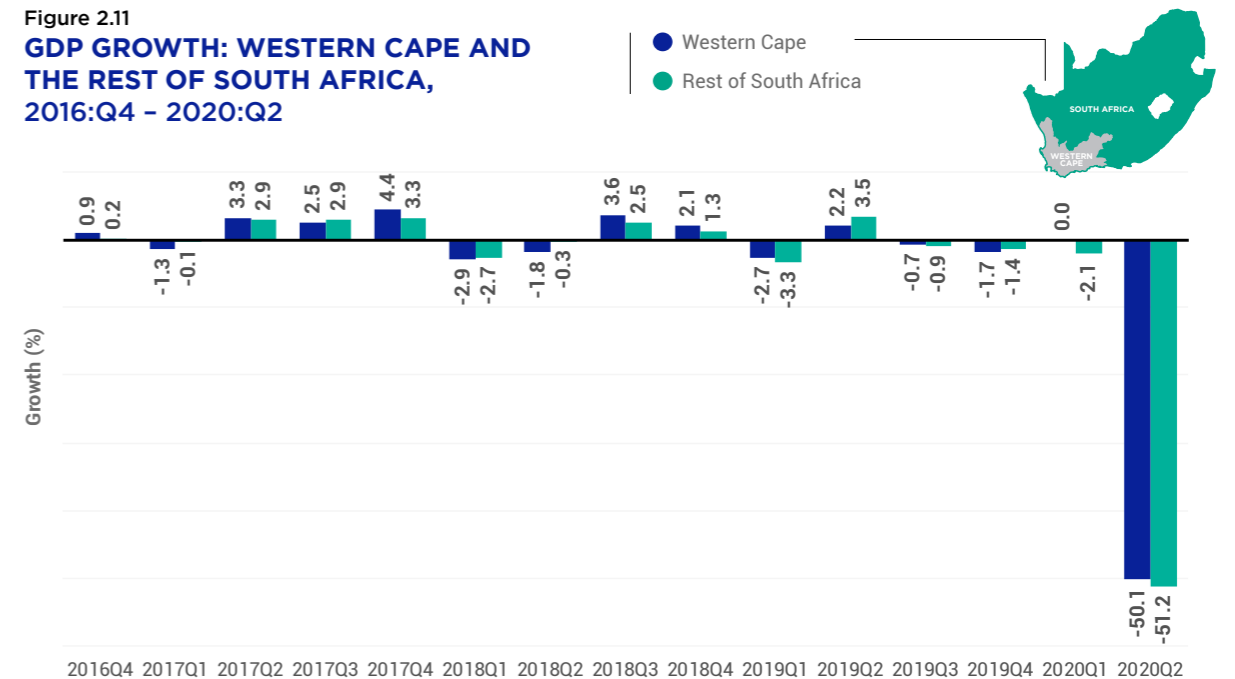
2.4.1 Western Cape economic performance

Over the past decade, growth in the Western Cape has been steadily declining from 3.8 per cent in 2011 to a contraction of 6.7 per cent in 2020, mirroring the economic decline in the rest of South Africa. Between 2011 and 2020, Provincial economic growth is estimated to have averaged 1.0 per cent. In 2019, growth in the Western Cape again outperformed the rest of South Africa, owing to good rainfall boosting agricultural output and a relatively small mining sector, which dragged growth for the rest of the country.

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

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

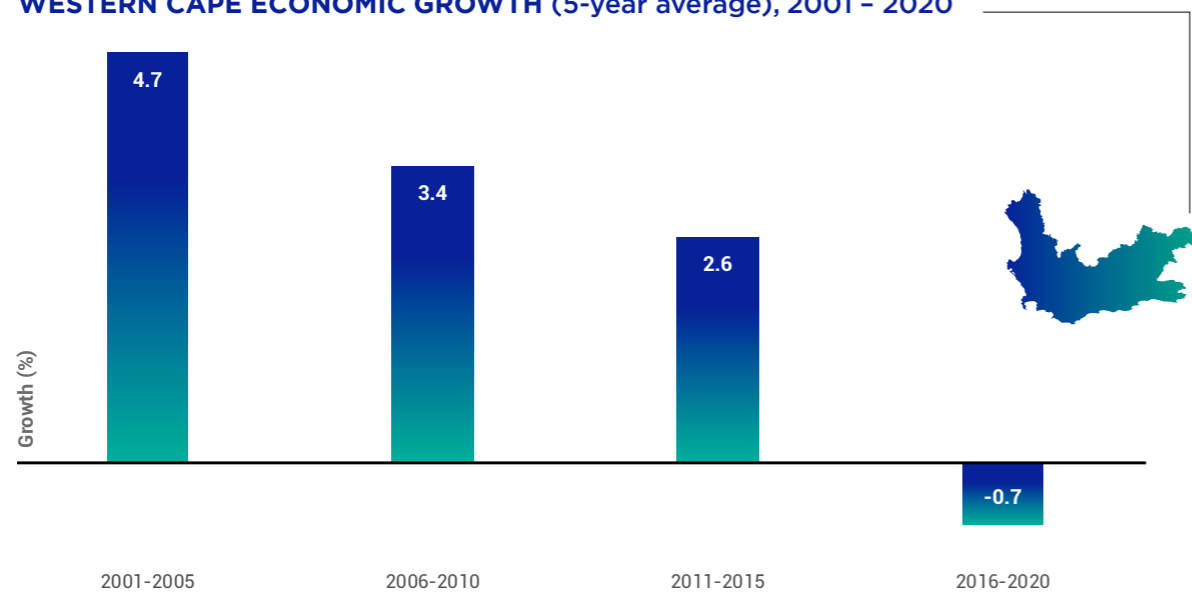
Figure 2.11
GDP GROWTH: WESTERN CAPE AND THE REST OF SOUTH AFRICA, 2016:Q4 - 2020:Q2



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

The Western Cape averaged a growth rate of 4.7 per cent between 2001 and 2005, which slowed to an average of 3.4 per cent between 2006 and 2010, and again slowed to 2.6 per cent between 2011 and 2015 (see Figure 2.12). The Province was in the grip of a severe drought from 2015 to 2019, which had significant economic, health and environmental impacts, and is estimated to have cost the Western Cape 37 000 employment opportunities.²⁰ Growth in the Western Cape was further muted by rolling electricity outages and the lacklustre performance of the national economy. The unprecedented contraction in 2020 meant that the Province's economy averaged a contraction rate of 0.7 per cent for the period 2016 to 2020.

Figure 2.12
WESTERN CAPE ECONOMIC GROWTH (5-year average), 2001 - 2020



Source: Quantec Research & HS Business Solutions, 2021

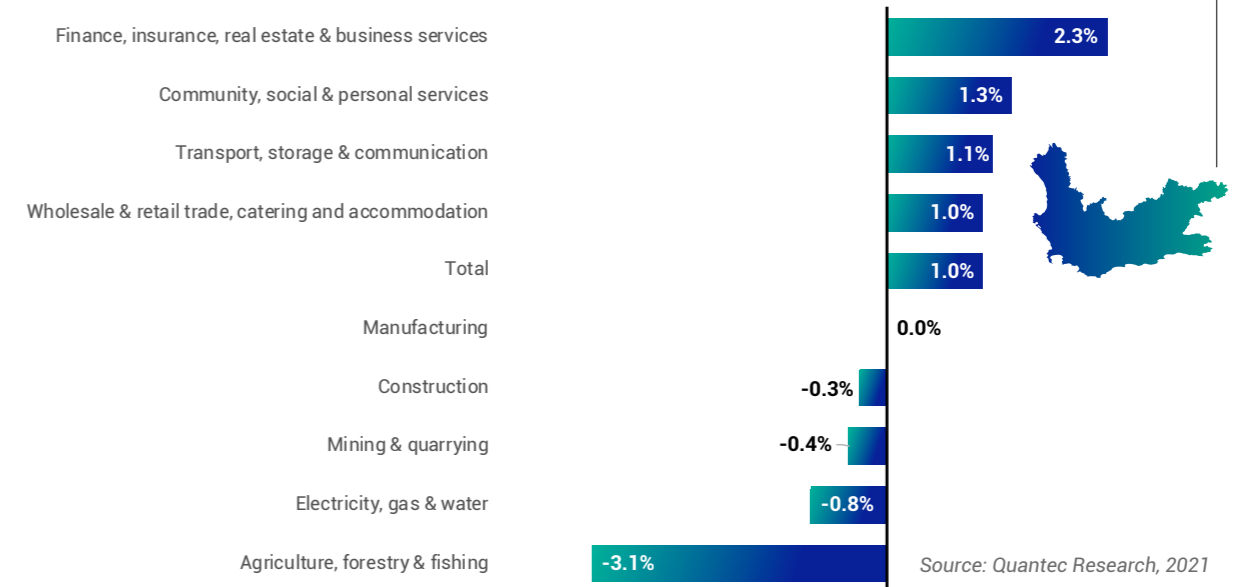
The COVID-19 pandemic set in as the drought eased and electricity supply interruptions became even more frequent. According to the Council for Scientific and Industrial Research (CSIR), 650 hours of load-shedding was recorded in the first half of 2021, which is an estimated 76.0 per cent of the load-shedding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



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

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

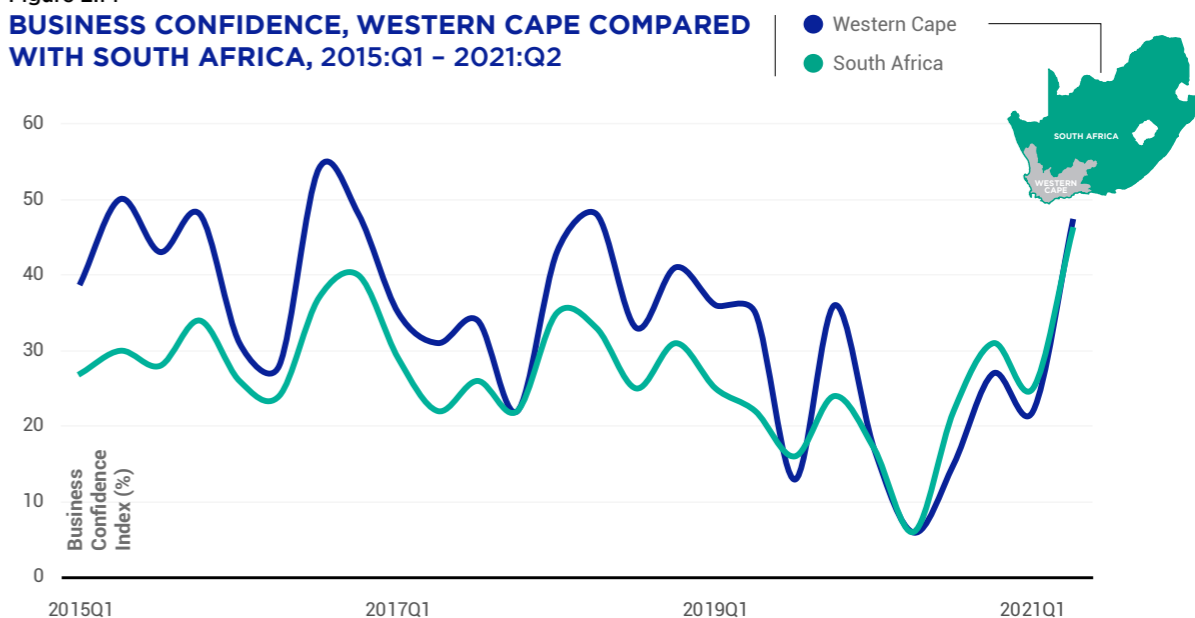
Figure 2.13
WESTERN CAPE AVERAGE GROWTH RATE PER SECTOR, (5-year average), 2015 - 2019



Source: Quantec Research, 2021

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

Figure 2.14
BUSINESS CONFIDENCE, WESTERN CAPE COMPARED WITH SOUTH AFRICA, 2015:Q1 - 2021:Q2



Source: Quantec Research, 2021

Although the business confidence for the Western Cape fared better than the rest of South Africa, the two indices reached the lowest level, five index points, in the second quarter of 2020, on the back of the COVID-19 outbreak (see Figure 2.14). However, the rebound of the business confidence in the third quarter of 2020 and the second quarter of 2021 points to the potential of a robust recovery consistent with the upward revision of the country's growth forecast.

2.4.2 Outlook for the Western Cape economy

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

Table 2.6
WESTERN CAPE ECONOMIC OUTLOOK, 2019 – 2022



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.

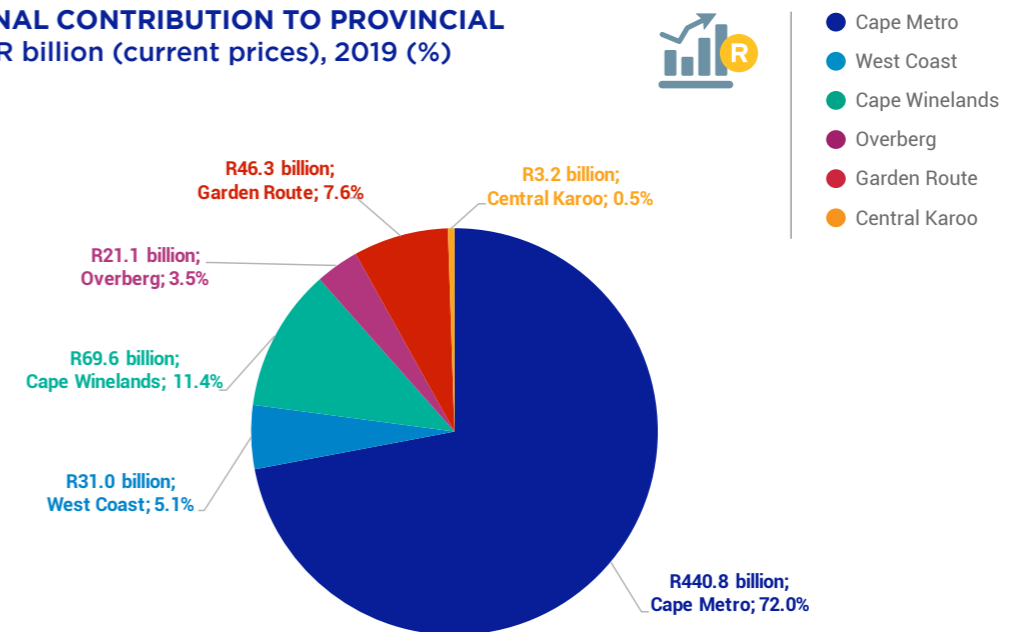
3.2 DISTRICT ECONOMIC OVERVIEW

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 (%)

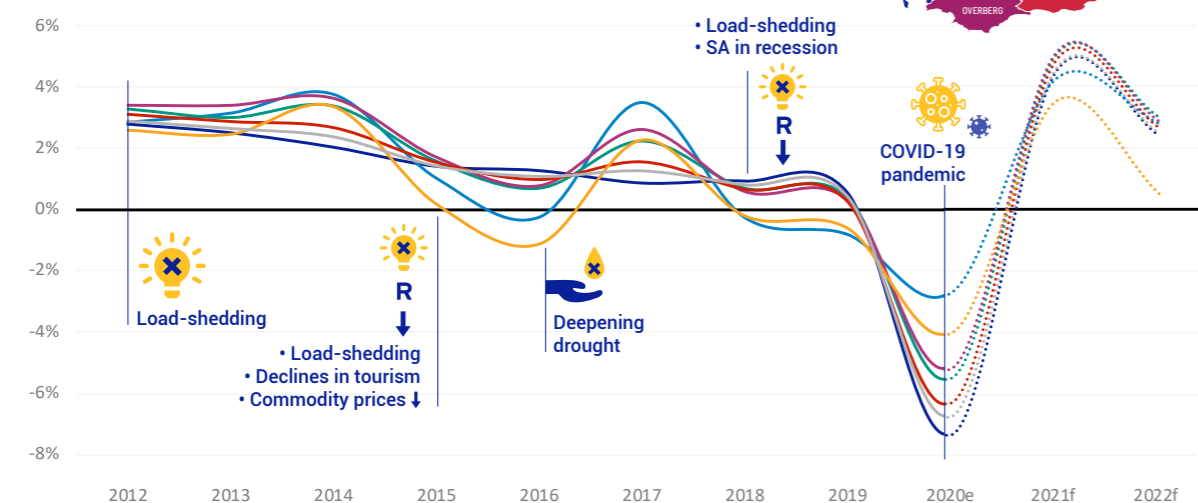


Source: Quantec Research, 2021

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

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

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

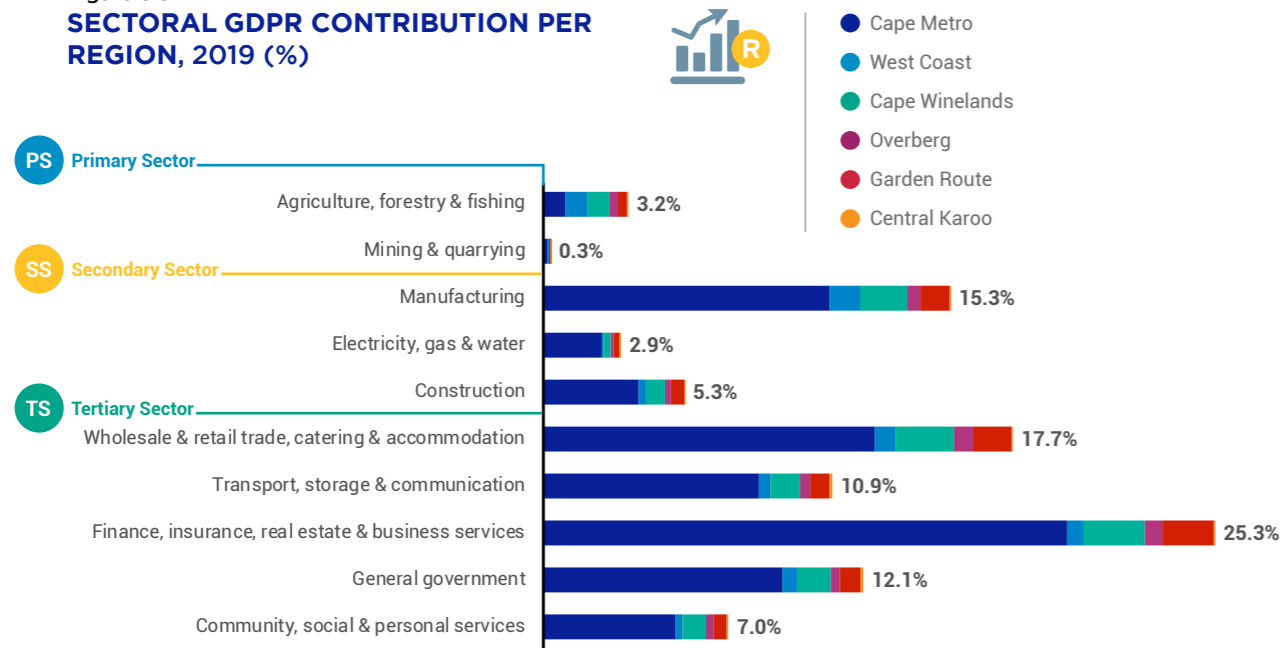
Provincial GDPR growth improved marginally from 1.1 per cent in 2016 to 1.2 per cent in 2017, with all Districts apart from the Cape Metro area experiencing improvements in growth over the same period. Between 2018 and 2019, growth across all Districts and the Cape Metro area declined, with the WCD and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

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

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

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

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



Source: Quantec Research, 2021

In the Province, the finance sector was the leading contributor to GDP 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 GDP 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.

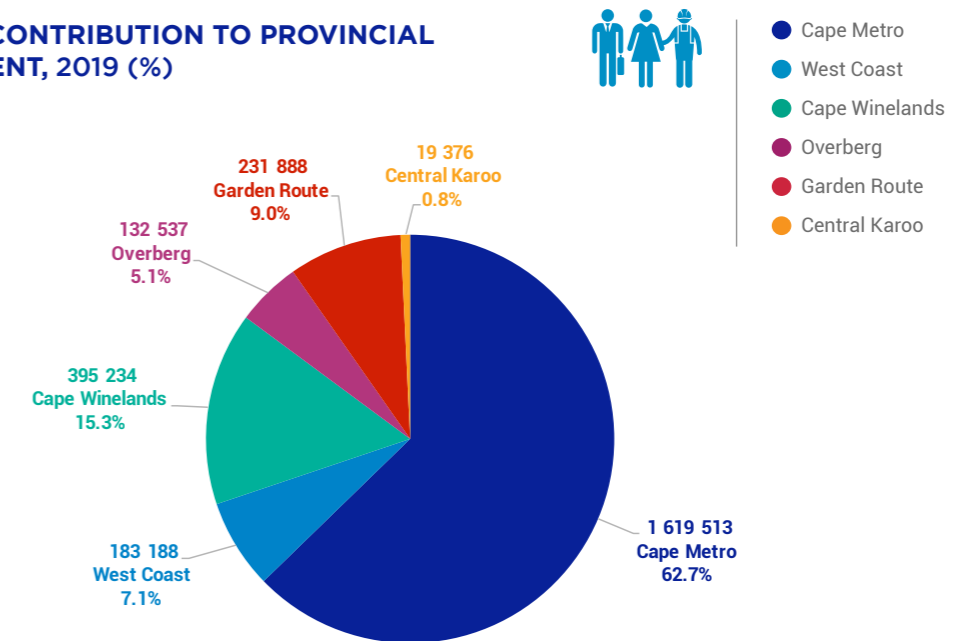
Economic activity in the secondary and tertiary sectors was concentrated in the Cape Metro area, highlighting its importance to the Provincial economy. Within the primary sector, mining activities were also concentrated in the Cape Metro area. However, in respect of the 3.2 per cent contribution to GDP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



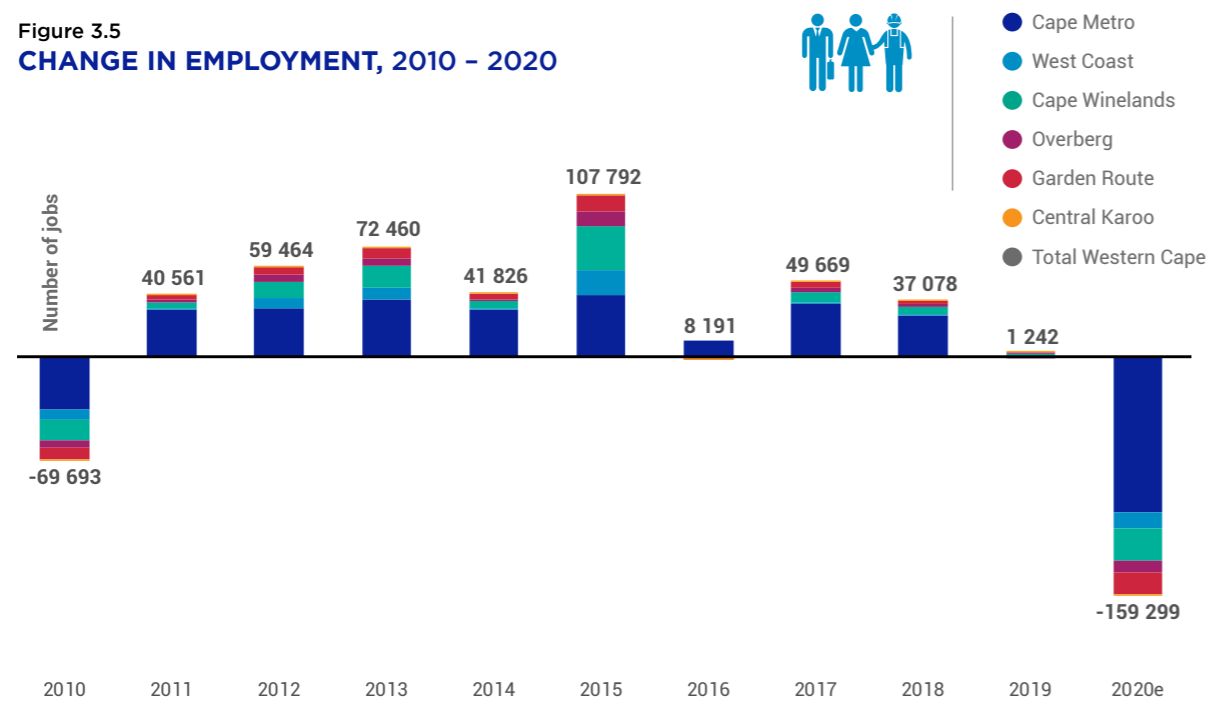
Source: Quantec Research, 2021

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



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

Source: Quantec Research, 2021 (e denotes estimate)

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

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

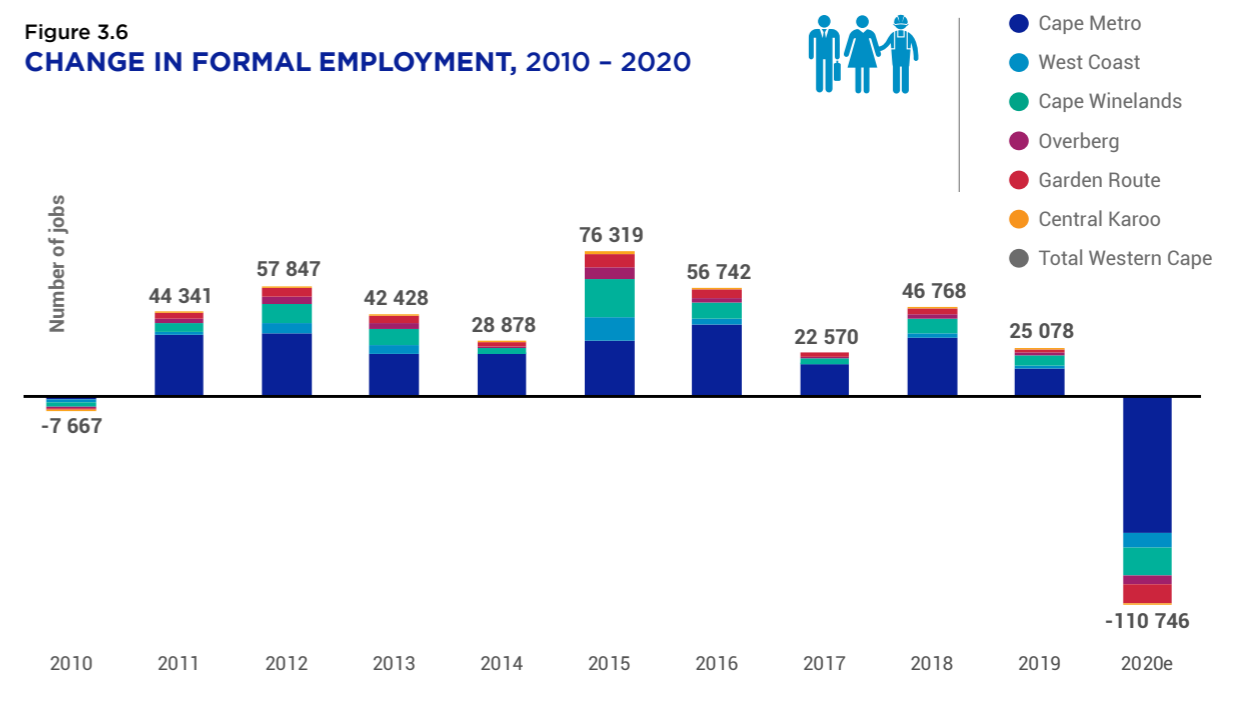
While improvements in job opportunities were experienced in 2017 and 2018, with a cumulative increase of 86 747 jobs in the Province, new job opportunities created declined significantly in 2019. The overall slowdown in employment creation may be attributed to the poor economic performance of the Western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

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

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

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

Figure 3.6
CHANGE IN FORMAL EMPLOYMENT, 2010 - 2020



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

Source: Quantec Research, 2021 (e denotes estimate)

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

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

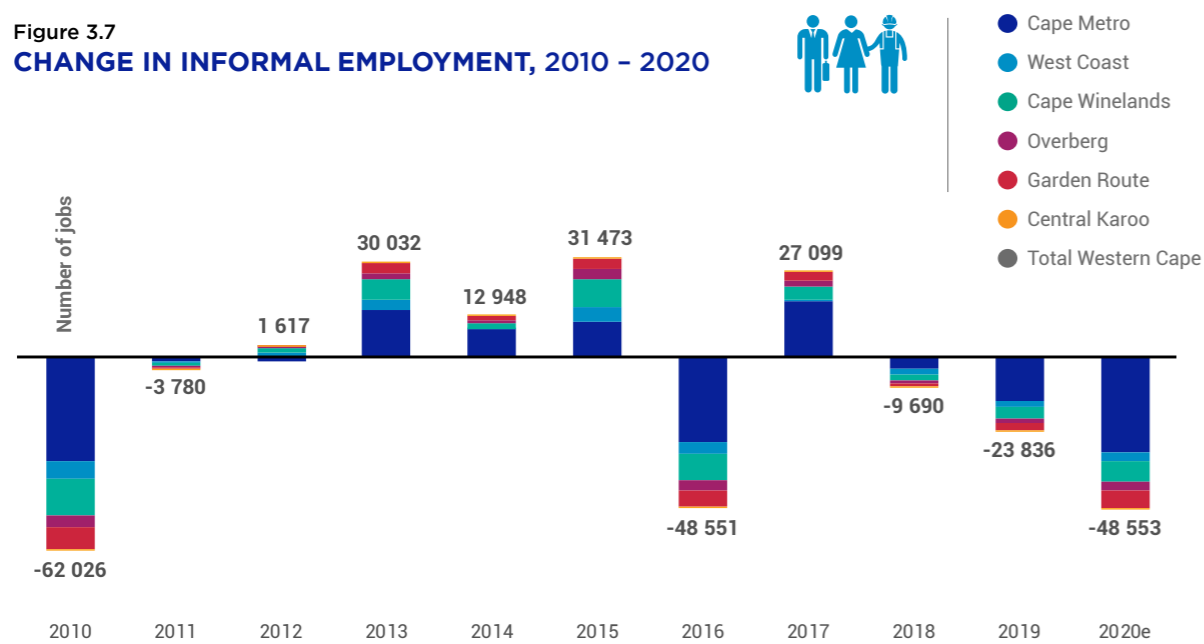
²³ It should be noted, however, that in 2015, a new master sample was implemented in the Quarterly Labour Force Survey (QLFS), which may have impacted the data owing to variations in its design (Stats SA, 2015).

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

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

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

Figure 3.7
CHANGE IN INFORMAL EMPLOYMENT, 2010 - 2020



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

Source: Quantec Research, 2021 (e denotes estimate)

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

Between 2012 and 2015, informal employment opportunities in the Province experienced sustained increases, peaking at 31 473 jobs in 2015.²⁴ However, in 2016 informal employment opportunities declined by 48 551 informal jobs during the year, with all Districts and the Cape Metro area registering declines.

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

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

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



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

²⁵ (Stats SA, 2021).

Table 3.1
**EXPANDED PUBLIC WORKS PROGRAMME
MUNICIPAL PERFORMANCE,
2019/20 – 2021/22**



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)

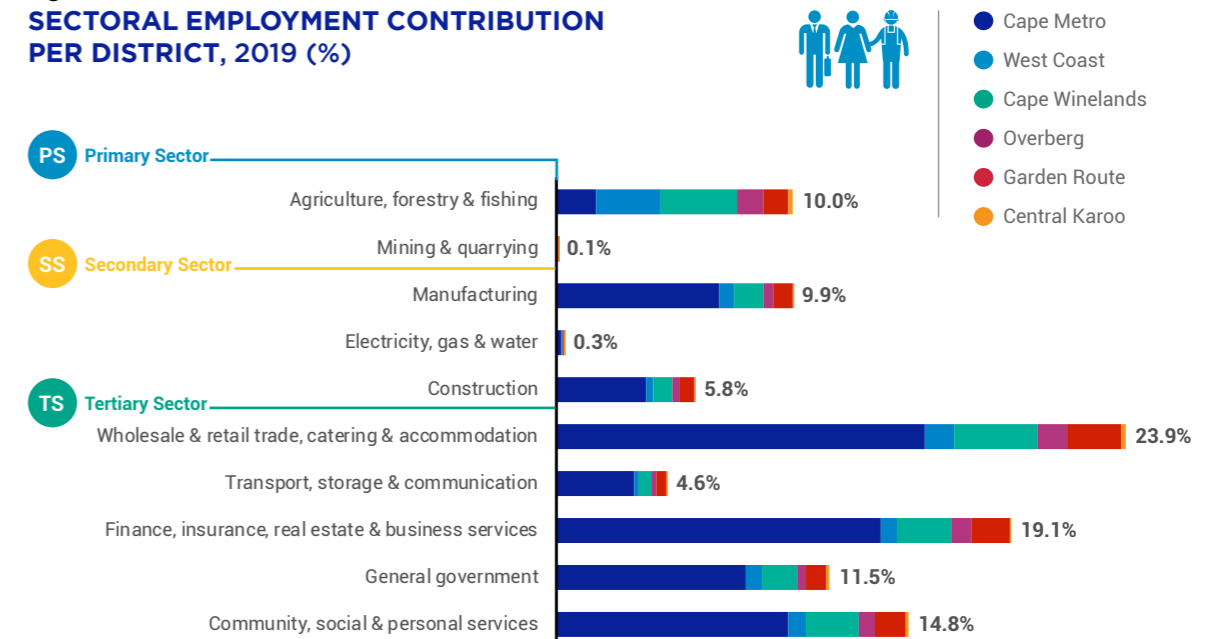
Environment and culture sector:

- 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:

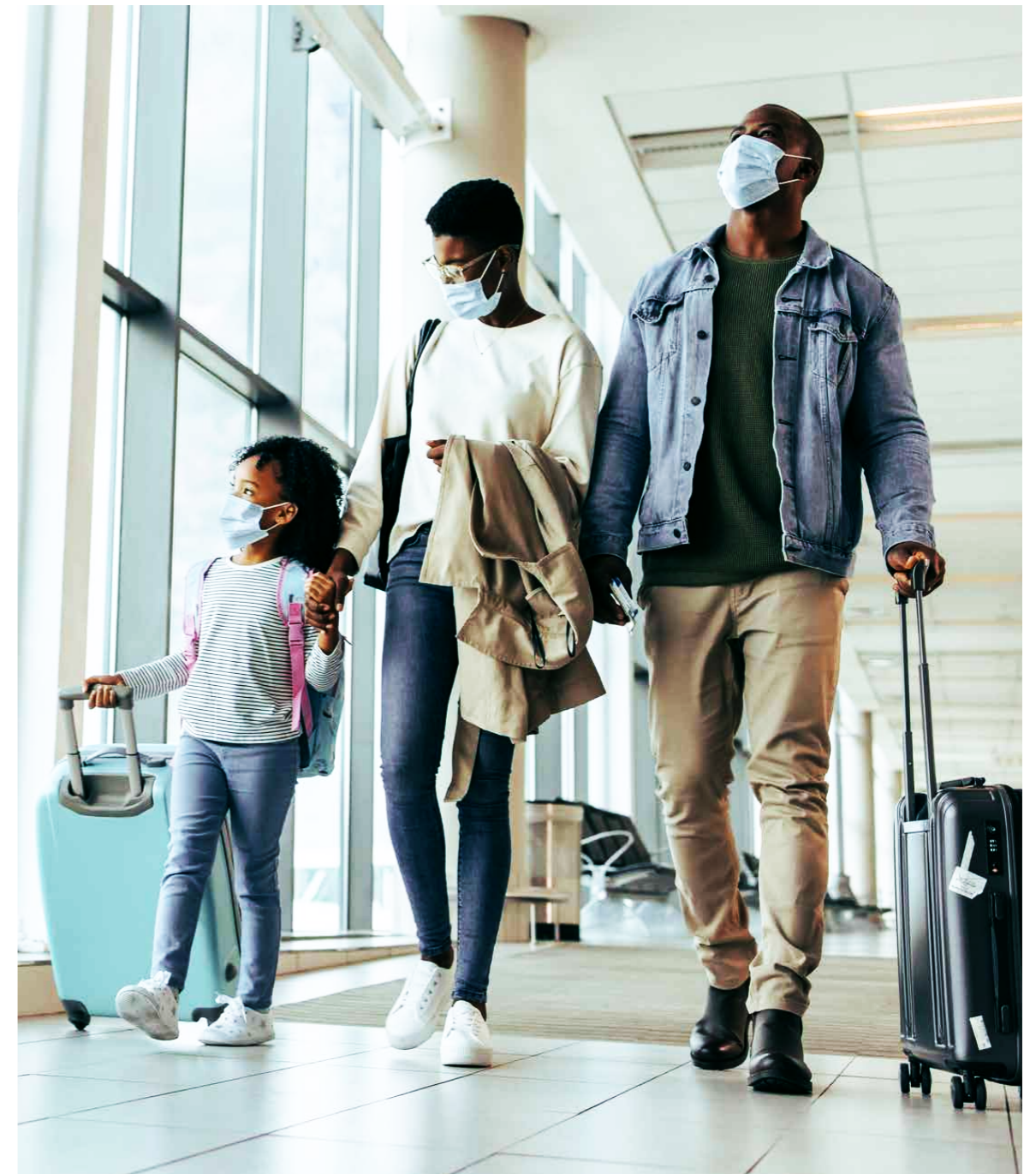
- The prioritisation of PSP interventions in the context of limited resources: this requires the prioritisation of certain PSP interventions and increased collaboration between stakeholders to address social and economic challenges augmented by the COVID-19 pandemic; and
- The institutionalisation of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

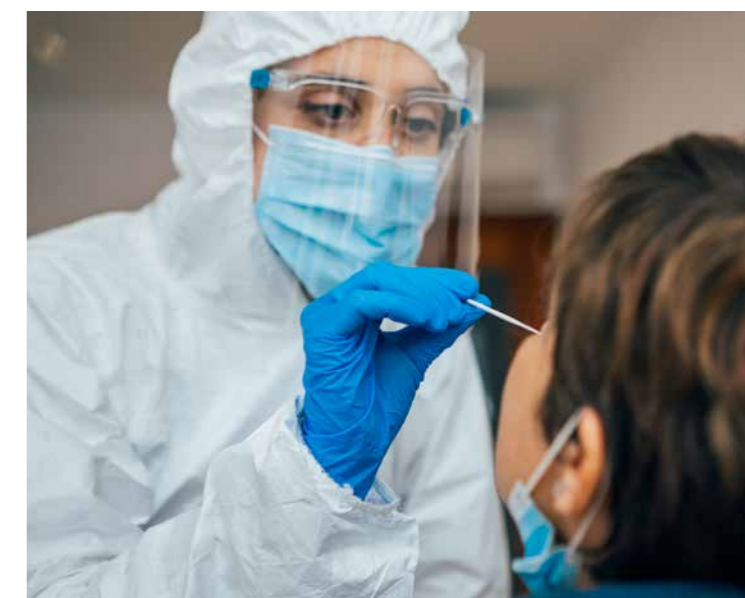
- Enabling rapid detection, isolation, testing and management of cases;
- Guiding implementation and adjustment of targeted control measures, while enabling the safe resumption of economic and social activities;
- Detecting and containing outbreaks among vulnerable population groups;
- Evaluating the 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-Hegyey, 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.



