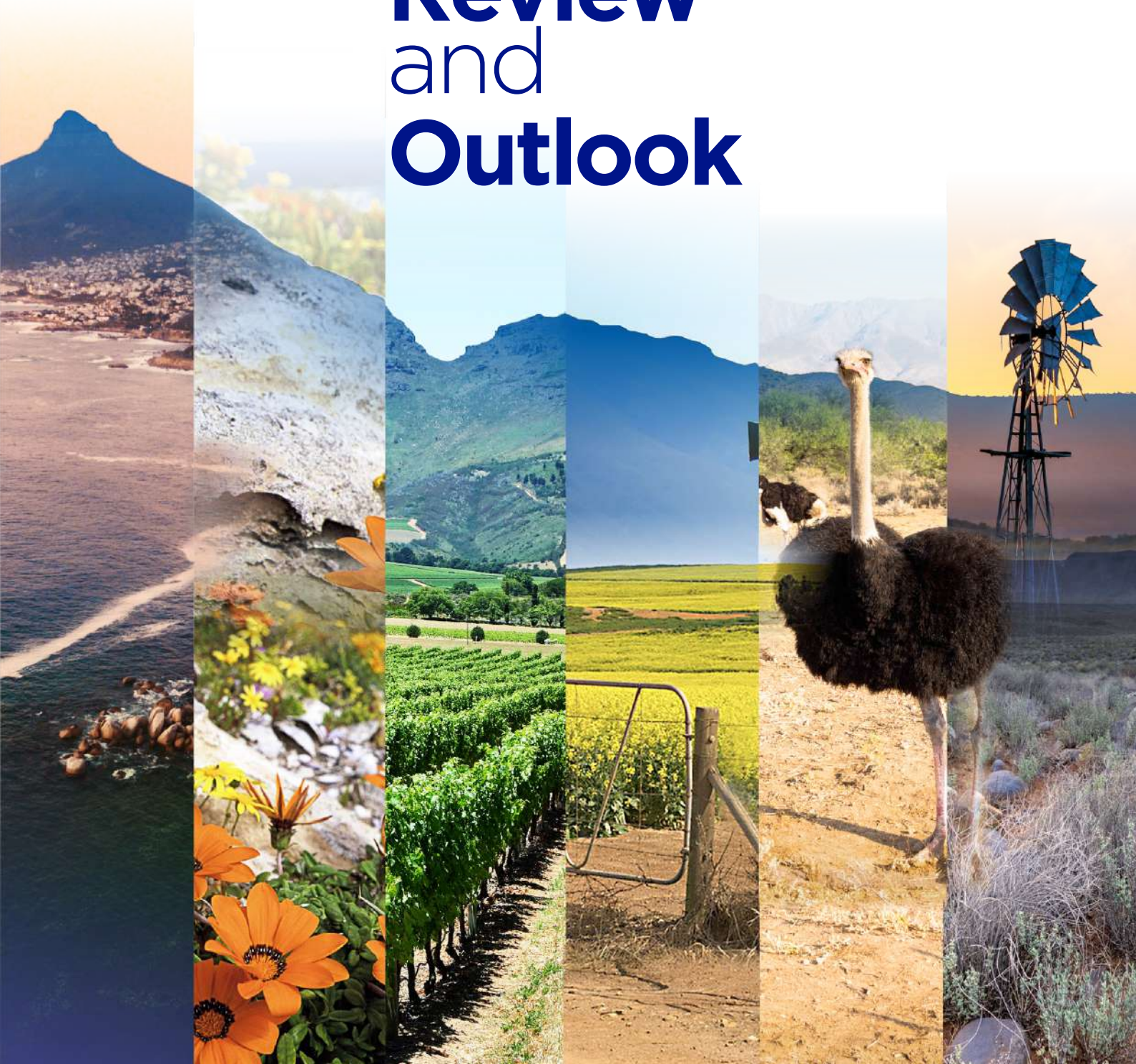




Western Cape
Government

Provincial Treasury

2020 Municipal Economic Review and Outlook





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Government
Provincial Treasury

2020 **Municipal Economic Review and Outlook**

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PR360/2020
ISBN: 978-0-621-48905-7

The data provided in this publication is provided in good faith, and every reasonable effort has been made to ensure that it is correct and up to date. The publication made use of the most recent published economic data utilising sources such as the South African Reserve Bank (SARB) and Statistics SA. At the time of publication, the most recent economic forecast data was published by SARB in September 2020. The most recently published national economic data is for Quarter 2 of 2020, published by Statistics SA in September 2020. This was used to inform the provincial GDP forecast for 2020 and 2021. Published economic data on a regional level is only available up to 2018 (Statistics SA). However, estimates for 2019 are also provided in this publication.

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 sister 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 fair, 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. This objective has become particularly important in the 2020 edition of the MERO given the impact of COVID-19. Lastly, the document assesses the extent to which economic developments impact on the social and living conditions of households and individuals per district.

The 2020 PERO and MERO publications can be accessed on Provincial Treasury's website by using your mobile device to scan the QR code on the adjacent page.

FOREWARD

The Municipal Economic Review and Outlook (MERO) and its companion publication, the Provincial Economic Review and Outlook (PERO), have been developed during a time of unprecedented economic uncertainty.

Before the onset of COVID-19, the national, provincial and local economies were already vulnerable. The national economy was in recession, weakened by ongoing load-shedding, credit-rating downgrades, service delivery protests, fluctuating exchange rates, and dwindling business and consumer confidence. The contracting economy and resultant job losses forced more households into poverty and despair. Great uncertainty does however present opportunities for growth. Amidst the current constrained environment, reasons for optimism remain. These include, improved rainfall in the Province which bodes well for agricultural output, lower interest rates which could encourage investment, more affordable asset classes as well as the approaching festive season which will see an increase in tourist arrivals (COVID-19 permitting), consumer spending and business activities.

To navigate this uncertainty, the Western Cape Government (WCG) remains steadfast in its commitment towards an evidence-based approach towards planning and budgeting. This approach will inform the fair, equitable and sustainable distribution of limited financial resources.

In 2020, the MERO underwent a complete redesign in terms of how it communicates socio-economic intelligence to its target audience across all regions of the province. Emphasis has been placed on the inclusion of infographics to convey complex economic data in a user-friendly and visually appealing manner. This has made the information more digestible, contributing towards improved strategic decision-making by public and private sector role-players alike.

I wish to extend a sincere word of appreciation to the dedicated research team and collaborative partners across the various provincial government departments and municipalities for developing a publication of the highest standard.

I trust that the information contained in these two publications will empower decision makers in their strategic policy responses aimed at ensuring a rapid and sustainable economic recovery.



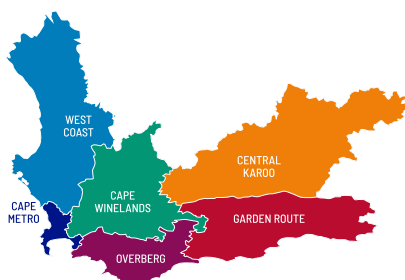
Mr David Maynier

Minister of Finance and Economic Opportunities

20 October 2020

WESTERN CAPE DISTRICTS

- 1 Introduction and background
- 2 Macroeconomic performance and outlook
- 3 Regional context
- 4 Preliminary impact of COVID-19



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ACRONYMS AND ABBREVIATIONS

AI	Artificial Intelligence
AIDS	Acquired Immunodeficiency Syndrome
AGOA	African Growth and Opportunity Act
AMP	Associated Media Publishing
ASEZ	Atlantis Special Economic Zone
AWS	Amazon Web Service
ART	Anti-Retroviral Therapy
B&B	bed and breakfast
BER	Bureau for Economic Research
BFAP	Bureau for Food and Agricultural Policy
BPO	Business Processing Outsourcing
BRICS	Brazil, Russia, India, China and South Africa
CANSA	Cancer Association of South Africa
CBA	Critical Biodiversity Area
CIDB	Construction Industry Development Board
CKD	Central Karoo District
COVID-19	Coronavirus Disease 2019
CPI	Consumer price inflation
CSD	Central Supplier Database
CWD	Cape Winelands District
DSD	Department of Social Development
EU	European Union
FDI	Foreign direct investment
Fed	Federal Reserve Bank
FIFA	Fédération Internationale de Football Association
GDP	Gross Domestic Product
GDPR	Gross Domestic Product per Region
GPS	Growth Potential Study
GRD	Garden Route District
ha	hectare
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
ICCA	International Congress and Convention Association
IDC	Industrial Development Corporation
IDP	Integrated development plan
IDZ	Industrial Development Zone
IMF	International Monetary Fund
IoT	Internet of Things
JSE	Johannesburg Stock Exchange
km	kilometre

LED	Local Economic Development
MDB	Municipal Demarcation Board
MDR	Multi-Drug Resistant
MERO	Municipal Economic Review and Outlook
MSCoA	Municipal Standard Chart of Accounts
NDP	National Development Plan
NMT	Non-motorised Transport
OD	Overberg District
OEC	Observatory Economic Complexity
OECD	Organisation for Economic Co-operation and Development
PERO	Provincial Economic Review and Outlook
PPP	Private Public Partnership
QES	Quarterly Employment Survey
QLFS	Quarterly Labour Force Survey
REIPPP	Renewable Energy Independent Power Producer Procurement
RMB	Rand Merchant Bank
SA	South Africa
SAB	South African Breweries
SANDF	South African National Defence Force
SANRAL	South African National Roads Agency
SAPS	South African Police Service
SARB	South African Reserve Bank
SBIDZ	Saldanha Bay Industrial Development Zone
SADC	Southern African Development Community
SEZ	Special Economic Zone
SEDA	Small Enterprise Development Agency
SMME	Small Medium and Micro Enterprises
TB	Tuberculosis
UK	United Kingdom
UNTWO	United Nations World Tourism Organisation
US	United States
USD	United States Dollars
VAT	Value-Added Tax
VFR	Visiting friends and/or relatives
VIC	Visitor information centre
WC DSD	Western Cape Department of Social Development
WCD	West Coast District
WCDM	Western Cape District Municipality
WCED	Western Cape Education Department
WHO	World Health Organisation
ZAR	South African Rands

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 an accompanying publication to the Provincial Economic Review and Outlook (PERO), which provides detailed economic intelligence at a provincial level.

1.2 OBJECTIVE OF THE RESEARCH

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

1.3 REPORT OUTLINE

The MERO 2020 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, which include 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 has been provided as follows:

Chapter 1: Regional economic review and outlook - Broad overview of the provincial macroeconomic context of each district by focusing on Gross Domestic Product per Region (GDPR) performance and labour trends. The period under review for MERO 2020 is between 2014 and 2018, with 2019 figures being estimated. This chapter also provides an economic forecast for 2020 and 2021.

Chapter 2: Sectoral growth, employment and skills per municipal area - This chapter provides a more in-depth macroeconomic outlook by considering the trends in GDPR, employment and skill levels between 2009 and 2019 for each of the municipal areas of the various districts.

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, access to basic services and crime. 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 reviews recent economic growth and medium-term prospects in the Western Cape against the background of global and national economic experience and expectations.

2.2 GLOBAL ECONOMIC PERFORMANCE

Global economic growth was already moderating prior to the COVID-19 pandemic. According to the International Monetary Fund (IMF), global growth continued to slow, from 3.6 per cent in 2018 to 2.9 per cent in 2019. As the full impact and economic fallout from the COVID-19 pandemic unfolds, the economic outlook has become increasingly pessimistic. The COVID-19 pandemic has triggered a deep global economic recession as global industrial production, trade and activity have been disrupted. Prices for crude oil have plummeted since the beginning of the year, and oil demand is expected to decline by an unprecedented 8.0 per cent in 2020.

2.2.1 Performance of advanced economies

Growth in advanced economies declined from 2.2 per cent in 2018 to 1.7 per cent in 2019, continuing a trend that began in 2017. There has been convergence towards a downward trend among advanced economies, with the euro area, G7, and other advanced economies all slowing in terms of growth between 2018 and 2019.

Growth in the United States (US) economy slowed between 2018 and 2019, softening to 2.3 per cent in 2019. The US economy contracted by 0.9 per cent in the first quarter of 2020, seasonally adjusted and annualised, and is expected to continue to decline after the first half of 2020. The US economy suffered contractions in industrial production as well as in the stock market during the first half of 2020.

The United Kingdom (UK), on the back of slow growth in the fourth quarter of 2019, experienced a decline in growth of 1.2 per cent in the first quarter of 2020. The UK and euro area also experienced depressed industrial production during the first half of 2020.

Growth in the euro area remained stable at 0.6 per cent throughout the last three quarters of 2019. Germany held steady at 0.6 per cent, but France's growth rate slowed to 0.3 per cent in the fourth quarter of 2019. This diversion widened during the first quarter of 2020, when growth in France contracted by 4.4 per cent and in Germany by 1.5 per cent. In the first quarter of 2019, Italy and Spain experienced the greatest quarter-on-quarter decline in the euro area, with -5.2 per cent and -5.1 per cent growth respectively. The first quarter of 2020 saw a steep fall in GDP in the euro area, with a contraction of 13.6 per cent, seasonally adjusted and annualised.

Japan's quarterly growth rate accelerated from 0.2 per cent in the fourth quarter of 2018 to 1.1 per cent in the first quarter of 2019. During the second and third quarters of 2019, growth moderated to 0.6 per cent and 0.4 per cent respectively, with a decline of 1.5 per cent in the fourth quarter. Japan's growth was tempered by slowing global demand in 2019 and when the pandemic hit, the country was already in a recession.

2.2.2 Performance of emerging and developing economies

Following the same trend as advanced economies, growth in emerging and developing economies slowed from 4.5 per cent in 2018 to 3.7 per cent in 2019. Growth in the Chinese economy slowed from 6.7 per cent in 2018 to 6.1 per cent in 2019. China, where the first cases of the novel coronavirus were reported in late 2019, was the first country to implement lockdown measures, and the first to reopen its economy.

The Chinese economy advanced by 6.0 per cent in the third quarter of 2019, slowing from a 6.2 per cent expansion in the previous quarter, the slowest pace since the first quarter of 1992, according to Reuter's records. The fierce US trade war saw industrial production weakening to 5.7 per cent and retail sales slowing to 8.0 per cent in 2019. Households, spooked by the trade war and job losses, put off big purchases. Growth was further weighed down by weakening global demand.

Business sentiment received a boost in December 2019, after the signing of an interim deal in the costly war over Beijing's technology ambitions and trade surplus. The US agreed to cancel planned tariff hikes on additional Chinese imports and Beijing promised to buy more American farm goods, though punitive duties already imposed by both sides stayed in place. This suggested the cooling of tensions, but optimism was cut short by the emergence of the novel coronavirus in late 2019.

India's economic growth has decelerated since mid-2018, with real GDP growth slipping to 5.0 per cent in the second quarter of 2019 and further softening to 4.5 per cent in the third quarter of 2019. India's economy grew at its slowest pace in more than six years in the second quarter of 2019, following a sharp deceleration in consumer demand, weighed down by slow employment growth and tepid investment. India suffered the biggest contraction on record in the second quarter of 2020, as the country imposed a coronavirus lockdown in late March 2020 and extended it several times, halting most economic activities.

Growth in Brazil slowed from 1.3 per cent in 2018 to 1.1 per cent in 2019 after recovering from a negative growth rate in 2017, following a massive recession in 2015 and 2016. Brazil's President took office at the start of 2019 with the promise of rejuvenating the economy, but political instability hampered the government's reform agenda as tight fiscal policy constrained domestic demand and a crisis in neighbouring Argentina sapped exports. Growth in 2019 was led by household consumption, which rose by 1.8 per cent compared with 2018, and investment grew by 2.2 per cent, according to the Brazilian Institute of Geography and Statistics.

The growth rate in Russia declined from 2.5 per cent in 2018 to 1.3 per cent in 2019. Prices for crude oil, Russia's largest export product, have plummeted since the start of the year, while oil demand is expected to decline by an unprecedented 8.0 per cent in 2020 (see Figure 2.1). The COVID-19 pandemic has resulted in reduced fiscal revenues and a weakened ruble. Unemployment increased to 6.1 per cent in May 2020, up from 4.5 per cent a year earlier.

After recovering in 2017, growth in sub-Saharan Africa slowed from 3.2 per cent in 2018 to 3.1 per cent in 2019. Sub-Saharan Africa's challenges are persistent, with several long-standing challenges, not least of which are poverty and unemployment, which are holding back progress. Uncertainty in the global environment owing to the COVID-19 pandemic continues to adversely impact the region's three largest economies, namely Nigeria, South Africa and Angola, on the back of persistently weak growth and investment.

2.2.3 Global economic outlook

According to the IMF, the global economy is in a crisis like no other and the extent of economic recovery over the medium term is uncertain. Many countries face a multilayered crisis comprising a health shock, domestic economic disruptions, plummeting external demand, capital flow reversals and contraction in commodity prices. The COVID-19 pandemic had a more negative impact on activity in the first half of 2020 than anticipated. Measures implemented to contain the spread of the coronavirus resulted in a significant deterioration in the global economic outlook. In June 2020, the IMF downwardly revised its global economic outlook for 2020 to -4.9 per cent, 1.9 percentage points below the April 2020 forecast (see Table 2.1). However, a global rebound of 5.4 per cent is expected in 2021 as economies open and economic activity resumes.

Table 2.1

GLOBAL ECONOMIC OUTLOOK, 2020 - 2021



	Size of Global GDP in 2019 (%)	GDP Growth (%)		GDP Forecast (%)	
		2018	2019	2020	2021
World output	100.0	3.6	2.9	-4.9	5.4
Advanced economies	59.8	2.2	1.7	-8.0	4.8
United States	24.8	2.9	2.3	-8.0	4.5
Euro area	15.4	1.9	1.3	-10.2	6.0
Germany	4.5	1.5	0.6	-7.8	5.4
France	3.1	1.8	1.5	-12.5	7.3
Italy	2.3	0.8	0.3	-12.8	6.3
Spain	1.6	2.4	2.0	-12.8	6.3
Japan	6.0	0.3	0.7	-5.8	2.4
United Kingdom	3.2	1.3	1.4	-10.2	6.3
Canada	2.0	2.0	1.7	-8.4	4.9
Other advanced economies	8.5	2.7	1.7	-4.8	4.2
Emerging and developing economies	40.2	4.5	3.7	-3.0	5.9
Sub-Saharan Africa	2.0	3.2	3.1	-3.2	3.4
Nigeria	0.5	2.2	2.2	-5.4	2.6
Middle East and Central Asia	4.4	1.8	1.0	-4.7	3.3
Emerging and Developing Europe	4.4	3.2	2.1	-5.8	4.3
Russia	1.9	2.5	1.3	-6.6	4.1
Emerging and Developing Asia	23.5	6.3	5.5	-0.8	7.4
China	16.3	6.7	6.1	1.0	8.2
India	3.4	6.1	4.2	-4.5	6.0
Latin America and the Caribbean	6.0	1.1	0.1	-9.4	3.7
Brazil	2.1	1.3	1.1	-9.1	3.6
Mexico	1.5	2.2	-0.3	-10.5	3.3
Consumer prices					
Advanced economies		2.0	1.4	0.5	1.5
Emerging and developing economies		4.8	5.0	4.6	4.5

Source: International Monetary Fund, Quantec Research, 2020

The magnitude of the economic fallout depends on interrelated factors that are hard to predict, including the pathway of the COVID-19 pandemic, the intensity and efficacy of containment efforts, the extent of supply disruptions, the repercussions of the dramatic tightening in global financial market conditions, shifts in spending patterns, behavioural changes (such as people avoiding shopping malls and public transportation), confidence levels and volatile commodity prices.

2.2.4 Outlook for advanced economies

Recovery, on account of economic activity resuming, is expected to gain traction in the second half of the year. The outlook for growth in advanced economies for 2020 is poor at -8.0 per cent, with a rebound of 4.8 per cent growth forecast for 2021. The lifting of lockdown measures is proceeding at a more gradual pace than previously expected, and the impact on economic activity in 2020 will thus be more significant than anticipated. A recovery path depends on several factors, most notably a resurgence in the COVID-19 pandemic in the second half of 2020 and in 2021. Belgium, Italy and the UK appear to be experiencing a resurgence, with the UK registering 6 178 new COVID-19 cases on 23 September 2020.

The COVID-19 pandemic has dealt the US and world economies an unprecedented shock as the “Great Lockdown” closed a wide range of sectors, including travel, tourism, entertainment and many more. Unemployment rates in the US reached 14.7 per cent in April 2020 from 4.4 per cent in March 2020. However, they showed an improvement in September 2020 (7.9 per cent). US growth is expected to contract by 8.0 per cent in 2020, with growth of 4.5 per cent forecast for 2021.



Growth in the euro area for 2020 is expected to contract by 10.2 per cent, with a recovery to 6.0 per cent in 2021. The UK is expected to experience a contraction of 10.2 per cent in 2020 and 6.3 per cent growth in 2021. The end to the lockdown has seen output gradually pick up across sectors. However, uncertainty about progress in combating the COVID-19 pandemic and the possibility of a resurgence in the coming winter are causing major spending decisions to remain on hold. Timing of a vaccine or effective treatment for COVID-19, a potential second wave and the future relationship between the UK and European Union will all impact the rate of economic recovery in the UK and euro area.

Japan implemented a state of emergency and successfully contained the spread of the coronavirus through effective contact tracing. However, the recovery is expected to be slow as cautious consumers restrain domestic demand and weak global growth hits exports and industrial production. A contraction of 5.8 per cent in 2020 is forecast for Japan, with a rebound in growth of 2.4 per cent in 2021.

2.2.5 Outlook for emerging and developing economies

COVID-19 has triggered the deepest global recession in decades and, while the outcome is still uncertain, the pandemic will result in contractions across the vast majority of emerging and developing economies. The unprecedented global sweep of this crisis hampers recovery prospects for export-dependent economies and jeopardises the prospects for income convergence between developing and advanced economies. The IMF forecasts an economic contraction of 3.0 per cent for this grouping in 2020. Growth is expected to rebound to 5.9 per cent in 2021.

China is one of the few countries for which the IMF forecasts a positive, although slow, growth rate of 1.0 per cent in 2020, and a strong recovery to 8.2 per cent in 2021. As the first economy to implement strict lockdown measures, China was also the first economy to open and resume trade. Beijing's measures brought the COVID-19 pandemic under control sooner than anticipated and the nationwide shutdown has led to the pandemic's slowdown in mid-February 2020. By March 2020, China reported that the number of new domestically driven COVID-19 cases had fallen to zero. Europe became the pandemic's new epicenter as the spread of the virus continued to accelerate in the US. However, weak consumer spending and the aftermath of disruption in production and supply chains have taken a toll on the Chinese economy. In addition, the phase one trade deal concluded with the US is now inoperative, as China is unlikely to meet its agreement to purchase large quantities of American goods this year.

In India, where authorities imposed one of the most stringent lockdowns globally, measures are being relaxed very gradually. India is forecast to experience a decline of 4.5 per cent in 2020 owing to the shock of the pandemic. India's economic recovery will be influenced by the country's ability to bring the pandemic under control, and is forecast to rebound to 6.0 per cent in 2021.

Russia's GDP is expected to contract by as much as 6.6 per cent in 2020, an 11-year low. If containment measures are fully lifted in the second half of 2020, a moderate recovery could get under way. Some positive momentum is expected to spill over to 2021, pushing GDP growth to 4.1 per cent.

Brazil is expected to experience a 9.1 per cent contraction in 2020, followed by 3.6 per cent growth in 2021. Brazil had a relatively weak fiscal balance sheet and low growth prior to the pandemic. Recovery may be hindered by an uncertain fiscal trajectory, rising public debt, and periodic street protests and tension between the administration and the judiciary.

Sub-Saharan Africa is expected to suffer an economic contraction of 3.2 per cent in 2020. The IMF projects a recovery of 3.4 per cent in 2021, subject to the continued gradual easing of restrictions and the region avoiding flare-ups causing second peaks of infections. The IMF expects developing economies dealing with the pandemic to have slower economic recoveries as global demand continues to suffer and lockdowns continue.



2.2.6 Global inflation outlook

Global inflation remained steady at 3.6 per cent in 2018 and 2019, and is expected to moderate slightly to 3.0 per cent in 2020 and increase to 3.3 per cent in 2021, according to the IMF. Upward cost-push inflation owing to supply interruptions was offset by a decline in aggregate demand and lower fuel prices.

Average inflation in advanced economies dropped to 0.4 per cent in April 2020, declining by 1.3 percentage points since the end of 2019. The IMF forecasts inflation in advanced economies to moderate to 0.5 per cent in 2020 and rise to 1.5 per cent in 2021.

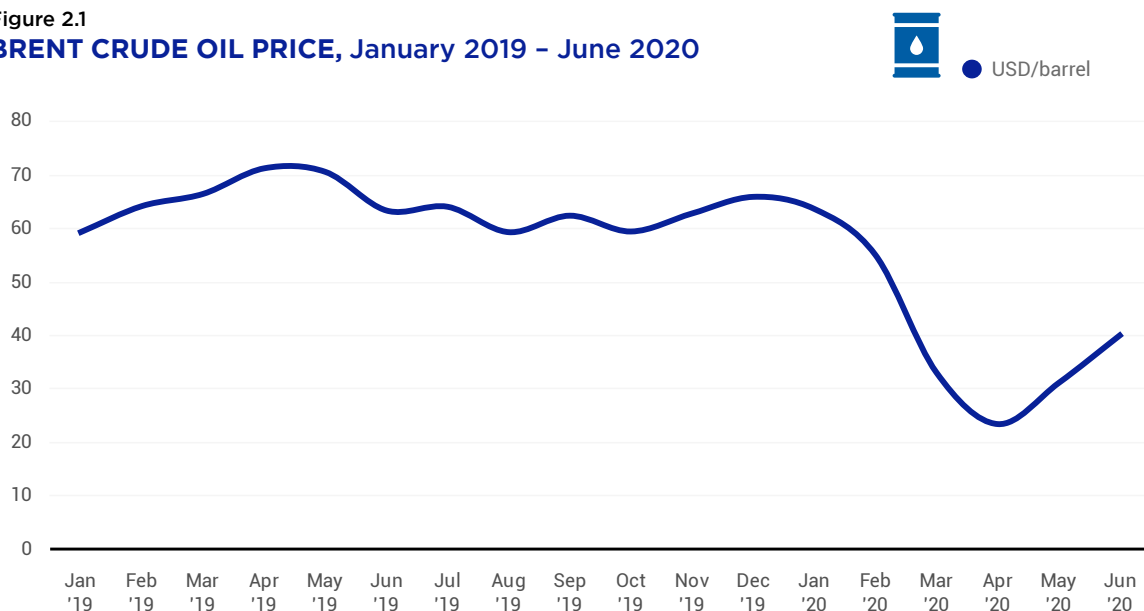
Weaker inflation in 2020 reflects a drop in energy prices and weak consumer demand. The European Central Bank expects food prices to remain elevated in the short term, but to decrease during the year and record lower rates in 2021 than in 2020. Consumer price inflation in the US and UK remained steady, while inflation in the euro area dipped to 0.1 per cent in May 2020.

Inflation in emerging and developing economies dropped by 1.2 percentage points to 4.2 per cent between the end of 2019 and April 2020. On average, emerging and developing economy inflation is expected to ease to 4.6 per cent in 2020 and 4.5 per cent in 2021. Inflation in Sub-Saharan Africa is forecast to remain comparatively high at 9.6 per cent in 2020 and 7.6 per cent in 2021.

Energy prices were weighed down by the weakened global oil price owing to increased production and the price war between Russia and Saudi Arabia (see Figure 2.1). The price per barrel for Brent crude oil declined sharply during the first half of 2020 and is expected to remain weak for the remainder of 2020, with somewhat of a recovery forecast for 2021.



Figure 2.1
BRENT CRUDE OIL PRICE, January 2019 – June 2020



Source: International Monetary Fund, 2020

2.2.7 Risks to the global outlook

The COVID-19 pandemic and global health response only added to pre-existing risks to the global outlook:

- A crisis such as the global COVID-19 pandemic brings a high level of uncertainty, as the full impact is still unfolding and the fallout predictions continue to worsen as the year progresses.
- The sharp economic downturn resulting from the health response to COVID-19 is expected to have the greatest adverse effect on low-income households, where the impact is expected to be experienced particularly acutely, eroding the progress made in reducing extreme poverty in the world since the 1990s.
- Geopolitical and trade tensions could damage fragile global relationships. Tensions between the US and China are ever mounting, compounded by the COVID-19 pandemic and increased nationalism with the race to develop a vaccine.



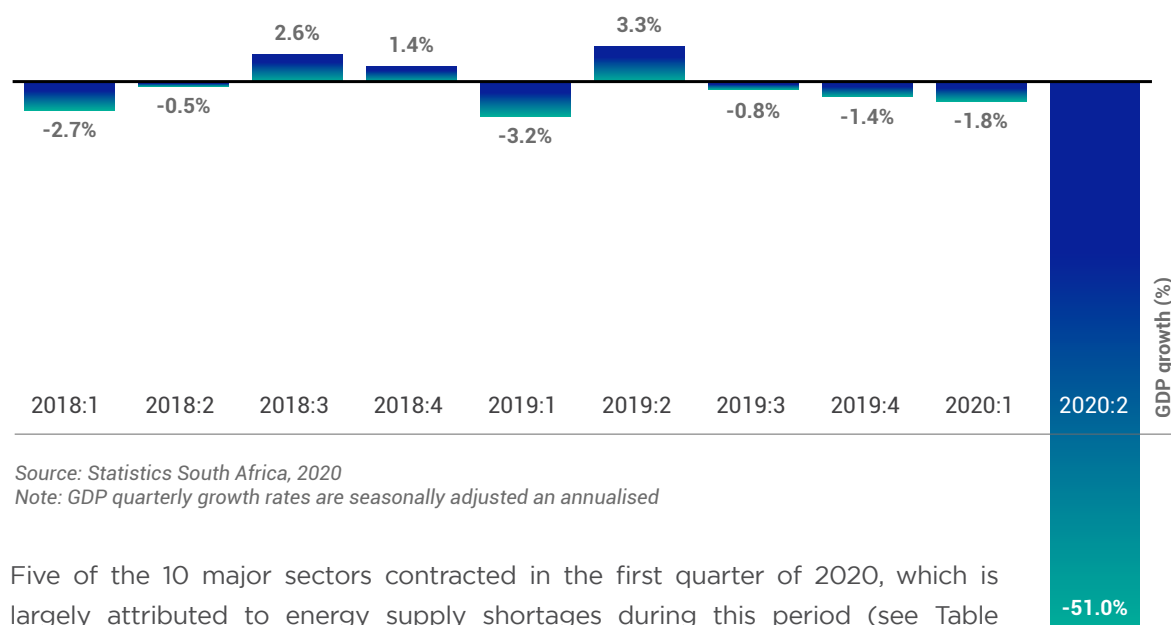
2.3 DEVELOPMENTS IN THE SOUTH AFRICAN ECONOMY

2.3.1 Performance of the South African economy

The South African economy was already experiencing slowing economic activity prior to the COVID-19 pandemic as the national economy entered the national lockdown on 27 March 2020, on the back of a third consecutive quarter of economic decline (see Figure 2.2). The national lockdown exacerbated the economic collapse, as the South African economy contracted by an unprecedented 51.0 per cent in the second quarter of 2020¹.

Figure 2.2

PERFORMANCE OF THE SOUTH AFRICAN ECONOMY, 2018:Q1 – 2020:Q2



Source: Statistics South Africa, 2020

Note: GDP quarterly growth rates are seasonally adjusted and annualised

Five of the 10 major sectors contracted in the first quarter of 2020, which is largely attributed to energy supply shortages during this period (see Table 2.3). Construction and manufacturing suffered the greatest quarter-on-quarter decline. The second quarter of 2020 saw a decline across all sectors, except for agriculture, with construction and manufacturing still being the hardest hit. As with the global economy, South Africa's economic performance for the first half of 2020 was further constrained by the COVID-19 pandemic and exacerbated by a further sovereign credit rating downgrade by S&P on 29 April 2020 (see Table 2.2).

Table 2.2

SOUTH AFRICAN SOVEREIGN CREDIT RATINGS, July 2019 - April 2020



Agency	Rating	Outlook	Date
S&P	BB-	stable	29-Apr-20
Fitch	BB	negative	03-Apr-20
Moody's	Ba1	negative	27-Mar-20
S&P	BB	negative	22-Nov-19
Moody's	Baa3	negative	01-Nov-19
Fitch	BB+	negative	26-Jul-19

Source: Trade economics, 2020

¹ Trying to analyse and explain the behaviour of the South African economy through a single estimate is ill-advised, mainly owing to the various complex interactions which prevail. As such, there are three methods to measure the economic growth rates of the country. The first is quarter-on-quarter seasonally adjusted and annualised rate (see Figure 2.2), the second is quarter-on-quarter unadjusted rate, while the third is year-on-year unadjusted rate (see Table 2.3). By providing the three growth rates, Stats SA enables policymakers to have an informed view of the dynamics of the economy. However, in South Africa, the headline GDP growth rate utilised is the quarter-on-quarter seasonally adjusted and annualised rate.

GDP weakness was broad-based from both the consumption and production side. On the demand side, retail sales for the first five months of 2020 were down by 19.5 per cent compared with the same period last year. New vehicle sales in July 2020 declined by 29.6 per cent compared with July 2019, and credit growth to the domestic private sector in June 2020 eased to 5.6 per cent year-on-year from 6.3 per cent in May 2020 and 7.2 per cent year-on-year in April 2020.

Table 2.3
SOUTH AFRICA CHANGE
IN GDP PER SECTOR,
2019:Q4 – 2020:Q2



DESCRIPTION	Quarterly (q-o-q) percentage change			Annual (y-o-y) percentage change		
	2019Q4	2020Q1	2020Q2	2019Q4	2020Q1	2020Q2
Agriculture, forestry and fishing	-2.0	6.5	3.6	-8.6	1.9	6.9
Mining and quarrying	0.5	-5.9	-28.0	0.0	-3.1	-32.9
Manufacturing	-0.5	-2.2	-29.2	-3.3	-3.3	-31.8
Electricity, gas and water	-1.0	-1.4	-10.7	-3.3	-2.9	-14.0
Construction	-1.5	-1.2	-30.4	-5.1	-5.0	-33.5
Wholesale and retail trade, catering and accommodation	-1.0	-0.2	-24.6	-0.4	0.4	-24.9
Transport, storage and communication	-1.9	0.1	-24.7	-4.4	-3.2	-27.1
Finance, insurance, real estate and business services	0.7	0.9	-8.2	2.4	3.0	-6.3
General government	-0.1	0.2	-0.2	1.9	1.6	0.6
Community, social and personal services	0.2	0.1	-9.3	0.7	0.6	-9.0
GDP	-0.4	-0.5	-16.4	-0.6	-0.2	-17.1

Note: GDP quarterly growth rates and GDP yearly growth rates are not seasonally adjusted or annualised
Source: Quantec Research, 2020



On the production side, seasonally adjusted manufacturing decreased by 29.2 per cent in the second quarter of 2020 compared with the first quarter of 2020, while mining production decreased by 29.8 per cent year-on-year in May 2020². The value of recorded building plans passed (at current prices) decreased by 33.0 per cent from January to April 2020 compared with the same period last year.

² (Quantec Research, 2020).

2.3.2 Outlook for the South African economy

The context for the South African growth outlook is marred by the COVID-19 pandemic and the resulting societal and economic deterioration. The 51.0 per cent contraction in GDP in the second quarter of 2020 was the fourth consecutive quarter of economic decline. The already constrained national economy is forecast to contract by 9.8 per cent in 2020, signalling the country's largest economic decline in the last 90 years (see Table 2.4). Thereafter, the national economy is expected to rebound by 3.3 per cent in 2021, based on improved consumer and investor confidence after the COVID-19 lockdown measures and a low 2020 economic baseline.

Table 2.4
SOUTH AFRICAN ECONOMIC OUTLOOK,
2020 – 2021



DESCRIPTION	2019	2020f	2021f
Final consumption expenditure, households (%)	1.0	-3.4	-0.2
Durable goods	0.6	-17.8	-4.8
Semi-durable goods	0.5	-15.1	3.3
Non-durable goods	1.1	-0.6	-3.7
Services	1.2	0.04	2.9
Gross fixed capital formation (%)	-0.9	-11.9	-11.2
Private	1.1	-11.8	-10.2
Government	-8.9	-12.9	9.7
Public corporations	-1.6	-11.1	-37.0
Exports of goods and services (%)	-2.5	-32.1	14.4
Interest rates (average of quarterly values)			
3-month BA rate	7.0	4.9	4.9
10-year long bond yield	9.1	10.1	11.4
Prime overdraft rate	10.1	7.8	7.8
Inflation (annual average %)			
Producer prices	4.6	2.3	0.9
Consumer prices	4.1	3.3	4.9
Average wage rate (rand)	4.6	0.7	16.2
Exchange rates (annual average)			
R/US dollar	14.5	16.2	17.1
R/euro	16.2	17.8	19.2
R/pound sterling	18.4	20.4	21.7
Yen/R	7.5	6.7	6.3
Gross domestic expenditure (year-on-year % change)	0.7	-5.4	1.3
Gross domestic product (year-on-year % change)	0.2	-9.8	3.3
Current account balance (R billion, seasonal adjustment)	-153.2	-182.0	-13.4

Note: f denotes forecast

Source: Quantec Research, 2020

2.3.3 Final household consumption expenditure

The national lockdown and alert level regulations, and associated business and operational restraints, resulted in a sharp decline in consumer demand and business confidence. Final household consumption is expected to shrink by 3.4 per cent in 2020 amid income uncertainty and aggregate demand shock. The decline is linked to increased unemployment, a decline in disposable income, higher debt and lower savings, supply constraints as businesses close, and an overall shrinkage in the tax base. Credit growth in the domestic private sector slowed from 4.5 per cent (year-on-year) in April 2020. (see Figure 2.3).

Figure 2.3
SOUTH AFRICAN HOUSEHOLD CREDIT EXTENSION,
April 2011 – April 2020

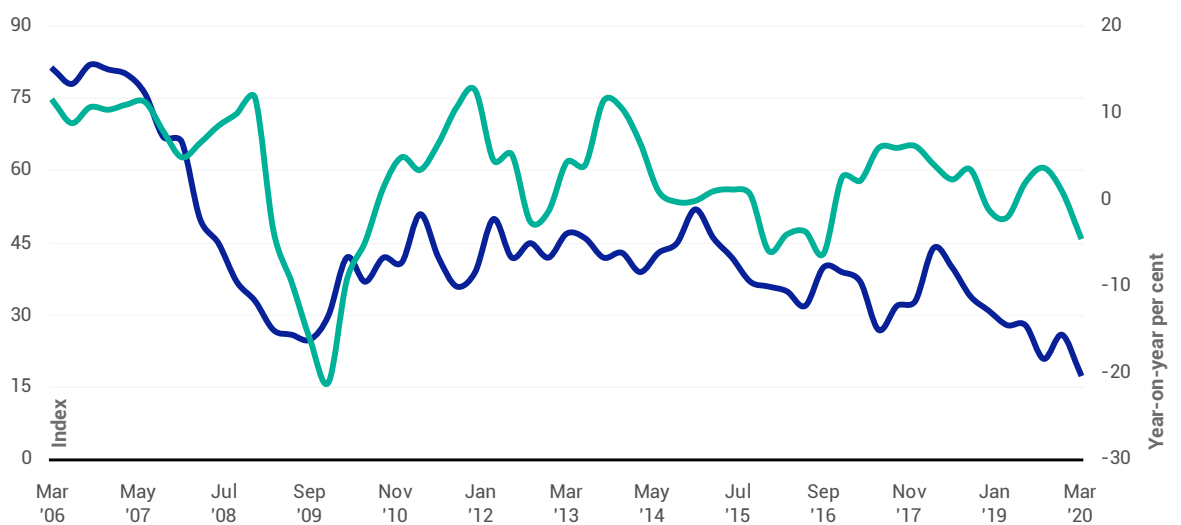


Source: Quantec Research, 2020

2.3.4 Gross fixed capital formation

Gross fixed capital formation by private businesses slowed by 2.1 per cent in 2018 and 1.1 per cent in 2019. Low business confidence is expected to have an adverse effect on private sector investment in 2020 (see Figure 2.3). The RMB/BER Business Confidence Index in South Africa fell further to 5 index points in the second quarter of 2020 from 18 index points in the previous quarter, reaching a record low since the series began in 1975. The lockdown measures taken to address the health emergency posed by the COVID-19 pandemic severely impacted already weak business conditions. Activity collapse across sectors corresponds with a severe contraction in GDP in the second quarter of 2020.

Figure 2.4
RMB/BER BUSINESS
CONFIDENCE INDEX VS
PRIVATE SECTOR FIXED
INVESTMENT, SOUTH AFRICA,
March 2006 – March 2020



Source: Quantec Research, 2020

According to the South African Reserve Bank (SARB), real gross fixed capital formation plummeted by 20.5 per cent in the first quarter of 2020, after contracting by 10.0 per cent in the fourth quarter of 2019. Although the private sector was mainly responsible for the quarterly contraction, capital investment by public corporations also declined sharply. The level of fixed capital investment in the first quarter of 2020 was 6.2 per cent below that in the corresponding period of 2019 and reflected continued weak business confidence, political uncertainty, and the weak economic and fiscal environment.

The SARB estimates reveal that real fixed capital expenditure contracted across most industries in the first quarter of 2020, particularly in the mining; electricity, gas and water; and transport industries owing to heightened uncertainty about South Africa's economic prospects amid the economic recession. Capital expenditure by private electricity producers declined in the first quarter of 2020, although spending on construction activity related to Independent Power Producer (IPP) projects remained significantly higher on a year-on-year basis.

Real gross fixed capital outlays by private business enterprises decreased by 25.3 per cent in the first quarter of 2020, following a decline of 10.3 per cent in the fourth quarter of 2019. This was the largest quarterly contraction since the first quarter of 2009, when capital investment by private enterprises declined by 38.7 per cent. Capital expenditure on transport equipment as well as machinery and equipment decreased markedly. This downward trend resulted in a slight decrease in the private sector's share of total gross fixed capital formation, from 70.8 per cent in the final quarter of 2019 to 70.0 per cent in the first quarter of 2020.

Gross fixed capital formation by the public sector decreased for a fourth consecutive quarter in the first quarter of 2020, driven lower by a sharp decline in capital outlays by public corporations. The contraction reflected the persistent decline in capital investment on construction works as well as machinery and equipment by state-owned entities. Real capital spending by general government rebounded by 7.7 per cent in the first quarter of 2020, adding 1.0 percentage point to growth in

total gross fixed capital formation. The turnaround followed a sustained decline since the first quarter of 2018 and reflected increased real capital outlays by central and local government. According to Quantec Research, total fixed capital formation is expected to contract by 9.1 per cent in 2020 and 9.0 per cent in 2021.

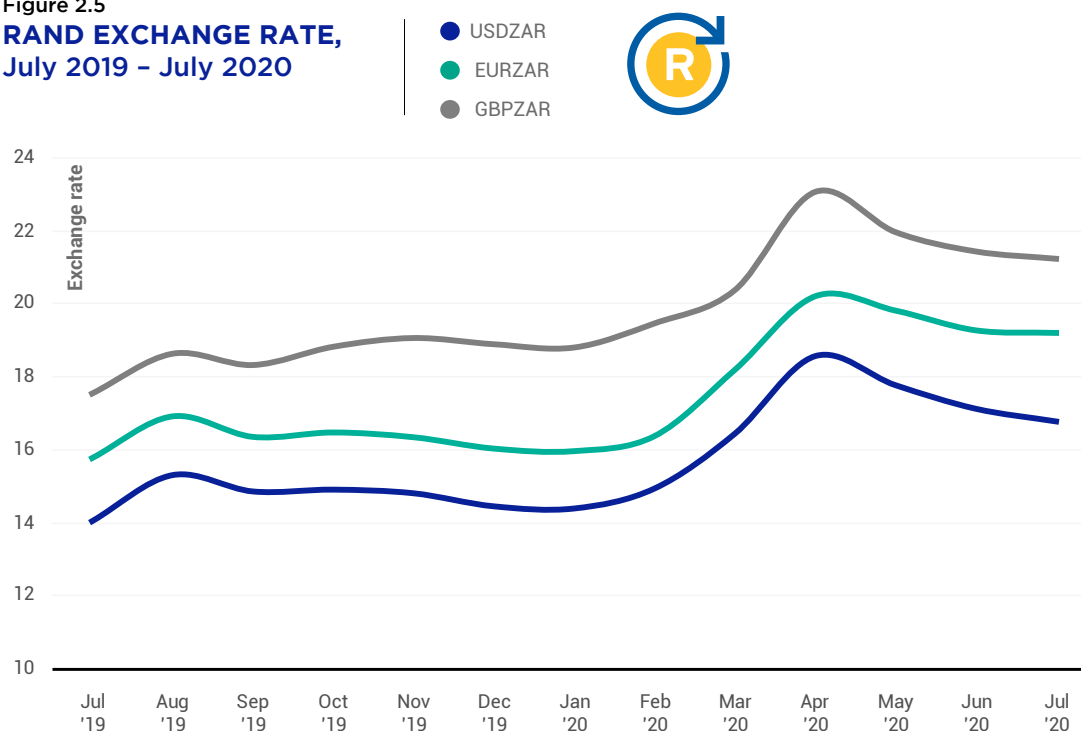
2.3.5 Exchange rate outlook

The currencies of many emerging markets have fallen sharply against the US dollar since January 2020, as investors applied caution owing to concerns about the economic disruption caused by the COVID-19 pandemic. A gradual return to more normal levels of economic activity can be expected during the second half of 2020. This could result in some recovery of emerging market currencies. However, South Africa, with its growing fiscal constraints, electricity supply problems and recently attained junk status, is unlikely to see much appreciation in the value of the rand, according to Quantec Research.

The rand weakened sharply between March 2020 and July 2020, reaching its lowest point in April 2020 (see Figure 2.5). The rand remained weaker against most currencies in June 2020, 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 (year-on-year) against the Japanese yen (see Table 2.4). In July 2020, the nominal effective exchange rate was 15.1 per cent weaker than a year ago, according to SARB.

The rand is expected to continue to weaken against all major currencies for at least the next five years, according to Quantec Research. The poor outlook for the rand is due to the already fragile state of the South African government's finances, soaring government debt and increased medical and social spending at the same time as tax revenues plummet.

Figure 2.5
RAND EXCHANGE RATE,
July 2019 – July 2020



Source: Quantec Research, 2020

2.3.6 Balance of payments

South Africa's trade surplus widened from R44 billion in the third quarter of 2019 to R102.5 billion in the fourth quarter of 2019. This happened as the quarter-on-quarter annualised change in the value of net gold and coal exports increased significantly by 213 per cent and 298 per cent respectively. In contrast, the value of agricultural and manufacturing exports contracted in the fourth quarter of 2019.

The current account balance shifted from a deficit of R68.1 billion in the previous quarter to a surplus of R69.7 billion in the first quarter of 2020, marking the first current account surplus since the first quarter of 2003. The more than doubling of trade surplus from R102.5 billion to R208.0 billion can be attributed to a rise in exports value (increases in prices and volumes) amid lower value of imported goods owing to reduced volumes.

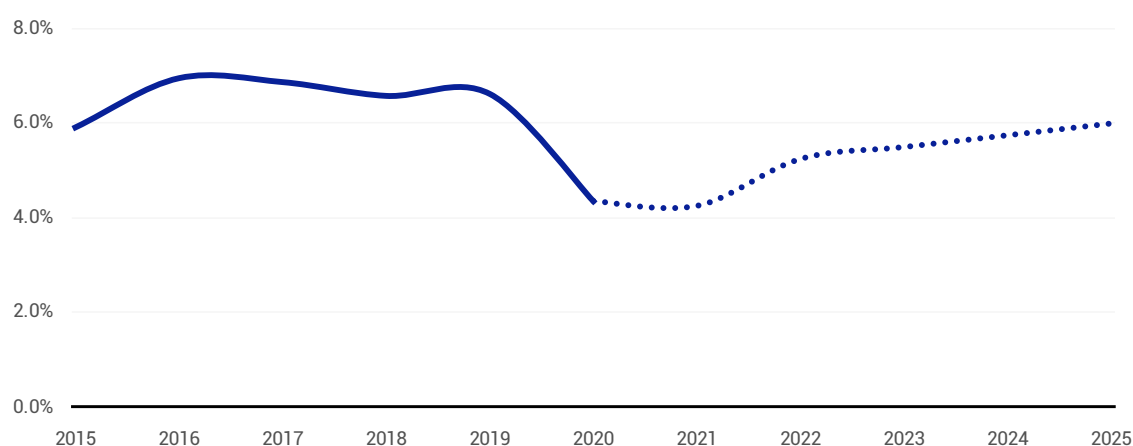
2.3.7 Inflation and interest rate outlook

Since late 2013, SARB has increased the repo rate gradually to a level of 7.0 per cent in April 2016. During the ensuing 15 months, SARB remained on hold. Two 25 basis points decreases during 2017 were partly neutralised by a 25 basis points repo rate increase in November 2018, because of higher oil prices, a weaker rand and perceived risks regarding future inflation.

However, the deteriorating economic environment and liquidity constraints owing to the national lockdown persuaded SARB to cut the repo rate aggressively, by a total of 275 basis points since January 2020. SARB cut the repo rate by 100 basis points during an emergency meeting in April 2020, followed by a further 50 basis points cut to 3.75 per cent during its May 2020 meeting. In July 2020, SARB announced an additional cut by 25 basis points to 3.50 per cent to mitigate the effects of negative growth owing to the COVID-19 pandemic.

Given that inflation is at its lowest level in 15 years, it is expected that South Africa is nearing the end of its cutting cycle, with at most room for an additional 25 basis points cut, whereafter the repo rate may remain steady into 2021. Following a meeting on 17 September 2020, SARB decided to keep the repo rate on hold at 3.5 per cent. Consequently, the prime commercial lending rate remains at a more than 40-year low of 7.0 per cent.

Figure 2.6
REPO RATE (SA) AVERAGE PER CENT PER ANNUM (Average of quarterly values)



Source: Quantec Research, 2020

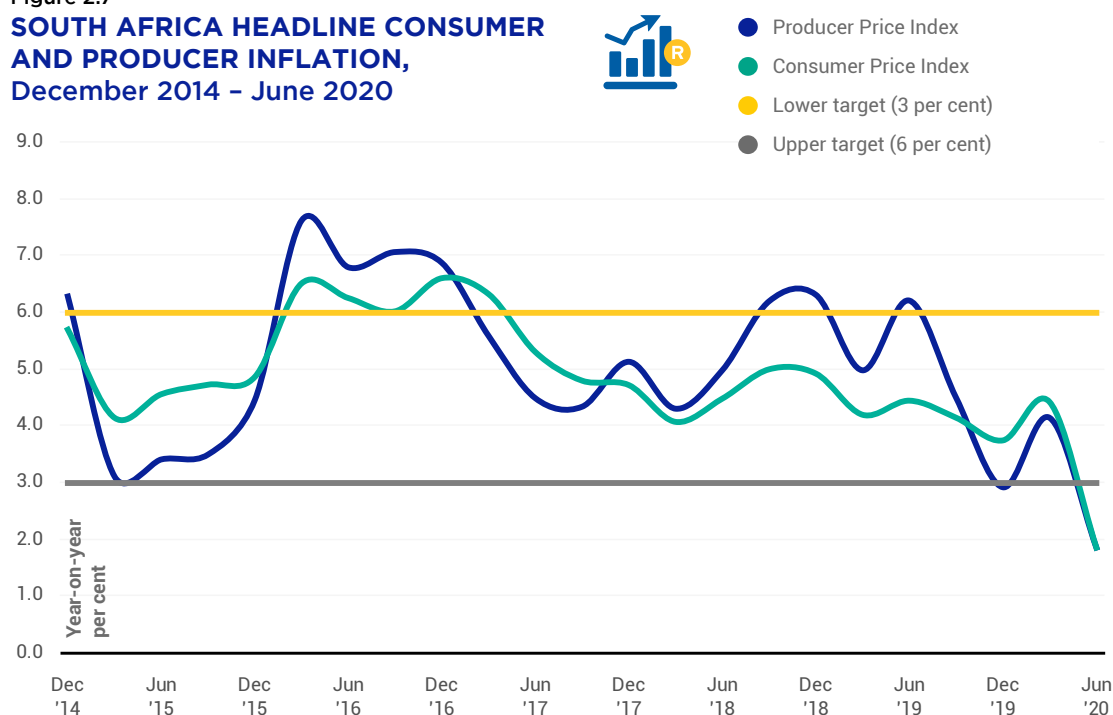
The Consumer Price Index (CPI) decreased by 0.5 per cent month-on-month in April 2020. Annual consumer price inflation was 3.0 per cent in April 2020, down from 4.1 per cent in March 2020, the lowest since June 2005, when the rate was 2.8 per cent. The main contributors to the 3.0 per cent annual inflation rate were food and non-alcoholic beverages; housing and utilities; transport; and miscellaneous goods and services.

Food and non-alcoholic beverages increased by 4.4 per cent year-on-year and contributed 0.7 of a percentage point to the total CPI annual rate of 3.0 per cent. Housing and utilities increased by 4.6 per cent year-on-year and contributed 1.1 percentage points. Transport decreased by 3.5 per cent year-on-year and contributed -0.5 of a percentage point to total inflation. Miscellaneous goods and services increased by 6.4 per cent year-on-year and contributed a 1.0 percentage point.

The annual inflation rates for goods and services were 1.7 per cent and 4.1 per cent respectively. Provincial annual inflation rates ranged from 2.4 per cent in the Eastern Cape to 3.6 per cent in the Western Cape.

Figure 2.7

SOUTH AFRICA HEADLINE CONSUMER AND PRODUCER INFLATION, December 2014 – June 2020



Source: Quantec Research, 2020



R500 BILLION RELIEF PACKAGE

In a national address on Tuesday 21 April 2020, President Cyril Ramaphosa announced a R500 billion social and economic support package – equal to about 10 per cent of the country's annual GDP.

The package was planned to be used to support vulnerable South Africans, and to respond to the impact of the lockdown on workers and businesses. The funds were planned to go towards:

- Additional health relief efforts;
- Addressing hunger;
- Helping businesses; and
- Working towards reopening the economy.

R130 billion of the funding came from reprioritisation of the budget. The rest would be funded internally and externally – including approaching the World Bank, IMF, Development Bank and others. South Africa is entitled to as much as \$4.2 billion in emergency funding from the International Monetary Fund to support the fight against the coronavirus fallout, Bloomberg reported.

Some of the specific measures announced by President Ramaphosa include:

- A special coronavirus grant of R350 per month for the unemployed for six months;
- Grant beneficiaries would receive an extra R250 for three months;
- An additional R200 billion loan guarantee scheme, to assist enterprises with additional costs, such as salaries and paying suppliers. In the initial phase, companies with a turnover of under R300 million a year will qualify to participate in this scheme. The scheme is run in partnership with major banks, National Treasury and SARB;
- The threshold for tax deferrals was set at R100 million a year;
- R40 billion was set aside for income support through UIF for employees whose employers were unable to pay wages; and
- R100 billion was set aside for the creation of jobs.

2.3.8 Shape and prospect of economic recovery post-COVID-19

The possible economic recovery scenarios post-COVID-19 are usually described by three letters, namely a V, U or L shape. A “V-shaped” recovery refers to a sharp decline in GDP followed by a rapid recovery. The rebound is quick and the process takes only a few months. In a “U-shaped” recovery, the recovery lasts through several quarters. The extended period of low levels of GDP gives the recovery a U shape instead of a V shape. On the other hand, an “L-shaped” recovery refers to an economic recovery where low levels of GDP last for an extended period. More recently, the focus has also been shifted to a “K-shaped” recovery. This recovery is characterised by a divergence in incomes of large sections of workers, where one segment recovers almost immediately while another suffers much longer. If the recovery is K-shaped, relatively few middle-class and upper-class workers lose their jobs, compared with people who have very low incomes.

A full and fast recovery of the national or provincial economies does not appear likely. Going into 2020, the South African economy was already experiencing declining economic activity. Weak economic conditions before the COVID-19 pandemic damaged the economy’s ability to recover. As an example, the lack of reliable power supply was one constraint on economic growth before the crisis. However, 2020 has been the worst year on record for power outages thus far.

However, leading and composite business cycle indicators have shown decent upward trends recently, indicating some form of economic recovery, according to SARB. Yet, the current level of these trends is still far below their long-term average.





HIGH FREQUENCY ECONOMIC RECOVERY INDICATORS

Some other leading indicators that can be used to assess the economic recovery compared with pre-lockdown levels include mobility data, card transactions and the Small Business Turnover Index. Mobility data shows that the rest of the country quickly recovered from the lockdown restrictions in terms of going outside and visiting places. In fact, for most of the country, visits to supermarkets and parks are higher than they were before lockdown³. This has not been the case in the Western Cape.

By the end of August 2020, visits to retail stores and recreational locations were 25.0 per cent lower than before lockdown. There were also 11 per cent fewer visits to supermarkets and 39.0 per cent fewer visits to parks⁴. This can have a damaging impact on the Western Cape's economic recovery, since it is probably a good indication that household consumption is still lower than it was before the lockdown was imposed. The Western Cape is expected to lag the national economic recovery, owing to the continuing lower levels of movement in the Province.

This is confirmed by data on card transactions. Card transactions increased strongly into July 2020, although they were still 9.0 per cent below the previous year's transaction level⁵. Data per province is not available but, as with mobility, card transactions in the Western Cape are expected to lag card transactions in the rest of the country. Consequently, the Western Cape might be experiencing a slower economic recovery than the rest of the country. Card transaction data points to a recovery, not as strong and rapid as a V-shaped recovery.

The Small Business Turnover Index managed by Yoco shows how small business turnover has been affected over time since the COVID-19 lockdown measures commenced – in other words, the total amount of money small businesses were making on card machines and online payments. By early October 2020, the index for the Western Cape stood at 96.0 per cent, the lowest of all provinces at the time. This points to a relatively weaker recovery for small businesses in the Western Cape compared with the rest of the country.

³ (De Wet, 2020).

⁴ (De Wet, 2020).

⁵ (Bankserv, 2020).

2.3.9 Main risks to the national outlook

The pre-COVID-19 risks remain, with the added complications of economic disruption:

- The adverse economic climate as a result of a sharp, synchronised downturn will result in an increase in unemployment, absolute poverty and intensity of poverty.
- Increased inequality owing to the digital divide and the impact of loss of income for those who cannot work from home. The retail, tourism, hospitality and entertainment industries are most affected in the short run, owing to lockdown measures and their limited ability to work online.
- Unreliable and interrupted electricity supply and the burden of failing SOEs come at a significant cost to production and the national fiscus.
- Souring government debt levels as the country's credit rating is deteriorating.



2.4 DEVELOPMENTS IN THE WESTERN CAPE ECONOMY

2.4.1 Western Cape economic performance

Although the Western Cape economy has enjoyed continued growth over the last decade, the average growth rate has gradually slowed since 2011 to an average annual growth of 1.9 per cent between 2010 and 2019. The Western Cape's growth rate for 2019 is estimated at 0.3 per cent compared with 0.2 per cent for the rest of South Africa.

Between 1995 and 2000, the GDP of the Western Cape grew at a weighted average annual rate of 2.0 per cent, while the national GDP (excluding the Western Cape) grew at a slower rate of 1.9 per cent. The Western Cape growth increased further to 4.4 per cent between 2000 and 2010, outstripping the national rate (excluding the Western Cape) of 3.5 per cent over the period.

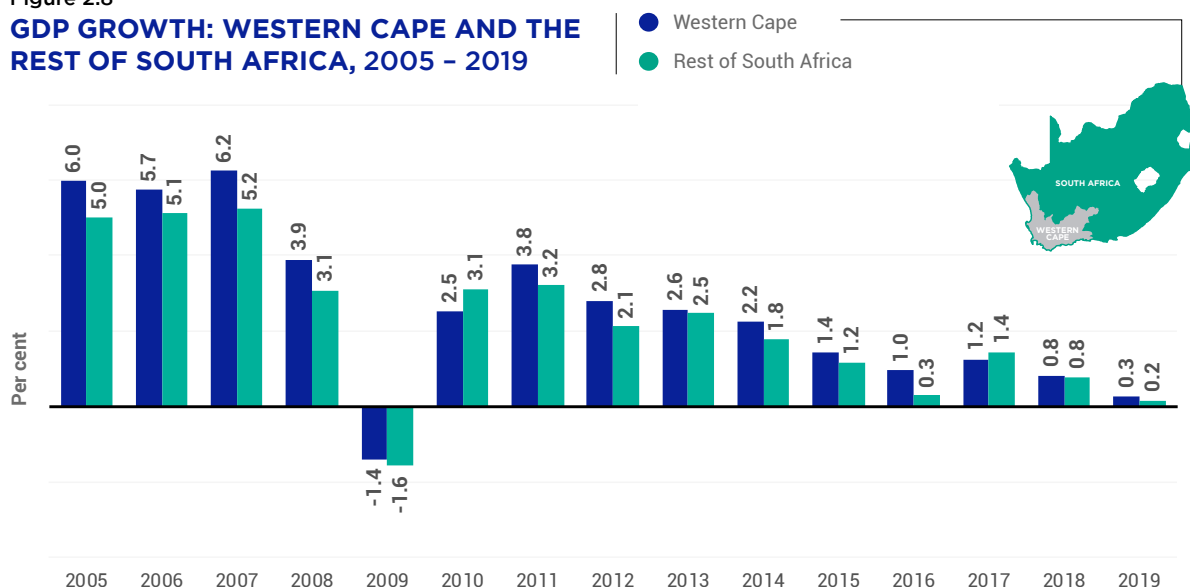
The services sector, such as finance, insurance and banking, was an important driver of provincial growth between 2000 and 2010. Over this period, this sector grew marginally faster in the Province than in the rest of the country. The provincial economy was also fortunate in that it only contained a small mining sector. This sector, on which the rest of the country relies to a greater extent than the Province, contracted from 1995 and 2010, and is expected to contract from 2020 to 2025 too.

The Western Cape's economic advantages have declined in recent years. Between 2010 and 2019, there was a negligible difference between the provincial weighted average annual growth rate and the national rate (excluding the Western Cape). This difference is expected to increase gradually, in the Province's favour, between 2019 and 2025, but is still not expected to come close to the almost 1 percentage point difference that was recorded between 2000 and 2010.

The Western Cape economy faced many of the same constraints to growth as the national economy, indicating why the provincial economy's growth slowed from 2000-2010 to 2010-2019. One factor that contributed to a slowdown in growth was a series of droughts. These droughts meant that agricultural output was lower than expected, dragging down the Province's growth. This also damaged the provincial economy's export prospects, since a large portion of the Province's exports consisted of agricultural goods estimated at 25 per cent in 2019, according to IHS Markit.

Given the importance of the Western Cape as a tourist destination, in comparison with the rest of South Africa, the slow growth in tourism, owing to various national challenges, disproportionately hurt the Province. Decreases in the Western Cape's economic performance, relative to the rest of South Africa, are therefore largely driven by dynamics in the agricultural and tourism sectors.

Figure 2.8
GDP GROWTH: WESTERN CAPE AND THE REST OF SOUTH AFRICA, 2005 – 2019



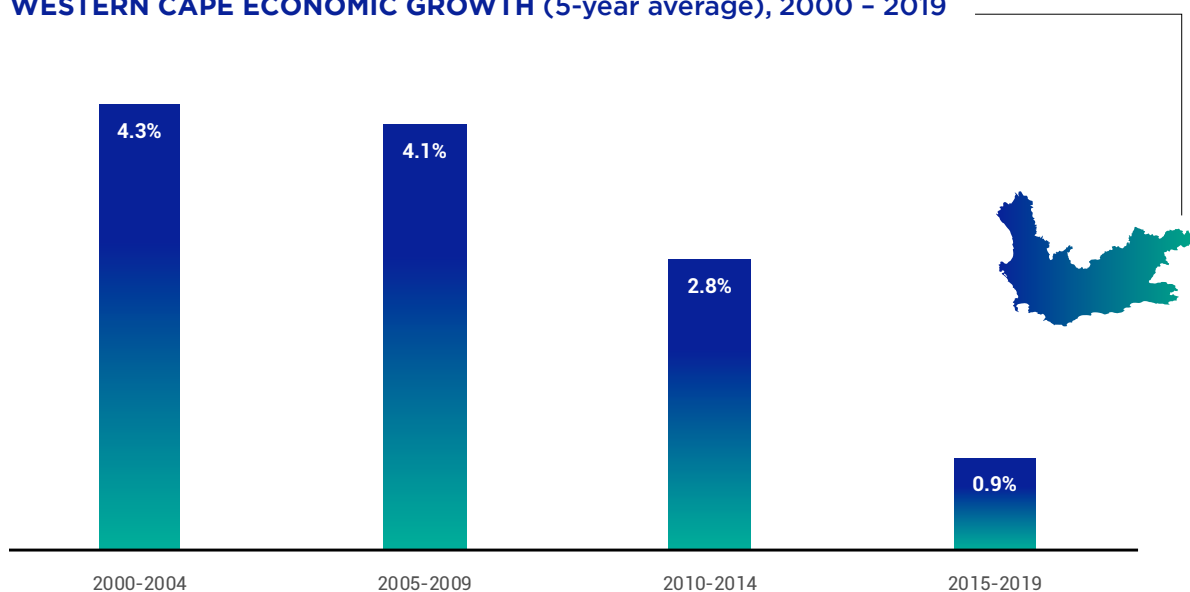
Source: Quantec Research, 2020

Note: Western Cape growth rate for 2019 is an estimate

The growth rate in the Western Cape peaked at 6.2 per cent in 2007, before dipping to -1.4 per cent in 2009. Except for the slight rebound in 2017, growth has been on a steady decline since 2011, ending 2019 at its lowest point since 2009.

The Province experienced a severe drought from 2015, and the end of the 2017 dry season was declared the worst in a century, necessitating the implementation of severe water restrictions in 2018. The drought had significant economic, health and environmental impacts. It is estimated that the drought cost the Western Cape 37 000 employment opportunities. Growth in the Western Cape was further muted by rolling electricity outages and lacklustre performance of the national economy. The average growth over a five-year period in the Western Cape peaked between 2000 and 2004, subsequently easing as a result of the 2009 global financial crisis (see Figure 2.9).

Figure 2.9
WESTERN CAPE ECONOMIC GROWTH (5-year average), 2000 – 2019

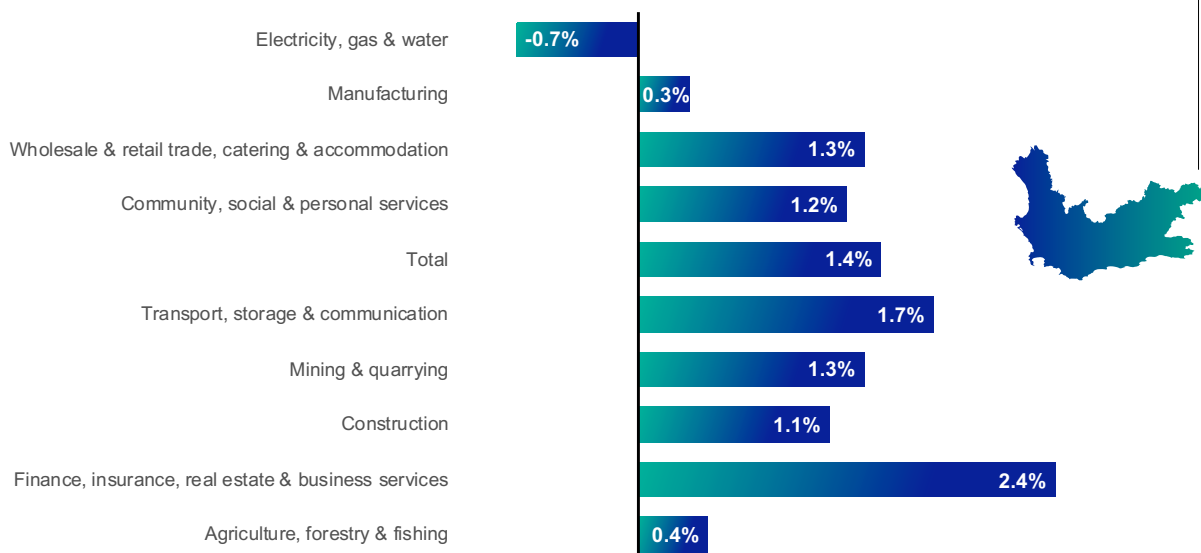


Source: Quantec Research, 2020; own calculations

The fastest-growing sector in the Western Cape between 2014 and 2018 was the finance, insurance, real estate and business services sector, followed by other tertiary subsectors (see Figure 2.10). The manufacturing sector grew at the slowest rate and the electricity, gas and water sector was the only sector that declined.

Figure 2.10

WESTERN CAPE AVERAGE GROWTH RATE PER SECTOR, 2014 – 2018

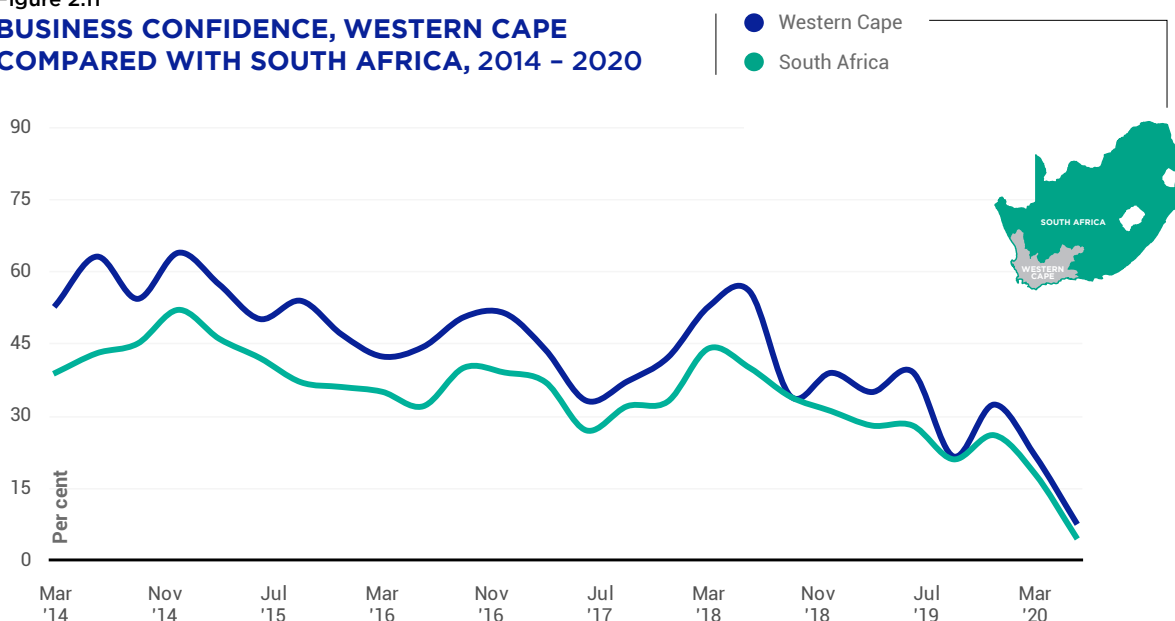


Source: IHS Markit, 2020

Business confidence is essential for attracting investment to fuel much-needed growth, but unfortunately dwindled, along with growth. Although the Western Cape fared better than the national score, business confidence in the Province has been declining since 2018 and decreased dramatically in the first half of 2020 (see Figure 2.11).

Figure 2.11

BUSINESS CONFIDENCE, WESTERN CAPE COMPARED WITH SOUTH AFRICA, 2014 – 2020



Source: Quantec Research, 2020

2.4.2 Outlook for the Western Cape economy

In the context of the weak global and national economic outlook, the average growth in the Western Cape is expected to be marginally lower over the medium term (2019 to 2025) than it was between 2014 and 2018. In line with global and national developments, the Province's economic outlook has significantly deteriorated.

As a prime global tourism destination and centre of wine production in South Africa, the Western Cape economy was particularly vulnerable to lockdown restrictions related to tourism and alcohol. The restrictions on travel and the prohibition on the distribution and sale of alcohol during the "hard" lockdown period impacted on the Province's tourism and wine industries, and further deteriorated its economic outlook.

According to Urban Econ, the Western Cape economy is expected to contract by a significant 6.9 per cent in 2020 and rebound by 3.8 per cent in 2021, based on a resurgence in the global and national economies after COVID-19 lockdown measures ends.

Table 2.5
WESTERN CAPE ECONOMIC OUTLOOK, 2020 – 2021



**Forecast
average**

DESCRIPTION	2018	2019e	2020f	2021f	(2019 – 2021)
Agriculture, forestry and fishing	-7.9	-7.0	14.7	-7.2	0.2
Mining and quarrying	-1.9	-3.2	-23.8	14.4	-4.2
Manufacturing	0.9	-0.7	-15.9	10.7	-2.0
Electricity, gas and water	0.9	-2.7	-8.6	-1.7	-4.3
Construction	-1.7	-3.4	-17.8	13.4	-2.6
Wholesale and retail trade, catering and accommodation	0.7	0.0	-18.5	14.0	-1.5
Transport, storage and communication	1.5	-0.4	-15.6	11.6	-1.5
Finance, insurance, real estate and business services	2.0	2.3	0.3	-1.0	0.5
General government	1.1	1.6	2.5	-3.1	0.4
Community, social and personal services	0.9	0.9	0.1	-1.6	-0.2
Regional Gross Domestic Product	0.8	0.3	-6.9	3.8	-0.9

Note: e denotes estimates and f denotes forecast

Source: Urban-Econ based on SARB, Statistics SA & BFAP, 2020

Although a broad-based contraction across all but four sectors is expected for 2020, most sectors are forecast to rebound in 2021. The strongest growth for 2021 is expected for the mining and quarrying sector (14.4 per cent), followed by the wholesale sector (14.0 per cent), mainly because of the expected low base for these two sectors in 2020.

The agriculture, forestry and fishing sector is expected to grow by 14.7 per cent in 2020 and contract by 7.2 per cent in 2021. Beyond the rebound in 2020, the outlook for the sector remains under pressure. Under the higher baseline conditions, the low economic growth and weak demand over the next few years are not conducive to rapid growth in farm output. The Western Cape agricultural sector came under pressure from the drought, which was immediately followed by the COVID-19 pandemic. The agricultural sector typically employs unskilled workers. However, good rains in 2019 and 2020 have provided optimism for bumper crops and growth in this sector.

The manufacturing sector is driven by investor sentiment and the strength of export markets. There has been a slowdown in the growth of manufactured exports over the past few decades, with negative growth experienced in the past decade. This phenomenon probably occurred owing to weaker financial markets globally and a more risk-averse investment climate, as well as falling productivity levels over the past decade. There has, however, been growth in exports of textiles, clothing and leather goods; wood and paper; publishing and printing; electrical machinery and apparatus; and radio, TV, instruments, watches and clocks in the Western Cape. As a result of the implementation of the COVID-19 lockdown measures, manufacturing GDP in the Western Cape is expected to decline by 15.9 per cent in 2020, followed by a recovery of 10.7 per cent in 2021.

Growth in the construction sector is driven by population growth, property prices and investor sentiment. This sector has experienced slow growth over the last few years in South Africa owing to financial uncertainty, above-inflation municipal tax and rates increases, and unnecessary red tape by local and provincial governments. The lowering of the repo rate by SARB since the start of the year will provide some relief to this sector in difficult circumstances. It is expected that the construction sector will be among the worst affected in 2020, with a decrease in GDP of 17.8 per cent.

The growth in the wholesale and retail trade, catering and accommodation sector and the transport, storage and communication sectors is expected to contract by 18.5 per cent and 15.6 per cent respectively in 2020 owing to the national lockdown restrictions and social distancing measures, but is expected to rebound by 14.0 per cent and 11.6 per cent respectively in 2021. Over the medium term, both sectors are expected to contract by 1.5 per cent. As such, the tourism industry, which is a mainstay of the provincial economy, is expected to make a slow recovery.

The general government sector has grown by 2.6 per cent on average over the past decade and experienced a GDP growth of 1.6 per cent in 2019. The sector will be among the few that is expected to record positive GDP growth (2.5 per cent) in 2020, thereby providing some much-needed resilience to a weak economy. As a result of expected fiscal consolidation to gain momentum, GDP is forecast to decline by 3.1 per cent in 2021.

The main sectors of the Western Cape economy that are expected to grow between 2019 and 2021 include agriculture, finance, insurance, real estate and business services and general government. This means that the Western Cape economy will continue to be driven by a growing tertiary sector and will experience accelerated urbanisation and the need for skilled workers.

2.4.3 Risks to the provincial outlook

The Western Cape has taken a hard knock, particularly the tourism and wine industry, as a result of the COVID-19 pandemic. Pre-existing risks of the unstable national economy and rolling electricity outages also impact the Province's outlook:

- Adverse global and national economic climate resulting in job losses, increased poverty, rising inequality, socio-economic challenges and social unrest.
- The negative impact of the COVID-19 response on the tourism and wine industry in the Western Cape. Global travel has collapsed, and tourism flows and wine sales have ground to a halt after travel and alcohol bans were imposed.
- The COVID-19 response accelerated 4IR, and those who do not have access to the internet and technology are at risk of being left behind.

3. REGIONAL CONTEXT

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

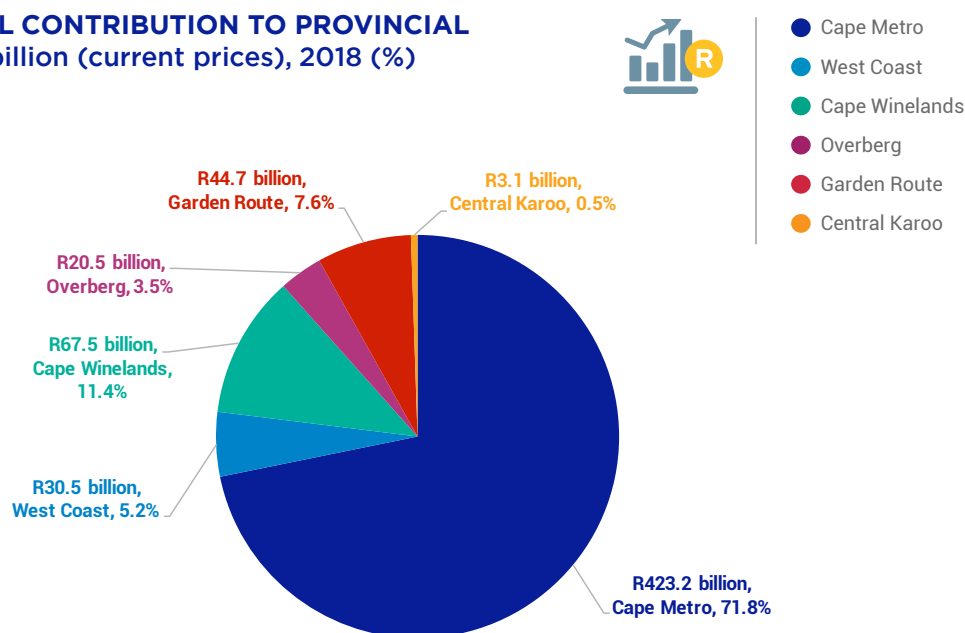
3.1 DISTRICT ECONOMIC OVERVIEW

This subsection provides an overview of the district GDP and employment contribution to the provincial economy. The most recent regional GDP figures published by Statistics SA is for 2018, however, estimates for 2019 are also provided.

3.1.1 GDP contribution

Figure 3.1 illustrates the contribution to provincial GDP by the six regions that comprise the Western Cape.

Figure 3.1
REGIONAL CONTRIBUTION TO PROVINCIAL
GDP, R billion (current prices), 2018 (%)

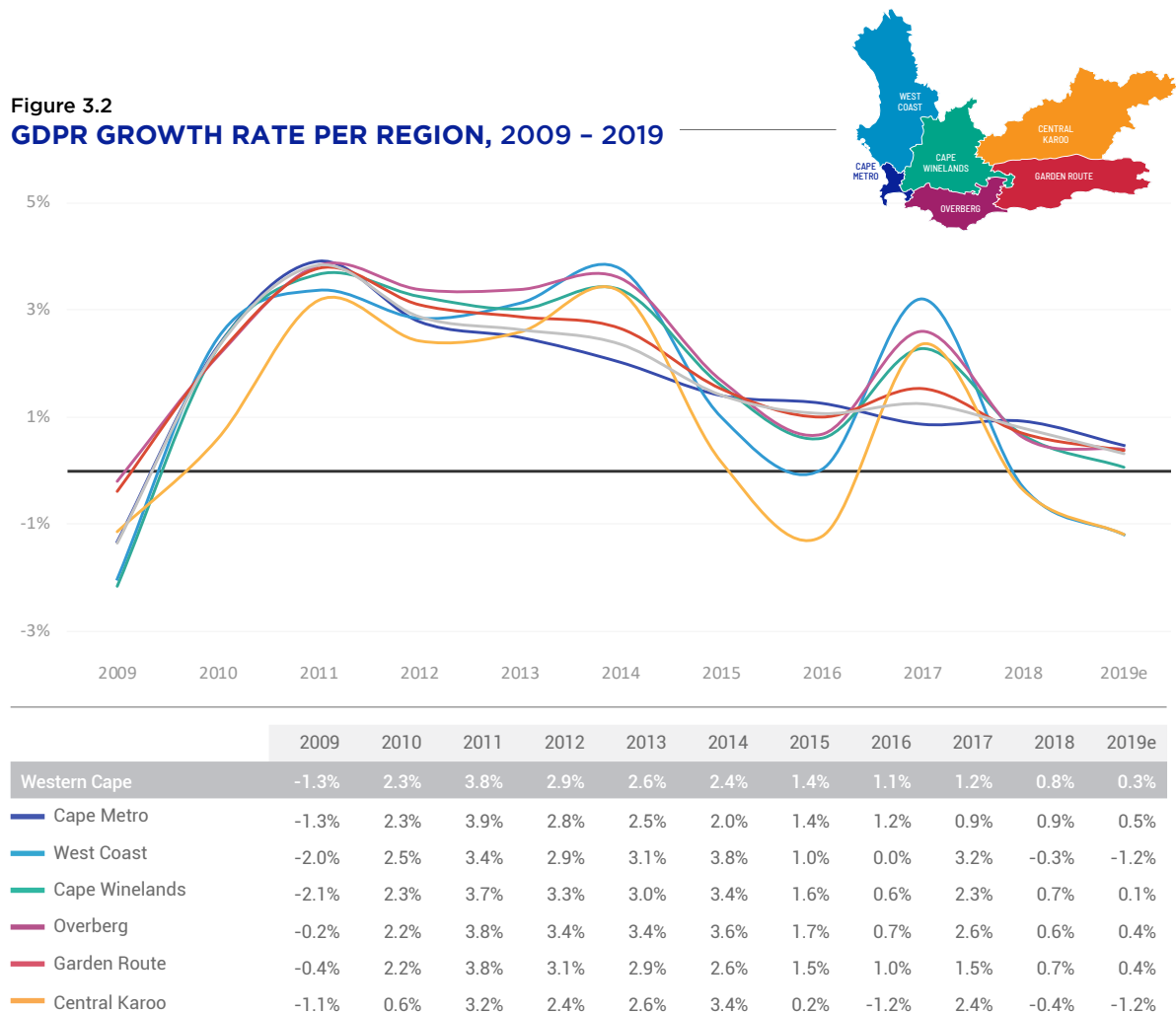


Source: Quantec Research, 2020

The Cape Metro area contributed the largest share (R423.2 billion; 71.8 per cent) to the total GDP in the Western Cape in 2018. The CWD and GRD also contributed considerably to the provincial GDP, accounting for 11.4 per cent (R67.5 billion) and 7.6 per cent (R44.7 billion) respectively. The CKD was the smallest contributor to the provincial economy – it was valued at R3.1 billion and accounted for 0.5 per cent of the total GDP in the Western Cape in 2018.

In Figure 3.2 below, the GDPR growth rates of the districts are compared with the GDPR growth rate of the Western Cape for the period between 2009 and 2019.

Figure 3.2
GDPR GROWTH RATE PER REGION, 2009 – 2019



Source: Quantec Research, 2020 (e denotes estimate)

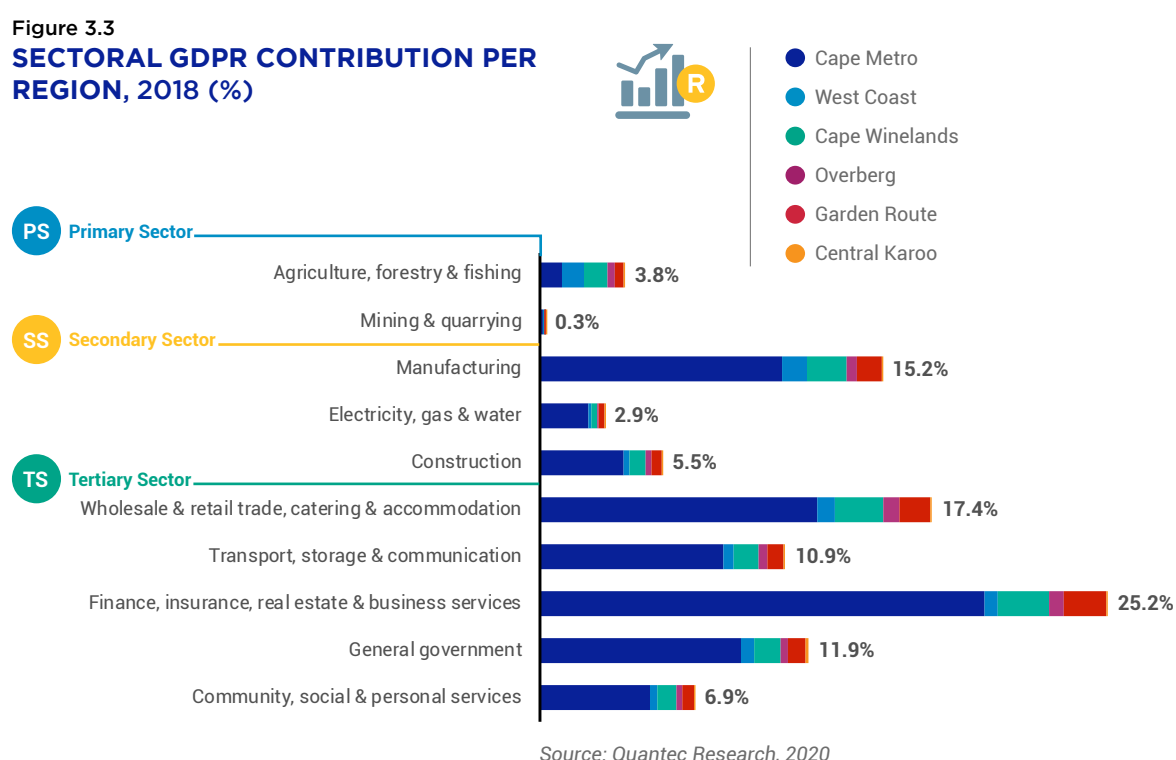
Over the 10-year reference period, the Western Cape experienced the worst economic decline in 2009, when the GDPR contracted by 1.3 per cent. This economic decline is attributable to the global financial crisis of 2008⁶. The CWD contracted the most at 2.1 per cent, followed by the WCD (2.0 per cent) and Cape Metro area (1.3 per cent).

In 2010, growth in the Province improved, with all districts experiencing growth rates of more than 2.0 per cent, except the CKD. This increase resulted in an average growth rate of 2.3 per cent at provincial level. The economy of the Western Cape continued to grow steadily until 2015, when the economy began growing at a slower rate. The most significant GDPR growth rate was experienced in 2011 and resulted in a provincial average of 3.8 per cent. This is mainly due to strong growth in the Cape Metro (3.9 per cent), CWD (3.7 per cent), GRD (3.8 per cent) and OD (3.8 per cent).

⁶ (Investopedia, 2020).

In 2015, parts of Southern Africa experienced severe drought conditions, which resulted in considerable economic losses in many regions that rely on agricultural activities as key economic drivers, including the Western Cape. The drought recurred in 2018 and as such the slow economic growth rates recorded between 2016 and 2018, and the expected low growth rates in 2019, are attributed to the prevailing drought conditions at the time. In 2016, the CKD was the worst affected region, as the GDPR growth rate contracted by 1.2 per cent, while the economy of the WCD remained stagnant. These two districts also experienced GDPR declines in 2018 and it is expected that they will decline further in 2019. The economic decline is mainly due to poor growth in the agriculture, forestry and fishing sector, which plays a significant role in the local economies within these regions.

The sectoral GDPR contribution per region in 2018 is illustrated in Figure 3.3 below.



The leading contributor to GDPR in the Western Cape is the finance, insurance, real estate and business services sector, which contributed 25.2 per cent in 2018. The wholesale and retail trade, catering and accommodation sector and manufacturing sector also contributed substantially to the provincial GDPR, accounting for 17.4 per cent and 15.2 per cent respectively.

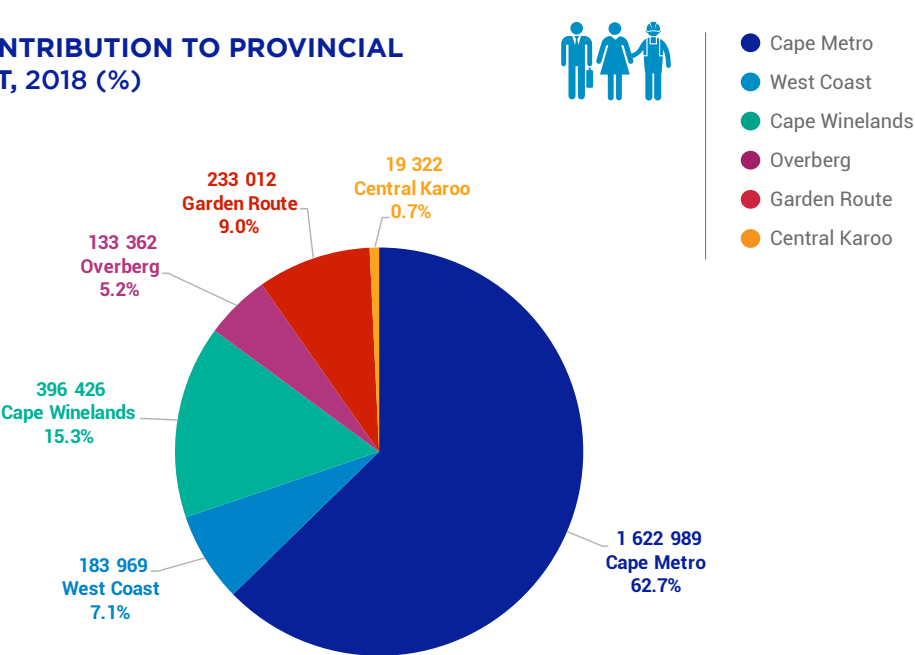
The Cape Metro area was the leading contributor to the provincial GDPR in all the economic sectors, except for the agriculture, forestry and fishing sector, in 2018. Furthermore, the CWD and GRD were also key contributors to the provincial GDPR in the same year. Conversely, the CKD made the smallest contribution to the provincial GDPR. In the finance, insurance, real estate and business services sector, the Cape Metro area contributed 19.7 per cent, while the CWD and GRD contributed 2.3 per cent and 1.9 per cent respectively. In terms of the wholesale and retail trade, catering and accommodation sector, the Cape Metro area contributed 12.3 per cent, the CWD contributed 2.2 per cent and the GRD contributed 1.4 per cent. The Cape Metro area contributed 10.7 per cent, while the CWD and GRD contributed 1.8 per cent and 1.1 per cent respectively to the manufacturing sector of the Western Cape.

The Cape Metro area is predominant in the secondary and tertiary sectors. However, activity in the primary sector is more evenly distributed. In the agriculture, forestry and fishing sector, the main contributors to provincial GDP are the Cape Metro, WCD and CWD, each contributing 1.0 per cent to the sector. The Cape Metro area and the WCD are the main contributors to the mining and quarrying sector, which contributes a small total of 0.3 per cent to the provincial GDP.

3.1.2 Labour trend analysis

Figure 3.4 depicts the contribution to provincial employment of the regions that comprise the Western Cape.

Figure 3.4
DISTRICT CONTRIBUTION TO PROVINCIAL EMPLOYMENT, 2018 (%)



Source: Quantec Research, 2020

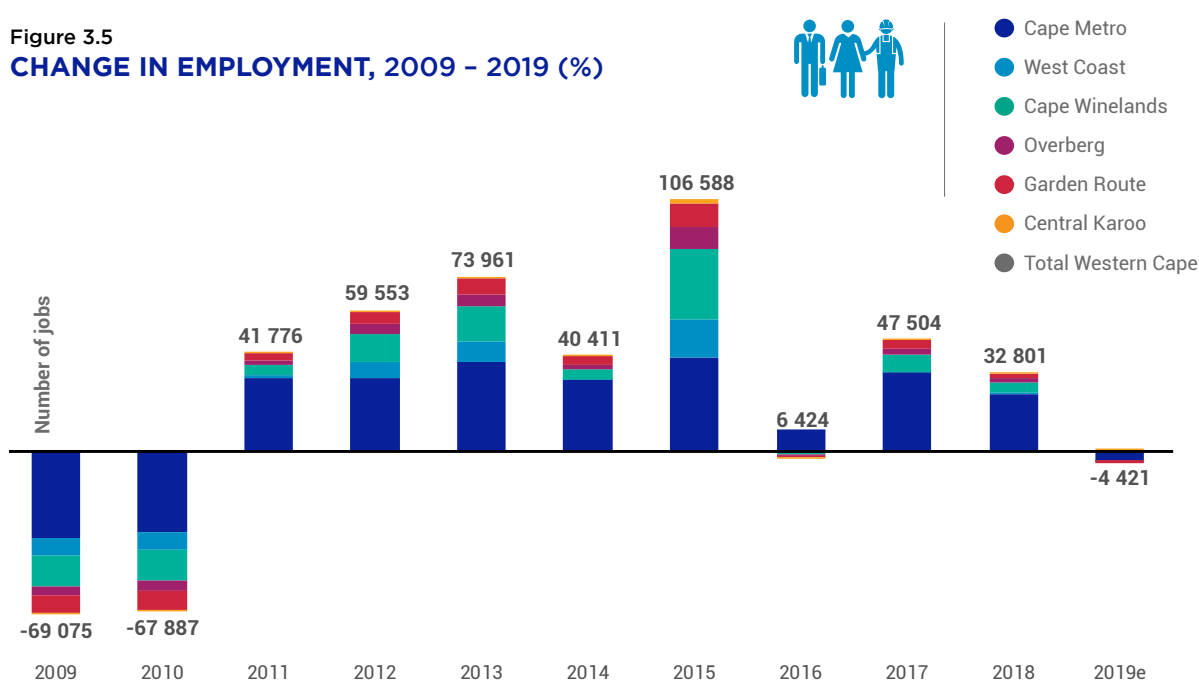
The Cape Metro area contributed the largest number of jobs to the Western Cape, accounting for 62.7 per cent of the total provincial employment in 2018. The CWD and GRD also contributed significantly to the total provincial employment, accounting for 15.3 per cent and 9.0 per cent respectively. Conversely, the CKD contributed the least number of jobs to provincial employment (0.7 per cent).



The employment trend for each district between 2009 and 2019 is illustrated in Figure 3.5 below.

Figure 3.5

CHANGE IN EMPLOYMENT, 2009 – 2019 (%)



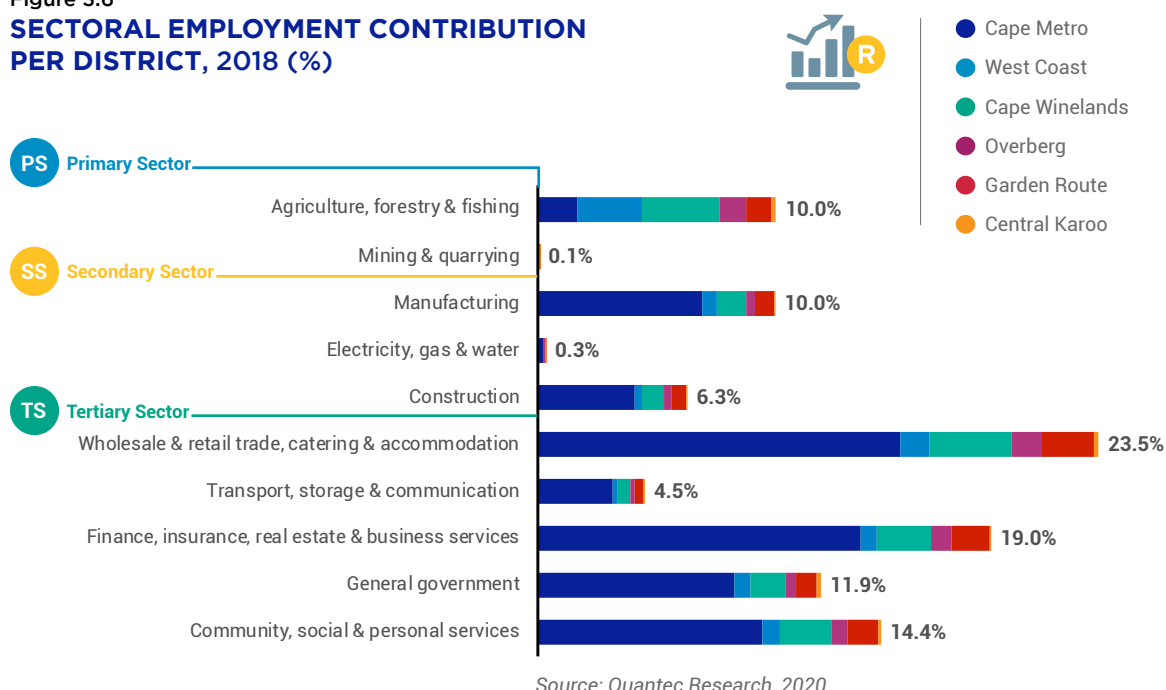
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e
Western Cape	-69 075	-67 887	41 776	59 553	73 961	40 411	106 588	6 424	47 504	32 801	-4 421
Cape Metro	-36 610	-34 028	31 207	31 143	38 071	30 138	39 833	9 132	33 229	24 035	-3 564
West Coast	-7 840	-7 380	786	6 901	8 525	483	16 290	-686	605	707	-389
Cape Winelands	-12 523	-13 218	4 767	11 630	14 925	4 389	29 419	-518	6 926	4 407	751
Overberg	-4 287	-4 592	1 740	4 084	5 016	1 657	9 318	-483	2 477	1 591	-90
Garden Route	-7 049	-7 904	3 142	5 373	6 900	3 672	10 373	-885	4 166	1 990	-1 163
Central Karoo	-766	-765	134	422	524	72	1 355	-136	101	71	34

Source: Quantec Research, 2020

Between 2009 and 2010, all the districts shed a significant number of jobs – 136 962 jobs were lost in total. Most jobs were lost in the Cape Metro (70 638 jobs), the CWD (25 741 jobs) and the WCD (15 220 jobs). In 2011, 41 776 new jobs were created in the Western Cape, most of which were in the Cape Metro area. Between 2011 and 2013, a year-on-year increase in the number of new employment opportunities was experienced in the districts of the Western Cape. However, in 2014, job creation slowed in the Province. In the WCD, CWD, OD and CKD, fewer than half the number of jobs that were created in 2013 were created in 2014. There was a substantial increase in the number of new employment opportunities in 2015, with all the districts improving significantly. The increase, however, was not sustained in 2016, when all the districts, barring the Cape Metro region, shed jobs. Between 2017 and 2018, new jobs were created, but it is expected that 4 421 jobs will be shed in the Province in 2019. Job losses are primarily expected in the Cape Metro (3 564 jobs), the GRD (1 163 jobs) and the WCD (389 jobs).

Figure 3.6 illustrates the sectoral employment contribution to the provincial economy by district in 2018.

Figure 3.6
SECTORAL EMPLOYMENT CONTRIBUTION
PER DISTRICT, 2018 (%)



The main contributor to employment in the Western Cape was the wholesale and retail trade, catering and accommodation sector, which accounted for 23.5 per cent of total employment opportunities. Other significant contributors to the employment opportunities of the Western Cape included the finance, insurance, real estate and business services sector (19.0 per cent) and the community, social and personal services sector (14.4 per cent).

In the wholesale and retail trade, catering and accommodation sector, most employment opportunities were concentrated in the Cape Metro area (15.2 per cent), while the CWD accounted for 3.5 per cent and the GRD accounted for 2.3 per cent of employment in this sector. These districts also accounted for the most employment opportunities in the finance, insurance, real estate and business services sector and the community, social and personal services sector.

In the agriculture, forestry and fishing sector, employment was spread more evenly across the districts. The CWD accounted for 3.2 per cent of the sector's employment, while the WCD accounted for 2.7 per cent, the Cape Metro region accounted for 1.7 per cent and the OD and GRD accounted for 1.1 per cent each. The CKD had the lowest contribution (0.2 per cent) to the agriculture, forestry and fishing sector's employment in 2018.

The South African informal sector incorporates a diverse range of economic activities, including street vending and spaza shops, craft and related trade workers (such as construction workers, tailors and mechanics) and service workers (such as shebeen owners, traditional medicine practitioners and hair salons)⁷. Informal trade plays an important role in poverty alleviation, income generation, food security and entrepreneurial development⁸. Participants in the informal sector were often unable to find employment in formal sector⁹.

⁷ (Charman & Petersen, 2014).

⁸ (City of Cape Town, 2016).

⁹ (City of Cape Town, 2015).

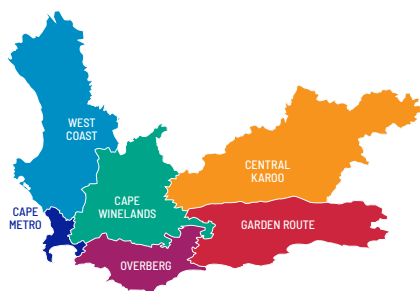
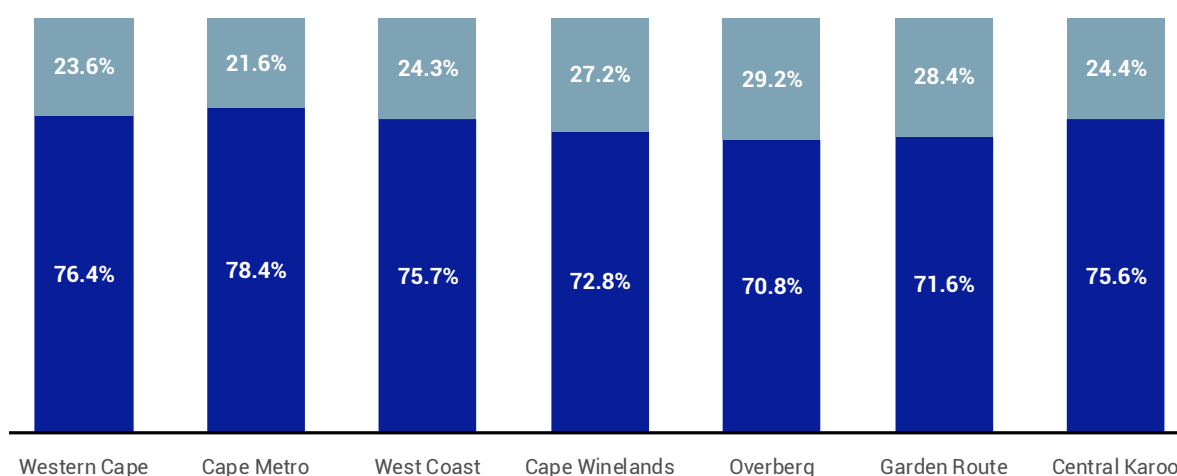
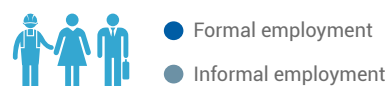


Figure 3.7 illustrates the informal employment distribution per region in 2018¹².

Figure 3.7
INFORMAL EMPLOYMENT DISTRIBUTION
PER DISTRICT, 2018 (%)

The informal sector is characterised by establishments that employ fewer than five people who do not deduct income tax from the salaries or wages, and includes employers, own-account workers and persons helping unpaid in their household business who are not registered for either income tax¹⁰ or value-added tax. The National Small Business Act of 1996 defines the informal business sector as survivalist, micro and very small enterprises that have limited resources to conduct their day-to-day activities¹¹.



Source: Quantec Research, 2020

Although the Western Cape mainly consists of formal employment opportunities (76.4 per cent), informal employment is a valuable source of employment for 23.6 per cent of the Province's employed population. The OD consisted of the largest share of informal employment in the Province (29.2 per cent), followed by the GRD (28.4 per cent) and the CWD (27.2 per cent).

Despite the informal sector's importance and significant contribution to livelihoods, the Western Cape's informal sector is relatively small¹³. This can partially be attributed to the challenges experienced by participants operating within or attempting to enter the informal sector, including infrastructure-related constraints and limited access to funding, information and training.

¹⁰ (SALGA, 2018).

¹¹ (Bvuma & Marnewick, 2020).

¹² 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.

¹³ (Provincial Treasury, 2019).

4. PRELIMINARY IMPACT OF COVID-19

4.1 INTRODUCTION

On the morning of 5 March 2020, the National Institute for Communicable Diseases (NICD) confirmed the first case of COVID-19 in South Africa¹⁴. It was first reported in Wuhan, China by the World Health Organization (WHO) in December 2019 and has since become a global pandemic that continues to spread across the globe¹⁵. As a containment measure for the spread of COVID-19, President Cyril Ramaphosa announced that from midnight on 26 March 2020, South Africa would go on a national lockdown.

The tourism sector is one of the sectors that was hit the hardest by COVID-19. Each district in the Western Cape offers a unique product that attracts many international and domestic tourists annually. Cape Town is among the most visited cities in Southern Africa, attracting more than 1.2 million international arrivals and 4.1 million domestic arrivals in 2018¹⁶. Consequently, the Cape Metro area is the tourism hub of the Province and acts as a catalyst for other districts. The future of tourism is uncertain in light of the current travel and movement restrictions. 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.

In this section a brief discussion of the preliminary impacts and prospects of COVID-19 on the global, national, provincial and municipal economies is provided.

4.2 COVID-19 ECONOMIC IMPACT AND RECOVERY

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. Furthermore, it is expected to take several months before the severity of the impact in its entirety can be understood¹⁷. A close look at the labour market shows a decline in incomes, as well as job losses and business closures, while the South African economy is plummeting.

4.2.1 Impact on GDP

The COVID-19 pandemic’s impact on the South African economy is exacerbated by an already weak economy that was characterised by low real GDP growth rates of 0.3 per cent in 2019 and an estimated 0.9 per cent in 2020¹⁸. The key cause of the pre-existing macroeconomic imbalances in South Africa was fiscal fragility owing to the deterioration of fiscal revenue, high unemployment and low investment.

In June 2020, Finance Minister Tito Mboweni reported to Parliament that the national economy was expected to contract by 7.2 per cent in 2020 as a result of the impacts of COVID-19¹⁹. The Organisation for Economic Co-operation and Development (OECD) presented two growth

¹⁴ (NICD, 2020).

¹⁵ (NICD, 2020).

¹⁶ (Western Cape Government, 2019).

¹⁷ (Francis & Valodia, 2020).

¹⁸ (Arndt, et al., 2020).

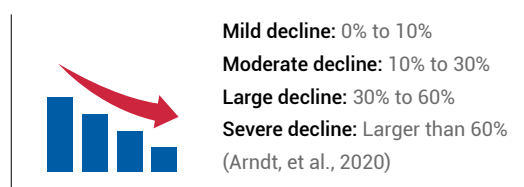
¹⁹ (Arndt, et al., 2020).

scenarios in June 2020 – a single-hit scenario, which would result in an economic contraction of 7.5 per cent, and a double-hit scenario, which would result in an economic contraction of 8.2 per cent in 2020²⁰. An updated forecast released in September 2020 by SARB indicates an expected GDP contraction of 8.2 per cent in 2020, compared with a previous forecast of 7.3 per cent in July 2020. Furthermore, it is forecast that GDP will grow by 3.9 per cent in 2021 and by 2.6 per cent in 2022²¹.

Production and demand

According to the Southern Africa – Towards Inclusive Economic Development (SA-TIED) (2020), which is a research programme that supports policymaking for inclusive growth and economic transformation in the Southern African region, one of the key impacts of the COVID-19 pandemic in South Africa is the reduction in production and demand. This is caused by the limitations imposed under the Disaster Management Act, where the size of public gatherings was limited and where travel restrictions, suspension of schools, closures of ports of entry and cancellation of government events, among other things, were introduced. The reduction in demand and production, however, was not uniform across all the sectors.

The agriculture, forestry and fishing sector is expected to be mildly affected by the lockdown regulations because harvesting and storage activities were permissible under lockdown regulations and although the planting of new crops was restricted, this activity is not usually conducted in April. The demand for agricultural exports, however, may become a pressure point because of the low external demand for certain crops. Similarly, the electricity, gas and water sector is exempted from lockdown regulations and is therefore mildly affected. The demand for electricity, however, may decline owing to the shift from industrial to residential demand. In the finance, insurance, real estate and business services sector, banks and insurance companies continue to operate online and are thus expected to decline mildly, but a moderate decline in the real estate and business services subsectors is expected.



Owing to its diversity, certain activities in the manufacturing sector such as food, hygiene and medical products are operational. However, other segments are expected to stall. The complexity in this sector is that production is largely permissible but the demand for goods is low. The trade, catering and accommodation sector follows a similar trend, with trade being limited to essential goods. The expected economic decline in these sectors ranges from moderate to severe.

The economic declines in the mining and quarrying sector, construction sector and community, social and personal services sector are expected to range from large to severe because most of the activity in these sectors is restricted and the demand is low. The transport, storage and communication sector is restricted to specific transportation needs, but telecommunications is expected to experience a mild economic decline.

In the Western Cape, the conference and events, tourism and travel, agriculture, exports, manufacturing and services sectors have been identified as key sectors that are most vulnerable to COVID-19 and that require support²². The agriculture, forestry and fishing sector has been classified as “essential” and is therefore not expected to be as severely impacted as the other sectors. The agriculture, forestry and fishing sector is an important contributor to GDP and employment creation in the Western Cape.

²⁰ (OECD, 2020).

²¹ (SARB, 2020).

²² (Western Cape Government, 2020).



COVID-19 IMPACT

In general, an economic recession that emanates from shocks in demand and supply at sectoral level – rather than shocks in the financial system and asset markets – has been observed as a result of the pandemic. This recession can be considered to be “bottom-up”. However, it does lead to “top-down” effects on macro-aggregates, which intensify the effects of the bottom-up shock²³.

Employment

In the first quarter of 2020, South Africa’s unemployment rate was 30.1 per cent, a marginal increase of 1.0 per cent since the last quarter of 2019²⁴. The COVID-19 containment measures, particularly the national lockdown, which was effected from midnight on 26 March 2020, have resulted in major impacts on employment in the country. A survey conducted by Stats SA revealed that by May 2020, 8.1 per cent of its respondents had lost their jobs or closed businesses as a consequence of the COVID-19 pandemic²⁵. Furthermore, the Quarterly Labour Force Survey (QLFS) for the second quarter of 2020 revealed a large decrease of 2.2 million in the number of employed people compared with the first quarter. Conversely, a substantial decline of 2.8 million in the number of unemployed people was also experienced in the same period²⁶.

In terms of labour, it is expected that the services sector will be the worst affected by salary reductions and job losses in South Africa. Owing to its labour-intensive nature, the construction sector is expected to shed a significant number of jobs. Other sectors that are expected to shed jobs are the food and beverages sectors, although to a lesser extent for beverages; catering and accommodation; and manufacturing. While significantly affected in terms of GDP, the mining and quarrying sector will be the least affected in terms of jobs owing to the capital-intensive nature of the sector. Employment in the general government and health sectors is less affected by the lockdown because these have been characterised as essential services²⁷.

²³ (Arndt, et al., 2020).

²⁴ (Statistics SA, 2020).

²⁵ (SAnews.gov.za, 2020).

²⁶ (Statistics SA, 2020).

²⁷ (Arndt, et al., 2020).

Exports

The lockdown had major impacts on the South African export demand. It is expected that the South African export demand will decline significantly because many countries made use of similar measures to contain the spread of COVID-19. The extent of the decline is dependent on the duration and magnitude of the lockdown in other economies. Consequently, the COVID-19-related decline in export demand is projected to be between 40 and 75 per cent, barring agricultural exports, which will improve quickly²⁸.

The Western Cape is a major exporter of a variety of fruits and wine. A comparison of export volumes in July 2019 and July 2020 showed that the volumes of sea exports in tons declined by 8.0 per cent. These exports consisted mainly of meat, processed fruit and vegetables, and frozen fruit. In terms of sea exports in pallets, a significant increase of 24.0 per cent was recorded in 2020, making this the largest export volume to be recorded since 2015. These exports mainly consisted of fresh fruit such as citrus, grapes and stone fruit. Air exports in tons declined by 19.0 per cent, making this the smallest export volume in the five-year period of consideration. Air exports consist of highly perishable fruit, flowers and vegetables²⁹.



Investment

A review of investment in South Africa suggests that the impact of COVID-19 will put downward pressure on rental levels and capital values across all market segment, both in the short and medium term³⁰. The highly uncertain economic activity as a result of COVID-19 is expected to create substantial declines (approximately 65 to 80 per cent) in fixed investments. Generally, companies tend to reconsider or postpone decisions on capital projects in the face of uncertainty³¹. Despite this, some sectors such as healthcare and logistics have continued to gain the interest of investors. Approximately 31.0 per cent of South African investors raised their exposure to higher-risk investments³².

Despite the lack of data on the regional impact of disasters for the Western Cape, evidence from other agricultural regions suggests that in instances where farmers have struggled with cash flow, they have had to extend their loans and cut back on capital investments³³.

²⁸ (Arndt, et al., 2020).

²⁹ (Western Cape Government, 2020).

³⁰ (JLL, 2020).

³¹ (Arndt, et al., 2020).

³² (IOL, 2020).

³³ (Western Cape Government, 2020).

4.2.2 Recovery of the economy

A scenario-based planning approach is used to assist decision-makers to navigate through the current climate of uncertainty regarding the future³⁹.

- If the pandemic is short-lived and eases sooner than anticipated, the South African economy is expected to recover quickly. In terms of GDP, sharp declines that are three times more than the 2008/09 economic crisis are projected for South Africa from mid-year in 2020. However, GDP is expected to improve gradually in 2021 and speed up in the second half of the year.
- If the pandemic is prolonged and lasts longer than expected, severe damage to the economy will occur. Furthermore, it is anticipated that companies may face the challenge of having to decide whether to invest in technology to operate virtually or to rebuild the economy and promote employment in 2021. The Chinese economy is expected to rebound slowly, thereby affecting supply chains and consumer demand in other economies. In this scenario, the South African economy is expected to recover from the second half of 2021.
- The worst-case scenario is where there are seeming improvements in containing COVID-19 but later the virus (and mutations thereof) returns. In this instance, the global economy would shift from an economic recession into a state of depression, and economic recovery would only begin in early 2022.

It is estimated that the Western Cape lost approximately R1 billion every day during the national lockdown³⁵. To mitigate the adverse economic impacts of COVID-19 in the Western Cape, the Premier convened a Joint Operations Centre (JOC), which has a workstream that focuses on COVID-19³⁶. The economic workstream has been working tirelessly to support the key sectors by gathering information from industries to understand and respond to their business needs, help businesses to adapt and to identify actions that can drive economic recovery upon containing the pandemic.

The preliminary economic recovery plan being developed by the Western Cape will focus on employment, safety and wellbeing, with the overarching objective of ensuring that the citizens of the Western Cape are enabled to live dignified lives. The three priority areas of the Western Cape Recovery Plan are framed as follows:

- **Jobs:** The focus will be on creating an enabling environment for job creation, primarily through the private sector. This will be achieved by removing constraints to doing business, supporting businesses in vulnerable sectors, increasing infrastructure spending and upscaling public employment programmes.
- **Safety:** Safety requires a whole-of-society life-course approach. It combines law enforcement and a public health approach to violence prevention. The priority includes a data-led approach to track the problem of crime and violence, and monitor change brought by government interventions; the promotion of evidence-based interventions to reduce crime and violence through better policing, social and spatial interventions, and a hotspot approach to tailor responses to local challenges.
- **Dignity:** The promotion of wellbeing involves the protection of fundamental human rights, the progressive realisation of socio-economic rights and the creation of a sense of belonging. The priority comprises four focus areas, including strengthening foundations specifically in the areas of 1st 1 000 days and early childhood development, increasing the wellbeing of residents, meeting basic needs and protecting human rights, and building social cohesion and service in communities.

³⁴ (Deloitte, 2020).

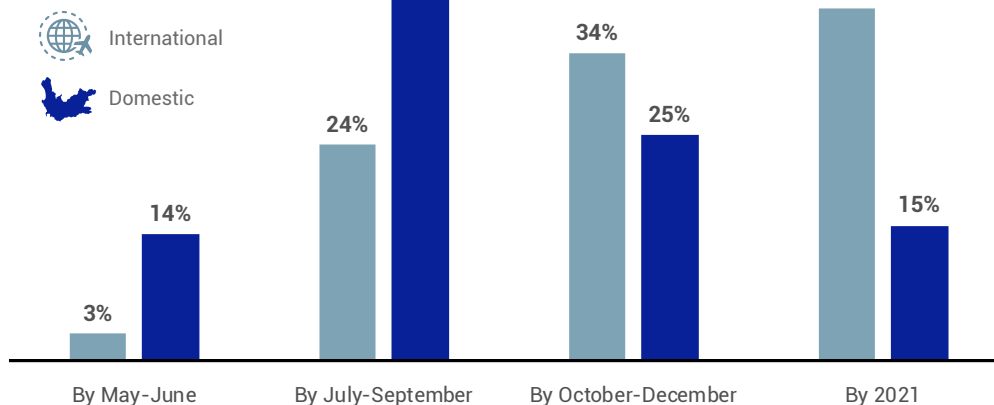
³⁵ (Payne, 2020).

³⁶ (Western Cape Government, 2020).

4.3 COVID-19 IMPACT AND THE TOURISM SECTOR

According to the United Nations' World Tourism Organization's Panel of Experts Survey responses, international demand is estimated to recover by the fourth quarter of 2020 and mainly in 2021, and domestic demand is expected to recover faster than international demand (see Figure 4.2).

Figure 4.1
EXPECTED RECOVERY
TIME FOR TOURISM
DEMAND



Source: UNWTO, 2020. Impact assessment of the COVID-19 outbreak on international tourism

The COVID-19 pandemic and the continued lockdown measures imposed by the Government are having a detrimental effect on the sector and many tourism businesses will not recover³⁷. The scenarios created in Figure 4.1 will only be applicable if and when the travel restrictions are lifted. However, the tourism sector has shown its resilience in the past by bouncing back from the negative impact of other crises. In the meantime, the Western Cape government is providing support in the following areas, which have an impact, directly or indirectly, on the tourism sector³⁸:

- Safe Transport
- COVID-19 Testing and Screening
- Public Awareness
- Support to Local Municipalities
- Business Support
- Essential Services Support
- Law Enforcement
- Environment
Waste Management
- Support to Communities
- Disaster Management



³⁷ (Felix, 2020).

³⁸ (Western Cape Government, 2020).

4.3.1 Recovery of the tourism sector

Beyond immediate measures to support the tourism sector, countries are also shifting to develop recovery measures. These include considerations on lifting travel restrictions, restoring traveller confidence and rethinking the tourism sector for the future³⁹.

A partial reopening of the South African economy was announced and implemented on 1 May 2020. Essentially, this is a phased approach to lifting the COVID-19 restrictions and allows for certain industries to operate⁴⁰. On 27 August 2020, the Western Cape government and Wesgro launched a domestic tourism campaign called “We Are Open”, which is aimed at encouraging South Africans to visit attractions in the Western Cape⁴¹. This campaign follows the move to Alert level 2, which involved easing interprovincial restrictions. The campaign supports the provincial tourism industry to recover during the COVID-19 pandemic and can be seen as the first immediate action step towards this recovery.

The “We Are Open” campaign targets travellers from different parts of the country, in particular, Gauteng, KwaZulu-Natal and the Western Cape. It includes a “Kids Stay Free” initiative that is intended to encourage families to visit the Province and take advantage of these opportunities⁴².

4.3.2 Way forward

Enhance travel confidence through destination-readiness

It is important to spread the message that the Western Cape is ready to receive visitors and that their health and safety is a top priority. The districts that make up the Western Cape should ensure adherence to and compliance with international COVID-19 health regulations at all public places and the individual tourism establishments in each region. It should also be ensured that information on travel restrictions and their lifting is accessible, consistent and reliable. This information should be shared with the sector and consumers through all available communication channels.

Activities

South Africa is in a fortunate position in that it consists of vast wilderness/nature areas. Experts predict that South Africans will head for the outdoors after the travel restrictions are lifted, and this could be the kick-start that the tourism sector needs⁴³. The Western Cape is considered to be one of the top tourist destinations in Southern Africa:

- The Cape Metro area is home to iconic attractions such as Table Mountain, Robben Island and Cape Point;
- The WCD is endowed with cultural and natural resources, and therefore offers nature lovers a unique experience with wild floral beauty;
- The CWD is renowned for its wine estates and has a wide variety of tourism facilities;
- The OD charm is due to its location on the southernmost tip of Africa and the convergence of the Indian and Atlantic Oceans. It offers various nature-based activities;
- The GRD is popular for its breathtaking scenery, outdoor adventures and authentic heritage experiences; and
- The CKD offers astro-tourism, the Bushman/San culture and dinosaur fossils⁴⁴.

These regions must develop more child-friendly attractions and activities, thereby allowing adults to relax, knowing that their children are also entertained.

³⁹ (OECD, 2020).

⁴⁰ (Bauer, 2020).

⁴¹ (Western Cape Government, 2020).

⁴² (Western Cape Government, 2020).

⁴³ (Masihleho, 2020).

⁴⁴ (Western Cape Government, 2019).

Markets

Domestic tourism can be targeted to start rebuilding national economies through intraprovincial travel opportunities. Domestic tourists are expected to be among the first to travel again and restore demand. The Western Cape should prioritise and implement marketing activities and incentives that will facilitate domestic travel and encourage increased length of stay. This can include more competitive prices, special promotions or travel incentives by employers, especially to destinations that are heavily reliant on tourism.

Diversify products and invest in digitalisation

Diversify tourism to avoid dependence on one single activity or market and embrace digital transformation and boost innovation systems in the public and private sectors. This will effectively reach and reassure target markets that the necessary precautions are being taken to adhere to COVID-19 safety protocols.

Enhance the visitor experience

The Western Cape can ensure an enjoyable visitor experience through the following:

- Cleanliness of public spaces (municipal services, provision of refuse bins etc.)
- Upgrading and maintenance of public tourist facilities
- Safety and security at tourism hubs (police presences, tourism ambassadors, effective street lighting)
- Access to information (visitor information centres, online presence)
- Provision of adequate directional and tourism signage

Responsible and sustainable tourism

Tourists are increasingly choosing to visit and support destinations that adopt ecofriendly and sustainable approaches to tourism development. The Western Cape is already popular for its natural landscapes and nature-based activities, but there is opportunity to enhance its support for and awareness of environmental protection and conservation and to minimise its carbon footprint in some districts. This can be through:

- Making sure that tourism products harmonise with the environment.
- Emphasising the conservation of assets and educating people on the importance thereof.
- Developing volunteer projects that visitors can participate in, for the protection of the environment and/or for the benefit of local communities.
- Developing guided educational tours on the fauna and flora of the area/providing information on protected areas, animal species etc.

4.4 CONCLUSION

The COVID-19 pandemic has had a far-reaching impact on economies across the world, causing a deep, synchronised economic downturn. The unprecedented economic disruption makes the outlook particularly uncertain, with forecasts being downwardly adjusted as data becomes available. South Africa entered the national lockdown on the back of a third consecutive quarter of economic decline and the Western Cape was particularly affected by travel and alcohol sale restrictions. The economic outlook for the country and the Province is bleak, and the focus should be on building resilience to overcome the crisis. The COVID-19 pandemic pushed economies into a “Great Lockdown”, which helped contain the virus and save lives but also triggered the worst recession since the Great Depression. Several countries have started to recover. However, in the absence of a vaccine, the strength of the recovery is highly uncertain and the impact on countries is uneven.

At a regional level, the Cape Metro area is the largest contributor to the provincial GDPR (71.8 per cent) and employment (62.7 per cent), followed by the CWD and the GRD. The GDPR growth trend for the period under consideration has been fluctuating, with notable declines experienced owing to the global financial crisis and drought conditions. Most regional economies have experienced a decline in growth in recent years. It is estimated that the Cape Metro economy experienced the fastest GDPR growth in 2019 (0.5 per cent), followed by the OD and GRD, both growing at an estimated 0.4 per cent. The economy of the CWD stagnated at 0.1 per cent growth, while it is estimated that the economies of the WCD and the CKD both contracted by 1.2 per cent.

The finance, insurance, real estate and business services sector accounted for the largest GDPR contribution (25.2 per cent) in the Western Cape in 2018, while the main contributor to employment in the Western Cape was the wholesale and retail trade, catering and accommodation sector (23.5 per cent).



Although the full extent cannot be positively determined, the COVID-19 pandemic and associated measures such as the national lockdown have had several adverse impacts on the economy of South Africa and the Western Cape. An added concern is that the pandemic struck an already weak South African economy that is characterised by high unemployment rates. It is expected that one of the key impacts of the pandemic in South Africa will be a reduction in production and demand, owing to the limitations imposed by the Disaster Management Act.

The agriculture, forestry and fishing sector, the electricity, gas and water sector and the financial, insurance, real estate and business services sector are expected to experience mild to moderate declines in production and demand. On the other hand, the manufacturing sector and the wholesale and retail trade, catering and accommodation sector are expected to experience moderate to severe declines, while the mining and quarrying sector, the construction sector and the community, social and personal services sector are expected to experience large to severe declines in production and demand. In the Western Cape, the agriculture, forestry and fishing sector, the manufacturing sector, the wholesale and retail trade, catering and accommodation sector and the community, social and personal services sector were identified to be key sectors that are most vulnerable to COVID-19 and that require support. Furthermore, the services sector is expected to be the worst affected by salary reductions and job losses in the country and the Western Cape. A loss of approximately 2 500 jobs is anticipated in the agriculture, forestry and fishing sector, in the worst-case scenario.

The COVID-19 pandemic is projected to result in significant declines in export demand. Despite a significant increase in sea exports in pallets, preliminary studies have illustrated declines in the volumes of sea and air exports. Additionally, substantial declines in fixed investments are expected as a result of the uncertain economic environment. A scenario-based approach is used to predict the recovery of the economy; in the best-case scenario, the economy is expected to improve gradually in early 2021 and more rapidly from the second half of the year. In the worst-case scenario, the economy will shift into an economic depression and begin to recover in early 2022.

The tourism sector was probably the sector that was most severely affected, since travel restrictions have barred all forms of tourism. However, the launch of the “We Are Open” campaign is expected to attract more tourists to the Province and thereby contribute to the recovery of the tourism industry. Notwithstanding, it is vital for the tourism sector to become aware of and implement the necessary mitigation measures to reduce the impact of the pandemic. As a way forward, it has been proposed that travel confidence be enhanced through destination-readiness, ensuring child-friendly attractions and activities, the inclusion of competitive prices, special promotions or travel incentives, the diversification of products and investment in digitisation, and enhancing the visitor experience.





CAPE METRO

2 446.4 KM²



CAPE METRO

CAPE POINT, SOMERSET WEST,
ATLANTIS, ROBBEN ISLAND

INFOGRAPHIC SUMMARY

1 Regional economic review and outlook

- GDPR performance
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- GDPR performance per sector forecast (outlook)
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- International trade
- Tourism performance
- Comparative advantage
- Investments

3 Municipal socio-economic analysis

- Population profile
- Income
- Education
- Health
- Human Development Index
- Housing and access to basic services
- Crime



CAPE METRO

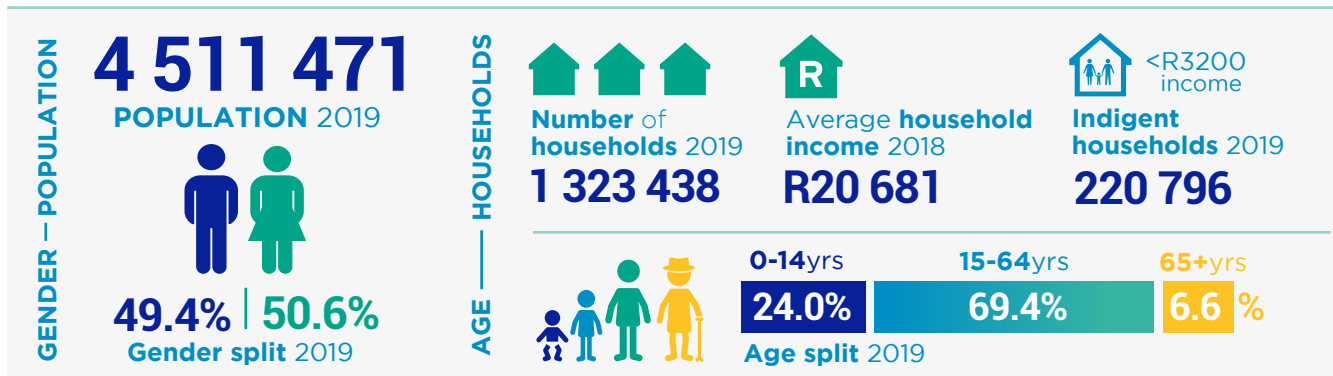
SEAT
Cape Town

AREA
2 446.4 KM²

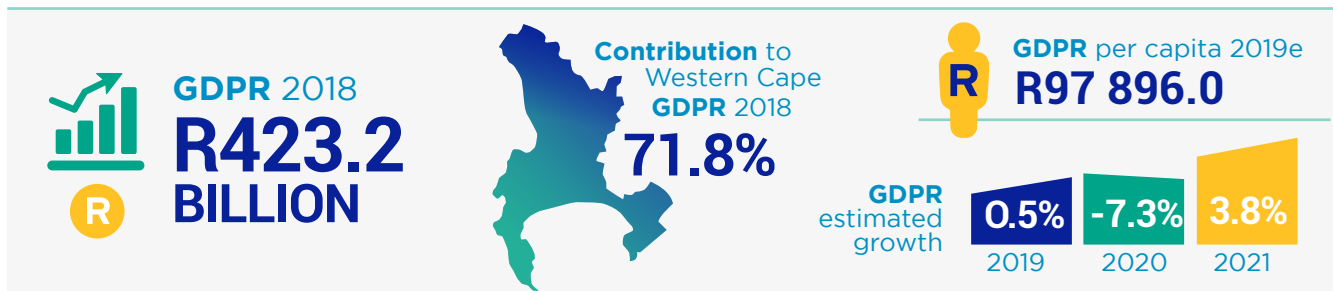
DENSITY
1844 / KM²

CAPE POINT, SOMERSET WEST, ATLANTIS, ROBBERN ISLAND

DEMOGRAPHICS



GROSS DOMESTIC PRODUCT



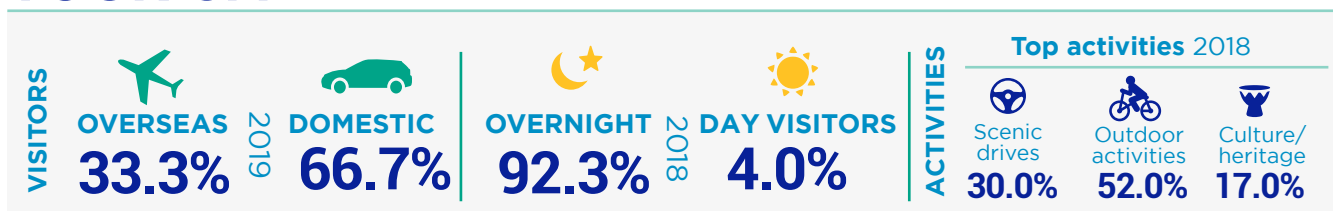
EMPLOYMENT



TRADE



TOURISM





2018 GDPR AND EMPLOYMENT CONTRIBUTION

2018 ESTIMATED GDPR AND EMPLOYMENT GROWTH

		GDPR CONTRIBUTION	EMPLOYMENT CONTRIBUTION	GDPR GROWTH	EMPLOYMENT GROWTH
PRIMARY SECTOR	AGRICULTURE, FORESTRY & FISHING	1.6%	1.4%	2.8%	2.7%
	MINING & QUARRYING	0.2%	0.1%	-3.6%	-3.8%
SECONDARY SECTOR	MANUFACTURING	23.2%	15.0%	11.0%	-0.4%
	ELECTRICITY, GAS & WATER	3.0%	0.4%	-1.3%	-2.8%
	CONSTRUCTION	5.2%	6.6%	-3.6%	-8.4%
TERTIARY SECTOR	WHOLESALE & RETAIL TRADE, CATERING & ACCOMMODATION	17.1%	24.3%	-0.2%	1.5%
	TRANSPORT, STORAGE & COMMUNICATION	11.4%	5.0%	-0.6%	3.0%
	FINANCE, INSURANCE, REAL ESTATE & BUSINESS SERVICES	27.4%	21.7%	1.0%	1.9%
	GENERAL GOVERNMENT	12.5%	13.2%	1.8%	1.9%
	COMMUNITY, SOCIAL & PERSONAL SERVICES	6.8%	15.1%	0.9%	-1.9%



1

REGIONAL ECONOMIC REVIEW AND OUTLOOK

1.1 INTRODUCTION

The Cape Metro is a vibrant metropolitan area that dominates the economy of the Western Cape. The Cape Metro area spans approximately 2 446.4 square kilometres and is bordered by the West Coast, Cape Winelands and Overberg Districts. The metropolitan area is not only the commercial hub of the Province but also a valuable national port and tourist destination.

This chapter provides a macroeconomic outlook of the Cape Metro by focusing on GDPR performance and employment trends. It should be noted that the period under review for MERO 2020 is between 2014 and 2018, with 2019¹ figures being estimated.

1.2 GROWTH IN GDPR PERFORMANCE

This section provides an overview of the size of the Cape Metro's economy by discussing the average GDPR contribution and growth rates achieved by the metro area over the reference period.

1.2.1 GDPR performance

Table 1.1 illustrates the Cape Metro's GDPR contribution and growth rates in relation to the Western Cape and South Africa.

Table 1.1

GDPR CONTRIBUTION AND AVERAGE GROWTH RATES, Cape Metro, 2018

MUNICIPALITY	R million value 2018	Contribution to GDPR (%) 2018	Trend 2014 – 2018 (%)	Real GDPR growth 2019e (%)
Cape Metro	R423 209.7	9.7%	1.3%	0.5%
Western Cape	R589 443.7	13.6%	1.4%	0.3%
South Africa	R4 341 282.1	-	1.2%	0.2%

Source: Quantec Research, 2020 (e denotes estimate)

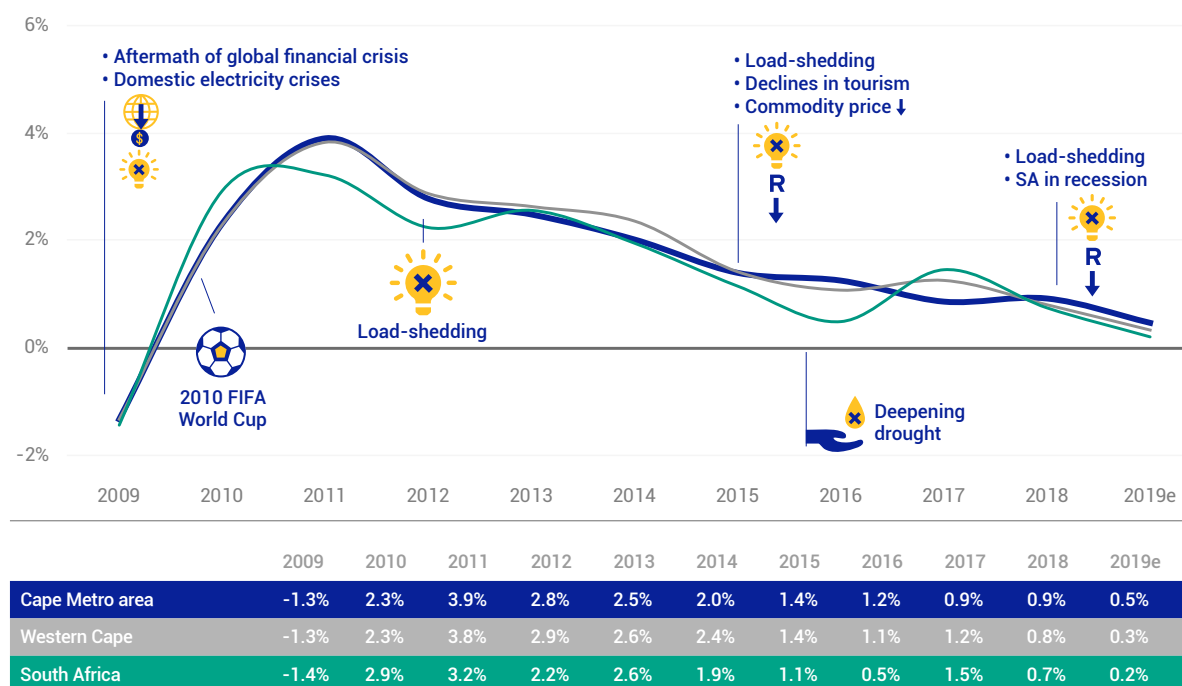
The economy of the Cape Metro was valued at R423.2 billion in 2018 (in current prices), contributing 9.7 per cent to the national economy and 71.8 per cent to the provincial economy. The metropolitan area is therefore the main driver of the provincial economy and a valuable source of economic growth for the country.

The economy of the Cape Metro area grew at an average rate of 1.3 per cent between 2014 and 2018, while the country had an average annual growth rate of 1.2 per cent. This shows that there was no substantial difference between the average growth rates of the metropolitan area and the country over this time period. Similarly, there was only a marginal difference between the estimated growth rates of the Cape Metro (0.5 per cent) and the country (0.2 per cent) in 2019. Estimates for 2019 further indicate that the growth rate was lower than the previous five years, emphasising the worsening economic conditions that are occurring on a national level.

Analysing historical growth rates provides further insight into the dynamics of the economy and its dependencies on the endogenous and exogenous factors within the Province and the country as a whole. Figure 1.1 depicts the historical growth rates of the Cape Metro against the Western Cape and South Africa between 2009 and 2019.

¹ Statistics SA (Stats SA) will only release official regional indicators for 2019 in 2020.

Figure 1.1
GDPR GROWTH, Cape Metro, 2009 – 2019



Source: Quantec Research, 2020 (e denotes estimate)

The global financial crisis during 2008 and 2009² had a severe impact on the economy of South Africa, which also affected the Cape Metro's economy. The economy contracted by 1.3 per cent in the Cape Metro area in 2009. After the crisis, the economy of the metropolitan area recovered somewhat, with annual growth rates rising sharply between 2010 and 2011. This was due to an upsurge in economic activities of the nation hosting the 2010 FIFA World Cup. International arrivals in South Africa increased by 15.1 per cent in 2010. This can be mainly attributed to the 2010 FIFA World Cup, which in turn boosted the local tourism industry and the broader economy³. However, the significant improvement was relatively short-lived, as the economy of the Cape Metro area exhibited a downward growth trend after 2011.

Moreover, at a national level, commodity prices declined, and owing to international perceptions about the drought, the number of tourists decreased in 2015. This had a negative impact on the entire economy. It also hindered the growth potential of the Cape Metro's economy. The drought that persisted in the Western Cape also resulted in a slowdown in economic growth for the metropolitan area. Water is linked to many economic activities, and there are complex channels through which water affects economic growth. The agricultural sector, in particular, is often the largest consumer of water⁴. Water restrictions therefore cause a variety of pressures on agricultural and related industries' production. The construction industry was also impacted, as the reduced water availability influenced building activity.

² (Rena & Msoni, 2014).

³ (Republic of South Africa, 2011).

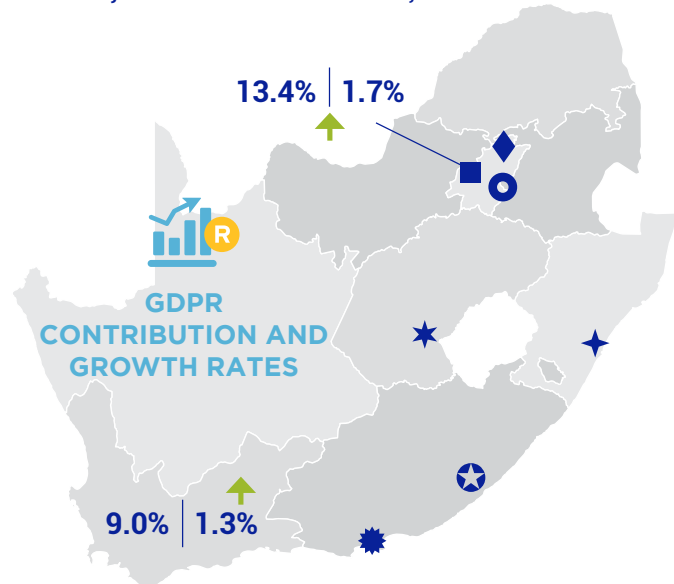
⁴ (Lennotech, 2020).

More recently, the country's economy was in a technical recession in the second quarter of 2020, as it was in the previous quarters⁵. In addition to the continued electricity shortages, this resulted in a further decline in the growth of the overall economy, including that of the Cape Metro area.

Diagram 1.1

GDPR CONTRIBUTION AND GROWTH RATES, South African Metros, 2018

	% of national GDPR	2014 – 2018 GDPR growth
■ Johannesburg Metro	13.4%	1.7%
● Cape Metro	9.0%	1.3%
◆ Tshwane Metro	9.0%	1.7%
✦ eThekweni	8.8%	1.2%
● Ekurhuleni	8.0%	1.0%
✱ Nelson Mandela Bay	2.9%	0.5%
✦ Mangaung	1.7%	1.1%
✱ Buffalo City	1.5%	0.3%



Source: Quantec Research, 2020

Of the metro economies, the Johannesburg Metro contributes the most to the South African economy, followed by the Cape and Tshwane Metros. Between 2014 and 2018 the Cape Metro economy was the third fastest growing metro economy, after the Tshwane and Johannesburg Metros.




⁵ (Stats SA, 2018; Stats SA, 2020).

1.2.2 Sectoral GDPR performance

Table 1.2 provides an overview of the sectoral GDPR contribution in the Cape Metro area. The average growth rates for the different economic sectors are provided for a five-year (2014 to 2018) period, as well as an estimate for 2019.

Table 1.2

GDPR CONTRIBUTION PER SECTOR, Cape Metro, 2018

		R million value 2018	Contribution to GDPR (%) 2018	Trend 2014 – 2018 (%)	Real GDPR growth 2019e (%)
SECTOR					
PS Primary Sector		R6 848.7	1.6%	1.5%	-3.6%
Agriculture, forestry & fishing		R5 846.9	1.4%	1.4%	-3.8%
Mining & quarrying		R1 001.8	0.2%	1.6%	-2.7%
SS Secondary Sector		R98 023.0	23.2%	0.2%	-1.3%
Manufacturing		R63 284.0	15.0%	0.1%	-0.4%
Electricity, gas & water		R12 837.1	3.0%	-0.7%	-2.8%
Construction		R21 901.9	5.2%	0.8%	-3.6%
TS Tertiary Sector		R318 338.0	75.2%	1.6%	1.0%
Wholesale & retail trade, catering & accommodation		R72 421.7	17.1%	1.0%	-0.2%
Transport, storage & communication		R48 207.6	11.4%	1.5%	-0.6%
Finance, insurance, real estate & business services		R116 076.3	27.4%	2.1%	1.9%
General government		R52 761.6	12.5%	1.3%	1.8%
Community, social & personal services		R28 870.8	6.8%	1.2%	0.9%
Total Cape Metro		R423 209.7	100.0%	1.3%	0.5%

Source: Quantec Research, 2020 (e denotes estimate)

The tertiary sector is the Cape Metro's largest contributor to GDPR, accounting for 75.2 per cent of the metropolitan area's total GDPR in 2018 – approximately three times more than the primary and secondary sectors' combined contribution. The main driver of economic activity in the tertiary sector was the finance, insurance, real estate and business services sector (27.4 per cent), followed by the wholesale and retail trade, catering and accommodation sector (17.1 per cent).

In addition, the tertiary sector contributed the most to the economic growth of the Cape Metro area over the five-year period. Between 2014 and 2018, the average growth rate was 1.6 per cent per annum, which was above the metropolitan area's average growth rate of 1.3 per cent. In particular, the finance, insurance, real estate and business services sector, with a growth rate of 2.1 per cent, achieved the highest average growth rate. In 2019, this sector is estimated to have registered a 1.9 per cent real GDPR growth, indicating that this sector remains the main driver of growth in the Cape Metro area. However, the anticipated contraction in 2019 in sectors such as the transport, storage and communication sector (0.6 per cent) and wholesale and retail trade, catering and accommodation sector (0.2 per cent) should also be noted. This may be explained by the slower national economy and a weaker international trade environment⁶.

⁶ (Smith, 2019).

The secondary sector was valued at R98.0 billion and accounted for 23.2 per cent of the Cape Metro's GDP in 2018. The two largest sources of GDP growth within the secondary sector are the manufacturing sector (15.0 per cent) and the construction sector (5.2 per cent). Estimates for 2019 indicate that the secondary sector's real GDP growth declined by 1.3 per cent, which is mainly attributed to the 3.6 per cent contraction in the construction sector. The construction sector in South Africa has experienced shrinking profit margins, cost overruns, labour disruptions and poor productivity, a shortage of skilled workers and the rising cost of inputs⁷.

Valued at R6.8 billion in 2018, the primary sector was the Cape Metro's smallest contributor to GDP, accounting for 1.6 per cent of the municipal area's total GDP. The primary sector is mainly driven by the agriculture, forestry and fishing sector (1.4 per cent), which also provides inputs for the manufacturing sector and purchases goods and services from a large portion of the tertiary sector industries.

GROWTH POTENTIAL

Not all areas of the Cape Metro area have the same level of urbanisation and economic development, including areas such as Fisantekraal, Klipheuwel, Philadelphia, Atlantis and Mamre. Spatial planning and targeted social and economic interventions can reduce the vulnerability of these areas. Specific economic interventions such as the Atlantis SEZ can attract investments and create jobs in these smaller settlements that are in the Cape Metro area. The Atlantis SEZ has attracted investments worth R700.0 million and has created 332 jobs for the people of Atlantis⁸.



⁷ (Tech Journal, 2019).



⁸ (Atlantis SEZ, 2019).

1.2.3 GDPR performance per sector forecast (outlook)

Table 1.3 indicates the GDPR forecast per sector for 2020 and 2021 in the Cape Metro area. It should be noted that the forecast is limited to two years because of the fast pace at which the global and South African economies are changing, as well as uncertainty regarding the full impact of COVID-19 on the global and national economy.

Table 1.3

GDPR FORECAST PER SECTOR, Cape Metro, 2020 – 2021 (%)⁹

SECTOR	2019e	2020f	2021f
Primary Sector			
PS Agriculture, forestry & fishing	-3.8%	16.1%	-5.8%
Mining & quarrying	-2.7%	-23.8%	14.7%
Secondary Sector			
SS Manufacturing	-0.4%	-15.9%	10.7%
Electricity, gas & water	-2.8%	-8.8%	-1.8%
Construction	-3.6%	-18.1%	13.1%
Tertiary Sector			
TS Wholesale & retail trade, catering & accommodation	-0.2%	-18.8%	13.7%
Transport, storage & communication	-0.6%	-15.7%	11.4%
Finance, insurance, real estate & business services	1.9%	0.1%	-1.3%
General government	1.8%	2.8%	-2.9%
Community, social & personal services	0.9%	-0.2%	-1.8%
Total Cape Metro	0.5%	-7.3%	3.8%

Source: Urban-Econ based on SARB, Statistics SA & BFAP, 2020 (e denotes estimate, f denotes forecast)



⁹ The forecast for 2020 and 2021 is based on the national forecast by the South African Reserve Bank (SARB), with sector adjustments for 2020 as per quarter 1 and quarter 2 sectoral GDP contributions. The agriculture, forestry and fishing sector outlook has been adjusted to be in line with the Bureau for Food and Agricultural Policy 2020 baseline 2020 outlook.



COVID-19 IMPACT

It is expected that the Cape Metro's local economy will contract by 7.3 per cent in 2020, largely as a result of the COVID-19 pandemic and the impact of its related national lockdown. The national lockdown would have affected economic performance in quarter 1 of 2020 (owing to a slowdown in global markets, particularly China and the EU) and quarters 2 and 3 (owing to the South African national lockdown, which was only eased towards quarter 4 of 2020).

It must also be noted that the South African economy was already in recession based on quarters 3 and 4 of 2019, which would have imposed pressure on the Cape Metro economy. This recession was driven by the worst year of load-shedding on record¹⁰, despite the Cape Metro implementing various measures to reduce the extent of power losses¹¹.

While the mining sector is expected to record the worst nominal sectoral decline in 2020, in real terms this sector makes a negligible contribution to the Cape Metro economy. Similarly, the growth forecast for the Cape Metro's agriculture, forestry and fishing sector is moderated by the fact that the sector makes a small contribution to the local economy.

The wholesale and retail trade, catering and accommodation sector is expected to experience the worst of the 2020 economic decline, as restrictions linked to the national lockdown (and subsequent job losses) would have reduced leisure, tourism and discretionary retail expenditure. The Cape Metro hosts a high proportion of international visitors, and thus restrictions on cross-border travel would have had significant impacts on the local catering and accommodation sectors. Local tourism would also have been under pressure in 2020, as many South African households have been negatively affected by retrenchments, salary cuts and general anxiety regarding their future and economic security.

Looking forward to 2021, the Cape Metro economy is expected to experience a slight rebound, albeit with GDP remaining below pre-2018 levels. In this regard, important sectors such as manufacturing and wholesale and retail trade are forecast to experience double-digit growth. Such double-digit growth must, however, be contextualised by the sobering fact that the Cape Metro's manufacturing and retail trade output is forecast to remain below pre-2018 levels. Despite positive growth forecast for the general government sector in 2020, the sector is expected to slump in 2021. Government expenditure was already under fiscal pressure owing to a ballooning public sector debt exacerbated by shrinking tax collection. COVID-19 is likely to multiply this fiscal pressure as the collection of rates and taxes in the Cape Metro (as with most other local governments) slows down owing to the economic pressure on local households.

The finance, insurance, real estate and business services sector is likely to experience demand-side pressure in 2021 as investment in the economy wanes owing to conservative stances by businesses. Demand for advisory services within this sector is likely to be muted in 2021 as low consumer confidence results in cost-cutting by businesses that usually derive utility from this sector.

¹⁰ (GreenCape, 2020).

¹¹ (Chothia, 2020).

1.3 LABOUR TREND ANALYSIS

This subsection provides an overview of the key employment trends in the Cape Metro area in relation to the Western Cape, including employment growth and a summary of the unemployment rate, labour absorption rate and labour participation rate. It also discusses sectoral employment by identifying which sectors employ the most people and highlighting which sectors have contributed more in creating new job opportunities (or have experienced job losses) in the metropolitan area.

1.3.1 Employment growth

Table 1.4 indicates the trend in employment growth in the Cape Metro in relation to the Western Cape and South Africa. More specifically, it depicts the status of employment in 2018, the number of jobs created over a five-year period and the estimated number of jobs created (or shed) in 2019.

Table 1.4
EMPLOYMENT CONTRIBUTION, Cape Metro, 2018

MUNICIPALITY	Number of jobs 2018	Contribution to employment (%) 2018	Average annual change 2014 – 2018	Net change 2019e
Cape Metro	1 622 989	9.9%	27 273	-3 564
Western Cape	2 589 080	15.8%	46 746	-4 421
South Africa	16 335 954	-	238 517	-76 167

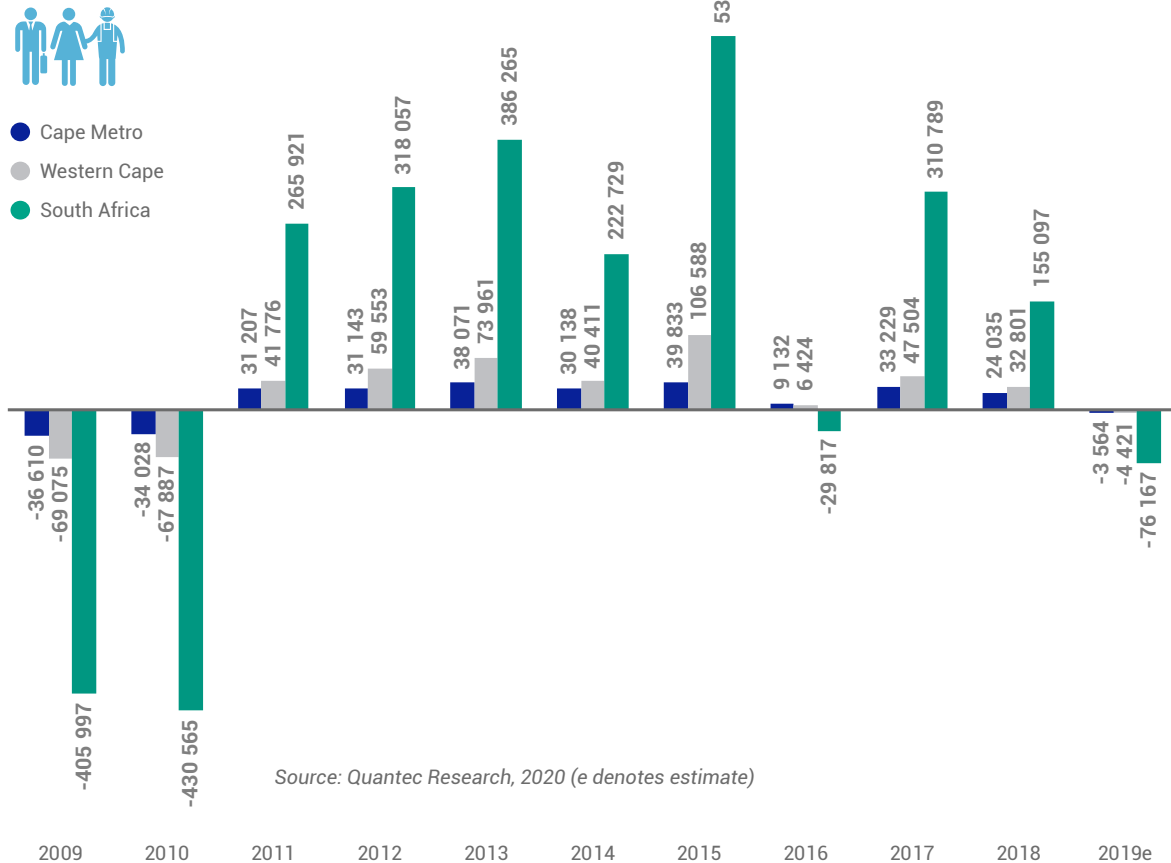
Source: Quantec Research, 2020 (e denotes estimate)

The Cape Metro is the largest contributor to employment in the Western Cape. Nationally, it accounted for 9.9 per cent of total employment in 2018. Between 2014 and 2018, employment in the Cape Metro increased by an average of 27 273 jobs per annum, while nationally it increased by 238 517. Employment creation in the Cape Metro area grew at a faster rate compared with job creation in South Africa. Between 2014 and 2018, the number of employed people increased by an average annual rate of 1.8 per cent in the Cape Metro and 1.9 per cent in the Province, compared with 1.5 per cent nationally. However, it is estimated that the Cape Metro area experienced 3 564 job losses in 2019, accounting for 4.6 per cent of the country's total job losses in 2019.



Figure 1.2 provides an overview of the historical employment trends in the Cape Metro area in relation to the Western Cape and South Africa between 2009 and 2019.

Figure 1.2
EMPLOYMENT GROWTH,
Cape Metro, 2009 – 2019



The aftermath of the global financial crisis and national electricity crisis had a severe impact on employment, and the metropolitan area's 36 610 (and the country's 405 997) job losses in 2009 can be attributed to this. Job-shedding continued in 2010, especially in the Cape Metro area, with the 34 028 jobs lost probably owing to the prolonged industrial strike action. In 2012, 2013 and 2015 many jobs that were created were in the agriculture, forestry and fishing sector, which had a larger impact on job creation in the rest of the Province compared with the Cape Metro area.

As at national level, the Cape Metro area started to recover and experienced relatively consistent job creation between 2011 and 2015. However, fewer jobs were created in 2016, which is probably because of the persistent drought that influenced economic activities and job creation in both the metropolitan area and the Province. The drought influenced a number of economic sectors, particularly the agriculture, forestry and fishing, manufacturing and construction sectors, as well as the tourism industry¹². Estimates for 2019 indicate that the Cape Metro area and the Western Cape experienced job losses for the first time since 2010. This trend was also evident at a national level, with 1 100 full-time jobs and 17 000 part-time jobs shed in the South African formal sector in the third quarter of 2019 owing to the depressed state of the economy¹³. Owing to the worsening South African economy (caused mainly by weak levels of investment, mining strikes and load-shedding), which took a heavy toll on major companies, some announced retrenchments¹⁴.

¹² (RNEWS, 2019).




¹³ (Statistics South Africa, 2019).

¹⁴ (De Villiers, 2019).

Diagram 1.2 summarises the employment dynamics in the Cape Metro area in relation to the Western Cape and South Africa by illustrating the unemployment rate, labour absorption rate and labour participation rate in 2018.

Diagram 1.2

UNEMPLOYMENT PROFILE, Cape Metro, 2018

MUNICIPALITY	Unemployment rate (%) 2018 		Labour force participation rate (%) 2018 		Labour absorption rate (employment-to-population ratio) 2018 	
	2018	2019	2018	2019	2018	2019
Cape Metro	21.4	↑	67.8	↓	53.2	↓
Western Cape	18.0	↑	68.5	↓	56.2	↓
South Africa	27.2	↑	59.3	↑	43.2	↓

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

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

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

Source: Quantec Research, 2020

The Cape Metro area's unemployment rate of 21.4 per cent was 5.8 percentage points lower than the national unemployment rate of 27.2 per cent. Conversely, the Cape Metro area's labour force participation and labour absorption rates were higher than the national figures.

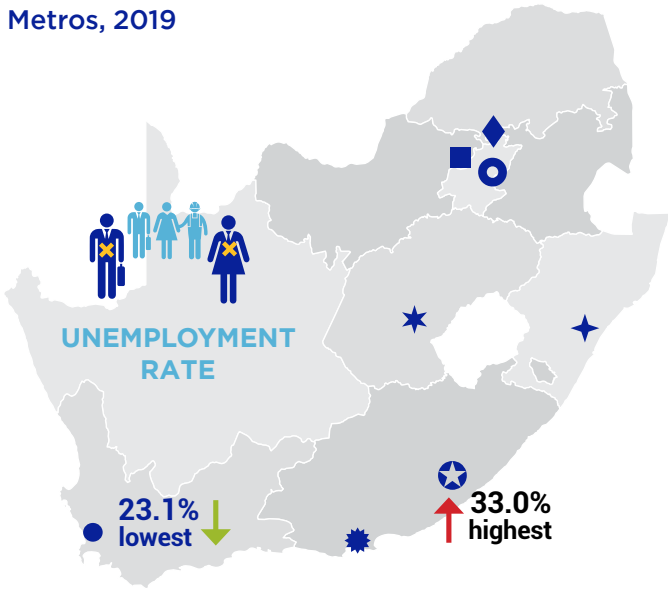
Approximately 67.8 per cent of people between the ages of 15 and 64 in the Cape Metro area are part of the labour force, and it is estimated that the percentage declined in 2019. Furthermore, only 53.2 per cent of people aged between 15 and 64 are employed. The remainder are therefore either unemployed or not economically active. The rising unemployment rate, together with the decline in the labour force participation rate and the labour absorption rate, reflects the poor economic conditions and low levels of employment creation. This leads to an increased dependence on the public sector for income support and job creation initiatives.



Diagram 1.3
UNEMPLOYMENT RATE, South African Metros, 2019

	Unemployment rate
● Cape Metro	23.1%
★ Mangaung	25.2%
◆ Tshwane Metro	25.9%
■ Johannesburg Metro	27.8%
✦ eThekweni	28.6%
SOUTH AFRICA	28.8%
● Ekurhuleni	29.3%
✱ Nelson Mandela Bay	29.9%
✧ Buffalo City	33.0%

Source: Quantec Research, 2020



The Cape Metro has the lowest unemployment rate compared with other metros in South Africa, followed by Mangaung (25.2 per cent) and Tshwane (25.9 per cent). Metros with above-average unemployment rates include Ekurhuleni (29.3 per cent), Nelson Mandela Bay (29.9 per cent) and Buffalo City (33.0 per cent).




Rohan Reddy, Unsplash

1.3.2 Sectoral employment

Table 1.5 indicates the trend in employment growth in each of the economic sectors in the Cape Metro area.

Table 1.5
EMPLOYMENT PER SECTOR, Cape Metro, 2018

					
SECTOR		Number of jobs 2018	Contribution to GDP (%) 2018	Average annual change 2014 – 2018	Net change 2019e
PS Primary Sector		45 108	2.8%	815	73
Agriculture, forestry & fishing		44 216	2.7%	815	114
Mining & quarrying		892	0.1%	0	-41
SS Secondary Sector		291 085	17.9%	2 741	-10 893
Manufacturing		178 510	11.0%	289	-1 868
Electricity, gas & water		6 183	0.4%	95	-88
Construction		106 392	6.6%	2 358	-8 937
TS Tertiary Sector		1 286 796	79.3%	23 717	7 256
Wholesale & retail trade, catering & accommodation		394 570	24.3%	9 262	5 970
Transport, storage & communication		81 694	5.0%	789	2 458
Finance, insurance, real estate & business services		351 829	21.7%	7 536	-648
General government		213 821	13.2%	2 469	4 009
Community, social & personal services		244 882	15.1%	3 661	-4 533
Total Cape Metro		1 622 989	100.0%	27 273	-3 564

Source: Quantec Research, 2020 (e denotes estimate)

The primary sector was the lowest contributor to the total employment in the Cape Metro area in 2018. The only sector that generated jobs between 2014 and 2018 was the agriculture, forestry and fishing sector. In 2019, this sector was estimated to have created 114 jobs.

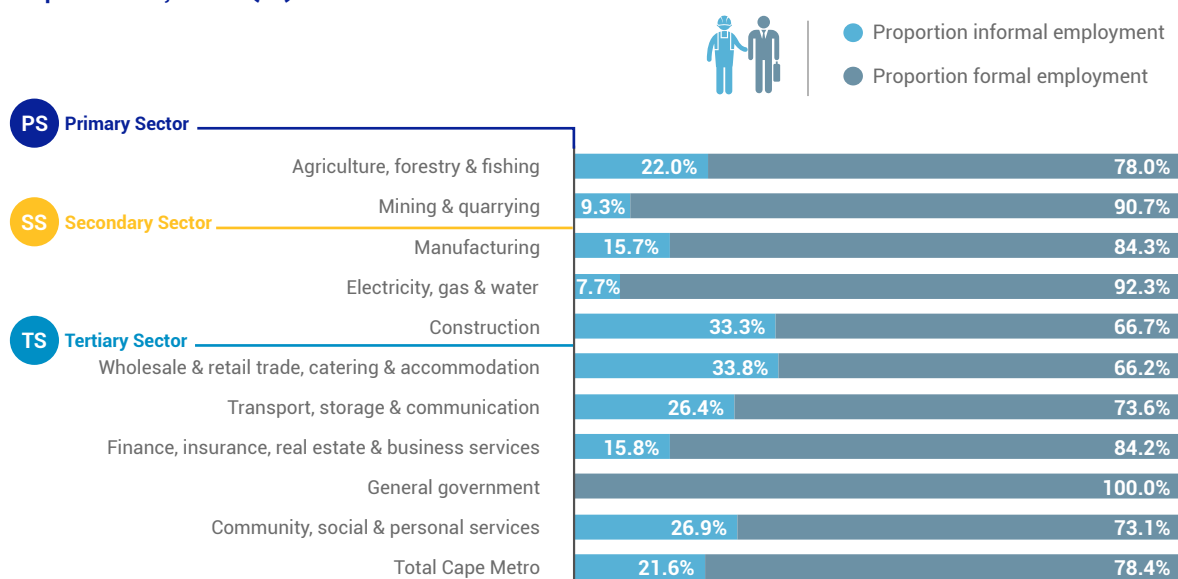
The secondary sector contributed 17.9 per cent to the total employment in the metropolitan area in 2018. However, estimates indicate that 10 893 jobs were lost in 2019, especially in the construction and manufacturing sectors, which shed 8 937 jobs and 1 868 jobs respectively. This is due to the poor economic performance of these sectors.

The tertiary sector was the leading contributor to the Cape Metro area's total employment, accounting for 79.3 per cent of the metropolitan area's total employment in 2018. Employment creation in the tertiary sector was mainly driven by the wholesale and retail trade, catering and accommodation sector (24.3 per cent), and the finance, insurance, real estate and business services sector (21.7 per cent). The tertiary sector absorbed 23 717 people on average per annum into the metro's economy between 2014 and 2018. However, only an additional 7 256 jobs are estimated for 2019. The decline in economic growth has resulted in the community, social and personal services sector shedding an estimated 4 533 jobs, while the finance, insurance, real estate and business services sector shed an estimated 648 jobs.

Figure 1.3 illustrates the formal and informal employment¹⁵ distribution by economic sector in the Cape Metro area in 2018.

Figure 1.3

FORMAL AND INFORMAL EMPLOYMENT DISTRIBUTION, Cape Metro, 2018 (%)



Source: Quantec Research, 2020

The South African economy is comprised of both formal and informal employment. Across all the economic sectors in the Cape Metro area, a large percentage of people were employed formally (78.4 per cent) in 2018. Besides the government sector, the other sectors that had the highest proportion of formal employment included the electricity, gas and water (92.3 per cent), mining and quarrying (90.7 per cent) and finance, insurance, real estate and business services (84.2 per cent) sectors.

Some sectors had above-average informal employment, such as the construction (33.3 per cent) and wholesale and retail trade, catering and accommodation (33.8 per cent) sectors. The above-average contribution to informal employment in these sectors can be explained by people who might have lost their formal jobs and established non-registered businesses, as these sectors may be characterised by lower barriers to entry¹⁶. Informal employment in the construction sector, for instance, has grown significantly at a national level. In the third quarter of 2009, there were 276 000 people employed informally in the construction sector and at the end of the third quarter of 2019 there were 483 000¹⁷.

¹⁵ 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.

¹⁶ (CIDP, 2019).

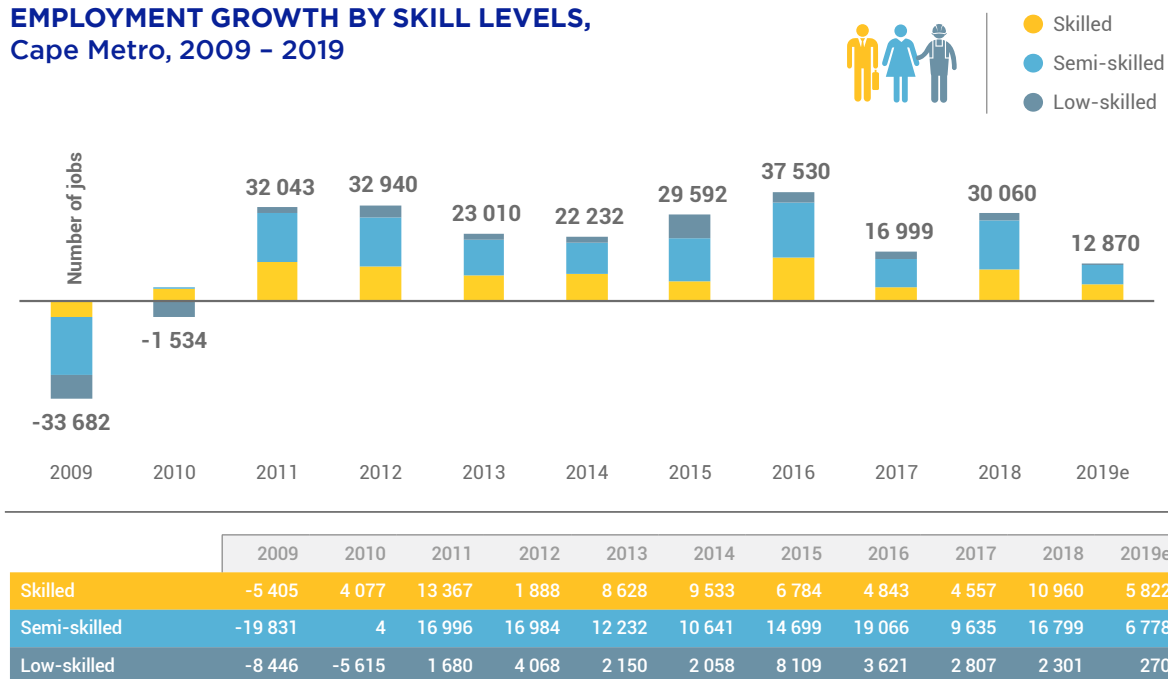
¹⁷ (CIDP, 2019).

1.4 SKILLS ANALYSIS

Figure 1.4 illustrates the change in employment by skill levels between 2009 and 2019 in the Cape Metro area.

Figure 1.4

EMPLOYMENT GROWTH BY SKILL LEVELS, Cape Metro, 2009 – 2019



Source: Quantec Research, 2020 (e denotes estimate)

Owing to the global financial crisis and electricity shortages, job losses were experienced across all skill levels in the Cape Metro area in 2009. Semi-skilled workers, in particular, were most susceptible to the losses. In 2010, while improvements in employment were experienced for both skilled and semi-skilled workers, low-skilled workers continued to experience job-shedding.

From 2011 to 2018, it is observed that the demand for labour in the metropolitan area was driven by the need for both semi-skilled and skilled workers. Since 2015, the demand for low-skilled workers has declined. Technological progress leads to a higher relative demand for skilled workers and a lower relative demand for workers performing routine activities¹⁸. It is also estimated that there were more skilled and semi-skilled workers than low-skilled workers in 2019. In the broadest terms, this is the change in the skill structure, as low-skilled workers are left behind. Therefore, there is a need for upskilling as technology evolves and it becomes more important for children to complete school and continue with tertiary education.



¹⁸ (United Nations: Department of Economic and Social Affairs, 2017).

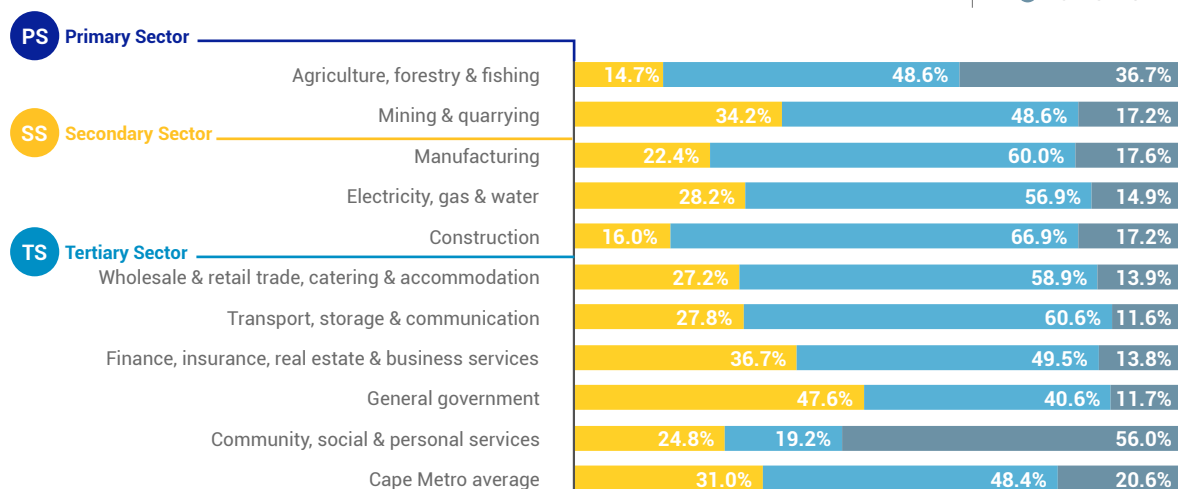
Figure 1.5 illustrates the skill levels by economic sector in the Cape Metro area in 2018.

Figure 1.5

SKILL LEVELS PER SECTOR, Cape Metro, 2018 (%)



● Skilled
● Semi-skilled
● Low-skilled



Source: Quantec Research, 2020

Semi-skilled workers are the largest group across nearly all economic sectors in the Cape Metro area, comprising 48.4 per cent of formally employed workers. This is followed by the skilled working group (31.0 per cent). The sector with the highest proportion of low-skilled workers compared with other sectors is the community, social and personal services sector¹⁹ (56.0 per cent). This sector is generally not a high-tech sector that requires highly skilled individuals. Therefore, a pool of low-skilled individuals are able work in this sector.



¹⁹ This sector comprises a number of subsectors, including public administration, defence, compulsory social services, education, human health and social work (Reddy, et al., 2016).

1.5 CONCLUDING REMARKS

This chapter focused on assessing the position of the Cape Metro area in terms of trends in GDP growth, the performance of the economic sectors and their contribution to GDP and employment, as well as analysis of skill levels. The timeframe considered is the period between 2009 and 2019.

The economy of the Western Cape is dominated by the Cape Metro area, which accounted for 71.8 per cent (R423.2 billion) of the Western Cape's GDP in 2018. The Cape Metro's economy grew at an average annual rate of 1.3 per cent between 2014 and 2018, which is not significantly lower than that of the provincial growth rate of 1.4 per cent. The aftermath of the global financial crisis has been one of the most significant economic shocks in the metropolitan area, as it affected its growth potential in 2009. More recently, it is estimated that the metropolitan area's economy grew by 0.5 per cent in 2019, which is the lowest growth rate since 2010. If this persists, it is likely that the Cape Metro's economy may stagnate or record negative growth.

Regarding sectoral contribution to the Cape Metro's GDP, the tertiary sector is the largest sector (75.2 per cent), with the finance, insurance, real estate and business services being the leading sector. The secondary sector is the second largest contributor (23.2 per cent), while the primary sector accounts for the remaining share (1.6 per cent). The tertiary sector makes up the vast majority of employment, with 79.3 per cent. This is followed by the secondary (17.9 per cent) and primary (2.8 per cent) sectors.

The trend in employment generation followed the growth trajectory of the Cape Metro. For instance, the contraction in economic activities in 2009 resulted in the highest number of job losses in the same year. Job losses continued in 2019, and are linked to the low economic growth in the country caused by weak levels of investment and load-shedding. Since 2011 there has been a greater proportion of working people who are semi-skilled and skilled compared with those who are low-skilled. Most of the economic sectors also comprised workers who are skilled and semi-skilled. This indicates that low-skilled workers are more at risk of becoming unemployed.



A woman with her hair in a braided headwrap, wearing a long, flowing dress with a colorful, intricate pattern, is reaching up to a high shelf in a store. She is holding a white plastic bag and a black basket. The background shows shelves stocked with various goods.

2

TRADE, TOURISM AND INVESTMENT

2.1 INTRODUCTION

The Cape Metro area's economy is influenced not only by the spending of local households but also by local and international cross-border trade of goods and services, domestic and international tourists, 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.

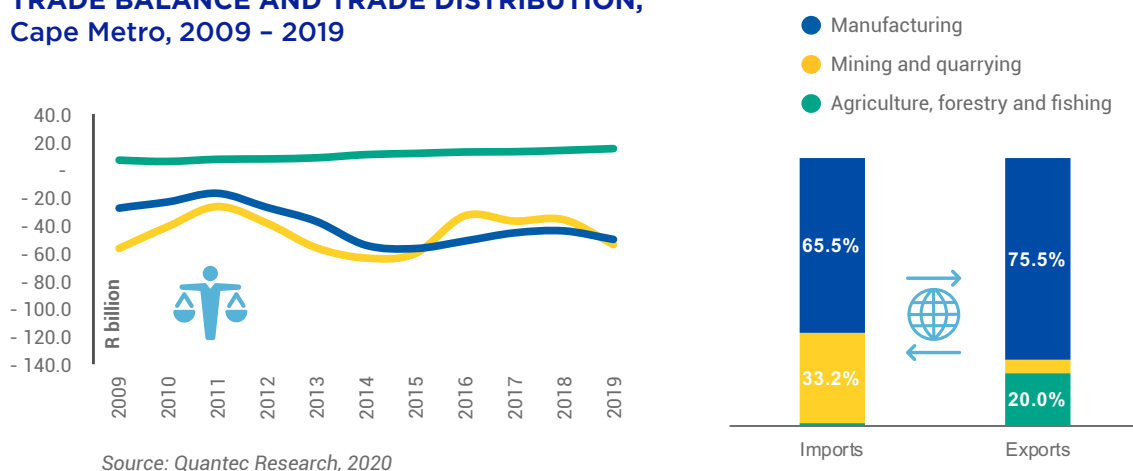
This chapter explores trade, tourism and investment dynamics, and analyses the comparative advantage of the various economic sectors in the Cape Metro area to identify growth opportunities and potential risks in the metropolitan area.

2.2 INTERNATIONAL TRADE

It is important to emphasise that the Cape Town harbour and international airport are recognised as major trade hubs in the national economy. As such, the Cape Metro area should not be interpreted as the destination of imported goods per se, as they will mostly be redistributed to other provinces or regions. Similarly, goods produced by other regions in the country will be exported through the Cape Metro area.

Figure 2.1 illustrates the trade balance between imports and exports for the three different sectors in the 2009 to 2019 period, as well as sectoral trade distribution in the Cape Metro area.

Figure 2.1
TRADE BALANCE AND TRADE DISTRIBUTION,
Cape Metro, 2009 – 2019



The Cape Metro area maintained a trade deficit for all the years during the period under review. Between 2011 and 2013, the Cape Metro area experienced an increasing trade deficit, from R36.2 billion in 2010 to R107.2 billion in 2013. Positively, the trade deficit improved between 2014 and 2017. However, the trade deficit increased to R89.0 billion in 2018 and R98.3 billion in 2019.

During the entire period under review, the Cape Metro imported more manufactured, mining and quarrying products than it exported. Conversely, the metropolitan area realised an increasing trade surplus for agriculture, forestry and fishing products between 2009 and 2019.

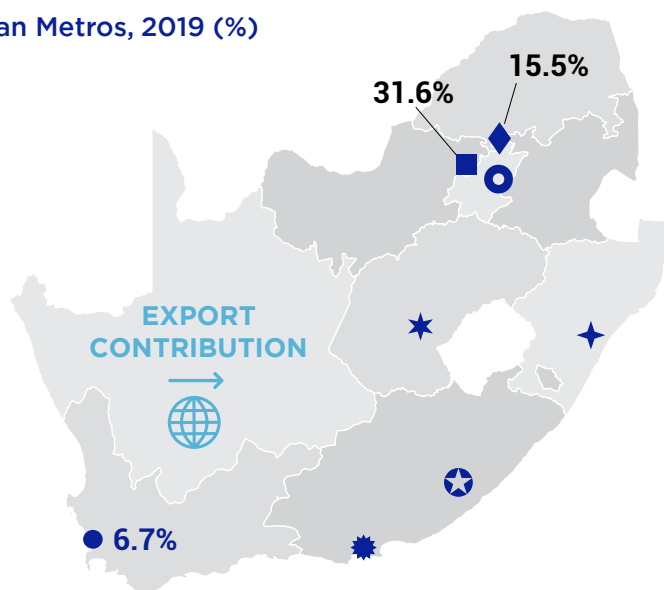


Diagram 2.1

EXPORT CONTRIBUTION, South African Metros, 2019 (%)

	% of South African exports
■ Johannesburg Metro	31.6%
◆ Tshwane Metro	15.5%
● Cape Metro	6.7%
✦ eThekweni	6.1%
○ Ekurhuleni	6.1%
✱ Nelson Mandela Bay	3.8%
✦ Mangaung	0.1%
✱ Buffalo City	0.1%

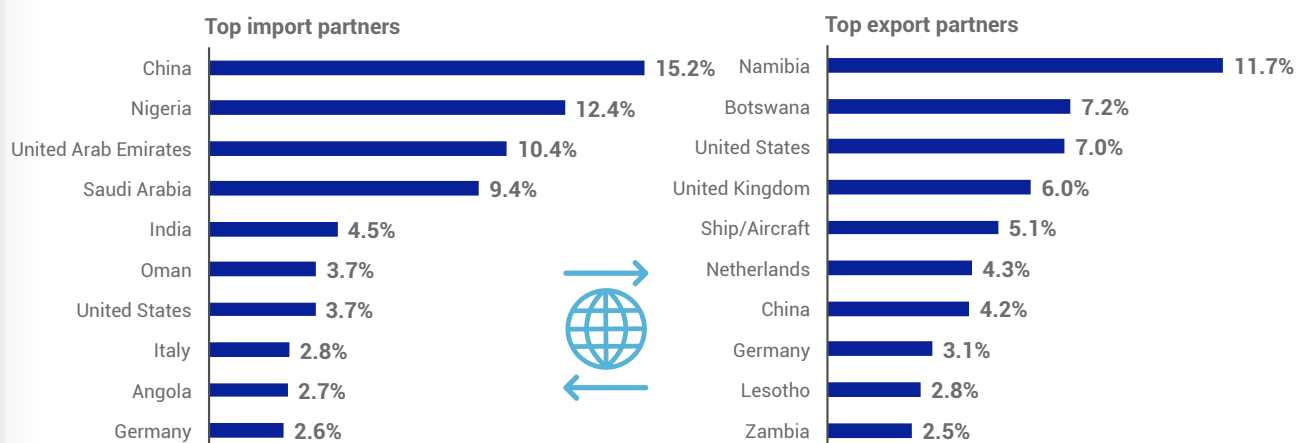
Source: Quantec Research, 2020



The metro economies that contribute the most to South African exports include the Johannesburg (31.6 per cent), Tshwane (15.5 per cent) and Cape Metro (6.7 per cent) areas.

Figure 2.2 illustrates the Cape Metro's top 10 import and export partners in 2019.

Figure 2.2

TOP 10 IMPORT AND EXPORT PARTNERS, Cape Metro, 2019

Source: Quantec Research, 2020

In 2019, the Cape Metro's largest import trading partner was China (15.2 percent), followed by Nigeria (12.4 per cent), the United Arab Emirates (10.4 per cent) and Saudi Arabia (9.4 per cent). It is important to note that both South Africa and China form part of BRICS (Brazil, Russia, India, China and South Africa). These developing countries are united in working bilaterally to improve economic growth, employment and their global economic footprint through strong trade relations. China is the world leader when it comes to the manufacturing of products across

a broad spectrum of industries, and South Africa is among its largest partners in trade²⁰. In 2019, goods to the value of R28.2 billion were imported from China.

In terms of exports, the Cape Metro's main trading partners were Namibia (11.7 per cent) and Botswana (7.2 per cent), which are both member states of the Southern African Development Community (SADC). In 2019, the Cape Metro area exported goods to the value of R10.2 billion to Namibia. Petroleum oils were one of the main products exported to Namibia (R4.1 billion).

Table 2.1 shows the value of the top 10 products that were imported by the Cape Metro area in 2019, as well as the main trading partners for these products.



IMPORTS

Table 2.1
MAIN IMPORT PRODUCTS,
Cape Metro, 2019

PRODUCT	R billion 2019	% share	Main trading partners
Petroleum oils and oils obtained from bituminous minerals, crude	61.5	33.1%	Nigeria, Saudi Arabia, United Arab Emirates
Petroleum oils and oils obtained from bituminous minerals, other than crude	26.1	14.0%	Oman, United Arab Emirates, India
Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % vol.; spirits, liqueurs and other spirituous beverages	2.3	1.2%	United Kingdom, Ireland, France
Beer made from malt	2.2	1.2%	Namibia, Netherlands, Italy
Electric generating sets and rotary converters	1.9	1.0%	Spain, India, Mauritius
Fish, frozen, excluding fish fillets and other fish meat	1.8	1.0%	Morocco, Namibia, Mauritania
Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs	1.7	0.9%	Thailand, China, Namibia
Unclassified	1.7	0.9%	China, Spain, India
Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses	1.6	0.9%	India, Slovenia, United Kingdom
Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear)	1.5	0.8%	Mauritius, China, Madagascar
Total imports	185.7		

Source: Quantec Research, 2020

²⁰ (Money Marketing, 2020).

Petroleum products comprise the largest share of the Cape Metro's imports, accounting for 47.1 per cent of the metropolitan area's total imports in 2019. Moreover, the main commodities (non-durable goods) included petroleum oils and oils obtained from bituminous minerals, both crude and non-crude, sourced mainly from Saudi Arabia, Nigeria, the United Arab Emirates, Oman and India. South Africa has experienced fuel price increases over the last few years, especially in 2014, 2015 and 2019²¹, which probably contributed to the Cape Metro's increased trade deficit during the same period.

Table 2.2 shows the value of the top 10 products that were exported by the Cape Metro area in 2019, as well as the main trading partners for these products.



EXPORTS

Table 2.2
MAIN EXPORT PRODUCTS,
Cape Metro, 2019

PRODUCT	R billion 2019	% share	Main trading partners
Petroleum oils and oils obtained from bituminous minerals, other than crude	18.1	20.7%	Ship/Aircraft, Namibia, Botswana
Citrus fruit, fresh or dried	5.6	6.4%	Netherlands, United Kingdom, Russian Federation
Apples, pears and quinces, fresh	3.8	4.3%	United Kingdom, Russian Federation, Malaysia
Grapes, fresh or dried	3.5	4.0%	Netherlands, United Kingdom, Germany
Parts suitable for use solely or principally with internal combustion engines	2.1	2.5%	Germany, United States, Namibia
Wine of fresh grapes, including fortified wines	2.0	2.3%	United Kingdom, Denmark, United States
Fish fillets and other fish meat (whether or not minced), fresh, chilled or frozen	1.9	2.2%	Spain, Italy, Australia
Yachts and other vessels for pleasure or sports; rowing boats and canoes	1.7	2.0%	United States, British Virgin Islands, Gibraltar
Fish, frozen, excluding fish fillets and other fish meat	1.7	1.9%	Spain, Portugal, Italy
Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes	1.6	1.9%	Namibia, Mali, Botswana
Total exports	87.4		

Source: Quantec Research, 2020

²¹ (BusinessTech, 2015; BusinessTech, 2019).

Petroleum oils and oils obtained from bituminous minerals (non-crude) accounted for the largest share of all commodity exports in the Cape Metro area, at 20.7 per cent in 2019. This commodity is mainly exported to Botswana and Namibia. Some of the light oils and preparations are consumed by international ships and aircraft, as the Cape Metro has a commercial port and aerodromes. However, a smaller proportion of agricultural products, mainly citrus fruits, apples, pears and grapes, were exported to the trading partners within and outside Africa. This is mainly because the Cape Metro area does not have a large agricultural sector when compared with its neighbouring districts, many of which are rural.

Furthermore, the Cape Metro area is a trade hub for a wide range of exports for the Province. High-quality transport infrastructure is also one of the most important factors for the Cape Metro's progress. High-quality infrastructure in turn supports core economic activities and removes geographic barriers to competition, and well-functioning logistics systems facilitate trade by lowering access costs to international markets and by improving the competitiveness of domestic firms.



2.3 TOURISM PERFORMANCE²²

Cape Town is ranked among the top 15 most competitive cities in the world, along with Seoul (14th), Marrakech (13th), Tokyo (12th) and Copenhagen (8th)²³. Known as one of the most cosmopolitan cities in South Africa, Cape Town is a popular international tourism destination. Visitors are attracted to its natural beauty, urban landscape, sandy beaches, Mediterranean climate and well-developed infrastructure. Some of the iconic attractions include Table Mountain, the V&A Waterfront, Cape Point, Kirstenbosch National Botanical Garden and Robben Island. Not only is the metropolitan area known for its natural and historical attractions, it is also one of Africa's top business tourism (meetings, conferencing and exhibitions) destinations²⁴.

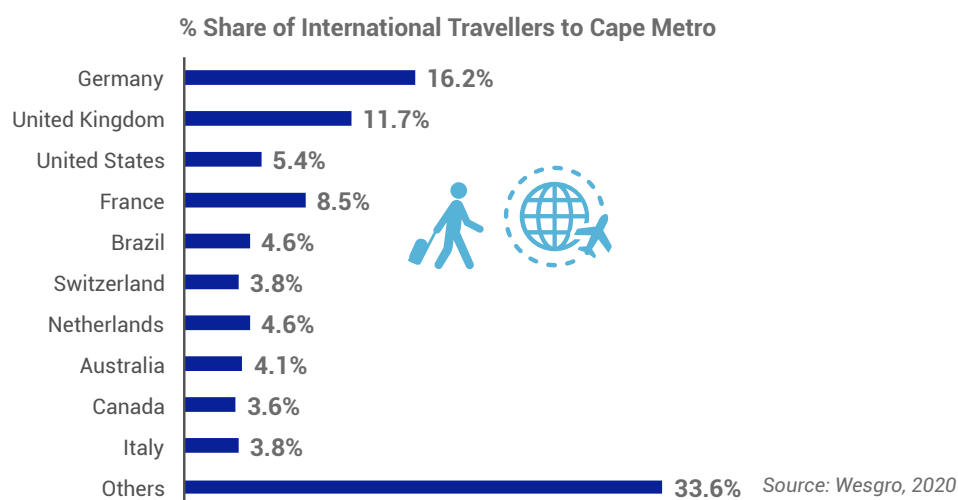
Nature continues to be one of the key drawcards, and a range of nature-based, adventure tourism and leisure activities have developed around the city's natural resources, including rock climbing, hiking, mountain biking, hang-gliding, abseiling, shark-cage diving, beach horse riding, birding, fishing,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

The tourism sector is not a stand-alone economic sector, as tourists demand goods and services from a variety of sectors, such as travel and transport services, accommodation, restaurant services, general shopping, and fuel. However, the catering and accommodation sector is often used to determine at least a portion of the size of the tourism industry in an area. In 2018, the catering and accommodation services industry contributed 1.0 per cent to the total GDP of the Cape Metro and employed 57 569 people, accounting for 3.5 per cent of the metropolitan area's total employment.

2.3.1 Visitor trends

The Cape Metro area is a preferred holiday destination for both international (33.3 per cent) and domestic (66.7 per cent) tourists. Figure 2.3 shows the proportion of international tourists by country in the Cape Metro area in 2019.

Figure 2.3
PERCENTAGE SHARE OF INTERNATIONAL TRAVELLERS, Cape Metro, 2019



²² The Regional Visitor Trends reports published by Wesgro were used to report on regional tourism performance. It is important to note that the regional visitor tracking surveys can only be used as a proxy to indicate the key trends within the region owing to the survey collection method and sample size. Therefore, the information reported on cannot be seen as absolute figures. Furthermore, the information cannot be compared with other regions, nor with the information released by South African Tourism. It is also not advisable to compare year-on-year information, as the sample sizes are not comparable.

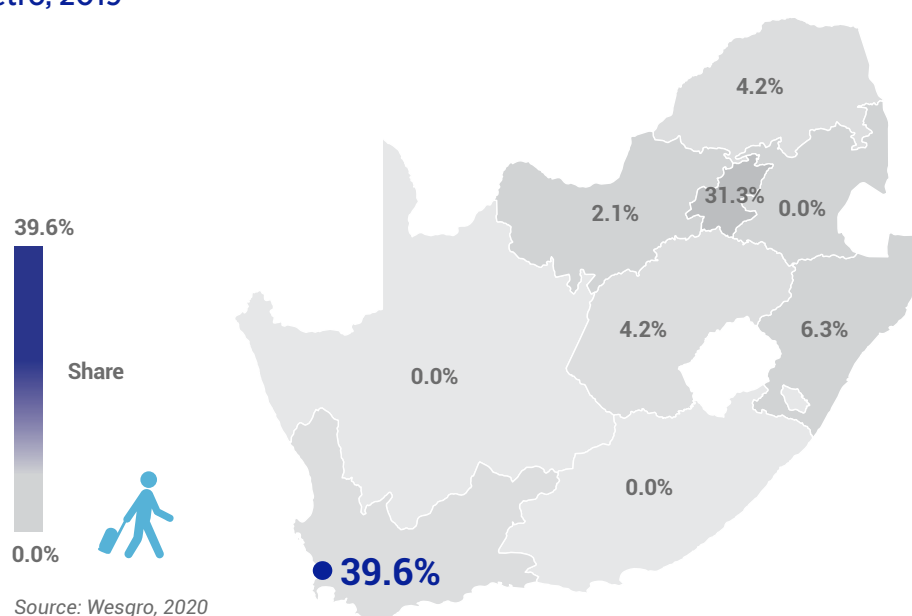
²³ (UNWTO, 2018).

²⁴ (ICCA, 2018).

In 2019, Cape Town International Airport recorded 11 56 996 international arrivals (22 per cent) and 4 048 672 domestic arrivals (76 per cent)²⁵. The most prominent international markets are Europe and North America. The top five international markets that made bookings at the various Cape Town Visitor Information Centres (VICs) include Germany (16.2 per cent), the United Kingdom (11.7 per cent), France (8.5 per cent), the United States (5.4 per cent) and the Netherlands (4.6 per cent). This confirms that the metropolitan area is attractive to Western cultures. However, there is still an opportunity to invest in other markets such as South America and the Middle East by diversifying the Cape Metro area's product offering to attract more tourism activity.

Map 2.1 shows domestic arrivals in the Cape Metro area by province in 2019.

Map 2.1
PERCENTAGE SHARE OF DOMESTIC TRAVELLERS,
Cape Metro, 2019



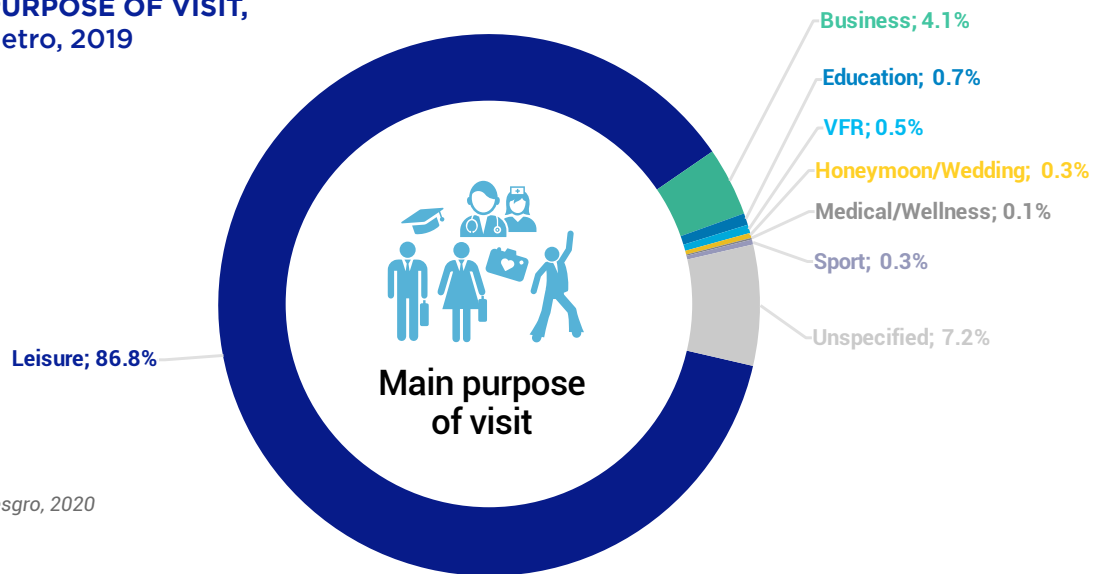
Most of the domestic visitors to the Cape Metro area in 2019 were from the Western Cape (39.6 per cent). The metropolitan area is also quite attractive to visitors from other provinces, namely Gauteng (31.3 per cent), KwaZulu-Natal (6.3 per cent), the Free State (4.2 per cent) and Limpopo (4.2 per cent). In the light of COVID-19 and the recovery of the tourism sector in 2020, domestic demand is expected to recover faster than international demand. Therefore, targeting the domestic markets through intraprovincial travel opportunities can boost the industry. Domestic tourists are expected to be among the first to travel again and restore demand. Marketing activities and incentives that will facilitate domestic travel and encourage increased length of stay, including more competitive prices, special promotions or travel incentives by employers, especially to destinations that are heavily reliant on tourism, will be essential for the recovery of the industry.

²⁵ (Airports Company South Africa, 2020).

2.3.2 Visitor profile

Figure 2.4 shows the main purpose of visit of tourists in the Cape Metro area in 2019.

Figure 2.4
MAIN PURPOSE OF VISIT,
Cape Metro, 2019

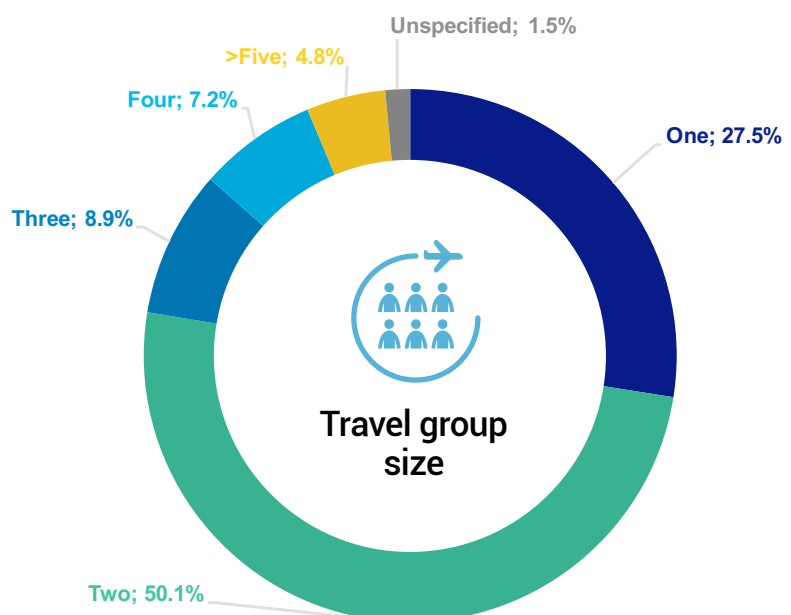


Source: Wesgro, 2020

The vast majority (86.8 per cent) of people visiting the Cape Metro area come for leisure purposes. Alongside leisure, a smaller number of visitors come for business (4.1 per cent) or education (0.7 per cent) or to visit friends and relatives (VFR) (0.5 per cent). Therefore, the metropolitan area should primarily focus on expanding and effectively packaging leisure offerings to appeal to a larger audience (targeted at families or groups). There is also an opportunity to diversify the product offering and motivate return visits through promoting business, educational and adventure tourism to current leisure visitors.

Figure 2.5 illustrates the group size of visitors to the Cape Metro in 2019.

Figure 2.5
VISITOR
GROUP SIZE,
Cape Metro,
2019



Half of all the visitors to the Cape Metro area travelled in pairs in 2019. Those who travelled alone accounted for a total of 27.5 per cent. This makes the region an ideal destination for independent travellers or couples seeking a retreat.

Source: Wesgro, 2020

2.3.3 Activities

Figure 2.6 illustrates various activities undertaken by tourists in the Cape Metro area in 2019.

Figure 2.6
**TOP TOURIST
ACTIVITIES
UNDERTAKEN,
Cape Metro, 2019**



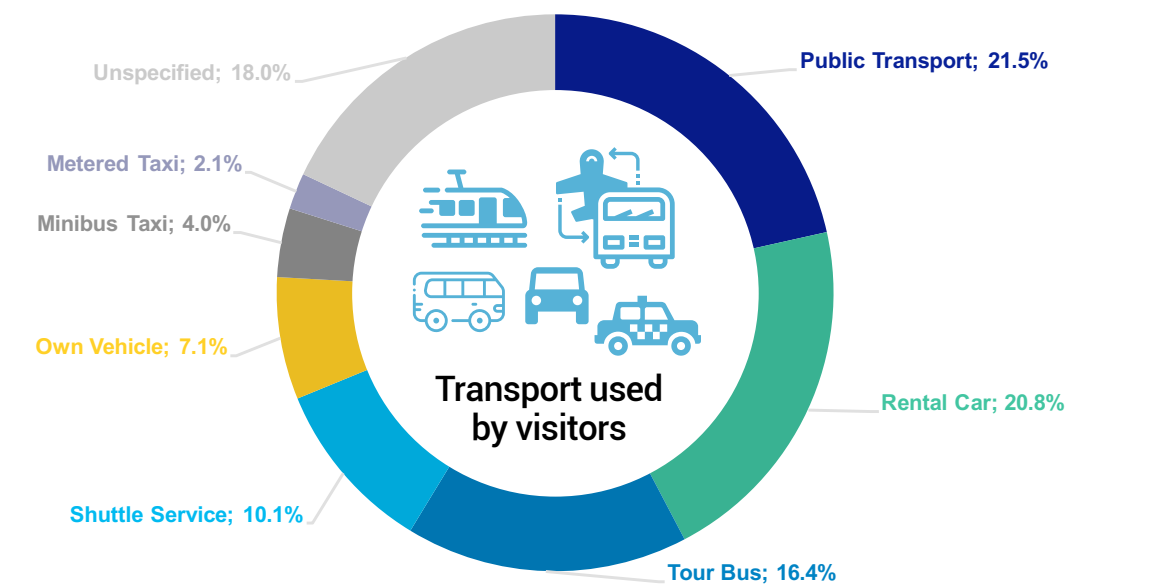
Source: Wesgro, 2020

The Cape Metro area is known for having a diverse offering that caters for a wide spectrum of needs and interests, which makes it an attractive destination for both international and domestic visitors. This explains why outdoor activities (52.0 per cent), scenic drives (30.0 per cent) and culture/heritage (17.0 per cent) were the top three activities undertaken in the region. There is a growing trend among tourists to learn more about local history and engage in culture-related activities while on holiday. The Cape Metro area has plenty to offer in the heritage and culture sphere, and marketing approaches should be geared towards highlighting these offers. Cultural heritage tourism is an important opportunity to redistribute tourism activity and benefits in the region. It is important that the local resources be assessed carefully to identify what is unique about the culture and heritage of the Cape Metro area and how this can be translated into cultural heritage tourism products and attractions (township tours, homestays, cultural performances, arts, clothing and cuisine). Creating tourism products and attractions is essential to stimulate visitor demand.



Figure 2.7 shows the mode of transport used by visitors to travel to and within the Cape Metro area in 2019.

Figure 2.7
MODE OF TRANSPORT USED BY VISITORS,
Cape Metro, 2019

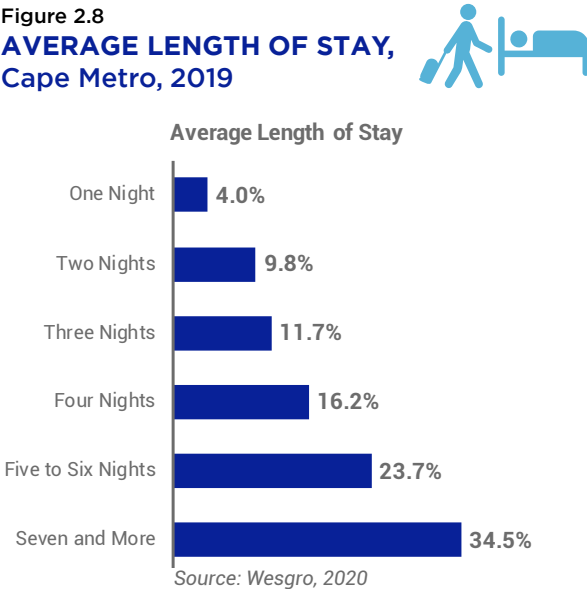


Source: Wesgro, 2020

Road transport is important to tourism when one considers that some forms of road transport, such as cars, buses and coaches, are the means most used by tourists to reach their destination. Most visitors to the Cape Metro area used public transport (21.5 per cent), rental cars (20.8 per cent) and tour buses (16.4 per cent) in 2019. Other options to move around the city include shuttle services and own vehicles. This indicates that these modes of transport can disperse travellers over a wide geographic area. It also indicates that all of these modes of transport are a great way to get around in the metropolitan area. There are also opportunities for non-motorised transport for personal mobility, including walking, cycling, rollerblading, skateboarding, rickshaw riding and horse riding.

2.3.4 Length of stay

Figure 2.8
AVERAGE LENGTH OF STAY,
Cape Metro, 2019



Source: Wesgro, 2020

Figure 2.8 shows the average length of stay by visitors in the Cape Metro area in 2019.

The majority (92.3 per cent) of visitors to the Cape Metro area had overnight stays in 2019, which means more money was spent on accommodation. A total of 58.2 per cent of all visitors to the metropolitan area stayed for five and more nights, indicating that they spent more over a longer period. Preferred accommodation includes bookings at hotels, guest houses, lodges, B&Bs and self-catering establishments.


2.4 GROWTH OPPORTUNITIES AND RISKS

The purpose of this subsection is to analyse the comparative advantage of the various economic sectors within the Cape Metro area by exploring the historic growth of the respective sectors to identify growth opportunities as well as potential risks for the Metro's economy.

2.4.1 Comparative advantage

Table 2.3 provides the classification and interpretation of the location quotient. To determine the level of specialisation in the different economic sectors of the Cape Metro area, a location quotient is used. The location quotient is a ratio between two economies, in this case the provincial and Cape Metro economies, which indicates whether the Cape Metro area is exporting or importing goods and services from a particular sector, or is self-sufficient. It is important to note that a location quotient, as a tool, does not consider external factors such as government policies, investment incentives and proximity to markets, etc., which can influence the comparative advantage of an area in a sector.

Table 2.3
LOCATION QUOTIENT INTERPRETATION, Cape Metro, 2018

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, 2020



Table 2.4 outlines the sectoral location quotient for the Cape Metro area.

Table 2.4
LOCATION QUOTIENT IN TERMS
OF GDP AND EMPLOYMENT,
Cape Metro, 2018



SECTOR	In terms of GDP	In terms of employment
PS Primary Sector		
Agriculture, forestry & fishing	0.5	0.4
Mining & quarrying	0.0	0.0
SS Secondary Sector		
Manufacturing	1.1	1.2
Electricity, gas & water	0.8	0.9
Construction	1.1	1.0
TS Tertiary Sector		
Wholesale & retail trade, catering & accommodation	1.0	1.1
Transport, storage & communication	1.1	1.1
Finance, insurance, real estate & business services	1.5	1.2
General government	0.7	1.0
Community, social & personal services	1.1	0.9

Source: Quantec Research, 2020

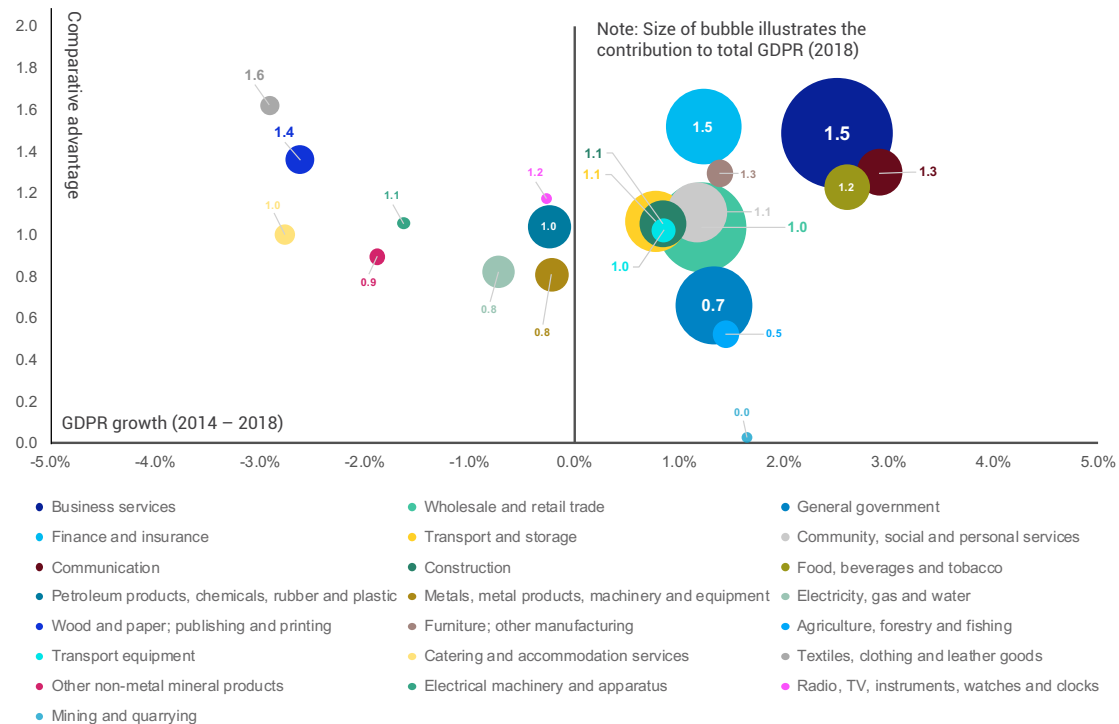
The Cape Metro area has a relatively low level of specialisation in the economic sectors of agriculture, forestry and fishing, and mining and quarrying, relative to the level of specialisation at a provincial level, in terms of both GDP and employment. Therefore, it is likely that the Cape Metro area is importing from neighbouring districts or provinces to meet the needs pertaining to the two sectors.

The Cape Metro's economy meets its local needs pertaining to the secondary sector, particularly the manufacturing and electricity, gas and water industries. The construction sector's lower location quotient suggests that the industry is only able to partially meet the construction-related needs of the metropolitan area. Furthermore, it suggests that the construction sector is less specialised compared with the sector at a provincial level.

The location quotient for the industries in the tertiary sector suggests that the economy of the Cape Metro area does not necessarily need to import expertise from neighbouring districts or provinces. This coincides with the fact that the tertiary sector, in general, had the highest contribution to GDP and employed the most people in related industries, particularly finance, insurance, real estate and business services.

In order to assess the sectoral development opportunities in the Cape Metro area, the comparative advantage in sectors are further analysed, together with the historical sectoral growth rate. Figure 2.9 illustrates the comparative advantage and the average sectoral GDP growth in the Cape Metro area.

Figure 2.9
COMPARATIVE ADVANTAGE AND SECTORAL GDPG GROWTH, Cape Metro, 2018



Opportunities are identified in sectors that have above-average GDPG growth (1.3 per cent) and a medium to high comparative advantage. Table 2.5 outlines sectors in the Cape Metro area that have opportunities for development.

Table 2.5
SECTORS WITH
DEVELOPMENT
OPPORTUNITIES,
Cape Metro, 2018

SECTOR	R million value 2018	GDPG trend 2014 – 2018	Number of jobs 2018	Average annual change in employment 2014 – 2018	Average gross fixed capital formation growth 2014 – 2018
Food, beverages and tobacco	18 484.0	2.6%	34 274	1 069	0.3%
Furniture; other manufacturing	5 770.1	1.4%	12 257	-75	1.3%
Communication	10 704.0	2.9%	14 435	-321	3.5%
Finance and insurance	38 648.7	1.2%	57 151	48	-1.0%
Business services	77 427.5	2.5%	294 678	7 488	2.3%

Source: Quantec Research, 2020

Food and beverage manufacturing

The Cape Metro area has a comparative advantage in terms of food and beverage manufacturing. This sector has been achieving above-average growth over the reference period and created an average of 1 069 jobs annually between 2014 and 2018. This sector, however, has seen little growth in investment over the reference period. The challenges experienced in terms of agricultural

production as a result of the provincial drought, as well as the water restrictions that occurred in the reference period in the Cape Metro area, have had a negative impact on the industry. The location and infrastructure of the Cape Metro area are two main benefits that can be used to leverage growth and investment in the sector; not only is the Cape Metro area surrounded by vast agricultural land specialising in fruit, grains and livestock, but the harbour and Cape Town International Airport also provide easy access to international markets. The Cape Metro area has seen a growth in craft and artisanal food production, and together with the strong lifestyle brand of Cape Town, there are increasing opportunities for food and beverage festivals²⁶.

In 2018/19, Wesgro facilitated two projects in the food and beverage manufacturing sector. These investment projects have a value of R130.0 million and will create an estimated 290 jobs²⁷.

Business services

The Cape Metro area also has a comparative advantage in the communication, finance and insurance, and business services sectors. The business services sector, in particular, has created many jobs over the reference period. Business services include activities such as real estate activities, renting of machinery and equipment, computer activities, including hardware consultancy, software consultancy and data processing, research and development, and other general business activities, such as legal, accounting, engineering and advertising activities²⁸. An industry within this sector that has seen significant growth in recent years is business process outsourcing (BPO). This industry is estimated to have grown by 11.2 per cent in 2018, which resulted in 6 172 new jobs²⁹.



²⁶ (Invest Cape Town, 2019).

²⁷ (Wesgro, 2019).

²⁸ (Statistics SA, 2012).

²⁹ (Invest Cape Town, 2019).

2.4.2 Risks

Risks are identified in industries where there is a medium to high comparative advantage but poor growth. Table 2.6 outlines the sectors in the Cape Metro area that contain risks.

Table 2.6

SECTORS WITH RISKS, Cape Metro, 2018

SECTOR	R million value 2018	GDPR trend 2014 – 2018	Number of jobs 2018	Average annual change in employment 2014 – 2018	Average gross fixed capital formation growth 2014 – 2018
Textiles, clothing and leather goods	2 493.7	-2.9%	19 430	-392	-4.2%
Wood and paper; publishing and printing	7 707.5	-2.6%	24 907	-329	-1.7%

Source: Quantec Research, 2020

Textiles, clothing and leather goods manufacturing

Despite having a comparative advantage in the textiles, clothing and leather goods sector and the wood and paper, publishing and printing sector, the performance of these sectors has been poor in recent years – characterised by contractions in GDPR, job losses and a decline in investment. However, the textiles, clothing and leather goods sector recovered somewhat in 2019, with an estimated GDPR growth of 2.0 per cent, while gross fixed capital formation grew by 2.4 per cent. This is a positive indication for the revival of the sector, but intervention is required to ensure that the full potential of the sector can be realised. Programmes such as the Department of Trade and Industry's Clothing and Textiles Competitiveness Programme and the Competitive Improvement Programme can be used to boost investment and activity in the sector. In 2018/19, Wesgro facilitated two projects in the sector to the value of R14.3 million, which will create an estimated 32 jobs³⁰.

Wood and paper, publishing and printing

The wood and paper, publishing and printing sector contributed R7.7 billion to the local economy and employed 24 907 people in 2018. The sector has been shedding jobs over the reference period and has experienced a decline in investment. This sector is under severe constraints as a result of COVID-19, as publishing house Associated Media Publishing (AMP) closed its doors in 2020, while Media24 and Caxton Media also announced the closure or reduced the frequency of some of their publications.

³⁰ (Wesgro, 2019).

2.4.3 Investments

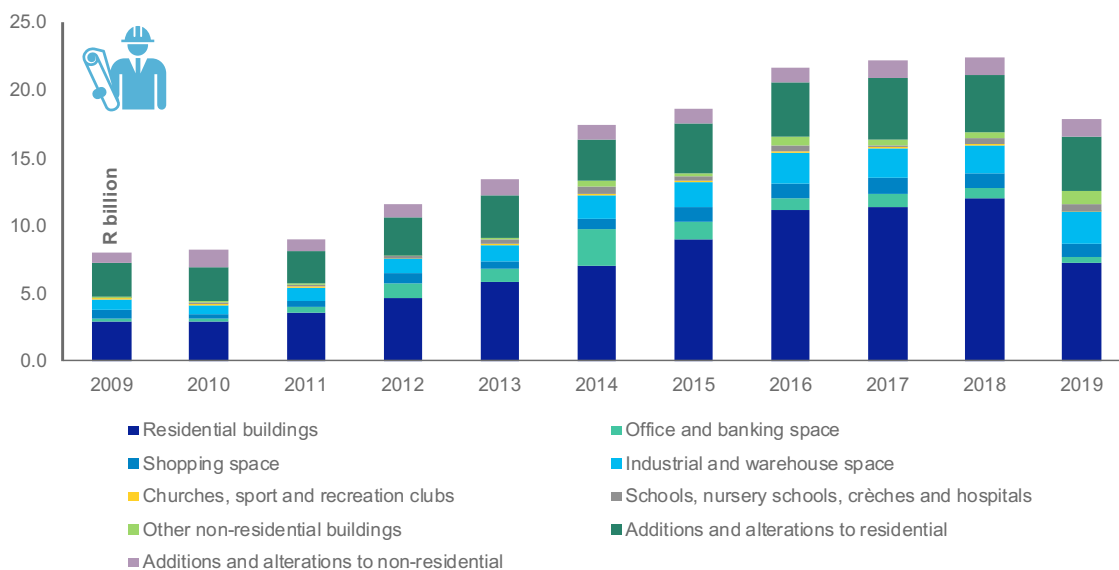
This subsection discusses various forms of investments occurring in the Cape Metro area, especially building plans passed and completed, and sectoral investments and business expansions.

2.4.3.1 Building plans passed and completed

Building plans passed and completed are some of the indicators that are used to measure economic activity and business cycle changes. The value of building plans passed³¹ can be used as a leading indicator, while building plans completed³² can be used as a lagging indicator. Building plans passed and completed have further implications for municipal spatial planning and budgeting. Furthermore, building plans passed indicate the private sector's willingness to invest in an area, and the development of non-residential buildings has a positive impact on the local economy during the construction and operational phase.

Figure 2.10 shows the trend in the value of building plans passed in the Cape Metro area between 2009 and 2019.

Figure 2.10
VALUE OF BUILDING PLANS PASSED, Cape Metro, 2009 – 2019 (R billion)



Source: Statistics SA & Quantec Research, 2020

Throughout the entire period under review, the largest value of plans passed in the Cape Metro area was for residential buildings, followed by additions and alterations to residential buildings, as well as industrial and warehouse space. The value of building plans increased consistently between 2009 and 2018. The demand for newly built houses indicates higher purchasing power of households, and this is a positive indication that the economy in the metropolitan area was growing during this period. However, it is estimated that the value of building plans approved for residential buildings decreased from R12.0 billion in 2018 to R7.2 billion in 2019. This was the lowest value of residential building plans approved since 2014. This could be explained by the observed low market activity and high interest rate, as buyers may have found it expensive to buy property³³. Over the reference period, there has been a considerable increase in building

³¹ Number of residential building plans passed larger than 80 m².

