



Western Cape
Government

2021

Municipal Economic Review and Outlook

Garden Route District

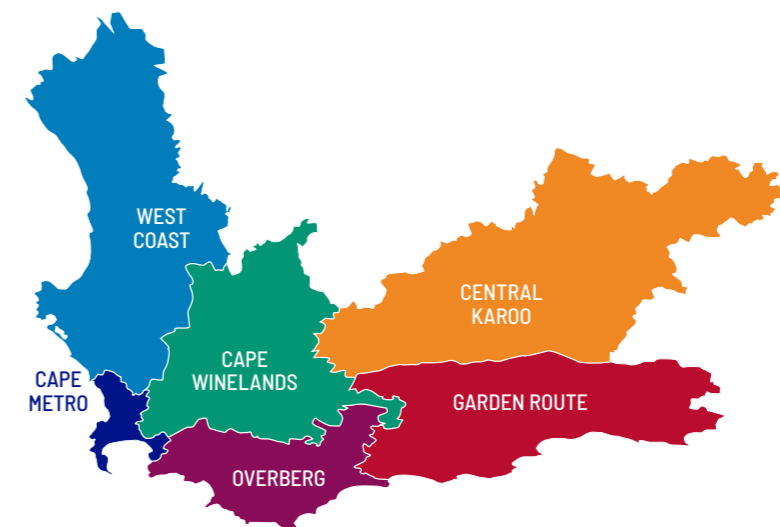




Western Cape
Government

2021 **Municipal Economic Review** and **Outlook**

Garden Route District



Provincial Treasury
Local Government Budget Office
Private Bag X9165
15 Wale Street
Cape Town
tel: +27 21 483 5618
www.westerncape.gov.za



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

ABOUT THE MUNICIPAL ECONOMIC REVIEW AND OUTLOOK (MERO)

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

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

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

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

FOREWORD

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

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

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

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



Mr David Maynier

Minister of Finance and Economic Opportunities

6 December 2021

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GARDEN ROUTE DISTRICT 62

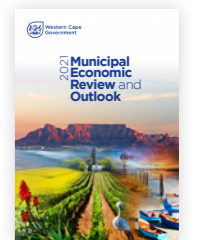
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THE OTHER DISTRICTS



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 |

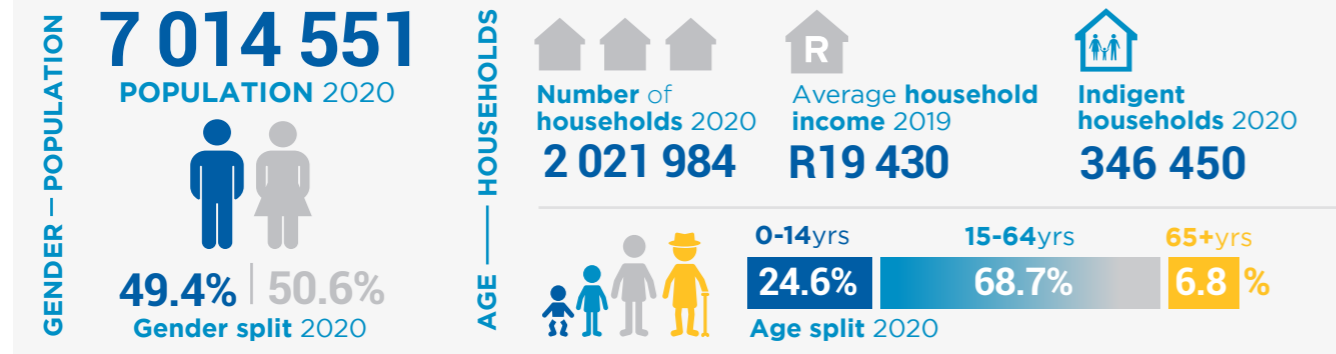


WC WESTERN CAPE

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



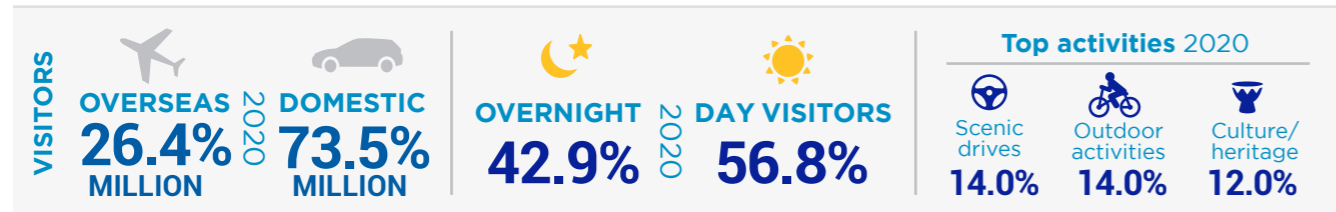
EMPLOYMENT



TRADE



TOURISM



GDPR

| | 2019 | 2020 |
|--------------------------|-------|--------|
| GDPR CONTRIBUTION | 3.5% | 3.5% |
| GDPR GROWTH | 11.2% | -11.9% |



EMPLOYMENT

| | 2019 | 2020 |
|--------------------------------|-------|-------|
| EMPLOYMENT CONTRIBUTION | 10.0% | 10.0% |
| EMPLOYMENT GROWTH | -5.6% | -9.3% |

| | 2019 | 2020 |
|---|--------------|--------------|
| PRIMARY SECTOR | 3.5% | 3.5% |
| AGRICULTURE, FORESTRY & FISHING | 3.2% | 13.3% |
| MINING & QUARRYING | 0.3% | -19.4% |
| SECONDARY SECTOR | 23.6% | 23.6% |
| MANUFACTURING | 15.3% | -10.0% |
| ELECTRICITY, GAS & WATER | 2.9% | -6.8% |
| CONSTRUCTION | 5.3% | -21.1% |
| TERTIARY SECTOR | 72.9% | 72.9% |
| WHOLESALE & RETAIL TRADE, CATERING & ACCOMMODATION | 17.7% | -10.3% |
| TRANSPORT, STORAGE & COMMUNICATION | 10.9% | -15.3% |
| FINANCE, INSURANCE, REAL ESTATE & BUSINESS SERVICES | 25.3% | -4.4% |
| GENERAL GOVERNMENT | 12.1% | 0.7% |
| COMMUNITY, SOCIAL & PERSONAL SERVICES | 7.0% | -2.2% |

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:

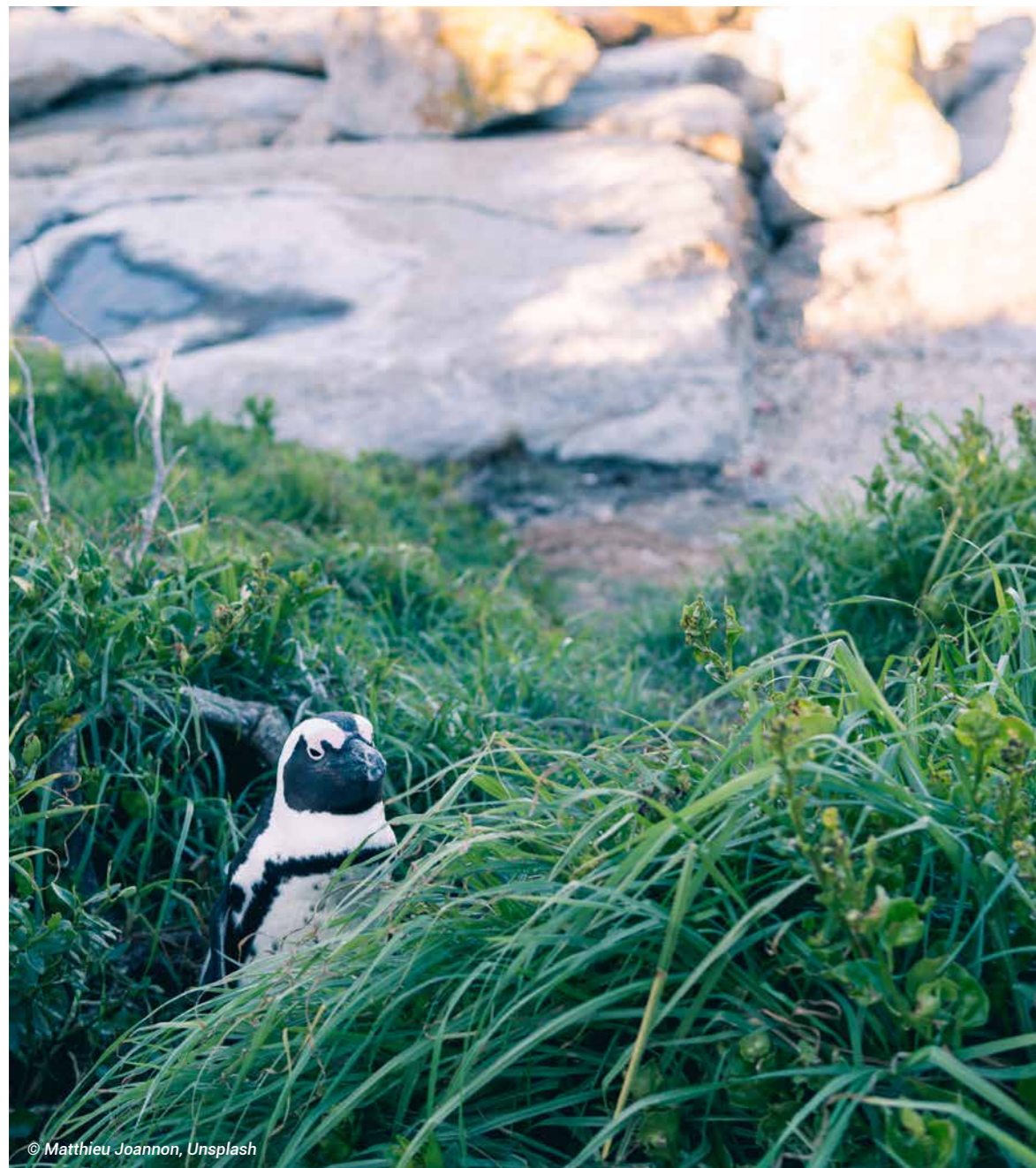
Chapter 1: Regional economic review and outlook - Broad overview of the Provincial macroeconomic context of each District by focusing on GDPR performance and labour trends. The period under review for MERO 2021 is 2015 to 2019, with 2020 figures being

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.



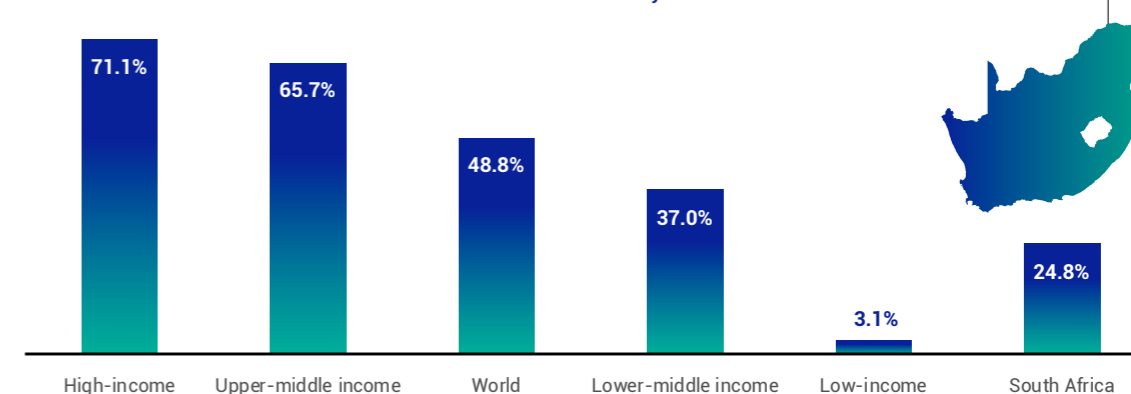
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GLOBAL VACCINE ROLL-OUT

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.

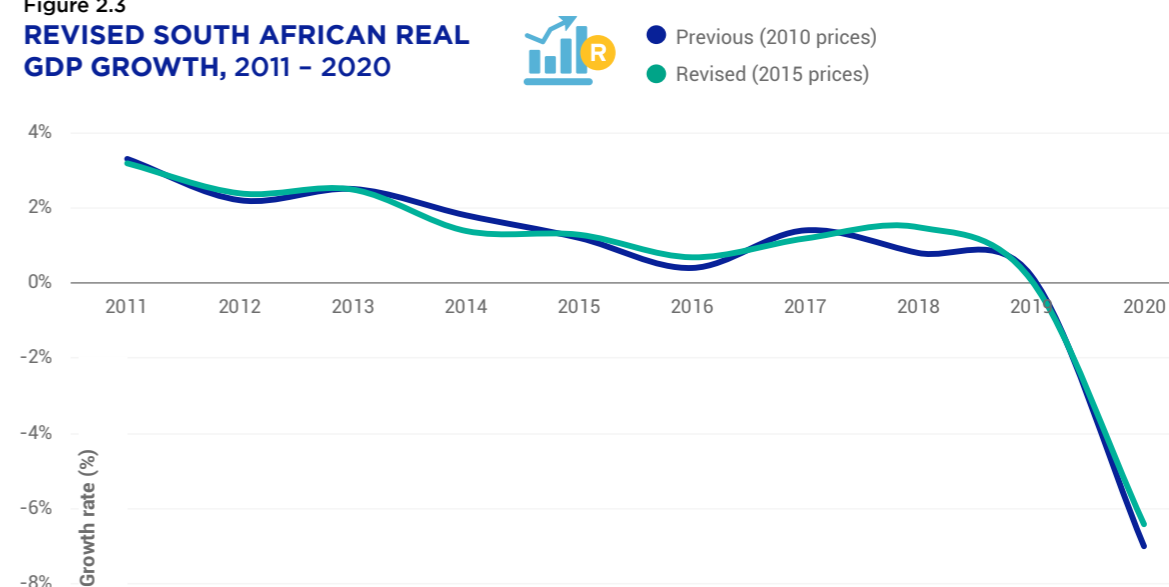
¹⁴ Hereafter abbreviated to finance.



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% |

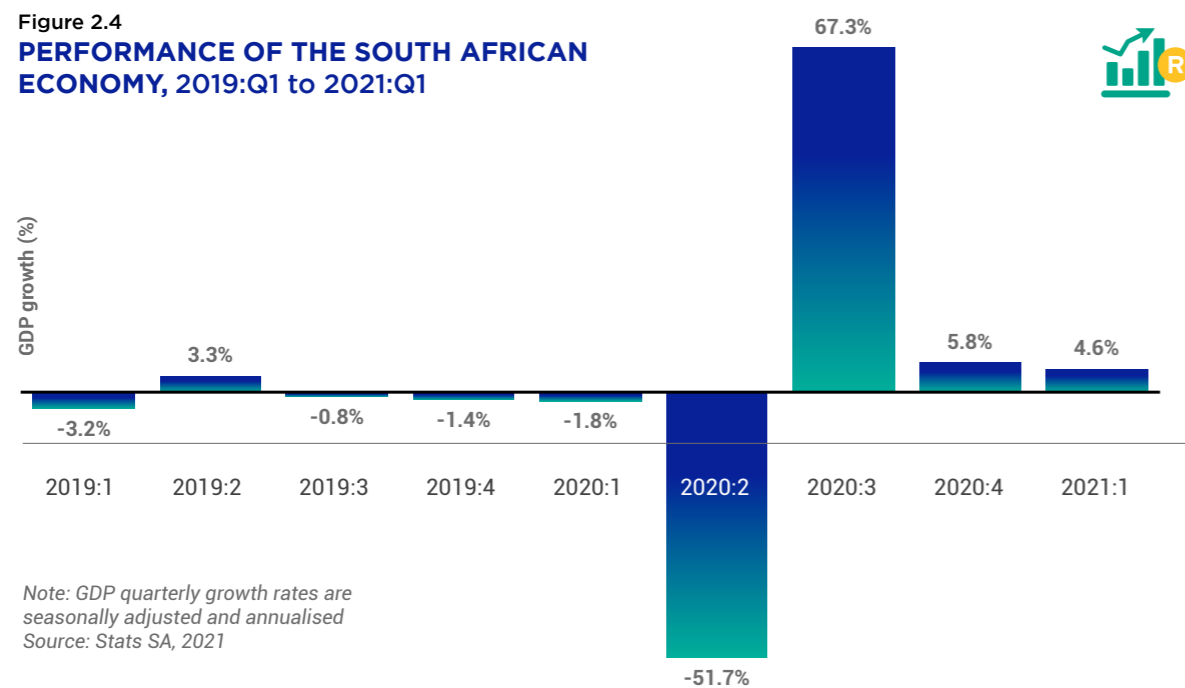
The revised estimate of GDP in 2020 increased by 11.0 per cent to R5 521 billion, compared with the previous estimate of R4 973 billion. Consequently, the annual contraction for 2020 was revised from -7.0 per cent to -6.4 per cent. Historically, benchmarking GDP has resulted in estimates that show an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

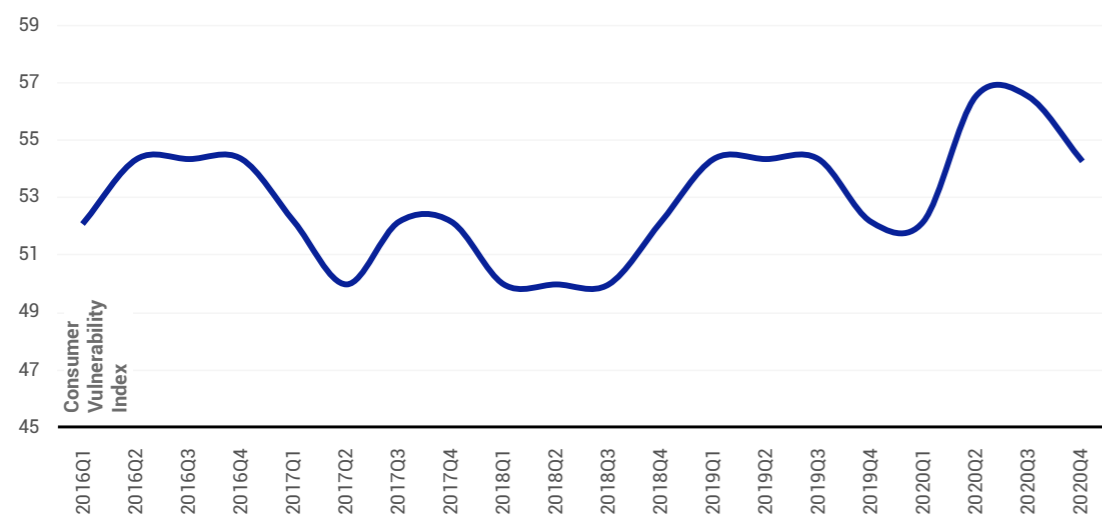


Source: Quantec Research, 2021

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.

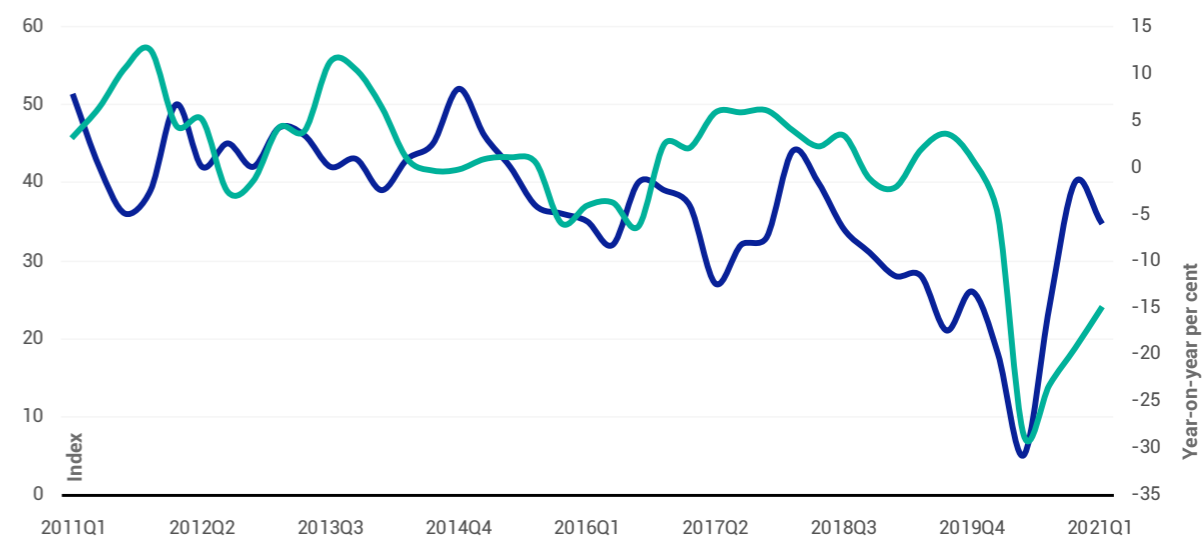
Fixed investment has grown on average by only 0.6 per cent per annum over the past 15 years. The growth was largely due to public-sector investment – indeed, private-sector fixed investment grew by a fraction of this rate, at only 0.1 per cent per annum.

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.



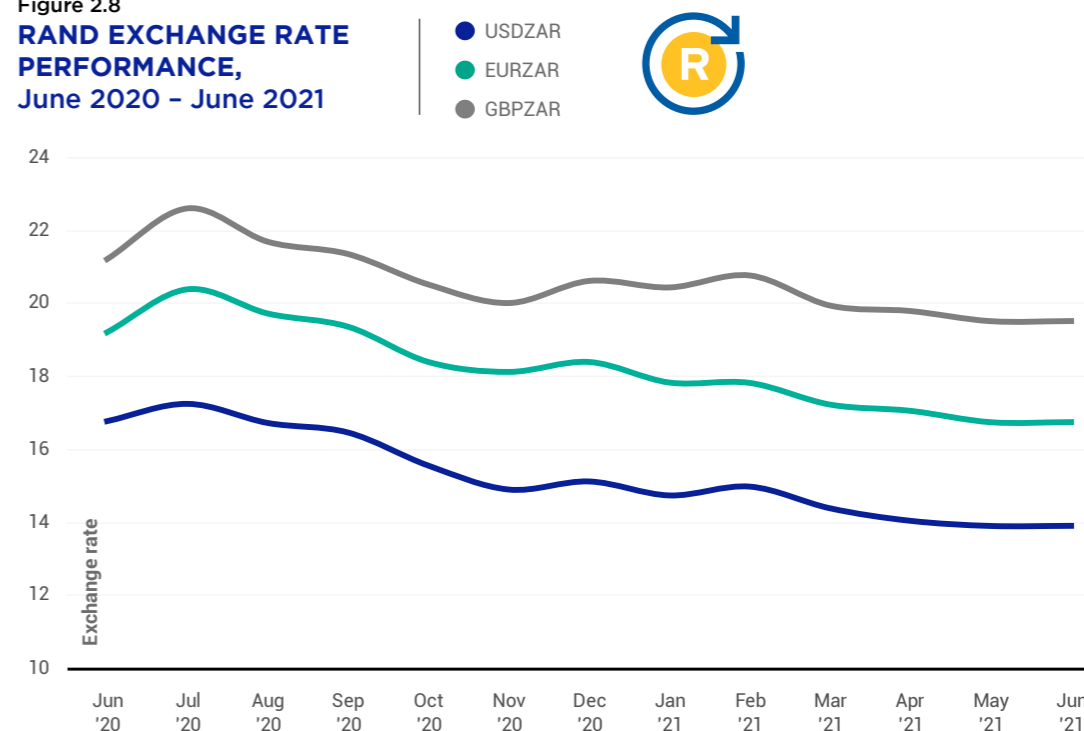
Source: National Income Dynamics Study – Coronavirus Rapid Mobile Survey (NIDS-CRAM), 2021

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.

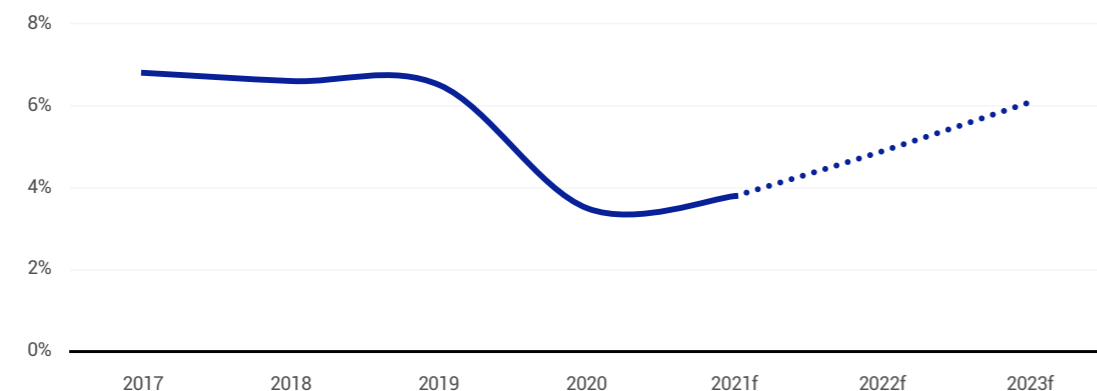
The current account surplus was in part due to a significant trade surplus, which increased from R425.0 billion in the fourth quarter of 2020 to R430.0 billion in the first quarter of 2021, with the largest surplus resulting from the value of merchandise exports. The trade surplus can be ascribed to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

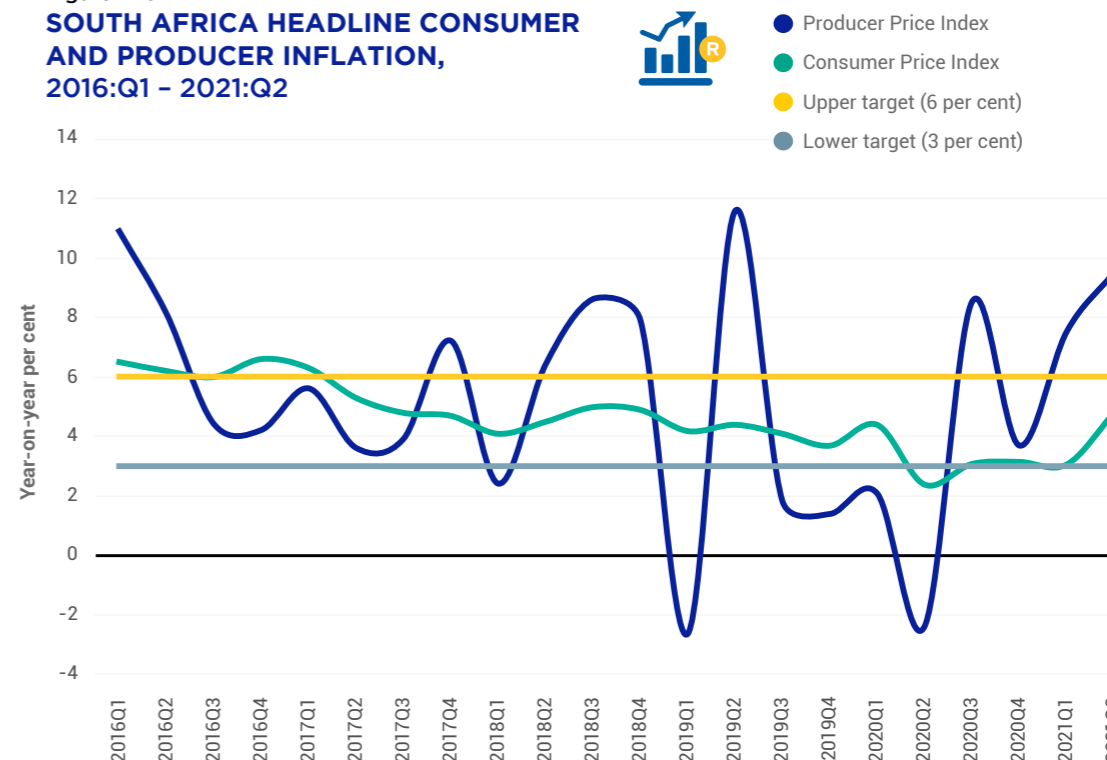
Figure 2.9
SOUTH AFRICA REPO RATE OUTLOOK, 2017 - 2023



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.



The only demographic groups where hesitancy grew between the two surveys was among youth aged 18 to 24, white adults, and students and learners. In all other groupings, hesitancy fell or stayed the same as before.

The NIDS-CRAM Wave 5 Survey further found that vaccine acceptance is higher among respondents living in traditional settlements, among isiZulu, Tsonga and Setswana speakers, and among black respondents. Vaccine acceptance is significantly lower among respondents living in urban formal residential housing, Afrikaans speakers, and white and coloured respondents. Users of social media and the youth are more likely to show low vaccine acceptance. The older generations and those with underlying health conditions are more willing to be vaccinated. In August 2021, recent reports showed a slump in demand at vaccination centres around the country, with concerns growing that the vaccination drive was losing steam, with only about 15.0 per cent of the country’s adults fully vaccinated.¹⁹

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

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

¹⁷ People between the ages of 18 and 35 were eligible for vaccination from August 2021.

¹⁸ (Solís, 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

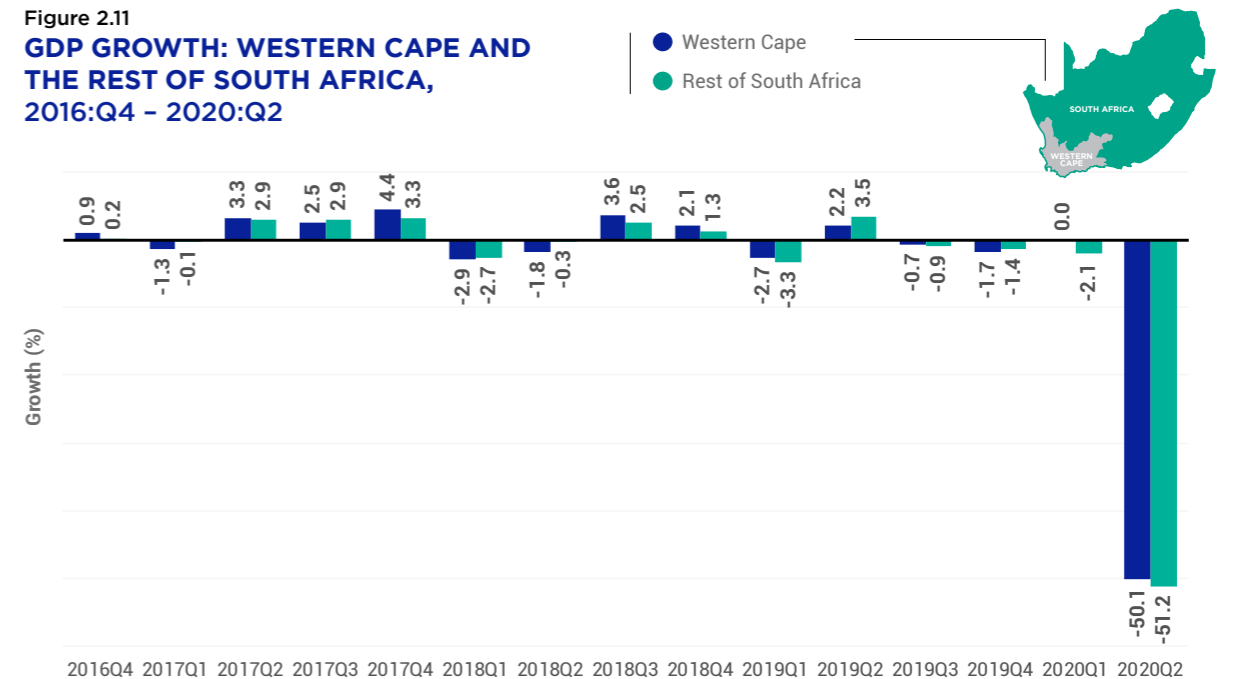
2.4.1 Western Cape economic performance

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.

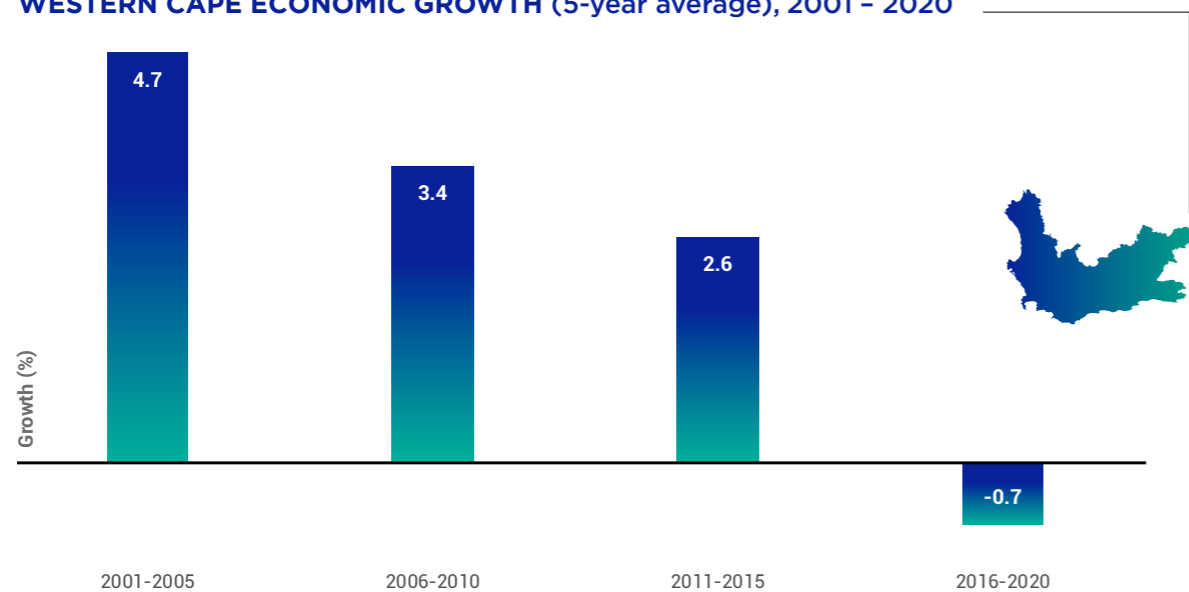
Figure 2.11
GDP GROWTH: WESTERN CAPE AND THE REST OF SOUTH AFRICA, 2016:Q4 - 2020:Q2



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

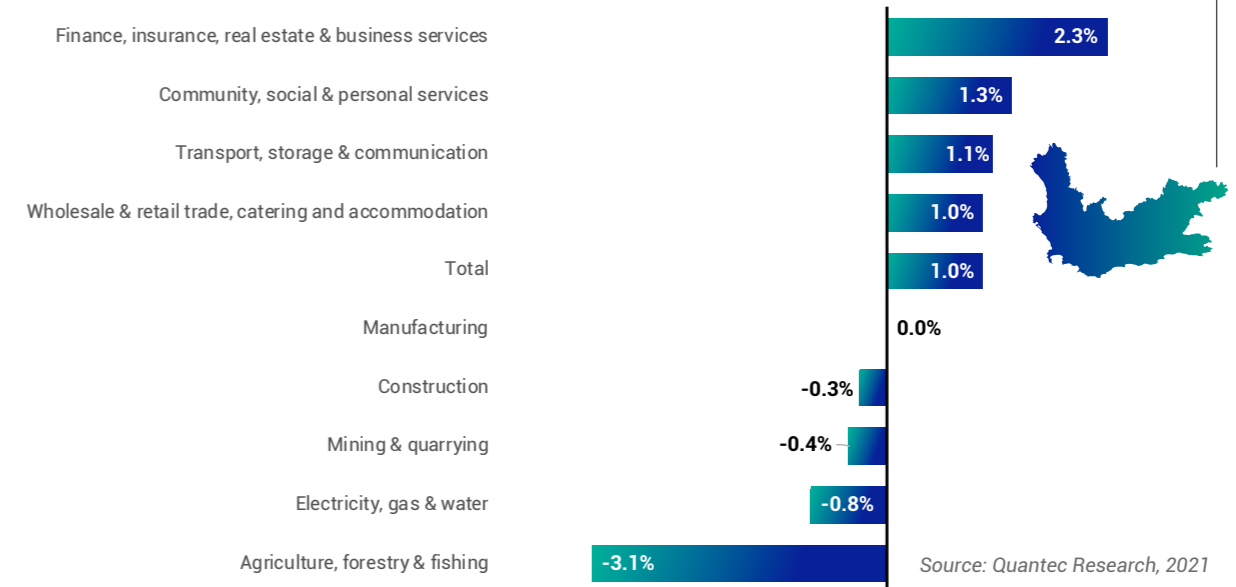
The COVID-19 pandemic set in as the drought eased and electricity supply interruptions became even more frequent. According to the Council for Scientific and Industrial Research (CSIR), 650 hours of load-shedding was recorded in the first half of 2021, which is an estimated 76.0 per cent of the load-shedding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

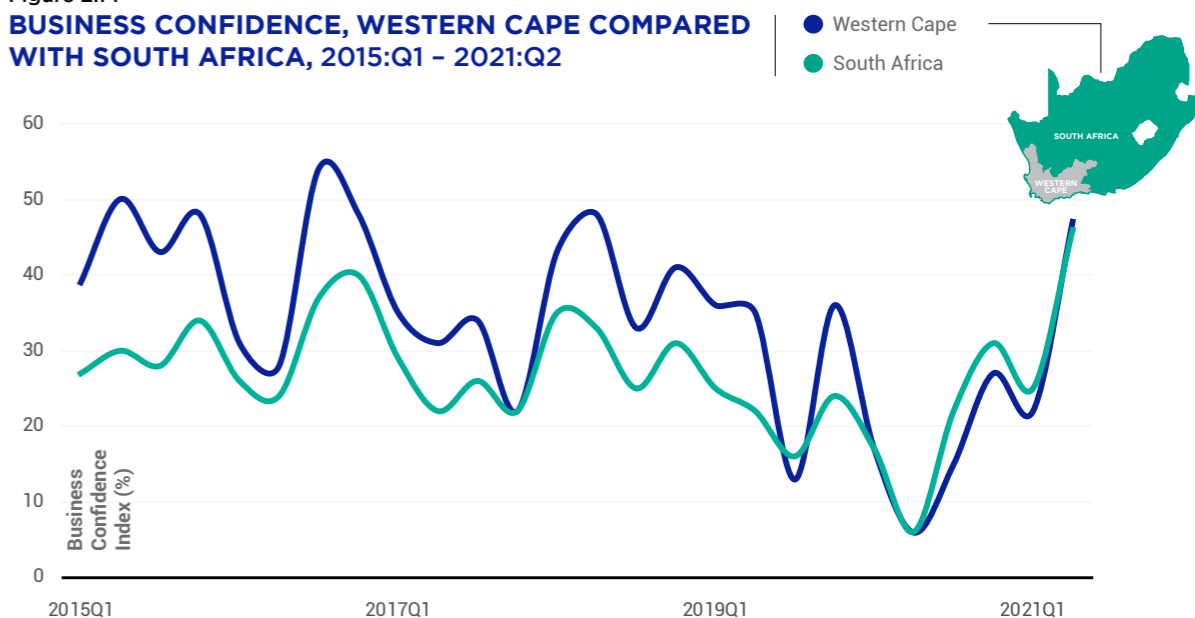
Figure 2.13
WESTERN CAPE AVERAGE GROWTH RATE PER SECTOR, (5-year average), 2015 - 2019



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.

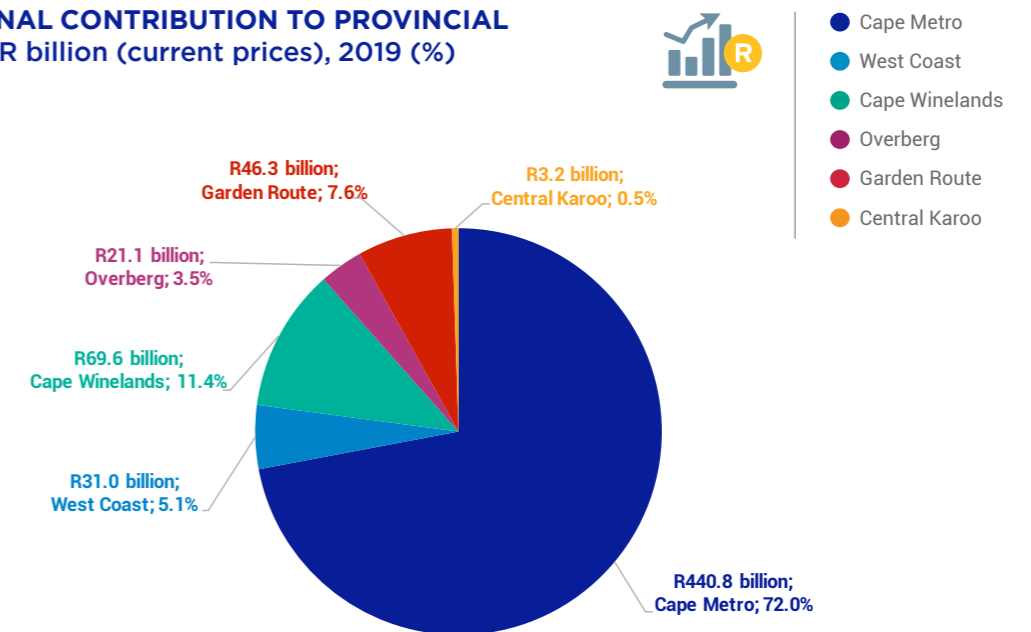
3.2 DISTRICT ECONOMIC OVERVIEW

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 (%)

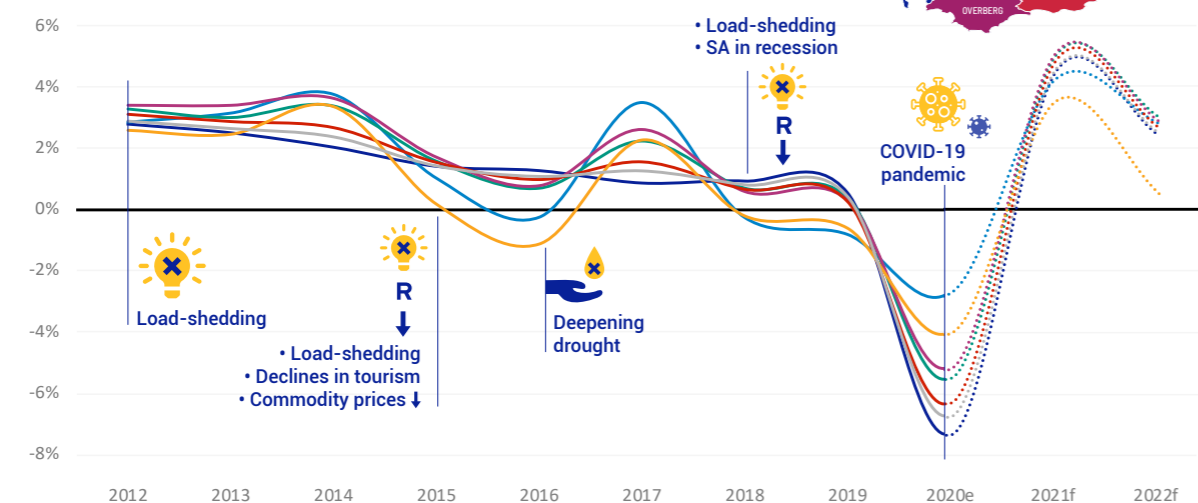


Source: Quantec Research, 2021

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 GDP 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 GDP growth in 2013, while growth in the OD remained near stagnant during the year. All remaining Districts and the Cape Metro area experienced declines in their respective growth rates in 2013.

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

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

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

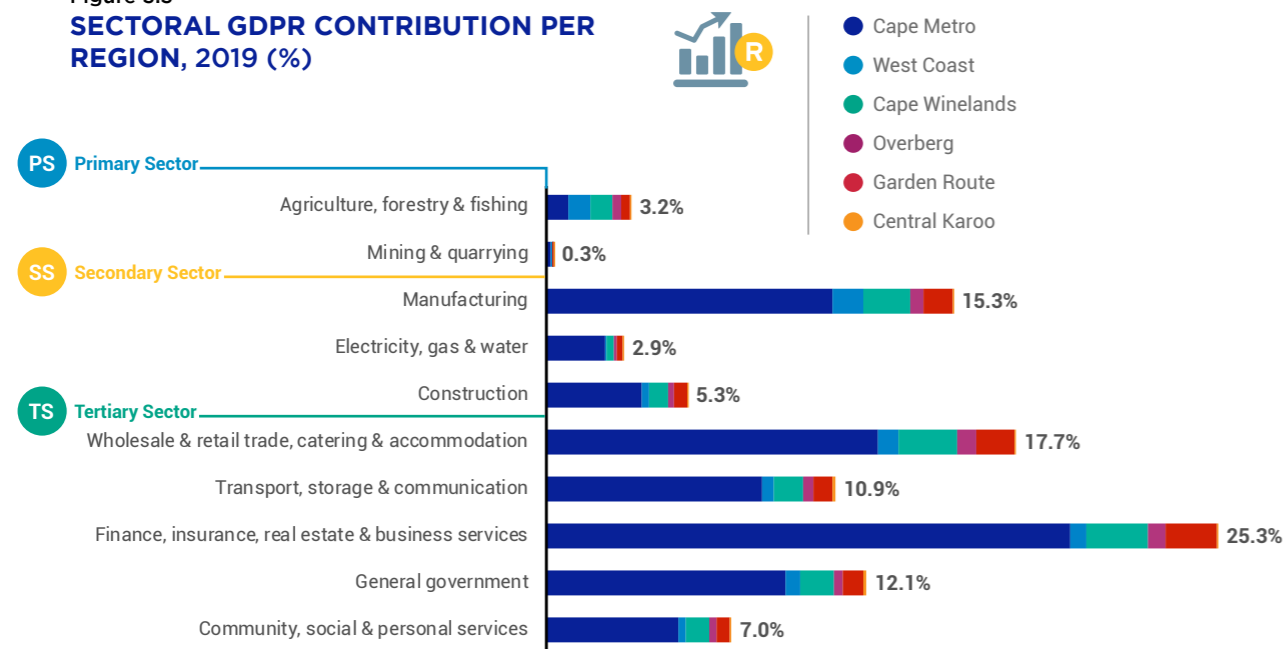
Provincial GDP growth improved marginally from 1.1 per cent in 2016 to 1.2 per cent in 2017, with all Districts apart from the Cape Metro area experiencing improvements in growth over the same period. Between 2018 and 2019, growth across all Districts and the Cape Metro area declined, with the WCD and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

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

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

Figure 3.3 illustrates the sectoral 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.

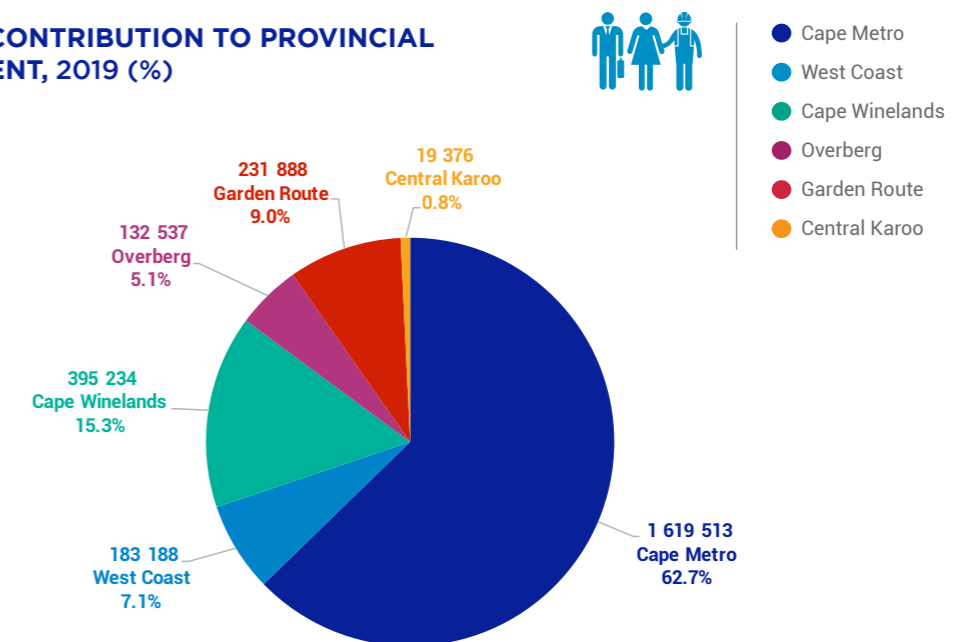
Economic activity in the secondary and tertiary sectors was concentrated in the Cape Metro area, highlighting its importance to the Provincial economy. Within the primary sector, mining activities were also concentrated in the Cape Metro area. However, in respect of the 3.2 per cent contribution to GDP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



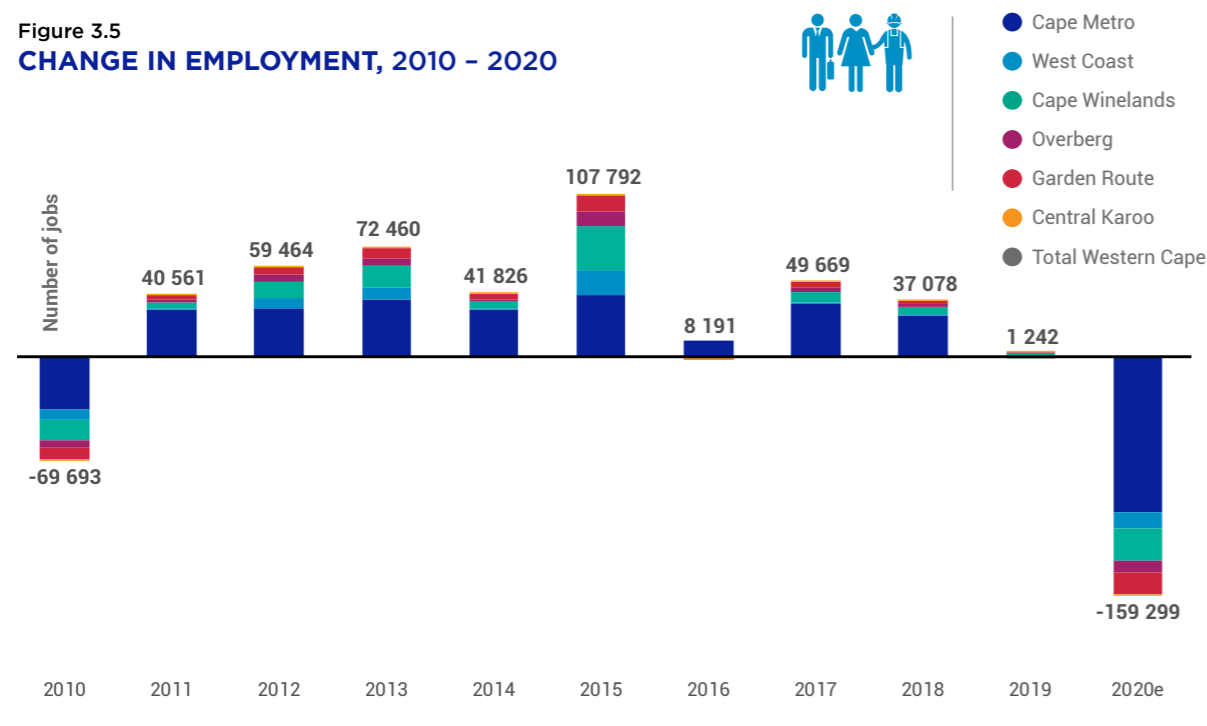
Source: Quantec Research, 2021

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.

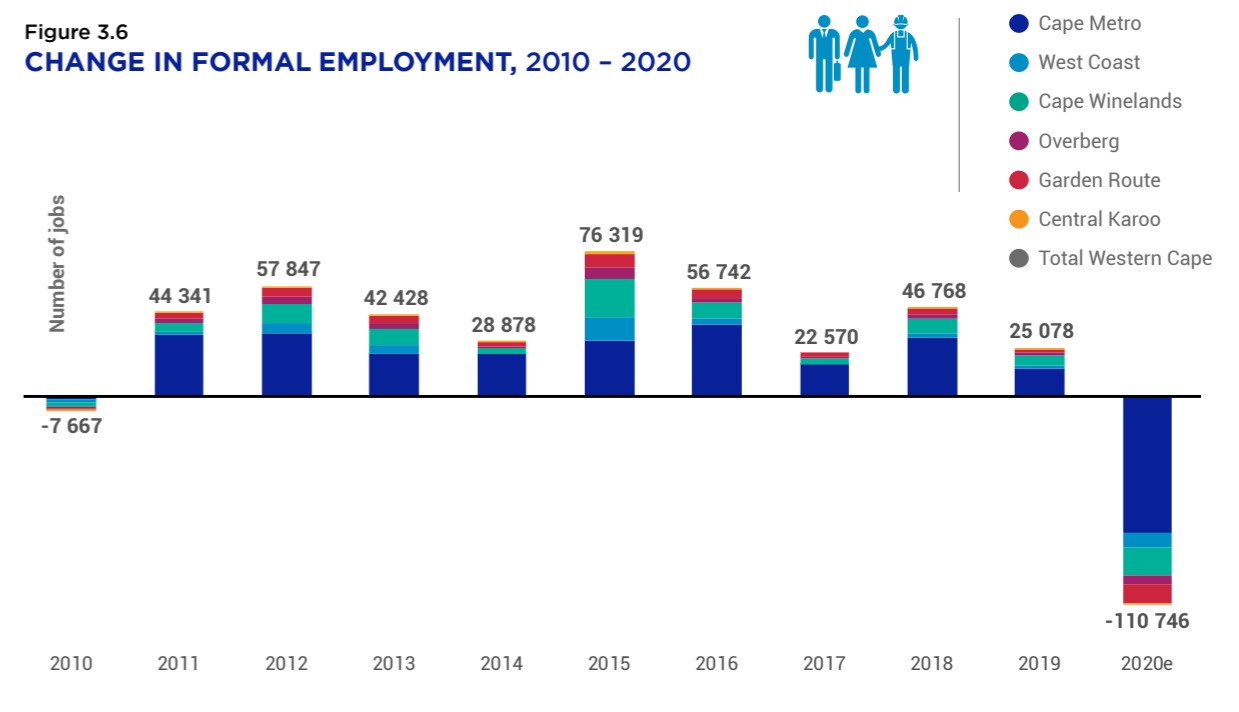
While improvements in job opportunities were experienced in 2017 and 2018, with a cumulative increase of 86 747 jobs in the Province, new job opportunities created declined significantly in 2019. The overall slowdown in employment creation may be attributed to the poor economic performance of the Western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

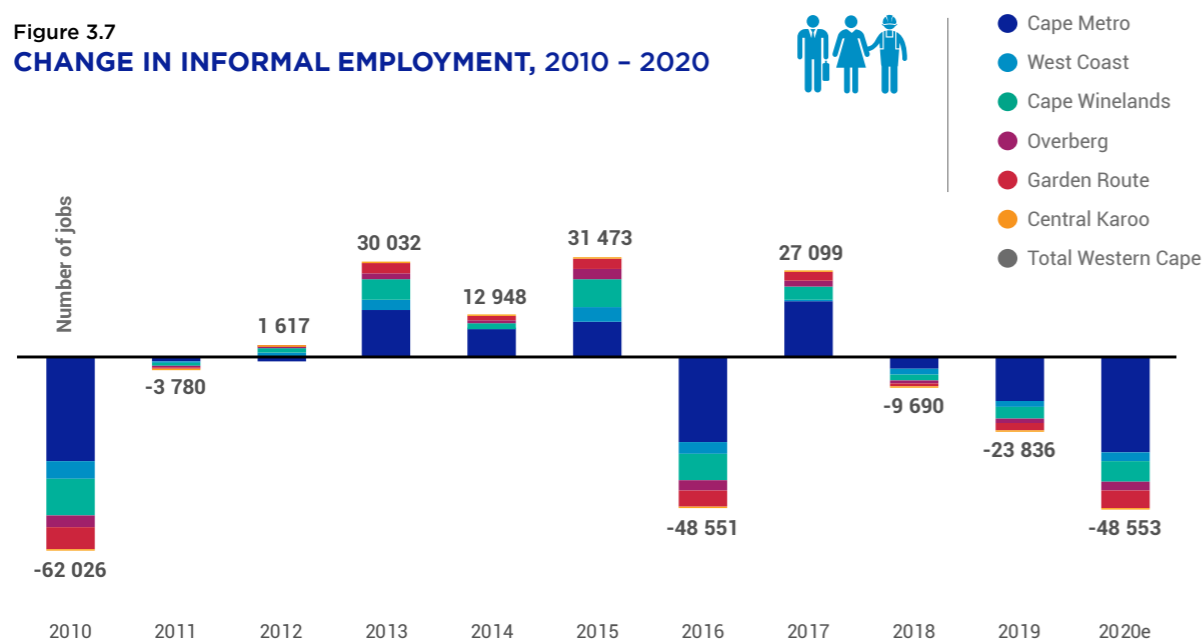
²³ It should be noted, however, that in 2015, a new master sample was implemented in the Quarterly Labour Force Survey (QLFS), which may have impacted the data owing to variations in its design (Stats SA, 2015).