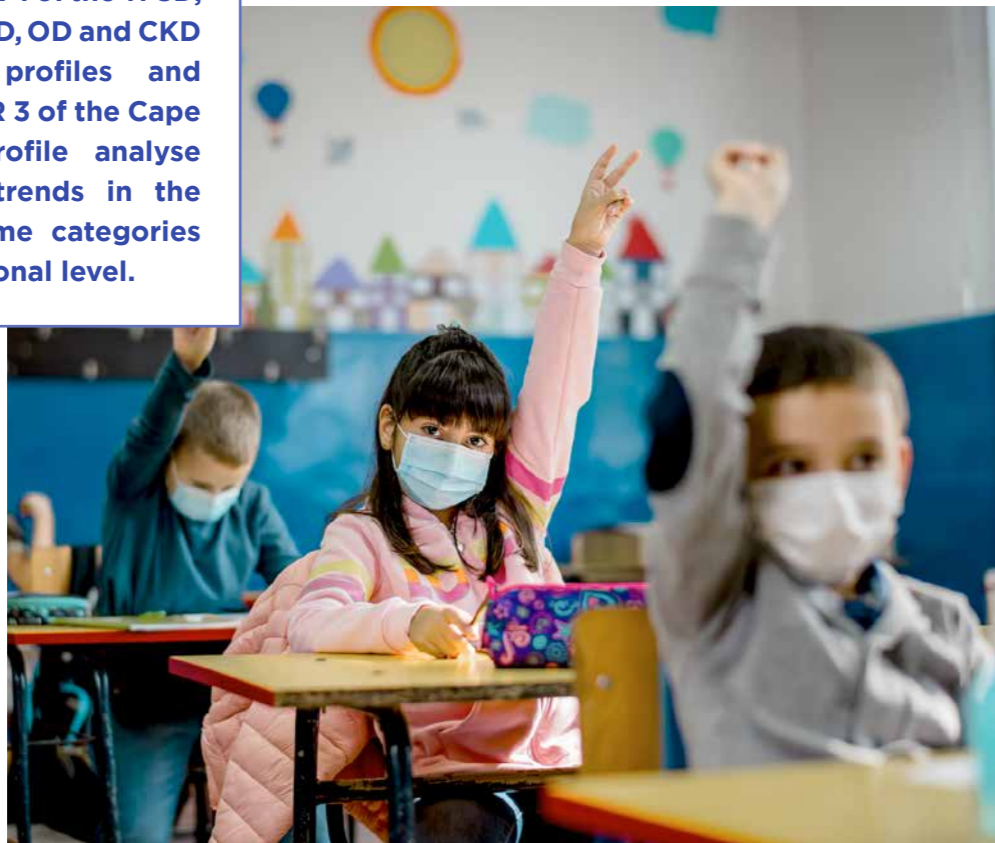
4.4.2 Focus areas in 2021 and beyond

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.



CENTRAL KAROO DISTRICT

38 854KM²



CENTRAL KAROO DISTRICT

LAINGSBURG, PRINCE ALBERT, BEAUFORT WEST

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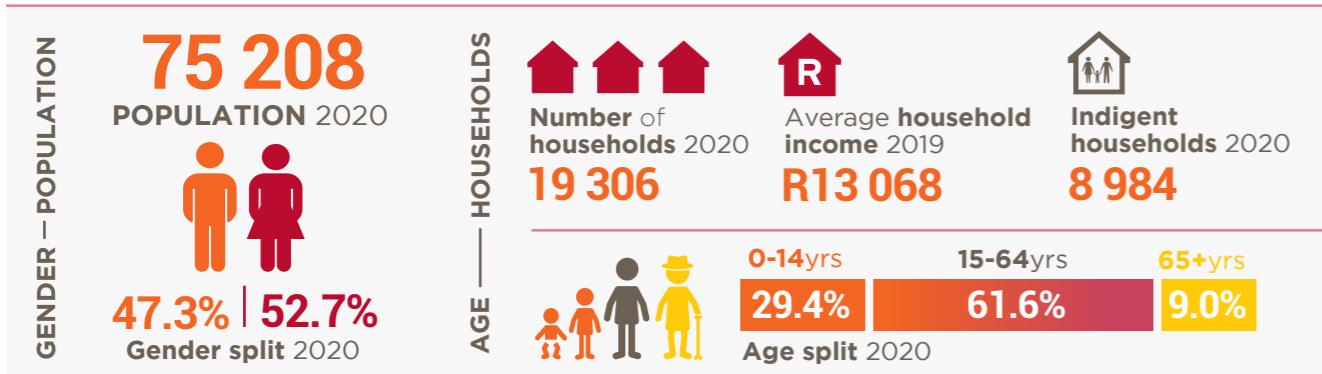


CKD CENTRAL KAROO DISTRICT

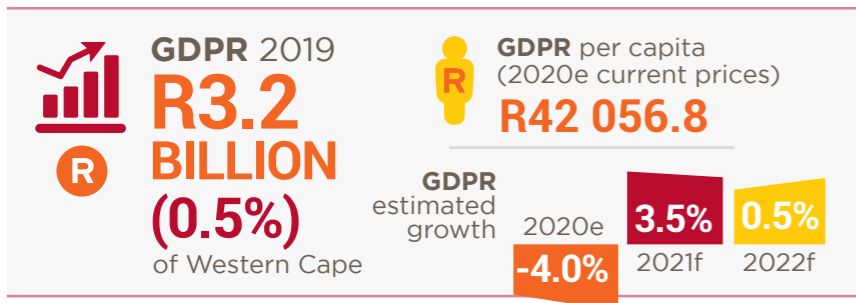
SEAT | AREA | DENSITY
Beaufort West | **38 854KM²** | **1.8/KM²**

MUNICIPALITIES | LAINGSBURG, PRINCE ALBERT, BEAUFORT WEST

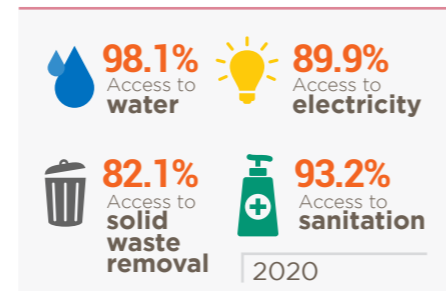
DEMOGRAPHICS



GROSS DOMESTIC PRODUCT



SERVICES



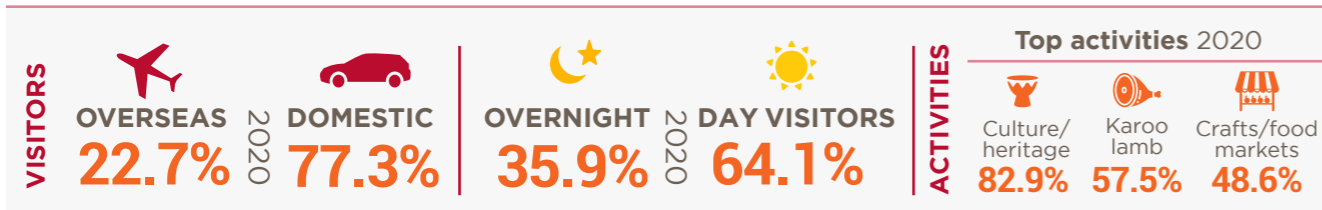
EMPLOYMENT



TRADE



TOURISM



	GDPR		EMPLOYMENT	
	2019	2020	2019	2020
	GDPR CONTRIBUTION	GDPR GROWTH	EMPLOYMENT CONTRIBUTION	EMPLOYMENT GROWTH
PRIMARY SECTOR	12.6%	10.8%	24.1%	-3.1%
AGRICULTURE, FORESTRY & FISHING	12.5%	10.9%	24.1%	-3.1%
MINING & QUARRYING	0.1%	-17.9%	0.0%	0.0%
SECONDARY SECTOR	14.1%	-12.7%	6.7%	-12.2%
MANUFACTURING	2.7%	-8.9%	1.5%	-6.7%
ELECTRICITY, GAS & WATER	6.1%	-5.9%	0.6%	-4.5%
CONSTRUCTION	5.3%	-21.3%	4.5%	-15.1%
TERTIARY SECTOR	73.4%	-5.9%	69.2%	-5.7%
WHOLESALE & RETAIL TRADE, CATERING & ACCOMMODATION	15.3%	-11.1%	22.9%	-8.8%
TRANSPORT, STORAGE & COMMUNICATION	15.0%	-16.6%	4.4%	-5.2%
FINANCE, INSURANCE, REAL ESTATE & BUSINESS SERVICES	10.8%	-3.5%	8.5%	-6.1%
GENERAL GOVERNMENT	22.4%	1.4%	17.5%	1.4%
COMMUNITY, SOCIAL & PERSONAL SERVICES	9.8%	-2.4%	16.0%	-8.9%

1 REGIONAL ECONOMIC REVIEW AND OUTLOOK

1.1 INTRODUCTION

The CKD is situated in the north-eastern part of the Western Cape and constitutes a land area of 38 854km². The surface area encompassing the CKD constitutes 27.7 per cent of the total size of the Western Cape, making it the largest region in the Province. The CKD comprises three local municipal areas, namely Beaufort West, Laingsburg and Prince Albert, with Beaufort West being the largest commercial town in the District.

The CKD is distinguished by an arid climate and sparse population distribution, and the latter has a direct influence on the economic activity in the District. However, in the past few years the CKD has been plagued by persistent drought conditions, which influenced the economic activity in the region. The N1 is the main transport route that traverses the CKD and connects the Western Cape with the south-eastern parts of the Northern Cape, the Free State, Gauteng and Limpopo.

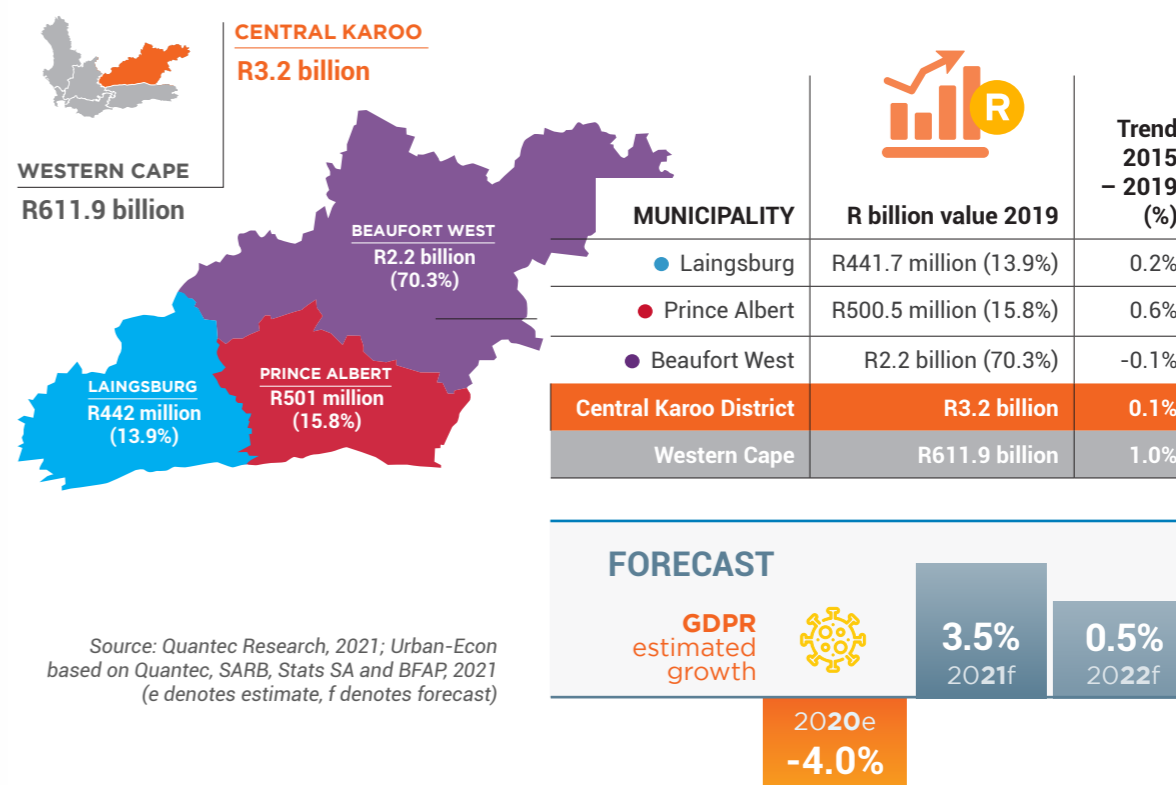
This chapter provides a macroeconomic overview and outlook of the CKD in terms of the GDPR performance and employment trends. The period under review for MERO 2021 is between 2015 and 2020, with 2020¹ figures being estimated. Economic forecasting is also done for 2021 and 2022.

1.2 GROWTH IN GDPR PERFORMANCE

In this section, the size of the CKD's economy, average GDPR contribution and growth rates in the various municipal areas are discussed.

1.2.1 GDPR performance per municipal area

Diagram 1.1
GDPR CONTRIBUTION AND AVERAGE GROWTH RATES PER MUNICIPAL AREA, Central Karoo District



Valued at R3.2 billion, the economy of the CKD contributed 0.5 per cent to the Provincial economy in 2019. Between 2015 and 2019, the CKD experienced a near stagnant average annual growth rate of 0.1 per cent – lower than the 1.0 per cent growth rate of the Provincial economy.

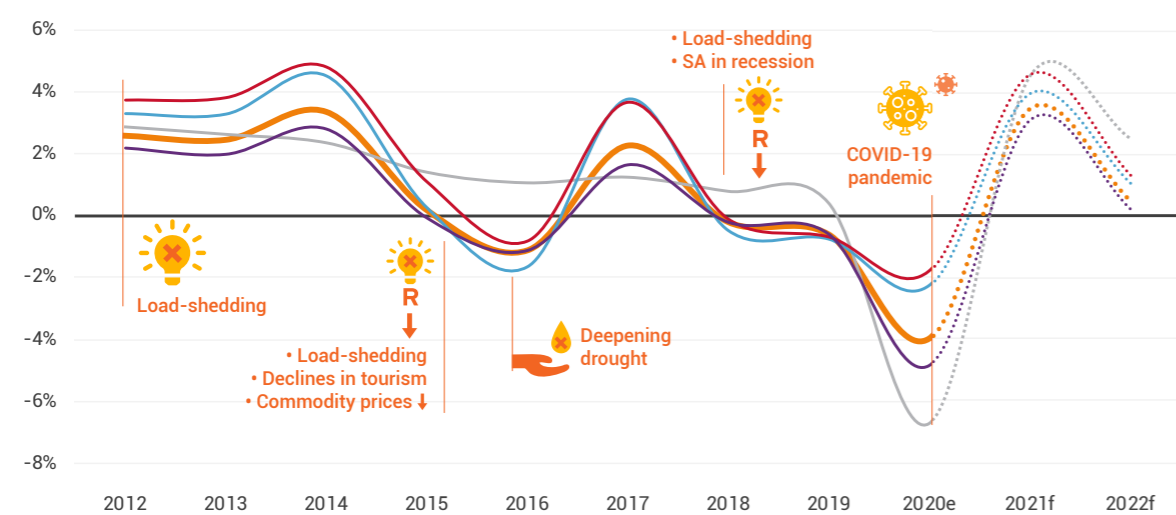
Of the three municipal areas located in the CKD, the Beaufort West municipal area contributed the most to GDPR in 2019 at 70.3 per cent. The Prince Albert and Laingsburg municipal areas contributed 15.8 per cent and 13.9 per cent respectively to GDPR in the same year.

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

Over the five-year period, none of the municipal areas in the CKD experienced an average annual growth rate higher than that of the Provincial economy. The Prince Albert municipal area grew at an average annual rate of 0.6 per cent between 2015 and 2019, followed by the Laingsburg municipal area at 0.2 per cent. Valued at R2.2 billion in 2019, the Beaufort West municipal area was the largest contributor to the CKD's GDPR. However, the Beaufort West municipal area experienced an average annual decline of 0.1 per cent between 2015 and 2019. The Beaufort West municipal area's poor GDPR performance have contributed to the overall poor performance of the District economy, since it is the largest economy in the CKD.

The historical performances of the CKD economy and its municipal areas, as well as the Western Cape, are illustrated in Figure 1.1.

Figure 1.1
GDPR GROWTH PER MUNICIPAL AREA, Central Karoo District, 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%
Central Karoo District	2.6%	2.4%	3.3%	0.2%	-1.1%	2.3%	-0.2%	-0.6%	-4.0%	3.5%	0.5%
Laingsburg	3.3%	3.3%	4.5%	0.3%	-1.6%	3.8%	-0.5%	-0.7%	-2.2%	4.0%	1.0%
Prince Albert	3.7%	3.8%	4.8%	1.1%	-0.8%	3.7%	-0.1%	-0.7%	-1.8%	4.6%	1.3%
Beaufort West	2.2%	2.0%	2.8%	-0.1%	-1.1%	1.7%	-0.2%	-0.6%	-4.8%	3.2%	0.2%

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

Growth in the CKD increased from 2.4 per cent in 2013 to 3.3 per cent in 2014, which resulted in an increase in the number of employment opportunities in the District's labour market.

Following three years of strong growth, GDPR growth in the CKD slowed significantly to 0.2 per cent in 2015. This rate is significantly below that of the Provincial economy, which grew by 1.4 per cent in the same year. GDPR growth slowed further in 2016, registering a contraction of 1.1 per cent. The persistent drought conditions in the region were one of the

main factors that contributed to the poor performance of the CKD's economy between 2015 and 2016. Agricultural activities are one of the key drivers of the District economy and drought conditions adversely affected crop and livestock production in the District, resulting in a severe contraction of the agriculture sector.

In 2017, GDPR growth in the CKD improved to 2.3 per cent, which was higher than that of the Provincial economy, which only grew at 1.2 per cent. While all three municipal areas experienced an improvement in economic performance, the Laingsburg municipal area realised the largest increase in annual growth between 2016 and 2017. Growth in the Beaufort West municipal area increased to 1.7 per cent in 2017, contributing significantly to the District economy's recovery between 2016 and 2017. The agriculture sector showed strong growth in 2017 owing to higher production of field crops and horticultural products.² The South African economy also benefited from an unexpected recovery in global trade, especially from East Asian countries and the euro area,³ which indirectly contributed to growth in the District. All these factors had a positive impact on the CKD economy, which is heavily reliant on the agriculture sector.

Despite improved economic growth in the preceding two years, all municipal areas in the District experienced a contraction in GDPR in 2018, with the District economy contracting by 0.2 per cent. Annual growth in the District continued to deteriorate in 2019, contracting by 0.6 per cent during the same year. This could be attributed to drought conditions in the District and Province during this period. Furthermore, the South African economy entered a recession in both 2018 and 2019, further contributing to the poor performance of both the District and Province.

Estimates for 2020 indicate a further deterioration in annual growth in the District and Provincial economies. This can be attributed to the COVID-19 pandemic and the implementation of lockdown measures to limit its spread. In 2020, GDPR growth in the District economy is expected to register a contraction of 4.0 per cent, lower than that of the Provincial economy. The Beaufort West municipal area is expected to register an annual contraction of 4.8 per cent in 2020. This is largely driven by contractions in the secondary and tertiary sectors brought about by the national lockdown. The Prince Albert and Laingsburg municipal areas are expected to realise the smallest annual contractions in growth, at 1.8 per cent and 2.2 per cent respectively. It should be noted that the strong performance of the agriculture sector in 2020 somewhat mitigated the estimated contraction in the District's GDPR.

In 2021, GDPR growth in the CKD is forecast to increase to 3.5 per cent, before slowing to 0.5 per cent in 2022. However, the recovery is not sufficient to cover the losses since 2018. The Beaufort West municipal area's GDPR is forecast to grow by 3.2 per cent in 2021 before stagnating at 0.2 per cent in 2022 – emphasising the historical poor performance in this municipal area prior to 2020. The Prince Albert and Laingsburg municipal areas are anticipated to register significant recoveries in growth (4.6 per cent and 4.0 per cent respectively) in 2021 owing to the positive anticipated growth of the agriculture sector. However, owing to their small contributions to the District's GDPR, their positive impact on the District's GDPR is not as significant when compared with that of the Beaufort West municipal area. Despite the recovery in growth across all municipal areas in 2021, growth rates are expected to slow in 2022.

² (Stats SA, 2017).

³ (Constantinescu, Mattoo, Mulabdic & Ruta, 2018).

1.2.2 Sectoral GDPR performance

Table 1.1 below shows the GDPR performance of the CKD in 2019, GDPR trends between 2015 and 2019, and a growth estimate for 2020. Furthermore, growth forecasts for 2021 and 2022 are provided.

Table 1.1
GDPR PERFORMANCE PER SECTOR, Central Karoo District, 2019 – 2022 (%)

SECTOR	R million value 2019	Trend 2015 – 2019	Real GDPR growth		
			2020e	2021f	2022f
Primary Sector	R399.0 (12.6%)	-2.9%	10.8%	5.7%	-0.6%
PS Agriculture, forestry & fishing	R397.3 (12.5%)	-2.9%	10.9%	5.7%	-0.6%
Mining & quarrying	R1.7 (0.1%)	0.2%	-17.9%	9.8%	-0.6%
Secondary Sector	R446.5 (14.1%)	0.3%	-12.7%	0.4%	6.6%
SS Manufacturing	R86.7 (2.7%)	0.8%	-8.9%	1.2%	7.6%
Electricity, gas & water	R192.8 (6.1%)	0.7%	-5.9%	0.6%	5.0%
Construction	R167.0 (5.3%)	-0.3%	-21.3%	-0.2%	7.6%
Tertiary Sector	R2 327.9 (73.4%)	0.8%	-5.9%	3.4%	0.0%
TS Wholesale & retail trade, catering & accommodation	R484.3 (15.3%)	-0.1%	-11.1%	6.6%	2.0%
Transport, storage & communication	R474.9 (15.0%)	-0.8%	-16.6%	6.9%	-5.3%
Finance, insurance, real estate & business services	R343.9 (10.8%)	2.3%	-3.5%	3.8%	3.6%
General government	R712.3 (22.4%)	1.4%	1.4%	-1.4%	0.6%
Community, social & personal services	R312.4 (9.8%)	1.3%	-2.4%	4.9%	-2.7%
Total Central Karoo District	R3 173.4 (100.0%)	0.1%	-4.0%	3.5%	0.5%

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

Valued at R2.3 billion in 2019, the tertiary sector was the largest contributor to the CKD's GDPR during the year, with a contribution of 73.4 per cent. The main driver of economic activity in the tertiary sector was the general government sector, with a contribution of 22.4 per cent in 2019. Over the five-year period, the general government sector realised an average annual growth rate of 1.4 per cent. This rate is higher than that of the tertiary sector (0.8 per cent), which highlights the importance of the general government sector to economic activity in the CKD. The trade sector contributed 15.3 per cent to the District's GDPR in 2019, followed by the transport sector (15.0 per cent). However, it should be noted that both sectors experienced average annual contractions between 2015 and 2019, which had a significant negative impact on the overall economic performance of the CKD.

Estimates for 2020 indicate that the tertiary sector contracted by 5.9 per cent. The trade sector contracted by 11.1 per cent in 2020, owing to the closure of most businesses during level

five of the national lockdown. The transport sector declined by 16.6 per cent in 2020. However, the general government sector grew 1.4 per cent in 2020. The positive performance of the general government sector is likely to be the result of increased fiscal expenditure to counter the economic fallout of the COVID-19 pandemic. The remaining sectors that form part of the tertiary sector all contracted in 2020.

The secondary sector was the second-largest contributor to the District economy's GDPR in 2019. Valued at R446.5 million, the secondary sector contributed 14.1 per cent to the CKD's GDPR in 2019. However, the sector realised an average annual growth rate of only 0.3 per cent between 2015 and 2019. This is due to the poor performance of the construction sector, which realised an average annual contraction of 0.3 per cent over the same period. Within the secondary sector, the electricity, gas and water sector was the largest contributor to the District's GDPR in 2019 at 6.1 per cent, followed by the construction sector at 5.3 per cent.

The secondary sector is estimated to have declined by 12.7 per cent in 2020, as all individual sectors are expected to have contracted during the year. The annual decline in growth estimated for the secondary sector is driven by a large decline in the construction sector (21.3 per cent). Disruptions to building activity as a result of lockdown restrictions, together with the decline in infrastructure investment, resulted in the significant decline in the sector. Furthermore, contractions of lesser magnitude are expected in the manufacturing sector and the electricity, gas and water sectors, at 8.9 per cent and 5.9 per cent respectively.

In 2019, the primary sector contributed 12.6 per cent to the CKD's GDPR and realised an average annual decline of 2.9 per cent over the five-year period. The agriculture sector was the fourth-largest overall driver of economic activity in the District, contributing 12.5 per cent in 2019. The agriculture sector experienced an average annual decline of 2.9 per cent between 2015 and 2019 owing to several periods of drought in the District over the evaluation period. The mining sector grew at an average annual rate of 0.2 per cent between 2015 and 2019. However, owing to the sector's negligible contribution to the District's GDPR, it is not expected that its performance will contribute significantly to the performance of the District economy.

The primary sector is estimated to have grown by 10.8 per cent in 2020 and was driven by growth in the agriculture sector (10.9 per cent). Improved growth expectations for the agriculture sector are likely to be driven by increased demand for healthy foods during the COVID-19 pandemic. Furthermore, improved weather conditions also contributed to positive growth within the agriculture sector during the year. Despite a significant contraction of 17.9 per cent for the mining sector in 2020, this is not anticipated to contribute extensively to the overall performance of the primary sector, given its small base.

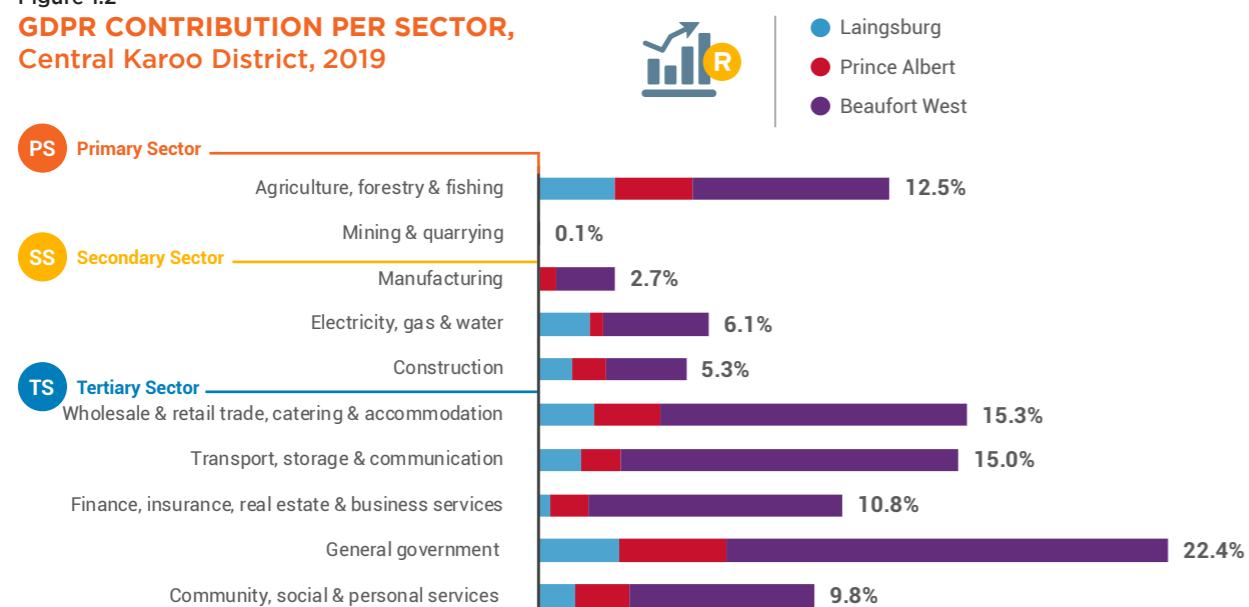
In the 2021 forecast period, economic recovery is anticipated across all sectors, except the construction and general government sectors. The construction sector is forecast to contract by a marginal 0.2 per cent in 2021, rebounding with an anticipated 7.6 per cent growth in 2022. Planned public-sector infrastructure spending will be a valuable boost for the sector. The economic recovery in 2021 will mainly be driven by strong growth from the agriculture sector, which is forecast to grow by 5.7 per cent in 2021. This sector is anticipated to benefit from high commodity prices during the year. However, prices are expected to normalise in 2022, resulting

in a forecast contraction of 0.6 per cent in 2022. The anticipated growth of the trade sector (6.6 per cent) and transport sector (6.9 per cent) in 2021 will also have a positive impact on the local economy.

It should be noted that the slowdown in GDP growth between 2021 and 2022 is due to a strong recovery in GDP growth in 2021, which originated from the constrained economic base of 2020. The economy of the CKD will thus remain under pressure owing to its poor performance prior to 2020.

The CKD's sectoral GDP contribution per municipal area in 2019 is depicted in Figure 1.2.

Figure 1.2
GDPR CONTRIBUTION PER SECTOR,
Central Karoo District, 2019



Source: Quantec Research, 2021

The general government (22.4 per cent), trade, (15.3 per cent) and transport (15.0 per cent) sectors were the main contributors to the CKD's GDP in 2019. Furthermore, the agriculture sector contributed 12.5 per cent to the District economy in the same year. These sectors are largely concentrated in the Beaufort West municipal area.

The general government sector (3.8 per cent) was the dominant source of economic activity in the Prince Albert municipal area, followed by the agriculture sector (2.8 per cent). Similarly, in the Laingsburg municipal area, the general government sector contributed 2.9 per cent to GDP in 2019, while the agriculture sector contributed 2.7 per cent in the same year.

1.3 LABOUR TREND ANALYSIS

Key employment trends of the CKD are discussed in this section. An outline of the local municipal areas that contribute the largest share to employment creation is provided. Furthermore, an evaluation of the employment dynamics is provided by identifying which sectors employ the most people. Finally, the sectors that have contributed more to the creation of new job opportunities or job losses in the CKD are also highlighted.

1.3.1 Employment per municipal area

Table 1.2 provides an overview of employment growth in the CKD and its respective municipal areas between 2015 and 2020. In 2020, the CKD employed 19 376 workers and contributed 0.8 per cent to Provincial employment during the year. This is reflective of the District's GDP contribution to the Provincial economy.

Table 1.2
EMPLOYMENT GROWTH, Central Karoo District, 2019

MUNICIPALITY	Number of jobs 2019	Average annual change 2015 – 2019	Net change 2020e
Laingsburg	2 946 (15.2%)	83	-149
Prince Albert	3 878 (20.0%)	84	-192
Beaufort West	12 552 (64.8%)	136	-725
Total Central Karoo District	19 376 (100.0%)	303	-1 066
Western Cape	2 581 736	40 794	-159 299

Source: Quantec Research, 2021 (e denotes estimate)

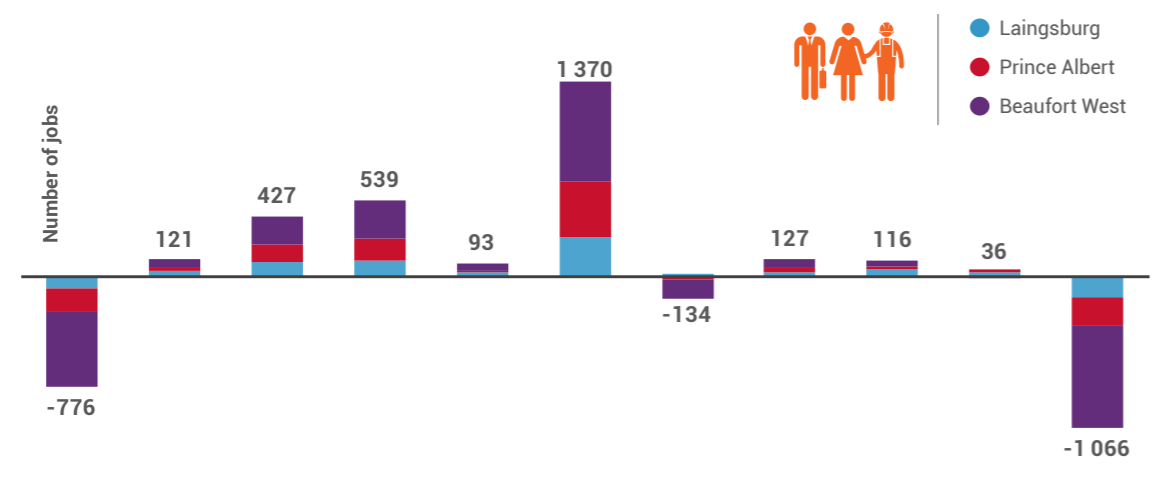
In 2019, the Beaufort West municipal area was the predominant contributor to employment in the CKD, with employment in this region accounting for 64.8 per cent of total employment in the District. The Prince Albert municipal area contributed 20.0 per cent to employment in the CKD in 2019, while the Laingsburg municipal area contributed 15.2 per cent.

The CKD experienced an average annual increase of 303 jobs between 2015 and 2019. Over the five-year period, the Beaufort West municipal area created the highest number of employment opportunities in the District, with an average annual increase of 136 jobs. The Prince Albert and Laingsburg municipal areas experienced the least new employment opportunities over the period, with an average annual increase of 84 and 83 jobs respectively.

Estimates for 2020 indicate that a total of 1 066 jobs were lost in the District, with the Beaufort West municipal area contributing the largest share to this decline. Furthermore, job losses are also expected in the Prince Albert and Laingsburg municipal areas during the same year.

Figure 1.3 illustrates the annual changes in the level of employment in the municipal areas that comprise the CKD.

Figure 1.3
EMPLOYMENT CHANGE PER MUNICIPAL AREA, Central Karoo District, 2010 – 2020



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e
Laingsburg	-83	41	102	109	25	280	21	34	46	34	-149
Prince Albert	-170	25	120	158	15	387	-23	22	22	13	-192
Beaufort West	-523	55	205	272	53	703	-132	71	48	-11	-725

Source: Quantec Research, 2021 (e denotes estimate)

A significant amount of job-shedding was experienced in the CKD in 2010, with a total of 776 jobs lost. This loss may be attributed to the ongoing effects of the global financial crisis and domestic electricity supply constraints. The Beaufort West municipal area accounted for the largest proportion of this job-shedding, with 523 jobs lost during the year.

The CKD experienced an improvement in job creation between 2011 and 2015, peaking at 1 370 new employment opportunities in 2015.⁴ This trend mirrors the economic performance of the District over the same period. Despite this improvement in job creation, 134 job opportunities were lost in the District in 2016 owing to worsening drought conditions. In 2017, employment opportunities in the CKD increased by 127 jobs. This is reflective of the recovery in the CKD’s GDP growth rate in the same year.

Despite the recovery of new employment opportunities in 2017, a downward trend is evident during the two-year period thereafter. New employment opportunities declined from a net increase of 116 jobs in 2018 to a net increase of 36 jobs in 2019. This trend is due to the South African economy entering recessions in both 2018 and 2019, coupled with a drought in the District. The employment environment in the CKD is expected to have worsened substantially

⁴ 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).

in 2020 following the downward trend observed between 2017 and 2019. Estimates for 2020 indicate a net decrease of 1 066 jobs in the District. This is due to the economic impact of the COVID-19 pandemic on both the domestic and global economies. The Beaufort West municipal area is expected to have shed the largest number of jobs, with an estimated net decline of 725 jobs. Furthermore, 192 and 149 job losses are also expected in the Prince Albert and Laingsburg municipal areas respectively. It should be noted that job losses will result in a decline in household income, which in turn strains municipal revenue streams.

1.3.2 Sectoral employment

Table 1.3 indicates the contribution of each economic sector to the employment trend observed in the CKD.

Table 1.3
EMPLOYMENT PER SECTOR, Central Karoo District

SECTOR	Number of jobs 2019	Average annual change 2015 – 2019	Net change 2020e
PS Primary Sector	4 676 (24.1%)	144	-145
Agriculture, forestry & fishing	4 674 (24.1%)	144	-145
Mining & quarrying	2 (0.0%)	0	0
SS Secondary Sector	1 292 (6.7%)	-6	-158
Manufacturing	300 (1.5%)	-3	-20
Electricity, gas & water	112 (0.6%)	1	-5
Construction	880 (4.5%)	-4	-133
TS Tertiary Sector	13 408 (69.2%)	164	-763
Wholesale & retail trade, catering & accommodation	4 438 (22.9%)	73	-390
Transport, storage & communication	852 (4.4%)	3	-44
Finance, insurance, real estate & business services	1 639 (8.5%)	13	-100
General government	3 382 (17.5%)	21	46
Community, social & personal services	3 097 (16.0%)	54	-275
Total Central Karoo District	19 376 (100.0%)	303	-1 066

Source: Quantec Research, 2021 (e denotes estimate)

Accounting for 13 408 jobs, the tertiary sector contributed 69.2 per cent to total employment in the District in 2019. Furthermore, the tertiary sector experienced the largest average annual increase in new employment opportunities, with 164 new jobs per annum between 2015 and 2019. In terms of individual sectoral contributions, the trade sector was the second-largest overall contributor to District employment in 2019 at 22.9 per cent. This is followed by the general government and community services sectors at 17.5 and 16.0 per cent respectively.

In 2019, the primary sector accounted for 24.1 per cent of total employment in the District, with the agriculture sector contributing to nearly all of the new employment opportunities created in the primary sector during the year. Given the agriculture sector's contribution to the District's GDP in 2019 (12.5 per cent), it is concluded that the sector is predominantly labour-intensive, since the sector contributed more to employment. Agriculture sector employment is, however, characterised by low wages, which has an impact on the broader economic performance of the CKD. However, the introduction of a minimum wage for the sector has influenced employment sustainability. Increased mechanisation also impacts future growth potential for employment creation in the sector.

The mining sector contributed only two jobs to total employment in the District economy in 2019, with no average annual increase per annum between 2015 and 2019. Despite the identification of areas surrounding Beaufort West for uranium development by numerous international companies, the mining sector in the District remains underdeveloped.⁵

The secondary sector contributed 6.7 per cent to total employment in the District in 2019. Between 2015 and 2019, the secondary sector realised an average annual decline of six jobs per annum, with the construction and manufacturing sectors experiencing declines of four and three jobs respectively. The electricity, gas and water sector registered an average annual increase of one job per annum. However, this is reflective of the sector's contribution (0.1 per cent) to the District economy in 2019.

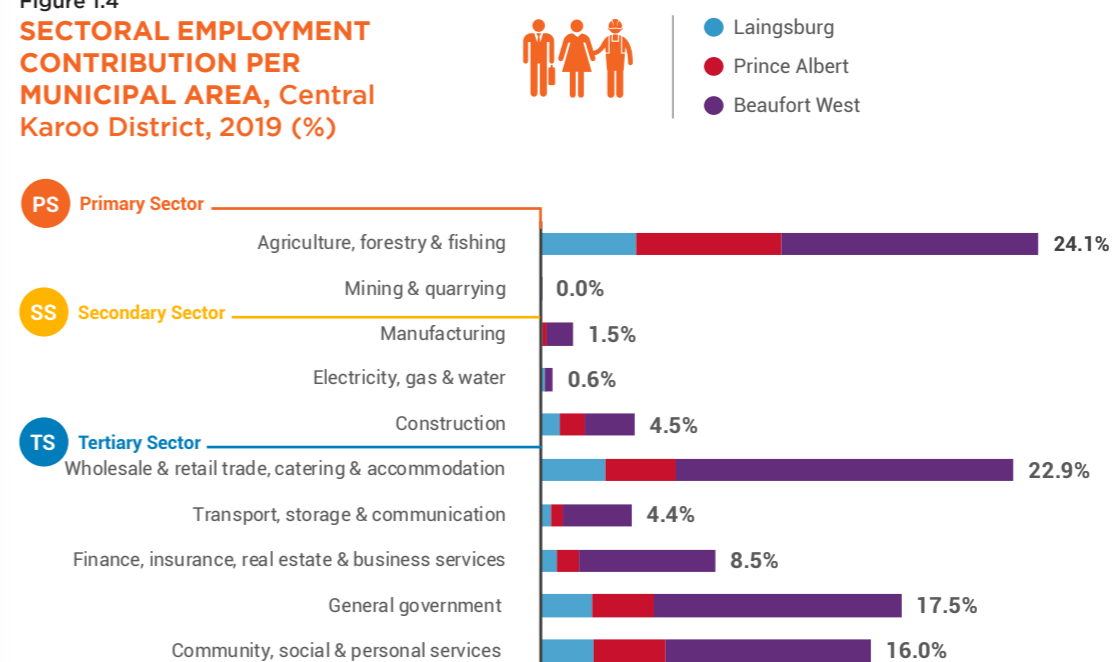
Estimates for 2020 indicate that a total of 1 066 jobs were lost in the CKD, mainly because of significant job-shedding in the tertiary sector (763 jobs). Furthermore, losses in the secondary and primary sectors are estimated to have amounted to a total of 303 jobs in 2020. The trade sector is expected to have shed the largest number of jobs in 2020 at 390 jobs. This is followed by the community services sector, with a decline of 275 jobs in the same year. The general government sector is the only sector expected to have realised an increase in jobs (46 jobs) in 2020. This is likely to be the result of the health responses by the broader public sector to the COVID-19 pandemic.



⁵ (Van Rooyen, 2010).

Figure 1.4 showcases the sectoral contributions to employment by each of the municipal areas of the CKD in 2019.

