



Western Cape
Government

2021

**Municipal Economic
Review and Outlook**

**Overberg
District**



Western Cape
Government

2021 Municipal Economic Review and Outlook

Overberg District



Provincial Treasury

Local Government Budget Office

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ABOUT THE MUNICIPAL ECONOMIC REVIEW AND OUTLOOK (MERO)

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

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

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

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

FOREWORD

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

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

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

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

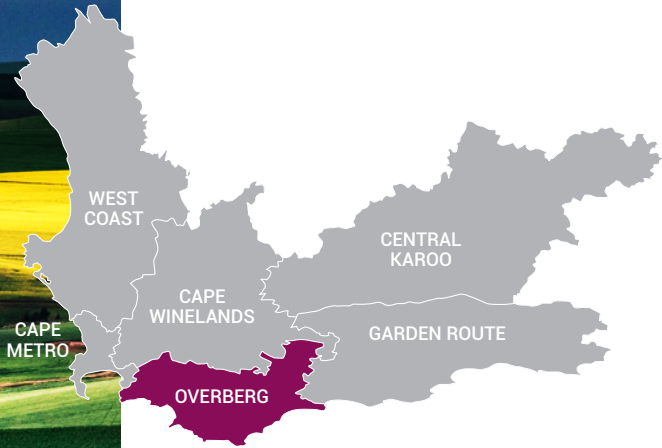


Mr David Maynier

Minister of Finance and Economic Opportunities

6 December 2021

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OVERBERG DISTRICT 62

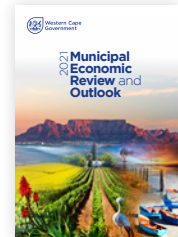
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THE OTHER DISTRICTS



MERO 2021 ALL DISTRICTS



ACRONYMS AND ABBREVIATIONS

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

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

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

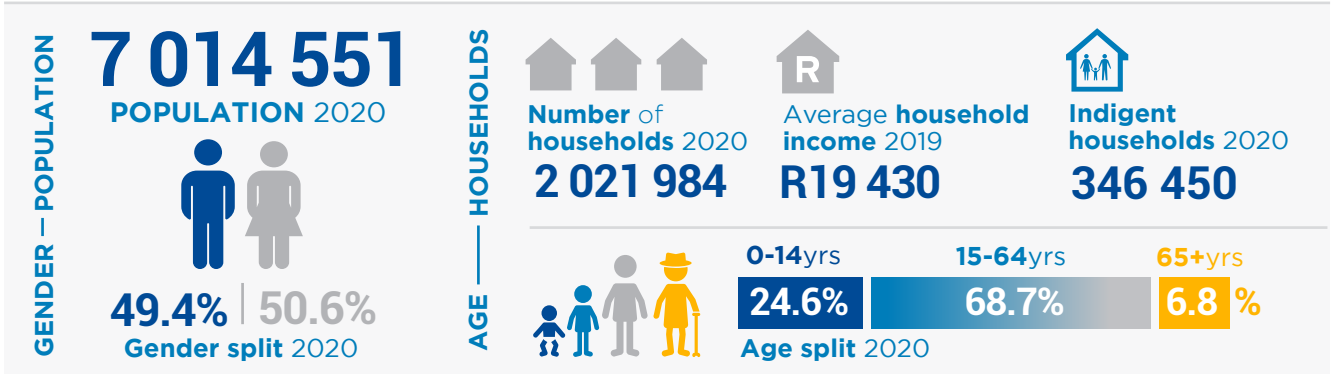
TERS	Temporary Employer/Employee Relief Scheme
TIPS	Trade & Industrial Policy Strategies
TVET	Technical Vocational Education and Training
UBPL	upper-bound poverty line
UIF	Unemployment Insurance Fund
UK	United Kingdom
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCTAD	United Nations Conference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



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

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

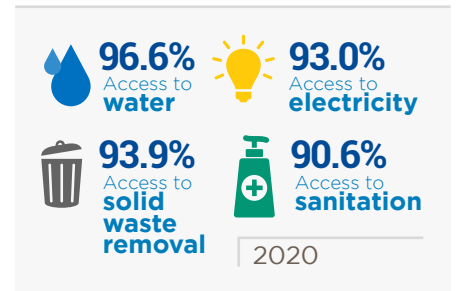
DEMOGRAPHICS



GROSS DOMESTIC PRODUCT



SERVICES



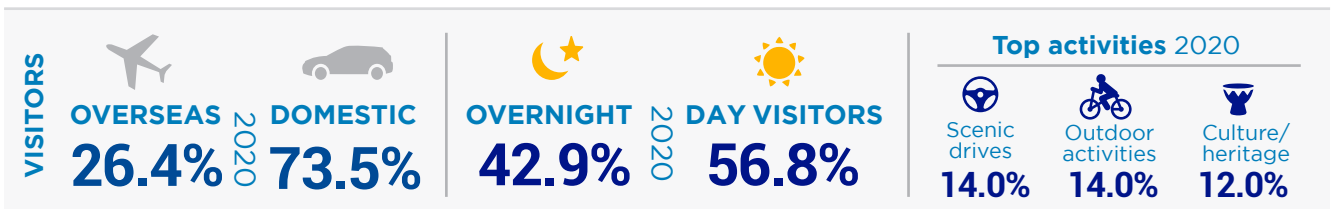
EMPLOYMENT



TRADE



TOURISM





GDPR

2019 2020

GDPR CONTRIBUTION	GDPR GROWTH
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EMPLOYMENT

2019 2020

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

SECTION A

BACKGROUND AND MACROECONOMIC CONTEXT



1. INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION

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

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

1.2 OBJECTIVE OF THE RESEARCH

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

1.3 REPORT OUTLINE

The MERO 2021 publication is structured as follows:

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

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

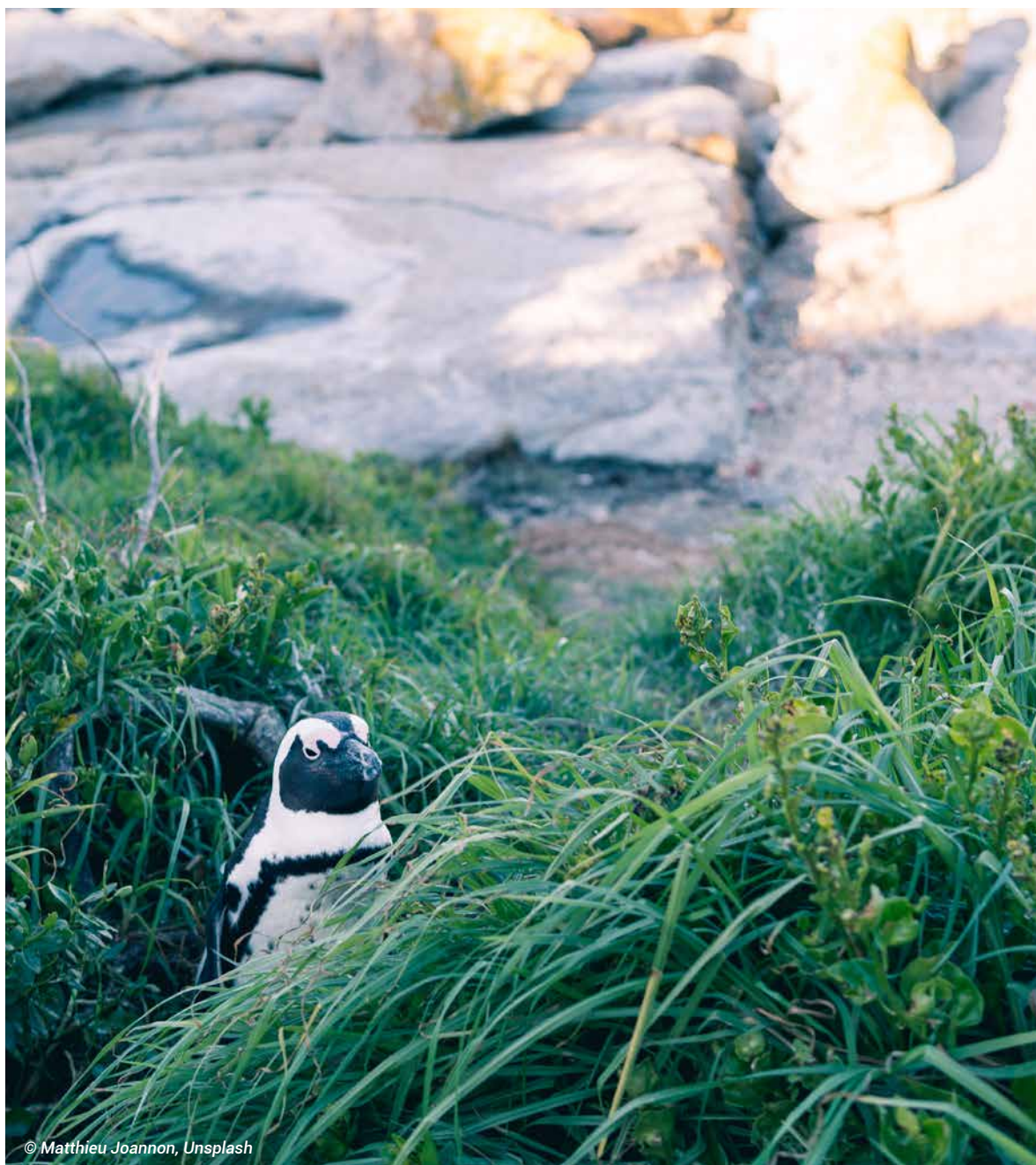
Chapter 1: Regional economic review and outlook - Broad overview of the Provincial macroeconomic context of each District by focusing on GDPR performance and labour trends. The period under review for MERO 2021 is 2015 to 2019, with 2020 figures being

estimated. This chapter also provides GDP forecasts for 2021 and 2022.

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

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

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



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2. MACROECONOMIC PERFORMANCE AND OUTLOOK

2.1 INTRODUCTION

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



2.2 GLOBAL ECONOMIC PERFORMANCE

2.2.1 Global economic outlook¹

The International Monetary Fund (IMF) expects the global economy to rebound to 5.9 per cent in 2021 from a low base in 2020, before easing to a growth of 4.9 per cent in 2022 (see Table 2.1). The 2022 forecast for advanced economies has been revised down by 0.4 percentage points from the July forecast, while the forecast for emerging market and developing economies has been marked up by 0.1 percentage points. The divergence can be supply disruptions in advanced economies and improved commodity prices benefiting commodity-exporting emerging and developing economies. There are risks to the rebound – there may be further virus mutations, social unrest, geopolitical tensions, cyberattacks on critical infrastructure and natural disasters associated with climate change.



¹ As released in October 2021.

Table 2.1
**GLOBAL ECONOMIC
 OUTLOOK,
 2021 – 2022**



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

Source: IMF, 2021



2.2.2 Performance outlook of advanced economies

Advanced economies are forecast to rebound by 5.2 per cent in 2021 and 4.5 per cent in 2022. This strong post-COVID-19 normalisation is supported by a swift vaccine roll-out and fiscal support. This follows an economic contraction of 4.5 per cent in 2020. These economies account for nearly 60.0 per cent of global economic activity and the destination of more than 30.0 per cent of Western Cape exports.

The economy of the United States (US) is forecast to grow by 6.0 per cent in 2021 and by 5.2 per cent in 2022, following a contraction of 3.4 per cent in 2020. Since taking office, President Joe Biden has mobilised a whole-of-government effort to provide the support needed to fight the COVID-19 pandemic and get people vaccinated. The additional support is expected to boost growth in the US by 0.3 percentage points in 2021. The US unemployment rate peaked at 14.8 per cent in April 2020, the highest rate since 1948. The strong recovery supported an improvement in the unemployment rate to 5.8 per cent in May 2021 and a gradual improvement in the labour market participation rate from 60.2 per cent, the lowest since the 1970s, to 61.7 per cent in July 2021.

There were similar developments in the euro area, which is expected to recover by 5.0 per cent in 2021 and by 4.3 per cent in 2022 owing to strong policy support and developments in bringing the COVID-19 pandemic under control. This is after the euro area experienced a sharp contraction of 6.3 per cent in 2020. The impact of the COVID-19 pandemic was most evident in the economic decline in Spain (10.8 per cent) and Italy (8.9 per cent) in 2020. Gross domestic product (GDP) growth in the euro area reached an all-time high of 12.4 per cent in the third quarter of 2020, after a record contraction of 11.5 per cent in the second quarter of 2020 owing to widespread pandemic-related lockdowns. After the rebound in the third quarter of 2020, many European countries experienced a second wave of COVID-19 infections, causing the regional economy to contract by 0.6 per cent in the fourth quarter of 2020 and by 0.3 per cent in the first quarter of 2021. The second quarter of 2021 brought modest growth of 2.0 per cent as the pandemic was brought under control and vaccination coverage increased.

Within the euro area, the French economy is forecast to rebound by 6.3 per cent in 2021 and by 3.9 per cent in 2022, as smaller than expected productivity losses and strong spending and investment are expected to support growth. France was the second-fastest-growing economy in the euro area in 2019. However, the country experienced a steep contraction of 8.0 per cent in 2020. France and its European neighbours faced a new wave of COVID-19 infections in 2021, prompting governments to reimpose lockdowns to contain the resurgence. France's economy contracted by 0.1 per cent in the first quarter of 2021, slipping into recession as it struggled to recover from the pandemic-induced downturn.² The French Central Bank expects the country's economy to return to pre-pandemic output at the start of 2022, as the lifting of restrictions and the acceleration of vaccinations fuel a rebound in the second half of 2021.

The German economy is expected to grow by 3.1 per cent in 2021 and by 4.6 per cent in 2022 as the economy reopens and growth gains momentum. Germany experienced a 4.6 per cent economic decline in 2020. According to the Federal Statistical Office,³ Germany's economy expanded by 1.5 per cent in the second quarter of 2021, after a 2.1 per cent contraction in the first quarter of 2021.

² (Reuters, 2021).

³ (Destatis, 2021).

The recovery in the second quarter followed the gradual easing of coronavirus restrictions and was mainly due to higher household and government final consumption expenditure. GDP was still 3.4 per cent lower in the first quarter of 2021 than in the first quarter of 2020, when the pandemic emerged.⁴

The economy of the United Kingdom (UK) is forecast to rebound by 6.8 per cent in 2021 and by 5.0 per cent in 2022. This is after the UK experienced a contraction of 9.8 per cent in 2020, more than twice as much as the previous largest annual contraction on record, according to the British Office for National Statistics. UK growth picked up at the end of the year, expanding by 1.3 per cent in the fourth quarter of 2020 as restrictions eased, but contracted by 1.5 per cent in the first quarter of 2021. It is then estimated to have increased by 4.8 per cent in the second quarter of 2021 following the easing of COVID-19-related restrictions. A resurgence of infections caused by the Delta variant of the coronavirus nevertheless delayed the lifting of the remaining physical distancing rules until July 2021. However, by the end of July 2021, the UK had fully vaccinated more than 70.0 per cent of adults, successfully slowing the surge of infections and boosting the economic outlook.

The growth forecast for the Japanese economy was downgraded to 2.4 per cent for 2021, but a rebound of 3.2 per cent in 2022 is expected as the Japanese economy reopens and vaccination coverage increases. This follows the sharp contraction of 4.6 per cent in 2020, its first since 2009. The Japanese economy suffered a 3.7 per cent slump in the first quarter of 2021 as COVID-19 infections again surged, driven by the Delta variant, forcing policymakers to implement a third state of emergency at the end of April 2021. Japan hosted the 2020 Olympics, which were postponed to August 2021 owing to the pandemic. However, the lack of spectators and the expected windfalls from tourism, coupled with cost overruns for building new venues and upgrading infrastructure, eroded any hope of an economic boost for the Japanese economy.



⁴ (Destatis, 2021).

2.2.3 Performance and outlook of emerging and developing economies

Emerging markets and developing countries are important and growing export markets for the Western Cape and South Africa. China and India are among the top 10 export markets for South Africa, accounting for 15.2 per cent of total exports as of 2020. China and Russia account for 7.4 per cent of total exports from the Western Cape. In these economies, growth is expected to recover by 6.4 per cent in 2021 and by 5.1 per cent in 2022, following a contraction of 2.1 per cent in 2020. These economies face a double hit owing to worsening COVID-19 pandemic dynamics and tightening external financial conditions. Imports and exports remain substantially below the 2019 levels for Brazil, India and Russia.

The Brazilian economy is expected to grow by 5.2 per cent in 2021 and 1.5 per cent in 2022. However, Brazil's outlook is dampened by soaring inflation and persistent unemployment. Brazil was hard-hit by the COVID-19 pandemic, as the economy contracted by 4.1 per cent in 2020 while it was recovering from its 2014 to 2016 recession. The Brazilian president's delayed approach to the pandemic did not support the recovery. Measures to slow the spread of the coronavirus and contain its impact on the health system were finally implemented, but the virus had already spread rapidly as infections soared. The government introduced a fiscal package focused on social assistance to mitigate the impact of the pandemic. The fiscal stimulus limited the economic decline. As such, the Brazilian economy expanded by 1.2 per cent in the first quarter of 2021, marking its third consecutive quarter of growth driven by services, industry and fixed business investment.⁵ However, a new, more contagious variant of the virus was discovered in Manaus in early 2021, and by March 2021 the country had reached its highest peak in infections since the start of the pandemic.

The outlook for Russia is promising, with growth forecasts of 4.7 per cent in 2021 and 2.9 per cent in 2022 supported by global economic recovery, higher oil prices, household consumption and public investment. This follows the 3.0 per cent contraction in 2020. The economic contraction experienced by Russia in 2020 was smaller than that experienced by other emerging market and developing economies owing to, among other factors, the macrofiscal stabilisation efforts undertaken in recent years, better regulation of its banking sector and closer trade ties to China.⁶ After a contraction of 0.7 per cent in the first quarter of 2021, the economy showed a strong rebound, with growth of 10.3 per cent in the second quarter of 2021. The Russian economy is showing a strong recovery on the back of a rebound in consumer demand and high prices for oil, its key export.⁷

India is forecast to grow by 9.5 per cent in 2021 and 8.5 per cent in 2022, after the country is expected to have suffered an economic contraction of 7.3 per cent in 2020. In March 2020, the Indian government announced a national lockdown, pausing economic activity and resulting in negative growth for the first half of the year and modest growth for the second half of the year. The economy slowly reopened in the second half of 2020, creating hope for recovery. Despite the high forecasted growth rates, India's economic growth prospects have been revised down following the March to May 2021 severe second-wave COVID-19 outbreak. Economic recovery was marred by the emergence of the Delta variant of the coronavirus during a severe second wave of COVID-19 in April 2021. India's economy is estimated to have grown at a modest 1.6 per cent during the first quarter of 2021. However, the Reserve Bank of India estimates growth at 22.1 per cent in the second quarter of 2021 owing to a tapering in the spread of COVID-19 infections and an aggressive vaccination campaign.

⁵ (Reuters, 2021).

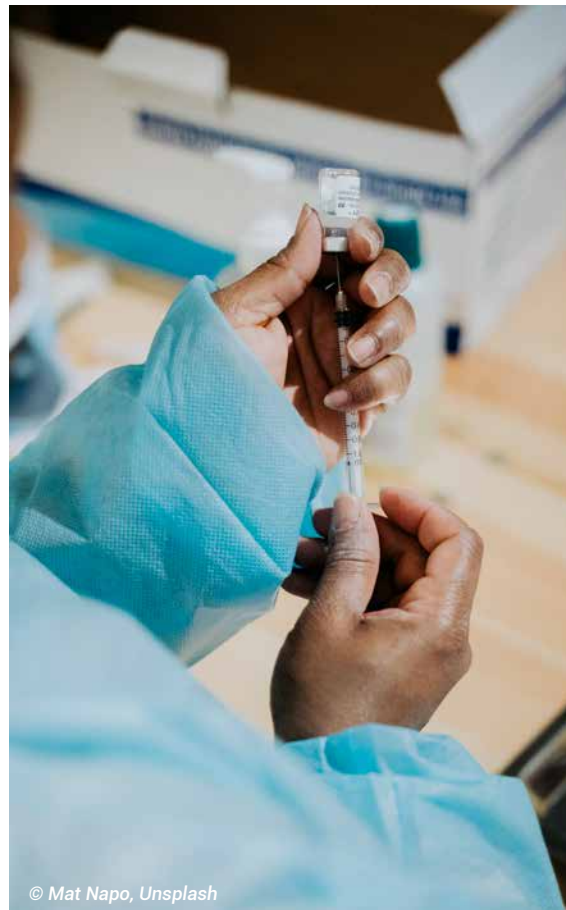
⁶ (World Bank, 2021).

⁷ (Reuters, 2021).

China's growth forecast has been revised down to 8.0 per cent for 2021 owing to the cut in public investment and overall fiscal support. The economy is expected to grow by 5.6 per cent in 2022. The Chinese economy expanded by 2.3 per cent in 2020 amid the outbreak of the COVID-19 pandemic, albeit its lowest growth since 2010. China and Turkey were the only two countries of the G20 that managed to escape a recession in 2020. China was the first country to impose a lockdown and the first to reopen its economy for business, and managed to bring the spread of COVID-19 under control. The Chinese economy grew by 18.3 per cent in the first quarter of 2021, marking the largest quarterly growth figure since China began keeping records in 1992, according to the National Bureau of Statistics of China. The growth was driven by a strong rebound in the retail sector and strong growth in industrial production. However, in May 2021, China's Guangdong Province imposed restrictions amid an outbreak of infections after months of minimal new infections. Although China has managed to contain the spread of the coronavirus, weak consumer spending and the disruption of global production and supply chains has weakened China's growth prospects. However, the Chinese economy can be strengthened by improved relationships with the US, which is likely to increase exports.

2.2.4 Performance and outlook of sub-Saharan Africa

Sub-Saharan Africa is expected to rebound by 3.7 per cent in 2021 and 3.8 per cent in 2022, supported by growth in South Africa in the first quarter of 2021 and the gradual reopening of the regional economy. However, other countries in the region experienced a downward revision of their growth forecast owing to rising public and external debts and slow vaccine roll-out, especially to vulnerable groups. In 2020, the regional economy contracted by 1.7 per cent owing to the pandemic-induced restrictions. While most advanced economies are recovering and looking forward to normalising pre-pandemic activities, emerging markets and developing economies are still battling the resurgence of new infections and rising death tolls. Developing economies, particularly sub-Saharan African countries, face multilayered challenges such as the health shock, vaccination take-up, disruption in economic activities, growing public and external debts, declining commodity prices and poor governance issues.



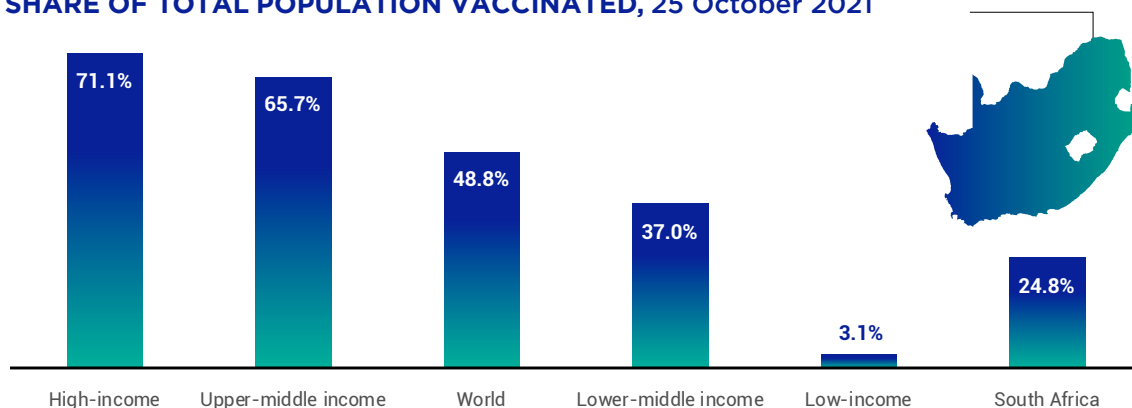
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GLOBAL VACCINE ROLL-OUT

As of 31 October 2021, a total of 7.05 billion doses had been administered worldwide. Of this, 1.68 billion were administered by high-income economies and 34.3 million by low-income economies. Approximately 71.1 per cent of the population in high-income economies had been vaccinated (received at least one dosage), compared with 37.0 per cent in lower-middle-income economies and 3.1 per cent in low-income economies. Variance in vaccine coverage is expected to deepen inequality between developed and developing economies. Low vaccine administration is also associated with the emergence of new variants of the virus, thus posing many threats to the global economy.

Figure 2.1
SHARE OF TOTAL POPULATION VACCINATED, 25 October 2021



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

Of the 54 African nations, only 15 managed to meet the September target of vaccinating 10.0 per cent of their citizens. However, there was a significant increase in the supply of vaccines to Africa between June and September, which assisted with improving vaccination numbers across the continent. Economic recovery speed is also impacted, accelerating in high-income economies while conditions worsen for lower-middle-income and lower-income economies. The damage to jobs and livelihoods is causing a further divergence between the fate of poor and rich countries.

The African Vaccine Acquisition Trust (AVAT) was forced to strategise after the West failed to honour its promise to deliver funding for 700 million vaccines to Africa by the end of 2021. The multinational Covax facility negotiated a deal with Johnson & Johnson (J&J) for 400 million single-shot vaccines. From October 2021, all J&J's future African-produced vaccines could remain in Africa. Now 30.0 per cent of Africa's adult population are guaranteed vaccination, even though it will take until September 2022.

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

Source: WHO, IMF, The Guardian, 2021

The unexpected global spread of the pandemic severely affected export-dependent economies and has weakened the prospect of income convergence between developing and advanced economies. Approximately 80.0 per cent of global trade by volume is carried by sea and handled by ports worldwide.⁸ The COVID-19 pandemic has led to a disruption in global supply chains, shipping networks and ports, resulting in plummeting cargo volumes and reduced growth prospects, with an estimated contraction of 4.1 per cent of maritime trade in 2020. Owing to the pandemic, the shipping industry has faced crew change crises, volatile trade volumes and capacity constraints. While the dry bulk market has benefited from the recovery of commodity prices resulting in a rise in deliveries over the course of the pandemic, crude oil trade declined by 8.0 per cent, and oil product trade declined by 12.0 per cent despite improved oil prices.

The Port of Cape Town is a major economic gateway for the Western Cape, and is South Africa's second-biggest seaport after Durban. The Port of Cape Town is strategically positioned as a hub terminal for cargo to South America and the Far East, as well as West/East Africa cargo, and for tourism. The Western Cape terminals were severely impacted by the COVID-19 pandemic in 2020, with the country having recorded a high number of infections in the second quarter of 2020, which led to the closure of some parts of the ports and a significant decrease in vessels moving out. Inefficiencies in operational activities of the ports and the pandemic challenges led to congestion and long truck turnaround times, resulting in a significant cost for the container transport industry. The delays have resulted in an increased number of shipping lines omitting the Port of Cape Town and vessels thus bypassing this port. This has had a detrimental impact on the Western Cape economy, as exporters prefer to use other ports at a higher transport cost to export their goods.



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

2.2.5 Global inflation outlook

The IMF expects inflation to return to pre-pandemic ranges in most countries in 2022. The inflation outlook in advanced economies is forecast to be 2.6 per cent in 2021 and 2.0 per cent in 2022. The recent rise in core inflation in the US largely mirrors side-effects from the pandemic rather than rising consumer spending. Wage growth in the US is fairly stable as individual wages, observed 12 months apart by the Federal Reserve Bank of Atlanta's Wage Growth Tracker, failed to show any pressure on the labour market. Similarly, data from Canada, Spain and the UK shows the same patterns of fairly stable wage growth.

The inflation outlook for emerging markets and developing economies is projected to improve slightly from 5.5 per cent in 2021 to 4.9 per cent in 2022. Weak local currencies have further fuelled the prices of imported goods, thus adding to the overall inflation. Inflation in sub-Saharan Africa is expected to ease from 10.7 per cent in 2021 to 8.6 per cent in 2022.

The price per barrel for Brent crude oil rose from below US\$30 in April 2020 to US\$73 per barrel in June 2021, thereby adding pressure to the global inflation outlook (see Figure 2.2). The spot price of Brent crude oil increased at double-digit rates in both January and February 2021, following economic recovery on the back of the global COVID-19 vaccination roll-out and easing of movement restrictions, which promise to contribute to the revival of global economic activity and thus the demand for oil. On the supply side, constraints brought about by severe winter storms, with extreme cold weather conditions in some parts of the US, disrupted crude oil production and supported the oil price. Supply curtailments introduced by the Organization of the Petroleum Exporting Countries and their allies (OPEC+) also contributed to higher crude oil prices.

Figure 2.2
BRENT CRUDE OIL PRICE, January 2020 – June 2021



Source: Quantec Research, 2021

The spot price of Brent crude oil surged by 37.7 per cent in the first quarter of 2021 to its highest quarterly average since the fourth quarter of 2019. However, prices eased in April 2021 after OPEC+ gradually increased supply between May and June 2021. There are rising concerns regarding fuel demand, as several European countries have reintroduced lockdown measures, which have also weighed on the price. Japan's new wave of COVID-19 cases and the death toll surge in India further contributed to the crude oil price increases slowing down.

2.3 DEVELOPMENTS IN THE SOUTH AFRICAN ECONOMY

2.3.1 Performance of the South African economy

By the first half of 2021, the South African growth recovery was well under way. Unadjusted GDP for the first six months of 2021 increased by 7.5 per cent, compared with the first six months of 2020. By the second quarter of 2021, the largest positive contributors to growth were the transport, storage and communication;⁹ community, social and personal services;¹⁰ and wholesale and retail trade, catering and accommodation¹¹ sectors – all of which responded positively to the easing of pandemic-related lockdowns. The transport sector increased by 6.9 per cent and contributed half a percentage point to GDP growth. The community services sector increased by 2.5 per cent and contributed 0.4 of a percentage point to GDP growth, while the trade sector increased by 2.2 per cent and contributed 0.3 of a percentage point to GDP growth.

Within the primary sector, the agriculture, forestry and fishing¹² sector increased by 6.2 per cent, which was mainly due to the increased production of field crops, horticulture and animal products. The mining and quarrying¹³ sector increased by 1.9 per cent, and the increased production was reported for platinum group metals (PGMs), gold and coal.

Within the secondary sector, the manufacturing sector decreased by 0.8 per cent. Six of the 10 manufacturing divisions reported contractions. The petroleum, chemical products, rubber and plastic products division made the largest contribution to the decrease. The electricity, gas and water sector increased by 0.7 per cent, which was largely due to increases in electricity and water distributed, while the construction sector decreased by 1.4 per cent. Decreases were reported for residential buildings, non-residential buildings and construction works. Stats SA reported that the value of building plans completed for residential and non-residential buildings as well as additions and alterations declined by 44.8 per cent between 2019 and 2020.

Within the tertiary sector, the trade sector grew by 2.2 per cent. Improved economic activity was reported in the wholesale, retail and motor trade, and there was increased spending on catering and accommodation services. The transport sector grew by 6.9 per cent; the increased economic activity was reported for land transport services. The finance, insurance, real estate and business services¹⁴ sector contracted by 0.4 per cent. The decreased economic activity was reported for financial intermediation and auxiliary activities. The general government sector contracted by 0.9 per cent, which can mainly be attributed to decreased employment in national, provincial and local government. The community services sector improved by 2.5 per cent. Increases in personal services were reported for community services and other producers. Although the growth recovery continued into the first half of 2021, the level of GDP in the second quarter of 2021 was on a par with GDP in the fourth quarter of 2017.

⁹ Hereafter abbreviated to transport.

¹⁰ Hereafter abbreviated to community services.

¹¹ Hereafter abbreviated to trade.

¹² Hereafter abbreviated to agriculture.

¹³ Hereafter abbreviated to mining.

¹⁴ Hereafter abbreviated to finance.



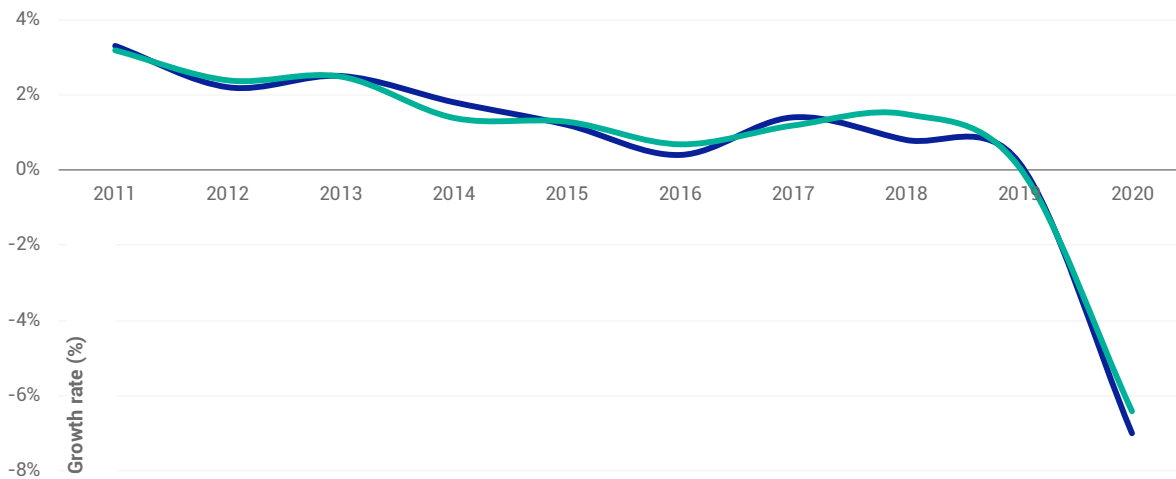
BENCHMARKING AND REBASING GDP ESTIMATES

In August 2021, Stats SA published updated estimates of real GDP as a result of a comprehensive project to benchmark and rebase the statistics. This is aligned with international best practice to review and update the estimates of the size, structure and performance of the economy periodically. During this process, Stats SA included new sources of information, improved the compilation methodology, reviewed and refined the classification of economic activities, and updated the base year from 2010 to 2015. As a result, GDP is now measured at constant 2015 prices instead of 2010 prices. Together with new methods, data sources and benchmarking, this has resulted in revisions to the entire set of GDP-related time series.

Figure 2.3
REVISED SOUTH AFRICAN REAL GDP GROWTH, 2011 - 2020



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



Source: Stats SA, 2021

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

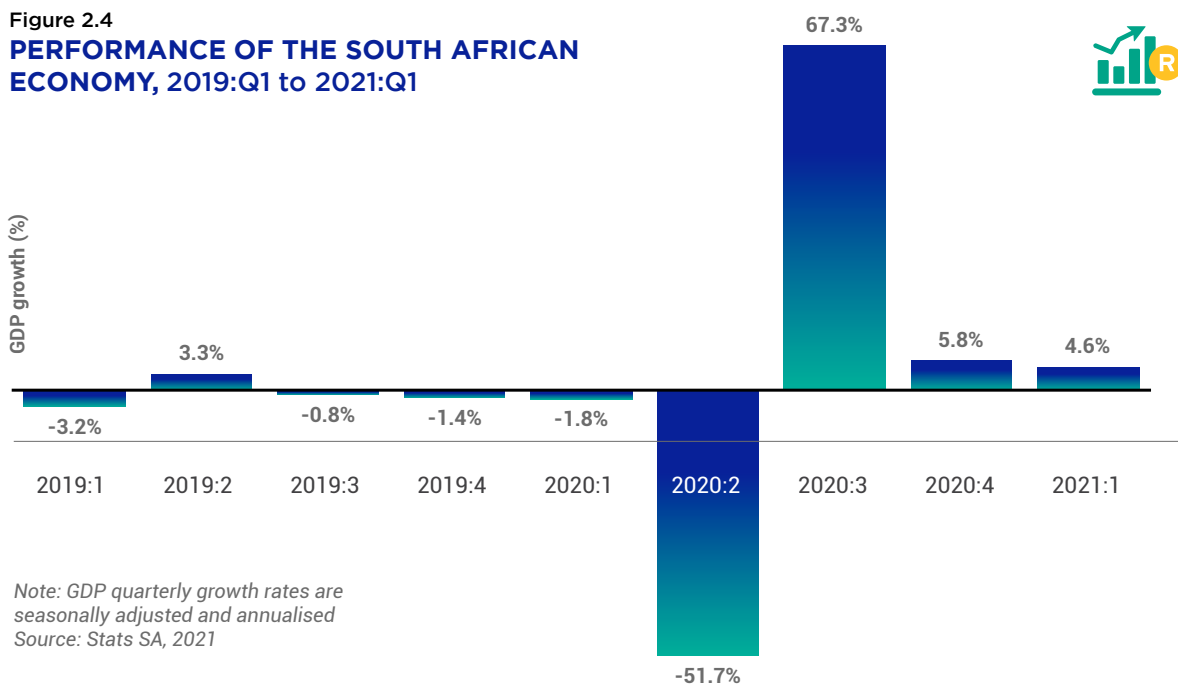
The revised estimate of GDP in 2020 increased by 11.0 per cent to R5 521 billion, compared with the previous estimate of R4 973 billion. Consequently, the annual contraction for 2020 was revised from -7.0 per cent to -6.4 per cent. Historically, benchmarking GDP has resulted in estimates that show an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



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

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

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



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



SOUTH AFRICA'S CREDIT RATINGS

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

Table 2.2

SOUTH AFRICAN CREDIT RATINGS, November 2020 – May 2021



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

Source: Reuters, 2021



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

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



DESCRIPTION	Quarterly (q-o-q) percentage change		Annual (y-o-y) percentage change	
	2020Q4	2021Q1	2020Q4	2021Q1
Agriculture, forestry and fishing	5.9	-3.2	12.7	7.5
Mining and quarrying	-5.7	18.1	-7.0	3.5
Manufacturing	21.1	1.6	-2.0	-1.1
Electricity, gas and water	2.2	-2.6	-0.8	-0.9
Construction	11.2	0.8	-19.8	-17.5
Wholesale and retail trade, catering and accommodation	9.8	6.2	-5.2	-3.8
Transport, storage and communication	6.7	4.8	-12.3	-11.5
Finance, insurance, real estate and business services	-0.2	7.4	-4.3	-5.3
General government	0.7	0.9	0.5	0.5
Community, social and personal services	4.8	1.7	0.5	-0.6
GDP	5.8	4.6	-4.2	-3.2

Note: GDP quarterly growth rates and GDP yearly growth rates are not seasonally adjusted or annualised
Source: Quantec Research, 2021

2.3.2 Outlook for the South African economy

A gradual recovery of the South African economy is expected in 2021 and beyond. The long contraction of the economy from the third quarter of 2019 to the second quarter of 2020, coupled with frequent power cuts and soaring fuel, electricity and food prices, further complicates the country's social challenges. Social unrest is at a tipping point following the riots in KwaZulu-Natal and Gauteng in July 2021, which were characterised by violence, looting and protests that led to the loss of lives, the destruction of property and businesses, as well as the temporary closure of critical trade routes. The estimated cost to the national economy due to the civil unrest stands at R50 billion in lost output, while 150 000 jobs have been placed at risk.

According to the National Treasury, it will take the national economy up to two years to recover from the impact. National debt is still a major concern, as gross loan debt is expected to increase by R430.8 billion to R4.745 trillion in 2022/23 and to increase further to R5.538 trillion by 2024/25. This will drive up debt service costs by R96.6 billion over the Medium Term Expenditure Framework (MTEF) period to R365.8 billion in 2024/25, thereby reducing the Government's ability to deliver on services and programmes.



HEADLINE GDP ESTIMATES WILL NO LONGER BE ANNUALISED

In June 2021, Stats SA announced that the headline GDP growth rate would no longer be annualised. Several real GDP growth rates can be calculated from the value of GDP. These GDP growth rates provide different perspectives on the performance of the economy. Historically, Stats SA has treated the quarter on-quarter annualised rate as the headline growth rate. The quarter-on-quarter annualised rate shows what the annual growth rate would be if the quarter-on-quarter rate were to occur over four consecutive quarters.

During periods of steady economic growth, annualising is a useful way of expressing quarter-on-quarter performance in annual terms. However, during periods of economic instability, annualising can be misleading because it exaggerates growth rates that are unlikely to be repeated. For example, largely as a result of the COVID-19 pandemic and lockdown regulations, real GDP contracted sharply in the second quarter of 2020 and rebounded strongly in the third quarter of the same year.



Table 2.4

GDP GROWTH RATES



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

Source: Stats SA, 2021

From the second quarter of 2021, Stats SA will publish the quarter-on-quarter, seasonally adjusted, real GDP growth rate, in 2015 constant prices, as the headline rate. This is the practice in many countries, e.g. Australia, Brazil, Canada, France, Germany, Italy, Japan, Mexico, New Zealand, Norway, Sweden and the United Kingdom. Supplementary growth rates, namely year-on-year growth for individual quarters and for year-to-date, will continue to be published. The current practice of publishing quarterly seasonally adjusted data in R million as annual equivalent values will be continued.

Policy uncertainty has affected South Africa's investment outlook, resulting in sluggish growth. Fixed investment declined from 23.5 per cent of GDP in 2008 to 15.8 per cent in 2020. Regardless of the aforementioned challenges, the SARB forecasts that the South African economy will recover by 5.3 per cent in 2021, 1.7 per cent in 2022 and 1.3 per cent in 2023.¹⁵

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

Table 2.5
SOUTH AFRICAN ECONOMIC OUTLOOK,
2021 - 2022



DESCRIPTION	2020e	2021f	2022f
Final consumption expenditure, households (%)	-5.4	7.7	6.4
Durable goods	-8.4	10.5	-0.2
Semi-durable goods	-18.3	8.5	9.0
Non-durable goods	-3.9	12.1	14.5
Services	-3.2	3.3	0.1
Gross fixed capital formation (%)	-17.5	0.9	5.9
Private business enterprises	19.3	2.6	7.1
Residential buildings	-20.9	-7.4	-8.4
Non-residential buildings	-25.3	4.6	2.3
Public corporations	19.3	2.6	7.1
Exports of goods and services (%)	-10.3	-7.0	0.9
Interest rates (average of quarterly values)			
3-month BA rate	4.5	3.9	4.9
10-year long bond yield	10.1	9.8	9.7
Prime overdraft rate	7.7	7.1	8.1
Inflation (annual average %)			
Producer prices	104.4	100.4	105.3
Consumer prices	3.3	4.7	5.3
Average wage rate (rand)	20.19		
Exchange rates (annual average)			
R/US dollar	16.46	15.11	15.98
R/euro	18.71	18.25	19.03
R/pound sterling	21.11	20.63	22.28
Yen/R	2.38	2.34	2.38
Gross domestic expenditure (year-on-year % change)	-7.1	9.6	5.5
Current account balance (R million)	108 204	82 168	-93 956

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

¹⁵ (SARB, 2021).

2.3.3 Final household consumption expenditure

The spending side of the economy has also seen a rebound. Household consumption spending rose 4.7 per cent in the first quarter of 2021 and 7.5 per cent in the fourth quarter of 2020. Spending on durable goods surged in the first quarter of 2021 (20.7 per cent quarter-on-quarter) after a marginal increase in the fourth quarter of 2020. However, real household consumption expenditure was still 0.9 per cent lower in the first quarter of 2021 than in the corresponding quarter of 2020.

There was a slowdown in household credit extension in the period from 2011 to 2021, from 7.0 per cent growth in the first quarter of 2011 to 3.3 per cent in the first quarter of 2021, but this was nevertheless an improvement on the growth rate in 2020 (see Figure 2.5). The most recent deceleration in household credit extension reflects the cautiousness of households to borrow owing to the uncertain economic environment posed by the pandemic, despite the favourable borrowing conditions.

Figure 2.5
SOUTH AFRICAN HOUSEHOLD CREDIT EXTENSION,
2011 – 2021



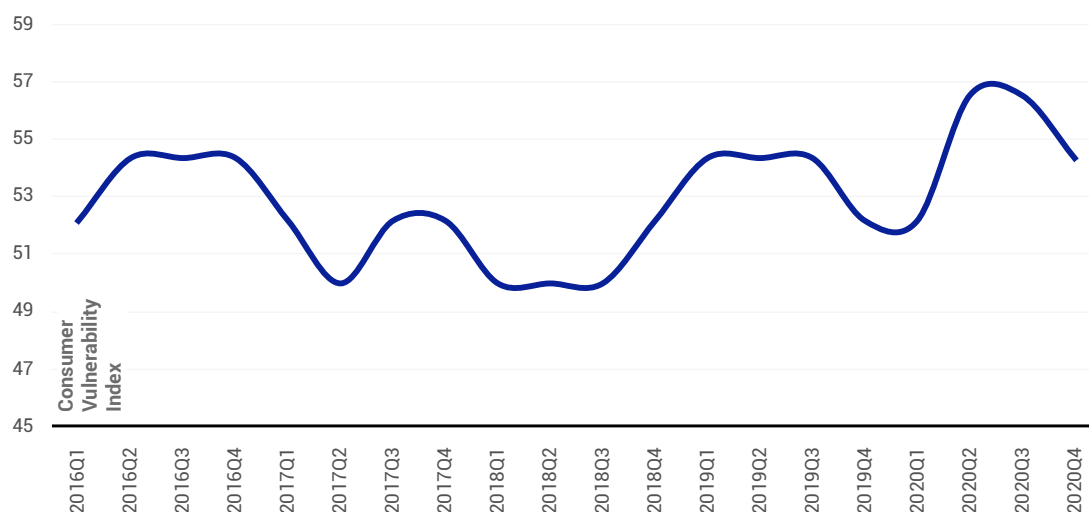
Source: Quantec Research, 2021

Other key factors affecting the uptake and supply of unsecured credit in South Africa include the weak labour market as seen by the unemployment rate, which is the highest in the world, as well as income insecurity in the form of reduced salaries and uncertainty over future income, depressed consumer confidence and a tendency towards precautionary savings in times of uncertainty. Over the past decade, the national savings ratio, as measured by the ratio of gross domestic saving to GDP, deteriorated and averaged at 15.4 per cent after peaking at 18.4 per cent by the end of 2010. There has been a notable increase to 18.0 per cent in the first quarter of 2021, which is largely due to precautionary savings as households put off spending owing to uncertainty. Indeed, household savings as a percentage of GDP increased by 2.0 percentage points in 2020, the strongest saving performance since 2004.

The ratio of household debt to disposable income decreased marginally from 75.4 per cent in the fourth quarter of 2020 to 75.3 per cent in the first quarter of 2021, as the quarter-to-quarter increase in nominal disposable income exceeded the increase in household debt. Household credit has remained subdued since the second quarter of 2020. Households' cost of servicing debt relative to nominal disposable income remained unchanged at 7.7 per cent over this period, amid the lower interest rates.

Figure 2.6

SOUTH AFRICAN CONSUMER VULNERABILITY INDEX, 2016:Q1 - 2020:Q4



Source: Quantec Research, 2021

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

2.3.4 Investment

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

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

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

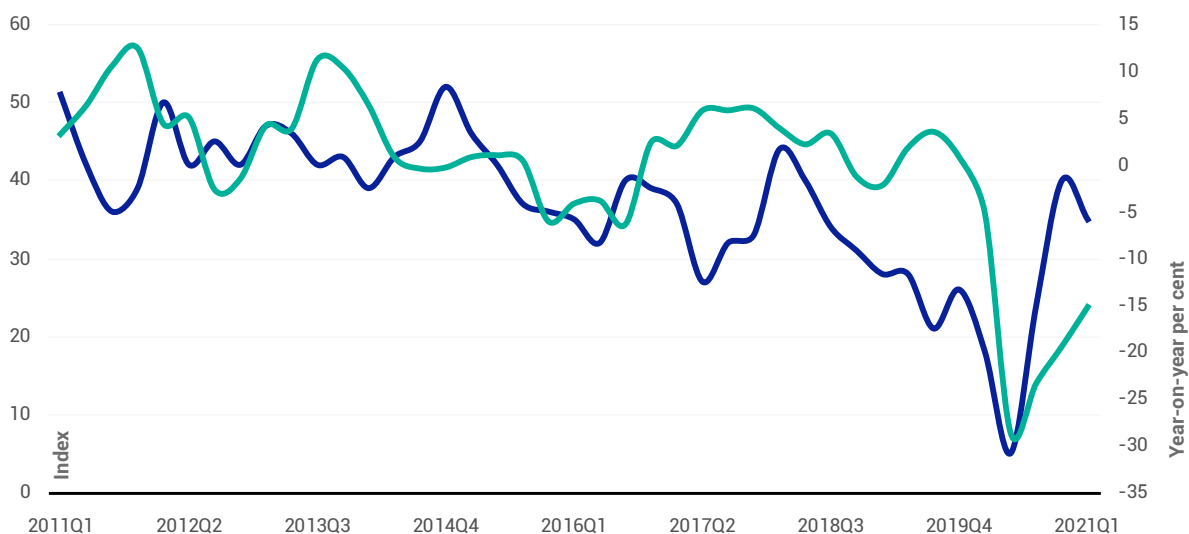
In contrast, fixed investment by private-business enterprises shrank by 8.9 per cent in the first quarter of 2021, following an increase of 5.8 per cent in the fourth quarter of 2020. Fixed investment in machinery and other equipment, including transport equipment, contracted markedly in the first quarter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

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

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



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



Source: Quantec Research, 2021

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



TEMPORARY EMPLOYER/EMPLOYEE RELIEF SCHEME

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

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

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



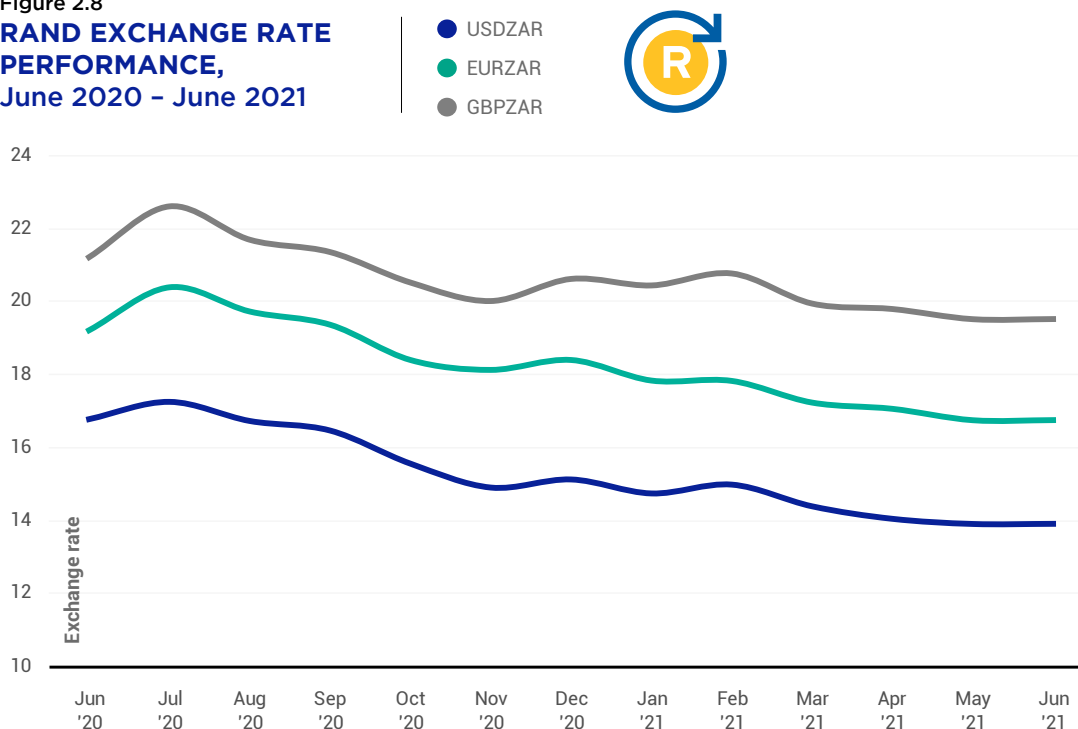
Source: National Income Dynamics Study – Coronavirus Rapid Mobile Survey (NIDS-CRAM), 2021

2.3.5 Exchange rate outlook

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

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

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



Source: Quantec Research, 2021

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

2.3.6 Balance of payments

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

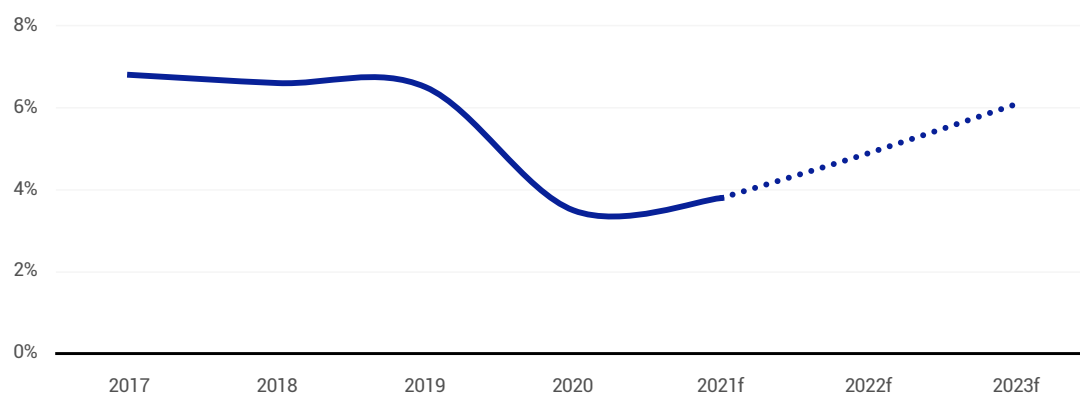
The current account surplus was in part due to a significant trade surplus, which increased from R425.0 billion in the fourth quarter of 2020 to R430.0 billion in the first quarter of 2021, with the largest surplus resulting from the value of merchandise exports. The trade surplus can be ascribed to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

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

2.3.7 Inflation and interest rate outlook

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

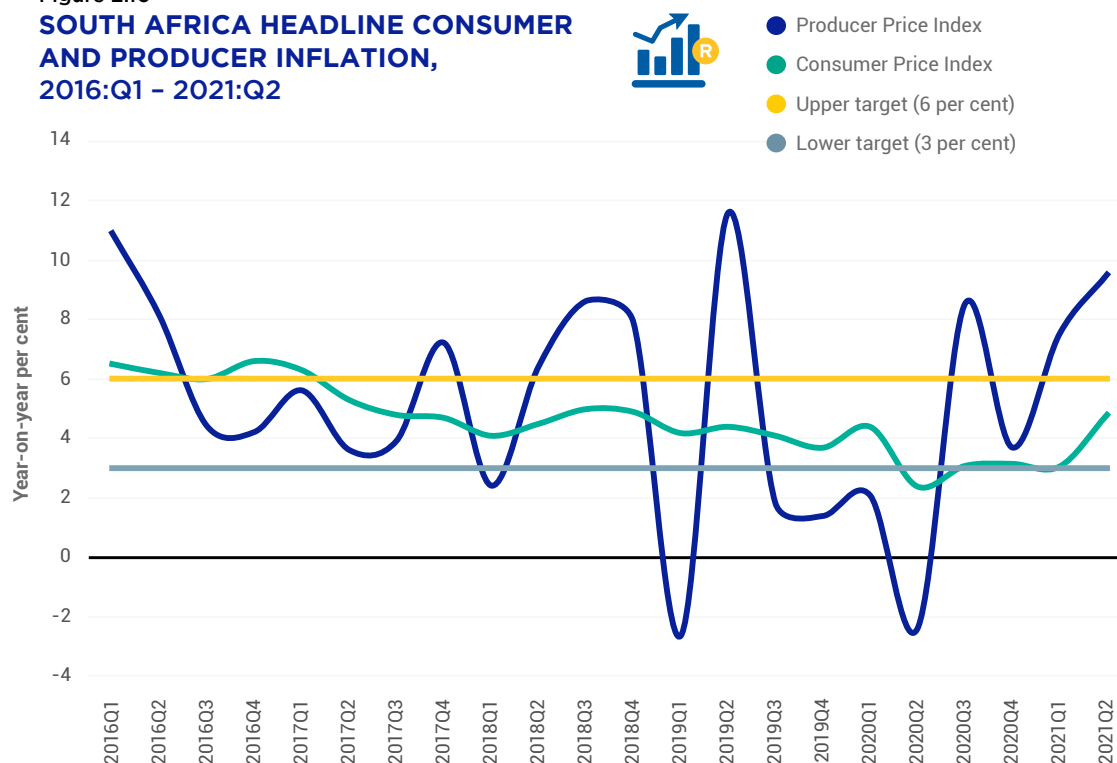
Figure 2.9
SOUTH AFRICA REPO RATE OUTLOOK, 2017 - 2023



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

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

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



Source: Quantec Research, SARB, 2021

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

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

Annual producer price inflation (final manufacturing) was 8.1 per cent in October 2021, up from 7.8 per cent in September 2021. The main contributors to the annual headline producer price inflation rate were coke¹⁶ petroleum, chemical, rubber and plastic products; food products, beverages and tobacco products; and metals, machinery, equipment and computing equipment.

