



Western Cape
Government

2022-23

Municipal Economic Review and Outlook

Overberg District





Western Cape
Government

2022-23 Municipal Economic Review and Outlook

Overberg District



Provincial Treasury

Local Government Budget Office

Private Bag X9165

15 Wale Street

Cape Town

tel: +27 21 483 5618

www.westerncape.gov.za



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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

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BACKGROUND AND MACROECONOMIC CONTEXT

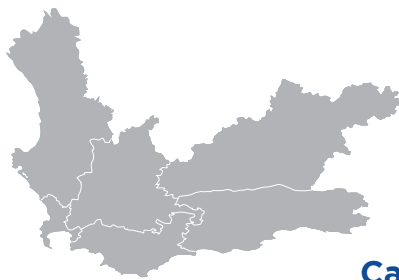
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OVERBERG DISTRICT 48

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THE OTHER DISTRICTS





WC WESTERN CAPE

SEAT | AREA | DENSITY
Cape Town | 129 462km² | 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

AGE — HOUSEHOLDS



Average household
income 2020
R18 995



Indigent
households 2021
355 266



0-14yrs

24.2%

15-64yrs

68.8%

65+yrs

6.9 %

Age split 2021

GROSS DOMESTIC PRODUCT



GDPR 2020
R691.0
BILLION

R



GDPR per capita
(2021 current prices)
R81 650.2

GDPR
estimated growth

4.6%

2021e

2.3%

2022f

0.3%

2023f

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

R



EXPORTS

R166.7
BILLION

R

Top 3 exported products



Citrus



Wine



Petroleum
oils



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



Scenic
drives

17.7%



Outdoor
activities

15.6%



Cuisine

13.6%

Top activities 2021



GDPR

2020

2021

GDPR
CONTRIBUTIONGDPR
GROWTH

EMPLOYMENT

2020

2021

EMPLOYMENT
CONTRIBUTIONEMPLOYMENT
GROWTH

PRIMARY SECTOR

^R
4.2%  7.2%

AGRICULTURE,
FORESTRY & FISHING3.9%  8.3%MINING &
QUARRYING0.3%  -14.6%

SECONDARY SECTOR

^R
20.7%  4.9%

MANUFACTURING

14.6%  7.1%ELECTRICITY,
GAS & WATER2.3%  3.0%

CONSTRUCTION

3.7%  -2.0%

TERTIARY SECTOR

^R
75.1%  4.4%

WHOLESALE &
RETAIL TRADE,
CATERING &
ACCOMMODATION14.8%  7.1%TRANSPORT,
STORAGE &
COMMUNICATION8.0%  5.2%FINANCE,
INSURANCE,
REAL ESTATE
& BUSINESS
SERVICES30.6%  3.6%GENERAL
GOVERNMENT10.6%  -0.7%COMMUNITY,
SOCIAL &
PERSONAL
SERVICES11.1%  7.4%

^R
10.0%  -3.1%

9.9%  -3.1%0.1%  -4.8%

^R
16.3%  -4.8%

10.1%  -3.7%0.4%  -2.4%5.8%  -6.9%

^R
73.7%  -2.5%

22.7%  -5.2%4.3%  -9.1%20.2%  -2.1%6.5%  1.1%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 GDP performance and trends. The period under review is between 2016 and 2020; 2021 figures are provided as estimates. In addition, GDP 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



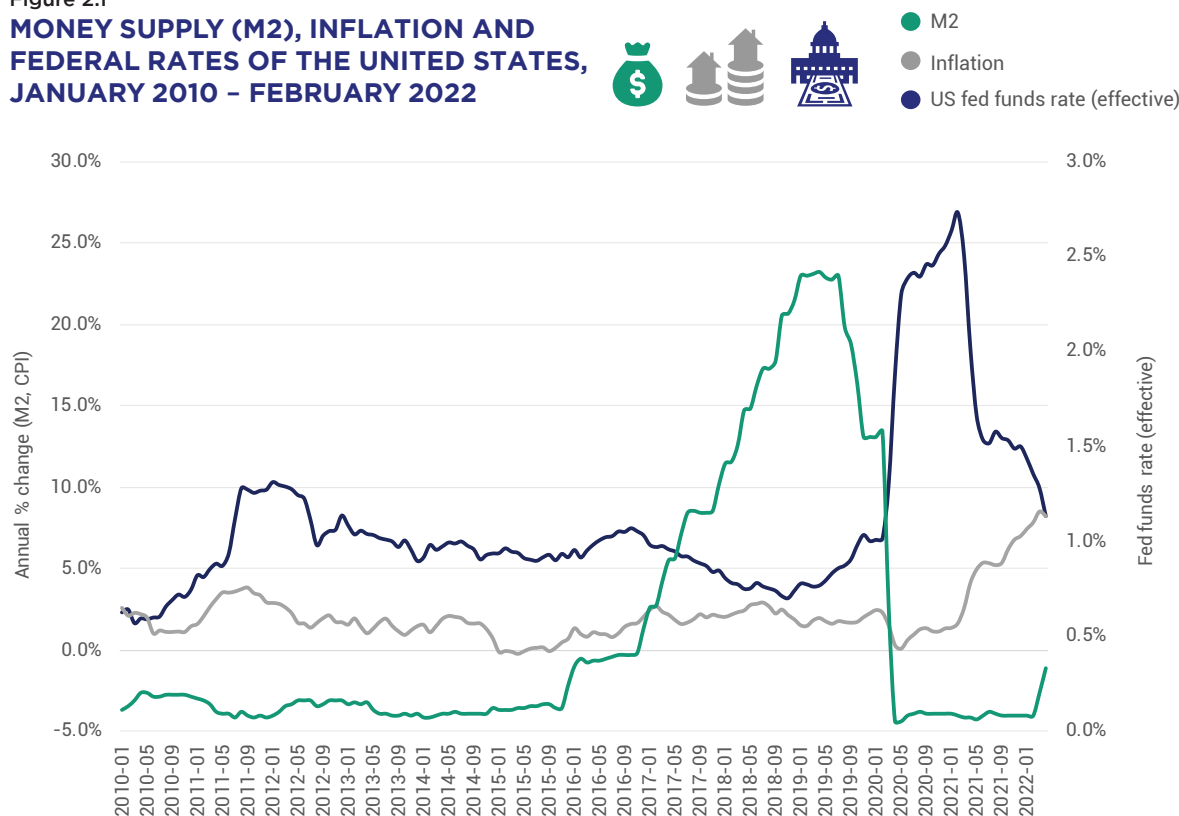
	Share of South Africa		Share of Western Cape		GDP growth forecasts		
	Exports	Tourism Feb 2022	Exports	Tourism Feb 2022	2021(e)	2022	2023
Global economy	100.0%	100.0%	100.0%	100.0%	6.1%	3.2%	2.9%
Advanced economies	57.8%	68.1%	48.1%	86.6%	5.2%	2.5%	1.4%
Emerging-market and developing economies	42.2%	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 cheques² 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.

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 lockdowns³ 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

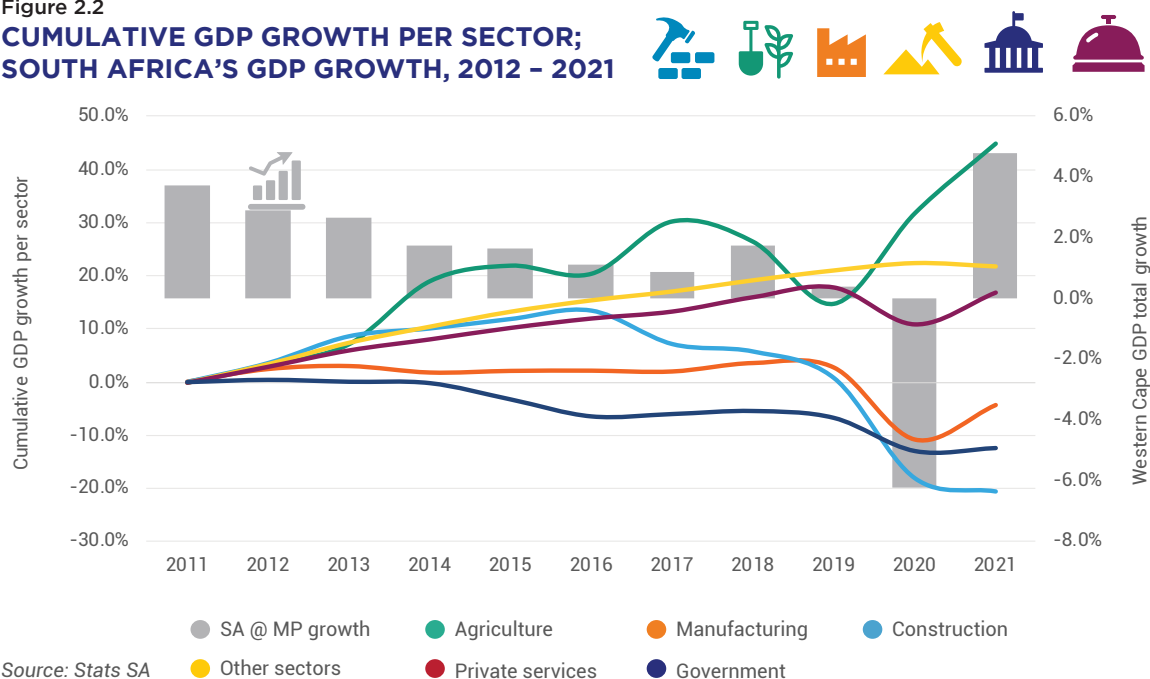
After two years, South Africa's GDP in the first quarter of 2022 finally recovered to levels seen in the first quarter of 2020. However, this was followed by a contraction in the second quarter of 2022, with the national economy facing new disruptions in the global commodity and energy markets caused 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**



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 services⁴ (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.

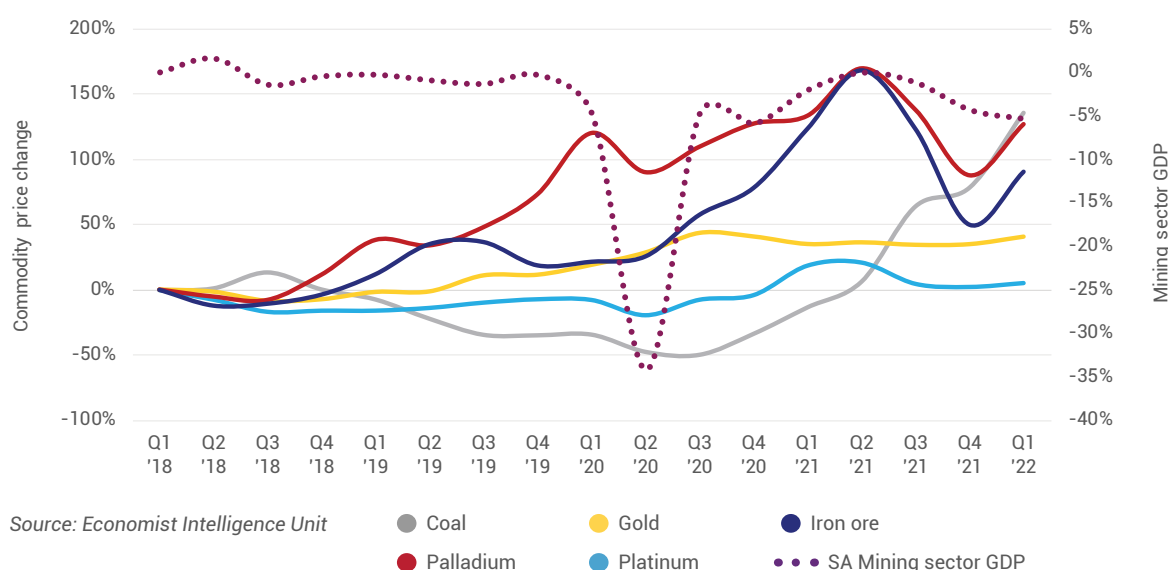
⁴ Includes all tertiary sectors excluding government.

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

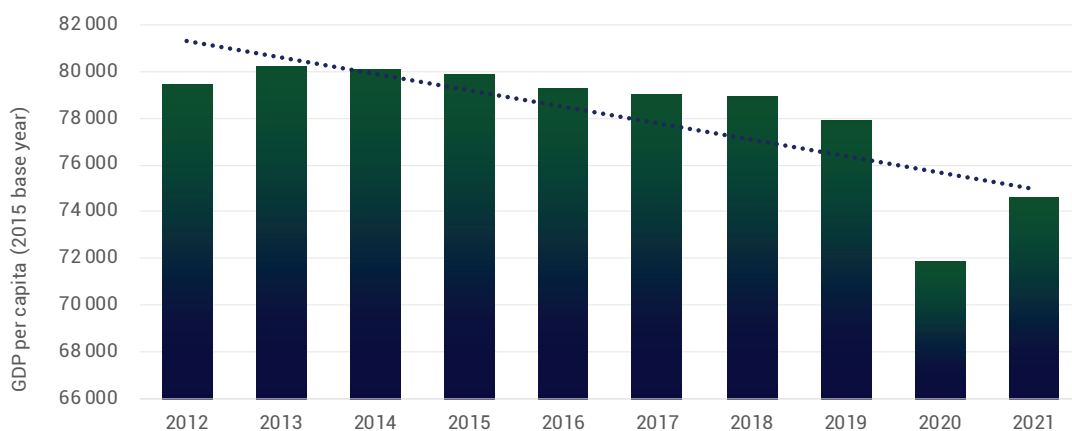
CUMULATIVE GROWTH IN SELECTED MINING COMMODITY PRICES, SOUTH AFRICAN MINING SECTOR GDP, 2018Q1 – 2022Q1



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 Charter⁵ in 2018.