Figure 1.4
SECTORAL EMPLOYMENT CONTRIBUTION PER MUNICIPAL AREA, Central Karoo District, 2019 (%)



Source: Quantec Research, 2021

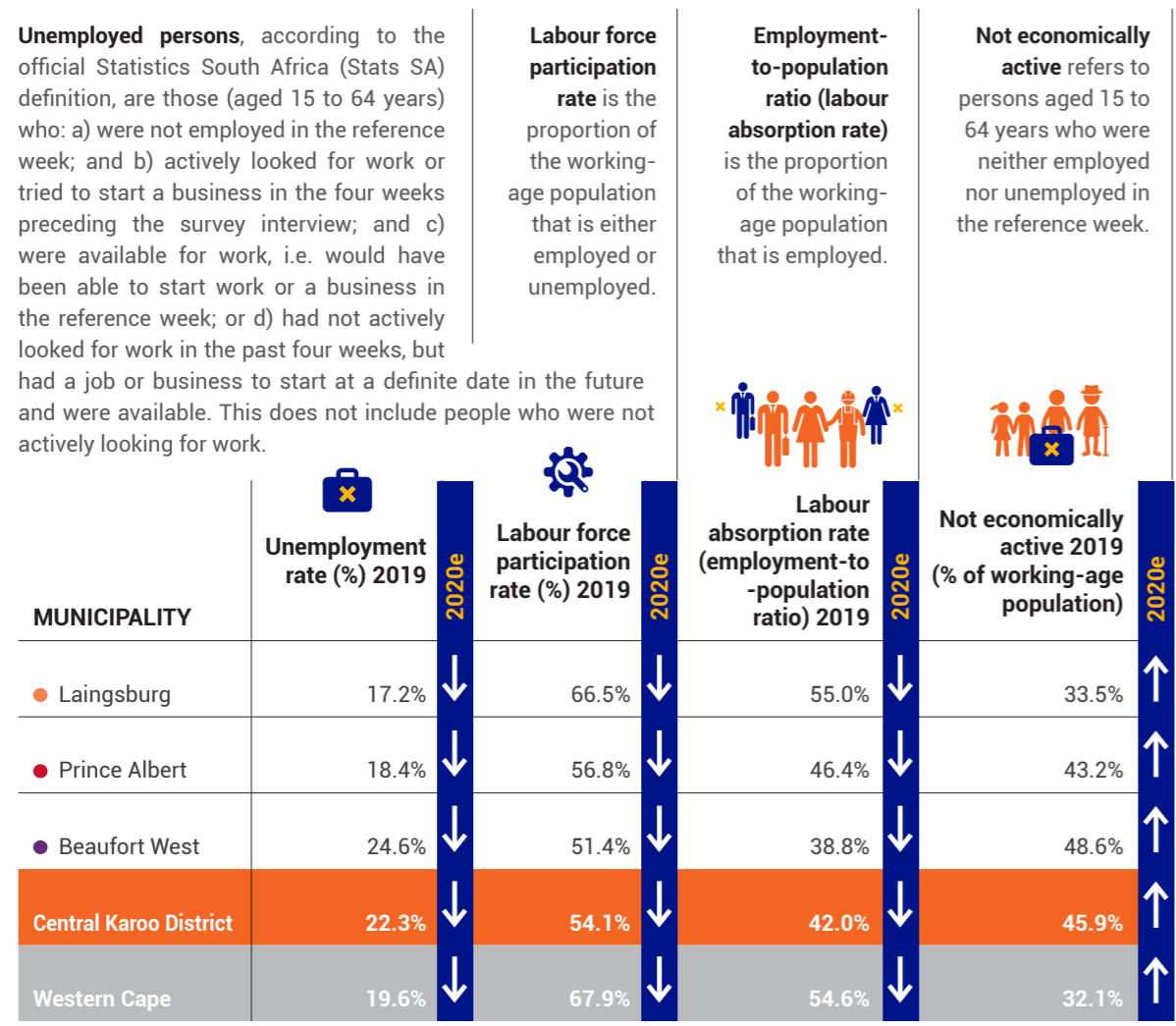
On a sectoral level, employment in the CKD was concentrated in the Beaufort West municipal area in 2019 and mirrors its contribution to the District's GDP during the same year.

The agriculture sector was the largest contributor to employment in both the Laingsburg and Prince Albert municipal areas in 2019. However, as the manufacturing sector does not contribute significantly to employment in these two municipal areas, with no contribution in the Laingsburg municipal area and a contribution of only 0.2 per cent in the Prince Albert municipal area, it is concluded that there is little to no beneficiation of agricultural commodities. Promoting beneficiation of agricultural output can be a valuable boost to the local economy, not only in terms of job creation but also because industrial development can contribute to revenue generation for the local municipalities through rates and service charges. However, external constraints, such as rising fuel prices and frequent periods of load-shedding, dampen investment prospects.



In Diagram 1.2 below, the unemployment profile of the CKD between 2019 and 2020 is provided. More specifically, the diagram illustrates the unemployment rate, labour absorption rate, labour participation rate and the “not economically active” population as a proportion of the working-age population for each of the municipal areas.

Diagram 1.2
UNEMPLOYMENT PROFILE, Central Karoo District, 2019 (%)



Source: Quantec Research, 2021

The unemployment rate of the CKD stood at 22.3 per cent in 2019, above that of the Western Cape (19.6 per cent). Beaufort West had the highest unemployment rate (24.6 per cent) in the District. The Prince Albert and Laingsburg municipal areas had unemployment rates of 18.4 per cent and 17.2 per cent respectively in 2019.

Between 2019 and 2020, the unemployment rate across all municipal areas in the District declined. However, this should not be considered to be an improvement in the District’s labour market, as a large number of individuals were moved from the employed and unemployed ranking to the “not economically active” category.⁶ This is indicated by the increase in the number of individuals who are not economically active across all municipal areas in the CKD and the Province.

⁶ (Stats SA, 2020).

Decreases in both the labour force participation and labour absorption rates between 2019 and 2020 are reflective of a decline in job opportunities available in the District’s labour market. All three municipal areas that form part of the CKD experienced declines in their respective labour force participation and labour absorption rates between 2019 and 2020, reflecting the downturn in the overall District economy brought about by the COVID-19 pandemic.

1.4 CONCLUDING REMARKS

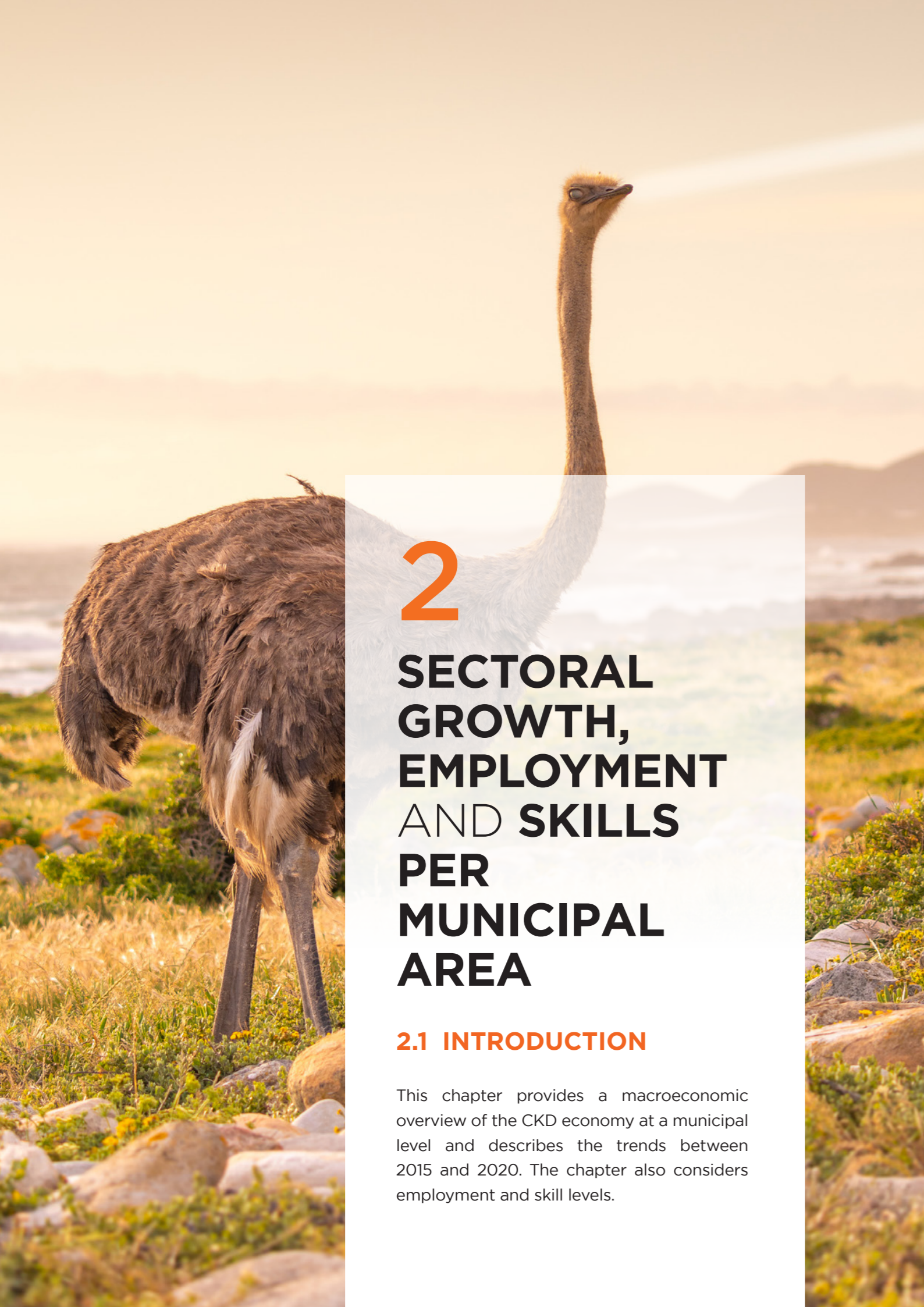
In 2019, the economy of the CKD was valued at R3.2 billion and contributed 0.5 per cent to the Provincial economy. Between 2015 and 2019, annual growth in the District averaged 0.1 per cent, below that of the Provincial economy. Estimates for 2020 indicate that the CKD economy contracted by 4.0 per cent, which is less than the estimated contraction of 6.7 per cent for the Provincial economy. The economy is forecast to recover partially, with a 3.5 per cent growth rate forecast in 2021, before slowing to 0.5 per cent in 2022.

The Beaufort West municipal area was the largest contributor to GDP in the CKD in 2019. When evaluating individual sectoral contributions to the CKD’s GDP, the tertiary sector was the main driver of economic activity in the District in 2019, with a contribution of 73.4 per cent. Estimates for 2020 indicate that the tertiary and secondary sectors contracted by 5.9 per cent and 12.7 per cent respectively. The primary sector, driven by strong performance in the agriculture sector, is expected to have grown by 10.8 per cent in 2020.

In 2019, the agriculture sector was the largest source of employment in the District at 24.1 per cent, followed by the trade sector at 22.9 per cent. Furthermore, based on the unemployment profile of the CKD, fewer job opportunities were available in the District owing to a decrease in the labour force participation and labour absorption rates between 2019 and 2020.

The unemployment rate across the District decreased in 2020, despite sharp contractions in the District economy. The decrease in unemployment is the result of an increased number of “not economically active” individuals in the District, as individuals were not able to seek employment opportunities during level five of the national lockdown. In 2019, the total number of jobs in the CKD amounted to 19 376. However, estimates for 2020 indicate that 1 066 jobs were lost in the District. Of the total, 71.6 per cent of job losses originated from the tertiary sector.



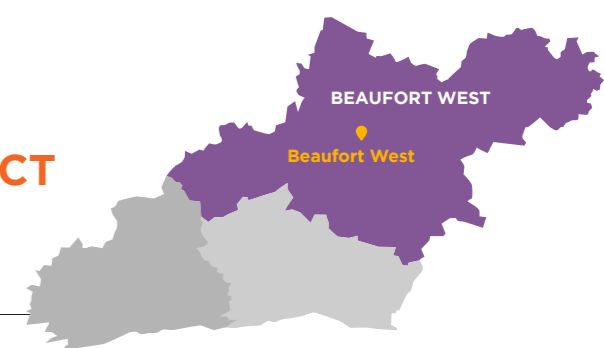


2

SECTORAL GROWTH, EMPLOYMENT AND SKILLS PER MUNICIPAL AREA

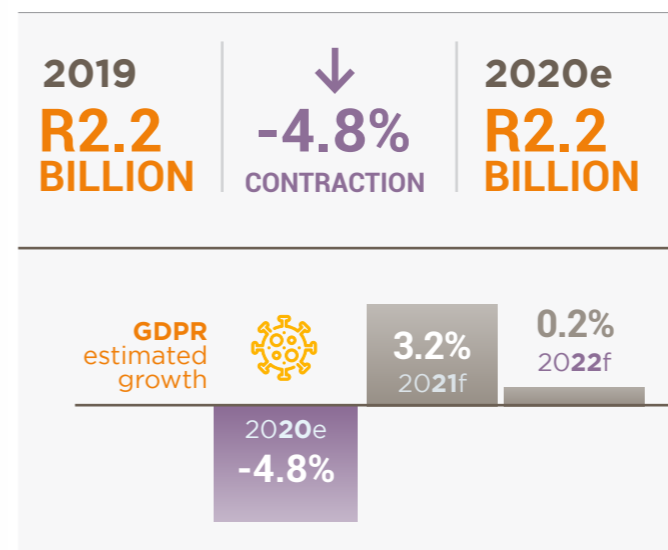
2.1 INTRODUCTION

This chapter provides a macroeconomic overview of the CKD economy at a municipal level and describes the trends between 2015 and 2020. The chapter also considers employment and skill levels.



2.2 CENTRAL KAROO DISTRICT BEAUFORT WEST

GDPR



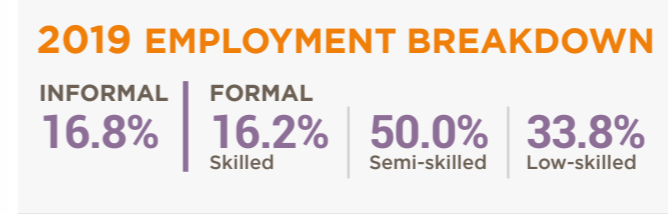
The Beaufort West municipal area is approximately 21 916km² and comprises 56.4 per cent of the total CKD geographical area.⁷ The Beaufort West municipal area is spatially the largest area in the District. The town of Beaufort West is the economic hub of the CKD and thus serves as a popular rest and service area for travellers on the N1. Other small towns in the municipal area include Merweville, Murraysburg and Nelspoort.

2.2.1 GDP and employment performance

In 2019, the economy of the municipal area was valued at R2.2 billion (current prices) and employed 12 552 workers. It is estimated that in 2020 the economy contracted by 4.8 per cent, while 725 jobs were lost. It is forecast that the municipal economy will recover partially in 2021 with a 3.2 per cent growth rate, while it is expected to stagnate in 2022 with a forecast of 0.2 per cent. This highlights the challenging economic conditions that were prevalent in the Beaufort West municipal area prior to the COVID-19 pandemic.

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

JOBS

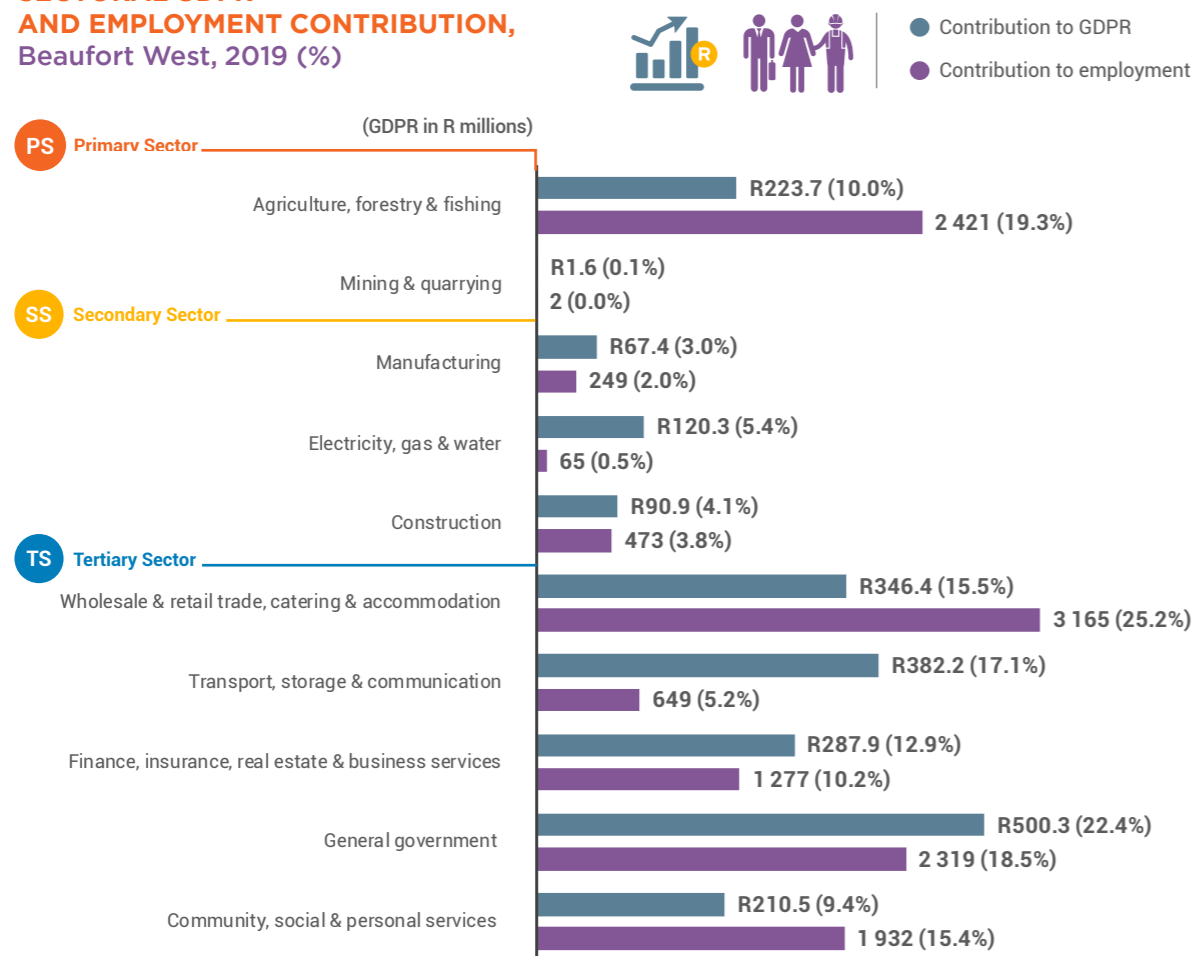


Source: Quantec Research, 2021; Urban-Econ based on Quantec, SARB, Stats SA and BFAP, 2021 (e denotes estimate, f denotes forecast)

⁷ (MDB, 2018).

Figure 2.1 illustrates sectoral contributions to GDP and employment in the Beaufort West municipal area in 2019.

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



Source: Quantec Research, 2021

The general government sector contributed the most to GDP (22.4 per cent), which can be linked to the location of the District Municipal Offices in Beaufort West, as well as the offices of other national government departments. Since the N1 that traverses the municipal area is a major transport route for freight and people, the transport sector is also a prominent economic sector, with a 17.1 per cent contribution to GDP. The trade sector employed the most workers in the municipal area (25.2 per cent) during 2019. Agriculture was the second-highest contributor to employment within the municipal area, with 19.3 per cent.

The economy of the Beaufort West municipal area consists of a mix between capital-intensive and labour-intensive sectors. The capital-intensive sectors have a smaller contribution to employment compared with their GDP contribution and include sectors such as manufacturing, electricity, gas and water, construction, transport, finance and general government. Inversely, the labour-intensive sectors have a larger contribution to employment compared with their GDP contribution. These sectors are agriculture, trade and community services.

Table 2.1 describes the GDP and employment performance per sector for the period 2015 to 2019 and gives an estimate for 2020 for the Beaufort West municipal area.

Table 2.1
GDP AND EMPLOYMENT PERFORMANCE PER SECTOR, Beaufort West

SECTOR	GDP		Employment	
	Trend 2015 – 2019	Real GDP growth 2020e	Average annual change 2015 – 2019	Net change 2020e
PS Primary Sector	-2.8%	10.7%	77	-73
Agriculture, forestry & fishing	-2.9%	10.8%	77	-73
Mining & quarrying	0.5%	-17.6%	0	0
SS Secondary Sector	-0.3%	-12.8%	-11	-94
Manufacturing	0.4%	-10.3%	-2	-16
Electricity, gas & water	0.2%	-6.2%	0	-3
Construction	-1.3%	-22.0%	-9	-75
TS Tertiary Sector	0.5%	-6.3%	70	-558
Wholesale & retail trade, catering & accommodation	-0.2%	-11.3%	41	-280
Transport, storage & communication	-1.2%	-16.9%	-1	-38
Finance, insurance, real estate & business services	2.2%	-3.6%	2	-86
General government	1.0%	1.0%	7	26
Community, social & personal services	0.7%	-2.9%	21	-180
Total Beaufort West	-0.1%	-4.8%	136	-725

Source: Quantec Research, 2021 (e denotes estimate)

The Beaufort West municipal economy contracted at an average annual rate of 0.1 per cent per annum between 2015 and 2019. Despite this, employment creation was positive, with 136 new jobs on average per annum over the reference period. The tertiary sector had the highest economic growth rate in the Beaufort West municipal area between 2015 and 2019 (0.5 per cent). Finance (2.2 per cent) and general government (1.0 per cent) were the sectors that had the most economic growth in the municipal area between 2015 and 2019.

The tertiary sector contributed an average of 70 jobs annually between 2015 and 2019, with trade creating the most jobs (41 jobs) during this period. The secondary sector was under pressure, with the average annual number of jobs contracting by 11 between 2015 and 2019. The largest contributor was the primary sector, with 77 jobs, with all the jobs created in the agriculture sector. However, this sector suffered the largest GDP contraction (2.9 per cent) between 2015 and 2019. The sharp decline in the agriculture sector was the result of the recurring drought conditions experienced in the Western Cape from 2018. The drought had a direct impact on the CKD, as it caused the Leeu-Gamka Dam to dry up completely by October 2018. The Leeu-Gamka Dam is located near the town of Beaufort West and is used for irrigation purposes.⁸

⁸ (Western Cape Government, 2019).

It is estimated that COVID-19 had a substantial impact on the Beaufort West municipal area. The secondary sector is estimated to have contracted by 12.8 per cent in 2020, while the tertiary sector contracted by 6.3 per cent. The dominant economic sectors in the municipal area, such as transport and finance, contracted by 16.9 per cent and 3.6 per cent respectively. The only two sectors that recorded positive growth during the COVID-19 pandemic in 2020 was agriculture, with a 10.8 per cent increase, and general government, with a 1.0 per cent increase. The largest agricultural enterprise in the Beaufort West municipal area is sheep farming (mutton). The growth in this sector could be aligned to the high mutton prices in 2020.⁹

It is estimated that 725 jobs were lost in 2020 in the municipal area owing to the economic distress caused by the impacts of COVID-19. The tertiary sector lost the largest number of workers (558 jobs), with the trade sector contracting by 280 jobs. The labour-intensive agriculture sector was also substantially affected, with an estimated 73 job losses during 2020.¹⁰ The strong GDP growth in the sector as a result of improved meat prices did not have a positive impact on job creation. The only sector that employed additional workers in 2020 was the general government sector, with 26 jobs created.

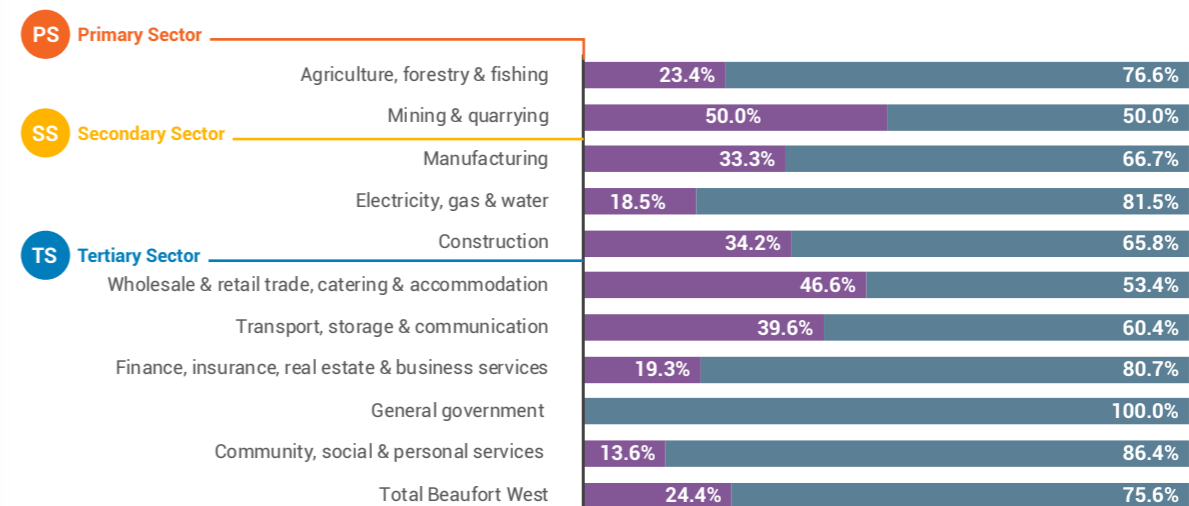
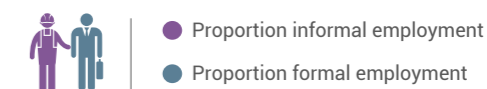


⁹ (Agriculture Market Trends, 2020).

¹⁰ 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). Mechanisation and changes to minimum wage regulation also impacts job creation in this sector.

Figure 2.2 illustrates the employment distribution of the Beaufort West municipal area in 2019.

Figure 2.2
INFORMAL EMPLOYMENT DISTRIBUTION, Beaufort West, 2019 (%)



Source: Quantec Research, 2021

It is evident that the municipal area is largely a formal sector economy, with 75.6 per cent of workers employed in the formal sector in 2019. However, the informal sector¹¹ still has a significant role to play in the local economy. Sectors that have an above-average proportion of informal sector workers include the trade sector (46.6 per cent), the transport sector (39.6 per cent) and the construction sector (34.2 per cent). A total of 24.4 per cent of workers in the municipal area were employed in the informal sector in 2019.

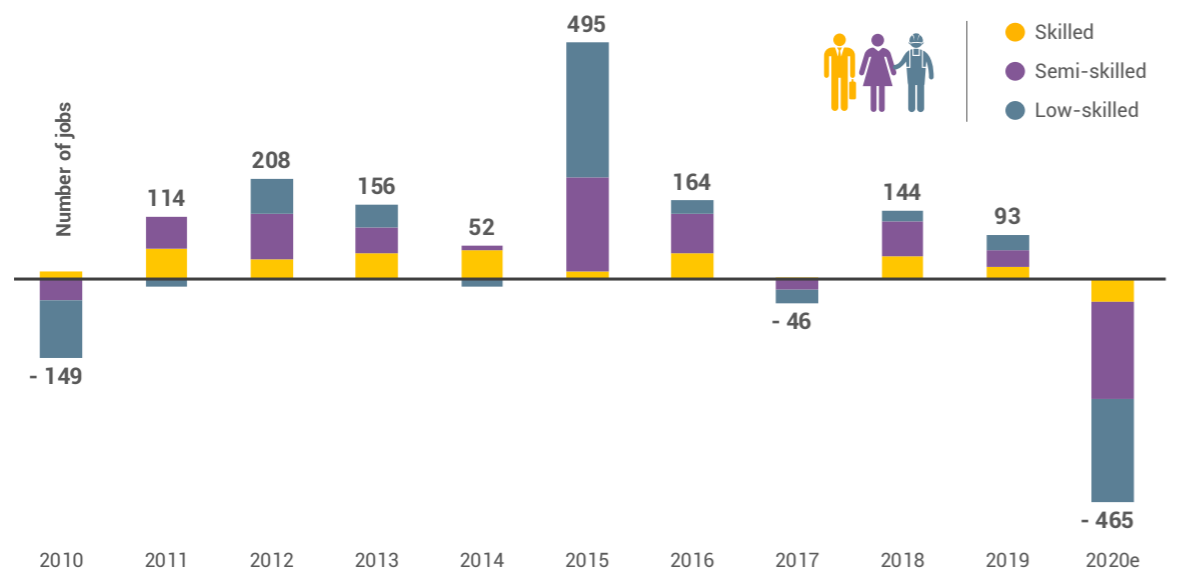


¹¹ The number of informal sector workers is determined by using labour data from the Quarterly Employment Statistics (QES) and the Quarterly Labour Force Survey (QLFS). Quantec uses the QES formal figure, to which it adds the number of formal agricultural and domestic workers. Using the total employment 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.

2.2.2 Skills analysis

Figure 2.3 shows the changes in employment by skill levels in the Beaufort West municipal area between 2010 and 2020.

Figure 2.3
EMPLOYMENT GROWTH BY SKILL LEVELS,
Beaufort West, 2010 – 2020



Source: Quantec Research, 2021 (e denotes estimate)

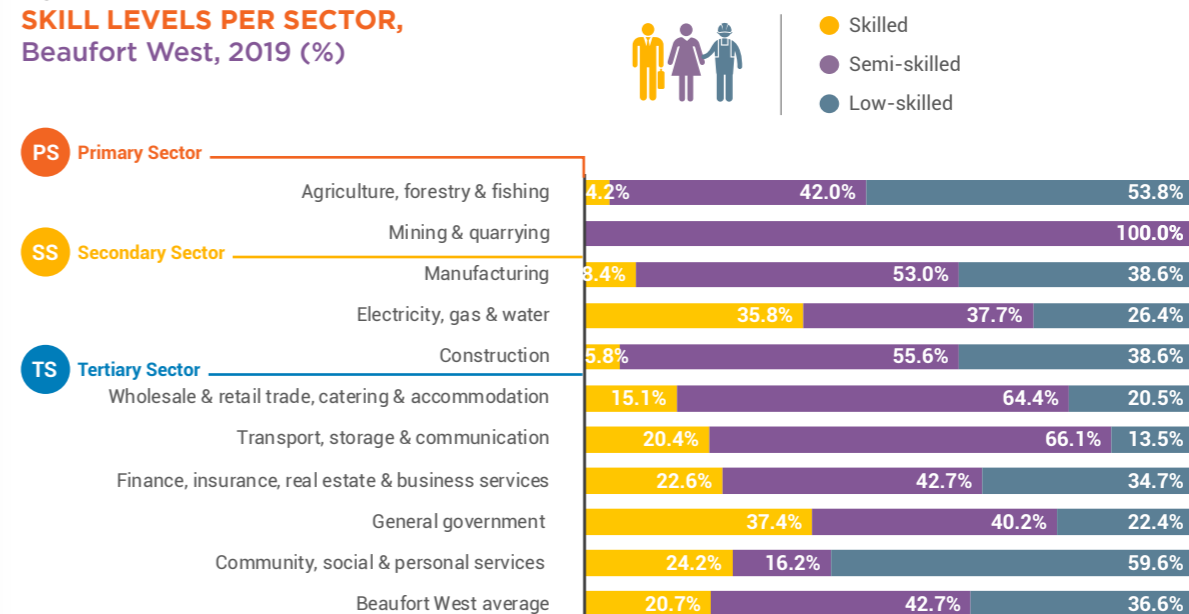
The number of people in formal employment in the municipal area decreased in 2010, with a total of 149 job losses. In 2010, some skilled workers were added to the local economy (16 jobs). In 2011, job creation improved for skilled and semi-skilled workers, while low-skilled workers (17 jobs) lost even more positions.

The demand for labour, mainly semi-skilled and low-skilled, spiked upwards (495 jobs) in 2015¹² after poor growth (52 jobs) in 2014. In 2017, however, the number of jobs declined (46 jobs). The steep decline in the creation of employment between 2015 and 2017 can be attributed to the deepening drought conditions that prevailed during that period. The impact of COVID-19 on the various skill levels indicated that most job losses were in the low-skilled and semi-skilled environment, with 216 and 200 jobs lost respectively. The job losses during 2020 were significantly greater than during other periods of job losses in the Beaufort West municipal area.

¹² It should be noted 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 skill level of employed people by sector in 2019 is illustrated in Figure 2.4 below. Overall, a substantial proportion (42.7 per cent) of the Beaufort West municipal area’s working population were semi-skilled. The second-largest group of the labour force was low-skilled (36.6 per cent), and skilled workers accounted for 20.7 per cent of employed people.

Figure 2.4
SKILL LEVELS PER SECTOR,
Beaufort West, 2019 (%)



Source: Quantec Research, 2021

The general government sector as well as the electricity, gas and water sector employed a substantial number of skilled (37.4 per cent and 35.8 per cent respectively) and semi-skilled (40.2 per cent and 37.7 per cent respectively) people.

The community services sector (59.6 per cent), as well as the agriculture sector (53.8 per cent), employed a large number of low-skilled workers. Semi-skilled workers are also needed in these fields. The nature of the work done in these two areas explains the low level of skills necessary.

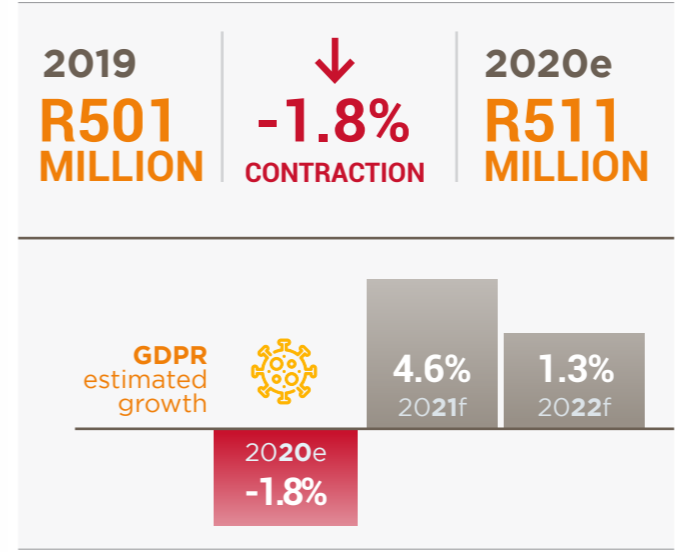
Agriculture is an important economic sector in the Beaufort West Municipality, especially with its strong economic contribution in 2020, and it employs the second-largest number of low-skilled workers. Low-skilled workers, however, are the most vulnerable to job losses as a result of external impacts, given the area’s propensity for drought. The municipality should, where possible, focus on training programmes to help the people in the municipal area to gain additional skills to ensure that they have the opportunity to work in different sectors as the economic conditions change.



2.3 CENTRAL KAROO DISTRICT PRINCE ALBERT



GDP



The Prince Albert municipal area spans 8 153km² on the southern edge of the Great Karoo.¹³ The municipal area borders the Eastern Cape to the east. The town of Prince Albert is the economic hub of the municipal area. Other smaller towns in the municipal area are Leeu-Gamka and Klaarstroom. The Prince Albert municipal area is renowned for its outdoor activities, as well as sheep, and olive and fruit farms.

2.3.1 GDP and employment performance

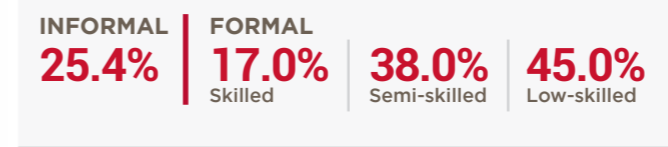
Diagram 2.2
GDP (CURRENT PRICES) AND EMPLOYMENT, Prince Albert, 2019 and 2020e

JOBS



In 2019, the economy of the Prince Albert Municipality was valued at R500.5 million (current prices), with 3 878 people employed in the area. The contraction in GDP at current prices between 2019 and 2020 was as a result of the impacts of COVID-19. In real terms it is estimated that the GDP contracted by 1.8 per cent in 2020. Together with the economic contraction, 192 jobs were lost in the municipal area. The economy is forecast to recover by 4.6 per cent in 2021, benefiting from the strong growth anticipated in the agriculture sector. Growth is expected to decrease to 1.3 per cent in 2022.

2019 EMPLOYMENT BREAKDOWN

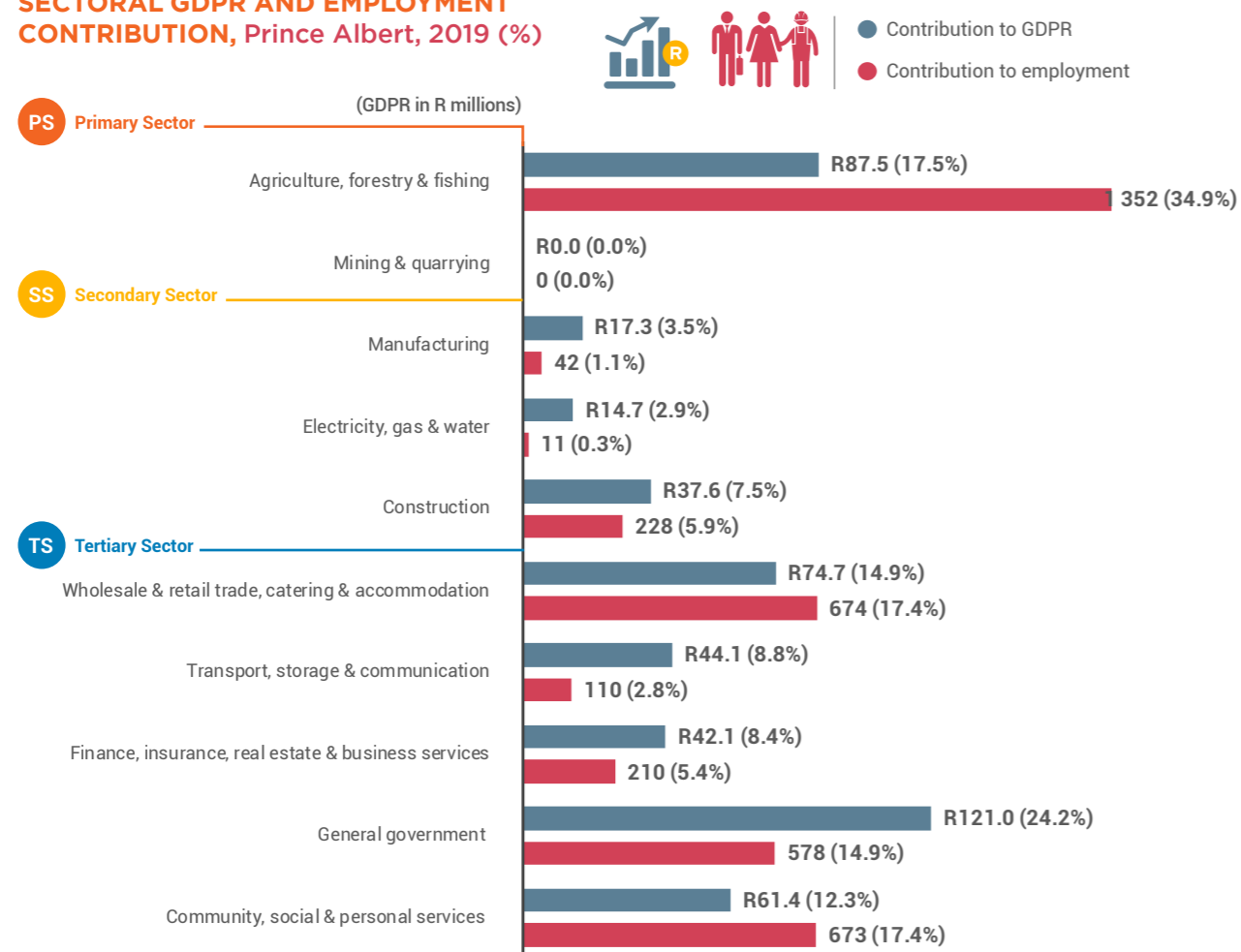


Source: Quantec Research, 2021; Urban-Econ based on Quantec, SARB, Stats SA and BFAP, 2021 (e denotes estimate, f denotes forecast)

¹³ (MDB, 2018).

Figure 2.5 shows the contribution of the different sectors to GDP and employment in the Prince Albert municipal area in 2019.