³² Value of non-residential buildings completed (constant prices).

³³ (Lightstone, 2020).

plans passed for flats. Flats comprised 30.5 per cent of residential building plans passed in 2008 and 56.3 per cent of residential building plans passed in 2019. This emphasises the need for densification as well as for more affordable dwellings in the Cape Metro area.

Positively, the value of building plans passed continued to increase for industrial and warehouse space, which emphasises the need for vacant industrial land in the Cape Metro area. Most industrial areas in the central areas of Cape Town have no vacant stands available. New developments are currently occurring next to major arterials such as the N7 and the N2 in the Helderberg region.

Figure 2.11 indicates the value of buildings reported as completed in the Cape Metro area between 2009 and 2019.

Figure 2.11
BUILDING PLANS COMPLETED, Cape Metro, 2009 – 2019 (R billion)



Source: Statistics SA & Quantec Research, 2020

While the number of building plans passed is indicative of demand in the Cape Metro area, a more reliable means of establishing the ability of people within the economy to finance the completion of these buildings is by assessing the number of completed buildings. Since 2017 the value of building plans completed has declined, mainly because of a decline in the value of building plans completed for shopping, industrial and warehouse space, and additions and alterations to residential buildings.

Residential building activity experienced significant strain in 2019. From Figure 2.10 and Figure 2.11 it is evident that both the planning and construction phases remained under pressure, reflecting conditions in the housing market. Domestic economic trends since 2019 adversely influenced employment, household income and consumer and investor confidence. As a result, residential building activity is expected to continue experiencing challenging times for the rest of 2020 and into 2021. This would also be due to the ongoing COVID-19 pandemic. Despite the negative impact on building activity owing to lockdown conditions, the low interest rate is likely to have a positive impact on the housing market, as credit is more affordable. This will be beneficial, especially for first-time home buyers.

Notably, there was an increase in the value of building plans completed for non-residential buildings of industrial and warehouse space in 2019, valued at R2.1 billion, from R1.6 billion in 2018. The value of completed shopping space also increased from R0.4 billion in 2018 to R1.1 billion in 2019.

2.4.3.2 Sectoral investments and business expansions

Foreign direct investment is an important part of the massive private investment that is driving economic growth in the Cape Metro area. Private investment is being sought as a means of complementing the level of domestic investment, as well as securing economy-wide efficiency gains through the transfer of appropriate technology, management knowledge and business culture, access to foreign markets, increasing employment opportunities, and improving living standards. Investment from local companies also plays a key role in the metropolitan area. Wesgro plays an integral role in attracting new investment into the Western Cape. In 2018/19, the organisation facilitated 18 investment projects in the Cape Metro area to the value of R2.3 billion. These projects will create an estimated 1 071 jobs³⁴.

The following are some of the recent sectoral investments and business expansions in the Cape Metro area.

Food industry

Cape Town's V&A Waterfront, in collaboration with the National Treasury's Jobs Fund, announced a R63.0 million investment to create employment opportunities as well as develop new talent and enterprises within the food industry³⁵. The initiative, a local community food incubator, is called Makers Landing and will open to the public in December 2020. The V&A Waterfront is taking applications from small businesses, both entry-level and top-class chefs. The aim is to offer authentic South African dishes that provide diversity, quality, multiple flavours, locally sourced ingredients, affordability and freshness.

Renewable industry

In 2018, the national government confirmed the designation of the Atlantis Special Economic Zone (ASEZ) (Special Greentech Economic Zone)³⁶. ASEZ has already attracted investments of R680.0 million. ASEZ capitalises on the Province's already booming renewable energy and green technology sector. It supports the manufacturing sectors to become suppliers and component manufacturers for the renewable energy sector, in particular independent power producers in the government's Renewable Energy Independent Power Producer Procurement (REIPPP) Programme.

Agricultural industry

The Cape Metro government signed agreements that will see R40.0 million invested in the Philippi Agri-hub Project³⁷. The project is intended to revitalise small business urban farming, offer training and increase job opportunities in Philippi. Kaap Agri (a JSE-listed group trading in agricultural, fuel and related retail markets), on the other hand, has unveiled its first major investment of more than R150.0 million to further bolster its manufacturing capabilities in the Cape Metro area³⁸.

³⁴ (Wesgro, 2019).

³⁵ (Fin24, 2020).

³⁶ (GreenCape, n.d.).

³⁷ (DA, 2020).

³⁸ (Kaap Agri, 2020).

General business expansion

RunwaySale, a Cape Town-based e-commerce fashion retailer, received a R100.0 million investment from an international private equity firm, SPEAR Capital³⁹. The company announced that it planned to use the investment to push growth across its marketing, stock and production sectors. Machine learning and artificial intelligence (AI) technology are also at the top of the company's list to drive all-round growth across various sectors.

Amazon Web Services (AWS) announced the immediate availability of the AWS Africa (Cape Town) Region, which is the first AWS Region in Africa⁴⁰. The AWS Africa (Cape Town) Region adds to the list of AWS investments in the growth of South Africa, which include the launch of Direct Connect in 2017, the introduction of Amazon CloudFront to South Africa in 2018 and the launch of two new locations in Johannesburg and Cape Town. Furthermore, the AWS Africa (Cape Town) Region will enable opportunities to drive innovation across the country. South African organisations from start-ups to enterprises and the public sector now have infrastructure in their country to leverage advanced technologies such as Analytics, AI, Database and Internet of Things (IoT).

The Amdec Group, with approval from the City of Cape Town, is planning to develop its ambitious R14.0 billion Harbour Arch mixed-use precinct in Cape Town and is estimated to create at least 13 000 construction jobs⁴¹. Harbour Arch is set to be built on a 5.8-hectare site, with 198 000 m² of usable space and six individual towers. The site will also be home to two new hotels, to be operated by Marriott International, a long-standing partner of the Amdec Group.

The Chinese technology manufacturer (multinational company) Hisense invested R72.0 million in expanding its Atlantis factory in 2019⁴², which was also aimed at boosting the local community of Atlantis. Construct, a global digital learning company, also announced a \$3 million (R50.0 million) expansion into Cape Town⁴³.

Liquid Telecom, in support of the City of Cape Town, is set to pave the way and contribute to the expansion of Africa Data Centres' Diep River data centre facility⁴⁴. Africa Data Centres accounts for more than R700.0 million of its investment in data centre infrastructure.

Tourism

The City of Cape Town is actively working to promote the Cape Metro area as the top cruise destination on the continent as this sector has the potential to grow even further, with significant economic spinoffs for the city and its residents. Between October 2018 and January 2019, a total of 17 518 people disembarked in the city from vessels carrying 6 562 crew members⁴⁵. The Cape Metro area is also starting to see both an increase in local cruising along its coast as well as increased numbers of international operators using Cape Town as a turnaround port. The metropolitan area is in the process of expanding cruise-related excursions and product packaging, and developing projects to drive community beneficiation through participation in tourism.

³⁹ (BusinessTech, 2020b).

⁴⁰ (AWS, 2020).

⁴¹ (Amdec Group, 2019).

⁴² (IOL, 2019).

⁴³ (Invest Cape Town, 2019b).

⁴⁴ (Invest Cape Town, 2020).

⁴⁵ (Wesgro, 2019).

2.5 CONCLUDING REMARKS

The economy of the Cape Metro area has a low level of specialisation in both the agriculture, forestry and fishing, and mining and quarrying sectors. This means that, specifically in these sectors, the local needs of the metropolitan area are partially being met by importing from neighbouring districts, provinces or trading partners. This also coincides with the fact that the two sectors had the lowest contribution to the GDP of the Cape Metro area.

Between 2009 and 2019, the Cape Metro's economy incurred negative trade balances, and these have been driven by imports of petroleum products. The need for machinery and electrical equipment has also resulted in a deficit in the manufacturing sector. However, the agriculture, forestry and fishing sector has achieved a surplus over the years through the export of mainly citrus fruits, apples, pears and grapes to the trading partners within and outside Africa.

The Cape Metro area is ideally located and consists of a tourism landscape that is well represented in terms of its accommodation industry, hospitality industry, and travel and related services. The Metro also has sufficient infrastructure to accommodate the current tourism demand. Tourism development should focus on marketing, product innovation and packaging, and upgrades to and maintenance of existing infrastructure, and ultimately aim to provide high-quality products and services to ensure visitor satisfaction.

The Cape Metro area is a preferred holiday destination for both international (33.3 per cent) and domestic (66.7 per cent) tourists. The domestic and international travel bans as a result of COVID-19 will therefore have a severe impact on the local tourism industry in the area. The tourism industry is highly reliant on international tourists, who often spend more than domestic tourists. International travel bans will thus have a negative impact on the sustainability of many local tourism businesses in the Cape Metro area.

Despite the Cape Metro having a comparative advantage in the textiles, clothing and leather goods sector and the wood and paper, publishing and printing sector, the performance of these sectors has been poor in recent years, and intervention is therefore required to unlock potential and encourage new investments and job creation. In addition, there are increasing opportunities for food and beverage festivals to enhance the Cape Metro area's comparative advantage in terms of food and beverage manufacturing.





3

MUNICIPAL SOCIO- ECONOMIC ANALYSIS

3.1 INTRODUCTION

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

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

3.2 POPULATION PROFILE

Figure 3.1 shows future population growth in the Cape Metro area in comparison to the Western Cape and South Africa between 2020 and 2024.

The population in the Cape Metro area (largest in the Province) accounts for 4.6 million (7.7 per cent) of the national population in 2020. The population is expected to expand over the next four years. It is projected to grow by an average annual rate of 1.9 per cent between 2020 and 2024. The Western Cape population is expected to increase by an average annual rate of 1.8 per cent per annum between 2020 and 2024, while the South African population is expected to increase by an average annual rate of 1.3 per cent per annum. The faster growth in the Cape Metro and the Province, compared with the national population, is indicative of in-migration into the province, and particularly the Cape Metro area. In 2020, the Cape Metro population made up 7.7 per cent of the national population and it is expected that by 2024, the Cape Metro will consist of 7.9 per cent of the national population.



Figure 3.1
FUTURE
POPULATION
GROWTH,
Cape Metro,
2020 - 2024



- Cape Metro
- Western Cape
- South Africa



Source: Western Cape DSD, 2020

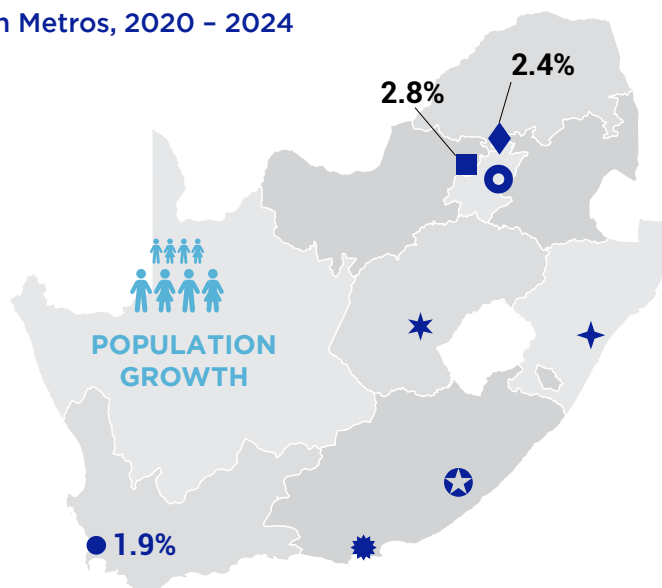
As it is a developed city, population growth in the Cape Metro area is influenced by economic growth and development, as well as technological change. It could also be driven by push factors that drive people away from the countryside. While urbanisation has traditionally been associated with increased industrialisation and economic prosperity, it will become increasingly important that the Cape Metro area is able to offer jobs, education and basic needs like housing, water and electricity. A city that grows without these structures in place is at high risk for poverty and instability. Additionally, a city that grows too quickly can also experience an array of environmental issues.



Diagram 3.1

POPULATION GROWTH, South African Metros, 2020 – 2024

	Annual population growth rate (2014 – 2018)
■ Johannesburg Metro	2.8%
◆ Tshwane Metro	2.4%
○ Ekurhuleni	2.1%
● Cape Metro	1.9%
★ eThekweni	1.4%
★ Mangaung	0.9%
✱ Nelson Mandela Bay	0.2%
✱ Buffalo City	-0.3%



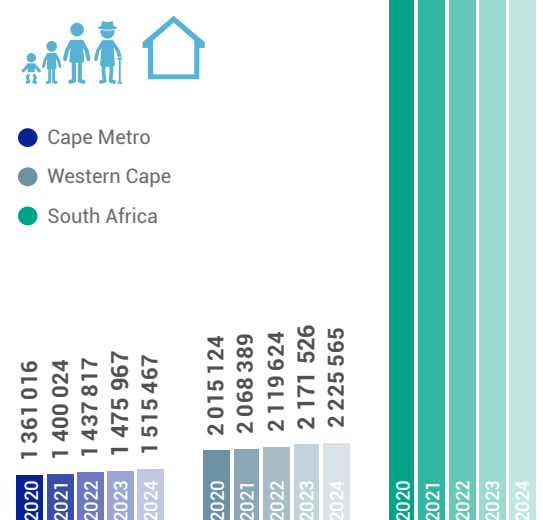
Source: Quantec Research, 2020

Most metro areas have population growth rate that is faster than the South African average. Except the Nelson Mandela Bay, Buffalo City and Mangaung metro areas. The Gauteng metros are experiencing the fastest population growth compared to other metros in the country. The population of the Johannesburg metro is expected to grow at 2.8 per cent per annum between 2020 and 2024, followed by the Tshwane (2.4 per cent) and Ekurhuleni metro areas (2.1 per cent).

Figure 3.2 shows future household growth in the Cape Metro area in relation to the Western Cape and South Africa between 2020 and 2024.

It is estimated that there are 1.4 million households in the Cape Metro area in 2020. Households are expected to increase by 2.7 per cent per annum between 2020 and 2024. As household growth is faster than population growth, household sizes in the Cape Metro area are expected to decrease over time. The expected decline in the Cape Metro's household size can be tied to at least two demographic trends. The size of immediate families will decline over time as women have fewer children. Furthermore, the rise of the nuclear family will result in fewer extended-family living arrangements and smaller households.

Figure 3.2
FUTURE HOUSEHOLD GROWTH, Cape Metro, 2020 – 2024



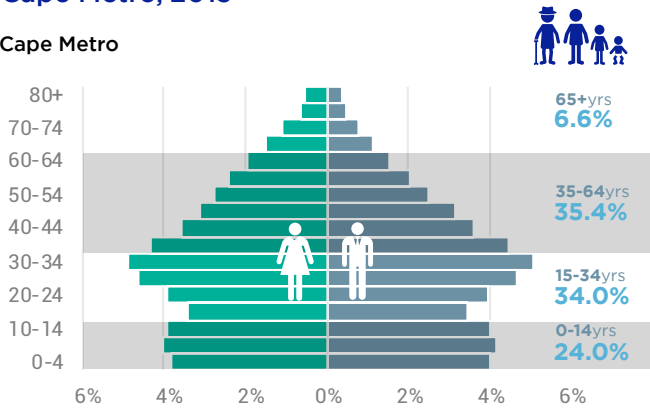
Source: Western Cape DSD, 2020

Figure 3.3 shows the distribution of ages across a population divided down the centre between male and female members of the population in the Cape Metro area, the Western Cape and South Africa in 2019.

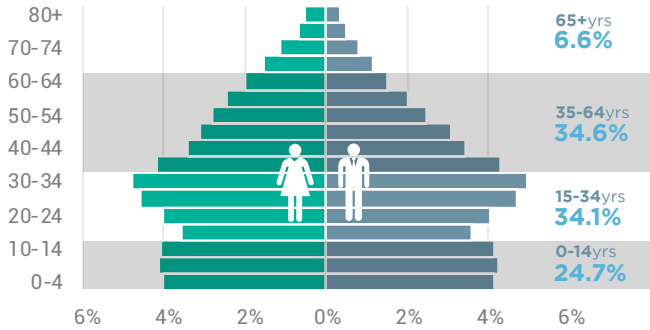
The population of the Cape Metro area, as at a national level, has slightly more females (50.6 per cent) compared with males (49.4 per cent). Adults also make up the largest part of the population in the Cape Metro. People aged between 35 and 64 years (35.4 per cent) made up the largest part of the population in the Cape Metro in 2019. The Province has a similar age and gender distribution. Most people in the Province are between 35 and 64 years old (34.6 per cent), followed by those between 15 and 34 (34.1 per cent). Conversely, on a national level, most people are aged between 15 and 34 (34.6 per cent), while 29.8 per cent are between the ages of 35 and 64. Proportionally, the Cape Metro area has fewer children (24.0 per cent) compared with South Africa (28.4 per cent).

Figure 3.3
GENDER AND AGE DYNAMICS,
Cape Metro, 2019

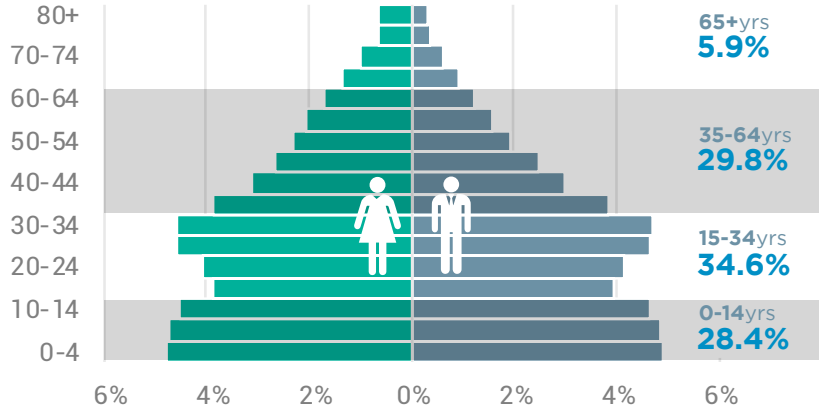
Cape Metro



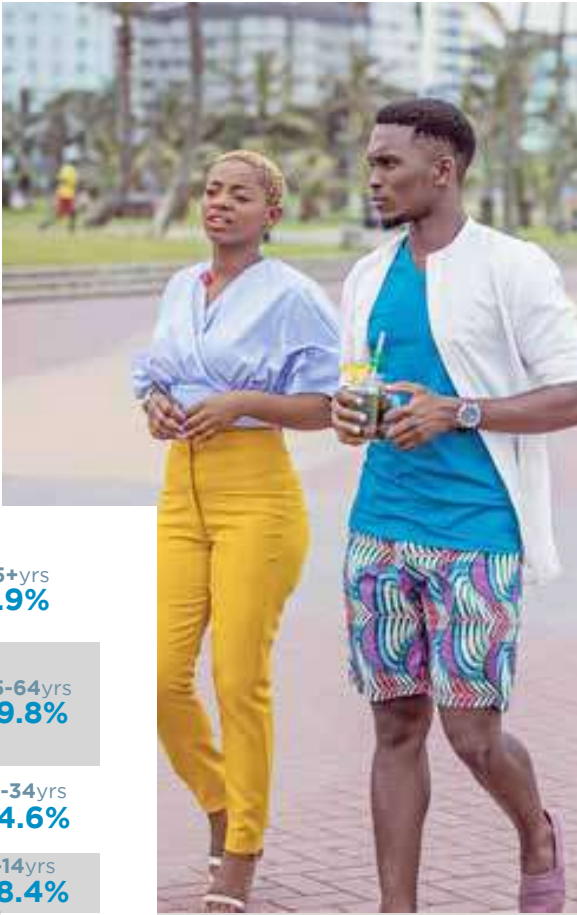
Western Cape



South Africa



Source: Western Cape DSD, 2020

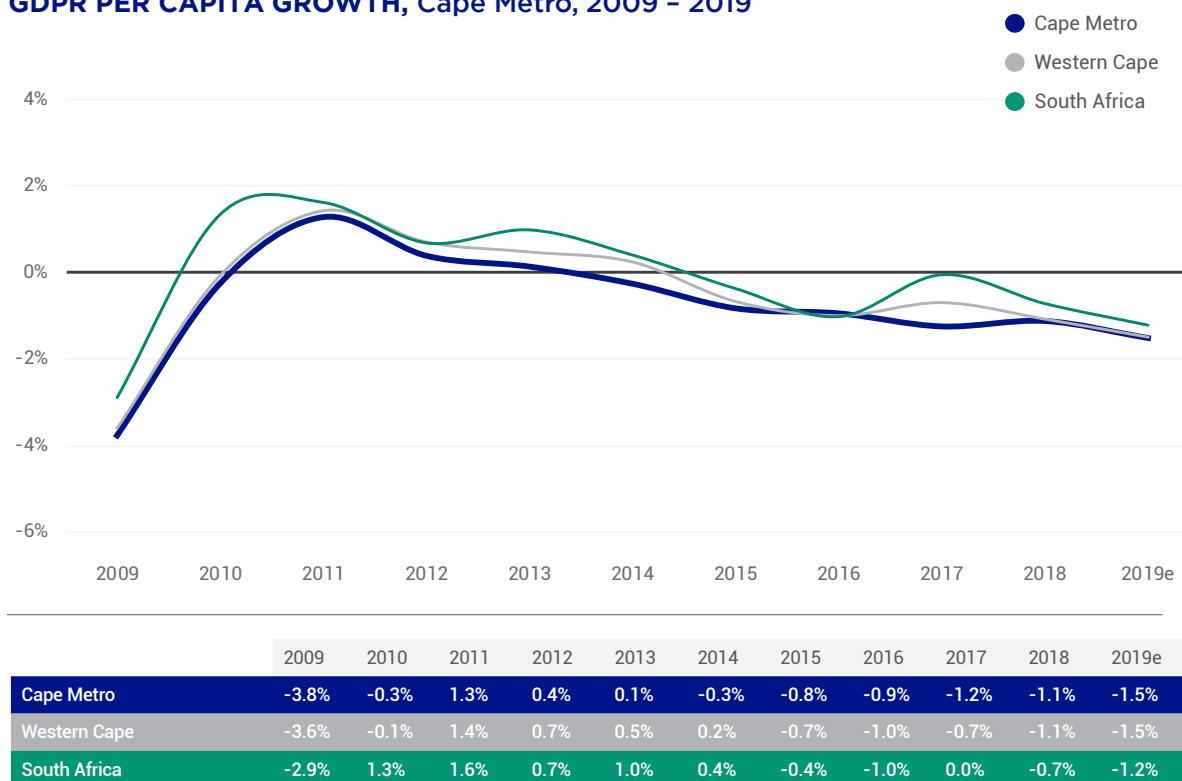


3.3 HUMAN DEVELOPMENT

3.3.1 Income

Figure 3.4 illustrates GDP per capita growth between 2009 and 2019 in the Cape Metro area, in comparison to the Western Cape and South Africa. GDP per capita is often used as an indicator for living standards. In 2019 the Cape Metro area had a higher GDP per capita (R97 896.0) compared with South Africa (R74 928.2) and the Western Cape (R89 287.9). This indicates that the population of the Cape Metro area has a relatively high standard of living compared with the rest of the country.

Figure 3.4
GDP PER CAPITA GROWTH, Cape Metro, 2009 – 2019



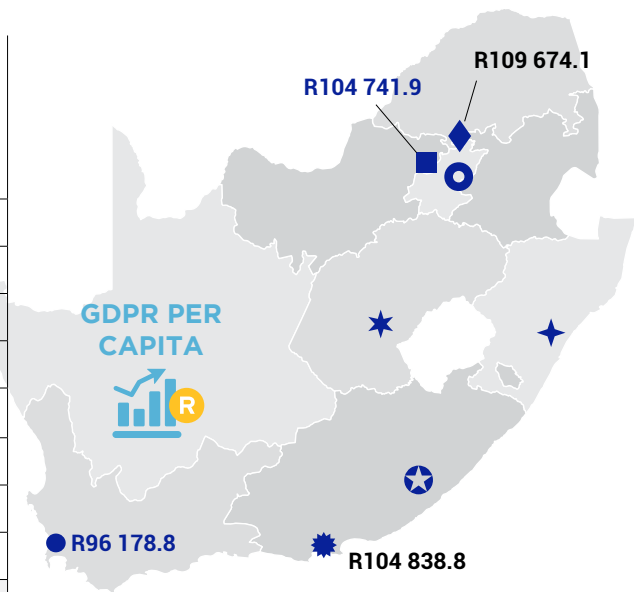
Source: Quantec Research, 2020

The Cape Metro, as well as the provincial and national economy, has had negative overall GDP growth since 2011 owing to major headwinds of high inflation, rising government debt and low commodity prices. This also means that the real GDP per capita growth has been on a declining trend, falling from 1.3 per cent in 2011 to an estimated contraction of 1.5 per cent in 2019. The declining GDP per capita indicates that the economic performance of the Cape Metro area may not sufficiently meet the needs of its growing population.

Diagram 3.2

GDPR PER CAPITA, South African Metros, 2018

	GDPR per capita 2018	GDPR per capita growth 2014 – 2018
◆ Tshwane Metro	R109 674.1	-1.0%
⚙ Nelson Mandela Bay	R104 838.8	-0.1%
■ Johannesburg Metro	R104 741.9	-1.5%
✦ eThekweni	R99 350.2	-0.2%
● Cape Metro	R96 178.8	-0.9%
○ Ekurhuleni	R91 660.9	-1.4%
★ Mangaung	R87 906.5	0.0%
☆ Buffalo City	R81 600.7	0.2%
SOUTH AFRICA	R74 928.2	-0.3%



Source: Quantec Research, 2020

Most metro economies have a higher GDPR per capita than average, emphasizing that metro economies offer 'n higher standard of living – which leads to rapid urbanisation. The metros with the highest GDPR per capita in 2018 include the Tshwane (R109 674.1), Nelson Mandela Bay (R104 838.8) and Johannesburg metros (R104 741.9). However, between 2014 and 2018 the GDPR per capita in most metro economies have contracted annually, particularly in the Johannesburg (1.5 per cent), Ekurhuleni (1.4 per cent) and Tshwane metros (1.0 per cent).

Table 3.1 shows the average monthly household income in the Cape Metro area, the Western Cape and South Africa in 2018, as well as the trend observed between 2014 and 2018.

Table 3.1

AVERAGE MONTHLY HOUSEHOLD INCOME (CURRENT PRICES), Cape Metro, 2018

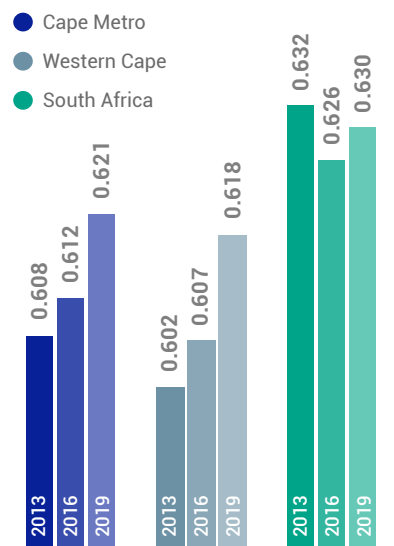
MUNICIPALITY	Average household income 2018 (current prices)	Trend 2014 – 2018
Cape Metro	R20 681	-0.7%
Western Cape	R19 340	-0.4%
South Africa	R15 520	-0.1%

Source: Urban-Econ calculations based on Quantec Research, 2020

During the reviewed period, the average monthly income earned by a household in the Cape Metro area decreased, which is in line with the overall decline in economic performance and decreasing GDPR per capita. Despite this, a household in the Cape Metro area is more likely to earn a higher income than a household located elsewhere in the Province or in the country. Provincially, this is mainly due to more skilled workers in the Cape Metro area, who typically earn higher salaries compared with those in the district economies, which have a large proportion of agricultural sector workers who are typically low- or semi-skilled.

The unequal distribution of income and wealth within an economy is estimated by the Gini coefficient. Figure 3.5 shows the trend of the Gini coefficients for the Cape Metro area, the Western Cape and South Africa between 2013 and 2019.

Figure 3.5
GINI COEFFICIENTS, Cape Metro, 2013 – 2019



Source: IHS Markit, 2020

According to the latest figures from the World Inequality Database, the top 1.0 per cent of South African earners take home approximately 19.2 per cent of all income in the country, while the top 10.0 per cent take home 65.1 per cent of the income⁴⁶.

Between 2013 and 2019, the Cape metro area had higher levels of income inequality compared with the Western Cape, but lower than the national level. In 2019, the Cape Metro area had a Gini coefficient of 0.621, compared with South Africa's 0.630 and the Province's 0.618. The rising income inequality and declining household income can increase the demand for income and social support from the public sector.

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.

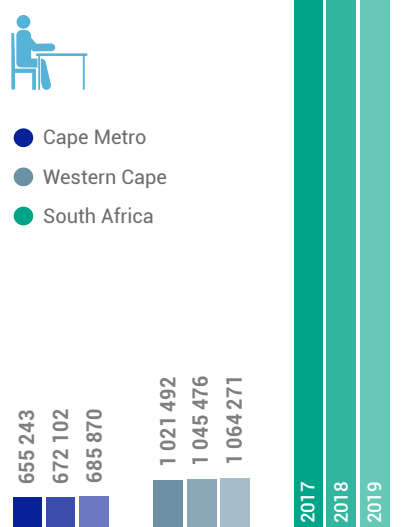


⁴⁶ (World Inequality Database, 2017).

3.3.2 Education

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

Figure 3.6
LEARNER ENROLMENTS, Cape Metro, 2017 – 2019

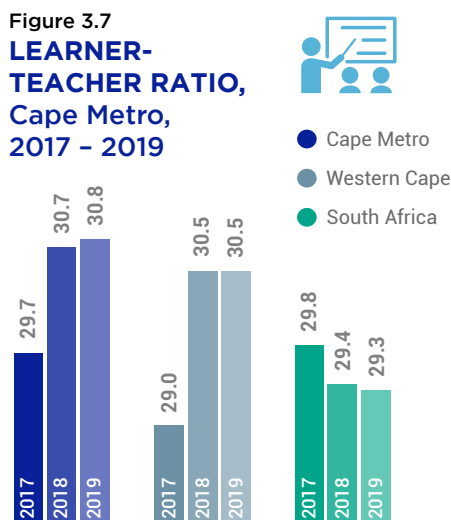


Source: Western Cape Education Department & Department of Basic Education, 2020

Figure 3.6 shows the trends in educational development in the Cape Metro area in relation to the Western Cape and South Africa between 2017 and 2019.

In 2017, a total of 655 243 learners were enrolled in schools across the Cape Metro area. This number increased by 16 859 in 2018 and 13 768 in 2019. Learner enrolment has also increased across the Western Cape. Learner enrolments increased consistently over the three-year period in both the Cape Metro area as well as the Province. However, at a national level, learner enrolment declined between 2017 and 2018, before increasing again in 2019. In 2017, the Western Cape made up 7.9 per cent of the total number of enrolled learners, while the Cape Metro area made up 5.1 per cent. The proportion of enrolled learners in the Western Cape and the Cape Metro area increased to 8.2 per cent and 5.3 per cent respectively in 2019. This reflects the in-migration of households in the Province as well as the Cape Metro area. The increase in learner enrolments will increase the demand for educational resources in the Cape Metro area, as well as in the Province.

Figure 3.7
LEARNER-TEACHER RATIO, Cape Metro, 2017 – 2019



Source: Western Cape Education Department & Department of Basic Education, 2020

Figure 3.7 shows the learner-teacher ratio in the Cape Metro area in relation to the Western Cape and South Africa between 2017 and 2019.

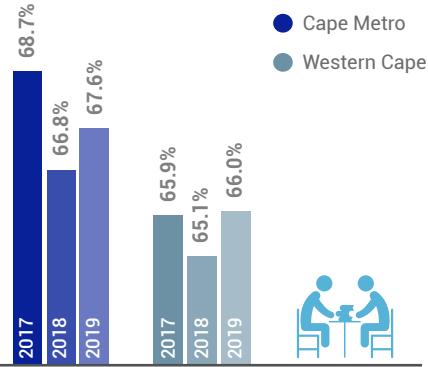
In 2017, the learner-teacher ratio in the Cape Metro area was similar to that of the Western Cape and South Africa. However, the learner-teacher ratio in the Cape Metro area worsened somewhat between 2017 (29.7 learners per teacher) and 2018 (30.7 learners per teacher), while it improved on a national level, indicating that the number of teachers did not increase sufficiently to accommodate the increase in learners over the same period. However, between 2018 and 2019 the learner-teacher ratio remained relatively constant, indicating an improvement in available teaching resources in the Cape Metro area.

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. Lower learner-teacher ratios are associated with more interaction between teachers and learners, which could contribute to better quality education⁴⁷.

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

Figure 3.8 shows the Grade 10 to 12 retention rate in the Cape Metro area in relation to the Western Cape between 2017 and 2019.

Figure 3.8
GRADE 10 TO 12 RETENTION
RATE, Cape Metro, 2017 – 2019



Source: Western Cape Education Department, 2020

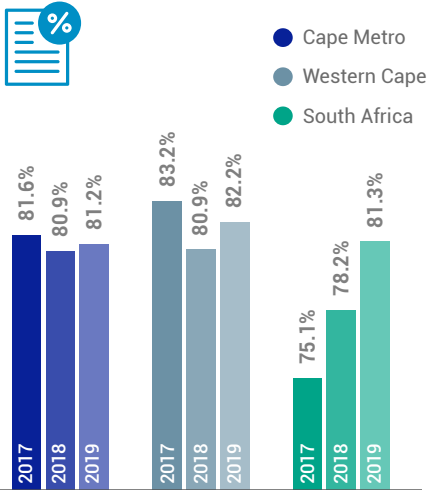
The Grade 10 to 12 retention rate is determined by obtaining the proportion of Grade 12 learners in a particular year compared with the number of Grade 10 learners two years prior. This shows the proportion of students who progressed to Grade 12, compared with those enrolled in Grade 10 two years before.

The Cape Metro area has a marginally higher Grade 10 to 12 retention rate compared with the Western Cape. Low income levels in local municipalities can result in children leaving school early in search of jobs. The retention rate declined between 2017 and 2018 in both the Cape Metro area and the Western Cape, but improved again in 2019. It is important for learners to complete their schooling, as most jobs in the Cape Metro area require semi-skilled and skilled workers. Learners who do not complete their secondary education will be less likely to find employment, contributing to the high levels of youth unemployment.

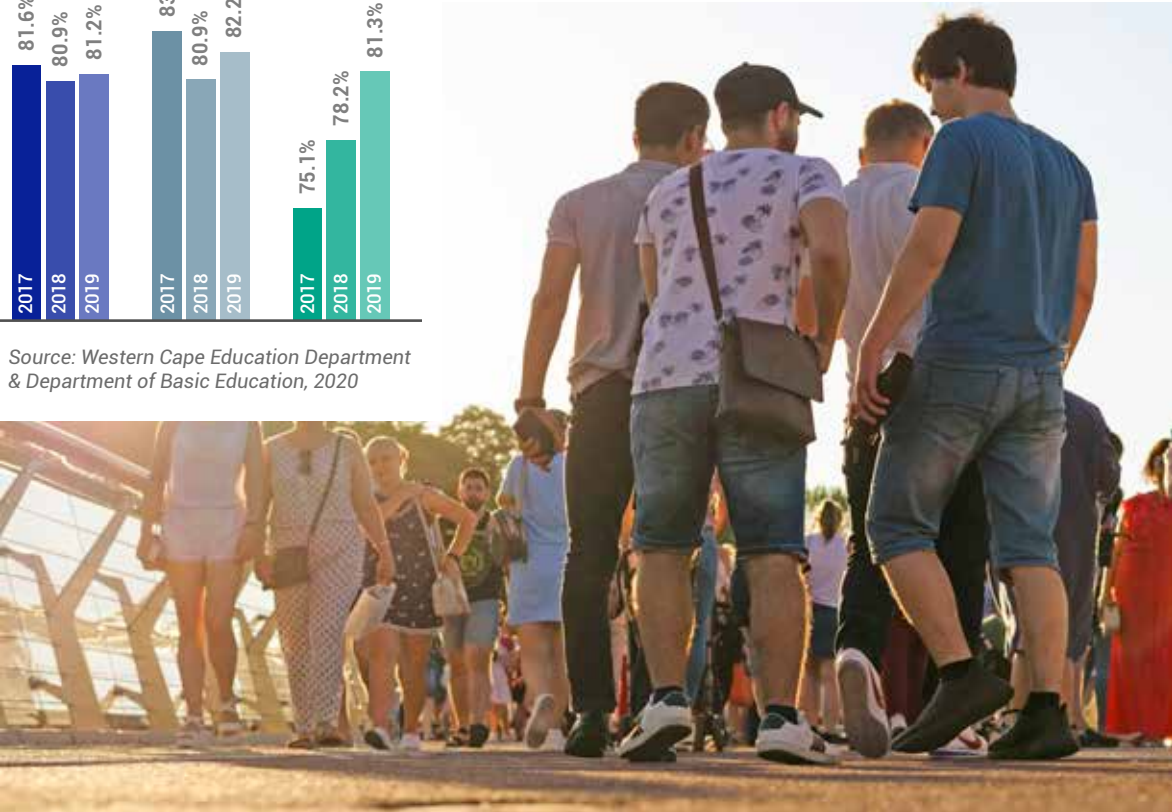
Figure 3.9 shows the matric pass rate in the Cape Metro area in relation to the Western Cape and South Africa between 2017 and 2019.

In 2017 the Cape Metro area recorded a matric pass rate of 81.6 per cent, which was marginally lower than that of the Province (83.2 per cent), but higher than the national average (75.1 per cent). The matric pass rate declined somewhat in 2018, before improving again in 2019 in both the Cape Metro area as well as in the Province. The national average matric pass rate has consistently increased over the period.

Figure 3.9
MATRIC PASS RATE,
Cape Metro, 2017 – 2019



Source: Western Cape Education Department & Department of Basic Education, 2020



3.3.3 Health

The health conditions of people living in the Cape Metro area are analysed in this section by providing an overview of the prevalence of tuberculosis (TB), human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS), infant mortality rates, maternal death rates and teenage pregnancies.

3.3.3.1 Mortality

Table 3.2 provides an overview of the top 10 natural causes of death in the Cape Metro area in 2017.

Table 3.2

TOP 10 NATURAL CAUSES OF DEATH, Cape Metro, 2017



Rank	Cape Metro		Western Cape	
	Cause of death	%	Cause of death	%
1	Diabetes mellitus	7.8%	Diabetes mellitus	7.5%
2	Ischaemic heart disease	6.3%	Ischaemic heart disease	6.2%
3	HIV	5.6%	HIV	5.7%
4	Cerebrovascular disease	5.0%	Cerebrovascular disease	5.5%
5	Malignant neoplasms of digestive organs	4.8%	Chronic lower respiratory diseases	5.5%
6	Chronic lower respiratory diseases	4.4%	Tuberculosis	4.8%
7	Malignant neoplasms of respiratory and intrathoracic organs	4.3%	Malignant neoplasms of digestive organs	4.7%
8	Tuberculosis	4.0%	Malignant neoplasms of respiratory and intrathoracic organs	4.5%
9	Hypertensive diseases	4.0%	Hypertensive diseases	4.0%
10	Other forms of heart disease	3.3%	Other forms of heart disease	3.1%
Other natural		36.5%		35.7%
Non-natural		14.0%		12.9%

Source: Statistics SA, 2020

The Cape Metro area and the Western Cape have the same top four natural causes of death, namely diabetes mellitus, ischaemic heart disease and HIV. The Cape Metro area has a slightly higher proportion of people dying of non-natural causes (14.0 per cent) compared with the Western Cape (12.9 per cent). This could be due to the proportionally higher murder rate in the Cape Metro area.

3.3.3.2 HIV/AIDS and TB

Table 3.3 provides an overview of the trends in HIV testing, treatment and outcomes in the Cape Metro area between 2016/17 and 2019/20.

Table 3.3

TRENDS IN HIV TESTING, TREATMENT AND OUTCOMES, Cape Metro, 2016/17 – 2019/20



	2016/17	2017/18	2018/19	2019/20
Known HIV+ (Tested; n)	281 716	290 427	294 496	291 354
Of which: Clients started but no longer on ART	34.8%	40.4%	48.1%	22.4%
Of which: Clients on ART	56.7%	60.5%	63.7%	68.9%
Of which: Clients with confirmed viral suppression	81.8%	82.9%	80.5%	74.7%

Source: Western Cape Health Department, 2020

Given that HIV is the third leading cause of death in the Cape Metro area, testing and treatment of the disease is of the utmost importance to curb the spread and subsequent death rate. In 2016/17 the number of people who were aware of their HIV status in the Cape Metro area was recorded to be 281 716, increasing to 294 496 people in 2018/19 and declining to 291 354 people in 2019/20. Of those people who were aware of their HIV status, 56.7 per cent were on antiretroviral treatment (ART) in 2016/17. The number of people on ART increased consistently from 60.5 per cent in 2017/18 to 68.9 per cent in 2019/20. The proportion of people who started but are no longer on ART was 34.8 per cent in 2016/17 and increased to 48.1 per cent in 2018/19 but significantly declined in 2019/20 (22.4 per cent).

Table 3.4 provides an overview of the TB notification and outcomes in the Cape Metro area between 2017/18 and 2019/20. TB was the eighth leading cause of death in the Cape Metro area in 2017.

Table 3.4

TRENDS IN TB NOTIFICATION AND OUTCOMES, Cape Metro, 2017/18 – 2019/20



	2017/18	2018/19	2019/20
TB programme success rate	80.3%	80.2%	76.3%
TB clients lost to follow-up	10.7%	10.7%	18.1%
TB clients death rate	3.7%	3.9%	3.5%
TB/HIV co-infected	44.8%	44.6%	47.9%
TB MDR treatment success rate	40.4%	51.9%	53.8%

Source: Western Cape Health Department, 2020

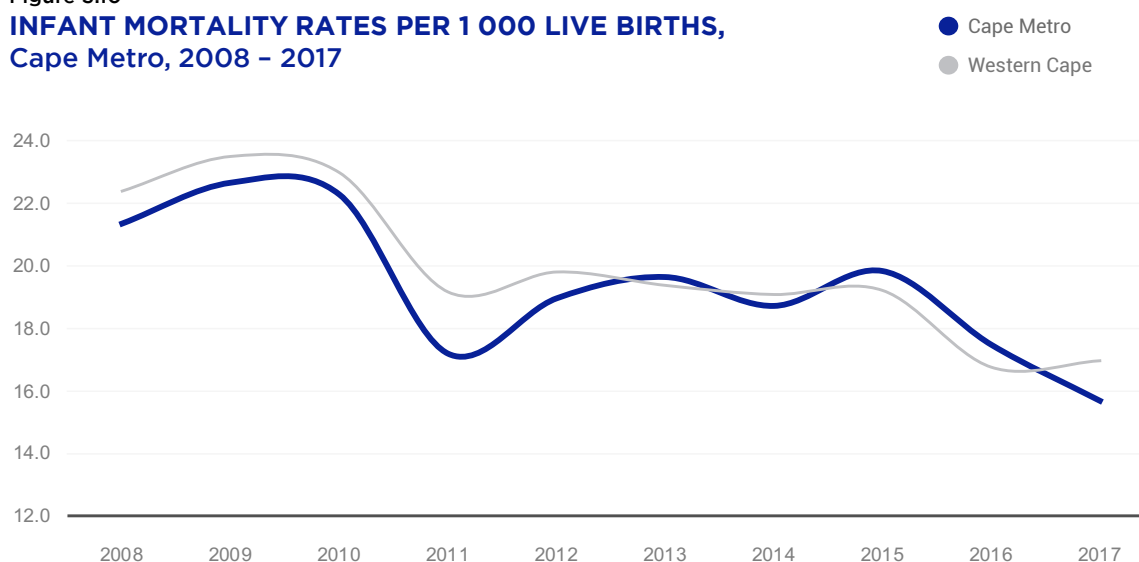
The TB programme success rate has declined in the Cape Metro area. At 76.3 per cent in 2019/20, the success rate is marginally below that of the Province (77.3 per cent). However, the TB client death rates have decreased from 3.7 per cent in 2017/18 to 3.5 per cent in 2019/20. The success rate of treating multidrug-resistant (MDR) TB has also improved significantly

between 2017/18 (40.4 per cent) and 2019/20 (53.8 per cent). The Cape Metro area has also seen an increase in its TB/HIV co-infection rate – from 44.8 per cent in 2017/18 to 47.9 per cent in 2019/20, which is considerably higher than the provincial average of 40.8 per cent.

3.3.3.3 Infant, child and maternal health

Figure 3.10 reflects the infant mortality rates per 1 000 live births in the Cape Metro area and the Western Cape between 2008 and 2017.

Figure 3.10
INFANT MORTALITY RATES PER 1 000 LIVE BIRTHS,
Cape Metro, 2008 – 2017



Source: Western Cape Health Department, 2020

The Western Cape recorded 22.4 infant deaths per 1 000 live births in 2008, which decreased considerably to 17.0 deaths per 1 000 live births in 2017. The Cape Metro area recorded lower mortality rates than the Western Cape from 2008 (21.3 deaths per 1 000 live births) to 2012 (18.9 deaths per 1 000 live births). However, in 2013, 2015 and 2016, the Cape Metro area recorded a marginally higher infant mortality rate compared with the Western Cape.



Table 3.5 provides the maternal death rates⁴⁸ per 100 000 live births in the Cape Metro area between 2017 and 2019.

Table 3.5

**MATERNAL DEATH RATES PER 100 000 LIVE BIRTHS,
Cape Metro, 2017 – 2019**

	2017	2018	2019
Cape Metro	63.3	70.8	57.9
● West Coast District	26.9	77.2	0
● Cape Winelands District	54.1	95.5	42.7
● Overberg District	30.0	53.6	0
● Garden Route District	97.0	57.6	33.4
● Central Karoo District	104.8	201.6	0

Source: Western Cape Health Department, 2020

The Cape Metro area recorded 63.3 deaths per 100 000 live births in 2017, which increased to 70.8 deaths per 100 000 live births in 2018 but declined to 57.9 deaths per 100 000 live births in 2019. In 2019, the Cape Metro area had the highest maternal mortality ratio compared with other districts of the Province. The CKD recorded the highest maternal death rates between 2017 and 2018 – in 2017 the maternal death rate in the CKD was recorded to be 104.8 deaths per 100 000 live births. The maternal death rates increased to 201.6 deaths per 100 000 live births in 2018 and there were no recorded maternal death rates in 2019. Other districts that recorded no maternal deaths in 2019 include the Overberg District and the West Coast District.

3.3.3.4 Teenage pregnancy

Table 3.6 provides an overview of teenage pregnancy in the Cape Metro area and Western Cape between 2017 and 2019.

Table 3.6

**DELIVERY RATE TO WOMEN 10-19 YEARS,
Cape Metro, 2017 – 2019**

	2017	2018	2019
Cape Metro	9.7%	9.6%	9.5%
● West Coast District	16.6%	16.2%	16.3%
● Cape Winelands District	13.4%	14.2%	15.1%
● Overberg District	13.8%	14.7%	13.1%
● Garden Route District	15.0%	15.9%	15.6%
● Central Karoo District	17.4%	17.7%	15.4%

Source: Western Cape Health Department, 2020

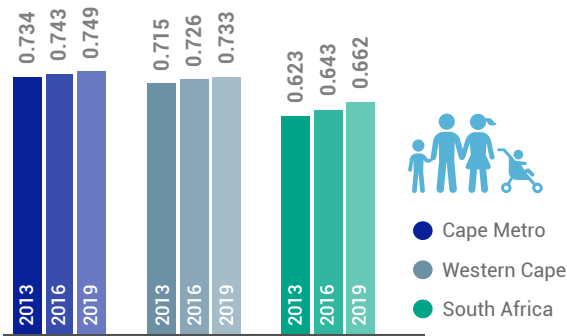
⁴⁸ Maternal deaths per 100 000 live births in health facilities. Maternal death is death occurring during pregnancy, childbirth and the puerperium of a woman while pregnant or within 42 days of termination of pregnancy, irrespective of the duration and site of pregnancy and irrespective of the cause of death (obstetric and non-obstetric).

The percentage of births by teenage mothers was lower in the Cape Metro area compared with the districts over the review period. The Cape Metro area recorded a delivery rate by teenagers of 9.7 per cent in 2017, which declined to 9.6 percent and 9.5 per cent in 2018 and 2019 respectively. In 2017 the Central Karoo District recorded the highest delivery rate by teenage mothers (17.4 per cent) – the rate increased to 17.7 per cent in 2018 but declined to 15.4 per cent in 2019. The Cape Winelands District experienced a consistent increase in the delivery rate by teenagers – from 13.4 per cent in 2017 to 15.1 per cent in 2019.

3.3.4 Human Development Index

Figure 3.11 depicts the HDI in the Cape Metro area, the Western Cape and South Africa between 2013 and 2019.

Figure 3.11
HDI, Cape Metro, 2013 – 2019



Source: IHS Markit, 2020

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.

The Cape Metro area has a marginally higher HDI compared with the Western Cape and South Africa across the reference period. At a national level, in particular, it indicates that life expectancy, access to education and standard of living has still not improved. Despite the declining economic conditions, rising unemployment and a decrease in the average household income in the Cape Metro area, the socio-economic development levels are improving.



Taryn Elliott, Pexels

3.4 HOUSING AND ACCESS TO BASIC SERVICES

Table 3.7 depicts the different types of dwellings for households living in the Cape Metro area in 2019. Access to formal housing is regarded as a basic human right and is an important indicator of the level of human development within an economy.

Table 3.7
NUMBER AND PROPORTION OF DWELLINGS,
Cape Metro, 2019



	Cape Metro		● Western Cape		● South Africa	
	Number	% of total	Number	% of total	Number	% of total
House or brick structure on a separate stand or yard	705 787	55.6%	1 167 243	61.4%	10 552 816	64.5%
Traditional dwelling/hut/structure made of traditional materials	4 411	0.3%	8 855	0.5%	1 203 548	7.4%
Flat in a block of flats	123 080	9.7%	143 636	7.6%	831 122	5.1%
Townhouse/cluster/semi-detached house (simplex, duplex or triplex)	119 532	9.4%	149 127	7.8%	650 331	4.0%
House/flat/room in back yard	19 566	1.5%	27 902	1.5%	500 273	3.1%
Informal dwelling	275 253	21.7%	369 079	19.4%	2 343 262	14.3%
Room/flatlet not in back yard but on a shared property	12 159	1.0%	16 091	0.8%	138 642	0.8%
Other/unspecified/NA	10 202	0.8%	18 414	1.0%	146 375	0.9%
Total	1 269 991	100.0%	1 900 345	100.0%	16 366 369	1.0

Source: Quantec Research, 2020

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.

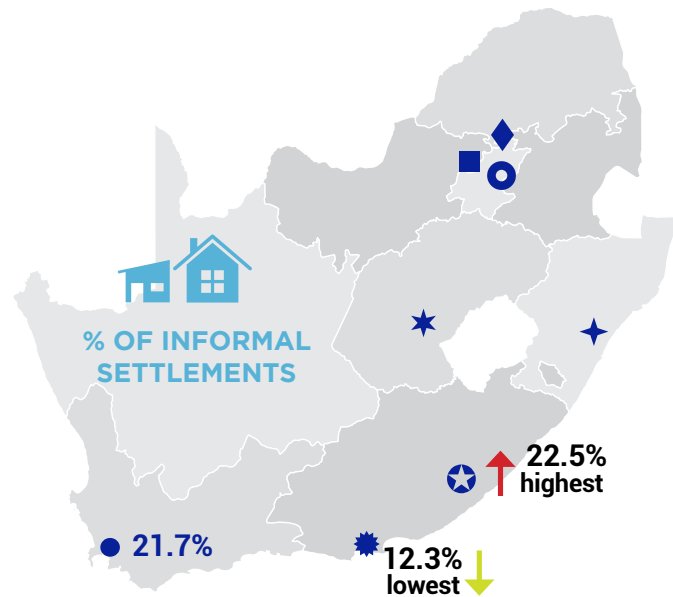
As at a national level, most households in the Cape Metro area reside in formal dwellings (78.3 per cent). This is slightly less compared with the proportion of households residing in formal dwellings in South Africa (85.7 per cent). Most households in the Cape Metro area reside in a house on a separate stand (55.6 per cent); 9.7 per cent reside in flats and 9.4 per cent in townhouses, cluster houses or semi-detached homes. Proportionally more households reside in such dwellings in the Cape Metro area compared with South Africa. This emphasises the urbanised nature of the Cape Metro area and therefore the need for densification to meet the growing demand for housing.

Furthermore, proportionally more people reside in informal dwellings in the Cape Metro area (21.7 per cent) compared with South Africa (14.3 per cent). The Cape Metro attracts job seekers from other districts in the Western Cape, as well as from outside the Province. This influx, and the lack of affordable housing, results in higher proportions of informal housing compared with the Western Cape and South Africa. Informal settlements represent a major challenge to development. Therefore, the growth of informal settlements may place great pressure on basic services.

Diagram 3.3

PROPORTION OF INFORMAL SETTLEMENTS, South African Metros, 2018 (%)

	% informal dwellings
☀ Nelson Mandela Bay	12.3%
SOUTH AFRICA	14.3%
★ Mangaung	14.4%
✦ eThekweni	15.9%
■ Johannesburg Metro	17.5%
◆ Tshwane Metro	18.7%
● Cape Metro	21.7%
○ Ekurhuleni	22.0%
☆ Buffalo City	22.5%



Source: Quantec Research, 2020

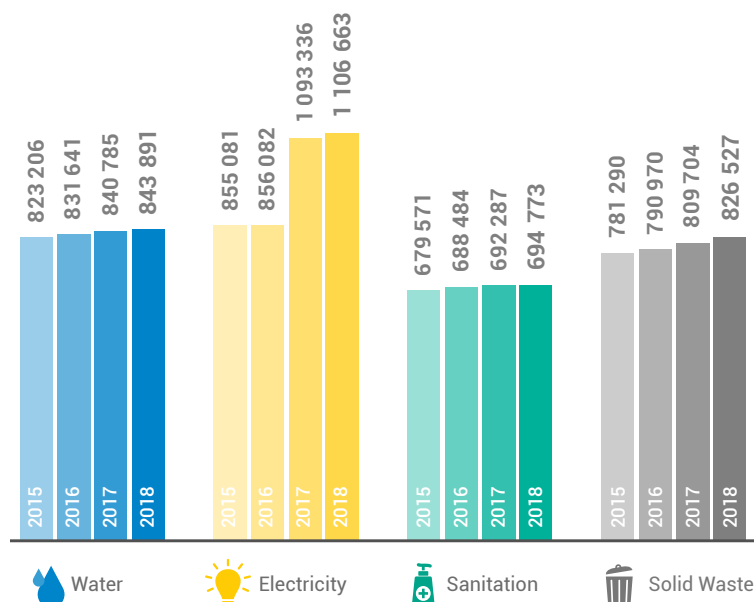
Most metros have proportionally more people residing in informal dwellings compared to other areas in the country, particularly Buffalo City (22.5 per cent), Ekurhuleni (22.0 per cent) and the Cape Metro area (21.7 per cent). Metros attract job-seekers which lead to rapid urbanisation and an increase demand for housing. The lack of affordable housing in metro areas thus often result in informal dwellings.



Figure 3.12 illustrates the access to basic services in the Cape Metro, the Western Cape and South Africa between 2015 and 2018. Statistics SA will only release 2019 data in 2021 because the national lockdown, as a result of COVID-19, hampered the data collection process for this indicator.

Figure 3.12

ACCESS TO BASIC SERVICES, Cape Metro, 2015 – 2018



While most consumers in the metropolitan area have near equal access to water, sanitation and electricity services, access to solid waste removal services remains significantly lower. Despite the increases in access to services, the high household growth rate of 2.5 per cent per annum during the period under review highlights the continued increase in demand for services in the Cape Metro area.

Source: Non-financial Census of Municipalities, Statistics SA, Quantec Research, 2019

INDIGENT HOUSEHOLDS

The classification of a household as “indigent” is determined by the City of Cape Town through its Indigent Policy, which is revised annually. Households earning less than R4 500 per month qualify for free basic services, while those earning between R4 500 and R7 000 per month qualify for reduced rates. Table 4.8 depicts the number and percentage of indigent households in the Cape Metro area between 2017 and 2019.

Table 3.8

NUMBER OF INDIGENT HOUSEHOLDS, Cape Metro, 2017 – 2019

	2017		2018		2019	
	Number	% of households	Number	% of households	Number	% of households
Cape Metro area	232 569	18.6%	225 217	17.5%	220 796	16.7%
Western Cape	381 191	20.4%	373 197	19.5%	372 303	19.0%

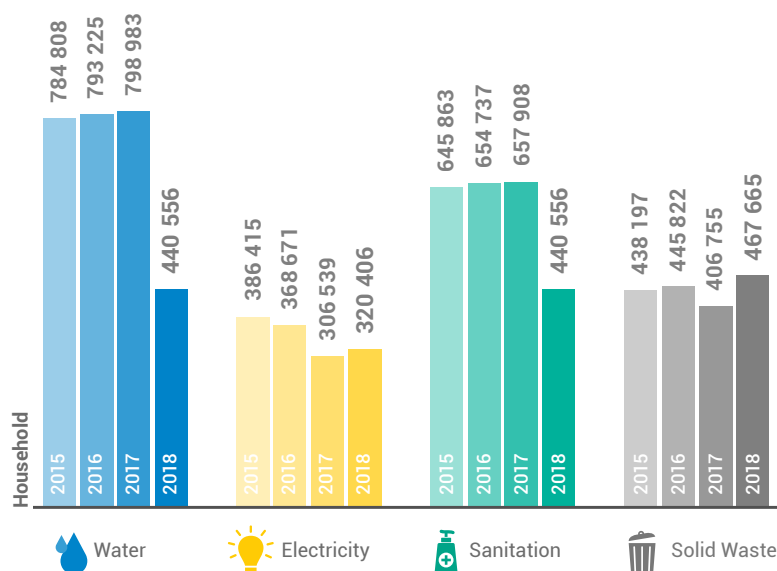
Source: Department of Local Government, 2020

The Cape Metro area has proportionally fewer indigent households compared with the Western Cape. This is in line with the higher levels of income of those living in the Cape Metro area. In 2017, the Cape Metro had 323 569 indigent households (18.6 per cent of households), which declined to 220 796 (16.7 per cent of households) in 2019.

The reduction in indigent households will have a positive impact on the City of Cape Town, as fewer households are reliant on free basic services and the City of Cape Town can generate additional revenue. However, this benefit may be short-lived, as the number of indigent households is anticipated to increase in 2020 owing to rising unemployment as a result of COVID-19.

Figure 3.13 illustrates the access to free basic services in the Cape Metro area between 2015 and 2018. The national lockdown, as a result of COVID-19, hampered the data collection process for this indicator. Free basic services are available to households that qualify as indigent households.

Figure 3.13
ACCESS TO FREE BASIC SERVICES,
Cape Metro, 2015 – 2018



Non-financial Census of Municipalities, Statistics SA, Quantec Research, 2019

The metropolitan area experienced a significant decline in the number of households receiving free access to basic water, from 798 983 households in 2017 to 440 556 households in 2018. Similarly, the number of households receiving free basic sanitation services decreased from 657 908 households in 2017 to 440 556 households in 2018. This reduction can be attributed to the decrease in indigent households in the metro area. The number of households with access to free electricity services increased from 306 539

households in 2017 to 320 406 households in 2018, and the number of households with access to free solid waste removal increased from 406 755 households to 467 665 households during the same period.



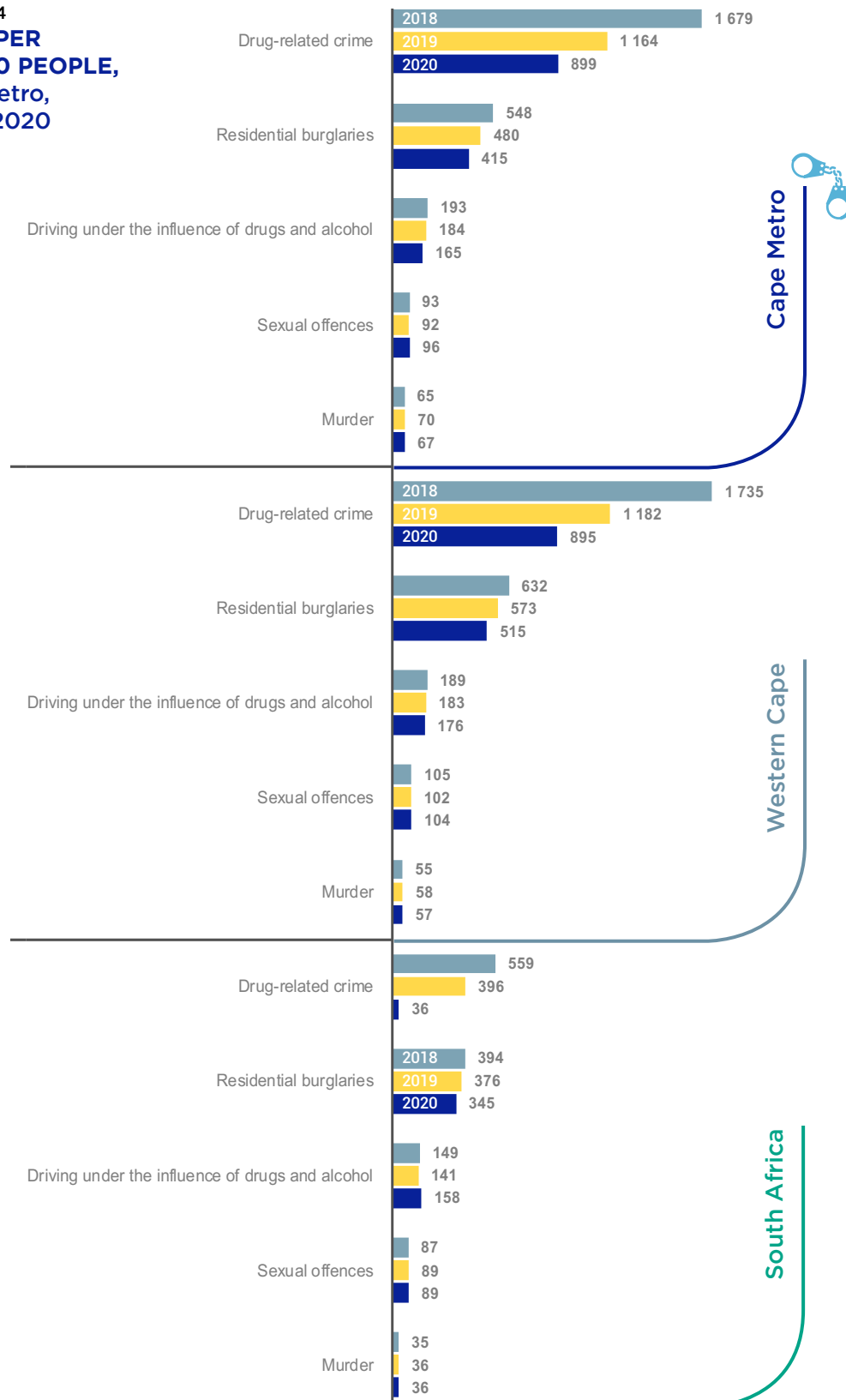
3.5 CRIME

Figure 3.14 depicts the trends in the reported crime categories in the Cape Metro area in comparison to the Western Cape and South Africa between 2018 and 2020.

Figure 3.14

CRIME PER 100 000 PEOPLE, Cape Metro, 2018 – 2020

● 2018
● 2019
● 2020



Sources: SAPS; Quantec Research,
Department of Social Development, 2020

Of the crime categories analysed, the incidence of drug-related crime is the highest in the Cape Metro area, as at a national level. However, the number of cases reported of such crime decreased between 2018 (1 679 cases per 100 000 people) and 2020 (899 cases per 100 000 people). The decriminalisation of cannabis possession could have influenced the number of incidences in this crime category⁴⁹.

The Cape Metro has more incidences of murder per 100 000 people compared with South Africa over the reference period. The murder rate per 100 000, however, declined between 2019 and 2020, but still remains higher than the murder rate per 100 000 in 2018. In the Cape Metro area, there were 65 incidents of murder per 100 000 in 2017, while 67 incidences per 100 000 were recorded in 2020. According to the South African Police Service (SAPS), the top cause of murders in the Western Cape is gang-related. Six of the top 10 police stations with the most murder incidences in the country were in Cape Town in 2020, namely Delft (265 incidents), Khayelitsha (251 incidents), Nyanga (185 incidents), Mfuleni (165 incidents), Harare (162 incidents) and Gugulethu (157 incidents)⁵⁰.

Incidences of sexual offences increased between 2018 (93 incidents per 100 000) and 2020 (96 cases per 100 000). The sexual offence rate in the Cape Metro area is also higher than that of the country. The Cape Metro area also has more incidences of driving under the influence of drugs or alcohol compared with South Africa but this also declined between 2018 (193 cases per 100 000) and 2020 (165 incidents per 100 000). Furthermore, incidences of residential burglaries also declined between 2018 (548 incidents per 100 000) and 2020 (415 incidents per 100 000).



⁴⁹ (IOL, 2019).

⁵⁰ (SAPS, 2020).

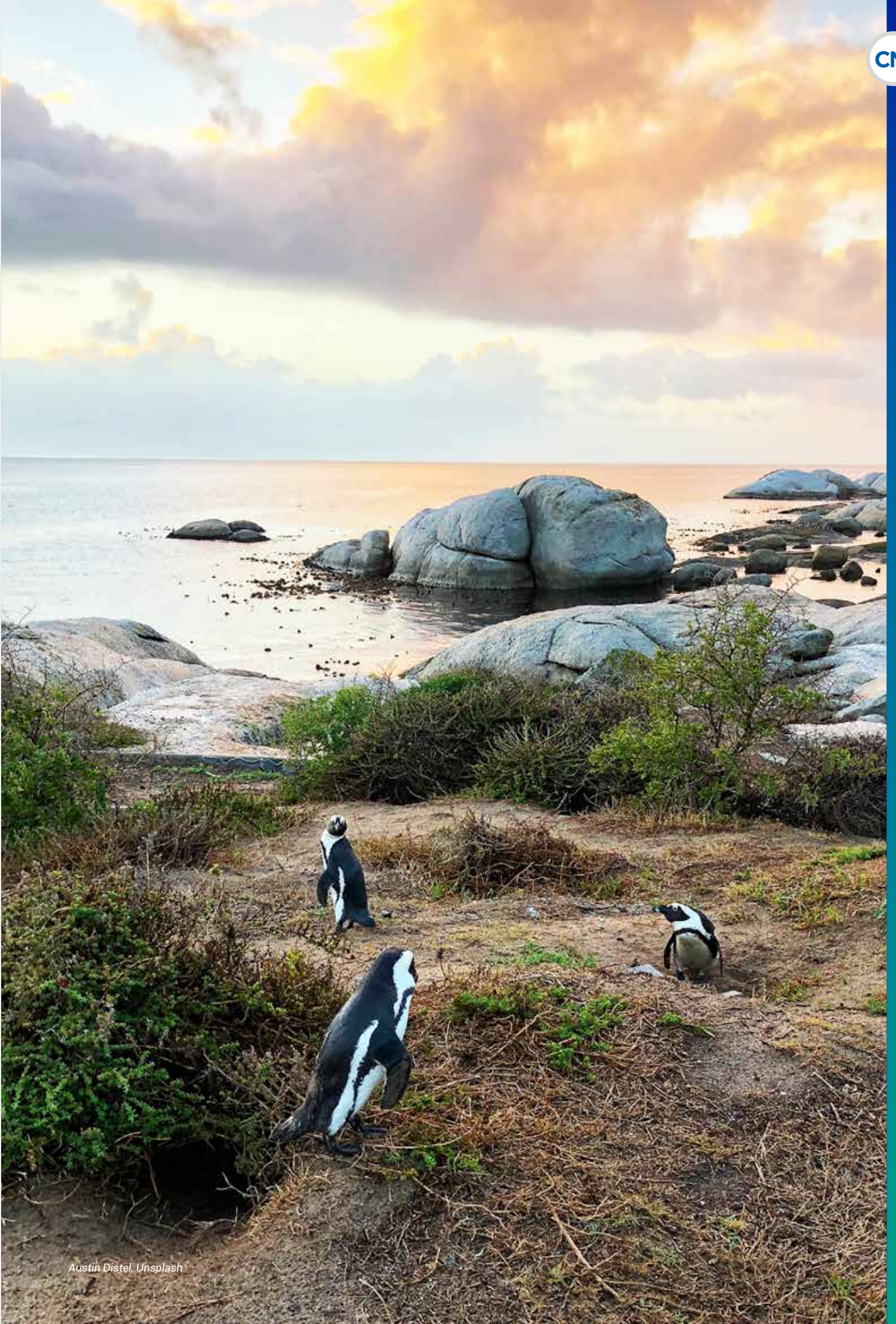
3.6 CONCLUDING REMARKS

This section explored the impact of economic performance on the socio-economic conditions of communities living in the Cape Metro area. The metropolitan area has an estimated population of 4 602 248, with 1 361 016 households. The population of the Cape Metro area makes up 66.9 per cent of the provincial population. The Cape Metro population is expected to grow by an average rate of 1.9 per cent per annum between 2020 and 2024, while the provincial population is expected to grow by 1.8 per cent per annum on average over the same period.

The GDPR per capita in the Cape Metro area contracted significantly over the reference period. The poor economic performance, together with the increase in population, led to this contraction. Furthermore, the average household income in the Cape Metro area also decreased on average between 2014 and 2018. Despite the decline in household income, the HDI of the Cape Metro area has increased, indicating that even though households are earning less, other aspects that contribute to human development (health and education) have improved.

Most households in the Cape Metro area reside in formal dwellings (78.3 per cent), while 21.7 per cent of households reside in informal dwellings. The Cape Metro area has a higher proportion of households residing in informal dwellings compared with the rest of the Province. Most households in the Cape Metro area have access to basic services, particularly electricity. The number of households with access to services increased between 2015 and 2018. Despite the average decline in household income, fewer households were classified as indigent in the Cape Metro area in 2019 (220 796 households) compared with 2017 (232 569 households).

Incidences of crime also declined in terms of drug-related crime, residential burglaries and driving under the influence of drugs or alcohol.





WEST COAST DISTRICT

31 118 KM²



WEST COAST DISTRICT

MATZIKAMA, CEDERBERG,
BERGRIVIER, SALDANHA BAY,
SWARTLAND

INFOGRAPHIC SUMMARY

1 Regional economic review and outlook

- GDP performance per municipal area
- Sectoral GDP performance
- GDP performance per sector forecast (outlook)
- Employment per municipal area
- Sectoral employment

2. Sectoral growth, employment and skills per municipal area

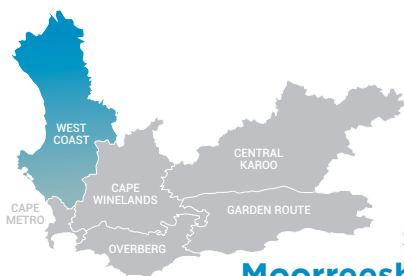
- GDP and employment performance
- Skills analysis

3. Trade, tourism and investment

- International trade
- Tourism performance
- Comparative advantage
- Investments

4. Municipal socio-economic analysis

- Population profile
- Income
- Education
- Health
- Human Development Index
- Housing and access to basic services
- Crime



WEST COAST DISTRICT

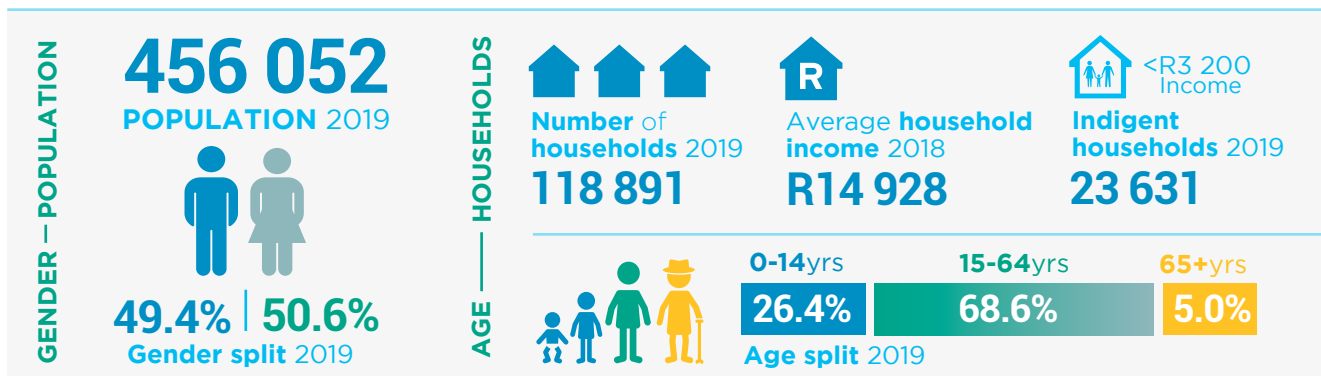
SEAT
Moorreesburg

AREA
31 118 KM²

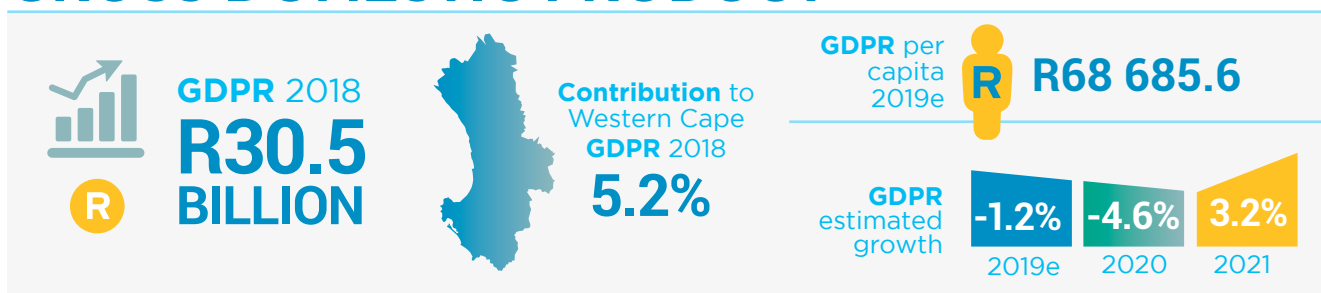
DENSITY
13 / KM²

MUNICIPALITIES | MATZIKAMA, CEDERBERG, BERGRIVIER, SALDANHA BAY, SWARTLAND

DEMOGRAPHICS



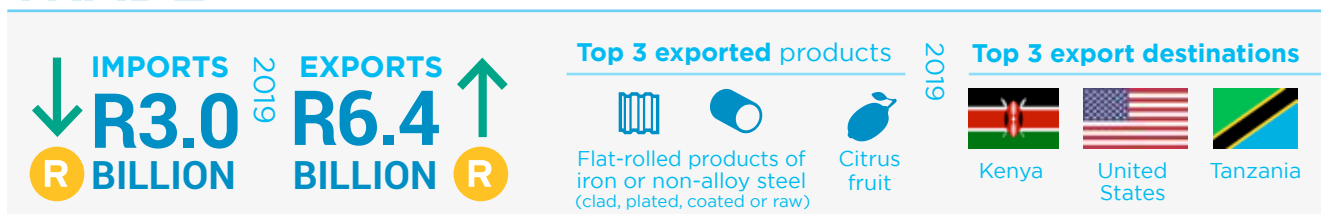
GROSS DOMESTIC PRODUCT



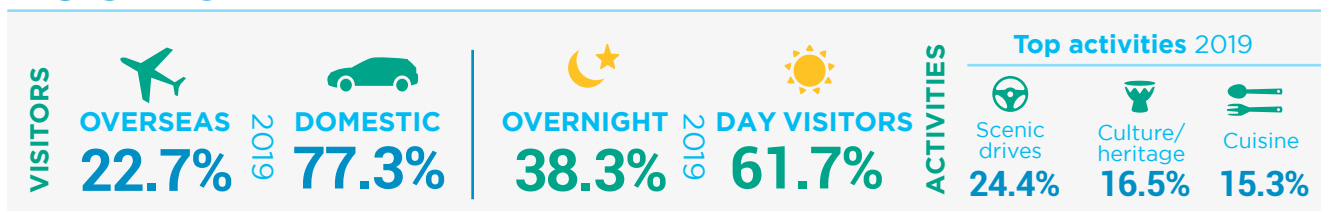
EMPLOYMENT



TRADE



TOURISM





2018 GDPR AND EMPLOYMENT CONTRIBUTION

2019 ESTIMATED GDPR AND EMPLOYMENT GROWTH

		GDPR CONTRIBUTION	EMPLOYMENT CONTRIBUTION	GDPR GROWTH	EMPLOYMENT GROWTH
PRIMARY SECTOR	AGRICULTURE, FORESTRY & FISHING	20.2%	19.2%	-6.3% ↓ -6.4%	-0.8% ↓ -5.5%
	MINING & QUARRYING		1.0%		
SECONDARY SECTOR	MANUFACTURING	28.4%	21.7%	-2.4% ↓ -2.2%	-4.2% ↓ -2.7%
	ELECTRICITY, GAS & WATER		1.9%		
	CONSTRUCTION		4.8%		
TERTIARY SECTOR	WHOLESALE & RETAIL TRADE, CATERING & ACCOMMODATION	51.4%	15.6%	1.5% ↑ 0.5%	1.3% ↑ 2.4%
	TRANSPORT, STORAGE & COMMUNICATION		8.0%		
	FINANCE, INSURANCE, REAL ESTATE & BUSINESS SERVICES		11.2%		
	GENERAL GOVERNMENT		10.5%		
	COMMUNITY, SOCIAL & PERSONAL SERVICES		6.1%		
			38.3%		
			0.2%		
			8.9%		
			0.2%		
			4.0%		
			17.2%		
			2.5%		
			8.7%		
			9.8%		
			10.4%		



1

REGIONAL ECONOMIC REVIEW AND OUTLOOK

1.1 INTRODUCTION

The West Coast District (WCD) is renowned for its scenic coastline, wildflowers and vast farmlands. The WCD spans an area of 31 118 square kilometres, which is 24.0 per cent of the total size of the Western Cape. The WCD has five municipal areas, namely Swartland, Bergrivier, Cederberg, Matzikama and Saldanha Bay, which all have unique characteristics that add value to the broader district economy.

This chapter outlines a broad overview of the provincial macroeconomic context in which the District operates. The period under review for MERO 2020 is between 2014 and 2018, with 2019¹ figures being estimated. An outlook regarding GDP for 2020 and 2021 is also provided.

¹ Statistics SA will only release official regional indicators for 2019 in 2021.

1.2 GROWTH IN GDPR PERFORMANCE

This section will provide a brief overview of the key highlights of the WCD economy, namely the size of the WCD's economy, average GDPR contribution and the respective growth rates for the various municipal areas within the District.

1.2.1 GDPR performance per municipal area

As indicated in Table 1.1, the WCD's economy was valued at R30.5 billion in 2018, contributing 5.2 per cent to the provincial economy. The WCD experienced an average annual growth rate of 1.5 per cent between 2014 and 2018, which was marginally higher than that of the provincial economy, which grew at 1.4 per cent over the same period.

Table 1.1

GDPR CONTRIBUTION AND AVERAGE GROWTH RATES PER MUNICIPAL AREA, West Coast District, 2018

MUNICIPALITY	R million value 2018	Contribution to GDPR (%) 2018	Trend 2014 – 2018 (%)	Real GDPR growth 2019e (%)
● Matzikama	R4 409.4	14.5%	1.5%	-2.5%
● Cederberg	R3 894.9	12.8%	2.3%	-0.4%
● Bergrivier	R4 486.8	14.7%	1.4%	-2.3%
● Saldanha Bay	R9 335.5	30.7%	1.2%	-0.3%
● Swartland	R8 324.4	27.3%	1.8%	-1.1%
West Coast District	R30 451.0	100.0%	1.5%	-1.2%
Western Cape	R589 443.7	-	1.4%	0.3%

Source: Quantec Research, 2020 (e denotes estimate)

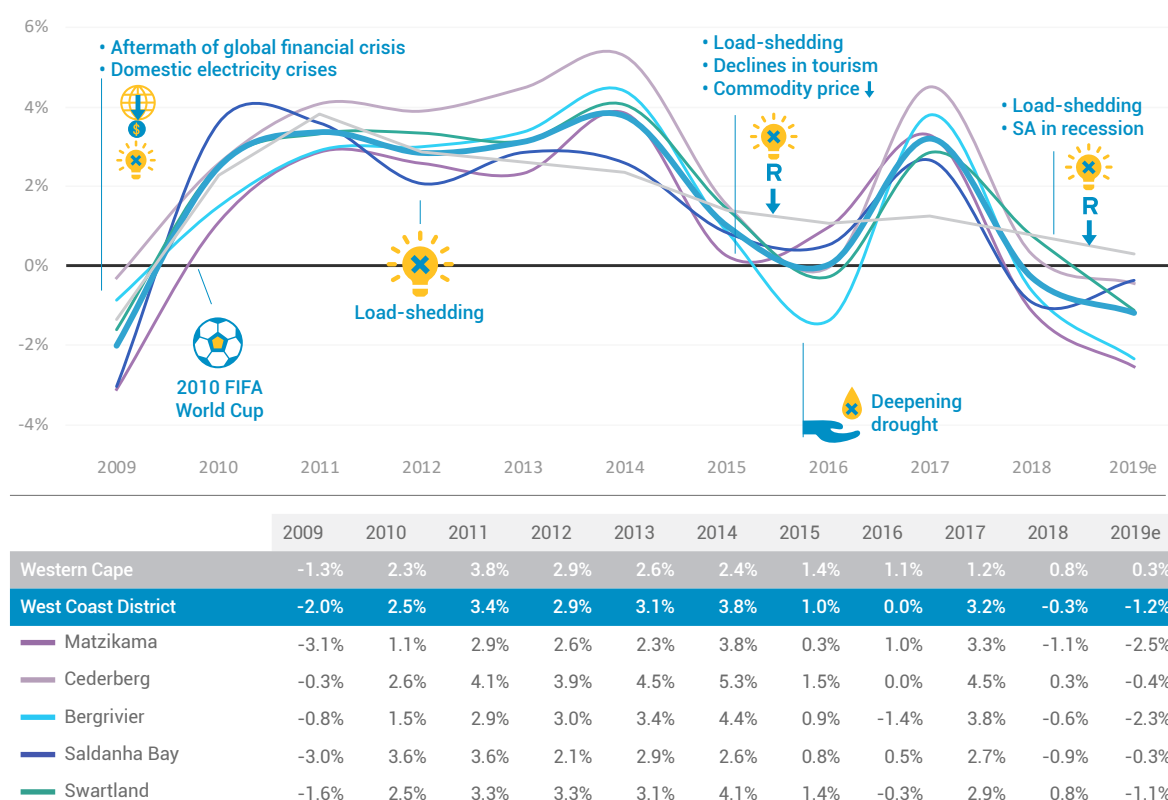
In the District, the two municipal areas that contributed the most to GDPR in 2018 were the Saldanha Bay (30.7 per cent) and Swartland (27.3 per cent) municipal areas. The economies of the Matzikama and Bergrivier municipal areas are similar in size, contributing 14.5 per cent and 14.7 per cent respectively to the economy of the WCD. The smallest contributor to the GDPR of the WCD was the Cederberg municipal area (12.8 per cent).

Although Saldanha Bay contributed significantly to GDPR, the municipal area realised an annual average growth rate of 1.2 per cent between 2014 and 2018, which was lower than that of the district and provincial economies, while the Swartland municipal area experienced an annual average growth rate of 1.8 per cent. The Matzikama municipal area experienced an annual growth rate of 1.5 per cent, which was similar to that of the district economy but higher than that of the provincial economy. However, the Bergrivier municipal area experienced an annual growth that was lower than that of the district economy and similar to that of the provincial economy, with an average growth rate of 1.4 per cent over the period. Furthermore, it should be noted that owing to its small base, the Cederberg municipal area realised a growth rate of 2.3 per cent, which was higher than that of the WCD and the Western Cape.

The estimates for 2019 indicate a decline in the growth rates for all municipal areas in the WCD. The Matzikama and Bergrivier municipal areas experienced the largest decline in growth in the WCD. The Matzikama municipal area experienced a 4.0 percentage point decline compared with its 2014 to 2018 average annual growth rate, while the Bergrivier municipal area experienced a 3.7 percentage point decline compared with the average annual growth rate. The estimates indicate that the growth in the Matzikama municipal area slowed by 2.5 per cent in 2019, while the Bergrivier municipal area also realised a significant decline of 2.3 per cent. Since the Saldanha Bay and Swartland municipal areas are the main contributors to GDP in the District, the contraction in growth in these municipal areas led to the overall contraction of the district economy.

Figure 1.1 provides an overview of the historical trends in the GDP growth rate of the municipal areas, as well as the WCD and the Western Cape.

Figure 1.1
GDP GROWTH PER MUNICIPAL AREA, West Coast District, 2009 - 2019



Source: Quantec Research, 2020 (e denotes estimate)


The after effects of the global financial crisis and the countrywide load-shedding in 2009 resulted in a contraction in growth that was experienced throughout the municipal areas in the District. The Matzikama and Saldanha Bay municipal areas experienced significant contractions of 3.1 per cent and 3.0 per cent respectively, resulting in the WCD realising slow growth for the period. In 2010, the municipal areas within the WCD showed signs of recovery, with the Saldanha Bay municipal area registering the largest improvement from a contraction of 3.0 per cent in 2009 to a growth rate of 3.6 per cent in 2010.

After the 2010 FIFA World Cup, GDP growth remained relatively constant between 2010 and 2014, with the WCD registering a growth rate that was higher than that of the provincial economy. Between 2015 and 2016 all municipal areas in the WCD except Matzikama experienced significant declines, registering growth rates lower than the provincial growth average (1.5 per cent). The Matzikama municipal area realised an increase from 2015 to 2016, but the growth was slower than the period between 2010 and 2014. Furthermore, the drought that was experienced in the Province also contributed to the significant declines in growth for the District and municipal areas, which rely on sectors such as agriculture, forestry and fishing for employment creation. Although economic recovery was realised in 2017 for all municipal areas, the estimates indicate that the outlook for the district economy is bleak as a result of a contraction in all municipal areas in the district economy. This resulted in the WCD realising a growth rate that is lower than that of the provincial economy.

1.2.2 Sectoral GDP performance

Table 1.2 provides an overview of the district economy that indicates the sectoral contributions in the WCD as well as their respective growth rates between 2014 and 2018, along with an estimate for 2019.

Table 1.2
GDP PERFORMANCE PER SECTOR, West Coast District, 2018

		R million value 2018	Contribution to GDP (%) 2018	Trend 2014 – 2018 (%)	Real GDP growth 2019e (%)
SECTOR					
PS Primary Sector		R6 142.9	20.2%	1.3%	-6.3%
Agriculture, forestry & fishing		R5 841.5	19.2%	1.3%	-6.4%
Mining & quarrying		R301.4	1.0%	0.2%	-5.2%
SS Secondary Sector		R8 650.6	28.4%	1.4%	-2.4%
Manufacturing		R6 603.0	21.7%	1.7%	-2.2%
Electricity, gas & water		R585.6	1.9%	-2.0%	-3.6%
Construction		R1 461.9	4.8%	1.5%	-3.0%
TS Tertiary Sector		R15 657.5	51.4%	1.8%	1.5%
Wholesale & retail trade, catering & accommodation		R4 751.9	15.6%	1.9%	0.5%
Transport, storage & communication		R2 427.8	8.0%	0.2%	-1.1%
Finance, insurance, real estate & business services		R3 410.9	11.2%	2.9%	3.7%
General government		R3 202.2	10.5%	1.1%	1.6%
Community, social & personal services		R1 864.8	6.1%	2.3%	1.5%
Total West Coast District		R30 451.0	100.0%	1.5%	-1.2%

Source: Quantec Research, 2020

Out of the three main economic sectors, the tertiary sector was the largest contributor to GDP in the WCD, contributing R15.7 billion in 2018 (51.4 per cent of the total GDP). The main drivers of economic activity in the tertiary sector were the wholesale and retail trade, catering and accommodation (15.6 per cent), finance, insurance, real estate and business services (11.2 per cent) and general government (10.5 per cent) sectors.

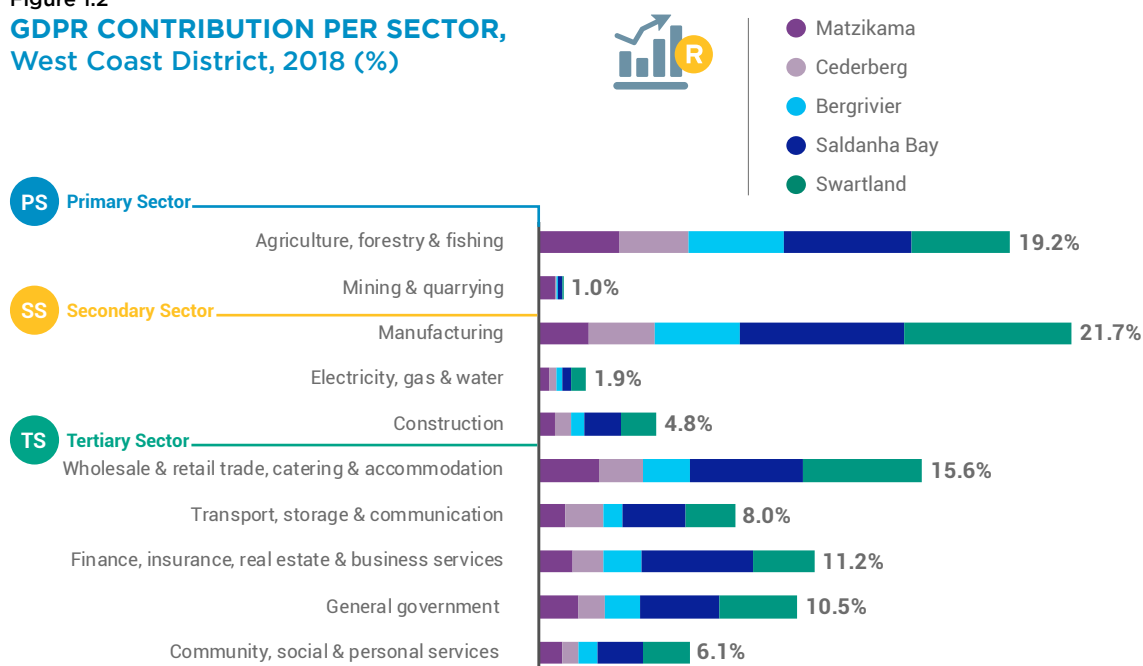
The secondary sector was the second largest contributor (28.4 per cent) to GDP in the district economy in 2018, with the manufacturing sector (21.7 per cent) being the main driver of the District's GDP. Moreover, the average annual growth rate between 2014 and 2018 indicates that the manufacturing sector (1.7 per cent) registered a growth that is higher than the growth rate of the secondary sector (1.4 per cent). This indicates the importance of the manufacturing industry as a key driver of economic activity in the WCD. Between 2014 and 2018, the primary sector registered an average annual growth rate of 1.3 per cent, which was the lowest across all the sectors. Within the primary sector, agriculture, forestry and fishing realised an average growth rate of 1.3 per cent and a contribution of 19.2 per cent to GDP in 2018.

There was poor marginal growth in the wholesale and retail trade, catering and accommodation sector (0.5 per cent) in 2019, but the positive growth in the finance, insurance, real estate and business services sector (3.7 per cent) has been the major boost to the overall growth experienced in the tertiary sector (1.5 per cent). The main source of stagnation in the WCD's economy can largely be attributed to the contraction in the food and beverages subsector, which resulted in the poor performance of the agriculture, forestry and fishing sector. Moreover, since the agriculture, forestry and fishing sector is highly dependent on the availability of water, the drought in the WCD severely impacted the performance of the primary sector, resulting in a contraction of 6.3 per cent. The manufacturing sector is also a main source of stagnation in the WCD's economy. This could be largely attributed to the contraction in the metals manufacturing subsector, which came as a result of the Saldanha Steel factory almost closing last year, as well as the factory losing its structural competitiveness cost advantage to effectively compete in the export market.

Figure 1.2 depicts the WCD's sectoral GDP contribution per municipal area in 2018.

Figure 1.2

GDP CONTRIBUTION PER SECTOR, West Coast District, 2018 (%)



Source: Quantec Research, 2020


The manufacturing sector (21.7 per cent) and agriculture, forestry and fishing sector (19.2 per cent) were the main contributors to GDP in the WCD. Most manufacturing activity in the District takes place in the Saldanha Bay and Swartland municipal areas, whereas agriculture, forestry and fishing activities are more dominant in the Saldanha Bay, Swartland and Bergrivier municipal areas. The wholesale and retail trade, catering and accommodation sector also plays a significant role in the WCD economy, contributing 15.6 per cent to GDP in 2018. The top three municipal areas that contribute to GDP for the wholesale and retail trade, catering and accommodation sector include the Swartland (4.9 per cent), Saldanha Bay (4.6 per cent) and Matzikama (2.4 per cent) municipal areas, while Bergrivier (2.0 per cent) and Cederberg (1.8 per cent) are the lowest municipal areas contributing to GDP for the wholesale and retail trade, catering and accommodation sector.

1.2.3 GDP performance per sector forecast (outlook)

Table 1.3 indicates the GDP forecast per sector for 2020 and 2021 in the WCD. The forecast is limited to two years because of the rapid pace at which the global and South African economies are evolving, as well as the uncertainties relating to the effect of the ongoing COVID-19 pandemic on the global and national economies.

Table 1.3

GDP FORECAST PER SECTOR, West Coast District, 2020 – 2021 (%)²

		
		</

Source: Urban-Econ based on SARB, Statistics SA & BFAP, 2020 (e denotes estimate, f denotes forecast)

² The forecast for 2020 and 2021 is based on the national forecast by the South African Reserve Bank (SARB), with sector adjustments for 2020 as per quarter 1 and quarter 2 sectoral GDP contributions as released by Statistics SA. The agriculture, forestry and fishing sector outlook has been adjusted to be in line with the Bureau for Food and Agricultural Policy 2020 baseline 2020 outlook.



COVID-19 IMPACT

The already constrained economy of the WCD is expected to further contract by an estimated 4.6 per cent in 2020 as a result of the national lockdown that restricted trade and business activities mainly in the second quarter of 2020 in an effort to curb the spread of the COVID-19 pandemic.

The manufacturing sector is expected to contract further in 2020 by an estimated 15.0 per cent. Not only is this sector expected to be negatively impacted by the COVID-19 pandemic, load-shedding will also hamper the manufacturing sector activities in the WCD in 2020. The wholesale and retail trade, catering and accommodation sector is also expected to contract by 17.9 per cent. The initial restrictions with regard to business activities, the expected reduction in household spending owing to job losses and a decline in tourism are expected to have a significant negative impact on the sector. The finance, insurance, real estate and businesses services sector will be marginally affected compared with other sectors.

In contrast with the poor performance of most sectors, the agriculture, forestry and fishing sector is expected to grow by 16.5 per cent in 2020. Despite the disruptions to trade in 2020, there is still likely to be a strong export market for citrus, which is one of the main exports for the WCD³. The general government sector and the community, social and personal services sector are also expected to show positive growth – 2.4 per cent and 1.3 per cent respectively.

The economy of the WCD is expected to recover somewhat in 2021, with most sectors rebounding after the severe contractions experienced in 2020. However, the growth is not substantial considering that the WCD has been experiencing challenging economic conditions since 2018, when the economy contracted by 0.3 per cent. Fully recovering from the economic downturn in 2020 is only expected to occur over the medium to long term, given the challenges that existed in the District prior to 2020.

³ (BFAP, 2020).

1.3 LABOUR TREND ANALYSIS

This subsection provides an overview of the key employment trends by indicating which municipal area has the largest contribution to employment creation in the WCD, and which areas have experienced a significant change in terms of employment patterns. Additionally, employment dynamics will be discussed by identifying which sectors have contributed more in terms of creating new job opportunities or have experienced job losses in the District.

1.3.1 Employment per municipal area

Table 1.4 provides an overview of WCD employment growth in 2018. The Saldanha Bay and Swartland municipal areas provide the bulk of the employment opportunities in the WCD, contributing 28.2 per cent and 25.4 per cent respectively to total employment. The Cederberg municipal area makes the smallest contribution to employment (14.6 per cent).

Table 1.4
EMPLOYMENT GROWTH, West Coast District, 2018

MUNICIPALITY	Number of jobs 2018	Contribution to employment (%) 2018	Average annual change 2014 – 2018	Net change 2019e
● Matzikama	28 635	15.6%	545	-26
● Cederberg	26 793	14.6%	633	44
● Bergrivier	29 923	16.3%	546	-59
● Saldanha Bay	51 924	28.2%	609	-491
● Swartland	46 694	25.4%	1 147	143
West Coast District	183 969	100.0%	3 480	-389
Western Cape	2 589 080	-	46 746	-4 421

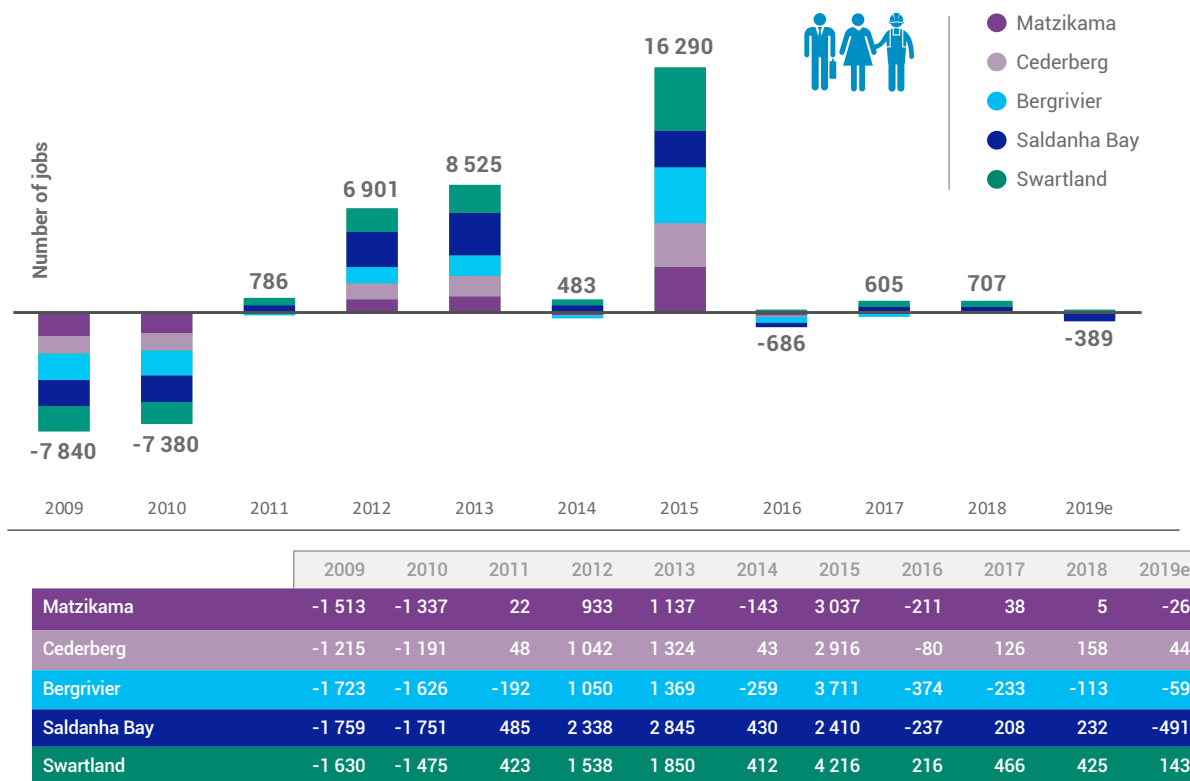
Source: Quantec Research, 2020 (e denotes estimate)

The WCD employed 183 969 people in 2018 and contributed 7.1 per cent to total employment in the Western Cape. Between 2014 and 2018, the WCD experienced an average annual increase of 3 480 jobs. The Saldanha Bay and Swartland municipal areas employed the most people, but in terms of job creation in the last five years, the Swartland municipal area created the most new jobs, with an average annual increase of 1 147, as shown in Table 1.4. The Bergrivier and Matzikama municipal areas experienced the least change between 2014 and 2018, with an average annual growth of 546 and 545 jobs respectively.

The estimates for 2019 indicate that the district economy shed 389 jobs, which was largely due to job-shedding in the Saldanha Bay municipal area. The Swartland and Cederberg municipal areas were the only municipal areas in the District that recorded an increase in jobs, with 143 and 44 jobs respectively. The estimate for 2019 implies that few job opportunities were available in the District, and if this trend persists it will have a significant impact on the WCD economy.

Figure 1.3 provides an overview of the employment change per municipal area in the WCD for the period between 2009 and 2019.

Figure 1.3
EMPLOYMENT CHANGE PER MUNICIPAL AREA, West Coast District, 2009 – 2019



Source: Quantec Research, 2020 (e denotes estimate)

The period between 2009 and 2010 indicates that the WCD experienced a significant amount of job-shedding, with a total of 15 220 jobs lost during this period. This loss was largely due to the aftermath of the global financial crisis and the domestic electricity crises, which had an impact on domestic production. Furthermore, intensive industrial strike action was experienced in 2010, which may have been an additional contributing factor to the decline in employment.


While improvements were noted post-2010, annual job creation experienced a decline in 2016, with job losses amounting to 686 as a result of the deepening drought, which affected mostly agricultural activity. The WCD economy showed signs of recovery between 2017 and 2018, though estimates for 2019 indicate a net decrease of 389 jobs in the District. In terms of job creation, the Saldanha Bay and Swartland municipal areas created the most jobs over the period under review, although various economic shocks such as the industrial strikes and the drought affected key sectors that create jobs, such as the manufacturing and agriculture, forestry and fishing sectors. The Matzikama municipal area shed the most jobs between 2009 and 2019, while the Berggrivier and Cederberg municipal areas showed signs of inconsistencies in terms of job creation in the District owing to various economic shocks experienced in the reference period.

1.3.2 Sectoral employment

Table 1.5 shows that, similarly to GDPR, the tertiary sector is the largest collective contributor to employment in the region, with 89 494 jobs (48.6 per cent) in 2018. The primary sector was the second largest contributor to employment in the region (38.3 per cent) and the secondary sector contributed 13.0 per cent to total employment in the District.

Table 1.5

EMPLOYMENT PER SECTOR, West Coast District, 2018

		Number of jobs 2018	Contribution to employment (%) 2018	Average annual change 2014 – 2018	Net change 2019e
SECTOR					
PS Primary Sector		70 475	38.3%	706	-564
Agriculture, forestry & fishing		70 060	38.1%	714	-541
Mining & quarrying		415	0.2%	-8	-23
SS Secondary Sector		24 000	13.0%	511	-1 018
Manufacturing		16 283	8.9%	279	-445
Electricity, gas & water		414	0.2%	3	-5
Construction		7 303	4.0%	229	-568
TS Tertiary Sector		89 494	48.6%	2 263	1 193
Wholesale & retail trade, catering & accommodation		31 559	17.2%	1 004	749
Transport, storage & communication		4 621	2.5%	43	106
Finance, insurance, real estate & business services		16 082	8.7%	521	79
General government		18 099	9.8%	280	410
Community, social & personal services		19 133	10.4%	416	-151
Total West Coast District		183 969	100.0%	3 480	-389

Source: Quantec Research, 2020 (e denotes estimate)

The agriculture, forestry and fishing sector was the primary source of employment, with 70 060 jobs in 2018, contributing 38.1 per cent to total employment in the WCD. Given the GDPR contribution, the agriculture, forestry and fishing sector is therefore relatively labour-intensive. However, the agricultural sector is not independent of the trends experienced both nationally and internationally, and is susceptible to movements towards capital-intensive means of production.

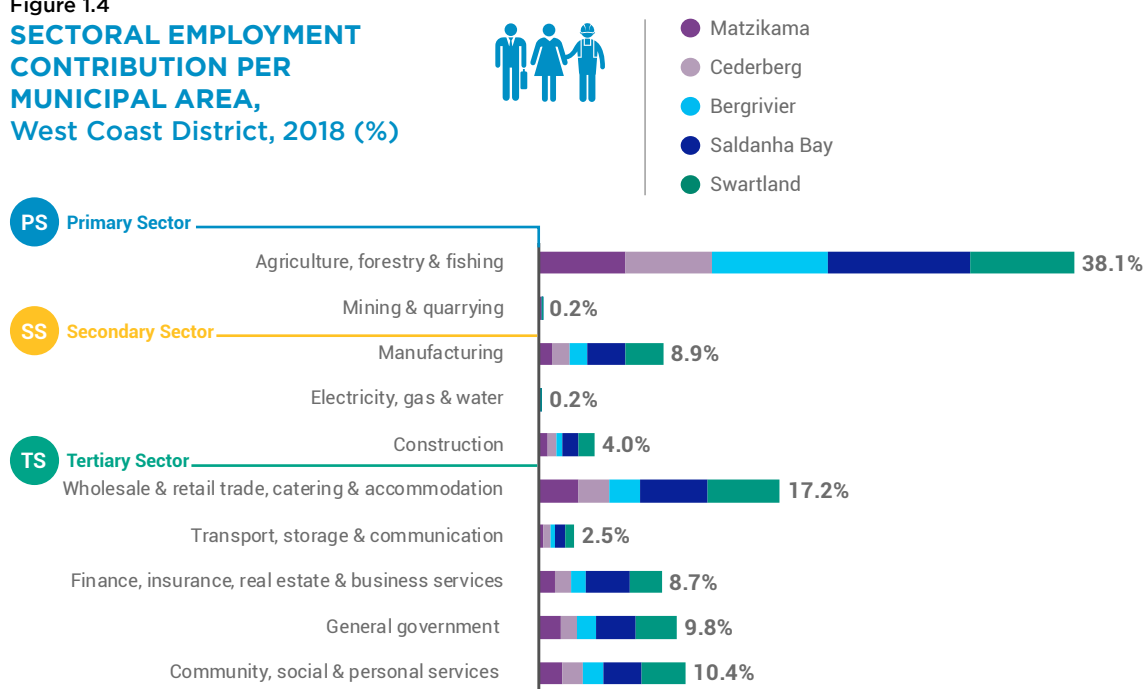
Between 2014 and 2018, the wholesale and retail trade, catering and accommodation sector experienced a net increase of 1 004 jobs during the period. This was followed by the agriculture, forestry and fishing sector, which experienced a net increase of 714 jobs, and the finance, insurance, real estate and business services sector, with a net increase of 521 jobs. The only sector to have shed jobs between 2014 and 2018 was the mining and quarrying sector, shedding an average of eight jobs per annum.

Estimates for 2019 indicate that job-shedding (389 jobs) is expected, mainly as a result of job-shedding within the primary (564 jobs) and secondary (1 018 jobs) sectors, with the secondary sector experiencing a significant decline over the period. Employment in the agriculture, forestry and fishing sector has been greatly affected by the severe drought in the WCD, which has significantly influenced the performance of this sector. Furthermore, estimates for 2019 indicate that the construction industry experienced substantial job losses, which impacted net employment creation in the WCD as a whole.

As mentioned earlier, the poor performance of the Saldanha Steel factory and the contraction in the metals manufacturing subsector contributed significantly to the increase in job-shedding, which affected the secondary sector. The net change for 2019 indicates that the construction sector shed about 568 jobs, while the agriculture, forestry and fishing sector and the manufacturing sector shed about 541 and 445 jobs respectively. It should be noted that the poor performance in the manufacturing sector is as a result of a contraction in the food and beverages subsector. This had a major impact within the District, which experienced an estimated 389 job losses in 2019.

As illustrated in Figure 1.4, the agriculture, forestry and fishing sector was the main source of employment in the WCD in 2018, contributing substantially to employment within the District. The regions that provide the highest proportion of employment opportunities in the agriculture, forestry and fishing sector are the Saldanha Bay, Bergrivier and Swartland municipal areas.

Figure 1.4
SECTORAL EMPLOYMENT
CONTRIBUTION PER
MUNICIPAL AREA,
West Coast District, 2018 (%)






Source: Quantec Research, 2020

The wholesale and retail trade, catering and accommodation sector was the second largest contributor to employment across municipal areas. This sector is a particularly important source of employment in the Swartland, Saldanha Bay and Matzikama municipal areas, where it contributes 5.2 per cent, 4.8 per cent and 2.8 per cent respectively. The community, social and personal services sector also provides a large number of jobs in the District, contributing 10.4 per cent to the District, particularly in the Swartland and Saldanha Bay municipal areas, which provide the greatest proportion of employment in this sector. Furthermore, it should be noted that the finance, insurance, real estate and business services sector is less reliant on labour for its revenue-generating activities and thus contributes less to employment in most municipal areas than sectors that are labour-intensive, such as agriculture.

Diagram 1.1 summarises the employment dynamics in the WCD by illustrating the unemployment rate, labour absorption rate and labour participation rate for each of the municipal areas.

Diagram 1.1

UNEMPLOYMENT PROFILE, West Coast District, 2018 (%)

MUNICIPALITY	 Unemployment rate (%) 2018		 Labour force participation rate (%) 2018		 Labour absorption rate (employment to population ratio) 2018	
		2019		2019		2019
● Matzikama	11.2	↑	66.6	↓	59.1	↓
● Cederberg	7.2	↑	69.5	↓	64.5	↓
● Bergrivier	5.1	↑	67.3	↓	63.9	↓
● Saldanha Bay	15.9	↑	72.4	↓	60.9	↓
● Swartland	10.1	↑	63.2	↓	56.8	↓
West Coast District	10.8	↑	67.8	↓	60.4	↓
Western Cape	18.0	↑	68.5	↓	56.2	↓

Source: Quantec Research, 2020

Unemployed persons, according to the official Statistics South Africa definition, are those (aged 15 to 64 years) who:

- a) Were not employed in the reference week; and
- b) Actively looked for work or tried to start a business in the four weeks preceding the survey interview; and
- c) Were available for work, i.e. would have been able to start work or a business in the reference week; or
- d) Had not actively looked for work in the past four weeks, but had a job or business to start at a definite date in the future and were available.

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

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

In 2018, the unemployment rates of the WCD (10.8 per cent) has been significantly lower than that of the Western Cape (18.0 per cent), with the Saldanha Bay (15.9 per cent) indicating the highest unemployment rate amongst all the municipal areas in 2018 regardless of its significant contribution to GDP. The high unemployment in the Saldanha Bay municipal area is due to the poor performance of the steel factory in the municipal area. Between 2018 and 2019 there was an increase in the unemployment rate and a decrease in the labour force participation rate in the WCD.

As mentioned above, the labour force participation and absorption rate indicates a decrease from 2018 to 2019, which implies a lack of job opportunities in the labour market in the District economy. Moreover, the Saldanha Bay municipal area (72.4 per cent) experienced a significant decrease in the labour force participation rate in 2018 while the Swartland municipal area (63.2 per cent) experienced the least decrease.

The labour absorption rate (employment to population ratio) indicates a decrease for all municipal areas between 2018 and 2019, with the Cederberg municipal area experiencing a significant decline. The decrease in the labour force participation rate and the labour absorption rate suggest a slowdown in economic activity in the WCD, which has resulted in an overall increase of 10.8 per cent in unemployment for the WCD.

1.4 CONCLUDING REMARKS

The WCD economy was valued at R30.5 billion in 2018, contributing 5.2 per cent to the Western Cape's total GDP. Between 2014 and 2018 the average growth rate for the District was 1.5 per cent, which is higher than that of the provincial economy. The estimates indicate that in 2019 growth within the District contracted with 1.2 per cent, which is lower than the estimated growth for the Provincial economy.

The Saldanha Bay and Swartland municipal areas were the highest contributors in terms of GDP in 2018. The sectoral performance indicated that the tertiary sector was the main driver of GDP in 2018 for the District, contributing 51.4 per cent to GDP. In terms of individual sector contributions, the agriculture, forestry and fishing sector was the main source of employment in the region in 2018, contributing 38.1 per cent to total employment, followed by the wholesale, retail trade, catering and accommodation sector, which contributed 17.2 per cent to total employment. The estimates for GDP in 2019 indicate a contraction for both the primary and secondary sectors by 6.3 per cent and 2.4 per cent respectively, while the tertiary sector is expected to register a positive growth rate of 1.5 per cent.

The overview of the unemployment profile for the WCD indicates fewer job opportunities in the District as a result of the decrease in the labour force participation rate and the labour absorption rate from 2018 to 2019. This trend has a significant impact on the District economy and outlook for the Province. Furthermore, the total number of jobs in the District in 2018 was 183 969, while the estimates indicate that 389 jobs were lost in 2019, which were mainly from the primary and tertiary sectors.





2

SECTORAL GROWTH, EMPLOYMENT AND SKILLS PER MUNICIPAL AREA

2.1 INTRODUCTION

This chapter provides an in-depth macroeconomic overview of the WCD economy at a municipal level, by considering the trends between 2009 and 2019 in the sector growth, skills and employment per municipal area. Employment and skill levels are also considered in this chapter.

2.2 SALDANHA BAY



The Saldanha Bay municipal area is the largest economy in the District, and with its coastline of 238 km, the municipal area is a host to the large fishing industry and a number of tourist towns⁴. Saldanha Bay is also known for its harbour and steel mill, while Vredenburg is the largest administrative and commercial centre in the WCD. Coastal towns such as Paternoster, St Helena Bay, Jacobsbaai and Langebaan are popular areas for holiday homes. Inland, Hopefield is a service centre for the grain, dairy, meat and honey farmers in the area⁵.

2.2.1 GDP and employment performance

As illustrated in Diagram 2.1, the economy of Saldanha Bay was valued at R9.3 billion (current prices) in 2018, employing 51 924 people within the municipal area. The estimate for 2019 indicates that the economy was valued at R9.5 billion, employing 51 433 people in the municipal area. Moreover, it should be noted that growth in current prices is a result of inflation, and the economy indicates a contraction, which resulted in 491 jobs being shed in the municipal area as the economy stagnated.

Diagram 2.1

GDPR (CURRENT PRICES) AND EMPLOYMENT, Saldanha Bay, 2018 and 2019e

		2018		2019e
GDPR		R9.3 BILLION	↓ -0.3% CONTRACTION	R9.5 BILLION
JOBS		51 924	↓ -491 CONTRACTION	51 433

Source: Quantec Research, 2020 (e denotes estimate)

⁴ (Municipal Demarcation Board, 2018).

⁵ (Saldanha Bay Municipality, 2017).

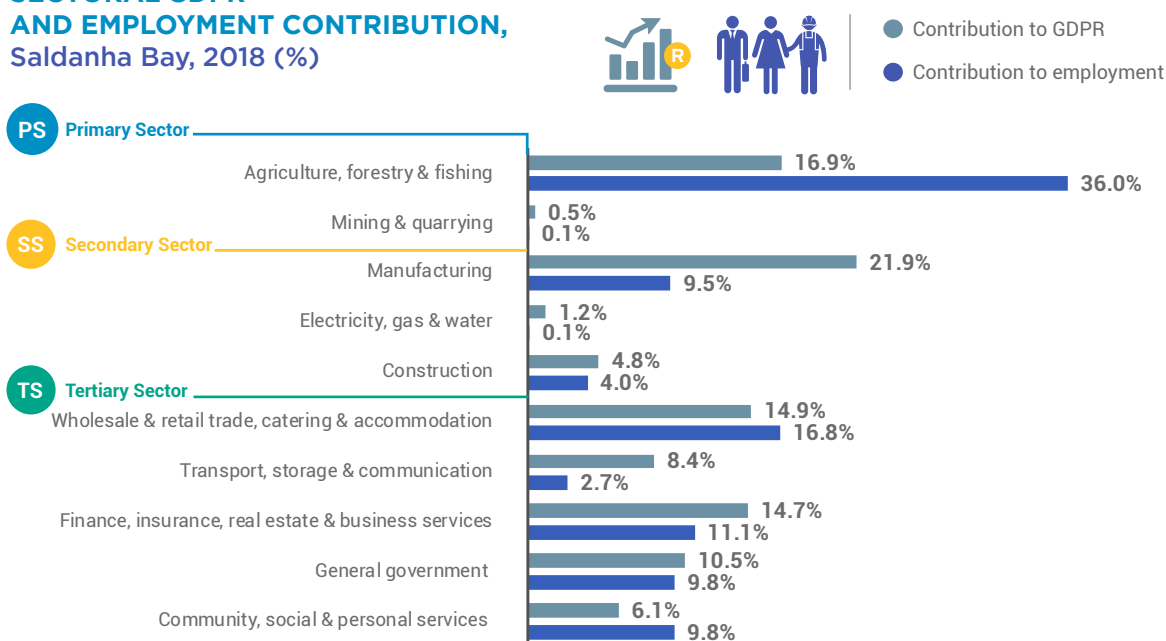


COVID-19 IMPACT

The Saldanha Bay municipal area economy is expected to contract by 5.3 per cent in 2020 as a result of the COVID-19 pandemic. A slight recovery of 3.1 per cent is expected for 2021. Economic conditions will therefore remain challenging over the medium term considering that the economy was constrained prior to 2020.

Figure 2.1 provides an overview of the Saldanha Bay municipal area's sectoral GDP and employment contributions.

Figure 2.1
SECTORAL GDP
AND EMPLOYMENT CONTRIBUTION,
Saldanha Bay, 2018 (%)



Source: Quantec Research, 2020


The main industries contributing to GDP in the municipal area were manufacturing (21.9 percent), agriculture, forestry and fishing (16.9 per cent) and wholesale and retail trade, catering and accommodation (14.9 per cent). Although manufacturing is the main contributor in terms of GDP in the Saldanha Bay municipal area, the agriculture, forestry and fishing sector was also the largest contributor to employment in the municipal area, with a contribution of 36.0 percent in the same year. The mining and quarrying sector was the smallest, contributing 0.5 percent to GDP and 0.1 percent to employment in the Saldanha Bay municipal area in 2018.

In terms of employment, the agriculture, forestry and fishing sector was the main source of employment in the region in 2018, with a contribution of 36.0 per cent, which suggests that the industry is labour-intensive. The manufacturing sector contributed 9.5 per cent to the WCD's employment in 2018, which reflects that the sector is capital-intensive. Another important source of employment in the Saldanha Bay municipal area is the wholesale and retail trade, catering and accommodation sector, which contributed 16.8 per cent to total employment in the municipal area.

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

Table 2.1

**GDP AND EMPLOYMENT PERFORMANCE PER SECTOR,
Saldanha Bay, 2019**

		GDP			Employment		
		R million value 2018	Trend 2014 – 2018	Real GDP growth 2019e	Number of jobs 2018	Average annual change 2014 – 2018	Net change 2019e
							
SECTOR							
PS	Primary Sector	R1 626.6	0.9%	-2.4%	18 751	-87	-461
	Agriculture, forestry & fishing	R1 579.7	1.0%	-2.3%	18 702	-86	-458
	Mining & quarrying	R46.9	-0.9%	-5.1%	49	-1	-3
SS	Secondary Sector	R2 607.3	-0.1%	-3.5%	7 087	43	-376
	Manufacturing	R2 048.5	-0.2%	-3.5%	4 949	-9	-202
	Electricity, gas & water	R114.7	-0.1%	-3.0%	71	1	-1
	Construction	R444.2	0.7%	-3.6%	2 067	51	-173
TS	Tertiary Sector	R5 101.6	1.9%	1.6%	26 086	653	346
	Wholesale & retail trade, catering & accommodation	R1 393.4	1.9%	0.5%	8 743	277	222
	Transport, storage & communication	R788.5	-1.0%	-2.1%	1 390	-13	13
	Finance, insurance, real estate & business services	R1 371.8	3.4%	4.0%	5 777	184	27
	General government	R979.1	1.2%	1.7%	5 091	73	110
	Community, social & personal services	R568.9	2.5%	1.7%	5 085	132	-26
Total Saldanha Bay		R9 335.5	1.2%	-0.3%	51 924	609	-491

Source: Quantec Research, 2020 (e denotes estimate)

Historical trends between 2014 and 2018 indicate that the Saldanha Bay municipal area realised an average annual growth rate of 1.2 per cent. The positive growth for the municipal area was attributed to the tertiary sector, which registered a positive annual growth rate of 1.9 per cent. In terms of sectoral contribution, the finance, insurance, real estate and business services (R1.4 billion), wholesale and retail trade, catering and accommodation (R1.4 billion) and general government (R979.1 million) sectors were the main drivers that contributed to the positive growth in the tertiary sector. These sectors are also estimated to have performed well in 2019, particularly the finance, insurance and real estate services sector, which is estimated to have grown by 4.0 per cent. Employment creation in the finance, insurance, real estate and business services sector did not mirror the high growth rate, with only 27 new jobs created. The wholesale and retail trade,

catering and accommodation sector, however, remained an important source of job creation in the Saldanha Bay municipal area, with an estimated 222 new jobs created in 2019. In 2019, the general government sector was also an important source of job creation (110 jobs).

Despite its important role in the local economy, particularly as one of the main sources of employment, the agriculture, forestry and fishing sector experienced below-average performance between 2014 and 2018, and is estimated to have contracted by 2.3 per cent in 2019. This contraction led to the loss of 458 jobs. The agriculture, forestry and fishing sector is still recovering from the provincial drought.

The manufacturing sector contracted by an average annual rate of 0.2 per cent between 2014 and 2018. The sector's performance is estimated to have worsened in 2019, contracting by 3.5 per cent. The decline in manufacturing can be largely attributed to the possible closure of the ArcelorMittal South Africa plant in Saldanha Bay. The steel manufacturing industry is an important local industry that provides inputs to other sectors such as construction. It should be noted that the poor performance of the steel industry has a significant impact on value chain development, considering that construction is correlated with the manufacturing sector.

The COVID-19 pandemic is expected to have a significant negative impact on most sectors in the Saldanha Bay municipal economy in 2020. The manufacturing sector is expected to further contract by 17.0 per cent, while the wholesale and retail trade, catering and accommodation sector is expected to contract by 18.9 per cent. Some sectors are, however, forecast to show some positive growth. The finance, insurance, real estate and business services sector is expected to grow by 0.5 per cent, while the general government and community, social and personal services sectors are expected to grow by 2.5 and 1.8 per cent respectively. A partial recovery is expected in most sectors in 2021. However, since most sectors were already performing poorly in 2019, the rebound in growth in 2021 will not have a net positive impact on the economy of the Saldanha Bay municipal area.

The challenging economic conditions that have persisted in the Saldanha Bay municipal area, which have been exacerbated by the impact of the COVID-19 pandemic, will probably result in increased job losses in 2020. Municipalities in the WCD will therefore probably be constrained in terms of revenue collection, as households in the area are becoming more vulnerable.





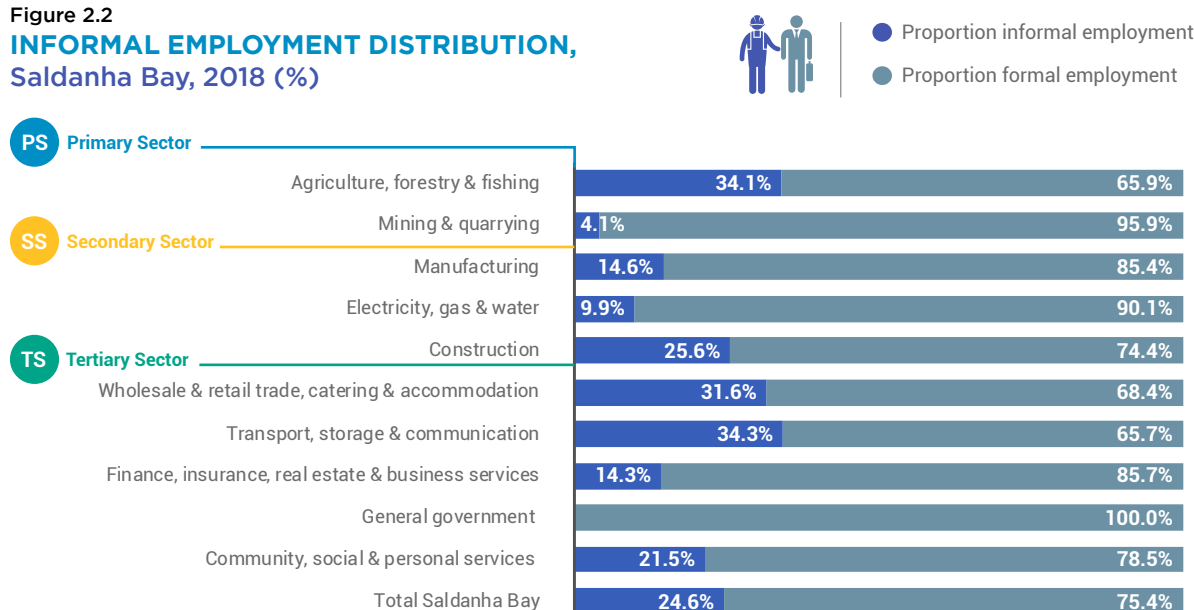
POTENTIAL RISKS

The Saldanha Bay municipal area is four times denser than the district average and is the most populous within the WCD. The steel factory in Saldanha Bay is an important scale of manufacturing in the municipal area and the industry, and the possible closure of the factory could result in the loss of jobs for employees and also subcontractors. This closure could have a significant impact on the GDP and the loss of household income for Saldanha Bay and the District.

- High levels of economic activity, coupled with an ever-growing population, increase the demand for goods and services within Saldanha Bay, which in turn has put pressure on the existing economic and social infrastructure network.
- The scale of the manufacturing industry in Saldanha Bay is of importance to the municipal economy and its closure could cause a major dent in the manufacturing industry in the Saldanha Bay municipal area.
- The fishing-related industry, which has not done so well in the last decade, could affect the livelihoods of the people in the municipal area, considering that the fishing industry is an important economic contributor in the Saldanha Bay municipal area.

Figure 2.2 provides an overview of Saldanha Bay's informal employment per sector in 2018⁶. The municipal area mainly comprised formal employment (75.4 per cent), with 24.6 per cent of people employed in the municipal area being informally employed.

Figure 2.2
INFORMAL EMPLOYMENT DISTRIBUTION,
Saldanha Bay, 2018 (%)



Source: Quantec Research, 2020

The sector that comprised the largest proportion of informal employment was the transport, storage and communication sector, where 34.3 per cent of jobs were in the informal sector, followed by the agriculture, forestry and fishing sector (34.1 per cent) and the wholesale and retail trade, catering and accommodation sector (31.6 per cent). Moreover, the fishing industry in the District has not done so well in the last decade and this has had a major impact on the livelihoods

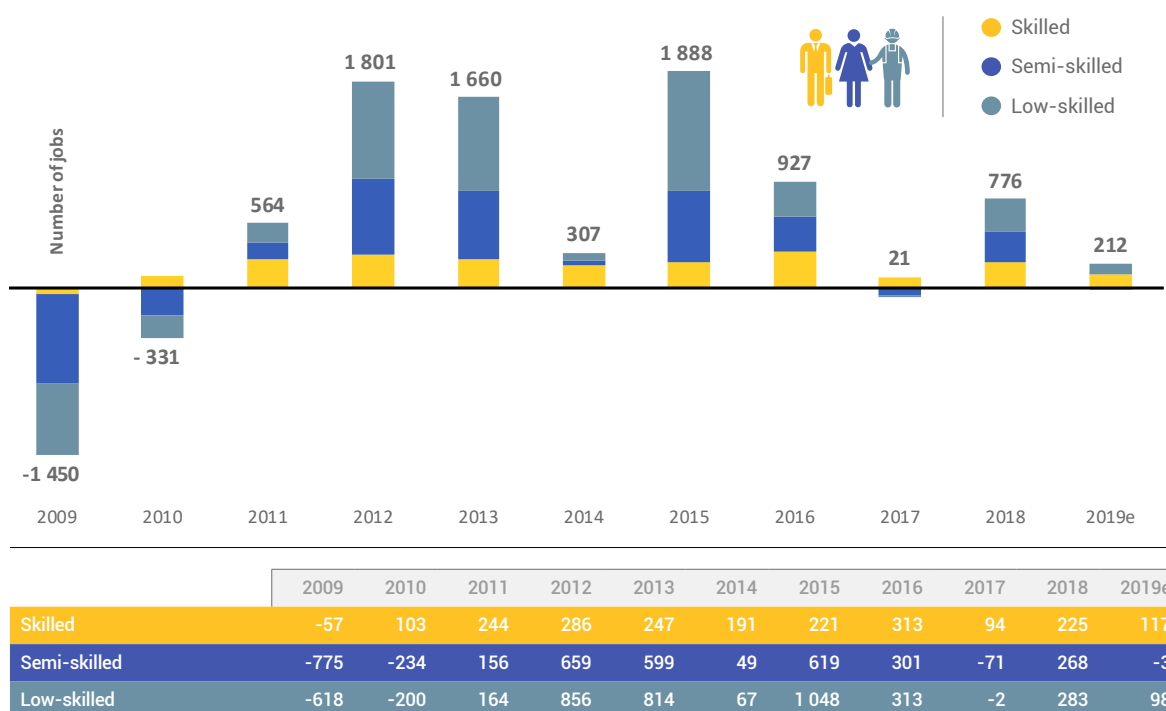
⁶ Throughout this chapter, it should be noted that the number of informal sector workers is determined by using labour data from the Quarterly Employment Statistics (QES) and the Quarterly Labour Force Survey (QLFS). Quantec uses the QES formal figure, to which it adds formal agricultural and domestic 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.

of people within the municipal area. The continued decline in the fishing-related industry will result in a decline in formal employment for the agriculture, forestry and fishing industry. In the Saldanha Bay municipal area the informal sector incorporates a diverse range of economic activities and is a valuable contributor to employment creation and poverty alleviation.

2.2.2 Skills analysis

Figure 2.3 depicts the Saldanha Bay formal employment growth by skill levels between 2009 and 2019.

Figure 2.3
EMPLOYMENT GROWTH BY SKILL LEVELS,
Saldanha Bay, 2009 – 2019



Source: Quantec Research, 2020 (e denotes estimate)

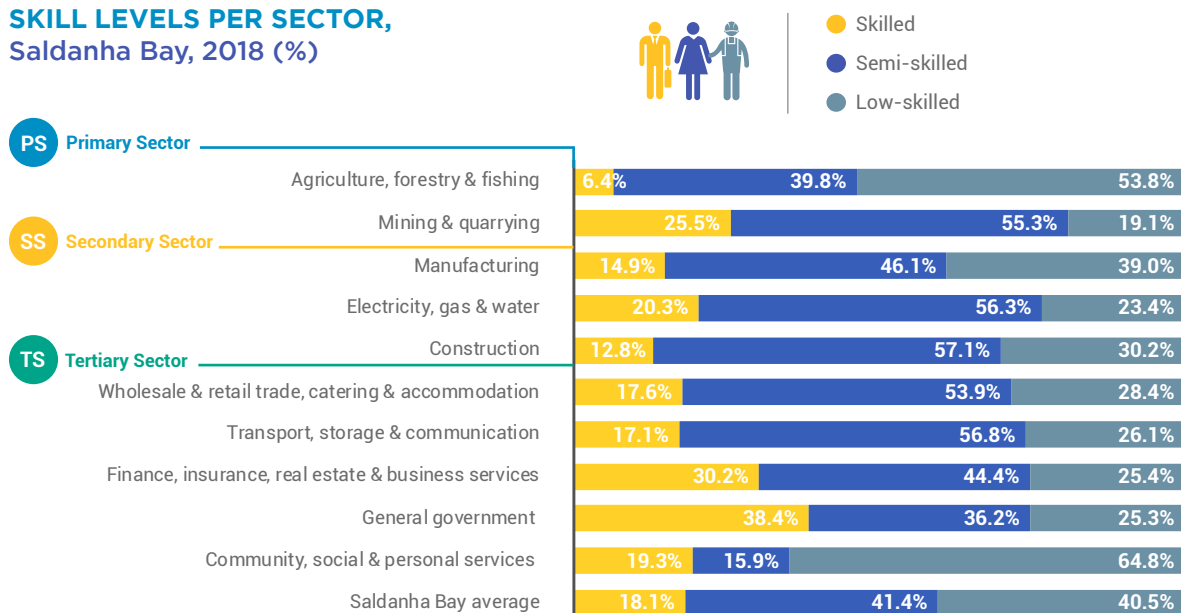
As a result of the economic meltdown between 2009 and 2010, substantial job losses were experienced, affecting mostly low-skilled and semi-skilled workers in the Saldanha Bay municipal area. For the two years mentioned previously, low-skilled workers experienced 818 job losses, while semi-skilled workers experienced 1 009 job losses.

The period between 2011 and 2018 resulted in a net increase, with 3 534 jobs for low-skilled workers for the municipal area. This was able to offset the losses experienced between 2009 and 2010. Additionally, over the same period, semi-skilled workers experienced a net increase of 2 580 jobs for the Saldanha Bay municipal area.

The estimates for 2019 indicate that formal job creation remained positive, although it experienced a decline from 2018. Moreover, 117 jobs were created for skilled workers, while 98 jobs were created for low-skilled workers. A negative outlook with regard to semi-skilled workers was the loss of three jobs for the municipal area.

Figure 2.4 provides an overview of the skill levels per sector for formal employment in the Saldanha Bay municipal area.

Figure 2.4
SKILL LEVELS PER SECTOR,
Saldanha Bay, 2018 (%)



Source: Quantec Research, 2020

The Saldanha Bay municipal area was characterised by semi-skilled and low-skilled workers in 2018; 41.4 per cent of workers were semi-skilled, while 40.5 per cent were low-skilled. In terms of the sector profile for the municipal area, the community, social and personal services sector comprised mainly low-skilled workers (64.8 per cent), followed by the agriculture, forestry and fishing sector (53.8 per cent).

All sectors within the Saldanha Bay municipal area comprised a large proportion of semi-skilled workers in 2018. The five sectors that predominantly consisted of semi-skilled workers were construction (57.1 per cent), electricity, gas and water (56.3 per cent), transport, storage and communication (56.8 per cent), wholesale and retail trade, catering and accommodation (53.9 per cent) and mining and quarrying (55.3 per cent).

Skilled employees are most prevalent within the general government sector (38.4 per cent) and the finance, insurance, real estate and business services sector (30.2 per cent). In 2018, only 18.1 per cent of workers in the Saldanha Bay municipal area were classified as skilled.



2.3 SWARTLAND

The Swartland municipal area consists mostly of farmland, with Malmesbury being the main economic node in the area. The N7 is a valuable transport link for the municipal area and is currently being upgraded with new intersections around Malmesbury. It is noted that the upgrade can be a catalyst for investment and growth for the town and region⁷. Moreover, the protected coastline of the Swartland municipal area is mostly uninhabited, but Yzerfontein is a popular tourist area. The towns within the municipal area serve as centres for the agriculture industry and include Darling, Riebeeck West, Riebeeck-Kasteel, Riverlands, Chatsworth, Moorreesburg, Kalbaskraal and Abbotsdale.





2.3.1 GDPR and employment performance

As illustrated in Diagram 2.2, the economy of Saldanha Bay was valued at R8.3 billion (current prices) in 2018, with the municipal area employing 46 694 people. It is estimated that in 2019 the economy contracted by 1.1 per cent, while 143 jobs were created. Despite the contraction, the economy was estimated to be valued at R8.6 billion, indicating inflation.

Diagram 2.2

GDPR (CURRENT PRICES) AND EMPLOYMENT, Swartland, 2018 and 2019e

	2018		2019e
GDPR 	R8.3 BILLION	↓ -1.1% CONTRACTION	R8.6 BILLION
JOBS 	46 694	↑ 143 GROWTH	46 837

Source: Quantec Research, 2020 (e denotes estimate)

⁷ (Swartland Municipality, 2019).



COVID-19 IMPACT

The Swartland municipal area will remain under pressure over the medium to long term. The Swartland municipal area economy is expected to further contract by 5.7 per cent in 2020 as a result of the impact of the COVID-19 pandemic on the national economy. A slight recovery of 4.1 per cent is expected for 2021, but this recovery only partially mitigates the contraction in 2020.



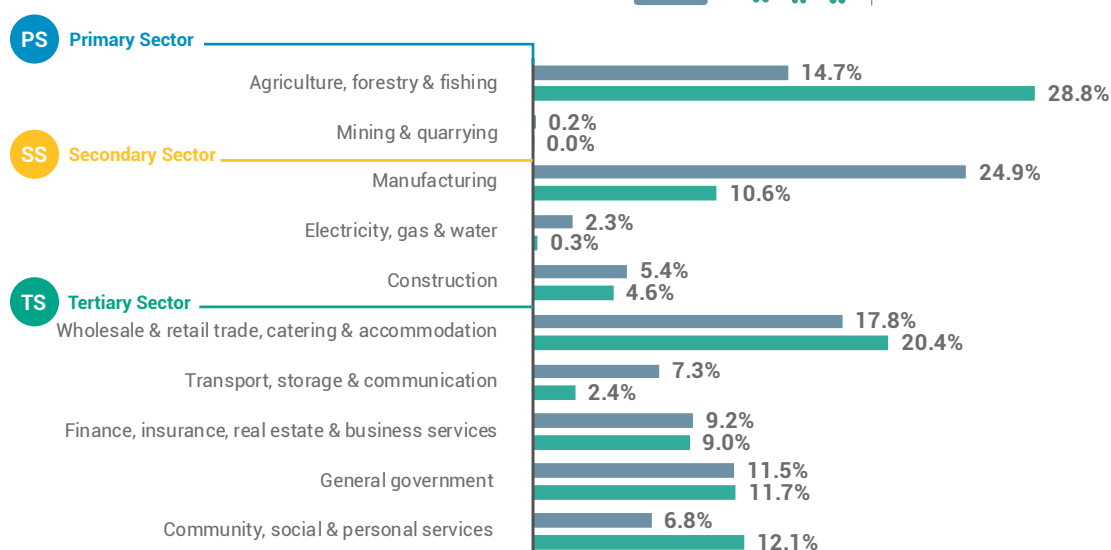
Figure 2.5 provides a breakdown of the sectoral contribution to employment and GDP in the Swartland municipal area in 2018. The main contributors to GDP in the Swartland municipal area in 2018 were the manufacturing sector (24.9 per cent), the wholesale and retail trade, catering and accommodation sector (17.8 per cent) and the agriculture, forestry and fishing sector (14.7 per cent).

Figure 2.5

SECTORAL GDP AND EMPLOYMENT CONTRIBUTION, Swartland, 2018 (%)



● Contribution to GDP
● Contribution to employment




Source: Quantec Research, 2020

The agriculture, forestry and fishing sector, which is labour-intensive, was the largest source of employment, contributing 28.8 per cent to total employment. Another important source of employment in the Swartland municipal area is the wholesale and retail trade, catering and accommodation sector, which contributed 20.4 per cent to employment in the municipal area. The manufacturing sector – the main driver of GDPR in the municipal area – was only the third largest contributor to employment in the WCD, at 10.6 per cent, indicating that this sector is capital-intensive. The mining and quarrying sector was the smallest contributor to GDPR in the Swartland municipal area, contributing 0.2 per cent.

Table 2.2 provides a more detailed overview of sectoral contributions to GDPR and employment. The tertiary sector was the main contributor to GDPR in the Swartland municipal area, with a value of R4.4 billion in 2018. The individual sector performance indicates that the manufacturing sector was the predominant source of economic activity, with a value of R2.0 billion in 2018. The second largest sectoral contributor was the wholesale and retail trade, catering and accommodation sector, with a value of R1.5 billion, followed by the agriculture, forestry and fishing sector, with a value of R1.2 billion.

Table 2.2

GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Swartland, 2018

		GDPR			Employment		
SECTOR		R million value 2018	Trend 2014 – 2018	Real GDPR growth 2019e	Number of jobs 2018	Average annual change 2014 – 2018	Net change 2019e
PS	Primary Sector	R1 233.1	0.9%	-7.9%	13 491	236	13
	Agriculture, forestry & fishing	R1 219.9	0.9%	-7.9%	13 470	236	14
	Mining & quarrying	R13.2	1.4%	-2.6%	21	-	-1
SS	Secondary Sector	R2 714.3	2.2%	-1.6%	7 219	168	-324
	Manufacturing	R2 072.9	2.7%	-1.3%	4 930	110	-149
	Electricity, gas & water	R188.7	-1.6%	-2.9%	134	2	-1
	Construction	R452.7	1.3%	-3.1%	2 155	56	-174
TS	Tertiary Sector	R4 377.0	1.9%	1.3%	25 984	743	454
	Wholesale & retail trade, catering & accommodation	R1 477.9	2.3%	0.9%	9 547	346	264
	Transport, storage & communication	R605.1	0.8%	-0.8%	1 132	20	36
	Finance, insurance, real estate & business services	R766.5	1.9%	2.2%	4 201	144	36
	General government	R961.4	1.9%	2.3%	5 444	133	170
	Community, social & personal services	R566.2	2.0%	1.3%	5 660	100	-52
Total Swartland		R8 324.4	1.8%	-1.1%	46 694	1 147	143

Source: Quantec Research, 2020 (e denotes estimate)

An overview of the trend in growth rates shows that between 2014 and 2018 the municipal area realised an average growth rate of 1.8 per cent per annum. In terms of the tertiary sector, the wholesale and retail trade, catering and accommodation sector (2.3 per cent), community, social and personal services sector (2.0 per cent), general government sector (1.9 per cent) and finance, insurance, real estate and business services sector (1.9 per cent) had the highest annual average growth between 2014 and 2018.



The secondary sector also registered positive growth despite the contraction of the electricity, gas and water sector. This was as a result of strong growth in the manufacturing sector, which grew at an average annual rate of 2.7 per cent over the period.

The estimates for 2019 indicate that the economy contracted by 1.1 per cent. The tertiary sector was the only sector that realised a positive growth rate (1.3 per cent), which was largely driven by the general government and finance, insurance, real estate and business services sectors. These sectors grew from an average annual rate of 1.9 per cent between 2014 and 2018 to an estimated 2.3 per cent and 2.2 per cent respectively in 2019. Conversely, the primary and secondary sectors experienced contractions of 7.9 per cent and 1.6 per cent respectively.

The COVID-19 pandemic is likely to have a negative impact on most sectors in the Swartland municipal area's economy, except for the agriculture, forestry and fishing sector, which is expected to grow by 15.4 per cent. Good weather conditions and favourable commodity prices are expected to boost the sector in 2020. Other main economic sectors such as the wholesale and retail trade, catering and accommodation sector and the manufacturing sector are expected to contract by 16.9 per cent and 14.6 per cent in 2020. A recovery of most sectors is expected in 2021. However, growth will not be sufficient to rebound fully from the poor performance expected in 2020.

In terms of employment, the Swartland municipal area created an average of about 1 147 jobs per annum between 2014 and 2018. This was mainly driven by the tertiary sector, which experienced an annual increase of 743 jobs during the reference period. Job creation, however, slowed down significantly in 2019 (143 jobs). Job creation was mainly driven by the tertiary sector (454 jobs). Job creation in the tertiary sector mainly occurred in the wholesale and retail trade, catering and accommodation sector (264 jobs) and general government (170 jobs). This is corroborated by the development of two new malls and the Swartland Junction in the municipal area⁸. The decline in new jobs being created is as a result of job losses in the manufacturing (149 jobs) and construction sectors (174 jobs).

The poor economic performance is expected to lead to significant job losses in the municipal area. An increase in the unemployment rate will put additional pressure on local government, as a reduction in revenue is expected, as well as an increase in the demand for public sector support services.

⁸ (Swartland Municipality, 2020).



GROWTH POTENTIAL

Malmesbury is the main economic hub of the municipal area and benefits from its proximity to Cape Town and the N7. Smaller, more remote settlements such as Chatsworth, Grotto Bay and Koringberg are more economically vulnerable, as these settlements are typically more reliant on one particular sector, such as agriculture or tourism.

Figure 2.6 depicts the sectoral informal employment distribution in the Swartland municipal area in 2018.

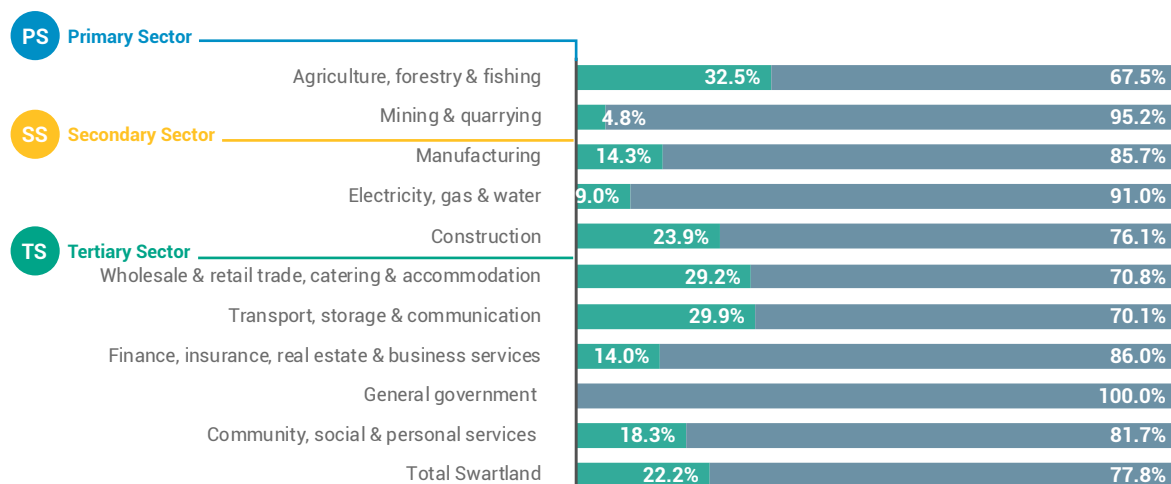
Figure 2.6

INFORMAL EMPLOYMENT DISTRIBUTION, Swartland, 2018 (%)



● Proportion informal employment

● Proportion formal employment



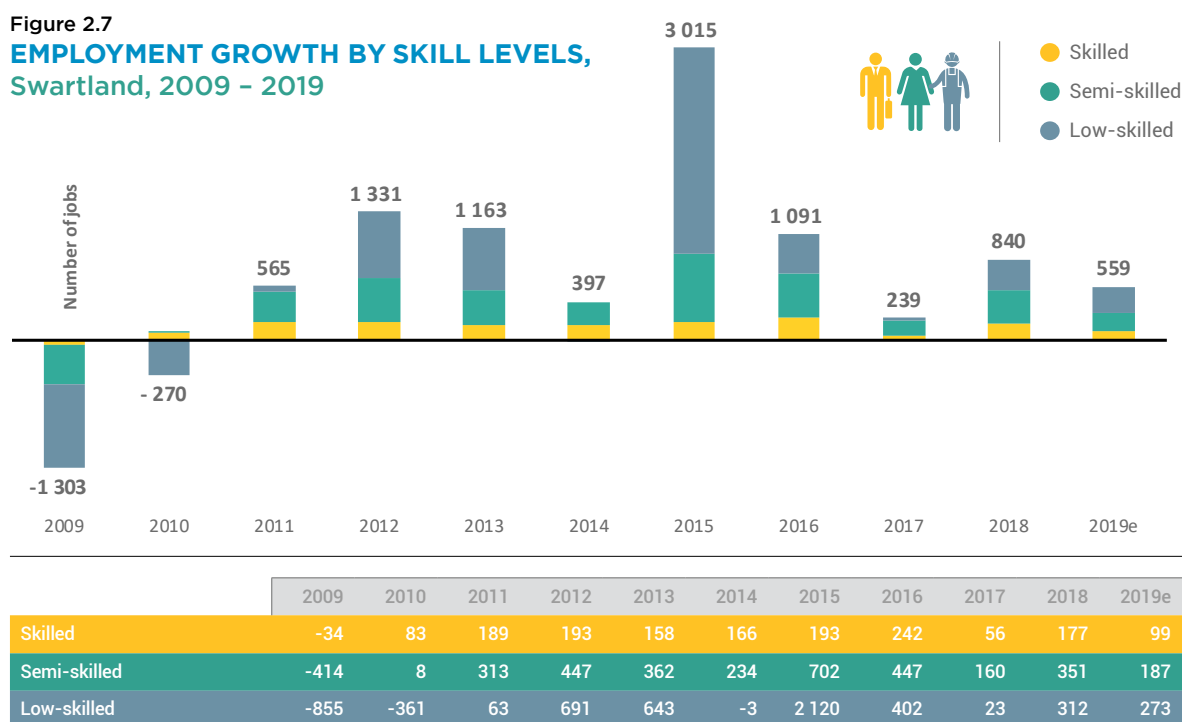
Source: Quantec Research, 2020

The proportion of informal employment in the Swartland municipal area is predominantly in the agriculture, forestry and fishing sector (32.5 per cent), followed by the transport, storage and communication sector (29.9 per cent) and the wholesale and retail trade, catering and accommodation sector (29.2 per cent). It is important to note that informal employment is considered a stepping stone to formal employment, although structural changes in the economy over time are likely to have significant impacts on informal employment.

The lack of training, funding and poor access to knowledge about available training, funding and other related resources have been cited as being the key constraints faced by businesses in the informal sector of the Swartland municipal area. These constraints have hampered the ability of the informal sector to expand and create new jobs⁹.

2.3.2 Skills analysis

Figure 2.7 provides an overview of the change in employment by skill levels between 2009 and 2019 in the Swartland municipal area.



Source: Quantec Research, 2020 (e denotes estimate)

The Swartland municipal area experienced substantial job losses as a result of the economic downturn experienced between 2009 and 2010. For the two years, a net total of 1 573 jobs were lost in the municipal area, most of which were for low-skilled workers (1 216 jobs). Between 2011 and 2018, a total of 4 251 jobs were created for low-skilled workers and 3 016 for semi-skilled workers in the municipal area. The demand for skilled labour indicates a positive trend, with 1 374 jobs created over the same period. The consistency of the skilled workers in the municipal area indicates resilience to economic fluctuations compared with semi-skilled and low-skilled workers, who were affected significantly by economic shocks.

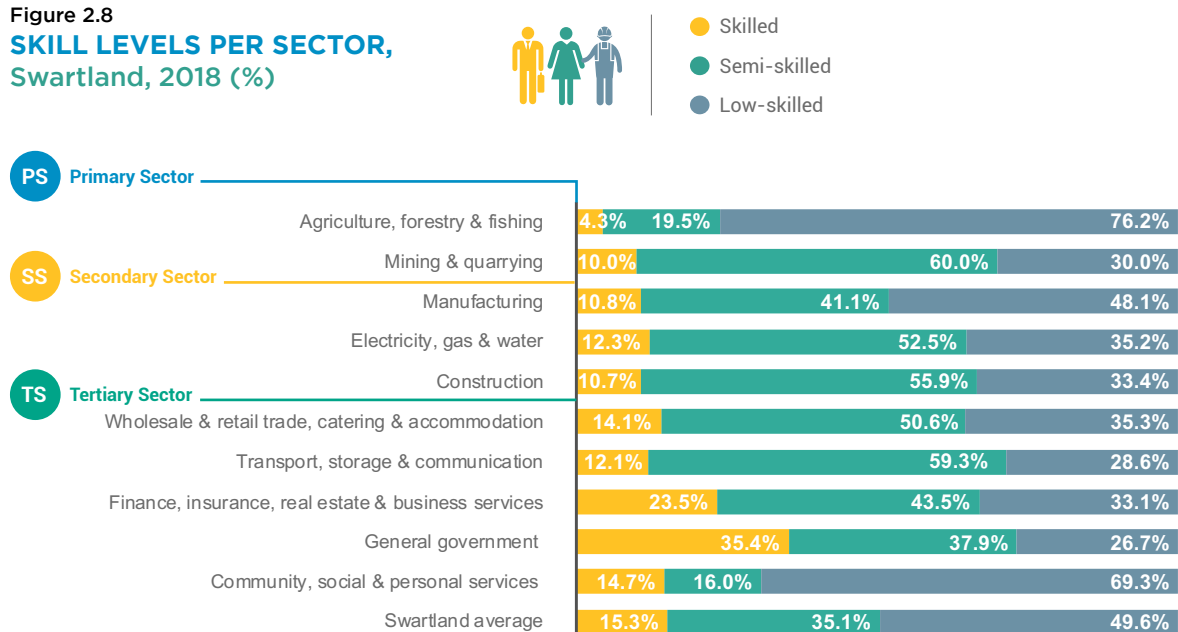
The estimates for 2019 indicate that 187 jobs were created for semi-skilled workers, followed by 273 jobs for low-skilled workers and 99 for skilled workers. Although job creation estimates were positive, the Swartland municipal area created fewer employment opportunities than in 2018.

⁹ (Swartland Municipality, 2020).

As illustrated in Figure 2.8, formal employment in the Swartland municipal area was mainly characterised by semi-skilled (35.1 per cent) and low-skilled (49.6 per cent) workers in 2018.

Figure 2.8

**SKILL LEVELS PER SECTOR,
Swartland, 2018 (%)**



Source: Quantec Research, 2020

Low-skilled workers made up the majority of formally employed workers in the agriculture, forestry and fishing sector (76.2 per cent). The significant amount of job-shedding between 2009 and 2018 in the agriculture, forestry and fishing sector is a major concern, considering the sector's reliance on low-skilled workers. This could potentially exacerbate poverty levels in the Swartland municipal area if the workers are not provided with the opportunity to develop skills that may be used in other sectors during periods of job-shedding.

The four sectors that were predominantly composed of semi-skilled workers in the municipal area were mining and quarrying (60.0 per cent), transport, storage and communication (59.3 per cent), construction (55.9 per cent) and wholesale and retail trade, catering and accommodation (50.6 per cent). The general government sector has proportionally more skilled workers compared with the other economic sectors in the Swartland municipal area.





2.4 MATZIKAMA



The Matzikama municipal area is located on the northwest coast of the WCD. It borders the Northern Cape in the north and east¹⁰, and is traversed by the N7, which serves as a valuable transit link between the Western Cape, the Northern Cape and Namibia. Large parts of the municipal coastal area are uninhabitable, with only three small coastal settlements, namely Doringbaai, Strandfontein and Papendorp. The economic activity in the municipal area mainly occurs in the southern areas, with Vredendal being the main economic node. Other towns in the municipal area include Vanrhynsdorp, Klawer, Lutzville, Koekenaap, Nuwerus and Ebenaeser.



2.4.1 GDPR and employment performance

As illustrated in Diagram 2.3, the economy of Matzikama was valued at R4.4 billion (current prices) in 2018, with 28 635 people. The estimate for 2019 indicates the municipal area had a GDPR of R4.5 billion and employed 28 609 people. The growth indicates that the economy of the municipal area contracted in real terms, resulting in job losses in the Matzikama municipal area.

Diagram 2.3
GDPR (CURRENT PRICES) AND EMPLOYMENT,
Matzikama, 2018 and 2019e

	2018		2019e
GDPR 	R4.4 BILLION	↓ -2.5% CONTRACTION	R4.5 BILLION
JOBS 	28 635	↓ -26 CONTRACTION	28 609

Source: Quantec Research, 2020 (e denotes estimate)

¹⁰ (Matzikama Municipality, 2017).



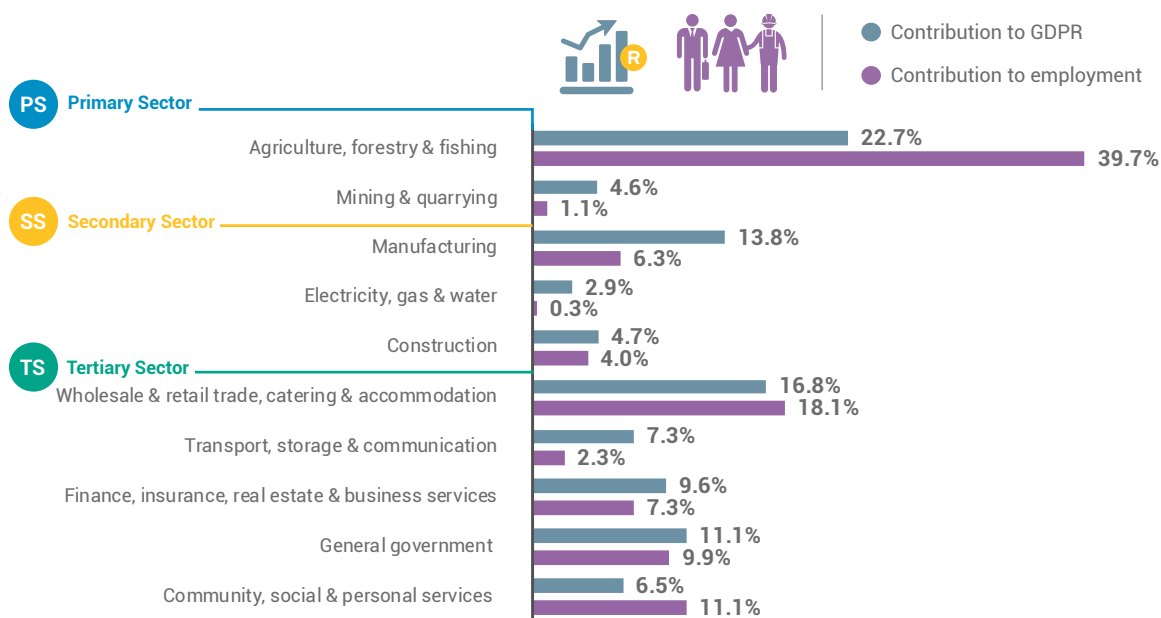
COVID-19 IMPACT

Given that the Matzikama municipal area economy has been contracting since 2018, it is expected that the local economy will come severely under pressure owing to the economic impact of the COVID-19 pandemic. The Matzikama municipal area economy is expected to contract by 3.8 per cent in 2020. A slight recovery of 2.3 per cent is expected for 2021.

Figure 2.9 provides a breakdown of the sectoral contribution to employment and GDP in the Matzikama municipal area in 2018.

Figure 2.9

SECTORAL GDP AND EMPLOYMENT CONTRIBUTION, Matzikama, 2018 (%)



Source: Quantec Research, 2020


The main contributor to GDP in the Matzikama municipal area in 2018 was the agriculture, forestry and fishing sector, with a contribution of 22.7 per cent, whereas the electricity, gas and water sector was the smallest, contributing 2.9 per cent to GDP in the municipal area. Other prominent contributors to GDP in the Matzikama municipal area include the wholesale and retail trade, catering and accommodation sector and the manufacturing sector, contributing 16.8 per cent and 13.8 per cent respectively.

The agriculture, forestry and fishing sector is also the largest source of employment, contributing 39.7 per cent to total employment. The significant contribution of the agriculture, forestry and fishing sector indicates that the sector is labour-intensive. Another important source of employment in the municipal area is the wholesale and retail trade, catering and accommodation sector, which contributed 18.1 per cent to total employment in the municipal area.

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

Table 2.3

GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Matzikama, 2018

		GDPR			Employment		
SECTOR		R million value 2018	Trend 2014 – 2018	Real GDP growth 2019e	Number of jobs 2018	Average annual change 2014 – 2018	Net change 2019e
PS	Primary Sector	R1 203.7	3.1%	-7.4%	11 661	192	-10
	Agriculture, forestry & fishing	R999.0	3.7%	-7.8%	11 357	198	5
	Mining & quarrying	R204.7	0.6%	-5.3%	304	-6	-15
SS	Secondary Sector	R944.6	0.6%	-2.9%	3 049	80	-115
	Manufacturing	R609.4	1.5%	-2.4%	1 818	41	-23
	Electricity, gas & water	R126.3	-5.8%	-6.2%	95	-1	-
	Construction	R208.8	1.7%	-3.1%	1 136	40	-92
TS	Tertiary Sector	R2 261.1	0.9%	0.5%	13 925	273	99
	Wholesale & retail trade, catering & accommodation	R741.0	1.2%	-0.1%	5 189	131	87
	Transport, storage & communication	R321.6	-2.3%	-3.7%	658	-5	5
	Finance, insurance, real estate & business services	R423.6	2.3%	2.5%	2 089	44	-20
	General government	R487.7	0.7%	1.3%	2 822	40	60
	Community, social & personal services	R287.2	1.9%	1.1%	3 167	63	-33
Total Matzikama		R4 409.4	1.5%	-2.5%	28 635	545	-26

Source: Quantec Research, 2020 (e denotes estimate)

The Matzikama municipal area realised an average GDPR growth rate of 1.5 per cent between 2014 and 2018. The tertiary sector collectively contributed the most to GDPR in the municipal area, with a value of R2.3 billion in 2018. The main individual growth drivers in the tertiary sector were the finance, insurance, real estate and business services (2.3 per cent), community, social and personal services (1.9 per cent) and wholesale and retail trade, catering and accommodation (1.2 per cent) sectors.

An overview of the employment trends between 2014 and 2018 indicates that the municipal area created an average of 545 jobs per annum between 2014 and 2018, which was largely driven by the agriculture, forestry and fishing sector and the wholesale and retail trade, catering and accommodation sector. The two sectors experienced an average increase of 198 and 131 jobs respectively between 2014 and 2018. The main source of economic activity in the Matzikama municipal area is the agriculture, forestry and fishing sector, and structural changes in the economy will result in the region being susceptible to various externalities that could slow down GDPR growth in the municipal area. Furthermore, raising the dam wall at Clanwilliam is expected to have a significant impact on agriculture, particularly for the farmers in the Matzikama municipal area. This is expected to improve its contribution to GDPR and employment in the municipal area.

Estimates for 2019 indicate that real GDP for the Matzikama municipal area contracted, largely owing to poor performance in the agriculture, forestry and fishing sector (7.8 per cent), the electricity, gas and water sector (6.2 per cent) and the mining and quarrying sector (5.3 per cent). The lack of irrigation water in the Matzikama municipal area is a significant constraint, given the importance of the agriculture, forestry and fishing sector¹¹.

The Matzikama municipal area experienced a net loss of 26 jobs in 2019, which was largely due to the primary and secondary sectors both shedding jobs. Furthermore, estimates for 2019 show that the wholesale and retail trade, catering and accommodation sector continued to be the main contributor to total employment with 87 jobs, followed by the general government sector (60 jobs) for the same period. Despite the strong growth, the finance, insurance, real estate and business services sector is also estimated to have shed 20 jobs in 2019.

Sectors within the Matzikama municipal economy are expected to be severely impacted by the COVID-19 pandemic. Some of the key challenges that were identified as a result of COVID-19 and the national lockdown include: a reduction in municipal revenue, unemployment in the private sector, land grabs for informal housing and the stagnation of development programmes¹². The mining and quarrying sector and the transport, storage and communication sector are expected to contract by 22.5 per cent and 20.0 per cent respectively in 2020. The wholesale and retail trade, catering and accommodation sector is forecast to contract by 18.8 per cent in 2020. However, the agriculture, forestry and fishing sector will be less affected by the lockdown restrictions and is expected to perform well, with an estimated growth rate of 18.6 per cent in 2020. Other sectors estimated to show positive growth in 2020 include general government (1.9 per cent) and community, social and personal services (0.7 per cent). Recovery is expected in the future, although not at a significant level within the short term. In 2021, the highest sectoral growth in the Matzikama municipal area is expected to come from the construction sector (13.9 per cent). Major projects driving this growth include the planned 80 MW Eskom Battery Energy Storage System, which will be located in Vredendal.



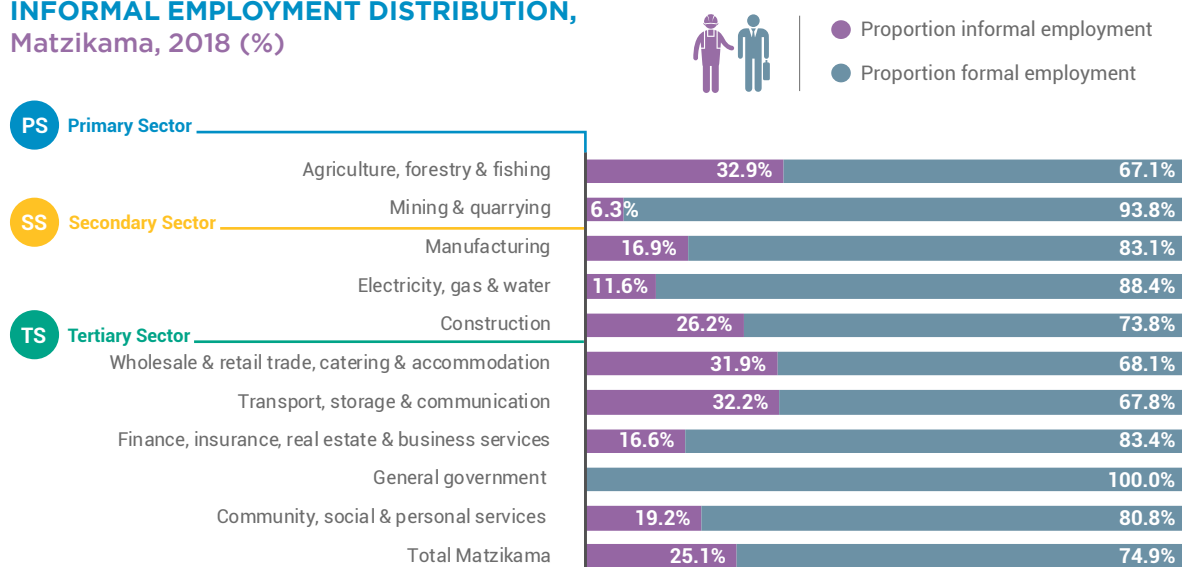
¹¹ (Matzikama Municipality, 2020).

¹² (Matzikama Municipality, 2020).

Figure 2.10 indicates informal employment in the Matzikama municipal area in 2018. The municipal area's formal employment accounts for 74.9 per cent, while informal employment accounts for 25.1 per cent.

Figure 2.10

INFORMAL EMPLOYMENT DISTRIBUTION, Matzikama, 2018 (%)



Source: Quantec Research, 2020

In terms of sectors with the largest proportion of informal employment, the agriculture, forestry and fishing sector accounts for 32.9 per cent, followed by the transport, storage and communication sector, which has a proportion of 32.2 per cent of informal employment, and the wholesale and retail trade, catering and accommodation sector, which has a proportion of 31.9 per cent.

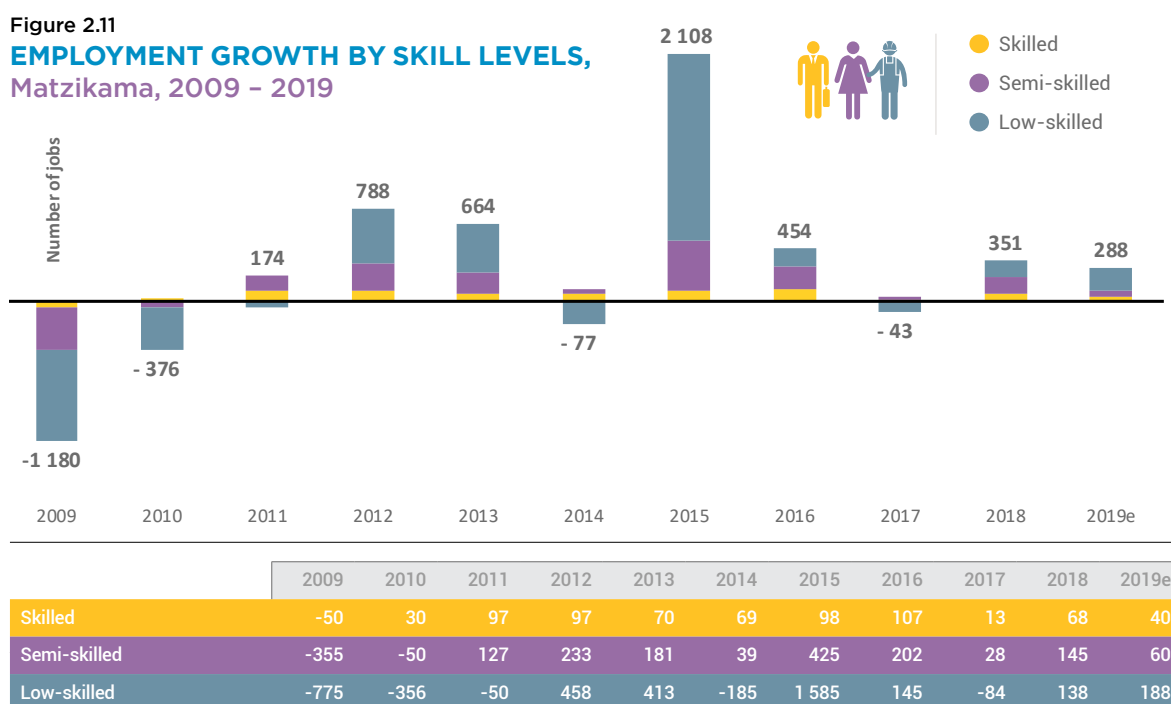
Given that the Matzikama municipal area is reliant on the agriculture, forestry and fishing sector, which is the main driver for economic activity in terms of GDP and employment contribution in the economy, the external shocks could result in more formal jobs being shed in the agriculture, forestry and fishing sector, resulting in an increase in informal employment. Furthermore, poor access to land and supportive infrastructure was identified as being the biggest constraint faced by informal businesses in the municipal area¹³.



¹³ (Matzikama Municipality, 2020).

2.4.2 Skills analysis

Figure 2.11 provides an overview of formal employment growth by skill levels for the Matzikama municipal area.



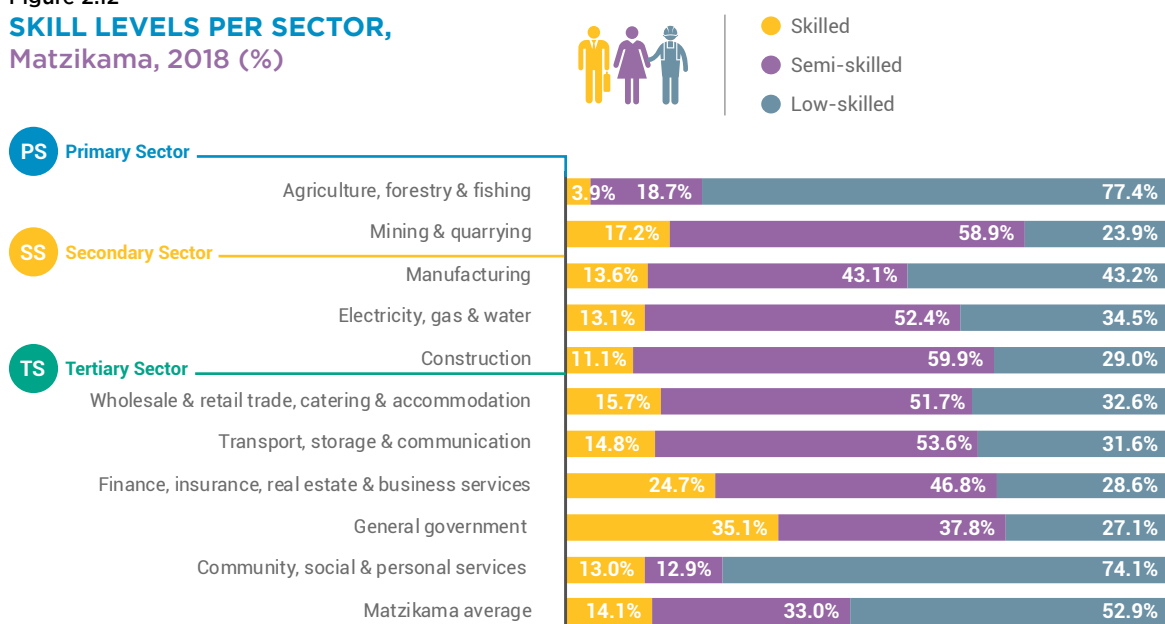
Source: Quantec Research, 2020 (e denotes estimate)

It should be noted that the economic downturn experienced between 2009 and 2010 resulted in substantial job losses for the municipal area, with a total of 1 556 jobs being lost. Between 2011 and 2018, the 1 380 jobs created for semi-skilled workers offset most of the losses experienced between 2009 and 2010, while semi-skilled job losses in 2009 and 2010 were offset in 2013. Moreover, the estimates for 2019 indicate that 60 additional jobs were created for semi-skilled workers, whereas the low-skilled estimates indicate the addition of 188 jobs, which was more than the 138 jobs created in 2018.

The majority of the skilled workers in the municipal area come from the general government sector, and the Matzikama municipal area has only a small proportion of skilled workers. The trend for the skilled labour force is consistent, indicating the resilience to periods of job-shedding. The municipal area experienced a net increase in employment for skilled workers between 2010 and 2018, with 649 jobs being created, and an estimated 40 jobs were created in 2019.

Figure 2.12 provides an overview of the skill levels per sector for formal employment in the Matzikama municipal area.

Figure 2.12
SKILL LEVELS PER SECTOR,
Matzikama, 2018 (%)



Source: Quantec Research, 2020

The Matzikama municipal area's formal employment is characterised by low-skilled and semi-skilled workers. The proportion of low-skilled workers in the municipal area was 52.9 per cent, whereas the proportion of semi-skilled workers was 33.0 per cent. In terms of the individual sectors, the agriculture, forestry and fishing sector comprises 77.4 per cent of low skilled workers and community social and personal services comprising 74.1 per cent, while the mining and quarrying sector (23.9 per cent) has the lowest proportion of low-skilled workers..

In terms of semi-skilled workers, construction has the largest proportion (59.9 per cent) in the municipal area, with community, social and personal services having the lowest proportion of semi-skilled workers. The skilled labour force in the municipal area for 2018 was only 14.1 per cent and was mainly concentrated in the general government sector and the finance, insurance, real estate and business services sector.



POTENTIAL RISKS

The largest source of employment in the municipal area is the agriculture, forestry and fishing sector, which also has mostly semi-skilled and low-skilled workers. Moreover, semi-skilled and low-skilled workers are at a higher risk owing to structural changes such as droughts, which could result in the municipal area being susceptible to various externalities.

2.5 BERGRIVIER



The Bergrivier municipal area is a popular tourist destination with a 40-kilometre coastline, which is used by local fishermen in the region. The municipal area is well known for its vast farmlands and is home to the towns of Piketberg, Porterville, Eendekuil, Redelinghuys, Aurora, Goedverwacht and Wittewater, which are service centres for the agriculture industry. The coastal towns in the Bergrivier municipal area include Velddrif, Laaiplek and Dwarskersbos, which play a significant role in the economy of the Bergrivier municipal area. Moreover, it should be noted that the N7 traverses the local municipal area, which forms part of the Cape Town-Namibia transit route¹⁴.

2.5.1 GDPR and employment performance

As illustrated in Diagram 2.4, the size of the Bergrivier municipal area's economy was R4.5 billion (current prices) in 2018, with 29 923 people employed in the municipal area. Estimates for 2019 show a negative growth rate, which resulted in the economy stagnating and experiencing a decline of 59 jobs in the year.

Diagram 2.4

GDPR (CURRENT PRICES) AND EMPLOYMENT
Bergrivier, 2018 and 2019e

	2018		2019e
GDPR 	R4.5 BILLION	↓ -2.3% CONTRACTION	R4.6 BILLION
JOBS 	29 923	↓ -59 CONTRACTION	29 864

Source: Quantec Research, 2020 (e denotes estimate)



¹⁴ Bergrivier Municipality (2017).



COVID-19 IMPACT

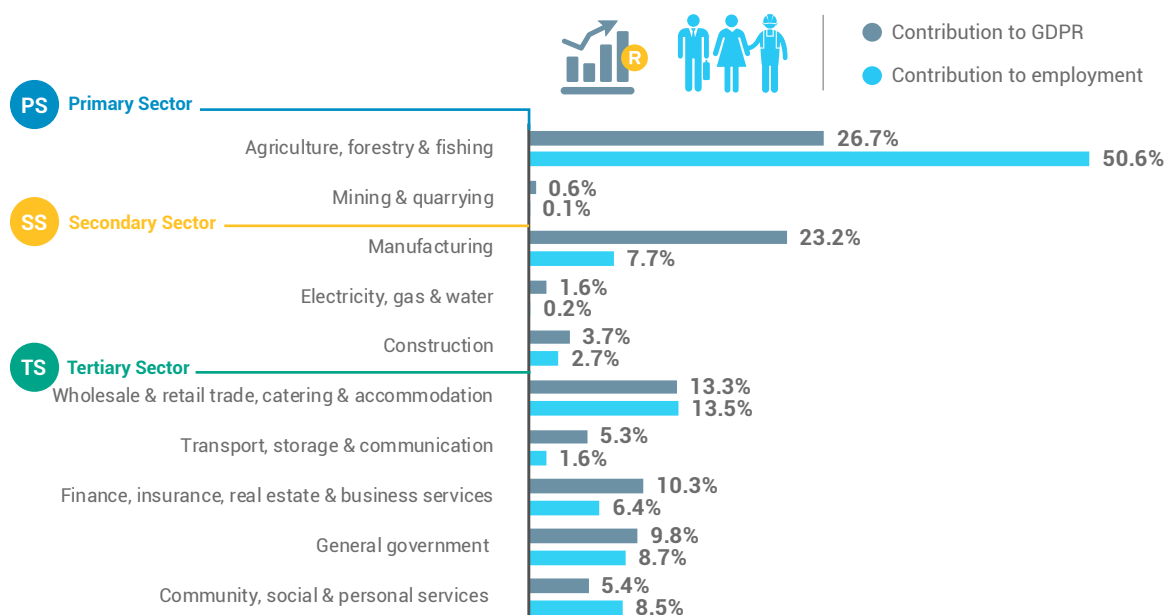
The economy of the Bergrivier municipal area has been placed further under strain by the current COVID-19 pandemic, with an estimated GDP contraction of 2.1 percent in 2020. The Bergrivier municipal area economy is expected to partially recover by 1.7 percent in 2021.



Figure 2.13 depicts the sectoral contribution to employment and GDP in the Bergrivier municipal area in 2018.

Figure 2.13

SECTORAL GDP AND EMPLOYMENT CONTRIBUTION, Bergrivier, 2018 (%)



Source: Quantec Research, 2020


The main driver for the economy of the Bergrivier municipal area was the agriculture, forestry and fishing sector and the manufacturing sector, which accounted for 26.7 per cent and 23.2 per cent of GDP in 2018 respectively. Another important sector that contributed to GDP in 2018 was the wholesale and retail trade, catering and accommodation sector, which contributed 13.3 per cent to GDP.

The predominant employer in the region is the agriculture, forestry and fishing sector, which contributed 50.6 per cent to total employment. It can be noted that the employment concentration in the agriculture, forestry and fishing sector is an indication of the sector being labour-intensive, whereas the manufacturing sector is a more capital-intensive sector, considering its contribution of 7.7 per cent to total employment. Notably, the mining and quarrying sector contributed the least in terms of GDP and employment in the municipal area.

Table 2.4 outlines the Bergrivier municipal area's GDP and employment performance per sector.

Table 2.4

GDP AND EMPLOYMENT PERFORMANCE PER SECTOR, Bergrivier, 2018

		GDP			Employment		
SECTOR		R million value 2018	Trend 2014 – 2018	Real GDP growth 2019e	Number of jobs 2018	Average annual change 2014 – 2018	Net change 2019e
PS	Primary Sector	R1 224.9	0.9%	-7.4%	15 165	236	-26
	Agriculture, forestry & fishing	R1 196.4	0.9%	-7.4%	15 134	237	-23
	Mining & quarrying	R28.5	-2.1%	-6.4%	31	-1	-3
SS	Secondary Sector	R1 280.4	2.3%	-2.5%	3 168	83	-110
	Manufacturing	R1 043.1	2.6%	-2.3%	2 306	58	-44
	Electricity, gas & water	R72.1	-1.0%	-3.6%	55	0	-1
	Construction	R165.2	1.7%	-2.9%	807	24	-65
	Tertiary Sector	R1 981.5	1.5%	1.1%	11 590	227	77
TS	Wholesale & retail trade, catering & accommodation	R598.1	1.1%	-0.2%	4 040	97	51
	Transport, storage & communication	R236.6	0.7%	-1.0%	469	7	10
	Finance, insurance, real estate & business services	R464.1	3.3%	3.6%	1 925	67	12
	General government	R441.3	-0.6%	0.0%	2 616	-15	8
	Community, social & personal services	R241.3	2.8%	1.9%	2 540	71	-4
	Total Bergrivier	R4 486.8	1.4%	-2.3%	29 923	546	-59

Source: Quantec Research, 2020 (e denotes estimate)

The Bergrivier municipal area realised an average annual GDP growth rate of 1.4 per cent between 2014 and 2018. The main economic growth drivers in the Bergrivier municipal area between 2014 and 2018 included the finance, insurance, real estate and business services sector (3.3 per cent) and the manufacturing sector (2.6 per cent). Owing to its size (R1.2 billion) the agriculture, forestry and fishing sector was also an important source of economic growth over the reference period. Furthermore, this sector is also a valuable source of inputs for the local manufacturing sector, which focuses mainly on agro-processing activities. The reliance on agriculture, forestry and fishing by the Bergrivier municipal area makes it vulnerable to environmental conditions such as the drought that has persisted in Southern Africa and affected the region. Furthermore, poor diversification in the economy of the Bergrivier municipal area is considered to be one of the key limitations to economic growth in the area. Consequently, a manufacturing industry that focuses on the boat-building industry is being considered in Veldrif¹⁵.

¹⁵ (Bergrivier Municipality, 2020).

Estimates for 2019 show that the economy of the Bergrivier municipal area contracted by 2.3 per cent owing to the significant decline in the agriculture, forestry and fishing sector (7.4 per cent). Although the wholesale and retail trade, catering and accommodation sector was the main source of employment in 2019, the contraction in the economy also had an impact on the net change of employment, with 59 jobs being shed in the municipal area. The secondary sector, particularly the construction and manufacturing sectors, shed 65 and 44 jobs respectively, followed by the agriculture, forestry and fishing sector, which shed 23 jobs.

It is estimated that the agriculture, forestry and fishing sector will register strong growth of 15.9 per cent in 2020. This will be driven by the robust performance of exports linked to the fisheries value chain, as well as small-scale fisheries linked to Mullet.

The wholesale and retail trade, catering and accommodation sector is predicted to shrink by 17.6 per cent in 2020 as a result of the COVID-19 pandemic. This will be the result of reduced tourism activity in the area owing to significantly fewer international visitors visiting the area for activities such as bird watching along the Berg River estuary. This (and restrictions linked to the national lockdown) in turn will place artisanal distillers and brewers in the area under pressure, with the manufacturing sector declining by 12.7 per cent in 2020.

The proximity of towns such as Piketberg to Cape Town is likely to support a domestic-tourism-driven rebound of the Bergrivier municipal area's wholesale and retail trade, catering and accommodation sector in 2021 (forecast to grow by 15.3 per cent). Manufacturing (11.3 per cent) and mining (13.7 per cent) are also set to rebound in 2021 as inelastic demand for goods such as salt (which is produced within the municipal area) persists.

In 2021, output associated with the general government sector is forecast to decline by 5.0 per cent. This will place the local municipality under pressure, exacerbating pre-existing tensions regarding housing and other forms of service delivery in settlements such as Velddrif.



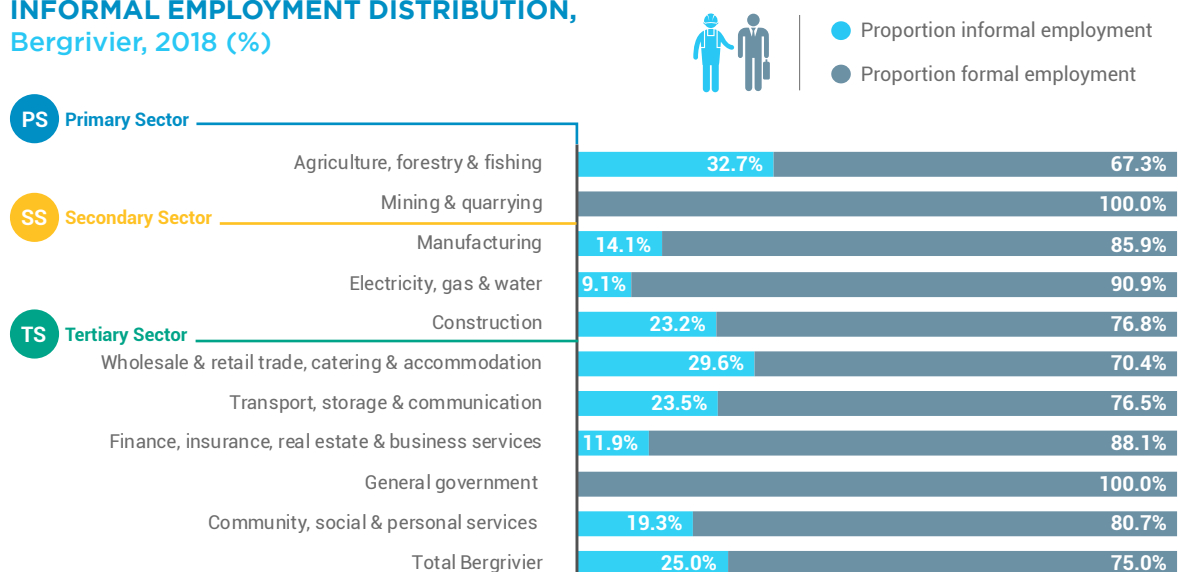
POTENTIAL RISKS

Despite the N7 that traverses the Bergrivier municipal area, towns such as Wittewater, Goedverwacht, Eendekuil and Redelinghuys are not regionally well connected. Residents of these towns often need to travel to main economic centres such as Piketberg for goods and services, and are reliant on one main industry, typically agriculture, for employment. This makes these settlements vulnerable to economic downturns.

As indicated in Figure 2.14, the municipal area consists mainly of formal employment (75.0 per cent), with informal employment accounting for only 25.0 per cent.

Figure 2.14

INFORMAL EMPLOYMENT DISTRIBUTION, Bergrivier, 2018 (%)



Source: Quantec Research, 2020

The agriculture, forestry and fishing sector is the largest source of informal employment, with informal employment accounting for 32.7 per cent of the sector's employment opportunities. Other prominent sources of informal employment are the wholesale and retail trade, catering and accommodation (29.6 per cent), the transport, storage and communication (23.5 per cent) and the construction (23.2 per cent) sectors. It should be noted that the informal sector consists of a diverse range of economic activities, and is a valuable contributor to employment creation and poverty alleviation in the municipal area.

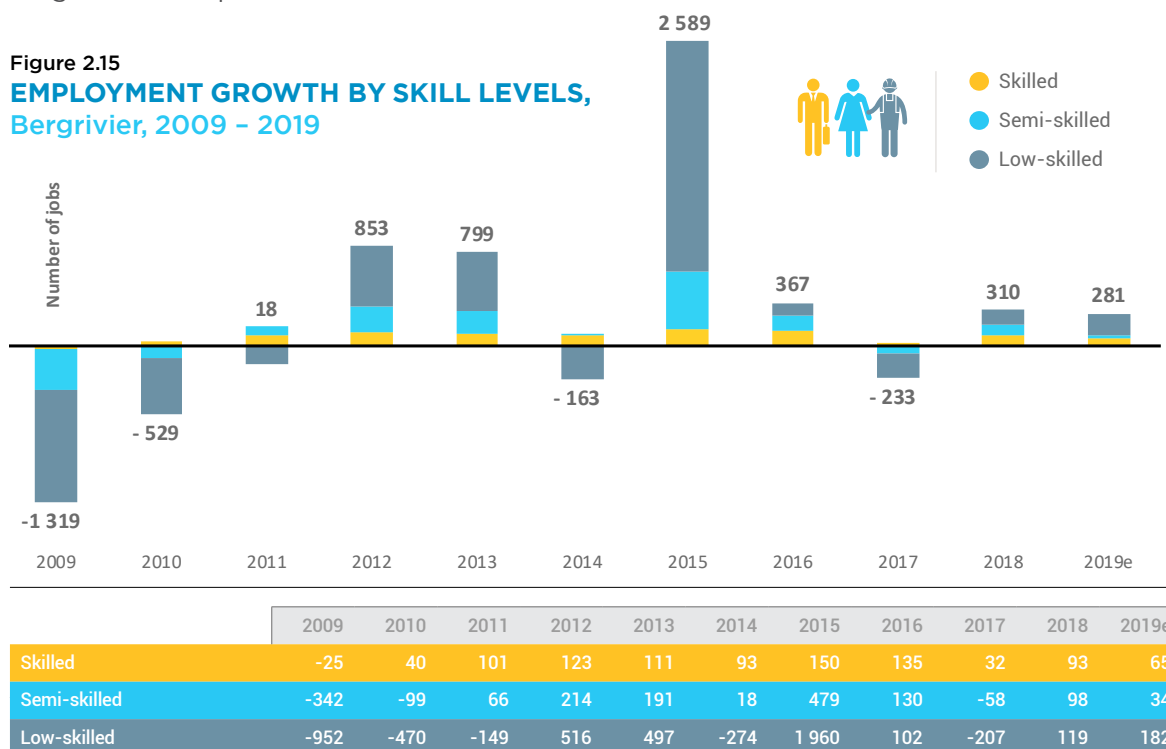


2.5.2 Skills analysis

Figure 2.15 illustrates the change in employment by skill levels between 2009 and 2019 in the Bergrivier municipal area.

Figure 2.15

EMPLOYMENT GROWTH BY SKILL LEVELS, Bergrivier, 2009 – 2019



Source: Quantec Research, 2020 (e denotes estimate)

It should be noted that between 2009 and 2010, the municipal area experienced significant job losses as a result of the global economic meltdown. For the two periods, the municipal area shed 1 848 jobs, and low-skilled workers were significantly affected, with a loss of 1 422 jobs. While net employment improved for skilled and semi-skilled workers in 2011, low-skilled workers experienced net declines in 2011.

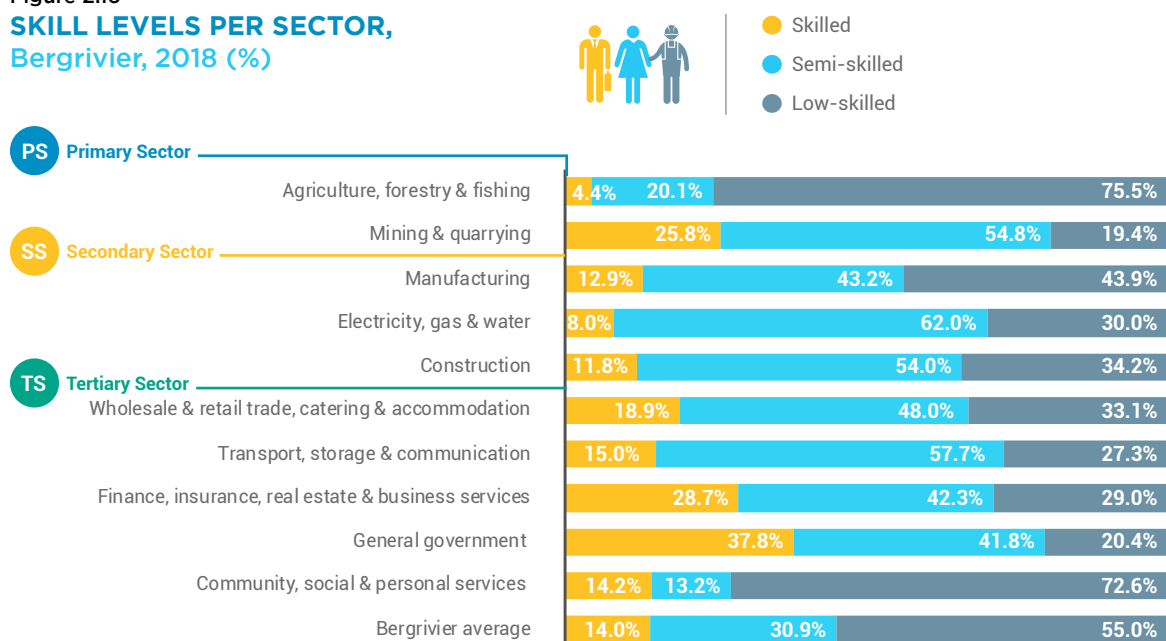
Regardless of the improvement in employment in the Bergrivier municipal area, a net decline of 163 jobs was experienced again in 2014, while the skilled and semi-skilled levels showed a positive trend. Furthermore, a decline was also noted in 2017 before there was a recovery in 2018, with a net increase of skilled, low-skilled and semi-skilled workers. Furthermore, estimates for 2019 show that this trend persisted, with the municipal area indicating 281 net jobs created.



As demonstrated in Figure 2.16, most formally employed workers in the Bergrivier municipal area were low-skilled in 2018.

Figure 2.16

**SKILL LEVELS PER SECTOR,
Bergrivier, 2018 (%)**



Source: Quantec Research, 2020

Low-skilled workers were concentrated in the agriculture, forestry and fishing sector and the community, social and personal services sector, accounting for 75.5 per cent and 72.6 per cent of the sector's total employment respectively. Since the agriculture, forestry and fishing sector is predominantly composed of low-skilled work, the sector is vulnerable to economic shocks, which may increase poverty levels if the workers in the agriculture, forestry and fishing sector are not upskilled, so they may be used in other positions or sectors during periods of job-shedding.

In terms of semi-skilled workers, the electricity, gas and water sector has the largest proportion of semi-skilled workers, comprising 62.0 per cent, with the community, social and personal services sector having the lowest proportion of the semi-skilled workers. In the Bergrivier municipal area, 14.0 per cent of the workforce are classified as skilled labour.

2.6 CEDERBERG

The Cederberg municipal area is centrally located in the WCD. It is characterised by its connectivity via the N7, like all the WCD municipal areas, and borders the Northern Cape and the Atlantic Ocean. The Cederberg municipal area's main town is Clanwilliam, with smaller towns and settlements including Citrusdal, Graafwater, Leipoldtville, Wupperthal, Algeria and the coastal towns of Elandsbaai and Lambert's Bay¹⁶.



2.6.1 GDPR and employment performance

Diagram 2.5 depicts the value of the Cederberg municipal economy and the size of the workforce between 2018 and 2019. The Cederberg municipal area was valued at R3.9 billion (current prices) in 2018 and created 26 793 jobs for the same period. The increase in GDPR at current prices between 2018 and 2019 is a result of inflation but in real terms the economy contracted by 0.4 per cent in 2019. Regardless of the contraction in the municipal economy, 44 jobs were created in the Cederberg municipal area.



Diagram 2.5

GDPR (CURRENT PRICES) AND EMPLOYMENT
Cederberg, 2018 and 2019e

	2018		2019e
GDPR 	R3.9 BILLION	↓ -0.4% CONTRACTION	R4.0 BILLION
JOBS 	26 793	↑ 44 GROWTH	26 837

¹⁶ (Cederberg Municipality, 2018).



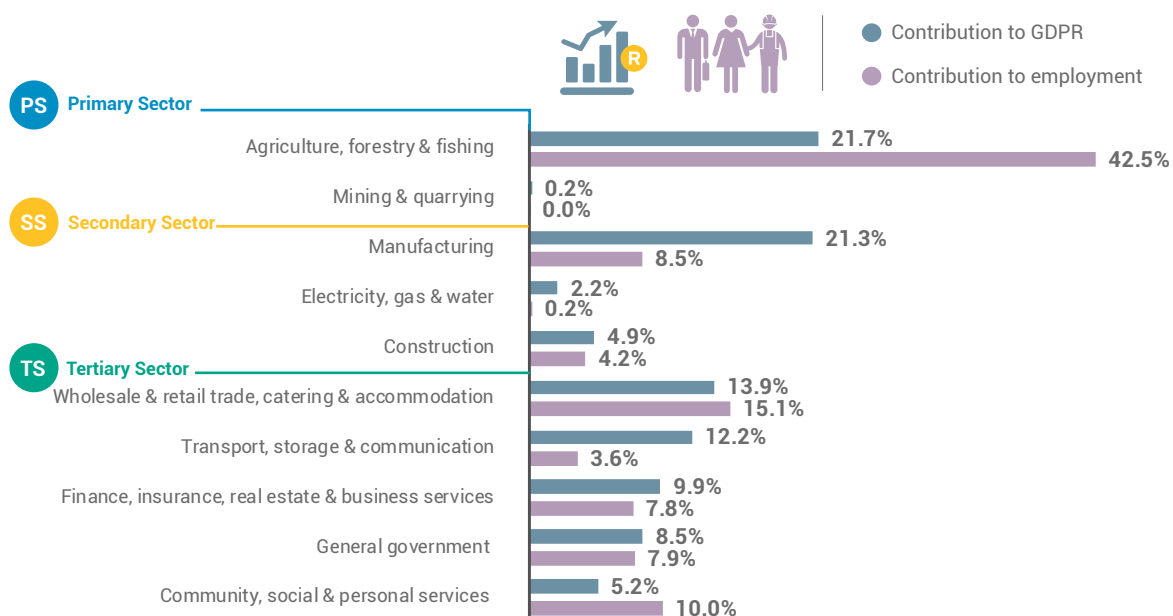
COVID-19 IMPACT

The economy of the Cederberg municipal area is expected to contract again in 2020, by an estimated 3.9 per cent. While it is expected that the economy will recover in 2021, with a 4.0 per cent growth, the size of the economy will still be smaller than in 2019.

As indicated in Figure 2.17, the agriculture, forestry and fishing sector and the manufacturing sector were the main contributors to GDP in the Cederberg municipal area in 2018, contributing 21.7 per cent and 21.3 per cent to GDP respectively.

Figure 2.17

SECTORAL GDP AND EMPLOYMENT CONTRIBUTION, Cederberg, 2018 (%)




Source: Quantec Research, 2020

In terms of employment, the agriculture, forestry and fishing sector was the main driver, contributing 42.5 per cent to total employment, while the manufacturing sector contributed only 8.5 per cent to employment in the region. It should be noted that raising the dam wall at Clanwilliam is expected to have a significant impact on agriculture, particularly for the farmers in the Cederberg, and is expected to improve the contribution to GDP and total employment in the municipal area. It can be noted that the agriculture, forestry and fishing sector is labour-intensive, considering its significant contribution to total employment compared with the manufacturing sector, which is highly capital-intensive. Wholesale and retail trade, catering and accommodation is also a key sector in terms of total employment in the Cederberg municipal area, contributing 15.1 per cent.

Table 2.5 outlines the Cederberg municipal area's GDP and employment performance per sector.

Table 2.5

GDP AND EMPLOYMENT PERFORMANCE PER SECTOR, Cederberg, 2018

		GDP			Employment	
SECTOR		R million value 2018	Trend 2014 – 2018	Real GDP growth 2019e	Number of jobs 2018	Net change 2019e
PS	Primary Sector	R854.5	0.6%	-6.9%	11 407	-80
	Agriculture, forestry & fishing	R846.5	0.6%	-7.0%	11 397	-79
	Mining & quarrying	R8.1	1.6%	-2.6%	10	-1
SS	Secondary Sector	R1 104.0	3.6%	-1.0%	3 477	-93
	Manufacturing	R829.2	3.8%	-0.9%	2 280	-27
	Electricity, gas & water	R83.9	1.0%	-2.0%	59	-2
	Construction	R191.0	3.7%	-1.2%	1 138	-64
TS	Tertiary Sector	R1 936.4	2.7%	2.9%	11 909	366
	Wholesale & retail trade, catering & accommodation	R541.5	2.4%	1.0%	4 040	125
	Transport, storage & communication	R476.1	3.7%	1.8%	972	42
	Finance, insurance, real estate & business services	R384.8	3.0%	6.9%	2 090	24
	General government	R332.7	1.7%	2.2%	2 126	62
	Community, social & personal services	R201.3	1.9%	1.2%	2 681	-36
	Total Cederberg	R3 894.9	2.3%	-0.4%	26 793	44

Source: Quantec Research, 2020 (e denotes estimate)

The tertiary sector collectively contributed the most to GDP in the municipal area, with a value of R1.9 billion in 2018. In terms of individual contributions, the agriculture, forestry and fishing sector contributed R846.5 million to total GDP in the municipal area. Other notable contributions came from the manufacturing sector, with a value of R829.2 million, followed by wholesale and retail trade, catering and accommodation, with a value of R541.5 million.

The Cederberg municipal area experienced a positive growth rate between 2014 and 2018, with an annual average growth rate of 2.3 per cent over the period. The strong growth in the municipal area was largely due to the tertiary and secondary sectors, which realised positive average annual growth rates of 2.7 per cent and 3.6 per cent respectively over the reference period. Moreover, the manufacturing (3.8 per cent), construction (3.7 per cent), transport, storage and communication (3.7 per cent) and finance, insurance, real estate and business services (3.0 per cent) sectors performed particularly well, resulting in the municipality realising positive growth over the period.

Estimates for 2019 show a contraction of 0.4 per cent in the Cederberg municipal area's economy. The contraction was largely due to a significant decline in the agriculture, forestry and fishing sector (7.0 per cent). Furthermore, the manufacturing sector, the mining and quarrying sector,

the construction sector and the electricity, gas and water sector also experienced contractions. Positively, the finance, insurance, real estate and business services sector continued to be the main driver of GDP growth in the municipal area, realising an estimated GDP growth rate of 6.9 per cent – which is significantly higher than the average observed in the preceding five years. Notably, the general government sector also realised a higher growth rate compared with the average observed between 2014 and 2018.

Some farmers in the area were forced by the 2016 to 2018 drought conditions to replace vineyards with cash crops such as vegetables, and would have reaped some benefits in 2020, with the agriculture, forestry and fishing sector estimated to have grown by 14.6 per cent. Other winners from the local agricultural sector in 2020 include rooibos farmers, with the product having experienced a resurgence of consumer interest owing to health concerns brought on by the COVID-19 pandemic.

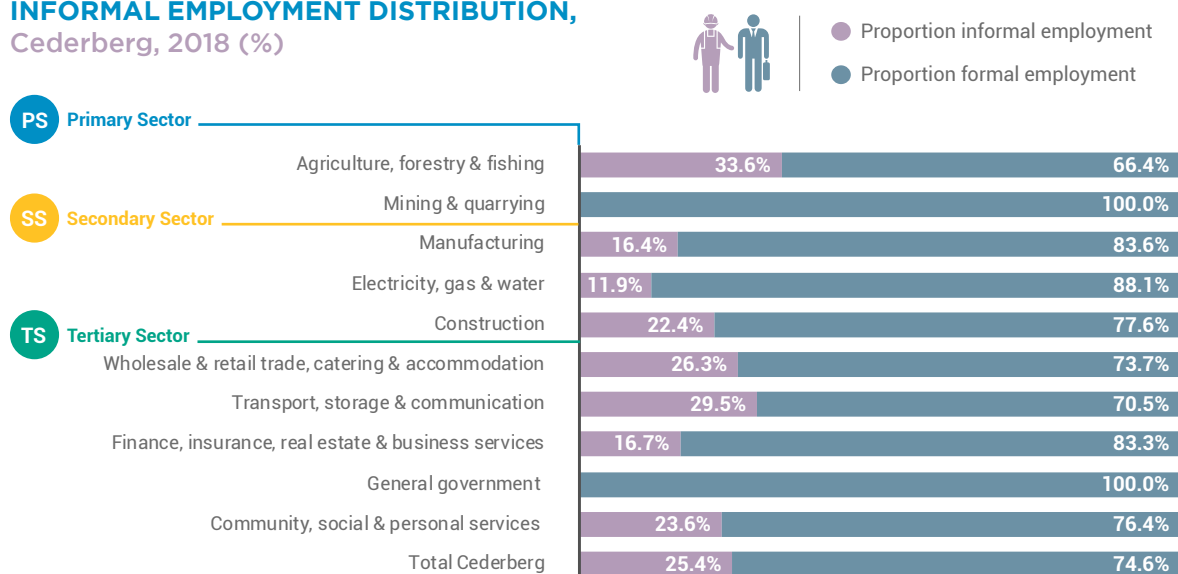
In contrast, reduced consumer discretionary spending as a result of COVID-19-induced job cuts and salary reductions would have negatively affected entities such as Lamberts Bay Foods, with the manufacturing sector's output in 2020 forecast to decrease by 12.7 per cent. Projects such as the planned raising of the Clanwilliam Dam wall will help the construction sector rebound in 2021 (16.2 per cent growth).

In terms of employment, between 2014 and 2018, 633 jobs per annum were created in the Cederberg municipal area, which was mainly driven by the wholesale and retail trade, catering and accommodation (152 jobs), agriculture, forestry and fishing (129 jobs), finance, insurance, real estate and business services (81 jobs) and manufacturing (79 jobs) sectors. The estimates indicate that the municipal area created about 44 jobs, mainly in the wholesale and retail trade, catering and accommodation (125 jobs), general government (62 jobs) and transport, storage and communication (42 jobs) sectors. The agriculture, forestry and fishing sector experienced the largest contraction, with 79 jobs being shed in the sector, followed by the construction sector (64 jobs) and the community, social and personal services sector (36 jobs).



Figure 2.18 provides an overview of informal employment per sector for the Cederberg municipal area. The municipal area mainly comprises formal employment (74.6 per cent) but also provides informal employment opportunities, which account for 25.4 per cent of total employment.

Figure 2.18
INFORMAL EMPLOYMENT DISTRIBUTION,
Cederberg, 2018 (%)



Source: Quantec Research, 2020

Informal employment in the Cederberg municipal area is predominantly concentrated in the agriculture, forestry and fishing sector, which has an informal employment proportion of 33.6 per cent. Other notable sectors that have a high proportion of informal employment are the transport, storage and communication (29.5 per cent), wholesale and retail trade, catering and accommodation (26.3 per cent) and community, social and personal services (23.6 per cent) sectors.

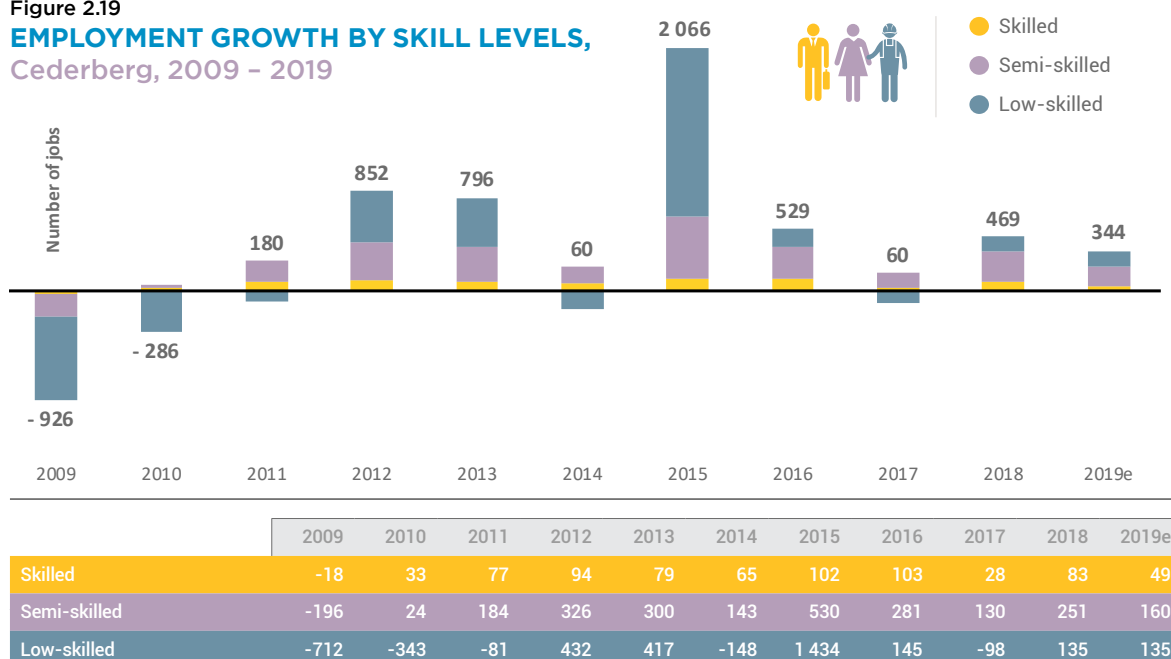


2.6.2 Skills analysis

Figure 2.19 illustrates the change in employment by skill levels between 2009 and 2019 in the Cederberg municipal area.

Figure 2.19

EMPLOYMENT GROWTH BY SKILL LEVELS, Cederberg, 2009 – 2019



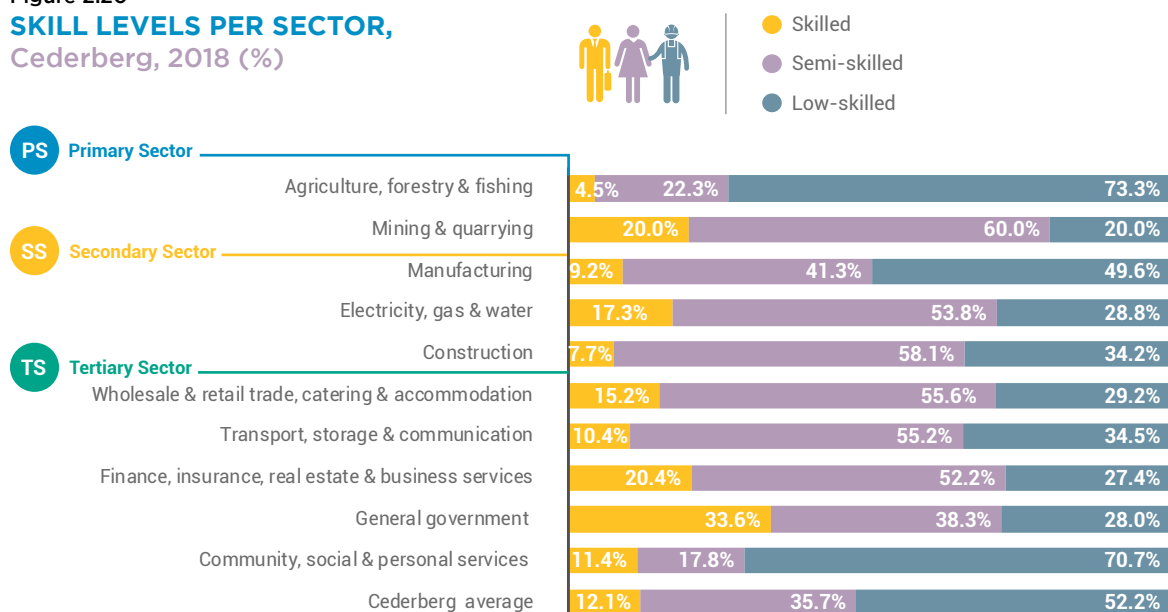
Source: Quantec Research, 2020 (e denotes estimate)

Between 2009 and 2010, the municipal area experienced a net decline of 1 212 jobs as a result of the global economic crisis. The Cederberg municipal area experienced a net increase in jobs from 2011, particularly for skilled and semi-skilled workers, while low-skilled workers experienced further job losses in 2014 and 2017. Apart from job losses in 2009, the Cederberg municipal area also realised consistent demand for skilled workers, with 103 jobs created for skilled workers in 2016, while the peak for semi-skilled workers was reached in 2015, with 530 jobs, and jobs for low-skilled workers also reached a peak in 2015, with 1 434 jobs in 2015. Estimates indicate that fewer jobs were created in 2019 than in 2018 due to the 0.4 per cent contraction in real GDP growth as shown in Table 2.5.



Figure 2.20 provides a sectoral overview of the skill levels of formally employed people in the Cederberg municipal area.

Figure 2.20
SKILL LEVELS PER SECTOR,
Cederberg, 2018 (%)



Source: Quantec Research, 2020

The Cederberg municipal area is mainly characterised by low-skilled workers, who account for 52.2 per cent of the workforce. The largest proportion of low-skilled workers is predominantly in the agriculture, forestry and fishing sector (73.3 per cent) and the community, social and personal services sector (70.7 per cent). Given the agriculture, forestry and fishing sector's significant reliance on low-skilled work, the significant job-shedding in this sector may have a significant impact on poverty levels in the municipal area.

Semi-skilled workers account for 35.7 per cent in the Cederberg municipal area and there is a substantial presence of semi-skilled workers in most sectors in the region. The mining & quarrying sector, construction sector, wholesale and retail trade, catering and accommodation sector and transport, storage and communication sector have the highest proportion of semi-skilled workers in the municipal area. The skilled workers are predominantly in the general government sector, accounting for 33.6 per cent, with the lowest proportion of skilled workers predominantly in the agriculture, forestry and fishing sector, accounting for 4.5 per cent.



2.7 CONCLUDING REMARKS

In 2018, the GDP for the WCD was R30.5 billion and the economy employed 183 969 people. The largest contributors to the District's GDP were the manufacturing sector, contributing 21.7 per cent, followed by agriculture, forestry and fishing, which contributed 19.2 per cent. Another notable contribution to GDP in the District came from wholesale and retail trade, catering and accommodation, which contributed 15.6 per cent to the WCD. The estimates across municipal areas in the WCD indicate a contraction in the economy for the largest municipal areas in the District, with Saldanha Bay and the Swartland experiencing contractions of 0.3 per cent and 1.1 per cent respectively. Moreover, the contraction is not only affecting the largest economies in the District but the trend also persists in all municipal areas, resulting in an estimated 1.2 per cent contraction for the district economy.

The drivers of economic growth, however, vary across the municipal areas, with the manufacturing sector being the main economic driver for the Saldanha Bay and Swartland municipal areas, which are the largest contributors to the GDP, followed by the agriculture, forestry and fishing sector. The Matzikama, Bergrivier and Cederberg municipal areas are predominantly reliant on the agriculture, forestry and fishing sector for economic activity and, given their reliance on this sector, the drought experienced in the municipal areas significantly affected the economy, resulting in contractions in this sector across municipal areas. Despite dam levels improving in 2019, the sector has not fully recovered.

The employment in all municipal areas is predominantly in the agriculture, forestry and fishing sector. The sector contributed 38.1 per cent to total employment in 2018. In the more rural municipal areas, such as the Matzikama, Bergrivier and Cederberg municipal areas, the agriculture, forestry and fishing sector contributed 39.7 per cent, 50.6 per cent and 42.5 per cent respectively to total employment in 2018. This sector is labour-intensive and is predominantly dominated by low-skilled workers. Across all municipalities, skilled labour was observed to be resilient to economic shocks compared with semi-skilled and low-skilled workers, who were affected by economic shocks such as the economic downturn between 2009 and 2010. However, since the agriculture, forestry and fishing sector is a valuable source of employment for the rural municipal areas, there is a need for support from government institutions, as continued job losses as a result of economic shocks will contribute to an increase in poverty within the rural municipal areas in the WCD.

The COVID-19 pandemic is expected to have a severe negative impact on all municipal areas in the WCD, particularly on the Matzikama, Bergrivier and Saldanha Bay municipal areas. These municipal areas have been experiencing a decline in economic performance since 2018.



Ian Badenhorst, Unsplash



3

TRADE, TOURISM AND INVESTMENT

3.1 INTRODUCTION

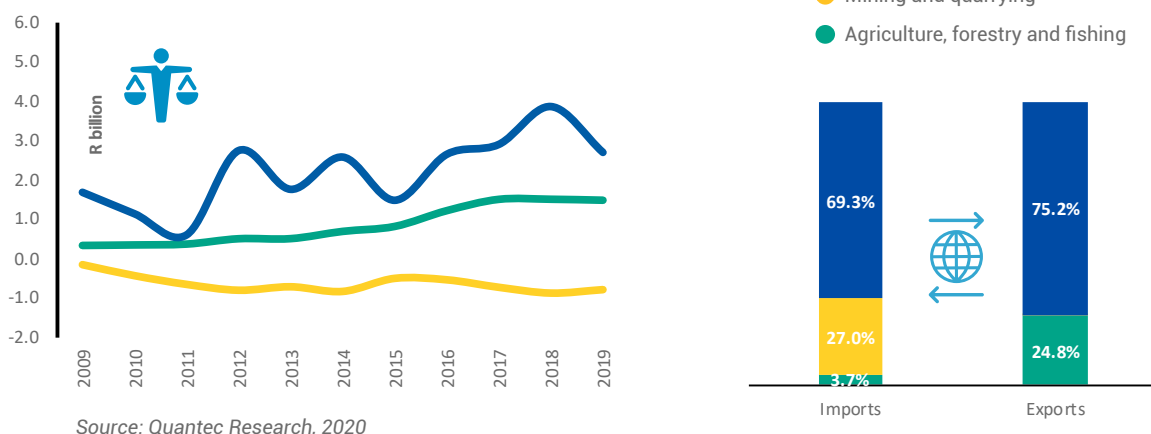
District and local economies in the WCD are influenced not only by the spending of local households but also by several economic activities within the region. These economic activities include local and international cross-border trade of goods and services, domestic and international tourists visiting 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.

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 in the WCD.

3.2 INTERNATIONAL TRADE

Figure 3.1 provides an overview of the trade balance per municipal area between 2009 and 2019, as well as the sectoral distribution of the District's imports and exports in 2018.

Figure 3.1
TRADE BALANCE AND TRADE DISTRIBUTION,
West Coast, 2009 – 2019



The WCD maintained a positive trade balance, which was largely due to the trade surplus realised in the manufacturing sector and agriculture, forestry and fishing sector. The peak of the trade surplus in the District was experienced in 2018, as a result of the manufacturing sector and the agriculture, forestry and fishing sector experiencing a significant trade surplus. The trade deficit in the District was observed in the mining and quarrying sector, and this persisted between 2009 and 2019.

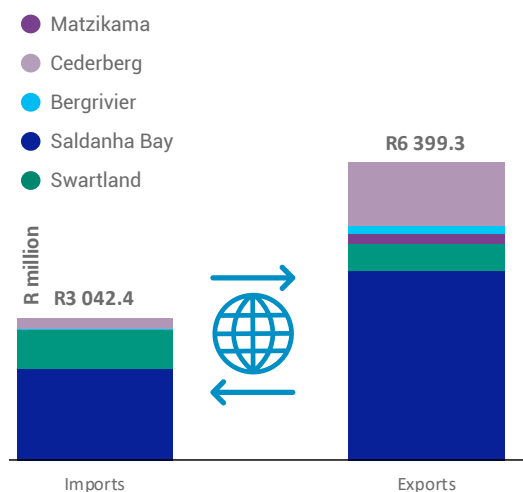
Despite a positive trade surplus and reduced imports across all three sectors in 2019, the District's trade balance declined from R4.5 billion in 2018 to R3.4 billion in 2019. The decline in the WCD's trade balance was mainly attributed to the manufacturing sector – the sector's exports declined by R1.5 billion. The sectoral trade distribution for the WCD indicates that the manufacturing sector accounted for most imports in the District (69.3 per cent), followed by mining and quarrying (27.0 per cent). The agriculture, forestry and fishing sector registered a small proportion of imports at 3.7 per cent.

