Western Cape Government

2022-23 Municipal Economic Review and Outlook

Cape Metro

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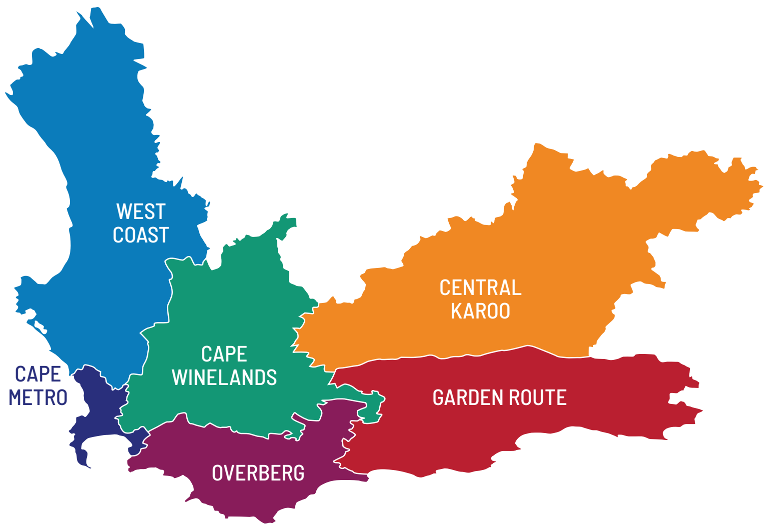
2022-23

Municipal Economic Review and Outlook

Cape Metro District



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ABOUT THE MUNICIPAL ECONOMIC REVIEW AND OUTLOOK (MERO)

The Municipal Economic Review and Outlook (MERO) is an annual research publication produced by the Western Cape Provincial Treasury. Together with its companion publication, the Provincial Economic Review and Outlook (PERO), the MERO informs the Western Cape Government's (WCG's) evidence-based approach towards integrated planning and budgeting by guiding the equitable and sustainable distribution of financial resources in support of local economic development (LED) and growth. The MERO provides socio-economic intelligence at a municipal level, which feeds into municipal integrated development plans (IDPs), spatial development frameworks (SDFs), LED strategies, municipal reporting and the budget process of municipalities.

In support of the Joint District and Metro Approach, the MERO is disaggregated into separate district-specific publications to provide a more focused overview of the reality facing each Western Cape district. Socio-economic intelligence is made available in such a targeted manner due to each district having its own unique set of strengths, opportunities, threats and challenges which necessitates bespoke solutions.

The MERO commences by providing an analysis of macroeconomic performance and outlook at a global, national and Provincial level, summarising how these affect the growth outlook and labour market trends of all municipal areas within the Western Cape.

Aligned with the Western Cape Recovery Plan, the MERO analysis focuses on economic growth, jobs, safety and wellbeing in each of the Province's district and municipal economies. In doing so, it first provides an in-depth regional economic analysis that considers trends in sectoral growth and key insights into international trade and tourism for each district. An analysis of private and public sector investments follows, with a specific focus on public spending on small, medium and micro enterprises (SMMEs) within designated groups. The report proceeds with a detailed review of key employment trends, skill levels and comparative advantages of sectors within each district. The MERO concludes with an outline of the social circumstances of households and provides an overview of indicators such as population, health, education, housing markets, access to basic services, household income, crime and the Gini coefficient.

The 2022-23 MERO is the 11th edition since its inception in 2012 and can be accessed on the Provincial Treasury's website by using your mobile device to scan the QR code on the adjacent page.

FOREWORD

The 2022/23 Municipal Economic Review and Outlook (MERO) is a crucial part of the Western Cape Government's planning cycle. It provides our citizens with a wealth of information for a better understanding of the various dynamics of the Province. This valuable information is intended to be used in the municipal integrated development plans (IDPs); spatial development frameworks (SDFs); local economic development (LED) strategies; and budgets for evidence-based decision-making, as well as implementation of the Joint District and Metro Approach to socio-economic development across the Province.

The data contained in the MERO supports private sector development by providing a succinct analysis of the investment potential, comparative advantage and economic specialisation of each region. This year, the MERO includes an analysis of the housing and property markets, as well as the tourism profile of each region.

The MERO continuously sources new data to expand the socio-economic intelligence available to its users. Innovations for the MERO this year include an analysis of COVID-19 vaccinations, the number and average income of taxpayers, mobile location data for the tourism profiles, new investment data and housing market studies within the Garden Route and Cape Winelands Districts, as well as public expenditure trends. Future editions will expand on innovative data sources that deepen the spatial granularity in the MERO analyses.

I wish to extend a special thank you to all the departments, municipalities and agencies that have provided the data analysed within the MERO. I would also like to express my gratitude to the research and development team for compiling this innovative and insightful publication. I trust that the reader, whether representing the public or private sector, will find it useful.

Ms Mireille Wenger
Minister of Finance and Economic Opportunities

24 November 2022

ACRONYMS AND ABBREVIATIONS

AGOA	African Growth and Opportunity Act
ART	Antiretroviral Therapy
BBBEE	Broad-based Black Economic Empowerment
BCI	Business Confidence Index
BEE	Black Economic Empowerment
BER	Bureau for Economic Research
BESS	Battery Energy Storage System
BFAP	Bureau for Food and Agricultural Policy
CAHF	Centre for Affordable Housing Finance Africa
CCBSA	Coca-Cola Beverages South Africa
CGA	Citrus Growers' Association of Southern Africa
CIRAD	French Agricultural Research Centre for International Development
CKD	Central Karoo District
CMD	Cape Metro District
CoGTA	Cooperative Governance and Traditional Affairs
COVID-19	Coronavirus Disease 2019
CPI	Consumer Price Index
CSI	Corporate Social Investment
CSIR	Council for Scientific and Industrial Research
CSP	Customised Sector Programme
CTCP	Clothing and Textiles Competitiveness Programme
CTIA	Cape Town International Airport
CTICC	Cape Town International Convention Centre
CWD	Cape Winelands District
DALRRD	Department of Agriculture, Land Reform and Rural Development
DCD News	DatacenterDynamics News
DEA&DP	Department of Environmental Affairs and Development Planning
DEL	Department of Employment and Labour
DFFE	Department of Forestry, Fisheries and the Environment
DoH	Department of Health
DoHS	Department of Human Settlements
DSD	Department of Social Development
DSD MYPE PPU	Department of Social Development Mid-year Population Estimates Provincial Population Unit

DTIC	Department of Trade, Industry and Competition
DTPW	Department of Transport and Public Works
e	Estimate
EME	Exempted Micro Enterprise
EPWP	Expanded Public Works Programme
EU	European Union
EUR	Euro
EWN	Eyewitness News
f	Forecast
FDI	Foreign Direct Investment
FIA	Fédération Internationale de l'Automobile
FIFA	Fédération Internationale de Football Association
FPL	Food Poverty Line
GBP	Great British Pound
GDP	Gross Domestic Product
GDPR	Gross Domestic Product Per Region
GEOSS	Global Earth Observation System of Systems
GFCF	Gross Fixed Capital Formation
GRD	Garden Route District
GVA	Gross Value Added
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
HSDG	Human Settlements Development Grant
IDP	Integrated Development Plan
IDZ	Industrial Development Zone
IHS	Information Handling Services
ILO	International Labour Organization
IMF	International Monetary Fund
IPP	Independent Power Producer
IRDP	Integrated Residential Development Programme
IRM	Infrastructure Reporting Model
kl	Kilolitre
km	Kilometre

kWh	Kilowatt Hour
LBPL	Lower-Bound Poverty Line
LED	Local Economic Development
MDB	Municipal Demarcation Board
MDR	Multidrug-resistant
MER	Municipal Energy Resilience
MERO	Municipal Economic Review and Outlook
MPC	Monetary Policy Committee
MSCoA	Municipal Standard Chart of Accounts
MTEF	Medium Term Expenditure Framework
MW	Megawatt
MYPE	Mid-year Population Estimates
NCF	Net Capital Formation
OD	Overberg District
OECD	Organisation for Economic Co-operation and Development
OPMII	Overview of Provincial and Municipal Infrastructure Investment
PERO	Provincial Economic Review and Outlook
PPPFR	Preferential Procurement Policy Framework Regulations
PPU	Provincial Population Unit
PV	Photovoltaic
PwC	PricewaterhouseCoopers
QE	Quantitative Easing
QES	Quarterly Employment Statistics
QLFS	Quarterly Labour Force Survey
QR Code	Quick Response Code
QSE	Qualifying Small Enterprise
REIPPPP	Renewable Energy Independent Power Producer Procurement Programme
RMAA	Red Meat Abattoir Association
RMB	Rand Merchant Bank
SA	South Africa
SAACI	Southern African Association for the Conference Industry
SABC News	South African Broadcasting Corporation News
SACU	Southern African Customs Union
SAGIS	South African Grain Information Service

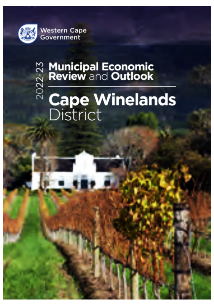
SAICC	South Africa Israel Chamber of Commerce
SALBA	South African Liquor Brand Owners Association
SANRAL	South African National Roads Agency Limited
SAPS	South African Police Service
SARB	South African Reserve Bank
SARS	South African Revenue Service
SAWIS	SA Wine Industry Information and Systems
SBIDZ	Saldanha Bay Industrial Development Zone
SDF	Spatial Development Framework
SEZ	Special Economic Zone
SME	Small and Medium-sized Enterprise
SMME	Small, Medium and Micro Enterprise
SSEG	Small-scale Embedded Generation
Stats SA	Statistics South Africa
TB	Tuberculosis
TIDCA	Trade, Investment and Development Cooperation Agreement
TIFA	Trade and Investment Framework Agreement
UBPL	Upper-bound Poverty Line
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNAIDS	Joint United Nations Programme on HIV/AIDS
US	United States
USD	United States Dollar
USDA	United States Department of Agriculture
WCD	West Coast District
WCED	Western Cape Education Department
WCG	Western Cape Government
WCSEB	Western Cape Supplier Evidence Bank
WCWSS	Western Cape Water Supply System
WFH	Work From Home
WTO	World Trade Organization
ZAR	South African Rand

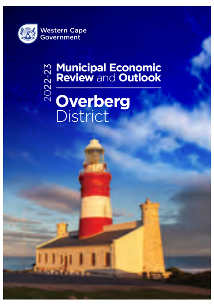
CONTENTS

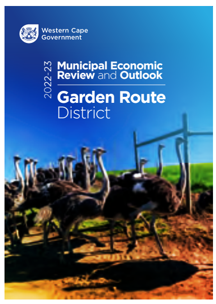
BACKGROUND AND MACROECONOMIC CONTEXT

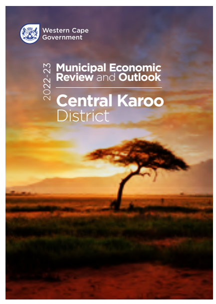
CAPE METRO DISTRICT

THE OTHER **DISTRICTS**









WC WESTERN CAPE

SEAT
Cape Town

AREA
129 462km²

DENSITY
52.9/km²

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

DEMOGRAPHICS

GENDER – POPULATION

7 102 683
POPULATION 2021

49.4% | 50.6%
Gender split 2021

HOUSEHOLDS

Average **household income** 2020
R18 995

Indigent households 2021
355 266

AGE

0-14yrs	**15-64**yrs	**65+**yrs
24.2%	68.8%	6.9 %

Age split 2021

GROSS DOMESTIC PRODUCT

GDPR 2020
R691.0 BILLION

GDPR per capita
(2021 current prices)
R81 650.2

GDPR estimated growth

2021e	2022f	2023f
4.6%	2.3%	0.3%

SERVICES

99.4% Access to **water** (piped or tap)

96.6% Access to **electricity**

97.9% Access to **solid waste removal**

95.2% Access to **improved sanitation**

2021

EMPLOYMENT

PEOPLE EMPLOYED
2 378 802
2020

69 033
Estimated **number** of **jobs lost** 2021

25.1%
Estimated **unemployment** rate 2021

TRADE

IMPORTS
R235.6 BILLION

2021

EXPORTS
R166.7 BILLION

Top 3 exported products

Citrus
Wine
Petroleum oils

2021

Top 3 export destinations

United States
Netherlands
United Kingdom

TOURISM

VISITORS

OVERSEAS 20.4%
2021
DOMESTIC 79.5%

OVERNIGHT 39.7%
2021
DAY VISITORS 51.0%

ACTIVITIES

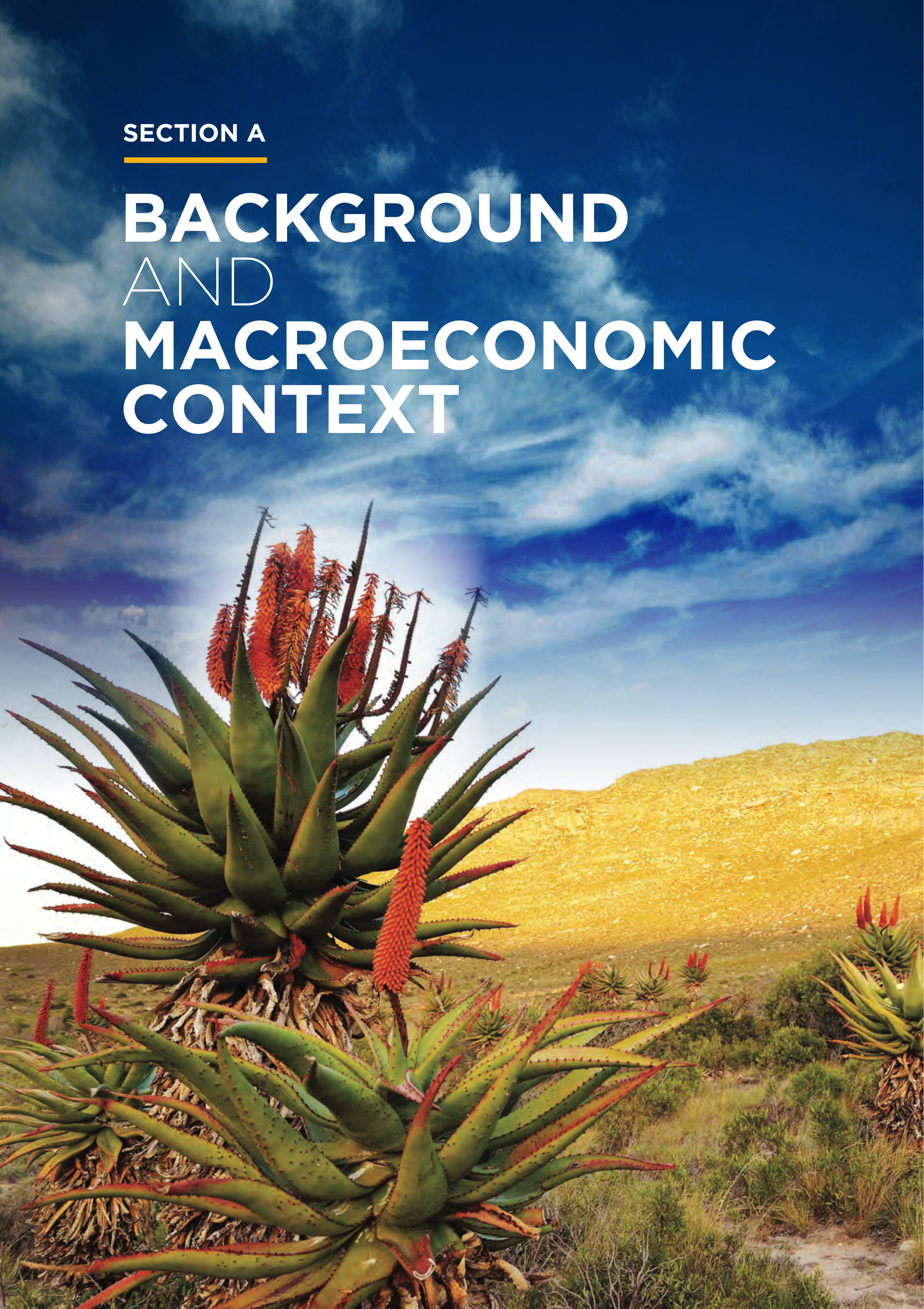
Top activities 2021

Scenic drives	Outdoor activities	Cuisine
17.7%	15.6%	13.6%

	GDPR 2020: GDPR CONTRIBUTION	GDPR 2021: GDPR GROWTH	EMPLOYMENT 2020: EMPLOYMENT CONTRIBUTION	EMPLOYMENT 2021: EMPLOYMENT GROWTH
PRIMARY SECTOR	R 4.2%	7.2%	R 10.0%	-3.1%
AGRICULTURE, FORESTRY & FISHING	3.9%	8.3%	9.9%	-3.1%
MINING & QUARRYING	0.3%	-14.6%	0.1%	-4.8%
SECONDARY SECTOR	20.7%	4.9%	16.3%	-4.8%
MANUFACTURING	14.6%	7.1%	10.1%	-3.7%
ELECTRICITY, GAS & WATER	2.3%	3.0%	0.4%	-2.4%
CONSTRUCTION	3.7%	-2.0%	5.8%	-6.9%
TERTIARY SECTOR	75.1%	4.4%	73.7%	-2.5%
WHOLESALE & RETAIL TRADE, CATERING & ACCOMMODATION	14.8%	7.1%	22.7%	-5.2%
TRANSPORT, STORAGE & COMMUNICATION	8.0%	5.2%	4.3%	-9.1%
FINANCE, INSURANCE, REAL ESTATE & BUSINESS SERVICES	30.6%	3.6%	20.2%	-2.1%
GENERAL GOVERNMENT	10.6%	-0.7%	6.5%	1.1%
COMMUNITY, SOCIAL & PERSONAL SERVICES	11.1%	7.4%	20.1%	0.6%

SECTION A

BACKGROUND AND MACROECONOMIC CONTEXT



1. INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION

The Municipal Economic Review and Outlook (MERO) provides extensive and comprehensive economic intelligence disaggregated at a metro, district and municipal level. The purpose of the MERO is to inform the determination of policy, planning and budget allocation at the local government level. Furthermore, the MERO is an accompanying document to the Provincial Economic Review and Outlook (PERO), which provides economic intelligence at a Provincial level.

The MERO employs a variety of data sources to provide a detailed analysis of the socio-economic trends displayed across the municipal areas within the Western Cape. National economic and employment data are sourced from Statistics South Africa (Stats SA), while the Western Cape gross domestic product per region (GDPR) and employment data are obtained from Quantec Research. To discuss the various indicators, the most recent available data sources are used. The publication makes use of regional GDPR data for the period 2011 to 2020, while figures for 2021 are estimated. Forecasts for 2022 and 2023 are based on the national forecast from the South African Reserve Bank (SARB), as well as the agriculture sector forecast from the Bureau for Food and Agricultural Policy (BFAP). Data sources for the various socio-economic indicators are sourced from Provincial departments, namely Treasury, Health, Education, Social Development, Transport and Public Works, and Local Government. Tourism data is sourced from Wesgro and IHS Markit, and crime data from the South African Police Service (SAPS). District and local municipalities also provided data by completing the Municipal Perception Survey.

1.2 OBJECTIVE OF THE RESEARCH

The objective of this research is to provide economic intelligence at a municipal level. It aims to inform municipal planning and budgeting, inclusive of municipal integrated development plans (IDPs), local economic development (LED) strategies and the budget processes of municipalities.

1.3 REPORT OUTLINE

The MERO 2022 publication is structured as follows:

SECTION A: Macroeconomic context. Provides a broad overview of the macroeconomic performance and outlook of South Africa and the Western Cape.

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

- **Chapter 1: Economic growth** Overview of the macroeconomic context of each region and the respective municipal areas by focusing on GDPR performance and trends. The period under review is between 2016 and 2020; 2021 figures are provided as estimates. In addition, GDPR forecasts are provided for 2022 and 2023. Furthermore, this chapter provides key insights into international trade, investments and tourism for each district.

- **Chapter 2: Jobs** This chapter provides an in-depth overview of the key employment trends in each district and municipal area. This is followed by an overview of prevailing skill levels within each municipal area.

- **Chapter 3: Safety and wellbeing** This chapter provides an overview of the economic and social circumstances of households by analysing population, human development, housing, crime and access to basic services. It elaborates on human development in the region by assessing education levels, health and income.

2. ECONOMIC PERFORMANCE AND OUTLOOK

2.1 INTRODUCTION

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

2.2 GLOBAL ECONOMIC PERFORMANCE

After the short-lived impact of the COVID-19 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. China also initiated wider-ranging and frequent COVID-19 lockdown measures, which slowed economic activity in China and caused renewed supply chain bottlenecks worldwide. The Russia-Ukraine war has severely set global economic recovery back 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 2.1

MOST PROMINENT EXPORT AND TOURISM PARTNERS FOR THE WESTERN CAPE WITH REAL GDP OUTLOOK

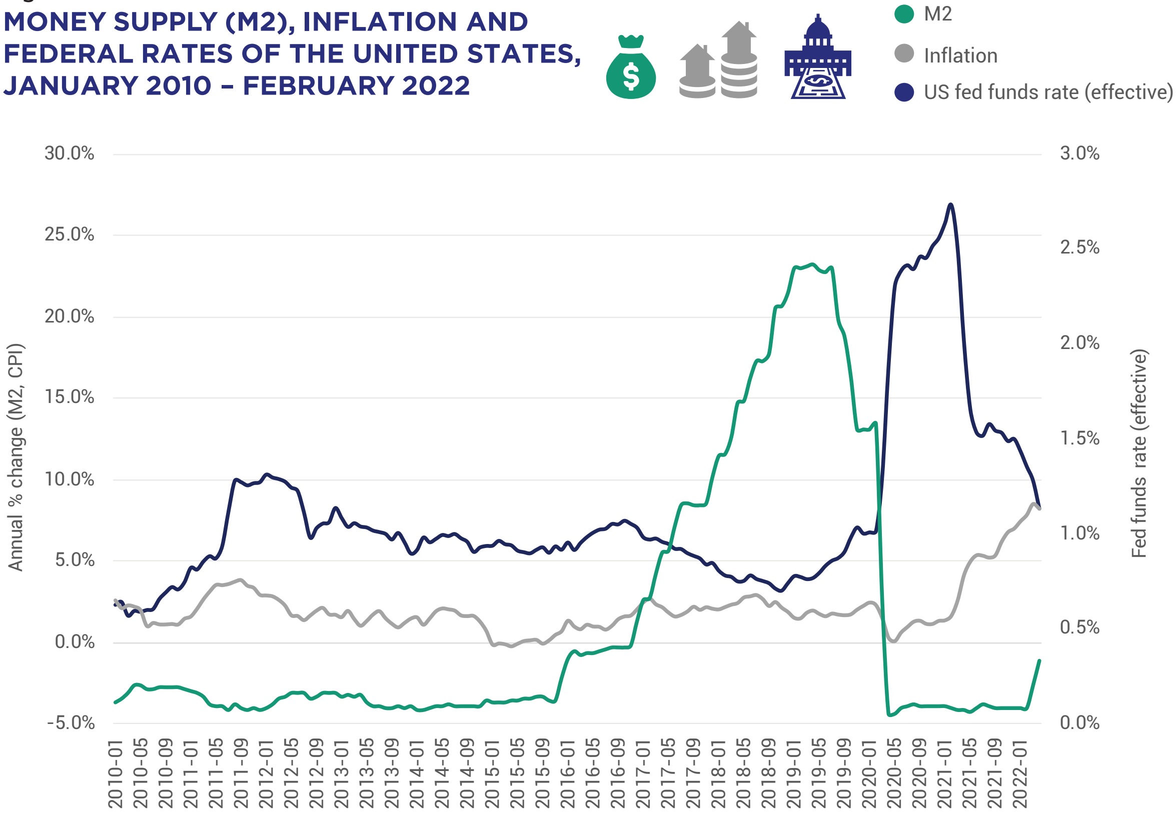
	Share of South Africa		Share of Western Cape		GDP growth forecasts		
	Exports	Tourism Feb 2022	Exports	Tourism Feb 2022	2021(e)	2022	2023
Global economy	100.0%	100.0%	100.0%	100.0%	6.1%	3.2%	2.9%
Advanced economies	57.8%	68.1%	48.1%	86.6%	5.2%	2.5%	1.4%
Emerging-market and developing economies	42.2%	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%	1.0%
Netherlands	3.4%	5.2%	8.6%	8.3%	5.0%	2.9%	2.0%
United Kingdom	6.7%	19.3%	7.5%	24.0%	7.4%	3.2%	0.5%
Namibia	2.8%	2.1%	6.7%	2.3%	2.8%	3.7%	2.4%
China	11.0%	0.4%	6.1%	0.1%	8.1%	3.3%	4.6%
Germany	8.2%	12.7%	3.1%	22.0%	2.8%	1.2%	0.8%
South Africa					**4.9%**	**1.7%**	**0.3%**
Western Cape					**4.8%**	**2.2%**	**0.3%**

Sources: IMF, Quantec Research, 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, and are highly reliant on Russian fossil fuels and impacted by millions of refugees, who pose coordination and organisational challenges. Inflation has become a central concern and is projected to remain elevated for much longer than previously forecast. Fiscal support is generally set to decline in 2022 and 2023 as emergency measures to cushion the impact of the pandemic are gradually reduced. Advanced economies are projected to expand by 2.5 per cent in 2022 and 1.4 per cent in 2023.

Figure 2.1

MONEY SUPPLY (M2), INFLATION AND FEDERAL RATES OF THE UNITED STATES, JANUARY 2010 – FEBRUARY 2022



Source: Economist 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, has 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 buildup of inflation pressure. The US experienced its highest inflation in 40 years, mainly because of supply chain constraints, demand pressures from quantitative easing,[1] a rise in commodity prices owing to the Russia-Ukraine war and the implementation of stimulus cheques[2] during the COVID-19 pandemic. The US is expected to grow by 2.3 per cent in 2022 and 1.0 per cent in 2023.

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[1] *The Federal Reserve Bank announced on 15 March 2020 that it would purchase government debt bonds and mortgage-backed securities worth USD 700.0 billion from domestic financial institutions over the coming months, which is a policy known as quantitative easing (QE).*

[2] *Between 2020 and 2021 total payments to individuals amounted to USD 391.0 billion, while businesses were offered USD 780.0 billion during two rounds of a payment protection programme.*

The Russia-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 and increased energy prices, and have 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 gross domestic product (GDP) is expected to expand by 1.2 per cent in 2022 and 0.8 per cent in 2023.

The United Kingdom's (UK's) 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. The 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 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 54.0 per cent rise in household energy bills. The UK's growth expectation of 3.2 per cent in 2022 is artificially inflated owing 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 with 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 owing to the impact of the invasion of Ukraine, 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 lockdowns[3] 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 rein in monopolistic behaviour. Chinese real estate investments are hampered by cash flow, debt-servicing problems and a subsequent firmer stance on 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.

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 about 11.0 per cent to 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 about by the invasion of Ukraine in early 2022. Russia and Ukraine are both among the top 10 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 provide for a softer outlook in tourism and export growth.

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, while food prices increased by 58.0 per cent. The Sri Lankan government owes USD 51.0 billion in debt and cannot make any payments on loans. According to the United Nations (UN) World Food Programme, nine out of 10 families are skipping meals or otherwise skimping to stretch out their food, while three 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.

[3] *Shanghai's two-month lockdown ended on 30 May 2022.*

2.3 DEVELOPMENTS IN THE SOUTH AFRICAN ECONOMY

2.3.1 Performance of the South African economy

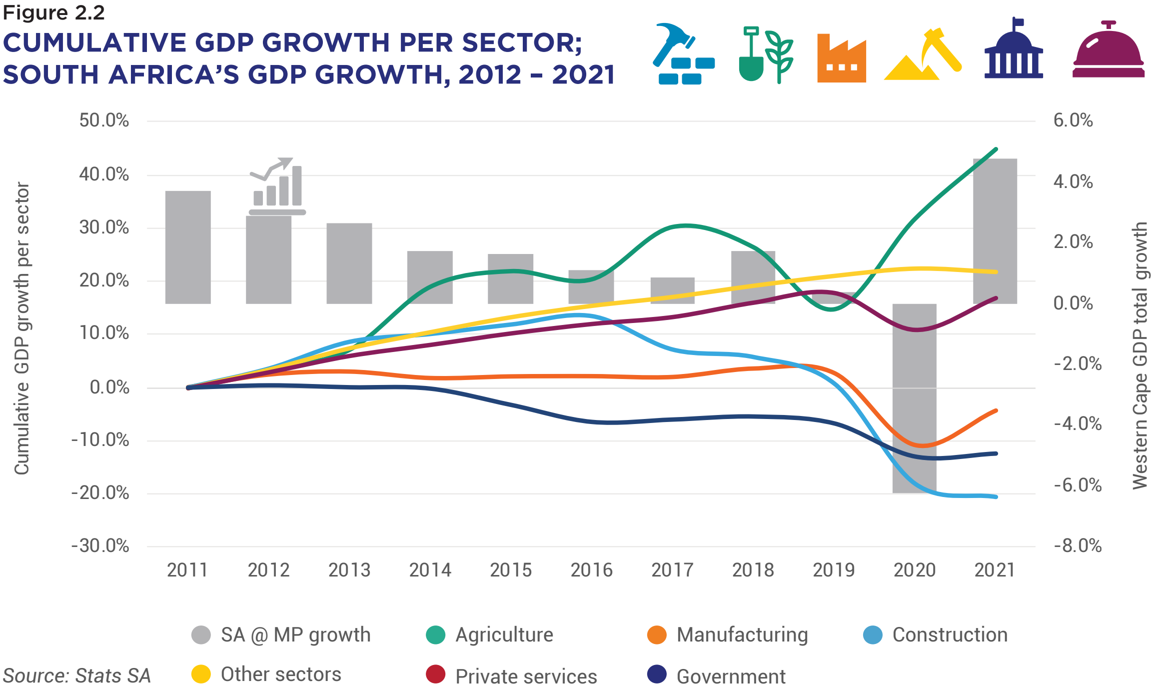
After two years, South Africa's GDP in the first quarter of 2022 finally recovered to levels seen in the first quarter of 2020. However, this was followed by a contraction in the second quarter of 2022, with the national economy facing new disruptions in the global commodity and energy markets caused by the Russian invasion of Ukraine and severe COVID-19 lockdown measures in China. South Africa also faces high unemployment, power outages and 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, with the transport (0.2 percentage points) and finance (0.6 percentage points) sectors making 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 community services (1.0 percentage points) sectors.

Figure 2.2

CUMULATIVE GDP GROWTH PER SECTOR; SOUTH AFRICA'S GDP GROWTH, 2012 – 2021



Source: Stats SA

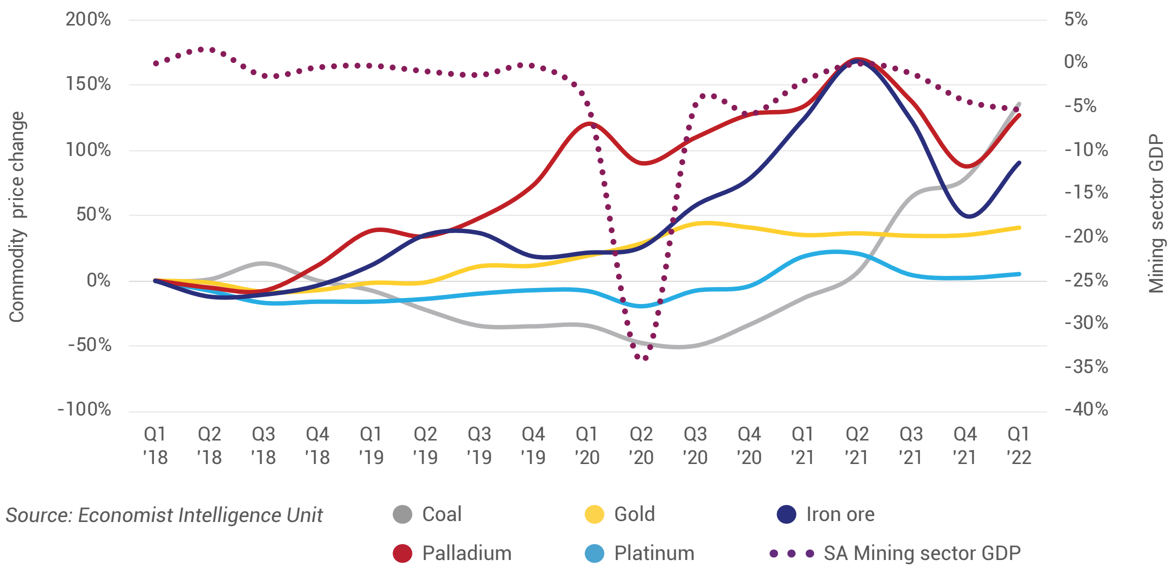
Over the past decade, the South African economy expanded by an average growth rate of 1.0 per cent and a cumulative growth rate of 9.5 per cent. The agriculture sector (55.4 per cent) recorded the highest cumulative growth over this period, followed by the general government (22.6 per cent) and community services[4] (14.5 per cent) sectors. However, the construction (-20.8 per cent), manufacturing (-5.7 per cent) and "Other" (-3.3 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 have contracted over the last 10 years.

[4] *Includes all tertiary sectors excluding government.*

COVID-19 lockdown measures adopted by the end of March 2020 have 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 owing to the lockdown measures implemented from the second quarter of 2020.

Figure 2.3

CUMULATIVE GROWTH IN SELECTED MINING COMMODITY PRICES, SOUTH AFRICAN MINING SECTOR GDP, 2018Q1 – 2022Q1



Source: Economist Intelligence Unit

The mining sector's GDP contraction (-1.5 per cent) since 2018 contrasts with a price surge among 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 (41.0 per cent) and coal (135.7 per cent). Factors that could also have impacted the mining sector's GDP growth performance over the period include load-shedding, above-inflation electricity price increases and the revised Mining Charter[5] in 2018.

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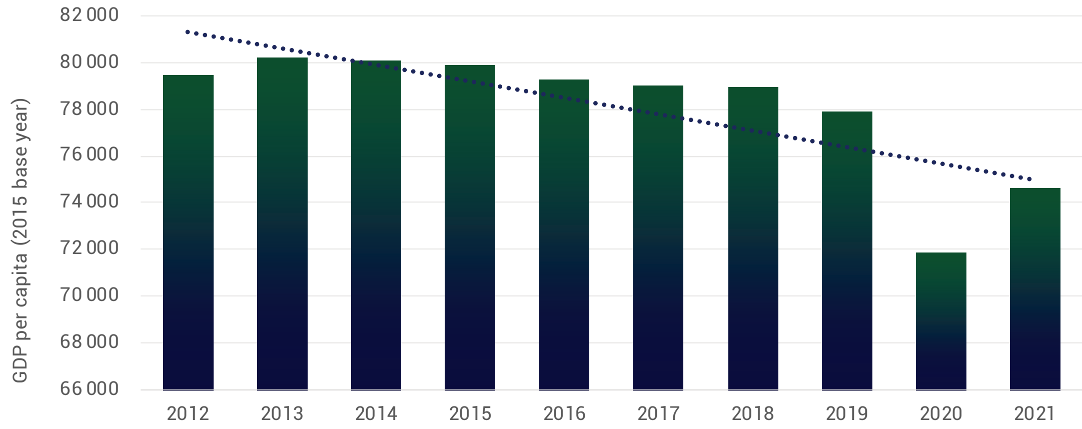
[5] *A mining right holder must increase its Black Economic Empowerment (BEE) shareholding from the minimum of 26.0 per cent to 30.0 per cent. The "once empowered always empowered" principle is only applicable for the duration of the mining right and is not applicable upon renewal or transferable upon sale. A non-diluting 5.0 per cent stake must be given to employees and 5.0 per cent to communities. Mining companies must procure 80.0 per cent of services from BEE entities, which must be South African companies; and 70.0 per cent of mining goods, which must be South African-manufactured and produced by BEE entities, women, youths or BEE entrepreneurs.*

Figure 2.4

REAL GDP PER CAPITA IN SOUTH AFRICA, 2012 – 2021

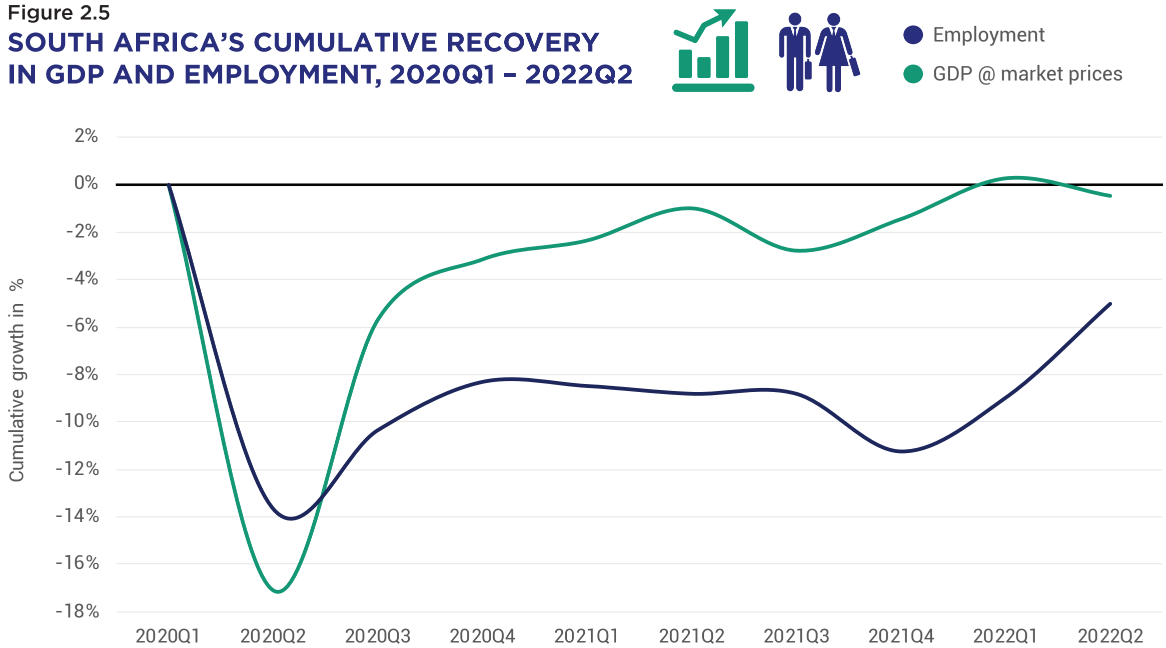


Source: Quantec Research

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 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 2.5

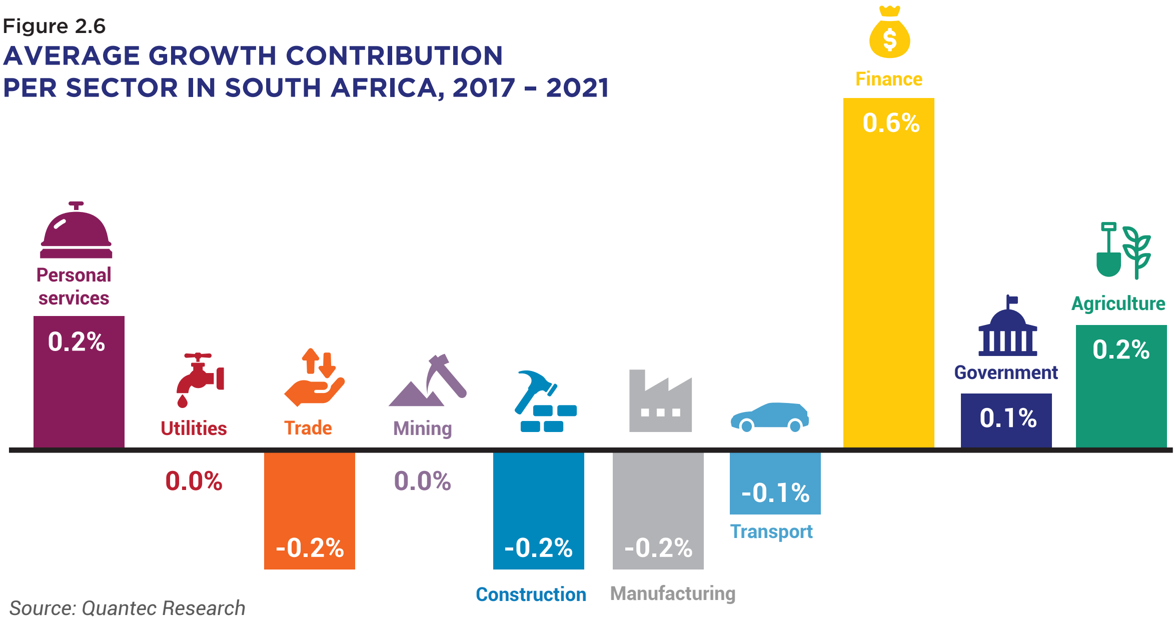
SOUTH AFRICA'S CUMULATIVE RECOVERY IN GDP AND EMPLOYMENT, 2020Q1 – 2022Q2



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 community 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 2.6

AVERAGE GROWTH CONTRIBUTION PER SECTOR IN SOUTH AFRICA, 2017 – 2021



Source: Quantec Research

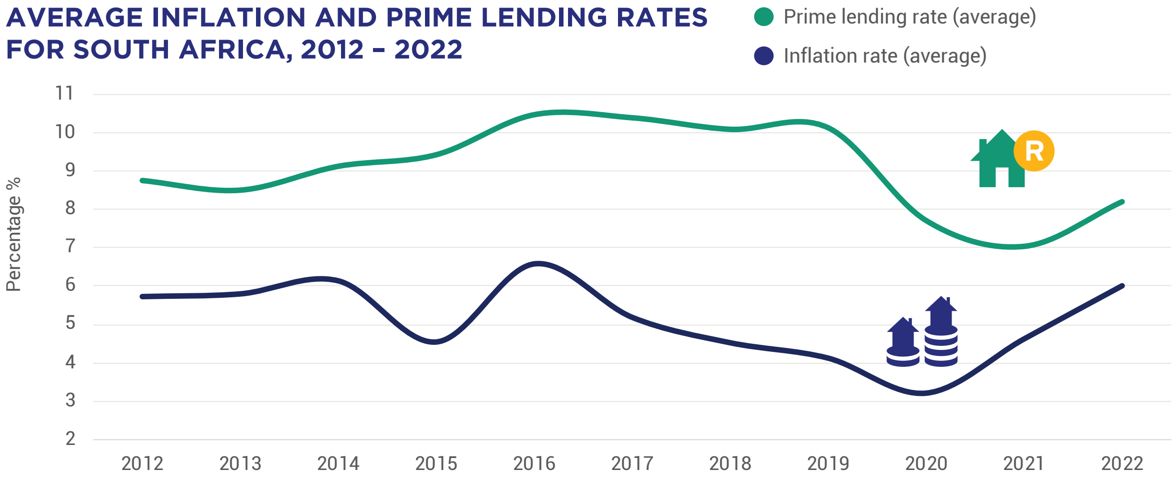
The average growth contribution of each sector in the last five years shows the important GDP growth contributions from the finance (0.6 percentage points), agriculture (0.2 percentage points) and community services (0.2 per cent) sectors, while the trade (-0.2 percentage points), construction (-0.2 percentage points), manufacturing (-0.2 percentage points) and transport (-0.1 percentage points) sectors showed diminished economic growth over the same period. Notably, most sectors that made negative contributions to GDP growth were the secondary or primary sectors, which typically provide employment opportunities for semi-skilled or unskilled workers.