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



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)

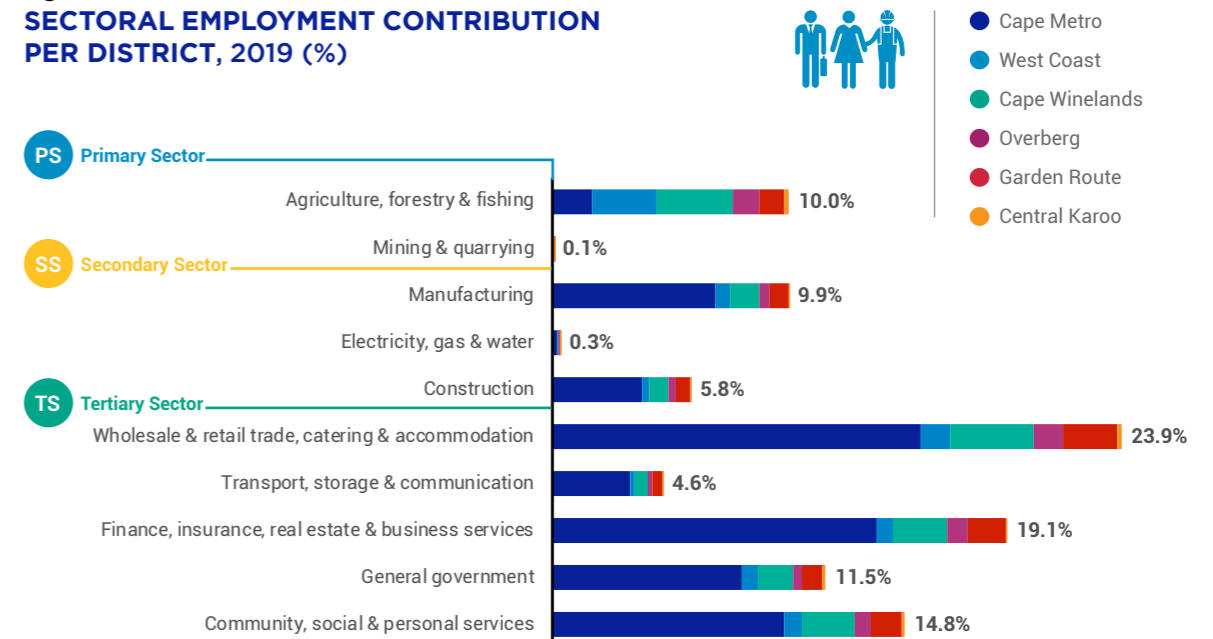
Environment and culture sector:

- 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:

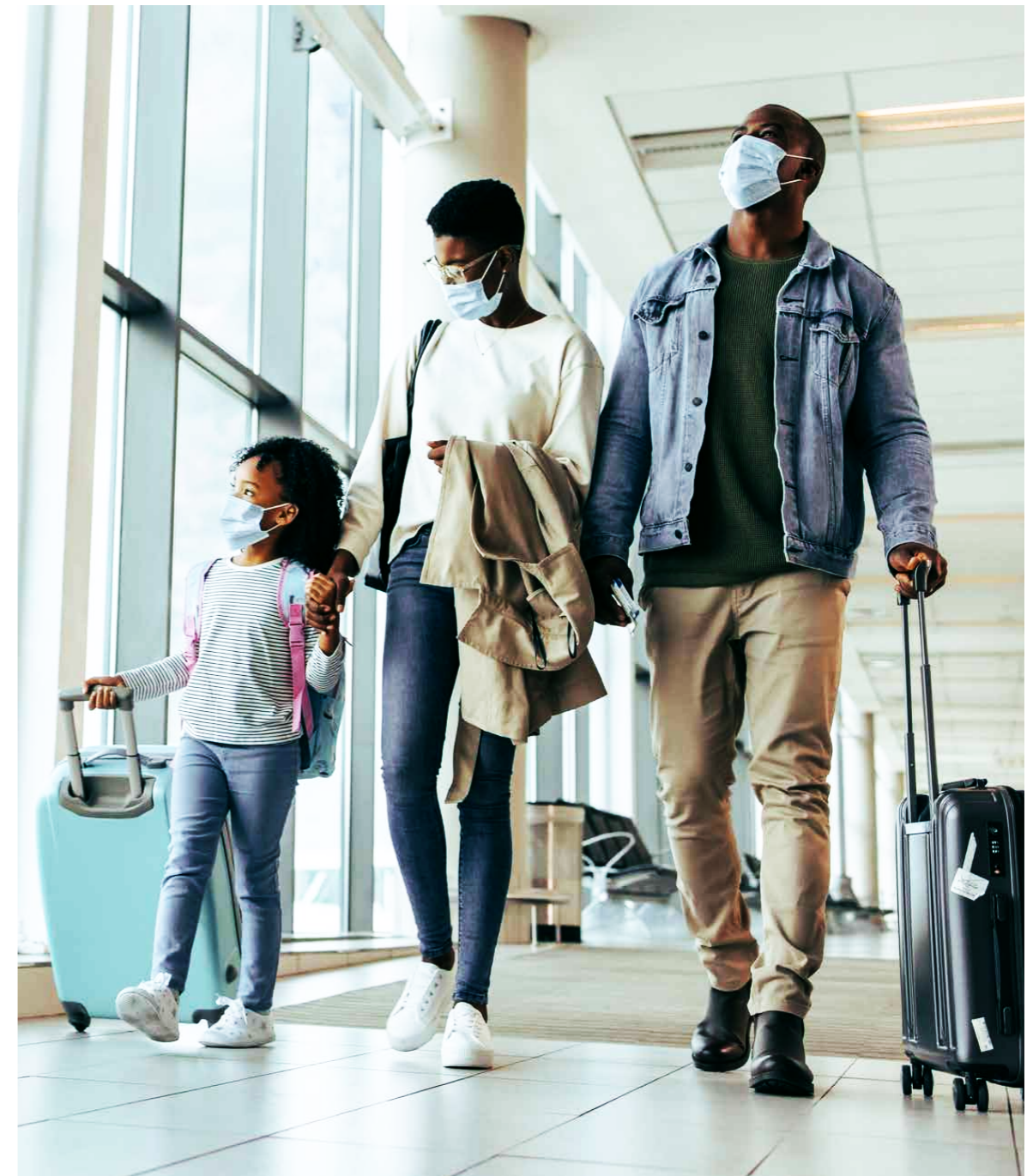
- The prioritisation of PSP interventions in the context of limited resources: this requires the prioritisation of certain PSP interventions and increased collaboration between stakeholders to address social and economic challenges augmented by the COVID-19 pandemic; and
- The institutionalisation of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



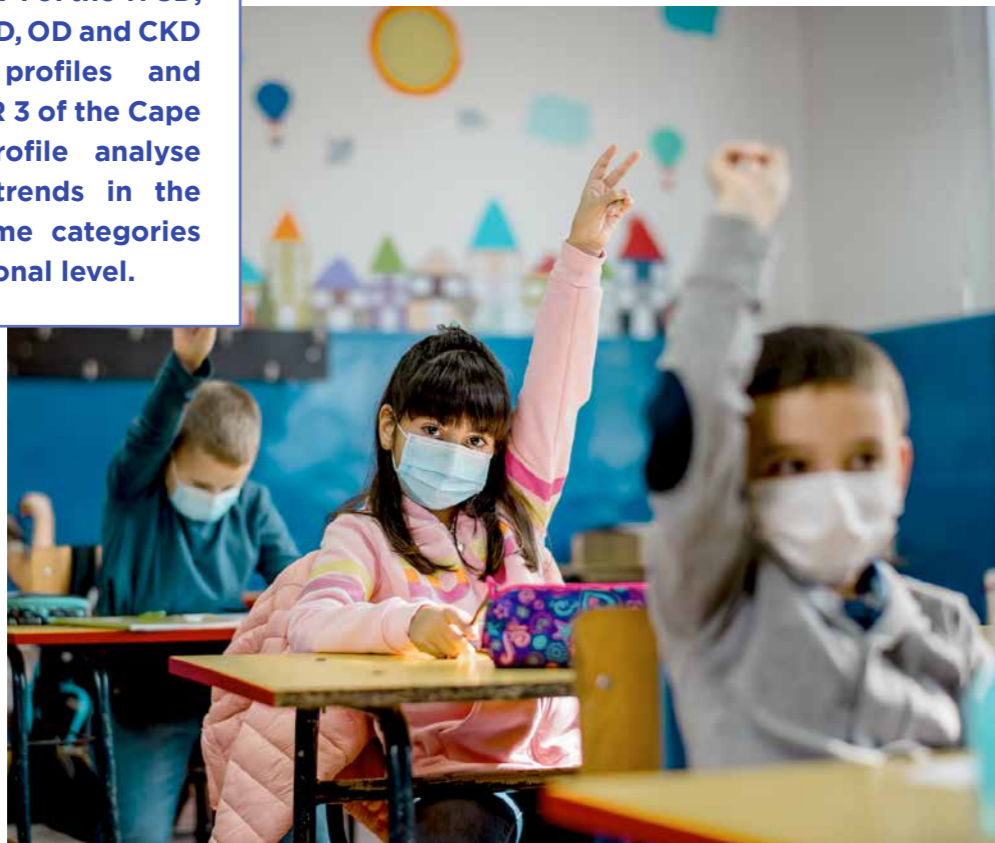
4.4.2 Focus areas in 2021 and beyond

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.

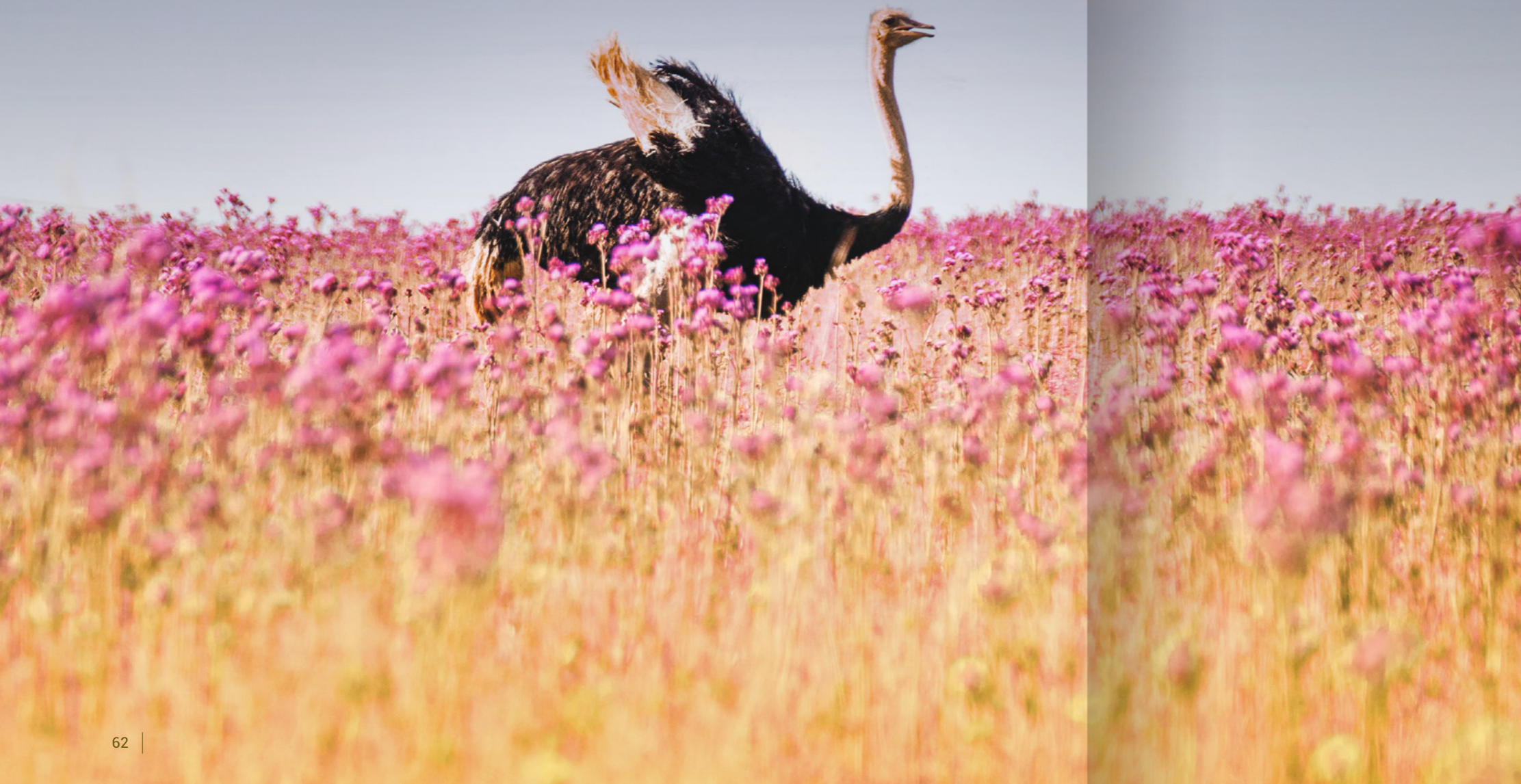
The COVID-19 pandemic has accelerated emerging trends, particularly in the digital industries, while similarly emphasising pre-COVID-19 challenges that hampered growth in the economy, such as rising unemployment and low skill levels. The already struggling low-income earners were more likely to be adversely 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.



GARDEN ROUTE DISTRICT

23 331KM²



GARDEN ROUTE DISTRICT

KANNALAND, HESSEQUA, MOSSEL BAY, GEORGE, OUDTSHOORN, BITOU, KNYSNA

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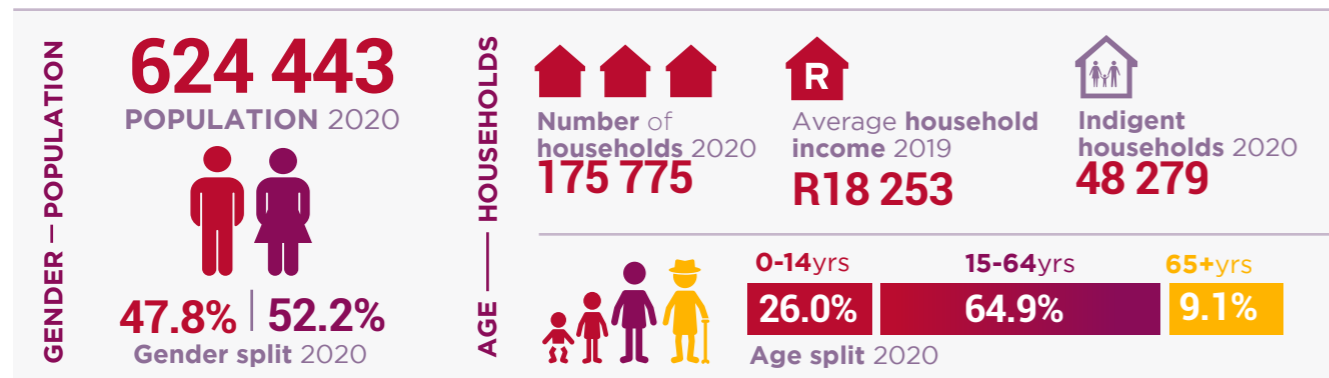


GRD GARDEN ROUTE DISTRICT

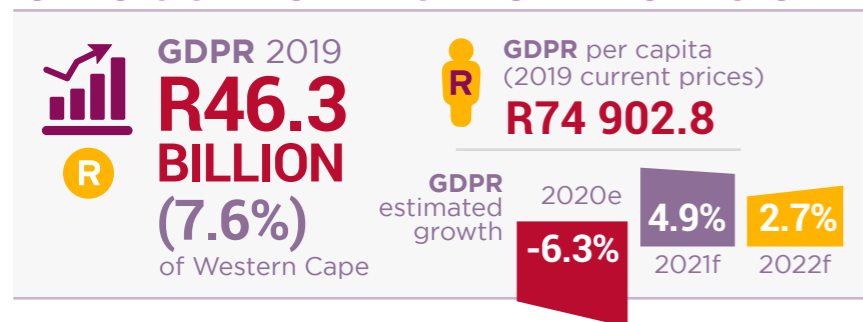
SEAT **George** | AREA **23 331KM²** | DENSITY **25/KM²**

MUNICIPALITIES | KANNALAND, HESSEQUA, MOSSEL BAY, GEORGE, OUDTSHOORN, BITOU, KNYSNA

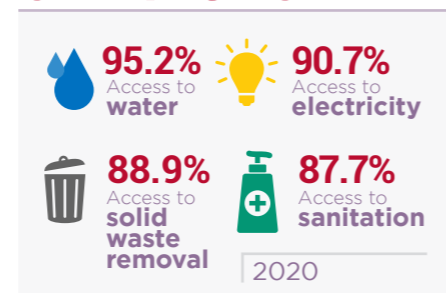
DEMOGRAPHICS



GROSS DOMESTIC PRODUCT



SERVICES



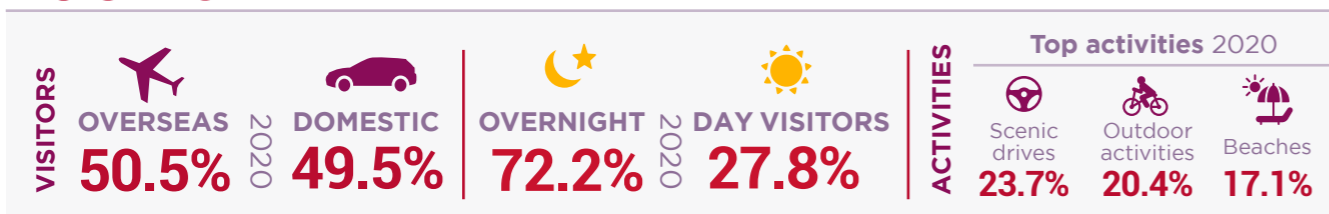
EMPLOYMENT



TRADE



TOURISM



GDPR

EMPLOYMENT

| | 2019 | 2020 | 2019 | 2020 |
|---|-------------------|---------------|-------------------------|-------------------|
| | GDPR CONTRIBUTION | GDPR GROWTH | EMPLOYMENT CONTRIBUTION | EMPLOYMENT GROWTH |
| PRIMARY SECTOR | 4.7% | 10.5% | 12.2% | -5.6% |
| AGRICULTURE, FORESTRY & FISHING | 4.4% | 12.3% | 12.1% | -5.6% |
| MINING & QUARRYING | 0.4% | -18.4% | 0.1% | -8.2% |
| SECONDARY SECTOR | 23.9% | -12.2% | 15.5% | -10.0% |
| MANUFACTURING | 14.7% | -9.7% | 8.8% | -6.9% |
| ELECTRICITY, GAS & WATER | 3.1% | -7.1% | 0.4% | -3.2% |
| CONSTRUCTION | 6.1% | -22.1% | 6.3% | -14.6% |
| TERTIARY SECTOR | 71.4% | -5.9% | 72.4% | -6.0% |
| WHOLESALE & RETAIL TRADE, CATERING & ACCOMMODATION | 18.6% | -10.4% | 25.6% | -7.6% |
| TRANSPORT, STORAGE & COMMUNICATION | 10.1% | -14.7% | 4.4% | -4.4% |
| FINANCE, INSURANCE, REAL ESTATE & BUSINESS SERVICES | 25.2% | -3.2% | 18.0% | -4.5% |
| GENERAL GOVERNMENT | 10.5% | 0.0% | 9.7% | 0.4% |
| COMMUNITY, SOCIAL & PERSONAL SERVICES | 7.0% | -2.4% | 14.7% | -10.1% |

1 REGIONAL ECONOMIC REVIEW AND OUTLOOK

1.1 INTRODUCTION

The GRD is well known for its coastal holiday towns and vast farmlands. The District has seven local municipalities, five of which (Hessequa, Mossel Bay, George, Knysna and Bitou) are adjacent to the coast, while the other two (Kannaland and Oudtshoorn) are inland. The geographical size of the District is 23 331km², constituting 18.0 per cent of the Western Cape's geographical area.¹

¹ (MDB, 2018).

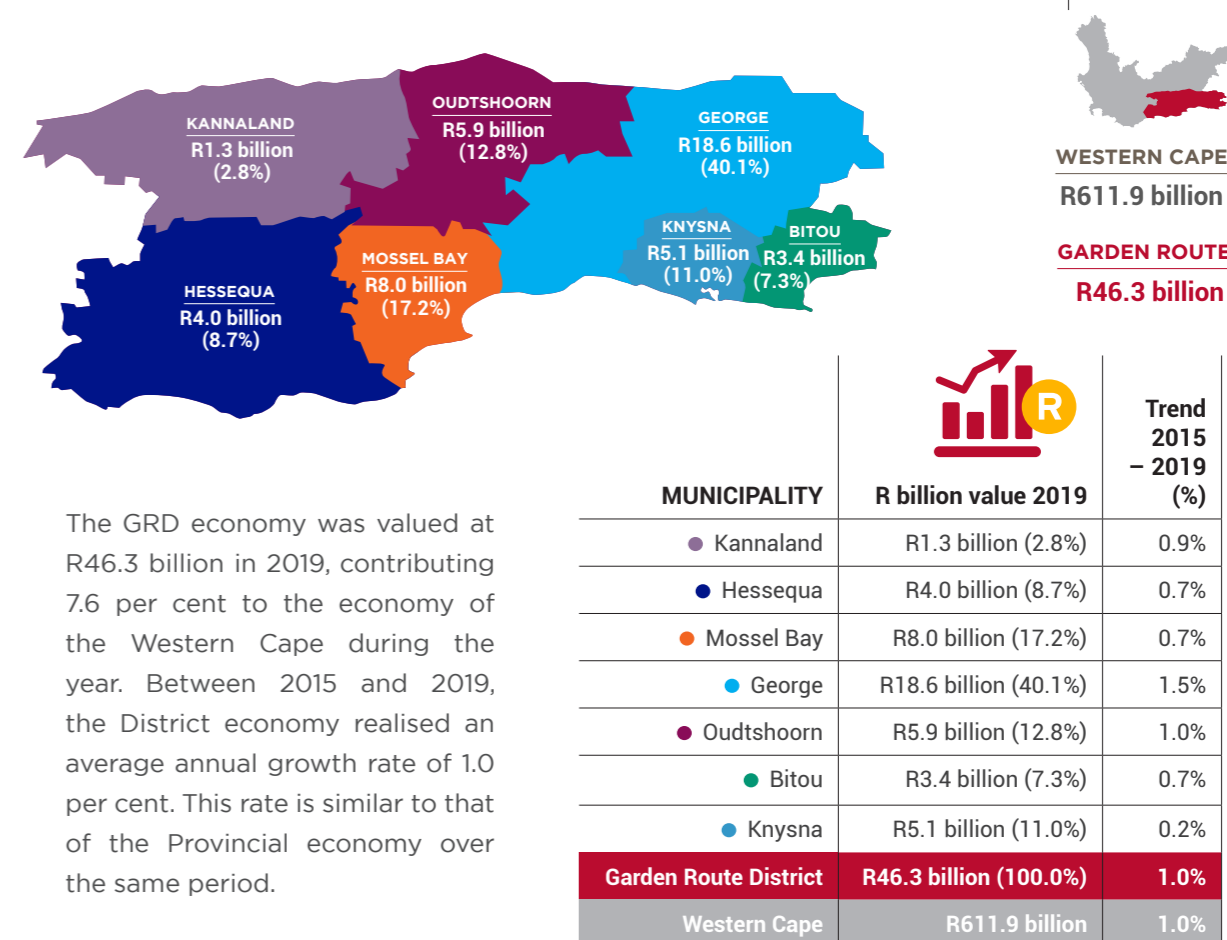
This chapter provides a macroeconomic outlook of the GRD in terms of GDPR performance and employment trends. The period under review for MERO 2021 is between 2015 and 2020,² with an outlook regarding GDPR for 2021 and 2022 also being provided.

1.2 GROWTH IN GDPR PERFORMANCE

This section briefly discusses the size of the GRD's economy by unpacking the average GDPR contribution and growth rates in the various municipal areas in the District.

1.2.1 GDPR performance per municipal area

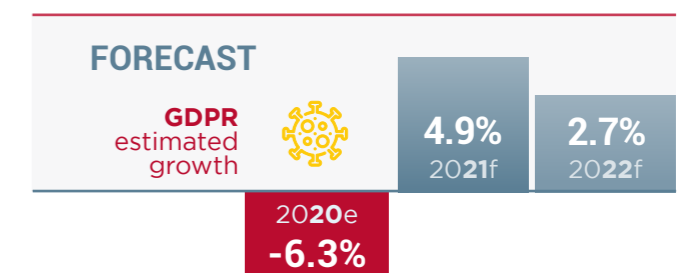
Diagram 1.1
GDPR CONTRIBUTION AND AVERAGE GROWTH RATES PER MUNICIPAL AREA, Garden Route District



The GRD economy was valued at R46.3 billion in 2019, contributing 7.6 per cent to the economy of the Western Cape during the year. Between 2015 and 2019, the District economy realised an average annual growth rate of 1.0 per cent. This rate is similar to that of the Provincial economy over the same period.

In 2019, the George municipal area was the leading contributor to GDPR, at 40.1 per cent. This was followed by the Mossel Bay and Oudtshoorn municipal areas, with contributions of 17.2 per cent and 12.8 per cent respectively.

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



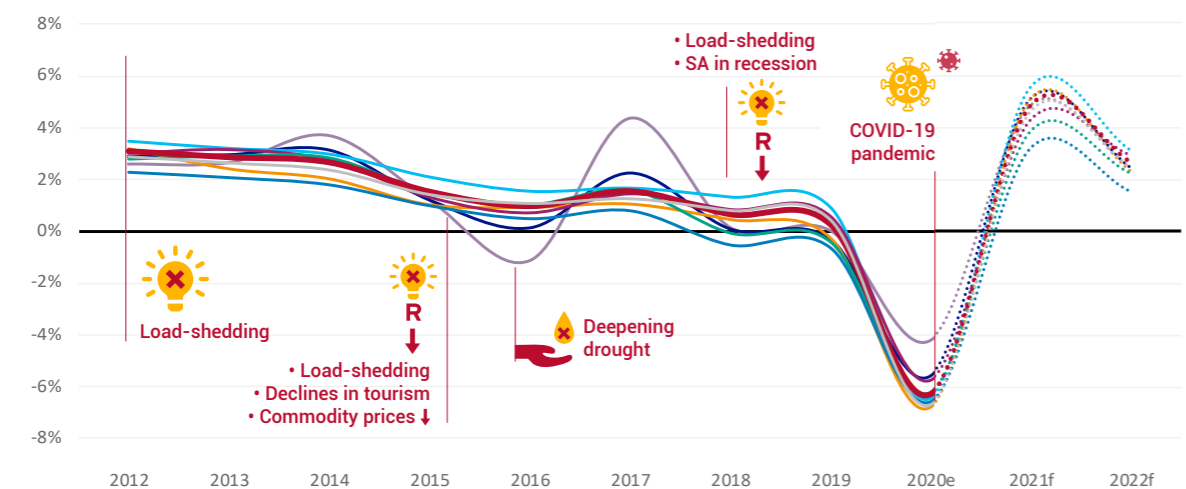
² Stats SA will only release official regional indicators for 2020 in 2022.

The Knysna municipal area was the fourth-largest contributor to the District economy in 2019 at 11.0 per cent, while the Hessequa municipal area was the fifth-largest contributor, at 8.7 per cent. The Bitou and Kannaland municipal areas were the smallest contributors to GDP in 2019, at 7.3 per cent and 2.8 per cent respectively.

Over the five-year period, the George municipal area experienced an average annual growth rate of 1.5 per cent, constituting the highest average annual growth rate out of the seven municipal areas. The George municipal area is therefore a key driver of economic growth in the District. The Knysna municipal area registered the smallest average annual growth rate, at 0.2 per cent over the reference period, while growth in the remaining municipal areas averaged between 0.7 per cent and 1.0 per cent.

An overview of the historical growth trends of the municipal areas in the District is provided in Figure 1.1, in addition to the annual growth rates of the GRD and the Province.

Figure 1.1
GDPR GROWTH PER MUNICIPAL AREA, Garden Route 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% |
| Garden Route District | 3.1% | 2.9% | 2.7% | 1.5% | 1.0% | 1.6% | 0.7% | 0.3% | -6.3% | 4.9% | 2.7% |
| Kannaland | 2.6% | 2.7% | 3.7% | 1.2% | -1.1% | 4.4% | 0.1% | 0.0% | -4.2% | 4.8% | 2.4% |
| Hessequa | 2.9% | 3.0% | 3.1% | 1.2% | 0.1% | 2.2% | 0.1% | -0.3% | -5.6% | 5.1% | 2.5% |
| Mossel Bay | 3.2% | 2.4% | 2.0% | 1.0% | 0.9% | 1.1% | 0.5% | -0.3% | -6.8% | 5.1% | 2.3% |
| George | 3.5% | 3.2% | 3.0% | 2.1% | 1.5% | 1.7% | 1.3% | 0.9% | -6.4% | 5.5% | 3.1% |
| Oudtshoorn | 3.0% | 3.2% | 2.8% | 1.3% | 0.7% | 1.5% | 0.9% | 0.6% | -5.7% | 4.3% | 2.9% |
| Bitou | 2.8% | 2.9% | 2.8% | 1.5% | 1.0% | 1.6% | -0.1% | -0.4% | -6.2% | 3.8% | 2.2% |
| Knysna | 2.3% | 2.1% | 1.8% | 1.0% | 0.5% | 0.8% | -0.5% | -0.7% | -6.6% | 3.2% | 1.5% |

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

Between 2012 and 2019, the GRD economy experienced an overall downward trend in annual growth, despite recording a year-on-year improvement between 2016 and 2017. Furthermore, over the eight-year period, GDP growth closely followed that of the Provincial economy.

Growth in the GRD continued to slow in 2013 and 2014, with growth rates of 2.9 per cent and 2.7 per cent being registered during the respective years. In 2015, growth across all municipal areas registered declines. Subsequently, growth in the GRD declined to 1.5 per cent during the year. This rate was marginally higher than that of the Province during the same year (1.4 per cent). GDP growth continued to decline in 2016, with the District economy registering a growth rate of 1.0 per cent. This was possibly as a result of declines in commodity prices, periods of load-shedding in South Africa and drought conditions in the Province. In addition, national tourism performance deteriorated in 2015 owing to the imposition of new visa regulations, acts of terrorism across the African continent and economic crises in source countries.³

In 2017, growth in the District economy increased to 1.6 per cent, while the Provincial economy experienced a marginal improvement in annual growth during the same year. This demonstrates the effect of load-shedding on economic performance, as no significant load-shedding was experienced during the year. However, growth in the GRD slowed significantly in 2018, with all municipal areas registering either contractions or near stagnant growth rates. During the year, the George municipal area registered the highest annual growth rate (1.3 per cent).

GDPR growth declined to 0.3 per cent in 2019, with four out of the seven municipal areas registering contractions during the year. The deterioration of GDP performance in both 2018 and 2019 can be attributed to the poor performance of the national economy and periods of load-shedding. However, the George and Oudtshoorn municipal areas realised an annual growth rate higher than that of the GRD in both 2018 and 2019.

In 2020, GDPR growth in the GRD and Province is expected to have deteriorated significantly as a result of the COVID-19 pandemic and the national lockdown measures to contain its spread. During the year, GDP growth in the District is expected to have registered a contraction of 6.3 per cent. This rate is lower than that of the Provincial economy, with an estimated contraction of 6.7 per cent in 2020. Furthermore, all municipal areas within the GRD are estimated to have registered contractions in 2020, with the Mossel Bay municipal area registering the largest contraction, at 6.8 per cent during the year. The Kannaland municipal area is anticipated to have realised the smallest contraction in GDP, at 4.2 per cent. However, this is likely because of the Kannaland municipal area's small economy.

Forecasts for 2021 indicate a strong recovery in GDP growth across the District. However, these high growth rates are not sustainable in the long term, as growth in 2021 originated from the constrained economic base of 2020. The GRD is expected to realise a GDP growth rate of 4.9 per cent in 2021, with the George municipal area registering the highest annual growth rate in the GRD. With a growth rate of 3.2 per cent, economic recovery in the Knysna municipal area is anticipated to be slower in 2021 compared with the other municipal areas in the GRD. In 2022, GDP growth in the District is expected to slow to 2.7 per cent, slightly higher than the growth rate of 2.5 per cent estimated for the Provincial economy.

³ (Department of Tourism, 2016).

1.2.2 Sectoral GDPR performance

Table 1.1 illustrates the GRD's GDPR performance in 2019 by providing an overview of the sectoral contributions, their respective average growth rates between 2015 and 2019, an estimate for 2020 and forecasts for 2021 and 2022.

Table 1.1
GDPR PERFORMANCE PER SECTOR, Garden Route District, 2019 – 2022 (%)

| SECTOR | R million value 2019 | Trend 2015 – 2019 | Real GDPR growth | | |
|---|---------------------------|-------------------|------------------|-------------|--------------|
| | | | 2020e | 2021f | 2022f |
| Primary Sector | R2 184.9 (4.7%) | -4.0% | 10.5% | 5.0% | -1.7% |
| PS Agriculture, forestry & fishing | R2 015.2 (4.4%) | -4.2% | 12.3% | 4.9% | -1.7% |
| Mining & quarrying | R169.7 (0.4%) | 0.0% | -18.4% | 8.5% | -1.2% |
| Secondary Sector | R11 053.8 (23.9%) | -0.1% | -12.2% | 2.1% | 7.1% |
| SS Manufacturing | R6 787.3 (14.7%) | 0.6% | -9.7% | 3.8% | 7.9% |
| Electricity, gas & water | R1 455.4 (3.1%) | -1.1% | -7.1% | -1.6% | 3.3% |
| Construction | R2 811.2 (6.1%) | -1.7% | -22.1% | -2.2% | 6.1% |
| Tertiary Sector | R33 024.1 (71.4%) | 1.8% | -5.9% | 5.6% | 1.9% |
| TS Wholesale & retail trade, catering & accommodation | R8 599.8 (18.6%) | 0.8% | -10.4% | 8.3% | 3.1% |
| Transport, storage & communication | R4 656.7 (10.1%) | 1.6% | -14.7% | 10.4% | -2.9% |
| Finance, insurance, real estate & business services | R11 667.0 (25.2%) | 3.2% | -3.2% | 5.7% | 4.5% |
| General government | R4 868.4 (10.5%) | -0.1% | 0.0% | -3.0% | -0.9% |
| Community, social & personal services | R3 232.1 (7.0%) | 1.2% | -2.4% | 5.2% | -2.8% |
| Total Garden Route District | R46 262.8 (100.0%) | 1.0% | -6.3% | 4.9% | 2.7% |

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

Valued at R33.0 billion in 2019, the tertiary sector was the leading contributor to GDPR in the GRD (71.4 per cent). Between 2015 and 2019, the tertiary sector grew at an average annual rate of 1.8 per cent. This rate is higher than that of the District economy over the five-year period, highlighting the importance of the tertiary sector to growth in the District. The main driver of economic activity in the tertiary sector, and the single largest contributor to GDPR, was the finance sector (25.2 per cent). Other notable contributors in the tertiary sector included the trade (18.6 per cent) and the general government (10.5 per cent) sectors.

Estimates for 2020 indicate that the tertiary sector contracted by 5.9 per cent. The finance sector is estimated to have declined by 3.2 per cent, while the trade sector is estimated to have contracted by 10.4 per cent. The general government sector is anticipated to have remained near stagnant. Despite the poor performance of the general government sector, it is likely that the sector was supported by increased public-sector spending amid the COVID-19 pandemic.

In 2019, the secondary sector was the second-largest contributor to GDPR in the GRD, with a contribution of 23.9 per cent during the year. Over the five-year period, the secondary sector contracted at an average annual rate of 0.1 per cent. The manufacturing sector was the only individual sector in the secondary sector to realise a positive growth rate over the reference period (0.6 per cent).

It is estimated that the secondary sector contracted by 12.2 per cent in 2020. All sectors encompassed by the secondary sector are anticipated to have registered contractions in 2020, with the construction sector realising the largest contraction at 22.1 per cent during the year. This sector has been registering contractions since 2017. However, the overall poor performance of the secondary sector is expected to be driven by the contraction in manufacturing activity.

With an overall contribution of 4.7 per cent in 2019, the primary sector was the smallest contributor to the GRD's GDPR during the year. Between 2015 and 2019, the primary sector registered an average annual contraction of 4.0 per cent. The agriculture sector, with a GDPR contribution of 4.4 per cent in 2019, contracted at an average annual rate of 4.2 per cent over the five-year period, mainly owing to concurrent periods of drought in the Province. Outbreaks of avian influenza and a ban on exporting ostrich meat to the European Union (EU) also had a negative impact on the sector over the review period. The mining sector contributed a mere 0.4 per cent to the District's GDPR in 2019.

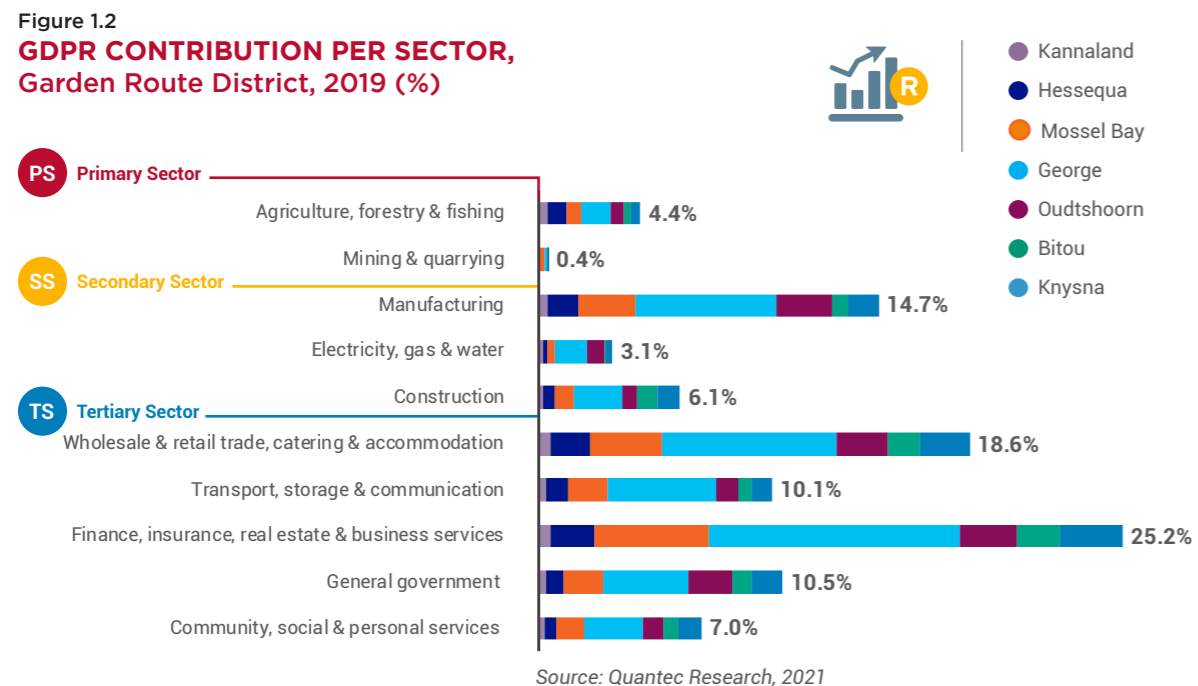
Estimates for 2020 indicate that the primary sector grew by 10.5 per cent during the year. The sector's positive performance was driven by the strong performance of the agriculture sector (12.3 per cent). The agriculture sector benefited from a strong recovery in international agricultural prices towards the end of 2020.⁴ Furthermore, agricultural activities were not as constrained by COVID-19 restrictions. The mining sector is expected to have realised a contraction of 18.4 per cent in 2020. However, the mining sector is not expected to have significantly influenced the overall performance of the primary sector, given its negligible contribution to GDPR.

Steep initial recoveries are expected in the 2021 forecast period. Annual growth in the tertiary and secondary sectors is expected to increase to 5.6 per cent and 2.1 per cent respectively in 2021 owing to strong recoveries across the main individual sectors. However, the electricity, gas and water sector and the construction sector are expected to contract further in 2021, by 1.6 per cent and 2.2 per cent respectively. The general government sector is also forecast to contract by 3.0 per cent in 2021.

In 2022, annual growth in the tertiary and primary sectors is expected to slow, with the primary sector registering a contraction of 1.7 per cent during the year, as international commodity prices are anticipated to normalise. Conversely, growth in the secondary sector is anticipated to increase to 7.1 per cent in 2022, owing to the expected recovery of the electricity, gas and water sector and construction sector, while the manufacturing sector is forecast to grow by 7.9 per cent.

⁴ (World Bank Group, 2020).

Figure 1.2 depicts the GRD's sectoral GDP contribution per municipal area in 2019.



The finance (25.2 per cent) and trade (18.6 per cent) sectors were the main contributors to GDP in 2019. Both aforementioned sectors were concentrated in the George municipal area. Economic activity across most economic sectors in the GRD, apart from the mining sector, was concentrated in the George municipal area.

The mining sector, which accounted for a mere 0.4 per cent of GDP in the GRD in 2019, is concentrated in the Mossel Bay municipal area owing to the presence of offshore gas fields in this area. Across all municipal areas, except for the Kannaland municipal area, the respective concentrations of the manufacturing sector outweighed those of the agriculture sector. This suggests that there is extensive beneficiation of agricultural commodities in most municipal areas.



1.3 LABOUR TREND ANALYSIS

This subsection provides an overview of key employment trends in the GRD, indicating the contributions to employment in the GRD by each respective municipal area. Furthermore, employment dynamics will also be evaluated in terms of sectoral contributions to job creation or job-shedding in the District.

1.3.1 Employment per municipal area

Table 1.2 depicts the status of employment in each municipal area in 2019, the average number of jobs created over the five-year period and the estimated net change in employment in 2020. The GRD employed 231 888 workers in 2019 and contributed 9.0 per cent to employment in the Province during the year.

Table 1.2
EMPLOYMENT GROWTH, Garden Route District

| MUNICIPALITY | Number of jobs 2019 | Average annual change 2015 – 2019 | Net change 2020e |
|------------------------------|-------------------------|-----------------------------------|------------------|
| Kannaland | 10 110 (4.4%) | 145 | -583 |
| Hessequa | 25 231 (10.9%) | 302 | -1 655 |
| Mossel Bay | 36 826 (15.9%) | 343 | -2 613 |
| George | 82 939 (35.8%) | 1 372 | -5 047 |
| Oudtshoorn | 30 153 (13.0%) | 380 | -1 833 |
| Bitou | 19 866 (8.6%) | 356 | -1 495 |
| Knysna | 26 763 (11.5%) | 327 | -2 078 |
| Garden Route District | 231 888 (100.0%) | 3 225 | -15 304 |
| Western Cape | 2 581 736 | 40 794 | -159 299 |

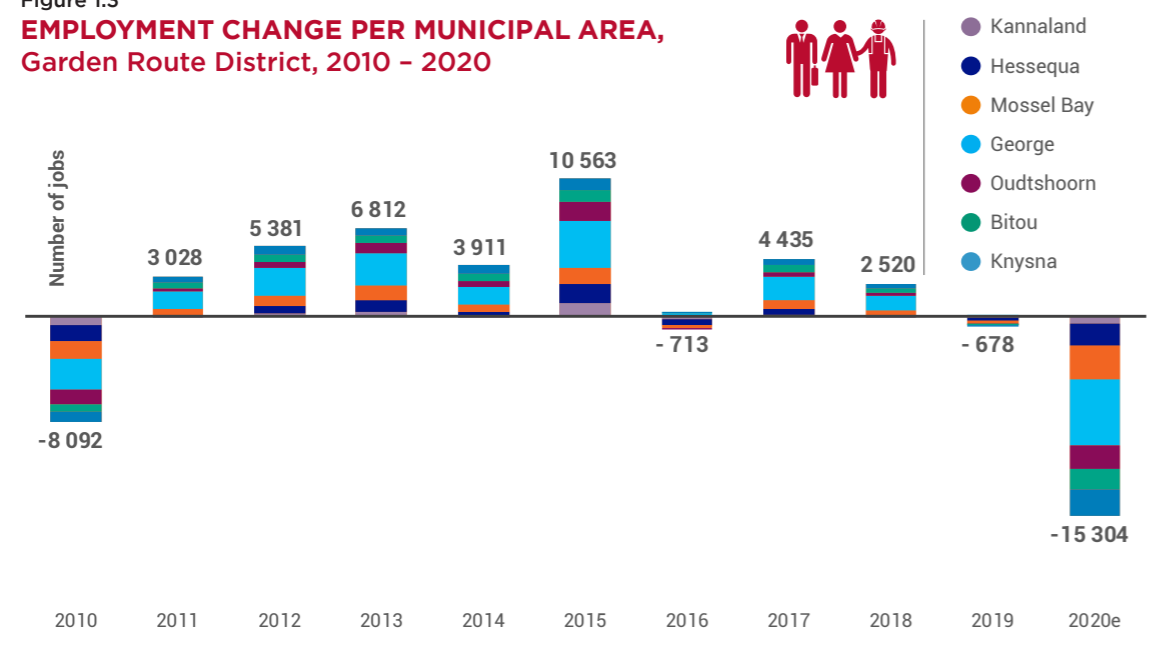
Source: Quantec Research, 2021 (e denotes estimate)

The George municipal area was the leading contributor to employment in the GRD in 2019, with 35.8 per cent. This was followed by the Mossel Bay and Oudtshoorn municipal areas, with contributions of 15.9 per cent and 13.0 per cent respectively. The Knysna and Hessequa municipal areas had similar employment contributions, at 11.5 per cent and 10.9 per cent in 2019, while the Bitou (8.6 per cent) and Kannaland (4.4 per cent) municipal areas were the smallest contributors to employment in the District in 2019.

Employment in the GRD increased by an average of 3 225 jobs per annum between 2015 and 2019. All municipal areas experienced increases in employment over the five-year period, with the George municipal area contributing the most to this increase, at an average of 1 372 jobs per annum. This is likely to be as a result of the strong average GDP growth rate experienced in the George municipal area over the period. The Oudtshoorn (380 jobs), Bitou (356 jobs), Mossel Bay (343 jobs), Knysna (327 jobs) and Hessequa (302 jobs) municipal areas experienced similar average increases between 2015 and 2019. The Kannaland municipal area experienced the smallest average increase in job opportunities, at 145 jobs per annum between 2015 and 2019.

Figure 1.3 provides an overview of the historical employment trends experienced between 2010 and 2020 in the GRD.

Figure 1.3
EMPLOYMENT CHANGE PER MUNICIPAL AREA,
Garden Route District, 2010 – 2020



| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e |
|------------|--------|-------|-------|-------|-------|-------|------|-------|-------|------|--------|
| Kannaland | -645 | -33 | 234 | 398 | -9 | 990 | -257 | 97 | -28 | -75 | -583 |
| Hessequa | -1 226 | 166 | 611 | 883 | 303 | 1 538 | -416 | 464 | 113 | -190 | -1 655 |
| Mossel Bay | -1 425 | 421 | 729 | 1 088 | 592 | 1 184 | -234 | 693 | 320 | -246 | -2 613 |
| George | -2 307 | 1 377 | 2 111 | 2 484 | 1 432 | 3 635 | 232 | 1 771 | 1 171 | 49 | -5 047 |
| Oudtshoorn | -1 124 | 215 | 506 | 795 | 344 | 1 498 | -90 | 382 | 171 | -61 | -1 833 |
| Bitou | -528 | 452 | 552 | 586 | 604 | 847 | 38 | 546 | 380 | -30 | -1 495 |
| Knysna | -837 | 430 | 638 | 578 | 645 | 871 | 14 | 482 | 393 | -125 | -2 078 |

Source: Quantec Research, 2021 (e denotes estimate)

In 2010, the GRD experienced a significant amount of job-shedding, with a total of 8 092 jobs lost during the year. Employment in the District is likely to have benefited from improved tourism as a result of the 2010 FIFA World Cup. However, employment losses registered during the year may be attributed to the aftershock of the global financial crisis, as recoveries in employment typically lag economic recovery.

Between 2011 and 2013, a year-on-year improvement in job creation was experienced in the GRD, increasing from 3 028 jobs to 6 812 jobs over the three-year period. New employment opportunities peaked in 2015,⁵ with 10 563 jobs created during the year. A total of 713 jobs were lost in the District in 2016, but there was an improvement in job creation in 2017, with 4 435 jobs created during the year. Post-2017, job creation in the District slowed, with 2 520 jobs created in 2018 and 678 jobs lost in 2019. This was probably as a result of the poor performance of the national economy over the two-year period, as well as domestic electricity supply constraints and Provincial drought.

⁵ It should be noted, however, that in 2015, a new master sample was implemented in the Quarterly Labour Force Survey (QLFS), which may have impacted the data owing to variations in its design (Stats SA, 2015).


It is estimated that 15 304 jobs were lost in 2020 in the GRD, with job-shedding expected across all municipal areas. The most jobs were shed in the George municipal area (an estimated 5 047 jobs), followed by the Mossel Bay (2 613 jobs) and Knysna (2 078 jobs) municipal areas. The decline in job opportunities in the GRD can be attributed to the COVID-19 pandemic and the implementation of lockdown measures to contain its spread. Furthermore, travel restrictions would have resulted in a decline in tourism in the District, further contributing to job-shedding given the District economy's reliance on tourism.



1.3.2 Sectoral employment

Table 1.3 illustrates employment per sector in the GRD in 2019.

Table 1.3
EMPLOYMENT PER SECTOR, Garden Route District

| SECTOR |  | Number of jobs 2019 | Average annual change 2015 – 2019 | Net change 2020e |
|---|---|-------------------------|-----------------------------------|------------------|
| PS Primary Sector | | 28 212 (12.2%) | 402 | -1 580 |
| Agriculture, forestry & fishing | | 28 042 (12.1%) | 404 | -1 566 |
| Mining & quarrying | | 170 (0.1%) | -2 | -14 |
| SS Secondary Sector | | 35 828 (15.5%) | -123 | -3 572 |
| Manufacturing | | 20 404 (8.8%) | 121 | -1 413 |
| Electricity, gas & water | | 847 (0.4%) | 6 | -27 |
| Construction | | 14 577 (6.3%) | -250 | -2 132 |
| TS Tertiary Sector | | 167 848 (72.4%) | 2 946 | -10 152 |
| Wholesale & retail trade, catering & accommodation | | 59 253 (25.6%) | 1 331 | -4 475 |
| Transport, storage & communication | | 10 226 (4.4%) | 171 | -450 |
| Finance, insurance, real estate & business services | | 41 777 (18.0%) | 1 339 | -1 875 |
| General government | | 22 461 (9.7%) | -146 | 100 |
| Community, social & personal services | | 34 131 (14.7%) | 252 | -3 452 |
| Total Garden Route District | | 231 888 (100.0%) | 3 225 | -15 304 |

Source: Quantec Research, 2021 (e denotes estimate)

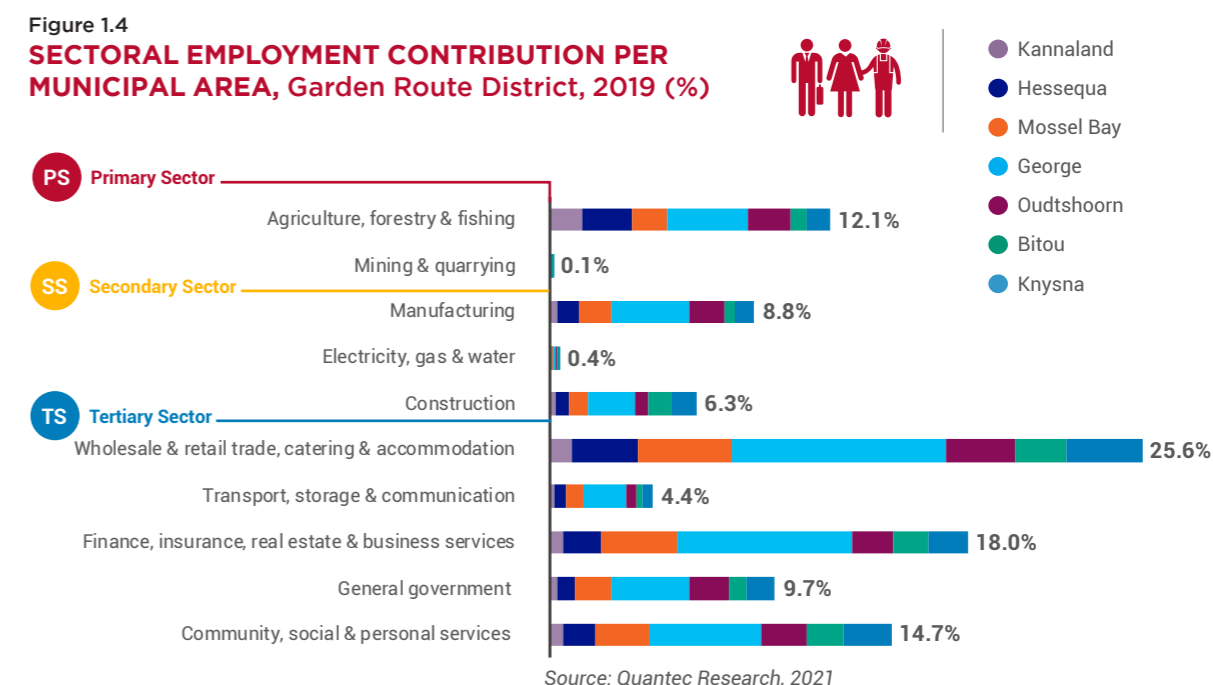
Similar to GDPR, the tertiary sector was the largest contributor to employment in the GRD in 2019, at 72.4 per cent during the year. Furthermore, the tertiary sector also showed the strongest average annual increase in the number of jobs (2 946 jobs) between 2015 and 2019. The trade sector was the single largest contributor to employment in the District in 2019, at 25.6 per cent. Furthermore, over the five-year period, this sector created an average of 1 331 jobs per annum. The finance sector also contributed notably to employment in the District during 2019, with a contribution of 18.0 per cent to total employment and an average annual increase of 1 339 jobs per annum.

With 35 828 jobs in 2019, the secondary sector contributed 15.5 per cent to total employment during the year. However, the secondary sector realised an average annual decline of 123 jobs per annum between 2015 and 2019. In terms of individual sectoral contributions, the manufacturing sector was the leading contributor to employment in the secondary sector, at 8.8 per cent in 2019, while creating an average of 121 jobs per annum. The construction sector realised the largest average annual decline in jobs between 2015 and 2019, with an average of 250 jobs lost per annum. This is in line with the GDPR contractions recorded in the sector over the period.

In the GRD, 28 212 jobs (12.2 per cent) were in the primary sector in 2019. The primary sector realised an average annual increase of 402 jobs per annum over the five-year period. The average annual increase in employment in the primary sector was solely driven by the agriculture sector, with 404 jobs created on average between 2015 and 2019.

Job-shedding within the tertiary sector of an estimated 10 152 jobs contributed the most to job losses in the GRD in 2020. The secondary and primary sectors are expected to have experienced a decline of 3 572 jobs and 1 580 jobs respectively during the year. The largest individual contributors to the total estimated decline in jobs include the trade (4 475 jobs), community services (3 452 jobs) and finance (1 875 jobs) sectors. All other sectors, apart from the general government sector, experienced job-shedding in 2020.

Figure 1.4 illustrates the sectoral employment contribution per municipal area in the GRD in 2019.



The George municipal area was the largest contributor to employment across most sectors. The Mossel Bay municipal area was the second-largest contributor to employment across the three leading sectoral contributors to employment.

The Oudtshoorn municipal area was the second-largest contributor to employment in the manufacturing, general government and electricity, gas and water sectors, while the Hessequa municipal area was the second-largest contributor to employment in the agriculture sector. The Kannaland municipal area's contribution to employment was significantly smaller compared with the other municipal areas. However, the Kannaland municipal area showed a strong contribution to employment in the agriculture sector.

Diagram 1.2 provides an overview of the employment dynamics in the GRD by depicting 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, Garden Route District, 2019 (%)

| MUNICIPALITY | Unemployment rate (%) 2019 | Labour force participation rate (%) 2019 | Employment-to-population ratio (labour absorption rate) 2019 | Not economically active 2019 (% of working-age population) |
|------------------------------|----------------------------|--|--|--|
| | 2020e | 2020e | 2020e | 2020e |
| Kannaland | 9.2% | 62.3% | 56.6% | 37.7% |
| Hessequa | 7.2% | 73.0% | 67.7% | 27.0% |
| Mossel Bay | 15.6% | 68.4% | 57.8% | 31.6% |
| George | 14.7% | 70.4% | 60.1% | 29.6% |
| Oudtshoorn | 18.7% | 59.8% | 48.6% | 40.2% |
| Bitou | 24.5% | 74.5% | 56.2% | 25.5% |
| Knysna | 19.4% | 70.1% | 56.5% | 29.9% |
| Garden Route District | 15.9% | 68.7% | 57.7% | 31.3% |
| Western Cape | 19.6% | 67.9% | 54.6% | 32.1% |

Source: Quantec Research, 2021

In 2019, the unemployment rate in the GRD stood at 15.9 per cent. This rate is below that of the Western Cape during the same year. The Bitou (24.5 per cent) and Knysna (19.4 per cent) municipal areas had the highest unemployment rates of all municipal areas in 2019.

It is expected that the unemployment rate decreased across all municipal areas between 2019 and 2020. However, this should not be considered as an improvement in the District’s labour market, but rather an increase in the number of “not economically active” workers. This increase may be attributed to an increased number of workers unable to seek employment owing to the national lockdown.⁶

⁶ (Stats SA, 2020).

The labour absorption and labour force participation rates are expected to have declined across all municipal areas between 2019 and 2020. It is therefore expected that the number of job opportunities in the District declined, mainly as a result of the COVID-19 pandemic and restraints on economic activity.

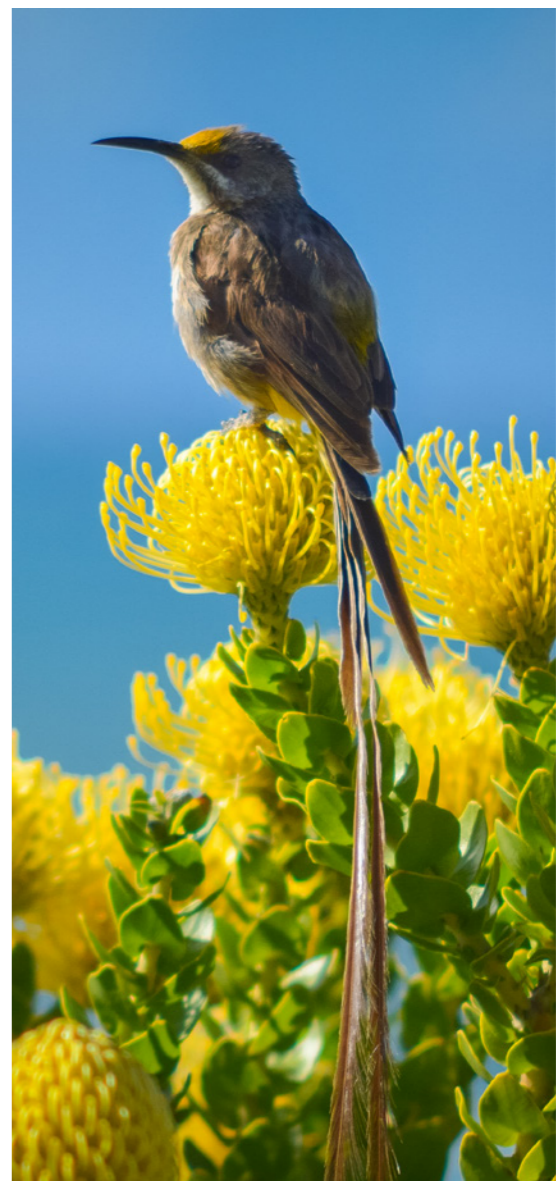
1.4 CONCLUDING REMARKS

The GRD economy was valued at R46.3 billion in 2019 and contributed 7.6 per cent to the economy of the Western Cape during the same year. Between 2015 and 2019, growth in the District averaged 1.0 per cent, which was similar to that of the Provincial economy over the same period. Estimates for 2020 indicate that the District economy contracted by 6.3 per cent. This contraction is smaller than the estimated contraction of 6.7 per cent for the Provincial economy. Forecasts for 2021 indicate that the GRD economy is expected to grow by 4.9 per cent, with annual growth slowing to 2.7 per cent in 2022.

The George and Mossel Bay municipal areas were the leading contributors to GDP in 2019. In terms of sectoral performance, the tertiary sector was the largest contributor to economic activity in the District in 2019, with a GDP contribution of 71.4 per cent during the year. Estimates for 2020 indicate a contraction of 5.9 per cent and 12.2 per cent for the tertiary and secondary sectors respectively. Conversely, the primary sector is expected to have registered a growth rate of 10.5 per cent during the year owing to the strong performance of the agriculture sector.

The trade sector was the single largest contributor to employment in the District in 2019, at 25.6 per cent. This emphasises the importance of the tourism industry when it comes to employment creation in the District. Other notable contributors to employment included the finance (18.0 per cent) and community services (14.7 per cent) sectors.

Between 2019 and 2020, unemployment across the District decreased despite sharp declines in economic activity in 2020. However, the decline in unemployment does not reflect an improvement in labour market conditions in the GRD, as is indicated by the decline in the labour force participation and labour absorption rates. In 2019, jobs in the District amounted to 231 888, with an estimated 15 304 jobs lost in 2020.



2

SECTORAL GROWTH, EMPLOYMENT AND SKILLS PER MUNICIPAL AREA

2.1 INTRODUCTION

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

2.2 GARDEN ROUTE DISTRICT

GEORGE



GDPR

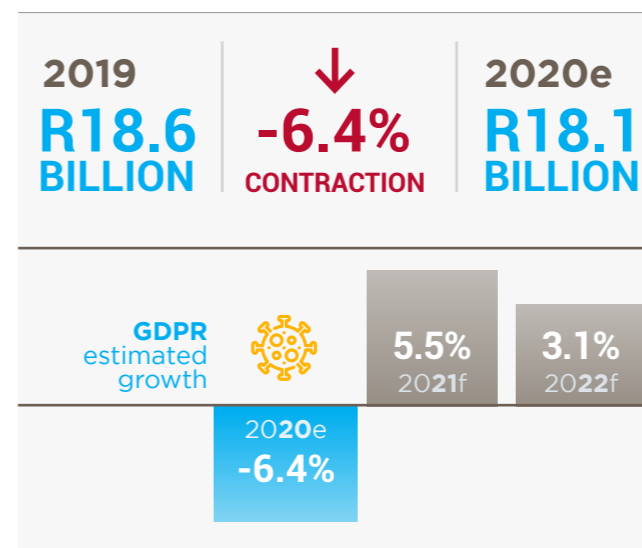
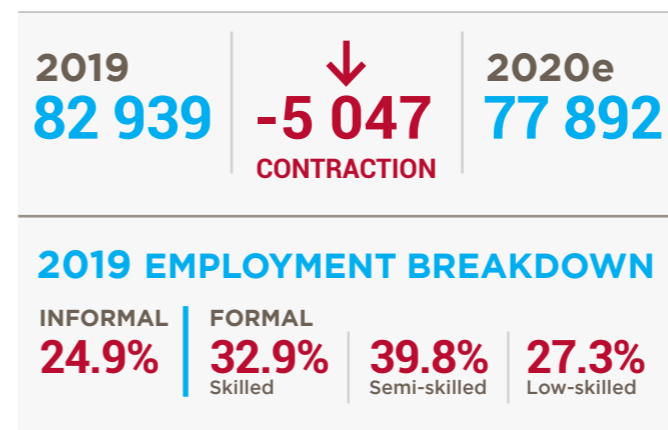


Diagram 2.1
GDPR (CURRENT PRICES) AND EMPLOYMENT,
George, 2019 and 2020e

JOBS



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

The George municipal area covers 5 191km²,⁷ stretching from the coastline, where Herold's Bay, Victoria Bay and Wilderness are popular tourist areas, to the drier climate of the Little Karoo in the north. George is the main town in the GRD and serves as a regional node for other municipal areas in the District. Less populated areas in the municipal area include Uniondale, Touwsrante, Haarlem, Hoekwil and Victoria Bay. The George municipal area is well connected to other Districts via the N2, the N9 and the N12, as well as George Airport.⁸ George Airport plays an integral role in the economy of the municipal area as well as the region, as it makes it easier to conduct business and to attract tourists.