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



COVID-19 VACCINE HESITANCY IN SOUTH AFRICA

Despite COVID-19 vaccines being available to all South Africans aged 18 years¹⁷ and older, uptake remains low, with only 24.8 per cent of adults having received at least a first dose at the time of writing. The low uptake in the country has been ascribed to vaccine hesitancy on the part of many South Africans. The World Health Organization (WHO) defines vaccine hesitancy as a delay in acceptance or refusal of vaccines despite the availability of vaccine services. The reluctance of people to receive safe and recommended available vaccines was already a growing concern before the COVID-19 pandemic (MacDonald, 2015). Vaccine hesitancy is influenced by five main determinants, namely confidence, complacency, convenience (or constraints), risk calculation and collective responsibility (Betsch, 2018; Wiysonge, 2021). Vaccine acceptance is primarily driven by an interest in personal protection against COVID-19, whereas concerns about side-effects are the most common reasons for hesitancy, and health workers are the most trusted sources of guidance about vaccines against COVID-19.¹⁸

A large-scale survey, conducted by the Human Sciences Research Council (HSRC) and the University of Johannesburg between 25 June and 12 July 2021, found that those hesitant to receive the vaccine raised concerns over side-effects, efficacy and distrust of the vaccine or governments as the main reasons. Side-effects were more common concerns among poor adults, while people living in urban areas said they were more worried about side-effects than those who live in rural areas. The study found that whites were far more concerned about ineffectiveness and side-effects than other groups and were also more likely to try alternative treatments over a vaccine. Only 5.0 per cent of respondents said “social media or other rumours” were the reason they did not want to get vaccinated, and an even smaller proportion said their reservations were because of religious beliefs.

According to the NIDS-CRAM Wave 5 Survey, one in five South Africans believed that the vaccine was unsafe, but only one in 10 was very convinced of this. A third of individuals who thought vaccines were unsafe said they believed this because vaccine development was rushed and not adequately tested. One in five of those who believed vaccines were unsafe or could harm them reported that this was because of side-effects of the vaccine. Conspiracy theory-driven safety concerns were cited infrequently compared with concerns about side-effects and vaccine testing timeframes, with only 1.0 per cent of respondents saying they were worried about vaccine safety owing to national or global plots, and fewer than 1.0 per cent were concerned about vaccine safety because they feared it may alter their DNA or that it was a fraudulent corporate attempt to extract profits.

The NIDS-CRAM Wave 5 Survey further revealed that 47.0 per cent of South Africans who were hesitant to receive a COVID-19 vaccine in February or March 2021 subsequently changed their minds over the following two months and had either been vaccinated or had agreed to be vaccinated when asked again in April or May 2021. However, the proportion of respondents who had registered for vaccination was much lower than their willingness to be vaccinated as asserted in surveys, indicating that opinion does not always translate into action. The survey conducted by the HSRC and the University of Johannesburg between 25 June and 12 July 2021 found that 45.0 per cent of South Africans aged 18 to 24 were hesitant to get the vaccine. This number increased from 37.0 per cent when a similar survey was carried out in January 2021. By comparison, only 14.0 per cent of those aged 60 and above were hesitant. Overall, vaccine hesitancy has dropped since the last survey, carried out between 29 December 2020 and 6 January 2021, from 33.0 per cent to 28.0 per cent.

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

¹⁸ (Solis, 2021).



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

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

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

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

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

2.3.8 Main risks to the national outlook

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

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



2.4 DEVELOPMENTS IN THE WESTERN CAPE ECONOMY

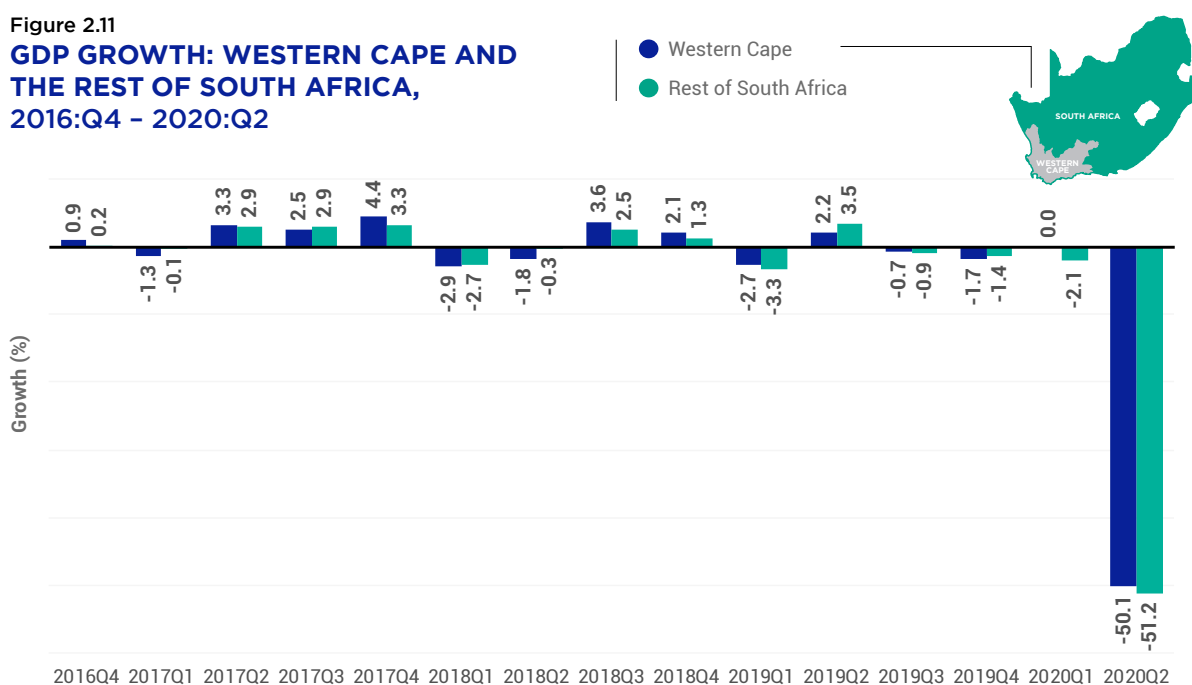
2.4.1 Western Cape economic performance

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

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

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

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

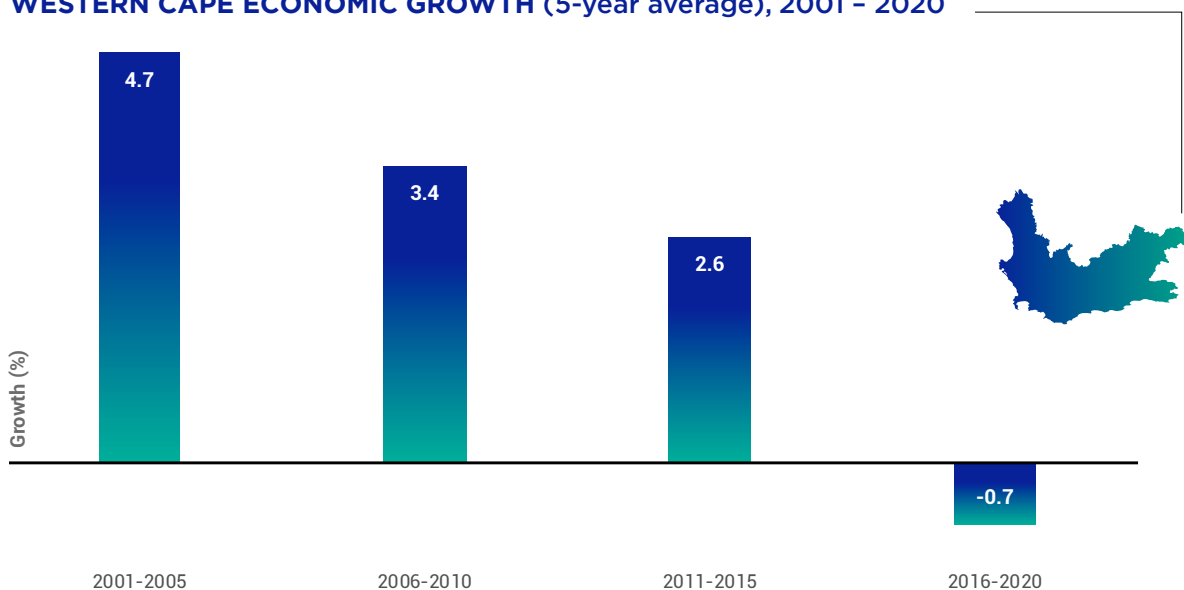


Note: The Western Cape growth rate for 2020 is an estimate. Source: Quantec Research, 2021

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

Figure 2.12

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



Source: Quantec Research & HS Business Solutions, 2021

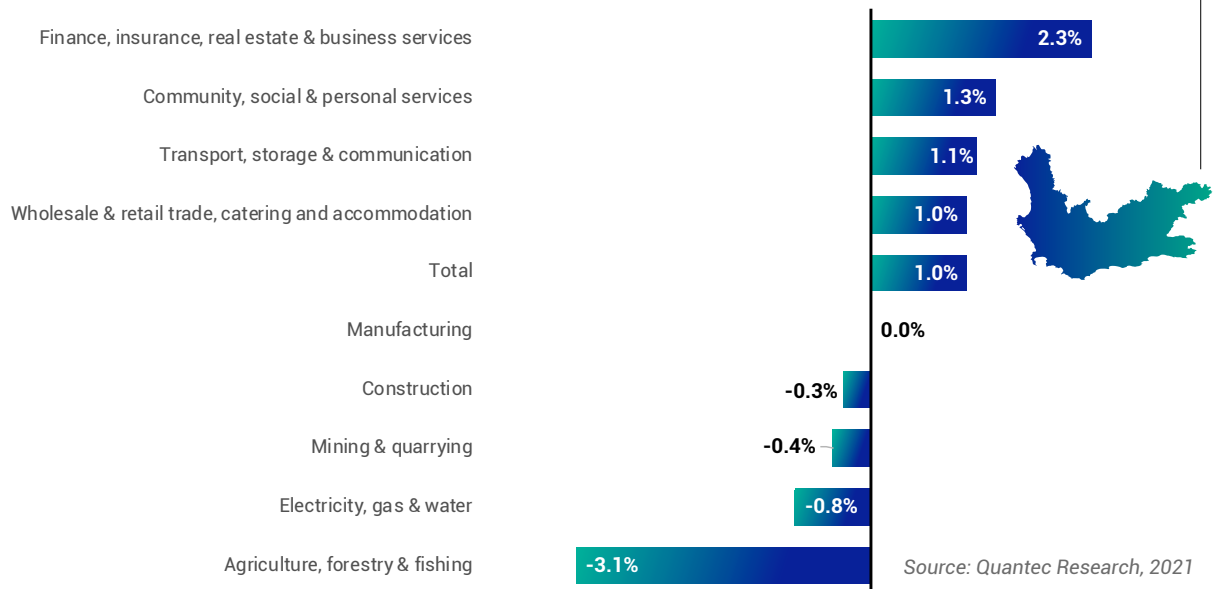
The COVID-19 pandemic set in as the drought eased and electricity supply interruptions became even more frequent. According to the Council for Scientific and Industrial Research (CSIR), 650 hours of load-shedding was recorded in the first half of 2021, which is an estimated 76.0 per cent of the load-shedding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



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

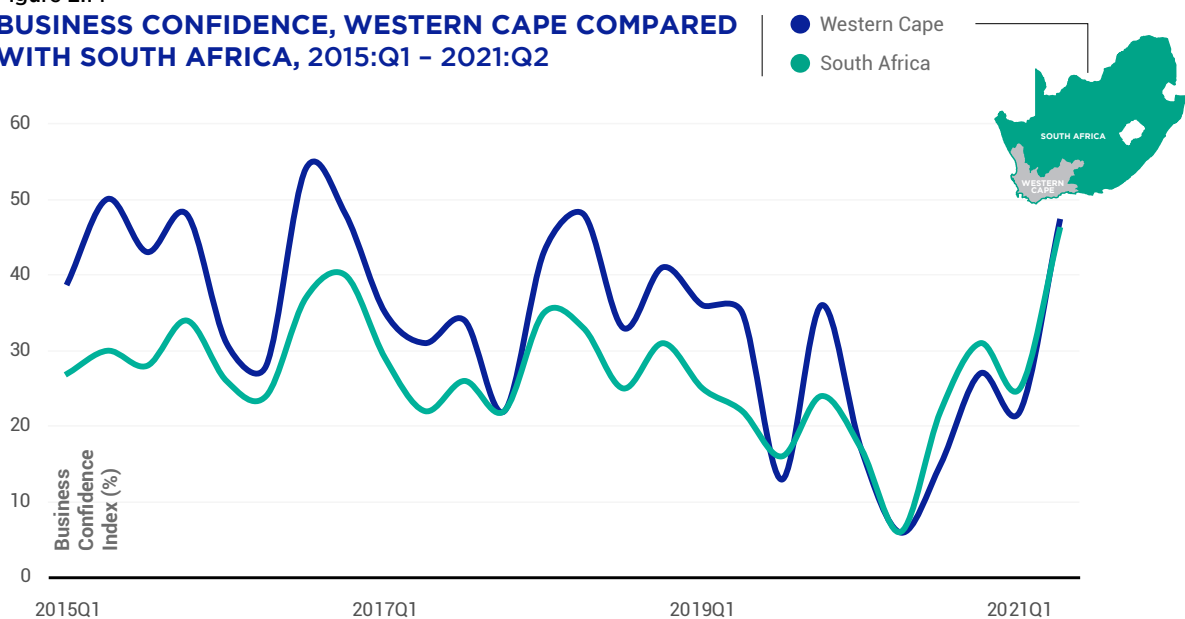
Growth between 2015 and 2019 was led by the finance sector (see Figure 2.13), emphasising the importance of the Cape Metro area as the business hub of the Province. The community services sector, the transport sector and the trade sector also contributed to growth. Growth was dragged down by a decline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

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



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

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



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

2.4.2 Outlook for the Western Cape economy

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

Table 2.6
WESTERN CAPE ECONOMIC OUTLOOK, 2019 – 2022



Forecast average

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

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

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

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

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

In the secondary sector, the manufacturing sector is expected to recover by an average of 4.8 per cent in the two-year forecast period after a 10.0 per cent contraction in 2020. This is largely due to the reopening of industries and expected recovery in international trade. The electricity, gas and water sector is expected to contract for a consecutive year in 2021. The continued contraction of the sector can be attributed to Eskom's ongoing electricity supply challenges. This has a dampening effect on other sectors that rely on power supply for production and productivity. The construction sector is expected to remain under pressure, with an anticipated contraction of 0.9 per cent in 2021 after a massive contraction of 21.1 per cent in 2020 as a result of the industry coming to a standstill during the lockdown period. The investment in infrastructure will boost economic activity, increase economy-wide productivity growth and reduce unemployment.

In the tertiary sector, the trade sector has an average of 6.0 per cent growth forecast in the two-year forecast period, which is a strong recovery from its 10.3 per cent contraction in 2020. The positive outlook suggests a strong expected recovery in catering and accommodation, which captures tourist activity to some extent, given the vaccine roll-out and a reopening of the global economy. Consumer spending on textiles, clothing and footwear, household furniture and appliances and hardware contributed to the recovery of the trade sector in 2021.²¹ While bricks-and-mortar shops struggled during the pandemic, online shopping experienced boosted activity. This trend is expected to continue in future. With many online shops having their headquarters in the Cape Metro, this has the potential to boost the local economy, through increased activity in logistics and warehousing.

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



²¹ (Stats SA, 2021).

2.4.3 Risks to the Provincial outlook

The Provincial risks outlook for the Western Cape is almost similar to the national context, except that the Western Cape economy is heavily dependent on tourism, wine production and farming.

- The negative effect of the COVID-19 pandemic on the global and domestic economy that resulted in job losses, particularly for those working in hotels and restaurants, increased poverty, income inequality and social unrest.
- There was a substantial increase in service delivery demands owing to in-migration and maternal health.
- Travel restrictions and the restriction on global flights during the peak of COVID-19 almost collapsed the tourism and wine sector in the Western Cape, as global travel collapsed.
- The COVID-19 pandemic will worsen the digital divide. With no access to the internet and technology, the poor risk being left behind. This will have a particularly negative impact on education outcomes, which will influence the labour market in the long run.



3. REGIONAL CONTEXT

3.1 INTRODUCTION

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

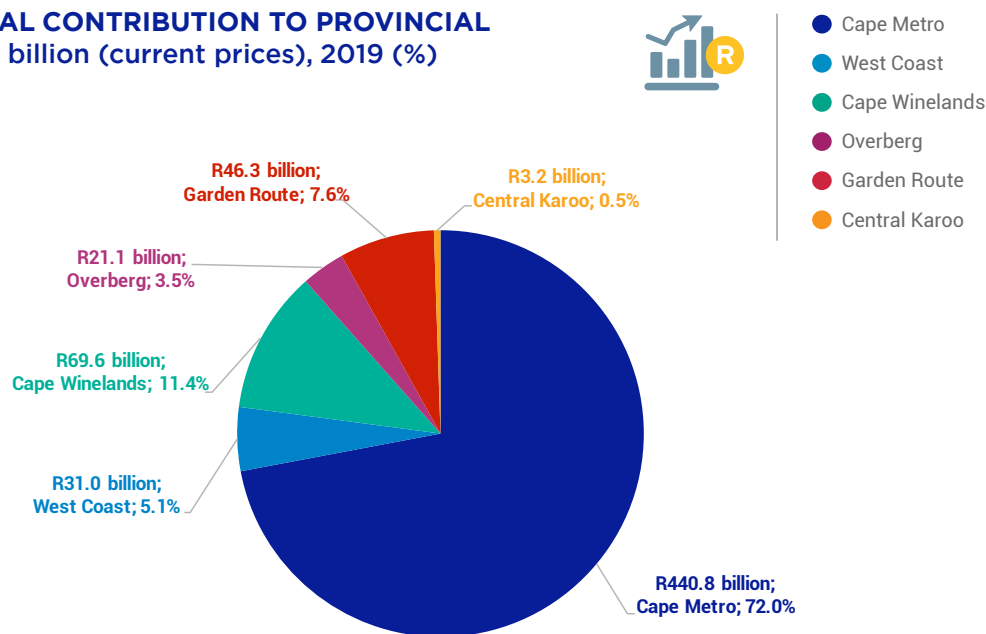
3.2 DISTRICT ECONOMIC OVERVIEW

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

3.2.1 GDP contribution

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

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

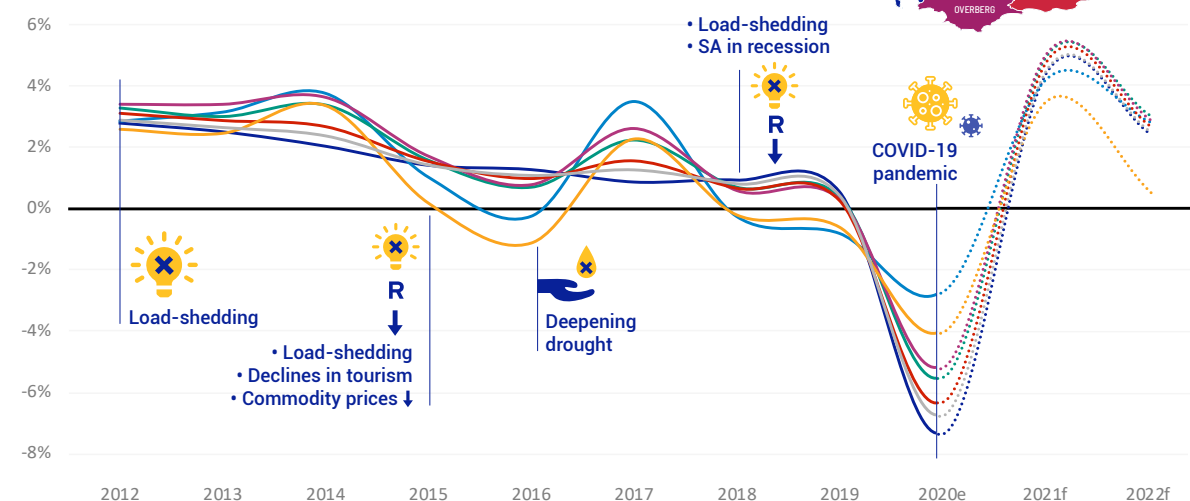


Source: Quantec Research, 2021

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

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

Figure 3.2
GDPR GROWTH RATE PER REGION, 2012 – 2022



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

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

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

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

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

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

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

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

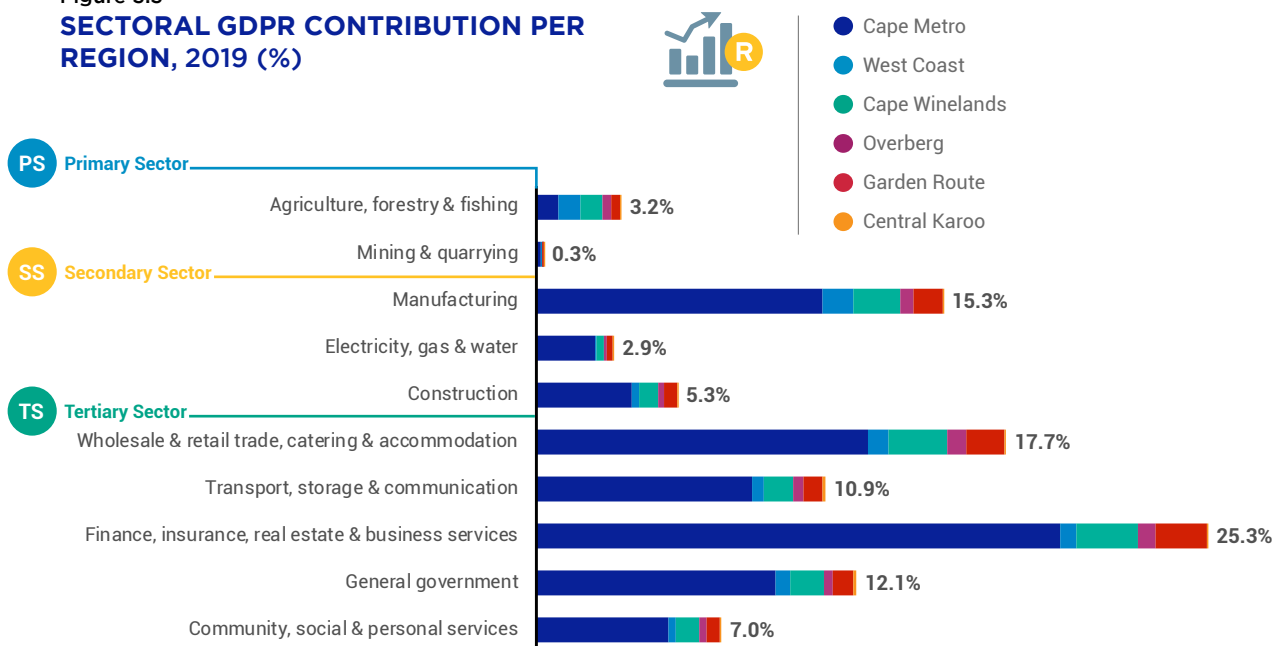
Provincial GDP growth improved marginally from 1.1 per cent in 2016 to 1.2 per cent in 2017, with all Districts apart from the Cape Metro area experiencing improvements in growth over the same period. Between 2018 and 2019, growth across all Districts and the Cape Metro area declined, with the WCD and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

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

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

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

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



Source: Quantec Research, 2021

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

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

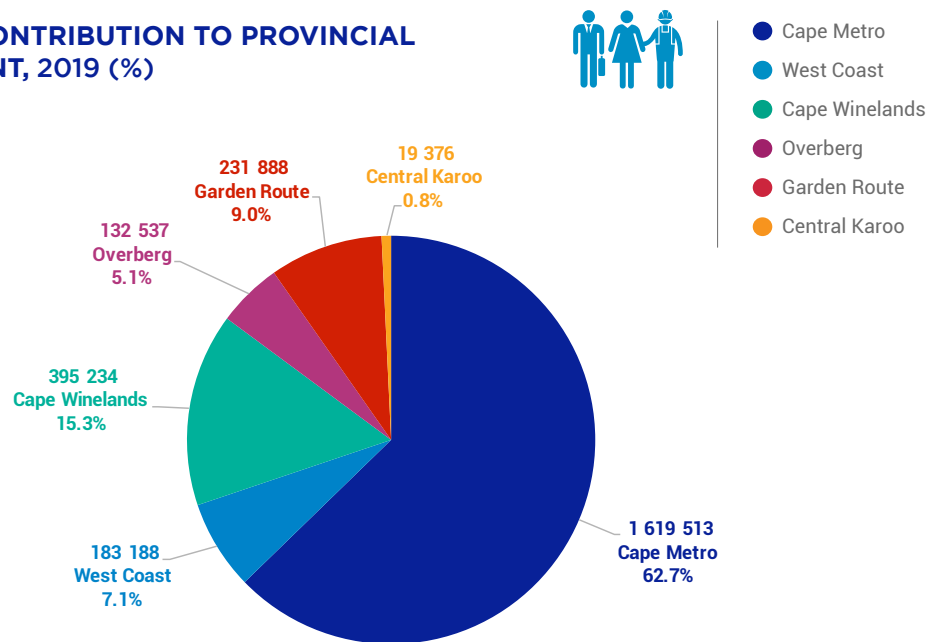
Economic activity in the secondary and tertiary sectors was concentrated in the Cape Metro area, highlighting its importance to the Provincial economy. Within the primary sector, mining activities were also concentrated in the Cape Metro area. However, in respect of the 3.2 per cent contribution to GDPR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



3.2.2 Labour trend analysis

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

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



Source: Quantec Research, 2021

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



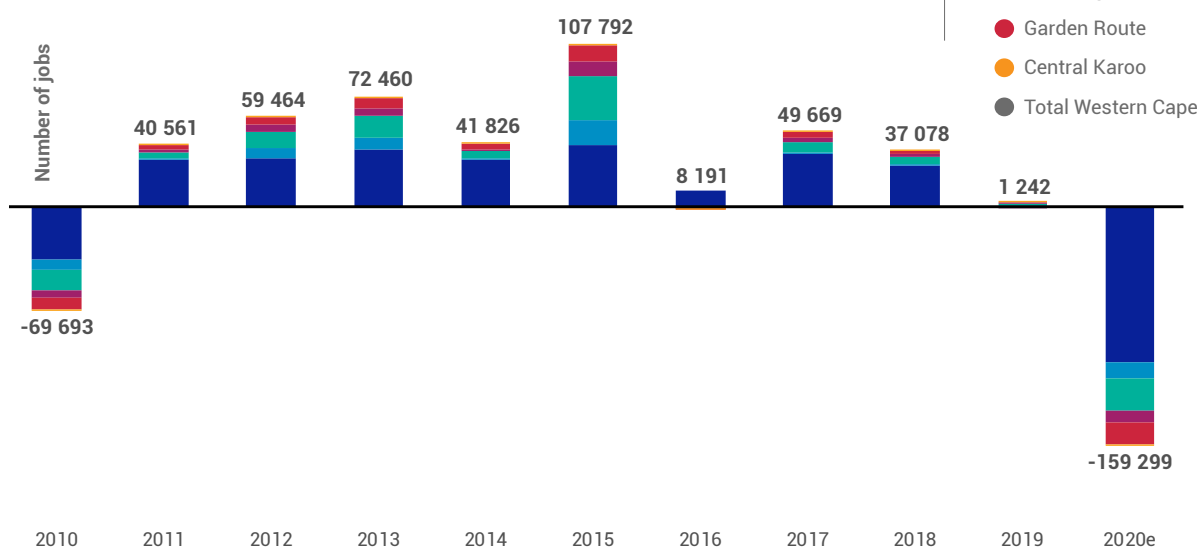
The employment trends in the Districts and Cape Metro area between 2010 and 2020 are indicated in Figure 3.5.

Figure 3.5

CHANGE IN EMPLOYMENT, 2010 – 2020



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



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

Source: Quantec Research, 2021 (e denotes estimate)

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

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

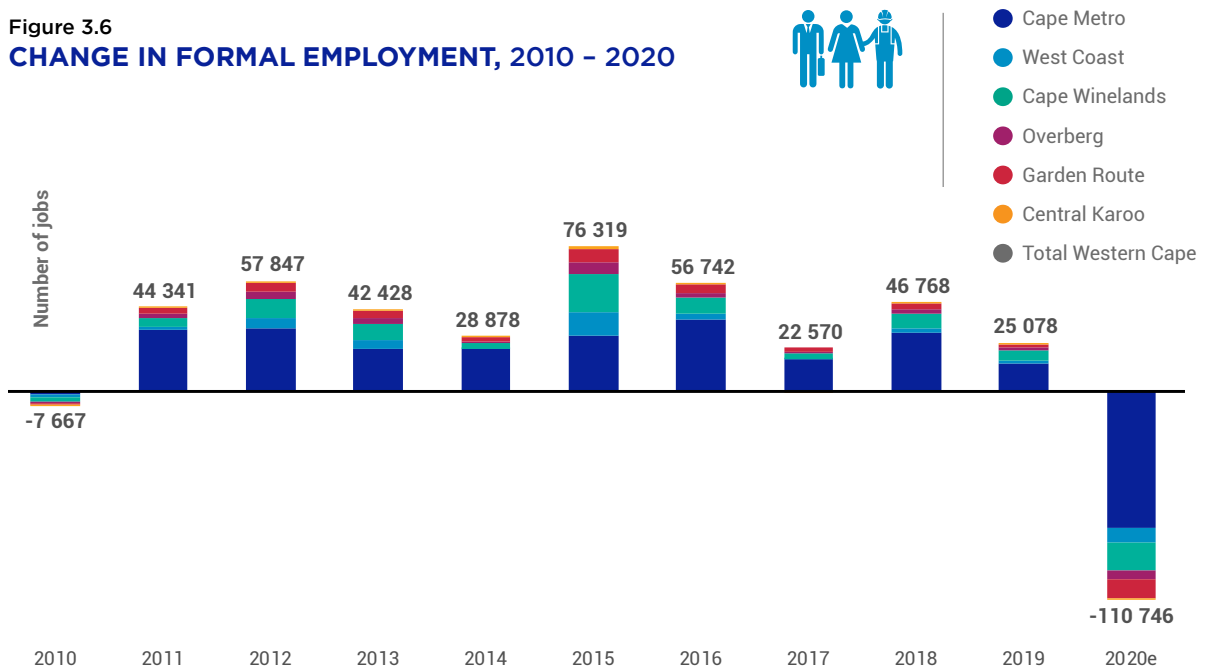
While improvements in job opportunities were experienced in 2017 and 2018, with a cumulative increase of 86 747 jobs in the Province, new job opportunities created declined significantly in 2019. The overall slowdown in employment creation may be attributed to the poor economic performance of the Western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

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

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

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

Figure 3.6
CHANGE IN FORMAL EMPLOYMENT, 2010 - 2020



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

Source: Quantec Research, 2021 (e denotes estimate)

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

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

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

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

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

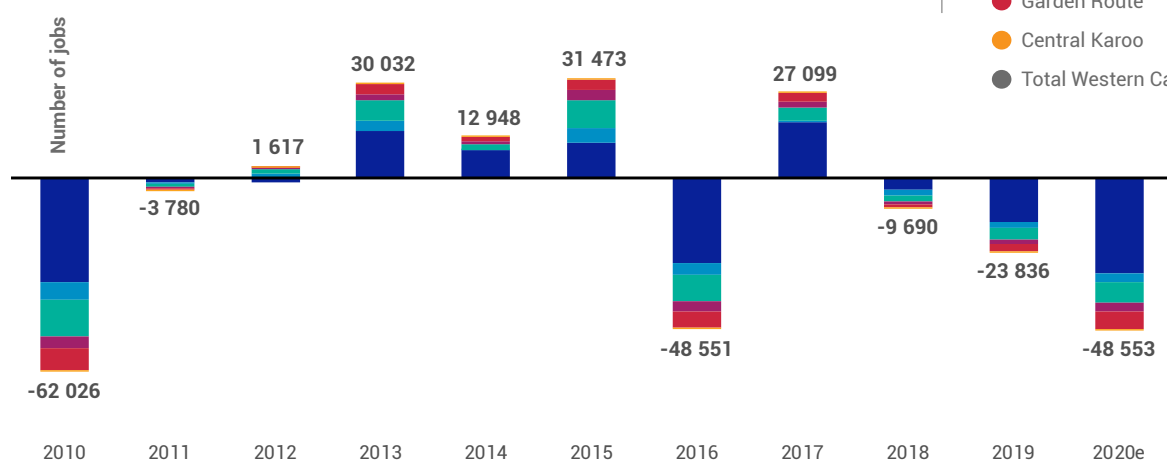
Figure 3.7 illustrates the change in informal employment between 2010 and 2020 across the regions in the Province. Between 2010 and 2019, a net total of 44 714 informal job opportunities were lost in the Province, with the Cape Metro area accounting for 67.8 per cent of this decline.

Figure 3.7

CHANGE IN INFORMAL EMPLOYMENT, 2010 - 2020



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



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

Source: Quantec Research, 2021 (e denotes estimate)

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

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

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

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

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



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

²⁵ (Stats SA, 2021).

Table 3.1

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



- 2019/20
- 2020/21
- 2021/22

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

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



Type of programmes implemented:

Infrastructure sector:

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

Social sector:

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

Environment and culture sector:

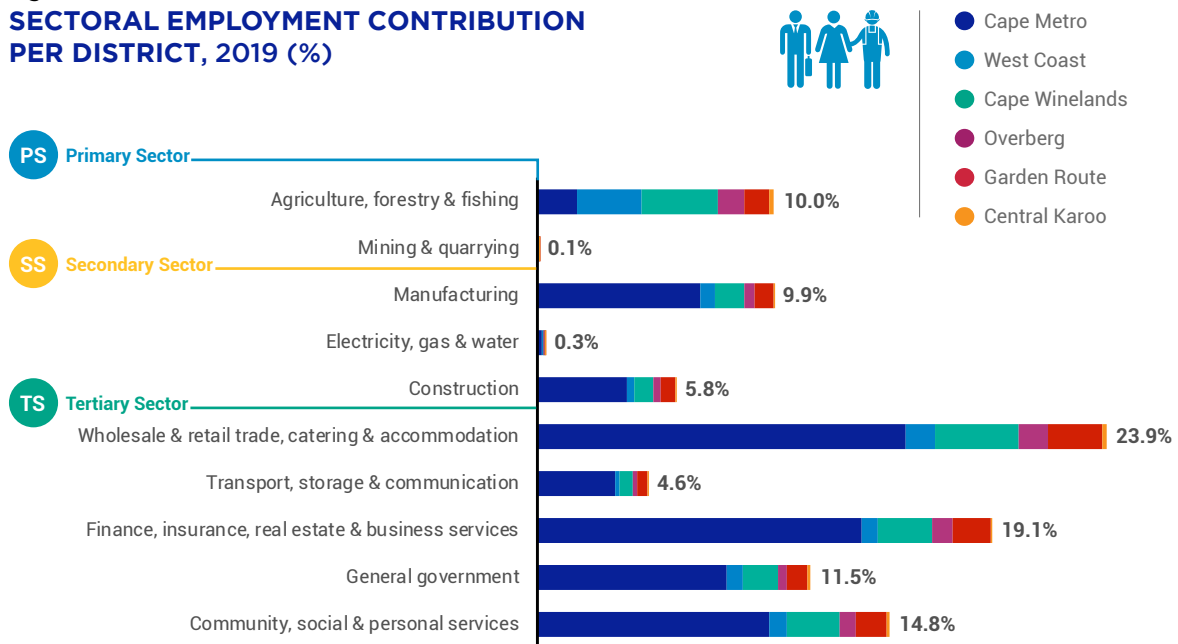
- Coastal management
- Parks and beautifications
- Sustainable energy
- Waste management
- Tourism and creative industries
- Sustainable land-based livelihoods

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

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

Figure 3.8

SECTORAL EMPLOYMENT CONTRIBUTION PER DISTRICT, 2019 (%)



Source: Quantec Research, 2021

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

Employment in the trade sector was mainly concentrated in the Cape Metro area and the CWD, which contributed 15.5 per cent and 3.5 per cent respectively to the sector's total employment contribution of 23.9 per cent.

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

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



4. ECONOMIC RECOVERY

4.1 INTRODUCTION

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

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

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

- The prioritisation of PSP interventions in the context of limited resources: this requires the prioritisation of certain PSP interventions and increased collaboration between stakeholders to address social and economic challenges augmented by the COVID-19 pandemic; and
- The institutionalisation of lessons learnt and improved implementation under COVID-19: owing to the agility, innovation and collaboration among stakeholders as part of the collective response to the COVID-19 pandemic, there exists a unique opportunity to reset the Province's transformation agenda. This is referred to as the "New Way to Work", which will be examined in the sections that follow.

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

- COVID-19 recovery: as the COVID-19 pandemic continues to spread in South Africa and the Western Cape, existing health measures need to be kept in place or augmented to address the secondary impacts of COVID-19 on health services delivery;
- Jobs: emphasis needs to be placed on economic growth and the generation of income by citizens to allow for the mitigation of the economic impact of COVID-19;

- Safety: as safety is highlighted in the PSP, the WCRP places equal importance on the maintenance of safety in the Province. The emphasis is on the dependence of safety on ensuring that basic human needs are met; and
- Wellbeing: the wellbeing of citizens, as enshrined in the South African Constitution, should be ensured by the Government.

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



4.2 COVID-19 RECOVERY

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

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

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

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

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

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

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

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

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

²⁶ (Pak, et al., 2020).

²⁷ (Western Cape Government, 2021).

²⁸ (Unicef, 2021).

²⁹ (Kollamparambil & Oyenubi, 2021).

³⁰ (Kollamparambil & Oyenubi, 2021).

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

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

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

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

4.2.3 Scaling up health platform capacity to manage COVID-19

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

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



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

³² (World Bank, 2021).

4.2.4 Employee health and wellness

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

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

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

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

4.2.5 Vaccine roll-out

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

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

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

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

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

³³ (Gorgenyi-Hegyey, et al., 2021).

³⁴ (National Treasury, 2021).

4.3 JOBS

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

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

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

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

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



³⁵ (ILO, 2020).

4.3.1 Implement immediate interventions

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

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

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

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

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



4.3.2 Accelerate the ease of doing business

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

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

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

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

4.3.3 Boost investment, exports and infrastructure

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

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

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

³⁶ (South African Government, 2020).

³⁷ (South African Government, 2020).

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

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

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

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

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



³⁸ (Stupak, 2018).

4.3.4 Increase employment opportunities and skills for people without jobs

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

Increasing the number of available job opportunities in the Western Cape will result in the increased probability of unemployed individuals finding employment in the private sector. This is to be supplemented by the provision of skills programmes, which will improve access to skills³⁹ development opportunities. Recovery areas over the short term include:

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

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

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

4.3.5 Focus on economic resilience

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

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

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

³⁹ Skills development is identified as a cornerstone of the successful implementation of the national ERRP.

⁴⁰ Green economy interventions are important interventions identified in the national ERRP to address socio-economic challenges while simultaneously offering a sustainable solution to climate vulnerabilities (South African Government, 2020).

4.4 SAFETY

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

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

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

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

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

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

⁴¹ (Western Cape Government, 2021).

4.4.1 Immediate interventions

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

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

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



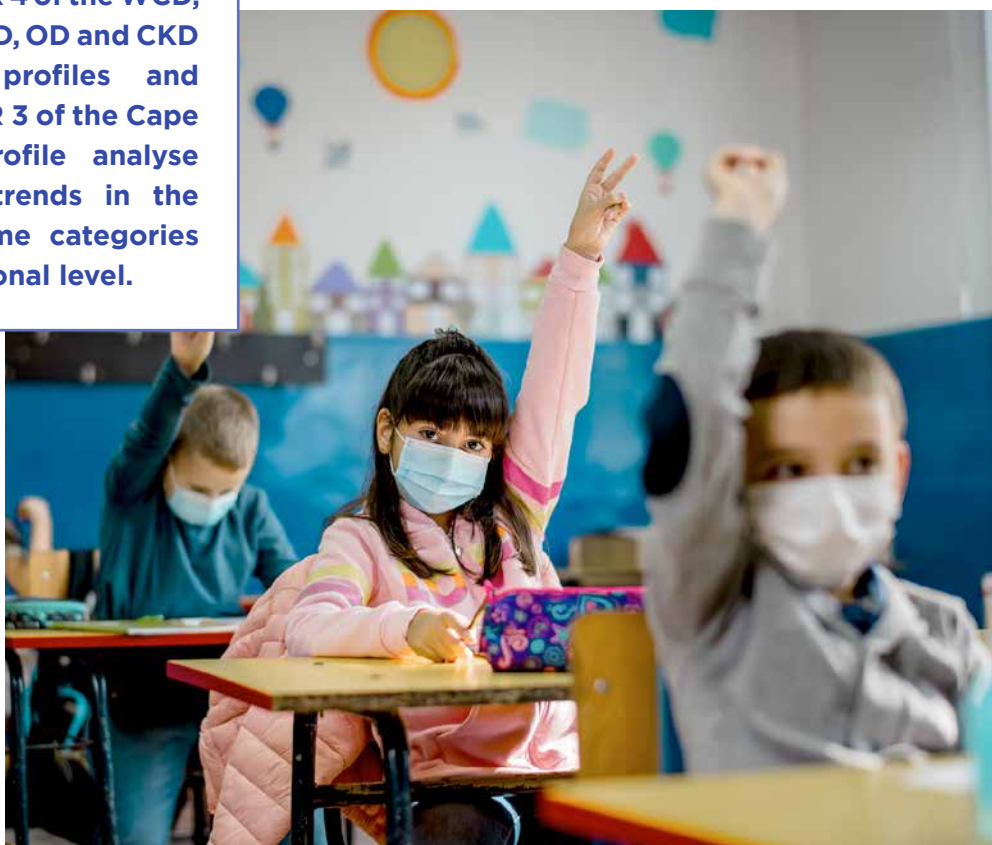
4.4.2 Focus areas in 2021 and beyond

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

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

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

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



4.5 WELLBEING

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

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

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

4.5.1 Immediate interventions

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

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

4.5.2 Focus areas in 2021 and beyond

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

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

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

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



5. CONCLUDING REMARKS

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

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

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

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

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

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



OVERBERG DISTRICT

12 241KM²



OVERBERG DISTRICT

THE WATERSKLOOF, OVERSTRAND, CAPE AGULHAS, SWELLENDAM

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1 Regional economic review and outlook

- Introduction
- Growth in GDP performance
- Labour trend analysis
- Concluding remarks

2 Sectoral growth, employment and skills per municipal area

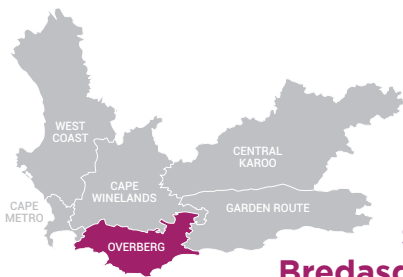
- Introduction
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3 Trade, tourism and investment

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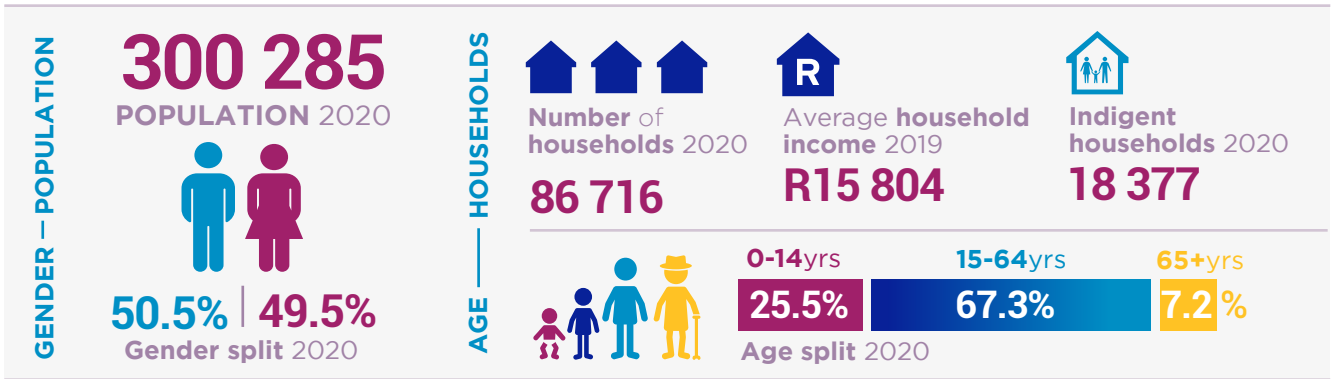


OD OVERBERG DISTRICT

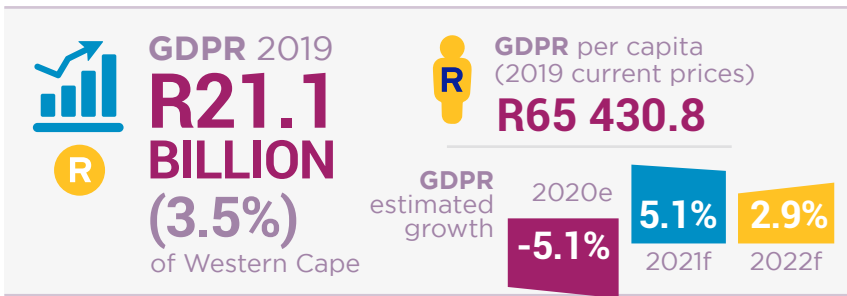
SEAT **Bredasdorp** | AREA **12 239KM²** | DENSITY **21/KM²**

MUNICIPALITIES | THEEWATERSKLOOF, OVERSTRAND, CAPE AGULHAS, SWELLENDAM

DEMOGRAPHICS



GROSS DOMESTIC PRODUCT



SERVICES



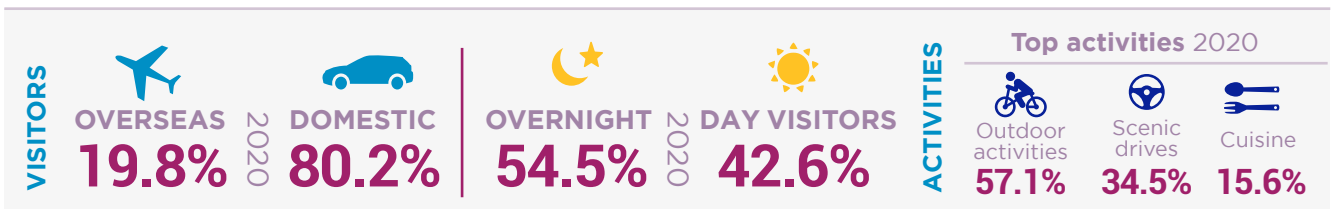
EMPLOYMENT



TRADE



TOURISM





GDPR

2019

2020

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


EMPLOYMENT

2019

2020

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

	GDPR		EMPLOYMENT	
	2019	2020	2019	2020
	GDPR CONTRIBUTION	GDPR GROWTH	EMPLOYMENT CONTRIBUTION	EMPLOYMENT GROWTH
PRIMARY SECTOR	8.5%	11.2%	20.9%	-5.1%
AGRICULTURE, FORESTRY & FISHING	8.4%	11.5%	20.9%	-5.1%
MINING & QUARRYING	0.1%	-18.9%	0.0%	-11.1%
SECONDARY SECTOR	23.9%	-11.1%	14.3%	-8.9%
MANUFACTURING	14.2%	-7.6%	7.8%	-5.6%
ELECTRICITY, GAS & WATER	2.6%	-6.6%	0.3%	-2.8%
CONSTRUCTION	7.1%	-21.2%	6.3%	-13.2%
TERTIARY SECTOR	67.6%	-5.7%	64.8%	-5.4%
WHOLESALE & RETAIL TRADE, CATERING & ACCOMMODATION	20.2%	-9.6%	23.5%	-6.2%
TRANSPORT, STORAGE & COMMUNICATION	11.1%	-14.5%	4.1%	-3.5%
FINANCE, INSURANCE, REAL ESTATE & BUSINESS SERVICES	20.0%	-2.2%	16.2%	-4.1%
GENERAL GOVERNMENT	9.3%	0.2%	7.8%	0.9%
COMMUNITY, SOCIAL & PERSONAL SERVICES	7.0%	-2.0%	13.2%	-9.7%



1

REGIONAL ECONOMIC REVIEW AND OUTLOOK

1.1 INTRODUCTION

The OD is well known for its coastline, the southernmost tip of Africa and vast farmlands, especially grain farming. Bordering the Cape Metro area, the CWD and the GRD, the OD covers 12 239km², constituting 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 are in Bredasdorp, and other large towns in the District include Grabouw, Caledon, Hermanus and Swellendam.¹

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 2021 is between 2015 and 2020, with 2020² figures being estimated. Economic forecasting is also done for 2021 and 2022.