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



Source: Quantec Research, 2021

The general government sector (24.2 per cent) contributed the most GDP to the local economy in 2019 and is also a significant source of local employment (14.9 per cent). However, in the same year, the agriculture sector was the largest contributor to employment (34.9 per cent) and the second-largest contributor to local GDP (17.5 per cent). The economy's significant reliance on the general government and agriculture sectors makes for a volatile economy, as the general government sector is affected by fiscal limitations, which affect municipal expenditure and the economy. Agricultural production is also sensitive to a variety of external variables. Economic diversification is required, and this will result in a more resilient local economy that is less vulnerable to external shocks.

There are currently no mining sector activities taking place in the Prince Albert municipal economy. The manufacturing sector and the electricity, gas and water sector generate just a small amount of GDP and job development. The significant agriculture sector, combined with a limited manufacturing sector, indicates that local resources in the Prince Albert municipal region are not being benefited.

Table 2.2 describes the performance of GDP and employment in the Prince Albert municipal area between 2015 and 2020.

Table 2.2
GDP AND EMPLOYMENT PERFORMANCE PER SECTOR, Prince Albert

SECTOR	GDP		Employment	
	Trend 2015 – 2019	Real GDP growth 2020e	Average annual change 2015 – 2019	Net change 2020e
PS Primary Sector	-2.6%	11.6%	37	-42
Agriculture, forestry & fishing	-2.6%	11.6%	37	-42
Mining & quarrying	-	-	0	0
SS Secondary Sector	0.6%	-13.4%	-2	-41
Manufacturing	3.2%	-2.6%	0	-4
Electricity, gas & water	2.2%	-4.4%	0	-1
Construction	-1.0%	-21.7%	-1	-36
Tertiary Sector	1.9%	-4.1%	59	-109
Wholesale & retail trade, catering & accommodation	-0.2%	-10.7%	13	-51
Transport, storage & communication	1.6%	-14.8%	2	-3
Finance, insurance, real estate & business services	3.8%	-2.2%	6	-9
General government	2.2%	2.0%	7	10
Community, social & personal services	2.6%	-1.4%	20	-56
Total Prince Albert	0.6%	-1.8%	84	-192

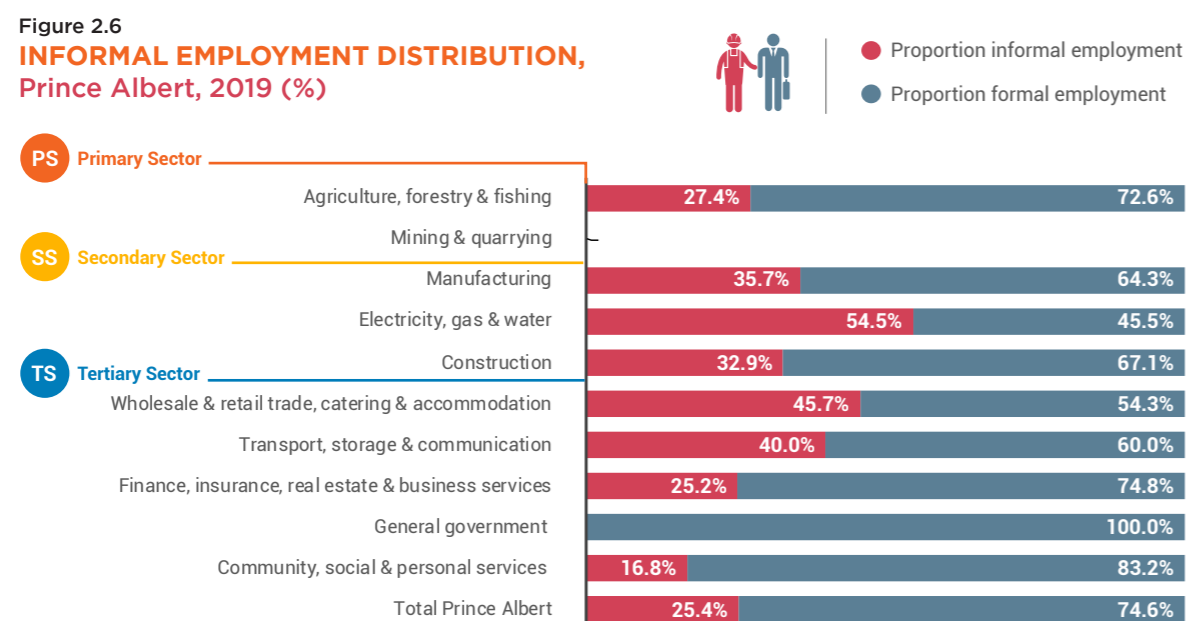
Source: Quantec Research, 2021 (e denotes estimate)

The economy of the Prince Albert municipality was relatively stagnant between 2015 and 2019, growing at an average annual rate of 0.6 per cent. The area was largely affected by the drought that occurred in the reference period. Between 2015 and 2019, the tertiary sector had the largest growth rate, with 1.9 per cent per annum. The finance sector contributed the most (3.8 per cent), followed by the community services sector (2.6 per cent). The secondary sector grew by 0.6 per cent, while the primary sector contracted by 2.6 per cent in the same period.

It is estimated that the Prince Albert municipal area contracted by 1.8 per cent in 2020. The tertiary sector is estimated to have contracted by 4.1 per cent in total, with the trade sector contracting by 10.7 per cent. It is estimated that the general government sector grew by 2.0 per cent in the same year, mainly as a result of increased expenditure on social support services, as well as PPE owing to COVID-19. The agriculture sector is estimated to have grown by 11.6 per cent in 2020, which could be due to the prevalence of sheep farms in the municipal area and the soaring prices of livestock in 2020. In terms of employment trends between 2015 and 2019, the municipal area created an average of 84 jobs annually. The agriculture sector is labour-intensive and thus the leading sector in terms of employment creation, with an average

of 37 jobs created annually. The tertiary sector created an average of 59 jobs annually in the same period, with the community services sector creating an average of 20 jobs annually. The COVID-19 pandemic impacted the local municipality significantly, with an estimated 192 jobs lost in 2020. Most jobs were lost in the community services sector (56 jobs), followed by the trade sector (51 jobs). The only sector that created additional jobs during 2020 in the municipal area was the general government sector (an estimated 10 jobs).

Figure 2.6 illustrates the employment distribution in the Prince Albert municipal area in 2019.



Note: Employment in the mining and quarrying sector is zero
Source: Quantec Research, 2021

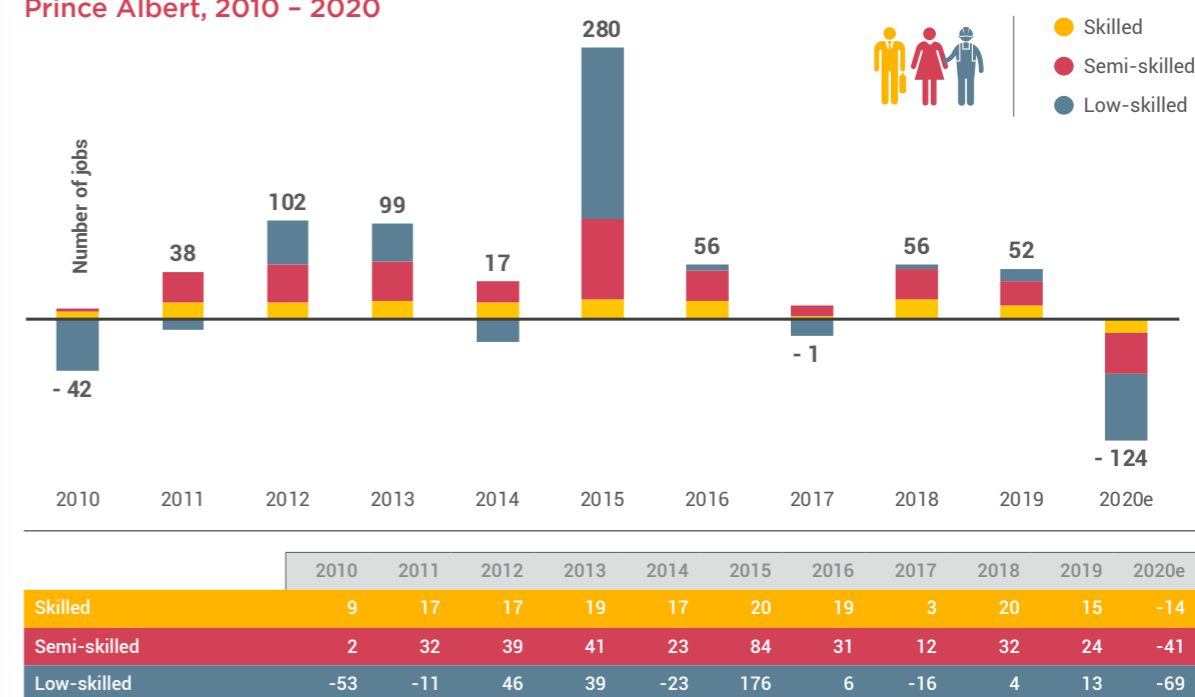
On average, the majority (74.6 per cent) of the Prince Albert municipal area's employment was formal in 2019. However, some sectors had a substantial proportion of informal sector workers, including the electricity, gas and water sector (54.5 per cent), the trade sector (45.7 per cent), the transport sector (40.0 per cent), the manufacturing sector (35.7 per cent) and the construction sector (32.9 per cent). The informal sector contributes to improved livelihood opportunities and poverty alleviation in the municipal area.



2.3.2 Skills analysis

This subsection considers the employment dynamics by skill levels between 2010 and 2020 in the Prince Albert municipal area. Figure 2.7 illustrates that the Prince Albert municipal area's employment growth follows the same trend as the District level.

Figure 2.7
EMPLOYMENT GROWTH BY SKILL LEVELS, Prince Albert, 2010 - 2020



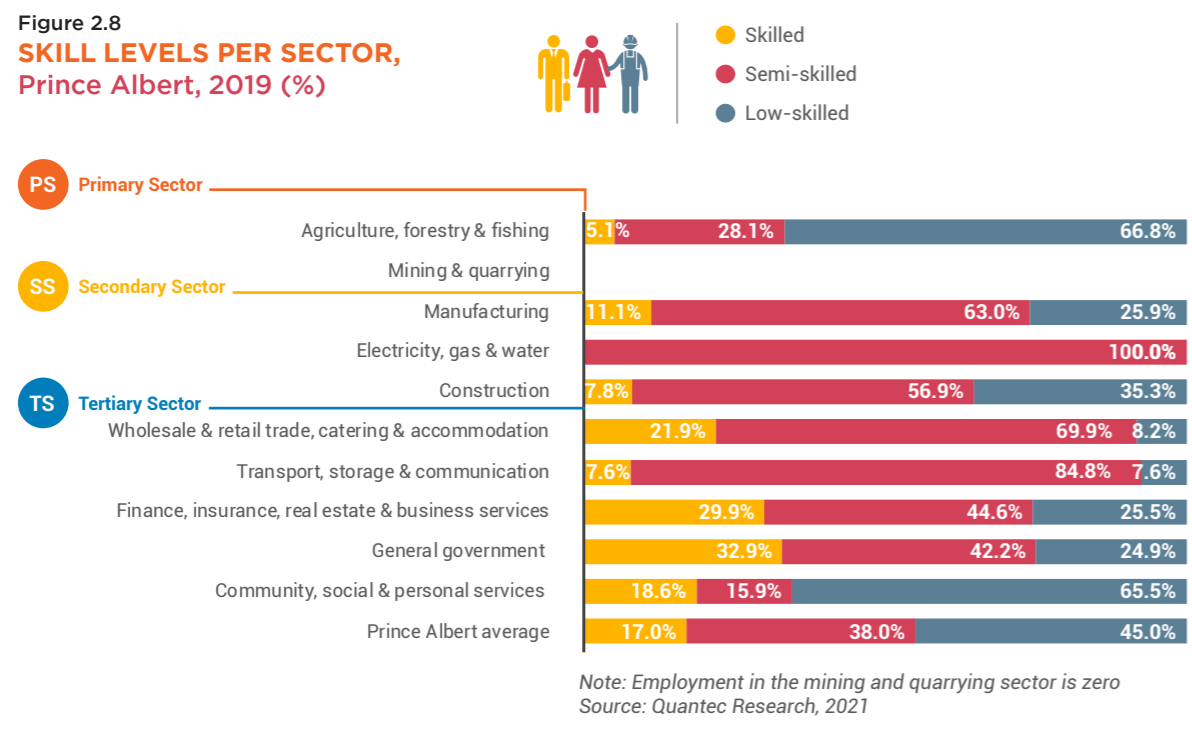
Source: Quantec Research, 2021 (e denotes estimate)

In 2010, several job losses were experienced in the municipal area for low-skilled workers (53 jobs). However, nine skilled jobs were created in the same year. In 2011, employment of low-skilled workers continued to decline, while some additional jobs were created for skilled and semi-skilled workers.

In 2015, the Prince Albert municipal area created the most jobs (280 jobs) for the period under consideration. Most of these were for low-skilled and semi-skilled workers.¹⁴ However, between 2015 and 2019, the number of new jobs decreased dramatically. Drought conditions in the region had a severe negative impact on job creation. As a result, the number of new jobs created from 2018 to 2019 virtually remained unchanged. The estimated number of formal jobs lost during the COVID-19 pandemic in 2020 is 124 jobs, including 69 jobs for low-skilled workers, 41 jobs for semi-skilled workers and 14 jobs for skilled workers.

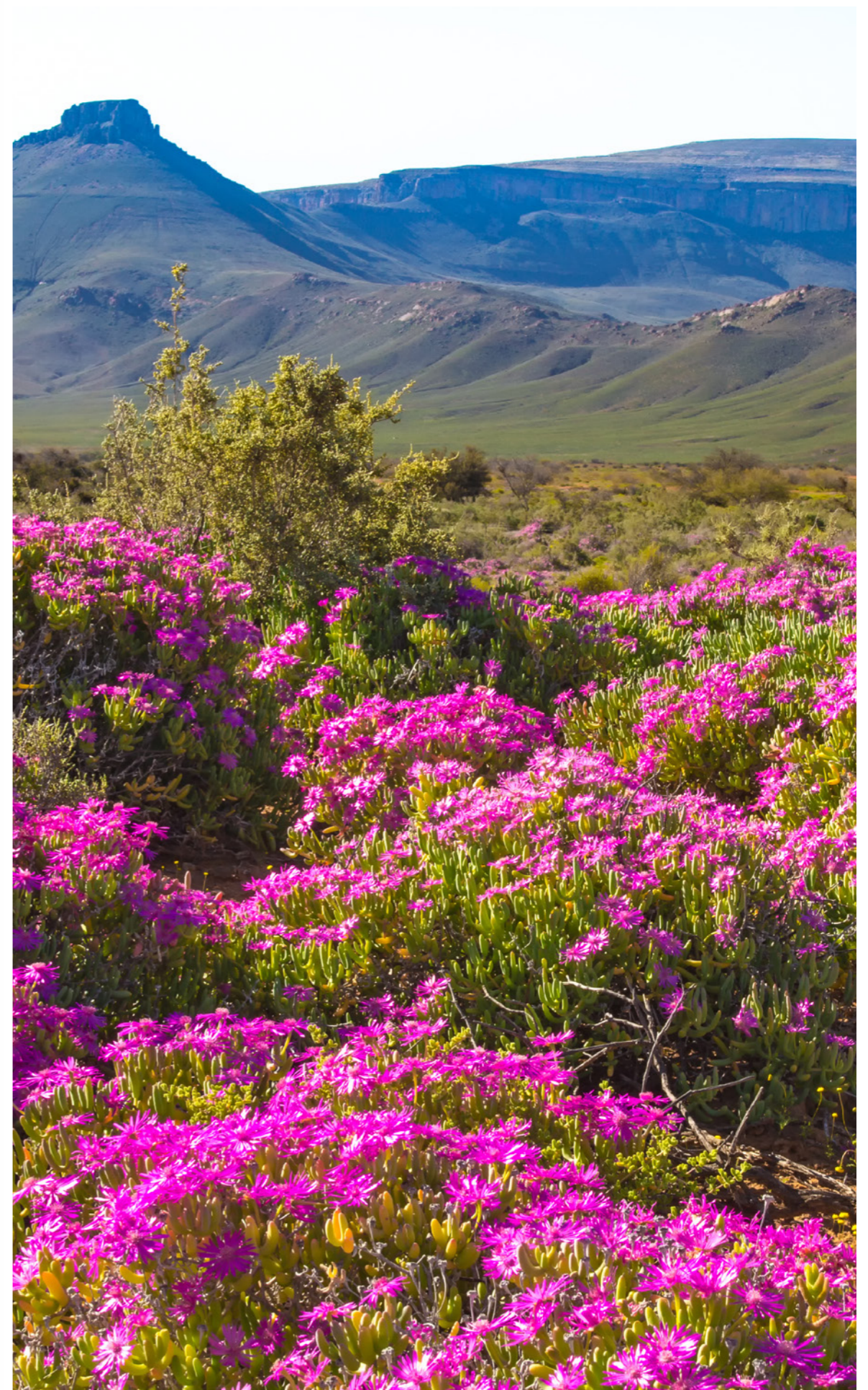
¹⁴ It should be noted that in 2015 a new master sample was implemented in the Quarterly Labour Force Survey (QLFS), which may have impacted the data owing to variations in its design (Stats SA, 2015).

Figure 2.8 depicts the Prince Albert municipal area's skill levels by sector for 2019 for formally employed workers.



In 2019, low-skilled workers accounted for 45.0 per cent of all employed people within the municipal area. Semi-skilled workers made up 38.0 per cent of the workforce, while skilled workers made up 17.0 per cent. One of the primary impediments for formal business is the lack of skills in the local area. The general government sector was the largest contributor to the Prince Albert municipal area's economy, mostly employing semi-skilled people (42.2 per cent), followed by skilled workers (32.9 per cent).

Agriculture is a key sector in the Prince Albert municipal area, with formal employment making up most of this sector (72.6 per cent) in 2019. Most workers in this sector, however, are low-skilled (66.8 per cent). Job losses in this sector will therefore have a significant impact on poverty levels, migration to towns and, subsequently, the need for housing and other services. The community services sector also employed a considerable number of low-skilled workers (65.5 per cent).

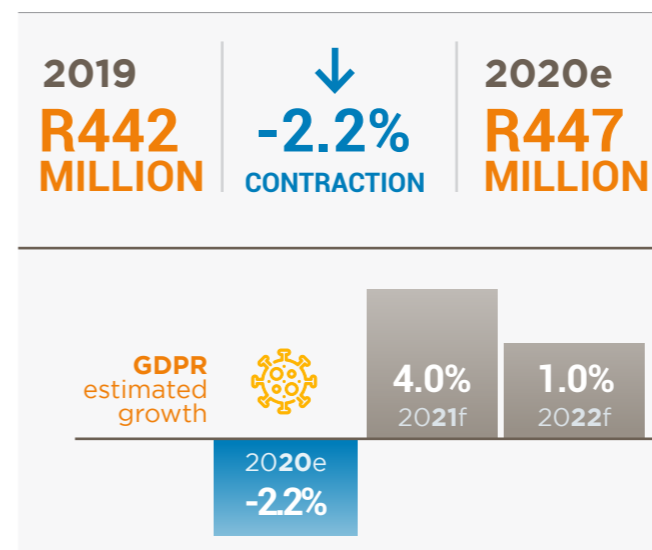




2.4 CENTRAL KAROO DISTRICT LAINGSBURG



GDP



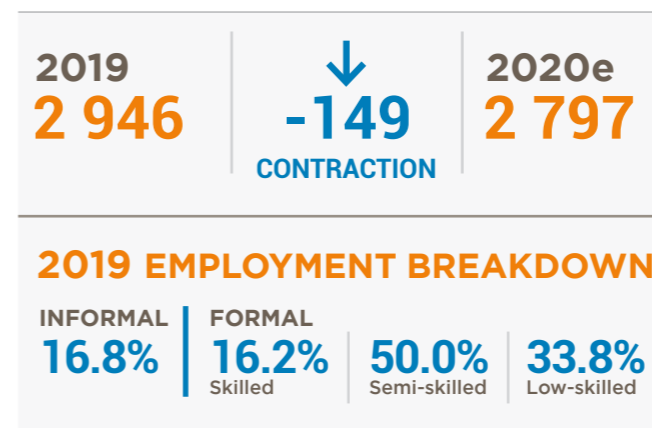
The Laingsburg municipal area is situated furthest west in the CKD. Spatially, it covers a land area of 8 784km² and borders the Northern Cape to the north. The area is sparsely populated and is characterised by vast farmlands. The municipal area consists of three towns: Laingsburg, which is the economic hub, Matjiesfontein, a popular tourist destination, and Vleiland.

2.4.1 GDP and employment performance

In 2019, the economy of the Laingsburg municipal area was valued at R441.7 million (current prices), with 2 946 people employed in the area. The estimate for 2020 indicates a GDPR contraction of 2.2 per cent, with 149 job losses. It is forecast that the municipal area's economy will recover with growth of 4.0 per cent in 2021, while GDPR growth of 1.0 per cent is forecast for 2022.

Diagram 2.3
GDPR (CURRENT PRICES) AND EMPLOYMENT, Laingsburg, 2019 and 2020e

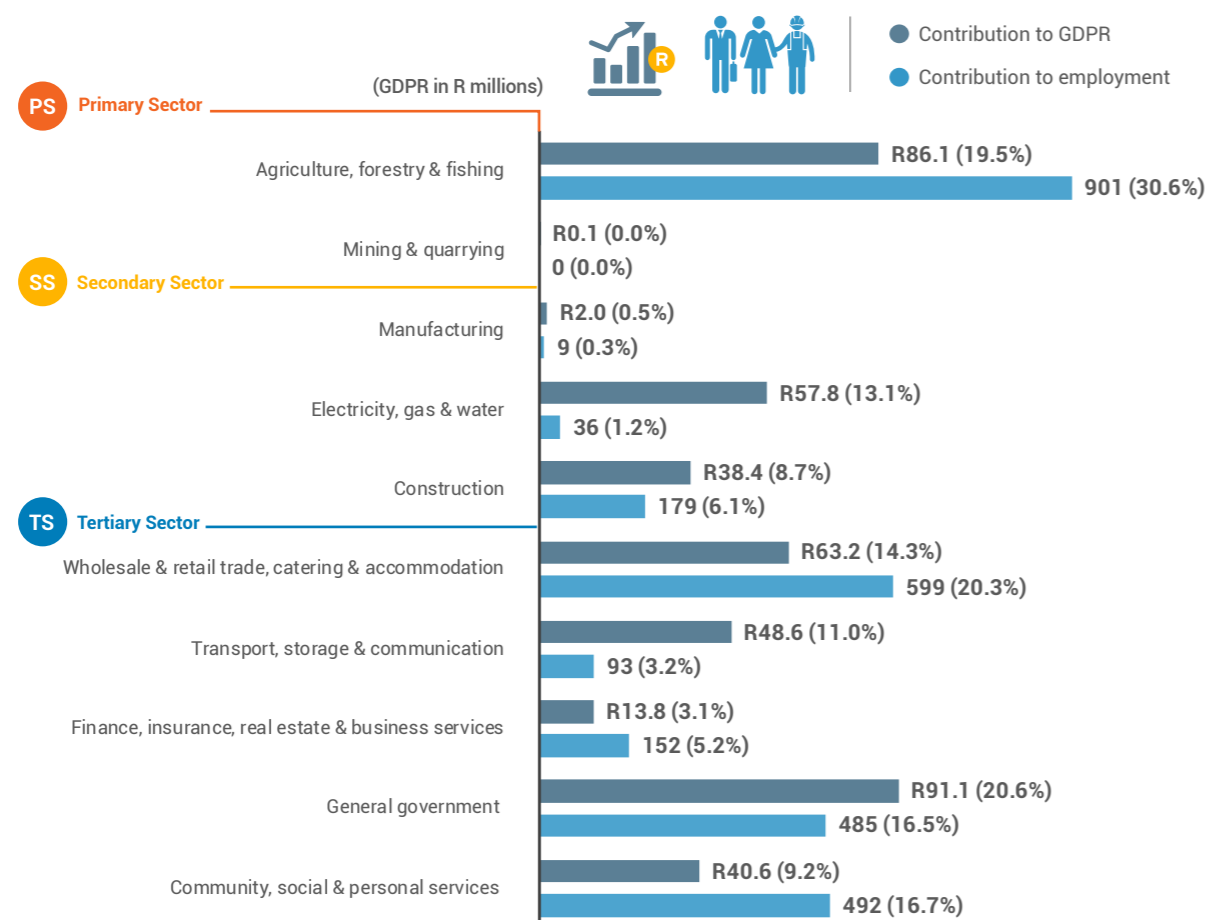
JOBS



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

Figure 2.9 portrays the sectoral contribution of the Laingsburg municipality to GDP and employment in the local municipality in 2019.

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



Source: Quantec Research, 2021

The general government sector contributed the largest share to GDP (20.6 per cent) and contributed 485 jobs. The second-largest contributor to GDP was the agriculture sector (19.5 per cent), which was by far the largest employer, with 30.6 per cent of the total workforce. The trade sector was the second-largest contributor to employment (20.3 per cent).

Capital-intensive sectors included manufacturing, electricity, gas and water, construction, transport and general government, because their contribution to GDP was larger than their contribution to employment. Labour-intensive sectors for the municipal area included agriculture, trade, finance and community services.

Table 2.3 describes the sectoral performance of the Laingsburg municipal area's contribution to GDP and employment between 2015 and 2020.

Table 2.3
GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Laingsburg

SECTOR	GDPR		Employment	
	Trend 2015 – 2019	Real GDP growth 2020e	Average annual change 2015 – 2019	Net change 2020e
PS Primary Sector	-3.1%	10.3%	30	-30
Agriculture, forestry & fishing	-3.1%	10.3%	30	-30
Mining & quarrying	-2.2%	-20.5%	0	0
SS Secondary Sector	2.1%	-11.8%	7	-23
Manufacturing	-1.3%	-8.6%	0	0
Electricity, gas & water	1.4%	-5.6%	1	-1
Construction	3.2%	-19.1%	6	-22
TS Tertiary Sector	1.5%	-5.0%	46	-96
Wholesale & retail trade, catering & accommodation	0.6%	-10.2%	18	-59
Transport, storage & communication	-0.1%	-16.1%	3	-3
Finance, insurance, real estate & business services	1.9%	-4.7%	5	-5
General government	2.2%	2.4%	7	10
Community, social & personal services	2.7%	-1.3%	13	-39
Total Laingsburg	0.2%	-2.2%	83	-149

Source: Quantec Research, 2021 (e denotes estimate)

With an average annual growth rate of 0.2 per cent between 2015 and 2019, the Laingsburg economy was mostly stagnant. The secondary sector was the largest contributor of GDP in the municipal area between 2015 and 2019, with average annual growth of 2.1 per cent. The construction sector had the largest growth rate (3.2 per cent) within the secondary sector, while the electricity, gas and water sector also showed strong growth of 1.4 per cent per annum. One contributing factor to the growth in the construction sector could be the construction of agricultural and water infrastructure as a means to improve water security in the region.¹⁵ However, the construction sector only created six jobs annually between 2015 and 2019, which indicates that construction projects may have been outsourced to outside contractors. The secondary sector contributed seven jobs annually in the same period.

The tertiary sector accounted for the second-largest share of the Laingsburg municipal area's GDP growth (1.5 per cent) and was the largest contributor to employment, with 46 jobs created annually between 2015 and 2019. The community services sector had the highest growth rate for the tertiary sector, with 2.7 per cent growth, followed by the general government sector (2.2 per cent). The trade sector was the largest contributor to employment in the tertiary sector,

¹⁵ (Laingsburg Municipality, 2020).

with 18 jobs created annually. The opening of a Savers Lane supermarket, Puma and KFC in the Laingsburg municipal area contributed to the increase in employment in this sector.¹⁶

The primary sector contracted at an average annual rate of 3.1 per cent between 2015 and 2019. This decline was the result of the persistent drought conditions experienced in southern Africa from 2018. The drought had a severe and adverse impact on the agriculture sector. However, this sector created the most jobs between 2015 and 2019 in the municipal area (30 jobs per annum).

The agriculture sector and the general government sector are the only sectors in the municipal area that indicated a growth in GDP for 2020, with 10.3 per cent and 2.4 per cent growth respectively. Sheep farming is the largest enterprise within the municipal area, and the increase in mutton prices and the fact that the sector could operate under lockdown level five are the two main reasons for the growth in this sector. Despite the GDP growth in the sector, it is estimated to have lost 30 jobs in 2020. The economy of the municipal area is estimated to have contracted by 2.2 per cent owing to economic pressure in 2020, and a total of 149 jobs are estimated to have been lost in the same year.



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INDUSTRY PERFORMANCE

The 110MW Perdekraal wind farm near Matjiesfontein launched in 2020 to become the first Renewable Energy Independent Power Producer Procurement Programme round-four (REI4P) wind energy facility to begin commercial operations.¹⁷ The Province also benefited from the approval of the 128MW Oya Energy Hybrid Facility near Matjiesfontein under the RMI4P.¹⁸ It is anticipated that the Provincial renewable energy generation sector will continue to grow after 2021, with a number of bids having been made in the recently closed REI4P fifth window.¹⁹ Longer-term reforms announced under Operation Vulindlela will also create new opportunities for distributed green electricity generation below utility scale.²⁰

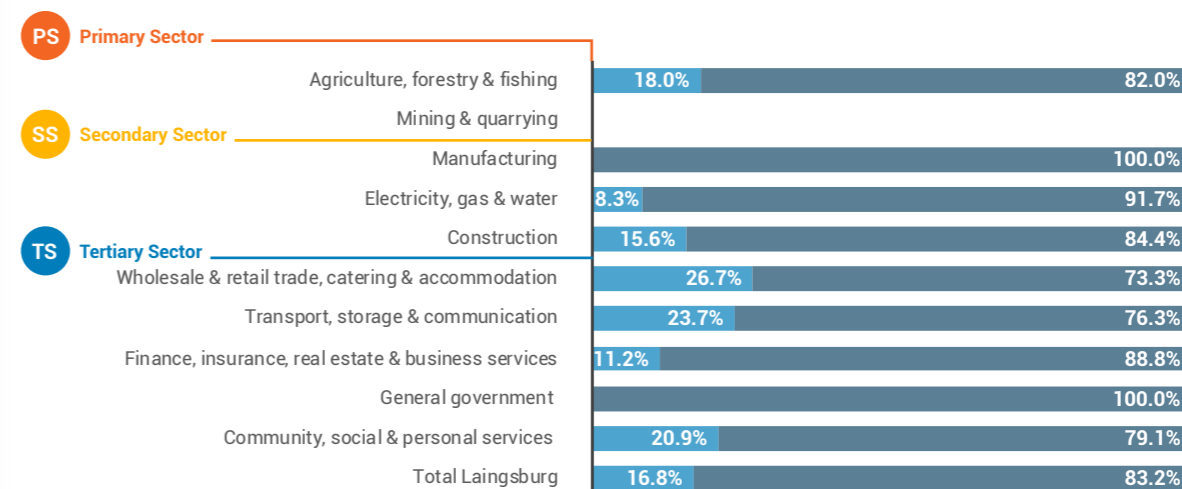
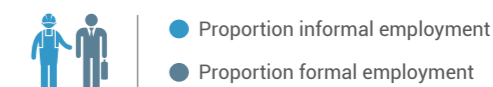


To learn more about Operation Vulindlela:

¹⁶ (Laingsburg Municipality, 2020).
¹⁷ (Perdekraal Wind Farm, 2020).
¹⁸ (IPP office, 2021b).
¹⁹ (IPP office, 2021b).
²⁰ (National Treasury, 2021).

Figure 2.10 illustrates the sectoral employment distribution in the Laingsburg municipal area.

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



Note: Employment in the mining and quarrying sector is zero
 Source: Quantec Research, 2021

On average, 83.2 per cent of the municipal area's employment distribution was formal employment in 2019, with only 16.8 per cent of workers being informally employed. The trade (26.7 per cent), transport (23.7 per cent), community services (20.9 per cent) and agriculture (18.0 per cent) sectors contributed a higher proportion of informal employment than the other sectors.

The remoteness of the Laingsburg municipal area poses a challenge for informal and small businesses, as it hampers easy access to supplies. Access to goods is further constrained by the lack of public transport in the area. These challenges make it hard for small and informal businesses alike to be sustainable in the area. Supporting local SMMs to be able to provide goods and services can be a catalyst for employment creation. However, the number of SMMs on the Laingsburg Municipality supplier database reduced from 54 in 2019 to 43 in 2020.²¹

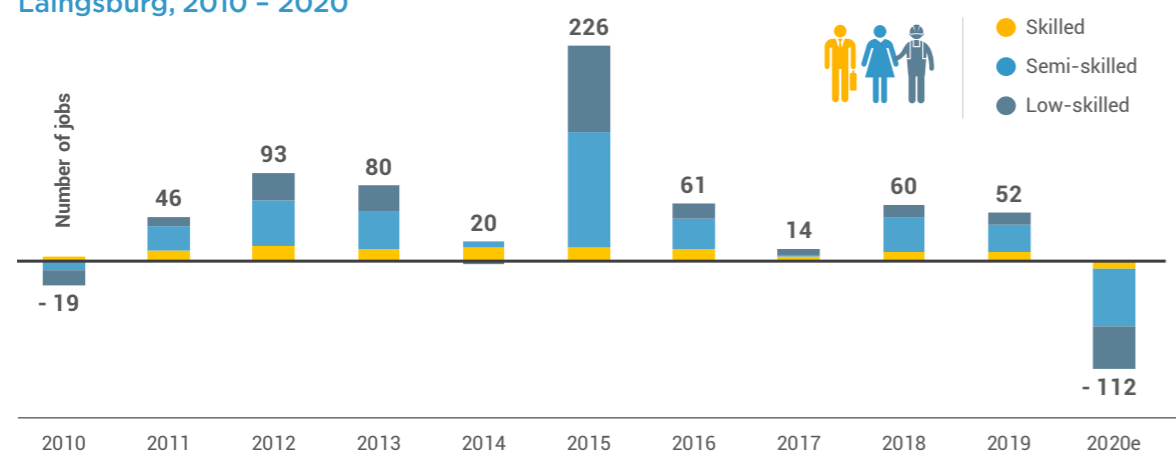


²¹ (Laingsburg Municipality, 2021).

2.4.2 Skills analysis

The changes in employment by skill levels in the Laingsburg municipal area between 2010 and 2020 are illustrated in Figure 2.11 below. Generally, the employment growth trend in the municipal area followed the employment trends at a District level.

Figure 2.11
EMPLOYMENT GROWTH BY SKILL LEVELS,
Laingsburg, 2010 – 2020



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e
Skilled	6	12	17	14	15	15	13	5	11	10	-7
Semi-skilled	-9	25	47	39	7	121	32	2	36	29	-61
Low-skilled	-16	9	29	27	-2	90	16	7	13	13	-44

Source: Quantec Research, 2021 (e denotes estimate)

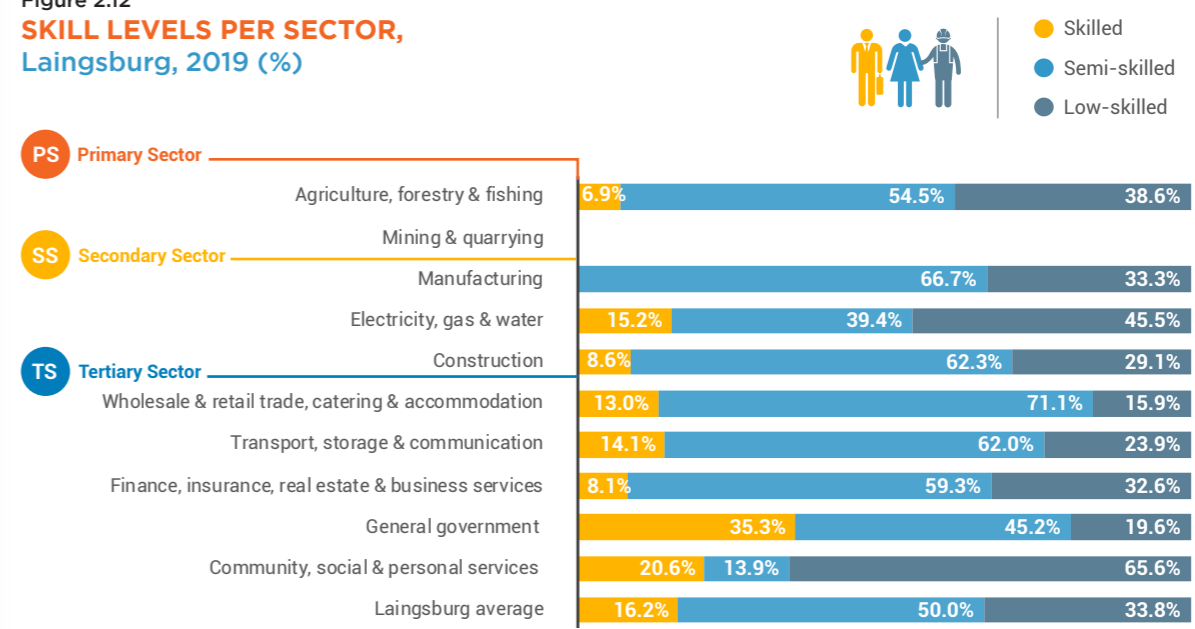
Between 2010 and 2020, the economy of the Laingsburg municipal area created the most employment in 2015.²² Most of the positions were for semi-skilled (121 jobs) and low-skilled (90 jobs) workers, with only a few jobs created for skilled workers (15 jobs). Drought conditions in 2018 resulted in a significant decrease in work opportunities in the municipal area in the following years. It is estimated that 112 formal jobs were lost in 2020, with 61 semi-skilled workers, 44 low-skilled workers and seven skilled workers losing their jobs.



²² It should be noted 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).

Figure 2.12 illustrates sectoral employment by skill levels.

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



Note: Employment in the mining and quarrying sector is zero
Source: Quantec Research, 2021

In the Laingsburg municipal area, semi-skilled workers made up the bulk of employed workers (50.0 per cent). Low-skilled workers accounted for 33.8 per cent of all workers, while the remainder was made up of skilled workers (16.2 per cent). The trade (13.0 per cent), construction (8.6 per cent), agriculture, (6.9 per cent), finance (8.1 per cent) and electricity, gas and water (15.2 per cent) sectors accounted for a below-average portion of the skilled labour force in the municipal area. Notably, the general government sector accounted for the largest share (35.3 per cent) of skilled workers across all the sectors in the Laingsburg municipal area.

The shortage of skills could be related to the municipal area's low literacy levels, resulting in a low-skilled population. The municipality should focus on skills development programmes to improve the population's skill levels.



2.5 CONCLUDING REMARKS

The Beaufort West municipal area had the highest contribution to GDP in the CKD. The general government sector was the largest contributor to the Beaufort West Municipality (22.4 per cent) in 2019. However, the economy contracted in 2020 and shed 725 jobs. Between 2019 and 2020, the Beaufort West municipal area is estimated to have experienced the biggest economic decline in the CKD (4.8 per cent). The agriculture sector contributed the largest portion to employment between 2015 and 2019, with 77 jobs created annually. It is estimated that the primary sector will be the only sector to have experienced growth in 2020 (10.7 per cent) and that the biggest economic loss was experienced in the secondary sector.

In the Prince Albert municipal area, it is estimated that GDP declined between 2019 and 2020 owing to the impacts of the COVID-19 pandemic. It is estimated that 192 jobs were lost in 2020 and the municipal area's economy contracted by 1.8 per cent. The general government sector contributed the largest GDP share to the local economy (24.2 per cent), while the agriculture sector was the biggest contributor to employment (34.9 per cent). The tertiary sector was the largest contributor to the local economy, followed by the secondary sector.

The general government sector contributed the most to GDP in the Laingsburg municipal areas, while the agriculture sector contributed the most to employment (30.6 per cent). The economy of the municipal area is estimated to have contracted by 2.2 per cent in 2020.

The agriculture sector, trade sector and community services sectors were the most labour-intensive sectors in the CKD, while the remaining sectors were capital-intensive. Most workers in the CKD are classified as semi-skilled workers. However, a high percentage of the municipal area's workers are still low-skilled. This indicates an opportunity to focus on skills development programmes for the workers. This will ensure that they improve their skill levels, equipping them with a diverse skill set for various economic conditions.