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



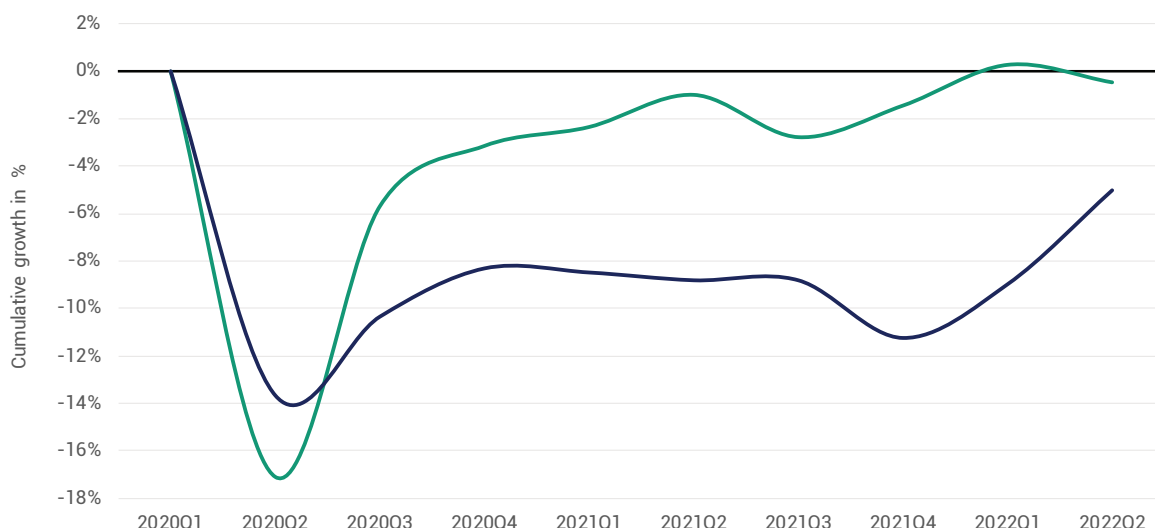
Source: Quantec Research

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

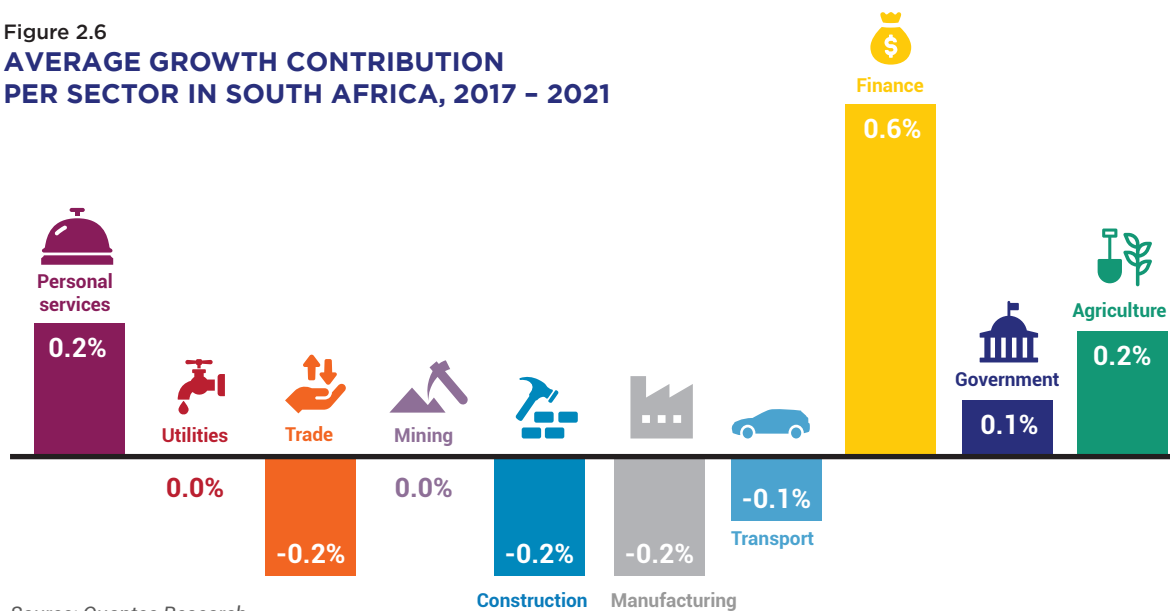


● Employment
● GDP @ market prices



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**



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.



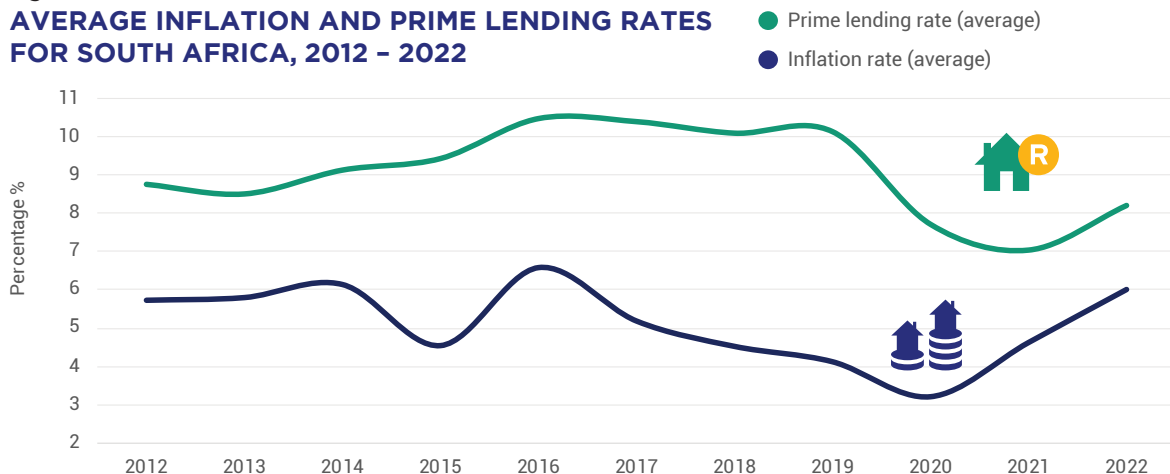
2.3.2 Inflation in the South African economy

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

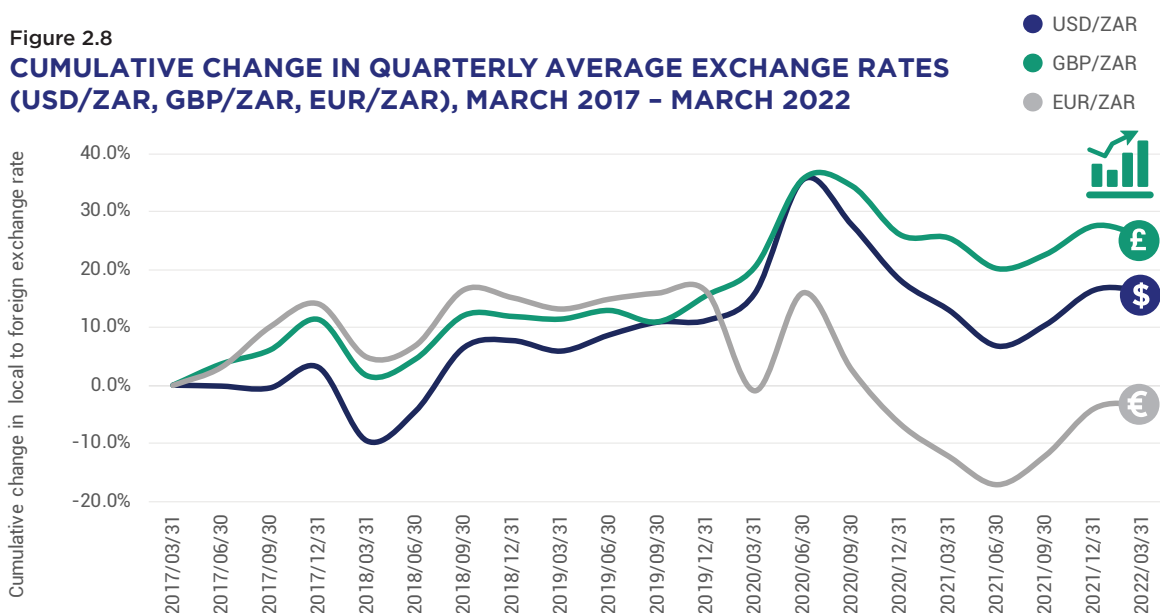


Source: Economist Intelligence Unit

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



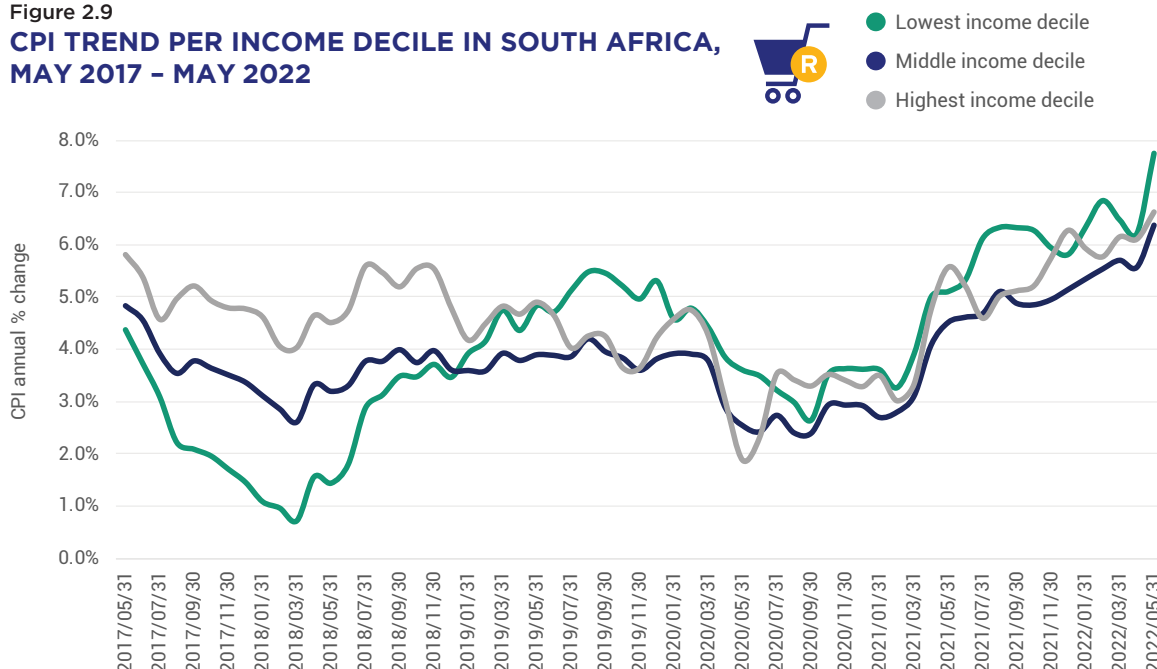
Source: Quantec Research

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.

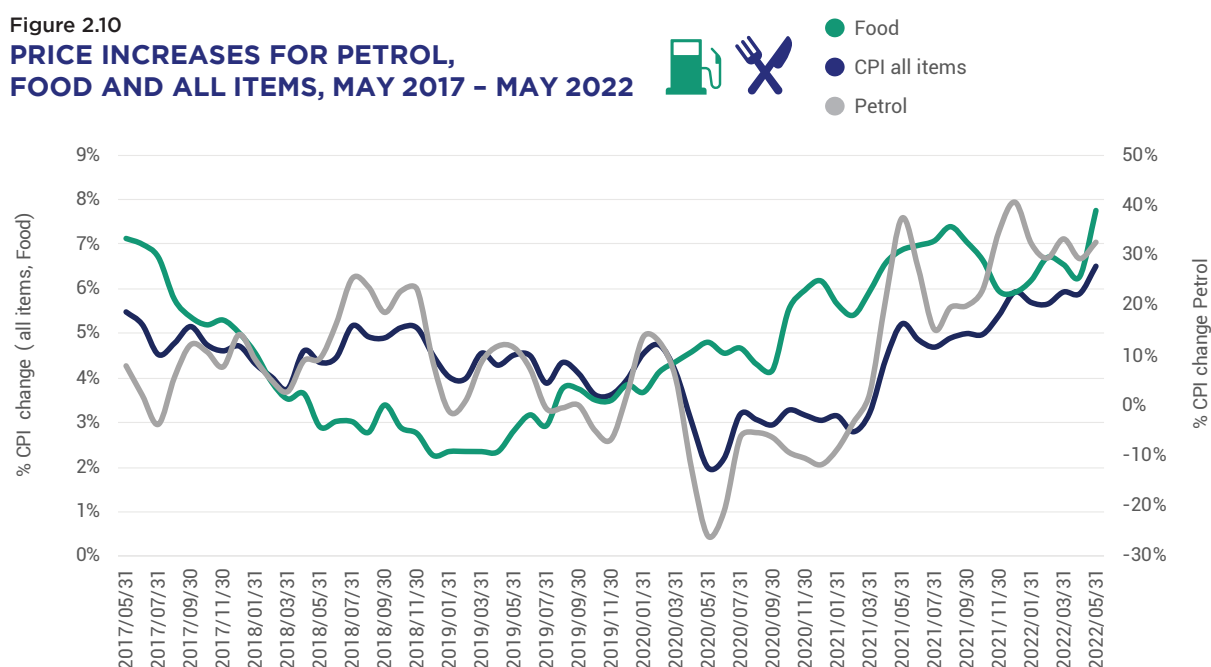
Figure 2.9
CPI TREND PER INCOME DECILE IN SOUTH AFRICA,
MAY 2017 – MAY 2022



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

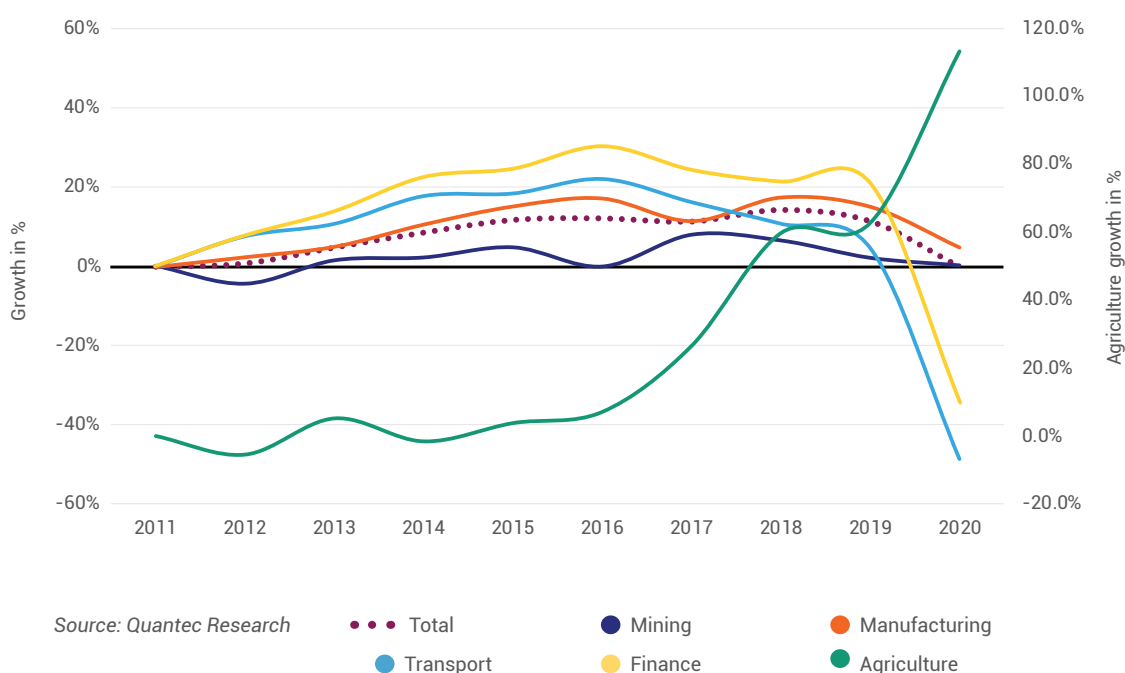
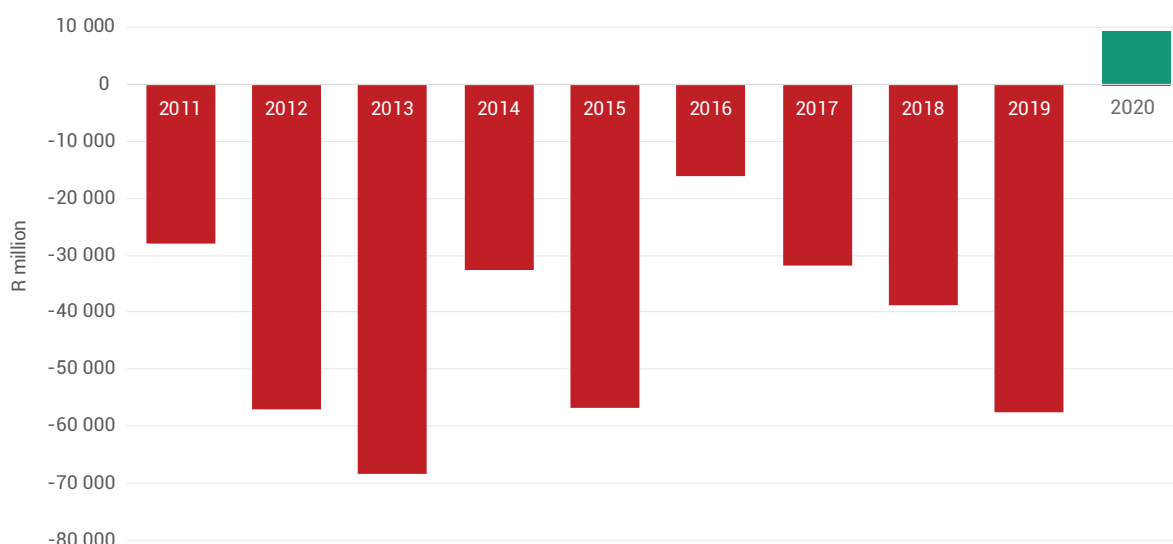


Figure 2.12
NET REAL EXPORTS FOR SOUTH AFRICA, 2011 – 2020



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.