¹ (Overberg District Municipality, 2020).

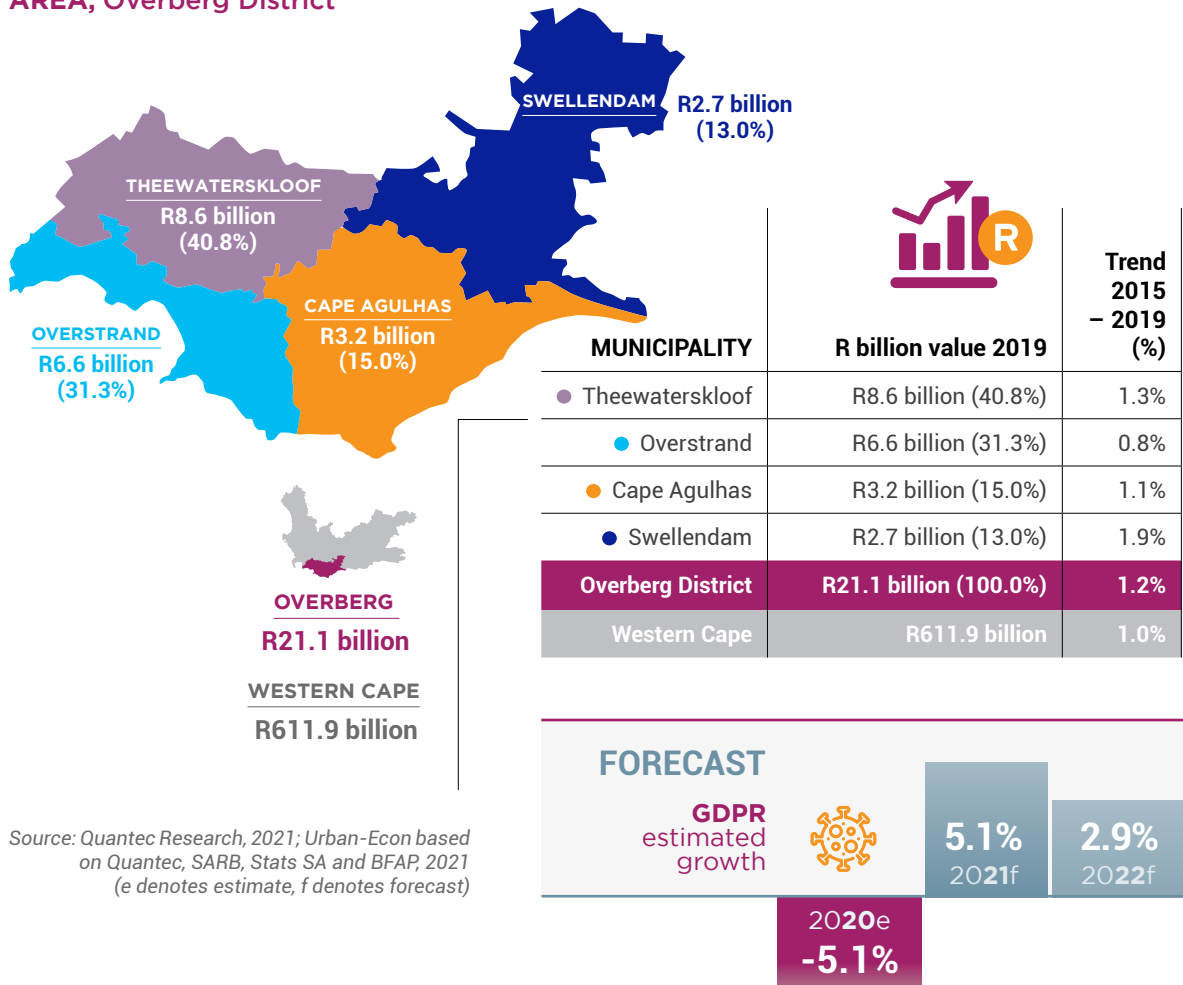
² Stats SA will only release official regional indicators for 2020 in 2022.

1.2 GROWTH IN GDPR PERFORMANCE

This section provides a brief overview of the key highlights of the OD’s economy. This includes the size of the OD’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

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



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

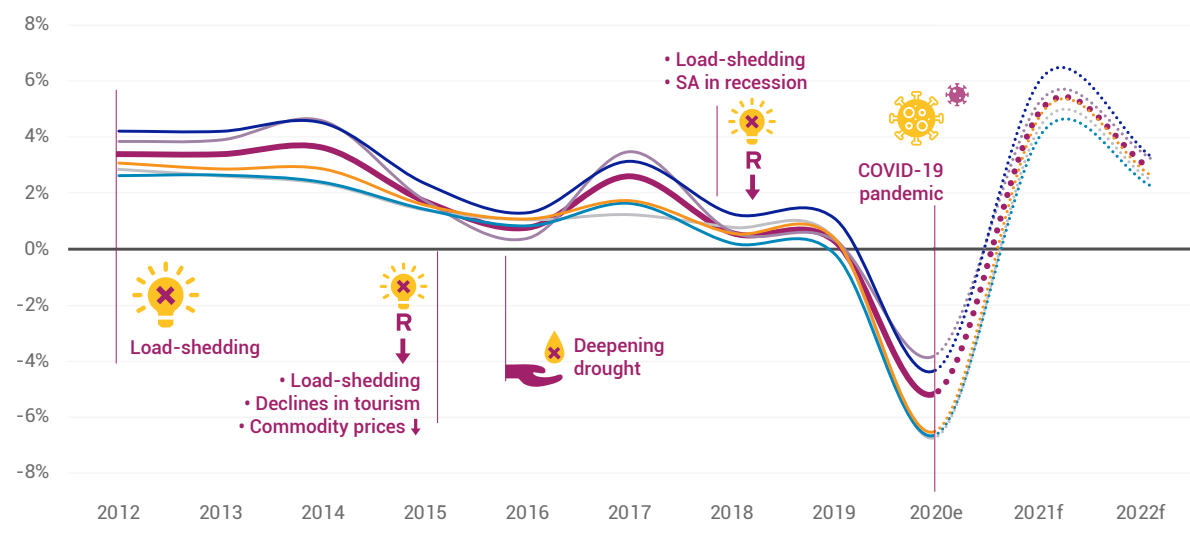
In 2019, the OD’s economy was valued at R21.1 billion and contributed 3.4 per cent to the economy of the Western Cape. Between 2015 and 2019, GDPR in the OD experienced average annual growth of 1.2 per cent. This rate is higher than that of the Provincial economy, which grew by 1.0 per cent over the same period.

The two municipal areas that contributed the most to the District’s GDPR in 2019 were the Theewaterskloof (40.8 per cent) and Overstrand (31.3 per cent) municipal areas. In the same year, the Cape Agulhas and Swellendam municipal areas contributed 15.0 per cent and 13.0 per cent respectively to the economy of the OD.

Over the five-year period, the Theewaterskloof municipal area realised average annual growth of 1.3 per cent, which is marginally higher than that of the District economy. Given the relative size of the Theewaterskloof economy within the District, it highlights the importance of the Theewaterskloof municipal area to growth in the District. Furthermore, the Swellendam municipal area registered the highest average annual growth (1.9 per cent) between 2015 and 2019. However, this only represents a small economic base of the Swellendam municipal economy within the District. The Cape Agulhas and Overstrand municipal areas both realised average annual growth rates below that of the District economy, at 1.1 per cent and 0.8 per cent respectively.

Figure 1.1 provides an overview of the historical trends in the GDP growth rate of the respective municipal areas, along with the OD and the Western Cape. Furthermore, insights are provided around the dynamics of the economies and their dependencies on endogenous and exogenous factors within the Province and the country.

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



	2012	2013	2014	2015	2016	2017	2018	2019	2020e	2021f	2022f
Overberg District	3.4%	3.4%	3.6%	1.7%	0.8%	2.6%	0.6%	0.3%	-5.1%	5.1%	2.9%
Western Cape	2.9%	2.6%	2.4%	1.4%	1.1%	1.2%	0.8%	0.4%	-6.7%	4.6%	2.5%
— Theewaterskloof	3.9%	3.9%	4.6%	1.7%	0.4%	3.5%	0.6%	0.3%	-3.7%	5.5%	3.3%
— Overstrand	2.6%	2.6%	2.4%	1.4%	0.8%	1.6%	0.2%	-0.2%	-6.6%	4.2%	2.3%
— Cape Agulhas	3.1%	2.9%	2.9%	1.6%	1.1%	1.7%	0.6%	0.4%	-6.5%	5.0%	2.6%
— Swellendam	4.2%	4.2%	4.5%	2.4%	1.3%	3.2%	1.3%	1.1%	-4.3%	6.2%	3.3%

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

Between 2012 and 2014, the OD economy experienced strong growth, which remained relatively steady over the three-year period. Growth in GDP increased slightly from 3.4 per cent in 2012 to 3.6 per cent in 2014. Furthermore, it should be noted that annual GDP growth rates in the District surpassed that of the Province over the same period.

In 2015, GDPR growth slowed significantly, with the OD registering a growth rate of 1.7 per cent. However, this rate was still higher than that of the Provincial economy during the same year. GDPR growth continued to deteriorate in 2016, with the District economy registering a growth rate of 0.8 per cent. This can largely be attributed to declines in tourism, commodity prices, periods of load-shedding in South Africa and drought conditions in the Province. The decline in the performance of national tourism in 2015 was brought about by the introduction of new visa regulations, economic crises in several source countries and acts of terror across the African continent.³

Growth in the OD recovered in 2017, with the District realising a growth rate of 2.6 per cent. This was largely driven by the improved performance of the South African economy in 2017 arising from recoveries experienced in the agriculture sector during the year.

Post-2017, growth in the District slowed significantly. In 2018, the District realised an annual growth rate of 0.6 per cent. This rate was lower than that of the Provincial economy, which registered a growth rate of 0.8 per cent during the same year. The macroeconomic performance of the District economy continued to deteriorate in 2019, with GDPR growth slowing to 0.3 per cent for the year. The downturn in annual growth in the District was likely the result of the overall worsening performance of the national economy, as South Africa entered technical recessions in 2018 and 2019.

Estimates indicate that annual GDPR growth for the District and Provincial economies declined further in 2020. The further deterioration of growth prospects in the District and Provincial economies can be ascribed to the COVID-19 pandemic and the national lockdown measures to contain its spread. GDPR growth in the District is expected to have contracted by 5.1 per cent in 2020. This rate is lower than that of the Provincial economy, with an estimated annual contraction of 6.7 per cent during the year. Furthermore, all municipal areas within the OD are estimated to have registered contractions in 2020, with the Overstrand municipal area registering the largest contraction, at 6.6 per cent during the year. The economies of the Cape Agulhas and Swellendam municipal areas are estimated to have declined by 6.5 per cent and 4.3 per cent respectively in 2020. Theewaterskloof, the largest municipal area in terms of GDPR contribution, is expected to have contracted by 3.7 per cent during the same year.

In 2021, GDPR growth in the OD is forecast to increase to 5.1 per cent, higher than that of the Provincial economy. This is due to the strong performance of the Theewaterskloof and Overstrand municipal areas during the same year. At 6.2 per cent, the Swellendam municipal area is anticipated to record the highest GDPR growth rate in 2021. However, owing to the size of the municipal area's economy, the impact will be less compared with the contribution to growth from the larger municipal areas. In the 2022 forecast period, annual GDPR growth across the District is expected to slow significantly. In 2022, the OD is expected to register an annual growth rate of 2.9 per cent, which is again higher than the anticipated growth rate of the Provincial economy.


³ (Department of Tourism, 2016).

1.2.2 Sectoral GDPR performance

The sectoral GDPR performance of the OD in 2019 is illustrated in Table 1.1. Furthermore, GDPR trends between 2015 and 2019, estimates for 2020 and forecasts for 2021 and 2022 are provided.

Table 1.1

GDPR PERFORMANCE PER SECTOR, Overberg District, 2019 – 2022 (%)

SECTOR		R million value 2019	Trend 2015 – 2019	Real GDPR growth		
				2020e	2021f	2022f
Primary Sector		R1 800.0 (8.5%)	-4.2%	11.2%	4.2%	-1.9%
PS Agriculture, forestry & fishing		R1 777.9 (8.4%)	-4.3%	11.5%	4.2%	-1.9%
Mining & quarrying		R22.2 (0.1%)	0.8%	-18.9%	11.1%	-0.6%
Secondary Sector		R5 051.5 (23.9%)	1.4%	-11.1%	2.3%	8.5%
SS Manufacturing		R3 010.2 (14.2%)	2.5%	-7.6%	3.7%	9.4%
Electricity, gas & water		R547.5 (2.6%)	-0.8%	-6.6%	-1.3%	3.7%
Construction		R1 493.8 (7.1%)	-0.2%	-21.2%	-0.5%	7.7%
Tertiary Sector		R14 283.2 (67.6%)	2.1%	-5.7%	6.1%	2.1%
TS Wholesale & retail trade, catering & accommodation		R4 262.6 (20.2%)	2.0%	-9.6%	10.0%	4.2%
Transport, storage & communication		R2 340.5 (11.1%)	2.1%	-14.5%	11.5%	-2.3%
Finance, insurance, real estate & business services		R4 235.1 (20.0%)	3.0%	-2.2%	4.5%	4.4%
General government		R1 973.5 (9.3%)	0.2%	0.2%	-2.5%	-0.6%
Community, social & personal services		R1 471.4 (7.0%)	1.7%	-2.0%	6.0%	-2.2%
Total Overberg District		R21 134.8 (100.0%)	1.2%	-5.1%	5.1%	2.9%

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

The tertiary sector was the largest contributor to GDPR in the OD. Valued at R14.3 billion in 2019, the tertiary sector contributed 67.6 per cent to the total GDPR of the OD and registered an average annual growth rate of 2.1 per cent between 2015 and 2019. The main drivers of economic activity in the tertiary sector were the trade sector (20.2 per cent) and the finance sector (20.0 per cent). It should be noted that the trade sector was the largest singular contributing sector to the District economy in 2019. Over the five-year period, the trade sector realised average annual growth of 2.0 per cent, marginally lower than that of the tertiary sector. Furthermore, the finance sector grew at an average annual rate of 3.0 per cent between 2015 and 2019.

Estimates for 2020 indicate that the tertiary sector contracted by 5.7 per cent. Furthermore, the trade sector declined by 9.6 per cent in 2020 and was therefore the main contributor to the tertiary sector's poor performance during the year. It has been noted that the sector relies on tourism as a driver of economic growth. This impact was realised through, among other things, the closing of beaches in the District because of lockdown regulations, resulting in a decline in the number of tourists.

Therefore, the economic impact of level five of the national lockdown is evident through the poor performance of the trade sector in 2020.

The secondary sector was the second-largest contributor to GDP in the OD in 2019, with a contribution of 23.9 per cent during the year. Furthermore, the secondary sector realised an average annual growth rate of 1.4 per cent between 2015 and 2019. Within the secondary sector, the manufacturing sector was the largest contributor to the District's GDP in 2019 at 14.2 per cent and with an average annual growth rate of 2.5 per cent over the five-year period. The manufacturing sector's average annual growth rate exceeded that of the secondary sector and was thus a crucial driver of the secondary sector's performance.

The secondary sector is estimated to have contracted by 11.1 per cent in 2020. Although all individual sectors encompassed by the secondary sector are anticipated to have declined in 2020, the construction sector is expected to have realised the largest contraction at 21.2 per cent during the year, followed by the manufacturing sector at 7.6 per cent. It is concluded that contractions in these two sectors, brought about by COVID-19 restrictions, were the main contributors to the steep decline in activity in the secondary sector in 2020.

Valued at R1.8 billion in 2019, the primary sector contributed 8.5 per cent to GDP in the OD, with an average annual decline of 4.2 per cent between 2015 and 2019 owing to the Provincial drought. As the performance of the primary sector relies extensively on that of the agriculture sector, its poor performance was solely driven by the average annual contraction of 4.3 per cent in the agriculture sector over the five-year period.

Estimates for 2020 indicate that the primary sector grew by an annual growth rate of 11.2 per cent. The sector's positive performance was driven by the strong performance of the agriculture sector, which is estimated to have increased by 11.5 per cent in 2020. This is due to the limited impact of COVID-19 restrictions on agricultural activities, as well as increased demand for healthy foods during the national lockdown. Furthermore, the agriculture sector also benefited from a strong recovery in international agricultural prices towards the end of 2020.⁴

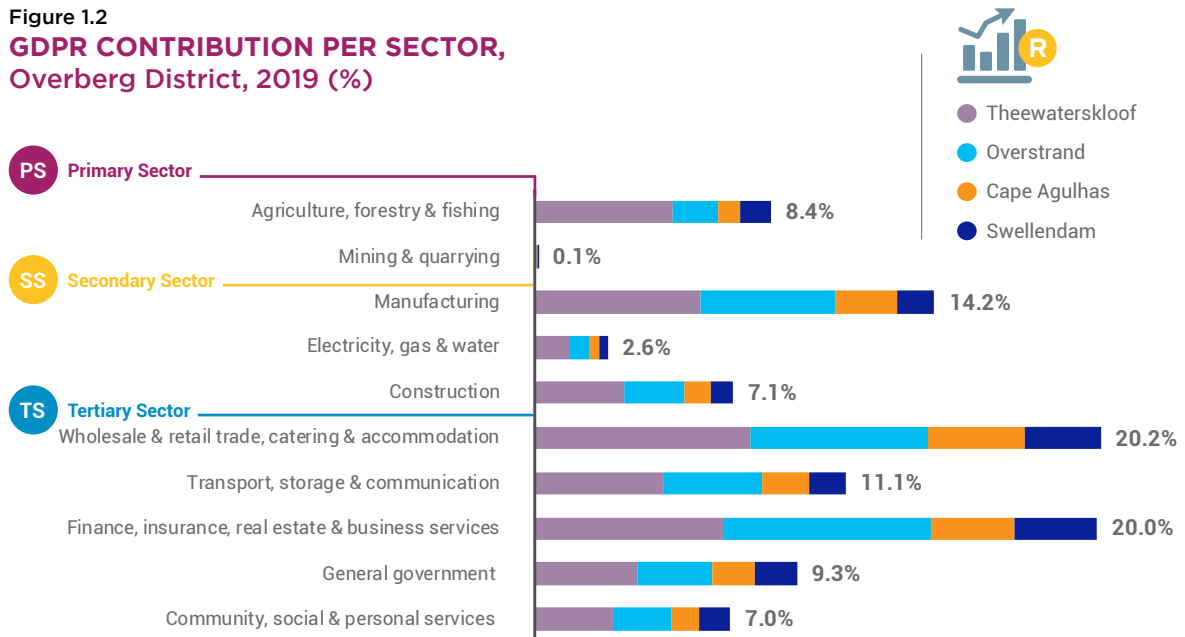
Forecasts for 2021 and 2022 point to a steep initial recovery in the tertiary and secondary sectors. However, annual growth in the tertiary and primary sectors is expected to slow between 2021 and 2022. Growth in the tertiary sector is forecast to increase to 6.1 per cent in 2021, driven by strong growth in the trade sector at 10.0 per cent during the year. The secondary sector is forecast to register an annual growth rate of 2.3 per cent in 2021 owing to the strong recovery of the manufacturing sector. The primary sector is anticipated to register a growth rate of 4.2 per cent in 2021, which is driven by the strong performance of the agriculture sector.

In 2022, annual growth across most individual sectors is forecast to slow significantly, with the primary sector expected to contract by 1.9 per cent during the year. Growth in the secondary sector is expected to increase to 8.5 per cent in 2022, while the tertiary sector is expected to realise a growth rate of 2.1 per cent during the same year.

⁴ (World Bank Group, 2020).

Figure 1.2 depicts the OD's sectoral GDP contribution per municipal area in 2019. Across all sectors, the Theewaterskloof and Overstrand municipal areas had the highest concentration of economic activities in 2019.

Figure 1.2
GDP CONTRIBUTION PER SECTOR,
Overberg District, 2019 (%)



Source: Quantec Research, 2021

The trade sector was the largest contributor to economic activity in the Cape Agulhas municipal area. This was followed by the finance sector. Furthermore, within the Cape Agulhas municipal area the contribution of the manufacturing sector outweighed that of the agriculture sector, suggesting the beneficiation of agricultural commodities.

Economic activity in the Swellendam municipal area was concentrated in the finance and trade sectors in 2019. The contribution of the manufacturing sector slightly outweighed that of the agriculture sector in the Swellendam municipal area, indicating limited agro-processing activities.



1.3 LABOUR TREND ANALYSIS

This subsection identifies and discusses some of the key employment trends by indicating which municipal areas within the OD are the largest contributors to employment creation in the District. Furthermore, an overview of the historical employment trends in the local municipal areas is provided. The subsection also discusses sectoral employment by identifying which sectors employ the most individuals, and highlights which sectors have contributed more 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 participation rate for each of the municipal areas within the OD.

1.3.1 Employment per municipal area

Table 1.2 depicts the status of employment in each municipal area in 2019 and the number of jobs created over a five-year period, and provides estimates of net employment in 2020.

Table 1.2
EMPLOYMENT GROWTH, Overberg District, 2019

MUNICIPALITY	Number of jobs 2019	Average annual change 2015 – 2019	Net change 2020e
● Theewaterskloof	62 047 (46.8%)	1 494	-3 234
● Overstrand	36 600 (27.6%)	474	-2 591
● Cape Agulhas	16 180 (12.2%)	325	-953
● Swellendam	17 710 (13.4%)	437	-921
Overberg District	132 537 (100.0%)	2 731	-7 699
Western Cape	2 581 736	40 794	-159 299

Source: Quantec Research, 2021 (e denotes estimate)

In 2019, the OD employed 132 537 workers and contributed 5.1 per cent to Provincial employment during the year. During the same year, the Theewaterskloof municipal area was the largest contributor to employment in the District at 46.8 per cent. The Overstrand municipal area contributed 27.6 per cent to employment in the OD, while the Swellendam and Cape Agulhas municipal areas contributed 13.4 per cent and 12.2 per cent respectively.

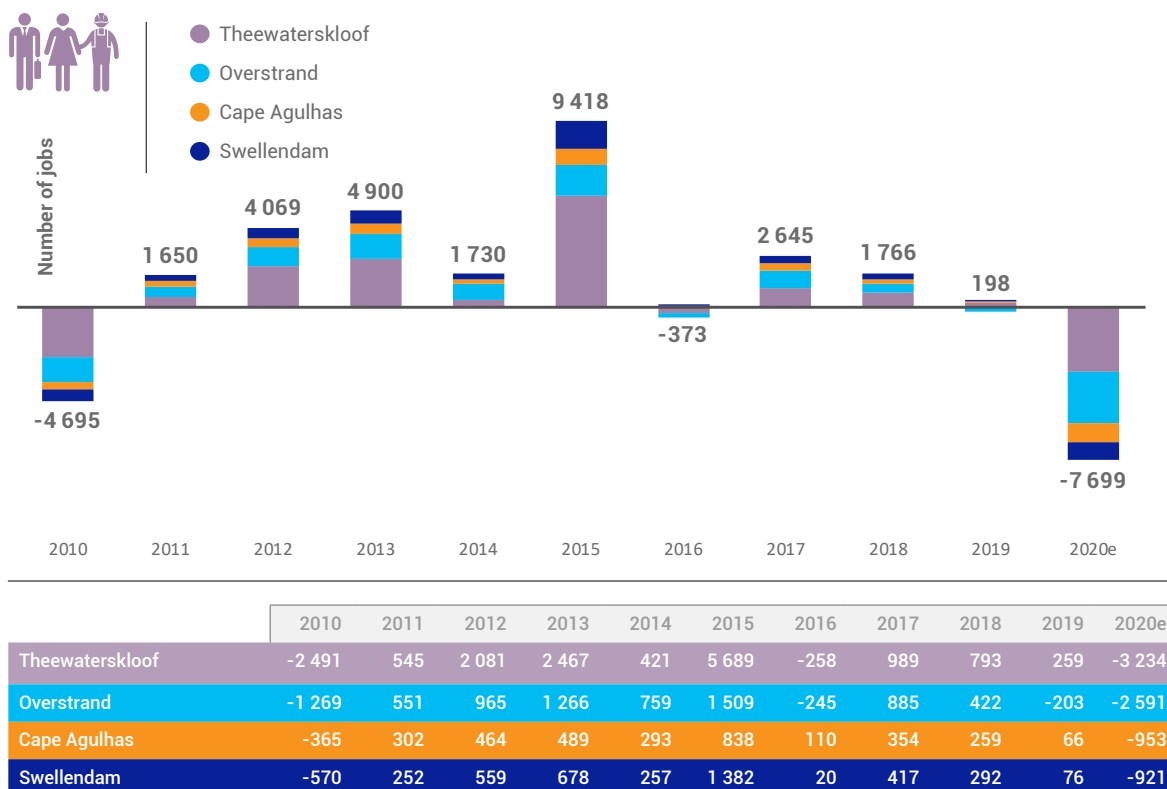
Over the five-year period, the OD experienced an average annual increase of 2 731 jobs. The Theewaterskloof municipal area contributed the largest share to the average annual increase in jobs in the District, with an average increase of 1 494 jobs per annum between 2015 and 2019. This reflects the Theewaterskloof municipal area's importance to the District economy in terms of both GDP and employment. The Overstrand and Swellendam municipal areas experienced similar average annual job increases of 474 jobs and 437 jobs respectively over the five-year period. The Cape Agulhas municipal area experienced the fewest number of new employment opportunities over the period, with an average annual increase of 325 jobs.

Estimates for 2020 indicate that a total of 7 699 jobs were lost in the District, with the Theewaterskloof municipal area contributing the largest share to this decline. Furthermore,

jobs losses in the Overstrand municipal area are expected to have amounted to 2 591 in 2020. The Cape Agulhas and Swellendam municipal areas are expected to have lost 953 and 921 jobs respectively in 2020.

Figure 1.3 provides an overview of the historical employment trends in the OD between 2010 and 2020. Employment trends over the five-year period broadly mirror those of the annual changes in GDP over the same period.

Figure 1.3
EMPLOYMENT CHANGE PER MUNICIPAL AREA, Overberg District, 2010 - 2020



Source: Quantec Research, 2021 (e denotes estimate)

A total of 4 695 jobs were lost in the District in 2010. This can be attributed to the delayed recovery in employment creation when compared with economic growth following the global financial crisis. Furthermore, job-shedding in the District can also be attributed to labour unrest in the country during the year.

Between 2011 and 2015,⁵ employment creation in the District exhibited a recovery, with new employment opportunities peaking at 9 418 jobs in 2015. However, job-shedding was recorded in 2016, with a total of 373 jobs lost in the District. The downturn in employment in the OD was likely due to the exacerbation of drought conditions in the Province. This effect was further amplified by the District's reliance on the agriculture sector as a source of employment opportunities.

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

In 2017, new employment opportunities in the District recovered, with a total of 2 645 jobs created during the year. However, a downward trend was evident during the two-year period thereafter. New employment opportunities declined from a net increase of 2 645 jobs in 2017 to a net increase of 198 jobs in 2019. This trend was due to the deterioration of the South African economy's growth prospects over the same period.


Labour market conditions in the District are expected to have worsened significantly in 2020. Estimates for 2020 indicate a total of 7 699 job losses in the District economy during the year. This can be attributed to the macroeconomic impact of the COVID-19 pandemic on the South African economy, with economic activity being significantly restrained by the implementation of lockdown measures. The Theewaterskloof and Overstrand municipal areas are expected to have realised the largest number of job losses in 2020.



1.3.2 Sectoral employment

The sectoral distribution of employment in the OD is depicted in Table 1.3. To that end, the number of jobs in each sector and their contribution to employment in 2019 is provided, along with the trend observed between 2015 and 2019, as well as estimates for 2020.

Table 1.3
EMPLOYMENT PER SECTOR, Overberg District, 2019

		Number of jobs 2019	Average annual change 2015 – 2019	Net change 2020e
PS	Primary Sector	27 670 (20.9%)	403	-1 410
	Agriculture, forestry & fishing	27 643 (20.9%)	403	-1 407
	Mining & quarrying	27 (0.0%)	-1	-3
SS	Secondary Sector	18 977 (14.3%)	220	-1 682
	Manufacturing	10 315 (7.8%)	232	-576
	Electricity, gas & water	361 (0.3%)	3	-10
	Construction	8 301 (6.3%)	-14	-1 096
TS	Tertiary Sector	85 890 (64.8%)	2 108	-4 607
	Wholesale & retail trade, catering & accommodation	31 099 (23.5%)	997	-1 939
	Transport, storage & communication	5 489 (4.1%)	172	-190
	Finance, insurance, real estate & business services	21 441 (16.2%)	737	-879
	General government	10 328 (7.8%)	-3	98
	Community, social & personal services	17 533 (13.2%)	205	-1 697
	Total Overberg District	132 537 (100.0%)	2 731	-7 699

Source: Quantec Research, 2021 (e denotes estimate)





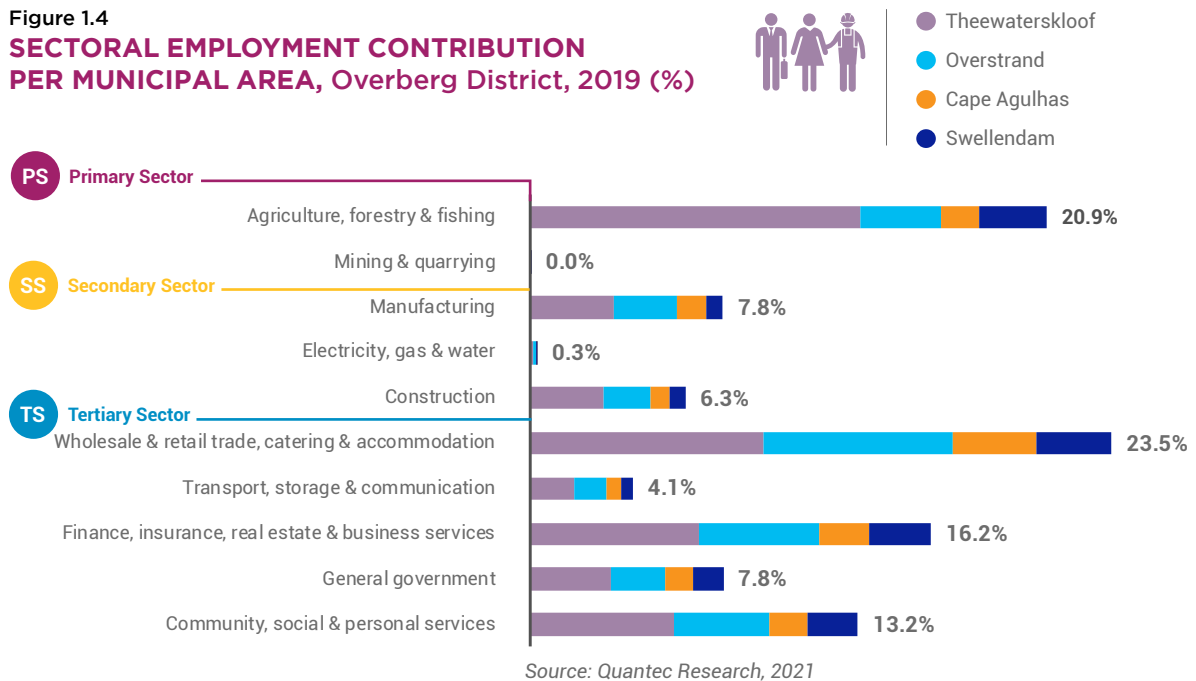
With a total of 85 890 jobs and a contribution of 64.8 per cent in 2019, the tertiary sector was the largest contributing sector to overall employment in the District. Furthermore, the tertiary sector also experienced the largest average annual increase in new employment opportunities, with 2 108 jobs between 2015 and 2019. When evaluating individual sectoral contributions, the trade sector was the largest contributor to District employment in 2019, at 23.5 per cent. Other individual sectors of note within the tertiary sector were the finance (16.2 per cent) and the community services (13.2 per cent) sectors.

In 2019, the primary sector was the second-largest contributor to total employment in the District, with a contribution of 20.9 per cent. Between 2015 and 2019, the secondary sector realised an average annual increase of 403 jobs, with new employment opportunities being solely realised by the agriculture sector. As the contribution of the agriculture sector to employment in the District outweighs its contribution to GDP, the agriculture sector is regarded as being labour-intensive.

The secondary sector contributed 14.3 per cent to employment in the OD in 2019, with an average annual increase of 220 jobs between 2015 and 2019. The manufacturing sector contributed 7.8 per cent to employment in the District in 2019. The manufacturing sector is considered to be capital-intensive, as its GDP contribution exceeds its contribution to employment in the District. Furthermore, the construction sector contributed 6.3 per cent to total District employment in 2019, but reduced by an average of 14 jobs per annum between 2015 and 2019.

Estimates for 2020 indicate a total of 7 699 job losses in the District in 2020. Job-shedding was largely concentrated in the tertiary sector, with a total of 4 607 jobs lost during the year. The trade sector is expected to have shed 1 939 jobs in 2020, followed by the community services sector with 1 697 jobs. This highlights the effect of the national lockdown on economic activities associated with these sectors. The general government sector is the only sector estimated to have had a positive performance in 2020, with 98 new jobs in the sector. This is largely due to the upscaling of general government services during the COVID-19 pandemic. However, it is worth noting that all remaining sectors are estimated to have shed jobs in 2020.

Figure 1.4 depicts the sectoral contributions to employment by each municipal area in the OD in 2019.



In terms of sectoral employment concentrations, employment in the OD was concentrated in the Theewaterskloof municipal area in 2019, followed by the Overstrand municipal area. This reflects the respective contributions of both municipal areas to the District's GDP. Employment in the agriculture sector is largely concentrated in the Theewaterskloof municipal area. Furthermore, given the concentration of the manufacturing sector in the Theewaterskloof municipal area, it is evident that the area has a well-developed agro-processing industry.

The trade sector contributed the largest share to employment in the District in 2019 (23.5 per cent), with the Theewaterskloof and Overstrand municipal areas contributing the largest share to this percentage. Within the Cape Agulhas and Swellendam municipal areas, the trade sector was the largest contributor to employment in both municipal areas during the year. Furthermore, these two municipal areas also rely on the finance sector for employment. The concentration of these two sectors in the Cape Agulhas and Swellendam municipal areas highlights their dependence on tourist activities.



Diagram 1.2 provides an overview of the employment dynamics in the OD by depicting the unemployment rate, labour absorption rate, labour participation rate and the “not economically active” population as a proportion of the working-age population for each of the municipal areas.

Diagram 1.2

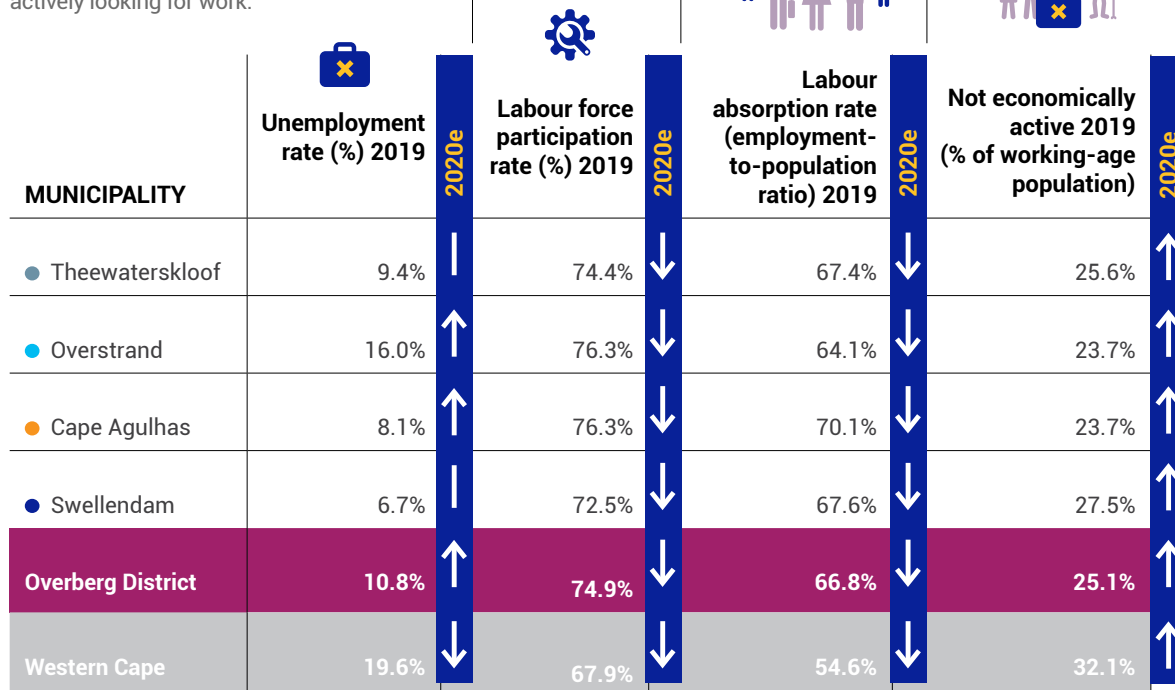
UNEMPLOYMENT PROFILE, Overberg District, 2019 (%)

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

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

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

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



Source: Quantec Research, 2021 (edenotesestimate)

In 2019, the unemployment rate in the OD (10.8 per cent) was significantly below that of the Western Cape (19.6 per cent). The Overstrand municipal area, with an unemployment rate of 16.0 per cent in 2019, was the only municipal area with a higher unemployment rate than that of the District, with the Swellendam municipal area having the lowest unemployment rate (6.7 per cent) in 2019.

The unemployment rate in the District is estimated to have increased between 2019 and 2020. The unemployment rates in the Theewaterskloof and Swellendam municipal areas have remained constant over the two-year period, while increases are estimated in the Overstrand and Cape Agulhas municipal areas. This is likely as a result of the number of job losses exceeding the number of individuals who were moved to the “not economically active” category.

However, this is in contrast with the decrease in the unemployment rate in other regions of the Western Cape.

In 2019, the labour force participation rate in the District stood at 74.9 per cent, which was higher than the 67.9 per cent recorded in the Province during the same year. Across the District and all the municipal areas, the labour force participation rate is estimated to have decreased between 2019 and 2020. A similar pattern is evident when evaluating the labour absorption rate.

The percentage of “not economically active” individuals in the District stood at 25.1 per cent in 2019, which was lower than that of the Western Cape (32.1 per cent). The number of “not economically active” individuals is estimated to have increased between 2019 and 2020 in all municipal areas in the District as well as in the Province. This is due to individuals not being able to seek employment opportunities during level five of the national lockdown in 2020.



1.4 CONCLUDING REMARKS

The OD economy was valued at R21.1 billion in 2019 and contributed 3.4 per cent to the Provincial economy during the year. Between 2015 and 2019, growth in the District averaged 1.2 per cent, which was slightly above the 1.0 per cent recorded by the Provincial economy over the same period. Estimates for 2020 indicate that the District economy is expected to contract by 5.1 per cent, with growth recovering to 5.1 per cent in 2021.

In 2019, the Theewaterskloof municipal area was the largest contributor to GDP in the OD, followed by the Overstrand municipal area. In terms of sectoral performance, the tertiary sector was the main driver of economic activity in the District, with a contribution of 67.6 per cent in 2019. Estimates for 2020 indicate that the tertiary and secondary sectors contracted by 5.7 per cent and 11.1 per cent respectively during the year. In contrast, the primary sector is anticipated to have realised a positive annual growth rate of 11.2 per cent in 2020. The strong performance of the primary sector was driven by the strong performance of the agriculture sector, which was not as constrained by lockdown measures.

The trade sector was the dominant source of employment in the District in 2019, at 23.5 per cent. This was followed by the agriculture sector, with a contribution of 20.9 per cent to employment in the District in 2019.

An evaluation of the unemployment profile of the OD revealed that fewer employment opportunities were available in the District in 2020. This is showcased by a decline in the labour force participation and labour absorption rates between 2019 to 2020. Furthermore, unemployment across the District increased over the same period. This is expected to stem from high job losses in the trade sector and the finance sector. Given that the District relies on tourism, the implementation of the national lockdown to contain the spread of COVID-19 resulted in particularly adverse consequences for employment in the District.





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 for each of the municipal areas within the OD.



2.2 OVERBERG DISTRICT THEEWATERSKLOOF

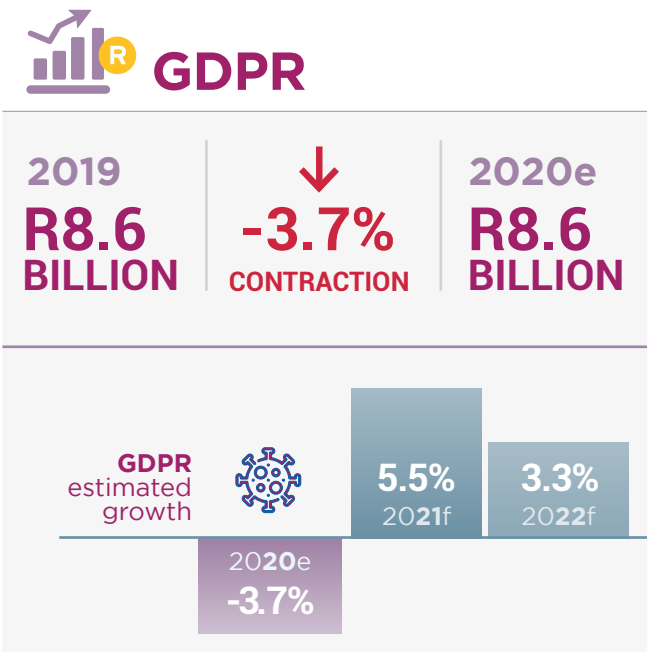
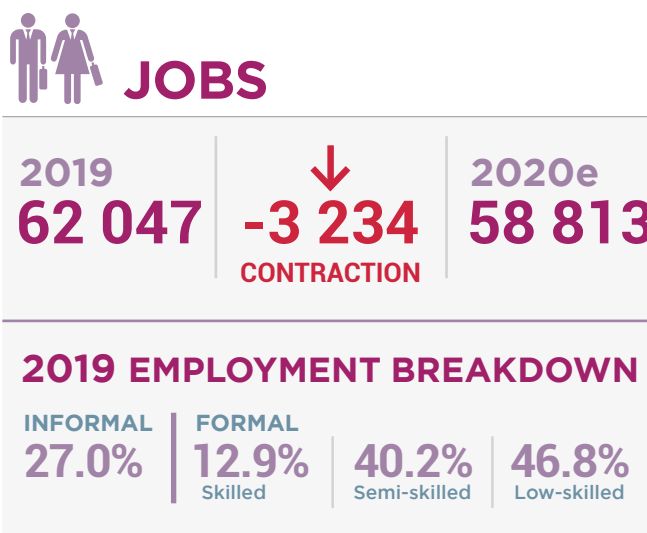


Diagram 2.1
**GDPR (CURRENT PRICES) AND EMPLOYMENT,
THEEWATERSKLOOF, 2019 and 2020e**



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

The Theewaterskloof municipal area covers 3 259km², which constitutes approximately 26.6 per cent of the OD's geographical area.⁶ 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 fynbos.⁷ The main towns in the municipal area include Botrivier, Caledon, Genadendal, Grabouw, Greyton, Riviersonderend, Tesselaarsdal and Villiersdorp.⁸

2.2.1 GDP and employment performance

The Theewaterskloof municipal area's economy was valued at R8.6 billion in 2019. The municipal area had 62 047 employed workers in 2019, and this is expected to have decreased to 58 813 workers in 2020. The economy of the municipal area is estimated to have contracted by 3.7 per cent, resulting in 3 234 jobs lost during 2020. It is forecast that the municipal area's economy will recover in 2021, with an estimated GDP growth of 5.5 per cent.

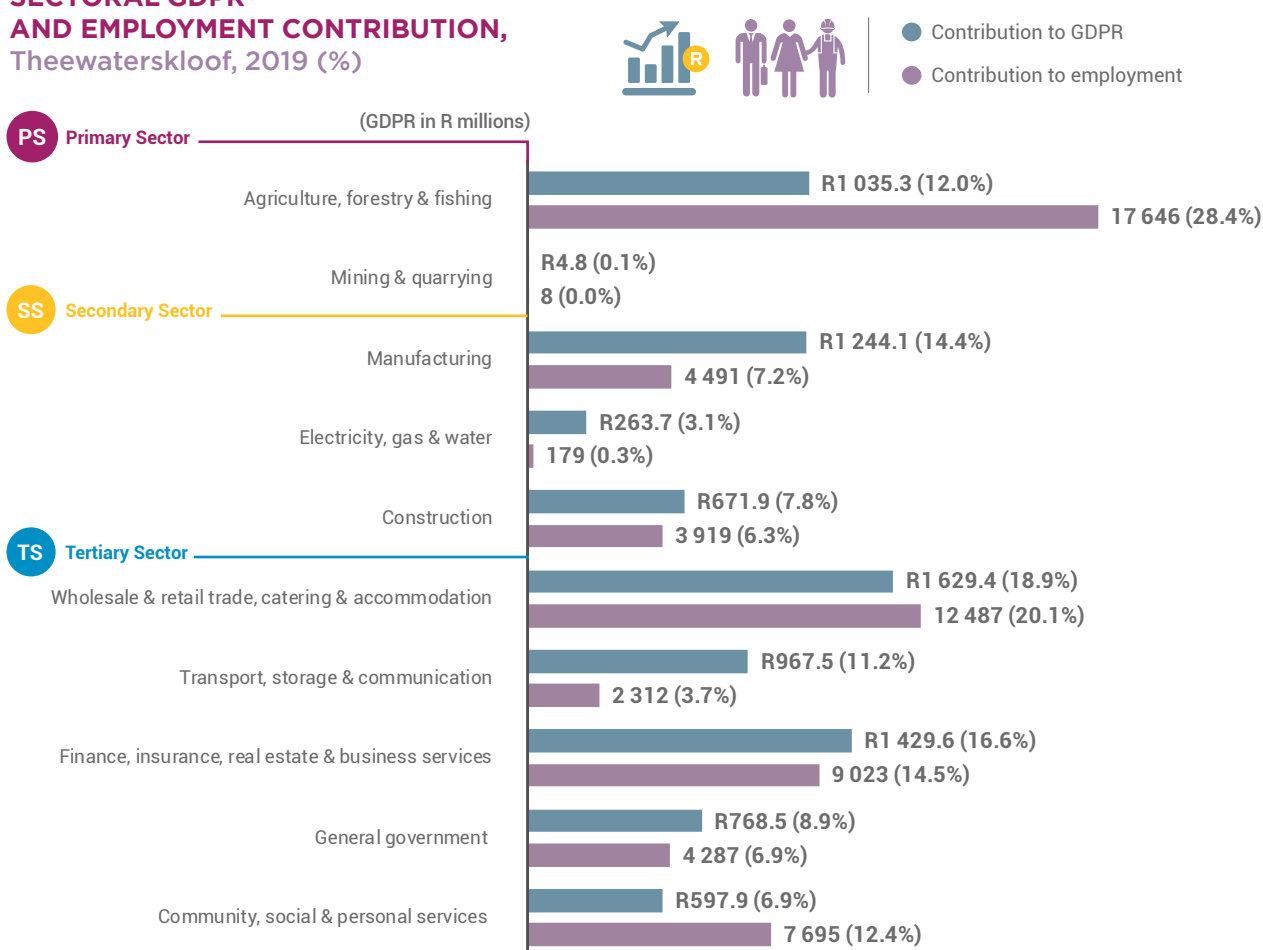
⁶ (Municipal Demarcation Board, 2018).

⁷ (Theewaterskloof Municipality, 2016).

⁸ (Theewaterskloof Municipality, 2017).

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

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



Source: Quantec Research, 2021

Employment in the agriculture sector was substantially higher than GDP. This high employment concentration indicates that this sector is very labour-intensive. Likewise, the community services sector is also labour-intensive, accounting for 12.4 per cent of total employment, but only contributing 6.9 per cent to GDP. The transport sector contributed more to GDP than to employment (11.2 per cent compared with 3.7 per cent), while the manufacturing sector contributed 7.2 per cent to employment but 14.4 per cent to GDP, highlighting the capital-intensive nature of the sector.

The trade sector (18.9 per cent) and the finance sector (16.6 per cent) were the main drivers of GDP in the municipal area. In terms of employment, the agriculture sector was the main source of employment in the Theewaterskloof municipal area, with a contribution of 28.4 per cent, followed by the trade sector (20.1 per cent) and the finance sector (14.5 per cent). Because of the lack of mineral resources, the mining sector and the electricity, gas and water sector contributed the least to GDP and employment in the Theewaterskloof municipal area in 2019.

Table 2.1 outlines the GDP and employment performance per sector within the Theewaterskloof municipal area.

Table 2.1
GDP AND EMPLOYMENT PERFORMANCE PER SECTOR,
Theewaterskloof



SECTOR	GDP		Employment	
	Trend 2015 – 2019	Real GDP growth 2020e	Average annual change 2015 – 2019	Net change 2020e
PS Primary Sector	-4.3%	10.7%	277	-746
Agriculture, forestry & fishing	-4.3%	10.8%	277	-745
Mining & quarrying	0.1%	-18.1%	0	-1
SS Secondary Sector	2.1%	-10.7%	179	-688
Manufacturing	2.9%	-7.0%	120	-228
Electricity, gas & water	-1.2%	-6.9%	2	-5
Construction	1.5%	-20.3%	57	-455
TS Tertiary Sector	2.7%	-4.7%	1 038	-1 800
Wholesale & retail trade, catering & accommodation	2.5%	-9.2%	496	-720
Transport, storage & communication	1.7%	-14.7%	80	-76
Finance, insurance, real estate & business services	4.6%	0.9%	338	-336
General government	0.5%	0.4%	7	52
Community, social & personal services	2.0%	-1.8%	117	-720
Total Theewaterskloof	1.3%	-3.7%	1 494	-3 234

Source: Quantec Research, 2021 (e denotes estimate)

Between 2015 and 2019, the Theewaterskloof municipal area experienced average annual growth of 1.3 per cent. The secondary and tertiary sectors increased above the municipal average, by 2.1 per cent and 2.7 per cent respectively, while the primary sector contracted by 4.3 per cent. The finance sector experienced the best growth rate within the municipal area (4.6 per cent), while the agriculture sector had the worst growth, contracting by 4.3 per cent in the same period. The contraction in this sector for the reviewed period could be attributed to the drought experienced in the region.

The Theewaterskloof municipal area had an average annual growth of 1 494 jobs between 2015 and 2019. The tertiary sector was the largest contributor to the jobs created, with 1 038 jobs. The individual sectors that contributed most to employment were the trade sector (496 jobs), followed by the finance sector (338 jobs). Despite the contraction in the agriculture sector, the sector created 277 jobs annually between 2015 and 2019.⁹

It is estimated that the municipal area's economy contracted by 3.7 per cent in 2020 owing to poor economic conditions as a result of COVID-19.

⁹ 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 (Stats SA, 2015).



The tertiary sector, which is the strongest sector in the municipal area, is estimated to have contracted by 4.7 per cent. The trade sector is estimated to have contracted by 9.2 per cent. The significant contraction in this sector could be attributed to the impact of COVID-19 on tourism. The only two sectors within the tertiary sector that showed marginal growth in 2020 were the finance sector (0.9 per cent) and the general government sector (0.4 per cent). Despite the lockdown regulations, the agriculture sector grew by an estimated 10.8 per cent in 2020 as a result of good weather and market conditions. The Theewaterskloof municipal area is known as a world-class fruit producer and has some of the largest packhouses in the Western Cape. It is the largest apple-producing region in the country and the third-largest pear-producing region in the country. It is home to Appletiser and South African Breweries' largest maltings plant in the country, and is a growing premier white wine-producing area.¹⁰

The government sector only recorded marginal growth. Additional expenditures had to be incurred in the sector to provide support for communities and businesses in need, as well as the additional funding required for healthcare services. The pandemic placed additional strain on local governments, as many expenses were not budgeted for, while households struggled to pay for services and businesses closed.¹¹

COVID-19 and the associated economic conditions negatively impacted employment in the municipal area in 2020. A substantial number of jobs (3 234) are estimated to have been lost, with 1 800 of these being in the tertiary sector. Despite these net job losses, new economic activity was recorded in 2020, such as the new Grabouw Shopping Complex, which created some jobs.¹²

¹⁰ (Theewaterskloof Municipality, 2017).