The Beaufort West municipal economy will recover partially in 2021, with forecast growth of 3.2 per cent, followed by 0.2 per cent in 2022. The Laingsburg and Prince Albert municipal economies are anticipated to fully recover in 2021, with growth rates of 4.0 per cent and 4.6 per cent respectively.





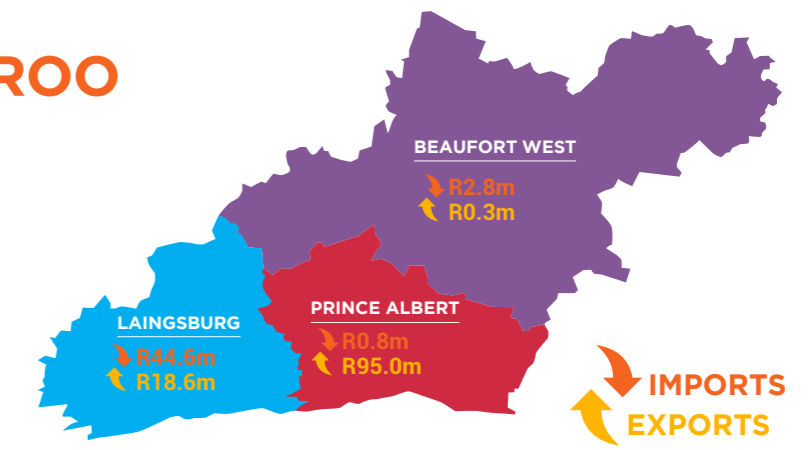
3

TRADE, TOURISM AND INVESTMENT

3.1 INTRODUCTION

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

CENTRAL KAROO TRADE AND TOURISM

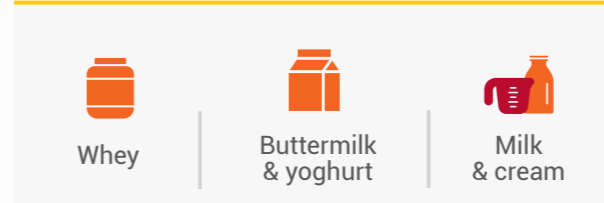


TRADE

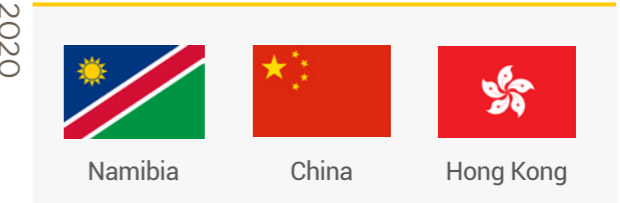


This chapter explores trade, tourism and investment dynamics at a District level and analyses the comparative advantages of the various economic sectors within the District to identify growth opportunities in the CKD.

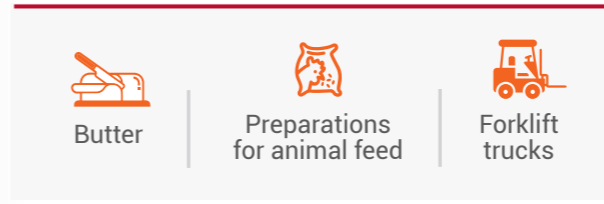
TOP 3 EXPORTED PRODUCTS



TOP 3 EXPORT DESTINATIONS



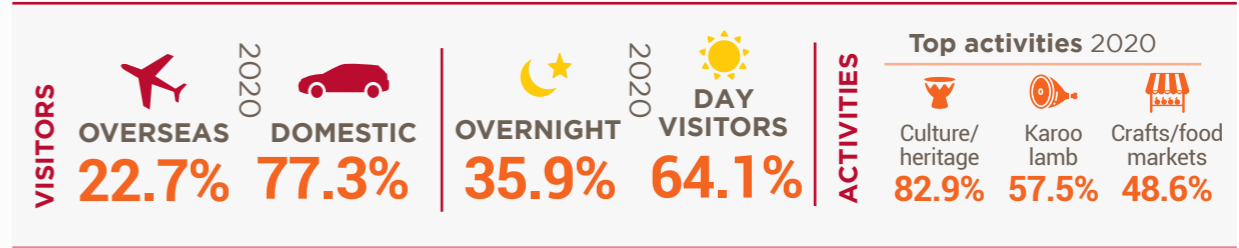
TOP 3 IMPORTED PRODUCTS



TOP 3 IMPORT DESTINATIONS



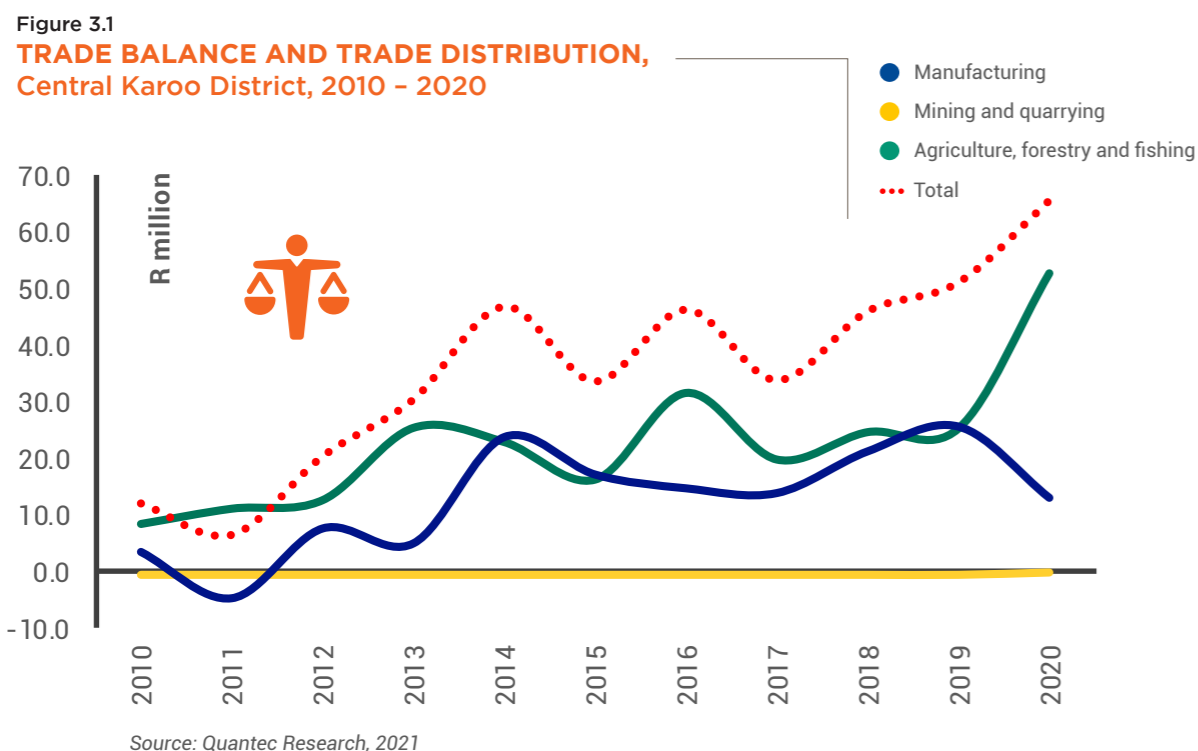
TOURISM



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 therefore indicates that the CKD exports more than it imports, and vice versa. 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 CKD 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.



The CKD maintained a positive trade balance between 2010 and 2020, which can largely be attributed to the manufacturing sector and the agriculture sector. The mining sector had no impact on the trade balance during this period. The peak of the trade surplus for the period under review was experienced in 2020 (R65.6 million). This was mainly driven by the agriculture sector, which increased from R25.2 million in 2019 to R52.5 million in 2020.

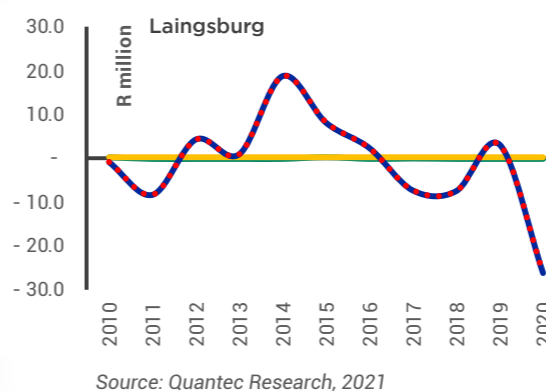
A trade surplus was observed in the manufacturing sector between 2010 and 2019, with the exception of 2011, when the sector experienced a trade deficit of R4.8 million. Between 2019 and 2020 the trade surplus in the sector declined from R25.8 million to R13.1 million.

The manufacturing sector accounted for all of the imports into the District in 2020. The agriculture sector accounted for 46.1 per cent of exports and the manufacturing sector accounted for 53.9 per cent of exports in 2020, with no exports from the mining sector, despite the availability of resources, such as dolerite, gypsum, shale gas and uranium in the CKD.²³

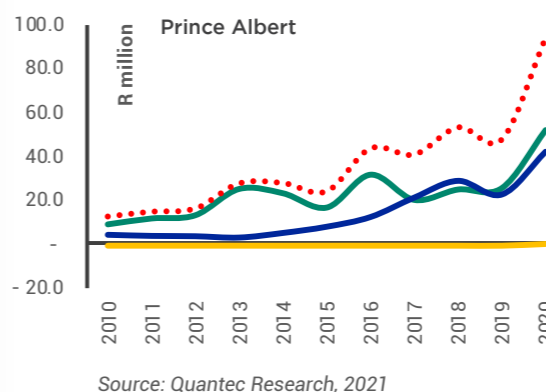
²³ (Cole, Ngcofe & Halenyane, 2014).

Figure 3.2 provides an overview of the trade balance per municipal area in the CKD between 2010 and 2020. The Prince Albert and Beaufort West municipal areas experienced trade surpluses between 2010 and 2020, while the Laingsburg municipal area experienced fluctuations in its trade balance for the period under review.

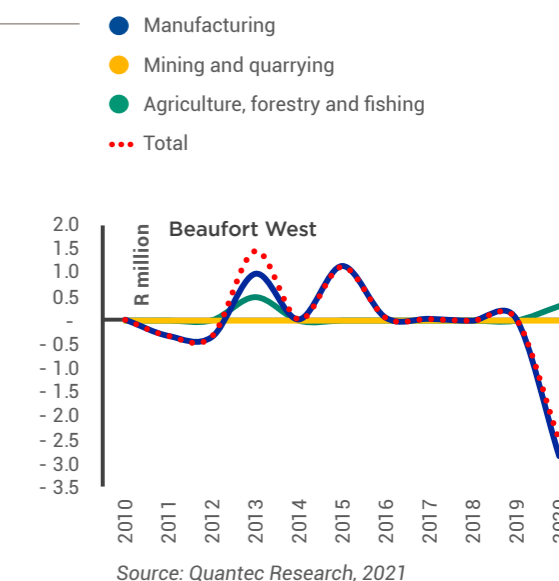
Figure 3.2
TRADE BALANCE PER MUNICIPAL AREA, Central Karoo District, 2010 - 2020



The Laingsburg municipal area experienced a trade surplus between 2012 and 2016, and again in 2019. Trade deficits were experienced for the remaining period, with the most significant deficit experienced in 2020, when the trade balance changed from a trade surplus of R3.2 million in 2019 to a trade deficit of R26.1 million in 2020. The manufacturing sector, which accounted for all the municipal area's imports and exports in 2020, was the main driver of the municipal area's cyclical trade patterns during the entire period under review.



45.1 per cent respectively of the municipal area's total exports. Interestingly, the manufacturing sector accounted for all the Prince Albert municipal area's imports in 2020. The mining sector had no impact on the trade balance during the entire period of review.



The Beaufort West municipal area recorded minimal trade over the reference period. Substantial trade surpluses were recorded in 2013 (R1.5 million) and 2015 (R1.1 million). The lack of consistent trade from the District illustrates the lack of well-developed value chains that can be used to promote trade. Exports from the District are mainly from the agriculture sector, which accounted for 98.6 per cent of exports in 2020. In 2020, a trade deficit of R2.5 million was recorded mainly as a result of increased manufacturing sector imports (R2.8 million).

The Prince Albert municipal area maintained a trade surplus between 2010 and 2020. The trade surplus increased significantly from R47.8 million in 2019 to R94.2 million in 2020. This was mainly due to increased trade surpluses by the agriculture sector and the manufacturing sector, which contributed 54.9 per cent and

3.2.1 IMPORTS



Figure 3.3 illustrates the top 10 import partners of the CKD in 2020.

Table 3.1 shows the value of the top 10 products imported by the CKD and its main trading partners.

Figure 3.3
TOP 10 IMPORT PARTNERS,
Central Karoo District, 2020

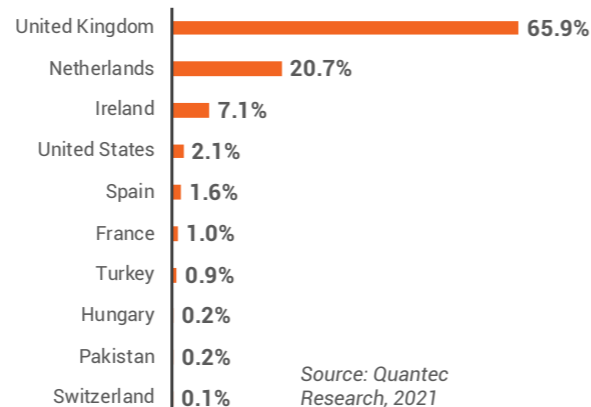


Table 3.1
MAIN IMPORT PRODUCTS,
Central Karoo District, 2020



PRODUCT	R million 2020	% share	Main trading partners
Butter and other fats and oils derived from milk; dairy spreads	34.6	71.5%	United Kingdom, Ireland
Preparations of a kind used in animal feeding	10.0	20.7%	Netherlands
Forklift trucks; other works trucks fitted with lifting or handling equipment	1.3	2.7%	Spain, United Kingdom
Harvesting or threshing machinery, including straw or fodder balers; grass or hay mowers; machines for cleaning, sorting or grading eggs, fruit or other agricultural produce	0.9	1.9%	United States, Turkey
Casks, barrels, vats, tubs and other cooper's products and parts thereof, of wood, including staves	0.5	1.0%	France
Tractors	0.4	0.9%	United States
Parts suitable for use solely or principally with the machinery such as forklift trucks, mechanical appliances, bulldozers, etc.	0.1	0.3%	United States, United Kingdom, Spain
Beauty or makeup preparations and preparations for the care of the skin (other than medicaments)	0.1	0.2%	Hungary, China
Aluminium casks, drums, cans, boxes and similar containers (including rigid or collapsible tubular containers)	0.1	0.2%	Pakistan
Printed books, brochures, leaflets and similar printed matter, whether or not in single sheets	0.1	0.1%	Spain
Total imports	48.3		

Source: Quantec Research, 2021

In 2020, the CKD imported products worth R48.3 million, mainly from the United Kingdom (65.9 per cent). Trade agreements signed in 2021 make it easier for African countries to trade with the United Kingdom under the Southern African Customs Union (SACU) and Mozambique-UK Economic Partnership Agreement.²⁴

Butter and other related products made up 71.5 per cent (R34.6 million) of total imports to the CKD in 2020. Furthermore, imports of preparation products used in animal feeding from the Netherlands contributed 20.7 per cent (R10.0 million) to the total imports. The most widespread agricultural activity in the CKD is livestock farming, which is dominated by sheep farming. The District has good grazing capacity, with the Laingsburg and Prince Albert municipal areas having the highest grazing capacity.²⁵ However, lack of sufficient rain in the region often creates the need for imported feed.

²⁴ (Bloomberg, 2021).

²⁵ (Central Karoo District Municipality, 2021).

3.2.2 EXPORTS



Figure 3.4 illustrates the top 10 export partners of the CKD in 2020.

Table 3.2 shows the value of the top 10 products exported by the CKD and its main trading partners.

Figure 3.4
TOP 10 EXPORT PARTNERS,
Central Karoo District, 2020

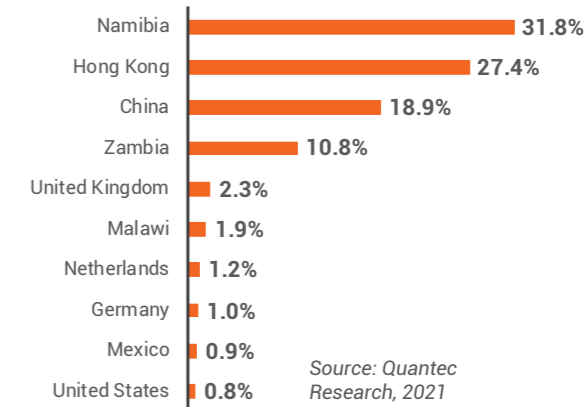


Table 3.2
MAIN EXPORT PRODUCTS,
Central Karoo District, 2020



PRODUCT	R million 2020	% share	Main trading partners
Molluscs	27.5	24.2%	Hong Kong
Milk and cream	17.0	14.9%	Namibia
Crustaceans	17.0	14.9%	China, Hong Kong
Buttermilk, curdled milk and cream, yoghurt, kephir and other fermented or acidified milk and cream	10.3	9.0%	Namibia, Zambia
Whey	8.7	7.6%	Zambia
Wine of fresh grapes	8.6	7.5%	United Kingdom
Locust beans, seaweeds and other algae, sugar beet and sugar cane, fresh, chilled, frozen or dried, whether or not ground; fruit stones and kernels and other vegetable products	7.6	6.7%	China
Butter and other fats and oils derived from milk; dairy spreads	5.4	4.8%	Namibia, Zambia
Milk and cream, concentrated or containing added sugar or other sweetening matter	3.7	3.3%	Namibia
Other food preparations	2.3	2.0%	Malawi
Total exports	113.9		

Source: Quantec Research, 2021

The CKD exported products to the total value of R113.9 million in 2020, with Namibia being the leading export partner, making up 31.8 per cent of the total exports in 2020. Namibia is a member of SACU, which allows for a free flow of trade between member countries.²⁶ The member countries form a single customs territory in which tariffs and other barriers are eliminated substantially for ease of trade for products originating in these countries.²⁷ Hong Kong (27.4 per cent of exports) and China (18.9 per cent) were also important export markets.

A large portion of these exports consisted of dairy and other food products. Large volumes of milk and cream, making up 14.9 per cent of total exports and valued at R17.0 million, were exported. Other dairy products such as buttermilk, curdled milk, cream, yoghurt, kephir, other fermented/acidified milk and whey were also exported from the CKD.

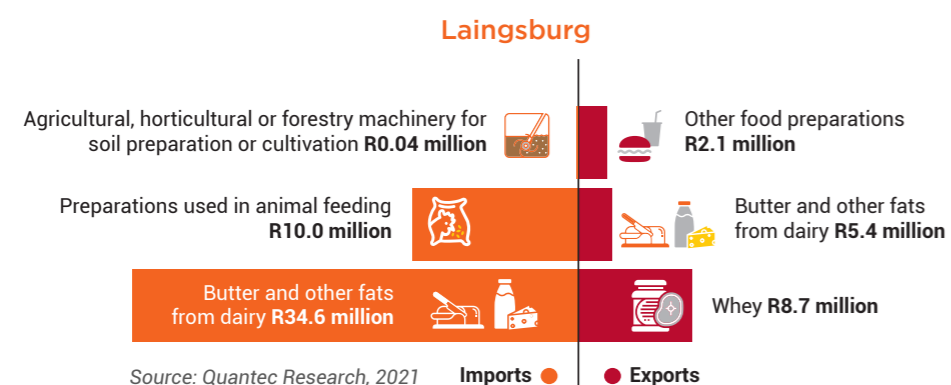
²⁶ (Namibian Government, 2021).

²⁷ (South African Customs Union, 2021) & (Central Karoo District Municipality, 2021).

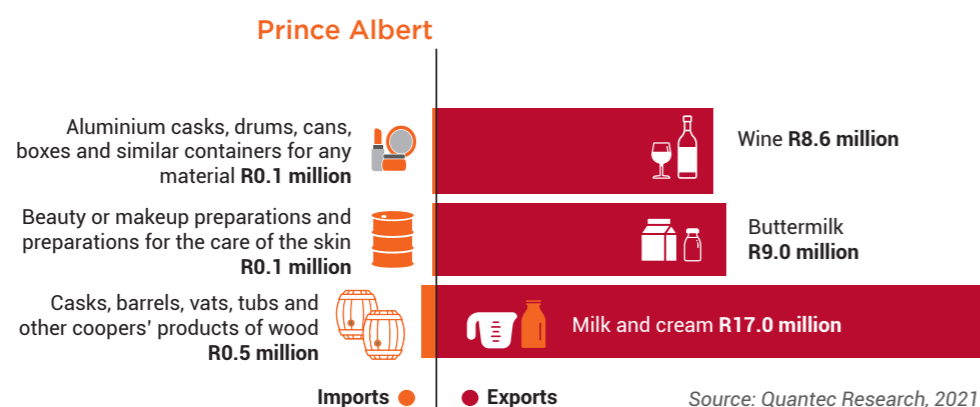
3.2.3 Municipal imports and exports

Figure 3.5 demonstrates the main imports and exports for the Laingsburg, Prince Albert and Beaufort West municipal areas in 2020. The municipal areas have different import and export products based on the demand and production of each region.

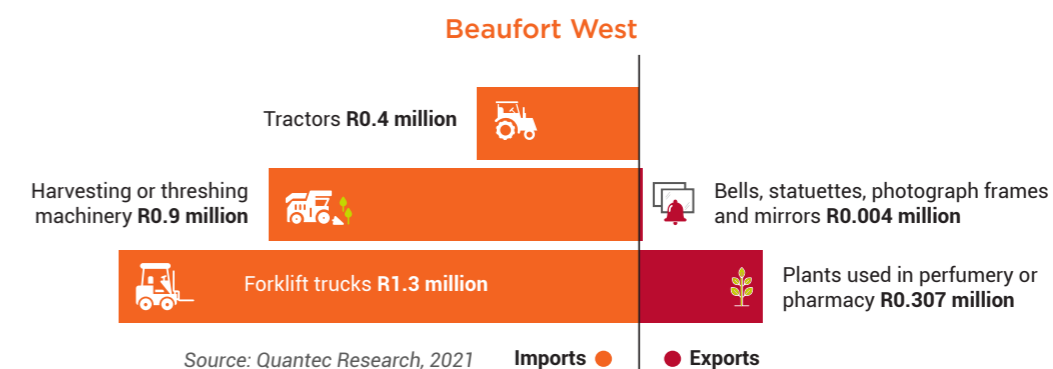
Figure 3.5
TOP 3 IMPORTS AND EXPORTS PER MUNICIPAL AREA, Central Karoo District, 2020



In the **Laingsburg municipal area**, the top three imported products in 2020 were butter and other fats (R34.6 million), preparations used in animal feeding (R10.0 million) and agricultural and related machinery to the value of R0.04 million. The top three exported products were whey (R8.7 million), butter and other fats (R5.4 million) and other food preparation products valued at R2.1 million.



The top imported product into the **Prince Albert municipal area** was casks, barrels, vats, tubs and other cooperers' products valued at R0.5 million, followed by beauty or makeup preparation products (R0.1 million) and aluminium casks and related products (also valued at R0.1 million). The municipal area's top three exported products in 2020 were milk and cream worth R17.0 million, buttermilk valued at R9.0 million and wine valued at R8.6 million.



In the **Beaufort West municipal area**, the top three imported products in 2020 were forklift trucks valued at R1.3 million, harvesting or threshing machinery valued at R0.9 million and tractors valued at R0.4 million. The municipal area's top two exported products in 2020 were plants used in perfumery or pharmacy worth R0.3 million and bells, statuettes, photograph frames and mirrors worth R0.004 million.

In addition to livestock farming, other important agricultural activities in the CKD are based on the rain-fed cultivation of wheat as well as the cultivation of irrigated crops, which include apricot, olive, wine grapes, peach, pear, plum, quince and table grapes. The import of animal feed, agricultural machinery, casks, barrels and harvesting machinery contributes to the main sectors of the CKD.



3.3 TOURISM PROFILE²⁸

The Karoo region is the largest in the Western Cape and is characterised by its breath-taking sights and long-standing history. In the Karoo, people can see and experience the heritage of South Africa, dating back from the dinosaur era up to the present day. This region is a popular stopover destination for people travelling to the Western Cape’s coastline. Some of the unique offerings for the region relate to astro-tourism, the Bushman/San culture, dinosaur fossils and the Karoo experience as defined by its architecture, landscape and people. Its wholesome hospitality and embedded culture are among the charms that travellers seek to experience. It is also home to the Karoo National Park near Beaufort West, as well as other game and nature reserves.

The tourism sector is not a stand-alone economic sector, as tourists demand goods and services from a variety of sectors, such as travel and transport services, accommodation, restaurant services, general shopping and fuel. However, the catering and accommodation sector is often used to determine at least a portion of the size of the tourism industry in an area. The catering and accommodation services industry was valued at R54.5 million in 2019 and employed 1 077 people, with informal employment accounting for 38.2 per cent of the industry’s total employment. Estimates for 2020 indicate that the industry was valued at R50.6 million and shed 179 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 CKD is a popular destination, especially among the domestic market, which enjoys short or weekend getaways to the countryside.

The future of tourism is uncertain owing to frequently changing travel and movement restrictions. Although international and domestic travel is permitted to South Africa, many travellers still do not feel comfortable to travel. 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.

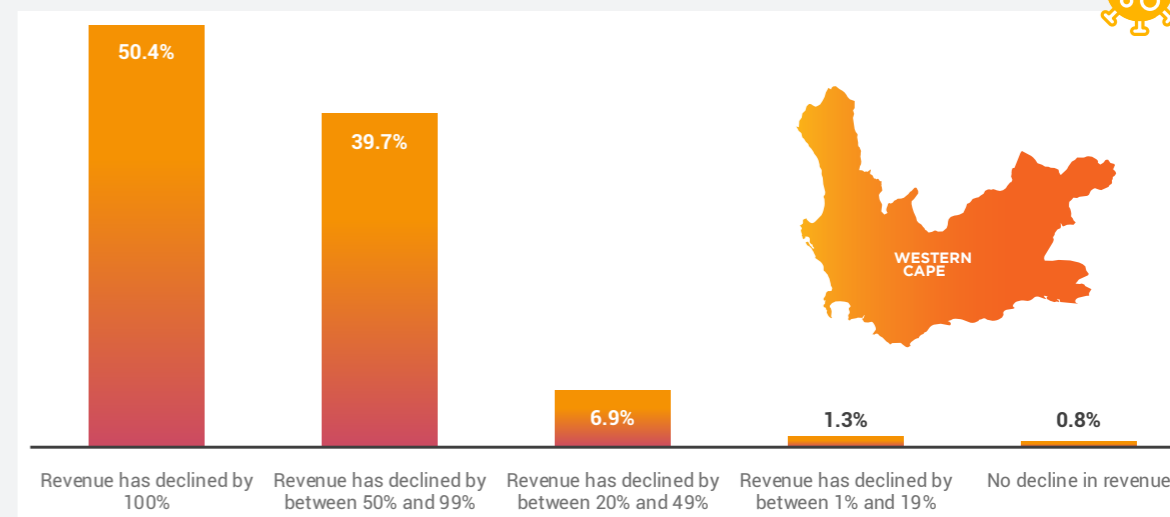


The full extent of the economic damage caused by COVID-19 and the subsequent national lockdown cannot be determined with certainty because, at the time of writing this publication, the national lockdown is still ongoing. A closer look at the labour market indicates a decline in household income as a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

²⁸ 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 the 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’s 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 the tourism respondents experienced a 100.0 per cent loss of revenue because of the COVID-19 pandemic and about 39.7 per cent saw their revenue decline between 50.0 per cent and 99.0 per cent.

Other COVID-19 impacts on the Western Cape tourism sector include:²⁹

- Approximately 43.2 per cent of 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.
- Almost 47.0 per cent of 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 businesses also had to access their savings to cope during the pandemic.

²⁹ (Wesgro, 2021).

- 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.
- Approximately 23.2 per cent of the respondents received funding and 9.1 per cent of respondents who received funding did not receive sufficient funding for their operational needs.
- Approximately 55.0 per cent of the respondents applied for funding from UIF TERS, 30.1 per cent applied to the Department of Tourism’s Tourism Relief Fund and 18.4 per cent applied to the SMME Debt Relief Finance Fund.
- The national government implemented a risk-adjusted strategy that allowed certain activities to open under lockdown levels three and four. Approximately 40.0 per cent of the respondents indicated that occupancy levels or revenue slightly increased because of this relief measure.
- The easing of restrictions also had a huge impact on close to 10.0 per cent of businesses, which experienced a moderate to significant increase in revenue. However, almost 50.0 per cent of respondents did not experience any change in occupancy or revenue.

In mid-December 2020, stricter lockdown regulations were introduced as South Africa entered a second wave of coronavirus infections. During the 2020/21 festive season, 58.8 per cent of tourism businesses in the CKD experienced a significant decline in revenue, while 17.6 per cent experienced a moderate decline when compared with the previous year. The occupancy levels reflect why there was a decline in revenue, as the occupancy levels were low. In December 2020, 41.1 per cent of accommodation establishments had an occupancy level below 30.0 per cent, while 17.7 per cent had an occupancy level between 30.0 and 60.0 per cent. A total of 41.2 per cent of accommodation establishments with an occupancy level above 60.0 per cent shows that travellers did travel to the CKD during the festive season, but to less populated areas.

More than 70.6 per cent of tourism businesses in the CKD lost revenue owing to the ban on alcohol sales. In terms of rand value, 47.1 per cent of tourism businesses recorded an estimated loss of between R10 001 and R50 000 as a result of cancellations.³⁰

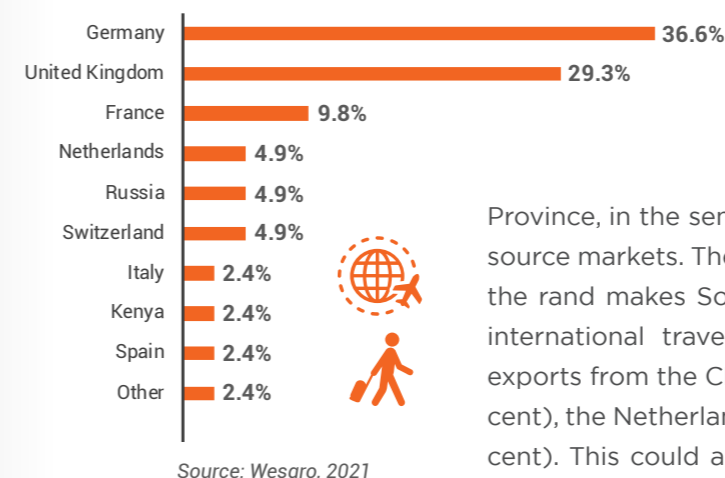


³⁰ (Wesgro, 2021).

3.3.2 Demographic profile of visitors

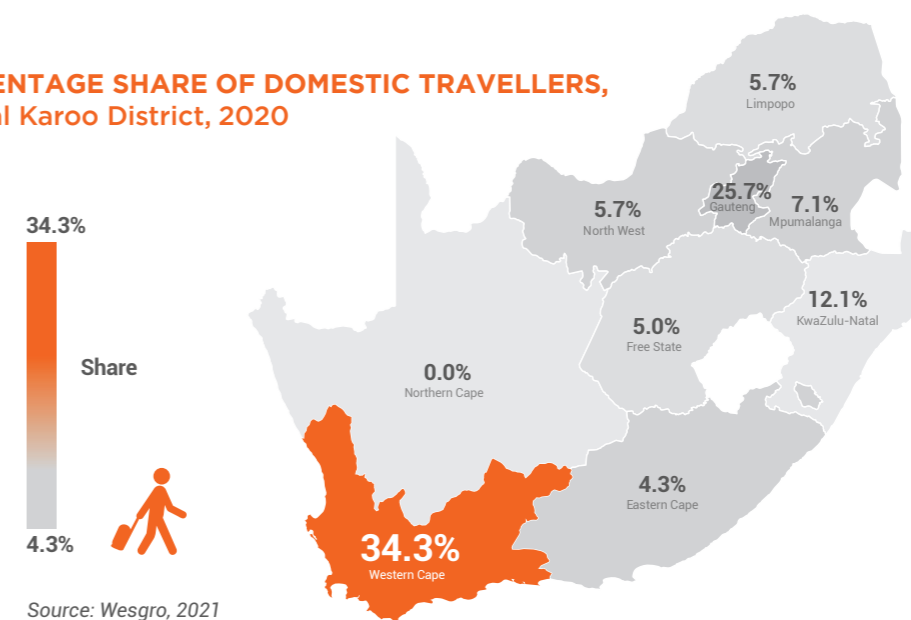
The CKD is largely a domestic tourism destination, with 77.3 per cent of visitors being South African residents. However, a small number of international visitors (22.7 per cent) do visit the region. Figure 3.7 provides more information about the origin of visitors to the CKD.

Figure 3.7
PERCENTAGE SHARE OF INTERNATIONAL TRAVELLERS, Central Karoo District, 2020



The top three international source markets to the CKD in 2020 travelled from Germany (36.6 per cent), the United Kingdom (29.3 per cent) and France (9.8 per cent). The international visitor trend to the CKD is consistent with the Province, in the sense that European countries dominate as source markets. The strength of the euro and pound against the rand makes South Africa an affordable destination for international travellers. The top three markets for wine exports from the CKD include the United Kingdom (28.1 per cent), the Netherlands (12.3 per cent) and Germany (11.4 per cent). This could also attract tourists to visit South Africa, and the region.

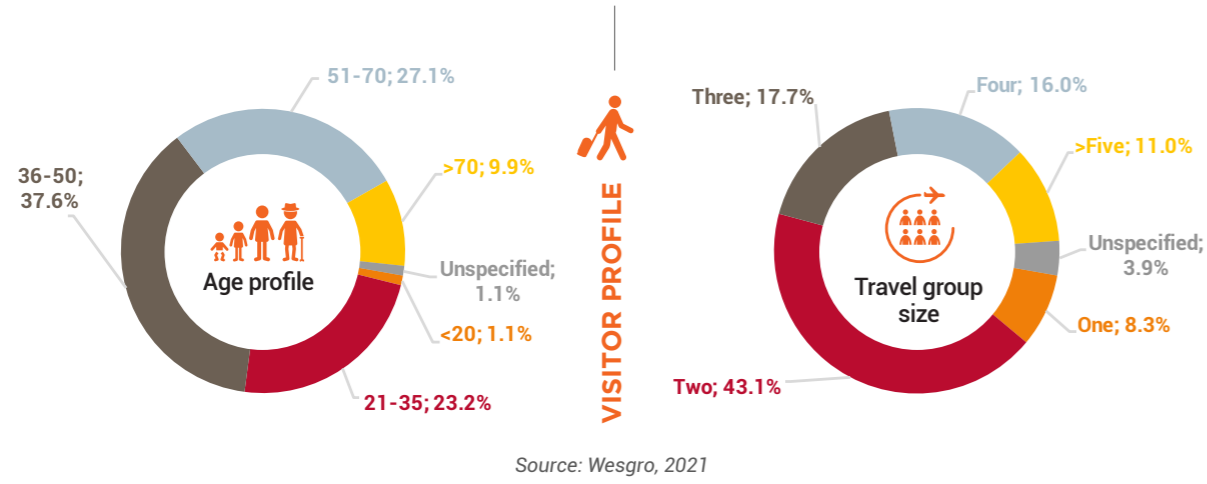
Map 3.1
PERCENTAGE SHARE OF DOMESTIC TRAVELLERS, Central Karoo District, 2020



The top three domestic source markets to the CKD in 2020 were the Western Cape (34.3 per cent), Gauteng (25.7 per cent) and KwaZulu-Natal (12.1 per cent). Despite the COVID-19 travel regulations, the trends indicate that the domestic market did start to travel to this region once the restrictions eased, confirming that the CKD is a popular destination to escape the fast pace of city life. However, the poor performance of the economy is negatively impacting household income, and spending by domestic tourists is likely to be affected.

Figure 3.8 provides a brief overview of the visitor profile in terms of age and group travel sizes for the CKD in 2020. Visitors to the region mainly travelled in pairs (43.1 per cent), groups of three (17.7 per cent) or groups of four (16.0 per cent), with only 8.3 per cent travelling alone.

Figure 3.8
VISITOR PROFILE, Central Karoo District, 2020



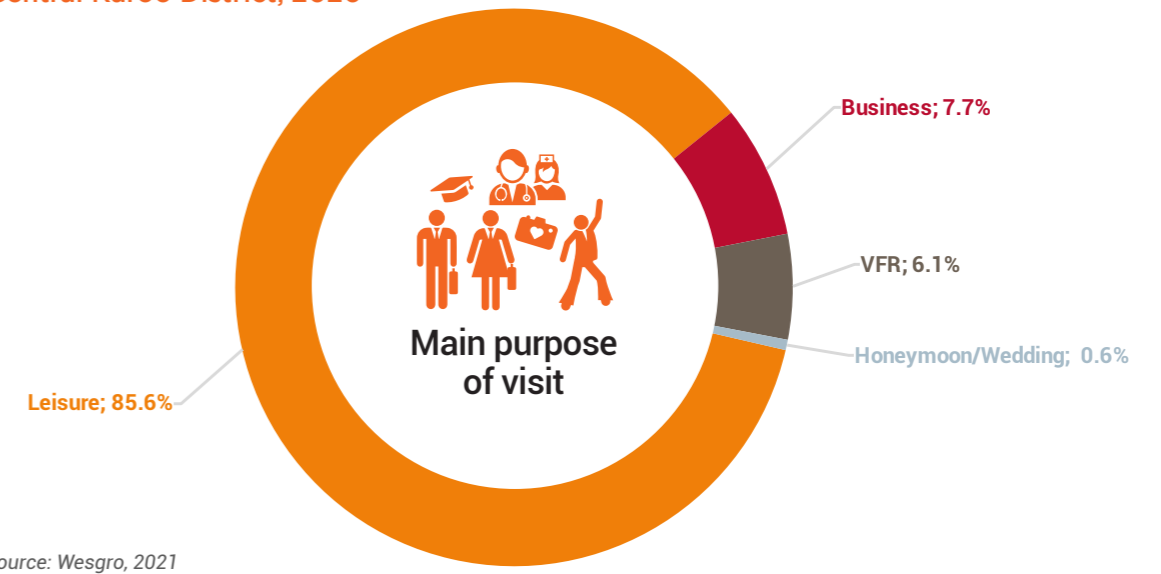
Of all the visitors to this region, 37.6 per cent were between the ages of 36 and 50, followed by 27.1 per cent between 51 and 70. It can be assumed that because most visitors travel in pairs and are older than 36, they are either partners or married, and travel to the region for either short getaways or weekends. Known for its wide-open arid spaces, the CKD is where tourists go to experience a place of incredible beauty, with wild game, clear skies and magical sunsets.



3.3.3 Purpose and duration of visit

As illustrated in Figure 3.9, the CKD is primarily considered a leisure destination, with 85.6 per cent of visitors travelling to the District for leisure purposes.

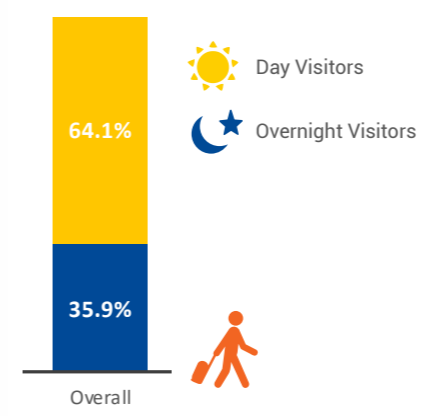
Figure 3.9
MAIN PURPOSE OF VISIT, Central Karoo District, 2020



Apart from leisure travel, 7.7 per cent of travel was for business and 6.1 per cent to visit friends/relatives (VFR).

Figure 3.10 illustrates the spread of day and overnight visitors to the CKD in 2020.