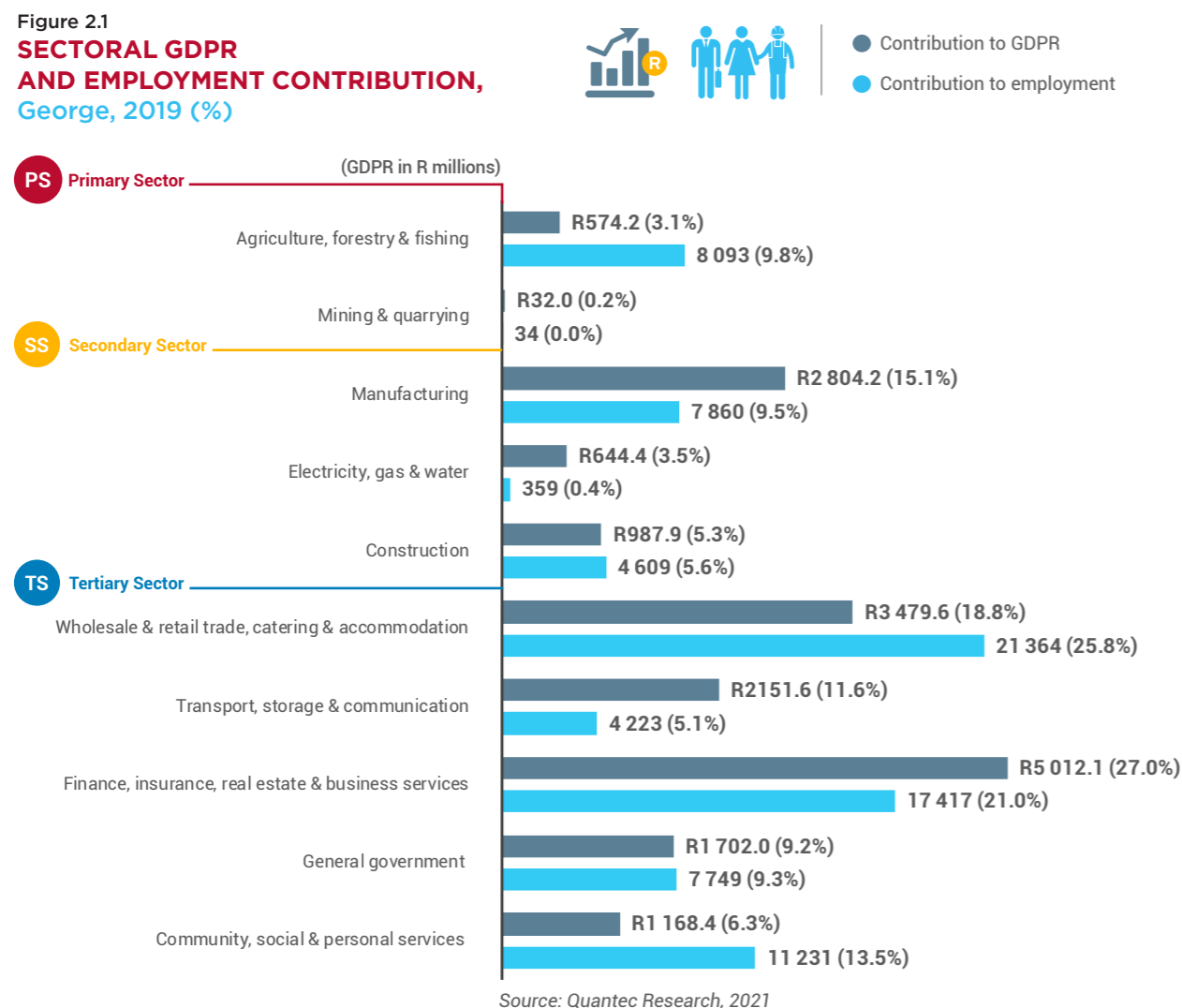
2.2.1 GDPR and employment performance

The George municipal area's GDPR was valued at R18.6 billion in 2019 and is estimated to have contracted by 6.4 per cent to R18.1 billion in 2020. It is estimated that 5 047 jobs were shed in the municipal area in 2020, bringing the total number of employed people in the region to 77 892 in 2020. It is forecast that the municipal area will start to recover in 2021, with GDPR growth of 5.5 per cent, and will continue in 2022 with 3.1 per cent growth.

⁷ (MDB, 2018).

⁸ (George Municipality, 2013).

Figure 2.1 depicts the sectoral contribution to employment and GDP in the George municipal area in 2019.



The largest contributors to GDP in the George municipal area in 2019 were the finance sector (27.0 per cent), the trade sector (18.8 per cent) and the manufacturing sector (15.1 per cent).

The trade sector provided the most employment in the George municipal area in 2019, accounting for 25.8 per cent of total employment. The finance sector was the second-largest contributor, with 21.0 per cent, followed by the community services sector with 13.5 per cent. In the George municipal area, these three sectors employed 60.3 per cent of those employed in 2019.

The municipal area's labour-intensive sectors include the trade, agriculture and community services sectors. These sectors contribute more to employment than to GDP. Conversely, the finance sector contributed more to GDP than to employment (27.0 per cent compared with 21.0 per cent), reflecting the capital-intensive nature of this sector. The manufacturing sector and the transport sector are also capital-intensive.

Table 2.1 outlines the George municipal area's GDP and employment performance per sector.

Table 2.1
GDP AND EMPLOYMENT PERFORMANCE PER SECTOR, George

| SECTOR | GDP | | Employment | |
|---|-------------------|-----------------------|-----------------------------------|------------------|
| | Trend 2015 – 2019 | Real GDP growth 2020e | Average annual change 2015 – 2019 | Net change 2020e |
| PS Primary Sector | -3.7% | 10.8% | 131 | -380 |
| Agriculture, forestry & fishing | -3.8% | 11.9% | 132 | -378 |
| Mining & quarrying | 0.6% | -17.9% | -1 | -2 |
| SS Secondary Sector | 0.5% | -11.2% | 27 | -1 151 |
| Manufacturing | 1.3% | -8.8% | 77 | -509 |
| Electricity, gas & water | -1.3% | -7.3% | 2 | -13 |
| Construction | -1.2% | -21.9% | -52 | -629 |
| TS Tertiary Sector | 2.1% | -6.0% | 1 213 | -3 516 |
| Wholesale & retail trade, catering & accommodation | 1.0% | -10.3% | 462 | -1 492 |
| Transport, storage & communication | 2.1% | -14.3% | 94 | -205 |
| Finance, insurance, real estate & business services | 3.6% | -3.2% | 622 | -730 |
| General government | -0.2% | -0.3% | -44 | 49 |
| Community, social & personal services | 1.0% | -2.5% | 79 | -1 138 |
| Total George | 1.5% | -6.4% | 1 372 | -5 047 |

Source: Quantec Research, 2021 (e denotes estimate)

Between 2015 and 2019, the George municipal area achieved an average annual growth rate of 1.5 per cent and created an average of 1 372 jobs per annum. The tertiary sector had an annual growth rate of 2.1 per cent and was the sector with the highest growth between 2015 and 2019 in the municipal area. The secondary sector experienced moderate growth of 0.5 per cent, while the primary sector contracted by 3.7 per cent in the period under review.

The sector with the greatest growth in the municipal area between 2015 and 2019 was the finance sector (3.6 per cent per annum). This was followed by the transport sector (2.1 per cent per annum) and the manufacturing sector (1.3 per cent per annum). The sectors that contracted in the George municipal area between 2015 and 2019 were the electricity, gas and water sector (1.3 per cent per annum), the construction sector (1.2 per cent), the general government sector (0.2 per cent per annum) and the agriculture sector (3.8 per cent per annum). The contraction in the agriculture sector was most likely caused by the continued drought in the area during that time. The forestry and timber industry plays an important role in the area's economy and is well supported by Saasveld Forestry College, which trains foresters.

Employment creation in the George municipal area was mainly driven by the finance sector, which experienced an average annual increase of 622 jobs per annum between 2015 and 2019, followed by the trade sector (462 jobs) and the agriculture sector (132 jobs). The sectors that shed the most jobs on an annual basis for the period under review were construction (52 jobs) and general government (44 jobs).

The George municipal area's economy is estimated to have declined by 6.4 per cent in 2020, largely as a result of COVID-19. Manufacturing in the George municipal area is estimated to have declined by 8.8 per cent in 2020, with many local and regional saw-timber operators having experienced declining demand from the construction sector nationally. George is one of the larger towns in the Western Cape and the business hub of the GRD, and the George municipal area's dominant finance sector is estimated to have contracted by 3.2 per cent, impacting the municipal area on a large scale.

The George municipal area coastline is a popular tourist destination and is also popular for second homes, particularly Herold's Bay, Wilderness, Touwsrante and Hoekwil. The popularity of these areas for residential development has a positive impact on the local economy, especially during peak holiday periods. Travel restrictions and the lockdown in the country impacted the trade sector significantly, with an estimated 10.3 per cent decrease in 2020. The construction sector contracted by 21.9 per cent, which could be due to investors and contractors stopping construction on holiday homes and additional retail facilities as a result of COVID-19 regulations.

The only sector that indicated an increase in GDPGR in 2020 was the agriculture sector (11.9 per cent). This significant growth is a result of improved weather conditions in the region and the fact that this sector could operate under lockdown level five. There are high production volumes of wheat in the municipal area, and the increase in wheat prices also contributed to the growth in this sector.⁹

It is estimated that in 2020, 5 047 jobs were lost, which was as a result of job-shedding in all sectors except the general government sector, which had an increase of 49 jobs. The significant number of jobs lost in the municipal area is a result of the COVID-19 impact. This is likely to increase the demand for public-sector support, which will place additional pressure on the local municipality, as revenue collection may be hampered but the same level of services will still be required.


✓

INDUSTRY PERFORMANCE

The number of unprocessed milk producers in the Western Cape continued its historical downward trend in 2021. There are now approximately 348 milk producers in the Western Cape, compared with 379 in 2020, 402 in 2019 and 533 in 2015. Despite this consolidation, the Western Cape's national contribution to milk production increased from 27.1 per cent in 2009 to 31.0 per cent in 2020, making it the largest producer in the country.¹⁰

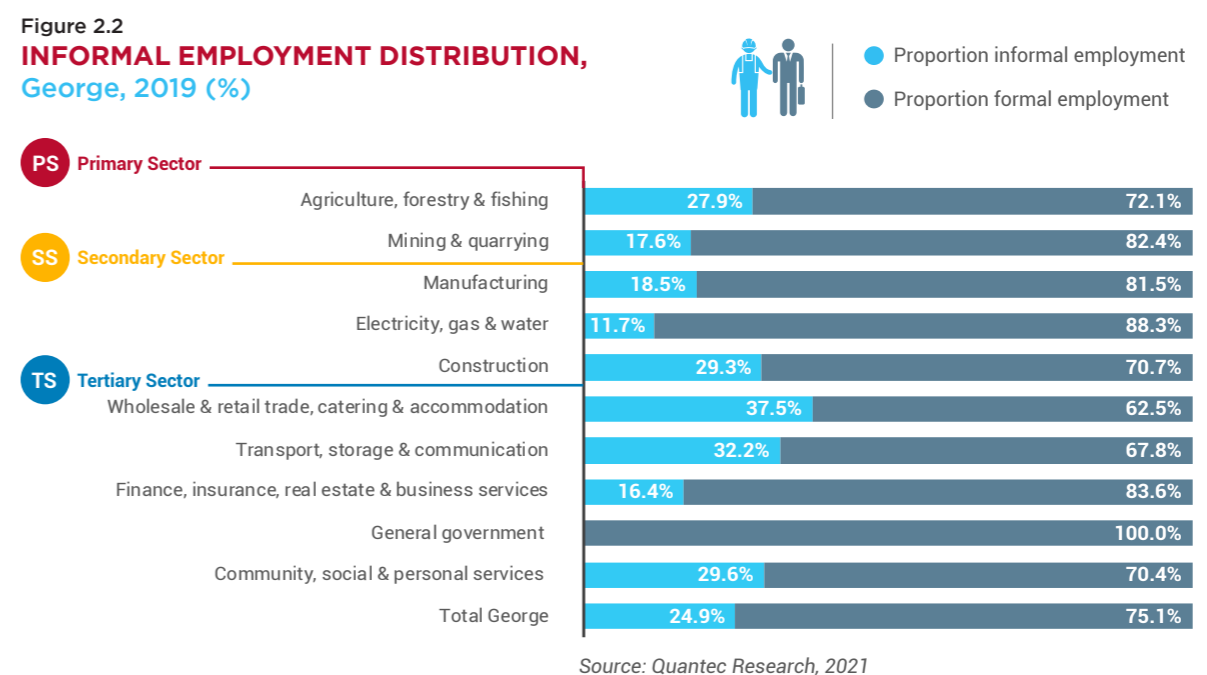
Local and international lockdowns resulted in an excess supply of fresh milk, with concomitant increases in demand for UHT milk, milk powders, cheese, buttermilk, maas and other processed products. This would have resulted in increased price pressure on already-squeezed smaller independent farmers, but it buoyed manufacturers operating higher up along the dairy value chain. It is, however, estimated that customers will return to pre-COVID-19 consumption habits beyond 2021.^{11,12}

To read more on the performance of the dairy industry:



⁹ (BFAP, 2020).
¹⁰ (Milk Producers' Organisation, 2021).
¹¹ (Milk SA, 2021).
¹² (South African Milk Processors' Organisation, 2021).

Figure 2.2 depicts the sectoral informal employment distribution in the George municipal area in 2019.¹³



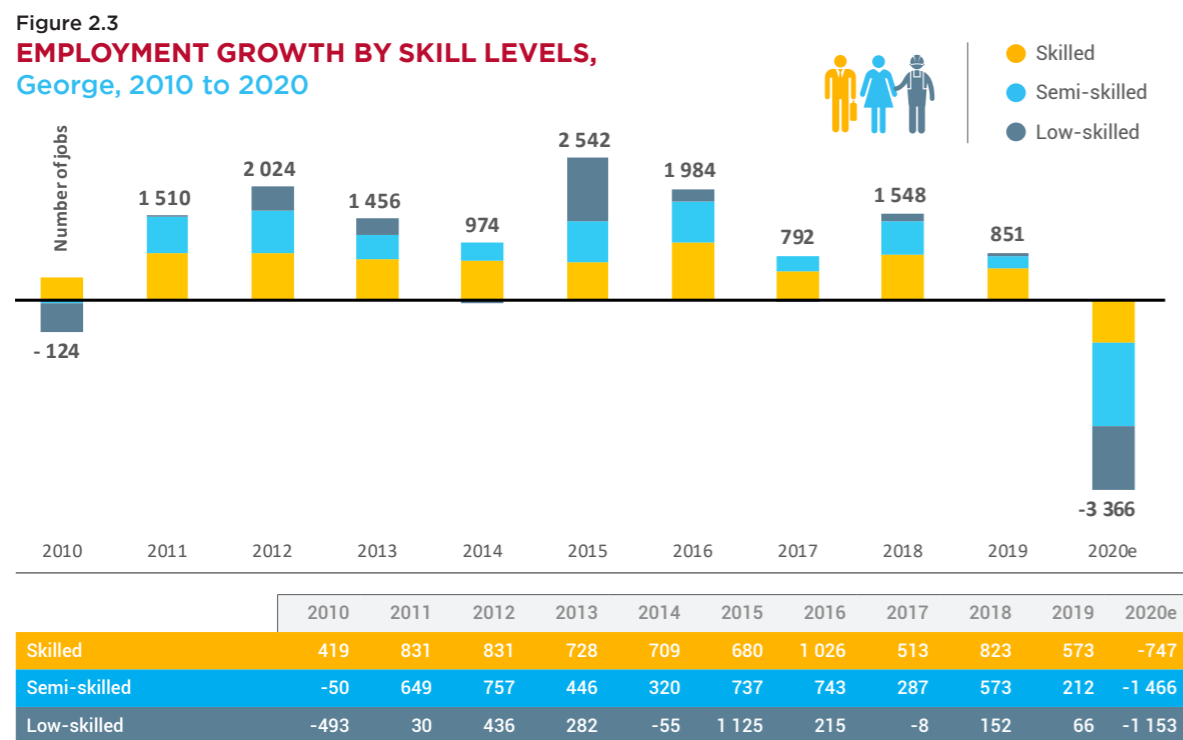
Informal employment accounted for 24.9 per cent of the GRD's total employment in 2019. The sector that provided the biggest share of informal employment opportunities in 2019 was the trade sector, with 37.5 per cent of the municipal area's employment. This was followed by the transport sector (32.2 per cent) and the community services sector (29.6 per cent).



¹³ Throughout this chapter, it should be noted that the number of informal sector workers is determined by using labour data from the Quarterly Employment Statistics (QES) and the Quarterly Labour Force Survey (QLFS). Quantec uses the QES formal figure, to which it adds formal agricultural and domestic workers. Using the total employment from the QLFS, informal employment is calculated as a residual. This residual is higher than the figure given in the QLFS owing to the inclusion of SMMEs, which are not accounted for in the QES.

2.2.2 Skills analysis

Figure 2.3 illustrates the changes in formal employment by skill levels in the George municipal area between 2010 and 2020.



Source: Quantec Research, 2021 (e denotes estimate)

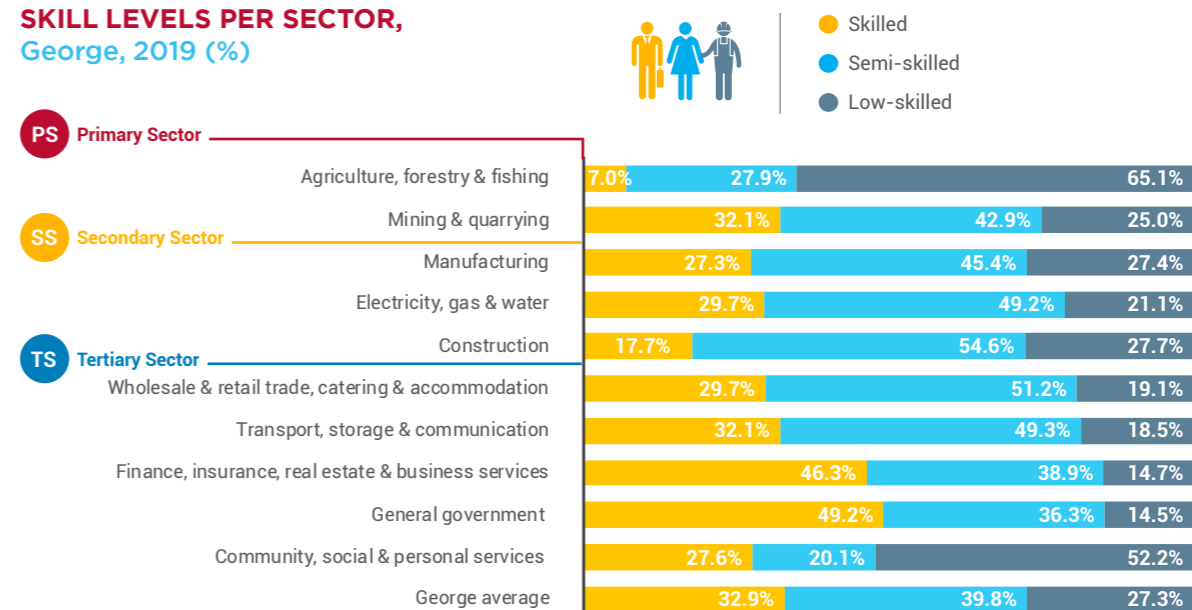
During the aftermath of the 2008 global financial crisis, low-skilled and semi-skilled workers in the George municipal area experienced the impact of job losses. Low-skilled workers lost 493 jobs in 2010, and employment growth has been slow since 2012, with the exception of 2015, when a number of low-skilled jobs were created.¹⁴ Between 2011 and 2019, more semi-skilled jobs were created.

With 419 new jobs generated in 2010, skilled employment demonstrated exceptional resilience in the aftermath of the global financial crisis of 2008. Skilled employment recovered more rapidly than low- and semi-skilled employment, and grew steadily from 2010. Between 2010 and 2019, more workers in the George municipal area found work in the skilled employment sector than in the low- or semi-skilled sector, with the exception of 2015. The impact of COVID-19 resulted in an estimated 3 366 formal jobs being lost in the municipal area. Semi-skilled workers were impacted the most, as 1 466 jobs were lost, followed by low-skilled workers (1 153 jobs) and skilled workers (747 jobs).

¹⁴ 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 2.4 provides a sectoral overview of the skill levels for formal employment in the George municipal area.

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



Source: Quantec Research, 2021

In 2019, 32.9 per cent of employed people in the George municipal area were skilled employees, while the area had 39.8 per cent semi-skilled employees and 27.3 per cent low-skilled employees. Low-skilled employment was best absorbed in the agriculture sector in the George municipal area, where 65.1 per cent of employees were low-skilled employees in 2019.

The sector that had the largest proportion of semi-skilled workers in the George municipal area in 2019 was the construction sector (54.6 per cent). Apart from the agriculture sector (27.9 per cent) and the community services sector (20.1 per cent), the proportion of semi-skilled workers in the various sectors ranged between 36.3 per cent and 51.2 per cent in 2019. In 2019, 49.2 per cent of employees in the general government sector were skilled workers in the George municipal area. Other sectors that absorbed a large share of skilled employees in the George municipal area were the finance sector (46.3 per cent) as well as the transport sector and the mining sector, both with 32.1 per cent. This indicates that the labour market is changing towards skilled and semi-skilled labour, emphasising the importance of the George municipal area as the region's services-sector hub.





2.3 GARDEN ROUTE DISTRICT

MOSSEL BAY



GDPR

| | | |
|--------------------------------|----------------------------------|---------------------------------|
| 2019 R8.0 BILLION | ↓ -6.8% CONTRACTION | 2020e R7.7 BILLION |
|--------------------------------|----------------------------------|---------------------------------|

GDPR
estimated
growth



2020e
-6.8%

5.1%
2021f

2.3%
2022f

Diagram 2.2

GDPR (CURRENT PRICES) AND EMPLOYMENT, Mossel Bay, 2019 and 2020e

JOBS

| | | |
|-----------------------|-----------------------------------|------------------------|
| 2019 36 826 | ↓ -2 613 CONTRACTION | 2020e 34 213 |
|-----------------------|-----------------------------------|------------------------|

2019 EMPLOYMENT BREAKDOWN

| | | | |
|--------------------------|-----------------------------------|------------------------------|-----------------------------|
| INFORMAL 28.3% | FORMAL Skilled 33.5% | 41.4% Semi-skilled | 25.1% Low-skilled |
|--------------------------|-----------------------------------|------------------------------|-----------------------------|

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

¹⁵ (MDB, 2018).

¹⁶ (Mossel Bay Municipality, 2017).

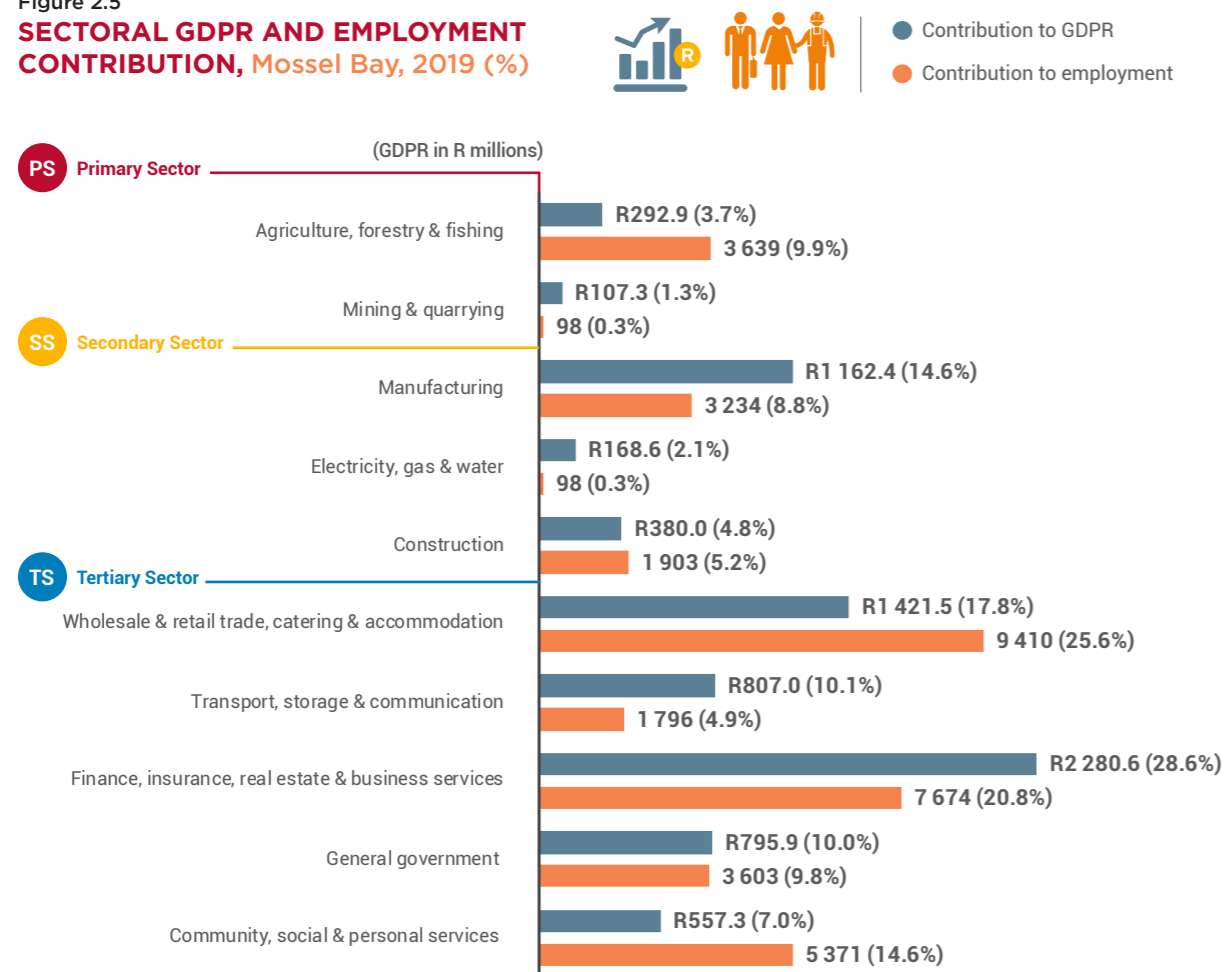
The Mossel Bay municipal area covers 2 001km² and is situated halfway between the Cape Town Metro area and Port Elizabeth in the Eastern Cape.¹⁵ The municipal area has a 122km-long coastline that is characterised by three distinct bays - Vleesbaai, Dana Bay and Mossel Bay. The Moss gas plant and harbour are important infrastructure in the municipal area. The harbour serves the local fishing, gas and tourism sectors. The town of Mossel Bay is the main urban node in the municipal area, while smaller towns include Boggoms Bay, Brandwag, Buisplaas, D'Almeida, Dana Bay, Glentana, Fraaiuitsig, Friemersheim, Great Brak River, Hartenbos, Herbertsdale, Hersham, KwaNonqaba, Little Brak River, Outeniqua Beach, Reebok, Ruitersbos, Southern Cross, Tergniet and Vleesbaai.¹⁶

2.3.1 GDPR and employment performance

The Mossel Bay municipal area's GDPR was valued at R8.0 billion in 2019 and is estimated to have contracted by 6.8 per cent to R7.7 billion in 2020. It is estimated that 2 613 jobs were shed in the municipal area in 2020, bringing the total number of employed people in the region to 34 213 in 2020. It is forecast that in 2021, the municipal area's economy will recover partially with an increase of 5.1 per cent and will grow by a further 2.3 per cent in 2022.

Figure 2.5 illustrates the GDP and employment contribution per sector in the Mossel Bay municipal area in 2019.

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



Source: Quantec Research, 2021

In 2019, the largest contributors to the economy in the Mossel Bay municipal area were the finance (28.6 per cent), trade (17.8 per cent) and manufacturing (14.6 per cent) sectors. The smallest contributor in 2019 was the mining sector, with only 1.3 per cent, followed by the electricity, gas and water sector (2.1 per cent).

The biggest contributor to employment in the Mossel Bay municipal area in 2019 was the trade sector, with 25.6 per cent. This was followed by the finance sector (20.8 per cent) and the community services sector (14.6 per cent). The finance sector was the largest capital-intensive sector in the municipal area and the trade sector was the largest labour-intensive sector.



A more detailed overview of sectoral contributions to GDP and employment is provided in Table 2.2.

Table 2.2
GDP AND EMPLOYMENT PERFORMANCE PER SECTOR, Mossel Bay

| SECTOR | GDP | | Employment | |
|---|-------------------|-----------------------|-----------------------------------|------------------|
| | Trend 2015 – 2019 | Real GDP growth 2020e | Average annual change 2015 – 2019 | Net change 2020e |
| PS Primary Sector | -3.7% | 6.9% | 14 | -352 |
| Agriculture, forestry & fishing | -4.7% | 14.6% | 14 | -344 |
| Mining & quarrying | 0.1% | -18.4% | 0 | -8 |
| SS Secondary Sector | -3.0% | -15.2% | -132 | -593 |
| Manufacturing | -2.6% | -13.5% | -28 | -257 |
| Electricity, gas & water | -3.0% | -8.8% | -1 | -4 |
| Construction | -4.4% | -24.3% | -103 | -332 |
| TS Tertiary Sector | 2.1% | -5.6% | 461 | -1 668 |
| Wholesale & retail trade, catering & accommodation | 1.0% | -10.4% | 207 | -677 |
| Transport, storage & communication | 1.4% | -14.9% | 27 | -82 |
| Finance, insurance, real estate & business services | 3.4% | -3.0% | 231 | -363 |
| General government | 0.2% | 0.1% | -21 | 21 |
| Community, social & personal services | 1.4% | -2.2% | 16 | -567 |
| Total Mossel Bay | 0.7% | -6.8% | 343 | -2 613 |

Source: Quantec Research, 2021 (e denotes estimate)

The Mossel Bay municipal area had a GDP growth of 0.7 per cent annually between 2015 and 2019. The tertiary sector was the only sector in the municipal area that had positive growth over the reference period, experiencing an average growth rate of 2.1 per cent. The GDP growth in the Mossel Bay municipal area was mainly driven by the finance (3.4 per cent) sector, the transport and community services sectors (1.4 per cent each) and the trade sector (1.0 per cent).

The secondary sector's GDP declined by an average of 3.0 per cent per annum between 2015 and 2019. The poor performance of the manufacturing sector, which contracted by 2.6 per cent, is dampening economic prospects in the Mossel Bay municipal area. The primary sector contracted by 3.7 per cent per annum, with the agriculture sector declining at a rate of 4.7 per cent annually between 2015 and 2019.

Between 2015 and 2019, the municipal area created an average of 343 jobs per annum. This was mainly driven by the tertiary sector (461 jobs) and more specifically the finance sector, which created 231 jobs per annum on average. This was followed by the trade sector (207 jobs) and the transport sector (27 jobs).

It is estimated that the Mossel Bay municipal area's GDP contracted by 6.8 per cent in 2020, largely owing to the impact of the COVID-19 pandemic and associated lockdown. In addition to COVID-19-related impacts, the trade sector's 10.4 per cent drop in GDP was influenced by the significant contraction of the tourism industry. The construction sector is estimated to have contracted significantly, as construction-related projects and housing development stagnated owing to lockdown regulations in 2020. The secondary sector is estimated to have contracted by 15.2 per cent. The only sectors estimated to have had a positive growth in 2020 were the general government (0.1 per cent) and agriculture (14.6 per cent) sectors. Relatively lower restrictions during the earlier stages of the national lockdown supported inshore trawl and commercial line fishing from the Mossel Bay Harbour.

The contraction in economic growth in the municipal area resulted in significant job losses of an estimated 2 613 jobs. The tertiary sector was impacted the most, as it is estimated that 1 668 workers lost their jobs, followed by the secondary sector (593 jobs) and the primary sector (352 jobs). The trade sector lost 677 jobs, followed by the community services sector, with 567 jobs lost. The high number of jobs lost in these sectors is the result of the poor tourism performance in 2020 owing to COVID-19-related impacts, and the decrease in household income as people took pay cuts resulted in personal services becoming less affordable and being regarded as unnecessary. It is estimated that the agriculture sector shed 344 jobs in 2020. The general government sector was the only sector that created additional employment, with an estimated 21 jobs created.

INDUSTRY PERFORMANCE

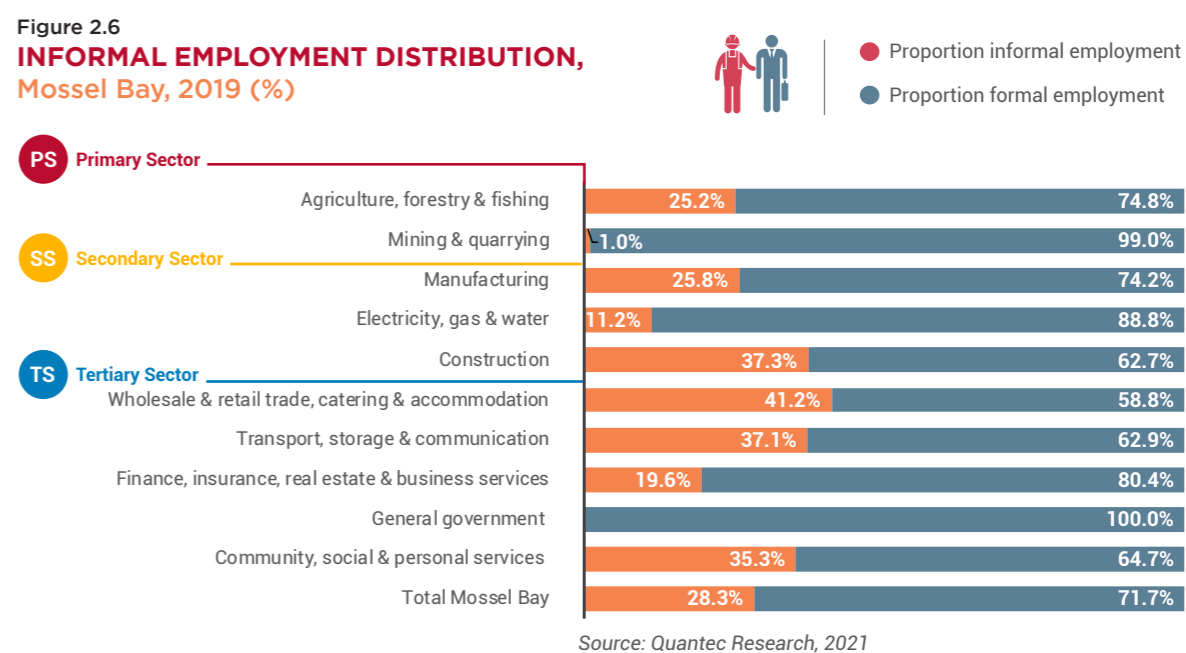
The Deepwater Luiperd-1 well prospect, announced in 2020, represents the second significant announcement made in South Africa's oil and gas sector in the past 24 months. It is estimated that the Luiperd gas prospect, located 175km offshore to the south of Knysna, is 50.0 per cent larger than the Brulpadda find in 2019, which bodes well for the industry. The find's location means that potential future onshore beneficiation is likely to be undertaken in Mossel Bay.¹⁷ Total is the main operator, with a South African consortium holding a 10.0 per cent participating interest stake.¹⁸ To date, the Brulpadda and Luiperd finds have created job opportunities for South Africans in professions such as engineering, aviation, geology and oceanography.¹⁹ These two major finds from the past two years build on the Ibhubesi gas field to the north-west of Saldanha and the Gazania well near Hondeklip Bay.

Unlocking localisation, employment and skills uptake opportunities in the value chain is highly dependent on policy certainty and legislative clarity. In this regard, the Upstream Petroleum Resources Development Bill²⁰ and Gas Amendment Bill²¹ were both introduced in 2021, while the Climate Change Bill of 2018²² is also due to be tabled in Parliament in 2021.²³

¹⁷ (IHS Markit, 2020).
¹⁸ (TotalEnergies, 2020).
¹⁹ (Department of Mineral Resources and Energy, 2020).
²⁰ (Parliament, 2021a).
²¹ (Parliament, 2021b).
²² (Department of Forestry, Fisheries and the Environment, 2018).
²³ (Parliamentary Monitoring Group, 2021b).



Figure 2.6 illustrates the sectoral distribution of informal employment in the Mossel Bay municipal area in 2019. Informal employment is a valuable source of employment for 28.3 per cent of the area's employed population.

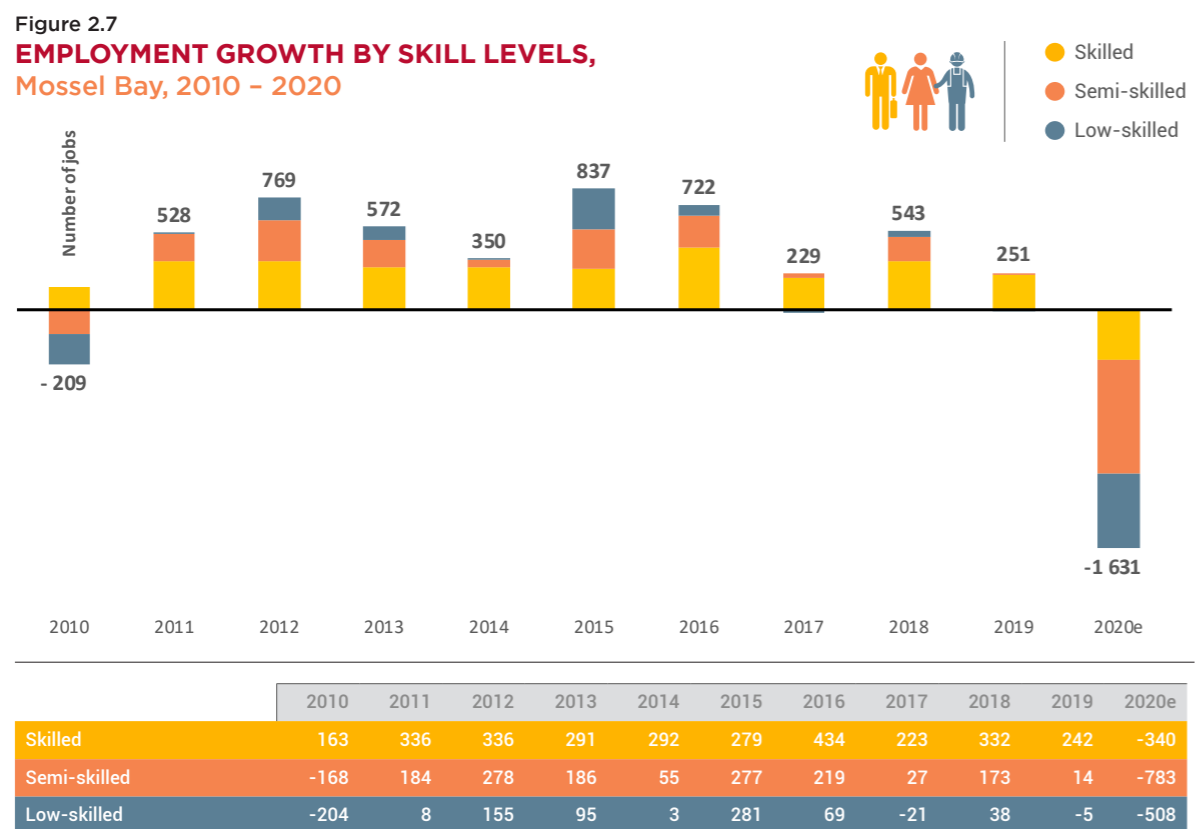


The sector that provided the largest share of informal employment was the trade sector, with 41.2 per cent of the sector's employment opportunities. This was followed by the construction (37.3 per cent), transport (37.1 per cent) and community services (35.3 per cent) sectors.

Informal businesses in the Mossel Bay municipal area are constrained by lack of rental space, high rental costs for business space, lack of capital to expand, market access, slow markets, low credit profile and business security. These constraints hinder informal businesses from expanding and creating jobs. Increasing the usage of the Mossel Bay Harbour beyond fishing and mining activities can increase job creation, particularly in the transport sector.

2.3.2 Skills analysis

Figure 2.7 illustrates the changes in formal employment by skill levels in the Mossel Bay municipal area between 2010 and 2020.



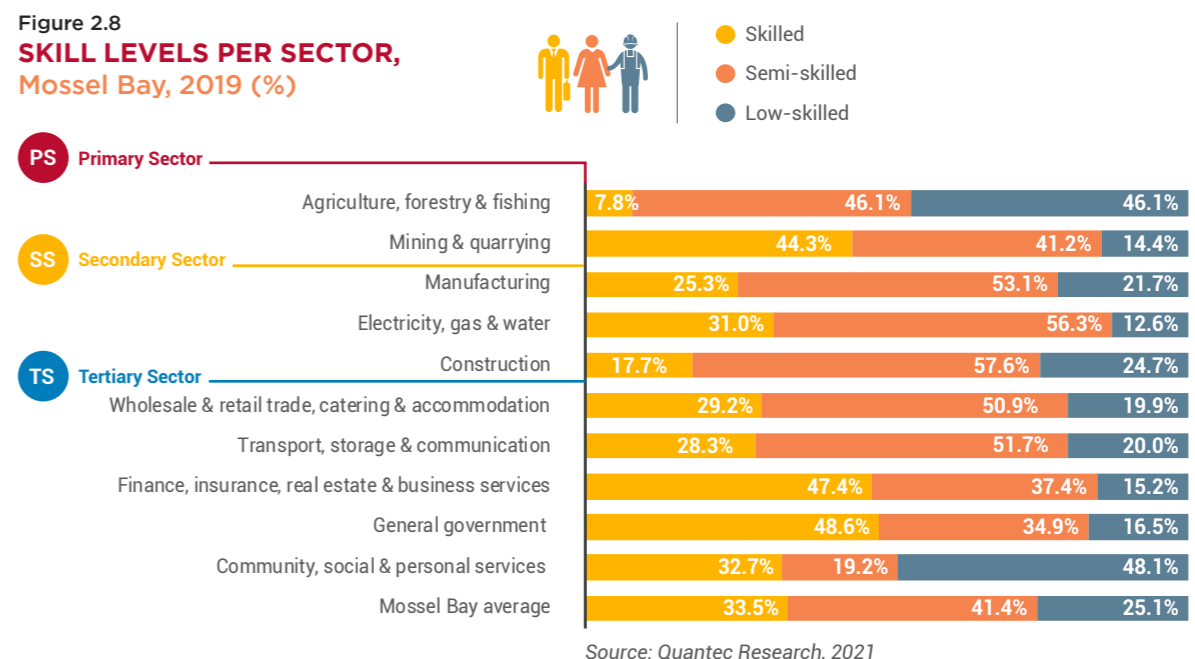
Source: Quantec Research, 2021 (e denotes estimate)

Low- and semi-skilled employees in the Mossel Bay municipal area bore the job-shedding brunt during the aftermath of the 2008 global financial crisis. Low-skilled employees shed jobs in 2010 and have only experienced moderate growth in employment since 2012. Apart from in 2015, few low-skilled employment opportunities were created. A net total of only 623 low-skilled jobs were created between 2011 and 2019 in the municipal area. Semi-skilled employment recovered faster than low-skilled employment between 2011 and 2019. Apart from in 2015, more employment opportunities were created in semi-skilled employment compared with low-skilled employment. A net total of 1 413 semi-skilled jobs were created between 2011 and 2019.

Skilled employment recovered faster than low- and semi-skilled employment, and showed good growth from 2010. Apart from in 2015, more people attained employment in the skilled employment sector than in the low- or semi-skilled sector in the Mossel Bay municipal area between 2010 and 2019, with a net total of 2 928 skilled jobs. This indicates that employment for the skilled workforce is more sustainable in poor economic conditions. The estimated number of formal jobs lost in 2020 owing to the impact of COVID-19 was 1 631 jobs. Semi-skilled workers lost the largest portion of jobs in the municipal area (783 jobs), followed by low-skilled workers (508 jobs) and skilled workers (340 jobs).

The high number of job losses in the municipal area will increase financial strain on local households and will limit revenue collection by the local municipality, which will ultimately have an adverse effect on the service delivery capabilities of the municipality.

Figure 2.8 provides a sectoral overview of the skill levels for formal employment in the Mossel Bay municipal area.



In the Mossel Bay municipal area, 33.5 per cent of employed people were skilled employees in 2019, while the area had 41.4 per cent semi-skilled employees and 25.1 per cent low-skilled employees. Low-skilled employment was best absorbed in the community services (48.1 per cent) and agriculture (46.1 per cent) sectors. The sector that absorbed the most semi-skilled workers in the Mossel Bay municipal area was the construction sector (57.6 per cent).

In the general government sector, 48.6 per cent were skilled workers. This was the sector with the largest portion of skilled workers in the municipal area. Other sectors that absorbed a large share of skilled employees were the finance sector (47.4 per cent) and the mining sector (44.3 per cent).

Given the sectoral employment trends in the Mossel Bay municipal area, together with the skills distribution across sectors, it is evident that there is a demand for semi-skilled and skilled workers in the municipal area. Skills development programmes in key economic sectors can therefore boost employment creation in the Mossel Bay municipal area.



2.4 GARDEN ROUTE DISTRICT

KNYSNA



GDPR

| | | |
|---------------------------------|-----------------------------------|----------------------------------|
| 2019 R5.1 BILLION | ↓ -6.6% CONTRACTION | 2020e R4.9 BILLION |
|---------------------------------|-----------------------------------|----------------------------------|

GDPR
estimated
growth



2020e
-6.6%

3.2%
2021f

1.5%
2022f

Diagram 2.3

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

JOBS

| | | |
|-----------------------|------------------------------------|------------------------|
| 2019 26 763 | ↓ -2 078 CONTRACTION | 2020e 24 685 |
|-----------------------|------------------------------------|------------------------|

2019 EMPLOYMENT BREAKDOWN

| | | | |
|--------------------------|----------------------------|-----------------------|----------------------|
| INFORMAL 25.1% | FORMAL 22.9% Skilled | 44.4% Semi-skilled | 32.7% Low-skilled |
|--------------------------|----------------------------|-----------------------|----------------------|

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

²⁴ (MDB, 2018).

²⁵ (Knysna Municipality, 2013).

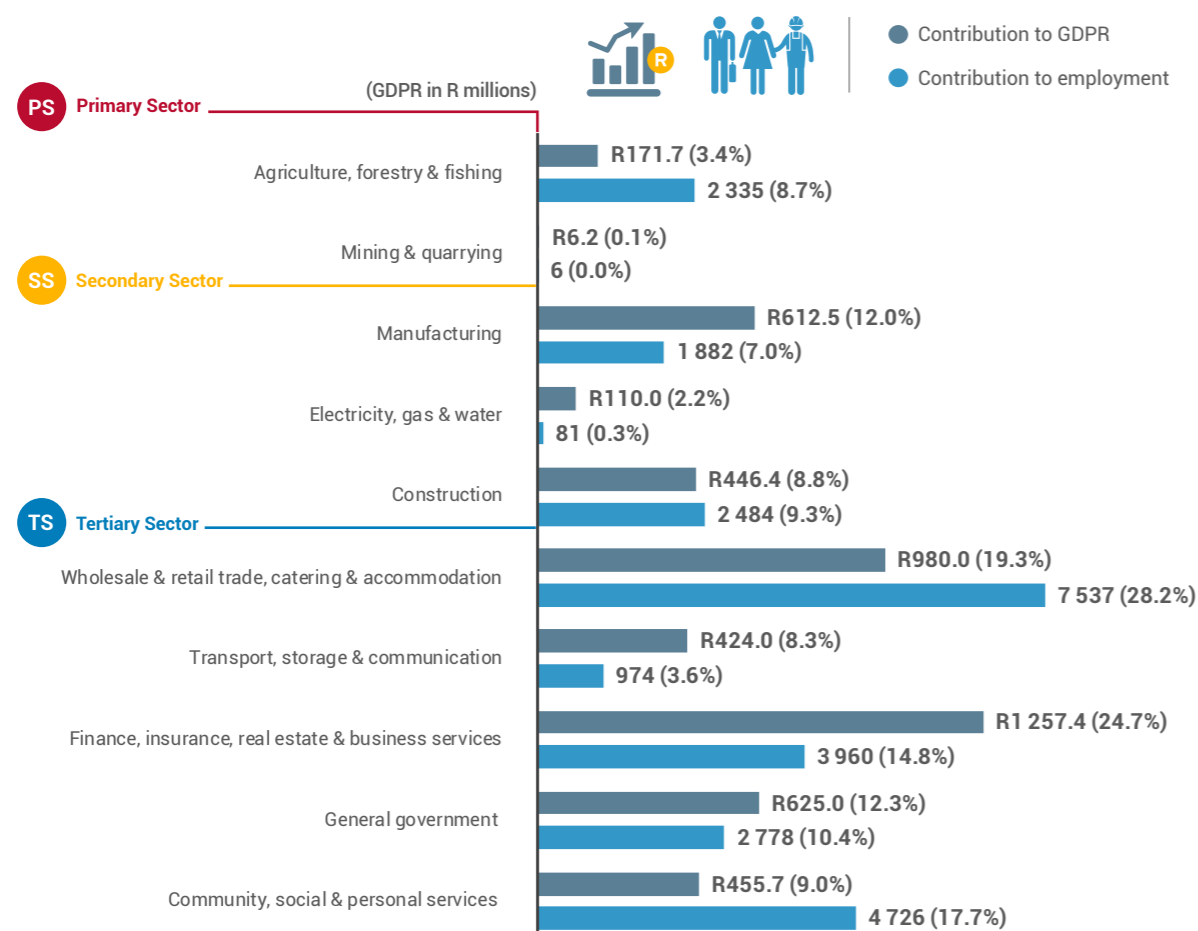
The Knysna municipal area is a popular tourist area and is well known for its estuary, beaches, scenic landscapes and farmlands. The municipal area covers 1 109km²,²⁴ bordering the Outeniqua Mountains and Garden Route National Park to the north, the Knysna Lagoon and the Indian Ocean to the south, the Rondevlei Lake and Swartvlei Lake to the west, and the Harkerville Forest to the east. The town of Knysna is the primary regional service centre and the area consists of mostly tourism settlements such as Sedgefield, Brenton-on-Sea and Buffalo Bay. The municipal area also includes several rural towns such as Rheenendal and Karatara. The N2 is the primary access road to and through the municipal area.²⁵

2.4.1 GDPR and employment performance

The Knysna municipal area's GDPR was valued at R5.1 billion in 2019 and is estimated to have contracted by 6.6 per cent to R4.9 billion in 2020. It is estimated that 2 078 jobs were shed in the municipal area in 2020, bringing the total number of employed people in the region to 24 685 in 2020. It is forecast that the economy will recover partially in 2021, with a GDPR growth of 3.2 per cent, while GDPR growth of 1.5 per cent is anticipated for 2022.

Figure 2.9 provides a breakdown of the sectoral contribution to employment and GDP in the Knysna municipal area in 2019.

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



Source: Quantec Research, 2021

In terms of GDP, the top three sectors in the Knysna municipal area were the finance (24.7 per cent), trade (19.3 per cent) and general government (12.3 per cent) sectors, all falling within the tertiary sector.

The biggest contribution to employment in the Knysna municipal area in 2019 was the trade sector, which contributed 28.2 per cent. This was followed by the community services sector (17.7 per cent) and the finance sector (14.8 per cent). The two largest labour-intensive sectors in the municipal area were the trade sector and the community services sector. The largest capital-intensive sectors were finance and manufacturing.

Table 2.3 provides a more detailed overview of sectoral contributions to GDP and employment in the Knysna municipal area in 2019.

Table 2.3
GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Knysna

| SECTOR | GDPR | | Employment | |
|---|-------------------|-----------------------|-----------------------------------|------------------|
| | Trend 2015 – 2019 | Real GDP growth 2020e | Average annual change 2015 – 2019 | Net change 2020e |
| PS Primary Sector | -4.9% | 12.7% | 13 | -170 |
| Agriculture, forestry & fishing | -5.0% | 13.3% | 13 | -170 |
| Mining & quarrying | 1.7% | -17.2% | 0 | 0 |
| SS Secondary Sector | -0.2% | -14.3% | -32 | -529 |
| Manufacturing | 0.8% | -10.7% | -9 | -162 |
| Electricity, gas & water | -0.7% | -6.0% | 2 | 0 |
| Construction | -1.7% | -21.9% | -25 | -367 |
| TS Tertiary Sector | 0.7% | -5.9% | 346 | -1 379 |
| Wholesale & retail trade, catering & accommodation | -0.1% | -10.9% | 160 | -718 |
| Transport, storage & communication | 0.0% | -16.1% | 1 | -49 |
| Finance, insurance, real estate & business services | 1.0% | -4.1% | 82 | -219 |
| General government | 1.0% | 1.1% | 4 | 25 |
| Community, social & personal services | 1.6% | -1.9% | 99 | -418 |
| Total Knysna | 0.2% | -6.6% | 327 | -2 078 |

Source: Quantec Research, 2021 (e denotes estimate)

The average annual growth rate for the Knysna municipal area between 2015 and 2019 was 0.2 per cent. The Knysna municipal area has a very small primary sector, which contracted by 4.9 per cent between 2015 and 2019. The agriculture sector is the predominant sector, and has been underperforming since 2014 owing to droughts experienced in the region. The secondary sector experienced a contraction of 0.2 per cent between 2015 and 2019. The manufacturing sector is characterised by the production of wood and wood products. The fires that destroyed commercial plantations in 2017 therefore reduced activity in this sector. The tertiary sector achieved an average growth rate of 0.7 per cent between 2015 and 2019. The leading sources of economic growth in this sector include the community services sector (1.6 per cent per annum), the finance sector and the general government sector (1.0 per cent per annum each).

In line with its contribution to GDP growth, the tertiary sector had the largest growth in employment in the Knysna municipal area, accounting for 346 jobs per annum between 2015 and 2019. Employment was largely driven by the trade sector, which created an average of 160 jobs per annum during this period. This was followed by the community services sector (99 jobs) and the finance sector (82 jobs).

The secondary sector had a decrease of 32 jobs per year between 2015 and 2019, which was influenced mostly by the 25 jobs lost per year in the construction sector. The primary sector had a growth of 13 jobs per year, with all the jobs created in the agriculture sector.

GDPR is expected to have contracted by 6.6 per cent in the Knysna municipal area in 2020. On a sectoral level, restrictions on tourism in 2020 owing to COVID-19 are estimated to have resulted in a 10.9 per cent drop in the trade sector's GDPR. This emphasises the region's dependence on tourism, and how this creates vulnerability in the face of unforeseen events such as COVID-19. Supporting sectors associated with the Knysna tourism sector are estimated to have followed a similar trajectory in 2020. These sectors include finance (contracting by 4.1 per cent in 2020) and transport (contracting by 16.1 per cent). The only two sectors that had positive growth in 2020 were the general government sector (1.1 per cent) and the agriculture sector (13.3 per cent). The positive growth in the agriculture sector can be attributed to improved weather conditions and the fact that the sector was allowed to operate during the lockdown in the country in 2020.

It is estimated that 2 078 jobs were lost in 2020, with the largest number of jobs lost in the tertiary sector (1 379 jobs), followed by the secondary sector (529 jobs) and the primary sector (170 jobs). This indicates the severe impact that COVID-19 had on the local economy and the pressure on business to maintain profits. The impact on the trade sector was significant, with 718 jobs lost, followed by the community services sector with 418 jobs lost. The only sector that created additional jobs in 2020 was the general government sector, with an estimated 25 jobs created.

INDUSTRY PERFORMANCE

The recently approved Forestry Sector Masterplan has the return to production of 17 000ha fire-affected areas in the Western Cape by 2026 as one of its objective statements.²⁶ Approximately 22 000ha of category A plantations are managed by the Department of Forestry, Fisheries and the Environment (DFFE) in the Western Cape, with a further 22 000ha of state-owned forests managed by other entities.²⁷ The opportunity-cost trade-off interface between DFFE plantations and indigenous community development needs was recently brought to the fore in Grabouw, as some forestry land parcels became sites of contestation. Innovative approaches will be required to protect the rights of public, private and First Nation actors in this and other similar conflicts.²⁸ One potential (but partial) solution that was recently mooted at the Garden Route Waste and Biomass Beneficiation Conference is the extraction of economic value from alien plants and forestry residues.²⁹ Another potential solution is for mediated partnerships between entities such as the Western Cape Forestry Sector Forum and beneficiary community trusts identified through land rights enquiry processes in the Boland and Southern Cape.³⁰

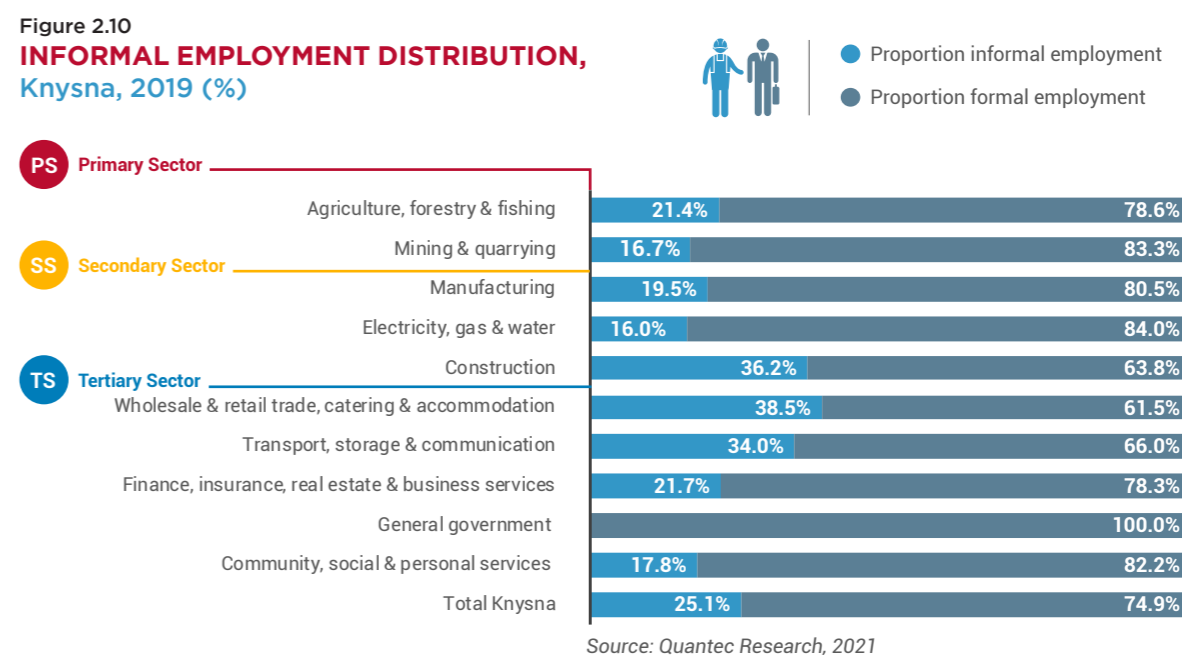
To read more about the Forestry Sector Masterplan:



²⁶ (Forestry South Africa, 2020).
²⁷ (Department of Forestry, Fisheries and the Environment, 2020).
²⁸ (Western Cape Department of Human Settlements, 2021).
²⁹ (Garden Route Municipality, 2021).
³⁰ (Department of Forestry, Fisheries and the Environment, 2021).



Figure 2.10 illustrates the proportion of informal and formal employment per sector in the Knysna municipal area in 2019.