2.3.2 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 seed oil, fertilisers) largely owing to the invasion of Ukraine. In addition to a rise in global commodity prices, South Africa's inflation is further being fuelled by above-inflationary electricity increases and loss of production owing to intermittent power outages.

Figure 2.7

AVERAGE INFLATION AND PRIME LENDING RATES FOR SOUTH AFRICA, 2012 – 2022

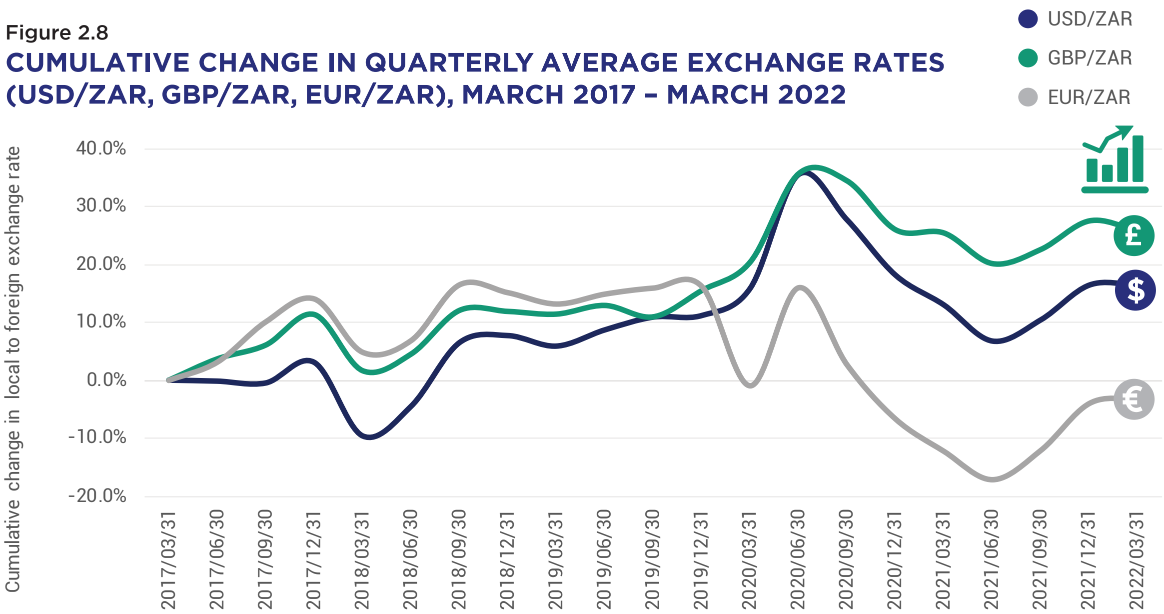


Source: Economist Intelligence Unit

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 owing 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 are likely to continue in 2022 as inflation remains above the upper limit of the SARB's inflation target for the remainder of the year and into the first quarter of 2023.[6] As a result, and as of September 2022 following the latest Monetary Policy Committee (MPC) decision, the repurchase rate has increased to levels prevailing prior to the onset of the COVID-19 pandemic.[7]

Figure 2.8

CUMULATIVE CHANGE IN QUARTERLY AVERAGE EXCHANGE RATES (USD/ZAR, GBP/ZAR, EUR/ZAR), MARCH 2017 – MARCH 2022



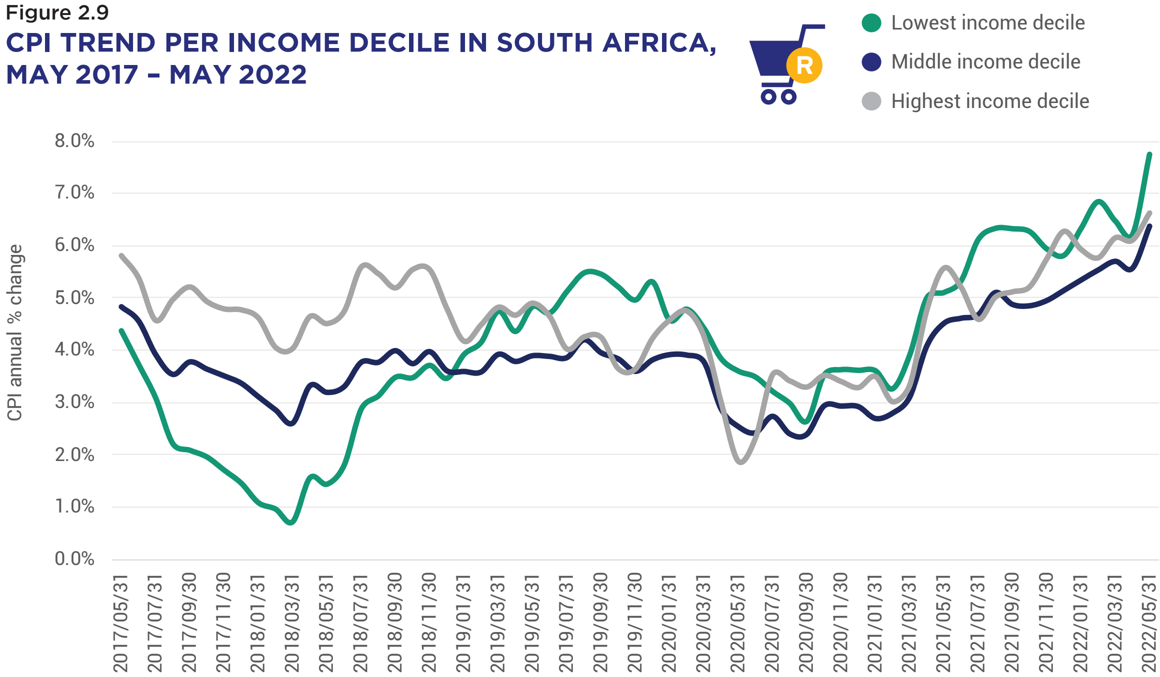
Source: Quantec Research

[6] (SARB, 2022).
[7] (SARB, 2022).

Exchange rate movements impact price inflation in South Africa through imported goods and services. The average quarterly exchange rate of the rand against the US dollar, British pound and euro appreciated from the third quarter of 2020 to the second quarter of 2021. (See Figure 2.8.) 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 2.9

CPI TREND PER INCOME DECILE IN SOUTH AFRICA, MAY 2017 – MAY 2022

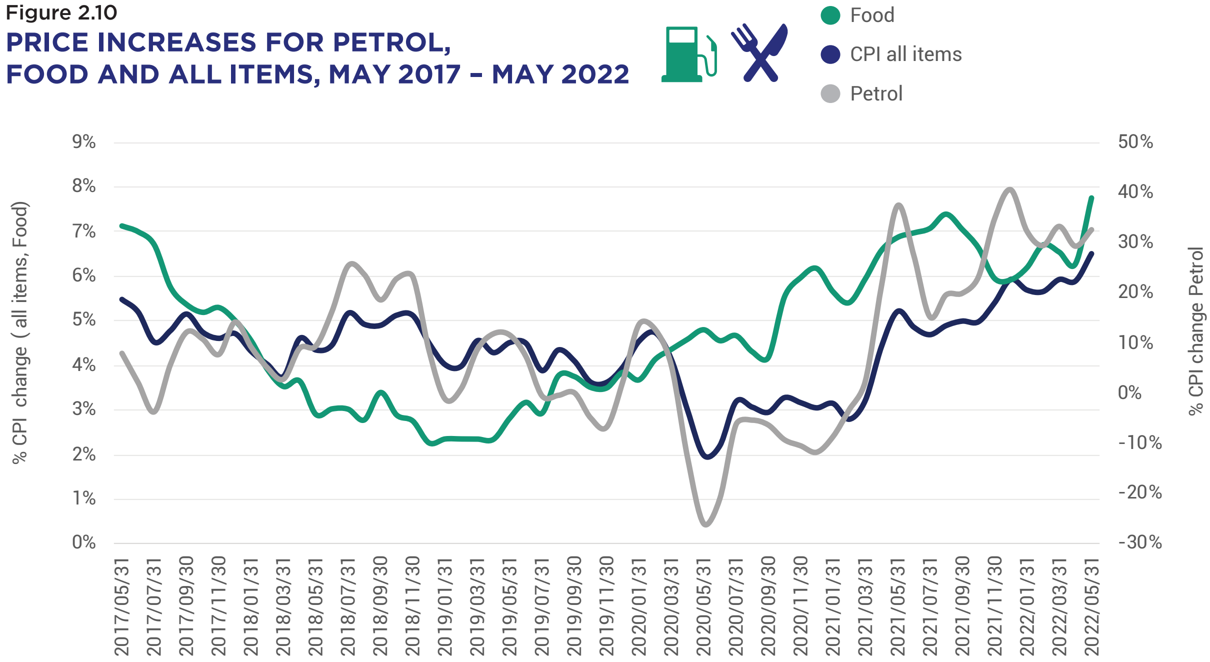


Source: Quantec Research

The lowest income groups have been 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 2.10

PRICE INCREASES FOR PETROL, FOOD AND ALL ITEMS, MAY 2017 – MAY 2022



Source: Quantec Research

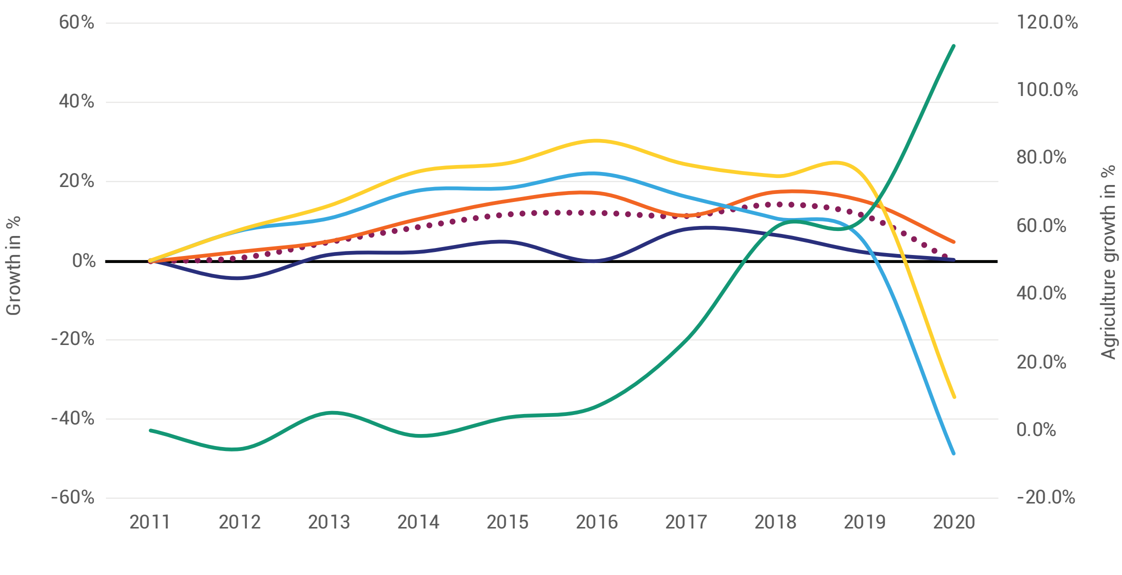
Since June 2019, a year before the headline and petrol inflation rates started to increase in July 2020, there has been an increasing trend in food inflation rates. Since the Russian invasion of Ukraine on 24 February 2022, the average petrol price has increased by 31.6 per cent (monthly, year-on-year), while average food and headline inflation has been 6.9 and 6.1 per cent respectively.

2.3.3 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 a quarter 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 including fruit and nuts. South Africa is also a significant importer of oil, electrical machinery and equipment, vehicles and pharmaceuticals.

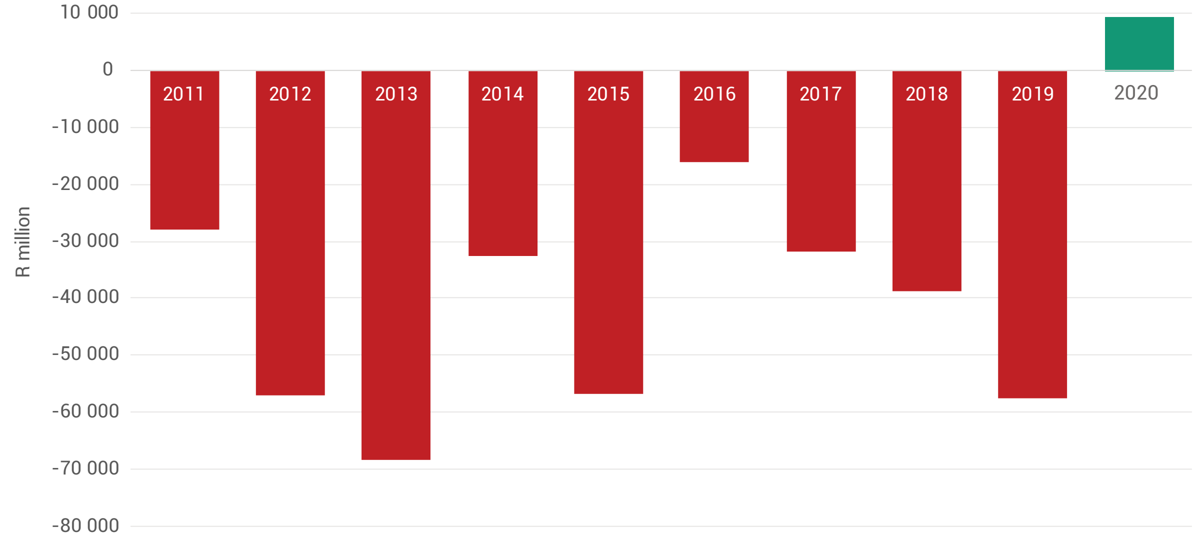
Figure 2.11

REAL EXPORTS OF TOP FIVE EXPORTING SECTORS IN SOUTH AFRICA, 2011 – 2020



Source: Quantec Research

Figure 2.12
NET REAL EXPORTS FOR SOUTH AFRICA, 2011 – 2020



Source: Quantec Research

Between 2011 and 2020, South Africa's real imports exceeded its real exports every year except for 2020, when South Africa recorded a 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 2.2
MAJOR EXPORT AND IMPORT DESTINATION OF SOUTH AFRICA, 2012 AND 2021

Country	Share of total imports		% point difference		Country	Share of total imports		% 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%	▼	1.1%
Nigeria	3.6%	2.4%	▼	-1.2%	Netherlands	2.8%	3.4%	▲	(0.4%)
France	2.4%	2.1%	▼	-0.3%	Belgium	1.9%	3.4%	▲	0.5%

Sources: Quantec Research, own calculations

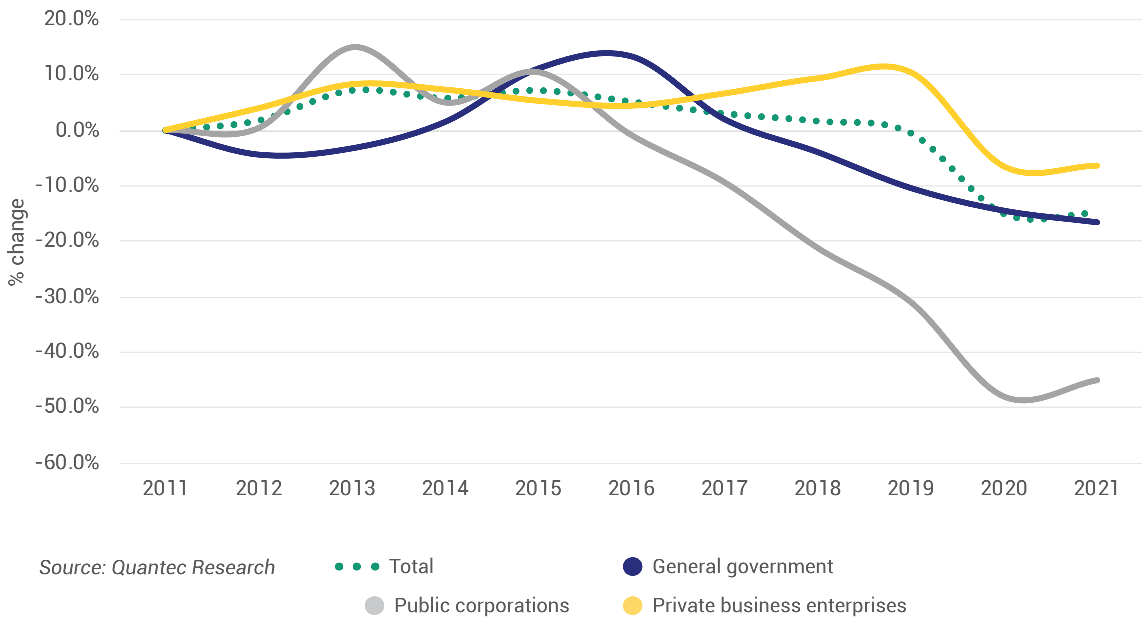
In 2021, China was South Africa's largest export (11.0 per cent) and import (20.6 per cent) destination. Since 2012, China has become a more prominent source of imports, with its share of imports increasing significantly by 6.5 percentage points. Between 2012 and 2021, the US (2.8 percentage points),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

2.3.4 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, and is a key factor in accelerating economic growth.

Figure 2.13

CUMULATIVE GROSS FIXED CAPITAL FORMATION BY ORGANISATION IN SOUTH AFRICA (REAL), 2011 – 2021



Source: Quantec Research

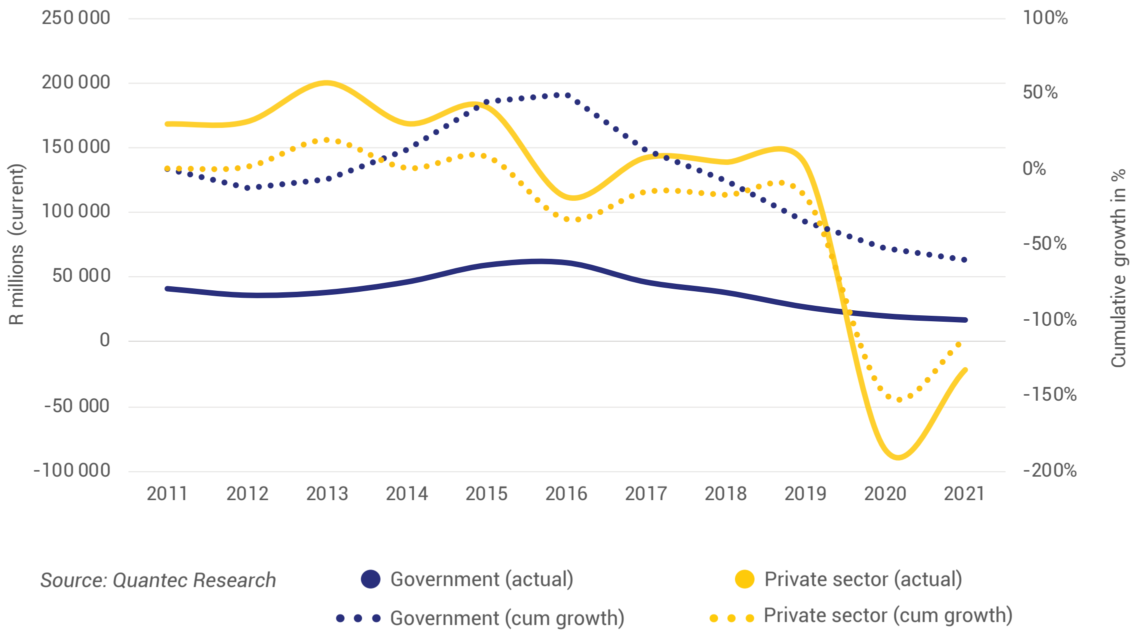
Gross fixed capital formation (GFCF) includes new capital investments and capital replacement costs. In 2021, GFCF in South Africa was 14.9 per cent less than in 2011. Some of the decline in GFCF over the period can be attributed to a contraction of 14.6 per cent in 2020. However, the decline of GFCF started back 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 business enterprises (6.5 per cent) between 2012 and 2021.

The GFCF decline in private business enterprises commenced in 2020, while 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 2.14

NET CAPITAL FORMATION BY ORGANISATION TYPE (CURRENT), 2011 – 2021

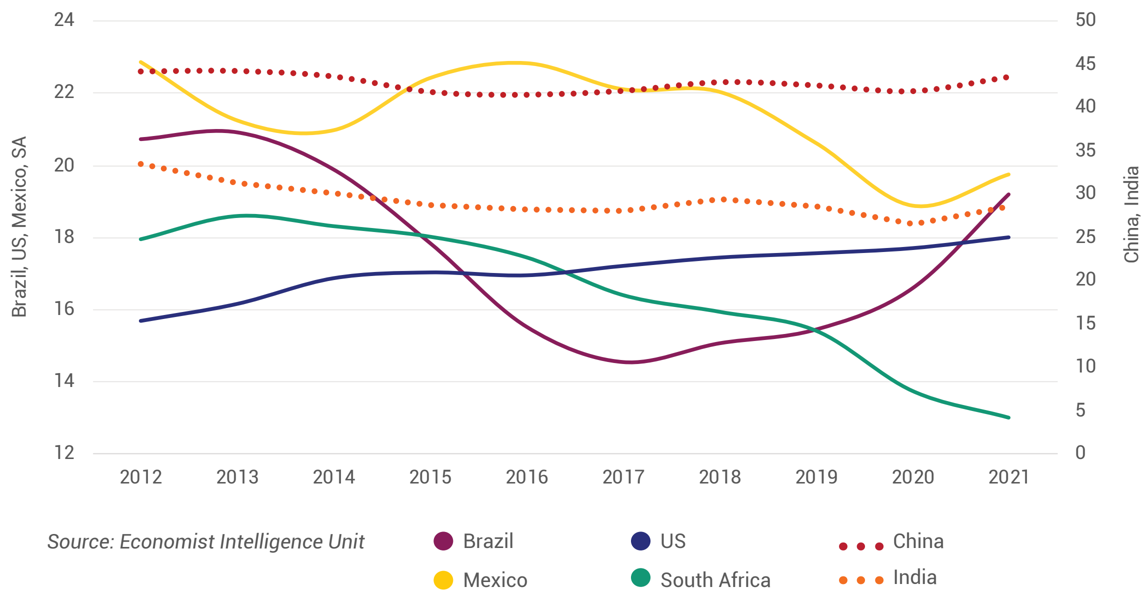


Source: Quantec Research

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

Figure 2.15

FIXED INVESTMENT AS A PERCENTAGE OF GDP FOR SELECTED COUNTRIES, 2012 – 2021



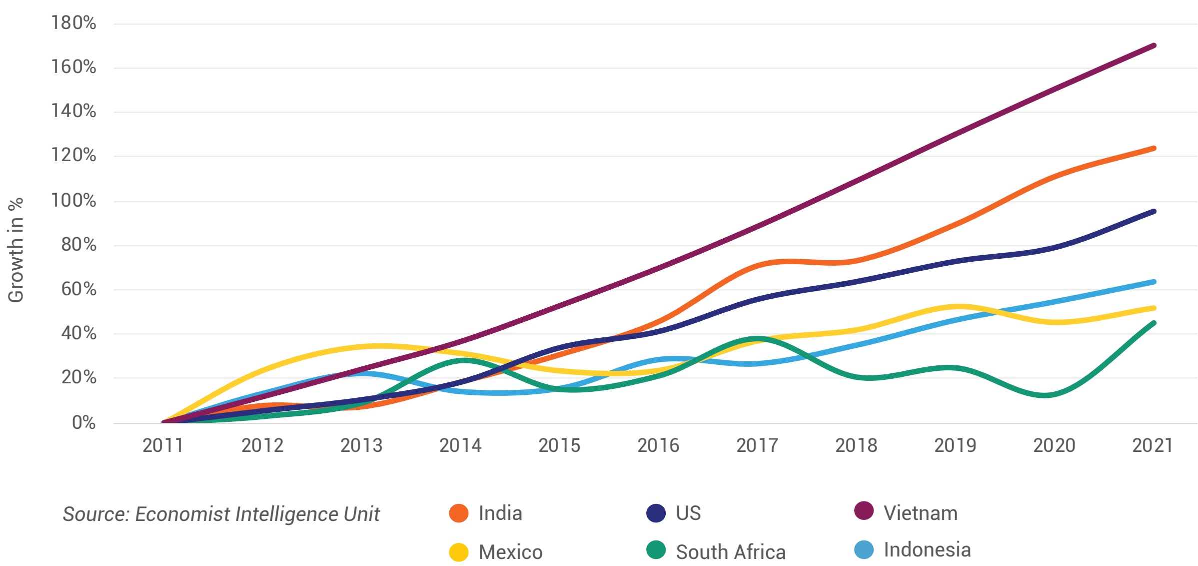
Source: Economist Intelligence Unit

In 2021, South Africa had a low and declining fixed investment ratio (13.0 per cent) in comparison to the US (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-market and developing economies like South Africa. Foreign direct investment helps raise living standards, facilitates economic growth, provides project finance, creates employment opportunities, improves infrastructure and infuses new technology and technological know-how.

Figure 2.16

CUMULATIVE GROWTH OF FOREIGN DIRECT INVESTMENT STOCK PER HEAD IN USD, 2011 – 2021



Source: Economist Intelligence Unit

Between 2012 and 2021, South Africa's FDI stock per head cumulatively expanded by 44.8 per cent, in comparison with Vietnam (170.0 per cent), India (123.7 per cent), the 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 45.0 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.

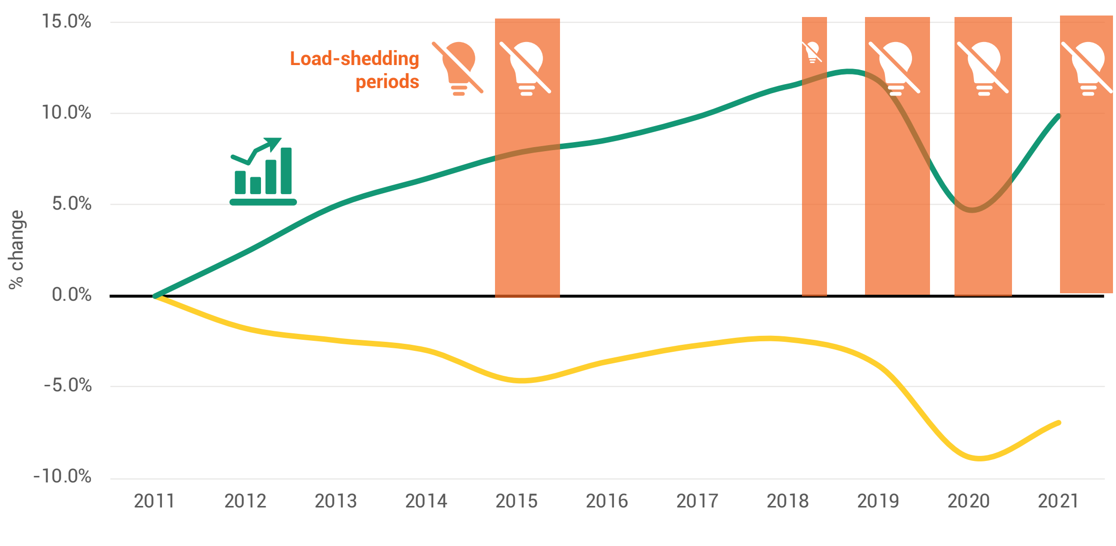
South Africa is currently yielding insufficient FDI to make significant inroads into economic growth and unemployment. The lack of FDI in South Africa can possibly be ascribed to elevated crime rates, high levels of social unrest (strikes and protests), corruption and structural issues in electricity supply and logistics. There are also concerns around the lack of clarity concerning policy and structural reforms.

2.3.5 The South African energy crisis

One of South Africa's largest obstacles to more robust economic growth is a shortage of reliable electricity supply accompanied by above-inflationary electricity price increases. Since late 2007, South Africa has been subjected to rolling electricity blackouts. The reasons for load-shedding include wet coal; sabotage; diesel shortages; the collapse of coal silos; lack of maintenance, which leads to plant breakdowns; and unlawful strike action.

Figure 2.17

CUMULATIVE ELECTRICITY GENERATED AND GDP IN SOUTH AFRICA, 2011 – 2021

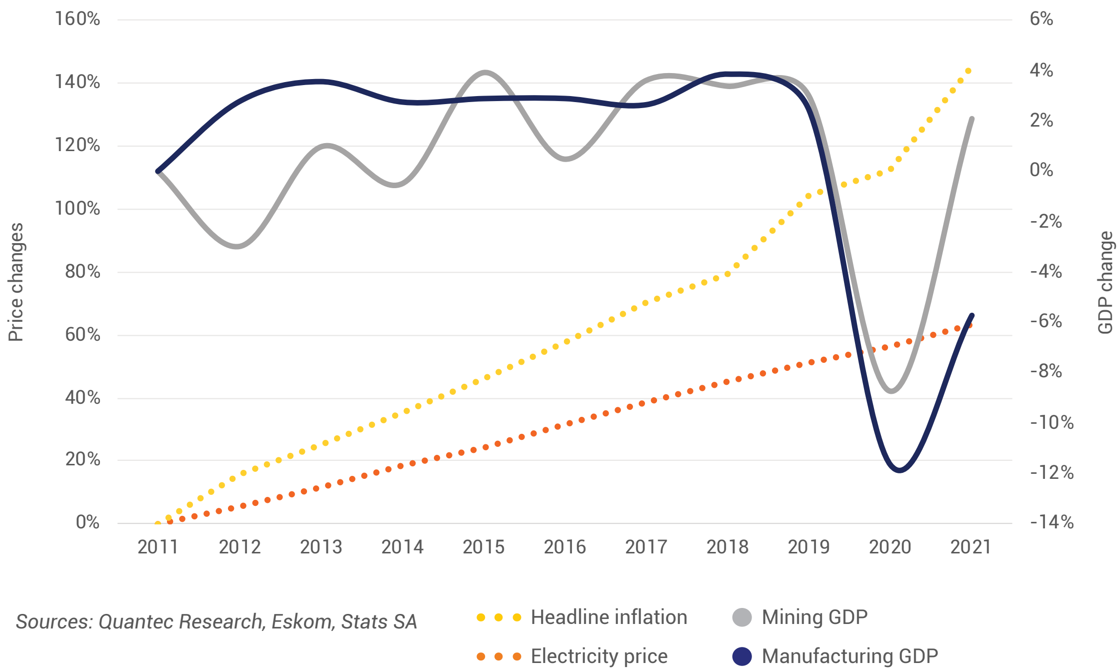


Source: Quantec Research

The average electricity generated in South Africa in 2021 was 6.9 per cent less than at the end of 2011. (See Figure 2.17.) Over the same period, the economy expanded cumulatively by 9.9 per cent. The estimated economic cost of load-shedding for the national economy is substantial. The financial services group the Efficient Group has conservatively estimated the South African economy to be between 8.0 and 10.0 per cent smaller as a direct consequence of load-shedding, while Alexforbes has estimated the cost of stage 6 load-shedding to be R4.0 billion per day. The impact of load-shedding on the national economy has led to an estimated one million fewer job opportunities.

Figure 2.18

ESKOM AVERAGE ELECTRICITY PRICE INCREASES AND HEADLINE INFLATION IN SOUTH AFRICA, 2011 – 2021



Sources: Quantec Research, Eskom, Stats SA

Average electricity price increases in South Africa have exceeded headline inflation. (See Figure 2.18.) Between 2012 and 2022, average electricity prices increased by 145.3 per cent compared with headline inflation of 63.2 per cent. Consequently, electricity costs have become a larger component of total costs for both consumers and producers in South Africa.

The manufacturing and mining sectors are two sectors that 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 GDP[8] was only 2.1 per cent higher.

[8] *GDP measured in basic prices.*

IN RESPONSE TO A CRISIS

On 28 June 2022, South Africa experienced stage 6 load-shedding for the second time in history, with seven of the 12 largest coal power stations operating at less than 50.0 per cent capacity owing to deterioration in Eskom's generation units. South Africa's President, Cyril Ramaphosa, announced a recovery plan on 25 July 2022.

The plan included the following:

- The removal of the 100MW renewable licence threshold.
- Additional generation via gas and battery requirements.
- A boosted maintenance budget to cut out red tape, which delays 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.
- The development of price structures to encourage solar power investments from businesses 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.

Sources: Daily Maverick, 26 July 2022; Rapport, 17 July 2022

THE MUNICIPAL ENERGY RESILIENCE (MER) PROJECT AND SMALL-SCALE EMBEDDED GENERATIONS (SSEG)

The Municipal Energy Resilience (MER) Project 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 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 supplies 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 (IPPs), 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 MER 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 on to the grid, transaction and procurement mechanisms, and regulatory issues.

SSEG enables solar photovoltaic (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

2.3.6 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, is expected to constrain much-needed public investment.

Figure 2.19

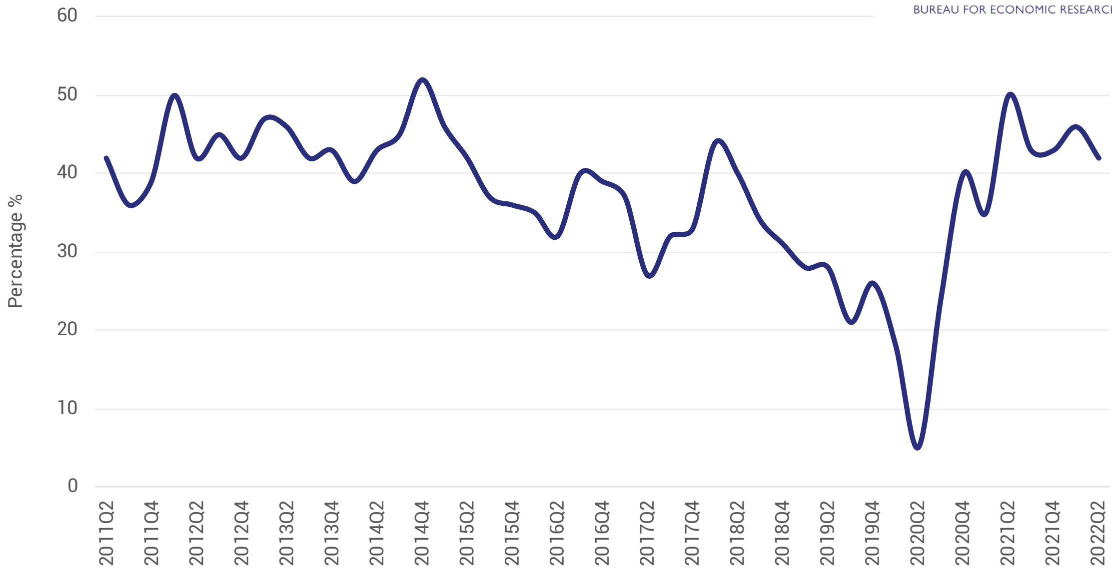
RMB/BER COMPOSITE BUSINESS CONFIDENCE INDEX, 2011Q2 – 2022Q2

RAND MERCHANT BANK

A division of FirstRand Bank Limited

BER

BUREAU FOR ECONOMIC RESEARCH



Source: Quantec Research

The RMB/BER Composite Business Confidence Index (BCI) takes the percentage of respondents who rate prevailing business conditions as satisfactory as an indicator or proxy of business confidence. The latest BCI shows that 42.0 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 4.0 percentage points to 42.0 per cent from the previous quarter, meaning that 58.0 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 2.3

GDP GROWTH AND CONTRIBUTION TO GROWTH FORECAST PER SECTOR IN SOUTH AFRICA, 2022 AND 2023

	% growth		% point contribution	
Sector	**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@ MP	**1.7%**	**0.3%**	**1.7%**	**0.3%**

Source: Quantec Research

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 points), manufacturing (0.4 percentage points), trade (1.1 percentage points) and transport (0.5 percentage points) sectors in 2022.

The growth outlook for the agriculture sector in 2022 remains positive (9.3 per cent), with a substantial jump expected in sunflower harvests (35.0 per cent) but with expected reductions in maize (11.0 per cent) and soya bean (4.0 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.

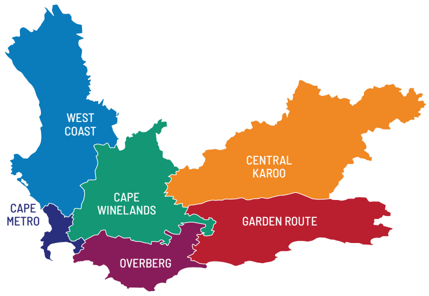
Supported by growth in real personal consumer spending and a return to in-person experiences, the trade sector is expected to increase substantially in 2022 (8.4 per cent). The mining sector is bracing itself for another tough year. Pressured by load-shedding and a three-month strike in the gold sector,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

2.3.7 Risks to the South African outlook

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

- A risk of high and increasing inflation with subsequent monetary policy tightening, fuelled by a long-term Russia-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, which could potentially cause large-scale capital outflows from emerging-market and developing economies, with significant currency depreciation.



2.4 DEVELOPMENTS IN THE WESTERN CAPE ECONOMY

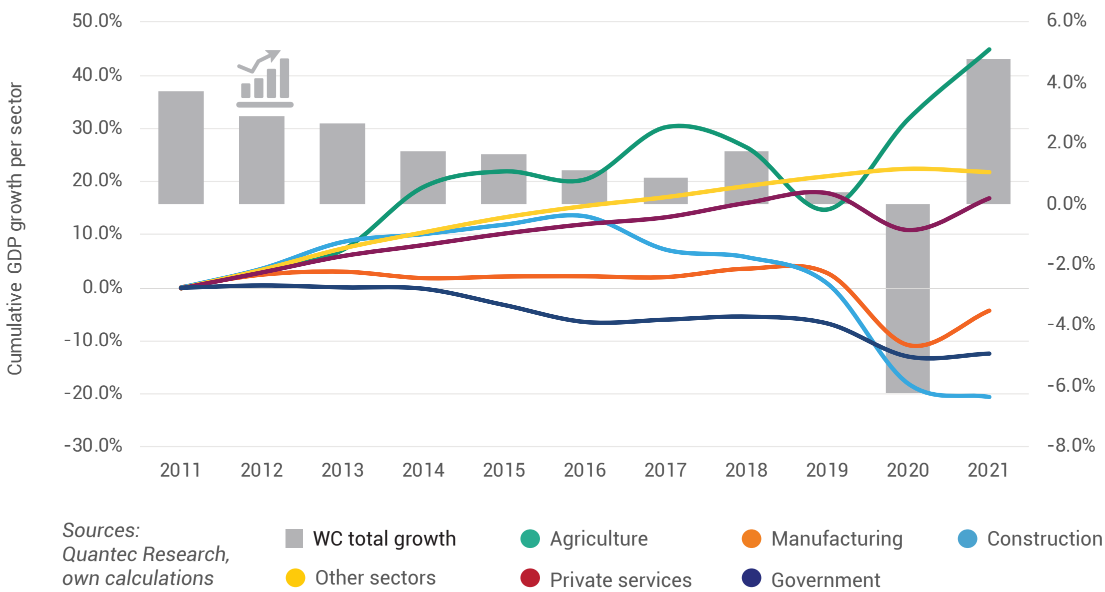
Compared with the rest of South Africa, the Western Cape has a more service-oriented economy, with a relatively strong contribution from the finance sector and a unique dependence on the tourism and wine industries. In 2021, the Western Cape was the third-largest regional economy in South Africa, accounting 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 their contribution to national GDP, contributing 0.2 percentage points. 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 is substantially larger than that of the national economy (31.3 per cent versus 25.2 per cent), while the mining (0.2 per cent versus 5.6 per cent) and community services (10.7 per cent versus 16.8 per cent) sectors make significantly smaller contributions to total GDP.

Figure 2.20

WESTERN CAPE GDP GROWTH RATE, 2011 – 2021



Sources: Quantec Research, 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 made a substantial dent in the average growth of the Western Cape economy (-6.2 per cent). Between 2012 and 2019, the average annual growth rate of the Western Cape was 1.6 per cent.

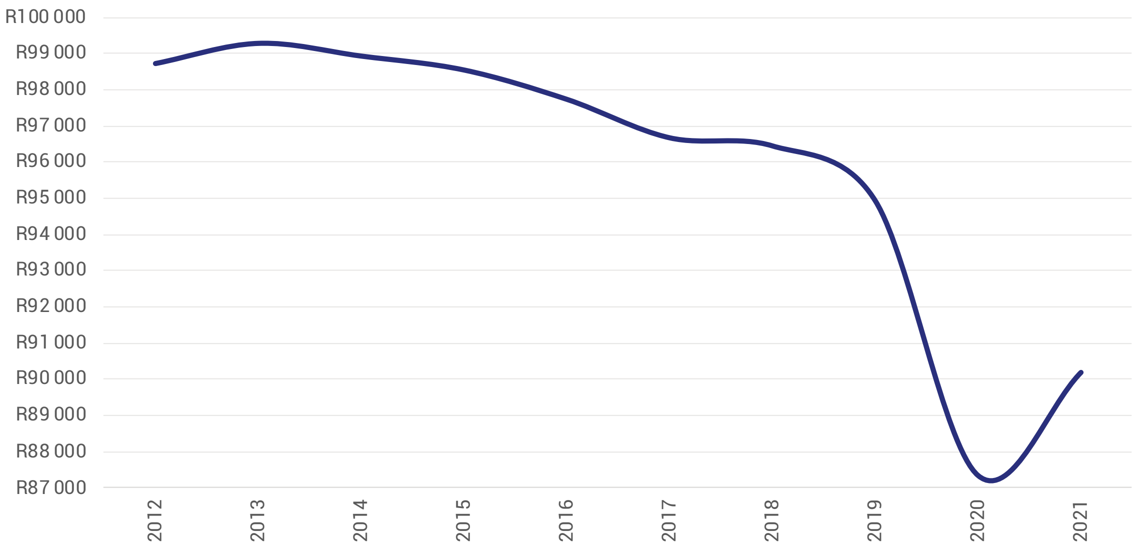
2.4.1 Sectoral performance

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 restrictions that impacted the wine industry in 2020. The wine industry reportedly lost R300.0 million per week during the 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 reimplementation of load-shedding between 2015 and 2021, and the 2020 recession.