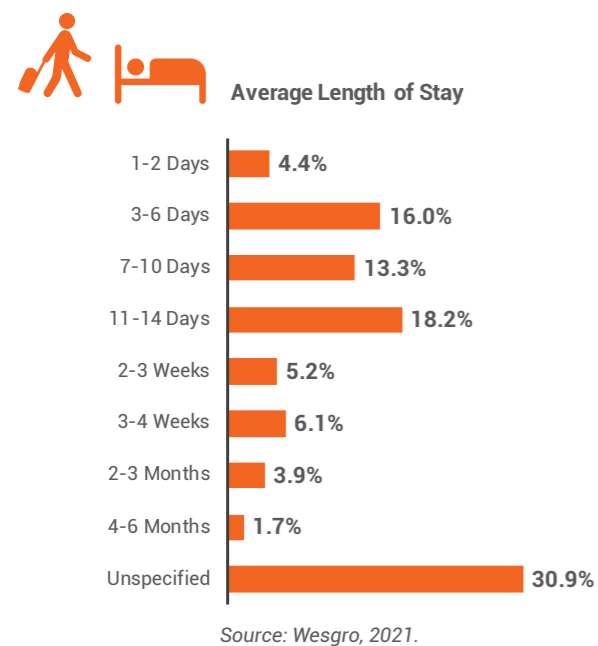
Figure 3.10
OVERNIGHT VS DAY VISITORS, Central Karoo District, 2020



The CKD is a popular destination, especially for day visitors, who accounted for 64.1 per cent of visits in 2020, while overnight stays accounted for 35.9 per cent. This shows that domestic visitors prefer to visit for short getaways or weekends, and it can be assumed that international visitors tend to stay overnight. The marketing efforts for overnight stays should focus on stargazing as a once-in-a-lifetime experience. This in return will have a positive impact on the local community, as overnight visitors generally spend more than day visitors.

Figure 3.11 shows that most visitors (18.2 per cent) spend 11 to 14 days in the region, while 16.0 per cent of visitors stay for only three to six days and a small percentage of visitors stay for longer.

Figure 3.11
AVERAGE LENGTH OF STAY BY VISITORS, Central Karoo District, 2020



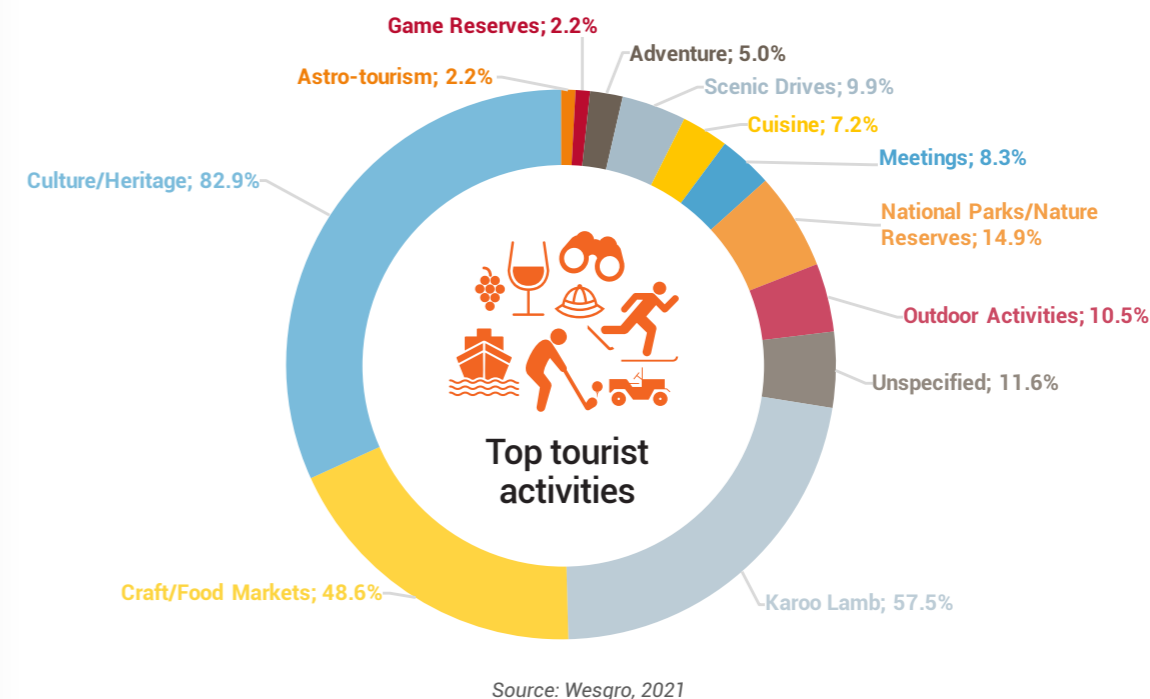
The region seems to be popular for getaways between three and 14 days, as tourists enjoy the culture and heritage along with visiting small towns. The length of stay is one of the key elements in a tourist's decision-making process and is of great economic importance for the tourist destination.



3.3.4 Activities, expenditure and transport

The CKD offers various activities for visitors, as illustrated in Figure 3.12.

Figure 3.12
TOP TOURIST ACTIVITIES UNDERTAKEN, Central Karoo District, 2020

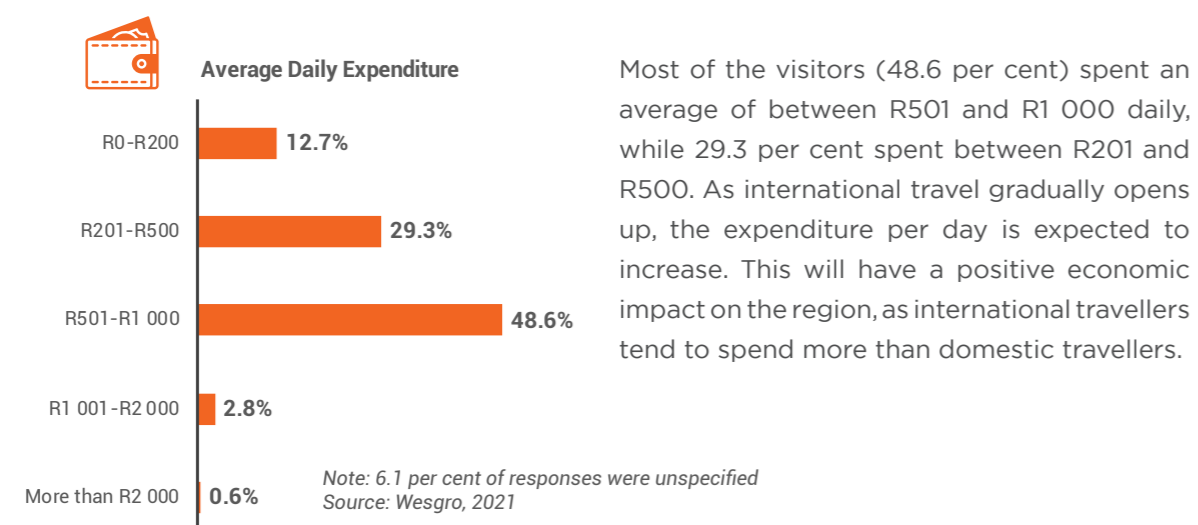


Activities enjoyed in 2020 by tourists to the CKD included culture or heritage (82.9 per cent), Karoo lamb farms (57.5 per cent) and craft and food markets (48.6 per cent). Activities that tourists participated in the least included astro-tourism (2.2 per cent), game reserves (2.2 per cent) and adventure activities (5.0 per cent). These percentages could be low because of low awareness levels, or because tourists simply do not prefer to take part in these activities.



Figure 3.13 shows the daily expenditure patterns among the visitors who travelled to the CKD in 2020.

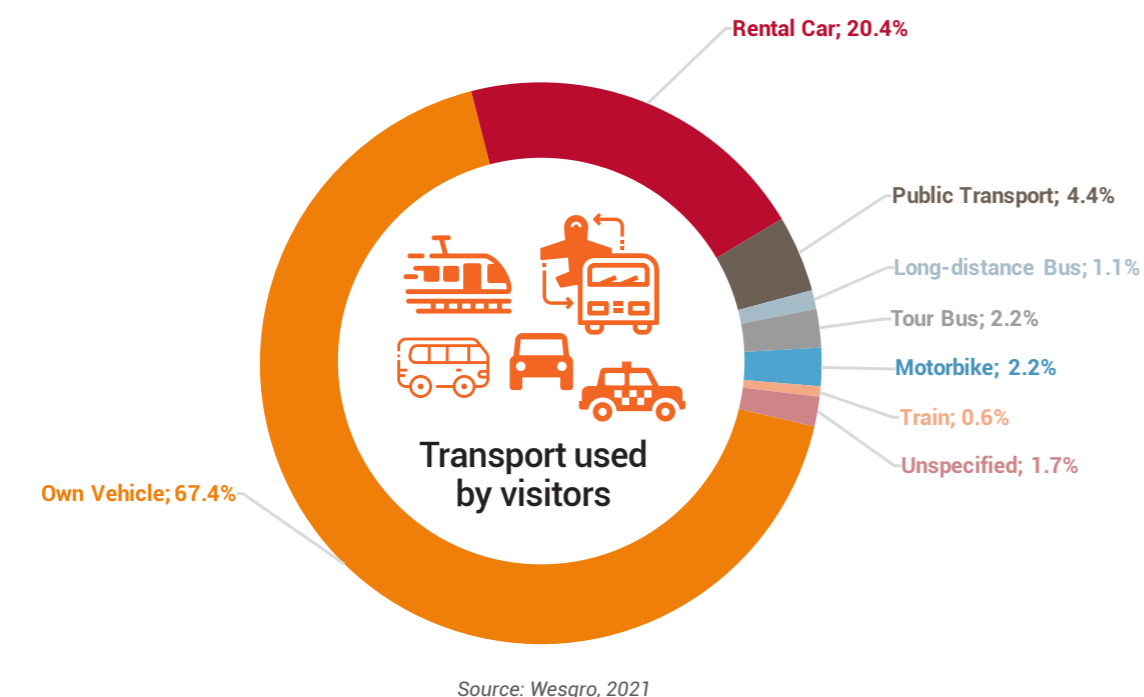
Figure 3.13
AVERAGE DAILY EXPENDITURE BY VISITORS, Central Karoo District, 2020



Most of the visitors (48.6 per cent) spent an average of between R501 and R1 000 daily, while 29.3 per cent spent between R201 and R500. As international travel gradually opens up, the expenditure per day is expected to increase. This will have a positive economic impact on the region, as international travellers tend to spend more than domestic travellers.

Figure 3.14 illustrates the mode of transport used by visitors to travel to and within the CKD.

Figure 3.14
MODE OF TRANSPORT USED BY VISITORS, Central Karoo District, 2020



In terms of the preferred mode of transport, most tourists made use of their own cars (67.4 per cent), followed by rental cars (20.4 per cent). This indicates that a high number of locals and domestic travellers made short trips to the Western Cape and Central Karoo region. Furthermore, maintaining road infrastructure and upgrading to tar roads in popular tourist areas such as Matjiesfontein can boost the attractiveness of the region for tourists.³¹

³¹ (Laingsburg Municipality, 2021).

3.4 COMPARATIVE ADVANTAGE AND EMPLOYMENT POTENTIAL

This subsection analyses the comparative advantage of the various economic sectors in the CKD by examining the historic growth of the various sectors to identify growth opportunities for the District economy.

A location quotient is used to determine the level of specialisation in the different economic sectors of the CKD. The location quotient is a ratio between two economies, in this case the national and District economies, that indicates whether the District is importing, is self-sufficient or is exporting goods and services from a particular sector.

If the location quotient is more than one, it indicates that a comparative advantage exists in the local economy relative to the national economy. Conversely, if the location quotient is less than one it suggests that the representation of the industry is weaker in the District economy than in the national economy.³² Furthermore, a location quotient of one indicates that the representation of the industry in the local economy is the same as its representation in the country.

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

Table 3.3
LOCATION QUOTIENT INTERPRETATION, Central Karoo District

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

The location quotient, as a tool, does not consider external factors such as government policies, investment incentives, proximity to markets, etc., which could influence the comparative advantage of an area in a particular sector. It should also be noted that the size of the location quotient does not necessarily indicate whether the sector is small or large in the local economy, nor does it indicate the value of importance. Instead, it indicates the relative importance of the local economy to the national economy.

³² (Fennig & DaCosta, 2010).

Table 3.4 describes the location quotient related to GDP and employment in the CKD.

Table 3.4
LOCATION QUOTIENT IN TERMS OF GDP AND EMPLOYMENT, Central Karoo District, 2019



SECTOR	In terms of GDP	In terms of employment
PS Primary Sector		
Agriculture, forestry & fishing	5.9	3.4
Mining & quarrying	0.0	0.0
SS Secondary Sector		
Manufacturing	0.2	0.2
Electricity, gas & water	1.6	1.4
Construction	1.4	0.8
TS Tertiary Sector		
Wholesale & retail trade, catering & accommodation	1.0	1.0
Transport, storage & communication	1.5	0.9
Finance, insurance, real estate & business services	0.6	0.5
General government	1.2	1.4
Community, social & personal services	1.7	1.0

Source: Quantec Research, 2021

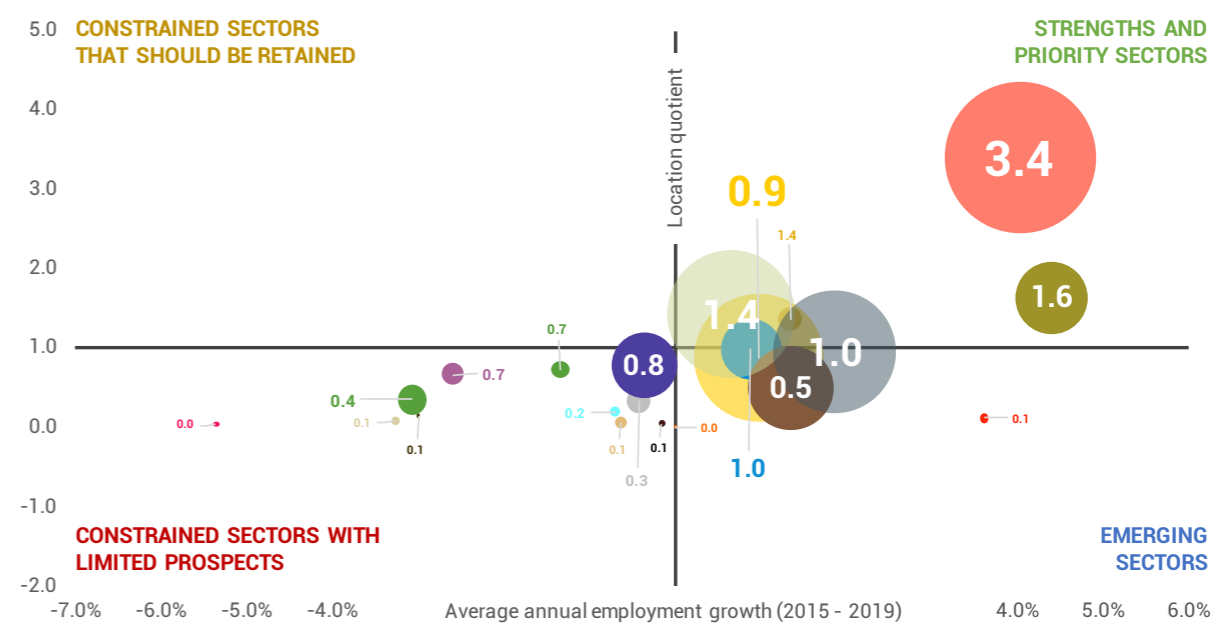
The CKD has a high comparative advantage in terms of GDP and employment in the agriculture sector, the electricity, gas and water sector, and the general government sector. Sectors in which the CKD has a high comparative advantage in terms of GDP and a medium comparative advantage in terms of employment include the construction and community services sector. These sectors can be leveraged to promote employment creation.



The CKD has a low comparative advantage in the manufacturing, finance and mining sectors. The low comparative advantage in the manufacturing sector emphasises the lack of local beneficiation activities.

As illustrated in Figure 3.15, the comparative advantage in sectors is further analysed together with the historical sectoral employment growth rate to assess the sectoral development opportunities in the CKD.

Figure 3.15
COMPARATIVE ADVANTAGE AND SECTORAL EMPLOYMENT GROWTH, Central Karoo District, 2019



- Agriculture, forestry and fishing
- Mining and quarrying
- Food, beverages and tobacco
- Textiles, clothing and leather goods
- Wood and paper; publishing and printing
- Petroleum products, chemicals, rubber and plastic
- Other non-metal mineral products
- Metals, metal products, machinery and equipment
- Electrical machinery and apparatus
- Radio, TV, instruments, watches and clocks
- Transport equipment
- Furniture; other manufacturing
- Electricity, gas and water
- Construction
- Wholesale and retail trade
- Catering and accommodation services
- Transport and storage
- Communication
- Finance and insurance
- Business services
- General government
- Community, social and personal services

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

Sectors that have a location quotient greater than one and that recorded positive employment growth over the 2015 to 2019 period are priority sectors for employment growth. These include the agriculture, electricity, gas and water, trade, transport, general government and community services sectors.

Sectors in which the CKD does not have a comparative advantage (a location quotient less than one) but that have shown positive employment growth are considered to be emerging sectors, but prospects may be limited owing to the size of the sector or external trends. These sectors include the transport, manufacturing, trade and finance sectors.

The table below provides further information relating to the sectors that are considered strengths in terms of job creation based on historic trends, as well as the sectors that should be retained, despite their lack of employment growth.

Table 3.5
PRIORITY SECTORS
FOR EMPLOYMENT,
Central Karoo 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	397.3	-2.9%	4 674	23.5%	144	-4.1%
Electricity, gas and water	192.8	0.7%	112	18.8%	1	-1.9%
Catering and accommodation services	54.5	-2.4%	1 077	38.2%	42	-2.0%
Transport and storage	415.5	-1.5%	754	40.3%	6	-1.7%
General government	712.3	1.4%	3 382	0.0%	21	0.9%
Community, social and personal services	312.4	1.3%	3 097	15.4%	54	0.0%

Source: Quantec Research, 2021

Agriculture, forestry and fishing

The agriculture sector plays a central role in providing employment opportunities in the CKD. In 2019, the sector employed 4 674 people, 23.5 per cent of whom were informally employed. Key farming activities in the CKD include sheep farming and lucerne production. The Prince Albert municipal area has a more diverse agriculture sector, where wine grapes, olives, onions and fruit are also produced. This sector is vulnerable to external trends and the drought in the Province in 2018 constrained the sector significantly. The sector contracted by an average annual rate of 2.9 per cent per annum between 2015 and 2019. The challenging farming conditions in the CKD also led to a decline in investment, with gross fixed capital formation contracting by an average of 4.1 per cent per annum.

Despite the challenges that prevailed in the sector, it is estimated that the sector grew substantially by 10.9 per cent in 2020. Despite a reduction in consumer purchasing power in 2020, lamb prices increased by 15.7 per cent in 2020³³ – which was a valuable injection for farmers who are rebuilding herds following the drought conditions. Strengthening local value chains will promote job creation over the entire value chain, as there is currently a lack of processing capabilities within the CKD. Niche tourism activities such as astro-tourism, adventure tourism and agri-tourism can also be value-added activities for working farms.

Electricity, gas and water

The CKD has a high comparative advantage in the electricity, gas and water sector. The climatic conditions in the CKD make it suitable for electricity generation from solar and wind energy. However, this sector only recorded marginal growth (0.7 per cent per annum) between 2015 and 2019, with a decline in private investment (1.9 per cent per annum). While the construction

of the solar and wind energy facilities contributes substantially to temporary employment creation, operating renewable energy facilities contributes less to permanent employment. However, there are still opportunities for indirect employment creation in providing goods and services to these facilities. Local SMMEs, in particular, can benefit from this. The Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) has local content requirements, and local service providers and labour should therefore be upskilled and equipped to benefit from these requirements.

Catering and accommodation

The catering and accommodation services sector, which serves as a proxy for the tourism industry, was valued at R54.5 million in the CKD in 2019. However, this sector contracted at an average annual rate of 2.4 per cent per annum between 2015 and 2019, but still contributed positively to employment, creating 42 jobs on average per annum. This sector is heavily reliant on domestic tourism, particularly transit tourism. This makes the sector particularly vulnerable to challenging economic conditions that result in a decline in domestic tourism. This sector also provided significant informal employment opportunities (38.2 per cent) in 2019. These jobs will be more vulnerable to economic volatility and would have been significantly influenced by the COVID-19 pandemic. The tourism sector can play a valuable role in the economy of the CKD, as it can be utilised to diversify the economy, which is very reliant on the agriculture sector. Promoting agri-tourism, adventure tourism, astro-tourism and the like can offer farms additional income streams, which will make them less vulnerable to exogenous shocks impacting the agriculture sector. Furthermore, the CKD has a unique environmental and cultural heritage, which can be leveraged to promote the area as a tourism destination.

Transport and storage

The N1 is one of the main transit links in the country and the CKD benefits economically from this transit route, not only in terms of tourism but also in terms of freight. Providing goods and services to passing freight vehicles contributes substantially to the local economy. The transport sector was valued at R415.5 million in 2019. However, this sector was contracting by an average annual rate of 1.5 per cent prior to the COVID-19 pandemic. Despite its comparative advantage, employment creation was relatively low in 2019. However, this sector had a large informal component, with 40.3 per cent of workers being informally employed in 2019. This provides an opportunity for skills development and small business support to ensure sustainable employment opportunities in this sector.

Community, social and personal services

Another sector that can benefit from small business support is the community services sector. This sector grew at an average annual rate of 1.3 per cent between 2015 and 2019, and is one of the sectors that contributed substantially to local employment creation in this period. This sector is very dependent on household spending, and with the challenging economic environment it is therefore deemed vulnerable. In 2020, it is estimated that the sector shed 275 jobs.

³³ (BFAP, 2021).

Government sector

The CKD is very dependent on the government sector, not only in terms of GDP but also in terms of employment. The sector contributes 22.4 per cent to GDP and employs 3 382 people. However, this makes the economy of the CKD vulnerable, as fiscal budgets are becoming more constrained owing to the challenging economic climate.

Most of the priority sectors in which the CKD has a comparative advantage have only shown minimal employment creation in recent years, while GDP growth and investment have been poor. This highlights that intervention is required in the CKD to attract private investment that will result in job creation. Monetary and non-monetary support for SMMEs and entrepreneurs will also be a valuable boost for the local economy.

3.5 INVESTMENT

This subsection discusses various forms of investments occurring in the CKD, including new business investments, municipal spending on contracted services, and infrastructure development.

3.5.1 Private-sector investment

3.5.1.1 Sectoral investments and business expansion

The CKD has mineral resources that have been underutilised up until now. There are currently three mines in the District, which are predominantly quarries used for local building materials. However, the District is on the cusp of major change in the mining sector. The CKD has extensive uranium deposits and these deposits have attracted the attention of energy and mining conglomerates, but remain untouched. The District also contains gas-rich shale, which is currently being explored by energy companies.³⁴

3.5.2 Public-sector investment

Public-sector spending has the potential to stimulate growth of the local economy and create employment opportunities. SMMEs can be key role players in the development and creation of jobs through 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.

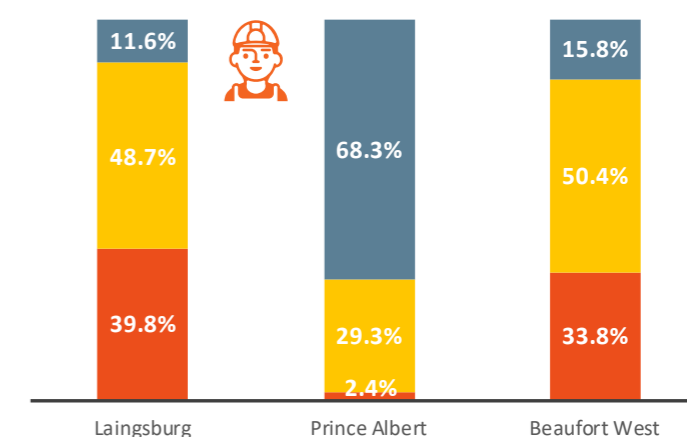
³⁴ (Central Karoo District Municipality, 2021).

Figure 3.16 illustrates the breakdown of spending on contracted services by the municipalities in the CKD. The spending patterns of the three municipal areas vary significantly, as each of these areas allocated most of their money to different services in 2019/20.

Figure 3.16
PROPORTION OF SPENDING ON CONTRACTED SERVICES PER MUNICIPAL AREA, Central Karoo District, 2019/20³⁵

- Outsourced services
- Consulting and professional services
- Contractors

Note: No data available for Central Karoo District Municipality
Source: National Treasury, 2021



In the 2019/20 period, the Laingsburg Municipality spent most of its contracted service spending on consulting and professional services (48.7 per cent), followed by outsourced services (39.8 per cent). The Laingsburg Municipality procures mainly the business and advisory services, as well as maintenance services. The rural nature of the municipal area may result in limited availability of many crucial business services, and external consultants must be utilised. The establishment of a business hub to support SMMEs will assist local businesses to access opportunities for providing services to the municipality.³⁶

In the Prince Albert Municipality, most of the spending was allocated to contractors (68.3 per cent), followed by consulting and professional services (29.3 per cent), while outsourced services made up 2.4 per cent of spending. In 2019/20, the Prince Albert Municipality spent R3.5 million on contractors. Capacitating local service providers, particularly SMMEs, to provide goods and services to the municipality will be a valuable injection into the local municipality.

The Beaufort West Municipality spent the most on consulting and professional services (50.4 per cent), followed by outsourced services (33.8 per cent), and spending on contractors amounted to 15.8 per cent of total spending. Spending on consulting and professional services included mainly business and advisory services; contractors were mainly used to maintain equipment; and security services were mainly outsourced.

³⁵ According to the Municipal Standard Chart of Accounts (mSCOA), municipalities should have the capacity and expertise to carry out certain services. Outsourced services are therefore services procured by the municipality when it temporarily does not have the capacity to perform these functions, or to save costs. Consulting services refer to specialist services and skills provided to a municipality for the achievement of a specific objective. It is unnecessary to maintain these skills in-house since they are often only required on a once-off or temporary basis. Contractors are utilised for services that are not the core business of the municipality.

³⁶ (Laingsburg Municipality, 2021).

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 resulting 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.

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.



All three municipal areas in the CKD face human settlement challenges, which are amplified by the limited availability and quality of service infrastructure. Service infrastructure for the provision of water, electricity, sewerage and other municipal services is limited in the District.³⁷

Table 3.6 outlines the budgeted expenditure on infrastructure by the local municipalities in the CKD for 2021/22.

Table 3.6
SPENDING ON INFRASTRUCTURE,
Central Karoo District, 2021/22

DESCRIPTION R million	2021/22 Municipal infrastructure spend (original budget)
Economic Infrastructure	7.4
Road transport and public works	7.4
Environmental services	0.0
Social infrastructure	7.4
Education	0.0
Health	0.6
Social development	6.8
Housing	0.0
Trading services	29.1
Energy sources	10.6
Water management	12.8
Wastewater management	5.6
Waste management	0.0
Other	7.1
Total infrastructure spend	50.9

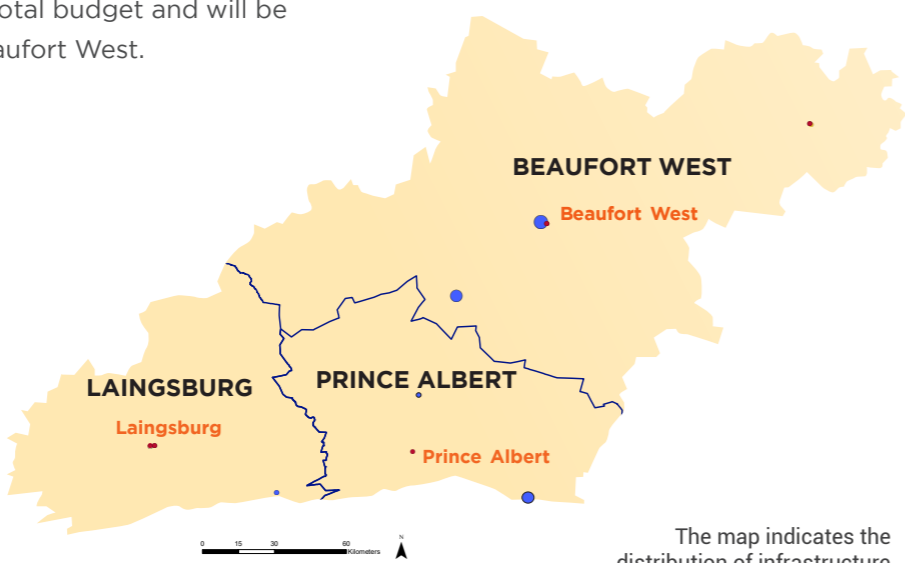
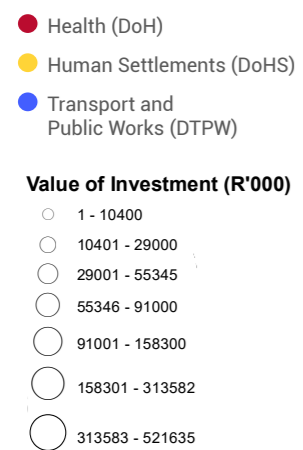
Source: Provincial Treasury, 2021

The local municipalities have collectively allocated R50.9 million to the capital expenditure budgets for 2021/22. This includes allocations made towards economic infrastructure, social infrastructure and trading services of R7.4 million, R7.4 million and R29.1 million respectively. Other capital expenses, which include governance and administration, public safety, community services, sport and recreation, planning and development, and environmental protection services, to the value of R7.1 million, were also budgeted for 2021/22. Most of the municipal infrastructure spending is allocated to water management (R12.8 million). Investment in water management infrastructure will contribute significantly to creating an enabling environment for economic activity given the rural nature of the CKD and its reliance on the agriculture sector for jobs and GDP growth.

³⁷ (Central Karoo District Municipality, 2021).

Provincial infrastructure investment in the Central Karoo District across the 2021 Medium Term Expenditure Framework (MTEF) accounts for R382.7 million, which is split among three departments, namely Transport and Public Works (R366.5 million), Health (R12.1 million) and Human Settlements (R4.1 million). The per capita spend in the District is R5 119. There are several sectors intervening in the social infrastructure space:

- Infrastructure investment in health facilities for the District is consolidated in the main towns in the District and will provide for mostly refurbishments and rehabilitation, upgrades and additions to existing facilities and non-infrastructure projects;
- Infrastructure investment in road transport infrastructure will mainly focus on upgrades, refurbishments and maintenance to road transport infrastructure, providing for maintaining quality inter-regional economic connections. Infrastructure investment in road transport comprises 95.8 per cent of the total investment for the District; and
- Investment in housing projects will be less than 1.0 per cent of the total budget and will be concentrated in Beaufort West.



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

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

WC PROVINCIAL DEPARTMENT	No of projects	2021/22 MTEF (R'000)	2022/23 MTEF (R'000)	2023/24 MTEF (R'000)	MTEF total (R'000)
● Health (DoH)	12	6 660	5 347	99	12 106
● Human Settlements (DoHS)	2	280	1 000	2 811	4 091
● Transport and Public Works (DTPW)	7	151 000	122 500	93 000	366 500
Total	21	157 940	128 847	95 910	382 697

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 CKD experienced a positive trade balance between 2010 and 2020, which can be largely attributed to the manufacturing sector and the agriculture sector. The peak of the trade surplus for the period was experienced in 2020 and was mainly driven by the agriculture sector. The trade balance in the District increased from R51.0 million in 2019 to R65.6 million in 2020.

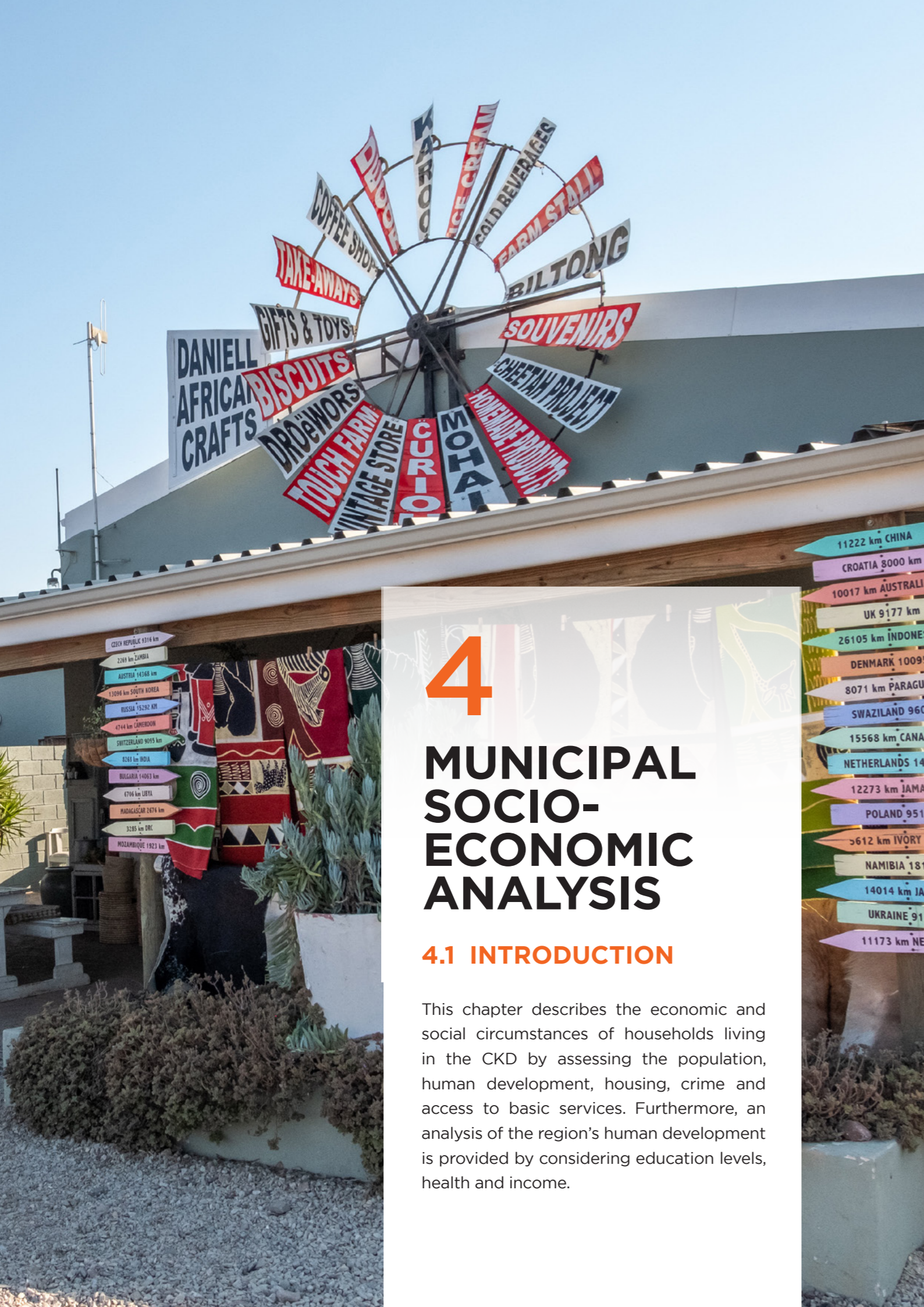
The District's top three import destinations in 2020 were the United Kingdom, the Netherlands and Ireland, while the top three export destinations were Namibia, Hong Kong and China. The main imported products were butter and related products, preparation products for animal feeding and forklift trucks. The main exported products from the CKD were milk and cream, buttermilk and related products, as well as whey.

The tourism sector in the CKD, like many other regions in the Western Cape, is experiencing revenue losses owing to the COVID-19 travel restrictions. However, the CKD's tourism trends indicate that the domestic tourism market started to improve as travel restrictions started easing. This shows that the CKD is a popular leisure destination for domestic tourists, especially from the Western Cape, Gauteng and KwaZulu-Natal.

The CKD is a popular destination for day visitors. The District offers domestic visitors short getaways where they can engage in activities such as culture and heritage tours, as well as visits to Karoo lamb farms and craft and food markets.

The agriculture sector is a vital source of employment in the CKD, but the sector contracted between 2015 and 2019, and experienced a decline in investment. Despite these challenges, it is estimated that the sector grew by 10.9 per cent in 2020. Strengthening local value chains will promote job creation over the entire value chain and niche tourism activities can also be value-added activities for working farms. Overall, increased private-sector investment, as well as monetary and non-monetary support for SMMEs and entrepreneurs, will also be a valuable boost for the local economy.

Public-sector infrastructure investment from the local municipalities to the value of R50.9 million is budgeted for 2021/22. Infrastructure investment contributes to economic growth, as it creates an enabling environment for business retention and expansion. Furthermore, by using local suppliers the multiplier effect of public spending in local communities is enhanced, boosting sectors such as construction.



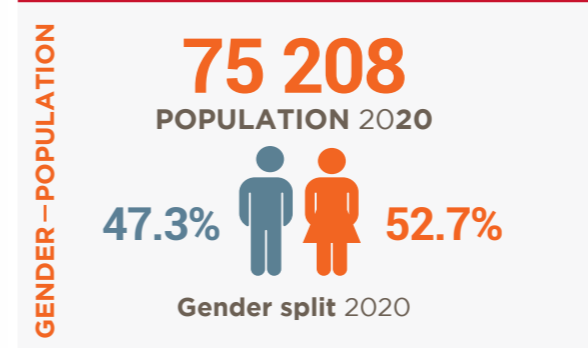
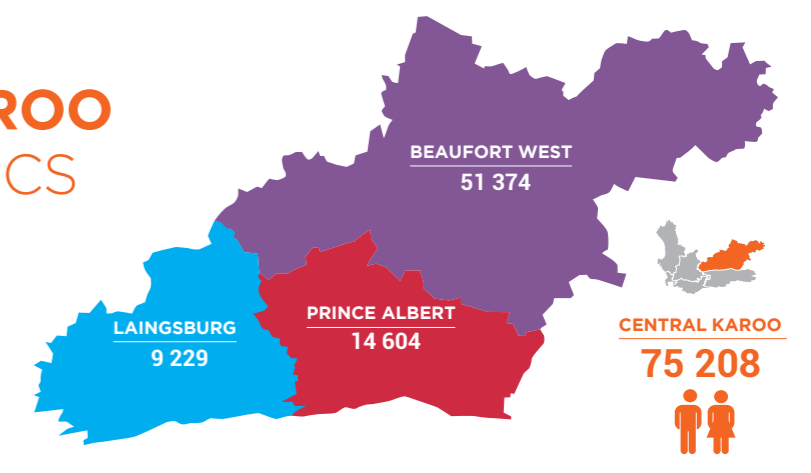
4 MUNICIPAL SOCIO-ECONOMIC ANALYSIS

4.1 INTRODUCTION

This chapter describes the economic and social circumstances of households living in the CKD by assessing the population, human development, housing, crime and access to basic services. Furthermore, an analysis of the region's human development is provided by considering education levels, health and income.

CENTRAL KAROO DEMOGRAPHICS

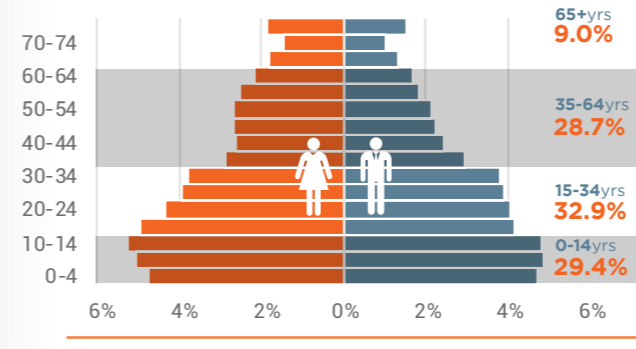
CURRENT POPULATION, Central Karoo District, 2020



FORECAST Estimated population growth

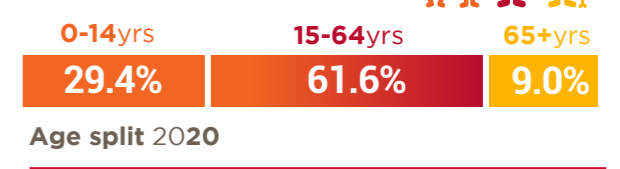
Year	2020	2021e	2022f	2023f	2024f
Growth Rate	0.3%	-0.1%	-0.1%	0.0%	0.0%

GENDER AND AGE DYNAMICS



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 and dwelling types. These indicators are discussed in detail in the sections below.