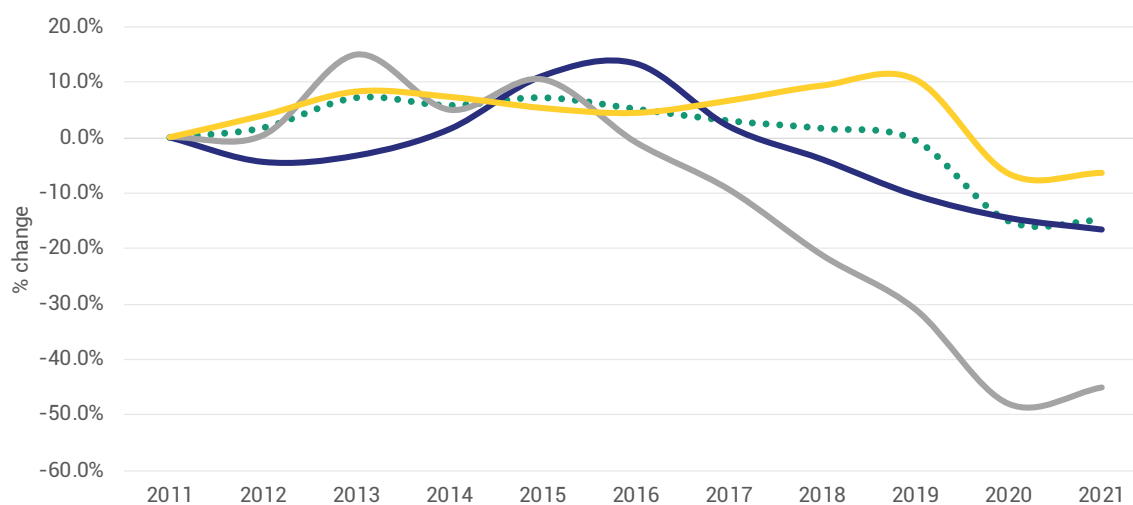
2.3.4 Fixed investment in South Africa

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

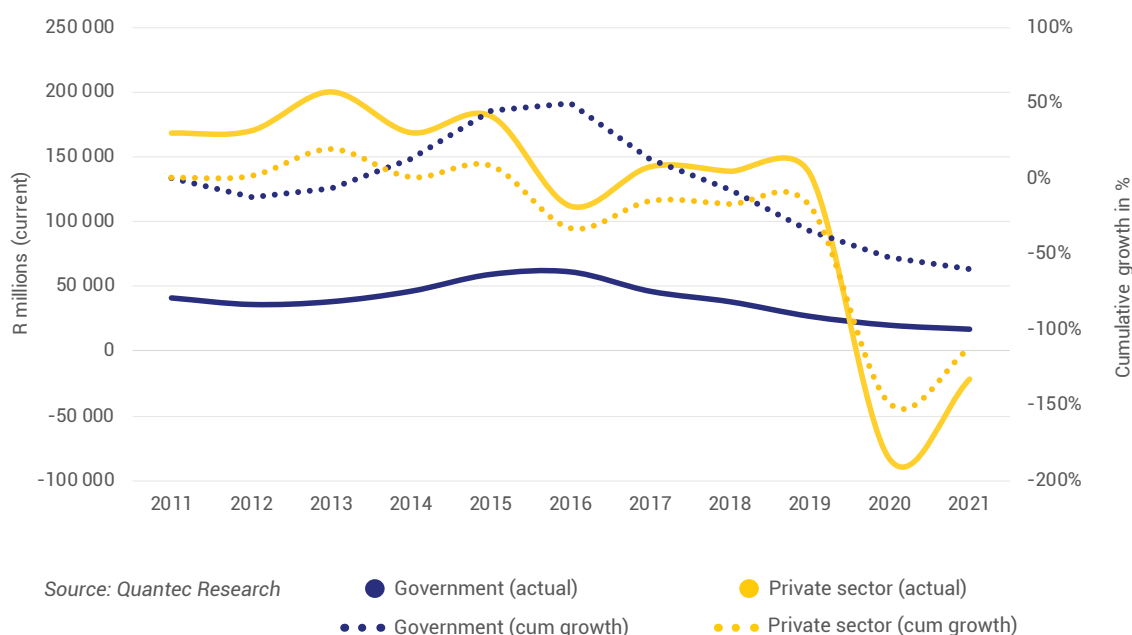
● Total
● Public corporations
● General government
● Private business enterprises

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.

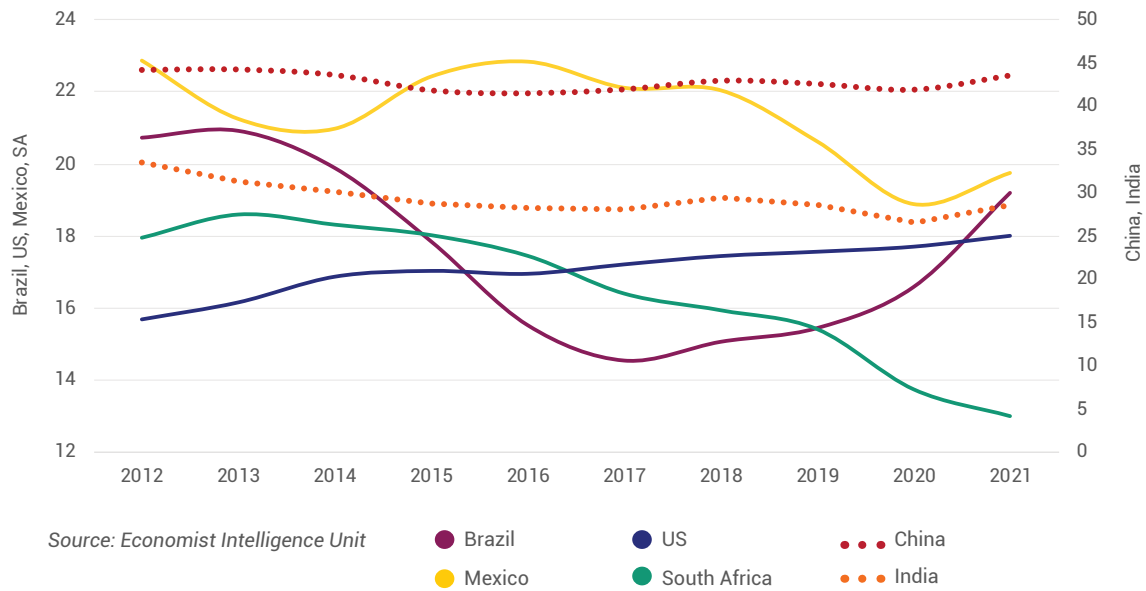
Figure 2.14
NET CAPITAL FORMATION BY ORGANISATION TYPE (CURRENT),
2011 – 2021



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

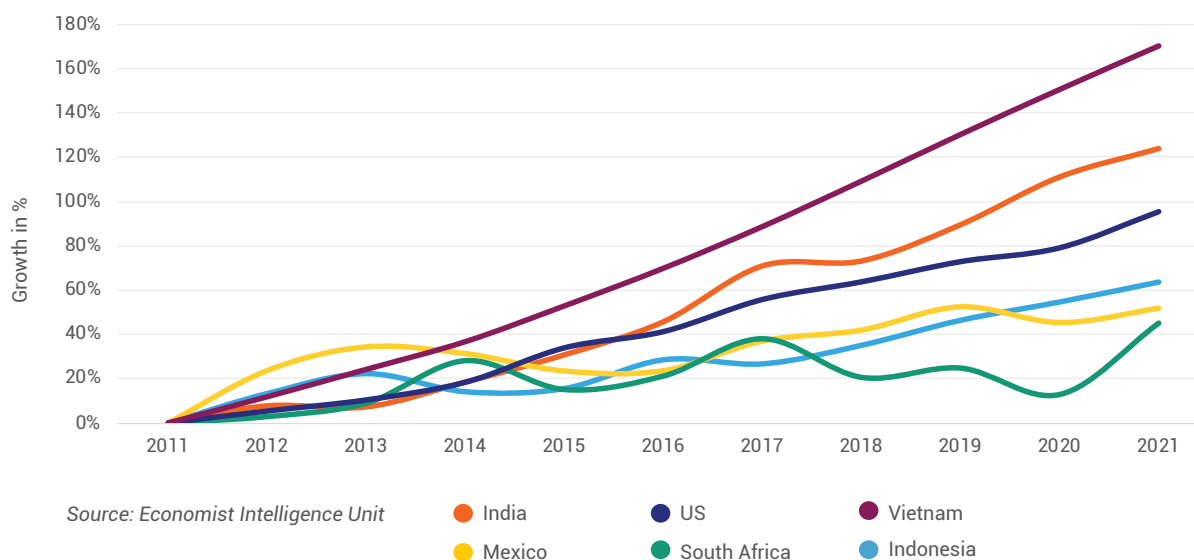


In 2021, South Africa had a low and declining fixed investment ratio (13.0 per cent) in comparison to the US (18.0 per cent), Brazil (19.2 per cent) and Mexico (19.8 per cent). China (43.6 per cent) and India (28.6 per cent) are two countries with exceptionally high and stable fixed investment ratios.

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



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.

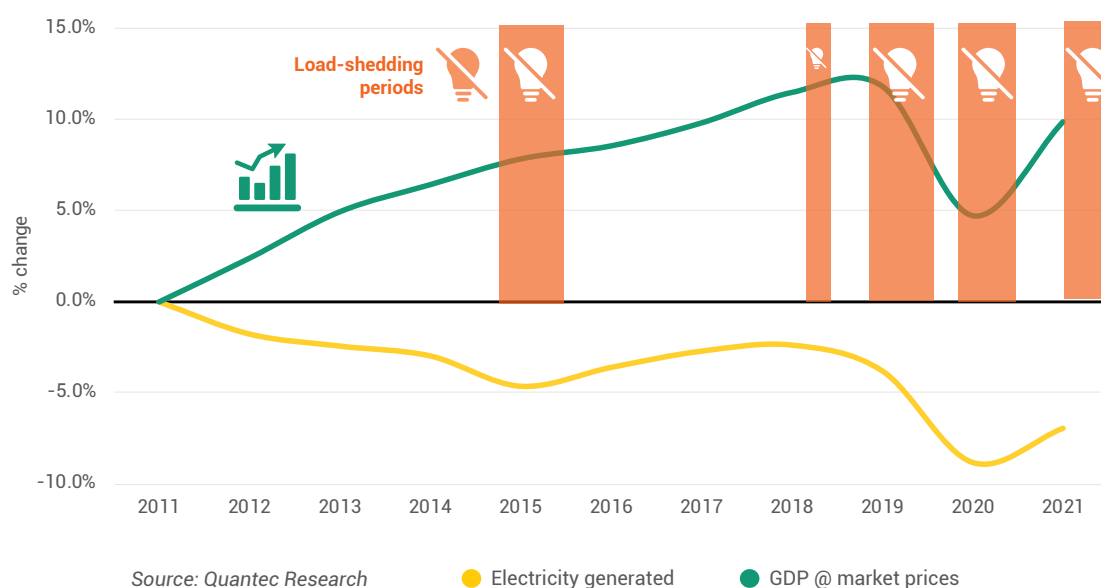


2.3.5 The South African energy crisis



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.

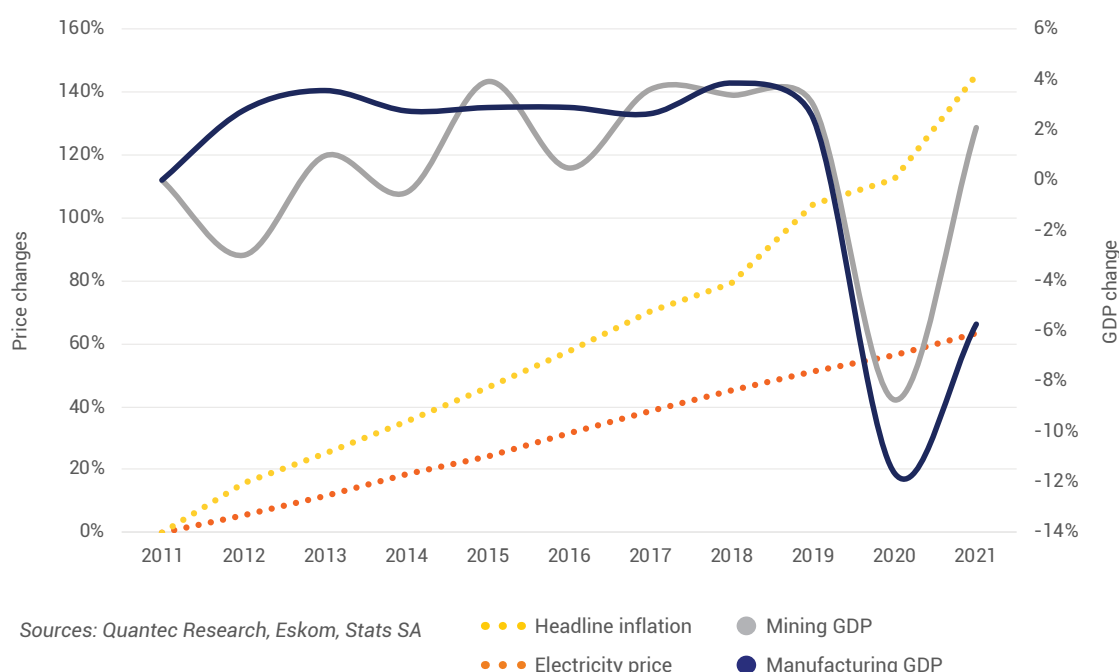
Figure 2.17
CUMULATIVE ELECTRICITY GENERATED AND GDP IN SOUTH AFRICA, 2011 – 2021



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



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 GDP⁸ 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.