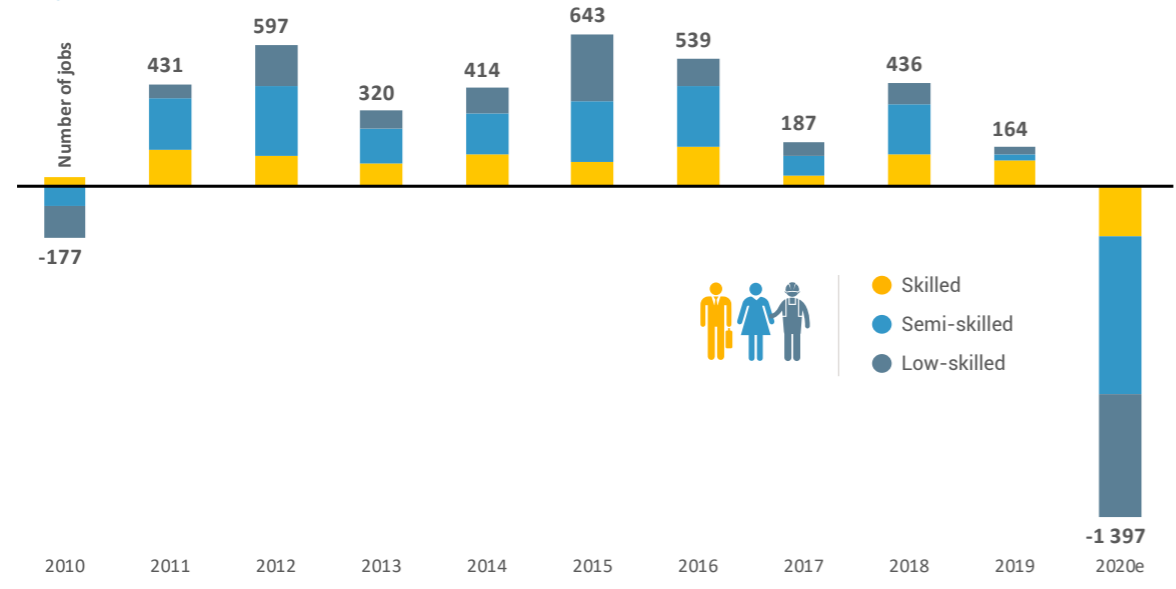


The Knysna municipal area consists mainly of formal employment opportunities, with informal employment only accounting for 25.1 per cent of the area's total employment in 2019. The sector that provided the largest share of informal employment opportunities in 2019 was the trade sector (38.5 per cent). Other notable sources of informal employment were the construction (36.2 per cent) and transport (34.0 per cent) sectors. Some of the constraints that hinder informal businesses in the Knysna municipal area from expanding and creating jobs are lack of access to financial support, poor business planning and record-keeping skills, as well as compliance challenges.

2.4.2 Skills analysis

Figure 2.11 illustrates the changes in formal employment by skill levels in the Knysna municipal area between 2010 and 2020.

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



| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e |
|--------------|------|------|------|------|------|------|------|------|------|------|-------|
| Skilled | 39 | 153 | 129 | 94 | 132 | 103 | 169 | 47 | 131 | 106 | -209 |
| Semi-skilled | -81 | 219 | 293 | 146 | 178 | 252 | 256 | 81 | 212 | 30 | -671 |
| Low-skilled | -135 | 59 | 175 | 80 | 104 | 288 | 114 | 59 | 93 | 28 | -517 |

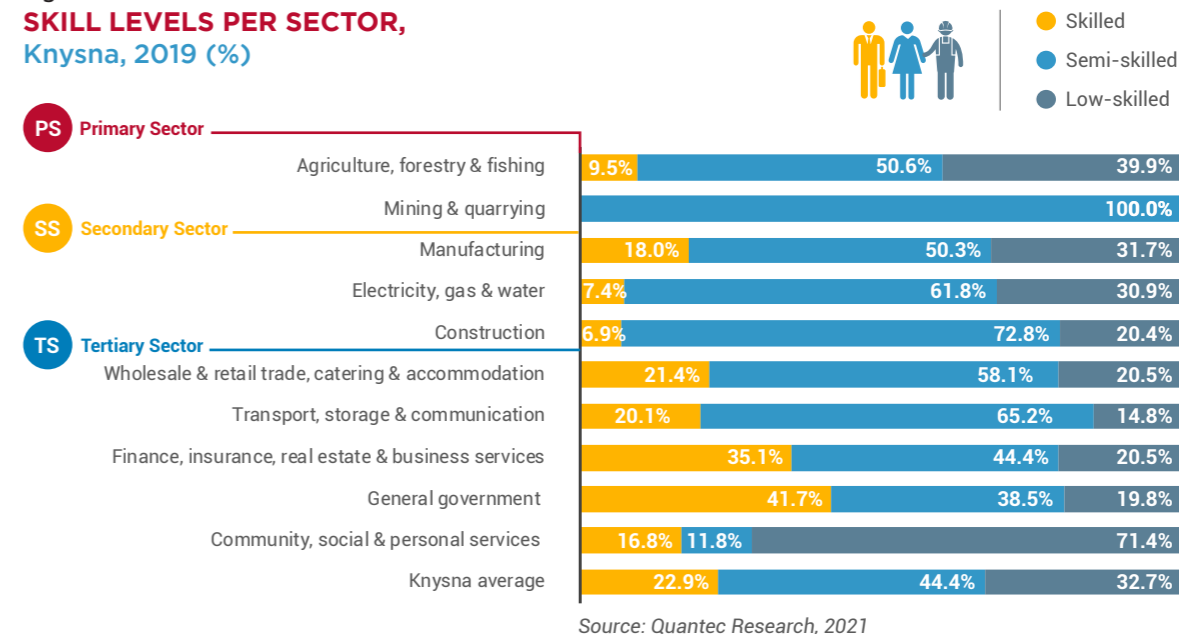
Source: Quantec Research, 2021 (e denotes estimate)

Low- and semi-skilled employees in the Knysna municipal area felt the job-shedding impact during the aftershock of the 2008 global financial crisis. Low-skilled employment shed jobs in 2010, and has only experienced low growth since 2012. Apart from in 2015, few low-skilled employment opportunities were created, with a net total of 1 000 jobs between 2011 and 2019. Semi-skilled employment recovered better than low-skilled employment between 2011 and 2019. Apart from in 2015, more employment opportunities were created in semi-skilled employment than at the skilled and low-skilled employment levels, with a net total of 1 667 jobs created between 2011 and 2019. Skilled employment showed resilience during the aftermath of the 2008 global financial crisis.

It is estimated that a total of 1 397 formal jobs were lost in 2020, with the majority of jobs in the semi-skilled workforce (671 jobs), followed by the low-skilled (517 jobs) and skilled (209 jobs) workforce.

Figure 2.12 provides a sectoral overview of the skill levels for formal employment in the Knysna municipal area.

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



In the Knysna municipal area, 22.9 per cent of people were skilled employees in 2019, while the area had 44.4 per cent semi-skilled employees and 32.7 per cent low-skilled employees.

The sector that had the largest proportion of semi-skilled workers in the Knysna municipal area in 2019 was the mining sector (100.0 per cent), followed by the construction sector (72.8 per cent). The community services sector had the smallest share of semi-skilled workers (11.8 per cent). In 2019 the community services (71.4 per cent) and agriculture (39.9 per cent) sectors in the Knysna municipal area had the largest proportion of low-skilled workers.

The general government sector had the largest share of skilled employment, as 41.7 per cent of workers in this sector in 2019 were skilled employees. Other sectors that absorbed a large share of skilled employees were the finance (35.1 per cent) and trade (21.4 per cent) sectors.



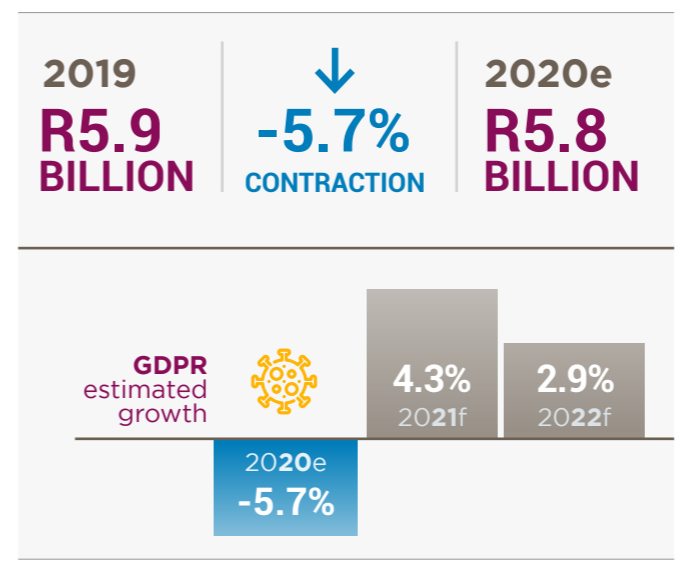


2.5 GARDEN ROUTE DISTRICT

OUTDTSHOORN



GDPR



The Oudtshoorn municipal area, which is internationally renowned for its ostrich sector, is located in the heart of the Little Karoo and covers 3 540km².³¹ The town of Oudtshoorn has the largest population in the region and is the main service centre in the region. Other large towns in the municipal area include Dysseisdorp and De Rust, while Volmoed, Schoemanshoek, Spieskamp, De Hoop, Vlakteplaas, Grootkraal and Matjiesrivier are classified as rural settlements.³²

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

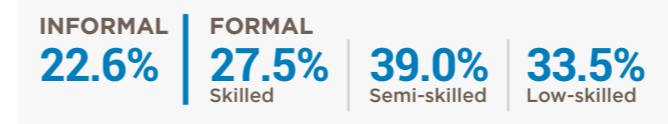
JOBS



2.5.1 GDPR and employment performance

The Oudtshoorn municipal area's GDPR was valued at R5.9 billion (current prices) in 2019 and is estimated to have contracted by 5.7 per cent to R5.8 billion in 2020 (current prices). It is estimated that 1 833 jobs were shed in the municipal area in 2020, bringing the total number of employed people in the region to 28 320. The municipal area is forecast to show marginal growth of 4.3 per cent in 2021, and stagnates in 2022 with only 2.9 per cent growth.

2019 EMPLOYMENT BREAKDOWN



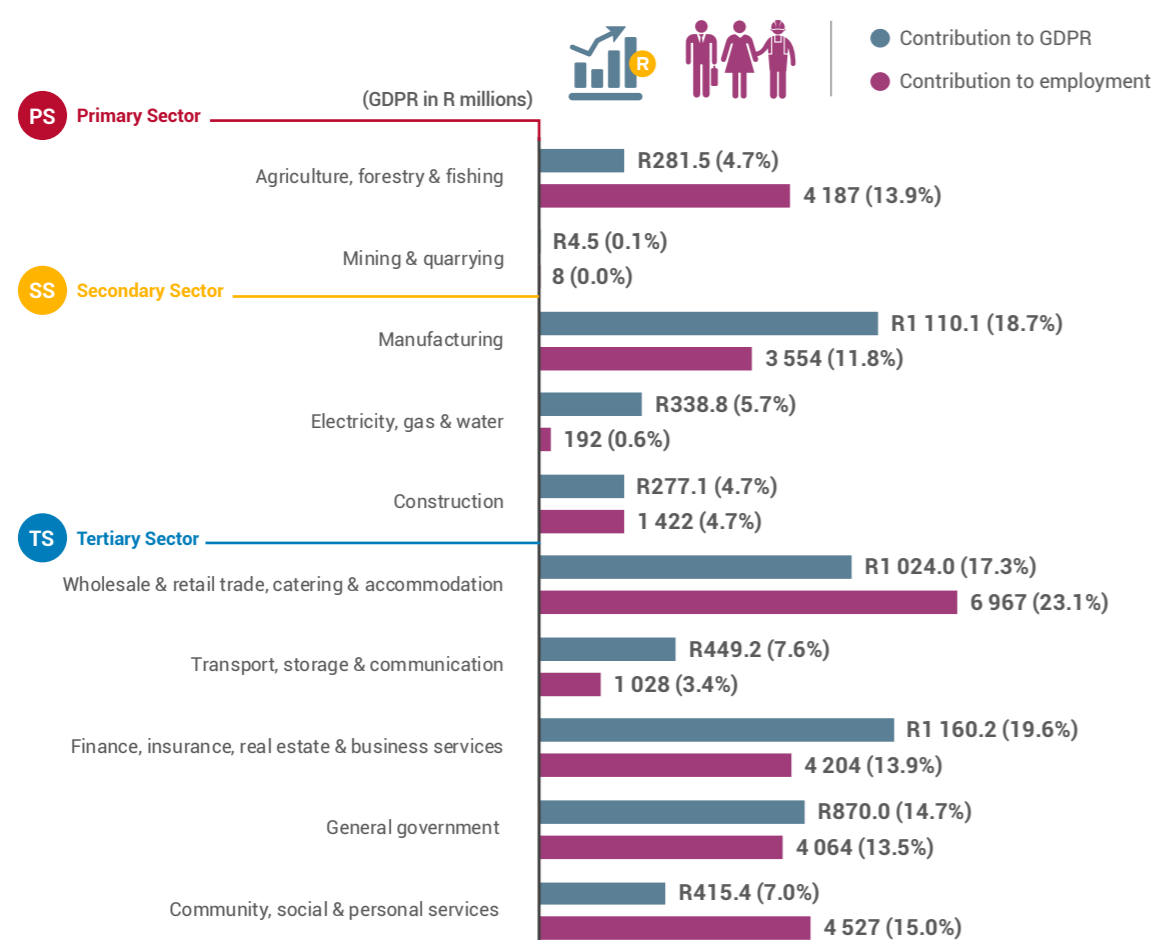
Source: Quantec Research, 2021; Urban-Econ based on Quantec, SARB, Stats SA and BFAP, 2021 (e denotes estimate, f denotes forecast)

³¹ (MDB, 2018).

³² (Oudtshoorn Municipality, 2017).

Figure 2.13 depicts the sectoral GDPR and employment contribution in the Oudtshoorn municipal area in 2019.

Figure 2.13
SECTORAL GDPR AND EMPLOYMENT CONTRIBUTION,
Oudtshoorn, 2019 (%)



Source: Quantec Research, 2021

The top three sectors in the Oudtshoorn municipal area, in terms of GDP, were the finance (19.6 per cent), manufacturing (18.7 per cent) and trade (17.3 per cent) sectors. The smallest contributor in the municipal area was mining (0.1 per cent), followed by the construction and agriculture (4.7 per cent each) sectors.

The trade sector made the biggest contribution to employment in the Oudtshoorn municipal area in 2019, with 23.1 per cent of all employment opportunities in the area. This was followed by the community services (15.0 per cent) and agriculture and finance (13.9 per cent each) sectors.

Recent developments in the trade sector include a proposed R550 million mall, the R30 million Queens Mall, extensions to the existing Pick n Pay and a Truck Stop in Dysveldorp. It must, however, be noted that some national retailers (Woolworths, Edgars, Russells) have recently terminated their footprints in the municipal area.³³

The agriculture sector and the community services sector were the largest labour-intensive sectors in the municipal area. The manufacturing, finance and general government sectors were the largest capital-intensive sectors, as they contributed more to GDP than to employment.

³³ (Oudtshoorn Municipality, 2021).

Table 2.4 outlines the performance of GDP and employment per sector in the Oudtshoorn municipal area.

Table 2.4
GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Oudtshoorn

| SECTOR | GDPR | | Employment | |
|---|-------------------|-----------------------|-----------------------------------|------------------|
| | Trend 2015 – 2019 | Real GDP growth 2020e | Average annual change 2015 – 2019 | Net change 2020e |
| PS Primary Sector | -3.3% | 10.8% | 100 | -151 |
| Agriculture, forestry & fishing | -3.3% | 11.1% | 100 | -150 |
| Mining & quarrying | -0.2% | -18.3% | 0 | -1 |
| SS Secondary Sector | 1.3% | -9.9% | 72 | -418 |
| Manufacturing | 1.7% | -8.5% | 65 | -215 |
| Electricity, gas & water | 0.9% | -5.7% | 4 | -4 |
| Construction | -0.2% | -21.0% | 2 | -199 |
| TS Tertiary Sector | 1.3% | -5.6% | 208 | -1 264 |
| Wholesale & retail trade, catering & accommodation | 0.6% | -10.5% | 150 | -522 |
| Transport, storage & communication | 1.1% | -15.0% | 16 | -39 |
| Finance, insurance, real estate & business services | 4.0% | -2.5% | 134 | -187 |
| General government | -1.5% | -1.3% | -89 | -32 |
| Community, social & personal services | 0.1% | -3.4% | -2 | -484 |
| Total Oudtshoorn | 1.0% | -5.7% | 380 | -1 833 |

Source: Quantec Research, 2021 (e denotes estimate)

The Oudtshoorn municipal area GDP grew by an average annual rate of 1.0 per cent between 2015 and 2019, while creating an average of 380 jobs per annum. The tertiary sector experienced an increase of 1.3 per cent between 2015 and 2019. The best growth performance out of all the sectors in the Oudtshoorn municipal area was in the finance sector, which achieved an average annual growth rate of 4.0 per cent per annum. The secondary sector experienced an average growth rate of 1.3 per cent between 2015 and 2019. The manufacturing sector is an important local sector contributing significantly to economic growth. This sector grew at an average annual rate of 1.7 per cent. Manufacturing activities are mainly agro-processing-related, which makes the sector dependent on the output of the agriculture sector. Owing to the drought, as well as the outbreak of avian influenza, the agriculture sector has become severely constrained, contracting by 3.3 per cent per annum between 2015 and 2019.

Between 2015 and 2019, the sector that experienced the largest employment growth in the municipal area was the trade sector, which experienced an average annual increase of 150 jobs during this period. This was followed by the finance sector (134 jobs) and the agriculture sector (100 jobs). The general government and community services sectors shed jobs on an annual basis for the period under review.

The Oudtshoorn municipal area's GDP is estimated to have contracted by 5.7 per cent in 2020. It is estimated that the trade sector also contracted by 10.5 per cent. The restrictions on travel and the subsequent closure of tourist attractions contributed to the contraction of the trade sector. The ostrich industry in Oudtshoorn plays an important role in the economy of the municipal area, as well as that of the GRD, as exports from this industry contribute significantly to the District's exports. The industry is also a major tourist attraction in the region. However, the agriculture sector is estimated to have realised growth of 11.1 per cent in 2020, indicating that the weather conditions improved and that the ostrich market is busy recovering. The sector was also able to operate under lockdown level five, as it was exempted.

As a result of the economic pressure of COVID-19 and its related impacts, employment in the municipal area is estimated to have contracted by 1 833 jobs in 2020. The tertiary sector was impacted the hardest, as an estimated 1 264 jobs were lost, mostly owing to the 522 jobs lost in the trade sector, as tourism-related business was significantly impacted. The community services sector is estimated to have shed 484 jobs, which could be related to a decreased demand for personal services as household income decreased as a result of economic pressure. It is estimated that the secondary sector shed 418 jobs, with the manufacturing sector contracting by 215 jobs in 2020. The agriculture sector is estimated to have shed 150 jobs in the same year.

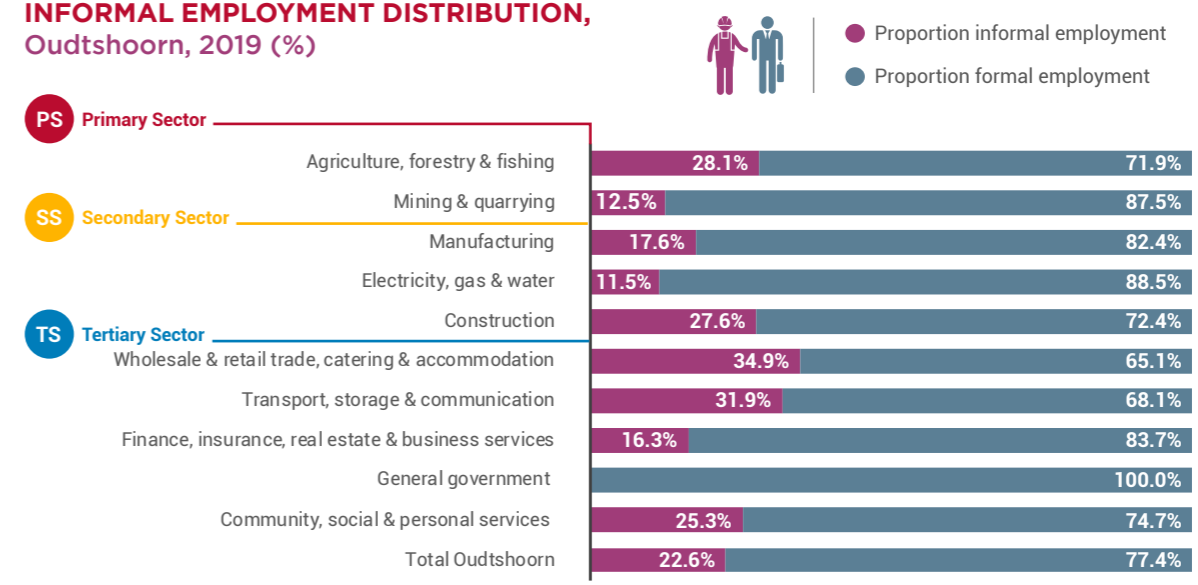
It is anticipated that employment in the construction sector will be boosted by proposed residential developments such as the Toekomsrus apartment development and the planned Pepperwood Estate.³⁴



³⁴ (Oudtshoorn Municipality, 2021).

Figure 2.14 illustrates the proportion of informal and formal employment per sector in the Oudtshoorn municipal area in 2019.

Figure 2.14
INFORMAL EMPLOYMENT DISTRIBUTION,
Oudtshoorn, 2019 (%)



Source: Quantec Research, 2021

The municipal area mainly comprised formal employment (77.4 per cent), but also provided informal employment opportunities for 22.6 per cent of people employed in the municipal area in 2019. The sector with the largest proportion of informal employment was the trade sector, with informal employment accounting for 34.9 per cent of the sector's employment opportunities. This was followed by the transport sector (31.9 per cent), the agriculture sector (28.1 per cent) and the construction sector (27.6 per cent).

Job losses in the past year led to some individuals establishing formal and informal businesses as a means of supplementing or replacing lost income. In this regard, the number of SMMEs registered on the municipal database increased by 12.5 in 2020. Investments into the local fibre network by Herotel and Frogfoot in 2020 are anticipated to allow the establishment of more "footloose" businesses in the near future.³⁵

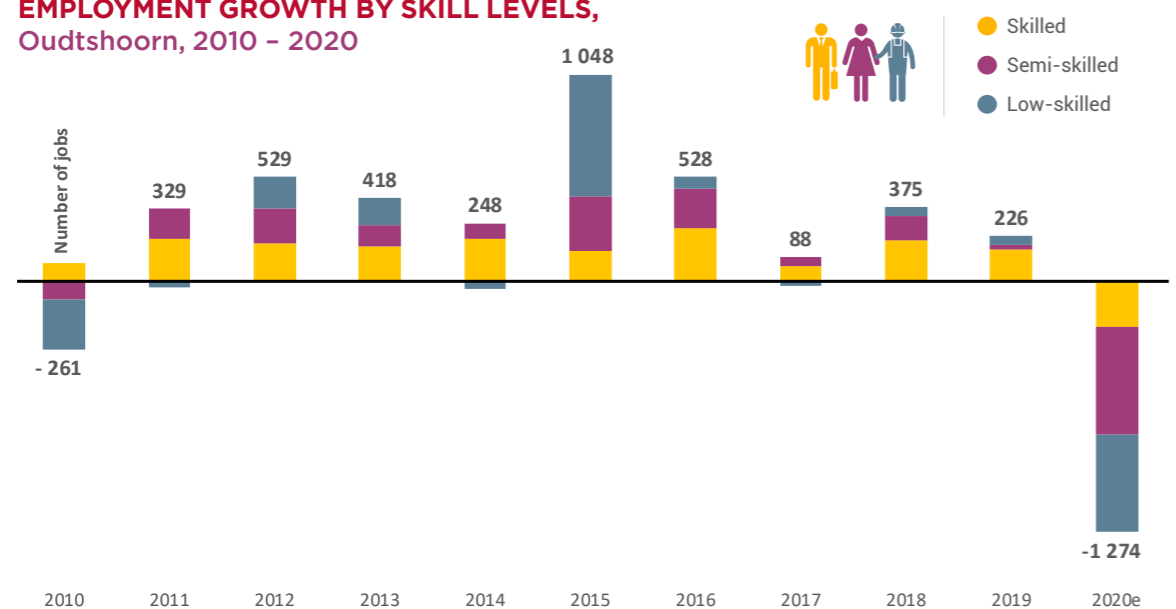


³⁵ (Oudtshoorn Municipality, 2021).

2.5.2 Skills analysis

Figure 2.15 illustrates the changes in formal employment by skill levels in the Oudtshoorn municipal area between 2010 and 2020.

Figure 2.15
EMPLOYMENT GROWTH BY SKILL LEVELS,
Oudtshoorn, 2010 - 2020



| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e |
|--------------|------|------|------|------|------|------|------|------|------|------|-------|
| Skilled | 91 | 214 | 191 | 172 | 212 | 153 | 264 | 73 | 207 | 159 | -238 |
| Semi-skilled | -94 | 151 | 176 | 109 | 80 | 277 | 200 | 45 | 124 | 21 | -542 |
| Low-skilled | -258 | -36 | 162 | 137 | -44 | 618 | 64 | -30 | 44 | 46 | -494 |

Source: Quantec Research, 2021 (e denotes estimate)

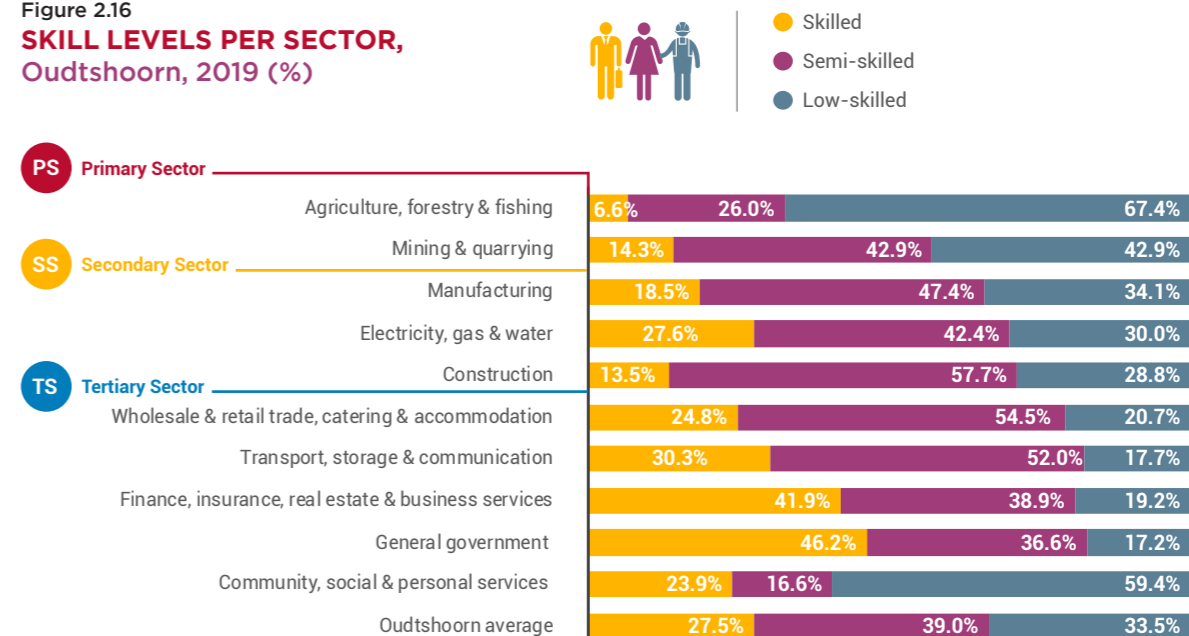
Low- and semi-skilled employees in the Oudtshoorn municipal area experienced the job-shedding impact during the aftermath of the 2008 global financial crisis. Low-skilled employment shed jobs in 2010 and 2011, and has only experienced moderate growth in employment since 2012, with further job-shedding occurring in 2014 and 2017. Apart from in 2015,³⁶ few low-skilled employment opportunities were created. Between 2011 and 2019, a net total of 961 jobs were created in the municipal area for low-skilled workers. Semi-skilled employment recovered better than low-skilled employment between 2011 and 2019, with a net total of 1 183 jobs created. Skilled employment showed remarkable resilience during the aftermath of the 2008 global financial crisis. Skilled employment recovered faster than low- and semi-skilled employment, and showed good growth from 2010. A net total of 1 645 jobs were created between 2011 and 2019 in the municipal area for skilled workers.

The estimated total number of formal jobs lost in 2020 as a result of COVID-19 in the municipal area was 1 274. The majority of jobs lost were in the semi-skilled workforce (542 jobs), followed by low-skilled workers (494 jobs), while the skilled workforce lost 238 jobs in 2020.

³⁶ In 2015 a new master sample was implemented in the Quarterly Labour Force Survey (QLFS), which may have impacted the data owing to variations in its design (Stats SA, 2015).

Figure 2.16 provides a sectoral overview of the skill levels for formal employment in the Oudtshoorn municipal area.

Figure 2.16
SKILL LEVELS PER SECTOR,
Oudtshoorn, 2019 (%)



Source: Quantec Research, 2021

A total of 27.5 per cent of those employed in the Oudtshoorn municipal area in 2019 were skilled employees, while the area had 39.0 per cent semi-skilled employees and 33.5 per cent low-skilled employees. Low-skilled employment was best absorbed in the agriculture (67.4 per cent) and the community services (59.4 per cent) sectors. The construction sector had the highest portion of semi-skilled workers (57.7 per cent) of all the economic sectors in the municipal area, followed by the trade sector (54.5 per cent). The general government sector comprised 46.2 per cent of skilled workers in the Oudtshoorn municipal area in 2019. Other sectors that absorbed a large share of skilled employees in the Oudtshoorn municipal area were the finance (41.9 per cent), transport (30.3 per cent) and electricity, gas and water (27.6 per cent) sectors. The proposed R75.0 million Dysselsdorp solar plant will add to the sector's contribution of skilled and semi-skilled employees.³⁷

The municipal area has high volumes of low-skilled workers, and the impact of COVID-19 on the economy and employment will put the municipality under pressure, as revenue will decrease and the need for basic service delivery will increase. Skills development programmes should be a priority in the municipal area so that employees can gain skills to work in various sectors as the economy fluctuates.

³⁷ (Oudtshoorn Municipality, 2021).

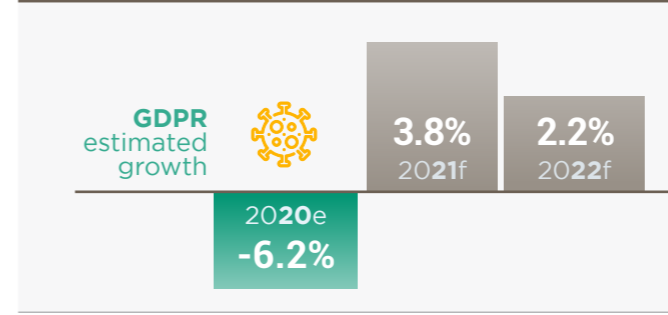


2.6 GARDEN ROUTE DISTRICT

BITOU



GDPR



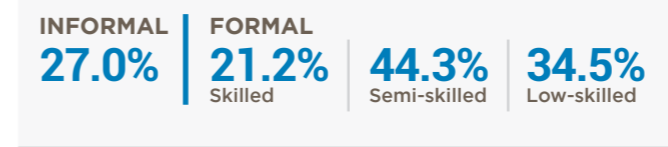
The Bitou Municipality is the gateway to the Western Cape from the Eastern Cape. It is the smallest municipal area in the GRD in terms of geographical spread, covering 992km²,³⁸ and is mostly rural, with the majority of the population scattered along the coast. Plettenberg Bay is the main service node in the Bitou municipal area and is a popular tourist destination. Other settlements include Keurboomstrand, Krantshoek, Kurland, Kwanokuthula, Nature's Valley and Wittedrift. The N2 is a valuable transport route traversing the municipal area.³⁹

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

JOBS



2019 EMPLOYMENT BREAKDOWN



2.6.1 GDPR and employment performance

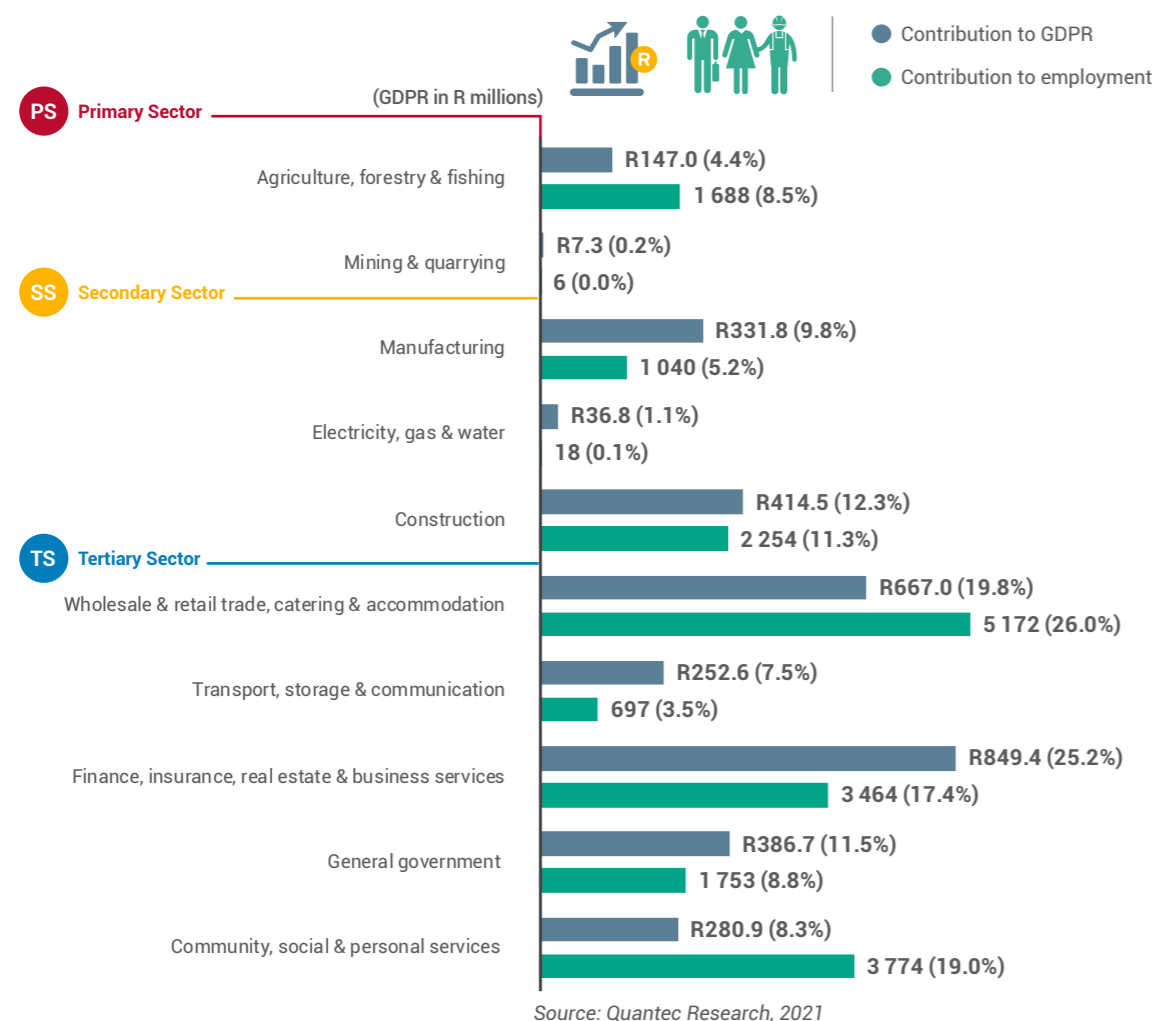
The Bitou municipal area's GDPR was valued at R3.4 billion (current prices) in 2019 and is estimated to have contracted by 6.2 per cent to R3.3 billion (current prices) in 2020. It is estimated that 1 495 jobs were shed in the municipal area in 2020, bringing the total number of employed people in the region to 18 371 in 2020. It is forecast that the municipal area will partially recover in 2021, with a GDPR growth of 3.8 per cent, and will grow by a further 2.2 per cent in 2022.

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

³⁸ (MDB, 2018).
³⁹ (Bitou Municipality, 2013).

Figure 2.17 illustrates the sectoral GDP and employment contribution in the Bitou municipal area in 2019.

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



The largest contributors to GDP in the Bitou municipal area were the finance (25.2 per cent), trade (19.8 per cent) and construction (12.3 per cent) sectors. The smallest sectors in the municipal area were mining (0.2 per cent) and electricity, gas and water, with a contribution of only 1.1 per cent.

The biggest contributor to employment in the Bitou municipal area in 2019 was the trade sector, which contributed 26.0 per cent to employment in the area. This was followed by the community services sector (19.0 per cent) and the finance sector (17.4 per cent). The largest labour-intensive sector in the municipal area was the community services sector, and the finance sector was the largest capital-intensive sector in 2019.

Table 2.5 provides a more detailed overview of sectoral contributions to GDP and employment in the Bitou municipal area

Table 2.5
GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Bitou

| SECTOR | GDPR | | Employment | |
|---|-------------------|-----------------------|-----------------------------------|------------------|
| | Trend 2015 – 2019 | Real GDP growth 2020e | Average annual change 2015 – 2019 | Net change 2020e |
| PS Primary Sector | -3.5% | 13.0% | 24 | -120 |
| Agriculture, forestry & fishing | -3.6% | 14.3% | 25 | -119 |
| Mining & quarrying | -1.6% | -19.7% | -1 | -1 |
| SS Secondary Sector | 0.4% | -14.5% | -6 | -387 |
| Manufacturing | 1.1% | -7.9% | -1 | -77 |
| Electricity, gas & water | 0.0% | -6.5% | 0 | 0 |
| Construction | -0.3% | -21.4% | -6 | -310 |
| TS Tertiary Sector | 1.2% | -5.4% | 339 | -988 |
| Wholesale & retail trade, catering & accommodation | 0.9% | -10.2% | 168 | -448 |
| Transport, storage & communication | -0.4% | -15.8% | -5 | -39 |
| Finance, insurance, real estate & business services | 1.1% | -4.0% | 79 | -186 |
| General government | 2.5% | 2.7% | 29 | 35 |
| Community, social & personal services | 2.1% | -1.7% | 68 | -350 |
| Total Bitou | 0.7% | -6.2% | 356 | -1 495 |

Source: Quantec Research, 2021 (e denotes estimate)

The Bitou municipal area achieved marginal economic growth of 0.7 per cent between 2015 and 2019, and created 356 jobs on average per annum. The tertiary sector had the largest growth in the municipal area and experienced an increase of 1.2 per cent. Growth drivers between 2015 and 2019 included the finance sector (1.1 per cent), the general government sector (2.5 per cent), the community services sector (2.1 per cent) and the trade sector (0.9 per cent).

The secondary sector realised marginal growth of 0.4 per cent in the period under review. The manufacturing sector experienced growth of 1.1 per cent, as this sector was boosted by increased output from the manufacturing of wood and wood products. The construction sector contracted by 0.3 per cent per annum, which is a concern, as this sector contributes significantly to the municipal area's economy. The contraction could be related to a decrease in demand for projects, and the fact that new developments get outsourced to outside contractors. The primary sector's contraction was due to the poor performance of the agriculture sector, as the sector contracted by 3.6 per cent annually between 2015 and 2019. The contraction could be related to poor commodity prices and the drought experienced over the reference period.

The tertiary sector realised the largest growth of employment on an average annual basis, with 339 jobs created. The sector that experienced the largest employment growth in the Bitou municipal area between 2015 and 2019 was the trade sector, which employed an additional 168 people per annum for this period. This was followed by the finance sector (an additional 79 jobs per annum) and the community services sector (an additional 68 jobs per annum). The sector that shed the most jobs annually was the construction sector (six jobs), which is in line with the poor GDP performance of this sector.

It is estimated that the municipal area's economy declined by 6.2 per cent in 2020 owing to the COVID-19 pandemic and associated impacts. Sectors that make significant contributions to the Bitou economy will be at the forefront of this decline, with finance estimated to have contracted by 4.0 per cent, trade by 10.2 per cent and construction by 21.4 per cent. The large decline in the trade sector will probably be as a result of lower tourist visitor numbers in coastal settlements such as Plettenberg Bay. The only two sectors that achieved positive growth in 2020 were the general government sector (an estimated 2.7 per cent) and the agriculture sector (14.3 per cent). The municipal area has a high number of cattle, and the improved weather conditions and dairy prices contributed to the positive growth in this sector.⁴⁰

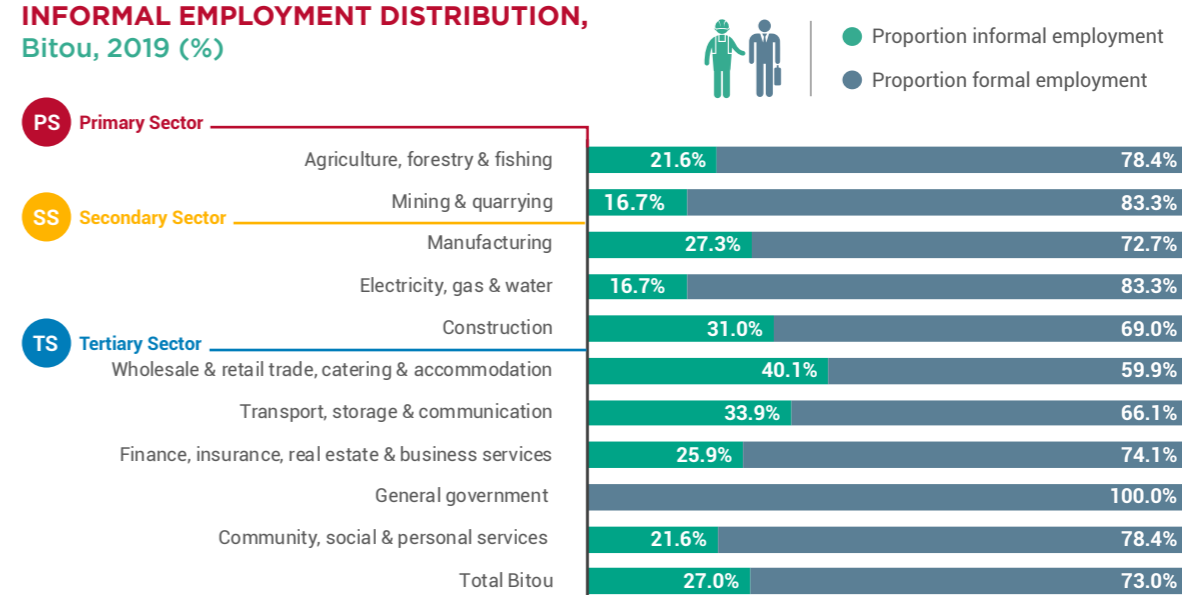
The economic impact of COVID-19 directly affected employment in the municipal area. It is estimated that a total of 1 495 jobs were lost, 988 of which were in the tertiary sector, and 448 of these jobs were lost in the trade sector. The decline in tourism impacted local restaurants and accommodation facilities, as retrenchment was enforced so that businesses could remain open during this challenging economic period. The only sector that created additional jobs was the general government sector (an estimated 35 jobs).



⁴⁰ (BFAP, 2020).

As illustrated in Figure 2.18, informal employment accounted for 27.0 per cent of the Bitou municipal area's total employment in 2019.

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



Source: Quantec Research, 2021

The sector that provided the biggest share of informal employment opportunities was the trade sector, with informal employment accounting for 40.1 per cent of the sector's employment opportunities.

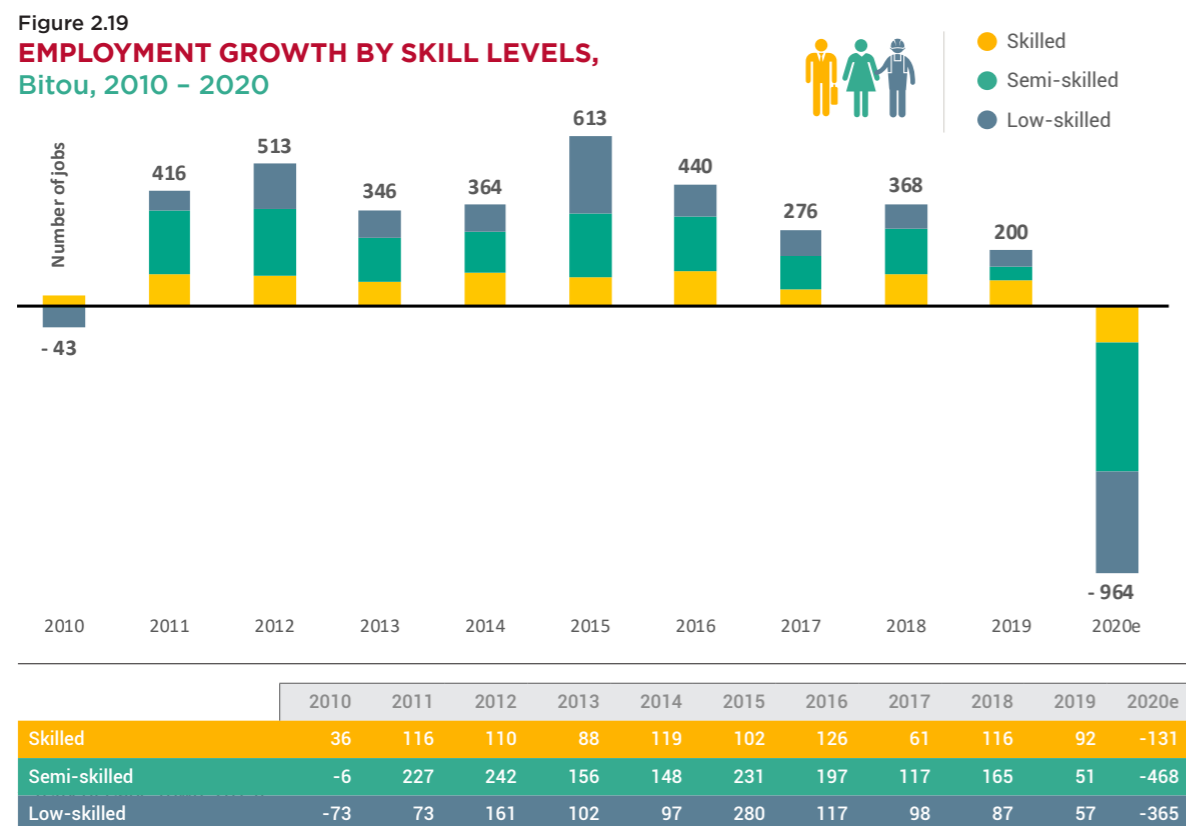
Other significant sources of informal employment were the transport (33.9 per cent), construction (31.0 per cent) and manufacturing (27.3 per cent) sectors.

The informal economy provides low-cost labour, inputs, goods and services to both formal and informal businesses, as well as low-cost goods and services to the municipal area, especially the poorer areas. This shows the importance of informal employment in the municipal area.



2.6.2 Skills analysis

Figure 2.19 illustrates the changes in formal employment by skill levels in the Bitou municipal area between 2010 and 2020.

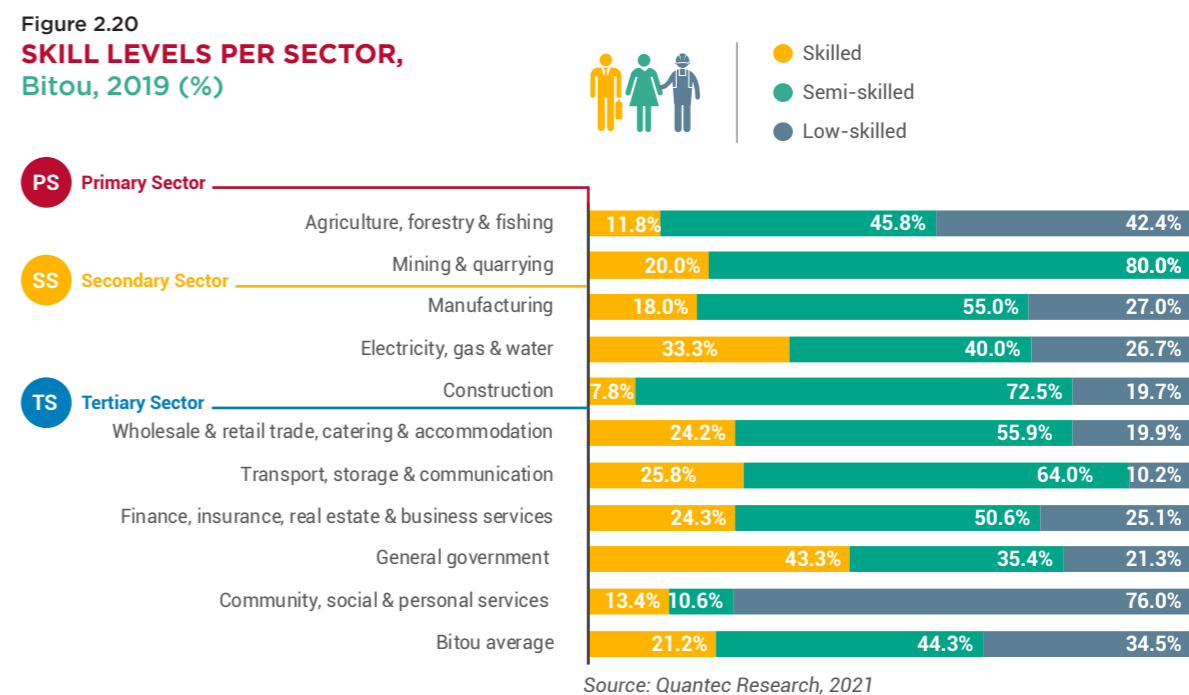


Source: Quantec Research, 2021 (e denotes estimate)

In the aftermath of the global financial crises, low-skilled and semi-skilled employees shed jobs in 2010, while skilled employment recovered. Since then, most jobs that were created in the municipal area were for semi-skilled employees, followed by low-skilled employees. Between 2011 and 2019, a net total of 1 534 jobs were created for semi-skilled workers, followed by 1 072 jobs for low-skilled workers. Over this period, 930 jobs were created for skilled employees.

The impact of COVID-19 on formal employment was significant, with an estimated 964 jobs lost in the municipal area in 2020. The semi-skilled workforce was affected the most, with 468 jobs lost, followed by low-skilled employees (365 jobs), and the skilled workforce lost 131 jobs in the same year.

Figure 2.20 provides a sectoral overview of the skill levels for formal employment in the Bitou municipal area.



Employees in the municipal area were 21.2 per cent skilled, 44.3 per cent semi-skilled and 34.5 per cent low-skilled employees in 2019. The community services (76.0 per cent) and agriculture (42.4 per cent) sectors had the largest portion of low-skilled employees in their respective workforces in 2019. The construction sector consisted of 72.5 per cent semi-skilled workers, followed by the transport sector, with 64.0 per cent semi-skilled workers.

The general government sector employed the largest portion of skilled employees in 2019, with 43.3 per cent. Other sectors with a large share of skilled employees were the electricity, gas and water (33.3 per cent) and transport (25.8 per cent) sectors.

The impact of COVID-19 on the municipality means that revenue will decrease and the need for basic services will increase. The municipality should initiate skills development training for employees, especially for low-skilled workers, to reduce the pressure of the economic downturn in 2020 and enhance recovery for the years to come.

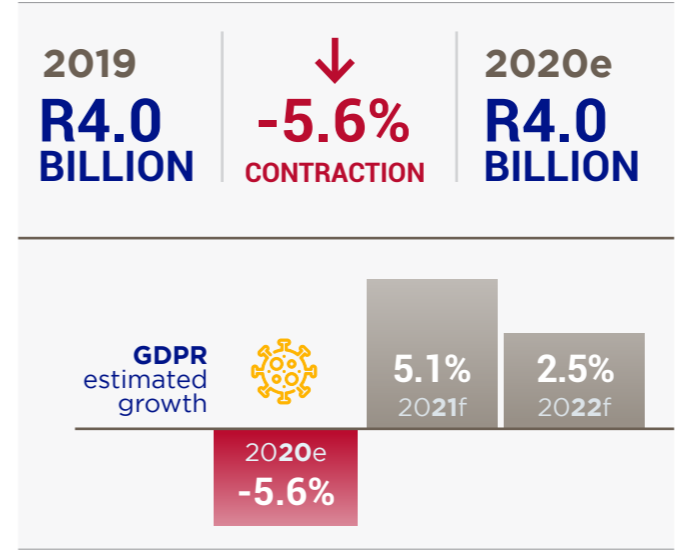


2.7 GARDEN ROUTE DISTRICT

HESSEQUA



GDPR

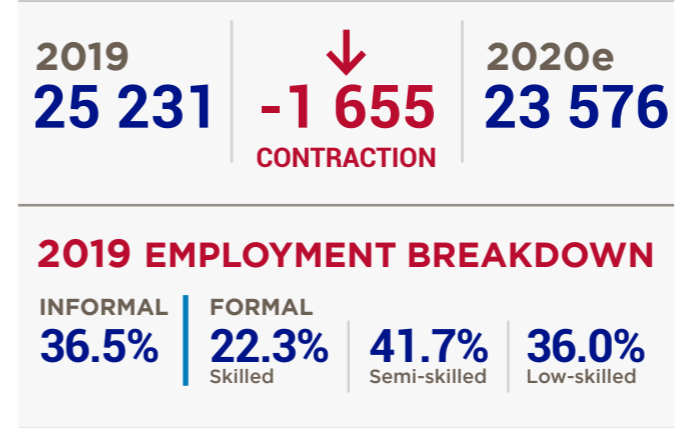


The Hessequa municipal area is bordered by the Indian Ocean and traversed by the N2. It is the largest municipal area in the GRD in terms of geographical spread, covering 5 733km².⁴¹ The Hessequa municipal area has several scattered settlements, the largest of which include Riversdale, Albertinia and Heidelberg. Coastal towns in the municipal area include Witsand, Jongensfontein, Still Bay and Gouritsmond.⁴² These are also popular tourist areas.

Diagram 2.6
GDPR (CURRENT PRICES) AND EMPLOYMENT, Hessequa, 2019 and 2020e

2.7.1 GDPR and employment performance

JOBS



The Hessequa municipal area's GDPR was valued at R4.0 billion in 2019 and 2020 in current prices. However, in real terms it is estimated to have contracted by 5.6 per cent in 2020. It is estimated that 1 655 jobs were also shed in the municipal area in 2020, bringing the total number of employed people in the region to 23 576 in 2020. It is forecast that the local municipality will realise a 5.1 per cent growth in GDPR in 2021, and 2.5 per cent in 2022.

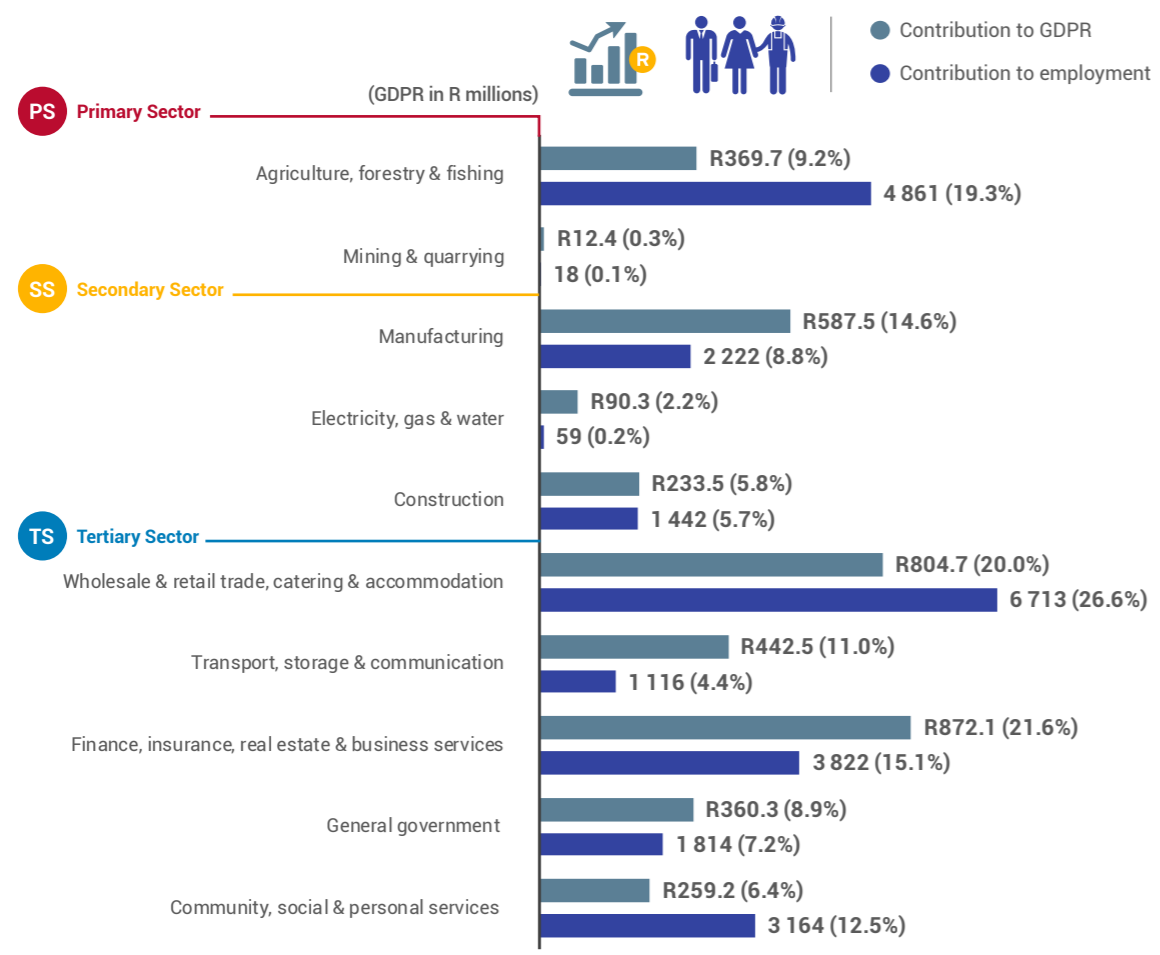
Source: Quantec Research, 2021; Urban-Econ based on Quantec, SARB, Stats SA and BFAP, 2021 (e denotes estimate, f denotes forecast)

⁴¹ (MDB, 2018).

⁴² (Hessequa Municipality, 2017).

Figure 2.21 provides a breakdown of the sectoral contribution to employment and GDP in the Hessequa municipal area in 2019.

Figure 2.21
SECTORAL GDP AND EMPLOYMENT CONTRIBUTION, Hessequa, 2019 (%)



Source: Quantec Research, 2021

In the Hessequa municipal area, the finance sector (21.6 per cent), the trade sector (20.0 per cent) and the manufacturing sector (14.6 per cent) were the largest contributors to GDP in 2019.

In terms of employment contribution, the trade sector, with 26.6 per cent, was the largest contributor in the municipal area in 2019. This was followed by the agriculture sector (19.3 per cent) and the finance sector (15.1 per cent).

Table 2.6 provides a more detailed overview of sectoral contributions to GDP and employment in the Hessequa municipal area.

Table 2.6
GDP AND EMPLOYMENT PERFORMANCE PER SECTOR, Hessequa

| SECTOR | GDP | | Employment | |
|---|-------------------|-----------------------|-----------------------------------|------------------|
| | Trend 2015 – 2019 | Real GDP growth 2020e | Average annual change 2015 – 2019 | Net change 2020e |
| PS Primary Sector | -4.6% | 10.6% | 65 | -279 |
| Agriculture, forestry & fishing | -4.7% | 11.4% | 65 | -277 |
| Mining & quarrying | -2.0% | -19.9% | -1 | -2 |
| SS Secondary Sector | 0.3% | -11.7% | -45 | -382 |
| Manufacturing | 2.2% | -8.2% | 28 | -138 |
| Electricity, gas & water | -4.3% | -9.6% | -1 | -5 |
| Construction | -3.4% | -23.5% | -71 | -239 |
| TS Tertiary Sector | 1.8% | -6.3% | 282 | -994 |
| Wholesale & retail trade, catering & accommodation | 1.2% | -10.3% | 135 | -471 |
| Transport, storage & communication | 1.9% | -14.4% | 25 | -30 |
| Finance, insurance, real estate & business services | 3.0% | -3.2% | 143 | -149 |
| General government | -0.1% | -0.1% | -15 | 4 |
| Community, social & personal services | 1.3% | -2.4% | -6 | -348 |
| Total Hessequa | 0.7% | -5.6% | 302 | -1 655 |

Source: Quantec Research, 2021

The Hessequa municipal area had a marginal 0.7 per cent average annual GDP growth rate between 2015 and 2019. The tertiary sector had the best economic growth in the municipal area (1.8 per cent per annum). The main individual sector contributors to growth were the finance sector (3.0 per cent), the manufacturing sector (2.2 per cent) and the transport sector (1.9 per cent per annum). The secondary sector experienced near stagnant growth of 0.3 per cent between 2015 and 2019. This poor performance is a result of the contracting construction (3.4 per cent) and electricity, gas and water (4.3 per cent) sectors. Despite its small size in GDP, the agriculture sector is critical to the region's economy, especially in terms of local manufacturing and job creation. This sector has been underperforming in recent years, contracting by an average annual rate of 4.7 per cent between 2015 and 2019. The negative performance of this sector could be related to the extreme drought experienced in the region.