AGE PROFILE



HOUSEHOLDS



4.2 POPULATION PROFILE

The CKD has a population of 75 122 people in 2021, with most of the population concentrated in the Beaufort West municipal area (68.1 per cent). The Prince Albert and Laingsburg municipal areas contribute 19.5 per cent and 12.3 per cent respectively to the population of the CKD.

Figure 4.1 shows the population growth in the municipal areas of the CKD.

Figure 4.1
FUTURE POPULATION GROWTH, Central Karoo District, 2021 - 2025



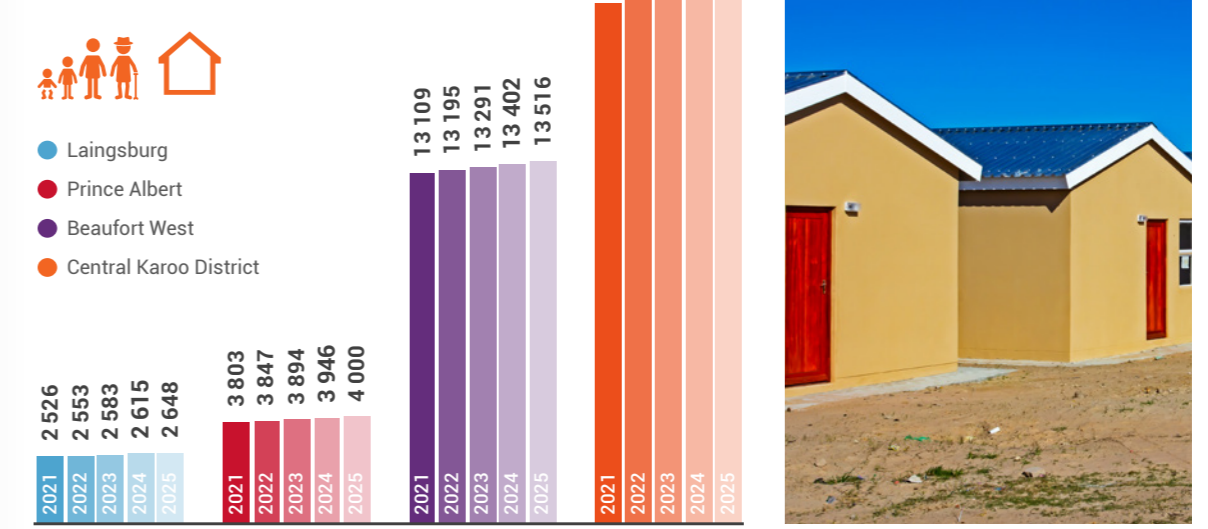
Source: Western Cape Government PPU, 2021. Provincial, District and local municipality population estimates by sex and age (2002 - 2036) based on Stats SA MYPE series 2021 and 2020

The largest portion of the population is concentrated in the Beaufort West municipal area, where the population is expected to decrease at an average annual rate of 0.3 per cent between 2021 and 2025. In the Laingsburg and Prince Albert municipal areas, forecast trends show that the population for both these areas is expected to increase by a marginal annual rate of 0.5 per cent for the period between 2021 and 2025.

Declining fertility rates and migration patterns have contributed to the declining population as more people move to metropolitan areas or larger cities in search of employment opportunities, or better access to healthcare and other facilities and services. Population decline has implications for movement, infrastructure and socio-economic factors. Population decline could affect property prices and could lead to less demand for goods and services, which also results in less turnover for businesses in the area. As the younger population become better educated, they tend to move to larger cities and towns, which also means that the area loses well-trained and skilled workers.

Figure 4.2 illustrates the future household growth in the municipal areas of the CKD.

Figure 4.2
FUTURE HOUSEHOLD GROWTH, Central Karoo 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

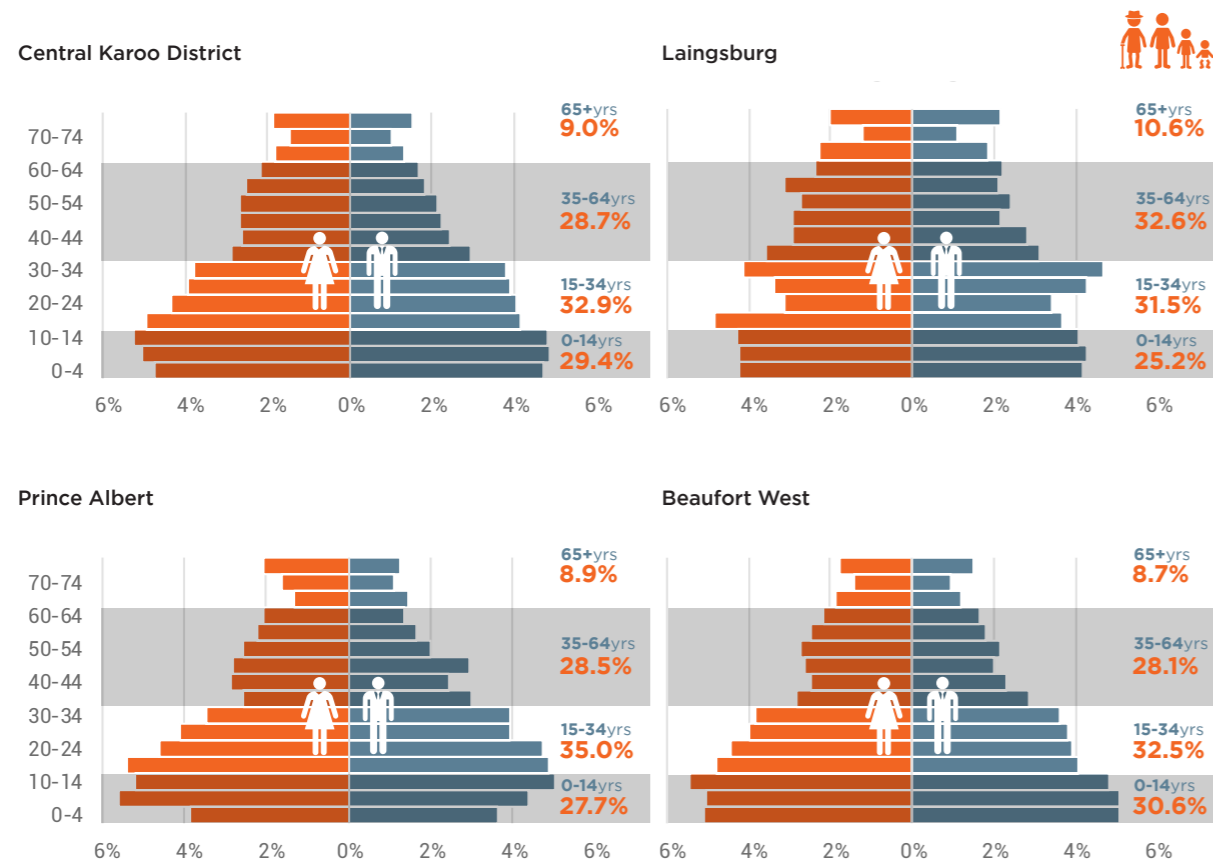
Based on forecast trends, the number of households in the CKD is expected to increase at an average annual rate of 0.9 per cent from 19 438 in 2021 to 20 164 in 2025. The largest proportion of households are based in the Beaufort West municipal area (67.5 per cent) and this is expected to increase at an annual rate of 0.8 per cent from 13 109 households in 2021 to 13 516 households in 2025. The Prince Albert municipal area is expected to have the highest average annual growth rate (1.3 per cent) and is predicted to increase from 3 803 households in 2021 to 4 000 in 2025. The projected household growth rate for the Laingsburg municipal area is 1.2 per cent, with trends indicating an increase from 2 526 households in 2021 to 2 648 households in 2025.

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. However, an increase in households and a decrease in population may suggest that the household composition is changing - households are getting smaller, and this could also have other implications, such as an increase in the demand for smaller residential units and other demand in terms of goods and services.³⁸

³⁸ (Urban Institute, 2020).

Figure 4.3 illustrates the gender and age patterns in the CKD in 2020.

Figure 4.3
GENDER AND AGE DYNAMICS,
Central Karoo 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 MYPE series 2021 and 2020

The largest portion of the population (32.9 per cent) in the CKD is between the ages of 15 and 34 years, followed by individuals younger than 15 years (29.4 per cent in 2020). The smallest share of the District’s population (9.0 per cent) consists of individuals older than 65 years. The population structure suggests that the District has a more youthful population, while the potentially economic active population or young working class between the ages of 15 and 34 also forms a large portion of the population. The large child population indicates that there is a large dependence on working-age people. However, the CKD has a high unemployment rate, placing a high burden of care on those who do have employment.

In the Laingsburg municipal area, the population aged between 35 and 64 years, namely the working-age population, makes up the largest share (32.6 per cent) of the population, followed by the population aged between 15 and 34 (31.5 per cent). Compared with the District, the Laingsburg municipal area has a larger proportion of the older population. This municipal area has a larger share of the population aged between 35 and 64, as well as those older than 64, when compared with the District. Compared with the other municipalities within the District, the Laingsburg municipal area has the highest proportion of people aged between 35 and 64, and the lowest proportion of children and youth. The lower proportion of the younger

population may mean that this municipal area has a lower birth rate, or that young people are migrating out of the area. The higher proportion of the ageing population may increase pension and healthcare costs,³⁹ while the smaller child and youth population will have future labour market implications.

In the Prince Albert municipal area, the largest share of the population is made up of individuals between 15 and 34 years (35.0 per cent). This is followed by individuals between 35 and 64 years (28.5 per cent) and people younger than 14 years (27.7 per cent). This means that most individuals are in the potentially economically active population and are able to generate an income, therefore making a positive contribution to the labour market and the economy.⁴⁰ There is thus a high demand for employment in the Prince Albert municipal area. When compared with the District’s population categories, the proportion of the population between 15 and 34 years is higher than that of the same age category in the District. However, the other age categories have a higher population share in the District compared with that of the Prince Albert municipal area.

In the Beaufort West municipal area, the largest share of the population is made up of individuals between the ages of 15 and 34 (32.5 per cent), followed by people younger than 14 years (30.6 per cent). The population between 35 and 64 makes up 28.1 per cent of the population. Individuals older than 65 make up the smallest share of the population (8.7 per cent). The population share of individuals younger than 14 is higher than that of the District. This population profile indicates that there is a large share of children depending on the working-age population. A youthful population may suggest a larger workforce in the future and an increase in the demand for products and services. On the other hand, a youthful population could also lead to insufficient job opportunities to support the growing demand for jobs and may increase pressure on healthcare systems. Furthermore, there would be a high demand for education facilities and skills development programmes to equip the youth for future employment.



³⁹ (The Gleaner, 2015).

⁴⁰ (International Labour Organization, 2020).

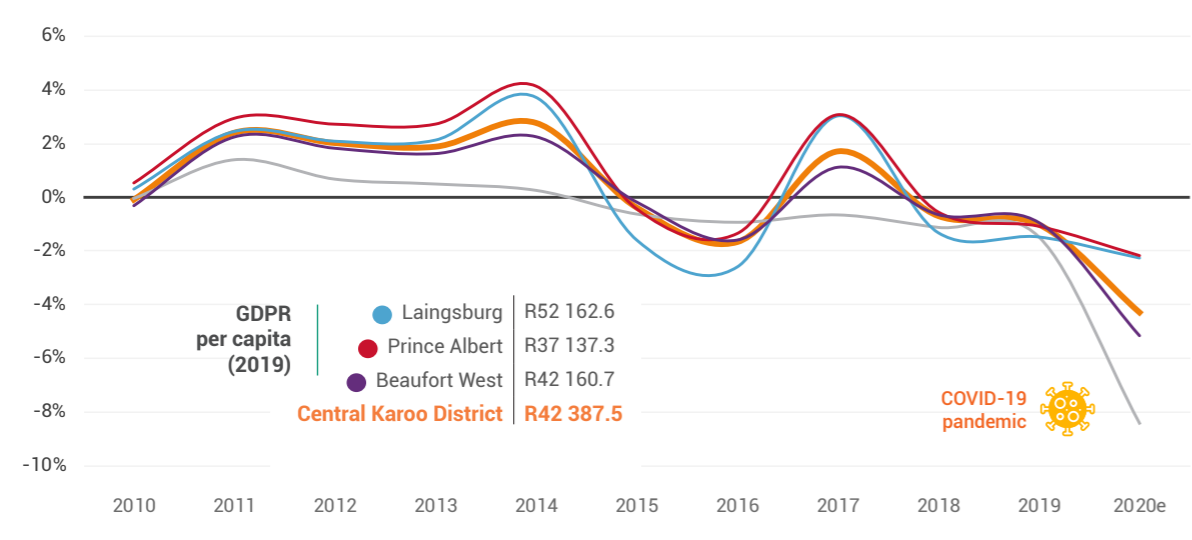
4.3 HUMAN DEVELOPMENT

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

4.3.1 Income

GDPR per capita is often used as an indicator for the standard of living in a society. Figure 4.4 shows the growth in GDPR per capita of the CKD between 2010 and 2020.

Figure 4.4
GDPR PER CAPITA GROWTH, Central Karoo District, 2010 – 2020



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e
Central Karoo District	-0.1%	2.4%	2.0%	1.9%	2.8%	-0.4%	-1.7%	1.7%	-0.7%	-1.0%	-4.3%
Western Cape	0.0%	1.4%	0.7%	0.5%	0.3%	-0.6%	-0.9%	-0.6%	-1.1%	-1.5%	-8.4%
Laingsburg	0.3%	2.5%	2.1%	2.1%	3.7%	-1.6%	-2.6%	3.0%	-1.3%	-1.5%	-2.3%
Prince Albert	0.5%	2.9%	2.7%	2.7%	4.1%	-0.5%	-1.4%	3.1%	-0.6%	-1.1%	-2.2%
Beaufort West	-0.3%	2.3%	1.8%	1.6%	2.3%	-0.2%	-1.6%	1.1%	-0.6%	-0.9%	-5.2%

Source: Quantec Research, 2021 (e denotes estimate)

In 2010, the Western Cape experienced stagnant GDPR per capita growth, while the CKD's GDPR per capita contracted by 0.1 per cent. Albeit minimal, the Prince Albert municipal area experienced the highest GDPR per capita growth (0.5 per cent) in the CKD, followed by the Laingsburg municipal area, with growth of 0.3 per cent. The Beaufort West municipal area experienced a downturn in terms of GDPR per capita growth, with a 0.3 per cent decline. These growth rates indicated signs of recovery after the global economic crisis in 2008 and continued to improve until 2014.

The GDPR per capita for all municipal areas plunged in 2015, which could have been the result of the drought experienced in most regions in the Western Cape between 2015 and 2017. The agricultural sector plays a significant role in the District's employment and economic contribution. Thus, the climate crises during this period had a significant impact on the agricultural sector and therefore also affected the GDPR per capita. In 2017, some recovery was seen, after which the GDPR per capita experienced further declines. In 2019, the Laingsburg municipal area experienced the largest contraction (1.5 per cent) compared with the other municipal areas in the CKD. In 2020, all municipal areas in the District contracted further as a result of the impact of the global COVID-19 pandemic and the associated regulations and restrictions placed on movement, business operations and trade. However, the contraction in GDPR per capita was less severe in the CKD compared with the Province as a result of slower population growth trends.

Table 4.1 below displays the average monthly household income in the CKD.

Table 4.1
AVERAGE MONTHLY HOUSEHOLD INCOME (CURRENT PRICES), Central Karoo District, 2019

MUNICIPALITY	Average household income 2019 (current prices)	Trend 2015 – 2019
Laingsburg	R13 083	1.7%
Prince Albert	R12 439	2.3%
Beaufort West	R13 229	1.2%
Central Karoo District	R13 068	1.5%
Western Cape	R19 430	-0.3%

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

In 2019, households in the CKD had an average monthly income of R13 068 per month, which was significantly lower than the average household income of R19 430 in the Western Cape. The Beaufort West and Laingsburg municipal areas had an average household income of R13 229 and R13 083 respectively, both higher than that of the CKD. The Prince Albert municipal area had the lowest average household income at R12 439.

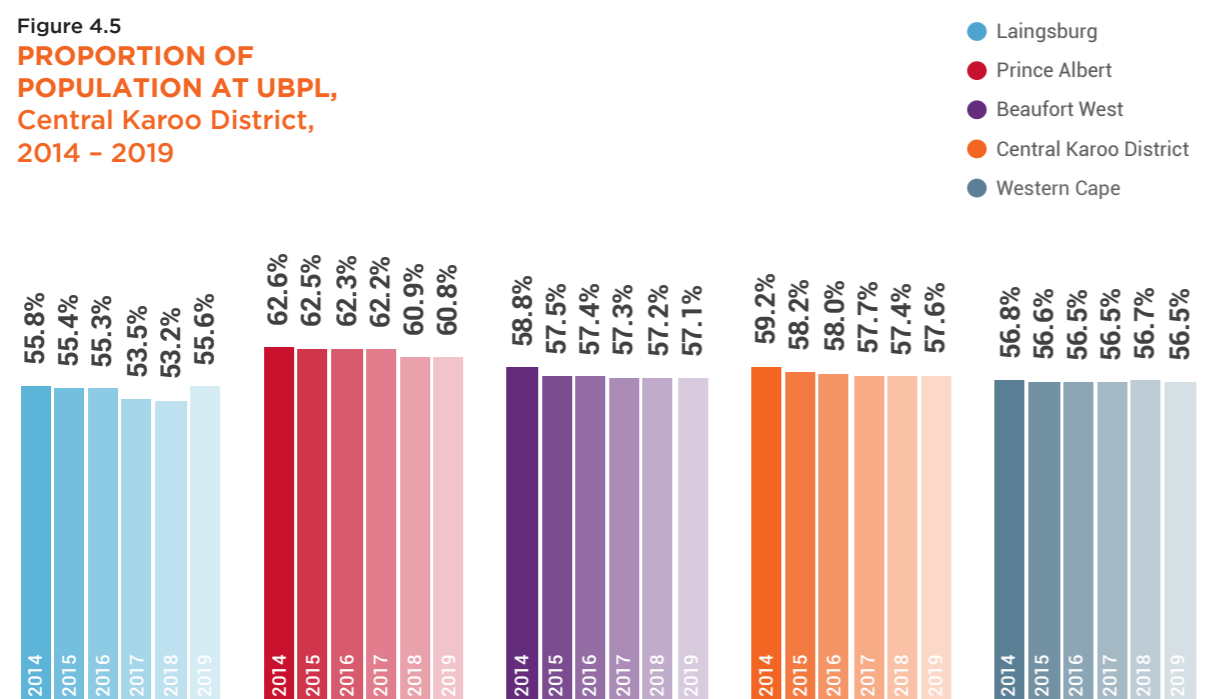
The Western Cape experienced a decline of 0.3 per cent per annum in the average household income between 2015 and 2019, whereas the District experienced a 1.5 per cent increase over the same period. The Prince Albert municipal area had the highest growth rate (2.3 per cent) between 2015 and 2019, followed by the Laingsburg municipal area, with a growth rate of 1.7 per cent, and Beaufort West with a growth rate of 1.2 per cent. However, these growth rates were still lower than the average inflation rate over the same period (5.0 per cent),⁴¹ emphasising that households remain under pressure considering the weakening economy in the CKD.

A decline in the average household income is expected for 2020, as research shows an increase in job losses and households left with no income with the onset of the COVID-19 pandemic. In a national survey conducted by Stats SA, 5.2 per cent of respondents indicated that they had no income before the national lockdown was implemented, whereas 15.4 per cent of respondents indicated that they had no income by the sixth week of lockdown.⁴²

⁴¹ (Stats SA, 2021).
⁴² (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 food-poverty line as a base, but they also have a non-food component. Individuals at the LBPL do not have enough resources to purchase both adequate levels of food and non-food items, and must therefore sacrifice food to obtain essential non-food items. Those at the UBPL can afford both adequate food and non-food items.⁴³ 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.⁴⁴

The figure below details the proportion of the population considered to be at the UBPL.



Source: Quantec Research, 2021

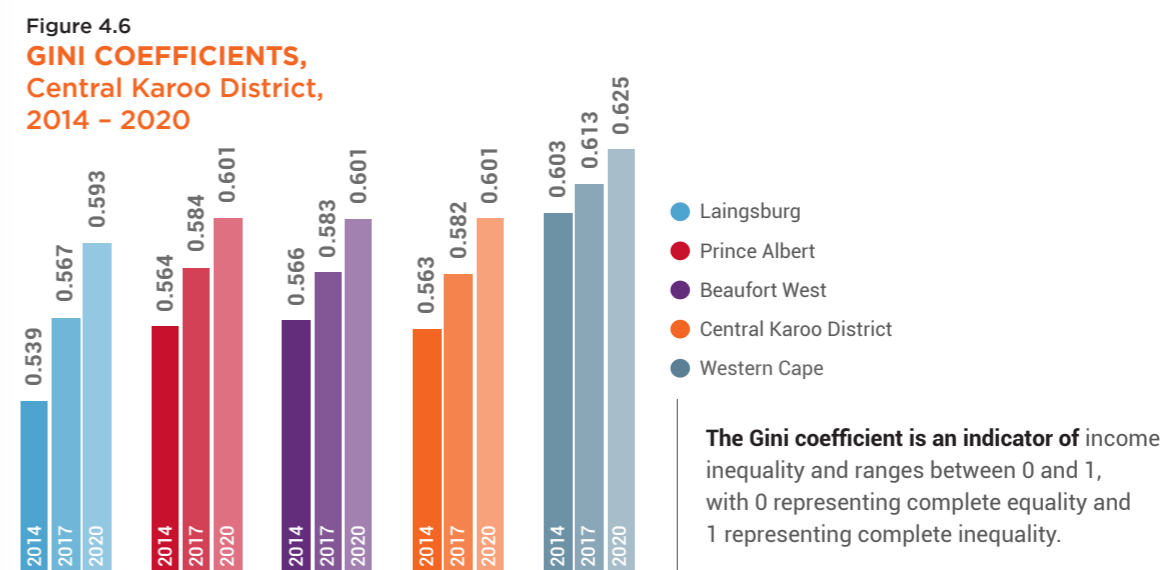
There is a larger proportion of people in the CKD at the UBPL compared with South Africa and the Western Cape over the reference period. The proportion of people at the UBPL in the CKD declined from 59.2 per cent in 2014 to 57.4 per cent in 2018, before increasing marginally to 57.6 per cent in 2019. The Laingsburg municipal area recorded a similar declining trend between 2014 and 2018, before increasing in 2019, while continued declines were recorded in the Prince Albert and Beaufort West municipal areas. The Prince Albert municipal area has the highest proportion of people at the UBPL in the CKD over the reference period. Given the increase in job losses in 2020, it is anticipated that the proportion of people at the UBPL will increase. This puts extra strain on all spheres of government; households struggle to pay rates and taxes to local authorities, income tax receipts decline and the need for income support increases.

⁴³ (Stats SA, 2017).
⁴⁴ (Stats SA, 2020).



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.⁴⁵ 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.

Figure 4.6 outlines the Gini coefficients for the local municipal areas of the CKD.



Source: Quantec Research, 2021

During the period of review, the CKD had a lower income inequality compared with the Western Cape. However, income inequality increased in the District for the period between 2014 and 2020. In 2020, the Laingsburg municipal area experienced the lowest Gini coefficient (0.593), indicating a lower level of inequality compared with the Prince Albert and Beaufort West municipal areas, which both had a Gini coefficient of 0.601. All municipal areas in the CKD experienced an increase in income inequality for the period of review.

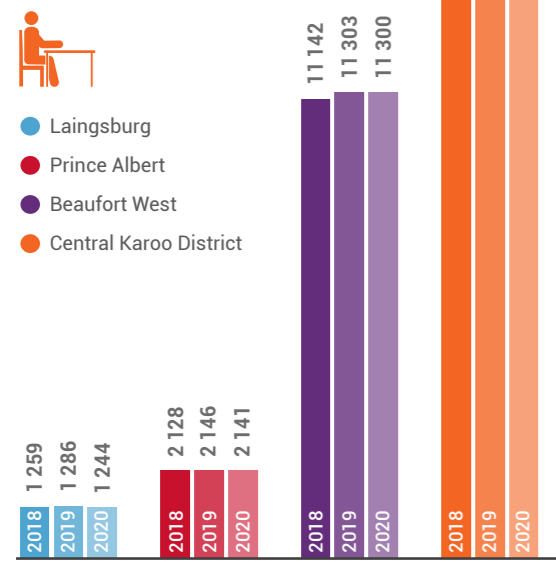
The job losses as a result of the COVID-19 pandemic would have contributed to income inequality. Workers who were able to work from home would have been able to continue earning an income, while those who were unable to do so, either owing to a lack of connectivity or because their jobs required physical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

⁴⁵ (Stats SA, 2019).

4.3.2 Education

In this subsection, the trends related to education in the CKD between 2018 and 2020 are discussed. Figure 4.7 illustrates the number of learners enrolled in schools in the CKD.

Figure 4.7
LEARNER ENROLMENTS,
Central Karoo District,
2018 - 2020



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

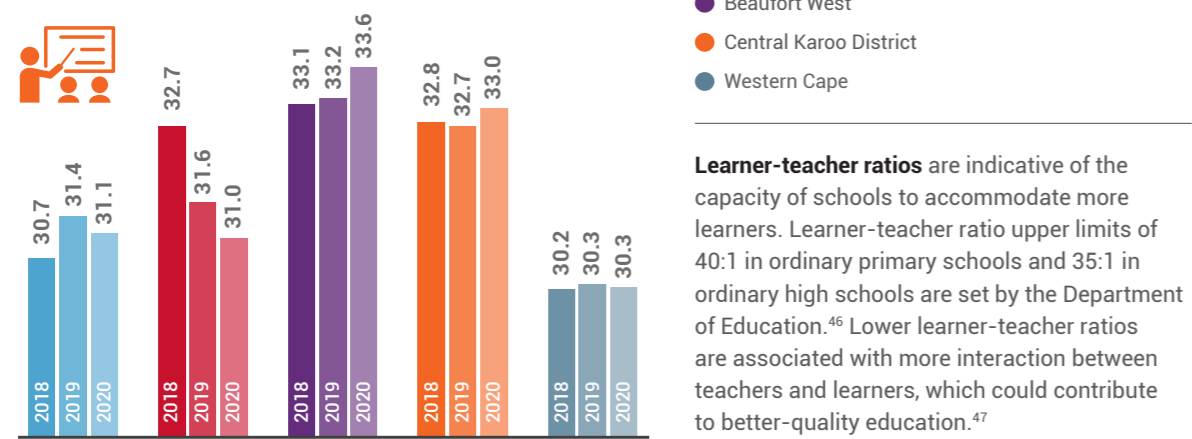
Source: Western Cape Education Department, 2021

The CKD experienced an increase in the number of learner enrolments, from 14 529 learners in 2018 to 14 685 in 2020. The largest number of enrolments in the CKD was in the Beaufort West municipal area, which experienced an increase from 11 142 in 2018 to 11 300 in 2020. The learner enrolment figure for the Prince Albert municipal area increased from 2 128 learners in 2018 to 2 141 learners in 2020. However, in the Laingsburg municipal area, the number of enrolments decreased from 1 259 in 2018 to 1 244 in 2020. This is in line with a slower child population growth in the Laingsburg municipal area.

The increase in the number of learners in the CKD may indicate the need for more educational facilities or resources. The increased number of enrolments also means that more people are receiving an education, which in turn has a positive impact on the local economy.

Figure 4.8 compares the learner teacher ratio of the CKD with the Western Cape.

Figure 4.8
LEARNER-TEACHER RATIO,
Central Karoo District,
2018 - 2020



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.⁴⁶ Lower learner-teacher ratios are associated with more interaction between teachers and learners, which could contribute to better-quality education.⁴⁷

Source: Western Cape Education Department, 2021

⁴⁶ (Sephton, S, 2017).

⁴⁷ (Southern and Eastern Africa Consortium for Monitoring Educational Quality, 2011).

In 2020, the learner-teacher ratio in the CKD (33.0 learners per teacher) was higher than that of the Western Cape (30.3 learners per teacher). The District also experienced an increase from 32.8 learners per teacher in 2018 to 33.0 learners per teacher in 2020, indicating that the number of educators did not increase sufficiently, considering the increase in learner enrolments.

For the entire period under review, the Beaufort West municipal area not only had the highest learner-to-teacher ratio compared with the other municipal areas in the District, the ratio was also higher than that of the CKD and the Western Cape. The learner-to-teacher ratio of the Beaufort West municipal area increased from 33.1 learners per teacher in 2018 to 33.2 learners per teacher in 2019 and 33.6 learners per teacher in 2020. Despite the marginal decrease in its number of enrolments from 2019 to 2020, the Beaufort West municipal area experienced an increase in the learner-teacher ratio during the same period, indicating a decrease in educators from the municipal area. The rural nature of the CKD may influence the ability of schools to attract educators to relocate to the area in order to meet the demands of the growing learner enrolments.

The Prince Albert municipal area had the lowest learner-teacher ratio in the District in 2020. The learner-teacher ratio in this municipal area declined from 32.7 learners per teacher in 2018 to 31.6 learners in 2019 and 31.0 in 2020. In 2020, learner enrolment decreased by five learners, while the learner-teacher ratio continued to decline. This indicates that there are more teachers in the municipal area, which may result in better teaching and grading outcomes.

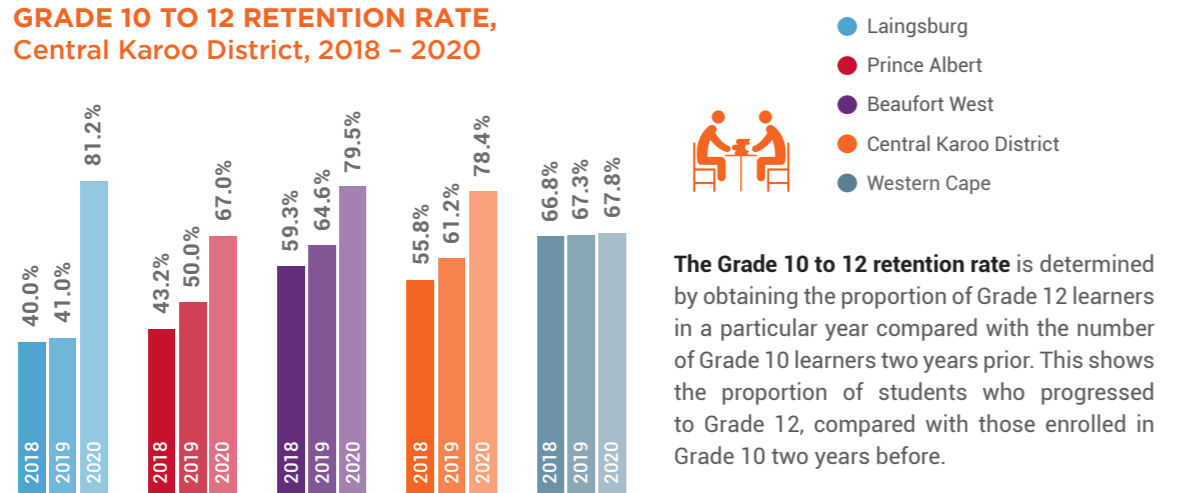
The learner-teacher ratio in the Laingsburg municipal area experienced slight fluctuations during the period under review. The learner-teacher ratio increased from 30.7 learners per teacher in 2018 to 31.4 learners in 2019, after which it decreased to 31.1 learners per teacher in 2020. There is a correlation between the number of enrolments and the learner-teacher ratio over the past three years. In 2019, both the number of enrolments and the learner-teacher ratio increased, while in 2020 the number of enrolments and the learner-teacher ratio decreased. This may suggest that the learner-teacher ratio is more affected by the number of enrolments in a given year and that the number of teachers in the area remains steady.

The learner-teacher ratio is a strong indicator of the students' level of engagement in a class, the quality of education and student achievement. A lower learner-teacher ratio therefore indicates that there are fewer learners per teacher and learners generally have the advantage that teachers are able to provide more personalised/tailored teaching methods and support, which improve 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.⁴⁸

⁴⁸ (The Hun School of Princeton, 2019).

Figure 4.9 considers the retention rate in the Grade 10 to 12 phase of the schools in the CKD.

Figure 4.9
GRADE 10 TO 12 RETENTION RATE,
Central Karoo District, 2018 - 2020



Source: Western Cape Education Department, 2021

Despite the disruptions to the school year in 2020 owing to COVID-19, the CKD experienced consistent improvements in the learner retention rate over the reference period. The retention rate for the CKD improved from 55.8 per cent in 2018 to 61.2 per cent in 2019 and 78.4 per cent in 2020. Compared with the Province, the CKD had a lower retention rate in 2018 and 2019, after which the District's retention rate overtook that of the Province.

In 2020, the Laingsburg municipal area had a retention rate of 81.2 per cent, which was higher than that of the District and the Province. This municipal area also experienced the highest growth in the retention rate, improving from 40.0 per cent in 2018 to 41.0 per cent in 2019 and 81.2 per cent in 2020. The Prince Albert municipal area recorded constant growth in the retention rate, improving from 43.2 per cent in 2018 to 50.0 per cent in 2019 and 67.0 per cent in 2020. The Beaufort West municipal area also experienced an improvement in the retention rate, from 59.3 per cent in 2018 to 64.6 per cent in 2019 and 79.5 per cent in 2020.

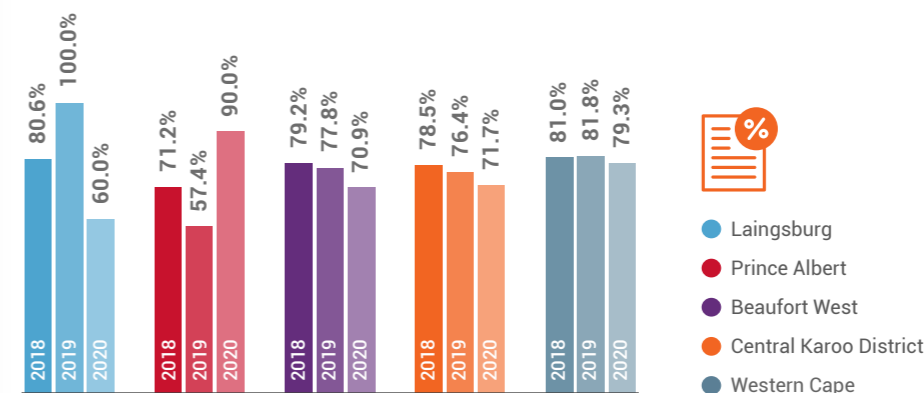
Access to education is an important indicator for labour market skills and access to economic opportunity. The increase in learner retention is therefore positive, especially considering that most sectors require semi-skilled and skilled labour.



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Figure 4.10 depicts the proportion of learners who passed Grade 12 and earned a school-leaving certificate in the CKD between 2018 and 2020.

Figure 4.10
MATRIC PASS RATE,
Central Karoo District,
2018 - 2020



Source: Western Cape Education Department, 2021

Despite the improvements in learner retention, the CKD recorded a consistent decline in the matric pass rate during the three-year period. In 2018, the District's matric pass rate was 78.5 per cent. Between 2019 and 2020, the pass rate declined from 76.4 per cent to 71.7 per cent. The matric pass rate of the District was lower than that of the Western Cape during the three-year period.

The Prince Albert municipal area had the highest matric pass rate in 2020 (90.0 per cent), increasing from 57.4 per cent in 2019. This municipal area also recorded an increase in the learner retention rate during this period.

The matric pass rate in the Beaufort West municipal area declined from 79.2 per cent in 2018 to 77.8 per cent in 2019, and in 2020 the pass rate declined further to 70.9 per cent. The Grade 10 to 12 retention rate in the municipal area shows an increase from 64.6 per cent in 2019 to 79.5 per cent in 2020, which means that although a larger proportion of learners was retained, the proportion of learners who passed matric decreased.

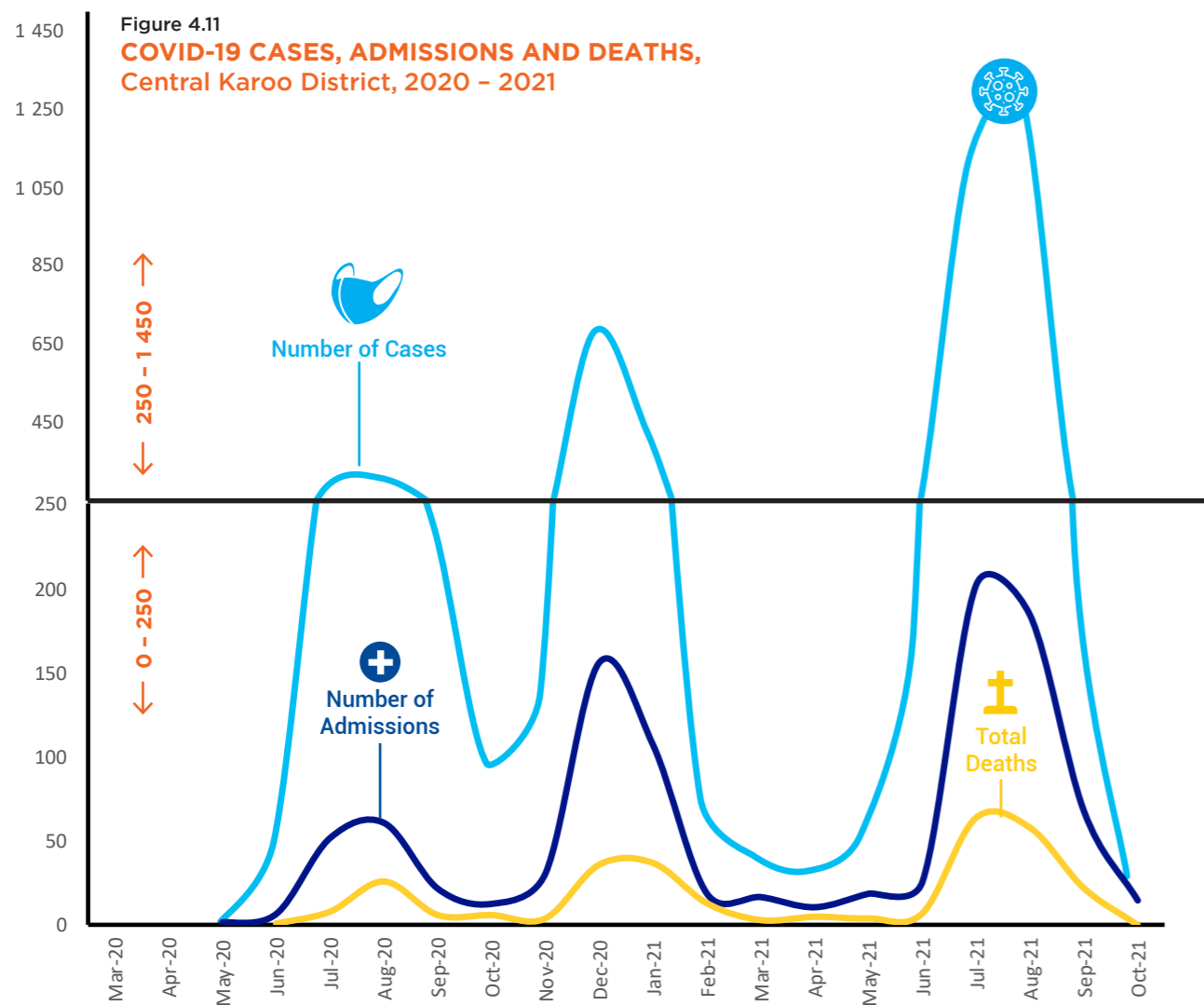
The Laingsburg municipal area recorded the highest matric pass rate (80.6 per cent) in 2018 compared with other municipal areas and achieved a 100.0 per cent matric pass rate in 2019. However, in 2020 the matric pass rate declined to 60.0 per cent, while the retention rate increased. Additional resources may be required to ensure that learners are equipped to pass Grade 12.