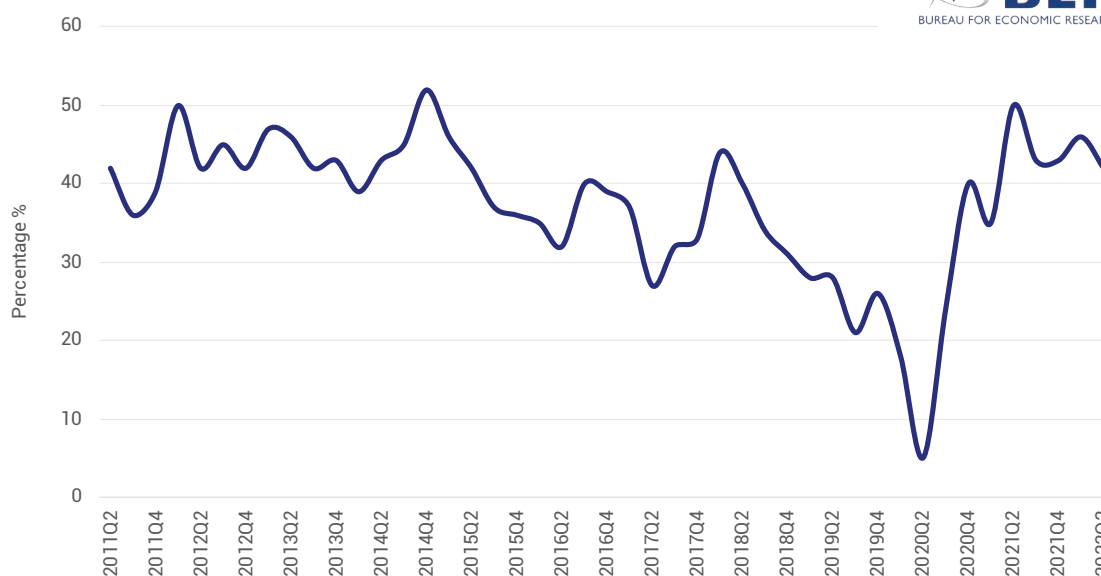
Source: Western Cape Government, 2022

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














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

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

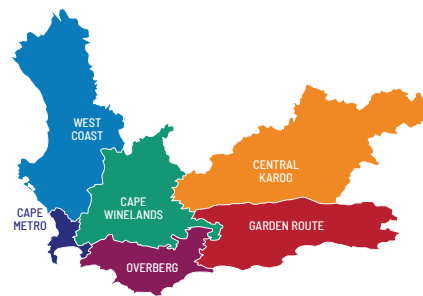
The outlook of the South African economy faces both global and domestic risks, including:



- 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

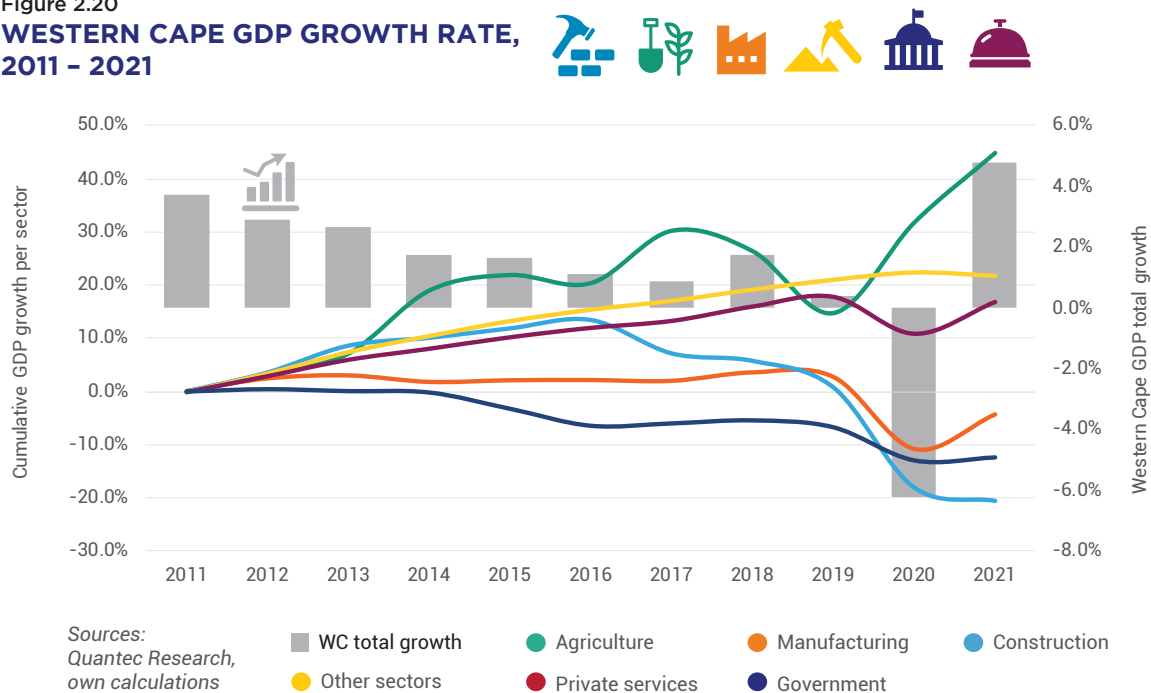


Compared with the rest of South Africa, the Western Cape has a more service-oriented economy, with a relatively strong contribution from the finance sector and a unique dependence on the tourism and wine industries. In 2021, the Western Cape was the third-largest regional economy in South Africa, accounting 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



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.

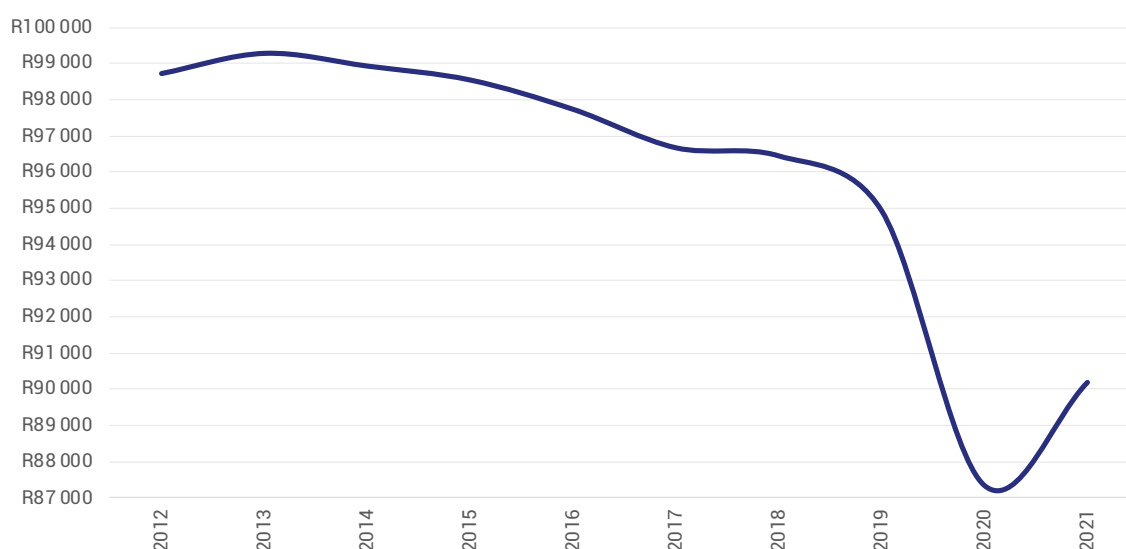
2.4.1 Sectoral performance

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.

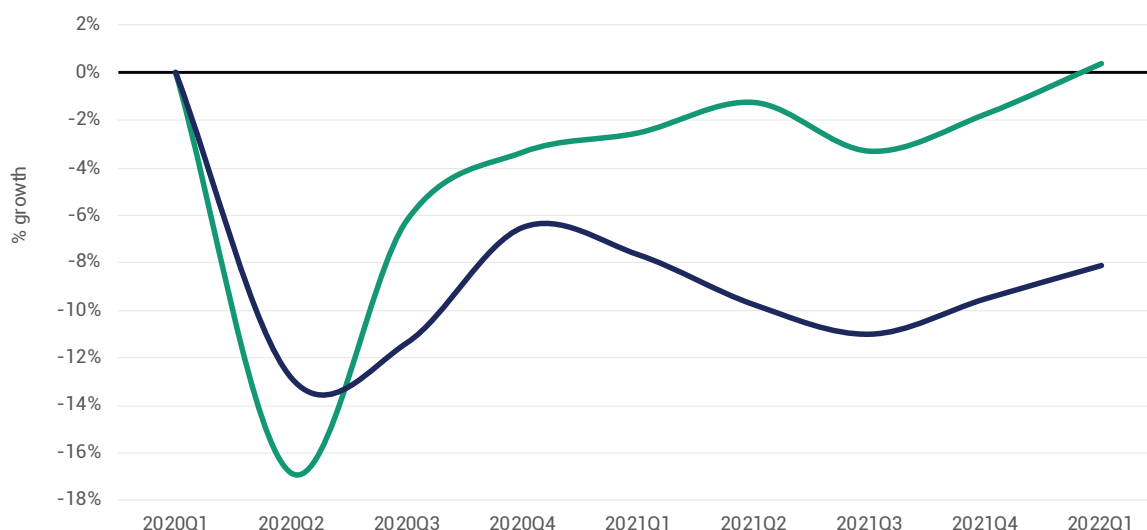
Figure 2.21
REAL GDP PER CAPITA IN THE WESTERN CAPE,
2012 – 2021



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.

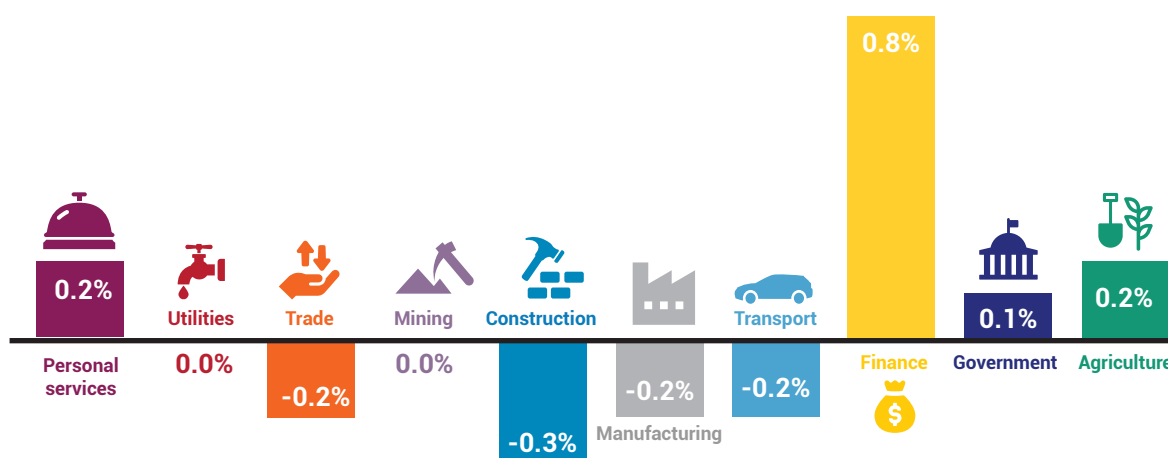
Figure 2.22
RECOVERY OF GDP AND EMPLOYMENT LEVELS
IN THE WESTERN CAPE, 2020Q1 – 2022Q1⁹



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

Sector	% GDP GROWTH											
	Cape Town		West Coast		Cape Winelands		Overberg		Garden Route		Central Karoo	
	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

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

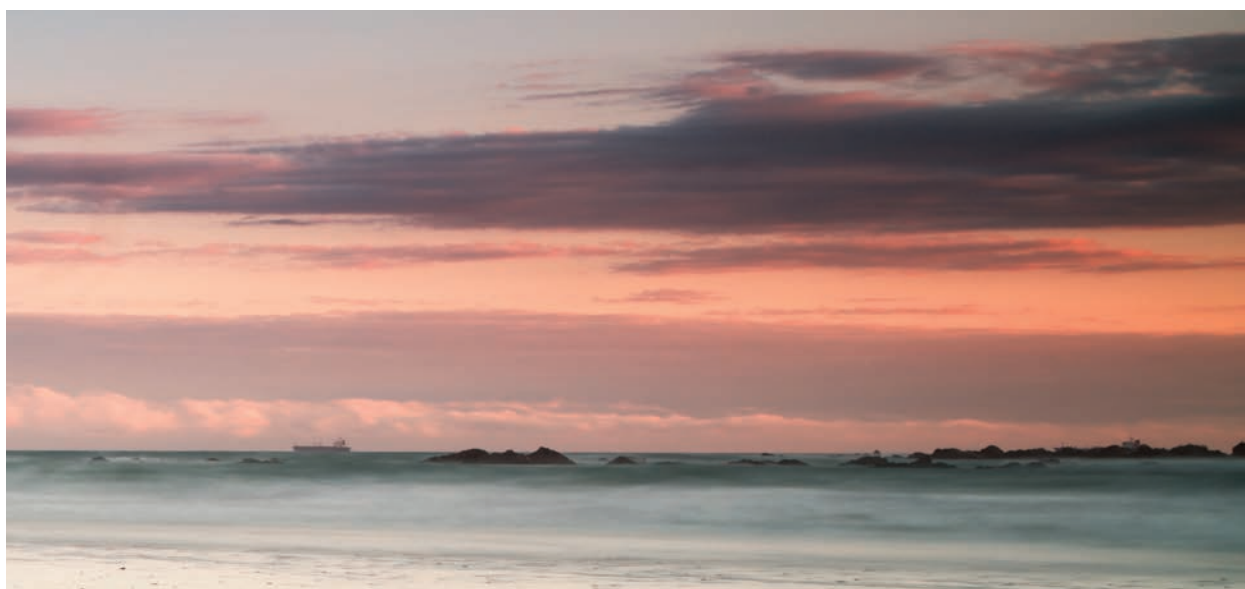












Table 2.5

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).



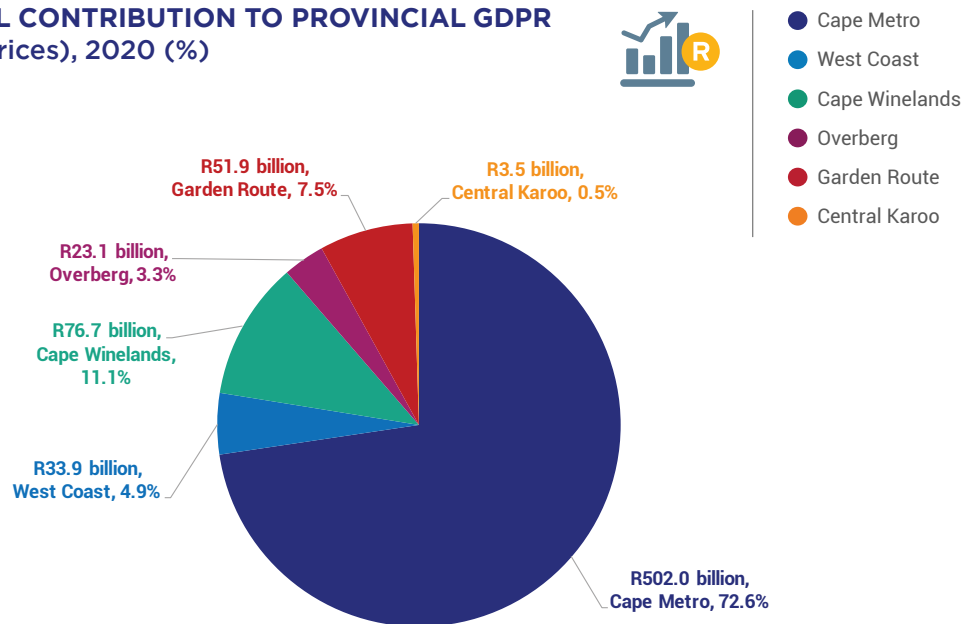
2.5 REGIONAL ECONOMIC OVERVIEW

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 (%)



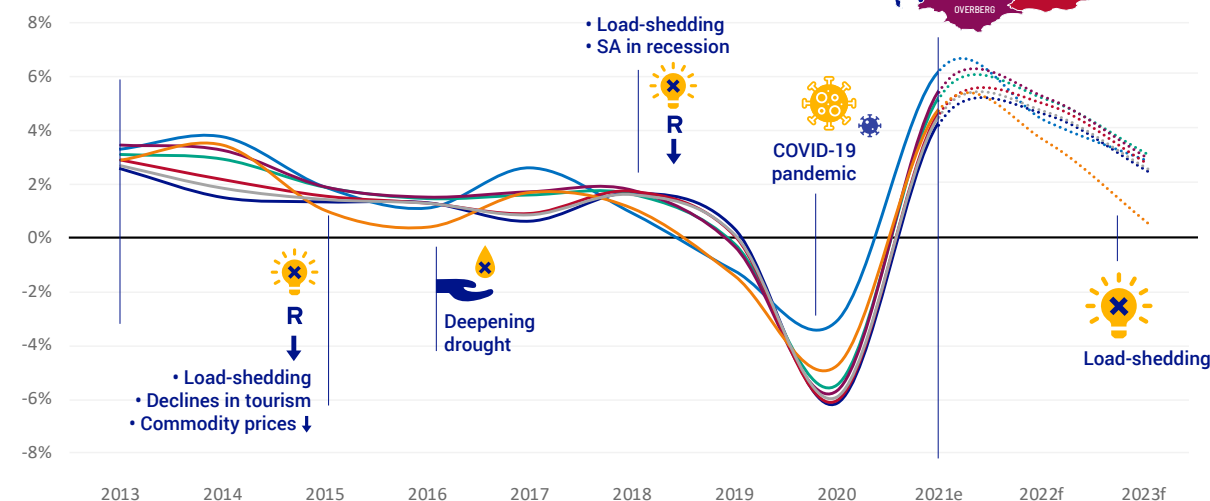
Source: Quantec Research, 2022

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 GDP. 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 GDP 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 GDP 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.



