

2022/23

Provincial **E**conomic **R**evue & **O**utlook



Western Cape
Government
FOR YOU

**Western Cape Government
Provincial Treasury**

**Provincial Economic Review and
Outlook
2022/23**

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



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Foreword

It is evident that inflation has become a central global and national concern where it reached its highest level in five years and broke through the upper-level target range. While the Western Cape economy is showing some promising signs of recovery, rising policy interest rates, a less optimistic global growth outlook and local challenges in loadshedding and high unemployment, requires strong policy direction to enable sustainable and resilient growth.

The 2022/23 Provincial Economic Review and Outlook (PERO), provides a review on the current state of the global, National and Provincial economies and reflects on the effectiveness of existing government policies. The evidence based and data-led document provides insight into the latest economic and socio-economic trends and outlook that will impact on policy, planning and budgeting in the Western Cape.

I wish to extend a sincere word of appreciation to the dedicated research team in the Provincial Treasury, the officials from other provincial government departments and our private research partners in compiling another world class document.

A handwritten signature in black ink, appearing to read 'Mireille Wenger', with a stylized, cursive script.

Ms Mireille Wenger

Minister of Finance and Economic Opportunities

20 September 2022

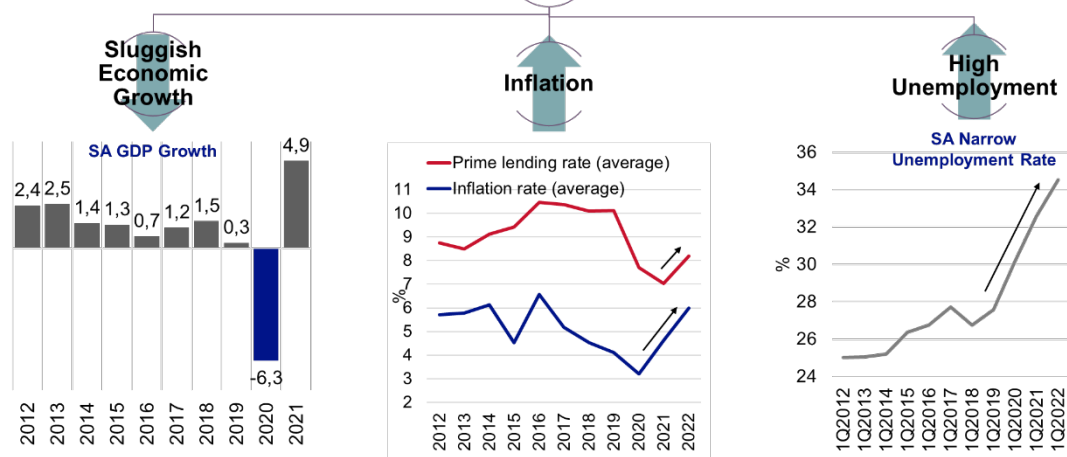
Data Disclaimer

The data provided in this publication is provided in good faith, and every reasonable effort has been made to ensure that it is correct and up to date. The publication made use of the most recent published economic data utilising sources such as the South African Reserve Bank (SARB) and Statistics SA. Published economic data on a Provincial level is only available as estimates up to 2021 on an annual basis.

SUMMARY INFOGRAPHICS

SOUTH AFRICA

STAGFLATION

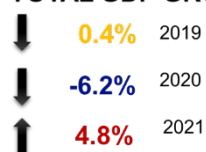


WC LABOUR FORCE

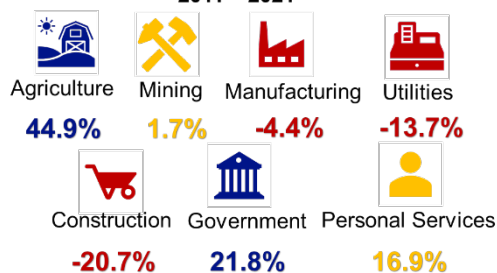


WC GROSS DOMESTIC PRODUCT

TOTAL GDP GROWTH

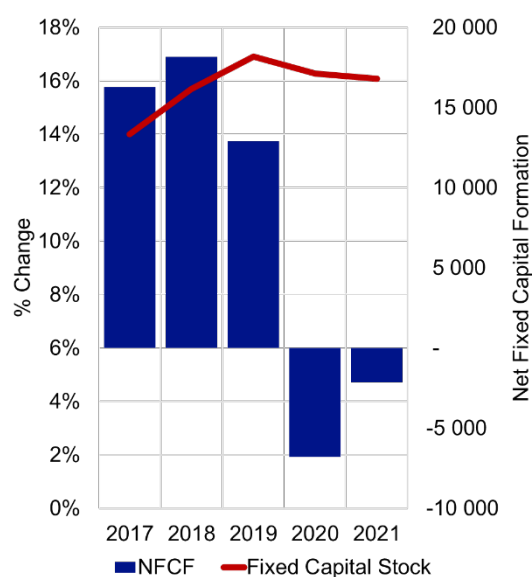


WC GDP SECTOR CUMULATIVE GROWTH 2011 – 2021

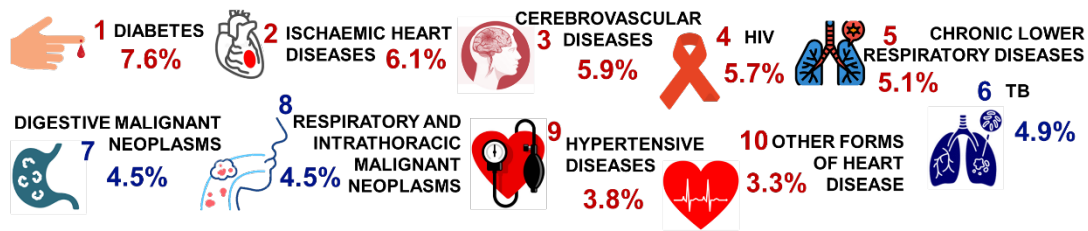


The Agriculture sector significantly outperformed other sectors in the Province.

FIXED INVESTMENT



WC CAUSES OF DEATH



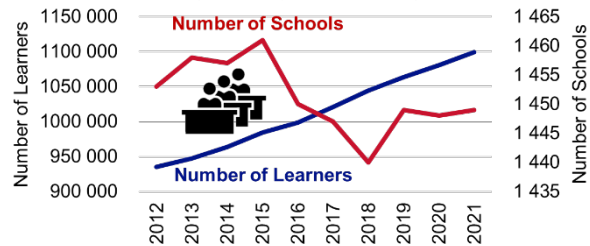
Most of the top causes of mortality in the Province is lifestyle-related.

WC EDUCATION

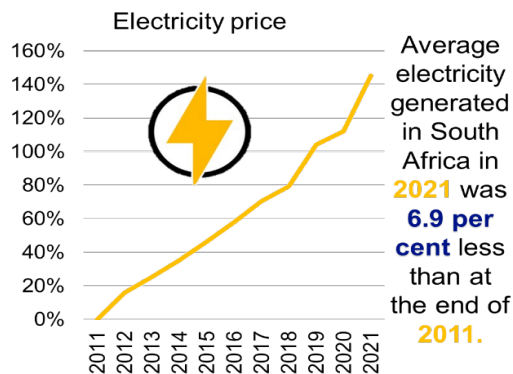
UNEMPLOYMENT RATE PER EDUCATION COHORT



NUMBER OF SCHOOLS COMPARED TO THE NUMBER OF LEARNERS

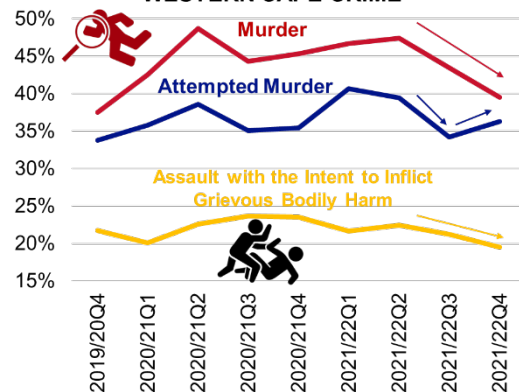


ELECTRICITY



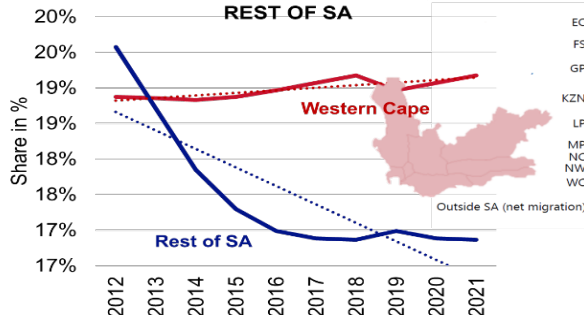
CRIME

SHARE OF HOTSPOT AREA TO WESTERN CAPE CRIME

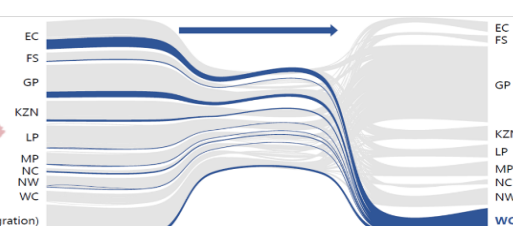


POPULATION AND HOUSING

SHARE OF INFORMAL AND TRADITIONAL DWELLINGS TO TOTAL DWELLINGS, WC AND REST OF SA



WC MIGRATION



WC POPULATION

7.2 MILLION
11.9% of the national population

Executive Summary

The 2022/23 PERO underscores the openness of the National and Western Cape economies to global economic and financial turmoil and the synchrony of global inflation and policy interest rate movements. South Africa and the Western Cape have entered a period of stagflation, where sluggish economic growth is accompanied by high unemployment and inflation. The current global and national economic conditions are likely to worsen unemployment, inequality, poverty and many socio-economic development indicators in the Province.

The Western Cape is in an unemployment crisis, with a narrow unemployment rate of 27.5 per cent in the second quarter of 2022. The declining labour force participation rate indicates a working population that is losing hope and is less willing to actively seek employment opportunities. Growing unemployment levels will exacerbate the long-term trend of rising income inequality in the Western Cape. By the second quarter of 2022, employment levels were still 6.3 per cent lower than before the pandemic.

In the context of a relatively slow economic performance over the last decade, the Agriculture sector significantly outperformed other sectors in the Province. The inspiring performance of this export driven Sector provides hope and possibly some future policy insights that could be applied to the rest of the economy.

A key element in a growing economy is improved productivity levels. Productivity levels tend to improve with the introduction of additional buildings, machines, equipment and technology (fixed investment) to the economy. Evidence in the PERO shows that South Africa and the Western Cape are currently not making significant progress in attracting additional fixed investment. A substantial increase in Greenfield investments is required to solve excessive unemployment. The unemployment crisis is therefore essentially a fixed investment crisis. Sustainable employment opportunities can only materialise when the Province significantly accelerates the rate and quantum of fixed investments.

The role of education in reducing unemployment levels should be viewed with caution. Data reveals that unemployment rates are lower for the higher educated, meaning that education offers a competitive advantage to the higher educated in finding employment. However, an improvement in education levels did not lead to lower unemployment levels over the last five years. Furthermore, unemployment disparities persist among age and population cohorts after adjusting for education levels. PERO data points to unequal education attainment between and within population groups. In this regard, the Wellbeing priority area of the Recovery Plan includes programmes to support early childhood development and food nutrition. These programmes will play a key role to support a more equal educational attainment.

Unreliable and increasingly expensive electricity supply diminishes competitiveness and lowers productivity levels. The challenges of Eskom hold an important lesson to all spheres of government, in that efficiency matters. Above inflationary increases of government services accompanied by a lack of appropriate service delivery reduces productivity, lowers competitiveness and prevents fixed investments necessary to transform the economy to its full potential. In a fiscally constrained environment, government will be forced to focus more on improved efficiencies (or “do more with less”).

The Western Cape Government's greatest levers of influence over the regional economy lies undoubtedly in its health, education and infrastructure mandates. The steady increase in learner numbers, accompanied by fewer schools and higher learner-teacher ratio's will require renewed focus on infrastructure investments and supplying sufficient human resources to the education sector. New models of service delivery, that involves increased private sector participation, improved choice of education (access to private education) and incentives to improve education outcomes will need to be explored.

Most of the top causes of mortality in the Province are lifestyle-related and therefore preventable. A shift in the health policy focus from treatment to prevention could lead to substantial budgetary gains as well as increased levels of wellbeing. Incentives to promote healthy lifestyles, could possibly reduce the burden on the healthcare system.

The relatively large net population in-migration to the Western Cape and growth in the share of informal and traditional dwellings will require an adequate scale of affordable land production and a broadening of housing markets. The linkage of informal settlement labour to large scale infrastructure projects at relatively close proximity could offer a valuable link between the provision of social infrastructure and employment opportunities.

The Safety Plan is relying on an evidence-informed, data-led and areas specific approach to make an impact on the ground. The data shows that increased policing in hotspot crime areas made relative gains to the rest of the Western Cape for Murder, Attempted Murder and Assault with the intent to inflict grievous bodily harm when measured by average crime levels of nine quarters pre and post LEAP implementation. Focusing on prevention programmes, in addition to the LEAP intervention, such as cultural, sport and community projects will likely lead to improvement in crime levels.

National Government in conjunction with the South African Reserve Bank and large state-owned entities hold the most important levers to meaningfully support the economy through changes in taxes, legislation, interest rates, and issuing debt securities to stabilise or increase government spending. The Western Cape Government's core mandate is overwhelmingly focused on social services, with more than 80 per cent of its budget allocated to the provision of services such as health, education and human settlements. Without a substantial increase in allocations from National Government, the Western Cape Government's policy options are limited to prioritising between existing projects.

However, through reprioritisation toward infrastructure investments, the Western Cape can meet the increasing demand for social services, while simultaneously providing employment opportunities in a struggling Construction sector. Infrastructure investment is a means by which the Western Cape can recover from recent Fixed Capital Stock losses; an important element to fixed investments and sustainable employment growth; and could offer private sector partnership opportunities with potential efficiency gains. Adopting the appropriate delivery model will be key in the efficient roll-out of infrastructure projects. The role of a more focused Department of Infrastructure, that will be established in 2023/24, will be pivotal in this regard.

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Acronyms

AfCTA	African Continental Free Trade Area
ANC	African National Congress
API	Active Pharmaceutical Ingredients
ART	Antiretroviral therapy
ASEZ	Atlantis Special Economic Zone
AVAT	African Vaccine Acquisition Trust
BCI	Business Confidence Index
BER	Bureau for Economic Research
BPO	Business Process Outsourcing
COVID-19	Coronavirus Disease 2019
CPI	Consumer Price Index
CSIR	Council for Scientific and Industrial Research
CSP	Community, Social and Personal Services
DEDAT	Department of Economic Development and Tourism
EAP	Economically Active Population
EC	Eastern Cape
ECB	European Central Bank
EU	European Union
EVDS	Electronic Vaccination Data System
EWC	Expropriation Without Compensation
FCS	Fixed Capital Stock
FDI	Foreign Direct Investment
FS	Free State
GDP	Gross Domestic Product
GDPR	Regional Gross Domestic Product
GFI	Greenfield investments
GFCF	Gross Fixed Capital Formation
GHG	Greenhouse Gas
GP	Gauteng Province
GWh	Gigawatt hours
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
ICT	Information Communications Technology

ILO	International Labour Organisation
IMF	International Monetary Fund
IMR	Infant Mortality Rate
IPCC	Intergovernmental Panel on Climate Change
IPP	Independent Power Producers
IT	Information Technology
KZN	KwaZulu-Natal
LE	Life expectancy
LFPR	Labour Force Participation Rate
LP	Limpopo Province
MER	Municipal Energy Resilience
MERO	Municipal Economic Review and Outlook
MP	Mpumalanga Province
MTEF	Medium Term Expenditure Framework
NC	Northern Cape
NATO	North Atlantic Treaty Organisation
NCF	Net Capital Formation
NDMP	National Drug Master Plan
NDP	National Development Plan
NFCF	Net Fixed Capital Formation
NICD	National Institute of Communicable Diseases
NIDS-CRAM	National Income Dynamics Study - Coronavirus Rapid Mobile Survey
NQF	National Qualification Framework
NSC	National Senior Certificate
NW	North West
PERO	Provincial Economic Review and Outlook
PGM	Platinum Group Metals
PPE	Personal Protective Equipment
PPI	Producer Price Index
PPP	Purchasing Power Parity
PSP	Provincial Strategic Plan
PV	Photovoltaic
QLFS	Quarterly Labour Force Survey
RCTA	Revealed comparative trade advantages

REIPPP	Renewable Energy Independent Power Producers Programme
RMB/BER	Rand Merchant Bank/Bureau for Economic Research
SACENDU	South African Community Epidemiology Network on Drug Use
SAPS	South African Police Service
SARB	South African Reserve Bank
SARS	South African Revenue Services
SEZ	Special Economic Zone
SSEG	Small-Scale Embedded Generation
Stats SA	Statistics South Africa
TB	Tuberculosis
TERS	Temporary Employer/Employee Relief Scheme
TFDS	Total Foreign Direct Spend
TFR	Total Fertility Rate
UK	United Kingdom
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNDP	United Nations Development Programme
UNEP	United Nations Environmental Programme
US	United States
WC	Western Cape
WCG	Western Cape Government
WHO	World Health Organization



THE GLOBAL AND NATIONAL ECONOMY

ECONOMIC CONTEXT

1.1 Introduction

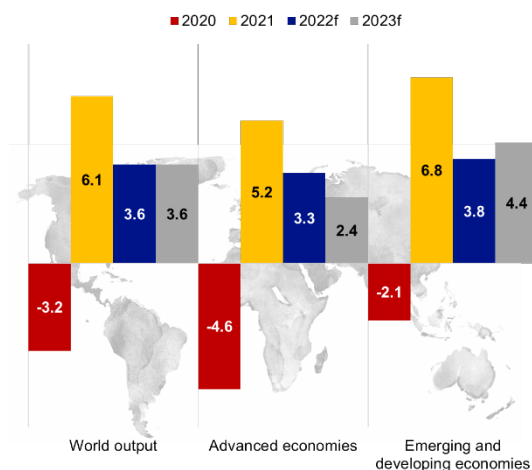
The global economy has seen a period of rising inflation accompanied by rising interest rates. This chapter focuses on the root cause of the current rising global inflation and the economic outlook of strategically significant national economies. In an interlinked globalised world, the latest trends in inflation, policy interest rates and economic prospects are increasingly synchronised. Policy and geopolitical developments in key national economies has a profound impact on the economic prospects of South Africa and the Western Cape, due to its level of openness and global linkages.

The South African economy contracted in the second quarter of 2022 following two consecutive quarterly expansions and a contraction in the third quarter of 2021 due to, among other factors, civil unrest and the cyberattack on Transnet. In the second quarter of 2022, South African real GDP was slightly lower than before the COVID-19 pandemic with employment levels significantly lagging.

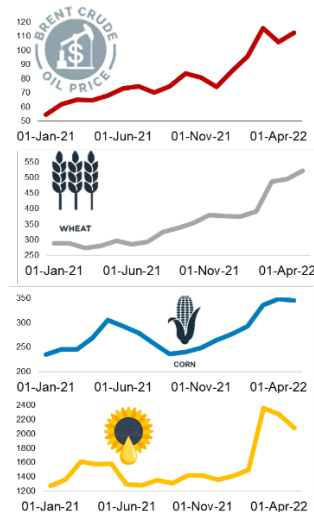
Inflation has become a central concern, including in South Africa, where inflation reached its highest level in five years and broke through the upper-level target range.

GLOBAL AND NATIONAL ECONOMIES

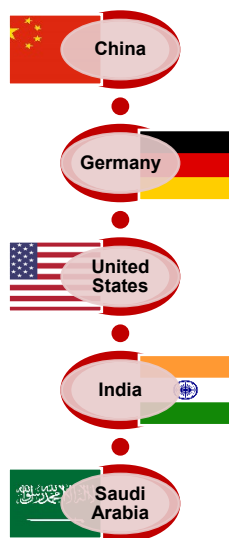
GLOBAL OUTLOOK



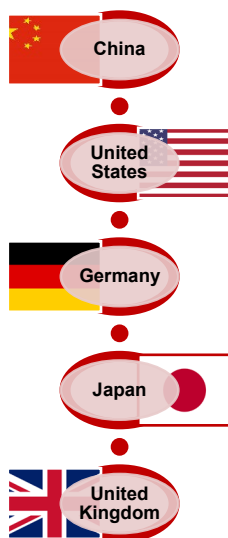
GLOBAL COMMODITY PRICES



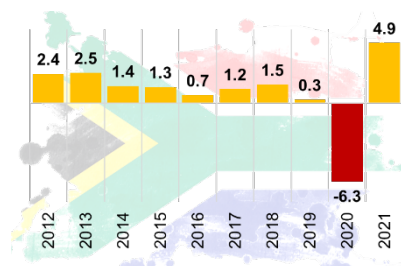
TOP IMPORTS



TOP EXPORTS



SA GDP GROWTH

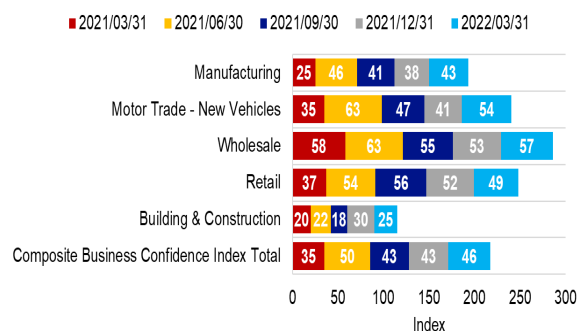


ELECTRICITY

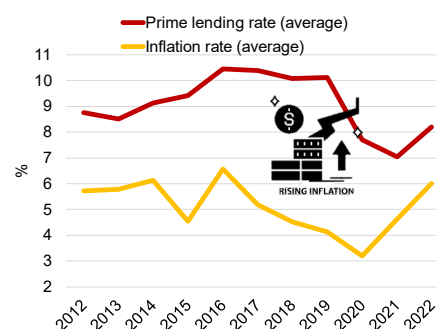


Average electricity generated in South Africa in **2021** was **6.9 per cent** less than at the end of **2011**

BUSINESS CONFIDENCE INDEX



INFLATION

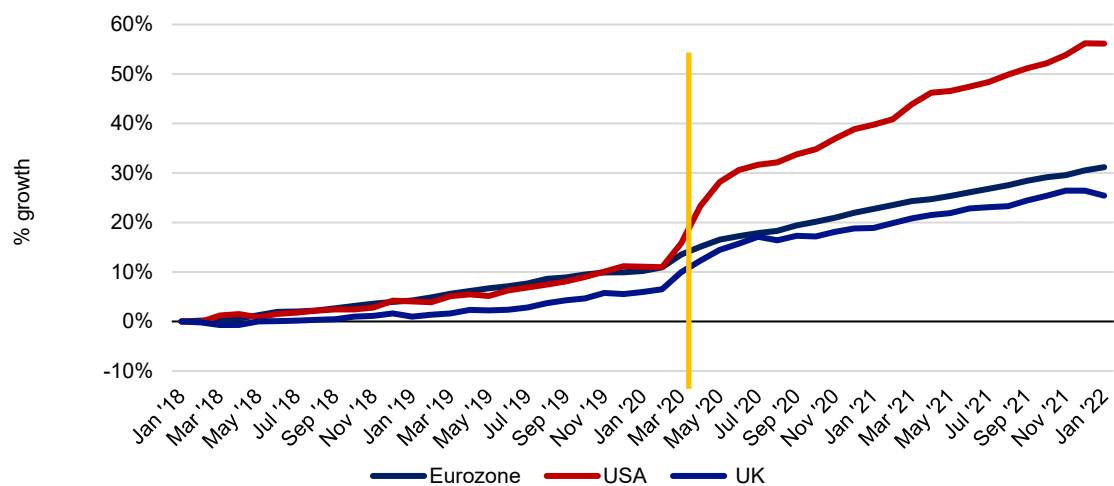


1.2 Global economic developments

1.2.1 Global inflation outlook

The world economy is confronted by high and rising inflation caused by a series of destabilising events. COVID-19 lockdown measures had a devastating impact on the global economy. In response, governments, most notably in advanced economies, provided significant fiscal stimulus packages. The fiscal stimulus packages were often financed through quantitative easing, an expansionary monetary policy where central banks create additional money supply to purchase debt instruments from governments and large corporations.

Figure 1.1 Cumulative M2 money supply growth for the Eurozone, United States and the United Kingdom, January 2018 - January 2022



Source: Economic Intelligence Unit, International Monetary Fund

Between March and November 2020, the Federal Reserve Bank expanded money supply by USD 700 billion, the Bank of England by GBP 895 billion and the European Central Bank by EU 750 billion leading to these countries experiencing substantial growth in money supply¹ (M2), (see Figure 1.1). Between March 2020 and January 2022 money supply increased in the United States by 40.7 per cent, in the United Kingdom by 17.8 per cent and in the Eurozone by 18.2 per cent. The expansion in money supply was markedly lower than the previous 23-month period when M2 money supply in the United States rose by 9.3 per cent, United Kingdom M2 rose by 7.3 per cent and Eurozone M2 rose by 10.3 per cent.

In addition to expansionary monetary policy, most governments adopted significant fiscal support packages. By May 2020, the International Monetary Fund (IMF) estimated total global fiscal support at USD 9 trillion. Notable fiscal support packages in April 2020 included the United States (USD 483 billion) and Japan (USD 83 billion). COVID-19 support packages boosted consumer spending in an effort to support the economy.

¹ Refers to M2 money supply. M2 includes all physical currency and deposits in checking accounts, and adds to this the amount of money in savings accounts, certificates of deposit up to USD 100 000 (or their equivalents), and money market accounts.

On the demand side, money supply and fiscal support packages increased the demand for goods and services, while a contraction in overall production and supply chain disruptions from around the globe stemmed the supply of goods. Supply chain disruptions affected semi-conductors and, as a result, the production of cars, computers, microwaves and other electronic equipment. Raw materials such as plastics and metals were also affected.

The implementation of COVID-19 lockdown measures caused rail and port congestion; container bottlenecks; air cargo blockages; labour shortages; factory shutdowns; and raw material shortages, while tighter restrictions on cross-border traffic made international shipping slower and more complicated. Supply chain disruptions were also affected by non-COVID-related factors such as extreme weather events (hurricane Ida; the February deep freeze in Texas; wildfires in California) and the blockage of the Suez Canal after the grounding of a large container ship.

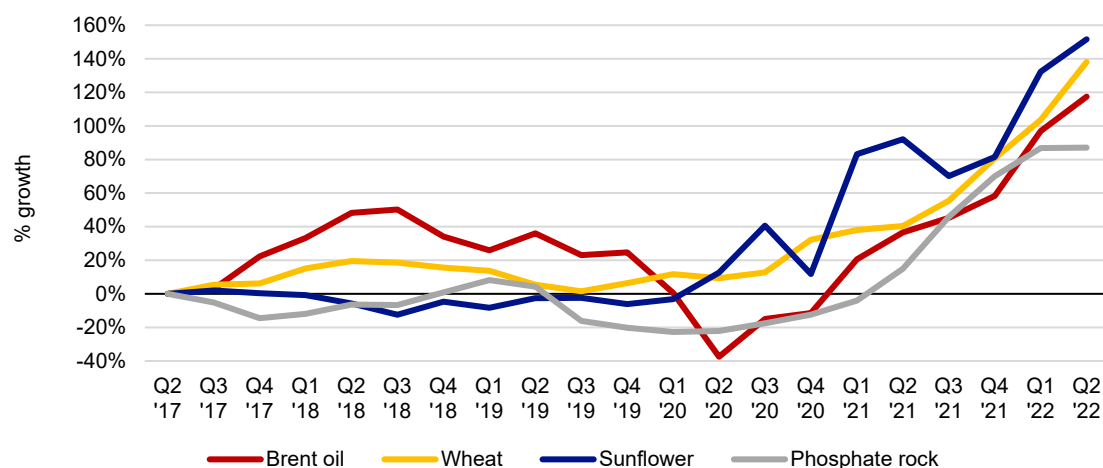
Industry experts forecast that supply chain bottlenecks would dissipate by the end of 2022. However, the war in Ukraine and the resurgence of COVID-19 in China could result in disruptions that continue into 2023.



Russia's invasion of Ukraine is having a major impact on the global economy, mainly through higher commodity prices. In 2020, Russia was among the most prominent exporters of crude oil (11 per cent), sunflower seed oil (29.9 per cent), wheat (13.1 per cent) and fertilisers (15.1 per cent) in the world. The Ukraine is an important exporter of wheat (8.5 per cent) and sunflower oil (54.2 per cent). The conflict will

likely become protracted without an agreed-upon permanent solution within the next three years. As a result, Western sanctions on Russia will remain in place during this period and probably beyond. The rise in commodity prices will further fuel global consumer price inflation.

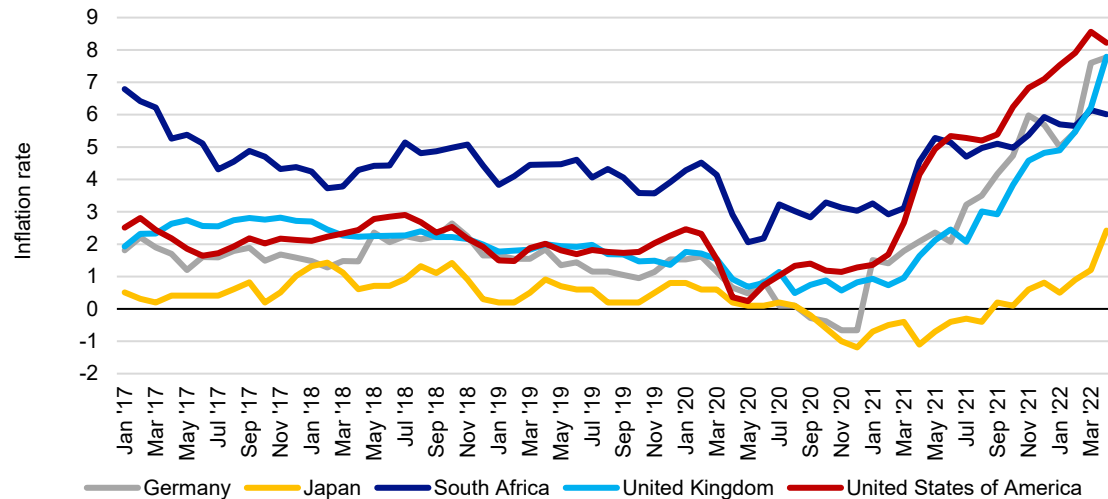
Figure 1.2 Average price trends for Brent crude oil, wheat, sunflower oil, and Phosphate rock, 2017Q2 – 2022Q2



Source: Economic Intelligence Unit

Price movements for Brent crude oil, wheat and sunflower oil and phosphorus rock (fertiliser) commenced an upward growth trend in 2021, prior to the Russian invasion of Ukraine on 24 February 2022. However, the invasion boosted the upward price trend for these commodities. In the second quarter of 2022, the price levels for the selected commodities were at their highest levels for at least the last five years.

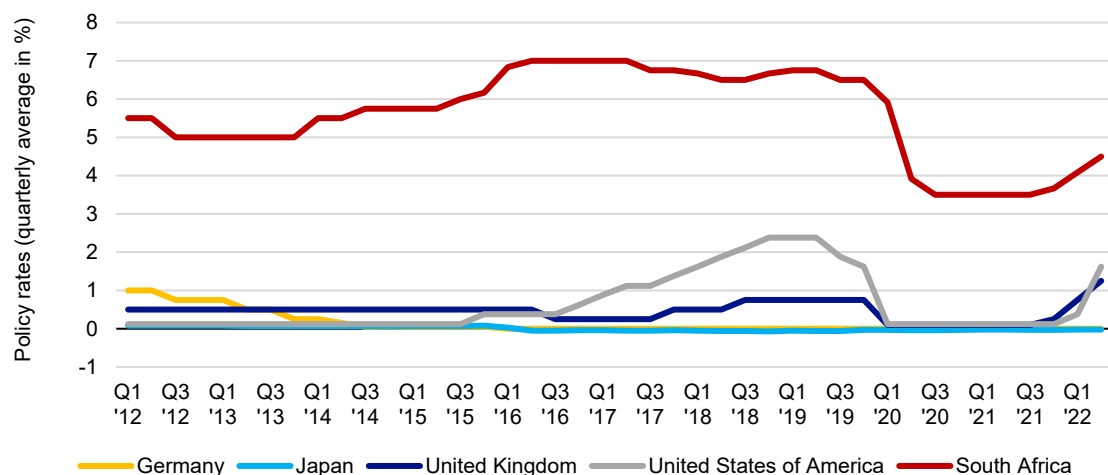
Figure 1.3 Inflation rates for selected countries, January 2017 - March 2022



Source: Economic Intelligence Unit

Inflation in selected countries has moved in a synchronised manner in an upward trend since May 2021. In response, rapid tightening of monetary policy will put downward pressure on asset prices, leading to capital outflows and currency depreciation pressures in mainly emerging market and developing economies. Should inflation in advanced economies turn out to be more persistent or higher than anticipated, central banks may tighten monetary policy faster or over a longer period than currently expected.

Figure 1.4 Policy interest rates of selected countries, 2012Q1 – 2022Q1



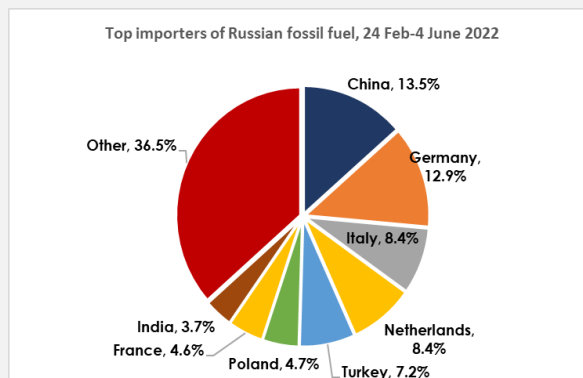
Source: Economic Intelligence Unit

Major economies including the United States, United Kingdom and South Africa have commenced monetary tightening, (see Figure 1.4). By the end July 2022, the European Central Bank raised its policy rate for the first time in 11 years by half a percentage point. Japan's policy interest rates have been negative since the second quarter of 2016. By the end of June 2022, the Governor of the Bank of Japan, announced that the Bank would continue its negative interest rates for the foreseeable future. Tighter monetary policy will negatively impact the economic growth and employment outlook of South Africa and the Western Cape.

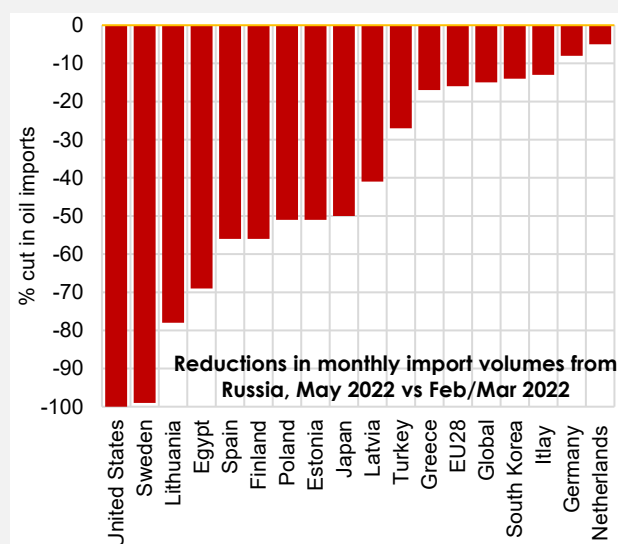


WHO IS STILL BUYING OIL FROM RUSSIA?

In the 100 days since the invasion of Ukraine, oil was by far Russia's most valuable fossil fuel export, accounting for USD 48 billion or roughly half of the total export revenue. Despite looming sanctions and import bans, Russia exported USD 97.7 billion worth of fossil fuels in the first 100 days since its invasion of Ukraine, at an average of USD 977 million per day. Russia accounts for 41 per cent of all natural gas imports to the European Union (EU), and some countries are almost exclusively dependent on Russian gas. The EU bloc accounted for 61 per cent of Russia's fossil fuel export revenue during the 100-day period. Notably, 85 per cent of Russian exported pipeline gas went to the EU.



India, buying 18 per cent of all Russian oil exports during the 100-day period. A significant amount of the oil that goes to India is re-exported as refined products to the US and Europe, which are trying to become independent of Russian imports. Russia is the world's third-largest producer and second-largest exporter of crude oil.



While the EU is phasing out Russian oil, several European countries rely heavily on Russian gas. A full-fledged boycott of Russia's fossil fuels would also hurt the European economy. Therefore, the phase-out will likely be gradual and subject to the changing geopolitical environment. Germany, Italy, and the Netherlands, members of both the EU and NATO, were among the largest importers, with only China surpassing them. China overtook Germany as the largest importer, importing 55 per cent more oil relative to a year ago. The biggest increase in imports came from

On a global scale, monthly fossil fuel import volumes from Russia were down 15 per cent in May 2022, indicating the country's negative political sentiment. Several European countries, including some of the largest importers over the 100-day period, have cut back on Russian fossil fuels. Besides the EU's collective decision to reduce dependence on Russia, some countries have also refused the country's ruble payment scheme, leading to a drop in imports.

The import curtailment is likely to continue. The EU recently adopted a sixth sanction package against Russia, placing a complete ban on all Russian seaborne crude oil products.

The ban, which covers 90 per cent of the EU's oil imports from Russia, will likely realise its full impact after a six-to-eight month period that permits the execution of existing contracts.

Source: Visualcapitalist.com

1.2.2 Global economic performance

After the short-lived impact of the Omicron variant, the path to global economic recovery was interrupted by Russia's invasion of Ukraine. The invasion led to a humanitarian crisis in Eastern Europe, severe sanctions against Russia, and a rapid increase in selected commodity prices such as oil and fertilisers. The imposed sanctions are bound to exacerbate rising global inflation and interest rates further. In addition to the war, China initiated wider-ranging and frequent COVID-19 lockdown measures, which will slow economic activity in China and cause renewed supply chain bottlenecks worldwide. The Russian-Ukraine war has severely set back global economic recovery by 0.4 percentage points from the April 2022 outlook to 3.2 per cent in 2022 and by 0.7 percentage points to 2.9 per cent in 2023.

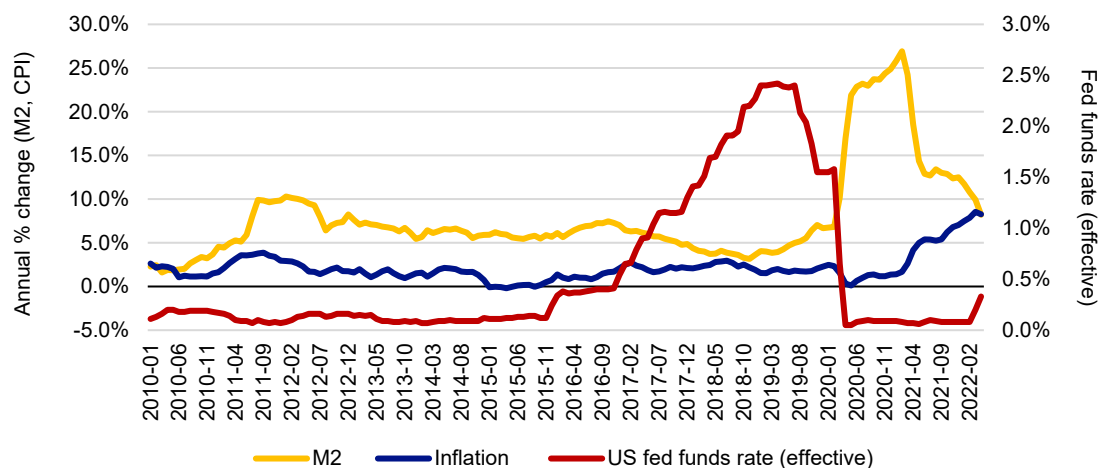
Table 1.1 Most prominent export and tourism partners for the Western Cape with real GDP outlook

	Share of South Africa		Share of Western Cape		GDP growth forecasts		
	Exports (per cent)	Tourism Feb 2022 (per cent)	Exports 2021 (per cent)	Tourism Feb 2022 (per cent)	2021(e) (per cent)	2022 (per cent)	2023 (per cent)
Global Economy	100	100	100	100	6.1	3.2	2.9
Advanced economies	57.8	68.1	48.1	86.6	5.2	2.5	1.4
Emerging market and developing economies	42.2	31.9	52.1	13.4	6.8	3.6	3.9
United States	10.6	7.5	10.2	7.8	5.7	2.3	1
Netherlands	3.4	5.2	8.6	8.3	5	2.9	2
United Kingdom	6.7	19.3	7.5	24	7.4	3.2	0.5
Namibia	2.8	2.1	6.7	2.3	0.9	2.8	3.7
China	11	0.4	6.1	0.1	8.1	3.3	4.6
Germany	8.2	12.7	3.1	22	2.8	1.2	0.8
South Africa					4.9	1.7	0.3
Western Cape					4.8	2.2	0.3

Source: IMF, Quantec, Own calculations

In advanced economies, supply shortages in selected sectors are expected to last until 2023. Supply chain bottlenecks are projected to ease as production responds to higher prices and new capacity becomes operational. A large portion of advanced economies (Europe) are in close geographical proximity to Russia and Ukraine, highly reliant on Russian fossil fuels and impacted by millions of refugees that pose coordination and organisational challenges. Inflation has become a central concern and is projected to remain elevated for much longer than previously forecasted. Fiscal support is set to generally decline in 2022 and 2023 as emergency measures to cushion the impact of the pandemic are gradually diminished. Advanced economies are projected to expand by 2.5 per cent in 2022 and 1.4 per cent in 2023.

Figure 1.5 Money supply (M2), inflation and federal rates of the United States, January 2010 - February 2022



Source: Economic Intelligence Unit



In the United States (US), the non-passage of the USD 1.7 trillion Build-Back Better plan in conjunction with continued supply chain disruptions have depressed the growth prospects of the global economic superpower. To stimulate investment in renewable energy; extend subsidies for health insurance; and reduce the fiscal deficit; the US passed the Inflation Reduction Act of 2022. Growth expectations are further curtailed by the faster than expected withdrawal of monetary support in response to the severe build-up of inflation pressure. The US experienced the highest inflation in forty years mainly due to supply chain constraints, demand pressures from quantitative easing², a rise in commodity prices due to the Russian-Ukraine war and the implementation of stimulus checks³ during the COVID-19 pandemic. The US is expected to grow at 2.3 per cent in 2022 and 1.0 per cent in 2023.



The Russian-Ukraine war continues to weigh heavily on business and consumer sentiment in Germany, with consumer and producer price inflation reaching record highs in April 2022. The bulk of Germany's gas supplies are sourced from Russia. Russian sanctions have led to energy shortages, increased energy prices and, consequently, dampened Germany's economic outlook. Economic growth will moderate this year as Chinese lockdowns may lead to additional supply bottlenecks and could also weaken export demand. Germany's GDP is expected to expand by 1.2 per cent in 2022 and 0.8 per cent in 2023.



The United Kingdom's (UK) recovery is losing steam, brought about by a decline in disposable income, rising inflation and geopolitical tensions. Economic activity was hit by disruptions in energy and labour supply and the implementation of Omicron restrictions. Inflationary effects of the war in Ukraine and lockdowns in China have added to existing price pressures, affecting both consumer confidence and economic activity. Although accumulated savings

² The Federal Reserve Bank announced on 15 March 2020 that they would purchase USD 700 billion worth of government debt bonds and mortgage-backed securities from domestic financial institutions over the coming months, which is a policy known as quantitative easing (QE).

³ Between 2020 and 2021 total payments to individuals amounted to USD 391 billion whilst businesses were offered USD 780 billion during two rounds of a payment protection programme.

provided for demand support, consumer spending power will be further squeezed by tax increases and record-high inflation. In April 2022, the UK recorded a 54 per cent rise in household energy bills. The UK's growth expectation of 3.2 per cent in 2022 is artificially inflated due to the previous year's low base and is expected to slow down to 0.5 per cent in 2023.



The Netherlands entered the new year with increased uncertainty and evaporating economic growth on the back of falling household consumption and waning investment growth. Economic developments in the second quarter of 2022 were mixed, with rising business confidence and improved manufacturing operating conditions juxtaposed by deteriorating consumer sentiment in April and May and double-digit inflation during April 2022. Household spending is expected to remain constrained despite a further tightening of the labour market. As with most economies in Europe, economic growth in the Netherlands is expected to lose steam in 2022 due to the impact of the Ukraine invasion, inflation and supply chain restrictions. COVID-19 lockdowns in China will put additional stress on supply chains and undermine export demand. The Netherlands economy is projected to expand by 2.9 per cent in 2022 and 2.0 per cent in 2023.

In emerging market and developing economies, the Ukraine invasion has increased capital outflows, tightening financial conditions for both vulnerable borrowers and net importers of commodities, thereby weakening the local currencies of the most exposed countries. Russia's invasion placed emerging markets' debt in the crosshairs of a crisis, causing the asset class to suffer one of its worst drawdowns in recent history. Several countries with the same structural weaknesses as Sri Lanka stand out. Structural weaknesses include difficulty in collecting taxes, large portions of foreign denominated debt and limited foreign exchange reserves. A continued tightening of monetary policy will place a wider range of emerging market economies under economic pressure, with rising food and fuel prices that could significantly increase the risk of social unrest. Despite these factors, emerging market and developing economies are projected to expand by 3.6 per cent in 2022 and 3.9 per cent in 2023.



China's growth prospects are mainly constrained by COVID-19 lockdowns⁴ in numerous cities, a crackdown on private technology companies, reduced export demand and subdued real estate investments. The technology clampdown was attributable to large fines levied on companies such as Alibaba and Meituan to reign in monopolistic behaviour. Chinese real estate investments are hampered by cash flow, debt servicing problems, and a subsequent tighter stance toward highly leveraged property developers. Contrary to the global trend of tighter monetary policy, China is the exception where inflation remains low, and its central bank cut policy rates in January 2022 to support the recovery. The Chinese economy is expected to expand by 3.3 per cent in 2022 and 4.6 per cent in 2023.