The manufacturing sector also dominated the export market, accounting for 75.2 per cent of exports, while the agriculture, forestry and fishing sector accounted for only 24.8 per cent of exports. The dominance of the manufacturing sector confirms that the District has a comparative advantage with regard to manufacturing, as indicated by the location quotient.



Figure 3.2 indicates the trade dynamics of each of the municipal areas in the WCD by depicting the import and export contribution per municipal area. In 2019, imports in the District amounted to R3.0 billion, while exports accounted for R6.4 billion.

Figure 3.2
IMPORTS AND EXPORTS PER MUNICIPAL AREA, West Coast District, 2019



Source: Quantec Research, 2020

The Saldanha Bay municipal area – the largest economy in the WCD – was the largest contributor for both imports and exports, with a value of R2.0 million for imports and R4.1 million for exports. It is also worth noting that the Swartland municipal area value of R800 000 is the second largest source of imports after the Saldanha Bay municipal area. Despite Cederberg being a small municipal area, it has a significant proportion of exports (R1.4 million) in the District and is one of the top rooibos-producing areas in South Africa.







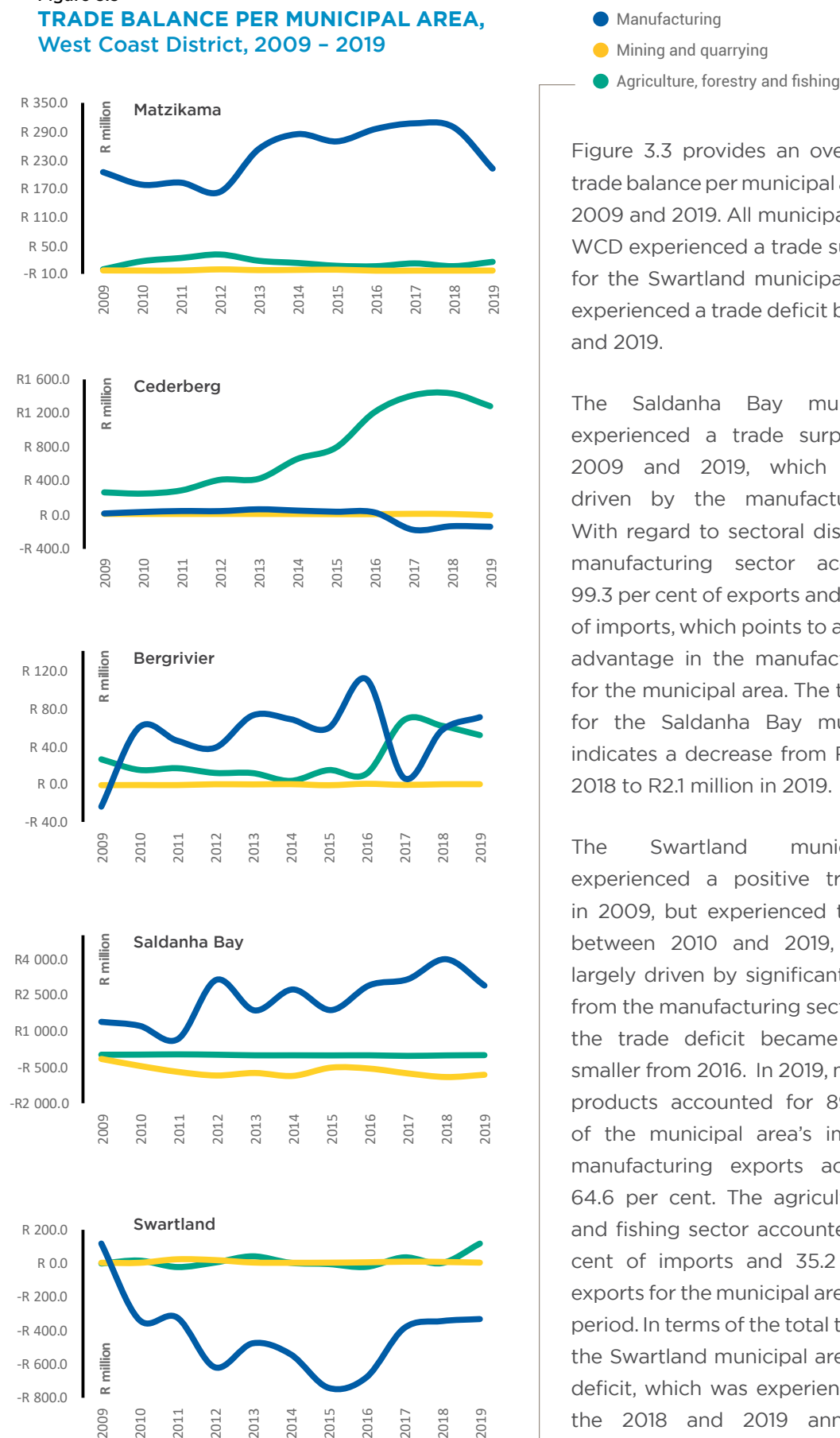
					
Flat-rolled products of iron or non-alloy steel (clad, plated, coated or raw)					
Citrus fruit					
Wine					
Fish					
Molluscs					
Top Exported Products					
Matzikama					
Wine					R million
Locust beans, seaweeds and other algae, sugar beet and sugar cane, fruit stones and kernels and other vegetable products					192.2
Food preparations					10.6
Cederberg					R million
Citrus fruit					898.3
Locust beans, seaweeds and other algae, sugar beet and sugar cane, fruit stones and kernels and other vegetable products					357.5
Wine					28.5
Bergrivier					R million
Fish					43.3
Molluscs					33.0
Essential oils					19.5
Saldanha Bay					R million
Flat-rolled products of iron or non-alloy steel					3 908.0
Semi-finished products of iron or non-alloy steel					72.4
Worked monumental or building stone (except slate) and articles thereof					31.7
Swartland					R million
Citrus fruit					195.9
Wine					160.3
Rice					33.4



Figure 3.3
TRADE BALANCE PER MUNICIPAL AREA,
West Coast District, 2009 – 2019



Source: Quantec Research, 2020

Figure 3.3 provides an overview of the trade balance per municipal area between 2009 and 2019. All municipal areas in the WCD experienced a trade surplus except for the Swartland municipal area, which experienced a trade deficit between 2010 and 2019.

The Saldanha Bay municipal area experienced a trade surplus between 2009 and 2019, which was mainly driven by the manufacturing sector. With regard to sectoral distribution, the manufacturing sector accounted for 99.3 per cent of exports and 57.5 per cent of imports, which points to a comparative advantage in the manufacturing sector for the municipal area. The trade balance for the Saldanha Bay municipal area indicates a decrease from R3.1 million in 2018 to R2.1 million in 2019.

The Swartland municipal area experienced a positive trade balance in 2009, but experienced trade deficits between 2010 and 2019, which were largely driven by significant net imports from the manufacturing sector. Positively, the trade deficit became increasingly smaller from 2016. In 2019, manufactured products accounted for 89.9 per cent of the municipal area's imports, while manufacturing exports accounted for 64.6 per cent. The agriculture, forestry and fishing sector accounted for 11.1 per cent of imports and 35.2 per cent of exports for the municipal area in the same period. In terms of the total trade balance, the Swartland municipal area indicates a deficit, which was experienced between the 2018 and 2019 annual periods. Moreover, the deficit experienced in 2019 was less significant compared with the deficit experienced in the 2018 period.

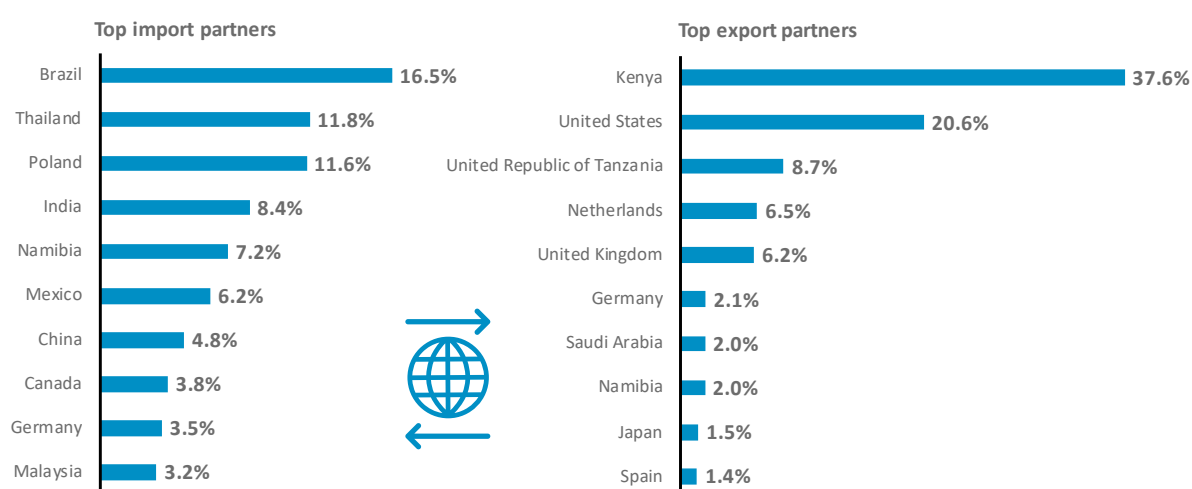
The Matzikama municipal area maintained a positive trade balance for each year over the reference period, which was mainly driven by a positive trade balance in the manufacturing sector. The agriculture, forestry and fishing sector also realised a positive trade balance during the reference period. In terms of the trade balance, in 2019 the municipal area experienced a trade surplus that was lower than that in 2018.

The Bergrivier municipal area also maintained a trade surplus for each year over the reference period, which was largely due to the manufacturing sector and the agriculture, forestry and fishing sector, which had a greater proportion of exports compared with imports. In the Bergrivier municipal area the trade balance for 2018 and 2019 displayed a marginal increase, indicating an increase in exports compared with imports.

The Cederberg municipal area also maintained a positive trade balance during the period under review, with an upward trend between 2009 and 2016, which seems to have stagnated. The positive trade experienced was largely driven by the agriculture, forestry and fishing sector. In terms of sectoral distribution, the agriculture, forestry and fishing sector accounted for 94.6 per cent of exports in 2018. This indicates that the municipal area has a comparative advantage in the agriculture, forestry and fishing sector.

Figure 3.4 illustrates the top 10 trading partners of the WCD in 2019.

Figure 3.4
TOP 10 TRADING PARTNERS, West Coast District, 2019



Source: Quantec Research, 2020



In terms of the top 10 import partners, Brazil is the District's leading partner, accounting for 16.5 per cent of imports, followed by Thailand and Poland, which account for 11.8 per cent and 11.6 per cent of total imports respectively. In 2019, the WCD imported iron ores to the value of R277.9 million and unwrought zinc to the value of R220.9 million from Brazil. The weakening exchange rate is compounding the challenges faced by the local steel-making industry, as it is reliant on imported inputs.

In terms of export partners, Kenya was the WCD's largest export market, accounting for 37.6 per cent of the District's total exports, followed by the United States (20.6 per cent). In 2019, the WCD exported flat-rolled products of iron and steel to the value of R2.4 billion to Kenya. Trade from the WCD depends to a significant extent on the global demand for manufacturing and agriculture, forestry and fishing products, considering a higher proportion of exports from these sectors was the main contributor for the District, experiencing a surplus in trade for the period between 2009 and 2019.

It should be noted that South Africa is eligible for the African Growth and Opportunity Act (AGOA), which is a good prospect for the identification of new market opportunities in terms of trade. AGOA¹⁷ provides eligible sub-Saharan African countries with duty-free access to the United States market for more than 1 800 products. Qualifying products under AGOA include textiles and clothing, motor vehicles and parts, agricultural products, including macadamia nuts, leather products, chemicals and wine. Being eligible for AGOA would benefit the District in terms of trade between WCD and the United States. Leading products from South Africa to the United States in 2018 included minerals and ores, fabricated metal products, fish and marine products, beverages and tobacco products.

The recent trade agreement between South Africa and Kenya, signed in 2016, is aimed at enhancing the exposure of trade and investment opportunities between the two countries. However, the recent trade agreement between the US and Kenya might lead to regional tension, as it is anticipated to affect intra-Africa trade. This could potentially affect trade in South Africa, particularly for the WCD, since it is one of the district partners with a higher concentration of exports¹⁸.



¹⁷ (AGOA.info, 2020).

¹⁸ (Fundira, 2017).

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



IMPORTS

Table 3.1
MAIN IMPORT PRODUCTS,
West Coast District, 2019

PRODUCT	R million 2019	% share	Main trading partners
Iron ores and concentrates, including roasted iron pyrites	737.9	24.3%	Brazil, Mexico, India
Rice	403.5	13.3%	Thailand, India, Uruguay
Unwrought zinc	402.8	13.2%	Brazil, Namibia, Peru
Coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated	349.5	11.5%	Poland
Cane or beet sugar and chemically pure sucrose, in solid form	148.4	4.9%	Malawi, Zambia, Mauritius
Carbon electrodes, carbon brushes, lamp carbons, battery carbons and other articles of graphite or other carbon, with or without metal, of a kind used for electrical purposes	117.9	3.9%	Malaysia, India, China
Metal-rolling mills and rolls therefor	87.2	2.9%	Germany, United Kingdom, Austria
Fish, frozen, excluding fish fillets and other fish meat	81.9	2.7%	New Zealand, China, Canada
Coal; briquettes, ovoids and similar solid fuels manufactured from coal	80.3	2.6%	Mozambique
Articles for the conveyance or packing of goods, of plastics; stoppers, lids, caps and other closures, of plastics	68.1	2.2%	Italy, China, Taiwan
Total imports	3 042.4		

Source: Quantec Research, 2020

Iron ores and concentrates, including roasted iron pyrites, comprise the largest share of the WCD's total imports (24.3 per cent). These are key inputs that are used in the local steel-manufacturing industry and were mainly sourced from Brazil, Mexico and India. Other notable imports include rice (13.3 per cent), which is probably destined for Pioneer Foods, located in Malmesbury, unwrought zinc (13.2 per cent), and coke and semi-coke of coal (11.5 per cent). Iron ore and coke are key inputs within the steel value chain that are used in the local steel-manufacturing industry in Saldanha Bay to produce steel products.

Table 3.2 provides a detailed breakdown of the WCD's top 10 exported products.



EXPORTS

Table 3.2
MAIN EXPORT PRODUCTS,
West Coast District, 2019

PRODUCT	R million 2019	% share	Main trading partners
Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated	3 057.9	47.8%	Kenya, Tanzania, Saudi Arabia
Citrus fruit, fresh or dried	1 097.5	17.1%	United States, Netherlands, United Kingdom
Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, clad, plated or coated	850.1	13.3%	United States, Italy, Canada
Wine of fresh grapes, including fortified wines	385.0	6.0%	United Kingdom, Sweden, Germany
Locust beans, seaweeds and other algae, sugar beet and sugar cane, fresh, chilled, frozen or dried, whether or not ground; fruit stones and kernels and other vegetable products	368.2	5.8%	Germany, Japan, United Kingdom
Semi-finished products of iron or non-alloy steel	72.4	1.1%	Tanzania
Fish, frozen, excluding fish fillets and other fish meat	50.0	0.8%	Spain, Portugal, Namibia
Molluscs, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine	37.9	0.6%	Spain
Rice	33.4	0.5%	Botswana, Lesotho
Worked monumental or building stone (except slate) and articles thereof	31.7	0.5%	Taiwan, Italy, Poland
Total exports	6 399.3		

Source: Quantec Research, 2020

Flat-rolled products of iron or non-alloy steel accounted for the largest share of exports in the WCD in 2019, at 47.8 per cent. Other notable export products include citrus fruit, fresh or dried (17.1 per cent), flat-rolled products of iron or non-alloy steel (13.3 per cent) and wine of fresh grapes, including fortified wines (6.0 per cent).

The steel industry is of importance in the Saldanha Bay municipal area, since it is a significant employer in the municipal area and provides key inputs in terms of raw materials to other sectors such as construction and transport, storage and communication.

3.3 TOURISM PERFORMANCE¹⁹

The WCD has a diverse offering ranging from marine tourism to wine tourism and is known for its unique cultural and natural resources unique to the western coastal area of South Africa. Moreover, the District is a hidden gem and is ideal for people wanting to escape from their busy lives and experience tranquillity and the simplicities of life. The region is steeped in the Nama culture and offers nature lovers a variety of attractions and activities. The West Coast National Park is the closest spot outside Cape Town where tourists can experience the spring flower season. The West Coast Fossil Park, which lies just next door to the West Coast National Park, has uncovered 200 different kinds of animals, many of them new to science²⁰.

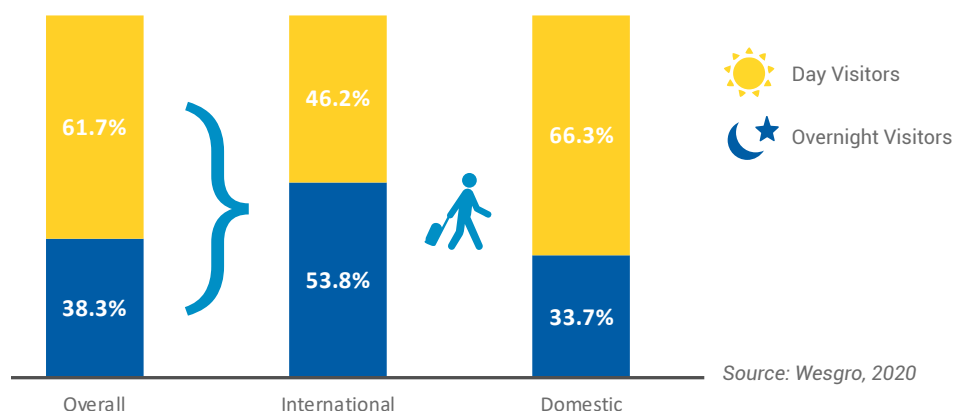
In 2018, the catering and accommodation services industry contributed 1.0 per cent to the GDP of the WCD and employed 4 331 people, accounting for 2.4 per cent of the District's total employment.

3.3.1 Visitor trends

The WCD is a preferred holiday destination for both domestic (77.3 per cent) and international (22.7 per cent) tourists. The domestic and international travel bans as a result of COVID-19 will therefore have a severe impact on the local tourism industry and the sustainability of many local tourism businesses in the WCD.

Figure 3.5 illustrates the spread of day and overnight visitors for both international and domestic tourists.

Figure 3.5
OVERNIGHT VS. DAY VISITORS, West Coast, 2019



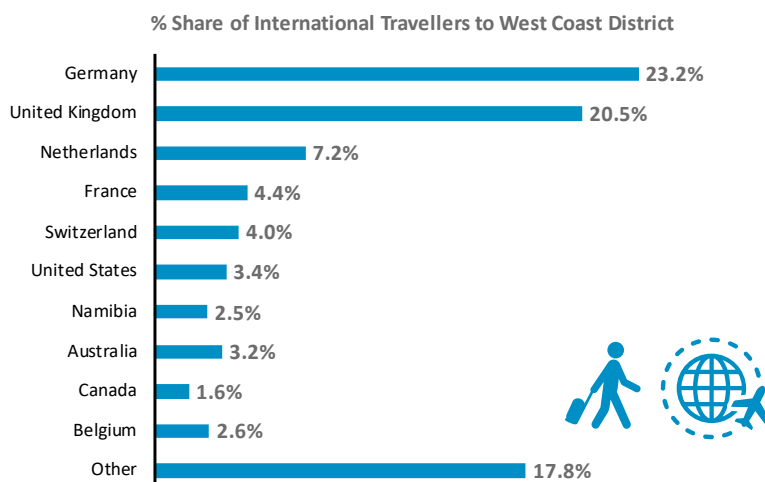
The WCD is a popular destination, especially for day visitors, accounting for 61.7 per cent of visits in 2019, while overnight stays accounted for 38.3 per cent. This is due to its geographical location, making it the perfect day- and weekend getaway for tourists and residents in neighbouring areas. Promoting overnight stays will have a positive impact on the local economy, as overnight visitors typically spend more than day visitors.

¹⁹ 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.

²⁰ (SA Venues, 2020).

Figure 3.6 provides an overview of the nationality of international travellers to the WCD in 2019.

Figure 3.6
PERCENTAGE SHARE OF INTERNATIONAL TRAVELLERS, West Coast District, 2019



Source: Wesgro, 2020

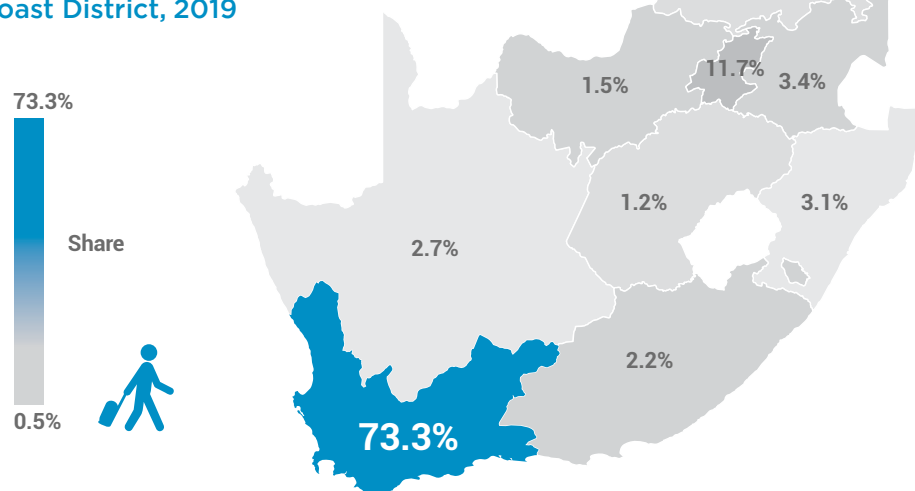
The WCD attracts a combination of international visitors, with Germany (23.2 per cent) and the United Kingdom (20.5 per cent) representing the largest portion of the overseas market. It is important to note that some of the emerging markets that are unique in the region include the European, African, Asian and Middle Eastern markets. Furthermore, the top three activities in the region – scenic drives, culture and heritage, and local cuisine – played a key role in the international demand for WCD offerings.



As illustrated in Map 3.1, 73.3 per cent of domestic visitors to the region are from the Western Cape, followed by Gauteng at 11.7 per cent.

Map 3.1

PERCENTAGE SHARE OF DOMESTIC TRAVELLERS West Coast District, 2019



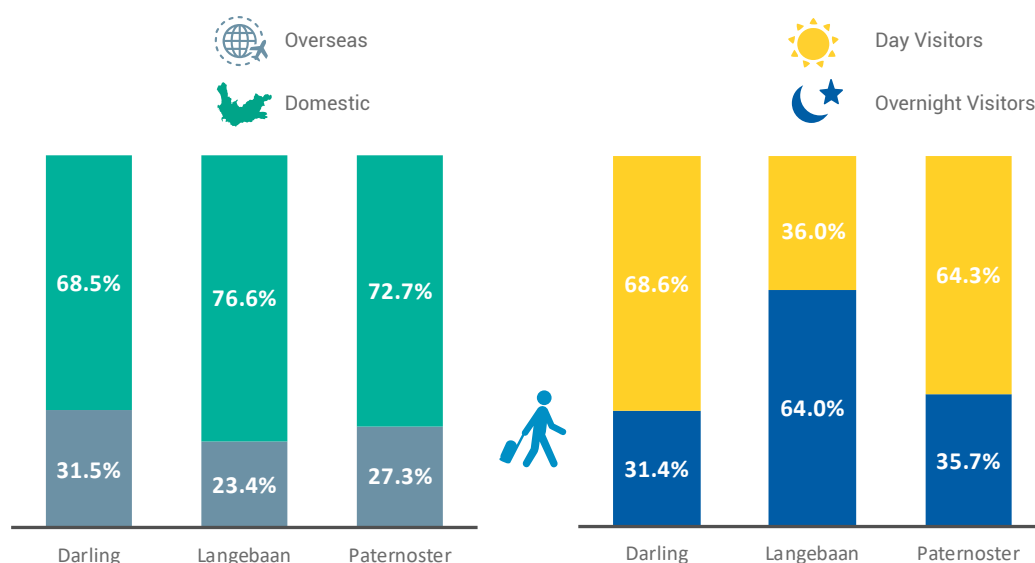
Source: Wesgro, 2020 Note: 0.4 per cent of responses were unspecified.

Mpumalanga and KwaZulu-Natal are also quite attracted to the WCD, accounting for 3.4 per cent and 3.1 per cent of domestic travellers to the WCD respectively. As a result of the ease in COVID-19 lockdown travel regulations, it is anticipated that domestic demand will recover much faster than international demand. However, the pace is still expected to be slow, as households are likely to experience a decline in income owing to the large-scale job losses expected in 2020. This indicates that the region should focus on targeting local demand through special packages or promotions to enhance domestic travel in the WCD.

Figure 3.7 represents the visitor trends for the towns of Darling, Langebaan and Paternoster.

Figure 3.7

REGIONAL TOWNS VISITOR TRENDS, West Coast District, 2019



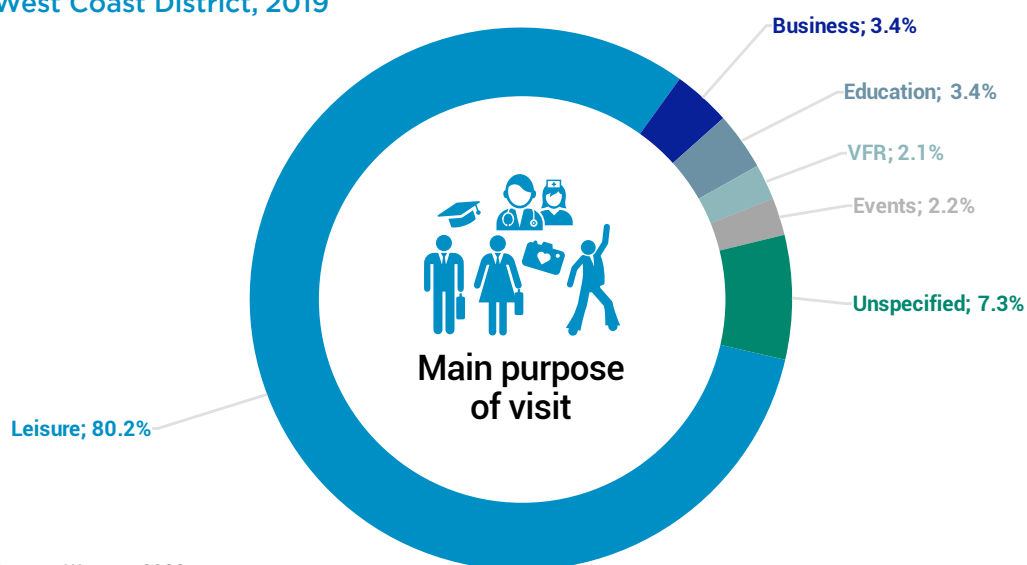
Source: Wesgro, 2020

All three of these towns received more domestic visitors in comparison with overseas visitors. Darling received the biggest share of international visitors (31.5 per cent), whereas Langebaan and Paternoster received a larger percentage of domestic tourists (76.6 per cent and 72.7 per cent respectively). In terms of the overnight stays versus day visitors, Langebaan received more overnight visitors, while Darling and Paternoster received more day visitors.

3.3.2 Visitor profile

The WCD is primarily viewed as a leisure destination, with 80.2 per cent of visitors travelling to the District for leisure, as shown in Figure 3.8, with a smaller percentage of visitors travelling for business (3.4 per cent), educational purposes (3.4 per cent) and to visit friends or relatives (VFR) (2.1 per cent).

Figure 3.8
MAIN PURPOSE OF VISIT,
West Coast District, 2019



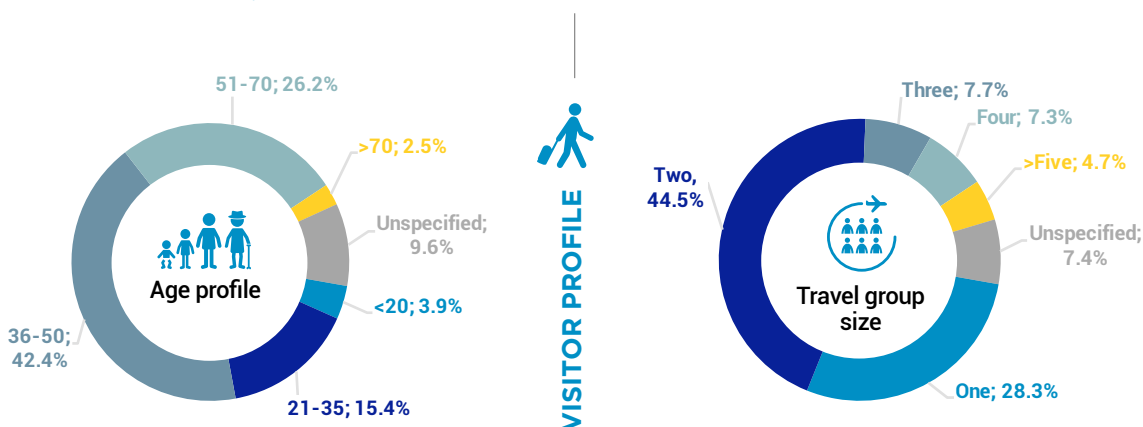
Source: Wesgro, 2020

The region is known for its unspoilt beauty, pristine beaches, fishing villages and rich cultural history, and therefore offers a wide variety of attractions and activities that visitors can engage in. Leisure activities include road-trip stops along themed routes by planning a self-drive trip or guided tour for a nature and adventure-filled Cape West Coast holiday, visits to any of the nature reserves (West Coast National Park, Blaauwberg Nature Reserve and Koeberg Nature Reserve, to name a few), the beaches (Melkbosstrand and Silverstroomstrand), the Mamre Moravian Mission Station, Darling Brewery and many more.



Figure 3.9 provides an overview of the visitor profile for the WCD in 2019 and it can be noted that visitors to the region mainly travel in groups of two (44.5 per cent) or solo (28.3 per cent), with only 7.7 per cent travelling in groups of three.

Figure 3.9
VISITOR PROFILE, West Coast District, 2019



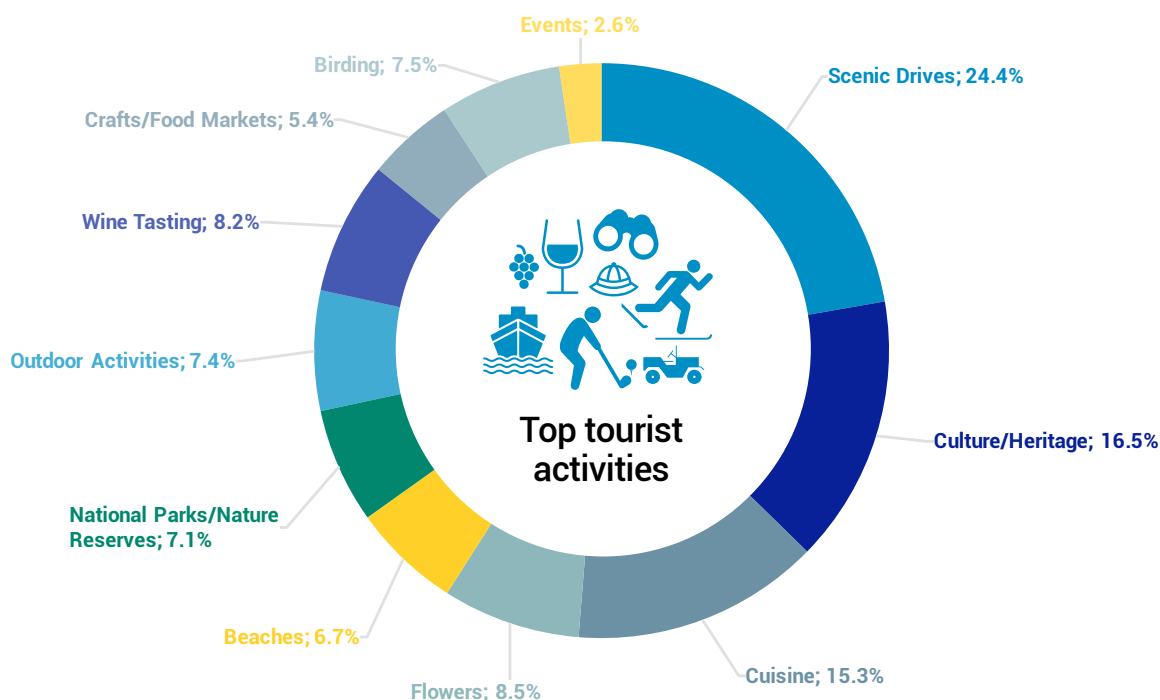
Source: Wesgro, 2020

The majority of visitors are 36 to 50 years old (42.4 per cent) or early retirement age (26.2 per cent). This suggests that the region is attractive to well-travelled and stable individuals who are interested in experiencing the finer things in life.

3.3.3 Activities

Figure 3.10 indicates the top activities undertaken by visitors in the WCD.

Figure 3.10
TOP TOURIST ACTIVITIES UNDERTAKEN, West Coast District, 2019



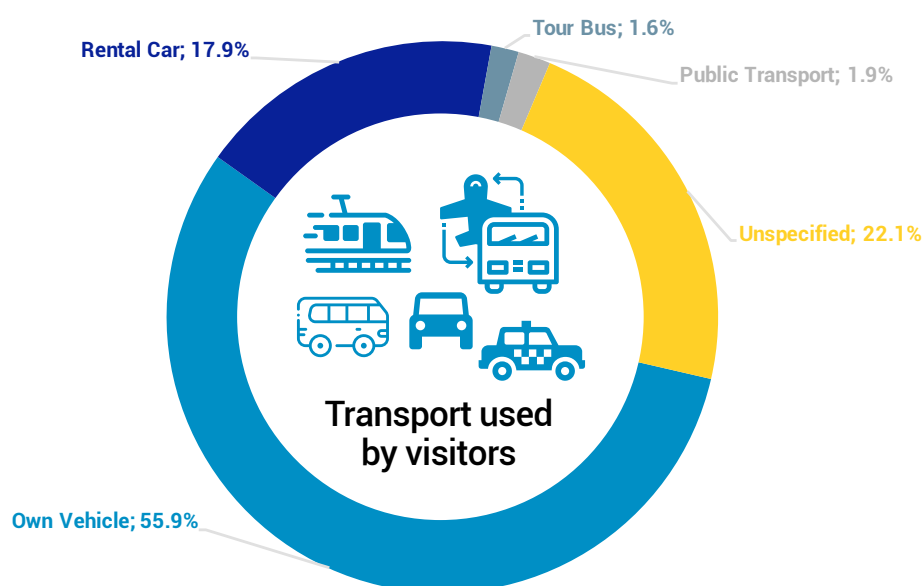
Source: Wesgro, 2020

The region is unique and is a prime birding destination. The top five most popular activities in the region are scenic drives at 24.4 per cent, followed by culture/heritage at 16.5 per cent, cuisine at 15.3 per cent, the flowers at 8.5 per cent and wine tasting at 8.2 per cent. Top scenic drives fall under six main routes, namely the Cultural Route, Foodie Route, Tractor Route, Berg Route, Wild Route and Cape Way Route. Cultural tourism activities include the new Heritage Walk in Mamre, a visit to the !Khwa ttu San Culture and Education Centre and the West Coast Way Culture Route. For those who would like to have a taste of the destination, there is Route 27 Roosterkoek, Weskus Spens Padstal, The Hart Bistro & Eatery, Kokerboom Kaas and more.

Figure 3.11 shows that 55.9 per cent of visitors use their own vehicle to travel to the WCD, while 17.9 per cent use rental cars to travel. The large network of gravel roads in the WCD can be a constraint in promoting tourism, particularly for international tourists, who mainly travel with rental vehicles²¹ (59.4 per cent).

Figure 3.11

MODE OF TRANSPORT USED BY VISITORS, West Coast District, 2019



Furthermore, the development of the coastal route has brought greater awareness to the coastal attractions for the region, and leveraging this opportunity could increase the number of tourists to the District. As the region is popular for the range of routes it offers, road quality and maintenance are important to ensure visitor safety. It is also important to have adequate directional and tourism signage implemented on all main tourism roads.

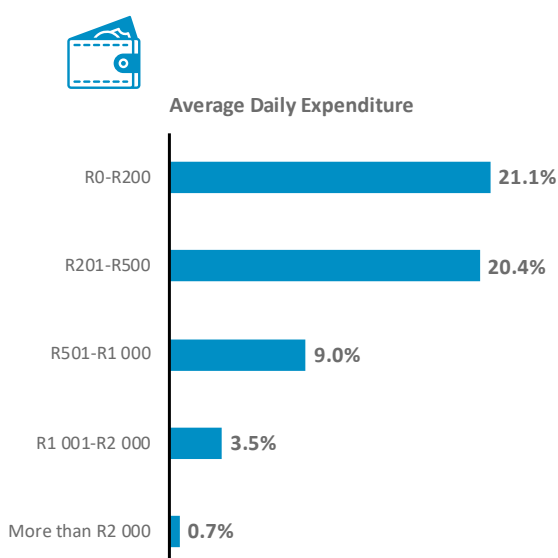


²¹ (Bergrivier Municipality, 2020).

3.3.4 Visitor spend

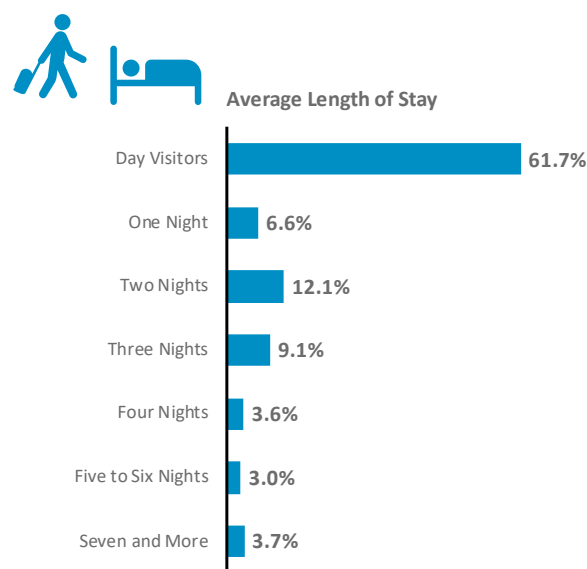
Figure 3.12 provides an overview of the daily expenditure by visitors to the WCD in 2019.

Figure 3.12
AVERAGE DAILY
EXPENDITURE BY VISITORS,
West Coast District, 2019



Source: Wesgro, 2020. Note: 45.3 per cent of responses were unspecified.

Figure 3.13
AVERAGE LENGTH OF
STAY BY VISITORS,
West Coast District, 2019



Source: Wesgro, 2020. Note: 0.2 per cent of responses were unspecified.

About 0.7 per cent of visitors to the WCD spend more than R2 000 per day, while approximately 50.5 per cent of visitors spend less than R1 000 per day in the region. This suggests the need to motivate visitors so that they can increase expenditure patterns in the region per day to R500. This will have an economic impact per visitor considering similar spending patterns recorded for both international and domestic visitors.

Figure 3.13 shows the majority of visitors only spend two to three nights in the region, while 6.6 per cent of visitors only stay for one night and a small portion of visitors stay for longer.

It can be noted that the region needs to motivate for longer stays along with increasing spending patterns, as this will be beneficial for economic activity in the WCD. The length of stay is one of the key elements in a tourist's decision-making process and is of great importance for the tourist destination. Destination managers should consider that tourist time availability for travel, their country of origin, age and occupation, as well as the type of destination, can be relevant for the length of stay. What should also be considered is that the length may reduce when prices are higher, the income is lower and the tourist has less time available for travel²².

In addition, most overnight visitors in the region tend to stay in self-catering accommodation (37.4 per cent), followed by guest houses (24.5 per cent) and B&Bs (13.3 per cent). The WCD has a lot of potential to grow and diversify the tourism stay (e.g. homestays) and aiming to increase the use of formal accommodation (through special cost packages and off-season specials) will increase tourism spend in the region.

²² (Breda University of Applied Sciences, n.d.).

3.4 GROWTH OPPORTUNITIES AND RISKS


This section analyses the comparative advantage of the various economic sectors within the WCD by exploring the historic growth of the respective sectors to identify growth opportunities as well as potential risks for the district economy. The section will also explore sector linkages for the identified opportunities through a network analysis to potentially maximise trade potential.

3.4.1 Comparative advantage

This subsection determines the level of specialisation in the different economic sectors of the WCD by using a location quotient. The location quotient is defined as a ratio between two economies (in this case, the provincial and district economies) that indicates whether the District is importing, is self-sufficient or is exporting goods and services from a particular sector. In determining the level of specialisation of different economic sectors and understanding local trade dynamics in the WCD, it is important to note that a location quotient of more than one indicates that a comparative advantage exists in the local economy compared with the provincial economy, whereas a location quotient of less than one indicates that the representation of the industry is weaker in the local economy than in the provincial economy. Notably, a location quotient of one indicates that the representation of the industry in the local economy is the same as its representation in the Province.

Table 3.3 illustrates a detailed classification and interpretation of the location quotient that will be adopted for this section.

Table 3.3
LOCATION QUOTIENT INTERPRETATION, West Coast District, 2018

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, 2020

It is important to note that a location quotient does not consider external factors such as government policies, investment incentives, proximity to markets, etc., which can influence the comparative advantage of an area in a particular economic space. Moreover, the location quotient does not necessarily mean that the sector is small or large in the local economy, nor does it indicate the value of importance, but indicates the relative importance of the local economy to the provincial economy. A value between 0.75 and 1.24 does not necessarily indicate that the local economy is exporting a good or service, nor does it indicate that local needs are not being met²³.

²³ (City of Madison, 2006).

Table 3.4 provides the location quotient for the WCD in terms of GDPR and employment.

Table 3.4
LOCATION QUOTIENT IN TERMS
OF GDPR AND EMPLOYMENT,
West Coast District, 2018



SECTOR	In terms of GDPR	In terms of Employment
PS Primary Sector		
Agriculture, forestry & fishing	5.1	3.8
Mining & quarrying	4.1	3.5
SS Secondary Sector		
Manufacturing	1.4	0.9
Electricity, gas & water	0.7	0.6
Construction	0.9	0.6
TS Tertiary Sector		
Wholesale & retail trade, catering & accommodation	0.9	0.7
Transport, storage & communication	0.7	0.6
Finance, insurance, real estate & business services	0.4	0.5
General government	0.9	0.8
Community, social & personal services	0.9	0.7

Source: Quantec Research, 2020

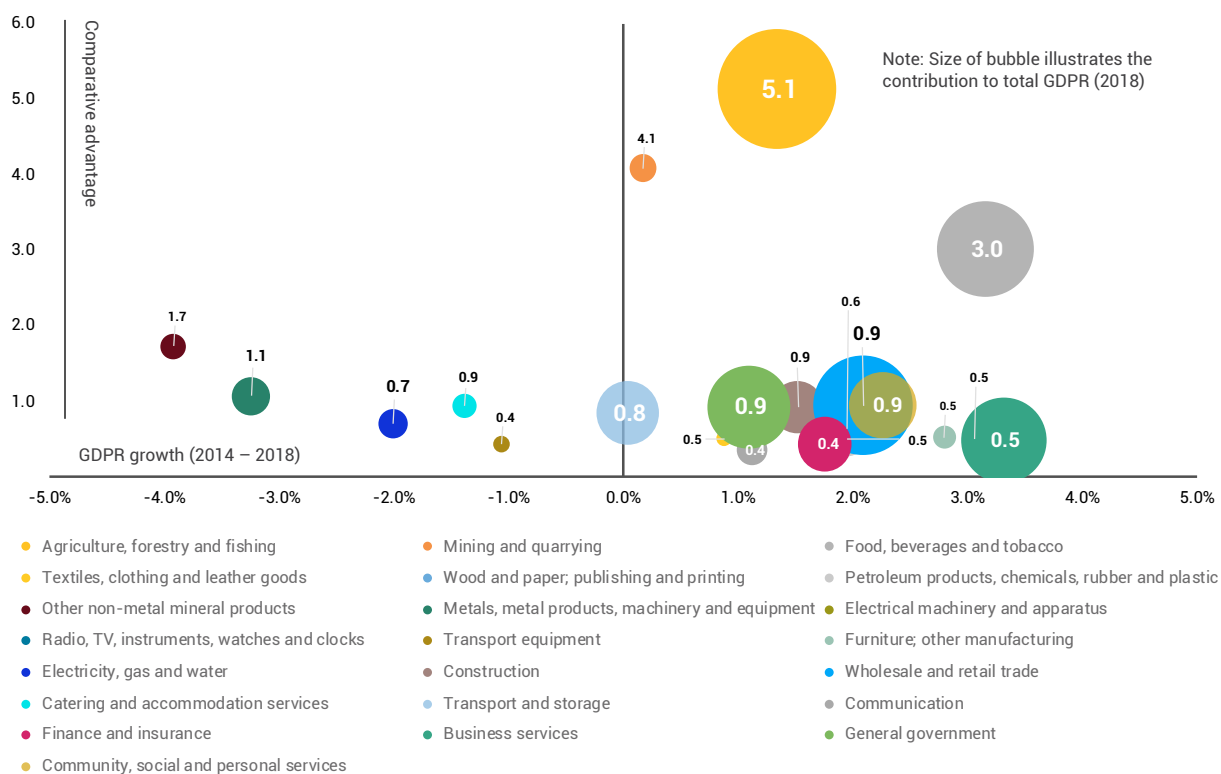
In 2018 the WCD had a high location quotient for two sectors, namely the agriculture, forestry and fishing sector and the mining and quarrying sector, for both GDPR and employment. This indicates that the District has comparative advantage in these sectors, and growth in the WCD can potentially be achieved through leveraging and fostering the development of these sectors. Because the mining and quarrying sector does not have a significant contribution to GDPR, the high location quotient in the mining and quarrying sector emphasises the lack of mining resources in the broader Western Cape. Most mining activities in the WCD occur in the Matzikama municipal area, where gypsum, quicklime, heavy mineral sands and diamonds are mined along the coast. The manufacturing sector for the District also indicates a high location quotient (1.4) for GDPR, which suggests a comparative advantage for the District in this sector. However, in terms of employment, the manufacturing sector indicates a low location quotient (0.9) for this sector, which implies that the manufacturing sector is capital-intensive in the District.



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

Figure 3.14

COMPARATIVE ADVANTAGE AND SECTORAL GDPR GROWTH, West Coast District, 2018



Note: Size of bubble illustrates the contribution to total GDP (2018)
Source: Quantec Research, 2020

Opportunities are identified in sectors that have above-average GDPR growth and a medium to high comparative advantage. Sectors in the WCD that have opportunities for development include:

Table 3.5

SECTORS WITH DEVELOPMENT OPPORTUNITIES, West Coast District, 2018

SECTOR	R million value 2018	GDPR trend 2014 – 2018	Number of jobs 2018	Average annual change in employment 2014 – 2018	Average gross fixed capital formation growth 2014 – 2018
Agriculture, forestry & fishing	5 841.5	1.3%	70 060	714	-3.1%
Food, beverages & tobacco	4 697.8	3.2%	9 397	262	0.8%

Source: Quantec Research, 2020

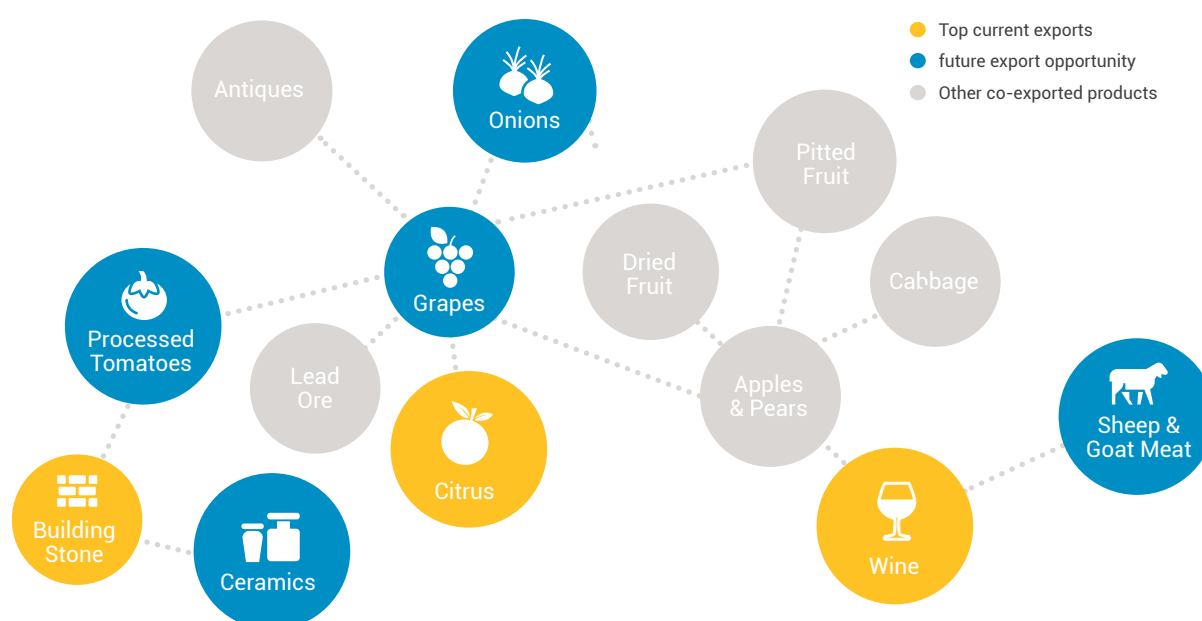
Agriculture & agro-processing

With a location quotient of 5.1, the agriculture, forestry and fishing sector and its value chain hold significant potential for development in the WCD. Some of the main crops in the District include wheat, wine grapes, potatoes and citrus. The Cederberg municipal area is also well known for its rooibos production. Sheep farming also occurs in the Saldanha Bay, Swartland and Bergrivier municipal areas. In addition, the fishing sector plays a valuable role in contributing to the livelihoods of households in the coastal towns of the District.

Positively, agro-processing, as represented by the food, beverage and tobacco sector, contributes R4.7 billion to the local economy and has a location quotient of 3.0, indicating a high comparative advantage in this sector. Agro-processing in the WCD includes activities such as fish and aquaculture processing, wine-making, juice-making, wheat processing, tea processing, tomato processing and raisin-making. This sector has experienced above-average growth (3.2 per cent) and created on average 262 new jobs per annum between 2014 and 2018. The size and performance of this sector indicates a well-developed agriculture industry value chain in the WCD. As seen in preceding chapters, this sector has nevertheless contracted in recent years, mainly as a result of the provincial drought. The challenges of the sector are also evident through the contraction of investment in this sector. However, improved rainfall and projects such as the raising of the Clanwilliam Dam wall should have significant positive impacts on the production capabilities of the WCD.

The agriculture, forestry and fishing sector also contributes significantly to exports from the District. Additional opportunities for promoting exports from the WCD can be highlighted by analysing products that are likely to be co-exported²⁴. Diagram 3.1 illustrates the products that are likely to be co-exported based on the main agricultural sector export from the District (citrus). Districts are expected to continue to export products in future that are related to current exports²⁵.

Diagram 3.1
CO-EXPORTS POTENTIAL, West Coast District, 2018



Source: Extracted from the Observatory of Economic Complexity (OEC), 2020

²⁴ Products that are co-exported often use similar or the same distribution channels.

²⁵ (Observatory of Economic Complexity, 2020).

From Diagram 3.1 it is evident that the primary production activities in the WCD provide significant potential for promoting exports. The WCD exported grapes to the value of R6.7 million in 2019. Products that are typically co-exported with grapes include processed tomatoes and onions. Approximately 21.3 per cent of the hectares under onion production in the Western Cape are in the WCD²⁶. However, export volumes of onions exported from the District are insignificant. Most onion production in the WCD occurs in the Bergrivier and Cederberg municipal areas, and access to markets may therefore be one of the main challenges in promoting exports owing to the remoteness of these areas.

Another product that is typically co-exported with wine is sheep and goat meat. Despite the numerous sheep-farming activities in the area, there are no exports of meat from the District. There is therefore potential to explore this value chain further in order to promote meat exports. In 2019, the Western Cape exported sheep and goat meat to the value of R12.6 million, mainly to St Helena (R3.5 million), Ethiopia (R2.0 million) and Ghana (R2.0 million). Some of the main requirements in promoting meat trade are food safety and cold-chain facilities.

3.4.2 Risks

Risks are identified in industries where there is a medium to high comparative advantage but poor growth.

Table 3.6
SECTORS WITH RISKS,
West Coast District, 2018

SECTOR	R million value 2018	GDPR trend 2014 – 2018	Number of jobs 2018	Average annual change in employment 2014 – 2018	Average gross fixed capital formation growth 2014 – 2018
Mining & quarrying	301.4	0.2%	415	-8	2.2%
Other non-metal mineral products	172.0	-3.9%	875	13	-3.4%
Metals, metal products, machinery and equipment	529.7	-3.2%	2 099	-35	-4.5%

Source: Quantec Research, 2020

Mining and quarrying

With a location quotient of 4.1, the WCD also has a comparative advantage in the mining and quarrying sector and its associated non-metal mineral products manufacturing sector. The mining and quarrying sector has been stagnant, growing at an average of 0.2 per cent per annum, while the non-metal mineral products sector has been contracting at an average annual rate of 3.9 per cent. The WCD exported building stone worth R31.7 million in 2019. Exports of building stone are often co-exported with ceramics, which are value-added products of mineral sand mining, which currently occurs in the Matzikama municipal area. In order to unlock the future potential development of mining and mining beneficiation in the WCD, an investment attraction strategy needs to be put in place. However, the environmental consideration of increased mining activities along the coast needs to be considered, since the coastline of the WCD also holds unique tourism potential.

²⁶ (WCDa, 2018).

Metals, metal products, machinery and equipment

A considerable risk to the economy of the WCD, and particularly that of the Saldanha Bay municipal area, is the poor performance of the metals, metal products, machinery and equipment sector. This sector is valued at R529.7 million but contracted by an estimated 3.2 per cent per annum between 2014 and 2018. The closure of the ArcelorMittal Saldanha Works plant emphasises the poor performance of this sector. Challenges that have affected the industry include increased iron ore and coal costs, electricity shortages and product price volatility.

3.4.3 Investments

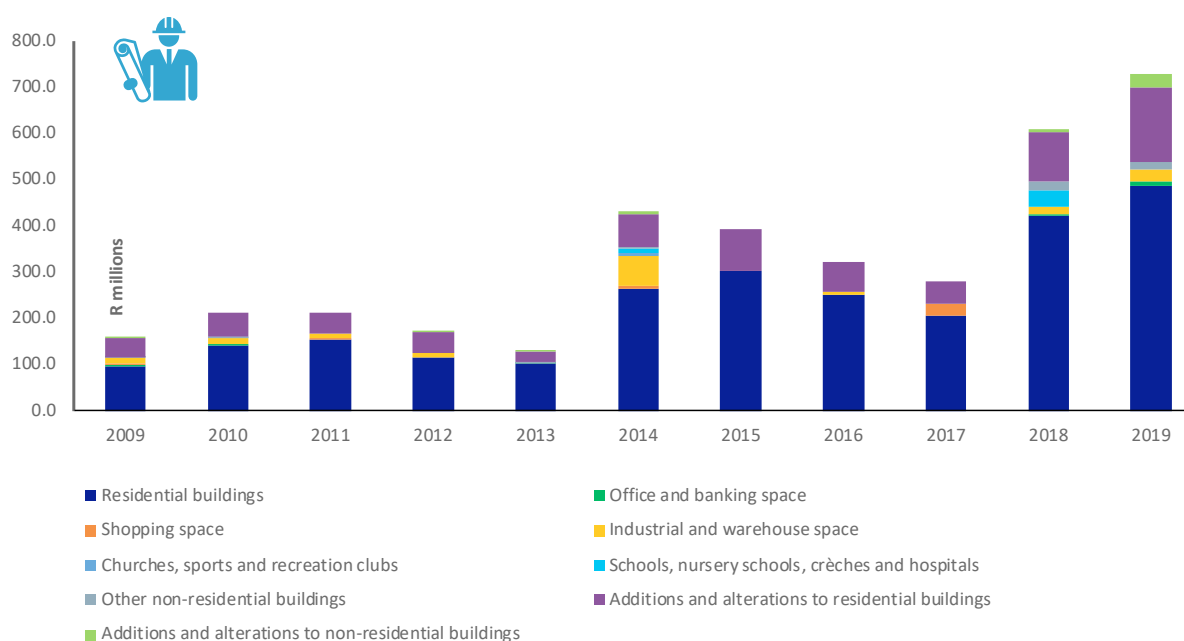
This subsection discusses various forms of investments occurring in the WCD, including building plans passed and completed, new investments from prominent local companies and a consolidated overview of municipal spending on contracted services.

3.4.3.1 Building plans passed and completed

Building plans passed and completed are some of the indicators that are used to measure economic activity and business cycle changes. The value of building plans passed²⁷ can be used as a leading indicator, while building plans completed²⁸ can be used as a lagging indicator. Building plans passed and completed have further implications for municipal spatial planning and budgeting. Statistics SA's information on building plans passed and completed is only available for selected municipalities, namely the Saldanha Bay and Swartland municipal areas.

Figure 3.15 indicates the total value of building plans passed between 2009 and 2019 in the Saldanha Bay municipal area.

Figure 3.15
VALUE OF BUILDING PLANS PASSED, Saldanha Bay, 2009 – 2019 (R million)



Source: Stats SA & Quantec Research, 2020

²⁷ Number of residential building plans passed larger than 80 m².

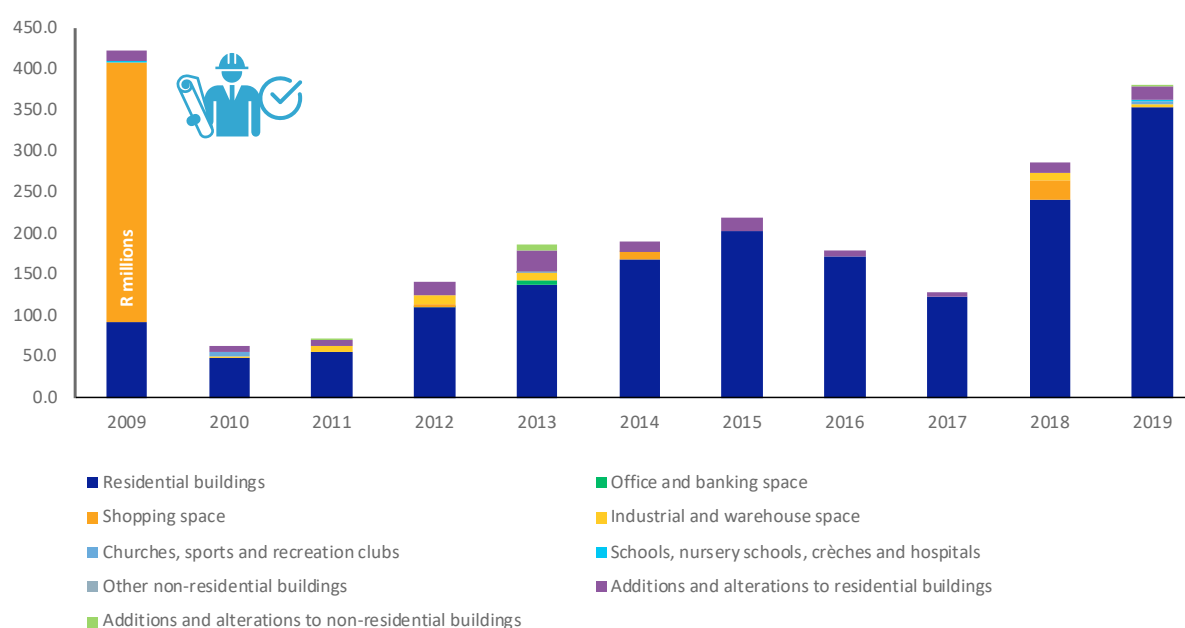
²⁸ Value of non-residential buildings completed (constant prices).

For the entire period under review, the greatest value of building plans passed in the Saldanha Bay municipal area was for residential buildings, followed by additions and alterations to residential buildings. Between 2017 and 2018, the value of building plans passed for residential buildings surpassed that of additions and alterations, indicating that the economy in the municipal area is growing, resulting in a higher purchasing power of households as a result of the demand for newly built houses in the municipal area. In 2019, the value of building plans passed increased by R119.4 million from R608.2 million in 2018 to R727.6 million.

Although the number of building plans is indicative of demand, a more reliable means of establishing the ability of people within the economy to finance the completion of these buildings is by assessing the number of completed buildings, which is illustrated in Figure 3.16.

Figure 3.16

VALUE OF BUILDING PLANS COMPLETED, Saldanha Bay, 2009 – 2019 (R million)



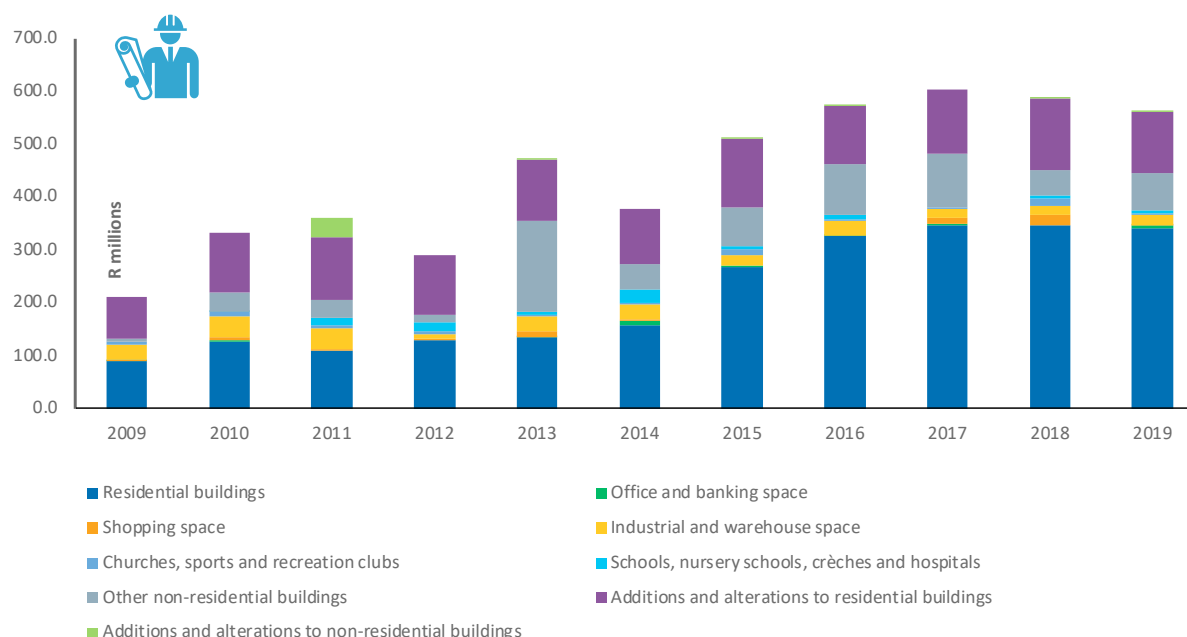
Source: Stats SA & Quantec Research, 2020

Between 2009 and 2019, the completion of building plans in the municipal area was mainly driven by residential buildings, followed by additions and alterations to residential buildings. It is worth noting that there was a significant increase in the value of building plans completed for shopping space in 2009 worth R315.0 million.

Despite the construction sector's estimated GDP contraction of 3.6 per cent in 2019, the value of building plans completed in the municipal area increased by R93.6 million from R286.7 million in 2018 to R380.3 million in 2019. Most of the building plans completed in the Saldanha Bay municipal area in 2019 were for residential buildings. This suggests some form of economic activity and business cycle activities taking place in the municipal area as a result of the increase in the value of residential buildings passed during the period.

Figure 3.17 shows the building plans passed in the Swartland municipal area between 2009 and 2019.

Figure 3.17
VALUE OF BUILDING PLANS PASSED, Swartland, 2009 – 2019 (R million)



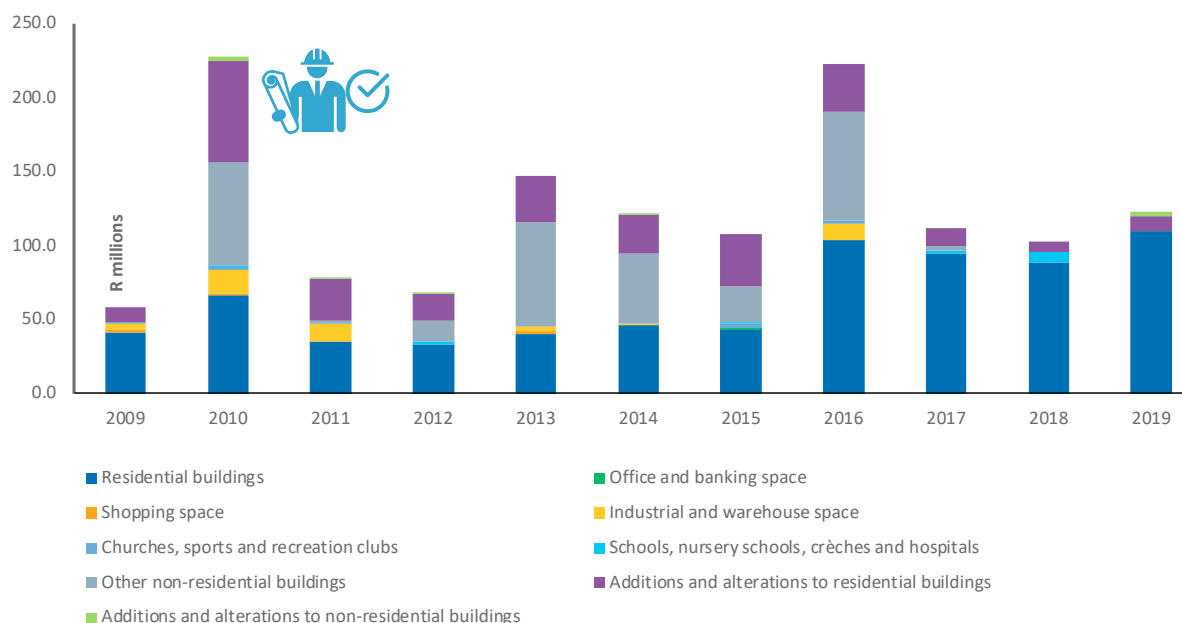
Source: Stats SA & Quantec Research, 2020

In line with the trend that has been observed between 2009 and 2019, the building plans passed in the Swartland municipal area were mainly driven by residential buildings, followed by additions and alterations to residential buildings and, lastly, other non-residential buildings. There was a significant increase in other non-residential buildings in 2013, valued at R171.0 million. In the Swartland municipal area, the value of building plans passed declined by R22 million from R586.2 million in 2018 to R564.2 million in 2019. This is evident from the estimated growth contraction of 3.1 per cent in the construction sector.



Figure 3.18 indicates the building plans completed in the Swartland municipal area between 2009 and 2019.

Figure 3.18
VALUE OF BUILDING PLANS COMPLETED, Swartland, 2009 – 2019 (R million)



Source: Stats SA & Quantec Research, 2020

For the entire period under review, the building plans completed in the Swartland municipal area were mainly driven by residential buildings, followed by additions and alterations to residential buildings and other non-residential buildings. Moreover, there was a significant increase, which was short-lived, and the completion of other non-residential buildings significantly declined after 2016.

The value of building plans completed increased by R19.4 million from R103.0 million in 2018 to R122.4 million in 2019. Furthermore, the building plans completed in 2019 included other non-residential buildings, additions and alterations to residential buildings and additions and alterations to non-residential buildings. The number of building plans completed increased despite the contraction in the municipal area's construction sector. It is worth noting that building plans passed indicate the private sector's willingness to invest in an area, while business plans completed highlight money that has been spent.

3.4.3.2 Private sector investment

The WCD has experienced noteworthy investment that has the potential to enhance foreign direct investment and expand private sector investment in the District. In the Saldanha Bay municipal area, job creation and economic growth remain a priority with regard to economic development. In this regard, efforts have been made with respect to the formation of a task team that will focus all its efforts on mitigating the impact on the possible closure of the ArcelorMittal South Africa plant in Saldanha Bay²⁹. As a result, the construction of the facility by a local investor will see West Coast Corrosion Protection nearly double its workforce as it positions itself to grow its already established business with the support of the Saldanha Bay Industrial Development Zone SOC Ltd (SBIDZ) and the SEZ Fund in the SEZ Programme.

²⁹ (Wesgro, 2019).

In terms of the construction sector in the municipal area, the construction of two more tenant buildings in the SBIDZ is a pivotal moment in the SBIDZ's journey as it becomes a real and firm fixture on the West Coast. This has been observed by the new improved road networks, the Access Complex and the serviced port land³⁰. Moreover, in the Saldanha Bay municipal area, progress has been made with regard to investment agreements, considering that the SBIDZ has to date signed 11 lease agreements with an investment value of more than R3.0 billion. Moreover, an investment pipeline of 60 investors continues to be explored, with a selection of key potential investments in active conversation.

With job creation and economic growth being the priority in the Saldanha Bay municipal area, it should be noted that the skills programmes initiated in the SBIDZ that focus on enterprise and contractor development have created a total of 2 199 individual training opportunities, with 88.0 per cent of learners having already graduated. The agriculture, forestry and fishing sector has also experienced noteworthy investments, with the Western Cape Agribusiness Investment Unit securing several agribusiness investment deals worth R350.0 million and this is expected to create 525 direct jobs for the Western Cape economy³¹.

The Department of Environment, Forestry and Fisheries has conditionally approved the Boulders wind farm project on the West Coast Peninsula near Paternoster, St Helena Bay and Vredenburg. It is anticipated that the Boulders wind farm project will strengthen the existing electricity grid for the area, contributing to the national energy target and helping the Government achieve its proposed renewable energy target³². Moreover, this type of investment is expected to create more than 900 job opportunities during the two-year construction phase and up to 60 jobs in the operational phase of the wind farm. Furthermore, investments in the pipeline such as the new Saldanha Bay crude oil terminal that has been commissioned will be equipped to blend crude oil and be connected to an existing jetty that can handle very large crude carriers. The crude oil terminal is a joint venture between Oiltanking GmbH, MOGS (Pty) Ltd and Industrial Development Corporation of South Africa Ltd (IDC), and will result in new economic opportunities in the District.

GROWTH POTENTIAL

The development of the IDZ will have a direct and continuous impact on transport in the region. It will have an impact on the road network and the capacity thereof. Freight transport via road and rail will also play a major role in supporting the development of the IDZ. The N7 and R27 are two major corridors in the West Coast and are major distributors of people, goods and services from the WCDM to other municipalities within the Western Cape, to other provinces as well as across borders.



³⁰ (Koen, 2019).

³¹ (Western Cape Government, 2019).

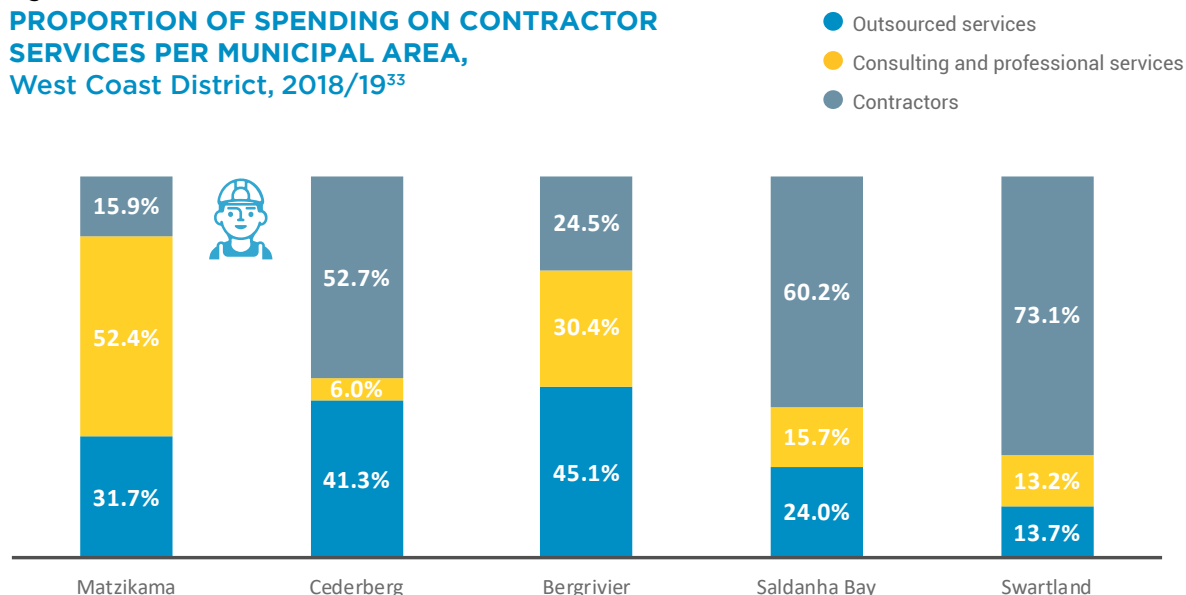
³² (GroundUp, 2020).

3.4.3.3 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 3.19

PROPORTION OF SPENDING ON CONTRACTOR SERVICES PER MUNICIPAL AREA, West Coast District, 2018/19³³



Source: National Treasury, 2019

The Matzikama Municipality spent approximately R9.6 million on contracted services, the bulk of which included consulting and professional services. These are mainly business and advisory services (R3.3 million). The municipality also spent approximately R1.5 million on contractors, most of which (88.6 per cent) was for the maintenance of assets.

Most of the R58.6 million the Cederberg Municipality spent on contracted services went towards contractors (52.7 per cent) and outsourced services (41.3 per cent). The municipality spent R24.2 million on housing in 2018/19, which made up the bulk of outsourced services. Spending on contractors was mainly on the maintenance of assets (R7.8 million).

The Bergrivier Municipality spent R16.3 million on contracted services, mainly on outsourced services (45.1 per cent). This includes spending on communication services (R1.0 million) and refuse removal (R3.9 million). The municipality also spent R5.0 million on consultants and professional services, mainly for accounting and auditing service (40.1 per cent).

The Saldanha Bay Municipality spent approximately R94.0 million on contracted services in 2018/19. Most of this spending included R11.8 million for building contractors and R34.7 million for the maintenance of assets. The bulk of the spending on outsourced services (54.5 per cent) went towards security services.

³³ 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 one-off or temporary basis. Contractors are used for services that are not the core business of the municipality.

In 2018/19, the Swartland municipal area spent R86.1 million on contracted services, most of which (73.1 per cent) was spent on contractors. This included R30.1 million on the maintenance of assets and R27.2 million on the construction of low-cost housing.

It is evident that municipal spending on contracted services in the WCD has resulted in a valuable injection into the construction sector. There are therefore opportunities for local SMMEs to benefit from municipal contracting, particularly for services such as security and maintenance. By using local enterprises for outsourced services, a multiplier effect in the economy of the municipality is generated, as opposed to using contractors from outside the municipal area. Most municipalities have enterprise development initiatives that support emerging contractors:

- The Matzikama Municipality has 50 SMMEs registered on its supplier database and facilitates training sessions as well as linking SMMEs to government and private sector support programmes. Other services provided by the municipality aimed at supporting SMMEs include funding facilitation, promoting and facilitating technical partnerships, and developing small business opportunities through research and feasibility studies³⁴.
- In 2018/19 the Cederberg Municipality provided training in an effort to build the capacity of SMMEs and contractors.
- The Bergrivier Municipality has 293 SMMEs registered on the municipal supplier database as well as the Central Supplier Database (CSD). However, it is estimated that there are a total of 424 SMMEs in the municipal area, with a significant number of construction SMMEs that are not registered. Efforts are being made to ensure that these construction SMMEs become compliant and register³⁵. Furthermore, the municipality also revised its Supply Chain Management Policy to enable the promotion of local economic development while still being compliant with legislation. In terms of SMME support, the Bergrivier municipal area provides training and networking opportunities, access to the Supplier Database as well as the Provincial and National Databases, and organises open days that focus on financial institutions and other relevant role players that can be of assistance³⁶.

The West Coast Development Centre also plays a valuable role in enterprise and supplier development activities by assisting SMMEs with training, ensuring that SMMEs can tender for contracts with established businesses and providing business advice and counselling.



³⁴ (Matzikama Municipality, 2020).

³⁵ (Bergrivier Municipality, 2020).

³⁶ (Bergrivier Municipality, 2020).

3.5 CONCLUDING REMARKS

The WCD maintained a positive trade balance between 2009 and 2019, which was largely due to the trade surplus realised in the manufacturing and agriculture, forestry and fishing sectors. Although the positive trade balance was maintained in 2019, the District showed diminishing trends in terms of trade, as the trade balance declined from R4.5 billion in 2018 to R3.4 billion in 2019.

In 2019, imports in the District were valued at R3.0 billion and were mostly imported into the Saldanha municipal area. Some of the main imports were iron ores, mineral fuels and electrical machinery. Exports in the District were valued at R6.4 billion in 2019 and the main exported goods from the WCD were iron and steel. Furthermore, other important exports from the region were citrus fruit and wine from fresh grapes.

In terms of tourism, the region is ranked as the strongest driver for travel, with about 80.2 per cent of visitors primarily travelling for leisure. The WCD attracts a combination of international visitors, with Germany and the United Kingdom representing the greater portion of the overseas market. Domestically, the majority of visitors are from the Western Cape, followed by Gauteng, Mpumalanga and KwaZulu-Natal. The West Coast is the perfect holiday destination owing to its diverse tourism offerings that include nature, wildlife, adventure and entertainment. Visitors are spoilt for choice when it comes to the types of accommodation, range of activities and attractions, and hospitality services. As the WCD caters largely for the independent/self-drive traveller, it is important that the right infrastructure is in place for the provision of tourism amenities, quality roads and sufficient road and tourism signage.

Growth opportunities in the District are predominantly within the manufacturing and agriculture, forestry and fishing sectors, which exhibit a comparative advantage for GDP and employment. Notably, key investments in the District that are expected to enhance growth in the region include West Coast Corrosion Protection, the Boulders wind farm project on the West Coast, the Saldanha Bay crude oil terminal and investment in the provincial agriculture, forestry and fishing sector.





4

MUNICIPAL SOCIO- ECONOMIC ANALYSIS

4.1 INTRODUCTION

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

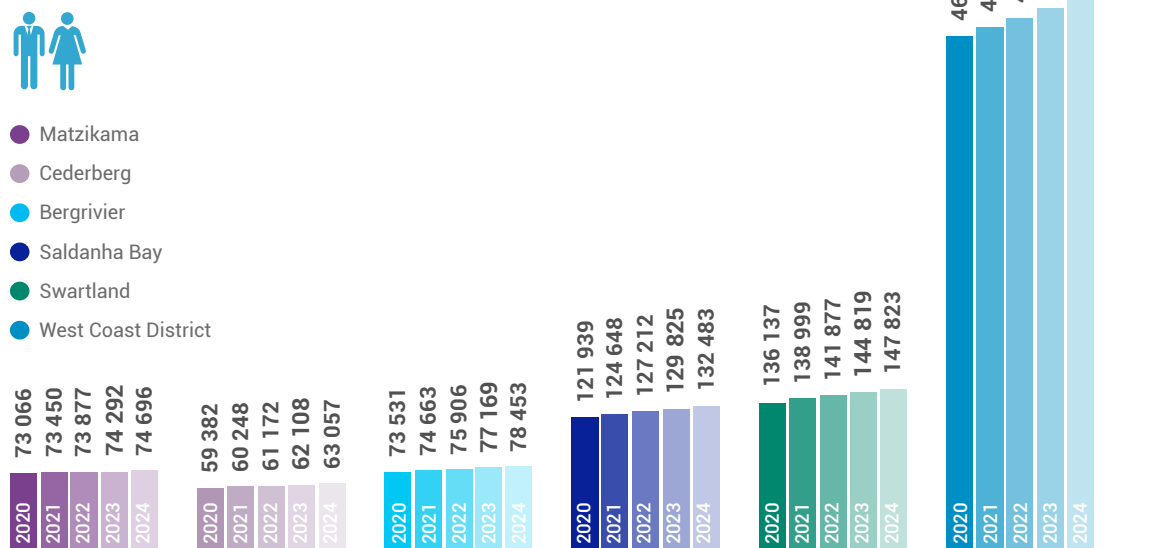
The key indicators that are used in the socio-economic analysis include the population growth rate, GDP per capita, household income, Gini coefficient, Human Development Index (HDI), educational development and dwellings. These indicators are discussed in detail in the sections below.

4.2 POPULATION PROFILE

Figure 4.1 illustrates the future population growth for the West Coast District.

Figure 4.1

FUTURE POPULATION GROWTH, West Coast District, 2020 - 2024



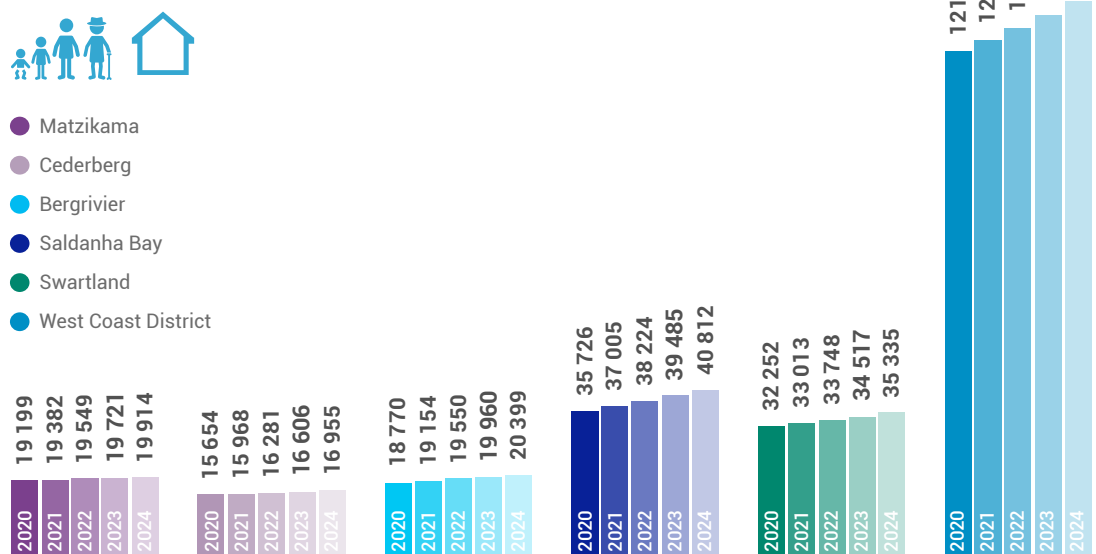
Source: Western Cape DSD, 2020

As of 2020, the District's population size was 464 056 people, with the Swartland (29.2 per cent) and Saldanha Bay (26.2 per cent) municipal areas having the highest population sizes in the WCD. The populations for the Bergrivier and Matzikama municipal areas are expected to increase between 2020 and 2024 at an annual rate of 1.7 per cent and 0.6 per cent respectively, while the Cederberg municipal area is expected to experience the lowest population growth for the reference period.

An estimated population growth of 1.7 per cent is forecast between 2020 and 2024 for the WCD, which is an increase of 32 370 people. It is expected that the population in the District will predominantly be driven by an annual average growth rate of 2.1 per cent for both the Saldanha Bay and Swartland municipal areas. All municipal areas are expected to increase in population size by an average of 1.0 per cent, except for the Cederberg municipal area.



Figure 4.2
FUTURE HOUSEHOLD
GROWTH,
West Coast District,
2020 – 2024



Source: Western Cape DSD, 2020

The WCD had 121 602 households in 2020, with most households residing in either the Saldanha Bay or Swartland municipal areas. Figure 4.2 further illustrates that households in the Saldanha Bay municipal area exceed the number of households in the Swartland municipal area. Although the Swartland has the highest population in the WCD, as shown in Figure 4.1, it does not have the highest number of households, which is not in line with a priori expectations. This suggests that the Saldanha Bay municipal area is possibly attracting smaller or single-person households and the municipal area has more economic activity compared with the Swartland, given the increase in the number of households in the Saldanha Bay municipal area. Another possible reason is due to the Saldanha Bay Industrial Development Zone, which attracts young skilled manufacturing and services employees (and semi-skilled construction and trade workers), but does not necessarily retain them, as they establish larger families in other places.

The number of households in the WCD is forecast to grow by 2.3 per cent per annum between 2020 and 2024, which is an increase of 11 579 households over the period. In the WCD, the highest household growth is expected in the Saldanha Bay municipal area, with an estimated growth of 3.4 per cent, followed by the Swartland (2.3 per cent), Bergrivier (2.1 per cent) and the Cederberg (2.0 per cent). The household growth rate, which is higher than the population growth rate, may be an indication of urbanisation taking place in the WCD.

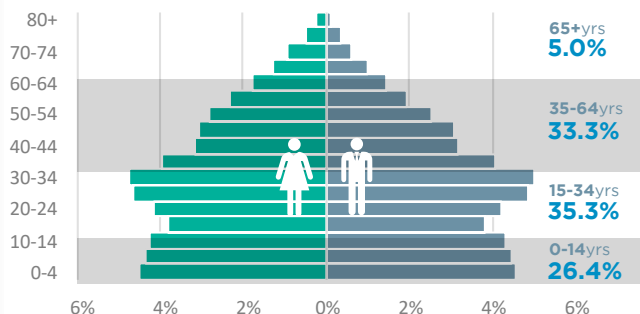


Figure 4.3 illustrates the age cohorts in the WCD and its municipal areas in 2020.

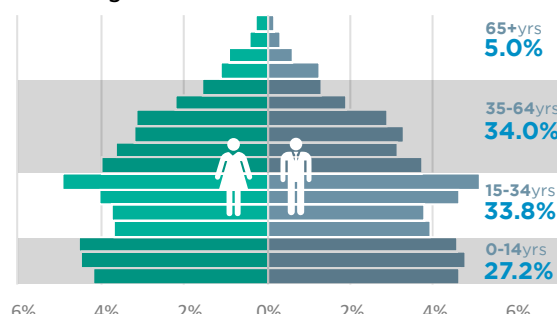
Figure 4.3
GENDER AND AGE DYNAMICS,
West Coast District, 2019



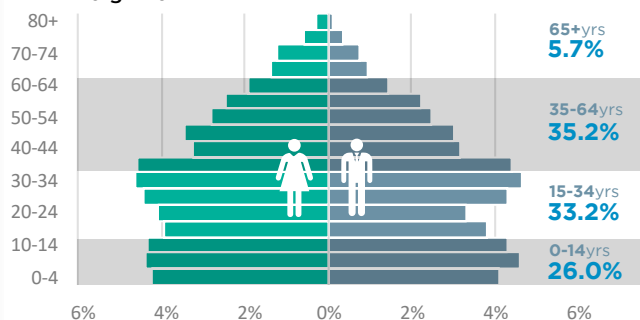
West Coast



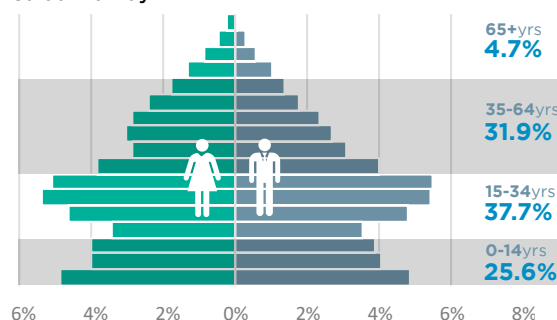
Cederberg



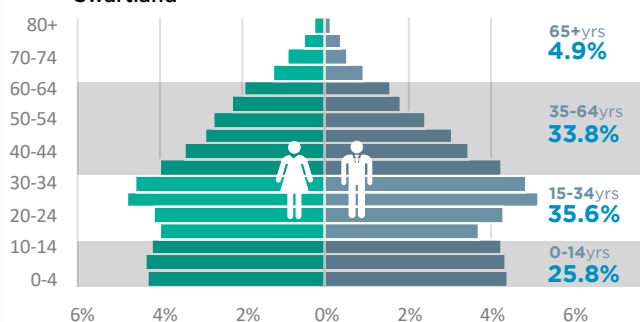
Bergervier



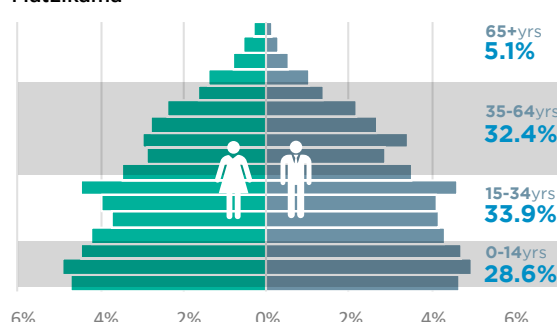
Saldanha Bay



Swartland



Matzikama



The WCD consists of more women (50.6 per cent) than men (49.4 per cent). The differences in gender distribution can largely be attributed to the relocation of males to areas that offer more economic opportunity in terms of employment. In terms of the age group, the largest share in the WCD is between 15 and 34 years (35.3 per cent), followed by 35 to 64 years (33.3 per cent), the younger population of under 15 years (26.4 per cent) and the aged, with 5.1 per cent. The distribution patterns suggest that the WCD largely comprises working-age people and has a youthful population.

The Saldanha Bay municipal area comprises more women (50.4 per cent) than males (49.6 per cent). This implies that a larger proportion of males in the region move abroad to other regions or provinces in search of greater economic opportunities. The largest share of the municipal area age group is between 15 and 34 years (37.7 per cent), followed by individuals aged between 35 and 64 years (31.9 per cent) and the younger age group of under 15 years (25.6 per cent). Individuals older than 65 make up the smallest share (4.7 per cent) of the municipal area's population.

In the Swartland municipal area, women make up about 50.5 per cent of the population. The largest age group are those between 15 and 34 years (35.6 per cent), followed by those between 35 and 64 years (33.8 per cent). The municipal area also has a relatively large child population (25.8 per cent) and a small age group of 65 and above (4.9 per cent).

The population structure for the Matzikama municipal area follows a similar pattern to the District's population structure, as it consists of more women (49.8 per cent) than men. The youth population (ages 15 to 34 years) comprises the largest share (33.9 per cent), followed by those between 35 and 64 years (32.4 per cent). The Matzikama municipal area has a small elderly population of only 5.1 per cent. However, coupled with the relatively large share of young children, the Matzikama municipal area may have a high dependency ratio.

The Bergrivier municipal area also has a larger proportion of women (51.8 per cent) than men. The largest share of the municipal area's population is between 35 and 64 years (35.2 per cent), followed by those aged between 15 and 34 years (33.2 per cent). The Cederberg municipal area also has a similar pattern to the Bergrivier municipal area, with a larger share of women (50.2 per cent) than men. The largest age group is between 35 and 64 years (34.0 per cent), followed by those aged between 15 and 34 years (33.8 per cent). In terms of those who are older than 65, the Cederberg municipal area has the same proportion (5.0 per cent) to that of the District.



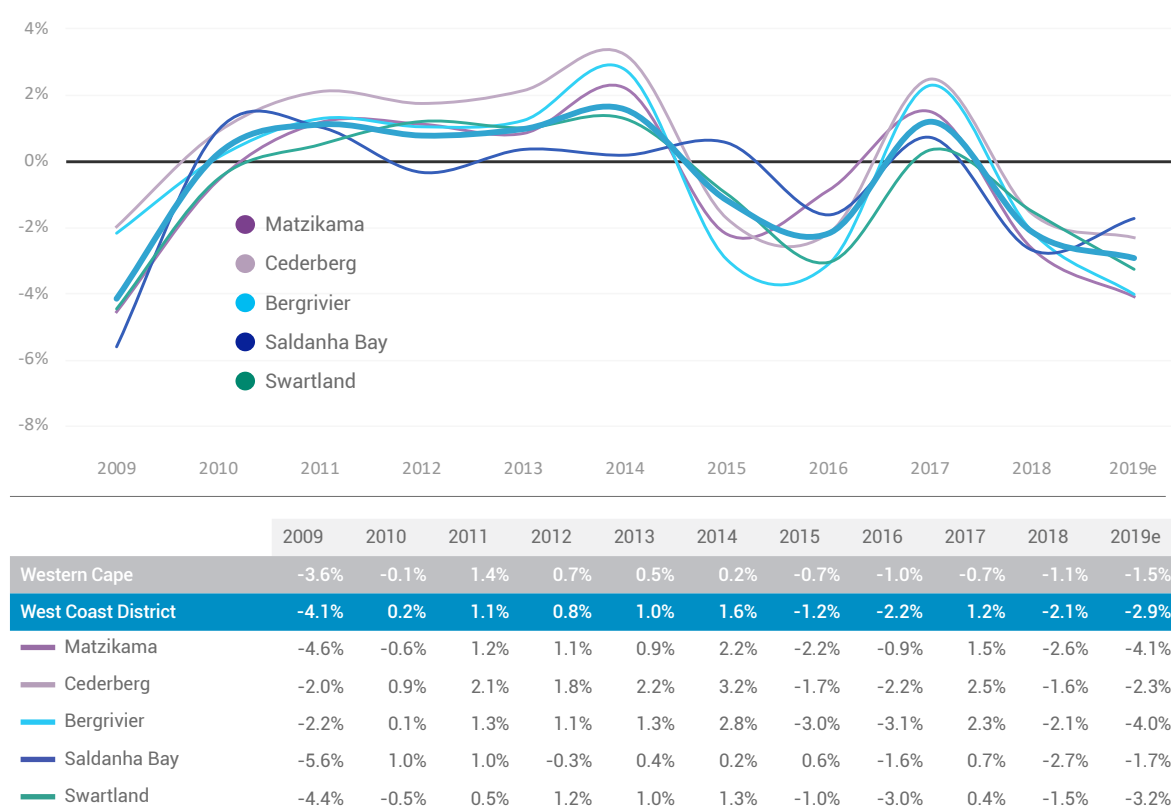
4.3 HUMAN DEVELOPMENT

4.3.1 Income

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.

Figure 4.4 shows GDPR per capita growth in the WCD between 2009 and 2019.

Figure 4.4
GDPR PER CAPITA GROWTH, West Coast District, 2009 – 2019



Source: Quantec Research, 2020 (e denotes estimate)

The District's GDPR per capita increased from R68 307.0 in 2018 to R68 685.6 in 2019, although in real terms the GDPR per capita growth has been on a downward trend. Moreover, it should be noted that the WCD's GDPR per capita growth is lower than the provincial GDPR per capita growth. In terms of labour productivity, this suggests that the WCD is showing characteristics of becoming less efficient compared with the Province.

With regard to GDPR per capita growth, all municipal areas in the District experienced contractions in growth as a result of the economic slowdown, with the Saldanha Bay and Matzikama municipal areas experiencing significant declines in growth in 2019. Moreover, during this time the ArcelorMittal steel plant in Saldanha Bay was significantly affected by a reduction in China's appetite for commodity imports.

The period between 2011 and 2014 resulted in all municipal areas in the District recovering and realising constant growth rates. The trend between 2014 and 2016 shows that the District experienced sluggish GDP per capita growth before recovering in 2017 and experiencing a contraction again in 2018. This trend is shown to persist in 2019, with the estimates indicating contractions in GDP per capita growth in all municipal areas.

Table 4.1 provides an overview of the average monthly household income in the WCD.

Table 4.1
AVERAGE MONTHLY HOUSEHOLD INCOME (CURRENT PRICES),
West Coast District, 2018

MUNICIPALITY	Average household income 2018 (current prices)	Trend 2014 – 2018
● Matzikama	R13 493	-0.2%
● Cederberg	R13 745	0.7%
● Bergrivier	R14 959	-0.1%
● Saldanha Bay	R15 268	-0.2%
● Swartland	R16 101	-0.2%
West Coast District	R14 928	-0.1%
Western Cape	R19 340	-0.4%

Source: Urban-Econ calculations based on Quantec Research, 2020

The average monthly household income in the District for 2018 was R14 928.0 (in current prices), which is lower than the average monthly household income in the Western Cape in 2018. Between 2014 and 2018, the provincial average monthly household income declined by 0.4 per cent, while the WCD decline in monthly income was about 0.1 per cent. The Swartland (R16 101.0) municipal area had the highest average household income, followed by the Saldanha Bay (R15 268.0) municipal area. Moreover, the Matzikama (R13 493.0) and Cederberg (R13 745.0) municipal areas realised the lowest average household income, but at the same time experienced the greatest improvement in the period under review, given the small initial bases. The Swartland municipal area, having the highest average household income, has largely been driven by agricultural primary production and processing in activities such as the bread and dairy value chains. This has been evidenced by the establishment of several malls in the area in the past decade.



COVID-19 IMPACT

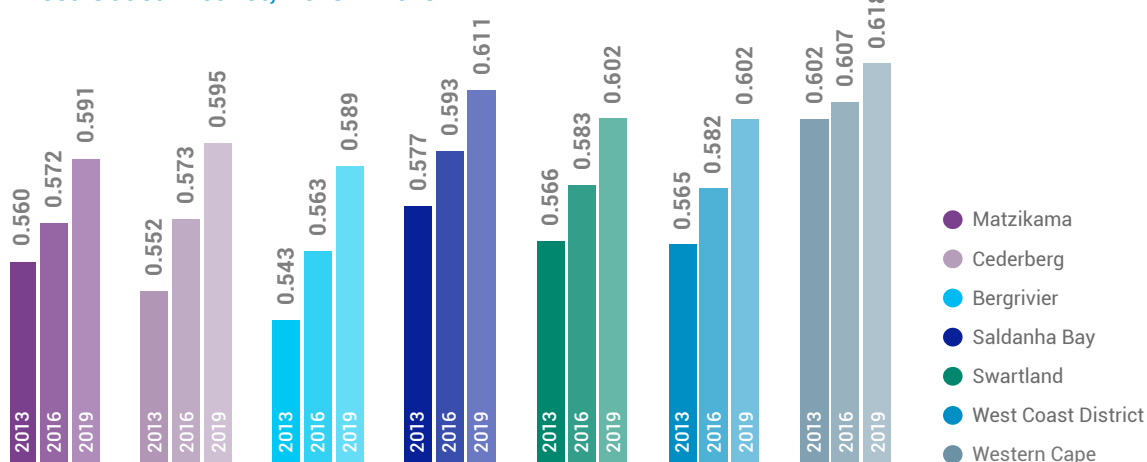
A decline in the average household income is expected, given the anticipated increase in unemployment as a result of the worsening economic conditions in 2020. The COVID-19-induced job losses were a major concern in the Bergrivier municipal area, as these would result in food insecurity, particularly for the rural areas of the Bergrivier municipal area, during the national lockdown. Fortunately, the “normal” functioning of the agricultural sector, coupled with food donations, helped to ensure that families were supplied with sufficient food³⁷.

³⁷ (Bergrivier Municipality, 2020).

Figure 4.5 illustrates the Gini coefficients for the local municipal areas in the WCD.

Figure 4.5

GINI COEFFICIENTS, West Coast District, 2013 – 2019



Source: IHS Markit, 2020

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 unequal distribution of income and wealth within an economy is estimated by using the Gini coefficient. The income inequality in the WCD is lower than that of the Western Cape for all reference periods (2013, 2016 and 2019). Of all the municipal areas within the District, Bergrivier showed the greatest increase over the reference period. This is possibly due to the fishing industry dynamics in terms of factory closures and changes in access rights of small-scale fishermen. In 2019 the Gini coefficient in the WCD was 0.602, while the provincial Gini coefficient was 0.618.

In 2019, the Gini levels for the Matzikama and Cederberg municipal areas had a similar observation, while the Saldanha Bay (0.611) and Swartland (0.602) municipal areas had the highest household income levels. The Bergrivier municipal area had the lowest income inequality in the WCD in 2019, with a Gini coefficient of 0.589.

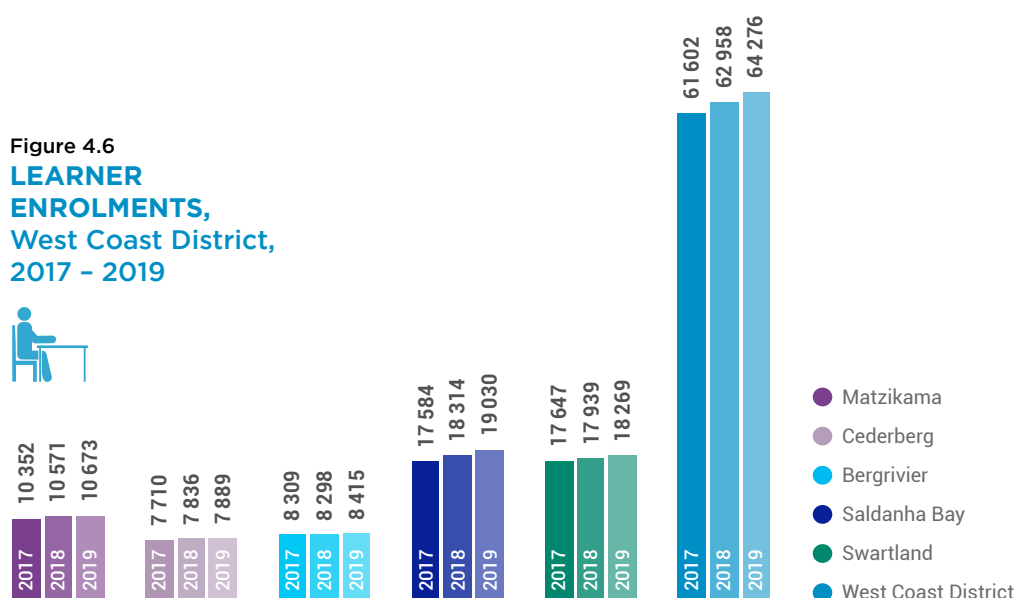


4.3.2 Education

This subsection explores the educational circumstances of households in the WCD by using data on learner enrolments, the Grade 10 to 12 retention rate, matric pass rates and learner-teacher ratios. Figure 4.6 illustrates the number of learners enrolled in schools in the WCD for 2017, 2018 and 2019.

Figure 4.6

LEARNER ENROLMENTS, West Coast District, 2017 - 2019



Source: Western Cape Education Department, 2020



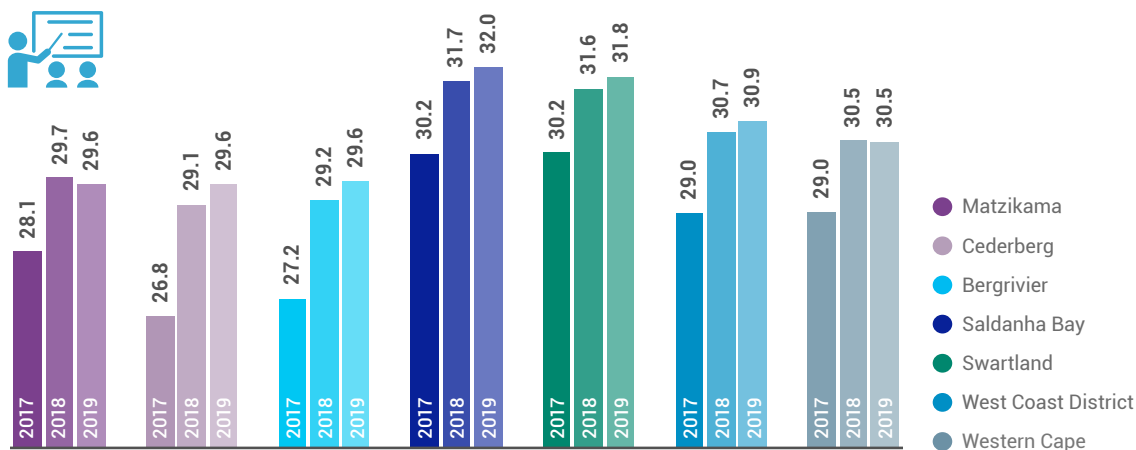
In 2019, the Saldanha Bay municipal area had the largest number of learner enrolments for the period under review, with 19 030 learners enrolled, followed by the Swartland (18 269 learners) and Matzikama (10 673 learners) municipal areas. Moreover, in the WCD the learner enrolments have shown a consistent positive trend for all municipal areas except for the Berggrivier municipal area, which did not experience a consistent positive trend for the reference period.

Between 2017 and 2019, the Saldanha Bay municipal area experienced a significant increase in the number of learners enrolled, with 1 446 learners, followed by the Swartland (622 learners), Matzikama (321 learners) and the Cederberg (179 learners). Of all the municipal areas, Berggrivier (106 learners) had the lowest increase with regard to changes in learner enrolments in the WCD.

The overall growth in learner enrolments in the WCD indicates the use of educational resources and will probably increase owing to the continued growth in learners in the WCD. Figure 4.7 compares the learner-teacher ratio of the WCD with that of the Western Cape.

Figure 4.7

LEARNER-TEACHER RATIO, West Coast District, 2017 – 2019



Source: Western Cape Education Department, 2020

According to the Organisation for Economic Co-operation and Development (2019), smaller classes contribute to a better learning environment. Over the reference period, the learner-teacher ratio in the WCD did not change substantially and the same can be said for the Western Cape learner-teacher ratio. Between 2018 and 2019, the WCD learner-teacher ratio increased from 30.7 learners per teacher to 30.9 learners per teacher. Moreover, the learner-teacher ratio in the WCD is higher than the ratio for the Western Cape.

In the Saldanha Bay and Swartland municipal areas, an increase in learner enrolments was accompanied by an increase in the learner-to-teacher ratio between 2017 and 2019. This suggests that an increase in learner enrolments resulted in an insufficient increase in teachers. This trend also persisted in 2019, as there was an increase in the learner-to-teacher ratio.

The Cederberg and Bergrivier municipal areas had the lowest growth in learner enrolment between 2017 and 2019 in the WCD. Furthermore, the Bergrivier learner-teacher ratio increased from 27.2 learners per teacher in 2017 to 29.6 learners per teacher in 2019.



Conner Baker, Unsplash

Figure 4.8 considers the retention rate in the Grade 10 to 12 phase of schools in the WCD.

Figure 4.8

GRADE 10 TO 12 RETENTION RATE, West Coast District, 2017 - 2019



Source: Western Cape Education Department, 2020

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

The retention rate between 2017 and 2018 in the WCD showed a marginal decline compared with the period between 2018 and 2019, which did not indicate a significant change. In 2019, the retention rate in the WCD was 68.7 per cent, which is higher than the provincial retention rate (66.0 per cent).

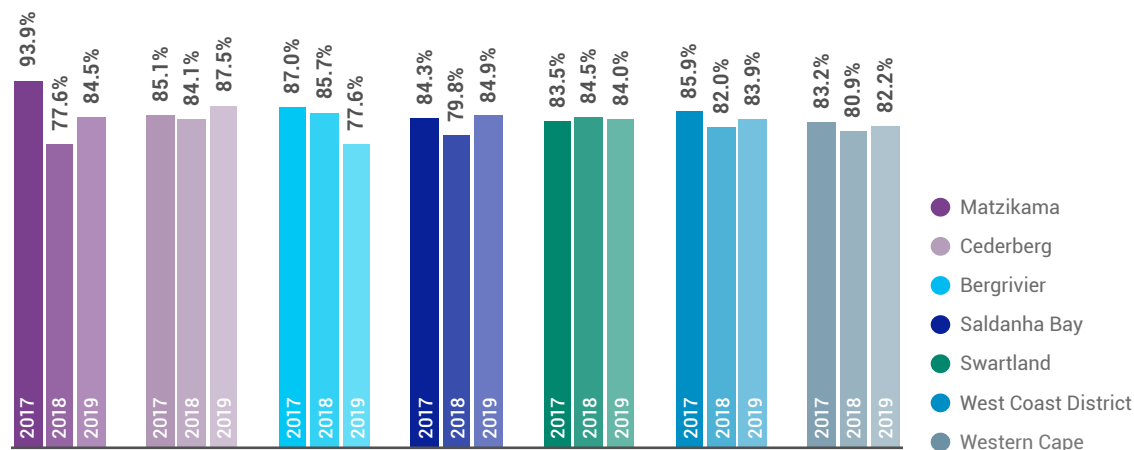


In 2019, the Matzikama municipal area recorded the highest retention rate in the District (77.0 per cent), followed by the Bergrivier (76.1 per cent) and Swartland (74.1 per cent) municipal areas. In 2019, the Swartland municipal area recovered after having fallen by 11.8 percentage points in 2018. The Saldanha Bay retention rate significantly regressed year on year between 2017 and 2019. Moreover, it should be noted that retention is an important proxy for future labour trends and employment outlook in years to come.

Figure 4.9 depicts the proportion of learners who passed Grade 12 and earned a school-leaving certificate in the WCD between 2017 and 2019.

Figure 4.9

MATRIC PASS RATE, West Coast District, 2017 – 2019



Source: Western Cape Education Department, 2020

The matric pass rate for the WCD in 2019 was 83.9 per cent, with the highest pass rate of 85.9 per cent experienced in 2017. In 2019 the pass rate for the District was higher than the pass rate for the Western Cape.

As shown in Figure 4.9, the matric pass rate in the Matzikama municipal area is inconsistent, with large swings within each year in the period under review, while the Bergervier municipal area indicates a consistent decline in the Grade 12 pass rate. The Cederberg municipal area recorded the highest Grade 12 pass rate in 2019, with 87.5 per cent, followed by the Saldanha Bay (84.9 per cent), Matzikama (84.5 per cent) and Swartland (84.0 per cent) municipal areas.



4.3.3 Health

The health conditions of people living within the WCD are analysed in this section by reviewing mortality, the prevalence of tuberculosis (TB), human immunodeficiency virus (HIV), infant mortality rates, maternal death rates and teenage pregnancies.

4.3.3.1 Mortality

Table 4.2 provides an overview of the top 10 natural causes of death in the WCD in 2017.

Table 4.2

TOP 10 NATURAL CAUSES OF DEATH, West Coast District, 2017



Rank	West Coast District		Western Cape	
	Cause of death	%	Cause of death	%
1	Chronic lower respiratory diseases	8.6%	Diabetes mellitus	7.5%
2	Diabetes mellitus	7.5%	Ischaemic heart disease	6.2%
3	Tuberculosis	7.4%	HIV	5.7%
4	Ischaemic heart disease	6.5%	Cerebrovascular diseases	5.5%
5	Cerebrovascular diseases	5.4%	Chronic lower respiratory diseases	5.5%
6	Malignant neoplasms of respiratory and intrathoracic organs	5.0%	Tuberculosis	4.8%
7	HIV	4.9%	Malignant neoplasms of digestive organs	4.7%
8	Malignant neoplasms of digestive organs	4.4%	Malignant neoplasms of respiratory and intrathoracic organs	4.5%
9	Hypertensive diseases	4.0%	Hypertensive diseases	4.0%
10	Other forms of heart disease	2.9%	Other forms of heart disease	3.1%
Other natural		32.0%		35.7%
Non-natural		11.6%		12.9%

Source: Statistics SA, 2020



The main natural causes of death of the WCD in 2017 include chronic lower respiratory diseases (8.6 per cent of deaths), diabetes mellitus (7.5 per cent) and tuberculosis (7.4 per cent). Chronic lower respiratory diseases include diseases such as bronchitis, emphysema and asthma. The WCD has proportionally more people dying of chronic lower respiratory diseases compared with the Province (5.5 per cent), as well as tuberculosis (4.8 per cent). Fewer people in the WCD die of non-natural causes (11.6 per cent) compared with the Province (12.9 per cent).

4.3.3.2 HIV/AIDS and TB

Table 4.3 provides the trends in the HIV testing, treatment and outcomes in the WCD between 2016/17 and 2019/20.

Table 4.3

TRENDS IN HIV TESTING, TREATMENT AND OUTCOMES, West Coast District, 2016/17 – 2019/20



	2016/17	2017/18	2018/19	2019/20
Known HIV+ (Tested; n)	19 155	20 209	20 728	19 919
Of which: Clients started but no longer on ART	31.6%	35.9%	47.6%	59.8%
Of which: Clients on ART	43.6%	51.3%	57.3%	26.4%
Of which: Clients with confirmed viral suppression	72.6%	71.4%	68.3%	67.9%

SOURCE: WESTERN CAPE HEALTH DEPARTMENT, 2020

The number of people who are known to have tested positive for HIV in the WCD increased by 1 054, from 19 155 in 2016/17 to 20 209 in 2017/18, and by 519 people in 2018/19. In 2019/20, the number of known people who tested positive for HIV in the WCD declined to 19 919. The trend in the percentage of people who started antiretroviral treatment (ART) but are no longer on therapy has been increasing year on year, from 31.6 per cent in 2015/16 to 59.8 per cent in 2019/20. This suggests that a significant share of people are opting out of ART after starting and this may result in numerous adverse impacts, such as an increased risk of drug resistance and increased viral load. However, the proportion of people who are on ART increased by 7.7 percentage points in 2017/18 and by 6.0 percentage points in 2018/19, before a substantial decline of 30.9 percentage points in 2019/20. This could be attributed to the decrease in the number of people who tested positive for HIV in 2019/20.

Based on the UNAIDS target of a 90.0 per cent viral load suppressing for ART patients³⁸, the percentage of people with a confirmed viral suppression³⁹ is relatively low in the District. Furthermore, the proportion of people with a viral load suppression decreased from 72.6 per cent in 2016/17 to 67.9 per cent in 2019/20. This can be attributed to the increase in the proportion of people who started ART and later opted to stop.

Table 4.4 shows the trends in TB notification and outcomes in the WCD between 2017/18 and 2019/20.

Table 4.4

TRENDS IN TB NOTIFICATION AND OUTCOMES, West District, 2017/18 – 2019/20



	2017/18	2018/19	2019/20
TB programme success rate	83.8%	83.4%	83.2%
TB client lost to follow-up	8.8%	9.0%	11.2%
TB client death rate	4.1%	3.8%	3.3%
TB/HIV co-infected	25.3%	26.2%	28.1%
TB MDR treatment success rate	52.2%	50.9%	53.4%

Source: Western Cape Health Department, 2020

³⁸ (Johnson, et al., 2017).

³⁹ A confirmed viral suppression refers to a viral load of less than 1 000 copies per millilitre of blood.

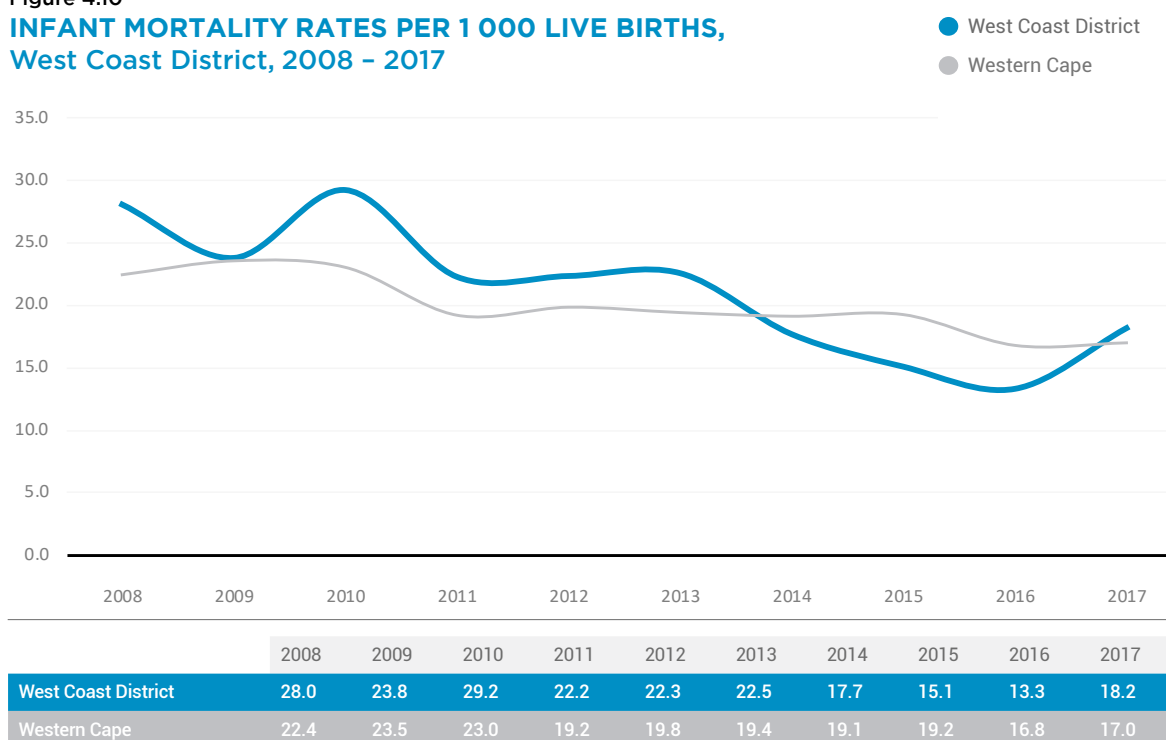
The TB programme success rate in the WCD has stayed relatively constant over the reference period. In 2019/20, the TB programme success rate was 83.2 per cent, which is significantly higher than the provincial success rate of 77.3 per cent. The multidrug-resistant (MDR) TB treatment success rate has also increased from 50.9 per cent in 2018/19 to 53.4 per cent in 2019/20, while the TB client death rates have declined from 3.8 per cent in 2018/19 to 3.3 per cent in 2019/20. Despite TB being the third leading cause of death in the WCD, the TB client death rate in the WCD is lower than that of the Province (3.8 per cent).

4.3.3.3 Infant, child and maternal health

Figure 4.10 provides the infant mortality rates per 1 000 live births in the WCD and the Western Cape between 2008 and 2017.

Figure 4.10

INFANT MORTALITY RATES PER 1 000 LIVE BIRTHS, West Coast District, 2008 – 2017



Source: Western Cape Health Department, 2020

Overall, infant mortality has been on a downward trend in the Western Cape and WCD over the period under review. Between 2008 and 2014, the infant mortality rate was higher in the WCD compared with the Province. The WCD experienced a significant increase in infant mortalities between 2009 and 2010, but was on a declining trend from 2010 until 2016, when an increase in infant mortality was recorded, from 13.3 infant deaths per 1 000 live births in 2016 to 18.2 infant deaths per 1 000 live births in 2017. In 2017, the WCD recorded a marginally higher infant mortality rate than the Western Cape. However, the number of infant deaths was significantly lower (18.2 deaths per 1 000 live births) compared with 2008.

Table 4.5 outlines the maternal deaths rates⁴⁰ per 100 000 live births in the WCD between 2017 and 2019.

⁴⁰ 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).

Table 4.5

**MATERNAL DEATH RATES PER 100 000 LIVE BIRTHS,
West Coast District, 2017 – 2019**

MUNICIPALITY	2017	2018	2019
● Matzikama	0	108.9	0
● Cederberg	0	0	0
● Bergrivier	0	0	0
● Saldanha Bay	0	124.8	0
● Swartland	1 204.80	0	0
West Coast District	26.9	77.2	0

Source: Western Cape Health Department, 2020

In the period under review, the maternal death rate in the WCD increased from 26.9 deaths per 100 000 live births in 2017 to 77.2 deaths per 100 000 live births in 2018, but there were no maternal death rates recorded for 2019. No maternal deaths were recorded in the Bergrivier and Cederberg municipal areas over the reference period.

4.3.3.4 Teenage pregnancy

Table 4.6 provides the delivery rate of women between the age of 10 and 19 years in the WCD between 2017 and 2019.

Table 4.6

**DELIVERY RATE TO WOMEN 10-19 YEARS,
West Coast District, 2017 – 2019**

MUNICIPALITY	2017	2018	2019
● Matzikama	17.7%	17.3%	17.6%
● Cederberg	18.2%	19.3%	18.6%
● Bergrivier	18.6%	16.1%	19.1%
● Saldanha Bay	15.0%	14.3%	13.6%
● Swartland	13.3%	14.9%	13.0%
West Coast District	16.6%	16.2%	16.3%

Source: Western Cape Health Department, 2020

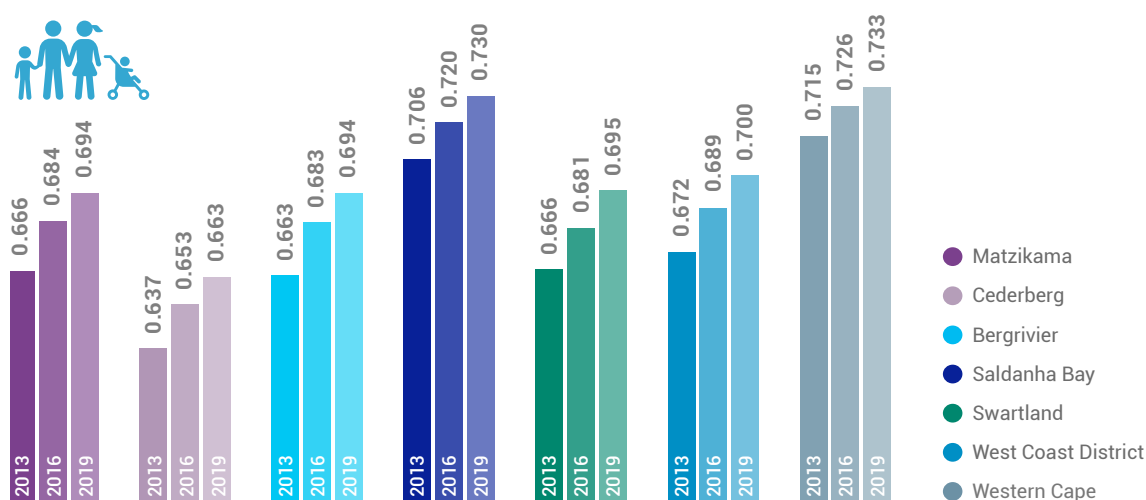
Over the period under review, the delivery rates to teenagers in the WCD remained relatively stable at an average rate of 16.4 per cent of deliveries. The municipal areas with the smallest economies in the WCD (the Bergrivier, Cederberg and Matzikama municipal areas) have above-average delivery rates to teenagers compared with those of the two larger economies (the Saldanha Bay and Swartland municipal areas). Positively, the delivery rate to teenagers declined between 2018 and 2019 in the Cederberg, Saldanha Bay and Swartland municipal areas. However, in the Bergrivier municipal area, the delivery rate increased from 16.1 per cent in 2018 to 19.1 per cent of deliveries in 2019, and from 17.3 per cent in 2018 in the Matzikama municipal area to 17.6 per cent in 2019.

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

4.3.4 Human Development Index

The HDI is defined as 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 4.11 provides an overview of the HDIs per municipal area for the West Coast District between 2013, 2016 and 2019.

Figure 4.11
HDI PER MUNICIPAL AREA,
West Coast District,
2013 - 2019



Source: Quantec Research, 2020

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.

Figure 4.11 indicates that the HDI in the WCD is lower than that of the Western Cape. Despite the decline in GDP per capita, the human development within the District has improved over the reference period, indicating improved health and education outcomes. Out of all the municipal areas in the District, Saldanha Bay (0.730) had the highest HDI, while the Cederberg (0.663) had the lowest HDI.



4.4 HOUSING AND ACCESS TO BASIC SERVICES

One of the important indicators of the level of human development within an economy is access to decent formal housing, which is regarded as a basic human right. Table 4.7 depicts the various types of dwellings of households in the WCD in 2019.

Table 4.7
NUMBER AND PROPORTION
OF DWELLINGS,
West Coast District, 2019



	West Coast District		● Matzikama		● Cederberg	
	Number	% of total	Number	% of total	Number	% of total
House or brick structure on a separate stand or yard	95 860	78.5%	16 209	77.6%	13 074	79.3%
Traditional dwelling/hut/structure made of traditional materials	728	0.6%	110	0.5%	149	0.9%
Flat in a block of flats	2 197	1.8%	425	2.0%	321	1.9%
Townhouse/cluster house/semi-detached house (simplex, duplex or triplex)	5 282	4.3%	1 283	6.1%	603	3.7%
House/flat/room, in back yard	1 627	1.3%	317	1.5%	155	0.9%
Informal dwelling	13 938	11.4%	2 124	10.2%	1 922	11.7%
Room/flatlet not in back yard but on a shared property	906	0.7%	108	0.5%	67	0.4%
Other/unspecified/NA	1 536	1.3%	309	1.5%	198	1.2%
Total	122 074	100.0%	20 885	100.0%	16 488	100.0%

	● Bergrivier		● Saldanha Bay		● Swartland	
	Number	% of total	Number	% of total	Number	% of total
House or brick structure on a separate stand or yard	14 490	79.6%	26 577	76.2%	25 511	80.7%
Traditional dwelling/hut/structure made of traditional materials	194	1.1%	157	0.5%	118	0.4%
Flat in a block of flats	350	1.9%	397	1.1%	704	2.2%
Townhouse/cluster house/semi-detached house (simplex, duplex or triplex)	1 257	6.9%	447	1.3%	1 692	5.3%
House/flat/room, in back yard	403	2.2%	288	0.8%	465	1.5%
Informal dwelling	690	3.8%	6 641	19.0%	2 561	8.1%
Room/flatlet not in back yard but on a shared property	430	2.4%	138	0.4%	162	0.5%
Other/unspecified/NA	387	2.1%	230	0.7%	412	1.3%
Total	18 202	100.0%	34 874	100.0%	31 625	100.0%

Source: Quantec Research, 2020

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

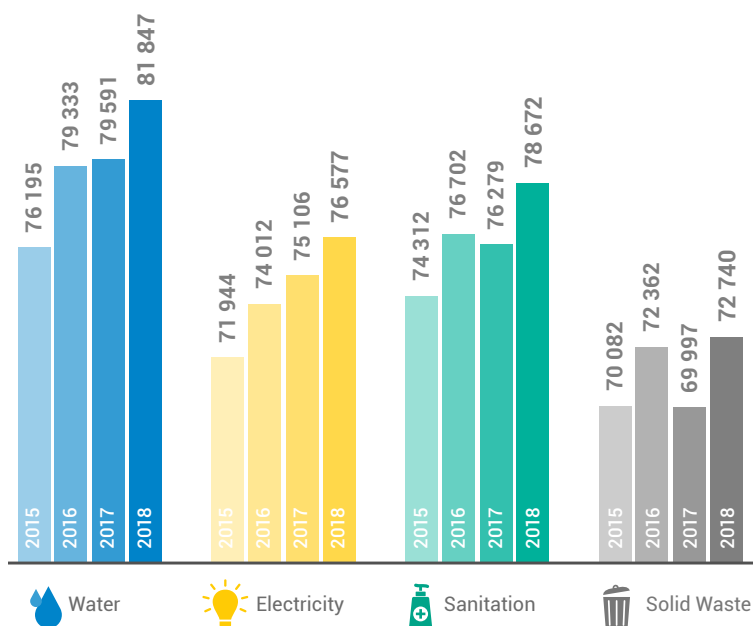
Informal dwelling is a makeshift structure not erected according to approved architectural plans, for example, shacks or shanties in informal settlements or in back yards.

Most of the households in the WCD reside in formal dwellings, of which the most common dwelling type in the District is a house or brick structures on a separate stand or yard, with 78.5 per cent of the District's population living in dwellings of this type. The Swartland municipal area (80.7 per cent) had the highest proportion of households living in this dwelling type, followed by the Bergrivier (79.6 per cent) and the Cederberg (79.3 per cent) municipal areas. In terms of informal dwellings, about 11.4 per cent of households in the District reside in this type of dwelling and the majority are in the Saldanha Bay, Swartland and Matzikama municipal areas.

The Saldanha Bay and Swartland municipal areas have the largest economies in the WCD, with high population growth rates. The prospects of job opportunities often attract people to more urban areas, such as Saldanha Bay, Vredenburg and Malmesbury. This often leads to an increase in the demand for housing and results in higher instances of informal dwellings.

Figure 4.12 illustrates the number of consumers with access to water, electricity, sanitation and solid waste removal services. Statistics SA will only release 2019 data in 2021. The national lockdown as a result of COVID-19 hampered the data collection process for this indicator.

Figure 4.12
ACCESS TO BASIC SERVICES,
West Coast District, 2015 - 2018



Source: Non-financial Census of Municipalities, Stats SA; Quantec Research, 2020

Over the reference period, the number of water, electricity, sanitation and solid waste consumers in the WCD has increased. The number of water consumers has increased by an average annual rate of 2.4 per cent since 2015, while electricity consumers have increased by 2.1 per cent per annum on average since 2015. Sanitation and solid waste removal consumers increased by an average annual rate of 1.9 per cent and 1.3 per cent respectively. The estimated future growth of households in the WCD will increase the demand for services. However, the poor economic growth and declining household incomes will influence households' abilities to pay for these services.

INDIGENT HOUSEHOLDS

In 2018, the monthly income cut-off point for households to be classified as indigent households was R3 380 for most municipalities, except Bergrivier, which had a cut-off point of R1 601. Table 4.8 indicates the number of indigent households per municipal area of the WCD.

Table 4.8

NUMBER OF INDIGENT HOUSEHOLDS, West Coast District, 2017 – 2019

	2017		2018		2019	
	Number	% of households	Number	% of households	Number	% of households
● Matzikama	2 952	15.8%	3 052	16.2%	3 291	17.3%
● Cederberg	2 012	13.6%	2 105	14.0%	2 041	13.3%
● Bergrivier	1 897	10.7%	1 753	9.7%	1 992	10.8%
● Saldanha Bay	7 700	23.7%	6 517	19.4%	7 384	21.3%
● Swartland	8 357	27.6%	8 738	28.3%	8 923	28.3%
West Coast District	22 918	20.1%	22 165	19.1%	23 631	19.9%

Source: Department of Local Government, 2020

The number of indigent households in the WCD increased between 2018 and 2019. The municipal area that recorded a decline in indigent households was the Cederberg municipal area. Areas with a high proportion of indigent households in 2019 include the Swartland (28.3 per cent of households), Saldanha Bay (21.3 per cent of households) and Matzikama (17.3 per cent of households).

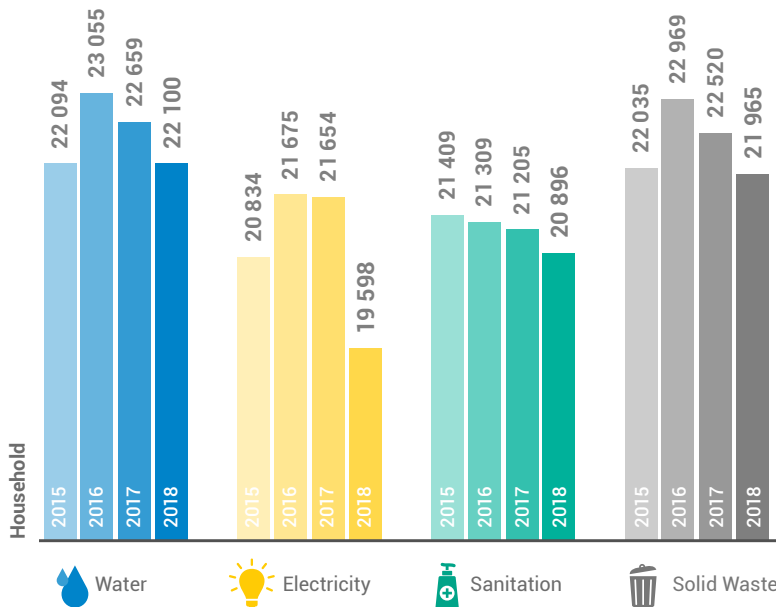
The large number of indigent households in some municipal areas in the WCD limits the revenue-earning abilities of the local municipalities. However, there is still a demand for services. The worsening economic conditions as a result of COVID-19 in 2020 will probably increase the number of indigent households. This will reduce the revenue of the municipalities, while resulting in additional expenditures, as the demand for free basic services will increase.



Figure 4.13 illustrates the number of households with access to free basic services. Free basic services are available to households who qualify as indigent households.

Figure 4.13

ACCESS TO FREE BASIC SERVICES, West Coast District, 2015 – 2018



The number of indigent households receiving free basic services is decreasing across the District. Free basic access to electricity decreased the most between 2017 and 2018, with 2 056 fewer households receiving free electricity in the District.

Source: Non-financial Census of Municipalities, Stats SA; Quantec Research, 2019

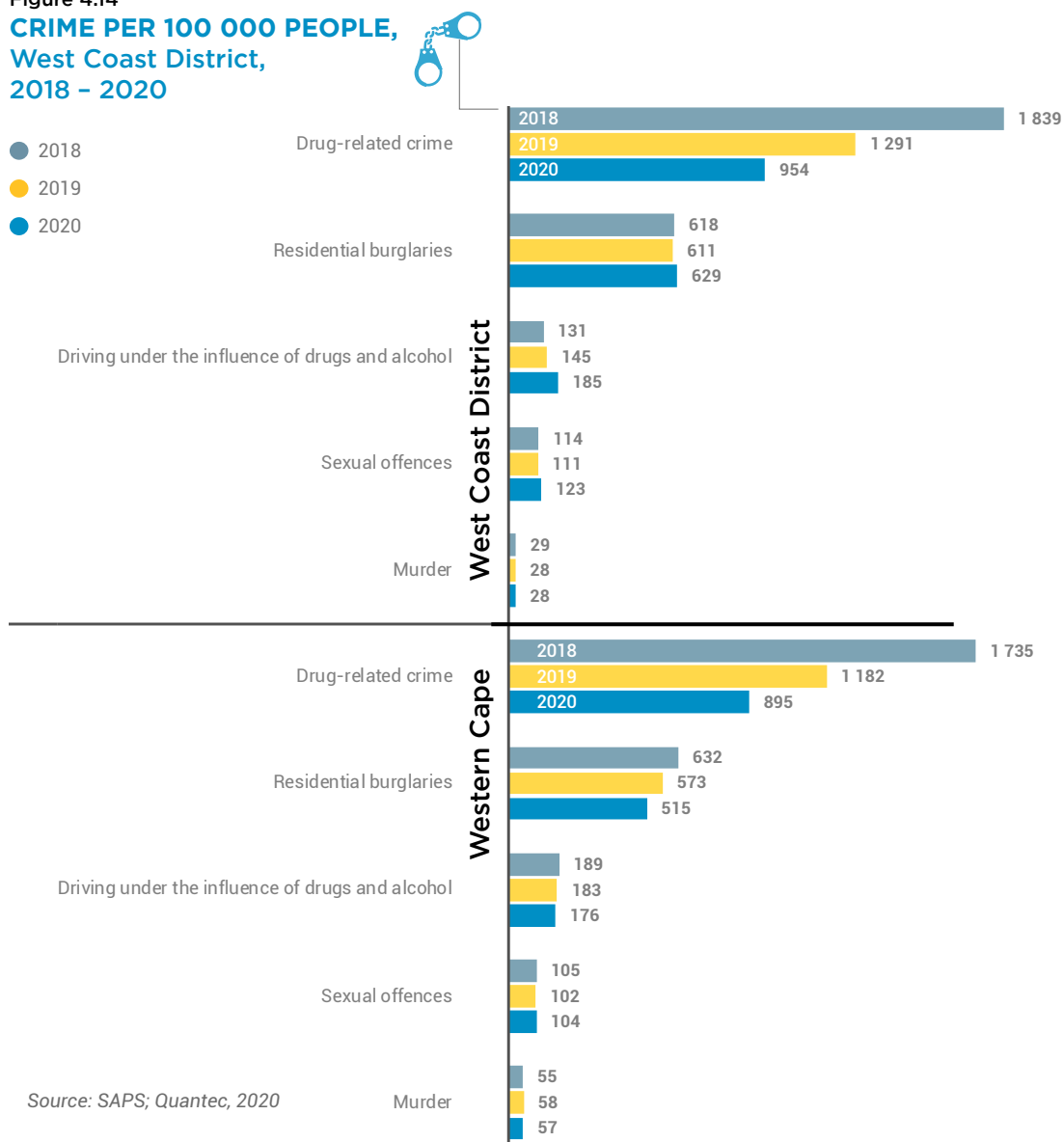


4.5 CRIME

Figure 4.14 provides an overview of the growth rates in the WCD between 2018 and 2020 for selected crime categories. It is important to carry out an analysis of crime in the region to determine the typical criminal activities that are prevalent within the WCD.

Figure 4.14

**CRIME PER 100 000 PEOPLE,
West Coast District,
2018 – 2020**



In 2020, the WCD recorded more crime incidences per 100 000 people for the categories of drug-related crimes, residential burglaries and sexual offences than the Western Cape. In terms of the murder rate, the WCD had a much lower rate (28 per 100 000 people) compared with the Province (57 per 100 000 people) in 2020. Compared with all the municipal areas in the District, the Matzikama municipal area had a very low murder rate in 2020 (21 per 100 000 people).

A significant improvement was observed in the WCD in terms of drug-related crime over the three-year reference period. The District has, however, seen an increase in incidences of driving under the influence of drugs and alcohol compared with the Western Cape, which experienced

a decline in incidences of driving under the influence of drugs and alcohol. In the municipal areas, the Bergrivier and Saldanha Bay municipal areas experienced a persistent increase in crimes related to driving under the influence of drugs and alcohol. The Bergrivier and Saldanha Bay municipal areas experienced a persistent increase in crimes related to driving under the influence of drugs and alcohol for the reference period of the study.

The District experienced an increase in residential burglaries, with 629 cases per 100 000 people reported in 2020. The Saldanha Bay and Swartland municipal areas had a large number of residential burglaries in 2020, with 1 021 cases per 100 000 people and 571 cases per 100 000 people respectively.

The number of sexual offence cases in the WCD increased from 111 incidences per 100 000 people in 2019 to 123 incidences per 100 000 people in 2020. This trend was observed in most municipal areas in the District, except the Matzikama municipal area, which experienced a decline in sexual offences for the reference period. The Cederberg municipal area saw the highest incidences reported in 2019 (148 cases per 100 000 people) in terms of sexual offences, which were higher than those of the District and Province. The high number of incidences in the Cederberg municipal area possibly suggests lack of economic opportunities and socio-economic challenges in the municipal area.

Safety and security play a very important role in tourism. Safety plays an extensive role in tourists' motivation to visit a certain destination. Tourists would rather avoid places with a bad "safety image". The WCD should therefore ensure that tourism hotspots have an adequate police presence and should consider rolling out tourist awareness campaigns to highlight safety and precautionary measures during travels to equip visitors with information on how to be more vigilant and less vulnerable to criminal activity.



4.6 CONCLUDING REMARKS

This chapter provides key highlights with regard to economic performance and the socio-economic conditions for the municipal areas within the District. In 2020, the population for the WCD was 464 056 people and the population is expected to increase to 496 511 by 2024, with an average growth rate of 2.1 per cent between 2020 and 2024. The majority of the population within the District are in the Swartland municipal area, while the Saldanha Bay municipal area has the greatest number of households, highlighting that the municipal area is attracting smaller or single-person households. The Cederberg municipal area has the lowest population in 2020 and the population of this municipal area is expected to grow annually by an average rate of 1.5 per cent between 2020 and 2024. With regard to the population structure, the WCD comprises a youthful population that has more women than men. In the WCD, the largest share of the population comprises the age group between 15 and 34 years (35.3 per cent), followed by individuals aged between 35 and 64 years (33.3 per cent), and by children younger than 14 years (26.4 per cent).

In terms of the GDP per capita, the WCD's GDP per capita is lower than the provincial GDP per capita. However, in real terms, the GDP per capita has been on a downward trend within the District. Furthermore, the District experienced sluggish GDP per capita growth before recovering in 2017 and experiencing a contraction again in 2018. Within the WCD, the Swartland municipal area had the highest average household income (R16 101.0), while in 2019 Saldanha Bay recorded the highest Gini coefficient compared with the other municipal areas in the District.

In terms of education, the number of learner enrolments in the WCD indicates a positive trend over the reference period, which implies the need for additional educational resources in the area. Moreover, the learner-to-teacher ratio in the District has remained relatively stable between 2017 and 2019, with an average of 30.5 learners per teacher in 2018 and 2019. The retention rate in the WCD was 68.7 per cent in 2019, which is higher than the provincial retention rate (66.0 per cent). Between 2017 and 2018 the retention rate in the WCD indicated a substantial decline compared with the period between 2018 and 2019, when there was no significant change.

The HDI suggests that the quality of life in the WCD is lower than that in the Western Cape. Moreover, the findings of the study indicate that human development within the District improved over the reference period (2013, 2016 and 2019). In terms of dwellings, most households in the District reside in formal dwellings, particularly houses or brick structures on a stand or in a yard.

The District has seen an increase in incidences of driving under the influence of drugs and alcohol compared with the Western Cape. However, the District has also seen a significant improvement, with a decline in drug-related crime over the three-year reference period. Notably, sexual offence cases in the WCD increased from 111 incidences per 100 000 people in 2019 to 123 incidences per 100 000 people in 2020, and the Cederberg municipal area had the most cases per 100 000 – more than in the District and Province.



WEST COAST DISTRICT

GROWTH POTENTIAL STUDY 2018

According to the study, the **WCD is ranked third among the five districts** within the Province within all themes, with the exception of the institutional theme (where it is ranked second). The human capital and economic themes have shown the most relative gains.



- POSITIVE
Z-score
performance
- NEGATIVE
Z-score
performance

PRECONDITIONS FOR GROWTH

①



ECONOMIC

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



PHYSICAL ENVIRONMENT

- Availability and quality of water
- Natural potential



INFRASTRUCTURE

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



INSTITUTIONAL

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



HUMAN CAPITAL

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

The Growth Potential Study 2018 (GPS18) is a five-year information update on the GPS13. The study determines the municipal growth potential relative to other municipalities in the Province by reviewing thematic indices for **growth preconditions** (economic, physical-natural and infrastructure indices) and **innovation potential** (institutional and human capital indices).

The economic, physical-natural, infrastructure and human capital indices have shown an improved score in the WCD in the GPS18 compared with GPS13. However, there was a decrease in the institutional theme, further away from the average score for all municipalities.

CHALLENGES identified by the study in the WCD include:

- Future water supply within the West Coast requires ongoing consideration, and remains influenced by precipitation challenges;
- Supply and demand of water has been identified as a key issue within the Saldanha Bay area;
- Infrastructure backlogs in Saldanha Bay area require a close watch;
- Saldanha Bay has shown slow growth within the highly skilled population;
- The low education levels of the working-age population are an area of concern identified in the Cederberg municipal area;
- Crime throughout Matzikama and Cederberg requires a close watch;
- The economically active population within the Swartland municipal area has shown relative slow growth; and
- Constraints in wastewater treatment works within the Matzikama municipal area.

GROWTH OPPORTUNITIES identified by the study include:

- Swartland has been identified as an area with high growth within the highly skilled population;
- Cederberg experienced medium-term economic growth, which indicates future economic potential;
- Potential for economic empowerment improvements have been identified within the Cederberg municipal area; and
- There is potential for reduced unemployment rates in the Bergrivier and Cederberg municipal areas.

At a comparative municipal level, the Cederberg municipal area is classified as having “low” growth potential, while the Matzikama municipal area is classified as having “medium” overall growth potential. Positively, the Bergrivier, Saldanha Bay and Swartland municipal areas are classified as having “high” overall growth potential.

Between GPS13 and GPS18, the Matzikama municipal area had gains in all themes, with the biggest infrastructure score increase across all municipalities. The Cederberg municipal area had gains in the human capital and economic themes, with significant regression in institutional and infrastructure themes (ranked in the bottom 10). The Bergrivier municipal area had gains in all themes, most notably in the human capital and infrastructure themes. The Swartland municipal area showed the biggest improvement in performance in the infrastructure theme, while showing regression in the institutional and economic themes.

The Saldanha Bay municipal area had regression in three themes, with the most notable regression in infrastructure. However, despite the three points of regression the municipal area is still ranked 10th in the Province.

* Source: DEA&DP, 2020

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.



CAPE WINELANDS DISTRICT

21 473 KM²



CAPE WINELANDS DISTRICT

WITZENBERG, DRAKENSTEIN,
STELLENBOSCH, BREEDE VALLEY,
LANGEBOEG

INFOGRAPHIC SUMMARY

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- GDP performance per municipal area
- Sectoral GDP performance
- GDP performance per sector forecast (outlook)
- Employment per municipal area
- Sectoral employment

2. Sectoral growth, employment and skills per municipal area

- GDP and employment performance
- Skills analysis

3. Trade, tourism and investment

- International trade
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- Investments

4. Municipal socio-economic analysis

- Population profile
- Income
- Education
- Health
- Human Development Index
- Housing and access to basic services
- Crime



CAPE WINELANDS DISTRICT

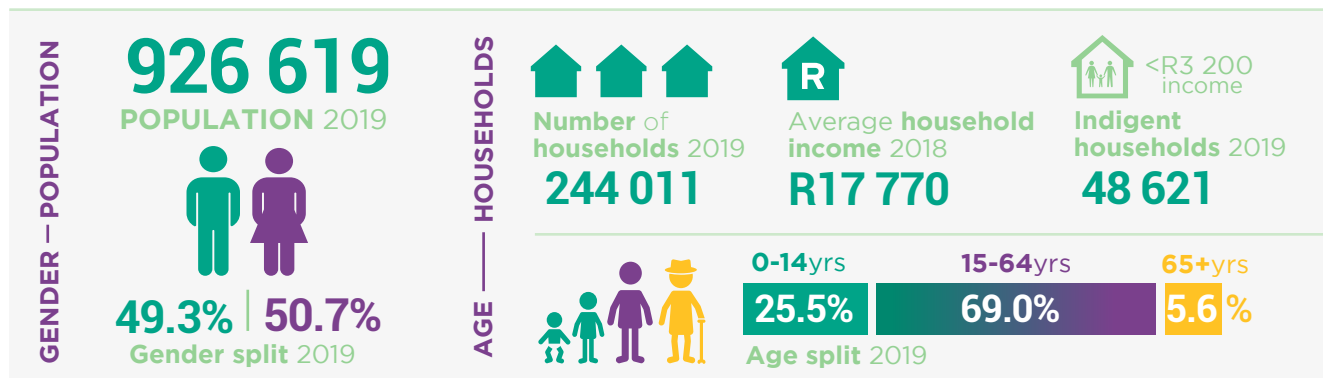
SEAT
Worcester

AREA
21 473 KM²

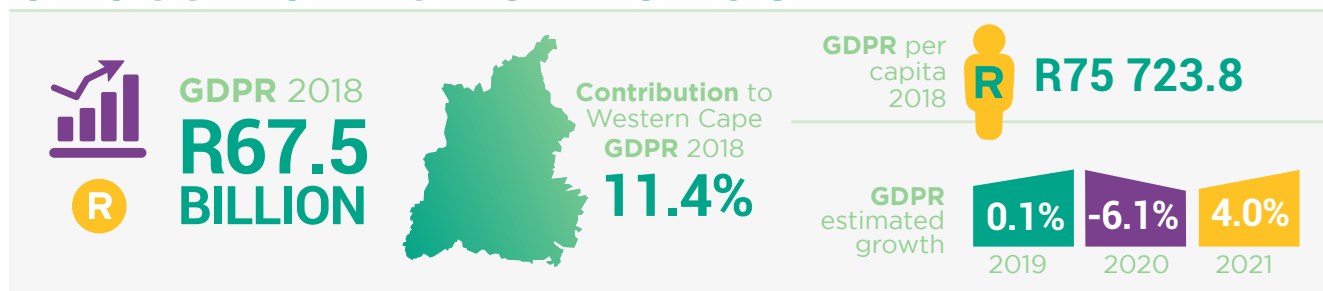
DENSITY
37 / KM²

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

DEMOGRAPHICS



GROSS DOMESTIC PRODUCT



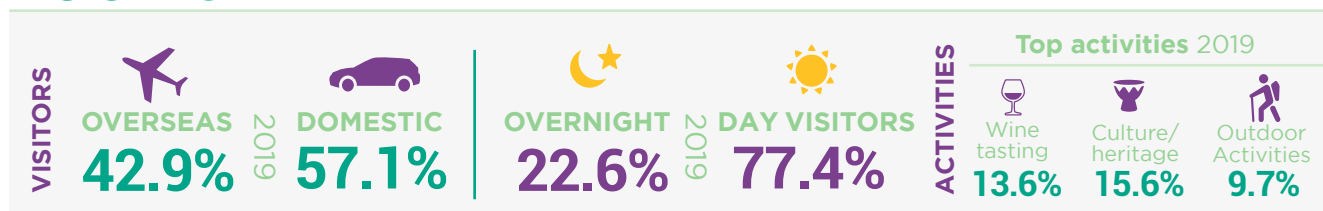
EMPLOYMENT



TRADE



TOURISM





2018 GDPR AND EMPLOYMENT CONTRIBUTION

2019 ESTIMATED GDPR AND EMPLOYMENT GROWTH

		GDPR CONTRIBUTION		EMPLOYMENT CONTRIBUTION		GDPR GROWTH		EMPLOYMENT GROWTH	
PRIMARY SECTOR	AGRICULTURE, FORESTRY & FISHING	9.0%	8.8%	21.2%	21.2%	-9.0% ↓	-9.2%	-1.0% ↓	-1.0%
	MINING & QUARRYING		0.2%		0.0%		-2.8%		-5.3%
SECONDARY SECTOR	MANUFACTURING	24.2%	15.3%	14.1%	8.0%	-2.0% ↓	-2.1%	-3.9% ↓	-2.0%
	ELECTRICITY, GAS & WATER		2.3%		0.3%		-1.6%		0.3%
	CONSTRUCTION		6.6%		5.8%		-1.7%		-6.8%
TERTIARY SECTOR	WHOLESALE & RETAIL TRADE, CATERING & ACCOMMODATION	66.8%	18.9%	64.7%	22.6%	2.0% ↑	0.9%	1.5% ↑	2.7%
	TRANSPORT, STORAGE & COMMUNICATION		9.6%		3.6%		0.7%		4.3%
	FINANCE, INSURANCE, REAL ESTATE & BUSINESS SERVICES		20.0%		15.1%		3.8%		1.0%
	GENERAL GOVERNMENT		10.6%		9.6%		1.1%		2.0%
	COMMUNITY, SOCIAL & PERSONAL SERVICES		7.7%		13.8%		1.3%		-1.1%

1

REGIONAL ECONOMIC REVIEW AND OUTLOOK

1.1 INTRODUCTION

The Cape Winelands District (CWD) is a landlocked area that borders five other districts¹ and covers 21 473 square kilometres, constituting 16.6 per cent of the Western Cape's total area². The CWD is the heart of the provincial wine industry and consists of five local municipalities, namely Drakenstein, Stellenbosch, Witzenberg, Breede Valley and Langeberg. The CWD has an extensive agricultural industry that is mostly rural in nature. However, there are a number of small towns that function as highly developed nodes, such as Worcester, Paarl and Stellenbosch.

This chapter provides a macroeconomic outlook of the CWD in terms of gross domestic product per region (GDPR) performance and employment trends. The period under review for MERO 2020 is between 2014 and 2018, and estimated figures for 2019³ are also given.

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

² (mdb, 2018).

³ Statistics SA will only release official regional indicators for 2019 in 2021.

1.2 GROWTH IN GDPR PERFORMANCE

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

1.2.1 GDPR performance per municipal area

Table 1.1 illustrates the GDPR performance of each CWD municipal area in 2018, the growth trends between 2014 and 2018, and the estimated contribution to GDPR in 2019.

Table 1.1

GDPR CONTRIBUTION AND AVERAGE GROWTH RATES PER MUNICIPAL AREA, Cape Winelands District, 2018

MUNICIPALITY	R million value 2018	Contribution to GDPR (%) 2018	Trend 2014 – 2018 (%)	Real GDPR growth 2019e (%)
Witzenberg	R9 320.3	13.8%	3.1%	0.4%
Drakenstein	R22 022.4	32.6%	1.4%	0.0%
Stellenbosch	R16 176.0	24.0%	1.4%	0.1%
Breede Valley	R12 936.8	19.2%	1.7%	0.0%
Langeberg	R6 995.6	10.4%	1.9%	-0.3%
Cape Winelands District	R67 451.1	100.0%	1.7%	0.1%
Western Cape	R589 443.7	-	1.4%	0.3%

Source: Quantec Research, 2020 (e denotes estimate)

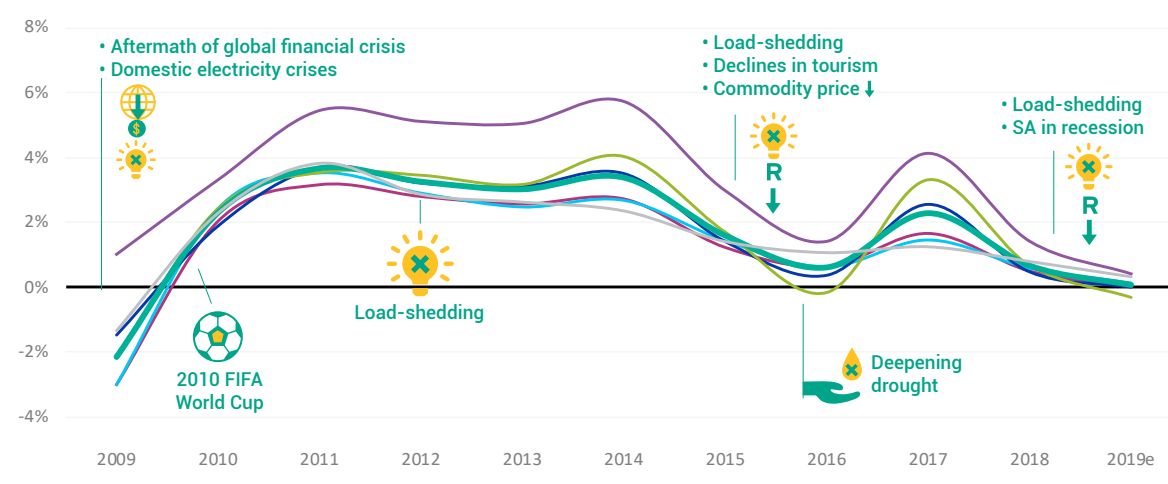
The economy of the CWD was valued at R67.5 billion in 2018, contributing 11.4 per cent to the Western Cape's total GDPR. Between 2014 and 2018 the CWD grew at an average annual rate of 1.7 per cent, which is higher than the average annual growth rate of the Western Cape (1.4 per cent). However, it is estimated that the District realised a GDPR growth rate of 0.1 per cent in 2019, which is marginally lower than the Western Cape's GDPR growth rate of 0.3 per cent.

The largest contributing municipal areas to the CWD economy were the Drakenstein (R22.0 billion) and Stellenbosch (R16.2 billion) municipal areas, contributing 32.6 per cent and 24.0 per cent respectively to the District's total GDPR in 2018. Both these municipal areas grew at an average annual rate of 1.4 per cent between 2014 and 2018. Despite being a leading source of economic growth in the District, estimates for 2019 indicate that the Drakenstein municipal area realised an average annual growth rate of 0.0 per cent, while the Stellenbosch municipal area realised an average annual growth rate of 0.1 per cent.

The municipal areas with the lowest contribution to the District's GDPR were the Witzenberg (13.8 per cent) and Langeberg (10.4 per cent) municipal areas. Despite being the smallest economies in the CWD, the Witzenberg and Langeberg municipal areas realised the highest average annual growth rates, 3.1 per cent and 1.9 per cent respectively. However, estimates for 2019 indicate that the Witzenberg municipal area's real GDPR growth (0.4 per cent) was significantly lower than the averages observed in the preceding five years (as per Figure 1.1) and the Langeberg municipal area contracted by 0.3 per cent. The strong growth in the Witzenberg municipal area boosted the overall growth in the District in 2019.

Additional insight can be provided about the dynamics of economies and their dependencies on the endogenous and exogenous factors within the Province and the country by analysing the historical growth rates. Figure 1.1 illustrates the historical growth rates of the CWD and its local municipalities compared with the provincial growth rates.

Figure 1.1
GDPR GROWTH PER MUNICIPAL AREA, Cape Winelands District, 2009 – 2019



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e
Western Cape	-1.3%	2.3%	3.8%	2.9%	2.6%	2.4%	1.4%	1.1%	1.2%	0.8%	0.3%
Cape Winelands District	-2.1%	2.3%	3.7%	3.3%	3.0%	3.4%	1.6%	0.6%	2.3%	0.7%	0.1%
Witzenberg	1.0%	3.3%	5.4%	5.1%	5.0%	5.7%	3.0%	1.4%	4.1%	1.4%	0.4%
Drakenstein	-3.0%	2.1%	3.2%	2.8%	2.6%	2.7%	1.3%	0.7%	1.7%	0.5%	0.0%
Stellenbosch	-3.0%	2.4%	3.5%	2.9%	2.5%	2.7%	1.4%	0.6%	1.5%	0.6%	0.1%
Breede Valley	-1.5%	1.9%	3.7%	3.2%	3.1%	3.5%	1.4%	0.4%	2.6%	0.5%	0.0%
Langeberg	-2.2%	2.4%	3.5%	3.5%	3.2%	4.0%	1.7%	-0.2%	3.3%	0.7%	-0.3%

Source: Quantec Research, 2020 (e denotes estimate)

The municipal areas in the CWD (except for the Witzenberg municipal area) experienced negative growth rates and this is due to the global economic crisis in 2009. Between 2010 and 2011 the Western Cape and the municipal areas within the CWD recovered from the 2008/09 financial crisis, which can be partly attributed to the economic activities that took place domestically during this period (the FIFA World Cup and related tourism activities). The economy of the CWD continued to experience relatively high growth rates between 2011 and 2014. However, the growth slowed down significantly in 2015. The GDPR growth per municipal area remained low in 2015/16 and this can be attributed to national economic trends. In 2016 the national GDPR growth was revised down, and the weaker outlook was due to low commodity prices, higher borrowing costs, weakening business and consumer confidence, as well as the drought⁴.

During the 10-year period the economic performance of the municipal areas within the CWD mirrored the economic trajectory of the Western Cape. Relatively high growth rates were achieved between 2011 and 2014, and lacklustre growth was experienced between 2015 and 2018. It is estimated that the lacklustre growth continued in 2019, and the Western Cape and municipal areas are estimated to have achieved growth rates below 1.0 per cent. It is estimated that the GDPR growth of the Langeberg municipal area decreased by 0.3 per cent in 2019. The decline in the GDPR growth can be attributed to the technical recession experienced by South Africa in 2018 and 2019⁵.

⁴ (National Treasury, 2016).


⁵ The technical recession first took place in the first and second quarter of 2018. The South African economy further contracted by 1.4 per cent in the fourth quarter of 2019 after the economy contracted by 0.8 per cent in the previous quarter in 2018 (Statistics SA, 2020).

1.2.2 Sectoral GDPR performance

Table 1.2 indicates the CWD's GDPR performance in 2018 by providing an overview of the sectoral contributions, growth rates between 2014 and 2018, and estimates for 2019.

Table 1.2

GDPR PERFORMANCE PER SECTOR, Cape Winelands District, 2018

		R million value 2018	Contribution to GDPR (%) 2018	Trend 2014 – 2018 (%)	Real GDPR growth 2019e (%)
SECTOR					
PS Primary Sector		R6 082.9	9.0%	-0.4%	-9.0%
Agriculture, forestry & fishing		R5 953.0	8.8%	-0.4%	-9.2%
Mining & quarrying		R129.9	0.2%	1.1%	-2.8%
SS Secondary Sector		R16 322.9	24.2%	0.3%	-2.0%
Manufacturing		R10 327.2	15.3%	-0.5%	-2.1%
Electricity, gas & water		R1 556.3	2.3%	0.1%	-1.6%
Construction		R4 439.4	6.6%	3.0%	-1.7%
TS Tertiary Sector		R45 045.4	66.8%	2.6%	2.0%
Wholesale & retail trade, catering & accommodation		R12 781.0	18.9%	2.5%	0.9%
Transport, storage & communication		R6 456.9	9.6%	2.6%	0.7%
Finance, insurance, real estate & business services		R13 467.2	20.0%	3.7%	3.8%
General government		R7 162.7	10.6%	0.5%	1.1%
Community, social & personal services		R5 177.5	7.7%	2.1%	1.3%
Total Cape Winelands District		R67 451.1	100.0%	1.7%	0.1%

Source: Quantec Research, 2020 (e denotes estimate)

The tertiary sector was the CWD's largest contributor to GDPR in 2018, valued at R45.0 billion and accounting for 66.8 per cent of the District's total GDPR. The contribution was largely driven by the finance, insurance, real estate and business services sector (20.0 per cent), as well as the wholesale and retail trade, catering and accommodation sector (18.9 per cent). Both these sectors experienced above-average growth between 2014 and 2018, but it is estimated that the wholesale and retail trade, catering and accommodation sector experienced slowed growth (0.9 per cent) in 2019. Positively, the finance, insurance, real estate and business services sector experienced a slight increase and realised a real GDPR growth rate of 3.8 per cent in 2019.

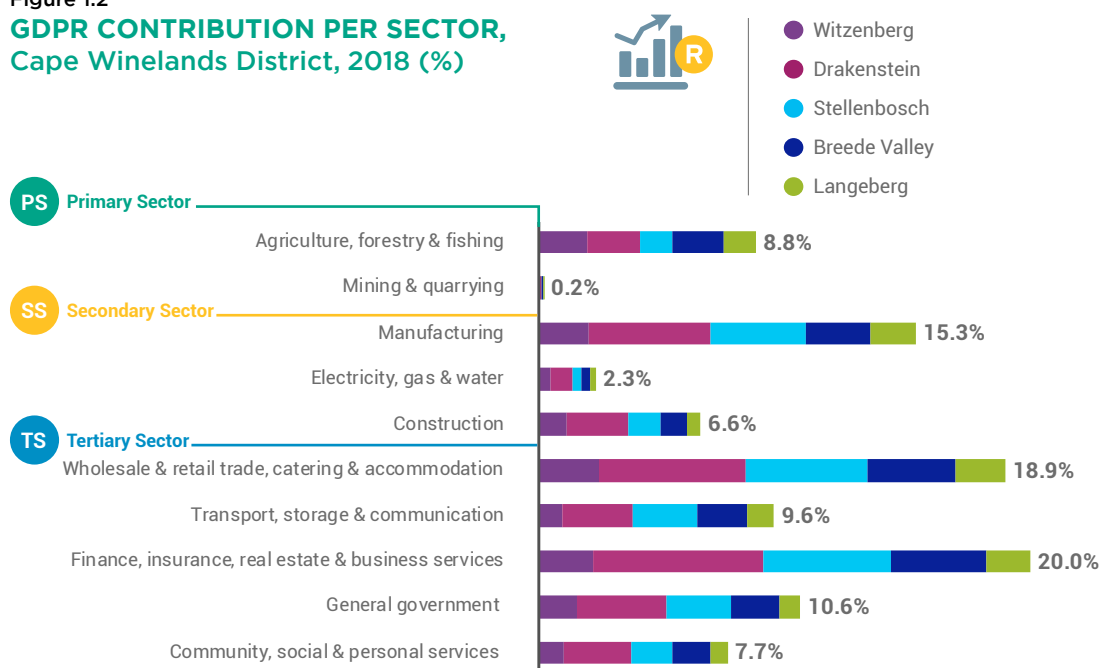
The secondary sector was valued at R16.3 billion and contributed 24.2 per cent to the CWD's GDPR in 2018. The largest sources of GDPR growth in the secondary sector were the manufacturing and construction sectors, accounting for 15.3 per cent and 6.6 per cent respectively of the District's GDPR. The manufacturing sector is the third largest sector in the CWD, but the sector experienced an average annual contraction of 0.5 per cent between 2014 and 2018, and is estimated to have contracted by 2.1 per cent in 2019.

The primary sector accounts for the smallest share of the CWD's GDP (9.0 per cent). The CWD has a significant agricultural base, but the agriculture, forestry and fishing sector performed poorly between 2014 and 2018, contracting by an annual average rate of 0.4 per cent, and is anticipated to have contracted by 9.2 per cent in 2019. The poor performance of the agriculture, forestry and fishing sector can be attributed to the persistent drought in the Western Cape. The sector's poor performance has a negative impact on the manufacturing sector, since outputs of the agriculture, forestry and fishing sector are used in the manufacturing sector. It also has a negative impact on job creation, since the sector is one of the main sources of employment in the CWD.

Figure 1.2 illustrates the CWD's sectoral GDP contribution per municipal area in 2018.

Figure 1.2

**GDP CONTRIBUTION PER SECTOR,
Cape Winelands District, 2018 (%)**



Source: Quantec Research, 2020



The Drakenstein and Stellenbosch municipal areas have the highest concentration of secondary and tertiary sector economic activities. While manufacturing activities were largely concentrated in the Drakenstein, Stellenbosch and Breede Valley municipal areas, and agriculture, forestry and fishing activities were mainly concentrated in the Drakenstein, Witzenberg and Breede Valley municipal areas. Across all municipal areas, the finance, insurance, real estate and business services sector and the wholesale and retail trade, catering and accommodation sector were the largest contributors to GDP.

1.2.3 GDP performance per sector forecast (outlook)

Table 1.3 indicates the GDP forecast per sector for 2020 and 2021 in the CWD, as well as the trend for 2020 to 2024. It should be noted that the forecast is limited to two years because of the fast pace at which the global and South African economies are changing and the uncertainties regarding the full impact of the COVID-19 pandemic on the global and national economy.

Table 1.3

GDPR FORECAST PER SECTOR, Cape Winelands District, 2020 – 2021 (%)

						
SECTOR		2019e	2020f	2021f		
PS	Primary Sector					
	Agriculture, forestry & fishing	-9.2%	13.5%	-8.3%		
	Mining & quarrying	-2.8%	-23.5%	14.4%		
SS	Secondary Sector					
	Manufacturing	-2.1%	-17.4%	9.3%		
	Electricity, gas & water	-1.6%	-6.4%	-0.4%		
	Construction	1.7%	-16.0%	15.4%		
TS	Tertiary Sector					
	Wholesale & retail trade, catering & accommodation	0.9%	-17.3%	15.3%		
	Transport, storage & communication	0.7%	-14.7%	12.7%		
	Finance, insurance, real estate & business services	3.8%	1.4%	0.2%		
	General government	1.1%	1.5%	-3.7%		
	Community, social & personal services	1.3%	1.2%	-1.0%		
Total Cape Winelands District		0.1%	-6.1%	4.0%		

Source: Urban-Econ based on SARB, Statistics SA & BFAP, 2020 (e denotes estimate, f denotes forecast)



⁶ The forecast for 2020 and 2021 is based on the national forecast by the South African Reserve Bank (SARB), with sector adjustments for 2020 as per quarter 1 and quarter 2 sectoral GDP contributions. The agriculture, forestry and fishing sector outlook has been adjusted to be in line with the Bureau for Food and Agricultural Policy 2020 baseline 2020 outlook.



Jasmine Bartel, Unsplash

COVID-19 IMPACT

The economy of the CWD is estimated to contract by 6.1 per cent in 2020 given the economic climate as a result of the impact of the COVID-19 pandemic. Most of the sectors in the CWD economy are estimated to contract as a result of the lack of economic activity during the lockdown period.

The agriculture, forestry and fishing sector is estimated to grow by 13.5 per cent, as agricultural activities were allowed with restrictions during the lockdown period, and favourable trading conditions for some crops boosted exports prior to lockdown. All the sectors in the secondary sector are expected to contract. The manufacturing sector is anticipated to contract by 17.4 per cent and this is primarily due to manufacturing facilities being brought to a halt during the lockdown period. Partial recovery is anticipated for the sectors in the secondary sector in 2021 – the manufacturing sector is expected to grow by 9.3 per cent and the construction sector is expected to grow by 15.4 per cent.

The wholesale and retail trade, catering and accommodation sector is expected to have the third largest decline, contracting by 17.3 per cent in 2020. The CWD is a popular domestic and international tourism destination and the lockdown has affected the tourism sector, restricting the use of accommodation as well as the various tourism activities in the CWD. The wholesale and retail trade sector significantly contributes to the economy and to employment in the CWD, and the expected contraction is therefore anticipated to negatively impact employment prospects in the sector.

1.3 LABOUR TREND ANALYSIS

This subsection provides an analysis of the key employment trends by highlighting municipal areas that have contributed significantly to employment creation in the CWD. It also highlights which areas experienced significant changes in terms of employment patterns. Furthermore, this subsection discusses the employment dynamics by identifying which sectors employ the most people and highlighting which sectors have contributed more towards creating new job opportunities (or have experienced job losses) in the District. Finally, it also summarises the unemployment rate, labour absorption rate and labour participation rate for each of the municipal areas within the CWD.

1.3.1 Employment per municipal area

Table 1.4 indicates the status and employment growth in each local municipal area in the CWD by providing the number of jobs in 2018 and each municipal area's contribution to employment. Furthermore, the table also indicates the average annual change in the number of jobs in the municipal areas between 2014 and 2018, and gives estimates of net employment in 2019.

Table 1.4
EMPLOYMENT GROWTH, Cape Winelands District, 2018

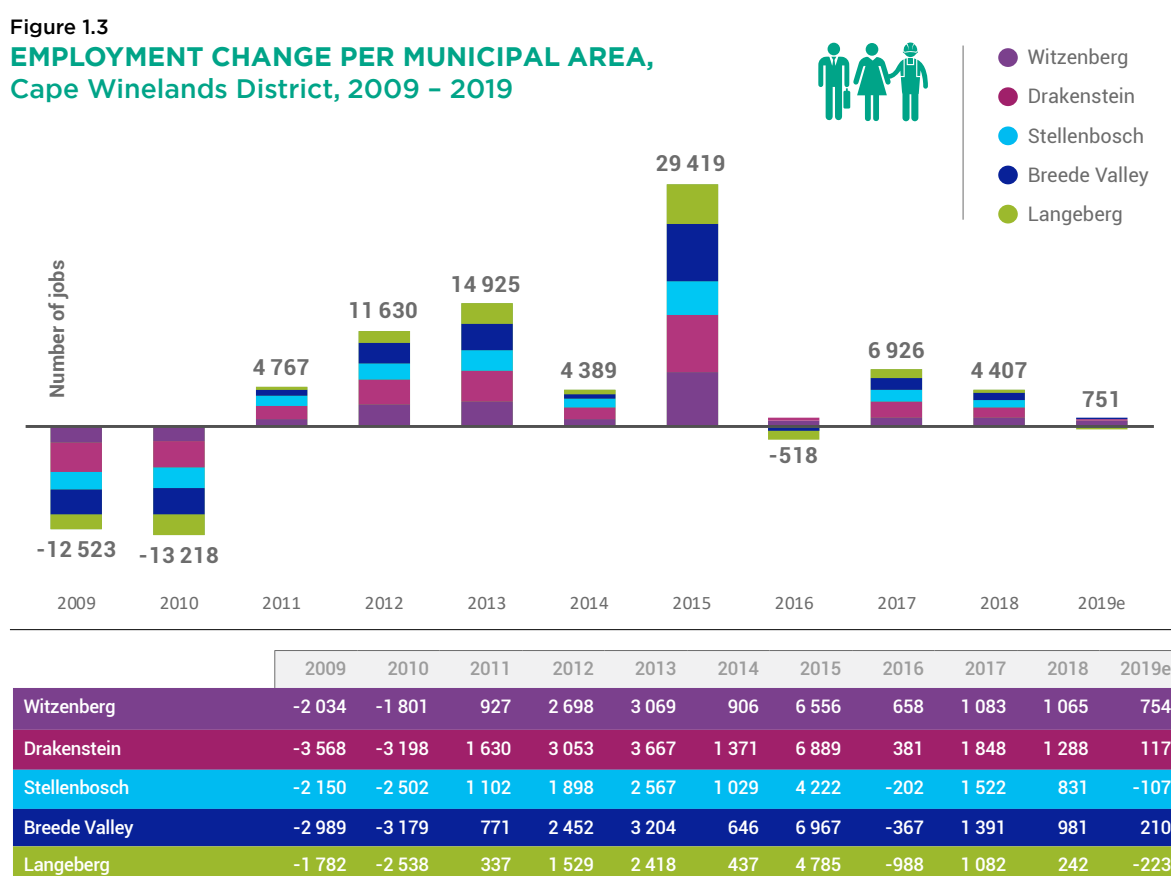
MUNICIPALITY	Number of jobs 2018	Contribution to employment (%) 2018	Average annual change 2014 – 2018	Net change 2019 ^e
Witzenberg	64 859	16.4%	2 054	754
Drakenstein	112 778	28.4%	2 355	117
Stellenbosch	78 701	19.9%	1 480	-107
Breede Valley	86 047	21.7%	1 924	210
Langeberg	54 041	13.6%	1 112	-223
Cape Winelands District	396 426	100.0%	8 925	751
Western Cape	2 589 080	-	46 746	-4 421

Source: Quantec Research, 2020 (e denotes estimate)

There were 396 426 people employed in the CWD in 2018, accounting for 15.3 per cent of the Western Cape's total employment. In line with its GDP contribution, the Drakenstein municipal area provided the most employment opportunities in the CWD in 2018, contributing 28.4 per cent to employment in the CWD. The Drakenstein and Stellenbosch municipal areas benefit from the proximity to the Cape Metro area in terms of having access to skilled labour. It should also be noted that some of the residents of the Drakenstein municipal area work in Cape Town and Stellenbosch. The Breede Valley municipal area, the third largest contributor to the CWD's GDP, was the second largest source of employment, illustrating the municipal area's relatively labour-intensive nature. On average, the CWD created 8 925 jobs per annum between 2014 and 2018, which were mainly driven by employment opportunities in the Drakenstein municipal area (an average of 2 355 jobs per annum) and the Witzenberg municipal area (an average of 2 054 jobs per annum). The Stellenbosch municipal area was the second largest contributor to the CWD's GDP but was the third largest source of employment in the CWD.

Employment creation declined in the District in 2019, as it is estimated that only 751 job opportunities were created, which is significantly lower than the average experienced in the previous five years. Estimates for 2019 further indicate that the Witzenberg and Breede Valley municipal areas had the highest estimated positive net change – 754 and 210 jobs respectively. It is interesting to note that although the Witzenberg municipal area was one of the municipal areas with fewer jobs in 2018 compared with the other municipal areas, the estimated employment figures for 2019 are significantly higher. Conversely, the Stellenbosch and Langeberg municipal areas are estimated to have shed 107 and 223 jobs respectively in 2019.

Figure 1.3 illustrates the employment trends per municipal area in the CWD between 2009 and 2019.



Source: Quantec Research, 2020 (e denotes estimate)

The global economic crisis in 2008/09 had a negative impact on the employment prospects in the CWD. Between 2009 and 2010, 25 741 jobs were lost across the municipal areas. The job losses in 2010 are likely to have also been influenced by the industrial strike actions⁷. The change in number of people employed increased from 4 767 in 2011 to 14 925 in 2013, and the upward trend that was experienced offset the jobs that were shed between 2009 and 2010. However, the 4 389 jobs that were created in 2014 are significantly fewer compared with the previous year.

⁷ (Department of Labour, 2011).


In 2015, there was a spike in employment, with a net increase of 29 419 jobs, which were mostly in the Breede Valley municipal area⁸. The improvement in employment in 2015 was short-lived, as 518 jobs were shed in 2016. There was a further improvement in the number of jobs in 2017 (6 926), but despite this, the District experienced sluggish annual job creation, as the number of jobs created declined to 4 407 in 2018. As mentioned before, it is estimated that only 751 jobs were created in 2019. The 2019 estimates indicate that the Langeberg and Stellenbosch municipal areas were the only municipal areas that experienced job losses, while the other municipal areas had a positive net change in the number of jobs.

1.3.2 Sectoral employment

Table 1.5 depicts the sectoral spread of employment in the CWD in 2018, as well as the number of jobs created between 2014 and 2018, and estimates for 2019.

Table 1.5

EMPLOYMENT PER SECTOR, Cape Winelands District, 2018

		Number of jobs 2018	Contribution to employment (%) 2018	Average annual change 2014 – 2018	Net change 2019e
SECTOR					
PS Primary Sector		84 042	21.2%	541	-820
Agriculture, forestry & fishing		83 872	21.2%	543	-811
Mining & quarrying		170	0.0%	-1	-9
SS Secondary Sector		56 079	14.1%	959	-2 187
Manufacturing		31 873	8.0%	14	-625
Electricity, gas & water		1 029	0.3%	25	3
Construction		23 177	5.8%	921	-1 565
TS Tertiary Sector		256 305	64.7%	7 424	3 758
Wholesale & retail trade, catering & accommodation		89 679	22.6%	3 046	2 430
Transport, storage & communication		14 104	3.6%	313	610
Finance, insurance, real estate & business services		59 679	15.1%	2 286	572
General government		38 037	9.6%	473	760
Community, social & personal services		54 806	13.8%	1 307	-614
Total Cape Winelands District		396 426	100.0%	8 925	751

Source: Quantec Research, 2020 (e denotes estimate)

The tertiary sector is the largest contributor to GDP and employment in the CWD, contributing 64.7 per cent to the District's total employment in 2018. In line with GDP contribution, most job opportunities in the tertiary sector are in the wholesale and retail trade, catering and accommodation sector (89 679 jobs) and the finance, insurance, real estate and business services sector (59 679 jobs). The tertiary sector is estimated to be the only sector with a net increase in job opportunities in 2019 (3 758 jobs), most of which are in the wholesale and retail trade, catering and accommodation sector (2 430 jobs) and the general government sector

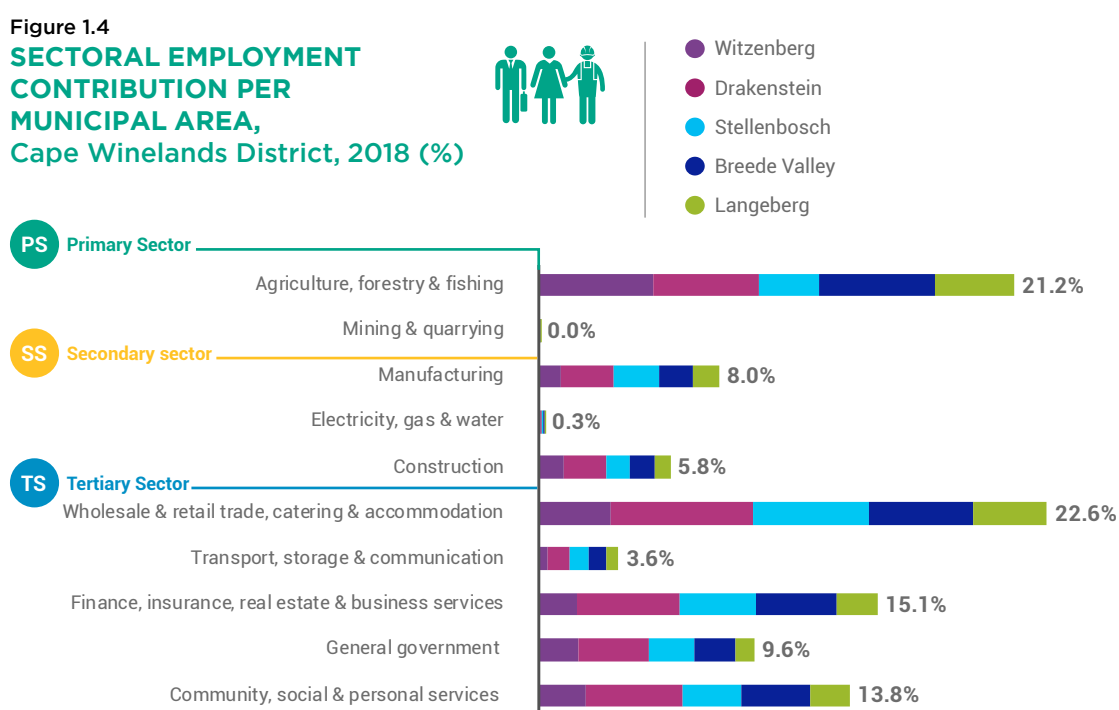
⁸ It should be noted, however, that in 2015 a new master sample was implemented in the Quarterly Labour Force Survey (QLFS), which may have impacted the data owing to variations in its design (Statistics SA, 2015).

(760 jobs). On average, the finance, insurance, real estate and business services sector created 2 286 job opportunities per annum between 2014 and 2018. However, the sector is estimated to have only created 572 job opportunities in 2019. The community, social and personal services sector was the third largest contributing sector to employment in 2018 (54 806 jobs) and created an average of 1 307 jobs per annum between 2014 and 2018, but it is estimated that the sector shed 614 jobs in 2019.

Although the primary sector is the smallest contributing sector to GDP (9.0 per cent) in the CWD, it is the second largest contributor to employment (21.2 per cent), which therefore indicates that the sector is labour-intensive. The sector employed 84 042 people, with most of the jobs being in the agriculture, forestry and fishing sector (83 872 jobs). It is estimated that the primary sector shed 820 jobs in 2019. Overall, the mining and quarrying sector and the electricity, gas and water sector are the smallest sources of employment in the CWD.

The secondary sector employed 56 079 people in 2018, but the sector experienced the largest job-shedding in 2019. It is estimated that the sector shed 2 187 jobs, which was mainly driven by job-shedding in the construction sector (1 565 jobs) and the manufacturing sector (625 jobs) in 2019. The manufacturing sector is the third largest contributing sector to GDP (15.3 per cent), but only contributed 8.0 per cent to employment in 2019, which indicates that the sector is capital-intensive.

Figure 1.4 indicates the sectoral contribution to employment in each of the municipal areas in the CWD.






The sectoral contribution to employment is similar across the municipal areas in the CWD. The wholesale and retail trade, catering and accommodation sector was the largest contributor to employment in the Drakenstein and Stellenbosch municipal areas in 2018, while the agriculture, forestry and fishing sector was the largest source of employment in the Witzenberg, Breede Valley and Langeberg municipal areas.

The employment contribution was less prominent in the transport, storage and communication sector, the electricity, gas and water sector, and the mining and quarrying sector.

Diagram 1.1 illustrates the unemployment rate, labour force participation rate and labour absorption rate in each municipal area in the CWD.

Diagram 1.1

UNEMPLOYMENT PROFILE, Cape Winelands District, 2018 (%)

MUNICIPALITY	 Unemployment rate (%) 2018	2019	 Labour force participation rate (%) 2018	2019	 Labour absorption rate (employment-to-population ratio) 2018	2019
● Witzenberg	6.2	↑	74.8	↓	70.2	↓
● Drakenstein	13.1	↑	68.5	↓	59.5	↓
● Stellenbosch	10.3	↑	69.7	↓	62.5	↓
● Breede Valley	9.9	↑	70.7	↓	63.7	↓
● Langeberg	6.5	↑	72.7	↓	68.0	↓
Cape Winelands District	9.9	↑	70.7	↓	63.7	↓
Western Cape	18.0	↑	68.5	↓	56.2	↓

Source: Quantec Research, 2020

Unemployed persons, according to the official Statistics South Africa definition, are those (aged 15 to 64 years) who:

- Were not employed in the reference week; and
- Actively looked for work or tried to start a business in the four weeks preceding the survey interview; and
- Were available for work, i.e. would have been able to start work or a business in the reference week; or
- Had not actively looked for work in the past four weeks, but had a job or business to start at a definite date in the future and were available.

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

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

The unemployment rate in the CWD was significantly lower than the provincial unemployment rate in 2018, with all the municipal areas reporting lower unemployment rates than the provincial economy. The unemployment rate increased in all the CWD's municipal areas between 2018 and 2019. The CWD's labour force participation rate (70.7 per cent) and labour absorption rate (63.7 per cent) were higher than those of the Western Cape, barring the Drakenstein municipal area's labour force participation rate (68.5 per cent), which was the same as that of the Western Cape. Both indicators were significantly higher than those of the provincial economy. However, the Drakenstein municipal area had the lowest labour participation rate in the CWD, and this is linked to the municipal area's high unemployment rate.

Witzenberg and Langeberg, which are the smallest economies in the CWD, had the highest labour absorption and participation rates, and the lowest unemployment rates. The unemployment rates of the municipal areas were 6.2 per cent and 6.5 per cent respectively. On the other hand, the Drakenstein and Stellenbosch municipal areas had the highest unemployment rates, which were higher than the unemployment rate of the CWD.

The unemployment rate increased, and the labour force participation rate and labour absorption rate decreased in all the municipal areas of the CWD between 2018 and 2019. This follows the overall employment trend in the Western Cape and the overall high rates of unemployment in the country. This implies that job creation prospects in the CWD will remain low and the retention of jobs in key sectors such as the agriculture, forestry and fishing sector, as well as the manufacturing and construction sectors, will be threatened, as these sectors have experienced significant job-shedding compared with other sectors. Low-skilled and semi-skilled workers will be mostly affected, since these sectors primarily absorb workers with these skill levels.

The exceptionally weak economic performance in 2020 as a result of the COVID-19 pandemic, and especially the impact on tourism in the CWD, is likely to result in an increase in the District's unemployment rate in 2020. An increase in the unemployment rate and the associated decline in household income will have a negative influence on local government, as revenue collection is expected to decline, while expenditure on social relief and free basic services is expected to increase.



1.4 CONCLUDING REMARKS

The economy of the CWD was valued at R67.5 billion in 2018, contributing 11.4 per cent to the Western Cape's total GDP and 15.3 per cent to total employment. Between 2014 and 2018 the CWD economy grew at an average annual rate of 1.7 per cent, which was higher than the average annual growth rate of the Western Cape (1.4 per cent). However, estimates for 2019 indicate that the District had significantly lower GDP growth rates than the average observed in the preceding five years – 0.3 percentage points lower than the provincial growth rate. Furthermore, it is expected that the economy of the CWD will contract by an estimated 6.1 per cent in 2020 as a result of the restrictions on business activities under COVID-19 lockdown conditions. Only a partial economic recovery is expected in 2021.

The municipal areas that contributed significantly to the CWD economy in 2018 were the Drakenstein and Stellenbosch municipal areas, which contributed 32.6 per cent and 24.0 per cent to the GDP in the CWD in 2018. The Drakenstein and Stellenbosch municipal areas had the largest contribution to the GDP in 2018, while the Drakenstein and Breede Valley municipal areas were the largest sources of employment in 2018. However, estimates for 2019 indicate that all municipal areas experienced significantly lower GDP growth rates and average annual job creation compared with the averages observed between 2014 and 2018.

In terms of the sectoral contribution, the tertiary sector is the CWD's largest contributor to GDP and employment, accounting for 66.8 per cent of the District's total GDP and 64.7 per cent of total employment in 2018. The finance, insurance, real estate and business services sector and the wholesale and retail trade, catering and accommodation sector were the main drivers of GDP and employment, contributing 20.0 per cent and 18.9 per cent respectively to the District's GDP. The wholesale and retail trade, catering and accommodation sector (89 679) and the finance, insurance, real estate and business services sector (59 679) were also the main contributors to employment in the tertiary sector. It is estimated that the wholesale and retail trade, catering and accommodation sector created 2 430 jobs in 2019.





2

SECTORAL GROWTH, EMPLOYMENT AND SKILLS PER MUNICIPAL AREA

2.1 INTRODUCTION

This chapter provides a more in-depth macroeconomic outlook by considering the trends in GDP, employment and skill levels between 2009 and 2019 for each of the municipal areas within the CWD.



2.2 WITZENBERG

The Witzenberg municipal area consists of five towns, namely Ceres, Tulbagh, Wolseley, Op die Berg and Prince Alfred Hamlet. These towns provide the goods and services for the local agricultural industry, with some agro-processing also occurring. The Witzenberg municipal area is well known for producing export-quality deciduous fruit, vegetables and wine, and has also created a footprint as a family and adventure-tourist destination⁹.



2.2.1 GDPR and employment performance

As depicted in Diagram 2.1, the Witzenberg municipal area's economy was valued at R9.3 billion (in current prices) in 2018. In 2019, the region's economy is estimated to have grown by 0.4 per cent to R9.7 billion. In 2018, 64 859 people were employed in the Witzenberg municipal area, with 754 additional jobs being created in 2019.



Diagram 2.1

GDPR (CURRENT PRICES) AND EMPLOYMENT, Witzenberg, 2018 and 2019e

		2018		2019e
GDPR		R9.3 BILLION	↑ 0.4% GROWTH	R9.7 BILLION
JOBS		64 859	↑ 754 GROWTH	65 613

Source: Quantec Research, 2020 (e denotes estimate)

⁹ (Witzenberg Municipality, 2020).



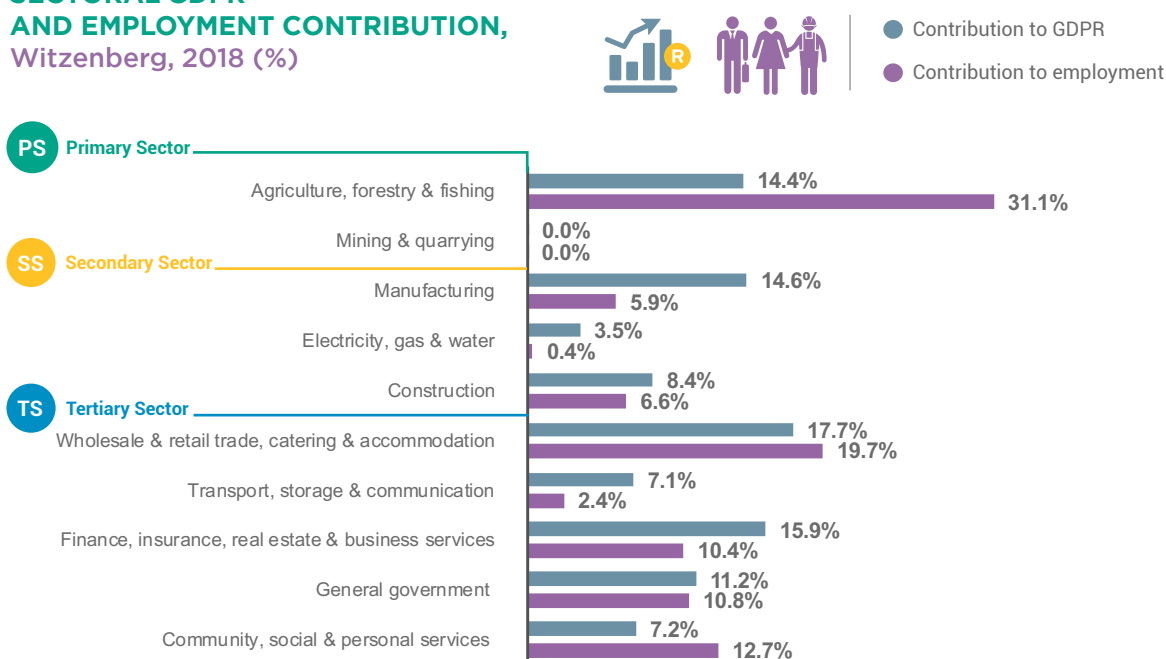
COVID-19 IMPACT

The Witzenberg municipal area is forecast to contract by 2.8 per cent in 2020 owing to the COVID-19 pandemic. The economy of the Witzenberg municipal area is likely to recover by 2021 and is expected to grow by 4.7 per cent.

Figure 2.1 provides a breakdown of the sectoral contribution to GDP and employment in the Witzenberg municipal area in 2018.

Figure 2.1

SECTORAL GDP AND EMPLOYMENT CONTRIBUTION, Witzenberg, 2018 (%)



Source: Quantec Research, 2020


The wholesale and retail trade, catering and accommodation sector and the finance, insurance, real estate and business services sector were the largest contributors to GDP in the Witzenberg municipal area in 2018, contributing 17.7 per cent and 15.9 per cent respectively. In terms of employment, the agriculture, forestry and fishing sector (31.1 per cent) and the wholesale and retail trade, catering and accommodation sector (19.7 per cent) were the main sources of employment in the region in 2018. The mining and quarrying and electricity, gas and water sectors were the smallest contributors to both employment and GDP in 2018. This is mainly due to limited mineral resources in the region.

The agriculture, forestry and fishing sector contributed significantly more to employment (31.1 per cent) than to GDP (14.4 per cent). This is indicative of the highly labour-intensive nature of this sector. The community, social and personal services sector is also more labour-intensive, contributing 12.7 per cent to employment but only 7.2 per cent towards GDP. Conversely, the manufacturing sector is highly capital-intensive. In 2018, the manufacturing sector contributed 14.6 per cent to GDP but only 5.9 per cent to employment. The finance, insurance, real estate and business services sector also contributed more to GDP than to employment, at 15.9 per cent and 10.4 per cent respectively.

Table 2.1 illustrates the sectoral changes in the GDPR and employment between 2014 and 2018, and provides the estimated performance for 2019.

Table 2.1

**GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR,
Witzenberg, 2019**



SECTOR	GDPR			Employment		
	R million value 2018	Trend 2014 – 2018	Real GDP growth 2019e	Number of jobs 2018	Average annual change 2014 – 2018	Net change 2019e
PS Primary Sector	R1 343.9	0.2%	-8.7%	20 174	186	-154
Agriculture, forestry & fishing	R1 341.4	0.2%	-8.7%	20 168	186	-154
Mining & quarrying	R2.5	5.3%	0.6%	6	0	-
SS Secondary Sector	R2 467.6	3.2%	-1.4%	8 338	336	-257
Manufacturing	R1 363.3	2.8%	-2.0%	3 831	86	-52
Electricity, gas & water	R325.9	1.6%	-0.2%	229	9	5
Construction	R778.4	4.6%	-0.4%	4 278	241	-210
TS Tertiary Sector	R5 508.9	4.1%	3.5%	36 347	1 532	1 165
Wholesale & retail trade, catering & accommodation	R1 650.9	3.3%	1.6%	12 776	588	530
Transport, storage & communication	R658.8	3.0%	1.1%	1 577	50	73
Finance, insurance, real estate & business services	R1 479.5	6.0%	6.4%	6 758	328	182
General government	R1 045.9	2.8%	3.1%	6 986	232	280
Community, social & personal services	R673.7	3.9%	2.9%	8 250	334	100
Total Witzenberg	R9 320.3	3.1%	0.4%	64 859	2 054	754

Source: Quantec Research, 2020 (e denotes estimate)

The Witzenberg municipal area realised an average growth rate of 3.1 per cent between 2014 and 2018. The tertiary sector had the highest average growth rate (4.1 per cent) during this period, followed by the secondary sector (3.2 per cent) and the primary sector (0.2 per cent). Between 2014 and 2018, the municipal area's GDPR growth was mainly driven by the finance, insurance, real estate and business services (6.0 per cent) and construction (4.6 per cent) sectors, with average annual growth rates significantly higher than the municipal average growth rate. While the mining and quarrying sector achieved a significant growth rate of 5.3 per cent in 2019, this sector's contribution to the overall GDPR is very small and is unlikely to contribute substantially to the region's economy.

Estimates for 2019 indicate that the Witzenberg municipal area realised a real GDP growth rate of 0.4 per cent in 2019, which is 1.0 percentage point lower than the average growth observed in the preceding year. The tertiary sector realised the highest average annual growth rate of 3.5 per cent, which is 0.1 percentage point higher than that experienced in 2018. GDPR growth in the tertiary sector was mainly driven by the finance, insurance, real estate and business services sector (6.4 per cent) and the general government sector (3.1 per cent). These two sectors are the only sectors in the region that realised a higher growth rate than the sectoral averages observed in the preceding year.

Estimates for 2019 indicate that the primary and secondary sectors contracted by 8.7 per cent and 1.4 per cent respectively. This was mainly driven by contractions in the agriculture, forestry and fishing sector (8.7 per cent) and the manufacturing sector (2.0 per cent). It should also be noted that the construction sector experienced a significant decline, from an average annual GDP growth rate of 4.6 per cent between 2014 and 2018 to an estimated contraction of 0.4 per cent in 2019.

In terms of employment, the Witzenberg municipal area created an average of 2 054 jobs per annum between 2014 and 2018. Employment creation was mainly driven by employment opportunities in the tertiary sector, which experienced an average annual increase of 1 532 jobs during this period. Between 2014 and 2018, the primary and secondary sectors experienced an annual average increase of 186 and 336 jobs respectively.

Estimates for 2019 indicate that the positive economic performance in the tertiary sector led to the creation of 1 165 jobs during the year, with the wholesale and retail trade, catering and accommodation sector accounting for 530 of those jobs. Estimates indicate that both the primary and secondary sectors experienced job losses in 2019. This was mainly due to job losses in the agriculture, forestry and fishing sector and the construction sector. In 2019, the agriculture, forestry and fishing sector had 154 job losses, while the construction sector had 210 job losses.

The restrictions on business activities in mainly the second quarter of 2020 as a result of the national lockdown owing to the COVID-19 pandemic are expected to result in the contraction of most economic sectors in the Witzenberg municipal area. The wholesale and retail trade, catering and accommodation sector is forecast to contract by 16.3 per cent. With limited movements and less use of transport facilities for both personal and business purposes, the transport sector was also negatively impacted by the lockdown restrictions, and is expected to contract by 14.0 per cent. The transport sector, however, is expected to grow by 13.2 per cent in 2021, as activities are expected to return to normal after the pandemic.

Despite the anticipated negative impact on most sectors as a result of the COVID-19 pandemic, the agriculture, forestry and fishing sector is expected to grow by 14.4 per cent. Since the agriculture, forestry and fishing sector is the largest contributing sector to employment in the Witzenberg municipal area, this will reduce the overall negative impact of the pandemic on the municipal economy.



GROWTH POTENTIAL

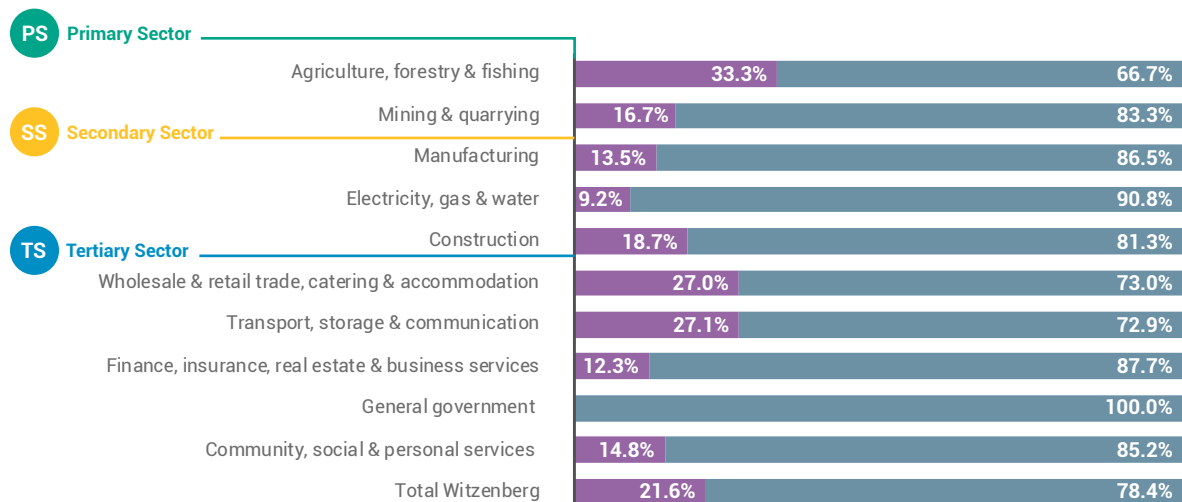
The Witzenberg municipal area's economy is highly dependent on the agriculture sector. Economic diversification will promote the creation of sustainable jobs that are less vulnerable to fluctuations. Investments in the area such as the construction of the Perdekraal East Wind Farm, which began in 2018, will be a valuable injection into the local economy of the Witzenberg municipal area. This project will provide employment opportunities and invest in skills development, socio-economic development and enterprise development in the communities of Ceres, Nduli, Bella Vista and Prince Alfred Hamlet.

Figure 2.2 illustrates the distribution of formal and informal employment¹⁰ in the Witzenberg municipal area in 2018.

Figure 2.2
INFORMAL EMPLOYMENT DISTRIBUTION,
Witzenberg, 2018 (%)



● Proportion informal employment
● Proportion formal employment



Source: Quantec Research, 2020

In 2018, workers in the Witzenberg municipal area were predominantly employed in formal employment (78.4 per cent), while 21.6 per cent were employed informally. The region's prominent sources of informal employment included the agriculture, forestry and fishing (33.3 per cent), transport, storage and communication (27.1 per cent) and wholesale and retail trade, catering and accommodation (27.0 per cent) sectors.

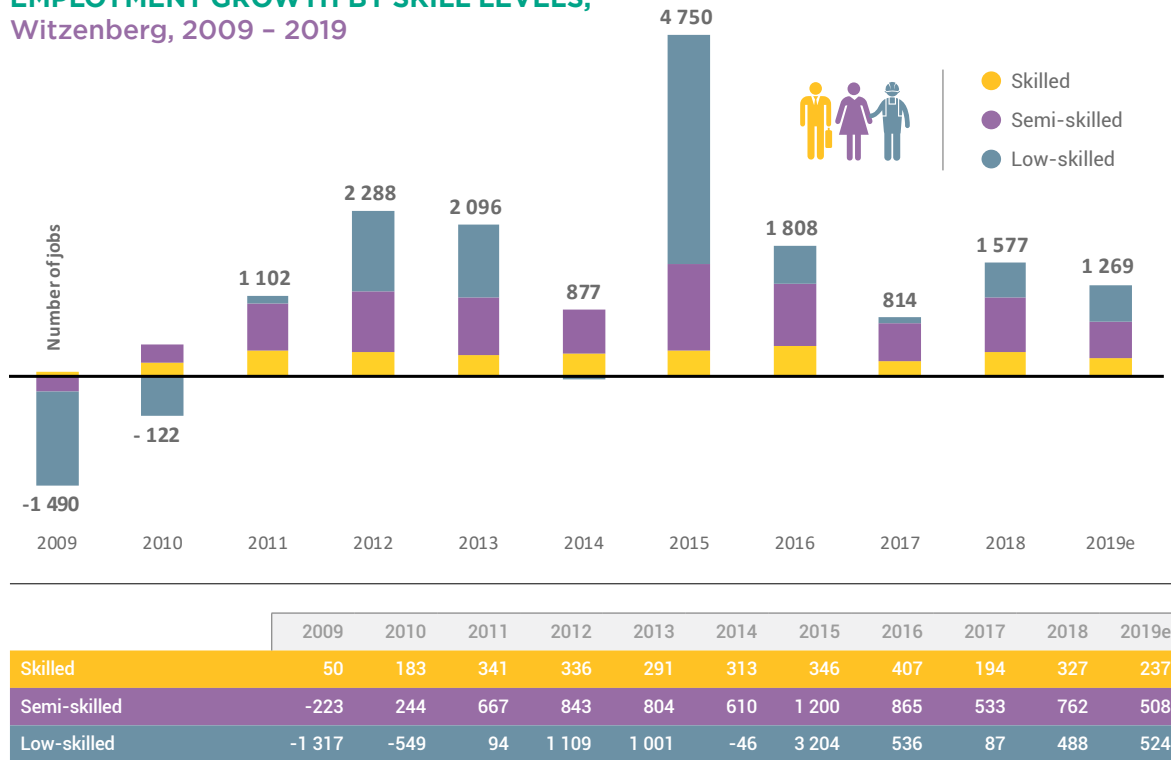


¹⁰ Throughout this chapter, it should be noted that the number of informal sector workers is determined by using labour data from the Quarterly Employment Statistics (QES) and the Quarterly Labour Force Survey (QLFS). Quantec uses the QES formal figure, to which it adds formal agricultural and domestic 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 provides an overview of the changes in formal employment by skill levels in the Witzenberg municipal area between 2009 and 2019.

Figure 2.3
EMPLOYMENT GROWTH BY SKILL LEVELS,
Witzenberg, 2009 – 2019



Source: Quantec Research, 2020 (e denotes estimate)

Owing to the global financial crisis, 1 612 jobs were shed in the Witzenberg municipal area between 2009 and 2010, with low-skilled workers in particular experiencing a significant number of job losses. It should be noted that despite the economic downturn, there was no job-shedding for skilled workers during this period. This illustrates the resilient nature of this type of employment. The economy started to recover in 2011 and was able to offset the job losses experienced between 2009 and 2010 by 2012.

Between 2012 and 2013, most employment opportunities created in the region were for low-skilled workers. In 2014, however, low-skilled workers experienced further job-shedding. Employment opportunities in the region experienced a significant increase in 2015, with 4 750 job opportunities created¹¹, mainly for low-skilled and semi-skilled workers.



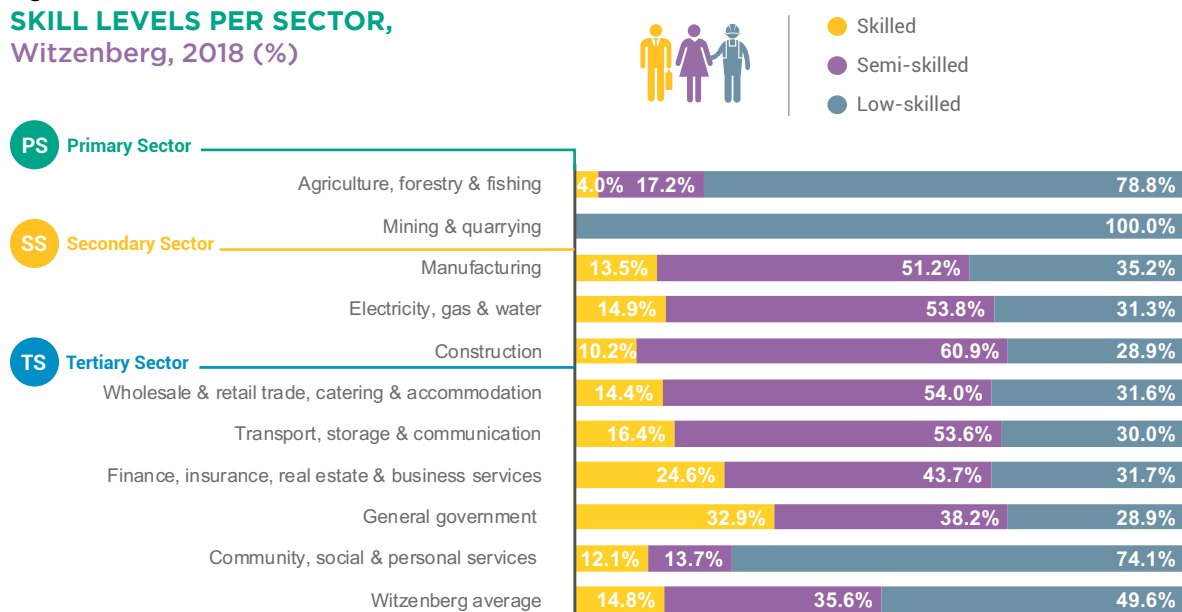
¹¹ Employment estimates in the Quarterly Labour Force Survey (QLFS) of the first quarter of 2015 were based on the new Statistics SA master sample. It is therefore hard to determine whether the significant employment growth is due to the adjusted master sample or an actual increase in employment (Statistics SA, 2015).

Between 2016 and 2018, job creation in the Witzenberg municipal area experienced fluctuations, with 4 199 employment opportunities created over the three-year period. Estimates for 2019 indicate that employment in the region increased by 1 269 jobs, most of which were for low-skilled (524 jobs) and semi-skilled (508 jobs) workers.

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

Figure 2.4

**SKILL LEVELS PER SECTOR,
Witzenberg, 2018 (%)**



Source: Quantec Research, 2020

Formal employment in the Witzenberg municipal area is predominantly characterised by low-skilled workers, with nearly half of all workers in the region (49.6 per cent) classified as low-skilled. There is also a large proportion of semi-skilled workers in the region (35.6 per cent). In 2018, 14.8 per cent of people employed in the region were classified as skilled.

Employment in the agriculture, forestry and fishing sector, mining and quarrying sector and community, social and personal services sector is mainly made up of low-skilled workers, with 78.8 per cent, 100 per cent and 74.1 per cent of workers in these sectors respectively being classified as low-skilled.

Semi-skilled workers are prevalent in most sectors in the region. The construction sector is a particularly significant source of semi-skilled employment, with 60.9 per cent of workers in this sector being semi-skilled.

Skilled workers are more prevalent in the tertiary sector. In the general government sector, nearly a third (32.9 per cent) of all workers are classified as skilled. Employment in the finance, insurance, real estate and business services sector also largely comprises skilled workers, at 24.6 per cent.

2.3 DRAKENSTEIN

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





2.3.1 GDPR and employment performance

As illustrated in Diagram 2.2, the Drakenstein municipal area's economy was valued at R22.0 billion (in current prices) in 2018, with 112 778 people being employed in the region during the year. It is estimated that the GDPR stagnated in 2019 in real terms, indicating that the marginal increase of the GDPR to R22.8 billion was mainly due to inflation. Employment growth in 2019 was negligible, with only 117 employment opportunities being created in the year.

Diagram 2.2

GDPR (CURRENT PRICES) AND EMPLOYMENT, Drakenstein, 2018 and 2019e

	2018		2019e
GDPR 	R22.0 BILLION	↕ 0.0% NONE	R22.8 BILLION
JOBS 	112 778	↑ 117 GROWTH	112 895

Source: Quantec Research, 2020 (e denotes estimate)

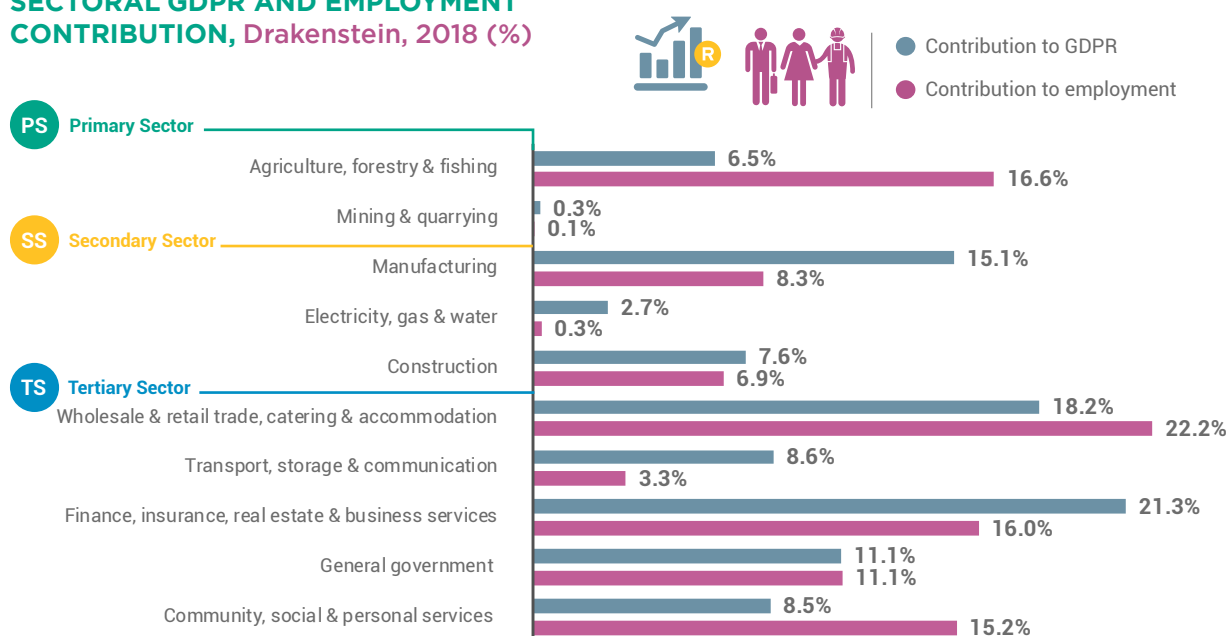
COVID-19 IMPACT



The economy of the Drakenstein municipal area is forecast to contract by 6.7 per cent in 2020 because of the COVID-19 pandemic, which will also result in job losses. However, a partial recovery of 3.6 per cent GDP is expected in 2021.

Figure 2.5 indicates the sectoral contribution to GDP and employment in the Drakenstein municipal area in 2018.

Figure 2.5
SECTORAL GDP AND EMPLOYMENT
CONTRIBUTION, Drakenstein, 2018 (%)



Source: Quantec Research, 2020



With a contribution of 21.3 per cent to GDP in 2018, the finance, insurance, real estate and business services sector was the leading contributor to the Drakenstein municipal area's economy. The wholesale and retail trade, catering and accommodation sector was the second largest driver of GDP, at 18.2 per cent. This sector is also the region's main source of employment, accounting for 22.2 per cent of total employment in 2018.

Although the tertiary sector was more dominant in terms of its contribution to GDP and employment, there are some subsectors in the primary and secondary sectors that made a significant contribution to the economy and employment in the region. Despite only contributing 6.5 per cent to the region's GDP, the agriculture, forestry and fishing sector was the second largest source of employment in the region, with a contribution of 16.6 per cent. This is indicative of the labour-intensive nature of this sector. Conversely, the manufacturing sector, which is the third largest contributor to GDP at 15.1 per cent, only contributed 8.3 per cent to employment, which illustrates the capital-intensive nature of this sector.

Table 2.2 outlines the GDPR and employment performance per sector in the Drakenstein municipal area between 2014 and 2018, and gives estimates for 2019.

Table 2.2

GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Drakenstein, 2018

 		GDPR			Employment		
SECTOR		R million value 2018	Trend 2014 – 2018	Real GDP growth 2019e	Number of jobs 2018	Average annual change 2014 – 2018	Net change 2019e
PS	Primary Sector	R1 499.7	0.0%	-8.5%	18 759	148	-155
	Agriculture, forestry & fishing	R1 440.2	0.0%	-8.7%	18 680	150	-151
	Mining & quarrying	R59.5	0.6%	-3.1%	79	-1	-4
SS	Secondary Sector	R5 610.1	-0.6%	-2.9%	17 433	153	-787
	Manufacturing	R3 330.0	-1.9%	-3.4%	9 344	-123	-240
	Electricity, gas & water	R595.4	0.4%	-1.0%	359	10	1
	Construction	R1 684.6	2.8%	-1.9%	7 730	265	-548
TS	Tertiary Sector	R14 912.6	2.3%	1.9%	76 586	2 054	1 059
	Wholesale & retail trade, catering & accommodation	R4 005.2	2.3%	0.8%	25 089	838	686
	Transport, storage & communication	R1 903.6	1.5%	-0.1%	3 772	44	115
	Finance, insurance, real estate & business services	R4 688.4	3.2%	3.5%	18 046	585	120
	General government	R2 437.2	0.6%	1.2%	12 528	126	224
	Community, social & personal services	R1 878.3	2.5%	1.7%	17 151	461	-86
Total Drakenstein		R22 022.4	1.4%	0.0%	112 778	2 355	117

Source: Quantec Research, 2020 (e denotes estimate)

The Drakenstein municipal area realised an average annual growth rate of 1.4 per cent between 2014 and 2018. Over the five-year period, the tertiary sector realised an average annual growth rate of 2.3 per cent. The finance, insurance, real estate and business services sector (3.2 per cent), community, social and personal services sector (2.5 per cent) and wholesale and retail trade, catering and accommodation sector (2.3 per cent) realised the highest average growth rates. The secondary sector experienced an average annual contraction of 0.6 per cent between 2014 and 2018, while the primary sector remained stagnant, with zero growth over the period. The poor performance in the secondary sector was mainly caused by the contraction of the manufacturing sector (1.9 per cent).

Estimates for 2019 indicate that the economy stagnated, which was mainly a result of the poorly performing primary and secondary sectors, which experienced contractions of 8.5 per cent and 2.9 per cent respectively. The largest contractions were experienced by the agriculture, forestry and fishing sector (8.7 per cent) and the manufacturing sector (3.4 per cent). Positively, growth in the finance, insurance, real estate and business services sector continued on an upward trend, experiencing a growth rate of 3.5 per cent in 2019.

The Drakenstein municipal area created an average of 2 355 jobs per annum between 2014 and 2018. Employment creation was mainly driven by the tertiary sector during this period, particularly the wholesale and retail trade, catering and accommodation sector (838 jobs per annum) and the finance, insurance, real estate and business services sector (585 jobs per annum).

Despite the stagnating economy, the municipal area is estimated to have realised a net increase of 117 job opportunities in 2019, which is significantly fewer than the average observed in the preceding five years. The wholesale and retail trade, catering and accommodation sector and the finance, insurance, real estate and business services sector remained predominant sources of employment creation, albeit creating fewer jobs compared with the averages observed in the preceding five years.

While the community, social and personal services sector was one of the main sources of job creation between 2014 and 2018, it is estimated that the sector shed 86 jobs in 2019. The agriculture, forestry and fishing sector – the second largest source of employment in the Drakenstein municipal area in 2018 – shed an estimated 151 jobs in 2019. The secondary sector is also estimated to have shed 787 jobs in 2019, mainly owing to job losses in the construction sector (548 jobs).



COVID-19 impact

Most sectors are expected to experience a contraction in 2020 owing to the COVID-19 pandemic. The wholesale and retail trade, catering and accommodation sector is expected to contract by 17.5 per cent, while the transport, storage and communication sector is expected to contract by an estimated 16.4 per cent. The manufacturing sector is also expected to be significantly impacted, with an estimated contraction of 19.0 per cent in 2020. However, these sectors are expected to recover somewhat, with growth rates of 15.1 per cent and 11.2 per cent respectively in 2021. The agriculture, forestry and fishing sector is expected to grow by 14.0 per cent, as agricultural activities were still permitted during the lockdown period. However, the agriculture, forestry and fishing sector is anticipated to contract by 7.9 per cent in 2021.

Other sectors that are forecast to experience positive growth in 2020 are the finance, insurance, real estate and business services sector (0.5 per cent), the general government sector (1.6 per cent) and the community, social and personal services sector (1.8 per cent).



POTENTIAL RISKS

Paarl is the economic hub of the CWD. However, smaller rural settlements such as Gouda and Saron play an important role in providing goods and services to the agricultural sector. This, however, makes these settlements vulnerable to volatility in the sector.