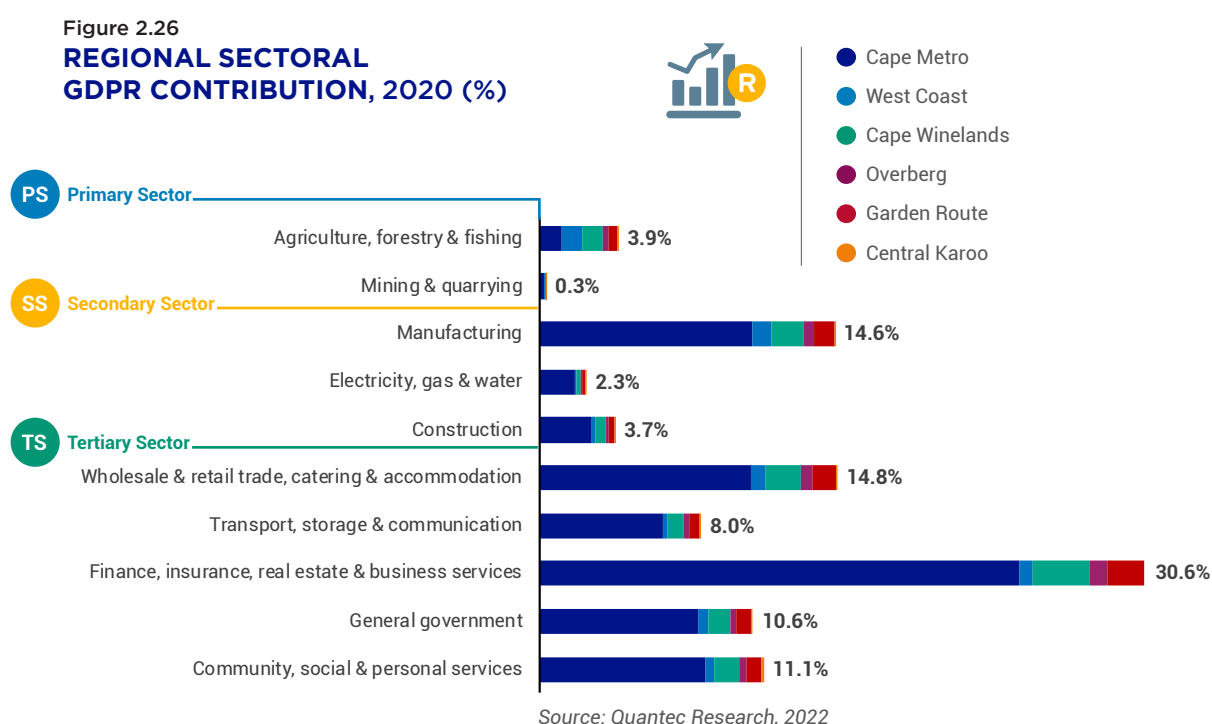
¹² (Mathe, 2020).

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.



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.

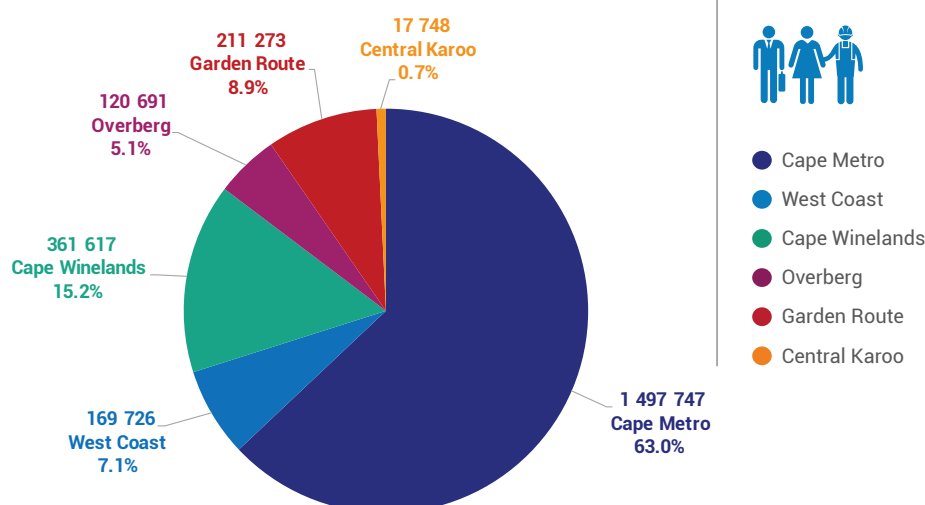
¹⁵ (International Monetary Fund, 2022).

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 GDP. 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

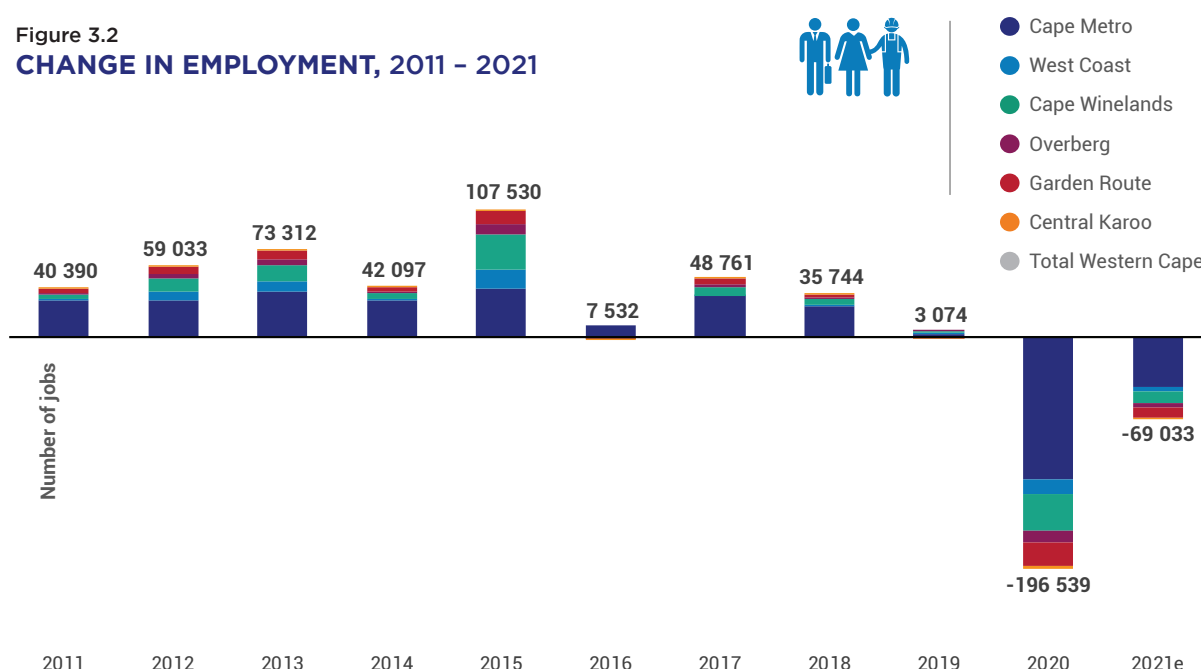
In 2020, the Cape Metro area contributed the largest share to Provincial employment at 63.0 per cent. This was followed by the CWD and GRD, contributing 15.2 per cent and 8.9 per cent respectively. The WCD and OD contributed 7.1 per cent and 5.1 per cent respectively, while the CKD contributed the least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



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 GDP 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).

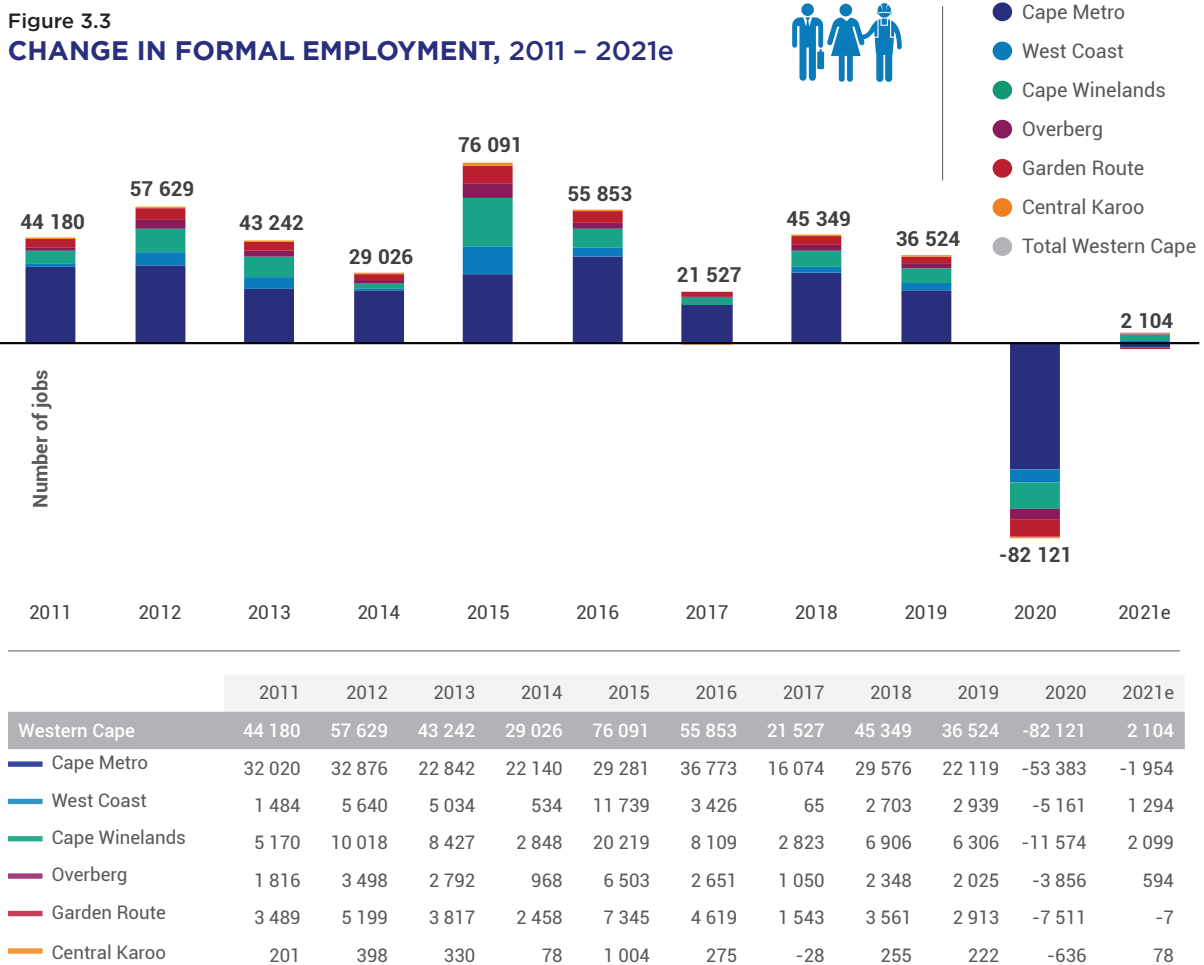
¹⁷ It should be noted, however, that in 2015 a new master sample was implemented in the Quarterly Labour Force Survey (QLFS), which may have impacted the data owing to variations in its design (Stats SA, 2015).

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 employment¹⁸ trend for each district and the Cape Metro area between 2011 and 2021.



Source: Quantec Research, 2022 (e denotes estimate)

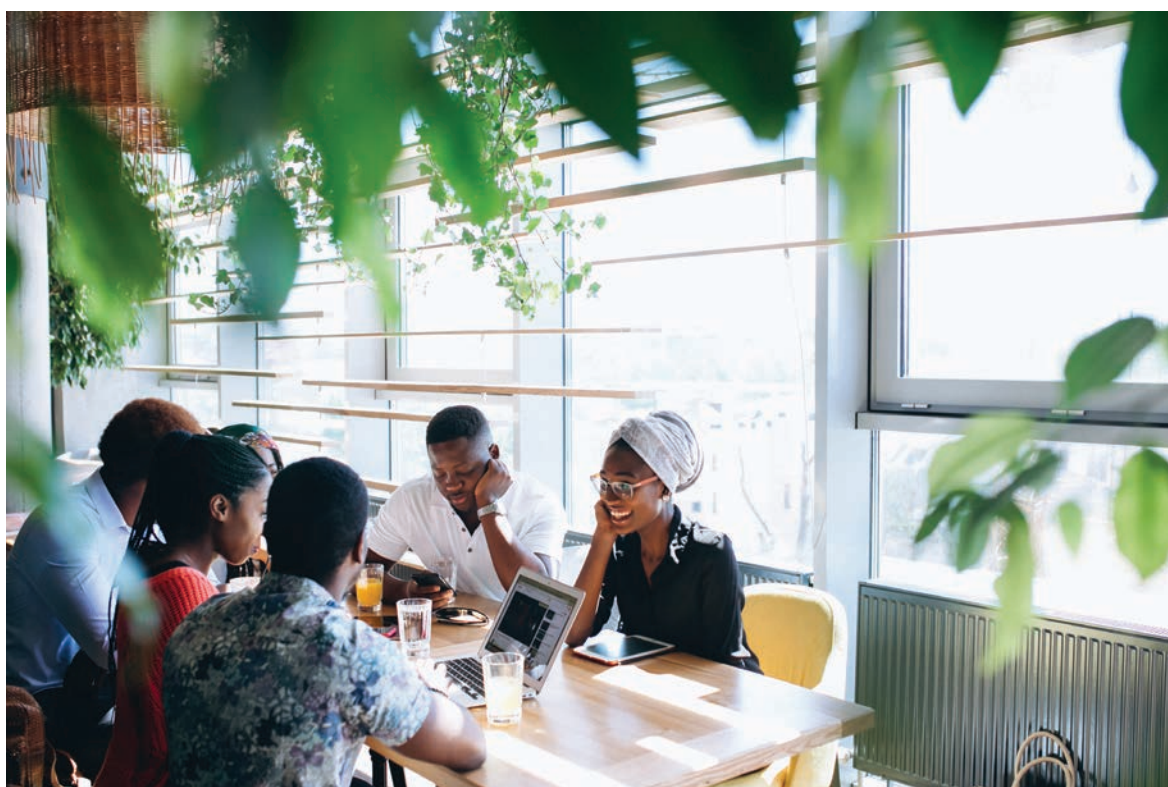
¹⁸ Formal employment is created through contractual arrangements between an incorporated company and an individual employee. (Source: Sustainable Energy Jobs Platform: <http://sejplatform.org/Key-concepts/Employment-Formal-and-informal/>.)