The municipal area achieved an average growth of 302 additional jobs per annum between 2015 and 2019. The finance sector experienced the largest employment growth in the Hessequa municipal area between 2015 and 2019, with an additional 143 jobs per annum.

This was followed by the trade sector (135 jobs) and the agriculture sector (65 jobs per annum). The secondary sector contracted by an average of 45 jobs per annum, mostly as a result of the large number of jobs shed in the construction sector (71 jobs). New infrastructure development projects are often sourced to outside contractors; as local construction businesses struggle to gain additional contracts they therefore need to reduce their number of employees.

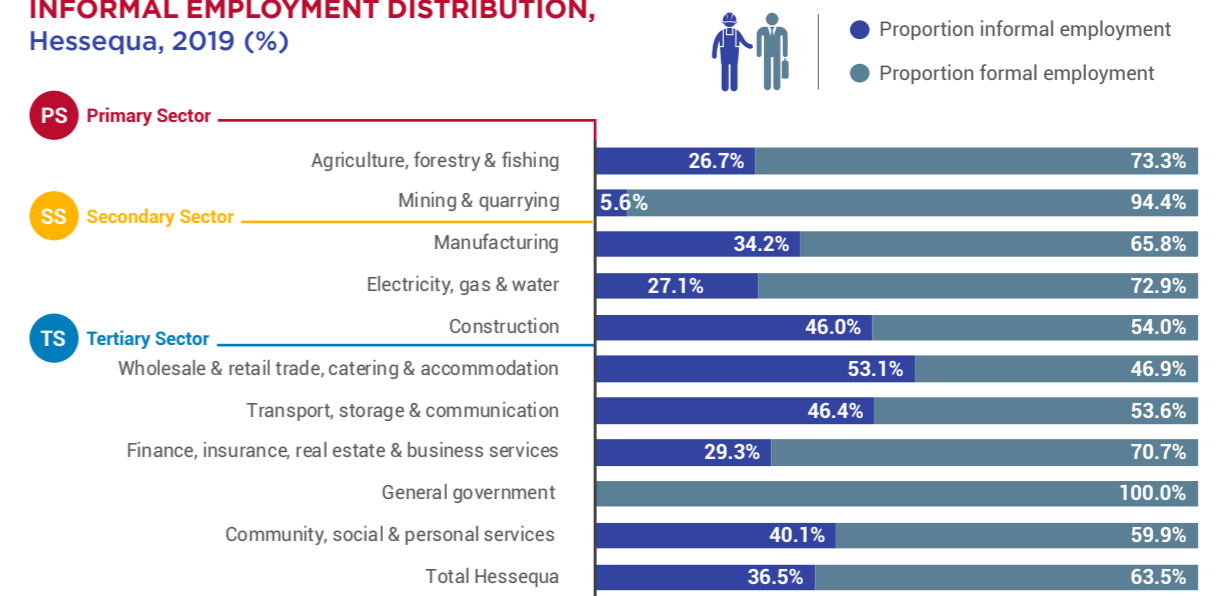
The Hessequa municipal area's economy is estimated to have contracted by 5.6 per cent in 2020 owing to the local impact of COVID-19. The municipal area's strong tertiary sector is estimated to have contracted by 6.3 per cent, while the finance sector contracted by 3.2 per cent. The gin production near Still Bay and heritage attractions in the region such as the Blombos Cave attract tourists to the area. The travel and alcohol sale restrictions in 2020 impacted the tourism industry significantly; the trade sector is estimated to have contracted by 10.3 per cent. It is estimated that the construction sector contracted by 23.5 per cent in 2020, owing to COVID-19 and related impacts. The only sector that had positive growth in 2020 was the agriculture sector, with an estimated 11.4 per cent increase. The municipal area is mainly comprised of livestock and wheat, and the improved weather conditions and commodity prices added to the positive growth in this sector. It is worth noting that this sector was able to operate under lockdown level five regulations in 2020.

In line with the contraction in the economic conditions of the municipal area, employment was impacted significantly, with an estimated loss of 1 655 jobs in 2020. The tertiary sector shed an estimated 994 jobs, mostly owing to the high number of job losses in the trade sector (471 jobs) and the community services sector (348 jobs). The secondary sector shed an estimated 382 jobs, with the construction sector shedding 239 jobs. Despite the positive economic growth in the agriculture sector, an estimated 277 jobs were lost in this sector in 2020.



Figure 2.22 illustrates the sectoral distribution of informal employment in the Hessequa municipal area in 2019.

Figure 2.22
INFORMAL EMPLOYMENT DISTRIBUTION, Hessequa, 2019 (%)



Source: Quantec Research, 2021

The Hessequa municipal area's informal employment accounted for 36.5 per cent of the area's total employment in 2019, while formal employment accounted for 63.5 per cent. The trade sector had the largest share of informal employment opportunities in 2019, with 53.1 per cent. This was followed by the transport sector (46.4 per cent), the construction sector (46.0 per cent) and the community services sector (40.1 per cent).

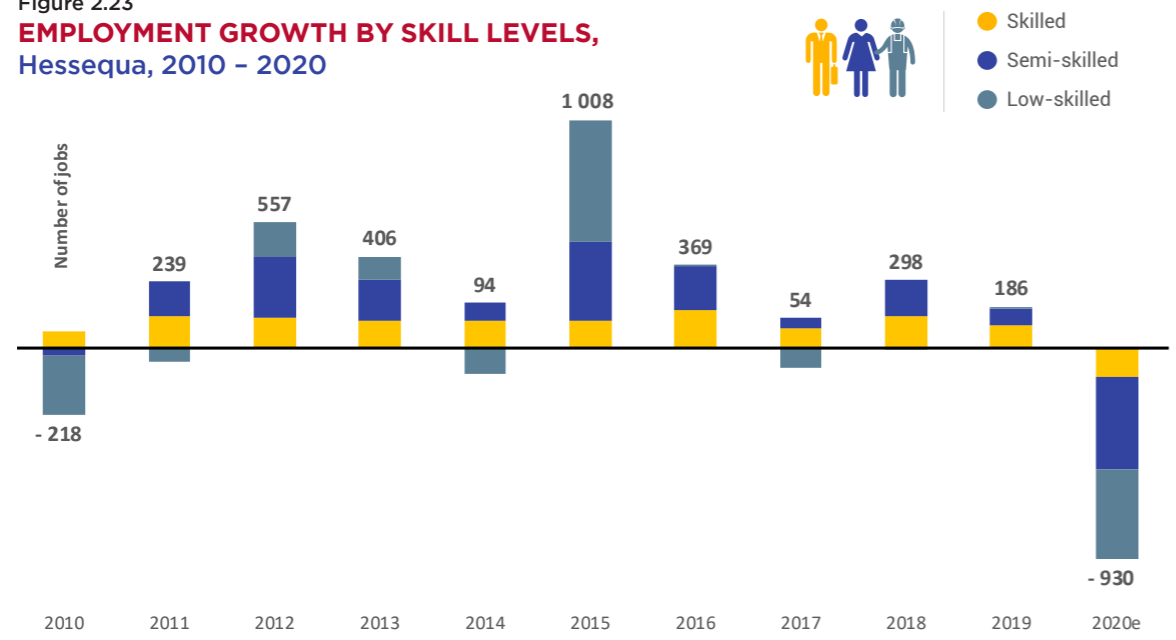
Owing to a lack of adequate skills and funding, as well as a shortage of available land, informal businesses in the Hessequa municipal area are unable to expand and create jobs. As a result of the economic pressure, the purchasing power of clients in informal businesses is also decreasing.



2.7.2 Skills analysis

Figure 2.23 illustrates the changes in formal employment by skill levels in the Hessequa municipal area between 2010 and 2020.

Figure 2.23
EMPLOYMENT GROWTH BY SKILL LEVELS,
Hessequa, 2010 – 2020



| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e |
|--------------|------|------|------|------|------|------|------|------|------|------|-------|
| Skilled | 73 | 144 | 139 | 121 | 126 | 126 | 170 | 87 | 142 | 101 | -122 |
| Semi-skilled | -31 | 153 | 267 | 185 | 77 | 343 | 196 | 50 | 161 | 76 | -413 |
| Low-skilled | -260 | -58 | 151 | 100 | -109 | 539 | 3 | -83 | -5 | 9 | -395 |

Source: Quantec Research, 2021 (e denotes estimate)

Low- and semi-skilled employees in the Hessequa municipal area were impacted the most during the aftermath of the 2008 global financial crisis. Low-skilled employees experienced job losses in 2010 and 2011, and job creation has fluctuated since 2012, with job losses in 2014, 2017 and 2018, with a sharp increase in jobs in 2015.⁴³ A net total of 287 low-skilled jobs were created between 2010 and 2019. Semi-skilled employment recovered better than low-skilled employment between 2011 and 2019, with a net of 1 477 jobs created between 2010 and 2019.

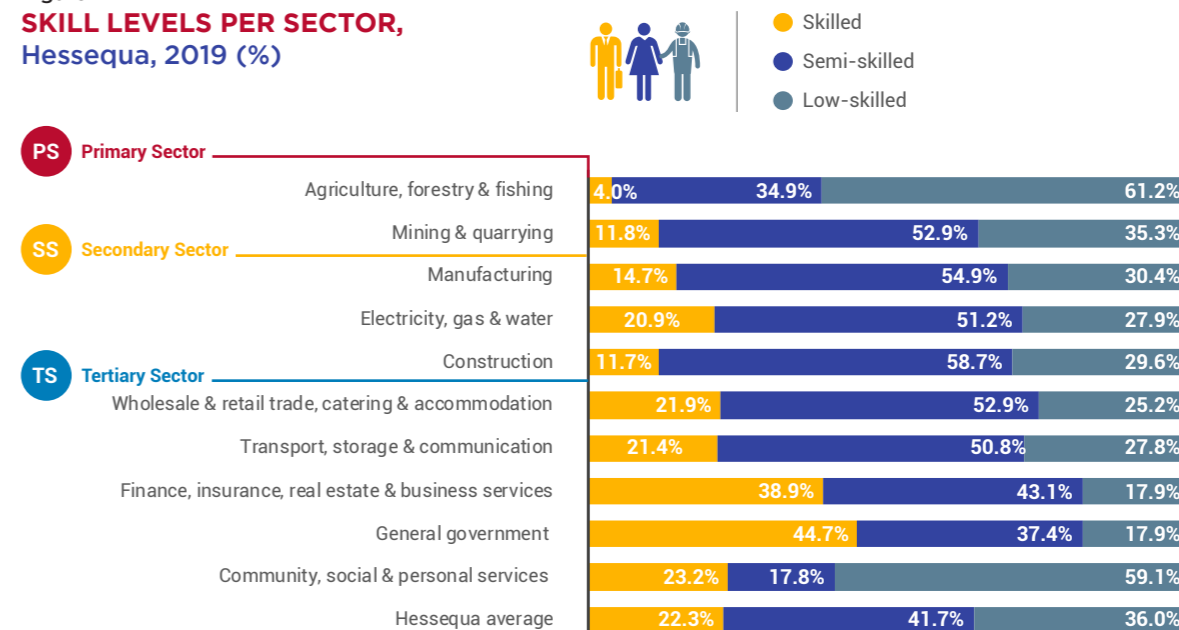
Skilled employment showed resilience during the aftermath of the 2008 global financial crisis, with no jobs lost in the Hessequa municipal area in 2010. Skilled employment recovered faster than low- and semi-skilled employment, and has shown substantial growth since 2010, with 1 229 jobs created between 2010 and 2019.

The COVID-19 pandemic resulted in significant job losses, with 930 formal jobs lost in the Hessequa municipal area. Semi-skilled and low-skilled workers were mostly affected, with 413 jobs and 395 jobs lost respectively.

⁴³ 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 2.24 provides a sectoral overview of the skill levels for formal employment in the Hessequa municipal area.

Figure 2.24
SKILL LEVELS PER SECTOR,
Hessequa, 2019 (%)



Source: Quantec Research, 2021

In the Hessequa municipal area during 2019, 22.3 per cent of employed people were skilled employees, while the area had 41.7 per cent semi-skilled employees and 36.0 per cent low-skilled employees. Low-skilled employment was best absorbed in the agriculture (61.2 per cent) and community services (59.1 per cent) sectors. This could be because the skill levels required for successful operation in both these sectors are low.

The sector with the largest share of semi-skilled workers was the construction sector (58.7 per cent), followed by the manufacturing sector with 54.9 per cent semi-skilled workers. The general government sector had the largest share of skilled workers in 2019, with 44.7 per cent. The other sector with a large share of skilled employees in the Hessequa municipal area in 2019 was the finance sector (38.9 per cent).

The significant job losses in the municipal area, especially in the low-skilled and semi-skilled workforce, will impact the revenue of the municipality, which means that the need for basic services in the municipal area will increase. Skills development programmes will be important to ensure that the skill levels of employees are improved, so that employees can adapt to different economic conditions and fluctuations.

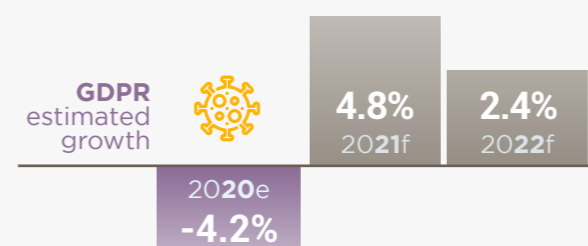
2.8 GARDEN ROUTE DISTRICT

KANNALAND



GDP

| | | |
|---------------------------------|---|----------------------------------|
| 2019 R1.3 BILLION | ↓ -4.2% CONTRACTION | 2020e R1.3 BILLION |
|---------------------------------|---|----------------------------------|



The Kannaland municipal area is also located in the Little Karoo and covers 4 765 km².⁴⁴ The area stretches from the Swartberg Mountains in the north to the Bitou Mountains in the south. It is bordered by the Anysberg and Gamkaberg Mountains in the west and east. The main economic node in the Kannaland municipal area is Ladismith, while smaller towns include Calitzdorp (known as the port wine capital), Zoar, Van Wyksdorp and Hoeko.⁴⁵

2.8.1 GDP and employment performance

The Kannaland municipal area's GDP was valued at R1.3 billion (current prices) in 2019 and is estimated to have contracted by 4.2 per cent in 2020 in real terms. However, it is important to note that the stagnation in current prices is due to inflation. It is estimated that 583 jobs were shed in the municipal area in 2020, bringing the total number of employed people in the region to 9 527. It is forecast that the GDP will increase by 4.8 per cent in 2021 and 2.4 per cent in 2022.

Diagram 2.7
GDP (CURRENT PRICES) AND EMPLOYMENT,
Kannaland, 2019 and 2020e

JOBS

| | | |
|-----------------------|--|-----------------------|
| 2019 10 110 | ↓ -583 CONTRACTION | 2020e 9 527 |
|-----------------------|--|-----------------------|

2019 EMPLOYMENT BREAKDOWN

| | | | |
|--------------------------|-----------------------------------|------------------------------|-----------------------------|
| INFORMAL 37.7% | FORMAL Skilled 17.5% | Semi-skilled 34.9% | Low-skilled 47.6% |
|--------------------------|-----------------------------------|------------------------------|-----------------------------|

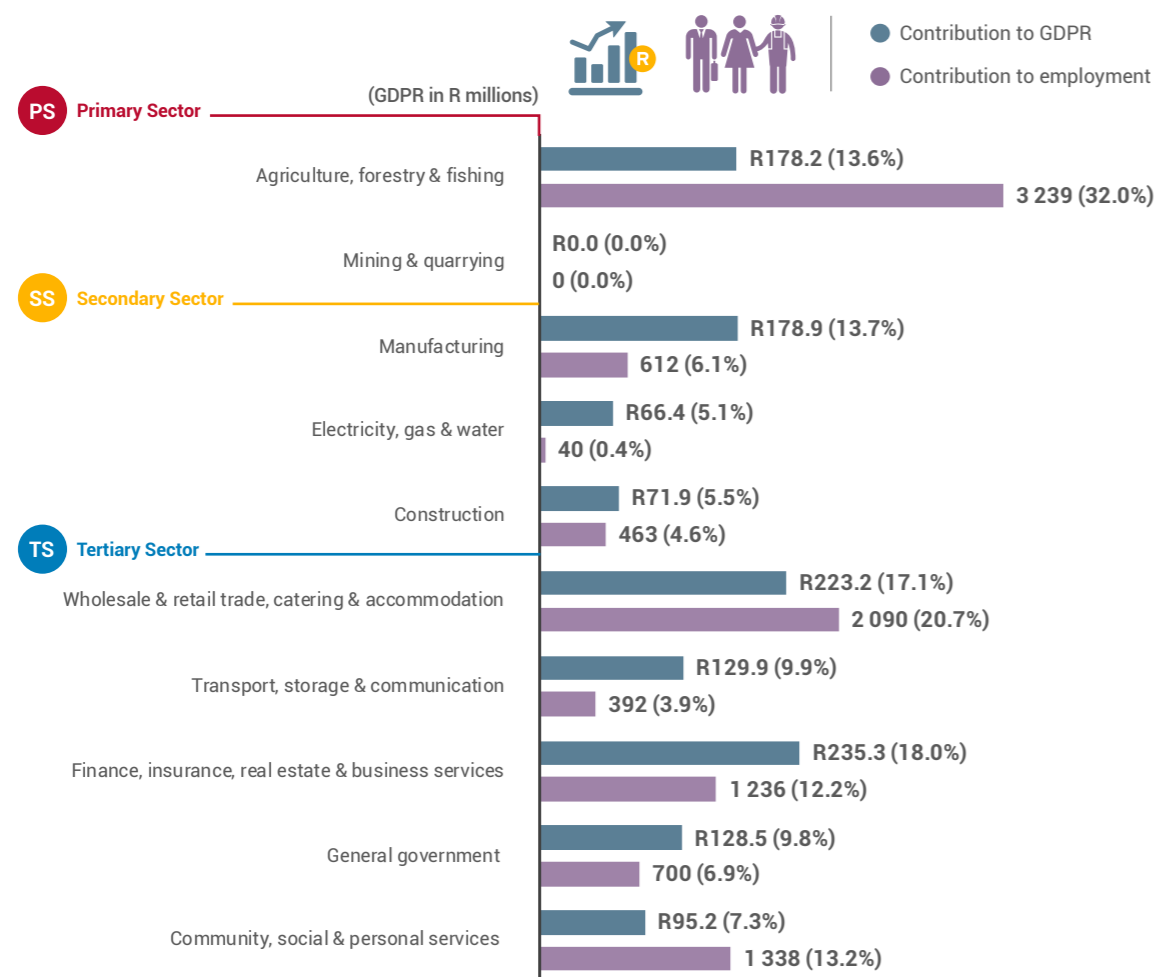
Source: Quantec Research, 2021; Urban-Econ based on Quantec, SARB, Stats SA and BFAP, 2021 (e denotes estimate, f denotes forecast)

⁴⁴ (MDB, 2018).

⁴⁵ (Kannaland Municipality, 2017).

Figure 2.25 illustrates the GDP and employment contribution per sector in the Kannaland municipal area in 2019.

Figure 2.25
SECTORAL GDP AND EMPLOYMENT CONTRIBUTION,
Kannaland, 2019 (%)



Source: Quantec Research, 2021

The finance (18.0 per cent), trade (17.1 per cent) and manufacturing (13.7 per cent) sectors were the largest contributors to the municipal area's economy in 2019. The biggest contribution to employment in the Kannaland municipal area in 2019 was the agriculture sector, which contributed 32.0 per cent of all employment in the area. This was followed by the trade sector (20.7 per cent) and the community services sector (13.2 per cent).

The sector that was the most capital-intensive in the municipal area was the manufacturing sector, and the agriculture sector was the most labour-intensive sector in 2019. These two sectors are linked through agro-processing activities.

Table 2.7 outlines the Kannaland municipal area's GDP and employment performance per sector.

Table 2.7
GDP AND EMPLOYMENT PERFORMANCE PER SECTOR, Kannaland

| SECTOR | GDP | | Employment | |
|---|-------------------|-----------------------|-----------------------------------|------------------|
| | Trend 2015 – 2019 | Real GDP growth 2020e | Average annual change 2015 – 2019 | Net change 2020e |
| PS Primary Sector | -4.1% | 10.6% | 55 | -128 |
| Agriculture, forestry & fishing | -4.1% | 10.6% | 55 | -128 |
| Mining & quarrying | 0.0% | 0.0% | 0 | 0 |
| SS Secondary Sector | -0.2% | -11.6% | -7 | -112 |
| Manufacturing | -0.7% | -10.1% | -12 | -55 |
| Electricity, gas & water | 0.3% | -6.1% | 0 | -1 |
| Construction | 1.2% | -20.2% | 4 | -56 |
| TS Tertiary Sector | 2.9% | -5.6% | 97 | -343 |
| Wholesale & retail trade, catering & accommodation | 1.5% | -10.1% | 49 | -147 |
| Transport, storage & communication | 3.2% | -13.4% | 13 | -6 |
| Finance, insurance, real estate & business services | 6.8% | -1.8% | 47 | -41 |
| General government | -1.7% | -1.7% | -10 | -2 |
| Community, social & personal services | 1.2% | -2.6% | -2 | -147 |
| Total Kannaland | 0.9% | -4.2% | 145 | -583 |

Source: Quantec Research, 2021 (e denotes estimate)

The total Kannaland municipal area had marginal growth of 0.9 per cent between 2015 and 2019. The tertiary sector was the driver in the municipal area in terms of GDP growth between 2015 and 2019, with an increase of 2.9 per cent. The best annual growth out of all the sectors in the municipal area was in the finance sector (6.8 per cent). This was followed by the transport sector (3.2 per cent). Both the primary and secondary sectors contracted on an annual basis for the reviewed period, with contractions of 4.1 per cent and 0.2 per cent respectively. The agriculture sector is critical to the region's economy, especially in terms of local manufacturing and job creation. The lack of water security affected not only the primary production but also agro-processing, particularly in the town of Ladismith. The sector contracted by 4.1 per cent between 2015 and 2019.

It is estimated that the economy of the municipal area contracted by 4.2 per cent in 2020. The construction sector is estimated to have contracted the most (20.2 per cent), followed by the transport sector (13.4 per cent). The municipal area's largest sector, the finance sector, is estimated to have contracted by 1.8 per cent.

The tourism industry in the municipal area was significantly affected by the impact of COVID-19 and the regulations enforced by the Government. The trade sector is estimated to have contracted by 10.1 per cent in 2020. It is believed that several restaurants and small trade shops closed down as a result of the decline in the tourism industry and travel restrictions. The manufacturing sector is estimated to have contracted by 10.1 per cent, as agro-processing was impacted and restricted in 2020 as a result of COVID-19 regulations, and the Ladismith Cheese Company was also affected in the municipal area. The only sector that is estimated to have had positive growth in 2020 was the agriculture sector, with a 10.6 per cent increase. This could be the result of improved weather conditions and higher commodity prices.

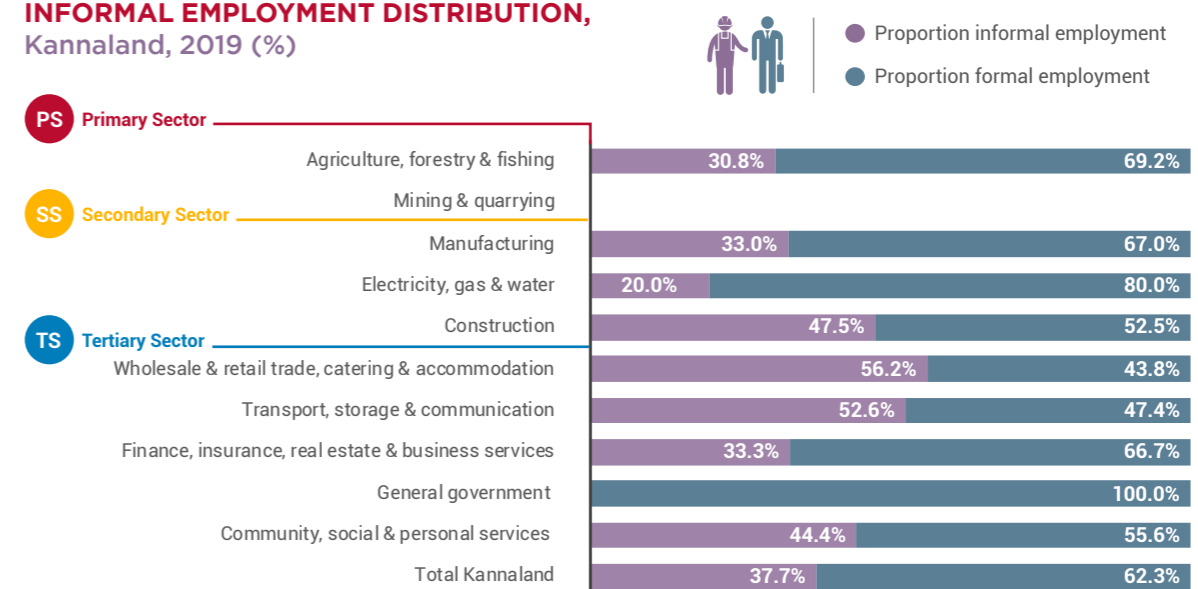
The municipal area created 145 jobs on an annual basis between 2015 and 2019. The sector that experienced the biggest employment growth in the Kannaland municipal area between 2015 and 2019 was the agriculture sector, which created 55 jobs annually. This was followed by the trade sector (49 jobs) and the finance sector (47 jobs). Jobs were shed in the manufacturing sector (12 jobs), general government sector (10 jobs) and community services sector (two jobs).

Owing to the economic downturn, an estimated 583 jobs were lost in the municipal area in 2020. All sectors shed jobs, with the tertiary sector contributing the most to the number of jobs lost (343 jobs). The trade sector and the community services sector are estimated to have lost the largest number of jobs, shedding 147 jobs each. The agriculture sector is estimated to have shed 128 jobs in 2020.



As illustrated in Figure 2.26, informal employment accounted for 37.7 per cent of the Kannaland municipal area's total employment in 2019.

Figure 2.26
INFORMAL EMPLOYMENT DISTRIBUTION,
Kannaland, 2019 (%)



Source: Quantec Research, 2021

The trade sector and the transport sector had a larger proportion of informal employment than formal employment, with informal employment accounting for 56.2 per cent and 52.6 per cent of the sector's total employment respectively. Other prominent sources of informal employment were the construction sector (47.5 per cent) and the community services sector (44.4 per cent).

Land availability and internet access are the two main factors that are considered important in creating future SMME employment in Kannaland. In this regard, the Kannaland Municipality is currently collaborating with the Western Cape Provincial Government to facilitate improved fibre internet access in Ladismith.⁴⁶

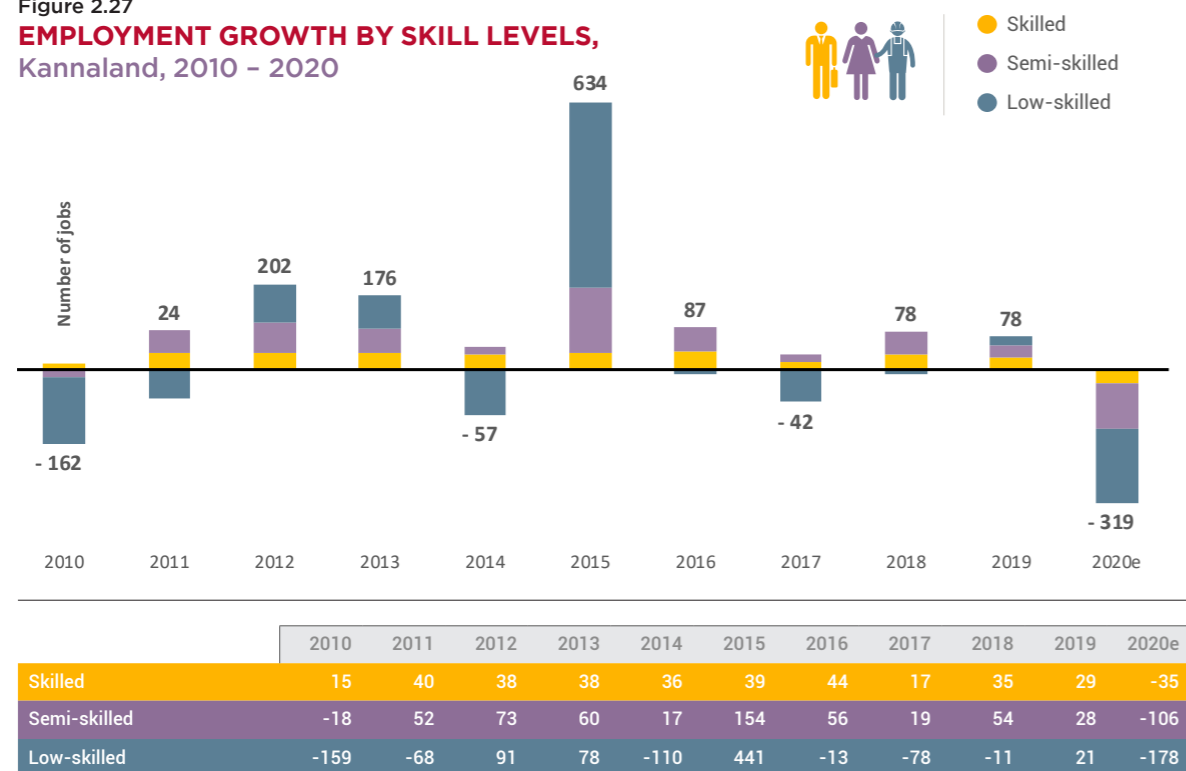
⁴⁶ (Kannaland Municipality, 2021).

2.8.2 Skills analysis

Figure 2.27 illustrates the changes in formal employment by skill levels in the Kannaland municipal area between 2010 and 2020.

Figure 2.27

EMPLOYMENT GROWTH BY SKILL LEVELS, Kannaland, 2010 - 2020



Source: Quantec Research, 2021 (e denotes estimate)

The municipal area experienced formal job losses in 2010 as a result of the aftermath of the 2008 financial crisis. Other years in which the municipal area lost formal jobs were 2014 and 2017. A net total of 1 018 jobs were created in the municipal area between 2010 and 2019.

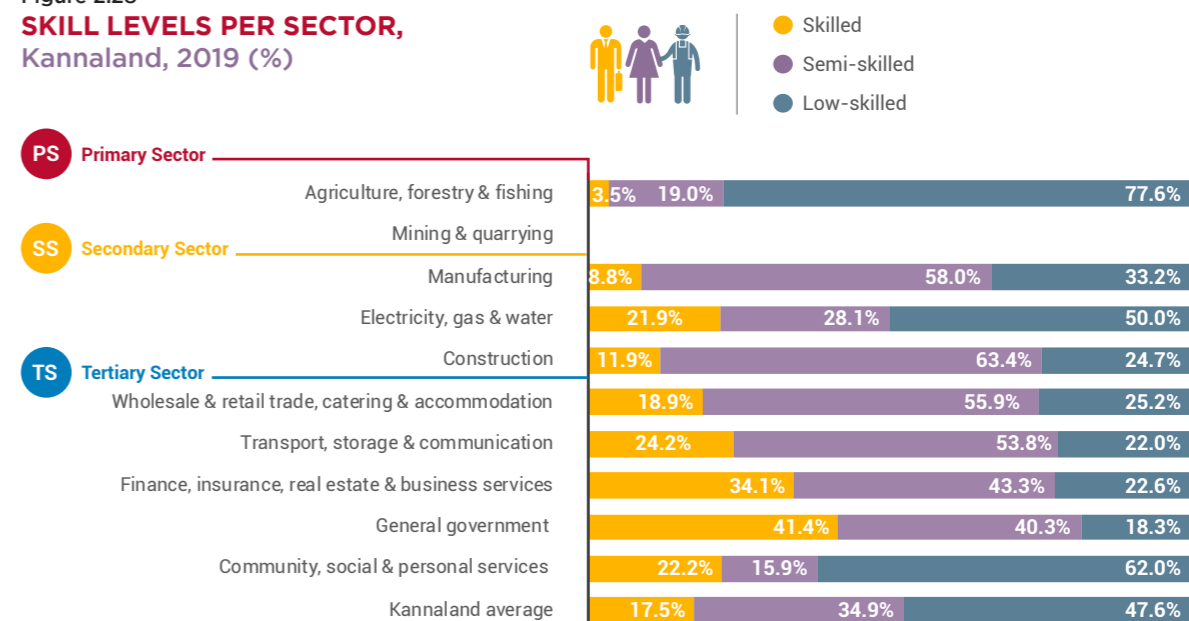
Low- and semi-skilled employees in the Kannaland municipal area were impacted by job-shedding during the aftermath of the 2008 global financial crisis. Low-skilled employees shed jobs in 2010 and 2011, and again in 2014, 2016, 2017 and 2018. In 2015, there was a surge in low-skilled employment in the area. This indicates that low-skilled employment in the municipal area is fragile when there are difficult economic conditions. The total net employment created for the low-skilled workforce in the municipal area between 2010 and 2019 was 192 jobs. Semi-skilled employment recovered better than low-skilled employment between 2011 and 2019. Apart from in 2015, more employment opportunities were created in semi-skilled employment than low-skilled employment. Between 2016 and 2019, more people were in semi-skilled employment than in skilled or low-skilled employment in the Kannaland municipal area. A net total of 495 semi-skilled jobs were created between 2010 and 2019. Skilled employment showed remarkable resilience during the aftermath of the 2008 global financial crisis. Skilled employment recovered faster than low- and semi-skilled employment, and showed growth from 2010, having a net total of 331 jobs created between 2010 and 2019.

It is estimated that a total of 319 formal jobs were lost in 2020 owing to the impact of COVID-19. A total of 178 jobs were lost in the low-skilled workforce, followed by 106 jobs in the semi-skilled workforce, and 35 skilled employees lost their jobs.

Figure 2.28 provides a sectoral overview of the skill levels for formal employment in the Kannaland municipal area.

Figure 2.28

SKILL LEVELS PER SECTOR, Kannaland, 2019 (%)



Source: Quantec Research, 2021

Within the municipal area, 17.5 per cent were skilled employees, 34.9 per cent were semi-skilled employees and the majority of employment was classified as low-skilled in 2019. Low-skilled employment was best absorbed in the agriculture sector (77.6 per cent). Other sectors that absorbed a large share of low-skilled employees were the community services (62.0 per cent) and electricity, gas and water (50.0 per cent) sectors. The sector that had the largest share of semi-skilled workers was the construction sector (63.4 per cent), followed by the manufacturing sector, with 58.0 per cent semi-skilled workers.

The general government sector employed the most skilled workers (41.4 per cent). Other sectors that absorbed a large share of skilled employees in 2019 were the finance (34.1 per cent) and transport (24.2 per cent) sectors.

The high number of low-skilled workers in the municipal area and the severe impact that COVID-19 had on employment will result in a decrease in municipal revenue, and the need for additional basic services will increase.

2.9 CONCLUDING REMARKS

Within all of the GRD municipal areas, the tertiary sector is the largest contributor to GDP. The secondary sector also plays a significant role in all municipal regions, accounting for a quarter of GDP in each municipality. The primary sector is small in all municipal Districts and is mostly dependent on agriculture's GDP contribution to the sector, which, despite its small size, is very important to the local economy, particularly as an input for the manufacturing sector (agro-processing) and job creation.

In 2019, informal employment in the GRD varied from 24.9 per cent in George to 37.7 per cent in Kannaland. The trade sector supplied the most informal job opportunities in all municipal areas of the GRD. Construction, transport and community services were consistently among the top three sectors that supplied informal job opportunities in each municipal area.

During the aftermath of the 2008 global financial crisis, low- and semi-skilled workers in all municipal regions across the GRD experienced the burden of job losses. Low-skilled employment grew at a slower rate than skilled and semi-skilled employment across the GRD municipal areas. Between 2010 and 2011, skilled employment outperformed low- and semi-skilled employment in terms of resilience and recovery. Between 2011 and 2019, skilled or semi-skilled employment was the primary driver of employment in all municipal regions, with the exception of 2015, when low-skilled employment saw a considerable increase in numbers. In six of the seven municipal areas, semi-skilled employment was the main skill level. Only in Kannaland was low-skilled employment the main skill level, while it also had the fewest skilled employees. Low-skilled employment was best absorbed in the community services sector and the agriculture sector in most municipal areas in the GRD in 2019.

The estimates for 2020 in terms of GDP in all the municipalities in the GRD contracted owing to COVID-19 and the associated impacts. The trade sector is a strong contributor in all the municipal areas, and the poor performance of the tourism industry impacted this sector significantly. The municipal areas are forecasted to show resilience and initiate recovery in 2021. The agriculture sector was the only sector that had significant growth in 2020. This could be as a result of improved weather conditions, higher commodity prices and the fact that this sector was able to operate under the strict level five lockdown regulations in 2020.





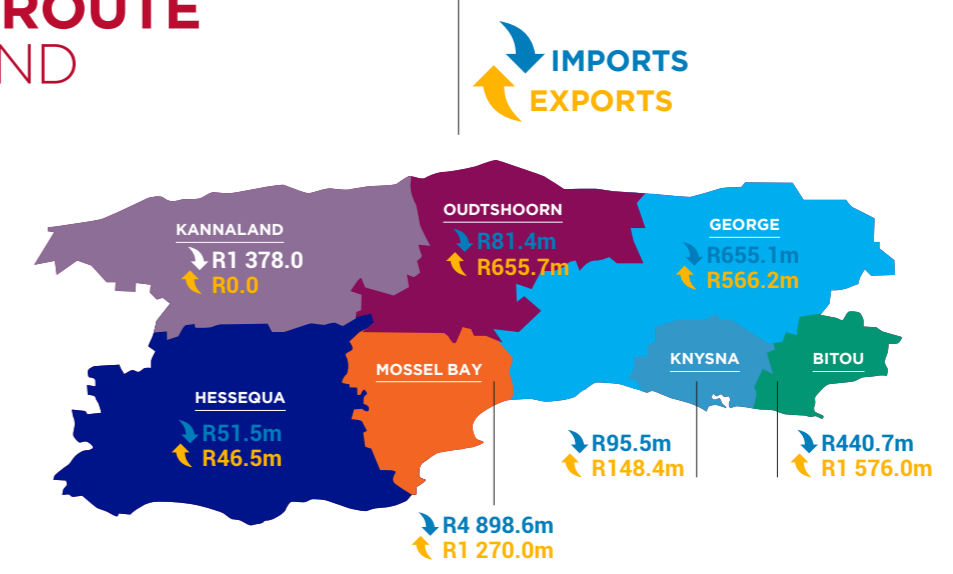
3

TRADE, TOURISM AND INVESTMENT

3.1 INTRODUCTION

District and local economies in the GRD 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.

GARDEN ROUTE TRADE AND TOURISM

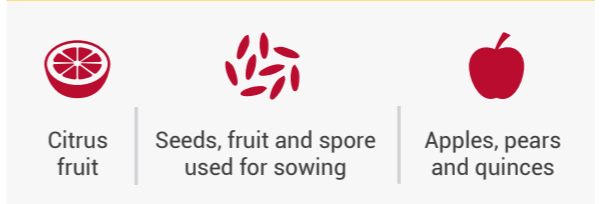


TRADE

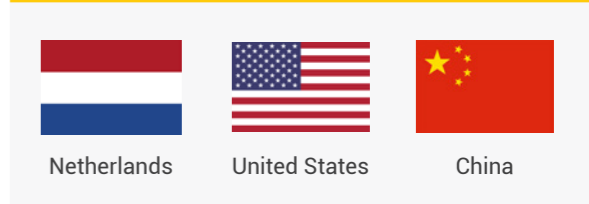


This section explores trade, tourism and investment dynamics on a District level and analyses the comparative advantages of the various economic sectors within the District to identify growth opportunities and potential risks in the GRD.

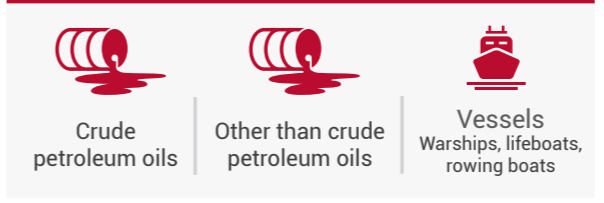
TOP 3 EXPORTED PRODUCTS



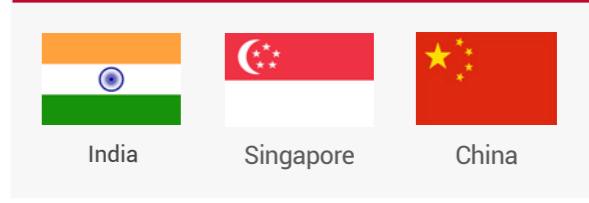
TOP 3 EXPORT DESTINATIONS



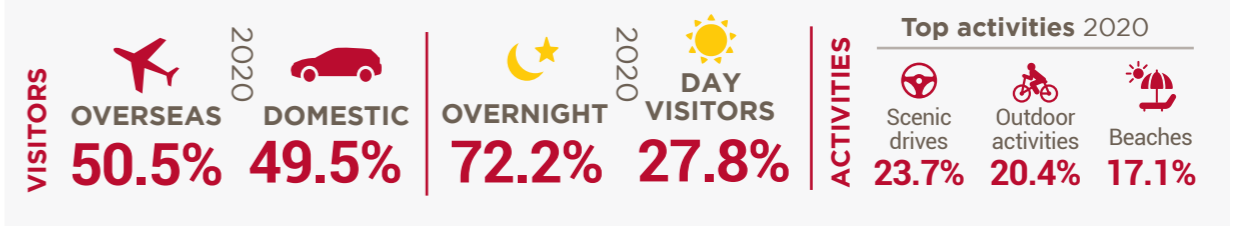
TOP 3 IMPORTED PRODUCTS



TOP 3 IMPORT DESTINATIONS



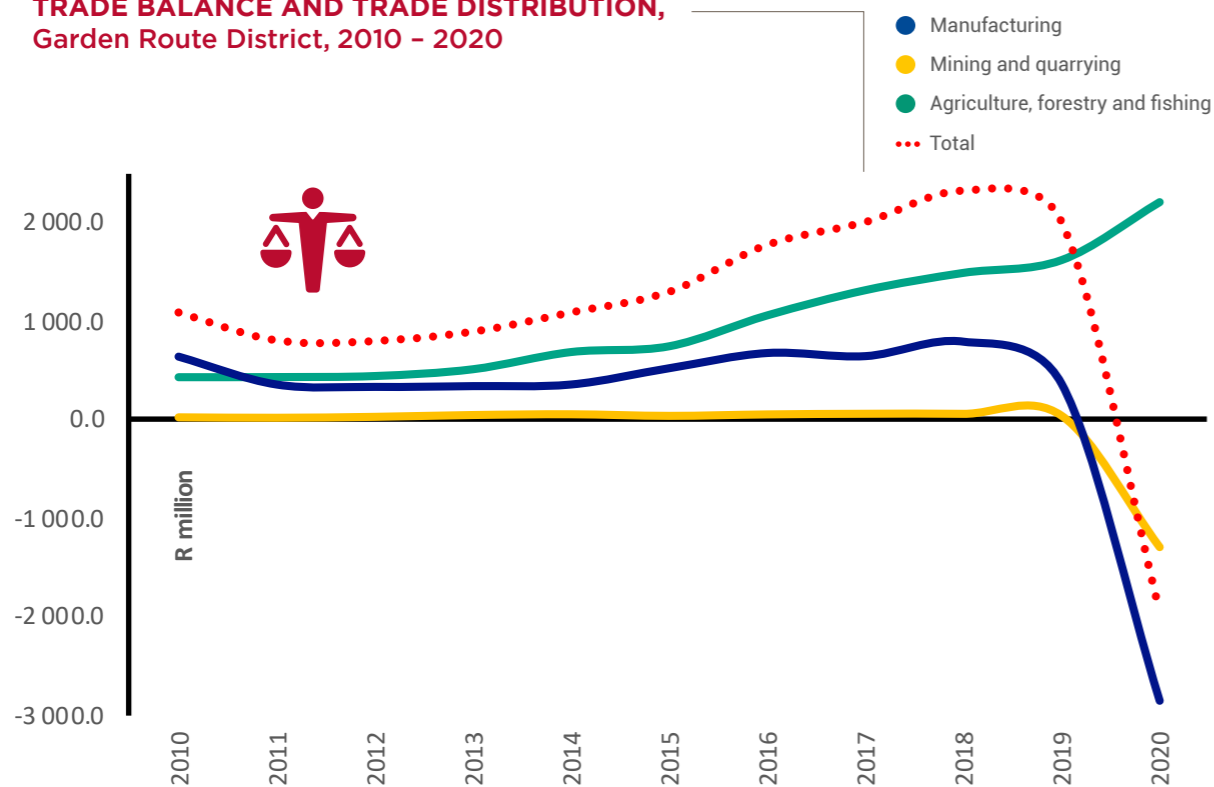
TOURISM



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 GRD 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 GRD between 2010 and 2020. The figure illustrates the total trade balance, as well as the trade balance for the main sectors that export and import goods, namely agriculture, manufacturing and mining.

Figure 3.1
TRADE BALANCE AND TRADE DISTRIBUTION,
Garden Route District, 2010 - 2020



Source: Quantec Research, 2021

The GRD maintained a positive trade balance between 2010 and 2019 (peaking in 2018), which was largely due to the trade surplus realised in the agriculture sector. In 2020, however, the District experienced a significant trade deficit, which was driven by trade deficits in the manufacturing sector and the mining sector. The decline in these sectors caused the GRD to experience its first trade deficit since 2010. In 2020, more than 70.0 per cent of total imports into the District were petroleum oils and oils obtained from bituminous minerals, other than crude products, and petroleum oils and oils obtained from bituminous minerals, crude products. The GRD also imported more manufactured products such as vessels, aircraft and automatic data-processing machines in 2020 than in 2019.

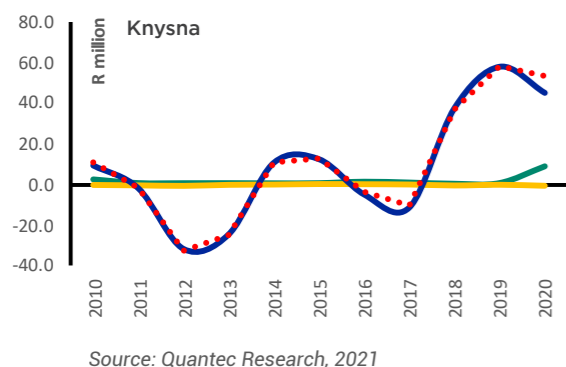
In 2020, manufacturing accounted for 77.5 per cent of total imports into the District, whereas the mining sector accounted for 21.2 per cent and the agriculture sector accounted for 1.3 per cent of imports. In terms of exports, the agriculture sector accounted for 53.4 per cent of exports, the manufacturing sector accounted for 46.1 per cent of exports and mining accounted for 0.5 per cent of exports in 2020.



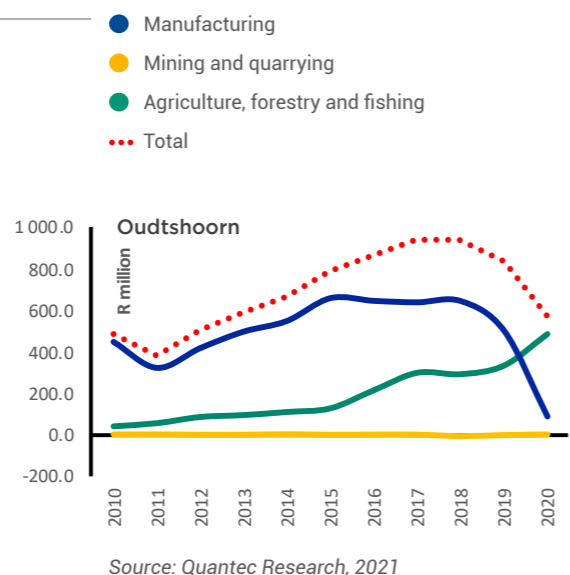
© Meelan Bawjee, Unsplash

Figure 3.2 provides an overview of the trade balance per municipal area between 2010 and 2020.

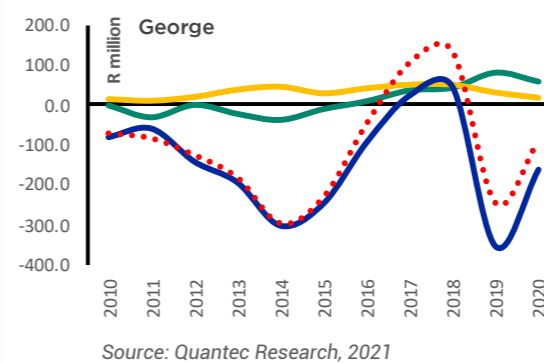
Figure 3.2
TRADE BALANCE PER MUNICIPAL AREA,
Garden Route District, 2010 - 2020



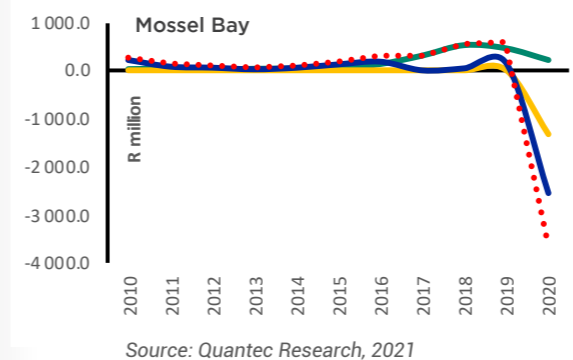
The Knysna municipal area experienced both trade surpluses and deficits between 2010 and 2020. These fluctuations are mainly due to fluctuations in the manufacturing sector trade balance. The manufacturing sector contributed 93.7 per cent of the total exports in 2020. During 2020, the trade surplus in the municipal area fell from R57.9 million in 2019 to R52.9 million in 2020. During this period the manufacturing sector fell from a surplus of R57.7 million in 2019 to R44.9 million in 2020. The agriculture sector recorded a positive trade surplus when the trade surplus increased from R0.3 million in 2019 to R8.6 million in 2020. Agricultural exports therefore boosted the local economy during the tough economic conditions brought about by the COVID-19 restrictions.



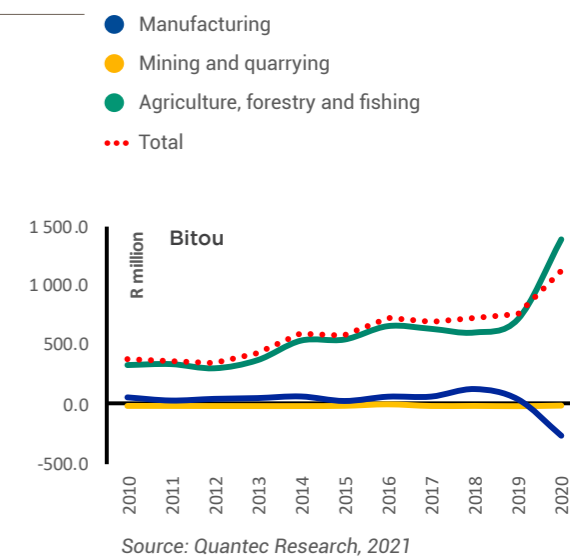
The Oudtshoorn municipal area maintained a trade surplus between 2010 and 2020, which peaked in 2017 (R941.8 million). However, the trade surplus declined in 2020 compared with 2019. Despite the increase in the trade surplus from the agriculture sector (R487.0 million), the municipal area recorded a lower manufacturing trade surplus (R87.3 million), which lowered the overall trade balance in the District. The decline in the manufacturing surplus was a result of increased imports coupled with a significant decline in exports from the sector. In 2020, the agriculture sector made up 81.7 per cent of exports, while manufacturing made up 18.3 per cent of Oudtshoorn's exports.



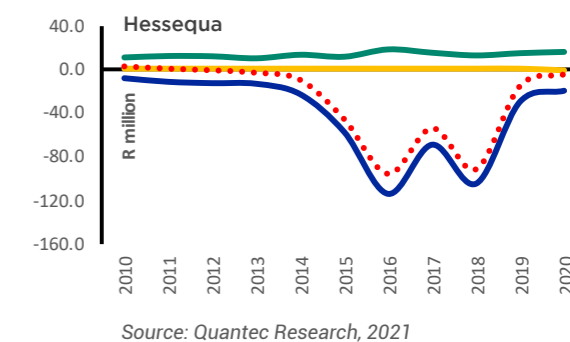
The George municipal area experienced a trade deficit between the period under review, with the exception of 2017 and 2018. However, the trade deficit improved in recent years when it decreased from R243.4 million in 2019 to R88.8 million in 2020. The deficit was as a result of the trade deficit in the manufacturing sector, which improved from R350.9 million in 2019 to R161.4 million in 2020. With regard to sectoral distribution, the manufacturing sector accounted for 95.7 per cent of imports and 82.2 per cent of exports in 2020.



The Mossel Bay municipal area experienced a trade surplus from 2010 to 2019. However, a significant trade deficit was experienced in 2020. This deficit was largely due to the significant net imports of the manufacturing sector. The manufacturing sector contributed 73.1 per cent to total imports and 81.4 per cent to total exports during 2020.



The Bitou municipal area maintained a positive trade balance during the period under review, with the trade surplus peaking in 2020. The municipal area experienced an increase from R760.4 million in 2019 to R1.1 billion in 2020. The positive trade balance experienced was largely driven by the agriculture sector, which accounted for 88.8 per cent of exports in 2020.



The Hessequa municipal area experienced a trade deficit from 2012 to 2020, with a significantly higher trade deficit in 2016 and 2018. This deficit was largely due to the significant net imports of the manufacturing sector. The manufacturing sector contributed 98.7 per cent to total imports and 66.0 per cent to total exports during 2020.

Note: No trade data available for Kannaland municipal area

3.2.1 IMPORTS



Figure 3.3 illustrates the GRD's top 10 import partners in 2020.

Table 3.1 illustrates the main import products from the GRD in 2020. The imports to the GRD are not confined to a specific product but are rather distributed over a wide variety of products

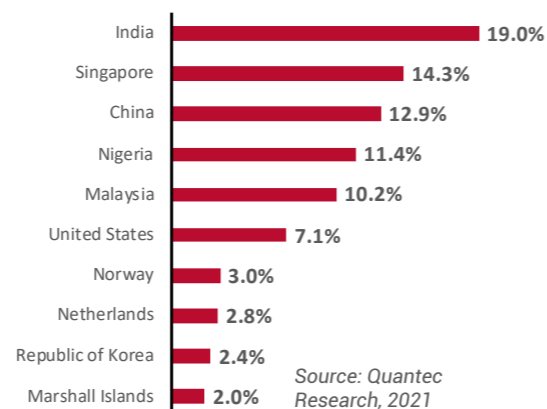
Table 3.1
**MAIN IMPORT PRODUCTS,
Garden Route District, 2020**

| PRODUCT | R million 2020 | % share | Main trading partners |
|---|----------------|---------|----------------------------------|
| Petroleum oils and oils obtained from bituminous minerals, other than crude | 3 064.1 | 49.2% | India, Singapore, Malaysia |
| Petroleum oils and oils obtained from bituminous minerals, crude | 1 313.7 | 21.1% | Nigeria, United States, Norway |
| Vessels, including warships and lifeboats other than rowing boats | 222.3 | 3.6% | Singapore |
| New pneumatic tyres of rubber | 138.2 | 2.2% | China |
| Aircraft (for example, helicopters, aeroplanes) and spacecraft (including satellites) and suborbital and spacecraft launch vehicles | 112.7 | 1.8% | Netherlands, Italy, Unclassified |
| Frozen fish | 67.5 | 1.1% | Namibia |
| Aircraft parts | 60.9 | 1.0% | Italy, United States |
| Automatic data-processing machines and units thereof | 50.7 | 0.8% | Mexico, China |
| Chromium oxides and hydroxides | 48.4 | 0.8% | Turkey, Estonia, Kazakhstan |
| Aluminium bars, rods and profiles | 46.3 | 0.7% | Mauritius |
| Total imports | 6 222.8 | | |

Source: Quantec Research, 2021

India is the GRD's leading import partner, contributing 19.0 per cent to imports (R1.2 billion). Other significant import partners include Singapore (14.3 per cent), China (12.9 per cent), Nigeria (11.4 per cent) and Malaysia (10.2 per cent). Petroleum oils and oils obtained from bituminous minerals, other than crude, made the largest import contribution (49.2 per cent) to the GRD and had a value of nearly R3.1 billion in 2020. These products were mainly imported from India, Singapore and Malaysia. Furthermore, petroleum oils and oils obtained from bituminous minerals, crude, were imported from Nigeria, the United States and Norway. These imports contributed 21.1 per cent (R1.3 billion) to the total imports of the District. Petroleum imports are likely to be utilised as inputs by the oil and gas industry in the Mossel Bay municipal area.

Figure 3.3
**TOP 10 IMPORT PARTNERS,
Garden Route District, 2020**



Source: Quantec Research, 2021

3.2.2 EXPORTS



Figure 3.4 illustrates the GRD's top 10 export partners in 2020.

Table 3.2 illustrates the main export products from the GRD in 2020.

Table 3.2
**MAIN EXPORT PRODUCTS,
Garden Route District, 2020**

| PRODUCT | R million 2020 | % share | Main trading partners |
|--|----------------|---------|--|
| Citrus fruit | 1 049.2 | 24.6% | China, Netherlands, Bangladesh |
| Seeds, fruit and spore used for sowing | 481.1 | 11.3% | United States, Netherlands, Japan |
| Apples, pears and quinces | 451.5 | 10.6% | Russian Federation, Bangladesh, Malaysia |
| Leather further prepared after tanning or crusting | 393.4 | 9.2% | France, United States, Mexico |
| Skins and other parts of birds with their feathers or down | 198.7 | 4.7% | China, Hong Kong, Italy |
| Petroleum oils and oils obtained from bituminous minerals, other than crude | 137.5 | 3.2% | Netherlands |
| Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth regulators | 91.9 | 2.2% | Tanzania, Uganda, Swaziland |
| Light vessels, fire floats, dredgers, floating cranes and other vessels the navigability of which is subsidiary to their main function | 80.8 | 1.9% | United Arab Emirates |
| Other prepared or preserved meat, meat offal or blood | 73.7 | 1.7% | Germany, Belgium |
| Motor cars and other motor vehicles principally designed for the transport of persons | 61.8 | 1.5% | Kenya |
| Total exports | 4 263.0 | | |

Source: Quantec Research, 2021

The Netherlands was the District's leading export partner in 2020, making a contribution of 11.7 per cent towards total exports. This was followed by the United States and China, which contributed 8.5 per cent and 7.0 per cent towards exports respectively. Non-reciprocal trade arrangements, such as the Generalised System of Preferences (GSP) and the African Growth and Opportunity Act (AGOA), exist between the Netherlands, the United States and South Africa. These agreements allow products from developing countries to qualify for preferential market access into these listed markets. Products include selected agricultural and industrial goods.⁴⁷

⁴⁷ (DTIC, 2021).

Citrus made the largest contribution towards exports, contributing 24.6 per cent (R1.0 billion) to total exports, and was mainly exported to China, the Netherlands and Bangladesh. The onset of the COVID-19 pandemic boosted export volumes and prices increased globally.⁴⁸ Seeds, fruit and spore used for sowing were exported to the United States, the Netherlands and Japan, contributing 11.3 per cent (R481.1 million). Klein Karoo Seed Production (Pty) Ltd specialises in the production of high-quality vegetable, forage, pasture, agronomy and organic seed on a contract basis for seed companies from all over the world. The company is based between the Swartberg and Outeniqua mountain ranges. Companies in the northern hemisphere regard Klein Karoo, in the southern hemisphere, as a strategic provider of seed for a year-round seed supply.⁴⁹

In 2020, leather further prepared after tanning or crusting made up 9.2 per cent of total exports from the District and was valued at R393.4 million. These products were mainly exported to France, the United States and Mexico. The leather industry in George is made up of long-standing manufacturing companies that can supply both the local and international markets.⁵⁰ Ostrich leather is also produced by third- and fourth- generation artisans in Oudtshoorn. Ostrich leather is a high-quality and exotic leather that is distinctive for its pattern of raised quill follicles.⁵¹

Skins and other parts of birds with their feathers or down are also likely to be linked to the large ostrich farms located in Oudtshoorn. In 2020, these products, with a value of R198.7 million, made up 4.7 per cent of total exports. These products were mainly exported to China, Hong Kong and Italy.



⁴⁸ (BFAP, 2020).
⁴⁹ (Klein Karoo Seed Production [Pty] Ltd, 2021).
⁵⁰ (Mossop Leather, 2021).
⁵¹ (Safari Ostrich Farm, 2021).