¹¹ (Theewaterskloof Municipality, 2021).

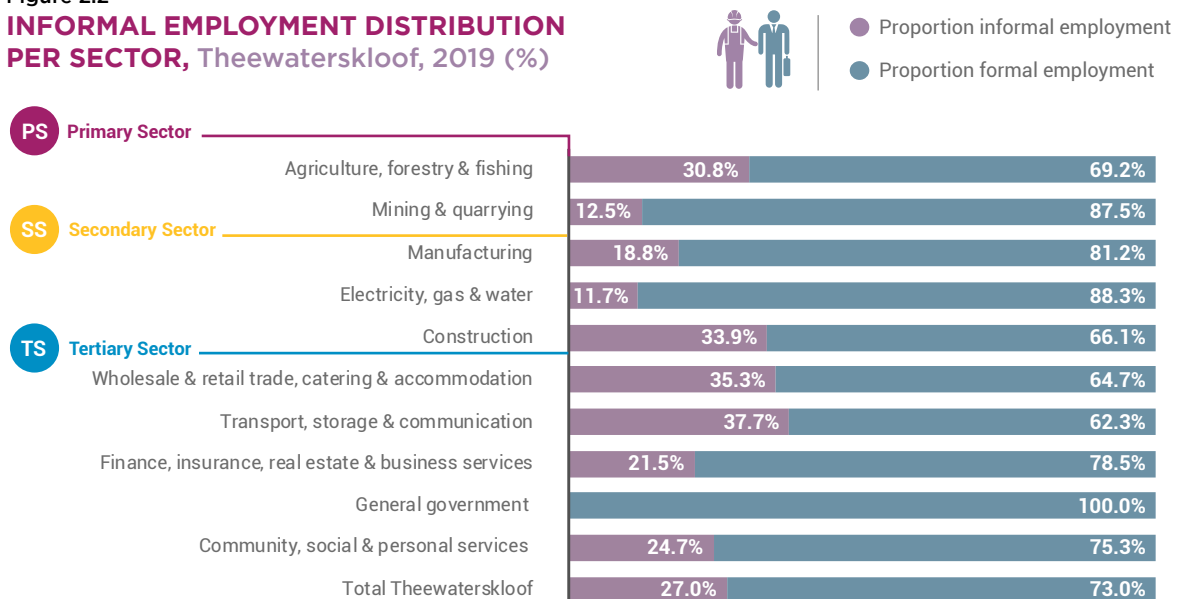
¹² (Theewaterskloof Municipality, 2021).

It is estimated that the trade sector lost 720 jobs, while the agriculture sector shed 745 jobs. The only sector that created additional employment for the municipal area in 2020 was the general government sector, with 52 jobs. Improving access to employment opportunities, such as through investment in public transport infrastructure such as the Rooidakke bus route, can be a catalyst for recovering some of the jobs lost in the pandemic.¹³

As illustrated in Figure 2.2, informal employment accounted for 27.0 per cent of the Theewaterskloof municipal area's total employment in 2019.¹⁴

Figure 2.2

INFORMAL EMPLOYMENT DISTRIBUTION PER SECTOR, Theewaterskloof, 2019 (%)



Source: Quantec Research, 2021



The transport sector had the largest proportion of informal employment in 2019, accounting for 37.7 per cent of the sector's total employment. Other noticeable sources of informal employment were the trade sector (35.3 per cent) and the construction sector (33.9 per cent).

The informal sector covers a wide range of economic activities and is an important source of employment and poverty reduction. Informal businesses are sometimes constrained by a lack of suitable trading space, onerous legal requirements, a lack of capital and limited access to business information.

¹³ (Theewaterskloof Municipality, 2021).

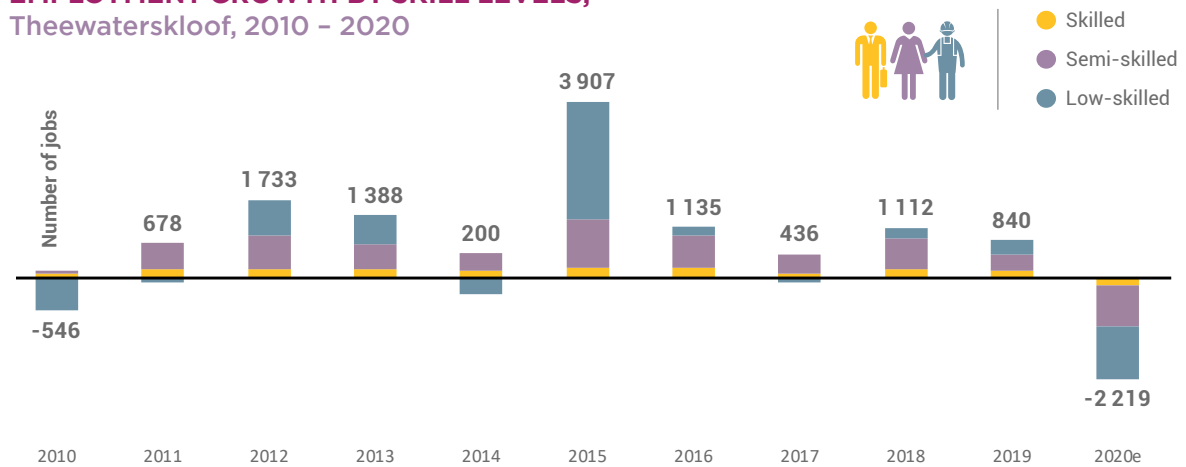
¹⁴ Throughout this chapter, it should be noted that the number of informal sector workers is determined by using labour data from the Quarterly Employment Statistics (QES) and the Quarterly Labour Force Survey (QLFS). Quantec uses the QES formal figure, to which it adds the number of formal agricultural and domestic workers. Using the total employment from the QLFS, informal employment is calculated as a residual. This residual is higher than the figure given in the QLFS owing to the inclusion of small, medium and micro enterprises, which are not accounted for in the QES.

2.2.2 Skills analysis

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

Figure 2.3

EMPLOYMENT GROWTH BY SKILL LEVELS, Theewaterskloof, 2010 – 2020



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e
Skilled	88	206	212	202	181	240	245	105	214	156	-161
Semi-skilled	82	572	727	544	374	1 056	686	434	658	376	-895
Low-skilled	-716	-100	794	642	-355	2 611	204	-103	240	308	-1 163

Source: Quantec Research, 2021 (e denotes estimate)

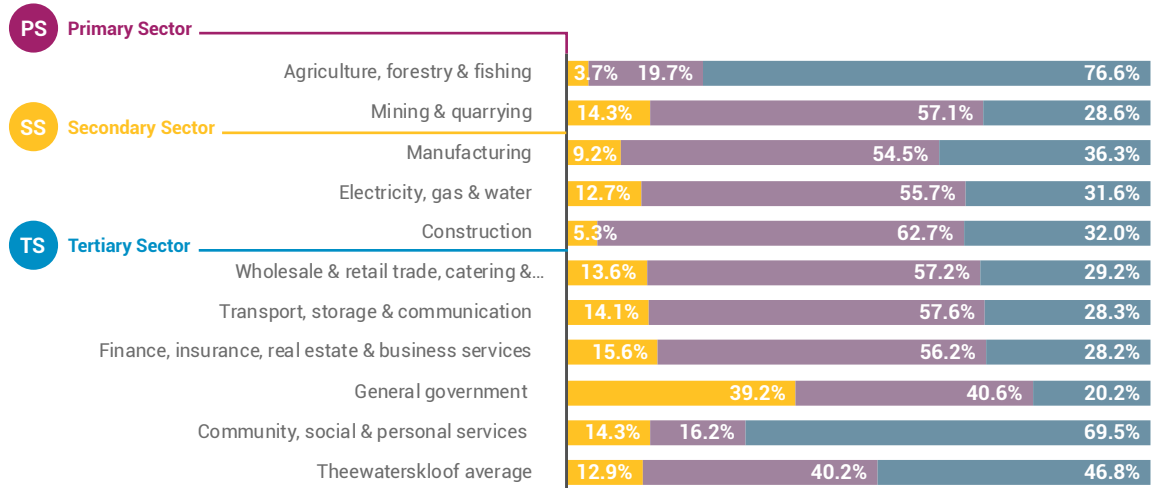
The economic downturn caused substantial job losses in the Theewaterskloof municipal area in 2010, which mostly impacted low-skilled workers. During this period, low-skilled labour experienced 716 job losses. In contrast, several jobs were created in the skilled (88 jobs) and semi-skilled (82 jobs) categories.

It is estimated that in 2020, 2 219 formal jobs were lost owing to the COVID-19 pandemic. Most of the jobs lost were low-skilled (1 163 jobs) and semi-skilled (895 jobs). This is likely to have had a substantial impact on the local economy, as many of these workers earn low incomes, resulting in an increase in poverty and a greater demand for government support.



Figure 2.4 provides a sectoral overview of the skill levels for formal employment in the Theewaterskloof municipal area. On average, the municipal area was mainly characterised by low-skilled labour (46.8 per cent), followed by semi-skilled labour (40.2 per cent) and a small proportion of skilled labour (12.9 per cent) in 2019.

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



Source: Quantec Research, 2021

The two sectors that predominantly used low-skilled workers in 2019 were the agriculture sector (76.6 per cent) and the community services sector (69.5 per cent). The labour needed in these sectors does not require a high level of education or skills to maintain proper workflow. The remaining sectors in the Theewaterskloof municipal area employed a large proportion of semi-skilled workers, particularly the construction sector, in which 62.7 per cent of workers were classified as semi-skilled. The two sectors with the highest proportion of skilled workers were the general government sector (39.2 per cent) and the finance sector (15.6 per cent).

In 2020, only the government sector is estimated to have created jobs, while the finance sector shed fewer jobs compared with other sectors, indicating that workers with higher skills have greater job security during economic downturns. Workers in these sectors were more likely to be able to work from home during the pandemic. Prior to the pandemic, the finance sector was also one of the main job creators in the municipal area, emphasising the importance of skills development.

Low-skilled workers, who make up the majority of the Theewaterskloof municipal area's workforce, faced inconsistent demand and recurrent job losses between 2010 and 2020 owing to changes in employment and the economy's skills structure. Skilled workers, on the other hand, who make up the smallest percentage of the workforce in the area, saw consistent job growth and resilience during the time under consideration. The low-skilled population will put pressure on local municipalities for additional free basic services, as revenue in the municipal area will decrease owing to the contraction in employment and economic performance.



2.3 OVERBERG DISTRICT OVERSTRAND



GDP

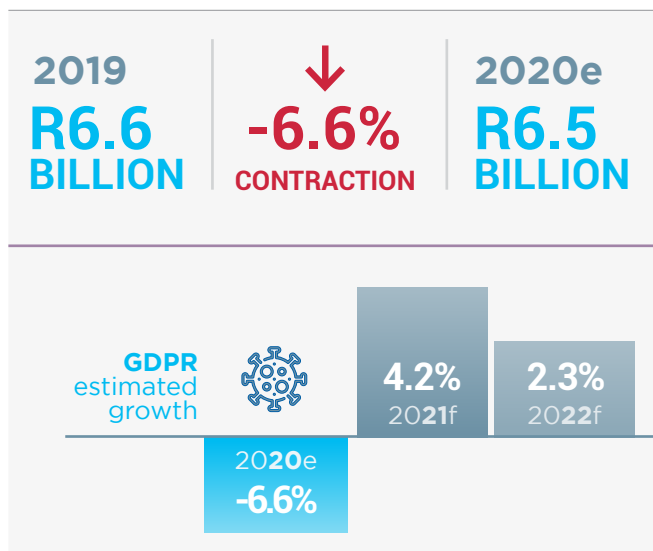
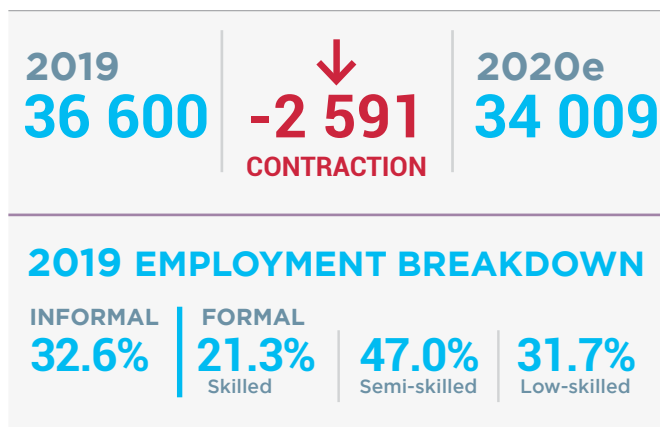


Diagram 2.2
**GDPR (CURRENT PRICES) AND EMPLOYMENT,
Overstrand, 2019 and 2020e**

JOBS



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

The Overstrand municipal area is the smallest municipal area in the OD in terms of geographical spread, covering 1 675km² (13.7 per cent),¹⁵ but is the second-largest economy in the District. The municipal area is bordered by the Cape Metro, Cape Agulhas and Theewaterskloof municipal areas, and has a 230km coastline. Hermanus is the main commercial node and other main towns include Gansbaai, Hawston, Kleinmond and Stanford.¹⁶ 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 ranges.¹⁷ Hermanus and the smaller coastal settlements are also popular areas for retirement and second homes.

2.3.1 GDP and employment performance

The Overstrand municipal area's economy was valued at R6.6 billion (current prices) in 2019 and the municipal area employed 36 600 people. Estimates for 2020 indicate that the municipal area's economy contracted by 6.6 per cent, resulting in a GDPR drop to R6.5 billion and shedding an estimated 2 591 jobs. It is forecast that the economy will start recovering in 2021, with an estimated 4.2 per cent growth, while a further 2.3 per cent GDPR growth is expected for 2022.

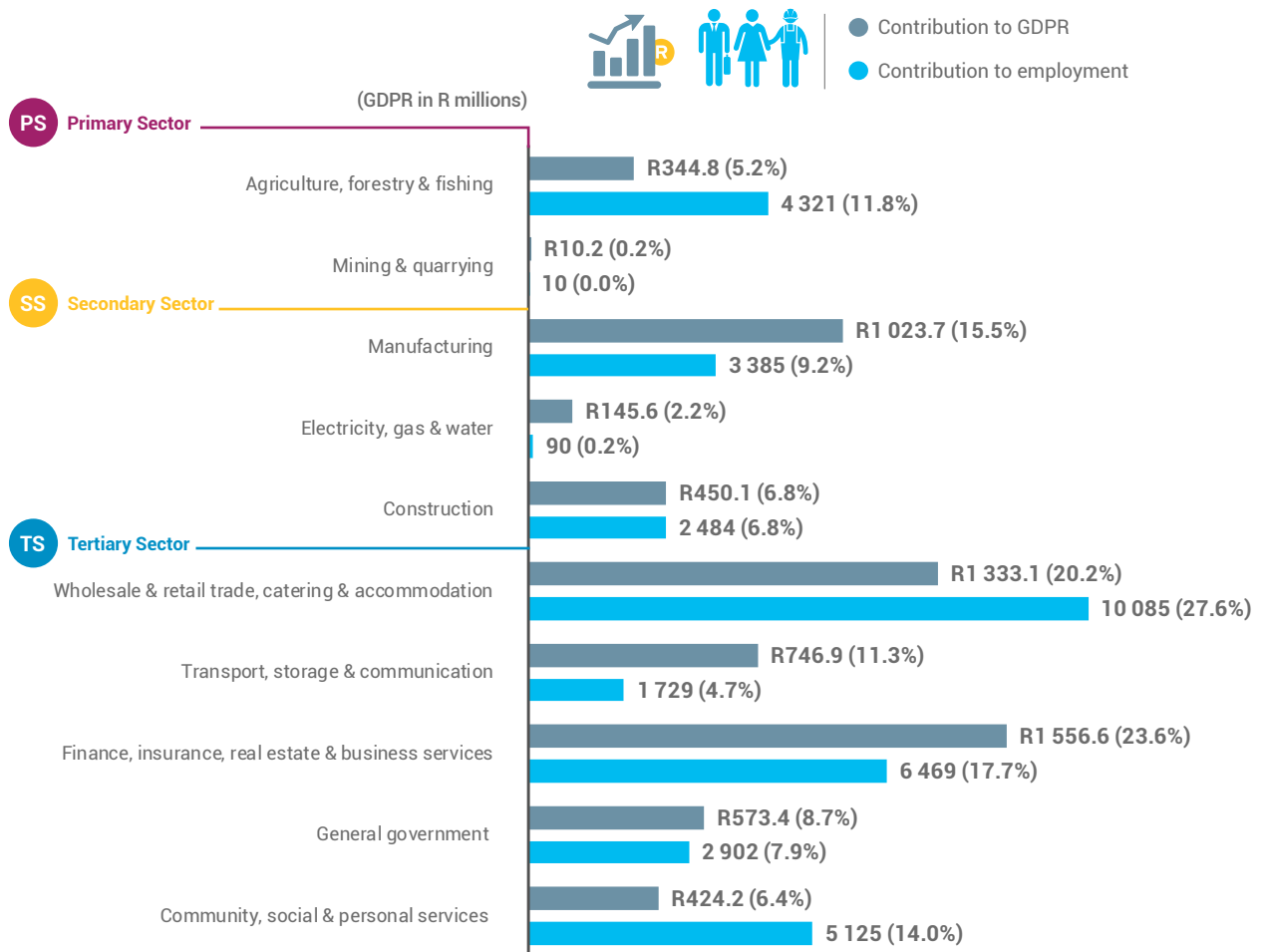
¹⁵ (Municipal Demarcation Board, 2018).

¹⁶ (Overstrand Municipality, 2017).

¹⁷ (Overstrand Municipality, 2018).

Figure 2.5 provides a breakdown of the sectoral contribution to employment and GDP in the Overstrand municipal area in 2019.

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



Source: Quantec Research, 2021


The two major contributors to GDP in the municipal area in 2019 were the finance sector (23.6 per cent) and the trade sector (20.2 per cent). These sectors were also the main contributors to employment, accounting for 17.7 per cent and 27.6 per cent respectively of the area's total employment.

While the community services sector contributed only 6.4 per cent to GDP, the sector was a considerable source of employment (14.0 per cent), which indicates that this sector is more labour-intensive. The trade sector and the agriculture sector are also labour-intensive. The municipal area's capital-intensive sectors include the manufacturing sector, the transport sector, and the finance sector.

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

Table 2.2

GDPR AND EMPLOYMENT PERFORMANCE PER SECTOR, Overstrand



SECTOR	GDPR		Employment	
	Trend 2015 – 2019	Real GDP growth 2020e	Average annual change 2015 – 2019	Net change 2020e
Primary Sector	-4.3%	14.4%	26	-412
PS Agriculture, forestry & fishing	-4.4%	15.2%	26	-412
Mining & quarrying	-0.5%	-18.8%	0	0
Secondary Sector	0.7%	-11.5%	-16	-593
SS Manufacturing	2.0%	-8.1%	55	-210
Electricity, gas & water	1.3%	-5.6%	1	-3
Construction	-2.6%	-22.8%	-72	-380
Tertiary Sector	1.3%	-6.7%	464	-1 586
TS Wholesale & retail trade, catering & accommodation	1.4%	-10.1%	233	-698
Transport, storage & communication	2.7%	-14.1%	53	-55
Finance, insurance, real estate & business services	1.0%	-4.8%	169	-317
General government	0.4%	0.4%	-2	26
Community, social & personal services	1.1%	-2.5%	11	-542
Total Overstrand	0.8%	-6.6%	474	-2 591

Source: Quantec Research, 2021 (e denotes estimate)

Between 2015 and 2019, the Overstrand municipal area experienced an average annual GDP growth rate of 0.8 per cent. The tertiary sector had the highest average yearly growth rate (1.3 per cent), followed by the secondary sector (0.7 per cent). The primary sector's GDP declined by an average of 4.3 per cent per annum during the same period. The main economic growth drivers of the Overstrand municipal area between 2015 and 2019 included the transport (2.7 per cent), manufacturing (2.0 per cent) and trade (1.4 per cent) sectors. The contraction of 2.6 per cent in the construction sector is an indication of the sector's poor performance. The main town, Hermanus, has exploded over the last few years in terms of housing developments, but is relatively constrained now owing to a lack of developable land. This is especially true for the Zwelihle, Kleinmond and Mount Pleasant areas. There are some developments in the pipeline (including the Schulphoek development) that should boost the sector again should they break ground.

According to estimates for 2020, the municipal area's lower GDP growth rate was primarily due to the poor performance of the secondary and tertiary sectors, which contracted by 11.5 per cent and 6.7 per cent respectively. Finance, the largest sector in the municipal area, had a 4.8 per cent contraction.

Owing to the lockdown regulations enforced as a result of COVID-19, the trade sector is estimated to have contracted by 10.1 per cent. The tourism industry was severely affected by travel restrictions throughout the country. As it is one of the leading contributors to economic growth in the Overstrand municipal area, this will have a significant negative impact on the overall economic performance of the municipal area. Wesgro indicated that 75.0 per cent of local tourism businesses that participated in the survey said they had lost revenue owing to the beach closures, and almost 80.0 per cent of respondents lost revenue owing to the ban on alcohol sales during the festive season.¹⁸ The popular Hermanus Whale Festival, which attracts between 5 000 and 30 000 people per day, was postponed as a result of COVID-19. Large events such as this are significant sources of economic injections into the local towns, and because these events could not take place, the tourism industry was affected on a large scale.

Despite these contractions, the agriculture sector (15.2 per cent) and the general government sector (0.4 per cent) had positive economic growth in 2020. The agriculture sector's increase could be a result of improved market conditions and good yields at a national level. An improved market of abalone has been experienced, where high returns for farmed, fished or ranches abalone generates foreign currency earnings for the industry.¹⁹ Abagold in Hermanus is a large exporter of canned and dried abalone globally. The government sector had to remain operational and provide additional support during the lockdown periods in 2020. The Overstrand Municipality supported local businesses by allowing payment holidays on lease agreements, issuing informal trade permits, providing access to information on COVID-19 protocols, registering accommodation establishments as isolation facilities and scrapping business operating licences.²⁰

The Overstrand municipal area created an average of 474 jobs per annum between 2015 and 2019. Despite being lower than the municipal average, the primary and tertiary sectors had positive average annual changes during the period under review, while the secondary sector contracted by 16 jobs annually. Employment creation was mainly driven by the tertiary sector, which experienced an average annual increase of 464 jobs during this period, with the trade sector the leading contributor in the municipal area (233 jobs). The construction sector contracted significantly between 2015 and 2019, as 72 jobs were lost annually. Utilising local enterprises when investing in infrastructure investment projects could play a valuable role in boosting the sector. Creating an enabling environment for attracting private investment could also unlock new job opportunities in the sector.

The municipal area is estimated to have lost 2 591 jobs in 2020 owing to the economic impact of COVID-19. The tertiary sector, followed by the secondary sector, had the most jobs lost, with 1 586 and 593 jobs lost respectively. The concern is that most jobs lost were in the trade sector (698 jobs). This sector is typically one of the main sectors that contribute to employment growth in the area. The significant job losses estimated for 2020 will increase the demand for government assistance as household income declines. Furthermore, the local municipality will be put under further strain because income collection may be impeded, but the same standard of service will be expected. However, new initiatives such as the development of an Industrial Hub in Hawston, which created light industrial and commercial space for local entrepreneurs, should be a valuable boost for the secondary and tertiary sectors of the local economy.²¹

¹⁸ (Wesgro, 2021).

¹⁹ (TIPS, 2016).

²⁰ (Overstrand Municipality, 2021).

²¹ (Overstrand Municipality, 2021).



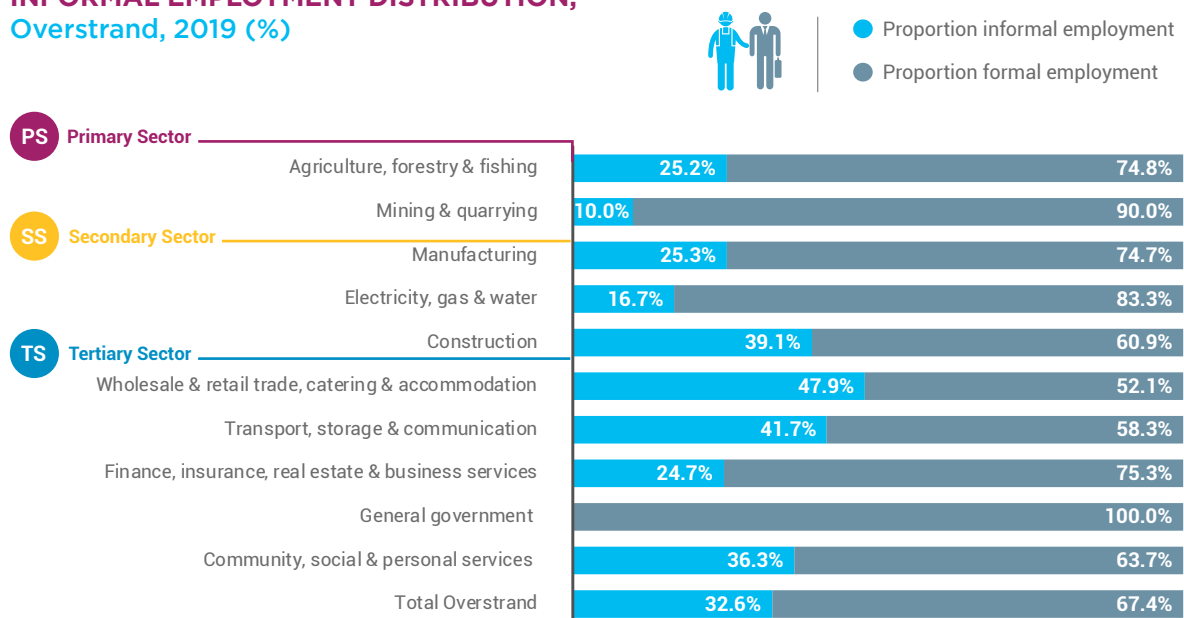
SEMIGRATION

The Western Cape benefited from COVID-19-induced semigration (moving from one part of a country to another) in 2020 and 2021. The desire for more space for home schooling and working from home aligned well with greater flexibility in the locations from which professionals could work. At a macro level, low interest rates allowed many first-time home buyers to enter the property market.²² As a result, demand for long-term and shorter stays grew as South Africans moved from other provinces (mainly Gauteng) to the Western Cape’s coastal-proximal towns. Property demand in these small towns was driven by relatively lower prices (compared with the Cape Metro), good service-delivery records and perceived quality-of-life factors such as access to strong natural and cultural capital. Some of the towns that have benefited from this semigration trend include Gansbaai, Hermanus, Langebaan, St Helena Bay, Yzerfontein, George, Plettenberg Bay and Mossel Bay.^{23,24}

Looking ahead, private-sector investments in high-speed fibre internet,²⁵ healthcare and education, coupled with bulk infrastructure upgrades, will allow the Western Cape’s property market to remain competitive in attracting the semigration market segment. The June unrest in KwaZulu-Natal and Gauteng in 2021 will have added to the interest in Western Cape property, and this will be bolstered by improvements to the Western Cape’s community safety and security programmes. Similarly, the continued ability of local town “spoke” airports to provide cheap and quick access to regional “hubs” such as Johannesburg and Durban will support further demand for property in the Western Cape’s small towns.

Figure 2.6 depicts the sectoral informal employment distribution in the Overstrand municipal area in 2019.

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



Source: Quantec Research, 2021

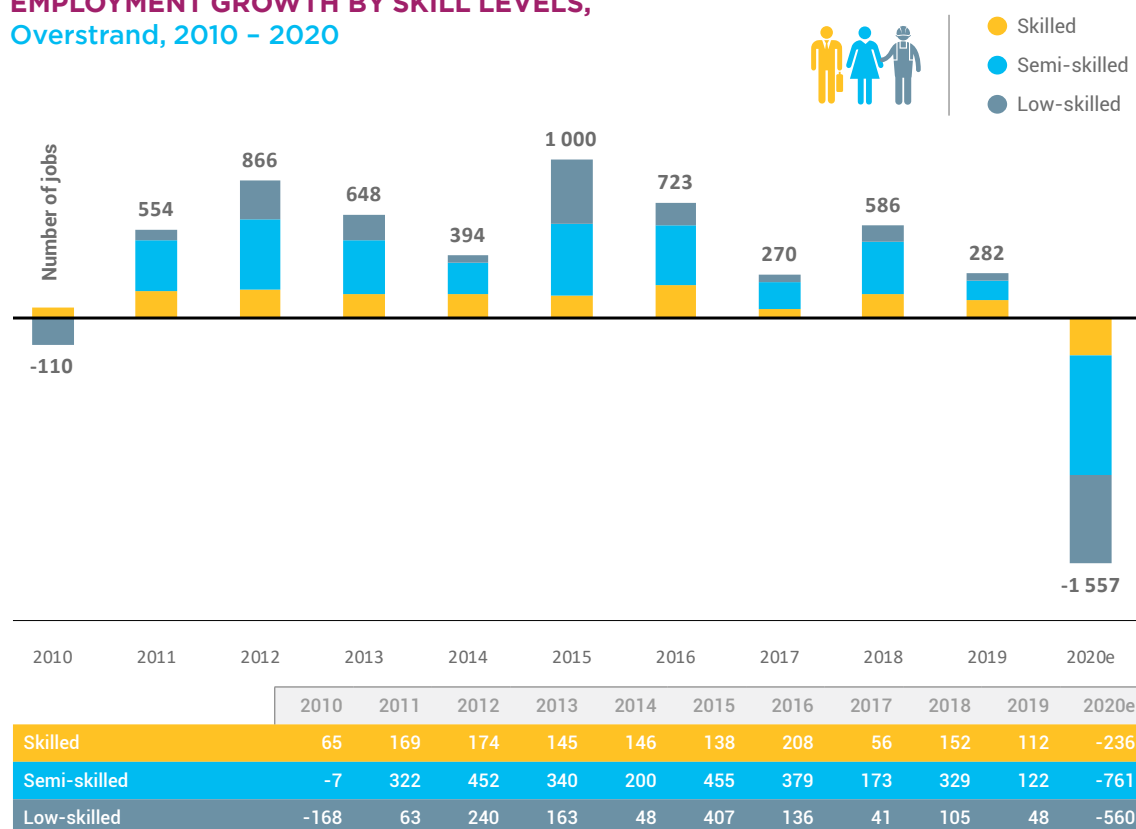
²² (Ooba Home Loans, 2021).
²³ (BusinessTech, 2021a).
²⁴ (BusinessTech, 2021b).
²⁵ (Forbes Africa, 2021).

Employment in the municipal area consists mainly of formal employment opportunities (67.4 per cent), while informal employment is a valuable source of employment for 32.6 per cent of the area's workers. The trade sector is the largest source of informal employment (47.9 per cent). This is in line with national statistics, which indicate that trade is the most prominent activity in the informal sector. Other noticeable sources of informal employment are the transport (41.7 per cent), construction (39.1 per cent) and community services (36.3 per cent) sectors. The contribution of informal employment can be enhanced by addressing the key constraints experienced by informal businesses, including the availability of infrastructure.

2.3.2 Skills analysis

As illustrated in Figure 2.7, 110 jobs were lost during the economic downturn in 2010 in the Overstrand municipal area. Low-skilled workers were severely impacted during this period, as low-skilled labour experienced a decline of 168 jobs and semi-skilled labour experienced a decline of seven jobs. However, 65 skilled jobs were created in 2010.

Figure 2.7
EMPLOYMENT GROWTH BY SKILL LEVELS,
Overstrand, 2010 - 2020

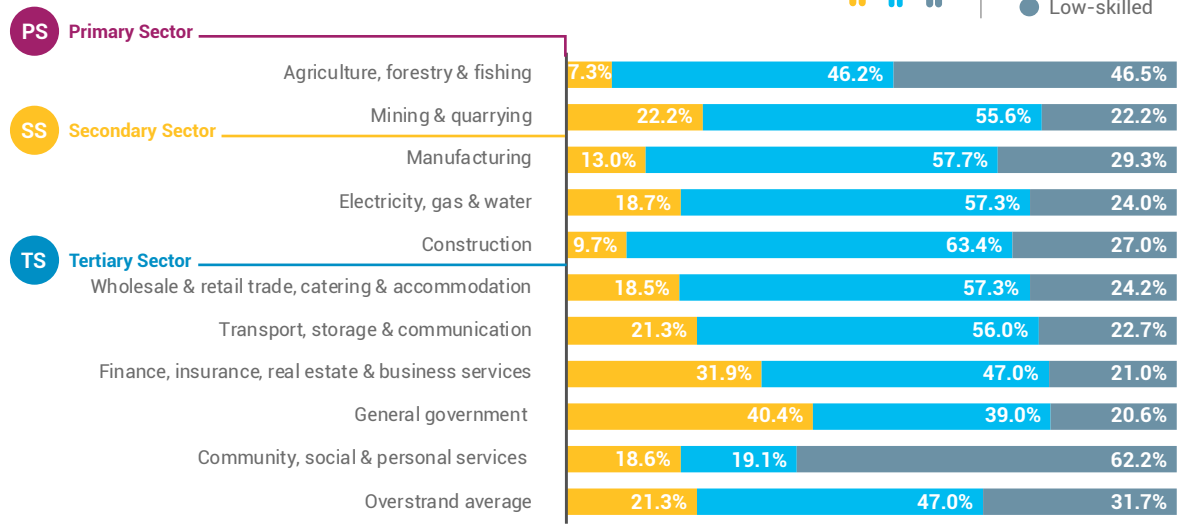


Source: Quantec Research, 2021 (e denotes estimate)

The Overstrand municipal area experienced a net increase in job opportunities across all skill levels from 2011. From 2010 to 2020, the biggest employment changes, including job creation and job losses, were experienced by semi-skilled workers, with a net addition of 2 004 semi-skilled jobs during this period. However, the Overstrand municipal area only created 523 low-skilled jobs. As a result of COVID-19, a total of 761 jobs were lost in the semi-skilled workforce, 560 jobs were lost in the low-skilled workforce and 236 jobs were lost in the skilled workforce in 2020. The total contraction in employment was 1 557 jobs.

Figure 2.8 illustrates the concentration of skill levels per sector among the formally employed in the Overstrand economy. Semi-skilled workers (47.0 per cent) are the biggest contributors to formal employment.

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



Source: Quantec Research, 2021



Within the community services sector, which is the sector with the largest portion of low-skilled workers, 62.2 per cent of workers were low-skilled workers in 2019. The Overstrand municipal area comprised 21.3 per cent skilled workers in 2019, and the general government (40.4 per cent) and finance (31.9 per cent) sectors were the largest employers of skilled workers in the municipal area. The municipality will need to focus on skills development to ensure that low-skilled workers can seek jobs in other sectors as the economy fluctuates in the different sectors.



2.4 OVERBERG DISTRICT CAPE AGULHAS



GDPR

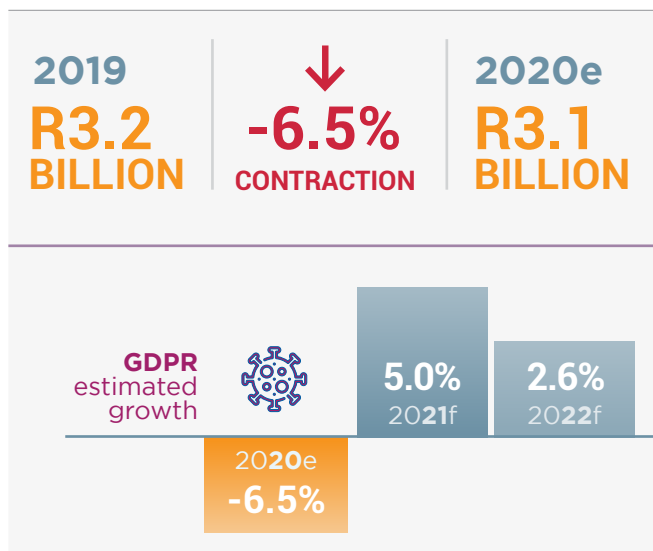
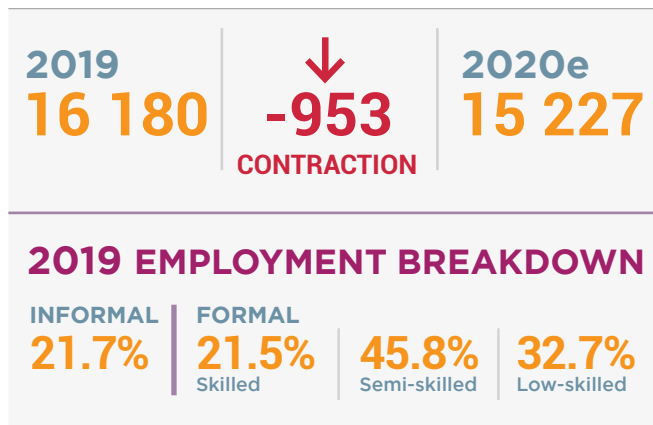


Diagram 2.3
**GDPR (CURRENT PRICES) AND EMPLOYMENT,
CAPE AGULHAS, 2019 and 2020e**

JOBS



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

The Cape Agulhas municipal area covers approximately 3 471km², which constitutes approximately 28.4 per cent of the OD's geographical area, and is well known for being the southernmost tip of Africa.²⁶ 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 Proteem and Klipdale.²⁷ Towns along the 178km coastline are mostly tourist towns or fishing villages.²⁸

2.4.1 GDPR and employment performance

The Cape Agulhas municipal area's economy contracted by an estimated 6.5 per cent from R3.2 billion (current prices) in 2019 to an estimated R3.1 billion in 2020. The municipal area employed 16 180 people in 2019 and is estimated to have shed 953 jobs in 2020 as a result of the weak economic performance. The contraction in GDPR and employment is a result of the COVID-19 pandemic. It is forecast that the municipal area's economy will recover partially by 5.0 per cent in 2021, continuing in 2022 with a 2.6 per cent increase.

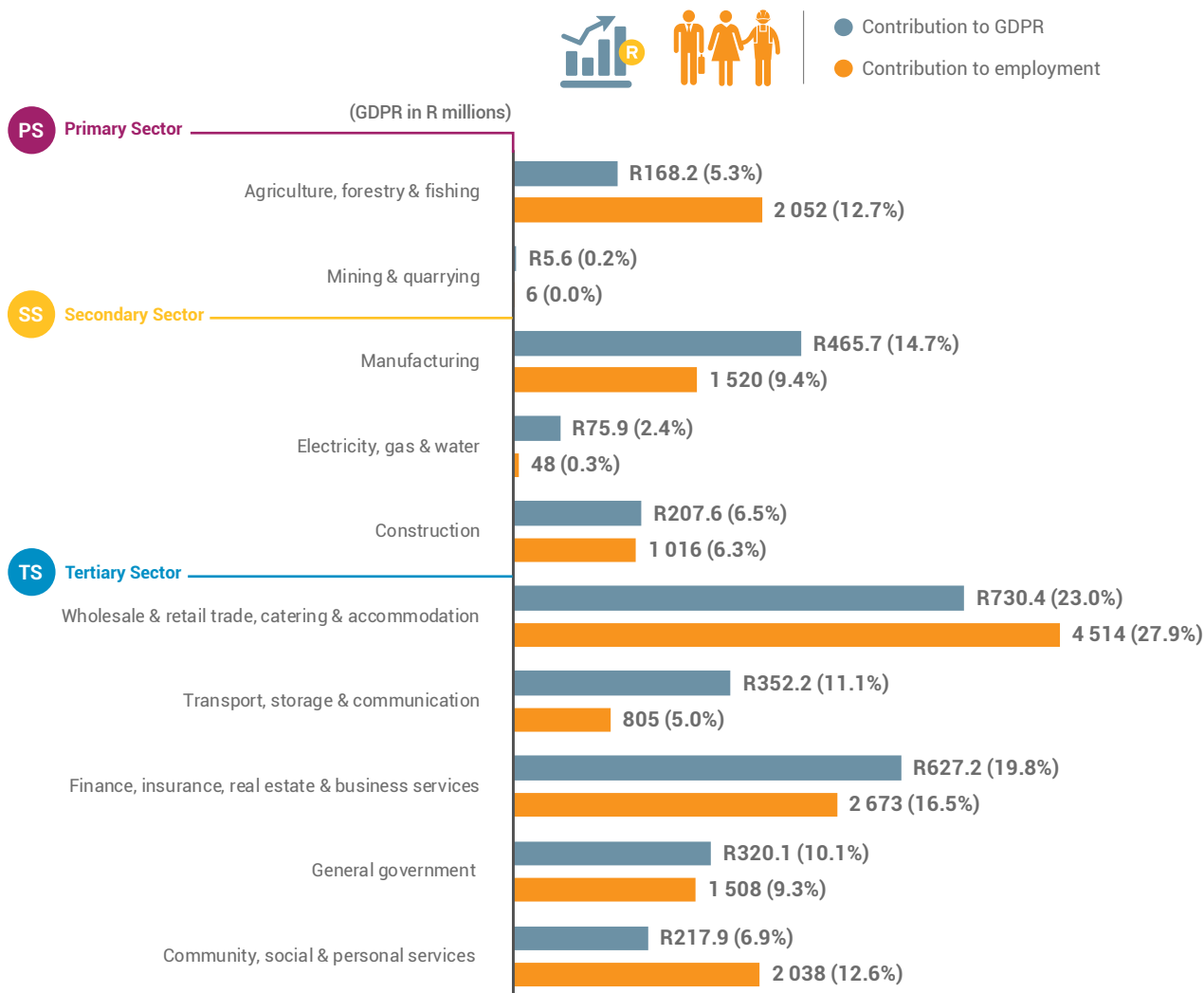
²⁶ (Municipal Demarcation Board, 2018).

²⁷ (Cape Agulhas Municipality, 2020).

²⁸ (Cape Agulhas Municipality, 2017 and Cape Agulhas Municipality, 2018).

Figure 2.9 depicts the sectoral GDP and employment contribution in the Cape Agulhas municipal area in 2019.

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




Source: Quantec Research, 2021

The trade sector, which accounted for R730.4 million in 2019, was the key driver of GDP, contributing 23.0 per cent. The finance sector (19.8 per cent) and the manufacturing sector (14.7 per cent) were also key sectors contributing to the economy. Both sectors, as well as the transport sector, are capital-intensive. The trade sector was also the largest contributor of employment in the Cape Agulhas municipal area, accounting for 4 514 jobs in 2019. The municipal area is known for a large tourism industry that forms part of the trade sector. This sector, like the agriculture sector and the community services sector, is labour-intensive. With 2 673 jobs in 2019, the finance sector was the second-largest contributor to employment in the region.

Table 2.3 outlines the performance of GDP and employment per sector in the Cape Agulhas municipal area. The tertiary sector was the largest contributor to GDP and employment in the Cape Agulhas municipal area.

Table 2.3

GDP AND EMPLOYMENT PERFORMANCE PER SECTOR, Cape Agulhas



SECTOR	GDP		Employment	
	Trend 2015 – 2019	Real GDP growth 2020e	Average annual change 2015 – 2019	Net change 2020e
PS Primary Sector	-4.0%	10.4%	38	-105
Agriculture, forestry & fishing	-4.2%	11.2%	38	-104
Mining & quarrying	5.2%	-19.6%	0	-1
SS Secondary Sector	1.0%	-11.8%	24	-234
Manufacturing	1.9%	-9.0%	33	-91
Electricity, gas & water	-1.1%	-5.0%	0	0
Construction	-0.7%	-21.5%	-9	-143
TS Tertiary Sector	1.7%	-6.5%	263	-614
Wholesale & retail trade, catering & accommodation	1.5%	-10.0%	132	-272
Transport, storage & communication	2.1%	-14.5%	21	-41
Finance, insurance, real estate & business services	2.9%	-3.4%	93	-109
General government	-1.3%	-1.2%	-19	-5
Community, social & personal services	1.5%	-2.1%	36	-187
Total Cape Agulhas	1.1%	-6.5%	325	-953

Source: Quantec Research, 2021 (e denotes estimate)

Between 2015 and 2019, the Cape Agulhas municipal area had an average annual GDP growth rate of 1.1 per cent. The secondary and tertiary sectors experienced positive average annual growth rates of 1.0 per cent and 1.7 per cent respectively, whereas the primary sector had an average annual contraction of 4.0 per cent. The individual sector that indicated the largest growth trend was the mining sector (5.2 per cent), followed by the finance sector (2.9 per cent). It is important to note that the mining sector is very small in the municipal area's economy, contributing only 0.2 per cent. Therefore, any small change, positive or negative, will reflect a large percentage change, while the overall impact on the economy is negligible.

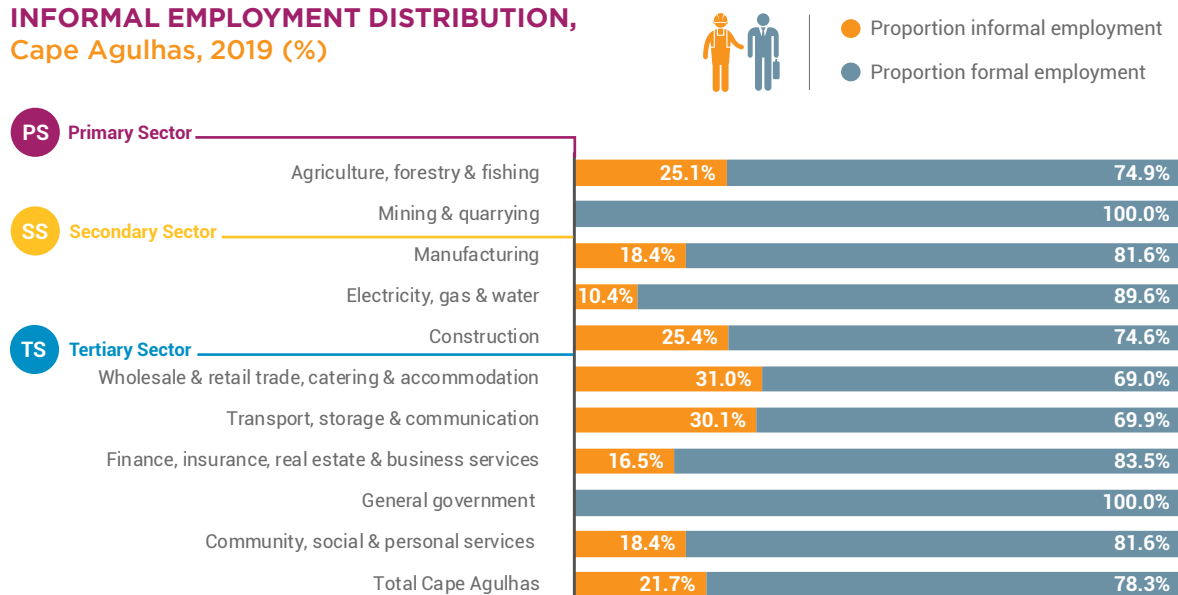
As is evident in the estimates for 2020, the municipal area is estimated to have experienced a contraction, which was mainly driven by an 11.8 per cent contraction in the secondary sector and a 6.5 per cent contraction in the tertiary sector. The construction sector is estimated to have contracted by 21.5 per cent and the trade sector is estimated to have contracted by 10.0 per cent.

The agriculture sector was estimated to be the only sector with positive growth between 2019 and 2020, with an increase of 11.2 per cent. This could be as a result of improved weather conditions and high commodity prices nationally. The other reason might be that the sector could still operate fully under the level five lockdown in South Africa. The municipal area is a popular tourist destination and the travel restrictions and subsequent decline in tourism had a severe negative impact on the local economy. The transport sector, which is also one of the leading sources of economic growth in the municipal area, is estimated to have contracted by 14.5 per cent in 2020. The lack of transport infrastructure in the municipal area, such as a railway, as well as the poor conditions of roads, affect the performance of not only the transport sector but also many of the other economic sectors through forward and backward linkages.²⁹ This deters future growth prospects.

Between 2015 and 2019, the municipal area created an average of 325 jobs per annum. Employment was mainly driven by job creation in the tertiary sector, which experienced an average annual increase of 263 jobs during this period. The individual sectors that created the largest number of jobs during the reviewed period were the trade sector (132 jobs), followed by the finance sector (93 jobs). In combination with the declining GDP growth, estimates for 2020 indicate that the Cape Agulhas municipal area lost a total of 953 jobs. Most jobs were lost in the tertiary sector, with a total of 614 jobs, as most jobs were lost in the trade sector (272 jobs). Several restaurants closed permanently because of the COVID-19 lockdown, causing significant job losses in this sector.

As illustrated in Figure 2.10, the Cape Agulhas municipal area consists mainly of formal employment opportunities, with informal employment accounting for only 21.7 per cent of the area's total employment.

Figure 2.10
INFORMAL EMPLOYMENT DISTRIBUTION,
Cape Agulhas, 2019 (%)



Source: Quantec Research, 2021

²⁹ (Cape Agulhas Municipality, 2021).

Informal employment in the Cape Agulhas municipal area is mainly concentrated in the transport sector and the trade sector, which had informal employment proportions of 30.1 per cent and 31.0 per cent respectively in 2019. Other prominent sources of informal employment included the construction (25.4 per cent) and agriculture (25.1 per cent) sectors.

The informal sector incorporates a diverse range of economic activities and is a valuable contributor to employment creation and poverty alleviation. However, funding remains a significant constraint. The municipality has developed two trading hubs, which benefited 18 entrepreneurs.³⁰ Such projects play a pivotal role in supporting and growing local businesses.



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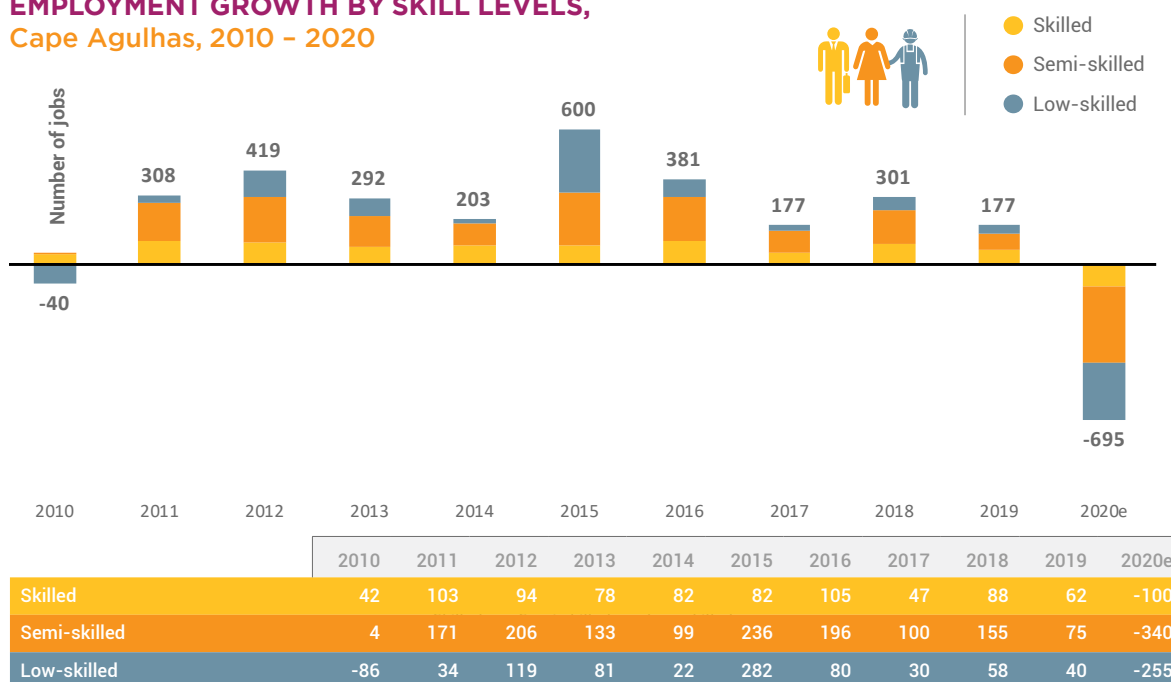
³⁰ (Cape Agulhas Municipality, 2021).

2.4.2 Skills analysis

Figure 2.11 illustrates the changes in employment by skill levels between 2010 and 2020.