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

Figure 2.21
REAL GDP PER CAPITA IN THE WESTERN CAPE, 2012 – 2021

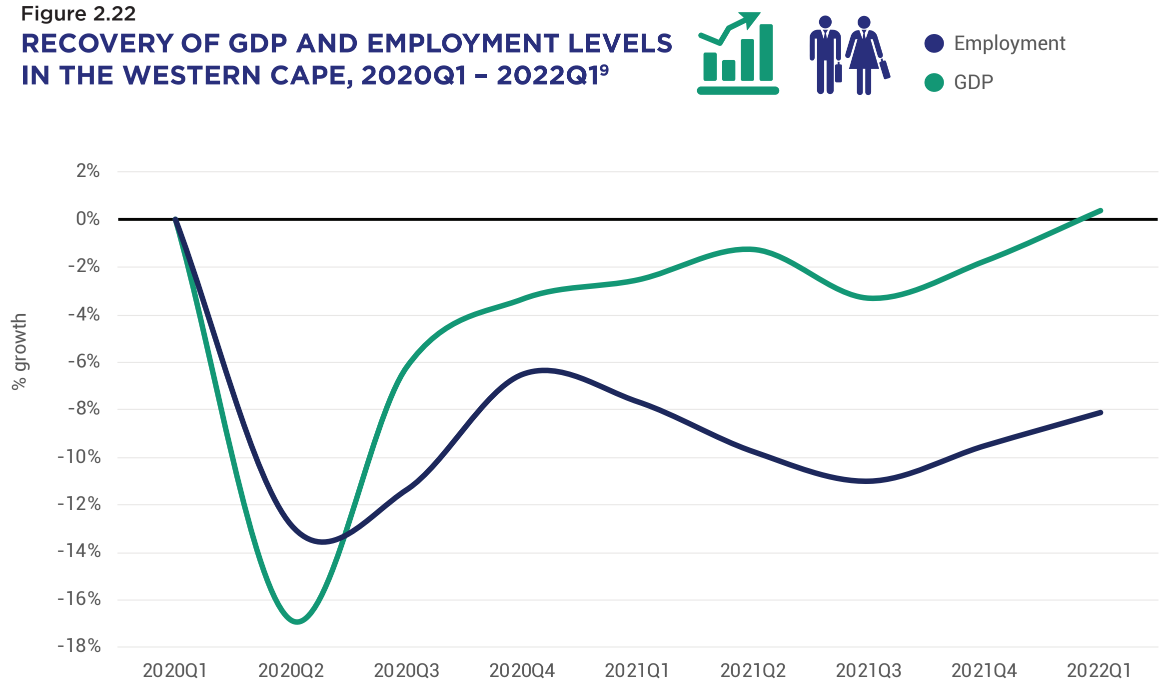


Sources: Quantec Research, Stats SA, own calculations

The Western Cape's economic prosperity (GDP per capita) has 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 to 2019), the Cape Metro water crisis (2017/18), the 2020 recession and load-shedding (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 2.22

RECOVERY OF GDP AND EMPLOYMENT LEVELS IN THE WESTERN CAPE, 2020Q1 – 2022Q1[9]

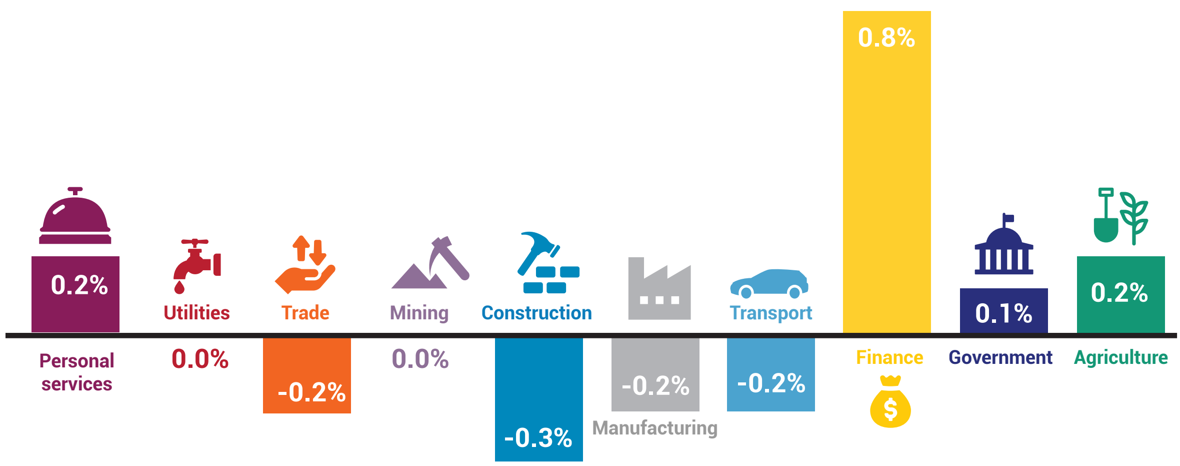


Sources: Quantec Research, Stats SA, own calculations

The COVID-19 pandemic and subsequent lockdown measures 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 employment levels than before the pandemic. Although one of the fastest-growing sectors (GDP) since the COVID-19 lockdown, the agriculture sector had one of the largest employment deficits (-20.2 per cent) compared with its pre-pandemic level. The slow recovery in employment levels follows the same trend as South Africa.

Figure 2.23

AVERAGE GDP CONTRIBUTION PER SECTOR IN THE WESTERN CAPE, 2017 – 2021



Sources: Quantec, Research, own calculations

[9] 2020Q1 indexed to 0.

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 is estimated to have expanded by 0.3 per cent on average, with the finance (0.8 percentage points), agriculture (0.2 percentage points) and community services (0.2 percentage points) sectors making the largest contributions to growth. The finance sector's significant contribution to growth was mainly due to its size. Over the period the finance sector, as the largest sector by GDP contribution (29.8 per cent), expanded by 0.9 per cent on average. 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 by 4.2 per cent on average 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 this sector over the period included the declining trend in fixed investments, a sluggish underlying economy, load-shedding, COVID-19 lockdown measures and the Cape Metro water crisis. Between 2017 and 2021, the construction sector had the largest average annual contraction (-6.7 per cent).

2.4.2 Regional performance

The Western Cape has a diverse landscape and people, consisting of 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) of all the Western Cape districts. The largest growth contributions were made by the finance (1.1 percentage points), manufacturing (1.0 percentage point) 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 the 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), general government (0.2 percentage points) and community services (0.2 percentage points) sectors.

Table 2.4

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 (ave)	2021	2012 – 2021 (ave)	2021	2012 – 2021 (ave)	2021	2012 – 2021 (ave)	2021	2012 – 2021 (ave)	2021	2012 – 2021 (ave)
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%

Note: GDP at basic prices. Sources: Quantec Research, own calculations

In 2021, the WCD 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-oriented 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 WCD had the largest GDP expansion (6.2 per cent), largely owing 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 WCD and contributed a substantial portion (18.7 per cent) of total GDP in the District.

Between 2012 and 2021, the WCD 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 has made the largest contribution to growth (0.8 percentage points) in the WCD.

Table 2.4 (continued)

GDP AT BASIC PRICES PER WESTERN CAPE SECTORS AND DISTRICTS, 2012 – 2021

	CONTRIBUTION TO GDP GROWTH (% POINTS)											
	Cape Town		West Coast		Cape Winelands		Overberg		Garden Route		Central Karoo	
Sector	2021	2012 – 2021 (ave)	2021	2012 – 2021 (ave)	2021	2012 – 2021 (ave)	2021	2012 – 2021 (ave)	2021	2012 – 2021 (ave)	2021	2012 – 2021 (ave)
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%

Table 2.5

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%

Sources: Quantec Research, own calculations

The finance sector and wine industry have a strong presence in the CWD. Notable company headquarters in the Cape Winelands include Zeder, Capitec, Steinhoff and Distell. In 2021, the CWD made the second-largest contribution (11.1 per cent) to the 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 CWD 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 CWD has expanded by 1.5 per cent, with the finance sector making the largest contribution (0.9 percentage points).

The OD is well known for its grain-farming activities, apple production in the Elgin Valley and whale watching in Hermanus. In 2021, the OD's GDP contribution (3.4 per cent) to the Western Cape GDP 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 OD has grown at an average rate of 1.6 per cent, with the finance sector (0.7 percentage points) making the largest growth contribution.

Ecologically diverse vegetation with numerous estuaries and lakes makes the GRD 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-oriented 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 the least (4.7 per cent) out of all the rural districts. The underperformance compared with 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 GRD has expanded at an average rate of 1.2 per cent, with the finance sector (0.9 percentage points) making 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 CKD had the smallest economy and contributed 0.5 per cent to the Western Cape GDP. The CKD relies heavily on the general government sector. The general 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 CKD's GDP expanded by 4.8 per cent. The bulk of the growth was contributed by the community services (1.5 percentage points) and agriculture (1.3 percentage points) sectors. Over the past decade the CKD's average growth rate was 1.2 per cent, with the general government and agriculture sectors making the largest contributions (0.5 percentage points each).

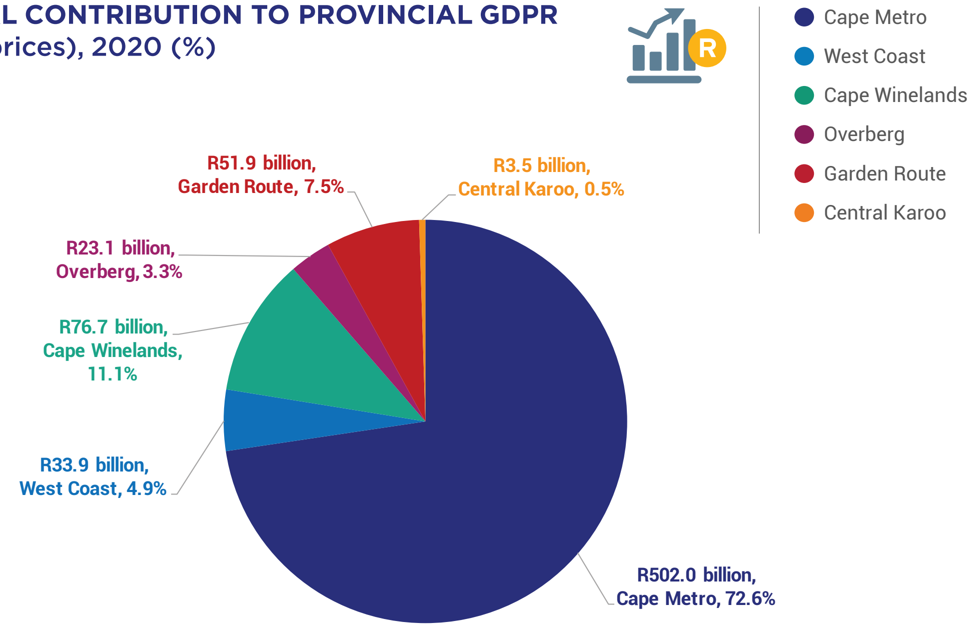
2.5 REGIONAL ECONOMIC OVERVIEW

This subsection provides an overview of the GDPR contributions to the Provincial economy. In addition, it provides GDPR growth rates from 2011 to 2020, estimates for 2021, and forecasts for 2022 and 2023. The subsection concludes with an overview of the regional sectoral contributions to the Provincial economy.

Figure 2.24 illustrates the GDPR contributions of each region to the economy of the Western Cape in 2020.

Figure 2.24

REGIONAL CONTRIBUTION TO PROVINCIAL GDPR (current prices), 2020 (%)



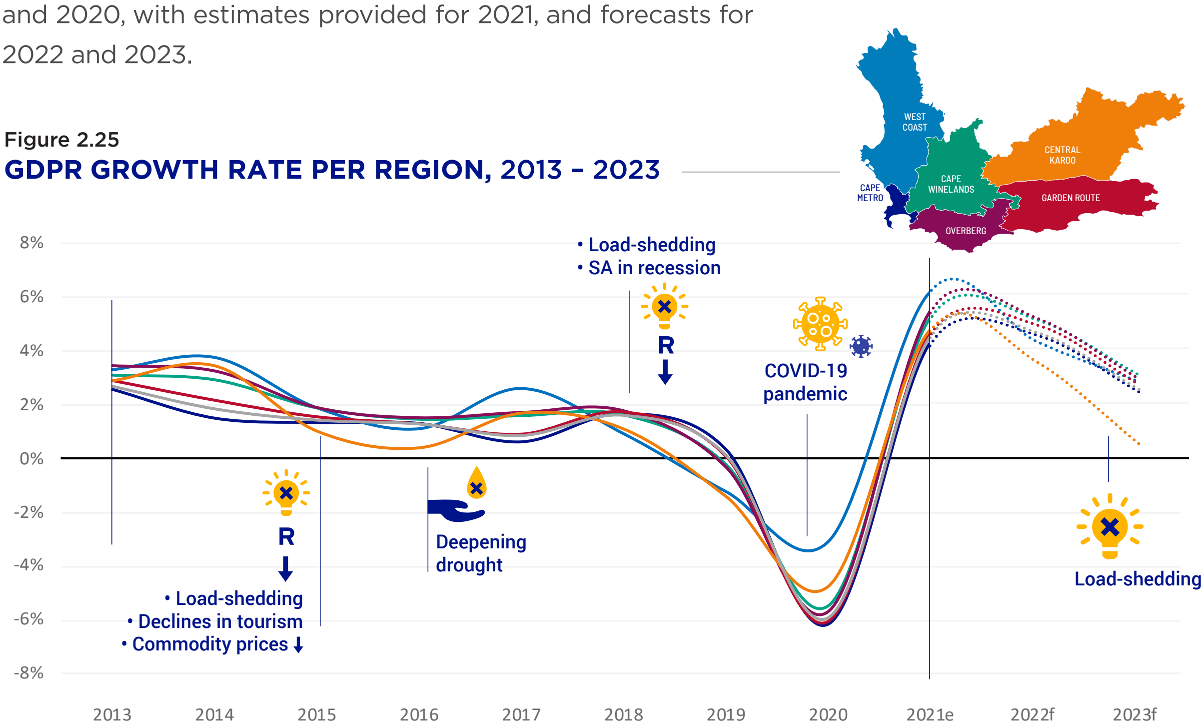
Source: Quantec Research, 2022

Valued at R502.0 billion in 2020, the Cape Metro area contributed the largest share to the Provincial economy at 72.6 per cent for the year. With a contribution of 11.1 per cent in 2020, the CWD accounted for the second-largest share of Provincial GDPR. The OD and CKD were the smallest contributors to the Provincial economy in 2020, with a cumulative contribution of 3.8 per cent.

Figure 2.25 indicates the GDPR growth trends between 2013 and 2020, with estimates provided for 2021, and forecasts for 2022 and 2023.

Figure 2.25

GDPR GROWTH RATE PER REGION, 2013 – 2023



	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022f	2023f
Western Cape	2.7%	1.9%	1.5%	1.3%	0.9%	1.6%	0.1%	-5.9%	4.6%	2.3%	0.3%
Cape Metro	2.6%	1.5%	1.3%	1.3%	0.6%	1.7%	0.3%	-6.1%	4.3%	2.2%	0.2%
West Coast	3.3%	3.8%	1.9%	1.1%	2.6%	0.9%	-1.2%	-3.1%	6.2%	3.4%	1.1%
Cape Winelands	3.1%	2.9%	1.9%	1.5%	1.6%	1.6%	-0.2%	-5.5%	5.3%	2.5%	0.8%
Overberg	3.5%	3.3%	1.9%	1.5%	1.7%	1.8%	-0.3%	-5.7%	5.5%	2.6%	1.0%
Garden Route	2.9%	2.2%	1.5%	1.3%	0.9%	1.7%	0.1%	-6.0%	4.7%	2.4%	0.4%
Central Karoo	2.9%	3.4%	1.0%	0.4%	1.7%	1.1%	-1.4%	-4.7%	4.8%	2.8%	0.7%

Source: Quantec Research, 2022 (e denotes estimate, f denotes forecast)

The Provincial economy experienced an overall downward trend in annual growth rates between 2013 and 2020. In 2013, the Provincial economy recorded a growth rate of 2.7 per cent, with all regional economies recording annual growth rates in excess of 2.5 per cent. However, in 2014, growth in the Province slowed significantly to 1.9 per cent. The deterioration in the Province's growth performance can be attributed to the lower growth rate recorded in the Cape Metro area (1.5 per cent) relative to that of the Western Cape economy during the same year. This lower growth rate can be attributed to contractions in the construction and manufacturing sectors during 2014.

Between 2015 and 2017, growth in the Province continued to deteriorate, reaching a low of 0.9 per cent in 2017. Over the period, the Cape Metro area recorded the largest deterioration in annual growth, followed by the GRD and CWD. These declines in growth, in addition to that of the broader Provincial economy, can be ascribed to the below-average rainfall recorded in this period, which subsequently impacted agricultural and agro-processing activities.[10] Apart from the agriculture industry, most economic activity in the Cape Metro area was constrained by severe water shortages, with the Cape Metro area narrowly avoiding "Day Zero" in early 2018.[11]

[10] *(Otto, et al., 2018).*
[11] *(Alexander, 2019).*

Annual growth in the Province improved in 2018 and reached 1.6 per cent during the year, with recoveries recorded in the Cape Metro area, GRD and OD. However, in 2019 the Provincial economy registered near stagnant growth of 0.1 per cent, with all regions apart from the Cape Metro area and GRD recording contractions. The deterioration in growth recorded in the Provincial economy can be ascribed to the poor performance of the South African economy in 2019, with the national economy entering a technical recession in the fourth quarter of the year. Sectors such as transport and trade were the largest overall negative contributors to the performance of the South African economy, which was further exacerbated by load-shedding and subdued investor confidence.[12]

In 2020, annual growth in the Province deteriorated significantly, with the Provincial economy recording a contraction of 5.9 per cent during the year. It is worth noting that all regions in the Province recorded steep contractions, with the Cape Metro area recording the largest contraction of 6.1 per cent, followed by the GRD at 6.0 per cent. The contraction in economic activity recorded during the year was the result of the COVID-19 pandemic and subsequent lockdown measures to contain its spread. The impact of the lockdown restrictions was further amplified by restrictions on international travel and trade, which disrupted supply chains and the tourism economy in the Province.[13]

Estimates for 2021 indicate a marked recovery in GDPR growth, with the Provincial economy recording growth of 4.6 per cent. During the same year, the WCD and OD are expected to have recorded the highest growth rates, at 6.2 per cent and 5.5 per cent respectively. The recovery in economic activity was, in part, a result of the easing of COVID-19 restrictions as well as the improvement in domestic travel and, to a lesser extent, international travel.[14] Notwithstanding these positive effects, the recovery of the South African economy was further hampered by the July 2021 unrest in KwaZulu-Natal and Gauteng, and the third wave of COVID-19.

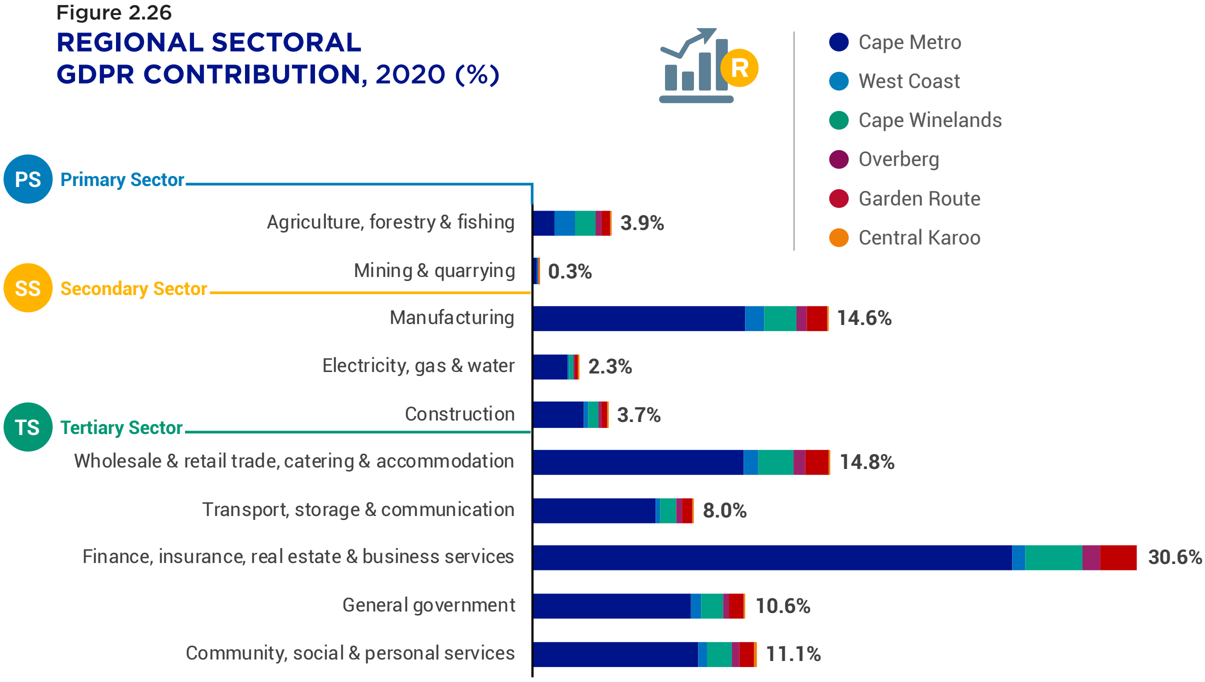
[12] *(Mathe, 2020).*
[13] *(Rogerson & Rogerson, 2020).*
[14] *(Wesgro, 2021).*

In the 2022 forecast period, growth in the Province is expected to decline to 2.3 per cent, before further declining to 0.3 per cent in 2023. Economic activity is expected to remain constrained owing to electricity supply constraints in addition to the onset of the Russia-Ukraine conflict. This has also resulted in higher international oil prices and, subsequently, increases in domestic fuel prices and consumer inflation. The anticipated decline in 2023 will probably be as a result of the return to pre-COVID-19 trend growth. Additionally, the conflict in Europe has caused ongoing disruptions in economic activity, which impact the South African economy.[15]

Figure 2.26 illustrates each region's sectoral GDPR contributions to the Western Cape economy in 2020.

Figure 2.26

REGIONAL SECTORAL GDPR CONTRIBUTION, 2020 (%)



Source: Quantec Research, 2022

In 2020, the finance sector was the leading contributor to GDPR at 30.6 per cent. This was followed by the trade and manufacturing sectors at 14.8 per cent and 14.6 per cent respectively.

The Cape Metro area accounted for 23.8 percentage points of the finance sector's contribution to the Provincial economy, followed by the CWD and GRD at 2.8 and 2.4 percentage points respectively. It should be noted that the Cape Metro is also the most dominant contributor to the finance sector within the Province. Similar proportions were recorded in the trade sector, where the Cape Metro area contributed 10.5 percentage points, followed by the CWD (1.8 percentage points) and the GRD (1.2 percentage points). Manufacturing activity was also concentrated largely in the Cape Metro area at 10.5 percentage points, followed by the CWD (1.7 percentage points) and the GRD (1.0 percentage points).

Within the primary sector, economic activity was again concentrated in the Cape Metro area, followed by the WCD and CWD.

[15] *(International Monetary Fund, 2022).*

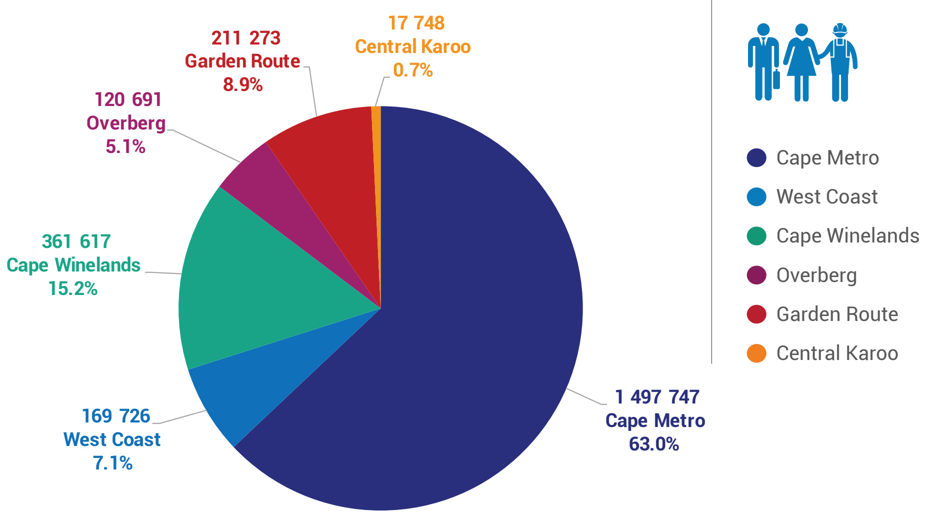
3. LABOUR MARKET DYNAMICS

3.1 REGIONAL LABOUR TREND ANALYSIS

Contributions to Provincial employment in 2020 by each of the respective regions that comprise the Western Cape are illustrated in Figure 3.1. Broadly, the employment contribution by each region to Provincial employment in 2020 mirrors their respective contributions to GDPR. It should be noted that the Cape Metro is the largest contributor of the Province's GDP owing to the concentration of high-value industries within the metro that are less labour-intensive. Conversely, other regions in the Western Cape have a lower contribution to GDP with more intensive labour requirements.

Figure 3.1

REGIONAL CONTRIBUTION TO PROVINCIAL EMPLOYMENT, 2020 (%)

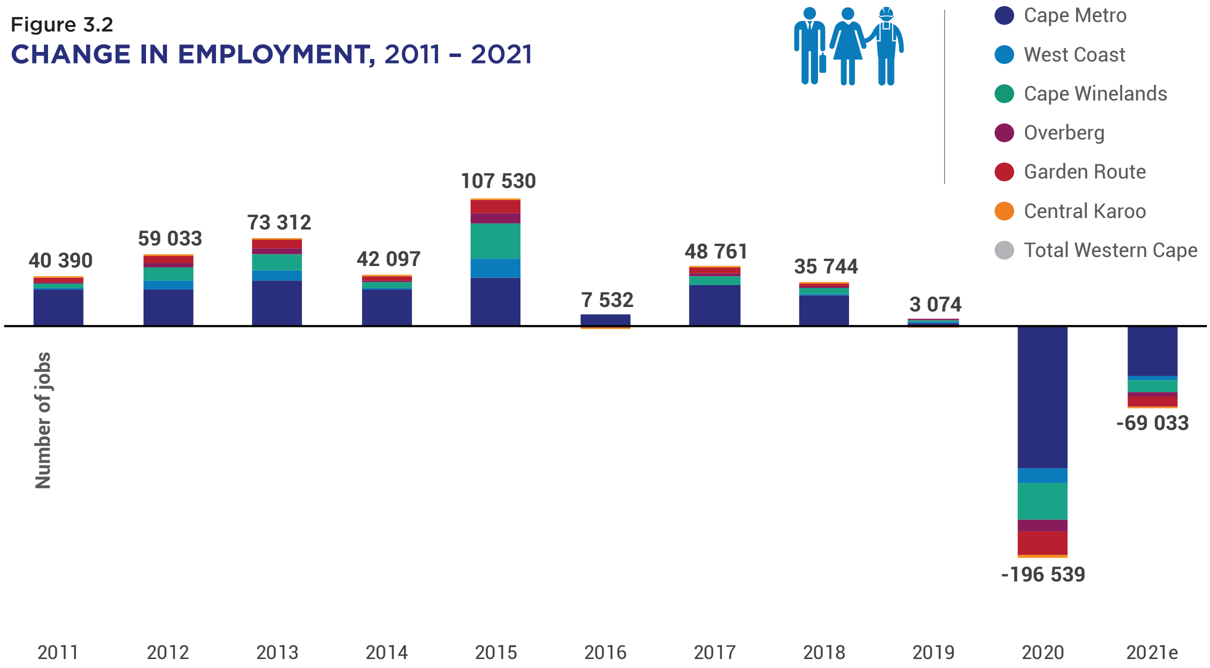


Source: Quantec Research, 2022

In 2020, the Cape Metro area contributed the largest share to Provincial employment at 63.0 per cent. This was followed by the CWD and GRD, contributing 15.2 per cent and 8.9 per cent respectively. The WCD and OD contributed 7.1 per cent and 5.1 per cent respectively, while the CKD contributed the least to employment in the Province at 0.7 per cent.

The employment trends in the districts and Cape Metro area between 2011 and 2021 are indicated in Figure 3.2.

Figure 3.2
CHANGE IN EMPLOYMENT, 2011 – 2021



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021e
Western Cape	40 390	59 033	73 312	42 097	107 530	7 532	48 761	35 744	3 074	-196 539	-69 033
Cape Metro	30 533	30 994	37 710	31 099	40 253	9 457	33 700	25 701	2 427	-120 701	-42 540
West Coast	718	6 851	8 383	648	16 370	-472	840	953	517	-12 572	-4 103
Cape Winelands	4 318	11 337	14 770	4 525	29 490	-255	7 076	4 770	932	-30 783	-10 226
Overberg	1 635	4 056	4 955	1 746	9 473	-336	2 615	1 754	28	-10 784	-3 895
Garden Route	3 056	5 379	6 958	3 999	10 572	-729	4 399	2 452	-793	-20 143	-7 780
Central Karoo	130	416	536	80	1 372	-133	131	114	-37	-1 556	-489

Source: Quantec Research, 2022 (e denotes estimate)

Between 2011 and 2013, there were year-on-year increases in Provincial employment, which increased from 40 390 jobs in 2011 to 73 312 jobs in 2013. These recoveries can be attributed to the high GDPR growth rates recorded during the same period, as well as recoveries in the labour market following the global financial crisis. Furthermore, the high number of jobs created in 2013 can be ascribed to the roll-out of public infrastructure initiatives during the year.[16]

Despite recording a slowdown in new employment opportunities in 2014, Provincial employment increased substantially in 2015,[17] with 107 530 jobs created during the year. The Cape Metro area (40 253 jobs) contributed the largest share to this increase, followed by the CWD and WCD with 29 490 and 16 370 jobs respectively.

In 2016, all regions apart from the Cape Metro area recorded declines in employment opportunities. However, Provincial employment still increased by 7 532 jobs during the year. The slowdown in new employment opportunities was probably due to continued drought conditions throughout the Province, amplified by the Western Cape's reliance on the agriculture sector as a source of employment.

[16] *(Department of Employment and Labour, 2021).*
[17] *It should be noted, however, that in 2015 a new master sample was implemented in the Quarterly Labour Force Survey (QLFS), which may have impacted the data owing to variations in its design (Stats SA, 2015).*

The Province experienced a recovery in employment creation during 2017, with 48 761 jobs created during the year. However, in the two-year period thereafter, the number of new employment opportunities created in the Province declined significantly to reach a low of 3 074 jobs in 2019. This trend mirrors the GDPR performance of the Western Cape economy and that of the broader national economy over the same period.

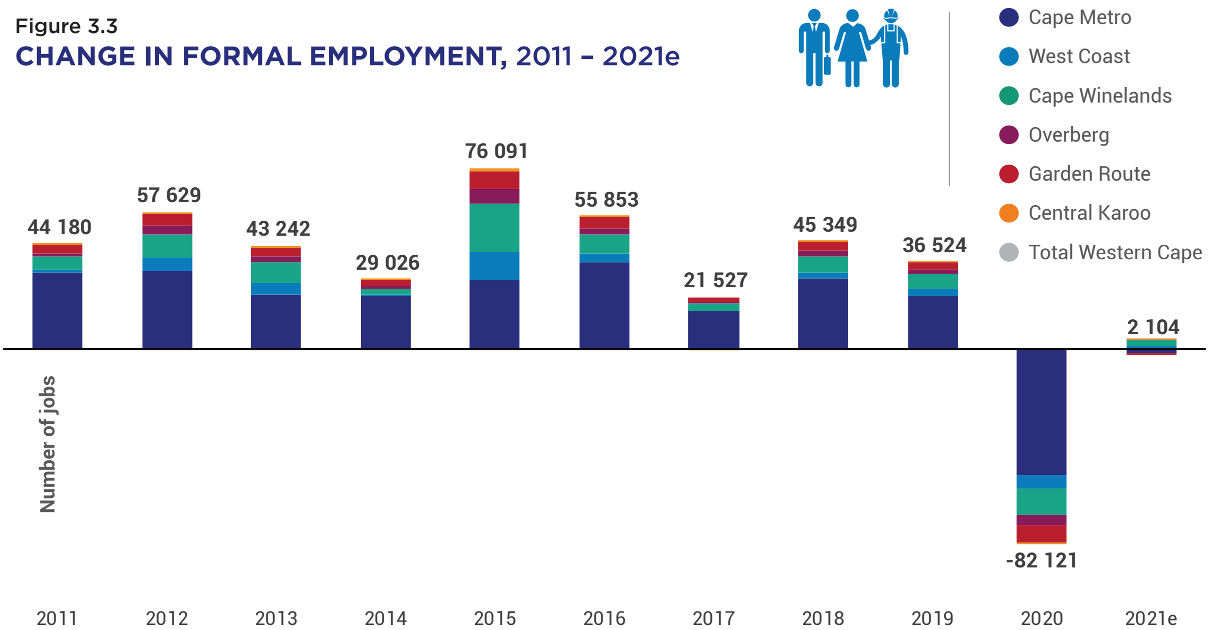
With 196 539 jobs lost in 2020, the Provincial economy saw considerable employment losses. The Cape Metro region lost the most jobs (120 701), followed by the CWD and GRD, which lost 30 783 and 20 143 jobs respectively. As with GDPR, the advent of COVID-19 in South Africa exacerbated labour market circumstances dramatically. However, job losses documented during the year were most likely mitigated in part by the Province's reliance on agriculture, which was less constrained by lockdown restrictions than other economic sectors.

Estimates for 2021 indicate a continuance of job-shedding in the Province. During the year, it is anticipated that 69 033 jobs were lost throughout the Province, with the Cape Metro area accounting for nearly two-thirds of all jobs lost. This occurrence is probably due to the lagged recovery in employment following the sharp contractions in GDPR recorded in 2020.

Figure 3.3 illustrates the formal employment[18] trend for each district and the Cape Metro area between 2011 and 2021.

Figure 3.3

CHANGE IN FORMAL EMPLOYMENT, 2011 – 2021e



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021e
Western Cape	44 180	57 629	43 242	29 026	76 091	55 853	21 527	45 349	36 524	-82 121	2 104
Cape Metro	32 020	32 876	22 842	22 140	29 281	36 773	16 074	29 576	22 119	-53 383	-1 954
West Coast	1 484	5 640	5 034	534	11 739	3 426	65	2 703	2 939	-5 161	1 294
Cape Winelands	5 170	10 018	8 427	2 848	20 219	8 109	2 823	6 906	6 306	-11 574	2 099
Overberg	1 816	3 498	2 792	968	6 503	2 651	1 050	2 348	2 025	-3 856	594
Garden Route	3 489	5 199	3 817	2 458	7 345	4 619	1 543	3 561	2 913	-7 511	-7
Central Karoo	201	398	330	78	1 004	275	-28	255	222	-636	78

Source: Quantec Research, 2022 (e denotes estimate)

[18] *Formal employment is created through contractual arrangements between an incorporated company and an individual employee. (Source: Sustainable Energy Jobs Platform: http://sejplatform.org/Key-concepts/Employment-Formal-and-informal.)*

Changes in Provincial formal employment broadly follow the trends observed in total Provincial employment between 2011 and 2021.

Between 2011 and 2012, the number of new formal employment opportunities in the Province increased from 44 180 jobs to 57 629 jobs. During each year, the Cape Metro area accounted for the largest contributions to new formal employment opportunities created, followed by the CWD and GRD. However, the number of new formal employment opportunities in the Province slowed in 2013 and 2014.

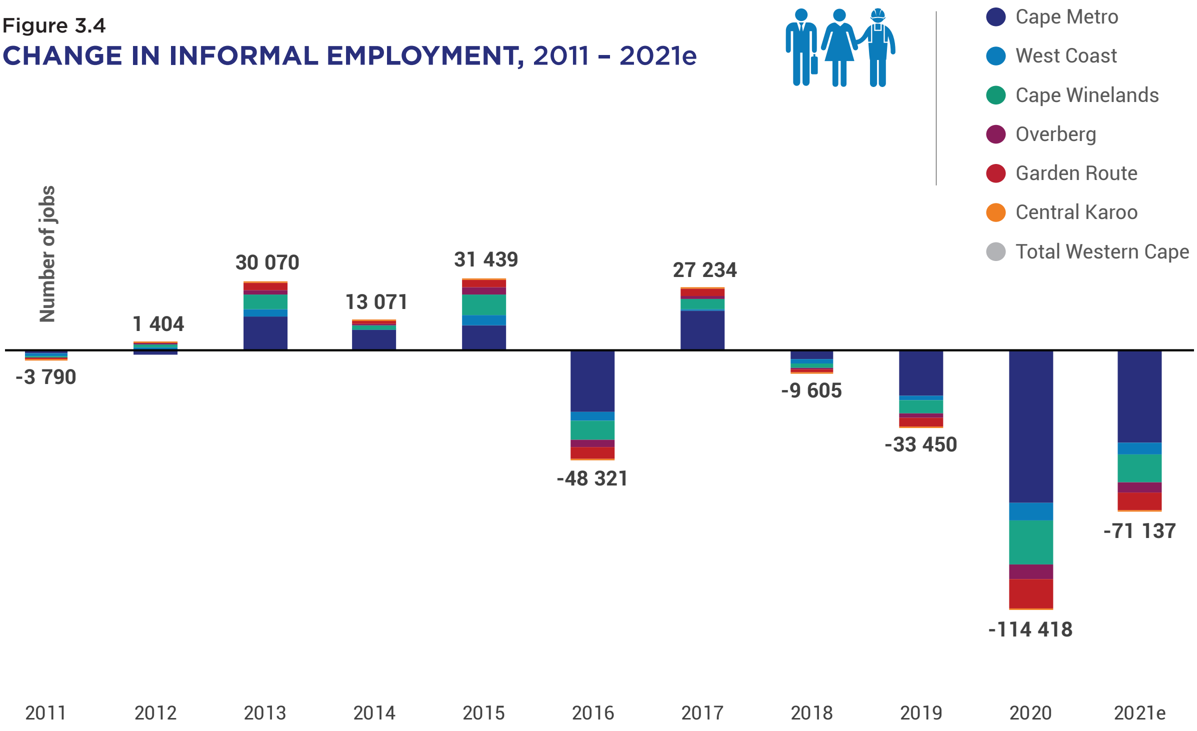
The number of new formal employment opportunities generated in the Province peaked in 2015,[19] with 76 091 formal jobs created that year, and then mostly declined until 2020. The COVID-19 pandemic and limitations on formal economic activity were the reasons for the high formal job-shedding reported in 2020, with 82 121 formal jobs lost over the year. However, the number of formal employment losses documented throughout the year did not outnumber the number of informal job losses.

In 2021, a total of 2 104 formal jobs are expected to have been created in the Province. The CWD and WCD are expected to have accounted for the largest contributions to this total at 2 099 and 1 294 formal jobs respectively. However, the Cape Metro area is anticipated to have recorded job-shedding in 2021, with 1 954 formal jobs lost during the year. As there is a strong correlation between recoveries in formal economic activity and formal employment,[20] the slowed recovery of the Cape Metro area in 2021 relative to the majority of the remaining districts restrained the recovery of formal employment in the Province. In addition, an increase in formal economic activity may not have translated into a need for new formal jobs, as it is likely that businesses were able to increase production by increasing the number of hours worked by suspended or dismissed employees who had returned to work.[21]

[19] It should be noted, however, that in 2015 a new master sample was implemented in the Quarterly Labour Force Survey (QLFS), which may have impacted the data owing to variations in its design.
[20] (World Bank, 2019).
[21] (International Labour Organisation, 2021).

Changes in informal jobs created between 2011 and 2021 are provided in Figure 3.4. Broadly, changes in informal employment followed overall changes in employment observed across the districts over the same period.

Figure 3.4
CHANGE IN INFORMAL EMPLOYMENT, 2011 – 2021e



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021e
Western Cape	-3 790	1 404	30 070	13 071	31 439	-48 321	27 234	-9 605	-33 450	-114 418	-71 137
Cape Metro	-1 487	-1 882	14 868	8 959	10 972	-27 316	17 626	-3 875	-19 692	-67 318	-40 586
West Coast	-766	1 211	3 349	114	4 631	-3 898	775	-1 750	-2 422	-7 411	-5 397
Cape Winelands	-852	1 319	6 343	1 677	9 271	-8 364	4 253	-2 136	-5 374	-19 209	-12 325
Overberg	-181	558	2 163	778	2 970	-2 987	1 565	-594	-1 997	-6 928	-4 489
Garden Route	-433	180	3 141	1 541	3 227	-5 348	2 856	-1 109	-3 706	-12 632	-7 773
Central Karoo	-71	18	206	2	368	-408	159	-141	-259	-920	-567

Source: Quantec Research, 2022 (e denotes estimate)

In 2011, decreases in informal employment were recorded, with the Province shedding 3 790 informal jobs. The decreases in informal employment during the year suggest that informal employment required a longer period of recovery when compared with formal employment following the global financial crisis. This is evident in the growth in informal jobs recorded in 2012.

Strong increases in informal employment opportunities were recorded between 2013 and 2015, peaking at 31 439 informal jobs created in 2015.[22] The Cape Metro area (10 972 informal jobs) accounted for the largest share in new informal employment opportunities created in the Province during the year. In 2016, declines in informal employment were recorded, with a total of 48 321 informal jobs lost throughout the Province.

Despite recovering in 2017, informal employment opportunities registered contractions in both 2018 and 2019, with a total of 43 055 informal jobs lost. Further contractions were recorded in 2020 amid the COVID-19 pandemic, with recorded losses of 114 418 informal jobs in the Province. Informal job-shedding throughout 2020 far exceeded that of formal job-shedding, as

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

informal workers are more likely to be vulnerable to economic shocks owing to their ineligibility for government support measures in some instances.[23] Overall, informal employment during the period under review was more volatile and vulnerable to economic shocks than the formal sector.

Estimates for 2021 suggest that informal jobs continued decreasing, with 71 137 informal jobs lost during the year. This represents a smaller decline when compared with the previous year owing to the easing of COVID-19 regulations. Furthermore, recoveries in informal employment are again expected to have lagged behind recoveries in formal employment, as was evident in the period following the global financial crisis.

The informal sector's economic and social contributions to employment,[24] livelihoods[25] and food security[26] are recognised in academic research but are not always fully acknowledged in local government policies and bylaws.

Informal job losses over the past two years have highlighted the sector's precarity, and as a response the following key themes should be considered by local government:

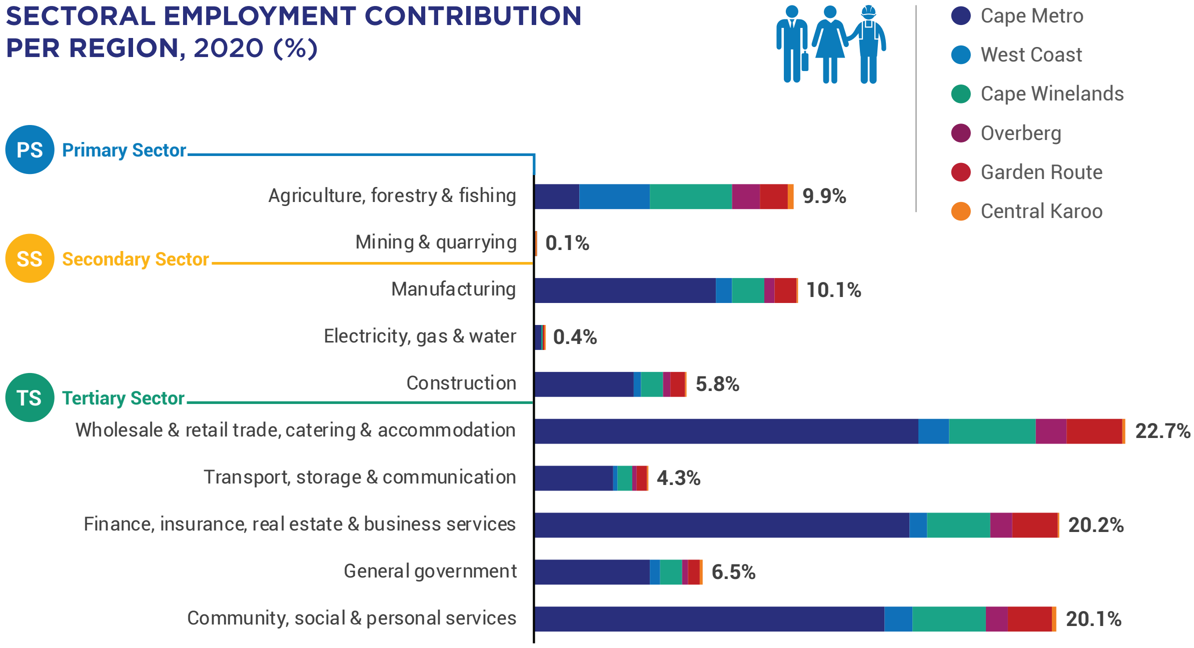
- **Regulation and enforcement:** Policies should better understand the nature of the informal sector and enable informal trade. Bylaws should be in line with the Constitution and encourage compliance from traders and officials.
- **Provision of services and infrastructure:** The provision and maintenance of basic services and necessary infrastructure are essential to support informal trade. Further training should be made available to traders as well as local municipal officials to improve skill levels.
- **Products and services:** Bylaws must accommodate different types of trade given the diversity of informal trade.
- **Tariff structure and participation:** Tariffs should be flexible and transparently administered, while informal traders need to be considered in the decision-making processes of local municipalities.[27]

[23] *(Stats SA, 2021).*
[24] *(Rogan & Skinner, 2022).*
[25] *(Blaauw, 2017).*
[26] *(Battersby, Marshak, & Mngqibisa, 2016).*
[27] *(Socio-Economic Rights Institute of South Africa, 2022).*

Figure 3.5 illustrates the sectoral employment contribution to the Provincial economy per region in 2020.