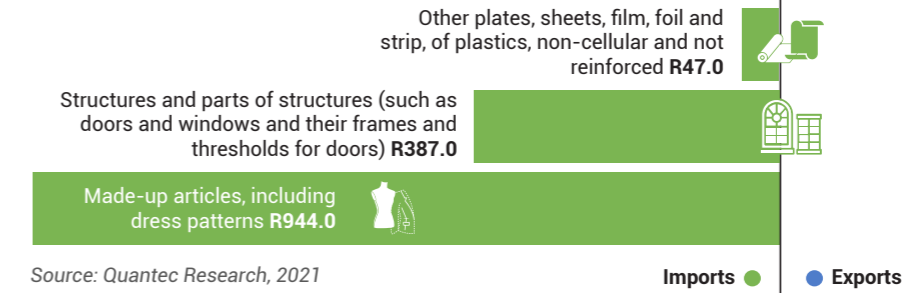
3.2.3 Municipal imports and exports

Imports and exports are a catalyst for economic growth and development. Importing goods is often required for individual consumers, and in other cases it's required for production in a given value chain. The following figure relays the main import and export products for all municipal areas in the GRD.

Figure 3.5
TOP 3 IMPORTS AND EXPORTS PER MUNICIPAL AREA, Garden Route District, 2020

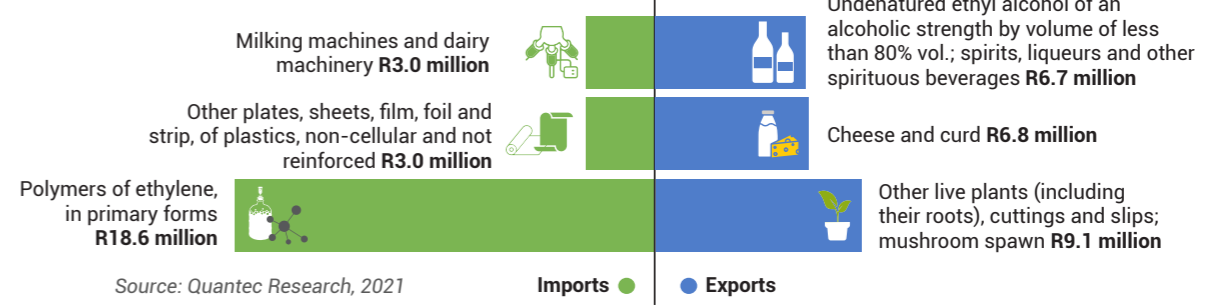


Kannaland



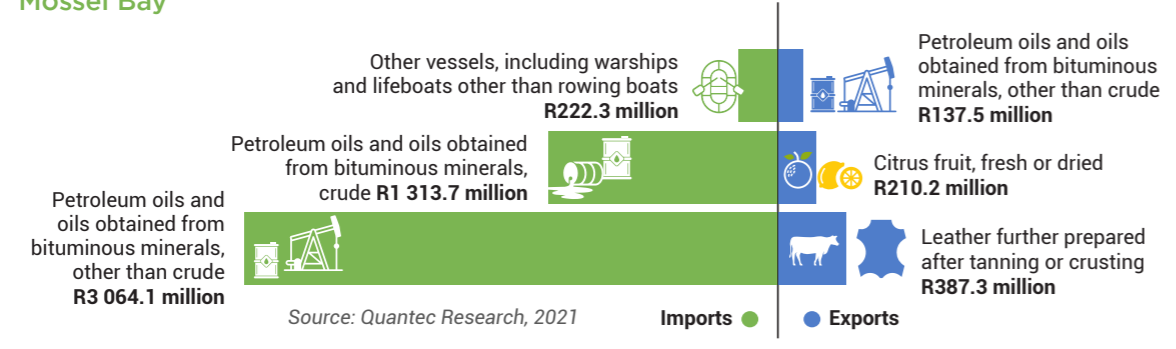
The Kannaland municipal area recorded very little international trade in 2020, with only imports worth R1 378.0 and no exports. Imported articles included made-up articles such as dress patterns, structures such as door and window frames and plates, sheets or film of plastics.

Hessequa



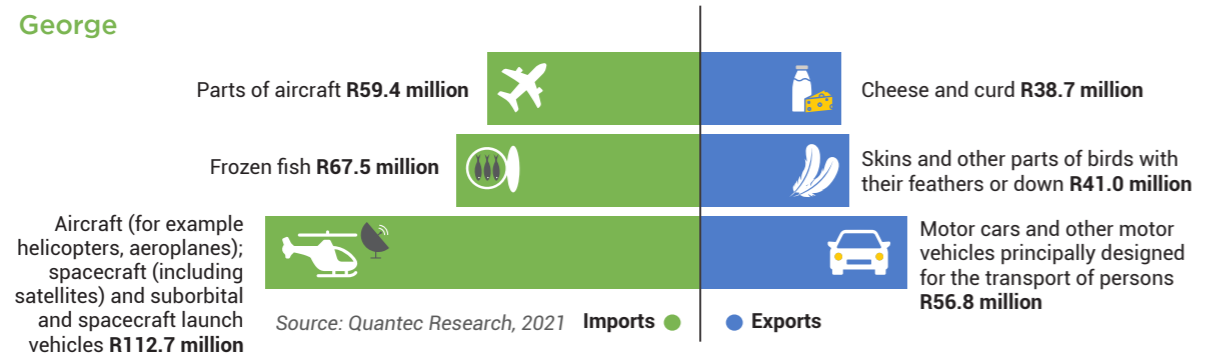
The main import into the Hessequa municipal area in 2020 was polymers of ethylene worth R18.6 million. This is often used as part of plastic packaging and is therefore an input into the local manufacturing sector. The municipal area also imported plates, sheets or film of plastics (R3.0 million) and milking machines (R3.0 million). The municipal area has a large dairy industry, and these imports therefore suggest new capital investment into the sector. Exports include live plants (R9.1 million), cheese (R6.8 million) and undenatured ethyl alcohol (R6.7 million).

Mossel Bay



Imports into the Mossel Bay municipal area are mainly crude and other petroleum oils (R4.4 billion in 2020), which are used as inputs into the PetroSA refinery in Mossel Bay. PetroSA is experiencing a decline in the supply of local gas feedstock and imports are therefore necessary. However, new offshore gas finds such as Brulpadda and Luiperd could be a valuable injection into the sector. Top exports from the municipal area in 2020 included leather (R387.3 million), citrus (R210.2 million) and non-crude petroleum oils (R137.5 million).

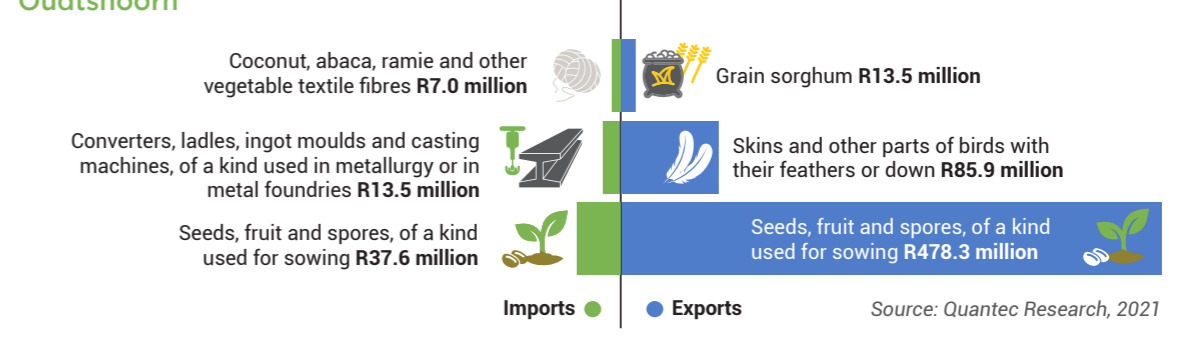
George



The George municipal area imported aircraft to the value of R112.7 million, as well as parts of aircraft worth R59.4 million in 2020. These imports could be associated with George Airport, which is a valuable transport asset for the region. The municipal area also imported frozen fish (R67.5 million). The George municipal area exported motor vehicles (R56.8 million), bird skins and feathers (R41.0 million), and cheese and curd (R38.7 million) in 2020. The ostrich and dairy industries in the region therefore contribute substantially to exports from the George municipal area.

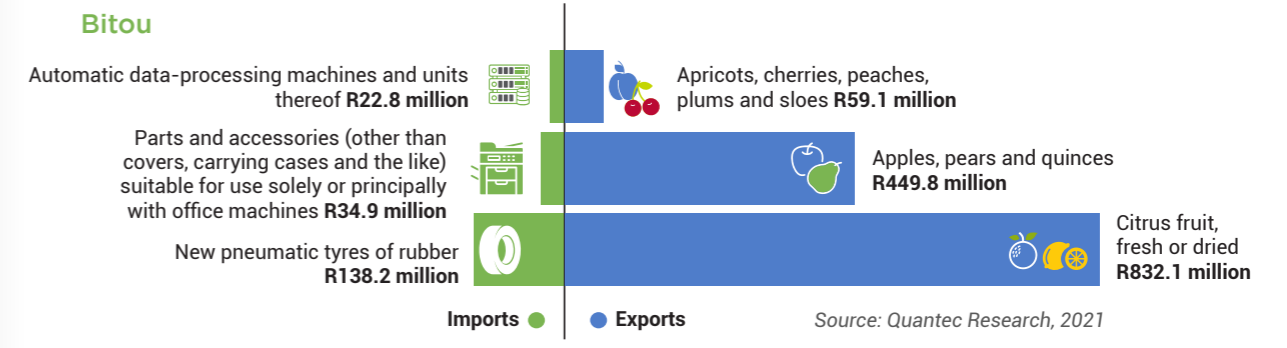


Oudtshoorn



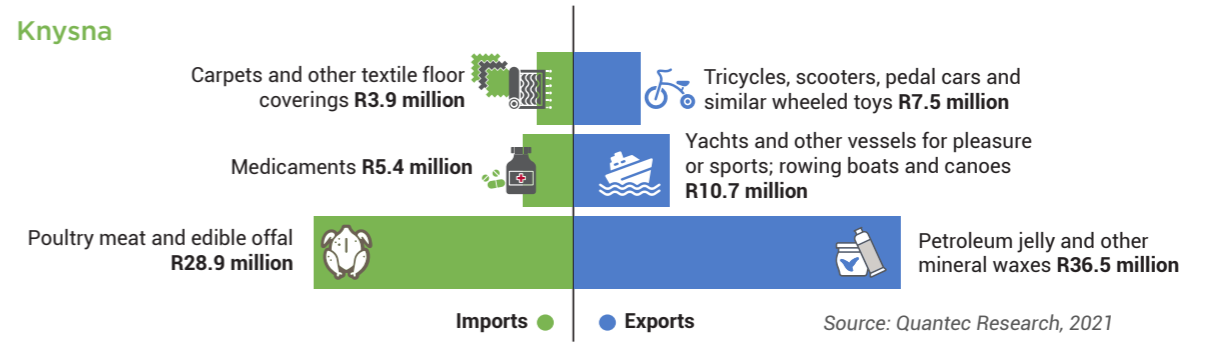
The top imported product in the Oudtshoorn municipal area in 2020 was seeds, fruit and spores used for sowing (R37.6 million). This product was also the leading export product (R478.3 million). The Oudtshoorn municipal area also exported skins and feathers of birds worth R85.9 million, as well as grain sorghum worth R13.5 million in 2020.

Bitou



The top three exports from the Bitou municipal area included citrus (R832.1 million), apples, pears and quinces (R449.8 million), and apricots, cherries, peaches, plums and sloes (R59.1 million). The Bitou municipal area is not a major producer of these fruits, but rather provides export services to the producing regions. This shows the value of a well-developed agriculture sector value chain across the region. Imports included new pneumatic rubber tyres (R138.2 million), parts and accessories for office machinery (R34.9 million) and automatic data-processing machines (R22.8 million). These machinery imports are a form of capital investment into local businesses, which is a positive indicator given the poor economic climate.

Knysna



The Knysna municipal area's main import was poultry meat (R28.9 million), while its main export was petroleum jelly and other mineral waxes (R36.5 million). Other large exports included yachts and other pleasure boats (R10.7 million), and tricycles and other similar toys (R7.5 million). These are goods from the local manufacturing sector. Creating an enabling environment in terms of land and infrastructure availability for industrial development could therefore play a valuable role in boosting exports from the region.

3.3 TOURISM PROFILE⁵²

The GRD is a paradise for bird and nature lovers, and is a unique eco-destination offering many things to see and explore. Located between mountain ranges and a vivid blue coastline, the well-renowned Garden Route towns boast countless attractions, including their indigenous environment and culinary pleasures. The most popular activities for visitors in the GRD include scenic drives, sport and outdoor activities, as well as culture and heritage.

Some of the top must-see stops in the District include the Wilderness National Park, the Knysna National Lake Area, Tsitsikamma National Park, the Karoo National Park, Storms River Mouth, the Bloukrans Bridge, Plettenberg Bay, the Knysna Heads, Kaaimans River Bridge, the Post Office Tree and Mossel Bay.

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, restaurants, 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 R701.7 million in 2019 and employed 11 607 people, with informal employment accounting for 42.4 per cent of the industry's total employment. Estimates for 2020 indicate that the industry was valued at R648.7 million and that it shed 2 009 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 region of the Western Cape offers a unique product that attracts many international and domestic tourists annually. The GRD is a popular leisure destination among both international and domestic markets for enjoying short or weekend getaways.

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

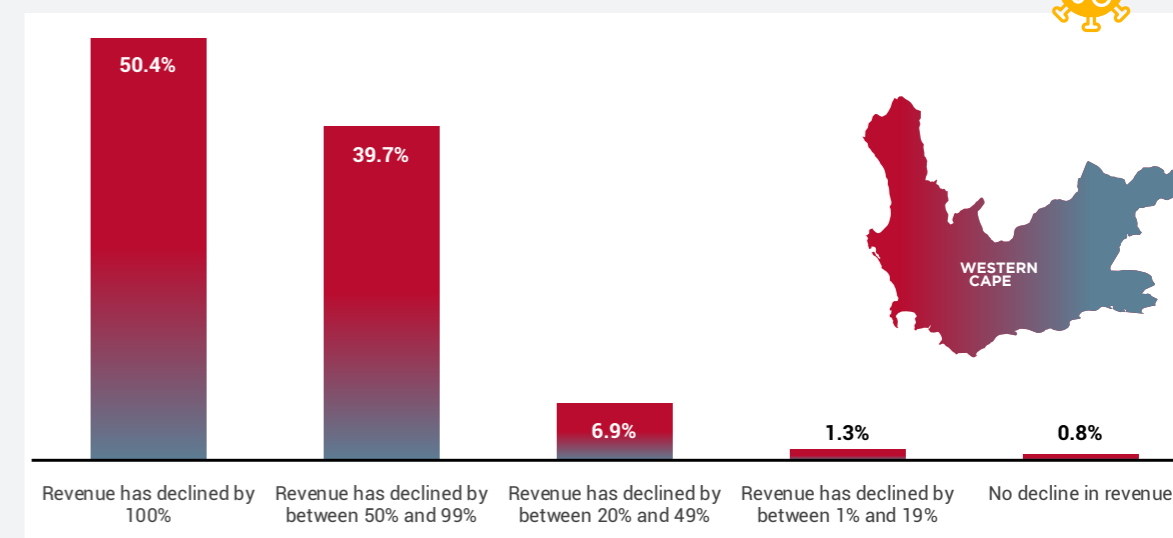


⁵² The Regional Visitor Trends reports published by Wesgro were used to report on regional tourism performance. It is important to note that the regional visitor tracking surveys can only be used as a proxy to indicate the key trends within the region owing to their survey collection method and sample size. Therefore, the information reported on cannot be seen as absolute figures. Furthermore, the information cannot be compared with other regions, nor with the information released by South African Tourism. It is also not advisable to compare year-on-year information, as the sample sizes are not comparable.

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 owing to job losses and business closures, while the South African economy is under severe pressure to sustain livelihoods.

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

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



Source: Wesgro, 2021

It is estimated that more than half of the 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 and 99.0 per cent.

Other COVID-19 impacts on the Western Cape tourism sector:⁵³

- Approximately 43.2 per cent of the respondents did not lose any workers. However, nearly half of the sector lost between one and 10 workers, and a further 7.5 per cent lost between 11 and 50 workers.
- Approximately 70.0 per cent of respondents had between one and 10 workers before COVID-19 and just under 50.0 per cent lost at least one worker.
- Approximately 20.8 per cent of respondents had between 11 and 50 workers before the pandemic and 52.6 per cent lost between one and 10 workers.
- Approximately 30.8 per cent of respondents who employed 51 to 250 workers before COVID-19 lost between one and 10 workers, and 26.9 per cent of respondents lost between 11 and 50 workers.
- Approximately 46.7 per cent of the respondents had to reduce employee salaries.

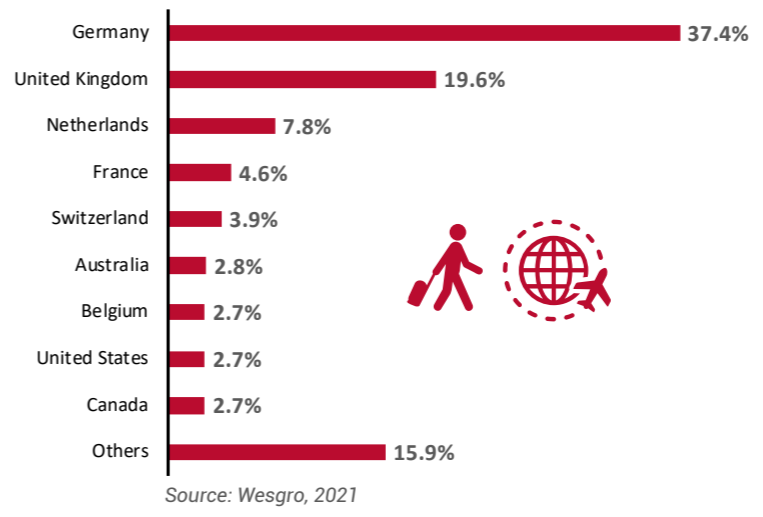
⁵³ (Wesgro, 2021).

- The temporary closure of businesses 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.
- 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 55.2 per cent of the respondents applied for funding from the Unemployment Insurance Fund's TERS, 30.1 per cent applied to the Department of Tourism's Tourism Relief Fund and 18.4 per cent applied to the SMME Debt Relief Finance 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 almost 10.0 per cent of respondents, who experienced a moderate to significant increase in revenue. However, almost 50.0 per cent of respondents did not experience any change in occupancy or revenue.

3.3.2 Demographic profile of visitors

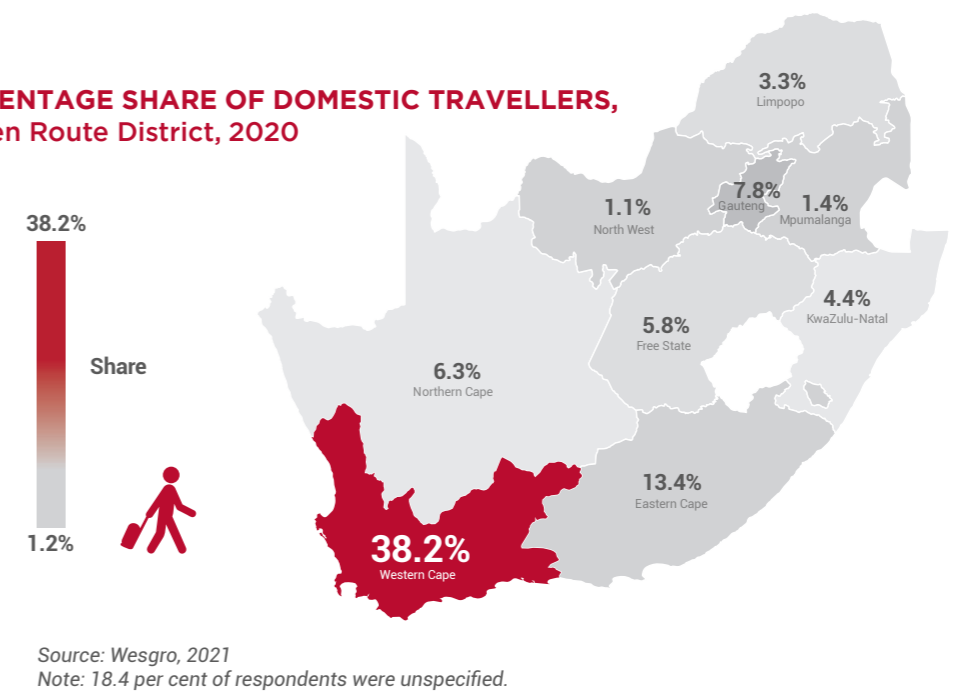
Figure 3.7 illustrates the proportionate share of international and domestic travellers to the GRD in 2020.

Figure 3.7
PERCENTAGE SHARE OF INTERNATIONAL TRAVELLERS, Garden Route District, 2020



The top three international source markets to the GRD in 2020 travelled from Germany (37.4 per cent), the United Kingdom (19.6 per cent) and the Netherlands (7.8 per cent). The international visitor trend to the GRD is consistent with the Province in the sense that European countries dominate source markets.

Map 3.1
PERCENTAGE SHARE OF DOMESTIC TRAVELLERS, Garden Route District, 2020



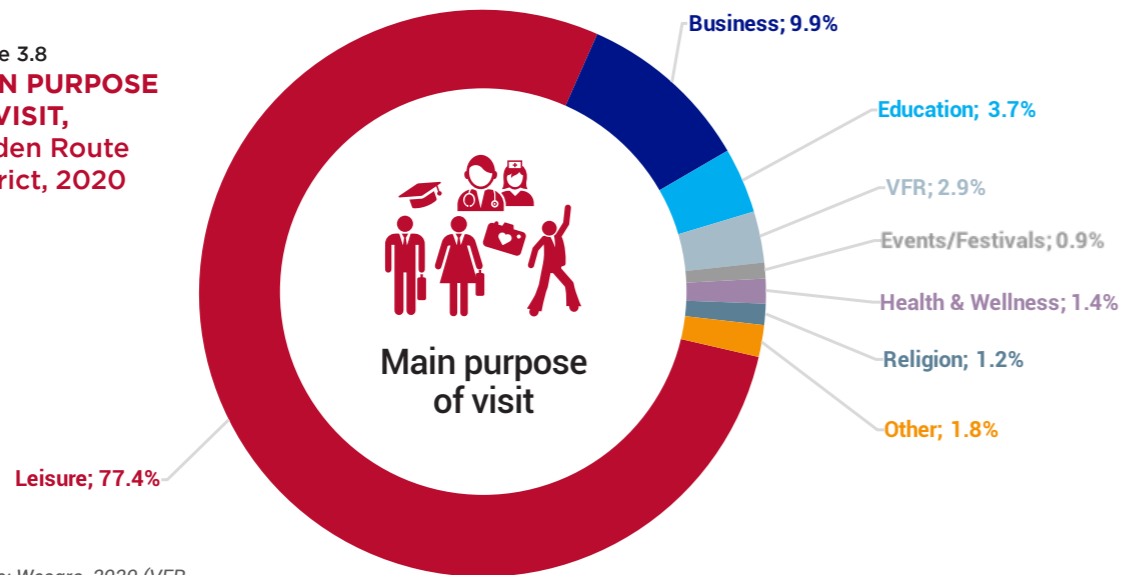
The top three domestic source markets to the GRD in 2020 were the Western Cape (38.2 per cent), the Eastern Cape (13.4 per cent) and Gauteng (7.8 per cent). Despite the COVID-19 regulations on travel, the trends indicate that the domestic market started to travel to this region once the restrictions were eased, confirming that the Garden Route area is a popular destination for leisure activities for domestic tourists. However, the poor performance of the economy is negatively impacting household income, and spending by domestic tourists is therefore likely to be affected.



3.3.3 Purpose and duration of visit

Figure 3.8 illustrates the main purpose of visits to the GRD in 2020. The GRD is primarily considered a leisure destination, with 77.4 per cent of visitors travelling to the District for leisure in 2020.

Figure 3.8
MAIN PURPOSE OF VISIT, Garden Route District, 2020

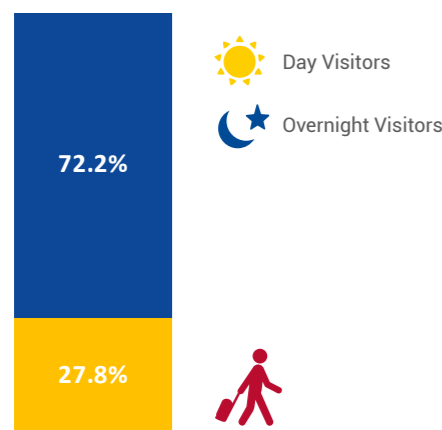


Source: Wesgro, 2020 (VFR denotes visiting friends or relatives)

Apart from leisure travel, 9.9 per cent of travel was for business and 3.7 per cent was for educational purposes.

Figure 3.9 illustrates the spread of day and overnight visitors to the GRD in 2020.

Figure 3.9
OVERNIGHT VS DAY VISITORS, Garden Route, District, 2020



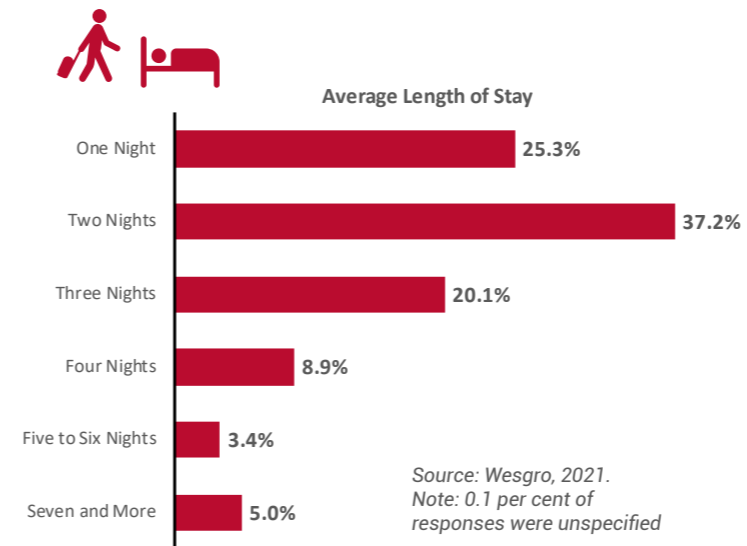
Source: Wesgro, 2021



The GRD is a popular destination for overnight visitors, accounting for 72.2 per cent of visits in 2020, while day visitors accounted for 27.8 per cent. This confirms that visitors like to visit for short getaways or weekends.

Figure 3.10 illustrates the average length of stay of visitors to the GRD in 2020.

Figure 3.10
AVERAGE LENGTH OF STAY BY VISITORS, Garden Route District, 2020

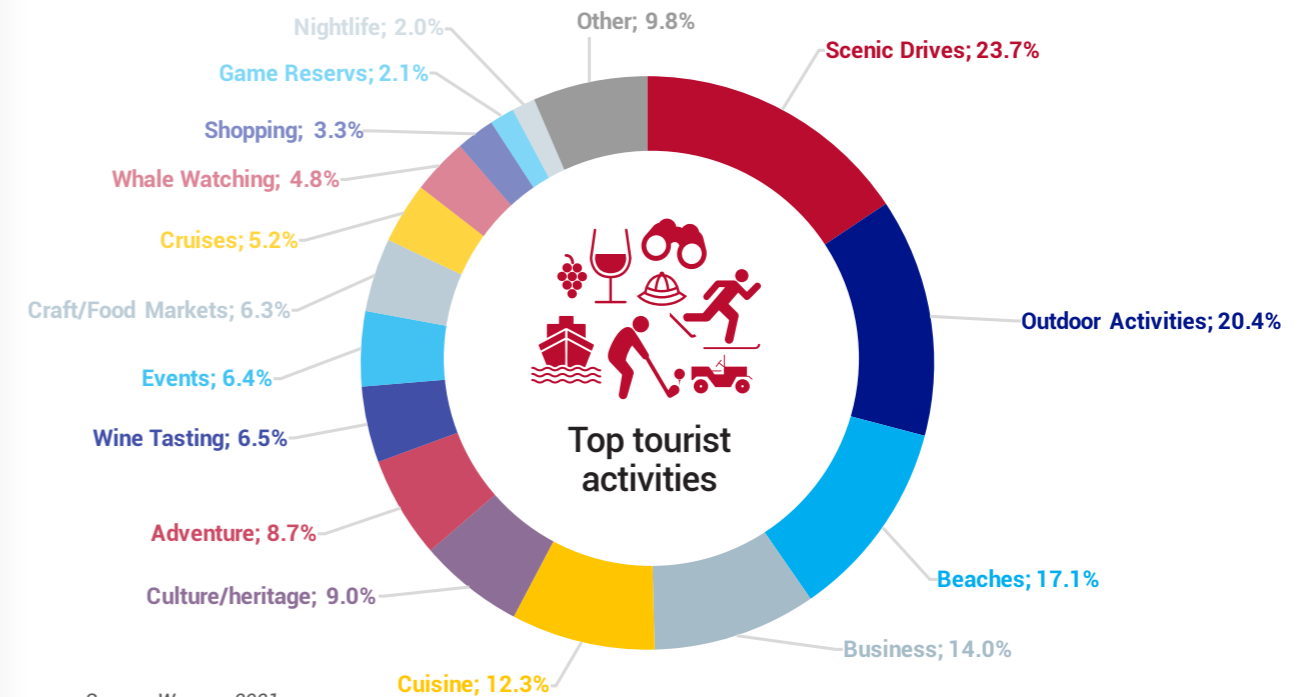


The region is popular for getaways of between one and three nights, and tourists make use of self-catering accommodation, guest houses, B&Bs and hotels. The length of stay is one of the key elements in a tourist's decision-making process and is of great economic importance for the tourist destination.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

3.3.4 Activities, expenditure and transport

Figure 3.11 indicates the top activities undertaken by visitors in the GRD in 2020.

Figure 3.11
TOP TOURIST ACTIVITIES UNDERTAKEN, Garden Route District, 2020

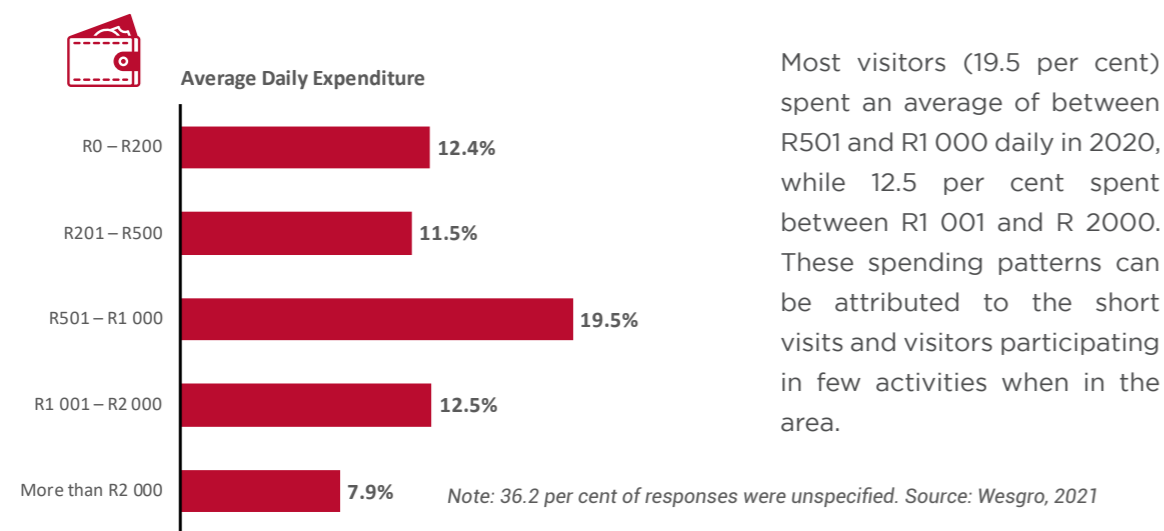


Source: Wesgro, 2021

Activities enjoyed in 2020 by tourists to the GRD included scenic drives (23.7 per cent), outdoor activities (20.4 per cent) and beaches (17.1 per cent). Activities participated in the least by tourists included nightlife (2.0 per cent) and game reserves (2.1 per cent).

Figure 3.12 shows the daily expenditure patterns among the visitors who travel to the GRD.

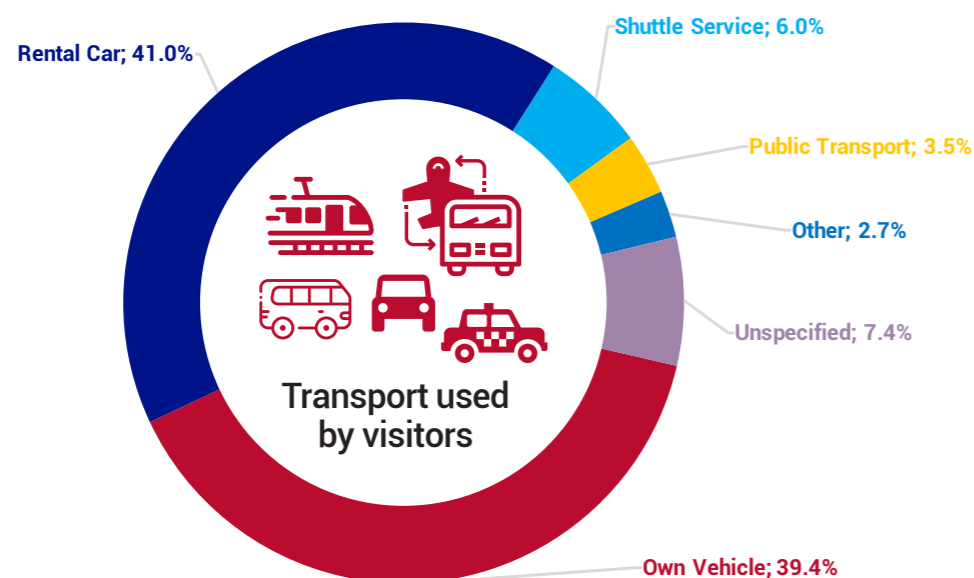
Figure 3.12
AVERAGE DAILY EXPENDITURE BY VISITORS, Garden Route District, 2020



Most visitors (19.5 per cent) spent an average of between R501 and R1 000 daily in 2020, while 12.5 per cent spent between R1 001 and R 2000. These spending patterns can be attributed to the short visits and visitors participating in few activities when in the area.

Figure 3.13 illustrates the mode of transport used by visitors to travel to and within the GRD.

Figure 3.13
MODE OF TRANSPORT USED BY VISITORS, Garden Route District, 2020



Source: Wesgro, 2020

In terms of the preferred mode of transport, most tourists made use of rental cars (41.0 per cent), followed by their own vehicle (39.4 per cent). The high rental car percentage could indicate that a high number of international tourists made trips to the Garden Route region.

3.4 COMPARATIVE ADVANTAGE AND EMPLOYMENT POTENTIAL

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

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

Table 3.3 provides further details about the classification and interpretation of the location quotient. A location quotient of more than one indicates that a comparative advantage exists in the local economy compared with the national economy, whereas a location quotient of less than one indicates that the representation of the sector is weaker in the local economy than in the national economy.⁵⁴ Furthermore, a location quotient of one indicates that the representation of the sector in the local economy is the same as its representation in South Africa.

Table 3.3
LOCATION QUOTIENT INTERPRETATION

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

Source: Urban-Econ, 2021

A location quotient does not consider external factors such as government policies, investment incentives, proximity to markets, etc. These factors could influence the comparative advantage of an area in a given economic space. Additionally, the location quotient indicates the relative importance of the local economy to the Provincial economy and does not necessarily indicate that the sector is small or large within a local economy, nor does it indicate the value of importance. A value between 0.75 and 1.24 does not necessarily indicate that the local economy is exporting goods or services and does not indicate that local needs are not being met.

⁵⁴ (Fennig & DaCosta, 2010).

Table 3.4 provides the location quotient for the GRD in terms of GDP and employment.

Table 3.4
LOCATION QUOTIENT IN TERMS OF GDP AND EMPLOYMENT, Garden Route District, 2019



| SECTOR | In terms of GDP | In terms of employment |
|---|-----------------|------------------------|
| PS Primary Sector | | |
| Agriculture, forestry & fishing | 2.1 | 1.7 |
| Mining & quarrying | 0.0 | 0.0 |
| SS Secondary Sector | | |
| Manufacturing | 1.1 | 0.9 |
| Electricity, gas & water | 0.8 | 0.9 |
| Construction | 1.6 | 1.1 |
| TS Tertiary Sector | | |
| Wholesale & retail trade, catering & accommodation | 1.2 | 1.1 |
| Transport, storage & communication | 1.0 | 0.9 |
| Finance, insurance, real estate & business services | 1.3 | 1.0 |
| General government | 0.6 | 0.8 |
| Community, social & personal services | 1.2 | 0.9 |

Source: Quantec Research, 2021

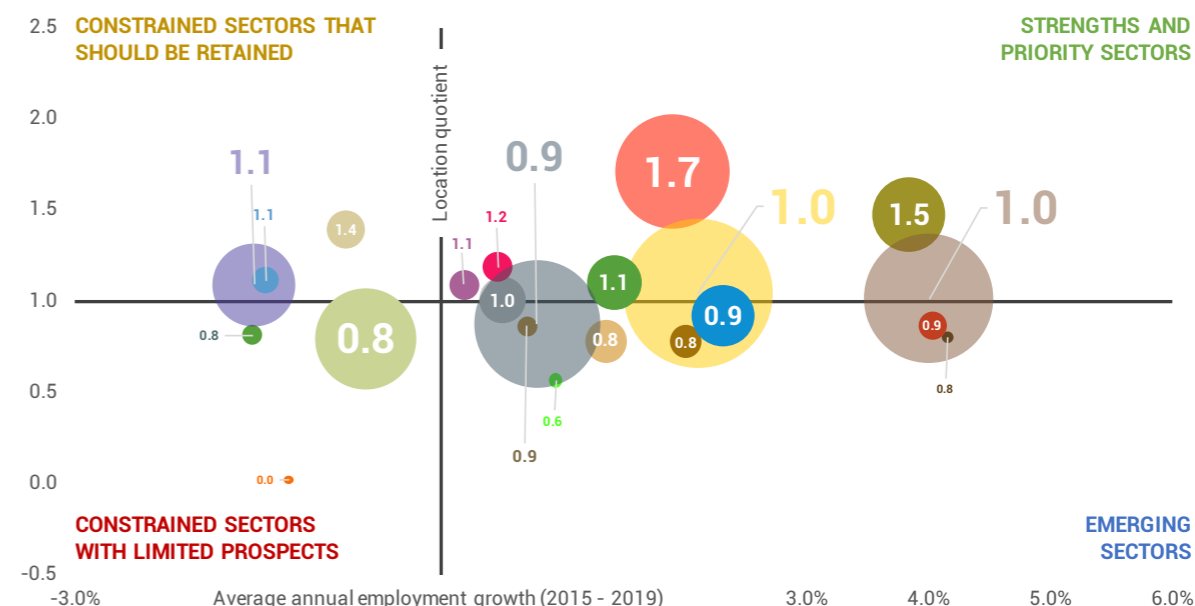
The sector in which the GRD had the highest comparative advantage in 2019 was the agriculture sector (in terms of GDP and employment). The GRD also had a high comparative advantage in terms of GDP in the trade sector, the finance sector and the construction sector. The location quotient for these three sectors in terms of employment was also one or greater than one, which shows that these sectors are also of relative importance to employment.

The sector with the smallest location quotient was the mining sector. Compared with the country, the GRD has very few mining resources, but compared with the Province, this sector is still of relative importance. The local mining industry has forward linkages to the construction sector, which is a key local sector, as illustrated above.



In order to assess the sectoral development opportunities in the GRD, the comparative advantage in sectors is further analysed, together with the historical sectoral employment growth rate. Figure 3.14 illustrates the comparative advantage and the average sectoral employment growth in the GRD.

Figure 3.14
COMPARATIVE ADVANTAGE AND SECTORAL EMPLOYMENT GROWTH, Garden Route 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 during the period from 2015 to 2019 are priority sectors for employment growth. Sectors that have a location quotient greater than one but have shed jobs over the period under analysis may require intervention, whether it be financial, regulatory or capacity-building, to benefit from the comparative advantage.

Sectors in which the GRD 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.

The table below provides further information relating to the sectors that are considered to be 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, Garden Route 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 | 2 015.2 | -4.2% | 28 042 | 26.8% | 404 | -4.7% |
| Food, beverages and tobacco | 2 342.1 | 1.9% | 4 546 | 21.4% | 21 | 2.6% |
| Textiles, clothing and leather goods | 234.1 | -1.3% | 1 843 | 24.5% | 8 | 0.5% |
| Wood and paper; publishing and printing | 931.6 | -0.9% | 3 287 | 21.9% | -27 | -1.0% |
| Furniture; other manufacturing | 730.7 | 1.7% | 1 512 | 28.8% | -24 | -0.9% |
| Construction | 2 811.2 | -1.7% | 14 577 | 33.8% | -250 | 2.8% |
| Wholesale and retail trade | 7 898.2 | 1.2% | 47 646 | 40.1% | 934 | 2.2% |
| Catering and accommodation services | 701.7 | -2.7% | 11 607 | 42.4% | 397 | -2.4% |
| Communication | 990.5 | 3.3% | 1 870 | 27.3% | 2 | 5.7% |
| Finance and insurance | 3 322.7 | 3.3% | 6 488 | 9.2% | 85 | -0.9% |
| Business services | 8 344.3 | 3.1% | 35 289 | 21.9% | 1 254 | -0.5% |

Source: Quantec Research, 2021

Agriculture, forestry and fishing

The agriculture sector's output shrank between 2015 and 2019, in large part as a result of the Provincial drought. Some of the main crops in the GRD include fruit, vegetables and wheat. Livestock farming (for dairy production purposes) and ostrich farming are also prevalent in the GRD. The sector created jobs while the value of this output declined, indicating a reduction in capital intensity as farmers divested from their expansion and maintenance budgets. Despite this lacklustre performance, it remains a high priority retention target sector given the area's latent natural resource endowment attributes. Furthermore, approximately 26.8 per cent of workers in this sector were informally employed in 2019. Initiatives such as the Klein Karoo Calitzdorp Pomegranate Export Agri Hub and the proposed Garden Route Fresh Produce Market will support smallholder farmers' future access to retail markets and improved prices. Similarly, platforms such as the recently hosted Garden Route Waste and Biomass Beneficiation Conference, and the Garden Route District Municipality Home Composting Pilot Project show the importance of considering circular economy opportunities in the forestry and other subsectors.

Food, beverages and tobacco

The value of this sector's GDPR contribution (R2.3 billion) was larger than that of agriculture, underscoring the importance of value-adding activities to transform raw produce into various food products. Activities in this sector include honeybush, aloe, nut, ostrich, dairy and fishmeal processing. The food, beverages and tobacco sector grew by an average annual rate of 1.9 per cent between 2015 and 2019. In 2019 the sector employed 4 546 people, 21.4 per cent of whom were informally employed. Investment in this sector has grown substantially since 2015, with an average annual gross fixed capital formation of 2.6 per cent between 2015 and 2019. Creating an enabling environment for development, such as ensuring the availability of serviced land for industrial purposes, can serve as a catalyst for attracting new investment. Furthermore, supporting small-scale and emerging processors through export support and market linkages can further strengthen the sector to create new employment opportunities.

Other manufacturing subsectors

Other manufacturing subsectors in which the GRD has a comparative advantage, and which have recorded a positive employment growth trend, include the textiles, clothing and leather goods sector. The GRD also has a comparative advantage in the wood and paper, publishing and printing sector, as well as the furniture and other manufacturing sector, but these two sectors shed jobs between 2015 and 2019. The textiles, clothing and leather goods sector, the wood and paper, publishing and printing sector, and the furniture and other manufacturing sector contributed R234.1 million, R931.6 million and R730.7 million respectively to the GDPR of the GRD in 2019. Furthermore, the textiles, clothing and leather goods sector and the wood and paper, publishing and printing sector contracted by an average annual rate of 1.3 per cent and 0.9 per cent respectively between 2015 and 2019. The wood and paper, publishing and printing sector is of particular importance in the Knysna municipal area. The fires of 2017 resulted in a severe loss of commercial forests, which dampened the industry's performance and outlook.

The export-oriented leather industry in Mossel Bay, Oudtshoorn and surrounding areas is key to the performance of the textiles, clothing and leather goods sector. This in turn is derived from the local ostrich- and cattle-farming industry. Support measures for this sector at the national level (Department of Trade, Industry and Competition [DTIC] incentives) and Provincial scale create linkages with the fashion industry, which is largely clustered around Cape Town.

Local furniture manufacturing is typically from indigenous woods. Prospects for this sector's growth are currently limited, with municipal support possibly advancing retention of existing light industry and niche enterprises (rather than seeking new investment attraction).

Construction

This sector shed a large number of jobs between 2015 and 2019 (the highest sectoral rate of job loss in the District), mirroring the overheating property industry. Prospects for this sector are limited until the broader national macroeconomic leading indicator conditions improve significantly.

The ongoing Garden Route Dam spillway reconstruction and drainage channel excavation in George Municipality, which began in May 2021, will provide temporary relief for the sector, albeit only until the middle of 2022. It is anticipated that some of the short-term employment opportunities from this project would have accrued to graduates from the GRD Municipality National Qualifications Framework-rated construction process supervision learnership programme. The GRD Municipality's human settlement capabilities were bolstered in 2021 by the achievement of several administrative, planning and capacity milestones. These augur well for the local construction sector, as some housing opportunities may arise in the coming year.

Catering and accommodation services

The tourism sector interfaces strongly with the catering and accommodation sector, and contributes to this sector's high location quotient. This sector had a GDP of R701.7 million in 2019 and provided employment for 11 607 people, 42.4 per cent of whom were informally employed. Furthermore, between 2015 and 2019, the catering and accommodation sector created 397 jobs on average per annum. The COVID-19 restrictions had a significant impact on the sector and led to large-scale job losses. Promoting domestic tourism will play a valuable role in reviving the local industry.

Other services sectors

The George municipal area is a growing commercial hub in the GRD, and many of the tertiary sectors are therefore becoming increasingly important for creating sustainable jobs. Skills mismatches between the demand and supply for labour should therefore be addressed. Key sectors include the trade sector, the communication sector and the finance sector. The community services sector is also an emerging sector in terms of job creation, particularly in the Bitou and Knysna municipal areas.

Information and communications technology (ICT) infrastructure, as well as electricity and public transport infrastructure, are key public-sector investments that will make the services sectors in the GRD attractive for investment.



3.5 INVESTMENTS

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

3.5.1 Private-sector investment

3.5.1.1 Sectoral investments and business expansion

Two foreign investments were made into the District between July 2019 and July 2021. The first was by Klinger South Africa of Austria, which invested USD3.0 million in the industrial equipment industry. Klinger is the world's leading manufacturer and provider of industrial gaskets and valves. The company is a pioneer in gasket technology and is currently a globally active group made up of 45 independent global manufacturing, sales and service companies offering consultancy services in numerous countries worldwide. Its customers comprise leading companies belonging to the following industries and sectors: manufacturing, infrastructure, automotive, marine, oil and gas, chemical, pulp and paper, energy, food and beverages, and pharmaceutical.⁵⁵

The second investment was by the company Mallcomm from the United Kingdom, which invested USD5.2 million in the software and information technology services industry. Mallcomm is a business-to-business and business-to-consumer communications medium created by the Toolbox Group. The company enables real-estate owners to manage and engage their communities efficiently through instant communication between the management team and retailers. The platform has been implemented by leading retail asset managers across the globe.⁵⁶

3.5.1.2 Building plans passed and completed

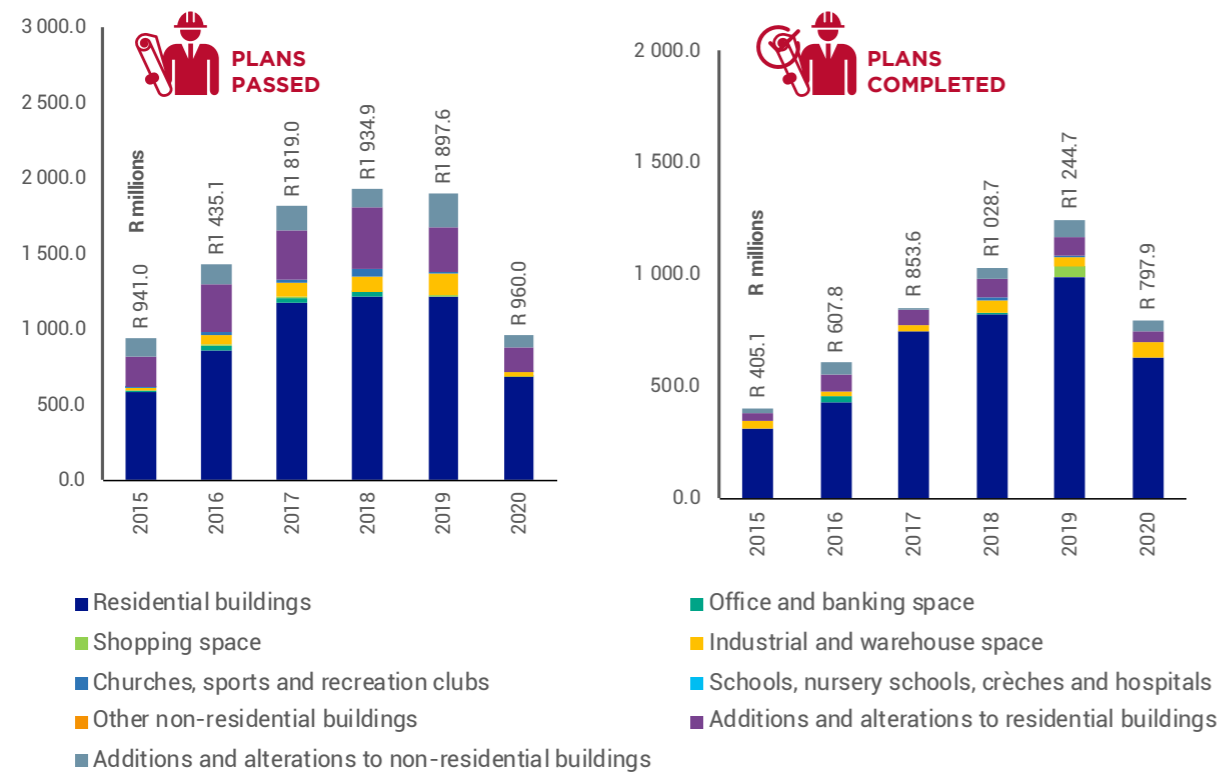
Building plans passed and completed are a couple of the indicators used to measure economic activity and business cycle changes. The value of building plans passed⁵⁷ can be used as a leading indicator, while building plans completed⁵⁸ can be used as a lagging indicator. Building plans passed and completed have further implications for municipal spatial planning and budgeting. Furthermore, building plans passed indicate the private sector's willingness to invest in an area, while business plans completed highlight money that has been spent. The development of non-residential buildings has a positive impact on the local economy during the construction phase, as well as the operational phase.

Stats SA's information on building plans passed and completed is only available for the George, Mossel Bay, Oudtshoorn, Knysna and Bitou municipal areas.

⁵⁷ Number of residential building plans passed larger than 80m².
⁵⁸ Value of non-residential buildings completed (constant prices).

Figure 3.15 illustrates the value of building plans passed and completed in the George municipal area between 2015 and 2020. The values of building plans passed and completed are expressed in current prices.

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



Source: Stats SA & Quantec Research, 2021

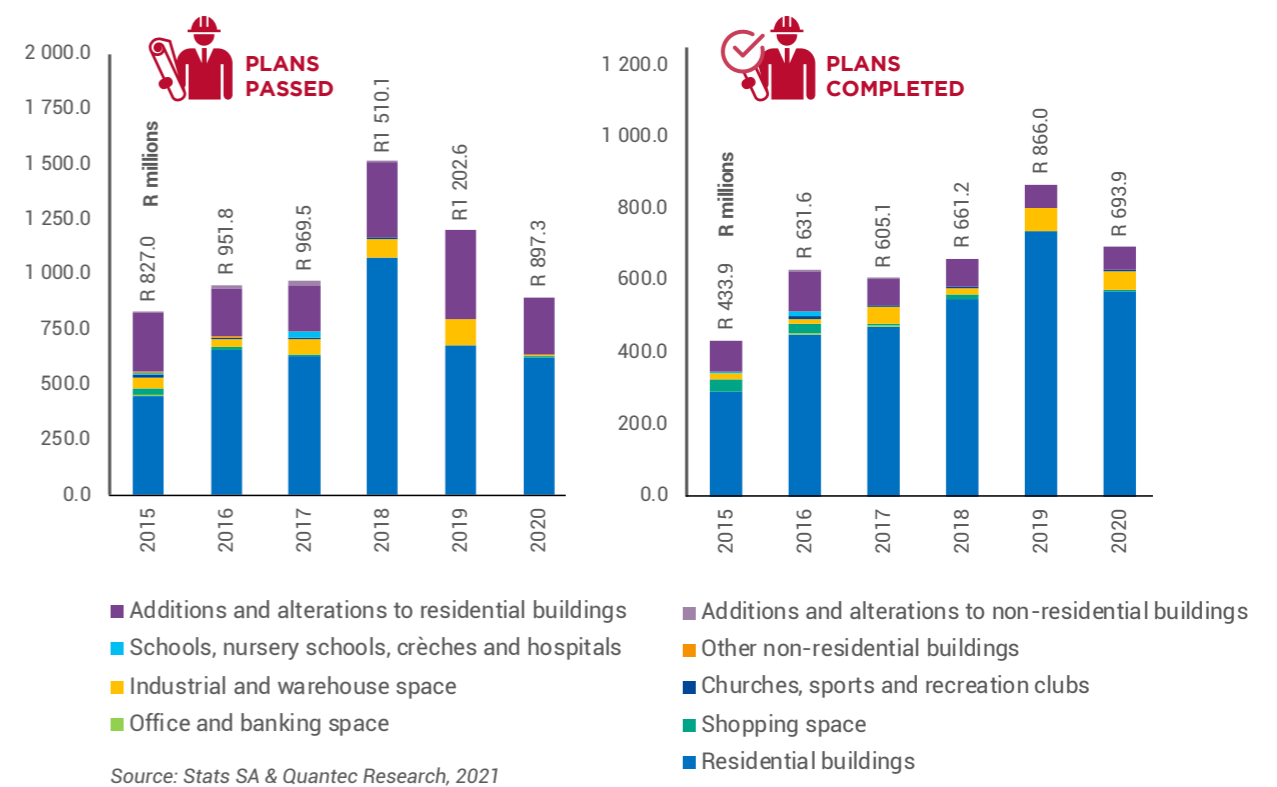
In the George municipal area, the total value of building plans passed increased from R941.0 million in 2015 to R1.9 billion in 2018, before declining to R960.0 million in 2020. During the period under review, residential building plans made up most of all building plans passed. This was followed by additions and alterations to residential buildings, and additions and alterations to non-residential buildings. Household income and demand for residential property in the George municipal area therefore play a significant role in economic activities associated with property development.

Building plans passed for residential buildings increased from R589.8 million in 2015 to R1.2 billion in 2019, before declining to R684.5 million in 2020. Building plans passed for industrial and warehouse space had a value of R29.6 million in 2020, which was notably lower than previous years, peaking at R134.7 million in 2019. In 2020 the value of building plans passed decreased significantly compared with 2019. This could be attributed to the global COVID-19 pandemic, which resulted in strict regulations and restrictions.

The value of building plans completed increased from R405.1 million to R1.2 billion in 2019, before declining to R797.9 million in 2020. Most building plans completed between 2015 and 2020 were for residential buildings. The value of building plans completed for residential developments increased from R312.6 million in 2015 to R990.0 million in 2019 before declining to R628.2 million in 2020. Other building plans completed in 2020 included industrial and warehouse space (R70.2 million), additions and alterations to residential buildings (R51.4 million), as well as additions and alterations to non-residential buildings (R48.1 million).

Figure 3.16 illustrates the value of building plans passed and completed in the Mossel Bay municipal area between 2015 and 2020.

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



Source: Stats SA & Quantec Research, 2021

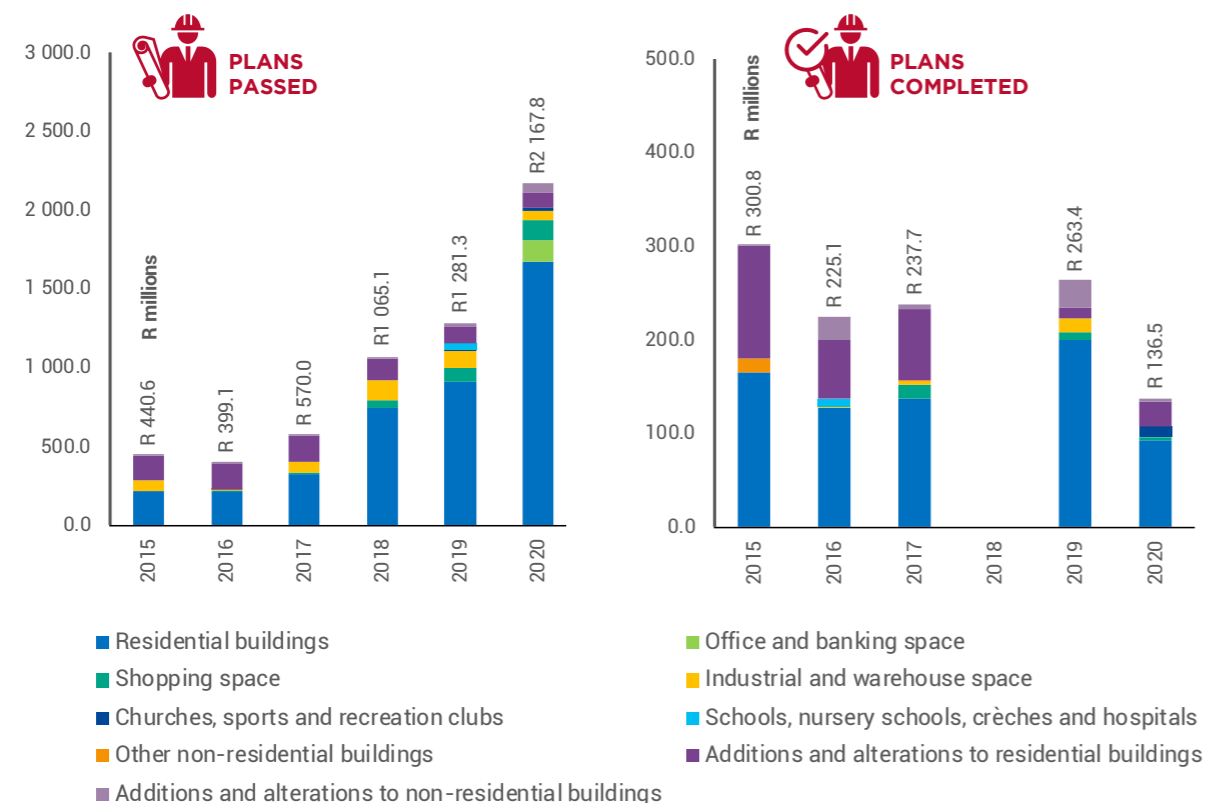
In the Mossel Bay municipal area, the total value of building plans passed increased from R827.0 million in 2015 to R1.5 billion in 2018, before declining to R897.3 million in 2020. During the period under review, residential building plans made up most of all building plans passed. This was followed by additions and alterations to residential buildings, and additions and alterations to non-residential buildings. In 2020, building plans passed for residential buildings were valued at R622.6 million, while building plans passed for additions and alterations to residential buildings were valued at R257.3 million.

In terms of commercial property, most building plans passed during the reference period were for industrial and warehouse space. This is a positive indicator for manufacturing and transport sector development. However, the value of building plans passed declined from R112.0 million in 2019 to R13.2 million in 2020.

The value of building plans completed in the Mossel Bay municipal area increased from R433.9 million in 2015 to R866.0 million in 2019 before declining to R693.9 million in 2020. This decline was mainly attributed to a decline in building plans completed for residential and industrial buildings. Building plans completed for shopping space have consistently declined from R35.0 million to zero in 2019. However, they increased to R2.6 million in 2020. This would have been a valuable injection for the trade sector, despite the tough economic conditions.

Figure 3.17 illustrates the value of building plans passed and completed in the Knysna municipal area between 2015 and 2020.