Figure 2.11

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



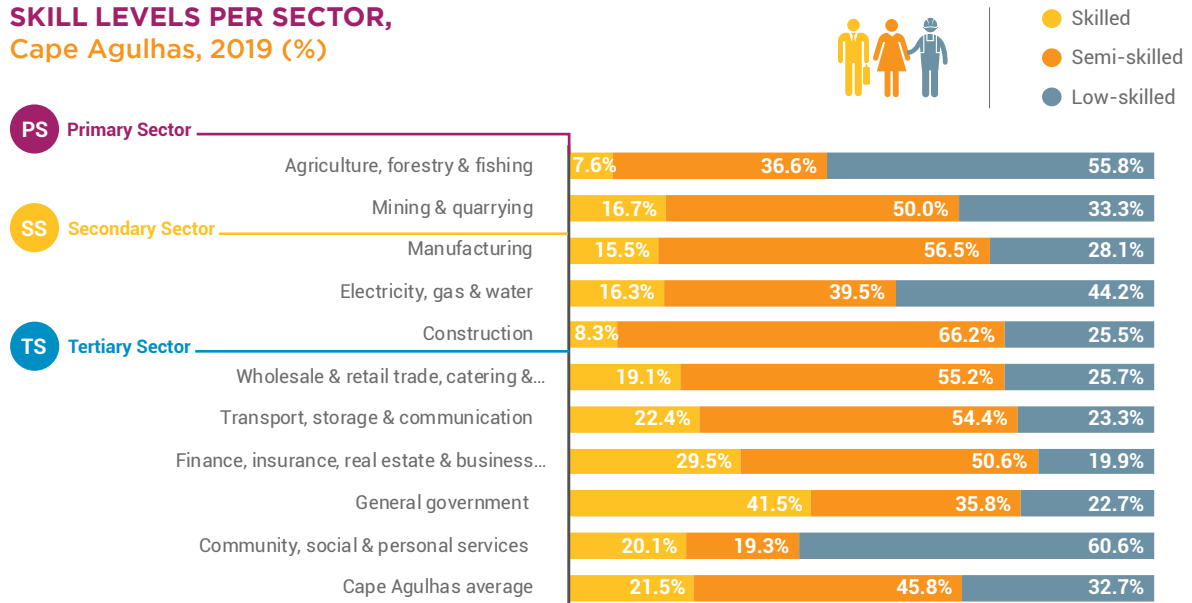
Source: Quantec Research, 2021 (e denotes estimate)

The financial crisis in the country had a significant impact on employment in 2009 and the aftershock continued into 2010. Job losses in 2010 were felt heavily by low-skilled workers, with 86 low-skilled jobs being lost. Conversely, job opportunities for semi-skilled and skilled workers are more resilient to economic fluctuations, as 42 skilled jobs and four semi-skilled jobs were created in 2010, indicating that economic recovery had started.

Between 2011 and 2019 there was a net increase of 2 858 job opportunities in the Cape Agulhas municipal area, 1 371 of which were semi-skilled jobs, followed by employment opportunities for low-skilled (746 jobs) and skilled (741 jobs) labour. It is estimated that a total of 695 formal jobs were lost in 2020, with the largest number (340 jobs) in the semi-skilled workforce. The municipal area recovered well after the financial crisis in 2008/09, with no employment contraction between 2011 and 2019. This is a positive trend, and the municipality should be able to recover the jobs lost in 2020 in the years to come.

As illustrated in Figure 2.12, formal employment in the Cape Agulhas municipal area is mainly characterised by semi-skilled labour, with 45.8 per cent of all formal workers in the region being classified as semi-skilled, followed by low-skilled labour (32.7 per cent) and skilled labour (21.5 per cent).

Figure 2.12
SKILL LEVELS PER SECTOR,
Cape Agulhas, 2019 (%)



Source: Quantec Research, 2021

The community services sector and the agriculture sector had the highest concentration of low-skilled workers in 2019, with 60.6 per cent and 55.8 per cent respectively. Conversely, the general government and finance sectors mainly used skilled workers, which accounted for 41.5 per cent and 29.5 per cent of workers in those sectors.

Considering the employment performance and skill levels per sector in the Cape Agulhas municipal area, the estimated job losses in the agriculture (104 jobs) and community services (187 jobs) sectors in 2020 mostly affected low-skilled workers. The increased financial strain induced by the significant contraction of employment in the municipal area will limit revenue collection by the local municipality, and ultimately have a negative effect on the service delivery capabilities of the municipality. Skills development programmes for workers will play a vital role in the economic recovery in the municipal area.



2.5 OVERBERG DISTRICT SWELLENDAM



GDPR

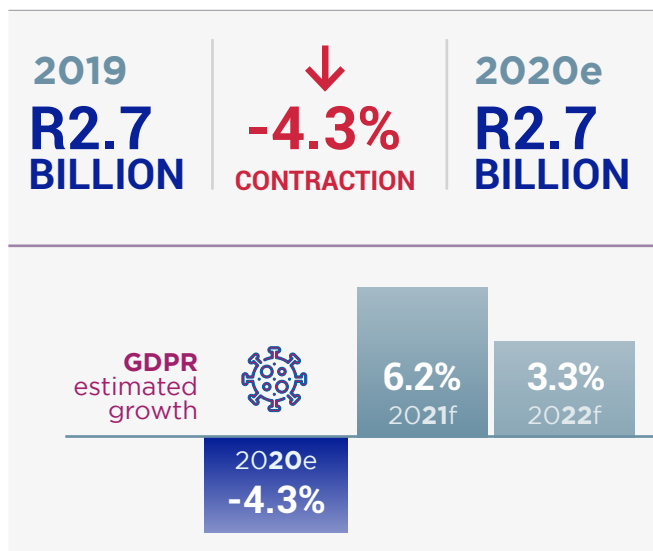
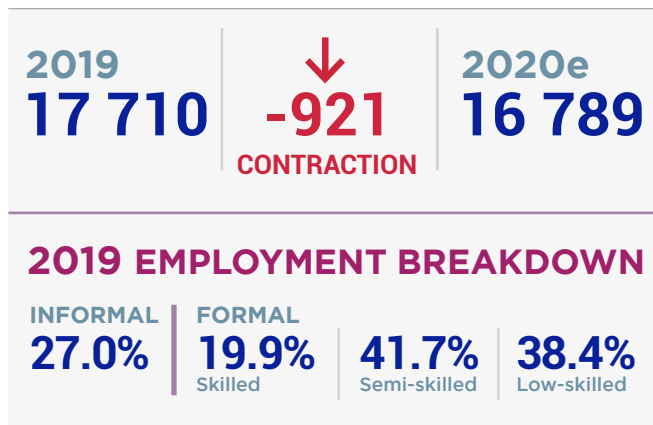


Diagram 2.4

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

JOBS



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

The Swellendam municipal area is the largest municipal area in the OD in terms of geographical spread, covering 3 835km². The municipal area nevertheless has the smallest economy in the OD. The town of Swellendam is the area's main economic hub, but some smaller towns and settlements provide services to the local agricultural industry in the area, including Barrydale, Stormsvlei, Rheenendal, Rietkuil, Infanta, Malgas, Suurbraak, Buffeljagsrivier and Ouplaas.³¹ 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 area.³²

2.5.1 GDPR and employment performance

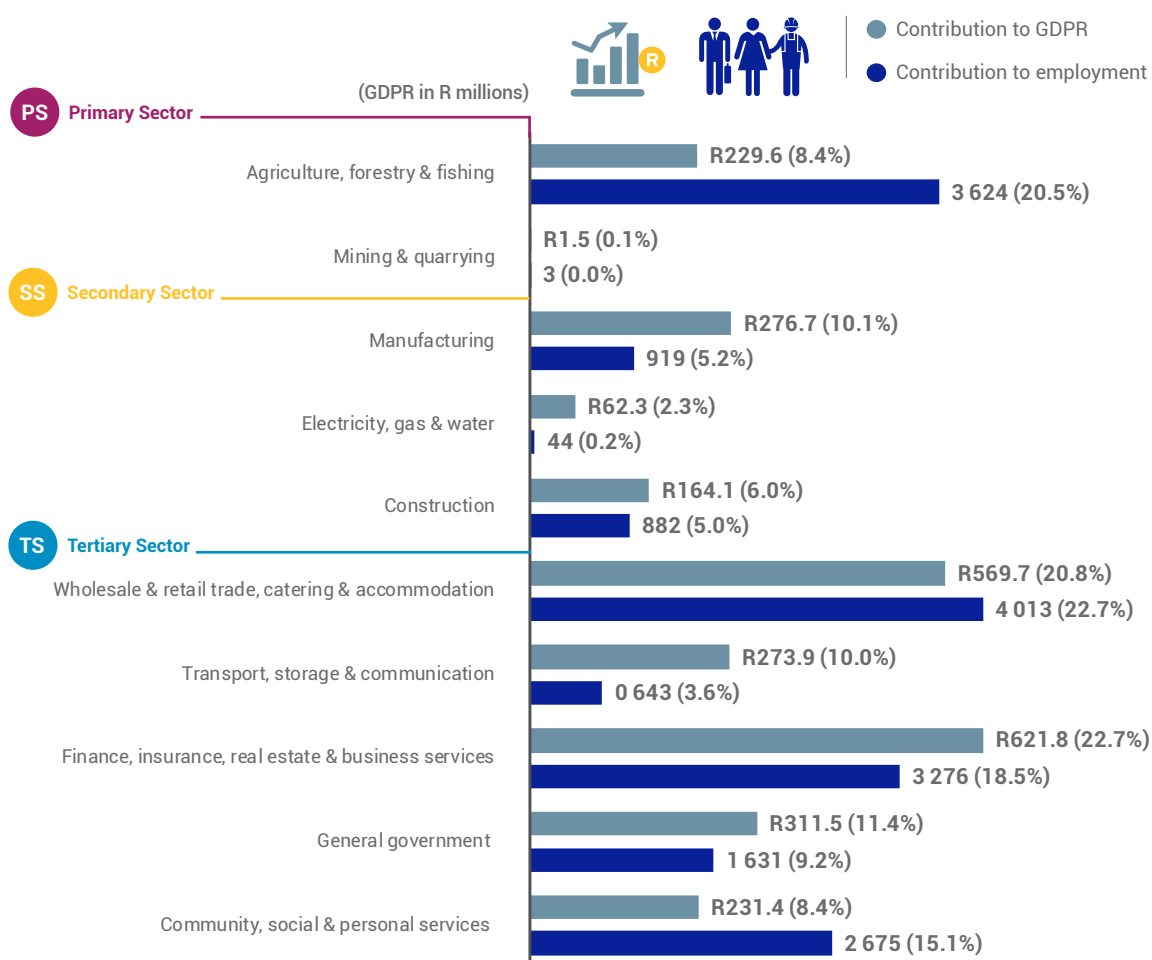
The Swellendam municipal area's economy was valued at R2.7 billion (current prices) in 2019 and the area employed 17 710 people. Estimates for 2020 indicate that GDPR contracted by 4.3 per cent and the economy shed 921 jobs. It is forecast that the municipal area's economy will recover in 2021, with a 6.2 per cent increase in GDPR, and a further 3.3 per cent increase in 2022.

³¹ (Swellendam Municipality, 2017).

³² (Swellendam Municipality, 2019).

Figure 2.13 provides a breakdown of the Swellendam municipal area's sectoral contribution to employment and GDPR in 2019.

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



Source: Quantec Research, 2021


The main sources of GDP contribution in the municipal area were from the finance sector (22.7 per cent) and the trade sector (20.8 per cent). The latter is also the predominant source of employment in the Swellendam municipal area, accounting for 22.7 per cent of the area's total employment. The agriculture sector was the second-largest employer, contributing 20.5 per cent to employment but only 8.4 per cent to GDP, indicating that this sector is highly labour-intensive. External impacts on the sector are therefore likely to have a significant impact on employment.

The community services sector is also labour-intensive, with a 15.1 per cent contribution to employment and only an 8.4 per cent contribution to GDP. The municipal area's capital-intensive sectors are the manufacturing, electricity, gas and water, construction, transport, finance and general government 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



SECTOR	GDPR		Employment	
	Trend 2015 – 2019	Real GDP growth 2020e	Average annual change 2015 – 2019	Net change 2020e
PS Primary Sector	-4.2%	10.3%	62	-147
Agriculture, forestry & fishing	-4.2%	10.4%	62	-146
Mining & quarrying	-0.8%	-18.8%	0	-1
SS Secondary Sector	1.9%	-10.8%	33	-167
Manufacturing	3.3%	-6.4%	24	-47
Electricity, gas & water	-3.2%	-8.9%	-1	-2
Construction	1.1%	-20.3%	10	-118
TS Tertiary Sector	2.9%	-4.9%	342	-607
Wholesale & retail trade, catering & accommodation	2.3%	-9.3%	136	-249
Transport, storage & communication	1.7%	-14.6%	18	-18
Finance, insurance, real estate & business services	4.6%	-1.9%	137	-117
General government	1.0%	0.7%	10	25
Community, social & personal services	2.4%	-1.4%	40	-248
Total Swellendam	1.9%	-4.3%	437	-921

Source: Quantec Research, 2021 (e denotes estimate)

Between 2015 and 2019, the Swellendam municipal area had an average GDP growth rate of 1.9 per cent. The tertiary sector experienced the highest average growth rate (2.9 per cent), followed by the secondary sector with a 1.9 per cent average growth rate. The main drivers of economic growth during this period included the finance sector (4.6 per cent) and the manufacturing sector (3.3 per cent). The primary sector's GDP contracted by an average of 4.2 per cent per annum during the same period. The agriculture sector contracted by 4.2 per cent, which could be a result of the drought and weak commodity prices nationally.

The restrictions on economic activity in 2020 owing to the lockdown regulations imposed as a result of COVID-19 had a significant negative impact on most sectors in the municipal area. The contractions in the trade sector (9.3 per cent) and the manufacturing sector (6.4 per cent) are expected to have dampened overall economic activity in the municipal area.

The agriculture and the general government sectors nevertheless experienced positive growth. The 10.4 per cent increase in the agriculture sector could be related to the improved weather conditions and higher commodity prices in 2020.

The fact that the sector was able to operate under the level five lockdown regulations contributed to the positive growth in 2020. The Swellendam municipal area is known for high volumes of wheat and canola production. Wheat and canola prices experienced an increase in 2020 on the back of the weaker exchange rate.³³

The government sector grew by an estimated 0.7 per cent in 2020, owing to the fact that the sector had to continue to provide services to communities in 2020. However, despite the growth, the sector also experienced challenges, especially at a municipal level. Income losses and delays in implementing planned projects affected service delivery in 2020.³⁴

The Swellendam municipal area created an average of 437 jobs per annum between 2015 and 2019. Employment creation was mainly driven by the tertiary sector, which experienced an average annual increase of 342 jobs during this period, followed by the primary sector (62 jobs) and the secondary sector (33 jobs). The sector that contributed the most to employment in the period under review was the finance sector (137 jobs), followed by the trade sector (136 jobs).

Estimates for 2020 indicate that COVID-19 impacted the municipal area significantly, with a total of 921 jobs lost. The Swellendam municipal area is known as a popular tourism destination, and as a result of the travel restrictions the trade sector is estimated to have lost 249 jobs. Despite these job losses and the poor economic conditions, the development of two small shopping centres has been proposed, as well as a mall development in Swellendam.³⁵ These developments should boost the sector once in operation. Other sectors that indicated high volumes of employment contraction were the community services sector (248 jobs) and the agriculture sector (146 jobs).



INDUSTRY PERFORMANCE



The amount of land allocated to canola in the Western Cape has more than doubled from a decade ago, having increased from 34 000ha in 2010 to 74 000ha in 2020. The Province accounts for the majority of commercial canola production in South Africa, with Swellendam and Moorreesburg featuring as emerging hubs for storage and processing. Provincial production increased by 96.0 per cent between 2019 and 2020, reaching an all-time high of 165 000 tonnes.³⁶ Indications are that farmers will increase their planting of canola by a further 28.0 per cent in 2021, signalling a market response to high margins.³⁷ Part of this increase in land allocated to canola is the result of substitution from significant reductions in contracted barley production.³⁸



To read more on the performance of the oilseed market:

³³ (BFAP, 2020).

³⁴ (Swellendam Municipality, 2021).

³⁵ (Swellendam Municipality, 2021).

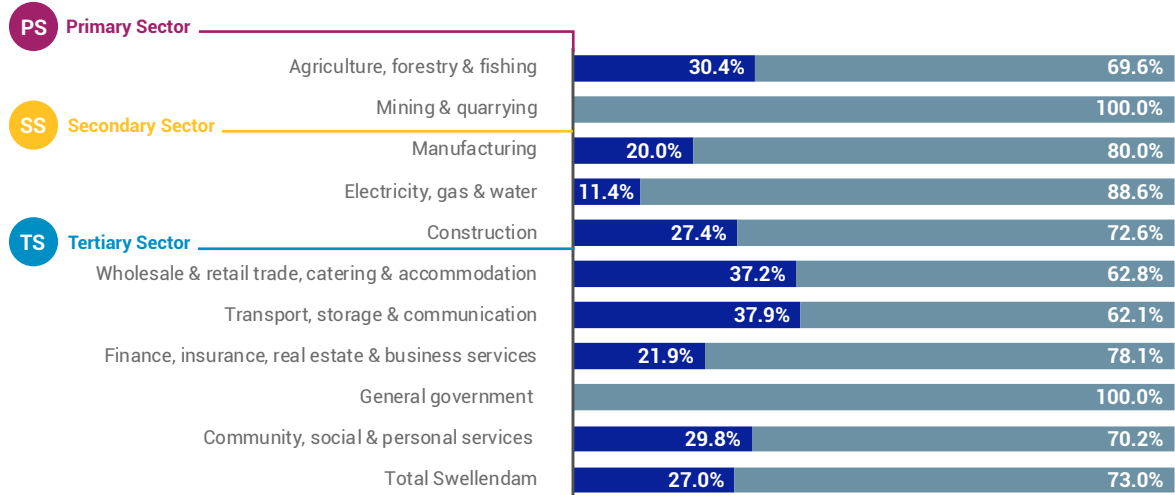
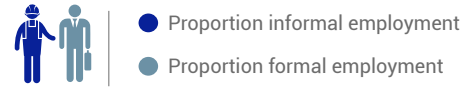
³⁶ (South African Grain Information Service, 2021).

³⁷ (Grain SA, 2021b).

³⁸ (Protein Research Foundation, 2021).

Figure 2.14 depicts the sectoral informal employment distribution in the Swellendam municipal area in 2019.

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



Source: Quantec Research, 2021



Within the Swellendam municipal area, formal employment accounted for 73.0 per cent of total employment in the municipal area in 2019, while informal employment accounted for 27.0 per cent. The trade sector, as well as the transport sector, had the highest share of informal workers, accounting for 37.2 per cent and 37.9 per cent of total workers respectively. The community services sector (29.8 per cent) and the agriculture sector (30.4 per cent) were other important sources of informal employment.

Informal businesses in the Swellendam municipal area are constrained by a lack of funding, as well as skills. Businesses that are unregistered struggle to access funding, which is a major deterrent to expansion.³⁹

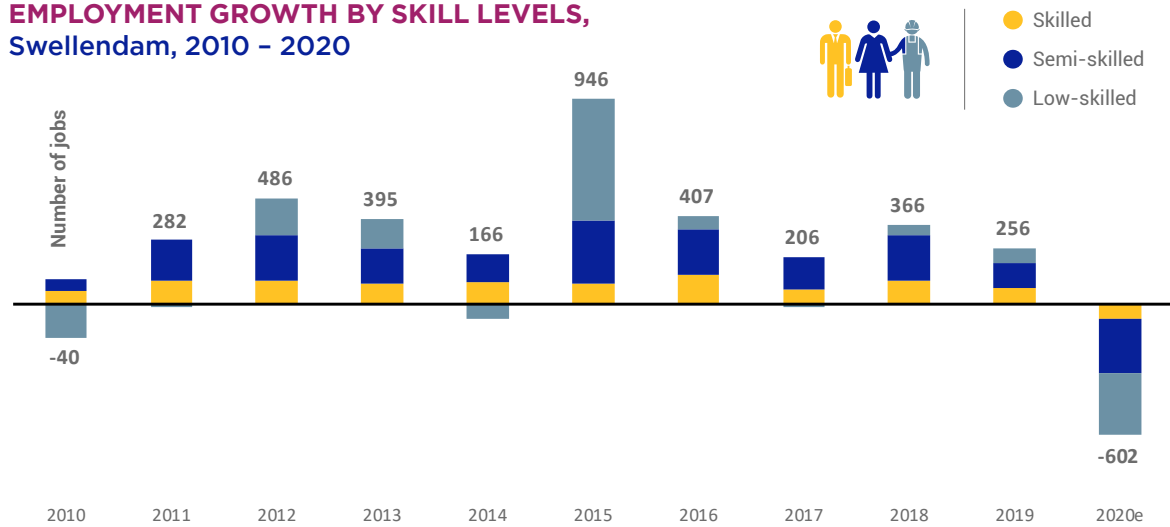
³⁹ (Swellendam Municipality, 2021).

2.5.2 Skills analysis

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

Figure 2.15

EMPLOYMENT GROWTH BY SKILL LEVELS, Swellendam, 2010 – 2020



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e
Skilled	62	111	107	96	100	98	135	68	112	78	-67
Semi-skilled	52	184	209	165	134	289	212	149	205	114	-249
Low-skilled	-154	-13	170	134	-68	559	60	-11	49	64	-286

Source: Quantec Research, 2021 (e denotes estimate)

The economy of the Swellendam municipal area shed 40 jobs in total during 2010, while 62 skilled jobs and 52 semi-skilled jobs were created.

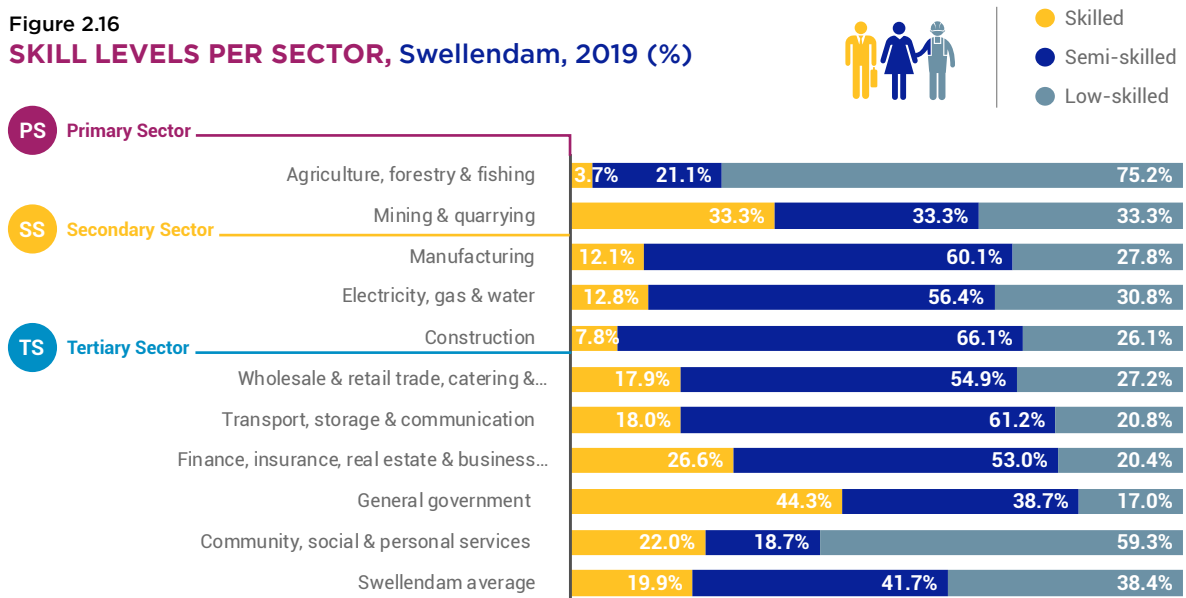
Between 2010 and 2019, low-skilled labour was the only skill level to lose jobs, with job losses in 2011, 2014 and 2017. During the time under consideration, the number of additional skilled workers remained essentially steady, even during a period of economic turbulence, with no employment losses. This indicates that high-skilled workers are particularly resistant to economic instability. Estimates for 2020 indicate that 286 formal jobs were lost for low-skilled workers, followed by 249 jobs for semi-skilled workers and 67 jobs for skilled workers. These formal job losses illustrate the severe impact COVID-19 had on the municipal area's labour force and economy. Skills development programmes will play a key role in the recovery of employment in the municipal area in years to come.



Figure 2.16 provides a sectoral overview of the skill levels of formally employed people in the Swellendam municipal area. On average, the municipal area is mainly characterised by semi-skilled labour (41.7 per cent), followed by low-skilled labour (38.4 per cent) and skilled labour (19.9 per cent).

Figure 2.16

SKILL LEVELS PER SECTOR, Swellendam, 2019 (%)



Source: Quantec Research, 2021

There are only three sectors in the Swellendam municipal area that are not predominantly categorised by semi-skilled labour. The agriculture sector and the community services sector mainly use low-skilled labour, which accounts for 75.2 per cent and 59.3 per cent respectively, while the general government sector is mainly categorised by skilled labour (44.3 per cent).

Skilled workers, the smallest portion of the municipal area's formal employees, experienced the most constant employment growth and resilience between 2010 and 2020, regardless of changes in employment and the economy's skills structure. Low-skilled workers, who make up 38.4 per cent of the formal workforce, have seen recurrent employment losses and only saw a net increase of 504 job opportunities between 2010 and 2020, compared with a net growth of 900 jobs for skilled workers during the same period.

The declining economic performance experienced in 2020 resulted 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 income and an increase in demand for government support.

2.6 CONCLUDING REMARKS

In 2019, the tertiary sector was the largest contributor to GDP and employment across the municipal areas in the OD. The trade sector and the finance sectors, in particular, were the primary drivers of economic growth in the municipal region. The OD is known for the large tourism industry that forms part of the trade sector, which means that the sector is highly dependent on the tourism industry's performance each year. In the municipal areas of Overstrand, Cape Agulhas and Swellendam, the trade sector contributed most to employment. Agriculture was the main sector of employment in the Theewaterskloof municipal area, accounting for 28.4 per cent of total employment.

The OD is characterised by the three labour-intensive sectors, namely the agriculture, trade and community services sectors. Conversely, the capital-intensive sectors include the manufacturing, transport and finance sectors. Estimates for 2020 indicate that the municipal areas experienced significantly lower GDP growth rates and lost several job opportunities compared with the average observed in the preceding five years. This is the result of the impact of COVID-19 on the OD. However, all the municipalities in the OD forecast that a recovery in GDP and employment would start in 2021, continuing into 2022. The agriculture sector was the only sector in all the municipal areas that indicated a growth in GDP from 2019 to 2020. This could be a result of improved weather conditions and an overall increase in livestock and commodity prices in 2020.

Agriculture and community services are responsible for the high proportion of low-skilled labour in the Theewaterskloof municipal area. Skilled labour has shown to be more resistant to economic swings in the past, but low-skilled and semi-skilled labour has suffered significant losses. The overall contraction in economic performance and employment in 2020 reduced income-earning possibilities in the OD. Furthermore, an increase in the unemployment rate will lead to a decrease in household income and a rise in the demand for government assistance. Skills development programmes will play a vital role in the recovery of the OD municipal areas to improve the population's skills.





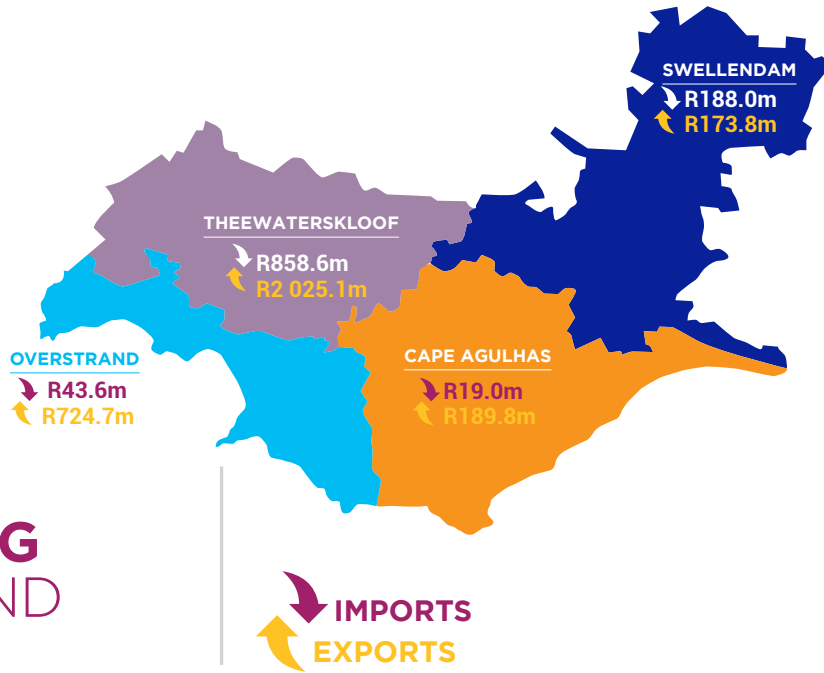


3

TRADE, TOURISM AND INVESTMENT

3.1 INTRODUCTION

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

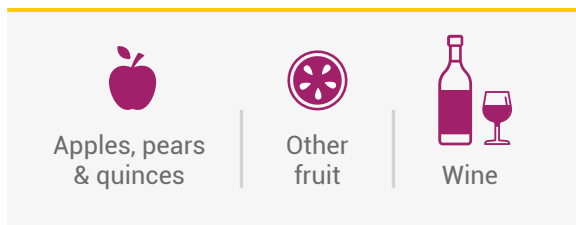


OVERBERG TRADE AND TOURISM

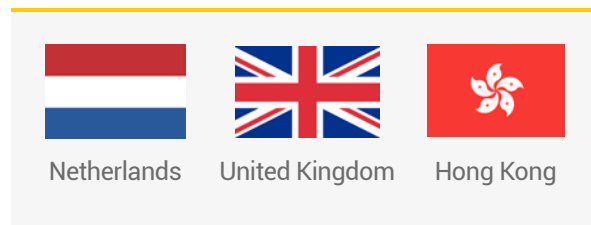


This chapter explores trade, tourism and investment dynamics on a District level and analyses the comparative advantages of the various economic sectors within the District to identify growth opportunities in the OD.

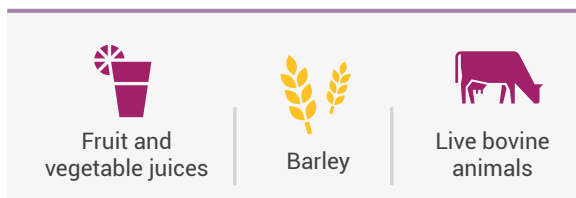
TOP 3 EXPORTED PRODUCTS



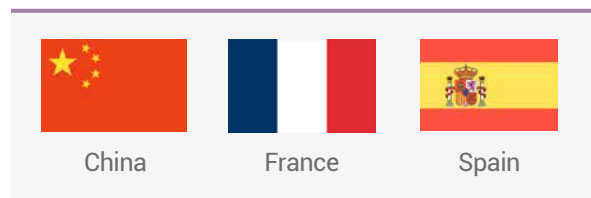
TOP 3 EXPORT DESTINATIONS



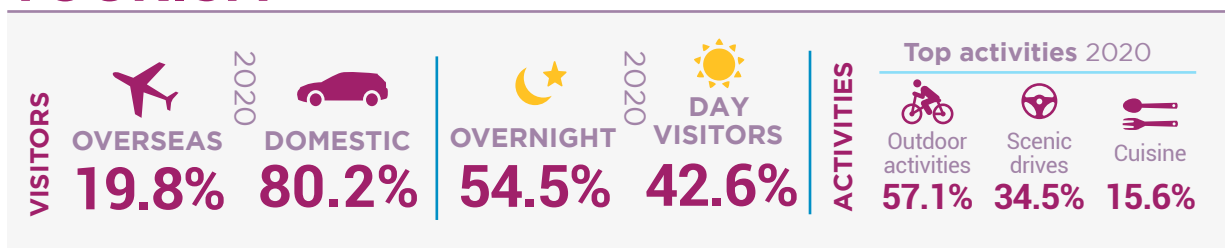
TOP 3 IMPORTED PRODUCTS



TOP 3 IMPORT DESTINATIONS



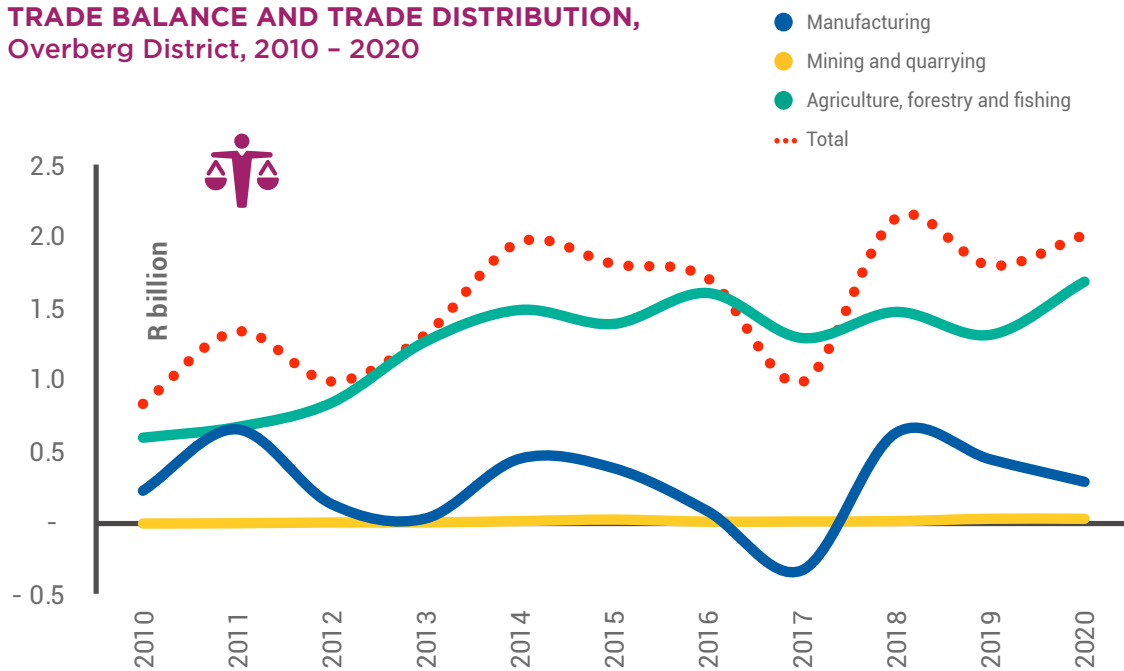
TOURISM



3.2 INTERNATIONAL TRADE

One of the indicators for international trade in an area is the trade balance, which is obtained by subtracting imports from exports. A positive trade balance indicates that the OD exports more than it imports. Furthermore, a positive trade balance indicates a net inflow of foreign currency, which is beneficial to the economy. Figure 3.1 provides an overview of the trade balance for the OD between 2010 and 2020. The figure illustrates the total trade balance, as well as the trade balance for the main sectors that export and import goods, namely, agriculture, manufacturing and mining.

Figure 3.1
TRADE BALANCE AND TRADE DISTRIBUTION,
Overberg District, 2010 - 2020



Source: Quantec Research, 2021

The OD maintained a positive trade balance between 2010 and 2020, which was largely driven by the agriculture sector. The mining sector had no impact on the trade balance during the period under review. The peak of the trade surplus was experienced in 2018 and was largely driven by the agriculture sector. Despite the trade balance fluctuating between 2014 and 2019, the agriculture sector's trade surplus increased from R1.3 million in 2019 to R1.7 million in 2020. While the OD was not as severely affected by the Provincial drought, the subsidiary effects from the drought in neighbouring regions may have affected the performance of the District's agriculture sector.⁴⁰ Recovery from the subsidiary effects of the drought may have resulted in the overall trade surplus in the District increasing from R1.8 million in 2019 to R2.0 million in 2020.

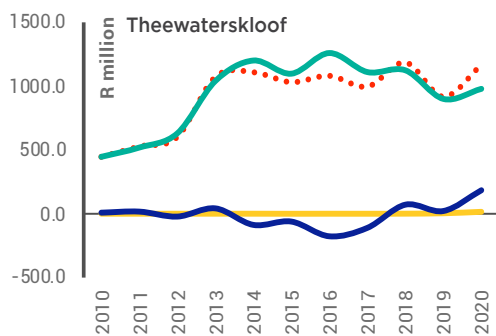
Barring 2017, when a trade deficit was observed, the manufacturing sector recorded a positive trade balance between 2010 and 2020. Between 2019 and 2020 the trade surplus in the manufacturing sector declined from R0.5 million to R0.3 million, resulting from a decline in exports, as manufacturing capabilities were severely affected during the COVID-19 lockdown period.

⁴⁰ (Western Cape Government, 2020).

The manufacturing sector accounted for 78.4 per cent of the OD's imports in 2020, followed by the agriculture sector (21.4 per cent). The District's sectoral export distribution had a slightly more even spread. The agriculture sector and the manufacturing sector accounted for 61.6 per cent and 37.4 per cent of exports respectively. Despite its small contribution to trade, the mining sector was a larger source of exports (1.0 per cent) than imports (0.2 per cent) in 2020.

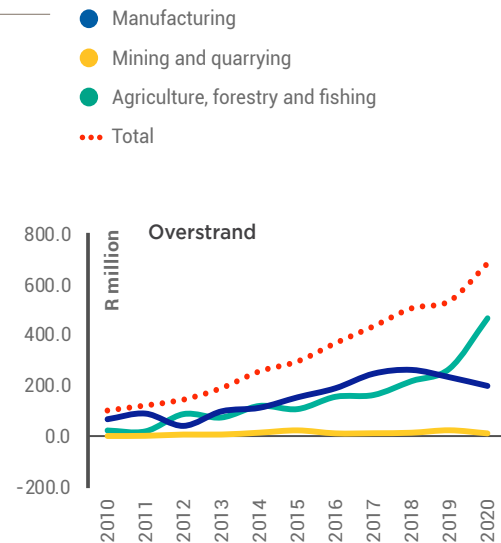
Figure 3.2 provides an overview of the trade balance for each of the four municipal areas in the OD between 2010 and 2020. The Theewaterskloof municipal area experienced the largest trade surplus, while the Swellendam municipal area was the only area in the District that experienced a trade deficit in 2020.

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



Source: Quantec Research, 2021

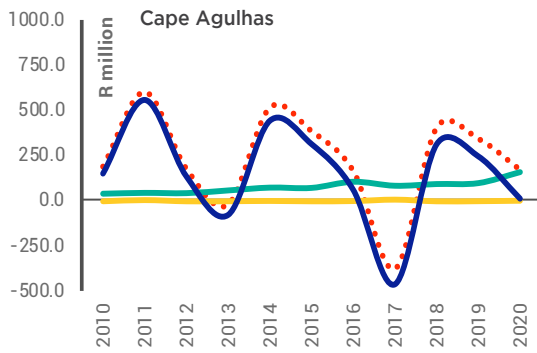
The agriculture sector was the main driver of the **Theewaterskloof municipal area's** trade surplus between 2010 and 2020. The municipal area's trade balance increased from R0.9 billion in 2010 to R1.2 billion in 2020, with all three sectors recording an increasing trade balance. Notably, the manufacturing sector's trade balance increased significantly from R17.6 million in 2019 to R175.3 million in 2020, which increased the municipal area's trade surplus. The manufacturing sector's increased trade surplus was due to the steep increase in food, beverages and tobacco subsector exports from R225.8 million in 2019 to R653.1 million in 2020 in Theewaterskloof.⁴¹ This emphasises the importance of the local agriculture value chain to the local economy.



Source: Quantec Research, 2021

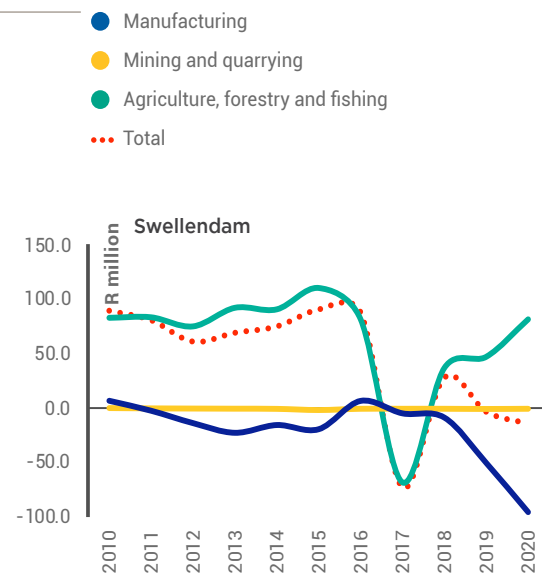
The Overstrand municipal area experienced a growing trade surplus between 2010 and 2020, with the peak experienced in 2020. The trade surplus increased from R531.9 million in 2019 to R681.1 million in 2020. The agriculture and manufacturing sectors were the main drivers of the trade surpluses during the period. These sectors contributed 64.3 per cent and 33.4 per cent to the municipal area's total exports respectively in 2020. The mining sector had a minimal impact on the trade surplus and contributed 2.3 per cent to total exports in 2020.

⁴¹ (Quantec Research, 2021).



Source: Quantec Research, 2021

The Cape Agulhas municipal area experienced cyclical trade patterns between 2010 and 2020. In 2017, a significant trade deficit was experienced when the trade surplus declined from R165.8 million in 2016 to a trade deficit of R380.3 million in 2017. However, a trade surplus was recorded since 2018, a substantial decline was recorded between 2019 and 2020. The trade balance in the period under review was mainly driven by the manufacturing sector, which accounted for 94.8 per cent of the municipal area's imports in 2020. The agriculture sector and the mining sector, which realised a trade surplus during the period under review, impacted the trade balance to a lesser extent.



Source: Quantec Research, 2021

The Swellendam municipal area also experienced a significant trade deficit in 2017, when the trade surplus declined from R88.4 million in 2016 to a trade deficit of R72.9 million in 2017. The hydrological drought experienced by most municipalities within the Western Cape in 2017 contributed to the large trade deficit during this period. This caused conditions where the severe weather was affecting groundwater levels in natural springs, streams, reservoirs and dams to the extent that potable water has reached alarmingly low levels.⁴² The agriculture sector was the main driver of the municipal area's trade balance, barring 2019 and 2020, when a substantial trade deficit in the manufacturing sector caused a trade deficit in the Swellendam municipal area. The mining sector had no impact on the trade balance during the period under review. In terms of sectoral distribution, the agriculture sector accounted for 50.7 per cent of the Swellendam municipal area's exports in 2020, followed by the manufacturing sector (49.3 per cent).

⁴² (Western Cape Government, 2018).



3.2.1

IMPORTS



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

As illustrated in Table 3.1, the OD's imports originate from several countries and are distributed across a diverse range of products.

Figure 3.3
TOP 10 IMPORT PARTNERS,
Overberg District, 2020

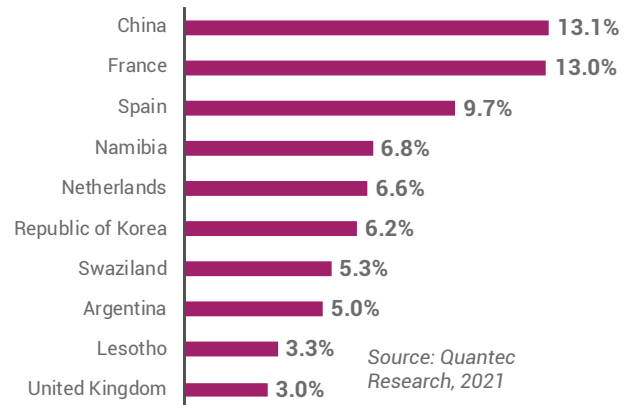


Table 3.1
MAIN IMPORT PRODUCTS,
Overberg District, 2020

PRODUCT	R million 2020	% share	Main trading partners
Fruit and vegetable juices	112.4	10.1%	China, Argentina
Barley	103.1	9.3%	France
Live bovine animals	89.3	8.1%	Namibia, Botswana
Unclassified	63.3	5.7%	Republic of Korea
Mixtures of odoriferous substances	61.9	5.6%	Swaziland
Soya-bean oil and its fractions	45.4	4.1%	Netherlands
Sunflower-seed, safflower or cottonseed oil and fractions thereof	45.1	4.1%	Ukraine, Poland
Colouring matter and inorganic products of a kind used as luminophores, whether or not chemically defined	44.7	4.0%	China, Spain, Colombia
Fish, fresh or chilled	30.7	2.8%	Lesotho
Olive oil and its fractions	30.5	2.7%	Spain, Italy
Total imports	1 109.0		

Source: Quantec Research, 2021

In 2020, China was the OD's leading import partner, comprising 13.1 per cent of the District's total imports. Economic co-operation and trade between China and South Africa has developed fast and has created benefits for both countries. The main imported products into the OD were fruit and vegetable juices to the value of R112.4 million, comprising 10.1 per cent of total imports. This is utilised in the local juice-manufacturing industry and is mainly imported from China and Argentina. Other main import products include barley (R103.1 million) and live bovine animals (R89.3 million). The barley is likely to be utilised in the beer-making industry and was imported from France. The live bovine animals were imported mainly from Namibia and Botswana. The imports of numerous oil products may be utilised as an input for the production of B-well Canola Oil in the Swellendam municipal area.

3.2.2


EXPORTS



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

As illustrated in Table 3.2, exports from the OD are mainly driven by the agriculture sector.

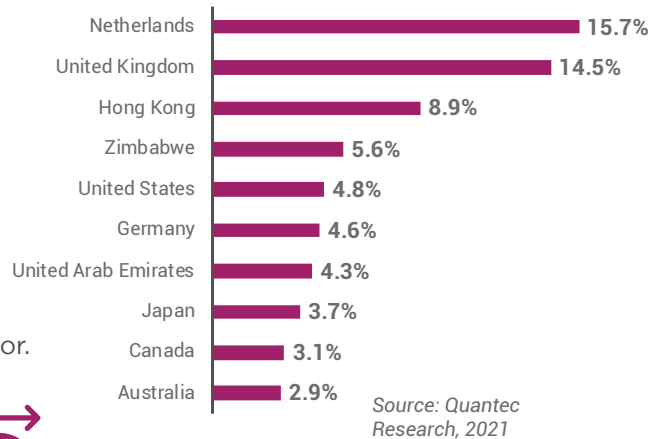
Table 3.2
MAIN EXPORT PRODUCTS,
Overberg District, 2020



PRODUCT	R million 2020	% share	Main trading partners
Apples, pears and quinces	681.7	21.9%	United Kingdom, Netherlands
Other fruit	330.8	10.6%	Netherlands, United Kingdom, United Arab Emirates
Wine of fresh grapes	315.7	10.1%	United Kingdom, Germany
Fruit and vegetable juices	276.1	8.9%	United States, Australia, Canada
Molluscs	218.5	7.0%	Hong Kong, Taiwan
Apricots, cherries, peaches (including nectarines), plums and sloes	202.0	6.5%	Netherlands, United Arab Emirates, United Kingdom
Citrus fruit	159.7	5.1%	Netherlands, United Kingdom, Canada
Foliage, branches and other parts of plants, without flowers or flower buds, and grasses, mosses and lichens	122.0	3.9%	Germany, Netherlands
Preserved crustaceans, molluscs and other aquatic invertebrates	87.1	2.8%	Hong Kong
Locust beans, seaweeds and other algae, sugar beet and sugar cane, fruit stones and kernels and other vegetable products	69.2	2.2%	Japan
Total exports	3 113.4		

Source: Quantec Research, 2021

Figure 3.4
TOP 10 EXPORT PARTNERS,
Overberg District, 2020



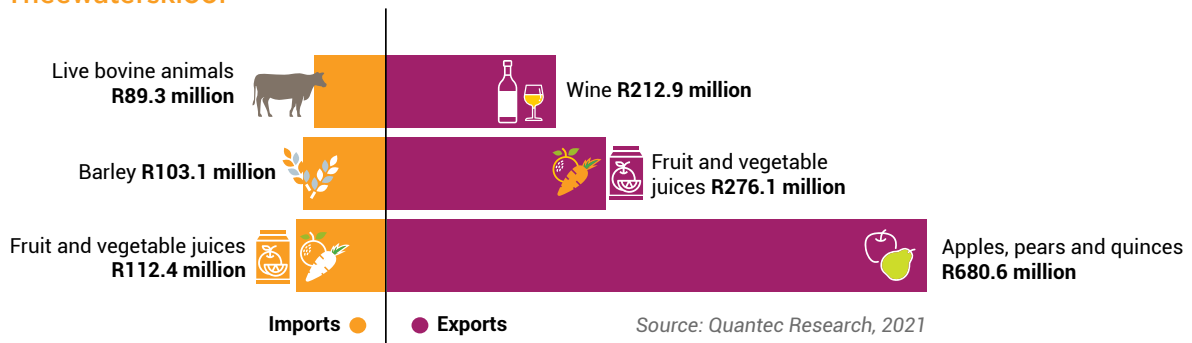
The Netherlands was the OD's leading export partner in 2020, contributing 15.7 per cent to total exports. The Netherlands plays a key role in the European Union (EU) trade agreement with southern Africa. In 2020, the main products exported from the OD were apples, pears and quinces to the value of R681.7 million, contributing 21.9 per cent to total exports. These products were mainly exported to the United Kingdom and the Netherlands. Other fruit, worth R330.8 million, was exported to the Netherlands, the United Kingdom and the United Arab Emirates. Wine was the third-largest export product from the District, valued at R315.7 million, and was mainly exported to the United Kingdom and Germany. The aquaculture and fishing industry also plays a key role in exports, as preserved crustaceans, molluscs and other aquatic invertebrates contributed 9.8 per cent to exports in 2020.

3.2.3 Municipal imports and exports

The municipal imports and exports are based on the demand and production capacity of each area. Figure 3.5 demonstrates the main imports and exports for each municipal area in the OD in 2020.

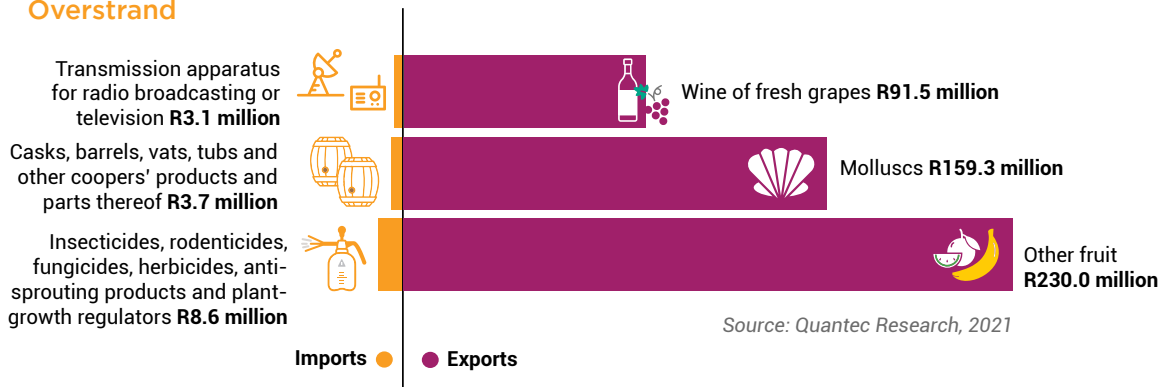
Figure 3.5
TOP 3 IMPORTS AND EXPORTS PER MUNICIPAL AREA, Overberg District, 2020

Theewaterskloof



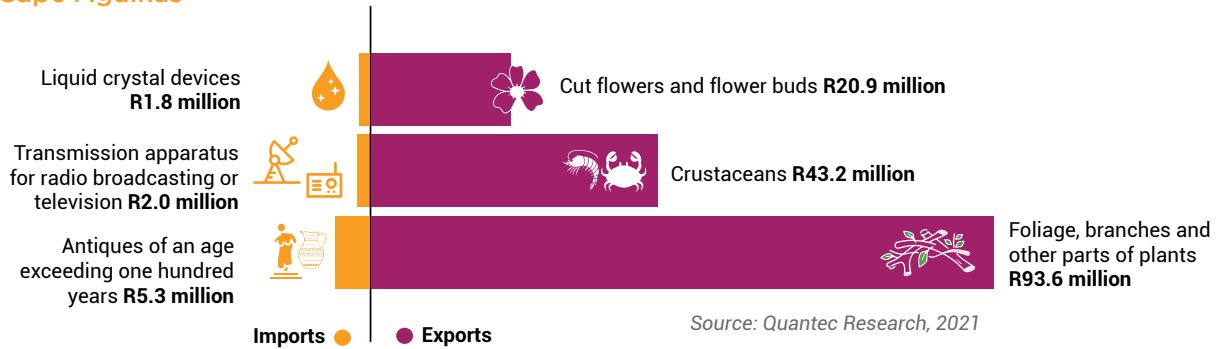
In the **Theewaterskloof municipal area**, the top three imported products in 2020 were fruit and vegetable juices (R112.4 million), barley (R103.1 million) and live bovine animals (R89.3 million). The top three exported products were apples, pears and quinces (R680.6 million), fruit and vegetable juices (R276.1 million) and wine (R212.9 million).