Figure 3.5

SECTORAL EMPLOYMENT CONTRIBUTION PER REGION, 2020 (%)



Source: Quantec Research, 2022

In 2020, the trade sector was the leading contributor to employment in the Western Cape, contributing 22.7 per cent. Other prominent contributions to employment were by the finance sector as well as the community services sector, which contributed 20.2 per cent and 20.1 per cent respectively.

The Cape Metro area accounted for 14.8 per cent of the trade sector's total employment contribution. This was followed by the CWD and GRD, with contributions of 3.3 per cent and 2.1 per cent respectively. Employment in the finance sector was also concentrated in the Cape Metro area, accounting for 14.4 per cent. Similar trends were seen in the community services sector, with the Cape Metro area (13.5 per cent) contributing the largest share, followed by the CWD (2.8 per cent) and GRD (1.7 per cent).

The CWD was the largest contributor to employment in the agriculture sector at 3.2 per cent. The WCD was the second-largest contributor in the agriculture sector at 2.7 per cent, followed by the Cape Metro area at 1.8 per cent. Furthermore, the Cape Metro area had the largest contribution to employment in the manufacturing sector, contributing 7.0 per cent of the sector's total employment.

4. CONCLUDING REMARKS

The global economy is estimated to have grown by 6.1 per cent in 2021. It should be noted that the strong growth recorded by the global economy in 2021 resulted from the constrained base of 2020. However, in 2022, global economic growth is expected to slow to 3.2 per cent before easing further to 2.9 per cent in 2023. The slowdown in global economic growth can possibly be ascribed to a significant decline in growth recorded in the Chinese economy, while the Russia-Ukraine conflict has contributed to rising global inflation and disruptions in economic activity in European economies.

Although the South African economy registered recoveries in the first quarter of 2022, the country's economy contracted by 0.7 per cent in the second quarter of the same year. This contraction is the result of disruptions in global energy and commodity markets stemming from the conflict in Europe and COVID-19 restrictions in China. In addition, South Africa's recovery from the COVID-19 pandemic has also been significantly restrained by power outages, rising inflation and interest rates, while the country's unemployment levels continue to remain high. Given these risks, the South African economy is anticipated to register a growth rate of 1.7 per cent in 2022, before easing to 0.3 per cent in 2023.

While recording a share contraction at 5.9 per cent in 2020, the Western Cape economy is estimated to have grown by 4.6 per cent in 2021. As with the global and national economies, this recovery stems from the sharp contractions recorded in 2020 and may not be sustainable as economic activity normalises. In the 2022 forecast periods, annual growth in the Province is expected to remain stagnant at 4.6 per cent. Economic activity is anticipated to remain constrained due to disruptions in electricity supply and global supply chain disruptions brought about by the Russia-Ukraine conflict. Subsequently, growth in the Western Cape is expected to slow to 2.5 per cent in 2023.

In conclusion, forecasts for 2023 are subdued owing to a range of international and local factors. The global economic slowdown experienced in 2022 is likely to continue into the coming year, partly because of the US's interest rate hiking cycle and the Russia-Ukraine conflict. Nationally, inflation and load-shedding will place unprecedented pressure on both consumers and producers. In response to these tough conditions, innovative projects such as the MER are good examples of innovations that may assist in protecting and creating jobs in the Western Cape.

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CM

CAPE METRO

2 446.4KM²

CAPE METRO

INFOGRAPHIC SUMMARY

1 Regional economic review and outlook

- Introduction
- Regional GDPR performance
- International trade and tourism
- Investments
- Public sector spending on designated groups
- Concluding remarks

2 Jobs

- Introduction
- Employment growth
- Sectoral employment
- Location quotient
- Concluding remarks

3 Safety and wellbeing

- Introduction
- Population profile
- Human development
- Access to housing and basic services
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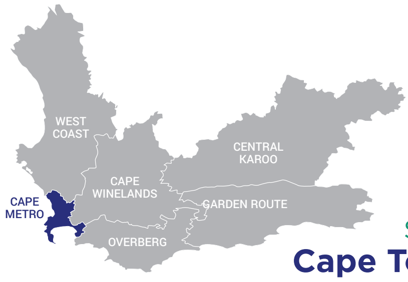


SEAT
Cape Town

AREA
2 446.4km^2

DENSITY
1844/km^2

CM CAPE METRO

DEMOGRAPHICS

GENDER – POPULATION

4 671 605
POPULATION 2021

49.4% | 50.6%
Gender split 2021

HOUSEHOLDS

Average **household income** 2020
R20 075

Indigent households 2021
201 707

AGE

0-14yrs	15-64yrs	65+yrs
23.6%	69.5%	7.0%

Age split 2021

GROSS DOMESTIC PRODUCT

GDPR 2020
R502.0 BILLION
(72.6%)
of Western Cape

GDPR per capita
(2021 current prices)
R90 049.8

GDPR estimated growth

2021e	2022f	2023f
4.3%	2.2%	0.2%

SERVICES

99.3% Access to **water** (piped or tap)

94.1% Access to **electricity**

97.7% Access to **solid waste removal**

91.3% Access to improved **sanitation**

2021

EMPLOYMENT

PEOPLE EMPLOYED
1 497 747
2020

42 540
Estimated **number** of **jobs lost** 2021

29.0%
Estimated **unemployment** rate 2021

TRADE

IMPORTS
R188.5 BILLION

2021

EXPORTS
R102.0 BILLION

Top 3 exported products

Citrus
Petroleum oils
Crude and other than crude

2021

Top 3 export destinations

Namibia
United States
Botswana

TOURISM

VISITORS 2021

OVERSEAS 2.6%
DOMESTIC 97.4%

2021

OVERNIGHT 62.2%
DAY VISITORS 37.8%

ACTIVITIES

Top activities 2021

V&A Waterfront	Table Mountain	Restaurants & Bars
21.8%	8.1%	7.2%

	GDPR 2020 GDPR CONTRIBUTION	GDPR 2021 GDPR GROWTH	EMPLOYMENT 2020 EMPLOYMENT CONTRIBUTION	EMPLOYMENT 2021 EMPLOYMENT GROWTH
PRIMARY SECTOR	1.8%	6.6%	2.8%	-1.6%
AGRICULTURE, FORESTRY & FISHING	1.5%	8.9%	2.8%	-1.5%
MINING & QUARRYING	0.2%	-14.4%	0.1%	-4.7%
SECONDARY SECTOR	20.4%	5.0%	17.5%	-4.8%
MANUFACTURING	14.5%	7.1%	11.1%	-3.8%
ELECTRICITY, GAS & WATER	2.4%	3.0%	0.4%	-2.3%
CONSTRUCTION	3.5%	-1.8%	6.1%	-7.0%
TERTIARY SECTOR	77.8%	4.1%	79.7%	-2.4%
WHOLESALE & RETAIL TRADE, CATERING & ACCOMMODATION	14.5%	6.9%	23.4%	-5.1%
TRANSPORT, STORAGE & COMMUNICATION	8.4%	5.1%	4.8%	-9.0%
FINANCE, INSURANCE, REAL ESTATE & BUSINESS SERVICES	32.8%	3.3%	22.9%	-2.3%
GENERAL GOVERNMENT	10.9%	-1.0%	7.1%	1.1%
COMMUNITY, SOCIAL & PERSONAL SERVICES	11.3%	7.4%	21.4%	0.6%

1 REGIONAL ECONOMIC REVIEW AND OUTLOOK

1.1 INTRODUCTION

The Cape Metro area is a vibrant metropolitan area and is the largest contributor to the economy of the Western Cape, spanning approximately 2 446.4km^2. It is geographically bordered by the WCD to the north, the CWD to the north-east and the OD to the east. The Cape Metro area is the commercial and industrial hub of the Province, and a valuable national port and tourism centre.

This chapter provides a detailed discussion of three prominent measures of macroeconomic performance, namely GDPR, international trade and tourism, and investment. Regional GDP data is available until 2020, while 2021 figures are estimated.[1] In addition, a GDPR outlook for 2022 and 2023 is also provided.

[1] *Stats SA will only release official regional indicators for 2021 in 2023.*

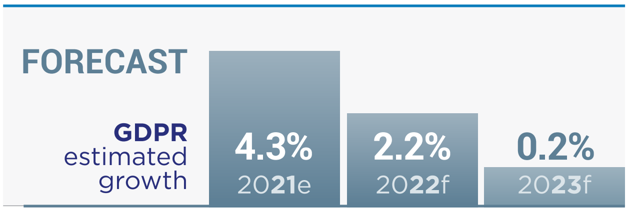
1.2 REGIONAL GDPR PERFORMANCE

This subsection provides an overview of the size of the Cape Metro area's economy by evaluating the average GDPR contribution and growth rates achieved between 2016 and 2020; 2021 figures are estimated.

Diagram 1.1
GDPR CONTRIBUTION AND AVERAGE GROWTH RATES, Cape Metro

MUNICIPALITY	R million value 2020	Trend 2011 – 2020 (%)	Trend 2016 – 2020 (%)	Real GDPR growth 2021e (%)
Cape Metro	R501 959.1 (10.0%)	0.9%	-0.4%	4.3%
Western Cape	R690 969.7 (13.8%)	1.0%	-0.4%	4.6%
South Africa	R4 997 869.0 (100.0%)	0.7%	-0.5%	4.8%

Source: Quantec Research, 2022; Urban-Econ based on Quantec, SARB, Stats SA and BFAP, 2022 (e denotes estimate, f denotes forecast)



In 2020, the Cape Metro area's economy was valued at just under R502.0 billion and accounted for 72.6 per cent and 10.0 per cent of the Provincial and national economies respectively. As such, the Cape Metro area is by far the largest single contributor to the Provincial economy.

Between 2011 and 2020, average annual growth in the Cape Metro area stood at 0.9 per cent, marginally below the 1.0 per cent recorded in the Province over the same period. However, both the Cape Metro area and the Province's average growth within the period exceeded that of the national average (0.7 per cent).

The Cape Metro area experienced an average annual contraction of 0.4 per cent between 2016 and 2020, the same as that recorded for the Province over the same period. These contractions can be attributed to the recessions experienced nationally in 2018 and 2019, and were further exacerbated by the COVID-19 pandemic.[2] The pandemic's effects on the average GDPR growth rate are inclusive of endogenous effects such as strict regulatory measures resulting in the halting of a substantial part of economic activity.[3] Exogenous pandemic effects such as the decrease in trade and tourism because of external policies also greatly impacted the country, the Province and the Cape Metro area. Other Provincial impacts limiting growth in the Province and the Cape Metro area include the drought in the Province, which led to a decrease in agricultural output.[4]

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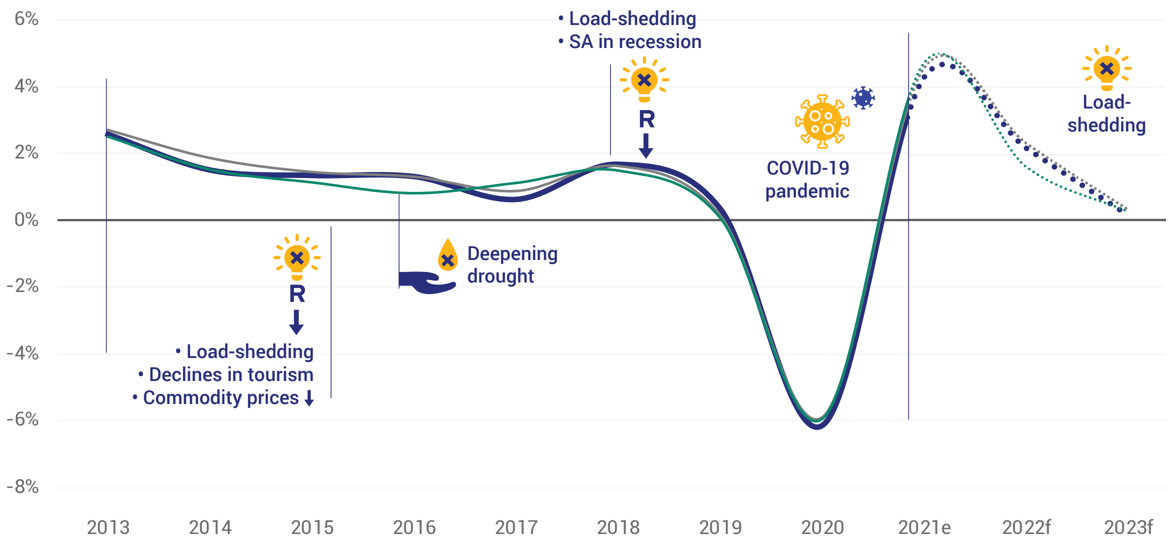
[2] *(Sibeko, 2021).*
[3] *(Alvarez-Iglesias, et al., 2021).*
[4] *(World Economic Forum, 2018).*

Estimates for 2021 suggest an increase in GDPR growth for the Cape Metro area, reaching 4.3 per cent during the year. This is also consistent with the Provincial and national growth estimates for 2021. As COVID-19 policy responses eased, economic activity that was initially restricted (such as tourism) contributed to a recovery in GDPR growth. In addition, this recovery was most likely further supported by recoveries in international trade. However, the recovery in growth rates is not sustainable in the longer term, as the growth originated from the constrained 2020 base.

Further insight about the dynamics of the Cape Metro area can be provided through an analysis of historical growth rates. This analysis also provides insight into the Cape Metro area's economic performance, which was impacted by factors affecting the Province and the country. The historical growth rates of the Cape Metro area, the Western Cape and South Africa between 2013 and 2020, as well as estimates for 2021 and forecasts for 2022 and 2023, are provided in Figure 1.1.

Figure 1.1

GDPR GROWTH, Cape Metro, 2013 – 2023



	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022f	2023f
Cape Metro area	2.6%	1.5%	1.3%	1.3%	0.6%	1.7%	0.3%	-6.1%	4.3%	2.2%	0.2%
Western Cape	2.7%	1.9%	1.5%	1.3%	0.9%	1.6%	0.1%	-5.9%	4.6%	2.3%	0.3%
South Africa	2.5%	1.5%	1.1%	0.8%	1.1%	1.5%	0.1%	-5.9%	4.8%	1.6%	0.3%

Source: Quantec Research, 2022; Urban-Econ based on Quantec, SARB, Stats SA and BFAP, 2022
(e denotes estimate, f denotes forecast)

Apart from in 2018, the Cape Metro area experienced a downward trend in GDPR growth between 2013 and 2020. This mirrors the trends in both the Provincial and national economies. The deteriorating performance of all three regions can be ascribed to, among other things, the implementation of periodic load-shedding, which restrained industrial activity.[5] Furthermore, within the context of the Cape Metro area and Province, tourism activity was impacted by the imposition of new visa regulations in 2015,[6] in addition to concerns around the safety of tourists.[7]

[5] *(The Council for Scientific and Industrial Research, 2021).*
[6] *(Southern African Association for the Conference Industry, 2015).*
[7] *(Maphanga & Henama, 2019).*

Between 2015 and 2017, growth in the metropolitan area continued to deteriorate, declining from 1.3 per cent to 0.6 per cent. This decline was largely due to the persistent drought in the Western Cape over the period, which impacted agricultural production and agro-processing activities.[8] This affected the value chain for agro-processing and logistics, which negatively impacted the trade sector in the Cape Metro area. Drought conditions in the Province further resulted in significant job-shedding, with an estimated 30 000 jobs being lost in the agriculture sector.[9] This further impacted consumer expenditure and was compounded by rising food inflation.[10]

The Cape Metro area saw a recovery in GDPR growth in 2018, recording a growth rate of 1.7 per cent during the year. This is attributed to the improvement in production within the agriculture sector, as well as the expansion of trade and investment as a result of global economic recovery.[11] However, growth within the Cape Metro area as well as the Province declined in 2019, with the Cape Metro area recording a growth rate of 0.3 per cent. This is attributed to the national technical recession impacting the Cape Metro area, with the primary, secondary and tertiary sectors contracting in output.[12]

The Cape Metro area, together with the Province and the country, is estimated to have recorded increases in GDPR growth in 2021. The Cape Metro area is estimated to have recorded a growth rate of 4.3 per cent in the year. This estimate closely follows the Provincial estimate of 4.6 per cent as well as the national estimate of 4.8 per cent. Lower estimated growth rates in the Cape Metro area compared with those of the Province and country suggest that the Cape Metro area recorded a slower recovery from the effects of COVID-19. The Cape Metro area is a driver of national economy, thus lower growth will adversely impact the Provincial and national economy. Growth in the Cape Metro area is attributable to economic recovery from the COVID-19 pandemic effects, as well as resumed economic activity. Furthermore, through various programmes, the Province has invested in creating employment opportunities for various youth within the Province, thereby further increasing growth opportunities.[13]

The Cape Metro area is forecast to record a 2.2 per cent growth rate in 2022, which is lower than the growth rate recorded in 2021. This forecast is affected by the global effects of the Russia-Ukraine war, which have disrupted global trade, as well as rising prices of food and fuel.[14] Other impacts include load-shedding, which affects various value chains as well as many businesses.[15] The forecast for 2022 is also affected by the increase in interest rates,[16] which has impacted economic activity in the Cape Metro area. Additionally, the increase in tourism in the Cape Metro area and the return of events such as the World Rugby Sevens[17] in 2022 are likely to support growth for the year. Other factors affecting the forecasts for the Cape Metro area in 2022 include the planned construction of the new Amazon headquarters in the Cape Metro area.[18] However, in 2023, growth in the Cape Metro area is anticipated to slow to 0.2 per cent. Forecasts suggest that the Cape Metro's economy will grow at a faster rate than the national economy in 2022, but at a slower rate than the Provincial economy. However, it is forecast that the Cape Metro area will grow at a slower rate than the Provincial and national economy in 2023.

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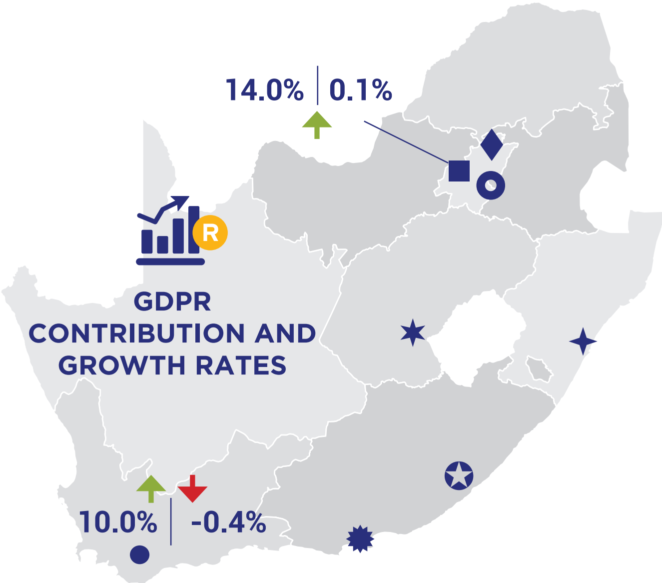
[8] *(World Economic Forum, 2018).*
[9] *(Bureau for Food and Agricultural Policy, 2018).*
[10] *(Stats SA, 2016).*
[11] *(National Treasury, 2018).*
[12] *(South African Reserve Bank, 2020).*
[13] *(Western Cape Government, 2021).*
[14] *(Sen, 2022).*
[15] *(McCain, 2022).*
[16] *(Kganyago, 2022).*
[17] *(Eyewitness News, 2022).*
[18] *(Njini & Prinsloo, 2022).*

Diagram 1.2

GDPR CONTRIBUTION AND GROWTH RATES, South African Metros, 2020

	% of national GDPR	2016 – 2020 GDPR growth
Cape Metro	**10.0%**	**-0.4%**
Nelson Mandela Bay	3.0%	-1.0%
Buffalo City	1.5%	-1.0%
Mangaung	1.8%	0.0%
eThekwini	8.7%	-0.9%
Ekurhuleni	8.0%	-0.7%
Johannesburg Metro	**14.0%**	**0.1%**
Tshwane Metro	8.8%	0.2%



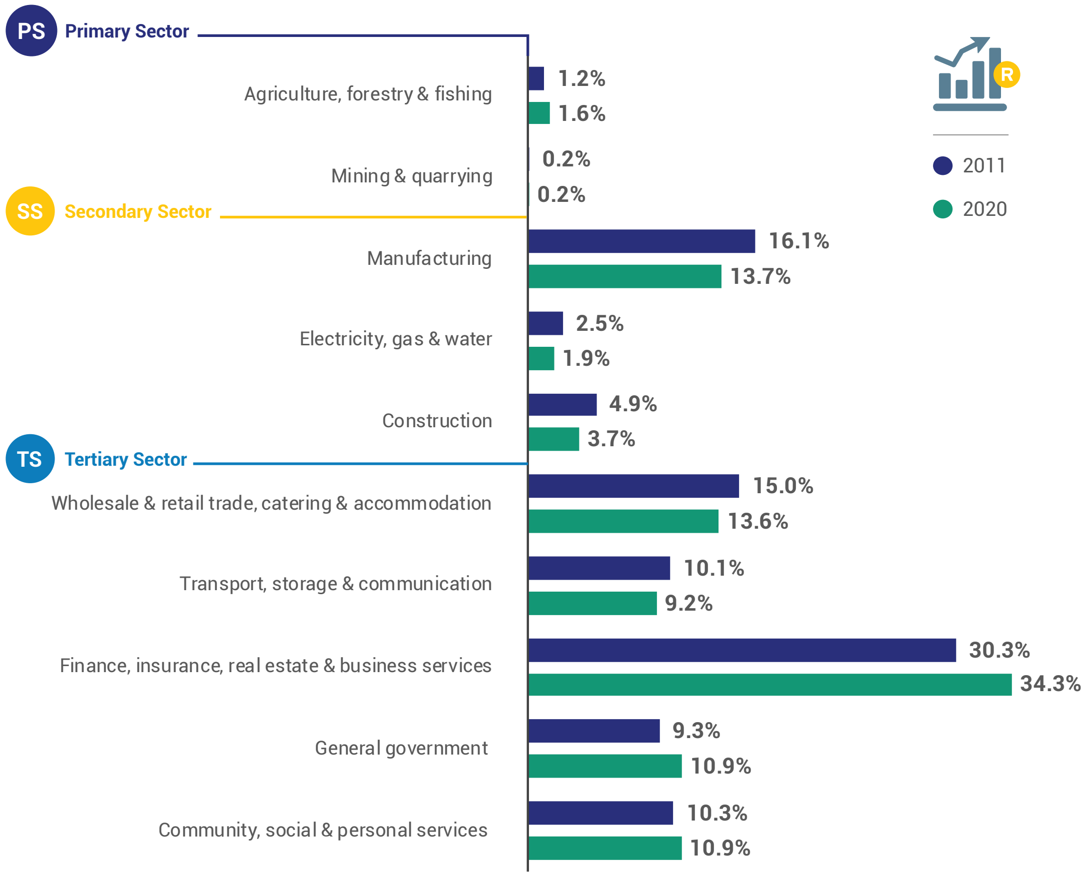
Of the eight metropolitan areas, the Johannesburg Metro area was the leading contributor to the national economy in 2020. This was followed by the Cape Metro area, which contributed 10.0 per cent, and the Tshwane Metro area, with a contribution of 8.8 per cent. The Tshwane Metro area was the fastest-growing metro area, recording a 0.2 per cent average annual growth rate between 2016 and 2020. This was followed by the Johannesburg Metro area, which recorded an average growth rate of 0.1 per cent. Conversely, the Cape Metro area contracted by 0.4 per cent between 2016 and 2020.

Source: Quantec Research, 2022

Figure 1.2 depicts the sectoral contribution to GDPR in the Cape Metro area in 2011 and 2020.

Figure 1.2

SECTORAL GDPR CONTRIBUTION (CONSTANT PRICES), Cape Metro (%)



Source: Quantec Research, 2022

The finance sector was the leading contributor to GDPR in the Cape Metro area at 34.3 per cent in 2020. Crucially, the finance sector also recorded the largest increase in GDPR contribution compared with 2011. The strong performance of this sector could be the result of the prominence of financial services through investment in the sector in fintech companies in the Cape Metro area.[19] The second-largest economic contributor in 2020 was the manufacturing sector with 13.7 per cent, followed by the trade sector, which contributed 13.6 per cent.

The sectors that contracted in economic contribution from 2011 to 2020 were the manufacturing (2.4 per cent), construction (1.2 per cent), trade (1.4 per cent) and transport (0.9 per cent) sectors. The decline recorded in the construction sector can be ascribed to the poor performance of the national construction sector over the period owing to subdued investor confidence and narrow profit margins. The construction sector also recorded reductions in investment post-2011 compared with the build-up to the 2010 FIFA World Cup. Investment in infrastructure for the 2010 FIFA World Cup greatly increased building sites such as the Cape Town Stadium,[20] though the sector recorded reductions in capital expenditure between 2017 and 2020.[21] This reduction in investment is a result of low national economic performance over the period.

[19] *(Claasen, 2022).*
[20] *(Humphrey & Fraser, 2016).*
[21] *(Stats SA, 2020).*

An overview of the sectoral GDPR contribution in the Cape Metro area is provided in Table 1.1. Table 1.1 also provides the average annual growth rates for the respective economic sectors for the five-year period between 2016 and 2020, as well as estimates for 2021 and forecasts for 2022 and 2023.

Table 1.1

GDPR PERFORMANCE PER SECTOR, Cape Metro (%)

SECTOR	R million value 2020	Trend		Real GDPR growth		
		2011 – 2020	2016 – 2020	2021e	2022f	2023f
PS Primary Sector	**R8 794.7 (1.8%)**	**3.9%**	**2.4%**	**6.6%**	**10.1%**	**0.2%**
Agriculture, forestry & fishing	R7 563.6 (1.5%)	4.1%	2.5%	8.9%	9.5%	0.8%
Mining & quarrying	R1 231.0 (0.2%)	2.3%	1.3%	-14.4%	17.7%	-6.9%
SS Secondary Sector	**R102 451.0 (20.4%)**	**-1.1%**	**-3.1%**	**5.0%**	**1.9%**	**0.2%**
Manufacturing	R72 853.8 (14.5%)	-0.7%	-2.2%	7.1%	2.0%	-0.2%
Electricity, gas & water	R11 922.2 (2.4%)	-2.0%	-2.8%	3.0%	1.1%	0.3%
Construction	R17 675.0 (3.5%)	-1.9%	-5.8%	-1.8%	1.7%	1.7%
TS Tertiary Sector	**R390 713.4 (77.8%)**	**1.4%**	**0.2%**	**4.1%**	**2.1%**	**0.1%**
Wholesale & retail trade, catering & accommodation	R72 630.8 (14.5%)	0.0%	-2.5%	6.9%	8.5%	1.8%
Transport, storage & communication	R42 213.3 (8.4%)	0.0%	-2.3%	5.1%	6.4%	2.1%
Finance, insurance, real estate & business services	R164 554.8 (32.8%)	2.1%	1.8%	3.3%	-0.1%	-1.0%
General government	R54 487.7 (10.9%)	2.6%	1.6%	-1.0%	-0.9%	-0.3%
Community, social & personal services	R56 826.8 (11.3%)	1.4%	0.3%	7.4%	-0.1%	0.1%
Total Cape Metro	**R501 959.1 (100.0%)**	**0.9%**	**-0.4%**	**4.3%**	**2.2%**	**0.2%**

Source: Quantec Research, 2022; Urban-Econ based on Quantec, SARB, Stats SA and BFAP, 2022 (e denotes estimate, f denotes forecast)

In 2020, the tertiary sector contributed the largest share to GDPR in the Cape Metro area at 77.8 per cent. Furthermore, the tertiary sector recorded average annual growth of 1.4 per cent between 2011 and 2020. However, between 2016 and 2020, the tertiary sector recorded growth of 0.2 per cent. This can be attributed to the technical recessions in the national economy and the COVID-19 pandemic.

Within the tertiary sector, the finance sector was the leading contributor in 2020 at 32.8 per cent, followed by the trade (14.5 per cent) and community services (11.3 per cent) sectors. Other drivers of the tertiary sector were the general government sector at 10.9 per cent, as well as the transport sector at 8.4 per cent. Between 2016 and 2020 the finance, government and community services sectors recorded positive average GDPR growth rates. The finance sector recorded an average annual growth rate of 1.8 per cent between 2016 and 2020, which was the highest average growth rate among all contributors in the tertiary sector. The trade sector experienced the largest average contraction between 2016 and 2020, recording a 2.5 per cent contraction on average per year.

In 2021, the tertiary sector is estimated to have recorded a 4.1 per cent growth rate during the year, recovering from the impact of the COVID-19 pandemic. This estimate is largely driven by the community services sector at 7.4 per cent, as well as the trade sector at 6.9 per cent. Conversely, the general government sector is estimated to have contracted by 1.0 per cent during the same year. This suggests that the estimated growth of the tertiary sector is not fiscally driven but is driven by an economic resumption in all sectors. Furthermore, the Cape Metro Municipality has also decreased its budget for the 2020/21 year, and this is likely to be a leading contributor to the GDPR contraction.[22]

The secondary sector contributed R102.5 billion (20.4 per cent) to the total Cape Metro economy in 2020. Between 2011 and 2020, the sector contracted by 1.1 per cent annually on average. However, between 2016 and 2020, contractions in the secondary sector were greater on average, registering an average annual contraction of 3.1 per cent during the period.

MANUFACTURING LINKAGES

Local manufacturing is supported by the sea port, airport, Special Economic Zone (SEZ) and proximity to surrounding districts that produce primary agricultural products. Large industries found in Cape Town include food and beverages, boat building[23] and clothing.[24]

Local manufacturing supports employment in multiple value chains.[25] One example of this is the logistics industry, which has 985[26] firms that are linked to the city's various industries through services such as distribution, packaging, freight, transportation and warehousing.

More recently, manufacturing capacity and localisation[27] in the Cape Metro's medical science,[28] bio-tech[29] and energy resilience[30] subsectors have grown. Such growth is often buttressed by multistakeholder partnerships[31] and university-led[32] innovation.

The local manufacturing sector was forced[33] to adapt to resource scarcity during the drought between 2016 and 2018, and this emphasis on reusing and recycling material has ultimately positioned it well in terms of resilience and sustainability.[34] This, and the presence of the Atlantis SEZ, will provide strategic opportunities for Cape Town to take on the mantle of green circular economy manufacturing in the coming years. In this regard, sustainable mobility is identified as a key gap for component manufacturing in Cape Town's Altantis SEZ[35] and harbour.[36]

[22] *(City of Cape Town, 2021).*
[23] *(Amra, 2021).*
[24] *(Forglobal, 2014).*
[25] *(Sarens, 2022).*
[26] *(Mokhele & Mokhele, 2022).*
[27] *(Department of Trade, Industry and Competition, 2021).*
[28] *(The Presidency, 2022).*
[29] *(Knorringa & Chakravarty, 2021).*
[30] *(Engineering news, 2022).*
[31] *(Harvest SA, 2022).*
[32] *(South African Medical Research Council, 2022).*
[33] *(Marcoux S, 2022).*
[34] *(CSIR, 2022).*
[35] *(GreenCape, 2022).*
[36] *(Business Insider, 2022).*

The largest contributor to the secondary sector was the manufacturing sector, registering a contribution of 14.5 per cent in 2020. This was followed by the contributions of the construction (3.5 per cent) as well as the electricity, gas and water (2.4 per cent) sectors. Between 2016 and 2020, all contributors to the secondary sector experienced contractions in GDPR growth. Construction recorded the biggest contraction of 5.8 per cent in the period. This, as previously noted, can be ascribed to the poor performance of the national construction sector.

Estimates for 2021 suggest a recovery in the secondary sector, with a GDPR growth rate estimate of 5.0 per cent. Of the contributors in the sector, the manufacturing sector is estimated to have had the highest growth rate, at 7.1 per cent during the year. This is attributable to incentives for investments by the Provincial government to grow the sector.[37] The construction sector, in contrast, is expected to have contracted by 1.8 per cent in 2021.

The primary sector was the smallest contributor to the Cape Metro area, with a contribution of R8.8 billion or 1.8 per cent in 2020. Between 2011 and 2020, growth in the primary sector averaged 3.9 per cent per annum for the sector. However, between 2016 and 2020, annual growth slowed to an average of 2.4 per cent over the period.

Agricultural activity was the main contributor to the primary sector, contributing 1.5 per cent to the Cape Metro area's GDPR in 2020. In comparison, mining and quarrying contributed 0.2 per cent during the same year. Between 2016 and 2020, both sectors experienced GDPR growth. The agriculture sector grew at a higher rate on average, registering 2.5 per cent growth in the period, whereas the mining and quarrying sector registered an average growth rate of 1.3 per cent. This infers that in terms of the primary sector, mining and quarrying is not as prominent in the Cape Metro area, with agricultural activity far outweighing mining and quarrying's contribution.

The primary sector is estimated to have continued its growth trend in 2021, with an estimated growth rate of 6.6 per cent in the year. This estimate exceeds average trends between 2016 and 2020. However, the estimated contraction of the mining sector of 14.4 per cent did not impact the estimated growth of the primary sector. This is likely to be because of the size of mining and quarrying activity in the Cape Metro area, as this contraction does not have a significant impact on the estimates for the sector.

The primary sector is forecast to have the largest growth rate across all sectors in 2022 at 10.1 per cent. Within the primary sector, this is led by a forecast growth rate of 17.7 per cent for the mining and quarrying sector in 2022 as a result of strong commodity prices in the year.[38] The secondary sector is expected to record a growth rate of 1.9 per cent in 2022. This is driven by the manufacturing sector, with a growth rate of 2.0 per cent in 2022. The tertiary sector is forecast to record a growth rate of 2.1 per cent in 2022. This is driven largely by the forecast growth of the trade sector in 2022 owing to increases in tourism as well as events in the Cape Metro area.[39] However, the finance sector is expected to contract by 0.1 per cent in the year, decreasing growth levels of the tertiary sector. Forecasts in 2023 indicate that growth across all the main sectors in the Cape Metro area are expected to slow owing to the normalisation of economic activity following the high growth rates recorded in 2021.

[37] *(Wesgro, 2022).*
[38] *(Steyn, 2022).*
[39] *(Eyewitness News, 2022).*

THE IMPACT OF COVID-19 ON THE RESTAURANT INDUSTRY

The onset of the COVID-19 pandemic required businesses in the catering and tourism sectors to respond quickly to the economic shock to prevent closure. Small tourism operators have been affected the most, as 40.0 per cent of firms in Cape Town were forced to lay off their employees. Approximately one-third of the same businesses relied on social grants such as child support, disability and pension funds as alternative sources of income during higher lockdown levels.[40] Compared with pre-pandemic levels, restaurants in the Cape Metro area recorded a contraction in customers of more than 50.0 per cent in 2021.[41] However, Cape Town performed less poorly than other large South African metros such as Johannesburg and Durban.

Between quarter one of 2021 and quarter one of 2022, the Cape Metro area recorded an increase of 99.8 per cent of visitors to the city. However, this is still 27.0 per cent lower than that of 2019's pre-pandemic levels.[42] Despite this, the number of retail operations including coffee bars, restaurants, bakeries and other retail outlets in the city increased from 1 126 to 1 163 between 2020 and 2021.[43] Given the increase of business in the trade sector recorded between 2021 and 2022, recovery in the sector will benefit the Cape Metro's economy.

The food and beverage industry also recorded recovery between 2021 and 2022. The industry saw a 55.8 per cent increase in income during 2022 compared with the previous year.[44] The income for national bar and food sales between 2021 and 2022 increased by 81.6 per cent and 54.2 per cent respectively.

A possible slump in 2023 is anticipated, owing to inflation and a preference for convenient and fast-food delivery as a result of the COVID-19 lockdown.[45] However, within years to come it is expected that the entertainment industry will undergo a resurgence, with venues such as the Cape Town Stadium planning 252 events between 2022 and 2024.[46] It is projected that the hospitality sector will recover to pre-pandemic levels by the end of 2024.[47]

[40] *(Booyens, Rogerson, Rogerson, & Baum, 2022).*
[41] *(Moorcroft, 2021).*
[42] *(City of Cape Town, 2022).*
[43] *(Cape Town Central City Improvement District, 2021).*
[44] *(Stats SA, 2022).*
[45] *(Janssen, et al., 2021).*
[46] *(Cape Town Stadium, 2021).*
[47] *(Cape Town Central City Improvement District, 2021).*

1.3 INTERNATIONAL TRADE AND TOURISM

The Cape Metro's economy is influenced not only by the spending of local households but also by regional economic activities such as the trade of goods and services, and domestic and international tourism. More specifically, exports and tourism can be considered injections into the economy, while imports are considered leakages.

This subsection explores trade and tourism dynamics in the Cape Metro area.

IMPORTS
EXPORTS

CAPE METRO TRADE

2021

IMPORTS	EXPORTS
R188.5 BILLION	R102.0 BILLION

TOP 3 EXPORTED PRODUCTS (2021)

- Petroleum oils (crude)
- Petroleum oils (other than crude)
- Citrus

TOP 3 EXPORT DESTINATIONS

- United States
- Namibia
- Botswana

TOP 3 IMPORTED PRODUCTS (2021)

- Petroleum oils (other than crude)
- Unclassified imports
- Telephone sets (including cellphones and other transmission apparatus for data)

TOP 3 IMPORT DESTINATIONS

- China
- Oman
- India

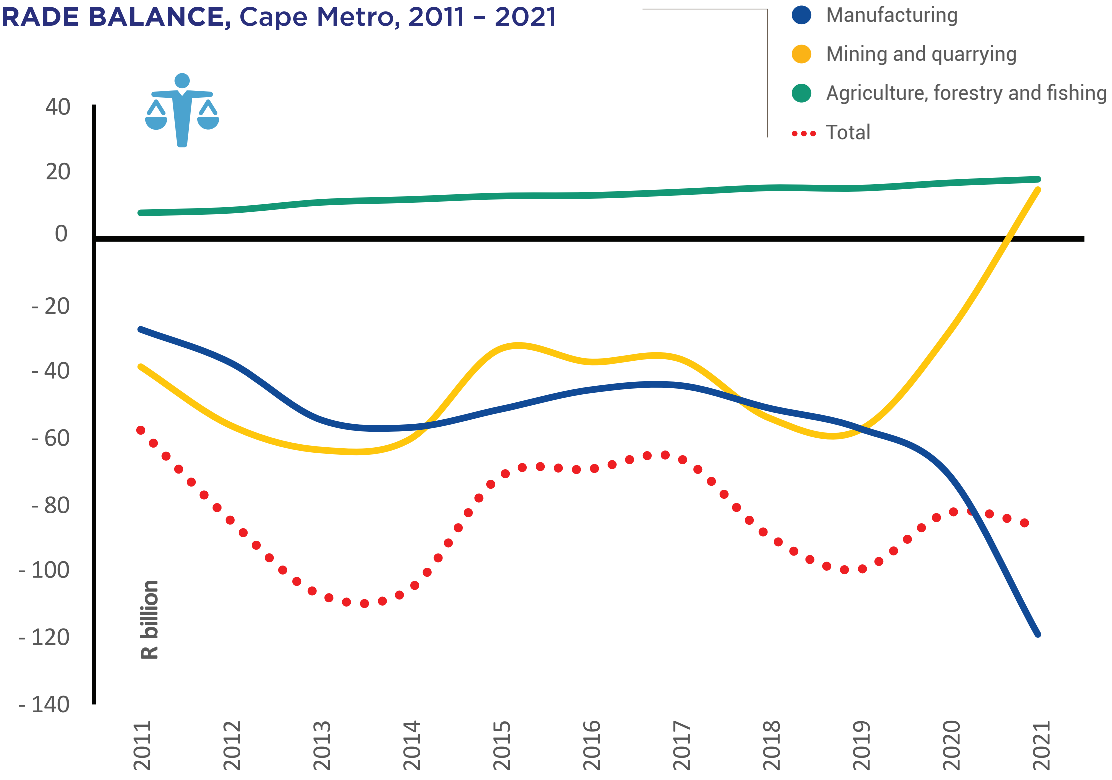
1.3.1 Trade balance

One of the indicators for international trade in an area is the trade balance, which is obtained by subtracting imports from exports. A positive trade balance indicates a surplus, where the Metro area exports more than it imports. A positive trade balance further indicates a net inflow of foreign currency, which is beneficial to the economy.

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

Figure 1.3 provides an overview of the trade balance for the Cape Metro between 2011 and 2021. The figure illustrates the total trade balance, as well as the trade balance for the main sectors that export and import goods, namely agriculture, manufacturing and mining.

Figure 1.3
TRADE BALANCE, Cape Metro, 2011 – 2021



Source: Quantec Research, 2022

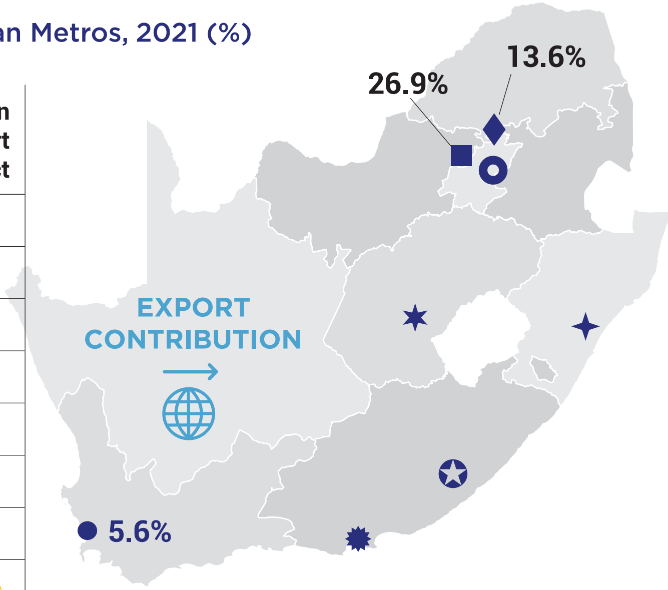
The general trend observed is that the Cape Metro experienced a trade deficit for the entire period between 2011 and 2021. The Cape Metro's trade balance trend is similar to the national trend, with a negative trade balance for most of the period under review.[48] In 2011, the trade deficit amounted to R57.9 billion and continued to increase, reaching R107.2 billion in 2013. Between 2014 and 2017, the trade deficit then underwent a period of continuous decline to reach a deficit of R66.3 billion in 2017. Thereafter, the trade balance fluctuated, reaching a deficit of R86.5 billion in 2021.