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.

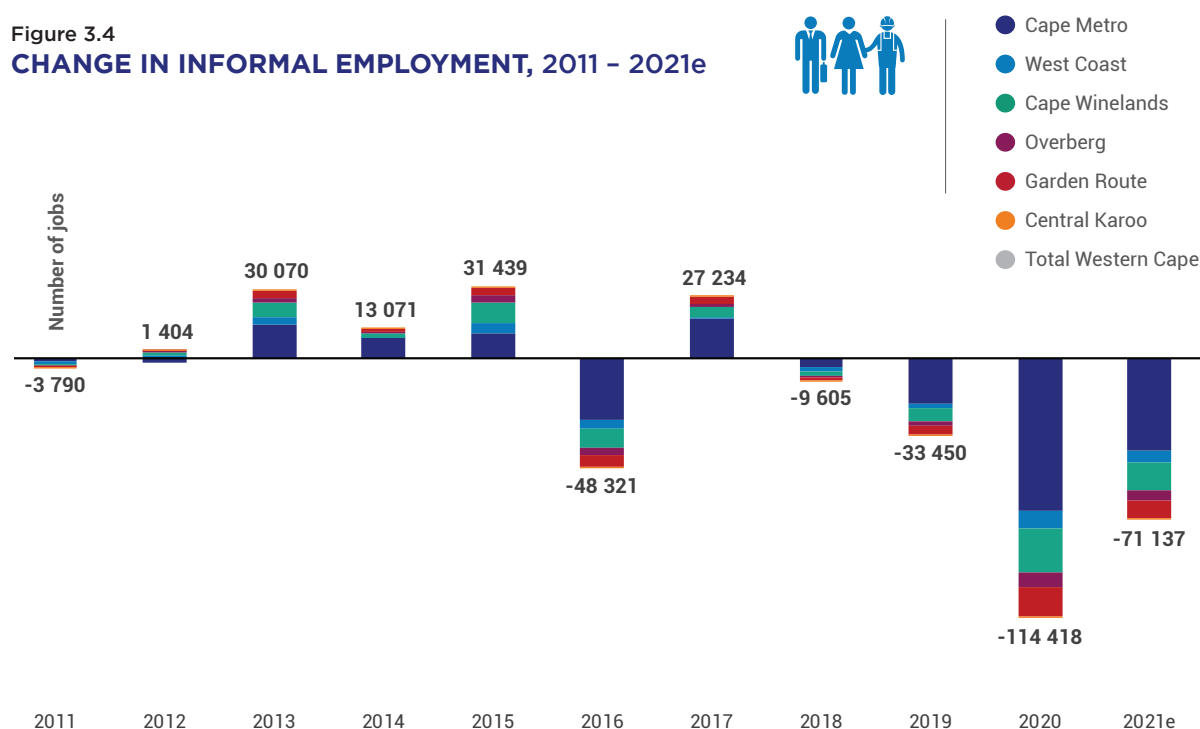
²⁰ (World Bank, 2019).

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 livelihoods²⁵ and food security²⁶ 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).

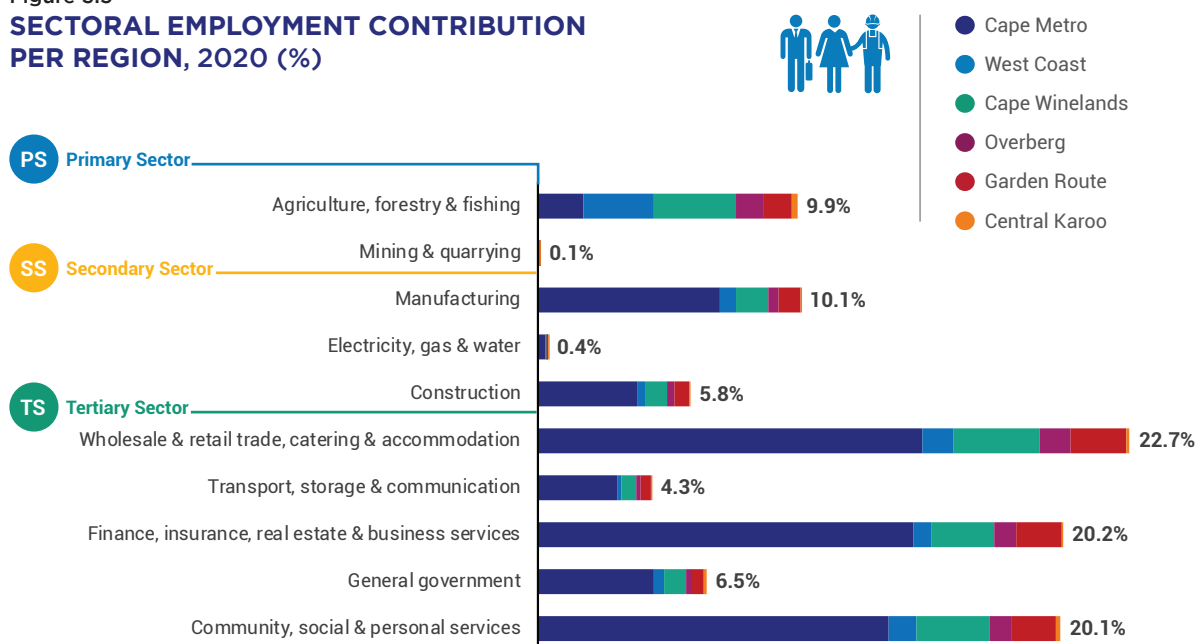
²⁶ (Battersby, Marshak, & Mngqibisa, 2016).

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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OVERBERG DISTRICT

12 239KM²





OVERBERG DISTRICT

**THEEWATERSKLOOF, OVERSTRAND,
CAPE AGULHAS, SWELLENDAM**

INFOGRAPHIC SUMMARY

1 Economic growth

- Introduction
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- Regional labour trend analysis
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- Concluding remarks



SEAT
Bredasdorp

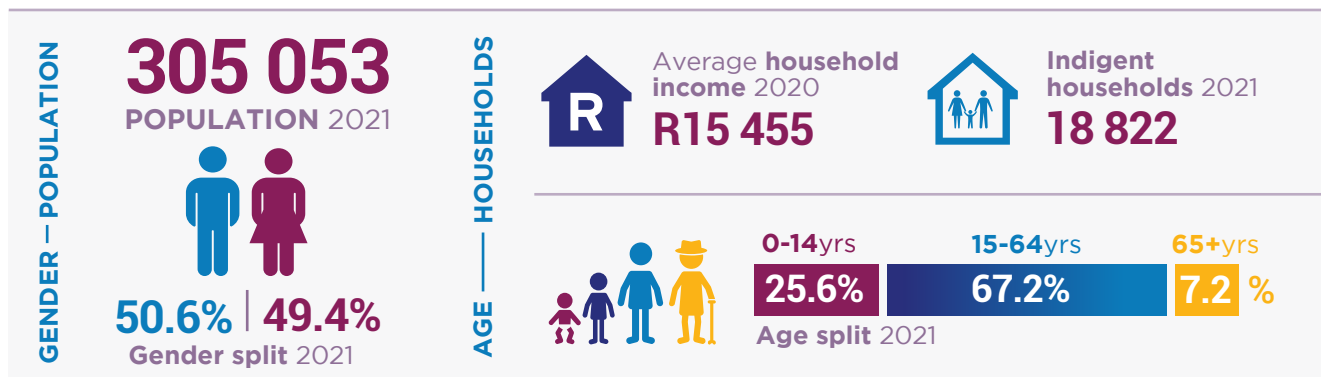
AREA
12 239km²

DENSITY
21/km²

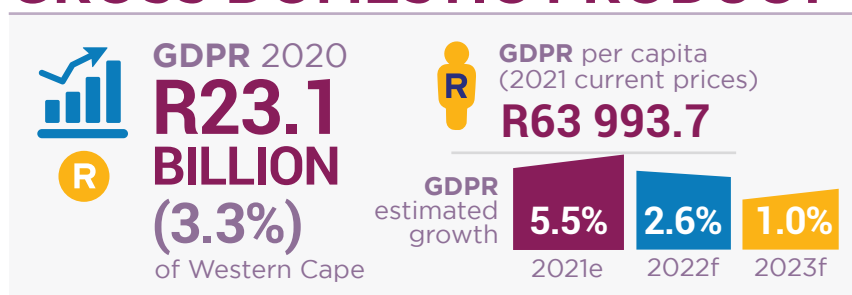
OD OVERBERG DISTRICT

MUNICIPALITIES | THEEWATERSKLOOF, OVERSTRAND, CAPE AGULHAS, SWELLENDAM

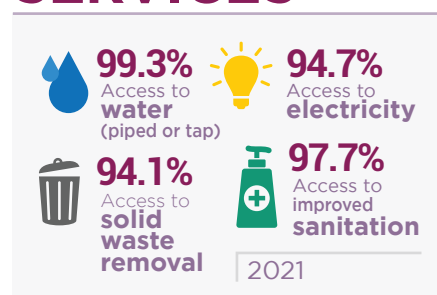
DEMOGRAPHICS



GROSS DOMESTIC PRODUCT



SERVICES



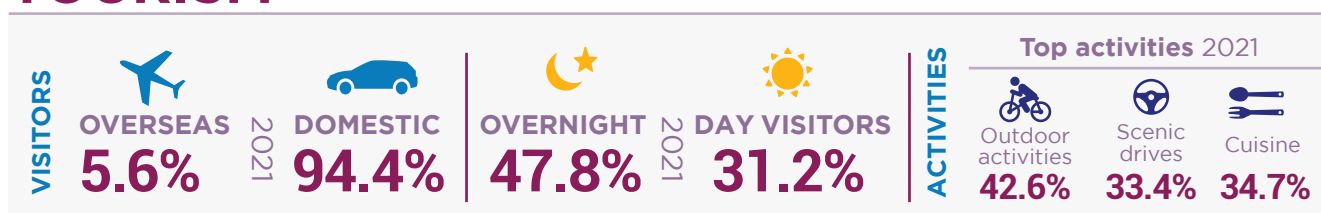
EMPLOYMENT



TRADE



TOURISM






GDPR

2020

2021

GDPR
CONTRIBUTIONGDPR
GROWTH

EMPLOYMENT

2020

2021


EMPLOYMENT
CONTRIBUTIONEMPLOYMENT
GROWTH

PRIMARY SECTOR

^R
10.2%  7.3%

AGRICULTURE,
FORESTRY & FISHING10.1%  7.4%MINING &
QUARRYING0.1%  -14.3%

SECONDARY SECTOR

^R
21.0%  5.6%

MANUFACTURING

13.7%  8.9%ELECTRICITY,
GAS & WATER2.1%  3.3%

CONSTRUCTION

5.1%  -1.5%

TERTIARY SECTOR

^R
68.8%  5.2%

WHOLESALE &
RETAIL TRADE,
CATERING &
ACCOMMODATION16.9%  7.8%TRANSPORT,
STORAGE &
COMMUNICATION7.8%  6.0%FINANCE,
INSURANCE,
REAL ESTATE
& BUSINESS
SERVICES25.8%  4.6%GENERAL
GOVERNMENT8.5%  -1.1%COMMUNITY,
SOCIAL &
PERSONAL
SERVICES9.7%  7.7%

^R
20.9%  -3.6%

20.9%  -3.6%

0.0% 0.0%

14.5%  -4.9%

7.9%  -3.0%0.3%  -3.2%6.3%  -7.4%

64.5%  -2.7%

22.4%  -5.2%3.9%  -9.1%17.2%  -1.7%4.4%  0.7%16.6%  0.1%



1

ECONOMIC GROWTH

1.1 INTRODUCTION

The OD is well known for its coastline, the southernmost tip of Africa and vast farmlands, especially grain farming. Bordering the Cape Metro area, the CWD and the GRD, the OD covers 12 239km², constituting 9.5 per cent of the Western Cape's total area, and comprises four local municipal areas, namely the Theewaterskloof, Overstrand, Cape Agulhas and Swellendam municipal areas. The OD Municipality's headquarters are in Bredasdorp, and other large towns in the District include Grabouw, Caledon, Hermanus and Swellendam.¹

This chapter provides a detailed discussion of three prominent measures of macroeconomic performance, namely GDPR, international trade and investment.² Regional GDPR data is available until 2020, while 2021 figures are estimated.³ In addition, an outlook regarding GDPR for 2022 and 2023 is also provided.

¹ (Overberg District Municipality, 2020).

² (World Bank, 2022).

³ Stats SA will only release official regional indicators for 2021 in 2023.

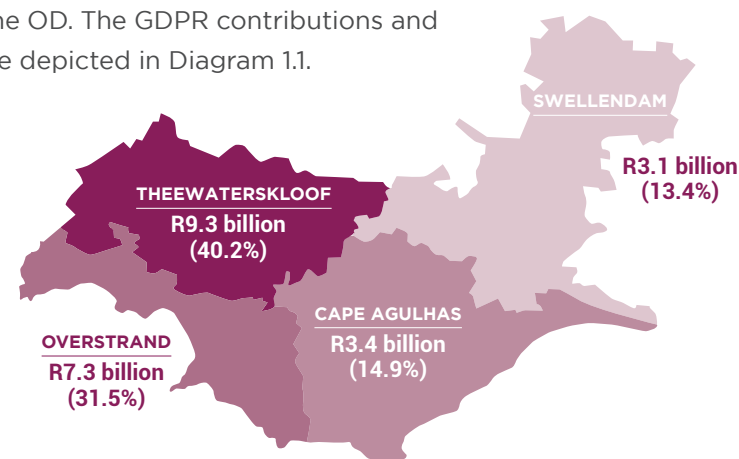
1.2 REGIONAL GDPR PERFORMANCE

This section provides an overview of the GDPR trends and dynamics of the OD economy. This includes an evaluation of the size of the economy, sectoral GDPR contributions and the respective growth rates of the municipal areas that comprise the OD. The GDPR contributions and trends of each municipal area are depicted in Diagram 1.1.

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



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



MUNICIPAL AREA	R value 2020	Trend	
		2011 – 2020 (%)	2016 – 2020 (%)
● Theewaterskloof	R9.3 billion (40.2%)	2.1%	0.3%
● Overstrand	R7.3 billion (31.5%)	0.6%	-0.9%
● Cape Agulhas	R3.4 billion (14.9%)	0.8%	-0.8%
● Swellendam	R3.1 billion (13.4%)	2.3%	0.7%
Overberg District	R23.1 billion (100.0%)	1.4%	-0.2%
Western Cape	R691.0 billion	1.0%	-0.4%



In 2020, the OD economy was valued at R23.1 billion, contributing 3.3 per cent to the Provincial economy during the year. The district economy recorded an average annual contraction of 0.2 per cent between 2016 and 2020, which was slightly lower than the average annual contraction of 0.4 per cent recorded in the Province over the same period. The performance of the OD economy is likely to have been caused by the onset of severe drought conditions in 2015, which affected agricultural exports (particularly pears) to markets such as Europe.⁴ This was further exacerbated by technical recessions in the national economy over the period and the onset of COVID-19 in 2020.