Overstrand



Insecticides, rodenticides, fungicides and other related products worth R8.6 million were the main products imported into the **Overstrand municipal area** in 2020. This was followed by casks, barrels, vats, tubs and other coopers' products and parts thereof (R3.7 million) and transmission apparatus for radio broadcasting or television (R3.1 million). The municipal area's top three exported products were other fruit valued at R230.0 million, followed by molluscs (R159.3 million) and wine of fresh grapes (R91.5 million).

Cape Agulhas



In the **Cape Agulhas municipal area**, the top three imported products in 2020 were antiques to the value of R5.3 million, transmission apparatus for radio broadcasting or television worth R2.0 million and liquid crystal devices worth R1.8 million. The top three exported products from the municipal area were foliage, branches and other parts of plants, which were valued at R93.6 million, crustaceans valued at R43.2 million and cut flowers and flower buds valued at R20.9 million.

Swellendam



The three main products imported into the **Swellendam municipal area** in 2020 were soya-bean oil and its fractions valued at R45.4 million, sunflower-seed, safflower or cottonseed oil and fractions valued at R45.1 million and olive oil and its fractions valued at R30.5 million. The top three exported products were other fruit to the value of R52.9 million, sunflower-seed, safflower or cottonseed oil and fractions to the value of R25.6 million and other fixed vegetable fats and oils valued at R21.1 million.



3.3 TOURISM PROFILE⁴³

The OD provides a perfect mix of scenic beauty, natural attractions, architectural gems and tourism activities. Each town offers a unique experience and caters for a variety of different tastes in activities, cuisine, entertainment and accommodation preferences. The most popular activities for visitors in the OD – especially in the Cape Whale Coast,⁴⁴ 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 sector in an area. The catering and accommodation services industry was valued at R288.3 million in 2019 and employed 5 132 people, with informal employment accounting for 41.3 per cent of the industry's total employment. Estimates for 2020 indicate that the industry was valued at R269.0 million and shed 833 jobs.



3.3.1 The impact of COVID-19 on the tourism sector

The tourism sector is one of the sectors that was hit the hardest by COVID-19. Many tourism businesses suffered big losses in revenue and many jobs were also lost. Each District in the Western Cape offers a unique product that attracts many international and domestic tourists annually. The OD is a popular destination, especially among the domestic market, which enjoys short or weekend getaways.

The future of tourism is uncertain owing to the frequently changing 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.

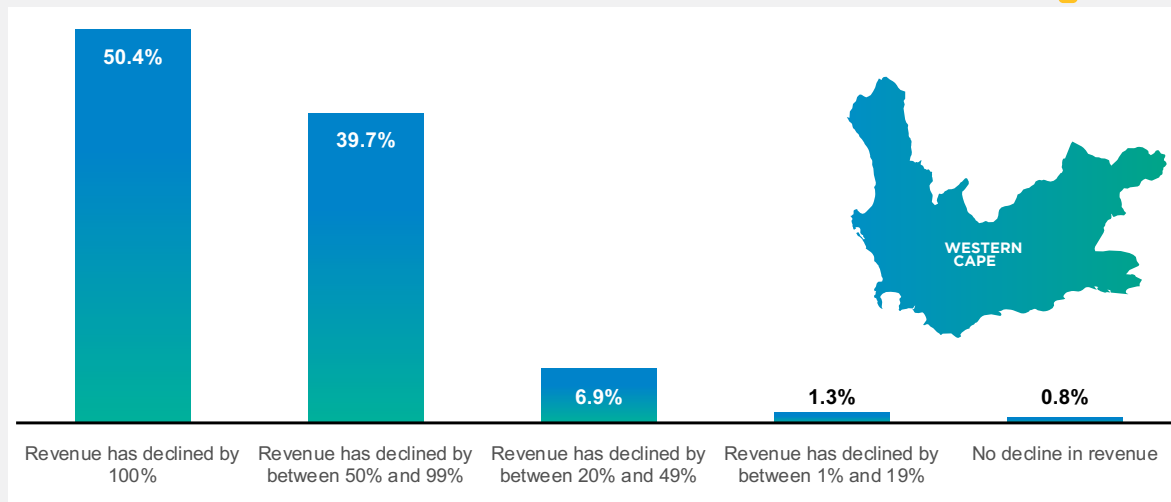
The full extent of the economic damage caused by COVID-19 and the subsequent national lockdown cannot be determined with certainty because, at the time of writing this publication, the national lockdown is still ongoing. A closer look at the labour market indicates a decline in household income as a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

⁴³ 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.

⁴⁴ Kleinmond, Hermanus, Stanford and Gansbaai.

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

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



Source: Wesgro, 2021

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

Other COVID-19 impacts on the Western Cape tourism sector include:⁴⁵

- Approximately 43.2 per cent of the respondents did not lose any workers. However, nearly half of the sector lost between one and 10 workers, and a further 7.5 per cent lost between 11 and 50 workers.
- Approximately 70.0 per cent of respondents had between one and 10 workers before COVID-19 and just under 50.0 per cent lost at least one worker.
- Approximately 20.8 per cent of respondents had between 11 and 50 workers before the pandemic and 52.6 per cent lost between one and 10 workers.
- Approximately 30.8 per cent of respondents who employed 51 to 250 workers before COVID-19 lost between one and 10 workers, and 26.9 per cent of respondents lost between 11 and 50 workers.
- Approximately 46.7 per cent of the respondents had to reduce employee salaries.
- Temporary closure and increased marketing efforts were among the most widely used methods to reduce the impact of the pandemic on the sector. Other methods implemented to reduce the impact included applying for payment holidays and adding more specials to secure future bookings. Many businesses also had to access their savings to cope during the pandemic.
- More than half of the respondents did not receive financial support from the Government. However, 54.3 per cent of the respondents that did not receive funding did not apply for it at all.

⁴⁵ (Wesgro, 2021).

- Approximately 23.2 per cent of the respondents received funding and 9.1 per cent of respondents who received funding did not receive sufficient funding for their operational needs.
- Approximately 55.2 per cent of the respondents applied for funding from UIF TERS, 30.1 per cent applied to the Department of Tourism’s Tourism Relief Fund and 18.4 per cent applied to the SMME Debt Relief Finance Scheme.
- The national government implemented a risk-adjusted strategy that allowed certain activities to open under COVID-19 lockdown levels three and four. Approximately 40.0 per cent of the respondents indicated that occupancy levels or revenue increased slightly because of this relief measure.
- The easing of restrictions also had a huge impact on almost 10.0 per cent of respondents, who experienced a moderate to significant increase in revenue. However, almost 50.0 per cent of respondents did not experience any change in occupancy or revenue.

In mid-December 2020, stricter lockdown regulations were introduced as South Africa entered the second wave of coronavirus infections. During the 2020/21 festive season, 83.6 per cent of tourism businesses in the OD experienced a significant decline in revenue, while 10.9 per cent experienced a moderate decline when compared with the previous year. The decline in revenue is as a result of low occupancy levels. In December 2020, 35.8 per cent of accommodation establishments had an occupancy level below 30.0 per cent, while 37.7 per cent had an occupancy level between 30.0 and 60.0 per cent. A total of 26.3 per cent of accommodation establishments had an occupancy level above 60.0 per cent, which indicates that travellers did travel to the OD during the festive season.

More than 81.8 per cent of tourism businesses in the OD said that they had lost revenue as a result of the beach closures and 83.6 per cent of tourism businesses lost revenue owing to the ban on alcohol sales. In terms of rand value, 35.3 per cent of tourism businesses recorded an estimated loss of between R10 001 and R50 000 as a result of cancellations. Since the beaches were closed, visitors had to find alternative activities in the region. Hiking, cycling, mountain biking, fishing, going for nature walks and spending time in the OD’s nature reserves were some of the most popular activities.

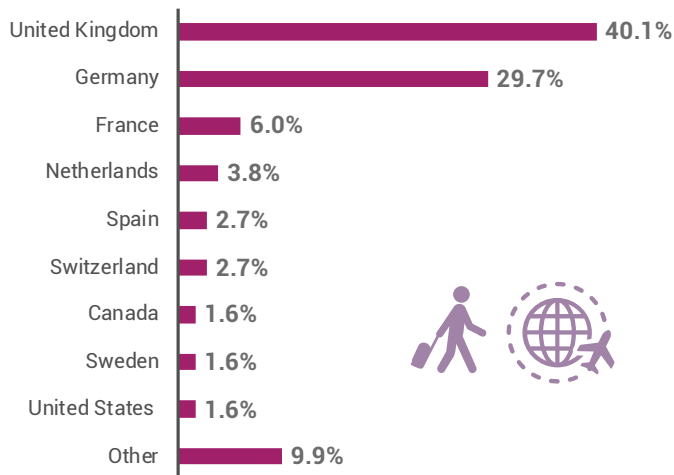


3.3.2 Demographic profile of visitors

The OD is largely a domestic tourism destination, with 80.2 per cent of its visitors being South African residents. Figure 3.7 illustrates the origin of the international and domestic travellers to the OD.

Figure 3.7

PERCENTAGE SHARE OF INTERNATIONAL TRAVELLERS, Overberg District, 2020



Source: Wesgro, 2021

The top three international source markets to the OD in 2020 travelled from the United Kingdom (40.1 per cent), Germany (29.7 per cent) and France (6.0 per cent). The international visitor trend to the OD is consistent with the Province in the sense that European countries dominate as source markets.

The top three domestic source markets to the OD in 2020 were the Western Cape (94.7 per cent), Gauteng (2.2 per cent) and the Eastern Cape (1.0 per cent). Despite the COVID-19 regulations regarding travel, the trends indicate that the domestic market did start to travel to the District once the restrictions had eased, confirming that the Overberg area is a popular destination for leisure activities. However, the poor performance of the economy is negatively impacting household income, and spending by domestic tourists is likely to be affected.

Map 3.1

PERCENTAGE SHARE OF DOMESTIC TRAVELLERS, Overberg District, 2020

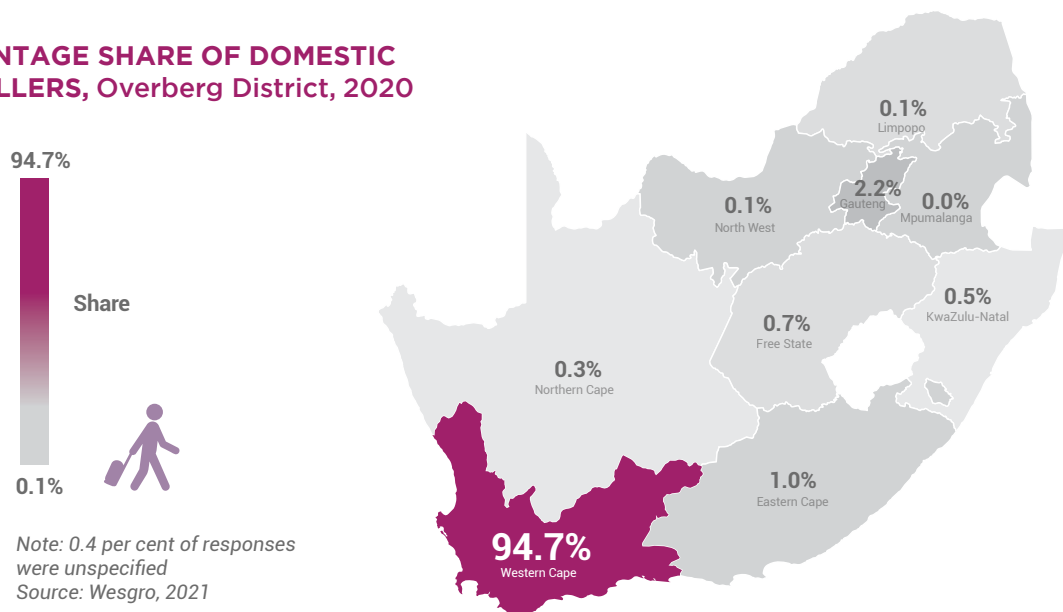
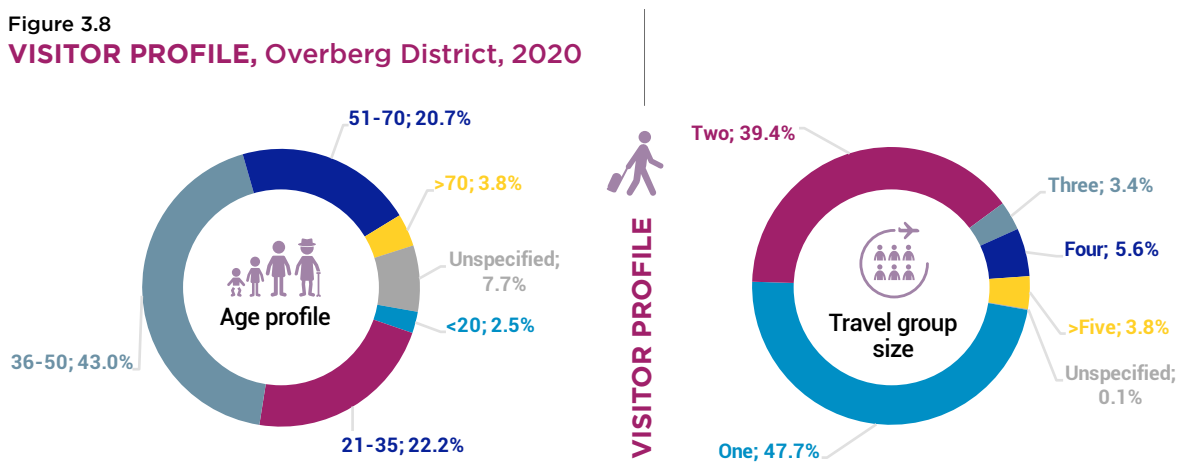


Figure 3.8 illustrates the age profile and travel group size of visitors to the OD in 2020.

Figure 3.8
VISITOR PROFILE, Overberg District, 2020



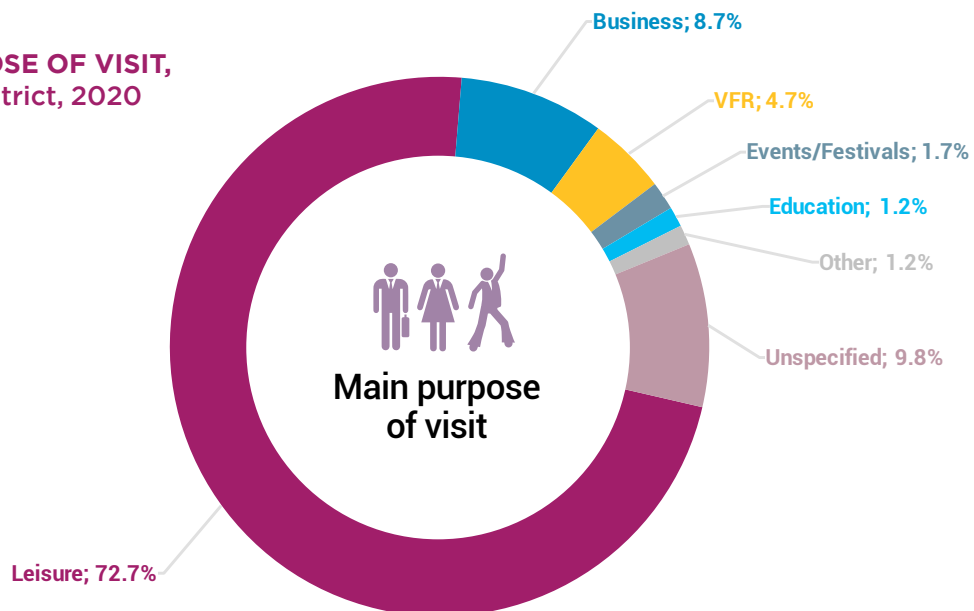
Source: Wesgro, 2021

Visitors to the region mainly travelled alone (47.7 per cent) or in pairs (39.4 per cent). Of all the visitors to this region, 43.0 per cent were between the ages of 36 and 50, followed by travellers between the ages of 21 and 35 (22.2 per cent), and travellers between 51 and 70 (20.7 per cent). It can be assumed that because a large portion of visitors travel in pairs and are older than 36, they are either partners or married, and travel to the region for short getaways or weekends.

3.3.3 Purpose and duration of visit

As illustrated in Figure 3.9, the OD is primarily seen as a leisure destination, with 72.7 per cent of visitors travelling to the area for this purpose.

Figure 3.9
MAIN PURPOSE OF VISIT, Overberg District, 2020

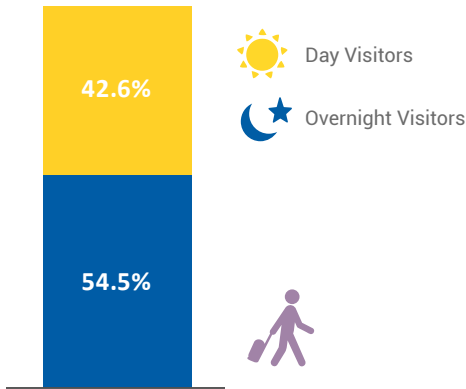


Source: Wesgro, 2021

Apart from leisure travel, 8.7 per cent of travel was for business and 4.7 per cent was to visit friends or relatives (VFR).

Figure 3.10 illustrates the spread of day and overnight visitors for both international and domestic tourists.

Figure 3.10
OVERNIGHT VS DAY VISITORS, Overberg District, 2020



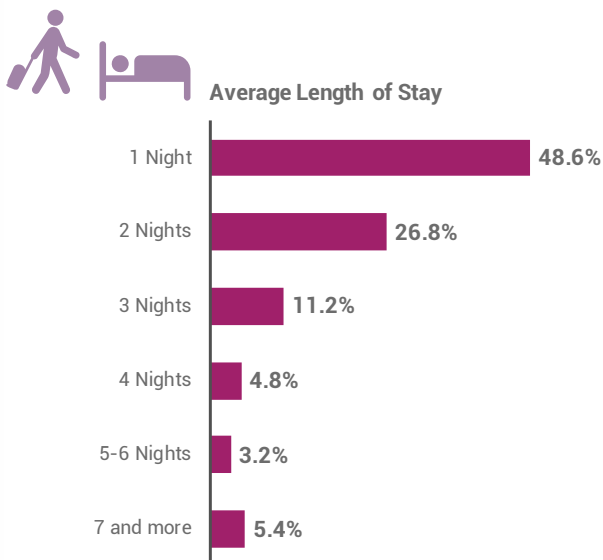
Source: Wesgro, 2021

The OD is a popular destination for overnight visitors, who accounted for 54.5 per cent of visitors in 2020, while day visitors accounted for 42.6 per cent of visitors. This confirms that visitors enjoy visiting for short getaways or weekends.



Figure 3.11 depicts the average length of stay of visitors to the OD in 2020.

Figure 3.11
AVERAGE LENGTH OF STAY BY VISITORS, Overberg District, 2020



Source: Wesgro, 2021

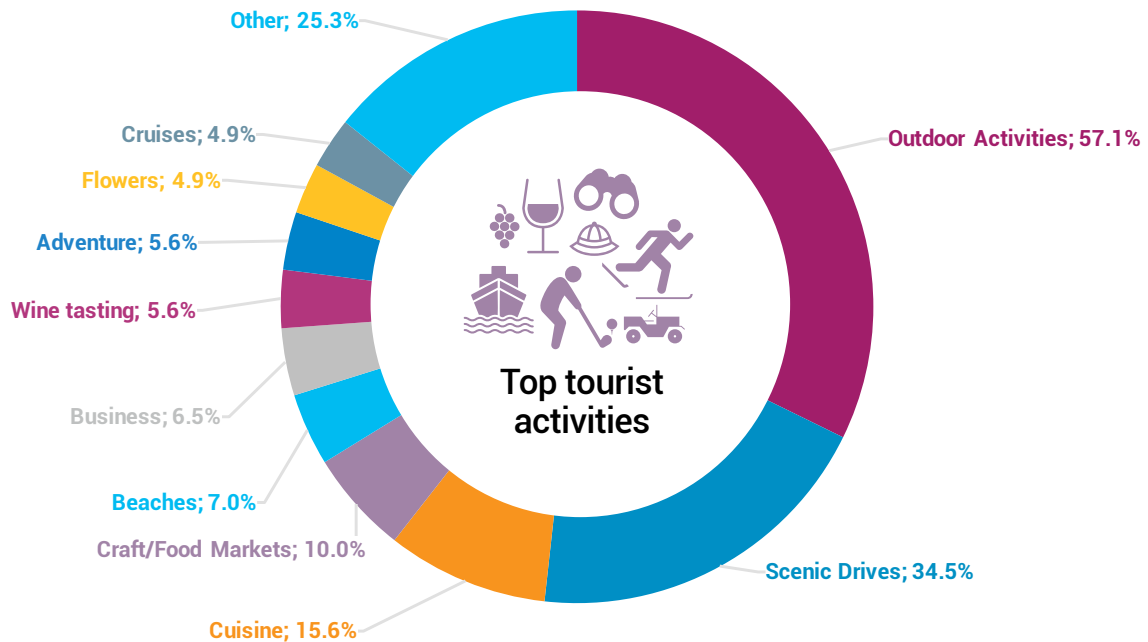
The region is popular for getaways between one and four nights, with tourists enjoying outdoor activities, including scenic drives. The length of stay is one of the key elements in a tourist’s decision-making process and is of great economic importance for the tourist destination. Therefore, promoting longer stays would have a positive economic impact, especially when targeting the international markets, as they tend to spend more than local tourists.

3.3.4 Activities, expenditure and transport

Figure 3.12 illustrates the top activities undertaken by visitors in the OD in 2020.

Figure 3.12

TOP TOURIST ACTIVITIES UNDERTAKEN, Overberg District, 2020



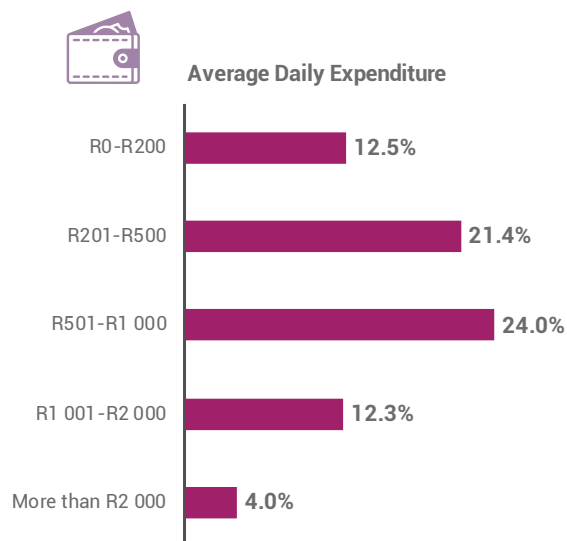
Source: Wesgro, 2021

The main activities enjoyed by tourists to the OD in 2020 included outdoor activities (57.1 per cent), scenic drives (34.5 per cent) and cuisine (15.6 per cent). Activities participated in the least by tourists included cruises (4.9 per cent) and flowers (4.9 per cent). These could be low because of low awareness levels, or because tourists simply do not choose to take part in these activities.

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

Figure 3.13
AVERAGE DAILY EXPENDITURE BY VISITORS, Overberg District, 2020

Most visitors (24.0 per cent) spent an average of between R501 and R1 000 daily, while 21.4 per cent spent between R201 and R500. These spending patterns can be attributed to the short visits.

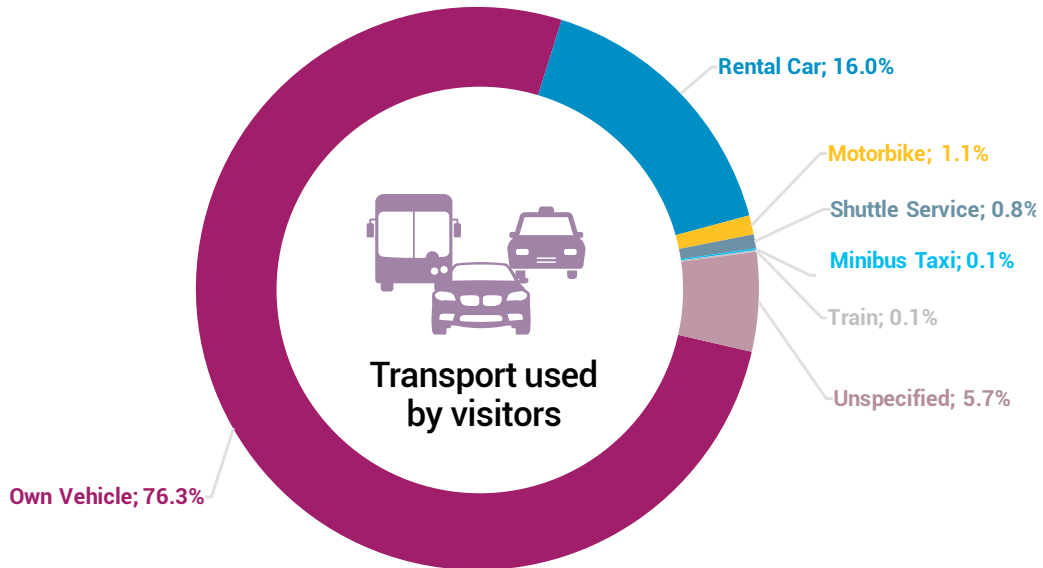


Note: 25.8 per cent of responses were unspecified.
Source: Wesgro, 2021

Figure 3.14 shows the mode of transport used by visitors to travel to and within the OD in 2020.

Figure 3.14

MODE OF TRANSPORT USED BY VISITORS, Overberg District, 2020



Source: Wesgro, 2021

In terms of the preferred mode of transport, most tourists made use of their own cars (76.3 per cent), followed by rental cars (16.0 per cent). This indicates that a high number of locals and domestic travellers made trips to the Overberg region. As the OD is popular for self-drives, road quality and maintenance are important to ensure visitor safety and accessibility. It is also important to have adequate directional and tourism signage implemented on all main tourism roads.




3.4 COMPARATIVE ADVANTAGE AND EMPLOYMENT POTENTIAL

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

This subsection also uses a location quotient 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 national and District economies) that indicates whether the District is exporting, is self-sufficient or is importing goods and services from a particular sector.

Table 3.3 provides further details on the classification and interpretation of the location quotient. A location quotient of more than one indicates that a comparative advantage exists in the local economy compared with the national economy, whereas a location quotient of less than one indicates that the representation of this industry is weaker in the local economy than in the national economy.⁴⁶ Furthermore, a location quotient of one indicates that the representation of the industry in the local economy is the same as its representation in South Africa.

Table 3.3
LOCATION QUOTIENT INTERPRETATION

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



Source: *Urban-Econ, 2021*

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. Additionally, the location quotient indicates the relative importance of the local economy to the national economy and does not necessarily indicate that the sector is small or large within a local economy, nor does it indicate the value of importance.

⁴⁶ (Fennig and DaCosta, 2010).

Table 3.4 depicts the location quotient for the OD in terms of GDP and employment.

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

SECTOR	In terms of GDP	In terms of employment
PS Primary Sector		
Agriculture, forestry & fishing	4.0	2.9
Mining & quarrying	0.0	0.0
SS Secondary Sector		
Manufacturing	1.1	0.8
Electricity, gas & water	0.7	0.6
Construction	1.9	1.1
TS Tertiary Sector		
Wholesale & retail trade, catering & accommodation	1.3	1.0
Transport, storage & communication	1.1	0.9
Finance, insurance, real estate & business services	1.0	0.9
General government	0.5	0.6
Community, social & personal services	1.2	0.8

Source: Quantec Research, 2021

The agriculture sector had the highest location quotient in terms of GDP and employment. Other sectors with a high location quotient in terms of GDP were the construction and trade sectors. These sectors can be expanded to enhance economic opportunities and potential in the District. It should be noted that these sectors have a higher location quotient value in terms of GDP than employment, indicating that there is perhaps an opportunity to improve these sectors' employment levels, given the comparative advantage.

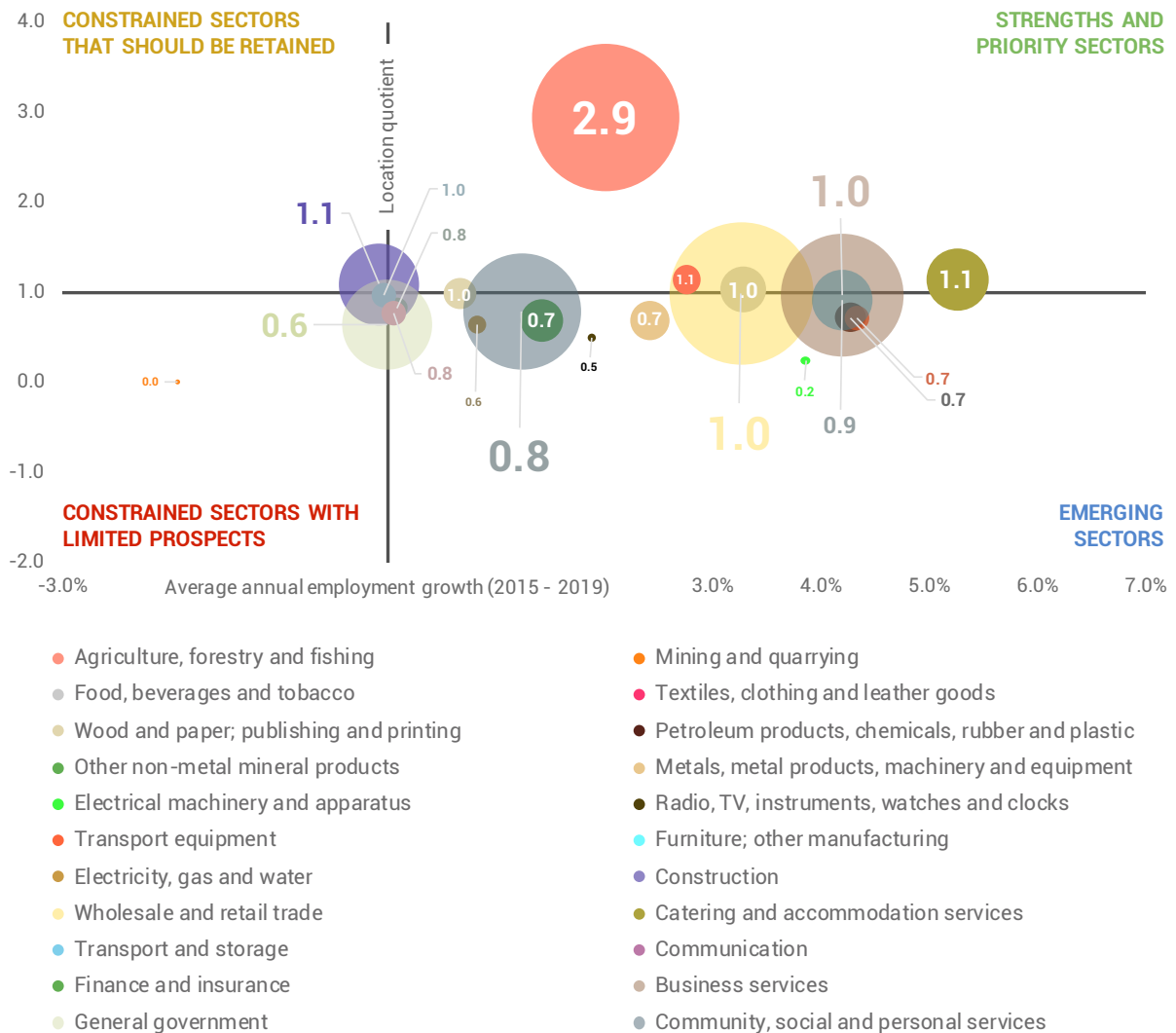
The OD had a medium comparative advantage in the manufacturing, transport and community services sectors. However, the location quotient of these sectors in terms of GDP is still greater than one, which shows that a relatively high concentration of economic activity is prevalent in these sectors.

Sectors with a low comparative advantage include the mining sector as well as the general government sector. Compared with the country, the OD has minimal mining resources, which leads to a low comparative advantage.

To assess the sectoral development opportunities in the OD, the comparative advantage in sectors is further analysed, together with the historical sectoral employment growth rate.

Figure 3.15 illustrates the comparative advantage and sectoral employment growth in the OD.

Figure 3.15
COMPARATIVE ADVANTAGE AND SECTORAL EMPLOYMENT GROWTH,
Overberg District, 2019



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

Sectors that have a location quotient greater than one and that recorded positive employment growth over the 2015 to 2019 period can be considered priority sectors for employment growth. Sectors that have a location quotient greater than one but have shed jobs over the period under analysis may require intervention, whether it be financial, regulatory or capacity-building, to benefit from the comparative advantage.

Sectors in which the OD does not have a comparative advantage (a location quotient less than one) but that have shown positive employment growth are considered to be emerging sectors, but prospects may be limited because of the size of the sector or external trends.

Table 3.5 outlines the sectors in the OD that are considered to be strengths in terms of job creation based on historic trends, as well as the sectors that should be retained, despite their lack of employment growth.

Table 3.5
PRIORITY SECTORS
FOR EMPLOYMENT,
Overberg District, 2019

SECTOR	GDPR R million 2019	GDPR trend 2015 – 2019	Number of jobs 2019	% informal jobs 2019	Average annual change in employment 2015 – 2019	Average gross fixed capital formation growth 2015 – 2019
Agriculture, forestry and fishing	1 337.2	-4.3%	27 643	29.4%	403	-5.2%
Food, beverages and tobacco	612.8	3.7%	2 654	20.2%	79	4.3%
Textiles, clothing and leather goods	79.6	1.5%	1 012	22.1%	25	1.2%
Construction	743.7	-0.2%	8 301	33.7%	-14	4.0%
Catering and accommodation services	154.2	-1.8%	5 132	41.3%	231	-1.4%

Source: Quantec Research, 2021



Agriculture, forestry and fishing

The agriculture sector contributed R1.3 billion to GDP and employed 27 643 people in 2019. The sector also contributed 20.9 per cent to employment, making it the largest employment sector in the OD. On a municipal level, most of this sector's employment is concentrated in the Theewaterskloof municipal area. The sector nevertheless shed 1 407 jobs between 2019 and 2020, and recorded a substantial decline in terms of capital investment (5.2 per cent average annual contraction between 2015 and 2019).

Water is a key input in the sector and has become an increasingly scarce resource. The recent Provincial drought has therefore had a detrimental impact on the agricultural sector of the District. To compound the issue, water storage capacity has been an issue in municipal areas such as Swellendam. There must therefore be sufficient water storage capacity in the OD for the growth and expansion of the agriculture sector.

Apples are the top exported product from the OD, with the Theewaterskloof municipal area being one of the main apple-producing regions in the country. In 2020, apple production increased by 10.3 per cent, with a further 3.7 per cent increase expected in 2021, which will exceed one million tonnes for the first time. In addition, the nominal gross value of production for apples increased by 16.7 per cent in 2020, with exports improving as a result of a weaker rand. Over the coming decade, the nominal gross value of apples is projected to increase by 82.0 per cent to exceed R14.0 billion by 2030. This trend is expected to continue, with the yield improvements attributed to innovative production practices and cultivars that deliver higher yields and better packout rates. As such, over the next 10 years, the total area under apple production is projected to increase to just over 26 000ha.⁴⁷ The District is likely to benefit greatly from the current and projected growth patterns in the sector and has the potential to absorb more labour.

The OD also produces the second-largest volume of the Province's oilseeds, grain crops and lupines.⁴⁸ Favourable weather conditions meant that the gross production of many crops expanded in 2020, with canola being one of the crops that realised large increases. Over the past year, the world price for canola has increased by 78.0 per cent owing to declining global supplies of oilseeds. The global price for canola currently exceeds previous record levels from 2011 and the current market prices are expected to promote a sizable increase in canola production in 2021/22. The increased demand for canola has the potential to improve employment levels in this subsector.

Food, beverages and tobacco

The OD has a comparative advantage in the agriculture sector, which feeds into another priority sector in the OD, namely the food, beverages and tobacco manufacturing subsector. Agro-processing is a key area in the District, with dairy, wine, juice, honeybush tea production, abalone and canola processing. The Swellendam municipal area is the largest canola crusher and canola oil manufacturer in Africa.⁴⁹ The industry produces canola products for livestock feed, pet food and industrial markets.⁵⁰ Between 2010 and 2020, canola oil consumption increased by 114.0 per cent.⁵¹ The increased demand for canola products provides a favourable outlook for employment in Swellendam.

⁴⁷ (BFAP, 2021).

⁴⁸ (Western Cape Department of Agriculture, 2020).

⁴⁹ (Soill, 2021).

⁵⁰ (Soill, 2021).

⁵¹ (BFAP, 2021).

The food, beverages and tobacco manufacturing subsector is an important source of employment in the District. In 2019, this sector was valued at R612.8 million and employed 2 654 people. Furthermore, this sector showed strong growth in terms of GDPR (3.7 per cent) and employment (79 jobs per annum on average) between 2015 and 2019. This sector was somewhat protected during the COVID-19 pandemic owing to food production being classified as an essential service, and therefore only contracted by 1.2 per cent in 2020. Despite food production being able to continue, the bans on alcohol sales negatively affected the sector.

The food, beverages and tobacco manufacturing subsector also recorded substantial growth in terms of capital investment (4.3 per cent average annual growth between 2015 and 2019). This is a positive indication for future growth and opportunities for job creation in this sector. Approximately 20.2 per cent of workers in this sector were informally employed in 2019. This therefore provides an opportunity for SMMEs' development and further job growth in the District. Furthermore, the availability of land and infrastructure for basic services for industrial development can also be an important catalyst for SMME development.

Construction

The construction sector contributed R743.7 million to GDPR in the OD and employed 8 301 people in 2019. The sector recorded a contraction of 0.2 per cent and shed 14 jobs per annum between 2015 and 2019. The sector's capital investment expanded by an average annual growth rate of 4.0 per cent between 2015 and 2019. A substantial proportion of individuals were employed in the informal sector (33.7 per cent) in 2019. A catalyst for supporting the informal sector could include supporting formalisation by reducing red tape and promoting access to funding and capacity-building so that SMMEs in the sector can provide services such as infrastructure maintenance to the public sector.

The construction sector has benefited from the current property market trends in the District. Small towns such as Hermanus are seeing a trend where young professionals are moving into towns and communities for lifestyle reasons, and these towns have become hotspots in the Western Cape.⁵² In addition, with more people able to work from home, regions such as Hermanus, which have traditionally been regarded as holiday destinations, are seeing an influx of permanent residents, which is increasing the demand for housing in the region. Semigration also remains a strong trend in the OD property market as a result of buyers from Gauteng and other parts of the country wanting to relocate to the Province or to obtain coastal properties for future retirement.⁵³

On a national level, construction output is expected to grow by 1.0 per cent per annum on average. This growth is expected to come from private and public investments in transport infrastructure and electricity projects between 2021 and 2024. One of the construction sector's top challenges is a shortage of skills. Despite rampant job losses in 2020, finding skilled workers remains a challenge for construction businesses owing to a lack of accessible training. Skilled workers also represent a higher wage commitment, which drives up costs.⁵⁴ Training is therefore a top priority for increased job creation in the sector. Load-shedding and COVID-19 lockdown restrictions have also contributed to large-scale job losses in the sector.

⁵² (BusinessTech, 2021).

⁵³ (Fin24, 2018).

⁵⁴ (KH Plant, 2021).

Catering and accommodation services

The catering and accommodation sector feeds into the tourism sector, and contributed R154.2 million to GDP and employed 5 132 people in the OD in 2019. The informal sector employed 41.3 per cent of people in 2019. The sector recorded a contraction of 1.8 per cent between 2015 and 2019. The sector's capital investment also contracted by an average annual growth rate of 1.4 per cent between 2015 and 2019. This sector is particularly important in the Cape Agulhas municipal area. With the easing of lockdown restrictions and opening up of international borders, employment levels in the sector are likely to improve gradually. Digital skills in the tourism industry, particularly for SMMEs and start-ups, can contribute to better access to markets and will contribute to the sustainability of the industry.

Textiles, clothing and leather goods

The textiles, clothing and leather goods sector contributed R79.6 million to the OD economy in 2019. The sector employed 1 012 people in 2019, with informal employment accounting for 22.1 per cent of employment. The sector recorded GDP growth of 1.5 per cent between 2015 and 2019. The sector's capital investment also expanded by an average annual growth rate of 1.2 per cent between 2015 and 2019. Despite the comparative advantage, this sector does not contribute significantly to exports (0.3 per cent) from the OD, showing that production caters mostly for the local market.

The subsector is often categorised for its capacity to generate large-scale employment, low barriers to entry and a short skills acquisition period. To this end, the Department of Trade, Industry and Competition (DTIC) launched the Clothing and Textiles Competitiveness Programme (CTCP), which aims to assist the industry in upgrading equipment, upskilling labourers and repositioning South Africa to compete against other low-cost-producing countries. Assisting local SMMEs to access the sector's support programmes can therefore facilitate employment growth in the OD.

Other emerging sectors

The trade sector is one of the emerging sectors in the OD. The upsurge in housing demand in municipal areas such as Overstrand is also stimulating the demand in the trade sector in urban centres of the District. Employment growth in the trade sector has been increasing steadily since 2015, but COVID-19 lockdown restrictions are likely to have put the sector under strain, as it shed 1 939 jobs between 2019 and 2020. The easing of restrictions is therefore likely to have a positive impact on job creation in the trade sector. Public-sector investment initiatives, such as the Hermanus CBD revitalisation programme, which upgraded High Street in Hermanus,⁵⁵ play a valuable role in creating an enabling environment for local businesses to operate successfully.

⁵⁵ (Overstrand Municipality, 2021).

3.5 INVESTMENTS

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

3.5.1 Private-sector investment

3.5.1.1 Sectoral investments and business expansion

Foreign direct investment was made by South African Breweries in Belgium, which invested USD5.2 million in the food and beverages industry in the District in September 2019.⁵⁶ This investment was largely for research and development, and was expected to create 17 jobs. The OD is abundant with golden barley, which is harvested and malted for the beer industry. The District also has crystal-clear springs in the mountains surrounding Greyton that are used as inputs in the industry.

Furthermore, the increasing cost of energy is motivating local businesses to invest in renewable energy projects, particularly in the agriculture sector of the District.⁵⁷

Despite the poor economic conditions experienced in 2020, some private companies completed long-term investments and announced future investments in the OD. Viking Aquaculture, a member of the Sea Harvest Group, completed its wind turbines, making it the first self-powering fish farm in South Africa.⁵⁸



⁵⁶ (Wesgro, 2021).

⁵⁷ (Wesgro, 2021).

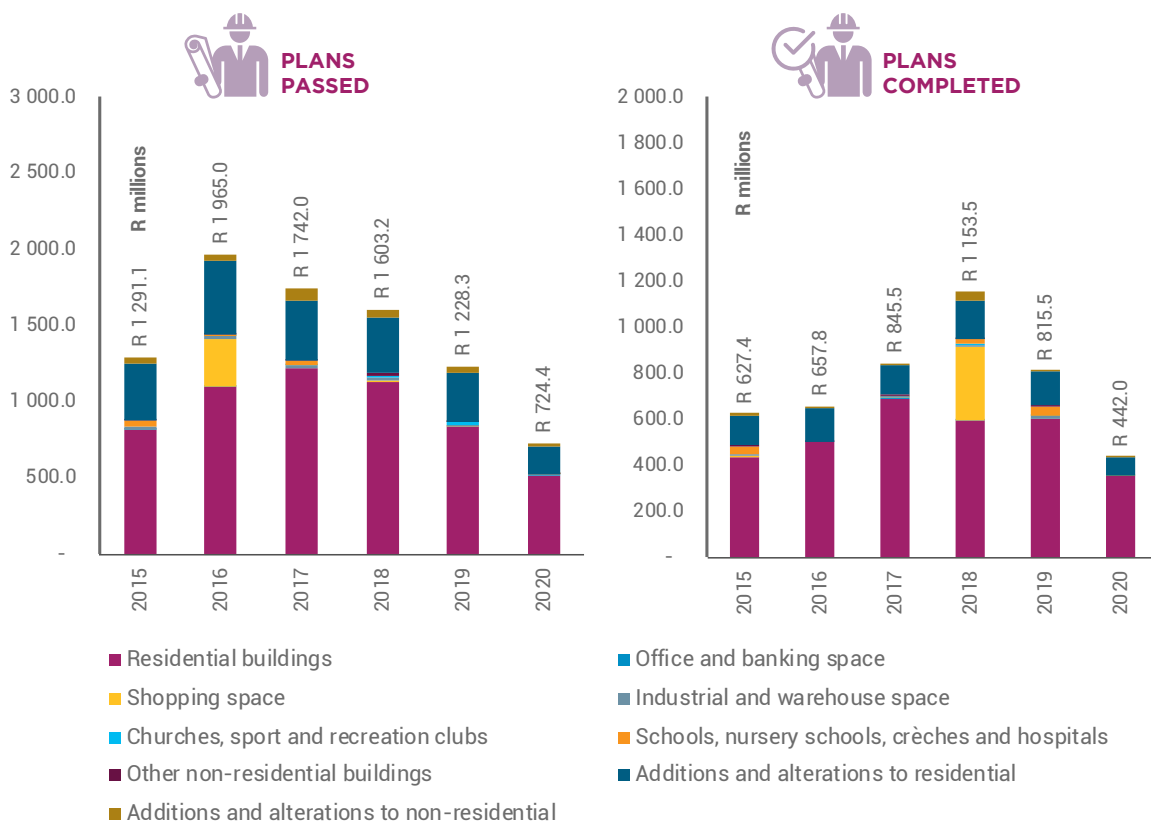
⁵⁸ (Wesgro, 2021).

3.5.1.2 Building plans passed and completed

Building plans passed and completed are some of the indicators used to measure economic activity and business cycle changes. The value of building plans passed⁵⁹ can be used as a leading indicator, while building plans completed⁶⁰ 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. It should also be noted that the development of non-residential buildings has a positive impact on the local economy during the construction phase as well as the operational phase.

Stats SA's information on building plans passed and completed is only available for the Overstrand municipal area. Figure 3.16 indicates the total value of building plans passed and completed between 2015 and 2020 in the Overstrand municipal area in current prices.

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



Source: Stats SA & Quantec Research, 2021

In the Overstrand municipal area, the total value of building plans passed decreased from R1.2 billion in 2015 to R724.4 million in 2020. Notable types of building plans passed during the period under review were for residential buildings, which also decreased, from R833.6 million in 2019 to R518.3 million in 2020.

⁵⁹ Number of residential building plans passed for buildings larger than 80m².

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

Other building plans passed in 2020 included plans for office and banking space (R3.9 million), shopping space (R1.6 million), industrial and warehouse space (R1.8 million), schools, nursery schools, crèches and hospitals (R1.6 million), other non-residential buildings (R2.2 million), additions and alterations to residential buildings (R179.7 million) and additions and alterations to non-residential buildings (R15.4 million). Development in the Overstrand municipal area is constrained by the lack of suitable and well-located land for development,⁶¹ which will likely affect the value of building plans passed in the future.

The total value of building plans completed increased consistently from 2015 to 2018, after which they were on a declining trend for the remaining period under review. The total value of building plans completed decreased from R815.5 million in 2019 to R442.0 million in 2020. Most building plans completed were for residential buildings, the value of which decreased from R602.1 million in 2019 to R354.0 million in 2020. The planned residential development of the De Zandt Lifestyle Estate will contribute significantly to building activity. The estate will consist of a mix of residential property, as well as a retirement facility, a high-care medical centre, a retail centre and a hotel.⁶²

Other building plans completed during the period under review included mainly additions and alterations to residential buildings (R78.6 million) in 2020. Building plans completed for shopping spaces were valued at R1.9 million, and building plans completed for additions and alterations to non-residential buildings were valued at R7.6 million in 2020, which is R3.2 million higher than in 2019.

In the Theewaterskloof municipal area, building plans passed for residential and non-residential buildings declined, except for office space. Residential buildings declined from 51 575m² to 20 445m², retail space declined from 10 376m² to 6 188m², industrial space declined from 49 383m² to 23 938m² while office space increased from 2 648m² to 3 724m².⁶³ This is a positive indicator for future growth in the tertiary sector, especially given that many service workers have been working from home during the pandemic. Access to correctly zoned and serviced sites for development can further unlock new opportunities in the Theewaterskloof municipal area.⁶⁴

In the Swellendam municipal area, building plans passed declined between 2019 and 2020 for residential buildings from 28 950m² to 15 147m², while building plans passed declined from 3 253m² to 748m². Building plans passed for office space also declined from 2 481m² to 1 862m², while retail building plans passed declined from 3 058m² to 2 015m². The COVID-19 pandemic is likely to have affected investment plans for new buildings, while application processes could also have been delayed. However, industrial building plans passed increased from 615m² to 1 707m².⁶⁵ There is currently a lack of sufficient infrastructure capacity as well as serviced land, which deters investment in new commercial buildings.⁶⁶

The number of business plans passed in the Cape Agulhas municipal area declined from 390 in 2019 to 368 in 2020. Building plans passed for retail developments also declined, from four to three. However, the number of building plans passed for retail developments increased from six

⁶¹ (Overstrand Municipality, 2021).

⁶² (Overstrand Municipality, 2021).

⁶³ (Theewaterskloof Municipality, 2021).

⁶⁴ (Theewaterskloof Municipality, 2021).

⁶⁵ (Swellendam Municipality, 2021).

⁶⁶ (Swellendam Municipality, 2021).

in 2019 to seven in 2020. New proposed developments, such as the Golf Estate in Bredasdorp and a hotel in L'Agulhas,⁶⁷ should be a valuable boost not only for local construction activity but also for the economy in general. However, commercial development prospects are limited by the lack of industrial land availability, particularly in Bredasdorp.⁶⁸

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

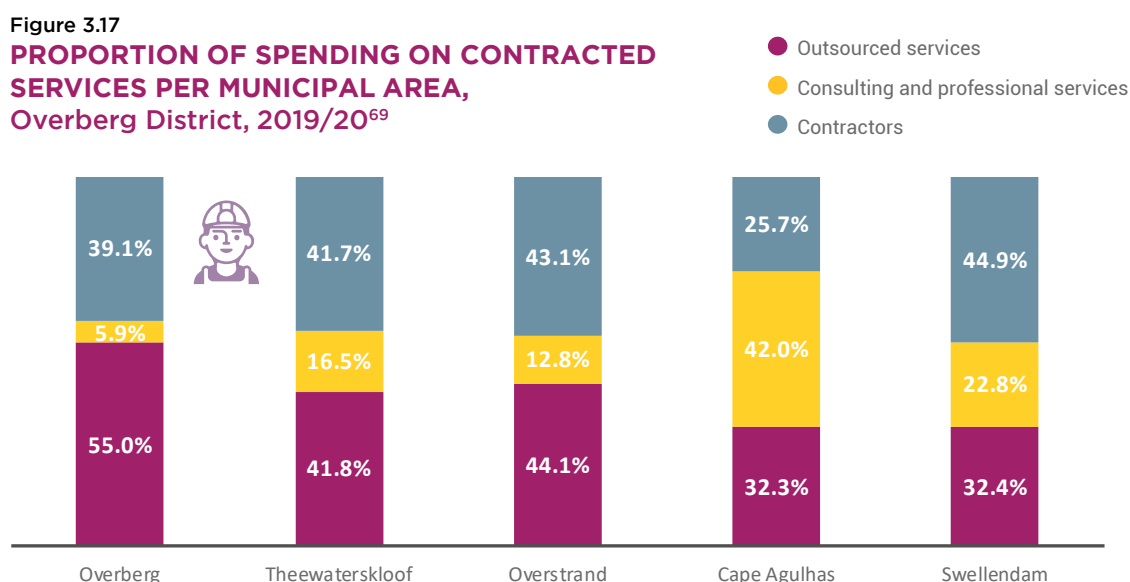
3.5.2 Public-sector investment

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

3.5.2.1 Municipal contracted services

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

Figure 3.17 provides a breakdown of spending on contracted services by the District and local municipalities in 2019/20.



Source: Calculated from National Treasury, 2020

⁶⁷ (Cape Agulhas Municipality, 2021).

⁶⁸ (Cape Agulhas Municipality, 2021).

⁶⁹ According to the Municipal Standard Chart of Accounts (mSCOA), municipalities should have the capacity and expertise to carry out certain services. Outsourced services are therefore services procured by the municipality when it temporarily does not have the capacity to perform these functions, or to save costs. Consulting services refer to specialist services and skills provided to a municipality for the achievement of a specific objective. It is unnecessary to maintain these skills in-house since they are often only required on a once-off or temporary basis. Contractors are utilised for services that are not the core business of the municipality.