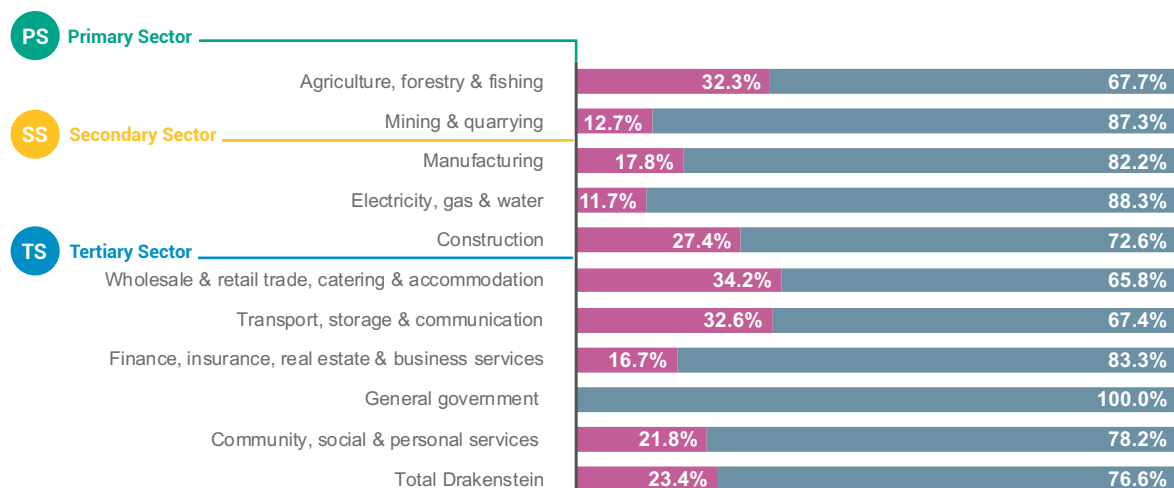
Figure 2.6 depicts the sectoral distribution of formal and informal employment in the Drakenstein municipal area in 2018.

Figure 2.6

INFORMAL EMPLOYMENT DISTRIBUTION, Drakenstein, 2018 (%)



● Proportion informal employment
● Proportion formal employment



Source: Quantec Research, 2020



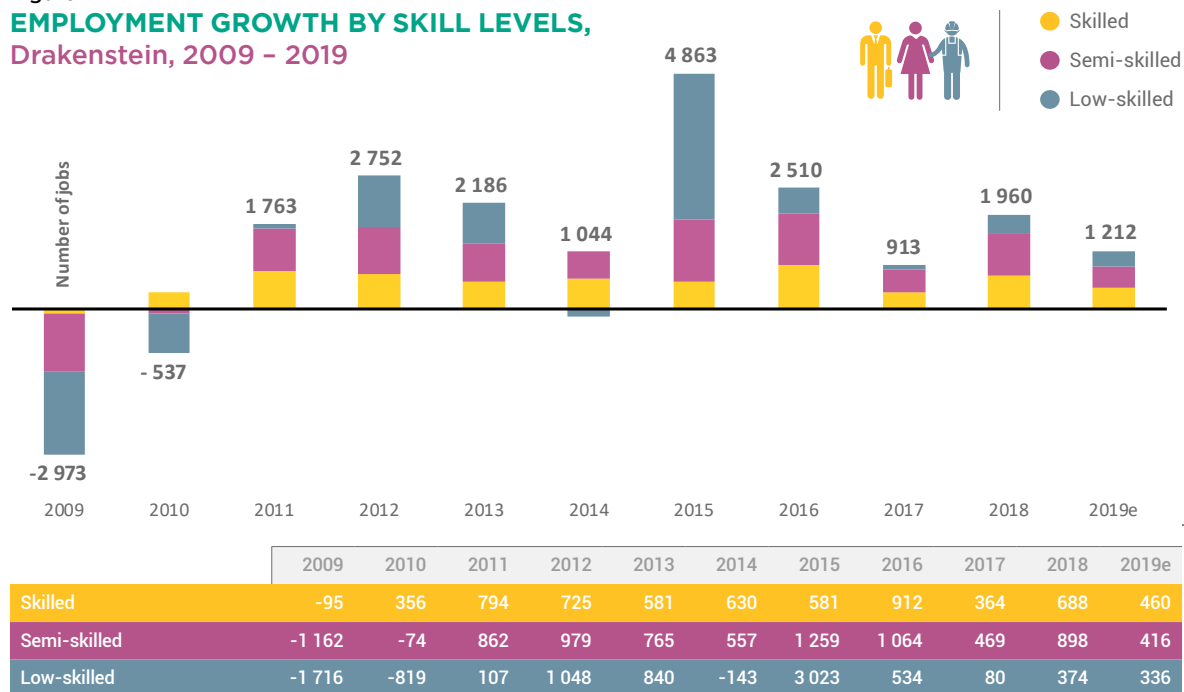
A large proportion of employment in the Drakenstein municipal area is in the formal sector (76.6 per cent). The wholesale and retail trade, catering and accommodation sector had the largest proportion of informal employment in 2018, with informal employment accounting for 34.2 per cent of the sector's total employment. Other sectors that had a noticeable proportion of informal employment include the transport, storage and communication sector (32.6 per cent), the agriculture, forestry and fishing sector (32.3 per cent) and the construction sector (27.4 per cent).

2.3.2 Skills analysis

Figure 2.7 illustrates the change in employment by skill levels between 2009 and 2019 in the Drakenstein municipal area.

Figure 2.7

EMPLOYMENT GROWTH BY SKILL LEVELS, Drakenstein, 2009 – 2019



Source: Quantec Research, 2020 (e denotes estimate)

Owing to the 2008/09 global financial crisis there were substantial job losses in the Drakenstein municipal area – 2 973 jobs were shed in 2009 and 537 jobs were shed in 2010. The job losses were mainly experienced by low-skilled and semi-skilled workers.

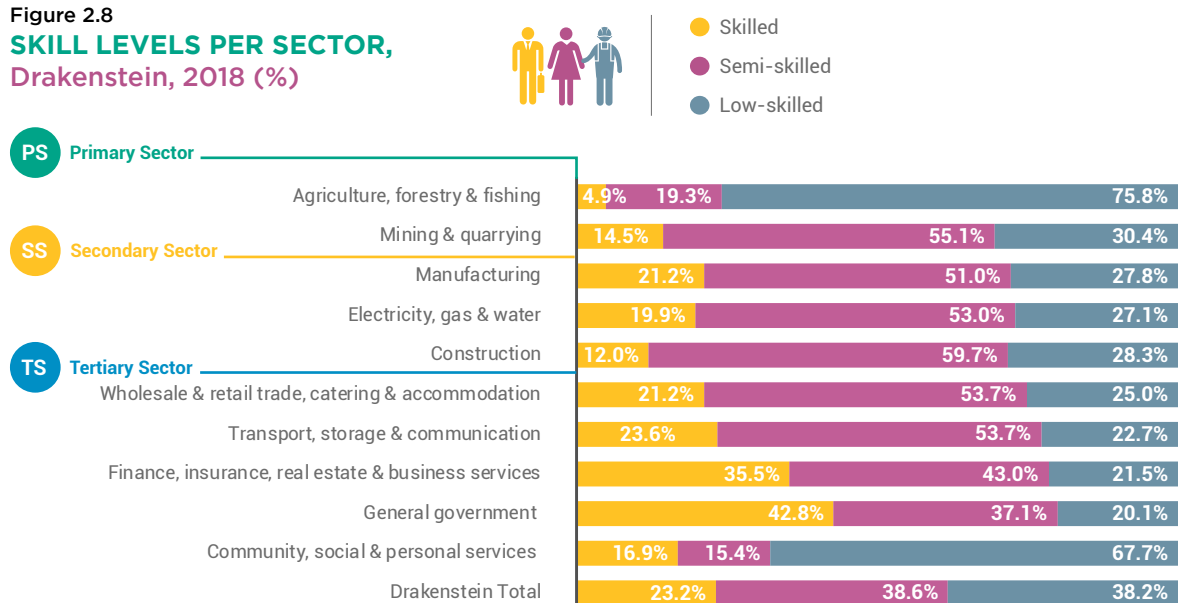
There was a substantial increase in the number of jobs created between 2011 and 2013 – 6 701 jobs were created, with most jobs created for semi-skilled and skilled workers. Employment growth fluctuated between 2014 and 2018, and there was a substantial increase in employment growth for low-skilled workers in 2015¹² – of the 4 863 jobs created in the Drakenstein municipal area in 2015, 3 023 jobs were for low-skilled workers.



¹² Employment estimates in the Quarterly Labour Force Survey (QLFS) of the first quarter of 2015 were based on the new Statistics SA master sample. It is therefore hard to determine whether the significant employment growth is due to the adjusted master sample or an actual increase in employment (Statistics SA, 2015).

Figure 2.8 illustrates the skill levels per sector in formal employment in the Drakenstein municipal area in 2018.

Figure 2.8
SKILL LEVELS PER SECTOR,
Drakenstein, 2018 (%)



Source: Quantec Research, 2020

Employment in the Drakenstein municipal area predominantly comprised semi-skilled workers (38.6 per cent) and low-skilled workers (38.2 per cent) in 2018. Skilled workers accounted for 23.2 per cent of the region's employment.

Employment in the agriculture, forestry and fishing sector and the community, social and personal services sector primarily consists of low-skilled workers. In 2018, 75.8 per cent of workers in the agriculture, forestry and fishing sector were low-skilled, while 67.7 per cent of workers in the community, social and personal services sector were classified as low-skilled.

Semi-skilled workers are most prevalent in the construction sector (59.7 per cent) and the mining and quarrying sector (55.1 per cent). All sectors barring the agriculture, forestry and fishing sector and the community, social and personal services sector have a significant proportion of semi-skilled workers.

The general government sector has the largest proportion of skilled workers. In 2018, 42.8 per cent of workers in the general government sector were skilled. The finance, insurance, real estate and business services sector also has a large proportion of skilled workers (35.5 per cent).



2.4 STELLENBOSCH

Towns within the Stellenbosch municipal area include Franschhoek, Stellenbosch, Pniel and Klapmuts. Stellenbosch is the main node within the municipal area and is the second oldest town in South Africa. The Stellenbosch and Franschhoek areas are well known for their fruit, wine-production activities and cultural and heritage attractions. Stellenbosch is also considered a university town, as it houses Stellenbosch University, which attracts both national and international students.

2.4.1 GDPR and employment performance

As illustrated in Diagram 2.3, the Stellenbosch municipal area's economy was valued at R16.2 billion (in current prices) in 2018, with 78 701 people being employed in the region during the year. Estimates for 2019 indicate that the Stellenbosch municipal area's economy grew marginally by 0.1 per cent to R16.8 billion.

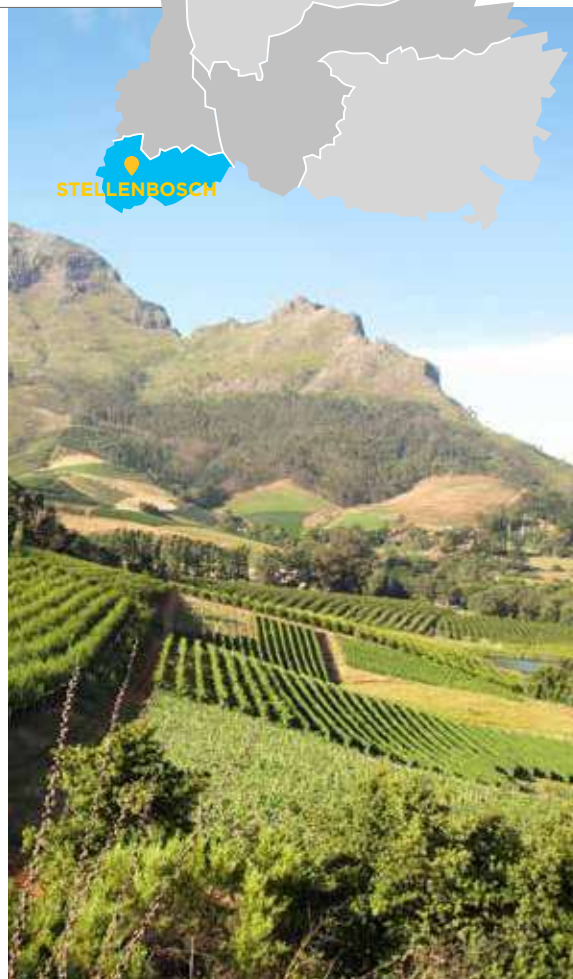




Diagram 2.3

GDPR (CURRENT PRICES) AND EMPLOYMENT,
Stellenbosch, 2018 and 2019e

	2018		2019e
GDPR 	R16.2 BILLION	↑ 0.1% GROWTH	R16.8 BILLION
JOBS 	78 701	↓ -107 CONTRACTION	78 594

Source: Quantec Research, 2020 (e denotes estimate)



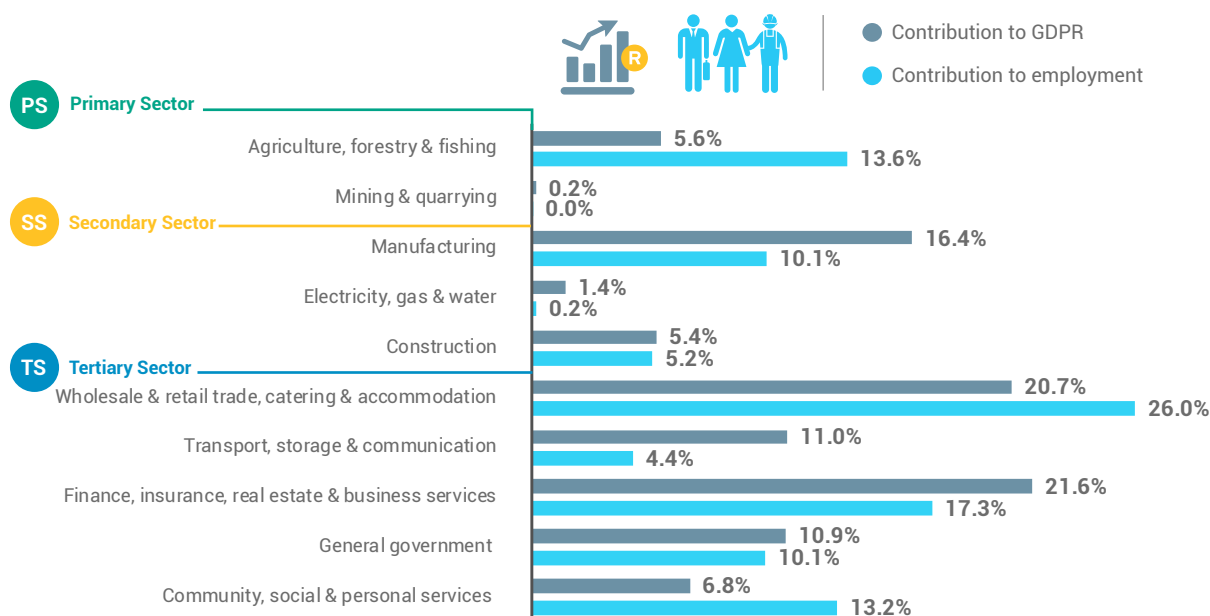
COVID-19 IMPACT

It is anticipated that the reduction in economic activity due to the lockdown imposed as a result of the COVID-19 pandemic will have a severe negative impact on the Stellenbosch municipal economy. The GDP is expected to experience the highest contraction in the CWD (7.6 per cent) in 2020 but is expected to recover somewhat by 4.3 per cent in 2021.

Figure 2.9 illustrates the sectoral contribution to GDP and employment in the Stellenbosch municipal area in 2018.

Figure 2.9

SECTORAL GDP AND EMPLOYMENT CONTRIBUTION, Stellenbosch, 2018 (%)



Source: Quantec Research, 2020

The leading contributor to GDP in the Stellenbosch municipal area is the finance, insurance, real estate and business services sector, with a contribution of 21.6 per cent in 2018. Other notable contributors to GDP in the region are the wholesale and retail trade, catering and accommodation sector (20.7 per cent) and the manufacturing sector (16.4 per cent). Despite its small contribution to GDP (5.6 per cent), the agriculture, forestry and fishing sector is an important driver of the Stellenbosch municipal area's economy, as agro-processing accounts for a large proportion of the manufacturing sector's activities.


In addition to being a notable contributor to GDP in the region, the wholesale and retail trade, catering and accommodation sector is the main contributor to employment in the region. In 2018, 26.0 per cent of the region's total employment was in this sector. The wholesale and retail trade, catering and accommodation sector is particularly labour-intensive, contributing more to employment than to GDP.

The finance, insurance, real estate and business services sector is also a significant contributor to employment at 17.3 per cent. However, similar to the manufacturing sector, the finance, insurance, real estate and business services sector is more capital-intensive, with a larger contribution to GDP than employment.

Table 2.3 provides an overview of the performance of each sector in the Stellenbosch municipal area between 2014 and 2018, and provides estimates for 2019.

Table 2.3

GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Stellenbosch, 2018

		GDPR			Employment		
SECTOR		R million value 2018	Trend 2014 – 2018	Real GDP growth 2019e	Number of jobs 2018	Average annual change 2014 – 2018	Net change 2019e
PS	Primary Sector	R931.4	-1.0%	-8.9%	10 725	55	-113
	Agriculture, forestry & fishing	R901.2	-1.1%	-9.1%	10 694	55	-111
	Mining & quarrying	R30.2	1.8%	-2.6%	31	0	-2
SS	Secondary Sector	R3 755.6	-0.3%	-1.6%	12 224	121	-443
	Manufacturing	R2 651.6	-0.9%	-1.5%	7 965	-8	-138
	Electricity, gas & water	R234.3	-0.3%	-1.9%	156	3	-1
	Construction	R869.8	2.1%	-1.9%	4 103	126	-304
	Tertiary Sector	R11 489.0	2.1%	1.4%	55 752	1 304	449
TS	Wholesale & retail trade, catering & accommodation	R3 344.9	2.4%	0.9%	20 460	603	400
	Transport, storage & communication	R1 782.3	3.9%	1.5%	3 432	95	169
	Finance, insurance, real estate & business services	R3 489.6	2.4%	2.3%	13 577	427	35
	General government	R1 770.1	0.1%	0.7%	7 925	62	124
	Community, social & personal services	R1 102.2	0.9%	0.3%	10 358	117	-279
Total Stellenbosch		R16 176.0	1.4%	0.1%	78 701	1 480	-107

Source: Quantec Research, 2020 (e denotes estimate)

In 2018, the tertiary sector was valued at R11.5 billion, which is 71.0 per cent of the Stellenbosch municipal area's total GDP. Between 2014 and 2018, the tertiary sector realised average annual growth rates of 2.1 per cent, with the transport, storage and communication sector performing particularly well over the five-year period with a growth rate of 3.9 per cent. The region's main contributors to GDP, the finance, insurance, real estate and business services sector and the wholesale and retail trade, catering and accommodation sector, also achieved positive average growth rates of 2.4 per cent each per annum. The decline in tourist activities in 2020 as a result of the COVID-19 pandemic, and the restrictions in many forms of retail trade, are likely to result in a contraction of 17.4 per cent in the sector in 2020.

Despite the positive performance of the tertiary sector over the reference period, the Stellenbosch municipal area's economy achieved average annual growth rates of only 1.4 per cent between 2014 and 2018. This was largely due to the average annual contractions of 1.0 per cent and 0.3 per cent experienced in the primary and secondary sectors respectively. The manufacturing sector, which is a large source of economic activity in the region, experienced average annual contractions of 0.9 per cent between 2014 and 2018. A large proportion of the activity in the manufacturing sector is agro-processing of produce sourced from the region's agriculture, forestry and fishing sector. The poor performance in the agriculture, forestry and fishing sector therefore has a knock-on effect on the performance of the manufacturing sector. Estimates for 2019 indicate that this trend has continued, with the agriculture, forestry and fishing sector experiencing a significant contraction of 9.1 per cent during the year. However, this sector is expected to recover in 2020, with an estimated growth rate of 12.2 per cent.

The manufacturing sector is also estimated to have experienced a contraction of 1.5 per cent in 2019. This sector is expected to be severely impacted by the restrictions imposed in the lockdown period of 2020, as well as by load-shedding. It is estimated that the manufacturing sector will contract by 17.5 per cent in 2020, before recovering somewhat in 2021.

SMMEs in the Stellenbosch municipal area, particularly those in the tertiary sector, were affected by the COVID-19 pandemic. SMMEs in the tourism industry, including restaurants, accommodation, wine industry, tour guides, shuttle services, tour operators, booking agents and visitor attractions have suffered significantly. SMMEs that are less capital-intensive have also been significantly affected by the COVID-19 pandemic¹³.

Employment in the region benefited from the strong performance of the tertiary sector. Of the annual 1 480 job opportunities created between 2014 and 2018, 1 304 jobs were created in the tertiary sector, with the finance, insurance, real estate and business services sector and the wholesale and retail trade, catering and accommodation sector being the main drivers of job creation. Estimates for 2019 indicate that employment in the tertiary sector continued on an upward trajectory, with 449 jobs being created during the year. It should be noted, however, that the community, social and personal services sector is estimated to have shed 279 jobs during the year.

The poor performance of the primary and secondary sectors led to very few job opportunities being created between 2014 and 2018. Over the five-year period, the agriculture, forestry and fishing sector experienced an annual average increase of 55 jobs, while the manufacturing sector shed an average of eight jobs per annum. Estimates for 2019 indicate that employment prospects in the primary and secondary sectors have worsened. In the primary sector, it is estimated that 113 jobs were shed, 111 of which are in the agriculture, forestry and fishing sector. The secondary sector is also estimated to have shed a significant number of jobs in 2019, with 138 jobs having been lost in the manufacturing sector and 304 jobs having been lost in the construction sector.

The finance section of Tiger Brands relocated to Johannesburg, and Distell is also exiting the Stellenbosch municipal area. This is anticipated to reduce job opportunities in the finance sector in the Stellenbosch municipal area. On the other hand, there is a possible expansion of Paarl Mall, the relocation of the Capitec head office to the Stellenbosch municipal area as well as the development of the Adam Tas Corridor, which may create job opportunities that are not necessarily exclusive to the finance sector¹⁴.

¹³ (Stellenbosch Municipality, 2020).

¹⁴ (BER, 2018).

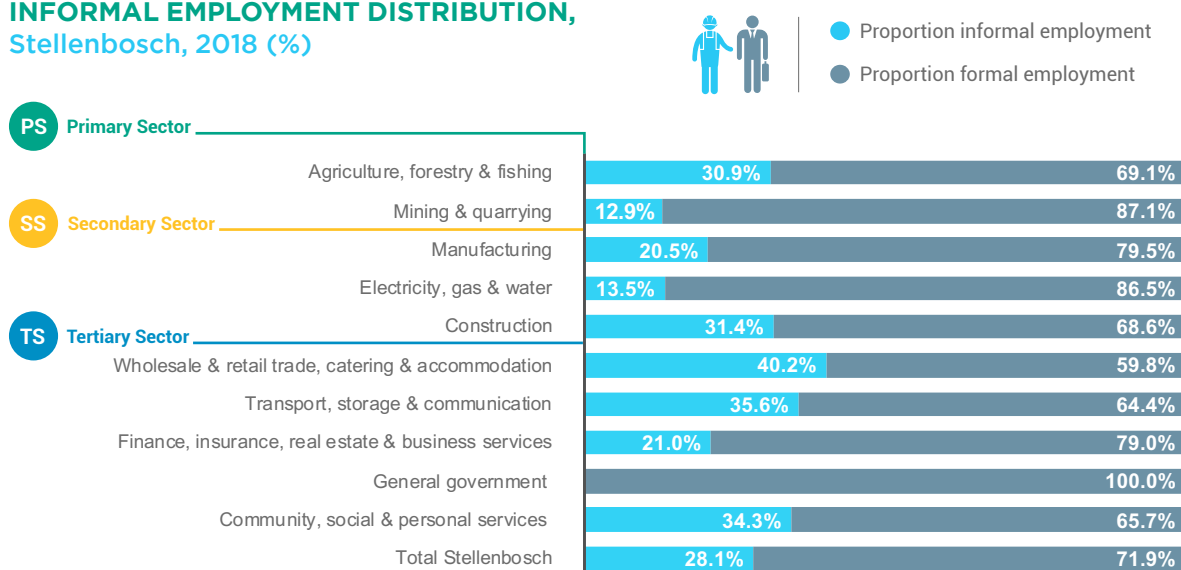


POTENTIAL RISKS

Stellenbosch University attracts students from across the country and is a valuable injection into the local economy. The spending of the university, together with that of the students and staff, had an impact of R5.6 billion on the local economy. In addition, the university sustained the equivalent of 13 406 full-time jobs in the local economy. This generates R1.2 billion in labour remuneration. It is estimated that approximately one-fifth of the economic activity in the Stellenbosch area can be attributed to the university¹⁵.

Figure 2.10 illustrates the distribution of formal and informal employment in the Stellenbosch municipal area in 2018.

Figure 2.10
INFORMAL EMPLOYMENT DISTRIBUTION,
Stellenbosch, 2018 (%)



Source: Quantec Research, 2020

Employment in the Stellenbosch municipal area is largely concentrated in the formal sector, with 71.9 per cent of all employment being in this sector. Besides the general government sector being fully represented by formal employment, the mining and quarrying sector has the largest proportion of formal employment (87.1 per cent), followed by the electricity, gas and water sector (86.5 per cent). The wholesale and retail trade, catering and accommodation sector has the largest proportion of informal employment (40.2 per cent), followed by the transport, storage and communication sector (35.6 per cent) and the construction sector (31.4 per cent).

The availability of property to support expansion is indicated as a constraint faced by informal businesses in the Stellenbosch municipal area. Lack of access to empowerment opportunities in the form of ongoing training, start-up hubs and trading spaces in areas where there are more economic activities, the high cost of doing business and the limited opportunities of becoming part of the formal sector's formalisation path to enable access to finance and seed funding are indicated as some of the constraints faced by informal businesses to expand their businesses and create jobs. Red tape and bureaucracy are also indicated as constraints faced by informal businesses in the Stellenbosch municipal area.

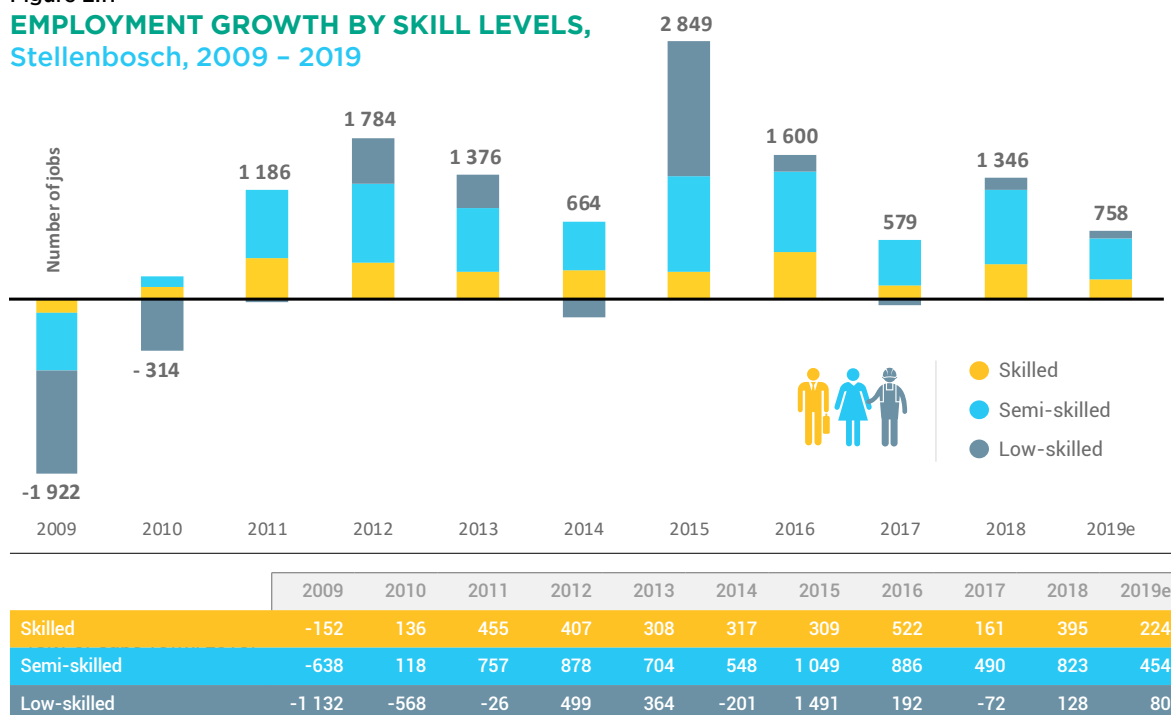
¹⁵ (BER, 2018).

2.4.2 Skills analysis

Figure 2.11 illustrates the change in employment according to skill levels between 2009 and 2019 in the Stellenbosch municipal area.

Figure 2.11

EMPLOYMENT GROWTH BY SKILL LEVELS, Stellenbosch, 2009 – 2019



Source: Quantec Research, 2020 (e denotes estimate)

The global financial crisis in 2008/09 resulted in the shedding of 2 236 jobs between 2009 and 2010 in the Stellenbosch municipal area. Low-skilled workers were particularly affected during this period, with 1 700 job losses being experienced by low-skilled workers. There was a substantial improvement in job creation between 2011 and 2013. Over the three-year period, 4 346 jobs were created, most of which were for semi-skilled workers. After two years of job creation, low-skilled workers experienced job-shedding of 201 jobs in 2014.

In 2015¹⁶ the number of jobs created grew substantially by 2 849 jobs, most of which were for low-skilled workers. Between 2016 and 2018, 3 525 job opportunities were created in the Stellenbosch municipal area. Estimates for 2019 indicate that 758 jobs were created, which is significantly lower than the 1 346 jobs created in 2018.

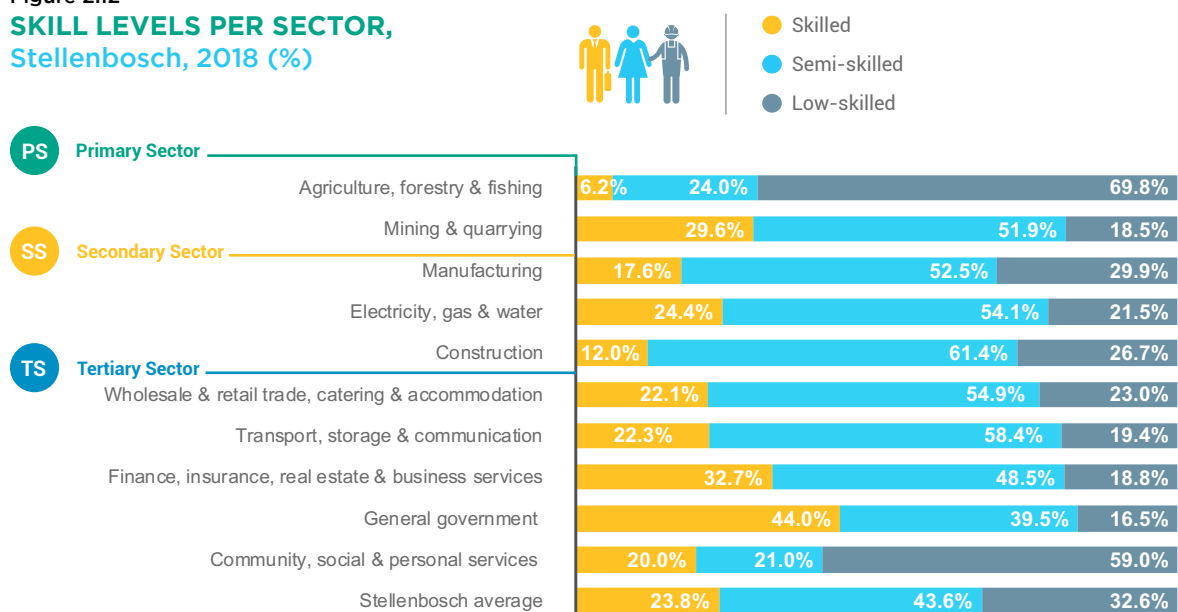


¹⁶ Employment estimates in the Quarterly Labour Force Survey (QLFS) of the first quarter of 2015 were based on the new Statistics SA master sample. It is therefore hard to determine whether the significant employment growth is due to the adjusted master sample or an actual increase in employment (Statistics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

Figure 2.12 illustrates the skill levels per sector in 2018 in the Stellenbosch municipal area.

Figure 2.12

SKILL LEVELS PER SECTOR, Stellenbosch, 2018 (%)



Source: Quantec Research, 2020

Employment in the Stellenbosch municipal area is largely characterised by semi-skilled workers. In 2018, 43.6 per cent of workers in the region were classified as semi-skilled, while 32.6 per cent of workers were low-skilled and 23.8 per cent were skilled.

The two sectors that absorb the highest proportion of low-skilled workers are the agriculture, forestry and fishing sector and the community, social and personal services sector. In 2018, 69.8 per cent of workers in the agriculture, forestry and fishing sector were low-skilled, while 59.0 per cent of workers in the community, social and personal services sector were low-skilled. The agriculture, forestry and fishing sector has the lowest number of skilled workers – in 2018, only 6.2 per cent of workers in this sector were classified as skilled.

Semi-skilled workers are most prevalent in all sectors barring the agriculture, forestry and fishing sector and the community, social and personal services sector. In 2018, 61.4 per cent of workers in the construction sector were classified as semi-skilled. Other sectors that use a significant amount of semi-skilled labour are the transport, storage and communication sector (58.4 per cent) and the wholesale and retail trade, catering and accommodation sector (54.9 per cent).

Employment in the general government sector mainly comprises skilled workers. In 2018, 44.0 per cent of employment in this sector was classified as skilled. The finance, insurance, real estate and business services sector also has a large proportion of skilled workers, with 32.7 per cent of workers in this sector being skilled in 2018.



Junior Louis Jean, Unsplash

2.5 BREEDE VALLEY

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





2.5.1 GDPR and employment performance

As illustrated in Diagram 2.4, the value of the Breede Valley municipal area's economy was R12.9 billion (in current prices) in 2018, with 86 047 people being employed in the region during the year. Estimates indicate that the region's economy stagnated in 2019, with the increase to R13.4 billion being due to inflation. The stagnant growth in the region led to a marginal increase in employment of 210 jobs in 2019.



Diagram 2.4

GDPR (CURRENT PRICES) AND EMPLOYMENT,
Breede Valley, 2018 and 2019e

	2018		2019e
GDPR 	R12.9 BILLION	 0.0% NONE	R13.4 BILLION
JOBS 	86 047	 210 GROWTH	86 257

Source: Quantec Research, 2020 (e denotes estimate)



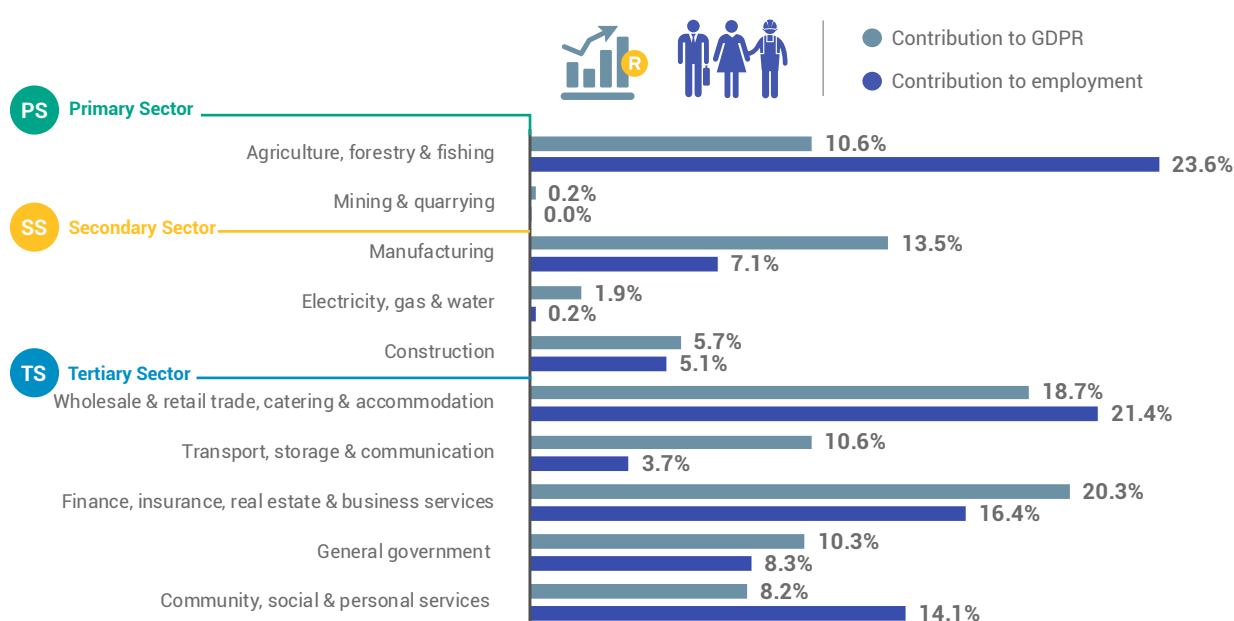
COVID-19 IMPACT

The economy of the Breede Valley municipal area is expected to contract by 5.6 per cent in 2020 as a result of the COVID-19 pandemic and is expected to only recover partially in 2021, with an anticipated GDP growth rate of 3.6 per cent.

Figure 2.13 illustrates the sectoral composition of GDP and employment in the Breede Valley municipal area in 2018.

Figure 2.13

SECTORAL GDP AND EMPLOYMENT CONTRIBUTION, Breede Valley, 2018 (%)



Source: Quantec Research, 2020


The finance, insurance, real estate and business services sector is the leading contributor to the Breede Valley municipal area's economy. In 2018, the finance, insurance, real estate and business services sector accounted for 20.3 per cent of the region's total GDP, followed by the wholesale and retail trade, catering and accommodation sector (18.7 per cent). Another significant contributor to GDP in the region is the manufacturing sector, which contributed 13.5 per cent to GDP in 2018.

The agriculture, forestry and fishing sector is the leading contributor to employment in the Breede Valley municipal area. Despite only contributing 10.6 per cent to GDP in the region in 2018, the agriculture, forestry and fishing sector accounted for 23.6 per cent of the region's total employment. This reflects the labour-intensive nature of this sector. Conversely, the manufacturing sector, which is the third largest contributor to GDP, only contributed 7.1 per cent to employment in 2018. This is indicative of the capital-intensive nature of the manufacturing sector. The wholesale and retail trade, catering and accommodation sector is another major contributor to the Breede Valley municipal area's employment. In 2018, 21.4 per cent of all employment in the region was in the wholesale and retail trade, catering and accommodation sector.

Table 2.4 depicts the performance of employment per sector between 2014 and 2018 in the Breede Valley municipal area.

Table 2.4

GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Breede Valley, 2018

		GDPR			Employment		
SECTOR		R million value 2018	Trend 2014 – 2018	Real GDPR growth 2019e	Number of jobs 2018	Average annual change 2014 – 2018	Net change 2019e
PS	Primary Sector	R1 399.0	-0.7%	-9.5%	20 368	107	-214
	Agriculture, forestry & fishing	R1 372.1	-0.8%	-9.6%	20 332	108	-212
	Mining & quarrying	R26.9	1.3%	-2.9%	36	-0	-2
SS	Secondary Sector	R2 727.0	1.0%	-0.9%	10 682	261	-345
	Manufacturing	R1 743.4	0.8%	-0.3%	6 083	58	-55
	Electricity, gas & water	R250.9	-2.9%	-4.2%	179	-	-2
	Construction	R732.8	3.1%	-1.8%	4 420	203	-288
TS	Tertiary Sector	R8 810.7	2.4%	1.9%	54 997	1 555	769
	Wholesale & retail trade, catering & accommodation	R2 425.3	2.1%	0.7%	18 373	616	532
	Transport, storage & communication	R1 368.7	1.6%	0.0%	3 204	60	124
	Finance, insurance, real estate & business services	R2 622.5	4.6%	4.5%	14 096	619	208
	General government	R1 336.6	-0.7%	-0.1%	7 173	2	61
	Community, social & personal services	R1 057.6	1.3%	0.7%	12 151	258	-156
Total Breede Valley		R12 936.8	1.7%	0.0%	86 047	1 924	210

Source: Quantec Research, 2020 (e denotes estimate)

In 2018, the Breede Valley municipal area's tertiary sector was valued at R8.8 billion, which was 68.1 per cent of the region's total GDPR during the year. Between 2014 and 2018, the tertiary sector experienced an annual average growth rate of 2.4 per cent, which was largely driven by the significant average growth rate of 4.6 per cent per annum in the finance, insurance, real estate and business services sector. Estimates indicate that growth slowed to 1.9 per cent in the tertiary sector in 2019. Positively, the finance, insurance, real estate and business services sector is estimated to have continued to exhibit a strong growth rate of 4.5 per cent during the year.

Despite the strong performance of the construction sector between 2014 and 2018, the secondary sector achieved marginal average annual growth rates of 1.0 per cent over the five-year period. This was due to the tepid growth rates of 0.8 per cent in the manufacturing sector and the average annual contractions of 2.9 per cent in the electricity, gas and water sector. Estimates for 2019 indicate that the secondary sector experienced a contraction of 0.9 per cent during the year, with the manufacturing sector, the electricity, gas and water sector and the construction sector experiencing contractions of 0.3 per cent, 4.2 per cent and 1.8 per cent respectively.

The primary sector, which is mainly driven by the agriculture, forestry and fishing sector, experienced average annual contractions of 0.7 per cent between 2014 and 2018. Estimates for 2019 indicate that the agriculture, forestry and fishing sector experienced a significant contraction of 9.6 per cent during the year, while the mining and quarrying sector experienced a contraction of 2.9 per cent.

The agriculture, forestry and fishing sector's poor economic performance between 2014 and 2018 led to marginal growth in employment over the five-year period. Between 2014 and 2018, the agriculture, forestry and fishing sector saw an average annual increase in employment of 108 jobs. Estimates for 2019 indicate that the agriculture, forestry and fishing sector, which is the region's leading contributor to employment, shed 212 jobs during the year. Employment in the secondary sector also declined. Estimates for 2019 indicate that 345 jobs were lost in the secondary sector, with the construction sector accounting for 288 job losses. Job losses in the Breede Valley municipal area were as a result of the closure of businesses, for example Hextex and PA Venter furniture manufacturers. Many businesses also had to reduce their number of staff.

Positively, the performance of the tertiary sector has allowed for expansion in employment in this sector. Between 2014 and 2018, the tertiary sector created an average of 1 555 employment opportunities per annum. This was mainly due to job opportunities created in the finance, insurance, real estate and business services sector, with an average increase of 619 jobs per annum, and the wholesale and retail trade, catering and accommodation sector, with an average increase of 616 jobs per annum. Estimates for 2019 indicate employment in the tertiary sector has continued to grow, with 769 jobs being created during the year – 532 of which were created in the wholesale and retail trade, catering and accommodation sector.



COVID-19 IMPACT

The COVID-19 pandemic is expected to have a significant negative impact on most sectors in the Breede Valley municipal area. Sectors such as the wholesale and retail trade, catering and accommodation sector and the manufacturing sector are forecast to contract by an estimated 17.8 per cent and 16.3 per cent respectively. The decline in tourist activities as a result of travel restrictions will have a significant negative impact on many local businesses in the municipal area. It is expected that most sectors will recover somewhat in 2021 but not to the same levels prior to 2020. The anticipated business closures and job losses as a result of the weak economy will influence the revenue-collection ability of the local municipality.



POTENTIAL RISKS

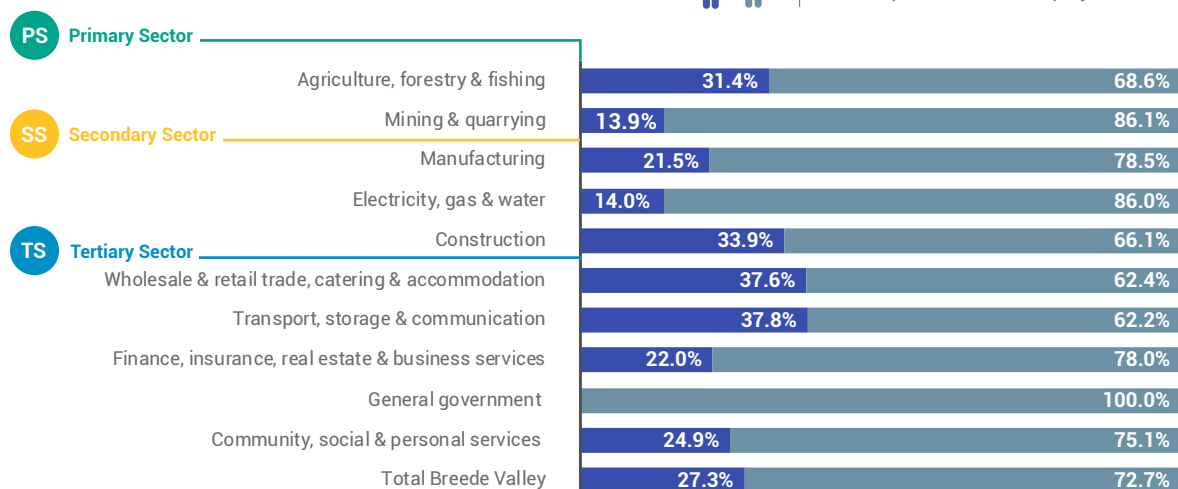
The De Doorns area is an important agricultural area and as such attracts approximately 11 000 migrant workers annually between September and March¹⁷. The performance of the agriculture, forestry and fishing sector in this area therefore has a far-reaching impact. Furthermore, the influx of migrant workers, who generally earn minimum wages, increases the demand for housing and municipal services.

¹⁷ (Breede Valley Municipality, 2020).

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

Figure 2.14

INFORMAL EMPLOYMENT DISTRIBUTION, Breede Valley, 2018 (%)



Source: Quantec Research, 2020



Most workers in the Breede Valley municipal area are employed in formal employment. In 2018, 72.7 per cent of the region's employment was in the formal sector. The largest proportion of informal employment occurred in the transport, storage and communication (37.8 per cent) and wholesale and retail trade, catering and accommodation (37.6 per cent) sectors. The construction sector also has a large number of informal workers (33.9 per cent).

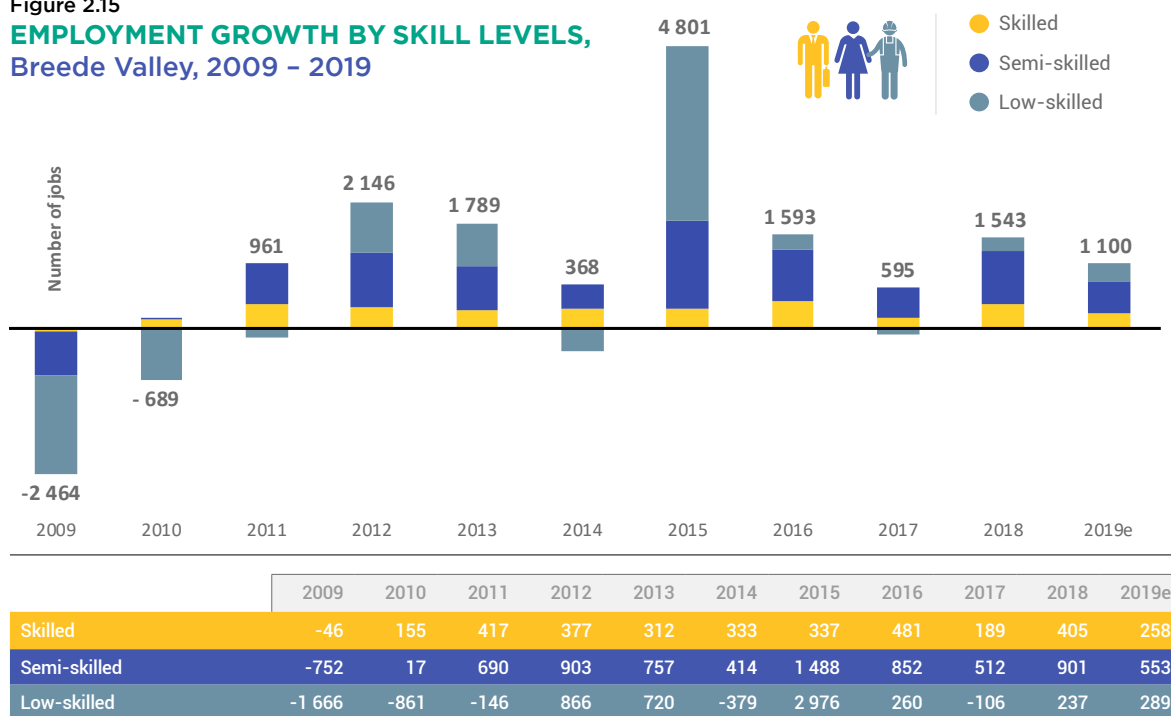
Informal businesses in the Breede Valley municipal area face a number of constraints in expanding their business and creating jobs. These challenges include start-up costs, location and logistics. Lack of business acumen remains a big challenge within the informal business sector. As most businesses within the informal sector (particularly locally owned) are classified as survivalist, competing for market share in this sector, which often lacks regulatory reform, presents a direct threat to livelihoods and serves as a major catalyst for conflict. A lack of trading infrastructure also remains a significant barrier to expansion.

2.5.2 Skills analysis

Figure 2.15 depicts the changes in employment by skill levels between 2009 and 2018, as well as estimates for 2019, in the Breede Valley municipal area.

Figure 2.15

EMPLOYMENT GROWTH BY SKILL LEVELS, Breede Valley, 2009 – 2019



Source: Quantec Research, 2020 (e denotes estimate)

The 2008/09 global financial crisis significantly affected employment prospects in the Breede Valley municipal area. Between 2009 and 2010, 3 153 jobs were lost. Low-skilled labour was particularly affected, experiencing 2 527 job losses over the two-year period. Despite an improvement in employment opportunities for semi-skilled and skilled workers in 2011, low-skilled workers continued to experience job losses during the year.

Employment creation continued on an upward trend in 2012, with 2 146 jobs created during the year. Thereafter, growth in employment slowed to 1 789 job opportunities in 2013 and 368 job opportunities in 2014. The significant decline in the number of new opportunities in 2014 was mainly due to job-shedding of 379 jobs for low-skilled labour. Positively, the highest number of jobs over the period was created in 2015¹⁸ (4 801 jobs), most of which were for low-skilled workers.

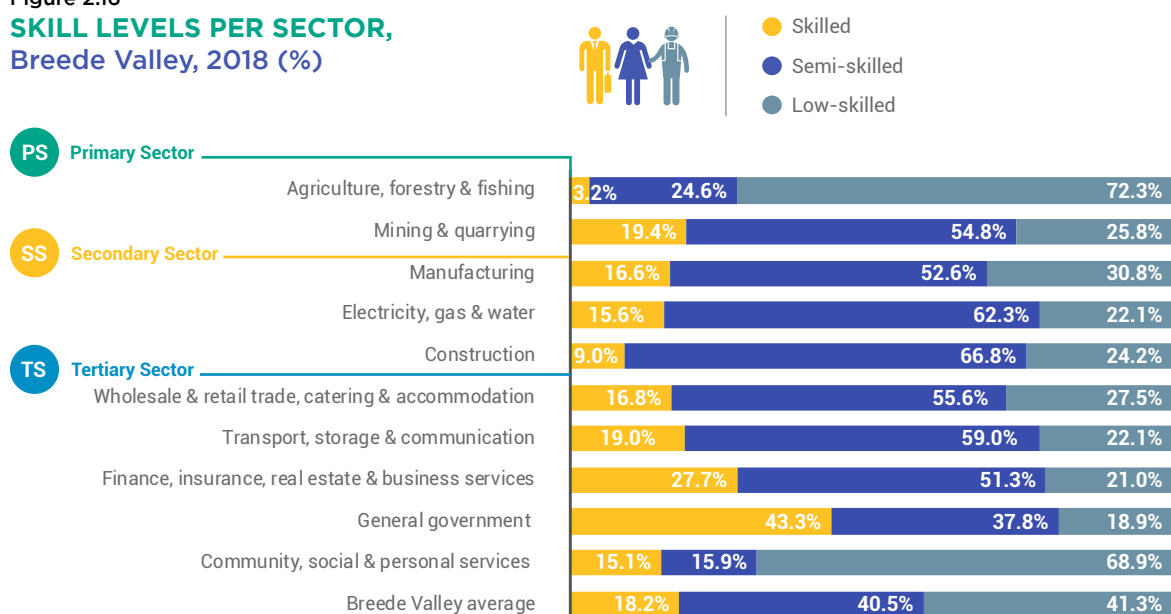
In 2018, 1 543 jobs were created, 901 of which were for semi-skilled workers. Estimates for 2019 indicate that employment growth slowed during the year, with 1 100 jobs being created.



¹⁸ Employment estimates in the Quarterly Labour Force Survey (QLFS) of the first quarter of 2015 were based on the new Statistics SA master sample. It is therefore hard to determine whether the significant employment growth is due to the adjusted master sample or an actual increase in employment (Statistics SA, 2015).

Figure 2.16 illustrates the sectoral distribution of skill levels in the Breede Valley municipal area in 2018.

Figure 2.16
SKILL LEVELS PER SECTOR,
Breede Valley, 2018 (%)



Source: Quantec Research, 2020

Employment in the Breede Valley municipal area predominantly comprised low-skilled (41.3 per cent) and semi-skilled (40.5 per cent) workers in 2018. Only 18.2 per cent of the region's workers were classified as skilled.

A significant proportion of workers in the agriculture, forestry and fishing sector and the community, social and personal services sector are classified as low-skilled. In 2018, 72.3 per cent of workers in the agriculture, forestry and fishing sector were low-skilled, while 68.9 per cent of workers in the community, social and personal services sectors were low-skilled.

Semi-skilled workers are most prevalent in the construction sector (66.8 per cent), as well as the electricity, gas and water sector (62.3 per cent). Most sectors in the region have a significant number of semi-skilled workers.

The general government sector has the highest proportion of skilled workers. In 2018, 43.3 per cent of all employment in the general government sector was classified as skilled. The finance, insurance, real estate and business services sector also absorbs a significant amount of skilled labour (27.7 per cent).



2.6 LANGEBERG

The Langeberg municipal area is well known for its wine route (Route 62), which is the longest in the world. The municipal area includes the towns of Robertson, Ashton, Bonnievale, McGregor and Montagu, with Robertson being the main service centre. The towns in the municipal area possess a rich history and the scenic beauty of the area makes it a popular tourist destination¹⁹.

2.6.1 GDPR and employment performance



Diagram 2.5 illustrates the size of the Langeberg municipal area in terms of GDPR and employment in 2018, and provides the estimates for 2019. The Langeberg municipal area economy was valued at R7.0 billion (current prices) in 2018, with 54 041 people being employed during the year. In 2019, the region's GDPR contracted by 0.3 per cent in real terms. It is estimated that employment also declined in 2019, with the region experiencing 223 job losses during the year.



Diagram 2.5

GDPR (CURRENT PRICES) AND EMPLOYMENT

Langeberg, 2018 and 2019e

	2018		2019e
GDPR 	R7.0 BILLION	↓ -0.3% CONTRACTION	R7.2 BILLION
JOBS 	54 041	↓ -223 CONTRACTION	53 818

Source: Quantec Research, 2020 (e denotes estimate)

¹⁹ (Langeberg Municipality, 2017).

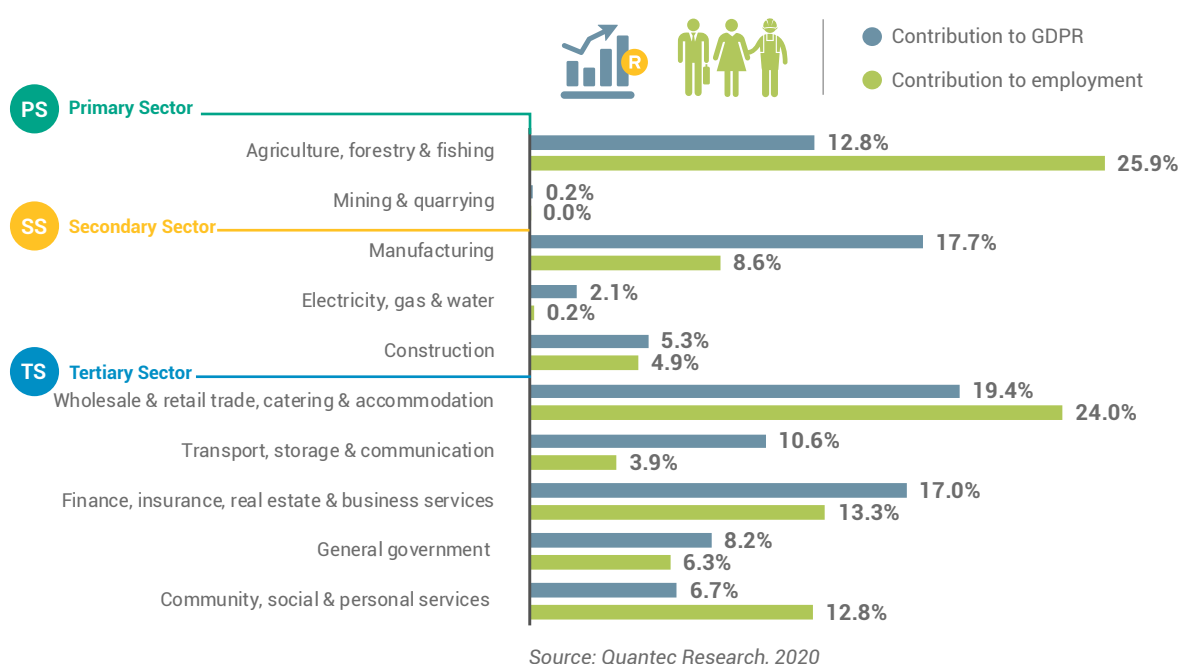


COVID-19 IMPACT

The GDPR of the Langeberg municipal area is forecast to contract by 5.5 per cent in 2020 as a result of the stagnation in economic activity during the COVID-19 lockdown period. However, the Langeberg municipal area is expected to achieve the second highest growth (4.5 per cent) in 2021 after the Witzenberg municipal area.

Figure 2.17 illustrates the Langeberg municipal area's sectoral contribution to GDPR and employment in 2018.

Figure 2.17
SECTORAL GDPR AND EMPLOYMENT CONTRIBUTION,
Langeberg, 2018 (%)



The wholesale and retail trade, catering and accommodation sector is the Langeberg municipal area's largest contributor to GDP, with a contribution of 19.4 per cent in 2018. Other main contributors to the region's economy are the manufacturing sector and the finance, insurance, real estate and business services sector, with contributions of 17.7 per cent and 17.0 per cent respectively in 2018.



Employment in the region is mainly concentrated in the agriculture, forestry and fishing sector. In 2018, more than a quarter (25.9 per cent) of total employment in the Langeberg municipal area was in the agriculture, forestry and fishing sector. The wholesale and retail trade, catering and accommodation sector also accounts for a substantial amount of employment in the region, at 24.0 per cent.

The agriculture, forestry and fishing sector, the wholesale and retail trade, catering and accommodation sector and the community, social and personal services sector are labour-intensive, contributing more to employment than to GDP. Conversely, the manufacturing sector is highly capital-intensive. Despite being the second highest contributor to GDP in 2018 at 17.7 per cent, the manufacturing sector only contributed 8.6 per cent to employment during the year.

Table 2.5 depicts the performance of each of the sectors in terms of GDPR and employment between 2014 and 2018 in the Langeberg municipal area.

Table 2.5

GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Langeberg, 2018

 		GDPR			Employment		
		R million value 2018	Trend 2014 – 2018	Real GDP growth 2019e	Number of jobs 2018	Average annual change 2014 – 2018	Net change 2019e
SECTOR							
PS	Primary Sector	R908.8	-0.9%	-10.0%	14 016	44	-184
	Agriculture, forestry & fishing	R898.1	-0.9%	-10.1%	13 998	45	-183
	Mining & quarrying	R10.7	1.2%	-2.9%	18	-0	-1
SS	Secondary Sector	R1 762.6	0.1%	-2.2%	7 402	88	-355
	Manufacturing	R1 238.9	-0.6%	-2.2%	4 650	0	-140
	Electricity, gas & water	R149.9	2.6%	-2.0%	106	2	-
	Construction	R373.8	2.3%	-2.5%	2 646	85	-215
TS	Tertiary Sector	R4 324.2	3.4%	2.5%	32 623	980	316
	Wholesale & retail trade, catering & accommodation	R1 354.7	2.8%	1.2%	12 981	401	282
	Transport, storage & communication	R743.6	4.0%	1.8%	2 119	63	129
	Finance, insurance, real estate & business services	R1 187.3	5.1%	4.7%	7 202	328	27
	General government	R573.0	0.6%	1.2%	3 425	51	71
	Community, social & personal services	R465.6	2.5%	1.6%	6 896	137	-193
	Total Langeberg	R6 995.6	1.9%	-0.3%	54 041	1 112	-223

Source: Quantec Research, 2020 (e denotes estimate)

With a value of R4.3 billion in 2018, the tertiary sector contributed 61.8 per cent to the Langeberg municipal area's total GDPR during the year. Between 2014 and 2018, the tertiary sector realised an average annual growth rate of 3.4 per cent. Economic growth in the tertiary sector was mainly driven by growth in the finance, insurance, real estate and business services (5.1 per cent) and transport, storage and communication (4.0 per cent) sectors. The Langeberg municipal area's leading contributor to GDPR, the wholesale and retail trade, catering and accommodation sector, realised a growth rate of 2.8 per cent over the five-year period.

Estimates indicate that the tertiary sector grew by 2.5 per cent in 2019. This was the main driver of the Langeberg municipal area's total GDPR growth during the year. The finance, insurance, real estate and business services sector is estimated to have experienced significant growth of 4.7 per cent during the year.

Between 2014 and 2018, the secondary sector experienced near stagnant growth of 0.1 per cent. This was mainly due to the manufacturing sector's average annual contraction of 0.6 per cent over the five-year period. While the electricity, gas and water sector and the construction sector

experienced growth rates of 2.6 per cent and 2.3 per cent respectively over the period, this did little to offset the manufacturing sector's performance. Estimates for 2019 indicate that the secondary sector contracted by 2.2 per cent during the year, with contractions being experienced in the manufacturing (2.2 per cent), electricity, gas and water (2.0 per cent) and construction (2.5 per cent) sectors.

Between 2014 and 2018, GDP in the primary sector contracted by an average of 0.9 per cent per annum, which was largely due to the contraction of 0.9 per cent in the agriculture, forestry and fishing sector. Estimates for 2019 indicate that the primary sector experienced a significant contraction of 10.0 per cent during the year, with the agriculture, forestry and fishing sector experiencing a contraction of 10.1 per cent.

With 32 623 jobs, the tertiary sector is also the region's largest contributor to employment. Between 2014 and 2018, the tertiary sector realised average annual job creation of 980 jobs. The main driver of this was increased employment in the wholesale and retail trade, catering and accommodation sector, which created an average of 401 jobs per annum over the five-year period.

While the tertiary sector is the largest cumulative contributor to employment, the agriculture, forestry and fishing sector is the largest individual sectoral contributor. In 2018, the agriculture, forestry and fishing sector accounted for 13 998 jobs. Between 2014 and 2018, employment growth in this sector was tepid, with an average of 45 jobs created per annum. In 2019, estimates indicate that the agriculture, forestry and fishing sector shed 183 jobs.

Estimates indicate that the largest source of job losses in the Langeberg municipal area in 2019 stemmed from the secondary sector. In 2019, the secondary sector experienced an estimated 355 job losses during the year, with the construction and manufacturing sectors experiencing losses of 215 and 140 jobs respectively.



COVID-19 IMPACT

The COVID-19 pandemic will result in the contraction of many local sectors, as businesses' activities were restricted for a large portion of 2020. The wholesale and retail trade, catering and accommodation sector is expected to contract by 16.8 per cent, while manufacturing is expected to decline by 17.9 per cent. The finance, insurance, real estate and business services sector is expected to grow by 3.6 per cent in 2020, but slow growth is expected in 2021 (1.6 per cent). Positive growth is also expected in the general government (1.7 per cent) and community, social and personal services (1.9 per cent) sectors, but the sectors are expected to contract by 3.6 per cent and 0.5 per cent respectively in 2021. The municipal area's economy will be boosted by the anticipated growth of 13.1 per cent of the agriculture, forestry and fishing sector in 2020.





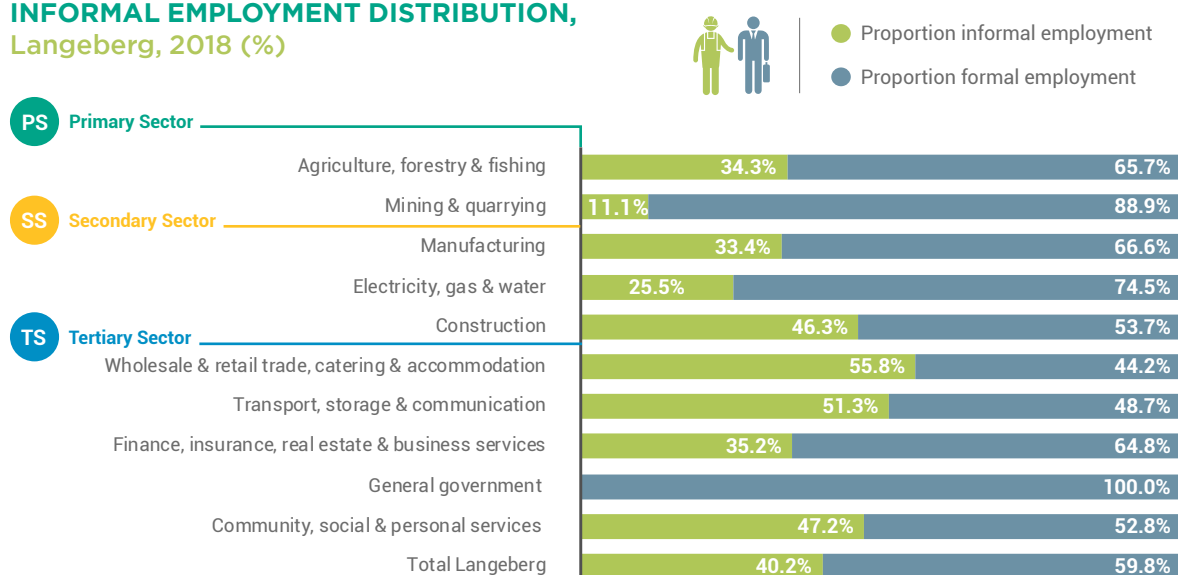
GROWTH POTENTIAL

The two main road linkages in the Langeberg municipal area are the R60, which connects the Langeberg municipal area with the national N1 and N2 roads, and the R62, which is a valuable tourist route. These routes connect Montagu, Ashton and Robertson to Worcester (the Breede Valley municipal area) and Swellendam (the Swellendam municipal area). These towns therefore benefit from the transit traffic on these routes. Towns that are more remote include Bonnievale and McGregor. These towns also have significant tourism potential and can therefore benefit from destination marketing.

Figure 2.18 illustrates the distribution of formal and informal employment in the Langeberg municipal area in 2018.

Figure 2.18

INFORMAL EMPLOYMENT DISTRIBUTION, Langeberg, 2018 (%)



Source: Quantec Research, 2020

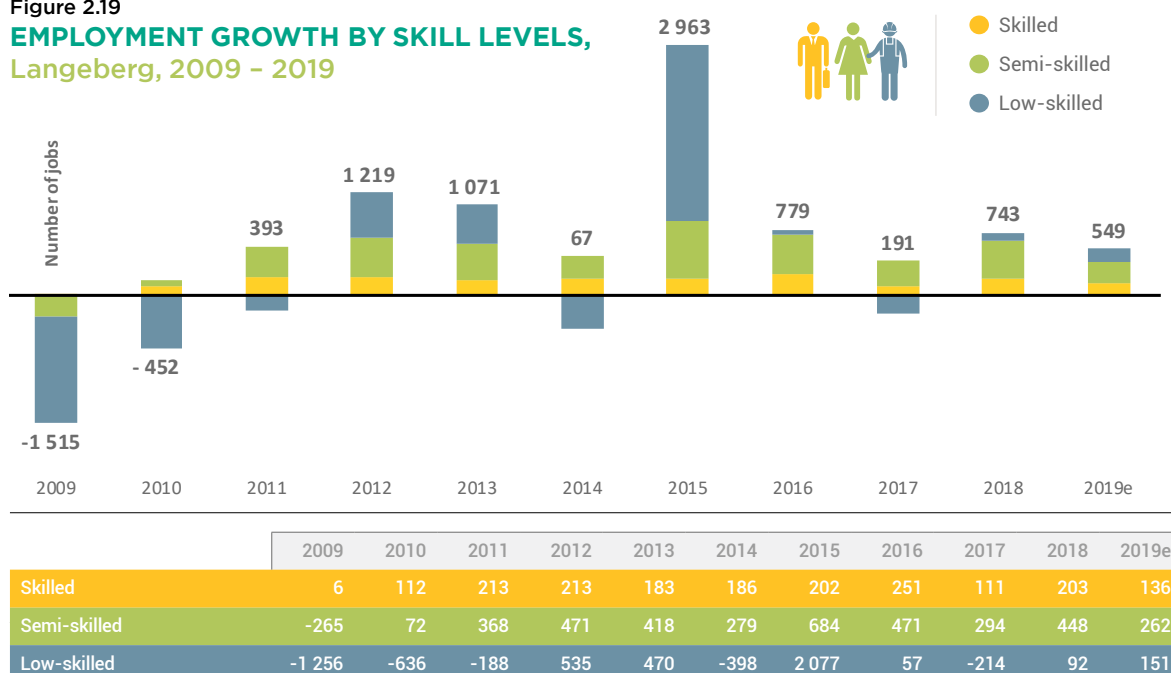
Employment in the Langeberg municipal area is mostly concentrated in the formal sector, at 59.8 per cent, with the remaining 40.2 per cent of people being informally employed. The majority of employment in the wholesale and retail trade, catering and accommodation sector and the transport, storage and communication sector is informal, at 55.8 per cent and 51.3 per cent respectively. Other sectors that largely comprise informal activities are the community, social and personal services (47.2 per cent) and construction (46.3 per cent) sectors.

2.6.2 Skills analysis

Figure 2.19 illustrates the growth of employment by skill levels in the Langeberg municipal area between 2009 and 2018, plus the estimated growth in employment in 2019.

Figure 2.19

EMPLOYMENT GROWTH BY SKILL LEVELS, Langeberg, 2009 – 2019



Source: Quantec Research, 2020 (e denotes estimate)

The global financial crisis and the effects thereof resulted in a cumulative loss of 1 967 jobs between 2009 and 2010, with low-skilled workers being particularly affected during this period. Of the 1 967 jobs lost over the period, low-skilled workers accounted for 1 892 job losses. It should be noted that despite the economic downturn, no job losses for skilled workers occurred during this period. This is indicative of the resilient nature of employment for skilled workers.

In 2011, employment opportunities in the region increased marginally, with a nett 393 jobs being created for semi-skilled and skilled workers. Low-skilled workers, however, continued to shed jobs in 2011, with 188 jobs being lost. Between 2012 and 2013, employment opportunities in the region experienced an improvement. During this period, most job creation was for low-skilled and semi-skilled workers. Despite this improvement there was another employment downturn in 2014, with low-skilled workers experiencing 398 job losses.

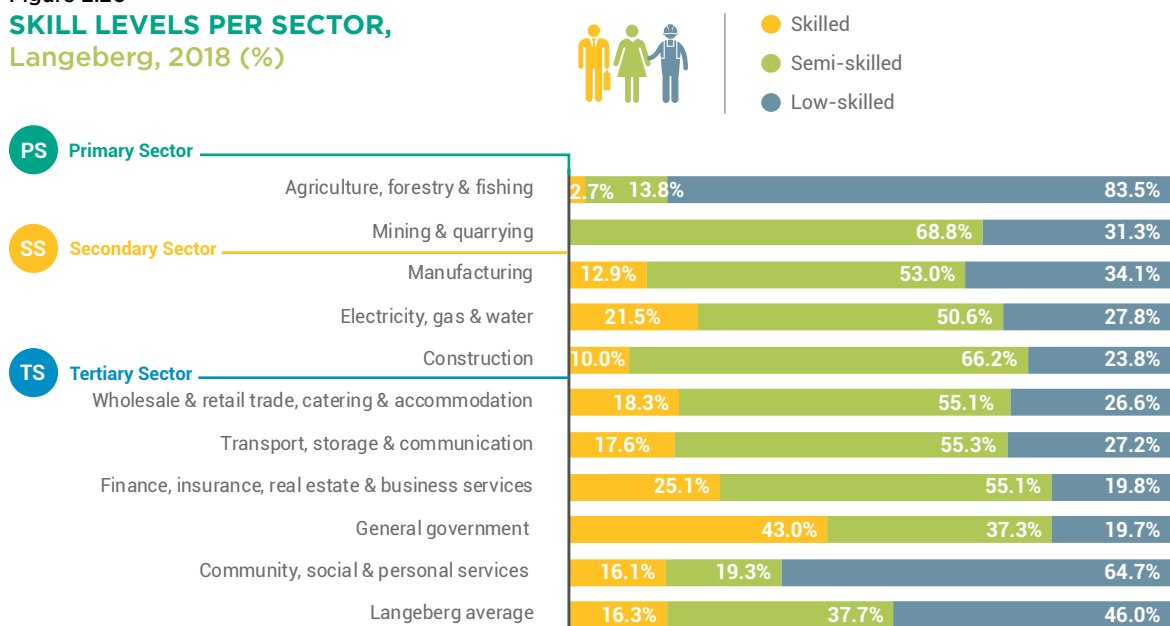
In 2015²⁰ there was a substantial increase in the number of jobs created, particularly for low-skilled workers. A total of 2 963 jobs were created in 2015, most of which were for low-skilled workers (2 077 jobs). The number of jobs continued to fluctuate between 2016 and 2018. In 2018, 743 jobs were created, most of which were for semi-skilled workers. Estimates indicate that in 2019, the region experienced an increase of 549 job opportunities, which is indicative of a slowdown in employment growth.

²⁰ Employment estimates in the Quarterly Labour Force Survey (QLFS) of the first quarter of 2015 were based on the new Statistics SA master sample. It is therefore hard to determine whether the significant employment growth is due to the adjusted master sample or an actual increase in employment (Statistics SA, 2015).

Figure 2.20 illustrates the skill levels per sector in the Langeberg municipal area in 2018.

Figure 2.20

**SKILL LEVELS PER SECTOR,
Langeberg, 2018 (%)**



Source: Quantec Research, 2020

Employment in the Langeberg municipal area is mainly characterised by low-skilled workers (46.0 per cent). Semi-skilled workers contribute 37.7 per cent to the region's total employment, with the remaining 16.3 per cent classified as skilled workers.

Employment in the agriculture, forestry and fishing sector, which is the Langeberg municipal area's largest contributor to employment, is predominantly low-skilled. In 2018, 83.5 per cent of all employment in the agriculture, forestry and fishing sector was classified as low-skilled. The community, social and personal services sector also absorbs a significant number of low-skilled workers – in 2018, 64.7 per cent of workers in this sector were classified as low-skilled.

Barring the agriculture, forestry and fishing sector and the community, social and personal services sector, employment is mainly absorbed by semi-skilled workers. Demand for semi-skilled workers is particularly high in the mining and quarrying (68.8 per cent) and construction (66.2 per cent) sectors.

The general government sector is largely characterised by skilled work – in 2018, 43.0 per cent of workers in this sector were classified as skilled. Other sectors with a large proportion of skilled workers are the finance, insurance, real estate and business services sector (25.1 per cent) and the electricity, gas and water sector (21.5 per cent).



2.7 CONCLUDING REMARKS

The tertiary sector is the main driver of economic activity in the CWD, with the finance, insurance, real estate and business services sector and the wholesale and retail trade, catering and accommodation sector being particularly important for economic growth. Another important source of GDP in the CWD's municipal areas is the manufacturing sector. Owing to the COVID-19 pandemic, most sectors in the municipalities within the CWD are expected to contract in 2020. The highest contraction will predominantly be experienced by the mining and quarrying sector, as well as the wholesale, retail trade, catering and accommodation sector. The wholesale, retail trade, catering and accommodation sector is the largest contributing sector to employment in most municipal areas, and the contraction is therefore expected to negatively impact employment prospects. The agriculture, forestry and fishing sector is expected to experience positive growth in 2020 since agricultural activities were permitted during the lockdown period. The expected growth of the sector is anticipated to result in the retention of jobs, particularly for municipal areas where the agriculture, forestry and fishing sector is the largest contributing sector to employment, such as the Witzenberg, Breede Valley and Langeberg municipal areas.

In terms of employment contribution, the tertiary sector – in particular the wholesale and retail trade, catering and accommodation sector – contributed the largest to employment in the relatively bigger municipalities such as Drakenstein and Stellenbosch in 2018. The agriculture, forestry and fishing sector is the largest contributor to employment in the Witzenberg, Breede Valley and Langeberg municipal areas. While the primary sector contributed significantly to employment in most of the municipal areas in the CWD, this sector experienced job-shedding between 2014 and 2018 in most municipal areas. Over the five-year period, the secondary sector also experienced a significant number of job losses. Positively, the strong economic performance in the tertiary sector has allowed for employment opportunities in this sector, which has been able to offset some of the losses in the primary and secondary sectors.

Employment in the CWD largely comprises low-skilled and semi-skilled workers. Skilled workers contribute the smallest proportion to employment in the region. Low-skilled workers are especially prevalent in the agriculture, forestry and fishing sector, as well as the community, social and personal services sector. The primary sector has been significantly affected by fluctuations in the economy, which has resulted in a significant number of job losses for low-skilled workers. Semi-skilled workers are prevalent in most sectors in the CWD, with the construction sector in particular using a substantial proportion of semi-skilled workers. The general government and finance, insurance, real estate and business services sectors use a significant proportion of skilled workers. Semi-skilled and skilled workers have been resilient to the economic fluctuations, experiencing significantly fewer job losses than low-skilled workers.



Lambros Lyrarakis, Unsplash



3

TRADE, TOURISM AND INVESTMENT

3.1 INTRODUCTION

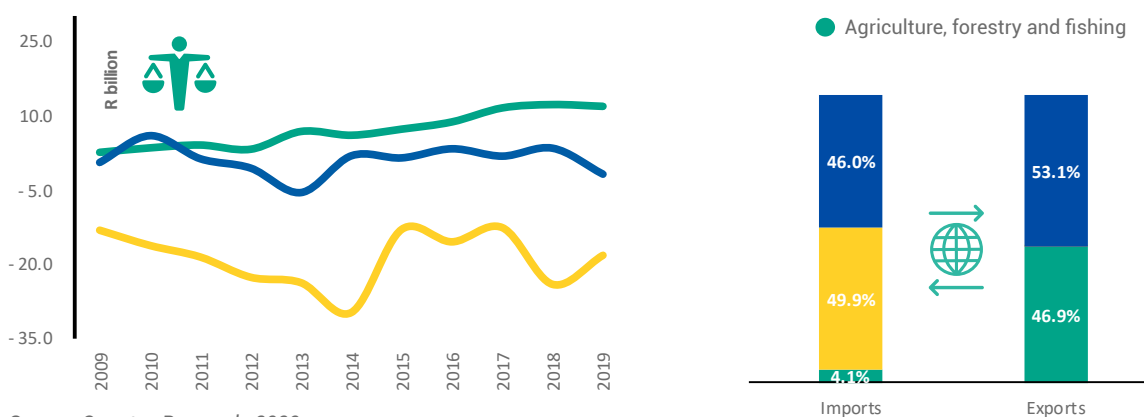
District and local economies in the CWD are influenced not only by the spending of local households but also by the local and international cross-border trade of goods and services, domestic and international tourists who visit the various towns and attractions in the CWD, as well as private and public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

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 in the CWD.

3.2 INTERNATIONAL TRADE

Figure 3.1 illustrates the CWD's trade balance and trade distribution between 2009 and 2019.

Figure 3.1
TRADE BALANCE AND TRADE DISTRIBUTION,
Cape Winelands, 2009 – 2019



Source: Quantec Research, 2020

The trade balance of the CWD was consistently negative between 2009 and 2019. The trade balance improved in 2017, but further deteriorated between 2018 and 2019. While the agriculture, forestry and fishing sector maintained a positive trade balance within the period, the sector did not maintain a consistent trade balance. The manufacturing sector's trade balance also fluctuated within the period and experienced negative trade balances in 2012 and 2013, as well as in 2019. The negative trade balance in the manufacturing sector can be attributed to the drought that affected the primary sector, thereby affecting agro-processing in the manufacturing sector. On the other hand, the mining and quarrying sector experienced significantly negative trade balances within the 10-year period.

Between 2009 and 2019 the mining and quarrying sector accounted for the largest share of imports in the CWD – 49.9 per cent of the imported products were from the mining and quarrying sector. The CWD has a dominant wine industry and a relatively large number of wine producers, which may result in a high demand for chemicals and fertiliser minerals, as well as phosphates, which may influence the high value of imports in the mining and quarrying sector. The CWD is also a largely urbanised district, which results in the demand for construction, which in turn results in the demand for building materials such as sand, stone and clay from the mining and quarrying sector, thus increasing mining and quarrying imports. The manufacturing sector was the sector with the second largest share of imports – the sector's import share within the period was 46.0 per cent. The manufacturing sector had the largest share of exported products (53.1 per cent) in the CWD between 2009 and 2019, while there were no exported products from the mining and quarrying sector in the CWD between 2009 and 2019.

Figure 3.2 illustrates the distribution of imports and exports in the municipal areas within the CWD in 2019.

Figure 3.2
IMPORTS AND EXPORTS PER MUNICIPAL AREA, Cape Winelands District, 2019

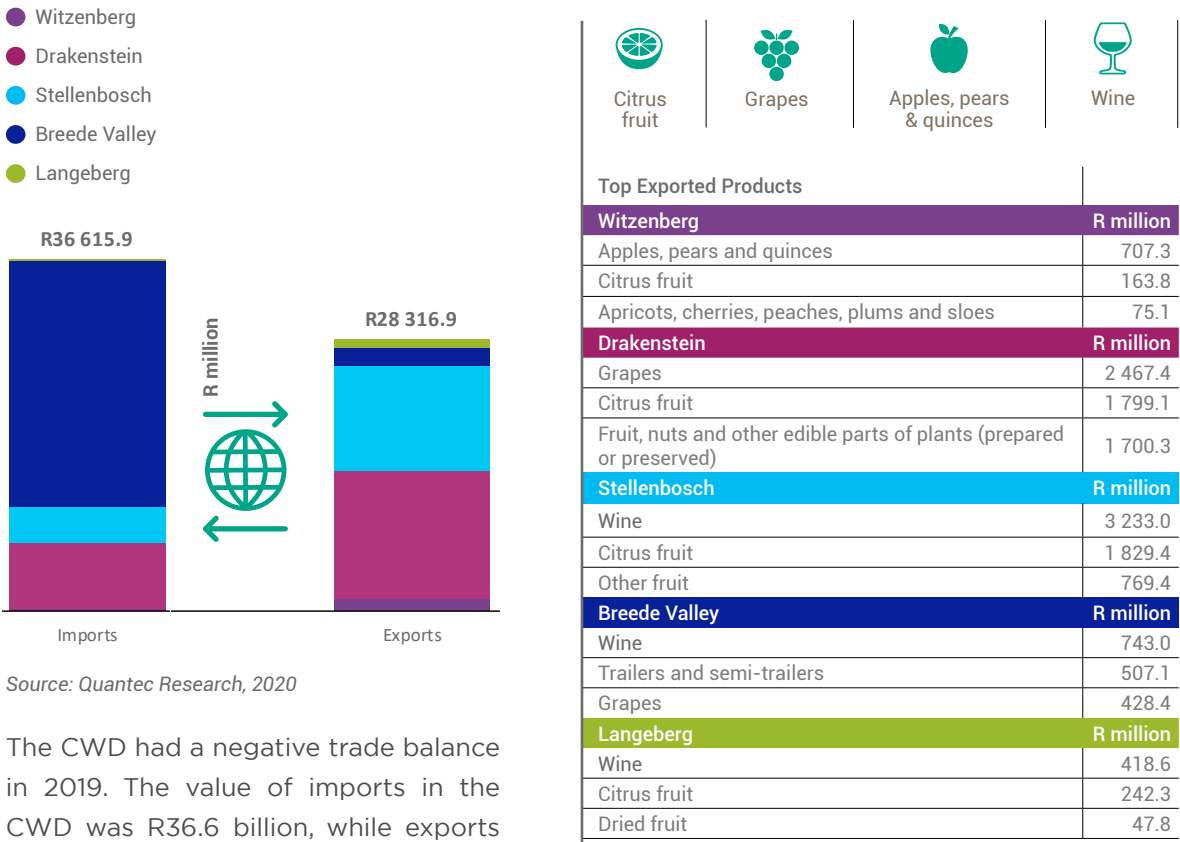
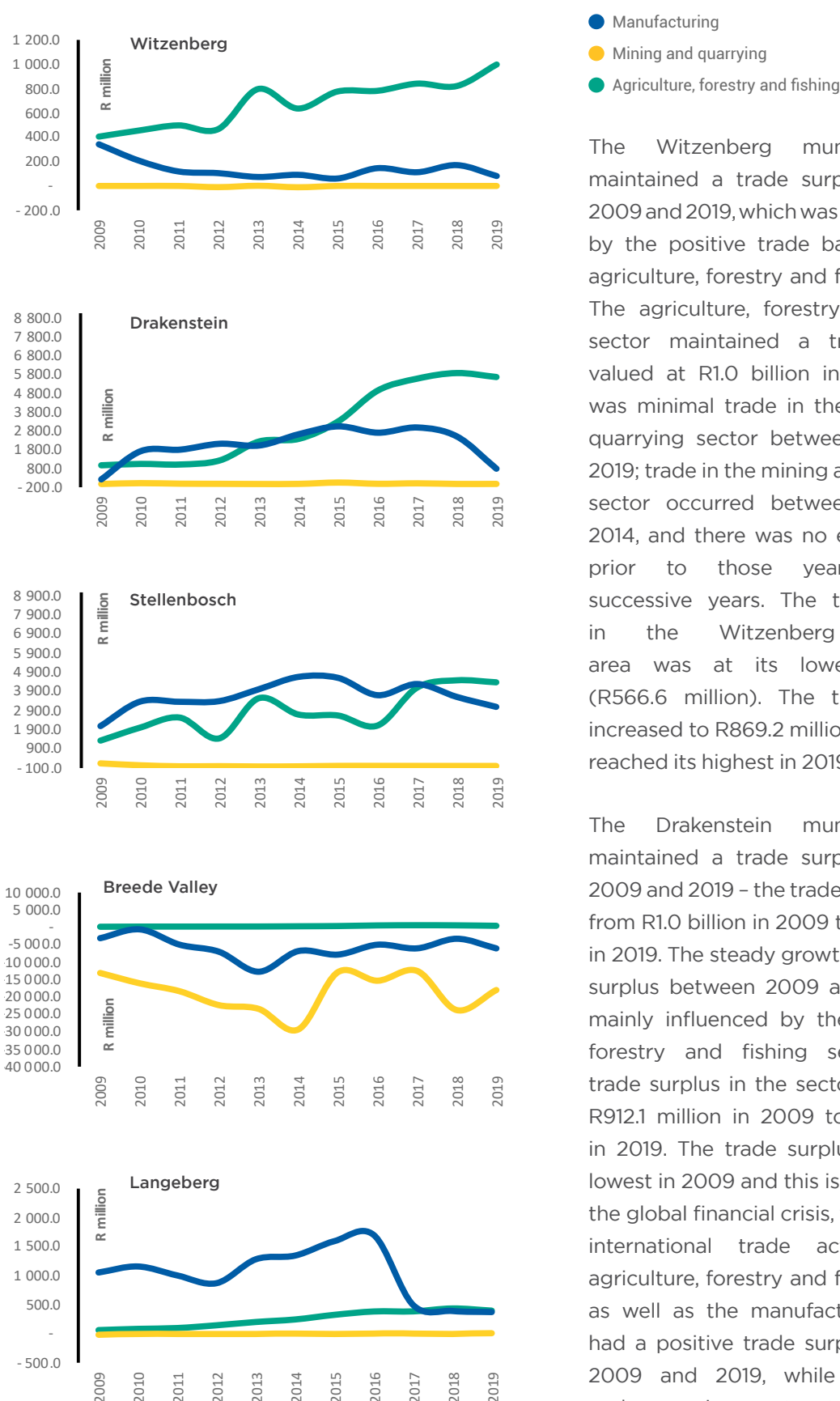


Figure 3.3 illustrates the trade balance per municipal area in the CWD between 2009 and 2019.

Figure 3.3
TRADE BALANCE PER MUNICIPAL AREA, Cape Winelands District, 2009 – 2019



Source: Quantec Research, 2020

The Witzenberg municipal area maintained a trade surplus between 2009 and 2019, which was mainly driven by the positive trade balance in the agriculture, forestry and fishing sector. The agriculture, forestry and fishing sector maintained a trade surplus valued at R1.0 billion in 2019. There was minimal trade in the mining and quarrying sector between 2009 and 2019; trade in the mining and quarrying sector occurred between 2012 and 2014, and there was no evident trade prior to those years and in successive years. The trade surplus in the Witzenberg municipal area was at its lowest in 2012 (R566.6 million). The trade surplus increased to R869.2 million in 2013 and reached its highest in 2019 (R1.1 billion).

The Drakenstein municipal area maintained a trade surplus between 2009 and 2019 – the trade surplus grew from R1.0 billion in 2009 to R6.3 billion in 2019. The steady growth in the trade surplus between 2009 and 2019 was mainly influenced by the agriculture, forestry and fishing sector – the trade surplus in the sector grew from R912.1 million in 2009 to R5.6 billion in 2019. The trade surplus was at its lowest in 2009 and this is attributed to the global financial crisis, which limited international trade activities. The agriculture, forestry and fishing sector, as well as the manufacturing sector, had a positive trade surplus between 2009 and 2019, while the mining and quarrying sector trade balance fluctuated within the same period.

The Stellenbosch municipal area maintained a trade surplus between 2009 and 2019. However, the trade surplus fluctuated within the period – the trade surplus steadily grew from R3.4 billion in 2009 to R7.1 billion in 2015. Between 2009 and 2017 the Stellenbosch municipal area's trade surplus was primarily influenced by the manufacturing sector. However, the manufacturing trade surplus decreased between 2018 and 2019, and the agriculture, forestry and fishing sector had a larger trade surplus. The agriculture, forestry and fishing sector contributed 58.6 per cent to the total trade surplus in the Stellenbosch municipal area in 2019. The mining and quarrying sector had a positive trade surplus between 2009 and 2010, and maintained a trade deficit between 2011 and 2019.

The Breede Valley municipal area had a trade deficit between 2009 and 2019, owing to the trade deficit experienced in the mining and quarrying sector, as well as the manufacturing sector, within the same period. The agriculture, forestry and fishing sector maintained a trade surplus between 2009 and 2019. However, the sector's trade surplus fluctuated during the period, as the trade surplus increased from R69.7 million in 2009 to R602.9 million in 2018 and declined to R432.3 million in 2019.

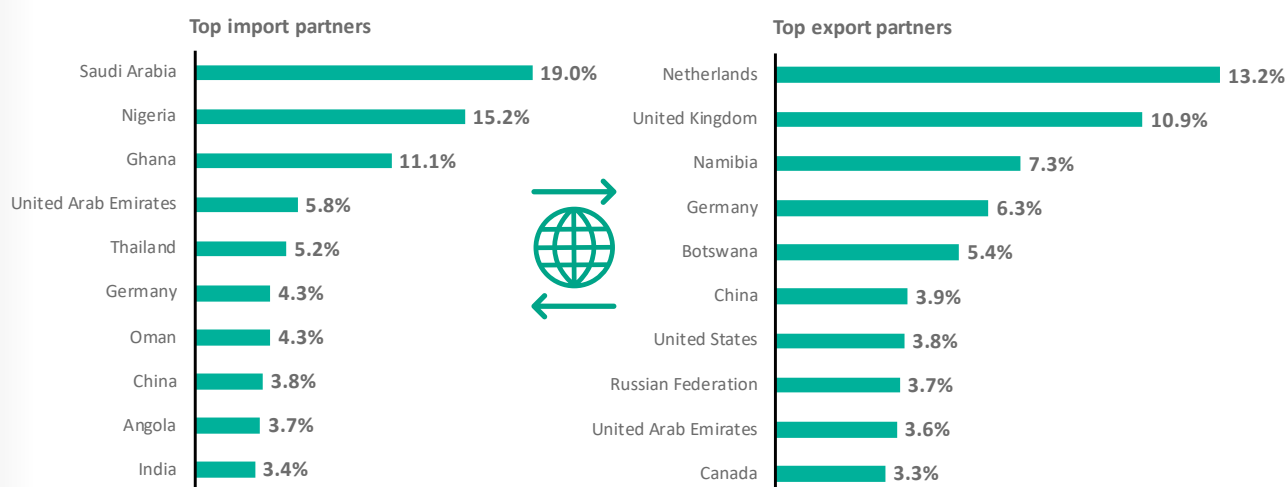
The Langeberg municipal area had a trade surplus between 2009 and 2019, with the trade surplus primarily influenced by the manufacturing and the agriculture, forestry and fishing sectors. The manufacturing sector had a larger trade surplus compared with the agriculture, forestry and fishing sector between 2009 and 2017. However, the manufacturing sector's trade surplus was lower than that of the agriculture, forestry and fishing sector between 2018 and 2019. The manufacturing sector's trade surplus was R375.8 million in 2018 and R357.2 million in 2019, while the trade surplus of the agriculture, forestry and fishing sector was R422.2 million and R385.3 million in 2018 and 2019 respectively.

Overall, the municipal areas had a positive trade surplus in the agriculture, forestry and fishing sector. The Drakenstein and Stellenbosch municipal areas had the largest trade surplus in the agriculture, forestry and fishing sector between 2009 and 2019.



Figure 3.4 provides the top 10 trading partners in the CWD in 2019.

Figure 3.4
TOP 10 TRADING PARTNERS, Cape Winelands District, 2019



Source: Quantec Research, 2020

The CWD sourced most of its imported products from Saudi Arabia, accounting for 19.0 per cent of the imports in the CWD in 2019. This includes petroleum oils to the value of R6.7 billion. Other import sources in the CWD include Nigeria (15.2 per cent) and Ghana (11.1 per cent). In terms of exports, the major destination markets for CWD products include the Netherlands (13.2 per cent) and the United Kingdom (10.9 per cent). In 2019, the CWD exported grapes to the value of R1.2 billion to the Netherlands. Other products exported to the Netherlands include citrus (R662.0 million) and wine (R559.8 million).



Table 3.1 provides the District's main import products and the main trading partners of those particular import products in 2019.



IMPORTS

Table 3.1
MAIN IMPORT PRODUCTS,
Cape Winelands District, 2019

PRODUCT	R million 2019	% share	Main trading partners
Petroleum oils and oils obtained from bituminous minerals, crude	18 247.6	49.8%	Saudi Arabia, Nigeria, Ghana
Petroleum oils and oils obtained from bituminous minerals, other than crude	6 779.7	18.5%	United Arab Emirates, Oman, India
Rice	1 859.7	5.1%	Thailand
Wheat and meslin	1 059.3	2.9%	Germany, United States, Lithuania
Fruit juices (including grape must) and vegetable juices	880.5	2.4%	China, Argentina, Italy
Undenatured ethyl alcohol	347.1	0.9%	Germany, United Kingdom, Spain
Dishwashers; machinery for cleaning or drying bottles or other containers	296.5	0.8%	Germany, Italy, China
Harvesting or threshing machinery	292.1	0.8%	New Zealand, China, Netherlands
Self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether or not in rolls	247.5	0.7%	Germany
Poultry meat and edible offal, fresh, chilled or frozen	200.6	0.5%	Brazil, Ireland, Denmark
Total imports	36 615.9		

Source: Quantec Research, 2020

Total imports in the CWD amounted to R36.6 billion in 2019. Petroleum oils and oils obtained from bituminous minerals, crude were the most imported products in 2019, accounting for 49.8 per cent of the imports in the CWD in 2019. This, together with most of the other imports into the CWD, is a valuable input for the agriculture, forestry and fishing sector as well as the manufacturing (agro-processing) sector.



Table 3.2 provides the main exported products and the main trading partners in 2019.



EXPORTS

Table 3.2
MAIN EXPORT PRODUCTS,
Cape Winelands District, 2019

PRODUCT	R million 2019	% share	Main trading partners
Wine of fresh grapes	5 687.3	20.1%	United Kingdom, Germany, Netherlands
Citrus fruit	4 048.2	14.3%	Netherlands, Russian Federation, United Kingdom
Grapes	3 306.7	11.7%	Netherlands, United Kingdom, Canada
Apples	2 643.6	9.3%	United Arab Emirates, Netherlands, Malaysia
Fruit, nuts and other edible parts of plants, otherwise prepared or preserved	1 729.6	6.1%	United Kingdom, China, Japan
Fruit juices (including grape must) and vegetable juices	1 384.4	4.9%	Botswana, Namibia
Other fruit	908.5	3.2%	Netherlands, United Kingdom, Germany
Apricots, cherries, peaches (including nectarines), plums and sloes	852.8	3.0%	United Kingdom, Netherlands
Other fermented beverages (for example cider, perry, mead)	762.1	2.7%	Botswana, Mozambique
Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % vol	760.1	2.7%	Namibia, Germany, Botswana
Total exports	28 316.9		

Source: Quantec Research, 2020

Total exports in the CWD amounted to R28.3 billion in 2019. Most of the exports from the District are either fresh produce, or products from the agro-processing industry, emphasising the importance of the local agriculture, forestry and fishing sector value chain. Wine of fresh grapes was the most exported product in the District, accounting for 20.1 per cent (R5.7 billion) of the exports in 2019. The products were mainly exported to the United Kingdom, Germany and the Netherlands. Citrus fruit was the second largest export from the District (14.3 per cent). Citrus fruit was mainly exported to the Russian Federation, the United Kingdom and the Netherlands.



3.3 TOURISM PERFORMANCE²¹

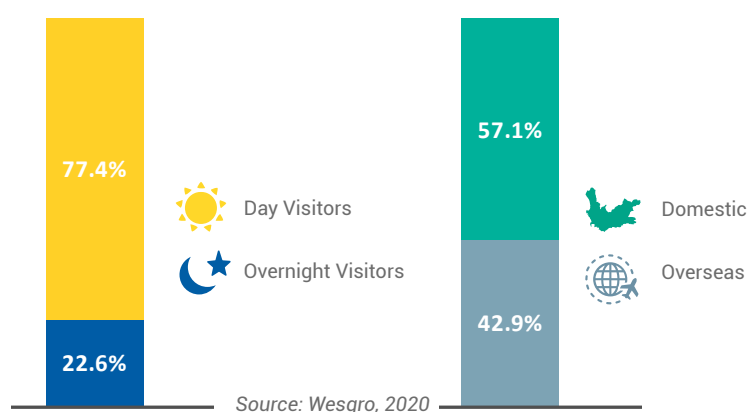
The CWD is renowned for its architecture, beautiful scenery, world-class wineries and the longest wine route on a global scale (Route 62). It is situated in close proximity to Cape Town, with the towns of Stellenbosch and Paarl less than 30 minutes' drive from Cape Town International Airport. The Cape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

The tourism sector is not a stand-alone economic sector, as tourists demand goods and services from a variety of sectors, such as travel and transport services, accommodation, restaurant services, general shopping and fuel. However, the catering and accommodation sector is often used to determine at least a portion of the size of the tourism industry in an area. The catering and accommodation services industry contributed 1.3 per cent to the CWD's total GDP in 2018 and employed 14 433 people, accounting for 3.6 per cent of the District's total employment.

3.3.1 Visitor trends

Figure 3.5 illustrates the distribution of overnight and day visitors, as well as international and domestic visitors in the CWD in 2019.

Figure 3.5
VISITOR TYPE, Cape Winelands, 2019



The CWD had more day visitors (77.4 per cent) than overnight visitors (22.6 per cent) in 2019. This is due to its geographical location, making it the perfect day getaway for tourists and residents in neighbouring areas. There is definitely the potential to address the low percentage of overnight stays through a strategic approach in marketing and product packaging.

Increasing the length of stay encourages additional spending in the area, which increases economic activity and income streams.

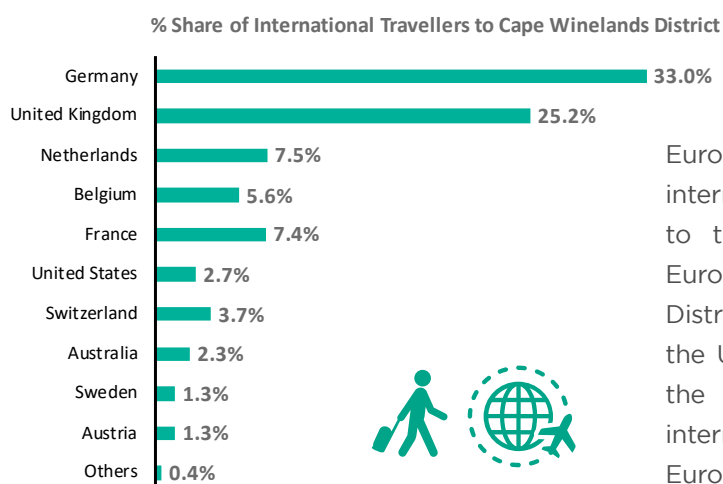
²¹ The Regional Visitor Trends reports published by Wesgro were used to report on regional tourism performance. It is important to note that the regional visitor tracking surveys can only be used as a proxy to indicate the key trends within the region owing to their survey collection method and sample 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 CWD is a popular destination for domestic visitors (57.1 per cent). However, owing to the expected decline in household income due to increased job losses in 2020, the recovery of the tourism industry is expected to be slow after the COVID-19 lockdown period.

Figure 3.6 illustrates the percentage share of international visitors in the CWD in 2019.

Figure 3.6

**PERCENTAGE SHARE OF INTERNATIONAL TRAVELLERS,
Cape Winelands District, 2019**



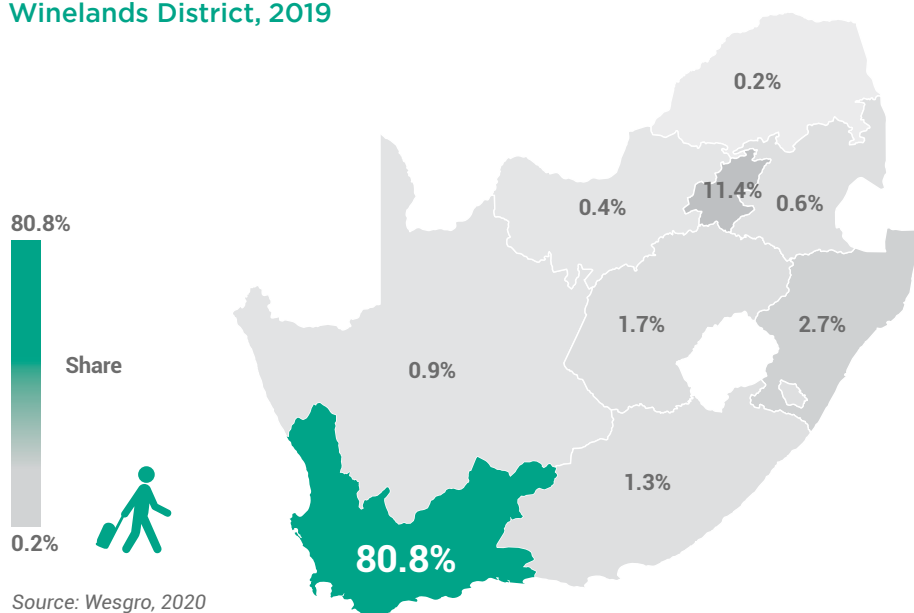
Source: Wesgro, 2020

The CWD is a very popular holiday destination among European tourists, since the Western and Northern European countries were the dominant international travel source markets to the CWD in 2019. The top three European countries that visited the District were Germany (33.0 per cent), the United Kingdom (25.2 per cent) and the Netherlands (7.5 per cent). Other international travel source markets outside Europe included the United States (2.7 per cent) and Australia (2.3 per cent).

Map 3.1 depicts the percentage share of domestic travellers in the CWD in 2019.

Map 3.1

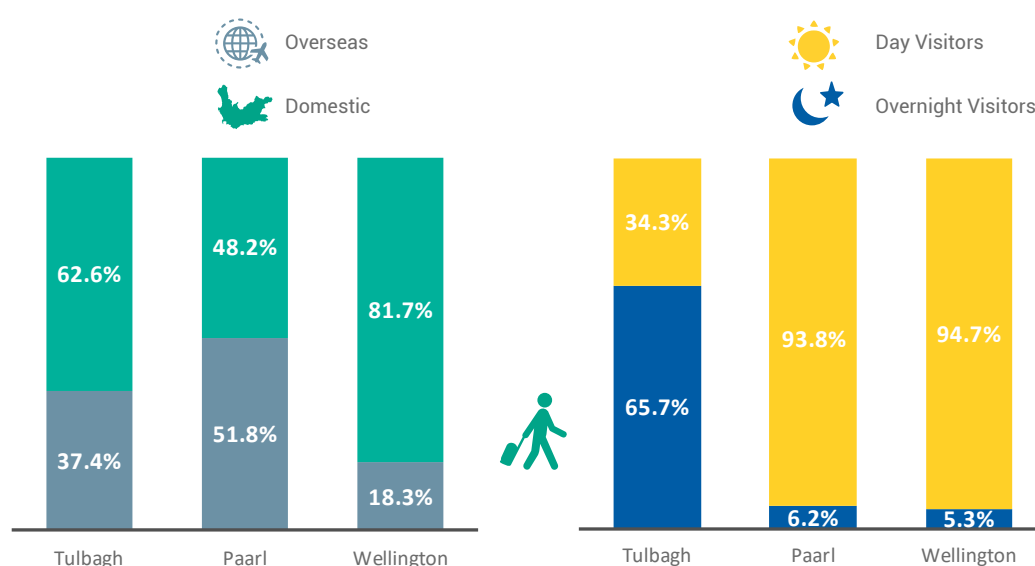
**PERCENTAGE SHARE OF DOMESTIC TRAVELLERS,
Cape Winelands District, 2019**



Source: Wesgro, 2020

Figure 3.7 illustrates the visiting trends of the regional towns of Tulbagh, Paarl and Wellington in 2019.

Figure 3.7
REGIONAL TOWNS VISITOR TRENDS, Cape Winelands District, 2019



Source: Wesgro, 2020

There were more domestic tourists in Wellington (81.7 per cent) compared with the other towns, and Paarl had more international visitors (51.8 per cent) compared with the other towns. Tulbagh received a large portion of overnight visitors (65.7 per cent), while day visitors were dominant in Wellington (94.7 per cent) and Paarl (93.8 per cent). Although day visitors present a big revenue opportunity for tourism businesses, destinations can benefit even more if they can convert day visitors into overnight bookings. This can be done in the following ways²²:

- Providing them with a home-away-from-home feeling and complementing what attracted them in the first place.
- Designing establishments in a way that embraces social constructs and soaks up local culture. The prospects of learning something new, seeing something different or meeting interesting people may be the incentive travellers need to make a booking.
- Ensuring that businesses are visible on as many platforms as possible.
- Being bookable online to ease the reservation process.

²² (SiteMinder, 2020).

3.3.2 Visitor profile

Figure 3.8 depicts the main purpose for visiting the CWD in 2019.

Figure 3.8
MAIN PURPOSE OF VISIT, Cape Winelands District, 2019



Source: Wesgro, 2020

The CWD is a popular holiday destination, as most of the tourists who travelled to the District in 2019 visited for leisure purposes (91.1 per cent), while others visited the District for education purposes (3.0 per cent), business purposes (2.4 per cent) and events (1.1 per cent).

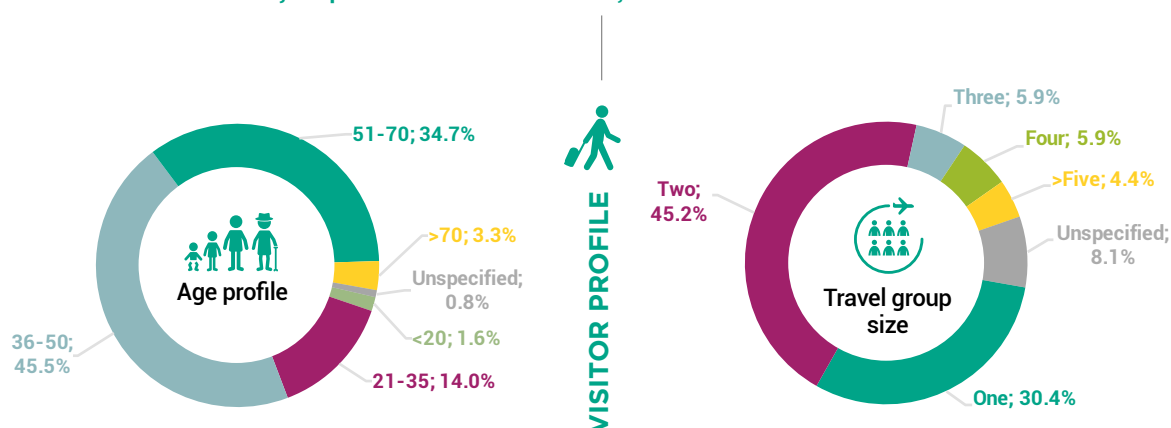
Activities in the District include donkey rides and horse-and-carriage rides through vineyards, picnics, rock climbing, golf, hiking and visits to nature and game reserves, art galleries, spas and wellness centres, among other things. Annual events in the District include comedy festivals, park runs, village/farmer markets, and food and wine festivals.



David Kohler, Unsplash

Figure 3.9 provides a profile of the visitors who visited the CWD in 2019 in terms of group size and age.

Figure 3.9
VISITOR PROFILE, Cape Winelands District, 2019



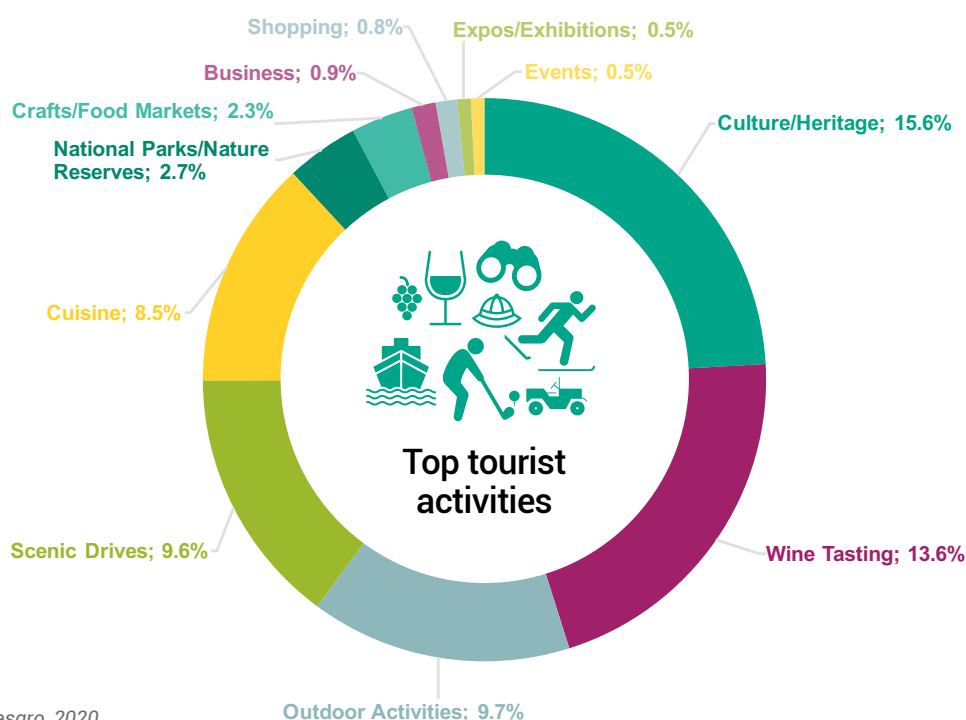
Source: Wesgro, 2020

Tourists who visited the CWD predominantly travelled in pairs (45.2 per cent) or alone (30.4 per cent). A total of 11.8 per cent of visitors travelled in groups of three and four, while 4.4 per cent travelled in groups of five. Most of the visitors were aged between 36 and 50 years (45.5 per cent) and 51 and 70 years (34.7 per cent). This indicates that many of the visitors are mature, retirement-age adults who have more spending power.

3.3.3 Activities

Figure 3.10 illustrates the top activities undertaken by visitors during their visit to the CWD in 2019.

Figure 3.10
TOP TOURIST ACTIVITIES UNDERTAKEN, Cape Winelands District, 2019



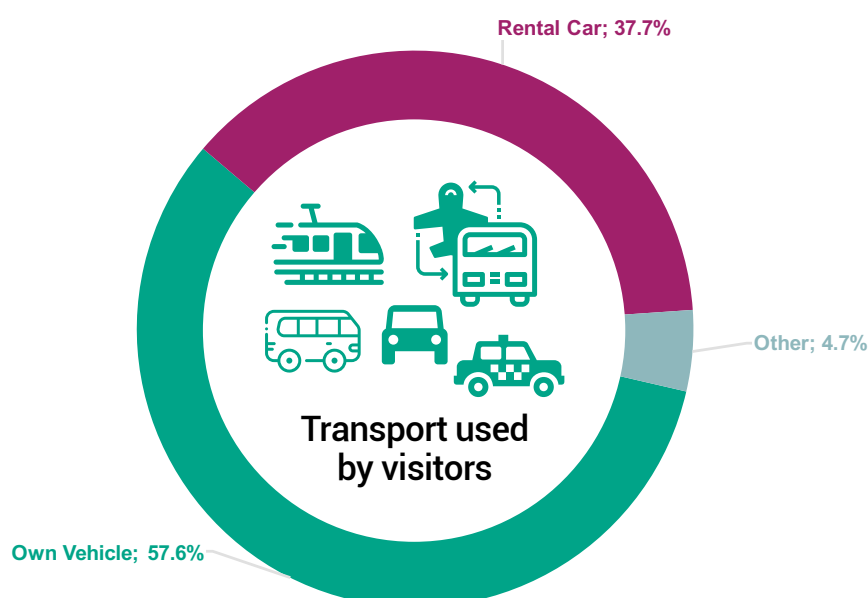
Source: Wesgro, 2020

Visitors mainly participated in cultural/heritage activities (15.6 per cent) during their visit to the CWD. Heritage and cultural attractions that allow visitors to learn more about the history and culture of the District include the Afrikaans Language Museum and Monument, the Worcester Museum, Mandela Memorial Square and the Huguenot Memorial Museum. The CWD is the heart of the Western Cape's wine industry and therefore wine tasting (13.6 per cent) was the second main activity undertaken by visitors, followed by outdoor activities (9.7 per cent). For outdoor enthusiasts, the District offers acrobanching, bicycle tours, guided hiking, hang-gliding, motorcycle tours, helicopter flights, hot-air ballooning and quad biking. Visitors also took scenic drives (9.6 per cent) and participated in cuisine experiences (8.5 per cent), which involve wine tasting, trying global tapas, classic pairings and contemporary fine dining.

Figure 3.11 indicates the mode of transport used by visitors in the CWD in 2019.

Figure 3.11

MODE OF TRANSPORT USED BY VISITORS, Cape Winelands District, 2019



Source: Wesgro, 2020

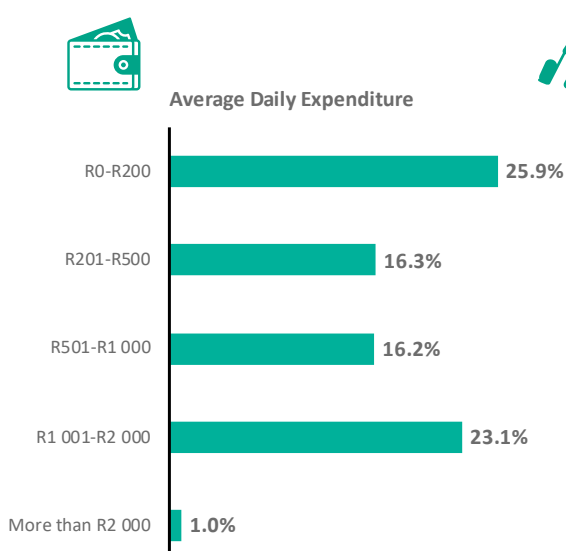
The majority of visitors used their own vehicles as a mode of transport (57.6 per cent), while 37.7 per cent of visitors rented vehicles. This indicates that visitors prefer to drive themselves around instead of depending on transport provided by tour operators/guides (tour buses). Owing to the nature and geographical layout of the District, visitors tend to enjoy exploring the region on their own schedule and in their own time.



3.3.4 Visitor spend

Figure 3.12 depicts the average daily expenditure by visitors during their visit to the CWD in 2019.

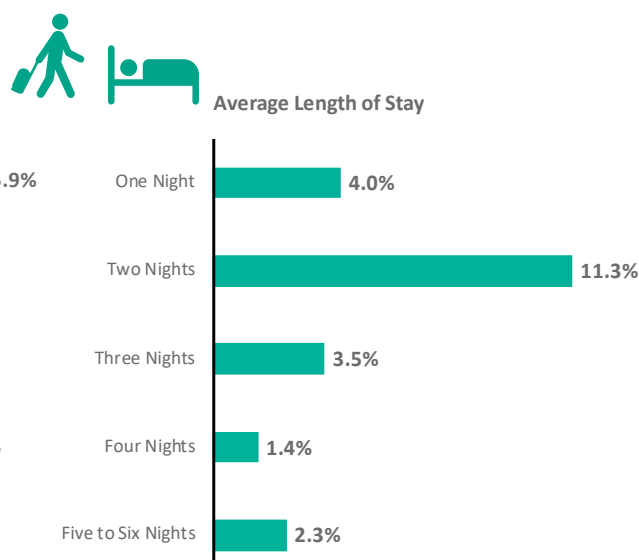
Figure 3.12
AVERAGE DAILY
EXPENDITURE BY VISITORS,
Cape Winelands District, 2019



Source: Wesgro, 2020

Note: 17.4 per cent of responses were unspecified

Figure 3.13
AVERAGE LENGTH OF STAY
BY VISITORS, Cape Winelands
District, 2019



Source: Wesgro, 2020

Note: 77.4 per cent of responses were unspecified

Visitors predominantly spend up to R200 on average per day during their visit to the District, with 23.1 per cent of visitors spending R1 001 to R2 000 on average per day. Given that there were more tourists who visited the CWD during the day in 2019, this implies that there was less spending on formal accommodation.

Figure 3.13 illustrates the average length of stay of visitors in the CWD in 2019.

Most of the visitors who visited the CWD overnight spent two nights on average (11.3 per cent), while some visitors stayed for one night (4.0 per cent) or three nights (3.5 per cent). The CWD should aim to increase the length of stay to increase the opportunity for more spending in the District.

Visitors who visited the CWD and stayed overnight mostly used guest houses as an accommodation option (7.5 per cent), with 5.0 per cent of visitors making use of self-catering establishments. Hotels (3.6 per cent) and B&Bs (3.4 per cent) were less popular accommodation preferences for visitors during their overnight stay in the CWD.

3.4 GROWTH OPPORTUNITIES AND RISKS

The purpose of this section is to analyse the comparative advantage of the various economic sectors within the CWD by exploring the historic growth of the respective sectors to identify growth opportunities as well as potential risks for the district economy. The section will further explore sector linkages for the identified opportunities through a network analysis to potentially maximise trade potential.

3.4.1 Comparative advantage


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

A location quotient of more than one indicates that a comparative advantage exists in this local economy compared with the provincial economy, whereas a location quotient of less than one indicates that the representation of this industry is weaker in the local economy than in the provincial economy²³. Furthermore, a location quotient of one indicates that the representation of an industry in the local economy is the same as its representation in the Province.

Table 3.3 provides the description of the classification and interpretation of the location quotient.

Table 3.3

LOCATION QUOTIENT INTERPRETATION, Cape Winelands District, 2018

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, 2020

The location quotient, however, does not consider external factors that may influence the comparative advantage of an area in a particular sector. The external factors may include government policies, investment incentives and proximity to markets, among other factors.

²³ (Fennig & DaCosta, 2010).

Table 3.4 depicts the CWD sectoral location quotient in terms of GDP and employment in 2018.

Table 3.4
LOCATION QUOTIENT IN TERMS
OF GDP AND EMPLOYMENT,
Cape Winelands District, 2018



SECTOR	In terms of GDP	In terms of Employment
PS Primary Sector		
Agriculture, forestry & fishing	2.4	2.1
Mining & quarrying	0.7	0.7
SS Secondary Sector		
Manufacturing	1.0	0.8
Electricity, gas & water	0.8	0.7
Construction	1.2	0.9
TS Tertiary Sector		
Wholesale & retail trade, catering & accommodation	1.1	1.0
Transport, storage & communication	0.9	0.8
Finance, insurance, real estate & business services	0.8	0.8
General government	0.9	0.8
Community, social & personal services	1.1	1.0

Source: Quantec Research, 2020

In terms of GDP, the CWD had a pronounced comparative advantage over the Western Cape in the agriculture, forestry and fishing sector, with a location quotient of 2.4 in the sector in 2018. Other sectors in which the CWD had a comparative advantage include the construction sector, the wholesale and retail trade, catering and accommodation sector, as well as the community, social and personal services sector. The low location quotient in the mining and quarrying sector indicates that there are few mining activities in the mining and quarrying sector in the CWD, which therefore have a relatively insignificant contribution to the economy of the District.

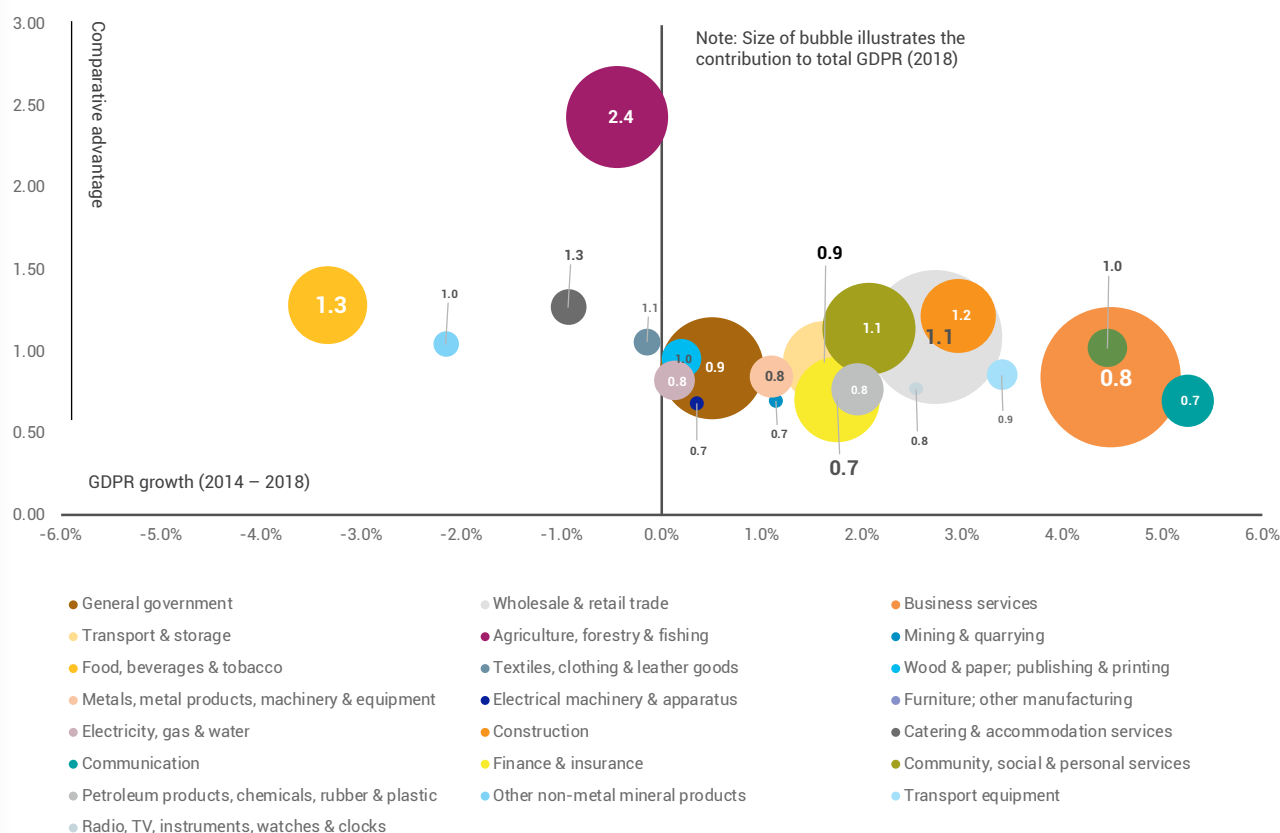
The agriculture, forestry and fishing sector also had a high comparative advantage in terms of employment relative to the other sectors – the CWD’s location quotient in the agriculture, forestry and fishing sector was 2.1 in 2018. The agriculture, forestry and fishing sector absorbed more low-skilled workers in 2018, which also implies that the sector is more labour-intensive relative to the other sectors in the CWD.

In order to identify growth opportunities as well as risks, the comparative advantage of various sectors and the historic growth rates of the sectors are analysed together.

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

Figure 3.14

**COMPARATIVE ADVANTAGE AND SECTORAL GDPR GROWTH,
Cape Winelands District, 2018**



Source: Quantec Research, 2020

Opportunities are identified in sectors that have above-average GDPR growth (1.4 per cent) and a medium to high comparative advantage. Table 3.5 outlines the sectors in the CWD that have opportunities for development.

Table 3.5

**SECTORS WITH
DEVELOPMENT
OPPORTUNITIES,
Cape Winelands District, 2018**

SECTOR	R million value 2018	GDPR trend 2014 – 2018	Number of jobs 2018	Average annual change in employment 2014 – 2018	Average gross fixed capital formation growth 2014 – 2018
Construction	R4 439.4	3.0%	23 177	921	1.6%
Wholesale & retail trade	R11 879.5	2.7%	89 679	3 046	4.8%
Community, social & personal services	R5 177.5	2.1%	54 806	1 307	3.2%
Furniture; other manufacturing	R913.5	4.4%	2 252	41	4.4%

Source: Quantec Research, 2020

The construction sector in the CWD has largely benefited from the increased demand for housing in the areas around Paarl (Drakenstein municipal area) and Stellenbosch in recent years. These areas have experienced an increase in housing developments, particularly estates around Paarl and Stellenbosch, as well as apartment buildings in Stellenbosch that cater for the growing demand for student accommodation. The construction sector was valued at R4.4 billion and provided employment to 23 177 people in 2018. However, this sector contracted by 1.7 per cent in 2019 and shed 1 565 jobs. Despite this, collectively, the Drakenstein and Stellenbosch municipalities passed 1 898 building plans, with a total size of 289 946 m², to the value of R1.7 billion in 2019. Future planned municipal infrastructure spending on roads and housing will also boost the sector. The impact of private and public sector spending on construction sector services in the CWD will be amplified if service providers who employ local workers are used. This can be ensured through appropriate skills development initiatives.

Other sectors in which the CWD has a comparative advantage and that have shown good growth over the reference period include the wholesale and retail trade sector, the community, social and personal services sector as well as the furniture and other manufacturing activities sector. The community, social and personal services sector consists of various services including education, health and social work, veterinary services, recreational, cultural and sporting activities, as well as services such as hairdressing, beauty treatments and dry-cleaning services²⁴. The furniture and other manufacturing sector includes goods such as jewellery, engraving, sports goods, clothing embellishments as well as recycling activities. The activities of these sectors can be supported through well-functioning business and industrial nodes, with adequate roads and access to services. Providing support to start-ups and SMMEs operating in these sectors will further enhance the growth potential of these sectors in the CWD. The Stellenbosch municipal area, for example, has constraints in terms of road capacity and parking provision. However, increasing the availability of public sector transport can mitigate these constraints.

3.4.2 Risks

Risks are identified in industries where there is a medium to high comparative advantage but poor growth.

Table 3.6
SECTORS WITH RISKS,
Cape Winelands, 2018

SECTOR	R million value 2018	GDPR trend 2014 – 2018	Number of jobs 2018	Average annual change in employment 2014 – 2018	Average gross fixed capital formation growth 2014 – 2018
Agriculture, forestry & fishing	R5 953.0	-0.4%	83 872	543	-4.6%
Food, beverages & tobacco	R4 416.5	-3.3%	9 084	-218	-5.6%
Catering & accommodation services	R901.5	-0.9%	14 433	713	3.2%

Source: Quantec Research, 2020

²⁴ (Statistics SA, 2012).

Agriculture, forestry and fishing

Compared with other sectors, the CWD has the greatest comparative advantage in the agriculture, forestry and fishing sector, which contributed R6.0 billion to the economy of the District in 2018. Agro-processing, as represented by the food, beverages and tobacco sector, contributes R4.4 billion to the economy. Both these sectors have contracted on average over the reference period. Investment in these sectors has also contracted, emphasising the lack of confidence in the sector over the reference period. The poor performance between 2014 and 2018 was mainly as a result of the provincial drought. However, the performance of this sector is expected to improve in 2020. The vulnerability of this sector to external impacts, such as climate change and commodity prices, is still a major threat to the sector that needs to be managed.

The CWD is a major producer of wine grapes, table grapes, apples, pears and peaches. The areas around Paarl and Worcester also have numerous chicken batteries²⁵. The CWD is a major wine-producing area, which also contributes significantly to exports – the CWD exported wine to the value of R5.7 billion in 2019. The wine industry, however, has been under severe pressure in recent years, with domestic consumption reducing by 4.1 per cent in 2018. Export volumes also contracted in 2019 owing to a recovery in global production levels²⁶. The trade and consumption restrictions as a result of the COVID-19 lockdown will further constrain this sector. Additional marketing efforts can strengthen South Africa's wine exports, especially to new markets such as the United States, China and Africa, particularly Kenya, Tanzania and Zambia²⁷.

Catering and accommodation

The tourism sector, as represented by the catering and accommodation services sector, contributed R901.5 million to the CWD economy. Despite the comparative advantage in the sector in the CWD, it has contracted on average by 0.9 per cent per annum. The sector has, however, remained an important source of employment creation. The travel bans because of COVID-19 will have a detrimental impact on the local tourism industry, which will impact employment creation in this sector in 2020.

Challenges experienced in the District relate to tourism signage and delays in the applications and approval process. The quality of roads is adequate, and most ablution facilities are universally accessible. There is a gradual migration taking place, with more tourism establishments moving over to renewable energy sources and reducing their carbon footprint in this way. Global tourism trends show an increase in the use of and support for sustainable tourism practices at holiday destinations.

Tourist safety and security should be a top priority for destination managers. When picking a travel destination, tourists are highly cautious, as they are aware of the risks they are taking when travelling to a foreign country. Being labelled as a destination that is not safe and secure will surely affect the number of arrivals to that destination. If a visitor feels threatened or unsafe during a trip, this may have an impact on the length of stay and expenditure in a destination and decrease the likelihood of repeat visits and word-of-mouth referrals.

²⁵ (WCDoA, 2018).

²⁶ (BFAP, 2019).

²⁷ (Vinpro, 2019).

3.4.3 Investments

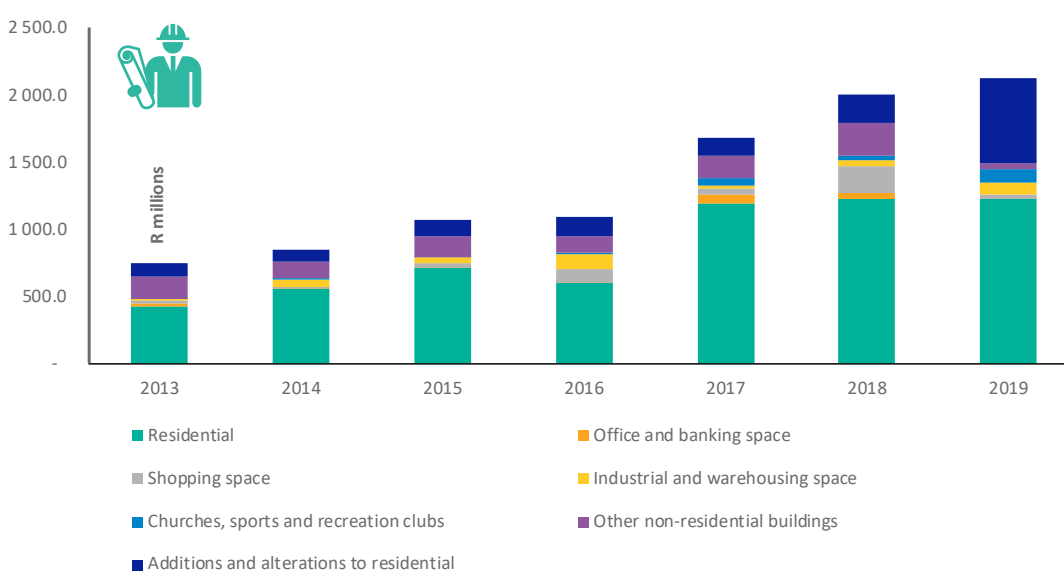
This subsection discusses various forms of investments occurring in the CWD, including building plans passed and completed, new investments from prominent local companies and a consolidated overview of municipal spending on contracted services.

3.4.3.1 Building plans passed and completed

Building plans passed and completed form part of the indicators that measure economic activity and changes in the business cycle. The value of building plans passed²⁸ can be used as a leading indicator, while building plans completed²⁹ can be used as a lagging indicator. Building plans passed and completed have further implications for municipal spatial planning and budgeting. Statistics SA's information on building plans passed and completed is only available for selected municipalities, namely the Drakenstein, Stellenbosch and Breede Valley municipal areas.

Figure 3.15 illustrates the value of building plans passed in the Drakenstein municipal area between 2013 and 2019

Figure 3.15
VALUE OF BUILDING PLANS PASSED, Drakenstein, 2013 – 2019 (R million)



Source: Drakenstein Municipality, 2020

The value of building plans passed has increased steadily between 2013 and 2019 in the Drakenstein municipal area, mainly due to an increase in building plans passed for residential properties. In 2019, building plans worth R2.1 billion were passed, of which R1.2 billion were residential property. The area around Paarl is becoming increasingly popular for estate developments, particularly for upmarket homes. This will have a positive impact on the Municipality in terms of rates collections. Building plans passed for residential property has stagnated somewhat between 2017 and 2019, which is in line with the deteriorating economic conditions dampening the demand for new homes. This is also emphasised by the spike in additions and alterations to residential properties in 2019.

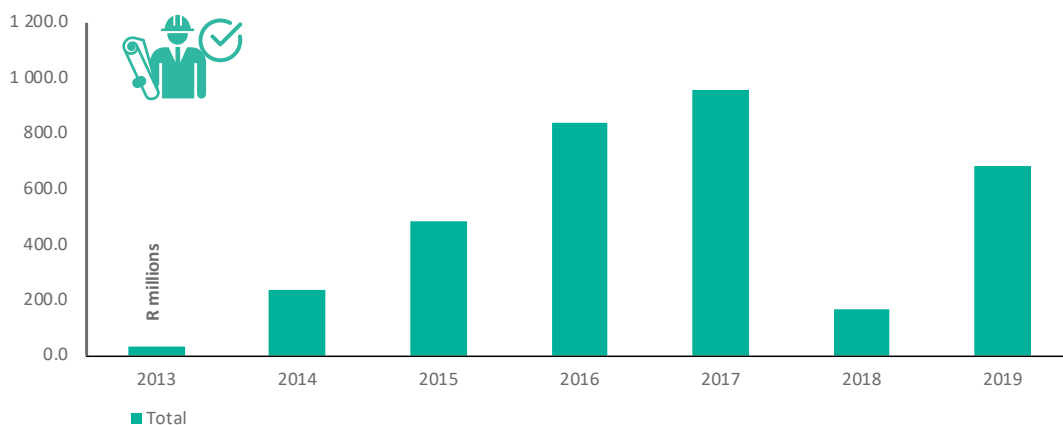
²⁸ Number of residential building plans passed larger than 80 m².

²⁹ Value of non-residential buildings completed (constant prices).

Figure 3.16 depicts the value of building plans completed in the Drakenstein municipal area between 2013 and 2019.

Figure 3.16

VALUE OF BUILDING PLANS COMPLETED, Drakenstein, 2013 – 2019 (R million)



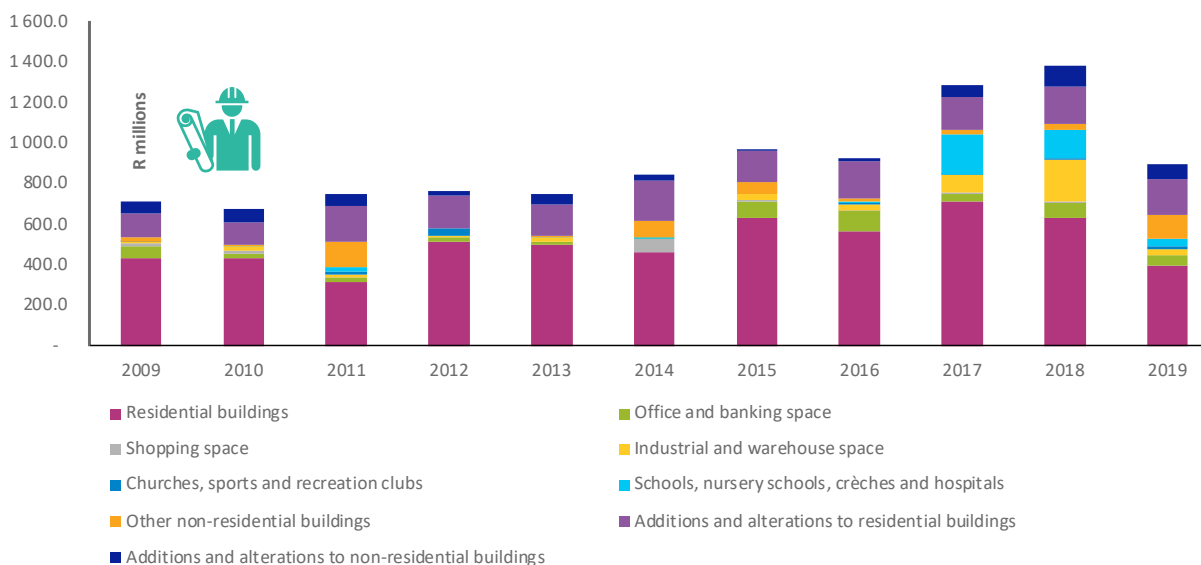
Source: Drakenstein Municipality, 2020

The value of building plans completed for residential buildings increased from R35.3 million in 2013 to a peak of R954.9 million in 2017. The value of building plans declined significantly in 2018 but increased to R683.9 million in 2019. Most of the building plans completed are for residential buildings. In 2019, 75.6 per cent of completed building plans were for residential property while 17.7 per cent were for additions and alterations to residential property. Given the value of building plans passed between 2017 and 2019, significant building activity is expected in future. However, this would be disrupted by the COVID-19 pandemic.

Figure 3.17 indicates the value of building plans passed per building category in the Stellenbosch municipal area between 2009 and 2019.

Figure 3.17

VALUE OF BUILDING PLANS PASSED, Stellenbosch, 2009 – 2019 (R million)



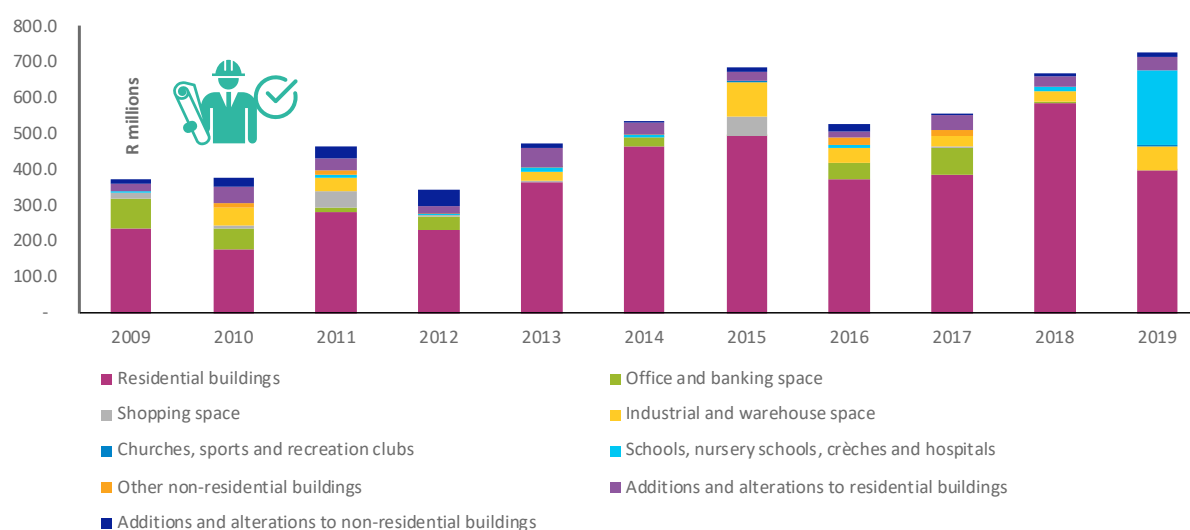
Source: Stats SA & Quantec Research, 2020

The Stellenbosch municipal area maintained a high value of residential buildings in comparison with other building plans throughout the 10-year period. The value of additions and alterations to residential building plans increased between 2009 and 2011, while the value of additions and alterations to non-residential building plans decreased during the same period. New developments confirmed to occur in the future in the Stellenbosch municipal area include the Adam Tas Corridor, a planned multi-year development over 400 hectares along the R310 and R44 and Stellenbosch Bridge, a 350-hectare smart city based on innovation and sustainability which is envisioned to include education, retail and culture components positioned within the Stellenbosch municipal area on the N1 between Cape Town and Paarl³⁰. The value of residential buildings decreased in 2011, while the value of other non-residential buildings and additions and alterations to residential building plans increased. Between 2015 and 2016 more plans were passed for office and banking space. Between 2017 and 2018 there was a substantial increase in the value of plans for schools, nursery schools, crèches and hospitals, as well as industrial and warehousing space. The increase in building plans for schools may be due to an increase in children who are old enough to attend school, as well as an increase in school enrolments in the municipal area. Hospital building plans may also be driven by a growing population, which results in a need for health services, among other social services.

Figure 3.18 indicates the value of building plans completed in the Stellenbosch municipal area between 2009 and 2019.

Figure 3.18

VALUE OF BUILDING PLANS COMPLETED, Stellenbosch, 2009 – 2019 (R million)



Source: Stats SA & Quantec Research, 2020

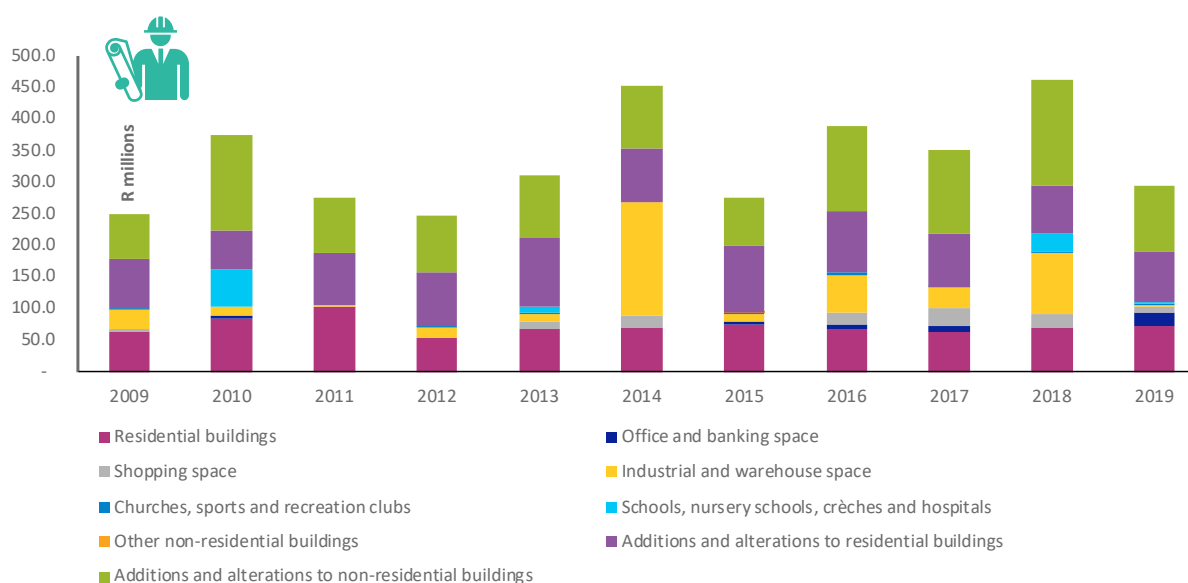
The value of building plans fluctuated in the Stellenbosch municipal area between 2009 and 2019. During the 10-year period, more residential building plans were completed than other types of buildings. The value of residential building plans was R235.9 million in 2009, which decreased to R179.7 million in 2010. The value of residential building plans completed slightly improved in 2011 (R283.4 million) and fell in 2012 (R233.0 million). The value of residential building plans completed reached its highest in 2018 (R587.7 million), but dropped in 2019 to R398.6 million.

³⁰ (Stellenbosch Municipality, 2020).

The value of building plans completed for office and banking space experienced fluctuations within the 10-year period. In 2009 the value of office and banking space was R85.5 million and this decreased to R58.8 million in 2010, while more industrial and warehouse space plans, and additions and alterations to residential and non-residential building plans, were completed. From 2009 to 2018 the value of completed plans for schools, nursery schools, crèches and hospitals was low, but in 2019 the value increased substantially (R208.3 million). The increase in building plans for schools and nursery schools as well as hospitals is driven by an increase in the population in the municipal area, which results in an increase in the need for health and education services.

Figure 3.19 indicates the value of building plans passed between 2009 and 2019 in the Breede Valley municipal area.

Figure 3.19
VALUE OF BUILDING PLANS PASSED, Breede Valley, 2009 – 2019 (R million)



Source: Stats SA & Quantec Research, 2020

The value of passed plans for additions and alterations to non-residential buildings increased from R70.5 million in 2009 to R149.8 million in 2010. Between 2009 and 2010 the value of building plans passed for schools, nursery schools, crèches and hospitals increased, while building plans passed for residential buildings increased slightly. In 2011 residential building plans passed reached their highest value throughout the 10-year period, but the value decreased from 2012 to 2019. There was a substantial increase in 2014 in the value of building plans passed for industrial and warehouse space. The value of building plans passed for additions and alterations to residential and non-residential buildings, shopping space, industrial and warehouse space, schools, nursery schools, crèches and hospitals, as well as office and banking space, fluctuated throughout the 10-year period.

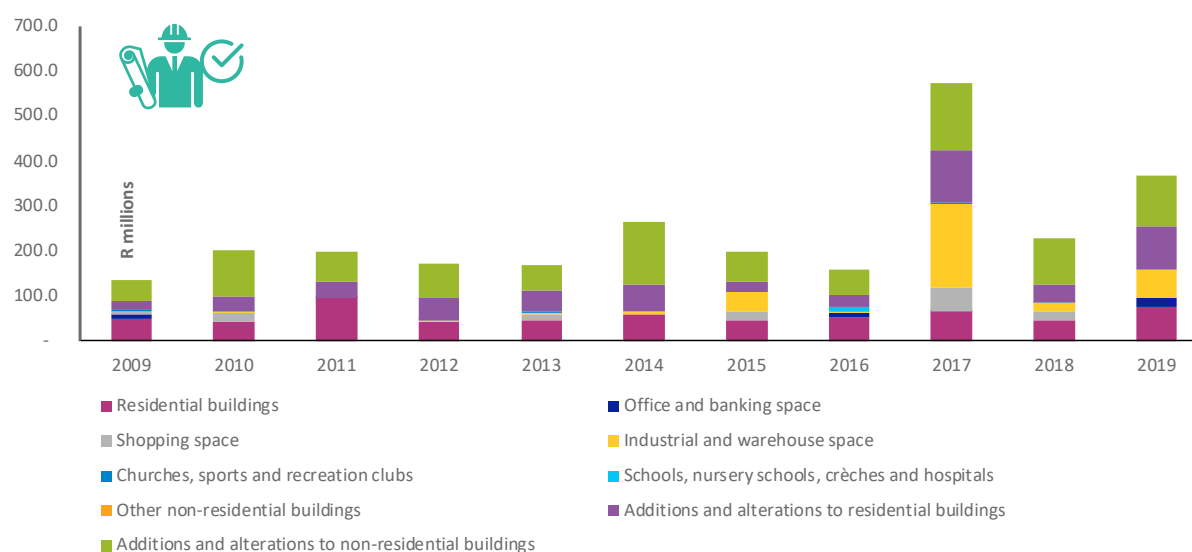
A few new developments have been confirmed for the near future in the Breede Valley municipal area. These include the Trans Hex low-cost housing and mixed-use development and the Altona residential development. Other types of developments include a 20 000m² mall extension, the extension of an office development close to the Mountain Mall, and the Uitvlugt Industrial Park³¹.

³¹ (Breede Valley Municipality, 2020).

Figure 3.20 illustrates the value of building plans completed between 2009 and 2019 in the Breede Valley municipal area.

Figure 3.20

VALUE OF BUILDING PLANS COMPLETED, Breede Valley, 2009 – 2019 (R million)



Source: Stats SA & Quantec Research, 2020

The value of completed building plans was disproportionately lower than building plans passed between 2009 and 2019 for almost all building types in the Breede Valley municipal area. Between 2009 and 2013, the value of building plans completed for residential buildings, as well as additions and alterations to non-residential and residential buildings, was lower than the value of plans passed within the same period. In 2011 residential building plans completed increased, although the value of residential building plans completed was lower than that of residential building plans passed within the same year. In 2017, the value of industrial and warehouse space, and additions and alterations to non-residential and residential building plans completed, was high compared with other years during the 10-year period. In 2018, the value of completed building plans decreased, but picked up again in 2019.

3.4.3.2 Private sector investments

This section outlines information about investment opportunities present and possible business expansions taking place in the CWD. These investment opportunities contribute to specific sectors within the District and to the overall economic growth.

Despite the poor economic conditions in 2020, private sector investments and partnerships are currently taking place in the Stellenbosch municipal area to promote the wine industry. Stellenbosch University partnered with Vinpro in order to revitalise the Welgevallen experimental farm. The project intends to have 4.92 hectares of new vines planted in 2020, which will replace all current vines except for a commercial block that is currently in use. This will see an establishment of various experimental vineyards, including wine-making, trellis systems, pruning, new cultivars, clones and rootstocks, an irrigation block and a table grape trellis programme, which will be useful to students and researchers at Stellenbosch University's Department of Viticulture and Oenology. The programme adds value to the tertiary knowledge, training and skills development in viticulture and oenology, and will potentially contribute to the improvement in the wine industry in the Stellenbosch municipal area.

Other investments in 2020 aimed at the Stellenbosch wine industry include the launch of the Stellenbosch Vineyards Logistics Hub, following the major fire outbreak in the Stellenbosch Vineyards warehouse in 2018. The logistics hub has been constructed with the latest technology and features, such as water tanks connected to hi-tech smoke detectors and water distributors to prevent possible fire tragedies. The risk mitigations will not only contribute to improved operations and logistics in the Stellenbosch Vineyards warehouse but also potentially present opportunities for job security for workers in the Stellenbosch wine industry.

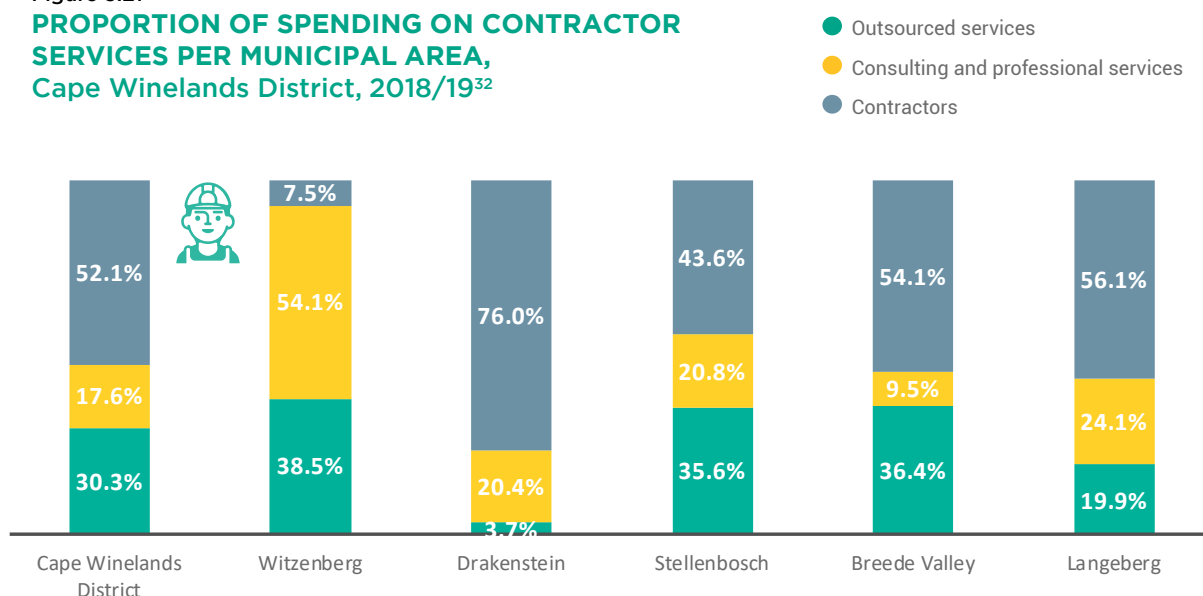
3.4.3.3 Municipal contracted services

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

Figure 3.21

PROPORTION OF SPENDING ON CONTRACTOR SERVICES PER MUNICIPAL AREA, Cape Winelands District, 2018/19³²



Source: National Treasury, 2019

Spending on contractors makes up the bulk (52.1 per cent) of the spending on contracted services in the CWD, followed by outsourced services (30.3 per cent). Spending on contractors included R13.8 million on fire services and R6.0 million on maintenance of buildings, facilities, equipment and unspecified assets. Outsourced services consisted of spending on security services (R3.0 million), business and advisory services (R2.5 million) and alien vegetation control (R2.3 million).

In 2018/19, the Witzenberg Municipality spent R19.1 million on consulting and professional services (54.1 per cent of spending on contracted services), followed by R2.6 million (38.5 per cent of spending on contracted services) on outsourced services. Consulting and professional services used by the municipality include infrastructure and planning services (R13.9 million), business and advisory services (R3.8 million) and legal costs (R1.4 million).

³² According to the Municipal Standard Chart of Accounts (MSCoA), municipalities should have the capacity and expertise to carry out certain services. Outsourced services are therefore services procured by the municipality when it temporarily does not have the capacity to perform these functions, or to save costs. Consulting services refer to specialist services and skills provided to a municipality for the achievement of a specific objective. It is not necessary to maintain these skills in-house, since they are often only required on a one-off or temporary basis. Contractors are used for services that are not the core business of the municipality.

Most of the spending (76.0 per cent) on contracted services in 2018/19 in the Drakenstein Municipality went towards contractors. This included R63.7 million on the maintenance of buildings, equipment, infrastructure and other assets, as well as R33.5 million on security services.

In 2018/19, the Stellenbosch Municipality spent R66.2 million on contractors (43.6 per cent of contracted services) and R54.1 million on outsourced services (35.6 per cent of spending on contracted services). Spending on contractor services in the Stellenbosch Municipality consisted mainly of maintenance services (R46.9 million), while most of the spending on outsourced services went towards refuse removal (R18.1 million), security services (R60.1 million) and traffic fine management (R9.8 million). New infrastructure and projects initiated by the Stellenbosch Municipality include the provision of subsidies to landowners, the installation of solar geysers in farm-worker housing, the provision of water mains from Idas Valley and along the Adam Tas Road and additional water sources, increasing the capacity of electricity transformers and the electricity network, the upgrading and expansion of wastewater treatment works, the upgrading of gravel roads, intersection upgrades along main roads and the construction of a new waste-material recovery facility, which is anticipated to open in the last quarter of 2020.

The Breede Valley Municipality spent R72.2 million on contractor services in 2018/19, which includes R39.1 million (54.1 per cent) on contractors and R26.3 million (36.4 per cent) on outsourced services. Spending on contractors includes spending on maintenance services (R21.8 million), security services (R8.0 million) and electrical services (R7.0 million). Most of the spending on outsourced services (57.7 per cent) was spent on personnel and labour services (R15.2 million).

The Langeberg Municipality spent R23.5 million on contractor services in 2018/19. Most of the spending on contractor services went towards contractors (56.1 per cent), followed by consulting and professional services (24.1 per cent). Spending on contractors was mainly on maintenance services (R9.9 million), while spending on consulting and professional services was mainly on business and advisory services (R3.2 million).

There are opportunities for local SMMEs to benefit from municipal contracting, particularly for services such as security and maintenance. By using local enterprises for outsourced services, a multiplier effect is generated in the economy of the municipality, as opposed to using contractors from outside the municipal area. Most municipalities have enterprise development initiatives that support emerging contractors and small businesses:

- The Witzenberg Municipality assisted various SMMEs in 2018/19 to be compliant with government procurement processes, to register on the municipal supply chain database and to link SMMEs to provincial and national tenders. Other activities by the municipality to assist SMMEs include hosting an SMME Indaba, collaborating with SEDA to provide basic business training and constructing an SMME Hub.
- The Drakenstein Municipality has a Contractor Development Programme that upskills 16 emerging contractors who are registered on the municipal supplier database. A preferential Procurement Policy has been drafted and will be implemented in the 2021/22 financial year.
- The Stellenbosch Municipality hosted tendering process training in Stellenbosch, Klapmuts and Franschhoek in 2018/19. The municipality also provided mentorship and training opportunities for SMMEs to help them become compliant with supply chain requirements. Other support

provided to SMMEs in the Stellenbosch municipal area includes seed funding for SMMEs (tourism, informal sector and small formal sector), assistance with business registration and liquor licence applications. SMMEs have also been provided support in terms of exposure to opportunities to exhibit and network at exhibitions, trade shows and expos, to provide access to niche markets.

- The Breede Valley Municipality hosted a contractor development workshop in order to equip local emerging contractors with the skills to understand tenders and contracts. Supplier open days are hosted, where suppliers are exposed to financial mechanisms or other stakeholders, who may assist their business. There is also regular interaction with construction companies to disseminate information on projects to be implemented by SANRAL. The municipality is also packaging infrastructure projects to integrate informal traders into mainstream economic activity by designing additional informal trading facilities in Worcester and De Doorns.



3.5 CONCLUDING REMARKS

The CWD had a negative trade balance in 2019, as imports were valued at R36.6 billion while exports were valued at R28.3 billion. The Breede Valley municipal area was the largest importing municipal area, accounting for 70.2 per cent of imports in the CWD in 2019. The Drakenstein municipal area contributed the most to exports in the CWD, as it accounted for 46.9 per cent of exports in the municipal area. The mining and quarrying sector accounted for 49.9 per cent of imports, while the manufacturing sector accounted for 53.1 per cent of exports in the CWD, and the agriculture, forestry and fishing sector accounted for 46.9 per cent of exports in the CWD. Wine and grapes were the largest exported products in the CWD in 2019 – wine and grape exports were valued at R5.7 billion, accounting for 20.1 per cent of exports in the District. The Netherlands, the United Kingdom and Namibia were the top export destinations, and the top import source markets were Saudi Arabia, Nigeria and Ghana.

The CWD is an attractive tourist destination for domestic and international tourists. Most of the people who visited the District in 2018 visited for leisure purposes (91.1 per cent) and mainly took part in activities such as culture and heritage (15.6 per cent) and wine tasting (13.6 per cent). The CWD mostly gets day visitors, but out of those with extended stays, the average length of stay was two nights. Accommodation types booked were mainly guest houses and self-catering accommodation establishments.

In terms of building investments, there were more residential building plans passed and completed in the CWD between 2009 and 2019, compared with other building types. However, the value of completed building plans was lower than the value of building plans passed between 2009 and 2019 in almost all the municipal areas. The Breede Valley municipal area had more building plans passed and completed for additions to non-residential buildings, while most municipal areas passed and completed building plans for residential buildings and additions to residential buildings between 2009 and 2019.

There are also investments taking place in the agriculture, forestry and fishing sector in the CWD. Some of the investments are to promote the wine industry and are primarily in the Stellenbosch municipal area. These investments will potentially contribute to production and output in the CWD's wine industry and create employment opportunities.



4

MUNICIPAL SOCIO- ECONOMIC ANALYSIS

4.1 INTRODUCTION

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

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

4.2 POPULATION PROFILE

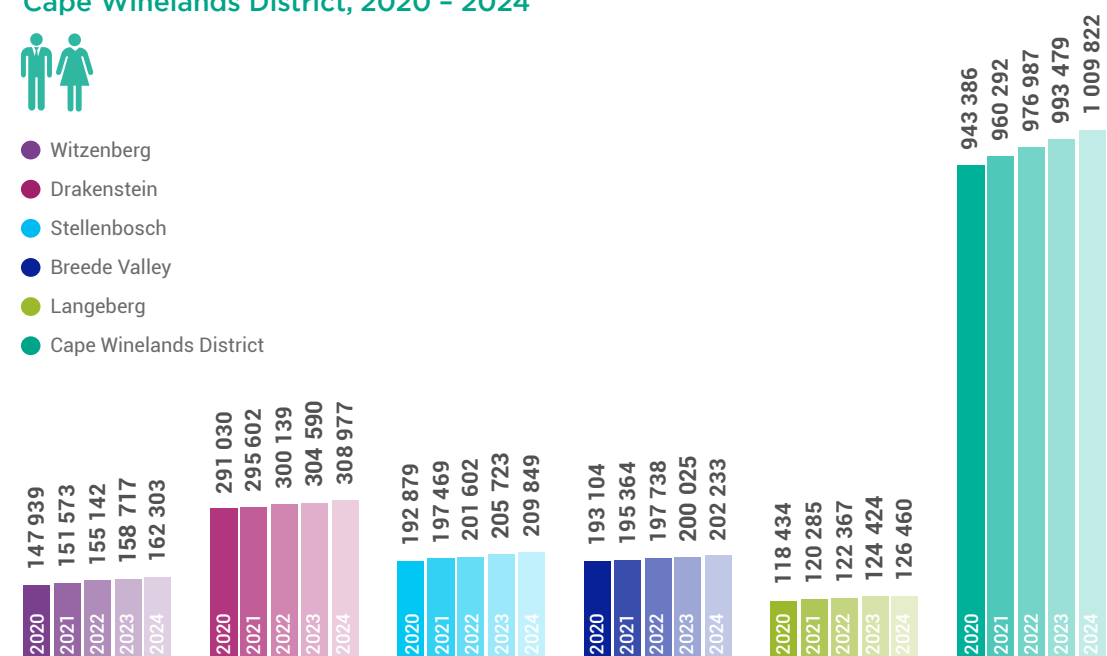
Figure 4.1 illustrates the future population growth of the CWD and the municipal areas between 2020 and 2024.

Figure 4.1

FUTURE POPULATION GROWTH, Cape Winelands District, 2020 – 2024



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



Source: Western Cape DSD, 2020

It is estimated that there are 943 386 people in the CWD in 2020 and the population is estimated to reach 1.0 million by 2024, increasing by an average annual growth rate of 1.7 per cent between 2020 and 2024. Out of the five municipal areas in the CWD, the Drakenstein municipal area has the highest population and estimated population growth between 2020 and 2024. It is estimated that the Drakenstein municipal area has 291 030 people in 2020, accounting for 30.8 per cent of the population in the CWD. The population in the Drakenstein municipal area is projected to reach 308 977 in 2024, growing by an average annual growth rate of 1.5 per cent between 2020 and 2024.

The Langeberg and Witzenberg municipal areas have the smallest population compared with the other municipalities. The Langeberg municipal area's population is estimated to be 118 434 in 2020 and is projected to reach 126 460 in 2024. Although the Witzenberg municipal area is one of the municipal areas with the smallest population, its average annual growth rate has been higher compared with the other municipal areas (2.4 per cent), with the population of the municipal area estimated to be 147 939 in 2020 and projected to reach 162 303 in 2024. The estimated population growth in the municipal areas within the CWD will increase the demand for housing and for municipal and other social services.

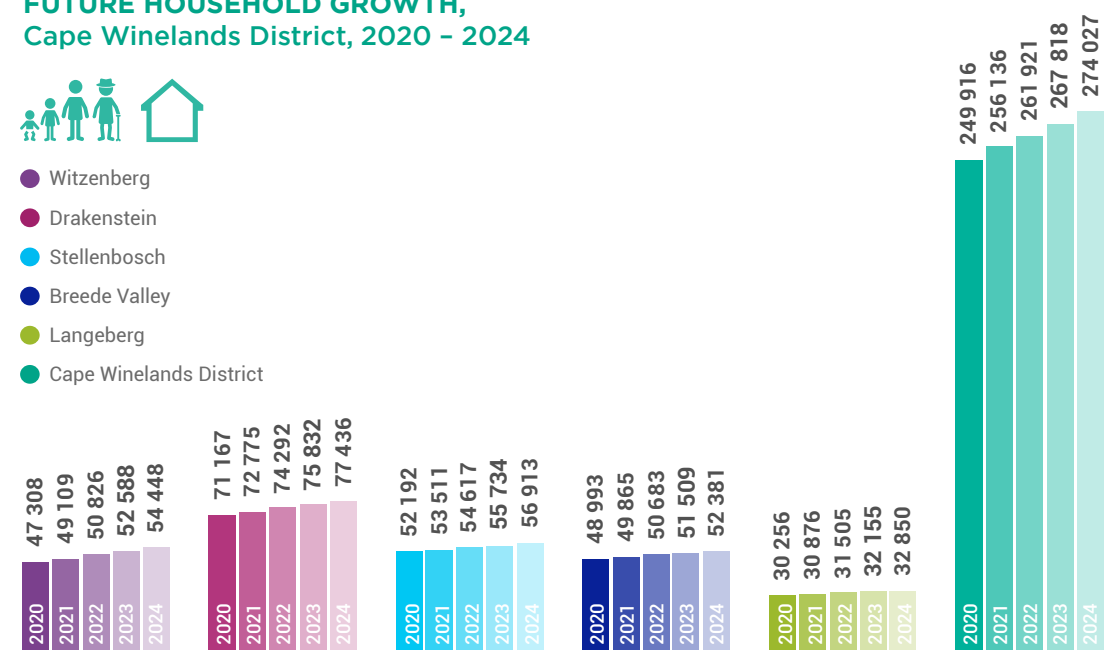
Figure 4.2 illustrates the future household growth in the CWD between 2020 and 2024.

Figure 4.2

FUTURE HOUSEHOLD GROWTH, Cape Winelands District, 2020 – 2024



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



Source: Western Cape DSD, 2020

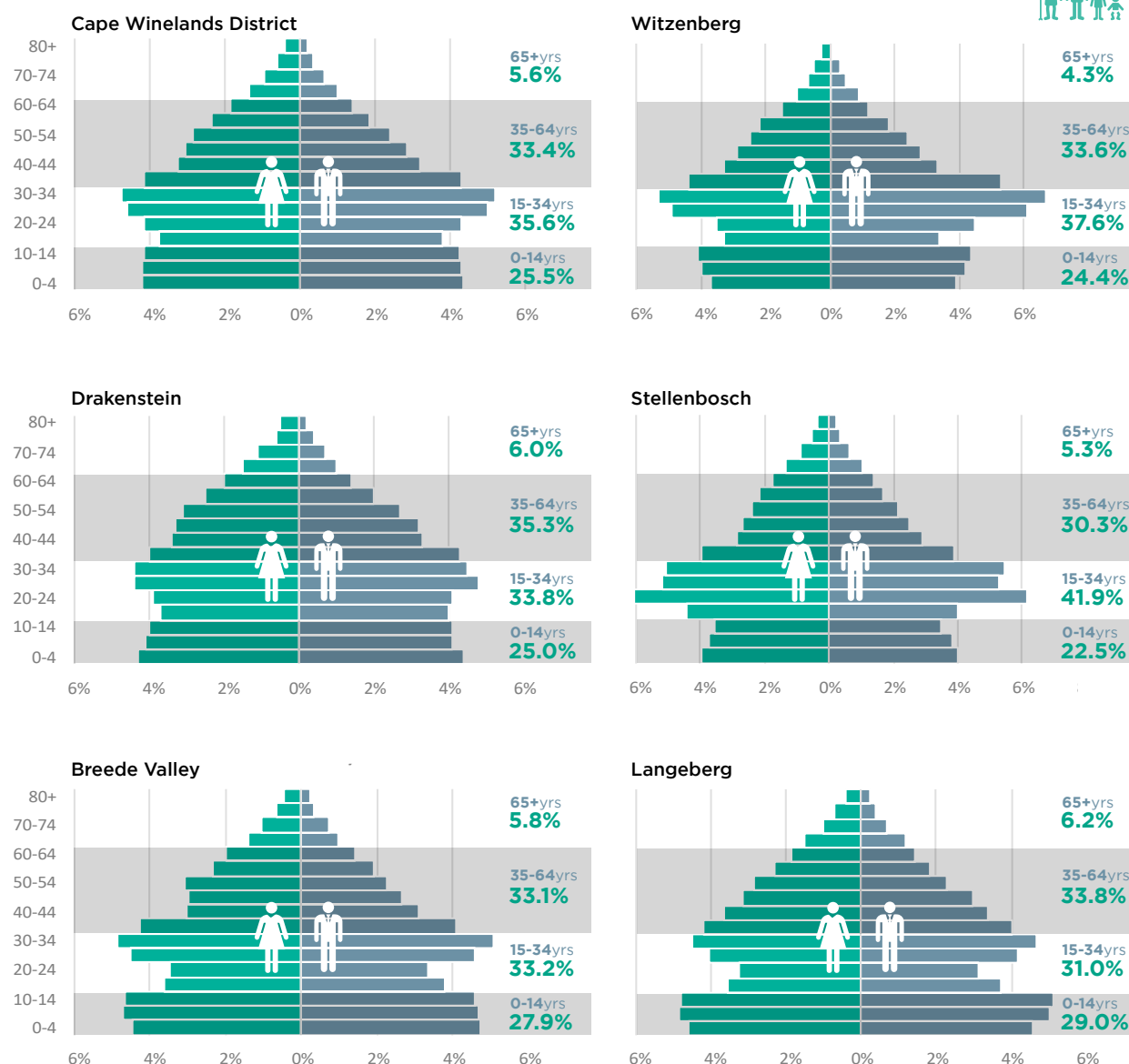
It is estimated that there are 249 916 households in the CWD in 2020 and the households are projected to increase to 274 027 in 2024, increasing by an annual average growth rate of 2.1 per cent between 2020 and 2024. Current and projected household figures indicate that the Drakenstein municipal area has more households compared with other municipal areas. In 2020 there were 71 167 households, and it is estimated that this number will increase to 77 436 in 2024. The Witzenberg municipal area is one of the municipal areas with the least number of households. However, the municipal area has a high average annual growth rate (3.6 per cent) between 2020 and 2024 compared with the other municipal areas.

The growing number of households in the municipal areas of the CWD will increase the demand for housing, municipal services and jobs.



Figure 4.3 illustrates the gender and age dynamics in the CWD in 2019.

Figure 4.3
GENDER AND AGE DYNAMICS,
Cape Winelands District, 2019



In 2019, the CWD consisted of more females (50.7 per cent) than males (49.3 per cent). The District has a large share of individuals between the ages of 15 and 34 years (35.6 per cent), followed by those aged between 35 and 64 years (33.4 per cent). The high share of individuals between the ages of 15 and 64 in the CWD suggests that more people are still within the working-age population and are still economically active, which implies that there is a need to create more job opportunities to absorb the working-age population. Individuals who are older than 65 years make up the smallest share of the CWD population (5.6 per cent), while children younger than 14 years make up 25.5 per cent of the population in the CWD.

The population of the Witzenberg municipal area is dominated by males (51.9 per cent) compared with females (48.1 per cent). The municipal area consists of a relatively young population, as it has a large share of individuals between the ages of 15 and 34 years (37.6 per cent), followed by those aged between 35 and 64 years (33.6 per cent). The municipal area has fewer children younger than 14 (24.4 per cent) and a small population of people older than 65 (4.3 per cent), compared with the CWD.

The Drakenstein municipal area comprises a larger share of females (50.8 per cent) than males (49.2 per cent), with the largest share of the population consisting of people between the ages of 35 and 64 years (35.3 per cent), followed by those between the ages of 15 and 34 years (33.8 per cent). The municipal area has a large proportion of middle-aged people, but there is a relatively notable proportion of children younger than 15 (25.0 per cent), although the share of children is proportionally less compared with the CWD. The population of children indicates the need for access to schools and recreation facilities, as well as health-care services. The municipal area's share of people older than 65 years (6.0 per cent) is proportionally higher than the CWD's share of people within the same age group.

The Stellenbosch municipal area comprises a higher share of females (51.2 per cent) than males (48.8 per cent). The municipal area has the largest share of people between the ages of 15 and 34 years (41.9 per cent) and this is proportionally higher compared with the CWD. The second largest share of the municipal area's population is between the ages of 35 and 64 years (30.3 per cent). This implies that approximately 72.2 per cent of the municipal area's population is still within the working-age population. Given that the Stellenbosch municipal area has the largest economic activity within the CWD, there are more people to actively participate in the economy. The municipal area has proportionally fewer children younger than 15 (22.5 per cent), as well as people older than 65 years (5.3 per cent), compared with the CWD.

The Breede Valley municipal area has more females (51.6 per cent) than males (48.4 per cent). The population of the municipal area consists mostly of people between the ages of 15 and 34 years (33.2 per cent), followed by people between the ages of 35 and 64 years (33.1 per cent). The municipal area has more children between the ages of 0 and 14 (27.9 per cent), as well as people older than 65 years (5.8 per cent), than the CWD. The municipal area is one of two municipal areas with a larger share of children compared with the CWD, which may indicate a need for the allocation of Early Childhood Development Programmes, as well as facilities such as schools and crèches.

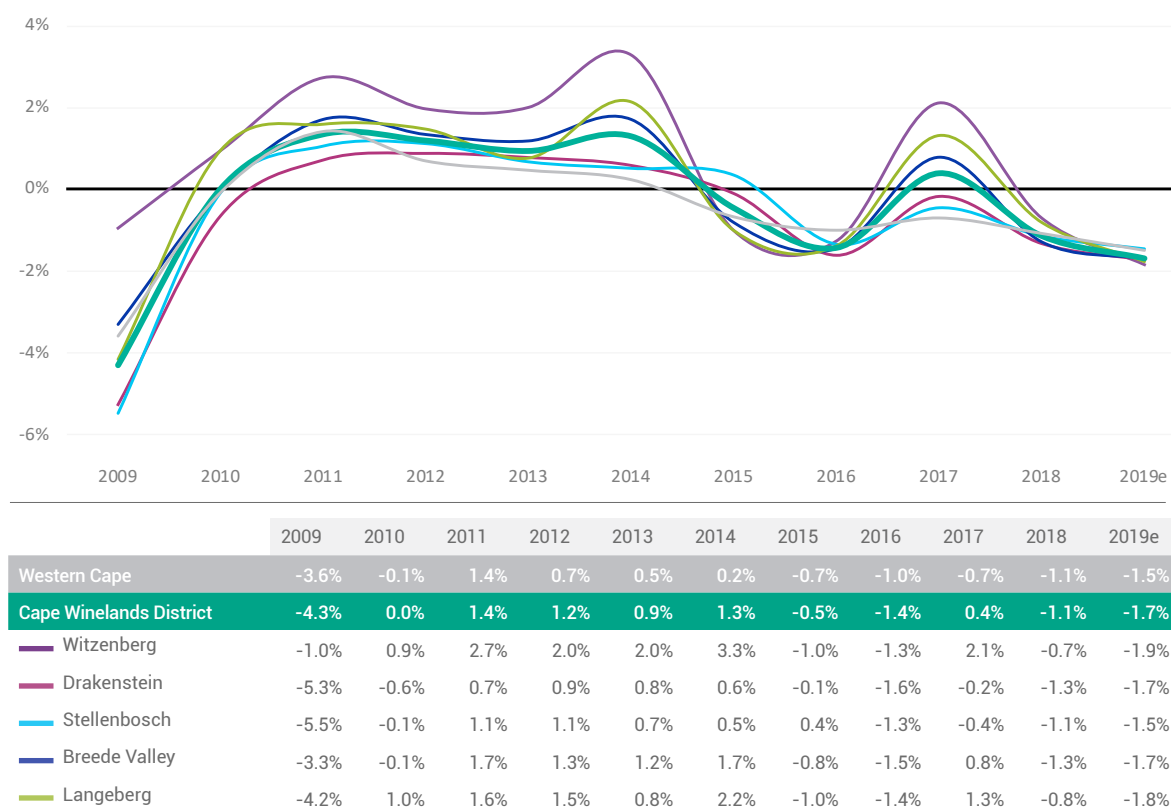
The Langeberg municipal area consists of more females (51.1 per cent) than males (48.9 per cent). The population is largely dominated by individuals between the ages of 35 and 64 years (33.8 per cent), followed by those between the ages of 15 and 34 years (31.0 per cent). The municipal area consists of a proportionally larger share of children younger than 15 years (29.0 per cent). The municipal area also consists of a proportionally larger share of people older than 65 years (6.2 per cent) compared with the CWD and the other municipal areas. This indicates that there is a higher dependency on the working-age population in the municipal areas, as there is a large proportion of younger and older people who are not within the working-age population and are potentially not economically active.

4.3 HUMAN DEVELOPMENT

4.3.1 Income

Figure 4.4 below illustrates the GDPR per capita growth in the CWD between 2009 and 2019.

Figure 4.4
GDPR PER CAPITA GROWTH, Cape Winelands District, 2009 – 2019



Source: Quantec Research, 2020 (e denotes estimate)

In 2009 the GDPR per capita of the CWD contracted by 4.3 per cent and is estimated to have contracted by 1.7 per cent in 2019. In 2009 the largest GDPR contraction occurred in the Stellenbosch (5.5 per cent) and Drakenstein (5.3 per cent) municipal areas. In 2010 the GDPR per capita in the CWD stagnated, while the municipal areas within the District contracted slightly. The Langeberg municipal area experienced the largest GDPR per capita growth (1.0 per cent) relative to the other municipal areas, which recorded growth rates of less than 1.0 per cent.

Between 2015 and 2018 the CWD GDPR per capita contracted significantly and most municipal areas experienced a contraction. In 2015 the Stellenbosch municipal area was the only municipal area that did not experience a contraction. Nonetheless, the municipal area's GDPR per capita growth was insignificant (0.4 per cent). In 2017, the Drakenstein and Stellenbosch municipal areas were the only areas that experienced a contraction – the GDPR per capita growth contracted by 0.2 per cent and 0.4 per cent respectively. On the other hand, the Witzenberg and Langeberg municipal areas grew by 2.1 per cent and 1.3 per cent respectively in 2017. In 2018, the CWD GDPR per capita growth contracted by 1.1 per cent and all the municipalities in the District experienced a contraction. The contraction continued in 2019. It is estimated that the CWD contracted by 1.7 per cent and all municipal areas experienced a contraction in the GDPR per capita growth. This overall decline in GDPR per capita indicates that economic growth is slower than the population growth, which leads to a decline in living standards.

Table 4.1 illustrates the average monthly household income of the CWD in 2018.

Table 4.1

**AVERAGE MONTHLY HOUSEHOLD INCOME (CURRENT PRICES),
Cape Winelands District, 2018**

MUNICIPALITY	Average household income 2018 (current prices)	Trend 2014 – 2018
Witzenberg	R17 316	1.0%
Drakenstein	R19 938	-0.3%
Stellenbosch	R19 738	-0.1%
Breede Valley	R15 487	-0.4%
Langeberg	R14 147	0.5%
Cape Winelands District	R17 770	-0.1%
Western Cape	R17 760	-0.5%

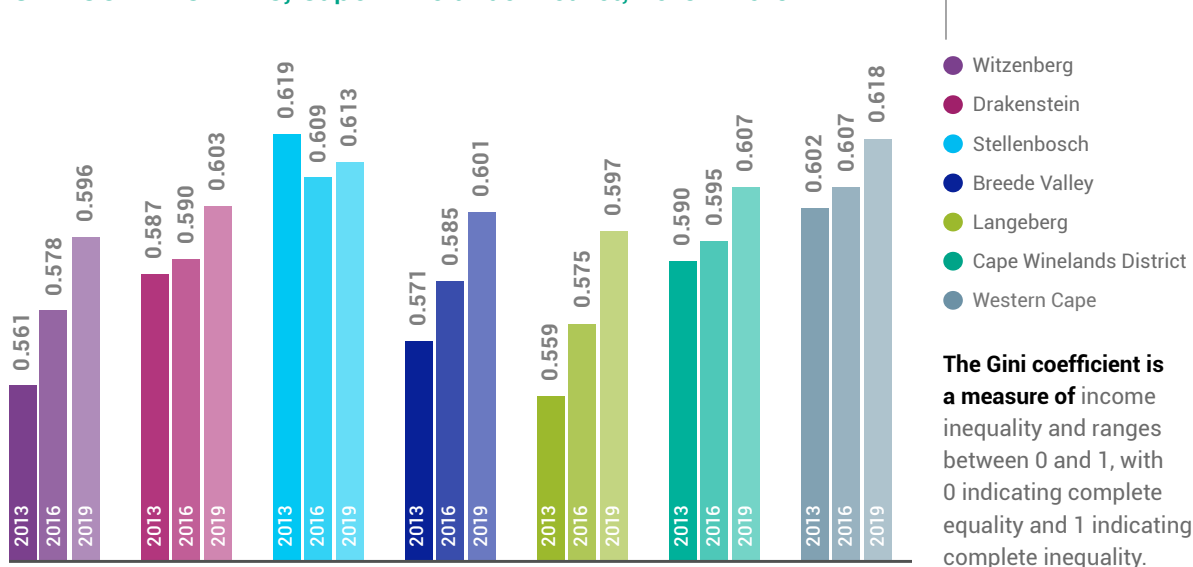
Source: Urban-Econ calculations based on Quantec Research, 2020

The average household income of the CWD in 2018 was R17 770.0, which is marginally higher than that of the Province. Between 2014 and 2018 the CWD average monthly household income contracted by 0.1 per cent, which was lower than the 0.5 per cent contraction experienced in the Western Cape within the same period. The Drakenstein and Stellenbosch municipal areas experienced a contraction in the average monthly household income between 2014 and 2018, despite having a higher average household income than the Western Cape, the CWD and other municipal areas in 2018. The Witzenberg municipal area had the highest growth in average household monthly income between 2014 and 2018 (1.0 per cent).

Figure 4.5 illustrates the Gini coefficient per municipal area in the CWD between 2013 and 2019.

Figure 4.5

GINI COEFFICIENTS, Cape Winelands District, 2013 – 2019



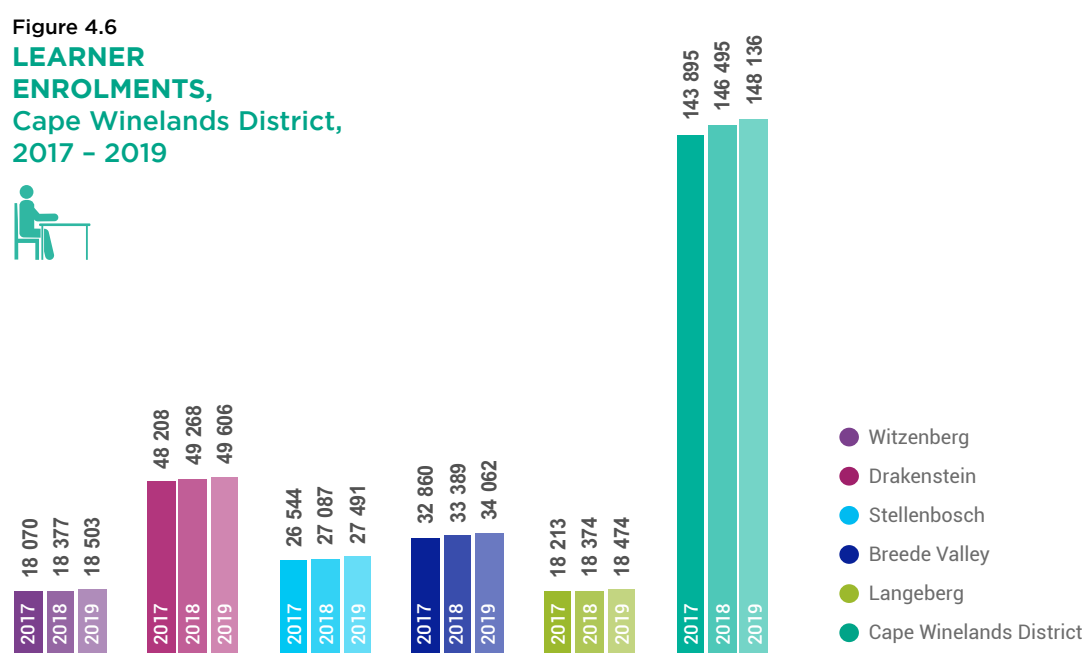
Source: IHS Markit, 2020

The income distribution of the CWD (0.607) in 2019 is slightly more equal compared with the Western Cape's income distribution (0.618) in the same year. However, income distribution leans more towards inequality in the Western Cape and in the CWD. The Stellenbosch municipal area had the highest Gini coefficient (0.613) in 2019 compared with the CWD and municipal areas within the CWD. Although the Gini coefficient in the Stellenbosch municipal area was high in 2019, the income inequality in the municipal area improved from 2013 (0.619). While the Gini coefficient of the Stellenbosch municipal area decreased in 2016, there was persistent growth of the Gini coefficient between 2013 and 2019 in all the other municipal areas. The persistent growth is indicative of how the municipal areas have become more unequal over the years and indicative of increasingly unequal distribution of income towards the higher-income individuals.

4.3.2 Education

This subsection discusses the extent of improvements in enrolment, the Grade 10 to 12 retention rate, matric pass rates and learner-teacher ratios.

Figure 4.6 depicts the learner enrolment figures in the CWD between 2017 and 2019.



Source: Western Cape Education Department, 2020

In 2017, 143 895 learners were enrolled in schools within the CWD and the learner enrolment figures increased to 146 495 in 2018 and to 148 136 in 2019. The enrolment figures increased consistently between 2017 and 2019 across the municipal areas. The increase in learner enrolments in the CWD will require increased resources, such as teachers and school facilities, as well as educational material such as books.

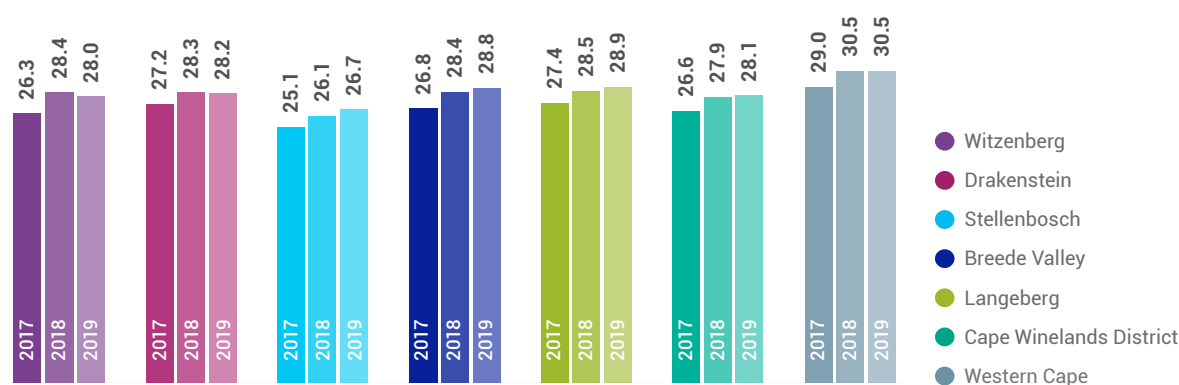
Within the three-year reference period most learners were enrolled in the Drakenstein and Breede Valley municipal areas. Learner enrolments in the Drakenstein municipal area increased significantly by 1 060 learners between 2017 and 2018. However, between 2018 and 2019 learner enrolments increased by only 338 learners.

The Stellenbosch municipal area had the third largest learner enrolment, with the number of learner enrolments increasing from 26 544 in 2017 to 27 491 in 2019. Despite the municipal area being one of the largest municipal areas in the CWD, learner enrolments have been relatively low compared with the Breede Valley municipal area.

In terms of the population size, the Langeberg and Witzenberg municipal areas are the smallest municipal areas in the CWD and this is reflected in the number of learner enrolments, as learner enrolments in both municipal areas increased slowly. The number of learner enrolments in the Langeberg municipal area increased by 161 learners between 2017 and 2018, and by 100 learners between 2018 and 2019. In the Witzenberg municipal area learner enrolment increased by 307 between 2017 and 2018 and increased by 126 between 2018 and 2019.

Figure 4.7 illustrates the learner-teacher ratio in the CWD between 2017 and 2019.

Figure 4.7
LEARNER-TEACHER RATIO,
Cape Winelands District, 2017 – 2019



Source: Western Cape Education Department, 2020

Learner-teacher ratios are indicative of the capacity of schools to accommodate more learners. Learner-teacher ratio upper limits of 40:1 in ordinary primary schools and 35:1 in ordinary high schools are set by the Department of Education³³. Lower learner-teacher ratios are associated with more interaction between teachers and learners, which could contribute to better quality education³⁴.

In 2017, the learner-teacher ratio in the CWD was 26.6 learners per teacher, which increased to 28.1 learners per teacher in 2019. The learner-teacher ratio in the CWD is lower than that of the Western Cape learner-teacher ratio. The learner-teacher ratio is similar across the municipal areas.

The Witzenberg municipal area recorded an increase in the learner-to-teacher ratio between 2017 (26.3 learners per teacher) and 2018 (28.4 learners per teacher). The learner-to-teacher ratio in 2019 was lower (28.0 learners per teacher) compared with 2018. Learner enrolments increased by 126 between 2018 and 2019, while the teacher-to-learner ratio decreased. This may indicate an increase in the number of teachers in the Witzenberg municipal area.

³³ (Sephton, S, 2017).

³⁴ (Southern and Eastern Africa Consortium for Monitoring Educational Quality, 2011).

An increase in the learner-to-teacher ratio was recorded in the Stellenbosch municipal area between 2017 and 2018, when there were 25.1 and 26.1 learners per teacher respectively. This indicates that the increase in learner enrolments in the Stellenbosch municipal area was not accompanied by an increase in teaching staff. The learner-to-teacher ratio further increased to 26.7 learners per teacher in 2019. The lack of sufficient teachers may affect teaching outcomes in the municipal area, as there is less teacher capacity to accommodate the increasing number of learners.

The Drakenstein municipal area recorded the largest increase in learner enrolments (1 060) between 2017 and 2018, and the learner-teacher ratio increased from 27.2 learners per teacher to 28.3 learners per teacher. In 2019, there were 28.2 learners per teacher, which was lower than the learner-teacher ratio in 2018, reflecting the slow increase in learner enrolment in the municipal area between 2018 and 2019 (338).

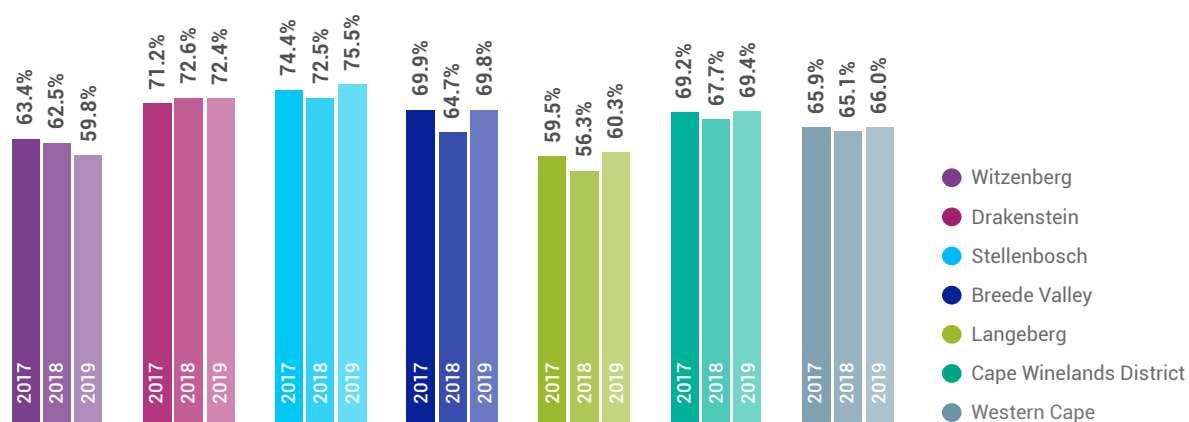
The Langeberg municipal area recorded the highest learner-teacher ratio in 2017 (27.4 learners per teacher) and 2018 (28.5 learners per teacher) compared with the other municipal areas. The learner-teacher ratio in the Langeberg municipal area increased to 28.9 learners per teacher in 2019 and indicates that the increase in the number of teachers was disproportionate to the increase in the number of learners. The Langeberg municipal area's learner-teacher ratio was higher than that of the CWD between 2017 and 2019.

The Breede Valley municipal area was the municipal area with the second largest learner enrolment between 2017 and 2019. The learner-teacher ratio increased from 26.8 learners per teacher in 2017 to 28.8 learners per teacher in 2019. This indicates that there is an insufficient number of teaching staff in the area to accommodate the increase in the number of learner enrolments. The learner-teacher ratio in the Breede Valley municipal area also increased faster than the learner-teacher ratio in the CWD between 2017 and 2019.

Figure 4.8 illustrates the Grade 10 to 12 retention rate in the CWD between 2017 and 2019.

Figure 4.8

GRADE 10 TO 12 RETENTION RATE, Cape Winelands District, 2017 - 2019



Source: Western Cape Education Department, 2020

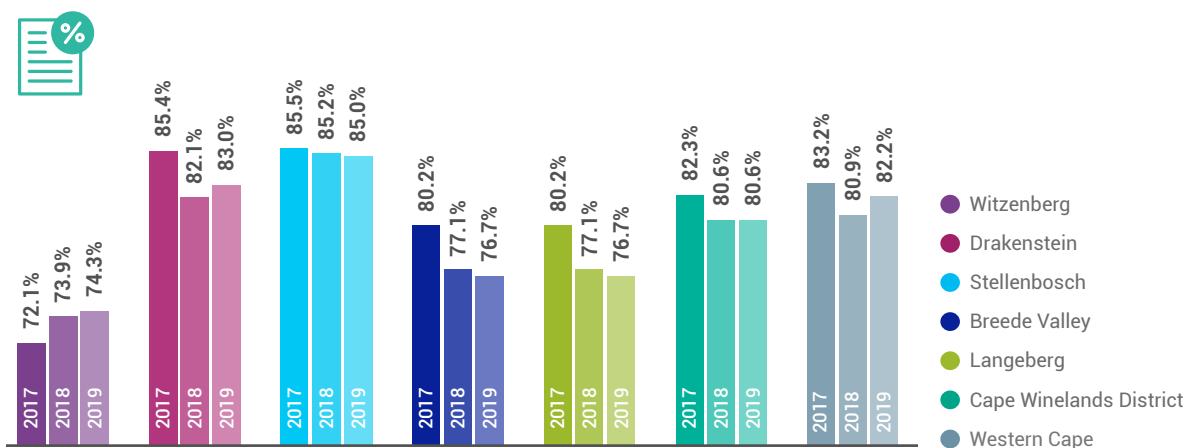
The Grade 10 to 12 retention rate is determined by obtaining the proportion of Grade 12 learners in a particular year compared with the number of Grade 10 learners two years prior. This shows the proportion of students who progressed to Grade 12, compared with those enrolled in Grade 10 two years before.

The Grade 10 to 12 retention rate in the CWD decreased from 69.2 per cent in 2017 to 67.7 per cent in 2018 and rose to 69.4 per cent in 2019. The Grade 10 to 12 retention rates of the CWD were higher than those of the Western Cape in the three-year period.

The Stellenbosch and Drakenstein municipal areas were the only municipal areas with a Grade 10 to 12 retention rate higher than 70.0 per cent in the CWD within the three-year period. The Stellenbosch municipal area recorded the highest Grade 10 to 12 retention rate in 2017 (74.4 per cent), but this declined to 72.5 per cent in 2018. The Grade 10 to 12 retention rate improved in 2019 (75.5 per cent). The Drakenstein municipal area recorded a Grade 10 to 12 retention rate of 71.2 per cent in 2017, which increased to 72.4 per cent in 2019, although it is slightly lower than the retention rate achieved in 2018 (72.6 per cent).

Between 2017 and 2019 the Grade 10 to 12 retention rate in the Witzenberg municipal area declined. The retention rate decreased from 63.4 per cent in 2017 to 62.5 per cent in 2018 and 59.8 per cent in 2019. The Langeberg municipal area achieved the lowest learner retention rate between 2017 (59.5 per cent) and 2018 (56.3 per cent). The learner retention rate improved to 60.3 per cent in 2019. The Breede Valley municipal area recorded the highest decline in the Grade 10 to 12 retention rate between 2017 (69.9 per cent) and 2018 (64.7 per cent) – declining by 5.2 per cent. The Grade 10 to 12 retention rate improved significantly between 2018 (64.7 per cent) and 2019 (69.8 per cent), increasing by 5.1 per cent. Figure 4.9 depicts the matric pass rate in the CWD between 2017 and 2019.

Figure 4.9
MATRIC PASS RATE,
Cape Winelands District, 2017 – 2019



Source: Western Cape Education Department, 2020

The average Grade 12 pass rate in the CWD over the three-year period was 81.2 per cent and the highest pass rate was achieved in 2017 (82.3 per cent). The pass rate remained constant between 2018 and 2019 (80.6 per cent). The average pass rate of the Western Cape was 82.1 per cent between 2017 and 2019. The average pass rate of the CWD was 0.9 percentage points lower than the average pass rate of the Western Cape over the three-year period.

The Stellenbosch municipal area achieved the highest matric pass rate compared with the other municipal areas within the CWD throughout the three-year period. However, the pass rate declined slightly from 85.5 per cent in 2017 to 85.0 per cent in 2019. The Drakenstein municipal area had the second largest Grade 12 pass rate in 2017 (85.4 per cent). However, the

Grade 12 pass rate declined by 3.3 percentage points between 2017 and 2018. This is consistent with the decline in the Grade 12 pass rate experienced by most municipal areas in the CWD. The Grade 12 pass rate increased marginally by 0.9 percentage points in 2019, from 82.1 per cent in 2018 to 83.0 per cent in 2019. The Stellenbosch and Drakenstein municipal areas had the highest Grade 10 to 12 retention rates between 2017 and 2019, which may have influenced the high Grade 12 pass rates in these municipal areas.

The Witzenberg municipal area achieved the lowest Grade 12 pass rate between 2017 and 2019 compared with the other municipal areas. However, the Witzenberg municipal area experienced a consistent increase in the matric pass rate, achieving 72.1 per cent in 2017, 73.9 per cent in 2018 and 74.3 per cent in 2019, unlike other municipal areas, which experienced a decline in the pass rate between 2017 and 2019.

The Breede Valley municipal area experienced a relatively significant decline in the Grade 12 pass rate between 2017 (80.2 per cent) and 2018 (77.1 per cent), declining by 3.1 percentage points. The Grade 12 pass rate of the municipal area further declined by 0.4 percentage points between 2018 and 2019, declining to 76.7 per cent. The pass rate in the Langeberg municipal area declined by 0.5 percentage points between 2017 and 2018, and by 0.2 percentage points between 2018 and 2019, to 78.8 per cent.



4.3.3 Health

The health conditions of people living within the CWD are analysed in this section by reviewing the prevalence of tuberculosis (TB), human immunodeficiency virus (HIV), infant mortality rates, maternal death rates and teenage pregnancies.

4.3.3.1 Mortality

Table 4.2 provides an overview of the top 10 natural causes of death in the CWD in 2017.

Table 4.2

TOP 10 NATURAL CAUSES OF DEATH, Cape Winelands District, 2017



Rank	Cape Winelands District		Western Cape	
	Cause of death	%	Cause of death	%
1	Chronic lower respiratory diseases	7.4%	Diabetes mellitus	7.5%
2	Diabetes mellitus	7.4%	Ischaemic heart disease	6.2%
3	Cerebrovascular disease	6.7%	HIV	5.7%
4	HIV	6.5%	Cerebrovascular disease	5.5%
5	Tuberculosis	6.5%	Chronic lower respiratory diseases	5.5%
6	Malignant neoplasms of digestive organs	5.1%	Tuberculosis	4.8%
7	Ischaemic heart disease	4.9%	Malignant neoplasms of digestive organs	4.7%
8	Malignant neoplasms of respiratory and intrathoracic diseases	4.5%	Malignant neoplasms of respiratory and intrathoracic organs	4.5%
9	Hypertensive diseases	3.1%	Hypertensive diseases	4.0%
10	Other forms of heart disease	2.6%	Other forms of heart disease	3.1%
Other natural		34.0%		35.7%
Non-natural		11.4%		12.9%

Source: Statistics SA, 2020

Chronic lower respiratory diseases as well as diabetes mellitus are the main natural causes of death in the CWD – both accounting for 7.4 per cent of deaths in 2017. Chronic lower respiratory diseases includes diseases such as bronchitis, emphysema and asthma. Cerebrovascular disease accounts for 6.7 per cent of deaths in the CWD, and includes diseases such as subarachnoid, intracerebral and intracranial haemorrhage and strokes. Proportionally more people die of HIV and TB in the CWD (6.5 per cent) compared with the Province (5.7 per cent and 4.8 per cent respectively). Marginally fewer people die of non-natural causes (11.4 per cent) in the CWD compared with the Province (12.9 per cent).

4.3.3.2 HIV/AIDS and TB

Table 4.3 provides an overview of the trends in HIV testing, treatment and outcomes in the CWD between 2016/17 and 2019/20.

Table 4.3

TRENDS IN HIV TESTING, TREATMENT AND OUTCOMES, Cape Winelands District, 2016/17 – 2019/20



	2016/17	2017/18	2018/19	2019/20
Known HIV+ (Tested; n)	46 452	48 715	49 363	46 804
Of which: Clients started but no longer on ART	33.6%	40.9%	48.5%	46.4%
Of which: Clients on ART	51.9%	56.1%	58.5%	38.3%
Of which: Clients with confirmed viral suppression	76.7%	76.7%	74.5%	69.2%

Source: Western Cape Health Department, 2020

The number of people who tested positive for HIV increased from 46 452 in 2016/17 to 49 363 in 2018/19, but decreased significantly to 46 804 in 2019/20. The proportion of people who were receiving antiretroviral treatment (ART) increased from 51.9 per cent in 2016/17 to 58.5 per cent in 2018/19, but declined significantly to 38.3 per cent in 2019/20. People with confirmed viral suppression decreased consistently from 76.7 per cent in 2016/17 to 69.2 per cent in 2019/20. Given that HIV is one of the leading causes of death in the District, the decline in clients who are on ART as well as those with viral suppression emphasises the need for additional intervention in HIV testing and treatment in the CWD.

Table 4.4 shows the trends in TB notification and outcomes in the CWD between 2017/18 and 2019/20.

Table 4.4

TRENDS IN TB NOTIFICATION AND OUTCOMES, Cape Winelands District, 2017/18 – 2019/20



	2017/18	2018/19	2019/20
TB programme success rate	79.2%	77.9%	76.3%
TB clients lost to follow-up	13.4%	13.3%	14.6%
TB clients death rate	3.5%	3.9%	3.9%
TB/HIV co-infected	29.8%	30.5%	31.0%
TB MDR treatment success rate	58.8%	54.5%	64.0%

Source: Western Cape Health Department, 2020

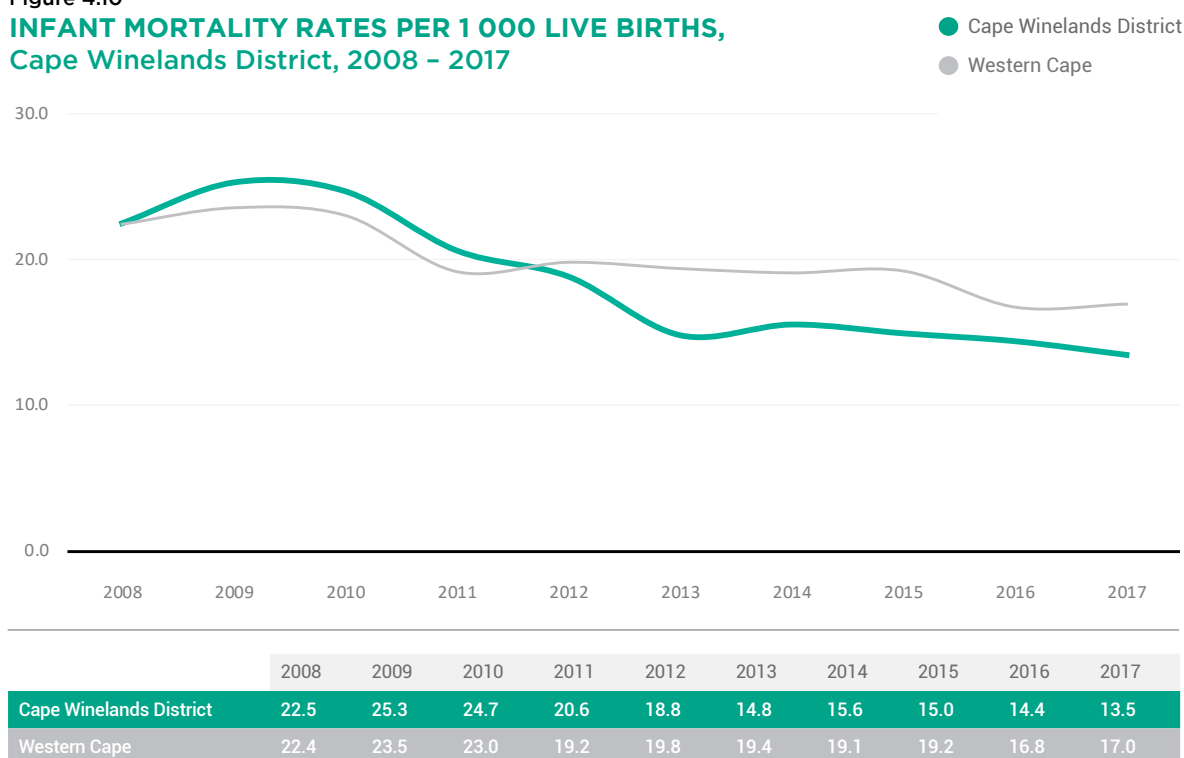
The TB programme success rate has been gradually declining in the CWD – from 79.2 per cent in 2017/18 to 76.3 per cent in 2019/20. The clients lost to follow-up have also increased between 2018/19 (13.3 per cent) and 2019/20 (14.6 per cent). Despite this, the TB client death rate has remained constant between 2018/19 and 2019/20. The TB client death rate in the CWD in 2019/20 is similar to that of the Province (3.8 per cent). Positively, the multidrug-resistant (MDR) treatment success rate has improved to 64.0 per cent in 2019/20 after declining between 2017/18 and 2018/19. TB is the fifth leading cause of death in the CWD, with 6.5 per cent of deaths in 2017 caused by the disease. Continuous improvement in the treatment of TB in the CWD is therefore needed.

4.3.3.3 Infant, child and maternal health

Figure 4.10 depicts the infant mortality rates per 1 000 live births in the Western Cape and the CWD between 2008 and 2017.

Figure 4.10

INFANT MORTALITY RATES PER 1 000 LIVE BIRTHS, Cape Winelands District, 2008 – 2017



Source: Western Cape Health Department, 2020

The CWD experienced higher infant mortality rates than the Western Cape from 2008 to 2011. However, from 2012 the CWD experienced significantly lower infant mortality rates than the Western Cape. The infant mortality rate has been on a declining trend in the CWD as well as the Western Cape. In 2008, the CWD recorded an infant mortality rate of 22.5 deaths per 1 000 live births. This has declined to 13.5 deaths per 1 000 in 2017, while the Province recorded 17.0 infant deaths per 1 000 live births.

Table 4.5 provides the maternal death rates³⁵ per 100 000 births in the CWD between 2017 and 2019.

Table 4.5

MATERNAL DEATH RATES PER 100 000 LIVE BIRTHS, Cape Winelands District, 2017 – 2019

MUNICIPALITY	2017	2018	2019
Witzenberg	0	72.7	0
Drakenstein	56.0	68.5	50.4
Stellenbosch	0	66.5	0
Breede Valley	63.6	207.1	84.2
Langeberg	143.9	0	0
Cape Winelands District	54.1	95.5	42.7

Source: Western Cape Health Department, 2020

³⁵ 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).

In 2017, the Langeberg municipal area had the highest maternal death rate (143.9 deaths per 100 000 live births), followed by the Breede Valley municipal area (63.6 deaths per 100 000 live births). The Langeberg municipal area did not have any maternal deaths in 2018 and 2019, but the Breede Valley municipal area experienced an increase in the maternal rates in 2018 (207.1 deaths per 100 000 live births) before declining to 84.2 deaths per 100 000 live births in 2019.

The maternal death rate in the Drakenstein municipal area increased from 56.0 deaths per 100 000 live births in 2017 to 68.5 deaths per 100 000 live births in 2018, before declining to 50.4 deaths per 100 000 live births in 2019. The Stellenbosch and Witzenberg municipal areas only experienced maternal deaths in 2018.

4.3.3.4 Teenage pregnancy

Table 4.6 provides the delivery rate to women aged 10 to 19 years between 2017 and 2019.

Table 4.6

DELIVERY RATE TO WOMEN 10-19 YEARS, Cape Winelands District, 2017 – 2019

MUNICIPALITY	2017	2018	2019
● Witzenberg	18.8%	20.9%	18.8%
● Drakenstein	7.7%	10.2%	14.4%
● Stellenbosch	15.2%	13.6%	13.5%
● Breede Valley	16.8%	15.8%	14.5%
● Langeberg	19.6%	20.6%	17.2%
Cape Winelands District	13.4%	14.2%	15.1%

Source: Western Cape Health Department, 2020

Between 2017 and 2019, the average delivery rate to teenagers in the CWD increased from 13.4 per cent in 2017 to 15.1 per cent in 2019. The Langeberg municipal area's delivery rate of adolescent girls was higher than that of the CWD and the other municipal areas in 2017.

The Langeberg municipal area's delivery rate to teenagers was the highest in the District (19.6 per cent) in 2017, which increased to 20.6 per cent in 2018 before declining to 17.2 per cent in 2019. This is, however, still higher than the District. The Witzenberg municipal area had the second highest delivery rate to teenagers in 2017 (18.8 per cent), which increased to 20.9 per cent in 2018 before declining again in 2019. The delivery rate to teenagers in the Witzenberg municipal area also remained higher than the CWD in 2018.

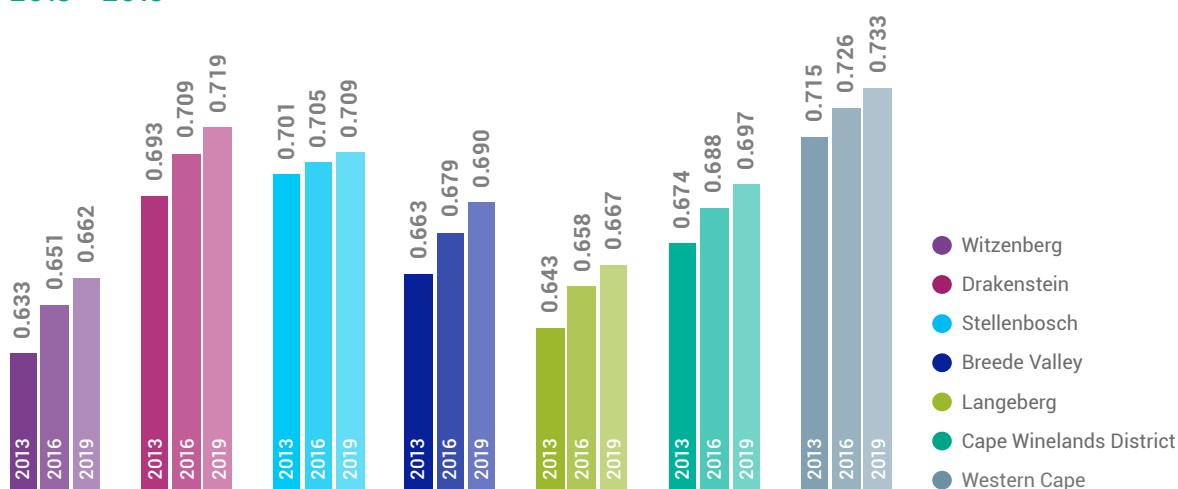
The Drakenstein and Stellenbosch municipal areas, which have the two largest economies in the CWD, had the lowest delivery rates to teenagers over the reference period. However, the delivery rate has been increasing in the Drakenstein municipal area – from 7.7 per cent in 2017 to 14.4 per cent in 2019. The Stellenbosch and Breede Valley municipal areas have recorded a consistent decline in delivery rates to teenagers over the reference period.

4.3.4 Human Development Index

The United Nations uses the HDI – a composite indicator reflecting education levels, health and income – to assess the relative level of socio-economic development in countries. Economic 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 4.11 illustrates the HDI per municipal area in the CWD between 2013 and 2019.

Figure 4.11
HDI PER MUNICIPAL AREA,
Cape Winelands District,
2013 – 2019



Source: Western Cape Education Department, 2020

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.

The HDI of the CWD (0.697) was lower than that of the Western Cape (0.733) in 2019. The Drakenstein (0.719) and Stellenbosch (0.709) municipal areas have a higher HDI compared with the CWD. The Drakenstein and Stellenbosch municipal areas are two of the largest municipal areas in the CWD, as they have a large economic value and more economic activities compared with the other municipal areas. Overall, the HDI increased consistently over the years and this is indicative of the increasing level of human development in the municipal areas.



4.4 HOUSING AND ACCESS TO BASIC SERVICES

Access to decent formal housing is regarded as a basic human right and is an important indicator of the level of human development within an economy. Table 4.7 shows the different types of dwellings of households living in the CWD in 2019.



Table 4.7

NUMBER AND PROPORTION OF DWELLINGS, Cape Winelands District, 2019

	Cape Winelands District		● Witzenberg		● Drakenstein	
	Number	% of total	Number	% of total	Number	% of total
House or brick structure on a separate stand or yard	156 262	67.9%	24 730	77.3%	46 471	69.6%
Traditional dwelling/hut/structure made of traditional materials	1 412	0.6%	253	0.8%	369	0.6%
Flat in a block of flats	12 420	5.4%	375	1.2%	4 245	6.4%
Townhouse/cluster house/semi-detached house (simplex, duplex or triplex)	13 836	6.0%	1 811	5.7%	3 910	5.9%
House/flat/room in back yard	2 758	1.2%	200	0.6%	970	1.5%
Informal dwelling	39 046	17.0%	3 979	12.4%	9 539	14.3%
Room/flatlet not in back yard but on a shared property	1 467	0.6%	196	0.6%	596	0.9%
Other/unspecified/NA	2 817	1.2%	462	1.4%	663	1.0%
Total	230 017	100.0%	32 005	100.0%	66 762	100.0%

	● Stellenbosch		● Breede Valley		● Langeberg	
	Number	% of total	Number	% of total	Number	% of total
House or brick structure on a separate stand or yard	27 946	56.6%	31 228	60.8%	25 887	84.8%
Traditional dwelling/hut/structure made of traditional materials	305	0.6%	357	0.7%	127	0.4%
Flat in a block of flats	4 466	9.1%	2 949	5.7%	385	1.3%
Townhouse/cluster house/semi-detached house (simplex, duplex or triplex)	2 983	6.0%	4 149	8.1%	983	3.2%
House/flat/room in back yard	502	1.0%	808	1.6%	278	0.9%
Informal dwelling	12 106	24.5%	10 872	21.2%	2 549	8.3%
Room/flatlet not in back yard but on a shared property	316	0.6%	290	0.6%	69	0.2%
Other/unspecified/NA	707	1.4%	721	1.4%	264	0.9%
Total	49 332	100.0%	51 374	100.0%	30 543	100.0%

Source: Quantec Research, 2020

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

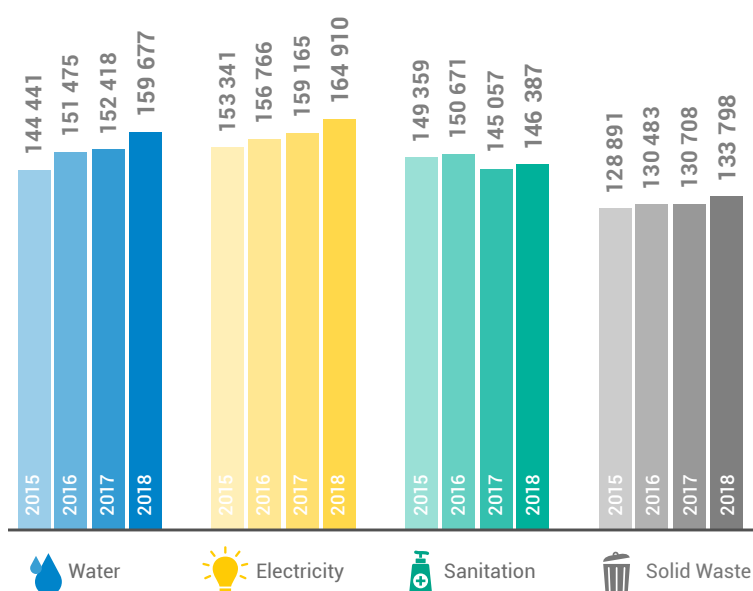
Informal dwelling is a makeshift structure not erected according to approved architectural plans, for example, shacks or shanties in informal settlements or in back yards.

In 2019, most households in the CWD resided in house or brick structures on a separate stand or yard (67.9 per cent). In comparison to the other municipal areas, the Stellenbosch municipal area had the smallest percentage of households dwelling in houses or brick structures on a separate stand or yard (56.6 per cent). However, the Stellenbosch municipal area had the largest share of households dwelling in informal dwellings or shacks (24.5 per cent) compared with the other municipal areas in 2019, followed by the Breede Valley municipal area (21.2 per cent).