[48] *(Statista, 2021).*

With the onset of the COVID-19 pandemic, supply chain issues were experienced worldwide because of gridlocked ports and restrictions on movement, which significantly affected trade during 2020 and 2021. One aspect that might affect trade in 2022 is the recent floods, which resulted in limited access and transportation of goods to Durban and from Durban to other areas. The trade deficit can largely be attributed to the imports of manufacturing and mining products. However, the trade balance for the latter experienced a significant improvement from a R57.8 billion trade deficit in 2019 to a R15.0 billion surplus in 2021. For the entire period between 2011 and 2021, the agriculture sector experienced a trade surplus, also increasing from R7.7 billion in 2011 to R12.9 billion in 2016 and R17.7 billion in 2021.

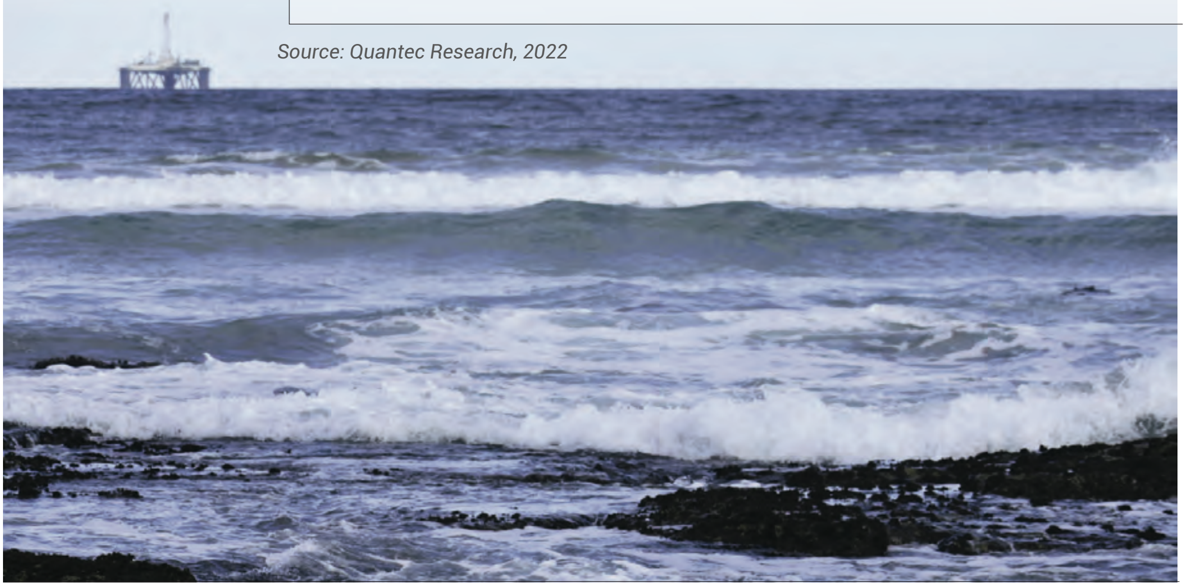
Diagram 1.3
EXPORT CONTRIBUTION, South African Metros, 2021 (%)

	% of South African exports	Main export product
Johannesburg Metro	**26.9%**	
Tshwane Metro	**13.6%**	
Cape Metro	**5.6%**	
eThekwini	5.0%	
Ekurhuleni	5.9%	
Nelson Mandela Bay	3.2%	
Mangaung	0.2%	
Buffalo City	0.1%	



The Cape Metro contributed 5.6 per cent of all national exports in 2021, with petroleum oils being the main export product. The Cape Metro area only trailed the Johannesburg, Tshwane and Ekurhuleni Metro areas, which contributed 26.9 per cent, 13.6 per cent and 5.9 per cent of all exports respectively. A number of oil refineries in South Africa have recently closed down, which may cause economic concerns. One such closure was that of Astron Energy in Cape Town, which affected the security and supply of products.[49]

Source: Quantec Research, 2022



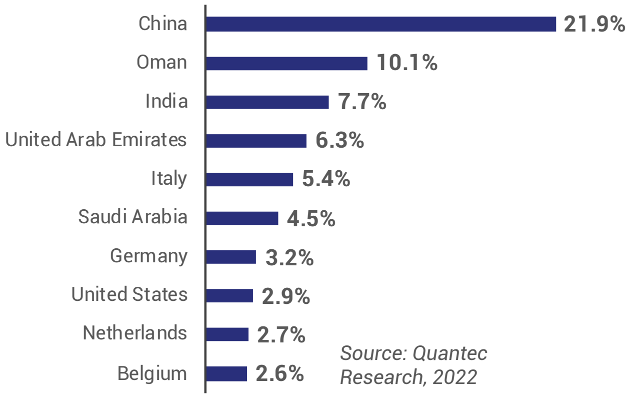
[49] *(Business Day, 2022).*

1.3.2
IMPORTS


Figure 1.4 illustrates the Cape Metro's top 10 import partners in 2021.

Table 1.2 provides a detailed breakdown of the top 10 imported products in the Cape Metro area.

Figure 1.4
TOP 10 IMPORT PARTNERS, Cape Metro, 2021



Source: Quantec Research, 2022

Table 1.2
MAIN IMPORT PRODUCTS, Cape Metro, 2021

PRODUCT	R billion 2021	% share	Main trading partners
Petroleum oils and oils obtained from bituminous minerals, other than crude	71.7	38.0%	Oman, United Arab Emirates, India
Unclassified	7.8	4.1%	China, India, Belgium
Telephone sets, including telephones for cellular networks or for other wireless networks; other apparatus for the transmission or reception of data	2.8	1.5%	China, Hong Kong, United States
Men's or boys' suits, ensembles, jackets, blazers, trousers, bib-and-brace overalls, breeches and shorts (other than swimwear)	2.2	1.1%	Mauritius, China, Swaziland
Other footwear with outer soles and uppers of rubber or plastics	2.1	1.1%	China, Vietnam, Italy
Diodes, transistors and similar semiconductor devices	1.9	1.0%	China, Hong Kong
Frozen fish	1.8	1.0%	Namibia, Morocco, Russian Federation
Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib-and-brace overalls, breeches and shorts (other than swimwear)	1.8	0.9%	China, Swaziland, Lesotho
Knitted or crocheted T-shirts, singlets and other vests	1.7	0.9%	Madagascar, China, Mauritius
Petroleum gases and other gaseous hydrocarbons	1.6	0.8%	Chile, Togo
Total imports	**188.5**		

Source: Quantec Research, 2022

The Cape Metro's top import partners in 2021 were China, Oman and India, accounting for 21.9 per cent, 10.1 per cent and 7.7 per cent respectively of all imports. Imports from China amounted to R41.2 billion, while imports from Oman and India contributed R19.1 billion and R14.5 billion respectively to the total value of imports.

Petroleum oils and oils obtained from bituminous minerals other than crude contributed the largest share of all imported products in 2021, accounting for 38.0 per cent of all imports and amounting to R71.7 billion. These products were mainly sourced from Oman, the United Arab Emirates and India. It should also be noted that the United Arab Emirates owns a liquid storage unit in Cape Town. This contributed to the United Arab Emirates being a main export partner for petroleum fuels.

Approximately 4.1 per cent of imported products were unclassified items from China, India and Belgium. Hisense recently opened a factory in Atlantis (40km north of Cape Town). The factory assembles television sets and fridges using imported kits from China and India. Apparatus such as telephone sets, including telephones for cellular networks or for other wireless networks and other apparatus for the transmission or reception of data, accounted for 1.5 per cent of imports in the Cape Metro area. These items were mainly sourced from China, Hong Kong and the United States.

Most other import products can be classified under clothing and footwear. The total share of all clothing and footwear imports contributed 4.1 per cent of all imports in the Cape Metro area and was valued at R7.8 billion. The trading partners for imports of clothing and footwear products included Mauritius, China, Swaziland, Vietnam, Italy, Lesotho and Madagascar. Cape Town has a number of factories supported by the Clothing and Textiles Competitiveness Programme (CTCP) of the Department of Trade, Industry and Competition (DTIC). This programme assists with the implementation of the Customised Sector Programme (CSP) for the clothing, textiles, footwear, leather and leather goods industry to upgrade equipment, processes, products and people, while also repositioning the country to compete with other countries producing low-cost clothing, footwear and textile products. The DTIC has prioritised the rebuilding and expansion of the retail clothing, textiles, footwear, leather and leather goods industry as a result of the devastating effects of the COVID-19 pandemic, as this industry has been identified as a major contributor to the national economy.[50]

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MADE IN THE CAPE

The Cape Trade Portal was officially launched in 2022 by Wesgro in partnership with the Western Cape Government and the City of Cape Town to assist local exporters in expanding their global footprint and to strengthen the Cape brand identity across global markets with an initial priority focus on the Province's top export markets internationally.

Leveraging on the Cape's reputation as an exporting powerhouse of premium, competitive, diverse and quality products and services, the portal acts as a dedicated resource centre, providing tools, insights and expertise to support Western Cape exporters on their journey. Among some of the other services offered by the platform are training and mentoring programmes, keeping exporters updated on upcoming trade exhibitions, offering support with non-tariff export barriers as well as assistance with regulatory and compliance requirements.

Wesgro has also developed a "Made in the Cape" brand story, supported by a robust digital marketing roll-out, to deepen and boost the brand story of the Cape as a region of origin of quality goods and services.

The campaign aims to strengthen the identity of Western Cape exports by connecting the Cape to quality by highlighting hard-hitting proof points across five products, including but not limited to rooibos (representative of Natural Products), citrus (representative of Agriculture), wine (representative of Wine and Spirits), software development (representative of Tech Innovation) and design (representative of Creative Industries).

To learn more about Made in the Cape quality products and services visit www.capetradeportal.com

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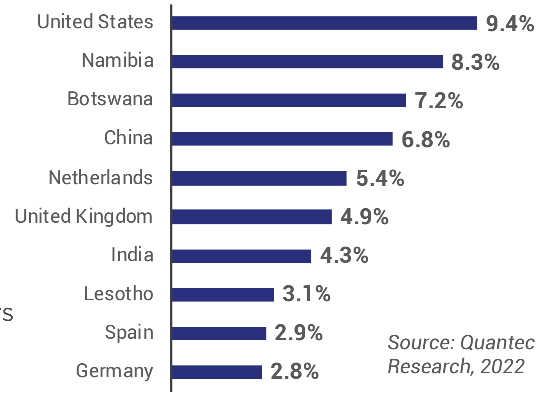
[50] *(Department of Trade, Industry and Competition, 2020).*

1.3.3
EXPORTS

The Cape Metro's top 10 export partners for 2021 are illustrated in Figure 1.5.

Table 1.3 shows the value and main trading partners associated with the top 10 product categories that were exported from the Cape Metro area in 2021.

Figure 1.5
TOP 10 EXPORT PARTNERS,
Cape Metro, 2021



Source: Quantec Research, 2022

Table 1.3
MAIN EXPORT PRODUCTS,
Cape Metro, 2021

PRODUCT	R billion 2021	% share	Main trading partners
Petroleum oils and oils obtained from bituminous minerals, crude	10.4	10.2%	India, Republic of Korea, China
Petroleum oils and oils obtained from bituminous minerals, other than crude	8.0	7.8%	Botswana, Lesotho, ship/aircraft
Citrus fruit	7.5	7.4%	Netherlands, United Kingdom, Russian Federation
Apples, pears and quinces	4.0	3.9%	Russian Federation, United Kingdom, Nigeria
Grapes	3.9	3.8%	Netherlands, United Kingdom, Russian Federation
Parts suitable for use solely or principally with combustion piston engines	2.4	2.3%	Germany, United States
Articles of jewellery and parts thereof, of precious metal or of metal clad with precious metal	2.3	2.3%	United States
Beauty or makeup preparations and preparations for the care of the skin	2.2	2.2%	United States, United Kingdom, Japan
Yachts and other vessels for pleasure or sports; rowing boats and canoes	2.0	2.0%	United States, British Virgin Islands, Italy
Fish fillets and other fish meat	2.0	2.0%	Italy, Spain, Australia
Total exports	**102.0**		

Source: Quantec Research, 2022

The Cape Metro area's top export partners in 2021 were the United States, Namibia, Botswana and China, contributing 9.4 per cent, 8.3 per cent, 7.2 per cent and 6.8 per cent respectively. South Africa is an attractive option for companies from the United States to enter the sub-Saharan Africa marketplace.[51] In 2008, the United States and the Southern African Customs Union (SACU) entered into a Trade, Investment and Development Cooperation Agreement (TIDCA). This agreement is likely to improve access to the US market for South African exports as well as identify the opportunities and impediments to investment into the national economy.[52]

[51] *(International Trade Administration, 2021).*
[52] *(United Nations Conference on Trade and Development, 2008).*

Furthermore, in 2012 an amended Trade and Investment Framework Agreement (TIFA) was signed between the United States and South Africa. The TIFA represents an opportunity for co-operation between the United States Trade Representative and South Africa in market-related or labour issues, as well as the protection and enforcement of intellectual property rights and capacity building.[53] The African Growth and Opportunity Act (AGOA) was established to strengthen commercial ties between countries in sub-Saharan Africa and the United States. This Act was signed off in May 2000 and is a preferential trade agreement that allows trade between countries at reduced tariffs.[54] Trade preferential agreements present an opportunity for the Cape Metro area to grow trade opportunities with international trade partners as well as gain access to lucrative trade markets.

The main product being exported from the Cape Metro area is petroleum oils and oils obtained from bituminous minerals (crude), accounting for 10.2 per cent of all exports from the area in 2021, with a value of R10.4 billion. The trading partners for petroleum oils and oils obtained from bituminous minerals (crude) included India, the Republic of Korea and China. Furthermore, petroleum oils and oils obtained from bituminous minerals (those other than crude) contributed 7.8 per cent to the total exports from the area, recording a value of R8.0 billion in 2021. Botswana and Lesotho were the main export partners for non-crude petroleum oils and oils obtained from bituminous minerals.

Citrus fruit also contributed a sizable share of 7.4 per cent of all exports from the Cape Metro area, with a value of R7.5 billion. The main export partners for citrus fruit were the Netherlands, the United Kingdom and the Russian Federation. However, concerns over the false codling moth, which affects the quality of citrus and other fruits, may affect citrus exports to the European Union (EU).[55] As false coddling moth was regarded as an EU quarantine pest in 2018, new regulations are likely to be punitive to Cape Metro area exports.[56] Citrus exports may need to be approved as per strict regulations or may be banned completely.[57] The Russia-Ukraine conflict affected citrus exports from South Africa to Russia, as the war blocked citrus shipments to Russia. According to the Citrus Growers' Association of Southern Africa (CGA), citrus exports to Russia have declined by almost 70% year-on-year compared with the same period in 2021. Moreover, the conflict has also resulted in a significant increase in the prices of fertilisers, fuel and agrochemicals, which means that input costs are much higher.[58] The looting of July 2021 and flooding experienced at Durban Harbour in April 2022 hindered the transportation of goods and agricultural products to Durban Harbour, as well as exports from here. Apples, pears, quinces and grapes are also being exported from the Cape Metro area and had a total value of R7.9 billion in 2021.

[53] *(Office of the United States Trade Representative, 2022).*
[54] *(Council on Foreign Relations, 2017).*
[55] *(Roberts, Andreoni, & Chisoro, 2022).*
[56] *(Roberts, Andreoni, & Chisoro, 2022).*
[57] *(Eyewitness News, 2022).*
[58] *(News24, 2022).*

CONGESTION IN THE CAPE TOWN PORT

Backlogs and shortages of containers experienced in all ports globally became a reality exacerbated by the Russia-Ukraine war. Backlogs have led to delays in vessels berthing and resulted in many ships bypassing the Cape Town port altogether. These bottlenecks affected all sectors but hit the fruit, wine and frozen fish industries the hardest, with fruit operators experiencing congestion at the peak of the deciduous fruit export season.[59] In addition to this, hope for economic recovery post-COVID vested in the export market, since the tourism sector took a slump. However, the strain placed on supply chains has undermined prospects for more export-driven growth.

Factors leading to this crisis include insufficient infrastructure investment and a lack of proper maintenance or renewal of equipment. High rates of absenteeism, the December power outages and bad weather conditions also contributed to the challenges faced.[60] Transnet also experienced a cybersecurity attack in July 2021. bringing the country to a standstill.

Some of the improvements in this space include investment in infrastructure, a policy shift with a commitment to exploring private sector partnerships, as well as the development of a decision-making tool for container deliveries to be more efficient.[61] Critical to unleashing growth in the economy is removing obstacles related to exports. Doing so would ensure that jobs are being created and that the economy continues to grow.

[59] *(Payi, 2022).*
[60] *(Comins, 2022).*
[61] *(Western Cape Government, 2022).*

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Western Cape Government
Economic Development and Tourism

CITY OF CAPE TOWN
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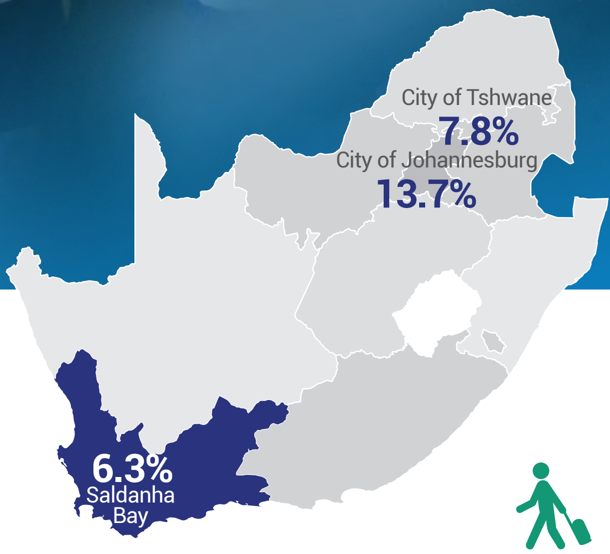
STAD KAAPSTAD

INVEST CAPE TOWN

WESGRO
cape town & western cape
tourism, trade & investment

TOURISM

CAPE METRO



DOMESTIC VS INTERNATIONAL

TRAVELLERS 2021

INTERNATIONAL	DOMESTIC
2.6%	97.4%

GROWTH IN BED-NIGHTS ▶ TOTAL **-10.0%**

ORIGIN 2021

INTERNATIONAL	DOMESTIC
-31.5%	12.8%

TOP 3 DOMESTIC TRAVELLERS 2021

TOP 3 INTERNATIONAL TRAVELLERS 2021

United States	Philippines	Australia
56.1%	7.1%	4.8%

TOURISM PROFILE

In 2021, Cape Town was named Africa's Leading City Destination by the World Travel Awards and Table Mountain also claimed the title as Africa's Leading Tourist Attraction.[62] Cape Town is a popular international tourism destination. Visitors are attracted to the Cape Metro area because of its natural beauty, urban landscape, sandy beaches, Mediterranean climate and well-developed infrastructure.

Cape Metro

Some of Cape Town's iconic attractions include Table Mountain, the V&A Waterfront, Cape Point, Kirstenbosch National Botanical Garden and Robben Island. Nature continues to be one of the key drawcards, and a range of nature-based adventure tourism and leisure activities has developed around the Cape Metro's natural resources, including rock climbing, hiking, mountain biking, hang-gliding, abseiling, horse riding on the beach, birding, fishing, surfing, kitesurfing, kayaking and sunbathing, as well as other activities such as golf, running and road cycling.

In 2021, domestic growth in bed-nights in the Cape Metro increased by 12.8 per cent, while international bed-nights declined by 31.5 per cent. Overall, the growth in bed-nights declined by 10.0 per cent in 2021.

TOURISM SPEND AS A SHARE OF GDPR

2019	2020	2021
7.5%	2.4%	4.8%

Source: IHS Markit, 2022

The tourism spend in the Cape Metro made up an estimated 4.8 per cent of the GDPR and is an increase of 2.4 per cent from 2020. In 2019, tourism spend as a share of GDPR was 7.5 per cent, meaning the Cape Metro is on the road to recovery.[63]

The data collected for the Cape Metro was done by means of mobile location data and as a result the insights are not inclusive of all tourists. Mobile location data is geodata or spatial data collected from apps installed on smartphones. When a user installs an app, they are often asked to share their location and when users opt in to share this data, their phone collects data and shares it with the publisher companies. All data collected is anonymised and does not share any personal information.

[62] *(Cape Town Etc, 2021).*
[63] *(IHS Markit, 2022).*

DOMESTIC OVERNIGHT VS DAY VISITORS

2021

DAY VISITORS 37.8%

OVERNIGHT VISITORS 62.2%

INTERNATIONAL OVERNIGHT VS DAY VISITORS

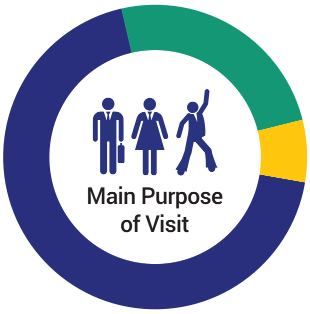
2021

DAY VISITORS 33.1%

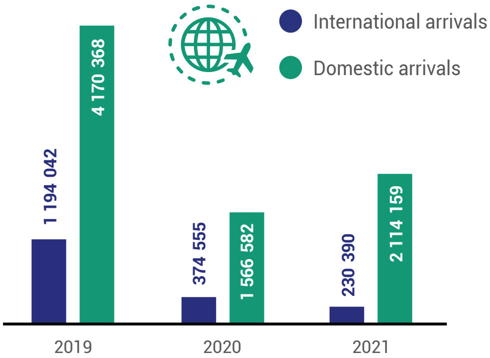
OVERNIGHT VISITORS 66.9%

TOP 3 MAIN PURPOSES OF VISIT

2021

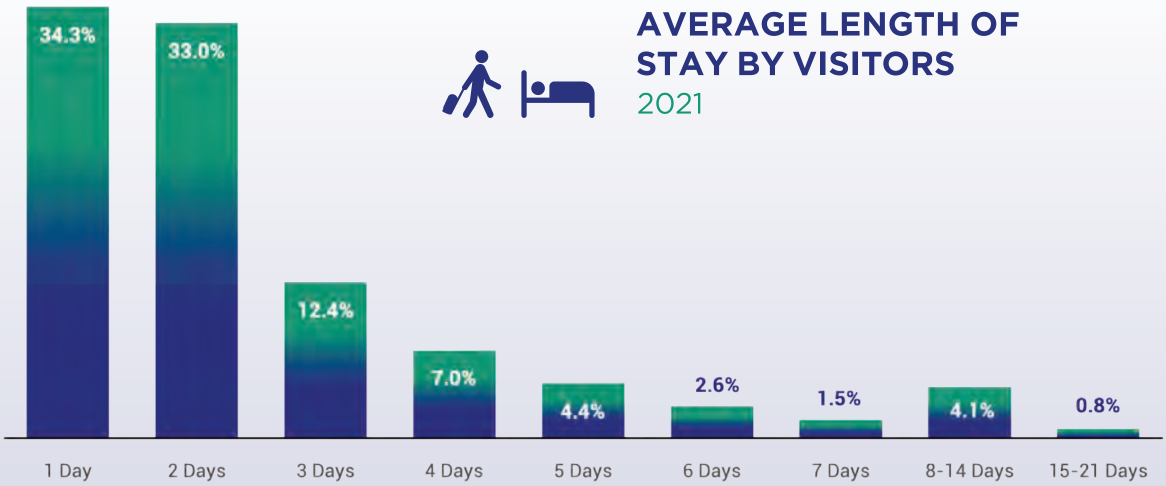


AIRPORT PASSENGER MOVEMENT



AVERAGE LENGTH OF STAY BY VISITORS

2021



According to the mobile location data, most of the visitors to the Cape Metro in 2021 were domestic (97.4 per cent). Domestic visitors to the Metro were mainly from the City of Johannesburg (13.7 per cent), the City of Tshwane (7.8 per cent) and Saldanha Bay (6.3 per cent). According to the mobile location data, in 2021 only 2.6 per cent of all travellers to the Cape Metro were international visitors and originated mainly from the United States (56.1 per cent), the Philippines (7.1 per cent) and Australia (4.8 per cent).

International arrivals at Cape Town International Airport declined by 38.5 per cent in 2021, with a total of 230 390 passengers. The reason for the decline in international arrivals for 2021 is possibly due to the international source markets experiencing lockdowns in their respective countries. Domestic arrivals grew by 35.0 per cent in 2021, with a total of 2 114 159 passengers, and December was the airport's busiest month. For domestic visitors, most visitors were overnight visitors (62.2 per cent), with day visitors accounting for 37.8 per cent. The international visitors to the Cape Metro were also mostly overnight visitors (66.9 per cent), with day visitors accounting for 33.1 per cent.

A total of 34.3 per cent of visitors stayed for one night, 33.0 per cent of visitors stayed for two nights and 12.4 per cent stayed for three nights. On average, domestic tourists stayed in Cape Town for 2.7 nights, while international tourists stayed slightly longer at 3.1 nights. The purpose of visiting the Cape Metro was mainly to visit friends and relatives (62.9 per cent), while travelling for leisure and/or holiday was at 22.7 per cent and travelling for business accounted for 6.1 per cent.

TOP POINTS OF INTEREST VISITED BY DOMESTIC TOURISTS 2021

V&A Waterfront Precinct	Table Mountain	Cape Point	Willowbridge & Tyger Valley	Cape Town Restaurants & Bars
21.7%	8.0%	4.3%	4.4%	7.3%

Points of interest in the Cape Metro are location-specific where the mobile location data was captured, meaning that only specific points of interest, and not all activities, are monitored. **Top points of interest for domestic tourists in the Cape Metro in 2021 were the V&A Waterfront (21.7 per cent) and Table Mountain (8.0 per cent).** The top points of interest by international tourists were also the V&A Waterfront (31.5 per cent) and Table Mountain (12.2 per cent). Cape Town's hotel sector had an occupancy rate of 31.9 per cent compared with 35.9 per cent in 2020. The revenue per average room was R446.60, which is a 32.5 per cent decline when compared with the revenue of R661.94 in 2020. The decline in revenue per average room in 2021 could mean that hotels had to bring their prices down to attract the domestic markets.

AIRPORT RATINGS

Cape Town International Airport (CTIA) has been named the best airport in Africa. This is the seventh consecutive year that the airport has won this title at the prestigious World Airport Awards held in Paris.[64] The winners of the award are decided by travellers across the globe, as they take part in a customer satisfaction survey which evaluates customer experience across different airport services. The airport also won the "Best Staff in Africa" and "Cleanest Airport in Africa" categories.[65]

The majority of the tourism indicators, unless otherwise stated, were sourced from *Cape Town Regional Trends 2021*, which was sourced from Wesgro. The full report can be accessed by means of the QR code. The report uses regional visitor-tracking surveys to compile a tourism profile per region. Visitor-tracking surveys can only be used as a proxy to indicate the key trends within the region because of the survey collection method and sample size. Therefore, the information reported on cannot be seen as absolute figures. Furthermore, the information cannot be compared with other regions, nor with the information released by South African Tourism. It is also not advisable to compare year-on-year information, as the sample sizes are not comparable.

[64] *(Brandt, 2022).*
[65] *(Ncwane, 2022).*

1.4 INVESTMENTS

Private and public sector investment play a significant role in enhancing economic growth within a country. Investment refers to the allocation of capital towards the production of goods that will be used to generate other goods in the long term.[66] Thus, in the long term, investment is important for improving productivity and increasing the competitiveness of an economy. Targeted impact investing also has a role to play in generating jobs and sustained employment in South Africa.[67]

This subsection discusses various forms of investments occurring in the Cape Metro area, including building plans passed and completed, sectoral investments and business expansions, and a consolidated overview of municipal and Provincial infrastructure spending on contracted services and infrastructure.

1.4.1 Private sector investment

1.4.1.1 Sectoral investments and business expansion

Eris Property Group raised an investment of about R365.0 million for its social impact student housing all over the country. This includes housing units with 3 085 beds on Station Square in Cape Town, which are aimed at providing housing for Cape Peninsula University of Technology students and those attending other local universities. Entities such as Momentum Metropolitan Life, the International Finance Corporation and the Danish Sustainable Development Goals Investment Fund made significant contributions to the investment.[68]

In 2021, the Cape Town International Convention Centre (CTICC) confirmed that it had booked 15 international conferences, with about 22 000 attendees, over the next six years. These conferences are anticipated to contribute R594.0 million to the local economy.[69] A total of 100 domestic events were confirmed by the CTICC in the first quarter of 2022. This included events such as the Investec Cape Town Art Fair and the Ultimate Beverage Show.[70]

Google has launched the first stage of its R15.0 billion investment over five years to support the digital transformation of Africa.[71] The Google Equiano cable landed in Cape Town in 2022, in accordance with the commitment Google made in 2019.[72] The cable has a design capacity of 144Tbit/s and 12 fibre pairs, which will lower the cost of internet access. It is anticipated that the cables will be completely operational by the end of 2022,[73] with the first branch of cables connecting from Lisbon in Portugal to Cape Town in South Africa.[74]

A new venture capital fund was established by Tiger Brands and Secha Capital in the middle of 2021 with the objective of funding companies that provide consumers with healthier food options. The Tiger Brands Venture Capital Fund initially committed R100.0 million, of which the first investment was made to Herbivore Earthfoods, a Cape Town-based company that manufactures plant-based foods, in 2022.[75]

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[66] *(Organisation for Economic Co-operation and Development, 2020).*
[67] *(Makhathini, Mpanza, & Mlambo, 2020).*
[68] *(Eris Property Group, 2021).*
[69] *(Cape Town International Convention Centre, 2021).*
[70] *(Cape Town International Convention Centre, 2022).*
[71] *(Investment Monitor, 2021).*
[72] *(TechRadar, 2022).*
[73] *(TechCentral, 2022).*
[74] *(Al Jazeera, 2022).*
[75] *(News24, 2022).*

Teraco Data Environments (Pty) Ltd announced the completion of phase one of its data centre in Brackenfell in Cape Town in 2021. The first phase comprises a 25 000m^2 building structure, an 8 000m^2 data hall and 18MW of power capacity.[76] Although the business withheld the investment amount, it described the facility as a "multibillion-rand data centre complex".[77]

Over the past three years, the business process outsourcing sector has attracted investments of R3.4 billion in Cape Town alone, boosting the city's economy and employment.[78] One of the biggest players in the industry, Sigma Connected, revealed plans to establish a cutting-edge call centre in Mitchells Plain, Cape Town.[79] The call centre officially started operations mid-2022 and aims to eventually create up to 1 000 new jobs.[80]

The ABB FIA Formula E World Championship will be held in Cape Town in 2023, making it the first city in sub-Saharan Africa to host the event.[81] The City of Cape Town, through its Urban Mobility Directorate, has committed to investing approximately R44.0 million in improvements to the electric car race track. The race will make use of locally produced power, and the 12-turn track will allow fans a variety of viewing locations, enhancing tourism.[82]

The first 23-floor tower of Cape Town's R16.0 billion Harbour Arch development is almost completed.[83] More than 20 000 jobs were created during the construction phase alone, and more jobs are expected to arise once the development is complete, particularly in the tourism, hotel and retail industries. Upon completion, the development will feature six towers totalling 200 000m^2 of usable space, including corporate headquarters and commercial offices, restaurants, a health and fitness club, conference facilities, a wide range of residential apartments, and more.[84] It is anticipated that the development of the six towers will be completed in 2029.[85]

South African authorities and the US Department of Transportation have agreed to have United Airlines and Delta Air Lines operate flights from Atlanta to Cape Town and from Washington to Cape Town.[86] The new direct flights will foster competition and provide affordable and consistent service to Cape Town for US travellers and vice versa. The direct flights will also boost tourism owing to the expected increase in international visitors coming from the US to the Western Cape.[87]

Gross fixed capital formation (GFCF) is defined as the net acquisition of all existing and new capital assets, for instance machinery, construction works and buildings. These "produced assets" only come into existence as a result of a production process and can be purchased by the general government, private enterprises and state-owned corporations as long-term investments.[88] Tracking GFCF growth is a helpful representative metric of the state of the economy, as it is an important driver in real gross domestic expenditure and real gross domestic product. On average, from 1990 to 2019, the ratio of GFCF to nominal GDP in South Africa was 18.3 per cent.[89]

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[76] *(Teraco, 2021).*
[77] *(DatacenterDynamics, 2021).*
[78] *(IT Web: Business Technology Media Company, 2021).*
[79] *(Teraco, 2021).*
[80] *(DatacenterDynamics, 2021).*
[81] *(News24, 2022).*
[82] *(Daily Maverick, 2022).*
[83] *(Business Insider, 2022).*
[84] *(BusinessTech, 2022).*
[85] *(Business Day, 2021).*
[86] *(BusinessTech, 2022).*
[87] *(Zawya, 2022).*
[88] *(Organisation for Economic Co-operation and Development, 2020).*
[89] *(Makhathini, Mpanza, & Mlambo, 2020).*

Table 1.4 provides the Cape Metro's GFCF per sector with regard to trends over the period 2011 to 2020, and an estimate for 2021.

Table 1.4
GROSS FIXED CAPITAL FORMATION, Cape Metro, 2011 – 2020, 2021e

SECTOR	R million 2020	Trend		Annual real GDPR growth		
		2011 – 2020	2016 – 2020	2019	2020	2021e
Primary Sector	**R1 631.9 (2.3%)**	**4.1%**	**1.2%**	**-4.7%**	**3.0%**	**20.4%**
Agriculture, forestry & fishing	R1 089.2 (1.5%)	5.9%	0.7%	-10.6%	8.3%	34.2%
Mining & quarrying	R542.7 (0.8%)	1.9%	4.1%	11.3%	-8.6%	-15.8%
Secondary Sector	**R17 942.3 (25.2%)**	**-0.3%**	**-6.3%**	**-3.2%**	**-15.8%**	**0.0%**
Manufacturing	R11 138.9 (15.6%)	2.3%	-1.3%	2.1%	-13.2%	3.3%
Electricity, gas & water	R4 503.5 (6.3%)	-4.1%	-15.2%	-14.6%	-20.8%	-12.4%
Construction	R2 299.9 (3.2%)	0.0%	-1.5%	0.0%	-17.5%	8.5%
Tertiary Sector	**R51 678.4 (72.5%)**	**-1.0%**	**-4.9%**	**-1.5%**	**-17.4%**	**2.4%**
Wholesale & retail trade, catering & accommodation	R5 581.5 (7.8%)	2.1%	-3.6%	-2.9%	-16.2%	9.5%
Transport, storage & communication	R9 613.5 (13.5%)	-0.3%	-5.9%	-1.1%	-9.4%	-9.2%
Finance, insurance, real estate & business services	R20 205.3 (28.4%)	-2.4%	-4.8%	-1.4%	-25.5%	4.6%
General government	R13 054.8 (18.3%)	0.5%	-4.3%	-1.0%	-10.4%	4.4%
Community, social & personal services	R3 223.2 (4.5%)	-0.4%	-4.8%	-2.1%	-10.4%	3.6%
Total Cape Metro	**R71 252.6 (100.0%)**	**-0.8%**	**-5.2%**	**-1.9%**	**-16.7%**	**2.2%**

Source: Quantec Research, 2022

In 2020, the Cape Metro recorded GFCF of R71.3 billion. The tertiary sector was the largest contributor, making up 72.5 per cent of total capital investment. The largest subsectors within the sector were finance (28.4 per cent), general government (18.3 per cent) and transport (13.5 per cent). However, in 2020 the area recorded a contraction in GFCF of 16.7 per cent, which can largely be attributed to the impact of the COVID-19 pandemic, which caused a significant decline in economic activity and therefore capital investment.

From 2011 to 2020, the Cape Metro experienced contraction in GFCF of 0.8 per cent. Similarly, over the period 2016 to 2020 a contraction of 5.2 per cent was recorded. The sectors that experienced the most significant contraction between 2016 and 2020 were electricity, gas and water (15.2 per cent), transport (5.9 per cent) and finance (4.8 per cent). However, overall GFCF is estimated to have grown by 2.2 per cent in 2021.

In 2020, the only sector that recorded positive growth in GFCF was agriculture (8.3 per cent). This was most likely due to the increased investment in horticulture/urban gardens, as well as an increase in home delivery as a result of COVID-19 restrictions. This had a positive impact on the Cape Metro's agriculture sector, since existing markets were restricted with regard to international trade, which resulted in reduced food imports. Therefore, conditions in 2020 allowed for significant investment in local agricultural products to satisfy demand.

The estimated overall growth in GFCF for 2021 can be attributed to the significant growth in agriculture (34.2 per cent), trade (9.5 per cent) and construction (8.5 per cent). This is particularly positive, as each subsector falls within a different key sector (primary, tertiary and secondary, respectively), and this is a good indication of diverse investment. Additionally, this increase in investment indicates improved investor confidence as well as increased levels of productivity.

When compared with other districts in the Province, the Cape Metro is estimated to have experienced the largest growth within the construction sector. This is a good indication of investment across all segments including residential, commercial and industrial infrastructure, all of which contribute to increased social and economic activities. Furthermore, the construction industry contributes to employment, household income and economic growth.[90]

Similarly, the municipal area also recorded the highest estimated growth in investment within the agriculture sector (34.2 per cent). This can be attributed to higher levels of productivity as a result of improved weather conditions following the drought period. Additionally, agriculture was the largest export within the Cape Metro in 2021.

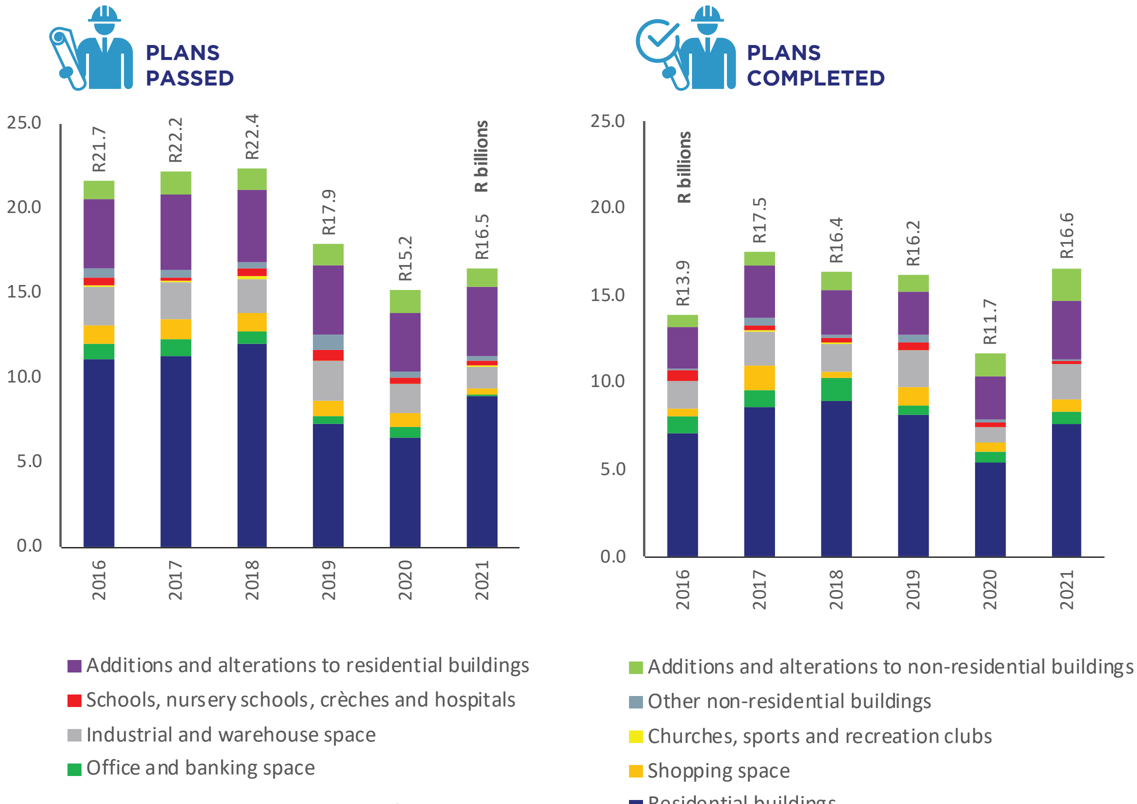
[90] *(Stats SA, 2022).*

1.4.1.2 Building plans passed and completed

Building plans passed and completed are some of the indicators used to measure economic activity and business cycle changes. The value of building plans passed[91] can be used as a leading indicator, while building plans completed[92] can be used as a lagging indicator. Building plans passed and completed have further implications for municipal spatial planning and budgeting. Furthermore, building plans passed indicate the private sector's willingness to invest in an area, while business plans completed highlight money that has been spent. It should also be noted that the development of non-residential buildings has a positive impact on the local economy during the construction phase as well as the operational phase.

Figure 1.6 shows the trend in the value of building plans passed and completed in the Cape Metro area between 2016 and 2021. The value of building plans passed and completed is expressed in current prices.

Figure 1.6
VALUE OF BUILDING PLANS PASSED AND COMPLETED, Cape Metro, 2016 – 2021 (R billion)



Source: Stats SA & Quantec Research, 2022

The building plans passed in the Cape Metro area decreased in value from R21.7 billion to R16.5 billion from 2016 to 2021. Residential building plans comprised most of the building plans passed and these experienced a decrease in value from R11.1 billion in 2016 to R8.9 billion in 2021, with a peak of R12.0 billion in 2018. The value of building plans passed for additions and alterations to residential buildings experienced an overall limited decline from R4.1 billion in 2016 to R4.0 billion in 2021, even though slight variations can be observed during the period under review.

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[91] *Number of residential building plans passed for buildings larger than 80m².*
[92] *Value of non-residential buildings completed (constant prices).*

Building plans passed for industrial and warehouse space decreased from R2.3 billion in 2016 to R1.3 billion in 2021. Building plans passed for commercial space also declined. The value of office and banking space significantly dropped from R900.0 million in 2016 to R100.0 million in 2021. This declining trend reflects the decreased need for and use of office space owing to increased flexibility in working space and employment cutbacks as a result of the recession in 2019 and the aftermath of the COVID-19 pandemic in 2020.[93] The value of building plans passed for shopping space also decreased from R1.1 billion in 2016 to R400.0 million in 2021. Other building plans passed during the period of review included plans for schools, nursery schools, crèches and hospitals, which decreased from a value of R400.0 million in 2016 to R300.0 million in 2021.

The total value of buildings completed in the Cape Metro increased between 2016 and 2017, highlighting the property boom in the Cape Metro, with a general decline recorded thereafter up until 2021. A substantial decline was recorded from R16.2 billion in 2019 to R11.7 billion in 2020, before a significant return to R16.6 billion in 2021. The decline in buildings completed could have been a result of a decline in investor confidence and household income, as well as administrative backlogs, while the recent increase could be influenced by recovery after the COVID-19 lockdown restrictions in 2020.