⁴ Shanghai's two-month lockdown ended on 30 May 2022.



Namibia recorded a disappointing economic recovery of only 0.9 per cent in 2021, following a contraction of 8.5 per cent in 2020. A more robust expansion in 2022 will largely depend on the performance of its mining sector, which contributes to around 11 per cent of the total national GDP. The Namibian economy will benefit from rising prices in uranium which recorded a 44.5 per cent average price increase in 2022 from the previous year. The uranium price increase is largely due to supply constraints brought upon the Ukraine invasion in early 2022. Russia and Ukraine are both among the top ten uranium producers in the world. The mining sector will be further supported by commodity price increases in diamonds (7.5 per cent) and copper (6.1 per cent) since the beginning of 2022. However, the economic recovery will be hampered by more restrictive monetary policy. Namibia increased its policy interest rate by 70 basis points in 2022. The economy of Namibia is expected to expand by 2.8 per cent in 2022 and 3.7 per cent in 2023.

Diminished growth prospects among the Western Cape's main sources of tourism and export partners, provides for a softer outlook in tourism and export growth.



SRI LANKA – CANARY IN THE COAL MINE?

In early July 2022, protestors swarmed President Gotabaya Rajapaksa's palace in Sri Lanka, forcing him to flee and step down. Sri Lanka is in the midst of its worst financial crisis in seven decades, with depleted foreign reserves, daily power grid cuts, and food and fuel shortages. Inflation soared to 43.3 per cent in May 2022, whilst food prices increased by 58 per cent. The Sri Lankan government owes USD 51 billion in debt and cannot make any payments on loans. According to the UN World Food Programme, 9 out of 10 families are skipping meals or otherwise skimping to stretch out their food, while 3 million are receiving emergency humanitarian aid. Sri Lanka is running out of foreign exchange reserves to pay for essential imports, including food, medicine and fuel.

The root of the crisis started with the 2019 suicide bombings at churches and hotels, which badly damaged tourism revenue, a key source of foreign exchange and an important engine of the Sri Lankan economy. During the pandemic, tourism flatlined. In an attempt to boost the economy, the Sri Lankan government embarked on large-scale infrastructure investments. The infrastructure investments were funded by foreign currency denominated debt instead of tax revenue. The Prime Minister subsequently announced the largest tax cuts in Sri Lankan history. These initiatives led to a credit downgrading which blocked further foreign funding. In April 2021, the Sri Lankan government announced a ban on chemical fertilisers in a push to promote organic farming. The move decimated rice crops and increased the price of staples. In conjunction with rising oil prices, imports became unaffordable.

Source: ABC News, Armstrong Economics, Economic Times

1.3 Developments in the South African economy

1.3.1 Performance of the South African economy

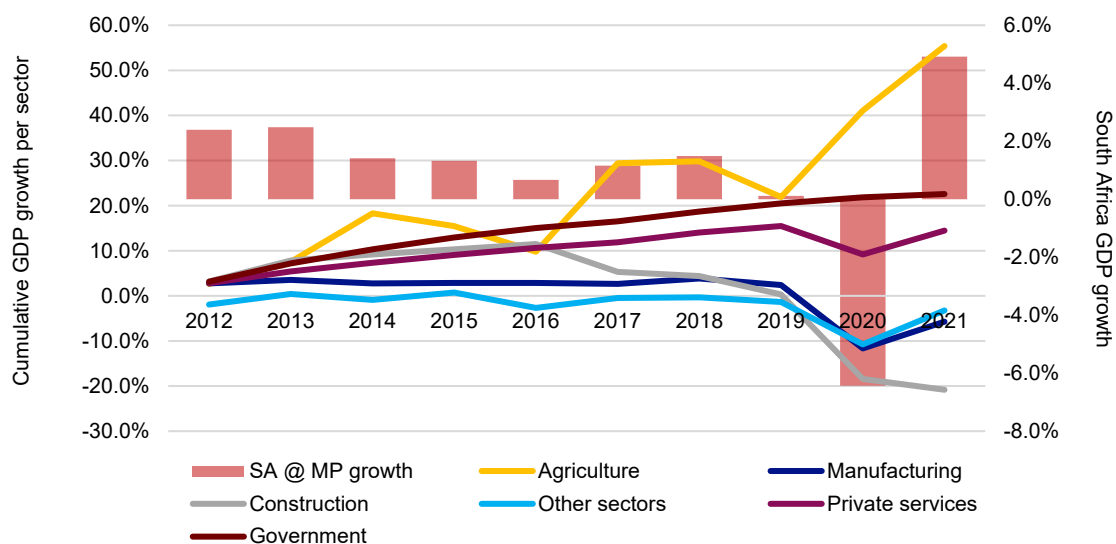


After two years, South Africa's GDP in the first quarter of 2022 finally recovered to levels seen in the first quarter of 2020. However, this was followed by a contraction in the second quarter of 2022, with the National economy facing new disruptions in the global commodity and energy markets caused by the Russian invasion of Ukraine and severe COVID-19 lockdown measures in China. South Africa also faces high unemployment, power outages, elevated public debt service costs, along with rising inflation and interest rates.

South Africa's economy recorded a 0.7 per cent contraction in the second quarter of 2022. Three industries expanded between the first and second quarter of 2022, of which the Transport (0.2 percentage points), and Finance (0.6 percentage points) sectors made the largest growth contributions.

In 2021, South Africa recorded strong GDP growth of 4.9 per cent following a contraction of 6.4 per cent in 2020. The recovery was mainly driven by growth contributions from the Finance (0.9 percentage points), Manufacturing (0.9 percentage points) and Personal services sectors (1.0 percentage points).

Figure 1.6 Cumulative GDP growth per sector; South Africa's GDP growth, 2011 - 2021



Source: Stats SA

Over the past decade, the South African economy expanded by an average growth rate of 1.0 per cent and a cumulative growth rate of 9.5 per cent. The Agriculture sector (55.4 per cent) recorded the highest cumulative growth over this period, followed by the Government (22.6 per cent) and Private services⁵ (14.5 per cent) sectors. However, the Construction (-20.8 per cent), "Other"⁶ (-3.3 per cent) and Manufacturing (-5.7 per cent) sectors were at lower GDP levels in 2021 than a decade ago. Within the "Other" sectors, both the Mining (2.1 per cent) and Utilities (-13.0 per cent) sectors contracted over the last ten years.

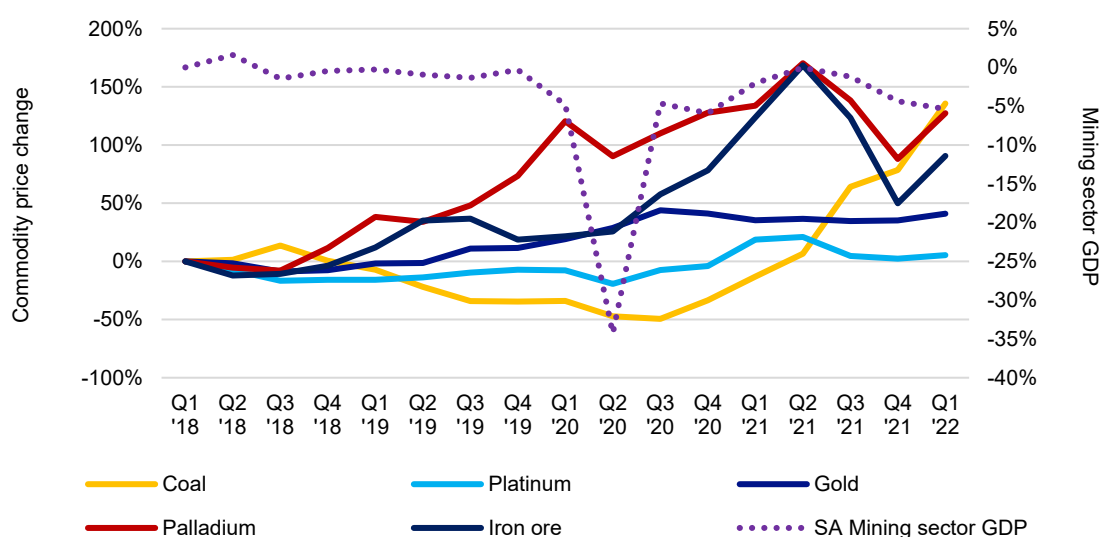
⁵ Includes all tertiary sectors excluding government.

⁶ Includes Mining and quarrying; and Electricity, gas and water.

COVID-19 lockdown measures adopted by the end of March 2020 had a significant impact on the national economy's cumulative growth since the second quarter of 2020. All sectors, except for the Agriculture sector, contracted due to COVID-19 lockdown measures implemented since the second quarter of 2020.



Figure 1.7 Cumulative growth in selected mining commodity prices, South African Mining sector GDP, 2018Q1 – 2022Q1



Source: Economic Intelligence Unit

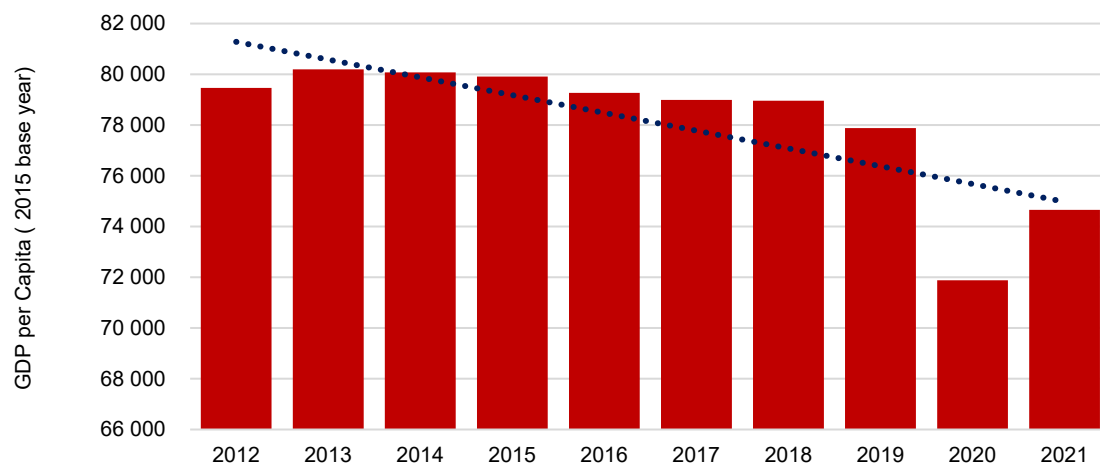
The Mining sector's GDP contraction (-1.5 per cent) since 2018 contrasts with a price surge amongst key mining commodities over the same period. Since 2018, there have been significant price increases in iron ore (90.7 per cent), palladium (127.4 per cent), gold (41 per cent) and coal (135.7 per cent). Factors that could also have impacted on the Mining sector's GDP growth performance over the period include load shedding, above-inflation electricity price increases and the revised Mining Charter⁷ in 2018.

⁷ A mining right holder must increase its BEE shareholding from the minimum of 26 per cent to 30 per cent. The "once empowered always empowered" principle is only applicable for the duration of the mining right and is not applicable upon renewal or transferable upon sale. A non-diluting 5 per cent stake must be given to employees and 5 per cent to communities.

Mining companies must procure:

- 80 per cent of services from BEE Entities which must be South African companies; and
- 70 per cent of mining goods which must be South African manufactured and produced by BEE Entities, Women, Youths or BEE Entrepreneurs.

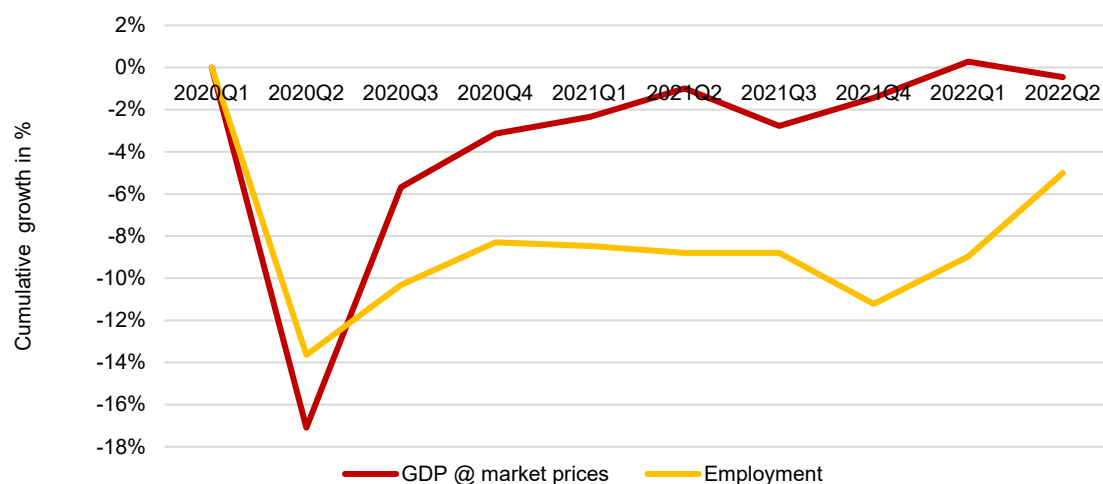
Figure 1.8 Real GDP per capita in South Africa, 2012 - 2021



Source: Quantec

Since 2012, South Africa's estimated population has grown by 1.6 per cent per annum. Over the same period, GDP expanded at an average rate of 1.0 per cent. In real terms, South Africa's economic prosperity has thus declined since 2014. Since the start of 2014, South Africa's GDP per capita declined by 6.9 per cent from R80 193 to R74 655 in 2021. The COVID-19 lockdown measures implemented since 2020 significantly accelerated the deterioration in GDP per capita.

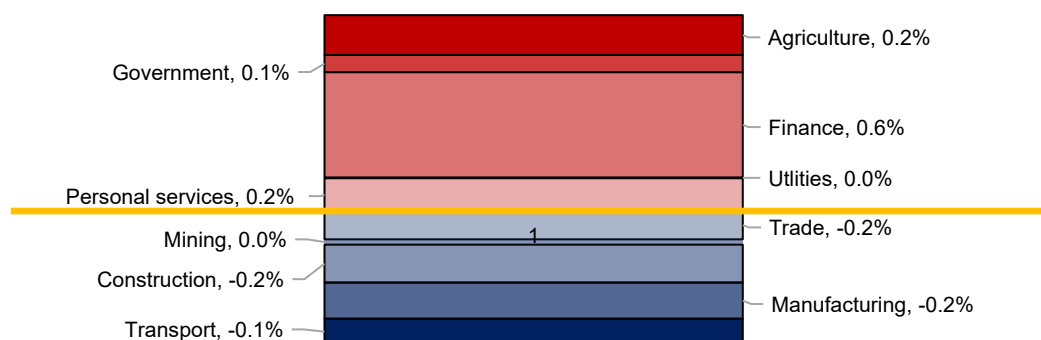
Figure 1.9 South Africa's cumulative recovery in GDP and employment, 2020Q1 – 2022Q2



Source: Quantec

In the second quarter of 2022, the South African economy contracted by 0.7 per cent, after expanding by 1.7 per cent in the first quarter of 2022. Except for Transport (2.4 per cent), Finance (2.4 per cent) and Personal Services (0.1 per cent), all sectors recorded contractions during the quarter. By the second quarter of 2022, South Africa's GDP was 0.5 per cent lower than in the first quarter of 2020, while employment levels were still 820 697 or 5.0 per cent lower than pre-COVID-19 pandemic levels.

Figure 1.10 Average growth contribution per sector in South Africa, 2017 – 2021



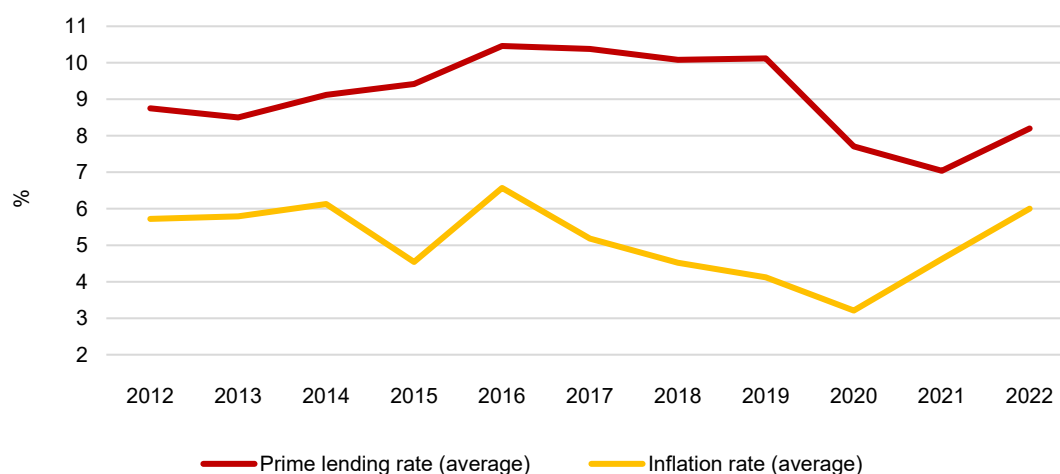
Source: Quantec

The average growth contribution of each sector in the last five years shows the important GDP growth contributions from the Finance (0.6 percentage points), Agriculture (0.2 percentage points) and Personal services (0.2 per cent) sectors, whilst the Trade (-0.2 percentage points), Construction (-0.2 percentage points), Manufacturing (-0.2 percentage points), and Transport (-0.1 percentage points) sectors diminished economic growth over the same period. Notably, most sectors that made negative contributions to GDP growth are secondary or primary sectors which typically provide employment opportunities to semi or unskilled workers.

1.3.2 Inflation in the South African economy

South Africa is in sync with the surging trend in global inflation. Global factors affecting South African inflation include the surge in key commodity prices (oil, wheat, sunflower oil seed, fertilisers) largely due to the Ukraine invasion. In addition to a rise in global commodity prices, South Africa's inflation is further fueled by above inflationary electricity increases and loss of production due to intermittent power outages.

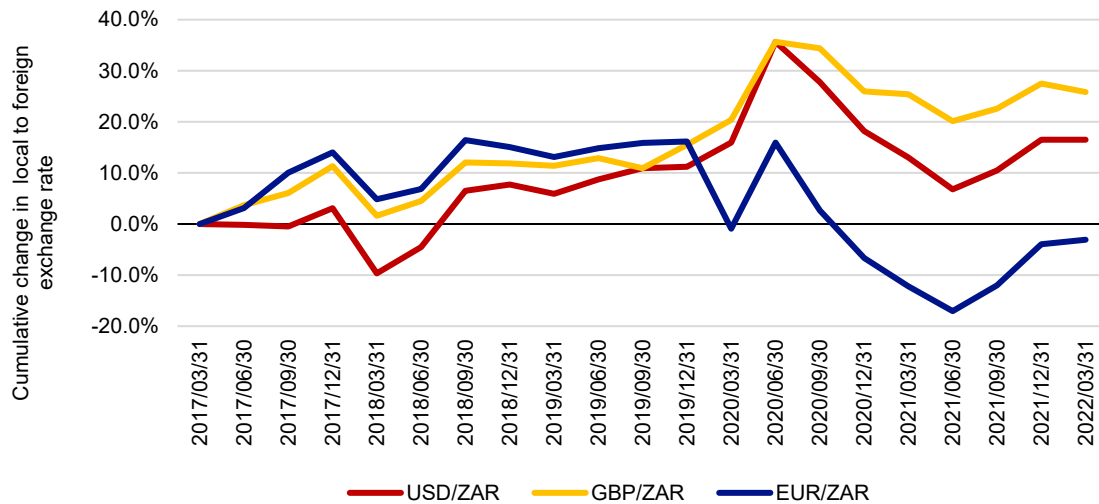
Figure 1.11 Average inflation and prime lending rates for South Africa, 2012 – 2022



Source: Economic Intelligence Unit

A rising inflation trend in South Africa commenced in 2021, when annual average inflation increased from 3.2 per cent at the end of 2020 to 6.0 per cent by June 2022. Consequently, South Africa's average annual prime lending rate increased due to repo rate increases, from an average of 7.0 per cent in 2021 to 8.2 per cent by June 2022. In 2016, for an average inflation rate of 6.6 per cent, the average prime lending rate was at 10.5 per cent, 446 basis points higher than the current average prime lending rate. Interest rate increases will likely continue in 2022.

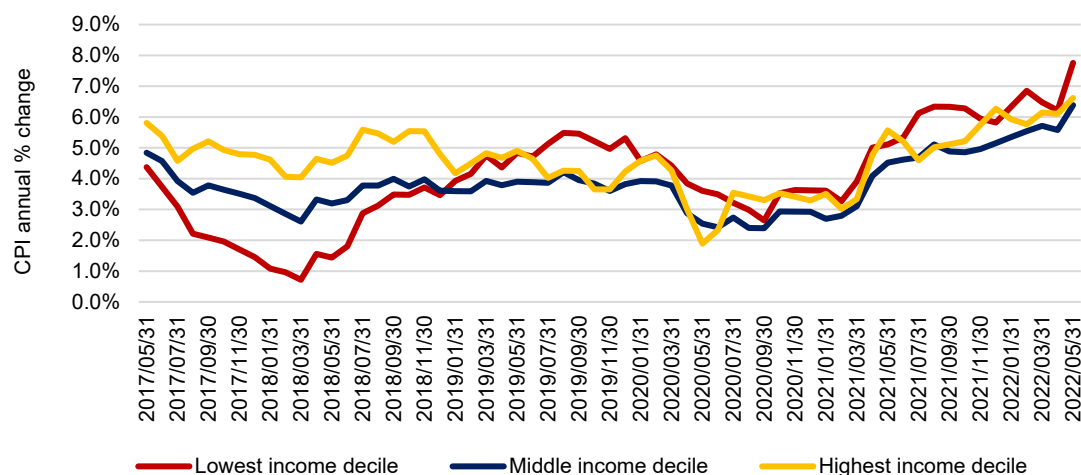
Figure 1.12 Cumulative change in quarterly average exchange rates (USD/ZAR, GBP/ZAR, EUR/ZAR), March 2017 – March 2022



Source: Quantec

Exchange rate movements impact price inflation in South Africa through imported goods and services. The average quarterly exchange rate of the rand against the U.S dollar, British pound and Euro have appreciated from the third quarter of 2020 to the second quarter of 2021, (see Figure 1.12). However, since the third quarter of 2021, the rand has depreciated against the US dollar, British pound and Euro. Combined with commodity price increases, the depreciation of the rand will lead to higher import costs and inflation in South Africa.

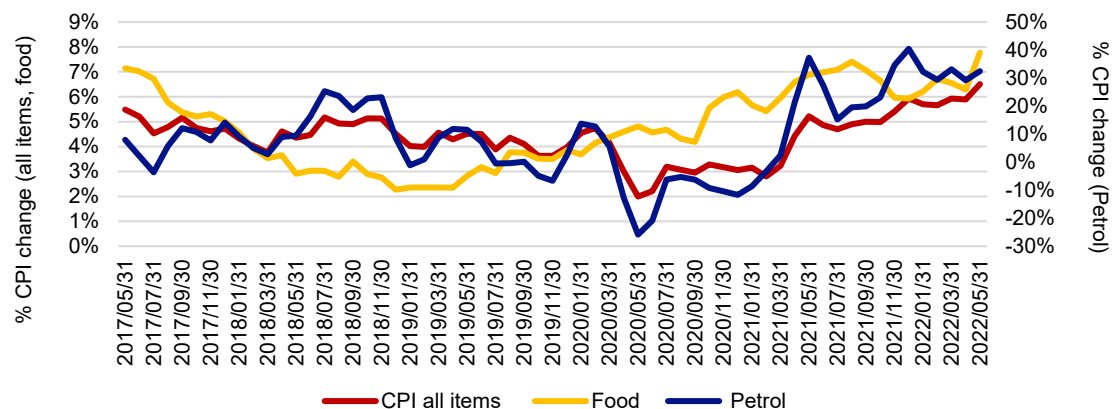
Figure 1.13 CPI trend per income decile in South Africa, May 2017 – May 2022



Source: Quantec

The lowest income groups were more severely affected by inflation over the past two years. By May 2022, the inflation rate for the lowest income decile (7.8 per cent) was higher than both the highest income decile (6.6 per cent) and the middle-income decile (6.1 per cent). The lowest income groups spent a larger portion of their income on food and transport.

Figure 1.14 Price increases for petrol, food and all items, March 2017 – May 2022



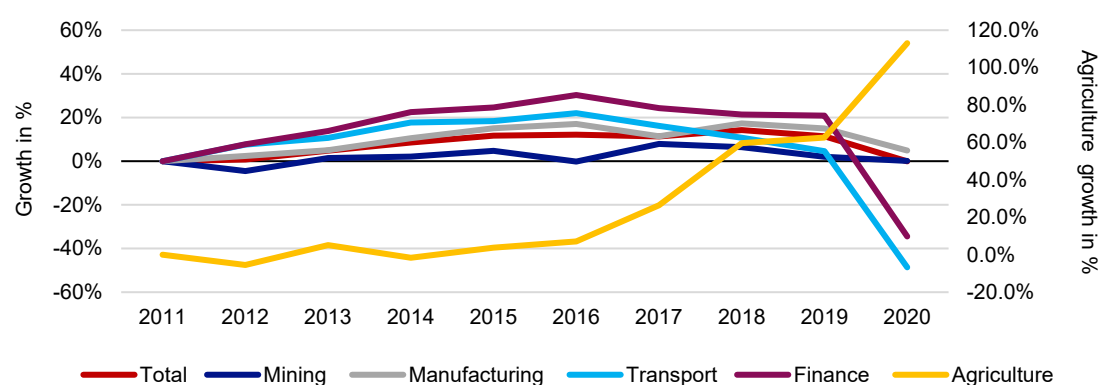
Source: Quantec

Since June 2019, an increasing trend in food inflation rates commenced one year before the headline and petrol inflation rates started to increase in July 2020. Since the Russian invasion of Ukraine by end February 2022, the average petrol price increased by 31.6 per cent (monthly, year-on-year), whilst average food and headline inflation was 6.9 and 6.1 per cent, respectively.

1.3.3 Trade performance of the South African economy

The integration of national economies into a global economic system has been one of the most important developments of the last century. Over the last two decades, trade has grown remarkably, with one-fourth of total global production exported today. South Africa is known for its exports of mining commodities, manufacturing products such as vehicles and machinery and agricultural produce in fruit and nuts. South Africa is also a significant importer of oil, electrical machinery and equipment, vehicles and pharmaceuticals.

Figure 1.15 Real exports of top five exporting sectors in South Africa, 2011 – 2020

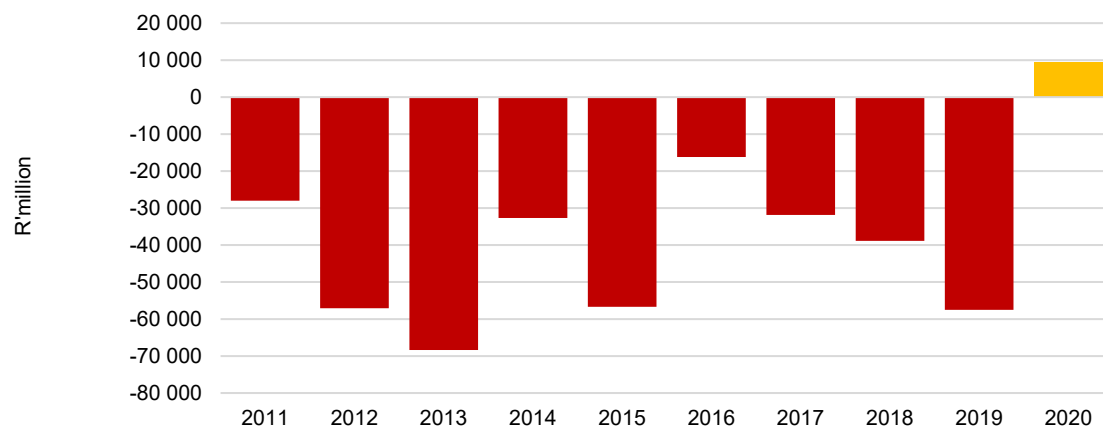


Source: Quantec

In 2020, the Manufacturing (53.7 per cent), Mining (30.5 per cent) and Agriculture (7.2 per cent) sectors made the largest contributions to total real exports in South Africa. Between 2011 and 2020, Agriculture (113 per cent) was the only sector among the five largest exporting sectors that recorded significant cumulative growth. Over the same period, cumulative growth of real exports in the Manufacturing (4.9 per cent) and Mining (0.1 per cent) sectors were sluggish at best.



Figure 1.16 Net real exports for South Africa, 2011 – 2020



Source: Quantec

Between 2011 and 2020, South Africa's real imports exceeded its real exports in all years, except for 2020, when South Africa recorded a real trade surplus of almost R9.5 billion. The trade surplus can be attributed to the COVID-19 lockdown measures, which reduced total imports by 16.6 per cent as opposed to a 10.6 reduction in exports in the same year. The Manufacturing (62.5 per cent), Transport (14.8 per cent), and Mining (11.0 per cent) sectors made the most notable contributions to the import reductions in 2020.

Table 1.2 Major export and import destination of South Africa, 2012 and 2021

Country	Share of Total Imports		% point difference		Country	Share of Total Exports		% point difference	
	2012	2021				2012	2021		
China	14.0%	20.6%	↑	6.5%	China	10.4%	11.0%	↑	0.6%
Germany	9.8%	8.1%	↓	(1.7%)	United States	7.9%	10.6%	↑	2.8%
United States	7.1%	7.0%	↓	(0.1%)	Germany	4.5%	8.2%	↑	3.7%
India	4.4%	5.7%	↑	1.3%	Japan	5.6%	6.7%	↑	1.1%
Saudi Arabia	7.6%	4.4%	↓	(3.2%)	United Kingdom	3.3%	6.7%	↑	3.4%
Thailand	2.6%	3.2%	↑	0.6%	Botswana	5.1%	6.6%	↑	1.5%
Japan	4.4%	2.8%	↓	(1.6%)	Mozambique	2.4%	3.6%	↓	(1.5%)
Italy	2.5%	2.8%	↑	0.3%	India	3.8%	3.5%	↓	(0.3%)
Nigeria	3.6%	2.4%	↓	(1.2%)	Netherlands	2.8%	3.4%	↑	0.6%
France	2.4%	2.1%	↓	(0.3%)	Belgium	1.9%	3.4%	↑	1.5%

Source: Quantec, Own calculations

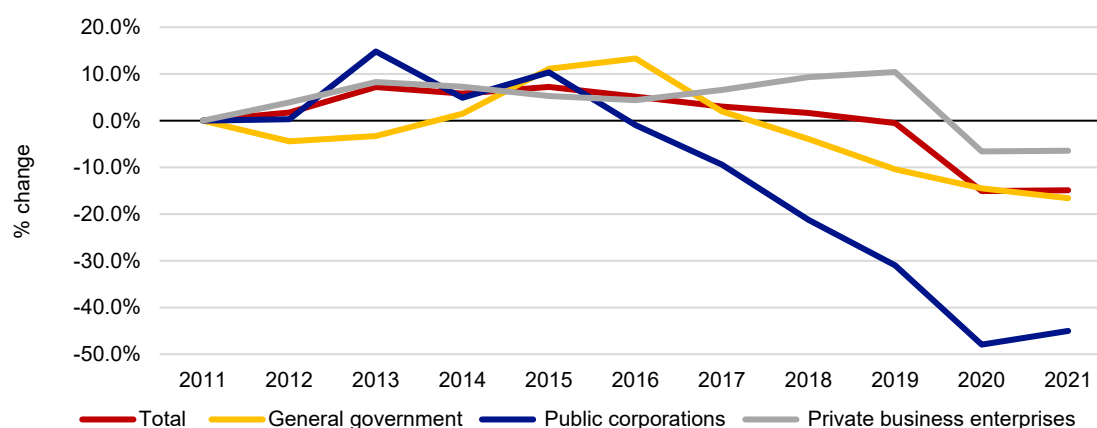
In 2021, China was South Africa's largest export (11.0 per cent) and import (20.6 per cent) destination. Since 2012, China has become a more prominent source of imports, with its share in imports increasing significantly by 6.5 percentage points. Between 2012 and 2021, the United States (2.8 percentage points), United Kingdom (3.4 percentage points), and Germany (3.7 percentage points) increased their share of South African export destinations.

1.3.4 Fixed investment in South Africa

Capital formation, or the increase in capital stock, plays an important role in the modern productive system as more goods can be produced with the aid of additional capital. Capital formation makes an important contribution to the productivity of workers and thus the economy as a whole. Capital formation is a key factor in accelerating economic growth.



Figure 1.17 Cumulative Gross Fixed Capital Formation by organisation in South Africa (real), 2011 - 2021



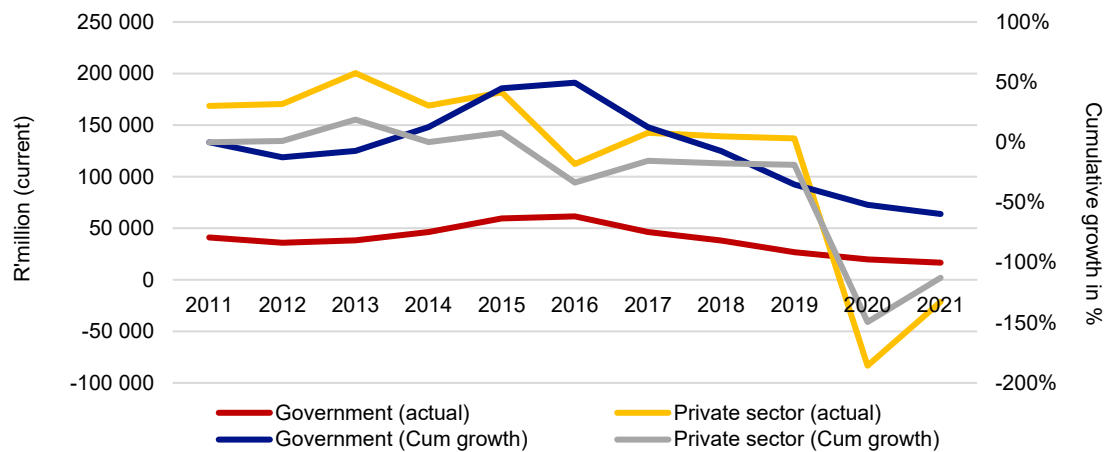
Source: Quantec

Gross Fixed Capital Formation (GFCF) includes new capital investments and capital replacement costs. In 2021, GFCF in South Africa was 14.9 per cent less than in 2011. Some of the decline in GFCF over the period can be attributed to a contraction of 14.6 per cent in 2020. However, the decline of GFCF already started in 2016. Between 2016 and 2021, South Africa recorded a decline (-20.6 per cent) in GFCF.

In 2021, Private business enterprises (70.7 per cent) were responsible for the largest portion of GFCF investments in South Africa. Contributions from General government (18.3 per cent) and Public corporations (11.0 per cent) made up the balance. Cumulative GFCF contractions were more significant for General government (-16.6 per cent) and Public Corporations (-45.0 per cent) than Private Enterprises (-6.5 per cent) between 2012 and 2021.

The Private Enterprises GFCF decline commenced in 2020, whilst the declining trends for General government and Public corporations commenced in 2017 and 2016, respectively. Between 2012 and 2021, Public corporations and General government combined were responsible for 72.1 per cent of GFCF decline in South Africa.

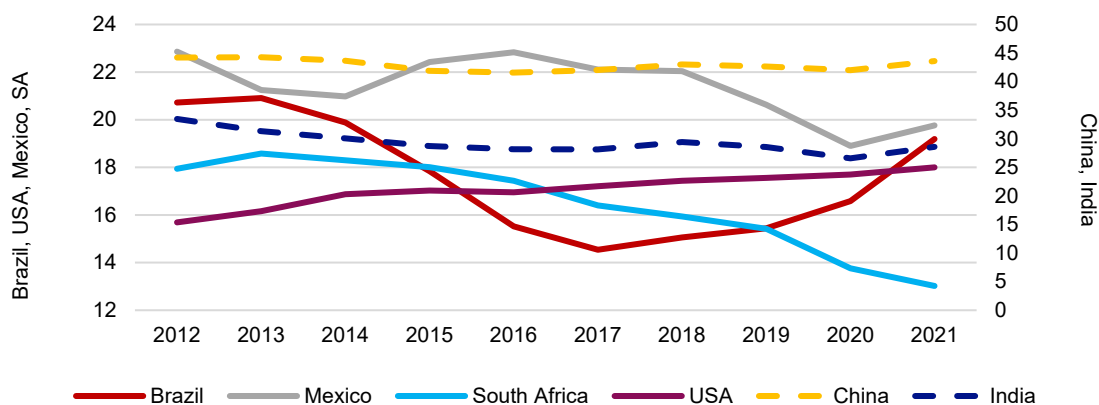
Figure 1.18 Net Capital formation by organisation type (current), 2011 - 2021



Source: Quantec

Net Capital Formation (NCF) excludes depreciation or replacement of capital from Gross Fixed Capital Formation. In current terms, Net capital formation declined over the last decade for both Government (-59.7 per cent) and the Private sector (-112.7 per cent). Although the bulk of the decline occurred in 2020, NCF contracted in nominal terms for the Private sector since 2014 and for the Government sector since 2017.

Figure 1.19 Fixed investment as a percentage of GDP for selected countries, 2012 - 2021

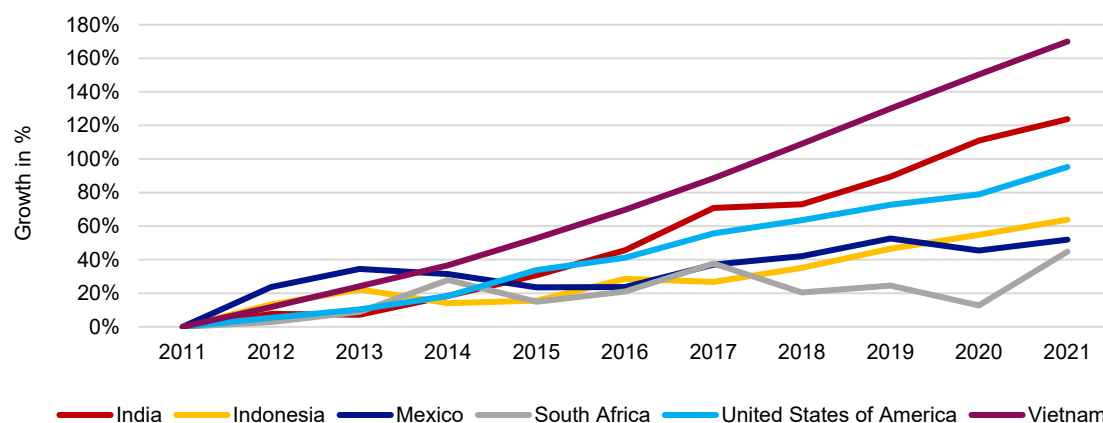


Source: Economic Intelligence Unit

In 2021, South Africa had a low and declining fixed investment ratio (13.0 per cent) in comparison to the United States (18.0 per cent), Brazil (19.2 per cent), and Mexico (19.8 per cent). China (43.6 per cent) and India (28.6 per cent) are two countries with exceptionally high and stable fixed investment ratios.

Foreign Direct Investment (FDI) is particularly important to emerging markets and developing economies like South Africa. FDI helps raise living standards, facilitates economic growth and repair, provides project finance, creates employment opportunities, improves infrastructure and infuses new technology and technological know-how.

Figure 1.20 Cumulative growth of Foreign Direct Investment stock per head in USD, 2011 - 2021



Source: Economic Intelligence Unit

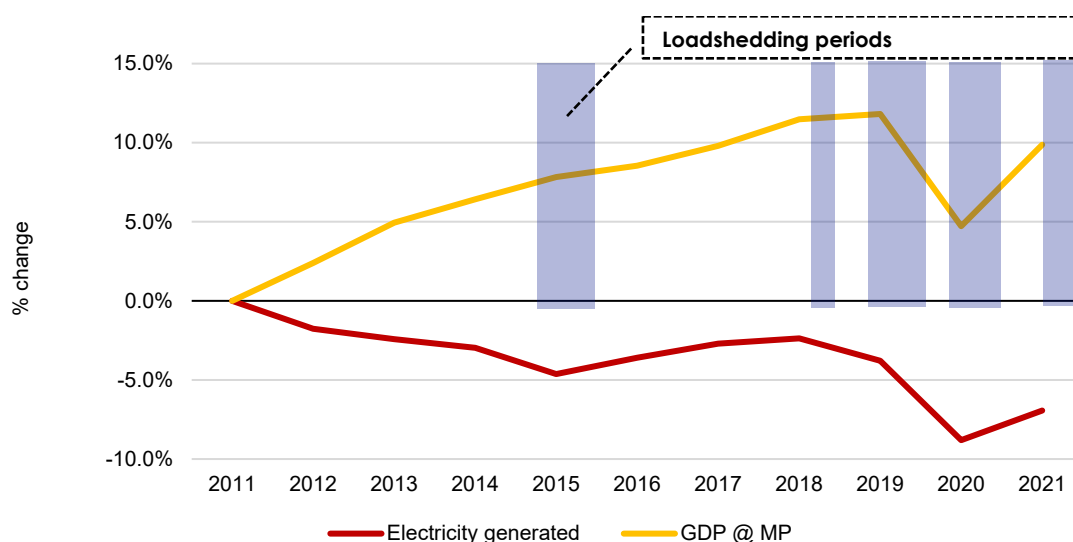
Between 2012 and 2021, South Africa's FDI stock per head cumulatively expanded by 44.8 per cent, in comparison with Vietnam (170 per cent), India (123.7 per cent), United States (95.2 per cent), Indonesia (63.8 per cent) and Mexico (51.9 per cent). The substantial increase in South African FDI in 2021 was mainly due to technology investor, Prosus, buying about 45 per cent of its South African parent Naspers. Between 2018 and 2020, FDI stock per head in South Africa declined by 18.2 per cent.

South Africa is currently not yielding enough FDI to make significant inroads in economic growth and unemployment. South Africa's lack of FDI can be attributed to high crime rates, high-level social unrest (strikes and protests), high levels of corruption, and structural issues in electricity supply and logistics. Investors also worry about the lack of clarity concerning policy and structural reforms.

1.3.5 The South African energy crisis

South Africa's largest obstacle to more robust economic growth is a lack of reliable electricity supply accompanied by above-inflationary electricity price increases. Since late 2007, South Africa became subjected to rolling electricity blackouts, which have persisted. The reasons for loadshedding vary from wet coal, sabotage, diesel shortages, the collapse of coal silos, state capture, lack of maintenance leading to plant breakdowns and unlawful strike action.

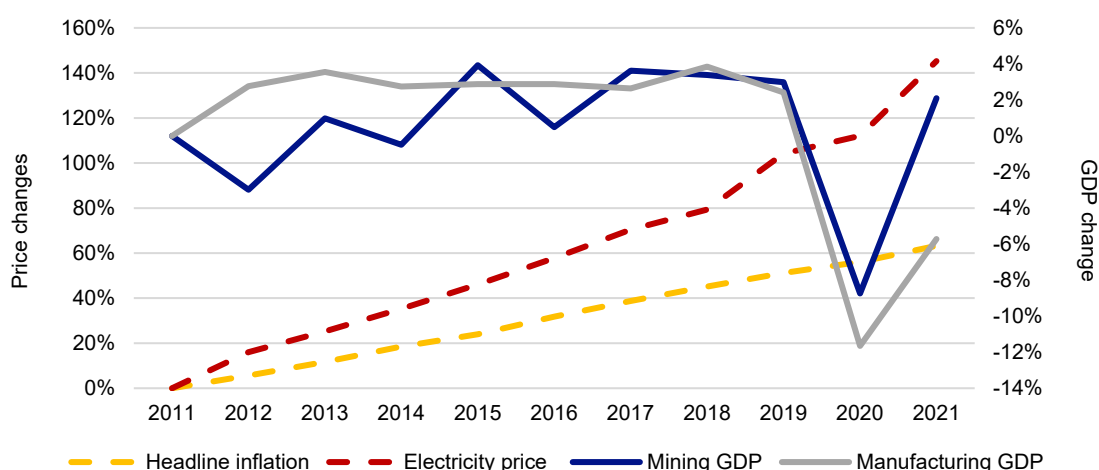
Figure 1.21 Cumulative electricity generated and GDP in South Africa, 2011 - 2021



Source: Quantec

The average electricity generated in South Africa in 2021 was 6.9 per cent less than at the end of 2011, (see Figure 1.21). Over the same period, the economy expanded cumulatively by 9.9 per cent. The estimated economic cost of loadshedding on the national economy is substantial. The Efficient Group have conservatively estimated the South African economy to be between 8 to 10 per cent smaller as a direct consequence of loadshedding, while Alexander Forbes estimated the cost of stage 6 loadshedding at R4 billion per day. The impact of loadshedding on the national economy has led to an estimated 1 million fewer job opportunities.

Figure 1.22 Eskom average electricity price increases and headline inflation in South Africa, 2011 - 2021



Source: Quantec, Eskom, Stats SA

Average electricity price increases in South Africa have exceeded headline inflation, (see Figure 1.22). Between 2012 and 2022, average electricity prices increased by 145.3 per cent compared to headline inflation of 63.2 per cent. Consequently, electricity costs have become a larger component of total costs to both consumers and producers in South Africa.

The Manufacturing and Mining sectors are two sectors which are particularly vulnerable to high electricity costs. Between 2012 and 2021, the Manufacturing sector in South Africa contracted by 5.7 per cent, while the Mining sector's GDP⁸ was only 2.1 per cent larger.



IN RESPONSE TO A CRISIS

Since 28 June 2022, South Africa experienced level 6 loadshedding for only the second time in history with 7 of the 12 largest coal power stations currently operating at less than 50 per cent capacity due to deterioration in its generation units. The President of South Africa announced a recovery plan on 25 July 2022.

The plan includes:

- The removal of the 100 MW renewable licence threshold.
- Additional generation via gas and battery requirements.
- Boosted maintenance budget cutting out red tape which delay purchases.
- The recruitment of former plant managers and engineers from the private sector.
- The purchase of additional electricity from private entities such as mines.
- More power purchases from Botswana and Zambia.
- Special legislation with a single approval point will be passed to speed up new power generation projects.
- Develop price structures to encourage solar power investments from business and households.
- Private and state-owned companies will be able to participate in the energy market.