Figure 4.12 illustrates the access to services in the CWD between 2015 and 2018. Statistics SA will only release 2019 data in 2021. The national lockdown as a result of COVID-19 hampered the data collection process for this indicator.

Figure 4.12

ACCESS TO BASIC SERVICES, Cape Winelands District, 2015 – 2018



The provision of water and electricity services increased considerably between 2015 and 2018, with 15 236 more consumers gaining access to water services, and 11 569 more consumers had access to electricity services compared with 2015. Access to solid waste services increased slightly by 4 907 consumers. However, access to sanitation services declined, with 2 972 fewer consumers having access to sanitation services compared with 2015.

Source: Non-financial Census of Municipalities, Statistics SA, Quantec Research, 2019



INDIGENT HOUSEHOLDS

In 2018, the monthly income cut-off point for households to be classified as indigent households was R3 380 for most municipalities, except Witzenberg, which had a cut-off point of R1 601. Table 4.8 indicates the number of indigent households per municipal area of the CWD.

Table 4.8

NUMBER OF INDIGENT HOUSEHOLDS, Cape Winelands District, 2017 – 2019

	2017		2018		2019	
	Number	% of households	Number	% of households	Number	% of households
Witzenberg	4 510	10.6%	4 591	10.4%	6 742	14.8%
Drakenstein	18 373	27.5%	19 030	27.9%	19 805	28.4%
Stellenbosch	5 686	11.6%	6 453	12.9%	6 813	13.3%
Breede Valley	10 154	21.9%	9 009	19.1%	8 596	17.9%
Langeberg	7 848	27.6%	7 556	26.1%	6 665	22.5%
Cape Winelands District	46 571	20.0%	46 639	19.6%	48 621	19.9%

Source: Department of Local Government, 2020

The Witzenberg, Drakenstein and Stellenbosch municipal areas recorded an increase in the number of indigent households between 2017 and 2019. Conversely the Breede Valley and Langeberg municipal areas recorded a decline in the number of indigent households during the same period.

The Drakenstein and Langeberg municipal areas had the most indigent households as a proportion of total households, 28.4 per cent and 22.5 per cent respectively. The Stellenbosch municipal area had the least number of indigent households as a proportion of total households in 2019 (13.3 per cent), possibly owing to the lower income cut-off point when compared with the other municipal areas in the CWD.

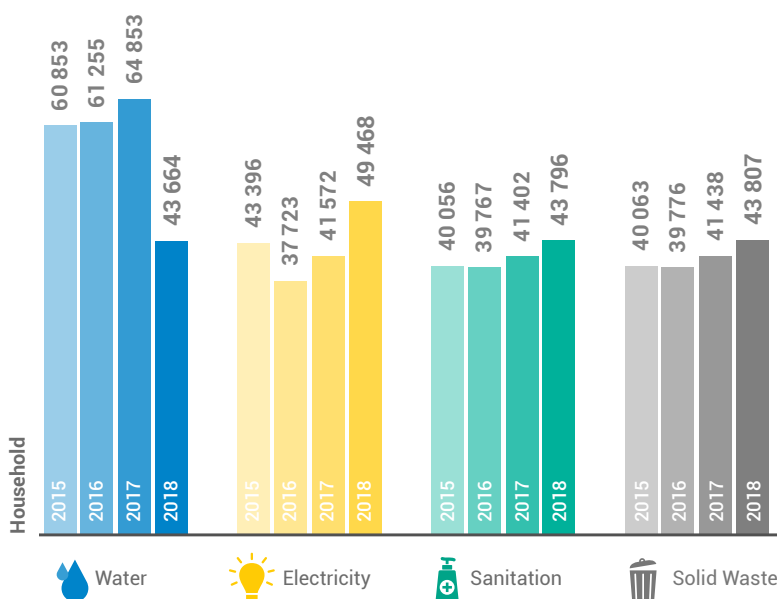
The large number of indigent households, particularly in municipal areas such as Drakenstein, Langeberg and Breede Valley, are a constraining factor in the revenue-earning abilities of the local municipalities. The worsening economic conditions as a result of COVID-19 in 2020 will probably increase the number of indigent households. This will reduce the revenue of the municipalities, while resulting in additional expenditure, as the demand for free basic services will increase.



Figure 4.13 illustrates the access to free basic services in the CWD.

Figure 4.13

ACCESS TO FREE BASIC SERVICES, Cape Winelands District, 2015 – 2018



Source: Non-financial Census of Municipalities, Stats SA; Quantec Research 2019

Indigent households qualify for free basic water, electricity, sanitation and waste removal services. In 2018, the CWD had a total of 50 265 indigent households – 7 973 households more than in 2017. Barring the Langeberg municipal area, which had a decline of 292 indigent households, all the municipal areas in the CWD experienced an increase in the number of indigent households in 2018. The Stellenbosch

municipal area had the largest increase (5 984 households), followed by the Breede Valley municipal area (1 145 households)³⁶.

In line with the increase in indigent households, access to free basic electricity, sewerage and solid waste services increased between 2017 and 2018. The largest increase was recorded for electricity, with 7 896 additional households having access in 2018. There was, however, a significant decline in access to water, with 21 189 fewer households having access to free basic water services compared with 2017.



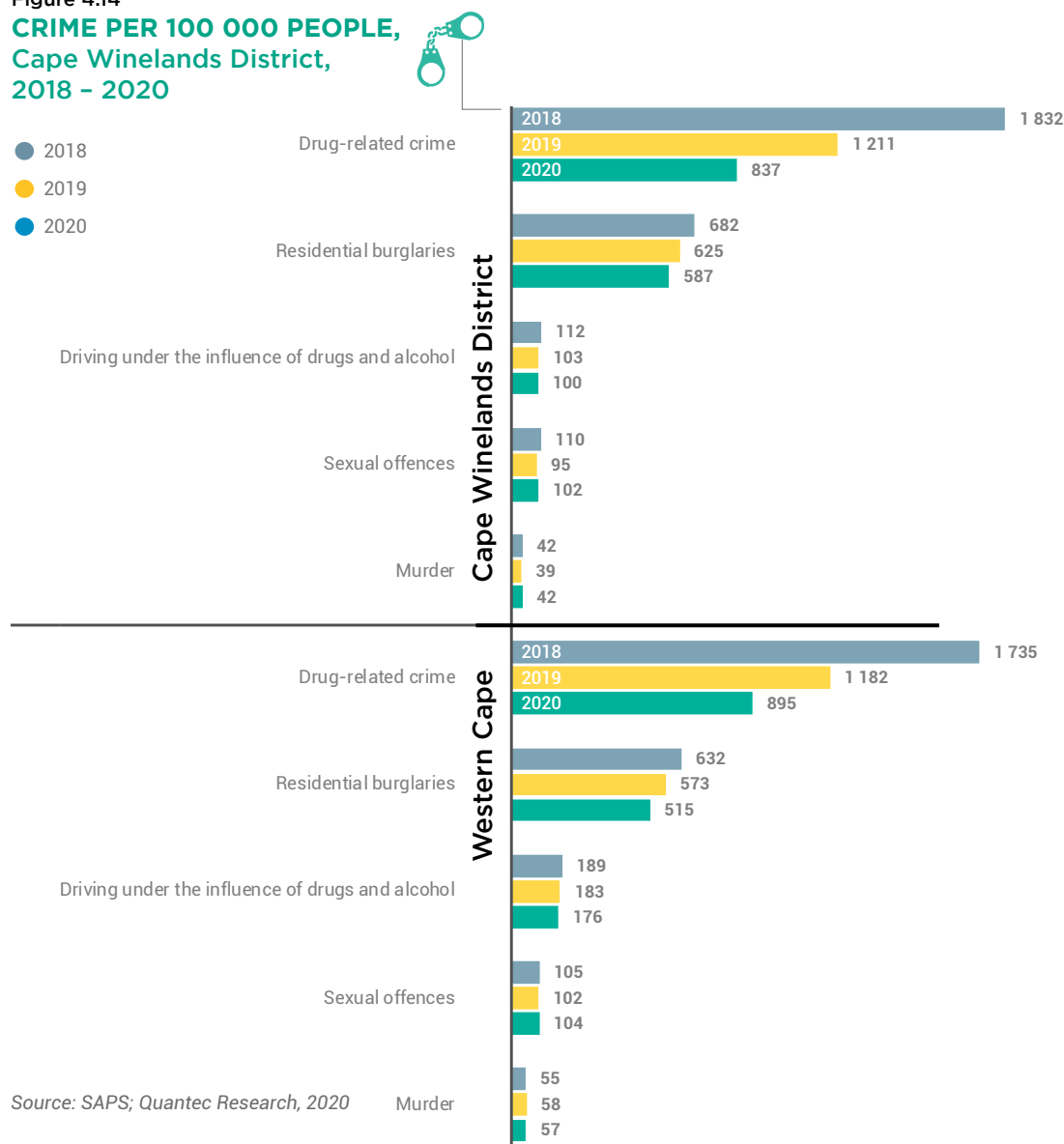
³⁶ (Statistics SA, 2019).

4.5 CRIME

An analysis of a region's crime trends is important to determine the potential occurrence and types of criminal activities that are prevalent in the region. Figure 4.14 compares the types of criminal activities in the CWD and the Western Cape between 2018 and 2020.

Figure 4.14

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



The crime statistics in the CWD followed the same pattern as the crime statistics in the Western Cape. Drug-related crimes were more prevalent in the CWD over the reference period compared with the Western Cape. In 2018, there were 1 832 incidences of drug-related crimes per 100 000 people. However, this decreased significantly in 2018 (1 211 incidences per 100 000 people), probably because of the legalisation of marijuana, and decreased further in 2019 (837 incidences per 100 000 people).

Residential burglaries were the second most prevalent crimes in the CWD in the crime categories being analysed. In 2018, there were 682 incidences per 100 000. In 2019, residential burglary incidences declined to 625 incidences per 100 000 people and declined further in

2020 (587 incidences per 100 000 people). Residential burglaries per 100 000 people in the CWD were higher compared with the Western Cape in all three years under review.

There was a steady decline in incidences of driving under the influence of drugs and alcohol. These crime incidences decreased from 112 incidences per 100 000 people in 2018 to 100 per 100 000 people in 2020. Incidences of sexual offences declined from 110 per 100 000 people in 2018 to 95 per 100 000 people in 2019, but increased again in 2020 (102 incidences per 100 000 people). This was also the case in the Western Cape, where incidences of sexual offences decreased from 105 per 100 000 people in 2018 to 102 per 100 000 people in 2019, but increased to 104 incidences per 100 000 people in 2020.

Murder incidences in the CWD declined between 2018 (42 incidences per 100 000 people) and 2019 (39 incidences per 100 000 people), but increased again in 2020 (42 incidences per 100 000 people). However, there are fewer murders per 100 000 people in the CWD compared with the Province.



4.6 CONCLUDING REMARKS

The CWD had a population of 943 386 in 2020, making it the second largest district after the Cape Metro area. The population is estimated to reach 1.0 million in 2024, increasing by an average annual growth rate of 1.7 per cent between 2020 and 2024. The Drakenstein municipal area has the largest share of the population of the CWD (30.8 per cent) and the population is anticipated to increase by an average annual growth rate of 1.5 per cent between 2020 and 2024. It is estimated that the CWD consisted of 244 011 households in 2019 and this is estimated to increase by an average annual growth rate of 2.1 per cent between 2020 and 2024. The CWD consists of more females (50.7 per cent) than males (49.3 per cent). In terms of the age profile of the population in the CWD, the CWD consists of a large share of individuals between the ages of 15 and 34 years (35.6 per cent), followed by individuals between the ages of 35 and 64 years (33.4 per cent).

The GDPR per capita of the CWD contracted by 4.3 per cent in 2009 and this is attributed to the global economic crisis. The largest contraction in the GDPR per capita in 2009 was experienced by the Stellenbosch (5.5 per cent) and Drakenstein (5.3 per cent) municipal areas. It is estimated that the GDPR in all the municipal areas in the CWD contracted in 2019. The average household income in the CWD was R17 770, which was higher than that of the Western Cape (R17 760.0). The Drakenstein municipal area had the highest average household income in 2018 (R19 938.0), which was higher than that of the CWD and the Western Cape. However, the average household income in the Drakenstein municipal area declined by 0.3 per cent between 2014 and 2018, which was higher than the decline experienced by the CWD (0.1 per cent). The Witzenberg municipal area experienced the highest growth in average monthly household income between 2014 and 2018 (1.0 per cent). The Stellenbosch municipal area recorded the highest Gini coefficient (0.619) compared with the other municipal areas in the CWD.

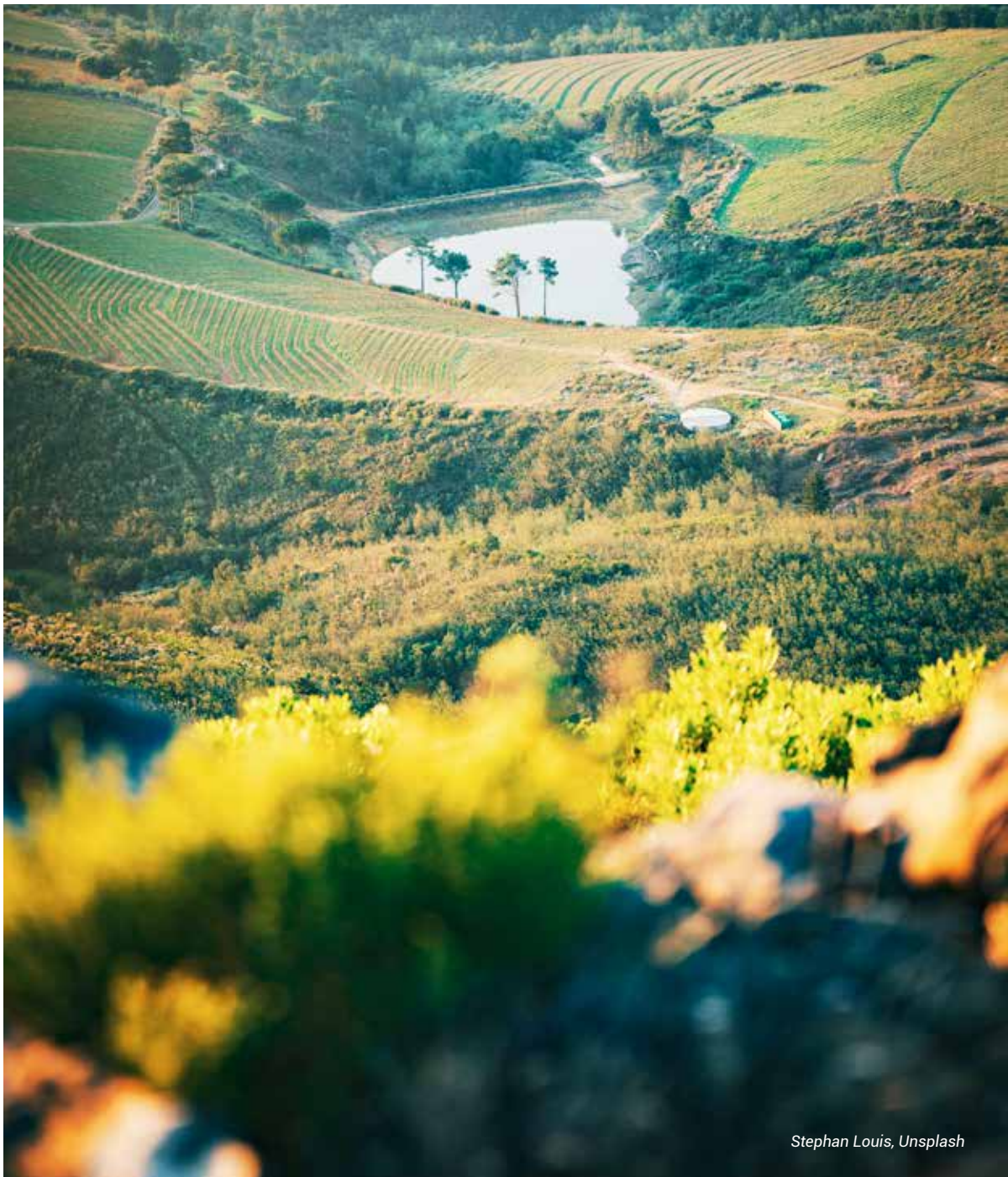
In terms of education, there was a consistent increase in the number of learner enrolments in schools in the CWD between 2017 and 2019. The Drakenstein municipal area had the largest learner enrolments between 2017 and 2019. The learner-to-teacher ratio in the CWD increased consistently, from 26.6 per cent in 2017 to 28.1 per cent in 2019. The Grade 10 to 12 retention rate of the CWD increased marginally from 69.2 per cent in 2017 to 69.4 per cent in 2019, which was higher than that of the Western Cape between 2017 and 2019. The average pass rate of the CWD was 0.9 per cent lower than that of the Western Cape over the same period. The Grade 12 pass rate of the CWD declined from 82.3 per cent in 2017 to 80.6 per cent in 2019. The Stellenbosch municipal area achieved the highest Grade 12 pass rate of all the municipal areas between 2017 and 2019.

Improvements in health outcomes include a decline in infant mortality rates and maternal death rates and an increase in the success rate of the TB MDR treatment programme. However, the delivery rate to teenagers marginally increased between 2018 and 2019. HIV outcomes also deteriorated between 2018/19 and 2019/20, with a decline in the proportions of clients on ART as well as those with confirmed viral suppression.

In terms of HDI, the CWD has a lower quality of life than the Western Cape. The CWD recorded an HDI of 0.697 in 2019, while the HDI of the Western Cape was 0.733 in the same period. A large

proportion of households in the CWD reside in houses or brick structures on a separate stand or yard (67.9 per cent). The Stellenbosch municipal area has the largest share of households living in informal dwellings or shacks (24.5 per cent), followed by the Breede Valley municipal area (21.2 per cent).

Between 2019 and 2020, the CWD recorded a decline in incidences per 100 000 of residential burglaries, drug-related crime and driving under the influence of drugs and alcohol. However, the number of murders and sexual offences per 100 000 increased between 2019 and 2020.



Stephan Louis, Unsplash



CAPE WINELANDS
DISTRICT

GROWTH POTENTIAL STUDY 2018



The study indicates that the **CWD has the highest growth potential in all five Districts** in the Province. The CWD has experienced a consistent increase in its overall growth potential due to an increase in the performance of indicators in all the municipal areas within the CWD.

- **POSITIVE**
Z-score
performance
- **NEGATIVE**
Z-score
performance

PRECONDITIONS FOR GROWTH

①



ECONOMIC

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



PHYSICAL ENVIRONMENT

- Availability and quality of water
- Natural potential



INFRASTRUCTURE

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



INSTITUTIONAL

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



HUMAN CAPITAL

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

The Growth Potential Study 2018 (GPS18) is a 5-year information update of the GPS13. The study determines the municipal growth potential relative to other municipalities in the province by reviewing thematic indices for **growth preconditions** (economic, physical-natural and infrastructure indices) and **innovation potential** (institutional and human capital indices).

The economic, physical as well as human capital indices declined in the CWD in the GPS18 compared to GPS13, while gains were made in the infrastructure and institutional indices.

CHALLENGES identified by the study in the CWD include:

- Water security in the Breede Valley municipal requires a close watch;
- The state and capacity of wastewater treatments works in the Langeberg and Witzenberg municipal areas;
- Observed regression in crime related issues in the Witzenberg municipal area; and
- Observed slowing down in medium-term economic growth in the Drakenstein municipal area.

GROWTH OPPORTUNITIES identified by the study include:

- Growth in the economically active population in the Breede Valley municipal area can be exploited;
- Surplus water supply is an opportunity in the Drakenstein municipal area, and annual precipitation levels in the Stellenbosch municipal area presents an opportunity to be exploited;
- Amenities and social service organisation provision in the Breede Valley and Drakenstein municipal areas can be considered as strengths;
- There is potential for growth in revenue and expenditure in the Drakenstein and Stellenbosch municipal areas;
- Opportunity in the state and capacity of wastewater treatment works in the Breede Valley municipal area;
- Opportunities present in the Stellenbosch and Drakenstein municipal areas due to residents' access to ICT;
- Declining unemployment levels and an increasing economically active population as well as highly skilled labour in the Witzenberg municipal area presents an opportunity; and
- Opportunity for future economic potential in the Witzenberg and Langeberg municipal area, resulting from observed medium-term economic growth.

The Stellenbosch and Drakenstein municipal areas were classified “very high” in terms of their development potential while the Breede Valley, Langeberg and Witzenberg municipal areas were classified as having “medium” development potential. The Stellenbosch and Drakenstein municipal areas were ranked first and second respectively compared to other municipal areas in the province in terms of their development potential. The Witzenberg municipal area experienced gains in its growth potential as it improved from “very low” to “medium”, experiencing the highest real increase across the province and made gains in its institutional theme. The Breede Valley as well as the Drakenstein municipal areas also experienced an improvement in the institutional theme, while the Langeberg municipal area observed gains in the human capital and institutional themes. In the institutional theme, while the Langeberg municipal area observed gains in the human capital and institutional themes.

**Source: DEA&DP, 2020*

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 each other. This type of scoring is useful to identify outliers and indicate areas for improvement or praise.



OVERBERG DISTRICT

12 241 KM²



OVERBERG DISTRICT

**THEEWATERSKLOOF, OVERSTRAND,
CAPE AGULHAS, SWELLENDAM**

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- GDPR performance per municipal area
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- GDPR performance per sector forecast (outlook)
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- Population profile
- Income
- Education
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- Human Development Index
- Housing and access to basic services
- Crime



OD OVERBERG DISTRICT

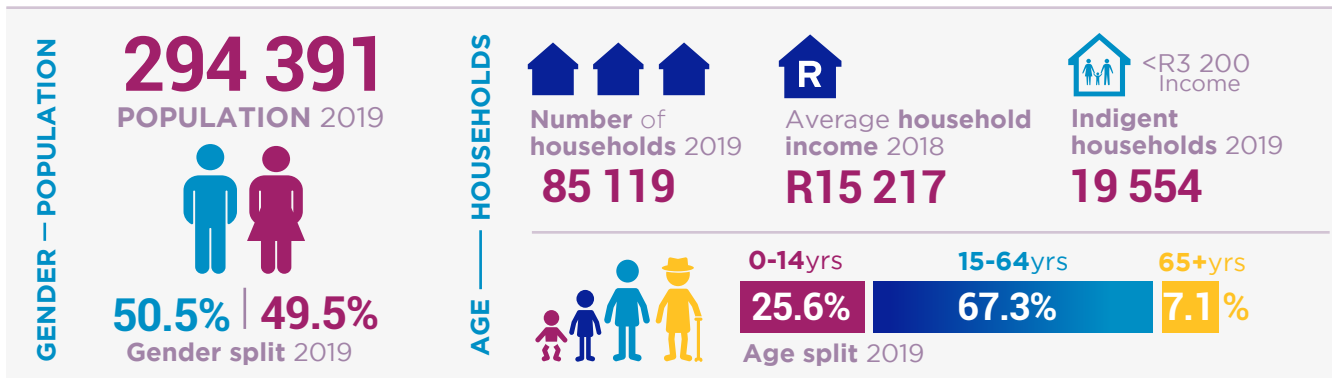
SEAT
Bredasdorp

AREA
12 239 KM²

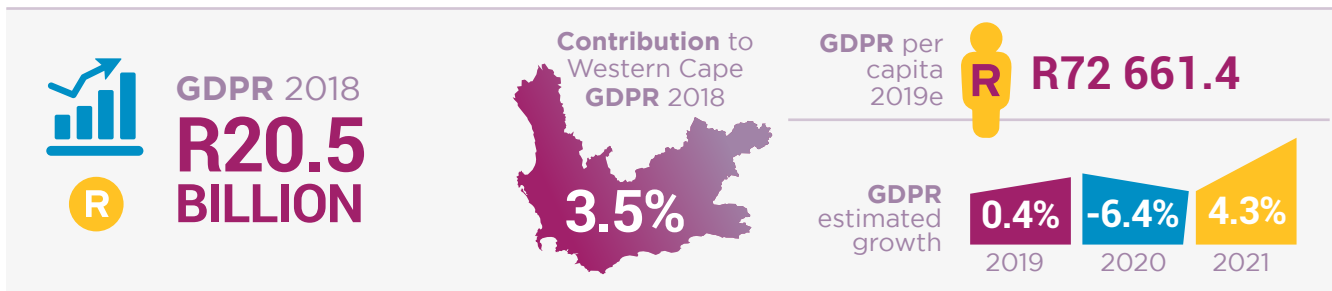
DENSITY
21 / KM²

MUNICIPALITIES | THEEWATERSKLOOF, OVERSTRAND, CAPE AGULHAS, SWELLENDAM

DEMOGRAPHICS



GROSS DOMESTIC PRODUCT



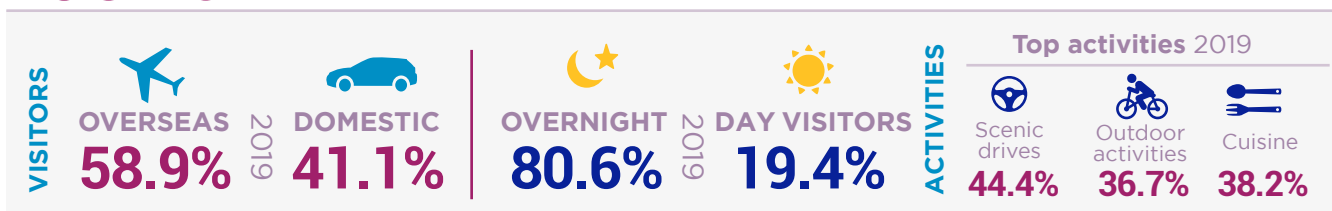
EMPLOYMENT



TRADE



TOURISM





2018 GDPR AND EMPLOYMENT CONTRIBUTION

2019 ESTIMATED GDPR AND EMPLOYMENT GROWTH

		GDPR CONTRIBUTION		EMPLOYMENT CONTRIBUTION		GDPR GROWTH		EMPLOYMENT GROWTH	
PRIMARY SECTOR	AGRICULTURE, FORESTRY & FISHING	10.0%	9.9%	20.9%	20.9%	-9.0% ↓	-9.1%	-1.2% ↓	-1.2%
	MINING & QUARRYING		0.1%		0.0%		-3.2%		-6.9%
SECONDARY SECTOR	MANUFACTURING	23.6%	13.9%	14.8%	7.8%	-0.3% ↓	1.2%	-3.8% ↓	0.3%
	ELECTRICITY, GAS & WATER		2.5%		0.3%		-2.3%		-1.1%
	CONSTRUCTION		7.2%		6.8%		-3.2%		-8.6%
TERTIARY SECTOR	WHOLESALE & RETAIL TRADE, CATERING & ACCOMMODATION	66.4%	19.7%	64.2%	23.0%	2.1% ↑	0.8%	1.2% ↑	2.3%
	TRANSPORT, STORAGE & COMMUNICATION		11.0%		4.0%		0.9%		4.6%
	FINANCE, INSURANCE, REAL ESTATE & BUSINESS SERVICES		19.8%		16.2%		4.2%		1.0%
	GENERAL GOVERNMENT		9.2%		8.0%		1.1%		1.7%
	COMMUNITY, SOCIAL & PERSONAL SERVICES		6.8%		13.0%		1.2%		-2.1%

1

REGIONAL ECONOMIC REVIEW AND OUTLOOK

1.1 INTRODUCTION

The Overberg District (OD) is well known for its coastline, the southernmost tip of Africa and vast farmlands, especially grain farming. Bordering the City of Cape Town, the Cape Winelands District and the Garden Route District, the OD covers 12 239 square kilometres, which constitute 9.5 per cent of the Western Cape's total area, and comprises four local municipal areas, namely the Theewaterskloof, Overstrand, Cape Agulhas and Swellendam municipal areas. The OD Municipality's headquarters is in Bredasdorp, and other large towns in the District include Grabouw, Caledon, Hermanus and Swellendam¹.

This chapter provides a broad overview of the provincial macroeconomic context wherein the OD operates by focusing on GDP performance and labour trends. The period under review for MERO 2020 is between 2014 and 2018, with 2019² figures being estimated.

¹ (Overberg District Municipality, 2020).

² Statistics SA (Stats SA) will only release official regional indicators for 2019 in 2021.

1.2 GROWTH IN GDPR PERFORMANCE

This section briefly discusses the size of the OD'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

The OD's economy was valued at R20.5 billion in 2018 and contributed 3.5 per cent to the Western Cape's total GDPR. Table 1.1 provides a breakdown of the GDPR contribution and average growth rates per municipal area.

Table 1.1

GDPR CONTRIBUTION AND AVERAGE GROWTH RATES PER MUNICIPAL AREA, Overberg District, 2018

MUNICIPALITY	R million value 2018	Contribution to GDPR (%) 2018	Trend 2014 – 2018 (%)	Real GDPR growth 2019e (%)
● Theewaterskloof	R8 415.9	41.0%	2.2%	0.5%
● Overstrand	R6 399.6	31.2%	1.3%	0.3%
● Cape Agulhas	R3 061.1	14.9%	1.6%	0.3%
● Swellendam	R2 659.2	12.9%	2.5%	0.7%
Overberg District	R20 535.8	100.0%	1.8%	0.4%
Western Cape	R589 443.7	-	1.4%	0.3%

Source: Quantec Research, 2020 (e denotes estimate)

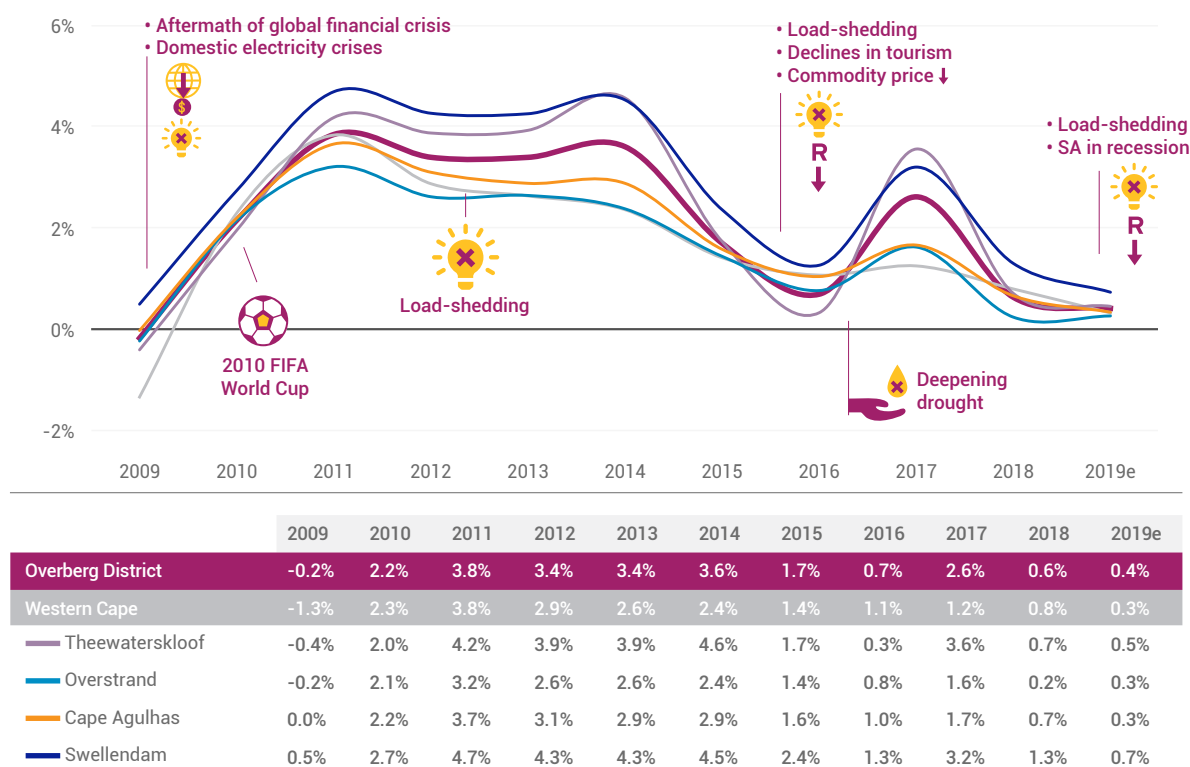
The Theewaterskloof municipal area is the largest contributor to GDPR in the OD, with an economy valued at R8.4 billion in 2018, and it contributed approximately 41.0 per cent to the OD's total GDPR. This is followed by the Overstrand municipal area, which accounted for 31.2 per cent of the total district GDPR.

Between 2014 and 2018, the OD grew at an average annual rate of 1.8 per cent, which was 0.4 percentage points higher than the average annual growth rate of the provincial economy during the same period. At 2.2 per cent and 2.5 per cent respectively, the Theewaterskloof and Swellendam municipal areas – the largest and smallest economies in the OD – realised growth rates above the district level. The Overstrand and Cape Agulhas municipal areas grew at lower rates than that of the District, at 1.3 per cent and 1.6 per cent respectively. Since the Overstrand municipal area is a significant contributor to GDPR within the District, the below-average growth rate between 2014 and 2018 contributed to a dampening effect on the District's overall growth rate.

Regarding the estimated growth rates for 2019, the Western Cape and all four municipal areas in the OD had significantly lower growth rates than the averages observed in the preceding five years. However, the OD's real GDPR growth of 0.4 per cent is marginally higher than the Province's GDPR growth (0.3 per cent). The Theewaterskloof and Swellendam municipal areas remained the strongest source of growth in the OD, with growth rates above the District level. Their estimated growth rates are 0.5 per cent and 0.7 per cent respectively. Because of the relatively small base that they are growing from, smaller economies, like Swellendam, generally have higher growth rates.

Figure 1.1 depicts the historical growth rates of the OD and its local municipal areas against the provincial growth rates. By analysing the historical growth rates, further insight can be provided about the dynamics of the economies and their dependencies on the endogenous and exogenous factors within the Province and the country as a whole.

Figure 1.1
GDPR GROWTH PER MUNICIPAL AREA, Overberg District, 2009 – 2019



Source: Quantec Research, 2020 (e denotes estimate)

During 2010 and 2011, the Western Cape and the municipal areas within the OD were able to recover from the 2008/09 financial crisis and the countrywide load-shedding in 2009. A portion of the GDPR growth during this period can be attributed to the 2010 FIFA World Cup and subsequent increase in tourism. However, the recovery was relatively short-lived, as the OD municipal areas experienced lacklustre growth between 2012 and 2014, followed by declining growth rates in 2015 and 2016. This can largely be attributed to load-shedding, the drought, a decline in tourism and lower commodity prices. The national decline in tourism performance in 2015 was largely caused by new visa regulations, economic crisis in some of the source markets and terror attacks on the African continent³. Positively, international and domestic tourism performance improved in 2016⁴.

Despite achieving a higher average growth rate than the Province between 2009 and 2018, the OD reported marginally lower growth rates than the Province in 2010, 2016 and 2018. It should be noted that economic slowdown was experienced across all districts in the Province between 2015 and 2016, which can mainly be attributed to the contraction of the agriculture, forestry and fishing sector owing to the drought conditions⁵, as well as an overall weakening of the national economy⁶.

³ (Department of Tourism, 2016).

⁴ (Department of Tourism, 2016; Wesgro, 2017b).

⁵ "This contraction also affected the growth performance of the main contributing sectors in the OD, either directly (reduced raw materials for processing) or indirectly (reduced profit margins reducing the household income of farmers who in turn spend less in the local economy, impacting sectors such as the wholesale and retail trade, catering and accommodation and the community, social and personal services sectors)." (Western Cape Government, 2018).

⁶ (Provincial Treasury, 2019; Western Cape Government, 2018).


Throughout the period under review, the Swellendam and Theewaterskloof municipal areas have maintained the highest growth rates. However, the OD has been experiencing decelerated economic growth and, if this trend persists, as anticipated in the estimates for 2019, the economy might face the risk of stagnation. This slowdown is attributable to the technical recessions that South Africa experienced in 2018 and 2019⁷.

1.2.2 Sectoral GDPR performance

Table 1.2 illustrates the OD's GDPR performance in 2018 by providing an overview of the sectoral contributions, their respective growth rates between 2014 and 2018, and an estimate for 2019.

Table 1.2

GDPR PERFORMANCE PER SECTOR, Overberg District, 2018

		R million value 2018	Contribution to GDPR (%) 2018	Trend 2014 – 2018 (%)	Real GDPR growth 2019e (%)
SECTOR					
PS Primary Sector		R2 057.1	10.0%	-1.0%	-9.0%
Agriculture, forestry & fishing		R2 036.4	9.9%	-1.0%	-9.1%
Mining & quarrying		R20.8	0.1%	2.5%	-3.2%
SS Secondary Sector		R4 845.0	23.6%	1.9%	-0.3%
Manufacturing		R2 848.0	13.9%	2.6%	1.2%
Electricity, gas & water		R520.2	2.5%	-0.8%	-2.3%
Construction		R1 476.8	7.2%	1.2%	-3.2%
TS Tertiary Sector		R13 633.7	66.4%	2.4%	2.1%
Wholesale & retail trade, catering & accommodation		R4 036.8	19.7%	2.3%	0.8%
Transport, storage & communication		R2 249.6	11.0%	2.9%	0.9%
Finance, insurance, real estate & business services		R4 061.5	19.8%	3.1%	4.2%
General government		R1 883.5	9.2%	0.5%	1.1%
Community, social & personal services		R1 402.4	6.8%	1.9%	1.2%
Total Overberg District		R20 535.8	100.0%	1.8%	0.4%

Source: Quantec Research, 2020 (e denotes estimate)

Valued at R13.6 billion in 2018, the tertiary sector was the OD's largest contributor to GDPR, accounting for 66.4 per cent of the District's total GDPR – nearly double the primary and secondary sectors' combined contribution. The main drivers of economic activity in the tertiary sector are the finance, insurance, real estate and business services sector (19.8 per cent), the wholesale and retail trade, catering and accommodation sector (19.7 per cent) and the transport, storage and communication sector (11.0 per cent). Compared with the OD's average annual growth rate, all three of these sectors experienced above-average growth between 2014 and 2018.

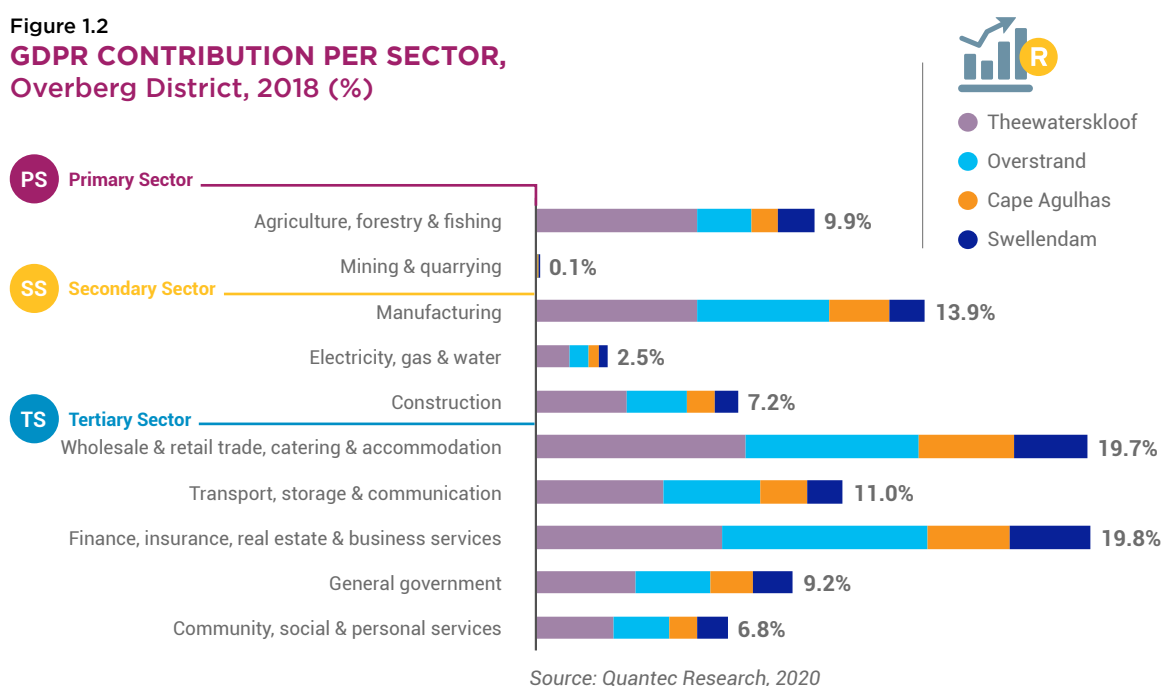
⁷ The 2018 recession took place over Q1 and Q2, followed by another technical recession in the fourth quarter of 2019 (Stats SA, 2020).

The secondary sector was valued at R4.8 billion in 2018 and accounted for 23.6 per cent of the OD's GDPR. The two largest sources of GDPR growth within the secondary sector are the manufacturing sector and the construction sector, which account for 13.9 and 7.2 per cent of the District's economy respectively.

The primary sector accounts for the smallest share of the OD's GDPR and mostly relies on the agriculture, forestry and fishing sector, which accounts for 9.9 per cent of the primary sector's 10.0 per cent contribution to GDPR. Despite its relatively small contribution to GDPR, the agriculture, forestry and fishing sector remains valuable, as it provides inputs for the manufacturing sector and purchases goods and services from a large portion of the tertiary sector industries.

Considering the sectoral structure of the District's economy and the five-year trend, the development of the District was largely driven by the tertiary sector, especially the expansion of the finance, insurance, real estate and business services sector. As evident in the estimates for 2019, this trend will persist, as the tertiary sector is the only sector with a positive growth rate, albeit slightly lower than the annual growth rates that were obtained between 2014 and 2018. The estimated decline in the primary sector is mainly attributed to the 9.1 per cent contraction in the agriculture, forestry and fishing sector, which is impacted by the lingering effects of the drought and destructive fires⁸.

Figure 1.2 depicts the OD's sectoral GDPR contribution per municipal area in 2018.



The finance, insurance, real estate and business services sector and the wholesale and retail trade, catering and accommodation sector were the largest contributors to GDPR in all municipal regions in the OD. Across all sectors, the Theewaterskloof and Overstrand municipal areas have the highest concentration of economic activities.



⁸ The Western Cape Spring Disaster Risk Assessment (WCG DoA, 2019) indicates that the "Overberg District is in a dry to very dry condition" and "the 2018/19 fire season has become known as one of the most overwhelming in the history of the Overberg." (Greater Overberg Fire Protection Association, 2019).

1.2.3 GDP performance per sector forecast (outlook)

Table 1.3 indicates the GDP forecast per sector for 2020 and 2021 in the OD, as well as the trend for 2020 to 2024. It should be noted that the forecast is limited to two years because of the fast pace at which the global and South African economies are changing and the uncertainties regarding the full impact of the COVID-19 pandemic on the global and national economy.

Table 1.3

GDP FORECAST PER SECTOR, Overberg District, 2020 – 2021 (%)⁹

				
		2019e	2020f	2021f
SECTOR				
PS	Primary Sector			
	Agriculture, forestry & fishing	-9.1%	12.4%	-8.8%
	Mining & quarrying	-3.2%	-23.0%	15.3%
SS	Secondary Sector			
	Manufacturing	1.2%	-14.3%	12.8%
	Electricity, gas & water	-2.3%	-8.4%	-1.6%
	Construction	-3.2%	-17.6%	13.6%
TS	Tertiary Sector			
	Wholesale & retail trade, catering & accommodation	0.8%	-17.6%	15.1%
	Transport, storage & communication	0.9%	-14.2%	13.0%
	Finance, insurance, real estate & business services	4.2%	-0.2%	-0.4%
	General government	1.1%	1.7%	-3.7%
	Community, social & personal services	1.2%	1.0%	-1.1%
	Total Overberg District	0.4%	-6.4%	4.3%

Source: Urban-Econ based on SARB, Statistics SA & BFAP, 2020 (e denotes estimate, f denotes forecast)



⁹ The forecast for 2020 and 2021 is based on the national forecast by the South African Reserve Bank (SARB), with sector adjustments for 2020 as per quarter 1 and quarter 2 sectoral GDP contributions as released by Statistics SA. The agriculture, forestry and fishing sector outlook has been adjusted to be in line with the Bureau for Food and Agricultural Policy 2020 baseline 2020 outlook.



COVID-19 IMPACT

Given the impact of COVID-19 on the national economy, it is expected that the economy of the OD will contract by an estimated 6.4 per cent. Most sectors are expected to contract severely as a result of lockdown restrictions, which limited businesses' activities, particularly in the second quarter of the year.

The expected contraction in the wholesale and retail trade, catering and accommodation sector (17.6 per cent) will have a severe impact on the local economy of the OD, as this sector is typically one of the leading sources of growth for the District. The OD is a popular tourist destination, and restrictions on domestic and international travel will have a significant negative impact on local businesses. The expected contraction of 14.3 per cent of the manufacturing sector will also have a negative impact on the economy. Not only was this sector negatively influenced by COVID-19 to some extent, the continued load-shedding in 2020 also remains a challenge.

In contrast with the poor performance of most sectors, the agriculture, forestry and fishing sector is expected to grow by 12.4 per cent in 2020. Despite the disruptions to trade in 2020, there is still a strong export market for apples and pears, which are one of the main exports for the OD¹⁰. The general government sector and the community, social and personal services sector are also expected to show positive growth – 1.7 per cent and 1.0 per cent respectively.

The economy of the OD is expected to recover somewhat in 2021, with most sectors rebounding after the severe contractions experienced in 2020. However, the growth will not be substantial enough to bring economic activity back to levels prior to 2020. The economy of the OD is therefore expected to recover only in the medium to long term.



¹⁰ (BFAP, 2020).

1.3 LABOUR TREND ANALYSIS

This subsection discusses some of the key employment trends by indicating which municipal areas within the OD are the largest contributors to employment creation and providing an overview of the historical employment trends in the local municipal areas. It also discusses sectoral employment by identifying which sectors employ the most people and highlighting which sectors have contributed more in creating new job opportunities (or have experienced job losses) in the District. Finally, it also summarises the unemployment rate, labour absorption rate and labour participation rate for each of the municipal areas within the OD.

1.3.1 Employment per municipal area

Table 1.4 depicts the status of employment in each municipal area in 2018, the number of jobs created over a five-year period and the estimated number of jobs created in 2019.

Table 1.4
EMPLOYMENT GROWTH, Overberg District, 2018

MUNICIPALITY	Number of jobs 2018	Contribution to employment (%) 2018	Average annual change 2014 – 2018	Net change 2019e
● Theewaterskloof	62 384	46.8%	1 476	109
● Overstrand	36 966	27.7%	617	-298
● Cape Agulhas	16 208	12.2%	361	38
● Swellendam	17 804	13.4%	458	61
Overberg District	133 362	100.0%	2 912	-90
Western Cape	2 589 080	-	46 746	-4 421

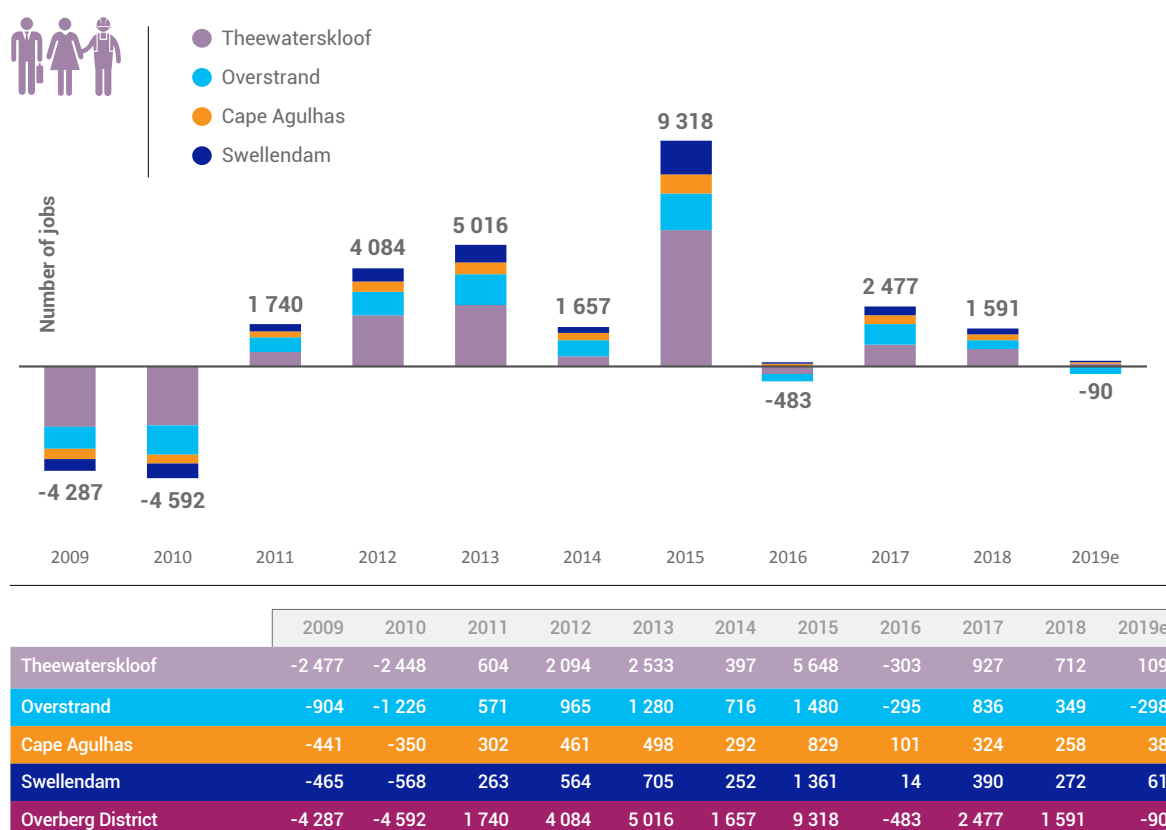
Source: Quantec Research, 2020 (e denotes estimate)

The OD employed 133 362 people in 2018 and contributed 5.2 per cent to the Western Cape's total employment. Between 2014 and 2018, employment in the OD increased by an average of 2 912 jobs per annum, which was mainly driven by increased employment opportunities in the Theewaterskloof municipal area. However, it is estimated that the OD experienced a decline in employment in 2019, with a net loss of 90 jobs, which was mainly due to job losses in the Overstrand municipal area.

In line with GDP contribution, the Theewaterskloof and Overstrand municipal areas are the largest contributors to employment in the OD, accounting for 46.8 per cent and 27.7 per cent of employment in the District, while the Cape Agulhas and Swellendam municipal areas are the smallest contributors to employment, contributing 12.2 per cent and 13.4 per cent respectively. Although the Overstrand municipal area is the only region within the OD that experienced a net decline in employment in 2019, estimates indicate that all the municipal areas have significantly lower annual job creation compared with the average experienced in the previous five years, which is in line with the declining GDP growth rates estimated in 2019.

Figure 1.3 provides an overview of the historical employment trends in the OD. The employment trends experienced between 2009 and 2019 mirror the fluctuations in GDPR.

Figure 1.3
EMPLOYMENT CHANGE PER MUNICIPAL AREA, Overberg District, 2009 – 2019



Source: Quantec Research, 2020 (e denotes estimate)

Although the OD started to recover from the aftermath of the financial crisis and realised improved GDPR growth in 2010, the District experienced a significant amount of job-shedding. Job creation often lags economic growth, however, in 2010 there was a spike in labour unrest nationally which may have contributed to job losses on a local level. The upward trend experienced between 2011 and 2013 offset the 8 879 jobs that were lost during 2009 and 2010, but the improvement was relatively short-lived, as the number of jobs created in 2014 declined significantly compared with the previous year.

While traction in employment was regained in 2015¹¹, employment took another dip in 2016. Annual job creation in the OD has been sluggish ever since, with a net increase of 3 495 jobs between 2016 and 2019.

Barring 2014, the largest portion of employment changes, including job creation and job losses, was experienced in the Theewaterskloof municipal area between 2009 and 2018, followed by the Overstrand municipal area. Estimates for 2019 indicate that Overstrand was the only municipal area that experienced job losses (298 jobs), while the other municipal areas created significantly fewer employment opportunities compared with the previous year.


¹¹ 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 due to variations in its design (Stats SA, 2015).

1.3.2 Sectoral employment

Table 1.5 depicts the sectoral spread of employment in the OD by indicating each sector's number of jobs and contribution to employment in 2018, the trend observed between 2014 and 2018, as well as estimates for 2019.

Table 1.5

EMPLOYMENT PER SECTOR, Overberg District, 2018

		Number of jobs 2018	Contribution to employment (%) 2018	Average annual change 2014 – 2018	Net change 2019e
SECTOR					
PS	Primary Sector	27 913	20.9%	102	-337
	Agriculture, forestry & fishing	27 884	20.9%	102	-335
	Mining & quarrying	29	0.0%	0	-2
SS	Secondary Sector	19 779	14.8%	466	-753
	Manufacturing	10 387	7.8%	254	31
	Electricity, gas & water	370	0.3%	5	-4
	Construction	9 022	6.8%	206	-780
TS	Tertiary Sector	85 670	64.2%	2 344	1 000
	Wholesale & retail trade, catering & accommodation	30 715	23.0%	955	714
	Transport, storage & communication	5 321	4.0%	138	246
	Finance, insurance, real estate & business services	21 606	16.2%	870	210
	General government	10 713	8.0%	114	186
	Community, social & personal services	17 315	13.0%	267	-356
	Total Overberg District	133 362	100.0%	2 912	-90

Source: Quantec Research, 2020 (e denotes estimate)



In line with its GDP contribution, the tertiary sector is the largest contributor to employment in the OD, accounting for 64.2 per cent of the District's total employment. The wholesale and retail trade, catering and accommodation sector and the finance, insurance, real estate and business services sector are the main drivers of economic activity in the tertiary sector in terms of GDP and employment. It should be noted that the transport, storage and communication sector accounts for 11.0 per cent of GDP but only 4.0 per cent of employment, while the community, social and personal services sector accounts for 13.0 per cent of employment but only 6.8 per cent of GDP.

Although the primary sector accounts for the smallest share of the OD's GDP (10.0 per cent), it is the second largest contributor to employment (20.9 per cent), indicating that the sector is relatively labour-intensive. This sector mostly relies on the strength of the agriculture, forestry and fishing sector.



The secondary sector is the smallest contributor to employment in the OD and is more capital-intensive, accounting for 23.6 per cent of GDP but only 14.8 per cent of employment. Similar to their GDP contributions, the manufacturing and construction sectors are the largest contributors to employment in the secondary sector, accounting for 7.8 per cent and 6.8 per cent of total employment respectively.

Regarding the trend observed between 2014 and 2018, the tertiary sector had the highest annual growth rate, on average creating 2 344 employment opportunities per annum, followed by the secondary

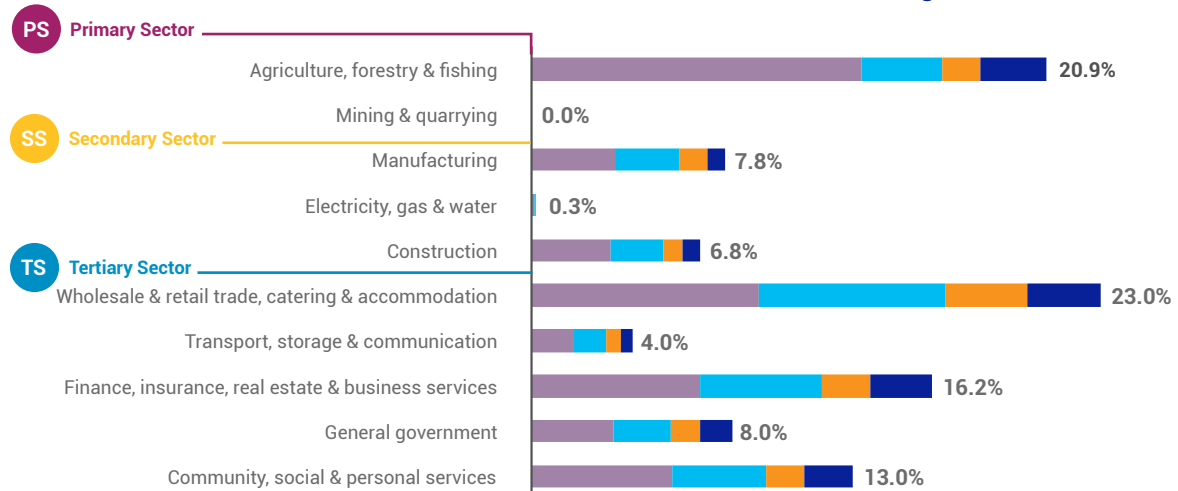
sector (466 jobs) and primary sector (102 jobs). Estimates for 2019 indicate that the tertiary sector continued to be the largest contributor to employment in the OD, as it is the only sector with a net increase in job opportunities, albeit lower than the average annual that was obtained in the previous five years. The primary and secondary sectors experienced a net decline of 337 and 753 jobs respectively, which was largely driven by job losses in the agriculture, forestry and fishing sector and the construction sector.

As illustrated in Figure 1.4, the wholesale and retail trade, catering and accommodation sector was the largest contributor to employment in the Overstrand, Cape Agulhas and Swellendam municipal areas, while the agriculture, forestry and fishing sector was the largest source of employment in the Theewaterskloof municipal area (13.3 per cent). Across all sectors, the Theewaterskloof and Overstrand municipal areas provide the highest proportion of employment opportunities. As there are few mining and quarrying, and electricity, gas and water activities in the OD, the workforce of these sectors is insignificant.

Figure 1.4
SECTORAL EMPLOYMENT CONTRIBUTION
PER MUNICIPAL AREA, Overberg District, 2018 (%)



● Theewaterskloof
 ● Overstrand
 ● Cape Agulhas
 ● Swellendam



Source: Quantec Research, 2020

Diagram 1.1 provides an overview of the employment dynamics in the OD by depicting the unemployment rate, labour absorption rate and labour participation rate for each of the municipal areas.

Diagram 1.1
UNEMPLOYMENT PROFILE, Overberg District, 2018 (%)

MUNICIPALITY	Unemployment rate (%) 2018		Labour force participation rate (%) 2018		Labour absorption rate (employment-to-population ratio) (%) 2018	
	2018	2019	2018	2019	2018	2019
Theewaterskloof	8.1	↑	76.0	↓	69.9	↓
Overstrand	13.9	↑	77.2	↓	66.5	↓
Cape Agulhas	7.3	↑	77.1	↓	71.5	↓
Swellendam	6.0	↑	73.7	↓	69.3	↓
Overberg District	9.4	↑	76.2	↓	69.0	↓
Western Cape	18.0	↑	68.5	↓	56.2	↓

Unemployed persons, according to the official Statistics South Africa definition, are those (aged 15 to 64 years) who:

- a) Were not employed in the reference week; and b)
- Actively looked for work or tried to start a business in the four weeks preceding the survey interview; and
- c) Were available for work, i.e. would have been able to start work or a business in the reference week; or
- d) Had not actively looked for work in the past four weeks, but had a job or business to start at a definite date in the future and were available.

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

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

Source: Quantec Research, 2020

The unemployment rate in the OD was significantly lower than that in the Western Cape, while the labour force participation and labour absorption rates were significantly higher compared with the provincial figures. Although the labour force participation rate in the Swellendam municipal area and the labour absorption rate in the Overstrand municipal area were lower than the district average, both indicators were significantly higher than those of the provincial economy.

Despite having the largest employment contributions and labour force participation rates in the OD, the Overstrand and Theewaterskloof municipal areas registered the highest unemployment rates, 13.9 per cent and 8.1 per cent respectively. Despite having the third highest unemployment rate (7.3 per cent) in the OD, the Cape Agulhas municipal area has the highest labour absorption rate (71.5 per cent), indicating that a large proportion of the municipal area's population is employed. However, the high labour force participation rate across the OD indicates that most of the District's working-age population are actively engaging in the labour market, either by working or looking for work.

The annual movements in the OD from 2018 to 2019 reflect those in the Western Cape. All the municipal areas in the District experienced an increase in the unemployment rate, and a decrease in the labour force participation rate and labour absorption rate.



1.4 CONCLUDING REMARKS

The OD's economy was valued at R20.5 billion in 2018 and contributed 3.5 per cent to the Western Cape's total GDP and 5.2 per cent to total employment. Economic activity in the OD is mainly concentrated in the tertiary sector. Valued at R13.6 billion in 2018, the tertiary sector is the OD's largest contributor to GDP and employment, accounting for 66.4 per cent of the District's total GDP and 64.2 per cent of total employment in 2018. Although the primary sector accounts for the smallest share of the OD's GDP (10.0 per cent), it is the second largest contributor to employment (20.9 per cent), indicating that the sector is relatively labour-intensive.

More specifically, the finance, insurance, real estate and business services sector and the wholesale and retail trade, catering and accommodation sector were the largest contributors to GDP in all the municipal regions in the OD in 2018, while the wholesale and retail trade, catering and accommodation sector (23.0 per cent) and the agriculture, forestry and fishing sector (20.9 per cent) were the largest contributors to the District's total employment.

At municipal level, the Theewaterskloof and Overstrand municipal areas are the largest contributors to GDP and employment in the OD. The Theewaterskloof municipal area contributed 41.0 per cent and 46.8 per cent to the District's total GDP and employment, while the Overstrand municipal area contributed 31.2 per cent and 27.7 per cent respectively.

Between 2014 and 2018, the OD experienced an average annual increase of 2 912 jobs and the economy grew at an average annual rate of 1.8 per cent, which was 0.4 percentage points higher than the average annual growth rate of the provincial economy. However, 2019 estimates indicate that the District experienced a decline in employment, with a net loss of 90 jobs, and had significantly lower GDP growth rates than the averages observed in the preceding five years.

Estimates for 2019 indicate that the tertiary sector was the only sector that realised a positive growth rate and a net increase in job opportunities, albeit lower than the average annual that was obtained in the previous five years. Estimates further indicate that the finance, insurance, real estate and business services sector was the main driver of GDP growth in 2019 (4.2 per cent), while the wholesale and retail trade, catering and accommodation sector was the largest source of employment creation (714 jobs).



2

SECTORAL GROWTH, EMPLOYMENT AND SKILLS PER MUNICIPAL AREA

2.1 INTRODUCTION

This chapter provides a more in-depth macroeconomic outlook by considering the trends in GDP, employment and skill levels between 2009 and 2019 for each of the municipal areas within the OD.



2.2 THEEWATERSKLOOF

The Theewaterskloof municipal area covers 3 259 square kilometres, which constitute approximately 26.6 per cent of the OD's geographical area¹². It borders the Cape Metro and the Cape Winelands District, and is traversed by the N2, which is a valuable transit link for tourists and goods. The Theewaterskloof municipal area is a popular tourism destination and is well known for its natural assets such as the Kogelberg Biosphere, Theewaterskloof Dam, blue cranes, various mountain ranges and fynbos¹³. The main towns in the municipal area include Botrivier, Caledon, Genadendal, Grabouw, Greyton, Riviersonderend, Tesselaarsdal and Villiersdorp¹⁴.





2.2.1 GDPR and employment performance

As illustrated in Diagram 2.1, the Theewaterskloof municipal area's economy increased by 0.5 per cent from R8.4 billion (current prices) in 2018 to an estimated R8.7 billion in 2019. The region employed 62 384 people in 2018, and it is estimated that the economy created 109 additional jobs in 2019.

Diagram 2.1

GDPR (CURRENT PRICES) AND EMPLOYMENT, Theewaterskloof, 2018 and 2019e

	2018		2019e
GDPR 	R8.4 BILLION	↑ 0.5% GROWTH	R8.7 BILLION
JOBS 	62 384	↑ 109 GROWTH	62 493

Source: Quantec Research, 2020 (e denotes estimate)

¹² (Municipal Demarcation Board, 2018).

¹³ (Theewaterskloof Municipality, 2016).

¹⁴ (Theewaterskloof Municipality, 2017).



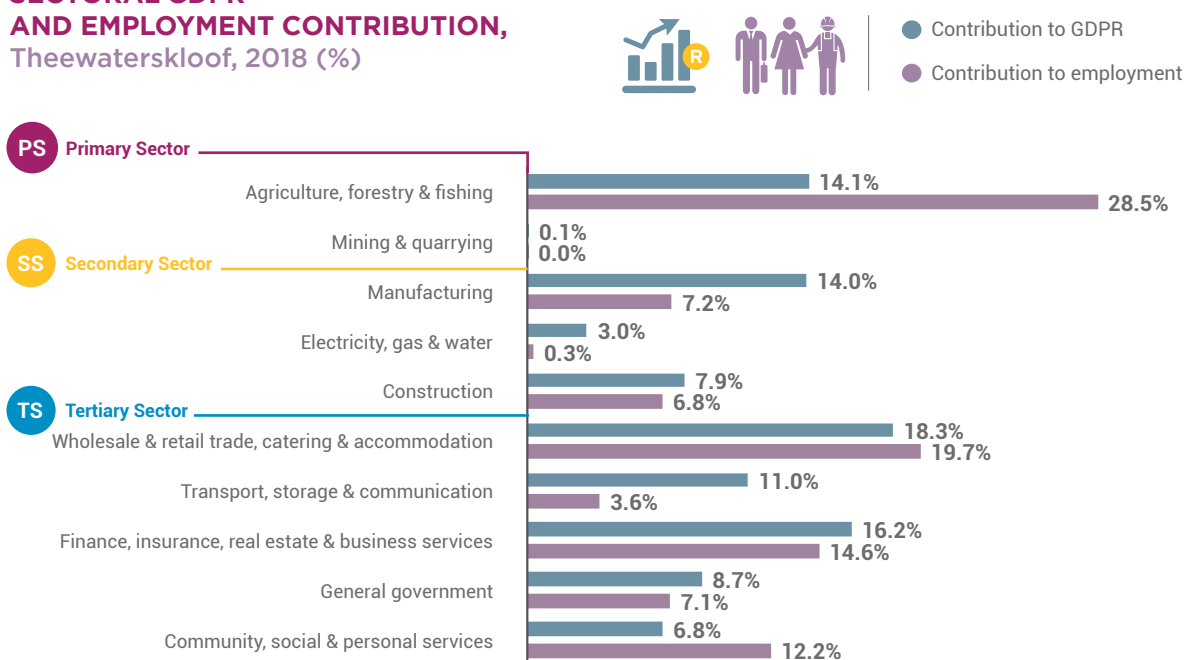
COVID-19 IMPACT

The Theewaterskloof municipal area economy is expected to contract by 5.2 per cent in 2020 as a result of the COVID-19 pandemic. A slight recovery of 4.5 per cent is expected for 2021.

Figure 2.1 depicts the sectoral contribution to employment and GDP in the Theewaterskloof municipal area in 2018.

Figure 2.1

SECTORAL GDP AND EMPLOYMENT CONTRIBUTION, Theewaterskloof, 2018 (%)




Source: Quantec Research, 2020

The wholesale and retail trade, catering and accommodation sector and the finance, insurance, real estate and business services sector were the main drivers of GDP, accounting for 18.3 per cent and 16.2 per cent of the area's GDP respectively. In terms of employment, the agriculture, forestry and fishing sector was the main source of employment in the Theewaterskloof municipal area, with a contribution of 28.5 per cent, followed by the wholesale and retail trade, catering and accommodation sector (19.7 per cent) and the finance, insurance, real estate and business services sector (14.6 per cent). Notably, the mining and quarrying, and electricity, gas and water sectors are the smallest contributors to GDP and employment in the Theewaterskloof municipal area, mainly because of a lack of mineral resources.

Given that the agriculture, forestry and fishing sector contributed significantly more to employment than to GDP, the high employment concentration indicates that this sector is highly labour-intensive. Similarly, the community, social and personal services sector is also labour-intensive, contributing 12.2 per cent to employment but only 6.8 per cent towards GDP. Conversely, the transport, storage and communication sector contributed significantly more to GDP than to employment (11.0 per cent compared with 3.6 per cent), and the manufacturing sector contributed only 7.2 per cent to employment but 14.0 per cent to GDP, reflecting the capital-intensive nature of these sectors.

Table 2.1 outlines the Theewaterskloof municipal area's GDPR and employment performance per sector.

GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Theewaterskloof, 2018

	GDPR			Employment		
	R million value 2018	Trend 2014 – 2018	Real GDPR growth 2019e	Number of jobs 2018	Average annual change 2014 – 2018	Net change 2019e
SECTOR						
PS Primary Sector	R1 189.0	-1.1%	-10.0%	17 808	64	-217
Agriculture, forestry & fishing	R1 184.5	-1.2%	-10.0%	17 799	64	-216
Mining & quarrying	R4.5	1.8%	-2.3%	9	-	-1
SS Secondary Sector	R2 087.7	2.6%	0.1%	8 899	282	-275
Manufacturing	R1 175.8	3.1%	1.4%	4 505	128	31
Electricity, gas & water	R250.3	-1.1%	-2.5%	180	3	1
Construction	R661.6	2.9%	-1.8%	4 214	150	-307
TS Tertiary Sector	R5 139.1	3.1%	3.2%	35 677	1 131	601
Wholesale & retail trade, catering & accommodation	R1 540.2	2.9%	1.3%	12 271	477	407
Transport, storage & communication	R929.9	2.5%	0.8%	2 250	62	99
Finance, insurance, real estate & business services	R1 365.1	4.8%	7.3%	9 106	394	130
General government	R733.8	0.8%	1.3%	4 449	55	86
Community, social & personal services	R570.0	2.2%	1.4%	7 601	143	-121
Total Theewaterskloof	R8 415.9	2.2%	0.5%	62 384	1 476	109

Source: Quantec Research, 2020 (e denotes estimate)

Between 2014 and 2018, the Theewaterskloof municipal area realised an average growth rate of 2.2 per cent. While the secondary and tertiary sectors realised growth rates above the municipal average at 2.6 per cent and 3.1 per cent respectively, a contraction of 1.1 per cent was experienced in the primary sector. Estimates for 2019 indicate that this trend progressed, with the primary sector experiencing a significant contraction of 10.0 per cent. This was probably caused by the lingering effects of the drought, which had a significant impact on pome fruit production in the Elgin, Grabouw, Villiersdorp and Vyeboom areas¹⁵. The slight improvement in the tertiary sector's growth rate could not offset the decline in the primary and secondary sectors, causing the region's growth rate to decline to 0.5 per cent. The tertiary sector's relatively positive performance was driven by strong growth in the finance, insurance, real estate and business services sector, which remained a predominant driver of GDPR growth, realising a growth rate of 7.3 per cent, which is 2.5 percentage points higher than the sectoral average observed in the preceding five years.

The wholesale and retail trade, catering and accommodation sector is expected to contract by 16.8 per cent in 2020 before recovering somewhat by 15.9 per cent in 2021. Other large contractions expected for 2020 include the manufacturing sector (13.7 per cent) and the construction sector (16.1 per cent). These sectors are expected to recover somewhat in 2021, but not to the same levels as 2019.

¹⁵ (BFAP, 2019).



Positively, the agriculture, forestry and fishing sector is expected to grow by 12.3 per cent as a result of good weather and market conditions, despite the lockdown regulations. The growth, however, will be short-lived, as a contraction in the sector is expected again in 2021. Other sectors that are expected to show positive growth in 2020 are the general government sector (2.0 per cent) and the community, social and personal services sector (1.4 per cent).

In terms of employment, the Theewaterskloof municipal area created an average of 1 476 jobs per annum between 2014 and 2018. This was mainly driven by job creation in the tertiary sector, which experienced an average annual increase of 1 131 jobs during this period. As evident in estimates for 2019, the municipal area only created 109 jobs, which is significantly fewer than the average observed in the preceding five years. Job creation in 2019 in the tertiary sector occurred mainly in the wholesale and retail trade, catering and accommodation sector (407 jobs) and the finance, insurance, real estate and business services sector (130 jobs).

The sluggish estimated employment growth in 2019 was largely due to job-shedding in the primary sector (217 jobs) and the secondary sector (275 jobs). The agriculture, forestry and fishing sector – the main source of employment in the municipal area – experienced 216 job losses, while the construction sector shed an estimated 307 jobs.

The poor economic performance in 2020 is expected to lead to significant job losses in the municipal area. An increase in the unemployment rate will put additional pressure on local government as a reduction in municipal revenue is expected, as well as an increase demand for public sector support services.



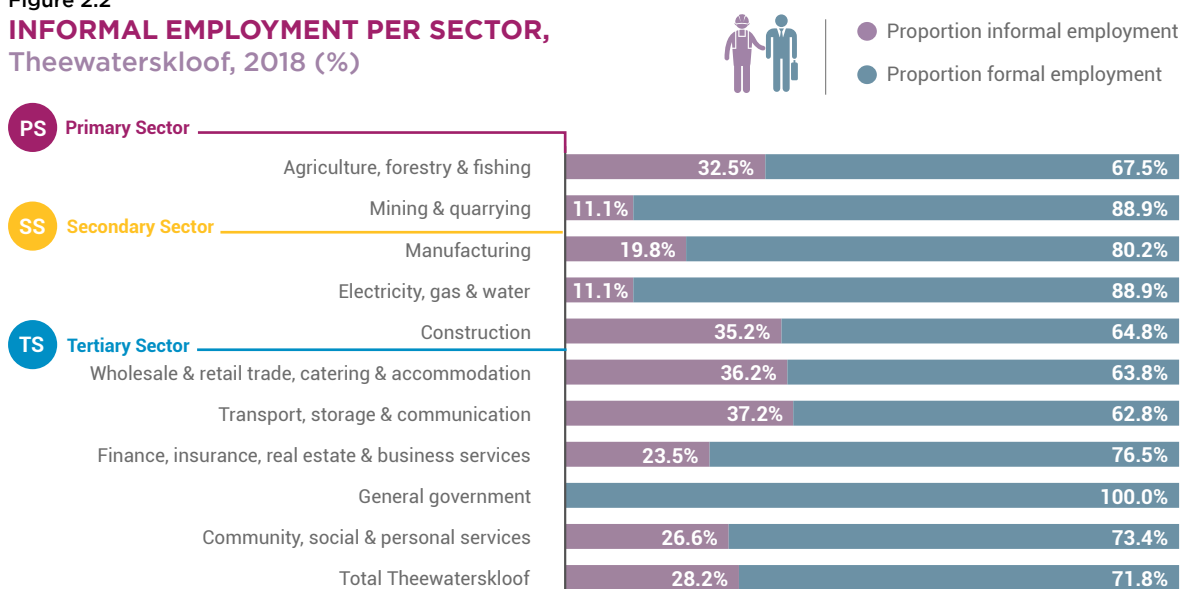
POTENTIAL RISKS

Towns such as Grabouw, Riviersonderend, Elgin and Genadendal have been identified as being economically vulnerable¹⁶. These towns are highly reliant on the agriculture, forestry and fishing sector, which has been very volatile in the last few years, and often make use of seasonal labour. However, agri-tourism attractions and activities have been a valuable injection into the local economy. The informal settlements around Grabouw have a large informal economy, but most businesses are survivalist in nature¹⁷. These businesses are especially vulnerable to volatile economic conditions. The N2 traversing the municipal area is a valuable transit route that is an economic asset. However, smaller towns like Berea, Genadendal, Greyton and Tessaarsdal, which are not located on this national road, are more reliant on local income. This makes these towns vulnerable to economic downturns, as there are few economic injections from outside the area. These towns can also benefit from tourism developments.

As illustrated in Figure 2.2, informal employment accounts for 28.2 per cent of the Theewaterskloof municipal area's total employment¹⁸. Although smaller than the formal sector, the informal sector incorporates a diverse range of economic activities and is a valuable contributor to employment creation and poverty alleviation¹⁹. However, informal businesses are sometimes hampered by a lack of adequate trading spaces, onerous regulatory requirements, lack of funding and access to business information²⁰.

Figure 2.2

INFORMAL EMPLOYMENT PER SECTOR, Theewaterskloof, 2018 (%)



Source: Quantec Research, 2020

¹⁶ (Le Roux, et al., 2019).

¹⁷ (Theewaterskloof Municipality, 2019).

¹⁸ 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.

¹⁹ (City of Cape Town, 2015).

²⁰ (Theewaterskloof Municipality, 2020).

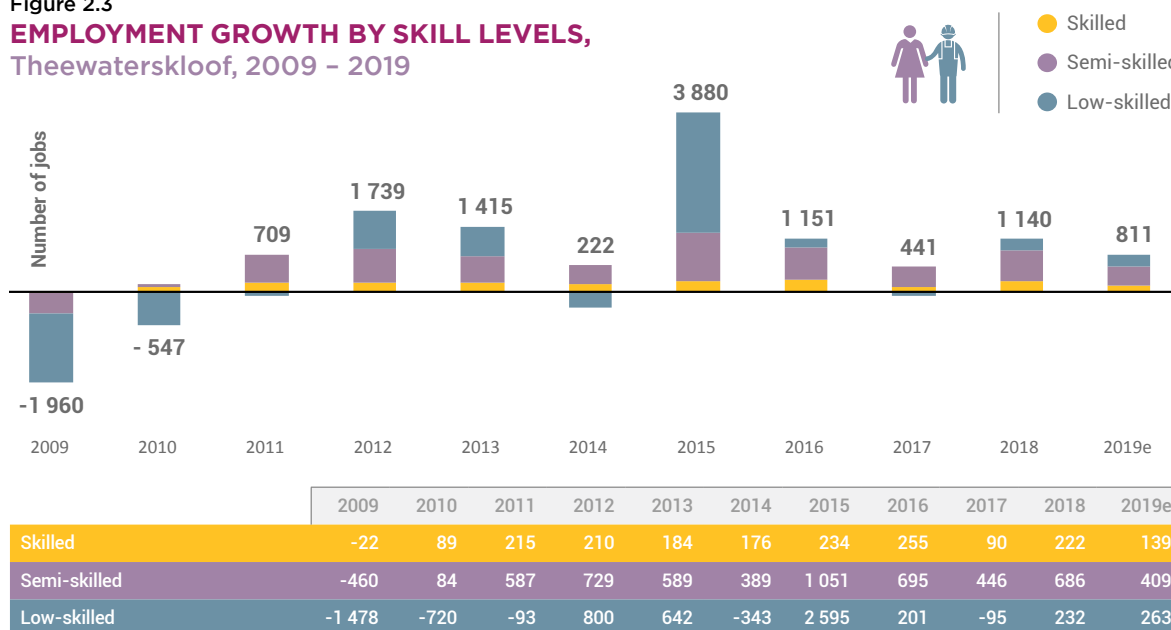
The transport, storage and communication sector has the largest proportion of informal employment, with informal employment accounting for 37.2 per cent of the sector's employment opportunities. Other prominent sources of informal employment are the wholesale and retail trade, catering and accommodation sector (36.2 per cent) and the construction sector (35.2 per cent).

2.2.2 Skills analysis

Figure 2.3 illustrates the changes in formal employment by skill levels between 2009 and 2019.

Figure 2.3

**EMPLOYMENT GROWTH BY SKILL LEVELS,
Theewaterskloof, 2009 – 2019**



Source: Quantec Research, 2020 (e denotes estimate)

The economic downturn caused substantial job losses in the Theewaterskloof municipal area between 2009 and 2010, which mostly impacted low-skilled and semi-skilled workers. During this period, low-skilled labour experienced 2 198 job losses, which was only recovered by 2015²¹. Low-skilled labour also experienced job losses in 2017, which was offset in 2018.

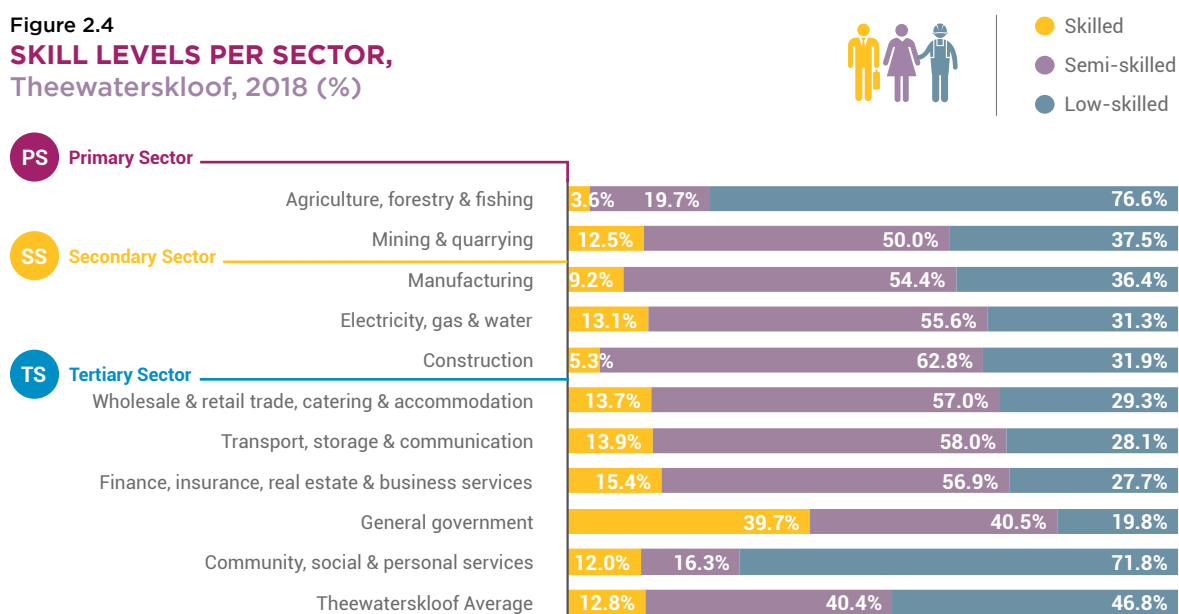
While semi-skilled and skilled workers were also affected by the economic downturn, the demand for these skill levels has been more consistent. Although 460 job opportunities for semi-skilled labour were lost during 2009, it was the only year that semi-skilled labour experienced job losses, with 5 256 jobs created for semi-skilled workers between 2010 and 2018. Similarly, skilled labour only experienced job losses in 2009 (22 jobs), which was offset in 2010.

Estimates for 2019 indicate that the Theewaterskloof municipal area created 329 fewer job opportunities than in 2018. Low-skilled labour was the only skill level that realised an improvement in employment opportunities, creating 31 more job opportunities than in 2018.

²¹ 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).

Figure 2.4 provides a sectoral overview of the skill levels for formal employment in the Theewaterskloof municipal area. On average, the municipal area is mainly characterised by low-skilled labour (46.8 per cent), followed by semi-skilled labour (40.4 per cent) and a small proportion of skilled labour (12.8 per cent).

Figure 2.4
SKILL LEVELS PER SECTOR,
Theewaterskloof, 2018 (%)



Source: Quantec Research, 2020

The two sectors that predominantly used low-skilled workers in 2018 were the agriculture, forestry and fishing sector, in which 76.6 per cent of workers were low-skilled, and the community, social and personal services sector, in which 71.8 per cent of workers were low-skilled. The remaining sectors in the Theewaterskloof municipal area employed a large proportion of semi-skilled workers, particularly the construction sector, in which 62.8 per cent of workers were classified as semi-skilled. The two sectors with the highest proportion of skilled workers were the general government sector (39.7 per cent) and the finance, insurance, real estate and business services sector (15.4 per cent).

Considering the changes in employment and the skills structure of the economy, low-skilled workers – the largest proportion of the Theewaterskloof municipal area’s employees – experienced inconsistent demand and periodic job losses between 2009 and 2019. Conversely, skilled workers – the smallest proportion of the area’s employees – experienced the most consistent employment growth and resilience during the period under review.





2.3 OVERSTRAND



The Overstrand municipal area is the smallest municipal area in the OD in terms of geographical spread, covering 1 675 square kilometres (13.7 per cent),²² but is the second largest economy in the District. The municipal area is bordered by the Cape Metro area and the Cape Agulhas and Theewaterskloof municipal areas, and has a 230-kilometre coastline. Hermanus is the main commercial node and other main towns include Gansbaai, Hawston, Kleinmond and Stanford²³. The Overstrand municipal area is a popular tourist destination, well known for whale watching, shark-cage diving, fynbos, wine estates, abalone farms, birding areas and mountain ranges²⁴. Hermanus and the smaller coastal settlements are also popular areas for retirement and second homes.

2.3.1 GDPR and employment performance

The Overstrand municipal area's economy was valued at R6.4 billion (current prices) in 2018 and the municipal area employed 36 966 people. As illustrated in Diagram 2.2, estimates for 2019 indicate that although the municipal area's economy increased by 0.3 per cent to R6.6 billion, the economy shed 298 jobs.

Diagram 2.2

GDPR (CURRENT PRICES) AND EMPLOYMENT, Overstrand 2018 and 2019e

		2018		2019e
GDPR 		R6.4 BILLION	↑ 0.3% GROWTH	R6.6 BILLION
JOBS 		36 966	↓ -298 CONTRACTION	36 668

Source: Quantec Research, 2020 (e denotes estimate)

²² (Municipal Demarcation Board, 2018).

²³ (Overstrand Municipality, 2017).

²⁴ (Overstrand Municipality, 2018).



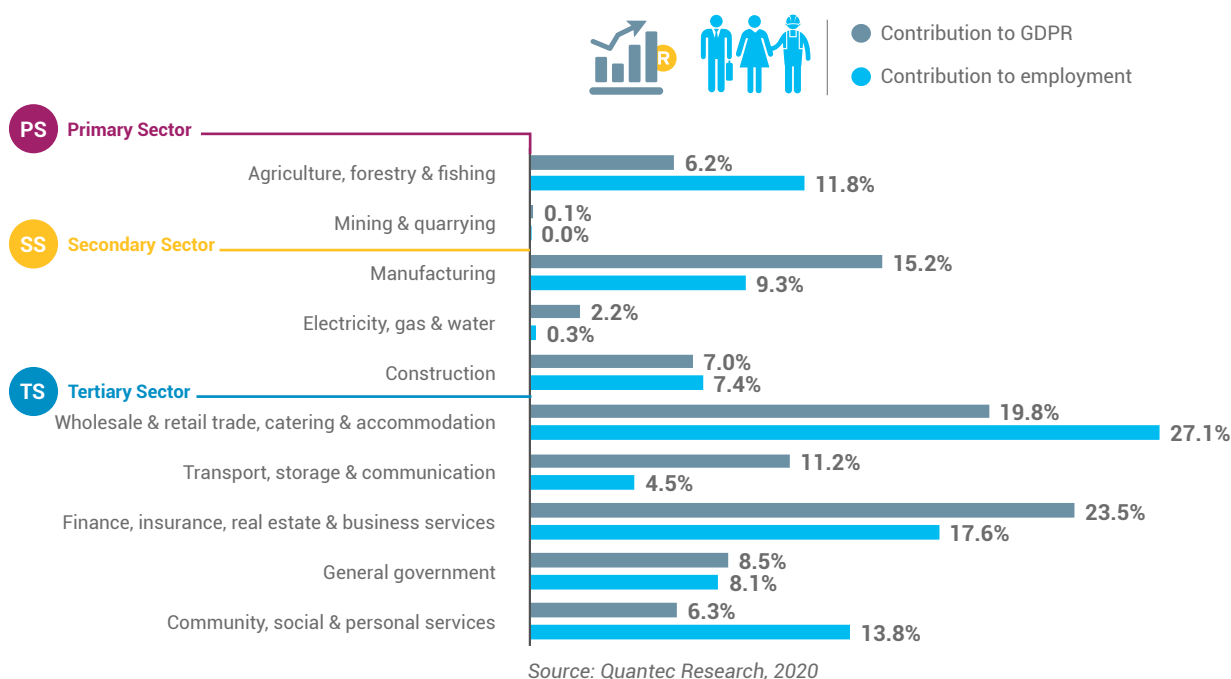
COVID-19 INFLUENCES

The COVID-19 pandemic is expected to have a significant negative impact on economic growth in the Overstrand municipal area. It is estimated that the economy of the municipal area will contract by 8.1 per cent in 2020, before recovering somewhat by 4.0 per cent in 2020. However, economic activity will still remain lower than in 2019.

Figure 2.5 provides a breakdown of the sectoral contribution to employment and GDP in the Overstrand municipal area in 2018.

Figure 2.5

SECTORAL GDP AND EMPLOYMENT CONTRIBUTION, Overstrand 2018 (%)



The two predominant sources of GDP in the municipal area are the finance, insurance, real estate and business services sector (23.5 per cent) and the wholesale and retail trade, catering and accommodation sector (19.8 per cent). These sectors are also the main sources of employment, accounting for 17.6 per cent and 27.1 per cent respectively of the area's total employment.

While the community, social and personal services sector contributes only 6.3 per cent to GDP, the sector is the third largest source of employment (13.8 per cent), which indicates that this sector is labour-intensive. The wholesale and retail trade, catering and accommodation sector and the agriculture, forestry and fishing sector are also labour-intensive. Conversely, the municipal area's capital-intensive sectors include the manufacturing; transport, storage and communication; and finance, insurance, real estate and business services sectors.

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

Table 2.2

GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Overstrand, 2018

		GDPR			Employment		
		R million value 2018	Trend 2014 – 2018	Real GDP growth 2019e	Number of jobs 2018	Average annual change 2014 – 2018	Net change 2019e
SECTOR							
PS	Primary Sector	R407.3	-0.4%	-5.4%	4 382	6	-66
	Agriculture, forestry & fishing	R397.7	-0.4%	-5.5%	4 371	6	-65
	Mining & quarrying	R9.6	1.1%	-3.2%	11	-	-1
SS	Secondary Sector	R1 557.0	1.1%	-0.7%	6 270	71	-318
	Manufacturing	R970.8	2.1%	1.1%	3 427	63	-7
	Electricity, gas & water	R138.0	1.5%	-1.7%	94	3	-3
	Construction	R448.2	-1.2%	-5.5%	2 749	5	-308
TS	Tertiary Sector	R4 435.3	1.5%	1.1%	26 314	541	86
	Wholesale & retail trade, catering & accommodation	R1 265.1	1.7%	0.3%	10 027	222	127
	Transport, storage & communication	R717.2	3.5%	1.3%	1 668	44	87
	Finance, insurance, real estate & business services	R1 501.9	1.0%	1.5%	6 513	207	-6
	General government	R546.2	0.7%	1.2%	3 005	33	53
	Community, social & personal services	R405.0	1.3%	0.7%	5 101	35	-175
Total Overstrand		R6 399.6	1.3%	0.3%	36 966	617	-298

Source: Quantec Research, 2020 (e denotes estimate)

In terms of GDPR, the Overstrand municipal area realised an average annual growth rate of 1.3 per cent between 2014 and 2018. The tertiary sector had the highest average growth rate, which was 0.2 percentage points higher than the municipal average, followed by the secondary sector, which realised an average annual growth rate of 1.1 per cent. However, the primary sector's GDPR declined by an average of 0.4 per cent per annum during the same period. The main economic growth drivers of the Overstrand municipal area between 2014 and 2018 include the manufacturing (2.1 per cent); wholesale and retail trade, catering and accommodation (1.7 per cent); transport, storage and communication (3.5 per cent); and finance, insurance, real estate and business services (1.0 per cent) sectors.

Estimates for 2019 indicate that the municipal area's reduced GDPR growth rate was mainly a result of the poor-performing primary and secondary sectors, which experienced contractions of 5.4 per cent and 0.7 per cent respectively. More specifically, the largest contractions (5.5 per cent each) were experienced by the agriculture, forestry and fishing sector and the construction sector. Despite these contractions, economic growth remained positive, albeit marginal, as a result of the finance, insurance, real estate and business services sector, the transport, storage and communication sector and the manufacturing sector, which grew by 1.5 per cent, 1.3 per cent and 1.1 per cent respectively.

Owing to the lockdown regulations enforced as a result of COVID-19, the wholesale and retail trade, catering and accommodation sector is forecast to contract by 20.3 per cent. As it's the leading source of economic growth in the Overstrand municipal area, this will have a significant negative impact on the overall economic performance of the municipal area. Other key sectors, such as the manufacturing and the transport, storage and communication sectors, are expected to contract by 14.9 per cent and 13.2 per cent respectively in 2020. Despite its usual poor performance, the agriculture, forestry and fishing sector is forecast to perform well in 2020, growing by 13.0 per cent as a result of improved market conditions and good yields at a national level. Most sectors will recover somewhat in 2021, but not sufficiently to recover the estimated loss in 2020.

In terms of employment, the Overstrand municipal area created an average of 617 jobs per annum between 2014 and 2018. Despite being lower than the municipal average, all three sectors experienced positive average annual changes during the period under review. Employment creation was mainly driven by the tertiary sector, which experienced an average annual increase of 541 jobs during this period, followed by the secondary sector (71 jobs) and the primary sector (six jobs).

However, it is estimated that in 2019, the Overstrand municipal area shed 298 jobs. Job-shedding mainly occurred in the secondary sector (318 jobs) and the primary sector (66 jobs), with the majority of jobs shed in the construction sector (308 jobs). Although the tertiary sector created 86 employment opportunities, this is significantly fewer than the average observed in the preceding five years. The sluggish performance of the tertiary sector is mainly a result of significant job-shedding in the community, social and personal services sector (175 jobs). Despite the strong estimated 2019 GDP growth in the finance, insurance, real estate and business services sector, the sector shed six jobs. Sectors that are estimated to have created more jobs in 2019 compared with previous years include the transport, storage and communication sector (87 jobs) and the general government sector (53 jobs).

The significant contraction in the economy in 2020 is expected to result in multiple job losses in the municipal area. Along with the increasing unemployment rate, the associated reduction in household income will increase the demand for public sector support. Furthermore, there will be additional pressure on the local municipality as revenue collection may be hampered. However, the same level of services will still be required.



POTENTIAL RISKS

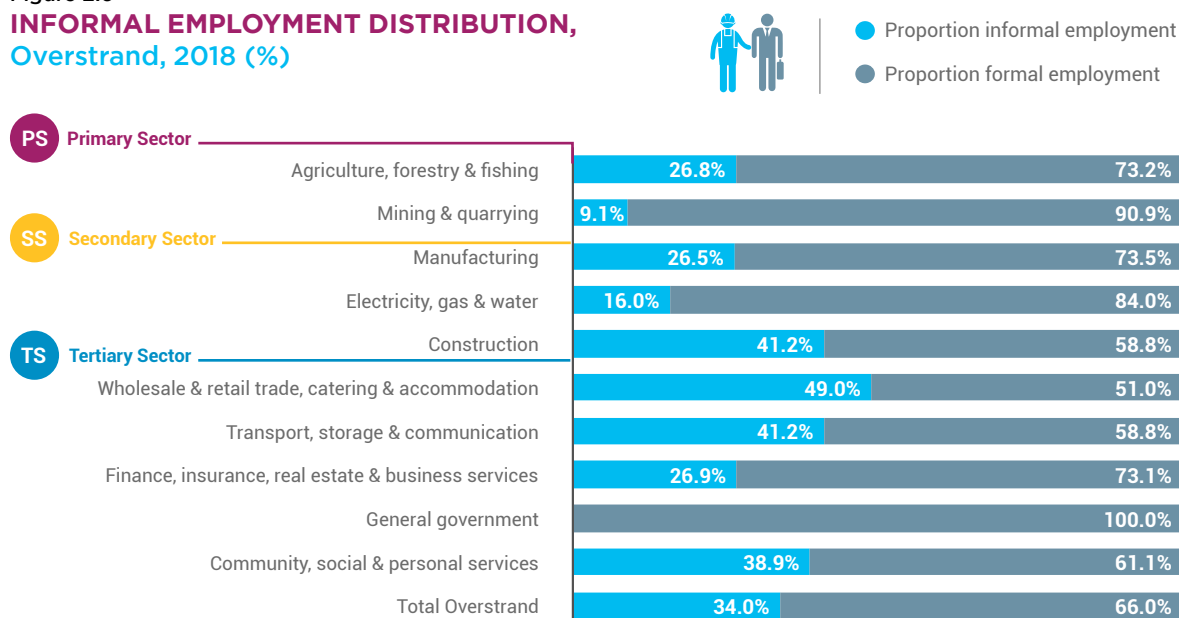
In the Overstrand municipal area, towns such as Stanford, Hawston and Kleinmond have been identified as being economically vulnerable²⁵. The economies of Stanford and Kleinmond are largely influenced by the sizable retired population in the area. Furthermore, Stanford is also a popular town for holiday homes, and economic activity is thus largely influenced by holiday seasonality. Positively, these towns, along with Hermanus and Gansbaai, have been prioritised for development in the municipal Spatial Development Framework²⁶.

²⁵ (Le Roux, et al., 2019).

²⁶ (Overstrand Municipality, 2020).

Figure 2.6 depicts the sectoral informal employment distribution in the Overstrand municipal area in 2018. Although the municipal area consists mainly of formal employment opportunities (66.0 per cent), informal employment is a valuable source of employment for 34.0 per cent of the area's employed population.

Figure 2.6
INFORMAL EMPLOYMENT DISTRIBUTION,
Overstrand, 2018 (%)



Source: Quantec Research, 2020



The wholesale and retail trade, catering and accommodation sector is the largest source of informal employment, with informal employment accounting for 49.0 per cent of the sector's employment opportunities. This is in line with national statistics, which indicate that trade is the most prominent activity in the informal sector²⁷. Other noticeable sources of informal employment are the construction (41.2 per cent), transport, storage and communication (41.2 per cent) and community, social and personal services (38.9 per cent) sectors. The contribution of informal employment can possibly be enhanced by addressing the key constraints experienced by informal businesses, including the availability of infrastructure.

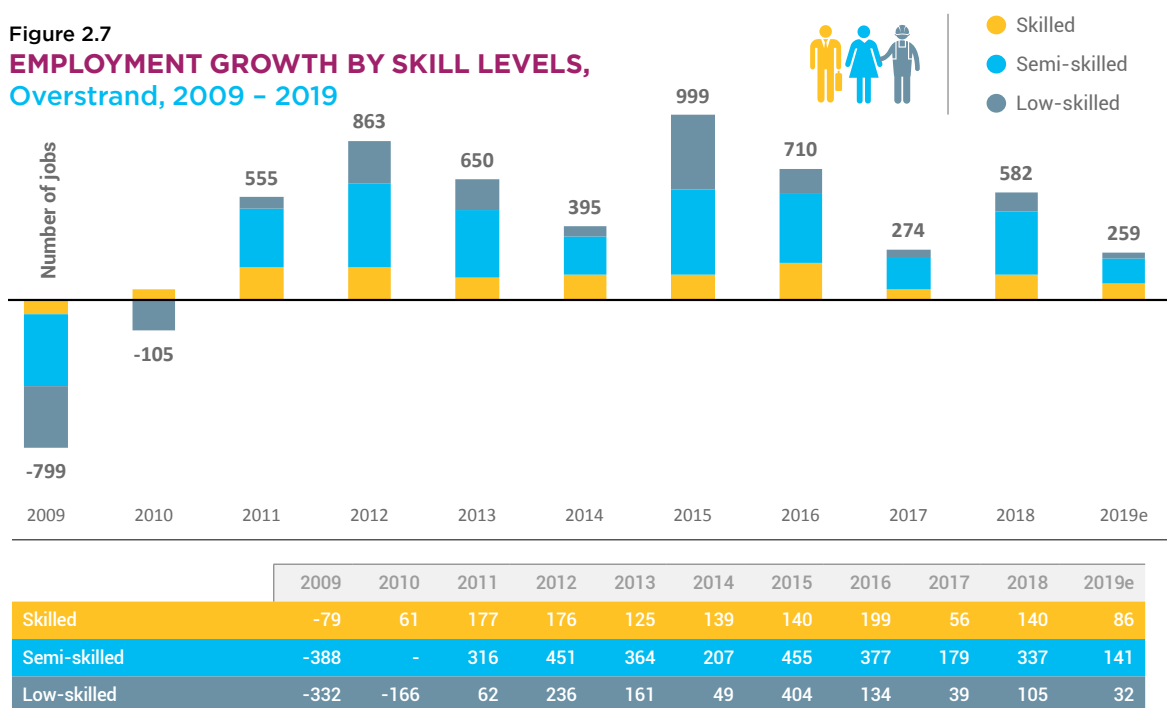
²⁷ (Stats SA, 2020).

2.3.2 Skills analysis

As illustrated in Figure 2.7, the Overstrand municipal area shed 904 jobs during the economic downturn in 2009 and 2010. Semi-skilled and low-skilled workers were severely impacted during this period, as semi-skilled labour experienced a decline of 388 jobs and low-skilled labour experienced a decline of 498 jobs.

Figure 2.7

EMPLOYMENT GROWTH BY SKILL LEVELS, Overstrand, 2009 – 2019



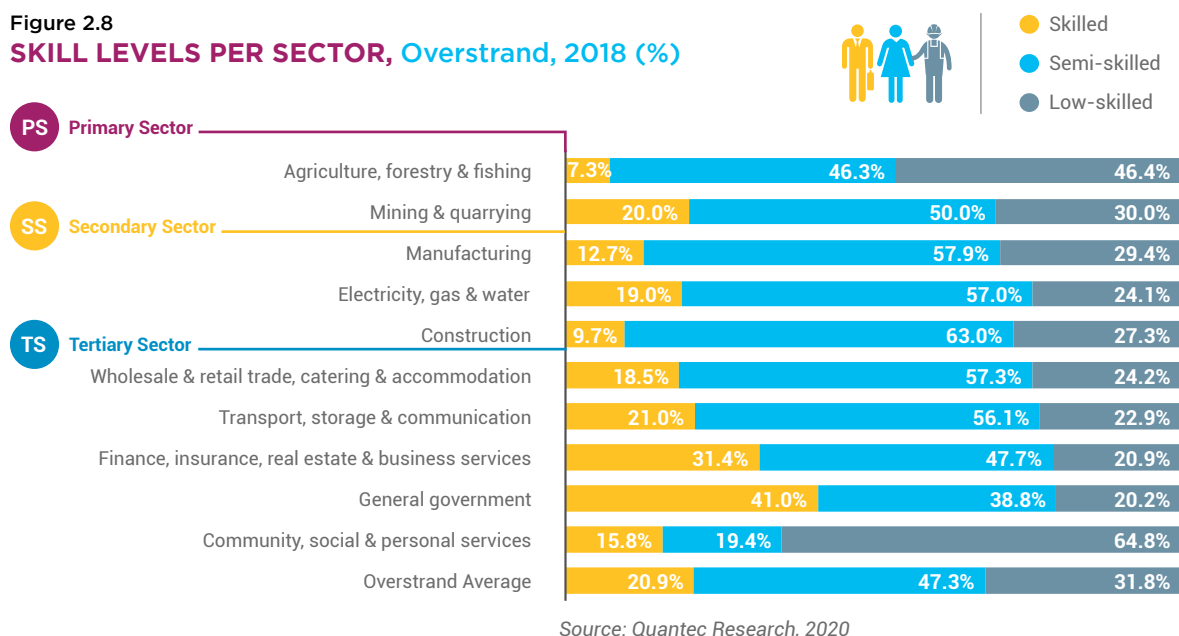
Source: Quantec Research, 2020 (e denotes estimate)

Positively, the Overstrand municipal area has experienced a net increase in job opportunities across all skill levels since 2011. The semi-skilled jobs that were shed during 2009 and 2010 were offset by 2012, but the low-skilled jobs that were shed during the same period were only offset in 2014. Conversely, the contraction of 79 job opportunities for skilled workers in 2009 was offset by 2011.

Throughout 2009 to 2018, the biggest employment changes, including job creation and job losses, were experienced by semi-skilled workers, with a net addition of 2 298 semi-skilled jobs during this period. However, the Overstrand municipal area only realised a net increase of 692 low-skilled jobs. This trend persisted in 2019, as 141 jobs were created for semi-skilled workers, followed by 86 jobs for skilled labourers and 32 jobs for low-skilled workers. Demand for skilled labour has, therefore, been more consistent and resilient during the period under review, especially during economic fluctuations.



Figure 2.8 further illustrates that the biggest contributors to formal employment in Overstrand's economy are sectors that demand semi-skilled workers.



Barring the community, social and personal services sector, which mainly provides job opportunities for low-skilled workers (64.8 per cent), the Overstrand economy is categorised by semi-skilled labour across all sectors. The general government and finance, insurance, real estate and business services sectors are the largest sources of skilled jobs, accounting for 41.0 per cent and 31.4 per cent of the sector's skill levels respectively.

Considering the municipal area's employment performance and skill levels per sector, the 2019 estimated employment changes in the construction (308 job losses), wholesale and retail trade, catering and accommodation (127 new jobs) and transport, storage and communication (87 new jobs) sectors mostly affected semi-skilled workers. Conversely, the 175 jobs that were lost in the community, social and personal services sector adversely affected low-skilled workers.



2.4 CAPE AGULHAS

The Cape Agulhas municipal area covers approximately 3 471 square kilometres²⁸, which constitute approximately 28.4 per cent of the OD's geographical area, and it is well known for being the southernmost tip of Africa. The main towns in the municipal area include Bredasdorp and Napier, the coastal towns of Arniston, Struisbaai, L'Agulhas and Suiderstrand, and the rural settlements of Protem and Klipdale²⁹. Towns along the 178-kilometre coastline are mostly tourist towns or fishing villages³⁰.





2.4.1 GDPR and employment performance

The Cape Agulhas municipal area's economy increased by 0.3 per cent from R3.1 billion (current prices) in 2018 to an estimated R3.2 billion in 2019. As illustrated in Diagram 2.3, the municipal area employed 16 208 people in 2018, which is estimated to have increased by 38 additional job opportunities in 2019.

Diagram 2.3

GDPR (CURRENT PRICES) AND EMPLOYMENT Cape Agulhas, 2018 and 2019e

		2018		2019e
GDPR 		R3.1 BILLION	↑ 0.3% GROWTH	R3.2 BILLION
JOB 		16 208	↑ 38 GROWTH	16 246

Source: Quantec Research, 2020 (e denotes estimate)

²⁸ (Municipal Demarcation Board, 2018).

²⁹ (Cape Agulhas Municipality, 2020).

³⁰ (Cape Agulhas Municipality, 2017) and (Cape Agulhas Municipality, 2018).



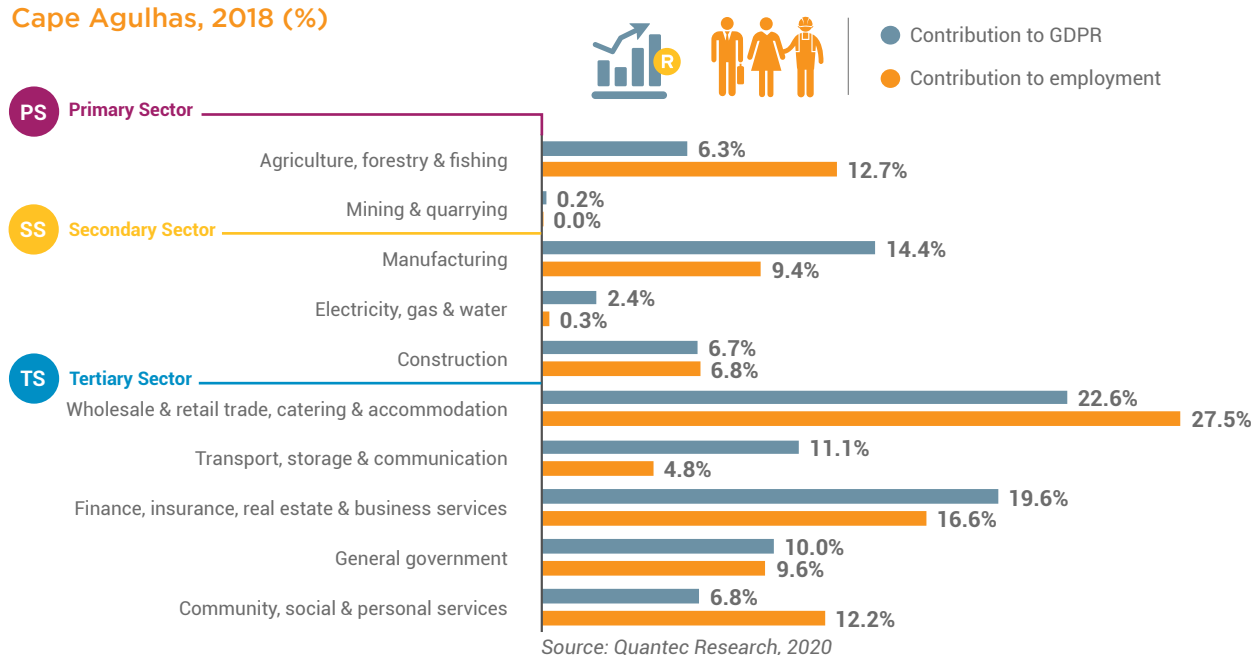
COVID-19 INFLUENCES

The economy of the Cape Agulhas municipal area is expected to contract by 7.8 per cent in 2020 as a result of the economic impact of COVID-19 on the national economy. A slight recovery of 4.7 per cent is expected in 2019, although economic activity will only recover to pre-2020 levels over the medium term.

Figure 2.9 depicts the sectoral GDP and employment contribution in the Cape Agulhas municipal area in 2018.

Figure 2.9

SECTORAL GDP AND EMPLOYMENT CONTRIBUTION, Cape Agulhas, 2018 (%)





Valued at R692.7 million, the wholesale and retail trade, catering and accommodation sector was the main driver of GDP, accounting for 22.6 per cent of the region's GDP. Other significant sources of GDP include the finance, insurance, real estate and business services sector (19.6 per cent) and the manufacturing sector (14.4 per cent). Both these sectors, as well as the transport, storage and communication sector, are predominantly capital-intensive.

In line with its contribution to GDP, the wholesale and retail trade, catering and accommodation sector was the largest source of employment, accounting for 4 462 jobs in the Cape Agulhas municipal area. This sector, as well as the agriculture, forestry and fishing sector and the community, social and personal services sector, are labour-intensive. The finance, insurance, real estate and business services sector is the second largest contributor to employment in the region, accounting for 2 683 jobs in 2018.

Table 2.3 outlines the performance of the GDPR and employment per sector in the Cape Agulhas municipal area. In line with the District's findings, the tertiary sector was the largest contributor to GDPR and employment in the Cape Agulhas municipal area.

Table 2.3

GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Cape Agulhas, 2018

 		GDPR			Employment		
SECTOR		R million value 2018	Trend 2014 – 2018	Real GDPR growth 2019e	Number of jobs 2018	Average annual change 2014 – 2018	Net change 2019e
PS	Primary Sector	R197.1	-0.9%	-8.5%	2 066	17	-13
	Agriculture, forestry & fishing	R191.8	-1.0%	-8.6%	2 060	17	-13
	Mining & quarrying	R5.2	6.9%	-4.0%	6	-	-
SS	Secondary Sector	R717.7	1.3%	-0.3%	2 683	54	-90
	Manufacturing	R440.2	1.9%	0.9%	1 529	36	5
	Electricity, gas & water	R72.3	-1.1%	-1.0%	50	0	-
	Construction	R205.2	0.6%	-3.5%	1 104	18	-95
TS	Tertiary Sector	R2 146.3	1.9%	1.4%	11 459	290	141
	Wholesale & retail trade, catering & accommodation	R692.7	1.9%	0.5%	4 462	127	80
	Transport, storage & communication	R339.1	2.8%	0.8%	776	19	35
	Finance, insurance, real estate & business services	R601.2	3.0%	3.3%	2 683	108	33
	General government	R305.8	-1.1%	-0.5%	1 563	-2	10
	Community, social & personal services	R207.6	1.6%	1.0%	1 975	39	-17
	Total Cape Agulhas	R3 061.1	1.6%	0.3%	16 208	361	38

Source: Quantec Research, 2020 (e denotes estimate)

The Cape Agulhas municipal area realised an average annual GDPR growth rate of 1.6 per cent between 2014 and 2018. The secondary and tertiary sectors experienced positive average growth rates of 1.3 per cent and 1.9 per cent respectively, but the primary sector experienced an average annual contraction of 0.9 per cent during this period. As is evident in the estimates for 2019, the municipal area experienced a significantly lower growth rate, which was mainly driven by an 8.5 per cent contraction in the primary sector. However, the wholesale and retail trade, catering and accommodation sector – the municipal area's largest source of GDPR growth and employment – performed better than the municipal average, albeit lower than the averages observed in the sector over the preceding five years. The finance, insurance, real estate and business services sector realised the highest GDPR growth rate (3.3. per cent), which is 0.3 percentage points higher than the average annual growth rate observed in the preceding five years, but created significantly fewer job opportunities compared with the preceding five years, highlighting the capital-intensive nature of the sector.

It is estimated that in 2020, most of the economic sectors in the Cape Agulhas municipal area will contract, except the agriculture, forestry and fishing sector, the community, social and personal services sector and the finance, insurance, real estate and business services sector, which are forecast to grow by 12.0 per cent, 0.7 per cent and 0.3 per cent respectively. It is estimated that the wholesale and retail trade, catering and accommodation sector will contract by 18.1 per cent in 2020, before recovering by 14.6 per cent in 2021. The municipal area is a popular tourist destination and the travel restrictions and subsequent decline in tourism are expected to have a severe negative impact on the local economy. The transport, storage and communication sector, which is also one of the leading sources of economic growth in the municipal area, is also forecast to contract by 14.4 per cent in 2020, and will only recover by 12.9 per cent in 2021.

Between 2014 and 2018, the municipal area created an average of 361 jobs per annum. Employment was mainly driven by job creation in the tertiary sector, which experienced an average annual increase of 290 jobs during this period. In conjunction with declining GDP growth, estimates for 2019 indicate that the Cape Agulhas municipal area created significantly fewer job opportunities compared with the average observed in the preceding five years. Although the tertiary sector created 141 job opportunities, the region's sluggish estimated employment growth was largely due to job-shedding in the secondary sector (90 jobs) and the primary sector (13 jobs). Job creation in the municipal area was mostly driven by the wholesale and retail trade, catering and accommodation (80 jobs); transport, storage and communication (35 jobs); and finance, insurance, real estate and business services (33 jobs) sectors. Conversely, job losses were mainly experienced in the construction (95 jobs); community, social and personal services (17 jobs); and agriculture, forestry and fishing (13 jobs) sectors.

The reduction in economic activity expected in 2020 will negatively impact job creation, which is already under pressure in the municipal area. So far, a well-known restaurant franchise in Bredasdorp has closed because of the COVID-19 lockdown, causing 20 job losses³¹. The increased financial strain on local households will limit the revenue collection by the local municipality, and ultimately have an adverse effect on the service delivery capabilities of the municipality.



POTENTIAL RISKS

One of the challenges experienced by towns such as Suiderstrand, Struisbaai, L'Agulhas and Arniston is poor regional connectivity³², which can increase the cost of doing business as a result of high transport costs. This can also be a limitation in promoting international trade. However, these towns have significant tourism potential. The southernmost tip of Africa is an internationally known tourism asset that can be capitalised on to promote the area and ensure longer stays by visitors. The town of Elim does not have the advantage of being on the coast and is largely an agriculture-based community. The town's unique heritage, fynbos setting and wine industry provide opportunities for economic development and job creation.

³¹ (Cape Agulhas Municipality, 2020).

³² (Le Roux, et al., 2019).

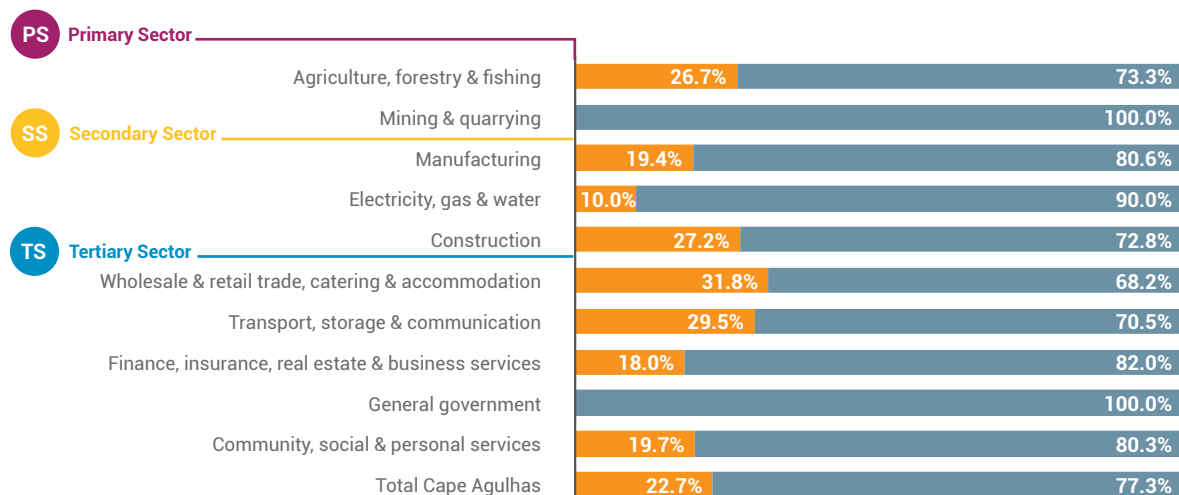
As illustrated in Figure 2.10, the Cape Agulhas municipal area consists mainly of formal employment opportunities, with informal employment accounting for only 22.7 per cent of the area's total employment, highlighting the barriers to entry and expansion that are caused by a lack of capital, entrepreneurial training and business support³³. Despite its relatively small proportion, the informal sector incorporates a diverse range of economic activities and is a valuable contributor to employment creation and poverty alleviation³⁴.

Figure 2.10

INFORMAL EMPLOYMENT DISTRIBUTION, Cape Agulhas, 2018 (%)



● Proportion informal employment
● Proportion formal employment



Source: Quantec Research, 2020



³³ (Cape Agulhas Municipality, 2020).

³⁴ (City of Cape Town, 2015).

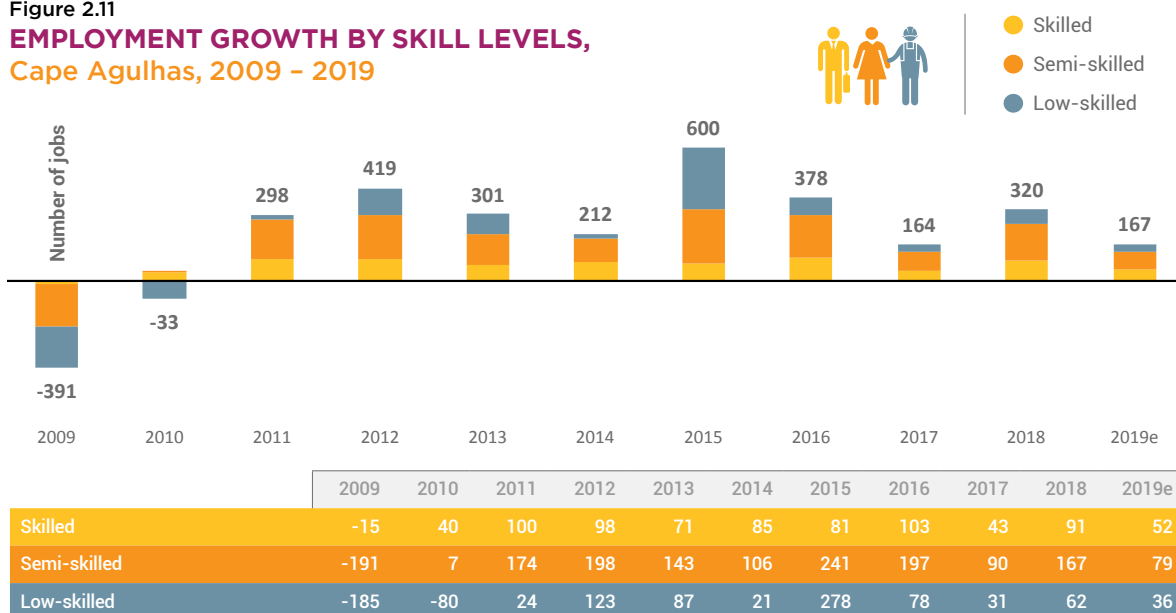
Informal employment in the Cape Agulhas municipal area is mainly concentrated in the wholesale and retail trade, catering and accommodation sector and the transport, storage and communication sector, which have an informal employment proportion of 31.8 per cent and 29.5 per cent respectively. Other notable sources of informal employment include the construction (27.2 per cent) and agriculture, forestry and fishing (26.7 per cent) sectors.

2.4.2 Skills analysis

Figure 2.11 illustrates the changes in employment by skill levels between 2009 and 2019.

Figure 2.11

EMPLOYMENT GROWTH BY SKILL LEVELS, Cape Agulhas, 2009 – 2019



Source: Quantec Research, 2020 (e denotes estimate)

The international financial crisis of 2008/09 and the countrywide load-shedding in 2009 resulted in job losses for workers across all skill levels. However, the proportion of job losses was felt more heavily by low-skilled and semi-skilled workers; during 2009 and 2010, 265 low-skilled jobs and 184 semi-skilled jobs were lost. Conversely, job opportunities for skilled workers are more resilient to economic fluctuations. Only 15 low-skilled jobs were lost during 2009, which were offset in 2010 when 40 job opportunities were created for skilled workers.

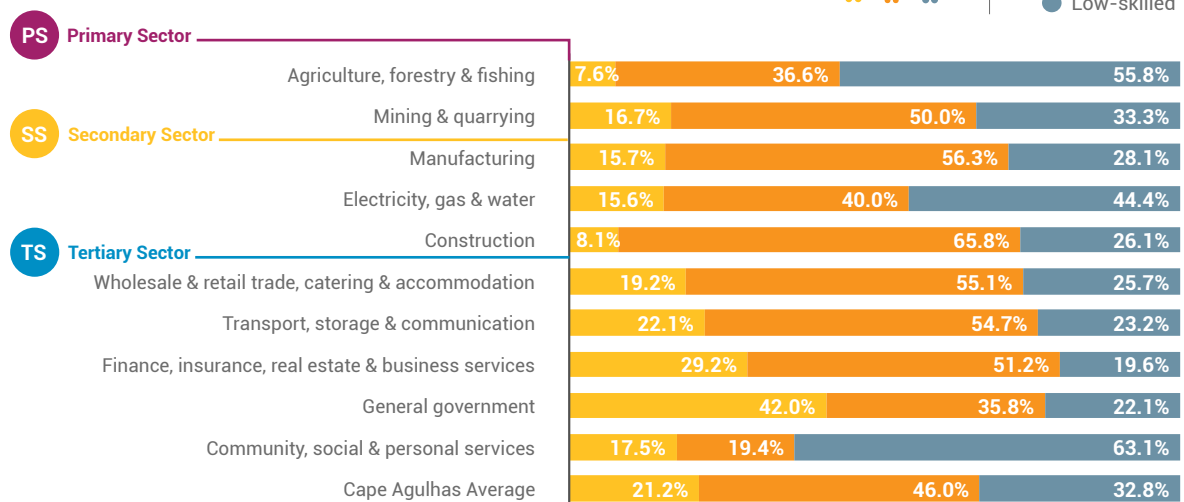
Between 2011 and 2018, there was a net increase of 2 692 job opportunities in the Cape Agulhas municipal area, 1 316 of which were semi-skilled jobs (48.9 per cent), followed by employment opportunities for low-skilled (704 jobs) and skilled (672 jobs) labour.

Even though no jobs were lost, estimates for 2019 indicate that fewer job opportunities were created across all three skill levels, with the region creating 153 fewer job opportunities than in 2018. Following the trend experienced in the preceding five years, most of the opportunities were for semi-skilled workers, with semi-skilled jobs accounting for 47.3 per cent of the formal jobs that were created in 2019.

As illustrated in Figure 2.12, formal employment in the Cape Agulhas municipal area is mainly characterised by semi-skilled labour, with 46.0 per cent of all formal workers in the region being classified as semi-skilled, followed by low-skilled labour (32.8 per cent) and skilled labour (21.2 per cent).

Figure 2.12

**SKILL LEVELS PER SECTOR,
Cape Agulhas, 2018 (%)**



Source: Quantec Research, 2020

The community, social and personal services sector and the agriculture, forestry and fishing sector have the highest concentration of low-skilled workers, with 63.1 per cent and 55.8 per cent of workers in these sectors being classified as low-skilled respectively. Conversely, the general government and finance, insurance, real estate and business services sectors mainly use skilled workers, which account for 42.0 per cent and 29.2 per cent of the workforce in these sectors respectively.

Considering the employment performance and skill levels per sector in the Cape Agulhas municipal area, the estimated job losses that were experienced in the agriculture, forestry and fishing (13 jobs) and community, social and personal services (17 jobs) sectors in 2019 mostly affected low-skilled workers.



2.5 SWELLENDAM

The Swellendam municipal area is the largest municipal area in the OD in terms of geographical spread, covering 3 835 square kilometres. However, the municipal area has the smallest economy in the OD. The town of Swellendam is the area's main economic hub but there are also smaller towns and settlements that provide services to the local agricultural industry in the area, including Barrydale, Stormsvlei, Rheenendal, Rietkuil, Infanta, Malagas, Suurbraak, Buffeljagsrivier and Ouplaas³⁵. The municipal area is well connected with the N2 and regional routes such as the R324, R60 and R62, a well-known tourist route, traversing the area³⁶.





2.5.1 GDPR and employment performance

The Swellendam municipal area's economy was valued at R2.7 billion (current prices) in 2018 and employed 17 804 people. As illustrated in Diagram 2.4, estimates for 2019 indicate that GDPR increased by 0.7 per cent to R2.8 billion and the economy created 61 additional jobs.

Diagram 2.4

GDPR (CURRENT PRICES) AND EMPLOYMENT Swellendam, 2018 and 2019e

		2018		2019e
GDPR		R2.7 BILLION	↑ 0.7% GROWTH	R2.8 BILLION
JOBS		17 804	↑ 61 GROWTH	17 865

Source: Quantec Research, 2020 (e denotes estimate)

³⁵ (Swellendam Municipality, 2017).

³⁶ (Swellendam Municipality, 2019).



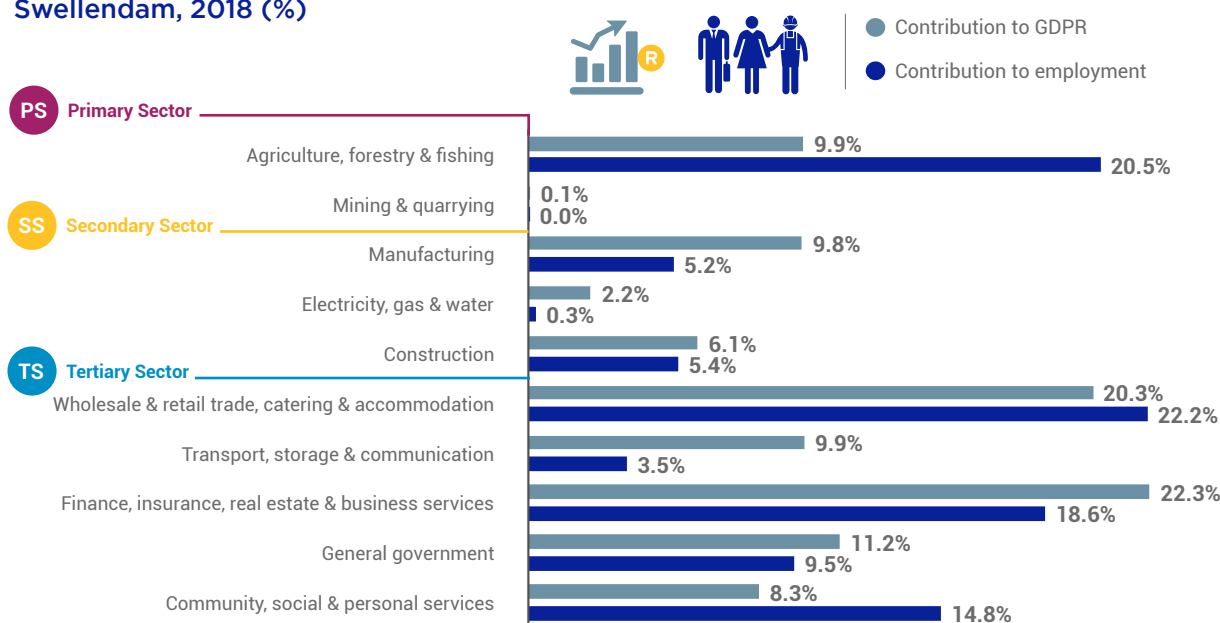
COVID-19 INFLUENCES

As a result of the lockdown restrictions imposed to curb the spread of COVID-19, it is expected that the economy of the Swellendam municipal area will contract by 4.1 per cent in 2020 and recover in 2021 with a forecast growth of 4.3 per cent.

Figure 2.13 provides a breakdown of the sectoral contribution to employment and GDP in the Swellendam municipal area in 2018.

Figure 2.13

SECTORAL GDP AND EMPLOYMENT CONTRIBUTION, Swellendam, 2018 (%)



Source: Quantec Research, 2020


The finance, insurance, real estate and business services sector and the wholesale and retail trade, catering and accommodation sector were the main sources of GDP, accounting for 22.3 per cent and 20.3 per cent respectively of the area's total GDP. The latter is also the predominant source of employment in the Swellendam municipal area, accounting for 22.2 per cent of the area's total employment.

The agriculture, forestry and fishing sector is the second largest source of employment, contributing 20.5 per cent to employment but only 9.9 per cent to GDP, indicating that this sector is highly labour-intensive. The community, social and personal services sector is also labour-intensive. Conversely, the municipal area's capital-intensive sectors include the manufacturing; transport, storage and communication; and finance, insurance, real estate and business services sectors.

Table 2.4 provides a more detailed overview of sectoral contributions to GDP and employment in the Swellendam municipal area.

Table 2.4

GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Swellendam, 2018

		GDPR			Employment		
SECTOR		R million value 2018	Trend 2014 – 2018	Real GDP growth 2019e	Number of jobs 2018	Average annual change 2014 – 2018	Net change 2019e
PS	Primary Sector	R263.8	-1.1%	-10.1%	3 657	16	-41
	Agriculture, forestry & fishing	R262.3	-1.1%	-10.1%	3 654	16	-41
	Mining & quarrying	R1.4	0.9%	-3.2%	3	-	-
SS	Secondary Sector	R482.5	2.5%	-0.4%	1 927	60	-70
	Manufacturing	R261.2	3.6%	1.1%	926	27	2
	Electricity, gas & water	R59.6	-3.3%	-4.8%	46	-0	-2
	Construction	R161.7	2.6%	-2.2%	955	33	-70
TS	Tertiary Sector	R1 913.0	3.2%	2.6%	12 220	382	172
	Wholesale & retail trade, catering & accommodation	R538.7	2.6%	1.1%	3 955	129	100
	Transport, storage & communication	R263.4	2.5%	0.6%	627	13	25
	Finance, insurance, real estate & business services	R593.3	4.9%	4.7%	3 304	160	53
	General government	R297.7	1.4%	1.8%	1 696	29	37
	Community, social & personal services	R219.9	2.6%	1.8%	2 638	51	-43
Total Swellendam		R2 659.2	2.5%	0.7%	17 804	458	61

Source: Quantec Research, 2020 (e denotes estimate)

The Swellendam municipal area realised an average GDPR growth rate of 2.5 per cent between 2014 and 2018. The tertiary sector had the highest average growth rate (3.2 per cent), which was 0.7 percentage points higher than the municipal average, followed by the secondary sector, which realised an average growth rate of 2.5 per cent. The main drivers of economic growth during this period include the finance, insurance, real estate and business services (4.9 per cent) and manufacturing (3.6 per cent) sectors. The construction; wholesale and retail trade, catering and accommodation; and community, social and personal services sectors also made significant contributions to the municipal area's GDPR growth (2.6 per cent each). Conversely, the primary sector's GDPR contracted by an average of 1.1 per cent per annum during the same period.

Estimates for 2019 indicate that this trend persisted – the municipal area's reduced economic growth can largely be attributed to the 10.1 per cent contraction in the agriculture, forestry and fishing sector. The finance, insurance, real estate and business services sector continued to be the main driver of GDPR growth in the municipal area, realising an estimated GDPR growth rate of 4.7 per cent, which was 4.0 percentage points higher than the municipal average.

The restrictions on economic activity in 2020 owing to the lockdown regulations imposed as a result of COVID-19 are expected to have a significant negative impact on most sectors in the municipal area. However, the agriculture, forestry and fishing; finance, insurance, real estate and business services; general government; and community, social and personal services sectors are still expected to show positive growth. The expected contractions in the wholesale and retail trade, catering and accommodation sector (17.0 per cent) and the manufacturing sector (13.0 per cent) will dampen overall economic activity in the municipal area.

In terms of employment, the Swellendam municipal area created an average of 458 jobs per annum between 2014 and 2018. Employment creation was mainly driven by the tertiary sector, which experienced an average annual increase of 382 jobs during this period, followed by the secondary sector (60 jobs) and the primary sector (16 jobs). Estimates for 2019 indicate that the wholesale and retail trade, catering and accommodation sector remained the main source of employment in the municipal area, creating 100 job opportunities despite the sector's reduced GDP growth rate. Other key sources of employment include the finance, insurance, real estate and business services sector (53 jobs), albeit with significantly fewer jobs than the average observed in the preceding five years, and the general government sector (37 jobs). Conversely, job-shedding was mainly experienced in the agriculture, forestry and fishing (41 jobs) and construction (70 jobs) sectors.

The declining economic performance expected in 2020 will probably result in job losses in the municipal area, whether temporary or permanent, which will reduce income-earning capabilities. In addition, the increase in the unemployment rate will result in a decline in household incomes and an increase in demand for government support.



POTENTIAL RISKS

In the Swellendam municipal area, the towns of Buffeljagsrivier and Suurbraak have been identified as economically vulnerable towns³⁷. Buffeljagsrivier is mainly an agricultural community and this dependence makes the local economy vulnerable to volatility in the sector. Suurbraak, while also dependent on agricultural activities, has a rich history and the heritage assets of the town can be used to promote tourist activities³⁸.

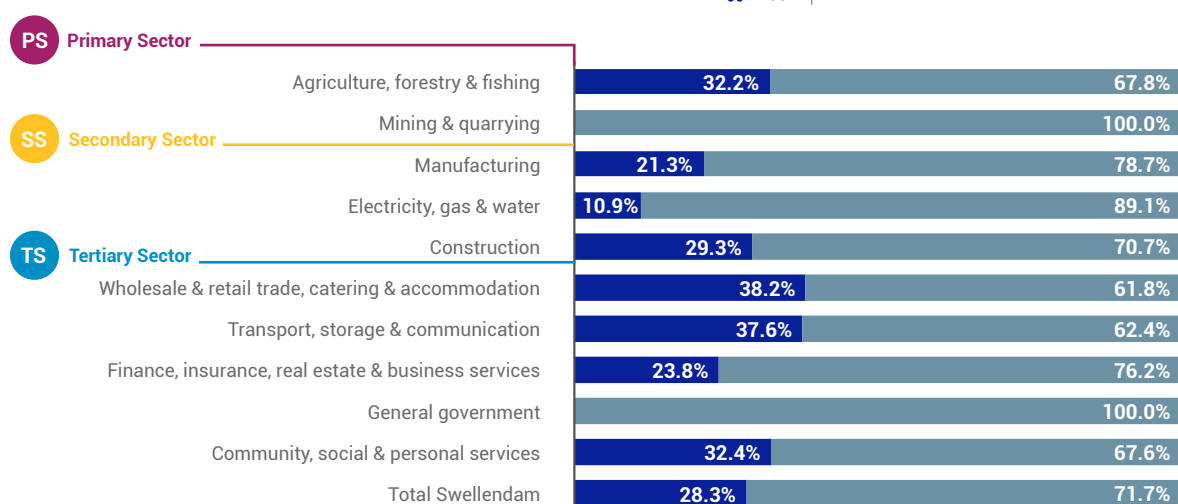
³⁷ (Le Roux, et al., 2019).

³⁸ (Swellendam Municipality, 2020).

Figure 2.14 depicts the sectoral informal employment distribution in the Swellendam municipal area in 2018. The municipal area mainly comprises formal employment (71.7 per cent), but also provides informal employment opportunities for 28.3 per cent of people employed in the municipal area.

Figure 2.14

INFORMAL EMPLOYMENT DISTRIBUTION, Swellendam, 2018 (%)



Source: Quantec Research, 2020

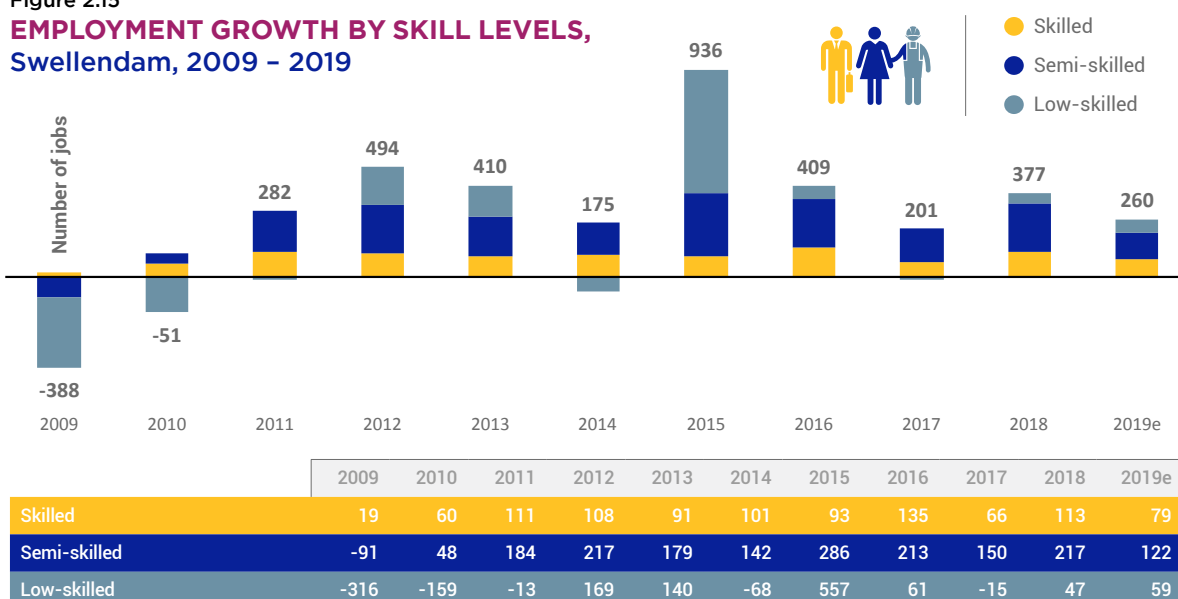
The two sectors with the largest proportion of informal employment were the wholesale and retail trade, catering and accommodation sector and the transport, storage and communication sector, with informal employment accounting for 38.2 per cent and 37.6 per cent of the sector's workers respectively. Other notable sources of informal employment include the community, social and personal services sector (28.3 per cent) and the agriculture, forestry and fishing sector (32.2 per cent).

2.5.2 Skills analysis

Figure 2.15 represents an analysis of the spread of skills over employment changes between 2009 and 2019.

Figure 2.15

EMPLOYMENT GROWTH BY SKILL LEVELS, Swellendam, 2009 – 2019



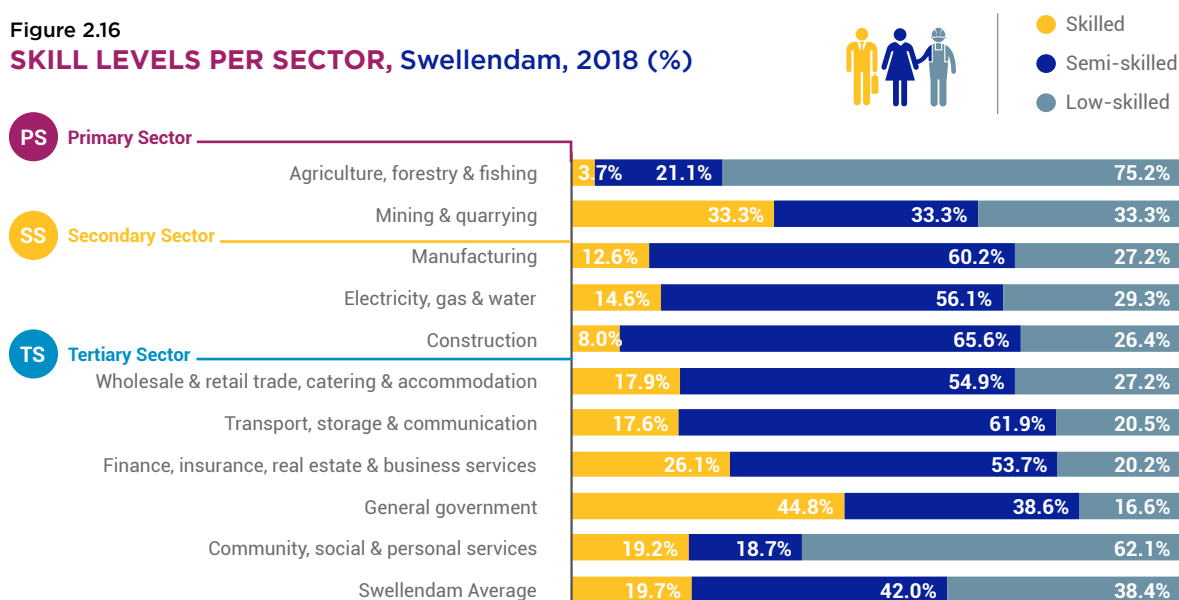
Source: Quantec Research, 2020 (e denotes estimate)

The Swellendam municipal area shed 439 jobs during the economic downturn in 2009 and 2010. Low-skilled workers were adversely impacted during this period, as low-skilled labour experienced a decline of 475 jobs. The 91 semi-skilled jobs that were lost in 2009 were offset by 2011. Low-skilled labour was the only skill level that experienced job-shedding after 2010, with job losses in 2011, 2014 and 2017. Conversely, the level of skilled workers remained relatively constant during the period under review, even during the period of economic turmoil, with no job-shedding experienced. This is an indication that employment of this nature is especially resilient to economic fluctuations. Estimates for 2019 indicate that 122 job opportunities were created for semi-skilled workers, followed by 79 skilled jobs. Although low-skilled labour accounted for the smallest proportion of new job opportunities in 2019, there was a slight improvement, as 12 more jobs were created compared with 2018.

Figure 2.16 provides a sectoral overview of the skill levels of the formally employed people in the Swellendam municipal area. On average, the municipal area is mainly characterised by semi-skilled labour (42.0 per cent), followed by low-skilled labour (38.4 per cent) and skilled labour (19.7 per cent).

Figure 2.16

SKILL LEVELS PER SECTOR, Swellendam, 2018 (%)



Source: Quantec Research, 2020

There are only three sectors in the Swellendam municipal area that are not predominantly categorised by semi-skilled labour. The agriculture, forestry and fishing sector and the community, social and personal services sector mainly use low-skilled labour, which account for 75.2 per cent and 62.1 per cent of the sectors' employees respectively, while the general government sector is mainly categorised by skilled labour (44.8 per cent).

Considering the changes in employment and the skills structure of the economy, skilled workers – the smallest proportion of the municipal area's formal employees – experienced the most consistent employment growth and resilience between 2009 and 2019. Conversely, low-skilled workers, who account for 38.4 per cent of formal sector employees, experienced periodic job losses and only experienced a net increase of 462 job opportunities between 2009 and 2019, compared with the net increase of 976 jobs for skilled workers during the same period.

2.6 CONCLUDING REMARKS

Across municipal areas in the OD, the tertiary sector was the largest contributor to GDP and employment in 2018. More specifically, the wholesale and retail trade, catering and accommodation sector and the finance, insurance, real estate and business services sector are the main drivers of economic growth across municipal areas. The wholesale and retail trade, catering and accommodation sector is the largest source of employment in the Overstrand, Cape Agulhas and Swellendam municipal areas. Conversely, the agriculture, forestry and fishing sector is the main source of employment in the Theewaterskloof municipal area, accounting for 28.5 per cent of the area's employment.

The OD is characterised by the three labour-intensive sectors, namely the agriculture, forestry and fishing; wholesale and retail trade, catering and accommodation; and community, social and personal services sectors. Conversely, the capital-intensive sectors include the manufacturing; transport, storage and communication; and finance, insurance, real estate and business services sectors.

However, estimates for 2019 indicate that the municipal areas experienced significantly lower GDP growth rates and created significantly fewer job opportunities compared with the average observed in the preceding five years, with the Overstrand municipal area shedding 298 jobs. The District's sluggish performance was mainly due to contractions and job losses in the primary and secondary sectors. Across all municipal areas, the agriculture, forestry and fishing sector experienced the largest contraction in GDP growth and job losses. The construction sector and community, social and personal services sector also experienced significant job losses. Although the finance, insurance, real estate and business services sector remained a predominant driver of GDP growth, it was mainly categorised by jobless growth. Barring the Theewaterskloof municipal area, employment opportunities in the municipal areas in the OD are mainly categorised by semi-skilled labour. The high proportion of low-skilled labour in the Theewaterskloof municipal area is mainly attributed to the agriculture, forestry and fishing sector and the community, social and personal services sector. Historical trends indicate that skilled labour is more resilient to economic fluctuations, whereas low-skilled and semi-skilled labour experienced substantial losses during this period.



3

TRADE, TOURISM AND INVESTMENT

3.1 INTRODUCTION

District and local economies in the OD are not solely influenced by the spending of local households but also by local and international cross-border trade of goods and services, domestic and international tourists who visit the various towns and attractions in the OD, 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.

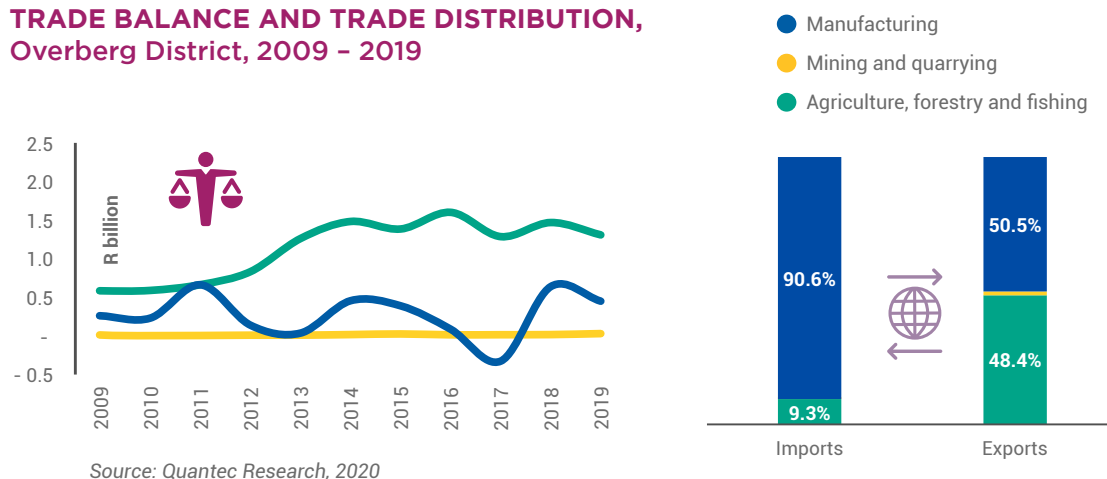
This section explores trade, tourism and investment dynamics at a district level and analyses the comparative advantages of the various economic sectors within the District to identify growth opportunities and potential risks in the OD.

3.2 INTERNATIONAL TRADE

Figure 3.1 illustrates the trade balance of the OD between 2009 and 2019, as well as the sectoral distribution of the District's imports and exports in 2018.

Figure 3.1

TRADE BALANCE AND TRADE DISTRIBUTION, Overberg District, 2009 – 2019



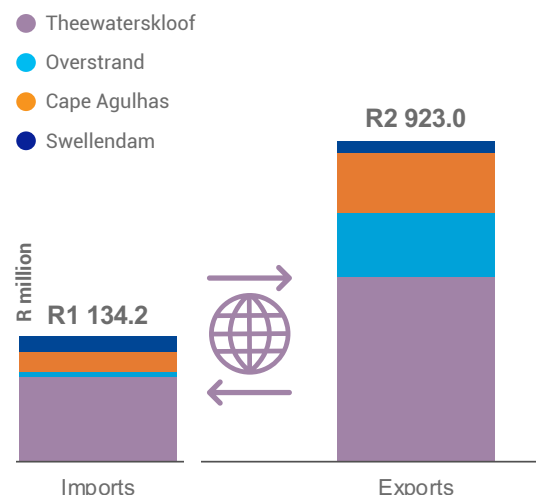
Barring some periodic fluctuations, especially in 2017, the OD's trade balance realised a long-term upward trend between 2009 and 2019, and maintained a trade surplus for all the years during the period under review. The District's positive trade balance was mainly driven by the agriculture, forestry and fishing sector. The manufacturing sector's trade deficit of R326.5 million in 2017 was the only deficit experienced in the OD during the period under review.

In 2019, the OD exported goods to the value of R2.9 billion and imported goods to the value of R1.1 billion, resulting in a trade surplus of R1.8 billion. The trade surplus registered in 2019 was R335.6 million lower than in 2018. The decline in the District's trade balance was mainly attributed to the agriculture, forestry and fishing sector – the sector's exports declined by R138.6 million and imports increased by R21.3 million. This is in line with estimates for 2019 that indicate that the OD's agriculture, forestry and fishing sector contracted by 9.1 per cent, probably because of the lingering effects of the drought and destructive fires.





In terms of sectoral trade distribution, imports into the OD are dominated by the manufacturing sector, accounting for 90.6 per cent of total imports, followed by imports from the agriculture, forestry and fishing sector (9.3 per cent). These two sectors are also the largest sources of exports, albeit more evenly spread, accounting for 50.5 per cent and 48.4 per cent respectively of the District's exports. This confirms the District's specialisation in the agricultural sector, as indicated by the high location quotient – signifying that the sector is "serving needs beyond the border, exporting goods and services to other regions or provinces". It also points to a comparative advantage in some of the District's manufacturing capabilities, which enables value-added exports instead of only relying on the exportation of raw materials.

Figure 3.2 illustrates the trade dynamics of each of the municipal areas in the OD by depicting the import and export contribution per municipal area.

Figure 3.2
IMPORTS AND EXPORTS
PER MUNICIPAL AREA,
Overberg District, 2019



Source: Quantec Research, 2020

			
Apples, Pears & Quinces	Molluscs	Armoured vehicles	Fruit
Top Exported Products			
Theewaterskloof			R million
Apples, pears & quinces			539.3
Original sculptures			313.5
Apricots, cherries, peaches, plums & sloes			153.1
Overstrand			R million
Molluscs			214.4
Crustaceans			146.0
Wine			72.5
Cape Agulhas			R million
Tanks and other armoured fighting vehicles			179.8
Antiques			123.5
Foliage, branches and other parts of plants			70.6
Swellendam			R million
Fruit			50.1
Sunflower-seed, safflower or cotton-seed oil			27.8
Yachts and other vessels for pleasure or sports; rowing boats and canoes			10.5

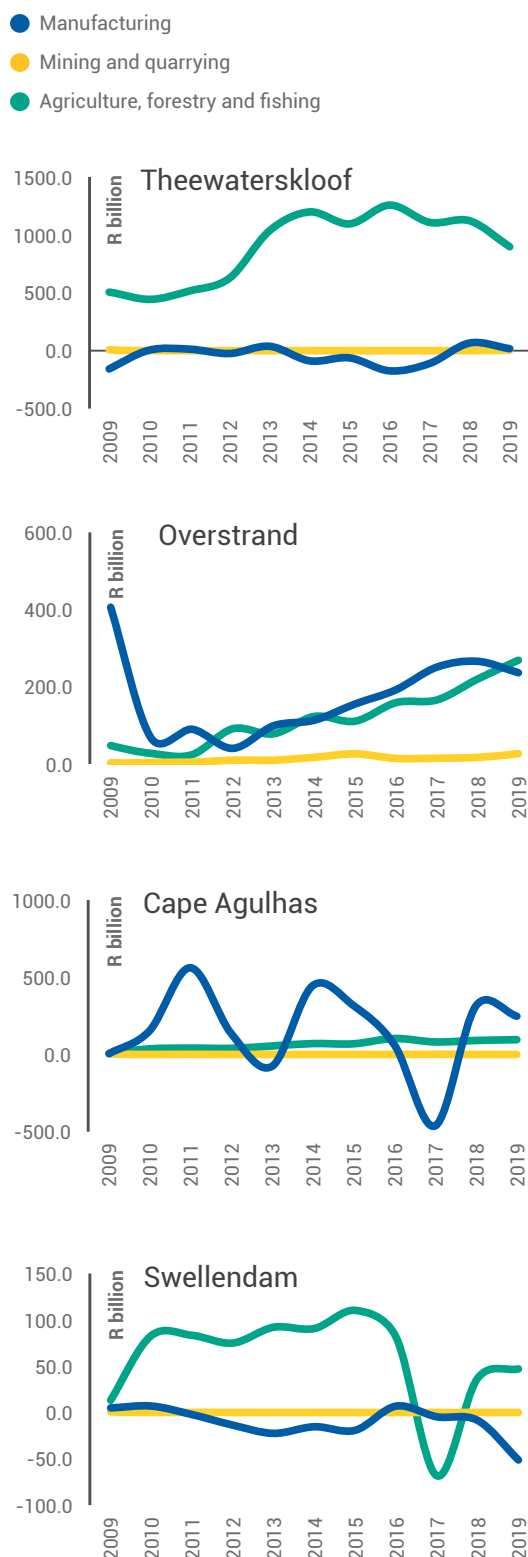
The Theewaterskloof municipal area, the largest economy in the OD, was the predominant source of international trade, accounting for 68.1 per cent of the District's total imports and 57.8 per cent of total exports. The Overstrand and Cape Agulhas municipal areas are also important drivers of exports, accounting for 19.8 per cent and 18.2 per cent respectively of the District's exports in 2019.

The Theewaterskloof, Overstrand and Cape Agulhas municipal areas had a trade surplus in 2019, as the value of these areas' exports significantly exceeded the value of imports. However, the Swellendam municipal area recorded a trade deficit, which was mainly attributed to the manufacturing sector's increased trade deficit.



Figure 3.3. illustrates the trade balance of each municipal area between 2009 and 2019.

Figure 3.3
TRADE BALANCE PER
MUNICIPAL AREA,
Overberg District, 2019



Source: Quantec Research, 2020

The Theewaterskloof municipal area maintained a trade surplus between 2009 and 2019, which was mainly driven by the positive trade balance experienced in the agriculture, forestry and fishing sector. The municipal area gradually recovered from the 2008/09 financial crisis and the countrywide load-shedding in 2009, and maintained a consistent trade surplus between 2013 and 2017. The municipal area's increased trade surplus in 2018 was short-lived, as the trade balance declined by R270.0 million from R1.2 billion in 2018 to R917.4 million in 2019. In terms of sectoral contribution, the agriculture, forestry and fishing sector accounted for 58.8 per cent of the municipal area's exports and 12.4 per cent of imports in 2019, while the manufacturing sector accounted for 41.0 per cent of exports and 87.5 per cent of imports.

All the sectors in the Overstrand municipal area experienced a trade surplus during the period under review. The municipal area experienced a significant decline in its trade balance in 2010, but the trade surplus has grown year on year since then, from R118.8 million in 2011 to R532.0 million in 2019. Between 2009 and 2011, the area's trade surplus was mainly driven by the manufacturing sector, which realised an average composition of 77.9 per cent of the area's trade balance during this period. However, in 2012, the agriculture, forestry and fishing sector was the largest contributor, accounting for 64.5 per cent of the Overstrand municipal area's trade balance. Since then, there has been an even distribution among these sectors.

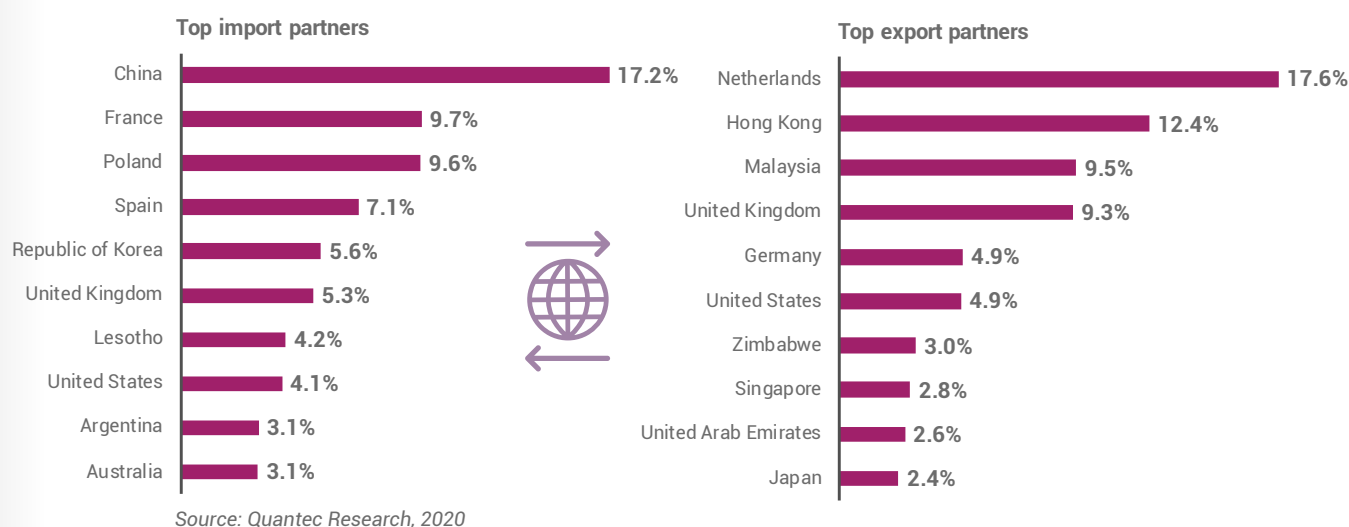
The trade balance of the Cape Agulhas municipal area is mainly driven by manufacturing exports, which have been volatile during the period under review, this is evident from the trade surplus of R603.1 million in 2011 and trade deficit of R380.6 million in 2017. The trade balance from the agriculture, forestry and fishing sector has been consistently positive, albeit

relatively small, compared with that of the manufacturing sector. In 2019, the municipal area realised a trade surplus of R343.7 million, which is R62.1 million less than in 2018. In terms of sectoral contribution, the manufacturing sector accounted for 81.7 per cent of the area's exports and 99.2 per cent of imports in 2019.

The Swellendam municipal area maintained a relatively constant trade surplus between 2010 and 2016, which was mainly driven by a positive trade balance in the agriculture, forestry and fishing sector. This is in contrast with the manufacturing sector's trade deficits between 2011 and 2015. However, in 2017, the agriculture, forestry and fishing sector recorded a deficit of R68.3 million, resulting in the municipal area's trade deficit of R72.9 million. The Swellendam municipal area's positive trade balance in 2018 was short-lived, as the area recorded a trade deficit of R4.3 million in 2019, which was mainly attributed to the manufacturing sector's deficit of R51.3 million. Positively, the agriculture, forestry and fishing sector's trade surplus increased by R10.2 million from R36.8 million in 2018 to R47.0 million in 2019.

Figure 3.4 illustrates the OD's top 10 trading partners in 2019.

Figure 3.4
TOP 10 TRADING PARTNERS, Overberg District, 2019



China was the OD's leading import partner in 2019, accounting for 17.2 per cent of the District's total imports. Imports from China were valued at R195.1 million and mainly comprised fruit and vegetable juices; knotted netting of twine, cordage or rope; and iron oxides and hydroxides. France and Poland are also important trading partners, accounting for 9.7 per cent and 9.6 per cent of total imports respectively.

In terms of exports, the Netherlands was the OD's predominant export market, accounting for 17.6 per cent of the OD's total exports. Exports to the Netherlands were valued at R513.8 million and mainly comprised original sculptures and statuary; and citrus fruit, apricots, cherries, peaches (including nectarines), plums and sloes. Hong Kong (12.4 per cent), Malaysia (9.5 per cent) and the United Kingdom (9.3 per cent) are also valuable export destinations.

As illustrated in Table 3.1, the OD's imports originate from several countries, and barring the slight concentration in the top two imported products, are distributed across a diverse range of products.



IMPORTS

Table 3.1
MAIN IMPORT PRODUCTS,
Overberg District, 2019

PRODUCT	R million 2019	% share	Main trading partners
Fruit and vegetable juices	160.2	14.1%	China, Argentina, Germany
Tanks and other armoured fighting vehicles	109.2	9.6%	Poland, Sweden, Finland
Colouring matter; inorganic products of a kind used as luminophores, whether or not chemically defined	46.6	4.1%	Colombia, Spain, China
Unclassified	45.0	4.0%	Republic of Korea
Harvesting or threshing machinery	40.2	3.5%	France, Canada, Netherlands
Barley	38.3	3.4%	France
Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % vol.	36.4	3.2%	Australia, Spain
Video game consoles and machines, articles for funfair, table or parlour games, including pin tables, billiards, special tables for casino games and automatic bowling alley equipment	31.3	2.8%	Spain, United Kingdom, Republic of Korea
Sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not refined, but not chemically modified	28.4	2.5%	Ukraine
Fish, fresh or chilled	27.1	2.4%	Lesotho
Total imports	1 134.2		

Source: Quantec Research, 2020

The OD mainly imported fruit and vegetable juices valued at R160.2 million. This import accounted for 14.1 per cent of the District's total imports and was mostly sourced from China, Argentina and Germany. Tanks and other armoured fighting vehicles sourced from Poland, Sweden and Finland were another dominant import, accounting for 9.6 per cent of the District's total imports. This is a valuable import for the South African National Defence Force (SANDF) air base and the Denel Overberg Test Range, which are both in Bredasdorp.

As illustrated in Table 3.2, exports from the OD are mainly driven by the agriculture, forestry and fishing sector.



EXPORTS

Table 3.2
MAIN EXPORT PRODUCTS,
Overberg District, 2019

PRODUCT	R million 2019	% share	Main trading partners
Apples, pears and quinces, fresh	539.3	18.5%	United Kingdom, Malaysia, Bangladesh
Original sculptures and statuary, in any material	314.5	10.8%	Netherlands, Germany, United States
Molluscs, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine	288.0	9.9%	Hong Kong, Taiwan, Singapore
Wine of fresh grapes	223.7	7.7%	United Kingdom, Germany, United States
Tanks and other armoured fighting vehicles	179.8	6.2%	Malaysia, Turkey
Crustaceans, molluscs and other aquatic invertebrates, prepared or preserved	165.0	5.6%	Hong Kong
Apricots, cherries, peaches (including nectarines), plums and sloes, fresh	153.1	5.2%	Netherlands, United Arab Emirates, Spain
Citrus fruit, fresh or dried	136.5	4.7%	Netherlands, United Arab Emirates, China
Antiques of an age exceeding one hundred years	123.5	4.2%	Unclassified
Foliage, branches and other parts of plants	81.3	2.8%	Germany, Netherlands
Total exports	2 923.0		

Source: Quantec Research, 2020

The District mainly exported fresh apples, pears and quinces, accounting for 18.5 per cent of the OD's total exports, predominantly to the United Kingdom, Malaysia and Bangladesh. The Villiersdorp/Vyeboom region is the third largest apple-production area (4 181 hectares) in South Africa and the fifth largest pear-production area (1 245 hectares)³⁹. Original sculptures and statuary were also exported to the Netherlands, Germany and the United States, accounting for 10.8 per cent of the District's total exports. This was followed by molluscs (9.9 per cent) and wine of fresh grapes (7.7 per cent). The OD mainly exports crustaceans, molluscs and other aquatic invertebrates to Hong Kong, which has been negatively affected by the protest action in that country⁴⁰.

³⁹ (Hortgro, 2020).

⁴⁰ (Abagold, 2019).

3.3 TOURISM PERFORMANCE⁴¹

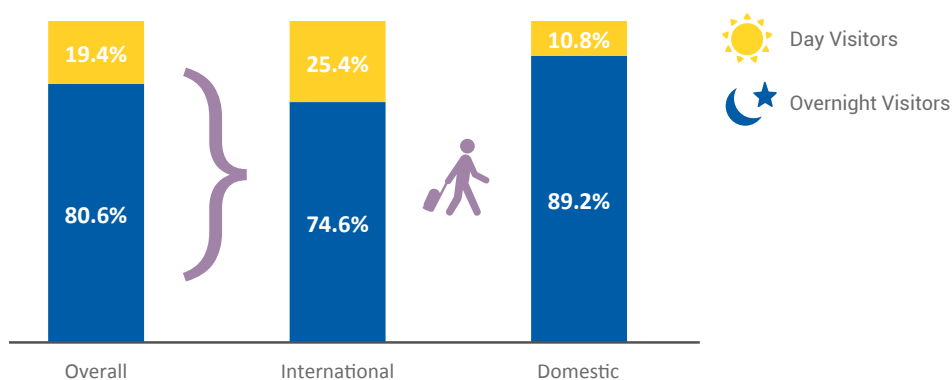
The OD provides the perfect mix of scenic beauty, natural attractions, architectural gems and an abundance of attractions and tourism activities. Each town offers a unique experience and caters for a variety of different tastes in activities, cuisine, entertainment and accommodation. The most popular activities for visitors in the OD – especially in the Cape Whale Coast⁴², which is known as an adventure destination – include whale watching, hiking, mountain biking and other adventure activities (such as shark-cage diving, ziplining and horse riding).

The tourism sector is not a stand-alone economic sector, as tourists demand goods and services from a variety of sectors, such as travel and transport services, accommodation, restaurant services, general shopping and fuel. However, the catering and accommodation sector is often used to determine at least a portion of the size of the tourism industry in an area. The catering and accommodation services sector in the OD contributed 1.3 per cent to the OD's total GDP in 2018 and employed 4 772 people, accounting for 3.6 per cent of the District's total employment.

3.3.1 Visitor trends

The OD is a preferred holiday destination for both international (58.9 per cent) and domestic (41.1 per cent) tourists. The domestic and international travel bans as a result of COVID-19 will therefore have a severe impact on the local tourism industry in the OD. The tourism industry is highly reliant on international tourists, who often spend more than domestic tourists. International travel bans will thus have a negative impact on the sustainability of many local tourism businesses in the OD. Figure 3.5 illustrates the spread of day and overnight visitors for both international and domestic tourists.

Figure 3.5
OVERNIGHT VS. DAY VISITORS, Overberg District, 2019



Source: Wesgro, 2020

It is evident from Figure 3.5 that the region had more overnight stays than day visits in 2019, which means more money was spent on formal accommodation. Its proximity to the Cape Metro area makes the OD a popular destination for weekend trips. Promoting overnight stays will have a positive impact on the local economy, as overnight visitors typically spend more than day visitors.

⁴¹ The Regional Visitor Trends reports published by Wesgro were used to report on regional tourism performance. It is important to note that the regional visitor tracking surveys can only be used as a proxy to indicate the key trends within the region owing to the survey collection method and sample size. Therefore, the information reported on cannot be seen as absolute figures. Furthermore, the information cannot be compared with other regions, nor with the information released by South African Tourism. It is also not advisable to compare year-on-year information, as the sample sizes are not comparable.

⁴² Kleinmond, Hermanus, Stanford and Gansbaai.

Figure 3.6 indicates the nationality of international visitors to the OD in 2019.

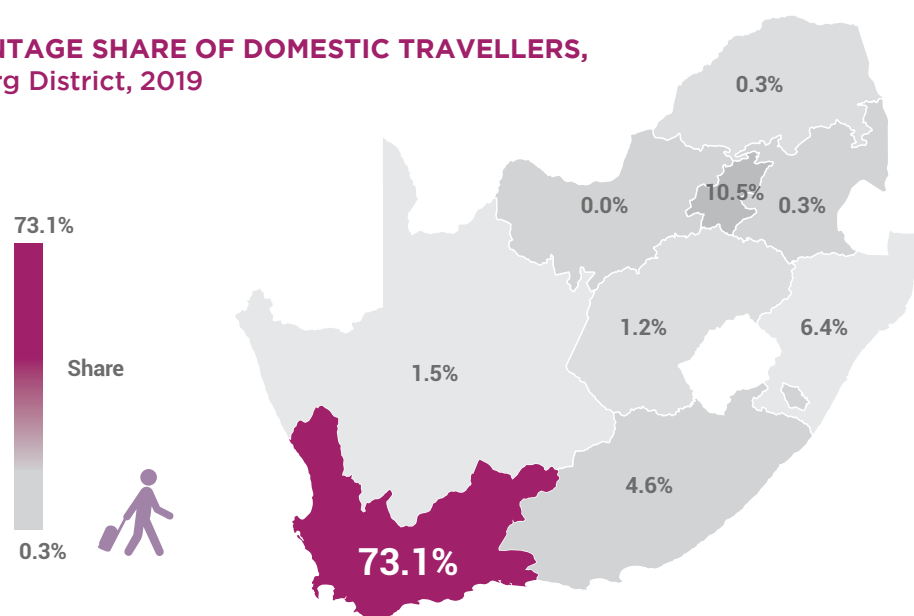
Figure 3.6
PERCENTAGE SHARE OF INTERNATIONAL TRAVELLERS,
Overberg District, 2019



The region attracts a diverse mix of international visitors, as seen in Figure 3.6, with the United Kingdom (33.0 per cent) and German (30.7 per cent) markets representing the largest portion of the overseas market. Some of the emerging markets that are unique to the region include the African, Asian and Middle Eastern markets⁴³. This expresses the demand for the unique offerings of the OD, such as the combination of shopping, natural scenery and wildlife, as well as entertainment and fine-dining experiences.

The OD attracts domestic tourists from around South Africa. The origin of domestic tourists is illustrated in Map 3.1.

Map 3.1
PERCENTAGE SHARE OF DOMESTIC TRAVELLERS,
Overberg District, 2019



Source: Wesgro, 2020

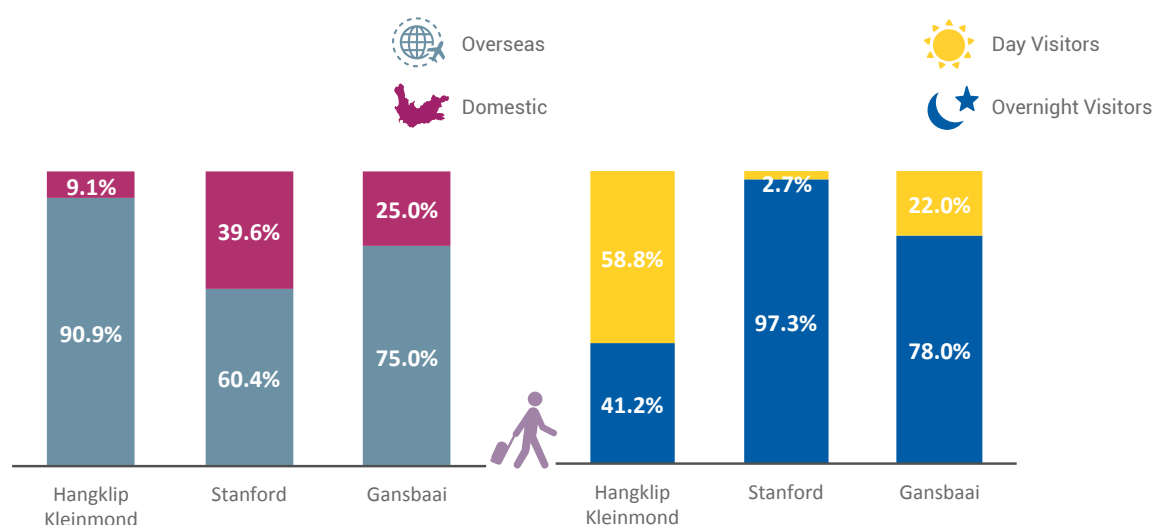
Note: 2.2 per cent of responses were unspecified.

⁴³ (Wesgro, 2019).

Approximately 73.1 per cent of domestic visitors to the region are from the Western Cape, followed by 10.5 per cent from Gauteng and 6.4 per cent from KwaZulu-Natal. The OD is also quite attractive to neighbouring provinces, with visitors from the Eastern Cape making up 4.6 per cent and the Northern Cape making up 1.5 per cent. In the light of COVID-19 and the recovery of the tourism sector, domestic demand is expected to recover faster than international demand and the OD should therefore look at opportunities for targeting the domestic markets in particular (e.g. special-cost packages, midweek specials and targeting nature and adventure visitors).

Figure 3.7 illustrates the spread of visitors in terms of origin and length of stay in three of the popular tourist towns in the OD, namely Hangklip-Kleinmond, Stanford and Gansbaai.

Figure 3.7
REGIONAL TOWNS VISITOR TRENDS,
Overberg District, 2019



Source: Wesgro, 2020

All three of the depicted towns received more overseas visitors in comparison with the domestic front. Hangklip-Kleinmond is a very popular destination, with 90.9 per cent of its visitors originating from overseas, while places such as Stanford and Gansbaai receive a larger number of domestic tourists. Looking at the overnight stays versus day visitors, Stanford and Gansbaai both receive more overnight visitors, whereas Hangklip-Kleinmond receives more day visitors.



3.3.2 Visitor profile

As illustrated in Figure 3.8, the OD is primarily seen as a leisure destination, with 82.7 per cent of visitors travelling to the area for this purpose. Only a small percentage is attributed to visiting friends or relatives (VFR) (6.8 per cent), business (4.4 per cent) and events (3.9 per cent).

Figure 3.8
MAIN PURPOSE OF VISIT,
Overberg District, 2019

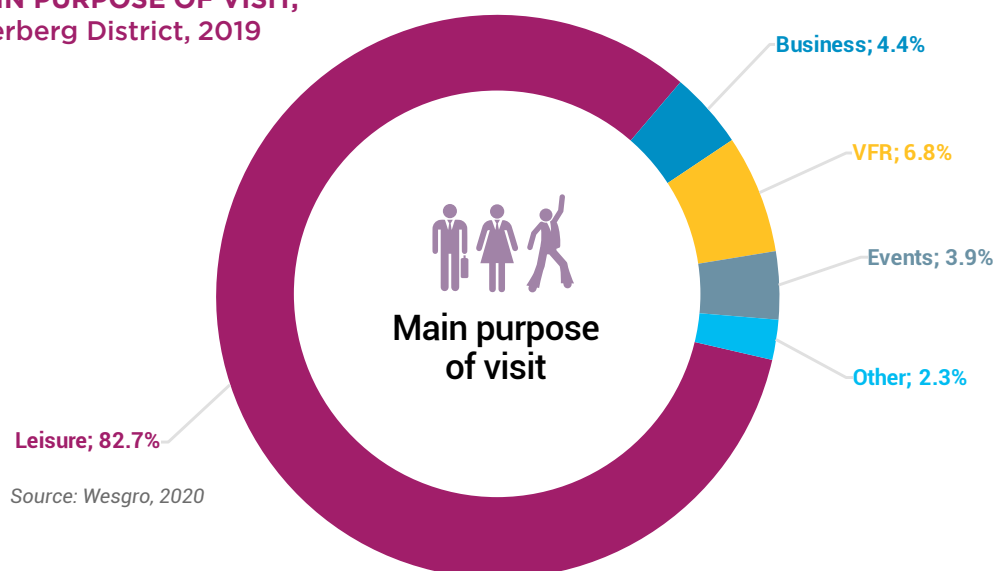
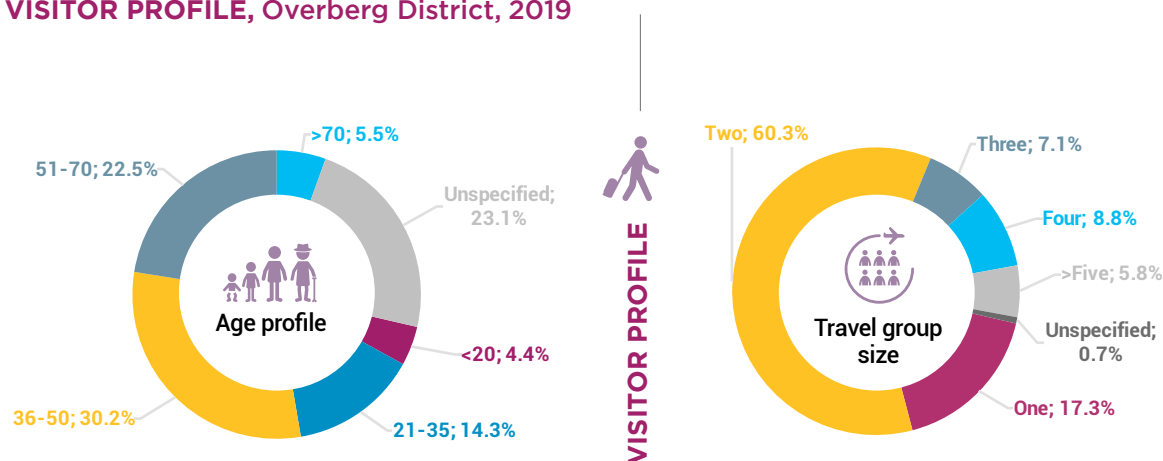


Figure 3.9 illustrates the age profile and travel group size of visitors to the OD in 2019.

Figure 3.9
VISITOR PROFILE, Overberg District, 2019



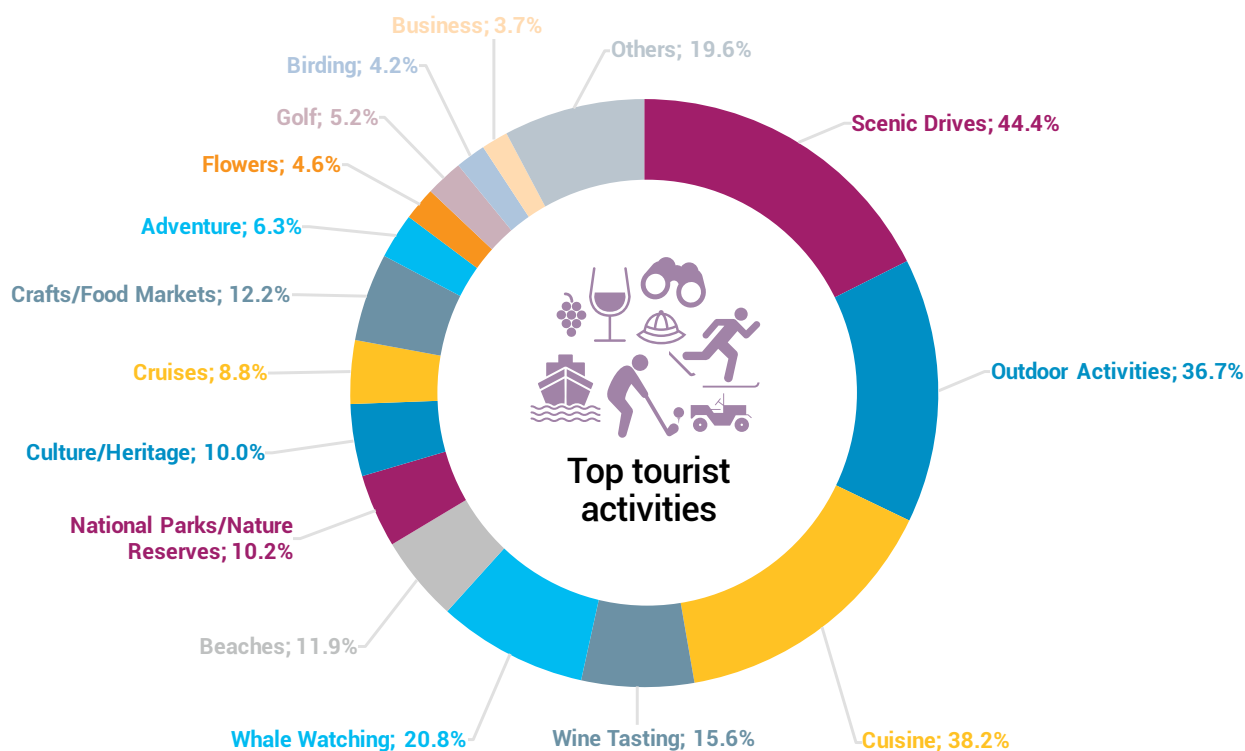
Visitors to this area visit mainly in groups of two or more, with 60.3 per cent travelling in pairs, followed by groups of four at 8.8 per cent and groups of three at 7.1 per cent. This indicates the value leisure tourism holds and the need visitors have to experience the area with loved ones or in social groups. Furthermore, the majority of visitors are 36 to 50 years old (30.2 per cent) or early retirement age (22.5 per cent). Visitors who are in the 50- to 70-year-old age group typically have larger spending power and more flexible schedules to experience the region. (Targeting these markets can help to alleviate the challenges associated with seasonality.) An opportunity exists in product packaging to cater for the slightly older markets with more soft-adventure activities, e.g. hiking, nature walks, camping, bird watching, safaris, kayaking, canoeing etc.

3.3.3 Activities

Figure 3.10 illustrates the top activities undertaken by visitors in the OD in 2019.

Figure 3.10

TOP TOURIST ACTIVITIES, Overberg District, 2019



Source: Wesgro, 2020



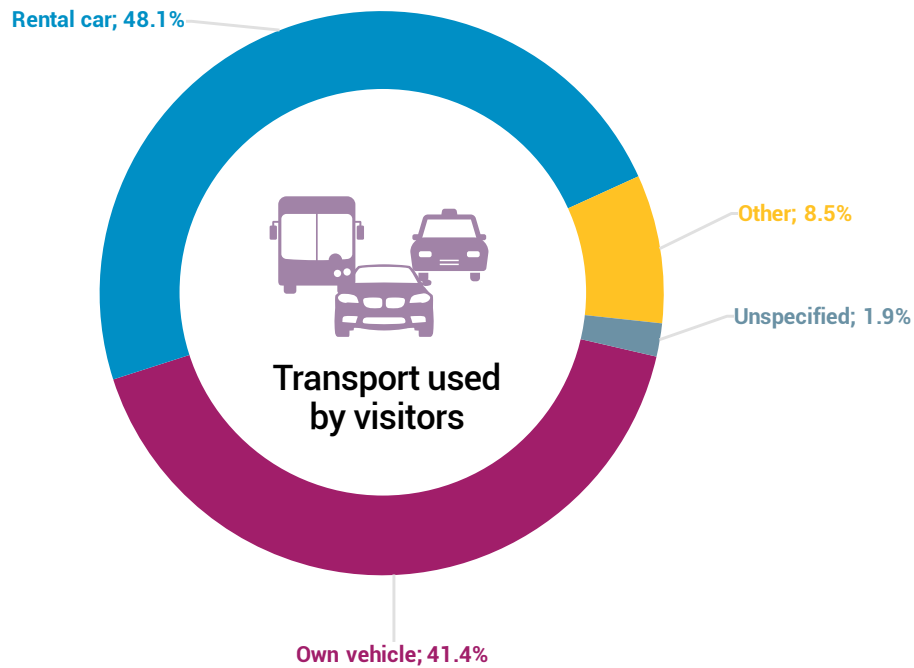
The most popular activity by far is scenic drives at 44.4 per cent, followed by other secondary activities such as cuisine (38.2 per cent), outdoor activities (36.7 per cent), whale watching (20.8 per cent) and wine tasting (15.6 per cent). Visitors also take part in other recreational activities such as culture and heritage, cruises and golf. Outdoor experiences, scenic drives and game viewing are provided at the various nature reserves in the region (e.g. De Mond Nature Reserve, De Hoop Nature Reserve, Fernkloof Nature Reserve and Phillippskop Mountain Reserve). The OD has a very active events calendar, ensuring that both locals and

visitors have ample choice in country and craft markets, and other themed festivals (e.g. food and wine) that showcase local talent and provide the opportunity to purchase local products and fresh produce. The OD can look at developing themed routes throughout the region that link similar products with one another, e.g. food and wine or culture and history.

Figure 3.11 shows the mode of transport used by visitors to travel to and within the OD.

Figure 3.11

MODE OF TRANSPORT USED BY VISITORS, Overberg District, 2019



Source: Wesgro, 2020

The main mode of transport is rental cars at 48.1 per cent. The majority of international visitors use rental cars, whereas domestic visitors use their own vehicle to travel in the region. A very small percentage of visitors use other modes of transport such as metered taxis and tour buses, which shows a gap in the market for itinerary-based activities. This also indicates the independence of travellers to the region, who mostly make use of their own transport. With this in mind, the navigational and supporting services environment along all main tourist routes must be up to standard to ensure the safety and satisfaction of these experienced travellers (i.e. good-quality roads, effective signage and tourist amenities such as food and beverage purchases).



3.3.4 Visitor spend

As illustrated in Figure 3.12, both international and domestic visitors spend on average between R501 and R1 000 daily in the OD, with 20.2 per cent spending between R201 and R500.

Figure 3.13 depicts the average length of stay of visitors to the OD in 2019.

Figure 3.12
AVERAGE DAILY
EXPENDITURE BY VISITORS,
Overberg District, 2019

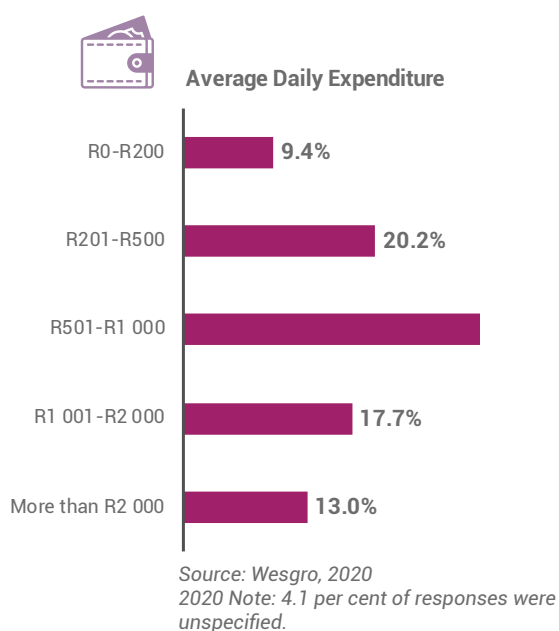
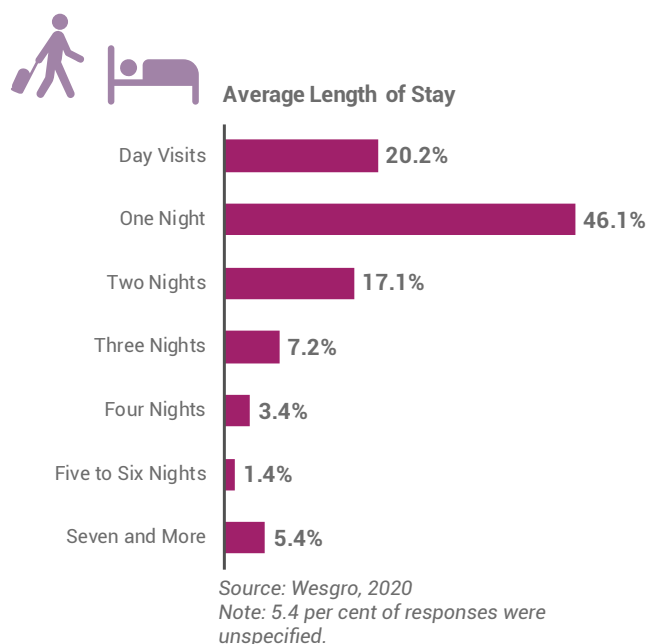


Figure 3.13
AVERAGE LENGTH OF
STAY BY VISITORS,
Overberg District, 2019



The majority of visitors to the OD only spend one night (46.1 per cent), indicating that the region is most likely a secondary destination in their planned itinerary, e.g. travelling the Garden Route. There is an opportunity to promote longer stays in the region, such as targeting the domestic market with affordable product packages (targeting families, couples and hikers/cyclists).



3.4 GROWTH OPPORTUNITIES AND RISKS

The purpose of this section is to analyse the comparative advantage of the various economic sectors within the OD by exploring the historic growth of the respective sectors to identify growth opportunities as well as potential risks for the district economy. The section will further explore sector linkages for the identified opportunities through a network analysis to potentially maximise trade potential.


3.4.1 Comparative advantage

A location quotient is used to determine the level of specialisation in the different economic sectors of the OD. The location quotient is a ratio between two economies – in this case, the provincial 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 of the classification and interpretation of the location quotient. A location quotient of more than one indicates that a comparative advantage exists in this local economy compared with the provincial economy, whereas a location quotient of less than one indicates that the representation of this industry is weaker in the local economy than in the provincial economy⁴⁴. Furthermore, a location quotient of one indicates that the representation of the industry in the local economy is the same as its representation in the Province.

Table 3.3

LOCATION QUOTIENT INTERPRETATION, Overberg District, 2018

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, 2020

It is important to note that, as a tool, a location quotient does not consider external factors such as government policies, investment incentives, proximity to markets, etc., which can influence the comparative advantage of an area in a particular sector. Furthermore, the size of the location quotient does not necessarily indicate whether the sector is small or large in the local economy, nor does it indicate the value of importance, but it indicates the relative importance of the local economy to the provincial economy.

⁴⁴ (Fennig and DaCosta, 2010).

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

Table 3.4

**LOCATION QUOTIENT IN TERMS
OF GDPR AND EMPLOYMENT,
Overberg District, 2018**



SECTOR		In terms of GDPR	In terms of Employment
PS	Primary Sector		
	Agriculture, forestry & fishing	2.7	2.1
	Mining & quarrying	0.4	0.3
SS	Secondary Sector		
	Manufacturing	0.9	0.8
	Electricity, gas & water	0.9	0.8
	Construction	1.3	1.1
TS	Tertiary Sector		
	Wholesale & retail trade, catering & accommodation	1.1	1.0
	Transport, storage & communication	1.0	0.9
	Finance, insurance, real estate & business services	0.8	0.9
	General government	0.8	0.7
	Community, social & personal services	1.0	0.9

Source: Quantec Research, 2020

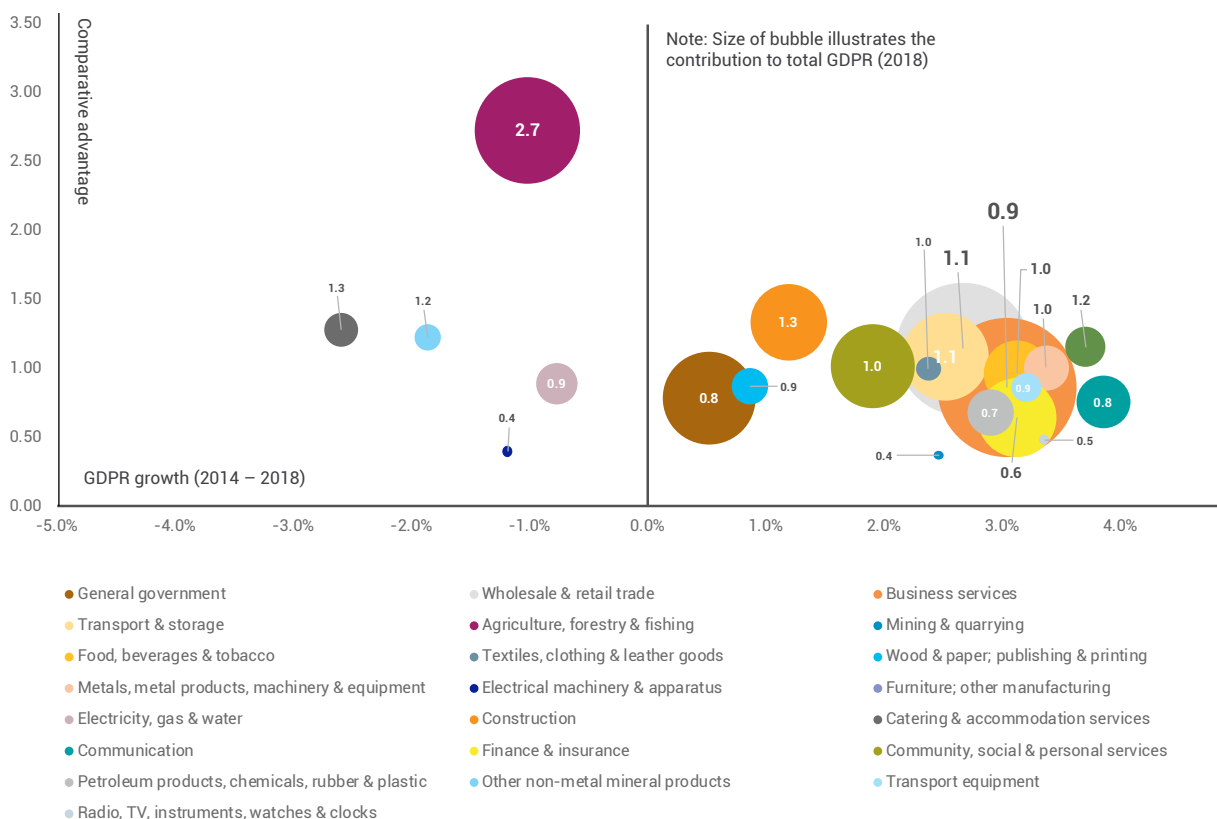
In terms of GDPR, the OD has two sectors with a high location quotient – the agriculture, forestry and fishing (2.7) and construction (1.3) sectors – and seven sectors with a medium classification, of which the following three sectors have a location quotient of at least one: wholesale and retail trade, catering and accommodation; transport, storage and communication; and community, social and personal services. This indicates that the OD has a comparative advantage in these sectors relative to the sectoral performances in other districts in the Western Cape. There may, therefore, be an opportunity to take advantage of these sectors to enhance GDPR in the OD.

In terms of employment, the OD has one sector with a high location quotient – agriculture, forestry and fishing (2.1) – and seven sectors with a medium classification, of which the following two sectors have a location quotient of at least one: construction (1.1) and wholesale and retail trade, catering and accommodation (1.0). This indicates that these sectors have a higher than average concentration of workers than the Western Cape. Conversely, the mining and quarrying sector has a low location quotient in terms of GDPR and employment, which is probably associated with the lack of mineral resources in the OD.

Figure 3.14 illustrates the comparative advantage and the sectoral GDPR growth in the OD.

Figure 3.14

COMPARATIVE ADVANTAGE AND SECTORAL GDPR GROWTH, Overberg District, 2018



Source: Quantec Research, 2020

Opportunities are identified in sectors that have above-average GDPR growth (1.8 per cent) and a medium to high comparative advantage. Table 3.5 outlines the sectors in the OD that have opportunities for development.

Table 3.5

SECTORS WITH DEVELOPMENT OPPORTUNITIES, Overberg District, 2018

SECTOR	R million value 2018	GDPR trend 2014 – 2018	Number of jobs 2018	Average annual change in employment 2014 – 2018	Average gross fixed capital formation growth 2014 – 2018
Food, beverages & tobacco	R1 057.5	3.1%	2 646	92	0.8%
Textiles, clothing & leather goods	R106.4	2.4%	1 002	23	0.2%
Metals, metal products, machinery & equipment	R365.3	3.4%	1 889	33	3.8%
Furniture; other manufacturing	R312.6	3.7%	796	11	3.6%
Wholesale & retail trade	R3 762.4	2.7%	25 943	777	4.8%
Transport & storage	R1 901.9	2.5%	4 588	142	1.2%
Construction	R1 476.8	1.2%	9 022	206	0.1%

Source: Quantec Research, 2020

Food, beverages and tobacco

The agro-processing industry, as represented by the food, beverages and tobacco sector, contributed R1.1 billion to the economy of the OD and employed 2 646 people. This sector grew at an average annual rate of 3.1 per cent between 2014 and 2018. The food, beverages and tobacco sector has a location quotient of 1.0, indicating a medium comparative advantage. The OD has a variety of agro-processing activities, including wine-making and juice-making, dairy production, honeybush-tea processing and abalone processing. The sector is, however, largely dependent on the output from the agriculture, forestry and fishing sector, which has been performing poorly in recent years. The numerous agricultural activities of the District give the area a comparative advantage in agro-processing because investing in these activities will enhance job creation, either direct or indirect, as it will strengthen the local agricultural sector value chain. Access to markets, skills, infrastructure and technology are often constraining factors for emerging and small-scale processors.

Transport and storage

The transport and storage sector contributed R3.8 billion to the economy of the OD in 2018 and employed 4 588 people. With a location quotient of 1.1, the strong economic performance of this sector indicates that there are opportunities for growing this sector in the OD. The sector is a valuable role player in the agriculture sector value chain in the District. Many of the commodities produced in the area are transported nationwide, as well as exported. The availability of cold-chain facilities, as well as well-maintained road infrastructure, are some of the key aspects that will strengthen this sector. However, rising fuel costs have constrained the industry in recent years.

Construction

With a location quotient of 1.3, the OD has a high comparative advantage in the construction sector, but this sector has experienced below-average growth over the last five years and is estimated to have contracted by 3.2 per cent in 2019. Furthermore, despite creating an average of 206 jobs annually, it is estimated that this sector shed 780 jobs in 2019, mainly in the Theewaterskloof and Overstrand municipal areas. The poor performance of this sector can be attributed to the overall decline in economic performance and the challenges this sector faced nationally in 2019. However, by creating an enabling environment by ensuring the approval of building plans occurs within the specified timeframes, as well as ensuring the allocated budget for government sector infrastructure projects is spent, the sector can be boosted.

Other sectors

The wholesale and retail trade, transport and storage opportunities, as well as the comparative advantage in smaller manufacturing sectors, such as textiles, clothing and leather goods and metals, metal products, machinery and equipment, emphasise the need for an enabling environment for such investment in the business centres of the District. Furthermore, these activities will rely on well-functioning, easily accessible industrial spaces, as well as good infrastructure for logistical purposes. However, the Theewaterskloof, Cape Agulhas and Swellendam municipal areas identified infrastructure-related challenges as one of the biggest constraints the municipal areas faced when it came to promoting economic growth in 2019⁴⁵.

⁴⁵ (Theewaterskloof Municipality, 2020; Cape Agulhas Municipality, 2020; Swellendam Municipality, 2020).

3.4.2 Risks

Risks are identified in industries where there is a medium to high comparative advantage but poor growth. Table 3.6 outlines the sectors in the OD that have risks.

Table 3.6
SECTORS WITH RISKS,
Overberg District, 2018

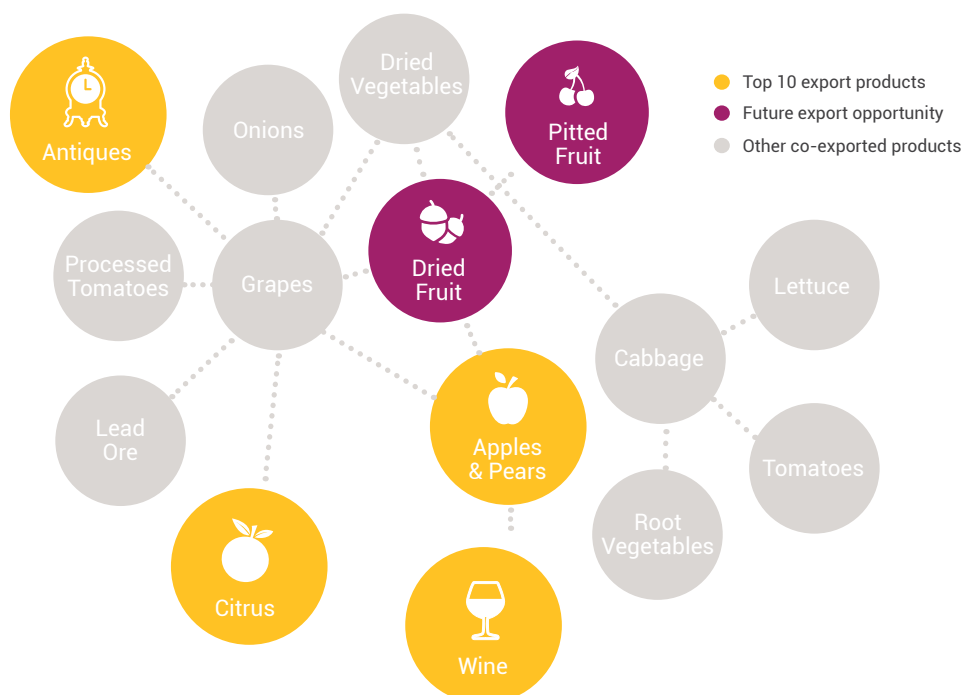
SECTOR	R million value 2018	GDPR trend 2014 – 2018	Number of jobs 2018	Average annual change in employment 2014 – 2018	Average gross fixed capital formation growth 2014 – 2018
Agriculture, forestry & fishing	R2 036.4	-1.0%	27 884	102	-4.9%
Catering & accommodation services	R274.3	-2.6%	4 772	178	0.5%

Source: Quantec Research, 2020

Agriculture, forestry and fishing

The agriculture, forestry and fishing sector has a location quotient of 2.7, indicating that the OD has a high comparative advantage in this sector. The poor performance of the agriculture, forestry and fishing sector, which is a result of external factors, can thus impact on future investment opportunities within the OD, as seen from the sectors where opportunities have been identified. The poor performance of this sector will also influence the export capabilities of the District, as the majority of exports are apples, pears and quinces. Wine and citrus fruit are also some of the District's main export products, constituting 7.7 per cent and 4.7 per cent of the value of exports respectively. Crustaceans, molluscs and other aquatic invertebrates also make up 5.6 per cent of the value of exports. Additional opportunities for promoting exports from the OD can be highlighted by analysing products that are likely to be co-exported.

Diagram 3.1
CO-EXPORTS POTENTIAL, Overberg District, 2018



Source: Extracted from the Observatory of Economic Complexity (OEC), 2020

The products that are linked to the main exports for the OD (apples, pears and quinces) are mainly other agricultural products, particularly pitted fruit and a variety of vegetables. Processed products include processed tomatoes and dried fruit that relate to the agro-processing sector in the manufacturing industry. The OD is not a large producer of vegetables but does have approximately 1 182.4 hectares of stone fruit, as well as 14 340.5 hectares of pome fruit (apples and pears)⁴⁶. In conjunction with exporting fresh apples and pears, there is thus an opportunity for exporting dried apples and pears, as well as other fruit.

Catering and accommodation

The catering and accommodation sector, which captures a large portion of tourism activities, is an important sector in terms of job creation, but has been performing poorly over the last five years, despite the high comparative advantage indicated by the location quotient of 1.1 – therefore requiring intervention. Despite the poor performance of the sector, the OD has a large number of tourism assets, particularly nature, adventure and wine tourism, which can be capitalised for unlocking future investment. One of the main challenges, however, remains seasonality, as seaside towns mainly attract large volumes of visitors during school holidays.

Tourists are increasingly choosing to visit and support destinations that adopt ecofriendly and sustainable approaches to tourism development. The OD is already very popular for its natural landscapes and nature-based activities, but there is opportunity to enhance its support for and awareness of environmental protection and conservation and to minimise its carbon footprint.

3.4.3 Investments

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

3.4.3.1 Building plans passed and completed

Building plans passed and completed are some of the indicators that are used to measure economic activity and business cycle changes. The value of building plans passed⁴⁷ can be used as a leading indicator, while building plans completed⁴⁸ 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 building 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.

Statistics South Africa's published information on building plans passed and completed in the OD is only available for the Overstrand municipal area. As part of the MERO municipal perception survey, the Theewaterskloof Municipality indicated that the number of residential building plans passed increased by 92 in 2019, while the number of building plans passed for industrial buildings remained unchanged⁴⁹. The Cape Agulhas Municipality indicated that the value and/or number of building plans passed in 2019 increased for residential and industrial buildings but declined for office and retail buildings⁵⁰. Barring office building plans, which remained relatively unchanged in 2019, the Swellendam Municipality reported the same trends as in the Cape Agulhas municipal area⁵¹.

⁴⁶ (WCDOA, 2018).

⁴⁷ Number of residential building plans passed for buildings larger than 80 m².

⁴⁸ Value of non-residential buildings completed (constant prices).

⁴⁹ (Theewaterskloof Municipality, 2020).

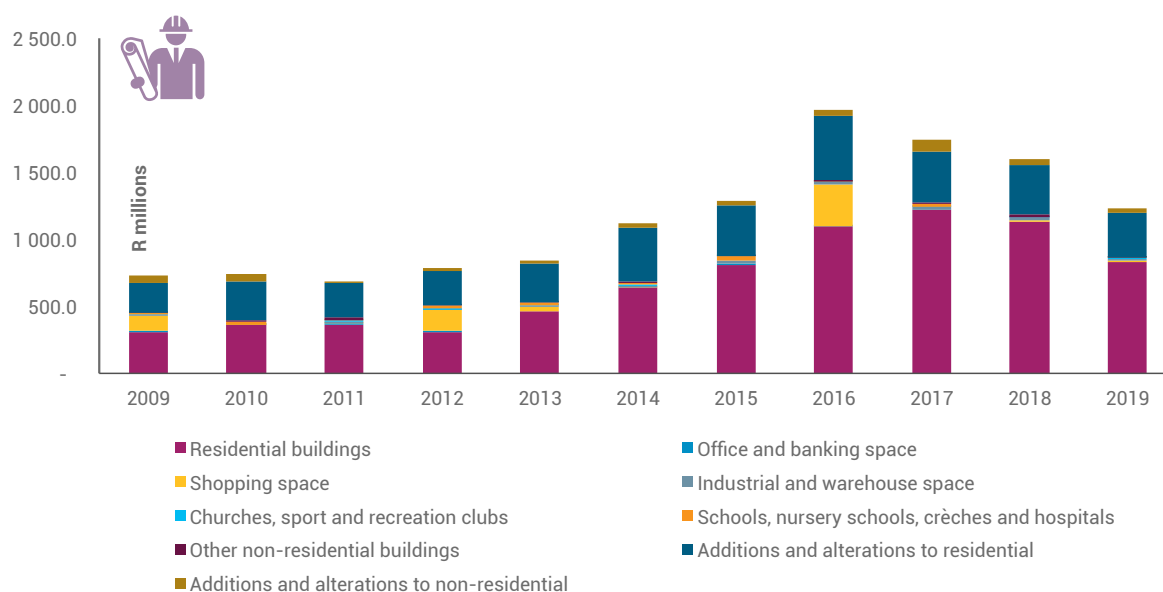
⁵⁰ (Cape Agulhas Municipality, 2020).

⁵¹ (Swellendam Municipality, 2020).

As illustrated in Figure 3.15, building plans that have been passed in the Overstrand municipal area between 2009 and 2019 are mainly for residential buildings, followed by additions and alterations to residential buildings. Despite its relatively small contribution, additions and alterations to non-residential buildings, as well as industrial and warehouse space, have consistently contributed towards the number of building plans that have been passed in the municipal area during the period under review.

Figure 3.15

VALUE OF BUILDING PLANS PASSED, Overstrand, 2009 – 2019 (R million)



Source: Stats SA & Quantec Research, 2020

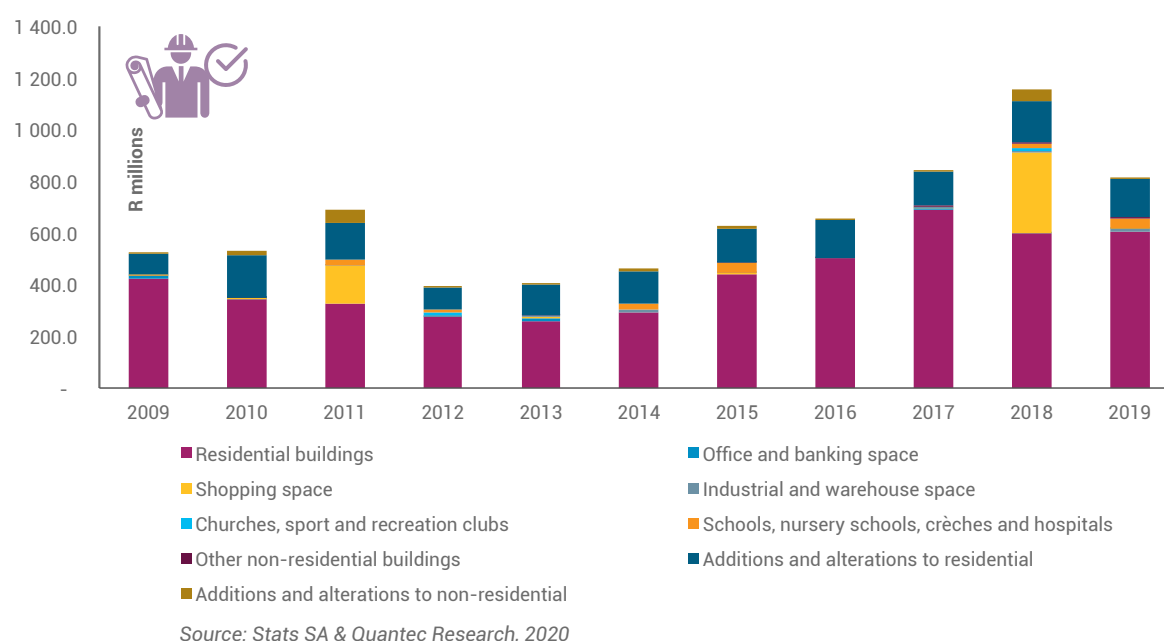


The value of building plans passed in the Overstrand municipal area declined by R374.9 million from R1.6 billion in 2018 to R1.2 billion in 2019. The reduction in the value of building plans passed for residential buildings is likely an indication of reduced purchasing power of households. Positively, there was an increase in the value of building plans passed for churches, sports and recreation clubs, and schools, nursery schools, crèches and hospitals, indicating continued public sector investment in the area.

It should be noted that, while the value of building plans is indicative of demand, a more reliable means of establishing the ability of people within the economy to finance the completion of these buildings is by assessing the value of completed buildings, which is provided in Figure 3.16. Unlike the value of building plans passed, which consistently declined between 2016 and 2019, the value of building plans completed in the Overstrand Municipal area consistently increased between 2016 and 2018, albeit declining in 2019.

Figure 3.16

VALUE OF BUILDING PLANS COMPLETED, Overstrand, 2009 – 2019 (R million)



In line with the trend that has been observed in the value of building plans passed in the Overstrand municipal area between 2009 and 2019, the completion of building plans in the municipal area is mainly driven by residential buildings, followed by additions and alterations to residential buildings. Noticeably, there was a significant increase in the value of building plans completed for shopping space in 2018, valued at R315.8 million.

The value of building plans completed in the Overstrand municipal area declined by R338.0 million from R1.2 billion in 2018 to R815.5 million in 2019. This is evident in the estimated 5.5 per cent contraction experienced in the construction sector's real GDP growth rate in 2019. Unlike the trends observed in the value of building plans passed, there was an increase in the value of building plans completed for residential buildings, and industrial and warehouse space.

3.4.3.2 Sectoral investments and business expansions

This subsection provides an overview of sectoral investments and business expansions in the OD in 2018 and 2019, especially new investments from prominent local companies.

Rising energy costs and the need for more sustainable energy sources are motivating local businesses to invest in renewable energy projects, particularly in the agriculture, forestry and fishing sector. Sea Harvest obtained approval to complete the wind farm at Buffeljags Abalone Farm⁵², Romansbaai Farm installed a hydro turbine in its effluent line, and a solar system was installed at Atlantic Abalone⁵³. In addition, Wesgro's Agribusiness Investment Unit realised

⁵² (Cape Business News, 2019).

⁵³ (The Fish Site, 2018).

a committed investment project of R179.2 billion with HIK Abalone Farm, which created 132 job opportunities during the 2018/19 financial year⁵⁴.

Devco Developments has announced the phased approach to a new mixed-used development in Struisbaai; The Admiral Beach Hotel & Apartments will consist of the southernmost Protea Hotel by Marriott, apartments and a commercial business park⁵⁵.

In terms of wholesale and retail trade, OK Foods created approximately 100 additional job opportunities with the opening of its new store in Overstrand in 2019, and Food Lover's Market added 40 new positions when it relocated to larger premises at the Whale Coast Mall in November 2018⁵⁶.

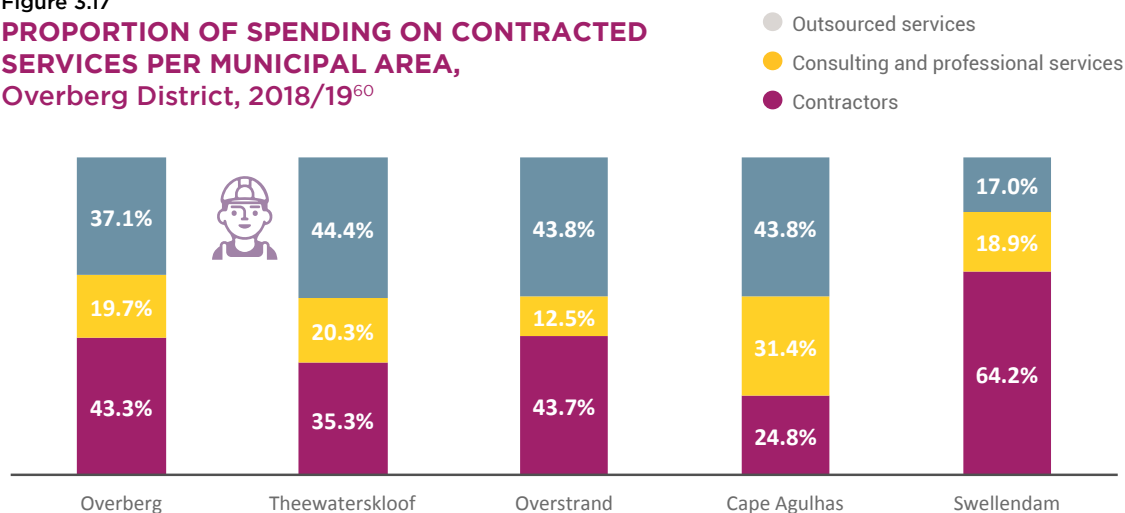
Positively, despite the poor economic conditions experienced in 2020, some private companies completed long-term investments and announced future investments. Viking Aquaculture, a member of the Sea Harvest Group, completed its wind turbines, making it the "first self-powering fish farm in South Africa"⁵⁷. ANB Investments acquired a 51 per cent stake in the Arisa Packhouse near Swellendam, and refurbishment and technological upgrades are planned for the facility⁵⁸, while Tsogo Sun is in the process of adding the Arabella Hotel, Golf & Spa, located in the Kogelberg Biosphere, to its existing portfolio of 16 properties in the Western Cape⁵⁹.

3.4.3.3 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 3.17

PROPORTION OF SPENDING ON CONTRACTED SERVICES PER MUNICIPAL AREA, Overberg District, 2018/19⁶⁰



Source: Calculated from National Treasury, 2019

⁵⁴ (Wesgro, 2019).

⁵⁵ (Facebook, 2020).

⁵⁶ (The Village NEWS, 2019).

⁵⁷ (Fishing Industry News Southern Africa, 2020).

⁵⁸ (FreshPlaza, 2020).

⁵⁹ (Travel News, 2020; National Small Business Chamber, 2020).

⁶⁰ 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 one-off or temporary basis. Contractors are used for services that are not the core business of the municipality.

Outsourced services and contractors make up the bulk of the spending on contracted services in most municipalities in the OD.

The OD spent approximately R6.7 million on outsourced services, including fire stations (28.2 per cent), security services (24.3 per cent) and landfill site operation and management (18.0 per cent). The District spent approximately R5.7 million on contractors in 2018/19, of which the majority was for maintenance of buildings, facilities, equipment and other assets (99.3 per cent).

The Theewaterskloof Municipality spent approximately R13.5 million on outsourced services, which includes waste management in Caledon (22.7 per cent), personnel and labour services (18.7 per cent) and the management of traffic fines (13.9 per cent). The Municipality also spent approximately R17.0 million on contractors, mainly for maintenance services (90.3 per cent).

The Overstrand Municipality spent approximately R81.6 million on outsourced services, mainly for the provision of sewerage services (56.0 per cent). The majority (71.0 per cent) of the R81.8 million spent on contractors went towards maintenance of buildings, facilities, equipment and other assets.

The Cape Agulhas Municipality spent approximately R11.8 million on outsourced services. These services include refuse removal (37.1 per cent), traffic fine management (20.9 per cent), fire services (15.0 per cent) and electrical services (14.3 per cent). The Cape Agulhas Municipality also spent R8.5 million on consulting and professional services. More specifically, the Cape Agulhas Municipality initiated the following infrastructure development projects in 2019⁶¹: installed bulk services and infrastructure for additional industrial erven in Struisbaai Industrial Area; installed CCTV cameras and public Wi-Fi as part of the first phase of the Smart City initiative; upgraded sidewalks in Bredasdorp and Struisbaai; and upgraded water infrastructure networks, particularly in the coastal towns.

The R8.5 million that the Swellendam Municipality spent on outsourced services mainly went towards traffic fine management (34.9 per cent) and tracing agents and debt collection (19.9 per cent). The Swellendam Municipality also initiated the following infrastructure development projects in 2019: upgraded the Suurbraak water supply scheme; upgraded gravel roads, stormwater and bulk electrical infrastructure in Railton; and approved the Barrydale Housing Project, which includes the implementation of services for 87 houses⁶².

It is evident that municipalities use contractors for a variety of services, some of which are more specialised services (traffic fine management, fire services, etc.). There are, however, opportunities for local SMMEs to benefit from municipal contracting, particularly for services such as security and maintenance. For example, government subsidised housing projects in Hawston, Stanford and Gansbaai, created job opportunities for individuals and subcontracting opportunities for local businesses, and materials and other supplies were purchased locally⁶³. Using local enterprises for outsourced services creates a multiplier effect in the economy of the municipality, as opposed to using contractors from outside the municipal area. Most municipalities have enterprise development initiatives that support emerging contractors:

⁶¹ (Cape Agulhas Municipality, 2020).

⁶² (Swellendam Municipality, 2020).

⁶³ (Overstrand Municipality, 2020).

- The Overstrand Municipality supported 50 emerging contractors in the construction sector in the 2018/19 financial year⁶⁴. There are 821 SMMEs registered on the municipal database and the Overstrand Municipality assists SMMEs with capacity building, information dissemination and assistance with compliance and standards⁶⁵.
- The Theewaterskloof Municipality hosted a Supplier Open Day in conjunction with National Treasury, where small businesses were assisted with registering on the central supplier database (CSD), as well as the Western Cape Government supplier database⁶⁶. There are approximately 200 SMMEs registered on the municipal database and the Theewaterskloof Municipality assists SMMEs with business compliance and advisory services, facilitates funding opportunities and provides infrastructure support⁶⁷.
- The Cape Agulhas Municipality assisted with the registration of 114 entrepreneurs on its supplier database in the 2018/19 financial year⁶⁸. There are 150 SMMEs registered on the municipal database and the Cape Agulhas Municipality is developing infrastructure such as LED business units and community markets from where the SMMEs can operate, and facilitates workshops to assist SMMEs with business planning and financial management. The Tourism/LED offices help to expose SMMEs to funding opportunities provided by government departments and other institutions⁶⁹.
- There are 657 SMMEs registered on the municipal database and the Swellendam Municipality supports SMMEs with registration on the municipal database, provides training and development opportunities, hosts open days for SMMEs and shares relevant information on municipal social media platforms⁷⁰.