Since 2016, most of the buildings completed have been residential buildings, which slightly increased in value from R7.1 billion in 2016 to R7.6 billion in 2021. However, there was also a significant decrease from R9.0 billion in 2018 to R5.4 billion in 2020. The recent increase indicates a growing demand and need for affordable housing options in the Cape Metro area, which could have been influenced by the drop in interest rates in 2020. Buildings completed for additions and alterations to residential buildings also experienced a decline, from a value of R3.0 billion in 2017 to R2.4 billion in 2019, thereafter increasing to R3.4 billion in 2021. Buildings completed for industrial and warehouse space increased from a value of R2.0 billion in 2017 to R2.1 billion in 2019, before returning to R2.0 billion in 2021. The total value of buildings completed in the Cape Metro area increased from R3.9 billion in 2016 to R16.6 billion in 2021.

A considerable decline in the total value of building plans passed can be observed from 2019 onwards, indicating a lack of confidence in the future. Real estate development promotes the economic value and growth of an area. Capital is already being pushed into the economy before the physical construction activities. The services of various people from different industries, including lawyers, engineers, architects and designers, benefit from the planning of real estate development. An increase in the development of housing naturally creates new jobs for businesses in an area. Furthermore, an increase in the development of housing may also mean an increase of residents in an area, which translates into an increase in the labour force and economic growth.

[93] *(News24, 2021).*

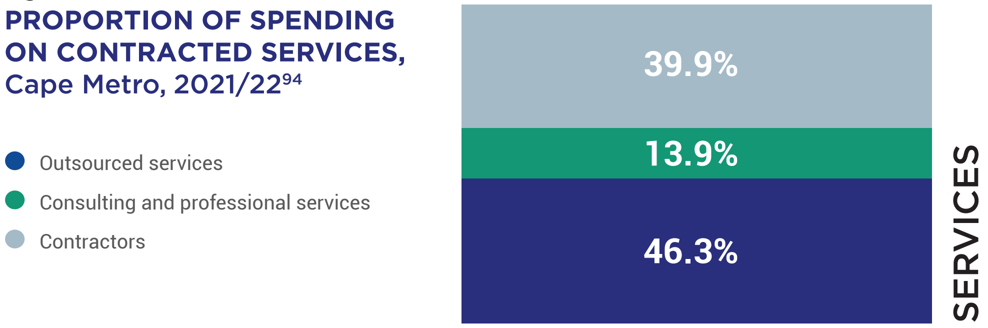
1.4.2 Public sector investment

1.4.2.1 Municipal contracted services

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

Figure 1.7 provides a breakdown of spending on contracted services in 2021/22.

Figure 1.7
PROPORTION OF SPENDING ON CONTRACTED SERVICES, Cape Metro, 2021/22[94]



Source: Calculated from National Treasury, 2022

In 2021/22, most spending by the City of Cape Town on external services was allocated to outsourced services (46.3 per cent) and contractors (39.9 per cent). The majority of the outsourced spend was on health services (nursing staff, medical doctors, nutrition services, medical and chemical waste removal, etc.) for the City, totalling R579.7 million. Spending on medical doctors, nursing staff and associated items in municipal areas, as discussed in this section, is attributed to the Department of Health. The majority of money spent on contractors was also allocated to health services (including maintaining and repairing equipment, casual labour and medical services), with a total of R67.1 million spent.

The City of Cape Town provides a wide range of services to support SMMEs, such as a dedicated help desk that provides information on how to do business with government, funding SMME development programmes and development programmes for vendors on the Central Supplier Database, funding strategic economic partners and providing infrastructure support to support development. Examples of projects include the Ease of Doing Business initiative and the Philippi Agri-hub project.[95]

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

[95] *(City of Cape Town, 2022).*

1.4.2.2 Infrastructure

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

Table 1.5 outlines the budgeted expenditure on infrastructure by the Cape Metro area for 2022/23.

Table 1.5
SPENDING ON INFRASTRUCTURE, Cape Metro area, 2022/23

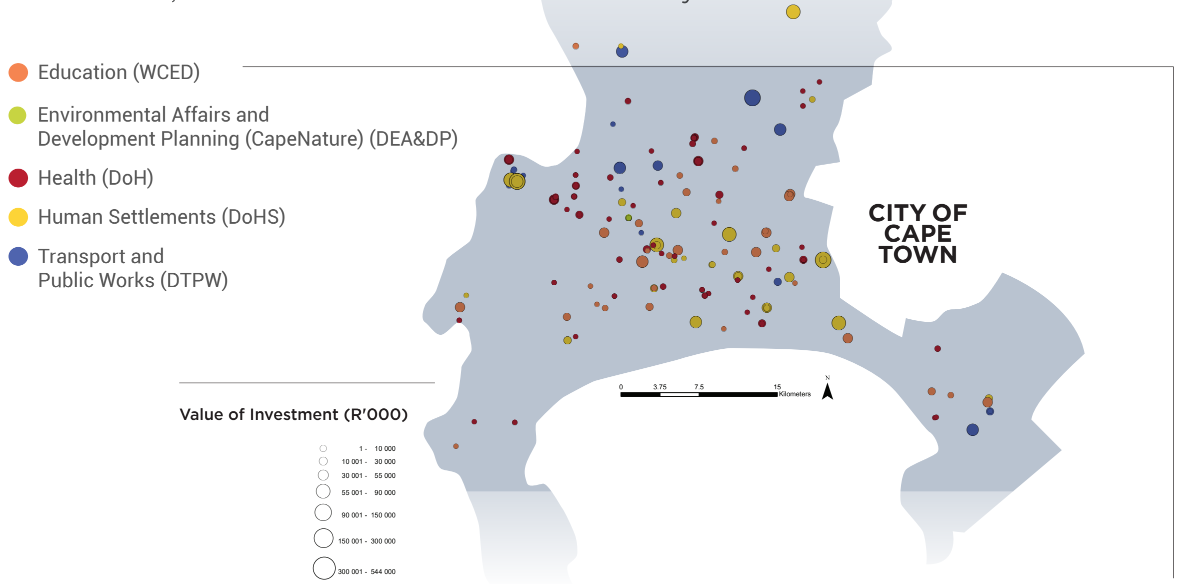
DESCRIPTION R million	2022/23 Municipal infrastructure spend (original budget)
Economic infrastructure	**1 462.9**
Road transport and public works	1 324.2
Environmental services	138.6
Social infrastructure	**963.2**
Education	-
Health	37.3
Social development	55.4
Housing	870.6
Trading services	**3 515.7**
Energy sources	1 045.1
Water management	879.1
Wastewater management	1 233.4
Waste management	358.1
Other	**1 586.0**
Total infrastructure spend	**7 527.8**

Source: Provincial Treasury, 2022

The City of Cape Town allocated R7.5 billion to the capital expenditure budget for 2022/23. This includes allocations made towards economic infrastructure, social infrastructure and trading services infrastructure of R1.5 billion, R1.0 billion and R3.5 billion respectively. Other capital expenses to the value of R1.6 billion have also been budgeted for 2022/23. Key municipal expenditure categories include road transport and public works (R1.3 billion) and wastewater management (R1.2 billion).

Provincial total infrastructure spend in the City over the 2022/23 to 2024/25 Medium Term Expenditure Framework (MTEF) amounts to R12.12 billion and accounts for 39.9% of the total Provincial infrastructure budget. Spending in the Cape Metro area is focused on economic and social infrastructure.

In 2022/23, the Western Cape Government will invest a total of R1.1 billion in economic infrastructure throughout the City. An amount of R1.0 billion will be directed towards the Road Transport function to construct new infrastructure and to conduct rehabilitation, renovations and refurbishment as well as routine/preventative maintenance to existing road transport assets. Investment in economic infrastructure will also entail channelling funds towards the rehabilitation, renovation and refurbishment of the City's assets.



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

Maps supplied by DEA&DP. Spatial Information Management

Diagram 1.4

TOTAL DEPARTMENTAL MTEF INFRASTRUCTURE BUDGET AND NUMBER OF PROJECTS & PROGRAMMES, Cape Metro, 2022/25

WC PROVINCIAL DEPARTMENT	No of Projects & Programmes	2022/23 MTEF (R'000)	2023/24 MTEF (R'000)	2024/25 MTEF (R'000)	MTEF Total (R'000)
Education (WCED)	43	642 576	698 572	755 606	**2 096 754**
Environmental Affairs and Development Planning (CapeNature) (DEA&DP)	9	19 777	31 302	25 186	**76 265**
Health (DoH)	187	657 683	745 799	820 057	**2 223 539**
Human Settlements (DoHS)	54	1 165 289	1 356 682	1 828 317	**4 350 288**
Transport and Public Works (DTPW)	44	1 032 406	1 162 200	1 178 871	**3 373 477**
Total	**337**	**3 517 731**	**3 994 555**	**4 608 037**	**12 120 323**

Source: The data represents an extract from the Provincial Infrastructure Reporting Model (IRM), as at 3 March 2022. Improving the accuracy of information in the reporting model is ongoing and continues to receive attention.

Road transport allocations will include a R359.1 million investment towards the upgrade, rehabilitation and maintenance of roads. The Western Cape Government will furthermore invest an amount of R19.8 million in environmental services infrastructure in 2022/23.

In 2022/23 total Provincial social infrastructure spend in the City will amount to R2.5 billion, which includes allocations towards education (R642.6 million), health (R657.7 million) and housing (R1.2 billion). Much of the spending is for upgrades, additions, maintenance and repairs, and new or replaced education infrastructure across a number of school and education projects across the Metro. The Western Cape Government's health expenditure allocation is complemented by the City's contribution to the health function to the value of R56.9 million for the upgrading and replacement of existing infrastructure. The funding for housing service delivery in the City is sourced from the Human Settlements Development Grant (HSDG). Examples of such projects include the Harare Infill (608 units), Kosovo Main Site (5 000 service sites, 5 000 units) and Beacon Valley Integrated Residential Development Programme (1 673 units).

A sizable portion of the City's capital budget is funded through transfers and grants from other spheres of government. In 2019/20, transfers contributed 30.7 per cent to the City's overall capital budget. This contribution, as a percentage of the overall capital budget, decreased notably to 17.9 per cent in 2020/21, mostly owing to an increase in own-revenue contributions (84.5 per cent) from the City in response to the COVID-19 pandemic. Grant and transfer contributions did, however, increase again notably in 2021/22 as part of the economic recovery process (infrastructure investment as catalyst for growth), while own-revenue contributions declined to 32.4 per cent. While grants and transfers decreased in the first adjustments budget process, internally generated funds increased substantially. In fact, more than half (51.0 per cent) of the City's adjusted capital budget is anticipated to be funded through own revenue.

Within the Cape Metro area, the Department of Human Settlements had the largest portion of infrastructure investment spend, at 36.0 per cent. The Department of Transport and Public Works' spend was 28.0 per cent in 2022.

Information about the **2022/23 budgeted Provincial infrastructure spend** is provided in the *Overview of Provincial and Municipal Infrastructure Investment* (OPMII), published by Provincial Treasury.

1.5 PUBLIC SECTOR SPENDING ON DESIGNATED GROUPS[96]

Public sector spending is the largest economic driver in most local municipalities. Public sector spend on SMMEs increases local economic development and creates job opportunities. Additionally, public sector spending has the potential to either bring about societal improvement or reinforce historical patterns of exclusion.[97]

In the Cape Metro, the majority (40.2 per cent) of public spend on SMMEs was allocated to Exempted Micro Enterprises (EMEs), with a total spend of R2.5 billion. (See Table 1.6.) Additionally, R1.5 billion (24.8 per cent of total spend on SMMEs) was spent on Qualifying Small Enterprises (QSEs). Money spent on SMMEs advances bottom-up local economic development and decreases economic leakages to outside areas. This is due to SMMEs having more linkages with other small enterprises than larger firms. SMMEs are also important for employment creation, as they typically would not automate processes, or insource or outsource labour.

Table 1.6
EXPENDITURE ON REGISTERED SMMES ON THE WESTERN CAPE SUPPLIER EVIDENCE BANK (WCSEB), Cape Metro, 2021/22[98]

	R million	%
EMEs[99]	R2 467.5	40.2%
Other entities[100]	R2 150.8	35.0%
QSEs[101]	R1 526.6	24.8%
Total	**R6 144.9**	**100.0%**

Source: The Provincial Infrastructure Reporting Model (IRM)

96 *Designated groups mean – a) black designated groups; b) black people; c) women; d) people with disabilities; or e) small enterprises, as defined in section 1 of the National Small Enterprises Act, 1996 (Act No.102 of 1996).*
97 *The information for black ownership, black woman ownership and the other designated groups was split to avoid duplication of expenditure, as a supplier can be black-owned and a youth.*
98 *The information extracted was for the below economic classifications, matched to suppliers registered on the WCSEB for the period 1 April 2021 to 31 March 2022: Goods & Services, Buildings & Other Fixed Structure, Machinery & Equipment and Software & Intangible Assets.*
99 *EMEs are (regardless of the composition of their ownership) deemed to have a Level 4 BBBEE status and start-up enterprises (in the first year from formation or incorporation) are measured as EMEs. EMEs are entities with an annual total revenue of R10.0 million or less.*
100 *"Other" refers to expenditure on suppliers not registered in the Western Cape Supplier Evidence Bank (WCSEB), petty cash payments, transfer payments and claim-backs.*
101 *QSEs are enterprises with an annual total revenue of between R10.0 million and R50.0 million. The BBBEE status of QSEs is measured by reference to all five BBBEE elements in terms of a specific scorecard for QSEs in the BBBEE Codes.*

In the Cape Metro, among the categories defined in the Preferential Procurement Policy Framework Regulations (PPPFR), public sector spend was the highest for the youth. Nearly all (91.7 per cent) of PPPFR categorised spend was spent on this category, totalling R2.2 billion. (See Table 1.7.) This spend is justified, as youth make up the second-highest age segment population in the Cape Metro. This spend will aid in advancing technological innovation, as youth are known to drive innovation in the country. This will also contribute towards the reduction of the historically large youth unemployment rate. The second-highest spend in the PPPFR categorised spend was on military veterans (R142.7 million), followed by people with disabilities (R53.2 million).

Table 1.7

PAYMENTS TO SUPPLIERS PER DESIGNATED CATEGORIES DEFINED IN THE PREFERENTIAL PROCUREMENT POLICY FRAMEWORK REGULATIONS (PPPFR), Cape Metro, 2021/22

	R million	%
Military veterans	R142.7	6.0%
People with disabilities	R53.2	2.2%
Youth	R2 176.7	91.7%
Total	**R2 372.6**	**100.0%**

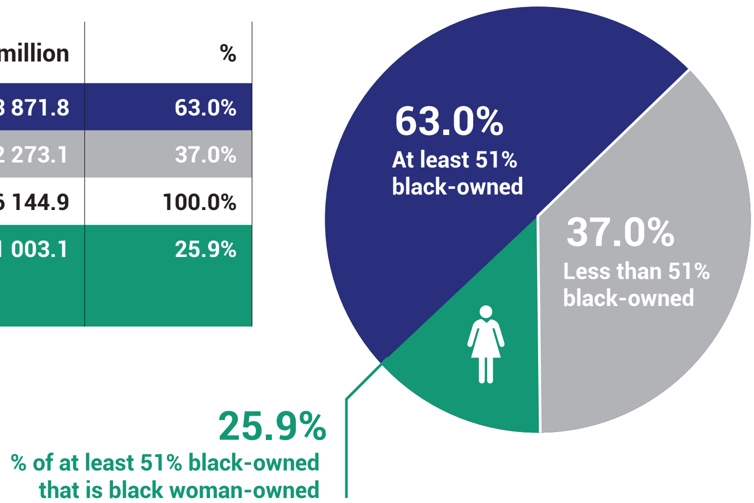
Source: The Provincial Infrastructure Reporting Model (IRM)

In the Cape Metro, R3.9 billion (see Table 1.8) was spent on companies that are majority black-owned. This reflects the population racial split of the Cape Metro, which is mostly populated by black people.[102] Out of the total spend on SMMEs, R1 billion (25.9 per cent of total spend on companies that are majority black-owned) was spent on companies that are majority black woman-owned. The Cape Metro could spend more on women to reduce injustices and gender and racial exclusion that black women have endured as a result of the county's past.

Table 1.8

EXPENDITURE ON REGISTERED BLACK-OWNED COMPANIES ON THE WESTERN CAPE SUPPLIER EVIDENCE BANK (WCSEB), Cape Metro, 2021/22

	R million	%
At least 51% black-owned	R3 871.8	63.0%
Less than 51% black-owned	R2 273.1	37.0%
TOTAL	R6 144.9	100.0%
% of at least 51% black-owned that is black woman-owned	R1 003.1	25.9%



[102] (Stats SA, 2022).

1.6 CONCLUDING REMARKS

The Cape Metro accounts for three-quarters of the Provincial economy and has the second-highest GDPR contribution of all metros nationally. As a result, higher-order value-adding sectors such as finance and trade dominate economic activity. The finance sector supports the Province's agriculture and agro-processing activities by providing essential business services that often require agglomeration, clustering and network effects found in larger urban settlements. The trade sector similarly leverages tourism activity throughout the Province.

After a decade of moribund GDPR growth, the Cape Metro economy contracted by approximately R15 billion in 2020. Most sectors, however, are estimated to have registered recoveries in 2021 as the effects of COVID-induced restrictions dissipated. Despite these recoveries, economic activity in most sectors remained below 2019 levels.

Accordingly, the Metro's ability to attract and retain investments will be crucial in determining a new trajectory of economic growth, not just in Cape Town but also across the entire Province. In this regard, the diverse nature of investments noted in this chapter is encouraging, as investments include both foreign direct investments and organic expansions by local enterprises.

2

JOBS

2.1 INTRODUCTION

The purpose of this subsection is to illustrate the key employment trends in the Cape Metro area relative to those of the Western Cape. To this end, employment dynamics are evaluated by analysing indicators such as changes in employment, the unemployment rate, labour absorption and labour force participation rates, and the number of not economically active individuals as a proportion of the working-age population.

Apart from the above, the subsection further provides an overview of sectoral employment through the identification of key contributing sectors to the Cape Metro's overall employment, in addition to sectors that have contributed the most to either job-shedding or job creation in the metropolitan area.

2.2 EMPLOYMENT GROWTH

Employment trends in the Cape Metro area, in relation to the Western Cape and South Africa, are indicated in Diagram 2.1. To this end, the number of employment opportunities in 2020, average annual changes between 2016 and 2020, and estimated changes in 2021 are provided.

Diagram 2.1
EMPLOYMENT CONTRIBUTION AND GROWTH,
Cape Metro

MUNICIPALITY	Number of jobs 2020	Average annual change		
		2011 – 2020	2016 – 2019	Net change 2021e
Cape Metro	1 497 747 (10.0%)	12 117	-9 883	-42 540
Western Cape	2 378 802 (15.9%)	22 093	-20 286	-69 033
South Africa	14 973 643 (100%)	90 502	-167 438	-430 402

Source: Quantec Research, 2022; Urban-Econ based on Quantec, SARB, Stats SA and BFAP, 2022 (e denotes estimate, f denotes forecast)

JOBS

2020		2021e
1 497 747	-42 540 LOSSES	1 455 207

2020 EMPLOYMENT BREAKDOWN

INFORMAL	FORMAL		
17.4%	27.4% Skilled	38.6% Semi-skilled	16.6% Low-skilled

Source: Quantec Research, 2022 (e denotes estimate)

In 2020, employment in the Cape Metro area stood at just under 1.5 million workers and accounted for nearly two-thirds of Provincial employment. During the same year, the metropolitan area accounted for one-tenth of national employment. Given its employment contribution to both the Province and South Africa, the metropolitan area is considered a key driver of employment in each of the respective economies.

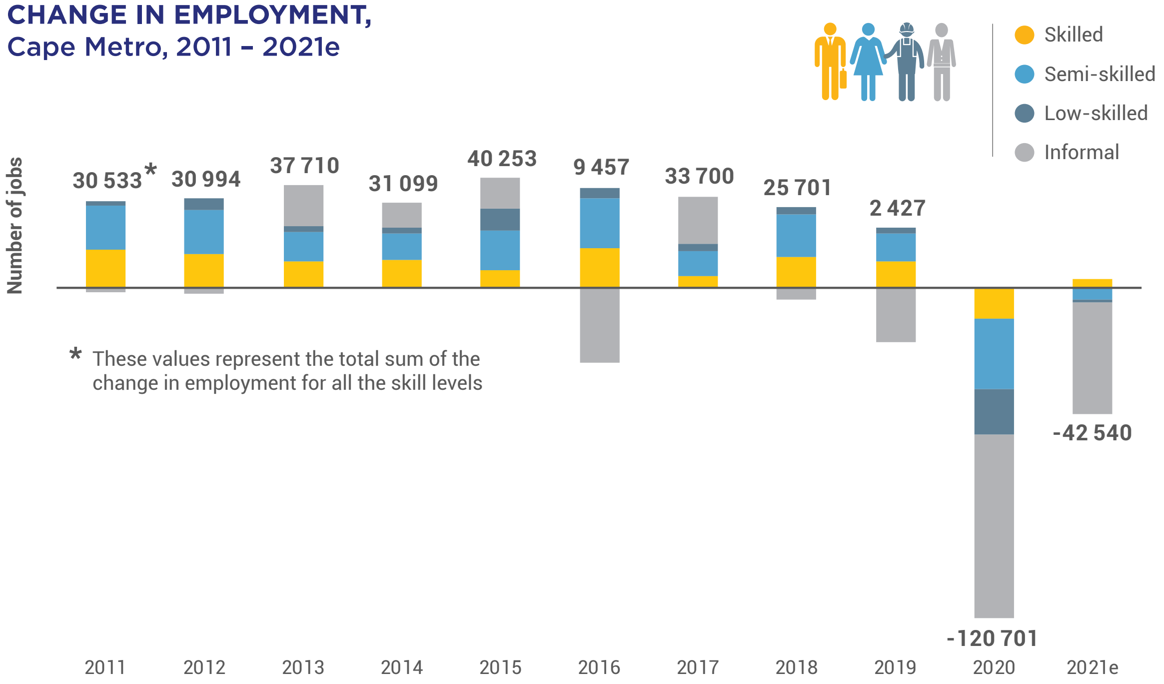
Between 2016 and 2020, an average of 9 883 jobs were lost in the Cape Metro area on an annual basis, accounting for nearly half of all job-shedding experienced in the Province over the same period. Although it is expected that employment in the metropolitan area performed positively between 2016 and 2019, the negative impact of the COVID-19 pandemic has skewed the average performance over the period. COVID-19 restrictions had a particularly adverse impact on sectors that are considered labour-intensive, such as the trade and transport sectors. This was further exacerbated by subdued consumer demand and direct health impacts on the Cape Metro's labour force.[1]

[1] *(City of Cape Town, 2020).*

In 2021, estimates indicate that a total of 42 540 jobs were lost in the Cape Metro area, accounting for 61.6 per cent and 9.9 per cent of jobs lost in the Provincial and national economies respectively. This decline is likely due to a number of factors, namely the slow recovery of informal employment, as informal workers may not have regained their ability to work; lower income earnings when compared with pre-COVID-19 levels decreasing demand for informal labour; and a particularly negative impact on home-based workers.[2]

Figure 2.1 provides an overview of the historical employment trends in the Cape Metro area between 2011 and 2021.

Figure 2.1
CHANGE IN EMPLOYMENT,
Cape Metro, 2011 – 2021e



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021e
Skilled	14 014	12 320	9 716	10 460	6 538	14 728	4 284	11 530	9 749	-11 002	3 216
Semi-skilled	16 116	16 355	10 889	9 535	14 646	18 440	9 076	15 542	10 109	-26 012	-4 220
Low-skilled	1 890	4 201	2 237	2 145	8 097	3 605	2 714	2 504	2 261	-16 369	-950
Informal	-1 487	-1 882	14 868	8 959	10 972	-27 316	17 626	-3 875	-19 692	-67 318	-40 586

Source: Quantec Research, 2022 (e denotes estimate)

Between 2011 and 2015, the Cape Metro area recorded strong annual increases in employment, peaking at 40 253 jobs in 2015.[3] However, employment growth in the metropolitan area slowed significantly in 2016, with 9 457 jobs created during the year. The slowdown in employment creation can be ascribed to continued drought conditions in the Province, which affected agricultural production and agro-processing within the manufacturing sector. Other factors impacting job creation include stocktaking as a result of declined agricultural output and increased crime impacting the informal trade sector.[4] Additionally, the lack of government support and regulation for the informal sector is likely to have resulted in lost jobs as vulnerable groups, such as women, are at higher risk in terms of job retention.[5]

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[2] *(Reed, Rogan, Graspa, Ismail, & Valdivia, 2021).*
[3] *It should be noted, however, that in 2015 a new master sample was implemented in the Quarterly Labour Force Survey (QLFS), which may have impacted the data owing to variations in its design (Stats SA, 2015).*
[4] *(Department of Community Safety, 2018).*
[5] *(Mortlock, 2016).*

Despite a recovery in employment creation recorded in 2017 (33 700 jobs created), an overall downward trend is evident until 2019 (2 427 jobs created). This can be attributed to continued drought conditions in the Province impacting industrial activity in the Cape Metro area and resulting in significant economic losses.[6] In addition, the poor performance of the national economy in 2018 and 2019 is likely to have restrained labour-market conditions.

In 2020, the Cape Metro area recorded job-shedding totalling 120 701 jobs lost during the year, with job-shedding recorded across all economic sectors and levels of skills. Although COVID-19 lockdown restrictions adversely affected all sectors, significant job losses were recorded in the trade sector given its reliance on tourism activity as a source for both formal and informal employment. In addition, activity in other sectors such as the manufacturing sector was also greatly restrained.

Estimates for 2021 indicate that 42 540 jobs were lost in the metropolitan area during the year. All skill levels apart from skilled employment recorded declines during the year. Lesser-skilled individuals, who often participate in the formal economy, may have continued to experience restraints in their participation in formal economic activity.[7] In addition, the recovery of informal workers' participation in the formal economy may further have been restrained by contractions in annual growth in sectors such as the construction sector.

[6] *(Tucker, 2020).*
[7] *(Rogan & Skinner, 2022).*

Diagram 2.2 illustrates the employment dynamics in the Cape Metro area in relation to the Western Cape and South Africa by indicating the unemployment rates, labour absorption rates and labour force participation rates in 2020 and 2021. Furthermore, the not economically active population as a proportion of the working-age population is also provided.

Diagram 2.2

LABOUR PROFILE, Cape Metro, 2020, 2021e

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

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

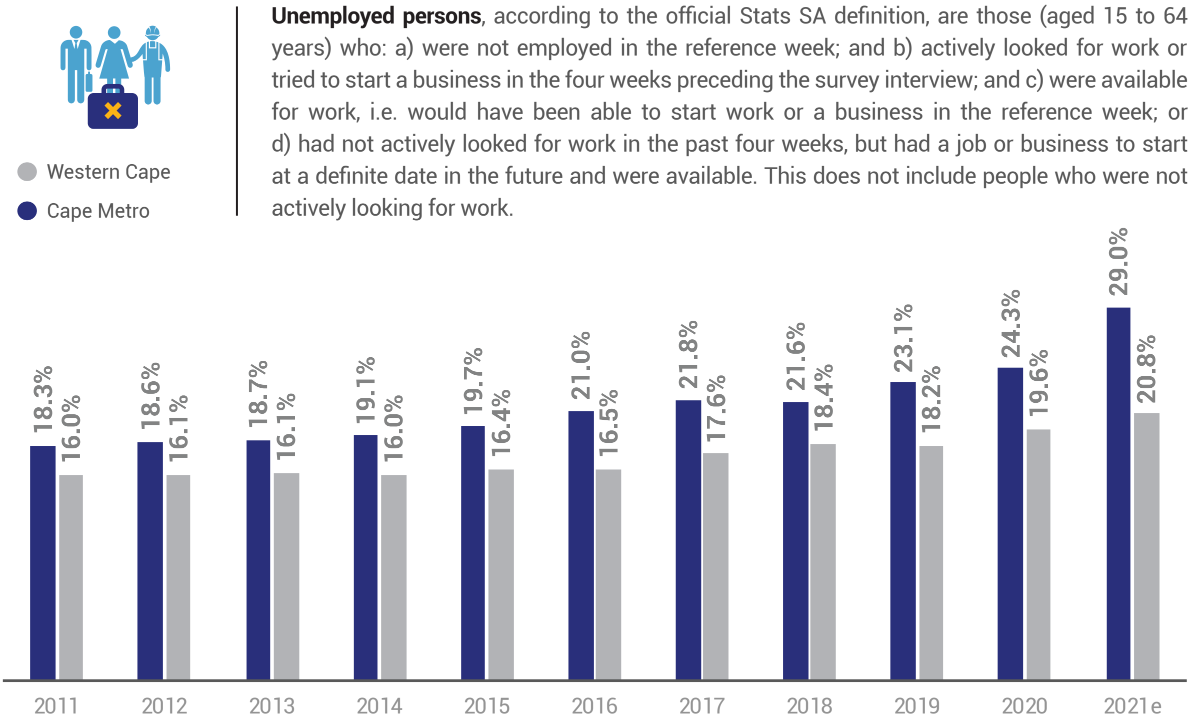
Not economically active refers to persons aged 15 to 64 years who were neither employed nor unemployed in the reference week.

	Labour force participation rate		Labour absorption rate (employment-to-population ratio)		Not economically active proportion of working-age population	
	2020	2021e ↑	2020	2021e ↓	2020	2021e ↓
Cape Metro	62.2%	63.5%	47.1%	45.0%	37.8%	36.5%
Western Cape	62.6%	63.3%	49.6%	47.5%	37.4%	36.7%
South Africa	54.7%	56.5%	38.6%	38.6%	45.3%	43.5%

Source: Quantec Research, 2022 (e denotes estimate)

UNEMPLOYMENT PROFILE, Cape Metro, 2011 – 2021e

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



Source: Quantec Research, 2022 (e denotes estimate)

Between 2011 and 2019, an overall upward trend in the respective unemployment rates of the Cape Metro area and Western Cape was evident. However, the Cape Metro area's unemployment rate increased at a faster rate than that of the Province over the same period. This can be ascribed to higher migration to regions such as the Cape Metro area from other parts of the Western Cape and South Africa.[8] Other factors include load-shedding between 2014 and 2019, which affected small businesses in the Cape Metro area.

In 2020, the unemployment rate in the Cape Metro area stood at 24.3 per cent, significantly above the 19.6 per cent recorded in the Province during the same year. In 2021 the metropolitan area recorded a sharp increase in its unemployment rate, reaching 29.0 per cent in the year. This increase can largely be ascribed to the lack of employment opportunities following the sharp contractions in economic activity recorded in 2020. In addition, the outbreak of the Omicron variant in 2021 significantly impacted international travel, which subsequently restrained tourism activity.[9] Other factors impacting employment in the Cape Metro area include the lack of business activity, as high-impact sectors such as the construction and manufacturing sectors are not creating new employment opportunities.[10]

The Cape Metro area recorded a labour force participation rate of 62.2 per cent in 2020, slightly below the 62.6 per cent recorded in the Province during the same year. South Africa recorded a labour force participation rate of 54.7 per cent during the year. In 2021, the labour force participation rate in the Cape Metro area is expected to have increased to 63.5 per cent, while increasing to 63.3 per cent and 56.5 per cent in the Province and South Africa respectively.

The labour absorption rate in the Cape Metro area is expected to have declined from 47.1 per cent in 2020 to 45.0 per cent in 2021. While a similar trend is evident in the Western Cape, the labour force absorption rate in South Africa is expected to have remained stagnant at 38.6 per cent.

In 2020, the proportion of not economically active individuals in the Cape Metro area stood at 37.8 per cent. This rate was slightly higher than the 37.4 per cent recorded in the Province during the year and significantly below the 45.3 per cent recorded in the national economy. However, in 2021 the percentage of not economically active individuals is expected to have declined in all three regions, with the Cape Metro area recording a rate of 36.5 per cent during the year.

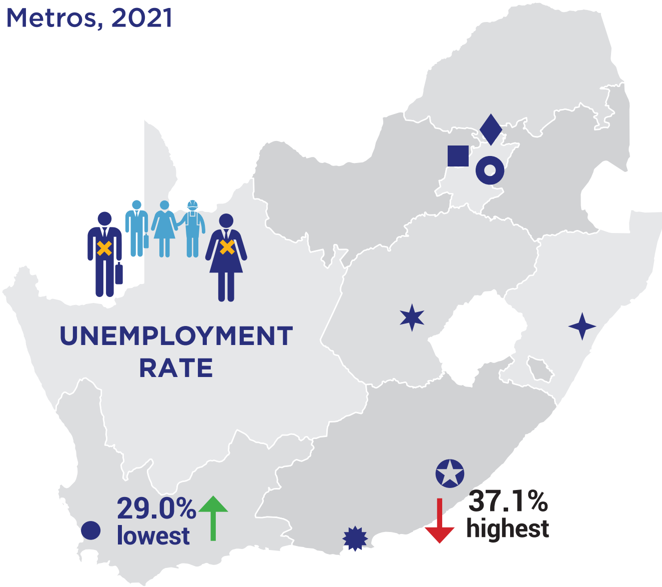
Despite an improvement in the labour force participation rate and a decline in the percentage of not economically active individuals, labour market conditions in the Cape Metro are expected to remain constrained given the increase in the metropolitan area's unemployment and labour absorption rates.

[8] *(Yu, 2021).*
[9] *(Shivaram, Bowman, & Diaz, 2021).*
[10] *(Paton, 2021).*

Diagram 2.3

UNEMPLOYMENT RATE, South African Metros, 2021

	Unemployment rate 2021
● **Cape Metro**	**29.0%**
✶ Mangaung	31.8%
◆ Tshwane Metro	33.6%
■ Johannesburg Metro	35.1%
✦ eThekwini	33.8%
SOUTH AFRICA	**34.5%**
⊙ Ekurhuleni	36.3%
✹ Nelson Mandela Bay	34.7%
✪ **Buffalo City**	**37.1%**



Source: Quantec Research, 2022

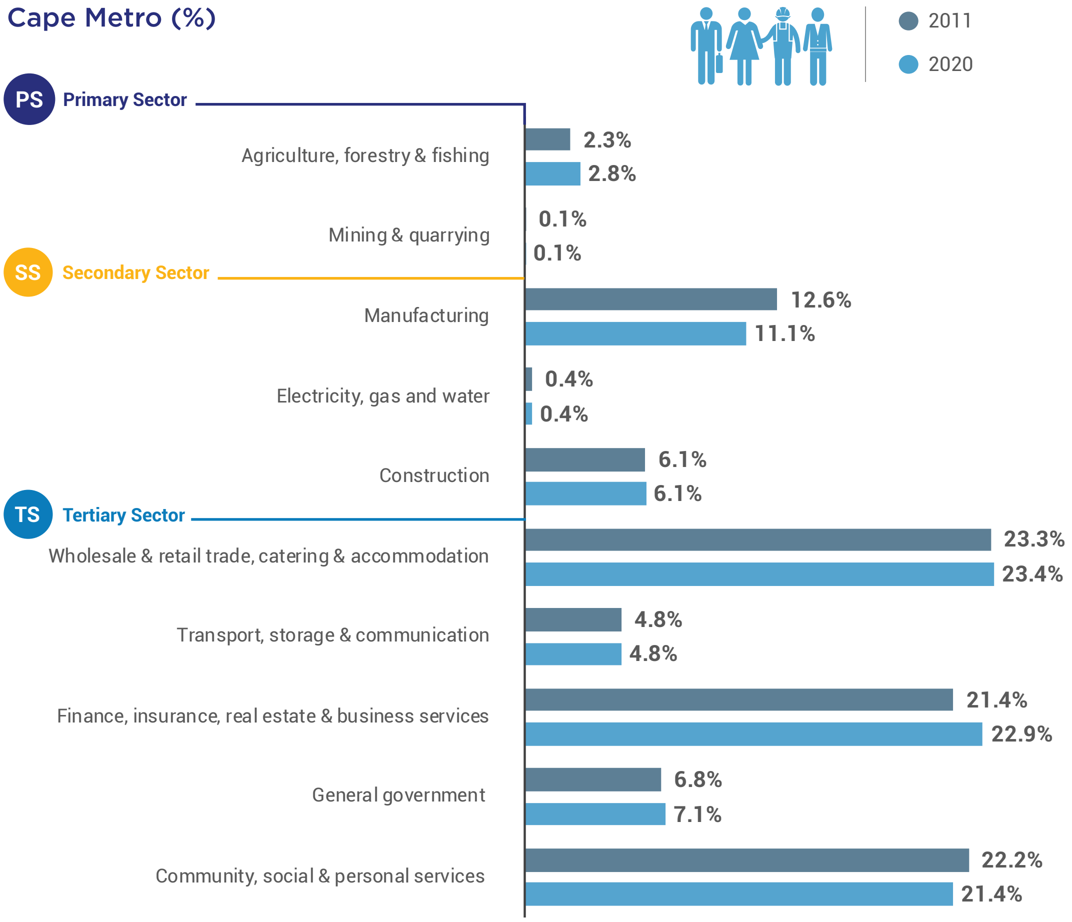
In 2021, the Cape Metro area recorded the lowest unemployment rate out of the nine metropolitan areas in South Africa. This was followed by the Mangaung and Tshwane Metro areas, with unemployment rates of 31.8 per cent and 33.6 per cent respectively during the same year. Conversely, Buffalo City Metro had the highest unemployment rate at 37.1 per cent in 2021, followed by the Ekurhuleni Metro area at 36.3 per cent.

2.3 SECTORAL EMPLOYMENT

Figure 2.2 provides a breakdown of the sectoral contribution to employment in the Cape Metro area in 2011 and 2020.

Figure 2.2

SECTORAL EMPLOYMENT CONTRIBUTION, Cape Metro (%)



Source: Quantec Research, 2022

In 2020, the trade sector was the leading contributor to employment in the Cape Metro area at 23.4 per cent. The sizable share of employment in this sector can be linked to the considerable tourism industry in the municipal area. Other notable contributors included the finance and community services sectors at 22.9 per cent and 21.4 per cent respectively during the same year.

In contrast, the mining sector contributed the smallest share to the metropolitan area's employment at 0.1 per cent in 2020, while the electricity, gas and water sector accounted for a mere 0.4 per cent of employment.

Crucially, employment across all the economic sectors remained relatively constant between 2011 and 2020, with slight declines recorded in the community services and manufacturing sectors. The manufacturing sector recorded the largest decline in employment over the period, decreasing from 12.6 per cent in 2011 to 11.1 per cent in 2020. This sector relies largely on food and beverage production, which was most likely impacted by drought conditions in the Province.[11] In addition, the manufacturing of electronic equipment is likely to have been impacted by more cost-effective imports from China.[12]

[11] *(Wesgro, 2022).*
[12] *(Edwards & Jenkins, 2015).*

Table 2.1 depicts the sectoral spread of employment in the Cape Metro area.

Table 2.1
EMPLOYMENT PER SECTOR, Cape Metro, 2011 – 2020, 2021e

SECTOR	Number of jobs 2020	Average annual change		Annual change in employment		
		2011 – 2020	2016 – 2020	2019	2020	2021e
Primary Sector	**42 508 (2.8%)**	**910**	**-744**	**533**	**-2 664**	**-674**
Agriculture, forestry & fishing	41 745 (2.8%)	921	-704	583	-2 574	-638
Mining & quarrying	763 (0.1%)	-10	-40	-50	-90	-36
Secondary Sector	**262 222 (17.5%)**	**-240**	**-3 934**	**-5 687**	**-23 523**	**-12 704**
Manufacturing	165 506 (11.1%)	-1 533	-2 180	237	-13 188	-6 219
Electricity, gas & water	5 816 (0.4%)	64	-16	-79	-217	-134
Construction	90 900 (6.1%)	1 230	-1 738	-5 845	-10 118	-6 351
Tertiary Sector	**1 193 017 (79.7%)**	**11 447**	**-5 206**	**7 581**	**-94 514**	**-29 162**
Wholesale & retail trade, catering & accommodation	351 098 (23.4%)	3 024	-2 599	3 206	-44 604	-17 987
Transport, storage & communication	72 527 (4.8%)	773	-1 837	1 444	-10 013	-6 510
Finance, insurance, real estate & business services	343 105 (22.9%)	5 147	2 339	3 978	-14 075	-7 815
General government	105 708 (7.1%)	1 523	528	653	-1 480	1 157
Community, social & personal services	320 579 (21.4%)	980	-3 637	-1 700	-24 342	1 993
Total Cape Metro	**1 497 747 (100.0%)**	**12 117**	**-9 883**	**2 427**	**-120 701**	**-42 540**

Source: Quantec Research, 2022 (e denotes estimate)

The tertiary sector was the leading contributor to employment in the Cape Metro area in 2020 with nearly 1.2 million jobs. Within the tertiary sector and across all other sectors, the trade sector contributed the largest share to employment with 23.4 per cent during the year. Within the tertiary sector, the transport sector accounted for the smallest share of employment in the Cape Metro area in 2020 with 72 527 jobs (4.8 per cent).

Estimates for 2021 indicate that a total of 29 162 jobs were lost in the tertiary sector during the year, with the trade sector contributing the largest share to this decline (17 987 jobs). Despite all other sectors recording a decline during the year, the general government and community services sectors recorded job creation in 2021. Increases in the community services sector can possibly be attributed to the easing of COVID-19 restrictions, which allowed for the resumption of recreational activities.

In 2020, the secondary sector contributed 262 222 jobs to employment in the Cape Metro area, with a 17.5 per cent contribution to total employment. The manufacturing sector was the leading contributor to employment in the secondary sector at 165 506 jobs (11.1 per cent in 2020). However, between 2011 and 2020, the manufacturing sector recorded an average annual decline of 1 533 jobs, which can possibly be attributed to the sector's links with agricultural activities, as well as drought conditions in the Province. This is further showcased by the sharp average annual decline recorded between 2016 and 2020, as drought conditions largely began in 2015, with 2 180 jobs lost per year over the period.

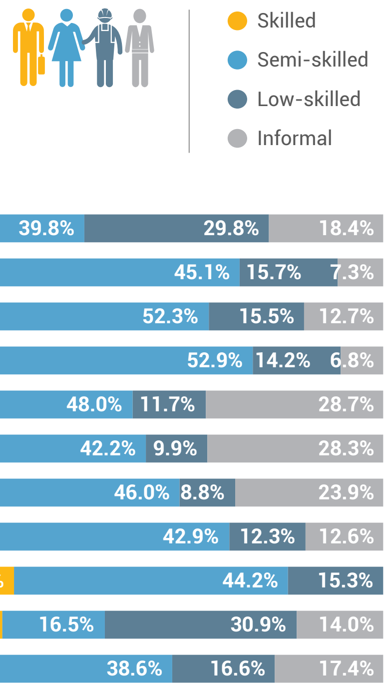
In 2021, it is expected that 12 704 jobs were lost in the secondary sector, with the manufacturing and construction sectors recording declines of similar magnitudes. Declines recorded in the construction industry may be due to the slow recovery in the participation of informal labour.

The primary sector contributed the smallest share of employment in the metropolitan area in 2020 with 42 508 jobs or 2.8 per cent. Despite recording an average annual increase of 910 jobs between 2011 and 2020, the sector recorded an average loss of 744 jobs per year between 2016 and 2020. Given that nearly all employment in the primary sector is clustered in the agriculture sector, drought conditions significantly impacted production and are likely to have impacted seasonal farm workers.