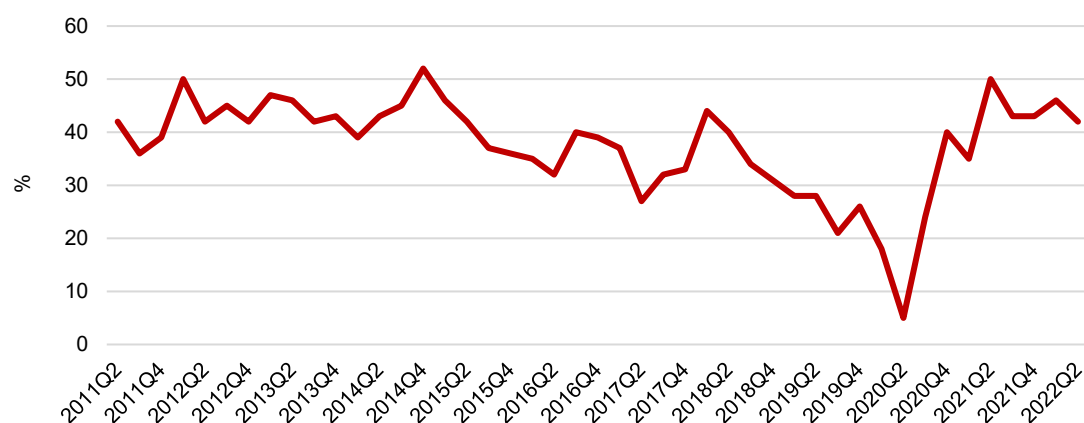
The recovery will be coordinated by a Crisis Committee under the Presidency. The committee will use the best expertise from business, professional engineering entities, labour and civil society with regular reporting by relevant ministers to the President.

Source: *The Daily Maverick*, 26 July 2022, *Rapport* 17 July 2022

1.3.6 Economic outlook of South Africa

The South African outlook on economic expansion is hampered by increasing inflation and interest rates, high unemployment, power shortages, and slow reform momentum. High government debt, along with elevated debt service costs, are expected to constrain much-needed public investment.

Figure 1.23 BER-RMB Composite Business Confidence Index, 2011Q2 – 2022Q2



Source: Quantec

⁸ GDP measured in basic prices.

The BER-RMB Composite Business Confidence Index (BCI) takes the percentage of respondents that rate prevailing business conditions as satisfactory as an indicator or proxy of business confidence. The latest BCI shows that 42 per cent of respondents were positive. The BCI measures the unweighted mean of five sectoral indices: manufacturers, building contractors, retailers, wholesalers, and new vehicle dealers. In the second quarter of 2022, the BCI declined by 4 percentage points to 42 per cent from the previous quarter, meaning that 58 per cent of respondents were negative about current business conditions in South Africa. The weakening of the BCI can potentially point to the relatively weaker GDP performance in the second quarter of 2022.

Table 1.3 GDP growth and contribution to growth forecast per sector in South Africa, 2022 and 2023

Sector	% growth		% point contribution	
	2022(f)	2023(f)	2022(f)	2023(f)
Agriculture	9.3%	1.2%	0.3%	0.0%
Mining	(1.6%)	0.4%	(0.1%)	0.0%
Manufacturing	3.0%	(0.6%)	0.4%	(0.1%)
Utilities	0.1%	0.2%	0.0%	0.0%
Construction	0.3%	1.7%	0.0%	0.0%
Trade	8.4%	1.8%	1.1%	0.2%
Transport	5.8%	1.6%	0.5%	0.1%
Finance	(1.2%)	(0.9%)	(0.3%)	(0.2%)
Government	(1.1%)	0.3%	(0.1%)	0.0%
Personal services	(0.4%)	0.3%	(0.1%)	0.1%
SA GDP @ market prices	1.7%	0.3%	1.7%	0.3%

Source: Quantec

South Africa is expected to grow sluggishly at 1.7 per cent in 2022 and 0.3 per cent in 2023. Major growth contributions are expected from the Agriculture (0.3 percentage point), Manufacturing (0.4 percentage point), Trade (1.1 percentage point) and Transport (0.5 percentage point) sectors.



The growth outlook for the Agriculture sector (8.8 per cent) in 2022 remains positive, with an expected substantial jump in sunflower harvests (35 per cent), but with reductions in expected maize (-11 per cent) and soyabean (-4 per cent) crops. Animal product revenue is expected to increase by 4.5 per cent on the back of increased volumes and higher beef prices.

Supported by growth in real personal consumer spending and a return to in-personal experiences, the Trade sector (8.4 per cent) is expected to increase substantially in 2022. The Mining sector is bracing itself for another tough year. Pressured with load-shedding and a three-month strike in the gold sector, the Mining sector is expected to contract by 1.6 per cent in 2022. Potential

growth in the Finance sector is hampered by rising business interruption claims while credit extension is limited by over indebtedness and rising interest rates. The Finance sector is expected to contract by 1.2 per cent in 2022.

The South African economic outlook will significantly affect the economic prospects of the Western Cape economy, (see Chapter 2).

1.4 Risks to the South African outlook

The outlook of the South African economy faces both global and domestic risks, which includes:

- A risk of high and increasing inflation with subsequent monetary policy tightening, fuelled by a long-term Russian-Ukraine war and global price disruptions.
- Ongoing power outages accompanied by above inflation electricity price increases in South Africa.
- Weak economic growth, growing unemployment and subsequent socio-economic decline with potential social unrest and escalating crime rates.
- A global stock market crash, a recession and rising policy interest rates in advanced economies could potentially cause large-scale capital outflows from emerging market and developing economies with significant currency depreciation.

1.5 Conclusion

The global economic growth prospects have deteriorated based on high and rising inflation accompanied by tighter monetary policy. The risk of stagflation, a possible recession and financial systemic collapse remain. An extended Russian-Ukraine war will fuel global commodity prices, food shortages and social unrest. Global food shortages will likely be caused by rising costs in fuel, fertiliser, sunflower oils and wheat.

The causes of high and rising global inflation can be traced to massive increases in money supply, most notably in the US and UK, disrupted supply chains, sanctions imposed on Russia and the disruption of Ukraine food exports. In an increasingly globalised economy, policy interest rates are synchronised, thus increasing the relevance of global events and economic fundamentals on the South African monetary policy and economy.

South Africa is exposed to global issues of high inflation and rising policy interest rates. The country also faces additional unique challenges of escalating power outages, lack of fixed investment, declining economic wellbeing and structural growth constraints. South Africa's real GDP per capita has declined since 2014, reflecting a decline in economic wellbeing in South Africa. South Africa is at risk of experiencing stagflation,



with sluggish GDP growth accompanied by high and rising inflation. South African inflation is affecting the lowest income deciles to a greater extent, mainly caused by supply factors such as fuel and fertiliser price increases. By the second quarter of 2022, the South African economy was 0.5 per cent smaller than before the pandemic, while 5.0 per cent fewer workers were employed.

Between 2012 and 2021, the Agriculture sector outperformed other sectors by a significant margin, recording a cumulative growth rate of 55.4 per cent. This sound growth can partially be attributed to a surge in export growth in the sector. Between 2012 and 2020, cumulative growth in real exports of the Agriculture sector (113 per cent) significantly outperformed other sectors in the South African economy. Despite a commodity price boom between the first quarters of 2018 and 2022, the Mining sector contracted.

South Africa experienced low and declining fixed investment over the past decade. Net Capital Formation contracted in nominal terms for the Private sector since 2014 and for the Government sector since 2017. The lack of fixed investment can mainly be attributed to sluggish economic growth, accompanied by long-term above-inflation electricity price increases and escalating power outages.

High inflation, increasing interest rates, high unemployment rates and power outages have resulted in subdued growth expectations for South Africa. The Agriculture, Trade and Transport sectors are expected to make the largest growth contributions to the national economy in 2022, whilst the Mining, Finance, Government and Personal service sectors are expected to contract in 2022.

2

THE WESTERN CAPE ECONOMY GROWTH

2.1 Introduction

The Western Cape economy largely tracks the national economy, and the prospects of slower economic growth will impact on unemployment, poverty and inequality. Economic and socio-economic pressure will increase due to rising inflation and policy interest rates.

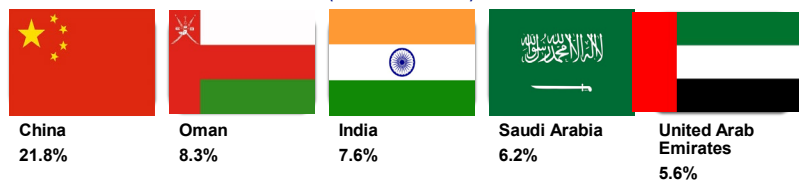
The Chapter focuses on the progress in the Western Cape economy over the past decade; the recovery from the 2020 recession; the long-term trends in fixed investment; international trade; with a special focus on the Construction sector, Tourism and Wine Industries. The relative importance and unique role of Western Cape districts are also analysed.

The Chapter further explores the Province's business confidence levels, fixed capital formation, and road and port infrastructure which are vital indicators of future economic growth. Energy resilience is discussed, unpacking the Province's response to load-shedding and the energy crisis. Finally, the importance of exports, specifically looking at the Agriculture sector is underlined, helping to shape provincial government policy that should respond in a sensible and decisive manner.

THE WESTERN CAPE ECONOMY

TOP IMPORTS

(% Share 2021)



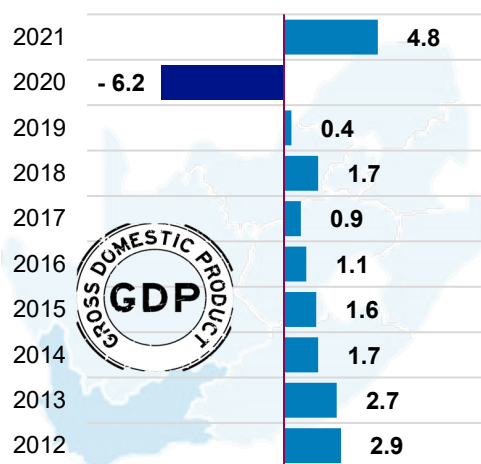
TOP EXPORTS

(% Share 2021)



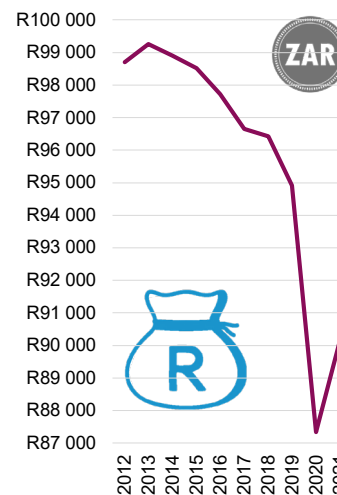
WESTERN CAPE GDP GROWTH RATE

2012 – 2021



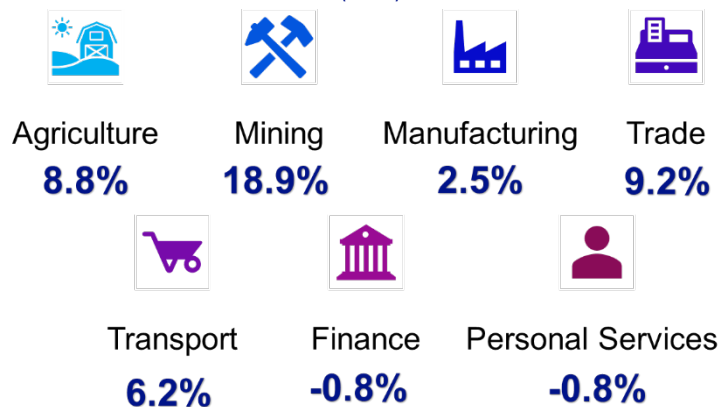
GDP PER CAPITA IN THE WESTERN CAPE

2012 – 2021



GDP GROWTH FORECAST PER SECTOR IN WESTERN CAPE

(2022)



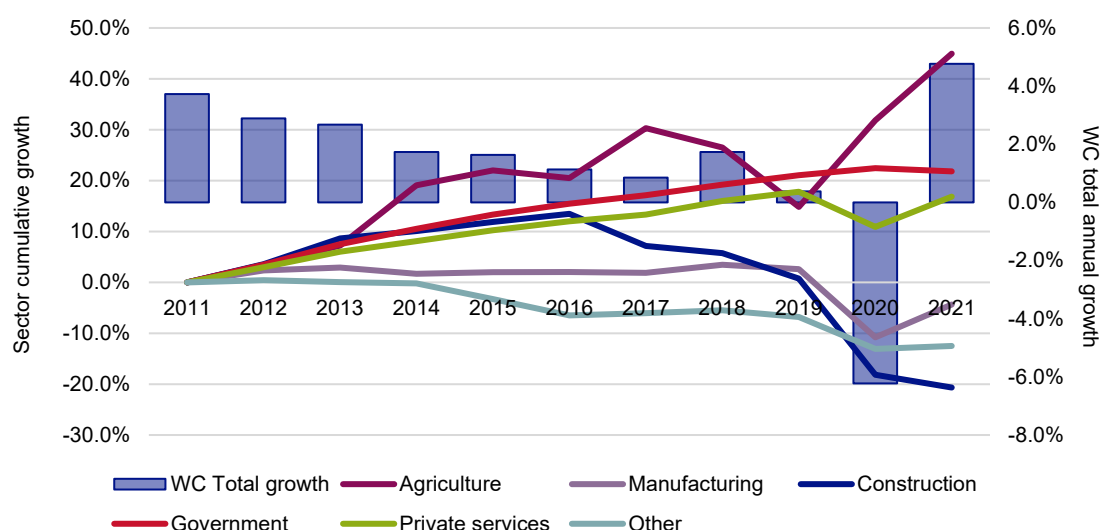
2.2 Developments in the Western Cape Economy

Compared to the rest of South Africa, the Western Cape has a more service-orientated economy with a relatively strong contribution from the Finance sector and a unique dependence on the Tourism and Wine industries. In 2021, the Western Cape was the third largest regional economy in South Africa, accounting for 14.2 per cent of the South African economy, behind Gauteng (35.2 per cent) and KwaZulu-Natal (16.2 per cent).

Over the past decade, the Western Cape was among only three provinces that increased its contribution (0.2 percentage points) to national GDP. Relative GDP contribution gains were also made by Gauteng (0.7 percentage points) and the Northern Cape (0.1 percentage points).

In the Western Cape, the GDP contribution of the Finance sector (31.3 per cent vs 25.2 per cent) is substantially larger than the national economy, whilst the Mining (0.2 per cent vs 5.6 per cent) and Personal services (10.7 per cent vs 16.8 per cent) sectors make significantly smaller contributions to total GDP.

Figure 2.1 Western Cape GDP growth rate, 2011 – 2021



Source: Quantec, Own calculations

Between 2012 and 2021, the average estimated economic expansion of the Western Cape (1.2 per cent) was marginally higher than South Africa (1.0 per cent). The 2020 recession (-6.2 per cent) made a substantial dent in the average growth of the Western Cape economy. Between 2012 and 2019, the average annual growth rate of the Western Cape was 1.6 per cent.

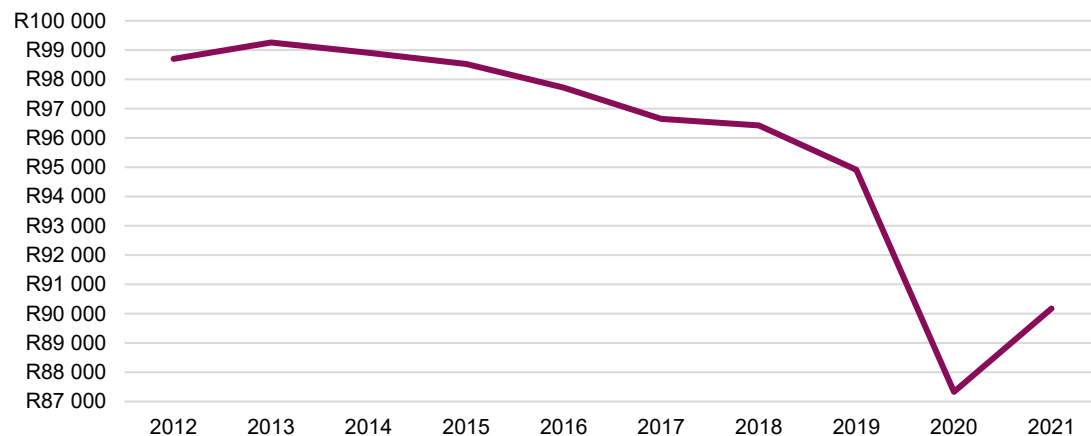
2.2.1 Sectoral performance

Between 2012 and 2021, the Agriculture sector (44.9 per cent) outperformed all other sectors in the Province. This sound performance can be attributed to the sector's significant growth in exports over the same period. The rapid expansion took place despite harsh periods of drought between 2015 and 2019 and alcohol related COVID-19 measures that impacted on the wine industry in 2020. The wine industry reportedly lost R300 million per week during level 5 lockdown measures.

In 2021, the estimated GDP in the Construction (-20.7 per cent), "Other" (-12.5 per cent) and Manufacturing (-4.4 per cent) sectors was smaller than in 2011. The contraction of these industries can largely be attributed to the re-implementation of loadshedding between 2015 and 2021 and the 2020 recession.

GDP per capita is a useful indicator to measure overall standard of living, economic prosperity, and describing how regional populations experience economic benefit. It divides a region's Gross Domestic Product by its population. It also helps to compare the wealth between different countries and regions.

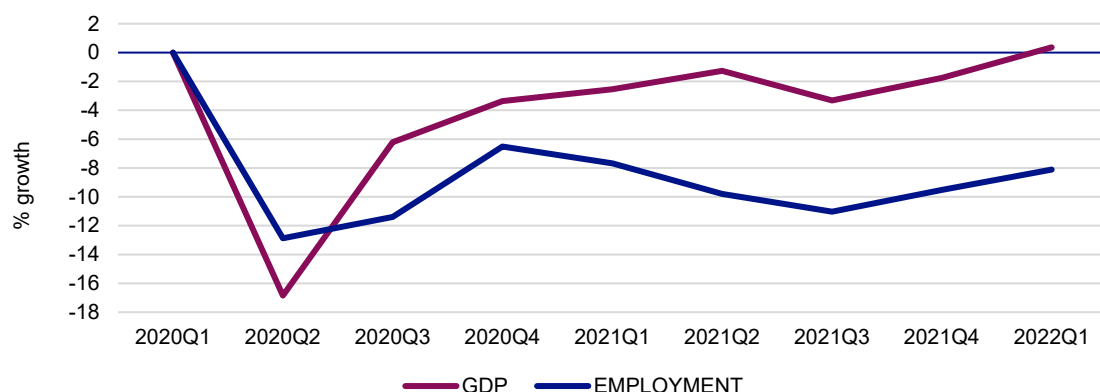
Figure 2.2 Real GDP per capita in the Western Cape, 2012 – 2021



Source: Quantec, Stats SA, Own calculations

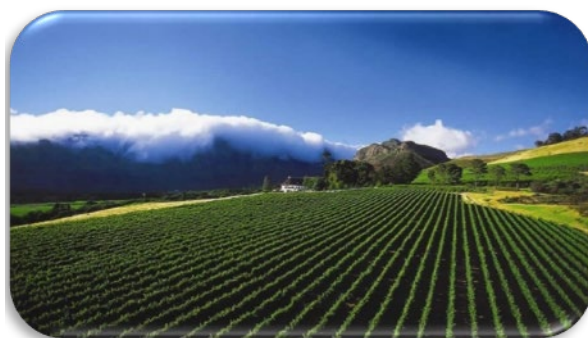
The Western Cape's economic prosperity (GDP per capita) declined over the past decade. The decline is due to population growth (18.9 per cent) exceeding GDP growth (11.7 per cent) over the same period. The sluggish expansion of GDP can largely be attributed to the slow growing national economy, a severe drought (2015 - 2019); the Cape Metro water crisis (2017/18), the 2020 recession and loadshedding (since 2015). In 2021, real GDP per capita was 9.2 per cent lower than in 2013. The highest GDP per capita level (R99 258) over the past decade was in 2013, while the lowest level (R87 332) was in 2020.

Figure 2.3 Recovery of GDP and employment levels in the Western Cape, 2020Q1 – 2022Q1¹



Source: Quantec, Stats SA, Own calculations, 2021

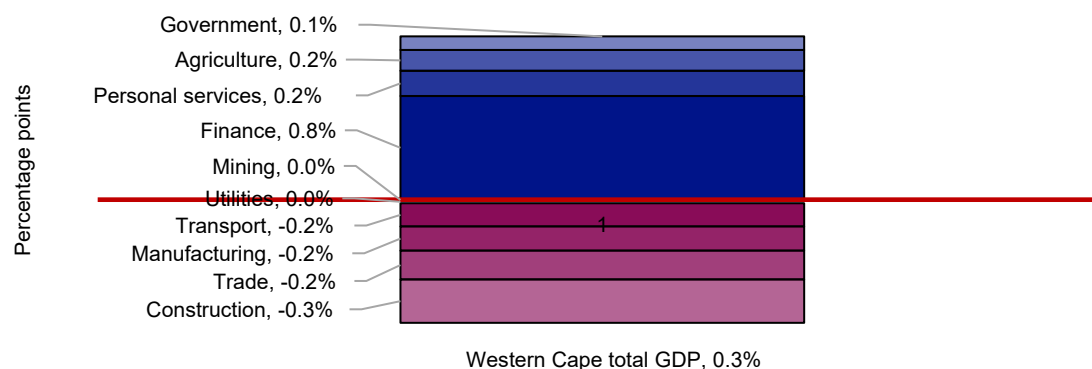
¹ 2020Q1 indexed to 0



The COVID-19 pandemic and subsequent lockdown measures implemented had a devastating impact on the Provincial economy. In the first quarter of 2022, the estimated GDP exceeded the first quarter of 2020 (pre-pandemic) by 0.4 per cent. However, employment levels in the Western Cape were still 8.1 per cent lower than

the pre-pandemic level. Only the Manufacturing (10.6 per cent), Transport (3.3 per cent) and Finance (1.0 per cent) sectors had higher than pre-pandemic employment levels. As one of the fastest growing sectors (GDP) since the COVID-19 lockdown, the Agriculture sector GDP had among the largest employment deficits (-20.2 per cent) to its pre-pandemic level. The slow recovery in employment levels is aligned to the same trend in South Africa.

Figure 2.4 Average GDP contribution per sector in the Western Cape, 2017 - 2021



Source: Quantec, Own calculations

Contribution to growth measures the relative impact of each sector on total growth in the Province and is a function of the relative size of each sector combined with the growth over a specific period.

Between 2017 and 2021, the Western Cape economy was estimated to expand on average by 0.3 per cent, of which the Finance (0.8 percentage points), Agriculture (0.2 percentage points) and Personal Services (0.2 percentage points) sectors made the largest contributions to growth. The Finance sector's significant contribution to growth was mainly due its relative size. Over the period, the Finance sector, as the largest sector by GDP contribution (29.8 per cent), expanded on average by 0.9 per cent. The Agriculture sector's solid contribution to growth was largely due to its spectacular growth over the period. The relatively smaller Agriculture sector (4.1 per cent), expanded on average by 4.2 per cent over the same period.

The Construction sector (-0.3 percentage points) made the largest negative contribution to total growth in the Western Cape. The main challenges experienced by the sector over the period include the declining trend in fixed investments, a sluggish underlying economy, loadshedding, COVID-19 lockdown measures and the Cape metro water crisis. Between 2017 and 2021, the Construction sector (-6.7 per cent) had the largest average annual contraction.

2.2.2 Regional performance

The Western Cape consists of a diverse landscape and people, divided between five municipal districts and the Cape Metro. Each district makes a unique contribution to the Western Cape economy. In 2021, the Cape Metro (72.5 per cent) made the largest economic contribution and was the most service inclined (68.3 per cent) regional economy in the Western Cape.

In 2021, the Cape Metro had the lowest GDP growth rate (4.3 per cent) among the Western Cape districts. The largest growth contributions were made by the Finance (1.1 percentage points), Manufacturing (1.0 percentage points) and Trade (0.9 percentage points) sectors.

Over the past decade, the Cape Metro had the lowest average growth rate (1.0 per cent) among Provincial districts. The Agriculture sector (4.4 per cent) had the highest average growth rate, while the Construction sector (-2.1 per cent) contracted. The most important contribution to growth was made by the Finance (0.7 percentage points), Government (0.2 percentage points) and Personal services (0.2 percentage points) sectors.

Table 2.1 GDP at basic prices per Western Cape sectors and districts, 2012 - 2021

GDP Growth (%)												
	Cape Town		West Coast		Cape Winelands		Overberg		Garden Route		Central Karoo	
Sector	2021	2012 - 2021 (AVG)	2021	2012 - 2021 (AVG)	2021	2012 - 2021 (AVG)	2021	2012 - 2021 (AVG)	2021	2012 - 2021 (AVG)	2021	2012 - 2021 (AVG)
Total	4.3%	1.0%	6.2%	1.8%	5.3%	1.5%	5.5%	1.6%	4.7%	1.2%	4.8%	1.2%
Agriculture	8.9%	4.4%	8.6%	4.1%	7.9%	3.2%	7.4%	2.5%	7.6%	2.7%	8.0%	3.6%
Mining	(14.4%)	0.6%	(16.0%)	(0.8%)	(14.1%)	0.4%	(14.3%)	1.0%	(14.0%)	0.5%	(14.0%)	1.1%
Manufacturing	7.1%	(0.3%)	8.7%	1.4%	5.6%	(1.3%)	8.9%	2.0%	7.3%	0.6%	7.7%	0.5%
Utilities	3.0%	(1.9%)	2.0%	(2.8%)	3.5%	(0.3%)	3.3%	(1.6%)	2.7%	(2.0%)	3.9%	(0.6%)
Construction	(1.8%)	(2.1%)	(4.0%)	(2.3%)	(1.2%)	(0.4%)	(1.5%)	(1.8%)	(3.8%)	(3.5%)	(6.1%)	(3.3%)
Trade	6.9%	0.3%	7.7%	0.9%	8.0%	1.5%	7.8%	1.2%	7.0%	0.1%	6.7%	(1.4%)
Transport	5.1%	0.2%	4.4%	(1.2%)	6.2%	1.1%	6.0%	1.2%	5.3%	0.7%	3.3%	(1.5%)
Finance	3.3%	2.1%	4.9%	2.9%	4.9%	3.7%	4.6%	2.8%	4.3%	3.1%	3.8%	2.6%
Government	(1.0%)	2.0%	1.5%	2.2%	0.2%	1.6%	(1.1%)	1.1%	(1.0%)	1.0%	1.6%	2.7%
Personal Services	7.4%	1.8%	8.5%	2.7%	7.2%	1.6%	7.7%	2.1%	7.0%	1.5%	8.6%	2.3%
Contribution to GDP growth (% points)												
	Cape Town		West Coast		Cape Winelands		Overberg		Garden Route		Central Karoo	
Sector	2021	2012 - 2021 (AVG)	2021	2012 - 2021 (AVG)	2021	2012 - 2021 (AVG)	2021	2012 - 2021 (AVG)	2021	2012 - 2021 (AVG)	2021	2012 - 2021 (AVG)
Total	4.3%	1.0%	6.2%	1.8%	5.3%	1.5%	5.5%	1.6%	4.7%	1.2%	4.8%	1.2%
Agriculture	0.1%	0.1%	2.0%	0.8%	0.7%	0.3%	0.8%	0.2%	0.4%	0.1%	1.3%	0.5%
Mining	0.0%	0.0%	(0.1%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Manufacturing	1.0%	0.0%	1.6%	0.2%	0.8%	(0.2%)	1.2%	0.3%	1.0%	0.1%	0.2%	0.0%
Utilities	0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	0.0%	0.1%	0.0%	0.2%	0.0%
Construction	(0.1%)	(0.1%)	(0.1%)	(0.1%)	(0.1%)	0.0%	(0.1%)	(0.1%)	(0.2%)	(0.2%)	(0.2%)	(0.1%)
Trade	0.9%	0.0%	1.0%	0.1%	1.2%	0.2%	1.2%	0.2%	1.0%	0.0%	0.7%	(0.2%)
Transport	0.5%	0.0%	0.2%	(0.1%)	0.4%	0.1%	0.5%	0.1%	0.4%	0.1%	0.3%	(0.2%)
Finance	1.1%	0.7%	0.8%	0.4%	1.3%	0.9%	1.2%	0.7%	1.4%	0.9%	0.5%	0.3%
Government	(0.1%)	0.2%	0.2%	0.2%	0.0%	0.1%	(0.1%)	0.1%	(0.1%)	0.1%	0.3%	0.5%
Personal Services	0.8%	0.2%	0.8%	0.2%	0.8%	0.2%	0.7%	0.2%	0.7%	0.1%	1.5%	0.4%

Note: GDP at basic prices

Source: Quantec, Own calculations

In 2021, the West Coast District made the third smallest contribution (4.9 per cent) to the Provincial economy. However, the District made a notable GDP contribution (26.7 per cent) to the Western Cape Agriculture sector. The District was the least service orientated in 2021, with Private services contributing only 43.0 per cent to the West Coast economy. In the same year, the Agriculture (23.3 per cent) and Mining (19.9 per cent) sectors made the largest contributions to the West Coast's total GDP.

In 2021, the West Coast District had the largest GDP expansion (6.2 per cent) largely due to significant growth in the Agriculture (8.6 per cent) and Manufacturing (8.7 per cent) sectors. The Manufacturing sector was of relatively high importance in the West Coast and contributed a substantial portion (18.7 per cent) of total GDP in the District.

Between 2012 and 2021, the West Coast District had the highest average GDP growth rate (1.8 per cent). The outperformance of other Provincial districts was mainly due to the prominence of the Agriculture sector in the District. Over the past decade, the Agriculture sector made the largest contribution to growth (0.8 percentage points) in the West Coast District.

Table 2.2 Sector contribution to total district GDP in 2021

	Cape Metro	West Coast	Cape Winelands	Overberg	Garden Route	Central Karoo
Agriculture	1.7%	23.3%	9.6%	11.0%	5.6%	16.3%
Mining	0.1%	0.7%	0.1%	0.1%	0.2%	0.0%
Manufacturing	14.1%	18.7%	14.2%	13.4%	13.4%	2.5%
Utilities	1.9%	1.2%	1.5%	1.6%	1.9%	3.9%
Construction	3.5%	3.1%	4.6%	5.1%	4.0%	3.2%
Trade	13.9%	13.1%	15.6%	16.2%	14.8%	11.1%
Transport	9.3%	5.2%	7.2%	8.1%	8.1%	10.0%
Finance	34.0%	15.2%	26.7%	26.8%	32.8%	14.0%
Government	10.4%	10.0%	9.6%	8.1%	9.0%	20.7%
Personal services	11.2%	9.5%	10.9%	9.6%	10.2%	18.2%

Source: Quantec, Own calculations

The Finance sector and Wine industry have a strong presence in the Cape Winelands District. Notable company headquarters in the Cape Winelands include Zeder, Capitec, Steinhoff and Distell. In 2021, the Cape Winelands District made the second largest contribution (11.1 per cent) to Western Cape GDP. The Finance (26.7 per cent), Trade (15.6 per cent) and Manufacturing (14.2 per cent) sectors made the largest contributions to total GDP in the District, while the Agriculture sector in the District made a substantial contribution (24.9 per cent) to agriculture in the Province.

In 2021, the Cape Winelands District had the third highest GDP growth rate (5.3 per cent) in the Province. Within the District, the Finance (1.3 percentage points) and Trade (1.2 percentage points) sectors made the largest contributions to growth. Over the past decade, the Cape Winelands expanded by 1.5 per cent of which the Finance sector made the largest contribution (0.9 percentage points).

The Overberg District is well-known for its grain farming activities, apple production in the Elgin valley and whale watching in Hermanus. In 2021, the Overberg District's GDP contribution (3.4 per cent) to the Western Cape was the second smallest. In 2021, the Overberg's GDP expanded by 5.5 per cent. The Trade, Finance and Manufacturing sectors (all at 1.2 percentage points) made the largest contributions to growth in 2021.

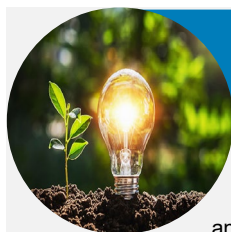
Over the past decade, the Overberg District grew at an average rate of 1.6 per cent, of which the Finance sector (0.7 percentage points) made the largest growth contribution.

Ecologically diverse vegetation with numerous estuaries and lakes make the Garden Route District a popular tourist destination. Trendy holiday towns include Knysna, Plettenberg Bay, Wilderness and George. In 2021, the Garden Route made the third largest contribution to the Western Cape GDP. The District was the second most service orientated district in the Western Cape with a substantial contribution to total GDP (65.9 per cent) from the Private services sector.

In 2021, the Garden Route expanded (4.7 per cent) the least among the rural districts. The underperformance to other rural districts was due to the relatively smaller contribution of the Agriculture sector (5.6 per cent) to the District's economy. Over the past decade, the Garden Route District expanded at an average rate of 1.2 per cent, of which the Finance sector (0.9 percentage points) made the largest growth contribution.

The endless plains of semi-desert in the Central Karoo provide for the largest and most sparsely populated district in the Western Cape. In 2021, the Central Karoo District had the smallest economy, and contributed 0.5 per cent to the Western Cape GDP. The Central Karoo District relies heavily on the Government sector. The Government sector (20.7 per cent) made the largest contribution to the District's total GDP, followed by the Agriculture (16.3 per cent) and Finance (14.0 per cent) sectors.

In 2021, the Central Karoo District's GDP expanded by 4.8 per cent. The bulk of the growth was contributed by the Personal services (1.5 percentage points) and Agriculture (1.3 percentage points) sectors. Over the past decade the Central Karoo District's average growth rate was 1.2 per cent, of which the Government and Agriculture sectors made the largest contributions (each at 0.5 percentage points).



THE MUNICIPAL ENERGY RESILIENCE PROJECT (MERP) AND SMALL-SCALE EMBEDDED GENERATION (SSEG)

The Municipal Energy Resilience Project (MERP) was developed following an amendment to Schedule 2 of the Electricity Regulation Act in 2020, allowing municipalities to generate their own electricity. The key objectives of the MER project are the development, support and capacity building to implement renewable energy projects in municipalities across the Province for municipalities, businesses and households to generate, procure and sell electricity. The project aims to secure reliable electricity supply for the Province and increase economic resilience. The project includes four approaches: creating space for Small-Scale Embedded Generation (SSEG), providing assistance in procurement processes for municipalities to source energy from Independent Power Producers (IPP), building a business case for utility-scale gas to power generation, and finally, reforming the sector. The six candidate municipalities participating in the first phase of the Municipal Energy Resilience Project in this financial year are:

- Drakenstein Municipality;
- Mossel Bay Municipality;
- Overstrand Municipality;
- Saldanha Bay Municipality;
- Stellenbosch Municipality; and
- Swartland Municipality.

This project will consider multiple pioneering renewable energy technologies and scales, cost options, the scale of investment required, location issues, risks, municipal readiness needs, infrastructure needs, timelines to get capacity onto the grid, transaction and procurement mechanisms and regulatory issues.

SSEG enables solar PV systems to be grid-tied and feed in any excess electricity generated. Registering a feed-in system allows you to export excess electricity to the grid and receive credit based on the SSEG tariff. It is structured to support PV system owners while covering the costs of their electricity service.

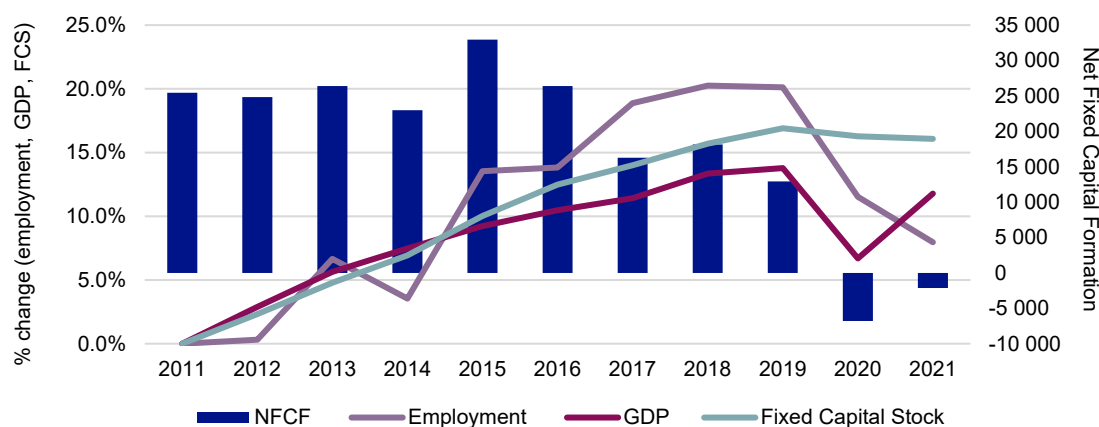
Source: Western Cape Government, 2022

2.3 Fixed investment

Fixed investment is an important indicator of long-term potential productivity. It includes the accumulation of physical assets such as machinery, land, buildings, installations, and vehicles. All things held equal, an expansion in fixed capital allocated per worker will increase the productivity per worker.

Fixed investment is measured by Gross Fixed Capital Formation (GFCF). Net Fixed Capital Formation (NFCF) is derived when GFCF accounts for economic depreciation and determines the change in Fixed Capital Stock (FCS) annually. Growth in FCS signifies an increase in production capacity and a positive economic outlook.

Figure 2.5 Cumulative change in Fixed Capital Stock, GDP and employment in the Western Cape, 2011 – 2021



Source: Quantec, Own calculations

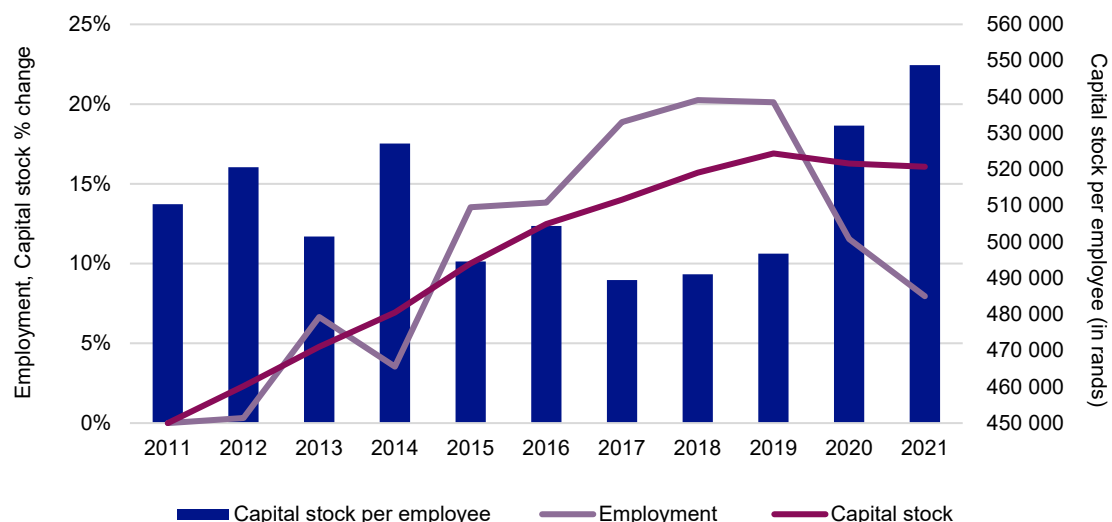


Since the start of 2020, Fixed Capital Stock² (FCS) declined marginally (0.7 per cent) in the Western Cape. The decline in FCS can be attributed to a contraction (-R8.936 billion) in NFCF over the same period, mainly due to the 2020 recession.

However, NFCF was reduced to lower levels since 2017. Between 2017 and 2019, the average NFCF (R15.776 billion) was substantially lower than the average for the previous six years (R26.495 billion). The decline in average NFCF levels slowed the growth rate of FCS and by implication the expansion of production capacity.

² Measured in constant 2015 prices

Figure 2.6 Cumulative change in Fixed Capital Stock, employment, and capital stock per employee in the Western Cape, 2011 – 2021

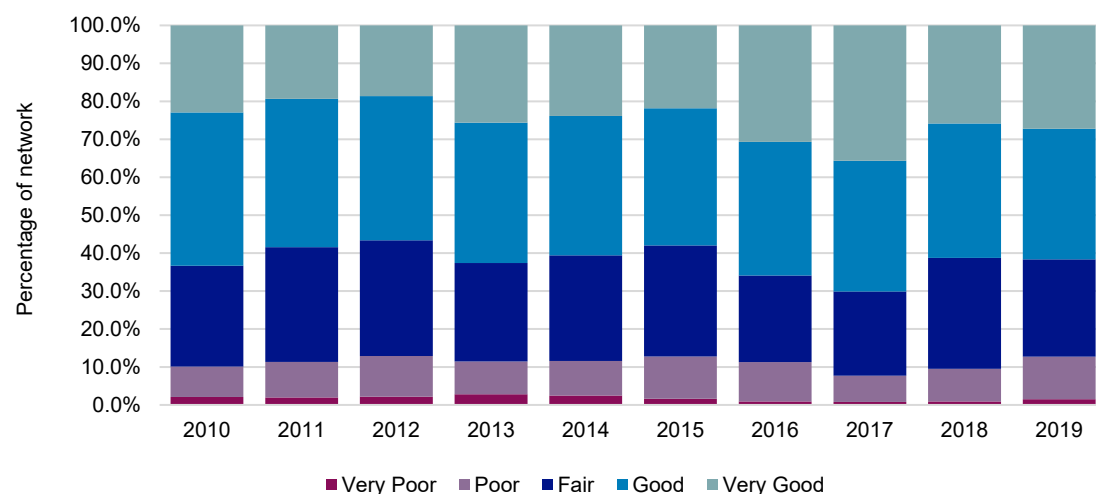


Source: Quantec, Own calculations

A rise in FCS per employee can potentially lead to an improvement in the productivity levels of the employed workforce in a region. However, the increase in FCS per employee between 2020 and 2021, can be attributed to a substantial decline in employment (-10.1 per cent) as opposed to the marginal decline in FCS (-0.7 per cent) over the same period. The improvement in FCS was therefore mainly because of excessive employment losses rather than substantial increases in FCS.

Investment in road infrastructure is critical to the expansion of economic capacity and competitiveness of the Western Cape. Investments in road infrastructure are largely guided by the condition of paved and gravel roads as determined by the Western Cape Department of Transport and Public Works, and development of economic hubs.

Figure 2.7 Condition of the paved roads in the Western Cape, 2010 – 2019

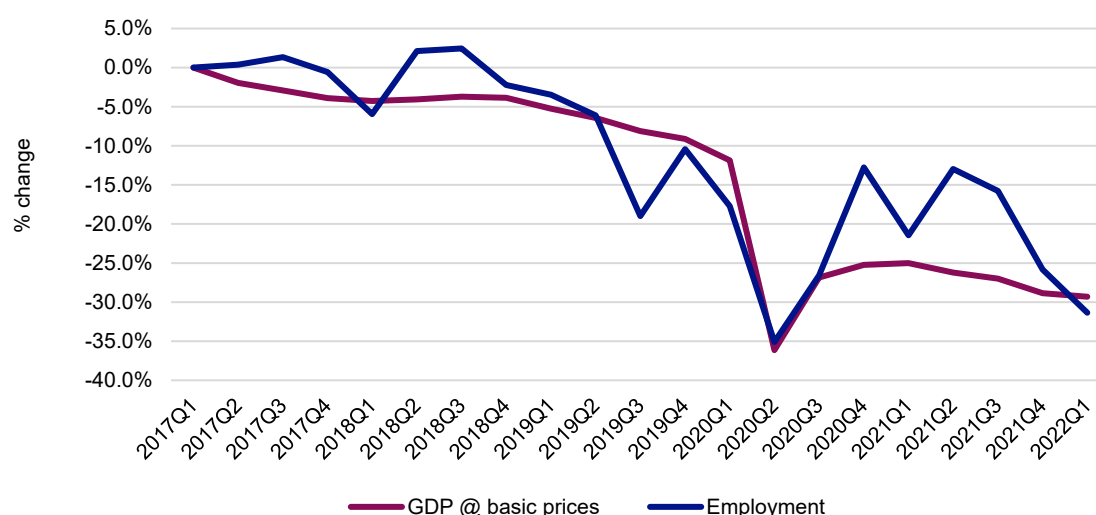


Source: Western Cape Road Asset Management Plan

In 2019, the portion of paved roads in the Western Cape that was in a good or very good condition (61.6 per cent) was marginally less than the average between 2010 and 2019 (61.8 per cent). Between 2010 and 2019, Western Cape paved roads were in the best overall condition in 2017, when 70.1 per cent were in a good or very good condition and only 7.7 per cent were in a poor or very poor condition.

The Construction sector is an important employer of low to semi-skilled employment (85.5 per cent of total formal employment) and plays a key role in the implementation of fixed investments pertaining to buildings and construction. In 2021, buildings and construction works contributed a substantial portion of GFCF (40.5 per cent) and FCS (75.9 per cent). However, over the last five years, the Construction sector's GDP and employment has contracted.