⁶⁴ (Overstrand Municipality, 2019).

⁶⁵ (Overstrand Municipality, 2020).

⁶⁶ (Theewaterskloof Municipality, 2019).

⁶⁷ (Theewaterskloof Municipality, 2020).

⁶⁸ (Cape Agulhas Municipality, 2019).

⁶⁹ (Cape Agulhas Municipality, 2020).

⁷⁰ (Swellendam Municipality, 2020).

3.5 CONCLUDING REMARKS

The OD is characterised by its agricultural landscape as well as its coastline, which are the main sources of economic activity and also attract large volumes of tourists to the area. The OD has a comparative advantage in the agriculture, forestry and fishing sector, and this sector plays an essential role in the local economy in terms of production, employment and trade.

The OD has consistently had a positive trade balance for the last 10 years. The Theewaterskloof municipal area contributes the most to exports from the region (57.8 per cent). Approximately 48.4 per cent of exports from the OD are from the agriculture, forestry and fishing sector. The region is the largest exporter of fresh apples and pears in the country – in 2019, the OD exported apples and pears worth R539.3 million. The OD also has a growing aquaculture industry, which contributes significantly to exports from this region. The main export partners for the OD include the Netherlands, Hong Kong and Malaysia.

The OD is a popular destination for both international and domestic tourists. Most tourists stay overnight in the District, but most only stay for one night. Encouraging longer stays in the area is therefore an opportunity to increase tourism spend in the area and increase the positive impact that tourism has in the area.

Despite agriculture and tourism being important local industries, the agriculture, forestry and fishing sector, as well as the catering and accommodation sector, have been contracting annually in recent years and intervention is therefore required to unlock potential and encourage new investments and job creation.

Domestic tourists are expected to be among the first to travel again after the COVID-19 lockdown regulations and restore demand. More specifically, some experts predict that South Africans will head for the outdoors after the travel restrictions are lifted, and this could be the kick-start that the tourism sector needs⁷¹. As the OD already caters for sport enthusiasts and eco-adventurers alike, with its diverse outdoor/nature activities on offer – 4x4 trails, golf, horse riding, sunset cruises, fly-fishing and shark-cage diving⁷² – it should target domestic tourism to start rebuilding national economies through intraprovincial travel opportunities. The OD should prioritise and implement marketing activities and incentives that will facilitate domestic travel and encourage increased length of stay⁷³. In addition, the OD could potentially develop more child-friendly attractions and activities that allow the adults to relax knowing that their children are also entertained.

Sectors in which the OD has a comparative advantage and that have been performing relatively well include the furniture and other manufacturing sector; the metals, metal products, machinery and equipment sector; the food, beverages and tobacco sector; the wholesale and retail trade sector; the transport and storage sector; and the textiles, clothing and leather goods sector. There is thus opportunity to explore new investment and development in these sectors.

⁷¹ (Now Media, 2020).

⁷² (Welcome to Overberg, n.d.).

⁷³ This can include more competitive prices, special promotions or travel incentives by employers, especially to destinations that are heavily reliant on tourism.

4

MUNICIPAL SOCIO- ECONOMIC ANALYSIS

4.1 INTRODUCTION

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

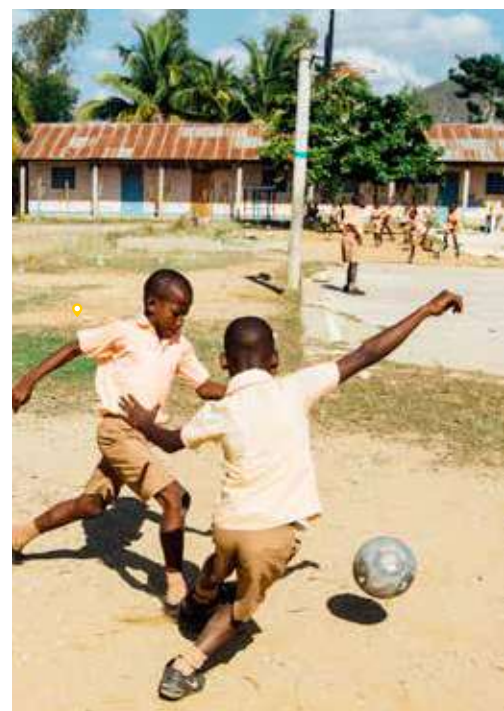
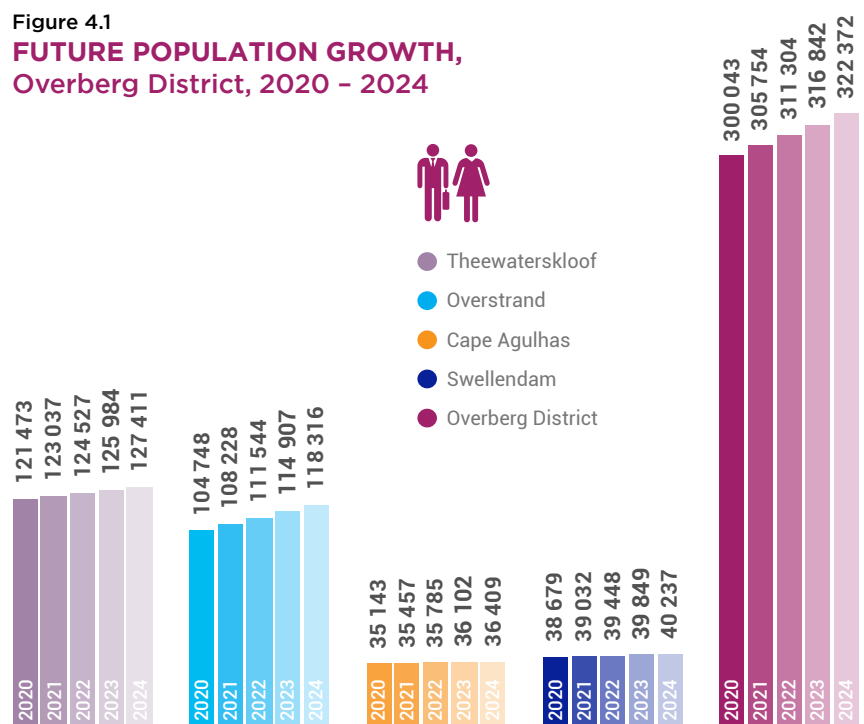
Some of the key indicators used in the socio-economic analysis include the population growth rate, GDP per capita, household income, the Gini coefficient, the Human Development Index (HDI), educational development and human dwellings. These indicators are discussed in detail in the sections below.

4.2 POPULATION PROFILE

As illustrated in Figure 4.1, the OD has a population of 300 043 people in 2020, who mainly reside in the Theewaterskloof (40.7 per cent) and Overstrand (34.5 per cent) municipal areas. It is estimated that the District's population will increase to 322 372 people in 2024.

Figure 4.1

FUTURE POPULATION GROWTH, Overberg District, 2020 – 2024



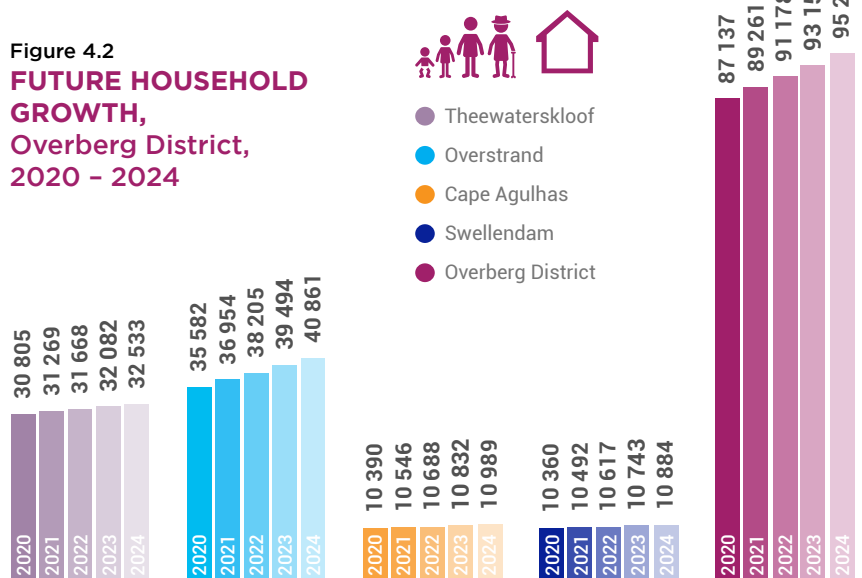
Source: Western Cape DSD, 2020

With an average annual growth rate of 3.1 per cent, the Overstrand municipal area is estimated to account for the highest population growth in the District over the next five years and is the only municipal area set to exceed the average district population growth rate of 1.8 per cent per annum. The populations of the Theewaterskloof and Swellendam municipal areas are expected to increase by an average annual rate of 1.2 per cent and 1.0 per cent respectively between 2020 and 2024. The Cape Agulhas municipal area, which has the smallest population in the District in 2020, is estimated to experience the lowest average population growth rate (0.9 per cent) in the District over the next five years.

In line with the population data, the majority of the OD's 87 137 households reside in the Overstrand and Theewaterskloof municipal areas, accounting for 40.3 per cent and 35.7 per cent of the District's total number of households respectively. It is estimated that the number of households in the OD will increase to 95 266 in 2024. Figure 4.2 depicts the future household growth in the municipal areas in the OD until 2024.

Figure 4.2

FUTURE HOUSEHOLD GROWTH, Overberg District, 2020 - 2024



Source: Western Cape DSD, 2020

In line with the estimated population growth, the Overstrand municipal area is predicted to experience the highest household growth in the District and is the only municipal area set to exceed the average district population growth rate. The number of households in the Overstrand municipal area is expected to increase by an

average rate of 3.6 per cent per annum between 2020 and 2024, while the number of households in the OD is expected to increase by 2.3 per cent. These percentages are both slightly higher than the estimated population growth rates. The estimated household growth in the Overstrand municipal area may be driven by an increase in employment-seeking migration in coastal tourism settlements such as Hermanus, Kleinmond and Gansbaai. Informal settlements such as Zwelihle will also be likely drivers of household growth in the Overstrand municipal area. Economic opportunities linked to tourism in the region will result in relatively young job seekers, who typically have small households, moving into the area.

With an average growth rate of 1.5 per cent per annum, the Cape Agulhas municipal area is estimated to realise the second highest household growth between 2020 and 2024, followed by the Theewaterskloof (1.4 per cent per annum) and Swellendam (1.3 per cent per annum) municipal areas. It should be noted that the increasing number of households will increase the demand for housing and municipal and other social services.

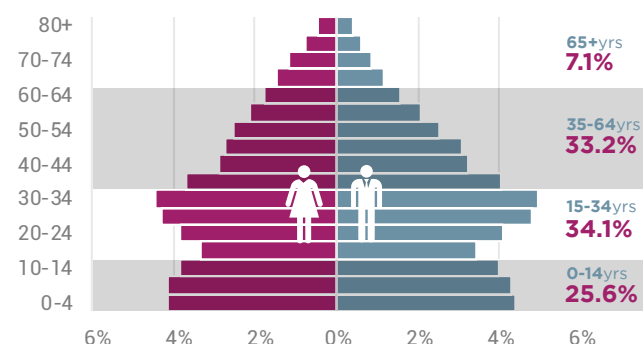


Figure 4.3 uses population pyramids to illustrate the gender and age cohorts of the municipal areas in the OD in 2019. The OD's population comprised slightly more males (50.5 per cent) than females (49.5 per cent), and the population was mainly aged between 15 and 34 years (34.1 per cent), followed by individuals aged between 35 and 64 years (33.2 per cent).

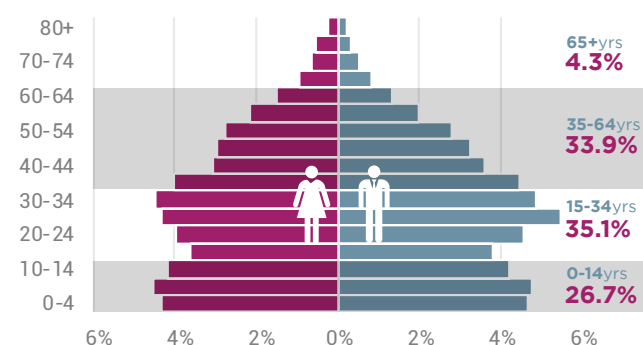
Figure 4.3
GENDER AND AGE DYNAMICS,
Overberg District, 2019



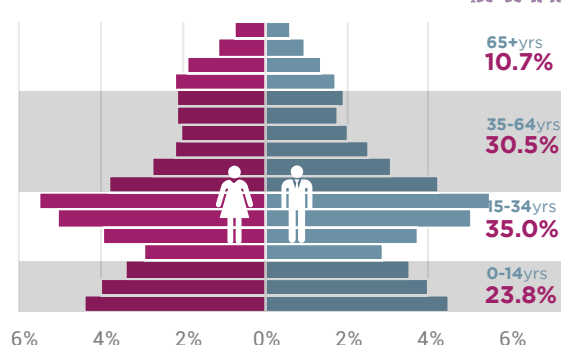
Overberg District



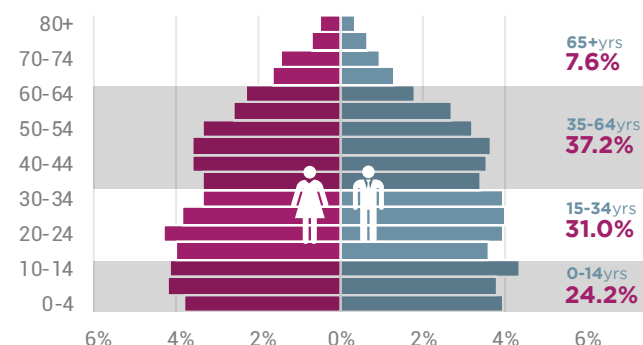
Theewaterskloof



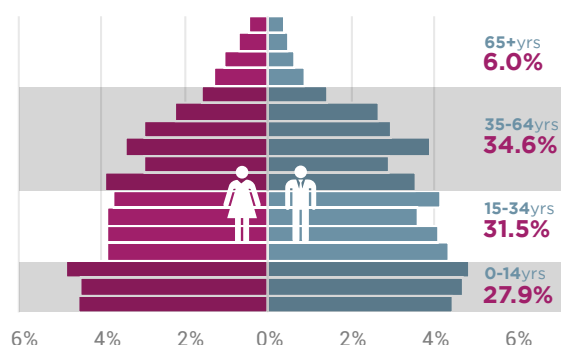
Overstrand



Cape Agulhas



Swellendam



Source: Western Cape DSD, 2020

The Theewaterskloof municipal area comprises a larger share of males (51.6 per cent) than females (48.4 per cent) and the largest share of the population is between 15 and 34 years old (35.1 per cent), followed by those aged between 35 and 64 years (33.9 per cent). The municipal area's economically active age cohort, individuals aged between 20 and 49 years, is characterised by a larger representation of males (26.2 per cent) than females (22.9 per cent). This is possibly linked to the high intensity of agricultural activity in the Theewaterskloof municipal area, which may attract young job-seeking males to the area. The relatively low representation of females in this age cohort could in turn explain the area's relatively low population and household growth rates.

Females comprise 50.3 per cent of the population in the Overstrand municipal area, and the majority of the population is aged between 15 and 34 years (35.0 per cent). In terms of individual age cohorts, most of the residents are aged between 30 and 34 years, illustrating the inward migration of job-seeking young adults to the area. The Overstrand municipal area also has the District's smallest share of individuals aged between 0 and 14 years, and the largest portion of individuals aged 65 and older, with retirees accounting for 10.7 per cent of the municipal area's population, compared with the District's average of 7.1 per cent. Betty's Bay, Hermanus and Kleinmond are the most popular towns in the Overstrand municipal area among retirees.

The Cape Agulhas municipal area comprises a marginally larger share of females (50.4 per cent) than males (49.6 per cent). The municipal area has a near stationary population pyramid and the second smallest proportion of individuals aged between 0 and 14 years, supporting the low population and household growth rates illustrated in Figures 4.1 and 4.2 respectively. Low birth rates are likely to continue in the Cape Agulhas municipal area, as the area is characterised by expansive rural farmlands and small urban settlements.

Males comprise 50.1 per cent of the population in the Swellendam municipal area. The municipal area has a slightly expansive population pyramid, indicative of a young and growing population, albeit from the smallest 2020 base in the District. In 2019, 36.1 per cent of the Swellendam municipal area's population was below the age of 20, compared with the District's average of 32.5 per cent.

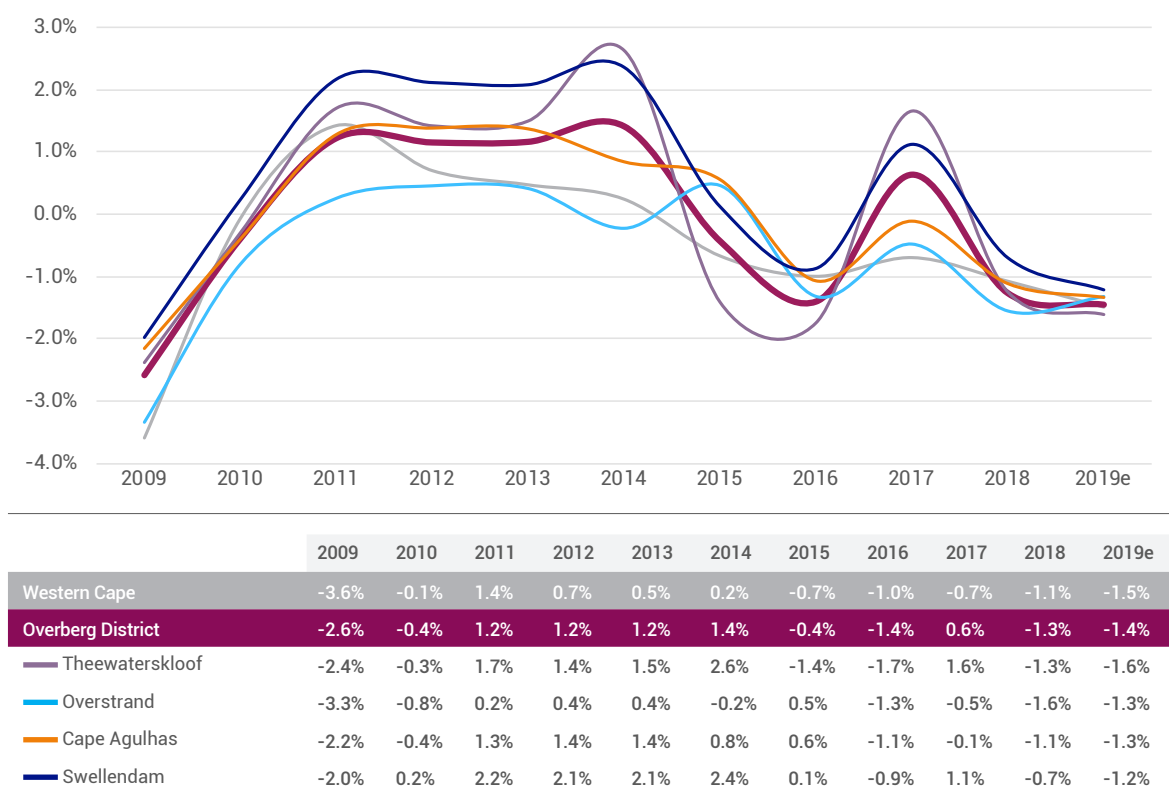


4.3 HUMAN DEVELOPMENT

4.3.1 Income

Figure 4.4 illustrates the OD's GDPR per capita growth between 2009 and 2019. In terms of current prices, the District's GDPR per capita increased from R71 436.3 in 2018 to R72 661.4 in 2019, which is lower than the GDPR per capita recorded in the Western Cape (R89 287.9) and South Africa (R74 928.2).

Figure 4.4
GDPR PER CAPITA GROWTH, Overberg District, 2009 – 2019



Source: Quantec Research, 2020

In terms of real GDPR per capita growth, the global economic downturn saw substantial contractions across all municipal areas in the OD, with the Overstrand and Cape Agulhas municipal areas experiencing the most severe declines in growth in 2009. While most municipal areas recovered and realised constant growth rates between 2011 and 2014, the Overstrand municipal area had marginal growth during this period and experienced a contraction of 0.2 per cent in 2014. However, the OD experienced sluggish GDPR per capita growth between 2015 and 2018, with several municipal areas experiencing periodic contractions. Owing to the population growth and weak economic performance, this trend persisted in 2019, with estimates for 2019 indicating that all municipal areas experienced contractions in GDPR per capita.

As indicated in Table 4.1, the average monthly household income in the OD was R15 217.0 in 2018, which is R4 123.0 lower than the average monthly household income in the Western Cape, but only R303.0 lower than South Africa's average monthly household income.

Table 4.1

**AVERAGE MONTHLY HOUSEHOLD INCOME (CURRENT PRICES),
Overberg District, 2018**

MUNICIPALITY	Average household income 2018 (current prices)	Trend 2014 – 2018
● Theewaterskloof	R13 965	0.2%
● Overstrand	R15 459	0.3%
● Cape Agulhas	R18 616	-0.1%
● Swellendam	R15 249	0.8%
Overberg District	R15 217	0.3%
Western Cape	R19 340	-0.4%

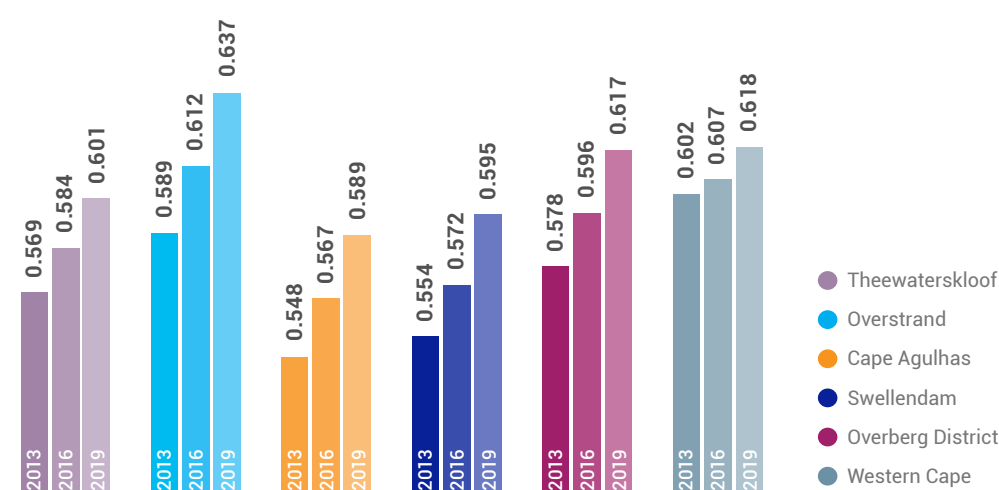
Source: Urban-Econ calculations based on Quantec Research, 2020

Positively, between 2014 and 2018 the OD had an average monthly household income growth of 0.3 per cent, compared with the decline of 0.4 per cent experienced in the Western Cape during the same period. Despite having the highest average monthly household income in the District in 2018, the Cape Agulhas municipal area experienced a 0.1 per cent decline in average household income between 2014 and 2018. With an increase of 0.8 per cent, the Swellendam municipal area experienced the largest improvement between 2014 and 2018, followed by the Overstrand municipal area (0.3 per cent).

Figure 4.5 illustrates the Gini coefficients for the local municipal areas of the OD between 2013 and 2019.

Figure 4.5

GINI COEFFICIENTS, Overberg District, 2013 – 2019



Source: IHS Markit, 2020

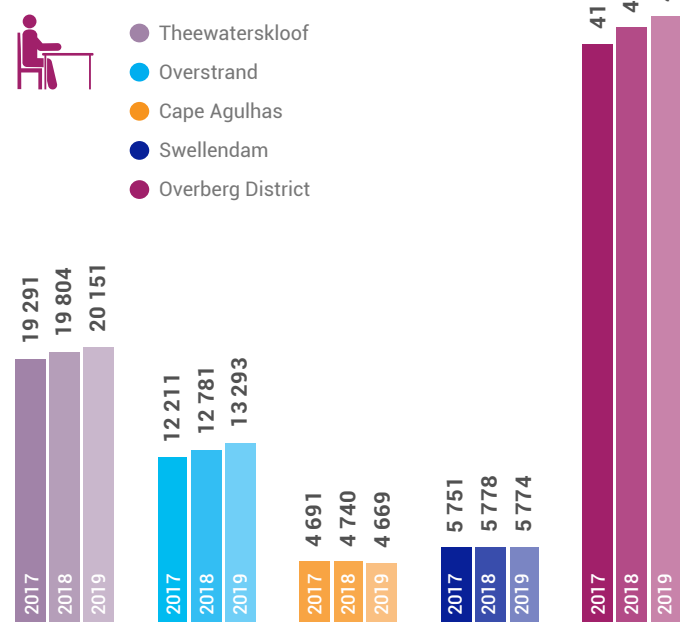
The **Gini coefficient** is an indicator of income inequality and ranges between 0 and 1, with 0 representing complete equality and 1 representing complete inequality.

Although the income distribution in the OD (0.617) is more equal than in the Western Cape (0.618), inequality in the OD has accelerated at a faster rate than in the Province. The Overstrand municipal area has the highest Gini coefficient (0.637) in the District, which may be attributed to the growth of poor informal settlements in the municipal area, such as Zwelihle, which contrasts heavily with high-income enclaves such as Arabella Country Estate. Income distribution in the municipal areas of the OD is becoming more unequal, highlighting the importance of various social interventions made by local, provincial and national government.

4.3.2 Education

This subsection explores the educational circumstances of households in the OD by analysing data on learner enrolments, the Grade 10 to 12 retention rate⁷⁴, matric pass rates and learner-teacher ratios.

Figure 4.6
LEARNER ENROLMENTS,
Overberg District, 2017 – 2019



Source: Western Cape Education Department, 2020

Learner enrolments provide an indication of current demand for educational services, as well as future demand for Further Education and Training (FET) phase opportunities. Figure 4.6 depicts changes in learner enrolments in the OD between 2017 and 2019.

In line with their growing municipal populations, the Overstrand and Theewaterskloof municipal areas experienced higher rates of learner enrolment growth than the District's average, while learner enrolment was largely flat in the Cape Agulhas and Swellendam municipal areas between 2017 and 2019.



⁷⁴ The learner 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.

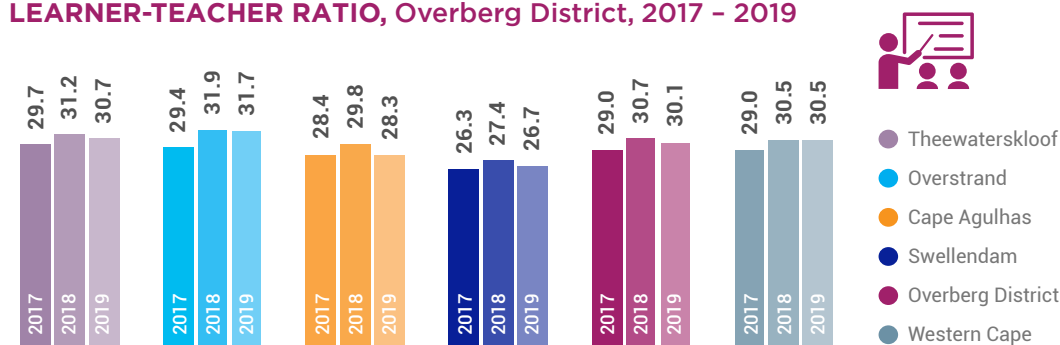
⁷⁵ (Sephron, S, 2017).

⁷⁶ (Southern and Eastern Africa Consortium for Monitoring Educational Quality, 2011).

Figure 4.7 illustrates the learner-teacher ratios for the OD and the Western Cape.

Figure 4.7

LEARNER-TEACHER RATIO, Overberg District, 2017 – 2019



Source: Western Cape Education Department, 2020

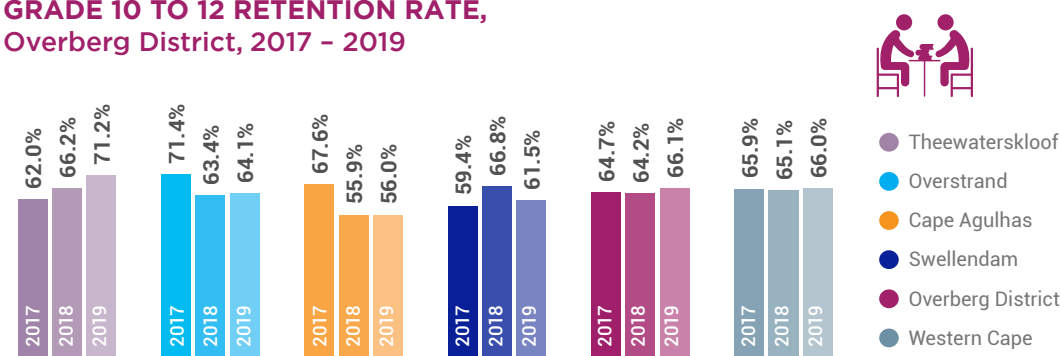
Learner-teacher ratios are indicative of the capacity of schools to accommodate more learners. Learner-teacher ratio upper limits of 40:1 in ordinary primary schools and 35:1 in ordinary high schools are set by the Department of Education³³. Lower learner-teacher ratios are associated with more interaction between teachers and learners, which could contribute to better quality education⁷⁶.

Between 2017 and 2019, there were no substantial changes and most of the schools in the OD had learner-teacher ratios in line with national targets. In line with their declining learner enrolments, the Cape Agulhas and Swellendam municipal areas had lower learner-teacher ratios than the District and Western Cape.

Figure 4.8 shows the Grade 10 to 12 retention rates of the OD between 2017 and 2019. Retention rates are proxies for the level of drop-outs, and by implication the efficiency of schools in facilitating learners' completion of a given school stage.

Figure 4.8

GRADE 10 TO 12 RETENTION RATE, Overberg District, 2017 – 2019



Source: Western Cape Education Department, 2020

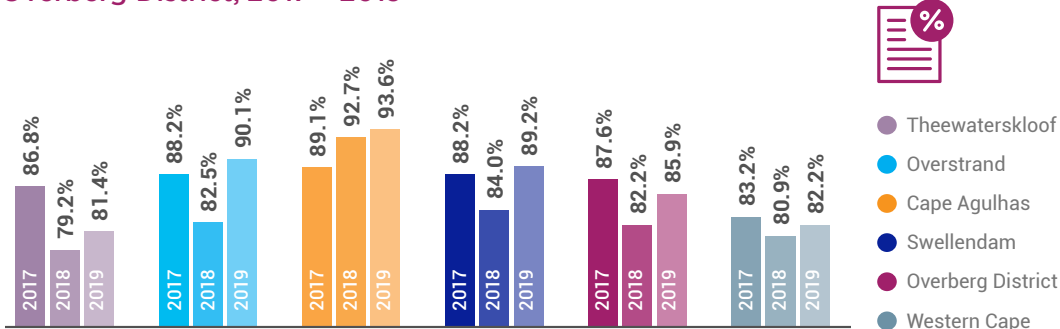
The learner retention rate is determined by obtaining the proportion of Grade 12 learners in a particular year compared with the number of Grade 10 learners two years previously. This shows the proportion of students who progressed to Grade 12, compared with those enrolled in Grade 10 two years before.

The OD's Grade 10 to 12 retention rate was slightly lower than that of the Western Cape in 2017, but improved from 64.7 per cent in 2017 to 66.1 per cent in 2019, which is marginally higher than the Province's retention rate of 66.0 per cent. However, it can be estimated that a third of students who commence Grade 10 in the OD are unlikely to complete Grade 12.

The Theewaterskloof municipal area experienced the greatest increase in the Grade 10 to 12 retention rate, from 62.0 per cent in 2017 to 71.2 per cent in 2019. It is also the only municipal area in the OD with a learner retention rate that exceeds the provincial average. Conversely, the learner retention rates in the Cape Agulhas and Overstrand municipal areas declined significantly between 2017 and 2019, which could partly explain the minor decline in the Cape Agulhas municipal area's learner enrolment figures.

Together with several other variables not considered in this section, learner enrolment, learner-teacher ratios and Grade 10 to 12 retention rates all contribute towards an area's Grade 12 pass rate. Figure 4.9 depicts the OD's matric pass rate.

Figure 4.9
MATRIC PASS RATE,
Overberg District, 2017 – 2019



Source: Western Cape Education Department, 2020

Despite the improvement in the OD's matric pass rate between 2018 and 2019, the District's matric pass rate declined from 87.6 per cent in 2017 to 85.9 per cent in 2019. Positively, the OD's matric pass rate consistently exceeded the provincial average between 2017 and 2019, indicating a comparatively good education system for learners in the region.

The Cape Agulhas municipal area had the highest matric pass rate in all three years under review, despite having the lowest Grade 10 to 12 retention rates in 2018 and 2019. This may be indicative of a large percentage of learners dropping out in Grades 10 to 12, with only top performers writing their matric exams. It should, however, be noted that the closure of



libraries as part of the lockdown regulations left several learners without access to the internet and other resources. This could possibly affect the retention rate and the matric pass rate for 2020⁷⁷. Conversely, the Theewaterskloof municipal area had the lowest matric pass rate between 2017 and 2019, and is the only municipal area that realised lower matric pass rates than the provincial and district averages in 2018 and 2019.

4.3.3 Health

This subsection analyses the health conditions of people living in the OD by looking at the causes of death, human immunodeficiency virus (HIV), tuberculosis (TB), infant mortality rates, maternal death rates and teenage pregnancies.

4.3.3.1 Mortality

Table 4.2 provides an overview of the top 10 causes of death in the OD in 2017.

Table 4.2

TOP 10 NATURAL CAUSES OF DEATH, Overberg District, 2017



Rank	Overberg District		Western Cape	
	Cause of death	%	Cause of death	%
1	Ischaemic heart disease	7.4%	Diabetes mellitus	7.5%
2	Diabetes mellitus	7.2%	Ischaemic heart disease	6.2%
3	Cerebrovascular disease	6.4%	HIV	5.7%
4	Malignant neoplasms of respiratory and intrathoracic organs	6.1%	Cerebrovascular disease	5.5%
5	Chronic lower respiratory diseases	5.4%	Chronic lower respiratory diseases	5.5%
6	Hypertensive diseases	5.4%	Tuberculosis	4.8%
7	Malignant neoplasms of digestive organs	5.2%	Malignant neoplasms of digestive organs	4.7%
8	HIV	4.1%	Malignant neoplasms of respiratory and intrathoracic organs	4.5%
9	Tuberculosis	3.5%	Hypertensive diseases	4.0%
10	Influenza and pneumonia	3.0%	Other forms of heart disease	3.1%
Other natural		34.2%		35.7%
Non-natural		12.2%		12.9%

Source: Statistics SA, 2020

Ischaemic heart disease was the main natural cause of death in 2017, accounting for 7.4 per cent of the District's total deaths, followed by diabetes mellitus (7.2 per cent) and cerebrovascular disease (6.4 per cent). Notably, ischaemic heart disease, cerebrovascular disease⁷⁸, malignant neoplasms of digestive and respiratory organs and hypertensive diseases are the cause of death of proportionally more people in the OD compared with the Western Cape. Positively, HIV and tuberculosis are the cause of death of proportionally fewer people in the OD compared with the Province. Furthermore, the OD has proportionally fewer non-natural deaths (12.2 per cent) than the Province (12.9 per cent).

⁷⁷ (Cape Agulhas Municipality, 2020).

⁷⁸ Cerebrovascular disease includes conditions such as strokes, aneurysms and haemorrhage.

4.3.3.2 HIV/AIDS and TB

Table 4.3 provides the trends in the HIV testing, treatment and outcomes in the CKD between 2016/17 and 2019/20.

Table 4.3

TRENDS IN HIV TESTING, TREATMENT AND OUTCOMES, Overberg District, 2016/17 – 2019/20



	2016/17	2017/18	2018/19	2019/20
Known HIV+ (Tested; n)	19 068	20 288	20 596	20 066
Of which: Clients started but no longer on ART	28.9%	36.4%	47.8%	34.6%
Of which: Clients on ART	52.8%	59.1%	63.7%	54.7%
Of which: Clients with confirmed viral suppression	75.3%	75.4%	73.5%	66.0%

Source: Western Cape Health Department, 2020

In 2016/17, 19 068 people in the OD were aware of their HIV status. This increased to 20 596 in 2018/19 and declined to 20 066 in 2019/20. The proportion of people who were on antiretroviral treatment (ART) consistently increased from 52.8 per cent in 2016/17 to 63.7 per cent in 2018/19, but declined significantly in 2019/20, with only 54.7 per cent receiving ART. It should be noted that the proportion of people receiving ART followed the same trend as the number of people who are aware of their HIV status; an increase in the number of people aware of their HIV status corresponds with an increase in the number of people receiving ART between 2016/17 and 2019/20. The percentage of people with confirmed viral suppression increased slightly from 75.3 per cent in 2016/17 to 75.4 per cent in 2017/18, but declined to 66.0 per cent in 2019/20.

Table 4.4 provides a detailed breakdown of the trends in TB notification and outcomes in the OD between 2017/18 and 2019/20. The OD recorded the lowest TB client death rate (2.6 per cent) among all districts in the Western Cape in 2019/20.

Table 4.4

TRENDS IN TB NOTIFICATION AND OUTCOMES, Overberg District, 2017/18 – 2019/20



	2017/18	2018/19	2019/20
TB programme success rate	87.1%	86.3%	87.5%
TB clients lost to follow-up	6.4%	6.8%	9.8%
TB clients death rate	2.5%	2.6%	2.6%
TB/HIV co-infected	34.7%	36.8%	36.9%
TB MDR treatment success rate	60.4%	58.5%	61.8%

Source: Western Cape Health Department, 2020

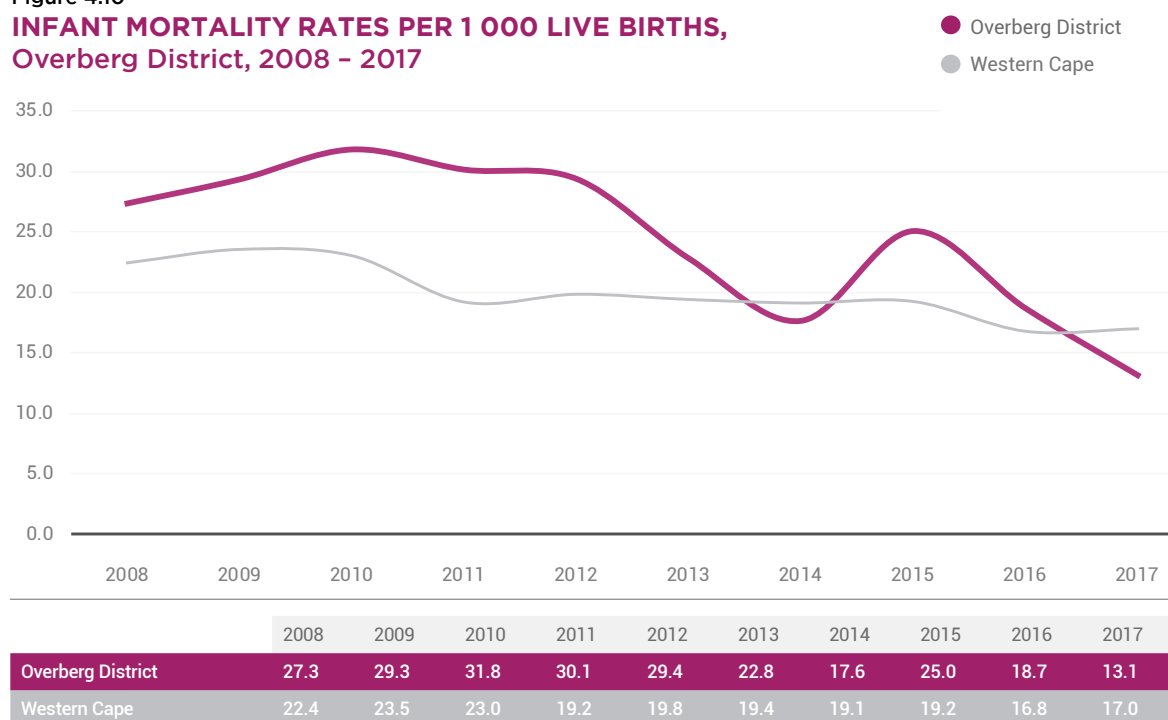
The OD's TB programme success rate increased from 86.3 per cent in 2018/19 to 87.5 per cent in 2019/20, which is marginally higher than the success rate in 2017/18. The multidrug-resistant (MDR) treatment success rate recovered from the decline experienced between 2017/18 and 2018/19, and increased to 61.8 per cent in 2019/20. The District's TB client death rate remained relatively stable over the reference period. However, the number of TB clients lost to follow-up and the TB/HIV co-infection rate consistently increased over the reference period, from 6.4 per cent in 2017/18 to 9.8 per cent in 2019/20 and from 34.7 per cent in 2017/18 to 36.9 per cent in 2019/20 respectively. Despite the OD's increased co-infection rate, it is still lower than the provincial average of 40.8 per cent.

4.3.3.3 Infant, child and maternal health

Figure 4.10 provides the infant mortality rates per 100 000 live births in the CKD and the Western Cape between 2008 and 2017.

Figure 4.10

INFANT MORTALITY RATES PER 1 000 LIVE BIRTHS, Overberg District, 2008 – 2017



Source: Western Cape Health Department, 2020

The OD experienced higher infant mortality rates than the Western Cape between 2008 and 2013. During the 10-year period, the OD's highest infant mortality rate was recorded in 2010 (31.8 deaths per 1 000 live births). Positively, the infant mortality rate in the OD declined significantly in 2014 (17.6 deaths per 1 000 live births) and was lower than the infant mortality rate of the Western Cape (19.1 deaths per 1 000 live births). The District's infant mortality rate increased to 25.0 deaths per 1 000 live births in 2015, exceeding the provincial rate. Positively, the OD's infant mortality rate consistently declined after 2015. In 2017 the District's infant mortality rate of 13.1 deaths per 1 000 live births was lower than the provincial rate of 17.0 deaths per 1 000 live births.

Table 4.5 outlines the maternal deaths rates⁷⁹ per 100 000 live births in the OD between 2017 and 2019. Notably, none of the municipal areas in the OD reported any maternal deaths in 2019. It should also be noted that the Cape Agulhas, Overstrand and Swellendam municipal areas did not record any maternal deaths in 2017 and 2018.

Table 4.5

**MATERNAL DEATH RATES PER 100 000 LIVE BIRTHS,
Overberg District, 2017 – 2019**

MUNICIPALITY	2017	2018	2019
● Theewaterskloof	78.3	139.9	0
● Overstrand	0	0	0
● Cape Agulhas	0	0	0
● Swellendam	0	0	0
Overberg District	30.0	53.6	0

Source: Western Cape Health Department, 2020

The OD's maternal death rate increased from 30.0 deaths per 100 000 live births in 2017 to 53.6 deaths per 100 000 live births in 2018. Similarly, the maternal death rate in the Theewaterskloof municipal area increased from 78.3 maternal deaths per 100 000 live births in 2017 to 139.9 maternal deaths per 100 000 live births in 2018.

4.3.3.4 Teenage pregnancy

Table 4.6 provides a municipal breakdown of teenage pregnancies in the OD between 2017 and 2019 by indicating the percentage of babies born to mothers aged between 10 and 19 years. It should be emphasised that teenage pregnancy is mostly unplanned and, as a result, life can become particularly tough for young parents, especially if they do not have family or social support.

Table 4.6

**DELIVERY RATE TO WOMEN 10-19 YEARS,
Overberg District, 2017 – 2019 (%)**

MUNICIPALITY	2017	2018	2019
● Theewaterskloof	12.8%	16.6%	13.7%
● Overstrand	12.0%	10.7%	11.5%
● Cape Agulhas	15.9%	20.5%	15.0%
● Swellendam	21.2%	16.0%	14.5%
Overberg District	13.8%	14.7%	13.1%

Source: Western Cape Health Department, 2020

The OD's delivery rate to women aged between 10 and 19 years declined from 14.7 per cent in 2018 to 13.1 per cent in 2019, which is 0.7 percentage points lower than the delivery rate recorded in 2017.

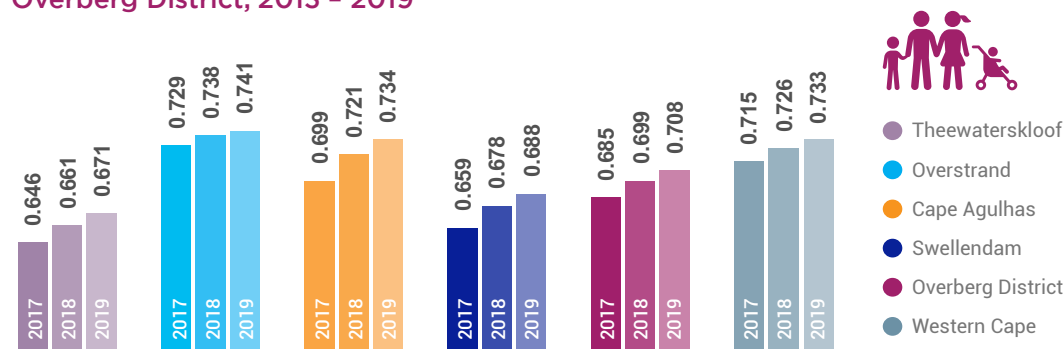
⁷⁹ Maternal deaths per 100 000 live births in health facilities. Maternal death is death occurring during pregnancy, childbirth and the puerperium of a woman while pregnant or within 42 days of termination of pregnancy, irrespective of the duration and site of pregnancy and irrespective of the cause of death (obstetric and non-obstetric).

Despite being the only municipal area in the District to record an increase in the delivery rate to teenagers between 2018 and 2019, the Overstrand municipal area had the lowest delivery rate in 2019, with 11.5 per cent of all babies born having teenage mothers. It is also the only municipal area that recorded a lower delivery rate to women aged between 10 and 19 years than the District. Conversely, the Cape Agulhas municipal area recorded the highest delivery rate in 2018 and 2019, although it experienced a decline from 20.5 per cent in 2018 to 15.0 per cent in 2019.

4.3.4 Human Development Index

Figure 4.11 illustrates changes in the OD's HDI between 2013 and 2019. HDI scores above 0.7 are considered to be high, while those between 0.55 and 0.69 are taken to be medium⁸⁰.

Figure 4.11
HDI PER MUNICIPAL AREA,
Overberg District, 2013 – 2019



Source: Non-financial Census of Municipalities, Stats SA, Quantec Research, 2019

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.

The United Nations uses the Human Development Index (HDI)⁸¹ – 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.

The HDI in the OD was lower than that of the Western Cape in all three periods under review. However, the District's HDI experienced a steady upward trajectory between 2017 and 2019, indicating incremental improvements in the overall quality of life experienced, with most residents in the OD expected to achieve “medium” levels of income, health and education outcomes in their lifetimes.

The Overstrand and Cape Agulhas municipal areas realised the highest HDI in 2019, with quality of life scores that exceed the provincial average and can be described as “high”.

⁸⁰ (UNDP, 2019).

⁸¹ The HDI is a measure of people's ability to live a long and healthy life, to communicate, 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.

4.4 HOUSING AND ACCESS TO BASIC SERVICES

Table 4.7 depicts the different types of dwellings for households living in the OD in 2019. Most households in the District reside in formal dwellings, which is regarded as a basic human right.

Table 4.7

NUMBER AND PROPORTION OF DWELLINGS, Overberg District, 2019



DWELLING TYPE	Overberg District		● Theewaterskloof		● Overstrand		● Cape Agulhas		● Swellendam	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total	Number	% of total
House or brick structure on a separate stand or yard	62 426	72.8%	24 181	69.9%	21 186	72.0%	8 306	78.2%	8 753	79.0%
Traditional dwelling/hut/structure made of traditional materials	1 077	1.3%	607	1.8%	329	1.1%	74	0.7%	67	0.6%
Flat in a block of flats	2 019	2.4%	1 111	3.2%	672	2.3%	153	1.4%	83	0.8%
Townhouse/cluster/semi-detached house (simplex, duplex or triplex)	3 028	3.5%	1 366	3.9%	668	2.3%	231	2.2%	763	6.9%
House/flat/room in back yard	1 028	1.2%	429	1.2%	363	1.2%	162	1.5%	75	0.7%
Informal dwelling	14 129	16.5%	5 924	17.1%	5 589	19.0%	1 465	13.8%	1 150	10.4%
Room/flatlet not in back yard but on a shared property	394	0.5%	147	0.4%	93	0.3%	68	0.6%	86	0.8%
Other/unspecified/NA	1 654	1.9%	844	2.4%	542	1.8%	160	1.5%	108	1.0%
Total	85 754	100.0%	34 610	100.0%	29 441	100.0%	10 618	100.0%	11 085	100.0%

Source: Quantec Research, 2020

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

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

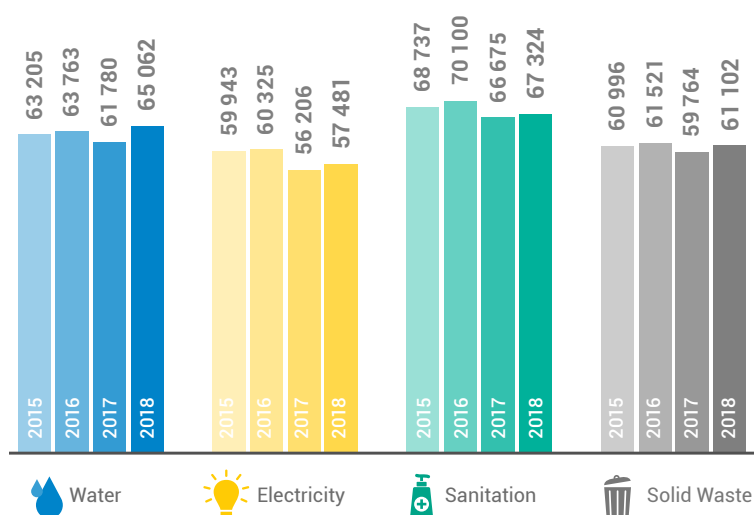
The most prominent dwelling type in the OD was houses on a separate stand, with 72.8 per cent of the District's population residing in dwellings of this type. The Swellendam municipal area had the highest proportion of the population residing in dwellings of this type (79.0 per cent), followed by the Cape Agulhas municipal area (78.2 per cent).

The majority (81.5 per cent) of informal dwellings in the OD are found within the Overstrand and Theewaterskloof municipal areas, where 19.0 per cent and 17.1 per cent of the population respectively resided in 2019.

Figure 4.12 illustrates the access to basic services in the OD between 2015 and 2018. It should be noted that the national lockdown, as a result of COVID-19, hampered the data collection process for this indicator. Statistics SA will therefore only release the 2019 data in 2021.

Figure 4.12

**ACCESS TO BASIC SERVICES,
Overberg District, 2015 – 2018**



Source: Non-financial Census of Municipalities, Stats SA, Quantec Research, 2019

Access to services is relatively well spread across the different services in the OD, but slightly more consumers have access to water and sanitation compared with those with access to electricity and solid waste removal services. Between 2017 and 2018, 3 282 more consumers had access to water, followed by 1 338 more consumers with access to solid waste removal services, and 1 275 more consumers with access to electricity. Access to sanitation increased by

649 consumers in 2018. The Overstrand municipal area had the largest increase in access to services (3 768 consumers), followed by the Theewaterskloof municipal area (2 139 consumers).

Free basic services are available to households that qualify as indigent households. Figure 4.13 illustrates the access to free basic services in the OD between 2015 and 2018. It should be noted that the national lockdown, as a result of COVID-19, hampered the data collection process for this indicator. Statistics SA will therefore only release the 2019 data in 2021.



INDIGENT HOUSEHOLDS

The municipalities in the OD used the following cut-off points for households to be classified as indigent households:

- In 2017, the Cape Agulhas and Swellendam municipalities used a cut-off point of R3 200, while the Overstrand and Theewaterskloof municipalities used a cut-off point of R1 601.
- In 2018, all four municipalities applied a cut-off point of R3 380.

Table 4.8 provides a municipal breakdown of the number and percentage of indigent households in the OD between 2017 and 2019. Approximately 23.0 per cent of households in the District were classified as indigent households in 2019, which is 2.7 percentage points higher than in 2018.

Table 4.8

NUMBER OF INDIGENT HOUSEHOLDS, Overberg District, 2017 – 2019

	2017		2018		2019	
	Number	% of households	Number	% of households	Number	% of households
● Theewaterskloof	4 530	15.3%	4 248	14.2%	6 706	22.1%
● Overstrand	7 418	23.2%	7 385	22.3%	7 630	22.2%
● Cape Agulhas	3 559	35.9%	3 277	32.6%	3 001	29.4%
● Swellendam	1 930	19.5%	1 975	19.7%	2 217	21.7%
Overberg District	17 437	21.4%	16 885	20.3%	19 554	23.0%

Source: Department of Local Government, 2020

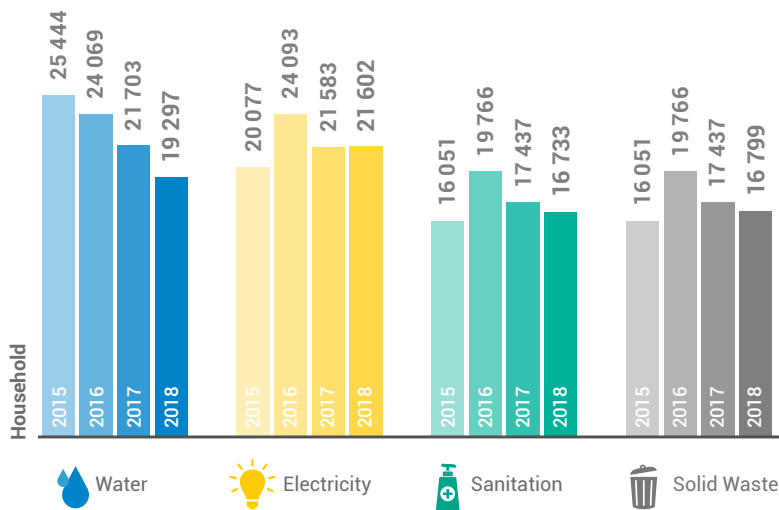
Despite consistently declining between 2017 and 2019, the Cape Agulhas municipal area had the highest proportion of indigent households during the entire period under review. It is also the only area that recorded a higher proportion of indigent households than the District – 29.4 per cent compared with 23.0 per cent. Despite the increase experienced between 2017 and 2019, the Swellendam municipal area had the lowest proportion of indigent households in 2019, with 21.7 per cent of all households in the area classified as indigent.

The proportion of indigent households in the Overstrand municipal area declined by 0.1 percent to 22.2 per cent in 2019. Conversely, the proportion of indigent households in the Theewaterskloof municipal area increased from 14.2 per cent in 2018 to 22.1 per cent in 2019.

The number of indigent households is anticipated to increase in 2020 owing to rising unemployment and reductions in salaries as a result of COVID-19. This will reduce the revenue-generating abilities of local municipalities and result in additional expenditures, as more households will qualify for free basic services.



Figure 4.13

ACCESS TO FREE BASIC SERVICES, Overberg District, 2015 – 2018

Source: Non-financial Census of Municipalities, Stats SA, Quantec Research, 2019

water experienced the largest decline in 2018 (2 406 households), followed by sanitation (704 households) and solid waste (638 households).

In line with the decline in indigent households from 17 437 in 2017 to 16 885 in 2018, access to free basic services also declined across all service delivery categories, except access to electricity. Access to free basic electricity increased by a net of 19 households, which was mainly driven by increases in free basic electricity in the Swellendam municipal area. Access to free basic

POTENTIAL RISKS

In the OD, towns such as Caledon, Botrivier, Riviersonderend, Hermanus, Struisbaai, Napier, Buffeljagsrivier, Suurbraak and Barrydale are experiencing growth pressures⁸². Rising populations are increasing the demand for housing, particularly subsidised housing. Unmet housing demand and an influx of job seekers in more urban areas such as Grabouw and Hermanus often lead to an increase in informal housing. Rising populations also increase the demand for basic services. Towns that have a higher risk in terms of access to service delivery pressures include Villiersdorp, Kleinmond, Gansbaai, Pearly Beach, Bredasdorp, Railton and Buffeljagsrivier.



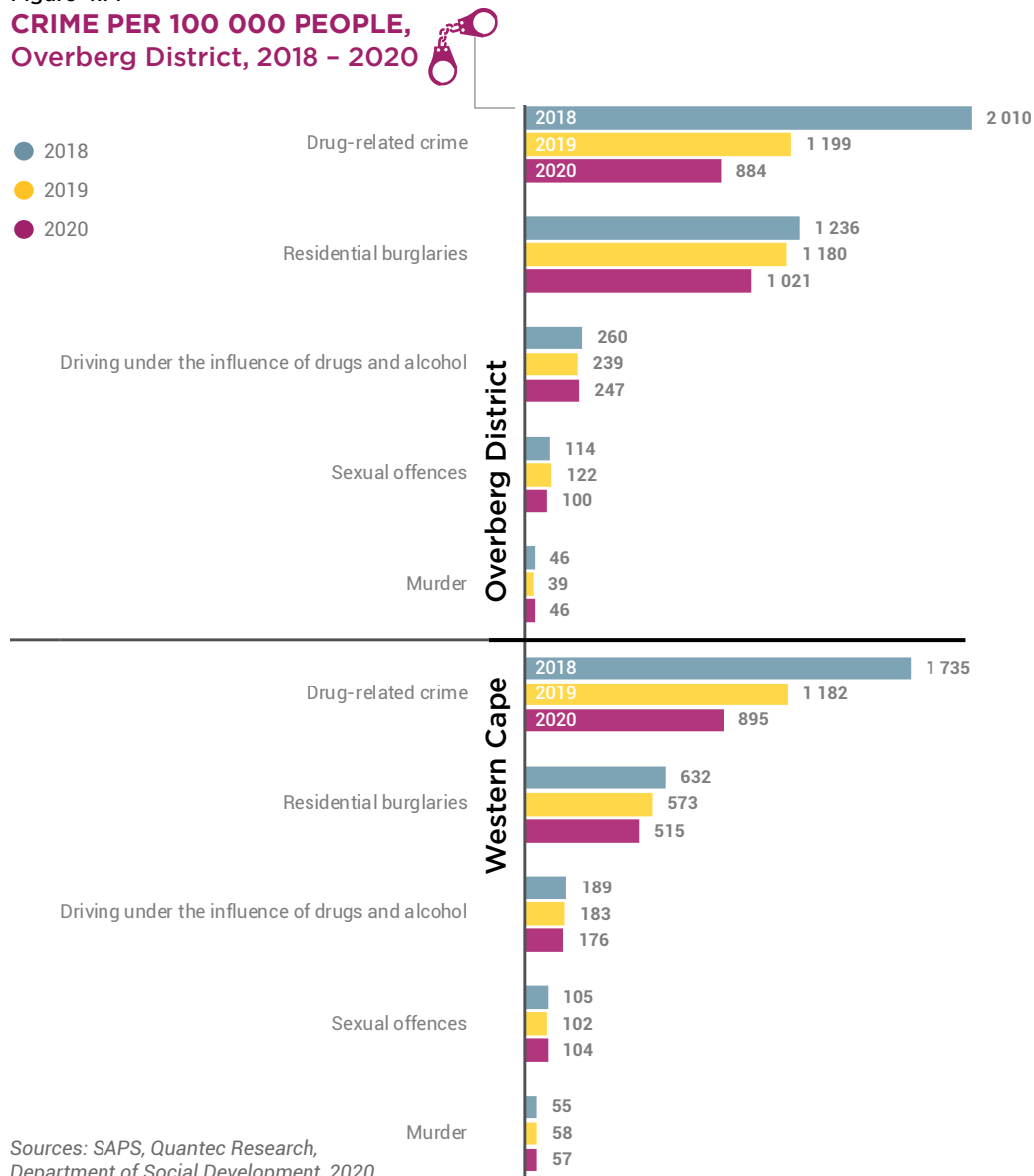
⁸² (Le Roux, et al., 2019).

4.5 CRIME

An analysis of a region's crime trend can serve as a proxy for community safety, indicating the potential occurrence and types of criminal activities that are prevalent in the region. Figure 4.14 depicts the incidence of selected crime categories in the OD and Western Cape between 2018 and 2020.

Figure 4.14

**CRIME PER 100 000 PEOPLE,
Overberg District, 2018 – 2020**



In 2020, the OD had more incidents of driving under the influence of drugs and alcohol, and residential burglaries per 100 000 people, than the Western Cape. Positively, the District had fewer incidents per 100 000 people than the Western Cape in terms of murder, sexual offences and drug-related crime. Between 2019 and 2020, the number of sexual offences decreased across all municipal areas in the OD, but the District's murder rate increased during the same period, with only the Swellendam municipal area recording a decline.

Although the incidence of drug-related crime in the District declined during the period under review, it is worth noting that where the OD had a higher level of drug-related crime than the Province in 2018, its incidence of this form of crime was marginally lower than that of the Province in 2020. The Overstrand municipal area had the most incidents of drug-related crime in 2020 (1 091 per 100 000 people), followed by the Cape Agulhas municipal area (1 058 per 100 000 people).

Although residential burglaries in the OD reduced over the three-year reference period, residential burglaries were twice as likely to occur in the OD as in other parts of the Province between 2018 and 2020. The Overstrand municipal area had the largest number of incidents in residential burglaries in 2020, with 1 613 incidents per 100 000 people.

The incidents of driving under the influence in the OD increased between 2019 and 2020, compared with the decline experienced in the Western Cape. Although the Swellendam municipal area had the highest incidence of driving under the influence of drugs and alcohol in 2020, the number of incidents recorded in the municipal area declined from 406 incidents per 100 000 people in 2019 to 356 incidents per 100 000 people in 2020. Conversely, the number of incidents increased from 176 per 100 000 people in 2019 to 284 per 100 000 people in 2020 in the Cape Agulhas municipal area.



4.6 CONCLUDING REMARKS

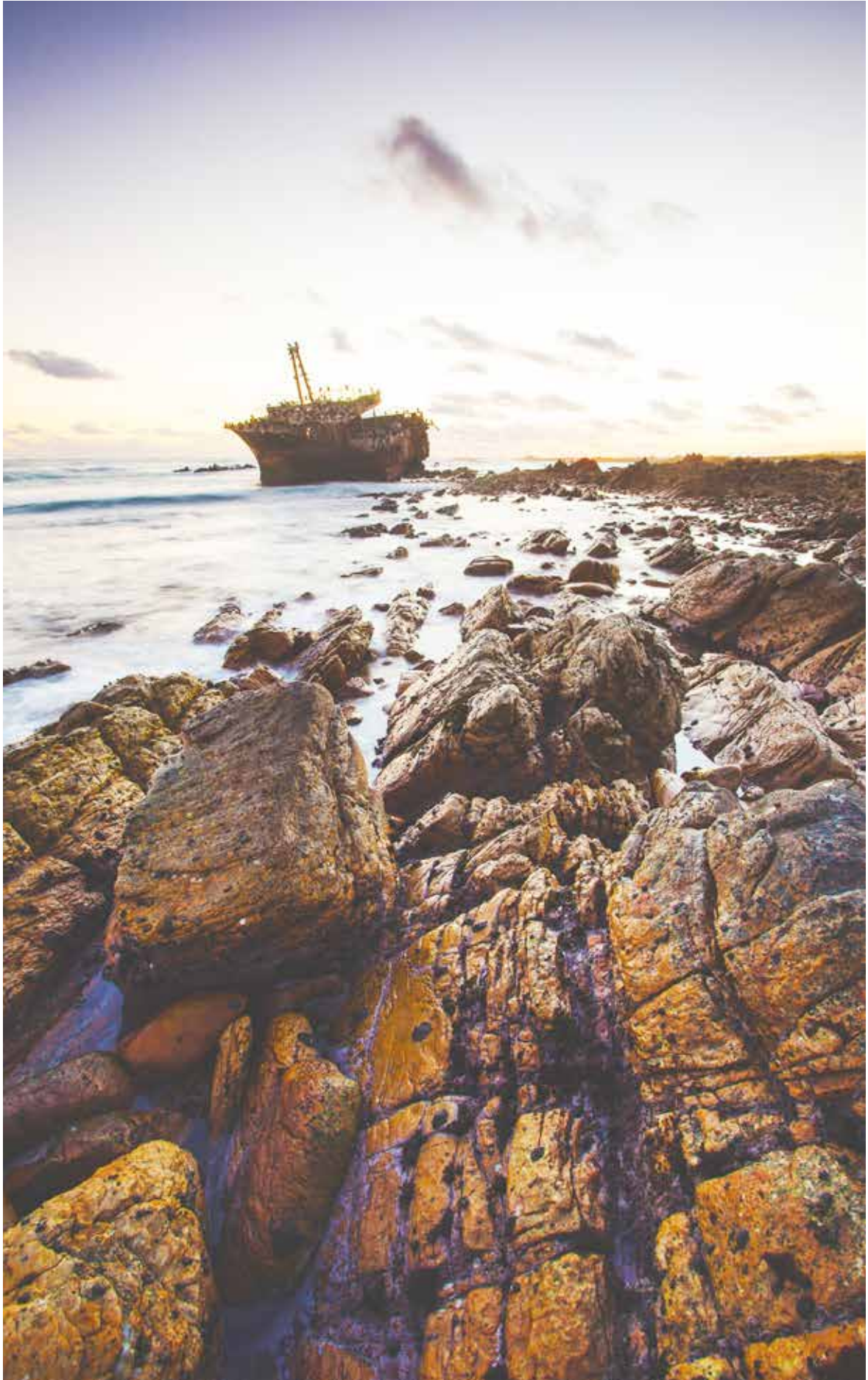
In 2020 the OD has a population of 300 043, who mainly reside in the Theewaterskloof (40.7 per cent) and Overstrand (34.5 per cent) municipal areas. Tourism-driven urbanisation in the District's coastal settlements is likely to drive population and household growth over the coming years. In terms of gender and age dynamics, the OD's population comprises slightly more males (50.5 per cent) than females (49.5 per cent), and the population is mainly aged between 15 and 34 years (34.1 per cent), followed by individuals aged between 35 and 64 years (33.2 per cent).

Despite the OD recording a lower HDI than the Western Cape between 2017 and 2019, the District's HDI experienced a steady upward trajectory during the period under review. In terms of current prices, the OD's GDP per capita increased from R71 436.30 in 2018 to R72 661.40 in 2019, but was lower than the Province's GDP per capita of R89 287.90. The income distribution in the OD (0.617) is more equal compared with the Western Cape (0.618), but inequality in the OD accelerated at a faster rate than the Province. In terms of education, the District's Grade 10 to 12 retention rate improved from 64.7 per cent in 2017 to 66.1 per cent in 2019, which is marginally higher than the Province's retention rate. Despite the drop in the OD's matric pass rate from 87.6 per cent in 2017 to 85.9 per cent in 2019, it consistently exceeded the provincial average between 2017 and 2019. Positively, the OD's TB programme success rate and multidrug-resistant treatment success rate increased, and the infant mortality rate and the delivery rate to women aged between 10 and 19 years declined between the last two years under review.

Most households in the District reside in formal dwellings. Houses on a separate stand were the most prominent dwelling type in the OD, with 72.8 per cent of the District's population residing in dwellings of this type. However, the Overstrand and Theewaterskloof municipal areas had a relatively high prevalence of informal dwellings, with 19.0 per cent and 17.1 per cent of the population residing in informal dwellings in 2019. Positively, the number of consumers with access to basic services such as water, electricity, sanitation and solid waste removal services increased between 2017 and 2018.

The OD had more incidents of driving under the influence of drugs and alcohol as well as residential burglaries per 100 000 people than the Western Cape in 2020, but fewer incidents per 100 000 people than the Western Cape in terms of murder, sexual offences and drug-related crime.







OVERBERG
DISTRICT



GROWTH POTENTIAL STUDY 2018

According to the study, the **OD was ranked second among all the districts** and has shown improvement in relative performance across all themes, particularly the human capital and institutional themes. Performance in the above-mentioned themes has assisted in disguising regression in the physical-natural and infrastructure themes.

- POSITIVE
Z-score
performance
- NEGATIVE
Z-score
performance

PRECONDITIONS FOR GROWTH

①



ECONOMIC

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



PHYSICAL ENVIRONMENT

- Availability and quality of water
- Natural potential



INFRASTRUCTURE

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



INSTITUTIONAL

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



HUMAN CAPITAL

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

The Growth Potential Study 2018 (GPS18) is a five-year information update on the GPS13. The study determines the municipal growth potential relative to other municipalities in the Province by reviewing thematic indices for **growth preconditions** (economic, physical-natural and infrastructure indices) and **innovation potential** (institutional and human capital indices).

The economic, institutional and human capital indices have scored higher in the OD in the GPS18 compared with GPS13. However, there was a decrease in the physical-natural and infrastructure themes.

CHALLENGES identified by the study in the OD include:

- Slow growth rate in the economically active Overstrand population is a concern;
- Concerns around basic service provision have been identified within Theewaterskloof;
- Per capita income is a concern within Swellendam; and
- Change around economic empowerment is an issue within Swellendam.

GROWTH OPPORTUNITIES identified by the study include:

- Growth observed in the economically active population could be indicative of increased opportunities;
- Skilled labour has shown growth in Swellendam;
- Provision of ICT infrastructure within the Overstrand municipal area is an opportunity;
- Potential (opportunity) around cultivated areas within Theewaterskloof;
- High matric pass rate within Cape Agulhas creates further opportunity; and
- Overstrand identified as an area where educational levels of the working-age population create a potential for opportunity.

At a comparative municipal level, the Swellendam and Cape Agulhas municipal areas are classified as having “medium” growth potential, while the Theewaterskloof and Overstrand municipal areas are classified as having “very high” overall growth potential.

Positive changes between GPS13 and GPS18 at a municipal level include gains made in the human capital theme in the Overstrand, Theewaterskloof and Cape Agulhas municipal areas. Swellendam is the only municipal area that showed regression in the human capital theme. Swellendam did, however, show improvement in the institutional and infrastructure themes. Furthermore, the improvement in the human capital and institutional themes assisted the Cape Agulhas municipal area in moving into positive overall growth potential territory.

* Source: DEA&DP, 2020

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.



GARDEN ROUTE DISTRICT

23 331 KM²



GARDEN ROUTE DISTRICT

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

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2 Sectoral growth, employment and skills per municipal area

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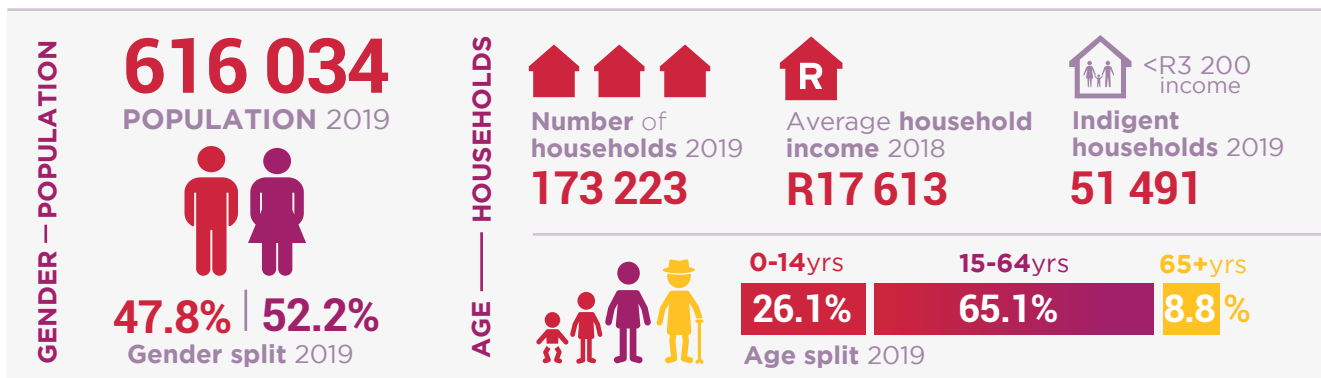


GRD GARDEN ROUTE DISTRICT

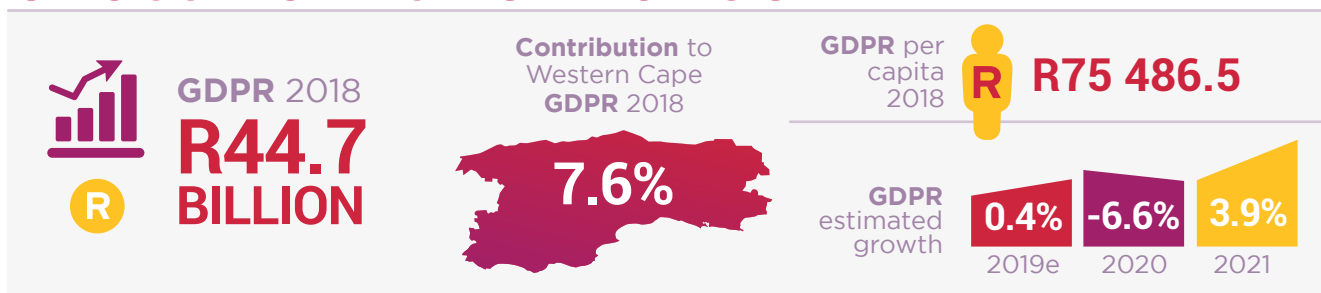
SEAT **George** | AREA **23 331 KM²** | DENSITY **25 / KM²**

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

DEMOGRAPHICS



GROSS DOMESTIC PRODUCT



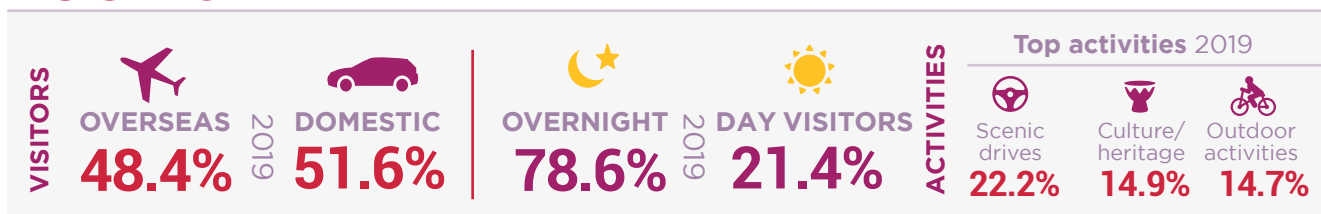
EMPLOYMENT



TRADE



TOURISM





2018 GDPR AND EMPLOYMENT CONTRIBUTION

2019 ESTIMATED GDPR AND EMPLOYMENT GROWTH

		GDPR CONTRIBUTION		EMPLOYMENT CONTRIBUTION		GDPR GROWTH		EMPLOYMENT GROWTH	
PRIMARY SECTOR	AGRICULTURE, FORESTRY & FISHING	5.5%	5.2%	12.2%	12.1%	-7.6% ↓	-7.8%	-0.9% ↓	-0.9%
	MINING & QUARRYING		0.4%		0.1%		-2.6%		-4.5%
SECONDARY SECTOR	MANUFACTURING	23.9%	14.5%	16.1%	8.9%	-1.6% ↓	-0.3%	-4.9% ↓	-1.1%
	ELECTRICITY, GAS & WATER		3.1%		0.4%		-3.0%		-1.4%
	CONSTRUCTION		6.2%		6.9%		-4.6%		-10.0%
TERTIARY SECTOR	WHOLESALE & RETAIL TRADE, CATERING & ACCOMMODATION	70.6%	18.3%	71.7%	25.2%	1.6% ↑	-0.2%	0.6% ↑	1.4%
	TRANSPORT, STORAGE & COMMUNICATION		10.0%		4.2%		0.3%		3.7%
	FINANCE, INSURANCE, REAL ESTATE & BUSINESS SERVICES		25.0%		17.9%		3.4%		0.7%
	GENERAL GOVERNMENT		10.4%		10.0%		0.8%		1.2%
	COMMUNITY, SOCIAL & PERSONAL SERVICES		6.9%		14.4%		0.8%		-2.5%

1

REGIONAL ECONOMIC REVIEW AND OUTLOOK

1.1 INTRODUCTION

The Garden Route District (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 located adjacent to the coast, while the other two (Kannaland and Oudtshoorn) are located inland. The District is 23 331 square kilometres and constitutes 18.0 per cent of the Western Cape's geographical area¹.

This chapter provides a macroeconomic outlook of the GRD, which includes an overview of trends between 2014 and 2019, and an outlook in terms of GDP for 2020 and 2021. Additional indicators of economic activity in the GRD are also discussed.

¹ (MDB, 2018).

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

Table 1.1 illustrates the historical growth rates of the District and its local municipalities.

Table 1.1

GDPR CONTRIBUTION AND AVERAGE GROWTH RATES PER MUNICIPAL AREA, Garden Route District, 2018

MUNICIPALITY	R million value 2018	Contribution to GDPR (%) 2018	Trend 2014 – 2018 (%)	Real GDPR growth 2019e (%)
Kannaland	R1 280.8	2.9%	1.6%	-1.1%
Hessequa	R3 932.5	8.8%	1.4%	-0.2%
Mossel Bay	R7 716.3	17.3%	1.1%	0.2%
George	R17 863.0	40.0%	1.9%	0.7%
Oudtshoorn	R5 708.5	12.8%	1.4%	0.3%
Bitou	R3 269.8	7.3%	1.3%	0.6%
Knysna	R4 920.2	11.0%	0.7%	0.1%
Garden Route District	R44 691.1	100.0%	1.5%	0.4%
Western Cape	R589 443.7	-	1.4%	0.3%

Source: Quantec Research, 2020 (e denotes estimate)

The GRD's GDPR was R44.6 billion in 2018 and grew by 1.5 per cent between 2014 and 2018, which was slightly higher than the provincial growth rate of 1.4 per cent during the same period. Estimates indicate that GDPR growth in the GRD and the Western Cape slowed significantly in 2019. The GRD's GDPR growth was expected to be 0.4 per cent in 2019, which was slightly more than the Western Cape's estimated GDPR growth of 0.3 per cent.

The main economic centre and business hub of the District is the George municipal area, which contributed 40.0 per cent to the GRD's economy in 2018, followed by the Mossel Bay (17.3 per cent), Oudtshoorn (12.8 per cent) and Knysna (11.0 per cent) municipal areas. The Kannaland municipal area has the smallest GDPR in the GRD, with a 2.9 per cent contribution in 2018.

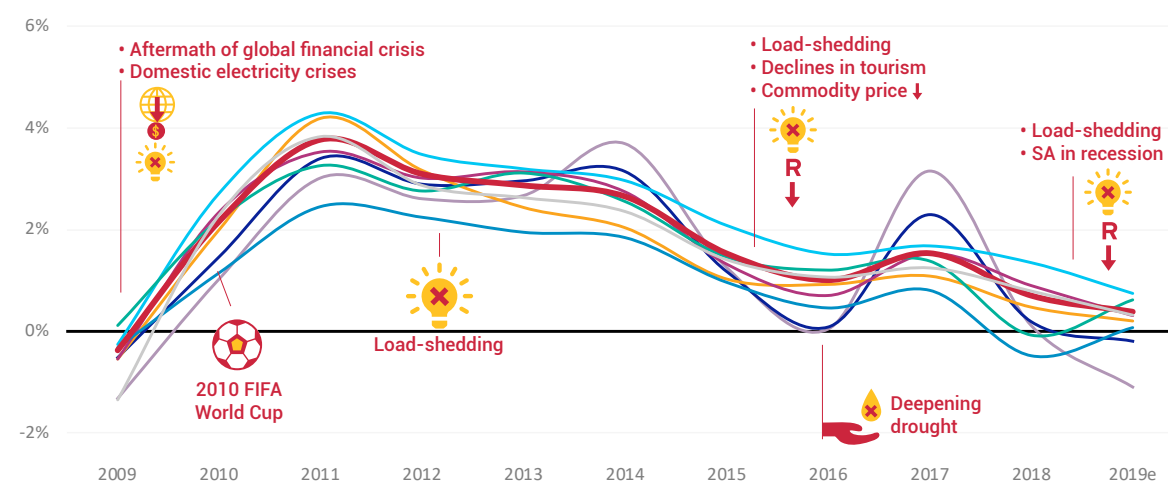
The George municipal area further experienced the highest GDPR growth rate (1.9 per cent) of all the GRD municipal areas between 2014 and 2018, followed by Kannaland (1.6 per cent), Hessequa (1.4 per cent) and Oudtshoorn (1.4 per cent).

It is estimated that the George municipal area experienced the best growth performance (0.7 per cent) in 2019. However, this is only half of what it experienced between 2014 and 2018. The next best growth performance was in the Bitou municipal area (0.6 per cent). It is further expected that the Kannaland and Hessequa municipal areas' GDPR contracted by 1.1 per cent and 0.2 per cent respectively in 2019. The overreliance on the agriculture, forestry and fishing sector has made the economies more vulnerable to shocks in this sector, such as the provincial drought.

Figure 1.1 illustrates an overview of the historical trends in GDPR growth rates for the Western Cape, the GRD and the municipal areas within the GRD.

Figure 1.1

GDPR GROWTH PER MUNICIPAL AREA, Garden Route District, 2009 – 2019



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e
Western Cape	-1.3%	2.3%	3.8%	2.9%	2.6%	2.4%	1.4%	1.1%	1.2%	0.8%	0.3%
Garden Route District	-0.4%	2.2%	3.8%	3.1%	2.9%	2.6%	1.5%	1.0%	1.5%	0.7%	0.4%
Kannaland	-1.3%	1.0%	3.0%	2.6%	2.7%	3.7%	1.2%	0.0%	3.2%	0.1%	-1.1%
Hessequa	-0.5%	1.5%	3.4%	2.9%	3.0%	3.1%	1.2%	0.1%	2.3%	0.2%	-0.2%
Mossel Bay	-0.5%	2.0%	4.2%	3.2%	2.4%	2.0%	1.0%	0.9%	1.1%	0.5%	0.2%
George	-0.3%	2.7%	4.3%	3.5%	3.2%	3.0%	2.1%	1.5%	1.7%	1.3%	0.7%
Oudtshoorn	-0.6%	2.3%	3.5%	3.0%	3.1%	2.7%	1.3%	0.7%	1.5%	0.9%	0.3%
Bitou	0.1%	2.2%	3.3%	2.8%	3.1%	2.6%	1.5%	1.2%	1.4%	-0.1%	0.6%
Knysna	-0.3%	1.1%	2.5%	2.2%	1.9%	1.8%	1.0%	0.4%	0.8%	-0.5%	0.1%

Source: Quantec Research, 2020 (e denotes estimate)

The GDPR trend in all municipal areas in the GRD showed a high correlation, indicating that the GDPR of the areas was mostly affected by similar events between 2009 and 2019. The improvement in GDPR in the municipal areas between 2009 and 2011 was predominantly linked to the recovery of the global economy after the global financial crisis of 2008 and the 2010 FIFA World Cup.

By 2010, all the municipal areas in the GRD were experiencing positive GDPR growth. This was followed by a significant decline in the GDPR growth rates between 2011 and 2016 owing to load-shedding, a decline in international tourists and a major drought in the region. The Oudtshoorn municipal area, which is a major ostrich-breeding area, was also affected by the avian influenza outbreak in 2011.

The effects of load-shedding on GDPR can be demonstrated by the increase in the GDPR growth rate in all the municipal areas in the GRD in 2017 – the only year in the period under review that did not have significant load-shedding. All the municipal areas showed a recovery in 2018, except for the Knysna and Bitou municipal areas, which were severely affected by the 2017 Knysna fires, which destroyed homes and businesses, and resulted in a loss of infrastructure and commercial

forestry plantation. The total damage of the fires is estimated to be R3.0 billion². The Kannaland municipal area experienced the best recovery at 3.2 per cent, but from a low base.

The Knysna municipal area further experienced several political and administrative challenges between 2016 and 2019. These included frequent service delivery protests, illegal land invasions, public violence and a change in municipal leadership³.


All municipal areas of the GRD experienced low growth or even a small contraction owing to the reintroduction and increase in severity of load-shedding from level two to level four in 2018 and 2019. The effects of load-shedding reverberated through South Africa, resulting in slower growth, the country being downgraded by all major credit rating agencies and the country entering a recession.

1.2.2 Sectoral GDPR performance

Table 1.2 below shows the GDPR performance of the GRD in 2018, the GDPR trend between 2014 and 2018, and a growth estimation for 2019.

Table 1.2

GDPR PERFORMANCE PER SECTOR, Garden Route District, 2018

		R million value 2018	Contribution to GDPR (%) 2018	Trend 2014 – 2018 (%)	Real GDPR growth 2019e (%)
SECTOR					
PS Primary Sector		R2 463.4	5.5%	-0.7%	-7.6%
Agriculture, forestry & fishing		R2 305.0	5.2%	-0.8%	-7.8%
Mining & quarrying		R158.3	0.4%	1.6%	-2.6%
SS Secondary Sector		R10 663.8	23.9%	0.4%	-1.6%
Manufacturing		R6 487.1	14.5%	0.8%	-0.3%
Electricity, gas & water		R1 384.8	3.1%	-0.9%	-3.0%
Construction		R2 791.9	6.2%	-0.3%	-4.6%
TS Tertiary Sector		R31 564.0	70.6%	2.0%	1.6%
Wholesale & retail trade, catering & accommodation		R8 165.2	18.3%	1.1%	-0.2%
Transport, storage & communication		R4 487.9	10.0%	2.3%	0.3%
Finance, insurance, real estate & business services		R11 184.3	25.0%	3.3%	3.4%
General government		R4 646.6	10.4%	0.2%	0.8%
Community, social & personal services		R3 080.0	6.9%	1.3%	0.8%
Total Garden Route District		R44 691.1	100.0%	1.5%	0.4%

Source: Quantec Research, 2020 (e denotes estimate)

² (CSIR, Stellenbosch University & Santam, 2019).

³ (Knysna Municipality, 2019).

The tertiary sector was the greatest contributor to the GRD's GDP with 70.6 per cent in 2018. The main drivers of economic activity in the tertiary sector were the finance, insurance, real estate and business services sector (25.0 per cent) and the wholesale and retail trade, catering and accommodation sector (18.3 per cent). The manufacturing sector (14.5 per cent) was the predominant driver of growth in the secondary sector in 2018. Combined, these three sectors made up more than half of the District's GDP.

The primary sector was the worst-performing sector between 2014 and 2018. However, it was not a significant contributor to the GRD's GDP, as it only contributed 5.5 per cent towards total GDP and experienced a contraction of 0.7 per cent per annum between 2014 and 2018. This sector is mainly driven by the agriculture, forestry and fishing sector, which contributed R2.3 billion (5.2 per cent) of total GDP in 2018. This sector experienced a steady decline of 0.8 per cent per annum between 2014 and 2018. Since the sector is highly dependent on water, the continuing drought had, and will continue to have, a significant impact on the sector's performance. It is estimated that agriculture, forestry and fishing's GDP contracted by 7.8 per cent in 2019. The contraction was mostly due to the drought experienced within the region. Despite its small size, the sector is critical for rural economies, as many sectors are reliant on the output of this sector. Ensuring land and water availability for small-scale and emerging farmers in the GRD can be a valuable injection for the sector. Mining and quarrying had the smallest contribution to the District's GDP in 2018 owing to limited mineral resources within the area, except for gas off the coast near the Mossel Bay municipal area.

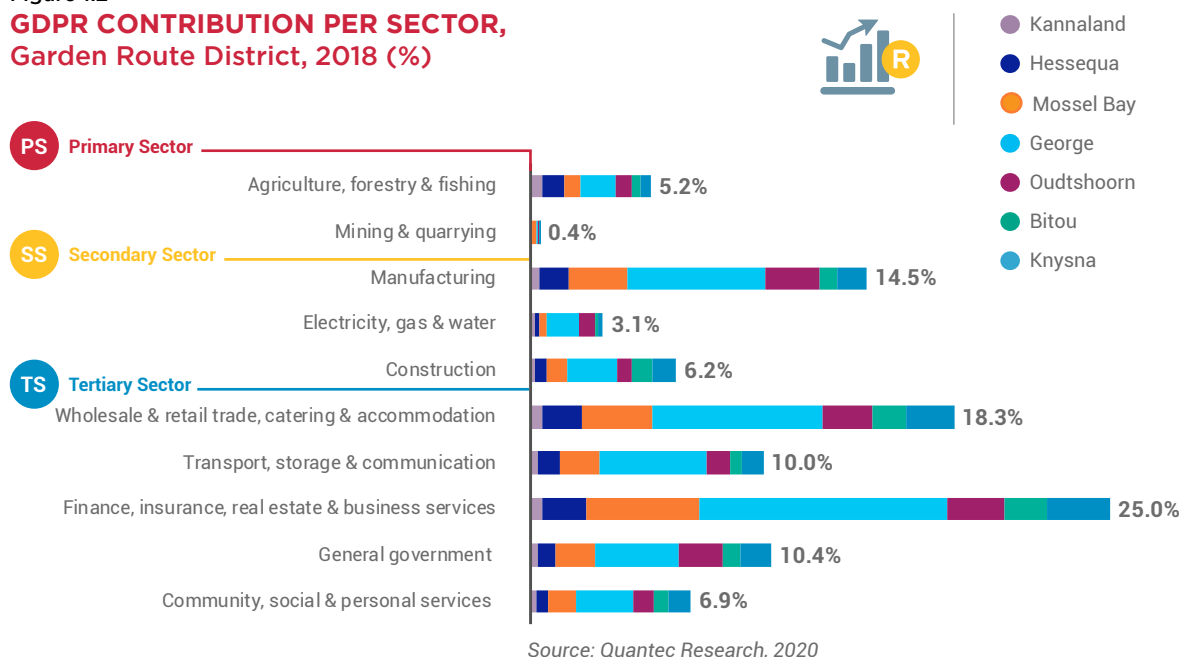
The secondary sector contributed 23.9 per cent towards total GDP and experienced 0.4 per cent GDP growth between 2014 and 2018. Manufacturing contributed 14.5 per cent of total GDP in 2018 and experienced steady growth of 0.8 per cent per annum between 2014 and 2018. It is estimated that manufacturing's GDP experienced a slight contraction of 0.3 per cent in 2019. This may be due to reduced availability of locally produced agricultural commodities used within the manufacturing sector. Construction contributed 6.2 per cent of total GDP in 2018 and has experienced a steady decline of 0.3 per cent per annum between 2014 and 2018. It is estimated that the construction sector's GDP contracted by 4.6 per cent in 2019.

The tertiary sector was the largest contributor to GDP in the GRD in 2018, contributing 70.6 per cent to total GDP and realising an average annual growth rate of 2.0 per cent between 2014 and 2018. The finance, insurance, real estate and business services sector was the best-performing sector in the GRD between 2014 and 2018. The sector contributed R11.2 billion or 25.0 per cent towards total GDP in 2018 and increased by 3.3 per cent per annum between 2014 and 2018. It is estimated that the sector's strong growth continued at an estimated 3.4 per cent in 2019. The wholesale and retail trade, catering and accommodation sector was the second largest contributor to GDP in the GRD, contributing 18.3 per cent of total GDP in 2018. The sector experienced steady growth of 1.1 per cent per annum between 2014 and 2018, but is estimated to have contracted by 0.2 per cent in 2019.

Figure 1.2 depicts the GRD's sectoral GDPR contribution per municipal area in 2018.

Figure 1.2

**GDPR CONTRIBUTION PER SECTOR,
Garden Route District, 2018 (%)**



The finance, insurance, real estate and business services sector (25.0 per cent), wholesale and retail trade, catering and accommodation sector (18.3 per cent) and manufacturing sector (14.5 per cent) were the three biggest contributors to the GRD's GDPR in 2018.

In terms of municipal contribution, the George municipal area was the major contributor in all sectors, except mining and quarrying, where the Mossel Bay municipal area was the biggest contributor owing to gas fields near its coast and limited mineral resources in the other municipal areas. The Mossel Bay municipal area was the second largest contributor within the finance, insurance, real estate and business services; wholesale and retail trade, catering and accommodation; manufacturing; transport, storage and communication; and community, social and personal services sectors.


The Oudtshoorn municipal area was the second largest contributor in the electricity, gas and water sector and the general government sector, while Hessequa was the second biggest contributor in the agriculture, forestry and fishing sector. The Knysna and Bitou municipal areas were the second and third largest contributors in the construction sector respectively. It should be noted that the Kannaland municipal area's contribution to GDPR was significantly smaller than the other municipal areas, but the municipal area realised a strong contribution in the agriculture, forestry and fishing sector.

1.2.3 GDPR performance per sector forecast (outlook)

Table 1.3 indicates the GDPR forecast per sector for 2020 and 2021 in the GRD. It should be noted that the forecast is limited to two years because of the fast pace at which the global and South African economies are changing, as well as uncertainties regarding the full impact of COVID-19 on the global and national economy in 2020.

Table 1.3

GDPR FORECAST PER SECTOR, Garden Route, 2020 – 2021 (%)⁴

		2019e	2020f	2021f
SECTOR				
PS Primary Sector				
Agriculture, forestry & fishing		-7.8%	12.3%	-8.5%
Mining & quarrying		-2.6%	-24.3%	14.6%
SS Secondary Sector				
Manufacturing		-0.3%	-14.6%	11.5%
Electricity, gas & water		-3.0%	-8.9%	-2.0%
Construction		-4.6%	-18.9%	11.8%
TS Tertiary Sector				
Wholesale & retail trade, catering & accommodation		-0.2%	-18.7%	13.8%
Transport, storage & communication		0.3%	-14.9%	12.3%
Finance, insurance, real estate & business services		3.4%	0.8%	-0.2%
General government		0.8%	1.2%	-4.1%
Community, social & personal services		0.8%	0.3%	-1.7%
Total Garden Route District		0.4%	-6.6%	3.9%

Source: Urban-Econ based on BER, 2020 (e denotes estimate, f denotes forecast)

Economic growth in the GRD is expected to contract by 6.6 percent in 2020 as a result of the lockdown announced in March 2020 in an effort to curb the spread of COVID-19. The lockdown restricted trade in most sectors, particularly in the second quarter of 2020. Travel restrictions also resulted in the stagnation of the tourism industry, which is a valuable source of jobs in the GRD.

Significant contractions are expected in the construction sector (18.9 per cent), the wholesale and retail trade, catering and accommodation sector (18.7 per cent), the transport storage and communication sector (14.9 percent) and the manufacturing sector (14.6 per cent). Positively, the agriculture, forestry and fishing sector is expected to recover in 2020, with an anticipated growth rate of 12.3 per cent. The weaker exchange rate boosted exports in citrus, which is one of the main agricultural exports from the GRD, and this has boosted the sector. Other sectors that are expected to show marginal growth include the finance, insurance, real estate and business services sector (0.8 per cent), general government sector (1.2 per cent) and community, social and personal services sector (0.3 per cent).

⁴ The forecast for 2020 and 2021 is based on the national forecast by the South African Reserve Bank (SARB), with sector adjustments for 2020 as per quarter 1 and quarter 2 sectoral GDP contributions as released by Statistics SA. The agriculture, forestry and fishing sector outlook has been adjusted to be in line with the Bureau for Food and Agricultural Policy 2020 baseline 2020 outlook.

The economy of the GRD is expected to recover somewhat in 2021, with a forecast growth rate of 3.9 per cent. However, most sectors will not recover fully from the contraction expected in 2020. The agriculture, forestry and fishing sector is also forecast to contract by 8.5 per cent, while the finance, insurance, real estate and business services, general government and community, social and personal services sectors are all forecast to contract in 2021.



Michael Liao, Unsplash

1.3 LABOUR TREND ANALYSIS

This subsection discusses some of the key employment trends by indicating which municipal areas within the GRD are the largest contributors to employment creation and providing an overview of the historical employment trends in the local municipal areas. It also discusses sectoral employment by identifying which sectors employ the most people and highlighting which sectors have contributed the most to creating new job opportunities (or have experienced job losses) in the District. Finally, it also summarises the unemployment rate, labour absorption rate and labour force participation rate for each of the municipal areas within the GRD.

1.3.1 Employment per municipal area

Table 1.4 depicts the status of employment in each municipal area in 2018, the number of jobs created over a five-year period and the estimated number of jobs created in 2019.

Table 1.4
EMPLOYMENT GROWTH, Garden Route District, 2018

MUNICIPALITY	Number of jobs 2018	Contribution to employment (%) 2018	Average annual change 2014 – 2018	Net change 2019e
● Kannaland	10 230	4.4%	145	-114
● Hessequa	25 484	10.9%	362	-262
● Mossel Bay	37 055	15.9%	462	-354
● George	83 169	35.7%	1 561	-122
● Oudtshoorn	30 211	13.0%	432	-155
● Bitou	19 998	8.6%	458	-50
● Knysna	26 865	11.5%	444	-106
Garden Route District	233 012	100.0%	3 863	-1 163
Western Cape	2 589 080	-	46 746	-4 421

Source: Quantec Research, 2020 (e denotes estimate)

In 2018, 233 012 people were employed in the GRD. The George municipal area contributed the most towards jobs, employing 35.7 per cent of all people employed in the GRD in 2018. The Mossel Bay (15.9 per cent), Oudtshoorn (13.0 per cent), Knysna (11.5 per cent) and Hessequa (10.9 per cent) municipal areas also showed strong contributions to employment.

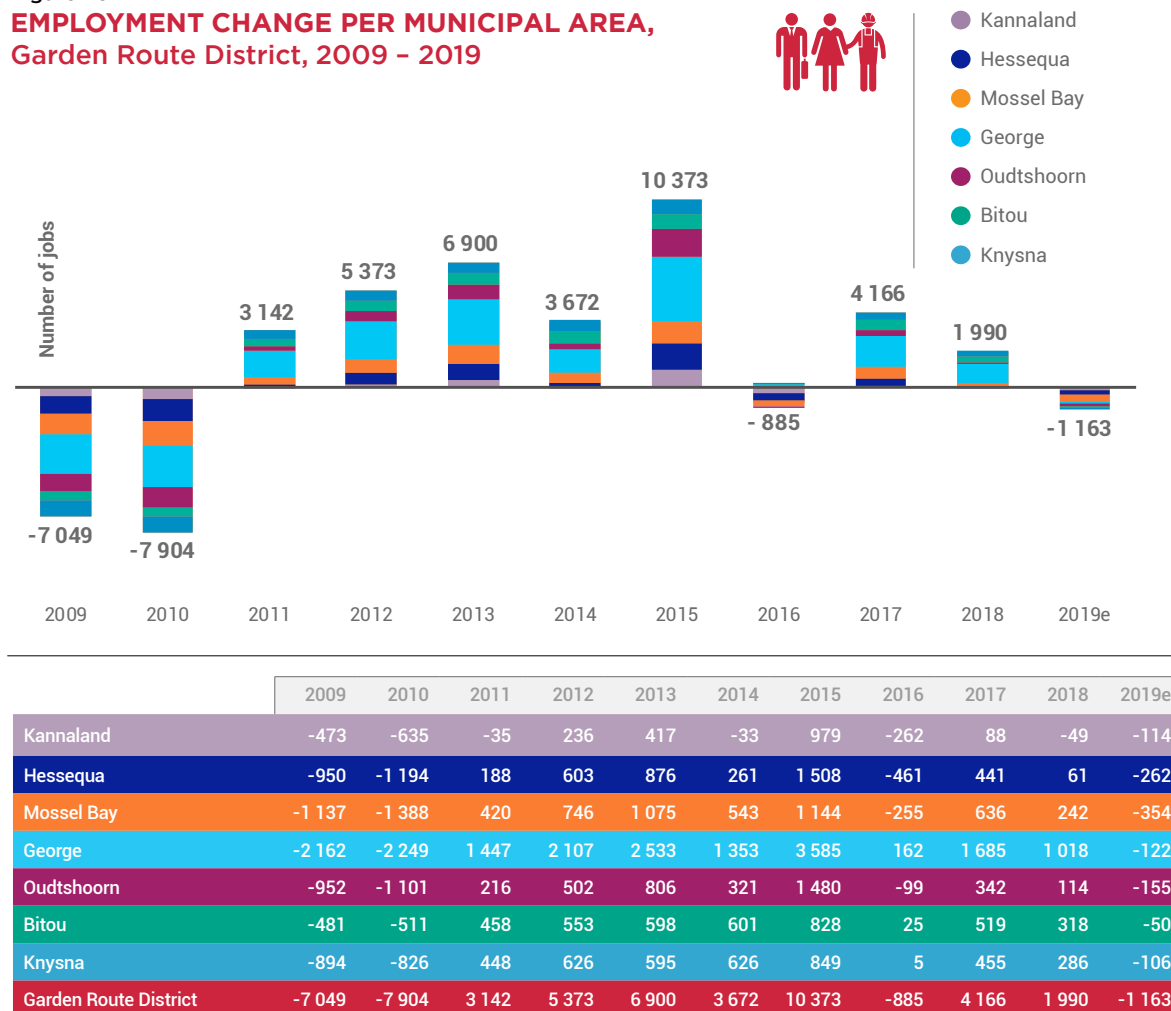
Employment in the GRD increased by an average of 3 863 jobs per annum between 2014 and 2018. All municipal areas indicated increases in employment for this period, with the George (1 561 jobs per annum), Bitou (458 jobs per annum), Mossel Bay (462 jobs per annum), Knysna (444 jobs per annum) and Oudtshoorn (432 jobs per annum) municipal areas contributing the most. It is, however, estimated that employment decreased by 1 163 jobs in 2019 in the GRD, with the largest decreases occurring in the Mossel Bay (354 jobs), Hessequa (262 jobs) and Oudtshoorn (155 jobs) municipal areas. This decrease can be attributed to poor economic performance within the District owing to increased load-shedding, the South African economy entering a recession and the persistent drought in the region. Formal businesses in the GRD have experienced a number of constraints in terms of expanding their businesses and creating jobs. These include limited land, infrastructure challenges, municipal red tape, inter-town transport and

inter-regional transport (Metrorail), water security, trading space, funding requirements, skills and market penetration.

Figure 1.3 provides an overview of the historical employment trends in the GRD. The employment trends experienced between 2009 and 2019 mirror the fluctuations in GDPR.

Figure 1.3

**EMPLOYMENT CHANGE PER MUNICIPAL AREA,
Garden Route District, 2009 – 2019**



Source: Quantec Research, 2020 (e denotes estimate)

Employment in the GRD shows a similar pattern to GDPR, and employment in the region was mostly affected by macroeconomic and regional factors. Despite the improved GDPR growth in 2010, job losses still occurred. Job creation often lags economic recovery, as local businesses remain cautious when it comes to increasing the number of jobs following severe economic downturns. The George, Mossel Bay, Hessequa and Knysna municipal areas were the most affected municipal areas in terms of job losses between 2009 and 2010.

The job-shedding in 2016 was most likely the result of a combination of factors, including the domestic electricity crisis, declining international tourists and the drought in the region.


The below-average growth in jobs between 2017 and 2018 appears to have been short-lived, as it is estimated that 1 163 jobs were shed in 2019 owing to the continued drought, increased load-shedding and South Africa entering a recession.

1.3.2 Sectoral employment

Table 1.5 illustrates employment per sector in the GRD in 2018.

Table 1.5

EMPLOYMENT PER SECTOR, Garden Route District, 2018

		Number of jobs 2018	Contribution to employment (%) 2018	Average annual change 2014 – 2018	Net change 2019e
SECTOR					
PS Primary Sector		28 421	12.2%	171	-266
Agriculture, forestry & fishing		28 243	12.1%	171	-258
Mining & quarrying		178	0.1%	0	-8
SS Secondary Sector		37 523	16.1%	357	-1 825
Manufacturing		20 668	8.9%	172	-220
Electricity, gas & water		866	0.4%	13	-12
Construction		15 989	6.9%	172	-1 593
TS Tertiary Sector		167 068	71.7%	3 335	928
Wholesale & retail trade, catering & accommodation		58 619	25.2%	1 212	834
Transport, storage & communication		9 884	4.2%	130	370
Finance, insurance, real estate & business services		41 688	17.9%	1 517	277
General government		23 324	10.0%	101	276
Community, social & personal services		33 553	14.4%	375	-829
Total Garden Route District		233 012	100.0%	3 863	-1 163

Source: Quantec Research, 2020 (e denotes estimate)

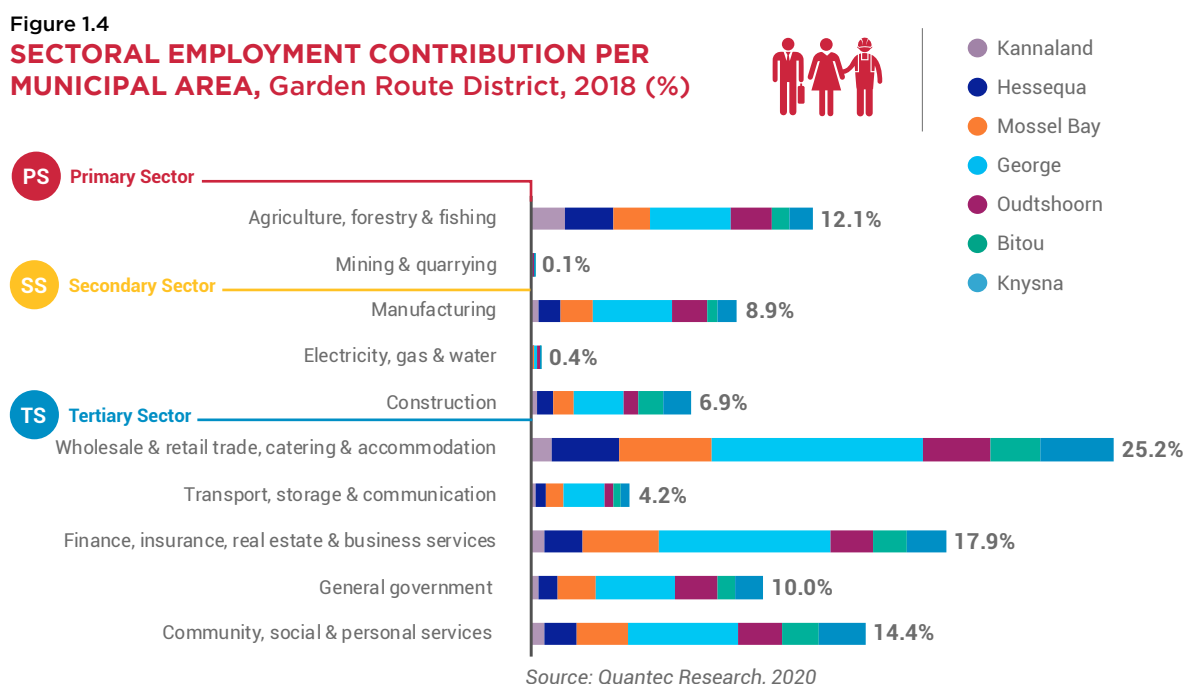
The tertiary sector was the greatest contributor to employment in the GRD at 71.7 per cent in 2018. The main drivers of employment were the wholesale and retail trade, catering and accommodation (25.2 per cent), finance, insurance, real estate and business services (17.9 per cent) and community, social and personal services (14.4 per cent) sectors. Combined, these three sectors made up more than half of the District's employment.

The primary sector was the smallest contributor to employment in the GRD, accounting for 12.2 per cent of total employment in 2018. The primary sector's employment increased by an average annual of 171 jobs between 2014 and 2018, but it is estimated to have shed 266 jobs in 2019. The biggest share of employment in the primary sector was in the agriculture, forestry and fishing sector, accounting for 12.1 per cent of total employment in the GRD in 2018. The mining and quarrying sector only accounted for 0.1 per cent of total employment. The prolonged drought, as well as the avian influenza outbreak, reduced the output of the agriculture, forestry and fishing sector over the reference period, resulting in a reduction in the demand for labour.

The secondary sector employed 16.1 per cent of all people employed in the GRD in 2018. Employment in the sector increased by an average of 357 jobs per annum between 2014 and 2018, but the sector is estimated to have shed 1 825 jobs in 2019. The manufacturing sector comprised just over half of employment in the secondary sector, accounting for 8.9 per cent of total employment in 2018. Employment in the manufacturing sector increased by an average of 172 jobs per annum between 2014 and 2018, but the sector is estimated to have shed 220 jobs in 2019. The uncertainty regarding the future of PetroSA's Moss gas could result in large-scale job losses in the future, particularly in the Mossel Bay municipal area.

The tertiary sector was the largest contributor to employment in the GRD in 2018. The sector contributed 71.7 per cent towards total employment and experienced an average increase of 3 335 jobs per annum between 2014 and 2018. It is estimated that employment in the tertiary sector continued to increase by 928 jobs in 2019. The wholesale and retail trade, catering and accommodation sector was the biggest contributor to employment in the GRD, contributing 25.2 per cent to total employment in the GRD in 2018. The sector experienced growth of 1 212 jobs between 2014 and 2018, and is estimated to have increased employment by an additional 834 jobs in 2019. The finance, insurance, real estate and business services sector was the second largest contributor to employment in the GRD in 2018, comprising 17.9 per cent of total employment in the GRD in 2018. The sector experienced the best employment growth, with an average of 1 517 jobs per annum between 2014 and 2018, and it is estimated to have increased employment by an additional 277 jobs in 2019. The community, social and personal services sector accounted for 14.4 per cent of total employment in the GRD in 2018. The sector on average employed an additional 375 people per annum between 2014 and 2018. It is also estimated to be the only sector within the tertiary sector to have experienced job losses, shedding an estimated 829 jobs in 2019.

Figure 1.4 illustrates the sectoral employment contribution per municipal area in the GRD in 2018.



The wholesale and retail trade, catering and accommodation (25.2 per cent), finance, insurance, real estate and business services (17.9 per cent) and community, social and personal services (14.4 per cent) sectors were the three biggest contributors to employment in the GRD in 2018.

The George municipal area was the major contributor to employment in all sectors, except mining and quarrying, where the Mossel Bay municipal area was the biggest contributor as a result of Moss gas. This emphasises that the George municipal area is the economic hub of the region. The Mossel Bay municipal area was also the second biggest contributor to employment in the finance, insurance, real estate and business services; wholesale and retail trade, catering and accommodation; transport, storage and communication; and community, social and personal services sectors.

The Oudtshoorn municipal area was the second biggest contributor to employment in the manufacturing sector, the electricity, gas and water sector, and the general government sector, while the Hessequa municipal area was the second biggest contributor in the agriculture, forestry and fishing sector. The Knysna and Bitou municipal areas were the second and third largest contributors to the construction sector. The Kannaland municipal area's contribution to employment was significantly smaller than the other municipal areas, but did show a strong contribution in the agriculture, forestry and fishing sector.






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Diagram 1.1 provides an overview of the employment dynamics in the GRD by depicting the unemployment rate, labour absorption rate and labour force participation rate for each of the municipal areas.

Diagram 1.1

UNEMPLOYMENT PROFILE, Garden Route District, 2018 (%)

MUNICIPALITY	 Unemployment rate (%) 2018	2019	 Labour force participation rate (%) 2018	2019	 Labour absorption rate (employment-to-population ratio) 2018	2019
● Kannaland	8.4	↑	63.1	↓	57.8	↓
● Hessequa	6.6	↑	73.6	↓	68.7	↓
● Mossel Bay	14.3	↑	68.9	↓	59.1	↓
● George	13.4	↑	71.0	↓	61.4	↓
● Oudtshoorn	17.6	↑	60.0	↓	49.4	↓
● Bitou	22.2	↑	74.8	↑	58.2	↓
● Knysna	17.7	↑	70.5	↑	58.0	↓
Garden Route District	14.6	↑	69.1	↓	59.0	↓
Western Cape	18.0	↑	68.5	↓	56.2	↓

Source: Quantec Research, 2020

Unemployed persons, according to the official Statistics South Africa definition, are those (aged 15 to 64 years) who:

- a) Were not employed in the reference week; and
- b) Actively looked for work or tried to start a business in the four weeks preceding the survey interview; and
- c) Were available for work, i.e. would have been able to start work or a business in the reference week; or
- d) Had not actively looked for work in the past four weeks, but had a job or business to start at a definite date in the future and were available.

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

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

The GRD's unemployment rate of 14.6 per cent was significantly lower than the rest of the Western Cape, which was 18.0 per cent in 2018. However, the District experienced an increase in unemployment in 2019.

The lowest unemployment was experienced in the Hessequa (6.6 per cent) and Kannaland (8.4 per cent) municipal areas in 2018, while the Bitou (22.2 per cent), Knysna (17.7 per cent) and Oudtshoorn (17.6 per cent) municipal areas experienced the highest unemployment rates in the GRD in 2018. In general, it was estimated that unemployment increased in all municipal areas of the GRD in 2019.

Similar to the Western Cape, the labour force participation rate decreased in the GRD and all its municipal areas, except in the Bitou and Knysna municipal areas, in 2019. The labour absorption rate, however, declined in the Western Cape, the GRD and all its municipal areas.

1.4 CONCLUDING REMARKS

The GRD's economy was estimated at R44.7 billion in 2018 and accounted for 7.6 per cent of the Western Cape GDP. The District's economy grew at a slightly faster pace of 1.5 per cent compared with the Western Cape's GDP growth rate of 1.4 per cent between 2014 and 2018.

The main driver of GDP in the GRD was the George municipal area, with a value of R17.9 billion in 2018, or 40.0 per cent of the GRD's GDP. The George municipal area further experienced the highest GDP growth rate of all the GRD municipal areas, 1.9 per cent, between 2014 and 2018. Overall, all municipal areas in the GRD experienced GDP growth between 2014 and 2018. Growth is estimated to slow to 0.4 per cent in 2019. Furthermore, the COVID-19 pandemic and the associated lockdown conditions that were prevalent, especially in the second quarter, will have a significant negative impact on the economy of the District, with the economy forecast to contract by 6.6 per cent in 2020.

The tertiary sector was the greatest contributor to the GRD's GDP at 70.6 per cent in 2018. The main drivers of economic activity were the finance, insurance, real estate and business services sector (25.0 per cent) and the wholesale and retail trade, catering and accommodation sector (18.3 per cent) in the tertiary sector, and the manufacturing sector (14.5 per cent) in the secondary sector in 2018. Combined, these three sectors made up more than half of the District's GDP. Finance, insurance, real estate and business services further experienced the best growth of all sectors in the GRD, at an estimated 3.3 per cent GDP per annum between 2014 and 2018, and an estimated 3.4 per cent GDP growth in 2019. The main drivers of employment were the wholesale and retail trade, catering and accommodation (25.2 per cent), finance, insurance, real estate and business services (17.9 per cent) and community, social and personal services (14.4 per cent) sectors in 2018. Combined, these three sectors made up more than half of the District's employment.

The George municipal area was the largest contributor to employment in all sectors in the GRD, except for mining and quarrying. The lowest unemployment was experienced in the Hessequa (6.6 per cent) and Kannaland (8.4 per cent) municipal areas in 2018.



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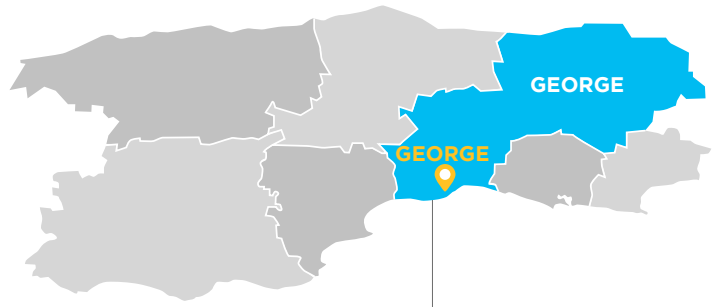


2

SECTORAL GROWTH, EMPLOYMENT AND SKILLS PER MUNICIPAL AREA

2.1 INTRODUCTION

This chapter provides a more in-depth macroeconomic outlook by considering the trends in GDP, employment and skill levels between 2009 and 2019 for each of the municipal areas within the GRD.



2.2 GEORGE

The George municipal area covers 5 191 square kilometres⁵, spanning from the coastline, where Herolds 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. Smaller areas in the municipal area include Wilderness, Herolds Bay, 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 Airport⁶. 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

As illustrated in Diagram 2.1, the George municipal area's GDPR was worth R17.9 billion in 2018 and is estimated to have increased by 0.7 per cent (in real terms) to R18.6 billion in 2019. However, it is estimated that 122 jobs were shed in the municipal area in 2019, bringing the total number of employed people in the region to 83 047 in 2019.

Diagram 2.1

GDPR (CURRENT PRICES) AND EMPLOYMENT, George, 2018 and 2019e

	2018		2019e
GDPR 	R17.9 BILLION	↑ 0.7% GROWTH	R18.6 BILLION
JOBS 	83 169	↓ -122 CONTRACTION	83 047

Source: Quantec Research, 2020 (e denotes estimate)

⁵ (MDB, 2018).

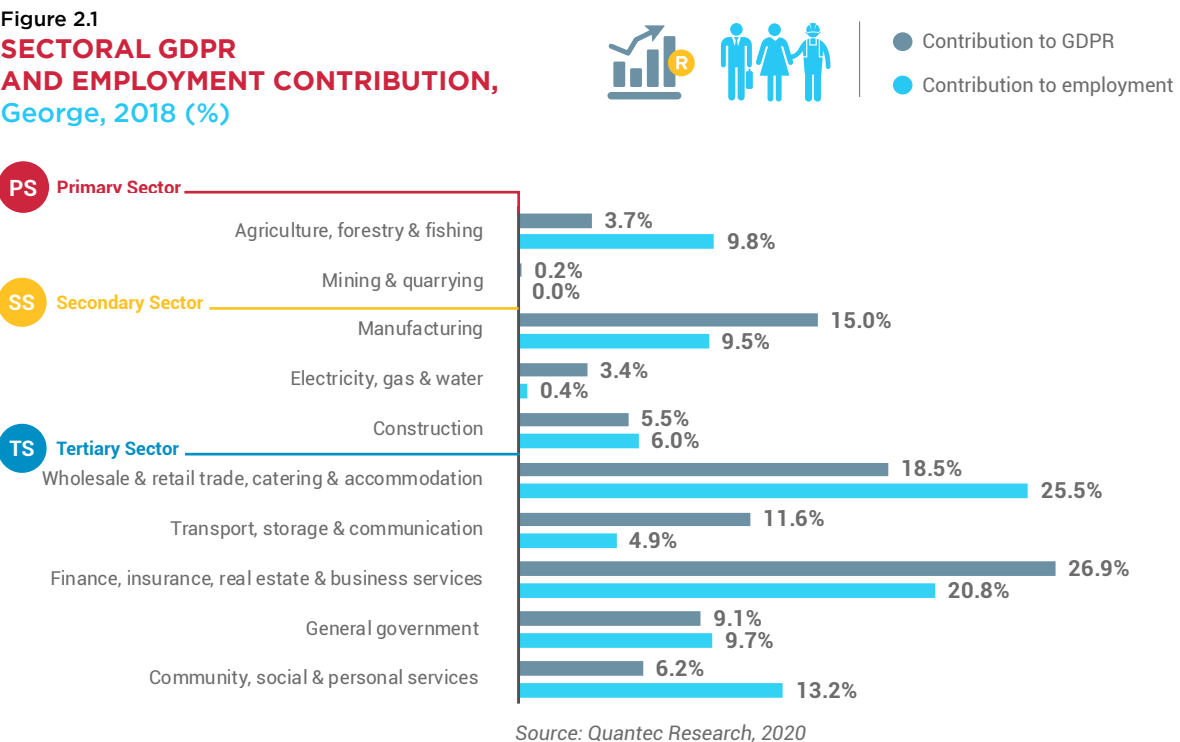
⁶ George Municipality (2013).



COVID-19 IMPACT

The COVID-19 pandemic and its associated containment measures, particularly the national lockdown, are expected to have a significant negative impact on economic growth in the George municipal area. It is estimated that the economy of the municipal area will contract by 6.5 per cent in 2020, before recovering somewhat by 4.6 per cent in 2021.

Figure 2.1 depicts the sectoral contribution to employment and GDP in the George municipal area in 2018.



From a GDP perspective, the top three sectors in the George municipal area were the finance, insurance, real estate and business services (26.9 per cent), wholesale and retail trade, catering and accommodation (18.5 per cent) and manufacturing (15.0 per cent) sectors. These three sectors combined contributed R10.8 billion (60.3 per cent) towards the region’s GDP in 2018.

The biggest contribution towards employment in the George municipal area in 2018 was the wholesale and retail trade, catering and accommodation sector, which contributed 25.5 per cent of all employment in the area. This was followed by the finance, insurance, real estate and business services (20.8 per cent) and community, social and personal services (13.2 per cent) sectors. Collectively, these three sectors employed 59.6 per cent of all employed people in the George municipal area in 2018.

The finance, insurance, real estate and business services sector contributed more to GDPR than to employment (26.9 per cent compared with 20.8 per cent), reflecting the capital-intensive nature of the sector. The manufacturing and transport, storage and communication sectors are also capital-intensive. Conversely, the municipal area's labour-intensive sectors include the wholesale and retail trade, catering and accommodation; agriculture, forestry and fishing; and community, social and personal services sectors.

Table 2.1 outlines the George municipal area's GDPR and employment performance per sector. Between 2014 and 2018, the George municipal area realised an average annual growth rate of 1.9 per cent and created an average of 1 561 jobs per annum.

Table 2.1

GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR,
George, 2019

		GDPR			Employment	
		R million value 2018	Trend 2014 – 2018	Real GDP growth 2019e	Number of jobs 2018	Average annual change 2014 – 2018
SECTOR						Net change 2019e
PS	Primary Sector	R684.4	-0.5%	-7.8%	8 186	61
	Agriculture, forestry & fishing	R654.5	-0.6%	-8.0%	8 150	61
	Mining & quarrying	R29.9	2.3%	-2.1%	36	-
SS	Secondary Sector	R4 265.3	0.9%	-1.1%	13 283	150
	Manufacturing	R2 671.7	1.5%	0.1%	7 924	83
	Electricity, gas & water	R614.0	-1.3%	-3.3%	370	5
	Construction	R979.6	0.1%	-4.3%	4 989	62
TS	Tertiary Sector	R12 913.3	2.4%	1.7%	61 700	1 349
	Wholesale & retail trade, catering & accommodation	R3 302.1	1.2%	-0.1%	21 207	427
	Transport, storage & communication	R2 071.2	2.9%	0.6%	4 070	72
	Finance, insurance, real estate & business services	R4 797.6	3.7%	3.6%	17 338	691
	General government	R1 629.0	0.1%	0.6%	8 076	42
	Community, social & personal services	R1 113.4	1.2%	0.7%	11 009	118
Total George		R17 863.0	1.9%	0.7%	83 169	1 561

Source: Quantec Research, 2020 (e denotes estimate)

The main economic driver in the George municipal area was the tertiary sector, valued at R12.9 billion in 2018, accounting for 72.3 per cent of the George municipal area's GDPR. This sector experienced an average growth rate of 2.4 per cent between 2014 and 2018, which slowed to an estimated 1.7 per cent in 2019.

Some 23.9 per cent of the George municipal area's economy is generated within the secondary sector, with manufacturing the main driver in this sector. The secondary sector experienced tepid growth of 0.9 per cent between 2014 and 2018 but is estimated to have contracted by 1.1 per cent in 2019.

The best growth performance among sectors in the George municipal area between 2014 and 2018 was the finance, insurance, real estate and business services sector (3.7 per cent per annum). This was followed by the transport, storage and communication sector (2.9 per cent per annum) and the mining and quarrying sector (2.3 per cent per annum). The only sectors to have contracted in the George municipal area between 2014 and 2018 were the gas and water (1.3 per cent per annum) and agriculture, forestry and fishing (0.6 per cent) sectors. The contraction in the agriculture, forestry and fishing sector was probably caused by the continued drought in the area. The forestry and timber industry plays an important role in the area's economy and are well supported by the Saasveld Forestry College, which trains foresters.

Estimates for 2019 indicate that the municipal area's reduced GDPR growth rate was mainly a result of the poorly performing primary and secondary sectors, which experienced contractions of 7.8 per cent and 1.1 per cent respectively. More specifically, the largest contractions were experienced by the agriculture, forestry and fishing sector (8.0 per cent) and the construction sector (4.3 per cent). Despite these contractions, economic growth remained positive, albeit 1.2 percentage points lower than the average observed in the previous five years. This was mainly driven by the finance, insurance, real estate and business services sector, which is the only sector that realised a growth rate above the municipal average of 0.7 per cent.

The main employment driver in the George municipal area in 2018 was the tertiary sector, accounting for 74.2 per cent of total employment between 2014 and 2018. Employment creation in the George municipal area was mainly driven by the finance, insurance, real estate and business services sector, which experienced an average annual increase of 691 jobs per annum during this period, followed by the wholesale and retail trade, catering and accommodation sector (427 jobs) and the community, social and personal services sector (118 jobs).

However, estimates for 2019 indicate that the municipal area shed 122 jobs, which was as a result of job-shedding in the construction (452 jobs), community, social and personal services (283 jobs) and agriculture, forestry and fishing (65 jobs) sectors.

The George municipal area's economy is forecast to decline by 6.5 per cent in 2020, largely as a result of COVID-19, with a slight recovery of 4.6 per cent forecast for 2021. The recovery forecast for 2021 will, however, leave the George municipal area's GDPR below its 2018 levels, indicating the gravity of the regional and national economic malaise. As one of the larger towns in the Western Cape and the business hub of the GRD, the George municipal area's dominant finance, insurance, real estate and business services sector is forecast to be resilient in 2020 (1.9 per cent growth) and into 2021 (0.3 per cent growth).

Manufacturing in the George municipal area is estimated to decline by 14.5 per cent in 2020, with many local and regional saw-timber operators having experienced declining demand from the construction sector nationally. As construction projects that were delayed in 2020 approach completion in 2021, the George municipal manufacturing sector is forecast to arrest its decline with an increase of 12.0 per cent in its GDPR.

Job losses are expected to continue in 2020 as a result of the significant contraction in the economy. 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.

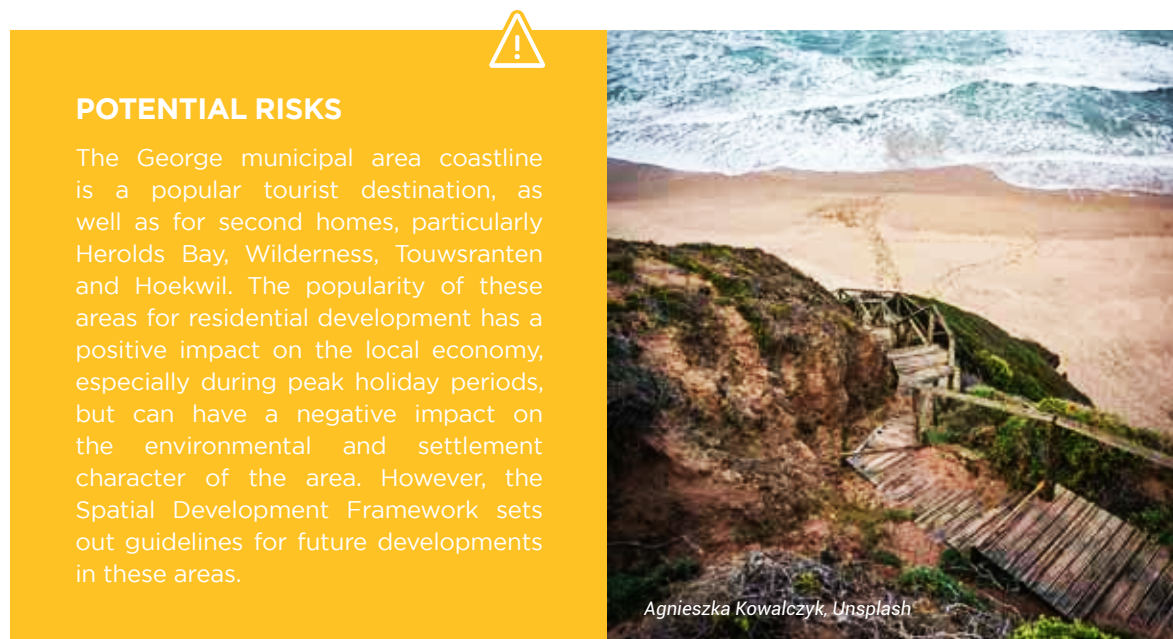
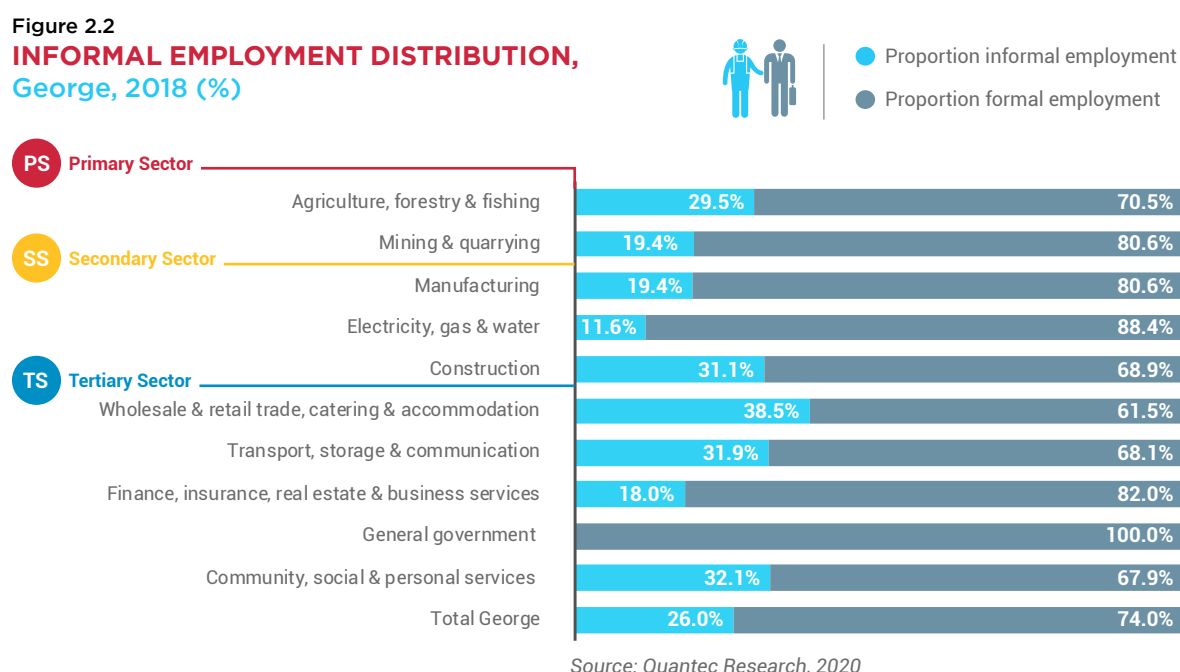


Figure 2.2 depicts the sectoral informal employment distribution in the George municipal area in 2018⁷.



Informal employment accounted for 26.0 per cent of the GRD's total employment in 2018. The sector that provided the biggest share of informal employment opportunities in 2018 was the wholesale and retail trade, catering and accommodation sector, with informal employment accounting for 38.5 per cent of the sector's employment. This was followed by the community, social and personal services (32.1 per cent) and transport, storage and communication (31.9 per cent) sectors.

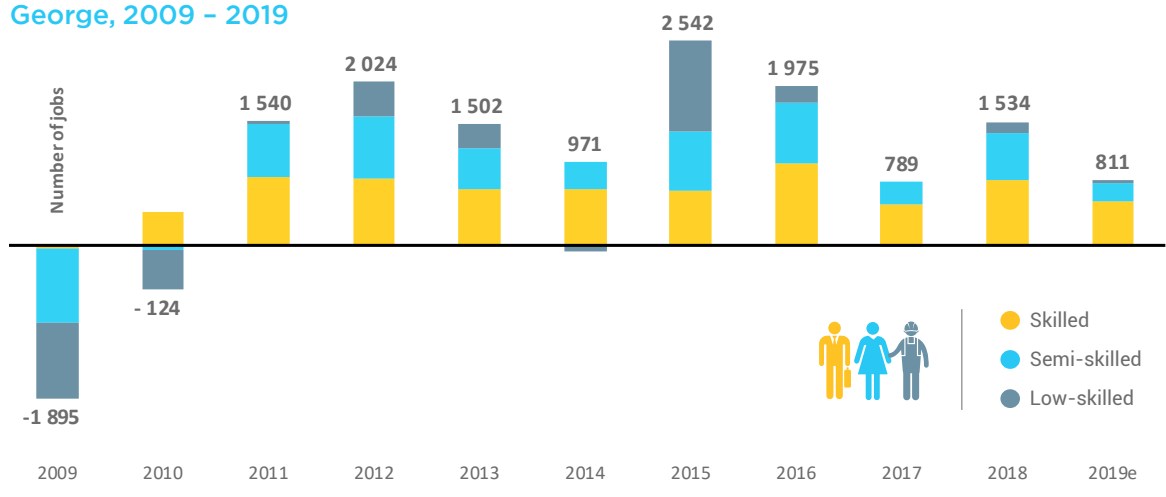
⁷ Throughout this chapter, it should be noted that the number of informal sector workers is determined by using labour data from the Quarterly Employment Statistics (QES) and the Quarterly Labour Force Survey (QLFS). Quantec uses the QES formal figure, to which it adds formal agricultural and domestic 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 2009 and 2019.

Figure 2.3

EMPLOYMENT GROWTH BY SKILL LEVELS, George, 2009 – 2019



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e
Skilled	-25	417	855	839	695	703	686	1 017	514	811	545
Semi-skilled	-931	-52	653	761	506	335	735	748	282	582	223
Low-skilled	-939	-489	32	424	301	-67	1 121	210	-7	141	43

Source: Quantec Research, 2020 (e denotes estimate)

Low-skilled and semi-skilled employees in the George municipal area bore the job-shedding brunt during the aftermath of the 2008 global financial crisis. Low-skilled employees shed jobs in 2009 and 2010, and have only experienced tepid growth in employment since 2012. Apart from in 2015⁸, few low-skilled employment opportunities were created. 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.

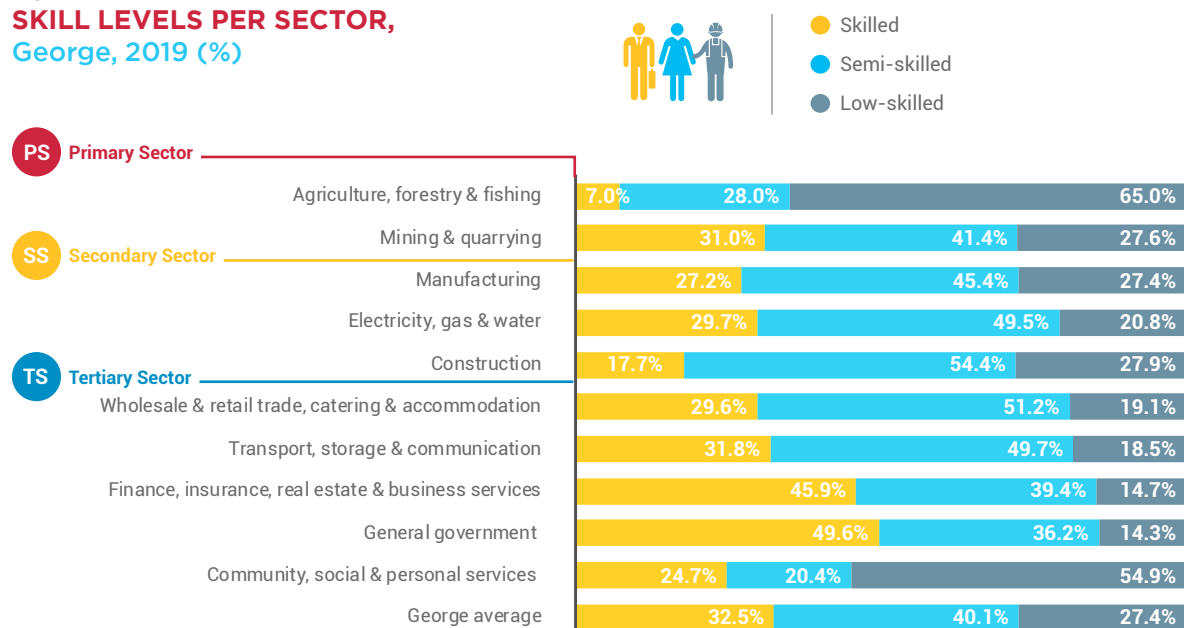
Skilled employment showed remarkable resilience during the aftermath of the 2008 global financial crisis, with only a few jobs lost in the George municipal area in 2009. Skilled employment recovered faster than low- and semi-skilled employment, and showed good growth from 2010. Apart from 2015, more people attained employment in the skilled employment sector than in the low- or semi-skilled sector in the George municipal area between 2010 and 2019. This is an indication that the labour market is shifting towards skilled and semi-skilled labour, which emphasises that the George municipal area is the services-sector hub of the region.



⁸ 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).

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, 2020

In 2018, 32.5 per cent of employed people in the George municipal area were skilled employees, while the area had 40.1 per cent semi-skilled employees and 27.4 per cent low-skilled employees.

Low-skilled employment was best absorbed in the agriculture, forestry and fishing sector in the George municipal area, where 65.0 per cent of employees were low-skilled employees in 2018.

The sector that absorbed the most semi-skilled workers in the George municipal area in 2018 was the construction sector (54.4 per cent). Apart from the agriculture, forestry and fishing sector (28.0 per cent) and the community, social and personal services sector (20.4 per cent), the proportion of semi-skilled workers in the various sectors ranged between 36.2 per cent and 54.4 per cent in 2018.

In 2018, 49.6 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 in 2018 were the finance, insurance, real estate and business services (45.9 per cent) and the transport, storage and communication (31.8 per cent) sectors.



2.3 MOSSEL BAY

The Mossel Bay municipal area covers 2 001 square kilometres and is situated halfway between the Cape Town Metro area and Port Elizabeth in the Eastern Cape⁹. The municipal area has a 122-kilometre coastline that is characterised by three distinct bays, namely 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, Ruiterbos, Southern Cross, Tergniet and Vleesbaai¹⁰.





2.3.1 GDPR and employment performance

The Mossel Bay municipal area’s GDPR was worth R7.7 billion in 2018 and is estimated to have increased by 0.2 per cent (in real terms) to R7.9 billion in 2019. As illustrated in Diagram 2.2, it is estimated that 354 jobs were shed in the municipal area in 2019, bringing the total number of employed people in the region to 36 701 in 2019.

Diagram 2.2

GDPR (CURRENT PRICES) AND EMPLOYMENT, Mossel Bay, 2018 and 2019e

	2018		2019e
GDPR 	R7.7 BILLION	↑ 0.2% GROWTH	R7.9 BILLION
JOBS 	37 055	↓ -354 CONTRACTION	36 701

Source: Quantec Research, 2020 (e denotes estimate)

⁹ (MDB, 2018).

¹⁰ (MDB, 2018).



COVID-19 IMPACT

As a result of the lockdown regulations owing to the COVID-19 pandemic, the Mossel Bay municipal area's GDP is expected to contract by 6.5 per cent in 2020 before recovering to 3.5 per cent in 2021. This recovery is, however, not sufficient to restore the economic performance to the same levels pre-2020.

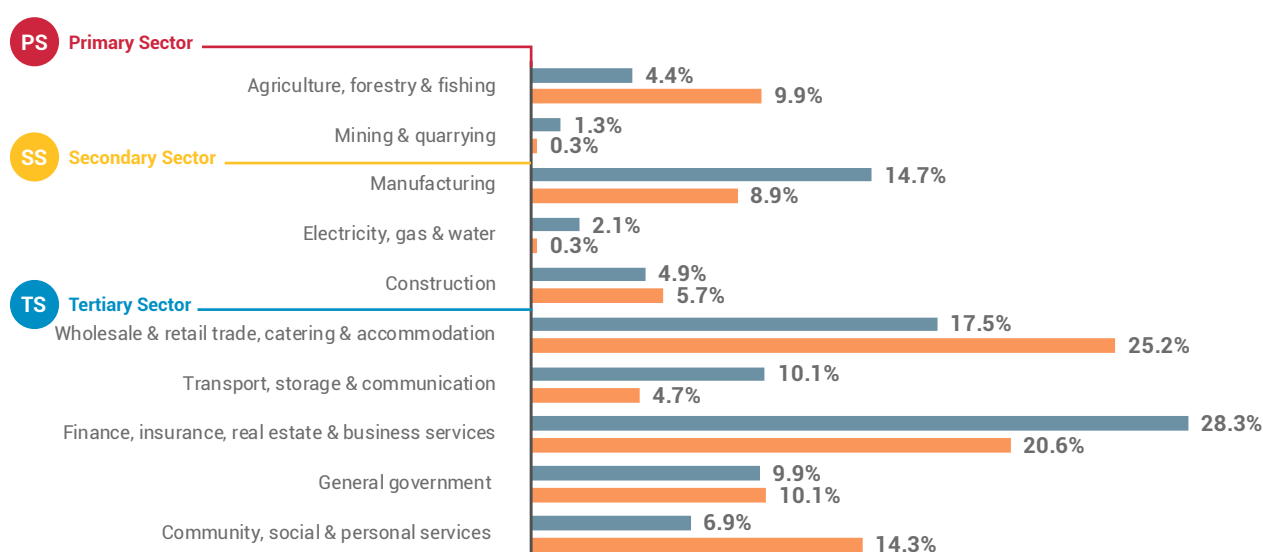
Figure 2.5 illustrates the GDP and employment contribution per sector in the Mossel Bay municipal area in 2018.

Figure 2.5

SECTORAL GDP AND EMPLOYMENT CONTRIBUTION, Mossel Bay, 2018 (%)



● Contribution to GDP
● Contribution to employment



Source: Quantec Research, 2020

In terms of GDP, the top three sectors in the Mossel Bay municipal area were the finance, insurance, real estate and business services (28.3 per cent) and wholesale and retail trade, catering and accommodation (17.5 per cent) sectors in the tertiary sector, and the manufacturing sector (14.7 per cent) in the secondary sector. Collectively, these three sectors contributed 60.5 per cent of the region's GDP in 2018.


The biggest contribution to employment in the Mossel Bay municipal area in 2018 was the wholesale and retail trade, catering and accommodation sector, which contributed 25.2 per cent of all employment opportunities in the area. This was followed by the finance, insurance, real estate and business services sector (20.6 per cent) and the community, social and personal services sector (14.3 per cent). Collectively, these three sectors employed 60.1 per cent of all employed people in the Mossel Bay municipal area in 2018.



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

Table 2.2

GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Mossel Bay, 2018

		GDPR			Employment		
SECTOR		R million value 2018	Trend 2014 – 2018	Real GDP growth 2019e	Number of jobs 2018	Average annual change 2014 – 2018	Net change 2019e
PS	Primary Sector	R437.7	-0.3%	-5.2%	3 784	0	-65
	Agriculture, forestry & fishing	R337.8	-0.8%	-5.9%	3 682	-1	-61
	Mining & quarrying	R100.0	1.7%	-2.5%	102	1	-4
SS	Secondary Sector	R1 675.2	-2.4%	-4.8%	5 514	-67	-385
	Manufacturing	R1 133.0	-2.2%	-4.1%	3 295	-23	-98
	Electricity, gas & water	R161.3	-3.0%	-4.9%	101	-0	-5
	Construction	R380.8	-3.1%	-7.5%	2 118	-43	-282
TS	Tertiary Sector	R5 603.5	2.3%	1.9%	27 757	529	96
	Wholesale & retail trade, catering & accommodation	R1 350.2	1.2%	0.0%	9 330	191	117
	Transport, storage & communication	R778.5	2.1%	0.1%	1 736	20	67
	Finance, insurance, real estate & business services	R2 183.6	3.5%	3.6%	7 651	260	31
	General government	R760.8	0.6%	1.1%	3 753	21	45
	Community, social & personal services	R530.5	1.5%	1.0%	5 287	37	-164
Total Mossel Bay		R7 716.3	1.1%	0.2%	37 055	462	-354

Source: Quantec Research, 2020 (e denotes estimate)

The main economic driver in the Mossel Bay municipal area was the tertiary sector, valued at R5.6 billion in 2018 and accounting for 72.6 per cent of the municipal area's GDPR. This sector experienced an average growth rate of 2.3 per cent between 2014 and 2018, which slowed to an estimated 1.9 per cent in 2019. Between 2014 and 2018 GDPR growth in the Mossel Bay municipal area was mainly driven by the finance, insurance, real estate and business services (3.5 per cent), transport, storage and communication (2.1 per cent) and wholesale and retail trade, catering and accommodation (1.2 per cent) sectors.

The secondary sector, which is mainly driven by the manufacturing sector, accounts for 21.7 per cent of the Mossel Bay municipal area's GDPR. This sector's GDPR declined by an average of 2.4 per cent per annum between 2014 and 2018, and is estimated to have contracted by 4.8 per cent in 2019. The poor performance of the manufacturing sector and the uncertainties relating to PetroSA's Mossgas facility are dampening economic prospects in the Mossel Bay municipal area.

Estimates for 2019 indicate that the economy stagnated, with a GDPR growth rate of only 0.2 per cent, which is 0.9 percentage points lower than the average experienced in the preceding five

years. The reduced GDPR growth rate was mainly a result of the poor-performing primary and secondary sectors, which experienced contractions of 5.2 per cent and 4.8 per cent respectively. More specifically, the largest contractions were experienced by the construction sector (7.5 per cent) and the agriculture, forestry and fishing sector (5.9 per cent). Positively, the finance, insurance, real estate and business services sector and the general government sector realised growth rates of 3.6 per cent and 1.1 per cent respectively, which were higher than the average observed in the preceding five years.

The main employment driver in the Mossel Bay municipal area in 2018 was the tertiary sector with 27 757 jobs, employing 74.9 per cent of the 37 055 total employed people in the area. Between 2014 and 2018, the municipal area created an average of 462 jobs per annum, which were mainly driven by the tertiary sector (529 jobs) and more specifically the finance, insurance, real estate and business services sector, which created 260 jobs per annum on average. This was followed by the wholesale and retail trade, catering and accommodation sector (191 jobs) and the community, social and personal services sector (37 jobs).

However, estimates indicate that the Mossel Bay municipal area shed 354 jobs in 2019, largely because of job-shedding in the secondary sector (385 jobs). The tertiary sector created significantly fewer jobs than the average observed in the preceding five years, mainly as a result of job-shedding in the community, social and personal services sector (164 jobs). Positively, the transport, storage and communication sector and the general government sector created more jobs in 2019 compared with the averages observed in the preceding five years. Increasing the usage of the Mossel Bay Harbour beyond fishing and mining activities can increase job creation, particularly in the transport, storage and communication sector.

It is estimated that the Mossel Bay municipal area's GDPR will contract by 6.5 per cent in 2020, largely owing to the impact of the COVID-19 pandemic and associated lockdown. As the "new normal" emerges, the Mossel Bay economy is forecast to then register a 3.5 per cent uptick in its 2021 GDPR. Relatively lower restrictions during the earlier stages of the national lockdown would have buttressed inshore trawl and commercial line fishing from the Mossel Bay Harbour, with the agriculture, forestry and fishing sector estimated to register growth of 12.7 per cent in 2020. Linked to this, large projects such as the proposed fishmeal and oil-processing facility in Mossel Bay will support the construction sector's forecast growth of 8.1 per cent in 2021.

In addition to COVID-19-related impacts, the wholesale and retail trade, catering and accommodation sector's 2020 18.5 per cent drop in GDPR would have also been influenced by a slump in tourism. The sector is nevertheless forecast to recover moderately by 14.0 per cent in 2021. The electricity, gas and water sector is forecast to contract further in 2020 and 2021. A contributing factor to this is the impending depletion of domestic gas-to-liquids feedstock at the Mossel Bay refinery expected in 2020. Prospecting of gas condensate off the Mossel Bay coast in 2021 and beyond is nevertheless expected to bring some certainty to the sector's mid-term prospects.



COVID-19 IMPACT

The Mossel Bay local municipality introduced a range of responses to support households and businesses that were negatively affected by the COVID-19 pandemic. These include interest-free temporary amnesties on property rates, service accounts and lessees of the municipality for businesses. Residential customers benefited from an easing of water restrictions and an unblocking of electricity meter accounts. While laudable, these measures are forecast to contribute to a reduction in the Mossel Bay municipal area's general government sector GDPR of 3.7 per cent in 2021.

It is estimated that job losses will continue in 2020 because of reduced economic activity. The increased financial strain on local households will limit the revenue collection by the local municipality, and ultimately have an adverse effect on the service delivery capabilities of the municipality.

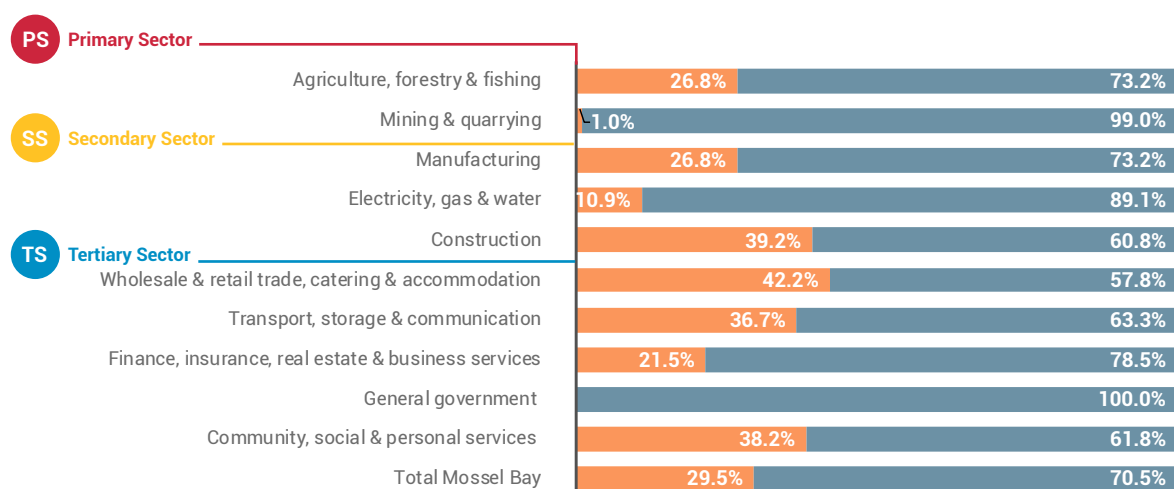
Figure 2.6 illustrates the sectoral distribution of informal employment in the Mossel Bay municipal area in 2018. Informal employment is a valuable source of employment for 29.5 per cent of the area's employed population.

Figure 2.6

INFORMAL EMPLOYMENT DISTRIBUTION, Mossel Bay, 2018 (%)



● Proportion informal employment
● Proportion formal employment



Source: Quantec Research, 2020

The sector that provided the largest share of informal employment was the wholesale and retail trade, catering and accommodation sector, with informal employment accounting for 42.2 per cent of the sector's employment opportunities. This was followed by the construction (39.2 per cent), community, social and personal services (38.2 per cent) and transport, storage and communication (36.7 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 jobs¹¹.

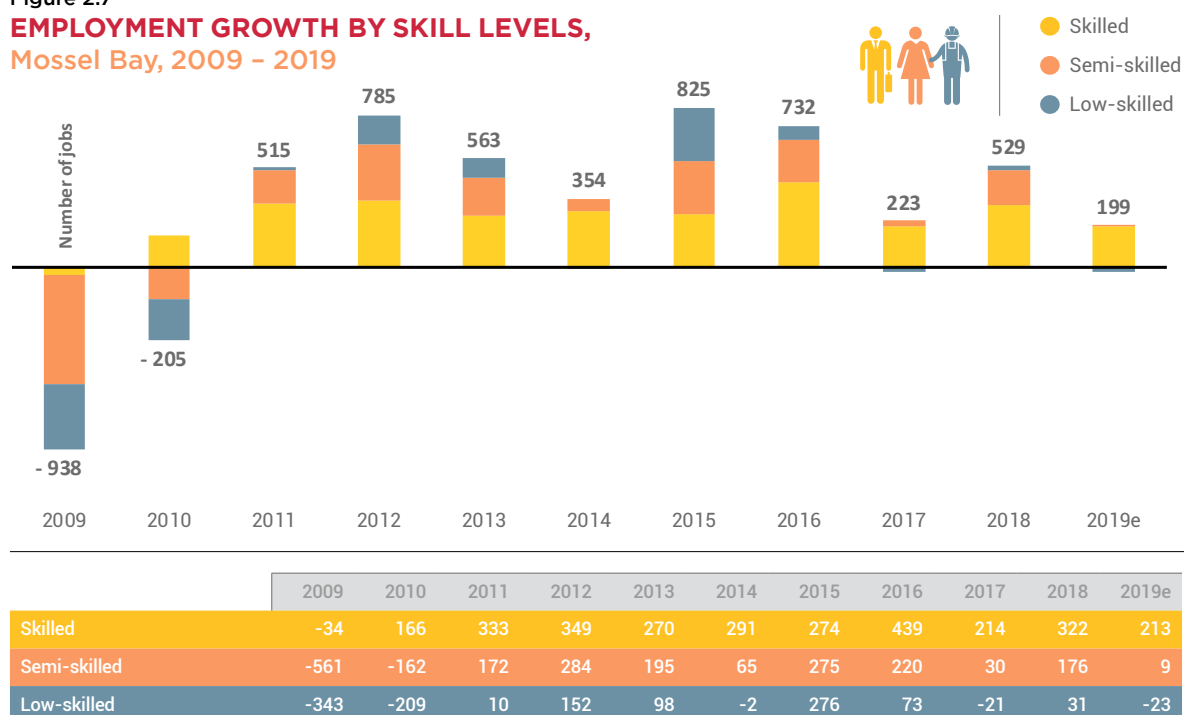
¹¹ (Mossel Bay Municipality, 2020).

2.3.2 Skills analysis

Figure 2.7 illustrates the changes in formal employment by skill levels in the Mossel Bay municipal area between 2009 and 2019.

Figure 2.7

EMPLOYMENT GROWTH BY SKILL LEVELS, Mossel Bay, 2009 – 2019



Source: Quantec Research, 2020 (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 2009 and 2010, and have only experienced tepid growth in employment since 2012. Apart from in 2015¹², few low-skilled employment opportunities were created.

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.

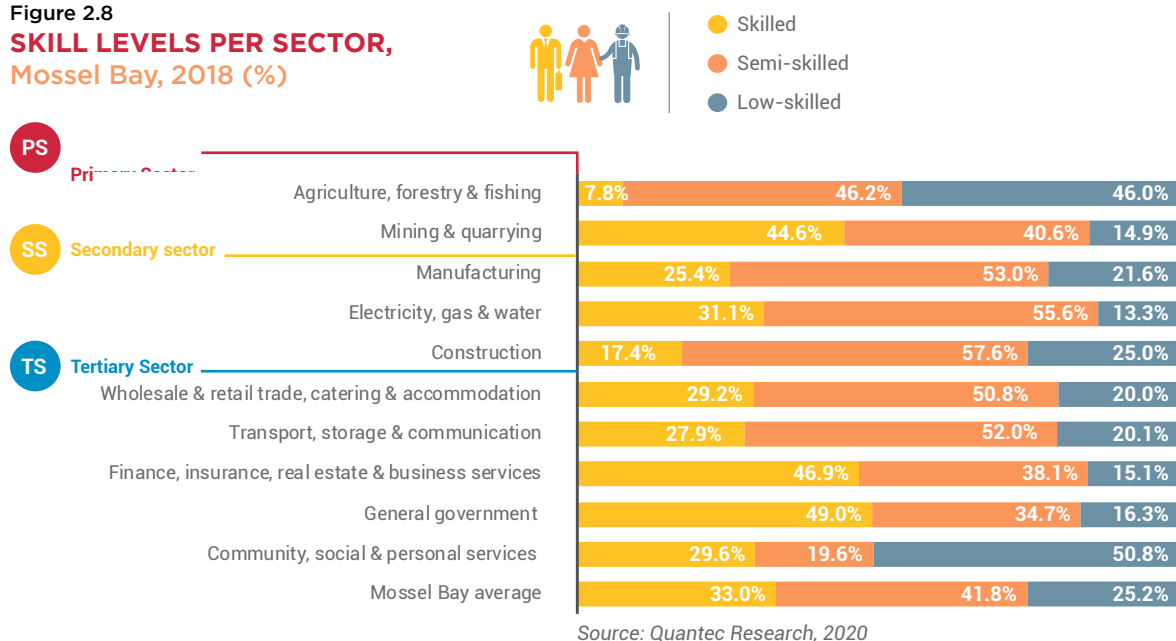
Skilled employment showed remarkable resilience during the aftermath of the 2008 global financial crisis, with only a few jobs lost in the Mossel Bay municipal area in 2009. Skilled employment recovered faster than low- and semi-skilled employment, and showed good growth from 2010. Apart from in 2015, 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.



¹² 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).

Figure 2.8 provides a sectoral overview of the skill levels for formal employment in the Mossel Bay municipal area in 2018.

Figure 2.8
SKILL LEVELS PER SECTOR,
Mossel Bay, 2018 (%)



In 2018, 33.0 per cent of employed people in the Mossel Bay municipal area were skilled employees, while the area had 41.8 per cent semi-skilled employees and 25.2 per cent low-skilled employees.

Low-skilled employment was best absorbed in the community, social and personal services (50.8 per cent) and agriculture, forestry and fishing (46.0 per cent) sectors in the Mossel Bay municipal area in 2018.

The sector that absorbed the most semi-skilled workers in the Mossel Bay municipal area in 2018 was the construction sector (57.6 per cent). Apart from the community, social and personal services sector (19.6 per cent), all other sectors absorbed between 34.7 and 55.6 per cent of semi-skilled workers in 2018.

Some 49.0 per cent of employees in the general government sector were skilled workers. Other sectors that absorbed a large share of skilled employees in the Mossel Bay municipal area in 2018 were the finance, insurance, real estate and business services sector (46.9 per cent) and the mining and quarrying sector (44.6 per cent).



2.4 KNYSNA



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 1 109 square kilometres¹³, 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 area¹⁴.

2.4.1 GDPR and employment performance

As illustrated in Diagram 2.3, the Knysna municipal area's GDPR was worth R4.9 billion in 2018 and it is estimated to have increased by 0.1 per cent (in real terms) to R5.1 billion in 2019. It is estimated that 106 jobs were shed in the municipal area in 2019, bringing the total number of employed people in the region to 26 759 in 2019.

Diagram 2.3

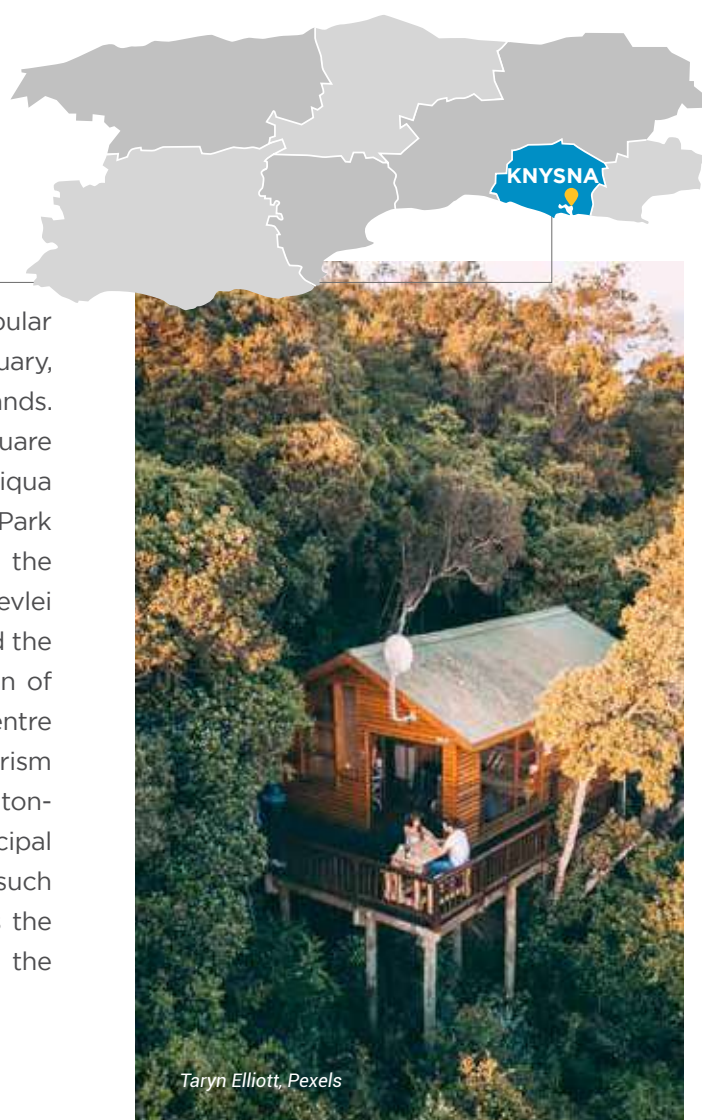
GDPR (CURRENT PRICES) AND EMPLOYMENT,
Knysna, 2018 and 2019e

	2018		2019e
GDPR 	R4.9 BILLION	↑ 0.1% GROWTH	R5.1 BILLION
JOBS 	26 865	↓ -106 CONTRACTION	26 759

Source: Quantec Research, 2020 (e denotes estimate)

¹³ (MDB, 2018).

¹⁴ Knysna Municipality (2013).





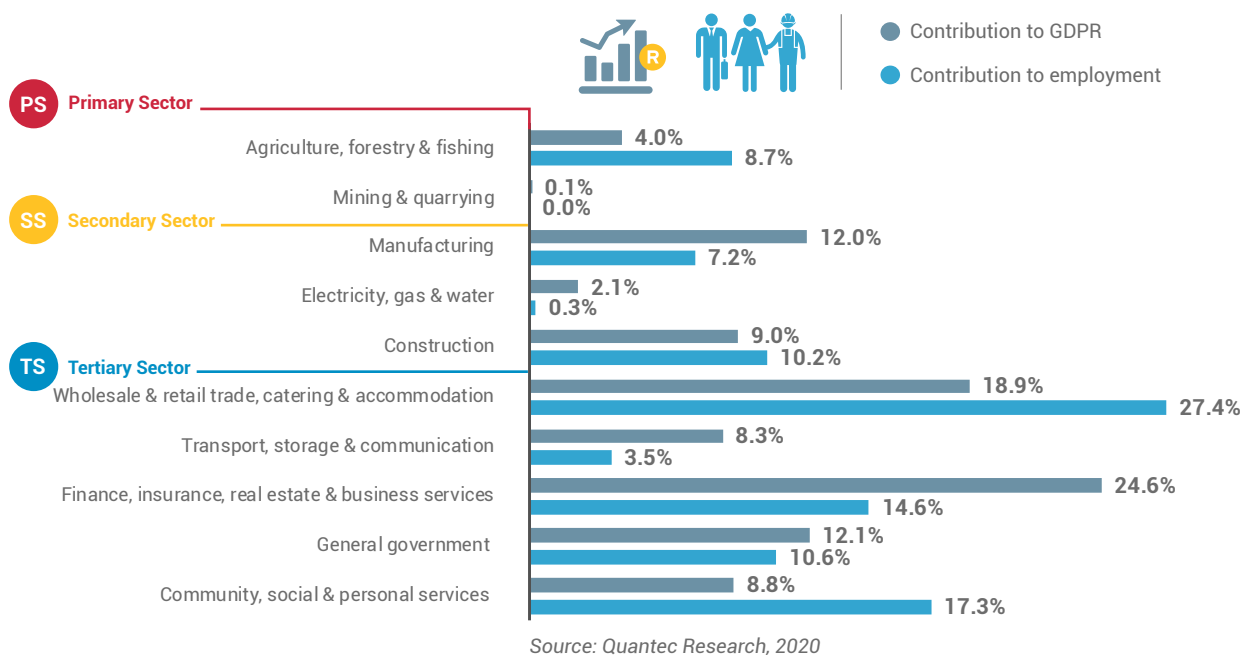
COVID-19 IMPACT

The Knysna municipal area is expected to contract by 7.8 per cent in 2020 owing to the prevailing COVID-19 pandemic and its associated adverse impacts on the national economy. The economy of the municipal area is, however, expected to recover partially in 2021 (2.6 per cent) as a result of significant growth that is anticipated in the manufacturing, construction and wholesale and retail trade, catering and accommodation sectors, among others.

Figure 2.9 provides a breakdown of the sectoral contribution to employment and GDPR in the Knysna municipal area in 2018.

Figure 2.9

SECTORAL GDPR AND EMPLOYMENT CONTRIBUTION, Knysna, 2018 (%)




In terms of GDP, the top three sectors in the Knysna municipal area were the finance, insurance, real estate and business services (24.6 per cent), wholesale and retail trade, catering and accommodation (18.9 per cent) and general government (12.1 per cent) sectors, all falling within the tertiary sector. Collectively, these three sectors contributed 55.7 per cent towards the region's GDP in 2018.

The biggest contribution to employment in the Knysna municipal area in 2018 was the wholesale and retail trade, catering and accommodation sector, which contributed 27.4 per cent of all employment opportunities in the area. This was followed by the community, social and personal services sector (17.3 per cent) and the finance, insurance, real estate and business services sector (14.6 per cent). Collectively, these three sectors employed 59.4 per cent of all people employed in the Knysna municipal area in 2018.

Table 2.3 provides a more detailed overview of sectoral contributions to GDP and employment in the Knysna municipal area in 2018.

Table 2.3

GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Knysna, 2018

		GDPR			Employment		
SECTOR		R million value 2018	Trend 2014 – 2018	Real GDP growth 2019e	Number of jobs 2018	Average annual change 2014 – 2018	Net change 2019e
PS	Primary Sector	R202.3	-1.3%	-6.0%	2 352	15	-15
	Agriculture, forestry & fishing	R196.5	-1.4%	-6.1%	2 346	15	-15
	Mining & quarrying	R5.8	3.5%	-1.1%	6	-0	-
SS	Secondary Sector	R1 135.8	0.6%	-1.6%	4 750	59	-267
	Manufacturing	R588.7	1.3%	0.1%	1 923	2	-4
	Electricity, gas & water	R103.9	-0.6%	-0.8%	77	2	3
	Construction	R443.2	-0.2%	-4.4%	2 750	55	-266
TS	Tertiary Sector	R3 582.1	0.9%	0.9%	19 763	370	176
	Wholesale & retail trade, catering & accommodation	R932.2	0.0%	-0.9%	7 374	133	157
	Transport, storage & communication	R410.0	0.6%	-0.8%	948	-1	18
	Finance, insurance, real estate & business services	R1 212.6	1.1%	2.1%	3 933	94	-23
	General government	R593.5	1.3%	1.8%	2 858	35	56
	Community, social & personal services	R433.8	1.8%	1.3%	4 650	110	-32
Total Knysna		R4 920.2	0.7%	0.1%	26 865	444	-106

Source: Quantec Research, 2020 (e denotes estimate)

Valued at R3.6 billion in 2018, the tertiary sector was the main economic driver in the Knysna municipal area, accounting for 72.8 per cent of the municipal area's GDP. This sector realised an average growth rate of 0.9 per cent between 2014 and 2018, as well as in 2019. The leading sources of economic growth in this sector include the finance, insurance, real estate and business services sector (1.1 per cent per annum), the community, social and personal services sector (1.8 per cent per annum) and the general government sector (1.3 per cent per annum).

The secondary sector contributes 23.1 per cent of the Knysna municipal area's economy, with manufacturing being the main driver in this sector. This sector experienced tepid growth of 0.6 per cent between 2014 and 2018, and is estimated to have declined by 1.6 per cent in 2019. The manufacturing sector is dominated by the production of wood and wood products. The fires that destroyed commercial plantations in 2017 therefore reduced activity in this sector. Furthermore, the Knysna municipal area has a very small primary sector (4.1 per cent), predominantly generated by the agriculture, forestry and fishing sector, which has been underperforming since 2014.

As evident in estimates for 2019, the municipal area's marginal growth rate of 0.1 per cent can largely be attributed to contractions in the agriculture, forestry and fishing sector (6.1 per cent) and the construction sector (4.4 per cent). Positively, the main drivers of growth were the finance, insurance, real estate and business services sector (2.1 per cent) and the general government sector (1.8 per cent), which both realised higher growth rates than the averages observed in the preceding five years.

In line with its contribution to GDP, the tertiary sector was the largest source of employment in the Knysna municipal area, accounting for 73.6 per cent of the area's total employment. Between 2014 and 2018 employment was largely driven by the wholesale and retail trade, catering and accommodation sector, which created an average of 133 jobs per annum during this period. This was followed by the community, social and personal services sector (110 jobs) and the finance, insurance, real estate and business services sector (94 jobs).

Estimates for 2019 indicate that the Knysna municipal area shed 106 jobs, with most job losses experienced in the construction sector (266 jobs) and the community, social and personal services sector (32 jobs). The wholesale and retail trade, catering and accommodation sector remained the main source of employment in the municipal area, creating 157 job opportunities despite the sector's reduced GDP growth rate. Other key sources of employment include the general government sector (56 jobs) and the transport, storage and communication sector (18 jobs), which created more jobs in 2019 than the average observed in the preceding five years.



COVID-19 IMPACT

The Knysna municipal area is forecast to experience the second-worst GDP decline (7.8 per cent) of all municipal areas in the Western Cape in 2020. This highlights the overdependence of the area on tourism, and how this leads to fragility when unforeseen occurrences such as COVID-19 arise. A marginal uptick of 2.6 per cent in the 2021 Knysna municipal area is forecast for 2021.

On a sectoral level, restrictions on tourism in 2020 owing to COVID-19 are estimated to result in a 20.1 per cent drop in the wholesale and retail trade, catering and accommodation sector's GDP. Drawing largely on domestic visitors to the GRD, the 2021 forecast is for the sector's GDP to grow by 12.5 per cent in 2021, which is nevertheless still below 2018 levels. Supporting sectors associated with the Knysna tourism sector are forecast to follow a similar trajectory in 2020 and 2021, albeit at comparatively muted levels owing to lag effects. These sectors include finance, insurance, real estate and business services (contracting by 3.4 per cent in 2020 and 2.8 per cent in 2021) and transport, storage and communication (contracting by 17.0 per cent in 2020 but partially recovering by 10.3 per cent in 2021).

Figure 2.10 illustrates the proportion of informal and formal employment per sector in the Knysna municipal area in 2018. The Knysna municipal area consists mainly of formal employment opportunities, with informal employment only accounting for 26.2 per cent of the area's total employment.

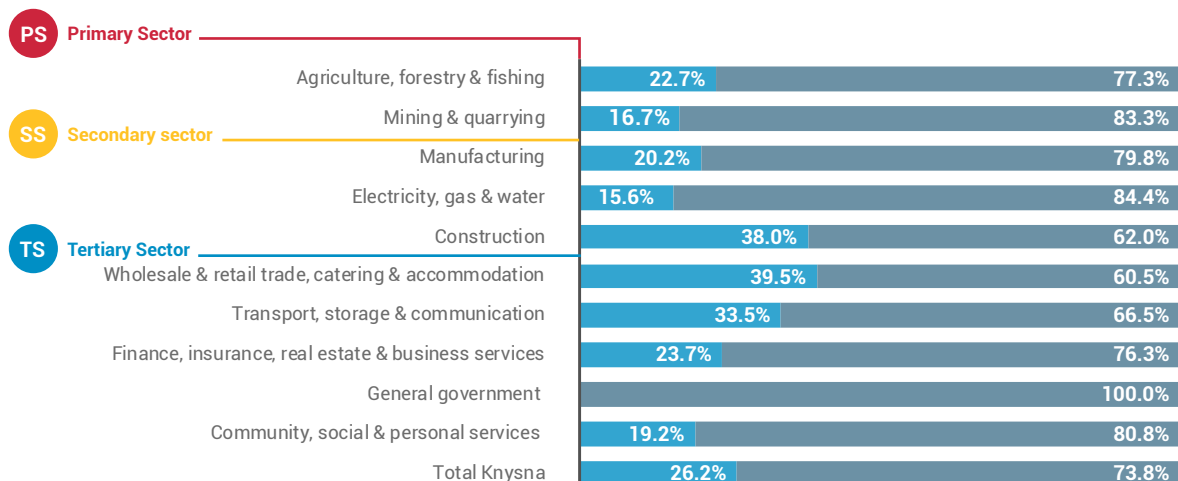
Figure 2.10

INFORMAL EMPLOYMENT DISTRIBUTION, Knysna, 2018 (%)



● Proportion informal employment

● Proportion formal employment



Source: Quantec Research, 2020

The sector that provided the largest share of informal employment opportunities in 2018 was the wholesale and retail trade, catering and accommodation sector, which has an informal employment proportion of 39.5 per cent. Other notable sources of informal employment include the construction (38.0 per cent) and transport, storage and communication (33.5 per cent) sectors.

Some of the constraints that hinder informal businesses in the Knysna municipal area to expand and create jobs are lack of access to financial support, poor business planning and record-keeping skills, as well as compliance challenges¹⁵.



Meelan Bawjee, Unsplash

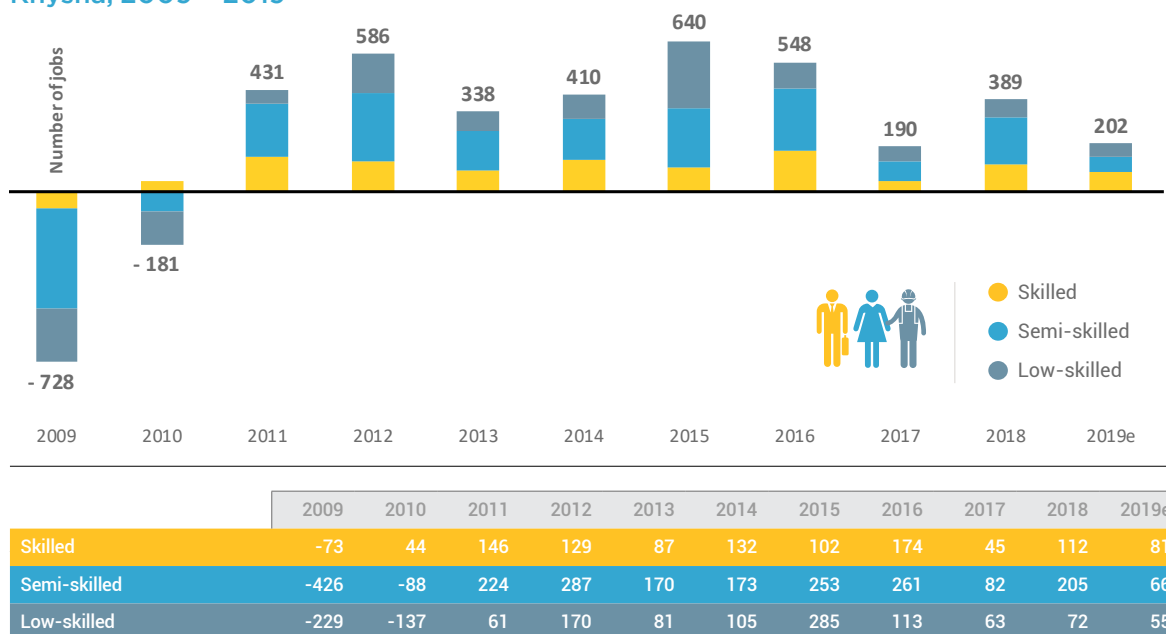
¹⁵ (Knysna Municipality, 2020).

2.4.2 Skills analysis

Figure 2.11 illustrates the changes in formal employment by skill levels in the Knysna municipal area between 2009 and 2019.

Figure 2.11

EMPLOYMENT GROWTH BY SKILL LEVELS, Knysna, 2009 – 2019



Source: Quantec Research, 2020 (e denotes estimate)

Low- and semi-skilled employees in the Knysna municipal area bore the job-shedding brunt during the aftermath of the 2008 global financial crisis. Low-skilled employees shed jobs in 2009 and 2010, and have only experienced low growth in employment since 2012. Apart from in 2015¹⁶, few low-skilled employment opportunities were created.

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.

Skilled employment showed remarkable resilience during the aftermath of the 2008 global financial crisis, with only a few jobs lost in the Knysna municipal area in 2009. Skilled employment recovered faster than low- and semi-skilled employment, but has experienced tepid growth since 2010.



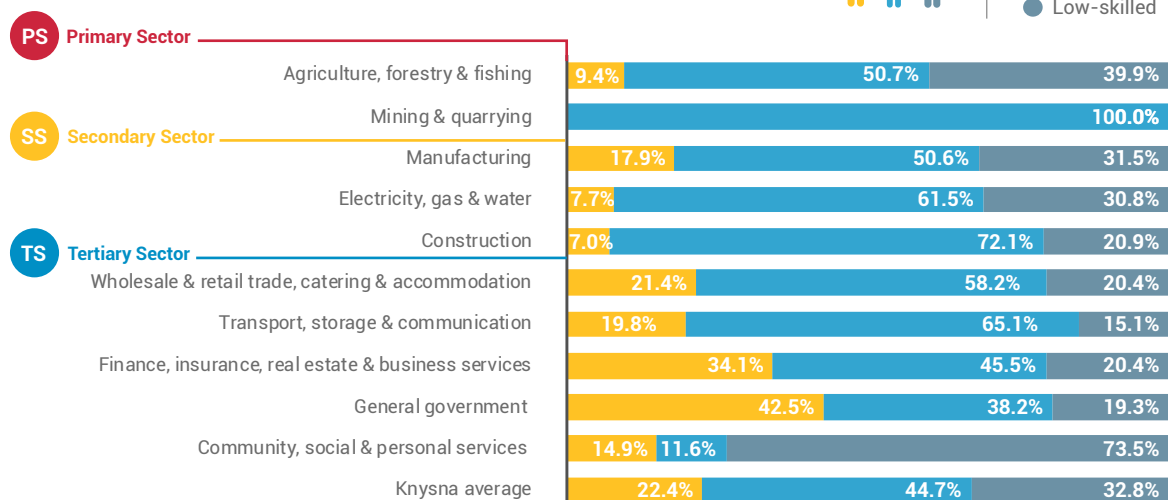
Redcharlie, Unsplash

¹⁶ 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).

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, 2018 (%)**



Source: Quantec Research, 2020

Some 22.4 per cent of people employed in the Knysna municipal area were skilled employees in 2018, while the area had 44.7 per cent semi-skilled employees and 32.8 per cent low-skilled employees. There is a lack of skilled workers in the Knysna municipal area, which results in a high unemployment rate (17.7 per cent) and restricts formal businesses from expanding¹⁷.

In 2018 the community, social and personal services (73.5 per cent) and agriculture, forestry and fishing (39.9 per cent) sectors in the Knysna municipal area absorbed the most low-skilled workers.

The sector that absorbed the most semi-skilled workers in the Knysna municipal area in 2018 was the mining and quarrying sector (100.0 per cent), followed by the construction sector (72.1 per cent). Conversely, the community, social and personal services sector had the smallest share of semi-skilled workers (11.6 per cent). The remaining sectors absorbed between 38.2 per cent and 65.1 per cent of semi-skilled workers in 2018.

Some 42.5 per cent of employees in the general government sector were skilled workers in the Knysna municipal area in 2018. Other sectors that absorbed a large share of skilled employees in the Knysna municipal area in 2018 were the finance, insurance, real estate and business services (34.1 per cent) and wholesale and retail trade, catering and accommodation (21.4 per cent) sectors.



POTENTIAL RISKS

Settlements like Karatara and Rheenendal have lower levels of education compared with the broader Knysna municipal area. This will influence the employability of residents and household income levels, which in turn influences the revenue-collection ability of the municipal area from these settlements.



¹⁷ (Knysna Municipality, 2020).



2.5 OUDTSHOORN





The Oudtshoorn municipal area, which is internationally renowned for its ostrich sector, is located in the heart of the Little Karoo and covers 3 540 square kilometres¹⁸. The town of Oudtshoorn has the highest population in the region and is the main service centre in the region. Other large towns in the municipal area include Dysselsdorp and De Rust, while Volmoed, Schoemanshoek, Spieskamp, Vlakteplaas, Grootkraal, De Hoop and Matjiesrivier are classified as rural settlements¹⁹.



2.5.1 GDPR and employment performance

The Oudtshoorn municipal area’s GDPR was worth R5.7 billion in 2018 and is estimated to have increased by 0.3 per cent (in real terms) to R5.9 billion in 2019. As illustrated in Diagram 2.4, it is estimated that 155 jobs were shed in the municipal area in 2019, bringing the total number of employed people in the region to 30 056.

Diagram 2.4
GDPR (CURRENT PRICES) AND EMPLOYMENT,
 Oudtshoorn, 2018 and 2019e

	2018		2019e
GDPR 	R5.7 BILLION	 0.3% GROWTH	R5.9 BILLION
JOBS 	30 211	 -155 CONTRACTION	30 056

Source: Quantec Research, 2020 (e denotes estimate)

¹⁸ (MDB, 2018).
¹⁹ (Oudtshoorn Municipality, 2017).



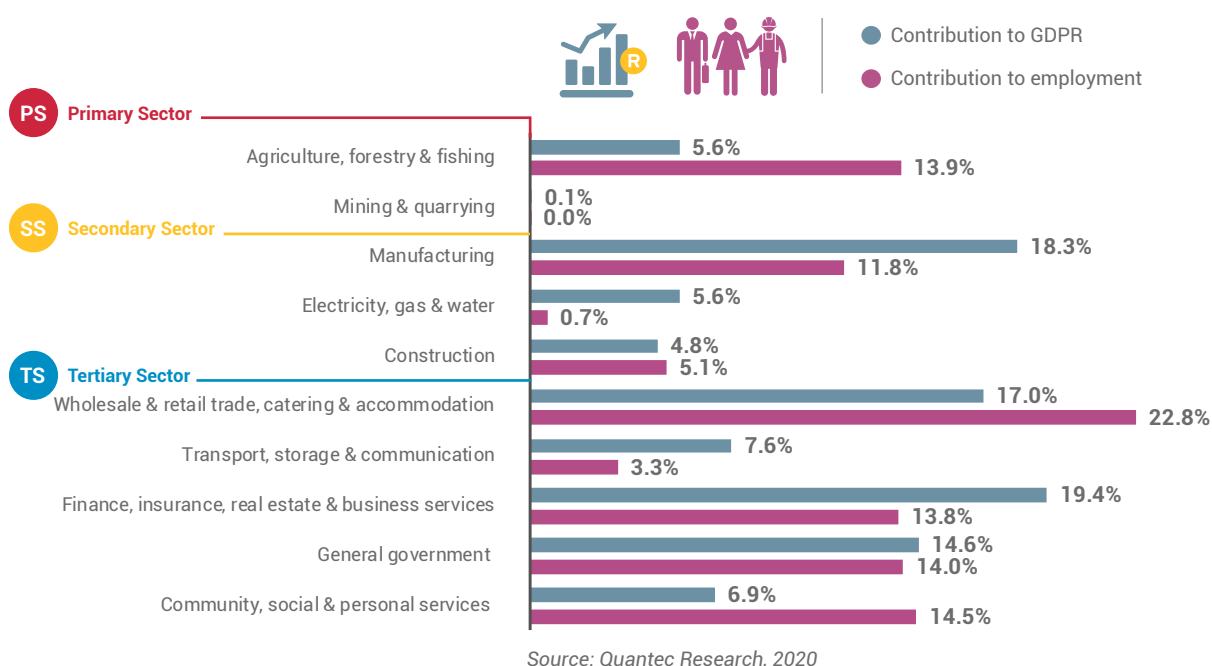
COVID-19 IMPACT

The COVID-19 pandemic is expected to have a significant adverse impact on economic growth in the Oudtshoorn municipal area. It is projected that the already constrained economy of the municipal area will contract by 6.6 per cent in 2020, before making a partial recovery of 3.8 per cent in 2021.

Figure 2.13 depicts the sectoral GDPR and employment contribution in the Oudtshoorn municipal area in 2018.

Figure 2.13

SECTORAL GDPR AND EMPLOYMENT CONTRIBUTION, Oudtshoorn, 2018 (%)




In terms of GDP, the top three sectors in the Oudtshoorn municipal area were the finance, insurance, real estate and business services (19.4 per cent) and the wholesale and retail trade, catering and accommodation (17.0 per cent) sectors in the tertiary sector, and the manufacturing sector (18.3 per cent) in the secondary sector. Collectively, these three sectors contributed 54.8 per cent of the region's GDP in 2018.

The biggest contribution to employment in the Oudtshoorn municipal area in 2018 was the wholesale and retail trade, catering and accommodation sector, which contributed 22.8 per cent of all employment opportunities in the area. This was followed by the community, social and personal services (14.5 per cent) and the general government (14.0 per cent) sectors. Collectively, these three sectors employed just over half (51.3 per cent) of all employed people in the Oudtshoorn municipal area in 2018.

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

Table 2.4

GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Oudtshoorn, 2018

		GDPR			Employment		
SECTOR		R million value 2018	Trend 2014 – 2018	Real GDP growth 2019e	Number of jobs 2018	Average annual change 2014 – 2018	Net change 2019e
PS	Primary Sector	R324.8	-0.2%	-9.1%	4 214	49	-16
	Agriculture, forestry & fishing	R320.6	-0.2%	-9.2%	4 206	49	-16
	Mining & quarrying	R4.2	1.5%	-2.8%	8	-0	-
SS	Secondary sector	R1 639.8	1.6%	0.1%	5 315	126	-160
	Manufacturing	R1 045.0	1.8%	1.1%	3 565	75	-34
	Electricity, gas & water	R321.0	1.1%	-1.6%	199	7	-2
	Construction	R273.8	1.3%	-3.2%	1 551	44	-124
TS	Tertiary sector	R3 743.9	1.5%	1.2%	20 682	257	21
	Wholesale & retail trade, catering & accommodation	R971.8	0.9%	-0.3%	6 876	135	100
	Transport, storage & communication	R432.9	1.9%	-0.1%	997	12	32
	Finance, insurance, real estate & business services	R1 109.0	4.2%	4.1%	4 182	149	38
	General government	R833.6	-1.3%	-0.6%	4 238	-48	-9
	Community, social & personal services	R396.6	0.2%	-0.2%	4 389	10	-140
Total Oudtshoorn		R5 708.5	1.4%	0.3%	30 211	432	-155

Source: Quantec Research, 2020 (e denotes estimate)

The main economic driver in the Oudtshoorn municipal area was the tertiary sector. Valued at R3.7 billion in 2018, it accounted for 65.6 per cent of the Oudtshoorn municipal area's GDPR. This sector experienced an increase of 1.5 per cent between 2014 and 2018, which slowed to an estimated 1.2 per cent in 2019. The best growth performance out of all the sectors in the Oudtshoorn municipal area between 2014 and 2018 was in the finance, insurance, real estate and business services sector, which realised an average annual growth rate of 4.2 per cent per annum. This was followed by the transport, storage and communication sector (1.9 per cent per annum). However, the estimated contraction of the transport, storage and communication sector (0.1 per cent), as well as the community, social and personal services sector (0.2 per cent), reduced the growth prospects of the municipal area in 2019.

Some 28.7 per cent of the Oudtshoorn municipal area's economy is generated through the secondary sector. This sector experienced an average growth rate of 1.6 per cent between 2014 and 2018, but the sector's growth is estimated to have slowed to 0.1 per cent in 2019, mainly owing to the contraction of the construction sector (3.2 per cent). The manufacturing sector is an important local sector contributing significantly to economic growth. Between 2014 and

2018, this sector grew at an average annual rate of 1.8 per cent, which slowed to 1.1 per cent. Manufacturing activities are mainly agro-processing, which makes it dependent on the output of the agriculture, forestry and fishing sector. Owing to the drought, as well as the outbreak of avian influenza, this sector has become severely constrained, contracting by 0.2 per cent per annum between 2014 and 2018, and by an estimated 9.2 per cent in 2019.

The sector that experienced the largest employment growth in the Oudtshoorn municipal area between 2014 and 2018 was the finance, insurance, real estate and business services sector, which experienced an average annual increase of 149 jobs during this period. This was followed by the wholesale and retail trade, catering and accommodation sector (135 jobs) and the manufacturing sector (75 jobs).

In conjunction with declining GDP growth, estimates for 2019 indicate that the Oudtshoorn municipal area shed 155 jobs in 2019, which was mainly attributed to job-shedding in the community, social and personal services sector (140 jobs) and the construction sector (124 jobs). Job creation in the municipal area was mainly driven by the wholesale and retail trade, catering and accommodation sector (100 jobs) and the finance, insurance, real estate and business services sector (38 jobs), albeit creating fewer job opportunities than the average observed in the preceding five years. Positively, the transport, storage and communication sector created 20 more job opportunities in 2019 compared with the average observed in the preceding five years, despite its poor economic growth.

In 2020 the Oudtshoorn municipal area's GDP is predicted to shrink by 6.6 per cent. Sectors that will experience the worst of this contraction in 2020 include the wholesale and retail trade, catering and accommodation (19.0 per cent) and construction (17.8 per cent) sectors. The restrictions on travel and subsequent closure of tourist attractions contributed to the contraction of the wholesale and retail trade, catering and accommodation sector. Looking towards 2021, it is expected that most local economic sectors will return to positive growth, contributing to a GDP expansion of 3.8 per cent. Sectors that may buck this positive trend by contracting in 2021 include agriculture, forestry and fishing (probably owing to the long-term effects of the drought and export restrictions on certain ostrich products) and general government (owing to a combination of the pre-existing national fiscal restraint and the local effects of COVID-19 on municipal revenue and expenses). In this regard, it is forecast that the agriculture, forestry and fishing sector will contract by 8.2 per cent in 2021, while the general government sector is forecast to contract by 5.6 per cent in the same year.



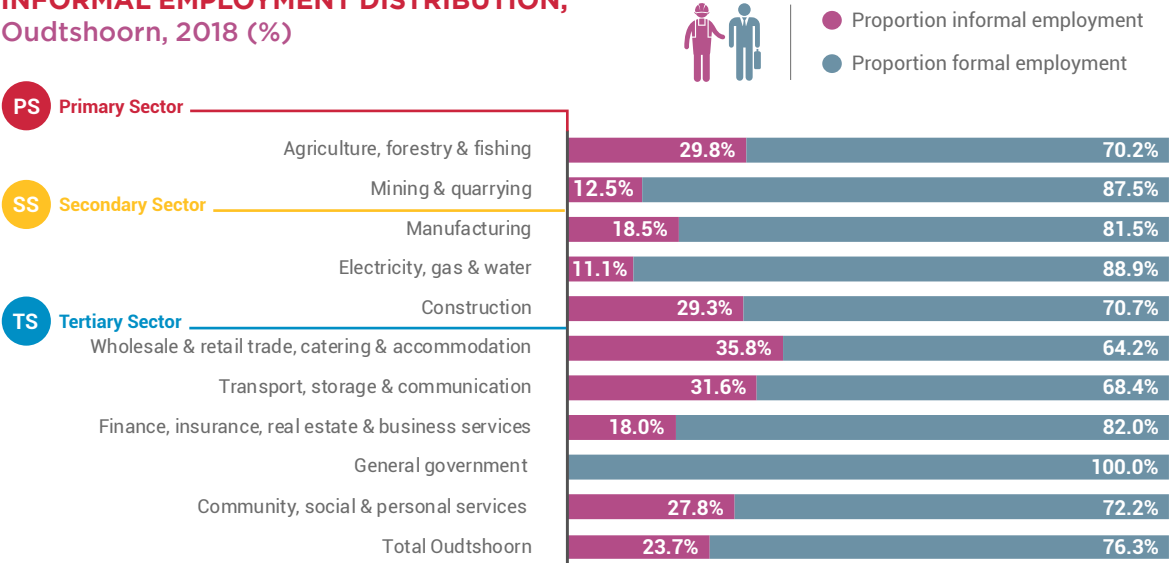
POTENTIAL RISKS

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. This sector, however, has been under pressure in the last few years owing to factors such as the drought, avian influenza, export bans and rising feed costs.



Figure 2.14 illustrates the proportion of informal and formal employment per sector in the Oudtshoorn municipal area in 2018.

Figure 2.14
INFORMAL EMPLOYMENT DISTRIBUTION,
Oudtshoorn, 2018 (%)



Source: Quantec Research, 2020

The municipal area mainly comprises formal employment (76.3 per cent), but also provides informal employment opportunities for 23.7 per cent of people employed in the municipal area – the lowest percentage out of all the municipal areas in the GRD in 2018. The sector with the largest proportion of informal employment was the wholesale and retail trade, catering and accommodation sector, with informal employment accounting for 35.8 per cent of the sector’s employment opportunities. This was followed by the transport, storage and communication sector (31.6 per cent), the agriculture, forestry and fishing sector (29.8 per cent) and the construction sector (29.3 per cent).

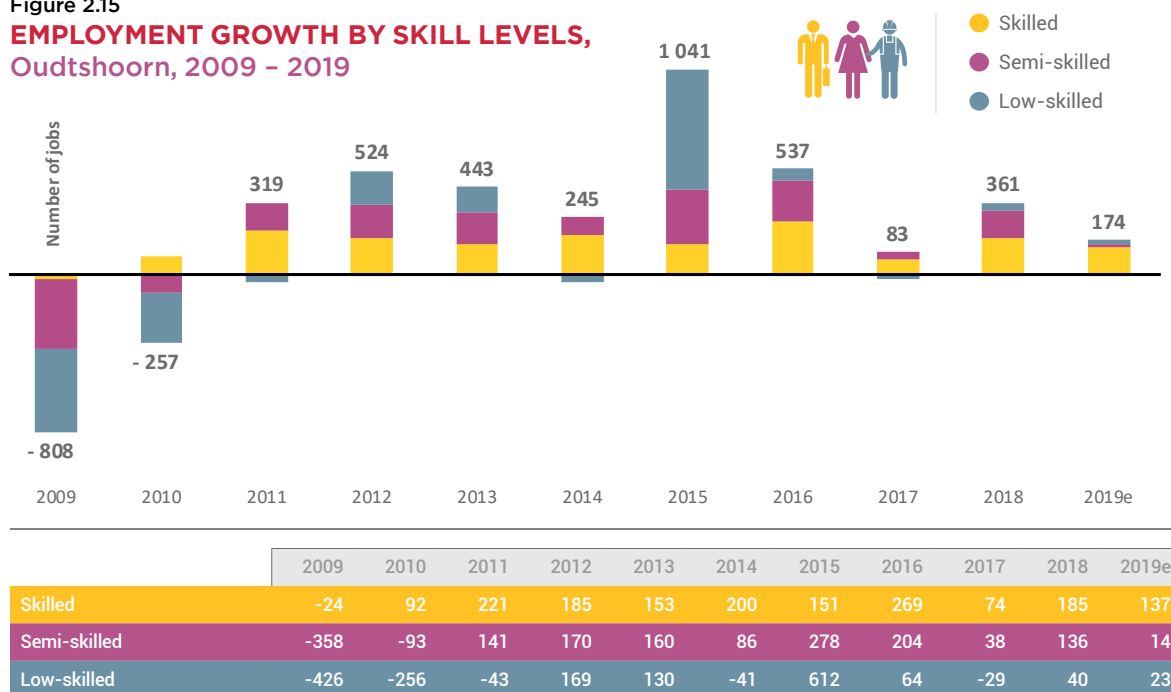


2.5.2 Skills analysis

Figure 2.15 illustrates the changes in formal employment by skill levels in the Oudtshoorn municipal area between 2009 and 2019.

Figure 2.15

EMPLOYMENT GROWTH BY SKILL LEVELS, Oudtshoorn, 2009 – 2019



Source: Quantec Research, 2020 (e denotes estimate)

Low- and semi-skilled employees in the Oudtshoorn municipal area bore the job-shedding brunt during the aftermath of the 2008 global financial crisis. Low-skilled employees shed jobs in 2009 and 2010, and have only experienced tepid growth in employment since 2012. Apart from in 2015²⁰, few low-skilled employment opportunities were created.

Semi-skilled employment recovered better than low-skilled employment between 2011 and 2019. Apart from in 2015, more employment opportunities were created for semi-skilled employment than low-skilled employment.

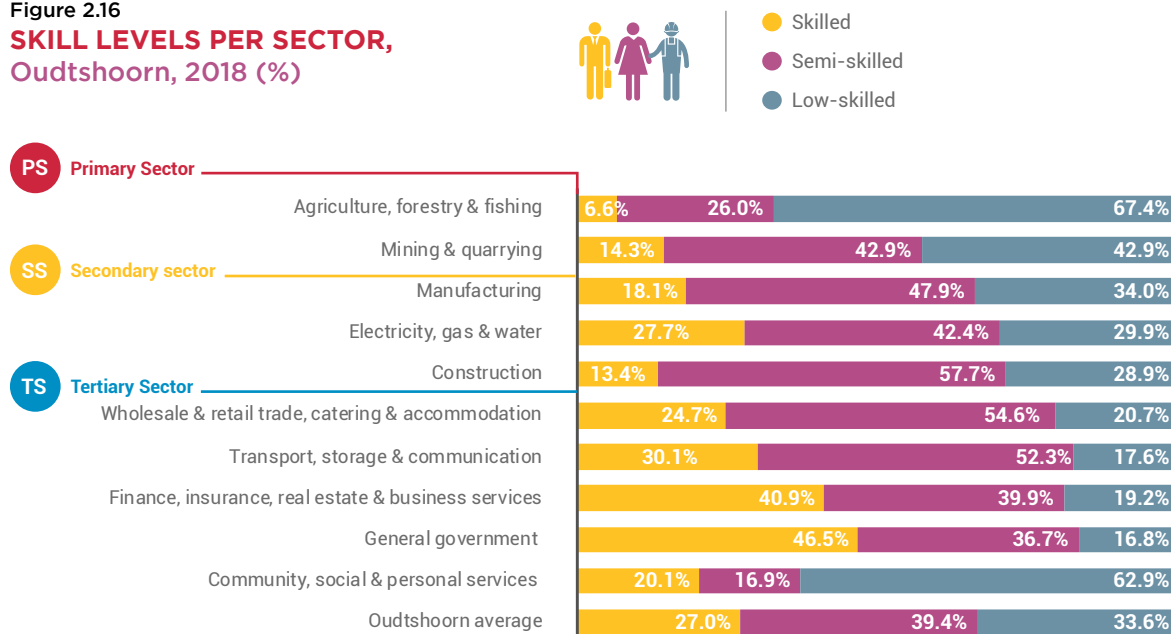
Skilled employment showed remarkable resilience during the aftermath of the 2008 global financial crisis, with only a few jobs lost in the Oudtshoorn municipal area in 2009. Skilled employment recovered faster than low- and semi-skilled employment, and showed good growth from 2010. Apart from in 2013 and 2015, more people attained employment in the skilled employment sector than in the low- or semi-skilled sector in the Oudtshoorn municipal area between 2010 and 2019.

The municipal area has a significant share of unskilled labour, which is a major constraint for growth, especially in future growth areas such as the Fourth Industrial Revolution.

²⁰ 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).

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, 2018 (%)



Source: Quantec Research, 2020

Some 27.0 per cent of those employed in the Oudtshoorn municipal area were skilled employees, while the area had 39.4 per cent semi-skilled employees and 33.6 per cent low-skilled employees in 2018. Low-skilled employment was best absorbed in the community, social and personal services (62.9 per cent) and agriculture, forestry and fishing (67.4 per cent) sectors in the Oudtshoorn municipal area in 2018.

The sector that absorbed the most semi-skilled workers in the Oudtshoorn municipal area in 2018 was the construction sector (57.7 per cent). Apart from the agriculture, forestry and fishing sector (26.0 per cent) and community, social and personal services sector (16.9 per cent), all other sectors absorbed between 36.7 and 54.6 per cent semi-skilled workers in 2018.

Some 46.5 per cent of employees in the general government sector were skilled workers in the Oudtshoorn municipal area in 2018. Other sectors that absorbed a large share of skilled employees in the Oudtshoorn municipal area in 2018 were the finance, insurance, real estate and business services (40.9 per cent) and transport, storage and communication (30.1 per cent) sectors.



Patrick Baum, Unsplash

2.6 BITOU



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 992 square kilometres²¹, and is mostly rural, with most 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 area²².





2.6.1 GDPR and employment performance

Diagram 2.5 illustrates the GDPR and employment for the Bitou municipal area for 2018 and 2019. The Bitou municipal area's GDPR was worth R3.3 billion in 2018 and it is estimated to have increased by 0.6 per cent (in real terms) to R3.4 billion in 2019. It is estimated that 50 jobs were shed in the municipal area in 2019, bringing the total number of employed people in the region to 19 948 in 2019.

Diagram 2.5

GDPR (CURRENT PRICES) AND EMPLOYMENT Bitou, 2018 and 2019e

	2018		2019e
GDPR 	R3.3 BILLION	↑ 0.6% GROWTH	R3.4 BILLION
JOBS 	19 998	↓ -50 CONTRACTION	19 948

Source: Quantec Research, 2020 (e denotes estimate)

²¹ (MDB, 2018).

²² (Bitou Municipality, 2013).



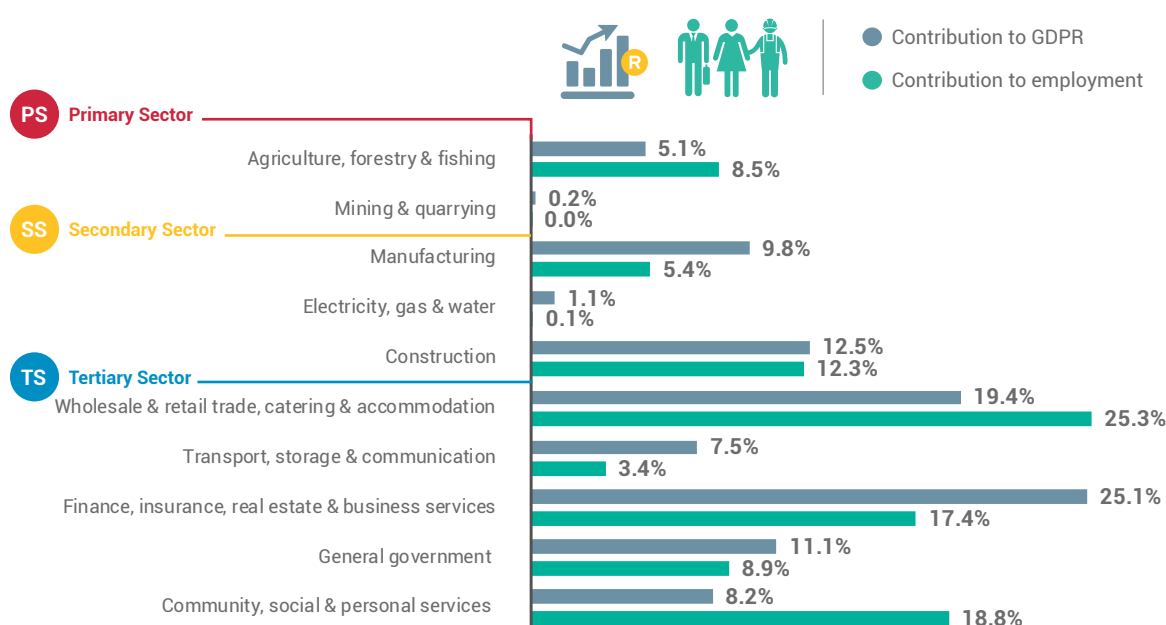
COVID-19 IMPACT

In the Bitou municipal area, the impacts of the COVID-19 pandemic are expected to result in a contraction in the economy of 7.2 per cent in 2020. It's expected that this local economy will remain under pressure over the medium term, despite the subsequent estimated recovery of 3.4 per cent in 2021.

Figure 2.17 illustrates the sectoral GDP and employment contribution in the Bitou municipal area in 2018.

Figure 2.17

SECTORAL GDP AND EMPLOYMENT CONTRIBUTION, Bitou, 2018 (%)



Source: Quantec Research, 2020


In terms of GDP, the top three sectors in the Bitou municipal area were the finance, insurance, real estate and business services (25.1 per cent) and wholesale and retail trade, catering and accommodation (19.4 per cent) sectors in the tertiary sector, and construction (12.5 per cent) in the secondary sector. Collectively, these three sectors contributed 57.0 per cent towards the region's GDP in 2018.

The biggest contributor to employment in the Bitou municipal area in 2018 was the wholesale and retail trade, catering and accommodation sector, which contributed 25.3 per cent to employment in the area. This was followed by the community, social and personal services sector (18.8 per cent) and the finance, insurance, real estate and business services sector (17.4 per cent). Collectively, these three sectors employed 61.5 per cent of all employed people in the Bitou municipal area in 2018.

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

Table 2.5

GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Bitou, 2018

		GDPR			Employment		
SECTOR		R million value 2018	Trend 2014 – 2018	Real GDPR growth 2019e	Number of jobs 2018	Average annual change 2014 – 2018	Net change 2019e
PS	Primary Sector	R175.0	0.1%	-5.5%	1 702	17	-6
	Agriculture, forestry & fishing	R168.1	0.1%	-5.5%	1 695	18	-5
	Mining & quarrying	R6.9	-0.1%	-4.3%	7	-0	-1
SS	Secondary sector	R766.9	1.5%	-0.3%	3 552	67	-229
	Manufacturing	R321.9	1.9%	3.0%	1 076	10	-12
	Electricity, gas & water	R34.9	4.2%	-2.7%	20	0	-1
	Construction	R410.1	1.1%	-3.4%	2 456	57	-216
TS	Tertiary sector	R2 327.9	1.4%	1.4%	14 744	374	185
	Wholesale & retail trade, catering & accommodation	R632.9	1.0%	0.0%	5 054	151	159
	Transport, storage & communication	R245.6	-0.1%	-0.7%	671	-1	15
	Finance, insurance, real estate & business services	R819.4	1.3%	2.1%	3 470	94	-11
	General government	R362.3	2.6%	3.0%	1 784	49	60
	Community, social & personal services	R267.7	2.3%	1.5%	3 765	81	-38
Total Bitou		R3 269.8	1.3%	0.6%	19 998	458	-50

Source: Quantec Research, 2020 (e denotes estimate)

The main economic driver in the Bitou municipal area was the tertiary sector, valued at R2.3 billion in 2018, accounting for 71.2 per cent of the Bitou municipal area's GDPR. This sector experienced an increase of 1.4 per cent between 2014 and 2018, and was estimated to have continued to increase by 1.4 per cent in 2019. Growth drivers in 2019 include the finance, insurance, real estate and business services sector (2.1 per cent) and the general government sector (3.0 per cent).

Some 23.5 per cent of the Bitou municipal area's economy is generated through the secondary sector, with the manufacturing and construction sectors being the main drivers in this sector. The manufacturing sector experienced growth of 1.9 per cent between 2014 and 2018, and is estimated to have grown by 3.0 per cent in 2019. This sector was boosted by increased output from the manufacturing of wood and wood products. The construction sector grew by 1.1 per cent per annum between 2014 and 2018, but is estimated to have contracted significantly by 3.4 per cent in 2019.

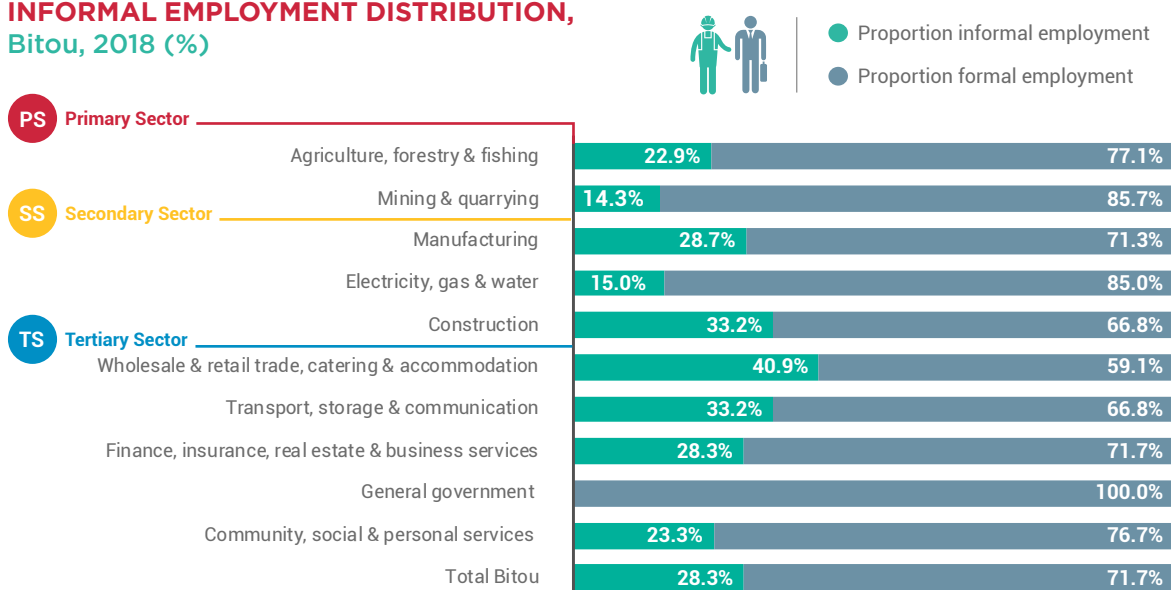
The main employment driver in the Bitou municipal area in 2018 was the tertiary sector, with 14 744 jobs. The sector that experienced the largest employment growth in the Bitou municipal area between 2014 and 2018 was the wholesale and retail trade, catering and accommodation sector, which employed an additional 151 people per annum for this period. This was followed by the finance, insurance, real estate and business services sector (an additional 94 jobs per annum) and the community, social and personal services sector (an additional 81 jobs per annum). However, these sectors shed 11 jobs and 38 jobs respectively in 2019. The sector that is estimated to have shed the most jobs in 2019 is the construction sector (216 jobs), which is in line with the poor GDP performance of this sector.

The already high unemployment rate in the Bitou municipal area (22.2 per cent) is likely to increase in 2020 owing to a forecast GDP contraction of 7.2 per cent. Sectors that make significant contributions to the Bitou economy will lead this decline, with finance, insurance, real estate and business services contracting by 2.4 per cent, wholesale and retail trade, catering and accommodation contracting by 8.7 per cent and manufacturing contracting by 14.5 per cent. The large decline in the wholesale and retail trade, catering and accommodation sector will probably be as a result of lower tourist visitor numbers in coastal settlements such as Plettenberg Bay.

As illustrated in Figure 2.18, informal employment accounted for 28.3 per cent of the Bitou municipal area's total employment in 2018.

Figure 2.18

INFORMAL EMPLOYMENT DISTRIBUTION, Bitou, 2018 (%)



Source: Quantec Research, 2020

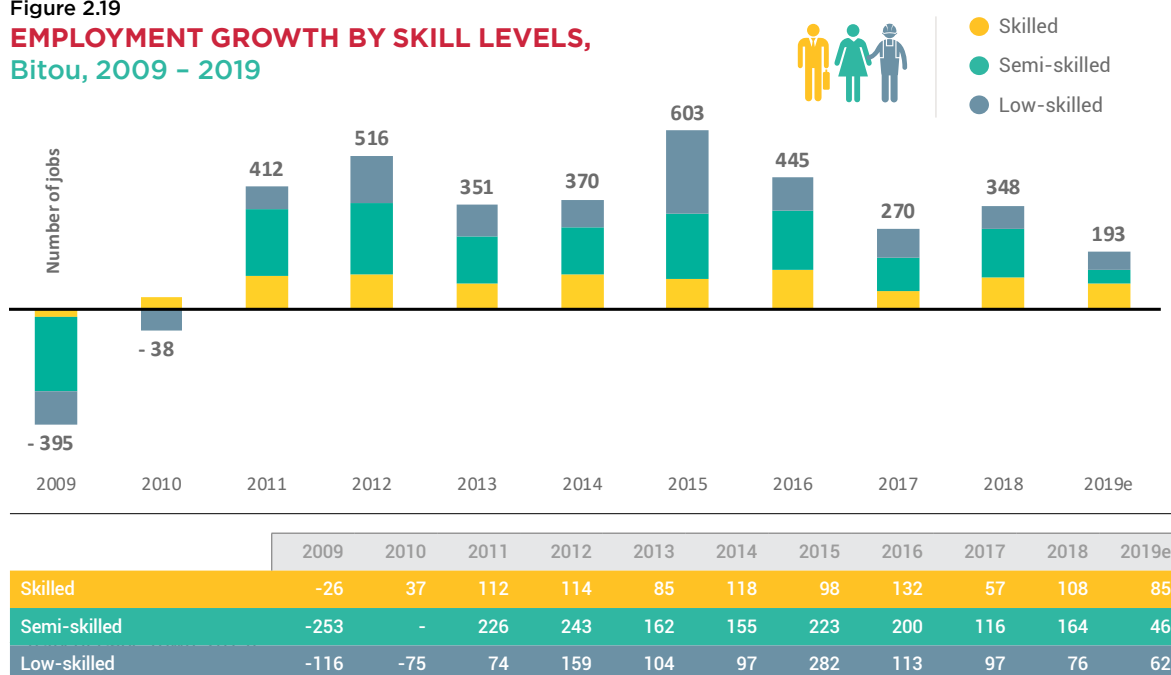
The sector that provided the biggest share of informal employment opportunities was the wholesale and retail trade, catering and accommodation sector, with informal employment accounting for 40.9 per cent of the sector's employment opportunities. Other significant sources of informal employment were the transport, storage and communication (33.2 per cent), construction (33.2 per cent) and manufacturing (28.7 per cent) sectors.

2.6.2 Skills analysis

Figure 2.19 illustrates the changes in formal employment by skill levels in the Bitou municipal area between 2009 and 2019.

Figure 2.19

EMPLOYMENT GROWTH BY SKILL LEVELS, Bitou, 2009 – 2019



Source: Quantec Research, 2020 (e denotes estimate)

Low- and semi-skilled employees in the Bitou municipal area bore the job-shedding brunt during the aftermath of the 2008 global financial crisis. Low-skilled employees shed jobs in 2009 and 2010, and experienced only low growth in employment from 2012. Apart from in 2015²², few low-skilled employment opportunities were created.

Semi-skilled employment recovered better than low-skilled employment between 2011 and 2019. Apart from in 2015²³, more employment opportunities were created in semi-skilled employment than at the skilled and low-skilled employment levels.

Skilled employment showed remarkable resilience during the aftermath of the 2008 global financial crisis, with only a few jobs lost in the Bitou municipal area in 2009. Skilled employment recovered faster than low- and semi-skilled employment, but experienced tepid growth from 2010.

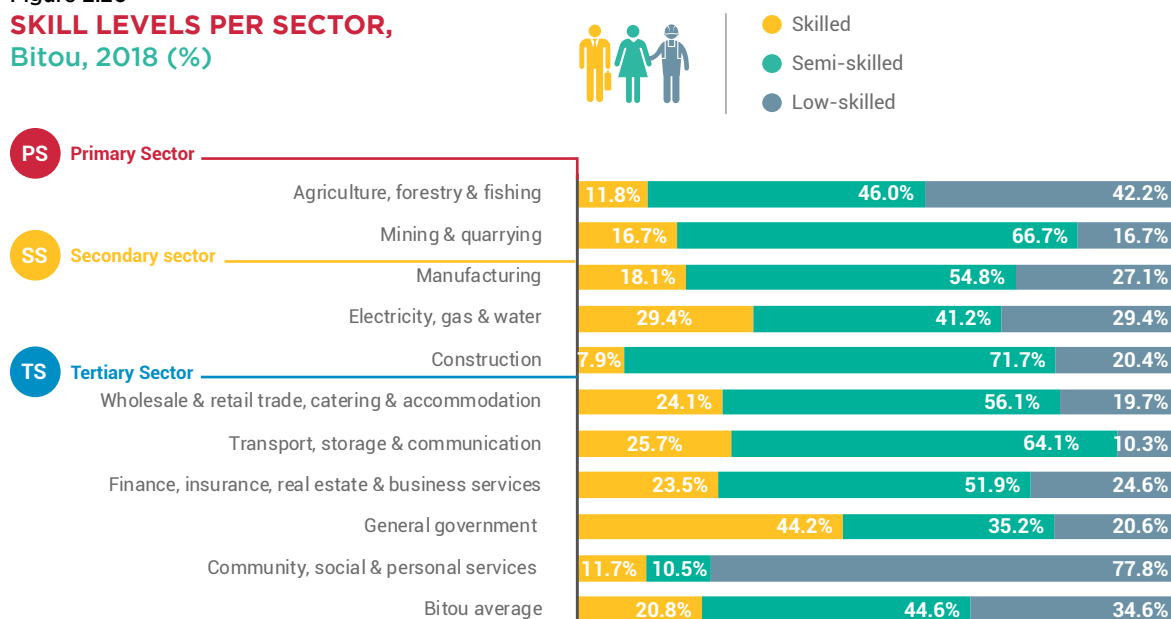


²³ It should be noted, however, that in 2015 a new master sample was implemented in the Quarterly Labour Force Survey (QLFS), which may have impacted the data owing to variations in its design (Stats SA, 2015).

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

Figure 2.20

**SKILL LEVELS PER SECTOR,
Bitou, 2018 (%)**



Source: Quantec Research, 2020

Some 20.8 per cent of those employed in the Bitou municipal area in 2018 were skilled employees, while the area had 44.6 per cent semi-skilled employees and 34.6 per cent low-skilled employees. Low-skilled employment was best absorbed in the community, social and personal services (77.8 per cent) and agriculture, forestry and fishing (42.2 per cent) sectors in the Bitou municipal area in 2018.

The sector that absorbed the most semi-skilled workers in the Bitou municipal area in 2018 was the construction sector (71.7 per cent). Apart from the community, social and personal services sector (10.5 per cent), all other sectors absorbed between 35.2 and 66.7 per cent of semi-skilled workers in 2018.

Some 44.2 per cent of employees in the general government sector were skilled workers in the Bitou municipal area in 2018. Other sectors that absorbed a large share of skilled employees in the Bitou municipal area in 2018 were the electricity, gas and water (29.4 per cent) and transport, storage and communication (25.7 per cent) sectors.