A total of 674 jobs are estimated to have been lost in the primary sector in 2021, with the agriculture sector contributing 638 jobs to this decline. This decline is as a result of continued restraints on consumption activity given the prolonged nature of economic recovery following the COVID-19 pandemic.[13]

Figure 2.3

EMPLOYMENT AND SKILL LEVEL PER SECTOR, Cape Metro, 2020 (%)



Source: Quantec Research, 2022

In 2020, semi-skilled workers constituted the largest share of formal workers across all economic sectors in the Cape Metro area, with the exception of the community services sector. Furthermore, the construction and trade sectors accounted for the largest share of informal workers at 28.7 per cent and 28.3 per cent respectively in 2020. As such, given the high degree of informality in these sectors, a prolonged recovery in employment is expected post-2020.

In terms of skilled employment, the general government and community services sectors accounted for the largest shares with 40.5 per cent and 38.5 per cent respectively. Other notable sectors included the finance (32.2 per cent) and mining and quarrying (31.8 per cent) sectors.

[13] *(Bureau for Food and Agricultural Policy, 2021).*

Overall, given the substantial percentages of semi-skilled and low-skilled workers in the Cape Metro area, consideration needs to be given to upskilling interventions to address concerns around chronic unemployment. However, upskilling interventions are usually costly and may restrain business revenue.

2.4 LOCATION QUOTIENT

Throughout this subsection, the location quotient is used to identify and analyse the comparative advantage and level of specialisation of the various economic sectors in the Cape Metro area. Location quotients are ratios which allow comparison between an area's distribution of employment in terms of industry, ownership and size class to be compared with the national industry.[14] A location quotient exceeding one indicates that the share of labour in the sector of the local economy is greater than that of the national economy. Should the location quotient be less than one, labour in the sector is weaker in the local economy relative to the industry of the national economy. Furthermore, a location quotient of one indicates that the representation of labour in the sector in the local economy is the same as its representation in South Africa.

As a tool, a location quotient does not take external factors such as government policies, investment incentives, proximity to markets, etc., into consideration. This may influence the comparative advantage of an area in a particular sector. Furthermore, the location quotient indicates the relative importance of the local economy to the national economy and does not necessarily indicate that the sector is small or large within a local economy, nor does it indicate the value of importance.

Table 2.2 showcases the sectoral location quotient for the Cape Metro area in terms of employment.

Table 2.2
LOCATION QUOTIENT IN TERMS OF EMPLOYMENT, Cape Metro, 2011 to 2020

SECTOR	2011	2020	Growth 2011 – 2020
Primary Sector	0.22	0.27	**22.8%**
Agriculture, forestry & fishing	0.35	0.39	**11.4%**
Mining & quarrying	0.01	0.02	**4.9%**
Secondary Sector	1.16	1.12	**-3.4%**
Manufacturing	1.20	1.17	**-2.0%**
Electricity, gas & water	0.83	0.88	**6.1%**
Construction	1.12	1.06	**-5.6%**
Tertiary Sector	1.07	1.07	**0.0%**
Wholesale & retail trade, catering & accommodation	1.06	1.07	**1.6%**
Transport, storage & communication	1.10	1.12	**2.3%**
Finance, insurance, real estate & business services	1.27	1.24	**-2.2%**
General government	1.06	1.09	**2.6%**
Community, social & personal services	0.95	0.93	**-2.3%**

Source: Quantec Research, 2022 and Urban-Econ, 2022

[14] *(United States Bureau of Labor Statistics, 2022).*

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

Overall, the location quotients of the Cape Metro area indicate a relatively diversified labour market. In 2020, the finance sector recorded the highest location quotient in terms of employment at 1.24, followed by the manufacturing sector at 1.17 during the same year. However, it is worth noting that the location quotient for the finance and manufacturing sectors declined slightly between 2011 and 2020. Given their location quotients, it is concluded that both these sectors meet sectoral needs in terms of employment when compared with the national sectors. Other key sectors with medium location quotients include the transport and general government sectors, among others.

The Cape Metro area had a low comparative advantage in the agriculture and mining sectors in 2020, despite recording strong total growth rates between 2011 and 2020 at 11.4 per cent and 4.9 per cent respectively. However, a low location quotient in the agriculture sector is expected when compared with the national sector, as the Cape Metro is largely urbanised. Furthermore, relative to South Africa, the Cape Metro area has minimal mining resources, while the agriculture sector contributed only 2.8 per cent to employment and 1.8 per cent to GDPR in the metropolitan area in 2020. As such, the agriculture sector is considered labour-intensive and may therefore require more manual labour. However, agricultural production in the Cape Metro area largely takes the form of urban gardening, rather than industrial-scale agricultural production.

2.5 CONCLUDING REMARKS

Between 2016 and 2020 the Cape Metro lost jobs at a slower rate than the Provincial and national rates, indicating a robust labour market underpinned by a diverse economy. This economic diversity is reflected in the Cape Metro's location quotient, which was not over- or under-indexed in any given sector.

Despite this wide economic base, informal sector job losses increased between 2011 and 2021, increasing the risk of precarity. This is significant, as the formal economy has similarly struggled to generate employment opportunities for low-skilled workers over the same period, further threatening the livelihoods of this marginalised group. A sizable proportion of the increase in informal sector unemployment can possibly be attributed to economic migrants from other regions, provinces and countries,[15] and this is supported by the Metro's relatively high labour force participation rate.

Cumulative job losses over the past two years (2020 and 2021) erased gains made in the seven previous years (between 2013 and 2019) and had devastating effects on household incomes, as discussed in the next chapter. In this regard, while initiatives such as the proposed remote working visa[16] are lauded for their ability to attract skilled labour to the Cape Metro, targeted interventions to employ lower-skilled workers are imperative.

[15] *(Southern African Migration Programme, 2017).*
[16] *(Parliamentary Monitoring Group, 2022).*

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3

SAFETY AND WELLBEING

3.1 INTRODUCTION

This chapter describes the economic and social circumstances of households living in the Cape Metro area through an analysis of population, human development, housing, crime and access to basic services. Specifically, human development in the Cape Metro area is compared by exploring education levels, health and income.

CAPE METRO DEMOGRAPHICS

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

GENDER – POPULATION

4 671 605
POPULATION 2021

49.4% 50.6%

Gender split 2021

Estimated **population growth** — PROJECTION

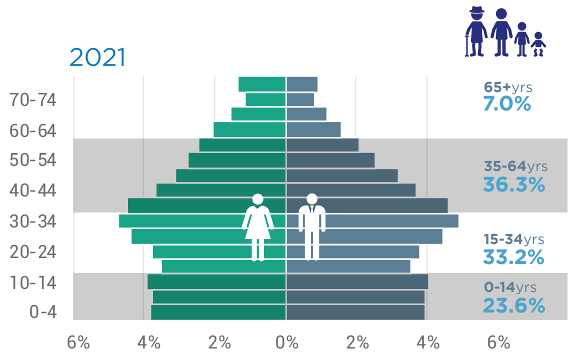
2021	2022f	2023f	2024f	2025f
1.6%	1.7%	1.9%	1.8%	1.8%

AGE PROFILE

0-14yrs	**15-64**yrs	**65+**yrs
23.6%	69.5%	7.0%

Age split 2021

GENDER AND AGE DYNAMICS



HOUSEHOLDS

Average monthly **household income** 2020
R20 075

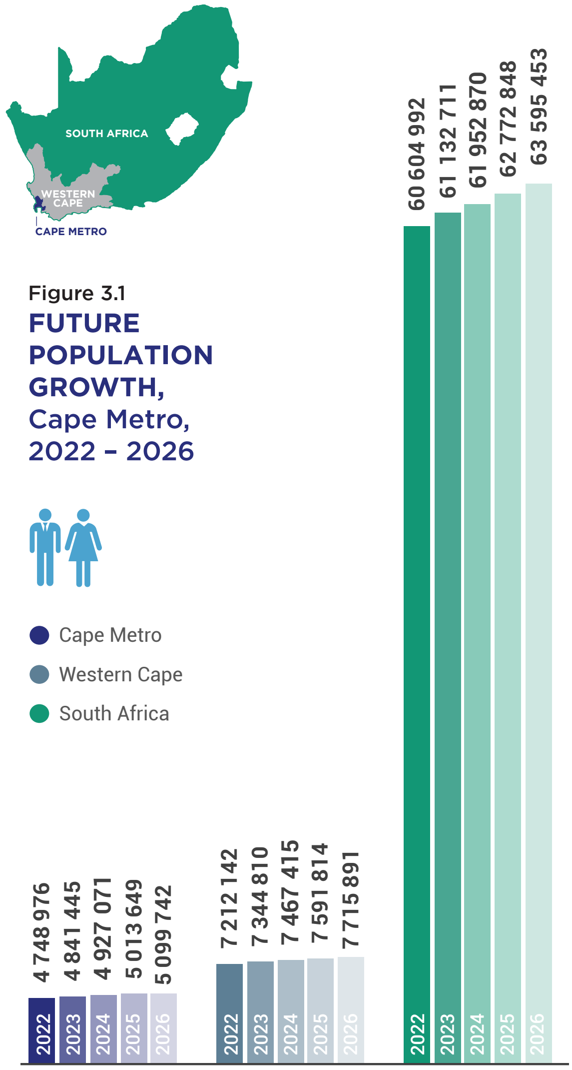
Indigent households 2021
201 707

3.2 POPULATION PROFILE

Figure 3.1 depicts the future population growth in the Cape Metro area in comparison with the Western Cape and South Africa between 2022 and 2026.

Estimates suggest that the Cape Metro area had a population of under 4.7 million in 2021. This represents a share of 65.8 per cent of Provincial population and 7.8 per cent of national population in 2021. The Cape Metro area is forecast to have a population growth of 1.4 per cent between 2022 and 2026, culminating in a population of under 5.1 million people in 2026. The Province is also forecast to grow at a similar rate of 1.4 per cent, reaching a population of more than 7.7 million in 2026. The national population is forecast to grow at a slower rate, reaching growth rates of 1.0 per cent in the period between 2022 and 2026. Given the forecasts for the period, the population of the Cape Metro area is forecast to increase in proportion to the Provincial and national population in the period. This suggests that more people are migrating to the Cape Metro area than other areas in the Western Cape in pursuit of opportunities for labour or skills development. This is likely to contribute to the faster population growth rate of the Cape Metro area compared with the national population growth rate.

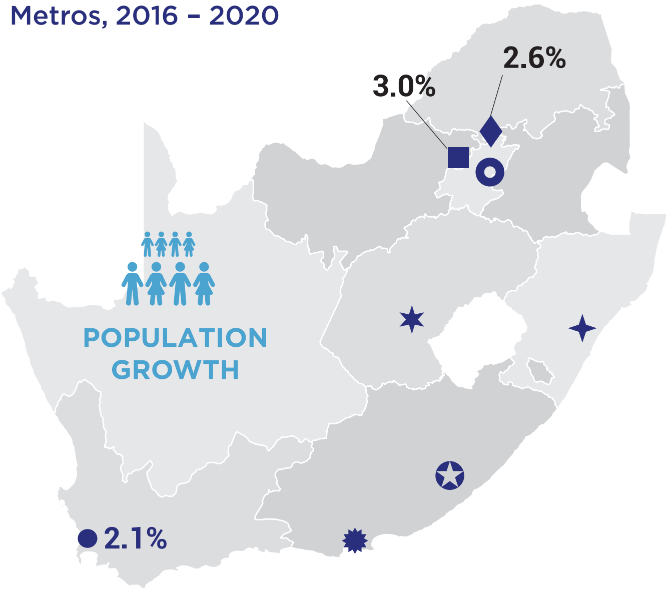
Figure 3.1
FUTURE POPULATION GROWTH, Cape Metro, 2022 – 2026



Source: Western Cape Government Provincial Population Unit (PPU), 2022. Provincial, district and local municipal area population estimates by sex and age (2002 to 2037) based on Stats SA mid-year population estimates (MYPE) series 2021 and 2022

Diagram 3.1
POPULATION GROWTH, South African Metros, 2016 – 2020

	Average annual population growth rate (2016 – 2020)
Johannesburg Metro	**3.0%**
Tshwane Metro	**2.6%**
Ekurhuleni	2.3%
Cape Metro	**2.1%**
eThekwini	1.3%
Mangaung	1.1%
Nelson Mandela Bay	0.4%
Buffalo City	-0.1%



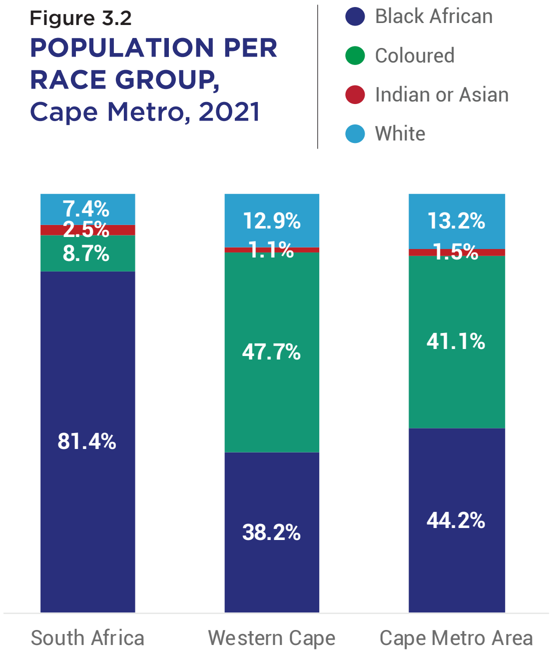
Source: Quantec Research, 2022

Across all metropolitan areas, all but the Buffalo City Metro area recorded growth in population between 2016 and 2020. The Buffalo City Metro area recorded a contraction in population of 0.1 per cent over the period. The Johannesburg Metro area recorded the fastest average annual growth rate over the period with 3.0 per cent, followed by the Tshwane Metro area (2.6 per cent) and the Ekurhuleni Metro area (2.3 per cent). The Cape Metro area was just behind the Ekurhuleni Metro area, with an average annual growth rate of 2.1 per cent.

Figure 3.2 shows the racial composition of the Cape Metro area in 2021.

Across the Cape Metro area, the largest population group is the black African population, with 44.2 per cent of individuals. This was closely followed by the coloured population, contributing 41.1 per cent towards the total population. The smallest population group in terms of race was the Indian or Asian population with a 1.5 per cent contribution, while white people represented 13.2 per cent of the total population in the Cape Metro. The coloured population constitute the highest share of the Provincial population at 47.7 per cent, followed by the black African population (38.2 per cent).

Figure 3.2
POPULATION PER RACE GROUP, Cape Metro, 2021

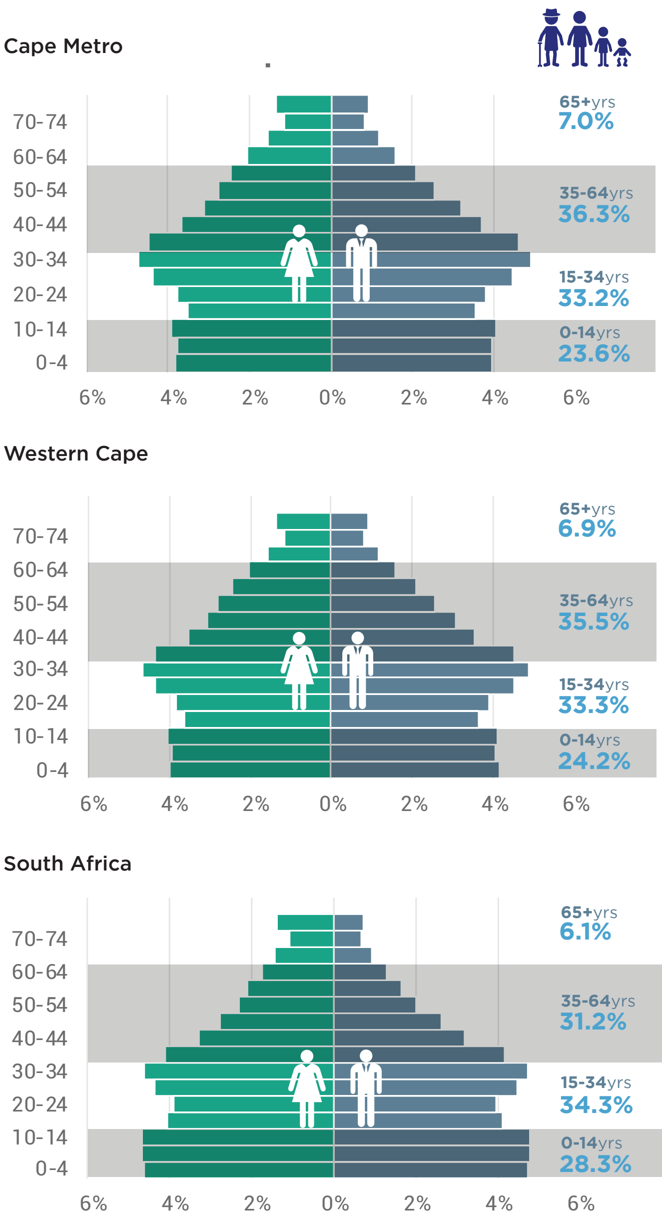


Source: Quantec Research, 2022

Inequalities often exist in terms of income levels, employment and education per race group, but it is acknowledged that disaggregated statistics for these indicators at the local municipal level are limited in availability. It is important that there is equitable access to opportunities to ensure socio-economic development benefits all groups and individuals in a municipal area.

Gender and age patterns in the Cape Metro area, the Western Cape and South Africa are illustrated in the population pyramids shown in Figure 3.3.

Figure 3.3
GENDER AND AGE DYNAMICS, Cape Metro, 2021



Source: Western Cape Government PPU, 2021. Provincial, district and local municipal area population estimates by sex and age (2002 to 2036) based on Stats SA MYPE series 2021 and 2022

In 2021, 36.3 per cent of people living in the Cape Metro area were aged 35 to 64 while 33.2 per cent were in the 15 to 34 age category. The Metro has a high portion of the economically active population (69.5 per cent), which is higher than the Province (68.8 per cent) and the country (65.6 per cent). This suggests that the Cape Metro area is a more attractive area for professionals owing to its opportunities,[1] accessibility and attractiveness to remote labour.[2]

Children younger than 15 constituted 23.6 per cent of the Cape Metro area's total population. Given its gender and age dynamics, the Cape Metro area has a lower dependency ratio (43.9 dependants per 100 people) than that of the Province and the country at 45.3 and 52.5 dependants per 100 people respectively.[3] Therefore, there are proportionally more working-age adults in the Cape Metro area who can support the young and elderly of the population. This suggests that the Cape Metro has an increase in the share of the working-age population that leads to higher per capita income growth and poverty reduction,[4] which will benefit the overall economic growth in the Metro.

[1] *(Global Africa Network, 2019).*
[2] *(Darangwa, 2021).*
[3] *Figures calculated through analysis of Figure 3.3.*
[4] *(Cruz & Ahmed, 2018).*

3.3 HUMAN DEVELOPMENT

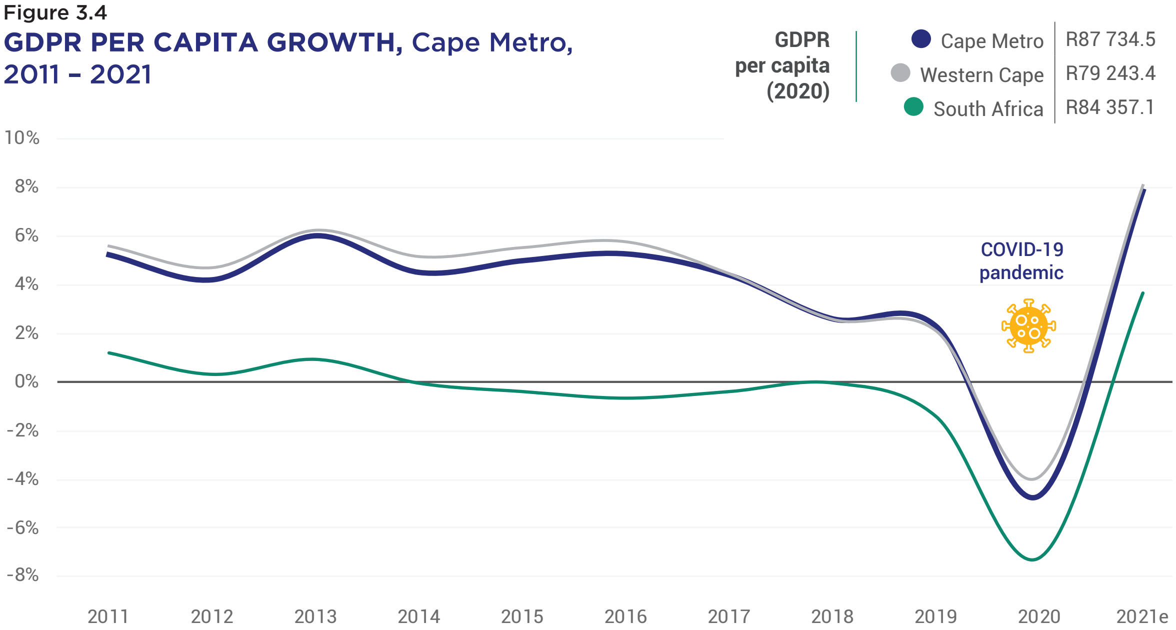
Economists expect economic growth to result in improvements in human development, and economic decline to have an adverse effect on human development. The UN uses the HDI to compare the level of socio-economic development across countries. The performance of the economy plays a major role in determining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

3.3.1 Income

Figure 3.4 illustrates the Cape Metro area's GDPR per capita growth between 2011 and 2021 in comparison with the Western Cape and South Africa.

Figure 3.4

GDPR PER CAPITA GROWTH, Cape Metro, 2011 – 2021



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021e
Cape Metro	5.3%	4.2%	6.0%	4.5%	5.0%	5.3%	4.4%	2.6%	2.3%	-4.6%	7.9%
Western Cape	5.6%	4.7%	6.3%	5.2%	5.6%	5.8%	4.5%	2.6%	2.1%	-3.9%	8.1%
South Africa	1.2%	0.3%	1.0%	0.0%	-0.4%	-0.6%	-0.4%	0.0%	-1.4%	-7.2%	3.7%

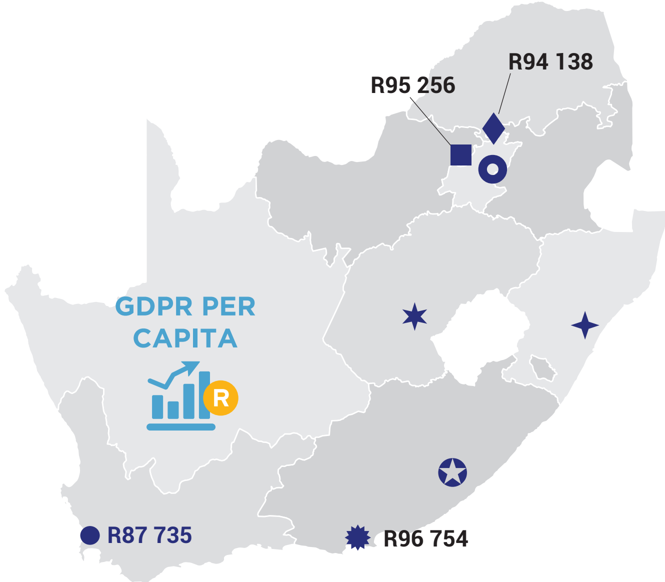
Source: Quantec Research, 2022 (e denotes estimate)

The GDPR per capita growth was on a downward trajectory for the period 2016 to 2020 in the Cape Metro, the Western Cape and South Africa. In 2020, GDPR per capita in the Cape Metro area declined by 4.6 per cent, above that of the 3.9 per cent contraction recorded in the Province during the same year. The contraction recorded in 2020 resulted from COVID-19 restrictions, which constricted individuals' movement and ability to generate an income.

As illustrated in Figure 3.4, the GDPR per capita improved significantly in 2021. The GDPR per capita of the Cape Metro area increased from R87 735 in 2020 to R90 050 in 2021, which was higher than the Province's GDPR per capita of R81 650 in 2021.

Diagram 3.2
GDPR PER CAPITA, South African Metros, 2020

	GDPR per capita 2020	GDPR per capita growth 2016 – 2020
Tshwane Metro	**R94 138**	**-2.3%**
Nelson Mandela Bay	**R96 754**	**-1.4%**
Johannesburg Metro	**R95 256**	**-2.8%**
eThekwini	R87 371	-2.2%
Cape Metro	**R87 735**	**-2.5%**
Ekurhuleni	R78 969	-2.9%
Mangaung	R83 115	-1.1%
Buffalo City	R75 388	-1.0%
SOUTH AFRICA	**R65 478**	**-1.9%**



Source: Quantec Research, 2022

In 2020, South Africa's average GDPR per capita stood at R65 478, which was lower than all the metropolitan areas in the country. Between 2016 and 2020, the national GDPR per capita declined at an average annual rate of 1.9 per cent. This can be ascribed to the poor performance of the national economy over the period, in addition to increases in the national population.

All metro areas recorded average annual contractions in GDPR per capita between 2016 and 2020. Over the period, the Ekurhuleni metropolitan area recorded the largest average annual contraction at 2.9 per cent, followed by the Johannesburg Metro (2.8 per cent) and Cape Metro (2.5 per cent). Out of South Africa's eight metro areas, the highest average GDPR per capita was recorded in Nelson Mandela Bay (R96 754), the Johannesburg Metro (R95 256) and the Tshwane Metro (R94 138).

Table 3.1 provides an overview of the average monthly household income in the Cape Metro, the Western Cape and South Africa.

Table 3.1
AVERAGE MONTHLY HOUSEHOLD INCOME (CURRENT PRICES), Cape Metro, 2020

MUNICIPAL AREA	Average household income 2020 (current prices)	Trend 2016 – 2020
Cape Metro	R20 075	-2.1%
Western Cape	R18 995	-1.8%
South Africa	R15 551	-1.5%

Source: Urban-Econ calculations based on Quantec Research, 2022

In 2020, the Cape Metro area had a higher average monthly income (R20 075) than the Western Cape (R18 995) and South Africa (R15 551). The Cape Metro area is the economic hub of the Province and therefore also attracts skilled and experienced workers, which may be one of the reasons for the higher average monthly household income. However, for the period between 2016 and 2020 the Cape Metro area experienced a significant decline of 2.1 per cent in average household income, which was higher than that of the Western Cape, which experienced a 1.8 per cent decline.

3.3.1.1 Taxpayers

The South African Government receives a sizable portion of its funding from income taxes, which are governed by the Income Tax Act of 1962.[5] These taxes are commonly used to finance national priorities such as national debt and for procuring public goods and services.

The number of taxpayers and average monthly taxable income for the Cape Metro, Western Cape and South Africa are shown in Table 3.2 below for the years 2019 and 2020.

Table 3.2
INDIVIDUAL TAXPAYERS, Cape Metro, 2019 – 2020

	Number of taxpayers		Average monthly taxable income	
MUNICIPAL AREA	**2019**	**2020**	**2019**	**2020**
Cape Metro	611 595	637 981	R30 499	R30 358
Western Cape	867 697	906 526	R28 622	R28 495
South Africa	4 960 909	5 213 796	R29 108	R28 995

Source: National Treasury and SARS, 2022

The Cape Metro area had the most taxpayers in the Western Cape in 2020, making up 70.4 per cent of the Province's overall taxpayers and 12.2 per cent of national taxpayers. Between 2019 and 2020, a 4.3 per cent increase in taxpayers was recorded in the metropolitan area, while a 4.5 per cent increase was recorded in the Province over the same period. These rates are slightly below the 5.1 per cent increase recorded in South Africa between 2019 and 2020.

The Cape Metro area's average monthly taxable income declined by 0.5 per cent from 2019 to 2020. This can be ascribed to local businesses seeing a decline in sales and salaries being reduced as a result of the COVID-19-related nationwide lockdown. However, despite the decrease in the average monthly taxable income, the Cape Metro area experienced an increase in the number of taxpayers in 2020. This was due to an increase in the number of individuals reaching the taxable income threshold during that period.

3.3.1.2 Poverty

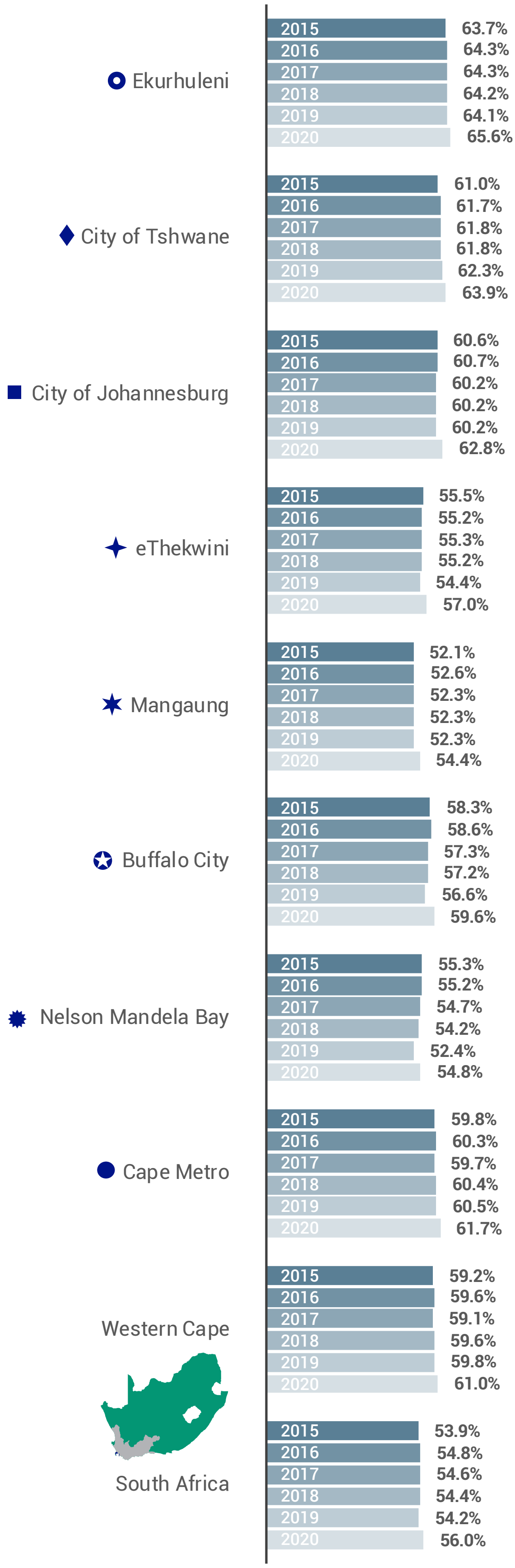
Stats SA uses a cost-of-basic-needs approach to produce three poverty lines, namely the food poverty line (FPL), the lower-bound poverty line (LBPL) and the upper-bound poverty line (UBPL). This allows monitoring of poverty at different levels. The FPL is the rand value below which individuals are not able to afford sufficient food that is required for adequate health. The LBPL and the UBPL use the FPL as a base, but they also have a non-food component. Individuals at the LBPL do not have enough resources to purchase both adequate levels of food and non-food items, and must therefore sacrifice food to obtain essential non-food items. Those at the UBPL can afford both adequate food and non-food items.[6]

[5] *(South African Revenue Service, 2022).*
[6] *(Stats SA, 2017).*

Figure 3.5 illustrates the proportion of the population that is considered to be at the UBPL.

In 2020, there was a larger proportion of people in the Cape Metro area (61.7 per cent) at the UBPL compared with the Province (61.0 per cent) and South Africa (56.0 per cent). Between 2015 and 2019, the proportion of individuals at the UBPL increased in the Cape Metro area from 59.8 per cent to 60.5 per cent. However, a larger comparative increase was recorded in 2020 owing to job-shedding resulting from the COVID-19 pandemic. This may result in increased strain on all spheres of government, as households may struggle to pay rates and taxes to local authorities. In addition, income tax receipt may decline, while the need for income support increases.

Figure 3.5
PROPORTION OF POPULATION AT UBPL, Cape Metro, 2015 – 2020



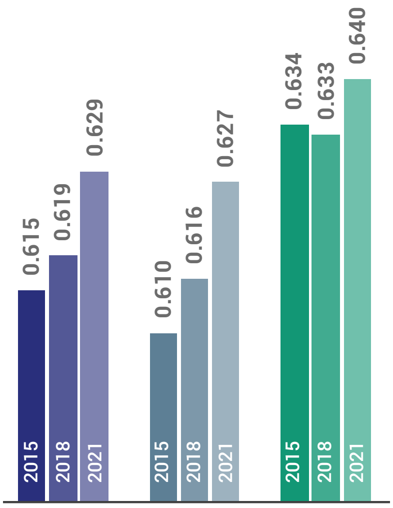
Source: IHS Markit, 2022

3.3.1.3 Inequality

There are numerous measurements of inequality in a society, including income, expenditure, asset, employment, education, health, basic services and social mobility inequality. By utilising a multidimensional view of inequality, the broader context of the challenges South Africans face can be analysed. Ratios and indices that measure inequality include the Gini coefficient, the Theil index, general entropy, the Palma ratio and the Atkinson index.[7] However, at a local municipal level, data that is readily available and most widely used is the Gini coefficient, which can therefore be utilised to analyse income inequality at a local level.

Figure 3.6 illustrates the Gini coefficients for the Cape Metro area, the Western Cape and South Africa.

Figure 3.6
GINI COEFFICIENTS, Cape Metro, 2015 – 2021



Source: IHS Markit, 2022

The Cape Metro area had a marginally higher income inequality compared with the Western Cape in 2021, but the Gini coefficient was still lower than that of South Africa. The Gini coefficient deteriorated from 0.615 in 2015 to 0.619 in 2018 and 0.629 in 2021. The increase in income inequality, together with the average household income decline, puts more pressure on the public sector to provide financial support for local households, which emphasises the need for sustainable job creation.

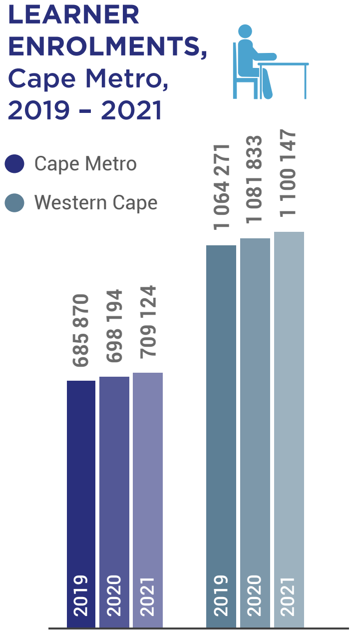
The Gini coefficient is an indicator of income inequality and ranges between 0 and 1, with 0 representing complete equality and 1 representing complete inequality.

[7] *(Stats SA, 2019).*

3.3.2 Education

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

Figure 3.7
LEARNER ENROLMENTS, Cape Metro, 2019 – 2021



Source: Western Cape Education Department, 2022

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

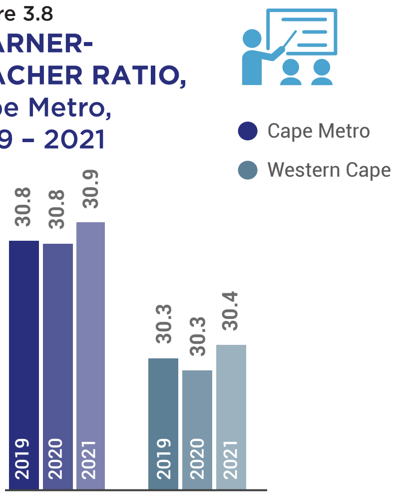
Figure 3.7 illustrates the number of learners enrolled in schools in the Cape Metro compared with the Western Cape and South Africa between 2019 and 2021.

The number of learners enrolled in the Cape Metro increased by an average annual rate of 1.7 per cent from 685 870 in 2019 to 709 124 in 2021. Similarly, the number of learners in the Western Cape also increased by an average annual rate of 1.7 per cent from 1.0 million in 2019 to 1.1 million in 2021. This considered, it is important to ensure that there is sufficient space to accommodate continuously increasing enrolments and to ensure that enough teachers are attending to learners to ultimately ensure quality education provision.

Figure 3.8 compares the learner-teacher ratios in the Cape Metro with the Western Cape learner-teacher ratios between 2019 and 2021.

The increase in the number of learner enrolments in the Cape Metro could have been one of the factors contributing to the increase in the learner-teacher ratio from 30.8 learners per teacher in 2019 to 30.9 learners in 2021. The same learner-teacher ratio increase was experienced at a Provincial level, with an increase from 30.3 learners per teacher in 2019 to 30.4 learners in 2021. Recommendations relating to this challenge include that the reduction of the pupil-to-teacher ratio should be a central policy goal of government. The achievement of this policy goal will drive the construction of more schools in the right locations, and the recruitment and training of more teachers.[8]

Figure 3.8
LEARNER-TEACHER RATIO, Cape Metro, 2019 – 2021



Source: Western Cape Education Department, 2022

Learner-teacher ratios are indicative of the capacity of schools to accommodate more learners. Learner-teacher ratio upper limits of 40:1 in ordinary primary schools and 35:1 in ordinary high schools are set by the Department of Education.[9] Lower learner-teacher ratios are associated with more interaction between teachers and learners, which could contribute to better-quality education.[10]

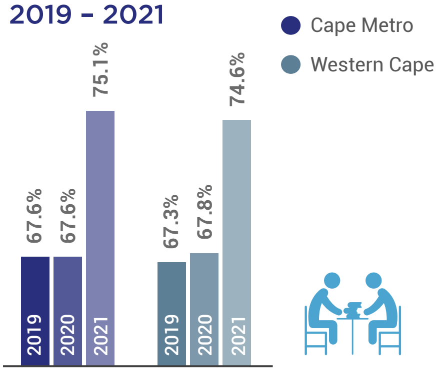
[8] *(Townsend, 2022).*
[9] *(Sephton, 2017).*
[10] *(Moloi, 2011).*

The learner-teacher ratio is a strong indicator of the students' level of engagement in a class, the quality of education and student achievement. A lower learner-teacher ratio may result in teachers being able to provide more personalised teaching methods, which improves teaching and learning processes in schools as well as the academic progression of students. Research has also shown that lower learner-teacher ratios are associated with better test results, fewer drop-out learners and higher graduation rates.[11]

Figure 3.9 depicts the municipal area and Provincial Grade 10 to 12 retention rate between 2019 and 2021.

Figure 3.9

GRADE 10 TO 12 RETENTION RATE, Cape Metro, 2019 – 2021



Source: Western Cape Education Department, 2022

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

Despite the challenges experienced in the education sector in 2020, the learner retention rate for the Cape Metro improved significantly from 67.6 per cent in 2019 to 75.1 per cent in 2021. The retention rate in the Cape Metro was higher than that of the Western Cape in 2021, with the Western Cape rate increasing from 67.3 per cent in 2019 to 74.6 per cent in 2021. According to the General Household Survey of 2021, the key reasons learners stop attending school include illness and disability, poor academic performance, the inability to pay fees and family commitments.[12]

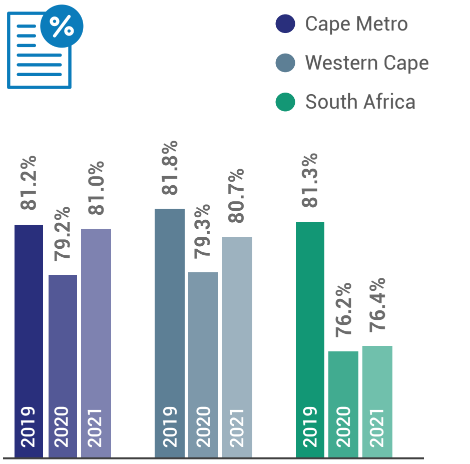
Access to education is an important indicator for labour market skills as well as providing improved access to economic opportunities. Local challenges that result in learners leaving school before Grade 12 need to be assessed, considering that most sectors require semi-skilled and skilled labour.

Together with several other variables not considered in this section, learner enrolment, learner-teacher ratios and Grade 10 to 12 retention rates all contribute towards an area's Grade 12 pass rate. Figure 3.10 shows the matric pass rate in the Cape Metro area compared with the Western Cape and South Africa.

[11] *(The Hun School of Princeton, 2019).*
[12] *(Stats SA, 2022).*

Figure 3.10

MATRIC PASS RATE,
Cape Metro, 2019 – 2021



Source: Western Cape Education Department, 2022

The matric pass rate of both the Cape Metro and the Western Cape decreased from 2019 to 2020 and then increased again in 2021. The disruptions to the school calendar in 2020 as a result of COVID-19 created a challenging environment for learners as well as educators, particularly in areas with high levels of poverty where there is less access to the internet and technology, which allows for online learning.

In the Cape Metro area, the matric pass rate decreased from 81.2 per cent in 2019 to 79.2 per cent in 2020, only to climb to 81.0 per cent the following year. Both the Cape Metro and the Western Cape managed to record a higher matric pass rate in 2021 than South Africa's 76.4 per cent.