Figure 2.8 Western Cape Construction sector GDP and employment, 2017Q1 – 2022Q1

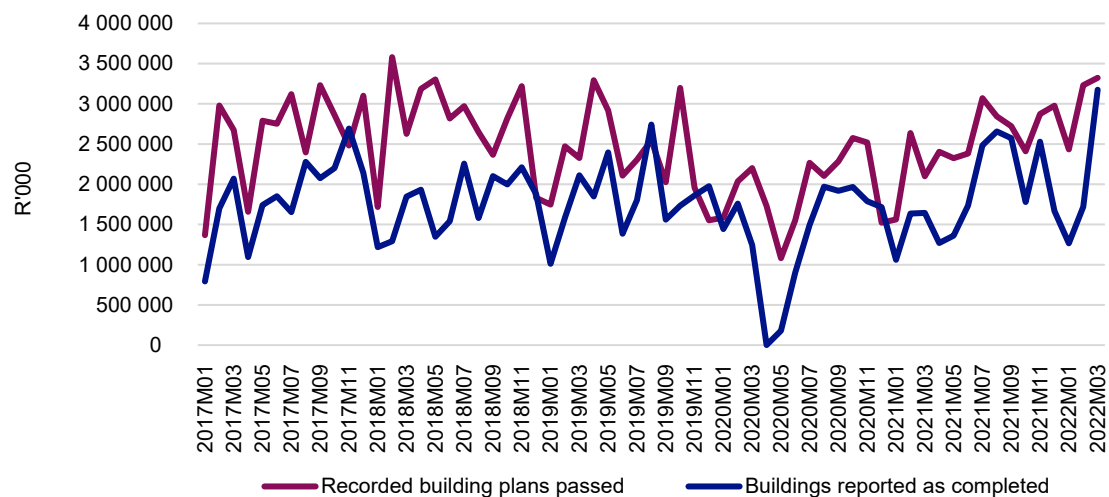


Source: Quantec, Own calculations

In the first quarter of 2022, the Construction sectors' GDP (-29.3 per cent) and employment levels (-31.4 per cent) were significantly lower than in the first quarter of 2017. The COVID-19 lockdown measures and the subsequent recession in 2020 had a substantially negative impact on the Sector. In the first quarter of 2022, the Construction sector GDP (-19.8 per cent) and employment (-16.6 per cent) levels were still substantially lower than in the first quarter of 2020 (pre-pandemic). However, GDP and employment levels were in a declining trend since the first quarter of 2017.

Construction projects have been severely affected by supply chain delays, shortages and higher costs related largely to the pandemic and the war in Ukraine. Shortages of building materials, soaring transport costs and inflation, are driving up construction costs and resulting in cost overruns. Corruption and irregular procurement have become endemic in the Construction sector, while the construction mafia and extortion groups present a substantial threat to the Sector.

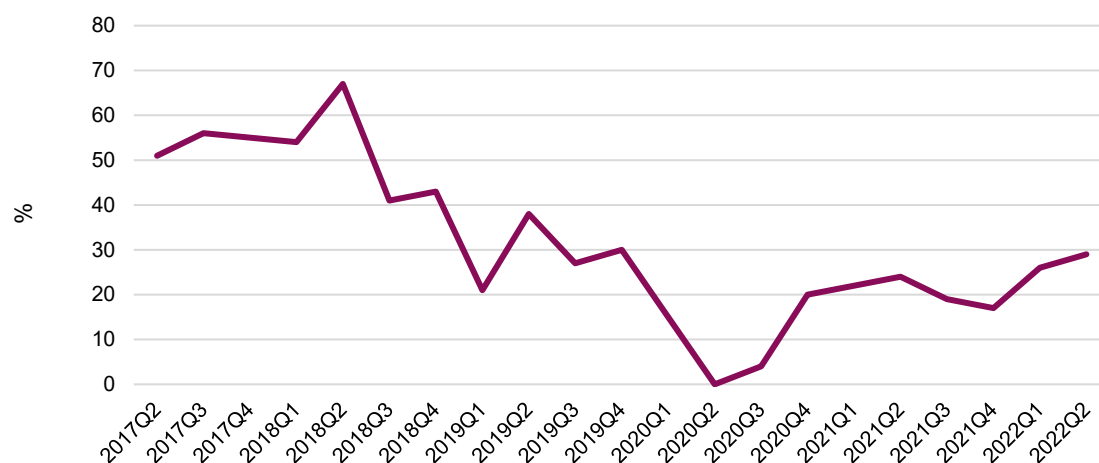
Figure 2.9 Building plans passed and buildings completed in the Western Cape, January 2017 - March 2022



Source: Quantec, Own calculations

The value of building plans passed is a leading indicator of expected economic activity in the Construction sector. In March 2022, the nominal value in recorded building plans passed (R3.323 billion) was significantly higher than in May 2020 (R1.081 billion). Since July 2020 there has been an upward trend in the nominal value of building plans passed and buildings completed. This bodes well for the Construction sector's GDP and employment prospects. However, the value of building plans passed in March 2022 (R3.323 billion) was still lower in nominal terms than in February 2018 (R3.581 billion), which is reflective of the long-term deterioration of the Construction sector.

Figure 2.10 BER-RMB Building and Construction Confidence Index for the Western Cape, 2017Q2 – 2022Q2



Source: Quantec

The BER-RMB Building and Construction Survey (BCS) for the Western Cape takes the percentage of respondents that rate prevailing business in the Construction sector as satisfactory as an indicator or proxy of business confidence. The improvement in business conditions of the Construction sector as reflected in completed building plans

is supported by the BCS. The BCS improved significantly from the second quarter of 2020 (0 per cent) to the second quarter of 2022 (29 per cent). However, the confidence levels in the Construction sector in the second quarter of 2022 (29 per cent) are still well below the second quarter of 2018 (67 per cent).

The outlook for the Construction sector in the Western Cape remains subdued. After an estimated contraction in 2021, the Sector is expected to expand by 1.2 per cent in 2022 and 1.5 per cent in 2023.

2.3.1 Greenfield Investments

Greenfield investments are a type of foreign direct investment where a company starts its operation in the other countries as its subsidiary and invests in the construction of offices, plants, sites, building products, etc. Greenfield investments (GFI) can therefore be considered as foreign Net Fixed Capital Formation (NFCF) and are likely to expand economic activity within a region, creating additional employment opportunities.

Table 2.3 Greenfield investments in the Western Cape, 2012 - 2021

Year	Projects	Capex (in millions)	Avg capex (in millions)	Jobs created	Avg jobs	Companies
2012	35	14 054.5	401.9	2 681	76	35
2013	40	12 468.4	311.4	3 378	84	39
2014	34	4 511.5	133.5	1 523	44	34
2015	32	11 482.0	359.0	1 047	32	32
2016	25	10 839.2	434.1	779	31	25
2017	27	17 717.7	656.6	1 375	50	27
2018	21	19 328.4	920.4	1 037	49	18
2019	28	16 024.2	572.2	1 388	49	28
2020	21	5 232.5	248.5	913	43	21
2021	26	10 613.7	408.0	3 182	122	25
Total	289	122 270.5	423.4	17 303	59	270

Source: fdi Markets

Between 2012 and 2021, the Western Cape received 289 GFI's worth R122.270 billion which created an estimated 17 303 employment opportunities. Over the period, the United States (32.3 per cent) provided the largest share of GFI's, followed by the United Kingdom (9.6 per cent), Belgium (6.3 per cent), China (6.0 per cent) and Italy (4.4 per cent). Over the decade, the Western Cape received its largest GFI (R19.328 billion) in 2018, while the smallest GFI (R4.511 billion) was received in 2014. The most employment opportunities created from GFI's (3 378) was in 2013. Over the period the average investment required to create one employment opportunity was R7.066 million, although the cost varied considerably during the period. Renewable energy contributed a substantial portion (12.8 per cent) of total GFI over the period.

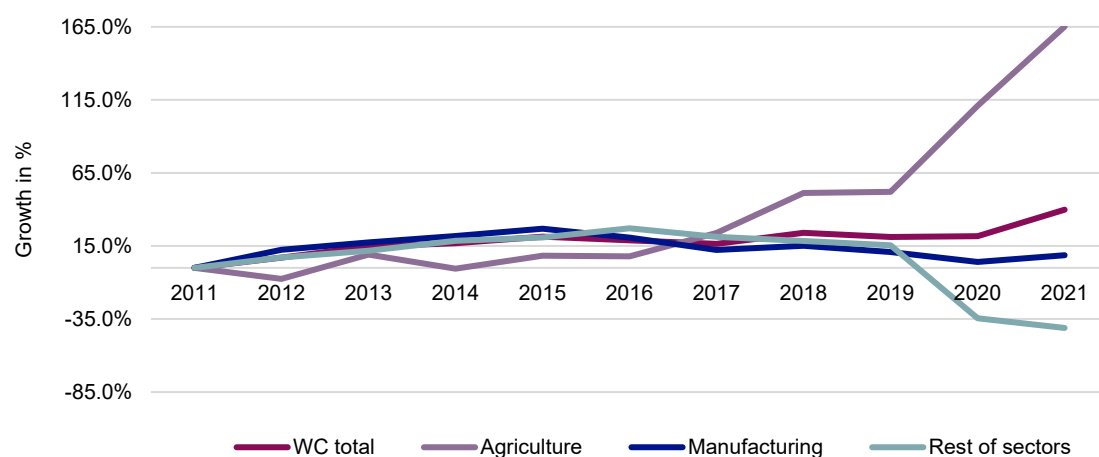
The scale of fixed investments required to solve the unemployment problem in the Western Cape is enormous. In the first quarter of 2022, the Western Cape had 774 000 unemployed people. Given the average GFI required for one employment opportunity; assuming no further employment losses; and assuming all unemployed citizens are employable; the Western Cape theoretically requires GFI of R5.488 trillion or 28 times the current GFI received over the past decade to solve the unemployment challenge.

2.4 International trade

International trade is an important component to promote economic growth; improve living standards and reduce absolute poverty levels. Global trade also facilitates a greater choice of different products among consumers and allows for specialisation and hence economies of scale. Due to the growth in the services sector worldwide, international trade became increasingly invisible through the trading of services such as IT, banking, and insurance.

In 2021, the Manufacturing (45.9 per cent) and the Agriculture (41.3 per cent) sectors accounted for the largest portions of total exports from the Western Cape.

Figure 2.11 Cumulative growth of real exports per sectors in the Western Cape, 2011 – 2021



Source: Quantec, Own calculations

Between 2012 and 2021, real exports in the Western Cape expanded by 39.8 per cent of which the Agriculture (36.0 percentage points) and Manufacturing (5.1 percentage points) sectors made the most significant positive contributions. The substantial growth contribution from the Agriculture sector was due to phenomenal cumulative export growth (165.2 per cent) over the period. Over the same period, the Manufacturing sector, as the most prominent export sector, expanded by 8.7 per cent.

Table 2.4 Top 10 fruits exported from the Western Cape, 2011 and 2021

Commodity	2011 in rand	2021 in rand	% growth	Share of total exports
Grapes, fresh or dried	2 817 238 457	9 799 965 695	247.9%	5.9%
Oranges	3 209 542 106	8 378 853 986	161.1%	5.0%
Apples	1 895 597 359	6 538 185 328	244.9%	3.9%
Lemons and limes	751 751 548	2 972 490 426	295.4%	1.8%
Pears and quinces	1 147 167 600	2 879 544 217	151.0%	1.7%
Cranberries, bilberries and other fruit of the genus Vaccinium	73 688 720	2 185 255 778	2 865.5%	1.3%
Grapefruit, including pomelos	584 243 811	1 566 872 193	168.2%	0.9%
Plums and sloes	507 760 557	1 506 589 599	196.7%	0.9%
Peaches, including nectarines	169 096 639	778 174 629	360.2%	0.5%
Avocados	3 425 017	408 305 711	11 821.3%	0.2%

Source: Quantec, Own calculations

Fruit exports made a large contribution to the growth of agriculture exports over the last decade. Among all fruit exports in 2021, Grapes, fresh or dried (5.9 per cent) made the largest contribution to total exports, followed by Oranges (5.0 per cent) and Apples (3.9 per cent). Between 2011 and 2021, Avocados (11 821 per cent) and Cranberries, Bilberries and other fruit of the genus *Vaccinium*³ (2 865.5 per cent) had the fastest growth.

Despite the phenomenal growth in fruit exports over the last decade, the industry still experienced logistical challenges. Airfreight is the preferred mode of export transport for Blueberries. However, by mid-2021 there were not enough international flights from Cape Town, and fruit destined for airfreight had to be transferred by road to Johannesburg at a higher transport cost. For this reason, leading exporters have been concentrating on opening more opportunities for sea freight.

The phenomenal growth in agriculture exports will increase pressure on the country's logistics infrastructure, which includes handling facilities to transport (road and rail) and the shipping ports. Sufficient investment in road and port infrastructure is therefore of critical importance to support the future expansion of exports in the Western Cape and South Africa.



THE DELAYS AT THE CAPE TOWN HARBOUR AND THE IMPACT ON THE WESTERN CAPE (ESPECIALLY WITH ALL THE AGRICULTURAL PRODUCE THAT SPOILED)

The Cape Town Container Terminal is gradually recovering from the delays, bottlenecks and shortages of containers induced by the COVID-19 pandemic, which were exacerbated by the war in Ukraine. Other challenges included extreme weather and electricity outages with limited alternative power sources. According to the former Western Cape Minister of Finance and Economic Opportunities, the port bottlenecks were due to a shortage of functional equipment operating on two berths instead of three. As of March 2022, the average waiting time at anchor was 7.6 days instead of one day. The average turnaround time was 15 days instead of four days, and containers moved were 15 000 per week compared to the goal of 18 000 (Smith, 2022). For the period 1 November 2021 to 28 March 2022, terminals handled 1.3 per cent more refrigerated containers in comparison to the same period in the previous year.

These challenges threaten cargo-driven industries, at times compelling exporters to opt for other ports at higher costs. Recent improvements in port and container terminal performance are therefore encouraging. Improvements include the delivery of additional equipment and engineering expertise from other Transnet operating divisions. Mooring systems have also been installed to reduce delays caused by underwater currents. One new mobile harbour crane and 4 replacement straddle carriers were deployed, which significantly improved performance. Several vessels have been berthed within one day of arrival since mid-April 2022 and ship turnaround times have often been reduced to below 4 days. Logistics for the 2022 citrus season in the Western Cape is proving successful, but the cost of logistics is rising at an alarming rate.

There are calls for more consistency in the performance improvements and also for an increase in private sector participation due to the large capital investments required for complex port and terminal infrastructure refurbishment.

A strong platform for collaboration has been built in the port logistics chain during the past year. This common purpose among primary agencies is beginning to produce dividends. Further improvements are anticipated to reduce the cost of doing business in the interest of economic growth and job creation.

Source: Western Cape Department of Economic Development and Tourism, 2022

³ *Vaccinium* is a genus of shrubs several of which, including cranberry, lingonberry, and blueberry, produce edible fruit.

Table 2.5 Top 10 export and import markets for the Western Cape, 2012 - 2021

Rank	Imports	Value 2021 (Rbn)	% 2021 Share	% 2021 Share	% point difference	Rank	Exports	Value 2021 (Rbn)	% 2021 Share	% 2021 Share	% point
1	China	51.3	11.0%	21.8%	10.8%	1	United States	17	5.2%	10.2%	5.0%
2	Oman	19.5	0.2%	8.3%	8.1%	2	Netherlands	14.4	6.8%	8.6%	1.9%
3	India	17.9	5.1%	7.6%	2.5%	3	United Kingdom	12.5	6.5%	7.5%	1.0%
4	Saudi Arabia	14.6	21.0%	6.2%	(14.8%)	4	Namibia	11.1	8.4%	6.7%	(1.7%)
5	UAE	13.1	2.6%	5.6%	3.0%	5	China	10.1	1.7%	6.1%	4.3%
6	Italy	11	2.2%	4.7%	2.5%	6	Botswana	8.9	8.0%	5.4%	(2.6%)
7	Germany	7.1	2.7%	3.0%	0.3%	7	Germany	5.2	3.8%	3.1%	(0.7%)
8	Netherlands	6.9	2.8%	2.9%	0.1%	8	India	5	1.1%	3.0%	1.9%
9	United States	6.6	2.3%	2.8%	0.5%	9	UAE	4.2	2.1%	2.5%	0.5%
10	United Kingdom	5.2	2.8%	2.2%	(0.6%)	10	Lesotho	3.7	2.2%	2.2%	0.0%

Source: Quantec, Own calculations

In 2021, China (21.8 per cent) was the top source of imports for the Western Cape, followed by Oman (8.3 per cent) and India (7.6 per cent). Between 2012 and 2021, China's share of total imports increased the most (10.8 percentage points) while Saudi Arabia's share declined substantially (-14.8 percentage points). As a result, China replaced Saudi Arabia as the Western Cape's top source of imports.

The United States (10.2 per cent) followed by the Netherlands (8.6 per cent) and United Kingdom (7.5 per cent) were the top export destinations for the Western Cape in 2021. Over the past decade the United States (5.0 percentage points) and China (4.3 percentage points) made notable progress as export destinations.

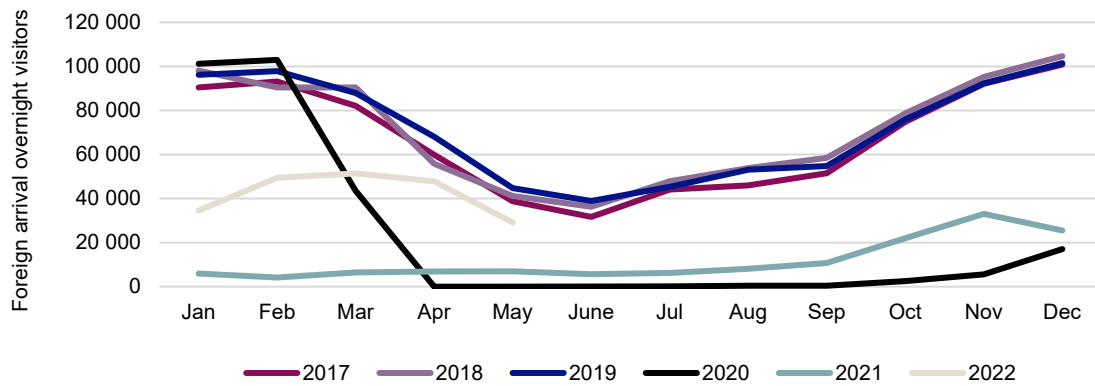
2.5 Tourism

The Western Cape is a tourist destination of choice due to its geographical features, favorable weather, cultural and historical richness, green tourism, world-class activities, and tourist facilities. The Tourism sector has been severely affected by the COVID-19 lockdown measures implemented since the second quarter of 2020. There has been a slow recovery since 2021, but the sector remains significantly below the 2019 levels in all industries associated with the tourism sector.

International overnight visitor arrivals at the Cape Town International Airport were severely affected by the COVID-19 pandemic, as regulations restricted international travel at various alert levels. Few international tourist arrivals (1 078) were recorded between April and September 2020. However, average arrivals from April to December 2021 were at 21.8 per cent of 2019 levels as opposed to 4.6 per cent in 2020.



Figure 2.12 International overnight tourist arrivals at Cape Town International Airport, 2017 – 2022



Source: WESGRO

In 2022, the average International overnight tourist arrivals in the first five months were at 53.8 per cent of 2019 arrival levels. This was a significant improvement on 2021 (7.7 per cent of 2019 levels), but still lower than 2020 (62.8 per cent of 2019 levels). Domestic travelers roughly made up a third of all arrivals at Cape Town International Airport and remain an important source of tourism for the Western Cape. Based on mobile location data insights of 39 906 domestic and 1 001 international tourists, the Cape Winelands was the most popular region among domestic visitors while international visitors mainly spent time in Cape Town. In July 2022, the occupancy rate in the Western Cape (44.3 per cent), increased by 24.7 percentage points compared to the same month in 2021, but was still 8.5 percentage points lower than in July 2019.

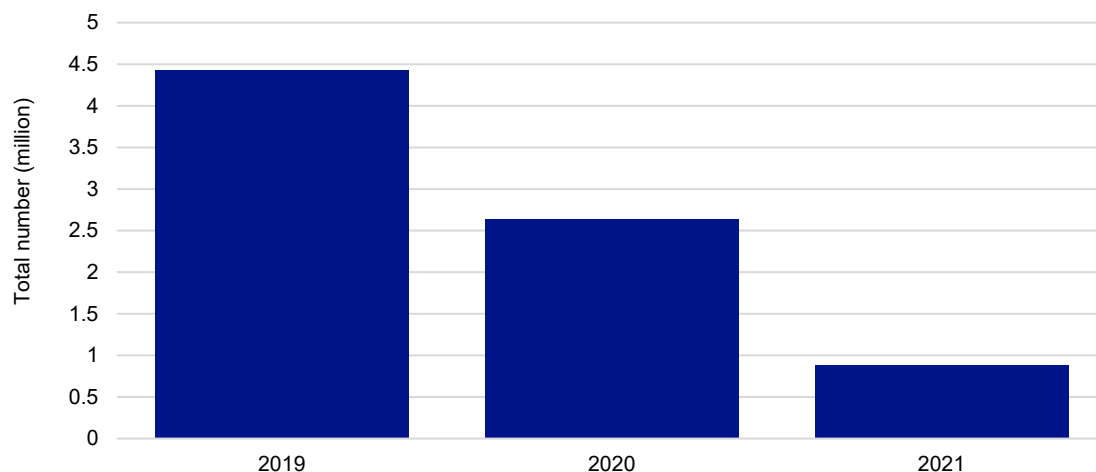
Table 2.6 International overnight tourist arrivals at Cape Town International Airport, 2019 - 2021

Rank	Country	Number of visitors 2019	Number of visitors 2021	Share of visitors 2019	Share of visitors 2021	2021 share of 2019 level
1	Germany (DE)	129 779	23 289	15.2%	16.4%	17.9%
2	USA (US)	96 216	17 321	11.2%	12.2%	18.0%
3	UK (GB)	146 822	12 771	17.1%	9.0%	8.7%
4	The Netherlands (NL)	49 184	10 097	5.7%	7.1%	20.5%
5	Namibia (NA)	23 981	9 554	2.8%	6.7%	39.8%
6	Zimbabwe (ZW)	9 623	7 541	1.1%	5.3%	78.4%
7	Russian Federation (RU)	0	6 002	0.0%	4.2%	0.0%
8	Other Europe (C19)	33 757	5 966	3.9%	4.2%	17.7%
9	France (FR)	46 315	5 285	5.4%	3.7%	11.4%
10	Switzerland (CH)	23 121	4 761	2.7%	3.4%	20.6%

Source: Quantec, Own calculations

In 2021, Germany (16.4 per cent) had the largest share of international overnight tourist arrivals at Cape Town International Airport, followed by the United States (12.2 per cent) and the United Kingdom (9.0 per cent). African countries such as Zimbabwe (78.4 per cent) and Namibia (39.8 per cent) had relatively higher arrival levels in 2021 when compared to 2019 levels. Between 2019 and 2021, the share of arrivals from the United Kingdom to total arrivals declined substantially from 17.1 per cent to 9.0 per cent. In 2021, the United Kingdom represented only 8.7 per cent of arrivals in 2019.

Figure 2.13 Domestic trips to the Western Cape, 2019 – 2021



Source: SA Tourism, 2021

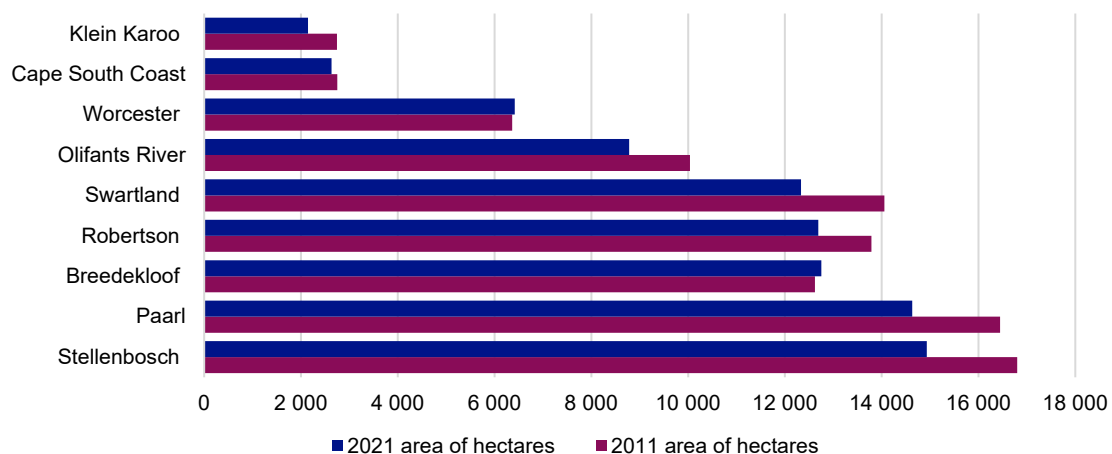
Domestic trips to the Western Cape dominated international arrivals such that while international arrivals were 2.0 million in 2019, domestic arrivals were over double that number at 4.4 million. The pandemic resulted in a 40.4 per cent decline in domestic trips, which was 39.6 percentage points less than the decline in international arrivals (-80 per cent) in 2020. Between 2020 and 2021, domestic trips deteriorated (-66.5 per cent) by a relatively larger margin than international arrivals (-25.0 per cent).

2.6 The Wine Industry in the Western Cape

In 2021, South Africa was the world's eighth largest wine producer of which the vast majority was produced in the Western Cape. Within the Western Cape, the Cape Winelands has a long and very successful history with its best-known and most celebrated Chenin Blanc and Pinotage wines.

In 2021, South Africa produced 1.060 billion litres or 4.1 per cent of the world's total wine production. Italy (19.3 per cent) was the world's top wine producer followed by France (14.5 per cent) and Spain (13.6 per cent).

Figure 2.14 Geographical distribution of wine grape hectares per Western Cape wine region, 2021 vs 2011



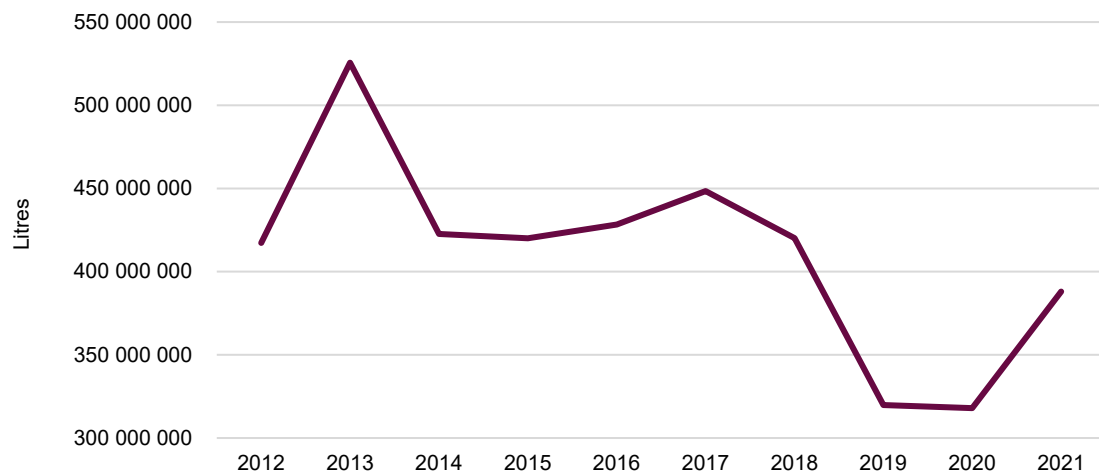
Source: South African Wine Industry Information and Systems

Between 2011 and 2021, the area cultivated in wine grapes declined by 8.7 per cent in the Western Cape. The Klein Karoo region (-21.8 per cent) had the largest decline, followed by the Olifants River (12.5 per cent) and Swartland (12.3 per cent) regions. Over the period, the Bredekloof (1.0 per cent) and Worcester (0.8 per cent) regions had a marginal expansion in the area under wine grapes.



Exports are an important source of revenue to the South African wine industry. In 2021, 42.6 per cent of local wine production was exported to international markets. In 2021, the United Kingdom (92.5 million litres) was the top wine export destination, followed by Germany (65.2 million litres) and the United States (42.3 million litres).

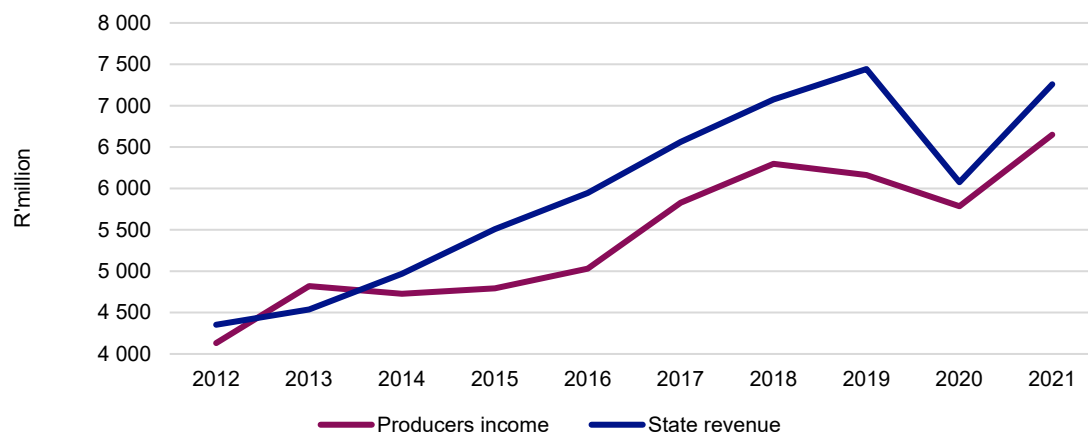
Figure 2.15 Total exports of wine for South Africa, 2012 - 2021



Source: South African Wine Industry Information and Systems

Between 2012 and 2021, total wine exports (litres) declined by 7.0 per cent. In 2020 and 2021, the South African wine industry was challenged by a series of local alcohol sales bans, global freight, and local port issues, along with a shortage of glass and packaging materials. Despite the many challenges, the South African wine industry managed to export 387.9 million litres in 2021, an increase of 22.0 per cent from the previous year. Over the same period, the number of private wine cellars declined by 7.5 per cent to 471 in 2021, whilst the number of producer cellars declined by 14.0 per cent to 43 in 2021. Over the period, the number of primary wine producers fell substantially by 24 per cent to 2 613 producers in 2021.

Figure 2.16 State revenue from wine products versus producers' income in South Africa, 2012 - 2021



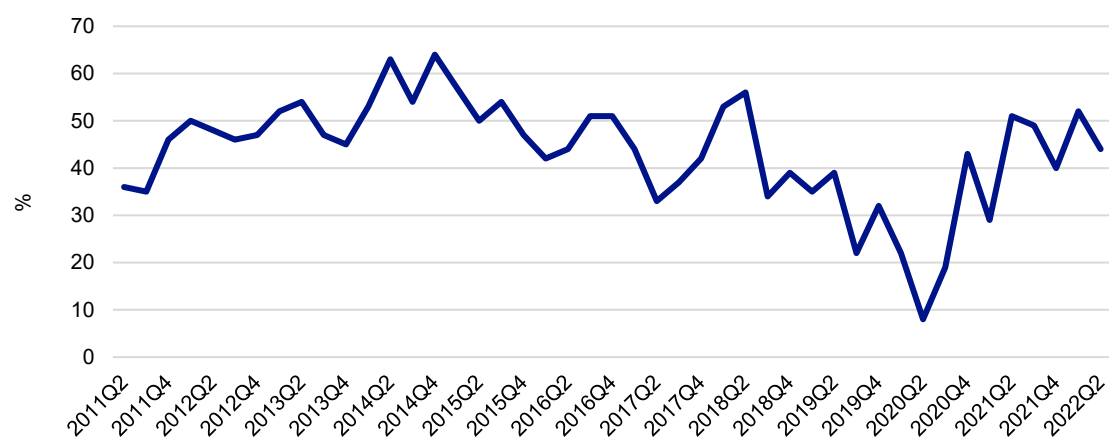
Source: South African Wine Industry Information and Systems

The wine industry is an important source of tax revenue for the South African government. In 2021, the state received R7.259 billion from Excise duty and VAT taxes revenue. Tax revenue was 9.2 per cent more than wine producers' revenue (R6.649 billion) in the same year. Over the past decade, state revenue from the wine industry exceeded producers' revenue in all years, except in 2013, when producers' revenue exceeded state revenue by 6.2 per cent.

2.7 Economic outlook of the Western Cape

The Western Cape economic outlook is similarly hindered by increasing inflation and rising policy rates, high unemployment (unemployment grew by 116 000 in quarter 2 of 2022⁴), power shortages, and slow reform momentum that is affecting the national outlook.

Figure 2.17 Western Cape BER-RMB Composite Business Confidence Index, 2011Q2 – 2022Q2



Source: BER

⁴ Stats SA

The latest Western Cape BER-RMB Composite Business Confidence Index (BCI) shows that 44 per cent of respondents were positive in Quarter 2 of 2022. The BCI measures the unweighted mean of five sectoral indices: manufacturers, building contractors, retailers, wholesalers, and new vehicle dealers. In the second quarter of 2022, the BCI declined by 8 percentage points from 52 points in the previous quarter to 44 points, meaning that 56 per cent of respondents were negative about current business conditions in the Province. The weakening of the BCI can potentially point to a relatively weaker GDP performance in the second quarter of 2022.

Table 2.7 GDP growth and contribution of growth forecast per sector in the Western Cape, 2022 – 2023

Sector	% growth		% point contribution	
	2022(f)	2023(f)	2022(f)	2023(f)
Agriculture	8.8%	0.3%	0.4%	0.0%
Mining	18.9%	(7.5%)	0.0%	0.0%
Manufacturing	2.5%	(0.3%)	0.4%	0.0%
Utilities	0.9%	0.3%	0.0%	0.0%
Construction	1.2%	1.5%	0.0%	0.1%
Trade	9.2%	2.1%	1.2%	0.3%
Transport	6.2%	2.3%	0.5%	0.2%
Finance	(0.8%)	(0.8%)	(0.3%)	(0.2%)
Government	(1.4%)	0.0%	(0.1%)	0.0%
Personal services	(0.8%)	0.2%	(0.1%)	0.0%
WC GDP @ market prices	2.2%	0.3%	2.2%	0.3%

Source: Quantec

The Western Cape is expected to grow by 2.2 per cent in 2022 and only 0.3 per cent in 2023. Major growth contributions are expected from the Agriculture (0.4 percentage point), Manufacturing (0.4 percentage point), Trade (1.2 percentage point) and Transport (0.5 percentage point) sectors.

The 2022 growth outlook for the Agriculture sector (8.8 per cent) in 2022 remains positive given the surges in citrus and grape exports. The Western Cape outlook is supported by forecasted growth in real personal consumer spending and a return to in-personal experiences linked to tourism growth, hence the Trade sector (9.2 per cent) is expected to increase substantially in 2022. The Transport sector is expected to see growth of 6.2 per cent linked to increased exports and tourism growth. The largest decline is forecast for the Government sector, with a contraction of 1.4 per cent for 2022, following fiscal consolidation. Potential growth in the Finance sector is hampered by rising business interruption claims, while credit extension is limited by over indebtedness and rising policy interest rates. The Finance sector is expected to contract by 0.8 per cent in 2022.

2.8 Conclusion

The Western Cape largely tracks the national economy but marginally exceeded national growth over the past decade. The Finance sector in the Western Cape plays a relatively more important role in the Western Cape, while the Mining and Personal services sectors are relatively more important to the South African economy. Over the past decade GDP per capita declined in the Western Cape, which was exacerbated by the 2020 recession and large-scale net-immigration (see Chapter 4). Although the Province's GDP is estimated to have recovered, the employment levels are still lower than pre-pandemic levels.

Over the past five years the largest contribution to growth was made by the Finance, Personal services and Agriculture sectors. Each of the five rural districts and the Cape Metro have unique economic characteristics. In 2021, the Agriculture sector made the largest economic contribution in the West Coast District, while the Government sector was the most prominent in the Central Karoo District. Due to a strong performance in the Agriculture sector, the West Coast District had the highest average economic growth over the last decade and in 2021.

Fixed capital stock has declined since 2020, while growth in Net Fixed Capital Formation was at relatively lower levels between 2017 and 2019, and has declined since 2020. GDP and employment in the Construction sector declined over the last five years. However, the latest upward trend in building plans passed and improvement in the Western Cape BER-RMB Building and Construction Confidence Index points to a mild recovery in the Construction sector. Greenfield investments with associated employment opportunities created over the last decade underline the scale of fixed investment required to solve the unemployment challenge.

In the last decade, the Agriculture sector made the most significant growth contribution to total exports in the Province. However, future export growth will require sufficient infrastructure maintenance and investment. International tourist arrivals have recovered to pre-pandemic levels to some extent in 2021 and the first months of 2022. The Western Cape is a significant producer of wine globally. However, in the last decade, the area under wine grapes and wine exports has declined. The Western Cape is expected to expand by 2.2 per cent in 2022 and 0.3 per cent in 2023. Notable growth contributions are expected from the Trade, Transport, Agriculture and Manufacturing sectors in 2022.

3

LABOUR MARKET DYNAMICS

JOBS

3.1 Introduction

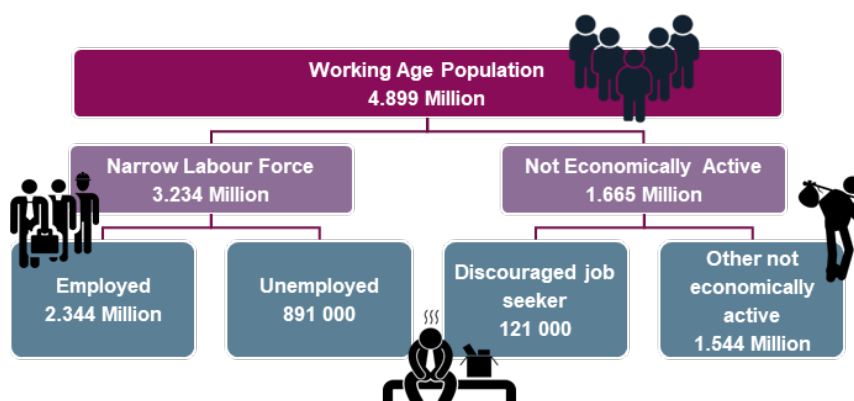
The COVID-19 pandemic has triggered one of the worst jobs crises since the Great Depression. South Africa entered the COVID-19 pandemic with low levels of employment and a decade of weak job creation, far below the standards of most upper-middle-income countries. The World Bank notes that despite the government's solid response to limiting the spread of the coronavirus, job growth has been severely impacted, and recovery is slow. South Africa and the Western Cape have seen a rise in employment levels from the second quarter of 2021. However, employment levels have remained below pre-pandemic levels.

There is a real danger that the crisis will increase poverty and widen inequalities, with the impact felt for years to come. It is important that countries such as South Africa do everything they can to stop the job crisis from turning into a social crisis. Reconstructing a better and more resilient labour market is an essential investment in future generations.

This chapter highlights areas in which labour market outcomes have improved or worsened over a five-year period, from the first quarter 2017 to the first quarter of 2022.

WESTERN CAPE LABOUR MARKET DYNAMICS

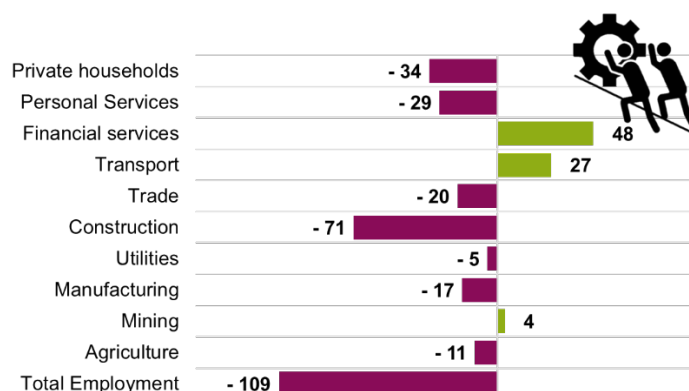
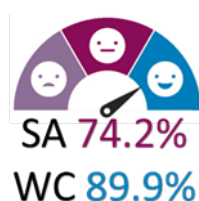
OVERVIEW OF THE WESTERN CAPE LABOUR MARKET 2022Q2



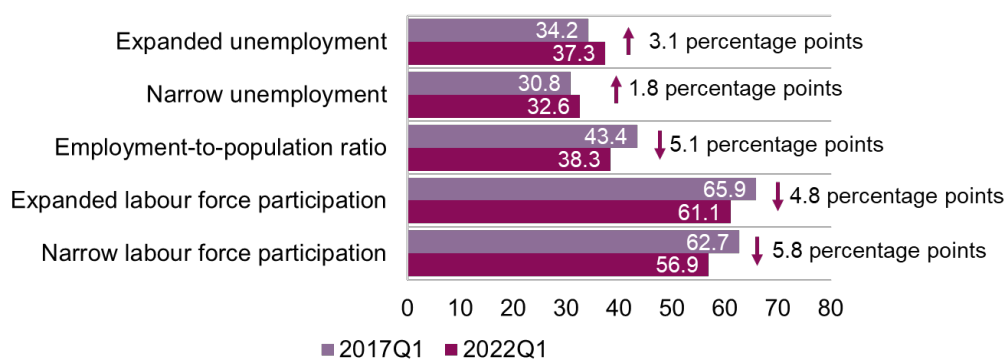
EMPLOYMENT GAINS/LOSSES IN R'000 BETWEEN 2017Q1 & 2022Q1

JOB SATISFACTION

2022Q1



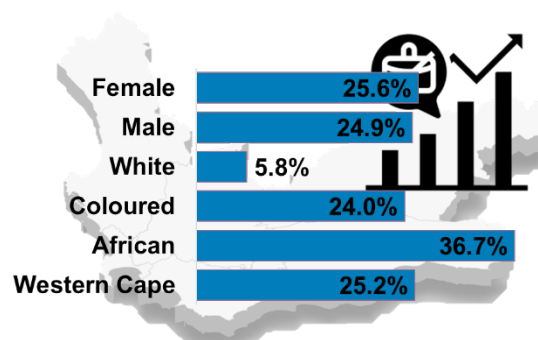
YOUTH LABOUR MARKET



LABOUR FORCE PARTICIPATION RATE



UNEMPLOYMENT RATE 2022Q1



2017Q1 2018Q1 2019Q1 2020Q1 2021Q1 2022Q1

3.2 Labour force

The labour force¹ comprises of the portion of the working population willing to work and actively seeking employment opportunities. A growing labour force contributes to the potential production capacity of an economy. It is also used as the basis to determine unemployment² and an indicator measuring the number of the working population that is actively seeking employment or losing hope in finding employment.

Between the first quarters of 2017 and 2022³, there has been a decline in the labour force participation rate⁴ in South Africa. A decline occurs when relatively fewer numbers of the working population are actively seeking employment opportunities and exclude themselves from the narrow labour force. Between the first quarters of 2017 and 2022, the working population increased by 8.0 per cent, whilst the labour force expanded by only 1.6 per cent in South Africa. Consequently, the labour force participation rate declined by 3.6 percentage points to 56.9 per cent.

Table 3.1 Composition of the South African narrow labour force, 2017Q1 - 2022Q1

	2017Q1		2022Q1		Change	
	Number (‘000s)	Share (%)	Number (‘000s)	Share (%)	Number (‘000s)	(%)
Narrow Labour Force	22 426	100.0	22 776	100.0	350	1.6%
By Race						
African	17 502	78.0%	18 247	78.6%	745	4.3%
Coloured	2 191	9.8%	2 057	9.6%	(134)	(6.1%)
White	2 109	9.4%	1 871	9.1%	(238)	(11.3%)
By Gender						
Male	12 195	54.4%	12 544	55.1%	349	2.9%
Female	10 232	45.6%	10 232	44.9%	1	0.0%
By Age						
Youth	10 235	45.6%	9 791	43.0%	(444)	(4.3%)
Older age	12 191	54.4%	12 985	57.0%	794	6.5%
By Education						
Less than Secondary	11 196	49.9%	9 946	43.7%	(1 249)	(11.2%)
Secondary	7 024	31.3%	8 625	37.9%	1 601	22.8%

Source: Quantec, Own calculations

Over the period, the labour force contracted for the White (-11.2 per cent) and Coloured (-6.1 per cent) population groups but expanded for the African population group (4.3 per cent). The changes in both the White and African labour force correlates with its respective working population changes over the same period. The White working population declined (-5.8 per cent), whilst the African working population increased (9.9 per cent). The decline in the Coloured population's labour force negatively correlates with its expansion in the working population expansion (4.7 per cent). Over the period, the labour force participation rates declined for all population groups in South Africa.

¹ Refers to narrow labour force.

² Refers to narrow unemployment.

³ Rolling five-year period is used to smooth out quarterly fluctuations.

⁴ Indicates the percentage of all people of working age who are employed or are actively seeking work.

In South Africa, males are more likely to form part of the labour force. In the first quarter of 2022, the male population contributed a larger share of the labour force (55.1 per cent), although males comprised of a relatively smaller share (49.6 per cent) of the working population. Between the first quarters of 2017 and 2022, the labour force expanded at a slower pace than the working population for both males (5.5 percentage points) and females (7.6 percentage points). As a result, the labour force participation rate declined for both males (-3.4 percentage points) and females (-3.9 percentage points) to 63.2 per cent and 50.7 per cent respectively.

The youth (15 - 34 years) have a declining labour force participation rate. In the first quarter of 2022, the youth comprised of 51.6 per cent of the working population and 43.0 per cent of the labour force in South Africa. Between the first quarters of 2017 and 2022, the working population among the youth expanded (3.0 per cent), whilst the labour force of the youth contracted (-4.3 per cent). As a result, the labour force participation rate among the youth declined by 3.6 percentage points to 47.4 per cent.

In the first quarter of 2022, the older age cohort (35 - 64 years) had a much higher labour force participation rate than the youth cohort (67.0 per cent vs 47.4 per cent). This means a larger portion of the older age cohort working population was willing to work and actively seek employment opportunities. The older age cohort recorded a more significant expansion in the working population (14.0 per cent) than in its labour force (6.5 per cent). The relatively faster growth in the working population led to a decline (-4.7 percentage points) in the labour force participation rate to 67.0 per cent in the first quarter of 2022.

Between the first quarters of 2017 and 2022, the South African labour force became relatively more educated. As a share of the total labour force, the Less than secondary education cohort declined (-6.3 percentage points) whilst the share of the Secondary education cohort increased (6.5 percentage points). The Tertiary education cohort share of the total labour force remained relatively stable (0.6 percentage points).

The largest portion of the South African labour force did not complete a secondary education. In the first quarter of 2022, the Less than Secondary education cohort (43.7 per cent) made up the largest portion of the labour force followed by the Secondary (37.9 per cent) and Tertiary (17.8 per cent) cohorts.