Figure 3.17
VALUE OF BUILDING PLANS PASSED AND COMPLETED, Knysna, 2015 - 2020 (R million)



Note: No data for building plans completed in 2018. Source: Stats SA & Quantec Research, 2021

Building plans passed steadily increased over the reference period, peaking at R2.2 billion in 2020. In 2020, building plans passed for residential buildings were valued at R1.7 billion, shopping space building plans passed were valued at R130.3 million and plans for office and banking space were valued at R129.5 million. If these projects are realised, it will be a substantial boost not only to the local construction industry but also to tertiary sector activities. Despite the tough economic conditions, additions and alterations to non-residential buildings increased from R18.8 million in 2019 to R61.1 million in 2020.

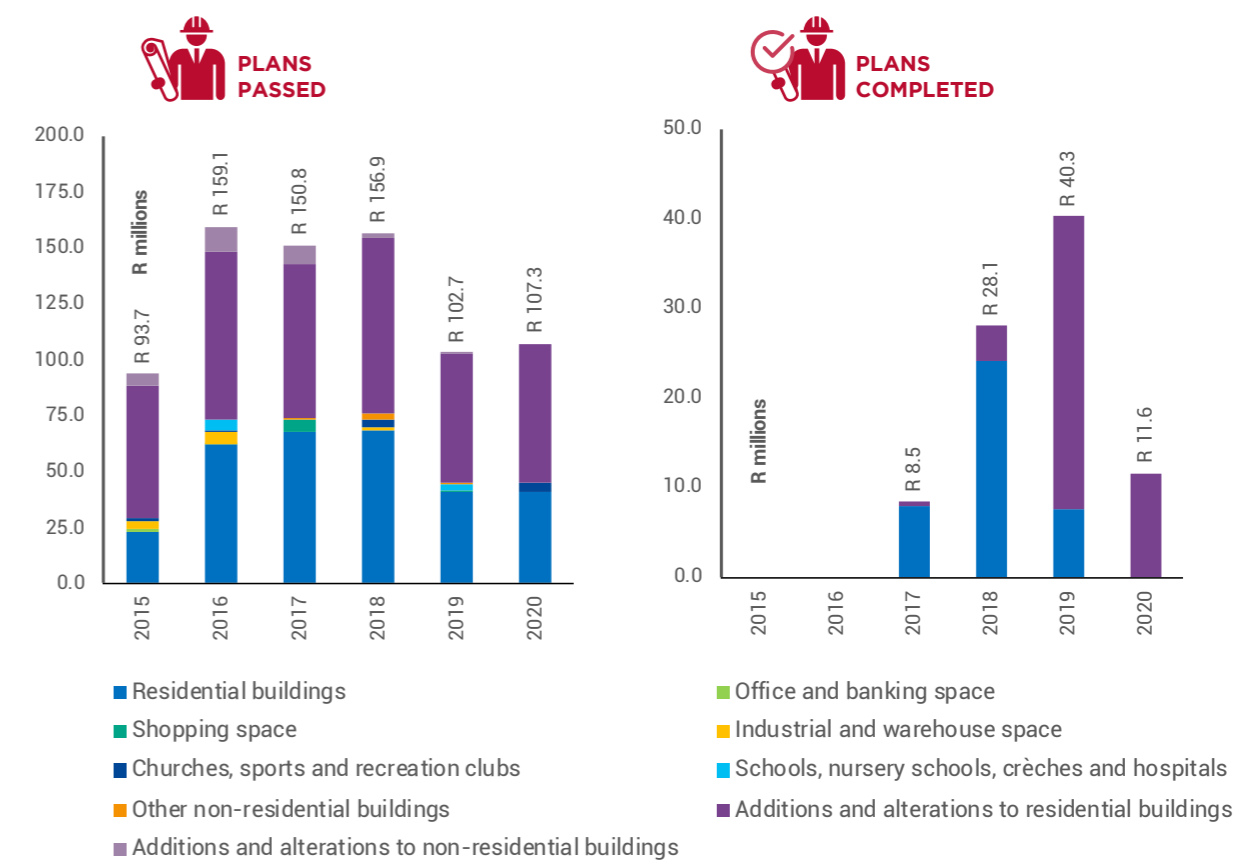
Building plans completed declined from R300.8 million in 2015 to R237.7 million in 2017, and from R263.4 million in 2019 to R136.5 million in 2020. The lockdown restrictions likely affected construction projects. Building plans completed for residential buildings declined from R200.5 million in 2019 to R92.8 million in 2020. However, building plans completed for additions and alterations to residential buildings increased from R10.7 million in 2019 to R25.1 million in 2020. Smaller construction works such as additions and alterations to residential property would have boosted SMMEs in the construction industry as well as retail sales of hardware and other inputs required for small-scale renovations.

However, future large-scale developments in the Knysna municipal area will be constrained by shortages of well-located land for housing and urban development, as well as capacity constraints in the municipal planning and building control departments.⁵⁹

⁵⁹ (Knysna Municipality, 2021).

Figure 3.18 illustrates the value of building plans passed and completed in the Oudtshoorn municipal area between 2015 and 2020.

Figure 3.18
VALUE OF BUILDING PLANS PASSED AND COMPLETED, Oudtshoorn, 2015 - 2020 (R million)



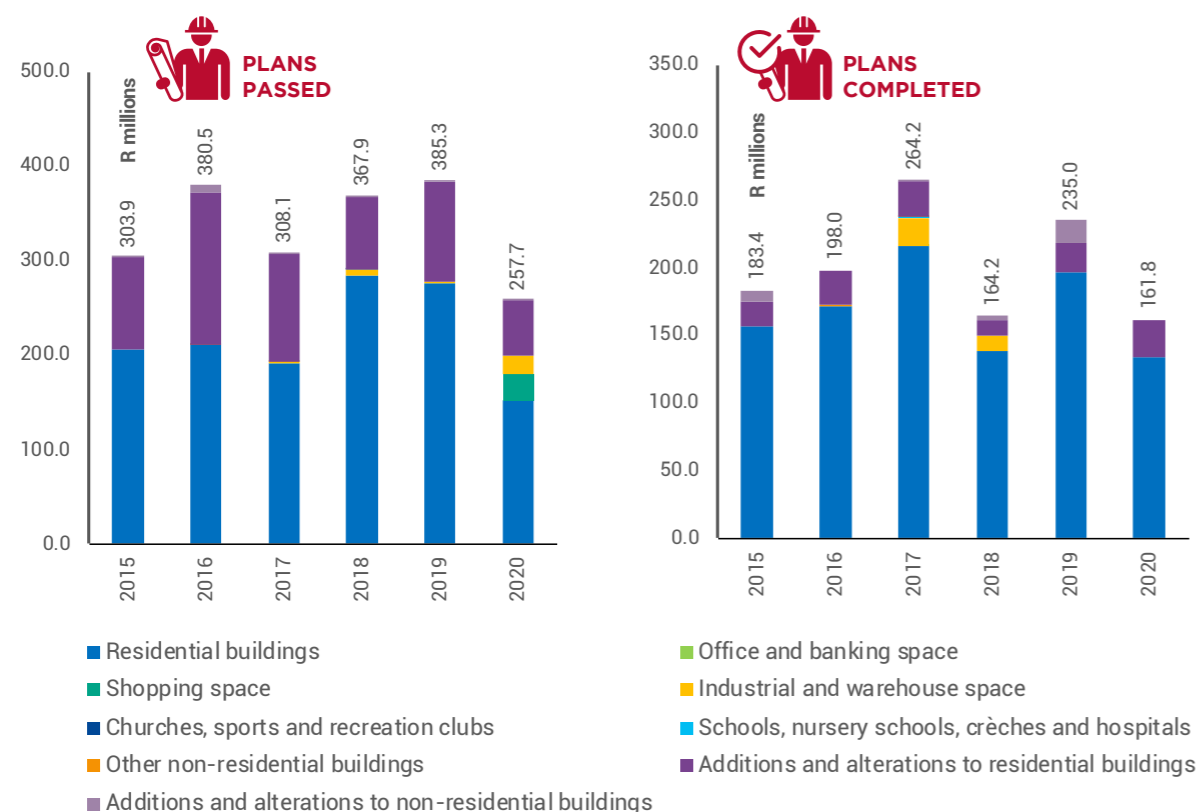
Note: No data for building plans completed for 2015 and 2016. Source: Stats SA & Quantec Research, 2021

Building plans passed increased substantially from R93.7 million in 2015 to R159.1 million in 2016, from where they decreased to R156.9 million in 2018. They declined again to R102.7 million in 2019 before increasing marginally to R107.3 million in 2020. For the period under review, most of the building plans passed were for additions and alterations to residential buildings. These increased from R57.2 million in 2019 to R62.0 million in 2020.

Building plans completed increased from R8.5 million in 2017 to R40.3 million in 2019 before declining to R11.6 million in 2020. In line with building plans passed, most building plans completed are for additions and alterations to non-residential buildings. Between 2019 and 2020 building plans completed for additions and alterations to residential buildings declined from R32.7 million to R11.6 million.

Figure 3.19 illustrates the value of building plans passed and completed in the Bitou municipal area between 2015 and 2020.

Figure 3.19
VALUE OF BUILDING PLANS PASSED AND COMPLETED, Bitou, 2015 – 2020 (R million)



Source: Stats SA & Quantec Research, 2021

In the Bitou municipal area, the total value of building plans passed increased from R303.9 million in 2015 to R385.3 million in 2019 before declining to R257.7 million in 2020. Throughout the period under review, most building plans passed were for residential buildings, the value of which decreased from R275.4 million in 2019 to R152.8 million in 2020. Building plans passed for shopping space increased to R26.8 million in 2020, while building plans for industrial and warehouse space increased from R2.1 million in 2019 to R20.1 million in 2020. Building plans passed in Bitou in recent years therefore show favourable growth patterns for the region's commercial sector.

The value of building plans completed peaked in 2017 (R264.2 million) and 2019 (R235.0 million). The majority of building plans completed were for residential buildings, the value of which decreased from R156.9 million in 2015 to R133.9 million in 2020. Other building plans completed in 2020 were mainly for additions and alterations to residential buildings (R27.9 million).

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

development of housing may also mean an increase in residents in an area, which translates into an increase in the labour force and economic growth.

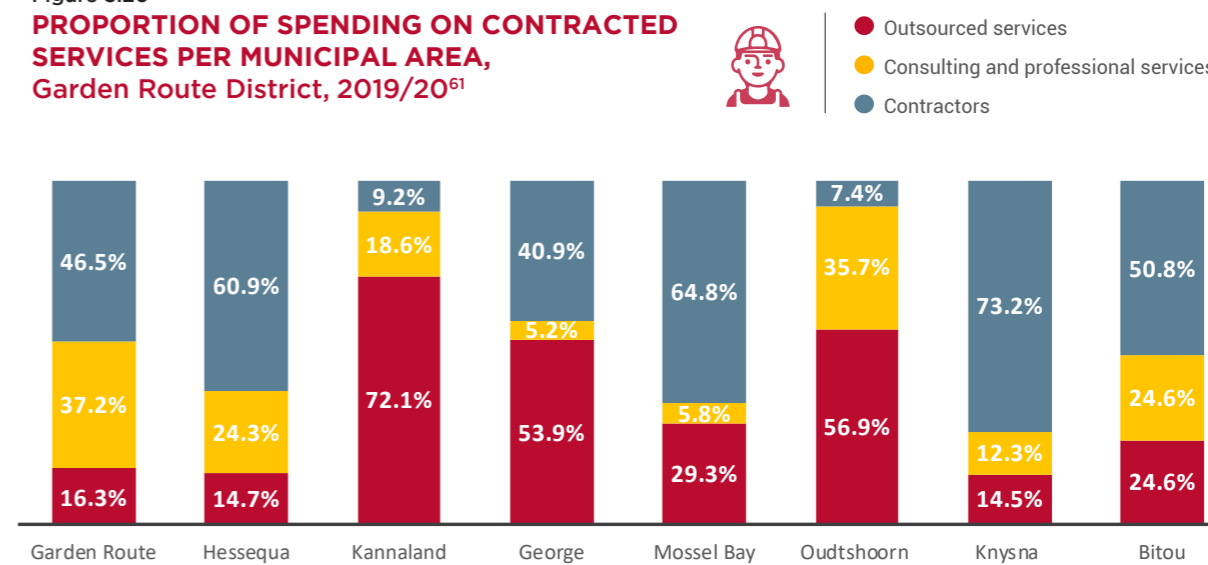
While building plan data from Stats SA does not include the Kannaland municipal area, indications from the municipality are that residential building approvals were significantly higher in 2020 than in the previous year. There was also an increase in retail building applications, albeit from a small base, while commercial and industrial property supply remained muted.⁶⁰

3.5.2 Public-sector investment

3.5.2.1 Municipal contracted services

The procurement processes of local municipalities can facilitate the development of local SMMEs that provide goods and services, while spending on infrastructure promotes the creation of an enabling environment for households and businesses to function optimally. Figure 3.20 indicates the distribution of municipal spending on contracted services in 2019/20.

Figure 3.20
PROPORTION OF SPENDING ON CONTRACTED SERVICES PER MUNICIPAL AREA, Garden Route District, 2019/20⁶¹



Source: National Treasury, 2021

For the District, the largest proportion of contracted service was allocated to contractors (46.5 per cent), followed by consulting and professional services (37.2 per cent) and outsourced services (16.3 per cent). The local municipalities in the GRD have very different spending patterns, based on the individual needs of each local municipal area.

In 2019/20, the Hessequa Municipality spent most of its contracted services on contractors (60.9 per cent), followed by consulting and professional services (24.3 per cent) and outsourced services (14.7 per cent).

⁶⁰ (Kannaland Municipality, 2021).

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

For the Kannaland Municipality, most of the contracted spending in 2019/20 was allocated to outsourced services (72.1 per cent) and consulting and professional services (18.6 per cent), followed by contractors (9.2 per cent). Outsourced services were mainly for accounting and auditing services (R6.2 million). The construction of a library currently under way in Bergsig represents important new infrastructure for the municipal area.⁶² Not only will this boost the local construction industry, it can also improve education outcomes in the municipal area.

In the George Municipality, most of the contracted spending was allocated to outsourced services (53.9 per cent) and contractors (40.9 per cent), followed by consulting and professional services (5.2 per cent). Contracted services in the George Municipality were mainly for transport services (R175.9 million). Initiatives such as the Go George bus service play an integral role for the economy of the George municipal area, as the availability of public transport ensures ease of access to employment opportunities. In 2019/20, the George Municipality also spent R106.2 million on the maintenance of buildings, informal settlements, equipment and other assets, which is a valuable boost to the economy, as local contractors would have been utilised for these services.

Most of the Mossel Bay Municipality's spending on contracted services was on contractors (64.8 per cent), followed by outsourced services (29.3 per cent) and consulting and professional services (5.8 per cent). Spending on contractors comprised mainly building contractors (R50.4 million) and maintenance (R39.8 million). The municipality also spent R12.2 million on cleaning services and R10.5 million on grass-cutting and -clearing services. These spending categories can be utilised to support local SMMEs, and enabling local service providers to provide services to the public sector can be a catalyst for employment creation in the municipal area.

In the Oudtshoorn Municipality, most of the contracted spending was allocated to outsourced services (56.9 per cent) and consulting and professional services (35.7 per cent), followed by contractors (7.4 per cent). Several investments have been made in the past two years to upgrade water-related infrastructure. These include, but are not limited to, the Blossoms Wellfield pipeline, the Raubenheimer Dam upgrade and the Calitzdorp Spa groundwater exploration. The Dysselsdorp Housing Project, which is currently under construction in the Oudtshoorn municipal area, will add more than 500 new residential units to the local housing stock, with associated indirect benefits for local labour and construction firms. It is expected that planned investments into a library, school, crèche and police station in the Rose Valley and Toekomsrus areas will also support the sector.⁶³

In 2019/20 the Knysna Municipality's spending on contracted services was mainly on contractors (73.2 per cent), followed by outsourced services (14.5 per cent) and consulting and professional services (12.3 per cent). Major contractor spending in the municipality included R58.6 million on building contractors and R54.5 million on maintenance. This can be a significant investment in the local construction sector if local suppliers are utilised.

The Bitou Municipality spent most of its contracted services on contractors (50.8 per cent), followed equally by consulting and professional services (24.6 per cent) and outsourced services (24.6 per cent). Contractors were mainly utilised for maintenance of buildings, equipment and other assets (R35.8 million), while spending on consultants and professional services was mainly for legal costs (R12.9 million). The municipality also spent R14.5 million on outsourcing security services.

⁶² (Kannaland Municipality, 2021).

⁶³ (Oudtshoorn Municipality, 2021).

Municipal procurement of goods and services benefits the local economy if local enterprises are utilised, particularly SMMEs. However, local government in the GRD also provides various support measures to help retain and attract SMMEs, including:

- Export capacity-building workshops.
- Connecting SMMEs to support organisations such as the Small Enterprise Development Agency.
- Utilisation of community development workers in instances where local economic development (LED) unit capacity is limited.⁶⁴
- Assisting local business with applications for COVID-19 relief grants.
- Provision of PPE and payment holidays for informal trader permits as COVID-19-specific responses.^{65,66}
- Incubator programmes.⁶⁷
- Preparatory research towards the establishment of the Kannaland Business Chamber.⁶⁸



⁶⁴ (Kannaland Municipality, 2021).

⁶⁵ (Oudtshoorn Municipality, 2021).

⁶⁶ (Bitou Municipality, 2021).

⁶⁷ (Knysna Municipality, 2021).

⁶⁸ (Kannaland 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 but can also create numerous employment opportunities. Additionally, it can also stimulate economic activity from the operational activities that result from the initial capital spending. Despite the importance and necessity of maintaining existing infrastructure and investing in new infrastructure, local governments are under pressure, as generating their own revenue is becoming increasingly constrained owing to rising unemployment and poor economic growth, while income from Provincial and national grants is declining.

JOINT DISTRICT AND METRO APPROACH

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

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

The table below outlines the budgeted expenditure on infrastructure by the local municipalities in the GRD and by the Provincial government for 2021/22.

Table 3.6
**SPENDING ON INFRASTRUCTURE,
Garden Route District, 2021/22**

| DESCRIPTION R million | 2021/22 Municipal infrastructure spend (original budget) |
|-----------------------------------|--|
| Economic infrastructure | 200.8 |
| Road transport and public works | 199.4 |
| Environmental services | 1.5 |
| Social infrastructure | 119.7 |
| Education | - |
| Health | 0.3 |
| Social development | 9.2 |
| Housing | 110.3 |
| Trading services | 663.1 |
| Energy sources | 141.2 |
| Water management | 164.6 |
| Wastewater management | 274.7 |
| Waste management | 82.7 |
| Other | 120.9 |
| Total infrastructure spend | 1 104.6 |

Source: Provincial Treasury, 2021

The local municipalities in the GRD have allocated R1.1 billion to the capital expenditure budgets for 2021/22. This includes allocations made towards economic, social and trading services infrastructure of R200.8 million, R119.7 million million and R663.1 million respectively. In addition, R120.9 million has been budgeted to be spent on other capital expenses, which include governance and administration, public safety, community services, sport and recreation, planning and development, and environmental protection services.

Most of the budget allocations originate from municipal budgets of the GRD. Key municipal expenditure categories include wastewater management (R274.7 million), and road transport and public works (R199.4 million).

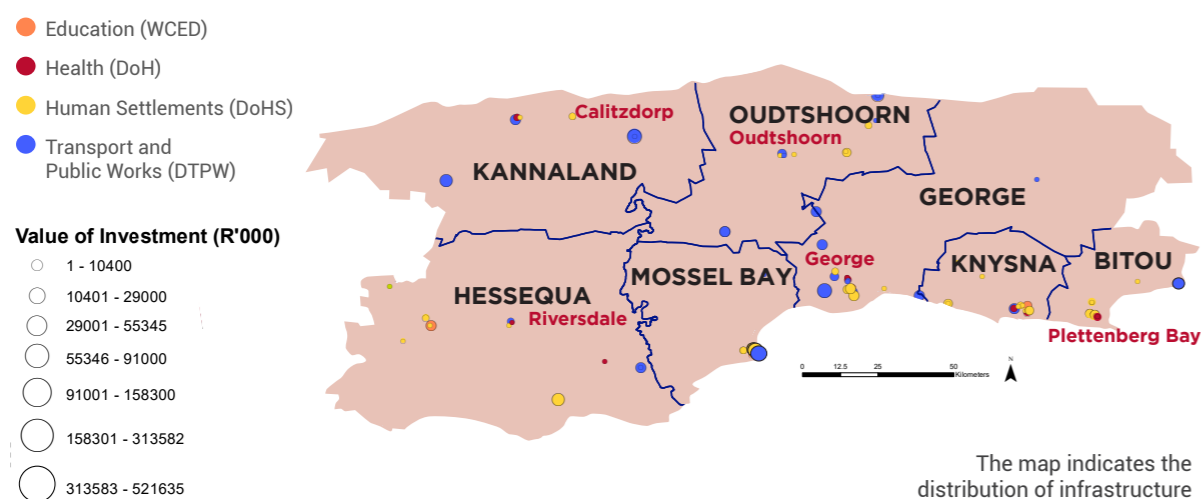


Information about the **2021/22 budgeted Provincial infrastructure spend** is provided in the *Overview of Provincial and Municipal Infrastructure Investment (OPMII)*, published by Provincial Treasury.



Infrastructure investment by Provincial government departments in the GRD across the 2021 Medium Term Expenditure Framework (MTEF) accounts for 8.9 per cent or R3.1 billion of the Province's total investment of R27.2 billion. The per capita investment in this District amounts to R4 925, which is higher than the Provincial average. New infrastructure assets account for 10.4 per cent of the District's total 2021 MTEF infrastructure investment:

- Provincial infrastructure investment in the District for the 2021 MTEF is mainly focused on upgrades, refurbishments and maintenance of road transport infrastructure, providing for maintaining quality inter- and intra-regional regional economic connections. The District economy is highly dependent on connectivity, and the infrastructure investment response is dominated by road transport.
- The top 10 projects account for 37.4 per cent of the total 2021 MTEF District allocation, which mostly consists of roads infrastructure projects in various municipal areas. The clustering of infrastructure investment in socio-economic facilities follows the spatial trends and patterns of population growth consolidated in the economic growth nodes.



Map 3.1
TOTAL DEPARTMENTAL MTEF INFRASTRUCTURE BUDGET AND NUMBER OF PROJECTS, Garden Route District, 2021/24

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

| WC PROVINCIAL DEPARTMENT | No of projects | 2021/22 MTEF (R'000) | 2022/23 MTEF (R'000) | 2023/24 MTEF (R'000) | MTEF total (R'000) |
|-----------------------------------|----------------|----------------------|----------------------|----------------------|--------------------|
| Education (WCED) | 4 | 25 000 | 60 000 | 34 000 | 119 000 |
| Health (DoH) | 19 | 24 652 | 56 513 | 33 358 | 114 523 |
| Human Settlements (DoHS) | 47 | 431 943 | 491 589 | 343 908 | 1 267 440 |
| Transport and Public Works (DTPW) | 29 | 571 659 | 491 050 | 495 970 | 1 558 679 |
| Total | 99 | 1 053 254 | 1 099 152 | 907 236 | 3 059 642 |

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.

3.6 CONCLUDING REMARKS

In 2020, the GRD experienced its first trade deficit since 2010, which can mainly be attributed to the steep decline in the manufacturing sector and the mining sector trade balances. On a municipal level, while the Knysna, Oudtshoorn and Bitou municipal areas experienced trade surpluses, George, Mossel Bay and Hessequa experienced trade deficits in 2020. In the Knysna, Oudtshoorn, George, Mossel Bay and Hessequa municipal areas, the trade balances were mainly driven by the manufacturing sector.

India was the District's leading import partner in 2020, making a contribution of 19.0 per cent towards total imports. Petroleum oils and oils obtained from bituminous minerals, other than crude, made the largest import contribution (49.2 per cent) to the GRD and were valued at R3.1 billion in 2020. The Netherlands was the District's leading export partner in 2020, contributing 11.7 per cent towards total exports. Citrus fruit was the District's top exported product in 2020, with a value of more than R1.0 billion and contributing 24.6 per cent to total exports.

In terms of tourism, the GRD is a popular leisure destination among both international and domestic markets that enjoy short or weekend getaways. The top three international source markets to the GRD in 2020 were Germany (37.4 per cent), the United Kingdom (19.6 per cent) and the Netherlands (7.8 per cent), while the top three domestic source markets were the Western Cape (38.2 per cent), the Eastern Cape (13.4 per cent) and Gauteng (7.8 per cent).

Activities enjoyed in 2020 by tourists to the GRD included scenic drives (23.7 per cent), outdoor activities (20.4 per cent) and beaches (17.1 per cent). The impact of COVID-19 on the GRD tourism industry indicates a decline in income as well as job losses and business closures, putting many tourism businesses under severe pressure to sustain livelihoods.

In 2020, two sectors with high location quotient values were the agriculture sector and the mining sector, indicating a comparative advantage. These sectors can be used to leverage benefits and expand on economic opportunities and potential in the GRD.

Building plans passed and completed in the George, Oudtshoorn and Bitou municipal areas fell in 2020 compared with previous years. The Mossel Bay municipal area's building plans passed and completed in 2020 increased compared with 2019. In the Knysna municipal area building plans increased slightly in 2020, while building plans completed fell in 2020.

In terms of infrastructure budget allocations in the District, key municipal expenditure categories include water management (R164.6 million), wastewater management (R274.7 million) and road transport and public works (R199.4 million).



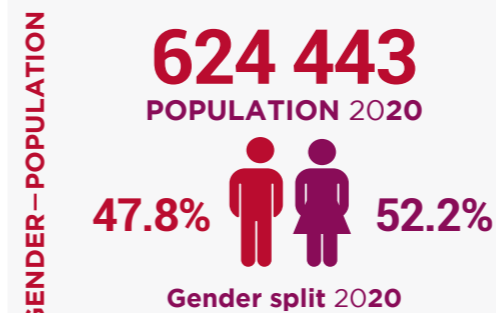
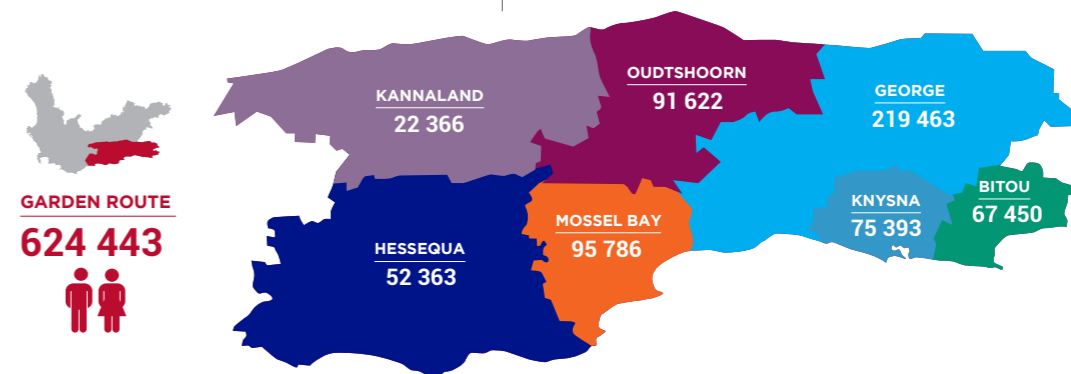
4 MUNICIPAL SOCIO-ECONOMIC ANALYSIS

4.1 INTRODUCTION

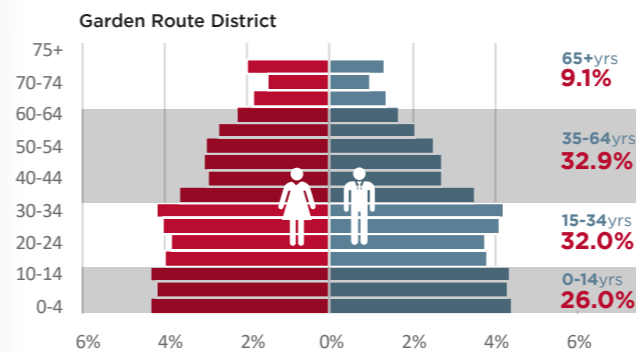
This chapter provides an overview of the economic and social circumstances of households living in the GRD by analysing population, human development, housing, crime and access to basic services. More specifically, human development in the region is assessed by exploring education levels, health and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

GARDEN ROUTE DEMOGRAPHICS

CURRENT POPULATION, Garden Route District, 2020



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 HDI, educational development and dwelling types. These indicators are discussed in detail in the sections below.

AGE PROFILE



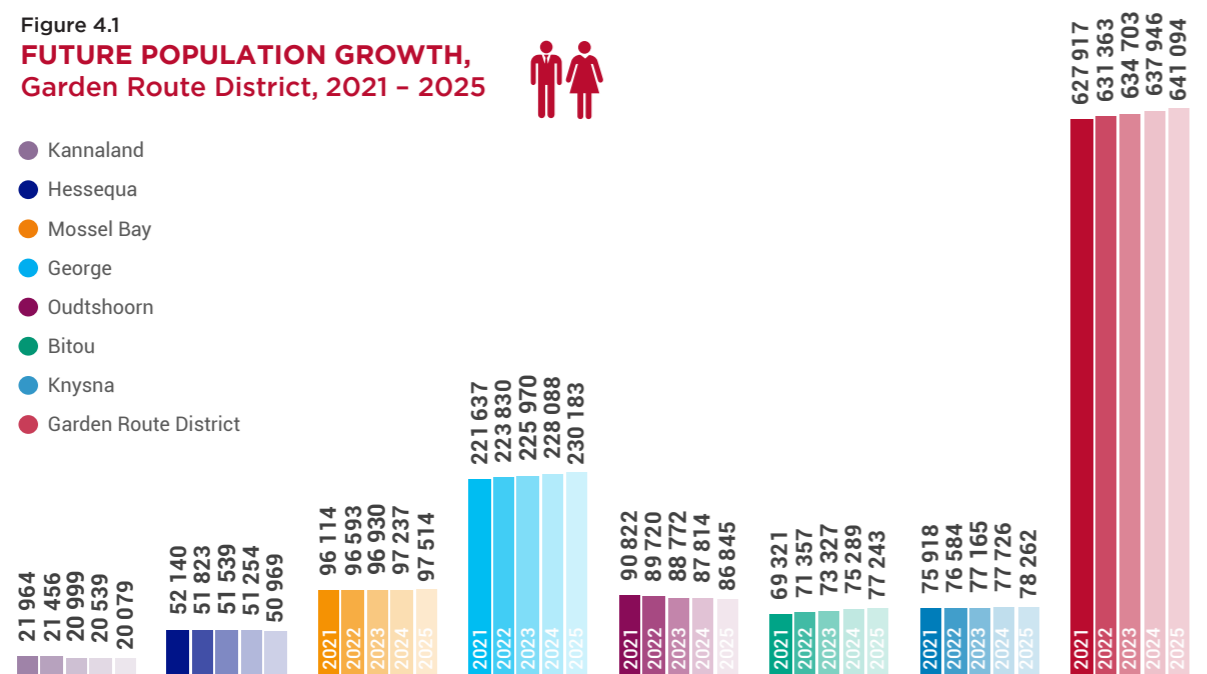
Age split 2020

HOUSEHOLDS



4.2 POPULATION PROFILE

Figure 4.1 illustrates the projected growth of the population in the GRD between 2021 and 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

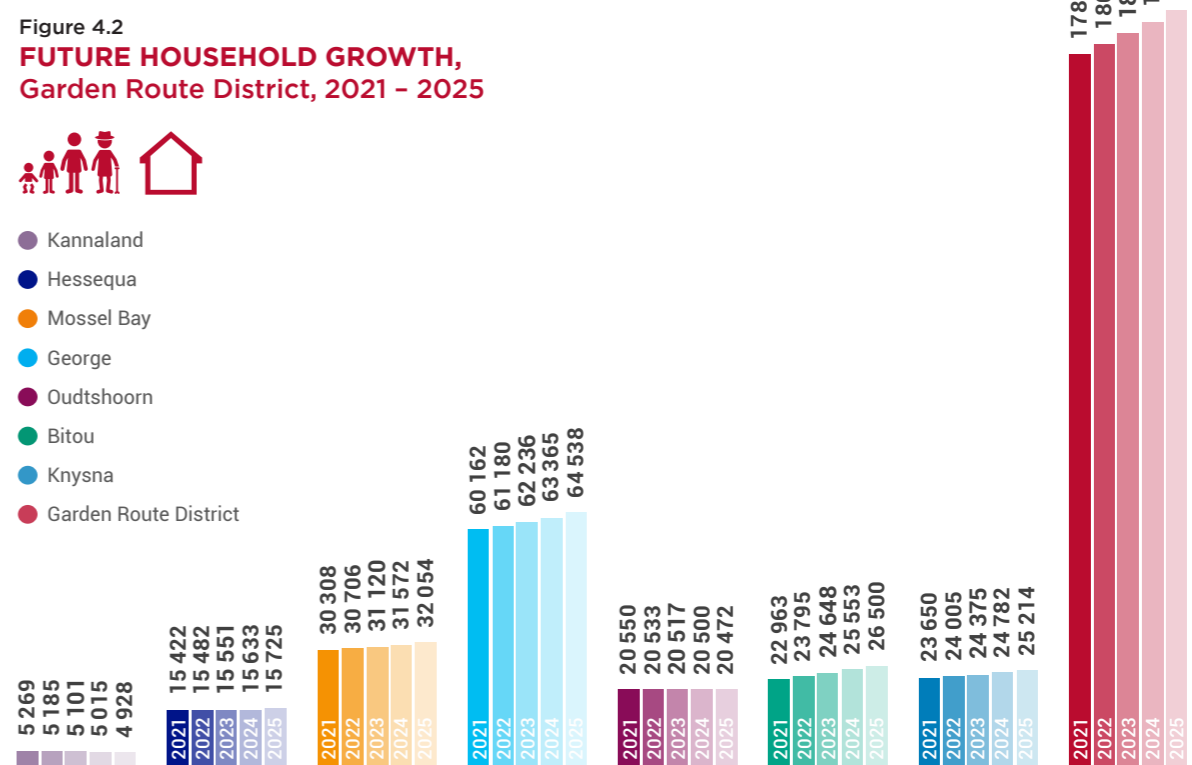
The GRD is the third most populated District in the Western Cape, after the Cape Metro and the CWD. The population in the GRD is expected to increase by an annual average growth rate of 0.5 per cent from 627 917 people in 2021 to 641 094 people in 2025. The slow District population growth is a result of expected population declines in the Kannaland, Hessequa and Oudtshoorn municipal areas. The populations in these municipal areas are expected to decline by an average annual rate of 2.1 per cent, 0.5 per cent and 1.1 per cent respectively for the period between 2021 and 2025.

This could be attributed to young people seeking job opportunities elsewhere. The decline in the working-age population has a negative implication for future economic growth in these municipal areas, as a lack of labour will influence production capabilities.

The populations of the Mossel Bay, George, Bitou and Knysna municipal areas are expected to increase by an average annual rate of 0.4 per cent, 1.0 per cent, 2.7 per cent and 0.7 per cent respectively for the period between 2021 and 2025. The George and Bitou municipal areas are anticipated to have the highest population growth in absolute numbers, with an expected increase of 8 547 people and 7 921 people respectively by 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.

Figure 4.2 illustrates the projected household growth in the GRD between 2021 and 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

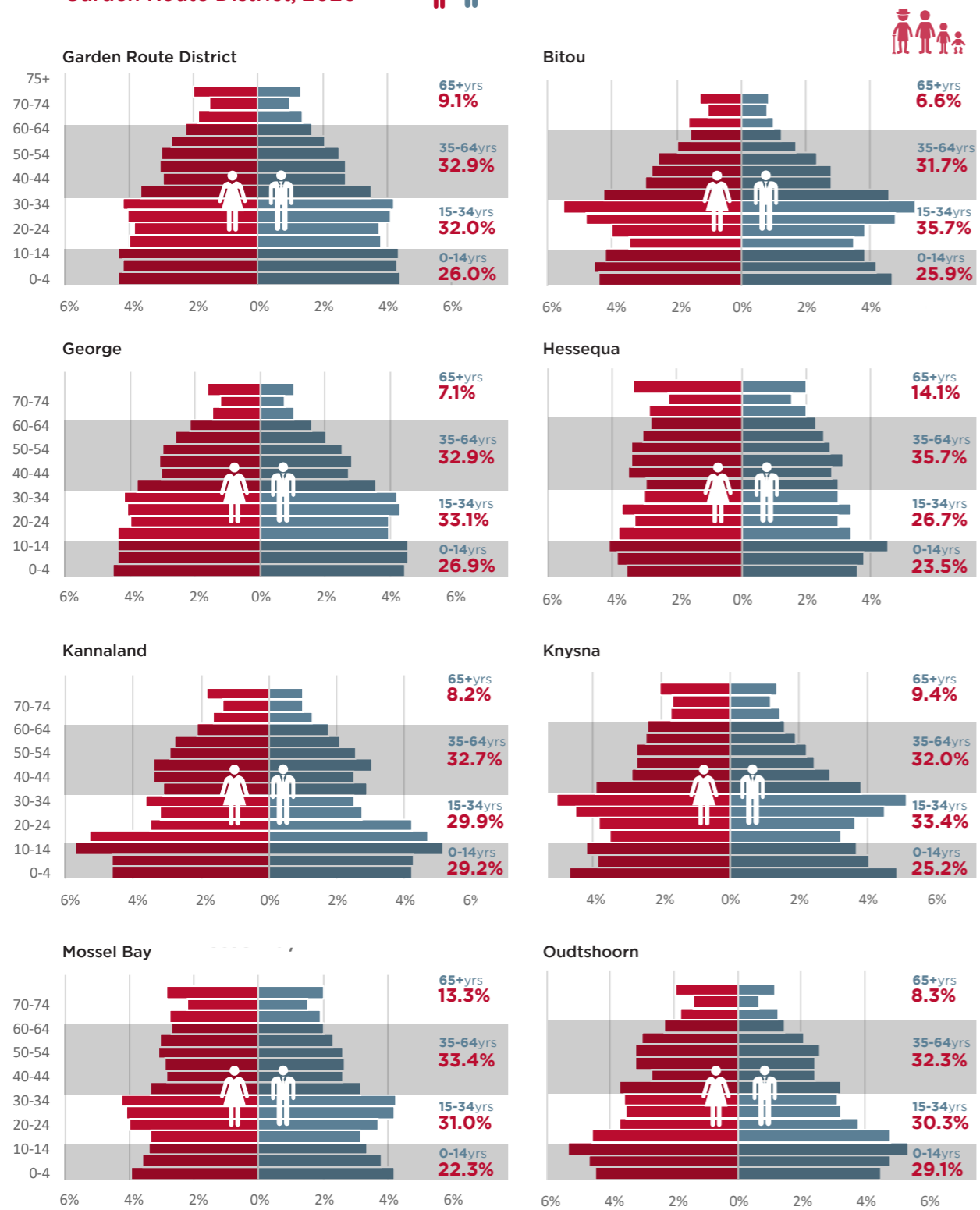
The number of households in the GRD is expected to increase by an average annual rate of 1.5 per cent, from 178 823 households in 2021 to 189 430 households in 2025. The Bitou and George municipal areas are expected to have the highest household growth of 3.6 per cent and 1.8 per cent respectively. Areas such as Plettenberg Bay and George are becoming increasingly popular among retirees as well as young families from Gauteng and Cape Town thanks to the area's slower pace of life and scenic country life.⁶⁹ The number of households in the Knysna, Mossel Bay and Hessequa municipal areas are also expected to increase by an average annual rate of 1.6 per cent, 1.4 per cent and 0.5 per cent respectively for the period between 2021 and 2025. The number of households in the Kannaland and Oudtshoorn municipal areas are expected to decrease by an average annual rate of 1.6 per cent and 0.1 per cent respectively.



⁶⁹ (Everything Property, 2020).

Figure 4.3 uses population pyramids to illustrate the gender and age cohorts of the municipal areas in the GRD in 2020.

Figure 4.3
GENDER AND AGE DYNAMICS,
Garden Route 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 population of the Kannaland municipal area consists largely of people between the ages of 35 and 64 (32.7 per cent in 2020), followed by those between the ages of 15 and 34 (29.9 per cent). There is, however, a large dependency on those of the working-age population, as 29.2 per cent of the population is made up of people younger than 15. Population growth forecasts indicate a large decline in the youth and child population in the Kannaland municipal area. This will have an impact on future labour supply in this area.

The Hessequa municipal area consists mainly of people between the ages of 35 and 64 (35.7 per cent in 2020). Compared with other municipal areas, the Hessequa municipal area also has a large cohort of people older than 64 (14.1 per cent). The Hessequa municipal area is also anticipated to experience a decline in the child and youth population as young people and families move away from the area.

The majority of the population in the Mossel Bay municipal area are between the ages of 35 and 64 (33.4 per cent in 2020), followed by those between the ages of 15 and 34 (31.0 per cent). The Mossel Bay area is a popular retirement population, with 13.3 per cent of the population being older than 64. Population growth trends in the Mossel Bay municipal area indicate an increase in families with children in this area. This increase in the working-age population not only leads to an increase in demand for employment but will also influence the demand for social infrastructure such as schools.

The youth (15 to 34 years) make up the largest proportion of people in the George municipal area (33.1 per cent in 2020), followed by those between the ages of 35 and 64 (32.9 per cent). The growing economy of the George municipal area makes it an attractive area for youth from smaller towns and rural areas who are looking for jobs.

People between the ages of 35 and 64 make up the majority (32.3 per cent in 2020) of the Oudtshoorn municipal area's population, followed by those between the ages of 15 and 34 (30.3 per cent). Compared with the broader GRD, the Oudtshoorn municipal area also has a large population of those younger than 15 (29.1 per cent). This emphasises the importance of the availability of education infrastructure, as there will be a large increase of youth in the labour force in future.

The Bitou municipal area has a large youth population (35.7 per cent in 2020), followed by those between the ages of 35 and 64 (31.7 per cent). The youth population typically has less work experience and lower skill levels, which contributes to the high unemployment rate of the Bitou municipal area.

The Knysna municipal area has a similar age distribution, with the majority of people being between the ages of 15 and 34 (33.4 per cent in 2020). However, the Knysna municipal area has proportionally more people older than 64 (9.4 per cent) compared with other municipal areas, indicating that the Knysna municipal area is another popular area for retirement.

4.3 HUMAN DEVELOPMENT

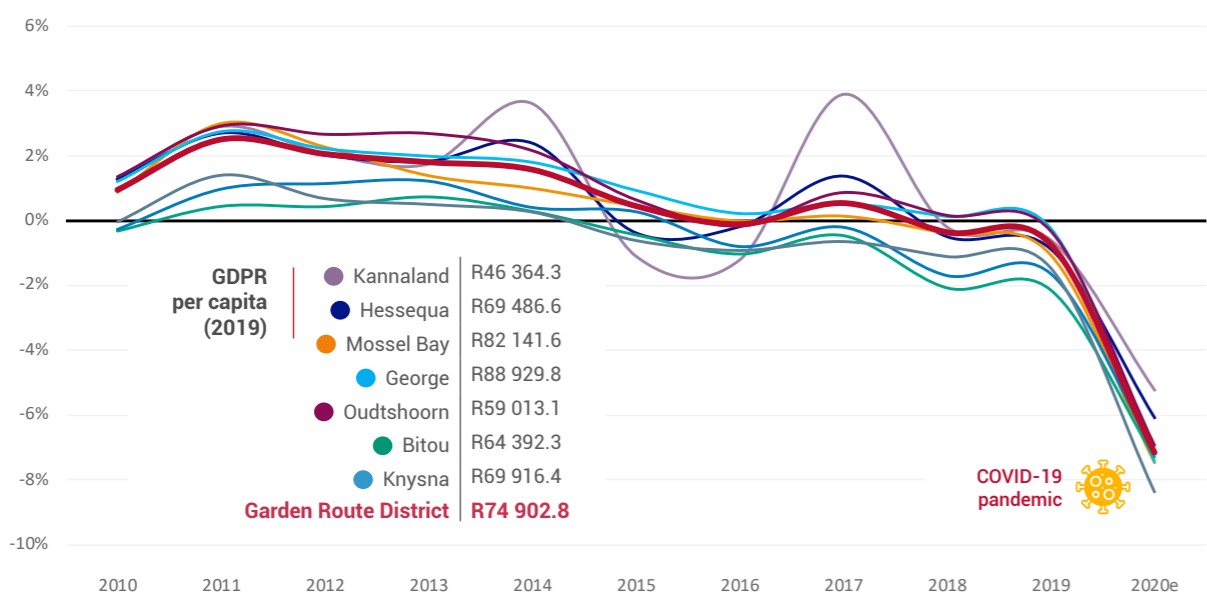
Economists expect economic growth to result in improvements in human development, and economic decline to have an adverse effect on human development. The United Nations uses the HDI to assess the level of socio-economic development in countries. The performance of the economy plays a major role in determining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

4.3.1 Income

In 2019, the GRD had a GDPR per capita of R74 902.8, which was lower than the Province's R88 953.0. The municipal areas with the highest GDPR per capita were George (R88 929.8) and Mossel Bay (R82 141.6).

Figure 4.4 illustrates the GDPR per capita growth for the GRD and its municipal areas between 2010 and 2020.

Figure 4.4
GDPR PER CAPITA GROWTH, Garden Route District, 2010 - 2020



| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|--------------|--------------|--------------|
| Western Cape | 0.0% | 1.4% | 0.7% | 0.5% | 0.3% | -0.6% | -0.9% | -0.6% | -1.1% | -1.5% | -8.4% |
| Garden Route District | 0.9% | 2.5% | 2.0% | 1.8% | 1.6% | 0.4% | -0.1% | 0.5% | -0.4% | -0.7% | -7.2% |
| Kannaland | 1.2% | 2.9% | 2.1% | 1.7% | 3.6% | -1.1% | -1.2% | 3.9% | -0.2% | -0.6% | -5.2% |
| Hessequa | 1.3% | 2.7% | 2.0% | 1.8% | 2.4% | -0.4% | -0.2% | 1.4% | -0.5% | -0.9% | -6.1% |
| Mossel Bay | 0.9% | 3.0% | 2.3% | 1.4% | 1.0% | 0.5% | 0.0% | 0.1% | -0.4% | -1.1% | -7.5% |
| George | 1.2% | 2.7% | 2.2% | 2.0% | 1.8% | 0.9% | 0.2% | 0.5% | 0.1% | -0.2% | -7.4% |
| Oudtshoorn | 1.3% | 2.9% | 2.6% | 2.7% | 2.1% | 0.6% | -0.2% | 0.9% | 0.2% | -0.3% | -6.9% |
| Bitou | -0.3% | 0.4% | 0.4% | 0.7% | 0.3% | -0.4% | -1.0% | -0.5% | -2.1% | -2.1% | -7.3% |
| Knysna | -0.3% | 0.9% | 1.1% | 1.2% | 0.4% | 0.3% | -0.8% | -0.2% | -1.7% | -1.7% | -7.1% |

Source: Quantec Research, 2021 (e denotes estimate)

In the GRD, it is estimated that the GDPR per capita experienced a significant decrease of 7.2 per cent in 2020, which was less than the Western Cape's 8.4 per cent decrease. The GDPR per capita experienced major decreases in all municipal areas. This could be attributed to the COVID-19 pandemic and the associated lockdown regulations and restrictions imposed on movement and labour, which have led to many job losses or decreased household income, thereby affecting the GDPR per capita. The GDPR per capita growth for all municipal areas follows a similar trend between 2010 and 2020.

Table 4.1 illustrates the average monthly household income of the GRD and its municipal areas in 2019.

Table 4.1
AVERAGE MONTHLY HOUSEHOLD INCOME (CURRENT PRICES), Garden Route District, 2019

| MUNICIPALITY | Average household income 2019 (current prices) | Trend 2015 - 2019 |
|------------------------------|--|-------------------|
| Kannaland | R13 524 | 1.5% |
| Hessequa | R16 079 | 1.3% |
| Mossel Bay | R18 731 | 0.8% |
| George | R20 650 | 0.8% |
| Oudtshoorn | R20 199 | 0.7% |
| Bitou | R13 259 | 0.1% |
| Knysna | R16 694 | 0.5% |
| Garden Route District | R18 253 | 0.7% |
| Western Cape | R19 430 | -0.3% |

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

In 2019, the average household income in the GRD (R18 253) was lower than that of the Province (R19 430). However, the average household income experienced a 0.7 per cent average annual increase between 2015 and 2019 in the GRD, while that of the Province declined by an average annual rate of 0.3 per cent. Households in the George (R20 650), Oudtshoorn (R20 199) and Mossel Bay (R18 731) municipal areas had higher levels of income compared with the other municipal areas in the GRD. The Bitou municipal area recorded the lowest average household income in 2019 (R13 259). Although the average household income in the municipal areas of the GRD is on an increasing trend, growth remains below inflation. The average inflation over the period was recorded at 5.0 per cent,⁷⁰ and household income in the GRD is therefore not growing sufficiently to compensate for higher prices caused by inflation. Since 2016, annual inflation has been on a declining trend, while remaining within the targets set by the SARB. With a rate of 3.3 per cent in 2020, inflation was at its lowest level in more than a decade. However, the job losses caused by the economic downturn in 2020 are likely to result in a decline in household income.

Stats SA utilises a cost-of-basic-needs approach to produce three poverty lines, namely the food poverty line (FPL), the lower-bound poverty line (LBPL) and the upper-bound poverty line (UBPL). This allows monitoring of poverty at different levels. The FPL is the rand value below which individuals are not able to afford sufficient food that is required for adequate health. The LBPL and the UBPL use the FPL as a base, but they also have a non-food component.

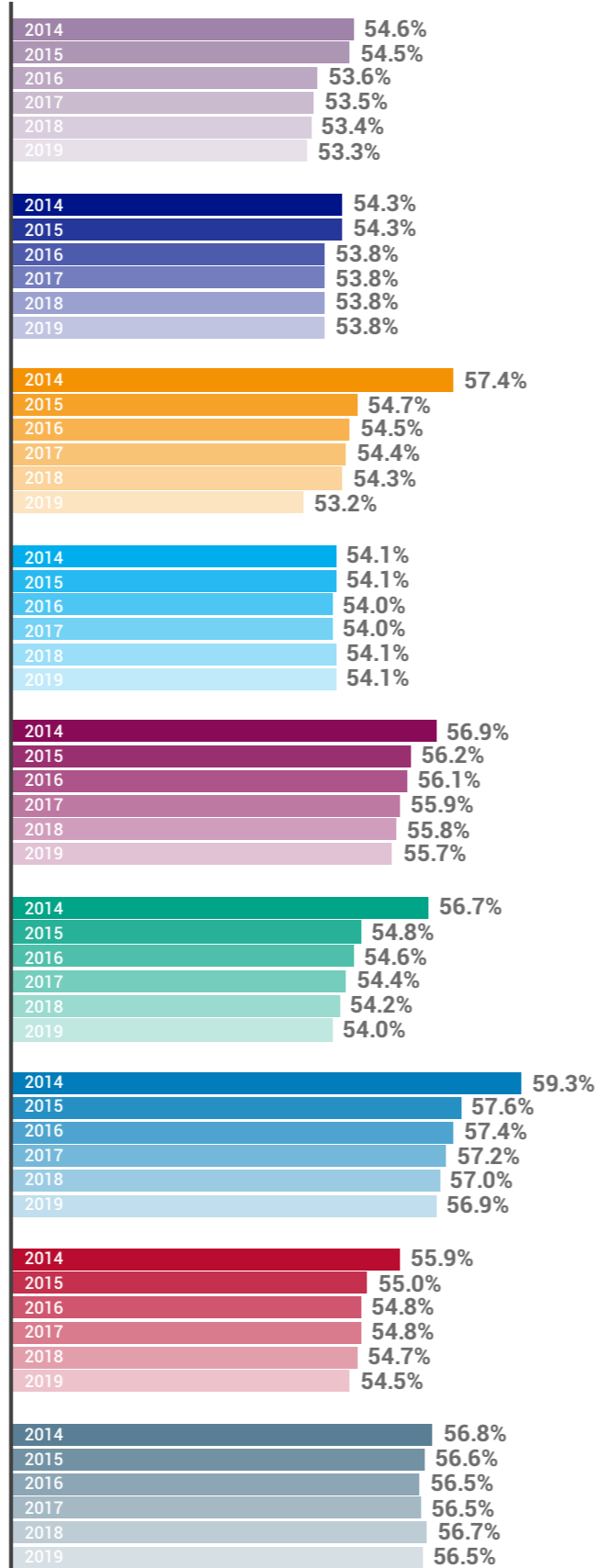
⁷⁰ (Stats SA, 2021).

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.⁷¹ 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.⁷²

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

Figure 4.5
PROPORTION OF POPULATION AT UBPL, Garden Route District, 2014 - 2019

- Kannaland
- Hessequa
- Mossel Bay
- George
- Oudtshoorn
- Bitou
- Knysna
- Garden Route District
- Western Cape



Source: Quantec Research, 2021

⁷¹ (Stats SA, 2017).
⁷² (Stats SA, 2020).

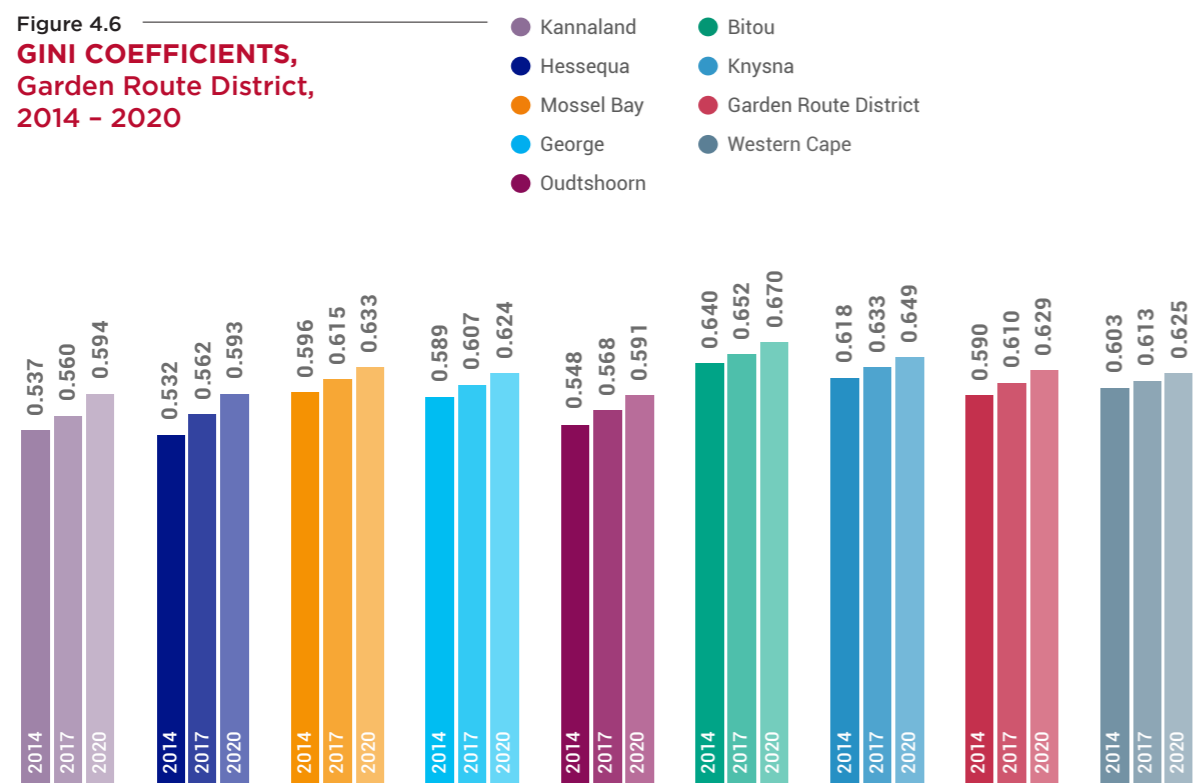
There is a smaller proportion of the population at the UBPL in the GRD compared with the Province over the reference period. Furthermore, between 2014 and 2019, the proportion of the District's population at the UBPL declined by 1.5 percentage points, compared with 0.3 per cent in the Province. All municipal areas recorded a declining trend in the proportion of the population from 2014, with the largest declines recorded in the Mossel Bay (4.2 percentage points), Bitou (2.7 percentage points) and Knysna (2.4 percentage points) municipal areas. However, the Knysna municipal area had the largest proportion of the population at the UBPL (56.9 per cent) in 2020, followed by the Oudtshoorn municipal area (55.7 per cent).

? 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.⁷³ However, on a local municipal level, data that is readily available and most widely used is the Gini coefficient, which can therefore be utilised to analyse income inequality on a local level.



⁷³ (Stats SA, 2019).

Figure 4.6 illustrates the Gini coefficients for the municipal areas within the GRD between 2014 and 2020.



Source: IHS Markit, 2021

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

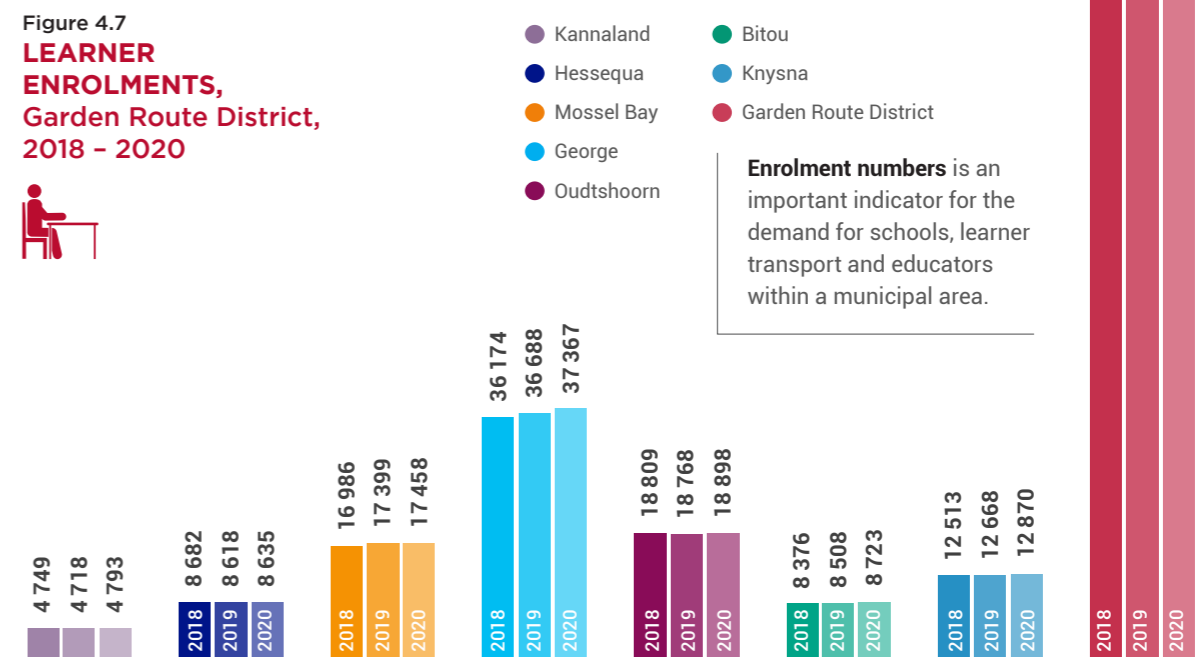
The GRD's Gini coefficient increased from 0.590 in 2014 to 0.629 in 2020, it was also higher than that of the Western Cape (0.625) in 2020. The income inequality in the Bitou, Knysna and Mossel Bay municipal areas, with Gini coefficients of 0.670, 0.649 and 0.633 respectively in 2020, is higher than the average of the District. The Oudtshoorn municipal area had the lowest income inequality of all municipal areas in the District, with a Gini coefficient of 0.591 in 2020. This is followed by the Hessequa, Kannaland and George municipal areas, with Gini coefficients of 0.593, 0.594 and 0.624 respectively in 2020. The income inequality in all municipal areas increased between 2014 and 2020.

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, either owing to a lack of internet connectivity or because their jobs require physical labour, would have been left without income. This also emphasises the importance of COVID-19 relief measures such as TERS.

4.3.2 Education

This section discusses the extent of improvement in educational circumstances of households in the GRD using data on learner enrolment, the Grade 10 to 12 retention rate, matric pass rates and learner-teacher ratios.

Figure 4.7 illustrates the learner enrolment for the GRD and its municipal areas from 2018 to 2020.