⁴ (Department of Agriculture, Land Reform and Rural Development, 2020).

Of the four municipal areas that comprise the District, the Theewaterskloof municipal area contributed the largest share to the OD economy in 2020, with 40.2 per cent. This was followed by the Overstrand municipal area with 31.5 per cent during the same year. The Cape Agulhas and Swellendam municipal areas contributed the smallest shares to the OD economy with 14.9 per cent and 13.4 per cent respectively in 2020.

Between 2016 and 2020, the Theewaterskloof municipal area experienced an average annual growth rate of 0.3 per cent. This rate was higher than the average annual contraction experienced by the District over the same period. Having the second-largest average annual growth rate and given the relative size of the Theewaterskloof municipal area, it can be considered a key driver of economic activity in the District.

The Swellendam municipal area recorded the highest average annual growth within the OD at 0.7 per cent over the five-year period. This was driven by the growth in the finance sector of the Swellendam municipal area during the period. However, the Swellendam municipal area was the smallest contributor to the OD economy in 2020. When evaluating the Swellendam municipal area's average annual growth between 2011 and 2020 relative to that of the Cape Agulhas municipal area, it is evident that it may soon surpass the Cape Agulhas municipal area in terms of GDPR contribution. The Overstrand and Cape Agulhas municipal areas also experienced contractions between 2016 and 2020.

The average annual contractions experienced in the Overstrand and Cape Agulhas municipal areas exceeded the contraction of the OD during the period. The Overstrand municipal area registered the largest average annual contraction between 2016 and 2020 at 0.9 per cent. The Overstrand municipal area relies on agro-processing, as the GDPR contribution of the manufacturing sector outweighs that of the agriculture sector, with the opposite occurring in the Theewaterskloof municipal area. As such, the impact of drought conditions in the Overstrand municipal area had significant impacts on both the agriculture and manufacturing sectors.

Forecasts for 2022 indicate that growth in the District is expected to slow to 2.6 per cent during the year, with similar trends evident across all municipal areas. This decline may be attributed to the normalisation of economic activity following the steep recoveries recorded in 2021. However, rising fuel prices and load-shedding are anticipated to restrain consumer expenditure and industrial activity. This trend continues into 2023, with the district economy expected to record a growth rate of 1.0 per cent during the year.

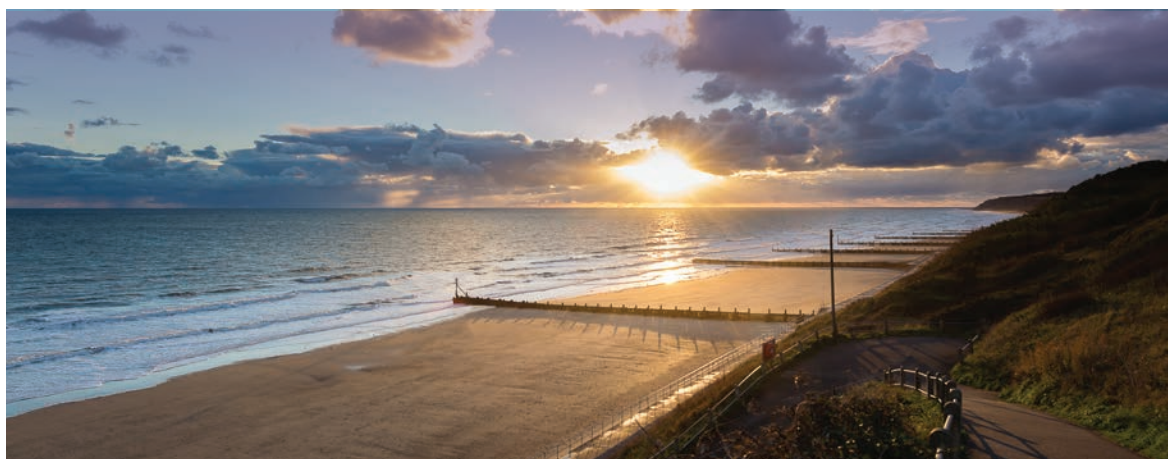
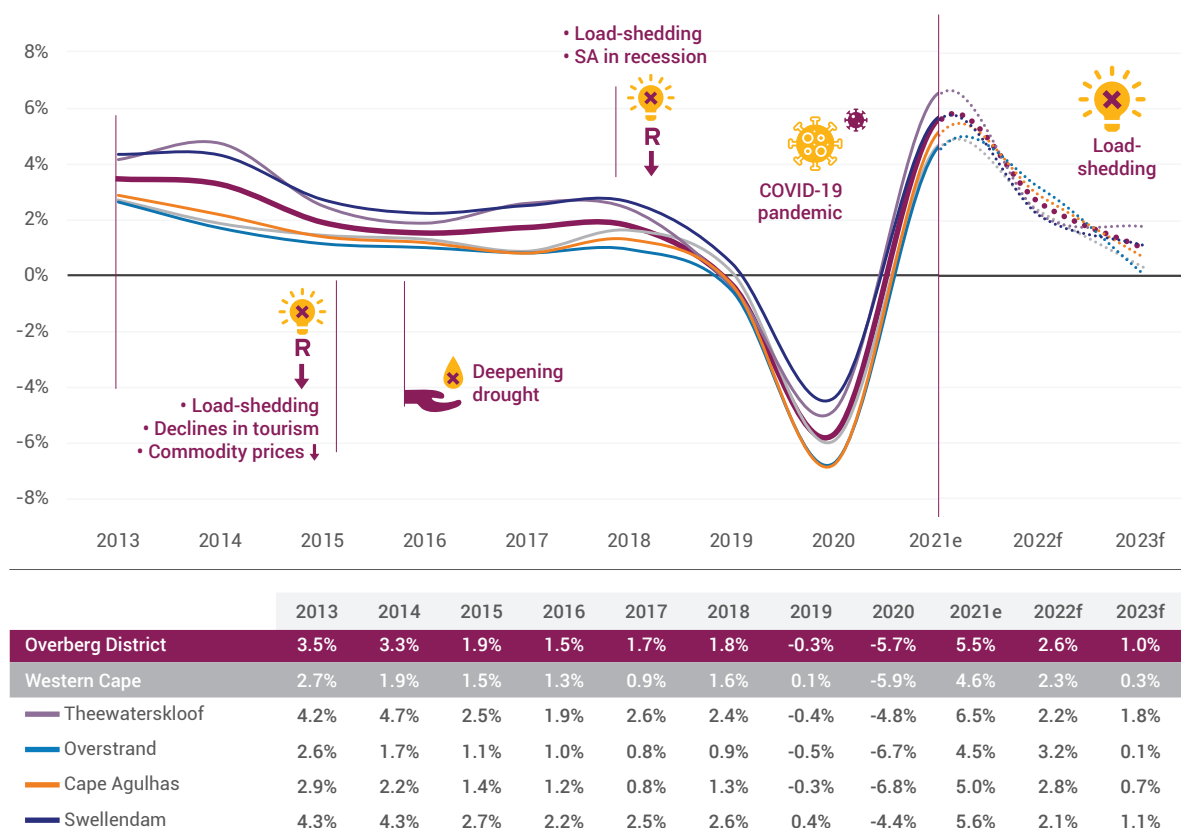


Figure 1.1 illustrates the historical GDPR growth trends of the respective municipal areas, along with the OD and Western Cape.

Figure 1.1

GDPR GROWTH PER MUNICIPAL AREA, Overberg District, 2013 – 2023



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

Over the reference period, annual GDPR growth in the OD economy observed an overall downward trend, similar to the trend observed in the Provincial economy over the same period. The decline in the growth rate in 2015 (1.9 per cent) occurred as a result of declines recorded in tourism activity and commodity prices,⁵ as well as load-shedding periods and drought conditions affecting the District. This also impacted the continuing decline in 2016, where the growth rate reached 1.5 per cent. Recovery in the manufacturing and finance sectors influenced recoveries in GDPR growth in 2017 and 2018, where the District recorded growth rates of 1.7 per cent and 1.8 per cent respectively.⁶ This was also observed in the Provincial economy during the same period.

Growth in the District deteriorated significantly in 2019, registering a contraction of 0.3 per cent. In addition, the Provincial economy recorded a near stagnant growth rate of 0.1 per cent. The downturn in the Provincial and district economies can largely be attributed to the poor performance of the South African economy, with the country entering technical recessions in both 2018 and 2019, largely owing to local electricity supply constraints.⁷ In addition, agricultural activity was also restrained by steep declines in gross margins, with specific reference to winter crops.⁸

⁵ (International Monetary Fund, 2015).

⁶ (Stats SA, 2018).

⁷ (Meldrum, 2020).

⁸ (Bureau for Food and Agricultural Policy, 2021).

In 2020, annual growth in both the district and Provincial economies recorded steep contractions, measuring 5.7 per cent and 5.9 per cent respectively, which can be ascribed to the COVID-19 pandemic and its associated restrictions on economic activity. Lockdown restrictions had particularly adverse implications for both domestic and international tourism activity owing to restraints on travel. However, it should be noted that the negative implications of the COVID-19 pandemic were partially offset by the performance of the agriculture sector, as activity in the sector was not as restrained by lockdown measures when compared with other sectors.

Similarly, all municipal areas in the OD recorded steep contractions averaging between 4.4 per cent and 6.8 per cent in 2020. During the year, the Cape Agulhas municipal area recorded the steepest contraction with 6.8 per cent, followed by the Overstrand municipal area with 6.7 per cent. Furthermore, the Theewaterskloof and Swellendam municipal areas recorded contractions of 4.8 per cent and 4.4 per cent respectively in 2020.

Estimates for 2021 indicate a sharp recovery in economic activity across all municipal areas as well as the District and Province. During the year, annual GDP growth in the District is estimated to have improved to 5.5 per cent, which is significantly higher than the estimated annual growth rate of 4.6 per cent recorded in the Province. Furthermore, the Theewaterskloof municipal area is estimated to have recorded the highest annual growth rate in 2021 (6.5 per cent), which signifies its importance to the recovery of the District.

The improved growth rates can be attributed to the easing of COVID-19 lockdown restrictions and the resumption of economic activity. In addition, the easing of COVID-19 regulations resulted in a recovery in both domestic and international tourism activity.⁹ However, these high growth rates may not be sustainable in the medium term, as they originate from a constrained 2020 base.

In 2022, GDP growth in the OD is forecast to decline to 2.6 per cent before declining further to reach 1.0 per cent in 2023. The Province's GDP growth is also forecast to decline in 2022 (2.3 per cent) and 2023 (0.3 per cent). Forecasts for the OD are influenced by national factors such as the increase in interest rates,¹⁰ which will greatly affect the finance sector in the District. Additionally, load-shedding in 2022 is likely to impact the manufacturing sector through agro-processing in the District. Higher dam levels in the District and Province in 2022 compared with 2021 may also influence forecasts for 2022, as the increased levels may influence the agricultural value chain.¹¹

⁹ (Wesgro, 2021).

¹⁰ (Kganyago, 2022)


¹¹ (Western Cape Government, 2022).

1.2.1 Sectoral GDPR performance

Table 1.1 provides an overview of the sectoral GDPR performance of the OD in 2020. Furthermore, sectoral GDPR trends between 2016 and 2020, estimates for 2021 and forecasts for 2022 and 2023 are provided.

Table 1.1

GDPR PERFORMANCE PER SECTOR, Overberg District (%)

SECTOR		R million value 2020	Trend		Real GDPR growth		
			2011 – 2020	2016 – 2020	2021e	2022f	2023f
PS Primary Sector		R2 362.2 (10.2%)	1.9%	0.5%	7.3%	11.0%	-0.6%
Agriculture, forestry & fishing		R2 336.5 (10.1%)	1.9%	0.5%	7.4%	11.0%	-0.6%
Mining & quarrying		R25.7 (0.1%)	2.8%	2.6%	-14.3%	17.7%	-6.8%
SS Secondary Sector		R4 838.6 (21.0%)	0.3%	-2.0%	5.6%	0.7%	1.6%
Manufacturing		R3 169.2 (13.7%)	1.6%	-0.1%	8.9%	0.4%	1.5%
Electricity, gas & water		R482.7 (2.1%)	-1.7%	-2.7%	3.3%	0.9%	0.5%
Construction		R1 186.6 (5.1%)	-1.5%	-5.6%	-1.5%	1.5%	2.0%
TS Tertiary Sector		R15 883.7 (68.8%)	1.8%	0.4%	5.2%	1.8%	1.1%
Wholesale & retail trade, catering & accommodation		R3 905.5 (16.9%)	0.9%	-1.7%	7.8%	7.5%	2.7%
Transport, storage & communication		R1 807.3 (7.8%)	1.1%	-2.0%	6.0%	5.5%	2.9%
Finance, insurance, real estate & business services		R5 963.6 (25.8%)	2.7%	2.6%	4.6%	-1.3%	0.2%
General government		R1 971.0 (8.5%)	1.5%	0.6%	-1.1%	-0.9%	-0.3%
Community, social & personal services		R2 236.2 (9.7%)	1.7%	0.6%	7.7%	-0.3%	0.3%
Total Overberg District		R23 084.4 (100.0%)	1.4%	-0.2%	5.5%	2.6%	1.0%

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

Valued at R15.9 billion, the tertiary sector was the largest contributor to the OD economy in 2020, with a contribution of 68.8 per cent during the year. Between 2016 and 2020, the tertiary sector recorded an average annual growth rate of 0.4 per cent, which was higher than the 0.2 per cent contraction recorded in the District over the same period.

Within the tertiary sector, the finance and trade sectors were the main drivers of economic activity, contributing 25.8 per cent and 16.9 per cent to GDPR respectively in 2020. However, the average annual growth rate recorded by the finance sector between 2016 and 2020 (2.6 per cent) significantly outweighed that of the broader tertiary sector, thus showcasing its importance to the OD economy. It is worth noting that the trade and transport sectors recorded average annual contractions over the five-year period. This is likely to be because of sharp declines in economic activity in the sectors during 2020.

Estimates for 2021 indicate that the tertiary sector grew by 5.2 per cent, with all sectors apart from the general government sector recording strong growth rates during the year. This can be attributed to the further easing of COVID-19 restrictions thanks to the roll-out of vaccination programmes.

In 2020, the secondary sector was the second-largest contributor to GDP at 21.0 per cent. Between 2016 and 2020, the secondary sector realised an average annual contraction of 2.0 per cent. This contraction significantly outweighed the contraction recorded in the District over the same period and thus, given the importance of the sector to the OD economy, it contributed significantly to the District's subdued performance over the period. Within the secondary sector, the manufacturing sector was the largest contributor to the District's GDP in 2020 at 13.7 per cent and registered an average annual contraction of 0.1 per cent between 2016 and 2020. Manufacturing activity in the OD is largely driven by activities related to dairy products, wine production and the cold chain,¹² which were significantly impacted by persistent drought conditions and supply chain disruptions in 2020.