Between the first quarters of 2017 and 2022, no education cohort could improve on its labour force participation rate. The relatively lower growth rates of the labour force to the working population led to the decline in the labour force participation rate among the Less than secondary (-5.1 percentage points), Secondary (-4.2 percentage points) and Tertiary (-3.2 percentage points) education cohorts.

The Labour force participation rate tends to increase as education levels improve. In the first quarter of 2022, the Tertiary education (84.5 per cent) cohort had the highest labour force participation rate, followed by the Secondary (65.1 per cent) and Less than secondary (45.9 per cent) cohorts.

The Western Cape labour force

The Western Cape was subjected to the same declining labour force participation rate trend as South Africa. Between the first quarter of 2017 and 2022, the working population (10.0 per cent) increased significantly, whilst the labour force (0.2 per cent) expanded marginally. As a result, the labour force participation rate declined by 6.2 percentage points to 63.0 per cent.

Table 3.2 Composition of the Western Cape narrow labour force, 2017Q1 - 2022Q1

	2017Q1		2022Q1		Change	
	Number (<i>'000s</i>)	Share (%)	Number (<i>'000s</i>)	Share (%)	Number (<i>'000s</i>)	(%)
Narrow Labour Force	3 066	100.0	3 072	100.0	6	0.2%
By Race						
African	1 130	36.9%	1 104	37.0%	(25)	(2.3%)
Coloured	1 463	47.7%	1 405	46.6%	(572)	(3.9%)
White	452	14.8%	553	15.4%	100	22.2%
By Gender						
Male	1 646	53.7%	1 652	53.8%	6	0.4%
Female	1 420	46.3%	1 420	46.2%	(0)	(0.0%)
By Age						
Youth	1 352	44.1%	1 299	42.3%	(53)	(3.9%)
Older age	1 714	55.9%	1 773	57.7%	58	3.4%
By Education						
Less than Secondary	1 560	50.9%	1 322	43.0%	(238)	(15.3%)
Secondary	963	31.4%	1 127	36.7%	163	17.0%
Tertiary	509	16.6%	593	19.3%	84	16.5%

Source: Stats SA (2022), Own calculations, Quantec

Over the period, the White population's labour force participation rate increased (2.8 percentage points), whilst it declined among the African (-5.0 percentage points) and Coloured (-9.5 percentage points) population groups. The working population (15 - 64 years) of the White population substantially increased (17.4 per cent) and consequently the labour force expanded by 22.2 per cent. The significant Provincial increase in the working population of the White population group implies large scale in-migration to the Western Cape over the past five years. Over the period, the White population group declined in the rest of South Africa (-8.9 per cent) but expanded significantly in the Western Cape (16.7 per cent).

Between the first quarters of 2017 and 2022, the working population in the Western Cape increased for both the African (5.1 per cent) and Coloured (11.9 per cent) populations in contrast to the decline in the African (-2.3 per cent) and Coloured (-3.9 per cent) labour force, largely reflecting a working population less inclined to

actively seek employment opportunities. Over the period, discouraged job seekers substantially increased for both the Coloured (172.2 per cent) and African (85.9 per cent) population groups.

Figure 3.1 Labour force participation rate per cohort, Western Cape and South Africa, 2022Q1



Source: Stats SA (2022), Own calculations, Quantec

The Western Cape had an overall higher labour force participation rate than South Africa but followed the national trends of the labour force among genders. In the first quarter of 2022, the portion of males (53.8 per cent) in the labour force exceeded the females (46.2 per cent). Between the first quarters of 2017 and 2022, the growth in the working population exceeded the expansion in the labour force for both genders (8.2 percentage points for males; 11.4 percentage points for females). As a consequence, the labour force participation rate of males declined by 5.7 percentage points to 70.0 per cent and declined by 6.4 percentage points to 56.3 per cent for females. Males had a higher labour force participation rate for both South Africa and the Western Cape.

In the Western Cape, the working population among the youth increased (6.0 per cent) whilst the youth's labour force declined (-3.9 per cent) between the first quarters of 2017 and 2022. The combination of an increasing working population and declining labour force led to a decline in the labour force participation rate (-5.8 percentage points), to 56.9 per cent in the first quarter of 2022.

In the first quarter of 2022, the labour force participation rate of the older age cohorts was higher than the youth age cohort, (68.3 per cent vs 56.9 per cent) in the Western Cape. Between the first quarters of 2017 and 2022, the older age cohort in the Province followed the national trend with regards to growth of its working age population (13.8 per cent) and the labour force (3.4 per cent). Over the same period, the labour force participation rate for the older age cohort declined by 6.9 percentage points to 68.3 per cent.

Between the first quarters of 2017 and 2022, the Western Cape progressed to a more educated workforce. Over the period, the portion of the workforce in the Less than Secondary cohort declined by 7.9 percentage points to 43.0 per cent, whilst the share of workforce in the Secondary cohort increased by 5.3 percentage points to 39.7 per cent and the Tertiary cohort increased by 2.7 percentage points to 19.3 per cent.

Between the first quarters of 2017 and 2022, the labour force participation rates in the Western Cape declined for all education cohorts due to the working population expansion exceeding the labour force growth. The labour force participation rate declined the most in the Less than Secondary (-10.9 percentage points) education cohort followed by the Secondary (-3.3 percentage points) and Tertiary (-0.5 percentage points) cohorts. In the first quarter of 2022, the Tertiary (85.4 per cent) cohort had the highest labour force participation rate followed by the Secondary (71.4 per cent) and Less than secondary (52.0 per cent) education cohorts.

Table 3.3 Composition of the Western Cape narrow labour force by race and educational attainment for the Western Cape, 2017Q1 and 2022Q1

	2017Q1		2022Q1		Change	
	Number (‘000s)	Share (%)	Number (‘000s)	Share (%)	Number (‘000s)	(%)
All population groups						
Less than Secondary	1 560	50.9%	1 322	43.0%	(238)	(15.3%)
Secondary	963	31.4%	1 127	36.7%	163	17.0%
Tertiary	509	16.6%	593	19.3%	84	16.5%
Total Education	3 032		3 042		9	0.1%
African						
Less than Secondary	670	59.3%	572	51.8%	(98)	(14.7%)
Secondary	331	29.3%	407	36.8%	76	22.8%
Tertiary	109	9.6%	119	10.8%	11	9.8%
Total Education	1 110		1 098		(12)	(0.2%)
Coloured						
Less than Secondary	847	57.9%	692	49.3%	(154)	(18.2%)
Secondary	454	31.1%	534	38.0%	79	17.4%
Tertiary	148	10.2%	155	11.1%	7	4.7%
Total Education	1 450		1 381		(68)	-1.0%
White						
Less than Secondary	43	9.5%	54	9.7%	11	25.0%
Secondary	173	38.3%	185	33.5%	12	6.8%
Tertiary	236	52.2%	314	56.8%	78	32.9%
Total Education	452		553		100	4.1%

Source: Stats SA , Own calculations, Quantec

In the Western Cape, the labour force of the African population group became relatively more educated between the first quarters of 2017 and 2022. Over the period, the share of the Less than educated cohort declined by 7.5 percentage points to 51.8 per cent of the total African labour force, whilst the Secondary education cohort expanded by 7.5 percentage points to 36.8 per cent. The share of the Tertiary education cohort marginally increased by 1.2 percentage points to 10.8 per cent of the African labour force.

The Coloured labour force displayed similar education progression trends. Between the first quarters of 2017 and 2022, the share of the Less than Secondary cohort declined by 8.6 percentage points to 49.3 per cent of the Coloured labour force, whilst the portion of the Secondary education cohort expanded by 6.9 percentage points to 38.0 per cent. The share of the Tertiary labour force improved by 0.9 percentage points to 10.8 per cent of the Coloured labour force.

Like the African and Coloured population groups, the White population group also became more educated. However, where the bulk of the education improvement for the African and Coloured population groups came from a shift from the Less than secondary to Secondary education cohort, the White population's main improvement came from a shift from Secondary to the Tertiary education cohort. Over the period, the White population's share of Secondary education cohort declined by 4.8 percentage points to 33.5 per cent, whilst the Tertiary education cohort expanded by 4.6 percentage points to 56.8 per cent. The share of the Less than Secondary education cohort marginally increased by 0.2 percentage points to 9.7 per cent.

3.3 Employment

South Africa could not expand its employment opportunities over the past five years, mainly due to the slow growing economy. In the first quarter of 2022, South Africa's employment numbers were still 1.298 million or 8.0 per cent lower than in the first quarter of 2017. The loss in employment opportunities can mainly be attributed to the COVID-19 lockdown measures which commenced in the second quarter of 2020. Between the first quarters of 2017 and 2020, employment opportunities in South Africa expanded by 1.0 per cent followed by a decline of 9.0 per cent up to the first quarter of 2022.

Table 3.4 Employment per cohort in South Africa, 2017Q1 – 2022Q1

	2017Q1		2022Q1		Change	
	Number (‘000s)	Share (%)	Number (‘000s)	Share (%)	Number (‘000s)	(%)
Total employment	16 212	100.0	14 914	100.0	(1 298)	(8.0%)
By Race						
African	12 009	74.1%	11 208	75.1%	(802)	(6.7%)
Coloured	1 690	10.4%	1 525	10.2%	(165)	(9.8%)
White	1 969	12.1%	1 683	11.3%	(287)	(14.6%)
By Gender						
Male	9 030	55.7%	8 407	56.4%	(623)	(6.9%)
Female	7 182	44.3%	6 507	43.6%	(675)	(9.4%)
By Age						
Youth	6 214	38.3%	5 111	34.3%	(1 103)	(17.8%)
Older age	9 931	61.3%	9 803	65.7%	(128)	(1.3%)
By Education						
Less than Secondary	7 503	46.3%	5 993	40.2%	(1 511)	(20.1%)
Secondary	5 091	31.4%	5 479	36.7%	388	7.6%
Tertiary	3 450	21.3%	3 313	22.2%	(136)	(4.0%)

Source: Quantec, Own calculations

Over the period, employment losses occurred among all population groups of which the White (-14.6 per cent) population experienced the largest loss, followed by the Coloured (-9.8 per cent) and African (-6.7 per cent) population groups.

Employment opportunities among females (-9.4 per cent) contracted more than males (-6.9 per cent), whilst the youth (-18.6 per cent) experienced larger employment losses compared to the older (-1.3 per cent) age cohort.



Between the first quarters of 2017 and 2022, the Less than secondary (-20.1 per cent) and the Tertiary (-4.0 per cent) education cohorts recorded employment losses whilst the Secondary (7.6 per cent) education cohort recorded employment gains. The employment gains in the Secondary education cohort can partially be attributed to a substantial increase (22.8 per cent) in the labour force among the Secondary qualified cohort over this period.

Employment in the Western Cape

The Western Cape experienced relatively milder employment losses compared to South Africa. Between the first quarters of 2017 and 2022, employment in the Western Cape contracted by 109 000 or 4.5 per cent. Like South Africa, the bulk of the employment losses over the period can be attributed to the implementation of COVID-19 lockdown measures since the second quarter 2020. The Western Cape lost 203 122 or 8.1 per cent of employment opportunities since the second quarter of 2020.

Table 3.5 Employment per cohort in the Western Cape, 2017Q1 – 2022Q1

	2017Q1		2022Q1		Change	
	Number (<i>'000s</i>)	Share (%)	Number (<i>'000s</i>)	Share (%)	Number (<i>'000s</i>)	(%)
Total employment	2 406	100.0	2 298	100.0	(108.7)	(4.5%)
By Race						
African	788	32.7%	699	30.4%	(88.6)	(11.3%)
Coloured	1 176	48.9%	1 069	46.5%	(107.9)	(9.2%)
White	423	17.6%	520	22.7%	97.0	22.9%
By Gender						
Male	1 318	54.8%	1 241	54.0%	(76.9)	(5.8%)
Female	1 088	45.2%	1 057	46.0%	(31.8)	(2.9%)
By Age						
Youth	936	38.9%	875	38.1%	(60.5)	(6.5%)
Older age	1 470	61.1%	1 422	61.9%	(48.2)	(3.3%)
By Education						
Less than Secondary	1 135	47.2%	862	37.5%	(272.1)	(24.0%)
Secondary	772	32.1%	870	37.9%	98.1	12.7%
Tertiary	473	19.6%	542	23.6%	69.3	14.7%

Source: Quantec, Own calculations

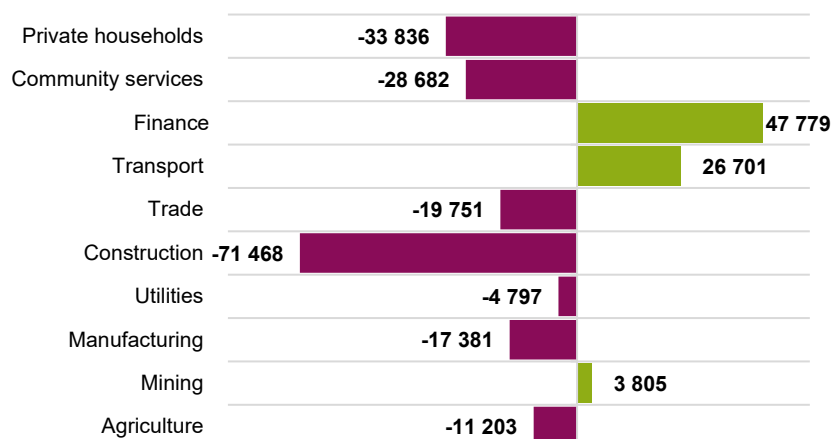
Between the first quarters of 2017 and 2022, the African (-11.3 per cent) and Coloured (-9.2 per cent) population groups lost employment opportunities whilst the White (22.9 per cent) population gained employment numbers. The employment gains for the White population in the Province, are in contrast to the employment losses (-14.6 per cent) recorded in South Africa. The surge in employment opportunities amongst the White population in the Western Cape can partially be attributed to a substantial increase in the White population (16.7 per cent) and hence the White labour force (22.2 per cent) over the period.

In contrast to national gender employment trends where females lost relatively more employment opportunities, the males (-5.8 per cent) in the Western Cape had relatively larger losses than the females (-2.9 per cent). In the first quarter of 2017, males (54 per cent) made up a larger portion of total employment in the Province than females (46 per cent) due to similar gender portions in the labour force.

The Western Cape created relatively more youth employment opportunities in comparison to South Africa. In the first quarter of 2021, the youth cohort (38.1 per cent) made up a relatively larger portion of total employment than in South Africa (34.4 per cent), despite having a relatively smaller representation in the Western Cape labour force (0.7 percentage points). Between the first quarters of 2017 and 2021, the youth in the Western Cape (-6.5 per cent) had relatively fewer employment losses compared to South Africa (-18.6 per cent). However, over the period, the older age cohort in South Africa (-1.3 per cent) had relatively fewer employment losses than the Western Cape (-3.3 per cent).

Employment losses were relatively more severe among the lower education cohorts in the Province. Between the first quarters of 2017 and 2022, the Western Cape (-24.0 per cent) and South Africa (-20.1 per cent) recorded substantial employment losses among the Less than Secondary education cohort. However, among the Tertiary educated, the Western Cape (14.7 per cent) recorded significant gains as opposed to employment losses nationally (-4.0 per cent). The contrast in employment growth among the Tertiary educated can be linked to the surge in the White population (16.7 per cent) and White employment (14.7 per cent) numbers in the Western Cape. A relatively large portion among the White labour force (50.2 per cent) in South Africa obtained a tertiary qualification.

Between the first quarters of 2017 and 2022, only three sectors in the Province recorded employment gains. The Finance sector (47 779) contributed the most employment opportunities followed by the Transport (26 701) and Mining (3 805) sectors. Over the same period, the Construction sector (-71 468) lost the most employment opportunities followed by Private households (-33 836) and Community services (-28 682).

Figure 3.2 Employment loss/gains per sector in the Western Cape, 2017Q1 - 2022Q1

Source: Stats SA, Own calculations, Quantec

3.4 Informal employment

In South Africa, the informal sector is subjected to fewer regulations, which reduces the risk to employers and provides for less red tape to the self-employed. In the first quarter of 2022, the informal sector⁵ made an important contribution (4.441 million or 29.8 per cent) to total employment in South Africa. However, between the first quarters of 2017 and 2022, informal employment in South Africa declined by 277 803 or 5.9 per cent.

Table 3.6 Informal employment per demographic cohort in South Africa, 2017Q1 – 2022Q1

	2017Q1		2022Q1		Change		Share of informal to total employment
	Number	Share	Number	Share	Number	(%)	
	('000s)	(%)	('000s)	(%)	('000s)	(%)	
Total employment	4 719	100.0	4 441	100.0	(278)	-5.9%	29.8%
By Race							
African	4 148	1	3 904	1	(244)	(5.9%)	34.8%
Coloured	351	0	294	0	(57)	(16.3%)	19.3%
White	142	0	154	0	11	7.9%	9.1%
By Gender							
Male	2 653	1	2 612	1	(41)	(1.5%)	31.1%
Female	2 066	0	1 829	0	(237)	(11.5%)	28.1%
By Age							
Youth	1 892	0	1 648	0	(244)	(12.9%)	32.3%
Older age	2 826	1	2 793	1	(34)	(1.2%)	28.5%
By Education							
Less than Secondary	3 396	1	2 764	1	(632)	(18.6%)	46.1%
Secondary	1 022	0	1 319	0	298	29.1%	24.1%
Tertiary	229	0	296	0	67	29.2%	8.9%

Source: Quantec, Own calculations

⁵ An employer or wage earner not registered for tax; work in private households and who are helping unpaid in household business; working for someone else for pay and are not entitled to basic benefits from an employer such as pension or medical aid and has no written contract.

In the first quarter of 2022, the informal sector was a significant source of total employment to the African population (34.8 per cent), followed by the Coloured (19.3 per cent) and White (9.1 per cent) populations. Between the first quarters of 2017 and 2022, informal employment only expanded in the White population (7.9 per cent), whilst informal employment among the African (-5.9 per cent) and Coloured (-16.3 per cent) populations contracted.

Over the period, informal employment among females (-11.5 per cent) and the youth (-12.9 per cent) declined substantially.

The informal sector is an important source of employment to lower education cohorts. In the first quarter of 2022, the Less than secondary (46.1 per cent) cohort had the largest portion of informal to total employment, followed by the Secondary (24.1 per cent) and Tertiary (8.9 per cent) education cohorts.

In South Africa, the largest portion of total employment in the Private households sector (76.4 per cent) and Construction (51.7 per cent) sectors are derived from informal employment, whilst the Trade (42.8 per cent), Transport (38.9 per cent) and Agriculture (28.6 per cent) sector also had a significant portion of total employment stemming from the informal sector.

Table 3.7 Informal employment per sector in South Africa, 2017Q1 - 2022Q1

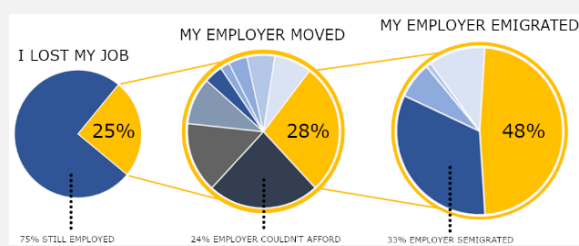
	2017Q1		2022Q1		Change		Share of informal to total employment
	Number	Share	Number	Share	Number		
	('000s)	(%)	('000s)	(%)	('000s)	(%)	
Total employment	4 719	100.0	4 441	100.0	(277.8)	(5.9%)	29.8%
Sector							
Agriculture	309	6.5%	241	5.4%	(67.8)	(22.0%)	28.6%
Mining	12	0.3%	36	0.8%	24.1	197.1%	9.0%
Manufacturing	306	6.5%	281	6.3%	(24.9)	(8.1%)	17.8%
Utilities	7	0.2%	14	0.3%	6.9	94.9%	13.7%
Construction	662	14.0%	555	12.5%	(106.6)	(16.1%)	51.7%
Trade	1 289	27.3%	1 281	28.8%	(7.9)	(0.6%)	42.8%
Transport	313	6.6%	373	8.4%	60.0	19.1%	38.9%
Finance	268	5.7%	323	7.3%	54.6	20.4%	13.8%
Community services	544	11.5%	515	11.6%	(28.6)	(5.3%)	14.5%
Private households	1 008	21.4%	819	18.5%	(188.9)	(18.7%)	76.4%

Source: Quantec, Own calculations

THOUSANDS OF DOMESTIC WORKERS ARE LOSING THEIR JOBS

Data published from Stats SA's Quarterly Labour Force Survey (QLFS) for quarter 1 of 2022 revealed that hiring for domestic workers dropped significantly during the quarter. The QLFS shows that the number of domestic workers in the country decreased from 949 000 in the fourth quarter of 2021 to 808 000 workers in the first quarter of 2022, a 14.9 percentage point decrease quarter-on-quarter, or a loss of 141 000 jobs.

SweepSouth (a home cleaning service) published its fifth annual domestic worker survey on the 1st of August 2022. SweepSouth's survey, which drew 7 500 responses, showed that domestic workers were under significant pressure from an economic standpoint as well as a social one. SweepSouth estimates that around 100 000 female domestic workers and 25 000 male domestic workers have lost their job since its last report, and that second-quarter data from Stats SA for 2022 will show a continuation of this trend. According to SweepSouth, job losses were dominated by two causes: employers no longer being able to afford the services of their domestic worker or their employer moving home.



More than a quarter (28 per cent) of domestic workers said they lost their job because their employer had moved: 33 per cent of the employers moved to a different town or city in South Africa, while nearly half (48 per cent) moved to another country. SweepSouth states that these trends have been compounded by the accelerating emigration of skilled professionals as well as the semigration trends seen during the COVID-19 pandemic.

Source: Stats SA, SweepSouth, 2022

Informal employment in the Western Cape

In the Western Cape, the informal sector has a relatively smaller impact on total employment than the rest of South Africa. In the first quarter of 2022, informal employment share to total employment (19.1 per cent) was notably less than for South Africa (29.8 per cent).

Table 3.8 Informal employment per demographic cohort in the Western Cape, 2017Q1 – 2022Q1

	2017Q1		2022Q1		Change		Share of informal to total employment
	Number	Share	Number	Share	Number		
	('000s)	(%)	('000s)	(%)	('000s)	(%)	
Total employment	514	100.0	439	100.0	(75.3)	(14.7%)	19.1%
By Race							
African	228	44.4%	175	39.9%	(53.2)	(23.3%)	25.0%
Coloured	239	46.5%	205	46.7%	(34.0)	(14.2%)	19.2%
White	44	8.6%	55	12.6%	11.1	25.2%	10.6%
By Gender							
Male	300	58.3%	258	58.8%	(41.9)	(14.0%)	20.8%
Female	214	41.7%	181	41.2%	(33.4)	(15.6%)	17.1%
By Age							
Youth	205	39.9%	202	46.2%	(2.8)	(1.4%)	23.1%
Older age	309	60.1%	236	53.8%	(72.5)	(23.5%)	16.6%
By Education							
Less than Secondary	351	68.2%	236	53.9%	(114.5)	(32.7%)	27.4%
Secondary	123	23.9%	160	36.4%	36.7	29.8%	18.4%
Tertiary	31	5.9%	35	8.0%	4.4	14.4%	6.4%

Source: Quantec, Own calculations

In the Province, the African population (25.0 per cent) had the largest share of informal employment to total employment, followed by the Coloured (19.2 per cent) and White (10.6 per cent) populations. Except for the African population group (-9.8 percentage points), all population groups in the Province reflected similar portions of informal to total employment as that of for South Africa. Between the first quarters of 2017 and 2022, there was a significant increase in informal employment among the White population group (25.2 per cent), while the African population group (-23.3 per cent) recorded a substantial decline.



Males are marginally (3.7 percentage points) more inclined to work in the informal sector, whilst the youth (23.1 per cent) in the Province is substantially more reliant on the informal employment than older age cohorts (16.6 per cent).

The Western Cape follows the national trend concerning education cohorts and informal employment. In the first quarter of 2022, the Less than secondary education cohort (27.4 per cent) had the largest portion of informal to total employment followed by the Secondary (18.4 per cent) and Tertiary (6.4 per cent) education cohorts. Between the first quarters of 2017 and 2022, informal employment among the Less than secondary education cohort (-32.7 per cent) declined substantially whilst the Secondary (29.8 per cent) and Tertiary (14.4 per cent) education cohorts expanded.

In the Western Cape, the portion of informal to total employment varies significantly among different sectors. In the first quarter of 2022, Private households (56.4 per cent) had the largest share of informal to total employment, followed by the Construction (39.6 per cent), Mining (34.3 per cent), Trade (25.6 per cent) and Transport (23.6 per cent) sectors. In comparison with South Africa, the Western Cape relies substantially less on informal employment in the Agriculture sector (-20.0 percentage points).

Table 3.9 Informal employment per sector in the Western Cape, 2017Q1 – 2022Q1

	2017Q1		2022Q1		Change		Share of informal to total employment
	Number	Share	Number	Share	Number		
	('000s)	(%)	('000s)	(%)	('000s)	(%)	
Total employment	514	100.0	439	100.0	(75.3)	(14.7%)	19.1%
By Sector							
Agriculture	50	9.8%	18	4.0%	(32.8)	(65.2%)	8.6%
Mining	N/A	N/A	3	0.6%	N/A	N/A	34.3%
Manufacturing	43	8.4%	49	11.2%	6.3	14.8%	14.4%
Utilities	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Construction	76	14.9%	62	14.1%	(14.5)	(19.0%)	39.6%
Trade	106	20.7%	105	24.0%	(1.0)	(1.0%)	25.6%
Transport	33	6.5%	41	9.4%	8.0	24.2%	23.6%
Finance	34	6.6%	48	10.9%	14.1	41.7%	11.2%
Community services	77	15.0%	43	9.7%	(34.6)	(44.8%)	9.6%
Private households	94	18.3%	71	16.1%	(23.4)	(24.9%)	56.4%

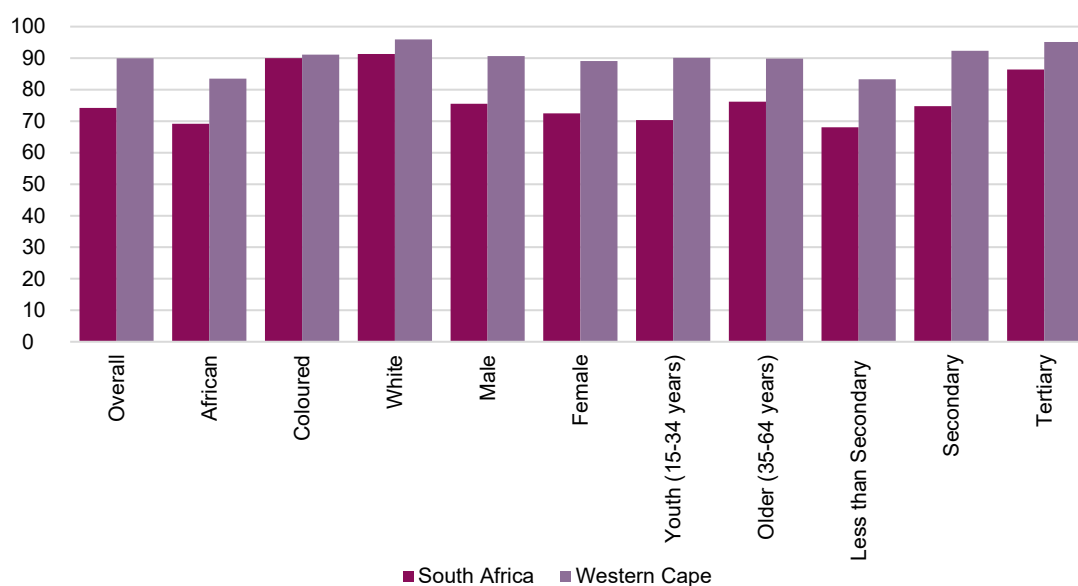
Source: Quantec, Own calculations

3.5 Job satisfaction

Job satisfaction is defined as the level of gratification employees feel with their job that goes beyond their daily duties to cover satisfaction with team members and managers, organisational policies, and the impact of their job on employees' personal lives. It often depends on intuition and personal circumstances. Some place higher value on their salary, while for others the right job might involve having a supportive team.

Key elements contributing to job satisfaction include compensation, working conditions, work-life balance, respect and recognition, job security and career growth. Individuals with higher education attainment and higher compensation are generally expected to be more satisfied than those with lower educational attainment and with lower expected compensation.

Figure 3.3 Rate of job satisfaction, South Africa and the Western Cape, 2022Q1



Source: Stats SA, Own calculations, Quantec

In the first quarter of 2022, employees in the Western Cape (89.9 per cent) had a higher overall job satisfaction rate than South Africa (74.2 per cent). In the Western Cape, the White population group (95.5 per cent) had the highest job satisfaction rate, followed by the Coloured (91.1 per cent) and African (83.5 per cent) population groups. Males (90.7 per cent) were marginally more satisfied with their jobs than females (89.1 per cent). There were slight differences in the job satisfaction rate between different age cohorts in the Western Cape. However, in South Africa, job satisfaction improves notably with an increase in age.

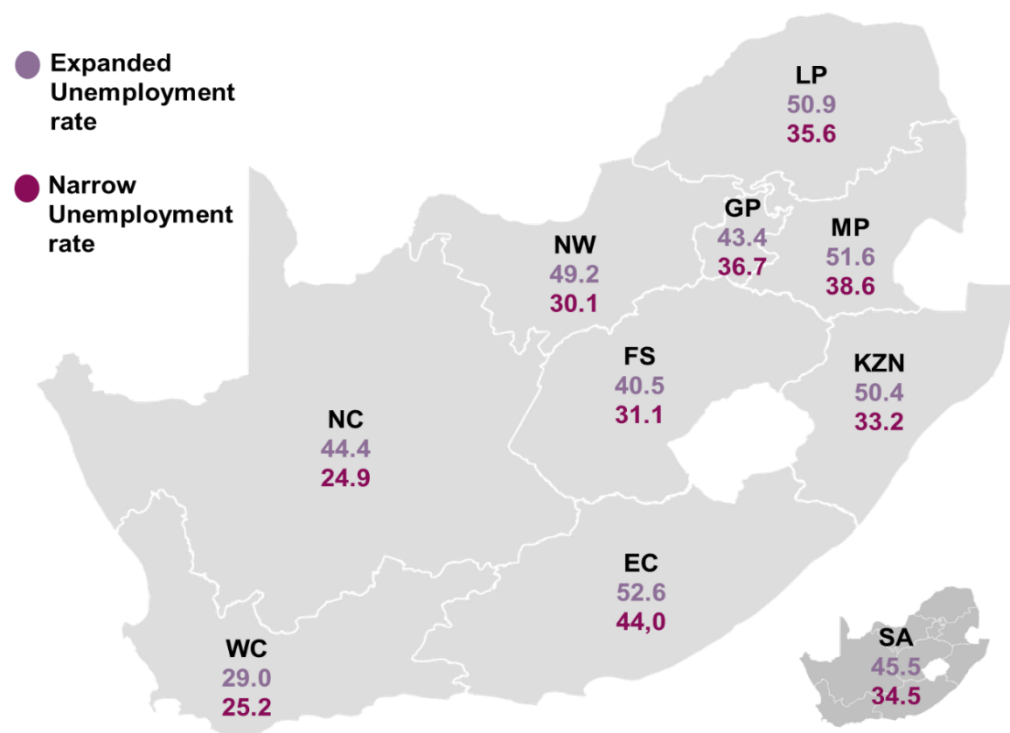
In South Africa there is a strong positive correlation between a higher educational attainment and improved job satisfaction where the difference between Primary (64.4 per cent) and Tertiary (86.4 per cent) education cohorts is significant. However, in the Western Cape job satisfaction differences between different education cohorts becomes marginal.

3.6 Unemployment

The unemployment crisis in South Africa threatens livelihoods, social cohesion, and economic growth in the country. In a country where most depend on jobs for an income, whether in the formal or informal sector, a lack of job opportunities threatens food security and burdens the country's social safety net.

The full scope of South Africa's unemployment crisis becomes more apparent when considering expanded unemployment rates. There is a vast difference in the narrow and expanded unemployment rates in most of South Africa's provinces. The difference points to a large portion of the labour force that has given up in actively seeking employment opportunities. Expanded unemployment is particularly significant among provinces with deep rural areas.

Figure 3.4 Provincial and National unemployment rate, 2022Q1



Source: Stats SA

In the first quarter of 2022, the Western Cape had the second lowest narrow unemployment rate (25.2 per cent) and the lowest expanded unemployment rate (29.0 per cent) in South Africa. In the Western Cape, a relatively larger portion of the labour force is actively seeking employment opportunities since the Province had the smallest difference (3.8 percentage points) between the narrow and expanded unemployment rate. Four provinces had expanded unemployment rates of more than half the labour force, meaning that more than half the working population that is willing to work, was unemployed in the first quarter of 2022. The Eastern Cape (52.6 per cent) had the highest expanded unemployment rate in South Africa.

South Africa is currently in the midst of a severe and escalating unemployment crisis. Between the first quarters of 2017 and 2022, unemployment⁶ in South Africa increased by 1.648 million or 26.5 per cent to 7.862 million. As a result, the unemployment rate increased by 6.8 percentage points to 34.5 per cent in the first quarter of 2022. The cause of the rising unemployment rate in South Africa can mainly be attributed to the COVID-19 lockdown measures implemented from the second quarter of 2020 which led to an economic contraction of 6.4 per cent in 2020. However, in the quarter prior to the implementation of COVID-19 lockdown measures, the unemployment rate was already relatively high at 30.1 per cent. High unemployment remains a structural challenge in South Africa. Between the first quarters of 2008 and 2022 the average unemployment rate was 26.5 per cent. The causes of the structural unemployment challenge are largely also the causes of a sluggish growing economy as discussed in Chapters 1 and 2.

Table 3.10 Demographic composition of unemployment in South Africa, 2017Q1 – 2022Q1

	2017Q1		2022Q1		Change		Unemployment rate within cohort in %
	Number ('000s)	Share (%)	Number ('000s)	Share (%)	Number ('000s)	(%)	
Total unemployment	6 214	100.0	7 862	100.0	1 648	26.5%	34.5%
By Race							
African	5 493	88.4%	7 039	89.5%	1 546	28.2%	38.6%
Coloured	501	8.1%	532	6.8%	31	6.1%	25.9%
White	139	2.2%	188	2.4%	48	34.7%	10.0%
By Gender							
Male	3 165	50.9%	4 137	52.6%	972	30.7%	33.0%
Female	3 049	49.1%	3 725	47.4%	676	22.2%	36.4%
By Age							
Youth	3 954	63.6%	4 680	59.5%	726	18.4%	47.8%
Older age	2 260	36.4%	3 181	40.5%	922	40.8%	24.5%
By Education							
Less than Secondary	3 692	59.4%	3 954	50.3%	261	7.1%	39.8%
Secondary	1 933	31.1%	3 146	40.0%	1 213	62.7%	36.5%
Tertiary	541	8.7%	730	9.3%	188	34.8%	18.0%

Source: Quantec, Own calculations

Unemployment is having an unequal impact among different racial groups in South Africa. In the first quarter of 2022, the African population group had the highest unemployment rate⁷ (38.6 per cent) followed by the Coloured (25.9 per cent) and White (10.0 per cent) population groups. Over the past five years the unemployment rate increased substantially for the African (7.2 percentage points), Coloured (3.0 percentage points) and White (3.4 percentage points) population groups.

In South Africa, females are marginally more vulnerable to unemployment than males. In the first quarter of 2022, the unemployment rate among females (36.4 per cent)

⁶ Narrow unemployment

⁷ Narrow unemployment rate

exceeded males (33.0 per cent). However, between the first quarters of 2017 and 2022 the increase in the unemployment rate of males (7.0 percentage points) exceeded females (6.6 percentage points).

Unemployment is more pronounced among the youth (15 - 34 years) in South Africa. In the first quarter of 2022, the unemployment rate among the youth (47.8 per cent) was significantly higher than for older age (24.5 per cent) cohorts. However, between the first quarters of 2017 and 2022, the growth in unemployment numbers in the older age cohort (40.8 per cent) significantly exceeded the youth cohort (18.4 per cent).

Unequal unemployment levels among the age cohorts persists after adjusting for education levels. In the first quarter of 2022, the youth age cohort had higher unemployment rates among all three of the major education levels. This includes the Less than secondary (52.7 per cent vs 31.3 per cent), Secondary (48.5 per cent vs 24.1 per cent) and Tertiary (32.9 per cent vs 9.7 per cent) education cohorts. The unemployment rate among the youth with Tertiary education (32.9 per cent) exceeded the older age cohort with Less than Secondary education (31.3 per cent).

Unequal unemployment levels among different population groups persists after adjusting for education levels. In the first quarter of 2022, the unemployment rate among Tertiary education cohorts in the African (24.0 per cent), Coloured (25.9 per cent) and White (5.0 per cent) population groups still reflected inequalities among White and non-White populations.

Unemployment rates tend to decrease with an increase in education levels. That said, education levels provide for a competitive advantage in the labour market but is not a means to create employment.

Between the first quarters of 2017 and 2022, unemployment numbers substantially increased in the Less than secondary (7.1 per cent), Secondary (62.7 per cent) and Tertiary (34.6 per cent) education cohorts. As a result, the unemployment rate increased by 6.8 percentage points in the Less than secondary education cohort to 39.8 per cent; increased by 9 percentage points in the Secondary education cohort to 36.5 per cent; and increased by 4.5 percentage points in the Tertiary education cohort to 18.0 per cent in the first quarter of 2022.

THE RISE OF AUTOMATION AND THE IMPACT OF ROBOTS ON JOBS



Machines replacing humans in the workplace has been a perpetual concern since the Industrial Revolution. The technologies of the past mainly focused on replacing human muscle. This increased the value of human effort and drove rapid economic progress. In the future, technology will increasingly substitute human senses and brainpower. This will accelerate progress, but at the risk of creating citizens who are simply unable to contribute economically, and with greater damage to an already declining middle class. Figuring out how to deal with the impacts of this development will be the greatest challenge facing free market economies in this century.

Some industries are more affected. The automotive industry is by far the largest user of robots. In the U.S. the auto industry employed 136 robots per 1 000 workers, while all other manufacturing industries employed only 8.6 robots per 1 000 workers. Similarly, France's auto industry employed nearly 148 robots per 1 000 workers, while the rest of the manufacturing sector employed 5.5 robots per 1 000 workers.

Progress comes rapidly today. Between 1960 and 2003 the information storage density in computer memory increased by a factor of five million or at times progressing at 60 per cent per year. Semiconductor technology has been progressing at a 40 per cent rate for more than 50 years. Industrial robots grew fourfold in the U.S. between 1993 and 2007. They are fully autonomous and don't need humans to operate them. These rates of progress are embedded in the creation of intelligent machines, from robots to automobiles to drones, that will soon dominate the global economy.

A paper published by Professors Acemoglu and Restrepo, "Robots and Jobs: Evidence from U.S. Labor Markets," found that industrial robots do have a negative impact on workers. The researchers found that for every robot added per 1 000 workers in the US, wages decline by 0.42 per cent and the employment-to-population ratio declines by 0.2 percentage points. To date, this means the loss of about 400 000 jobs.

Source: Massachusetts Institute of Technology, Harvard Business Review.com

Unemployment in the Western Cape

Unemployment remains a key challenge in the Western Cape that impacts on social cohesion, crime, economic wellbeing and inequality. In the first quarter of 2022, the Western Cape had a relatively lower unemployment rate (25.2 per cent) than South Africa (34.5 per cent). However, between the first quarters of 2017 and 2022, the unemployment rate increased by 3.7 percentage points to 25.2 per cent. Over the same period, the estimated average GDP growth of the Western Cape was slow at 0.3 per cent, compared to 2.0 per cent recorded in the previous five years.

Table 3.11 Demographic composition of unemployment in the Western Cape, 2017Q1 – 2022Q1

	2017Q1		2022Q1		Change		Unemployment rate within cohort in %
	Number	Share	Number	Share	Number		
	('000s)	%	('000s)	(%)	('000s)	(%)	
Total unemployment	660	100.0	774	100.0	114	17.3%	
By Race							
African	342	51.9%	405	52.3%	63.1	18.5%	36.7%
Coloured	286	43.4%	337	43.5%	50.7	17.7%	24.0%
White	29	4.4%	32	4.2%	3.2	11.2%	5.8%
By Gender							
Male	328	49.8%	411	53.1%	82.9	25.2%	24.9%
Female	332	50.2%	363	46.9%	31.5	9.5%	25.6%
By Age							
Youth	416	63.0%	424	54.7%	7.9	1.9%	47.8%
Older age	244	37.0%	350	45.3%	106.5	43.6%	24.5%
By Education							
Less than Secondary	426	64.5%	459	59.3%	33.7	7.9%	34.7%
Secondary	191	29.0%	257	33.1%	65.3	34.2%	22.8%
Tertiary	36	5.5%	51	6.6%	14.9	41.1%	8.6%

Source: Quantec, Own calculations

The African population group is disproportionately affected by unemployment in the Province. In the first quarter of 2022, the African population group (36.7 per cent) had the highest unemployment rate followed by the Coloured (24.0 per cent) and White (5.8 per cent) population groups. Between the first quarters of 2017 and 2022, the unemployment rate for the African (6.4 percentage points) and Coloured (4.4 percentage points) populations deteriorated, whilst the unemployment rate amongst the White population marginally improved (-0.6 per cent).



The racial inequality in the unemployment rate among different population groups can partially be explained by the unequal education levels of each labour force. A substantial portion of the White labour force (56.8 per cent) contained a Tertiary qualification in comparison to the African (10.8 per cent) and Coloured (11.1 per cent) labour forces.

However, there is also an unequal unemployment rate between different population groups of the same qualification levels. The unemployment rate amongst the White population group (4.1 per cent) with a Tertiary qualification was notably lower than for the Coloured (10.6 per cent) and African (18.1 per cent) population groups of the same education cohort.

The Western Cape followed South Africa's rising unemployment trend amongst different genders. In the first quarter of 2017, the unemployment rate amongst females (25.6 per cent) was marginally higher than males (24.9 per cent).

In the first quarter of 2022, the youth (32.6 per cent) in the Western Cape had a significantly higher unemployment rate than the older age cohort (19.8 per cent). The difference in the unemployment rates between the two age cohorts can partially be explained by a relatively larger portion of the older age cohort (23.0 per cent) containing a Tertiary qualification in comparison to the youth cohort (14.3 per cent).

However, inequalities among different age groups persist when comparing the unemployment rates at the same education levels. In the first quarter of 2022, unemployment rates were higher amongst the youth for the Less than secondary (42.5 per cent vs 29.5 per cent), Secondary (30.0 per cent vs 15.5 per cent) and Tertiary (12.1 per cent vs 7.0 per cent) education cohorts.

Unemployment rates tend to decline with higher education levels. In the first quarter of 2022, the Tertiary education cohort (8.6 per cent) had the lowest unemployment rate, followed by the Secondary (22.8 per cent) and Less than secondary (34.7 per cent) education cohorts. Between the first quarters of 2017 and 2022, the unemployment rates deteriorated in all three education cohorts. This included a rise in the unemployment rates among the Tertiary (1.5 percentage points), Secondary (2.9 percentage points) and Less than Secondary (7.5 percentage points) education cohorts.

Unemployment support in the Western Cape

In the first quarter of 2022, the most common means of unemployment support included persons in the household (77.7 per cent); persons outside the household (29.9 per cent) and child support or foster care grant (14.6 per cent). Over the period, unemployment support shifted more to persons outside the household. Between the first quarters of 2017 and 2022, there was an increase in the share of support from persons not in the household (5.8 percentage points) and a decline in support from persons in the household (1.3 percentage points).

Table 3.12 Share of sources of support to the unemployed in the Western Cape, 2017Q1 – 2022Q1

	2017Q1	2018Q1	2019Q1	2020Q1	2021Q1	2022Q1
	%	%	%	%	%	%
Supported by persons in the household	79.0	80.0	82.1	78.7	81.1	77.7
Supported by persons, not in the household	24.1	23.0	26.0	26.4	34.6	29.9
Supported by charity, church, welfare, etc	0.2	-	0.6	-	0.5	1.0
Receive unemployment insurance (UIF)	1.5	0.9	0.9	2.2	2.8	5.1
Savings or money previously earned	8.4	9.9	10.2	9.2	11.1	12.4
Receive old age or disability pension	1.4	1.2	0.3	1.1	0.3	1.1
Receive child support or foster care grant	14.4	17.5	12.5	16.5	18.3	14.6
Receive any other welfare benefits	1.0	0.3	0.9	1.9	10.0	9.7
Any other sources of support (e.g. bursary, student loan)	0.5	0.2	0.1	0.1	-	0.2

Source: Stats SA, Own calculations, Quantec

3.7 Recent Labour market developments

Between the first and the second quarter of 2022, South Africa's narrow Labour force expanded by 780 000 or 3.4 per cent to 23.556 million. The notable Labour force expansion is in contrast to the marginal expansion in the working population (0.4 per cent). As a result, the Labour force participation rate improved by 1.7 percentage points to 58.6 per cent from the previous quarter. In the second quarter of 2022, a relatively larger portion of the working population was therefore actively seeking employment opportunities in South Africa, compared to the previous quarter.

Between the first and second quarter of 2022, the number of employment opportunities increased by 648 000 or 4.3 per cent to 15.568 million in South Africa. Community services (42.6 per cent) made the largest contribution to total employment gains, followed by Trade (26.2 per cent) and Finance (19.8 per cent) sectors. Over the period, employment opportunities in the Construction sector (9.7 per cent) expanded the most and contributed to a relatively large portion (16.0 per cent) of total employment growth. Over the same period, the Manufacturing (-4.6 per cent) and Transport (-5.6 per cent) sectors had employment losses.

Between the first and second quarters of 2022, unemployment in South Africa increased by 132 000 or 1.7 per cent to 7.994 million. However, the unemployment rate in the second quarter of 2022 was 0.6 percentage points lower than the previous quarter at 33.9 per cent. The lower unemployment rate was due to employment gains exceeding unemployment growth over the same period.