For the District, the largest proportion of contracted services was allocated to outsourced services (55.0 per cent). Outsourced services in the OD were mainly for accounting, business and financial management, audit committee, fire stations, human resources, landfill site operation and maintenance and security services. The second-largest portion of contracted services was allocated to contractors (39.1 per cent). Contractors were mainly utilised for burial services, maintenance of buildings and facilities, maintenance of equipment, maintenance of unspecified assets, and occupational health and safety. Consulting and professional services in the District included laboratory services, legal costs and project management, and made up 5.9 per cent of contracted services spend in 2019/20.

The local municipalities in the OD have similar spending patterns, with most of their spending in 2019/20 allocated to outsourced services. In 2019/20, the Theewaterskloof Municipality spent most of its contracted services on outsourced services (41.8 per cent), followed by contractors (41.7 per cent). The majority of spending on contractors was for maintenance services (R12.9 million). Spending on maintenance is a valuable boost for the local construction sector if local businesses are utilised for these services. Supporting local SMMEs with business compliance can ensure that local SMMEs are able to benefit from available opportunities. Between 2019 and 2020, SMMEs on the municipal database increased from 250 to 400.

In the Overstrand Municipality, most of the contracted spending in 2019/20 was allocated to outsourced services (44.1 per cent) and contractors (43.1 per cent). Maintenance of buildings, infrastructure and assets made up the bulk of the spending on contractors (R54.5 million), while outsourced services included mostly sewerage services (R51.3 million) and dumping sites (R13.4 million). Government-subsidised housing projects in Hawston, Stanford and Gansbaai provided a valuable injection into the local economy, as local people were employed during construction, but there were also subcontracting opportunities for local enterprises, while materials were also purchased locally.⁷⁰ Ensuring local businesses are able to do business with the state can therefore support local economic development in the Overstrand municipal area. The number of SMMEs on the municipal database increased substantially, from 378 in 2019 to 735 in 2020.⁷¹

In 2019/20, the Swellendam Municipality's contracted services spend was mainly on contractors (44.9 per cent). This included maintenance of unspecified assets (R3.3 million) and maintenance of buildings (R2.4 million). Capacitating the 591 local SMMEs on the municipal supplier database to provide some of these services would be a valuable boost for the economy of the Swellendam municipal area. The Swellendam Municipality provides a range of support services to local SMMEs, including training and development, open days, stakeholder support, and early payments for services are made for small suppliers and contractors.⁷²

⁷⁰ (Overstrand Municipality, 2021).

⁷¹ (Overstrand Municipality, 2021).

⁷² (Swellendam Municipality, 2021).

3.5.2.2 Infrastructure

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

JOINT DISTRICT AND METRO APPROACH



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

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

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

Table 3.6
SPENDING ON INFRASTRUCTURE,
Overberg District, 2021/22

DESCRIPTION R million	2021/22 Municipal infrastructure spend (original budget)
Economic infrastructure	56.5
Road transport and public works	56.1
Environmental services	0.5
Social infrastructure	115.1
Education	-
Health	0.0
Social development	12.0
Housing	103.1
Trading services	332.7
Energy sources	104.5
Water management	98.2
Wastewater management	113.2
Waste management	16.8
Other	60.3
Total infrastructure spend	564.8

Source: Provincial Treasury, 2021

Collectively, the local municipalities have allocated R564.8 million to the capital expenditure budgets for 2021/22. This includes allocations made towards economic, social and trading services infrastructure of R56.5 million, R115.1 million and R332.7 million respectively. Other capital expenses to the value of R60.3 million were also budgeted for in 2021/22. Key municipal expenditure categories include wastewater management (R113.2 million), energy sources (R104.5 million) and water management (R98.2 million).

The COVID-19 pandemic has emphasised the value of having access to the internet for education and business purposes. Access to broadband connection can assist in creating an attractive environment for the establishment of businesses as well as households, as many service workers are then able to work from home. Public-private partnerships that aim to improve access to the internet, particularly at a low cost, therefore have a valuable role to play in creating an enabling environment for economic and social development. For example, the Overstrand Municipality has eight Master Wayleave Agreements in place with private communications licensees for the installation of telecommunication services in the municipal area. Through its one-trench and co-building methodology, the Overstrand Municipality has enabled the installation of fibre services in Gansbaai, Stanford, Hermanus and Kleinmond. Approximately 70.0 per cent of suburbs in these towns have been covered.⁷³ Free public Wi-Fi access spots in the Cape Agulhas municipal area have enabled 17 275 people access to the internet to date in 2021. These free public Wi-Fi access spots have transferred 78.3TB of data. There are also four service providers installing fibre in Bredasdorp and Struisbaai.⁷⁴



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

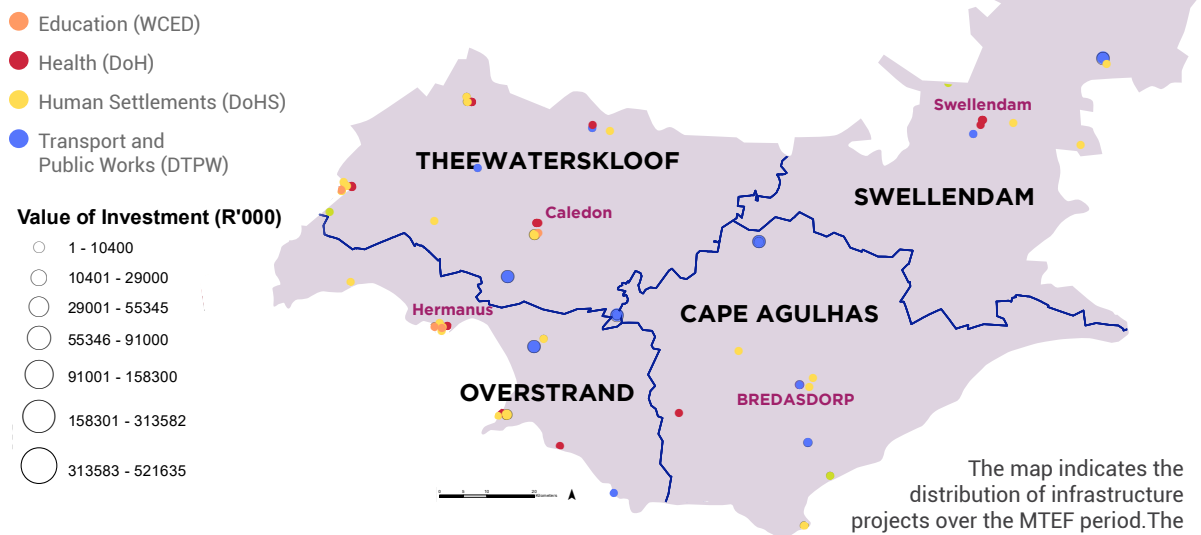


⁷³ (Overstrand Municipality, 2021).

⁷⁴ (Cape Agulhas Municipality, 2021).

Provincial infrastructure investment in the Overberg District accounts for R1.8 billion or 6.7 per cent of the Provincial total over the 2021 MTEF. The per capita spend is R6 063 for the district which is higher than the Province's per capita spend.:

- The investment in the rehabilitation, renovations and refurbishment, mainly roads, is the key focus area of investment in the region at 52.3 per cent of the total allocation over the 2021 MTEF. The human settlements development also receive attention in the district.



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

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

WC PROVINCIAL DEPARTMENT	No of Projects	2021/22 MTEF (R'000)	2022/23 MTEF (R'000)	2023/24 MTEF (R'000)	MTEF Total (R'000)
● Education (WCED)	4	27 000	27 000	47 000	101 000
● Health (DoH)	26	27 470	34 451	19 740	81 661
● Human Settlements (DoHS)	29	190 579	186 153	110 300	487 032
● Transport and Public Works (DTPW)	20	355 132	476 136	318 200	1 149 468
Total	79	600 181	723 740	495 240	1 819 161

Note: WCED is the Western Cape Education Department, DoH is the Department of Health, DoHS is the Department of Human Settlements and DTPW is the Department of Transport and Public Works

Source: The Provincial Infrastructure Reporting Model (IRM) was used for the first time (except for the data of the Department of Human Settlements). There is room to improve on the accuracy in future publications.

3.6 CONCLUDING REMARKS

The OD experienced a positive trade balance between 2010 and 2020, which can mainly be attributed to the agriculture sector. The trade surplus in the District increased from R1.8 million in 2019 to R2.0 million in 2020. The manufacturing sector accounted for 78.4 per cent of the OD's imports in 2020, and the agriculture sector accounted for 61.6 per cent of the District's exports. The Theewaterskloof municipal area experienced the largest trade surplus, while the Swellendam municipal area was the only area in the District that experienced a trade deficit in 2020.

The District's top three import partners in 2020 were China, France and Spain, while the top three export partners were the Netherlands, the United Kingdom and Hong Kong. The OD's main imported products were fruit and vegetable juices (10.1 per cent), barley (9.3 per cent) and live bovine animals (8.1 per cent). The main products exported from the OD in 2020 were apples, pears and quinces (21.9 per cent), other fruit (10.6 per cent) and wine (10.1 per cent).

In terms of tourism, the OD is largely a domestic tourism destination, with 80.2 per cent of visitors being South African residents. The top three domestic source markets in 2020 were the Western Cape (94.7 per cent), Gauteng (2.2 per cent) and the Eastern Cape (1.0 per cent), while the top three international source markets to the OD in 2020 travelled from the United Kingdom (40.1 per cent), Germany (29.7 per cent) and France (6.0 per cent). The international visitor trend to the OD is consistent with the Province, since the European countries dominate as source markets.

The most popular activities for visitors in the OD, especially in the Cape Whale Coast, include whale watching, hiking, mountain biking and other adventure activities (such as shark-cage diving, ziplining and horse riding).

Many tourism businesses suffered big losses in revenue and many jobs were also lost as a result of the COVID-19 pandemic. It is estimated that more than half of the respondents experienced a 100.0 per cent loss of revenue owing to COVID-19 and about 39.7 per cent saw their revenue decline between 50.0 and 99.0 per cent.

In terms of investments, the total value of building plans passed in the Overstrand municipal area decreased from R1.2 billion in 2019 to R724.4 million in 2020. With regard to building plans completed, the total value fell from R815.5 million in 2019 to R442.0 million in 2020. Other municipal areas also recorded mostly declines in building plans passed and completed.

Using local contractors to provide goods and services to local municipalities plays an important role in creating new jobs. In 2019/20, local municipalities utilised contractors for a variety of goods and services, with one of the main expenditure categories being maintenance services.



4

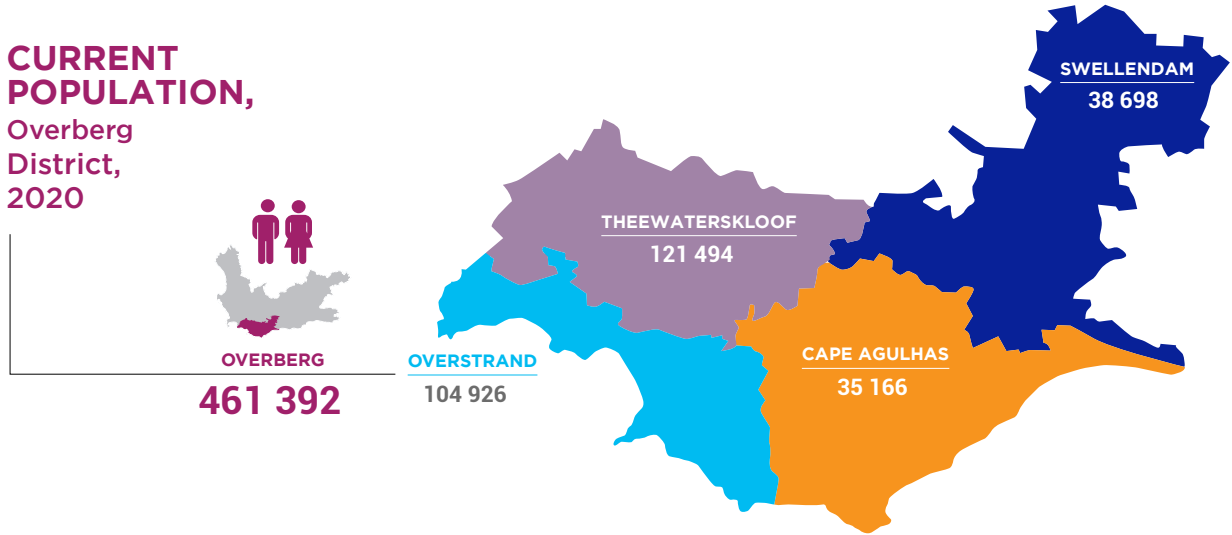
MUNICIPAL SOCIO- ECONOMIC ANALYSIS

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, crime and access to basic services. More specifically, human development in the region is assessed by exploring education levels, health and income.

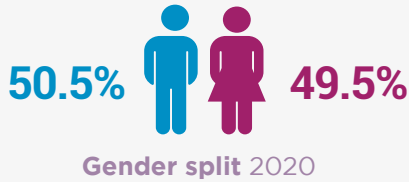
OVERBERG DEMOGRAPHICS

CURRENT POPULATION, Overberg District, 2020



GENDER – POPULATION

300 285
POPULATION 2020



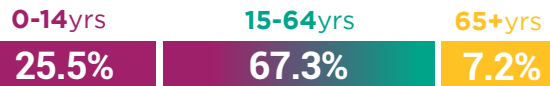
Some of the key indicators used in the socio-economic analysis include the population growth rate, GDP per capita, household income, the Gini coefficient, the Human Development Index (HDI), educational development and dwelling types. These indicators are discussed in detail in the sections below.

FORECAST

Estimated population growth

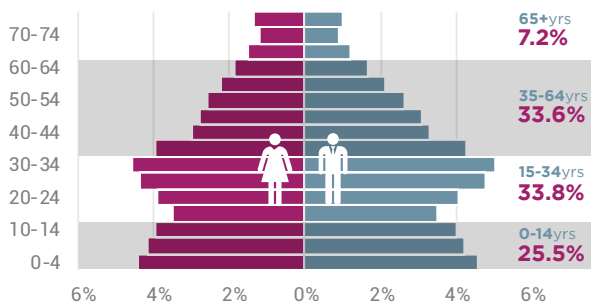


AGE PROFILE



Age split 2020

GENDER AND AGE DYNAMICS



HOUSEHOLDS



Number of households 2020

86 716



Average household income 2019

R15 804



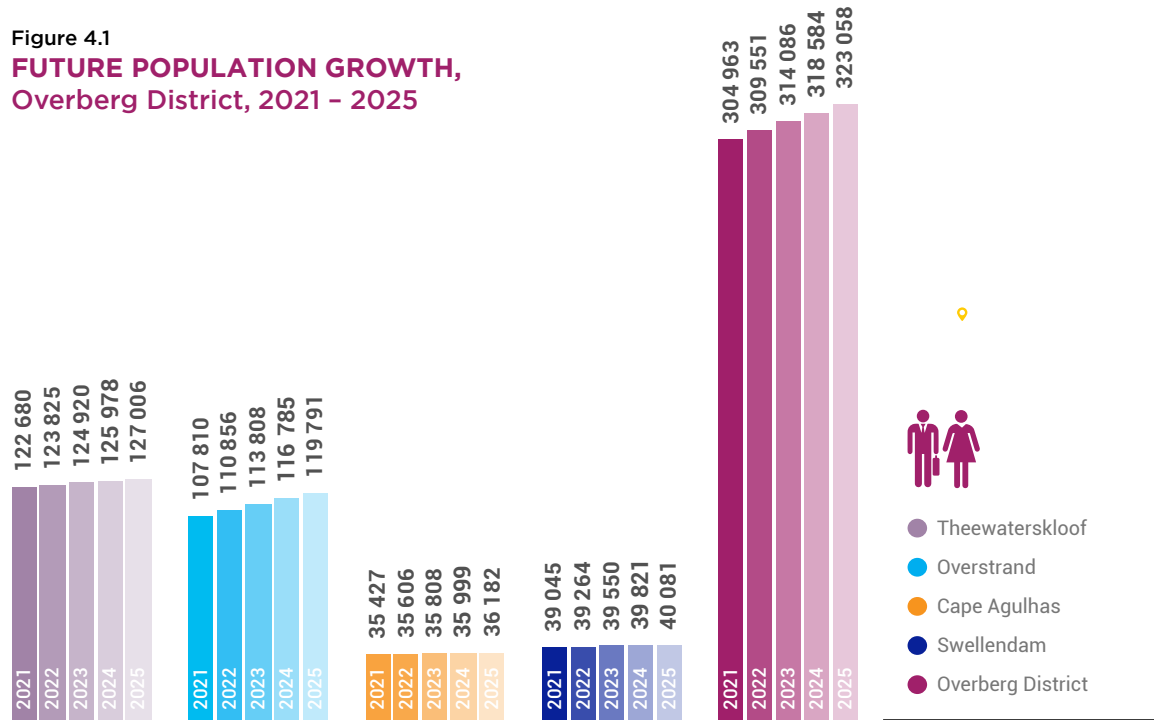
Indigent households 2020

18 377

4.2 POPULATION PROFILE

As illustrated in Figure 4.1, the OD's population is estimated at 304 963 people in 2021, who mainly reside in the Theewaterskloof (40.2 per cent) and Overstrand (35.4 per cent) municipal areas.

Figure 4.1
FUTURE POPULATION GROWTH,
Overberg District, 2021 - 2025



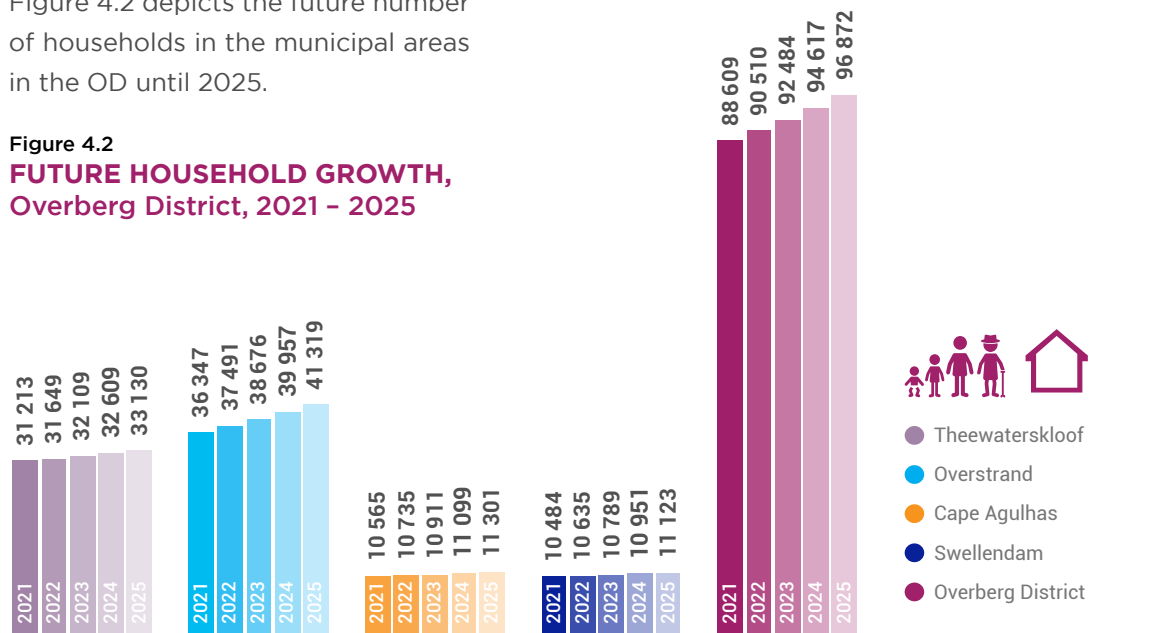
Source: Western Cape Government PPU, 2021. Provincial, District and local municipality population estimates by sex and age (2002 – 2036) based on Stats SA MYPE series 2021 and 2020

The population of the OD is expected to increase by an average annual rate of 1.5 per cent from 304 963 in 2021 to 323 058 in 2025. All municipal areas in the OD are expected to experience population growth between 2021 and 2025. The Theewaterskloof municipal area has the largest population, which is expected to increase by a marginal average annual growth rate of 0.9 per cent from 122 680 in 2021 to 127 006 in 2025. The Overstrand municipal area is expected to have the fastest population growth rate of 2.7 per cent compared with the other municipal areas. The population of the Overstrand municipal area is expected to increase from 107 810 in 2021 to 119 791 in 2025. The anticipated population growth for the Swellendam municipal area is 0.7 per cent, increasing from 39 045 in 2021 to 40 081 in 2025. The Cape Agulhas municipal area is expected to have the slowest population growth of 0.5 per cent compared with the other municipal areas in the District. The population of the Cape Agulhas municipal area is expected to increase from 35 427 in 2021 to 36 182 in 2025. Population growth in the OD is therefore largely as a result of the anticipated growth in the Overstrand municipal area.

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

Figure 4.2 depicts the future number of households in the municipal areas in the OD until 2025.

Figure 4.2
FUTURE HOUSEHOLD GROWTH,
Overberg District, 2021 – 2025



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

The OD is expected to experience an average annual household growth of 2.2 per cent, with households expected to increase from 88 609 in 2021 to 96 872 in 2025. Since household growth in the District is greater than the population growth, it is expected that household sizes are declining over time. It is anticipated that all municipal areas will experience growth in the number of households. The Overstrand municipal area accounts for the largest share of the District’s households, and is expected to increase at an average annual rate of 3.3 per cent from 36 347 households in 2021 to 41 319 households in 2025. The fast population and household growth in the Overstrand municipal area will increase the demand for housing, employment and service delivery in the municipal area. The ability to work from home has enabled households to move away from the economic hubs and settle in smaller towns such as Hermanus. This trend can be a valuable injection for the local economy as well as the municipality in terms of income generation, despite the increased demand for services.

The Theewaterskloof municipal area accounts for the second-largest share of the District’s households and is expected to increase at an average annual rate of 1.5 per cent from 31 213 in 2021 to 33 130 in 2025. An average annual household growth rate of 1.7 per cent is



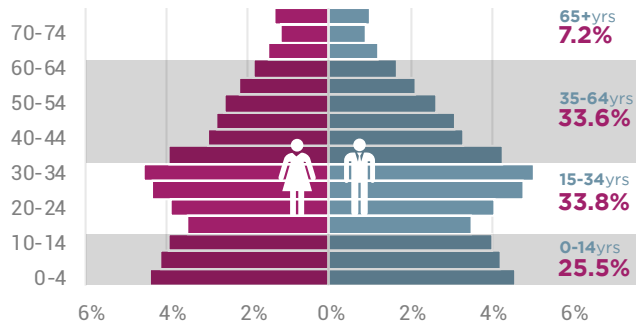
anticipated for the Cape Agulhas municipal area, with an increase from 10 565 households in 2021 to 11 301 households in 2025. The number of households in the Swellendam municipal area is expected to increase at an average annual rate of 1.5 per cent from 10 484 in 2021 to 11 123 in 2025.

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

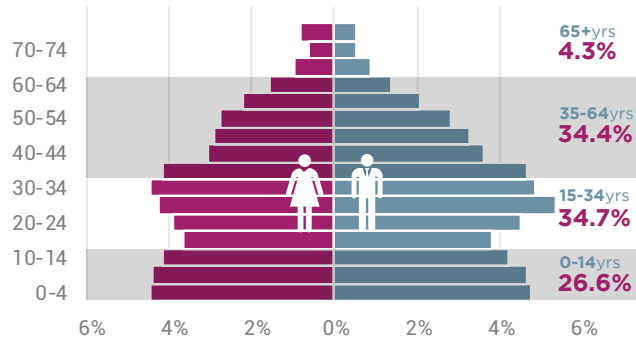
Figure 4.3
GENDER AND AGE DYNAMICS,
Overberg District, 2020



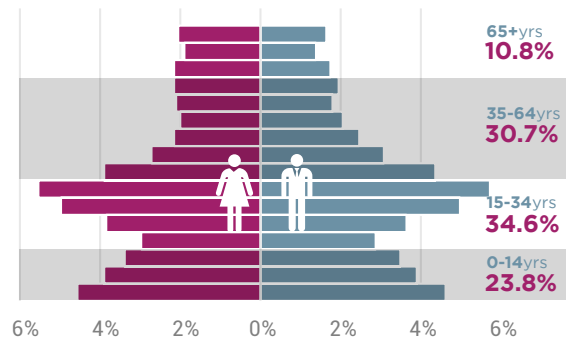
Overberg District



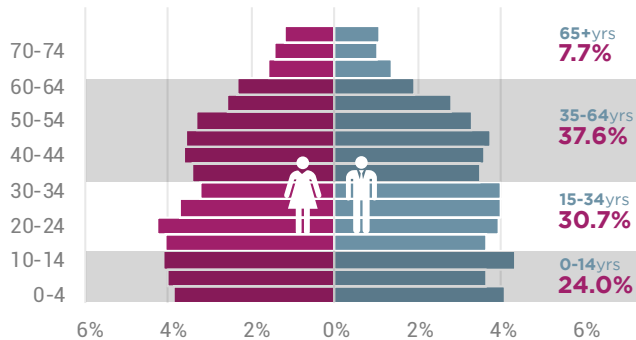
Theewaterskloof



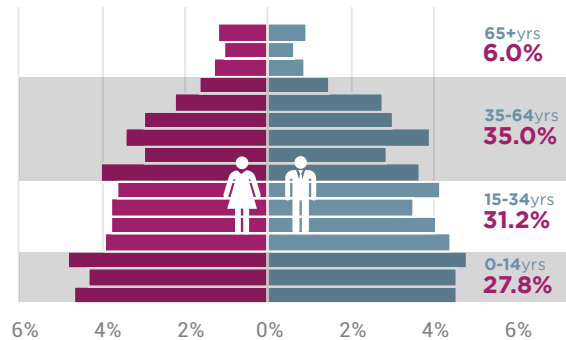
Overstrand



Cape Agulhas



Swellendam



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

The population of the Theewaterskloof municipal area consists mainly of individuals between the ages of 15 and 34 years, who made up 34.7 per cent of the population in 2020. This was closely followed by individuals between 35 and 64 years, who made up 34.4 per cent of the population. Individuals younger than 14 years made up 26.6 per cent of the population. There is thus a high child dependency in the municipal area. Individuals older than 65 made up 4.3 per cent of the population. This shows that most of the population in the Theewaterskloof municipal area is potentially economically active and can contribute to the economy.

In the Overstrand municipal area, the population has a large portion of potentially economically active people, who consisted of 34.6 per cent of individuals between the ages of 15 and 34 years, and 30.7 per cent of individuals between 35 and 64 years in 2020. The population consisted of 10.8 per cent of individuals older than 65, which is considered a fairly large portion of the population compared with the other municipalities in the OD, highlighting that the area is a popular area for retirement. The municipal area is also attracting job-seeking youth and young families. Individuals younger than 14 years made up 23.8 per cent of the population in 2020.

In the Cape Agulhas municipal area, the population consisted of 37.6 per cent of individuals between 35 and 64, and 30.7 per cent of people between the ages of 15 and 34 per cent in 2020. Individuals younger than 14 made up 24.0 per cent of the population, whereas those older than 65 made up 7.7 per cent of the population. Population demographics show a more equally distributed population in terms of age categories compared with the other municipal areas in the District.

In 2020 the largest share of the population in the Swellendam municipal area was made up of individuals between 35 and 64 years (35.0 per cent), followed by those between 15 and 34 years (31.2 per cent). Individuals younger than 14 comprised 27.8 per cent of the population and individuals older than 65 comprised 6.0 per cent of the population.



4.3 HUMAN DEVELOPMENT

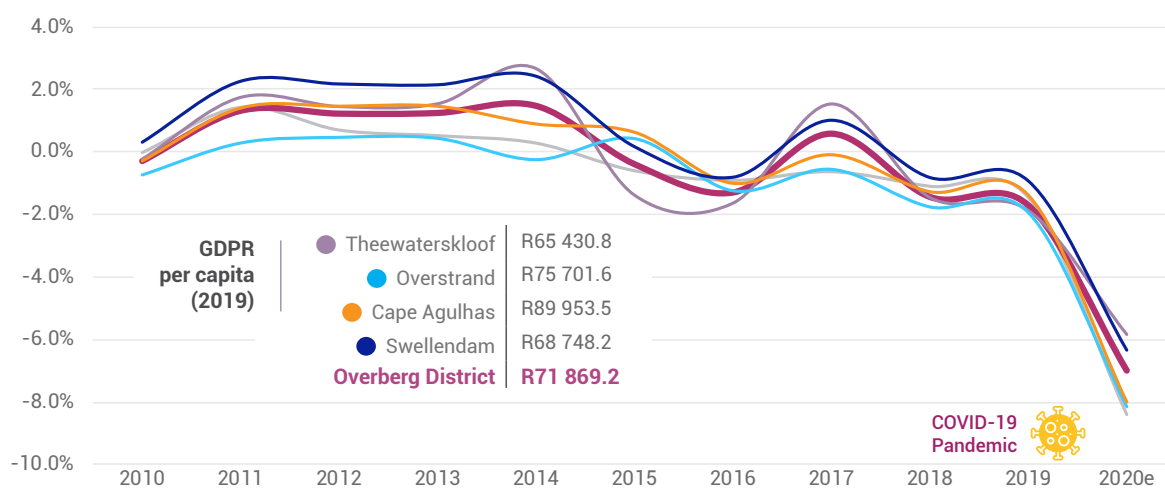
Economists expect economic growth to result in improvements in human development, and economic decline to have an adverse effect on human development. The United Nations uses the HDI to assess the level of socio-economic development in countries. The performance of the economy plays a major role in determining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

4.3.1 Income

In 2019, the OD recorded a GDP per capita of R71 869.2, which is estimated to have declined to R69 643.1 in 2020. The Cape Agulhas municipal area had the highest GDP per capita in 2019 (R89 953.5), followed by the Overstrand municipal area (R75 701.6).

Figure 4.4 illustrates the OD's GDP per capita growth between 2010 and 2020.

Figure 4.4
GDP PER CAPITA GROWTH, Overberg District, 2010 - 2020



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e
Western Cape	0.0%	1.4%	0.7%	0.5%	0.3%	-0.6%	-0.9%	-0.6%	-1.1%	-1.5%	-8.4%
Overberg District	-0.3%	1.3%	1.2%	1.2%	1.5%	-0.4%	-1.3%	0.6%	-1.4%	-1.7%	-7.0%
Theewaterskloof	-0.2%	1.8%	1.5%	1.5%	2.7%	-1.4%	-1.6%	1.5%	-1.5%	-1.9%	-5.8%
Overstrand	-0.7%	0.3%	0.5%	0.5%	-0.2%	0.4%	-1.2%	-0.5%	-1.7%	-1.9%	-8.1%
Cape Agulhas	-0.3%	1.4%	1.4%	1.4%	0.9%	0.6%	-1.0%	-0.1%	-1.3%	-1.4%	-8.0%
Swellendam	0.3%	2.3%	2.2%	2.2%	2.4%	0.2%	-0.8%	1.0%	-0.8%	-0.9%	-6.3%

Source: Quantec Research, 2021 (e denotes estimate)

In 2020, the OD experienced a significant downturn in the GDP per capita (7.0 per cent), which was less than the Provincial GDP per capita decline (8.4 per cent). The Overstrand and Cape Agulhas municipal areas experienced contractions of 8.1 per cent and 8.0 per cent respectively. The Swellendam and Theewaterskloof municipal areas experienced lower declines of 6.3 per cent and 5.8 per cent respectively.

The key factor responsible for the contraction of GDP per capita was the COVID-19 pandemic and the associated lockdown restrictions imposed in March 2020, which severely affected the GDP performance. However, the Swellendam and Theewaterskloof economies were less severely affected owing to strong growth in the agriculture sector.

Table 4.1 provides an overview of the average monthly household income in the OD.

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

MUNICIPALITY	Average household income 2019 (current prices)	Trend 2015 – 2019
● Theewaterskloof	R14 580	0.2%
● Overstrand	R15 990	0.5%
● Cape Agulhas	R19 193	-0.2%
● Swellendam	R15 905	0.7%
Overberg District	R15 804	0.3%
Western Cape	R19 430	-0.3%

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

In 2019 the average monthly household income in the OD was R15 804, which was lower than the average monthly household income in the Western Cape (R19 430). The Cape Agulhas municipal area had the highest average household income (R19 193) in the OD. However, the average household income of the Cape Agulhas municipal area generally declined marginally between 2015 and 2019. Despite having the largest economy in the OD, the Theewaterskloof municipal area had the lowest average household income (R14 580), which can be attributed to the large proportion of people who are employed in the agriculture sector, which is characterised by low wages. On average, the average household income in the OD increased marginally by 0.3 per cent per annum. However, considering that the average inflation over the period was recorded at 5.0 per cent,⁷⁵ household income in the District is not growing sufficiently to compensate for higher prices caused by inflation. Since 2016, annual inflation has been on a declining trend, while remaining within the targets set by the SARB. At a rate of 3.3 per cent in 2020, inflation was at its lowest level in more than a decade. However, the job losses caused by the economic downturn in 2020 are likely to result in a decline in household income.

Stats SA utilises a cost-of-basic-needs approach to produce three poverty lines, namely the food poverty line (FPL), the lower-bound poverty line (LBPL) and the upper-bound poverty line (UBPL). This allows monitoring of poverty at different levels. The FPL is the rand value below which individuals are not able to afford sufficient food that is required for adequate health. The LBPL and the UBPL use the FPL as a base, but they also have a non-food component. Individuals at the LBPL do not have enough resources to purchase both adequate levels of food and non-food items, and must therefore sacrifice food to obtain essential non-food items. Those at the UBPL can afford both adequate food and non-food items.⁷⁶ Between 2019 and 2020, the FPL increased from R561 to R585, the LBPL increased from R810 to R840 and the UBPL increased from R1 227 to R1 268 per person per month.⁷⁷

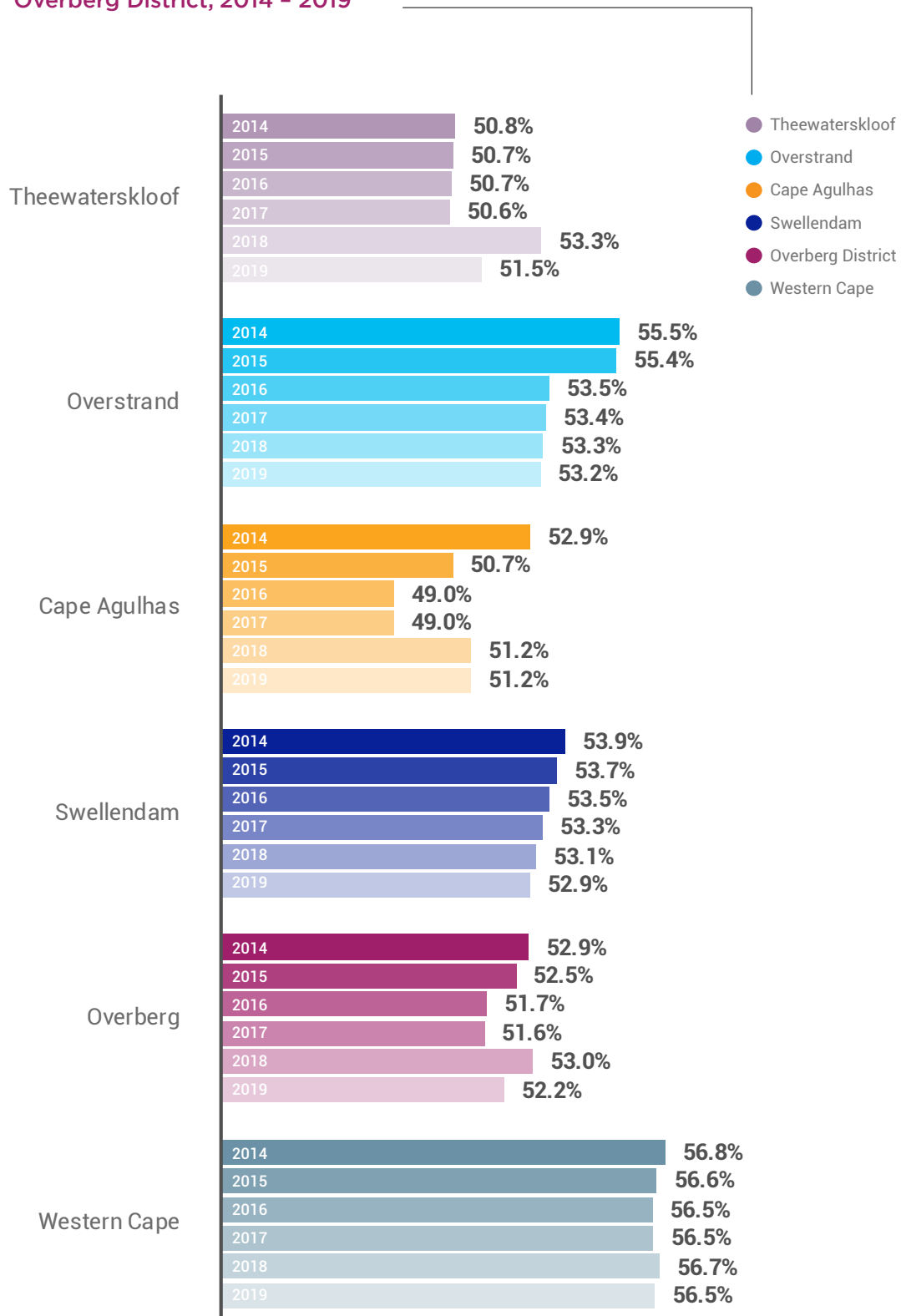
⁷⁵ (Stats SA, 2021).

⁷⁶ (Stats SA, 2017).

⁷⁷ (Stats SA, 2020).

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

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



Source: IHS Markit, 2021

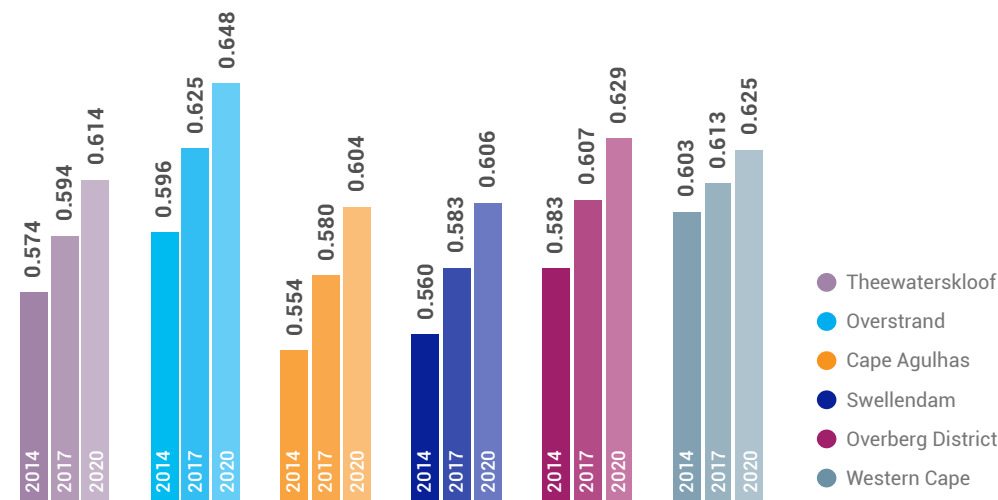
The OD has a smaller proportion of people at the UBPL compared with the Western Cape. The proportion of people at the UBPL declined from 52.9 per cent to 51.6 per cent between 2014 and 2017 before increasing to 53.0 per cent in 2018. This increase in poverty could be related to the drought conditions that prevailed in the Province. However, the proportion of people at the UBPL declined again in 2019 to 52.2 per cent. The Theewaterskloof municipal area recorded a similar trend, while the Overstrand and Swellendam municipal areas recorded consistent declines in the proportion of people at the UBPL between 2014 and 2019. The Cape Agulhas municipal area recorded a decline between 2014 and 2017, after which it remained constant at 51.2 per cent.



There are numerous measurements of inequality in a society, including income, expenditure, asset, employment, education, health, basic services and social mobility inequality. By utilising a multidimensional view of inequality, the broader context of the challenges South Africans face can be analysed. Ratios and indices that measure inequality include the Gini coefficient, the Theil index, general entropy, the Palma ratio and the Atkinson index.⁷⁸ However, on a local municipal level, data that is readily available and most widely used is the Gini coefficient, which can therefore be utilised to analyse income inequality on a local level.

Figure 4.6 illustrates the Gini coefficients for the local municipal areas of the OD between 2014 and 2020.

Figure 4.6
GINI COEFFICIENTS, Overberg District, 2014 – 2020



Source: IHS Markit, 2021

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

With a Gini coefficient of 0.629 in 2020, income inequality in the OD is higher compared with the Province. Of the municipal areas in the OD, the Overstrand municipal area recorded the highest Gini coefficient (0.648), followed by the Theewaterskloof municipal area (0.614).

⁷⁸ (Stats SA, 2019).

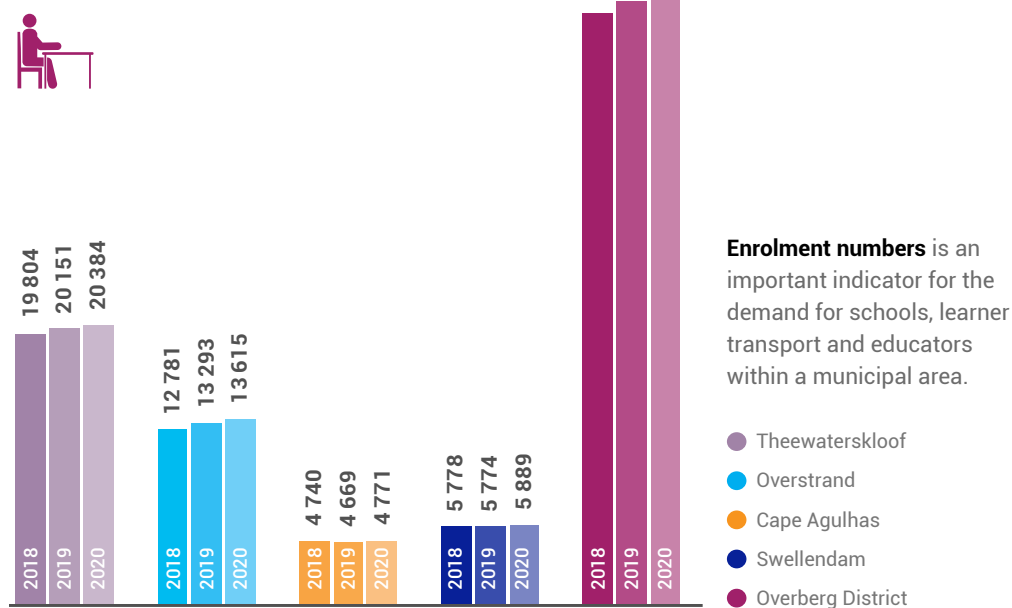
Income inequality increased in all municipal areas in the OD between 2014 and 2020. The Gini coefficient in the OD increased from 0.583 in 2014 to 0.629 in 2020. In the Theewaterskloof municipal area the Gini coefficient increased from 0.574 in 2014 to 0.614 in 2020, whereas in the Overstrand municipal area the Gini coefficient increased from 0.596 in 2014 to 0.648 in 2020. The Gini coefficient in the Cape Agulhas municipal area increased from 0.554 in 2014 to 0.604 in 2020, and in the Swellendam municipal area it increased from 0.560 in 2014 to 0.606 in 2020. The significant increase in income inequality in municipal areas in the OD could be attributed to the major drought, which has had socio-economic impacts on households in rural communities, as they largely depend on agriculture as a source of income. Additionally, the COVID-19 pandemic has also resulted in job losses, which could also have affected income inequality in 2020.

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 rate, matric pass rates and learner-teacher ratios.

Figure 4.7 depicts changes in learner enrolments in the OD between 2018 and 2020.

Figure 4.7
LEARNER ENROLMENTS,
Overberg District, 2018 - 2020



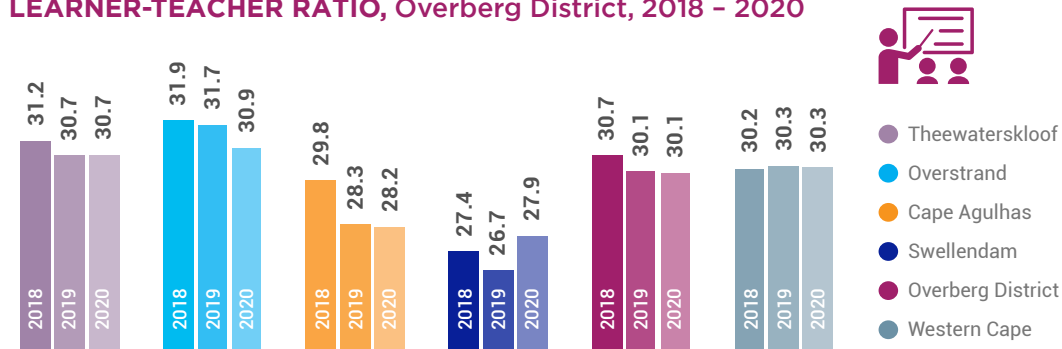
Source: Western Cape Education Department, 2021

The number of student enrolments in the OD increased from 43 103 in 2018 to 44 659 in 2020. All municipal areas in the OD experienced increases in the number of learner enrolments. The Theewaterskloof municipal area accounted for the largest portion of enrolments, which increased by 580 learners from 19 804 learners in 2018 to 20 384 learners in 2020. The Overstrand municipal area recorded the highest learner enrolment increase over the period (834 learners). This is in line with the large population growth in this municipal area. Given these current trends, it is anticipated that the demand for school infrastructure will increase in the future.

The Cape Agulhas municipal area accounts for the smallest share of learner enrolments in the District and also experienced the lowest increase in enrolments between 2018 and 2020 (31 learners).

Figure 4.8 illustrates the learner-teacher ratios for the OD and the Western Cape.

Figure 4.8
LEARNER-TEACHER RATIO, Overberg District, 2018 - 2020



Source: Western Cape Education Department, 2021

Learner-teacher ratios are indicative of the capacity of schools to accommodate more learners. Learner-teacher ratio upper limits of 40:1 in ordinary primary schools and 35:1 in ordinary high schools are set by the Department of Education.⁷⁹ Lower learner-teacher ratios are associated with more interaction between teachers and learners, which could contribute to better-quality education.⁸⁰

The learner-teacher ratio in the OD improved from 30.7 learners per teacher in 2018 to 30.1 learners per teacher in 2020 and is marginally lower than that of the Province (30.3 learners per teacher). All municipal areas except the Swellendam municipal area experienced an improved learner-teacher ratio between 2018 and 2020. The learner-teacher ratio in the Theewaterskloof municipal area decreased from 31.2 learners per teacher in 2018 to 30.7 in 2020. In the Overstrand municipal area, the learner-teacher ratio improved from 31.9 learners per teacher in 2018 to 30.9 learners per teacher in 2020. The learner-teacher ratio in the Cape Agulhas municipal area also improved from 29.8 learners per teacher in 2018 to 28.2 learners per teacher in 2020. These improvements indicate that the number of educators increased in these municipal areas.

Despite the increase in the learner-teacher ratio in Swellendam, this municipal area has the lowest learner-teacher ratio compared with other municipal areas in the District. The learner-teacher ratio in Swellendam increased from 27.4 learners per teacher in 2018 to 27.9 learners per teacher in 2020.

The learner-teacher ratio is a strong indicator of the students' level of engagement in a class, the quality of education and student achievement. A lower learner-teacher ratio may result in teachers being able to provide more personalised teaching methods, which improve the ability of students to achieve. Research has also shown that lower learner-teacher ratios are associated with better test results, fewer drop-out learners and higher graduation rates.⁸¹

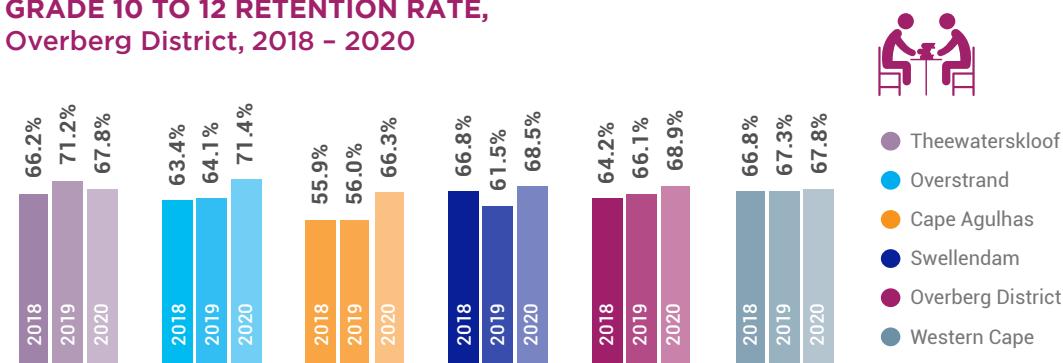
⁷⁹ (Sephton, S, 2017).

⁸⁰ (Southern and Eastern Africa Consortium for Monitoring Educational Quality, 2011).

⁸¹ (The Hun School of Princeton, 2019).

Figure 4.9 shows the Grade 10 to 12 retention rates of the OD between 2018 and 2020.

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



Source: Western Cape Education Department, 2021

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.

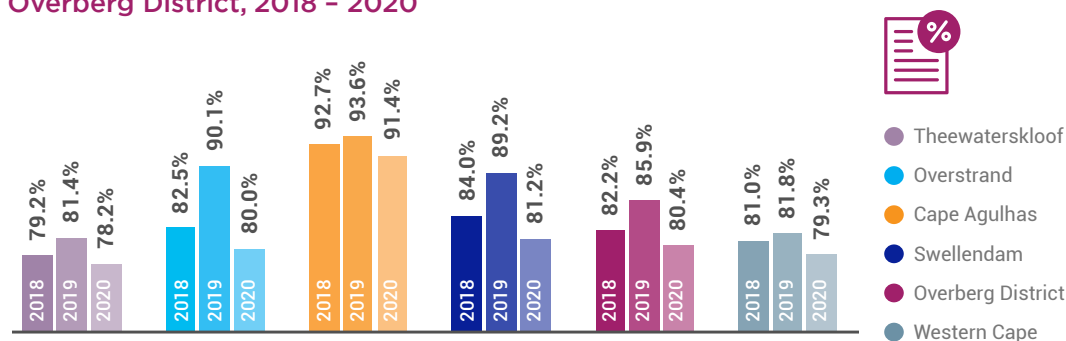
In 2020, the OD recorded a higher retention rate (68.9 per cent) than the Western Cape (67.8 per cent). The OD experienced an increase in the retention rate from 64.2 per cent in 2018 to 68.9 per cent in 2020. The Overstrand (71.4 per cent) and Swellendam (68.5 per cent) municipal areas had the highest learner retention rates in 2020.

All municipal areas recorded an increase in the learner retention rate between 2019 and 2020, except the Theewaterskloof municipal area, where it declined from 71.2 per cent in 2019 to 67.8 per cent in 2020. The Cape Agulhas municipal area had the lowest retention rates between 2018 and 2020, but recorded a substantial increase over the period under review.

Access to education is an important indicator for labour market skills and access to economic opportunity. Local challenges that result in learners leaving school before Grade 12 need to be assessed, especially considering that most sectors require semi-skilled and skilled labour. Some of these local challenges may include teenage pregnancies or children from low-income households dropping out of school in order to provide an income to households.

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 4.10 depicts the OD’s matric pass rate between 2018 and 2020.

Figure 4.10
MATRIC PASS RATE,
Overberg District, 2018 - 2020



Source: Western Cape Education Department, 2021

The OD had a marginally higher matric pass rate than the Western Cape. However, the District experienced a drop in the matric pass rate from 85.9 per cent in 2019 to 80.4 per cent in 2020. The disrupted school year as a result of COVID-19 lockdown measures could have influenced the academic performance of many learners.

For the entire period under review, the Cape Agulhas municipal area had the highest matric pass rate compared with other municipal areas in the District. The Cape Agulhas municipal area, however, experienced a decline from 92.7 per cent in 2018 to 91.4 per cent in 2020. The Theewaterskloof municipal area also experienced a decline in the matric pass rate, from 79.2 per cent in 2018 to 78.2 per cent 2020. The Overstrand municipal area experienced a decline from 82.5 per cent in 2018 to 80.0 per cent in 2020. The Swellendam municipal area also experienced a decline in the matric pass rate, from 84.0 per cent in 2018 to 81.2 per cent in 2020. Although the retention rate increased in most of the municipal areas from 2018 to 2020, the matric pass rate declined over the same period.