2.7 HESSEQUA

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 5 733 square kilometres²⁴. 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 Gouritsmond²⁵. These are also popular tourist areas.

2.7.1 GDPR and employment performance

As illustrated in Diagram 2.6, the Hessequa municipal area's GDPR was worth R3.9 billion in 2018 and is estimated to have decreased by 0.2 per cent (in real terms) in 2019. It is estimated that 262 jobs were also shed in the municipal area in 2019, bringing the total number of employed people in the region to 25 222 in 2019. The drought and the national economic recession have been highlighted as the municipal area's biggest constraints in promoting economic growth in 2019.

Diagram 2.6
GDPR (CURRENT PRICES) AND EMPLOYMENT,
Hessequa, 2018 and 2019e

	2018		2019e
GDPR 	R3.9 BILLION	↓ -0.2% CONTRACTION	R4.0 BILLION
JOBS 	25 484	↓ -262 CONTRACTION	25 222

Source: Quantec Research, 2020 (e denotes estimate)

²⁴ (MDB, 2018).

²⁵ Hessequa Municipality (2017).



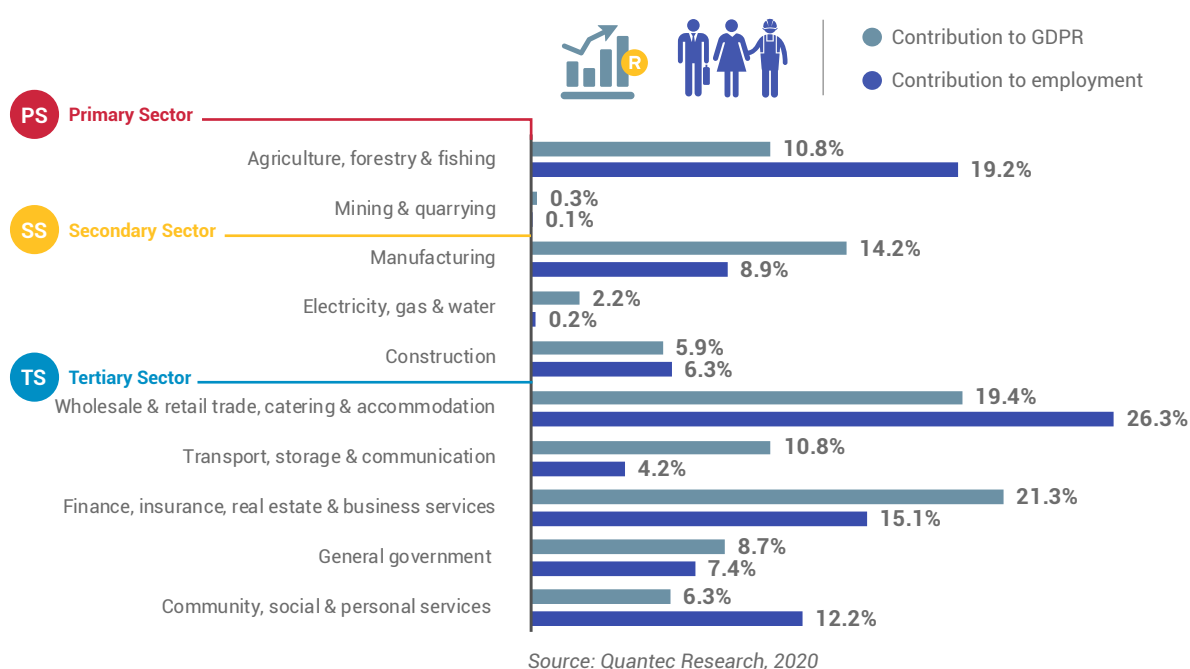
COVID-19 IMPACT

The COVID-19 pandemic and the associated national lockdown are expected to have a significant negative impact on economic growth in the Hessequa municipal area. It is estimated that the economy of the municipal area will further contract by 6.3 per cent in 2020 and recover only by 3.7 per cent in 2021.

Figure 2.21 provides a breakdown of the sectoral contribution to employment and GDP in the Hessequa municipal area in 2018.

Figure 2.21

SECTORAL GDP AND EMPLOYMENT CONTRIBUTION, Hessequa, 2018 (%)




In terms of GDP, the top three sectors in the Hessequa municipal area were the finance, insurance, real estate and business services sector (21.3 per cent) and the wholesale and retail trade, catering and accommodation sector (19.4 per cent) in the tertiary sector, and manufacturing (14.2 per cent) in the secondary sector. Collectively, these three sectors contributed 55.0 per cent towards the region's GDP in 2018.

The sector that contributed the most to employment in the Hessequa municipal area in 2018 was the wholesale and retail trade, catering and accommodation sector, which comprised 26.3 per cent of total employment in the area. This was followed by the agriculture, forestry and fishing sector (19.2 per cent) and the finance, insurance, real estate and business services sector (15.1 per cent). Collectively, these three sectors employed 60.6 per cent of all employed people in the Hessequa municipal area in 2018.

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

Table 2.6

GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Hessequa, 2018

		GDPR			Employment		
SECTOR		R million value 2018	Trend 2014 – 2018	Real GDP growth 2019e	Number of jobs 2018	Average annual change 2014 – 2018	Net change 2019e
PS	Primary Sector	R435.1	-1.4%	-8.6%	4 917	17	-59
	Agriculture, forestry & fishing	R423.5	-1.4%	-8.7%	4 898	17	-58
	Mining & quarrying	R11.6	-0.5%	-4.5%	19	-0	-1
SS	Secondary sector	R879.2	0.8%	-1.2%	3 930	12	-225
	Manufacturing	R559.2	2.5%	1.0%	2 257	34	-13
	Electricity, gas & water	R86.5	-4.3%	-5.6%	58	-1	-1
	Construction	R233.4	-2.0%	-6.5%	1 615	-21	-211
TS	Tertiary sector	R2 618.2	2.1%	1.5%	16 637	333	22
	Wholesale & retail trade, catering & accommodation	R764.3	1.5%	0.1%	6 696	128	64
	Transport, storage & communication	R425.3	2.7%	0.8%	1 082	18	47
	Finance, insurance, real estate & business services	R837.5	3.1%	3.2%	3 855	170	13
	General government	R344.0	0.2%	0.8%	1 886	6	19
	Community, social & personal services	R247.1	1.5%	0.8%	3 118	11	-121
Total Hessequa		R3 932.5	1.4%	-0.2%	25 484	362	-262

Source: Quantec Research, 2020 (e denotes estimate)

The main economic driver in the Hessequa municipal area was the tertiary sector, valued at R2.6 billion in 2018 and accounting for 66.6 per cent of the Hessequa municipal area's GDP. This sector experienced an average GDP growth rate of 2.1 per cent per annum between 2014 and 2018, which slowed to an estimated 1.5 per cent in 2019. The main contributors to growth between 2014 and 2018 include the finance, insurance, real estate and business services sector (3.1 per cent), the wholesale and retail trade, catering and accommodation sector (1.5 per cent) and the transport, storage and communication sector (2.7 per cent). However, estimates for 2019 indicate that the wholesale and retail trade, catering and accommodation sector and the transport, storage and communication sector realised lower GDP growth than the averages observed in the preceding five years.

The secondary sector contributes 22.4 per cent of the Hessequa municipal area's economy, with the manufacturing sector being the main driver in this sector. The secondary sector experienced a tepid growth of 0.8 per cent between 2014 and 2018, and is estimated to have contracted by 1.2 per cent in 2019. This poor performance is a result of the contracting construction sector. The manufacturing sector, another leading source of economic growth in the municipal area, grew by an average annual rate of 2.5 per cent between 2014 and 2018, but growth declined to

1.0 per cent in 2019. Despite its small size in GDPR, the agriculture, forestry and fishing 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 1.4 per cent between 2014 and 2018, and by a further 8.7 per cent in 2019.

The sector that experienced the largest employment growth in the Hessequa municipal area between 2014 and 2018 was the finance, insurance, real estate and business services sector, which employed an additional 170 people per annum for this period. This was followed by the wholesale and retail trade, catering and accommodation sector (an additional 128 jobs per annum) and the manufacturing sector (an additional 34 jobs per annum). However, it is estimated that most of the 262 jobs that were lost in 2019 were in the construction (211 jobs) and community, social and personal services (121 jobs) sectors. Formal businesses in the Hessequa municipal area are constrained by a lack of strong markets for their products and lack of funding for business expansion, which constrains opportunities for business expansion and job creation. Employment prospects in the Hessequa municipal area are also impacted by business exits in the municipal area²⁶.

With an estimated GDPR decline of R165.8 million in 2020 (equivalent to a 6.3 per cent contraction), the Hessequa municipal area's economic gains between 2014 and 2018 will be eroded by the local impact of COVID-19. Restrictions on economic activity arising from COVID-19 regulations will thus disproportionately affect large local employers, with the manufacturing sector estimated to decline by 13.7 per cent in 2020.

While GDPR growth of 3.7 per cent is forecast in 2021, some sectors such as general government and electricity, gas and water are forecast to decline in 2021. This underscores the continued importance of innovative service delivery solutions such as the solar-powered water desalination plant in Witsand to counter the effects of the regional drought and subsequent imposition of water restrictions in the municipal area.



GROWTH POTENTIAL

Although the Hessequa municipal area is mainly a livestock and wheat-producing area, new niche industries, such as gin production near Still Bay, are creating new potential for job creation and tourism. Despite the N2 being a valuable transit link, many of the tourist and unique heritage attractions in the area, such as the Blombos Caves, require travellers to explore beyond the N2. Destination marketing as well as road maintenance and adequate signage are some of the key actions that can be used to sustain and promote niche business activities as well as tourism in the area.

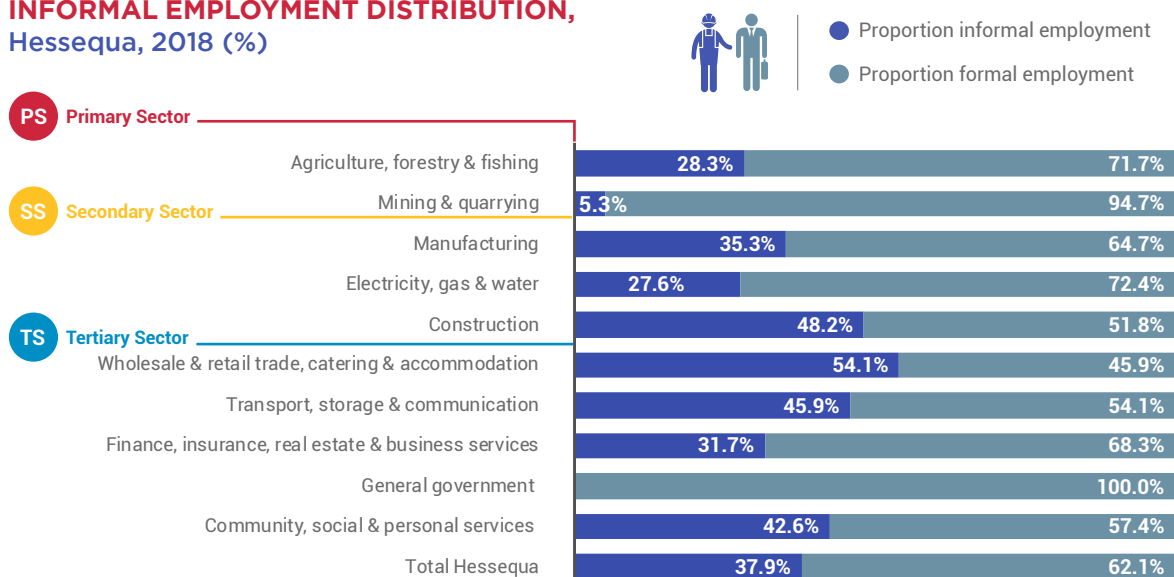


²⁶ (Hessequa Municipality, 2020).

The Hessequa municipal area has the largest percentage of informal employment out of all the municipal areas in the GRD, with informal employment accounting for 37.9 per cent of the area's total employment. Figure 2.22 illustrates the sectoral distribution of informal employment in the Hessequa municipal area in 2018.

Figure 2.22

INFORMAL EMPLOYMENT DISTRIBUTION, Hessequa, 2018 (%)



Source: Quantec Research, 2020

With an informal employment proportion of 54.1 per cent, the wholesale and retail trade, catering and accommodation sector had the largest share of informal employment opportunities in 2018. This was followed by the construction (48.2 per cent), transport, storage and communication (45.9 per cent) and community, social and personal services (42.6 per cent) sectors.

Informal businesses in the Hessequa municipal area are unable to expand their businesses and create jobs owing to the lack of appropriate skills and funding, as well as lack of available land. The buying power of clients in informal businesses is also declining owing to the economic recession²⁷.



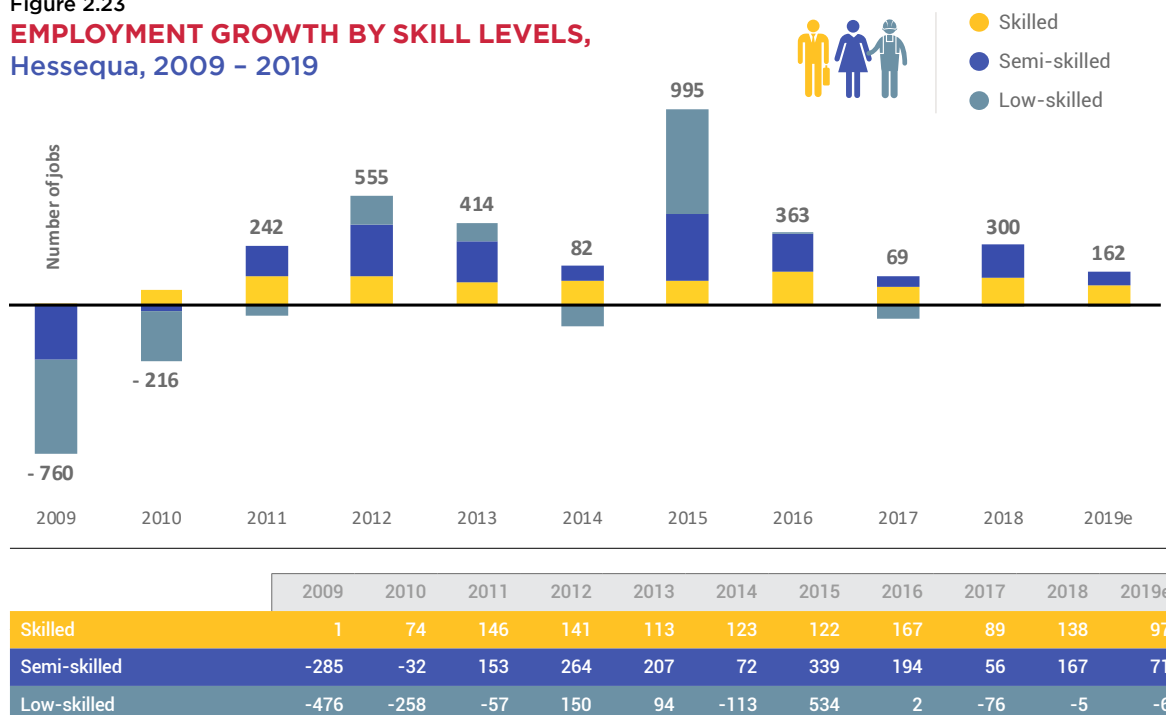
²⁷ (Hessequa Municipality, 2020)

2.7.2 Skills analysis

Figure 2.23 illustrates the changes in formal employment by skill levels in the Hessequa municipal area between 2009 and 2019.

Figure 2.23

EMPLOYMENT GROWTH BY SKILL LEVELS, Hessequa, 2009 – 2019



Source: Quantec Research, 2020 (e denotes estimate)

Low- and semi-skilled employees in the Hessequa municipal area bore the job-shedding brunt during the aftermath of the 2008 global financial crisis. Low-skilled employees shed jobs between 2009 and 2011, and job creation has fluctuated since 2012, with job losses in 2014 and 2017, and a sharp increase in jobs in 2015²⁸.

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.

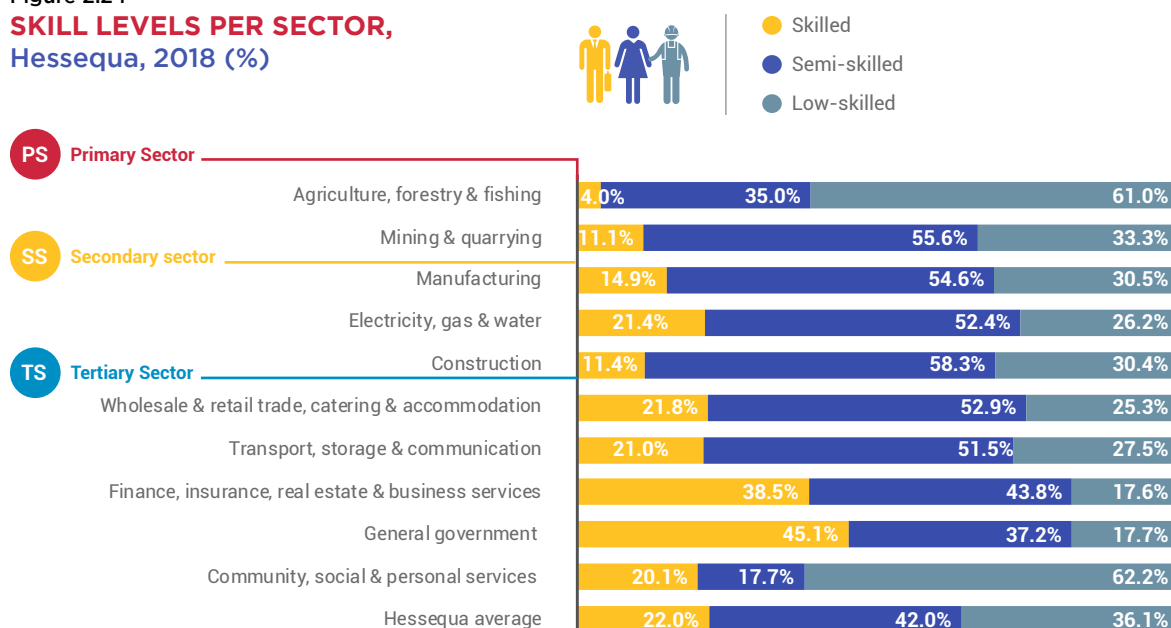
Skilled employment showed resilience during the aftermath of the 2008 global financial crisis, with no jobs lost in the Hessequa municipal area in 2009. Skilled employment recovered faster than low- and semi-skilled employment, and has shown tepid growth since 2010.

²⁸ 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).

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, 2018 (%)**



Source: Quantec Research, 2020

In 2018, 22.0 per cent of employed people in the Hessequa municipal area were skilled employees, while the area had 42.0 per cent semi-skilled employees and 36.1 per cent low-skilled employees. Low-skilled employment was best absorbed in the community, social and personal services (62.2 per cent) and agriculture, forestry and fishing (61.0 per cent) sectors in the Hessequa municipal area in 2018.

The sector that absorbed the most semi-skilled workers in the Hessequa municipal area in 2018 was the construction sector (58.3 per cent). Apart from the agriculture, forestry and fishing sector (35.0 per cent) and community, social and personal services sector (17.7 per cent), all other sectors absorbed between 37.2 and 55.6 per cent of semi-skilled workers in 2018.

Some 45.1 per cent of employees in the general government sector were skilled workers in the Hessequa municipal area in 2018. The other sector that absorbed a large share of skilled employees in the Hessequa municipal area in 2018 was the finance, insurance, real estate and business services sector (38.5 per cent).





2.8 KANNALAND

The Kannaland municipal area is also located in the Little Karoo, covering 4 765 square kilometres²⁹. 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 Hoeko³⁰.



2.8.1 GDPR and employment performance

The Kannaland municipal area's GDPR was worth R1.3 billion in 2018 and is estimated to have decreased by 1.1 per cent (in real terms) in 2019. It is estimated that 114 jobs were shed in the municipal area in 2019, bringing the total number of employed people in the region to 10 116 in 2019.



Diagram 2.7

GDPR (CURRENT PRICES) AND EMPLOYMENT,
Kannaland, 2018 and 2019e

	2018		2019e
GDPR 	R1.3 BILLION	↓ -1.1% CONTRACTION	R1.3 BILLION
JOBS 	10 230	↓ -114 CONTRACTION	10 116

Source: Quantec Research, 2020 (e denotes estimate)

²⁹ (MDB, 2018).

³⁰ (Kannaland Municipality, 2017).



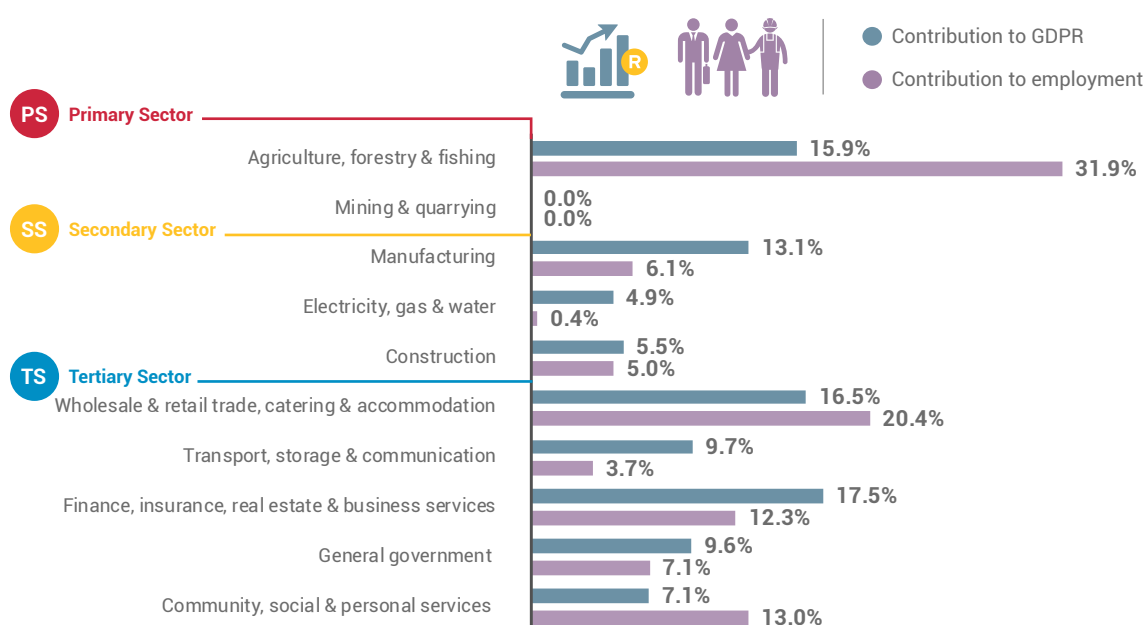
COVID-19 IMPACT

Owing to lockdown regulations implemented as a result of the COVID-19 pandemic, the Kannaland municipal area is expected to experience a further contraction of 4.4 per cent in 2020 before recovering marginally by 3.7 per cent in 2021.

Figure 2.25 illustrates the GDPR and employment contribution per sector in the Kannaland municipal area in 2018.

Figure 2.25

SECTORAL GDPR AND EMPLOYMENT CONTRIBUTION, Kannaland, 2018 (%)



Source: Quantec Research, 2020


In terms of GDP, the top three sectors in the Kannaland municipal area were the finance, insurance, real estate and business services (17.5 per cent) and wholesale and retail trade, catering and accommodation (16.5 per cent) sectors in the tertiary sector, and agriculture, forestry and fishing (15.9 per cent) in the primary sector. Collectively, these three sectors contributed 50.0 per cent towards the region's GDP in 2018.

The biggest contribution to employment in the Kannaland municipal area in 2018 was the agriculture, forestry and fishing sector, which contributed 31.9 per cent of all employment in the area. This was followed by the wholesale and retail trade, catering and accommodation sector (20.4 per cent) and the community, social and personal services sector (13.0 per cent). Collectively, these three sectors employed 65.3 per cent of all employed people in the Kannaland municipal area in 2018.

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

Table 2.7

GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Kannaland, 2018

	GDPR			Employment		
	R million value 2018	Trend 2014 – 2018	Real GDPR growth 2019e	Number of jobs 2018	Average annual change 2014 – 2018	Net change 2019e
SECTOR						
PS Primary Sector	R204.0	-1.0%	-10.4%	3 266	12	-38
Agriculture, forestry & fishing	R204.0	-1.0%	-10.4%	3 266	12	-38
Mining & quarrying	R0.0	-	-	-	-	-
SS Secondary sector	R301.6	-0.2%	-3.1%	1 179	10	-80
Manufacturing	R167.6	-1.3%	-3.6%	628	-10	-37
Electricity, gas & water	R63.0	0.5%	-2.0%	41	1	-1
Construction	R71.0	2.8%	-2.2%	510	19	-42
TS Tertiary sector	R775.2	3.2%	2.1%	5 785	122	4
Wholesale & retail trade, catering & accommodation	R211.8	1.8%	0.4%	2 082	48	29
Transport, storage & communication	R124.4	4.0%	1.7%	380	10	18
Finance, insurance, real estate & business services	R224.5	7.0%	4.9%	1 259	59	5
General government	R123.5	-1.5%	-0.9%	729	-3	3
Community, social & personal services	R90.9	1.4%	0.7%	1 335	8	-51
Total Kannaland	R1 280.8	1.6%	-1.1%	10 230	145	-114

Source: Quantec Research, 2020 (e denotes estimate)

The main economic driver in the Kannaland municipal area was the tertiary sector, valued at R775.2 million in 2018 and accounting for 60.5 per cent of the Kannaland municipal area's GDPR. This sector experienced an increase of 3.2 per cent between 2014 and 2018, which slowed to an estimated 2.1 per cent in 2019. The best growth out of all the sectors in the Kannaland municipal area between 2014 and 2018 was in the finance, insurance, real estate and business services sector (7.0 per cent per annum). This was followed by the transport, storage and communication sector (4.0 per cent per annum). It is estimated that growth declined substantially in 2019 in these sectors.

Despite its small size in GDPR, the agriculture, forestry and fishing sector is critical to the region's economy, especially in terms of local manufacturing and job creation. The lack of water security not only affects primary production but also agro-processing, particularly in the town of Ladismith³¹.

Some 23.5 per cent of the Kannaland municipal area's economy is generated through the secondary sector, with manufacturing the main driver in this sector. The secondary sector experienced a decline of 0.2 per cent between 2014 and 2018 and is estimated to have further contracted by

³¹ (Kannaland Municipality, 2020).

3.1 per cent in 2019, mainly as a result of the 3.6 per cent contraction in the manufacturing sector and the 2.2 per cent contraction in the construction sector. This, together with the estimated 10.4 per cent contraction in the agriculture, forestry and fishing sector, resulted in an overall economic decline in the Kannaland municipal area in 2019.

The sector that experienced the biggest employment growth in the Kannaland municipal area between 2014 and 2018 was the finance, insurance, real estate and business services sector, which employed an additional 59 people per annum for this period. This was followed by the wholesale and retail trade, catering and accommodation sector (an additional 48 jobs per annum) and the construction sector (an additional 19 jobs per annum). However, owing to the poor performance of many local sectors in 2019, there was an estimated net decline of 114 jobs. The agriculture, forestry and fishing (38 jobs), manufacturing (37 jobs), construction (42 jobs) and community, social and personal services (51 jobs) sectors are all estimated to have shed jobs in 2019. Positively, the transport, storage and communication sector created 18 jobs, which is more than the average annual number of jobs created between 2014 and 2018.

The economic contraction from 2019 is not forecast to abate in 2020, with the 2020 GDPR set to decline by 4.4 per cent. Apart from COVID-19, the effects of the drought are set to continue negatively impacting the local economy. A GDPR growth of 2.8 per cent in 2021 will be supported by planned projects such as the construction of the R1.2 billion renewable energy PPP between Kannaland Municipality, National Treasury and other partners. New developments and business expansions in the Kannaland municipal area will contribute to employment creation.

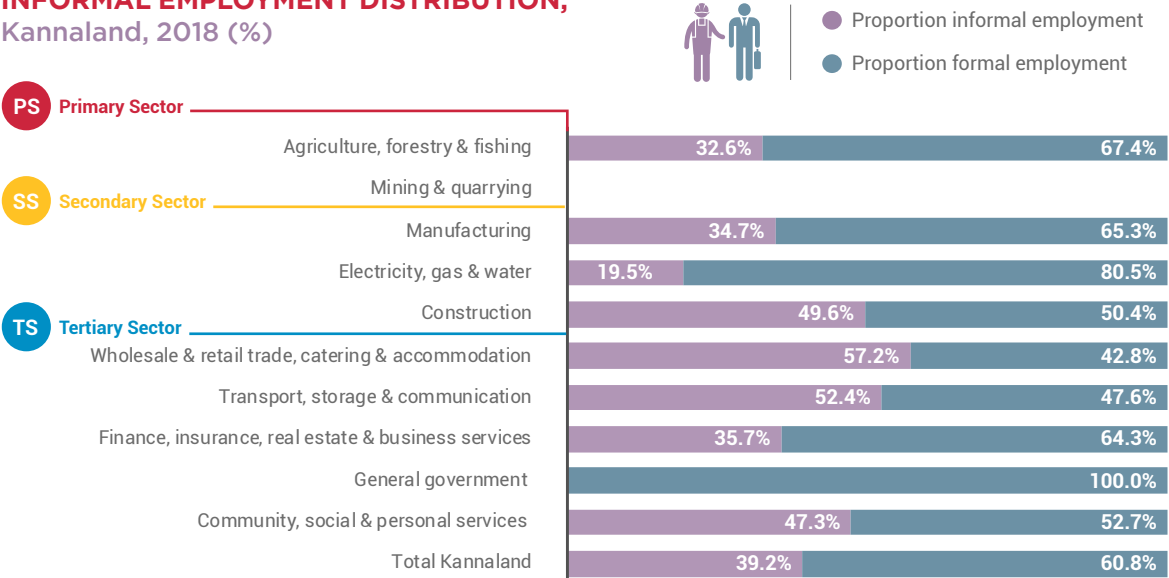


GROWTH POTENTIAL

The R62 that traverses the Kannaland municipal area is a valuable transit and tourism route. Towns along the route that can benefit from passing traffic and tourists include Ladismith, Zoar and Calitzdorp.

As illustrated in Figure 2.26, informal employment accounted for 39.2 per cent of the Kannaland municipal area’s total employment in 2018.

Figure 2.26
INFORMAL EMPLOYMENT DISTRIBUTION,
Kannaland, 2018 (%)



Source: Quantec Research, 2020

The wholesale and retail trade, catering and accommodation sector and the transport, storage and communication sector had a larger proportion of informal employment than formal employment, with informal employment accounting for 57.2 per cent and 52.4 per cent of the sector’s total employment respectively. Other prominent sources of informal employment were the construction sector (49.6 per cent) and the community, social and personal services sector (47.3 per cent).

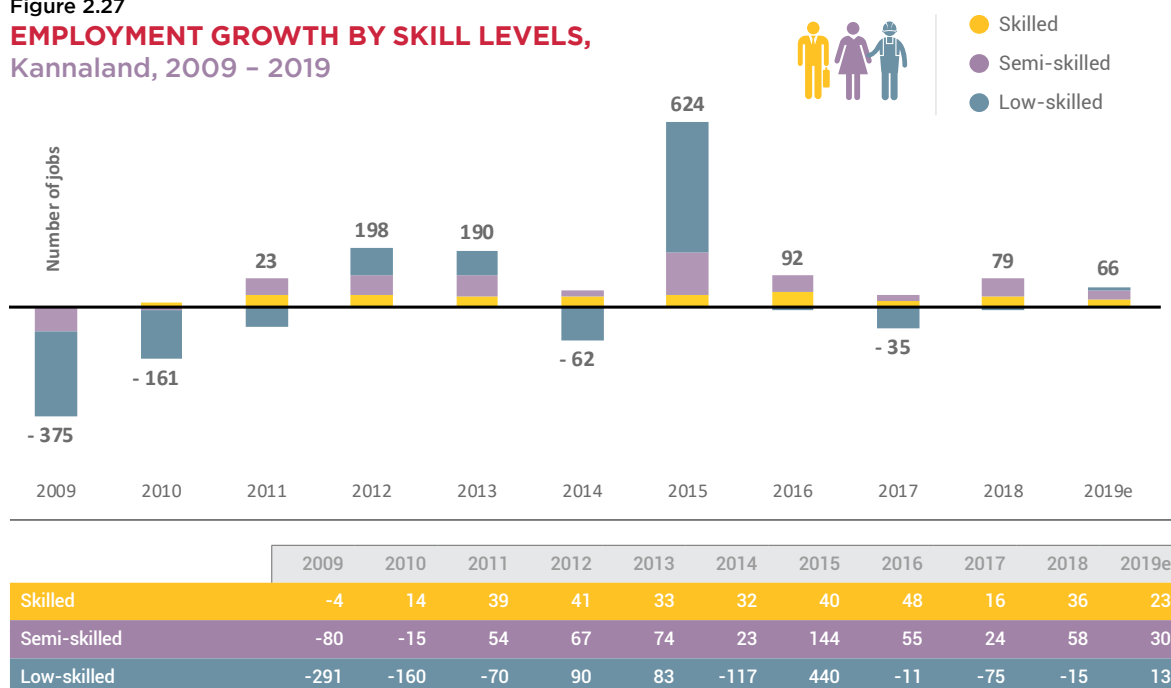


2.8.2 Skills analysis

Figure 2.27 illustrates the changes in formal employment by skill levels in the Kannaland municipal area between 2009 and 2019.

Figure 2.27

EMPLOYMENT GROWTH BY SKILL LEVELS, Kannaland, 2009 – 2019



Source: Quantec Research, 2020 (e denotes estimate)

Low- and semi-skilled employees in the Kannaland municipal area bore the job-shedding brunt during the aftermath of the 2008 global financial crisis. Low-skilled employees shed jobs between 2009 and 2011, and again between 2014 and 2019, apart from in 2015³², when there was a surge in low-skilled employment in the area.

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.

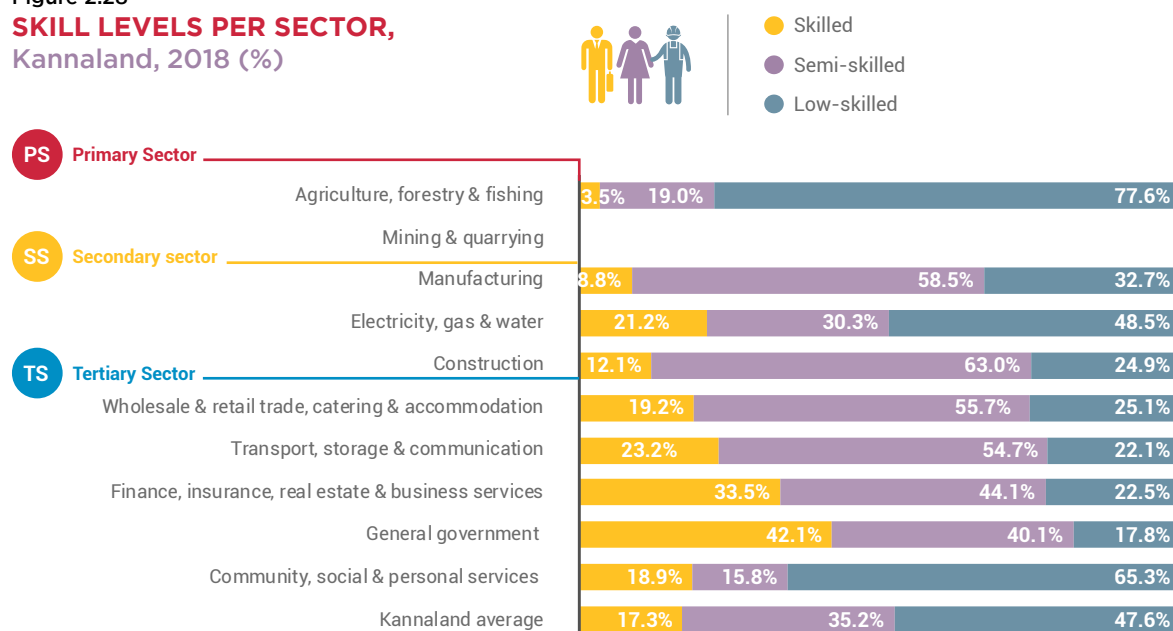
Skilled employment showed remarkable resilience during the aftermath of the 2008 global financial crisis, with only a few jobs lost in the Kannaland municipal area in 2009. Skilled employment recovered faster than low- and semi-skilled employment, and showed growth from 2010.

³² 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).

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, 2018 (%)**



Source: Quantec Research, 2020

Some 17.3 per cent of those employed in the Kannaland municipal area in 2018 were skilled employees, while the area had 35.2 per cent semi-skilled employees and 47.6 per cent low-skilled employees.

The figure further shows that low-skilled employment was best absorbed in the agriculture, forestry and fishing sector in the Kannaland municipal area, where 77.6 per cent of employees were low-skilled employees in 2018. Other sectors that absorbed a large share of low-skilled employees in the Kannaland municipal area were the community, social and personal services (65.3 per cent) and electricity, gas and water (48.5 per cent) sectors in 2018.

The sector that absorbed the most semi-skilled workers in the Kannaland municipal area in 2018 was the construction sector (63.0 per cent). Apart from the agriculture, forestry and fishing sector (19.0 per cent) and the community, social and personal services sector (15.8 per cent), all other sectors absorbed between 30.3 and 58.5 per cent of semi-skilled workers in 2018.

Some 42.1 per cent of employees in the general government sector were skilled workers in the Kannaland municipal area in 2018. Other sectors that absorbed a large share of skilled employees in the Kannaland municipal area in 2018 were the finance, insurance, real estate and business services (33.5 per cent) and transport, storage and communication (23.2 per cent) sectors.

2.9 CONCLUDING REMARKS

The tertiary sector is the main contributor to GDP within all the municipal areas in the GRD. The secondary sector also plays an important role in all the municipal areas, contributing a quarter of the GDP in the respective municipal areas. The primary sector is relatively small in all the municipal areas and is predominantly based on agriculture, forestry and fishing's GDP contribution to the sector, which, although small, is highly significant to the local economy, especially as it relates to being an input for manufacturing and job creation.

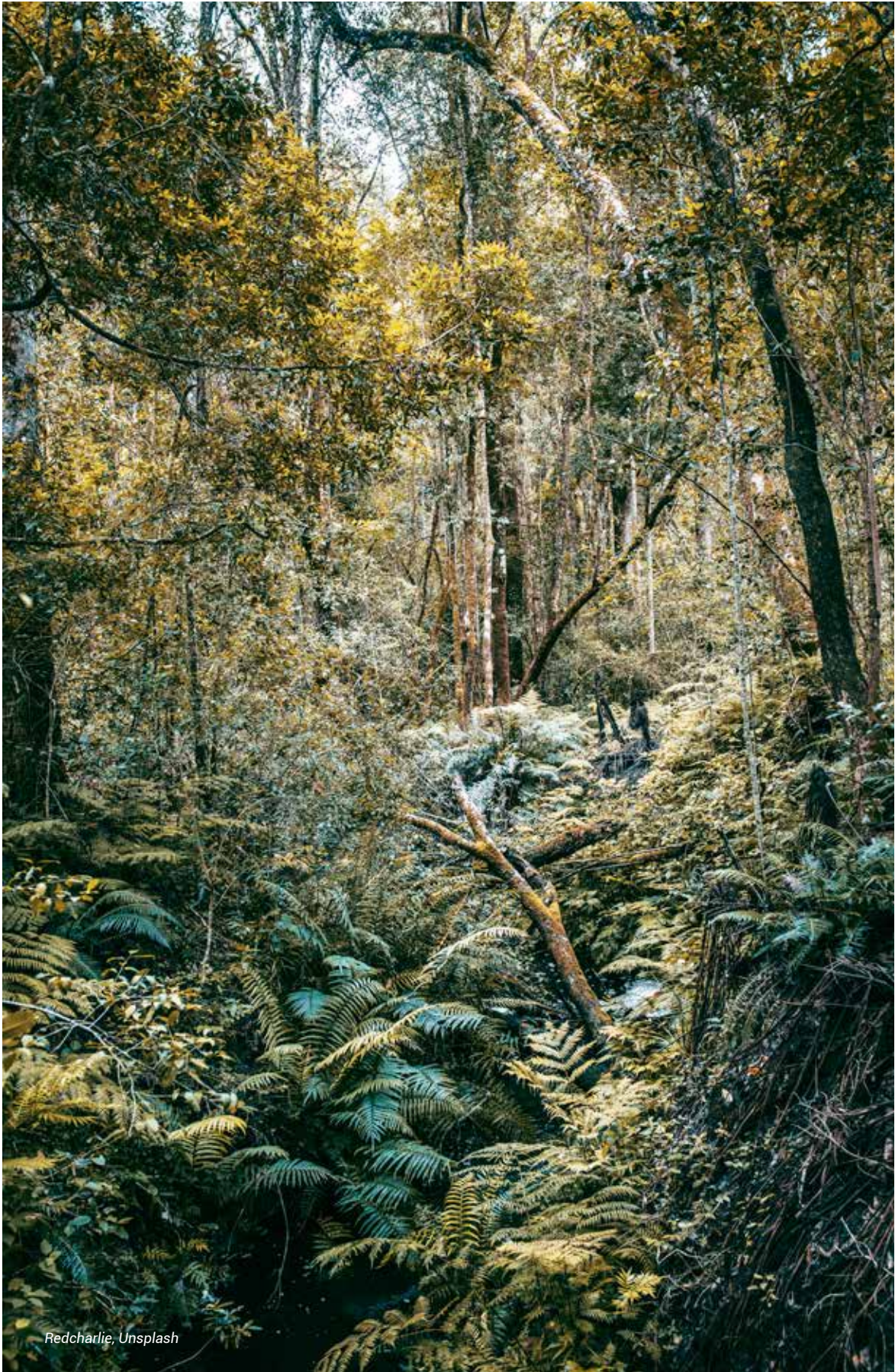
Informal employment ranged between 23.7 per cent (Oudtshoorn) and 37.9 per cent (Hessequa) in the GRD in 2018. In all municipal areas in the GRD, the wholesale and retail trade, catering and accommodation sector provided the largest share of informal employment opportunities in 2018. Other sectors that provided informal employment opportunities varied in each municipal area, but construction; transport, storage and communication; and community, social and personal services regularly featured among the top three sectors.

Low- and semi-skilled employees in all municipal areas in the GRD bore the job-shedding brunt during the aftermath of the 2008 global financial crisis. Low-skilled employment had mixed fortunes among the municipal areas in the GRD, but predominantly showed lower growth than skilled and semi-skilled employment. Skilled employment showed resilience and a faster recovery between 2009 and 2011 than low- and semi-skilled employment. In all municipal areas, either skilled or semi-skilled employment was the driver of employment in the area between 2012 and 2019, except for in 2015, when low-skilled employment had a significant surge 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, social and personal services sector and the agriculture, forestry and fishing sector in most municipal areas in the GRD in 2018. Apart from these two sectors, semi-skilled employees were absorbed between percentages in the mid-thirties and high fifties in most municipalities.

In almost all municipal areas in the GRD in 2018, close to half of people employed in the general government sector were skilled workers, while finance, insurance, real estate and business services also showed a high share of skilled employees in most local municipal areas.



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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 the local and international cross-border trade of goods and services, domestic and international tourists who visit the various towns and attractions in the GRD, 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.

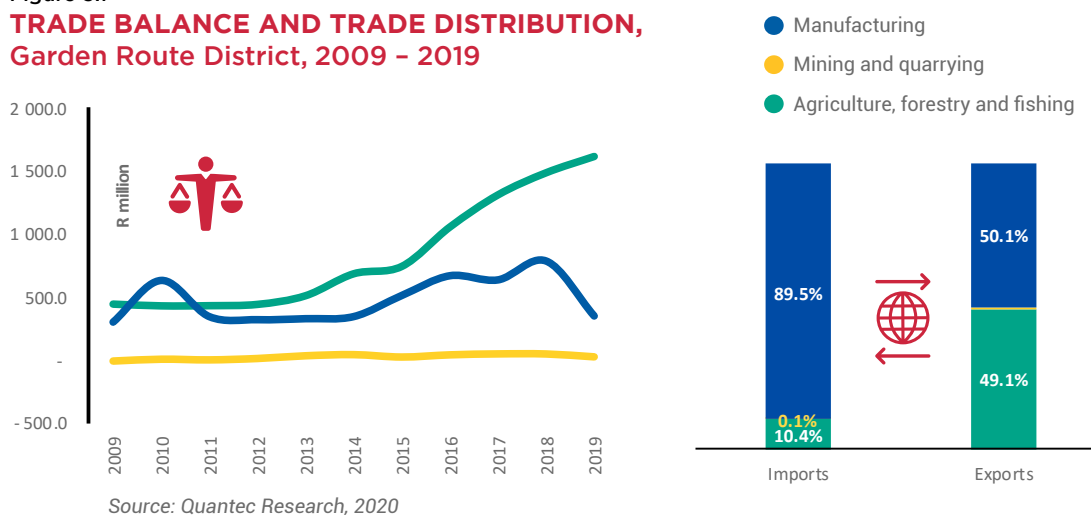
This section explores trade, tourism and investment dynamics at a district level and analyses the comparative advantages of the various economic sectors within the District to identify growth opportunities and potential risks in the GRD.

3.2 INTERNATIONAL TRADE

Figure 3.1 illustrates the trade balance of the GRD between 2009 and 2019, as well as the sectoral distribution of the District's imports and exports in 2019.

Figure 3.1

TRADE BALANCE AND TRADE DISTRIBUTION, Garden Route District, 2009 – 2019



The GRD's trade balance experienced a long-term upward trend, increasing from R755.6 million in 2009 to just under R2.0 billion in 2019. The District maintained a trade surplus for all the years during the period under review. The District's positive trade balance was mainly driven by the agriculture, forestry and fishing sector, which increased exports from R80.9 million in 2009 to just under R1.8 billion in 2019, while imports increased significantly less than exports from R75.6 million to R170.0 million over the same period. This resulted in an increase in the trade balance for this sector from R446.7 million in 2009 to just over R1.6 billion in 2019.

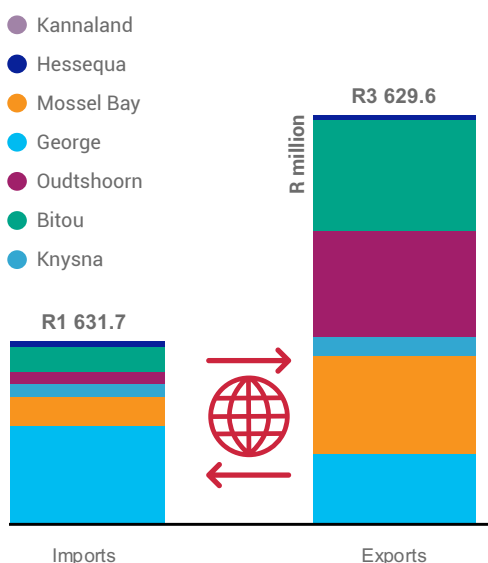
The manufacturing sector's trade balance increased slightly from R309.1 million in 2009 to R357.1 million in 2019. The sector experienced significant increases in both imports and exports during this period. Manufacturing exports increased from R688.7 million to just over R1.8 billion in 2019, while imports increased from R379.6 million to just under R1.5 billion for the same period.

Mining and quarrying's trade balance went from a small trade deficit of R0.3 million in 2009 to a positive trade balance of R28.0 million in 2019. This was predominantly achieved through increased exports from R1.3 million in 2009 to million in 2019, while imports experienced only a slight increase from R1.5 million to R1.9 million for the same period.

In terms of sectoral trade distribution, imports into the GRD are dominated by the manufacturing sector, accounting for 89.5 per cent of total imports, followed by imports from the agriculture, forestry and fishing sector (10.4 per cent). These two sectors are also the largest sources of exports, albeit more evenly spread, accounting for 50.1 per cent and 49.1 per cent respectively of the District's exports. This confirms the District's specialisation in the agricultural sector. It also points to a comparative advantage in some of the District's manufacturing capabilities, which enables value-added exports instead of relying only on the exportation of raw materials.





Figure 3.2 illustrates the trade dynamics of each of the municipal areas in the GRD by depicting the import and export contribution per municipal area.

Figure 3.2
IMPORTS AND EXPORTS PER MUNICIPAL AREA, Garden Route District, 2019



Source: Quantec Research, 2020

The George municipal area – the largest economy in the GRD – was the predominant source of international trade, accounting for 53.5 per cent of the District's total imports and 17.3 per cent of total exports in 2019. The Bitou, Mossel Bay and Oudtshoorn municipal areas were also important drivers of international trade. In 2019, the Bitou municipal area accounted for 13.8 per cent of imports and 27.2 per cent of exports, while the Mossel Bay municipal area accounted for 16.3 per cent of imports and 23.9 per cent of exports, and the Oudtshoorn municipal area accounted for 6.2 per cent of imports and 25.9 per cent of exports.

			
Seeds, fruit, spores used for sowing	Citrus fruit	Leather	Wine
Top Exported Products			
Hessequa		R million	
Polymers of ethylene		7.2	
Live plants		5.3	
Vegetable saps and extracts		4.4	
Mossel Bay		R million	
Citrus fruit		447.8	
Leather		111.8	
Insecticides		89.9	
George		R million	
Cheese and curd		60.6	
Motor cars and other motor vehicles		45.6	
Clothing accessories		44.1	
Oudtshoorn		R million	
Seeds, fruit and spores, of a kind used for sowing		370.6	
Leather		231.4	
Skins and other parts of birds with their feathers or down		192.5	
Bitou		R million	
Citrus fruit		739.7	
Wine		101.9	
Grapes		27.8	
Knysna		R million	
Yachts and other vessels for pleasure or sports		71.9	
Petroleum jelly, paraffin and other waxes		13.2	
Prefabricated buildings		13.2	



GROWTH POTENTIAL

The Province and the local government can improve exports from the Kannaland municipal area through buy-ins from the local government and the factories to build a factory that produces packing material in the Kannaland area. The two cheese factories and the farms are currently importing their packaging material. There are about 80 farms in the Kannaland municipal area, and these types of factories can therefore add value and improve the exports of cheese and other dairy products from the area.

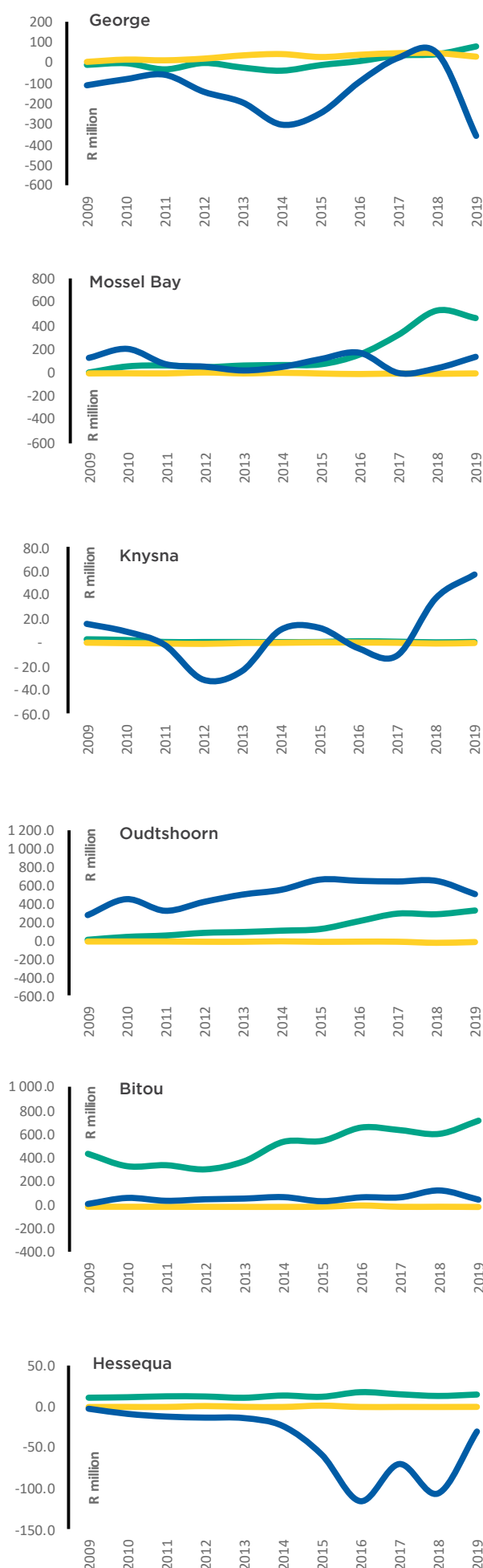


Figure 3.3

TRADE BALANCE PER MUNICIPAL AREA, Garden Route District, 2009 - 2019

- Manufacturing
- Mining and quarrying
- Agriculture, forestry and fishing

Figure 3.3 illustrates the trade balance of each municipal area between 2009 and 2019. Four of the municipal areas, namely Oudtshoorn, Bitou, Mossel Bay and Knysna, had a trade surplus in 2019, as the value of these areas' exports significantly exceeded the value of imports. The George and Hessequa municipal areas had trade deficits in 2019.

The George municipal area experienced a fluctuating trade balance between 2009 and 2019. This was mainly driven by the manufacturing trade balance, which contributed 97.2 per cent to imports and 79.0 per cent to exports in the municipal area in 2019. The municipal area experienced a gradual decline in its trade deficit from R120.5 million in 2009 to R294.3 million in 2014. The trade deficit improved between 2015 and 2016, and became a trade surplus in 2017 and 2018, before the trade balance once again declined to a deficit of R246.6 million in 2019.

The Mossel Bay municipal area maintained a trade surplus between 2009 and 2019, and experienced a long-term upward trend in its trade balance, increasing from R125.8 million in 2009 to R602.7 million in 2019. The municipal area's positive trade balance was mainly driven by the agriculture, forestry and fishing sector, which improved its trade balance from a R0.1 million trade deficit in 2009 to a R467.3 million trade surplus in 2019. The agriculture, forestry and fishing sector accounted for 54.0 per cent of exports in 2019. Although manufacturing accounted

for 99.3 per cent of imports and 46.0 per cent of exports, its trade surplus only marginally increased from R126.0 million in 2009 to R135.4 million in 2019.

The Knysna municipal area experienced a fluctuating trade balance between 2009 and 2019. This was mainly driven by the manufacturing trade balance, which contributed 99.8 per cent to both imports and exports in the municipal area in 2019. The municipal area showed a declining trade surplus between 2009 and 2010, before experiencing a trade deficit between 2011 and 2013. The recovery in 2014 and 2015 was short-lived, with trade deficits in 2016 and 2017. From 2018, the Knysna municipal area experienced a sharp improvement in its trade balance. During the period under review, the municipal area recorded its best trade surplus of R57.8 million in 2019.

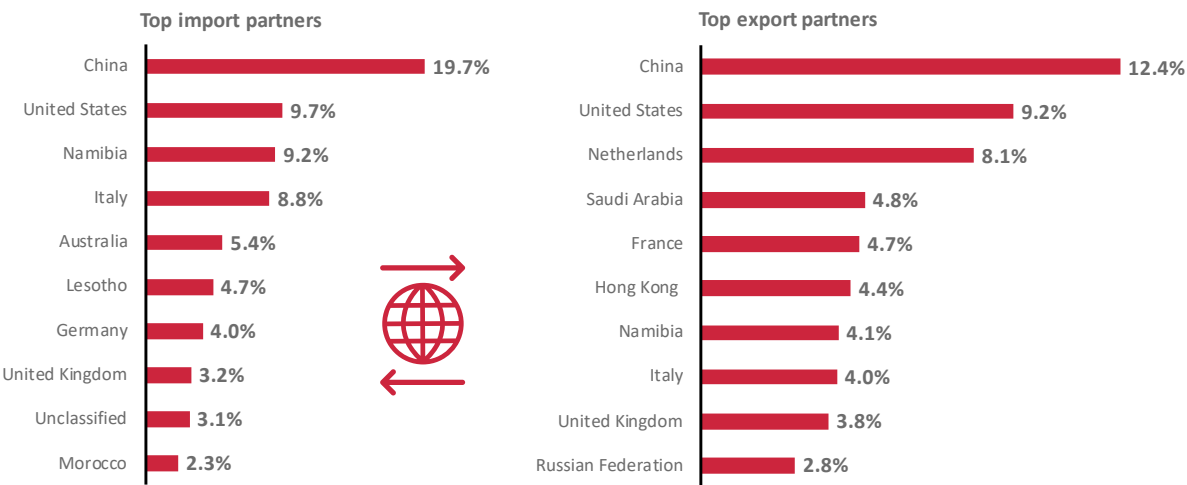
The Oudtshoorn municipal area experienced a long-term upward trend in its trade balance, increasing from R285.6 million in 2009 to R838.9 million in 2019. The District maintained a trade surplus for all the years during the period under review. The municipal area's positive trade balance was mainly driven by the agriculture, forestry and fishing sector, which improved its trade surplus from R35.3 million in 2009 to R334.7 million in 2019 – an increase of just under R300.0 million. The agriculture, forestry and fishing sector accounted for 77.3 per cent of imports and 43.9 per cent of exports in the municipal area in 2019. The manufacturing sector also experienced a significant increase in its trade balance, increasing its trade surplus from R272.1 million in 2009 to R504.3 million in 2019. The manufacturing sector accounted for 22.6 per cent of imports and 56.1 per cent of exports in the municipal area in 2019.

The Bitou municipal area experienced a long-term upward trend in its trade balance, increasing from R438.1 million in 2009 to R760.4 million in 2019. The area maintained a trade surplus for all the years during the period under review. The municipal area's positive trade balance was mainly driven by the agriculture, forestry and fishing sector, which improved its trade surplus from R433.9 million in 2009 to R716.9 million in 2019 – an increase of just under R300.0 million. In 2019, the agriculture, forestry and fishing sector accounted for 29.5 per cent of imports and 79.5 per cent of exports in the municipal area, while the manufacturing sector accounted for 70.4 per cent of imports and 20.5 per cent of exports in the municipal area.

The Hessequa municipal area experienced a long-term downward trend in its trade balance between 2009 and 2019. The municipal area had a small trade surplus of R8.0 million in 2009 before experiencing a steady decline to a trade deficit of R92.2 million in 2018. In 2019 the trade deficit declined significantly to R15.2 million. The most significant driver for the trade balance in the Hessequa municipal area was the increase in manufacturing imports from R8.7 million in 2009 to R118.3 million in 2018 and R51.7 million in 2019. The manufacturing sector accounted for 99.1 per cent of imports and 58.8 per cent of exports in the municipal area in 2019.

Figure 3.4 illustrates the GRD's top 10 trading partners in 2019.

Figure 3.4
TOP 10 TRADING PARTNERS, Garden Route District, 2019



Source: Quantec Research, 2020

China was the GRD's leading import partner in 2019, accounting for 19.7 per cent of the District's total imports. Imports from China were valued at R321.6 million and mainly comprised footwear, new pneumatic tyres of rubber and wood. The United States and Namibia were also important trading partners, accounting for 9.7 per cent and 9.2 per cent of total imports respectively in 2019.

In terms of exports, China was the GRD's predominant export market, accounting for 12.4 per cent of the GRD's total exports. Exports to China were valued at R450.7 million in 2019 and mainly comprised agricultural produce such as citrus fruit and ostrich produce such as skins and feathers. The United States and the Netherlands were also important export partners, accounting for 9.2 per cent and 8.1 per cent of total exports respectively in 2019.



Table 3.1 illustrates the main import products to the GRD in 2019. Despite China being the main import partner of the GRD, the imports are not concentrated to a specific product but are rather distributed over a wide variety of products.



IMPORTS

Table 3.1
MAIN IMPORT PRODUCTS,
Garden Route District, 2019

PRODUCT	R million 2019	% share	Main trading partners
Fish, frozen, excluding fish fillets	114.7	3.2%	Namibia, Morocco
Other aircraft (for example helicopters, aeroplanes); spacecraft (including satellites) and suborbital and spacecraft launch vehicles	111.9	3.1%	United States
Live bovine animals	65.6	1.8%	Namibia
Parts of aircraft	62.9	1.7%	Italy, Romania, United States
T-shirts, singlets and other vests, knitted or crocheted	60.6	1.7%	Lesotho
Tanned or crust hides and skins of bovine (including buffalo) or equine animals, without hair on, whether or not split, but not further prepared	56.0	1.5%	Pakistan, Brazil
Chromium oxides and hydroxides	52.8	1.5%	Estonia, Turkey
Hydrazine and hydroxylamine and their inorganic salts; other inorganic bases; other metal oxides, hydroxides and peroxides	46.1	1.3%	Australia
Articles of asphalt or of similar material (for example, petroleum bitumen or coal tar pitch)	43.1	1.2%	Italy
Seeds, fruit and spores, of a kind used for sowing	39.3	1.1%	United States, Australia, France
Total imports	1 631.7		

Source: Quantec Research, 2020

The table shows that the GRD imported a wide range of product from several countries. The GRD mainly imported fish from Namibia and Morocco, valued at R114.7 million and accounting for 3.2 per cent of all imports to the District in 2019. This was followed by aircraft (3.1 per cent), mostly from the United States, and live bovine animals (1.8 per cent), mostly from Namibia, Italy and Romania.

Table 3.2 illustrates the main export products from the GRD in 2019.



EXPORTS

Table 3.2
MAIN EXPORT PRODUCTS,
Garden Route District, 2019

PRODUCT	R million 2019	% share	Main trading partners
Citrus fruit, fresh or dried	1 187.8	32.7%	China, Saudi Arabia, Netherlands
Seeds, fruit and spores, of a kind used for sowing	382.3	10.5%	Netherlands, Japan, United States
Leather further prepared after tanning or crusting	351.9	9.7%	United States, France, Mexico
Skins and other parts of birds with their feathers or down, feathers, parts of feathers, down and articles thereof	230.7	6.4%	Vietnam, Hong Kong, China
Wine of fresh grapes	102.9	2.8%	United Kingdom, France
Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth regulators, disinfectants and similar products	92.3	2.5%	Tanzania, Swaziland, Uganda
Tanned or crust hides and skins of other animals	72.4	2.0%	Italy, Mexico
Yachts and other vessels for pleasure or sports; rowing boats and canoes	72.2	2.0%	Martinique, Australia, Seychelles
Other prepared or preserved meat, meat offal or blood	63.7	1.8%	Germany, France
Cheese and curd	60.6	1.7%	Namibia
Total exports	3 629.6		

Source: Quantec Research, 2020

The District mainly exported agricultural produce. The main export in the District was fresh and dried citrus, accounting for almost a third (32.7 per cent) of the GRD's total exports in 2019, predominantly to China, Saudi Arabia and the Netherlands.

Other important exports included seeds, fruit and spores that can be used for sowing (10.5 per cent), which were mostly exported to the Netherlands, Japan and the United States, and leather products (9.7 per cent), which were mostly exported to the United States, France and Mexico.

3.3 TOURISM PERFORMANCE³³

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 an 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 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.

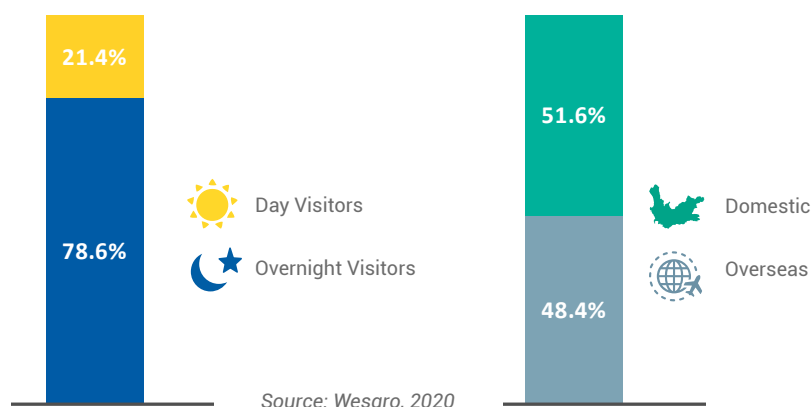
The tourism sector is not a stand-alone economic sector, as tourists demand goods and services from a variety of sectors, such as travel and transport services, accommodation, restaurant services, general shopping and fuel. However, the catering and accommodation sector is often used to determine at least a portion of the size of the tourism industry in an area. In 2018, the catering and accommodation services sector contributed 1.5 per cent to the GRD's total GDP and employed 10 834 people, accounting for 4.6 per cent of the District's total employment.

3.3.1 Visitor trends

Figure 3.5 illustrates the visitor trends for the GRD in 2019.

Figure 3.5

OVERNIGHT VS. DAY VISITORS, Garden Route, 2019



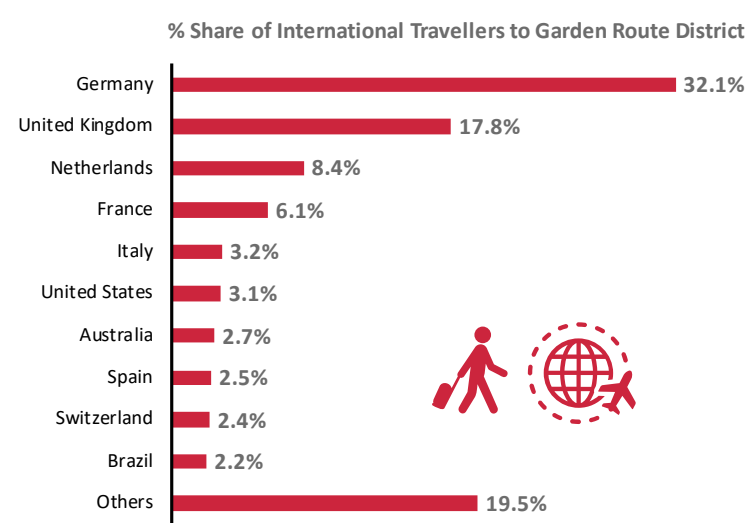
COVID-19 IMPACT

The domestic market marginally dominated arrivals to the GRD at 51.6 per cent in 2019. The negative impact of COVID-19 on household income levels is likely to result in a slow recovery of the local industry. A positive indicator is that the region had more overnight stays (78.6 per cent) than day visits (21.4 per cent) in 2019.

³³ The Regional Visitor Trends reports published by Wesgro were used to report on regional tourism performance. It is important to note that the regional visitor tracking surveys can only be used as a proxy to indicate the key trends within the region owing to their survey collection method and sample size. Therefore, the information reported on cannot be seen as absolute figures. Furthermore, the information cannot be compared with other regions, nor with the information released by South African Tourism. It is also not advisable to compare year-on-year information, as the sample sizes are not comparable.

Figure 3.6 illustrates the proportionate share of international travellers to the GRD in 2019.

Figure 3.6
PERCENTAGE SHARE OF INTERNATIONAL TRAVELLERS, Garden Route District, 2019



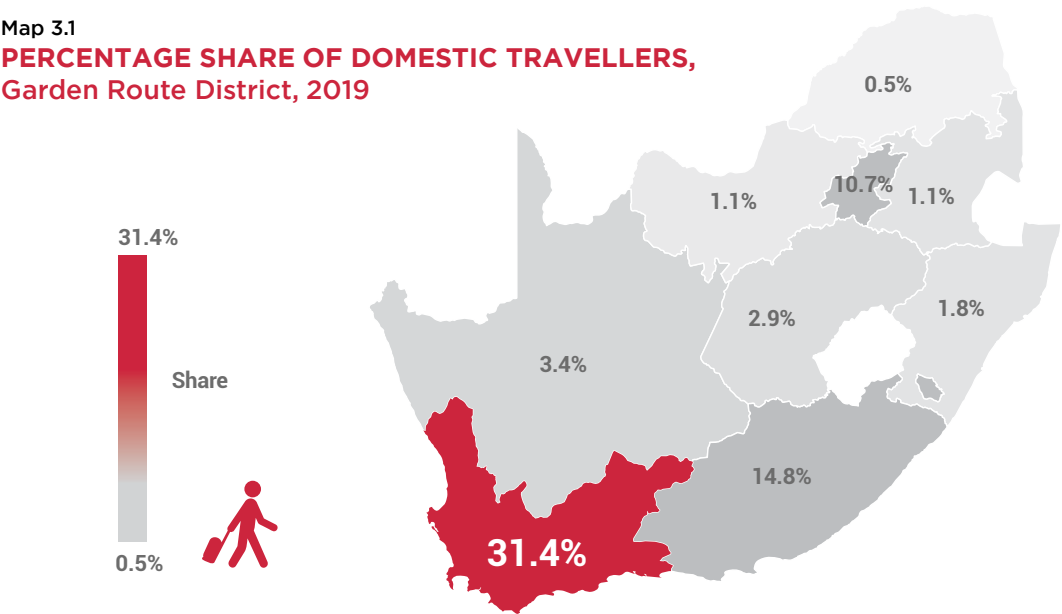
Source: Wesgro, 2020

The region attracts a diverse mix of international visitors, with the German (32.1 per cent) and United Kingdom (17.8 per cent) markets representing the largest portion of the overseas market. Some of the emerging markets visiting the region include the Americas (Argentina, Brazil, Colombia, Chile and Mexico), the Middle East (Dubai and Israel) and the Australasian region (Australia and New Zealand).

The GRD’s unique tourist products include a combination of holiday and leisure, sports such as golf and yachting, festivals and events, as well as wildlife, beach and fine-dining experiences.

Map 3.1 illustrates the proportion of domestic travellers to the GRD in 2019.

Map 3.1
PERCENTAGE SHARE OF DOMESTIC TRAVELLERS, Garden Route District, 2019



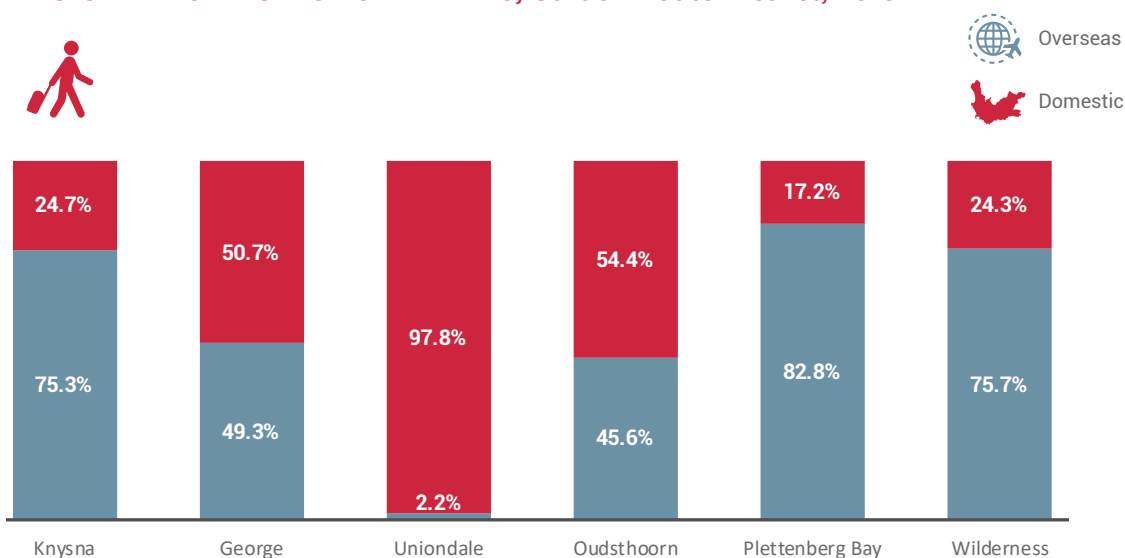
Source: Wesgro, 2020
Note: 32.3% of responses were unspecified

In 2019, 31.4 per cent of domestic visitors to the region were from the Western Cape, followed by 14.8 per cent from the Eastern Cape and 10.7 per cent from Gauteng.

In light of COVID-19 and the recovery of the tourism sector, domestic demand is expected to recover faster than international demand. The GRD should take advantage and position itself for the domestic holiday/leisure market in the short term (for example weekend-break packages, holiday specials, midweek specials and targeting the sports and event visitors). The GRD should also place emphasis on supporting local sports clubs and events, which are key to the promotion of the area and attracting domestic tourists. In the long term, the region should focus on attracting international visitors.

Figure 3.7 depicts the visitor trends for the regional towns of the GRD, namely Knysna, George, Uniondale, Oudtshoorn, Plettenberg Bay and Wilderness.

Figure 3.7
REGIONAL TOWNS VISITOR TRENDS, Garden Route District, 2019



Source: Wesgro, 2020

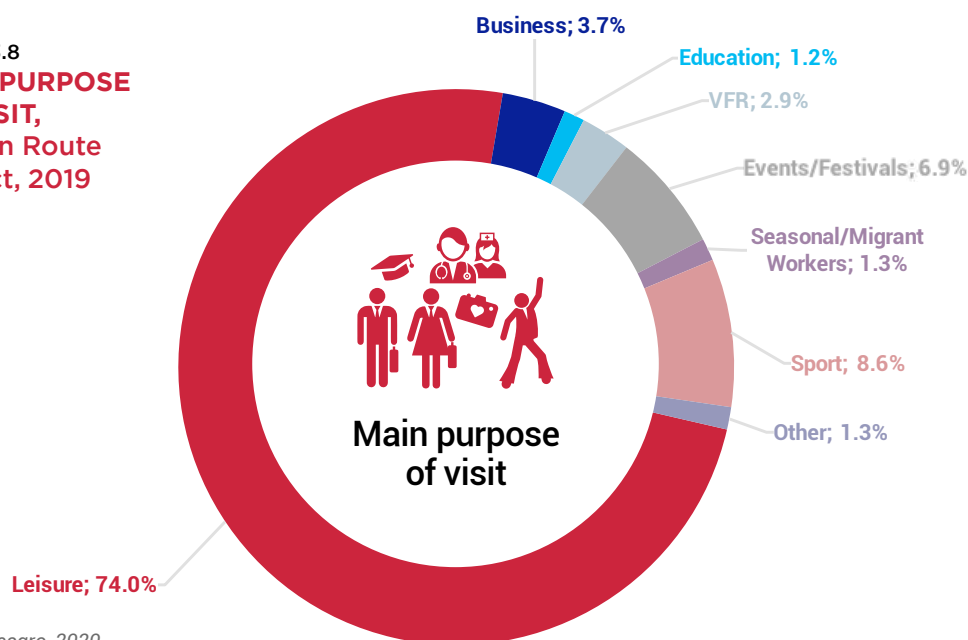
Most of the regional towns were very popular among overseas visitors. More than three-quarters of visitors to Plettenberg Bay (82.8 per cent), Wilderness (75.7 per cent) and Knysna (75.3 per cent) were overseas visitors, while almost half of the visitors to George (49.3 per cent) and Oudtshoorn (45.6 per cent) were overseas visitors. Uniondale received the largest proportion of domestic visitors (97.8 per cent).

Most visitors to the regional towns stayed between one and three nights, with two nights being the most popular option in most towns. The average daily spend varied greatly between the towns. Almost half (46.3 per cent) of visitors to Knysna spent between R501 and R1 000 per day, while in Uniondale, 35.2 per cent of visitors spent between R201 and R500 per day.

3.3.2 Visitor profile

Figure 3.8 illustrates the main purpose of visits to the GRD in 2019.

Figure 3.8
MAIN PURPOSE
OF VISIT,
Garden Route
District, 2019



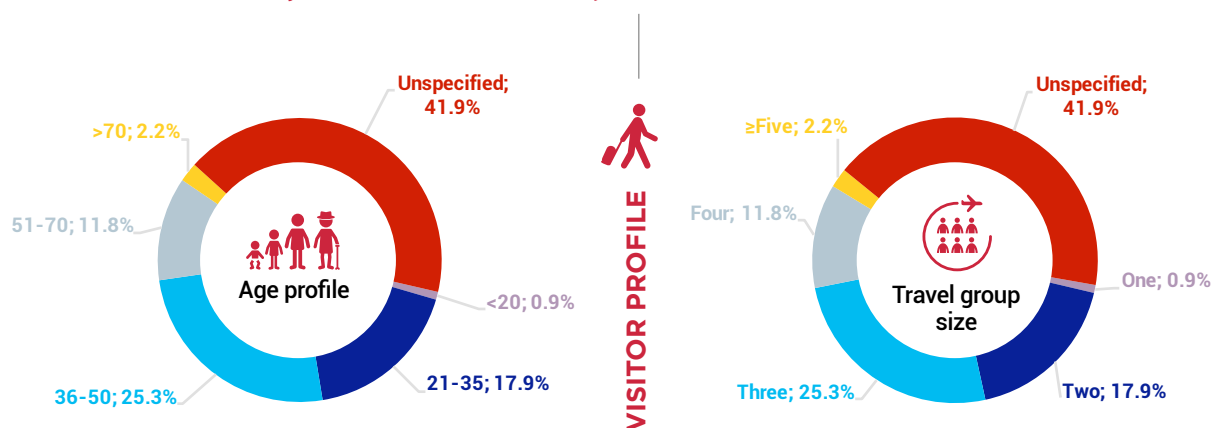
Source: Wesgro, 2020

The District's leisure activities are a strong drawcard, with 74.0 per cent of visitors travelling to the area for this purpose, followed by visitors travelling for sport (8.6 per cent) and events and festivals (6.9 per cent) in 2019.

Sporting events that take place in the District include, among others, the National Golf Festival, the Orange Descent Canoe Marathon and the Otter African Trail Run. Popular events hosted in the region on an annual basis include the Leisure Isle Festival, Knysna Literary Festival and Klein Karoo Nasionale Kunstefees (National Arts Festival).

Figure 3.9 illustrates the profile of visitors in terms of group sizes and ages in 2019.

Figure 3.9
VISITOR PROFILE, Garden Route District, 2019



Source: Wesgro, 2020

The profile shows that visitors to this area visit mainly in groups of two or more, with 25.3 per cent travelling in groups of three, followed by pairs (17.9 per cent) and groups of four (11.8 per cent). This may indicate that travellers to the GRD are predominantly made up of couples, family units and small social groups.

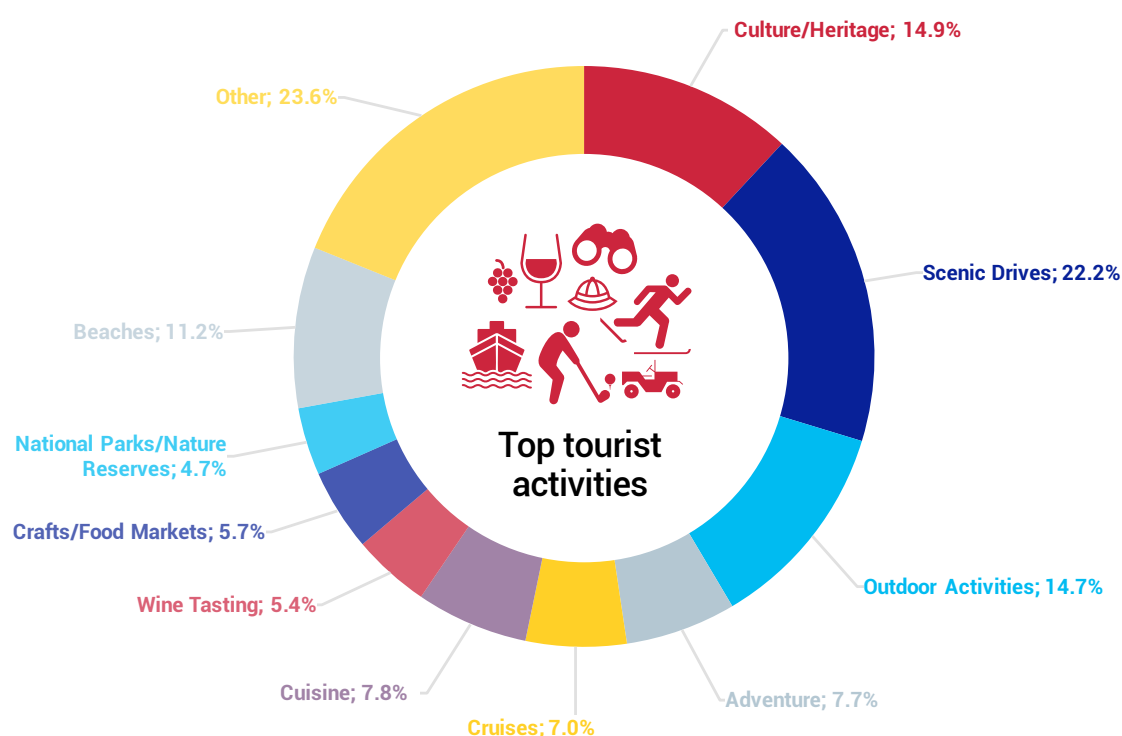
The age profile of visitors shows that the GRD has a tourist product that is appreciated by all adult age groups, with a quarter of visitors between the ages of 36 and 50 (25.3 per cent), young adults making up 17.9 per cent and 11.8 per cent in the early retirement age group. It must be noted that a significant proportion (41.9 per cent) of visitors did not specify their age. An opportunity exists for tailor-made product packaging and promotion to cater for the various age groups.

3.3.3 Activities

Figure 3.10 indicates the top activities undertaken by visitors in the GRD.

Figure 3.10

TOP TOURIST ACTIVITIES UNDERTAKEN, Garden Route District, 2019



Source: Wesgro, 2020

The GRD offers a wide range of activities. The most popular activity was scenic drives at 22.2 per cent, followed by culture and heritage (14.9 per cent), outdoor activities (14.7 per cent), beaches (11.2 per cent), cuisine (7.8 per cent) and adventure (7.7 per cent).

The region hosts several established national and local events, including the Dias Festival, the George Old Car Show, the Plett Performing Arts Festival, the Wilderness Art Festival, the CANSA Shavathon, the Knysna Timber Festival, Sedgfield's Slow Festival, the Buffalo Rally, the Hi-Tec Garden Route Walking Festival, the Knysna Yacht Club Closing Cruise, the Garden Route Airshow, the Plett Truck & Vine Festival, the Pink Loerie Mardi Gras & Arts Festival, the Knysna Pride Parade, the Road Less Travelled Off-Road Experience, the Knysna Speed Festival, the Knysna Oyster Festival, the Eden Festival of Action, the Rastafarian Earth Festival, the Klein Karoo Klassique, the

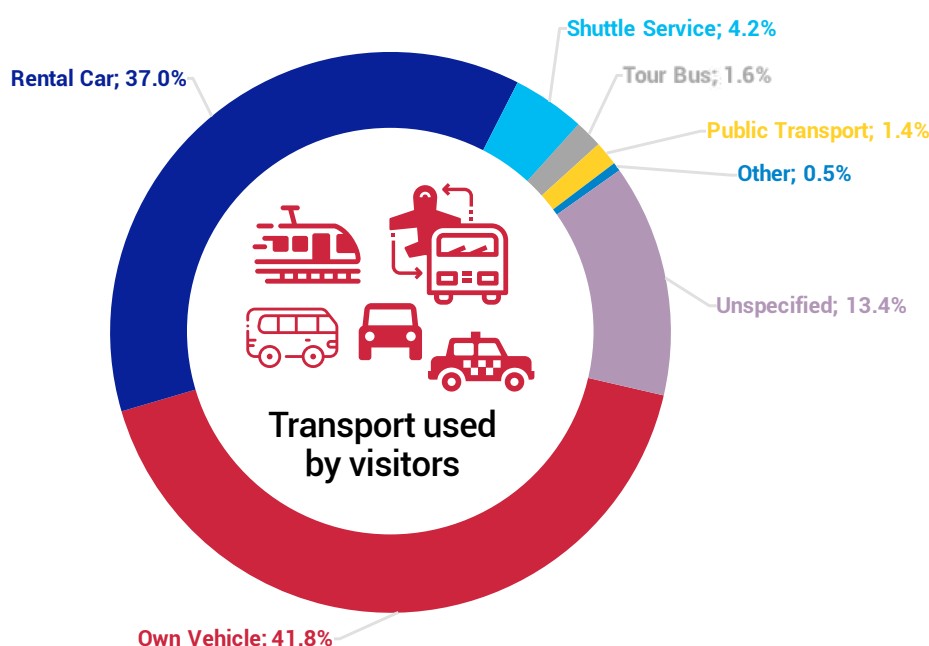
Whale Rally, the Mossel Bay Soul Festival, the Forest Festival, the Wittedrift Birding Festival, the Strawberry Festival and the Plett Rage Student Festival.

The region has excellent sporting facilities for a variety of sports. The Links Course at Fancourt is considered one of the best golf courses in the world and regularly hosts international and national golfing events. The region also has additional golf courses, including Pinnacle Point, Kingswood Pezula, Goose Valley, Knysna, Oubaai, Mossel Bay, Plettenberg Bay and George. Other sports facilities include Knysna Yacht Club and Outeniqua Park.

Visitors also take part in other recreational activities and outdoor experiences, such as visiting the Cango Caves, Tsitsikamma National Park, Wilderness National Park, Knysna National Park, Bird of Prey Rehabilitation and Awareness Centre and Monkeyland. Or pick strawberries at Redberry Farm, surf at Victoria Bay, go stand-up paddleboarding in Knysna Lagoon, go on a scooter tour with Scootours in Knysna, go horse riding, hiking, skydiving or sailing, go on a game drive, dive with sharks, take a cruise or visit one of the area's 18 Blue Flag beaches.

Figure 3.11 illustrates the mode of transport used by visitors to travel to and within the GRD.

Figure 3.11
MODE OF TRANSPORT USED BY VISITORS, Garden Route District, 2019



Source: Wesgro, 2019. Note: 13.4 per cent of responses were unspecified.

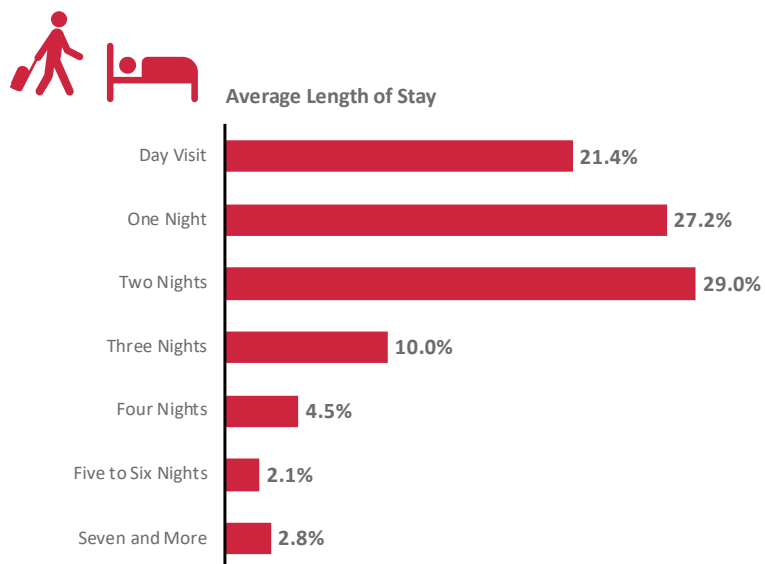
The main mode of transport for visitors was their own vehicle (41.8 per cent), followed by rental cars at 37.0 per cent.

A very small percentage of visitors use other modes of transport such as shuttle services, tour buses and public transport, which shows a gap in the market for itinerary-based activities. This also indicates the independence of travellers to the region, who mostly make use of their own transport. This considered, the navigational and supporting services environment along all main tourist routes must be up to standard to ensure the safety and satisfaction of these experienced travellers (i.e. good-quality roads, effective signage and tourist amenities for food and beverage purchases).

Figure 3.12 illustrates the average length of stay of visitors to selected regional towns in the GRD in 2019.

Figure 3.12

AVERAGE LENGTH OF STAY BY VISITORS, Garden Route District, 2019



Source: Wesgro, 2020. Note: 3.0 per cent of responses were unspecified.

Most travellers (29.0 per cent) stay for two nights, while 27.2 per cent stay for one night. This is a strong indication that the GRD is viewed as a weekend breakaway destination. Tourists travelling in the Garden Route often only stay one or two nights in a destination before travelling to the next destination. In contrast, the coastal towns of the GRD are popular areas for second homes, leading to a large influx of domestic tourists over holiday periods.

Some 27.1 per cent of tourists used self-catering accommodation. However, most overnight visitors used formal accommodation such as guest houses (25.6 per cent), bed and breakfasts (15.1 per cent) and hotels (10.7 per cent). Some 2.0 per cent of tourists stayed in rented houses and apartments, including in an Airbnb.



3.4 GROWTH OPPORTUNITIES AND RISKS


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 as well as potential risks for the district economy. The section will further explore sector linkages for the identified opportunities through a network analysis to potentially maximise trade potential.

3.4.1 Comparative advantage

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 provincial 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 on the classification and interpretation of the location quotient. A location quotient of more than one indicates that a comparative advantage exists in this local economy compared with the provincial economy, whereas a location quotient of less than one indicates that the representation of this sector is weaker in the local economy than in the provincial economy³⁴. Furthermore, a location quotient of one indicates that the representation of the sector in the local economy is the same as its representation in the Province.

Table 3.3
LOCATION QUOTIENT INTERPRETATION, Garden Route District, 2018

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, 2020

It is important to note that, as a tool, a location quotient does not consider external factors such as government policies, investment incentives, proximity to markets, etc., which can influence the comparative advantage of an area in a particular sector. Furthermore, the size of the location quotient does not necessarily indicate whether the sector is small or large in the local economy, nor does it indicate the value of importance. It indicates the relative importance of the local economy to the provincial economy.

³⁴ (Fennig & DaCosta, 2010).

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

Table 3.4

**LOCATION QUOTIENT IN TERMS
OF GDPR AND EMPLOYMENT,
Garden Route District, 2018**



SECTOR	In terms of GDPR	In terms of Employment
PS Primary Sector		
Agriculture, forestry & fishing	1.5	1.2
Mining & quarrying	1.3	1.2
SS Secondary Sector		
Manufacturing	0.9	0.9
Electricity, gas & water	1.1	1.1
Construction	1.1	1.1
TS Tertiary Sector		
Wholesale & retail trade, catering & accommodation	1.0	1.1
Transport, storage & communication	0.9	0.9
Finance, insurance, real estate & business services	1.0	0.9
General government	0.9	0.8
Community, social & personal services	1.0	1.0

Source: Quantec Research, 2020

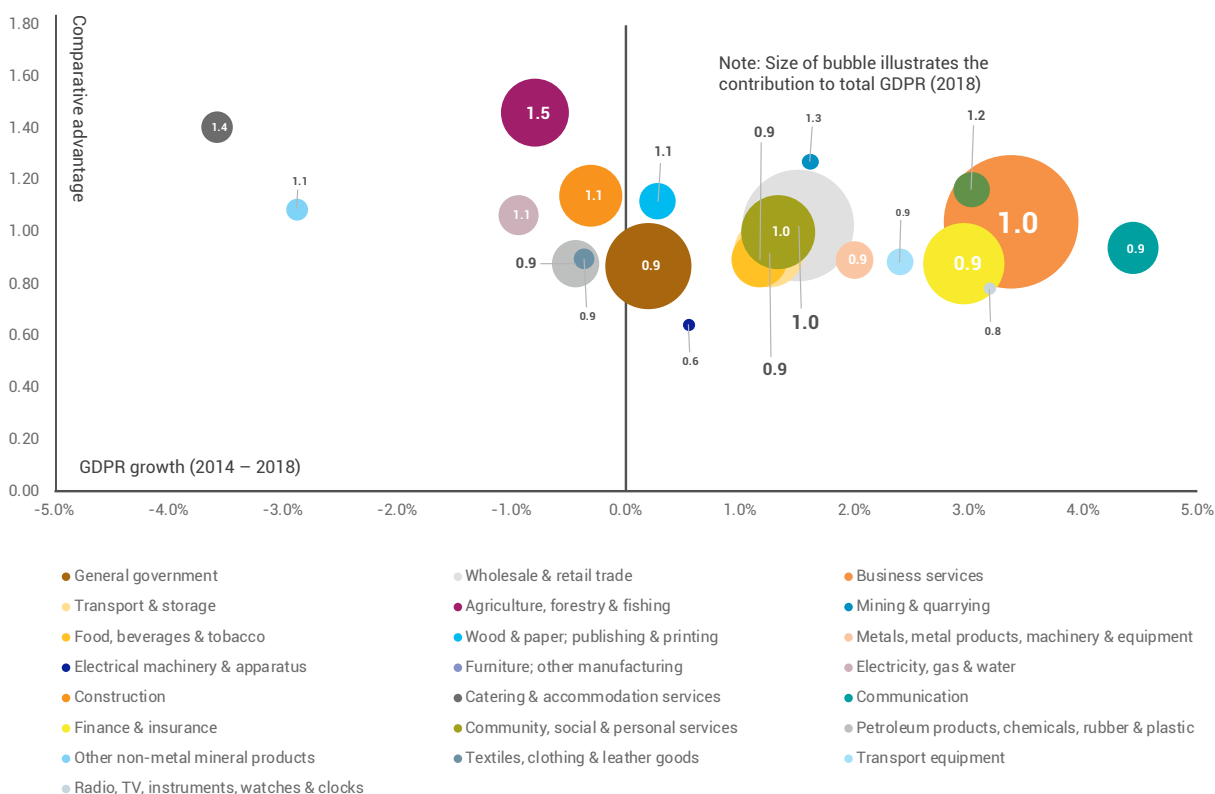
The table shows that the GRD has a relative comparative advantage in several sectors. The GRD has a high location quotient in terms of GDPR in agriculture, forestry and fishing (1.5) and mining and quarrying (1.3). Both these sectors also demonstrate a medium comparative advantage in terms of employment, with a location quotient of 1.2 in both sectors. This indicates that the GRD has a good comparative advantage in these two sectors relative to the sectoral performances in other districts in the Western Cape. Agriculture, forestry and fishing, however, is and remains a critical sector in the region, especially in the context of its commodity inputs for manufacturing, exports and job creation.

Furthermore, the GRD has medium location quotients within all other sectors in terms of GDPR and employment, demonstrating relative comparative advantages in these sectors compared with the sectoral performances in other districts in the Western Cape.

To identify growth opportunities as well as risks, the comparative advantage of various sectors together with the historic growth rates of sectors are analysed together. Figure 3.13 illustrates the comparative advantage and the sectoral GDPR growth in the GRD.

Figure 3.13

**COMPARATIVE ADVANTAGE AND SECTORAL GDPR GROWTH,
Garden Route District, 2018**



Source: Quantec Research, 2020

Opportunities are identified in sectors that have above-average GDPR growth (0.9 per cent) and a medium to high comparative advantage. Sectors in the GRD that have opportunities for development include:

Table 3.5

**SECTORS WITH
DEVELOPMENT
OPPORTUNITIES,
Garden Route District, 2018**

SECTOR	R million value 2018	GDPR trend 2014 – 2018	Number of jobs 2018	Average annual change in employment 2014 – 2018	Average gross fixed capital formation growth 2014 – 2018
Mining & quarrying	158.3	1.6%	178	-	2.1%
Furniture; other manufacturing	698.2	3.0%	1 603	-3	3.1%
Wholesale & retail trade	7 495.8	1.5%	47 785	936	3.5%
Business services	7 990.6	3.4%	35 108	1 381	2.8%

Source: Quantec Research, 2020

Sectors in which the GRD has a comparative advantage and that have performed relatively well over the reference period include the mining and quarrying, furniture and other manufacturing, wholesale and retail trade and business services sectors.

Mining and quarrying

The mining and quarrying sector is relatively small in the GRD, contributing only R158.3 million to the economy and creating 178 jobs. However, the commodities mined within the GRD make a valuable contribution to other sectors. Mining activity in the District includes limestone mining (Riversdale), sand mining (Ladismith, George, Knysna, Mossel Bay, Riversdale), bentonite (Heidelberg) and clay (Riversdale). Limestone, sand and clay are all important inputs used by the construction industry. Beneficiation of these commodities also takes place in the GRD (brick-making). The comparative advantage of the District in these activities means that it can export these products to other areas in the Western Cape, particularly to areas that lack such resources. Offshore mining activities include natural gas off the coast of Mossel Bay³⁵. The significant gas find by Total in the Outeniqua basin can be a valuable injection into the sector, as well as the downstream refining and manufacturing sector, should it become commercially active.

Business services

Business services include activities such as real estate activities, renting of machinery and equipment, computer activities, including hardware consultancy, software consultancy and data processing, research and development, and other general business activities, such as legal, accounting, engineering and advertising activities³⁶. The largest business services sector in the GRD is in the George municipal area, which emphasises that this municipal area, and particularly the town of George, is an important business node in the Southern Cape. Other important business nodes include Knysna and Mossel Bay. This sector therefore needs well-functioning business centres in towns, as well as adequate public transport to these centres, such as the Go George Bus Service.

Furniture and other manufacturing

The furniture and other manufacturing sector includes the manufacturing of a variety of goods and services such as jewellery, engraving, sports goods, clothing embellishments as well as recycling activities. The George and Oudtshoorn municipal areas contribute the most to this sector. To facilitate business retention and expansion in this sector, an enabling environment for manufacturing activities should be created, including ensuring the availability of industrial land, as well as access to electricity and water. Support for start-ups and SMMEs in this sector can also promote growth and development in this sector.



³⁵ (Department of Mineral Resources, 2020).

³⁶ (Statistics SA, 2012).

3.4.2 Risks

Risks are identified in industries where there is a medium to high comparative advantage but poor growth.

Table 3.6
SECTORS WITH RISKS,
Garden Route District, 2018

SECTOR	R million value 2018	GDPR trend 2014 – 2018	Number of jobs 2018	Average annual change in employment 2014 – 2018	Average gross fixed capital formation growth 2014 – 2018
Agriculture, forestry and fishing	2305.0	-0.8%	28 243	171	-4.4%
Catering and accommodation services	669.4	-3.6%	10 834	277	-0.5%

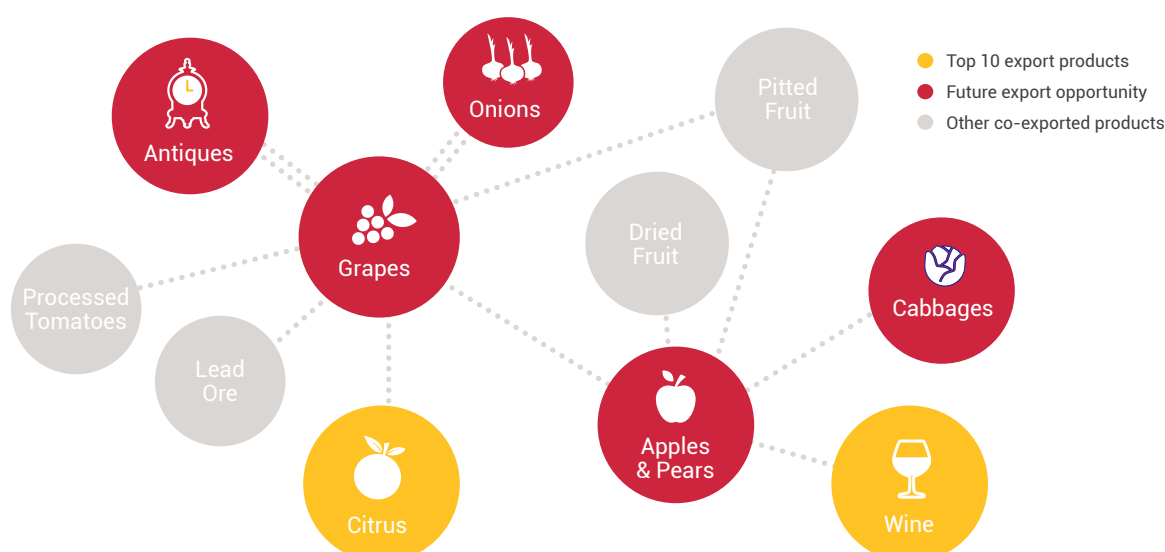
Source: Quantec Research, 2020

Agriculture, forestry and fishing

The agriculture, forestry and fishing sector in the GRD is valued at R2.3 billion. This sector has been severely affected by external influences and has contracted on average by an estimated 0.8 per cent between 2014 to 2018. It is expected that the sector contracted by a further 8.7 per cent in 2019. Despite the expected recovery in 2020, the sector remains vulnerable after its many years of poor performance. The GRD has a very diverse agriculture industry, ranging from livestock farming for dairy production to ostriches, wheat, nuts, berries, grapes, fruit and vegetables. The sector also contributes significantly to exports – the main agricultural export from the GRD is citrus, which is mainly produced in the Hessequa municipal area.

Additional opportunities for promoting exports from the GRD can be highlighted by analysing products that are likely to be co-exported³⁷. The diagram below illustrates the network of products that are likely to be co-exported based on the main agricultural sector export from the District (citrus). It is expected that districts will export products in the future that are related to current exports³⁸.

Diagram 3.1
CO-EXPORTS POTENTIAL, Garden Route District, 2018



³⁷ Products that are co-exported use the same or similar export distribution systems.

³⁸ (Observatory of Economic Complexity, 2020).

The GRD exports most products that are often co-exported with citrus. However, the amounts are relatively small. Grapes to the value of R27.8 million (0.8 per cent of total exports), antiques to the value of R25.2 million (0.7 per cent of total exports), cabbages to the value of R17.1 million (0.5 per cent of total exports) and apples and pears to the value of R1.2 million (0.03 per cent of total exports) were exported in 2019. The GRD therefore has existing markets in these commodities, and supplier development and improving access to these markets for emerging and small-scale farmers can assist to boost exports, given the opportunities that exist. Despite having 20.3 per cent of onion crops in the Western Cape, and the exporting opportunity that exists, onion exports from the GRD are insignificant, and this export market can therefore be explored.

Catering and accommodation

The tourism industry, as represented by the catering and accommodation sector, is an important source of employment in the GRD. However, this sector has not performed well over the reference period, contracting by an average annual rate of 3.6 per cent. The sector is expected to be under severe strain from both an economic as well as an employment perspective in 2020 owing to travel bans as a result of COVID-19. Despite this poor performance, the sector has created 277 jobs per annum on average between 2014 and 2018. As discussed in previous sections, the GRD is popular among both domestic and international tourists, as it offers a variety of attractions and activities.

Owing to the high volumes of tourists, particularly between January and December, destination managers should not only keep product offerings unique and innovative but should also ensure that the destination is well kept and that the necessary services are provided. Recommendations in this regard include maintaining tourism infrastructures and amenities, prioritising the safety and security of visitors, and creating an enabling environment for tourism to flourish. Targeting domestic tourists will be essential for the recovery of the local sector.

The District should also ensure benefit flows to local communities through participation in tourism, access to markets and the empowerment of women and youth in the sector. Training and skills development initiatives that focus on business counselling, training, planning and mentorship should be provided. It is important to note that stronger awareness should be created for such support programmes through promotion and marketing campaigns.

The ultimate goal is to achieve the outcomes set by the National Development Plan and the National Tourism Sector Strategy by taking into consideration the state of tourism, and to identify challenges and opportunities to enhance the sector's performance and strengthen the Western Cape's competitiveness as a tourism destination.

3.4.3 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.

3.4.3.1 Building plans passed and completed

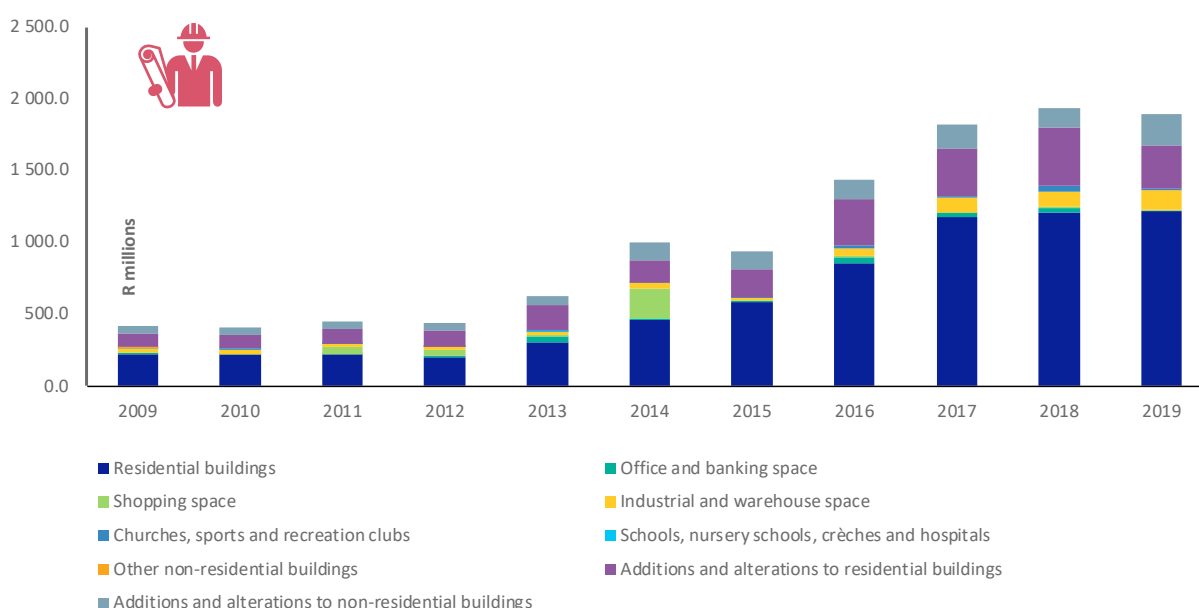
Building plans passed and completed are some of the indicators that are used to measure economic activity and business cycle changes. The value of building plans passed³⁹ can be used as a leading indicator, while building plans completed⁴⁰ can be used as a lagging indicator. Building plans passed and 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.

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

Figure 3.14 illustrates the value of building plans passed in the George municipal area between 2009 and 2019.

Figure 3.14

VALUE OF BUILDING PLANS PASSED, George 2009 – 2019 (R million)



Source: Statistics SA & Quantec Research, 2020

There was a substantial increase in the value of building plans passed in the George municipal area from R418.4 million in 2009 to R1.9 billion in 2019. This increase was predominantly driven by residential buildings, which increased from R219.9 million in 2009 to R1.2 billion in 2019. Other building plan types that contributed the most towards the increase in the value of building plans passed in 2019 were additions and alterations to residential buildings (R304.8 million) and additions and alterations to non-residential buildings (R216.6 million).

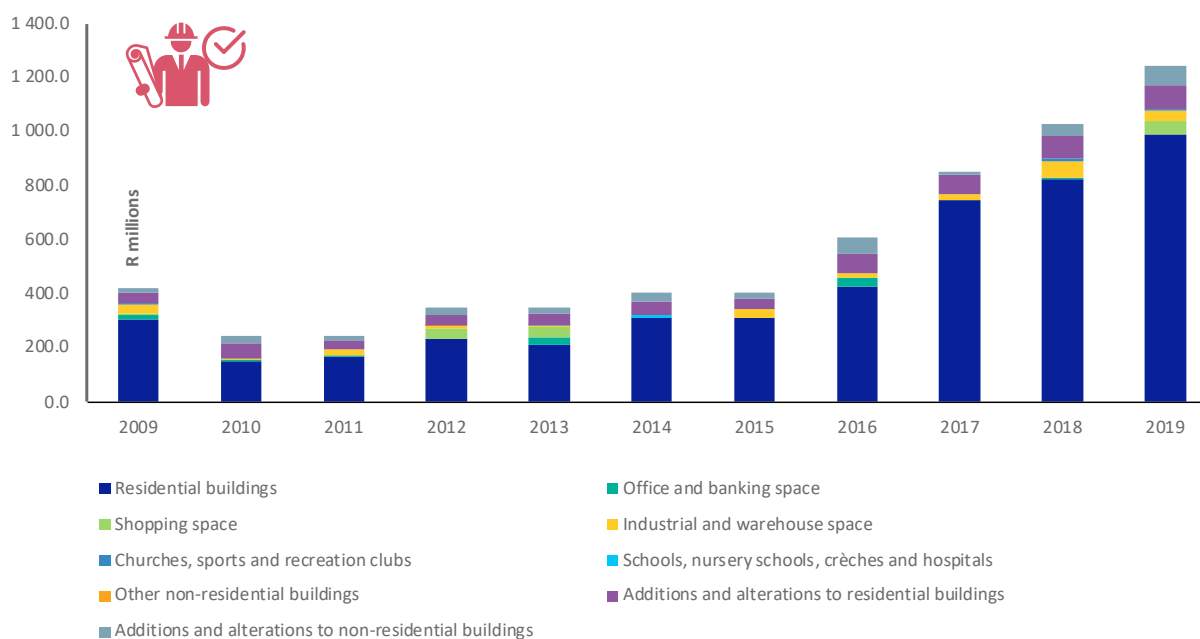
³⁹ Number of residential building plans passed larger than 80 m².

⁴⁰ Value of non-residential buildings completed (constant prices).

Figure 3.15 illustrates the value of building plans completed in the George municipal area between 2009 and 2019.

Figure 3.15

VALUE OF BUILDING PLANS COMPLETED, George, 2009 – 2019 (R million)



Source: Stats SA & Quantec Research, 2020

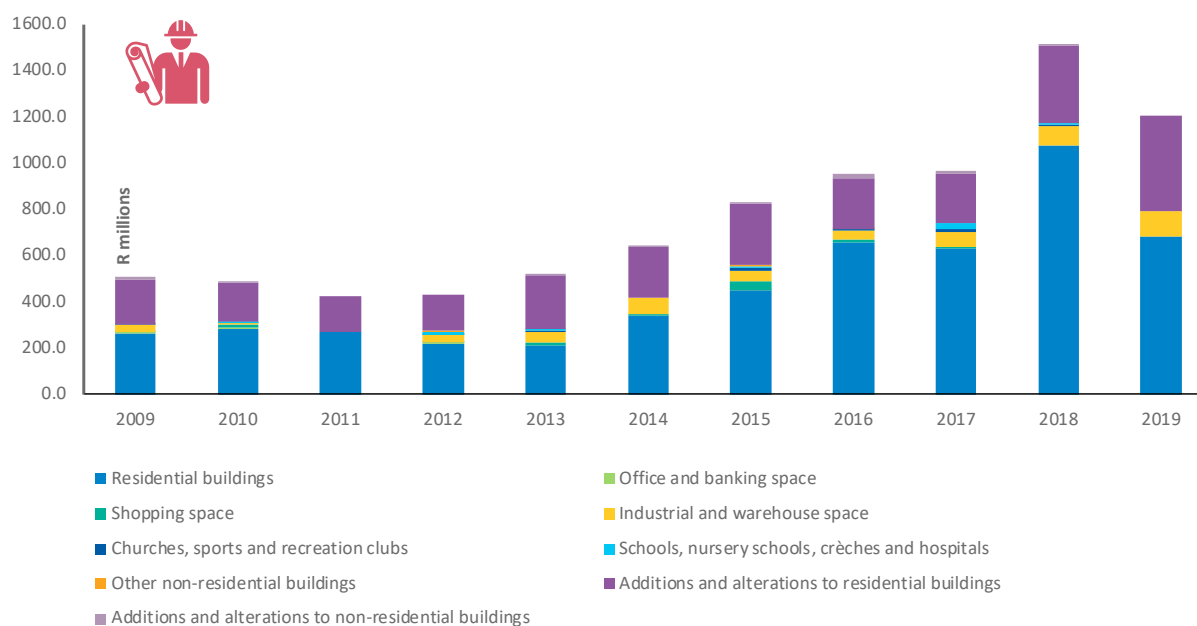
The figure shows a substantial increase in the value of building plans completed in the George municipal area from R423.7 million in 2009 to R1.2 billion in 2019. This increase was predominantly driven by residential buildings, which increased from R307.6 million in 2009 to just under R1.0 billion in 2019. Other building types that contributed the most towards the increase in 2019 were additions and alterations to residential buildings (R88.2 million) and additions and alterations to non-residential buildings (R74.6 million).



Figure 3.16 illustrates the value of building plans passed in the Mossel Bay municipal area between 2009 and 2019.

Figure 3.16

VALUE OF BUILDING PLANS PASSED, Mossel Bay, 2009 – 2019 (R million)



Source: Stats SA & Quantec Research, 2020

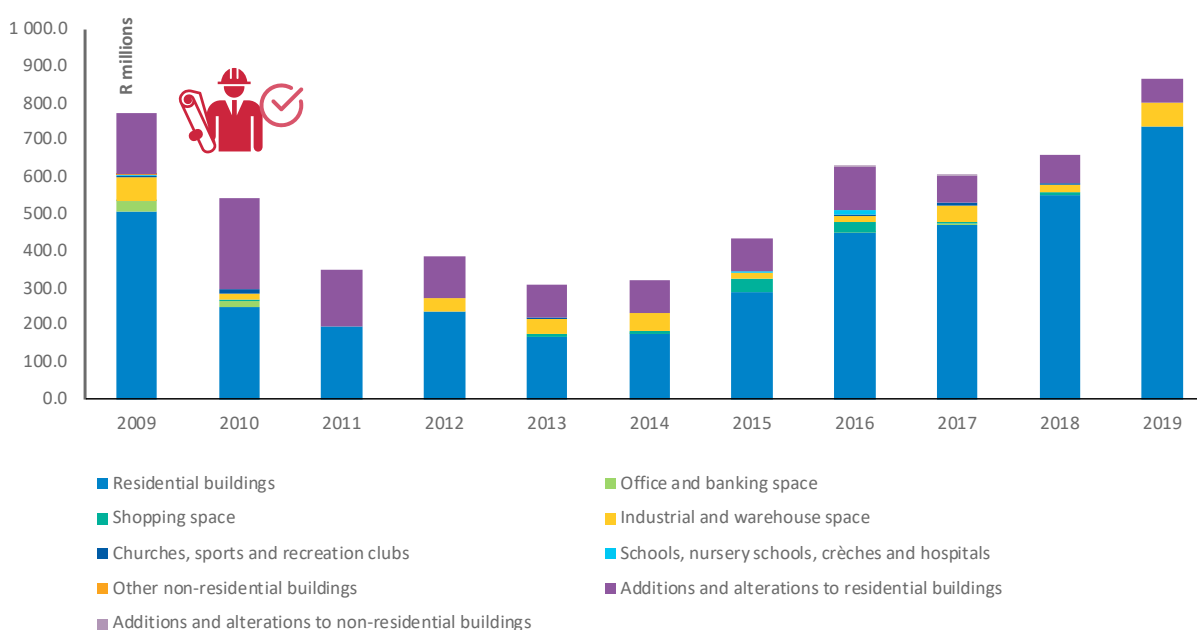
There was a substantial increase in the value of building plans passed in the Mossel Bay municipal area from R506.1 million in 2009 to R1.2 billion in 2019. This increase was predominantly driven by residential buildings, which increased from R265.4 million in 2009 to R682.1 million in 2019. Other building plan types that contributed the most towards the increase in the value of building plans passed in 2019 were additions and alterations to residential buildings (R408.5 million) and industrial and warehouse space (R112.0 million).



Figure 3.17 illustrates the value of building plans completed in the Mossel Bay municipal area between 2009 and 2019.

Figure 3.17

VALUE OF BUILDING PLANS COMPLETED, Mossel Bay, 2009 – 2019 (R million)



Source: Stats SA & Quantec Research, 2020

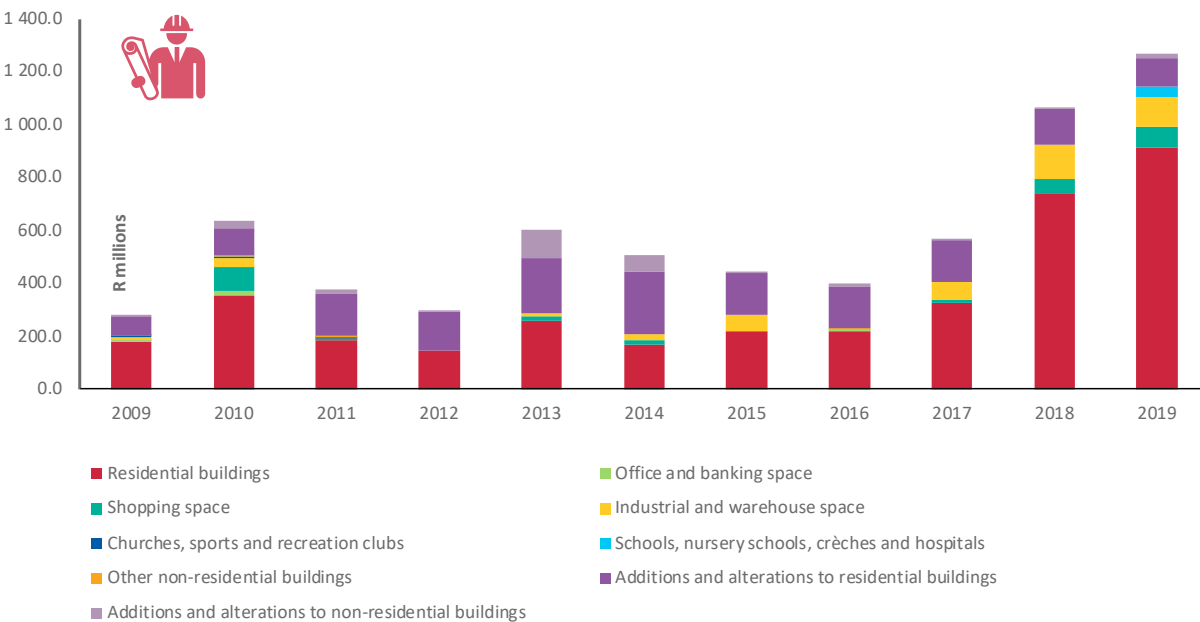
The figure shows an increase in the value of building plans completed in the Mossel Bay municipal area from R775.3 million in 2009 to R866.0 million in 2019. This increase was predominantly driven by residential buildings, which increased from R508.4 million in 2009 to R737.5 million in 2019. Other building types that contributed the most towards the increase in 2019 were additions and alterations to residential buildings (R64.6 million) and industrial and warehouse space (R63.9 million).

New developments confirmed in the Mossel Bay municipal area include new residential developments such as Hartland (approximately 2 000 units), Monte Christo (33 new erven), Outeniquasbosch (approximately 1 200 units), Aalwyndal smallholdings (to be subdivided in the future) and the remainder of Farm 220 (Highlands, approximately 300 erven).



Figure 3.18 illustrates the value of building plans passed in the Knysna municipal area between 2009 and 2019.

Figure 3.18
VALUE OF BUILDING PLANS PASSED, Knysna, 2009 – 2019 (R million)



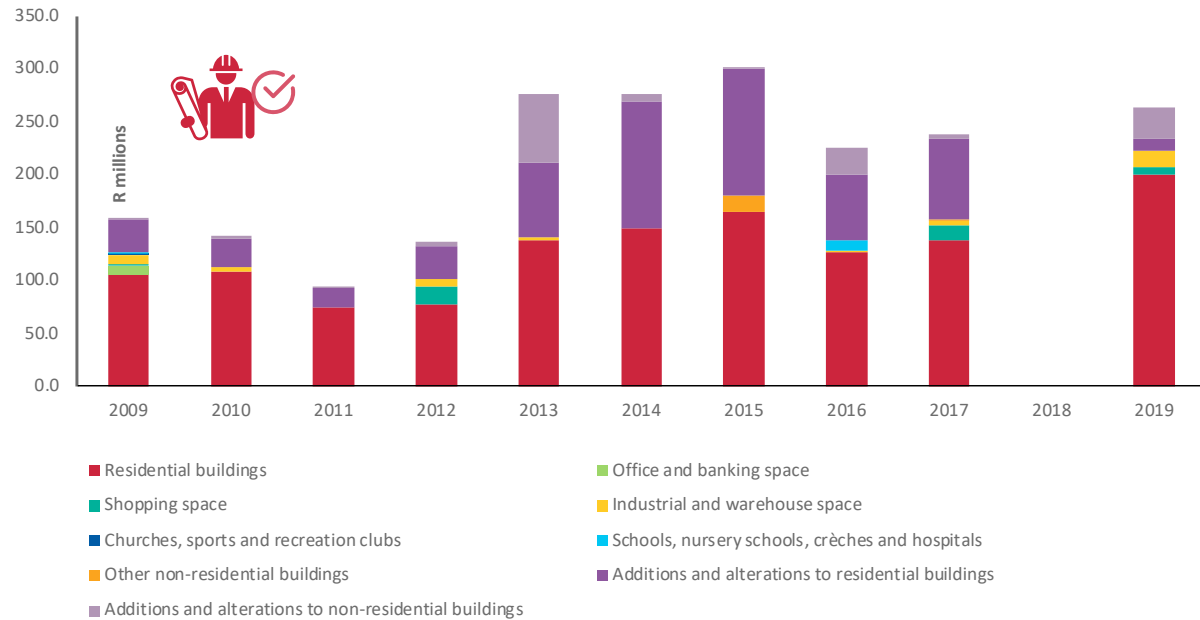
Source: Stats SA & Quantec Research, 2020

The value of building plans passed in the Knysna municipal area increased from R274.3 million in 2009 to just under R1.3 billion in 2019. This increase was predominantly driven by residential buildings, which increased from R177.3 million in 2009 to R914.2 million in 2019. Other building plan types that contributed the most towards the increase in the value of building plans in 2019 were industrial and warehouse space (R111.8 million) and additions and alterations to residential buildings (R104.1 million). The substantial increase in 2018 could be due to the large number of homes that had to be rebuilt as a result of the 2017 fires.



Figure 3.19 illustrates the value of building plans completed in the Knysna municipal area between 2009 and 2019.

Figure 3.19
VALUE OF BUILDING PLANS COMPLETED, Knysna, 2009 – 2019 (R million)



Source: Stats SA & Quantec Research, 2020

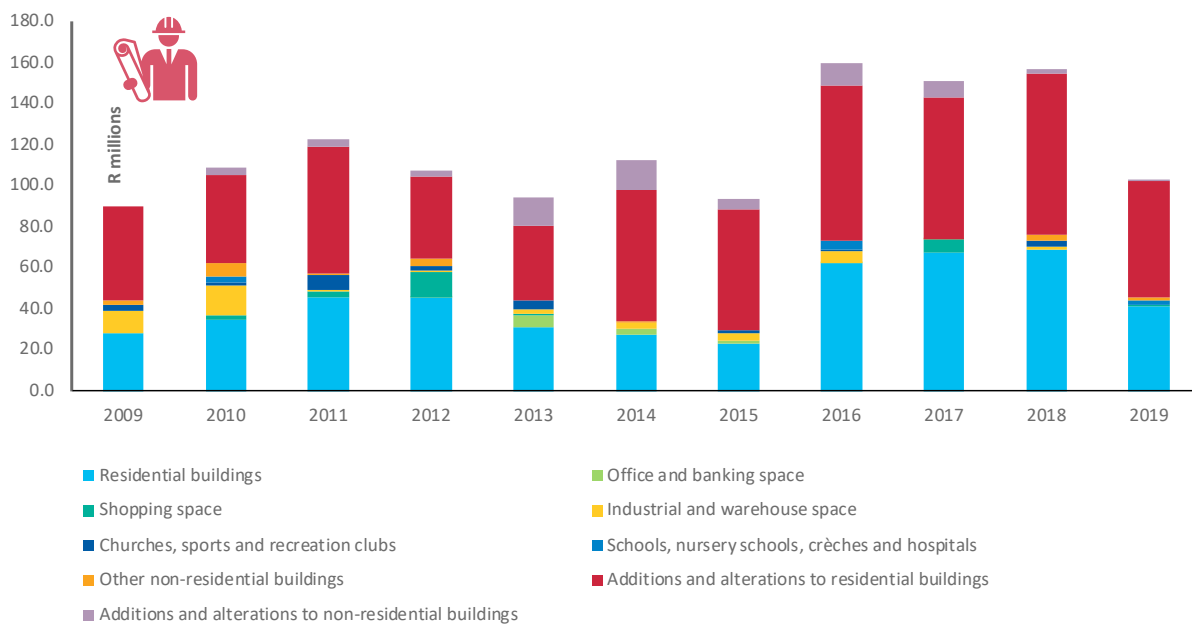
Note: No data recorded for 2018

The value of building plans completed in the Knysna municipal area increased from R158.5 million in 2009 to R263.4 million in 2019. This increase was predominantly driven by residential buildings, which increased from R104.9 million in 2009 to R200.5 million in 2019. Other building types that contributed the most towards the increase in 2019 were additions and alterations to non-residential buildings (R29.5 million) and industrial and warehouse space (R15.9 million).



Figure 3.20 illustrates the value of building plans passed in the Oudtshoorn municipal area between 2009 and 2019.

Figure 3.20
VALUE OF BUILDING PLANS PASSED, Oudtshoorn, 2009 – 2019 (R million)



Source: Stats SA & Quantec Research, 2020

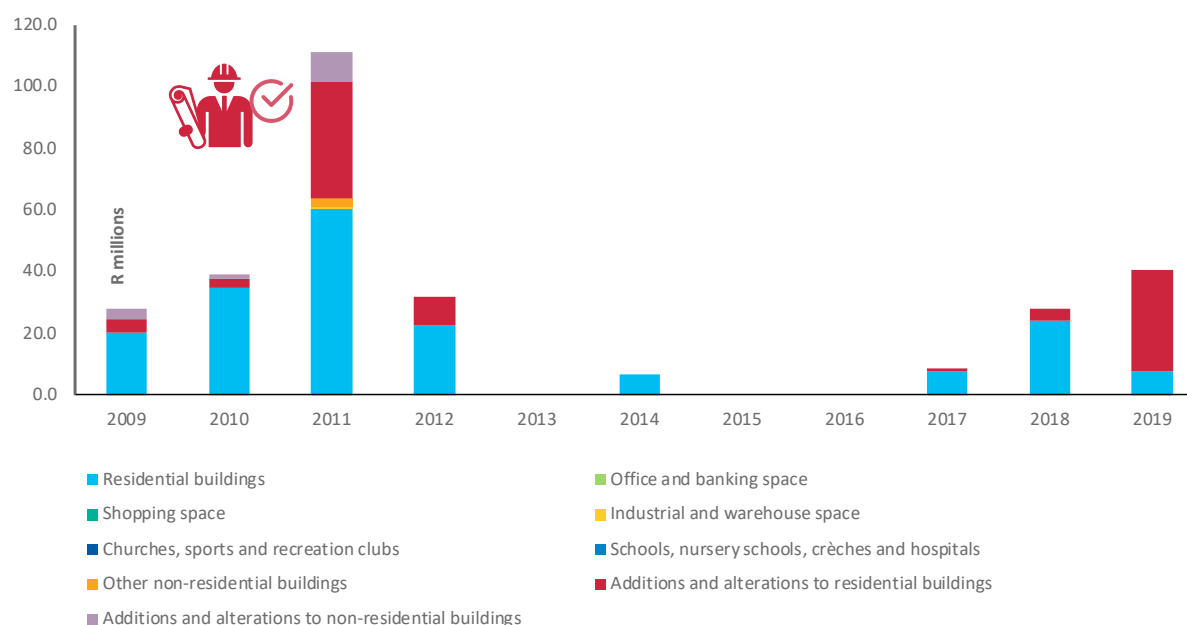
A slight increase in the value of building plans passed was recorded in the Oudtshoorn municipal area, from R89.7 million in 2009 to just under R102.7 million in 2019. This increase was predominantly driven by additions and alterations to residential buildings, which increased from R45.8 million in 2009 to R57.2 million in 2019. Other building plan types that contributed the most towards the increase in the value of building plans in 2019 were residential buildings (R41.0 million) and schools, nursery schools, crèches and hospitals (R2.8 million).



Figure 3.21 illustrates the value of building plans completed in the Oudtshoorn municipal area between 2009 and 2019.

Figure 3.21

VALUE OF BUILDING PLANS COMPLETED, Oudtshoorn, 2009 – 2019 (R million)⁴¹



Source: Stats SA & Quantec Research, 2020

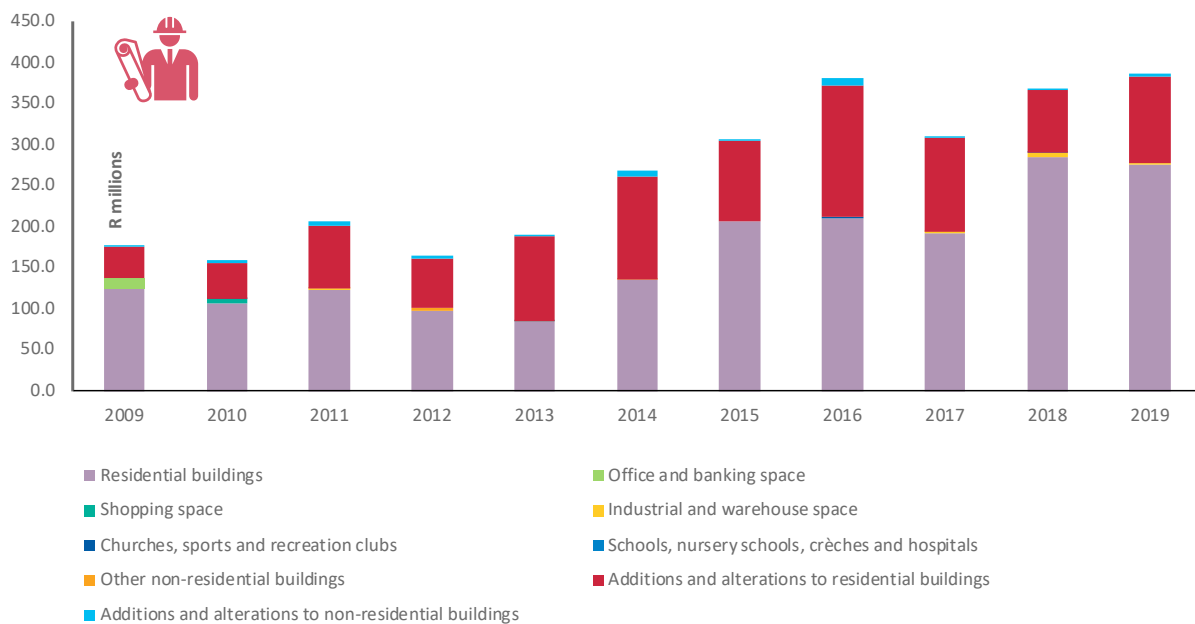
There was a slight increase in the value of building plans completed in the Oudtshoorn municipal area from R28.0 million in 2009 to R40.3 million in 2019. This increase was predominantly driven by additions and alterations to residential buildings, which increased from R4.4 million in 2009 to R32.7 million in 2019. Another building type that contributed towards building plans completed in 2019 was residential buildings (R7.6 million).



⁴¹ No data for 2013, 2015 and 2016.

Figure 3.22 illustrates the value of building plans passed in the Bitou municipal area between 2009 and 2019.

Figure 3.22
VALUE OF BUILDING PLANS PASSED, Bitou, 2009 – 2019 (R million)



Source: Stats SA & Quantec Research, 2020

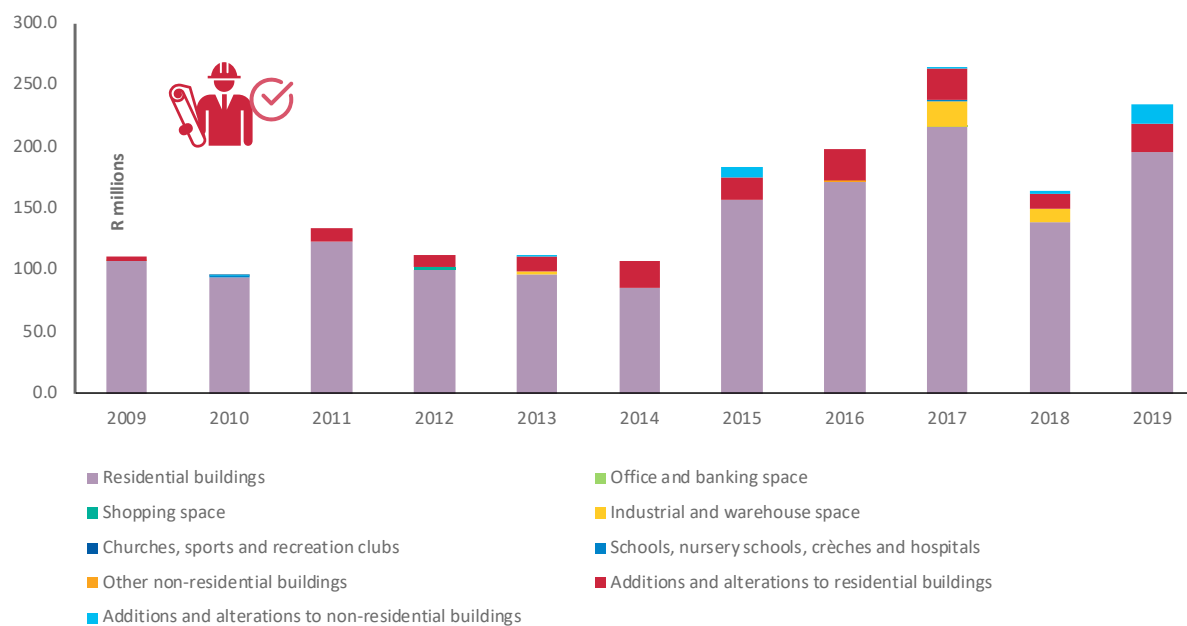
There was a substantial increase in the value of building plans passed in the Bitou municipal area from R117.3 million in 2009 to R385.3 million in 2019. This increase was predominantly driven by residential buildings, which increased from R125.2 million in 2009 to R275.4 million in 2019. Other building plan types that contributed the most towards the increase in the value of building plans in 2019 were additions and alterations to residential buildings (R105.7 million) and industrial and warehouse space (R2.1 million).



Figure 3.23 illustrates the value of building plans completed in the Bitou municipal area between 2009 and 2019.

Figure 3.23

VALUE OF BUILDING PLANS COMPLETED, Bitou, 2009 – 2019 (R million)



Source: Stats SA & Quantec Research, 2020

There was an increase in the value of building plans completed in the Bitou municipal area from R110.9 million in 2009 to R235 million in 2019. This increase was predominantly driven by residential buildings, which increased from R106.9 million in 2009 to R196.2 million in 2019. Other building types that contributed the most towards the increase in 2019 were additions and alterations to non-residential buildings (R22.0 million) and additions and alterations to non-residential buildings (R16.8 million).



3.4.3.2 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.

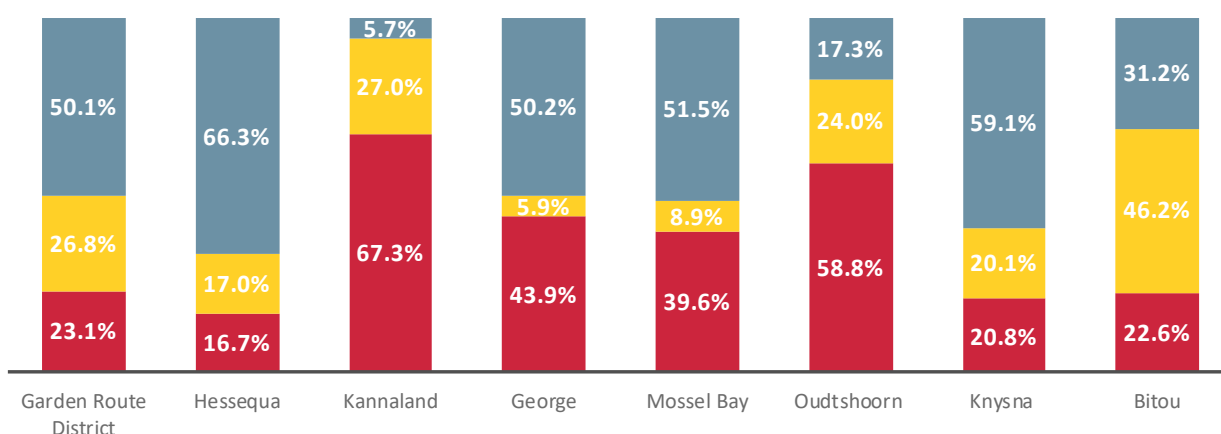
Figure 3.24 indicates the distribution of municipal spending on contracted services in 2018/19.

Figure 3.24

PROPORTION OF SPENDING ON CONTRACTED SERVICES PER MUNICIPAL AREA, Garden Route District, 2018/19⁴²



- Outsourced services
- Consulting and professional services
- Contractors



Source: National Treasury, 2019

Most (67.3 per cent) of the R26.3 million the Kannaland Municipality spent on contracted services in 2018/19 went towards outsourced services. This includes R4.6 million for accounting and auditing services, as well as R3.4 million for business and financial management services. These are services provided by high-skilled workers – which are not always available at a local level, particularly in rural areas.

The George Municipality spent R430.1 million on contracted services in 2018/19, which was mainly spent on contractors (50.2 per cent) and outsourced services (43.9 per cent). The R215.9 million spent on contractors included building contractors (R73.4 million) and maintenance services (R96.5 million). There is thus an opportunity for the local construction sector companies as well as those specialising in the maintenance of equipment to benefit from local procurement processes. Most of the R189.0 million that was spent on outsourced services went towards transport services (R141.0 million).

Of the R115.4 million the Mossel Bay Municipality spent on contracted services, R45.7 million (39.6 per cent) was spent on outsourced services and R59.4 million on contractors (51.5 per cent). Most of the spending on contractors was for maintenance (R38.5 million). Outsourced services include cleaning and grass-cutting services (R14.7 million), refuse removal services (R6.6 million) and cleaning services (R4.7 million). In 2018/19, the Knysna Municipality spent

⁴² 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 one-off or temporary basis. Contractors are used for services that are not the core business of the municipality.

R177.7 million on contractor services. This includes spending on building contractors (R36.6 million) and maintenance services (R39.6 million). These are labour-intensive activities that can provide employment opportunities for low- and semi-skilled workers.

The Bitou Municipality spent R103.4 million on contracted services, of which 46.2 per cent went towards consulting and professional services, and 31.2 per cent went towards contractors. Consulting and professional services used by the Bitou Municipality include, among other things, civil engineering services (R33.4 million) and legal services (R7.5 million). Engineering services are essential services for infrastructure planning and construction. Contractor spending in the Bitou Municipality in 2018/19 included services such as maintenance (R19.8 million) and building (R5.0 million).

Municipal spending on contractor services in the GRD has been a valuable injection into the construction sector, considering the amounts spent on building contractors and maintenance. There is also a high demand for specialised services such as those provided by the finance and business services sector. Given the spending on building and maintenance services, opportunities for local SMMEs in the construction sector to benefit from municipal contracting exist. By using local enterprises for outsourced services, a multiplier effect in the economy of the respective municipality is generated, as opposed to using contractors from outside the municipal area.

Development initiatives from municipalities in the GRD that support emerging contractors and SMMEs include:

- The Mossel Bay Municipality's business support centre assisted 505 clients in 2018/19 and provided various services, including registration of businesses on the Central Supplier Database (CSD), offering tender advice and assisting with registration on the Construction Industry Development Board. The Municipality also hosted various outreach and awareness sessions relating to CSD registrations. The Mossel Bay municipal area also provides support to SMMEs in the form of training skills development, safety and security, business incubator programmes, subsidised rental space, discounted service levies, marketing, biodiversity studies and land.
- The George Municipality established an Emerging Contractor Development Programme.
- The Oudtshoorn Municipality aims to uplift local SMMEs through the use of the municipal supplier database by ensuring that 30.0 per cent of tenders and quotations are awarded to local contractors.
- In 2018/19, the Bitou Municipality adopted a Contractor Developer Policy to create opportunities for local contractors.
- The Hessequa Municipality facilitates business development training through partnerships with other government agencies and also provides funding and training, and is currently developing a contractor development plan.
- The Knysna Municipality provides informal trading support (in the form of licensing and management of trading spaces), training programmes for SMMEs, SMME incubator programmes (funding support in conjunction with Nedbank), a spaza programme (funding support in conjunction with the Department of Small Business), a contractor development programme, tourism development support as well as ocean economy support (interventions in place to assist local boat builders, as they are key export drivers).

3.5 CONCLUDING REMARKS

The George municipal area – the largest economy in the GRD – was the predominant source of international trade, accounting for 53.5 per cent of the District's total imports and 17.3 per cent of total exports in 2019. This was closely followed by the Bitou, Mossel Bay and Oudtshoorn municipal areas.

Four of the municipal areas, namely Oudtshoorn, Bitou, Mossel Bay and Knysna, had a trade surplus. The Oudtshoorn municipal area had the biggest trade surplus (R838.9 million) in 2019, followed by the Bitou (R760.4 million), Mossel Bay (R602.7 million) and Knysna (R57.8 million) municipal areas. The George municipal area had the biggest trade deficit (R246.6 million), while Hessequa had a relatively small trade deficit of R15.3 million compared with the other municipal areas in the GRD in 2019.

All municipal areas in the GRD experienced an increase in the value of building plans passed between 2009 and 2019. The biggest increases were experienced in the George and Knysna municipal areas. The residential buildings category was the most significant driver for the increase in the value of building plans passed in 2019.

All municipal areas in the GRD experienced an increase in the value of building plans completed between 2009 and 2019. The biggest increases were experienced in the George and Bitou municipal areas. The residential buildings category was the most significant driver for the increase in the value of building plans completed in 2019.

The GRD is a very popular tourist destination and receives a strong (and constant) visitor flow throughout the year. The District's tourism landscape is very competitive, taking into consideration the large scope of attractions and activities that can cater to all travel requirements. The District's geographical location makes it easily accessible and the perfect destination for a day visit and overnight stay alike.

All municipal areas in the GRD experienced an increase in the value of building plans passed between 2009 and 2019. The biggest increases were experienced in the George and Knysna municipal areas.

In four of the five municipal areas reviewed, the value of building plans passed in the GRD was mainly driven by residential buildings in 2019. The only exception was Oudtshoorn, where the main driver was additions and alterations to residential buildings, followed by residential buildings. In Mossel Bay, George and Bitou, the second most important driver was additions and alterations to residential buildings, while additions and alterations to non-residential buildings and industrial and warehouse space also showed increases in value in most municipal areas.



4

MUNICIPAL SOCIO- ECONOMIC ANALYSIS

4.1 INTRODUCTION

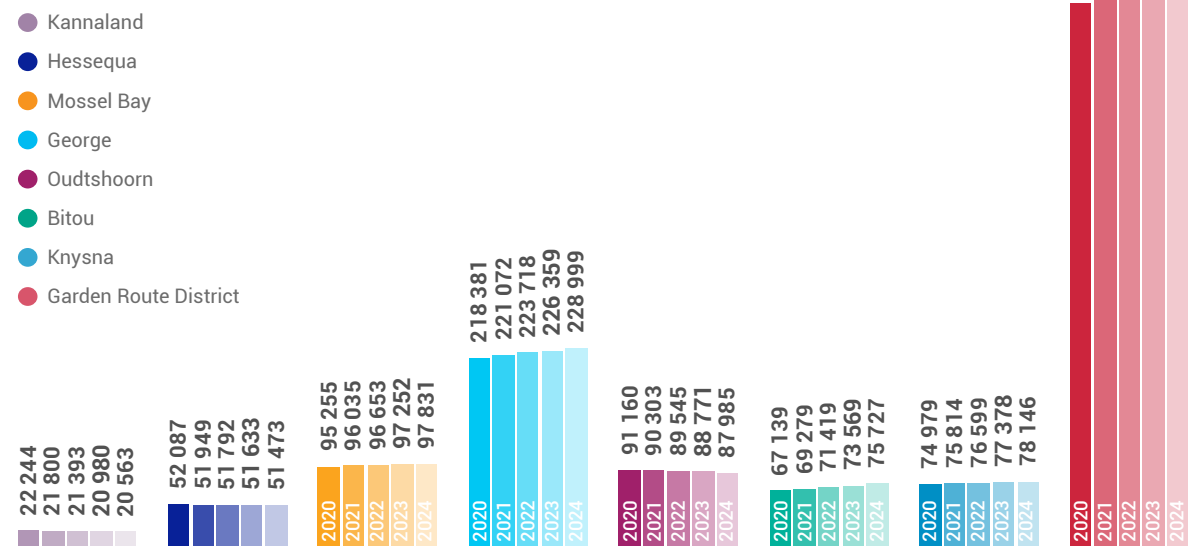
The purpose of this chapter is to describe the socio-economic environment in the GRD. This includes an analysis of population and household dynamics such as projected population and household growth, GDP per capita, household income and the Gini coefficient, as well as human development within the region assessed using indicators such as the Human Development Index (HDI), education, health, human dwellings, access to basic services and crime.

4.2 POPULATION PROFILE

Figure 4.1 illustrates the projected growth of the population in the GRD between 2020 and 2024.

Figure 4.1

FUTURE POPULATION GROWTH, Garden Route District, 2020 – 2024



Source: Western Cape DSD, 2020

The population in the GRD was estimated at 621 245 people in 2020 and is expected to increase by 19 447 people or 0.8 per cent per annum to 640 723 by 2024. The George municipal area had the largest share (35.2 per cent) of the population in the GRD in 2020. The municipal area's population was estimated at 218 381 in 2020 and is expected to increase by 10 618 people to 228 999 people by 2024. This increase represents 53.9 per cent of the total population growth estimated within the GRD between 2020 and 2024.

The Bitou municipal area had the fifth largest share of the population in the GRD. However, significant population increases are expected between 2020 and 2024 (3.1 per cent growth per annum). The municipal area's population was estimated at 67 139 in 2019 and is expected to increase by 8 588 people to 75 727 by 2024. This increase represents 43.0 per cent of the total population growth estimated within the GRD between 2020 and 2024.

The George and Bitou municipal areas are also the areas that have experienced some of the highest GDP growth rates within the GRD. This is an indication that the population shifts in the GRD are motivated by economic reasons, such as job seekers moving to areas that will provide them with better economic opportunities and more job opportunities.

Three of the municipal areas, namely Kannaland, Oudtshoorn and Hessequa, are estimated to experience a decline in population by an average annual rate of 1.9 per cent, 0.8 per cent and 0.3 per cent respectively. This may be due to poor economic conditions in these areas resulting in people relocating in search of better opportunities.

Figure 4.2 illustrates the projected household growth in the GRD between 2020 and 2024.

Figure 4.2

FUTURE HOUSEHOLD GROWTH, Garden Route District, 2020 - 2024



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



Source: Western Cape DSD, 2020

It is estimated that the GRD has 175 933 households in 2020 and this number is expected to increase by 11 132 households or 1.5 per cent per annum to 187 065 households by 2024. The George municipal area had the largest share of households in the GRD in 2020 (33.7 per cent). It is expected that the number of households in the George municipal area will grow by 1.8 per cent per annum between 2020 and 2024. This increase represents 38.5 per cent of the total household growth estimated within the GRD between 2019 and 2024.

The Bitou municipal area had the fifth largest share of households in the GRD. However, the municipal area's number of households was estimated at 22 288 in 2020 and this is expected to increase by 3 781 to 26 070 households by 2024. This increase represents 33.5 per cent of the total population growth estimated within the GRD between 2020 and 2024.

The estimated population and household increase in the George and Bitou municipal areas indicates that these areas may experience a significant increase in demand for access to housing and basic services. Adequate planning and budget allocations will have to be made within these municipal areas to address the influx of households. Urbanisation can boost the local housing markets in towns such as George and Bitou. However, it can also increase the need for government-assisted housing options.

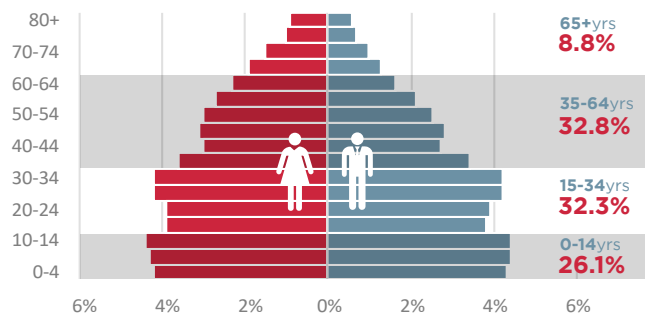
The Kannaland and Oudtshoorn municipal areas are estimated to have experienced a decline in the number of households between 2020 and 2024. It is anticipated that by 2024 there will be 404 fewer households in the Kannaland municipal area and 268 fewer households in the Oudtshoorn municipal area.

Figure 4.3 uses population pyramids to illustrate the gender and age cohorts of the municipal areas in the GRD in 2019.

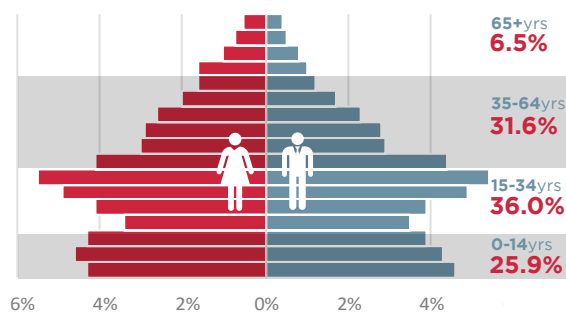
Figure 4.3
GENDER AND AGE DYNAMICS,
Garden Route District, 2019



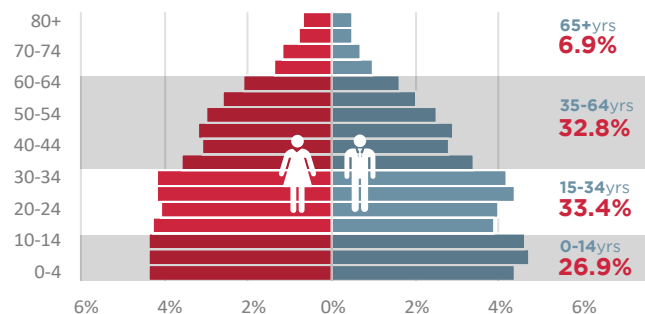
Garden Route District



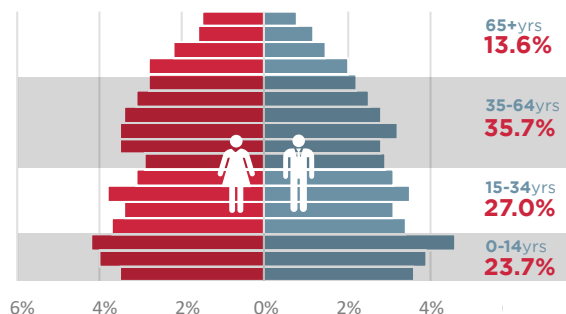
Bitou



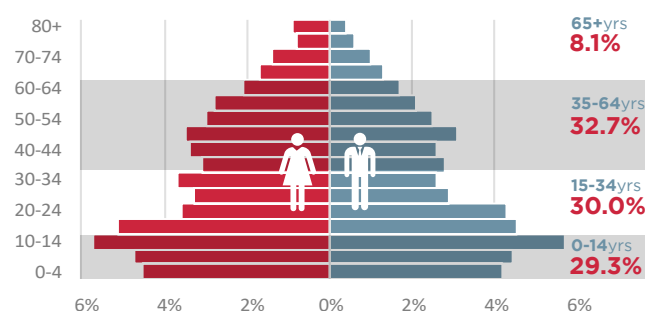
George



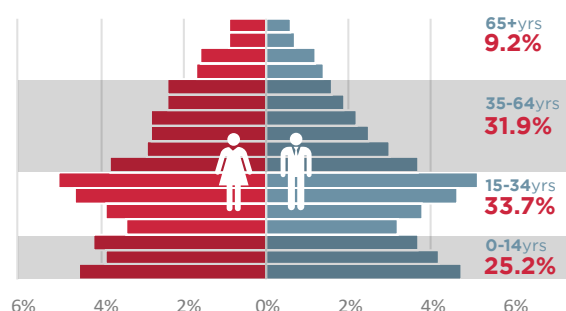
Hessequa



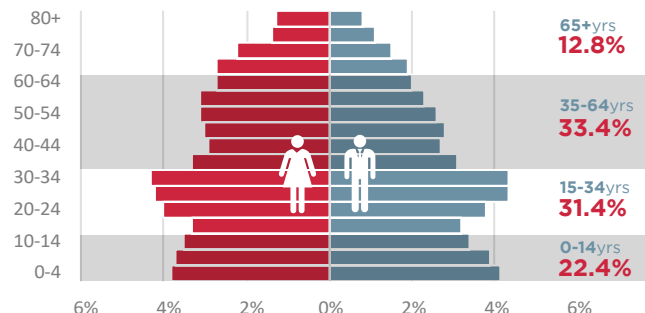
Kannaland



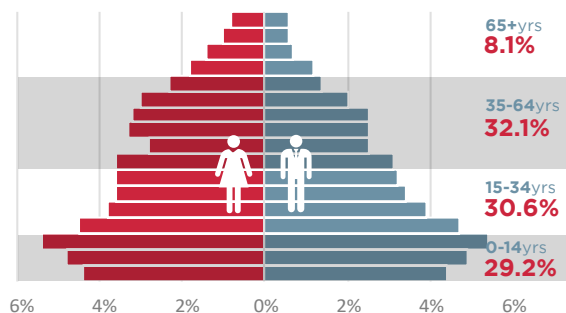
Knysna



Mossel Bay



Oudtshoorn



Source: Western Cape DSD, 2020

The GRD has a large working-age population (65.1 per cent), of which 32.3 per cent are classified as “youth”. The Bitou municipal area has proportionally more working-age people (65.6 per cent) compared with other municipal areas. However, this municipal area also has the highest unemployment rate in the GRD (22.2 per cent). The large population growth in the Bitou municipal area, together with the age dynamics and unemployment rate, is indicative of large-scale in-migration of people looking for jobs.

The Kannaland (29.3 per cent) and Oudtshoorn (29.2 per cent) municipal areas have proportionally more children compared with other municipal areas, while the Hessequa (13.6 per cent), Mossel Bay (12.8 per cent) and Knysna (65.6 per cent) municipal areas have proportionally more people who are older than 65.

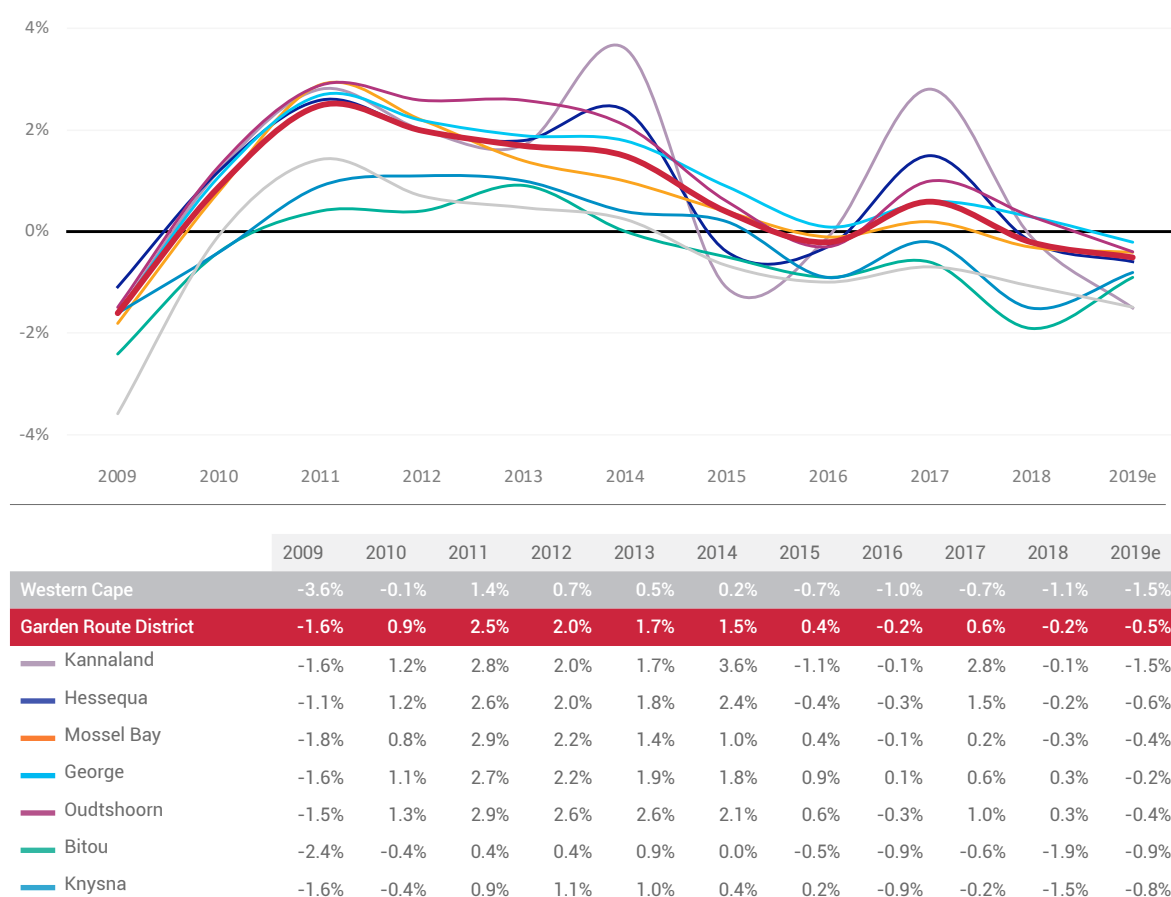


4.3 HUMAN DEVELOPMENT

4.3.1 Income

Figure 4.4 illustrates the GDPR per capita growth for the GRD and its municipal areas between 2009 and 2019.

Figure 4.4
GDPR PER CAPITA GROWTH, Garden Route District, 2009 – 2019



Source: Quantec Research, 2020

The GRD experienced higher GDPR per capita growth than the Western Cape between 2009 and 2019. The GRD and its municipal areas' GDPR per capita experienced a high positive correlation with the Western Cape, which emphasises that the GRD and Western Cape's GDPR per capita were influenced by similar events, such as the aftermath of the global economic crisis in 2008 and 2009, the introduction of load-shedding and continued issues with labour relations. Some of the events that had a larger impact on municipal areas included the bird flu outbreak in the Oudtshoorn municipal area in 2011 and 2017, the fires in the Knysna municipal area in 2017 and the drought in the Western Cape between 2015 and 2017, which was hardest felt in the Bitou municipal area. The GDPR per capita contracted in 2018 and 2019 in the municipal areas of the GRD, signifying a reduction in living standards, as the weak economic growth remains lower than the population growth.

Table 4.1 illustrates the average monthly household income of the GRD and its municipal areas in 2018.

Table 4.1

**AVERAGE MONTHLY HOUSEHOLD INCOME (CURRENT PRICES),
Central Karoo District, 2018**

MUNICIPALITY	Average household income 2018 (current prices)	Trend 2014 – 2018
● Kannaland	R13 014	1.5%
● Hessequa	R15 481	1.3%
● Mossel Bay	R18 107	0.8%
● George	R19 889	0.8%
● Oudtshoorn	R19 523	0.7%
● Bitou	R12 824	0.0%
● Knysna	R16 122	0.5%
Garden Route District	R17 613	0.7%
Western Cape	R19 340	-0.4%

Source: Urban-Econ calculations based on Quantec Research, 2020

Households in the GRD earn on average less than the Province. However, the average monthly income in the GRD is higher than the national average. The George (R19 889) and Oudtshoorn (R19 523) municipal areas have the highest average monthly income in the GRD, while the Bitou (R12 824) and Kannaland (R13 014) municipal areas have the lowest average household income levels in the GRD.

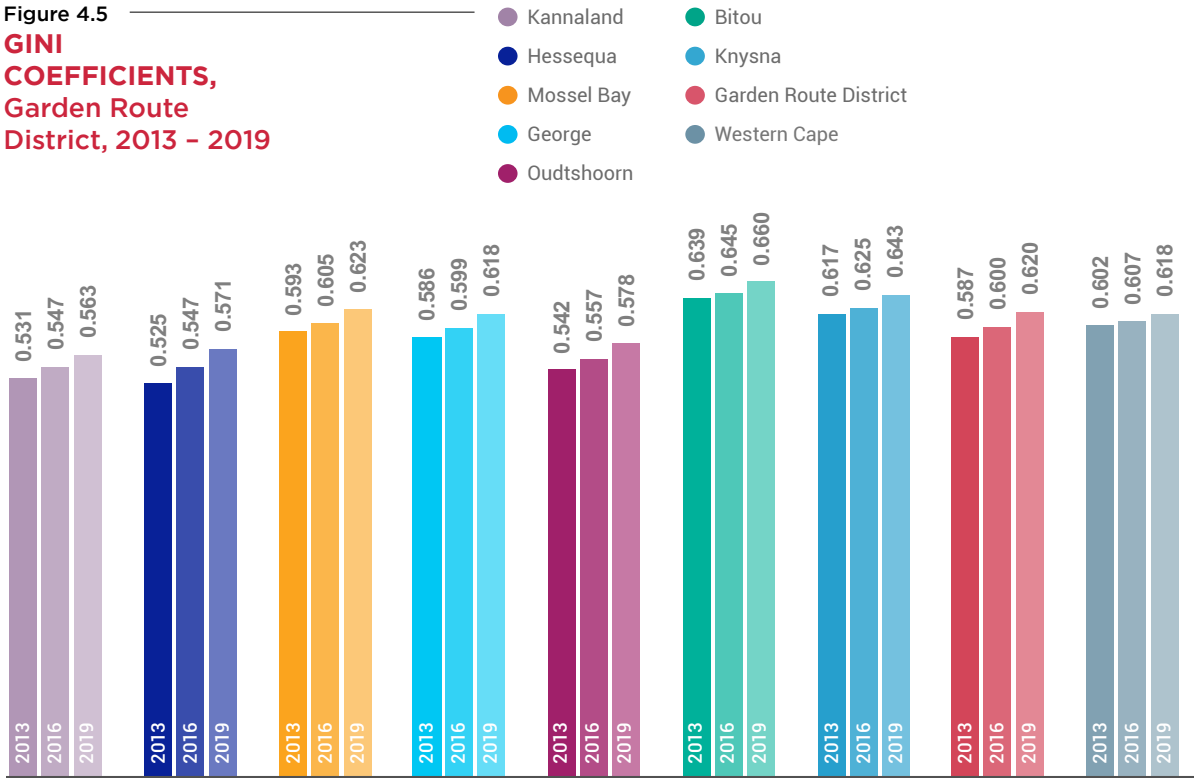
In contrast to the Province and South Africa, the average monthly household income has been marginally increasing on average between 2014 and 2018. However, it remained stagnant in the Bitou municipal area.



Figure 4.5 illustrates the Gini coefficients for municipalities within the GRD between 2013 and 2019. A Gini coefficient demonstrates the unequal distribution of income or wealth within an economy.

Figure 4.5

**GINI
COEFFICIENTS,
Garden Route
District, 2013 - 2019**



Source: IHS Markit, 2020

The Gini coefficient is a measure of statistical dispersion intended to represent the distribution of income among a nation's residents. The figure varies between 0, which is an indication of complete or perfect equality, and 1, which represents complete inequality in income distribution. The closer to 1, the more inequality exists and the closer to 0 shows less inequality.

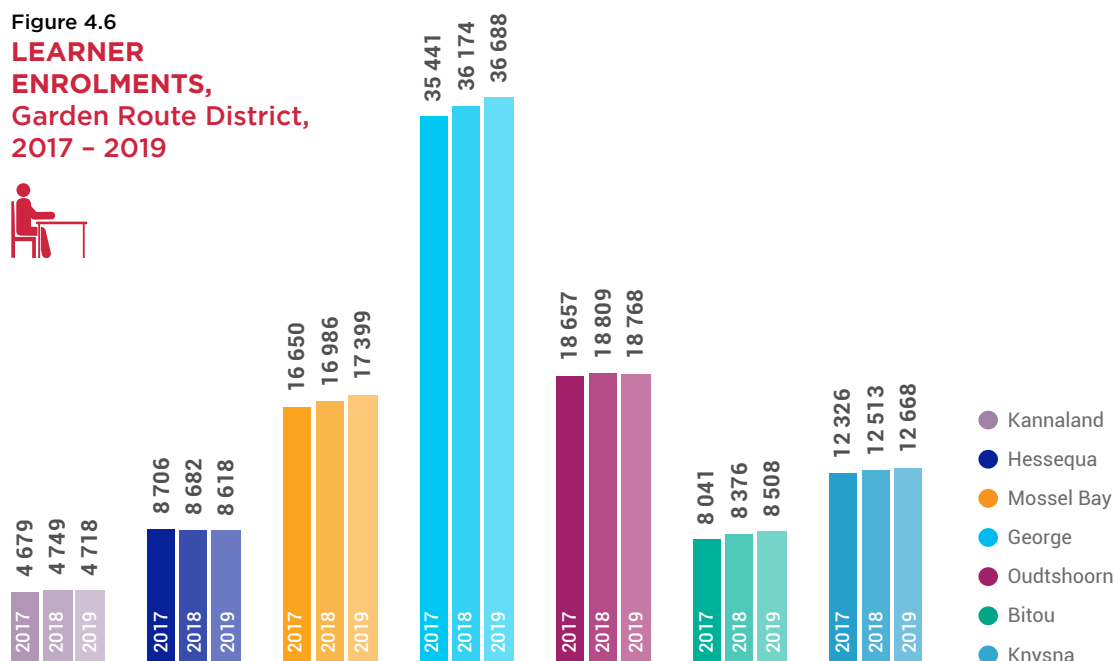
The income distribution in the GRD (0.620) was very close to that of the Western Cape (0.618) in 2019. The Gini coefficient indicates an increase in income inequality in the GRD and the Western Cape between 2013 and 2019. The Kannaland municipal area (0.563) had the lowest income inequality, while the Bitou municipal area (0.660) had the highest income inequality in the GRD in 2019. All municipal areas experienced an increase in income inequality between 2013 and 2019.



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 4.6 illustrates the learner enrolment for the GRD and its municipal areas from 2017 to 2019.



Source: Western Cape Education Department, 2020

Learner enrolment in the GRD increased from 104 500 learners in 2017 to 107 367 learners in 2019. Apart from the Hessequa municipal area, all areas in the GRD experienced a small increase in learner enrolment between 2017 and 2019. The decline in learner enrolment in the Hessequa municipal area may be due to the decline in population within the area.

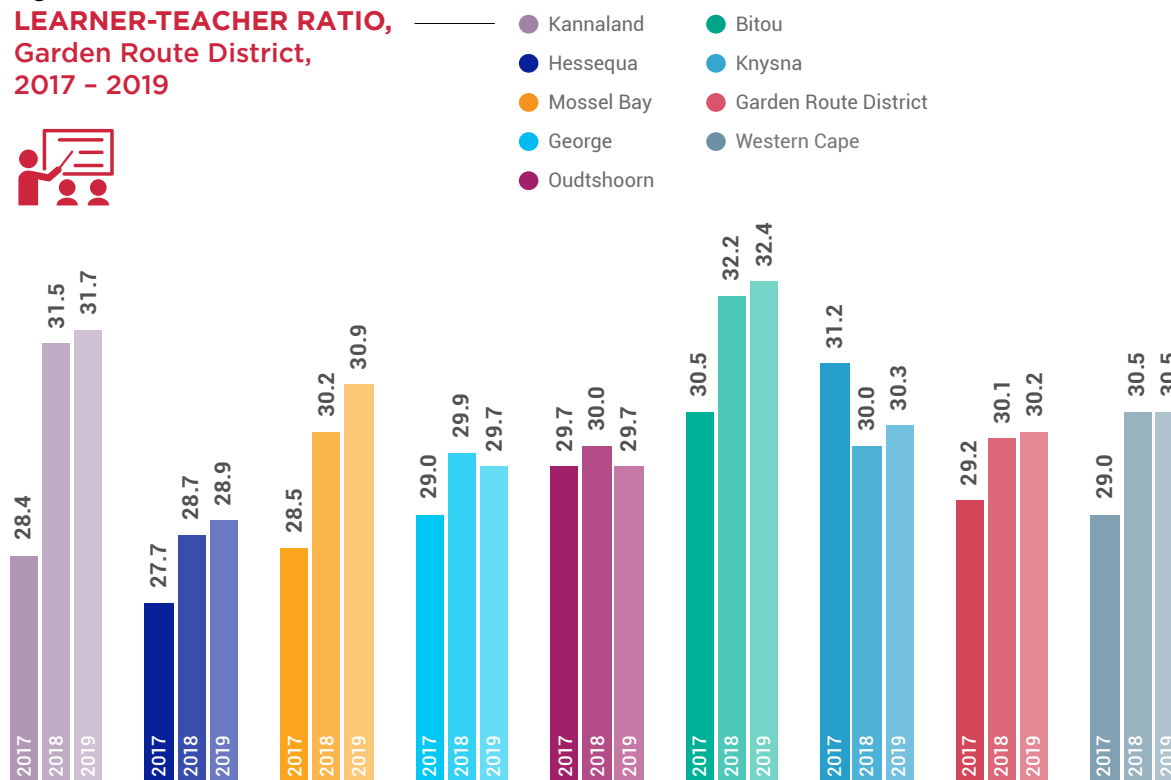
The George municipal area had the most learners enrolled in 2019, with 36 688 learners, followed by the Oudtshoorn and Mossel Bay municipal areas, which is in line with the number of children in these areas. The Kannaland municipal area had the smallest number of learners enrolled, with 4 718 learners in 2019.



Figure 4.7 illustrates the learner-teacher ratio within the Western Cape, the GRD and its municipal areas between 2017 and 2019.

Figure 4.7

LEARNER-TEACHER RATIO, Garden Route District, 2017 – 2019



Source: Western Cape Education Department, 2020

Learner-teacher ratios are indicative of the capacity of schools to accommodate more learners. Learner-teacher ratio upper limits of 40:1 in ordinary primary schools and 35:1 in ordinary high schools are set by the Department of Education. Lower learner-teacher ratios are associated with more interaction between teachers and learners, which could contribute to better-quality education⁴³.

The learner-teacher ratio worsened from 29.2 in 2017 to 30.2 in 2019 in the GRD. This is a similar trend to the rest of the Western Cape, which worsened from 29.0 in 2017 to 30.5 in 2019.

The learner-teacher ratio in the GRD municipal areas ranged from 28.9 learners per teacher (Hessequa) to 32.4 learners per teacher (Bitou) in 2019. The learner-teacher ratio worsened in all municipal areas, except for Knysna, where the ratio improved from 31.2 in 2017 to 30.3 in 2019. The Kannaland municipal area experienced the worst decline in the learner-teacher ratio from 28.4 learners per teacher in 2017 to 31.7 learners per teacher in 2019. Since learner enrolment increased across most municipal areas, the worsening learner-teacher ratio indicates that the number of teachers did not sufficiently increase to accommodate the additional learners.

⁴³ (Sephton, S, 2017).

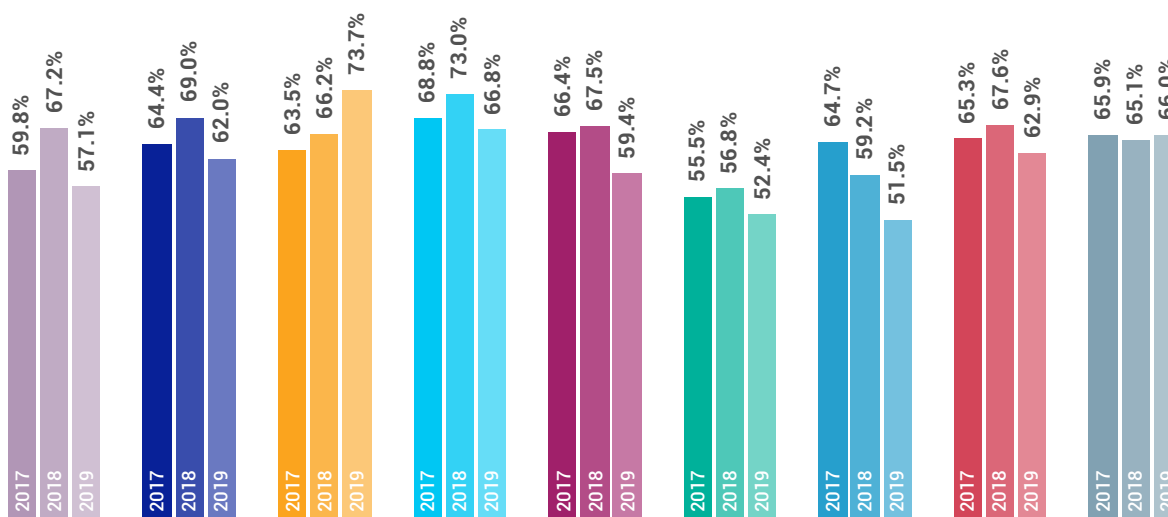
Figure 4.8 illustrates the retention rate of students from Grade 10 to 12 in the Western Cape, the GRD and its municipal areas between 2017 and 2019.

Figure 4.8

**GRADE 10 TO 12
RETENTION RATE,
Garden Route District,
2017 - 2019**



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



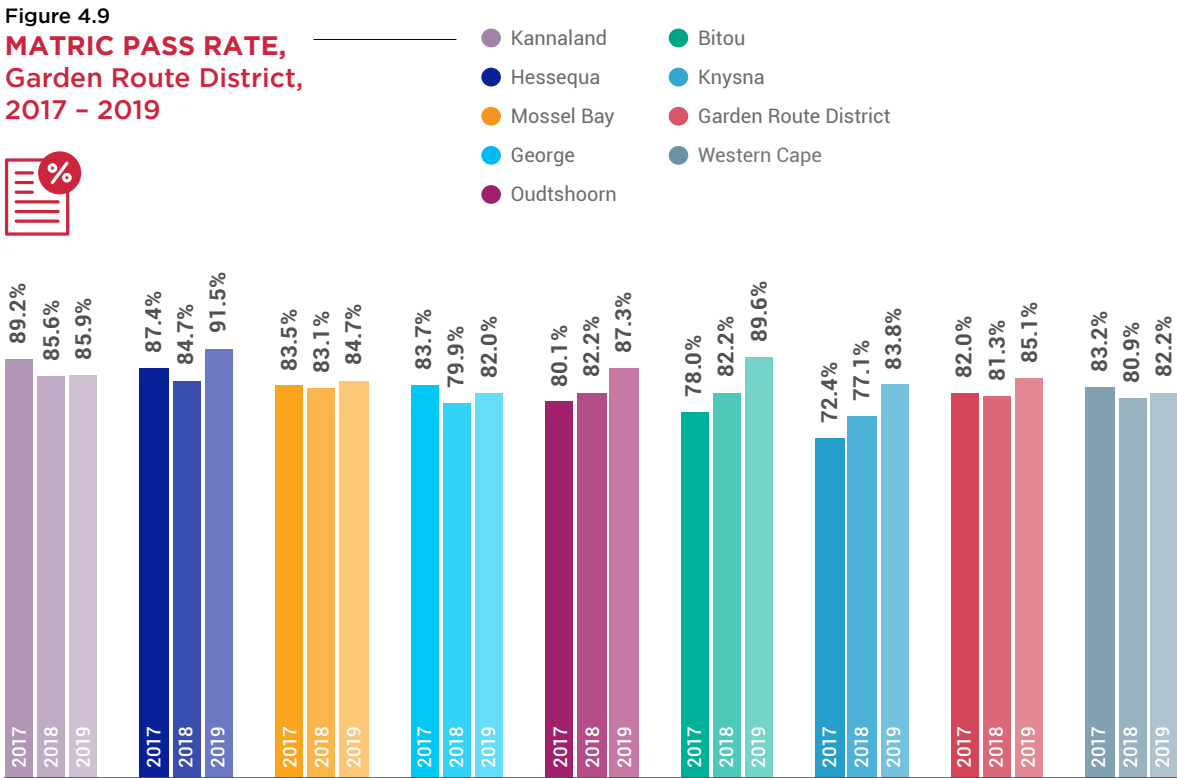
Source: Western Cape Education Department, 2020

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

The GRD experienced a significant decline in the retention rate of students. The retention rate declined by 2.4 per cent from 65.3 per cent in 2017 to 62.9 per cent in 2019 in the GRD. This is in contrast with the Western Cape, which experienced an improvement of 0.1 per cent from 65.9 per cent in 2017 to 66.0 per cent in 2019. This places the GRD's retention rate at 3.1 per cent below that of the Western Cape in 2019.

The retention rate in the GRD municipal areas ranged from 51.5 per cent (Knysna) to 73.7 per cent (Mossel Bay) in 2019. The retention rate declined in all municipal areas except for Mossel Bay, where the ratio improved by 10.2 per cent from 63.5 per cent in 2017 to 73.7 per cent in 2019. The Knysna municipal area experienced the worst decline in the retention rate, declining by 13.2 per cent from 64.7 per cent in 2017 to 51.5 per cent in 2019.

Figure 4.9 illustrates the matric pass rate of Grade 12 students in the Western Cape, the GRD and its municipal areas between 2017 and 2019.



Source: Western Cape Education Department, 2020

The GRD experienced an increase in the matric pass rate of students. The pass rate improved by 3.1 per cent from 82 per cent in 2017 to 85.1 per cent in 2019 in the GRD. This is in contrast with the Western Cape, which experienced a 1.0 per cent decline from 83.2 per cent in 2017 to 82.2 per cent in 2019. This places the GRD's Grade 12 pass rate of 2.9 per cent above that of the Western Cape in 2019. It must, however, be cautioned that the matric pass rate is closely linked to the retention rate of students, which experienced a significant decline in the GRD over the same period. It is therefore likely that the increase in the matric pass rate was potentially driven by the lower retention rate.

The matric pass rate ranged from 82.0 per cent (George) to 91.5 per cent (Hessequa) in the GRD in 2019. The best improvements in the Grade 12 pass rate were achieved in the Bitou (11.6 per cent) and Knysna (11.4 per cent) municipal areas in the GRD between 2017 and 2019. It must further be noted that the Knysna municipal area experienced the worst decline in the retention rate, declining by 13.2 per cent during the same period.



Stephen Gitau, Pexels

4.3.3 Health

The health conditions of people living within the GRD are analysed by reviewing mortality rates, the prevalence of tuberculosis (TB), human immunodeficiency virus (HIV), infant mortality rates, maternal death rates and teenage pregnancies.

4.3.3.1 Mortality

Table 4.2 provides an overview of the top 10 natural causes of death in the GRD in 2017.

Table 4.2

TOP 10 NATURAL CAUSES OF DEATH, Garden Route District, 2017



Rank	Garden Route District		Western Cape	
	Cause of death	%	Cause of death	%
1	Cerebrovascular disease	7.0%	Diabetes mellitus	7.5%
2	Diabetes mellitus	6.5%	Ischaemic heart disease	6.2%
3	HIV	6.5%	HIV	5.7%
4	Ischaemic heart disease	6.4%	Cerebrovascular disease	5.5%
5	Chronic lower respiratory diseases	6.2%	Chronic lower respiratory diseases	5.5%
6	Tuberculosis	6.0%	Tuberculosis	4.8%
7	Malignant neoplasms of respiratory and intrathoracic organs	4.5%	Malignant neoplasms of digestive organs	4.7%
8	Malignant neoplasms of digestive organs	4.5%	Malignant neoplasms of respiratory and intrathoracic organs	4.5%
9	Hypertensive diseases	3.8%	Hypertensive diseases	4.0%
10	Other forms of heart disease	3.6%	Other forms of heart disease	3.1%
Other natural		36.3%		35.7%
Non-natural		9.0%		12.9%

Source: Statistics SA, 2020

The leading natural cause of death in the GRD in 2017 was cerebrovascular disease (7.0 per cent), which includes conditions such as subarachnoid, intracerebral and intracranial haemorrhage, as well as strokes. Both diabetes mellitus and HIV accounted for 6.5 per cent of deaths, while ischaemic heart disease accounted for 6.4 per cent of deaths. HIV caused proportionally more deaths in the GRD compared with the Province (5.7 per cent). Fewer deaths in the GRD were as a result of non-natural causes (9.0 per cent) compared with the Province (12.9 per cent).

4.3.3.2 HIV/AIDS and TB

Table 4.3 provides the trends in HIV testing, treatment and outcomes in the GRD between 2016/17 and 2019/20.

Table 4.3

TRENDS IN HIV TESTING, TREATMENT AND OUTCOMES, Garden Route District, 2016/17 – 2019/20



	2016/17	2017/18	2018/19	2019/20
Known HIV+ (Tested; n)	36 979	38 342	38 874	37 731
Of which: Clients started but no longer on ART	35.6%	41.2%	50.3%	39.2%
Of which: Clients on ART	56.4%	60.6%	62.8%	48.9%
Of which: Clients with confirmed viral suppression	73.3%	73.1%	70.9%	63.9%

Source: Western Cape Health Department, 2020

In the GRD, the number of people who tested positive for HIV increased annually between 2016/17 and 2018/19. Notably, in 2019/20 the number of people who tested positive for HIV declined by 1 143 people. This decline was possibly the result of migration and mortality.

In terms of antiretroviral treatment (ART), in 2016/17 there was a proportion of 35.6 per cent of HIV positive people who were on ART but later opted to stop. This increased to 50.3 per cent in 2018/19 before declining to 39.2 per cent in 2019/20. The viral load suppression trend has been on a downward trend in the District, from 73.3 per cent in 2016/17 to 63.9 per cent in 2019/20. Considering that HIV is the third leading cause of death in the Province, increased testing and treatment are imperative.

Table 4.4 shows the trends in TB notification and outcomes in the GRD between 2017/18 and 2019/20.

Table 4.4

TRENDS IN TB NOTIFICATION AND OUTCOMES, Garden Route District, 2017/18 – 2019/20



	2017/18	2018/19	2019/20
TB programme success rate	79.2%	78.3%	75.9%
TB client lost to follow-up	12.6%	13.1%	17.4%
TB client death rate	4.9%	5.0%	5.8%
TB/HIV co-infected	33.8%	33.7%	35.6%
TB MDR treatment success rate	38.6%	41.3%	56.9%

Source: Western Cape Health Department, 2020

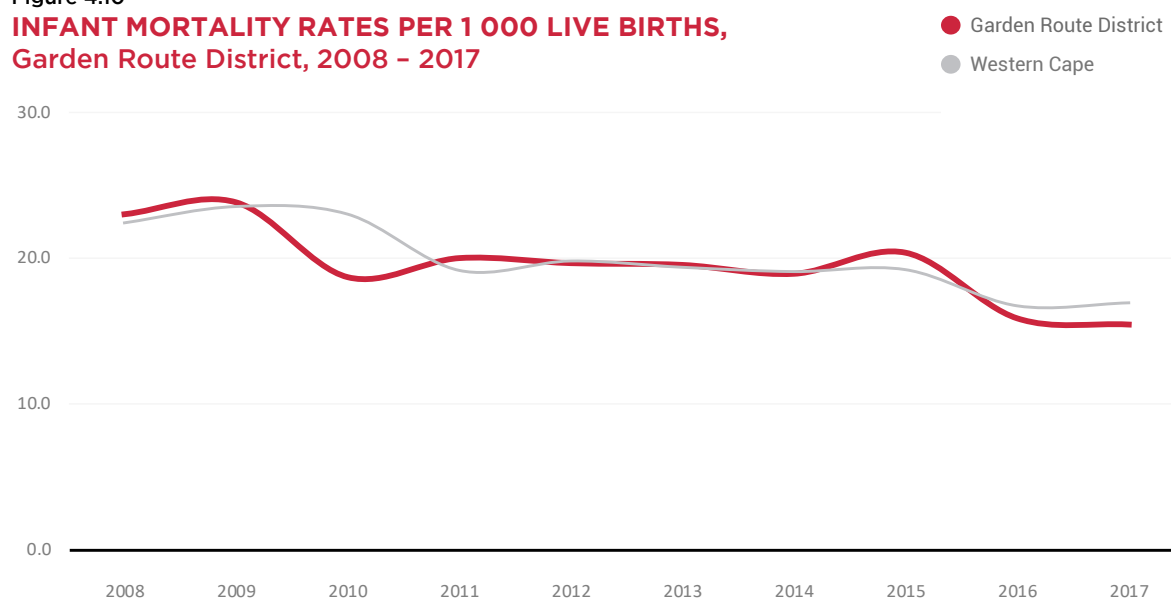
The TB programme success rate in the GRD has been declining over the reference period – from 79.2 per cent in 2017/18 to 75.9 per cent in 2019/20. Furthermore, the TB clients lost to follow-up, the death rate and the TB/HIV co-infected rate have also increased across the GRD. In 2019/20 the TB programme success rate in the GRD was the lowest in the Province, while the TB death rate was the highest at 5.8 per cent in 2019/20. Intervention is required in the TB treatment programme in the GRD. Despite the negative trends in most TB indicators, the multidrug-resistant (MDR) treatment programme success rate has improved considerably over the reference period.

4.3.3.3 Infant, child and maternal health

Figure 4.10 provides the infant mortality rates per 1 000 live births in the GRD and the Western Cape between 2008 and 2017.

Figure 4.10

INFANT MORTALITY RATES PER 1 000 LIVE BIRTHS, Garden Route District, 2008 – 2017



Source: Western Cape Health Department, 2020

Over the reference period, the infant mortality rate was generally on a downward trend in the GRD and the Western Cape. In 2008, the infant mortality rate in the GRD was 23.1 infants per 1 000 live births, which was slightly higher than the infant mortality rate in the Province (22.4 infants per 1 000 live births). Between 2009 and 2010, the GRD experienced a significant improvement in infant mortalities, which declined to 18.7 babies per 1 000 live births. A decrease in the infant mortality rate is generally attributed to improvements in newborn health outcomes. However, in 2015 an increase of 15.9 infant mortalities per 1 000 live births was recorded in the GRD. This increase followed a similar pattern to the Province. However, the infant mortality rate declined considerably to 15.4 mortalities per 1 000 live births in 2017.



Table 4.5 provides the maternal death rates⁴⁴ per 100 000 live births in the GRD between 2017 and 2019.

Table 4.5

**MATERNAL DEATH RATES PER 100 000 LIVE BIRTHS,
Garden Route District, 2017 – 2019**

MUNICIPALITY	2017	2018	2019
● Kannaland	0	0	0
● Hessequa	0	0	0
● Mossel Bay	84.4	0	0
● George	193.4	92.4	85.9
● Oudtshoorn	58.5	59.9	0
● Bitou	0	0	0
● Knysna	0	57.7	0
Garden Route District	97.0	57.6	33.4

Source: Western Cape Health Department, 2020

On average, the maternal death rates per 100 000 live births in the GRD are low. The GRD experienced the highest maternal death rate of 97.0 deaths per 100 000 live births in 2017. The George municipal area accounted for the largest share of maternal deaths in the three years. In 2017 there were 193.4 deaths per 100 000 live births, while there were 92.4 deaths per 100 000 live births in 2018 and 85.9 deaths per 100 000 live births in 2019. The Oudtshoorn municipal area recorded a slight increase in maternal deaths between 2017 and 2018, but experienced no maternal deaths in 2019. The Knysna municipal area only experienced maternal deaths in 2018, while the Mossel Bay municipal area only recorded maternal deaths in 2017.



⁴⁴ 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).

4.3.3.4 Teenage pregnancy

Table 4.6 provides the delivery rate of women between the ages of 10 and 19 years in the GRD between 2017 and 2019.

Table 4.6

DELIVERY RATE TO WOMEN 10-19 YEARS, Garden Route District, 2017 – 2019

MUNICIPALITY	2017	2018	2019
● Kannaland	18.9%	10.0%	12.1%
● Hessequa	18.7%	20.2%	18.6%
● Mossel Bay	14.4%	14.9%	16.8%
● George	12.9%	13.7%	15.0%
● Oudtshoorn	21.2%	22.9%	19.1%
● Bitou	0.0%	0.0%	0.0%
● Knysna	10.8%	13.0%	11.7%
Garden Route District	15.0%	15.9%	15.6%

Source: Western Cape Health Department, 2020

The delivery rates to teenagers in the GRD remained relatively stable at an average rate of 15.5 per cent of deliveries over the three-year reference period. The Oudtshoorn municipal area experienced the highest delivery rates in the District in the entire period of consideration. In 2017, the adolescent delivery rate was 21.2 per cent, in 2018 it was 22.9 per cent and in 2019 it was 19.1 per cent. The Hessequa municipal area experienced the second highest delivery rates in the District, with 18.7 per cent in 2017, 20.2 per cent in 2018 and 16.6 per cent in 2019. Positively, the delivery rate to teenagers declined between 2018 and 2019 in the Oudtshoorn, Knysna and Hessequa municipal areas, while the Bitou municipal area recorded no births to teenagers.



Anna Shvets, Pexels

4.3.4 Human Development Index

The United Nations uses the HDI – a composite indicator reflecting education levels, health and income – to assess the relative level of socio-economic development in countries. Economic 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 4.11

HDI PER MUNICIPAL AREA, Garden Route District, 2013 – 2019



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



Source: IHS Markit, 2020

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.

The HDI in the GRD was lower than in the Western Cape in 2019 but improved over the reference period and closed the gap with the Western Cape. The HDI levels in the municipal areas in the GRD varied between 0.631 (Kannaland) and 0.746 (Mossel Bay) in 2019. All municipal areas showed a slight improvement, indicating improved conditions in these areas.

4.4 HOUSING AND ACCESS TO BASIC SERVICES

Access to decent formal housing is regarded as a basic human right and is 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 2019.

Table 4.7

NUMBER AND PROPORTION OF DWELLINGS, Garden Route District, 2019



	Garden Route District		● Kannaland		● Hessequa		● Mossel Bay	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
House or brick structure on a separate stand or yard	129 968	75.2%	6 625	94.9%	15 351	89.8%	21 492	72.8%
Traditional dwelling/hut/structure made of traditional materials	1 143	0.7%	26	0.4%	138	0.8%	177	0.6%
Flat in a block of flats	3 763	2.2%	44	0.6%	267	1.6%	801	2.7%
Townhouse/cluster house/semi-detached house (simplex, duplex or triplex)	5 908	3.4%	32	0.5%	125	0.7%	2 018	6.8%
House/flat/room in back yard	2 522	1.5%	25	0.4%	165	1.0%	359	1.2%
Informal dwelling	26 347	15.2%	172	2.5%	840	4.9%	3 949	13.4%
Room/flatlet not in back yard but on a shared property	1 080	0.6%	7	0.1%	66	0.4%	361	1.2%
Other/unspecified/NA	2 061	1.2%	50	0.7%	143	0.8%	360	1.2%
Total	172 792	100.0%	6 980	100.0%	17 094	100.0%	29 517	100.0%

	● George		● Oudtshoorn		● Bitou		● Knysna	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
House or brick structure on a separate stand or yard	42 518	75.3%	17 538	78.1%	11 864	67.7%	14 580	64.2%
Traditional dwelling/hut/structure made of traditional materials	325	0.6%	158	0.7%	182	1.0%	137	0.6%
Flat in a block of flats	1 363	2.4%	441	2.0%	236	1.3%	612	2.7%
Townhouse/cluster house/semi-detached house (simplex, duplex or triplex)	1 376	2.4%	1 351	6.0%	184	1.1%	823	3.6%
House/flat/room in back yard	1 121	2.0%	391	1.7%	128	0.7%	335	1.5%
Informal dwelling	8 836	15.6%	2 296	10.2%	4 456	25.4%	5 798	25.5%
Room/flatlet not in back yard but on a shared property	343	0.6%	105	0.5%	89	0.5%	109	0.5%
Other/unspecified/NA	593	1.1%	188	0.8%	394	2.2%	332	1.5%
Total	56 474	100.0%	22 468	100.0%	17 532	100.0%	22 726	100.0%

Source: Quantec Research, 2020

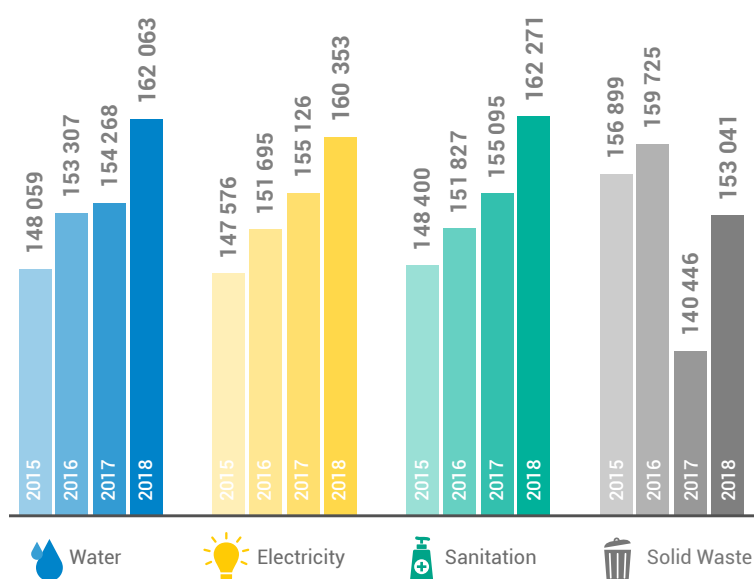
Most households resided in formal housing in the GRD in 2019. Three-quarters (75.2 per cent) or 129 968 households out of the 172 792 households in the GRD resided in brick structures on a separate stand or yard in 2019. Also, 5 908 households (3.4 per cent) lived in townhouses, cluster houses or semi-detached houses, and 3 763 (2.2 per cent) lived in flats.

About 26 347 households lived in informal dwellings or shacks, which accounted for 15.2 per cent of all households in the GRD. Proportionately, the Knysna and Bitou municipal areas had the most households living in informal dwellings in 2019, at 25.5 per cent and 25.4 per cent respectively. This corresponds with the high unemployment rates of these municipal areas.

Figure 4.12 illustrates the access to basic services in the GRD between 2015 and 2018. Statistics SA will only release 2019 data in 2021. The national lockdown as a result of COVID-19 hampered the data collection process for this indicator.

Figure 4.12

**ACCESS TO BASIC SERVICES,
Garden Route District, 2015 - 2018**



Source: Non-financial Census of Municipalities, Stats SA; Quantec Research 2020

While most consumers in the District have near equal access to water, sanitation and electricity services, access to solid waste removal services remains significantly lower. However, the large number of farms in many municipalities can explain this as, most waste collection services only occur in towns. The number of consumers for all services increased considerably between 2015 and 2018. The largest increase was recorded for access to solid waste removal services; 12 595 more consumers had access to this service compared with 2016. The

number of water consumers increased substantially by 7 795 households, while 7 176 more households had access to electricity. The increase in consumers originated mostly from the George municipal area. However, all other municipal areas experienced improved access to basic services in 2018 compared with 2017.

INDIGENT HOUSEHOLDS

In 2018, the monthly income cut-off point for households to be classified as indigent households was R3 380 in most municipalities, except in the Mossel Bay Municipality, which had a cut-off point of R1 601.

Table 4.8

NUMBER OF INDIGENT HOUSEHOLDS, Garden Route District, 2017 – 2019

	2017		2018		2019	
	Number	% of households	Number	% of households	Number	% of households
● Kannaland	2 059	36.9%	2 192	39.9%	2 572	47.5%
● Hessequa	5 395	35.8%	5 179	34.2%	5 359	35.3%
● Mossel Bay	11 749	41.1%	11 677	40.2%	10 858	36.9%
● George	14 908	26.5%	15 749	27.5%	15 832	27.2%
● Oudtshoorn	5 541	27.0%	6 100	29.7%	6 199	30.3%
● Bitou	4 274	21.6%	4 381	21.3%	1 891	8.8%
● Knysna	9 651	43.4%	8 357	37.0%	8 780	38.2%
Garden Route District	53 577	31.9%	53 635	31.4%	51 491	29.7%

Source: Department of Local Government, 2020

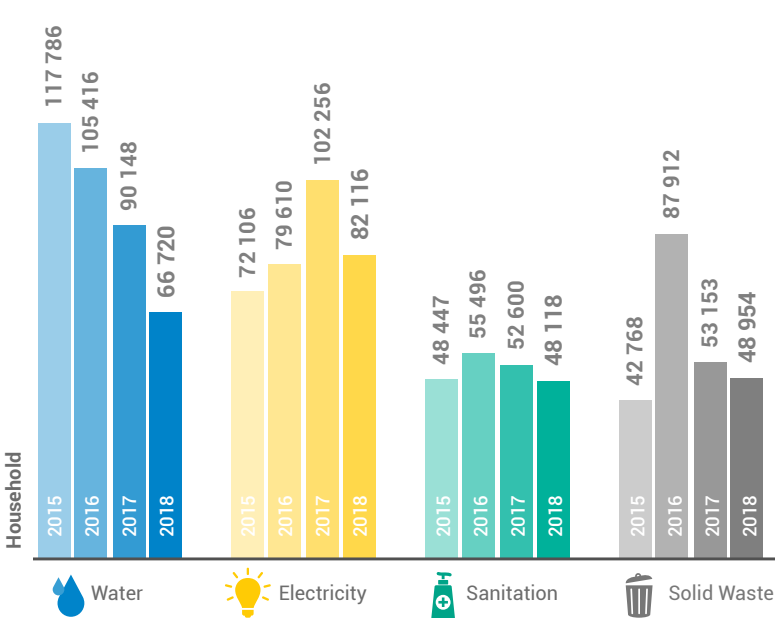
The number of indigent households decreased across the GRD between 2018 and 2019, mainly as a result of a decrease in indigent households in the Mossel Bay municipal area and the Bitou municipal area. Municipal areas with a relatively high proportion of indigent households include the Kannaland (47.5 per cent of households), Knysna (38.2 per cent of households), Mossel Bay (36.9 per cent of households) and Hessequa (35.3 per cent) municipal areas.

The large number of indigent households is a constraining factor in the revenue-earning abilities of the local municipalities. It is expected that as a result of COVID-19, there will be an increase in indigent households. This will reduce the revenue of the municipalities while resulting in additional expenditure, as the demand for free basic services will increase.



Figure 4.13 illustrates access to free basic services. Indigent households qualify for free basic water, electricity, sanitation and waste removal services.

Figure 4.13
ACCESS TO FREE BASIC SERVICES, Garden Route District, 2015 – 2018



Despite the increase in indigent households, free basic services across all categories declined between 2017 and 2018. The largest decline was recorded for water (23 428 households) and electricity (20 140 households) services.

Source: Non-financial Census of Municipalities, Stats SA; Quantec Research, 2020



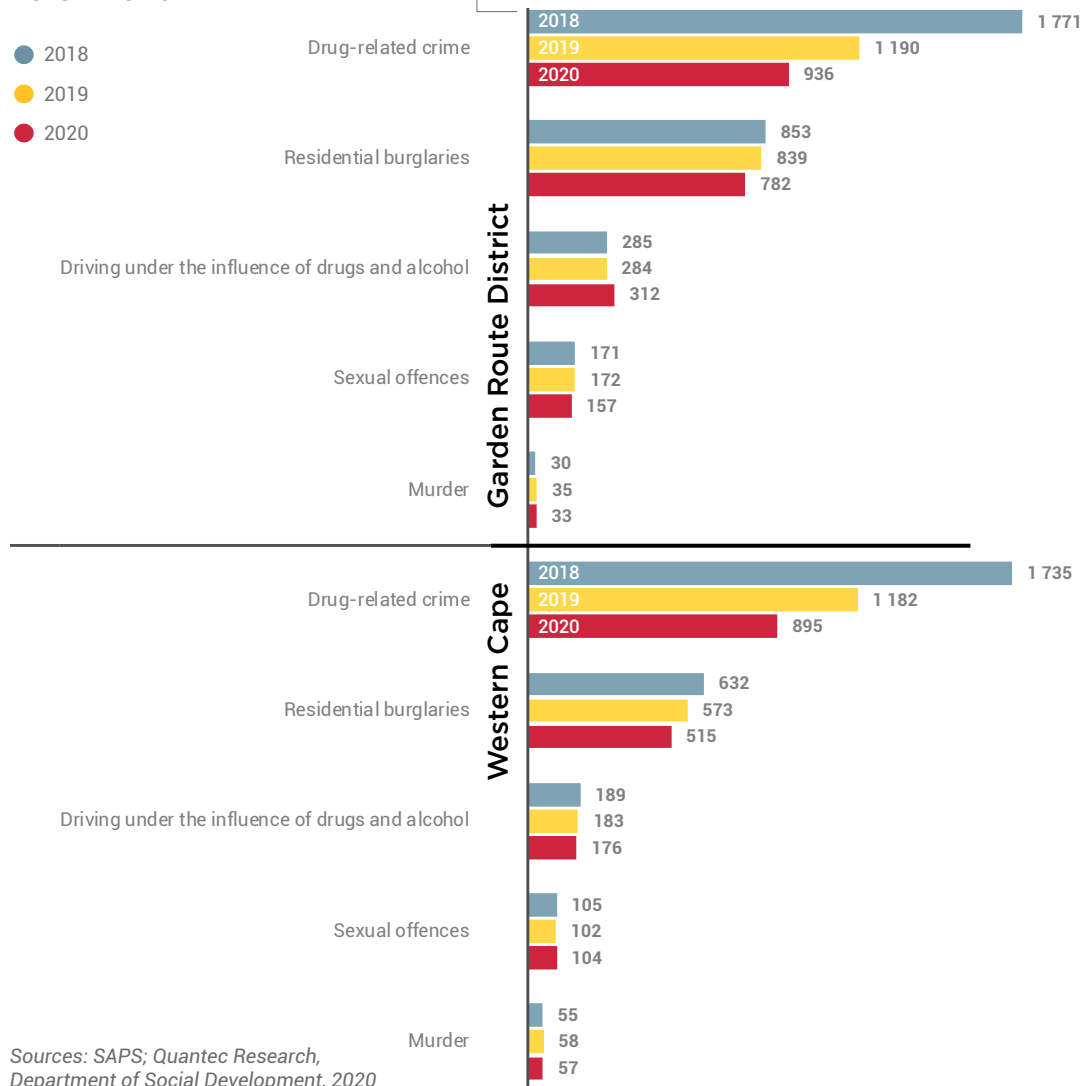
4.5 CRIME

The trend in reported incidences of criminal activities is an important indicator for assessing the likelihood of criminal activities and ascertaining which types of criminal offences are most likely to be prevalent in a certain area.

Figure 4.14 depicts the incidence of selected crime categories in the GRD and Western Cape between 2018 and 2020.

Figure 4.14

**CRIME PER 100 000 PEOPLE,
Garden Route District,
2018 – 2020**



The GRD crime rate reflected a similar pattern to that of the Western Cape. Barring murder, the GRD had a higher crime rate in all major crime categories compared with the rest of the Western Cape between 2018 and 2020. The biggest difference between the GRD crime rates and the Western Cape was within the residential burglaries category, where the GRD had 267 more reported cases per 100 000 people than the Western Cape. The incidents of residential burglaries per 100 000 people were particularly high in the Kannaland (1 045 incidents per

100 000 people), Knysna (949 incidents per 100 000 people) and Bitou (887 per 100 000 people) municipal areas in 2019. All municipal areas recorded a decline in residential burglaries between 2018 and 2019, except the Bitou municipal area, where they increased.

The incidence of driving under the influence of drugs and alcohol also increased from 284 incidents per 100 000 people in 2019 to 312 incidents per 100 000 people in 2020. This is mainly due to a large number of incidents in the Mossel Bay and Knysna municipal areas. Positively, the GRD recorded a decline in the murder rate and the incidences of sexual offences and drug-related crime. The biggest reduction was within the drug-related crime category, which declined by 254 reported incidents from 1 190 incidents per 100 000 people in 2019 to 936 incidents per 100 000 people in 2020.

4.6 CONCLUDING REMARKS

The socio-economic profile of the GRD was similar to that of the Western Cape. The population in the GRD was estimated at 616 034 people in 2019 and is expected to increase by 24 689 people or 0.8 per cent per annum to 640 723 by 2024. It was estimated that the area had 173 223 households in 2019, and this is expected to increase by 13 842 households or 1.5 per cent per annum to 187 065 households by 2024.

Three of the municipal areas, namely Kannaland (1.9 per cent), Oudtshoorn (0.8 per cent) and Hessequa (0.3 per cent) are estimated to experience a decline in population. This may be due to the drought, since these areas have a higher dependence on agriculture in terms of GDP and employment.

The estimated population increase in the George and Bitou municipal areas indicates that these areas may experience significant demand for access to housing and basic infrastructure. Adequate planning and budget allocations will have to be made within these municipal areas to address the influx of households. Urbanisation can boost the local housing markets in towns such as George and Bitou, but it can also increase the need for government-assisted housing options.

The GRD experienced higher GDP per capita growth than the Western Cape between 2009 and 2019. The GRD and its municipal areas' GDP per capita experienced a high positive correlation with the Western Cape, which may indicate that the GRD and the Western Cape's GDP per capita were influenced by similar events, such as the aftermath of the global economic crisis in 2008 and 2009, the introduction of load-shedding and continued issues with labour relations. Some of the events that had a larger impact on municipal areas included the bird flu outbreak in the Oudtshoorn municipal area in 2011, the fires in the Knysna municipal area in 2017 and the drought in the Western Cape between 2015 and 2017, which was hardest felt in the Bitou municipal area.

The average household income in the GRD (R17 613) is lower than the average provincial household income (R19 34). Most municipal areas have experienced a marginal increase in the average household income, except in the Bitou municipal area, where the average household income growth has stagnated.

Education in the GRD was on par with that of the Western Cape in 2019. Similar to the Western Cape, the GRD experienced growth in learner enrolment between 2017 and 2019. The District has, however, experienced a significant decline in the retention rate, which offsets the improved Grade 12 pass rate.

An area of concern may be the education system in the Kannaland municipal area, which experienced a decline of 3.3 per cent in its learner-teacher ratio, a decline of 2.7 per cent in the retention rate and a reduction of 3.3 per cent in the Grade 12 pass rate between 2017 and 2019.

About three-quarters (75.2 per cent) of households in the GRD resided in formal housing, such as brick structures on a separate stand or yard, in 2019. Also, 5 908 households (3.4 per cent) lived in townhouses, cluster houses or semi-detached houses, and 3 763 (2.2 per cent) lived in flats. About 26 347 households lived in informal dwellings, which accounted for 15.2 per cent of all households in the GRD. It must further be noted that the George and Bitou municipal areas are expected to see the biggest influx of people and households, which will place additional pressure on access to housing in these areas.

The GRD experienced a decline in crime rates between 2017 and 2019, except for the categories of murder and driving under the influence of drugs and alcohol, which increased.







**GARDEN ROUTE
DISTRICT**



GROWTH POTENTIAL STUDY 2018

According to the study, the **Garden Route District (GRD)** currently ranked **number four out of all the other districts** in the Western Cape, in terms of development potential. However, the GRD suffered the biggest rank drop in development potential from being the best performing district in the Western Cape in GPS13. This drop can be attributed to improvements in other districts, and a decline in the performance of many of the indicators used in each of the themes that make up the growth potential index. Although there are some improvements across one of the themes (Physical-Natural) there is a significant regression in the Economic, Institutional, and Human Capital themes.

- **POSITIVE**
Z-score
performance
- **NEGATIVE**
Z-score
performance

PRECONDITIONS FOR GROWTH

①



ECONOMIC

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



PHYSICAL ENVIRONMENT

- Availability and quality of water
- Natural potential



INFRASTRUCTURE

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



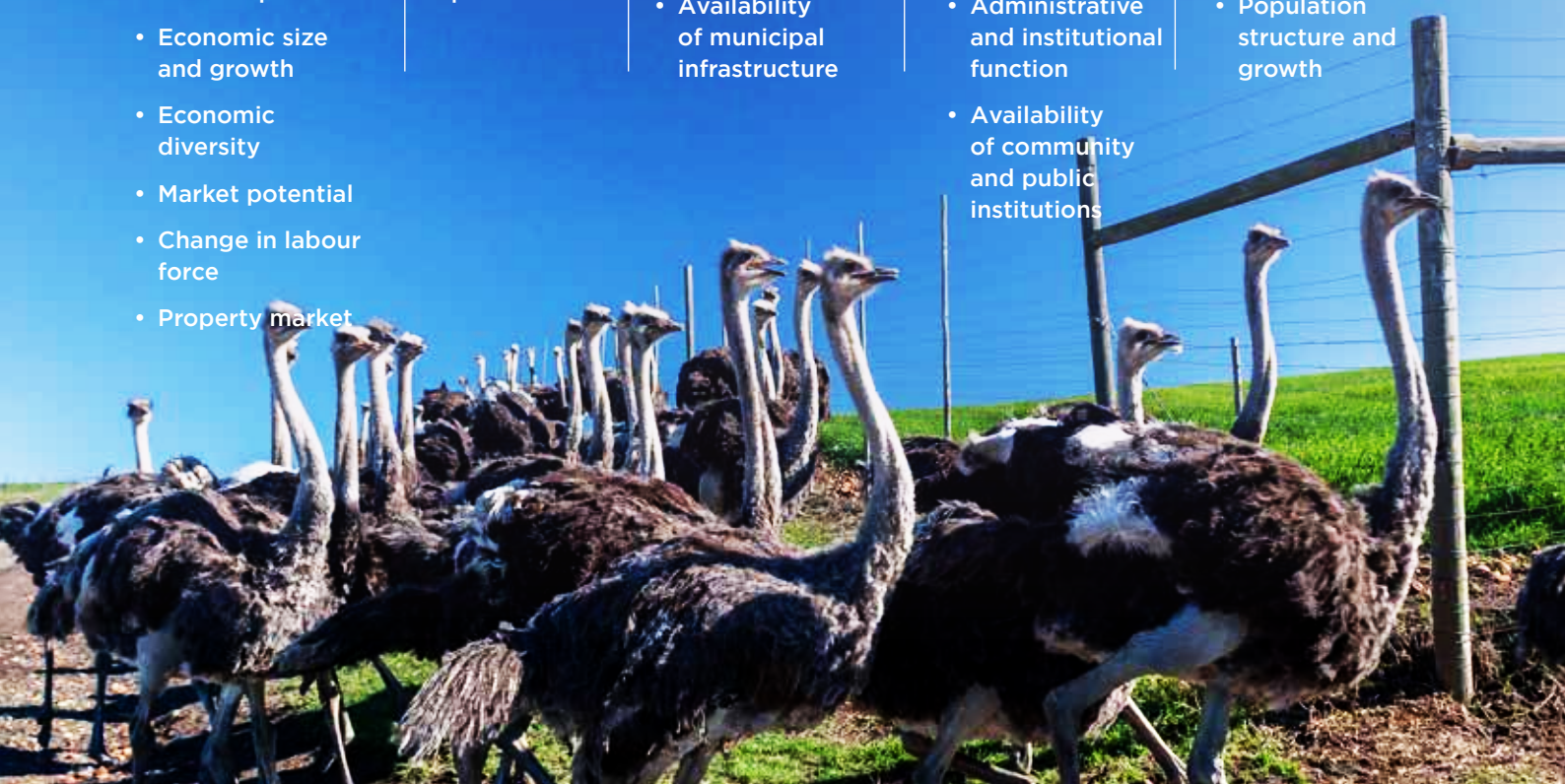
INSTITUTIONAL

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



HUMAN CAPITAL

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



The Growth Potential Study 2018 (GPS18) is a 5-year information update of the GPS13. The study determines the municipal growth potential relative to other municipalities in the province by reviewing thematic indices for growth preconditions (economic, physical-natural and infrastructure indices) and innovation potential (institutional and human capital indices).

The economic, infrastructure, institutional and human capital indices have scored lower in the GRD in the GPS18 compared to GPS13. However, there was an improvement in the physical-natural theme.

CHALLENGES identified by the study in the GRD include:

- Audit outcomes pointing towards institutional issues in the Oudtshoorn and Kannaland municipal areas;
- Education levels of the working age in the Kannaland municipal area, and the matric pass rate concerns in the Bitou municipal area;
- Concern over unemployment levels in Bitou and Knysna;
- The George and Mossel Bay municipal areas have experienced crime-related concerns;
- There are water supply and demand issues in the Oudtshoorn Municipal area;
- Inadequate provision of basic services in Kannaland, Bitou and Hessequa;
- The limited supply of highly skilled labour may hamstring development in Mossel Bay and Kannaland;
- Economic growth concerns in the Kannaland municipal area;
- Economic Empowerment change is progressing at a slow rate in the Oudtshoorn municipal area; and
- Concerns regarding the ability of wastewater treatment works' state and capacity in the Kannaland, Oudtshoorn and Knysna municipal areas to accommodate future growth.

GROWTH OPPORTUNITIES identified by the study include:

- There is key strength and opportunities in amenities in the Bitou municipal area;
- There is growth in the economic active population, and it presents an opportunity in the Kannaland and Oudtshoorn municipal areas;
- The economic performance, levels of personal income and property tax collections are showing high potential for improved future revenue collection as well as expenditure, particularly in the George municipal area;
- State and Capacity of wastewater treatment works in Knysna and Mossel Bay municipal areas, is geared to support future developments ;
- The high matric pass rates in the Hessequa municipal area, signals future opportunities; and
- The working age population's educational attainment presents many opportunities in the Mossel Bay and Knysna municipal areas.

At a comparative municipal level, the George municipal area is ranked third of all the other municipalities in terms of overall growth potential. However, their overall growth potential retreated due to regression in the human capital, infrastructure, and physical themes. The same can be concluded of the Mossel Bay municipal area as this municipal area also experienced regression in the human capital, infrastructure, and institutional themes. As a result, the overall growth potential ranking dropped from fifth to sixth compared to the other municipalities. The Knysna municipal area's overall growth potential regressed from "very high" to "high".

The Bitou and Hessequa municipal areas are classified as having "medium" growth potential. The Bitou municipal area witnessed regression in the economic, institutional, infrastructure and human capital themes, whereas the Hessequa municipal area only witnessed regression in the institutional theme. In contrast, the Kannaland and Oudtshoorn municipal areas are classified as having "very low" and "low" growth potential, respectively. The Kannaland municipal area witnessed a slight improvement since GPS13. The Oudtshoorn municipal has witnessed regression the human capital, infrastructure, and institutional themes.

* Source: DEA&DP, 2020

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.



CENTRAL KAROO DISTRICT

38 854 KM²



CENTRAL KAROO DISTRICT

LAINGSBURG, PRINCE ALBERT,
BEAUFORT WEST

INFOGRAPHIC SUMMARY

1 Regional economic review and outlook

- GDPR performance per municipal area
- Sectoral GDPR performance
- GDPR performance per sector forecast (outlook)
- Employment per municipal area
- Sectoral employment

2 Sectoral growth, employment and skills per municipal area

- GDPR and employment performance
- Skills analysis

3 Trade, tourism and investment

- International trade
- Tourism performance
- Comparative advantage

4 Municipal socio-economic analysis

- Population profile
- Income
- Education
- Health
- Human Development Index
- Housing and access to basic services
- Crime

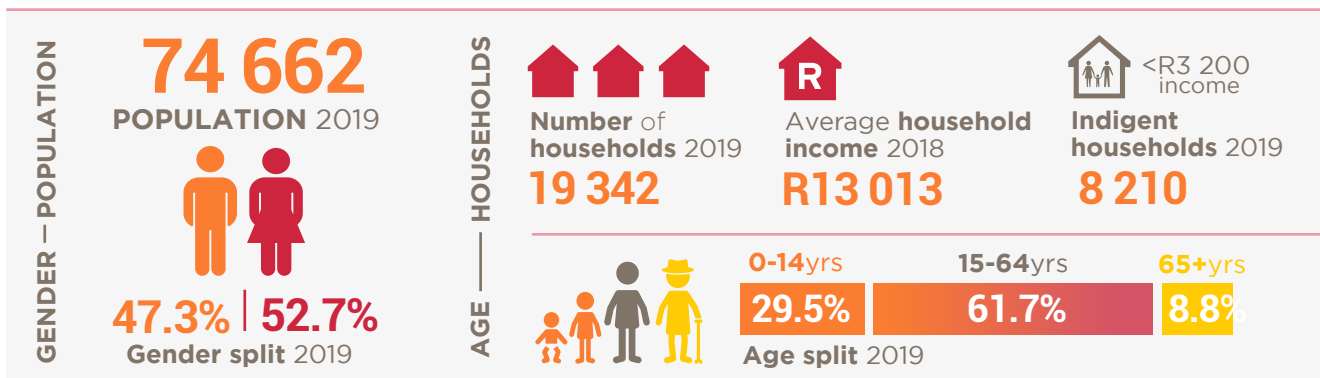


CKD CENTRAL KAROO DISTRICT

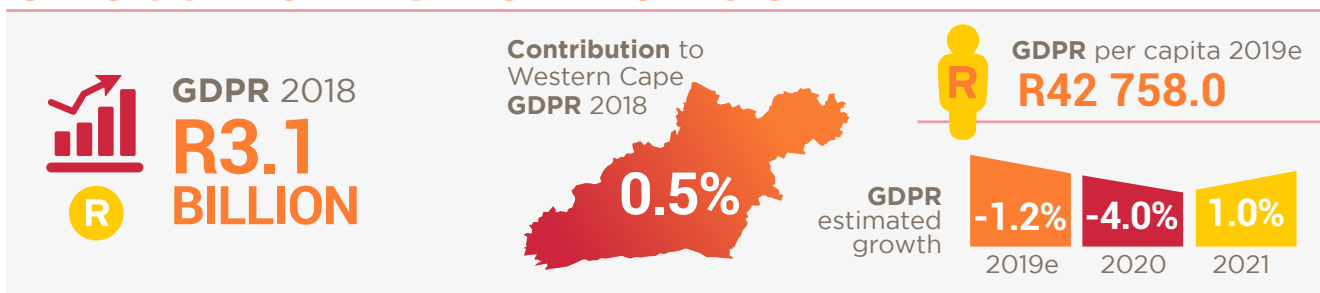
SEAT | AREA | DENSITY
Beaufort West | 38 854 KM² | 1.8 / KM²

MUNICIPALITIES | LAINGSBURG, PRINCE ALBERT, BEAUFORT WEST

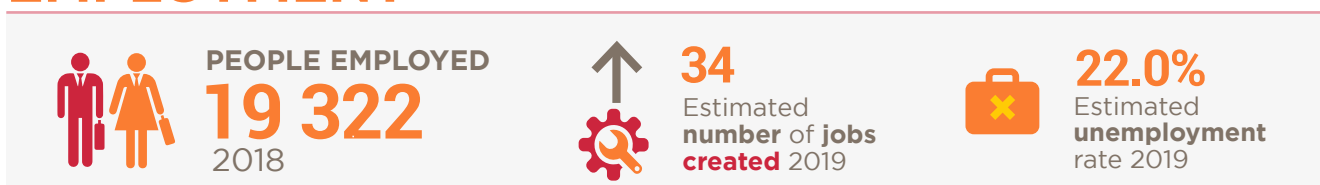
DEMOGRAPHICS



GROSS DOMESTIC PRODUCT



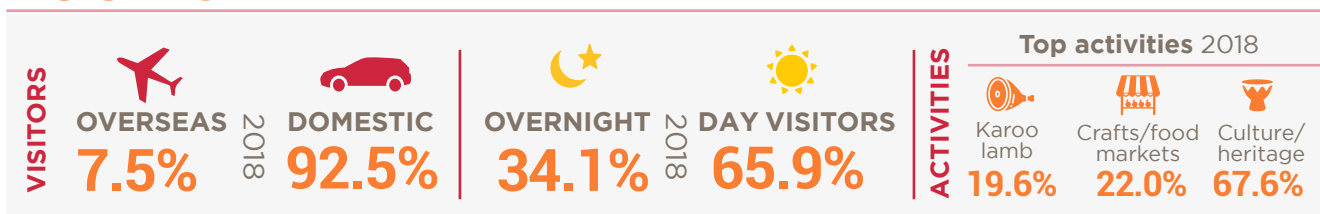
EMPLOYMENT

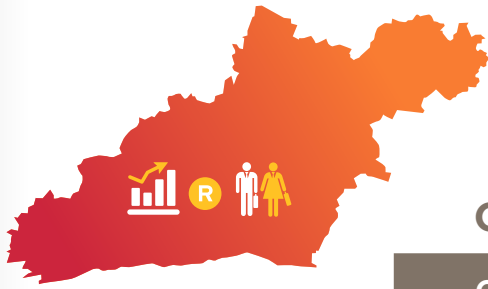


TRADE



TOURISM





2018 GDPR AND EMPLOYMENT CONTRIBUTION

2019 ESTIMATED GDPR AND EMPLOYMENT GROWTH

		GDPR CONTRIBUTION		EMPLOYMENT CONTRIBUTION		GDPR GROWTH		EMPLOYMENT GROWTH	
PRIMARY SECTOR	AGRICULTURE, FORESTRY & FISHING	14.6%	14.5%	24.2%	24.2%	-8.8% ↓	-8.9%	0.4% ↑	0.4%
	MINING & QUARRYING		0.1%		0.0%		-2.4%		0.0%
SECONDARY SECTOR	MANUFACTURING	13.9%	2.7%	7.2%	1.6%	-2.8% ↓	-2.9%	-7.3% ↓	-3.6%
	ELECTRICITY, GAS & WATER		5.9%		0.6%		-2.0%		-1.7%
	CONSTRUCTION		5.3%		5.0%		-3.3%		-9.1%
TERTIARY SECTOR	WHOLESALE & RETAIL TRADE, CATERING & ACCOMMODATION	71.6%	14.8%	68.6%	22.6%	0.8% ↑	-1.0%	0.9% ↑	1.7%
	TRANSPORT, STORAGE & COMMUNICATION		14.8%		4.3%		-1.4%		1.4%
	FINANCE, INSURANCE, REAL ESTATE & BUSINESS SERVICES		10.6%		8.5%		3.0%		-1.5%
	GENERAL GOVERNMENT		21.8%		18.0%		2.1%		2.5%
	COMMUNITY, SOCIAL & PERSONAL SERVICES		9.6%		15.1%		0.9%		-1.0%

1

REGIONAL ECONOMIC REVIEW AND OUTLOOK

1.1 INTRODUCTION

The Central Karoo District (CKD) is situated in the northeastern part of the Western Cape and constitutes a land area of 38 854 square kilometres. The surface area encompassing the CKD constitutes 27.7 per cent of the total size of the Western Cape, making it the largest district in the Province. The CKD comprises three local municipal areas, Beaufort West, Laingsburg and Prince Albert, with Beaufort West being the largest commercial town in the District. The CKD is distinguished by an arid climate and sparse population distribution, and the latter has a direct influence on the economic activity in the District. However, in the past few years, the CKD has been plagued by persistent drought conditions, which have influenced the economic activity in the region. The N1 is the main transport route that traverses through the CKD and connects the Western Cape and Johannesburg.