Table 3.13 Labour market aggregates in South Africa, 2021Q1 – 2021Q2

	2021Q1	2021Q2	Qtr-to-qtr change	
			Thousands	%
South Africa				
Working-age population	40 033	40 177	145	0.4%
Narrow labour force	22 776	23 556	780	3.4%
Employed	14 914	15 562	648	4.3%
Unemployed	7 862	7 994	132	1.7%
Not economically active				
Not economically active	17 257	16 621	(635)	(3.7%)
Discouraged work-seekers	3 752	3 568	(183)	(4.9%)
Other	13 505	13 053	(452)	(3.3%)
Employment				
Agriculture	844	874	29	3.5%
Mining	406	407	1	0.4%
Manufacturing	1 579	1 507	(73)	(4.6%)
Utilities	103	104	1	0.8%
Construction	1 073	1 177	104	9.7%
Trade	2 994	3 163	169	5.7%
Transport	960	906	(54)	(5.6%)
Finance	2 332	2 460	128	5.5%
Community services	3 546	3 821	276	7.8%
Private Households	1 072	1 124	52	4.8%
Rates (%)				% point difference
Narrow unemployment rate	34.5	33.9	(0.6)	
Expanded unemployment rate	45.5	44.1	(1.4)	
Labour force participation rate	56.9	58.6	1.7	

Source: Stats SA

Between the first and the second quarter of 2022, the Western Cape's narrow Labour force expanded by 162 000 or 5.3 per cent to 4.899 million. The expansion of the Labour force exceeded the working population (0.4 per cent) expansion. As a result, the Labour force participation rate improved by 3.0 percentage points to 66.0 per cent from the previous quarter. Over the period, the Western Cape followed the national trend with a relatively larger portion of the working population actively seeking employment opportunities.

Between the first and second quarter of 2022, the number of employment opportunities increased by 46 000 or 2.0 per cent to 2.344 million in the Western Cape. Notable employment gains were made by the Trade (86 000), Community services (70 000) and Utilities (4 000) sectors, while the remaining sectors all had employment losses during the second quarter of 2022.

Table 3.14 Labour market aggregates in the Western Cape, 2021Q1 – 2021Q2

	2021Q1	2021Q2	Qtr-to-qtr change	
			Thousands	%
Western Cape				
Working-age population	4 879	4 899	20	0.4%
Narrow labour force	3 072	3 234	162	5.3%
Employed	2 298	2 344	46	2.0%
Unemployed	774	891	116	15.0%
Not economically active				
Not economically active	1 807	1 665	(142)	(7.9%)
Discouraged work-seekers	106	121	14	13.3%
Other	1 700	1 544	(156)	(9.2%)
Employment				
Agriculture	203	187	(16)	(8.0%)
Mining	7	5	(2)	(30.2%)
Manufacturing	341	277	(65)	(18.9%)
Utilities	4	7	4	112.5%
Construction	156	141	(16)	(10.0%)
Trade	412	485	73	17.6%
Transport	175	99	(76)	(43.4%)
Finance	427	512	86	20.1%
Community and social services	446	516	70	15.8%
Private Households	125	113	(12)	(9.8%)
Rates (%)			% point difference	
Narrow unemployment rate	25.2	27.5	2.3	
Expanded unemployment rate	29	31.3	2.3	
Labour force participation rate	63.0	66.0	3.0	

Source: Stats SA

Between the first and second quarters of 2022, the unemployment in the Western Cape increased by 116 000 or 15.0 per cent to 891 000. Over the period, the unemployment rate increased by 2.3 percentage points to 27.5 per cent, while the expanded unemployment rate increased by 2.3 percentage points to 31.3 per cent.

3.8 Conclusion

Over the past five years, the Labour force in both South Africa and the Western Cape points to significant deteriorating trends. Although the working population continues to grow at a steady rate, the labour force is growing at a significantly slower rate with subsequent reductions in the labour force participation rate in almost all demographic cohorts. The White population group in the Western Cape is the exception, with an increased labour force participation rate over the same period. Between the first quarters of 2017 and 2022, the labour force of both South Africa and the Western Cape became relatively more educated.

Between the first quarters of 2017 and 2022, employment contracted for both South Africa (-8.0 per cent) and the Western Cape (-4.5 per cent). In contrast to the substantial employment losses among the White population (-14.6 per cent) nationally, the White population (22.9 per cent) in the Western Cape gained significant employment opportunities over the same period. In another contrast to the national economy, the Western Cape Tertiary sector (14.7 per cent) gained employment opportunities as opposed to a contraction in the same education cohort nationally (-4.0 per cent). In the first quarter of 2022, a substantial portion (56.7 per cent) of the White population had a tertiary qualification.

Informal employment makes a substantial contribution to total employment for both South Africa (29.8 per cent) and the Western Cape (19.1 per cent). For both South Africa and the Western Cape, the use of informal employment is more prominent among the African population; the youth; males and Less than Secondary education cohorts. The informal sector significantly contributes to total employment in the Private households and Construction sectors nationally and in the Western Cape.

South Africa is currently in the midst of a severe and escalating unemployment crisis with four provinces having an expanded unemployment rate of more than fifty per cent in the first quarter of 2022. Between the first quarters of 2017 and 2022, the unemployment rate deteriorated for both South Africa (6.8 percentage points to 34.5 percentage points) and the Western Cape (3.7 percentage points to 25.2 per cent).

Unemployment is more prominent among the lower educated, youth, Africans, and females in both South Africa and the Western Cape. Unemployment rates tend to decline with a progression in education levels. However, unemployment disparities persist among the different age and population cohorts after adjusting for education levels in both South Africa and the Western Cape. The improved education levels in the labour force over the past five years have not improved unemployment levels. Escalating unemployment rates can be attributed to poor economic growth over the same period.

4



SOCIO-ECONOMIC DEVELOPMENT IN THE WESTERN CAPE

WELLBEING AND SAFETY

4.1 Introduction

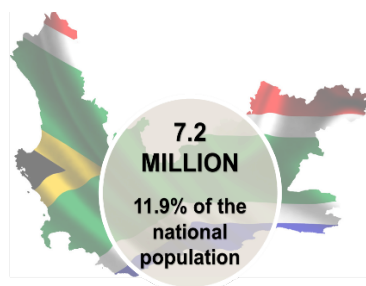
Socio-economic development is important for the wellbeing of the populace, social cohesion as well as inclusive and sustainable economic growth. Many socio-economic development indicators such as inequality, poverty and migration are directly linked to the performance of the economy and its impact on unemployment discussed in Chapters 1 - 3.

Advancing the quality of life of the people requires protection and provision of fundamental human rights enshrined in the South African Constitution such as access to quality healthcare, education, and sufficient access to food and water. The provision of these goods and services leads to an increased standard of living for the people and creates a conducive environment for the development of a productive society which is equipped to foster economic growth.

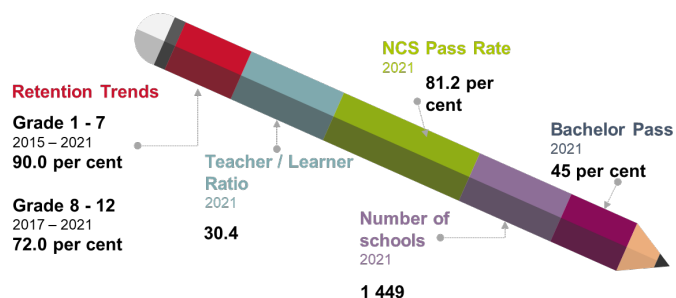
The Chapter focuses on the latest trends in the Western Cape population and migration patterns. The Chapter also provides an overview of the level of service delivery in the Province and the progress being made in areas of crime and substance abuse.

SOCIO-ECONOMIC DEVELOPMENT IN THE WESTERN CAPE

WC POPULATION DYNAMICS 2022



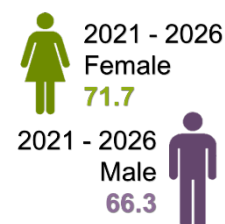
EDUCATION



MIGRATION 2021 - 2026

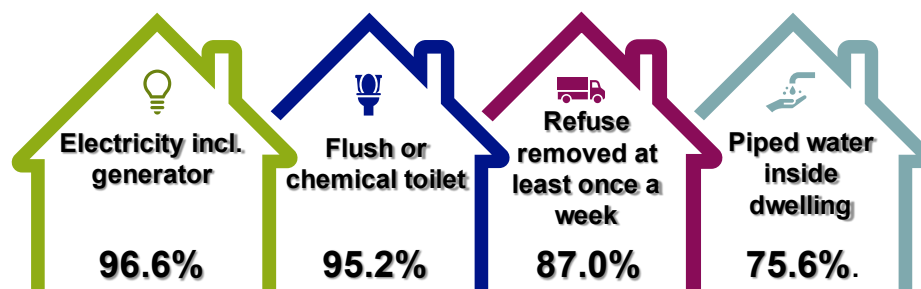
	Net Migration	In Migration	Out Migration
WC	270 687	460 489	189 802
NW	97 455	316 965	219 509
NC	9 609	90 675	81 065
MP	45 714	278 544	232 830
LIM	-199 925	243 267	443 192
KZN	-96 625	282 916	379 542
GP	828 777	1 443 78	615 201
FS	-30 448	136 291	166 739
EC	-332 725	186 500	519 225

LIFE EXPECTANCY WC



MUNICIPAL SERVICES

(Share of basic municipal services to total household dwellings in the Western Cape, 2021)



CRIME 2017/18 - 2021/22

PRIMARY SUBSTANCE OF USE (JAN - JUNE 2021)



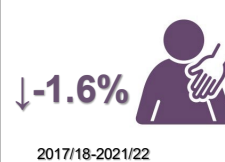
Robbery at residential premises



Driving under the influence of alcohol or drugs



Sexual Offences



Murder



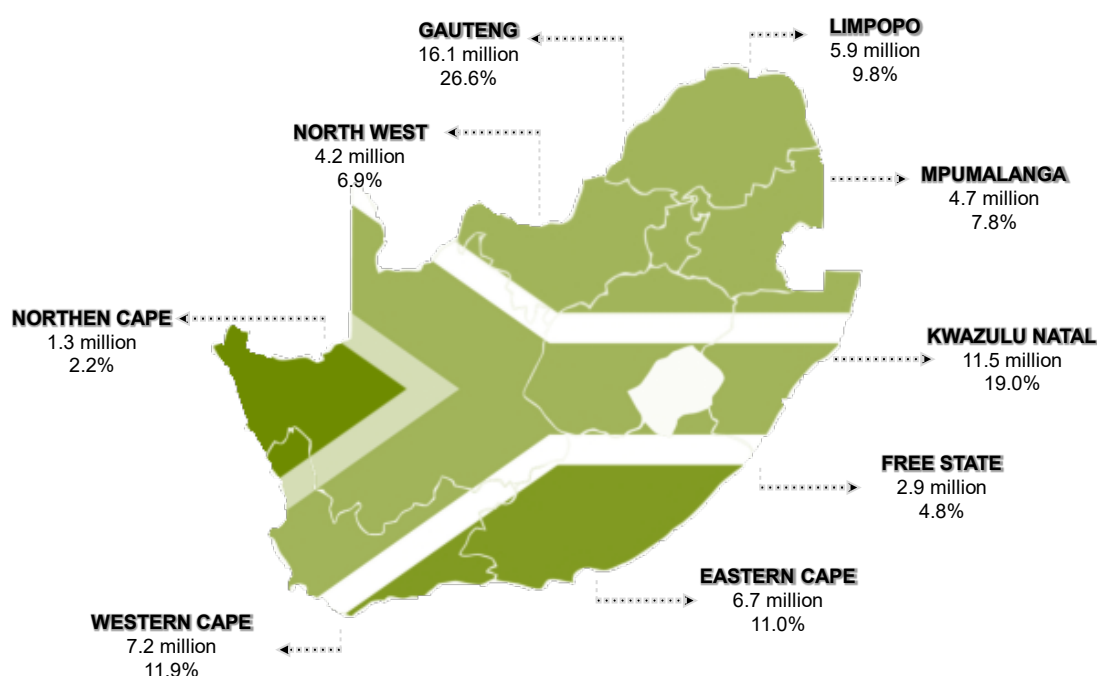
Drug-related crime



4.2 Population dynamics

Population dynamics are an important factor in shaping socio-economic development of an area. The size and growth of a population largely influences the extent and growth in economic activity and service delivery demands of an area. In South Africa, provincial governments primary source of funding is largely based on the size of each province's population from which basic services such as infrastructure, education, healthcare and human settlements are delivered.

Figure 4.1 Population estimates by province, 2022

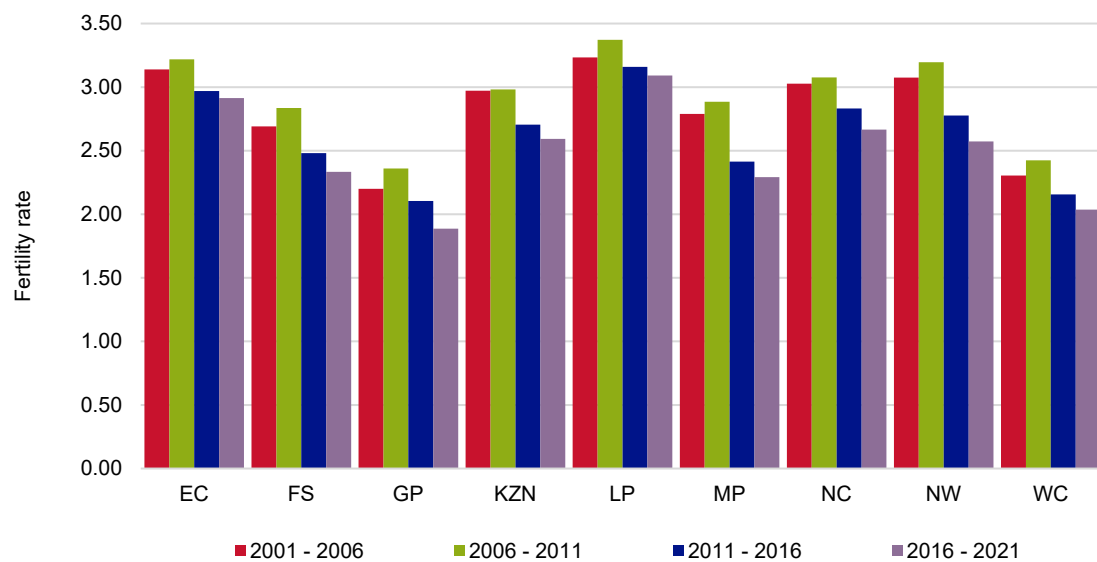


Source: Quantec

In 2022, the South African population was estimated at 60.6 million, a 1.03 per cent increase from the 2021 estimate. Gauteng has the largest population (16.1 million) followed by KwaZulu-Natal (11.5 million) and the Western Cape (7.2 million). More than half (57.5 per cent) of the population live in Gauteng, KwaZulu-Natal and the Western Cape. The Northern Cape has the smallest population (1.3 million).

The growth of a population is largely determined by the fertility rate. The fertility rate is meant to project the number of children a woman will have throughout her lifetime. The Replacement rate is associated with the fertility rate and is the average number of children born per woman at which a population exactly replaces itself from one generation to the next, without migration. In advanced countries a replacement rate of 2.1 is needed to sustain the current population.

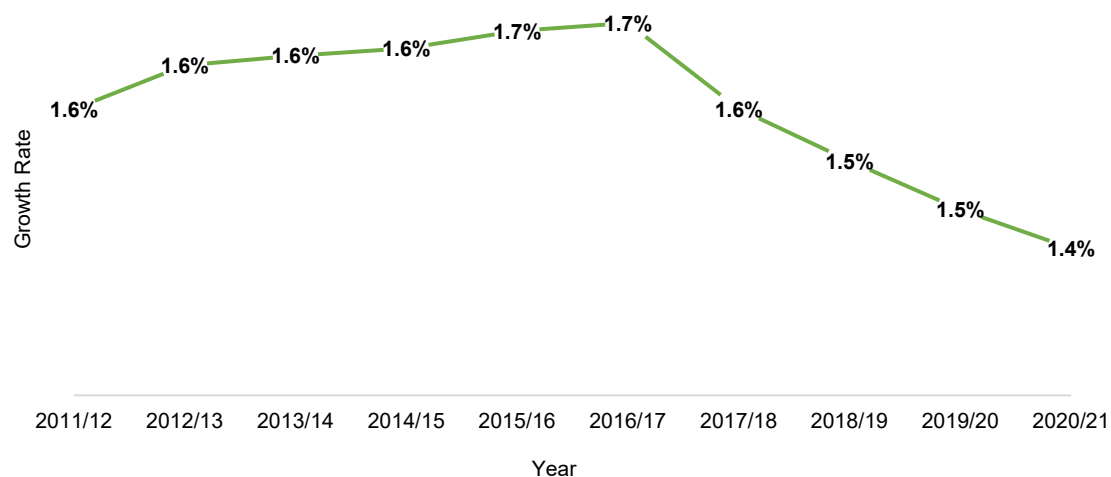
Figure 4.2 Fertility rates per province, 2001 - 2021



Source: Stats SA

It is estimated that between 2001 and 2021, all provinces in South Africa had a declining fertility rate. Between 2016 and 2021, both Gauteng (1.89) and the Western Cape (2.04) had an average fertility rate below the general accepted replacement rate of 2.1. The below replacement fertility rate of the Western Cape will, in the absence of significant net-in migration or improvement in life expectancy, lead to a declining population for age groups of fertility readiness and lower. Should the fertility rate be lower than 2.1 for long periods, the population will decline.

Figure 4.3 Western Cape Population Growth, 2011/12 - 2020/21

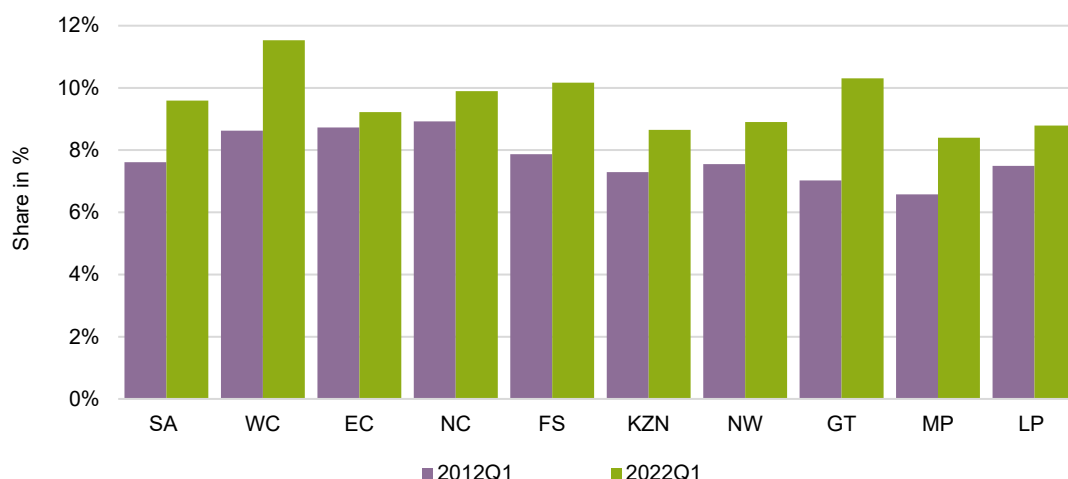


Source: Western Cape Government, Own calculations

Over the past ten years, the population in the Western Cape has grown at an average of 1.6 per cent year-on-year. Between 2011/12 and 2016/17, there was an upward trend in the population growth rate of Western Cape. Since 2017/18 the population growth rate declined dramatically to 1.4 per cent, the lowest population growth rate in ten years. The reduction in population growth can possibly be attributed to a below replacement fertility rate (2.04) between 2016 and 2021.


In South Africa, the 60+ age cohort is eligible for old age grants and the age cohort most reliant on healthcare services and old age homes. Between the first quarters of 2012 and 2022, the share of the 60+ age cohort to the total population increased by 2.0 percentage points to 9.6 per cent. As an implication, relatively more citizens could possibly qualify for old age grants than a decade ago, while health and social care demands could increase.

Figure 4.4 Share of ages 60+ to the total population per province, 2012Q1 and 2022Q1



Source: Quantec, Own calculations

Over the period, the largest increase in the share of 60+ year old's to the total population occurred in Gauteng (3.3 percentage points to 10.3 per cent), the Western Cape (2.9 percentage points to 11.5 per cent) and the Free State (2.3 percentage points to 10.2 per cent). In the first quarter of 2022, the Western Cape had the largest portion of citizens aged 60 and above.



THE CHALLENGES REGARDING THE CENSUS

The South African population census of 2022, the fourth population count since democracy, faced several challenges. These include the recruitment of census workers, where a shortage was caused by the majority of the million applicants not being eligible, according to the Census 2022 Spokesperson Trevor Oosterwyk.

By April 2022, 87 per cent of people in the country had been counted despite the extreme weather conditions, COVID-19 and lack of rental cars. The Western Cape province had a low enumeration where only 58 per cent of people had been counted by April 2022. Reluctance to be counted and high levels of crime and gang violence contributed to the low participation rate.

The Province was granted an extension up to 31 May 2022 to increase numbers after falling behind the rest of the country. By 27 May, 80 per cent of households in the Western Cape were counted which was below the national average of 90 per cent.

The number of counted people must reflect the number of people in the country as the statistics determine budget allocations at local, municipal and provincial government levels which will then be used to deliver services, including road infrastructure, education and healthcare facilities. The formula-based Provincial Equitable Share, adjusted for changes in demographics and relative demand, will be negatively impacted by the undercount. It will thus present challenges for government planning based on the area's demographic, social and economic information.

Statistics South Africa will conduct an independent survey to measure the accuracy and reach of the Census 2022 population count. The Post Enumeration Survey identifies how many households and persons were erroneously included, missed, or counted more than once during the Census 2022 population count. Once the results of this survey are released, this will give a better reflection on the population status of the Western Cape.

Source: <https://www.statssa.gov.za/?p=15375>

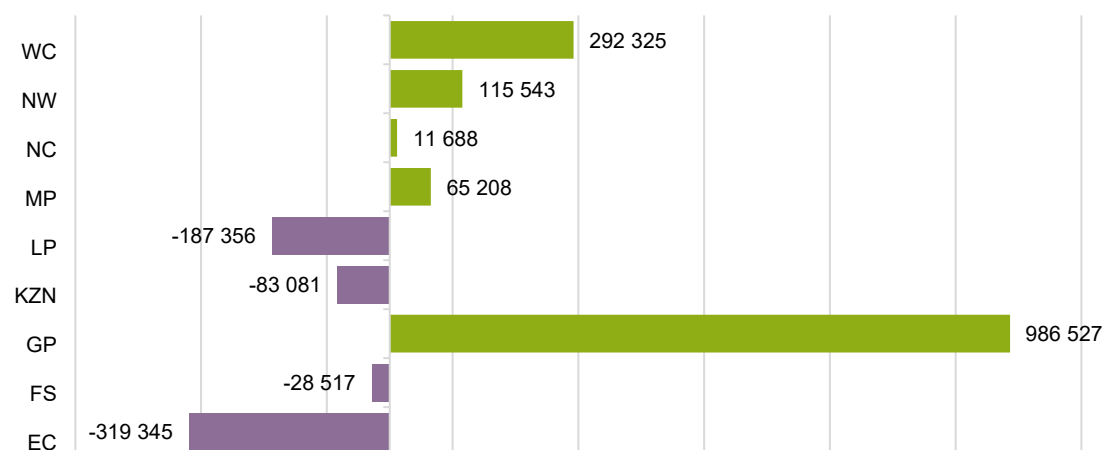
<https://www.dailymaverick.co.za/article/2022-04-14-sas-census-2022-68-reader-survey-respondents-yet-to-be-contacted/>

4.2.1 Migration

In-migration is the movement of people within the country from one province to another. This movement is usually caused by spatial inequality, whereby some provinces have better resources, opportunities, and services than others resulting in the movement of people to more affluent provinces where there are greater economic opportunities. Migration is an important demographic process, as it shapes the age structure of a geographic region's population and affects the size of its population. Net in-migration is also an important driver of urbanisation which impacts on service delivery demands within urban areas.

Net in-migration is an important determinant of population growth in the Western Cape. Between 2016 and 2021, the Western Cape is estimated to have gained 292 325 citizens. Over the same period, the population of the Western Cape increased by 624 616, meaning that net in-migration contributed 46.8 per cent of total population growth.

Figure 4.5 Estimated net-migration by province, 2016 - 2021



Source: Stats SA

Between 2016 and 2021, Gauteng (986 527) received the largest number of in-migrants, followed by the Western Cape (292 325) and North West (115 543), while the Eastern Cape (-319 345), Limpopo (-187 356) and KwaZulu-Natal (-83 081) provinces experienced a substantial net-out migration.

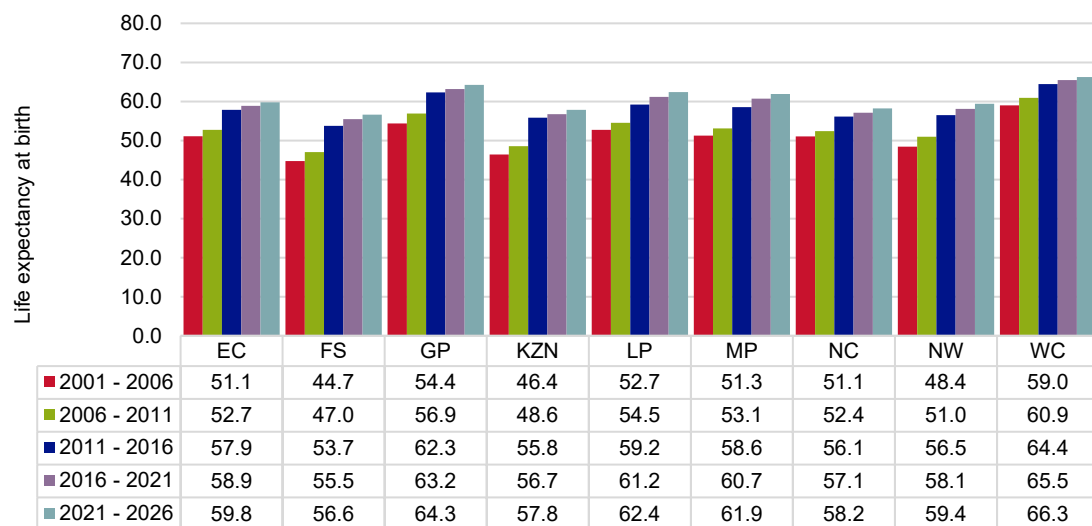
4.2.2 Life expectancy

Life expectancy at birth is a commonly used indicator of health and development in a country. Life expectancy is an estimate which indicates how long one is expected to live at birth based on several factors, such as historical records of the average age of death and the general standard of living in an area. Life expectancy at birth reflects the overall mortality level of a population.

Between 2001 and 2021, life expectancy improved for all provinces of South Africa and is projected to keep improving up to 2026. Between 2016 and 2021, females had a higher life expectancy than males in all provinces. For the period, the life expectancy of males (66.3 years) in the Western Cape exceeded the life expectancy of males in all other provinces of South Africa (Figure 4.6).

A study led by researchers from the University of Southern California found that males have shorter life expectancies for four reasons. Males are 50 per cent more likely to die of heart disease; have less of a social life; are less likely to go to the doctor when they need to; and naturally take larger risks and have jobs (police officers, military, firefighters, etc.) that increase their chances of incurring medically significant injuries.

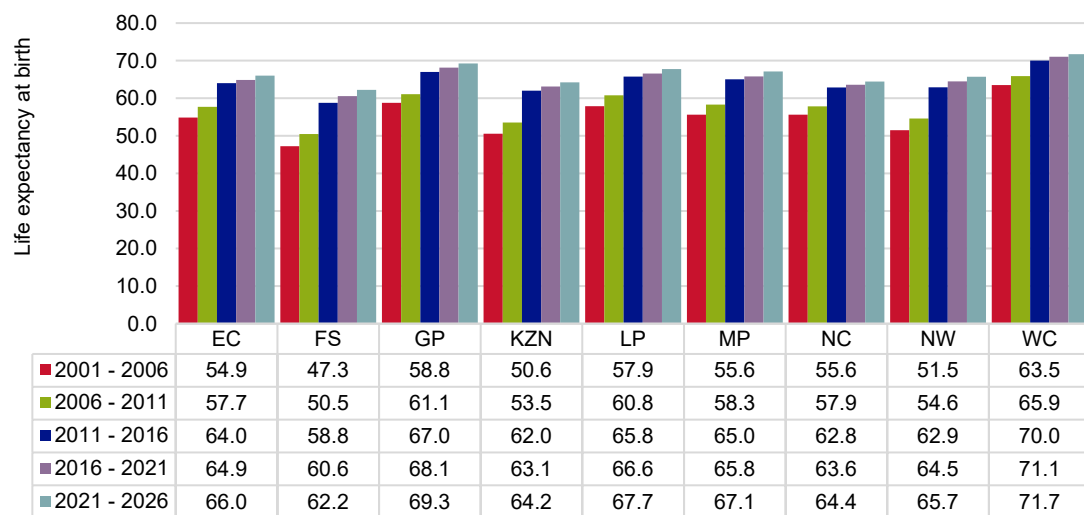
Figure 4.6 Provincial averages life expectancy at birth for males, 2001 - 2026



Source: Stats SA

Between 2016 and 2021, females in the Western Cape (71.1 years) had the highest life expectancy followed by Gauteng (68.1 years) and Limpopo (66.6 years). The life expectancy of females is projected to increase in all provinces between 2021 and 2026.

Figure 4.7 Provincial averages life expectancy at birth for females, 2001 - 2026

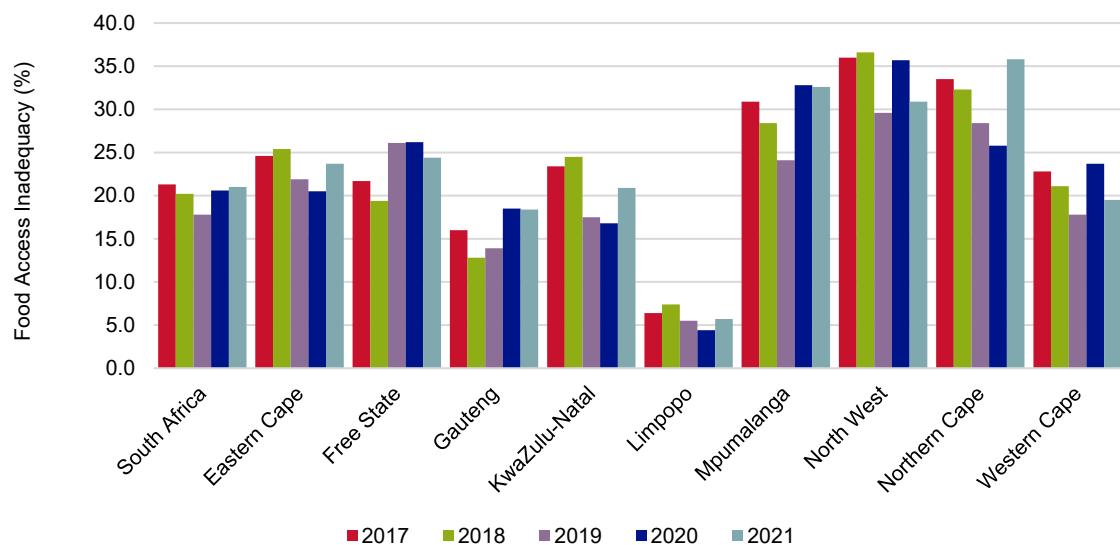


Source: Stats SA

4.3 Poverty, inequality and human development

South Africa and the Western Cape faces a triple challenge of poverty, inequality and unemployment. In comparison to other provinces, the Western Cape had relatively lower incidence of poverty. Subjective poverty¹ measurements from the General Household Survey of 2019, found that the Western Cape had the lowest poverty incidence according to the Income Evaluation Question² (31.7 per cent) and Self-perceived Wealth Question³ (16.8 per cent) measures. All provinces with the highest rates of subjective poverty were predominately rural-based provinces.

Figure 4.8 Food access inadequacy in South Africa by provinces, 2017 - 2021



Source: Stats SA, Own calculations

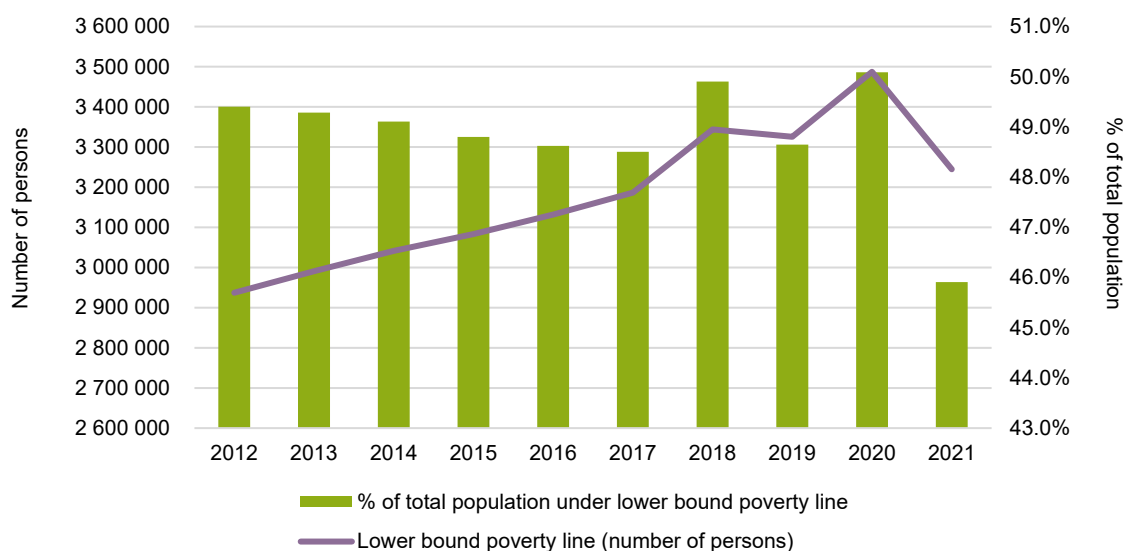
¹ Subjective poverty is an individual's perception on his or her financial/material situation.

² "Is the total monthly income of your household higher, lower, or more or less the same as the minimum income given above?"

³ The Self-perceived Wealth Question (SPWQ) requires respondents to select the classification they believe best represents their household's wealth status.

In 2021, the Western Cape had the third lowest food access inadequacy rate (19.5 per cent) among provinces, a substantial improvement from 2017 (22.8 per cent). The Limpopo province (5.7 per cent) had the lowest food inadequacy rate, with the Northern Cape (35.7 per cent) having the highest.

Figure 4.9 Number of persons below the lower bound poverty line in the Western Cape, 2012 - 2021



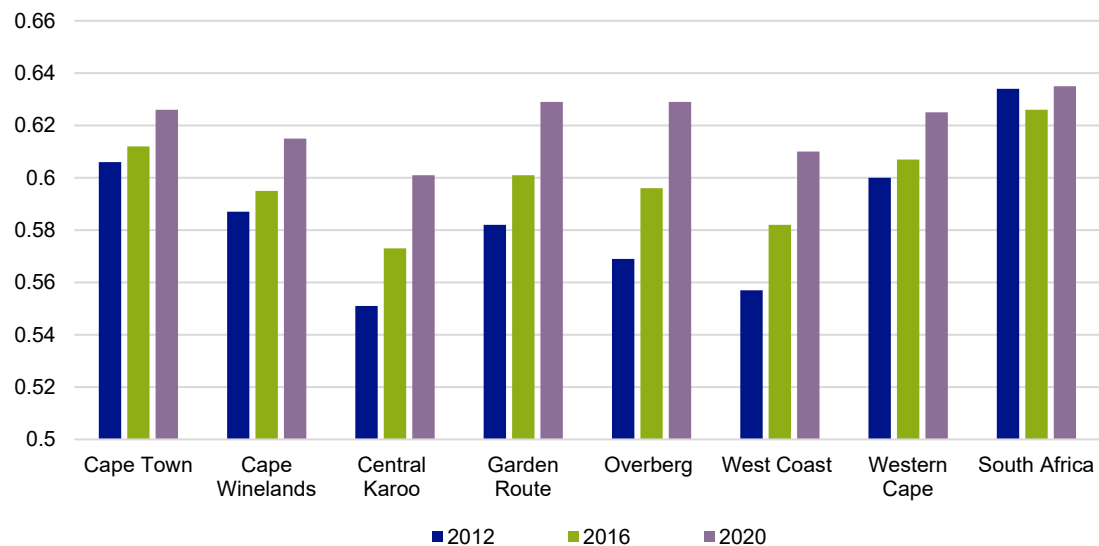
Source: Quantec, Own calculations

Poverty lines are important tools that allow for the statistical reporting of poverty levels and patterns, as well as the planning, monitoring and evaluation of poverty reduction programmes and policies. According to the Inflation-adjusted national poverty lines for 2021, all persons within the lower bound poverty line earn R890 per month or less. Between 2012 and 2021, the number of people in the lower bound poverty line increased by 307 401 or 10.2 per cent to 3.245 million in 2021 in the Western Cape. The largest number of people below the lower bound poverty line during the past decade was in 2020 (3.487 million) caused by the COVID-19 induced recession. Between 2020 and 2021, there was a substantial decline (-242 785) in the number of people below the lower bound poverty line. As a result, the portion of the total population below the lower bound poverty line declined by 4.2 percentage points to 45.9 per cent.

4.3.1 Income inequality

South Africa suffers among the highest levels of inequality in the world. Inequality manifests itself through a skewed income distribution and regional disparities caused by low growth, unequal education levels and rising unemployment. Inequality in South Africa and the Western Cape is persistent and growing. Between 2012 and 2020, income inequality, measured by the Gini coefficient, increased substantially in the Western Cape (0.25 points) and among all municipal districts. In 2020, the estimated inequality of South Africa (0.635) was higher than the Western Cape (0.625). Within the Western Cape, the Overberg (0.629) and Garden Route (0.629) districts had the highest levels of inequality, with the Central Karoo (0.601) as the least unequal municipal district in the Province.

Figure 4.10 South Africa and the Western Cape Gini coefficient by district, 2012 - 2020



Source: Western Cape Department of Economic Development and Tourism, IHS Markit

4.3.2 Measuring human development

The Human Development Index (HDI) measures three basic dimensions of human development: long and healthy life, knowledge, and a decent standard of living. Four indicators are used to calculate the index: life expectancy at birth, mean years of schooling, expected years of schooling, and gross national income per capita. 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.

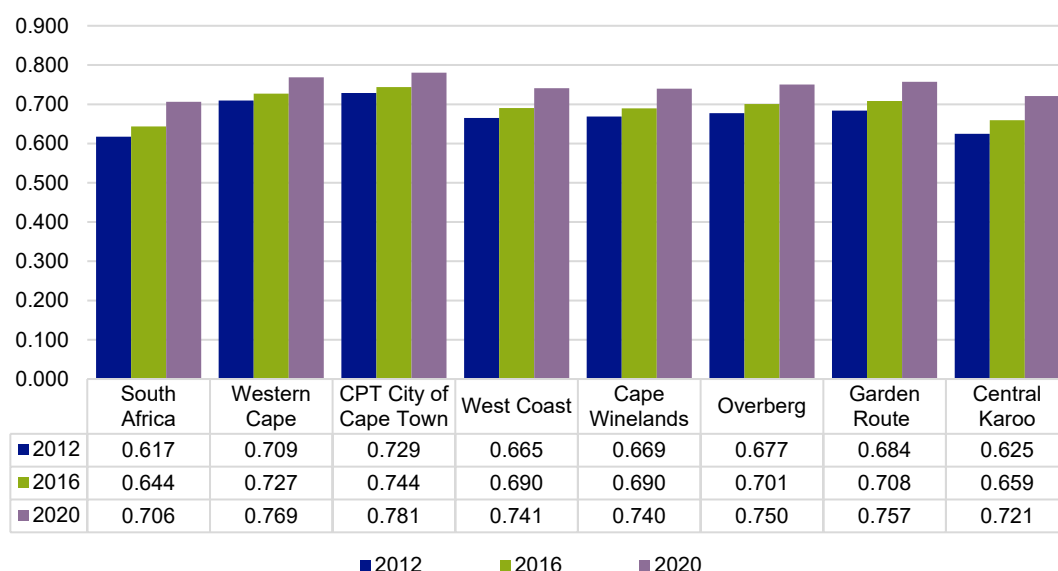


In 2020, South Africa was positioned in the high human development category with an HDI of 0.709. Globally, South Africa ranked 111 out of 189 countries and territories. The average for 2020 based on 184 countries was 0.722 points.

An overall improvement in human development is observed across the entire Western Cape, with HDI levels increasing in all districts between

2012, 2016 and 2020, meaning that all districts enjoyed improvements in either education levels, health and living conditions, or a combination thereof. The City of Cape Town's HDI of 0.781 is the highest in the Province. At 0.721, the Central Karoo District had the lowest HDI score in the Province.

Figure 4.11 Human Development Index in South Africa and the Western Cape by district, 2012 - 2020



Source: Quantec

4.4 Education

Education plays an important role in human development, social stability and a healthy economy. Education is a key indicator in determining job prospects and future earnings. Education inequality therefore perpetuates income inequality.

As estimated by the United Nations Education, Scientific and Cultural Organisation (UNESCO), the COVID-19 pandemic during its peak disrupted the learning of over 1.5 billion children and youth across the world. The closure of schools called for innovative approaches to remote learning, thereby enabling some students to access education. However, it excluded many others who either did not have internet and/or data to connect to online lessons, or where teachers were not equipped to carry out remote learning. Systemic tests revealed that the Western Cape was also subjected to undesirable factors⁴ influencing low systemic results.

In 2022, 1.1 million learners were enrolled in public schools in the Western Cape of which the largest portion was in Metro East (18.2 per cent), followed by Metro South (17.0 per cent) and Metro North (16.6 per cent) regions.

⁴ The main contributing factors influencing the low performance in Language across Grades 3; 6 and 9 is attributed to the lack of advocating reading for enjoyment, incorrect methodologies applied in teaching reading, learners coming from communities where the mother tongue is not English, Afrikaans or IsiXhosa and therefore experience difficulties when switching from their mother tongue.

In terms of Mathematics, weak methodologies are applied, resulting in not achieving Teaching Maths with Understanding (TMU), poorly trained and lack of qualified Maths teachers, as well as the issue of width vs depth in the curriculum poses challenges to conceptual understanding.

Table 4.1 Summary of education statistics by education district, 2022

Education District	Learner enrolment	Learner-teacher ratio in %	Number of public schools	Portion no fee schools in %
Cape Winelands	152 606	27.95	268	76.12
Garden Route District and Central Karoo	125 486	30.49	197	78.68
Metro Central	138 598	28.58	202	37.62
Metro East	200 592	32.57	180	56.11
Metro North	182 941	29.86	196	52.04
Metro South	187 301	31.97	203	46.31
Overberg	45 611	30.29	82	80.49
West Coast	67 012	31.18	121	71.90
TOTAL	1 100 147	30.37	1 449	61.08

Source: Western Cape Education Department

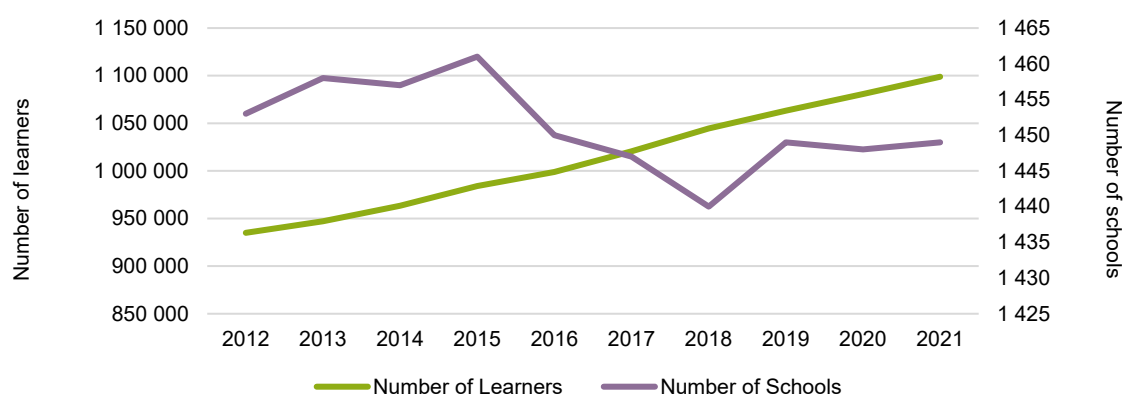
In 2022, the lowest learner-teacher ratio was in the Cape Winelands (27.95), followed by Metro Central (28.58) and Metro North (29.86) districts. The Cape Winelands District (268) had the largest number of schools, followed by the Metro South (203) and Metro Central (202) districts. The Overberg (80.49 per cent) had the largest portion of no fee schools while the Metro Central (37.62 per cent) had the lowest portion of no fee schools.

4.4.1 Number of Schools

The number of schools in a province in relation to the population size, is a significant determining factor of access to quality education. Live births and migration patterns drive the younger population in the Western Cape, which impacts on the available education resources. Adequate investment in school infrastructure is pivotal to absorb growing learner numbers and facilitate better learning outcomes.

Between 2012 and 2021, growth in learner numbers exceeded the expansion of schools and teachers. Over the period, the number of schools in the Western Cape declined by 0.3 per cent, while the number of learners increased by 17.5 per cent. Over the same period, the number of allocated posts in the Western Cape Education Department increased by 8.8 per cent. In 2021, the Western Cape had 1 449 schools and 1.099 million learners.