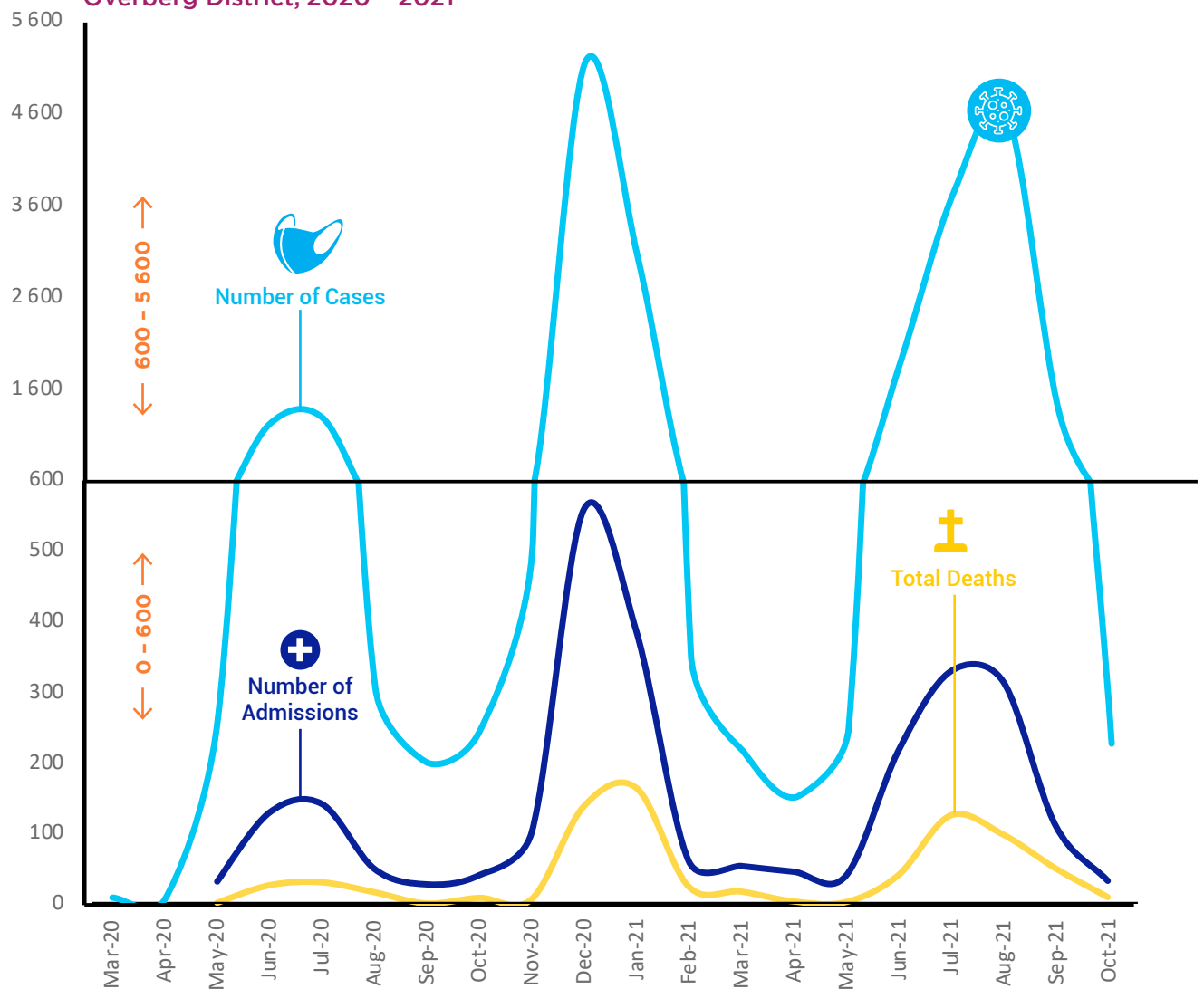
4.3.3 Health

This subsection analyses the health conditions of people living in the OD by reviewing COVID-19, the causes of death, HIV, TB, infant mortality rates, maternal death rates and teenage pregnancies.

4.3.3.1 COVID-19

The number of recorded cases, hospital admissions and deaths in the OD are provided in Figure 4.11.⁸²

Figure 4.11
COVID-19 CASES, ADMISSIONS AND DEATHS,
Overberg District, 2020 - 2021



Source: Western Cape Department of Health, 2021

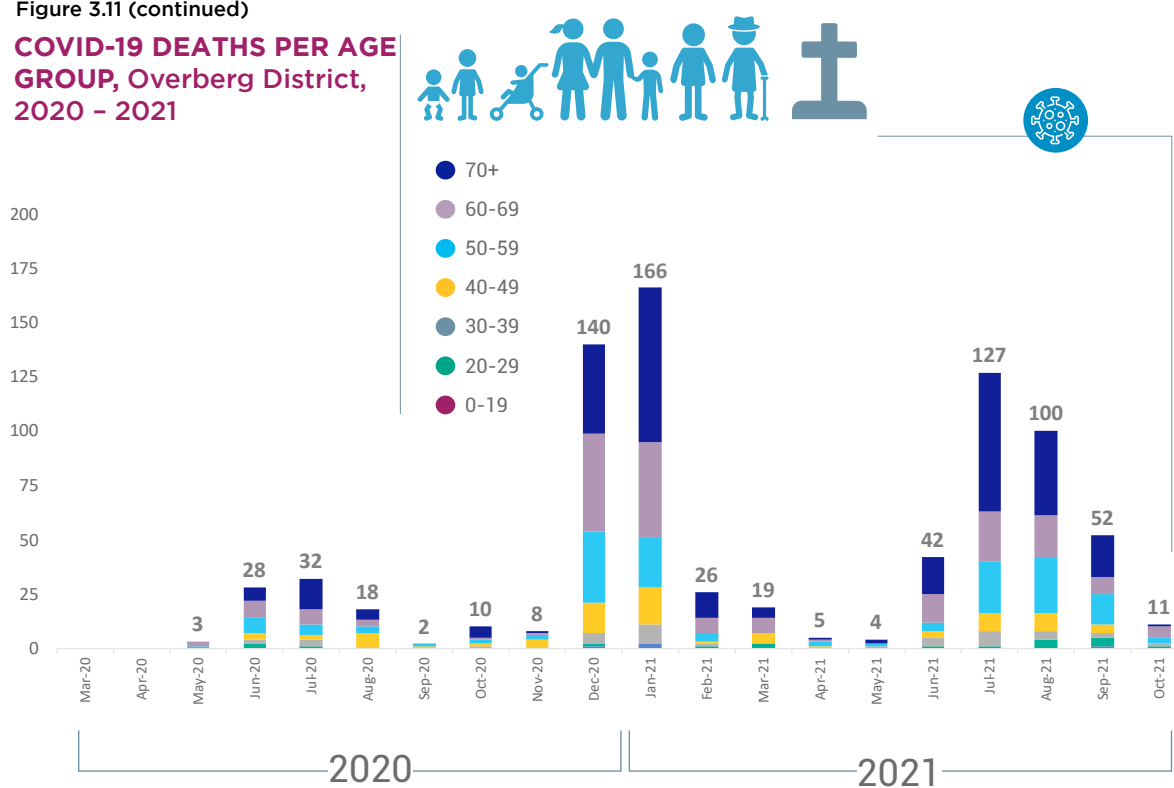
	Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Sep 20	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21
Cases	9	6	254	1 224	1 300	302	197	244	517	5 177	3 028	349	213	149	246	1 938	3 766	4 613	1 335	224
Admissions	3	0	32	130	142	50	28	41	101	560	387	61	54	46	40	217	330	316	112	33
Total deaths	0	0	3	28	32	18	2	10	8	140	166	26	19	5	4	42	127	100	52	11

⁸² Data for COVID-19 cases, admissions and deaths was extracted on 2 November 2021.

The number of COVID-19 cases in the OD experienced a significant increase from eight cases in March 2020 to 256 cases in May 2020. The District experienced its peak of the first wave with 1 300 recorded cases in July 2020, after which the number of cases declined and remained fairly stable for about three months. The second wave of COVID-19 cases is evident for the period between November 2020 and January 2021. The District reached a peak of 5 177 cases in December 2020. At the height of the third wave, the number of cases reached 4 613 in August 2021. The highest recorded admissions were also seen during the peak of the second wave, with 560 admissions in December 2020. The highest recorded number of deaths followed the peak of the second wave, with 166 recorded deaths in January 2021.

Older persons had a higher incidence of death, with people older than 70 making up 43.8 per cent, 42.8 per cent and 50.4 per cent of deaths during the peak periods of July 2020, January 2021 and July 2021 respectively.

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



Source: Western Cape Department of Health, 2021




By mid-August 2021, 78.4 per cent of persons older than 60 had received at least one vaccine dose in the OD, while 30.7 per cent of persons between the ages of 50 and 59, and 12.6 per cent of persons between the ages of 35 and 49, had received at least one vaccine dose. Vaccine rates in the OD for those younger than 60 were lower than those of the Province, where 39.4 per cent of people between the ages of 50 and 59 had received at least one vaccine dose and 18.7 per cent of people between the ages of 35 and 49 had received at least one dose by mid-August.

4.3.3.2 Mortality

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

Table 4.2

TOP 10 NATURAL CAUSES OF DEATH, Overberg District, 2018



Rank	Overberg District		Western Cape	
	Cause of death	%	Cause of death	%
1	Cerebrovascular diseases	7.4%	Diabetes mellitus	7.6%
2	Ischaemic heart disease	7.2%	Ischaemic heart disease	6.1%
3	Diabetes mellitus	7.0%	Cerebrovascular diseases	5.9%
4	Malignant neoplasms of respiratory and intrathoracic organs	6.3%	HIV	5.7%
5	Chronic lower respiratory diseases	6.1%	Chronic lower respiratory diseases	5.1%
6	HIV	5.4%	TB	4.9%
7	Malignant neoplasms of digestive organs	5.2%	Malignant neoplasms of digestive organs	4.5%
8	Hypertensive diseases	3.7%	Malignant neoplasms of respiratory and intrathoracic organs	4.5%
9	TB	3.6%	Hypertensive diseases	3.8%
10	Other forms of heart disease	3.3%	Other forms of heart disease	3.3%
Other natural		34.0%		35.6%
Non-natural		10.8%		13.0%

Source: Stats SA, 2021

The main natural cause of death in the OD is cerebrovascular disease, accounting for 7.4 per cent of deaths in the District in 2018. This was closely followed by ischaemic heart disease and diabetes mellitus, which accounted for 7.2 per cent and 7.0 per cent of total deaths respectively in the District. Proportionally more people died from HIV in 2018 (5.4 per cent) compared with 2017 (4.1 per cent). On a Provincial level, diabetes mellitus was the main natural cause of death (7.6 per cent), followed by ischaemic heart disease (6.1 per cent) and cerebrovascular disease (5.9 per cent).

Proportionally fewer people died from non-natural causes in the OD (10.8 per cent) compared with the Province (13.0 per cent). Furthermore, the proportion of people who died from non-natural causes in the OD declined from 12.2 per cent in 2017.



WELLBEING

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

4.3.3.3 HIV/AIDS and TB

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

Table 4.3

TRENDS IN HIV TESTING, TREATMENT AND OUTCOMES, Overberg District, 2017/18 - 2020/21



	2017/18	2018/19	2019/20	2020/21
Known HIV+ (Tested; n)	20 288	20 596	20 066	21 030
Of which: Clients started but no longer on ART	36.4%	47.8%	34.6%	40.7%
Of which: Clients on ART	59.1%	63.7%	54.7%	47.5%
Of which: Clients with confirmed viral suppression	75.4%	73.5%	66.0%	65.9%

Source: Western Cape Department of Health, 2021

The number of people who tested positive for HIV increased from 20 288 in 2017/18 to 21 030 in 2020/21. Despite more people knowing their status in 2020/21, treatment of HIV was likely to have been negatively influenced by the disruptions caused by COVID-19 in 2020/21.

The Joint United Nations Programme on HIV/AIDS (UNAIDS) targeted that by 2020, 90.0 per cent of all people living with HIV would know their status, 90.0 per cent of people diagnosed with HIV would be receiving antiretroviral treatment (ART) and 90.0 per cent of people receiving ART would have viral suppression.⁸³ The number of patients on ART fluctuated during the period under review, but a general decrease from 59.1 per cent in 2017/18 to 47.5 per cent in 2020/21 is evident. Viral suppression is when HIV medicine is used to reduce the viral load in the body in such a way that the immune system can function.⁸⁴ Patients with confirmed viral suppression decreased from 75.4 per cent in 2017/18 to 65.9 per cent in 2020/21. People who started with ART but are no longer on ART fluctuated over the given period but generally experienced an increase, from 36.4 per cent in 2017/18 to 40.7 per cent in 2020/21.

The age group that is most susceptible to infection (those between the ages of 15 and 50) is also the most economically and socially active.⁸⁵ The economic impacts of HIV/AIDS include reduced labour supply, reduced labour productivity, reduced exports and increased imports.⁸⁶ Given the current economic challenges in the OD, increasing ART and viral suppression is essential.

⁸³ (UNAIDS, 2014).

⁸⁴ (Centers for Disease Control and Prevention, 2021).

⁸⁵ (UNAIDS, 2000).

⁸⁶ (Dixon, et al., 2002).

Table 4.4 provides a detailed breakdown of the trends in TB notification and outcomes in the OD between 2018/19 and 2020/21.

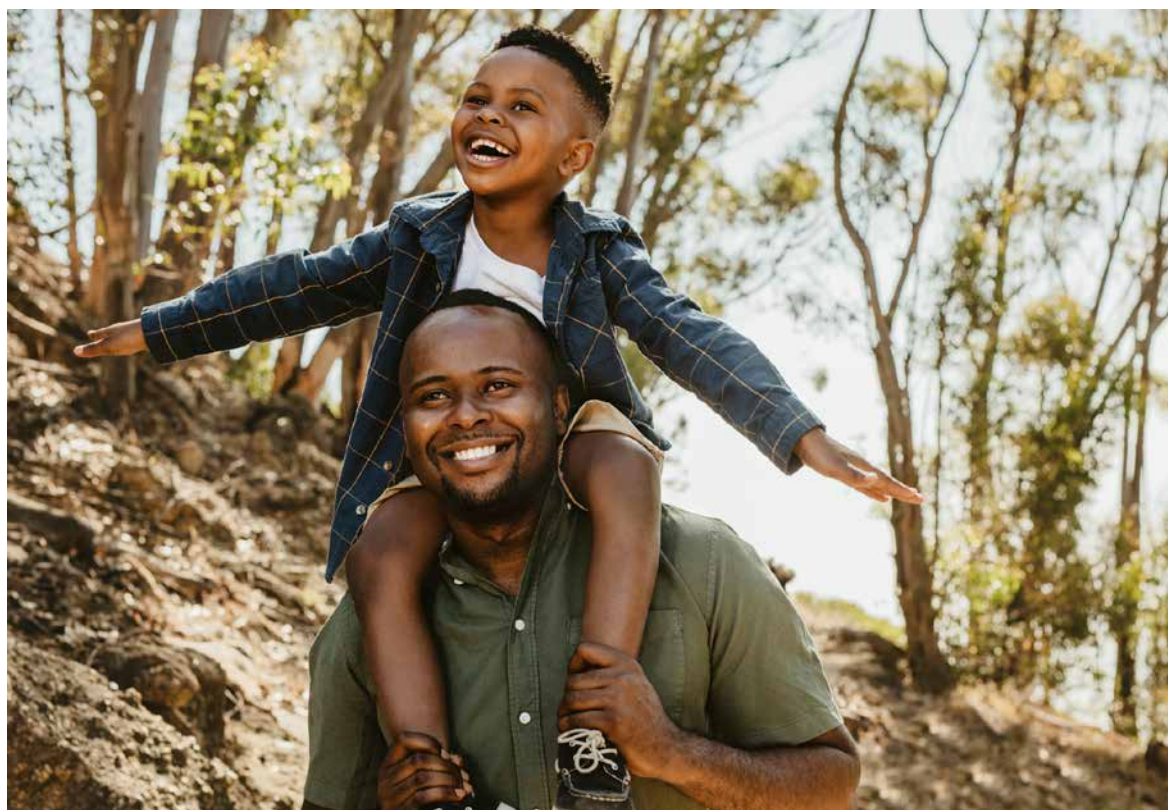
Table 4.4
TRENDS IN TB NOTIFICATION AND OUTCOMES,
Overberg District, 2018/19 – 2020/21



	2018/19	2019/20	2020/21
TB programme success rate	86.3%	87.4%	65.2%
TB clients lost to follow-up	6.8%	9.9%	29.6%
TB clients death rate	2.6%	2.6%	3.1%
TB/HIV co-infected	36.8%	35.7%	36.7%
TB MDR treatment success rate	58.9%	62.2%	67.3%

Source: Western Cape Department of Health, 2021

The COVID-19 pandemic posed extensive challenges to the healthcare system and the TB programme success rate also decreased from 86.3 per cent in 2018/19 to 65.2 per cent in 2020/21. The percentage of TB clients lost to follow-up experienced a significant increase from 6.8 per cent in 2018/19 to 29.6 per cent in 2020/21. The TB client death rate remained stagnant for 2018/19 and 2019/20, but increased from 2.6 per cent in 2018/19 and 2019/20 to 3.1 per cent in 2020/21. The TB/HIV co-infection rate experienced some fluctuations for the period under review, but a general decline is evident from 36.8 per cent in 2018/19 to 36.7 per cent in 2020/21. However, the multidrug-resistant (MDR) treatment success rate increased from 58.9 per cent in 2018/19 to 67.3 per cent in 2020/21.

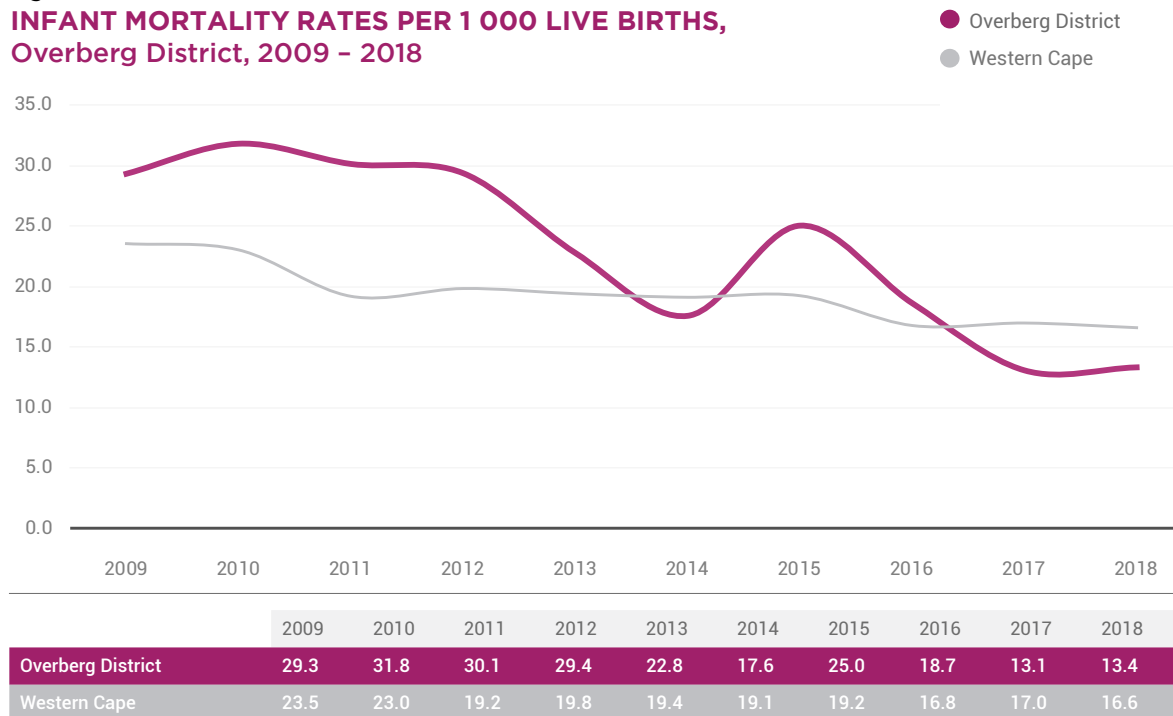


4.3.3.4 Infant, child and maternal health

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

Figure 4.12

INFANT MORTALITY RATES PER 1 000 LIVE BIRTHS, Overberg District, 2009 – 2018



Source: Western Cape Department of Health, 2021

The general trend for the OD shows that infant mortality rates decreased from 29.3 deaths per 1 000 live births in 2009 to 13.4 deaths per 1 000 live births in 2018. Additionally, the infant mortality rate was higher in the OD than the Western Cape for most of the period between 2009 and 2016, after which it dropped to below the infant mortality rate of the Western Cape in 2017 and 2018.

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

Table 4.5

MATERNAL DEATH RATES PER 100 000 LIVE BIRTHS, Overberg District, 2018 – 2020

MUNICIPALITY	2018	2019	2020
Theewaterskloof	139.9	0	51.6
Overstrand	0	0	0
Cape Agulhas	0	0	0
Swellendam	0	0	0
Overberg District	53.6	0	22.1

Source: Western Cape Department of Health, 2021

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

Maternal deaths declined to zero in 2019 from 53.6 deaths per 100 000 live births in 2018, before increasing to 22.1 deaths per 100 000 live births. In all three reference periods, only the Theewaterskloof municipal area recorded any maternal deaths.

4.3.3.5 Teenage pregnancy

Teenage pregnancies can perpetuate the poverty cycle while also resulting in early school drop-out by pregnant teenagers. Teenage pregnancy is influenced by several factors, including lack of knowledge or access to contraceptives, access to healthcare services and other socio-cultural factors. Table 4.6 provides a municipal breakdown of teenage pregnancies in the OD between 2018 and 2020 by indicating the percentage of babies born to mothers aged between 10 and 19 years.

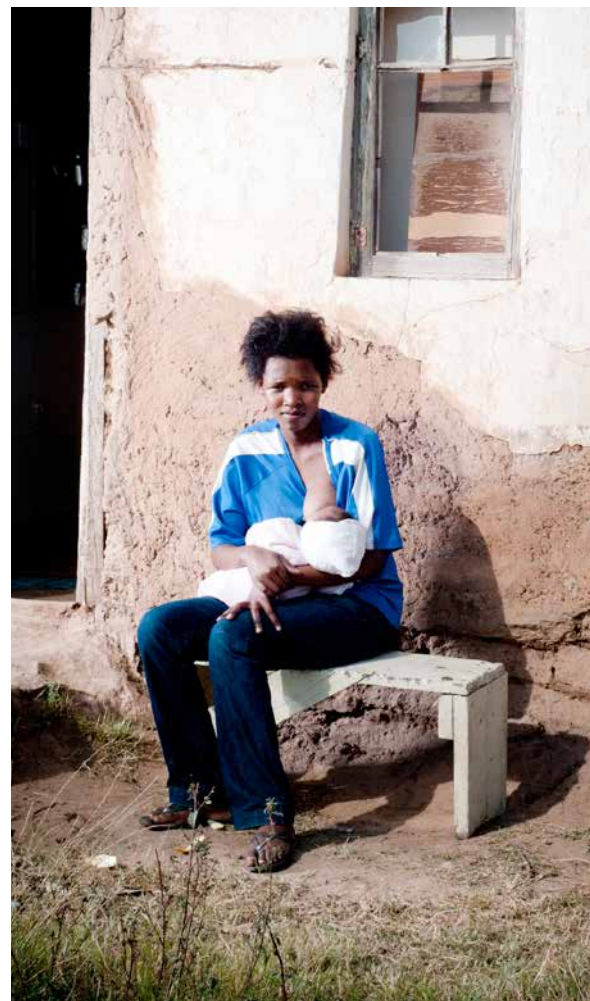
Table 4.6
DELIVERY RATE TO WOMEN 10 - 19 YEARS,
Overberg District, 2018 - 2020

MUNICIPALITY	2018	2019	2020
● Theewaterskloof	16.6%	13.7%	16.5%
● Overstrand	10.7%	11.5%	10.5%
● Cape Agulhas	20.5%	15.0%	12.8%
● Swellendam	16.0%	14.5%	16.8%
Overberg District	14.7%	13.1%	14.0%

Source: Western Cape Department of Health, 2021

The OD experienced a decrease in the delivery rate for women between 10 and 19 years between 2018 (14.7 per cent) and 2019 (13.1 per cent) before it increased again in 2020 (14.0 per cent). The Cape Agulhas municipal area had the highest delivery rates to teenagers compared with other municipal areas in 2018, but experienced the most significant decrease, from 20.5 per cent in 2018 to 12.8 per cent in 2020.

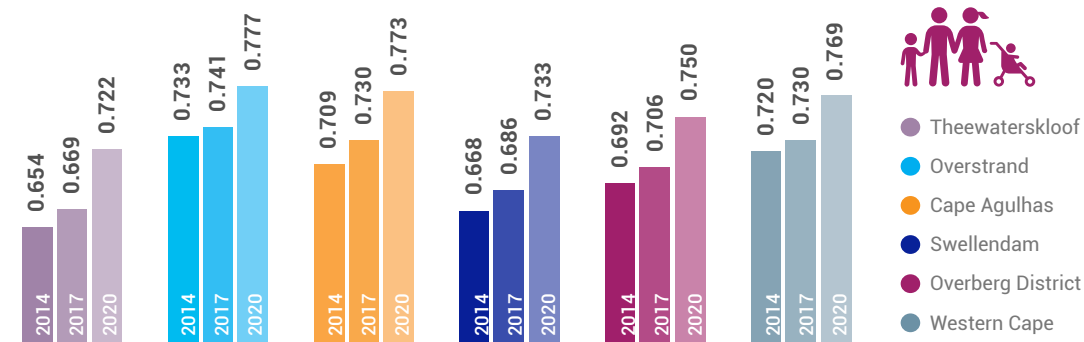
Between 2019 and 2020, the Overstrand municipal area also recorded a decline in the birth rate to teenagers, while the Swellendam and Theewaterskloof municipal areas recorded increases to 16.8 per cent and 16.5 per cent respectively. An increase in delivery rates to teenagers puts additional pressure 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, and is used to assess the relative level of socio-economic development in countries. Economic performance plays an important role in determining the quality of life of citizens; economists expect economic growth to result in improvements in human development, and economic decline to have an adverse effect on human development. Figure 4.13 illustrates changes in the OD's HDI between 2014 and 2020.

Figure 4.13
HDI PER MUNICIPAL AREA, Overberg District, 2014 – 2020



Source: IHS Markit, 2021

The HDI is a measure of people's ability to live a long and healthy life, to communicate, to participate in the community and to have sufficient means to afford a decent standard of living. The HDI is represented by a number between 0 and 1, where 1 indicates a high level of human development and 0 represents no human development.

For the period under review, the OD had a lower HDI compared with the Western Cape. However, the OD experienced an HDI increase from 0.692 in 2014 to 0.750 in 2020. All municipal areas experienced an increase in the HDI. The Overstrand and Cape Agulhas municipal areas had the highest HDI levels in the OD for the period under review, which is in line with the higher levels of income prevalent in these municipal areas.

GLOBAL HDI COMPARISON

According to the United Nations Development Programme (UNDP),⁸⁷ South Africa was ranked 114th in the world with an HDI of 0.709 in 2019, which was lower than the average world HDI of 0.737. However, the HDI in South Africa was still considered to be high and was above the average HDI of developing countries (0.689). Globally, Norway had the highest HDI in 2019 (0.957), while Niger was ranked lowest at 0.394. In 2019, the HDI in the Western Cape (0.757) was also considered high according to the UNDP classification, and was above the world average. The 2019 HDI in the OD (0.737) was considered to be high according to the HDI classification and was on a par with that of Mongolia (0.737).

⁸⁷ (UNDP, 2021).

4.4 HOUSING AND ACCESS TO BASIC SERVICES

Table 4.7 depicts the different types of dwellings for households living in the OD in 2020. 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, 2020



DWELLING TYPE	Overberg District		● Theewaterskloof		● Overstrand		● Cape Agulhas		● Swellendam	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Formal	70 169	79.9%	27 874	78.3%	23 339	77.6%	9 032	83.6%	9 924	87.8%
Informal	14 801	16.9%	6 225	17.5%	5 844	19.4%	1 531	14.2%	1 202	10.6%
Other	2 806	3.2%	1 496	4.2%	893	3.0%	239	2.2%	179	1.6%

Source: Quantec Research, 2021

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

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

In 2020, 79.9 per cent of households in the OD lived in formal dwellings, whereas 16.9 per cent of households lived in informal dwellings. In all municipal areas, most of the households resided in formal dwellings, with the Swellendam municipal area having the largest share of formal dwellings (87.8 per cent). In the Theewaterskloof municipal area, 78.3 per cent of households lived in formal dwellings, whereas in the Overstrand and Cape Agulhas municipal areas, 77.6 per cent and 83.6 per cent of households lived in formal dwellings respectively.

The main towns in the Overstrand and Theewaterskloof municipal areas, such as Hermanus and Grabouw, attract people who are looking for work, which often leads to an increase in informal dwellings owing to the lack of available affordable housing. The job losses that occurred in 2020 as a result of the COVID-19 pandemic have increased the need for housing in some areas of the OD. In the Overstrand municipal area, there has been an increase in informal settlements as well as land invasions between 2020 and 2021.⁸⁸ The Theewaterskloof Municipality also recorded three new informal settlements, while existing settlements have grown.⁸⁹

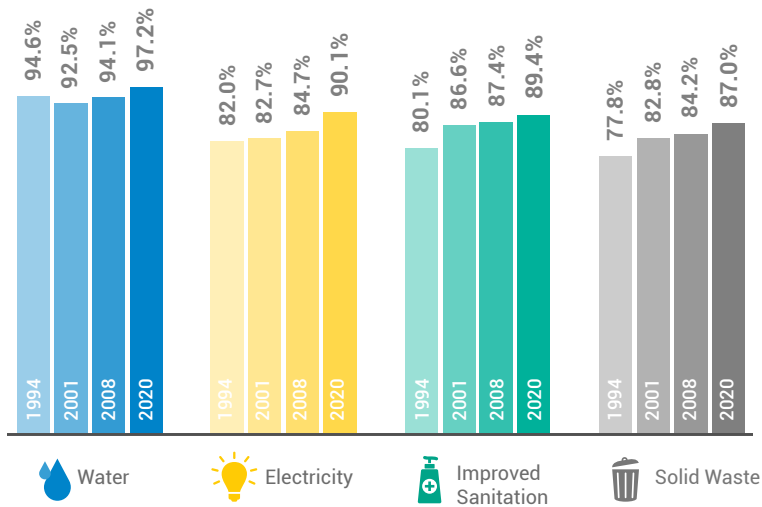
Access to basic services, particularly services such as water and sanitation, can influence the health, safety and wellbeing of communities. Furthermore, by providing basic services to communities, municipalities are creating an enabling environment that will allow for private investment and entrepreneurship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

⁸⁸ (Overstrand Municipality, 2021).

⁸⁹ (Theewaterskloof Municipality, 2021).

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

Figure 4.14
ACCESS TO BASIC SERVICES,
Overberg District, 1994 - 2020



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

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

Access to a basic level of solid waste removal services includes having refuse removed at least once a week by local government, or having access to a communal refuse container or collection point.⁹⁰

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

Generally, access to basic services in the OD has increased since 1994. Access to piped water declined slightly between 1994 (94.6 per cent) and 2001 (92.5 per cent), before increasing to 97.2 per cent in 2020. Access to electricity for lighting, improved sanitation and solid waste services also increased by 8.0 percentage points, 9.4 percentage points and 9.2 percentage points respectively. Access to solid waste removal services often lags other services, as many households reside on farms, which affects the feasibility of municipal collection.



Not only are waste removal services an essential service to communities, they can also be utilised to facilitate additional job creation. For example, the new Hermanus Waste Management facility in the Overstrand municipal area includes a sorting and recycling facility. Through this initiative 40 job opportunities were created.⁹¹ In the Theewaterskloof municipal area, a similar project was undertaken at waste disposal facilities in Riviersonderend and Caledon.⁹²

⁹⁰ (Stats SA, 2017).

⁹¹ (Overstrand Municipality, 2021).

⁹² (Theewaterskloof Municipality, 2021).

INDIGENT HOUSEHOLDS

Table 4.8 provides a municipal breakdown of the number and percentage of indigent households in the OD between 2018 and 2020. The municipalities in the OD used the following cut-off points for households to be classified as indigent households: in Theewaterskloof the cut-off point is R2 160 per month and in the Overstrand Municipality household income may not exceed four times the government pension grant per month (approximately R6 510 per month). In Cape Agulhas, household income may not exceed R4 750 per month, and in Swellendam Municipality household income may not be more than R6 000 per month.

Table 4.8

NUMBER OF INDIGENT HOUSEHOLDS, Overberg District, 2018 – 2020

	2018		2019		2020	
	Number	% of households	Number	% of households	Number	% of households
● Theewaterskloof	4 248	14.2%	6 706	22.1%	5 435	17.7%
● Overstrand	7 385	22.5%	7 630	22.4%	7 595	21.6%
● Cape Agulhas	3 277	32.6%	3 001	29.4%	3 380	32.5%
● Swellendam	1 975	19.7%	2 217	21.8%	1 967	19.0%
Overberg District	16 885	20.4%	19 554	23.1%	18 377	21.2%

Source: Department of Local Government, 2021

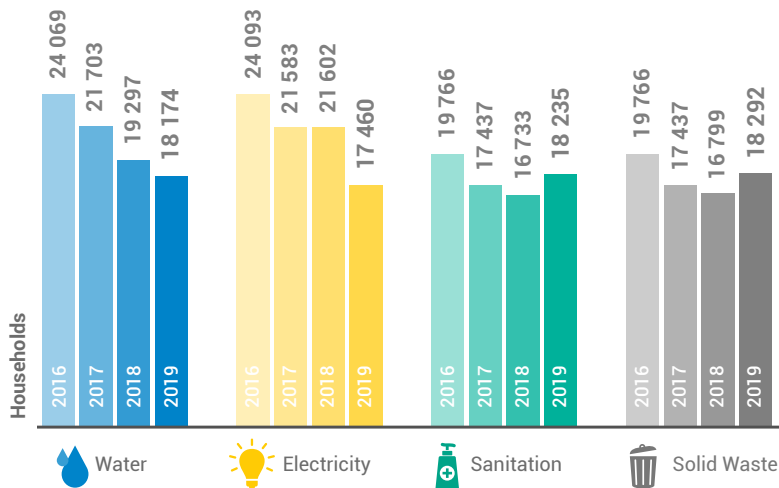
Approximately 21.2 per cent of households in the OD were classified as indigent households in 2020, which is 1.9 percentage points lower than in 2019. Declines in indigent households were recorded in the Theewaterskloof (1 271 households), Overstrand (35 households) and Swellendam (250 households) municipal areas between 2019 and 2020. However, the Cape Agulhas municipal area recorded an increase of 379 indigent households, with indigent households making up 32.5 per cent of households in the municipal area.



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

Figure 4.15

ACCESS TO FREE BASIC SERVICES, Overberg District, 2016 - 2019



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

The extent of free basic services support is determined by the indigent policy of each local municipality. Most municipalities offer free basic water services (up to 6kl) and free electricity up to 50kWh – with some providing partial support for sanitation and solid waste services as well. The provision of free basic services therefore differs according to the type of service, as access levels and policies differ across municipalities.

In the OD, access to free basic water services decreased consistently over the reference period, from 24 069 households in 2016 to 18 174 households in 2019. Access to free electricity also decreased from 24 093 households in 2016 to 17 460 households in 2019. In terms of access to free basic sewerage services, the number of households receiving free services decreased from 19 766 in 2016 to 16 733 in 2018, before increasing to 18 235 in 2019. Free access to solid waste removal services followed a similar trend, declining from 19 766 households in 2016 to 16 799 households in 2018, before increasing to 18 292 households in 2019.

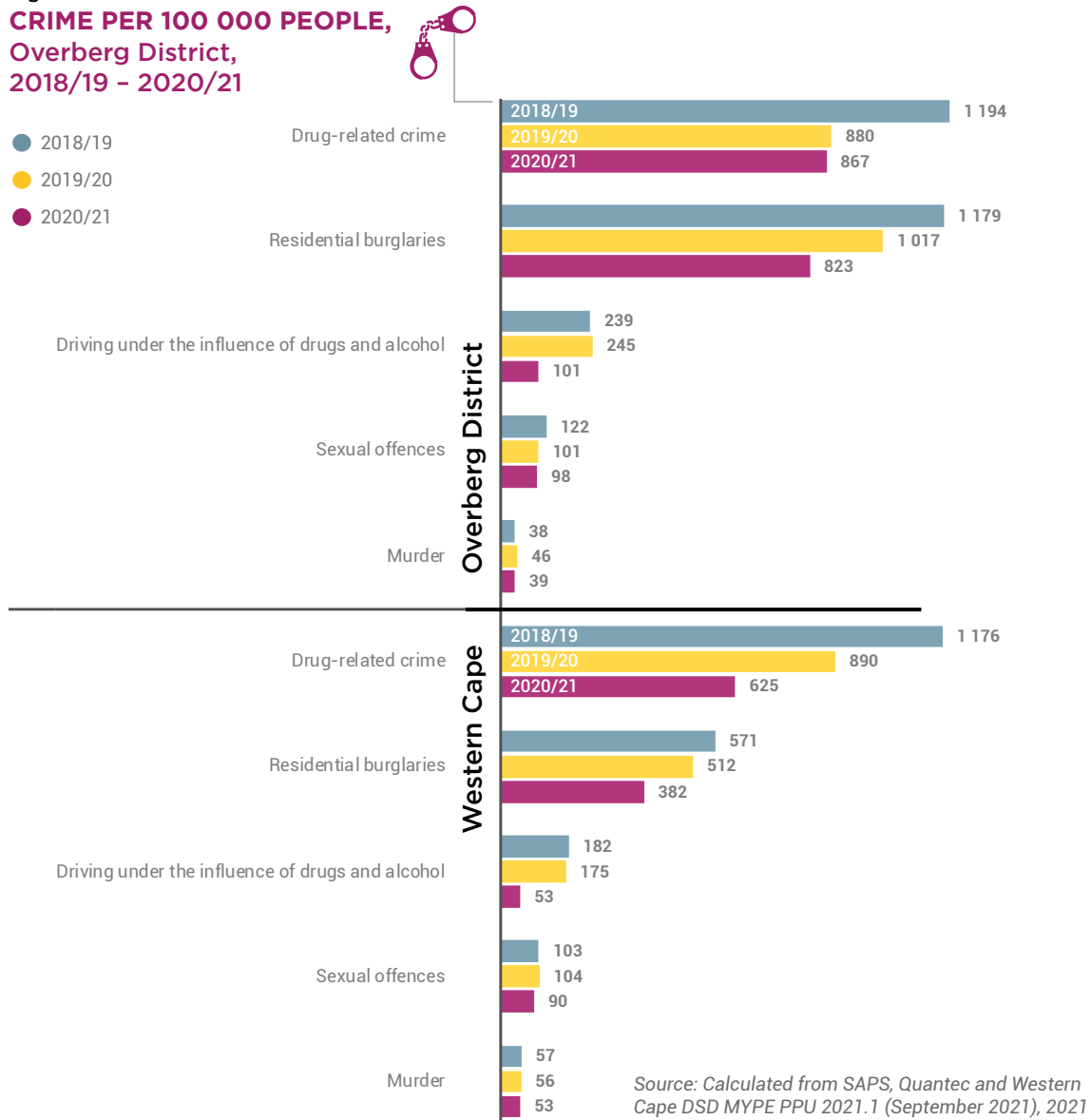


4.5 CRIME

An analysis of a region's crime trends can serve as a proxy for community safety, indicating the potential occurrence and types of criminal activities that are prevalent in the region. Figure 4.16 depicts the incidence of selected crime categories in the OD and Western Cape between 2018/19 and 2020/21.

Figure 4.16

CRIME PER 100 000 PEOPLE, Overberg District, 2018/19 - 2020/21



Between 2018/19 and 2020/21, the crime rate in the categories under review declined in the OD. The lockdown measures implemented to curb the spread of the COVID-19 pandemic most likely reduced crime levels.

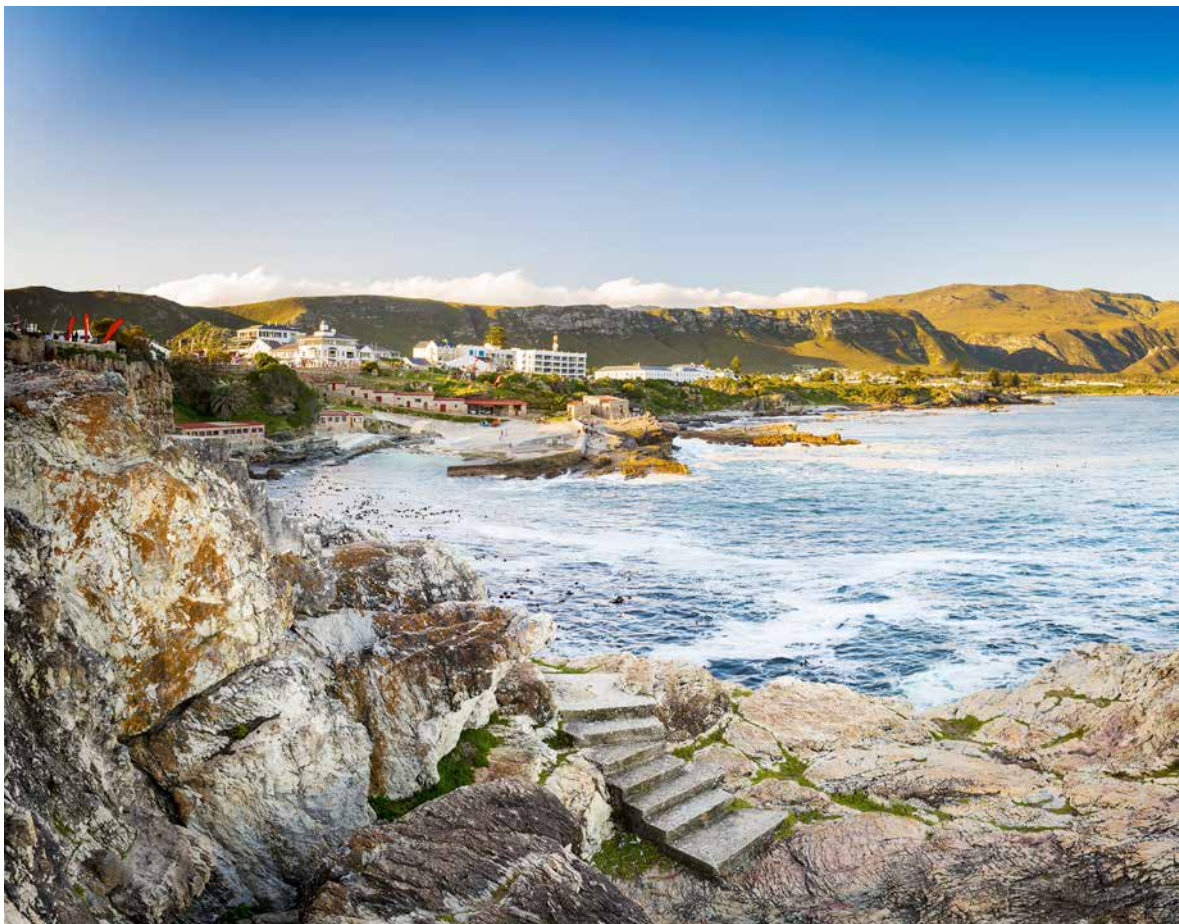
For the crime categories under review, the OD recorded more instances per 100 000 people compared with the Province, except for murder. The murder rate in the OD declined from 46 incidences per 100 000 in 2019/20 to 39 incidences per 100 000 people in 2020/21. In 2020/21, the Overstrand municipal area recorded the highest murder rate, at 52 murders per

100 000 people. The Swellendam municipal area was the only municipal area to record an increase in the murder rate between 2019/20 (25 incidences per 100 000 people) and 2020/21 (42 incidences per 100 000 people).

Drug-related crime experienced the largest decline over the reference period – from 1 194 incidents per 100 000 people in 2018/19 to 867 incidents per 100 000 people in 2020/21. However, the Overstrand (1 053 incidences per 100 000 people) and Cape Agulhas (1 185 incidences per 100 000 people) municipal areas recorded a large number of drug-related crimes in 2020/21. The restrictions in alcohol sales in 2020/21 contributed significantly to the reduction of incidences of driving under the influence of drugs or alcohol. The Theewaterskloof municipal area recorded a substantial decline between 2019/20 (168 incidences per 100 000 people) and 2020/21 (47 incidences per 100 000 people).

Residential burglaries also experienced large declines between 2019/20 and 2020/21. However, many residential burglaries were reported in the Overstrand municipal area (1 211 incidences per 100 000 people) in 2020/21. An increase in poverty as a result of job losses could have contributed to the large number of incidents.

Sexual offences decreased from 122 incidences per 100 000 people in 2018/19 to 98 incidences per 100 000 people in 2020/21. However, between 2019/20 and 2020/21, the Overstrand, Cape Agulhas and Swellendam municipal areas recorded increases in the number of sexual offences.





4.6 CONCLUDING REMARKS

The population of the OD is expected to increase by an average annual rate of 1.5 per cent from 2021 to 2025. All municipal areas are anticipated to have a slower population growth rate compared with that of the District, except for the Overstrand municipal area. The OD is expected to experience an average annual household growth of 2.2 per cent for the period between 2021 and 2025. In terms of age distribution, the largest share of the population is potentially economically active, with the potential to contribute to the economy. The District has a smaller share of young dependants (25.5 per cent), with those older than 65 making up the smallest share of the population.

In 2020, the OD experienced a significant downturn in the GDP per capita (7.0 per cent decline), but this was a smaller contraction compared with the Western Cape's 8.4 per cent decline. The contraction of GDP per capita can mainly be attributed to the COVID-19 pandemic and the associated lockdown restrictions imposed in March 2020. Income inequalities worsened in all municipal areas in the OD between 2014 and 2020. The Gini coefficient in the OD increased from 0.583 in 2014 to 0.629 in 2020.

All municipal areas in the OD experienced increases in the number of learner enrolments, while the average learner-teacher ratio in the OD improved from 30.7 learners per teacher in 2018 to 30.1 learners per teacher in 2020. The OD also experienced an increase in the retention rate from 64.2 per cent in 2018 to 68.9 per cent in 2020. Although the retention rate increased in all the municipal areas from 2018 to 2020, the matric pass rate declined over the same period.

The number of COVID-19 cases in the OD experienced a significant increase from April 2020 to May 2020. The District experienced its peak of the first wave in July 2020, after which it declined and remained fairly stable for about three months. The second wave of COVID-19 cases is evident for the period between November 2020 and January 2021. The District reached an all-time high of 5 177 cases in December 2020 for the period from March 2020 to July 2021. The highest recorded admissions were also seen during the peak of the second wave, with 560 admissions in December 2020. The highest recorded number of deaths followed the peak of the second wave, with 166 recorded deaths in January 2021.

The number of people who tested positive for HIV increased from 20 288 in 2017/18 to 21 030 in 2020/21, whereas patients with confirmed viral suppression decreased from 75.4 per cent in 2017/18 to 65.9 per cent in 2020/21. The TB programme success rate also decreased from 86.3 per cent in 2018/19 to 65.2 per cent in 2020/21. The general trend for the OD shows that infant mortality rates per 1 000 live births decreased between 2009 and 2018, while the OD experienced a decline in maternal death rates per 100 000 live births between 2018 and 2020. The District also experienced a decrease in the delivery rate for women between 10 and 19 years.

The OD had a lower HDI compared with the Western Cape. All municipal areas in the OD experienced an increase in human development between 2014 and 2020. In 2020, 79.9 per cent of households in the OD lived in formal dwellings. Generally, access to basic services in the OD increased between 1994 and 2020. Approximately 21.2 per cent of households in the OD were classified as indigent households in 2020, which is 1.9 percentage points lower than in 2019.

The crime rate for the categories under review in the OD declined between 2019/20 and 2020/21. However, the number of incidences, except for murder, is higher when compared with the Province.



OVERBERG DISTRICT

GROWTH POTENTIAL STUDY 2018



The OVERBERG has the second-highest overall growth potential in the Western Cape. The District has the highest performance across the human capital and physical natural themes. Indicators on education and economically active population are opportunities for growth potential, with indicators on skilled labour still showing a challenge.

PRECONDITIONS FOR GROWTH



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



- Availability and quality of water
- Natural potential



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

INNOVATION POTENTIAL



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



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



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

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

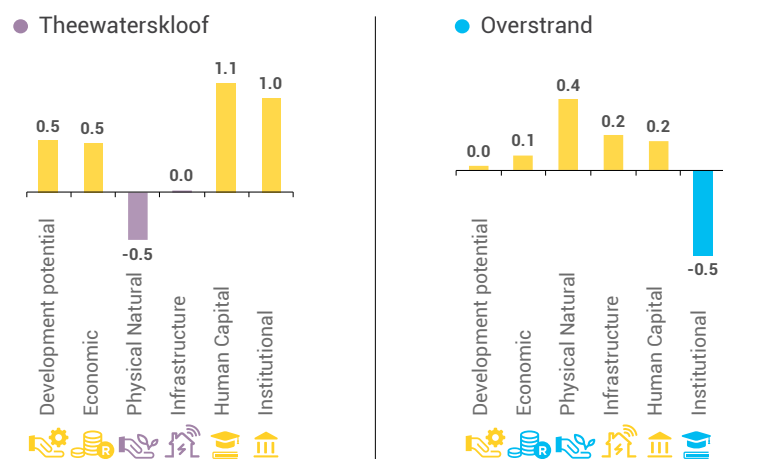
Economic, infrastructure and physical natural composite thematic indices form the basis for modelling growth preconditions, and institutional and human capital composite thematic indices model innovation potential, informed by local, national and international literature, and are the premise for forecasting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

The GPS2018 shows that the Theewaterskloof and Overstrand municipal areas have “very high” growth potential, and Cape Agulhas and Swellendam have “medium” growth potential.

The **THEEWATERSKLOOF** and **OVERSTRAND** municipal areas have both had a change in classification from GPS2013 to GPS2018, up from “high” growth potential. These upward trends are good signs for growth potential in the District.

OVERSTRAND has made gains in all themes except the institutional theme. Better performance in indicators on amenities and social service organisation could further improve the growth potential. **THEEWATERSKLOOF** has made gains in all themes except the physical natural theme. Governance and human resource indicators show opportunities for innovation.

Difference between GPS18 Z-score and GPS13 Z-score⁹³

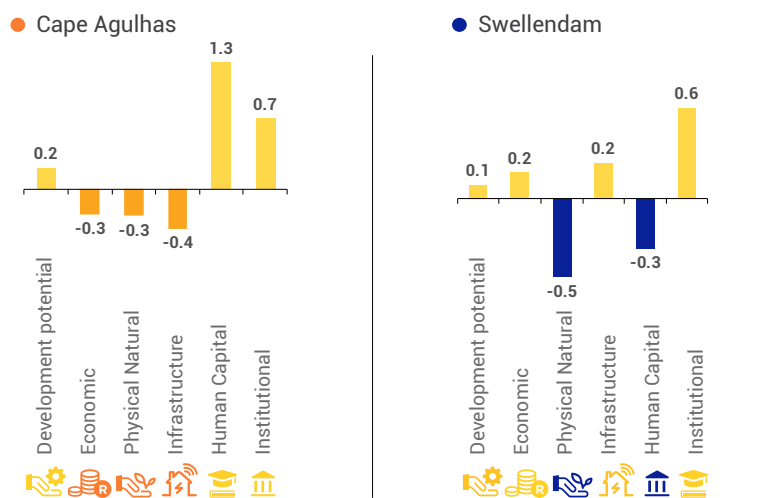


⁹³ The Z-score is a method (statistical test) that can denote the range (gap) between the lowest- and highest-scoring municipalities, i.e. the greater the difference, the greater the gap. It signifies the extent of relative municipal performance. For instance, the further away from zero the indicator 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 AGULHAS has had gains in the human capital and institutional themes, owing to strong performance in indicators on education and human development. Regression is seen in the economic and infrastructure themes, with the indicators on state of infrastructure showing challenges.

SWELLENDAM has had steady performance in GPS2013 and GPS18. Gains are seen in the institutional, economic and infrastructure themes, and regression in the physical natural and human capital themes. Indicators on education and labour force show opportunities to improve growth potential in future.

Difference between GPS18 Z-score and GPS13 Z-score⁹⁴



⁹⁴ 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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