Even though COVID-19 lockdown measures were eased in 2021, the academic performance of many learners was still affected owing to routine disruptions. Lockdown restrictions impacted the matric pass rate negatively, mostly owing to teaching time lost as well as the transition to online teaching.[13] This also impacted the class of 2021, as students in Grade 11 in 2020 lost more time than the matric class of 2020.[14]

[13] *(Govender, 2022).*
[14] *(Makinana, 2020).*

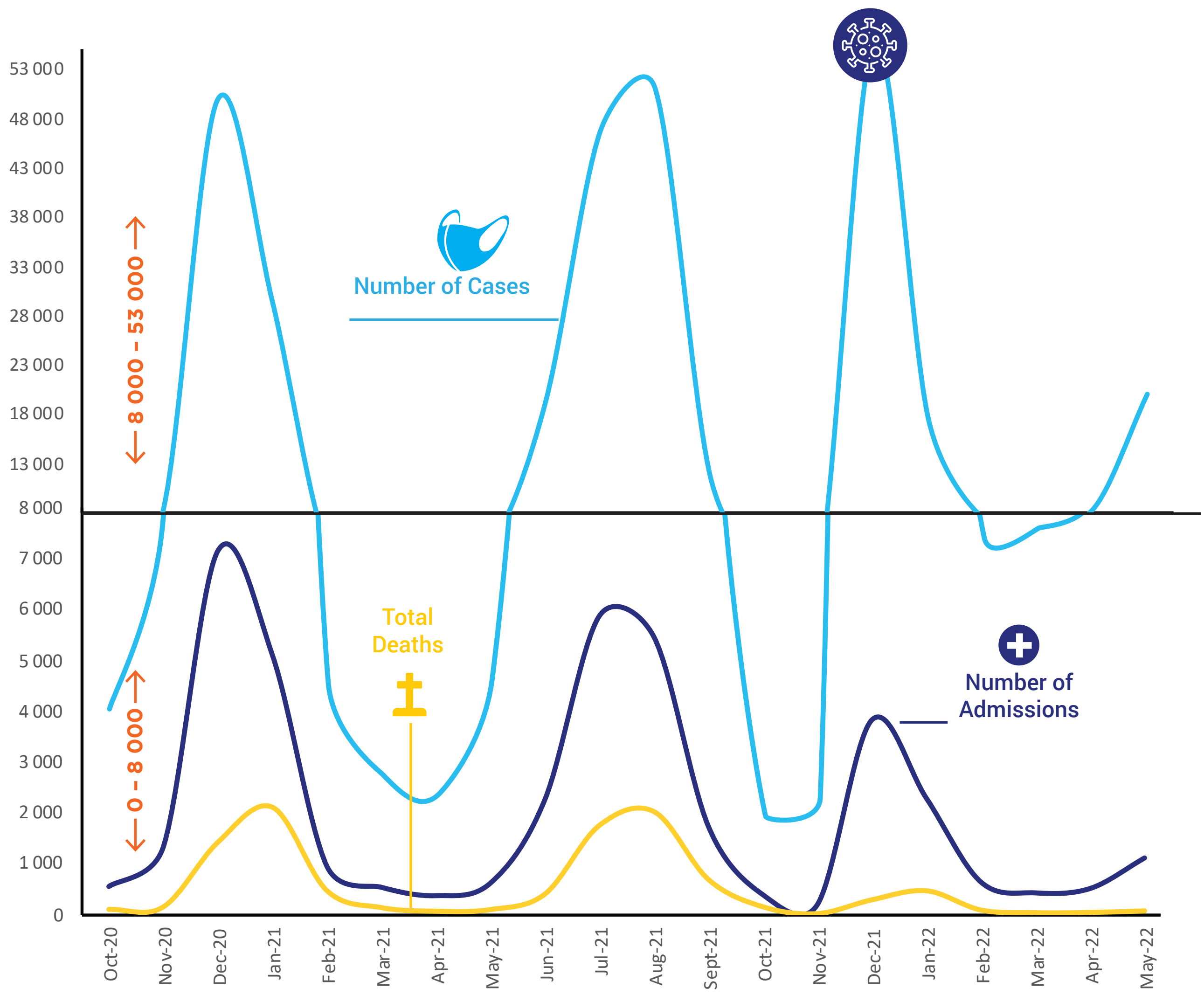
3.3.3 Health

This subsection analyses the health conditions of people living in the Cape Metro area by reviewing COVID-19, the causes of death, humanimmunodeficiency virus (HIV), tuberculosis (TB), infant mortality rates, maternal death rates and teenage pregnancies.

3.3.3.1 COVID-19

The COVID–19 cases, admissions and related deaths follow a similar trend during the reference period. (See Figure 3 11.) During the first wave, cases in the Cape Metro increased significantly from 302 in March 2020 to 25 314 in June 2020.

Figure 3.11
COVID-19 CASES, ADMISSIONS AND DEATHS, Cape Metro, 2020 – 2022



	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22	April 22	May 22
Cases	4 013	8 058	49 931	29 496	4 542	2 722	2 314	4 607	19 271	46 770	51 109	11 868	1 903	2 268	55 834	17 424	7 380	7 572	8257	20 009
Admissions	543	1 321	7 131	5 088	942	528	364	610	2 252	5 857	5 442	1 720	381	192	3 816	2 272	629	418	504	1104
Deaths	114	163	1 423	2 107	481	149	79	111	414	1 753	2 021	697	165	32	302	477	101	50	54	85

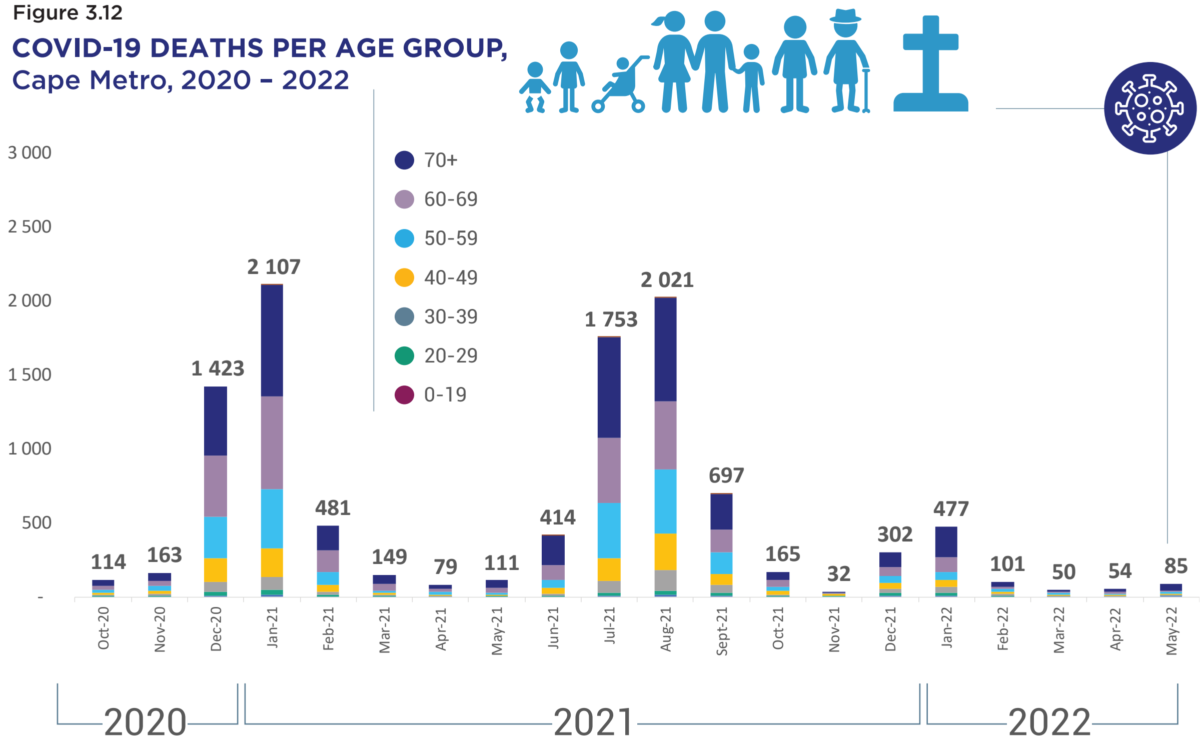
Source: Western Cape Department of Health, 2022

This was the peak of the first wave, after which the number of cases began to decline and was relatively low until the onset of the second wave. The number of COVID cases peaked again in December 2020, increasing from 8 058 in November 2020 to 49 931 in December 2020, which was the peak of the second wave. Thereafter, the number of cases declined and remained relatively low until the onset of the third wave, which peaked in August 2021, with 51 109 recorded cases.

During the first wave, the number of admissions peaked at 4 343 in June 2020. During the second wave, the peak occurred in December 2020, with 7 131 hospital admissions, which was the highest number of admissions recorded over the reference period. With the onset of the third wave, the number of admissions peaked at 5 857 in July 2021. During the first wave, the number of deaths peaked at 1 093 in June 2020. During the second wave there was a substantial increase in deaths from 163 people in November 2020 to 2 107 people in January 2021. During the third wave deaths peaked at 2 021, in August 2021. Older people are more susceptible to succumbing to the disease, as 61.4 per cent of the total number of deaths were people 60 years and older during the reference period.[15]

Figure 3.12

COVID-19 DEATHS PER AGE GROUP, Cape Metro, 2020 – 2022



Source: Western Cape Department of Health, 2022

The South African Government had COVID-19 vaccine roll-outs from February 2021 for healthcare workers, with the Pfizer and Johnson & Johnson vaccines listed as the main options available. Initially, when vaccine dose supply was limited, the public roll-out was limited to the elderly population, as well as the population with comorbidities and those living in hostels and nursing homes from May 2021. The vaccine was only available for all adults from August 2021 and was available for children in October 2021.

COVID-19 vaccines are safe and effective at protecting people from getting seriously ill or being hospitalised.[16]

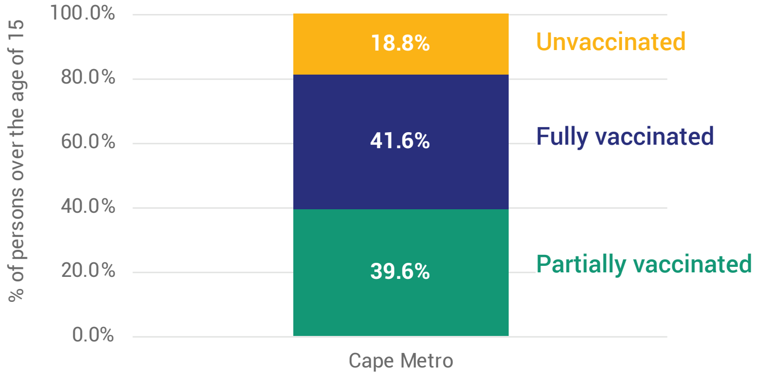
[15] *(See Figure 3.12).*
[16] *(Centers for Disease Control and Prevention, 2022).*

They also offer added protection against new infections and variants of the virus. Furthermore, full vaccination is more beneficial than partial vaccination, as full dosages reinforce immune responses compared with a single dosage.[17] Going forward, boosters are encouraged, as they help people maintain protection from severe COVID-19 infection.[18] However, it is acknowledged that vaccine hesitancy occurs for several reasons, including health concerns, mistrust towards the pharmaceutical industry, misinformation, disinformation and a lack of education regarding vaccine efficacy.

Figure 3.13 depicts the population that has received full or partial vaccination as well as the unvaccinated population in the Cape Metro area.

Figure 3.13

COVID-19 VACCINATED POPULATION, Cape Metro, 2020 – 2022



Vaccinations[19]	2020-2022		
	Partially vaccinated[20]	Fully vaccinated[21]	Unvaccinated
Cape Metro	39.6%	41.6%	18.8%

Source: Western Cape Department of Health, 2022

Overall, in the Cape Metro area, most people over the age of 15 are fully vaccinated (41.6 per cent). This is followed by individuals who are partially vaccinated (39.6 per cent). The highest recorded number of first doses received was for the age group between 18 and 34 at 657 212 doses. The highest number recorded for receiving second doses was for the age group between 35 and 49, with a total of 392 180 people. The least vaccinated group was in the age range of 12 to 17. In this group, 97 584 people received their first dose and 37 429 received their second dose. This could be a result of increased vaccine hesitancy from children in the age group, as they have the lowest risk of severe COVID-19 infection. Another factor influencing low vaccination rates in the age group is different laws regarding vaccination for the age group arising from fears of myocarditis or pericarditis.[22]

Although the Cape Metro area recorded the highest number of vaccination centres across all municipal areas in the District, a high unvaccinated population can be attributed to vaccine hesitancy in the Cape Metro area.

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[17] *(Seladi-Schulman, 2021).*
[18] *(Maragakis & Kelen, 2022).*
[19] *It should be noted that the vaccination numbers reported are based on the place that the vaccination was received and not where the client resides.*
[20] *Percentage of individuals who have received a Pfizer first dose.*
[21] *Percentage of individuals who have received a Johnson & Johnson vaccine or a Pfizer first dose and second dose.*
[22] *(Mail & Guardian, 2021).*

3.3.3.2 HIV/AIDS and TB

Table 3.3 provides an overview of the trends in HIV testing, treatment and outcomes in the Cape Metro area between 2018/19 and 2021/22.

Table 3.3

TRENDS IN HIV TESTING, TREATMENT AND OUTCOMES, Cape Metro, 2018/19 – 2021/22

HIV

	2018/19	2019/20	2020/21	2021/22
Known HIV+ (Tested; n)	**292 204**	**304 419**	**307 681**	**305 326**
Of which: Clients started but no longer on ART	28.2%	26.7%	26.4%	24.1%
Of which: Clients on ART	**64.5%**	**66.6%**	**67.4%**	**70.0%**
Of which: Clients with confirmed viral suppression	80.7%	81.0%	81.8%	84.3%

Source: Western Cape Department of Health, 2022

The number of known HIV-positive tests increased from 292 204 in 2018/19 to 305 326 in 2021/22. The challenges in the healthcare industry as a result of the COVID-19 pandemic may have impacted the performance of HIV testing, treatment and outcomes. Clients who started with antiretroviral therapy (ART) but are no longer on it decreased from 28.2 per cent in 2018/19 to 24.1% per cent in 2021/22. Clients on ART increased from 64.5 per cent in 2018/19 to 70.0 per cent in 2021/22. In absolute numbers, the number of clients on ART increased, which indicates that the number of HIV clients increased, in line with the number of people testing positive.

Clients with confirmed viral suppression[23] increased from 80.7 per cent in 2018/19 to 84.3 per cent in 2021/22. The economic impacts of HIV/AIDS include reduced labour supply, reduced labour productivity, reduced exports and increased imports.[24] However, the discontinuation or interruption of ART may result in a viral rebound. Although not all of these aspects show a positive outcome, there are some improvements that will have a positive impact not only on the quality of life for persons with HIV but also on the economy.

Table 3.4 provides an overview of TB notification and outcomes in the Cape Metro between 2019/20 and 2021/22.

Table 3.4

TRENDS IN TB NOTIFICATION AND OUTCOMES, Cape Metro, 2019/20 – 2021/22

TB

	2019/20	2020/21	2021/22
TB programme success rate (%)	75.8%	78.0%	77.5%
TB clients lost to follow-up (%)	20.0%	17.6%	17.7%
TB client death rate (%)	3.5%	3.6%	4.0%
TB/HIV co-infected (%)	54.0%	54.3%	52.4%
TB MDR treatment success rate (%)	51.5%	54.1%	57.9%

Source: Western Cape Department of Health, 2022

Despite the disruptions to the healthcare system in 2020 by COVID-19, the TB programme success rate improved from 75.8 per cent in 2019/20 to 77.5 per cent in 2021/22. The multidrug-resistant (MDR) treatment success rate increased from 51.5 per cent in 2019/20 to 57.9 per cent in 2021/22. However, despite these positive outcomes, the TB client death rate increased from 3.5 per cent in 2019/20 to 4.0 per cent in 2021/22.

[23] *Viral suppression is when HIV medicine is used to reduce the viral load in the body in such a way that the immune system can function.*

[24] *(Dixon, et al., 2002).*

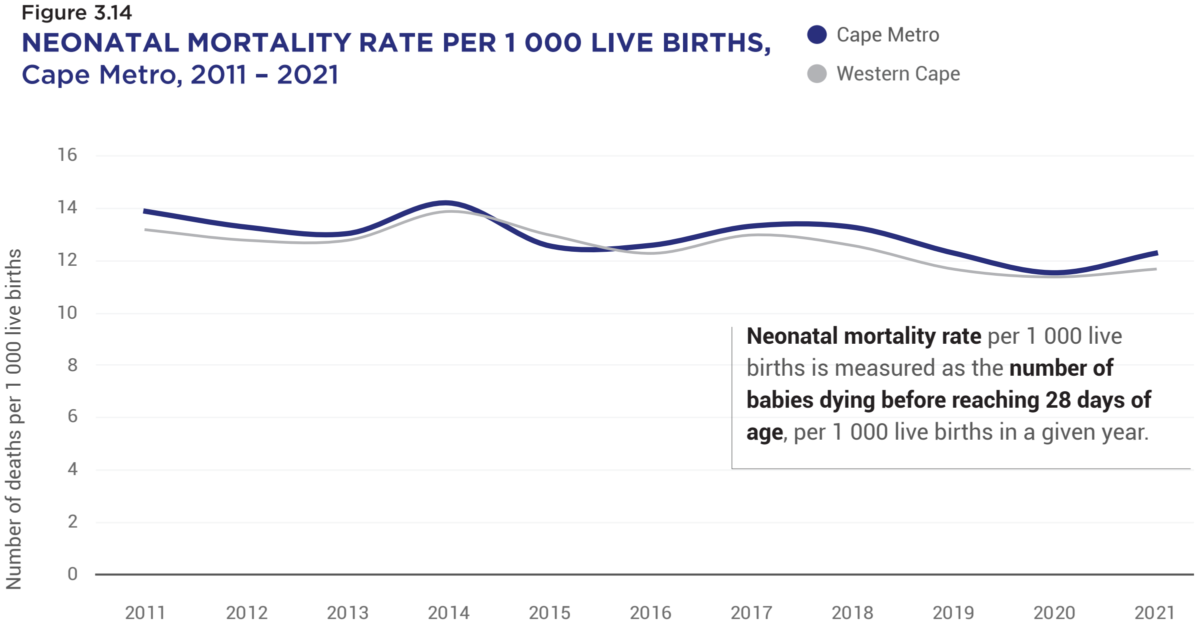
The TB clients lost to follow-up rate and the TB/HIV co-infection rate in the Cape Metro area remain above the Western Cape Provincial average for these indicators in 2021/22 at 17.7 per cent and 52.4 per cent respectively. The TB programme success rate in the municipal area matches the Provincial average of 77.5 per cent.

HIV testing, treatment and outcomes trends indicated an improvement. On the other hand, recent data on TB notification and outcomes indicates a slight deterioration, which could be linked to the impact of COVID-19 on the health system and the population's health in general.[25] Therefore, the improvement and restraint of HIV indicators point to improved quality of life and as a result opportunities for economic growth, while further improvement in the access to and success of TB treatment is required.

3.3.3.3 Child and maternal health

Figure 3.14 depicts neonatal death rates in the Cape Metro area and the Western Cape between 2011 and 2021.

Figure 3.14
NEONATAL MORTALITY RATE PER 1 000 LIVE BIRTHS, Cape Metro, 2011 – 2021



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Cape Metro	13.9	13.3	13.0	14.2	12.6	12.6	13.3	13.3	12.3	11.6	12.3
Western Cape	13.2	12.8	12.8	13.9	13.0	12.3	13.0	12.6	11.7	11.4	11.7

Source: Western Cape Department of Health, 2022

Neonatal mortality rates compared with live birth rates for the Cape Metro have decreased in the period under review to 12.3 deaths per 1 000 live births in 2021, from 13.9 in 2011.

[25] *(Pillay, Pienaar, Barron, & Zondi, 2021).*

Table 3.5 provides an overview of the maternal death rates per 100 000 live births in the Cape Metro between 2019 and 2021.

Table 3.5
MATERNAL DEATH RATES PER 100 000 LIVE BIRTHS, Cape Metro, 2019 – 2021

	2019	2020	2021
Cape Metro	**57.9**	**89.8**	**82.4**
West Coast District	0.0	43.0	55.6
Cape Winelands District	49.8	118.3	120.1
Overberg District	0	22.1	0
Garden Route District	33.4	121.5	56.8
Central Karoo District	0.0	195.0	107.0

Source: Western Cape Department of Health, 2022

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

In 2021, the Cape Metro area recorded the third-highest maternal death rate per 100 000 live births in the Province. The district with the highest maternal death rate was the CWD (120.1), followed by the CKD (107.0).

The child mortality rate in the Cape Metro has remained somewhat stable over the review period, while maternal deaths in the Cape Metro have recently improved despite fluctuations recorded in previous years. This trend could be pointing towards the existence of continued challenges in addressing the causes of these deaths.

3.3.3.4 Teenage pregnancy

Teenage pregnancies can perpetuate the poverty cycle while also resulting in early school drop-out by pregnant teenagers. Teenage pregnancy is influenced by several factors, including lack of knowledge about or access to contraceptives, access to healthcare services and other sociocultural factors.

Table 3.6 outlines the delivery rate of women between the ages of 10 and 19 in the Cape Metro and Western Cape between 2019 and 2021.

Table 3.6
DELIVERY RATE TO WOMEN 10 – 19 YEARS, Cape Metro, 2019 – 2021

	2019	2020	2021
Cape Metro	**9.5%**	**9.4%**	**9.8%**
West Coast District	16.3%	14.7%	15.3%
Cape Winelands District	15.1%	13.6%	14.0%
Overberg District	13.1%	14.0%	14.0%
Garden Route District	15.6%	14.7%	15.4%
Central Karoo District	15.4%	17.7%	18.9%

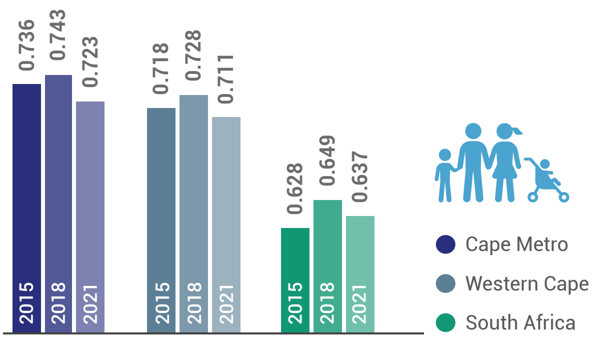
Source: Western Cape Department of Health, 2022

The Cape Metro area recorded a marginal increase in the delivery rate to women between 10 and 19 years from a 9.5 per cent delivery rate in 2019 to 9.8 per cent in 2021. The Cape Metro area also experienced the lowest proportion of teenage pregnancies between 2019 and 2021 compared with other districts in the Western Cape. Increases in the delivery rate in the Cape Metro area are likely to perpetuate social issues such as poverty cycles in the area. Educational interventions to ensure knowledge about and access to contraceptives and healthcare will help to reduce the delivery rate in the Cape Metro area.

3.3.4 Human Development Index

The HDI is defined as a composite indicator reflecting education levels, health and income, and is used to compare the relative level of socio-economic development in countries. Economic performance plays an important role in determining the quality of life of citizens; as human development is improved by economic growth, it is also worsened by economic decline. Figure 3.15 depicts the HDI in the Cape Metro area, the Western Cape and South Africa between 2015 and 2021.

Figure 3.15
HDI PER MUNICIPAL AREA, Cape Metro, 2015 – 2021



Source: IHS Markit, 2022

Economists expect economic growth to result in improvements in human development, and economic decline to have an adverse effect on human development.

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

The Cape Metro experienced the highest HDI level per district in the WC at 0.723 in 2021, even higher than SA. This is indicative of how living in highly urbanised areas has benefits in terms of access to healthcare, education quality and income-earning potential. That said, the Cape Metro's HDI level dropped between 2018 and 2021 from 0.743 to 0.723. This decrease was the largest compared with all the other local municipal areas and is indicative of the precarity of income in urban areas, especially given the high percentage of informal sector activity.

GLOBAL HDI COMPARISON

According to the United Nations Development Programme (UNDP),[26] South Africa was ranked 109th in the world in 2021, with an HDI of 0.713. Although it was lower than the average world HDI of 0.732, South Africa's HDI was still considered high and was above the average HDI of developing countries (0.685). Globally, Switzerland had the highest HDI in 2021 (0.962), while South Sudan was ranked the lowest at 0.385. In 2020, the HDI in the Western Cape (0.769) was also considered high according to the UNDP classification and was above the world average. The 2020 HDI in the Cape Metro (0.781) was high according to the HDI classification and on a par with that of Sri Lanka (0.782).

[26] *(UNDP, 2021.*

3.4 ACCESS TO HOUSING AND BASIC SERVICES

Future household growth

It is estimated that between 2021 and 2026 the Cape Metro area will have an average annual household growth rate of 2.2 per cent. The Cape Metro area is also forecast to grow at a faster rate than the Province (2.0 per cent), but slower than that of the country (2.8 per cent). The reason for the increase in the number of households is similar to the reason for the increase in population, namely the availability of opportunities within the Cape Metro area.

The average annual growth rate of households in the Cape Metro area is higher than the average annual growth rate of the population in the Cape Metro area over the same period. This indicates that the average household size is declining, with decreases from an average of 3.3 people per household in 2021 to an average of 3.1 people per household in 2026. The decline in household size could potentially suggest a greater demand for smaller residential units in the Cape Metro area, as well as a shift in demand for goods and services. This also alters the residential makeup within the Cape Metro area.

Dwellings

Access to formal housing is regarded as a basic human right and an important indicator of the level of human development within an economy. Table 3.7 depicts the different types of dwellings for households living in the Cape Metro area in 2021.

Table 3.7

NUMBER AND PROPORTION OF DWELLINGS, Cape Metro, 2021

	Cape Metro		Western Cape		South Africa	
	Number	% of total	Number	% of total	Number	% of total
Formal	1 029 851	78.3%	1 576 424	80.3%	13 733 895	82.3%
Informal	279 302	21.2%	374 994	19.1%	2 082 717	12.5%
Other	5 847	0.4%	10 674	0.5%	867 593	5.2%

Source: Quantec Research, 2022

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

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

Similar to the trend at national and Provincial levels, most of the households in the Cape Metro live in formal dwellings. A total of 78.3 per cent of residents in the Cape Metro area lived in formal dwellings and 21.2 per cent in informal dwellings in 2021. In the Western Cape, a larger share of the population lived in formal dwellings (80.3 per cent) and 19.1 per cent of residents lived in informal dwellings in 2021. The Western Cape and the Cape Metro have a significantly smaller proportion of residents staying in dwellings classified as "other" compared with the rest of South Africa, which stands at 5.2 per cent. This category includes traditional dwellings, which are more prevalent in other provinces of the country.

In 2021, there was a small decrease in informal settlements in the Cape Metro area, down by 0.5 per cent compared with the previous year. This change could indicate that the spatial transformation agenda of the City of Cape Town, as well as service provision and infrastructure development, are having an effect. However, illegal occupation still threatens the development gains of established communities and can impede future development of industrial, residential, commercial and social spaces.[27]

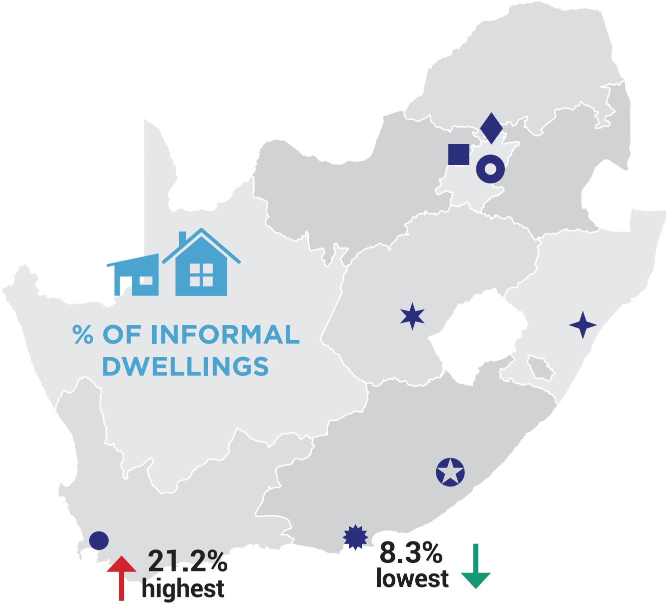
Recently, the City of Cape Town announced that R3.3 billion would be set aside to address the Cape's housing crisis. A total of R2.0 billion is set to focus on formal housing, while R1.3 billion will look at informal housing and new accommodation. However, projects face challenges that include regulatory red tape, the national government's hold on land and limited private investment.[28]

[27] *(Gallie, 2022).*
[28] *(Nefdt, 2021).*

Diagram 3.3

PROPORTION OF INFORMAL DWELLINGS, South African Metros, 2021 (%)

	% informal dwellings
Nelson Mandela Bay	**8.3%**
SOUTH AFRICA	**12.5%**
Mangaung	14.3%
eThekwini	9.7%
Johannesburg Metro	16.1%
Tshwane Metro	17.1%
Cape Metro	**21.2%**
Ekurhuleni	20.2%
Buffalo City	16.1%



Source: Quantec Research, 2022

A larger share of the Cape Metro's population lives in informal settlements (21.2 per cent in 2021) compared with South Africa (12.5 per cent in 2021). One of the major causes of informal dwellings can be linked to the lack of affordable housing in a given area.

HOUSING MARKET STUDY

Functional housing markets that respond to the diversity of residential accommodation needs of households across the spectrum of affordability and optimise the role of the private sector (from large-scale property developers to micro-landlords) are central to the economic and social wellbeing of our settlements, as well as to the financial sustainability of our towns and cities.

The Western Cape Growth Diagnostic report (2022) notes that *"a large gap between demand and supply has led to rising prices across the whole housing market from top to bottom. On the one hand, this raises the household wealth of homeowners. On the other, it raises the cost of accommodation resulting in lower real ex-accommodation household incomes. It also results in upward wage pressure on local firms. Higher prices ripple across the housing market, making even the most affordable formal housing stock more expensive, with huge implications for living standards and inclusion."* (intellidex, 2022). Filling the gap between demand and supply in the property market is therefore crucial.

To appropriately respond to this challenge and the opportunity presented by achieving more functional housing markets, **it is important to understand the performance of the housing markets in our urban centres and the nature of the affordability gap.** The Western Cape Government commissioned Housing Market Studies for four of the Province's intermediate cities/larger towns, namely the George city area, Mossel Bay-Kwanonqaba-Hartenbos, Stellenbosch town and the Paarl-Mbekweni-Wellington area. These studies profile housing demand and supply, and identify the affordability gap in each of the urban centres, building an evidence base to inform suitable responses to address shortcomings in the housing market.

In comparing the property markets of the four towns and cities, while there were commonalities, such as the gaps in the market, there were trends specific to each of the settlements. This speaks to the importance of assessing the housing market dynamics in each urban centre, as the performance of the markets will differ and appropriate approaches to addressing the gaps will vary.

There are many avenues to address the housing supply and affordability gap. The challenge requires tackling matters, in parallel, at multiple levels in the property development value chain and housing ladder. This requires co-operation from all three spheres of government, the private sector and households. To be successful, factors that drive costs up and limit supply of more affordable housing, as well as factors such as creditworthiness and/or inaccessible finance sitting on the demand side of the housing market, need to be understood in order to be tackled appropriately.

FOUR HOUSING MARKET STUDIES for Intermediate Cities/Larger Towns in the Western Cape were prepared by the Centre for Affordable Housing Finance in Africa (CAHF) under the commission of the Western Cape Department of Environmental Affairs and Development Planning and the Western Cape Department of Human Settlements. Scan the QR code for the full reports.

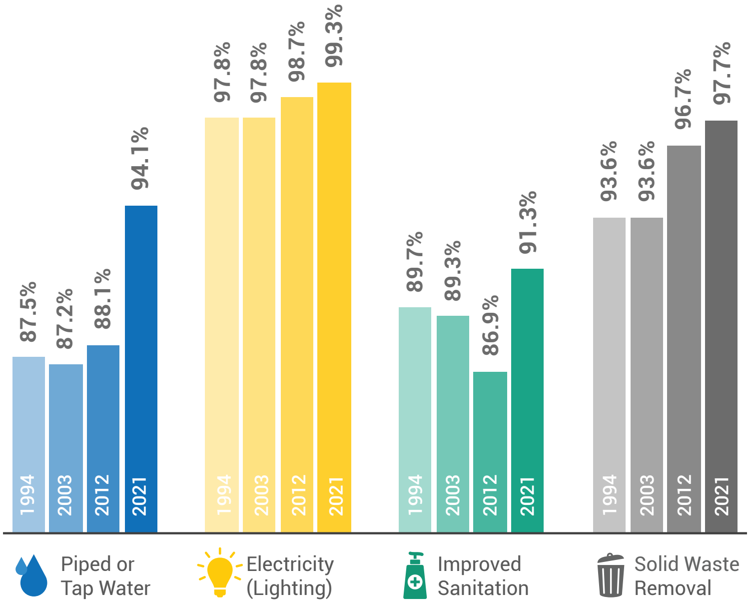
Citation: WC DEA&DP (2022) Housing Market Studies for Intermediate Cities/Larger Towns in the Western Cape: George City Area Report, Western Cape Department of Environmental Affairs and Development Planning (WC DEA&DP), Cape Town, South Africa.

The health, safety and wellbeing of communities are affected by access to basic services such as water and sanitation. Through the provision of basic services, municipalities create an enabling environment that will allow for private investment and entrepreneurship, which could create local economic opportunities.

Figure 3.16 illustrates households' access to basic services in the Cape Metro between 1994 and 2021.

Figure 3.16

ACCESS TO BASIC SERVICES, Cape Metro, 1994 – 2021



Access to a basic level of piped or tap water refers to having access to water inside a dwelling or yard.

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

Access to a basic level of solid waste removal services includes having refuse removed by local government or having access to a communal refuse container or collection point.[29]

Source: Urban-Econ calculations based on Quantec Research, 2022

Between 1994 and 2021, access to electricity for lighting, piped or tap water, improved sanitation and waste removal increased by 6.6 percentage points, 1.5 percentage points, 1.6 percentage points and 4.1 percentage points respectively. Access to improved sanitation decreased by 2.4 percentage points between 2003 and 2012 before increasing between 2012 and 2021 by 4.4 percentage points. Access to electricity for lighting decreased slightly by 0.3 percentage points between 1995 and 2003 but then increased again between 2003 and 2021 by 6.9 percentage points. These figures indicate that basic services have kept up with the increase in households in the Cape Metro.

[29] *(Stats SA, 2017).*

INDIGENT HOUSEHOLDS

A household is classified as indigent when the occupants of the household earn a combined income of less than a certain amount as specified by each municipal area in an indigent policy. The poverty threshold for Cape Metro is indicated in Table 3.8 below.

Table 3.8
POVERTY THRESHOLD, Cape Metro, 2021

Municipal Area	Indigent Policy
Cape Metro	Household is classified as indigent if the total household income does not exceed R7 500 per month.[30]

A municipal breakdown of the number and percentage of indigent households in the Cape Metro area between 2019 and 2021 is provided in Table 3.9.

Table 3.9
NUMBER OF INDIGENT HOUSEHOLDS, Cape Metro, 2019 – 2021

	2019		2020		2021	
	Number	% of households	Number	% of households	Number	% of households
Cape Metro area	220 796	17.4%	197 224	15.3%	201 707	15.3%
Western Cape	372 303	19.6%	345 359	17.9%	355 266	18.1%

Source: Department of Local Government, 2022

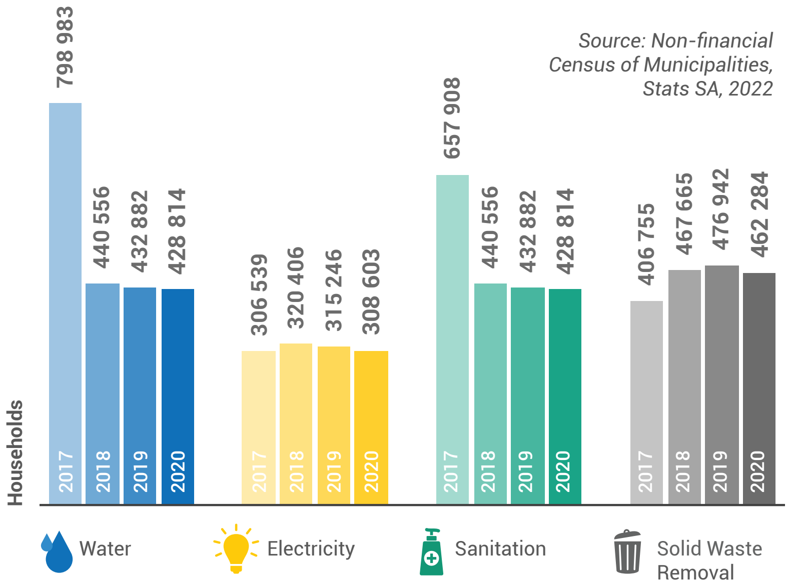
The Cape Metro area recorded 201 707 indigent households in 2021, comprising 15.3 per cent of households. This is an increase from 2020, when the Cape Metro area recorded 197 224 indigent households. The percentage of households considered indigent in the Cape Metro area was unchanged between 2020 and 2021, remaining at 15.3 per cent for both years. This is a decrease from the percentage of households classified as indigent in 2019, at 17.4 per cent.

For all three years, the Cape Metro area compared favourably with the Province, recording a lower percentage of indigent households than the Province. However, the Cape Metro area recorded a contribution of 56.8 per cent of indigent households in the Province in 2021. The Cape Metro area was the largest contributor to indigent households in the Province in 2021. The large proportion of indigent households in the Cape Metro area is a result of the perceived economic opportunities in the Cape Metro area. This influences emigration into the Cape Metro area by individuals who are likely to be considered indigent.

[30] *(City of Cape Town, 2022).*

Free basic services are available to households that qualify as indigent households. Figure 3.17 illustrates the number of households with access to free basic services in the Cape Metro between 2017 and 2020.

Figure 3.17
ACCESS TO FREE BASIC SERVICES, Cape Metro, 2017 – 2020



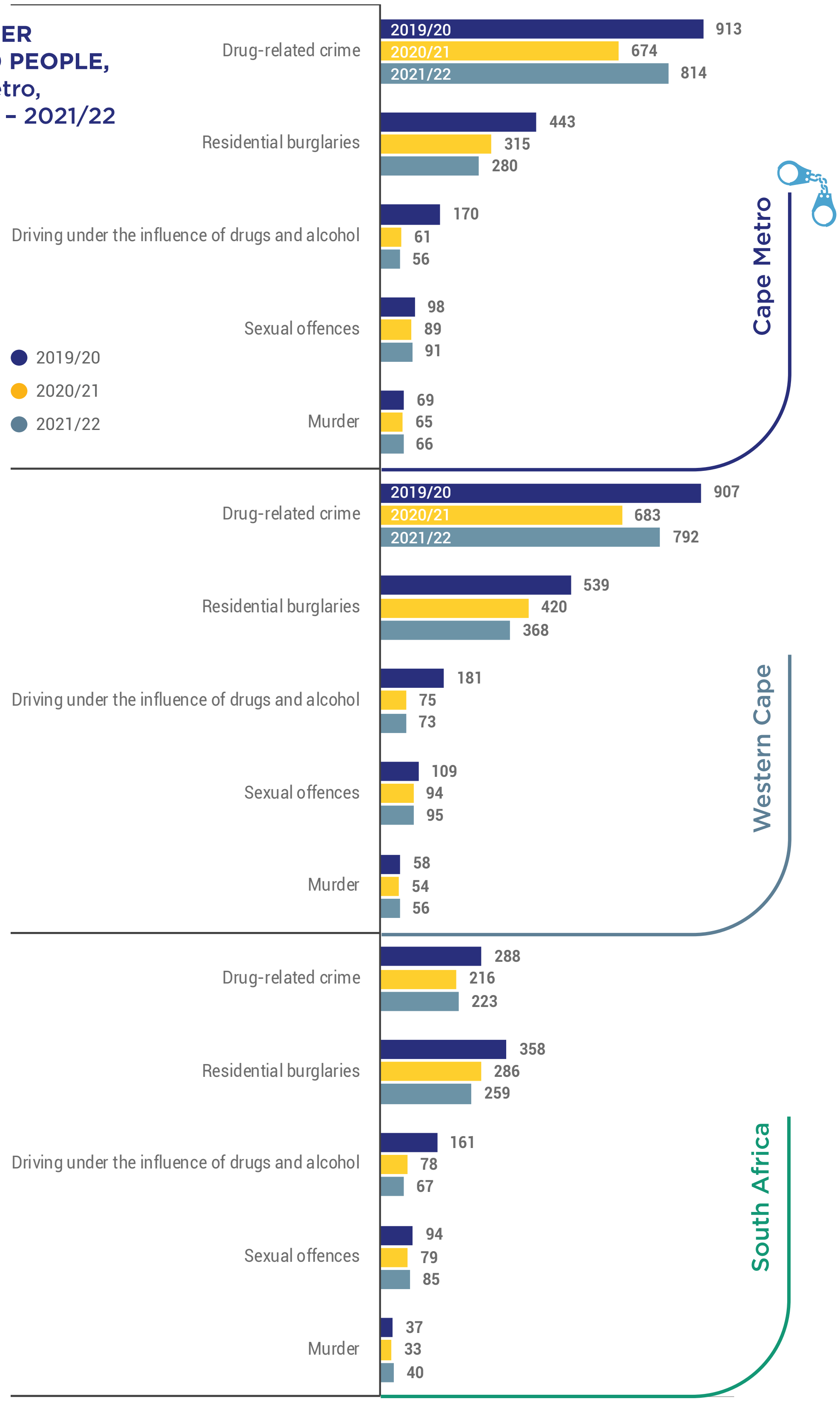
The level of free basic services support is guided by the indigent policy of each local municipality. Most municipalities offer up to 6kl of water and up to 50kWh of electricity as free basic services. Some of these municipalities also offer some limited support for sanitation and solid waste services. Therefore, the provision of free basic services differs based on the type of service, as access levels and policies differ across municipalities. The number of households with access to free basic water decreased from 798 983 to 428 814 between 2017 and 2020. During the same period, access to free basic sanitation also decreased, from 657 908 households to 428 814. These decreases are attributable to decreases in the expenditure for free basic water and sanitation in the City. Access to free basic electricity increased slightly from 306 539 households in 2017 to 308 603 in 2020. Access to free basic solid waste removal services also increased between 2017 and 2020, from 406 755 households to 462 284. These increases are also attributable to increases in the expenditure for free electricity and solid waste removal in the City.[31]

[31] *(City of Cape Town, 2021).*

3.5 CRIME

An analysis of an area's crime trend is important to determine the potential occurrence and types of criminal activities that are prevalent. Figure 3.18 depicts the trends in selected crime categories in the Cape Metro area, the Western Cape and South Africa.

Figure 3.18
CRIME PER 100 000 PEOPLE, Cape Metro, 2019/20 – 2021/22



Source: Calculated from SAPS, Quantec and Western Cape DSD, 2022

When considering the crime categories under review, the Cape Metro area recorded the highest drug-related crime per 100 000 people in 2021/22 when compared with the Western Cape and South Africa. Drug-related crime in the metropolitan area decreased from 913 cases per 100 000 people in 2019/20 to 814 cases per 100 000 people in 2021/22. However, it should be noted that increases were also recorded in the Province and nationally. The recent arrests of alleged organised crime bosses in the Cape Metro area are substantial gains made by law enforcement to reduce criminality in the metropolitan area.[32]

Despite the declining trend, the murder rate in the Cape Metro area remained above that of the Western Cape and South Africa. The number of residential burglaries per 100 000 in the Cape Metro area in 2021/22 was lower compared with the Western Cape but was higher than that of South Africa. The curfew implemented in 2020 as part of the lockdown measures to curb the spread of COVID-19 had a positive impact on reducing the rate of residential burglaries. In the Cape Metro area, the crime rate in this category declined from 443 cases per 100 000 people in 2019/20 to 280 cases in 2021/22.

In the Cape Metro area, Western Cape and South Africa the number of cases for driving under the influence of drugs or alcohol decreased from 2019/20 to 2021/22. The restriction on alcohol sales and the curfew implemented in 2020 had a positive impact on the number of cases of people driving under the influence of drugs or alcohol. In the Western Cape, cases decreased from 181 cases per 100 000 people in 2019/20 to 73 cases per 100 000 people in 2021/22, and from 170 cases per 100 000 people in the Cape Metro in 2019/20 to 56 cases per 100 000 people in 2021/22.

The Western Cape and the Cape Metro area recorded more instances of sexual assault per 100 000 people compared with South Africa over the reference period. Instances of sexual assault declined from 98 cases per 100 000 in 2019/20 to 91 cases per 100 000 in 2021/22 in the Cape Metro.

3.6 CONCLUDING REMARKS

The population of the Cape Metro area is forecast to grow by more than a quarter of a million people, while average household sizes continue to decline. Apart from creating further demand for housing (especially affordable units), this will also lead to more learner enrolments and healthcare patients.

Significant improvements in delivery of sustainable settlements will be necessary to ensure that the wellbeing of residents is promoted. While the Cape Metro area performs in some metrics of wellbeing (e.g. GDPR per capita, average household income), other indicators such as crime and poverty represent areas for future improvement.

[32] *(Hyman, 2021).*

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