Figure 4.12 Number of schools and learners in the Western Cape, 2012 - 2021



Source: Western Cape Education Department, Own calculations

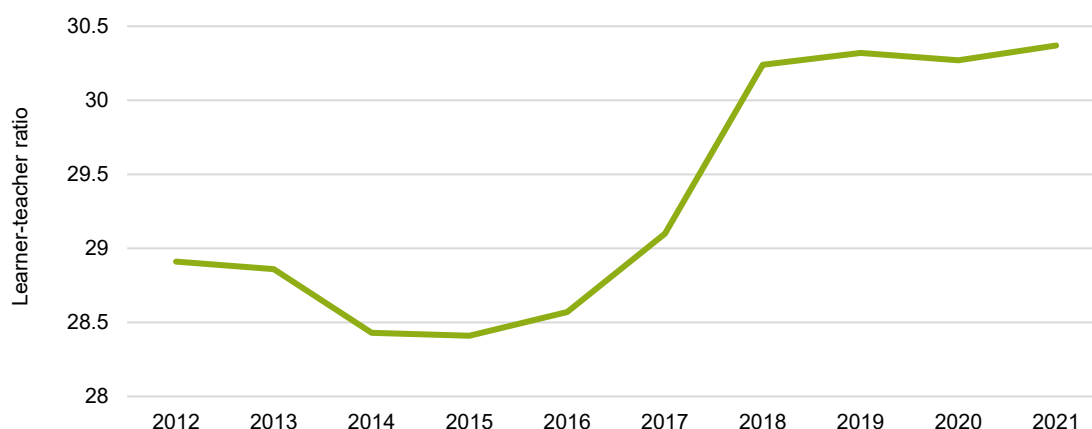
According to the Western Cape Education Department, school closures form part of any provincial department's education strategy when re-evaluating and assessing the size, shape and needs of their education system. The aim of school closures is to improve opportunities for learners by placing them in schools better equipped to provide a quality education and is sometimes a necessary step in improving an education system.

4.4.2 Learner-Teacher Ratio

Better performing schools tend to be those with significantly lower learner-teacher ratios. This allows maximum participation by all students, and adequate assessment of individual learners by the teacher to enable comprehensive feedback on performance.

Between 2012 and 2021, the learner-teacher ratio in the Western Cape increased by 1.5 points, to 30.4 in 2021. This suggests the number of learners is increasing faster than the number of teachers, and therefore the number of learners per class is getting larger. The higher learner-teacher ratio can have negative implications on the performance of learners; can cause a strain on teachers in trying to deliver quality education; and result in poorer outcomes such as learner retention, systemic tests, and pass rates.

Figure 4.13 Learner-Teacher ratio, Western Cape, 2012 - 2021



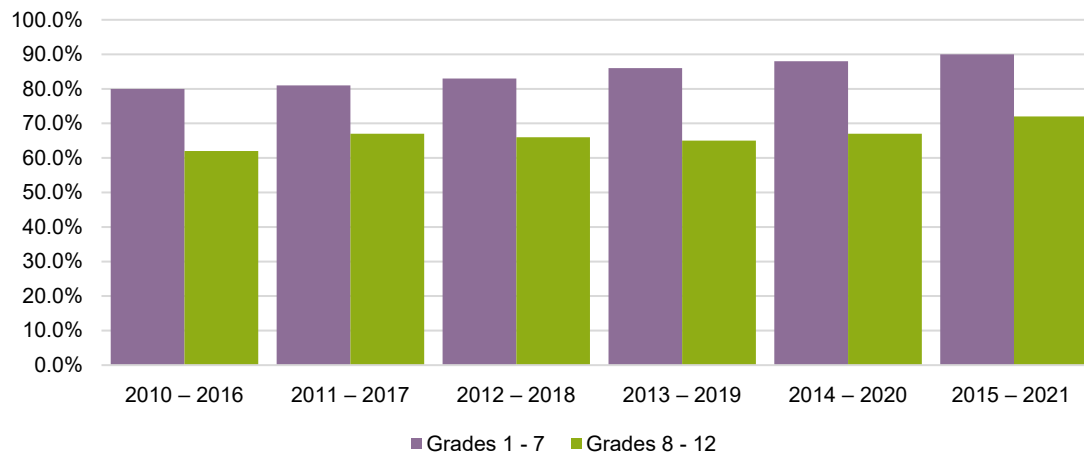
Source: Western Cape Education Department

4.4.3 Learner Retention

Learner retention indicates the ratio of students completing their studies at any level of education. This ratio remains higher from Grades 1 - 7 relative to Grades 8 - 12 in the Western Cape.

Between the periods 2010 - 2016 and 2015 - 2021, the Western Cape experienced a significant improvement in learner retention of 10 percentage points for both the Grades 1 - 7 and the Grades 8 - 12 cohorts. The improved learner retention ratios suggest more learners completing for both primary and secondary education and a significant decline in dropout rates. For the period 2015 - 2021, the learner retention among primary learners was 90 per cent, while the secondary learners' retention ratio was 72 per cent.

Figure 4.14 Retention trends in primary and high schools in the Western Cape, 2010 - 2021

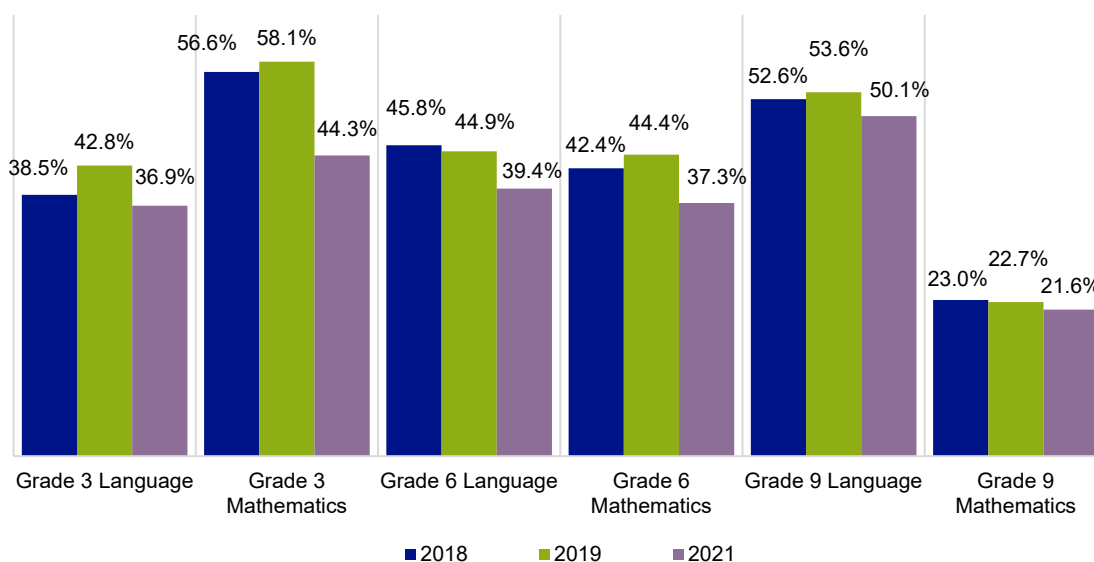


Source: Western Cape Education Department

4.4.4 Systemic Testing

The systemic tests in Mathematics and Language are key indicators of the learners' performance across the board, as numeracy and literacy are pivotal in learning other subjects. Between 2019 and 2021, there has been a general decline in systemic test results for Grade 3, 6 and 9 in the Western Cape. The decline (Mathematics and Language) was more pronounced among the Grade 3 learners (-19.7 percentage points), followed by Grade 6 (-12.6 percentage points) and Grade 9 (-4.6 percentage points) learners. Among all Grades, the decline in Mathematics (-22.0 percentage points) was more significant than Language (-14.9 percentage points). The decline can largely be attributed to the COVID-19 pandemic, which disrupted learning for most students in 2020. Mathematics for Grade 9's is of particular concern with a pass rate of only 21.6 per cent in 2021, whilst the Grade 3's had the lowest pass rate of 36.9 per cent in Language.

Figure 4.15 Systemic test results in the Western Cape, 2018 - 2021



Source: Western Cape Education Department

Current challenges in the foundation phase education include school readiness; wrong methodologies in teaching reading; lack of parental support; low gross motor skills and perceptual skills not developed appropriately.

4.4.5 Learner enrolment at Western Cape public ordinary schools

Between 2012 and 2021, there has been a general increase in the number of learners enrolled in public ordinary schools from Grade 1 to Grade 12. More students are enrolled in lower grades compared to the higher grades. This could signify low retention in public ordinary schools or a preference for more private schools as learners transition from primary school to high school.

Table 4.2 Enrolment in public ordinary schools in the Western Cape, 2012 – 2021

Year	Gr 1	Gr 2	Gr 3	Gr 4	Gr 5	Gr 6	Gr 7	Gr 8	Gr 9	Gr 10	Gr 11	Gr 12
2012	103 444	88 536	81 415	83 922	79 900	78 384	76 432	77 561	90 815	72 714	58 758	43 111
2013	104 678	93 506	85 762	85 599	79 210	78 437	76 238	75 528	87 132	78 812	56 109	46 035
2014	106 917	97 647	89 385	90 617	81 441	76 690	74 727	76 000	82 714	75 838	64 619	46 846
2015	108 237	101 941	94 348	95 218	84 558	79 252	75 643	75 754	79 112	72 430	63 220	54 390
2016	106 766	105 574	98 439	99 278	89 451	82 479	78 455	78 067	73 006	76 988	59 518	50 904
2017	104 612	106 088	103 095	103 081	94 077	87 403	81 688	80 215	72 723	75 856	62 350	49 454
2018	104 336	103 671	104 357	106 969	97 900	92 044	85 794	83 376	74 613	77 245	62 832	51 459
2019	105 207	102 990	101 563	108 724	101 936	95 227	90 148	87 796	77 603	77 475	63 548	51 076
2020	105 602	103 064	100 937	107 013	102 858	99 368	93 653	91 334	80 999	79 563	63 886	52 374
2021	105 831	102 300	100 827	104 113	102 114	100 79	97 489	89 755	86 024	81 890	69 765	57 791
AAGR	0.3%	1.6%	2.4%	2.4%	2.8%	2.9%	2.7%	1.6%	(0.6%)	1.3%	1.9%	3.3%

Source: Annual School Survey (Public Ordinary Schools excluding LSEN unit learners)

4.4.6 National Senior Certificate results

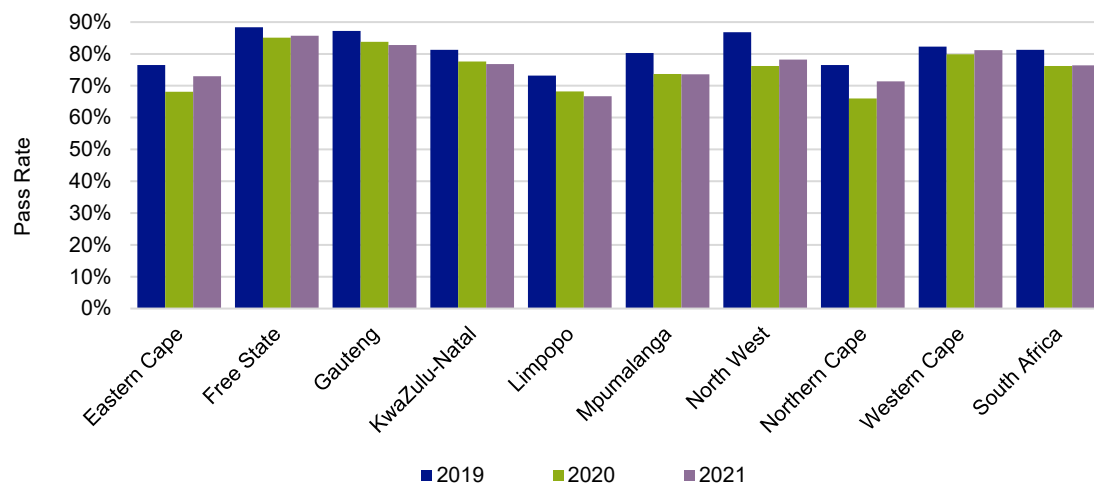
The Class of 2021 will remember their Grade 12 year as one of challenge and triumph. The challenge was coping with the unknowns of new COVID-19 variants and managing its subsequent effects on learning. Nationally, a total of 897 490 candidates enrolled for the Grade 12 National Senior Certificate (NSC) examinations in 2021, of which 704 021 or 78.4 per cent wrote the exam.

The national pass rate of 76.4 per cent was marginally (0.2 percentage points) higher than the previous year. The Class of 2021 is the largest class to date to sit for the Grade 12 NSC examinations since its inception in 2008.



In 2021, over 57 000 students wrote the NSC in the Western Cape, of which 81.2 per cent passed. The Western Cape had the third highest pass rate, after the Free State (85.7 per cent) and Gauteng (82.8 per cent). All provinces, except Gauteng, KwaZulu-Natal and Limpopo improved their NSC pass rates from the previous year. The Western Cape's NSC pass rate improved by 1.3 percentage points from 2020.

Figure 4.16 National Senior Certificate pass rate in South Africa, 2019 - 2021

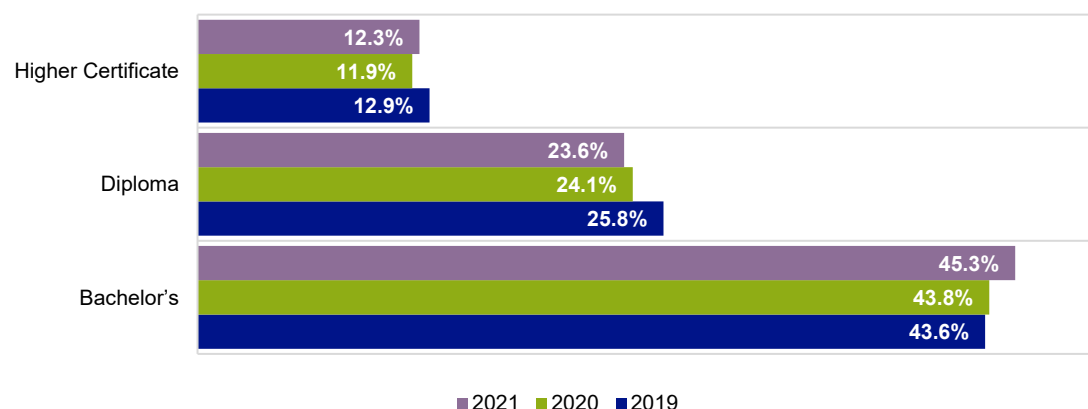


Source: Western Cape Education Department

Nationally, 61.6 per cent of the students who wrote the NSC exam obtained admission to higher education institutions (which combines both admission to Bachelor and Diploma Studies).

A substantial portion of matriculants who passed in the Western Cape, achieved a Bachelor's pass. In 2021, 45.3 per cent of learners achieved a Bachelor's pass rate; 23.6 per cent achieved a Diploma pass rate; and 12.3 per cent a Higher certificate pass rate. Between 2019 and 2021, the portion of students achieving Bachelor pass rate (1.7 percentage points) increased, whilst the share of Higher certificate (-0.6 percentage points) and Diploma (-2.2 percentage points) passes declined.

Figure 4.17 National Senior Certificate pass rate in the Western Cape, 2019 - 2021

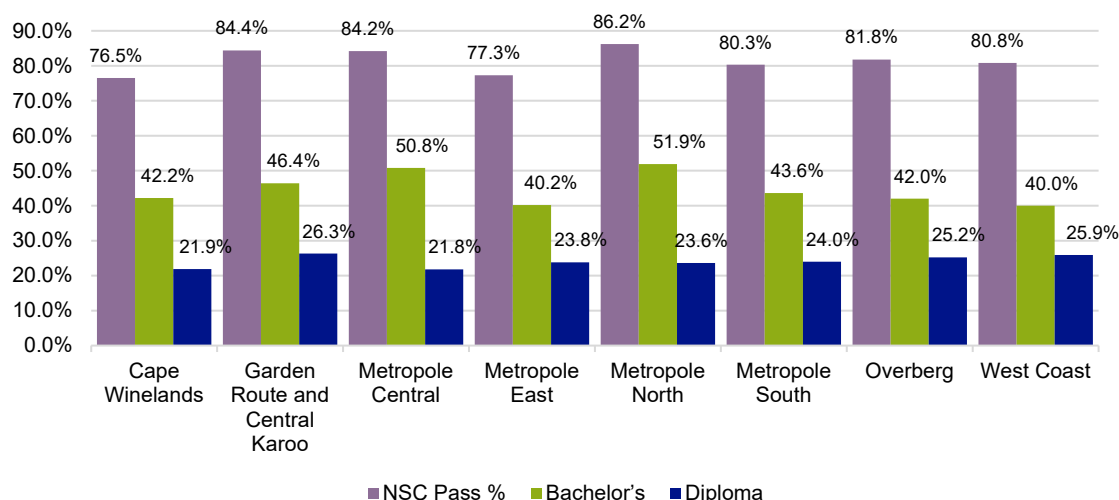


Source: Western Cape Education Department

The NSC pass rate of all Western Cape districts exceeded the national rate of 76.4 per cent in 2021. The districts generally had a pass rate of over 80.0 per cent, with the exception of Cape Winelands (76.5 per cent) and Metropole East (77.3 per cent). Metropole North (86.2 per cent) had the highest NSC pass rate, followed by the Garden Route and Central Karoo (84.4 per cent) and the Metropole Central (84.2 per cent) districts.

Metropole North (51.9 per cent) also had the highest Bachelor's pass rate, followed by the Metropole Central (50.8 per cent) and Garden Route and Central Karoo (46.4 per cent).

Figure 4.18 NSC and B Degree pass rate per district in the Western Cape, 2021



Source: Western Cape Education Department

4.5 Health

Public healthcare is legally available to everyone in South Africa. In comparison to South Africa (82.8 per cent), a relative smaller portion of the Western Cape population (75.9 per cent) was reliant on public healthcare in 2019.

Like other government services, healthcare is under pressure. This poses great challenges in achieving the World Health Organization's (WHO's) universal health coverage goals of ensuring that all people have access to effective and affordable health services.

4.5.1 COVID-19

The past two years have been dominated by the COVID-19 pandemic, which has exposed fragilities in healthcare systems worldwide, providing lessons for future required resilience. The first reported case in the Western Cape was on the 11th of March 2020. On the 15th of March 2020, the President declared a National State of Disaster, and South Africa went into lockdown on the 26th of March 2020.

Since the start of the pandemic, the Western Cape had a total of 700 135 reported cases⁵, with 20 567 of these being re-infections. There have been a total 22 258 reported deaths. The pandemic displayed wave-like periods of high infection rates and prevalence of active cases and hospitalisations, interspersed with periods of

⁵ Latest COVID-19 data reflected in this paragraph is dated 28 July 2022.

low infection levels. These troughs in the pandemic curves are often associated with high prevalence of antibodies against COVID-19 at the community level. South Africa and Western Cape experienced a fifth wave in May 2022, despite 97 per cent of the population having antibodies due to previous infections or vaccinations. The fifth wave was not as severe as the previous waves, as the increase in new infections, admissions, oxygen use and deaths, which are key indicators, remained relatively low.

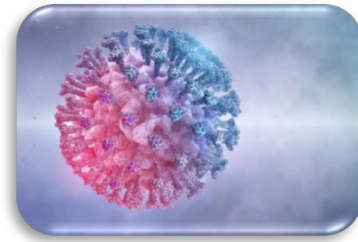
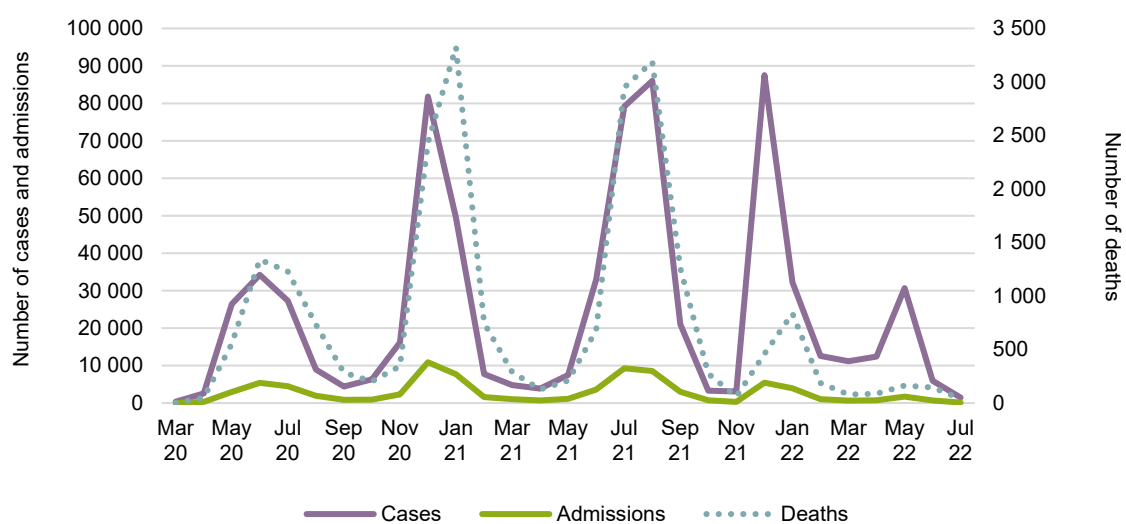


Figure 4.19 COVID-19 cases, admissions and deaths, March 2020 - July 2022



Source: Western Cape Department of Health and Wellness

As of 24 August 2022, the Western Cape recorded 480 active cases, which could be an indication of the end of the active pandemic, showing that COVID-19 is now becoming endemic⁶ and should be managed as such.

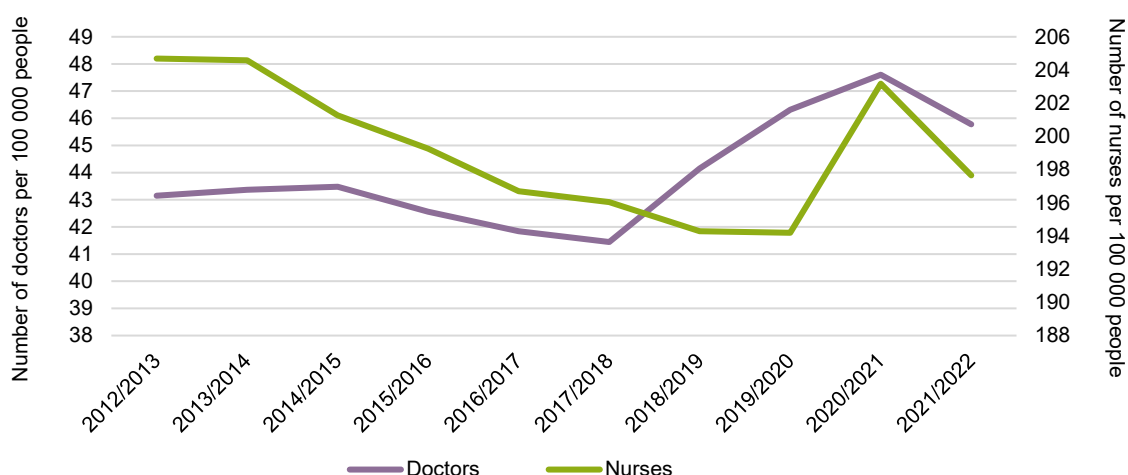
4.5.2 Doctors and nurses

Globally, there is a dramatic shortage of nurses while South Africa is one of the biggest sources of migrant nurses. In 2022, a survey indicated that 6 per cent of all nurses contemplated emigration (SA Medical Association). The ratio of the total population to public employed doctors and nurses should be kept as low as possible to ensure quality and affordable healthcare. As of 2021/22, the Western Cape Government employed 45.8 doctors and 197.7 nurses per 100 000 people.

Over the past 10 financial years, the number of doctors per 100 000 people in the Western Cape varied between 41.4 in 2017/18 to 47.4 in 2020/21. Between 2012/13 and 2021/22 the number of doctors per 100 000 people improved by 2.4 per cent.

⁶ "a disease or condition regularly found among particular people or in a certain area"

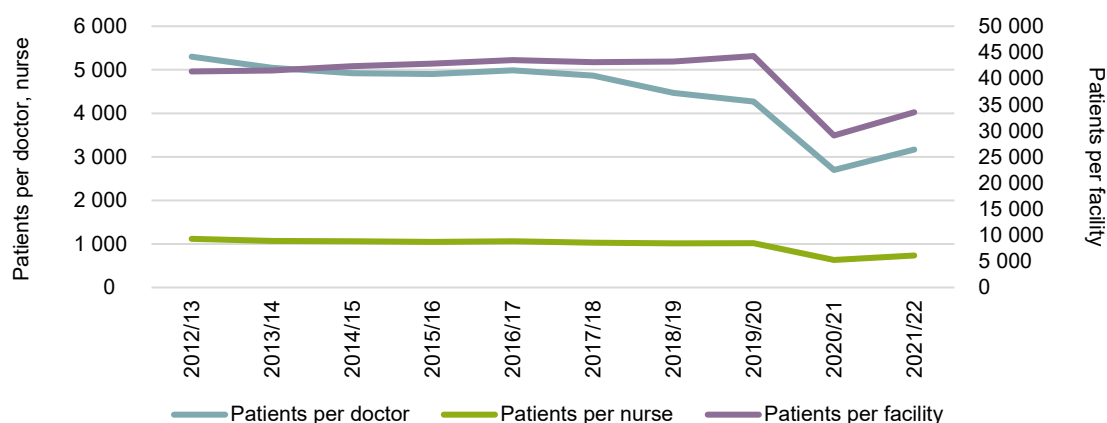
Figure 4.20 Number of public employed doctors and nurses per population in the Western Cape, 2012/13 - 2021/22



Source: Western Cape Department of Health and Wellness

Between 2012/13 and 2021/22, the ratio of nurses to 100 000 people deteriorated by 3.41 per cent from 204.7 to 197.7. In 2020/21 the ratio of nurses to 100 000 people substantially increased from 194.2 in 2019/20 to 203.2 in 2020/21.

Figure 4.21 Number of patients per public employed doctor, nurse, facility in the Western Cape, 2012/13 - 2021/22



Source: Western Cape Department of Health and Wellness, Own calculations

Between 2012/13 and 2021/22, the number of public employed doctors (25.5 per cent) and nurses (14.2 per cent) increased in the Western Cape, while the number of patients (-25.0 per cent) and facilities (-7.5 per cent) declined. The decline in facilities included 7 fixed Community Health Centre's/Community Day Centre's, 16 fixed clinics, one district hospital and one regional hospital. As a result, the number of patients per doctor declined from 1 070 in 2012/23 to 734 in 2021/22; the number of patients per nurse declined from 5 300 in 2012/13 to 3 169 in 2021/22; and the number of patients per facility declined from 41 335 in 2012/13 to 33 531 in 2021/22.

The COVID-19 lockdown measures in 2020/21 reduced the number of patients by 33.9 per cent to 10.328 million. However, in 2021/22, the number of public healthcare patients were still 24.0 per cent or 3.269 million less than in 2019/20.

4.5.3 Causes of Mortality

In the Western Cape, most of the leading causes of death can be linked to lifestyle choices. Smoking, physical inactivity, obesity, excessive use of alcohol, and an unhealthy diet increases the risk of Diabetes mellitus, Ischaemic heart diseases, Cerebrovascular diseases, and Hypertensive diseases. An increased focus on prevention, rather than cure, could contribute to a healthier population that is less dependent on the public health system for chronic treatment.

In 2018, Diabetes mellitus was the leading natural cause of death (7.6 per cent), followed by Ischaemic heart diseases (6.1 per cent) and Cerebrovascular diseases (5.9 per cent). The leading cause of death in the Western Cape was accidental injury⁷ (excluding transport accidents), which contributed 9.1 per cent of all mortalities in 2018. Transport accidents were responsible for 0.8 per cent of total mortalities.

The top 10 causes of natural deaths made up more than half (51.5 per cent) of all mortalities in the Western Cape, while non-natural causes were the cause of 13 per cent of all mortalities.

Table 4.3 Ten leading underlying natural causes of death in the Western Cape, 2018

Rank	Cause of death (ICD-10 code based)	No.	%
1	Diabetes Mellitus (E10 - E14)	3 699	7.6
2	Ischaemic heart diseases (I20 - I25)	2 941	6.1
3	Cerebrovascular diseases (I60 - I69)	2 853	5.9
4	HIV (B20 - B24)	2 757	5.7
5	Chronic lower respiratory diseases (J40 - J47)	2 469	5.1
6	Tuberculosis (A15 - A19)	2 393	4.9
7	Digestive malignant neoplasms (C15 - C26)	2 174	4.5
8	Respiratory and intrathoracic malignant neoplasms (C30 - C39)	2 156	4.5
9	Hypertensive diseases (I10 - I15)	1 845	3.8
10	Other forms of heart disease (I30 - I52)	1 585	3.3
	Sub-total	24 872	51.5
	Other natural causes of death	17 228	35.6
	Non-natural	6 276	13.0
Total		48 376	

Source: Western Cape Department of Health and Wellness, Stats SA

⁷ Injury occurring as the unforeseen and chance result of a voluntary act.

4.5.4 HIV/AIDS Services



With HIV being the fourth leading cause of death in the Western Cape, ensuring adequate healthcare and services for HIV/AIDS is important. According to the Western Cape Department of Health and Wellness, the number of HIV tests done dropped dramatically in the second quarter of 2020, corresponding with the most restrictive levels of lockdown. From the third quarter of 2020, testing levels increased but never reached the same levels as in 2019. In 2021 testing levels showed

improvements. However, the numbers tested are still not at the level seen in 2019 and prior (pre-COVID period).

In 2021/22, the Cape Metro (70.2 per cent) had the largest portion of patients receiving Antiretroviral Therapy (ART) treatment followed by the Cape Winelands (10.7 per cent) and Garden Route (9.1 per cent). Between 2017/18 and 2021/22, patients receiving ART treatment in the West Coast (32.7 per cent) expanded the most, followed by Garden Route (29.0 per cent) and Overberg (26.4 per cent) districts.

In 2020/21, the number of patients receiving ART treatment in the Western Cape increased marginally (0.2 per cent) from the previous year. The slow growth in ART treatment can be attributed to the implementation of COVID-19 lockdown measures in the same year. In 2020/21, the number of patients receiving ART treatment contracted in the Overberg (-1.6 per cent), Cape Metro (-0.7 per cent) and Central Karoo (-0.6 per cent) districts.

Table 4.4 Number of patients receiving ART in the Western Cape, 2017/18 - 2021/22

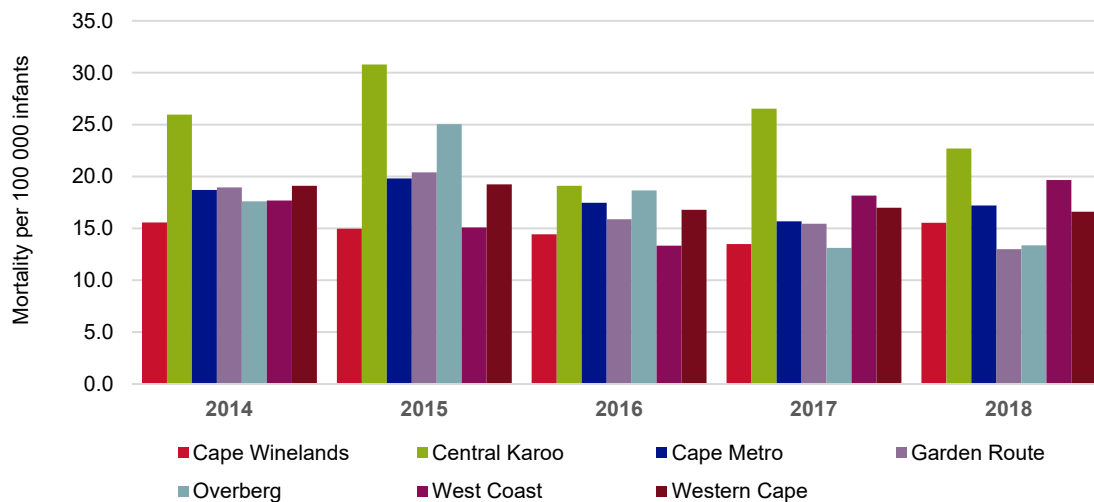
	2017/18	2018/19	2019/20	2020/21	2021/22
Cape Metro	180 114	195 203	210 803	209 279	213 644
Cape Winelands	28 728	30 724	32 366	32 949	32 719
Central Karoo	1 884	2 022	2 050	2 037	2 097
Garden Route	21 577	23 317	25 738	26 996	27 825
Overberg	11 616	12 653	13 712	13 490	14 686
West Coast	10 202	11 255	12 879	13 154	13 533
Western Cape	254 121	275 174	297 548	297 905	304 504

Source: Western Cape Department of Health and Wellness

4.5.5 Infant, child and maternal health

Infant mortality is the death of an infant before their first birthday, while the infant mortality rate (IMR) is the number of infant deaths for every 100 000 live births. Between 2014 and 2018, the IMR in the Western Cape improved from 19.1 to 16.6. In 2018, the Central Karoo (22.7) had the highest IMR, followed by the West Coast (19.7) and Cape Metro (17.2). In the same year the Garden Route (13) had the lowest IMR.

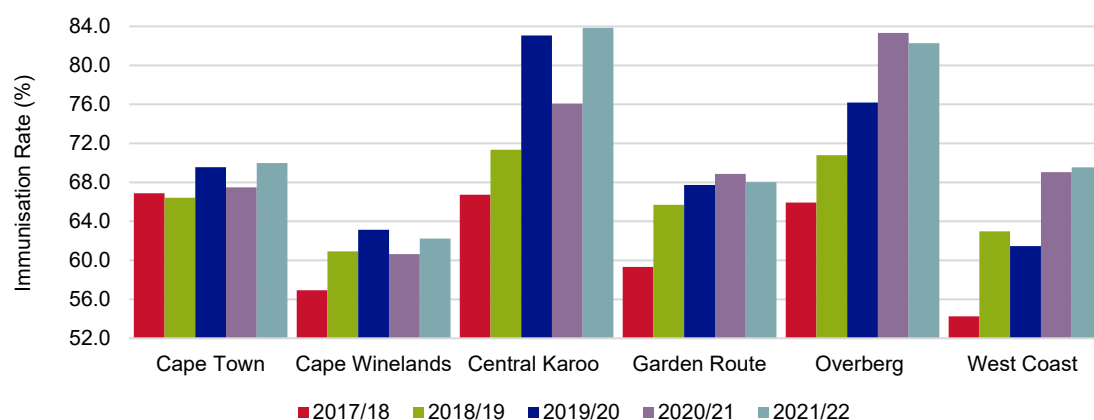
Figure 4.22 Infant Mortality Rate, Western Cape, 2014 - 2018



Source: Western Cape Department of Health and Wellness

Immunisation is important for the health of babies and toddlers as it prevents the contraction and transmission of diseases. Between 2017/18 and 2021/22, the immunisation rates displayed an increasing trend among Western Cape districts, with substantial increases in the Central Karoo (17 percentage points) and Overberg (16 percentage points) districts. Over the same period, the Cape Metro (4 percentage points) and Cape Winelands (5 percentage points) made the least progress. In 2021/22, the Central Karoo (84 per cent) and Overberg (82 per cent) districts had the highest immunisation rates, whilst the Cape Winelands (62 per cent) had the lowest immunisation rate.

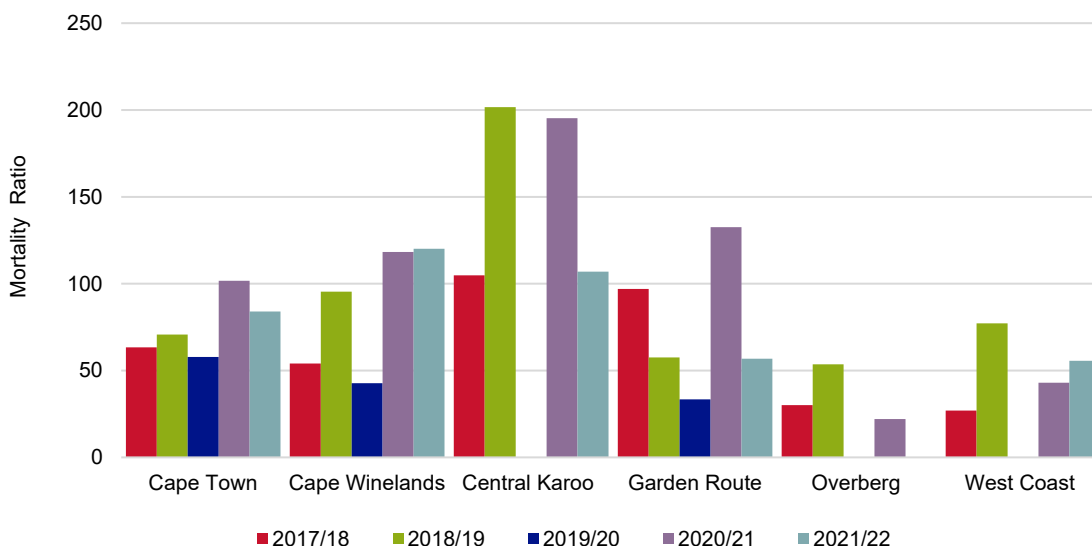
Figure 4.23 Immunisation rate in the Western Cape per district, 2017/18 - 2021/22



Source: Western Cape Department of Health and Wellness


Many developing countries lack adequate healthcare and family planning, and pregnant women often have minimal access to skilled medical staff and emergency care. The main causes of maternal mortality (mothers that die at birth or soon after birth) include postpartum haemorrhage, eclampsia (severe complication of pre-eclampsia⁸), obstructed labour, and sepsis.

Figure 4.24 Public sector in-facility Maternal Mortality Rate in the Western Cape per district, 2017/18 - 2021/22



Source: Western Cape Department of Health and Wellness

In 2021/22, Cape Winelands (120) had the highest in-facility Maternal Mortality Rate (iMMR) followed by Central Karoo (107) and Cape Metro (84). Between 2017/18 and 2021/22, the Overberg District had the lowest average iMMR followed by the West Coast (40.5), Cape Metro (75.5) and Garden Route (75.5). Over the same period, the Cape Winelands (86.1) and Central Karoo (82.7) districts had the highest average iMMR.



MONKEYPOX

Monkeypox, a zoonotic virus in the genus Orthopoxvirus, has been reported in more than 4 000 people from the USA, Canada, Australia, Morocco, United Arab Emirates and several European countries since May 2022. It was the first Monkeypox multi-country outbreak which normally occurred in West and Central Africa. The disease can be spread through close contact with an infected person or materials that have been in contact with an infected person. Symptoms include fever, general flu-like symptoms, and a blister-like rash on the skin.

On the 23rd of June 2022, the National Institute of Communicable Diseases (NICD) confirmed South Africa's first case of Monkeypox in Gauteng through laboratory testing. Western Cape recorded its first case of Monkeypox on the 28th of June 2022. The disease was detected in males who had no recent travel history. South Africa is implementing isolation measures for those found with Monkeypox to prevent transmission and interrupt the transmission cycle.

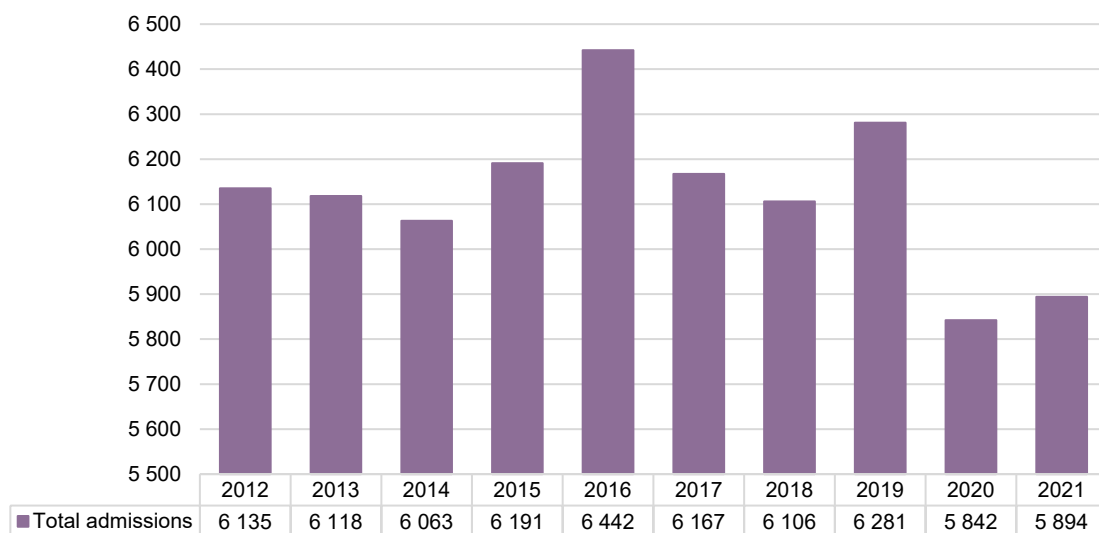
Source: <https://www.nicd.ac.za/second-monkeypox-case-identified-in-south-africa/>

⁸ "A condition in pregnancy characterised by high blood pressure, sometimes with fluid retention and proteinuria"

4.5.6 Mental Health

COVID-19 containment measures coupled with the economic recession had a detrimental effect on mental health (e.g., anxiety and depression) worldwide. A study (De Man, J et al. 2021) that assessed how sociodemographic factors, membership of vulnerable groups and COVID-19 related stressors were associated with depression and anxiety scores was conducted through an online survey in the Western Cape. The study found distress related to containment measures and distress about being infected were significantly associated with more anxiety and depressive symptoms. A substantial portion of the online participants met the diagnostic threshold of anxiety (46.0 per cent) and depressive disorder (47.2 per cent), respectively.

Figure 4.25 Psychiatric admissions in the Western Cape, 2012 - 2021

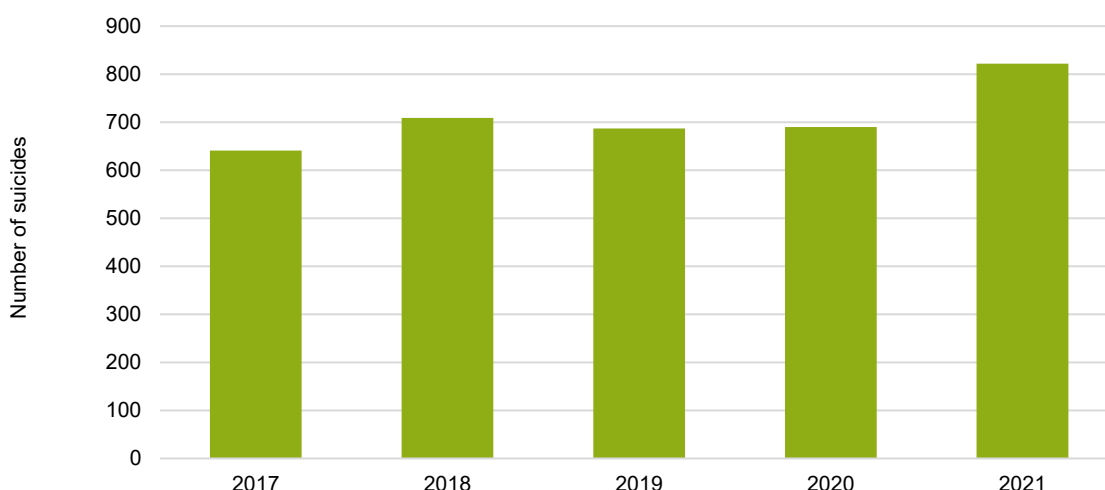


Source: Western Cape Department of Health and Wellness

Between 2012 and 2021, an average of 5 936 psychiatric admissions was recorded by the Western Cape Department of Health and Wellness. The number of admissions declined substantially in 2020 (-7.0 per cent) and 2021 (-6.2 per cent) from 6 281 admissions in 2019. The decline in admissions points to possible barriers to entry at primary healthcare services and psychiatric service centres, due to the de-escalation of non-COVID services, while the Department was focused on fighting the pandemic. In contrast to the recent decline of mental health patients at psychiatric institutions, the number of mental health patients presenting at emergency centres has increased over the period from July 2020 to January 2022⁹.

⁹ Western Cape Department of Health and Wellness Annual Performance Plan 2022/23

Figure 4.26 Number of suicides in the Western Cape, 2017/18 - 2021/22



Source: Western Cape Department of Health and Wellness

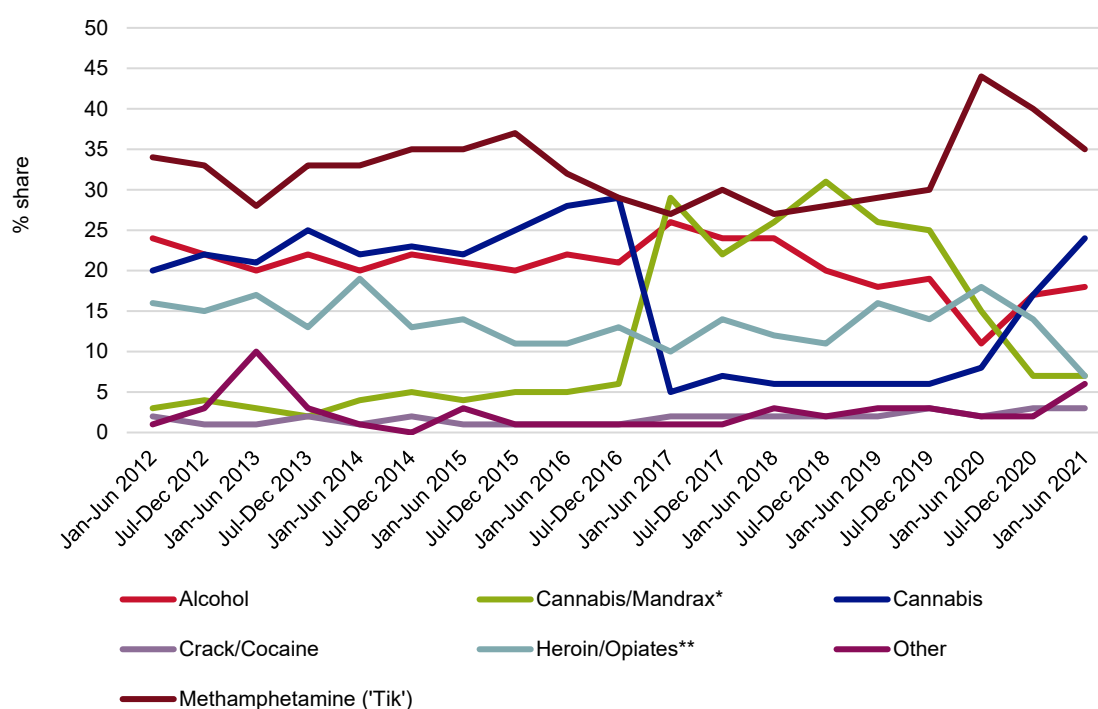
Since 2017, the number of suicides in the Western Cape increased by 28.2 per cent to 857 in 2021. Over the five-year period, 4 080 people committed suicide in the Province. The number of suicides was notably higher (19.1 per cent) in 2021 when compared to 2020. Over the same period, the Western Cape's estimated population expansion was 8.9 per cent.