This chapter provides a macroeconomic outlook of the CKD in terms of the GDPR performance and employment trends. The period under review for MERO 2020 is between 2014 and 2019, with 2019¹ figures being estimated. Economic forecasting is also done for 2020 and 2021.

1.2 GROWTH IN GDPR PERFORMANCE

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

1.2.1 GDPR performance per municipal area

Table 1.1 shows the average GDPR contribution and growth rates of the three municipal areas of the CKD.

Table 1.1

GDPR CONTRIBUTION AND AVERAGE GROWTH RATES PER MUNICIPAL AREA, Central Karoo District, 2018

MUNICIPALITY	R million value 2018	Contribution to GDPR (%) 2018	Trend 2014 – 2018 (%)	Real GDPR growth 2019e (%)
● Laingsburg	R436.0	14.0%	1.3%	-1.9%
● Prince Albert	R493.7	15.9%	1.6%	-1.1%
● Beaufort West	R2 175.2	70.1%	0.6%	-1.1%
Central Karoo District	R3 104.9	100.0%	0.9%	-1.2%
Western Cape	R589 443.7	-	1.4%	0.3%

Source: Quantec Research, 2020 (e denotes estimate)

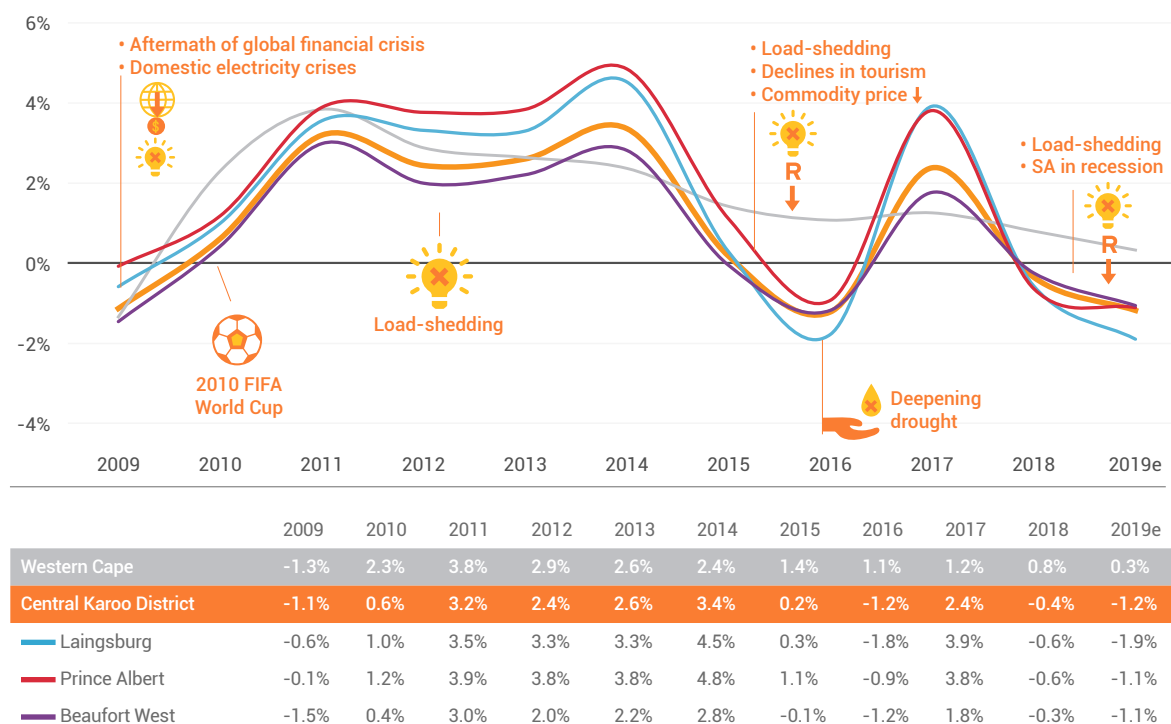
In 2018, the economy of the CKD was valued at R3.1 billion (in current prices), making it the smallest district economy in the Province. The CKD contributed 0.5 per cent to the GDPR of the Western Cape in 2018. The largest contributor to the economy of the CKD was the Beaufort West municipal area, contributing 70.1 per cent to the overall GDPR of the District. The Laingsburg and Prince Albert municipal areas contributed 14.0 per cent and 15.9 per cent respectively.

The average growth rate of the CKD economy was 0.9 per cent for the period between 2014 and 2018. This was lower than the provincial growth rate of 1.4 per cent in the same period. Notably, the average growth rates of the Laingsburg (1.3 per cent) and Prince Albert (1.6 per cent) municipal areas were significantly greater than the District between 2014 and 2018, while the average growth rate of the Beaufort West municipal area was significantly lower, at 0.6 per cent. The small base for growth in the Laingsburg and Prince Albert municipal areas possibly resulted in above-average growth rates.

Figure 1.1 illustrates the historical performance of the economy of the CKD and its municipal areas, as well as the Western Cape. Figure 1.1 shows that the GDPR of the CKD fluctuates around that of the Province. The highest growth rate achieved by the District was 3.4 per cent in 2014, while economic contractions were experienced in 2009 and again in 2016, 2018 and 2019.

¹ Statistics SA (Stats SA) will only release official regional indicators for 2019 in 2020.

Figure 1.1
GDPR GROWTH PER MUNICIPAL AREA, Central Karoo District,
2009 – 2019



Source: Quantec Research, 2020 (e denotes estimate)

An analysis of the historical trend of the economic performance of the CKD shows that the economy is not exempt from potential external and environmental factors.

Between 2015 and 2016, the economy of the CKD experienced steep declines. One of the key causes of the slow growth and decline in the economy was a drought that had persisted in parts of South Africa, and particularly the Western Cape, since 2015. In the CKD, agriculture is one of the three key drivers of the economy, and drought conditions adversely affect the viability of agriculture by changing the conditions that are necessary for crop and livestock production. A decline in agricultural production owing to such an environmental factor results in economic declines and, subsequently, job losses in the agricultural sector.

Other factors that influenced the slow growth and decline in the period under review include contractions in the global economy, coupled with load-shedding², political uncertainty, high unemployment and a burdened fiscus rate in the domestic economy³.

In the fourth quarter of 2017, trade in global goods unexpectedly began to grow rapidly after a slow growth and despite uncertainty about trade policy⁴. The growth in trade is suspected to have been related to cyclical factors that propelled better trade performance in 2017. This resulted in substantial growth in the global economy and, in turn, an enhanced local economy. However, while the global economy continued to grow steadily into 2018, the domestic economy of South Africa fell into a recession, caused by the transport, trade and agriculture sectors⁵.

² (M&G, 2015).

³ (National Treasury, 2019).

⁴ (Constantinescu & Mattoo, 2018).

⁵ (Stats SA, 2018).


According to Statistics SA, drought conditions persisted in the Western Cape in the first quarter of 2018 and this resulted in a significant loss of agricultural production in 2018. Consequently, the economy of the CKD contracted in 2018, but a 0.8 per cent growth rate was nevertheless experienced in the Province. The 2018 provincial growth reflects the national growth rate. As a result of the technical recession affecting the national economy, the economy of the CKD declined further from 2018, while a marginal growth rate of 0.3 per cent was expected in the Province.

1.2.2 Sectoral GDPR performance

Table 1.2 below shows the GDPR performance of the CKD in 2018, the GDPR trend between 2014 and 2018 as well as a growth estimation for 2019.

Table 1.2

GDPR PERFORMANCE PER SECTOR, Central Karoo District, 2018

		R million value 2018	Contribution to GDPR (%) 2018	Trend 2014 – 2018 (%)	Real GDPR growth 2019e (%)
PS	Primary Sector	R452.1	14.6%	0.1%	-8.8%
	Agriculture, forestry & fishing	R450.5	14.5%	0.1%	-8.9%
	Mining & quarrying	R1.6	0.1%	2.0%	-2.4%
SS	Secondary Sector	R430.8	13.9%	1.0%	-2.8%
	Manufacturing	R82.7	2.7%	1.0%	-2.9%
	Electricity, gas & water	568 R182.9	5.9%	0.9%	-2.0%
	Construction	R165.2	5.3%	1.2%	-3.3%
TS	Tertiary Sector	R2 222.0	71.6%	1.1%	0.8%
	Wholesale & retail trade, catering & accommodation	R459.9	14.8%	0.0%	-1.0%
	Transport, storage & communication	R459.2	14.8%	-0.2%	-1.4%
	Finance, insurance, real estate & business services	R330.0	10.6%	2.4%	3.0%
	General government	R675.8	21.8%	1.7%	2.1%
	Community, social & personal services	R297.1	9.6%	1.4%	0.9%
	Total Central Karoo District	R3 104.9	100.0%	0.9%	-1.2%

Source: Quantec Research, 2020 (e denotes estimate)

The tertiary sector comprises the largest share of GDPR for the CKD (71.6 per cent). The primary sector accounts for 14.6 per cent, the second largest share, and finally, the secondary sector accounts for 13.9 per cent. This is indicative of a lack of beneficiation of output from the primary sectors.

The agriculture, forestry and fishing sector accounted for most (14.5 per cent) of the GDPR in the primary sector in 2018. Despite the availability of resources, the mining and quarrying sector contributed a marginal 0.1 per cent. The average annual growth rate for agriculture, forestry and fishing between 2014 and 2018 was 0.1 per cent; this growth rate is representative of the growth

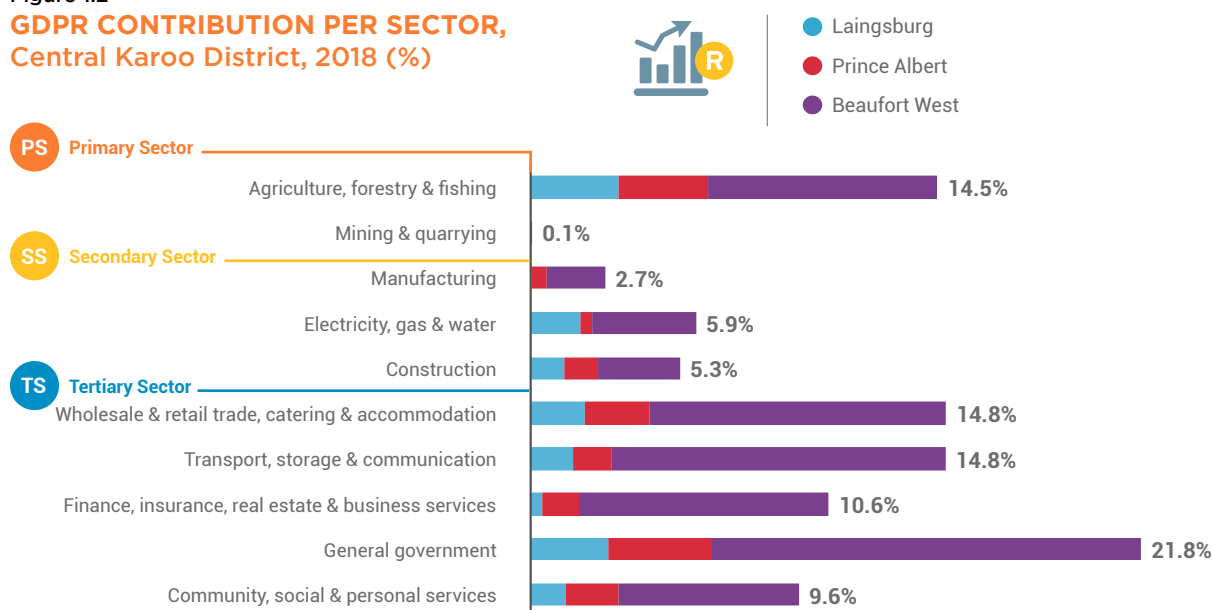
rate of the entire primary sector. It is estimated that the agriculture, forestry and fishing sector will decline by 8.9 per cent in 2019, and mining and quarrying will decline by 2.4 per cent, resulting in an overall decline of 8.8 per cent in the sector. The abrupt decline in the agriculture, forestry and fishing sector is due to the severe and ongoing drought conditions experienced in Southern Africa from 2018. The drought was caused by the presence of the El Niño weather phenomenon, which disrupted the normal climate patterns in the region. Notably, the same weather phenomenon was responsible for the drought conditions in South Africa between 2015 and 2016.

In the secondary sector, the electricity, gas and water sector accounted for most (5.9 per cent) of the GDP in 2018, followed by the construction sector, which accounted for 5.3 per cent of total GDP. The manufacturing sector accounted for only 2.7 per cent of the District's GDP. Between 2014 and 2018, the average growth trend of the sector was 1.0 per cent. It is expected that the GDP of the secondary sector will decline by 2.8 per cent in 2019; the largest decline is estimated to be in the construction sector (3.3 per cent).

The general government sector accounted for the largest share (21.8 per cent) of the GDP in the CKD in 2018. The wholesale and retail trade, catering and accommodation, and transport, storage and communication sectors each accounted for 14.8 per cent of the GDP in the CKD in 2018. The smallest contributor to the GDP of the tertiary sector is community, social and personal services (9.6 per cent of total GDP). The average growth rate of the tertiary sector between 2014 and 2018 was a marginal 1.1 per cent. Over the period, the transport, storage and communication sector contracted on average by 0.2 per cent annually, while the wholesale and retail trade, catering and accommodation sector stagnated.

In 2019, the real GDP growth rate of the tertiary sector was estimated to be 0.8 per cent, and the finance, insurance, real estate and business services sector accounted for most (3.0 per cent) of the growth. Despite the importance of these sectors for the local economy, a contraction of 1.0 per cent and 1.4 per cent is estimated for the wholesale and retail trade, catering and accommodation, and transport, storage and communication sectors respectively in 2019. This contributed to the overall decline in the economic performance of the CKD.

Figure 1.2
GDPR CONTRIBUTION PER SECTOR,
Central Karoo District, 2018 (%)



Source: Quantec Research, 2020

Figure 1.2 illustrates that there is a proportional distribution of sectors across the local municipal areas. The Beaufort West municipal area, as the economic hub of the District, is the largest contributor to the district economy. Furthermore, Figure 1.2 depicts that the largest contributor to GDP in each municipal area is the tertiary sector.

1.2.3 GDPR performance per sector forecast (outlook)


The pace at which the global and South African economies are changing is rapid, and as such only a two-year forecast is conducted in this section. Notably, an outbreak of the COVID-19 pandemic was experienced globally, with the first case in South Africa being reported in March 2020. While the extent remains unknown, it is expected that there will be extensive damage in the domestic economy as a result of the pandemic and the subsequent national lockdown instituted by the Government in an effort to curb the health effects associated with the virus.

Table 1.3 indicates the GDPR forecast per sector for 2020 and 2021 for the CKD.

Table 1.3

GDPR FORECAST PER SECTOR, Central Karoo District, 2020 – 2021 (%)⁶



				
SECTOR		2019e	2020f	2021f
Primary Sector				
PS	Agriculture, forestry & fishing	-8.9%	14.4%	-7.7%
	Mining & quarrying	-2.4%	-23.0%	15.2%
Secondary Sector				
SS	Manufacturing	-2.9%	-15.2%	10.9%
	Electricity, gas & water	-2.0%	-7.0%	-0.3%
	Construction	-3.3%	-17.3%	13.5%
Tertiary Sector				
TS	Wholesale & retail trade, catering & accommodation	-1.0%	-19.7%	12.6%
	Transport, storage & communication	-1.4%	-18.1%	9.3%
	Finance, insurance, real estate & business services	3.0%	-0.9%	-1.1%
	General government	2.1%	3.1%	-2.6%
	Community, social & personal services	0.9%	-0.2%	-1.7%
Total Central Karoo District		-1.2%	-4.0%	1.0%

Source: 2020 (f denotes forecast)

⁶ Based on the national forecast by the South African Reserve Bank (SARB), with sector adjustments for 2020 as per quarter 1 and quarter 2 sectoral GDP contributions. The agriculture, forestry and fishing sector outlook has been adjusted to be in line with the Bureau for Food and Agriculture Policy 2020 baseline 2020 outlook.



COVID-19 IMPACT

As a result of the impacts of COVID-19 on the national economy, the economy of the CKD is expected to further contract by an estimated 4.0 per cent in 2020. This is attributable to the limited business activities from the second quarter of 2020 due to the national lockdown that was implemented in March.

The wholesale and retail trade, catering and accommodation sector is expected to experience a 19.7 per cent contraction in 2020, while the transport, storage and communication sector is expected to contract by 18.1 per cent. These contractions will have a severe impact on the local economy of the CKD, as these sectors are among the leading contributors of growth in the District. In the secondary sector, the largest economic declines in 2020 are expected to be in the construction sector (17.3 per cent) and the manufacturing sector (15.2 per cent). The contractions in these sectors can be attributed to the restrictions and, on some occasions, suspension of economic activity in these sectors, as well as the low demand for services⁷.

Despite the poor performance of most sectors in the CKD, the agriculture, forestry and fishing sector was the least affected by the lockdown restrictions and is therefore expected to grow by 14.4 per cent in 2020. Another sector that is expected to grow is the general government sector, which is expected to increase by 3.1 per cent in 2020.

By 2021, it is anticipated that the economy of the CKD will recover somewhat and experience a negligible growth of 1.0 per cent. Many sectors will make a partial recovery after the severe contractions that were experienced in 2020. However, the agriculture, forestry and fishing sector is expected to decline by 7.7 per cent. Pre-COVID-19 challenges in the agriculture, forestry and fishing sector will still have a dampening effect despite positive growth in 2020. Sheep farming, which is the main agricultural activity in the CKD, has pre-existing challenges such as lower consumer demand for mutton, stock theft and predation. Other declines are expected in the finance, insurance, real estate and business services sector (1.1 per cent), general government sector (2.6 per cent) and community, social and personal services sector (1.7 per cent).

⁷ (Arndt, et al., 2020).

1.3 LABOUR TREND ANALYSIS

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

1.3.1 Employment per municipal area

Table 1.4 demonstrates the employment growth trend for each municipal area in the CKD.

Table 1.4

EMPLOYMENT GROWTH, Central Karoo District, 2018

MUNICIPALITY	Number of jobs 2018	Contribution to employment (%) 2018	Average annual change 2014 – 2018	Net change 2019e
● Laingsburg	2 928	15.2%	79	39
● Prince Albert	3 879	20.1%	80	11
● Beaufort West	12 515	64.8%	133	-16
Total Central Karoo District	19 322	100.0%	293	34
Western Cape	2 589 080	-	46 746	-4 421

Source: Quantec Research, 2020 (e denotes estimate)

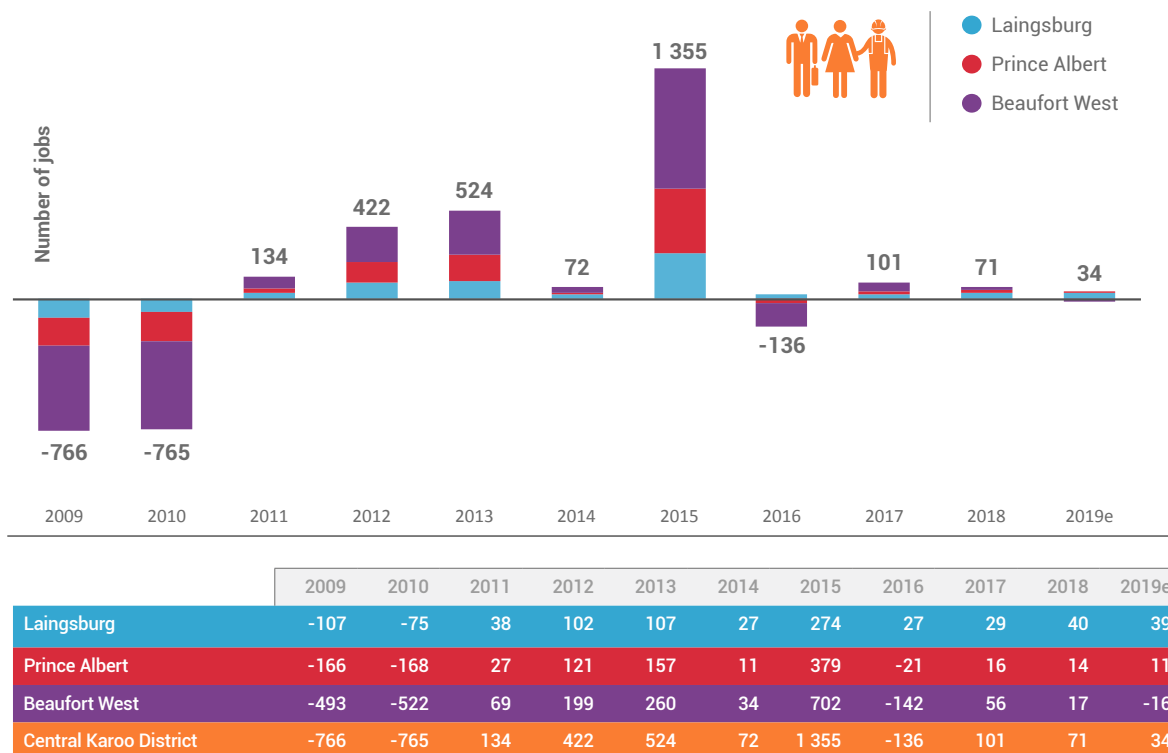
In 2018, 19 322 people were employed in the CKD and contributed 0.7 per cent to overall employment in the Western Cape. The Beaufort West municipal area has the largest workforce in the District, similar to the GDPR contribution.

Between 2014 and 2018 there was an average annual increase of 293 jobs in the District. Overall, a total increase of 34 employees is estimated for the CKD in 2019. This low increase is due to the anticipated job losses (16) in the Beaufort West municipal area in the same year. The reduced number of new job opportunities in the CKD in 2019 compared with the previous five years is as a result of the poor economic performance in 2018 and 2019.

The majority (133) of the additional jobs that were created in the District between 2014 and 2018 were sourced from the Beaufort West municipal area economy. However, most of the estimated jobs were created from the economy of the Laingsburg municipal area in 2019. This could be attributed to the strong agriculture presence in the Laingsburg municipal area.

Figure 1.3 illustrates the annual changes in the level of employment in the municipal areas that comprise the CKD. Furthermore, it is evident that employment creation in the District follows the GDPR growth patterns.

Figure 1.3
EMPLOYMENT CHANGE PER MUNICIPAL AREA, Central Karoo District, 2009 – 2019



Source: Quantec Research, 2020 (e denotes estimate)

The changes in the global economy as a result of the financial crisis, coupled with the changes in the domestic economy owing to drought conditions and national political turmoil during the period under review, have had adverse impacts on the workforce of the CKD. In 2009, up to 766 jobs were lost in the District, most of which were in the Beaufort West municipal area. The workforce of the CKD continued to decline in 2010 before a marginal improvement in employment was experienced in 2011.

In alignment with the improvement in the GDPR growth rate, there was an upward slope in the employment trend between 2011 and 2013. However, owing to the prevailing industrial action in 2014, a sharp decline in the number of additional jobs was experienced.

In 2015, the CKD experienced the most notable increase in employment opportunities despite a slow economic growth in the District in the same year⁸. However, owing to the persistent drought conditions, evident in the low GDPR growth rate, the CKD experienced job losses in 2016, and a decline in the labour absorption rate of the CKD was recorded between 2017 and 2019.


⁸ In 2015, Stats SA implemented a new master sample to the Quarterly Labour Force Survey. Owing to the variations in the design of the master sample, the 2015 figures may have been impacted (Stats SA, 2015).

1.3.2 Sectoral employment

The contribution of each economic sector to the employment trend in the CKD is indicated in Table 1.5 below.

Table 1.5

EMPLOYMENT PER SECTOR, Central Karoo District, 2018

		Number of jobs 2018	Contribution to employment (%) 2018	Average annual change 2014 – 2018	Net change 2019e
SECTOR					
PS Primary Sector		4 673	24.2%	85	20
Agriculture, forestry & fishing		4 671	24.2%	85	20
Mining & quarrying		2	0.0%	0	0
SS Secondary Sector		1 397	7.2%	27	-102
Manufacturing		307	1.6%	-2	-11
Electricity, gas & water		116	0.6%	3	-2
Construction		974	5.0%	26	-89
TS Tertiary Sector		13 252	68.6%	181	116
Wholesale & retail trade, catering & accommodation		4 365	22.6%	57	73
Transport, storage & communication		839	4.3%	-6	12
Finance, insurance, real estate & business services		1 652	8.5%	18	-25
General government		3 473	18.0%	58	86
Community, social & personal services		2 923	15.1%	53	-30
Total Central Karoo District		19 322	100.0%	293	34

Source: Quantec Research, 2020 (e denotes estimate)

In 2018, the tertiary sector employed 68.6 per cent of workers, equating to 13 252 jobs in the CKD. The second largest contributor to employment in 2018 was the primary sector (24.2 per cent), with agriculture, forestry and fishing accounting for almost the entire workforce. The proportion that each sector contributes to the District's employment trend in the CKD reflects their respective contributions to GDP. This affirms that the industries that comprise the economy of the CKD are indeed labour-intensive.

As the anchor of the primary sector, the agriculture, forestry and fishing sector employed 4 671 of the 4 673 people in the sector in 2018. The remaining two people were employed in the mining and quarrying sector, which had a meagre contribution to the District's employment trend. The employment trend between 2014 and 2018 depicts an increase of 85 new jobs annually, while in 2019 an estimated net change of 20 additional jobs is expected. This slowdown in job creation emphasises the poor growth experienced by the sector.

In the secondary sector, construction was the largest contributor to employment (5.0 per cent of total employment). This indicates that most of the District's labour force in the secondary sector were engaged in construction-related activities. On the other hand, electricity, gas and water contributed a marginal 0.6 per cent to employment, although it was the largest contributor to the GDP in the secondary sector. Overall, the secondary sector accounted for 27 new jobs and suffered two job losses annually in the period between 2014 and 2018. However, it is estimated that the secondary sector will lose 102 jobs in 2019, most of which will be in the construction sector. The number of job losses experienced in 2019 will exceed the number of new jobs that are typically created in the sector.

The largest contributor to employment in the tertiary sector is the wholesale and retail trade, catering and accommodation sector, which contributes 22.6 per cent to total employment. However, the general government sector accounted for more jobs than all the other industries in the tertiary sector of the CKD between 2014 and 2018, contributing 18.0 per cent to employment. The tertiary sector absorbed the largest number of people into the workforce in 2018. Furthermore, an estimated total of 116 additional jobs from the tertiary sector were created in 2019. The number of additional jobs in the tertiary sector in 2019 was lower than the 181 created in the preceding five years due to job-shedding in the finance, insurance, real estate and business services sector (25 jobs) and community, social and personal services sector (30 jobs).

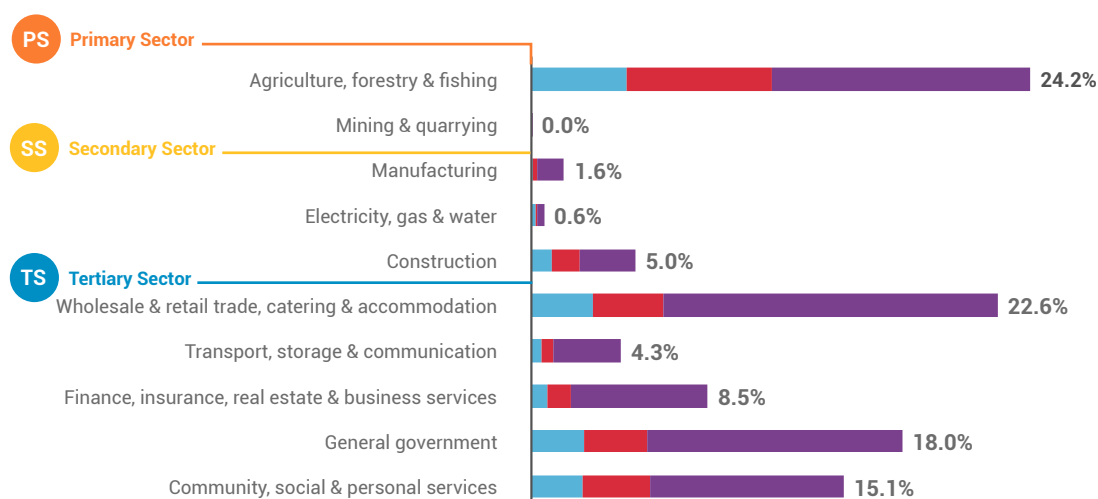
Figure 1.4 illustrates the sectoral contribution to employment by each of the municipal areas of the CKD.

Figure 1.4

**SECTORAL EMPLOYMENT
CONTRIBUTION PER
MUNICIPAL AREA, Central
Karoo District, 2018 (%)**



● Laingsburg
● Prince Albert
● Beaufort West



Source: Quantec Research, 2020




As seen with the sectoral GDPR contribution, the agriculture, forestry and fishing sector and the wholesale and retail trade, catering and accommodation sector were the largest contributors to employment in the CKD in 2018 (collectively contributing 46.8 per cent). The general government and community, social and personal services sectors are also significant contributors to the District's employment. Notably, the distribution of employment across the municipal areas is proportional to the sizes of the respective areas' economies.

Mining and quarrying is the least practised activity in the CKD and consequently this industry accounts for an insignificant workforce. Furthermore, the electricity, gas and water industry accounted for a low share of 0.6 per cent to the employment of the District in 2018. Overall, the Beaufort West municipal area accounts for the largest share of employment creation across all sectors.

In Diagram 1.1 below, the unemployment profile of the CKD between 2018 and 2019 is provided.

Diagram 1.1

UNEMPLOYMENT PROFILE, Central Karoo District, 2018 (%)

MUNICIPALITY	 Unemployment rate (%) 2018		 Labour force participation rate (%) 2018		 Labour absorption rate (employment-to-population ratio) 2018	
		2019		2019		2019
● Laingsburg	16.4	↑	66.2	↑	55.3	↑
● Prince Albert	17.5	↑	56.6	↑	46.7	↓
● Beaufort West	23.4	↑	51.2	↑	39.2	↓
Central Karoo District	21.3	↑	53.9	↑	42.3	↓
Western Cape	18.0	↑	68.5	↓	56.2	↓

Source: Quantec Research, 2020

Unemployed persons, according to the official Statistics South Africa definition, are those (aged 15 to 64 years) who:

- a) Were not employed in the reference week; and
- b) Actively looked for work or tried to start a business in the four weeks preceding the survey interview; and
- c) Were available for work, i.e. would have been able to start work or a business in the reference week; or
- d) Had not actively looked for work in the past four weeks, but had a job or business to start at a definite date in the future and were available.

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

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

The unemployment rate in the CKD was 21.3 per cent in 2018, which was higher than the unemployment rate in the Western Cape (18.0 per cent). Between 2018 and 2019 there was an increase in the unemployment rate and the labour force participation rate in the CKD. The increase in the labour force participation rate suggests that the CKD has a large working-class population that is actively seeking employment. The Beaufort West municipal area accounted for the largest unemployment rate (23.4 per cent) in 2018. Conversely, the unemployment rate for the Western Cape increased between 2018 and 2019, while the labour force participation rate decreased.

Despite being the smallest contributor to the District's GDP and employment in 2018, the Laingsburg municipal area accounted for the largest labour absorption rate in 2018. Furthermore, between 2018 and 2019, Laingsburg was the only municipal area in the CKD that had an increase in the labour absorption rate. The increase in the labour absorption rate for Laingsburg is aligned with the high employment growth that was estimated for the area in 2019.

1.4 CONCLUDING REMARKS

In 2018, the economy of the CKD was valued at R3.1 billion and 19 322 people were employed in this economy. This corresponds with a contribution of 0.5 per cent to GDP and 0.7 per cent to employment in the Western Cape. It is estimated that the GDP of the CKD deteriorated by 1.2 per cent and only created 34 additional jobs in 2019. The Beaufort West municipal area accounted for the largest share (70.1 per cent) of the District's GDP, followed by the Prince Albert municipal area, which contributed 15.9 per cent.

An outline of the broad sectors of the economy indicates that the CKD is a tertiary sector economy. However, the primary sector also plays a pivotal role in the District's economy. The industries in the tertiary sector collectively account for the largest contribution to the GDP and employment in the CKD. However, at industry level agriculture, forestry and fishing contributed the largest share to employment (24.2 per cent) and a relatively large share to the GDP (14.5 per cent) in 2018. Construction services are important secondary sector activities and contribute 5.0 per cent towards employment in the CKD. However, it was estimated that the secondary sector was the worst affected by job losses in 2019. Overall, the slow economic growth experienced between 2014 and 2018 was the result of various factors, including two drought conditions, political turmoil, load-shedding and the technical recession of the national economy.





2

SECTORAL GROWTH, EMPLOYMENT AND SKILLS PER MUNICIPAL AREA

2.1 INTRODUCTION

This chapter provides a macroeconomic overview of the CKD economy at a municipal level and describes the trends between 2014 and 2018. The chapter also considers employment and skill levels.

2.2 BEAUFORT WEST

The size of the Beaufort West municipal area is approximately 21 916 square kilometres, which comprise 56.4 per cent of the total CKD geographic area⁹. The Beaufort West municipal area is spatially the largest area in the District. The town of Beaufort West is the economic hub of the CKD and thus often serves as a popular rest and service area for travellers on the N1. Other small towns in the municipal area include Merweville, Murraysburg and Nelspoort.

2.2.1 GDPR and employment performance



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Diagram 2.1 compares the size of the economy of the Beaufort West municipal area in 2018 with 2019 estimated figures. In 2018, the economy of the municipal area was valued at R2.2 billion (current prices) with 12 515 employees. Despite remaining the same in terms of current prices, It is estimated that in 2019 the economy contracted by 1.1 per cent in real terms, while 16 jobs were lost.



Diagram 2.1

GDPR (CURRENT PRICES) AND EMPLOYMENT, Beaufort West, 2018 and 2019e

	2018		2019e
GDPR 	R2.2 BILLION	↓ -1.1% CONTRACTION	R2.2 BILLION
JOBS 	12 515	↓ -16 CONTRACTION	12 499

Source: Quantec Research, 2020 (e denotes estimate)

⁹ (Municipal Demarcation Board, 2018).



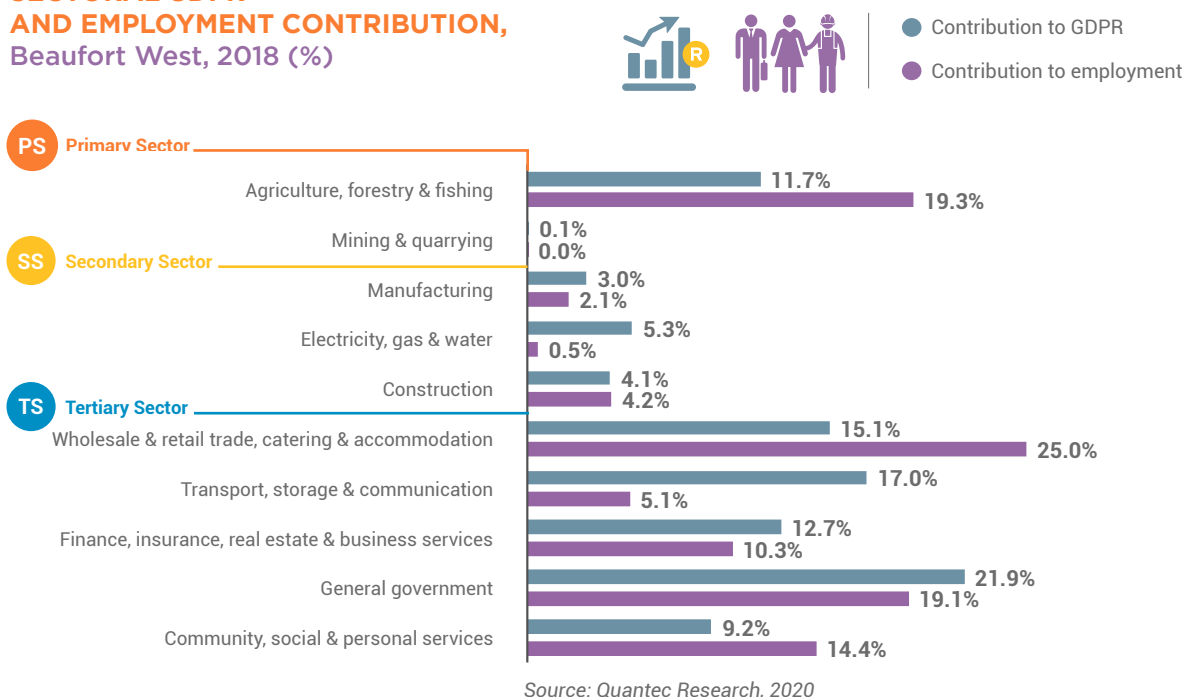
COVID-19 IMPACT

The economy of the Beaufort West municipal area is expected to contract by 5.1 per cent in 2020 owing to the negative impact of the COVID-19 pandemic. A negligible recovery of 1.0 per cent is estimated for 2021. However, this recovery does not surpass the 2019 economic activity, which was characterised by a contraction of 1.1 per cent.

Figure 2.1 illustrates sectoral contributions to GDP and employment in the Beaufort West municipal area in 2018.

Figure 2.1

SECTORAL GDP AND EMPLOYMENT CONTRIBUTION, Beaufort West, 2018 (%)




The general government sector was the largest contributor (21.9 per cent) to GDP and this can be attributed to the location of the District Municipal Offices in Beaufort West. On the other hand, the wholesale and retail trade, catering and accommodation sector contributed the largest share (25.0 per cent) of jobs to the economy in 2018.

The economy of the Beaufort West municipal area consists of a mix between capital-intensive sectors and labour-intensive sectors. The capital-intensive sectors consist of a smaller contribution to employment compared with their GDP contribution and include sectors such as mining and quarrying, manufacturing, electricity, gas and water, construction, transport, storage and communication, finance, insurance, real estate and business services and general government. Conversely, the labour-intensive sectors consist of a larger contribution to employment compared with their GDP contribution. This includes agriculture, forestry and fishing, wholesale and retail trade, catering and accommodation, and community, social and personal services.

Table 2.1 describes the Beaufort West municipal area's GDPR and employment performance per sector for the period 2014 to 2018, and an estimate for 2019.

Table 2.1

**GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR,
Beaufort West, 2018**



SECTOR	GDPR			Employment		
	R million value 2018	Trend 2014 – 2018	Real GDPR growth 2019e	Number of jobs 2018	Average annual change 2014 – 2018	Net change 2019e
PS Primary Sector	R254.9	0.1%	-8.7%	2 421	47	13
Agriculture, forestry & fishing	R253.5	0.1%	-8.7%	2 419	47	13
Mining & quarrying	R1.5	2.3%	-2.3%	2	-	-
SS Secondary Sector	R269.1	0.4%	-3.2%	850	8	-65
Manufacturing	R64.6	0.7%	-3.1%	258	-1	-9
Electricity, gas & water	R114.2	0.4%	-2.3%	67	1	-2
Construction	R90.2	0.2%	-4.3%	525	7	-54
TS Tertiary Sector	R1 651.2	0.8%	0.6%	9 244	79	36
Wholesale & retail trade, catering & accommodation	R329.3	-0.1%	-1.2%	3 126	32	35
Transport, storage & communication	R369.8	-0.6%	-1.7%	640	-9	7
Finance, insurance, real estate & business services	R276.4	2.3%	2.8%	1 283	4	-29
General government	R475.5	1.3%	1.8%	2 387	32	51
Community, social & personal services	R200.3	0.8%	0.3%	1 808	19	-28
Total Beaufort West	R2 175.2	0.6%	-1.1%	12 515	133	-16

Source: Quantec Research, 2020 (e denotes estimate)

The tertiary sector contributes the largest share of the Beaufort West municipal area's employment, in alignment with its contribution to GDPR. The sectors that contributed the most to economic growth between 2014 and 2018 in the municipal area include the finance, insurance, real estate and business services sector, as well as the general government sector. Despite the transport, storage and communication sector's large contribution to the local economy in terms of GDPR (17.0 per cent), it has contracted by an average of 0.6 per cent per annum over the reference period. This sector is estimated to have contracted even further in 2019, by 1.7 per cent. This sector is negatively influenced by rising fuel costs, as well as the poor performance of the local agriculture sector, which remained stagnant in the 2014 to 2018 period and subsequently demanded fewer transport services. The primary sector is estimated to have contracted by 8.7 per cent in 2019, which contributed to the continued contraction in the transport, storage and communication sector.

Not only is the government sector a leading source of economic growth in the municipal area, it also contributes significantly to job creation. Between 2014 and 2018, the sector created an average of 32 jobs per annum. It is estimated that job creation in the general government sector increased further in 2019 (51 jobs). However, given the high number of job losses in the finance,

insurance, real estate and business services, and community, social and personal services sectors, only 36 additional jobs will be created at sector level.

It is estimated that in 2019 the secondary sector experienced the largest number of job losses, mainly in the construction industry. This can be linked to the expected contraction of the GDP (4.3 per cent) that occurred in construction in the same year. Overall, it is estimated that the secondary sector declined by 3.2 per cent in 2019.

Although the agriculture, forestry and fishing sector contributed a significant number of additional jobs in the CKD between 2014 and 2018 (47 jobs), it is estimated that this sector suffered the largest GDP contraction (8.7 per cent) in 2019. Consequently, it was anticipated that it would account for only 13 new jobs in the same year. The sharp decline in the agriculture, forestry and fishing sector was the result of the recurring drought conditions experienced in Southern Africa from 2018. This drought had a direct impact on the CKD, as it caused the Leeu-Gamka Dam to dry up completely by October 2018¹⁰. The Leeu-Gamka Dam is located near the town of Beaufort West and is used for irrigation purposes¹¹.

In response to the lockdown regulations implemented as a result of the COVID-19 pandemic, the finance, insurance, real estate and business services sector – which is the largest contributor to the municipal area's economic growth – is estimated to contract by 1.1 per cent in 2020. On the other hand, the general government sector is expected to improve by 2.6 per cent. The sectors that are expected to experience severe contractions in the Beaufort West municipal areas are the wholesale and retail trade, catering and accommodation (20.1 per cent), construction (18.6 per cent) and transport, storage and communication (18.5 per cent) sectors. Most sectors are expected to recover in 2021, but not sufficiently to restore the economy to the same levels prior to 2020. These challenging economic conditions will result in a rise in unemployment, which will constrain the revenue collection capabilities of local government, as households are experiencing a decline in disposable income.



Patrick Baum, Unsplash

GROWTH POTENTIAL

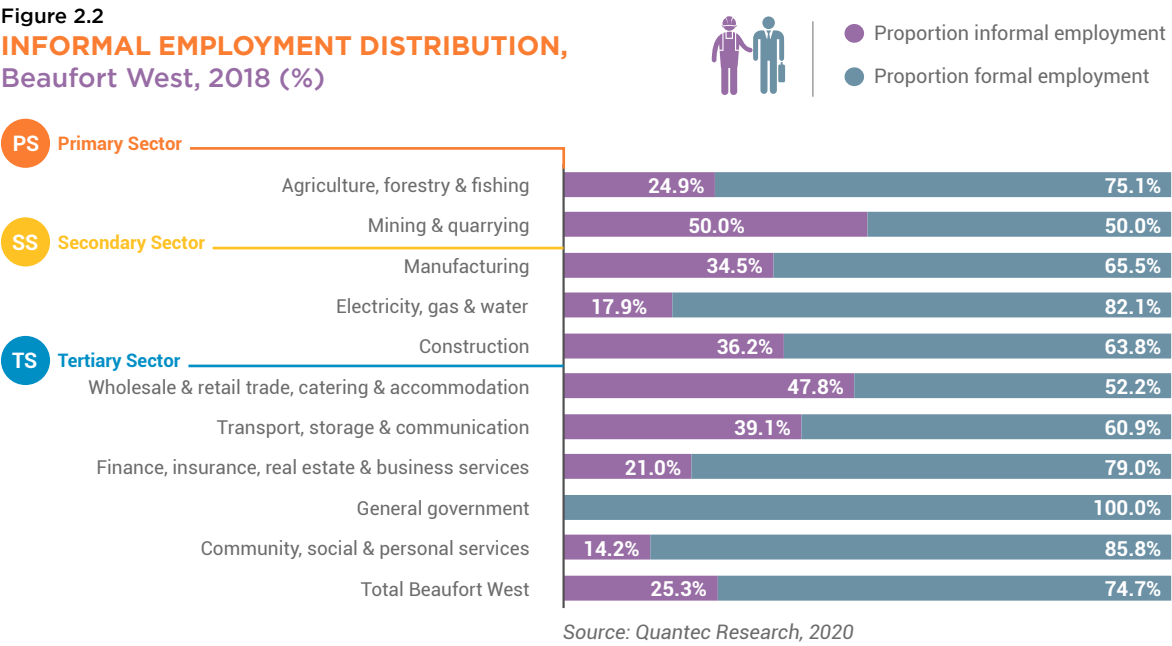
The CKD is characterised by a low to very low growth potential owing to its arid environment and sparse population distribution. Nevertheless, the region does possess a unique competitive advantage. The regions encompassing the towns of Beaufort West and Murraysburg are considered to be potential shale gas reserves. If medium- to large-scale shale extraction were to occur in the area, substantial economic benefits could be yielded. The benefits include the creation of work opportunities and possibly latent entrepreneurial opportunities in the economy. The extraction of shale at this scale, however, is also expected to create unintended adverse environmental impacts. To mitigate these adverse impacts and assess economic viability, a cost-benefit analysis would be critical¹².

¹⁰ (Kirsten, 2019); (Pace, 2018).

¹¹ (Western Cape Government, 2019).

¹² (Western Cape Government, 2019).

Figure 2.2 illustrates the employment distribution of the Beaufort West municipal area in 2018.



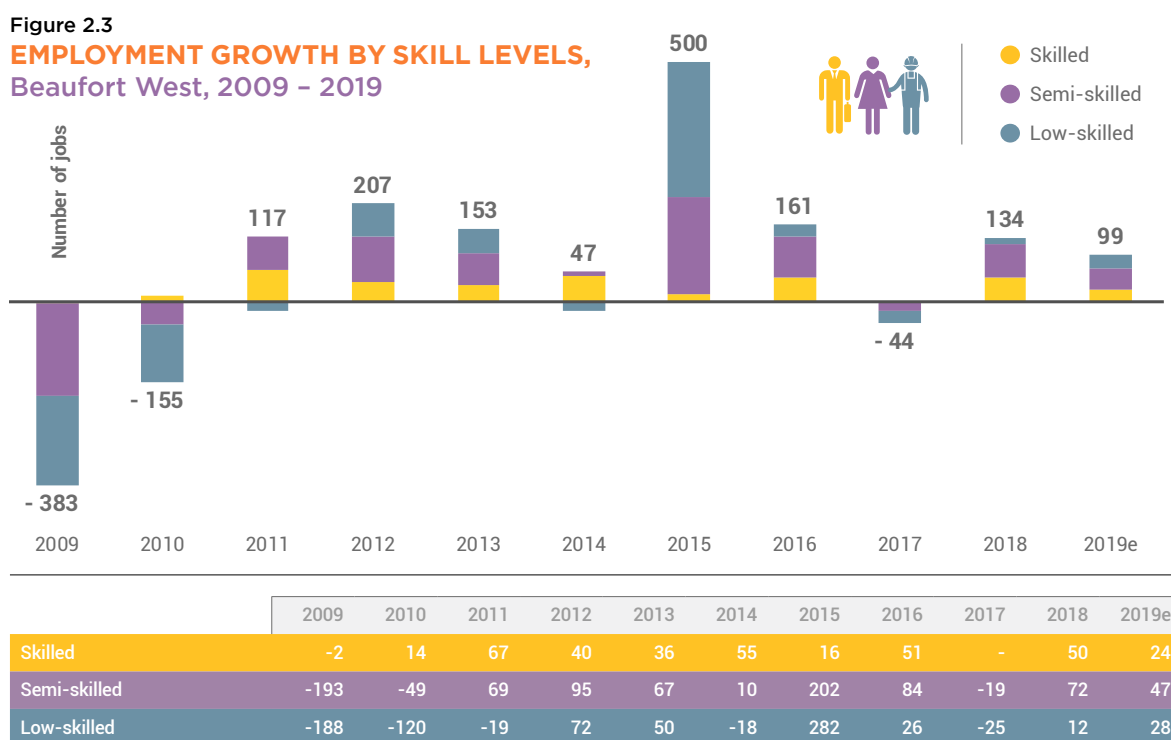
It is evident that the municipal area is largely a formal sector economy. However, it is also heavily reliant on the informal sector¹³. Sectors that have an above-average proportion of informal sector workers include the wholesale and retail trade, catering and accommodation sector (47.8 per cent), the transport, storage and communication sector (39.1 per cent) and the construction sector (36.2 per cent).



¹³ 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 portrays the changes in employment by skill levels in the Beaufort West municipal area for the period between 2009 and 2019. Generally, it can be seen that the employment growth trend of the local municipal area follows the same trend depicted at district level.



Source: Quantec Research, 2020 (e denotes estimate)

In 2009 and 2010, the number of employed people in the municipal area declined substantially (538 job losses). The job losses were related mainly to low-skilled (308 jobs) and semi-skilled (242 jobs) workers. Some skilled employees were absorbed into the local economy in 2010. In 2011, employment creation improved for skilled and semi-skilled people, while low-skilled people experienced further job losses (19 jobs). In 2012 the demand for jobs at all skill levels improved.

The demand for new labour, mainly semi-skilled and low-skilled, spiked upwards (500 jobs) in 2015¹⁴ after poor demand (47 jobs) in 2014. In 2016, however, the number of additional jobs declined significantly (161 jobs) and worsened in 2017, when 44 job losses were experienced. The steep decline in the creation of employment between 2015 and 2017 can be attributed to the deepening drought conditions that prevailed in that period. The semi-skilled and low-skilled

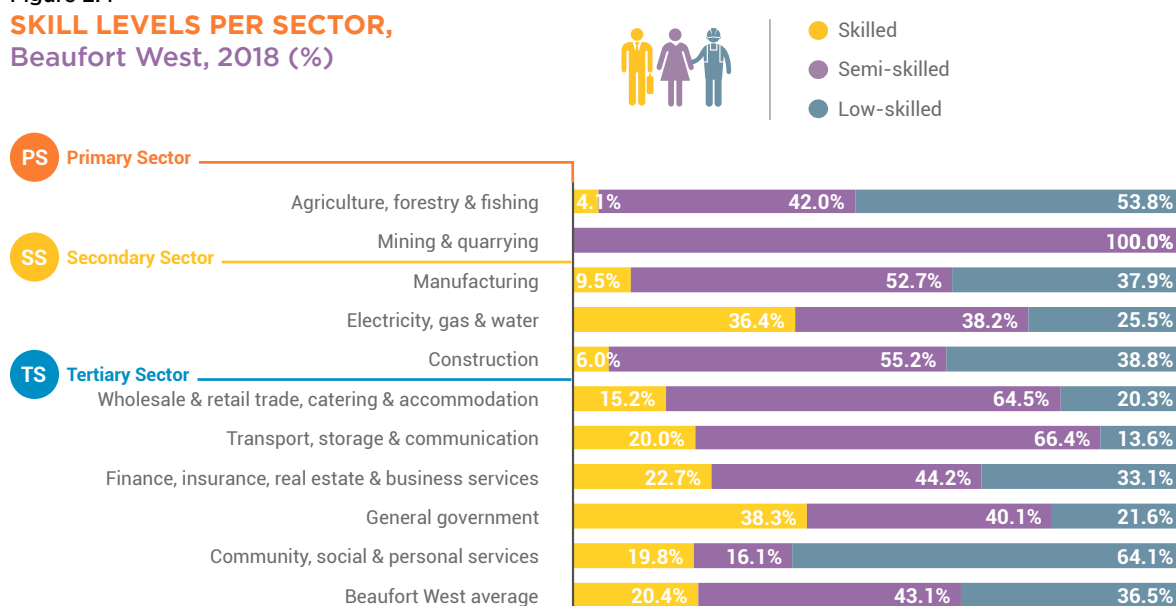
¹⁴ It should be noted that in 2015 a new master sample was implemented in the Quarterly Labour Force Survey (QLFS), which may have impacted the data owing to variations in its design (Stats SA, 2015).

labour force were the worst affected. In 2018, 134 new jobs were created, mainly for skilled and semi-skilled people, while it is estimated that 99 additional jobs were created in 2019 across the skill levels. The decline in job creation between 2018 and 2019 is attributable to the prevalent drought conditions affecting the region.

The skill level of employed people by sector in 2018 is illustrated in Figure 2.4 below. Overall, a substantial proportion (43.1 per cent) of the Beaufort West municipal area's working population are semi-skilled. The second largest group of the labour force is low-skilled (36.5 per cent), and skilled workers account for 20.4 per cent of employed people.

The low levels of skills in the Beaufort West municipal area hamper business expansion and attracting new investment into the local economy¹⁵.

Figure 2.4
SKILL LEVELS PER SECTOR,
Beaufort West, 2018 (%)



Source: Quantec Research, 2020

A significant proportion of skilled workers are employed in the general government (38.3 per cent) and electricity, gas and water (36.4 per cent) sectors. These sectors also rely on a substantial proportion of semi-skilled workers.

In contrast, a significant proportion of low-skilled people are employed in the community, social and personal services (64.1 per cent) and the agriculture, forestry and fishing (53.8 per cent) sectors. These sectors also rely on a substantial proportion of semi-skilled workers. The low level of skills required is related to the manual nature of the work that is done in these two sectors.

The agriculture, forestry and fishing sector is a vital economic pillar in the Beaufort West municipal area, and it is the sector that absorbs the second largest share of low-skilled workers. However, given the reoccurring drought conditions that the area is prone to, low-skilled workers are the most vulnerable to job losses in such conditions.

¹⁵ (Beaufort West Municipality, 2020).

2.3 PRINCE ALBERT

The Prince Albert municipal area spans 8 153 square kilometres on the southern edge of the Great Karoo¹⁶. The municipal area borders the Eastern Cape to the east. The town of Prince Albert is the economic hub of the municipal area. Other smaller towns in the municipal area are Leeu-Gamka and Klarstroom. The Prince Albert municipal area is renowned for its outdoor activities, as well as sheep, olive and fruit farms.





2.3.1 GDPR and employment performance

Diagram 2.2 depicts the value of the Prince Albert municipal economy and the size of the workforce between 2018 and 2019. In 2018, the economy of the Prince Albert municipality was valued at R493.7 million (current prices), with 3 879 people employed in the area. The increase in GDPR at current prices between 2018 and 2019 is as a result of inflation, but in real terms it is estimated that the GDPR contracted by 1.1 per cent in 2019. Despite the economic contraction, 11 more jobs were created in the municipal area.

Diagram 2.2

GDPR (CURRENT PRICES) AND EMPLOYMENT, Prince Albert, 2018 and 2019e

	2018		2019e
GDPR 	R493.7 MILLION	↓ -1.1% CONTRACTION	R505.2 MILLION
JOBS 	3 879	↑ 11 GROWTH	3 890

Source: Quantec Research, 2020 (e denotes estimate)

¹⁶ (Municipal Demarcation Board, 2018).

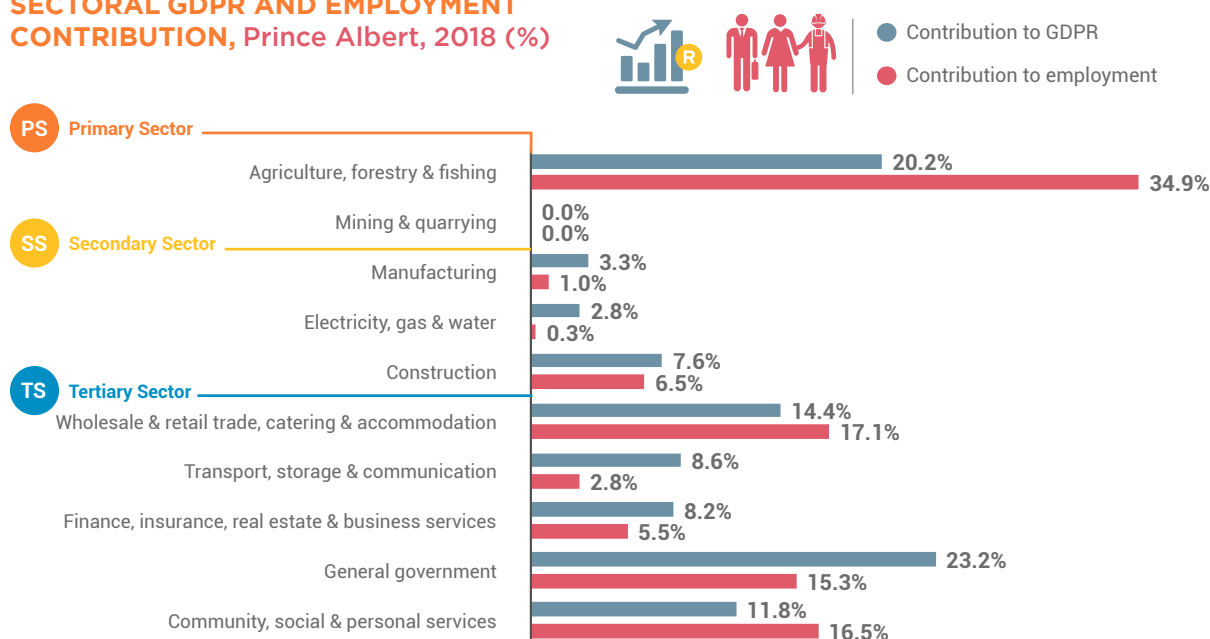


COVID-19 IMPACT

It is expected that the economy of the Prince Albert municipal area will contract by a further 1.1 per cent. The contraction in 2020 is attributable to the negative impact of the COVID-19 pandemic. It is estimated that in 2021 the economy will recover by the same margin.

A description of the sectors that contributed to the GDP and employment in the Prince Albert municipal area is provided in Figure 2.5.

Figure 2.5
SECTORAL GDP AND EMPLOYMENT
CONTRIBUTION, Prince Albert, 2018 (%)



Source: Quantec Research, 2020

In 2018, the general government sector contributed the largest GDP share to the local economy (23.2 per cent) and is also an important contributor to local employment (15.3 per cent). Conversely, the agriculture, forestry and fishing sector was the biggest contributor to employment (34.9 per cent) and the second biggest contributor to local GDP in the same year. The high reliance of the economy on the government and agriculture sectors makes for a volatile economy, as the government sector is often influenced by fiscal constraints, which have an impact on municipal spending and the associated economic impact. Furthermore, agricultural production is vulnerable to various external factors. Therefore, economic diversification by the smaller economies is needed in order to make these economies more resilient.


Notably, the mining and quarrying sector is inconsequential to the economy of the Prince Albert municipal area. The manufacturing and the electricity, gas and water sectors contribute a marginal proportion to GDP and employment creation. Notably, the large agricultural sector, coupled with a small manufacturing sector, suggests that there is a lack of beneficiation of local output in the Prince Albert municipal area.

The municipal area's capital-intensive sectors include the manufacturing; electricity, gas and water; construction; transport, storage and communication; finance, insurance, real estate and business services; and general government sectors. This is because the contribution of these sectors to GDP is bigger than the contribution to employment. The remaining sectors are labour-intensive sectors because their contribution to employment is generally bigger than their contribution to GDP. Overall, considering the size of the sectors that comprise the local economy, the Prince Albert municipal area is largely a labour-intensive economy.

Table 2.2 describes the performance of GDP and employment in the Prince Albert municipal area between 2014 and 2019.

Table 2.2

GDP AND EMPLOYMENT PERFORMANCE PER SECTOR, Prince Albert, 2018

		GDP			Employment		
		R million value 2018	Trend 2014 – 2018	Real GDP growth 2019e	Number of jobs 2018	Average annual change 2014 – 2018	Net change 2019e
SECTOR							
PS	Primary Sector	R99.5	0.5%	-9.0%	1 355	20	1
	Agriculture, forestry & fishing	R99.5	0.5%	-9.0%	1 355	20	1
	Mining & quarrying	-	-	-	-	-	-
SS	Secondary Sector	R67.4	1.4%	-2.8%	304	6	-26
	Manufacturing	R16.2	2.7%	-2.1%	40	-1	-2
	Electricity, gas & water	R13.9	2.7%	-0.2%	11	0	-
	Construction	R37.3	0.5%	-3.9%	253	6	-24
TS	Tertiary Sector	R326.8	2.2%	1.8%	2 220	67	36
	Wholesale & retail trade, catering & accommodation	R70.9	-0.1%	-0.4%	665	11	14
	Transport, storage & communication	R42.5	2.3%	-0.1%	108	1	3
	Finance, insurance, real estate & business services	R40.4	3.9%	4.4%	215	8	-
	General government	R114.8	2.6%	2.9%	592	14	18
	Community, social & personal services	R58.3	2.9%	1.9%	640	20	1
Total Prince Albert		R493.7	1.6%	-1.1%	3 879	80	11

Source: Quantec Research, 2020 (e denotes estimate)

In 2018, the tertiary sector was valued at R326.8 million, and employed 2 220 people, making it the largest contributor to GDP and employment. It is estimated that the tertiary sector grew by 1.8 per cent in 2019 and absorbed 36 additional people into the labour market. The wholesale and retail trade, catering and accommodation sector contributed a substantial share (R70.9 million) to the tertiary sector in 2018. However, it is estimated that in 2019 the sector contracted by 0.4 per cent. Owing to the importance of this sector in the local economy, the poor performance had a dampening effect on the economy of the Prince Albert municipal area. Furthermore, the wholesale and retail trade, catering and accommodation sector employed the largest number of people (665) in 2018, while the community, social and personal services sector employed the second

largest number of people (640) in the same year. The community, social and personal services sector refers to employment such as, inter alia, educational services, social work activities, health activities, waste disposal, library, archives, museums and other cultural activities and recreational and sporting activities¹⁷. This sector largely consists of public sector jobs. However, some private sector employment can be included. It is estimated that employment in the community, social and personal services sector stagnated in 2019 compared with the job creation in this sector in the previous five years, where it created an average of 20 jobs annually.

The secondary sector contributed R67.4 million to the local economy of Prince Albert in 2018. While this sector contributed the smallest share to the GDP, it did grow at the second highest rate between 2014 and 2018. However, it is estimated that in 2019 the GDP growth rate for the secondary sector contracted by 2.8 per cent. The construction industry contributed the largest share to the sector's economy in 2018 and had the highest estimated decline in 2019.

The primary sector was the second largest contributor (R99.5 million) to the local Prince Albert economy in 2018 and employed 1 355 people. However, the primary sector experienced the largest estimated GDP contraction of 9.0 per cent in 2019. This GDP contraction had a significant impact on the local economy, and was the main cause of the overall economic downturn in the municipal area. Despite the contraction, the sector did not shed any jobs.



COVID-19 IMPACT

Due to the COVID-19 containment measures that were implemented in March 2020, it has been projected that in the Prince Albert municipal area, the wholesale and retail trade, catering and accommodation sector will contract by 18.2 per cent in 2020. In 2019, this sector was the largest contributor to the local economy, both in terms of GDP and employment. Tourism is an important source of income in this sector, and the travel restrictions imposed will thus have a significant impact on the local sector. Other sectors that are estimated to experience severe declines are construction (17.8 per cent), transport, storage and communication (15.9 per cent) and manufacturing (14.8 per cent). The poor growth will probably result in an increase in job losses in the municipal area.



¹⁷ (Stats SA, 2020).



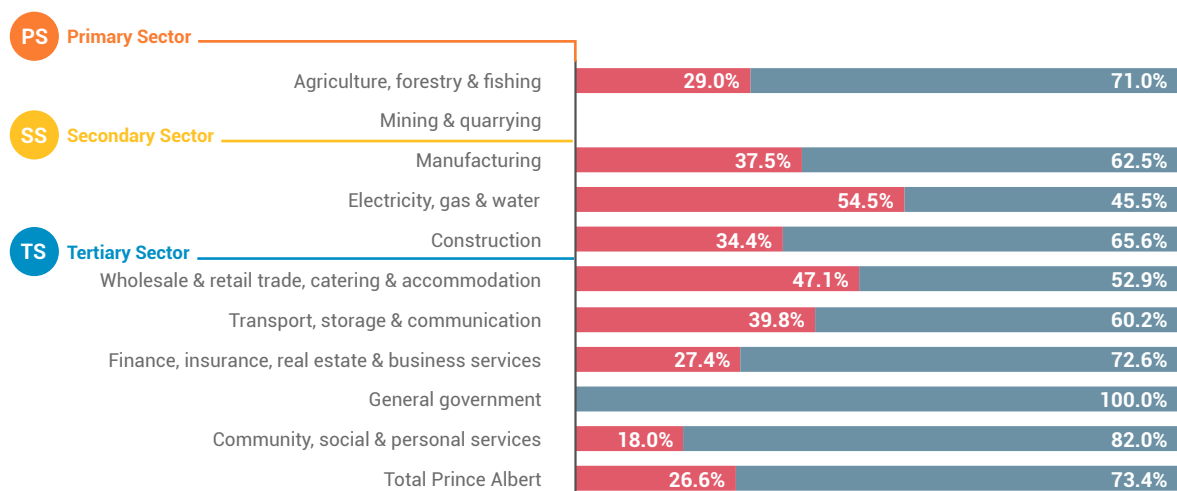
GROWTH POTENTIAL

The area north of the towns of Prince Albert, Laingsburg and Merweville is considered to be a potential mining hotspot because it has a high density of uranium deposits. Given the small economic contribution of this region to the provincial GDP and employment, the presence of this mineral resource presents a growth opportunity. The mining and quarrying sector in the CKD is insignificant and therefore the mining of uranium can provide an opportunity to diversify economic activity in the CKD and create new employment opportunities. However, while these uranium deposits have attracted the attention of several energy and mining companies, the resources are still largely underutilised. Furthermore, the mining of uranium could result in significant landscape transformation and biodiversity losses¹⁸.

Figure 2.6 illustrates the employment distribution in the Prince Albert municipal area in 2018.

Figure 2.6

INFORMAL EMPLOYMENT DISTRIBUTION, Prince Albert, 2018 (%)



Source: Quantec Research, 2020

On average, the majority (73.4 per cent) of the Prince Albert municipal area's employment is formal. However, some sectors have a large proportion of informal sector workers¹⁹, including the wholesale and retail trade, catering and accommodation sector (47.1 per cent), the transport,

¹⁸ (Western Cape Government, 2019).

¹⁹ 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).

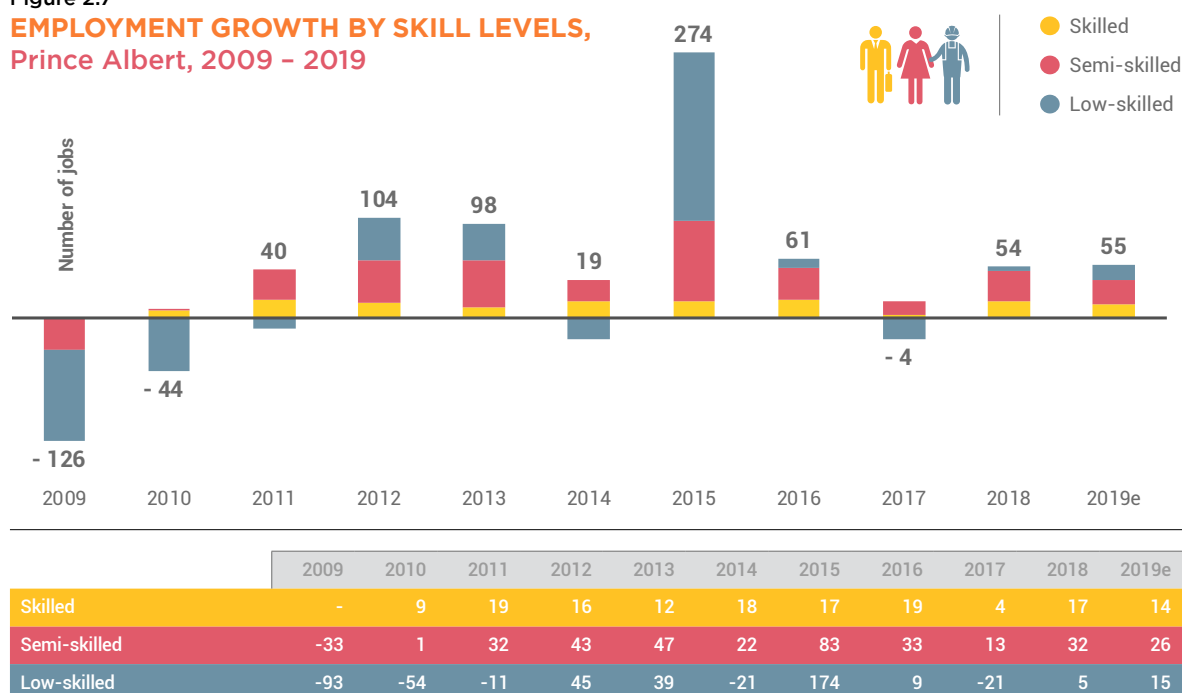
storage and communication sector (39.8 per cent), the manufacturing sector (37.5 per cent) and the construction sector (34.4 per cent). The Prince Albert municipal area's informal sector consists largely of low-skilled and semi-skilled workers²⁰. It includes restaurant servers, car guards, taxi drivers, laundromats and spaza shops, among others. The informal sector contributes to improved livelihood opportunities and poverty alleviation in the municipal area.

2.3.2 Skills analysis

This subsection considers the employment dynamics by skill levels between 2009 and 2019 in the Prince Albert municipal area. Figure 2.7 illustrates that the Prince Albert municipal area's employment growth follows the same trend as the district level.

Figure 2.7

EMPLOYMENT GROWTH BY SKILL LEVELS, Prince Albert, 2009 – 2019



Source: Quantec Research, 2020 (e denotes estimate)

In 2009 and 2010, substantial job losses (170 jobs) were experienced in the area, most of which were for low-skilled workers (147 jobs). In 2011, employment of low-skilled workers continued to decline, while some additional jobs were created for skilled and semi-skilled workers. The Prince Albert municipal area created 274 jobs in 2015²¹ - the highest annual job opportunities created during the entire period under review - particularly for low-skilled workers and a substantial number for semi-skilled workers. However, the number of additional jobs created declined significantly between 2015 and 2019. The marked decline in employment creation is linked to the drought conditions experienced in South Africa between 2015 and 2016, and the drought that began in 2018. Consequently, the number of new jobs that were created between 2018 and 2019 remained stagnant. However, in 2019 more low-skilled jobs were created compared with 2018.

²⁰ (Prince Albert Local Municipality, 2017).

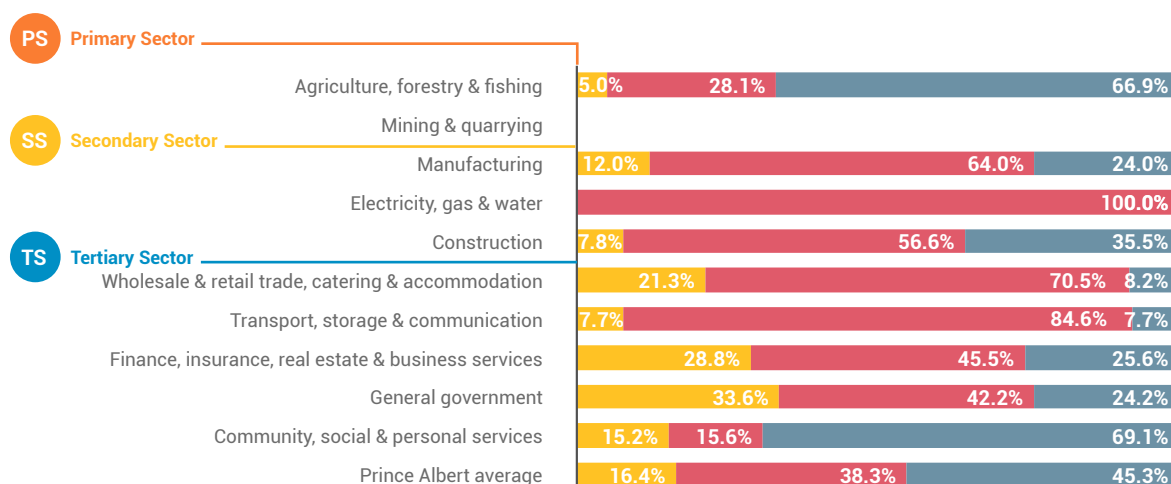
²¹ It should be noted that in 2015 a new master sample was implemented in the Quarterly Labour Force Survey (QLFS), which may have impacted the data owing to variations in its design (Stats SA, 2015).

Figure 2.8 depicts the Prince Albert municipal area's skill levels by sector for 2018 for formally employed workers.

Figure 2.8
SKILL LEVELS PER SECTOR,
Prince Albert, 2018 (%)



● Skilled
● Semi-skilled
● Low-skilled



Source: Quantec Research, 2020

Note: There are no formally employed workers in the mining and quarrying sector in this municipality.

On average, 45.3 per cent of employed people consisted of low-skilled workers in 2018. The proportion of semi-skilled and skilled workers was 38.3 per cent and 16.4 per cent respectively. The low level of skills in the municipal area is one of the main constraints for formal businesses²². The general government sector is the largest contributor to the economy of the Prince Albert municipal area and mainly provides opportunities for semi-skilled workers (42.2 per cent), followed by skilled workers (33.6 per cent).

The agriculture, forestry and fishing sector is an important pillar of the Prince Albert municipal area. Positively, this sector largely consisted of formal employment (71.0 per cent). However, most of the workers in the sector are low-skilled (66.9 per cent). Another sector that largely comprises low-skilled workers in the Prince Albert municipal area is the community, social and personal services sector (69.1 per cent).

²² (Prince Albert Municipality, 2020).

2.4 LAINGSBURG

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



2.4.1 GDPR and employment performance

Diagram 2.3 illustrates the value of the Laingsburg municipal economy and the size of the workforce between 2018 and 2019. In 2018, the economy of the Laingsburg municipal area was valued at R436.0 million (current prices), with 2 928 people employed in the area. The increase in GDPR at current prices between 2018 and 2019 is as a result of inflation, but in real terms it is estimated that the GDPR contracted by 1.9 per cent in 2019. Despite the economic contraction, 39 additional jobs were created in the municipal area.



Diagram 2.3

GDPR (CURRENT PRICES) AND EMPLOYMENT
Laingsburg, 2018 and 2019e

	2018		2019e
GDPR 	R436.0 MILLION	↓ -1.9% CONTRACTION	R444.6 MILLION
JOBS 	2 928	↑ 39 GROWTH	2 967

Source: Quantec Research, 2020 (e denotes estimate)



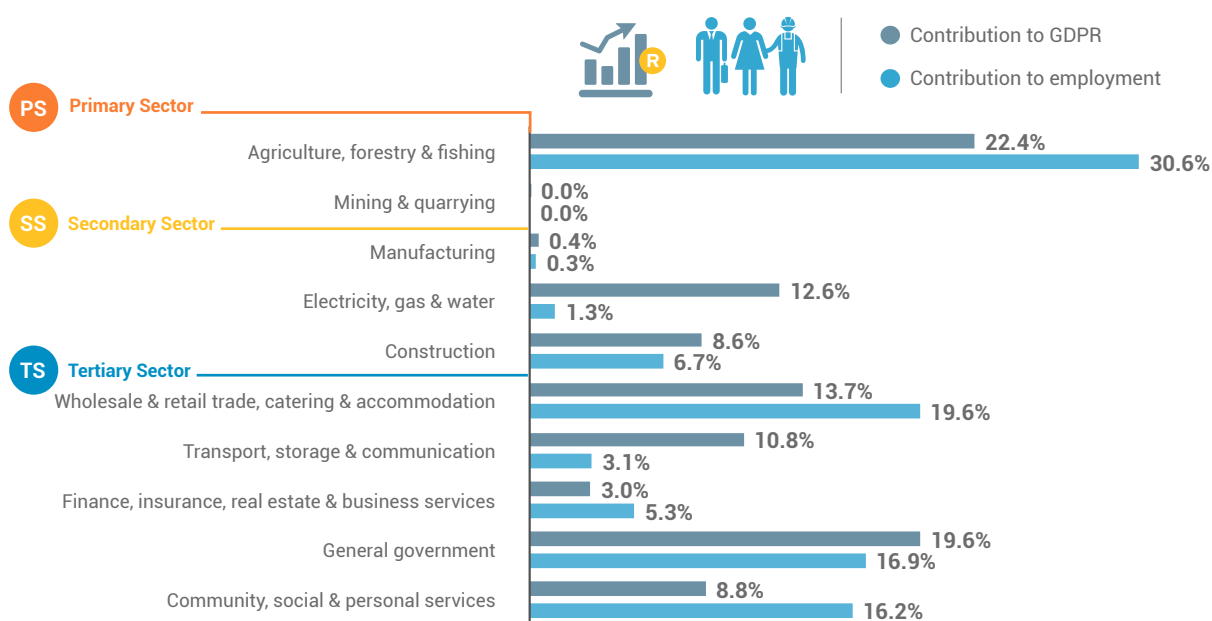
COVID-19 IMPACT

As a result of the adverse impact of the COVID-19 pandemic, the Laingsburg municipal area is expected to further contract by 1.8 per cent in 2020. A slight recovery of 0.8 per cent is projected for 2021. However, given the poor economic performance prior to 2020, households in the Laingsburg municipal area will remain under pressure.

Figure 2.9 portrays the sectoral contribution of the Laingsburg municipality to GDP and employment in the local municipality in 2018.

Figure 2.9

SECTORAL GDP AND EMPLOYMENT CONTRIBUTION, Laingsburg, 2018 (%)



Source: Quantec Research, 2020


The agriculture, forestry and fishing sector contributed the largest share to GDP (22.4 per cent) and employment (30.6 per cent). The second largest contributor to GDP was the general government (19.6 per cent) sector. Conversely, the wholesale and retail trade, catering and accommodation sector was the second largest contributor to employment (19.6 per cent).

The manufacturing; electricity, gas and water; construction; transport, storage and communication, and general government sectors are considered to be capital-intensive sectors because their contribution to GDP is large compared with the contribution to employment. Conversely, the agriculture, forestry and fishing; wholesale and retail trade, catering and accommodation; finance, insurance, real estate and business services, and community, social and personal services sectors are labour-intensive sectors.

Table 2.3 describes the sectoral performance of the Laingsburg municipal area's contribution to GDP and employment between 2014 and 2018.

Table 2.3

GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Laingsburg, 2018

		GDPR			Employment	
SECTOR		R million value 2018	Trend 2014 – 2018	Real GDP growth 2019e	Number of jobs 2018	Average annual change 2014 – 2018
PS	Primary Sector	R97.6	-0.2%	-9.1%	897	18
	Agriculture, forestry & fishing	R97.5	-0.2%	-9.1%	897	18
	Mining & quarrying	R0.1	-0.9%	-3.6%	-	-
SS	Secondary Sector	R94.3	2.9%	-1.2%	243	13
	Manufacturing	R1.9	-1.0%	-3.2%	9	-
	Electricity, gas & water	R54.8	1.6%	-1.7%	38	1
	Construction	R37.7	4.9%	-0.4%	196	12
TS	Tertiary Sector	R244.1	1.6%	1.2%	1 788	48
	Wholesale & retail trade, catering & accommodation	R59.7	0.5%	-0.3%	574	14
	Transport, storage & communication	R47.0	0.7%	-0.8%	91	2
	Finance, insurance, real estate & business services	R13.2	1.7%	2.1%	154	6
	General government	R85.6	2.4%	2.8%	494	13
	Community, social & personal services	R38.5	2.9%	2.1%	475	14
	Total Laingsburg	R436.0	1.3%	-1.9%	2 928	79

Source: Quantec Research, 2020 (e denotes estimate)

In 2018, the tertiary sector accounted for the largest share of the Laingsburg municipal area's GDP (R224.1 million) and employed 1 788 people. The general government sector contributed the largest share (R85.6 million) of the sector's GDP. However, the wholesale and retail trade, catering and accommodation sector contributed the largest to employment (574 jobs). It is estimated that in 2019, the general government sector grew by 2.8 per cent, finance, insurance, real estate and business services grew by 2.1 per cent and community, social and personal services grew by 2.1 per cent. These growth rates were all higher than the sectoral average of 1.2 per cent. Conversely, contractions were experienced in the wholesale and retail trade, catering and accommodation (0.3 per cent) and transport, storage and communication (0.8 per cent) sectors. These sectoral contractions were offset by growth in the finance, insurance, real estate and business services, and community, social and personal services sectors.

Despite the estimated contraction in the wholesale and retail trade, catering and accommodation sector, the sector is estimated to have created 24 jobs in 2019. The opening of a Savers Lane supermarket, Puma and KFC in the Laingsburg municipal area contributed to the increase in employment in this sector²³.

²³ (Laingsburg Municipality, 2020).

The secondary sector was valued at R94.3 million in 2018 and employed 243 people in the same year. The electricity, gas and water sector was the largest contributor to the GDP of the secondary sector (R54.8 million). However, it only employed 38 people. Conversely, the construction sector contributed R37.7 million to GDP and created the largest number of jobs (196) in the sector. The construction sector grew by an estimated 4.9 per cent per annum between 2014 and 2018, which had a positive impact on the overall economic performance of the local economy. However, this sector contracted by an estimated 0.4 per cent in 2019 and shed 11 jobs. One contributing factor to the growth in the construction sector could be the construction of agricultural and water infrastructure such as boreholes as a means to improve water security in the region²⁴.

The primary sector was the second largest contributor to the Laingsburg municipal area's economy. The GDP of the primary sector was valued at R97.6 million in 2018 and 897 jobs were created in the same year. The primary sector is driven by the agriculture, forestry and fishing sector, which accounted for R97.5 million of the total R97.6 million GDP contribution. The contribution of the mining and quarrying sector is insignificant in the local economy. Notably, it is estimated that in 2019 the primary sector experienced the largest contraction of 9.1 per cent in GDP. This sharp decline was the result of the persistent drought conditions experienced in Southern Africa from 2018. The drought had a severe and adverse impact on the agriculture, forestry and fishing sector.



COVID-19 IMPACT

In the Laingsburg municipal area, the impacts of the COVID-19 pandemic are estimated to be more severely experienced in the manufacturing sector, where a 24.5 per cent contraction is projected for 2020. The wholesale and retail trade, catering and accommodation sector and the transport, storage and communication sector are estimated to contract by 19.3 per cent and 17.3 per cent respectively. The agriculture, forestry and fishing sector is the main driver of economic growth and employment in the Laingsburg municipal area. A GDP growth of 13.8 per cent is estimated for the municipal area's agriculture, forestry and fishing sector in 2020; this can be attributed to the lockdown regulations, which classified the sector as being "essential", as well as the increase in demand for some agricultural produce.

The severe economic contractions in most sectors will probably result in an increase in local unemployment. This will reduce household incomes and increase the reliance on government support programmes, such as income grants and free basic services. However, revenue collection will also probably become constrained, adding pressure to local government.



GROWTH POTENTIAL

The agriculture sector is a key driver of the local economy in the CKD. However, it is vulnerable to droughts and poor irrigation systems. This puts a constraint on production and consequently farmers in the CKD have formed partnerships to mitigate the impacts. As a result of reduced animal supply, many local abattoirs are not operational. A single abattoir in Beaufort West town is therefore mainly used to minimise the costs associated with upgrading non-operational abattoirs and to maximise access to the value chain. Furthermore, the CKD has plans to implement Agri Parks in an effort to attract and support small and emerging farmers²⁵.

²⁴ (Western Cape Government, 2019).

²⁵ (Central Karoo District Municipality, 2017).

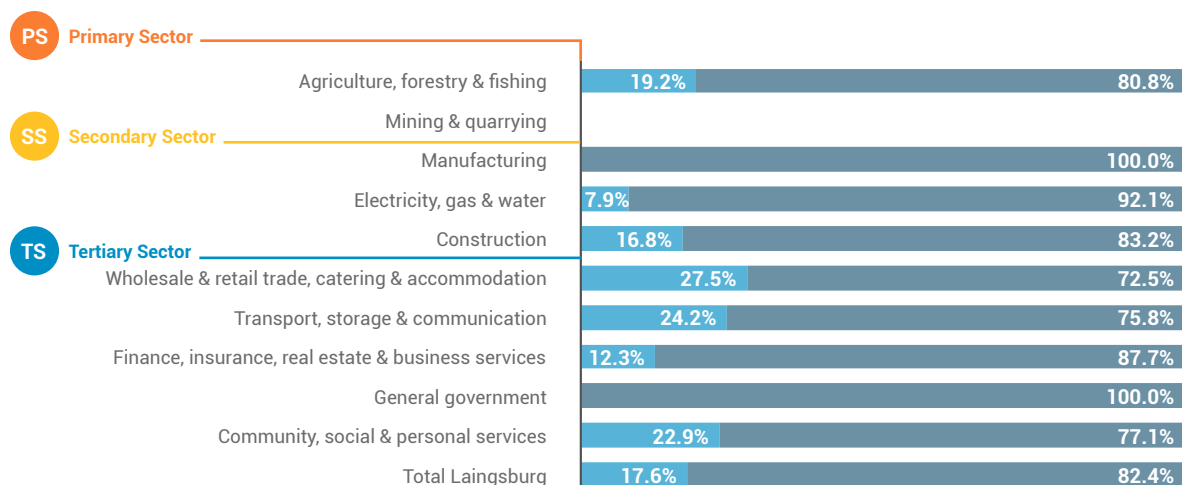
Figure 2.10 illustrates the sectoral employment distribution in the Laingsburg municipal area.

Figure 2.10

**INFORMAL EMPLOYMENT DISTRIBUTION,
Laingsburg, 2018 (%)**



- Proportion informal employment
- Proportion formal employment



Source: Quantec Research, 2020

On average, 82.4 per cent of the municipal area's employment distribution is formal employment, with only 17.6 per cent of workers being informally employed²⁶. The agriculture, forestry and fishing (19.2 per cent), wholesale and retail trade, catering and accommodation (27.5 per cent), transport, storage and communication (24.2 per cent) and community, social and personal services (22.9 per cent) sectors contribute a more-than-average proportion to informal employment.

The remoteness of the Laingsburg municipal area poses a challenge for informal and small businesses, as it hampers easy access to supplies. Access to goods is further constrained by the lack of public transport in the area²⁷.



²⁶ 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.

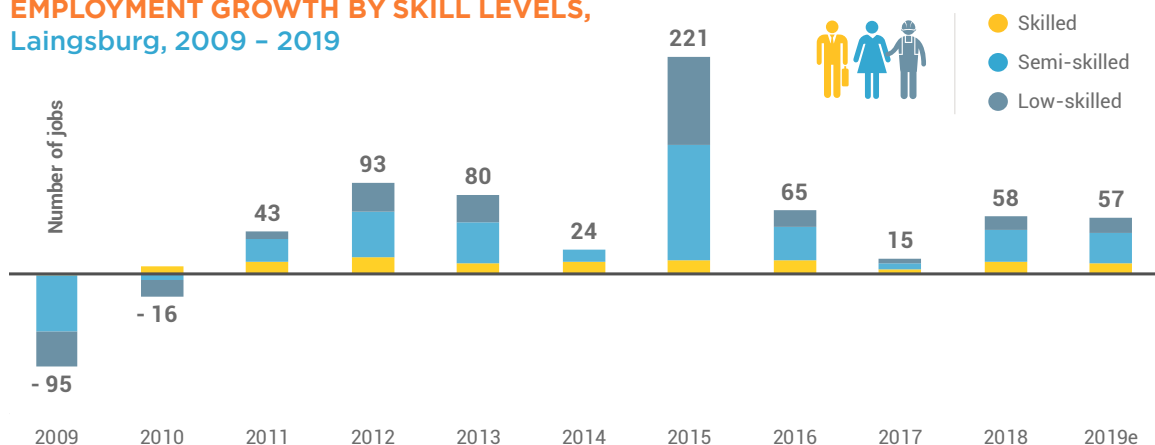
²⁷ (Laingsburg Municipality, 2020).

2.4.2 Skills analysis

The changes in employment by skill levels in the Laingsburg municipal area between 2009 and 2019 are illustrated in Figure 2.11 below. Generally, the employment growth trend in the municipal area followed the employment trends at district level.

Figure 2.11

EMPLOYMENT GROWTH BY SKILL LEVELS, Laingsburg, 2009 - 2019



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e
Skilled	-2	8	12	16	11	12	14	14	5	12	10
Semi-skilled	-57	-7	23	47	42	12	117	33	5	33	32
Low-skilled	-36	-17	8	30	27	-	90	18	5	13	15

Source: Quantec Research, 2020 (e denotes estimate)

In 2009 and 2010 combined, the Laingsburg municipal area's economy shed 111 jobs, most of which were for semi-skilled and low-skilled workers. By 2012, the local economy had recovered the lost jobs.

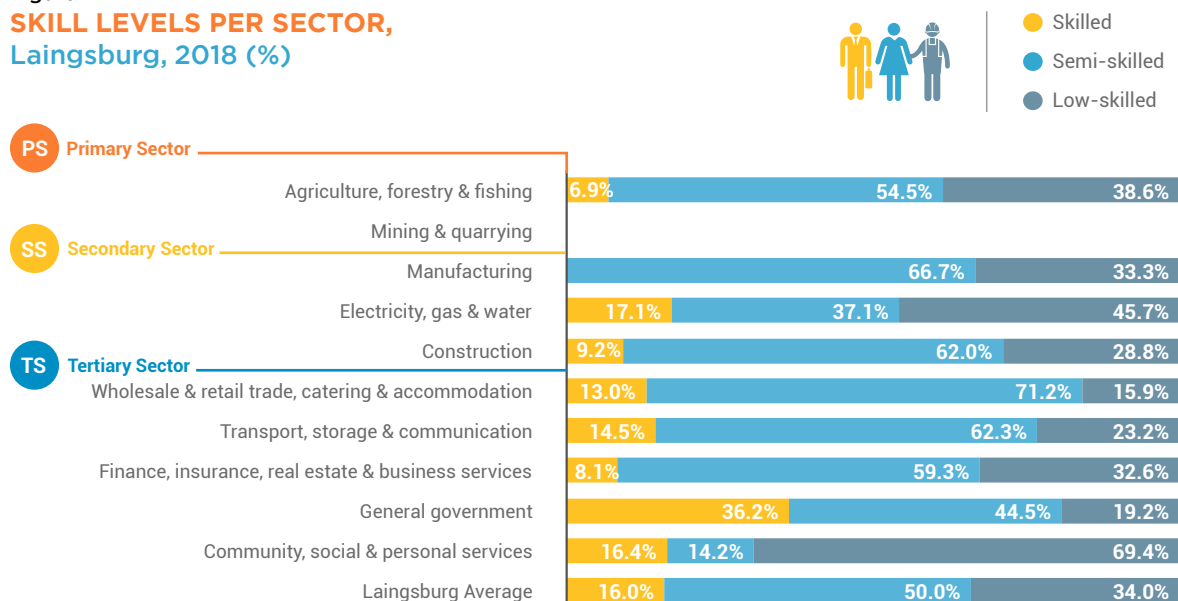
In 2015, the economy of the Laingsburg municipal area absorbed the highest number of employees in the review period. The majority of the jobs were for semi-skilled (117) and low-skilled (90) employees, while a marginal number were for skilled employees (14). As a result of drought conditions that were experienced in 2015, a marked decline in job opportunities was created in the municipal area in the subsequent years.



Figure 2.12 illustrates the sectoral employment by skill levels.

Figure 2.12

**SKILL LEVELS PER SECTOR,
Laingsburg, 2018 (%)**



Source: Quantec Research, 2020

Note: There are no formally employed workers in the mining and quarrying sector in this municipality.

Overall, semi-skilled people accounted for the majority (50.0 per cent) of employed people in the Laingsburg municipal area. This is followed by low-skilled employees, who accounted for 34.0 per cent of workers. Skilled workers made up the remaining share (16.0 per cent).

The agriculture, forestry and fishing (6.9 per cent), construction (9.2 per cent), wholesale and retail trade, catering and accommodation (13.0 per cent) and finance, insurance, real estate and business services (8.1 per cent) sectors accounted for a below-average share of the skilled labour force in the municipal area. Notably, the general government sector accounted for the largest share (36.2 per cent) of the skilled workers across all the sectors in the Laingsburg municipal area.



POTENTIAL RISKS

The status of the land cover in the CKD is largely natural, with minimal transformation and pockets of degradation mainly in Beaufort West, Prince Albert and Murraysburg. The Laingsburg municipal area encompasses vast (47 per cent) Critical Biodiversity Areas (CBAs), which include formally protected and conservation areas²⁸. Significant CBAs are also present in Murraysburg, Beaufort West and Prince Albert. Generally, CBAs in the CKD are not adequately connected, and the riverine habitats are not sufficiently protected from overgrazing and other potential developments. This will lead to a loss of biodiversity if it is not properly managed. Conversely, this land is located strategically for the development of new business areas.

²⁸ (Laingsburg Municipality, 2017).

2.5 CONCLUDING REMARKS

This chapter discussed the sectoral growth, employment trends and skill levels for each municipal area in the CKD. The Beaufort West municipal area had the highest contribution to GDP in the CKD. However, the economy declined in 2019 and shed 16 jobs. The general government sector contributed the largest share of GDP to the local economy, while the wholesale and retail trade, catering and accommodation sector absorbed the largest share of workers in 2018. Overall, it is estimated that the tertiary sector will be the only sector that will experience growth in 2019, although this is marginal. It is estimated that the biggest economic loss was experienced in the primary sector in the same year.

In the Prince Albert municipal area it is estimated that the GDP declined between 2018 and 2019. However, 11 new jobs were created. The general government sector contributed the largest GDP share to the local economy, while the agriculture, forestry and fishing sector was the biggest contributor to employment. The tertiary sector was the largest contributor to the local economy, followed by the primary sector.

Between 2018 and 2019, the Laingsburg municipal area experienced the biggest economic decline in the CKD. However, this municipal area accounted for the largest number of jobs in the economy. The agriculture, forestry and fishing sector contributed the largest share to the local economy, as well as to employment.

The economies of the Prince Albert and Laingsburg municipal areas are reliant on the agriculture, forestry and fishing sector, and this makes these economies vulnerable to industry shocks, primarily climate change and water scarcity. Furthermore, the general government sector is a key contributor to the GDP and employment of the Beaufort West, Prince Albert and Laingsburg municipal areas' economies. The general government sector is vulnerable to continuous budget cuts, which influence its spending and economic impact. Subsequently, the reliance of these economies on agricultural production and the government makes for a volatile economy and requires economic diversification to make them more resilient.

3

TRADE, TOURISM AND INVESTMENT

3.1 INTRODUCTION

The economy of a district or local municipality is influenced by local household spending. Furthermore, the local and international business trade of goods and services, and tourism (domestic and international) are also considered to be key components of an area's economy. Exports and tourism are considered to be injections into the economy. Conversely, imports are considered to be leakages.

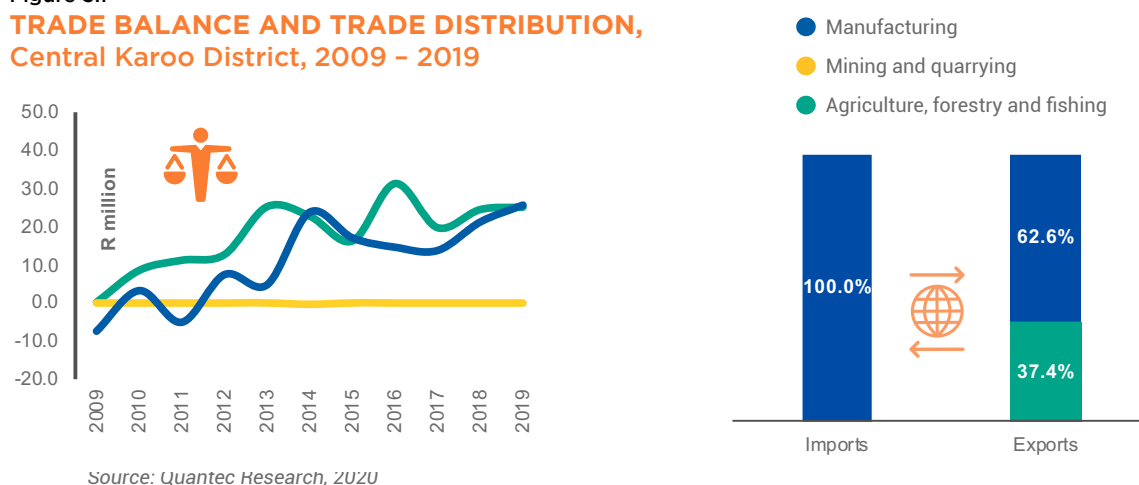
In this section, the trade and tourism dynamics of the CKD are discussed. This will be essential for identifying new opportunities for development or investment in order to maximise the value of potential injections into the district economy.

3.2 INTERNATIONAL TRADE

Figure 3.1 depicts the trade balance and distribution in the CKD between 2009 and 2019.

Figure 3.1

TRADE BALANCE AND TRADE DISTRIBUTION, Central Karoo District, 2009 – 2019



The CKD has recorded a positive trade balance since 2010. The positive trade balance was sustained by the net exports achieved by the agriculture, forestry and fishing sector between 2010 and 2013. However, from 2014, the manufacturing sector's contribution to the local trade balance grew significantly. In fact, between 2014 and 2015, the manufacturing sector was the largest contributor to the positive trade balance. Food and beverages, metals, metal products and equipment, and electrical machinery and apparatus are the predominantly manufactured products in the CKD²⁹. The agriculture, forestry and fishing sector regained its position as the largest contributor from 2016 to 2019. The highest trade surplus was achieved in 2019 (R51.0 million). The export market consisted mainly of dairy products such as buttermilk, milk and cream, and beverages.

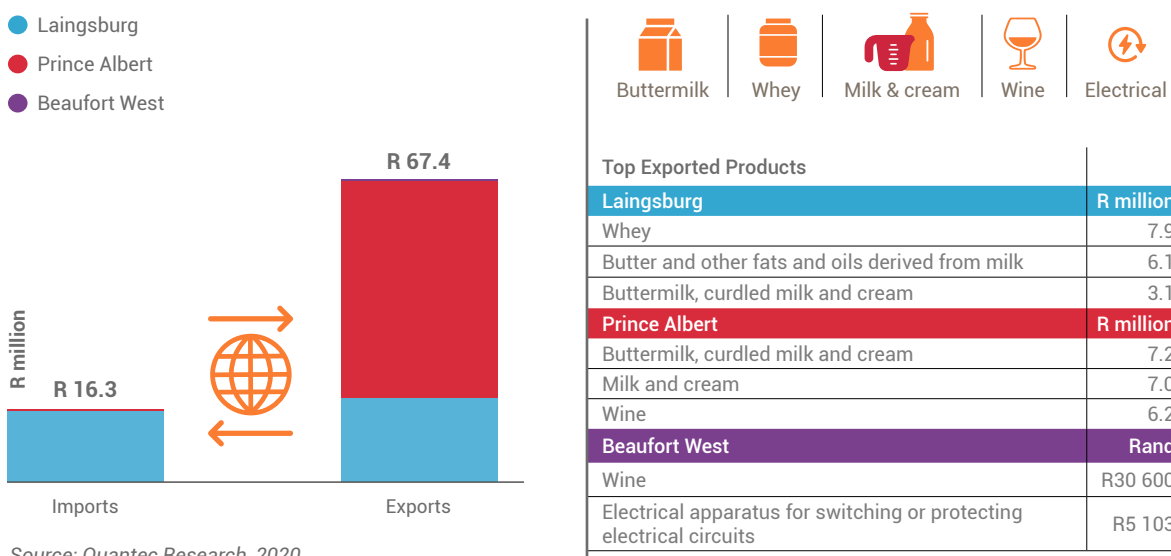
In terms of the trade distribution, the manufacturing sector accounted for 62.6 per cent of export revenue in 2019, while the remaining 37.4 per cent of the export income is attributed to agricultural produce. Conversely, manufactured products accounted for all the commodities imported into the CKD economy in 2019. These products include animal feed and machinery for processing and packaging.

It is evident that a direct relationship exists between the agriculture, forestry and fishing and manufacturing sectors. Agricultural produce serves as an input into the manufacturing sector. Notably, the contribution of the mining and quarrying sector to the District's trade balance and distribution is insignificant.

²⁹ (Central Karoo District Municipality, 2017).

Figure 3.2 depicts the value of imports and exports in the CKD by municipal area.

Figure 3.2
IMPORTS AND EXPORTS PER MUNICIPAL AREA,
Central Karoo District, 2019



Source: Quantec Research, 2020

The CKD imported goods to the value of R16.3 million in 2019. Valued at R48.4 million, the Prince Albert municipal area accounted for the largest share of the District's exports in 2019. The remaining share of exports was contributed by the Laingsburg municipal area (R19.0 million). The Beaufort West municipal area, despite having the largest local economy, accounted for an insignificant share of the export income in the CKD (R35 703.0). The large share of exports emanating from the Prince Albert and Laingsburg municipal areas is related to the high agricultural activity that is prevalent in these regions.

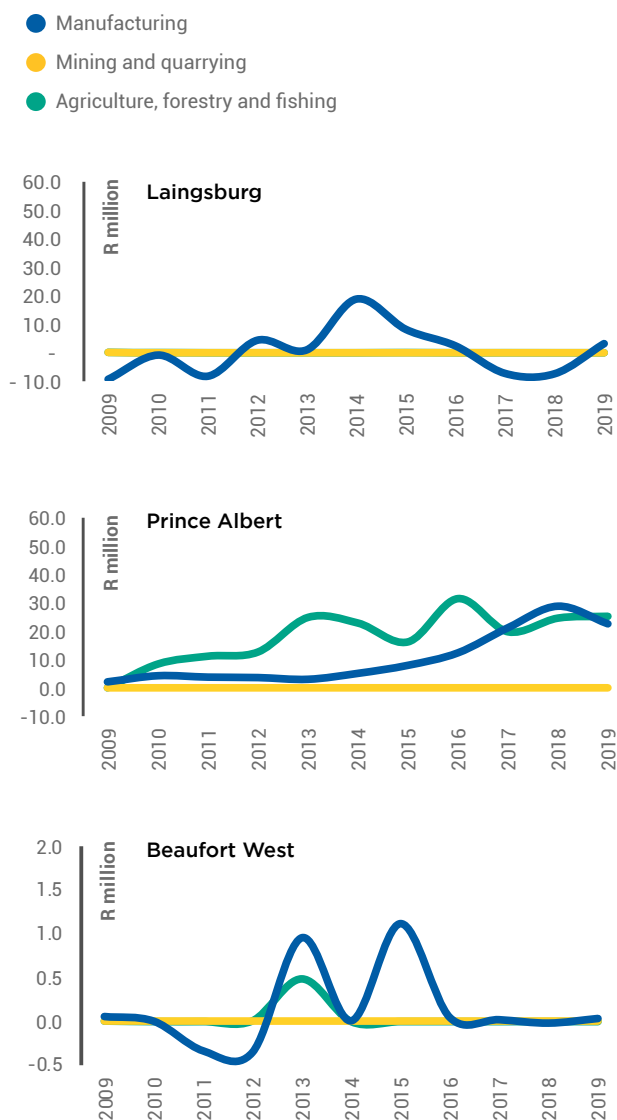
The CKD exported goods to the value of R67.4 million in 2019. The Laingsburg municipal area accounted for the largest share of imports (R15.8 million) in the CKD, while the remaining share, valued at R600 000, was contributed by the Prince Albert municipal area. Generally, in the Prince Albert municipal area there were significantly more exports than imports in 2019. This means that more income was injected into the economy of the municipal area. In the Laingsburg municipal area, the difference between the export and import value was marginal, although the value of exports was greater than the value of imports.





In Figure 3.3, the trade balance for each municipal area in the CKD is illustrated for the period 2009 to 2019.

Figure 3.3
TRADE BALANCE PER MUNICIPAL AREA,
Central Karoo District, 2009 – 2019



Source: Quantec Research, 2020

The trade balance of the Laingsburg municipal area is influenced by trade from the manufacturing sector. Between 2008 and 2011, the municipal area experienced a negative trade balance. However, as a result of a growth in manufactured products, the Laingsburg municipal area recorded a positive trade balance between 2012 and 2016. Overall, the largest surplus in the production of manufactured products in the municipal area was in 2014. Between 2017 and 2018, the trade balance of the Laingsburg municipal area took a dip as a result of significant declines in manufacturing activity. The decline in manufacturing is related to the decline in agricultural production in the preceding year, when drought conditions were prevalent.

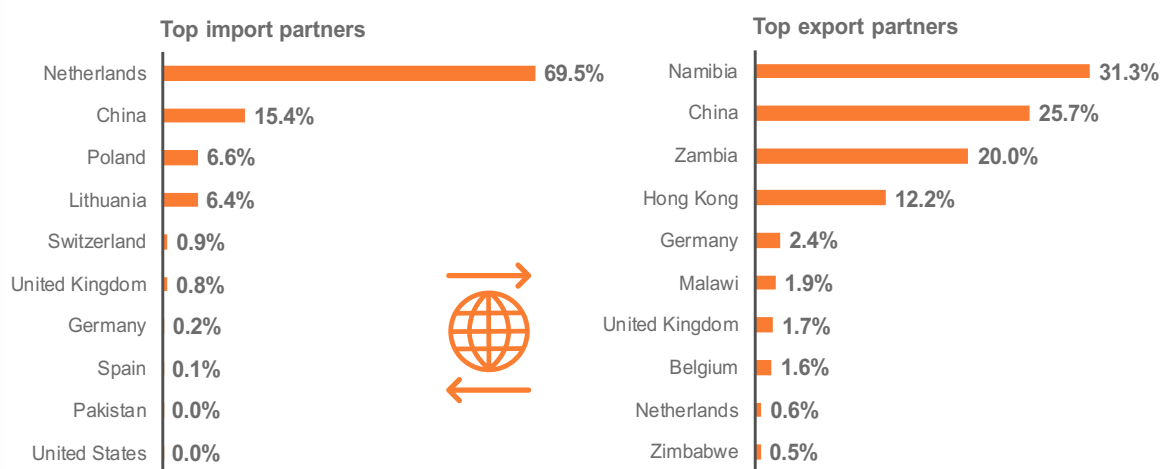
In the Prince Albert municipal area, both the agriculture, forestry and fishing and manufacturing sectors sustained the trade balance. A positive trade balance was experienced throughout the period under review. The largest surplus was experienced in 2018. However, in 2019 a decline in the trade balance was recorded as a result of reduced exports of manufactured goods.

In the period under review, the Beaufort West municipal area contributed the least to the trade balance of the CKD.

Figure 3.4 illustrates the top 10 trading partners of the CKD in 2019.

Figure 3.4

TOP 10 TRADING PARTNERS, Central Karoo District, 2019



Source: Quantec Research, 2020

The main import partner of the CKD in 2019 was the Netherlands, which accounted for 69.5 per cent of the total imports into the District. Conversely, in terms of exports, the Netherlands accounted for a small share of 0.6 per cent. In current prices, the CKD imported goods to the value of R11.3 million from the Netherlands, while exports to the Netherlands were valued at R404 473. Consequently, a trade deficit of just below R11.0 million between the Netherlands and the CKD was realised in 2019.

China was the second largest import partner and accounted for 15.4 per cent of the total imports into the CKD. On the other hand, China also comprised a significant share of the total exports into the CKD (25.7 per cent). Given the high import and export share with China, we can deduce that China is the main trading partner of the CKD. Furthermore, in rand terms, there was a trade surplus of R14.8 million (current prices) between China and the CKD.

While Poland (6.6 per cent) and Lithuania (6.4 per cent) were also important import trade partners to the CKD, there were no exports from the CKD to these economies. On the other hand, Namibia (31.3 per cent) was the leading export destination from the CKD in 2019, while Zambia (20.0 per cent) was the second largest African export destination.

Table 3.1 shows the top 10 products that were imported into the CKD in 2019, their associated value and the main trading partners.



IMPORTS

Table 3.1
MAIN IMPORT PRODUCTS,
Central Karoo District, 2019

PRODUCT	R million 2019	% share	Main trading partners
Preparations of a kind used in animal feeding	11.4	69.5%	Netherlands
Dishwashing machines; machinery for cleaning or drying bottles or other containers; machinery for filling, closing, sealing or labelling bottles, cans, boxes, bags or other containers; machinery for capsuling bottles, jars, tubes and similar containers	1.5	9.0%	China
Food preparations not elsewhere specified or included	1.1	6.6%	Poland
Whey, whether or not concentrated or containing added sugar or other sweetening matter; products consisting of natural milk constituents, whether or not containing added sugar or other sweetening matter, not elsewhere specified or included	1.1	6.4%	Lithuania
Machinery, not specified or included elsewhere in this chapter, for the industrial preparation or manufacture of food or drink, other than machinery for the extraction or preparation of animal or fixed vegetable fats or oils	0.7	4.1%	Lithuania
Postage or revenue stamps, stamp post marks, first-day covers, postal stationery (stamped paper), and the like, used or unused	0.3	1.6%	Switzerland
Electrical machines and apparatus, having individual functions	0.2	1.5%	China
Other lifting, handling, loading or unloading machinery (for example, lifts, escalators, conveyors, teleferics)	0.1	0.6%	China
Printed books, brochures, leaflets and similar printed matter, whether or not in single sheets	0.1	0.3%	United Kingdom
Printing ink, writing or drawing ink and other inks, whether or not concentrated or solid	0.0	0.1%	China
Total imports	16.3		

Source: Quantec Research, 2020

The main commodity imported into the CKD in 2019 was 'preparations of a kind used in animal feeding'. This commodity is classified through the use of a universally accepted trade system and refers to the content of milk products, starch, glucose, glucose syrup, maltodextrin and maltodextrin syrup that are contained in animal food³⁰. The commodity was valued at R11.4 million and accounted for 69.5 per cent of the total imports into the District in 2019. The commodity was imported mainly from the Netherlands and can be attributed to the commercial sheep farming that is prevalent in both the Laingsburg and Prince Albert municipal areas.

³⁰ (European Union, 2020).

The second largest import commodity into the CKD was dishwashing machines and machinery for processing and packaging purposes valued at R1.5 million. These products were mainly imported from China and accounted for 9.0 per cent of the total imports into the CKD in 2019. Furthermore, China is an important trading partner for other commodities, including electrical machines and apparatus (1.5 per cent), other lifting, handling, loading or unloading machinery (0.6 per cent) and printing ink, writing or drawing ink and other inks (0.1 per cent).

Table 3.2 demonstrates the value and main trading partners of the top 10 product categories that were exported from the CKD in 2019.



EXPORTS

Table 3.2
MAIN EXPORT PRODUCTS,
Central Karoo District, 2019

PRODUCT	R million 2019	% share	Main trading partners
Crustaceans, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine	25.2	37.4%	China
Buttermilk, curdled milk and cream, yoghurt, kephir and other fermented or acidified milk and cream	10.3	15.2%	Namibia, Zambia
Whey, whether or not concentrated or containing added sugar or other sweetening matter	7.9	11.7%	Zambia
Milk and cream, not concentrated nor containing added sugar or other sweetening matter	7.0	10.4%	Namibia
Wine of fresh grapes	6.3	9.3%	Germany, United Kingdom, Belgium
Butter and other fats and oils derived from milk	6.1	9.0%	Namibia, Zambia
Food preparations not elsewhere specified or included	1.4	2.1%	Malawi
Fruit and nuts, provisionally preserved	1.0	1.5%	Namibia
Self-propelled bulldozers, angledozer, graders, levellers, scrapers, mechanical shovels, excavators, shovel loaders, tamping machines and road rollers	0.4	0.5%	Zimbabwe
Cheese and curd	0.3	0.5%	Namibia
Total exports	67.4		

Source: Quantec Research, 2020

The main export commodities from the CKD were agricultural produce to various trading partners, mainly in Southern Africa. These commodities include buttermilk, curdled milk and cream, yoghurt, kephir and other milk and cream (15.2 per cent), whey (11.7 per cent) and milk and cream (10.4 per cent). Given the poor beneficiation of local output that exists in the region, we can deduce that these commodities flow from the primary sector. Furthermore, the CKD also exports to Europe, where the main export trading partners are Germany, the United Kingdom and Belgium. The European trading partners mostly traded in wine and collectively accounted for 9.3 per cent of the total exports in the CKD.

3.3 TOURISM PERFORMANCE³⁰

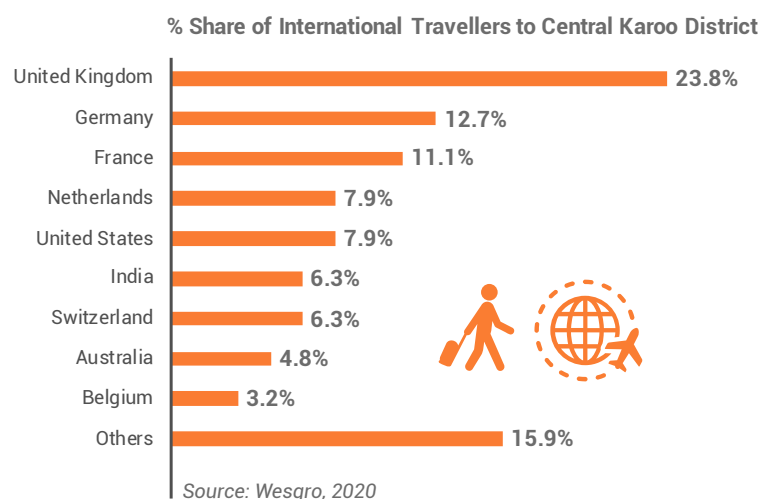
The Karoo region is the largest in the Western Cape and is characterised by its breathtaking sights and long-standing history. In the Karoo, people can see and experience the heritage of South Africa, dating back from the dinosaur era up to the present day. This region is a popular stopover destination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

The tourism sector is not a stand-alone economic sector, as tourists demand goods and services from a variety of sectors, such as travel and transport services, accommodation, restaurant services, general shopping and fuel. However, the catering and accommodation sector is often used to determine at least a portion of the size of the tourism industry in an area. The catering and accommodation services industry contributed 1.7 per cent to the total GDP of the CKD in 2018. In terms of employment, 1 001 (5.2 per cent) of the District's workforce were employed in the catering and accommodation services industry during the same period.

3.3.1 Visitor trends

The CKD is largely a domestic tourism destination, with 92.5 per cent of the visitors being South African residents. However, a small number (7.5 per cent) of international visitors do visit the region. Figure 3.5 illustrates the origin of the international visitors in the CKD.

Figure 3.5
PERCENTAGE SHARE OF INTERNATIONAL TRAVELLERS, Central Karoo District, 2019



In 2019, most of the international visitors to the CKD originated from the United Kingdom (23.8 per cent), Germany (12.7 per cent) and France (11.1 per cent). It is evident that European countries dominate as the region's largest source market.

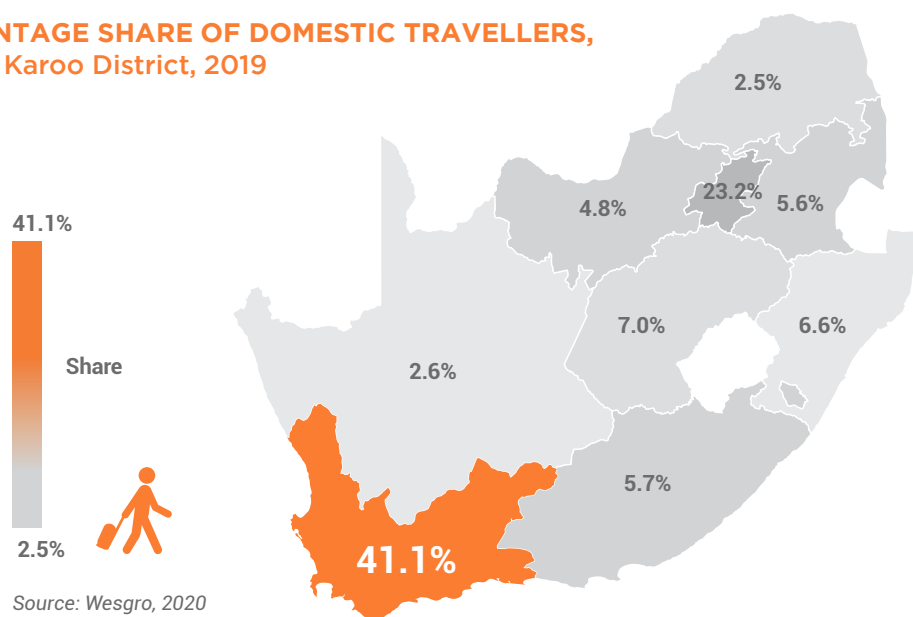
Another significant proportion of international visitors were from the Netherlands (7.9 per cent) and the United States of America (7.9 per cent). Some emerging markets such as India (6.3 per cent) also visited the region and this bears evidence of the range of travel motives and diverse cultures that the region is able to cater to.

³¹ 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 due to the survey collection method and sample size. Therefore, the information reported on cannot be seen as absolute figures. Furthermore, the information cannot be compared with other regions, nor with the information released by South African Tourism. It is also not advisable to compare year-on-year information, as the sample sizes are not comparable.

Map 3.1 shows the domestic visitor market in the CKD.

Map 3.1

**PERCENTAGE SHARE OF DOMESTIC TRAVELLERS,
Central Karoo District, 2019**

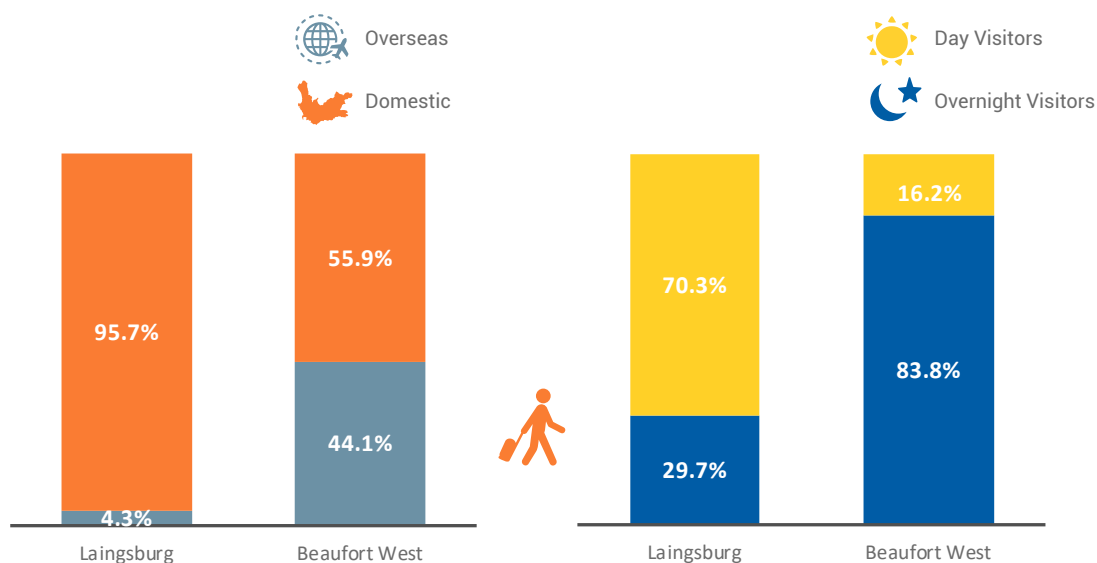


The domestic visitor market is the region's core market. The largest share (41.1 per cent) of domestic visitors to the CKD in 2019 were from the Western Cape, followed by Gauteng with a 23.2 per cent share of domestic travellers. Collectively, the Western Cape and Gauteng comprised more than half (64.3 per cent) the domestic visitor market of the CKD in 2019. Overall, the Karoo is considered to be a corridor between the north and south of the country. It is therefore expected that travellers will continue to pass through its borders and thereby create opportunities for tourism development owing to the constant flow of visitors.

Figure 3.6 illustrates the visitor trends for the regional towns³² that comprise the CKD.

Figure 3.6

REGIONAL TOWNS VISITOR TRENDS, Central Karoo District, 2019



Source: Wesgro, 2020

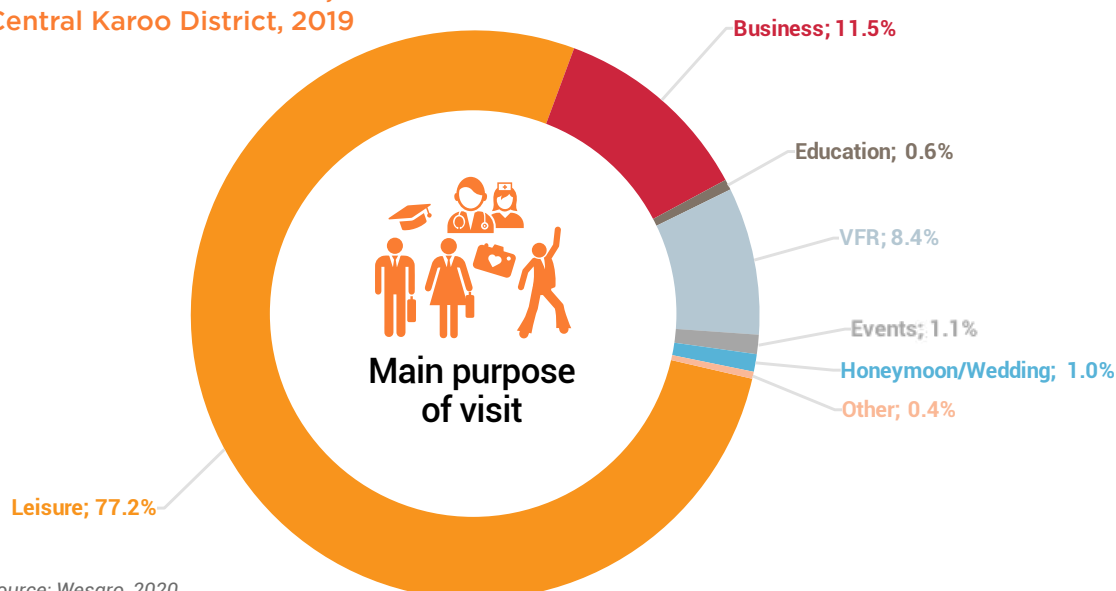
³² Data is only shown for towns where the sample was big enough for statistical interpretation.

The town of Laingsburg is more prominent for domestic travellers who stop by for the day. This is probably because it is a lesser-known town and serves more as a stopover for domestic travellers en route to other destinations. Laingsburg is a great place for hiking, fossil hunting, geological studies and food. The Laingsburg Farmer's Market held on the last Saturday of every month is a great way to meet the locals and buy locally made preserves, meat and baked goods³³. Conversely, Beaufort West is more popular and therefore preferred for overnight stays (83.8 per cent), both domestic and international. Beaufort West provides a connection with the rich history the Karoo has to offer, including its diverse cultures, languages and food. Furthermore, the advantageous location of Beaufort West in relation to other key points of the Western Cape enhances its attractiveness for travellers.

3.3.2 Visitor profile

The purpose of visit, travel group sizes and age groups travelling to and through the CKD in 2019 are discussed below.

Figure 3.7
MAIN PURPOSE OF VISIT,
Central Karoo District, 2019



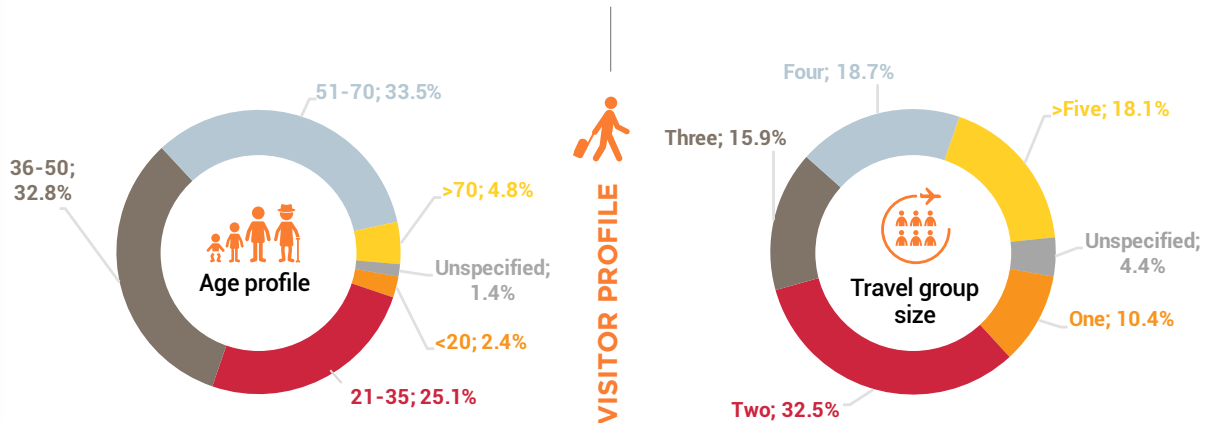
Source: Wesgro, 2020

Leisure ranked as the leading driver (77.2 per cent) for travel to the CKD in 2019, while a smaller representation travelled to the region for business (11.5 per cent) or to visit friends and relatives (8.4 per cent). One way for the CKD to leverage these visiting purposes is by offering family-oriented and low-intensity activities to allow travellers to engage more in the visitor economy.

Although the share of respondents who indicated they visited the CKD for events is low, the region hosts the Prince Albert Town and Olive Festival annually. The festival celebrates the local production of olives, food and wine, and is attractive to visitors.

³³ (Western Cape Government, 2019).

Figure 3.8
VISITOR PROFILE, Central Karoo District, 2019



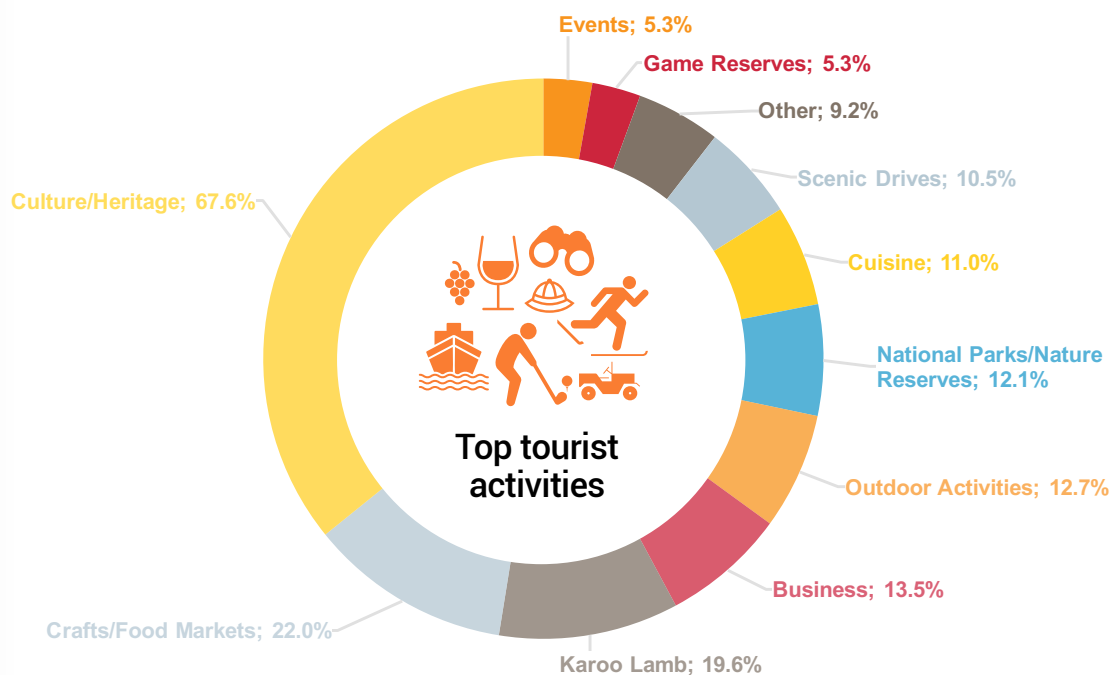
Source: Wesgro, 2020

Approximately 48.4 per cent of people travelling to the Karoo region travel in groups of two to three and 36.8 per cent travel in groups of four to five. This suggests that visitors are travelling with spouses, in family units or social groups. Furthermore, 66.3 per cent of the visitors are between the ages of 36 and 70. The visitor profile indicates that the Karoo attracts visitors who are advanced in their careers or family life cycle. It is important to cater to older visitors through the provision of soft adventure activities, for example bird watching, camping, hiking and horseback riding.

3.3.3 Activities

The CKD offers various activities to visitors, as illustrated in Figure 3.9.

Figure 3.9
TOP TOURIST ACTIVITIES UNDERTAKEN, Central Karoo District, 2019



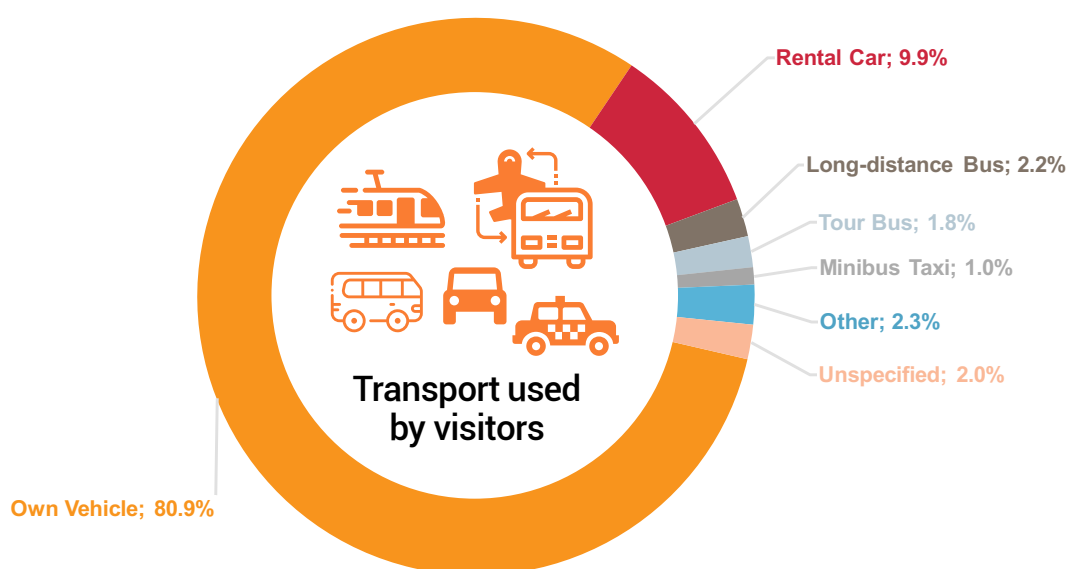
Source: Wesgro, 2020

In 2019, the most popular activity undertaken by visitors in the CKD related to culture and heritage (67.6 per cent). This involves exploring the region's architecture and the local Bushman/San art and culture. In this regard, visitors indicated that crafts and food markets (22.0 per cent) and Karoo lamb (19.6 per cent) were some of their top activities to experience in the region. These popular activities indicate the importance of low-intensity activities. However, outdoor activities (12.7 per cent) were also undertaken by visitors. This suggests that there is a gap in the market to develop more intensive activities, which could attract a younger age group to the region.

Figure 3.10 illustrates the mode of transport used by visitors to travel to and within the CKD. The large network of gravel roads can be a constraint in promoting tourism – particularly for international tourists, as many travel with rental vehicles.

Figure 3.10

MODE OF TRANSPORT USED BY VISITORS, Central Karoo District, 2019



Source: Wesgro, 2020

Most of the visitors use their own vehicle (80.9 per cent), followed by rental cars (9.9 per cent). This trend is expected, given that most visitors travel as family units and social groups.

Many tourists travel through the Karoo regions between Gauteng and other provinces en route to Cape Town and surrounds. The N1, therefore, is an important tourism corridor for the CKD and value can be generated by promoting stops along the road. Road safety and maintenance are vital to ensure that the N1 remains a preferred route.

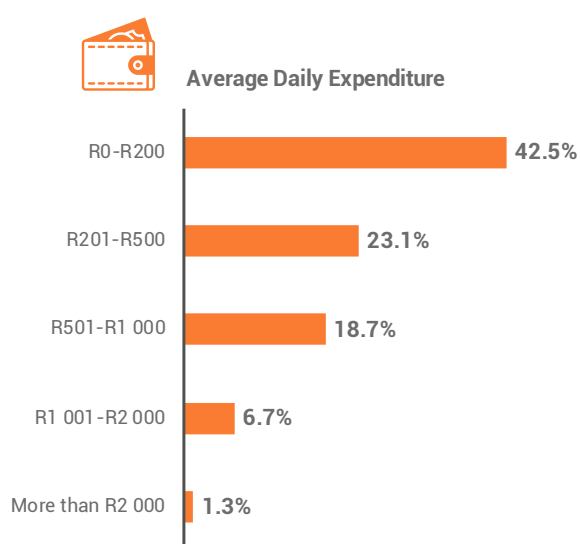
Notably, other modes of transport into the region include the Shosholoza Meyl train, which travels between Johannesburg and Cape Town and makes stops in Beaufort West, Prince Albert, Laingsburg and Matjiesfontein. However, this is a luxury train that is used mainly for leisure purposes and caters for the higher income class.

3.3.4 Visitor spend

Figure 3.11 shows the daily expenditure patterns among the visitors who travel to the CKD.

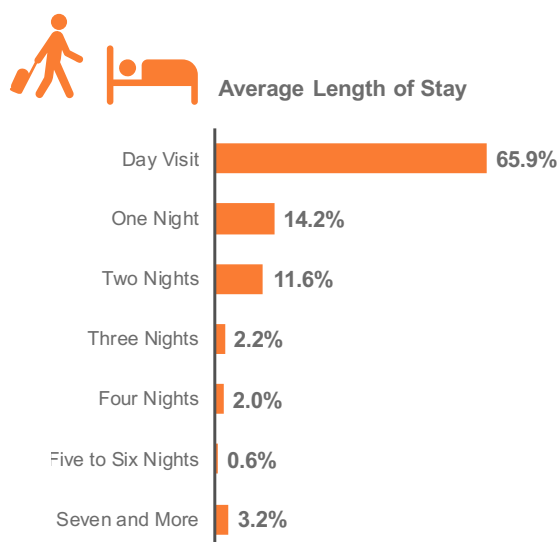
On average, 65.6 per cent of the visitors in the CKD spend R500 and below a day, with the majority (42.5 per cent) spending less than R200. The low expenditure is attributable to the short length of time that visitors typically spend in this area. This suggests that more efforts need to be invested to motivate increased spending by visitors. One such means would be by encouraging overnight visitors instead of day visitors. The CKD needs to position itself as a destination to include in a travel itinerary instead of just being a stopover destination.

Figure 3.11
AVERAGE DAILY EXPENDITURE BY VISITORS, Central Karoo District, 2019



Source: Wesgro, 2020. Note: 7.8 per cent of responses were unspecified

Figure 3.12
AVERAGE LENGTH OF STAY BY VISITORS, Central Karoo District, 2019



Source: Wesgro, 2020

Figure 3.12 illustrates the average length of stay of visitors in the CKD.

As previously stated, the majority (65.9 per cent) of the visitors travelling to the CKD are day visitors. Of the few overnight visitors, most (25.8 per cent) stay over for one to two nights. The CKD has the potential to develop its tourism economy by motivating visitors to take part in more activities. The core selling point of the CKD is the rich history and heritage, and this therefore presents an opportunity to invest in more niche-tourism activities such as paleo-tourism, culinary or agri-tourism, and cultural tourism.

3.4 GROWTH OPPORTUNITIES AND RISKS

The purpose of this section is to analyse the comparative advantage of the various economic sectors within the CKD through exploring the historic growth of the respective sectors to identify growth opportunities as well as potential risks for the district economy. The section will further explore sector linkages for the identified opportunities through a network analysis to potentially maximise trade potential.

3.4.1 Comparative advantage


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

If the location quotient is more than one, it indicates that a comparative advantage exists in the local economy relative to the provincial economy. Conversely, if the location quotient is less than one it suggests that the representation of the industry is weaker in the local economy than in the provincial economy³⁴. Furthermore, a location quotient of one indicates that the representation of the industry in the local economy is the same as its representation in the Province.

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

Table 3.3

LOCATION QUOTIENT INTERPRETATION

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

Source: Urban-Econ, 2020

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

³⁴ Fennig and DaCosta (2010).

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

Table 3.4

**LOCATION QUOTIENT IN TERMS
OF GDPR AND EMPLOYMENT,
Central Karoo District, 2018**



SECTOR	In terms of GDPR	In terms of Employment
PS Primary Sector		
Agriculture, forestry & fishing	3.8	2.4
Mining & quarrying	0.2	0.2
SS Secondary Sector		
Manufacturing	0.2	0.2
Electricity, gas & water	2.0	1.7
Construction	1.0	0.8
TS Tertiary Sector		
Wholesale & retail trade, catering & accommodation	0.9	1.0
Transport, storage & communication	1.4	1.0
Finance, insurance, real estate & business services	0.4	0.4
General government	1.8	1.5
Community, social & personal services	1.4	1.1

Source: Quantec Research, 2020

In 2018, the economy of the CKD had a high comparative advantage in the agriculture, forestry and fishing sector compared with the other sectors, both in relation to GDPR and employment location quotients. The occurrence of a high location quotient in employment in the agriculture, forestry and fishing sector confirms the information contained in Table 1.5, which demonstrates that at industry level, this sector contributed the largest share to employment in 2018. This reaffirms that the agricultural-related activities are the main economic driver in the economy of the CKD.

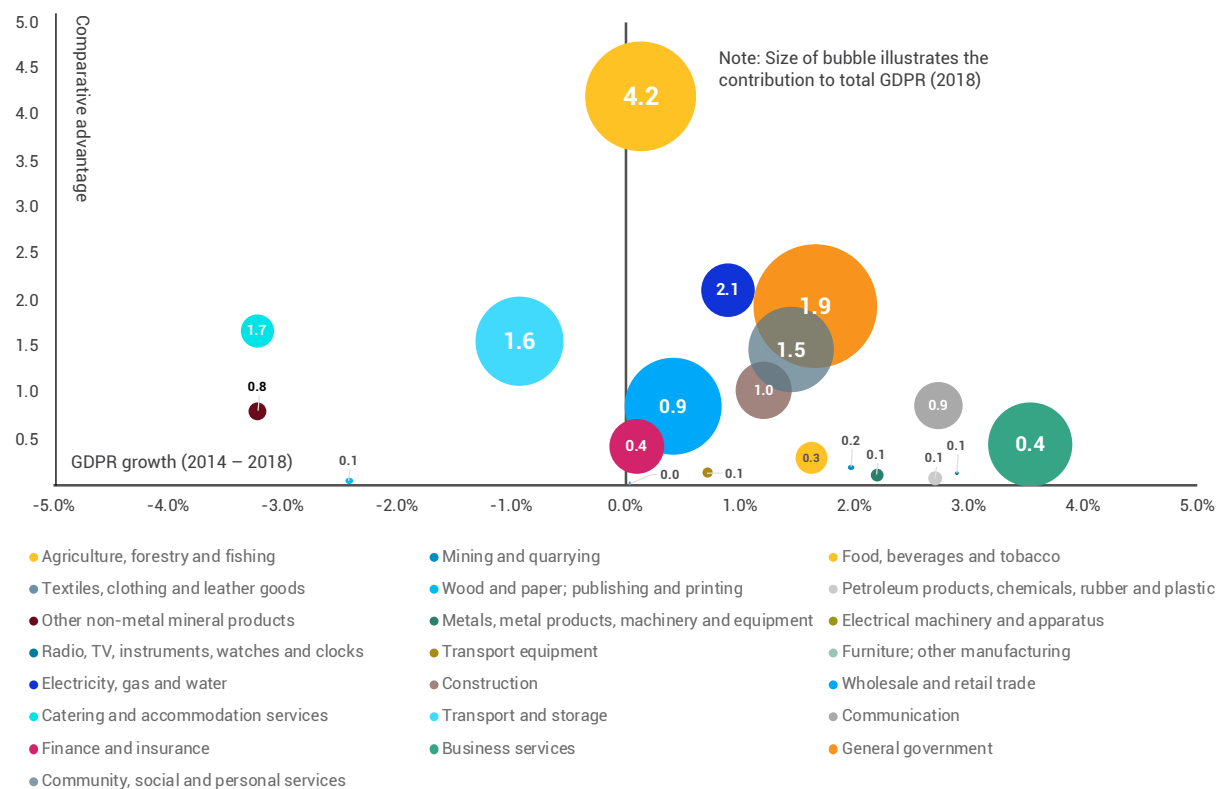
Both the GDPR and employment location quotients for the electricity, gas and water sector are the second highest after those for the agriculture, forestry and fishing sector. This suggests that the economy of the CKD has a high degree of specialisation in producing electricity, gas and water compared with the capacity of the Western Cape.

Furthermore, based on location quotients that are at least one for both GDPR and employment, we can deduce that the CKD economy is self-sufficient in the transport, storage and communication, general government and community, social and personal services sectors.

Based on the low GDPR and employment location quotients in the mining and quarrying, manufacturing and finance, insurance, real estate and business services sectors, the economy of the CKD has a low comparative advantage and relies on importing goods and services from other regions in order to meet its needs.

Figure 3.13 illustrates the comparative advantage and the sectoral GDPR growth in the CKD.

Figure 3.13
COMPARATIVE ADVANTAGE AND SECTORAL GDPR GROWTH,
Central Karoo District, 2018



Source: Quantec Research, 2020

Opportunities are identified in sectors that have above-average GDPR growth (0.9 per cent) and a medium to high comparative advantage. Sectors in the CKD that have opportunities for development include:

Table 3.5
SECTORS WITH
DEVELOPMENT
OPPORTUNITIES,
Central Karoo District, 2018

SECTOR	R million value 2018	GDPR trend 2014 – 2018	Number of jobs 2018	Average annual change in employment 2014 – 2018	Average gross fixed capital formation growth 2014 – 2018
Electricity, gas and water	182.9	0.9%	116	3	-1.9%
Construction	165.2	1.2%	974	26	1.1%
Community, social and personal services	297.1	1.4%	2 923	53	3.8%

Source: Quantec Research, 2020

Electricity, gas and water

The CKD has a comparative advantage in the electricity, gas and water sector, construction sector and community, social and personal services sector. These sectors only make a small contribution to the local economy but have experienced above-average growth and have created a total of 410 jobs over the 2014 to 2018 period. The community, social and personal services sector has also experienced strong growth in investment over the period.

The electricity, gas and water sector is relatively underdeveloped in the CKD and performed poorly in 2019, given the potential that exists. The landscape of the area make it ideal for solar power plants³⁵ as well as wind farms. The towns in the CKD also act as service centres for such developments in the Northern Cape. There are currently three wind farm developments in the area, namely Roggeveld Wind Farm, Karusa Wind Farm (Northern Cape) and the Soetwater Wind Farm (Northern Cape),³⁶ which are close to Laingsburg. South Africa has recognised the need and potential for renewable energy as seen in the National Development Plan (NDP). Programmes such as the South African Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) can therefore be catalytic in ensuring future developments in the CKD. Projects that are part of the REIPPPP have socio-economic and enterprise development targets that will increase the positive impact these projects have in the local economies of the CKD.

Construction

The CKD has a high comparative advantage in the construction sector, and this sector has performed well historically. However, the poor performance of this sector in 2019 resulted in 89 job losses. This sector therefore requires intervention to mitigate its poor performance and to curb further job losses. Potential interventions include promoting local procurement for repairs and maintenance to infrastructure and municipal facilities. The construction sector is strongly correlated with the electricity, gas and water sector. Attracting investment into this sector will also provide opportunities for the local construction sector.

Community, social and personal services sector

The community, social and personal services sector consists of various services including education, health and social work, veterinary services, recreational, cultural and sporting activities as well as services such as hairdressing, beauty treatments and dry-cleaning services³⁷. This sector is valued at R297.1 million in the CKD and has grown on average by 1.4 per cent between 2014 and 2018. Positively, job creation in this sector has benefited both skilled and low-skilled workers. However, it is estimated that this sector shed 30 jobs in 2019, most of which are for informal sector workers. The community, social and personal services sector is highly correlated with most of the service sectors. By ensuring an enabling environment for business retention and expansion in local towns, municipalities can promote the growth of the community, social and personal services sector as well as other service sectors.

³⁵ (SAURAN, 2014).

³⁶ (Energy Blog, n.d.).

³⁷ (Statistics SA, 2012).

3.4.2 Risks

Risks are identified in industries where there is a medium to high comparative advantage but poor growth.

Table 3.6

SECTORS WITH RISKS, Central Karoo District, 2018

SECTOR	R million value 2018	GDPR trend 2014 – 2018	Number of jobs 2018	Average annual change in employment 2014 – 2018	Average gross fixed capital formation growth 2014 – 2018
Agriculture, forestry and fishing	450.5	0.1%	4 671	85	-4.0%
Transport and storage	401.9	-0.9%	743	-3	-2.3%
Catering and accommodation services	51.9	-3.2%	1 001	31	-0.1%
General government	675.8	1.7%	3 473	58	2.7%

Source: Quantec Research, 2020

Agriculture, forestry and fishing

The agriculture, forestry and fishing sector is one of the main economic sectors of the CKD, not only in terms of its GDPR and employment contribution but also the economic contribution and employment over the entire value chain. The CKD is well known for its livestock farms, while the Prince Albert area produces wine, olives and fruit. The sector has been volatile over the reference period, with gross fixed capital formation contracting by 4.0 per cent over the period. This sector has also shed jobs in 2014, 2016, 2017 and 2018.

The sector has mostly been influenced by external factors such as the provincial drought and commodity prices. Minimum wages and the increased use of technology on farms have also influenced the labour needs of the sector. A potential mitigation to support farmers, particularly emerging farmers, is to supply boreholes. However, the environmental impact of this, as well as groundwater availability, should be carefully considered. In order to mitigate the long-term impacts of the decline in the sector, many farmers have shifted from livestock farming to game farming. This shift has the potential to promote tourism in the area. Agri-tourism is an emerging niche market that can ensure an additional source of income for farmers.

Catering and accommodation

The catering and accommodation services sector has also contracted in recent years (3.2 per cent per annum). The sector employed 1 001 workers in 2018 and despite its poor economic performance has still created employment opportunities. The local tourism industry is, however, reliant on domestic tourism. The region attracts mainly transit tourists who travel on the N1. The seasonality of domestic transit tourists can influence the sustainability of local tourism enterprises. However, sports, adventure and events tourism can be a way to attract more tourists to the area and mitigate the impacts of seasonality. Another niche tourism market that can be promoted in the Karoo area owing to its remoteness is astro-tourism. Other sector-promoting activities include infrastructure, marketing, effective ICT systems and product innovation. There is the potential to develop themed tourism routes or package products together within a specific theme (adventure, culinary, heritage and culture) to create new and exciting experiences. Interactive experiences

that include tasting local cuisine, buying local products and engaging with the locals should be considered for tourism development and innovation. Responsible tourism and awareness creation in this regard should be implemented.

Tourists want to know that destinations are implementing ecofriendly approaches to tourism, supporting local communities and managing their carbon footprint. Global tourism trends show stronger support for sustainable tourism practices that also ensure benefits to locals. Keeping up with advances in technology is also important for catering to the modern tourist. Tourism products in the CKD should have an online presence (business websites, online booking sites, etc.) to create awareness and build their brand. With the decline in the national economy, domestic tourism has become vulnerable. It is expected that this sector will be severely impacted by the COVID-19 pandemic and the associated national lockdown in 2020.

General government

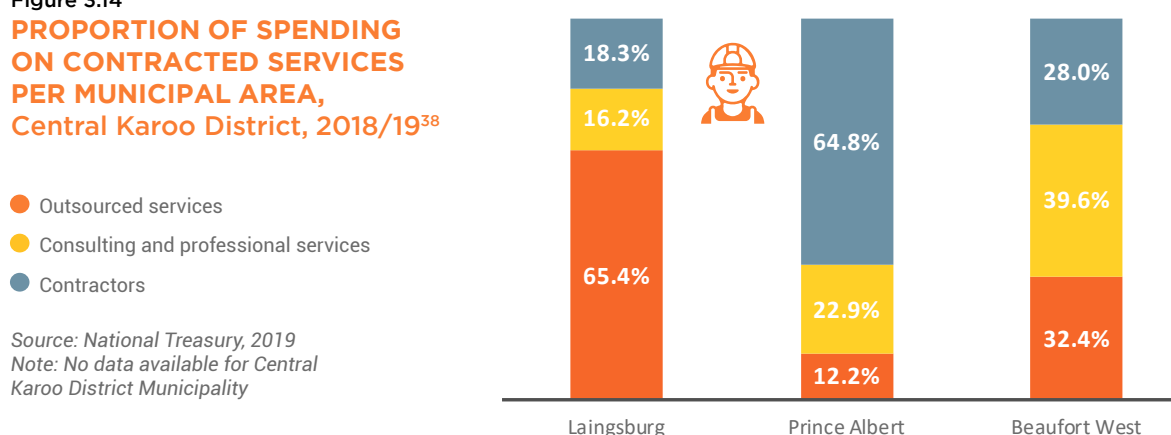
The CKD has a comparative advantage in the general government sector. This sector has experienced strong growth and has contributed significantly to employment creation in the District. The high reliance on the general government sector for economic growth and employment creation in the District makes the local economy vulnerable to shocks affecting the public sector fiscus. Capitalising on available opportunities in the agriculture sector value chain as well as tourism can assist in diversifying the local economy and making it less reliant on the general government sector.

3.4.3 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 3.14 illustrates the breakdown of spending on contractor services by the municipalities in the CKD.

Figure 3.14
PROPORTION OF SPENDING ON CONTRACTED SERVICES PER MUNICIPAL AREA, Central Karoo District, 2018/19³⁸



Source: National Treasury, 2019
Note: No data available for Central Karoo District Municipality

³⁸ 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 one-off or temporary basis. Contractors are used for services that are not the core business of the municipality.

Outsourced services made up the bulk of spending on contracted services in the Laingsburg Municipality (65.4 per cent). Most of the R5.6 million spent on outsourced services went towards business and advisory services (64.1 per cent) and security services (22.6 per cent). The Municipality also spent R1.4 million on consulting and professional services, of which 62.3 per cent was on legal services. In contrast, spending on contractors made up 64.8 per cent of the Prince Albert Municipality's spending on contracted services.

The Beaufort West Municipality spent R11.4 million on consulting and professional services (39.6 per cent of spending on contracted services). This included spending on accounting and auditing (49.7 per cent) and business and financial management (23.0 per cent). The R9.3 million the Municipality spent on outsourced services went towards security services (42.7 per cent) and traffic fines management (29.0 per cent). The majority of the R8.1 million spent on contractors went towards maintenance of buildings, equipment and other assets (84.9 per cent).

It is evident that municipalities use contractors for various services, mainly professional services, security and maintenance. The professional services used by the municipalities are mainly highly skilled workers. There are, however, opportunities for local SMMEs to benefit from municipal contracting, particularly for services such as security and maintenance. By using local enterprises for outsourced services, there is a multiplier effect in the economy of the respective municipalities, as opposed to using contractors from outside the municipal area. Most municipalities have enterprise development initiatives that support emerging contractors and small businesses:

- The Laingsburg Municipality has 47 SMMEs registered on its database and assisted seven small businesses in the 2018/19 financial year. The Municipality assists businesses to register on the Central Supplier Database (CSD) and also provides skills development and training.
- The Prince Albert Municipality has approximately 40 SMMEs registered on its municipal database and held a workshop with emerging contractors and SMMEs on municipal procurement in the 2018/19 financial year.
- The Beaufort West Municipality has 56 SMMEs registered on its municipal database and organised an SMME development roadshow in collaboration with the National Department of Economic Development.



3.5 CONCLUDING REMARKS

The economy of the CKD has a high comparative advantage in the agriculture, forestry and fishing sector, and this sector plays a key role in terms of production, employment and trade. Furthermore, the CKD is self-sufficient in the electricity, gas and water; transport, storage and communication; general government; and community, social and personal services sectors.

Between 2010 and 2019, the CKD had a positive trade balance that was sustained by the agriculture, forestry and fishing, and manufacturing sectors. These two sectors are interrelated, as agricultural produce serves as an input into the manufacturing sector. Overall, the Prince Albert municipal area accounted for the largest share of the export revenue into the District, the Laingsburg municipal area accounted for the largest share of imports and the Beaufort West municipal area contributed the least to the trade balance of the CKD in the period between 2008 and 2019.

The main import commodity to the CKD in 2019 was preparations of a kind used in animal feeding. This commodity accounted for 69.5 per cent of the total district imports and it was imported mainly from the Netherlands. Conversely, the main export commodity from the CKD was agricultural products to various SADC countries.

The CKD is largely a domestic tourism destination comprised mainly of local provincial visitors, as well as visitors from Gauteng. The town of Laingsburg is prominent with day visitors, while more overnight visitors are recorded in Beaufort West. The CKD attracts visitors for leisure purposes (77.2 per cent) who travel as a family unit or in social groups of two to four. The visitors are largely between the ages of 36 and 70, and the most popular activity undertaken is culture and heritage. It is evident that a market gap exists in the District, and to bridge this gap, more intensive activities must be developed in order to attract a younger population.

The main mode of transport used by visitors is a private motor vehicle and visitors typically spend less than R500 a day. This low spending trend can be attributed to the short length of stay. Therefore, encouraging visitors to stay longer is an opportunity to increase tourism spending in the region. Overall, the CKD needs to create an enabling environment for tourism to flourish.

A high comparative advantage has been identified in the electricity, gas and water sector, construction sector and community, social and personal services sector as a result of above-average growth and substantial employment creation. Notably, the electricity, gas and water sector is relatively underdeveloped in the CKD, given the potential that exists.

Risks have been identified in the agriculture, forestry and fishing sector as one of the main economic sectors of the CKD because it has been extensively influenced by external factors such as the provincial drought and commodity prices.



4

MUNICIPAL SOCIO- ECONOMIC ANALYSIS

4.1 INTRODUCTION

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

The key indicators that are used in the socio-economic analysis include the population growth rate, GDP per capita, household income, Gini coefficient, Human Development Index (HDI), educational development and dwellings.

4.2 POPULATION PROFILE

In 2020, the CKD had a population of 74 763 people, the majority of whom live in the Beaufort West municipal area (68.3 per cent). It is expected that the population of the CKD will increase to 75 271 in 2024. Furthermore, the composition of the population is expected to change marginally, with 67.6 per cent of the population living in the Beaufort West municipal area, 19.3 per cent living in the Prince Albert municipal area and 12.2 per cent living in the Laingsburg municipal area in 2024.

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

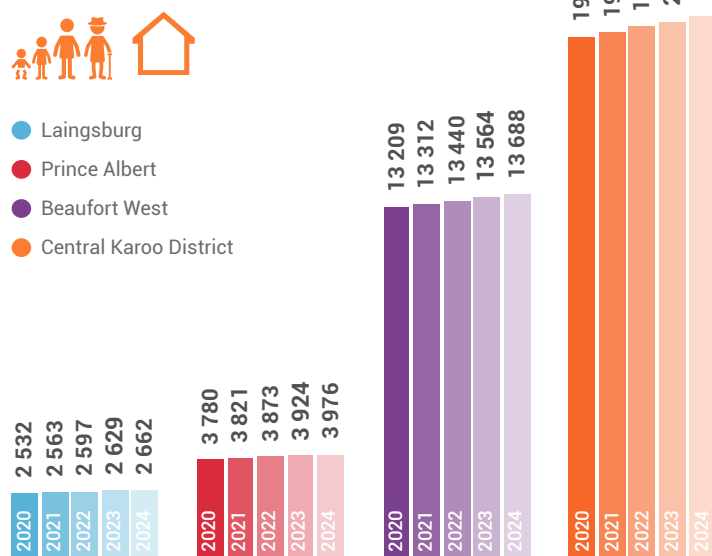


Source: Western Cape DSD, 2020

The population of the Beaufort West municipal area is expected to decrease between 2020 and 2024 by an average rate of 0.1 per cent per annum. The population of the Laingsburg and Prince Albert municipal areas, in contrast, is expected to increase by an average annual rate of 0.8 per cent and 0.7 per cent respectively between 2020 and 2024. This is an additional 401 people in the Prince Albert municipal area and an additional 277 people in the Laingsburg municipal area over the reference period.

The CKD is estimated to have 19 520 households in 2020, the majority of which (67.7 per cent) are in the Beaufort West municipal area. The number of households in the District is expected to increase to 20 236 in 2024. Figure 4.2 illustrates the future household growth in the municipal areas of the CKD.

Figure 4.2
FUTURE HOUSEHOLD
GROWTH,
Central Karoo District,
2020 - 2024

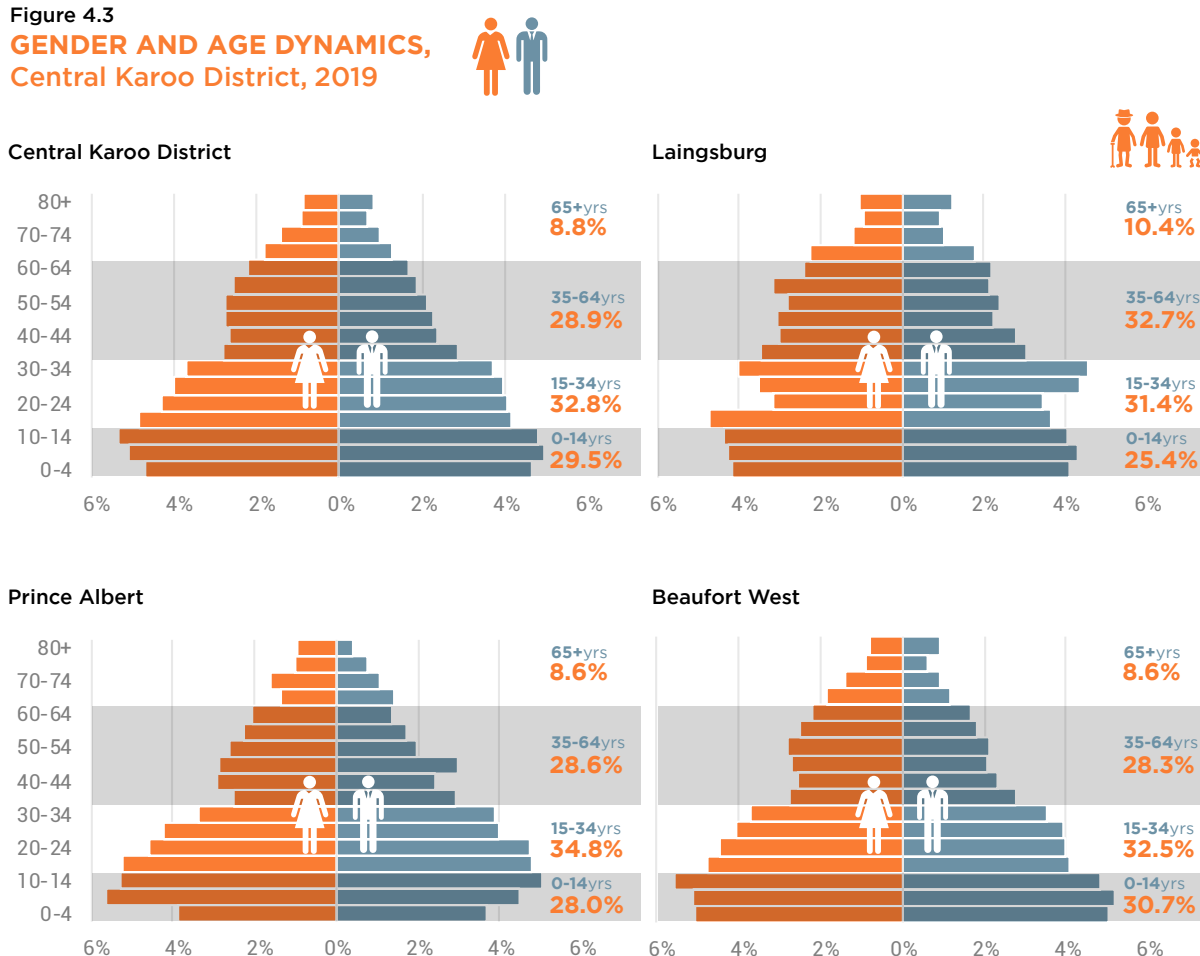


Source: Western Cape DSD, 2020

Despite the declining population, the Beaufort West Municipality is expected to have more households in 2024 (13 688) compared with 2020 (13 209). This is due to a decline in household sizes. The number of households in the Laingsburg municipal area is expected to increase by an average rate of 1.3 per cent per annum, while the number of households in the Prince Albert municipal area is expected to increase by 1.2 per cent per annum over the reference period. This increase in households will increase the demand for housing, municipal and other social services.

Figure 4.3 illustrates the gender and age patterns in the CKD in 2019.

Figure 4.3
GENDER AND AGE DYNAMICS,
Central Karoo District, 2019



Source: Western Cape DSD, 2020

In 2019, the CKD consisted of more women (51.6 per cent) than men (48.4 per cent). This skewed gender distribution can be caused by males relocating to other areas in search of employment. The largest share of the District's age group was between 15 and 34 years (32.8 per cent), followed by children younger than 14 years (29.5 per cent) and individuals aged between 35 and 64 years (28.9 per cent). Individuals older than 65 comprised the smallest share (8.8 per cent) of the District's population. This suggests that the CKD has a youthful population, with a large working-age population.

The Laingsburg municipal area comprises a larger share of women (51.6 per cent) than men. The largest share of the municipal area's population is between 35 and 64 years old (32.7 per cent), followed by those aged between 15 and 34 years (31.4 per cent). The large number of people who are between 35 and 64 years is proportionally related to the small share of children between the ages of 0 and 14 years. The Laingsburg municipal area has proportionally more people who are older than 65 (10.4 per cent) compared with the District (8.8 per cent) but proportionally fewer children (25.4 per cent) compared with the District (29.5 per cent). There is thus a higher dependency on the working-age population in the municipal area from older people compared with the District.

In the Prince Albert municipal area, women make up 52.4 per cent of the population. The largest age group is young people aged between 15 and 34 years (34.8 per cent), followed by those between 35 and 64 years (28.6 per cent). The municipal area also has a relatively large child population (28.0 per cent). The Prince Albert municipal area is characterised by a large working-age population (15 to 64 years). This is corroborated by the high labour force participation rate (66.2 per cent) in 2018, as illustrated in the unemployment profile (Diagram 1.1). The Prince Albert municipal area has a small elderly population (8.6 per cent).

Owing to its size, the population structure of the Beaufort West municipal area influences the population structure of the CKD. The municipal area consists of more women (53.1 per cent) and has a youthful population (ages 15 to 34 years), which comprises the largest share (32.5 per cent) of the local population, followed by children aged between 0 and 14 years (30.7 per cent) and those between 35 and 64 years (28.3 per cent). There is a small elderly population, which comprises only 8.6 per cent of the population of the Beaufort West municipal area. However, coupled with the relatively large share of young children, the Beaufort West municipal area may have a high dependency ratio.



4.3 HUMAN DEVELOPMENT

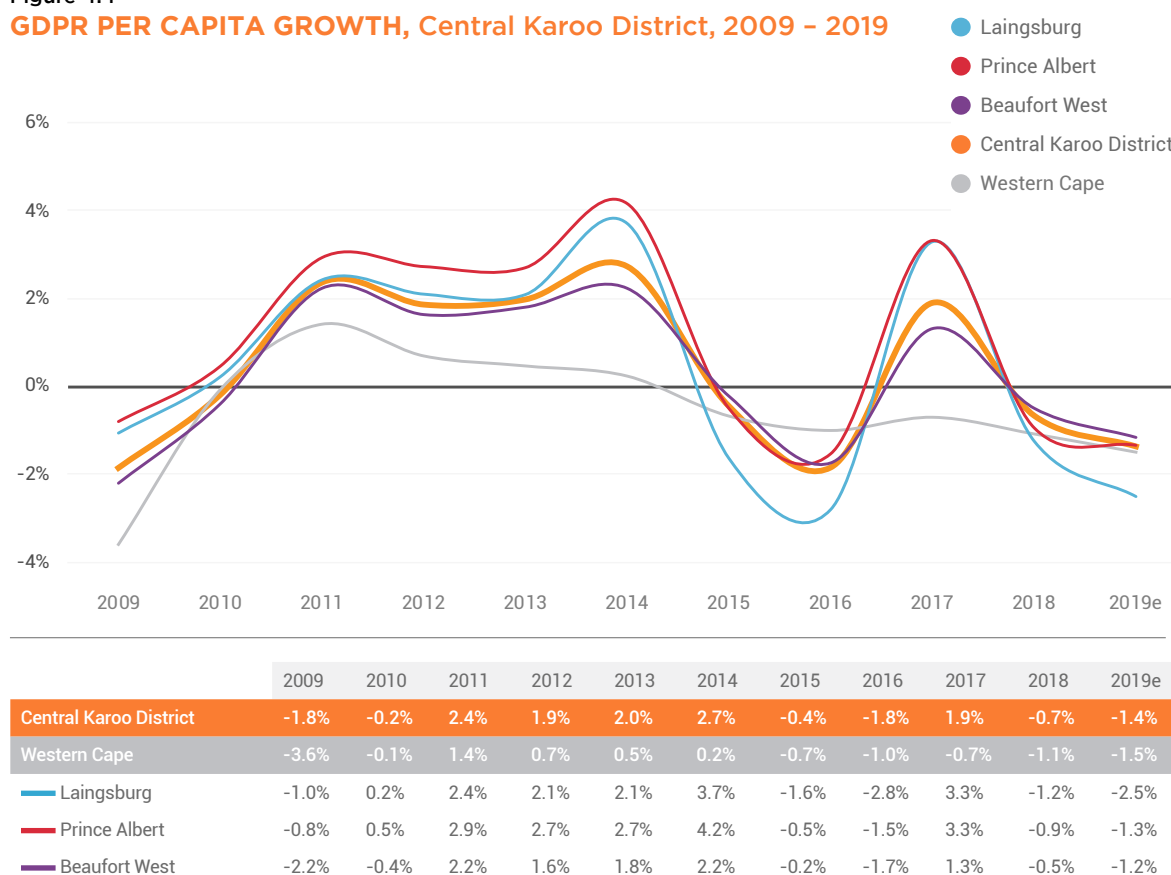
4.3.1 Income

GDPR per capita is often used as an indicator for the standard of living in a society. Figure 4.4 shows the growth in GDPR per capita of the CKD between 2009 and 2019. The GDPR per capita increased marginally from R41 872 in 2018 to R42 758 in 2019 (in current prices). However, the GDPR per capita has been on a declining trend in real terms. The CKD's GDPR per capita is significantly lower than the GDPR per capita of the Western Cape.

Figure 4.4 shows the GDPR per capita growth in the Central Karoo District from 2009 to 2019.

Figure 4.4

GDPR PER CAPITA GROWTH, Central Karoo District, 2009 – 2019



Source: Quantec Research, 2020

In 2009, all the municipal areas in the CKD experienced contractions in terms of real GDPR per capita growth. The most substantial decline in GDPR per capita growth was experienced in the Beaufort West municipal area (2.2 per cent). These declines are attributable to the global economic crisis experienced in the same year. All the municipal areas recovered and realised constant growth rates between 2011 and 2014. However, in 2015 severe declines in GDPR per capita growth were experienced in all the municipal areas, and the Laingsburg municipal area experienced the largest contraction (2.8 per cent). Given the large dependence on the agricultural sector in the CKD, these contractions are attributed to the severe drought conditions that were prevalent in the same year. Except for growth in 2017, the GDPR per capita declines persisted until 2019 because of the frequent drought conditions affecting the

region. The spike in GDP per capita growth in 2017 can be attributed to strengthened national economic activity in the same year. This increase in economic activity was driven partly by the agriculture sector recovering from a severe drought³⁹. The poor economic conditions, together with the rising population, resulted in a contracting GDP per capita across all municipal areas in 2019.

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

Table 4.1

**AVERAGE MONTHLY HOUSEHOLD INCOME (CURRENT PRICES),
Central Karoo District, 2018**

MUNICIPALITY	Average household income 2018 (current prices)	Trend 2014 – 2018
● Laingsburg	R13 183	1.7%
● Prince Albert	R12 315	2.1%
● Beaufort West	R13 165	1.1%
Central Karoo District	R13 013	1.4%
Western Cape	R19 340	-0.4%

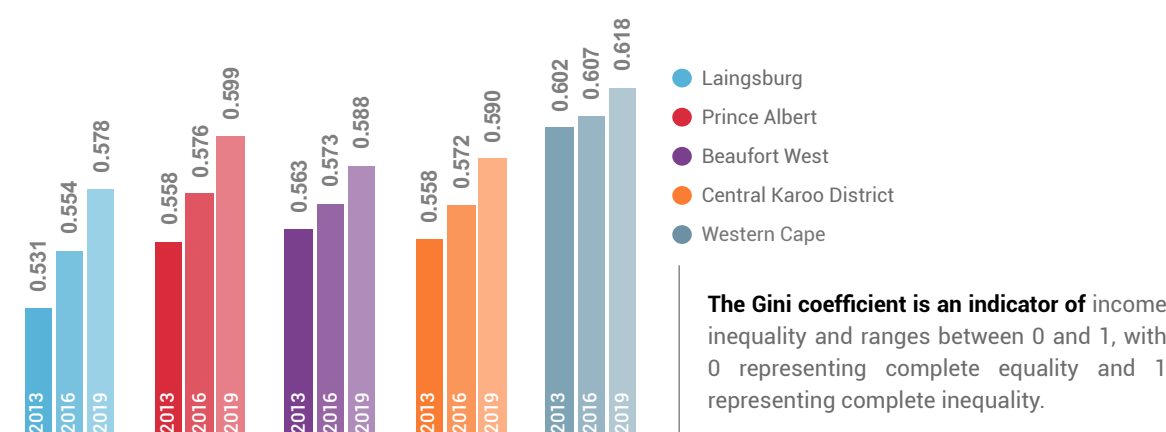
Source: Urban-Econ calculations based on Quantec Research, 2020

The average household income in the CKD was R6 328.0 lower (in current prices) than the average household income of the Western Cape in 2018. However, between 2014 and 2018, the average household income of the CKD grew at a rate of 1.4 per cent per annum, while it contracted by 0.4 per cent in the Western Cape per annum. The Laingsburg municipal area had the highest average household income in the District, followed by the Beaufort West municipal area. Nevertheless, despite recording the lowest average household income, the Prince Albert municipal area experienced the greatest improvement (2.1 per cent) in the period under review.

Figure 4.5 outlines the Gini coefficients for the local municipal areas of the CKD.

Figure 4.5

**GINI COEFFICIENTS,
Central Karoo District,
2013 – 2019**



Source: IHS Markit, 2020

³⁹ (Stats SA, 2018).

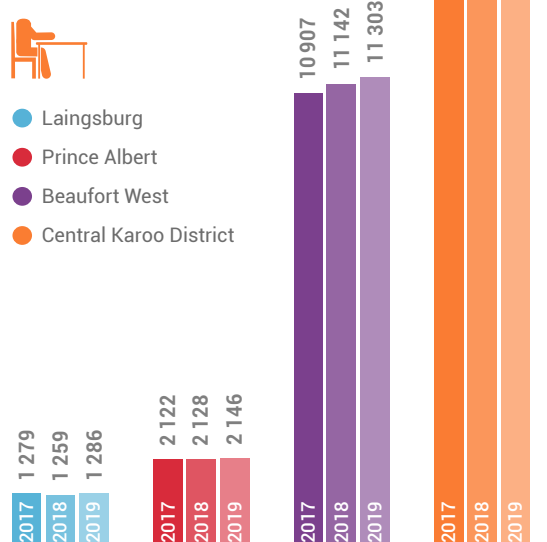
The income distribution in the CKD (0.588) is more equal compared with the Western Cape (0.618). The Prince Albert municipal area has the highest Gini coefficient (0.599) compared with the other municipal areas in the CKD. From Figure 4.5 it is evident that the income distribution in the municipal areas of the CKD is becoming more unequal. The rate at which income inequality is increasing is higher in the CKD compared with the Western Cape, particularly in the Laingsburg and Prince Albert municipal areas. There is a demand for skilled workers in the CKD. However, a large percentage of the labour force are low-skilled or unskilled. The slow uptake of low-skilled workers contributes to the rising income inequality of the CKD.

4.3.2 Education

In this subsection, the trends related to education in the CKD between 2017 and 2019 are discussed. Figure 4.6 illustrates the number of learners enrolled in schools in the CKD.

Figure 4.6

**LEARNER
ENROLMENTS,
Central Karoo District,
2017 - 2019**



Source: Western Cape Education Department, 2020

In relation to its population size, the schools in the Beaufort West municipal area had the largest number of learner enrolments in the District in the review period. In 2017 there were 10 907 learners enrolled in the Beaufort West municipal area. The number of learner enrolments increased by 235 learners in 2018 and by 161 learners in 2019.

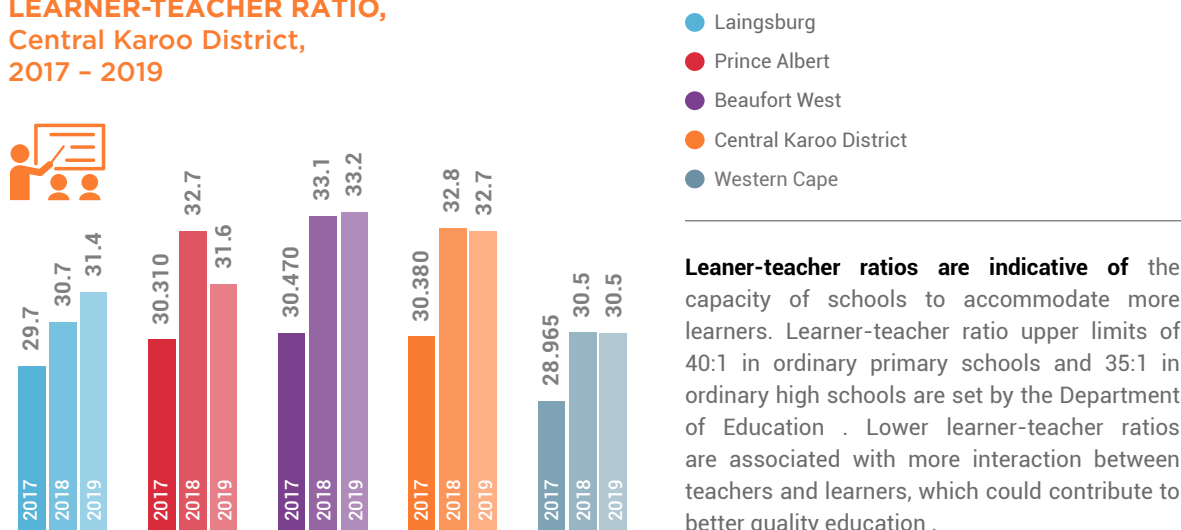
In the Prince Albert municipal area, there was a marginal increase in the number of learner enrolments (six learners) between 2017 and 2018, and an increase of 18 enrolments between 2018 and 2019. Conversely, in the Laingsburg municipal area, the number of learner enrolments decreased by 20 between 2017 and 2018, and an increase of 27 learner enrolments was recorded between 2018 and 2019.

Proportionally, the average learner enrolment growth rate in the Beaufort West municipal area between 2017 and 2019 was 1.8 per cent. In the Laingsburg municipal area, the average learner enrolment growth rate was 0.3 per cent and in the Prince Albert municipal area it was 0.6 per cent. The continuous increase in learners in the CKD will increase the need for more educational resources in the area, including teachers and school facilities.

Figure 4.7 compares the learner-to-teacher ratio of the CKD with the Western Cape. According to the OECD (2019), smaller classes contribute to a better learning environment.

Figure 4.7

**LEARNER-TEACHER RATIO,
Central Karoo District,
2017 – 2019**



Source: Western Cape Education Department, 2020

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

Over the three-year period, the learner-to-teacher ratio in the CKD did not change substantially. The ratio increased from 30.4 learners per teacher in 2017 to 32.8 learners per teacher in 2018. There was no substantial change in the learner-to-teacher ratio between 2018 and 2019. The learner to teacher ratio in the CKD is higher than the ratio in the Western Cape.

In the Beaufort West municipal area, an increase in the learner-to-teacher ratio was recorded between 2017 and 2018, where there were 30.5 learners per teacher and 33.1 learners per teacher respectively. This indicates that the increase in learner enrolment did not result in a sufficient increase in teachers. Positively, there was no change in the learner-to-teacher ratio in 2019, despite the increase in learner enrolments, which is indicative of an increase in the available teaching resources in the Beaufort West municipal area.

The Laingsburg municipal area recorded a ratio of 29.7 learners per teacher in 2017. This increased in 2018 and 2019. In 2018 the learner enrolments declined by 20 learners, while the learner-to-teacher ratio increased. This is indicative of a decline in teachers in the area. If this trend continues, there will be a lack of sufficient teaching staff in the Laingsburg municipal area, which will have a negative effect on teaching outcomes.

There were 30.3 learners per teacher in 2017 in the Prince Albert municipal area. The ratio increased to 32.7 learners per teacher in 2018 and declined to 31.6 learners per teacher in 2019, showing that in 2019 there was an increase in teachers to meet the needs of the additional learners enrolled.

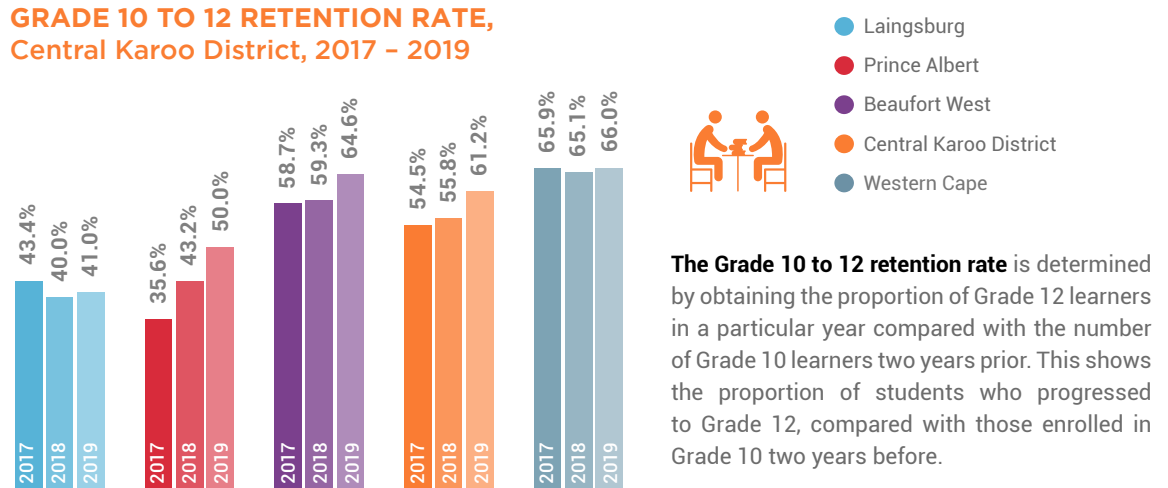
An increase in learner enrolments in schools results in increased learner-to-teacher ratios. A direct relationship exists between the size of a class and the learner performance. Generally, it is perceived that smaller classes allow the teachers to focus more on the needs of the individual learners and thereby reduce the amount of time spent on dealing with disruptions⁴⁰. Consequently, small classes contribute to a better learning environment for the learners. The learner-teacher ratio is essentially one method that is used to measure the quality of education that a school provides.

⁴⁰ (OECD, 2020).

Figure 4.8 considers the retention rate in the Grade 10 to 12 phase of the schools in the CKD.

Figure 4.8

**GRADE 10 TO 12 RETENTION RATE,
Central Karoo District, 2017 – 2019**



Source: Western Cape Education Department, 2020

The retention rate in the CKD increased in the three-year period – from 54.5 per cent in 2017 to 61.2 per cent in 2019. However, the retention rate in the CKD is lower than that of the Western Cape in the three-year period.

The Beaufort West municipal area recorded the highest retention rate in 2019 in the District (64.6 per cent). The learner retention rate in the Beaufort West municipal area improved over the reference period. The Laingsburg and Prince Albert municipal areas had very low learner retention rates in 2017 – 43.4 per cent and 35.6 per cent respectively. The learner retention rate in the Prince Albert municipal area has since improved, but remains low. The poor retention rate in the Laingsburg municipal area could be attributed to the presence of only one secondary school, which is a fee-paying school, in the area⁴¹.

Figure 4.9 depicts the proportion of learners who passed Grade 12 and earned a school-leaving certificate in the CKD between 2017 and 2019.

Figure 4.9

**MATRIC PASS RATE,
Central Karoo District,
2017 – 2019**



Source: Western Cape Education Department, 2020

⁴¹ (Laingsburg Municipality, 2017).

On average, the Grade 12 pass rate in the CKD over the three-year period was 78.1 per cent, with the highest pass rate experienced in 2017 (79.5 per cent). Between 2017 and 2018, the pass rate declined by 1.0 percentage point, and a further decline of 2.1 percentage points was recorded in 2019. On average, the Grade 12 pass rate in the CKD was 4.0 percentage points lower than the provincial pass rate in the review period.

The Laingsburg municipal area recorded the highest Grade 12 pass rates in the three-year period. In 2017 and 2018, the municipal area recorded pass rates of 80.0 per cent and 80.6 per cent respectively. These pass rates were higher than the District's and similar to the provincial Grade 12 pass rates. In 2019, a 100.0 per cent Grade 12 pass rate was achieved in the Laingsburg municipal area. This pass rate was higher than both the District and provincial pass rates. It should, however, be noted that the Laingsburg municipal area recorded the lowest Grade 10 to 12 retention rate in 2018 and 2019, which may be indicative of a large percentage of learners dropping out in Grades 10 to 12, with only top performers writing their matric exams.

In the Prince Albert municipal area, the Grade 12 pass rate was 89.7 per cent in 2017 and this declined to 71.2 per cent in 2018 and 57.4 per cent in 2019. There is an inverse relationship between the Grade 12 pass rate and the Grade 10 to 12 retention rate in the municipal area. The year with the highest Grade 12 pass rate (2017) had the lowest retention rate (35.6 per cent), and conversely, the year with the lowest Grade 12 pass rate (2019) had the highest retention rate (50.0 per cent).

The Grade 12 pass rates in the Beaufort West municipal area were similar to the District's pass rate. In 2017, the Grade 12 pass rate was 78.6 per cent. It increased marginally to 79.2 per cent in 2018 and declined to 77.8 per cent in 2019.



GROWTH POTENTIAL

The towns of Murraysburg, Leeu-Gamka, Merweville, Klaarstroom, Nelspoort and Matjiesfontein are considered to be lower-order urban settlements. These towns are characterised by various socio-economic challenges and a limited growth potential. Consequently, there is a need to focus on skills development initiatives in order to upskill local residents and to create new work opportunities⁴².

⁴² (Western Cape Government, 2019).

4.3.3 Health

The health conditions of people living within the CKD are analysed in this section by looking at the prevalence of tuberculosis (TB), human immunodeficiency virus (HIV), infant mortality rates, maternal death rates and teenage pregnancies.

4.3.3.1 Mortality

Table 4.2 provides an overview of the top 10 natural causes of death in the CKD in 2017.

Table 4.2

TOP 10 NATURAL CAUSES OF DEATH, Central Karoo District, 2017



Rank	Central Karoo District		Western Cape	
	Cause of death	%	Cause of death	%
1	Chronic lower respiratory diseases	10.7%	Diabetes mellitus	7.5%
2	Hypertensive diseases	7.5%	Ischaemic heart disease	6.2%
3	Tuberculosis	5.9%	HIV	5.7%
4	Diabetes mellitus	5.1%	Cerebrovascular disease	5.5%
5	Ischaemic heart disease	4.6%	Chronic lower respiratory diseases	5.5%
6	Cerebrovascular disease	4.3%	Tuberculosis	4.8%
7	HIV	3.7%	Malignant neoplasms of digestive organs	4.7%
8	Malignant neoplasms of respiratory and intrathoracic organs	3.6%	Malignant neoplasms of respiratory and intrathoracic organs	4.5%
9	Other forms of heart disease	3.1%	Hypertensive diseases	4.0%
10	Malignant neoplasms of digestive organs	2.7%	Other forms of heart disease	3.1%
Other natural		33.7%		35.7%
Non-natural		15.3%		12.9%

Source: Statistics SA, 2020

The main natural causes of death in the CKD include chronic lower respiratory diseases (10.7 per cent), hypertensive diseases (7.5 per cent) and tuberculosis (5.9 per cent). Chronic lower respiratory diseases include bronchitis, emphysema and asthma, while hypertensive diseases include hypertensive heart disease and hypertensive renal disease. The CKD has proportionally more non-natural deaths (15.3 per cent) compared with the Province (12.9 per cent). In 2016, the main cause of non-natural deaths in the CKD was motor vehicle accidents. The N1 traversing the CKD is prone to motor vehicle accidents, and promoting road safety and frequent stops to travellers is therefore essential.

4.3.3.2 HIV/AIDS and TB

Table 4.3 provides the trends in HIV testing, treatment and outcomes in the CKD between 2016/17 and 2019/20.

Table 4.3

TRENDS IN HIV TESTING, TREATMENT AND OUTCOMES, Central Karoo District, 2016/17 – 2019/20



	2016/17	2017/18	2018/19	2019/20
Known HIV+ (Tested; n)	3 291	3 359	3 325	3 155
Of which: Clients started but no longer on ART	33.9%	39.8%	48.4%	22.9%
Of which: Clients on ART	53.9%	58.6%	60.8%	61.3%
Of which: Clients with confirmed viral suppression	63.3%	62.9%	51.2%	58.6%

Source: Western Cape Health Department, 2020

The number of people who were aware of their HIV status in the CKD increased from 3 291 people in 2016/7 to 3 359 people in 2017/18. However, the number declined to 3 155 people in 2019/20. The proportion of people who were receiving antiretroviral treatment (ART) consistently increased from 53.9 per cent in 2016/17 to 61.3 per cent in 2019/20. The proportion of individuals who started ART but are no longer on the treatment increased from 33.9 per cent in 2016/17 to 48.4 per cent in 2018/19, but significantly declined to 22.9 per cent in 2019/20. HIV is the seventh leading cause of death in the CKD and continued awareness, testing and treatment is therefore imperative.

Table 4.4 shows the trends in TB notification and outcomes in the CKD between 2017/18 and 2019/20.

Table 4.4

TRENDS IN TB NOTIFICATION AND OUTCOMES, Central Karoo District, 2017/18 – 2019/20



	2017/18	2018/19	2019/20
TB programme success rate	73.8%	75.9%	79.7%
TB client lost to follow-up	19.1%	18.2%	14.1%
TB client death rate	5.4%	4.5%	5.0%
TB/HIV co-infected	31.6%	29.4%	29.3%
TB MDR treatment success rate	16.7%	47.8%	75.0%

Source: Western Cape Health Department, 2020

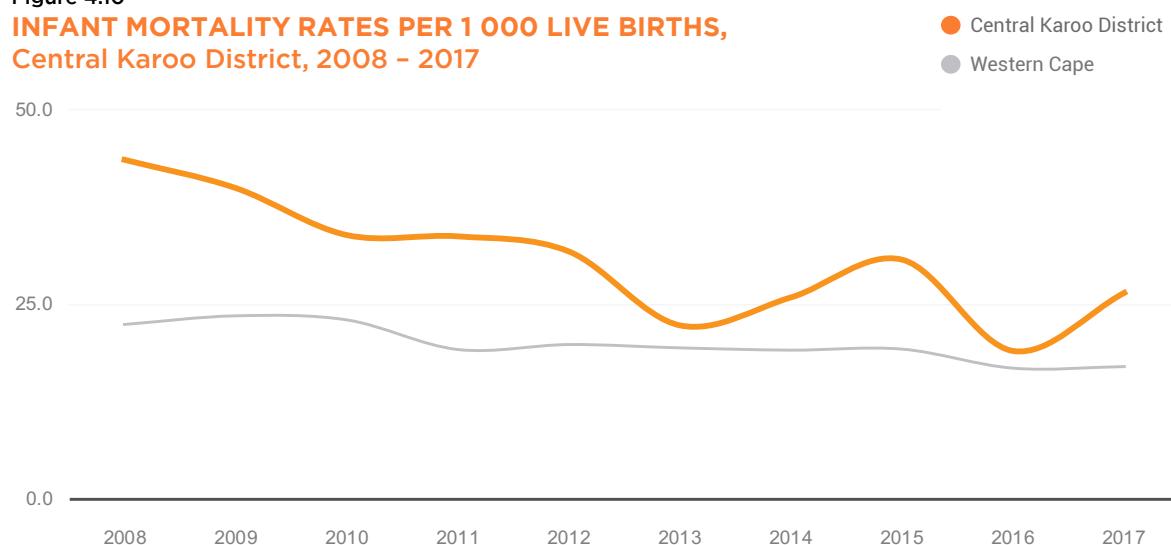
The TB programme success rate increased considerably over the reference period – from 73.8 per cent in 2017/18 to 79.7 per cent in 2019/20. The number of clients lost to follow-up has also declined, as well as the TB/HIV co-infection rate, while the success rate of multidrug-resistant (MDR) treatment increased considerably over the reference period. These indicators are positive, given that TB is the third leading natural cause of death in the CKD. However, the TB client death rate increased somewhat in 2019/20 to 5.0 per cent, which is above the provincial average of 3.8 per cent. It is therefore expected that treatment successes will lead to a lower death rate in future.

4.3.3.3 Infant, child and maternal health

Figure 4.10 provides the infant mortality rates per 100 000 live births in the CKD and the Western Cape between 2008 and 2017.

Figure 4.10

INFANT MORTALITY RATES PER 1 000 LIVE BIRTHS, Central Karoo District, 2008 – 2017



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Central Karoo District	43.6	40.0	33.9	33.8	31.8	22.4	26.0	30.8	19.1	26.5
Western Cape	22.4	23.5	23.0	19.2	19.8	19.4	19.1	19.2	16.8	17.0

Source: Western Cape Health Department, 2020

The infant mortality rate of the CKD was higher than that of the Western Cape throughout the 10-year period. The CKD recorded the highest infant mortality rate in 2008 (43.6 deaths per 1 000 live births), while the Western Cape recorded 22.4 deaths per 1 000 live births. The infant mortality rate of the CKD declined consistently between 2009 (40.0 deaths per 1 000 live births) and 2013 (22.4 deaths per 1 000 live births), but has been volatile since then, increasing to 26.5 deaths per 1 000 live births in 2017.

Table 4.5 provides the maternal deaths rates⁴³ per 100 000 live births in the CKD between 2017 and 2019.

Table 4.5

MATERNAL DEATH RATES PER 100 000 LIVE BIRTHS, Central Karoo District, 2017 – 2019

MUNICIPALITY	2017	2018	2019
● Laingsburg	0	0	0
● Prince Albert	0	0	0
● Beaufort West	121.5	244.5	0
Central Karoo District	104.8	201.6	0

Source: Western Cape Health Department, 2020

⁴³ 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 CKD recorded 104.8 deaths per 100 000 live births in 2017. The maternal death rate significantly increased to 201.6 deaths per 100 000 live births in 2018 and there were no recorded deaths in 2019. The Beaufort West municipal area recorded higher maternal death rates than the CKD and was the only municipal area that recorded maternal death rates in the CKD between 2017 and 2018. The maternal death rate in the Beaufort West municipal area increased from 121.5 deaths per 100 000 live births in 2017 to 244.5 deaths per 100 000 live births. Positively, there were no recorded maternal deaths in 2019.

4.3.3.4 Teenage pregnancy

Table 4.6 provides the delivery rate of women between the ages of 10 and 19 years in the CKD between 2017 and 2019.

Table 4.6

DELIVERY RATE TO WOMEN 10-19 YEARS, Central Karoo District, 2017 - 2019

MUNICIPALITY	2017	2018	2019
● Laingsburg	16.2%	15.8%	11.9%
● Prince Albert	22.4%	10.0%	14.1%
● Beaufort West	17.1%	18.6%	15.7%
Central Karoo District	17.4%	17.7%	15.4%

Source: Western Cape Health Department, 2020

The delivery rate to teenagers between the ages of 10 and 19 in the CKD was 17.4 per cent in 2017. The delivery rate increased slightly to 17.7 per cent in 2018 but declined to 15.4 per cent in 2019.

The proportion of births by teenagers in the Prince Albert municipal area was higher than that of the CKD in 2017 (22.4 per cent). The delivery rate declined significantly and was the lowest in 2018 (10.0 per cent), but increased to 14.1 per cent in 2019. The delivery rate has also consistently declined in the Laingsburg municipal area – from 16.2 per cent of births in 2017 to 11.9 per cent of births in 2019. Despite a marginal increase between 2017 and 2018, the delivery rate to teenagers also improved in the Beaufort West municipal area in 2019.

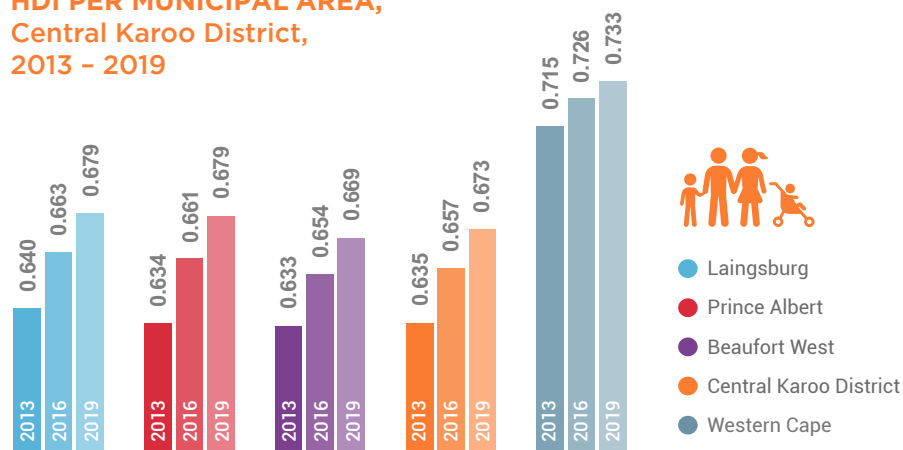


4.3.4 Human Development Index

Figure 4.11 outlines the Human Development Index (HDI) for the municipal areas of the CKD.



Figure 4.11
HDI PER MUNICIPAL AREA,
Central Karoo District,
2013 – 2019



Source: IHS Markit, 2020

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.

The HDI in the CKD is lower than that of the Western Cape, but has improved over the reference period. The HDI levels are similar in the Laingsburg and Prince Albert municipal areas. Despite having the largest economy in the District, the HDI is marginally lower in the Beaufort West municipal area.

4.4 HOUSING AND ACCESS TO BASIC SERVICES

Table 4.7 depicts the various types of dwellings of households in the CKD in 2019.

Table 4.7

NUMBER AND PROPORTION OF DWELLINGS, Central Karoo District, 2019



	Central Karoo District		● Laingsburg		● Prince Albert		● Beaufort West	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
House or brick structure on a separate stand or yard	16 941	85.9%	1 906	78.3%	3 261	90.8%	11 774	86.0%
Traditional dwelling/hut/structure made of traditional materials	82	0.4%	23	0.9%	22	0.6%	38	0.3%
Flat in a block of flats	157	0.8%	8	0.3%	10	0.3%	139	1.0%
Townhouse/cluster/semi-detached house (simplex, duplex or triplex)	1 542	7.8%	350	14.4%	43	1.2%	1 149	8.4%
House/flat/room in back yard	400	2.0%	46	1.9%	31	0.9%	322	2.4%
Informal dwelling	366	1.9%	30	1.3%	157	4.4%	178	1.3%
Room/flatlet not in back yard but on a shared property	85	0.4%	37	1.5%	30	0.8%	18	0.1%
Other/unspecified/NA	144	0.7%	34	1.4%	38	1.0%	72	0.5%
Total	19 717	100.0%	2 435	100%	3 591	100.0%	13 691	100.0%

Source: Quantec Research, 2020

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

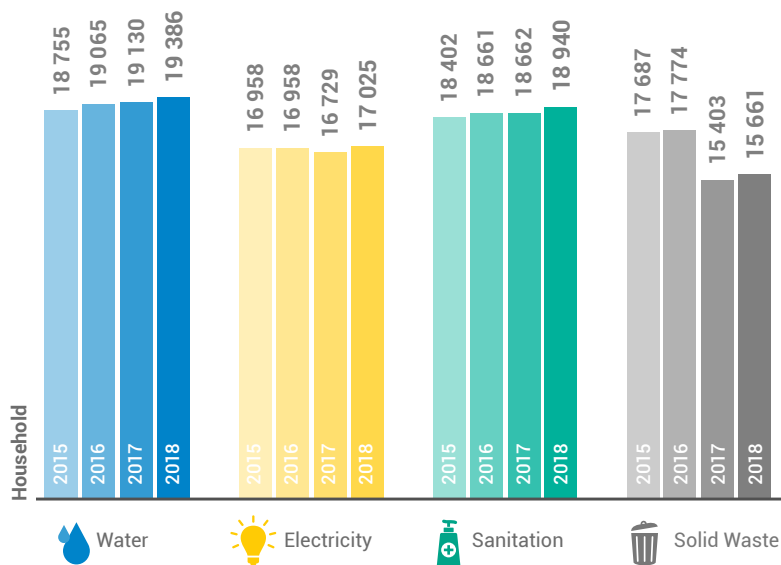
Informal dwelling is a makeshift structure not erected according to approved architectural plans, for example shacks or shanties in informal settlements or in back yards.

Most of the households in the CKD live in formal dwellings, which is a basic human right. The most prominent dwelling type in the CKD in 2019 was houses on a separate stand, with 85.9 per cent of the District's population living in dwellings of this type. The Prince Albert municipal area had the highest proportion of the population living in this dwelling type (90.8 per cent), followed by the Beaufort West municipal area (86.0 per cent). Only 1.9 per cent of households in the CKD live in informal dwellings, the majority of which are in the Beaufort West and Prince Albert municipal areas.



Figure 4.12 illustrates the access to services in the municipal areas of the CKD. Statistics SA will only release 2019 data in 2021. The national lockdown as a result of COVID-19 hampered the data collection process for this indicator.

Figure 4.12
ACCESS TO BASIC SERVICES,
Central Karoo District, 2015 - 2018



Source: Non-financial Census of Municipalities, Stats SA; Quantec Research, 2019

2 371 households in the same period. However, between 2017 and 2018 access to all services increased. The increase in access to electricity was the highest, with 296 more households having access to electricity in the CKD.

Access to water, electricity and sanitation increased in the CKD between 2015 and 2018. On average, access to water increased by 1.1 per cent, while access to sanitation increased by 1.0 per cent per annum. This is marginally higher than the estimated household growth rate of 0.9 per cent over the same period, showing that the level of service delivery is improving for these services. Access to electricity declined by 229 households between 2016 and 2017, while access to solid waste removal services declined by



INDIGENT HOUSEHOLDS

The monthly income cut-off point for households to be classified as indigent households is R1 601 in the Beaufort West Municipality, R3 200 in the Laingsburg Municipality and R3 380 in the Prince Albert Municipality. The Prince Albert Municipality increased its income threshold from R1 601 in 2017 to R3 380 in 2018.

Table 4.8

NUMBER OF INDIGENT HOUSEHOLDS, Central Karoo District, 2017 – 2019

	2017		2018		2019	
	Number	% of households	Number	% of households	Number	% of households
● Laingsburg	693	28.4%	613	24.8%	685	27.4%
● Prince Albert	872	23.9%	893	24.2%	1 092	29.2%
● Beaufort West	6 554	50.8%	7 150	55.0%	6 433	49.1%
Central Karoo District	8 119	42.8%	8 656	45.2%	8 210	42.4%

Source: Department of Local Government, 2020

In 2019, approximately 49.1 per cent of households in the Beaufort West municipal area were classified as indigent. The number of indigent households did decline somewhat between 2018 and 2019.

The Prince Albert municipal area has experienced an increase in indigent households over the reference period. However, this can be partly attributed to the increase in the income threshold. In 2019, an estimated 29.2 per cent of households were classified as indigent, while 27.4 per cent of households in the Laingsburg municipal area were classified as indigent.

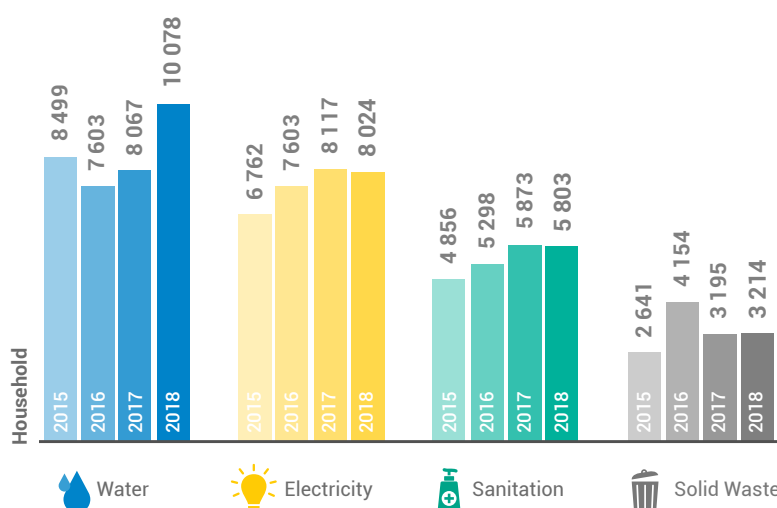
The large number of indigent households, particularly in the Beaufort West municipal area, is a constraining factor in the revenue-earning abilities of the local municipalities. It is expected that as a result of COVID-19 there will be an increase in indigent households. This will reduce the revenue of the municipalities, while resulting in additional expenditures as the demand for free basic services will increase.



Figure 4.13 illustrates the access to free basic services in the CKD between 2015 and 2018. Free basic services are available to households that qualify as indigent households.


Figure 4.13


ACCESS TO FREE BASIC SERVICES, Central Karoo District, 2015 – 2018



Between 2017 and 2018, access to free basic water increased by 2 011 households to 10 078 households. However, free basic access to electricity and sanitation declined by 93 and 70 households respectively. The service with the least amount of free access – solid waste removal services – also increased by 19 households to 3 214 in 2018.

Source: Non-financial Census of Municipalities, Stats SA; Quantec Research, 2019





JJ Badenhorst, Unsplash

GROWTH POTENTIAL

As a result of the presence of frequent and prolonged drought periods, the CKD suffers from extreme water scarcity and the District is often unable to meet its water demands. Consequently, the towns in the region are reliant on underground water for their water supply. There are 35 production boreholes in the town of Beaufort West, six in Merweville and five in Murraysburg. These towns are also equipped with a water reclamation plant, a dam, nine reservoirs and two chlorine purification plants. Furthermore, exploration for new aquifers is being undertaken to reduce reliance on surface water. There are nine production boreholes in the town of Prince Albert, two in Klaarstroom and two in Leeu-Gamka. These towns also have newly drilled boreholes that are not yet operational, a fountain, four storage dams, four reservoirs and a purification plant. In Laingsburg there is one borehole, while Matjiesfontein has two boreholes. These towns also have newly drilled boreholes that are not yet operational, a purification plant, two wells, a fountain and no reservoirs. It is expected that these water resources could improve water security in the region if they are managed sustainably. However, the use of groundwater in South Africa is regulated and the quality of water from these underground sources in the CKD often does not meet the required specifications. The cost of developing groundwater in the region needs to be taken into consideration⁴⁴.

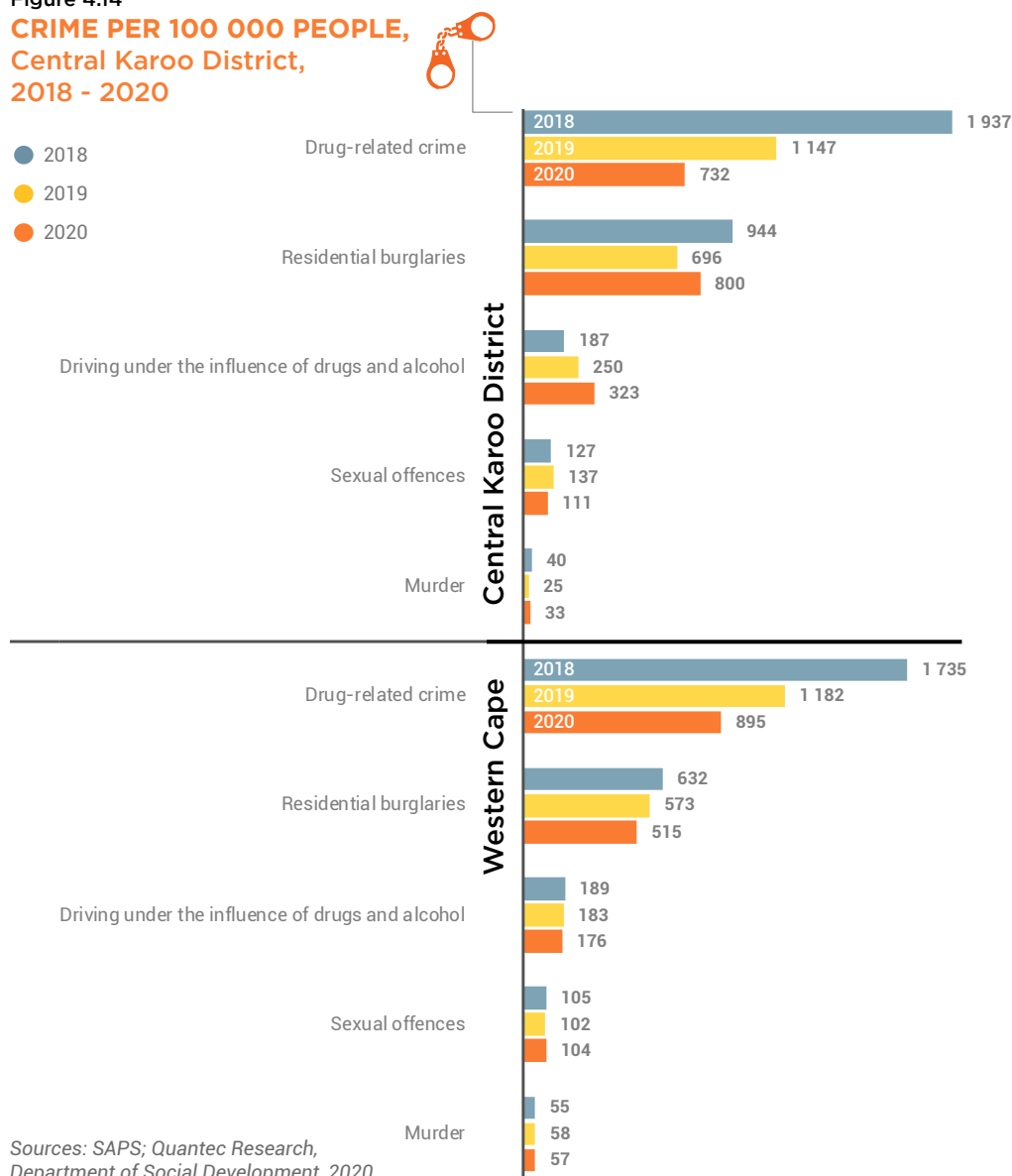
⁴⁴ (Western Cape Government, 2019).

4.5 CRIME

An analysis of a region's crime trend is important to determine the potential occurrence and types of criminal activities that are prevalent in the region. Figure 4.14 compares the types of criminal activities in the CKD and the Western Cape in absolute terms between 2018 and 2020.

Figure 4.14

**CRIME PER 100 000 PEOPLE,
Central Karoo District,
2018 - 2020**



Sources: SAPS; Quantec Research,
Department of Social Development, 2020

In 2020, the CKD had more incidents per 100 000 people in terms of sexual offences, driving under the influence of drugs or alcohol and residential burglaries compared with the Western Cape. The CKD had a much lower murder rate (33 per 100 000 people) compared with the Province (57 per 100 000 people) in 2020. The Prince Albert municipal area, in particular, had a very low murder rate in 2020 (18 per 100 000 people).

Drug-related crime in the CKD has reduced significantly over the three-year reference period. However, there has been a significant increase in incidences of driving under the influence of drugs or alcohol. In 2018, there were 187 incidents per 100 000 people, which increased to 323 cases per 100 000 people in 2020. This particular crime has a very high incidence of occurring

in the Laingsburg municipal area – in 2020, there were 1 364 incidents per 100 000 people. The Laingsburg municipal area also had the most incidents of drug-related crime in 2020 (1 169 per 100 000 people) compared with other municipal areas in the CKD.

The number of residential burglaries increased across the District between 2019 and 2020, whereas the number declined in the Western Cape. The Beaufort West and Laingsburg municipal areas had a large number of incidents in residential burglaries in 2020 – 927 and 695 cases per 100 000 people respectively.

The number of sexual offences in the CKD decreased from 137 incidents per 100 000 people in 2019 to 111 incidents per 100 000 people in 2020. However, this trend was not observed across all municipal areas. In the Laingsburg municipal area, the number of incidents increased from 113 cases per 100 000 people to 132 cases per 100 000 people.

4.6 CONCLUDING REMARKS

In 2020, the population of the CKD consisted of 74 763 people and it is expected that by 2024 the population will increase to 75 271 people. The majority of the population of the CKD live in the Beaufort West municipal area (68.3 per cent). However, the population of this municipal area is expected to decrease annually by an average rate of 0.1 per cent between 2020 and 2024. Subsequently, the Beaufort West municipal area comprises the largest share of households in the District (67.7 per cent). In terms of the population structure, the CKD comprises a youthful population that has more women than men. The largest share of the population comprises the age group 15 to 34 years (32.9 per cent), followed by children younger than 14 years (29.1 per cent) and individuals aged between 35 and 64 years (28.9 per cent).

The CKD's GDPR per capita is lower than that of the Western Cape and it has been on a declining trend despite a marginal increase between 2018 and 2019. The CKD experienced the most significant declines in GDPR per capita in 2009, when there was a global economic crisis, and in 2015, 2018 and 2019 as a result of drought conditions. In 2018, the average household income in the CKD was R13 013, significantly lower than that of the provincial average. The highest average household income in the District was in the Laingsburg municipal area. However, the Prince Albert municipal area recorded the highest Gini coefficient compared with the other municipal areas in the District.

In terms of education, the number of learner enrolments in the CKD is increasing and this will increase the need for additional educational resources in the area. The learner-to-teacher ratio has remained relatively stable at an average of 32.0 learners per teacher between 2017 and 2019. The retention rate in the CKD increased substantially between 2018 and 2019. However, it is lower than that of the Western Cape. In terms of the Grade 12 pass rate, the CKD experienced the highest pass rate in 2017 (79.5 per cent). However, between 2018 and 2019 the pass rate in the District declined by 1.0 percentage point. The Laingsburg municipal area recorded pass rates above the provincial average in the review period, but overall the district pass rate was 4.0 percentage points lower than that of the provincial pass rate.

Positive health indicators in 2019 in the CKD include an increase in HIV clients with confirmed viral suppression (58.6 per cent), an increase in the TB programme success rate (79.7 per cent) and a reduction in the delivery rate to teenagers in the Beaufort West and Laingsburg municipal areas.

Based on the HDI, the quality of life in the CKD is lower than that of the Western Cape, although it improved between 2013 and 2019. Most households in the District live in formal dwellings, particularly in houses on separate stands. Access to basic services such as water, electricity and sanitation in the CKD increased between 2015 and 2018.

The CKD had more incidences of sexual offences, driving under the influence of drugs or alcohol and residential burglaries per 100 000 people compared with the Western Cape. However, the number of sexual offences in the CKD decreased from 137 incidents per 100 000 people in 2018 to 111 incidents per 100 000 people in 2019. Notably, in the Laingsburg municipal area the number of sexual offences increased from 113 cases per 100 000 people to 132 cases per 100 000 people in the same period. Drug-related crimes reduced significantly in the District between 2017 and 2019, but incidences of driving under the influence of drugs or alcohol increased substantially, particularly in the Laingsburg municipal area. The incidents of residential burglaries increased across the District, while they declined in the Western Cape.





CENTRAL KAROO DISTRICT

GROWTH POTENTIAL STUDY 2018



According to the study, the **CKD has the lowest growth potential among all districts** in the Province owing to a variety of challenges in each of the themes that make up the growth potential index.

- POSITIVE
Z-score
performance
- NEGATIVE
Z-score
performance

PRECONDITIONS FOR GROWTH

①



ECONOMIC

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



PHYSICAL ENVIRONMENT

- Availability and quality of water
- Natural potential



INFRASTRUCTURE

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



INSTITUTIONAL

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



HUMAN CAPITAL

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

The Growth Potential Study 2018 (GPS18) is a five-year information update on the GPS13. The study determines the municipal growth potential relative to other municipalities in the Province by reviewing thematic indices for **growth preconditions** (economic, physical-natural and infrastructure indices) and **innovation potential** (institutional and human capital indices).

The economic, physical-natural, infrastructure and institutional indices have shown regression, therefore increasing the gap between the CKD municipalities and the average score for other municipalities in these themes. However, there was an improvement in the human capital theme, where the gap appeared to have improved closer to the average score of municipalities.

CHALLENGES identified by the study in the CKD include:

- Provision of adequate social services and amenities, particularly in the Prince Albert and Laingsburg municipal areas;
- Crime rate throughout the CKD;
- Low matric pass rate in Prince Albert is a concern in terms of human capital development;
- Provision of adequate service delivery in the CKD, particularly in the Laingsburg and Beaufort West municipal areas;
- Low levels of precipitation in the CKD pose a challenge for economic growth and development, as there is a high reliance on the agriculture, forestry and fishing sector;
- The generally poor economic performance in the CKD; and
- The economic performance, levels of personal income and property tax revenue are showing low potential for revenue collection as well as expenditure, particularly in the Prince Albert and Laingsburg municipal areas.

GROWTH OPPORTUNITIES identified by the study include:

- There is an opportunity in the Prince Albert municipal area to reduce the infrastructure backlog; and
- There is a positive change in terms of economic empowerment in the Prince Albert municipal area.

At a comparative municipal level, the Beaufort West and Prince Albert municipal areas are classified as having “very low” growth potential, while the Laingsburg municipal area is classified as having “low” overall growth potential. Positive changes between GPS13 and GPS18 include gains made in the human capital theme in both the Prince Albert and Laingsburg municipal areas. Furthermore, the Laingsburg municipal area recorded gains in the physical-natural and infrastructure themes, which resulted in the municipal area’s growth potential to improve from “very low” to “low” between GPS13 and GPS18.

* Source: DEA&DP, 2020

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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**Western Cape
Government**
Provincial Treasury

PR360/2020
ISBN: 978-0-621-48905-7