4.3.3 Health

The health conditions of persons living within the CKD are analysed in this section by looking at the prevalence of COVID-19, 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 CKD since the start of the COVID-19 pandemic in March 2020.⁴⁹



Source: Western Cape Department of Health, 2021

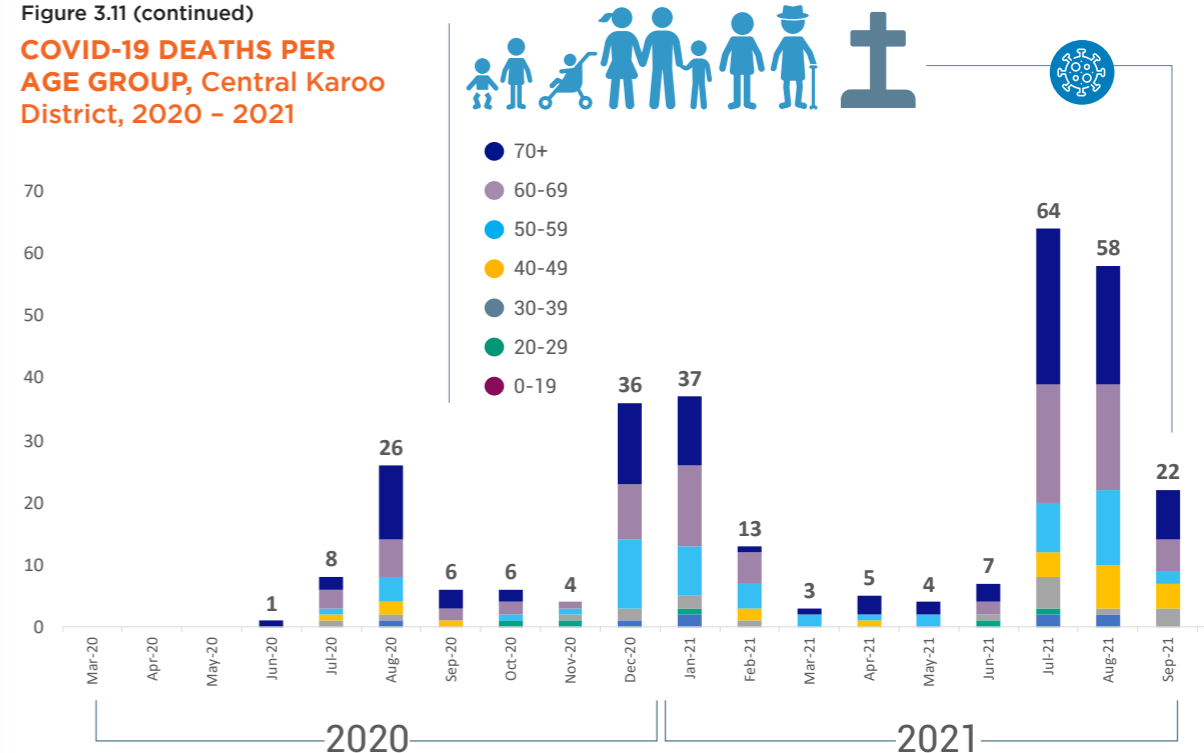
	Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Sep 20	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21
Cases			3	50	287	307	236	96	138	680	422	76	42	33	54	176	1 109	1283	231	30
Admissions			2	7	52	61	22	13	31	156	107	19	17	11	19	26	202	184	68	15
Total deaths				1	8	26	6	6	4	36	37	13	3	5	4	7	64	58	22	0

⁴⁹ Data for COVID-19 cases, admissions and deaths was extracted in November 2021.

There were no COVID-19 cases recorded in the CKD between March and April in 2020. However, three cases were recorded in May 2020, which significantly increased to 306 in August 2020. The first wave of COVID-19 in South Africa is defined as the period from weekly incidence of 30 cases per 100 000 persons to peak weekly incidence (week 24 to week 28).⁵⁰ Cases of COVID-19 during the first wave in the CKD therefore lagged that of the Province and the country. During the second wave, admissions peaked at 156 cases in December 2020, and again at 198 cases in July 2021 during the third wave.

The number of deaths recorded in the CKD follows a similar trend to the number of admissions. It is clear that with an increase in admissions, the number of deaths also increases. The recorded number of deaths increased from one in June 2020 to 36 in December the same year. In 2021, the number of deaths increased from 37 in January to 64 in July. People older than 60 have a higher probability of death from COVID-19. At the peak of the first, second and third waves in terms of death, 69.2 per cent, 65.8 per cent and 67.2 per cent of deaths respectively were people older than 60.

Figure 3.11 (continued)
COVID-19 DEATHS PER AGE GROUP, Central Karoo District, 2020 - 2021



Source: Western Cape Department of Health, 2021



By mid-August 2021, 38.7 per cent of persons older than 60 had been vaccinated in the CKD compared with 54.4 per cent provincially. Vaccinations of persons between the ages of 50 and 59 (32.3 per cent) were more on par with Provincial vaccinations (33.4 per cent). For the 35-to-49 age group, vaccination progress (15.2 per cent) was marginally higher compared with the Province (14.2 per cent). The Laingsburg and Prince Albert municipal areas recorded vaccination rates of 18.4 per cent and 18.3 per cent respectively in this age group.

⁵⁰ (Centre of 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 CKD in 2018.

Table 4.2
TOP 10 NATURAL CAUSES OF DEATH, Central Karoo District, 2018



Rank	Central Karoo District		Western Cape	
	Cause of death	%	Cause of death	%
1	Chronic lower respiratory diseases	9.5%	Diabetes mellitus	7.6%
2	TB	8.8%	Ischaemic heart disease	6.1%
3	Cerebrovascular disease	6.9%	Cerebrovascular disease	5.9%
4	Hypertensive diseases	5.5%	HIV	5.7%
5	Diabetes mellitus	5.5%	Chronic lower respiratory diseases	5.1%
6	Ischaemic heart disease	4.7%	TB	4.9%
7	Other forms of heart disease	4.6%	Malignant neoplasms of digestive organs	4.5%
8	Malignant neoplasms of respiratory and intrathoracic organs	4.4%	Malignant neoplasms of respiratory and intrathoracic organs	4.5%
9	HIV	3.6%	Hypertensive diseases	3.8%
10	Malignant neoplasms of digestive organs	3.3%	Other forms of heart disease	3.3%
Other natural		33.7%		35.6%
Non-natural		9.4%		13.0%

Source: Stats SA, 2021

In the CKD, chronic lower respiratory diseases, TB and cerebrovascular disease were the main causes of natural death, accounting for 9.5 per cent, 8.8 per cent and 6.9 per cent of deaths respectively. Provincially, most natural deaths were caused by diabetes mellitus (7.6 per cent) and ischaemic heart disease (6.1 per cent).

The proportion of people dying from TB in the CKD increased from 5.9 per cent in 2017 to 8.8 per cent in 2018 – emphasising the importance of public healthcare efforts in treating this disease. Diabetes mellitus also accounted for a larger proportion of deaths in the CKD in 2018 compared with 2017 (5.1 per cent).

Non-natural deaths accounted for 9.4 per cent of deaths in the District, which is lower than the Western Cape’s 13.0 per cent. Positively, the proportion of non-natural deaths declined from 15.3 per cent in 2017.



WELLBEING

Diabetes mellitus is considered a lifestyle disease that places severe strain on the public healthcare system. Obesity, caused by poor diet and lack of physical activity, is one of the leading causes of Type 2 diabetes. One of the focus areas of the Western Cape Recovery Plan is increasing the wellbeing of citizens by promoting nutrition, exercise and 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 the trends in HIV testing, treatment and outcomes in the CKD between 2017/18 and 2020/21.

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



	2017/18	2018/19	2019/20	2020/21
Known HIV+ (Tested; n)	3 359	3 325	3 155	3 211
Of which: Clients started but no longer on ART	39.8%	48.4%	22.9%	23.3%
Of which: Clients on ART	58.6%	60.8%	61.3%	61.5%
Of which: Clients with confirmed viral suppression	62.9%	51.2%	58.6%	57.6%

Source: Western Cape Department of Health, 2021

During the period under review, the number of people who tested positive for HIV experienced a decline from 3 359 in 2017/18 to 3 211 in 2020/21. 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 ART and 90.0 per cent of people receiving ART would have viral suppression.⁵¹ The number of patients on antiretroviral treatment (ART) has shown a continuous increase from 58.6 per cent in 2017/18 to 60.8 per cent in 2018/19, 61.3 per cent in 2019/20 and 61.5 per cent in 2020/21.

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.⁵² Despite the increase of patients on ART, patients with confirmed viral suppression decreased from 62.9 per cent in 2017/18 to 57.6 per cent in 2020/21.

The proportion of people who started with ART but are no longer on the treatment increased from 39.8 per cent in 2017/18 to 48.4 per cent in 2018/19. Following this, a decline is evident, with a recorded 22.9 per cent of patients in 2019/20, after which there was an increase, reaching 23.3 per cent in 2020/21.



⁵¹ (UNAIDS, 2014).

⁵² (Centers for Disease Control and Prevention, 2021).

Table 4.4 shows the trends in TB notification and outcomes in the CKD between 2018/19 and 2020/21. TB is the second-leading natural cause of death, and improved outcomes in treating the disease are therefore critical in the CKD.

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



	2018/19	2019/20	2020/21
TB programme success rate	75.9%	79.7%	81.8%
TB clients lost to follow-up	18.2%	14.1%	12.5%
TB client death rate	4.5%	5.0%	3.9%
TB/HIV co-infected	29.4%	37.9%	30.4%
TB MDR treatment success rate	46.4%	70.6%	73.9%

Source: Western Cape Department of Health, 2021

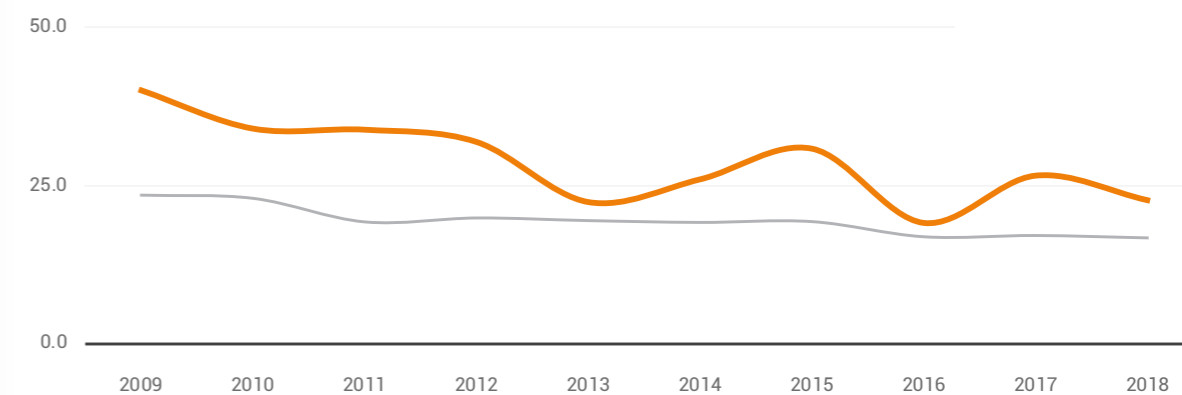
Despite the challenges the COVID-19 pandemic posed to the healthcare system, TB health outcomes remained positive. The TB programme success rate increased from 75.9 per cent in 2018/19 to 79.7 per cent in 2019/20 and 81.8 per cent in 2020/21. The percentage of TB clients lost to follow-up continuously declined from 18.2 per cent in 2018/19 to 14.1 per cent in 2019/20 and 12.5 per cent in 2020/21. The TB client death rate fluctuated over the three-year period from 4.5 per cent in 2018/19 to 5.0 per cent in 2019/20 and 3.9 per cent in 2020/21. The TB/HIV co-infection rate also fluctuated, from 29.4 per cent in 2018/19 to 37.9 per cent in 2019/20 and 30.4 per cent in 2020/21. The multidrug-resistant (MDR) treatment success rate has shown significant increases from 46.4 per cent in 2018/19 to 70.6 per cent in 2019/20 and 73.9 per cent in 2020/21.



4.3.3.4 Infant, child and maternal health

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

Figure 4.12
INFANT MORTALITY RATES PER 1 000 LIVE BIRTHS,
Central Karoo District, 2009 – 2018



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Central Karoo District	40.0	33.9	33.8	31.8	22.4	26.0	30.8	19.1	26.5	22.7
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

In general, the infant mortality rate of the CKD, as well as the Western Cape, declined between 2009 and 2018, although the mortality rate in the CKD was higher than the Western Cape for the entire period. The infant mortality rate for the CKD declined from 40.0 deaths per 1 000 births in 2009 to 22.7 deaths in 2018, while the Province recorded 23.5 deaths per 1 000 births in 2009 and 16.6 deaths per 1 000 births in 2018.

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

Table 4.5
MATERNAL DEATH RATES PER 100 000 LIVE BIRTHS,
Central Karoo District, 2018 – 2020

MUNICIPALITY	2018	2019	2020
Laingsburg	0.0	0.0	0.0
Prince Albert	0.0	0.0	0.0
Beaufort West	244.5	0.0	223.0
Central Karoo District	201.6	0.0	195.0

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

Maternal death rates in the CKD declined from 201.6 deaths per 100 000 live births in 2018 to zero in 2019, before increasing to 195.0 deaths per 100 000 live births in 2020. In 2018, the Beaufort West municipal area had 244.5 maternal deaths per 100 000 births, and 223.0 deaths per 100 000 live births in 2020.

4.3.3.5 Teenage pregnancy

Table 4.6 provides the delivery rate of women between the ages of 10 and 19 years in the CKD between 2018 and 2020.

Table 4.6
DELIVERY RATE TO WOMEN 10 - 19 YEARS,
Central Karoo District, 2018 - 2020

MUNICIPALITY	2018	2019	2020
● Laingsburg	15.8%	11.9%	13.2%
● Prince Albert	10.0%	14.1%	11.9%
● Beaufort West	18.6%	15.7%	18.5%
Central Karoo District	17.7%	15.4%	17.7%

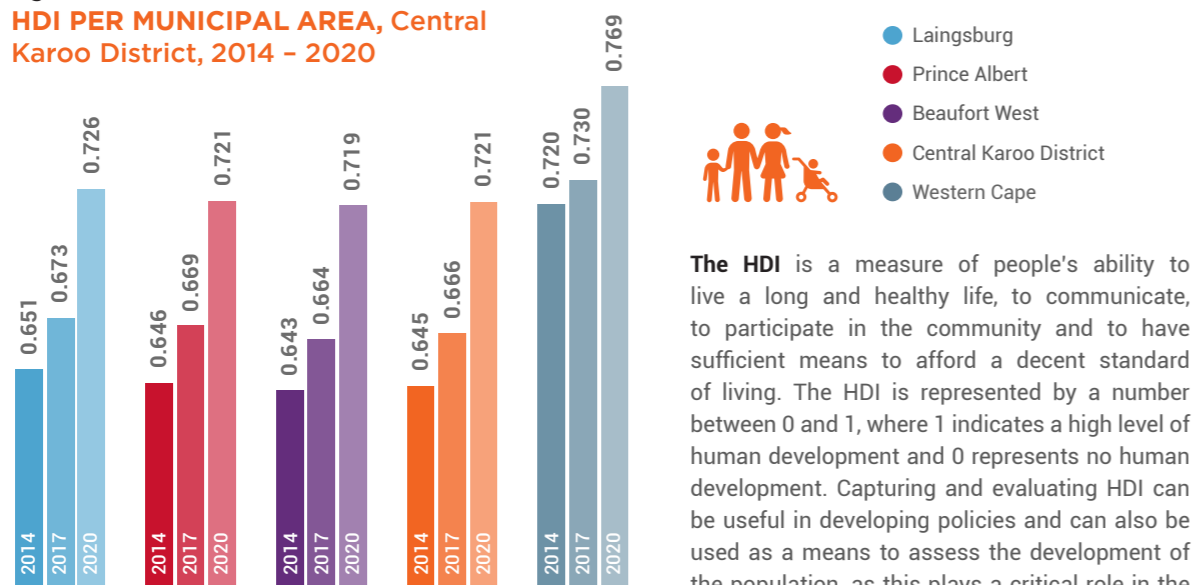
Source: Western Cape Department of Health, 2021

In the CKD, the delivery rate to women aged between 10 and 19 years was 17.7 per cent in 2018, after which it declined to 15.4 per cent in 2019 and increased to 17.7 per cent again in 2020. The Beaufort West municipal area experienced the highest delivery rate for the entire period of review, reaching 18.5 per cent in 2020. The Laingsburg municipal area experienced an increase from 11.9 per cent in 2019 to 13.2 per cent in 2020, and accounts for the second-largest percentage of teenager delivery rates in the CKD. The Prince Albert municipal area experienced a decline from 14.1 per cent in 2019 to 11.9 per cent in 2020.

4.3.4 Human Development Index

Figure 4.13 outlines the HDI for the municipal areas of the CKD.

Figure 4.13
HDI PER MUNICIPAL AREA, Central
Karoo 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. Capturing and evaluating HDI can be useful in developing policies and can also be used as a means to assess the development of the population, as this plays a critical role in the development of the economy.⁵³

⁵³ (World Health Organization, 2021).

The CKD has a lower HDI when compared with the Province. Despite this, the HDI has been improving for the period under review. The HDI of the District increased from 0.645 in 2014 to 0.721 in 2020, meaning that there was an increased level of human development. All municipal areas experienced an increased level of HDI for the period under review. In 2020, the Laingsburg municipal area had the highest HDI level of 0.726, followed by the Prince Albert municipal area with an HDI of 0.721. The Beaufort West municipal area had the lowest HDI level of 0.719.

GLOBAL HDI COMPARISON

According to the United Nations Development Programme (UNDP),⁵⁴ South Africa was ranked 114th in the world with an HDI of 0.709 in 2019, which is lower than the average world HDI of 0.737. However, the HDI in South Africa is still considered high and is above the average HDI of developing countries (0.689). Globally, Norway had the highest HDI in 2019 (0.957), while Niger was ranked lowest at 0.394. In 2019, the HDI in the Western Cape was also considered high according to the UNDP classification and was similar to the HDI in Azerbaijan and the Dominican Republic (0.756). The 2019 HDI in the CKD (0.704) was considered high according to the HDI classification and was on a par with that of Vietnam and the Marshall Islands.



⁵⁴ (UNDP, 2021).

4.4 HOUSING AND ACCESS TO BASIC SERVICES

Table 4.7 depicts the various types of dwellings of households in the CKD in 2020.

Table 4.7
NUMBER AND PROPORTION OF DWELLINGS, Central Karoo District, 2020

	Central Karoo District		● Laingsburg		● Prince Albert		● Beaufort West	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Formal	19 125	97.0%	2 347	96.4%	3 375	94.0%	13 403	97.9%
Informal	366	1.9%	30	1.3%	157	4.4%	178	1.3%
Other	226	1.1%	57	2.4%	59	1.7%	110	0.8%

Source: Quantec Research, 2021

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

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

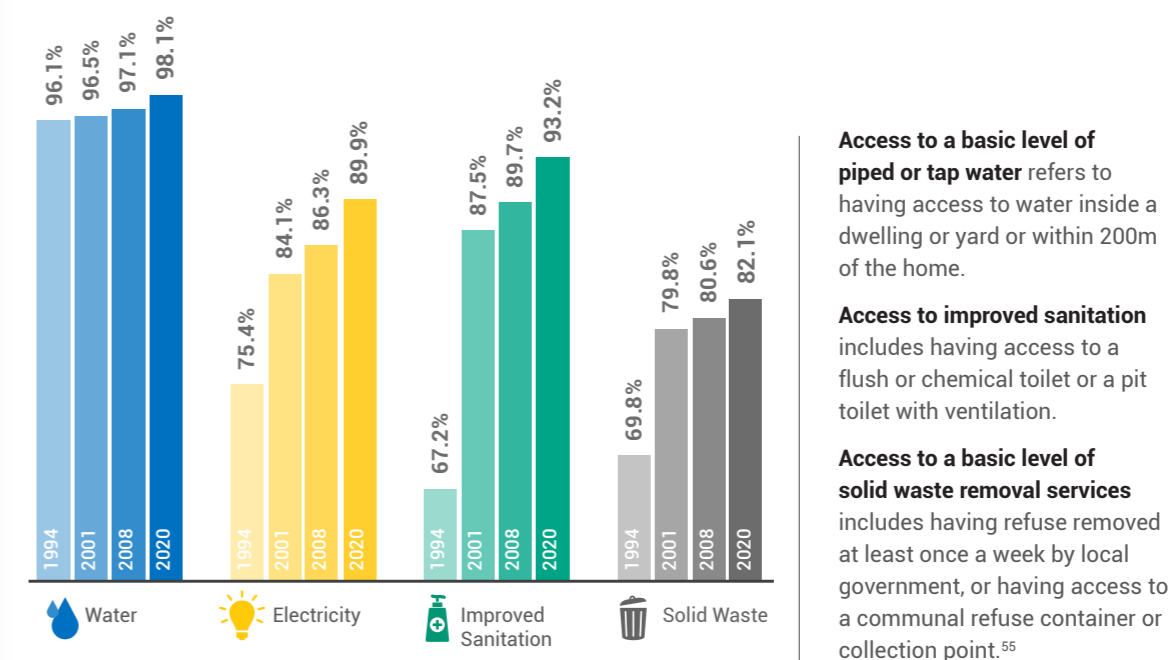
Most households in the CKD reside in formal dwellings, which accounted for 97.0 per cent of dwellings in 2020. A total of 1.9 per cent of households in the District resided in informal dwellings. The Beaufort West municipal area had the largest share of households living in formal dwellings (97.9 per cent), followed by the Laingsburg municipal area (96.4 per cent) and the Prince Albert municipal area (94.0 per cent).



Access to basic services, particularly services such as 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 the access to basic services in the municipal areas of the CKD.

Figure 4.14
ACCESS TO BASIC SERVICES, Central Karoo District, 1994 – 2020



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

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

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

Access to a basic level of solid waste removal services includes having refuse removed at least once a week by local government, or having access to a communal refuse container or collection point.⁵⁵

Access to electricity and solid waste removal services in the CKD lags behind the provision of piped water and improved sanitation. The rural nature of the CKD does influence the feasibility and capabilities of local government to provide waste removal services. Access to piped water improved over the reference period, from 96.1 per cent in 1994 to 98.1 per cent in 2020. Access to electricity increased from 75.4 per cent in 1994 to 89.9 per cent in 2020. Access to improved sanitation also increased substantially, by 26.0 percentage points over the reference period, while access to solid waste removal services increased from 69.8 per cent in 1994 to 82.1 per cent in 2020. These improvements indicate that service provision has kept up with household growth in the CKD.

⁵⁵ (Stats SA, 2017).

INDIGENT HOUSEHOLDS

In order to qualify as an indigent household and to receive free basic services, households must be assessed in accordance with the relevant municipality's criteria. In the Laingsburg municipal area, households must have a monthly income of less than R3 500 per month in order to qualify as an indigent household.⁵⁶ In the Beaufort West municipal area, a household with an income of less than R3 380 per month can be registered as an indigent household.⁵⁷ In the Prince Albert municipal area, households may be registered as indigent if their total monthly income is less than R3 500.⁵⁸

Table 4.8
NUMBER OF INDIGENT HOUSEHOLDS, Central Karoo District, 2018 - 2020

	2018		2019		2020	
	Number	% of households	Number	% of households	Number	% of households
● Laingsburg	613	25.1%	685	27.7%	784	31.4%
● Prince Albert	893	24.3%	1 092	29.3%	1 210	32.1%
● Beaufort West	7 150	55.5%	6 433	49.7%	6 990	53.6%
Central Karoo District	8 656	45.5%	8 210	42.9%	8 984	46.5%

Source: Department of Local Government, 2021

The number of indigent households in the CKD increased from 42.9 per cent in 2019 to 46.5 per cent in 2020. The Beaufort West municipal area had the largest share of indigent households, which increased from 49.7 per cent in 2019 to 53.6 per cent in 2020. In the Prince Albert municipal area, the share of indigent households increased from 29.3 per cent in 2019 to 32.1 per cent in 2020. The Laingsburg municipal area had the lowest share of indigent households but also experienced an increase, from 27.7 per cent in 2019 to 31.4 per cent in 2020. These increases can largely be attributed to job losses that occurred as a result of the COVID-19 pandemic.

Indigent households place pressure on the municipality's financial resources to service these households with free basic services and may be affected by the lack of funds, or inadequate infrastructure.⁵⁹



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⁵⁶ (Laingsburg Local Municipality, 2020).
⁵⁷ (Beaufort West Municipality, 2020).
⁵⁸ (Prince Albert Local Municipality, 2021).
⁵⁹ (Stats SA, 2019).

Figure 4.15 illustrates the access to free basic services in the CKD between 2016 and 2019. Free basic services are available to households that qualify as indigent households.

Figure 4.15
ACCESS TO FREE BASIC SERVICES,
Central Karoo 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. Access to free basic water increased from 7 603 households with access in 2016 to 8 070 households in 2019. Access to free basic electricity increased from 7 603 households in 2016 to 8 131 households in 2019. The number of households with access to free basic sanitation also increased from 5 298 in 2016 to 6 264 in 2019. The number of households with access to free basic solid waste removal declined from 4 154 households in 2016 to 3 869 in 2019.



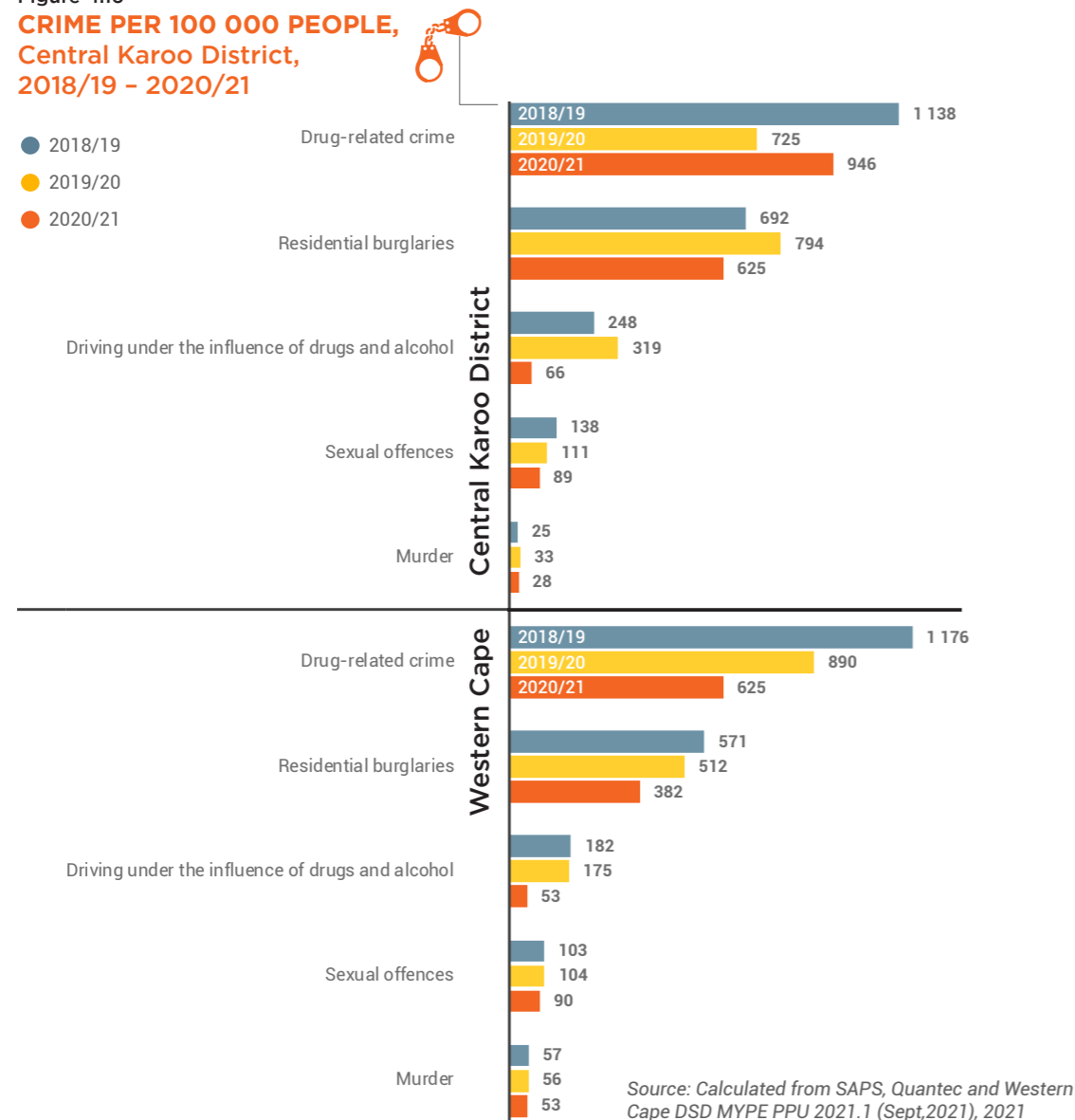
4.5 CRIME

An analysis of a region's crime rate 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 the crime rate in the CKD and the Western Cape between 2018/19 and 2020/21.

Figure 4.16

CRIME PER 100 000 PEOPLE, Central Karoo District, 2018/19 – 2020/21



For 2020/21, the CKD recorded more instances of driving under the influence of drugs or alcohol, residential burglaries and drug-related crime compared with the Province. However, in most crime categories, fewer instances of crime were recorded for 2020/21 compared with 2019/20. The lockdown measures put in place to curb the spread of COVID-19 are likely to have had a positive impact on these crime categories.

The murder rate increased from 25 cases per 100 000 people in 2018/19 to 33 cases per 100 000 people in 2019/20 before declining to 28 cases per 100 000 people in 2020/21. The murder rate was particularly low in the Prince Albert municipal area, at 13 cases per 100 000 people in 2020/21. Sexual offences have been on a consistent declining trend, decreasing from 138 cases per 100 000 people in 2018/19 to 89 cases per 100 000 people in 2020/21. The Laingsburg municipal area recorded the most cases per 100 000 people in the CKD, with 131 cases per 100 000 people in 2019/20 and 112 cases per 100 000 people in 2020/21.

In 2020/21, there were 625 cases per 100 000 of residential burglaries in the CKD compared with 382 cases per 100 000 people in the Province. The curfew imposed as part of the COVID-19 lockdown measures would have reduced residential burglaries. In 2020/21, the Beaufort West municipal area reported 676 cases per 100 000 people, while the Prince Albert and Laingsburg municipal areas reported 511 cases per 100 000 people and 520 cases per 100 000 people respectively.

As a result of alcohol restrictions in 2020, cases of driving under the influence of alcohol declined from 248 cases per 100 000 people in 2019/20 to 66 cases per 100 000 people in 2020/21. This would also have had a positive impact on road accidents and road fatalities.

Drug-related crime decreased from 1 138 cases per 100 000 people in 2018/19 to 725 cases per 100 000 people in 2019/20, before increasing to 946 cases per 100 000 people in 2020/21. On a Provincial level, drug-related crime decreased consistently over the reference period. Drug-related crime increased in all municipal areas in the CKD, with the highest number of incidences being recorded in the Laingsburg municipal area (1 561 cases per 100 000 people in 2020/21).

The number of incidences reported in the CKD was much higher compared with the Province, indicating that additional resources are required to reduce crime, particularly in the Laingsburg municipal area, where the crime rate is the highest for most crime categories that are reported on.



4.6 CONCLUDING REMARKS

The CKD has an estimated 75 122 people in 2021 and this number is expected to decline marginally in future. In the Laingsburg and Prince Albert municipal areas, the population is expected to increase at an annual rate of 0.5 per cent. The largest portion of the population is concentrated in the Beaufort West municipal area, where the population is expected to decrease at an average annual rate of 0.3 per cent between 2021 and 2025. The number of households in the District is expected to increase at an average annual rate of 0.9 per cent from 2021 to 2025.

Most of the population (32.9 per cent) fall between the ages of 15 and 34 (youth), followed by children (29.4 per cent) and individuals between 35 and 64 (28.7 per cent). The smallest share of the District's population (9.0 per cent) are individuals older than 65 years. This suggests that the District has a more youthful population. This will influence the need for childcare and education facilities and will also influence future employment demand. Not only will skills development be necessary to ensure employability, intervention will also be required to ensure sustainable job creation in the CKD, as the economy has been underperforming.

In 2020, GDP per capita in all the municipal areas in the District contracted further as a result of the impact of the global COVID-19 pandemic and the associated regulations and restrictions placed on movement, business operations and trade. However, the contraction in GDP per capita was less severe in the CKD compared with the Province as a result of slower population growth trends.

In 2019, households in the CKD had an average monthly income of R13 068 per month, which was lower than that of the Western Cape. The Beaufort West and Laingsburg municipal areas had an average household income of R13 229 and R13 083 respectively, while the Prince Albert municipal area had an average household income of R12 439. The CKD had a lower income inequality compared with the Western Cape. However, trends show an increase in inequality in the District. All municipal areas in the CKD experienced an increase in income inequality for the period under review. Job losses in 2020 as a result of the COVID-19 pandemic would have increased income inequality in the CKD.

The CKD experienced an increase of 0.5 per cent in the number of learner enrolments from 14 529 learners in 2018 to 14 685 in 2020. The largest number of enrolments in the District was in the Beaufort West municipal area, which is in line with the population distribution of the CKD. Learner enrolments in the Prince Albert municipal area increased from 2 128 learners in 2018 to 2 141 learners in 2020. In the Laingsburg municipal area, the number of enrolments decreased from 1 259 in 2018 to 1 244 in 2020. In 2020, the learner-teacher ratio in the CKD (33.0) was higher than that of the Western Cape (30.3). The District experienced an increase from 32.8 learners per teacher in 2018 to 33.0 learners per teacher in 2020, highlighting that the number of educators did not increase, while learner enrolments increased.

The Grade 10 to 12 retention rate for the CKD increased from 55.8 per cent in 2018 to 78.4 per cent in 2020. The Laingsburg municipal area had a retention rate of 81.2 per cent in 2020. The Prince Albert municipal area recorded constant growth in the retention rate, increasing from 43.2 per cent in 2018 to 67.0 per cent in 2020. The Beaufort West municipal area also experienced an increase in the retention rate, from 59.3 per cent in 2018 to 79.5 per cent in

2020. The CKD experienced a decline in the matric pass rate from 2018 to 2020. In 2020, the Prince Albert municipal area had a matric pass rate of 90.0 per cent, the Beaufort West municipal area recorded a matric pass rate of 70.9 per cent and the Laingsburg municipal area recorded 60.0 per cent.

The number of COVID-19 cases, admissions and related deaths followed a similar trend. As the number of cases increased, the number of hospital admissions and deaths increased. For the period under review, COVID-19 cases peaked at 11 153 in August 2021, admissions peaked at 1 330 in July 2021, and the number of deaths peaked at 423, also in July 2021. In the CKD, chronic lower respiratory diseases and TB were the main causes of natural death, accounting for 9.5 per cent and 8.8 per cent of deaths respectively.

The number of people testing positive for HIV experienced a decline from 2017/18 to 2020/21. The number of patients on ART has shown a continuous increase from 58.6 per cent in 2017/18 to 61.5 per cent in 2020/21. Patients with confirmed viral suppression decreased from 62.9 per cent in 2017/18 to 57.6 per cent in 2020/21. The proportion of people who started with ART but are no longer on the treatment stands at 23.3 per cent in 2020/21.

The TB programme success rate increased from 75.9 per cent in 2018/19 to 81.8 per cent in 2020/21. The percentage of TB clients lost to follow-up has continuously declined from 18.2 per cent in 2018/19 to 12.5 per cent in 2020/21. The TB client death rate declined from 4.5 per cent in 2018/19 to 3.9 per cent in 2020/21. The TB/HIV co-infection rate increased from 29.4 per cent in 2018/19 to 30.4 per cent in 2020/21. The MDR treatment success rate has shown significant increases from 46.4 per cent in 2018/19 to 73.9 per cent in 2020/21.

The infant mortality rate for the CKD declined from 40.0 deaths per 1 000 births in 2009 to 22.7 deaths in 2018, while the Province recorded 23.5 deaths per 1 000 births in 2009 and 16.6 deaths per 1 000 births in 2018.

The HDI of the District increased from 0.645 in 2014 to 0.721 in 2020, meaning that there was an increased level of human development. All municipal areas experienced an increased level of HDI for the period under review. The largest portion of households in the CKD resided in formal dwellings (97.0 per cent) in 2020. The Beaufort West municipal area had the largest share of households living in formal dwellings (97.9 per cent), followed by the Laingsburg municipal area (96.4 per cent) and the Prince Albert municipal area (94.0 per cent). The number of households with access to basic services have increased substantially since 1994, particularly electricity (14.5 percentage points) and improved sanitation services (26.0 percentage points).

The number of indigent households in the CKD increased from 42.9 per cent in 2019 to 46.5 per cent in 2020. The Beaufort West municipal area had the largest share of indigent households. All the municipal areas in the CKD experienced an increase in indigent households from 2019 to 2020.

Considering the crime categories under review, the CKD had higher crime indices than the Province, except for murder and sexual offences. However, most crime categories experienced a decline between 2019/20 and 2020/21, except for drug-related crimes which increased over the period.

GROWTH POTENTIAL STUDY 2018



The **CENTRAL KAROO** has the **lowest overall growth potential in the Western Cape**, and the **lowest performance** across all themes – human capital, institutional, economic, infrastructure and physical natural. Indicators on crime, amenities and social service organisation show challenges and are likely linked to challenges with unemployment and personal income, inter alia. Indicators on infrastructure backlog reduction show signs of improvement, although indicators on access to basic services show that challenges still exist.

PRECONDITIONS FOR GROWTH

ECONOMIC

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

PHYSICAL NATURAL

- Availability and quality of water
- Natural potential

INFRASTRUCTURE

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

INNOVATION POTENTIAL

INSTITUTIONAL

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

HUMAN CAPITAL

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

DEVELOPMENTAL POTENTIAL

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

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, 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.

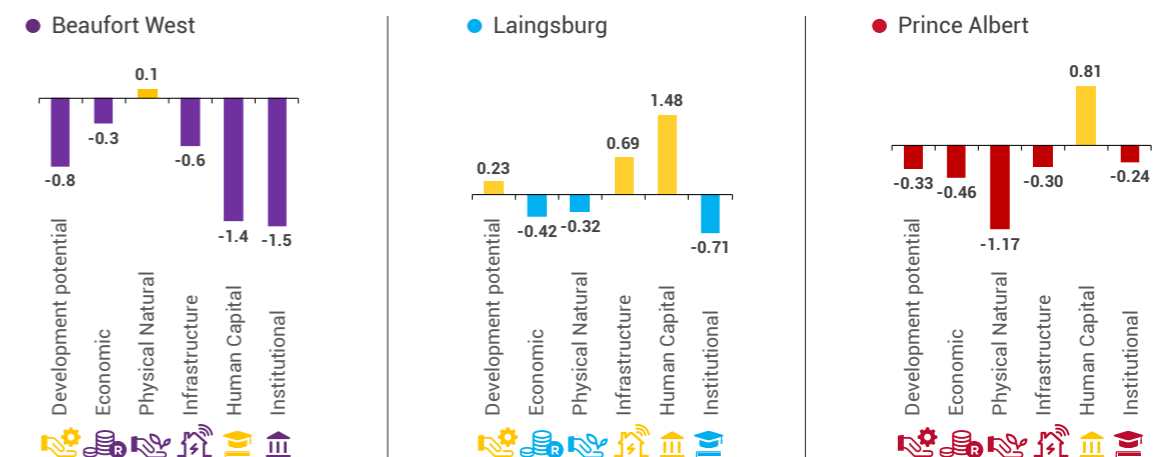
The **GPS2018** shows that the **Laingsburg** municipal area has “**low**” growth potential, and **Beaufort West** and **Prince Albert** have “**very low**” growth potential.

BEAUFORT WEST has had regression in all themes except the physical natural theme. It is now the municipal area with the **lowest growth potential** in the Province. Indicators on crime, unemployment and personal income show challenges, and indicators on skill and willingness of labour show opportunities for future improvements of growth potential.

The **LAINGSBURG** municipal area has had a change in classification from GPS2013 to GPS2018, up from “**very low**” growth potential. This is due to gains made in the human capital and infrastructure themes, and better performance in indicators on economic empowerment, access to basic services and state of wastewater infrastructure.

PRINCE ALBERT has had regression in all themes except the human capital theme. Indicators on education, institutional or governance capacity, crime and the economy are challenges. Indicators show that access to basic services is improving, information and communications technology (ICT) innovation remains slow, and there is stronger performance in economic empowerment.

Difference between GPS18 Z-score and GPS13 Z-score⁶⁰



⁶⁰ 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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