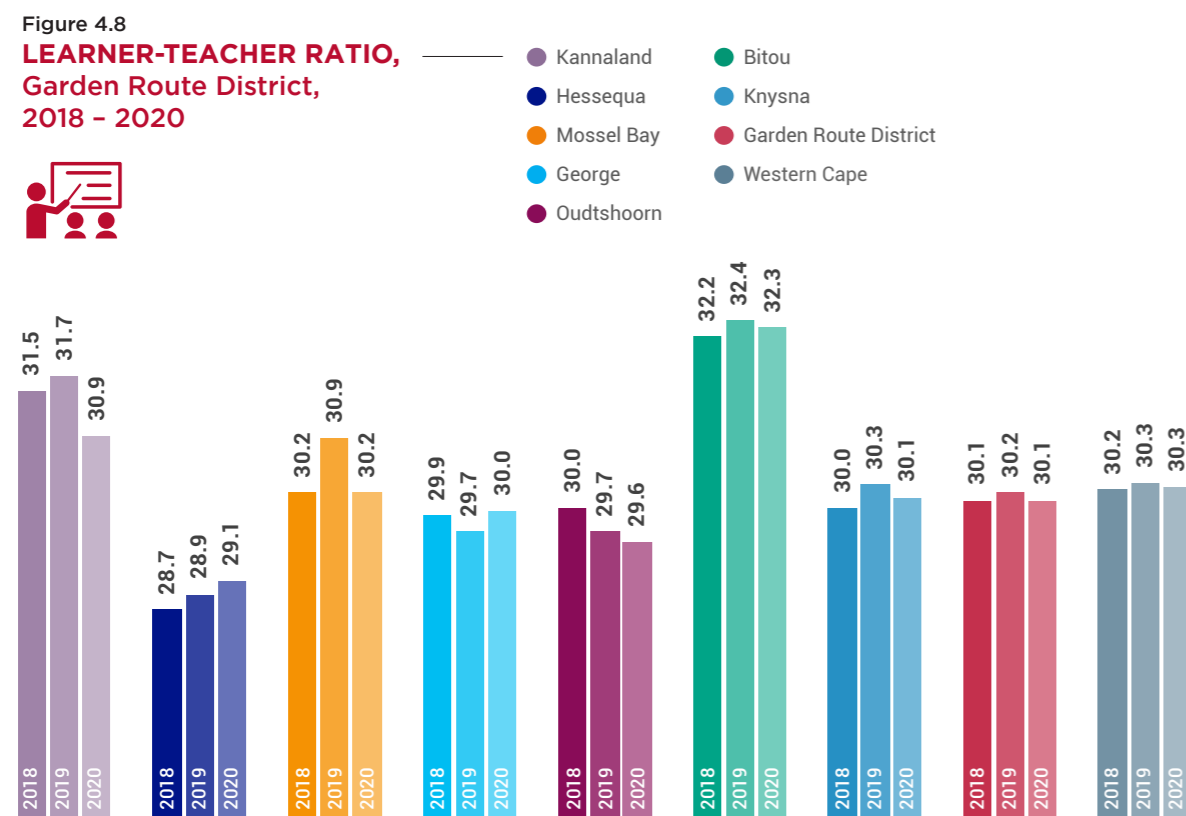


Source: Western Cape Education Department, 2021

Between 2019 and 2020, all municipal areas in the GRD experienced an increase in learner enrolments. The George municipal area recorded the largest increase, with 679 more learners enrolled in 2020 than in 2019. Learner enrolments in Bitou and Knysna increased by 215 learners and 202 learners respectively in 2020. The smallest increase in learner enrolments was recorded in the Hessequa municipal area (17 more learners in 2020 than in 2019). This is in line with the population trends in the area of a declining child population.



Figure 4.8 illustrates the learner-teacher ratio within the Western Cape, the GRD and its municipal areas between 2018 and 2020.



Source: Western Cape Education Department, 2021

Learner-teacher ratios are indicative of the capacity of schools to accommodate more learners. Learner-teacher ratio upper limits of 40:1 in ordinary primary schools and 35:1 in ordinary high schools are set by the Department of Education.⁷⁴ Lower learner-teacher ratios are associated with more interaction between teachers and learners, which could contribute to better-quality education.⁷⁵

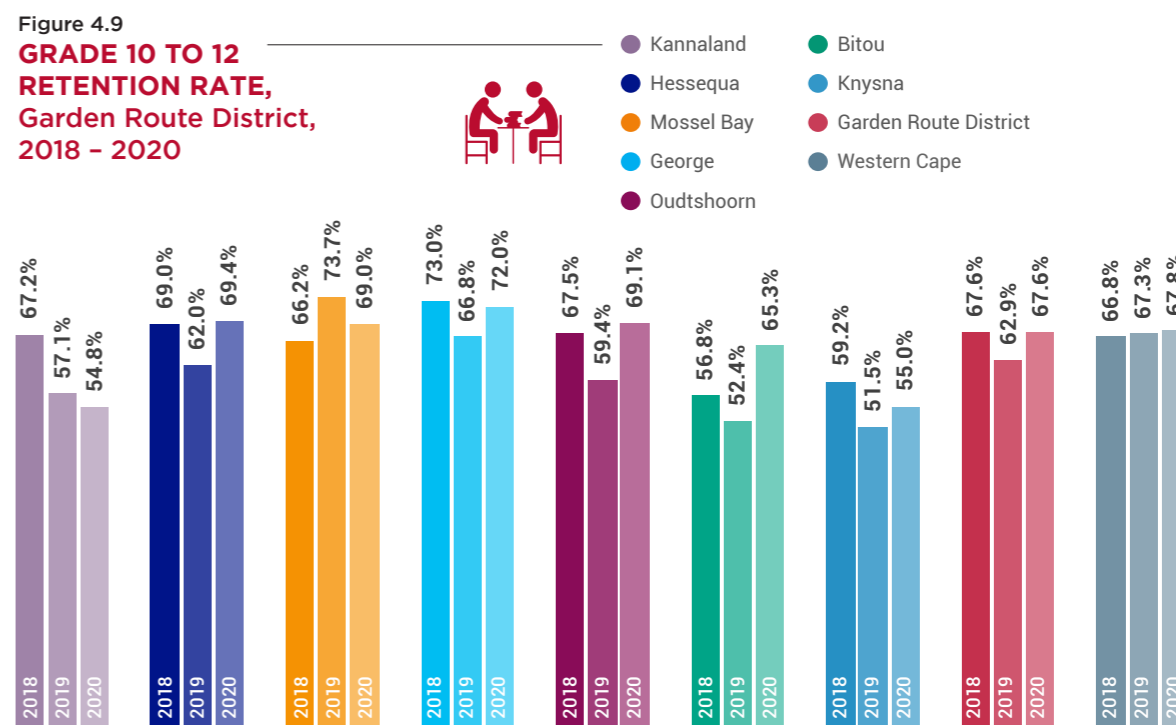
The learner-teacher ratio in the GRD increased from 30.1 learners per teacher in 2018 to 30.2 learners per teacher in 2019, after which it decreased to 30.1 learners per teacher in 2020. Throughout this period, the learner-teacher ratio for the GRD remained lower than the Western Cape's ratio, meaning that there are fewer learners per teacher, and more focused and personalised teaching, which should translate into improved academic achievements. The learner-teacher ratio in the Kannaland, Mossel Bay, Oudtshoorn, Bitou and Knysna municipal areas improved from 2019 to 2020, showing that the number of educators increased sufficiently to accommodate the increased number of learners. In the Hessequa and George municipal areas the learner-teacher ratio increased, meaning that there are more learners per teacher.



⁷⁴ (Sephton, S, 2017).

⁷⁵ (Southern and Eastern Africa Consortium for Monitoring Educational Quality, 2011).

Figure 4.9 illustrates the retention rate of students from Grade 10 to 12 in the Western Cape, the GRD and its municipal areas between 2018 and 2020.



Source: Western Cape Education Department, 2021

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

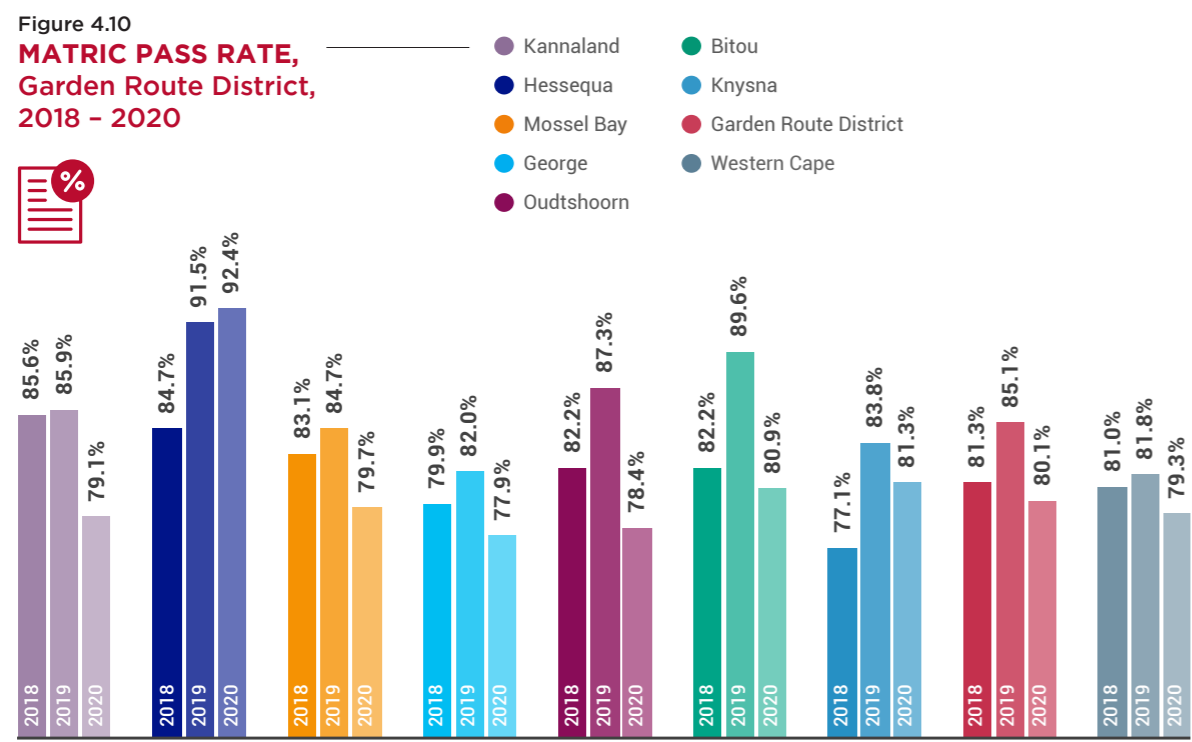
Although the Grade 10 to 12 learner retention rate in the GRD is marginally lower compared with the Western Cape's Grade 10 to 12 retention rate, it improved from 62.9 per cent in 2019 to 67.6 per cent in 2020. In 2020, the George municipal area recorded the highest Grade 10 to 12 retention rate (72.0 per cent), while the Hessequa (69.4 per cent), Oudtshoorn (69.1 per cent) and Mossel Bay (69.0 per cent) municipal areas recorded above-average Grade 10 to 12 retention rates.

The retention rate in the Kannaland and Mossel Bay municipal areas declined between 2019 and 2020 by 2.3 percentage points and 4.7 percentage points respectively. In the Hessequa, George, Oudtshoorn, Bitou and Knysna municipal areas the retention rate improved between 2019 and 2020. The largest improvement was recorded in the Bitou municipal area (12.9 percentage points).

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

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

Figure 4.10 illustrates the matric pass rate of Grade 12 students in the Western Cape, the GRD and its municipal areas between 2018 and 2020.



Source: Western Cape Education Department, 2021

For the period under review, the matric pass rate in the GRD is higher than that of the Western Cape for each respective year. In the GRD, the matric pass rate increased from 81.3 per cent in 2018 to 85.1 per cent in 2019, before declining to 80.1 per cent in 2020.

The Hessequa municipal area has recorded improvements in the matric pass rate for three consecutive years. Between 2019 and 2020, the matric pass rate in the Hessequa municipal area increased by 0.9 percentage points, while the learner retention rate improved by 7.4 percentage points. This is a positive indicator for future labour supply in the municipal area.

All other municipal areas experienced a decline in the matric pass rate from 2019 to 2020. The Oudtshoorn municipal area experienced the largest decrease in the matric pass rate (8.9 percentage points), followed by the Bitou (8.7 percentage points), Kannaland (6.8 percentage points) and Mossel Bay (5.0 percentage points) municipal areas. The decrease in the matric pass rate can significantly affect the learners' ability to access higher education and thereby improve their chances of better employment opportunities and a better income.⁷⁶

⁷⁶ (Western Cape Government, 2020).

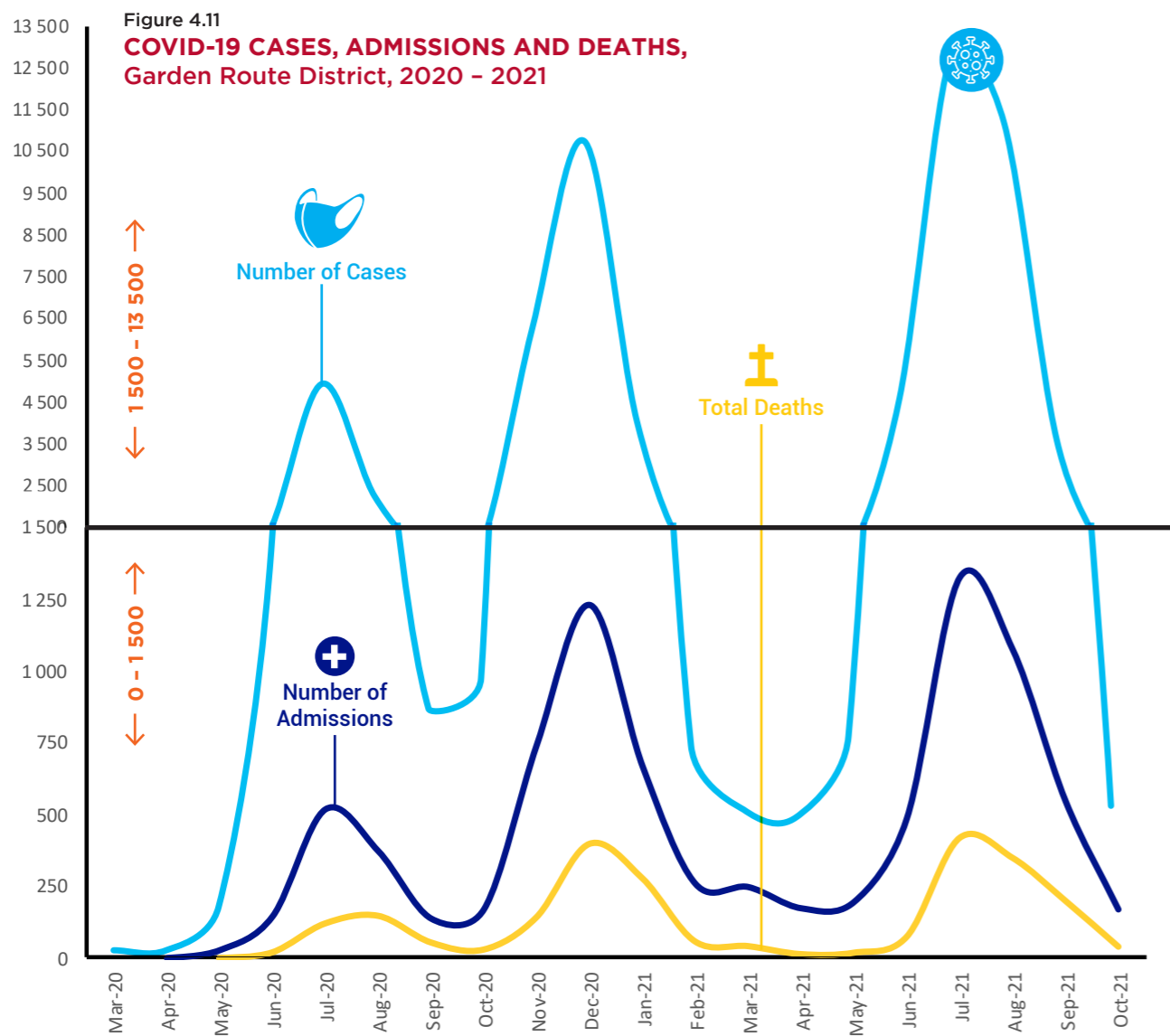


4.3.3 Health

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

4.3.3.1 COVID-19

Figure 4.11 indicates the number of COVID-19 cases, admissions and deaths, as well as the distribution of deaths per age group, in the GRD since the start of the COVID-19 pandemic in March 2020.⁷⁷



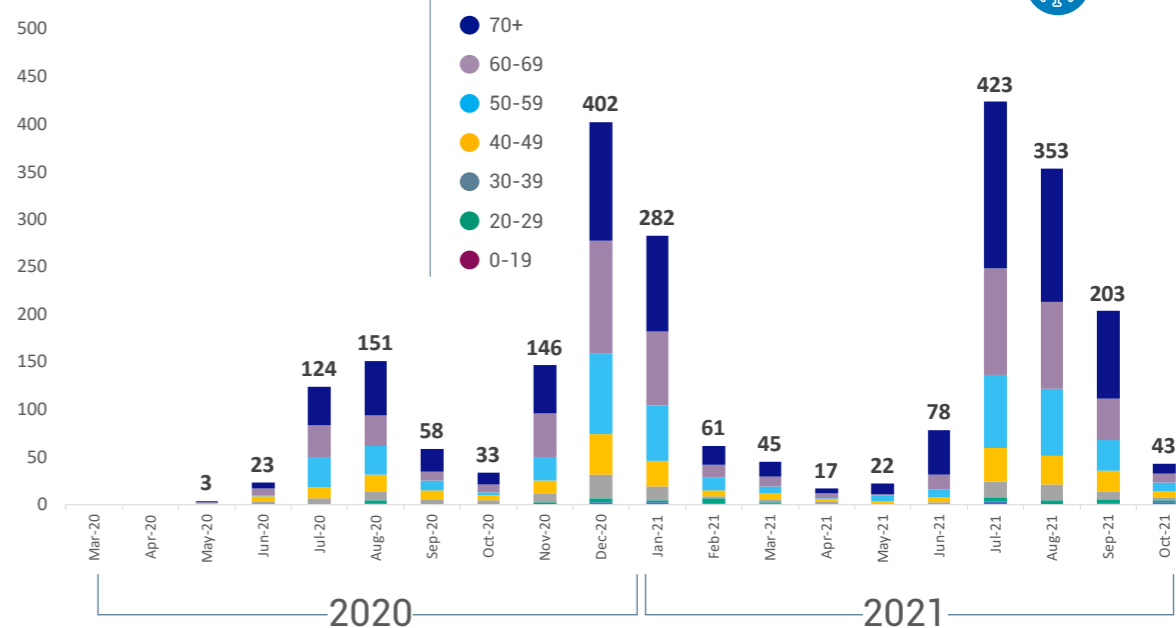
Source: Western Cape Department of Health, 2021

| | 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 | 31 | 31 | 181 | 1 408 | 4 929 | 2 234 | 865 | 970 | 6 236 | 10 738 | 4 020 | 738 | 517 | 490 | 771 | 4 573 | 12 879 | 11 153 | 3 570 | 530 |
| Admissions | 3 | 31 | 149 | 522 | 376 | 141 | 174 | 748 | 1 234 | 671 | 262 | 251 | 177 | 199 | 491 | 1 330 | 1 079 | 551 | 173 | |
| Total deaths | | | 3 | 23 | 124 | 151 | 58 | 33 | 146 | 402 | 282 | 61 | 45 | 17 | 22 | 78 | 423 | 353 | 203 | 43 |

The number of COVID-19 cases increased drastically after May 2020, reaching 4 929 cases in July 2020, which was the peak of the first wave, defined as the period from weekly incidence of 30 cases per 100 000 persons to peak weekly incidence (week 24 to week 28). The number of cases declined in August and September 2020. The second wave of COVID-19 cases is evident between the period of October 2020 and January 2021, with cases peaking at 10 738 in December 2020. With the onset of the third wave, the number of COVID-19 cases reached a peak of 12 879 in July 2021. There is a direct correlation between the number of recorded cases, admissions and the number of deaths. It is evident that with an increase in the number of cases, the number of admissions and deaths also increases. The number of admissions reached a peak of 1 330 in July 2021, while deaths peaked at 423 in the same month.

From the data presented it is evident that age plays a significant role in the recovery of COVID-19, as the number of deaths increases with each age category. According to the World Health Organization, older people are more severely affected by COVID-19 and this can mainly be attributed to the physiological changes associated with ageing, along with underlying health conditions.⁷⁸ Most of the deaths recorded were for people older than 70 (37.9 per cent), followed by those between the ages of 60 and 69 (25.8 per cent).

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



Source: Western Cape Department of Health, 2021

By mid-August 2021, 60.9 per cent of persons older than 60 had received at least one vaccine dose in the GRD, while 33.7 per cent of persons between the ages of 50 and 59, and 14.1 per cent of persons between the ages of 35 and 49, had received at least one vaccine dose. Provincially, 39.4 per cent of people between the ages of 50 and 59 had received at least one vaccine dose and 18.7 per cent of people between the ages of 35 and 49 had received at least one dose.

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

⁷⁸ (World Health Organization, 2020).

4.3.3.2 Mortality

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

Table 4.2
TOP 10 NATURAL CAUSES OF DEATH, Garden Route District, 2018



| Rank | Garden Route District | | Western Cape | |
|------|---|--------------|---|--------------|
| | Cause of death | % | Cause of death | % |
| 1 | Cerebrovascular disease | 7.6% | Diabetes mellitus | 7.6% |
| 2 | Diabetes mellitus | 7.3% | Ischaemic heart disease | 6.1% |
| 3 | TB | 6.7% | Cerebrovascular disease | 5.9% |
| 4 | HIV | 6.2% | HIV | 5.7% |
| 5 | Chronic lower respiratory diseases | 5.9% | Chronic lower respiratory diseases | 5.1% |
| 6 | Ischaemic heart disease | 5.7% | TB | 4.9% |
| 7 | Malignant neoplasms of respiratory and intrathoracic organs | 4.4% | Malignant neoplasms of digestive organs | 4.5% |
| 8 | Malignant neoplasms of digestive organs | 4.2% | Malignant neoplasms of respiratory and intrathoracic organs | 4.5% |
| 9 | Hypertensive diseases | 3.8% | Hypertensive diseases | 3.8% |
| 10 | Other forms of heart disease | 3.6% | Other forms of heart disease | 3.3% |
| | Other natural | 35.1% | | 35.6% |
| | Non-natural | 9.5% | | 13.0% |

Source: Stats SA, 2021

The leading natural causes of death in the GRD in 2018 included cerebrovascular disease, diabetes mellitus, TB and HIV, which accounted for 7.6 per cent, 7.3 per cent, 6.7 per cent and 6.2 per cent of deaths in the GRD respectively. Proportionally more people died from TB and HIV compared with the Province, emphasising the importance of public health services targeted at the treatment of these diseases in the GRD. A smaller proportion of people died from non-natural causes (9.5 per cent) in the GRD compared with the Province (13.0 per cent).



WELLBEING

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

4.3.3.3 HIV/AIDS and TB

Table 4.3 provides the trends in HIV testing, treatment and outcomes in the GRD between 2017/18 and 2020/21.

Table 4.3
TRENDS IN HIV TESTING, TREATMENT AND OUTCOMES, Garden Route District, 2017/18 - 2020/21



| | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|--|---------------|---------------|---------------|---------------|
| Known HIV+ (Tested; n) | 38 342 | 38 874 | 37 731 | 39 828 |
| Of which: Clients started but no longer on ART | 41.2% | 50.3% | 39.2% | 38.9% |
| Of which: Clients on ART | 60.6% | 62.8% | 48.9% | 47.0% |
| Of which: Clients with confirmed viral suppression | 73.1% | 70.9% | 63.9% | 67.3% |

Source: Western Cape Department of Health, 2021

The data trends for the GRD show that the number of people who tested positive for HIV increased from 38 342 in 2017/18 to 39 828 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 antiretroviral treatment (ART) and 90.0 per cent of people receiving ART would have viral suppression.⁷⁹ Although the number of HIV-positive cases increased over the reference period, the number of patients receiving ART declined from 62.8 per cent in 2018/19 to 47.0 per cent in 2020/21. Patients starting ART but no longer on the treatment also decreased from 41.2 per cent in 2017/18 to 38.9 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. Patients with confirmed viral suppression have decreased from 73.1 per cent in 2017/18 to 63.9 per cent in 2019/20, before increasing to 67.3 per cent in 2020/21. ART and viral suppression are important and play a critical role in the wellbeing of patients with HIV, as they can improve their health. These patients could therefore earn an income and also contribute to the local economy.



⁷⁹ (Centers for Disease Control and Prevention, 2021).

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

Table 4.4
TRENDS IN TB NOTIFICATION AND OUTCOMES,
Garden Route District, 2018/19 - 2020/21



| | 2018/19 | 2019/20 | 2020/21 |
|-------------------------------|---------|---------|---------|
| TB programme success rate | 78.3% | 75.9% | 75.8% |
| TB clients lost to follow-up | 13.1% | 17.7% | 17.7% |
| TB client death rate | 5.0% | 5.8% | 5.1% |
| TB/HIV co-infected | 33.7% | 42.6% | 42.3% |
| TB MDR treatment success rate | 43.4% | 55.7% | 58.2% |

Source: Western Cape Department of Health, 2021

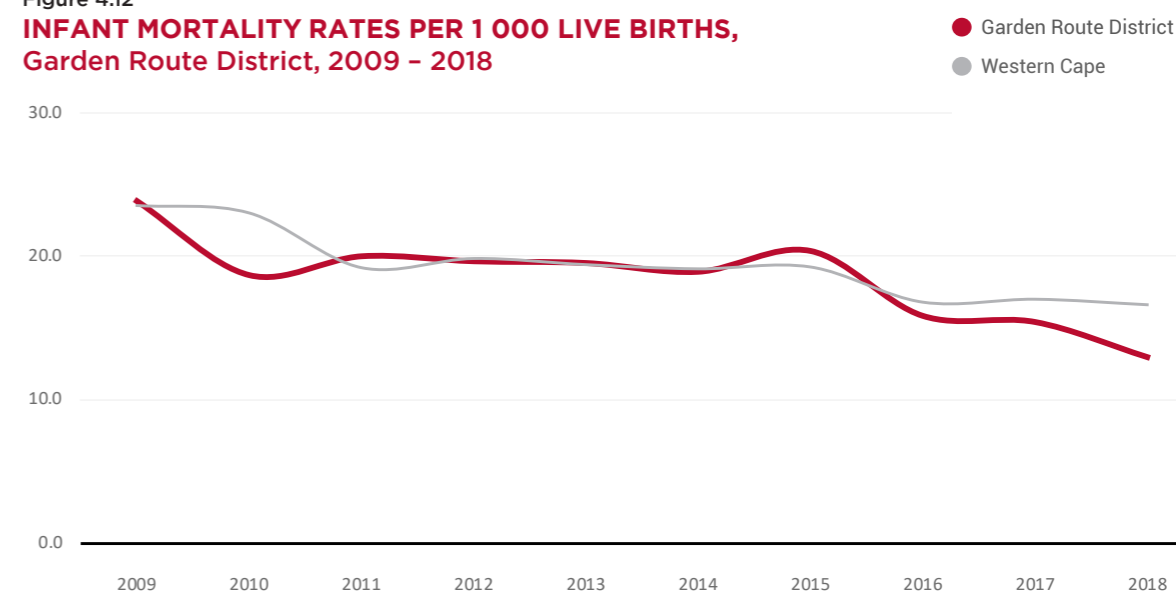
The TB programme success rate decreased from 78.3 per cent in 2018/19 to 75.8 per cent in 2020/21, while the death rate and TB/HIV co-infected rate also declined between 2018/19 and 2020/21. TB clients lost to follow-up experienced an increase from 13.1 per cent in 2018/19 to 17.7 per cent in 2020/21. Despite the decline in the TB programme success rate, the TB multidrug-resistant (MDR) treatment success rate improved from 43.4 per cent in 2017/18 to 58.2 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 GRD and the Western Cape between 2009 and 2018.

Figure 4.12
INFANT MORTALITY RATES PER 1 000 LIVE BIRTHS,
Garden Route District, 2009 - 2018



| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|-----------------------|------|------|------|------|------|------|------|------|------|------|
| Garden Route District | 23.9 | 18.7 | 20.0 | 19.7 | 19.6 | 18.9 | 20.4 | 15.9 | 15.4 | 13.0 |
| Western Cape | 23.5 | 23.0 | 19.2 | 19.8 | 19.4 | 19.1 | 19.2 | 16.8 | 17.0 | 16.6 |

Source: Western Cape Department of Health, 2021

The infant mortality rate per 1 000 live births experienced a similar trend in the GRD and the Western Cape. Generally, the infant mortality rate decreased in both the District and the Province over the reference period. The GRD experienced an average annual decrease of 5.9 per cent from 23.9 deaths per 1 000 live births in 2009 to 13.0 deaths per 1 000 live births in 2018. The rate at which infant mortality has declined in the GRD is higher compared with the Western Cape's average annual decline of 3.6 per cent.



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

Table 4.5
MATERNAL DEATH RATES PER 100 000 LIVE BIRTHS,
Garden Route District, 2018 - 2020

| MUNICIPALITY | 2018 | 2019 | 2020 |
|------------------------------|-------------|-------------|--------------|
| ● Kannaland | 0 | 0 | 0 |
| ● Hessequa | 0 | 0 | 0 |
| ● Mossel Bay | 0 | 0 | 0 |
| ● George | 92.4 | 85.9 | 230.6 |
| ● Oudtshoorn | 59.9 | 0 | 55.5 |
| ● Bitou | 0 | 0 | 0 |
| ● Knysna | 57.7 | 0 | 119.5 |
| Garden Route District | 57.6 | 33.4 | 121.5 |

Source: Western Cape Department of Health, 2021

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

The recorded maternal death rate in the GRD in 2018 was 57.6 deaths per 100 000 live births, which decreased to 33.4 deaths per 100 000 live births in 2019. A major increase in the maternal death rate is seen in 2020, reaching 121.5 deaths per 100 000 live births. Various studies indicate that the risk of mortality increases for women contracting COVID-19 during pregnancy, especially women with underlying conditions such as HIV, hypertension, etc.⁸⁰ In 2020, maternal death rates were particularly high in the George (230.6 deaths per 100 000 live births) and Knysna (119.5 deaths per 100 000 live births) municipal areas.



⁸⁰ (Basu, Chauke & Magoro, 2021).

4.3.3.5 Teenage pregnancy

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

Table 4.6
DELIVERY RATE TO WOMEN 10 - 19 YEARS,
Garden Route District, 2018 - 2020

| MUNICIPALITY | 2018 | 2019 | 2020 |
|------------------------------|--------------|--------------|--------------|
| ● Kannaland | 10.0% | 12.1% | 13.2% |
| ● Hessequa | 20.2% | 18.6% | 18.5% |
| ● Mossel Bay | 14.9% | 16.8% | 15.2% |
| ● George | 13.7% | 15.0% | 13.2% |
| ● Oudtshoorn | 22.9% | 19.1% | 17.9% |
| ● Bitou | 0.0% | 0.0% | 0.0% |
| ● Knysna | 13.0% | 11.7% | 12.7% |
| Garden Route District | 15.9% | 15.6% | 14.7% |

Source: Western Cape Department of Health, 2021

The delivery rate to teenagers in the GRD experienced a continuous decrease from 15.9 per cent in 2018 to 14.7 per cent in 2020. The George and Mossel Bay municipal areas recorded increases in the delivery rates to teenagers between 2018 and 2019, before declining to 13.2 per cent and 15.2 per cent respectively in 2020. In the Hessequa and Oudtshoorn municipal areas, the delivery rates to teenagers have been on a declining trend since 2018, but remain the highest in the GRD, at 18.5 per cent and 17.9 per cent respectively. The Kannaland municipal area recorded the lowest delivery rate to teenagers over the reference period. However, the rate increased from 10.0 per cent in 2018 to 13.2 per cent in 2020.

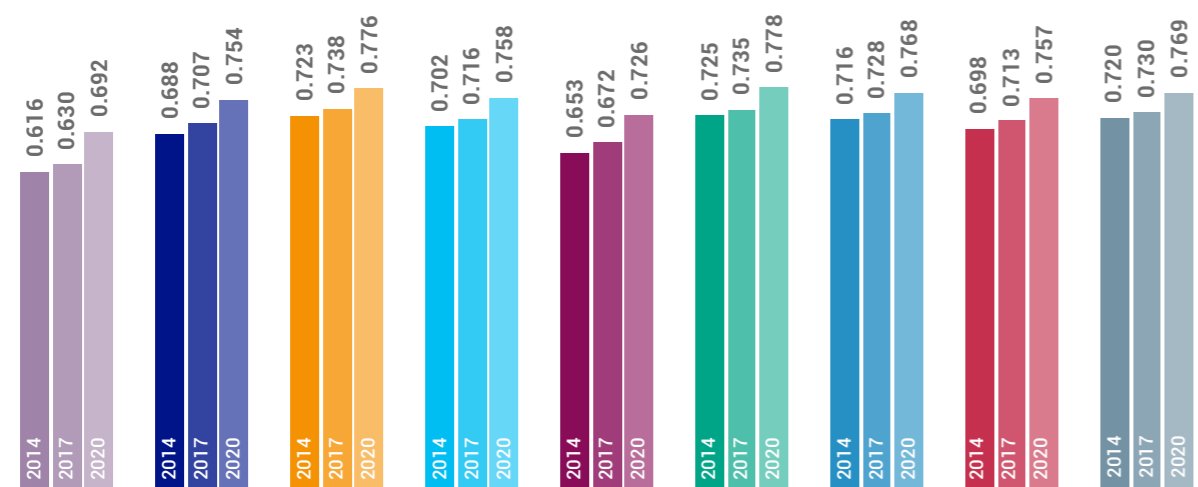
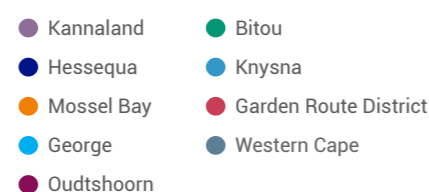


4.3.4 Human Development Index

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

Figure 4.13 illustrates changes in the HDI between 2014 and 2020.

Figure 4.13
HDI PER MUNICIPAL AREA,
Garden Route 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.

For the period under review, the HDI in the GRD was lower than that of the Western Cape's HDI. However, an improvement in the HDI level is evident in the GRD, increasing from 0.698 in 2014 to 0.757 in 2020. All municipal areas have improved in terms of their HDI. The Bitou municipal area had the highest HDI, whereas Kannaland had the lowest.

GLOBAL HDI COMPARISON

According to the United Nations Development Programme (UNDP),⁸¹ South Africa was ranked 114th in the world in 2019, with an HDI of 0.709, which was lower than the average world HDI of 0.737. However, the HDI in South Africa was still considered to be high and was above the average HDI of developing countries (0.689). Globally, Norway had the highest HDI in 2019 (0.957), while Niger was ranked lowest at 0.394. In 2019, the HDI in the Western Cape (0.757) was also considered to be high according to the UNDP classification and was above the world average. The 2019 HDI in the GRD (0.744) was considered to be high according to the HDI classification and on a par with that of Lebanon (0.744).

⁸¹ (UNDP, 2021).

4.4 HOUSING AND ACCESS TO BASIC SERVICES

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

Table 4.7
NUMBER AND
PROPORTION OF
DWELLINGS,
Garden Route
District, 2020



| | Garden Route District | | Kannaland | | Hessequa | | Mossel Bay | |
|----------|-----------------------|------------|-----------|------------|----------|------------|------------|------------|
| | Number | % of total | Number | % of total | Number | % of total | Number | % of total |
| Formal | 145 268 | 82.7% | 6 841 | 96.4% | 16 112 | 93.4% | 25 381 | 84.6% |
| Informal | 27 155 | 15.5% | 176 | 2.5% | 860 | 5.0% | 4 088 | 13.6% |
| Other | 3 257 | 1.9% | 77 | 1.1% | 284 | 1.6% | 547 | 1.8% |

| | George | | Oudtshoorn | | Bitou | | Knysna | |
|----------|--------|------------|------------|------------|--------|------------|--------|------------|
| | Number | % of total | Number | % of total | Number | % of total | Number | % of total |
| Formal | 47 388 | 82.5% | 20 180 | 88.2% | 12 715 | 71.1% | 16 650 | 72.1% |
| Informal | 9 123 | 15.9% | 2 349 | 10.3% | 4 594 | 25.7% | 5 965 | 25.8% |
| Other | 936 | 1.6% | 355 | 1.6% | 583 | 3.3% | 476 | 2.1% |

Source: Quantec Research, 2021

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

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

In the GRD, 82.7 per cent of households lived in formal dwellings while 15.5 per cent of households lived in informal dwellings in 2020. The Knysna (25.8 per cent) and Bitou (25.7 per cent) municipal areas had the highest prevalence of households living in informal dwellings. Unemployment estimates indicate that these two municipal areas also had the highest unemployment rates in the GRD. High levels of unemployment, together with a large proportion of households living in informal dwellings, indicate that there is a high prevalence of poverty in the municipal areas, which puts additional pressure on municipalities, as income-generating capabilities are reduced, but the demand for services remains high.

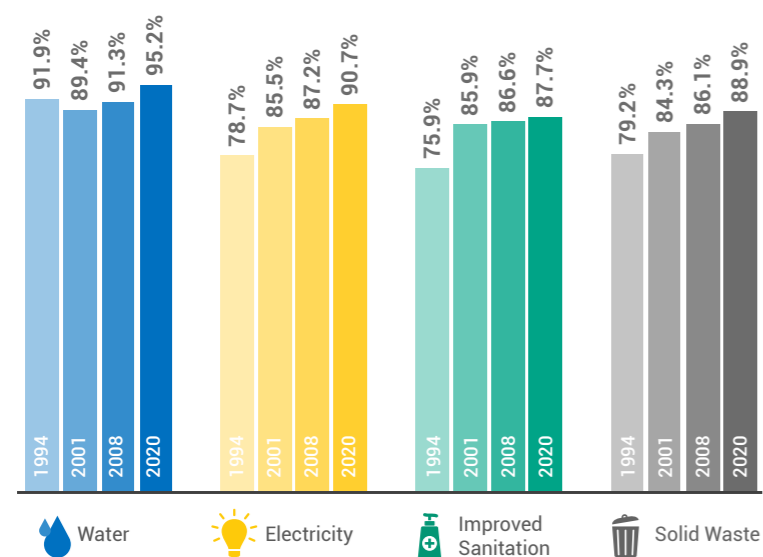
The housing pipeline in Bitou has more than 6 000 new units planned to service the low-income, Finance Linked Individual Subsidy Programme and mixed-use bonded markets. When considered together with recent infrastructure upgrades to the area's roads, water, sewers and recreational facilities, it is evident that the municipality has invested significantly in sustainable human settlements.⁸²

⁸² (Bitou Municipality, 2021).

Access to basic services, particularly water and sanitation, can influence the health, safety and wellbeing of communities. Furthermore, by providing basic services to communities, municipalities are creating an enabling environment that will allow for private investment and entrepreneurship that can create local economic opportunities. In some instances, households have access to electricity directly from Eskom, and not through a local authority.

Figure 4.14 illustrates the access to basic services in the GRD.

Figure 4.14
ACCESS TO BASIC SERVICES,
Garden Route District, 1994 - 2020



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

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

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

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

Access to piped water declined between 1994 (91.9 per cent) and 2001 (89.4 per cent). However, it increased steadily since then, with 95.2 per cent of households having access to piped water in 2020. Access to electricity improved the most over the reference period (11.9 percentage points), from 78.7 per cent in 1994 to 90.7 per cent in 2020. Solid waste removal services have also improved steadily over the reference period (9.8 percentage points). Access to improved sanitation services lags that of other services. The high prevalence of informal dwellings in the Bitou and Knysna municipal areas influences the access levels to improved sanitation. Despite these challenges, access to improved sanitation has improved by 11.8 percentage points since 1994.

⁸³ (Stats SA, 2017).

INDIGENT HOUSEHOLDS

A household is classified as indigent when the occupants of the household earn a combined income of less than a certain amount as specified by each local municipality in an indigent policy.

Table 4.8
NUMBER OF INDIGENT HOUSEHOLDS, Garden Route District, 2018 - 2020

| | 2018 | | 2019 | | 2020 | |
|------------------------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|
| | Number | % of households | Number | % of households | Number | % of households |
| ● Kannaland | 2 192 | 39.9% | 2 572 | 47.5% | 2 497 | 46.7% |
| ● Hessequa | 5 179 | 34.2% | 5 359 | 35.3% | 5 471 | 35.6% |
| ● Mossel Bay | 11 677 | 40.2% | 10 858 | 36.9% | 9 063 | 30.3% |
| ● George | 15 749 | 27.5% | 15 832 | 27.2% | 19 730 | 33.3% |
| ● Oudtshoorn | 6 100 | 29.7% | 6 199 | 30.3% | 7 237 | 35.2% |
| ● Bitou | 4 381 | 21.3% | 1 891 | 8.8% | 2 357 | 10.6% |
| ● Knysna | 8 357 | 37.0% | 8 780 | 38.2% | 1 924 | 8.3% |
| Garden Route District | 53 635 | 31.5% | 51 491 | 29.8% | 48 279 | 27.5% |

Source: Department of Local Government, 2021

The share of indigent households in the GRD decreased from 31.5 per cent in 2018 to 27.5 per cent in 2020. In 2020, the Kannaland municipal area had the largest share of indigent households, accounting for 46.7 per cent of households in the municipal area. This was followed by the Hessequa, Oudtshoorn and George municipal areas, where 35.6 per cent, 35.2 per cent and 33.3 per cent of households, respectively, were considered indigent. Between 2019 and 2020 the George and Oudtshoorn municipal areas recorded the highest increase in indigent households, with 3 898 and 1 038 more households, respectively, classified as indigent.



Figure 4.15 illustrates the number of households with access to free basic services. Indigent households qualify for free basic water, electricity, sanitation and waste removal services.

Figure 4.15
ACCESS TO FREE BASIC SERVICES, Garden Route 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 services has been on a declining trend in the GRD. Access to free water decreased from 105 416 households in 2016 to 63 483 in 2019. After the number of households receiving free access to electricity increased between 2016 (79 610 households) and 2017 (102 256 households), households with access to free electricity have been on a declining trend. Households with access to free sanitation declined from 55 496 households in 2016 to 46 970 households in 2019, while households with access to free solid waste removals services declined from 87 912 households in 2016 to 48 248 households in 2019.

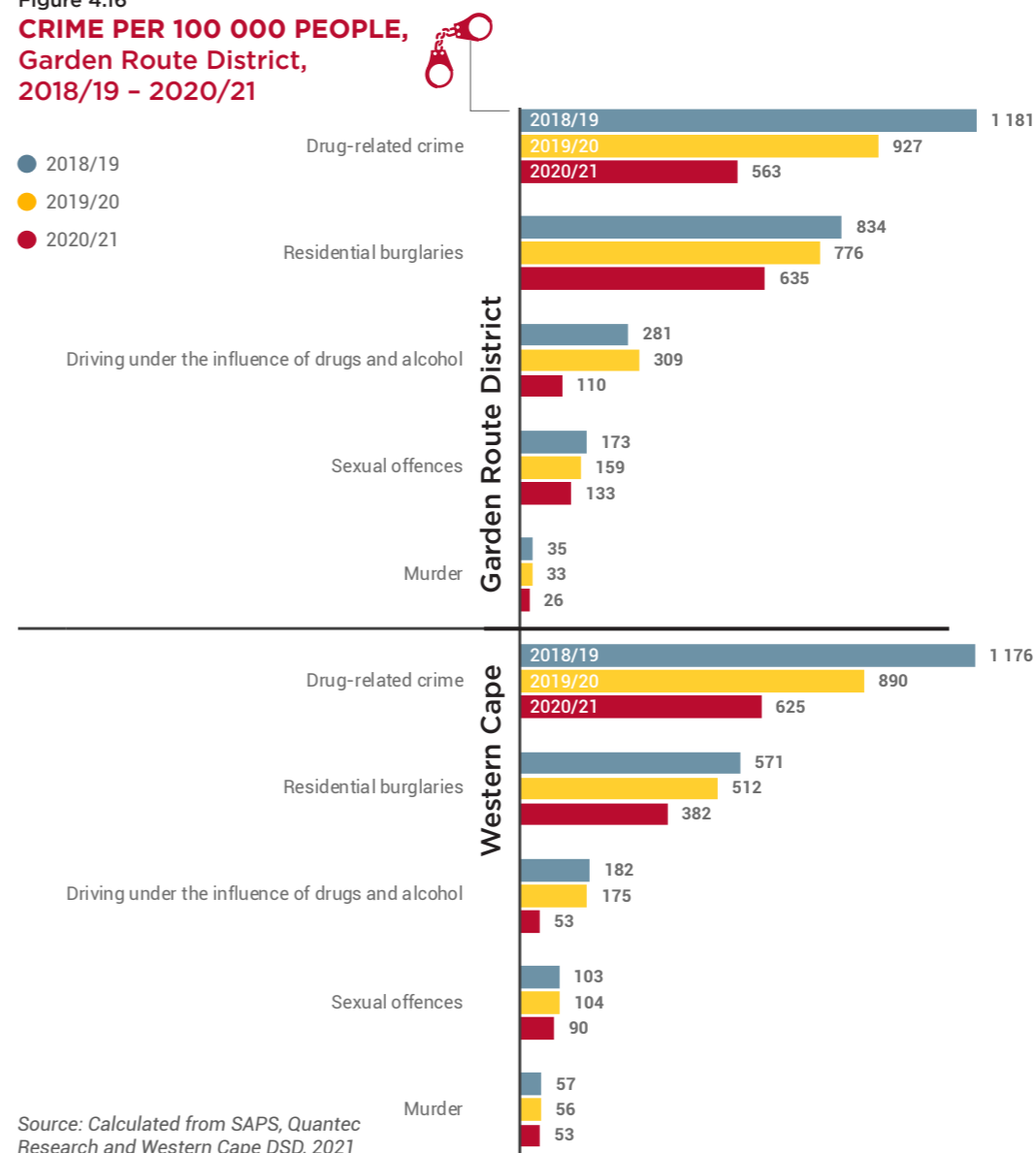
In Kannaland, ageing bulk infrastructure (e.g. sewerage wastewater treatment pumps in need of replacement) is identified as a major constraint negatively affecting the local economy. This would have been exacerbated by a recent increase in informal settlement population, driven in part by farm evictions.⁸⁴

⁸⁴ (Kannaland Municipality, 2021).

4.5 CRIME

Figure 4.16 depicts the incidence of selected crime categories in the GRD and Western Cape between 2018/19 and 2020/21.

Figure 4.16
CRIME PER 100 000 PEOPLE, Garden Route District, 2018/19 - 2020/21



Source: Calculated from SAPS, Quantec Research and Western Cape DSD, 2021

For all crime categories under review, except murder and drug-related crime, more instances per 100 000 people were recorded in the GRD compared with the Province in 2020/21. However, crime rates have reduced substantially between 2019/20 and 2020/21. The lockdown measures implemented to curb the spread of the COVID-19 pandemic are likely to have reduced crime levels.

The murder rate in the GRD declined from 35 incidents per 100 000 people in 2018/19 to 26 incidents per 100 000 people in 2020/21. Between 2019/20 and 2020/21, most municipal areas recorded a decline in the murder rate, except Kannaland, where the murder rate increased from

17 incidents per 100 000 people to 30 incidents per 100 000 people. High levels of murder were also recorded in the Mossel Bay (47 incidents per 100 000 people) and George (31 murders per 100 000 people) municipal areas in 2020/21. However, these rates are still lower than that of the Province (53 incidents per 100 000 people).

The number of sexual offences in the GRD declined from 173 incidents per 100 000 people in 2018/19 to 133 incidents per 100 000 people in 2020/21. The Knysna, Hessequa and Kannaland municipal areas recorded an increase in the number of sexual offences between 2018/19 and 2019/20, while all municipal areas recorded a decline between 2019/20 and 2020/21. In 2020/21, the Kannaland, Mossel Bay and Knysna municipal areas recorded above-average rates of sexual offences, with 193 incidents per 100 000 people, 95 incidents per 100 000 people and 155 incidents per 100 000 people respectively.

Restrictions on the sale of alcohol in 2020 reduced the incidences of driving under the influence of drugs or alcohol significantly, from 309 incidents per 100 000 people in 2019/20 to 110 incidents per 100 000 in 2020/21. However, the Kannaland (214 incidents per 100 000 people), Mossel Bay (184 incidents per 100 000 people), Hessequa and Knysna (140 incidents per 100 000 people each) municipal areas recorded above-average rates. The Oudtshoorn municipal area recorded a low rate of 48 incidents per 100 000 people.

Residential burglary crimes in the GRD declined from 834 incidents per 100 000 people in 2018/19 to 635 incidents per 100 000 people in 2020/21. Between 2019/20 and 2020/21, all municipal areas, except Hessequa, recorded a decline in the number of residential burglaries per 100 000 people. However, despite the decline, the Knysna (831 incidents per 100 000 people), Mossel Bay (789 incidents per 100 000 people) and Bitou (741 incidents per 100 000 people) municipal areas recorded high levels of residential burglary, while the George municipal area recorded the lowest levels (495 incidents per 100 000 people).

Drug-related crimes have also been on a declining trend since 2018/19. The Hessequa municipal area was the only municipal area to record an increase in drug-related crimes between 2019/20 (968 per 100 000 people) and 2020/21 (1 105 per 100 000 people).

4.6 CONCLUDING REMARKS

The GRD is the third most populated District in the Western Cape. The population in the GRD is expected to increase by an annual average growth of 0.5 per cent from 2021 to 2025. The number of households in the GRD is expected to increase by an average annual rate of 1.5 per cent between 2021 and 2025. In most municipal areas the largest portion of the population is potentially economically active.

The GRD had a lower GDP per capita compared with the Province and experienced a significant decrease in 2020. This could be attributed to the COVID-19 pandemic and the associated lockdown regulations and restrictions imposed on movement and labour. In 2019, the GRD's average household income was R18 253 and experienced an average annual increase of 0.7 per cent between 2015 and 2019. While the GRD's Gini coefficient increased from 0.590 in 2014 to 0.629 in 2020, it was also higher than the Western Cape's 0.625 in 2020. The income inequality in all municipal areas increased between 2014 and 2020.

In 2020, all municipal areas in the GRD experienced an increase in the number of learner enrolments. The learner-teacher ratio in the GRD decreased from 30.2 learners per teacher in 2019 to 30.1 learners per teacher in 2020. Throughout this period, the average learner-teacher ratio for the GRD remained lower than the Western Cape's ratio. The learner retention rate in the GRD is lower compared with that of the Western Cape but saw improvement in 2020. For the period under review, the matric pass rate in the GRD was higher than that of the Western Cape for each respective year. The matric pass rate in the GRD increased from 81.3 per cent in 2018 to 85.1 per cent in 2019, before declining to 80.1 per cent in 2020. The decrease in the matric pass rate can significantly affect the learners' ability to access higher education and thereby also improve their chances of better employment opportunities and a better income.

The leading natural causes of death in the GRD in 2018 included cerebrovascular disease, diabetes mellitus, TB and HIV, accounting for 7.6 per cent, 7.3 per cent, 6.7 per cent and 6.2 per cent of deaths in the GRD respectively. Non-natural deaths accounted for 9.5 per cent of deaths.

Despite the increase in the number of HIV-positive patients, there has been a decrease in the number of patients receiving ART for the period between 2019/2020 and 2020/21. Patients with confirmed viral suppression have decreased from 73.1 per cent in 2017/18 to 67.3 per cent in 2020/21. The TB programme success rate marginally decreased between 2018/19 and 2020/21, while the death rate and TB/HIV co-infected rate increased during the same period. While infant mortality and delivery rates to teenagers declined, the maternal mortality rate increased over the reference period.

For the period under review, the HDI in the GRD was lower than that of the Western Cape. Improved HDI is evident in the GRD for the period between 2018 and 2020.

In the GRD, 82.7 per cent of households lived in formal dwellings and 15.5 per cent of households lived in informal dwellings in 2020. Access to solid waste services, sanitation, electricity and water increased between 1994 and 2020. The share of indigent households in the GRD decreased from 31.4 per cent in 2018 to 27.5 per cent in 2020.

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





GARDEN ROUTE DISTRICT GROWTH POTENTIAL STUDY 2018



The **GARDEN ROUTE** now has the **second-lowest overall growth potential in the Western Cape**. The trends reflect largely stable and declining performance, compared with better performance improvements in most other Districts. The District is the second-highest performer in the Economic and Physical Natural themes, and second-lowest in the Human Capital and Institutional themes. Some areas in the District still show signs of strong growth potential. The Garden Route District has a unique advantage that can create opportunities for economic growth through the coastal area, ocean economy, forestry and land for productive agriculture and farming purposes. Indicators show key challenges with institutional capacity and governance.

| PRECONDITIONS FOR GROWTH | INNOVATION POTENTIAL |
|---|---|
| <p>ECONOMIC</p> <ul style="list-style-type: none"> Extent and diversity of retail and services sector Tourism potential Economic size and growth Economic diversity Market potential Change in labour force Property market | <p>INSTITUTIONAL</p> <ul style="list-style-type: none"> Quality of governance Safety and security Administrative and institutional function Availability of community and public institutions |
| <p>PHYSICAL NATURAL</p> <ul style="list-style-type: none"> Availability and quality of water Natural potential | <p>HUMAN CAPITAL</p> <ul style="list-style-type: none"> Poverty and inequality Human resources Population structure and growth |
| <p>INFRASTRUCTURE</p> <ul style="list-style-type: none"> Land availability and use Transport and communication Availability of municipal infrastructure | <p>DEVELOPMENTAL POTENTIAL</p> <ul style="list-style-type: none"> Development potential reflects inherent preconditions for growth and innovation potential. General improvement in physical environment conditions. General regression in infrastructure, economic and human capital 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 strengthen allocative decisions for integrated management, service delivery and spatial alignment within the Provincial and municipal spheres of government in the Western Cape.

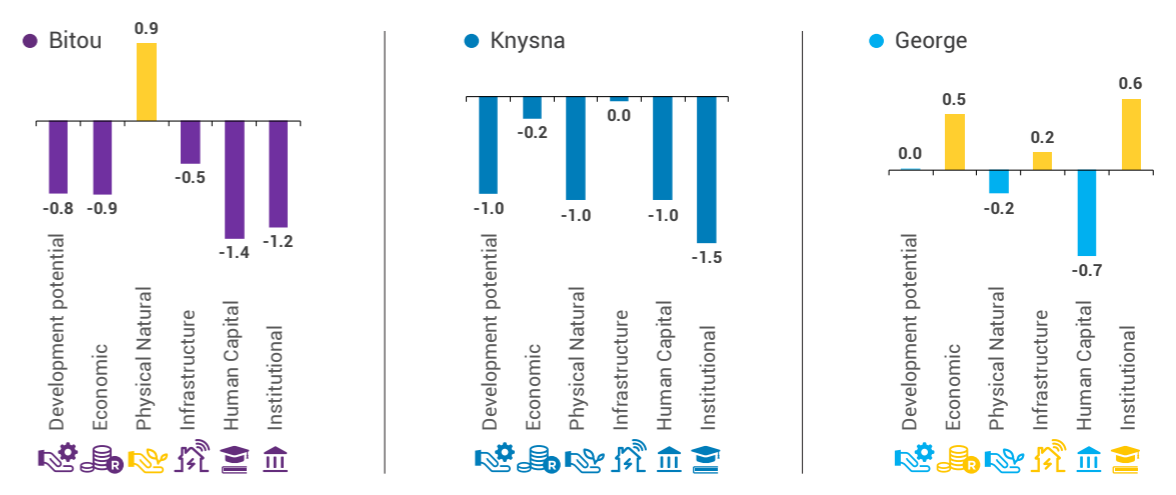
Economic, Infrastructure and Physical Natural composite thematic indices form the basis for modelling growth preconditions, and Institutional and Human Capital composite thematic indices model innovation potential, informed by local, national, and international literature, and are the premise for forecasting where economic growth is likely to occur, i.e. growth or development potential.

The **GPS2018** shows that the **George and Mossel Bay** municipal areas have “very high” growth potential, **Knysna** has “high” growth potential, **Bitou and Hessequa** have “medium” growth potential, **Oudtshoorn** has “low” growth potential and **Kannaland** has “very low” growth potential. The **Knysna and Bitou** municipal areas have had a change in classification from **GPS2013 to GPS2018**, down from “very high” and “high” growth potential, respectively. In both municipal areas, declining trends are seen in almost all themes.

In **BITOU** indicators on education, unemployment, access to water and institutional capacity show challenges, and indicators on the state of wastewater infrastructure and access to electricity show opportunity for growth. **KNYSNA** too has seen declining trends in governance capacity, challenges in indicators on the labour force and unemployment, and strong performance in indicators on ICT innovation.

The **GEORGE** municipal area has the third-highest growth potential in the Province. Gains are seen in the Institutional and Infrastructure themes, and it is now the top performer in the Economic theme. Regression is seen in the Human Capital theme, with indicators on education showing some challenges. Indicators show balanced performance, with room for improvement.

Difference between GPS18 Z-score and GPS13 Z-score¹



¹ 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.

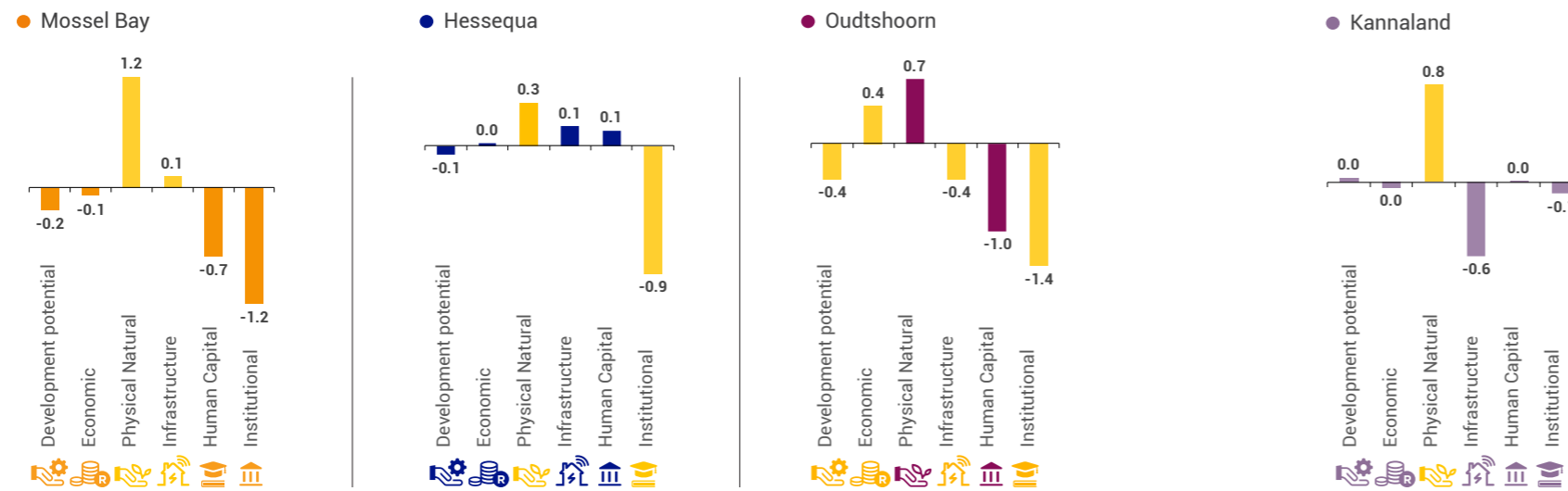
MOSSEL BAY has had gains in the Infrastructure theme and regression in Institutional, Human Capital and Economic themes. Indicators show challenges with education and skilled labour, and unemployment. As with George, indicators show balanced performance with room for improvement.

Themed performance in **HESSEQUA** municipal area has remained stable, besides regression in the Institutional theme, due to declining trends in institutional capacity and access to amenities and social service organisations. Indicators show strong performance in access to services, with waste removal an area for improvement.

OUDTSHOORN has had regression in most themes, and gains in the economic theme, due to better performance in indicators on the labour force. Indicators on governance, state of wastewater infrastructure and economic empowerment show challenges.

KANNALAND municipal area has the third lowest growth potential in the province. Themed performance has remained similar; however, regression is seen in the infrastructure theme as result of performance in indicators on access to basic services and ICT innovation. Indicators on state of wastewater infrastructure and infrastructure backlog reduction show stronger performance.

Difference between GPS18 Z-Score and GPS13 Z-Score¹



¹ 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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Provincial Treasury
Private Bag X9165
7 Wale Street
Cape Town
tel: +27 21 483 5618
www.westerncape.gov.za



**Western Cape
Government**

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