4.5.7 Substance abuse

Substance abuse has a far-reaching impact on the wellbeing of any society. It contributes to mental health issues; violent crimes; premature deaths; destroying families and leaves victims with less productive lives. Substance abuse extends beyond the addicted individual, and also include family members, neighbours, employers, and friends. The longer an addicted individual waits to seek treatment for their substance abuse issue, the more difficult it may be for them to recover from an addiction.

In the first half of 2021, 2 433 people were admitted to 36 specialist drug and alcohol treatment centres in the Western Cape. In the first semester of 2021, the share of patients admitted for cannabis addiction (24.0 per cent) increased above the ten-year average (16.9 per cent), while relatively fewer patients (6.6 percentage points) were admitted for Heroin/Opiates (7.0 per cent) over the same period. In the first semester of 2021, the largest portion of patients were admitted for Methamphetamine (35.0 per cent), followed by Cannabis (24.0 per cent) and Alcohol (18.0 per cent).

Figure 4.27 Primary substance of use in the Western Cape, 2012 - 2021



* 'White pipe' or Mandrax alone

** Nyaope and Whoonga have been incorporated into the heroin-related admission category to improve the accuracy of heroin surveillance

Note: See Annexures for detailed substance abuse information

Source: SACENDU 2012 - 2021

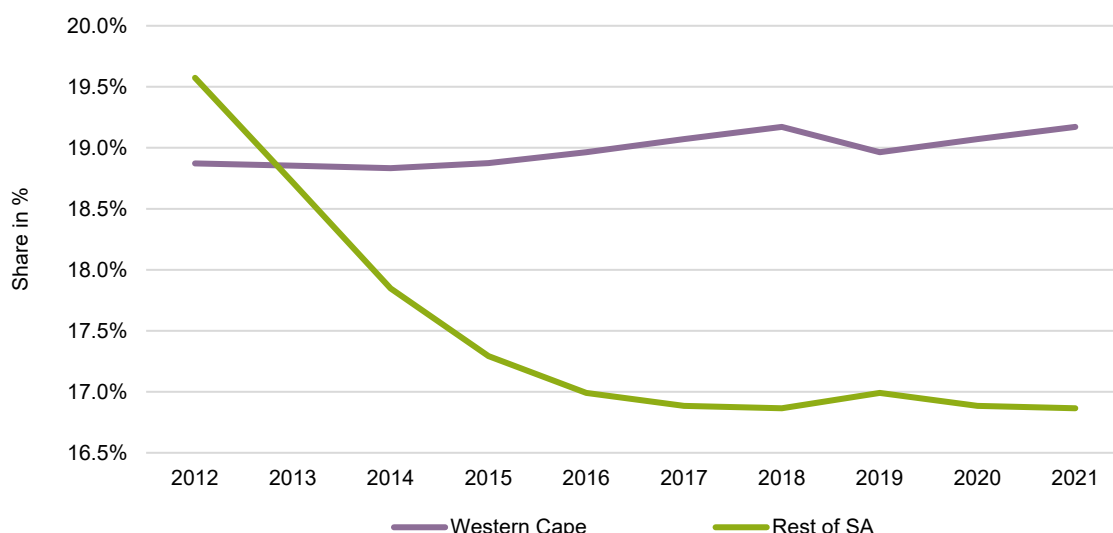
4.6 Household services

Housing is one of the key human rights recognised internationally. Section 26(1) of the South African Constitution provides that everyone has a right to adequate housing. The State must therefore ensure that it creates conducive conditions through reasonable legislative measures and other measures subject to the availability of resources for citizens despite economic status to access affordable housing.

4.6.1 Housing

Homelessness can be incredibly detrimental to a person's well-being, cause adverse physical effects and contribute to mental distress. When housing instability takes root in families, there is an adverse effect on family life. Housing stability is also a crucial driver of a child's development. Children who are subjected to leaking roofs and poorly wired houses, are more likely to experience physical and emotional problems.

Figure 4.28 Share of informal and traditional dwellings to total dwellings, Western Cape and rest of South Africa, 2012 - 2021



Source: Quantec

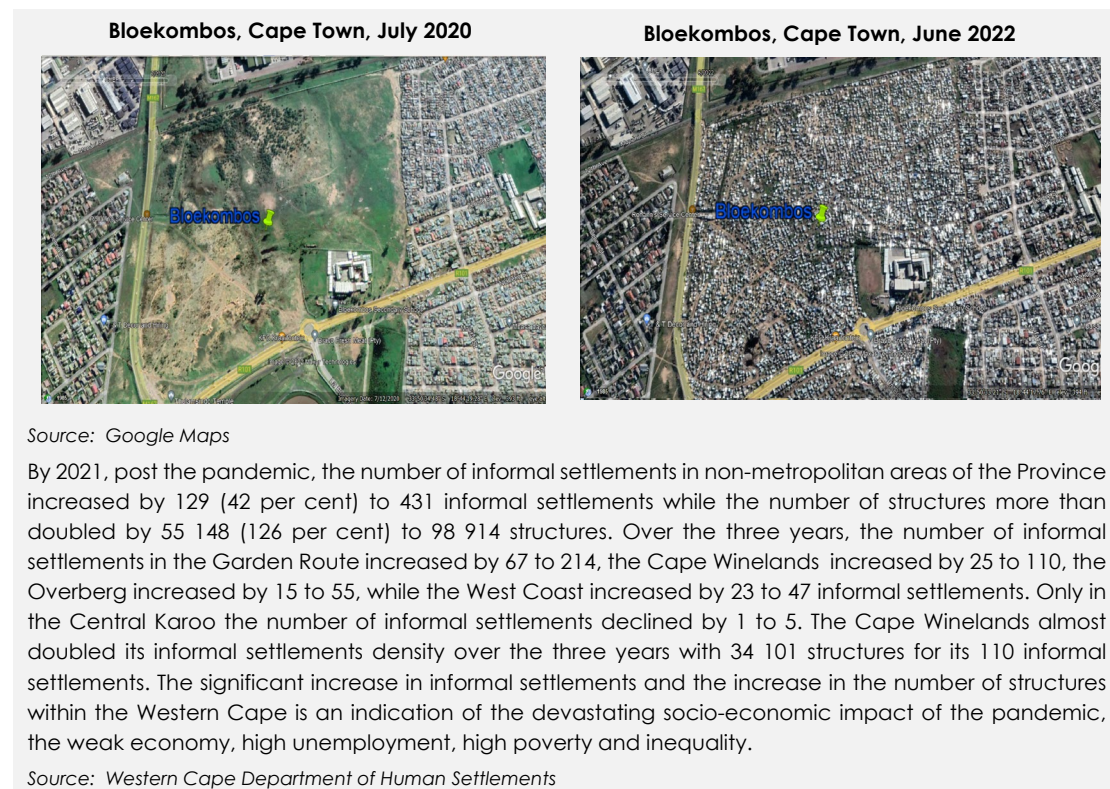
In 2021, the Western Cape had 374 994 informal dwellings. Between 2012 and 2021, the portion of informal and traditional to total dwellings in the Western Cape increased by 0.3 percentage points to 19.2 per cent. Over the period, the portion of informal/traditional to total dwellings in the rest of South Africa declined by 2.71 percentage points to 16.9 per cent. The increase in the portion of informal and traditional to total dwellings in the Western Cape relative to the rest of South Africa can be attributed to a higher growth of informal settlements in the Western Cape (25.1 per cent vs 3.7 per cent) over the same period, combined with a decline in traditional dwellings in both the Western Cape and the rest of South Africa.

In the rest of South Africa (7.2 per cent), traditional dwellings made up a larger portion of total dwellings than in the Western Cape (0.3 per cent) in 2012. Between 2012 and 2021, traditional dwellings declined substantially for both the Western Cape (-84.7 per cent) and the rest of South Africa (-9.4 per cent).



ACCELERATION IN INFORMAL SETTLEMENTS IN THE WESTERN CAPE

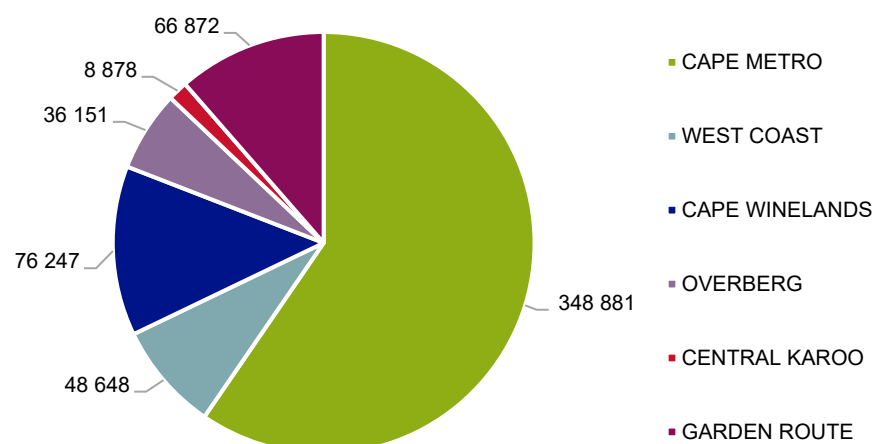
The COVID-19 pandemic had a devastating socio-economic impact on the South African human settlements landscape. As unemployment, poverty and inequality worsened, the demand for human settlements opportunities inclusive of informal settlements significantly increased. In 2017, before the pandemic, there were 302 informal settlements with 43 766 structures in non-metropolitan areas within the Western Cape. The Garden Route had the most informal settlements (147), followed by the Cape Winelands (85), Overberg (40), West Coast (24) and then the Central Karoo (6). Although the Garden Route had the greatest number of informal settlements and structures, the Cape Winelands had the highest informal settlements density with 13 520 structures for its 85 informal settlements.



The substantial growth of informal dwellings in the Western Cape will likely lead to an increased demand for government sponsored housing facilities as well as associated municipal services.

Between 2013 and 2022, the total registered housing demand in the Western Cape increased by 236 745 or 67 per cent to 585 677. In 2022, the largest portion of housing demand was in the Cape Metro (348 881 or 59.6 per cent), followed by the Cape Winelands (76 247 or 13.0 per cent) and Garden Route (66 872 or 11.4 per cent).

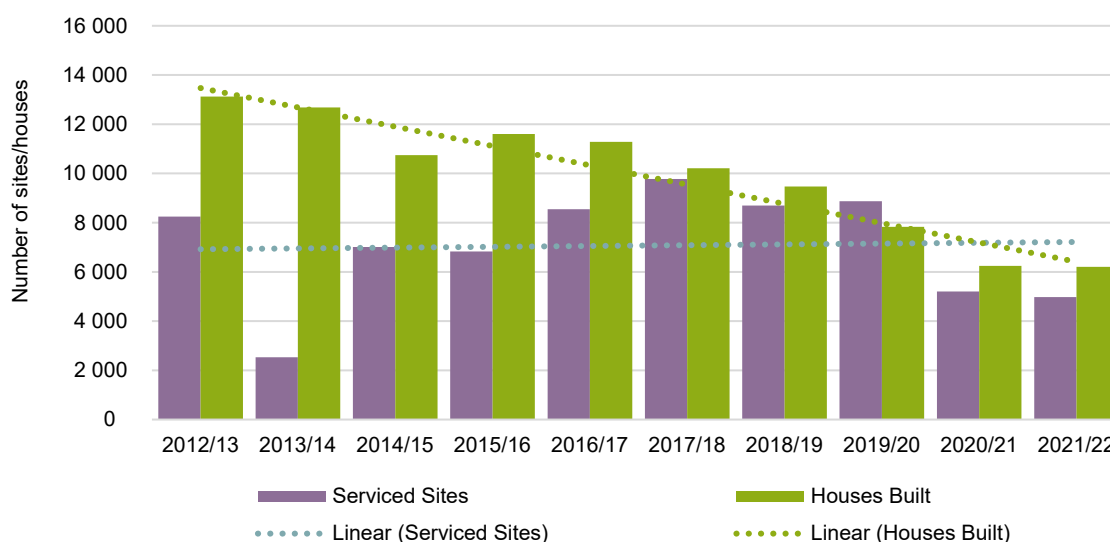
Figure 4.29 Registered housing demand in the Western Cape, 2022



Source: Western Cape Department of Human Settlements

In 2021/22, the Western Cape Government delivered 6 204 houses and 4 977 serviced sites. The number of houses built in 2021/22 was equal to 1.05 per cent of registered housing demand in 2022. Between 2012/13 and 2021/22 the number of houses built (-52.7 per cent) and serviced sites (-39.7 per cent) declined substantially.

Figure 4.30 Number of houses and serviced sites delivered in the Western Cape, 2012/13 - 2021/22



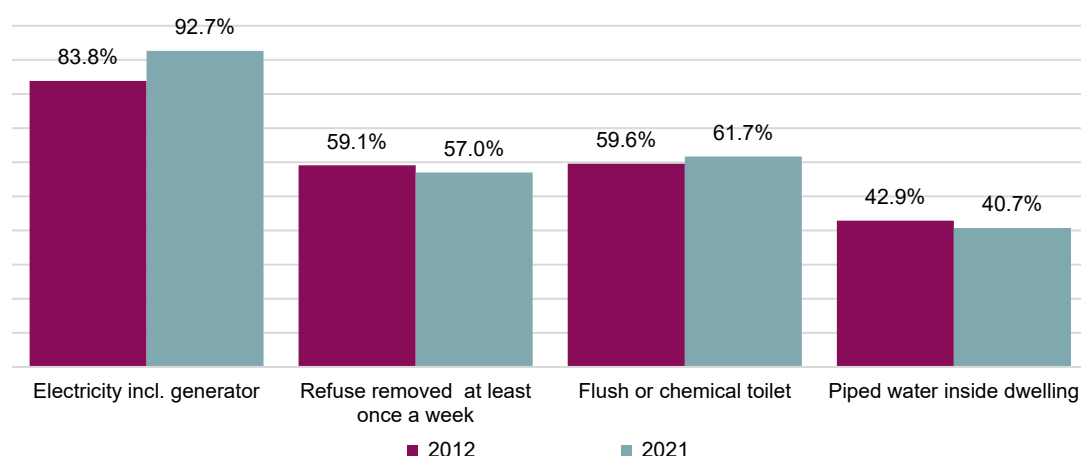
Source: Western Cape Department of Human Settlements

Over the period, housing opportunities was trending toward serviced sites as opposed to houses built. Between 2012/13 and 2021/22, the number of serviced sites as a share of total housing opportunities increased by 6 percentage points to 55 per cent.

4.6.2 Municipal services

Chapter 7 of the South African Constitution states that municipalities should prioritise the provision of services to satisfy the basic needs of all citizens. These basic services include water supply, refuse removal, electricity and gas supply, health services and street lighting, amongst other services. Local government may outsource the provision of these services. However, it is the responsibility of local government to ensure these services are provided adequately.

Figure 4.31 Share of basic municipal services to total household dwellings in the rest of South Africa, 2012 - 2021

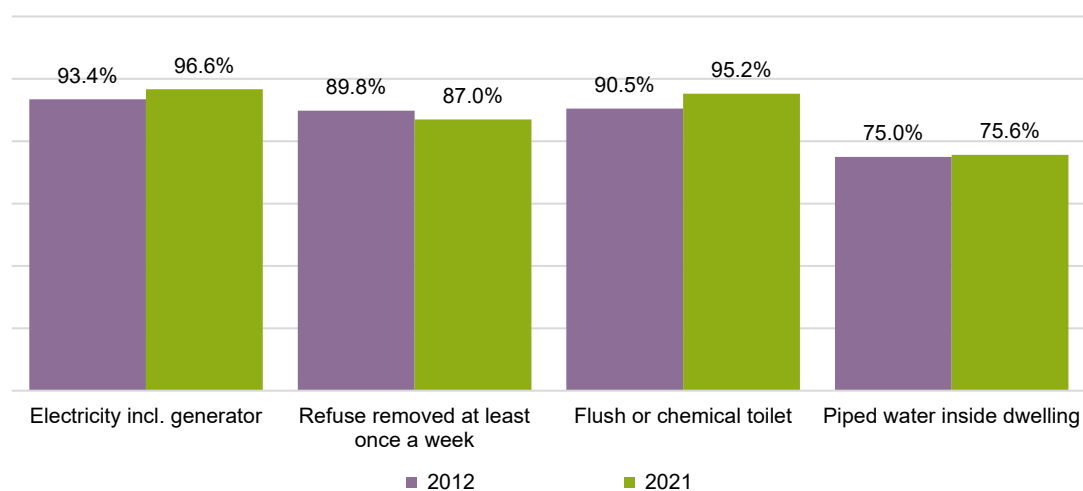


Source: Quantec, Own calculations

Between 2012 and 2021, South Africa (excluding the Western Cape) made notable progress in the provision of electricity and flush toilets. Over the period, the portion of households that had access to electricity including a generator (8.8 percentage points to 92.7 per cent), and access to flush or chemical toilets (2.2 percentage points to 61.7 per cent) increased. However, the portion of dwellings that had access to refuse removals at least once a week (-2.1 percentage points) and piped water inside a dwelling (-2.2 percentage points) declined over the same period.

In 2021, the Western Cape serviced a larger portion of dwellings with electricity including a generator (4 percentage points); access to flush or chemical toilet (30 percentage points); access to refuse removals at least once a week (33.5 percentage points) and piped water inside a dwelling (34.9 percentage points) than the rest of South Africa.

Figure 4.32 Share of basic municipal services to total household dwellings in the Western Cape, 2012 and 2021



Source: Quantec, Own calculations

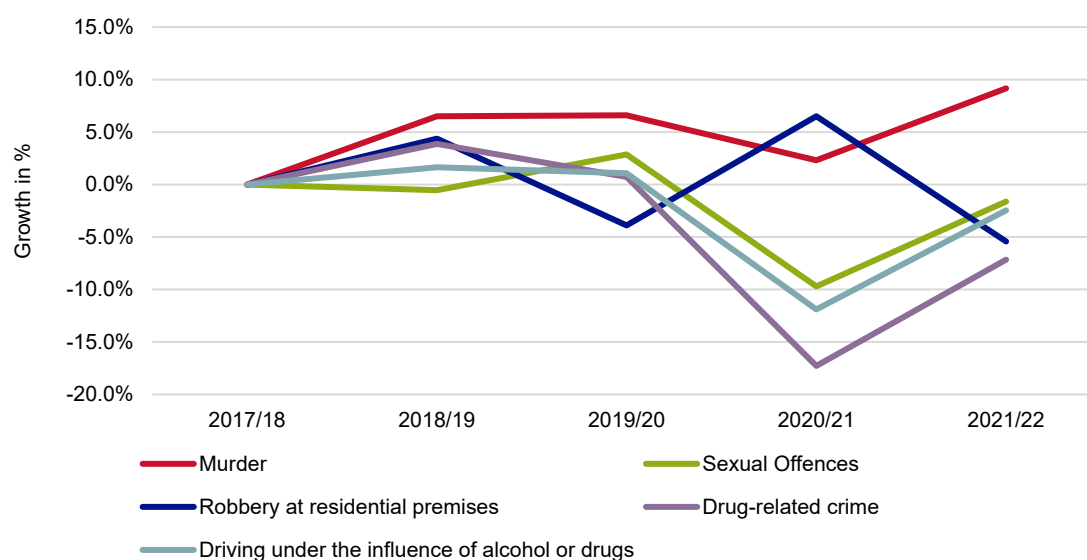
Between 2012 and 2021, the Western Cape improved the portion of dwellings serviced with electricity including a generator (3.2 percentage points to 96.6 per cent); access to flush or chemical toilet (4.8 percentage points to 95.2 per cent); and piped water inside a dwelling (0.7 percentage points to 75.6 per cent). However, the portion of dwellings with access to refuse removals at least once a week (-2.8 percentage points to 87 per cent) declined.

4.7 Crime

Crime creates hostile environments; causes people to live in fear; preventing long-term infrastructure investments; and drives out economic opportunities. Community-focused crime prevention in which the police, businesses, and community stakeholders are equally invested, are therefore important to uphold and improve the general wellbeing of an area.

Between 2017/18 and 2021/22, Murder increased by 9.2 per cent to 4 074 reported cases in the Western Cape. Over the same period, Sexual offences (-1.6 per cent), Robbery at residential premises (-5.4 per cent), Drug-related crime (-7.2 per cent) and Driving under the influence of alcohol or drugs (-2.5 per cent) declined.

Figure 4.33 Cumulative growth of main crime categories in the Western Cape, 2017/18 - 2021/22



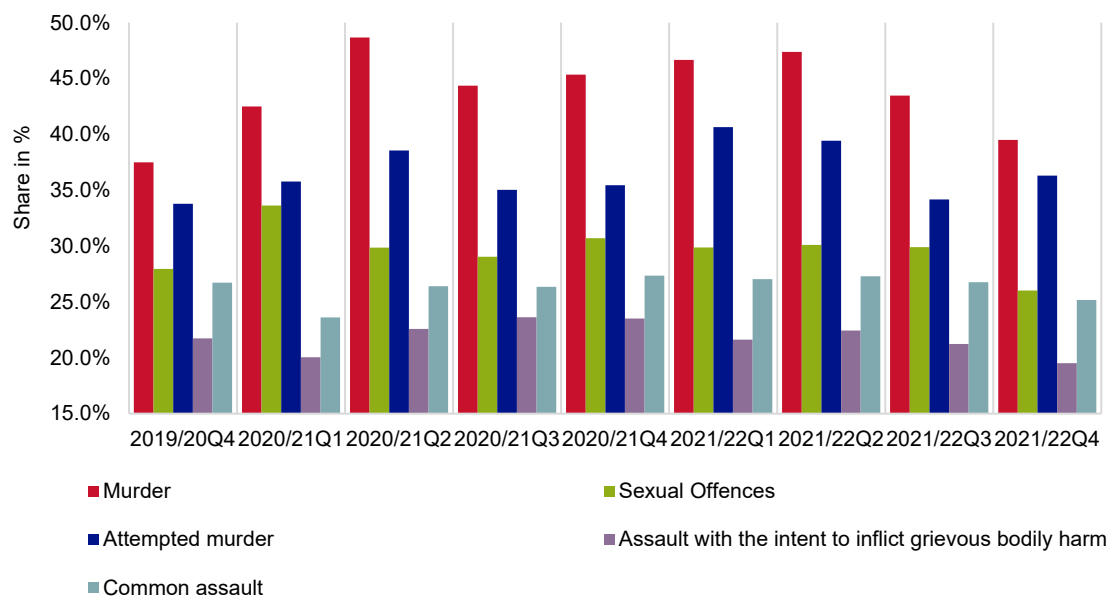
Source: SAPS, Own calculations

In 2020/21, most crime categories declined substantially from the previous financial year due to COVID-19 lockdown measures. Murder (-4.0 per cent), Sexual offences (-12.2 per cent), Drug-related crime (-28.8 per cent) and Driving under the influence of alcohol or drugs (-69.5 per cent) declined from crime levels in 2019/20. However, Robbery at residential premises increased by 13.3 per cent. The declining growth trend in Drug-related crime since 2019/20 can largely be attributed to the decriminalisation of Cannabis by the Constitutional Court in 2018.

Violent crime is a significant challenge in crime hotspot areas¹⁰ in the Western Cape. As part of its Law Enforcement Advancement Plan (LEAP), the Department of Community Safety employed its first tranche of law enforcement officers in selected crime hotspot areas in the fourth quarter of 2019/20. In the same quarter, crime hotspot areas contributed a substantial portion of Murder (35.7 per cent), Sexual Offences (28 per cent); Attempted Murder (33.8 per cent); Assault with the intent to inflict grievous bodily harm (21.7 per cent) and Common assault (26.7 per cent) to the Western Cape.

Between the fourth quarters of 2019/20 and 2021/22, the share of hotspot to total Western Cape crimes declined in Sexual offences (-1.9 percentage points to 26 per cent); Assault with the intent to inflict grievous bodily harm (-2.2 percentage points to 19.5 per cent); and Common Assault (-1.6 percentage points to 25.2 per cent). Over the same period, the share of hotspot to total Western Cape crime increased in Murder (2.0 percentage points to 39.5 per cent) and Attempted Murder (2.5 percentage points to 36.3 per cent).

Figure 4.34 Share of hotspot area to Western Cape crime in selected violent crime categories, 2019/20Q4 - 2021/22Q4



Source: SAPS, Own calculations

An average hotspot to Western Cape crime ratio comparison between nine quarters of LEAP implementation with nine quarters prior to LEAP shows a decline in Murder (-2.3 percentage points), Attempted murder (-4.0 percentage points) and Assault with the intent to inflict grievous bodily harm (-1.0 percentage points). However, there was marginal increase in Sexual offences (0.3 percentage points) and Common assault (0.1 percentage points).

¹⁰ Crime hotspot areas identified by the Department of Community Safety. The areas include Atlantis, Bishop Lavis, Delft, Grassy Park, Gugulethu, Harare, Khayelitsha, Kraaifontein, Lansdowne (Ottery), Mfuleni, Mitchells Plain, Nyanga, and Philippi.

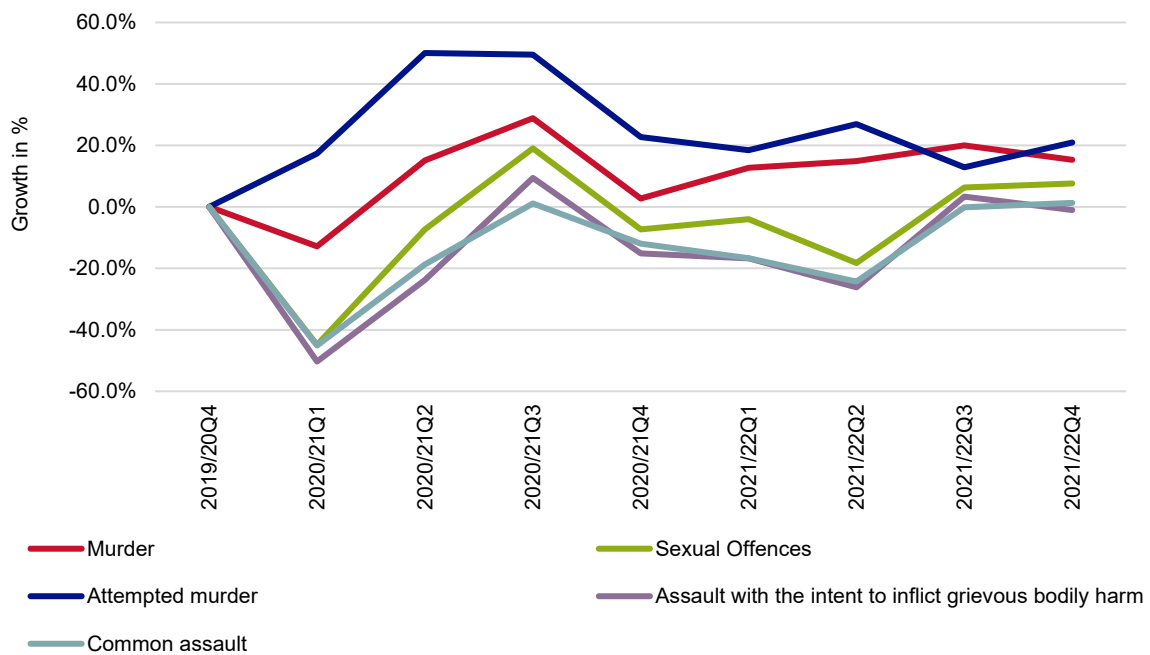
Figure 4.35 Average share of hotspot to Western Cape crime in selected violent crimes, 2017/18Q3 - 2019/20 and 2019/20Q4 - 2021/22



Source: SAPS, Own calculations

Between the fourth quarters of 2019/20 and 2021/22, hotspot crime areas increased in Murder (15.3 per cent); Attempted murder (20.9 per cent); Sexual offences (7.6 per cent) and Common Assault (1.3 per cent). Over the same period, crime in hotspot areas for Assault with the intent to inflict grievous bodily harm (-1.0 per cent) declined.

Figure 4.36 Cumulative growth in violent crimes in crime hotspot areas in the Western Cape, 2019/20Q4 - 2021/22Q4



Source: SAPS, Own calculations

4.8 Conclusion

The Western Cape's population growth rate (1.42) is estimated to be the lowest in the last ten years. The below replacement fertility rate (2.04) is largely contributing to the declining population growth rate. However, an increase in life expectancy and substantial net in-migration provides upward support to the Western Cape's falling population growth rate. Net in-migration is also an important driver of urbanisation which impacts on service delivery demands within urban areas. Furthermore, the Western Cape has an increasingly older population with associated service delivery effects.

The Western Cape has relatively lower poverty levels (by subjective measurements) than the rest of South Africa and the third lowest food inadequacy rate (19.5 per cent) among provinces. The Province is subjected to rising inequality, whilst making progress in human development indicators in all municipal districts.

Over the past ten years, the number of schools declined marginally (-0.3 per cent) while the growth in learner numbers (14.4 per cent) exceeded the growth in the number of allocated teachers posts (8.8 per cent). Learner retention increased for both primary and high school grades between 2016 and 2021. Systemic tests in 2021 points to large learner backlogs among all grades tested. In 2021, the Western Cape has improved on its NSC pass rate of the previous year and had a substantial portion of bachelor passes (45.3 per cent).

Over the last decade, the number of nurses per 100 000 people declined from 204.7 in 2012/13 to 197.7 in 2021/22, while the ratio of doctors per 100 000 people increased from 43.1 in 2012/23 to 45.8 in 2021/22. In 2021/22, the Western Cape is yet to revert back to the pre-pandemic patient load. The leading causes of natural mortality in the Western Cape is linked to lifestyle choices that can be altered to reduce demand in public healthcare services.

Over the past decade the Western Cape was subjected to a relatively substantial expansion in informal settlements (25.2 per cent) which will impact on housing and municipal service demands. In 2021/22, The number of houses build in 2021/22 by government was equal to 1.05 per cent of registered housing demand in 2022.

Since 2020/21, notable crime rates in the Western Cape have increased substantially. The increase was due to the baseline effect from COVID-19 lockdown measures in 2020. Murder was at a higher level (9.2 per cent) in 2021/22 than in 2012/13, whilst other notable crime categories declined.

Annexure D

Annexure D1: Primary substance of use in the Western Cape (%)

	Jan - Jun 2012	Jul - Dec 2012	Jan - Jun 2013	Jul - Dec 2013	Jan - Jun 2014	Jul - Dec 2014	Jan - Jun 2015	Jul - Dec 2015	Jan - Jun 2016	Jul - Dec 2016	Jan - Jun 2017	Jul - Dec 2017	Jan - Jun 2018	Jul - Dec 2018	Jan - Jun 2019	Jul - Dec 2019	Jan - Jun 2020	Jul - Dec 2020	Jan - Jun 2021
Alcohol	24	22	20	22	20	22	21	20	22	21	26	24	24	20	18	19	11	17	18
Cannabis/Mandrax*	3	4	3	2	4	5	4	5	5	6	29	22	26	31	26	25	15	7	7
Cannabis	20	22	21	25	22	23	22	25	28	29	5	7	6	6	6	6	8	17	24
Crack/Cocaine	2	1	1	2	1	2	1	1	1	1	2	2	2	2	2	3	2	3	3
Heroin/Opiates**	16	15	17	13	19	13	14	11	11	13	10	14	12	11	16	14	18	14	7
Other	1	3	10	3	1	0	3	1	1	1	1	1	3	2	3	3	2	2	6
Methamphetamine ('Tik')	34	33	28	33	33	35	35	37	32	29	27	30	27	28	29	30	44	40	35

* 'White pipe' or Mandrax alone

** Nyaope and Whoonga have been incorporated into the heroin-related admission category to improve the accuracy of heroin surveillance

Source: SACENDU 2012 - 2021

Annexure D2: Western Cape Major Crime Categories

	2017/18				2018/19				2019/20				2020/21				2021/22			
	April - June '17 (Q1)	July - Sep '17 (Q2)	Oct - Dec '17 (Q3)	Jan - Mar '18 (Q4)	April - June '18 (Q1)	July - Sep '18 (Q2)	Oct - Dec '18 (Q3)	Jan - Mar '19 (Q4)	April - June '19 (Q1)	July - Sep '19 (Q2)	Oct - Dec '19 (Q3)	Jan - Mar '20 (Q4)	April - June '20 (Q1)	July - Sep '20 (Q2)	Oct - Dec '20 (Q3)	Jan - Mar '21 (Q4)	April - Jun '21 (Q1)	July - Sep '21 (Q2)	Oct - Dec '21 (Q3)	Jan - Mar '22 (Q4)
Western Cape Major Crime Categories (Number)																				
Murder	885	930	1 021	896	935	1 090	1 074	876	1 056	1 022	1 020	880	767	1 013	1 134	904	992	1 011	1 056	1 015
Sexual Offences	1 616	1 810	1 991	1 733	1 418	1 656	2 124	1 913	1 585	1 877	2 097	1 796	990	1 664	2 138	1 664	1 724	1 468	1 909	1 933
Robbery at residential premises	709	735	730	615	690	711	684	667	655	694	560	505	533	752	731	718	659	706	707	591
Drug-related crime	28 223	29 714	30 359	28 861	24 797	25 137	14 885	16 525	14 562	15 116	16 087	16 943	6 097	10 756	14 018	13 753	14 609	12 607	1 5274	17 709
Driving under the influence of alcohol or drugs	2 856	3 556	3 494	2 870	3 247	3 569	3 229	2 516	2 961	3 545	3 407	2 427	427	845	1 521	968	1 546	1 145	1 550	1 485
WC cumulative quarterly growth (per cent)																				
Murder	0.0	5.1	15.4	1.2	5.6	23.2	21.4	-1.0	19.3	15.5	15.3	-0.6	-13.3	14.5	28.1	2.1	12.1	14.2	19.3	14.7
Sexual Offences	0.0	12.0	23.2	7.2	-12.3	2.5	31.4	18.4	-1.9	16.2	29.8	11.1	-38.7	3.0	32.3	3.0	6.7	-9.2	18.1	19.6
Robbery at residential premises	0.0	3.7	3.0	-13.3	-2.7	0.3	-3.5	-5.9	-7.6	-2.1	-21.0	-28.8	-24.8	6.1	3.1	1.3	-7.1	-0.4	-0.3	-16.6
Drug-related crime	0.0	5.3	7.6	2.3	-12.1	-10.9	-47.3	-41.4	-48.4	-46.4	-43.0	-40.0	-78.4	-61.9	-50.3	-51.3	-48.2	-55.3	-45.9	-37.3
Driving under the influence of alcohol or drugs	0.0	24.5	22.3	0.5	13.7	25.0	13.1	-11.9	3.7	24.1	19.3	-15.0	-85.0	-70.4	-46.7	-66.1	-45.9	-59.9	-45.7	-48.0

	2017/18					2018/19					2019/20					2020/21					2021/22				
	April - June '17 (Q1)	July - Sep '17 (Q2)	Oct - Dec '17 (Q3)	Jan - Mar '18 (Q4)	April - June '18 (Q1)	July - Sep '18 (Q2)	Oct - Dec '18 (Q3)	Jan - Mar '19 (Q4)	April - June '19 (Q1)	July - Sep '19 (Q2)	Oct - Dec '19 (Q3)	Jan - Mar '20 (Q4)	April - June '20 (Q1)	July - Sep '20 (Q2)	Oct - Dec '20 (Q3)	Jan - Mar '21 (Q4)	April - Jun '21 (Q1)	July - Sep '21 (Q2)	Oct - Dec '21 (Q3)	Jan - Mar '22 (Q4)					
	LEAP Areas (Number)																								
Murder	428	449	488	425	468	549	485	373	481	463	427	330	326	493	503	410	463	479	459	401					
Sexual Offences	479	536	577	497	432	521	603	568	456	565	583	502	333	497	621	511	515	442	571	503					
Robbery at residential premises	264	283	274	190	276	286	227	225	213	228	189	173	198	270	297	282	221	278	280	228					
Drug-related crime	8 381	8 798	7 871	7 657	6 844	7 106	4 351	5 413	4 595	4 914	5 229	4 777	1 379	3 191	4 501	4 232	4 477	4 076	4 793	5 771					
Driving under the influence of alcohol or drugs	585	770	730	623	670	836	631	463	531	809	578	440	74	124	185	129	202	171	288	184					
LEAP Areas % share of WC crime																									
Murder	48.4	48.3	47.8	47.4	50.1	50.4	45.2	42.6	45.5	45.3	41.9	37.5	42.5	48.7	44.4	45.4	46.7	47.4	43.5	39.5					
Sexual Offences	29.6	29.6	29.0	28.7	30.5	31.5	28.4	29.7	28.8	30.1	27.8	28.0	33.6	29.9	29.0	30.7	29.9	30.1	29.9	26.0					
Robbery at residential premises	37.2	38.5	37.5	30.9	40.0	40.2	33.2	33.7	32.5	32.9	33.8	34.3	37.1	35.9	40.6	39.3	33.5	39.4	39.6	38.6					
Drug-related crime	29.7	29.6	25.9	26.5	27.6	28.3	29.2	32.8	31.6	32.5	32.5	28.2	22.6	29.7	32.1	30.8	30.6	32.3	31.4	32.6					
Driving under the influence of alcohol or drugs	20.5	21.7	20.9	21.7	20.6	23.4	19.5	18.4	17.9	22.8	17.0	18.1	17.3	14.7	12.2	13.3	13.1	14.9	18.6	12.4					

Source: SAPS

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Glossary

Agri-processing	Refers to the subset of manufacturing that processes raw materials and intermediate products derived from the agricultural sector. Agri-processing industry thus means transforming products originating from agriculture, forestry and fisheries.
Balance of Payments	The Balance of Payments shows a country's transactions with the rest of the world. It notes inflows and outflows of money and categorises them into different sections.
Business Confidence Index	A survey completed by senior executives in the trade, manufacturing and building sector during the last month of every quarter.
Business Process Outsourcing	A subset of outsourcing that involves the contracting of the operations and responsibilities of a specific business process to a third-party service provider.
Consumer Price Index (CPI)	The main measure of inflation, charting the price movements of a basket of consumer goods and services.
Coronavirus disease (COVID-19)	An illness caused by an infection with the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) virus strain.
Current Account (of the balance of payments)	The difference between the total exports and total imports, also taking into account service payments and receipts, interest, dividends and transfers. The current account can be in deficit or surplus.
Dependency ratio	The size of the dependent population (children and the elderly) relative to the size of the working-age population.
Discouraged work seeker	A person who was not employed during the reference week, who wanted to work and was available to work or start a business, but who did not take active steps to find employment or start their own businesses, on condition that the main reason for not seeking work was either a lack of available jobs in the area, an inability to find work requiring his/her skills, or the loss of hope of finding any kind of work. Discouraged work seekers are also referred to as the non-searching unemployed.

Domestic worker	Workers employed for pay who perform work in or for a household or households to provide services mainly for the consumption by the members of the family or household.
Employed	All working-age individuals who did any work for at least one hour during the reference week. Individuals who had a job or a business but were temporarily absent during the reference week are also considered employed.
Employment-to-population ratio	The size of the employed population relative to the size of the working-age population.
Expanded unemployment	Comprises all working-age individuals who were not employed during the reference week, but were willing and able to work. The expanded unemployed include all individuals unemployed according to the narrow definition of unemployment as well as all discouraged work seekers (i.e. the searching and the non-searching unemployed).
Expropriation without compensation (EWC)	This is a term that is part of a bill to amend the Constitution to allow expropriation without compensation (EWC). The bill would allow where land and any improvements thereon are expropriated for purposes of land reform, of which the amount of compensation may be nil.
Fixed Capital Stock	The stock of tangible, durable fixed assets owned or used by resident enterprises for more than one year.
Fixed investment	Fixed investment is investment in physical assets such as machinery, land, buildings, installations, vehicles, or technology.
Formal sector	The formal sector covers all employment not included in the informal sector, but excludes domestic workers.
GFCF (Gross Fixed Capital Formation)	Gross fixed capital formation (GFCF) also called "investment", is defined as the acquisition of produced assets (including purchases of second-hand assets), including the production of such assets by producers for their own use, minus disposals.
Gini coefficient	The Gini coefficient is a measure of statistical dispersion to represent income distribution. The coefficient varies between 0, representing complete equality, and 1, representing complete inequality.
Greenfield Investments	Greenfield investment refers to a type of foreign direct investment where a company establishes operations in a foreign country.

Gross Domestic Product	A measure of the total national output, income and expenditure in the economy. GDP per head is the simplest overall measure of welfare, although it does not take account of the distribution of income, nor of goods and services produced outside the market economy.
Human Development Index (HDI)	The HDI attempts to quantify the extent of human development of a community and is based on measures of life expectancy, literacy and income. It is seen as a measure of people's ability to live a long and healthy life, to communicate, to participate in community life and to have sufficient resources to obtain a decent living. The HDI can assume a maximum level of 1, indicating a high level of human development, and a minimum value of 0.
Infant mortality	The probability of a child born in a specific year dying before reaching the age of one, expressed per 1 000 live births.
Inflation	An increase in the general level of prices.
Informal sector	The informal sector is comprised of (i) employees working in establishments that employ fewer than five employees and who do not deduct income tax from their wages; and (ii) employers, own account workers and individuals who help unpaid in household businesses that are not registered for either income tax or value-added tax.
Labour force	All individuals within the working-age population who are employed or unemployed (i.e. the labour force consists of all who are willing and able to work).
Labour force participation rate	The proportion of the working-age population who are members of the labour force (i.e. who are either employed or unemployed).
Labour market	A labour market is the place where workers and employees interact with each other. In the labour market, employers compete to hire the best, and the workers compete for the best satisfying job.
Labour productivity	A ratio measured by the output per worker ratio (total output/total formal employment).
Learner-teacher ratio	The number of teachers relative to the number of learners in a particular school.
Municipal Energy Resilience	The Municipal Energy Resilience is an innovative portfolio of work that is effectively pioneering the implementation of renewable energy and a decentralized energy system at scale within municipalities.

Municipal services	Chapter 7 of the South African Constitution states that municipalities should prioritise the provision of services to satisfy the basic needs of all citizens. These basic services include water supply, refuse removal, electricity and gas supply, health services and street lighting, amongst other services.
Narrow labour force	All employed individuals plus all individuals who are not employed, but are either actively seeking employment or are planning on returning to existing jobs or enterprises soon.
Narrow unemployment rate	Refers to people who are unemployed and actively seeking work.
National Development Plan (NDP)	A long-term vision and plan for South Africa. It serves as a blueprint for the work that is still required in order to achieve the desired results in terms of socio-economic development and the growth of this country by 2030.
Net Capital Formation	Net Capital Formation excludes depreciation or replacement of capital from Gross Fix Capital Formation
NIDS-CRAM	The National Income Dynamics Study-Coronavirus Rapid Mobile Survey (NIDS-CRAM) is a broadly nationally representative panel survey of South African individuals. The same people are contacted every few months and asked a range of questions on their income and employment, their household welfare, receipt of grants, and about their knowledge and behaviour related to COVID-19.
Non-searching unemployed	All employed individuals plus all individuals who are not employed, but are either actively seeking employment or are planning on returning to existing jobs or enterprises soon.
Producer Price Index (PPI)	A measure of inflation based on input costs to producers.
Provincial Strategic Plan (PSP)	The WCGs five-year strategic plan, coinciding with the 5-year electoral term, that gives effect to the National Development Plan and Provincial Strategic Goals.
Purchasing Power Parity (PPP)	A measure to compare standards of living between countries by comparing different countries' currencies through a "common basket of goods" approach.
Regional Gross Domestic Product (GDPR)	GDPR at market prices equals the sum of gross value added by all industries at basic prices plus taxes on products minus subsidies on products in a region.

Renewable Independent Power Producer Programme (REIPPP)	Renewable Independent Power Producer Programme (REIPPP) is aimed at bringing additional megawatts onto the country's electricity system through private sector investment in wind, biomass and small hydro, among others.
Revealed Comparative Trade Advantages	The relevant sector's export share of total provincial (regional) exports is expressed as a ratio of the same sector's share of South African exports to calculate a revealed comparative trade advantage ratio.
Semi-skilled labour	A segment of the workforce who generally performs work of a routine nature of limited scope, wherein the emphasis is not so much on judgment and skill capability - but more so the proper discharge of duties assigned.
Skilled labour	A segment of the workforce who has special skill, training, knowledge, and (usually acquired) ability in their work. A skilled employee is capable of working efficiently of exercising considerable independent judgment and of discharging his/her duties with responsibility. A thorough and comprehensive knowledge of the trade, craft or industry is required.
Small-Scale Embedded Generation	In the South African context refers to a generator with a maximum of 1 MW production capacity, and is installed by electricity customers on residential, commercial, agricultural or industrial properties. It is connected to the customer's electrical network behind the electricity meter – and is thus 'embedded' in, and synchronized with, the distribution network.
Special Economic Zone (SEZ)	Special Economic Zones (SEZs), are geographically designated areas of a country set aside for specifically targeted economic activities, supported through special arrangements (that may include laws) and systems that are often different from those that apply in the rest of the country.
Systemic Testing	Systemic testing provides an objective picture of learner performance in language and Mathematics, giving government the opportunity to assess whether there are improvements in the quality of education in the provinces and the country.
Total Dependency ratio	The ratio of dependents (people younger than 15 or older than 64) to the working-age population (people aged 15 - 64 years).

Total fertility rate	The number of children that would be born to a woman if she were to live to the end of her childbearing years and bear children in accordance with current age-specific fertility rates.
Unemployed	Comprises all working-age individuals who were not employed during the survey reference week, but were available to work during that time and actively sought employment or had taken steps to start their own business during the four weeks prior to the interview (or had not actively sought employment in the four weeks prior to the interview but had a job or business to start at a definite date in the future and were available). This is the official (narrow) definition of unemployment.
Unemployment rate	The proportion of the labour force that is unemployed.
Value chain	Value chains reflect links as bundles of activities aimed at designing, producing, marketing, delivering or supporting the final product or service. Value chains are supported by secondary activities throughout the process, such as procurement, human resource management, and infrastructure and technological development.
Working-age population	All individuals aged between 15 and 65 years, irrespective of whether or not they are economically active.

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



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