In 2021, the secondary sector grew by 5.6 per cent. This improvement in annual growth was driven by significant improvements in annual growth rates in all sectors that encompass the secondary sector. However, the estimated recovery in the manufacturing sector during the year is considered the key driver of the overall improved performance of the secondary sector. This can largely be attributed to the resumption of alcohol sales following the easing of the prohibition on the domestic transportation and sale of alcoholic beverages in July 2021.¹³ The recovery in the secondary sector was further supported by a recovery in tourism activity.

Valued at R2.4 billion in 2020, the primary sector was the smallest contributor to the OD economy at 10.2 per cent and grew at an average rate of 0.5 per cent per annum between



¹² (Partridge, Morokong, & Sibulali, 2020).

¹³ (United States Department of Agriculture, 2021).

2016 and 2020. The performance of the primary sector relies extensively on the performance of the agriculture sector, which contributed 10.1 per cent to the OD economy in 2020. As such, the agriculture sector recorded an average annual growth rate of 0.5 per cent over the five-year period. The poor performance of the agriculture sector relative to the 1.9 per cent average annual growth experienced between 2011 and 2020 can be ascribed to declines in wheat exports over the period brought on by droughts in the District.¹⁴

Estimates for 2021 indicate that the primary sector grew by 7.3 per cent during the year. However, the agriculture sector recorded a marginally higher growth rate of 7.4 per cent, which further emphasises the importance of the sector to the recovery of the broader primary sector. The recovery of the agriculture sector can be attributed to strong barley production recorded during the year.¹⁵

In 2022, growth of the secondary and tertiary sectors is forecast to slow. The primary sector is forecast to reach the highest annual growth rate during the year at 11.0 per cent, followed by the tertiary and secondary sectors at 1.8 per cent and 0.7 per cent respectively. The growth in the primary sector is attributable to increasing dam levels in the District¹⁶ as well as investments made by the Western Cape Government in the agriculture sector, such as fodder support allocated to farmers in the District.¹⁷ In the 2023 forecast period, only the secondary sector records an improvement in growth, at 1.6 per cent. The tertiary sector is forecast to record a decline in growth, while the primary sector is forecast to contract by 0.6 per cent in 2023. This is likely to be due to the normalising of economic activity following the easing of COVID-19 restrictions and the high growth rates recorded in 2021 and 2022. Furthermore, recurrent load-shedding is expected to further weigh on growth in 2022. In addition, trade activities are likely to be impacted by global supply chain disruptions because of the Russia-Ukraine conflict, coupled with rising inflation and high domestic fuel prices resulting in subdued consumption expenditure.¹⁸



¹⁴ (South African Grain Information Service, 2021).

¹⁵ (Department of Agriculture, Land Reform and Rural Development, 2022).

¹⁶ (Western Cape Government, 2022).

¹⁷ (Western Cape Department of Agriculture, 2022).

¹⁸ (Thomas, 2022).



1.3 GDPR PERFORMANCE PER MUNICIPAL AREA

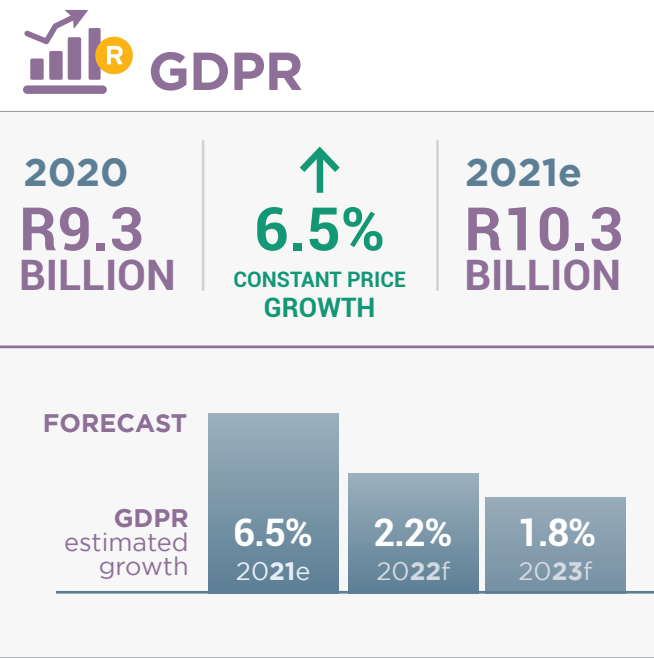
This subsection provides a more in-depth macroeconomic outlook by considering the trends in GDPR for each of the municipal areas within the OD.



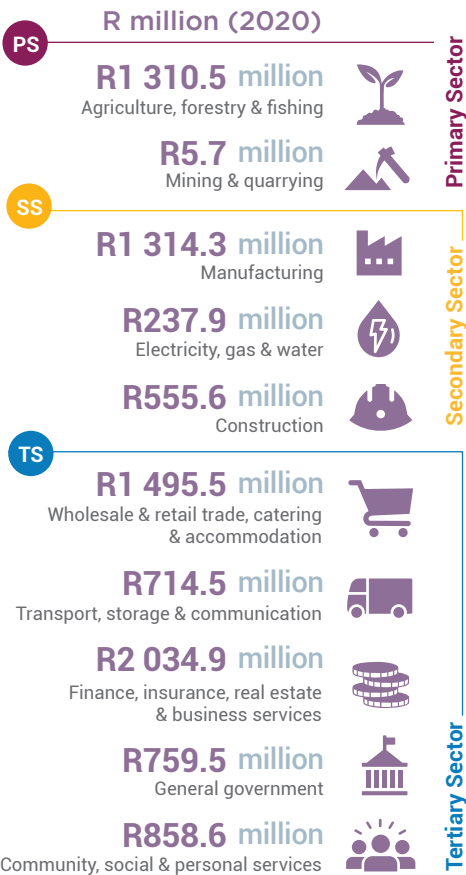
1.3.1 THEEWATERSKLOOF

The Theewaterskloof municipal area covers 3 259km², which constitutes approximately 26.6 per cent of the OD’s geographical area.¹⁹ It borders the Cape Metro and the CWD, and is traversed by the N2, which is a valuable transit link for tourists and goods. The Theewaterskloof municipal area is a popular tourism destination and is well known for its natural assets such as the Kogelberg Biosphere, Theewaterskloof Dam, blue cranes, various mountain ranges and fynbos.²⁰ The main towns in the municipal area include Botrivier, Caledon, Genadendal, Grabouw, Greyton, Riviersonderend, Tesselaarsdal and Villiersdorp.²¹

Diagram 1.2
GDPR (CURRENT PRICES)
Theewaterskloof, 2020 and 2021e



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



¹⁹ (Municipal Demarcation Board, 2018).

²⁰ (Theewaterskloof Municipality, 2016).

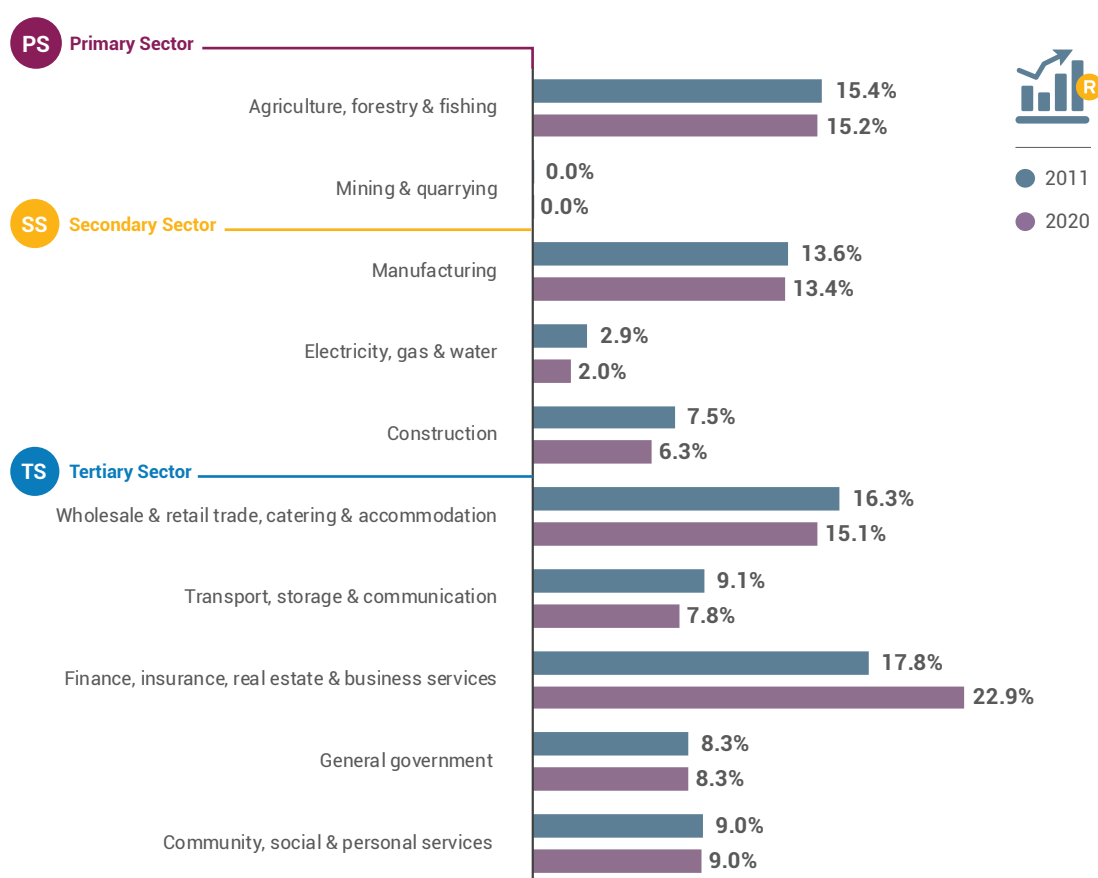
²¹ (Theewaterskloof Municipality, 2017).

The Theewaterskloof municipal area's GDPR was valued at R9.3 billion (current prices) in 2020 and is estimated to have increased by 6.5 per cent in 2021 in real terms. The positive growth of the municipal area's economy between 2020 and 2021 indicates the start of recovery from the economic pressure brought about by COVID-19. The finance sector was the leading contributor with R2.0 billion in 2020, followed by the trade sector with R1.5 billion and the manufacturing sector with a R1.3 billion contribution. It is forecast that the GDPR will increase by 2.2 per cent in 2022 and 1.8 per cent in 2023.

Figure 1.2 depicts the sectoral contribution to GDPR in the Theewaterskloof municipal area in 2011 and 2020.

Figure 1.2

SECTORAL GDPR CONTRIBUTION (CONSTANT PRICES), Theewaterskloof



Source: Quantec Research, 2022


In 2020, the finance sector was the largest contributor to GDPR in the municipal area, with 22.9 per cent. This was followed by the agriculture (15.2 per cent) and the trade (15.1 per cent) sectors. These main contributing sectors were the leading contributors in 2011 as well, with the finance sector contributing 17.8 per cent, followed by the trade (16.3 per cent) and the agriculture (15.4 per cent) sectors. Because of the lack of mineral resources, the mining sector was the smallest contributing sector in 2011 as well as 2020 in the municipal area.

The fruit (apple), wheat and barley production potential in the Theewaterskloof municipal area should be a priority within the municipal area, as the agriculture sector is a labour-intensive sector and has the potential to create a number of job opportunities and continue to benefit economic growth in the municipal area. Theewaterskloof Dam also provides good irrigation for crops in the municipal area. The municipal area has strong agri-tourism potential, with several wine cellars and packhouses in the Grabouw and Villiersdorp areas.²²

Table 1.2 outlines the GDPR performance per sector within the Theewaterskloof municipal area.

Table 1.2

GDPR PERFORMANCE PER SECTOR, Theewaterskloof

 SECTOR	Trend		Annual real GDPR growth		
	2011 – 2020	2016 – 2020	2019	2020	2021e
PS Primary Sector	1.7%	0.3%	-11.8%	12.8%	7.2%
Agriculture, forestry & fishing	1.7%	0.3%	-11.9%	12.8%	7.3%
Mining & quarrying	2.9%	2.6%	-0.6%	8.5%	-13.2%
SS Secondary Sector	1.2%	-1.2%	0.7%	-12.8%	6.4%
Manufacturing	2.1%	0.4%	1.2%	-10.0%	9.6%
Electricity, gas & water	-1.7%	-2.8%	-2.8%	-7.5%	2.7%
Construction	0.5%	-3.6%	0.8%	-19.4%	0.7%
TS Tertiary Sector	2.7%	1.1%	1.9%	-5.5%	6.3%
Wholesale & retail trade, catering & accommodation	1.6%	-1.2%	1.2%	-13.5%	8.3%
Transport, storage & communication	0.9%	-2.3%	-0.9%	-18.1%	5.5%
Finance, insurance, real estate & business services	4.9%	4.4%	3.9%	2.5%	7.3%
General government	2.0%	1.1%	1.2%	0.1%	-1.0%
Community, social & personal services	2.0%	1.0%	2.0%	-1.5%	8.0%
Total Theewaterskloof	2.1%	0.3%	-0.4%	-4.8%	6.5%

Source: Quantec Research, 2022 (e denotes estimate)

The municipal area had a 2.1 per cent annual growth rate between 2011 and 2020, and a growth rate of 0.3 per cent between 2016 and 2020. The primary sector grew by 0.3 per cent between 2016 and 2020, with the agriculture sector growing by 0.3 per cent and the mining sector by 2.6 per cent. The considerable increase of 12.8 per cent in the agriculture sector in 2020 could be the result of improved weather conditions for agricultural activities and the increase in product prices, as fruit sales did well that year.²³ The dryland wheat gross margin performance (rand per hectare) in Caledon increased more than 400.0 per cent in 2020.²⁴

The secondary sector contracted by 1.2 per cent between 2016 and 2020. This was mostly because of the poor performance in the construction and electricity, gas and water sectors, which contracted by 3.6 per cent and 2.8 per cent respectively. The contraction was mostly because of the economic downturn experienced in 2020 as a result of COVID-19. The tertiary sector realised an average annual growth rate of 1.1 per cent between 2016 and 2020.

²² (Cape Farm Mapper, 2022).

²³ (Tru-Cape, 2021).

²⁴ (Bureau for Food and Agricultural Policy, 2021).

The positive growth in the Theewaterskloof municipal area between 2016 and 2020 was mostly due to the performance of the finance sector, which grew by 4.4 per cent during the period. The growth in the sector could be as a result of the municipal area making progress in expanding access to financial services, as well as positive growth in the insurance industry between 2015 and 2020.²⁵ The estimated economic growth in 2021 in most of the sectors will have a positive effect on business services. Most of the sectors in the tertiary sector contracted in 2020, except for the finance and general government sectors, which experienced positive growth.

The manufacturing sector is estimated to have had the greatest growth (9.6 per cent) in 2021. This could be the result of increased production in the sector, as President Cyril Ramaphosa



²⁵ (Genesis Analytics, 2022).

eased restrictions during 2021 so that business could continue at full capacity. The trade sector is estimated to have increased by 8.3 per cent, as travel restrictions were lifted and tourism started to recover after strict travel restriction during the pandemic. Notably, Argent Industrial, the parent company of Villiersdorp Quarries, recorded lower operating expenses in 2021 than in 2020.²⁶ This contributed to the large contraction in the mining sector. The community services sector is estimated to have increased by 8.0 per cent in 2021, and the agriculture sector continued with positive growth in the same year, with an estimated growth of 7.3 per cent. The general government sector is estimated to have contracted by 1.0 per cent in 2021, which could be the result of less money spent by the government in 2021, as COVID-19 support funds were capped.



²⁶ (Argent, 2022).





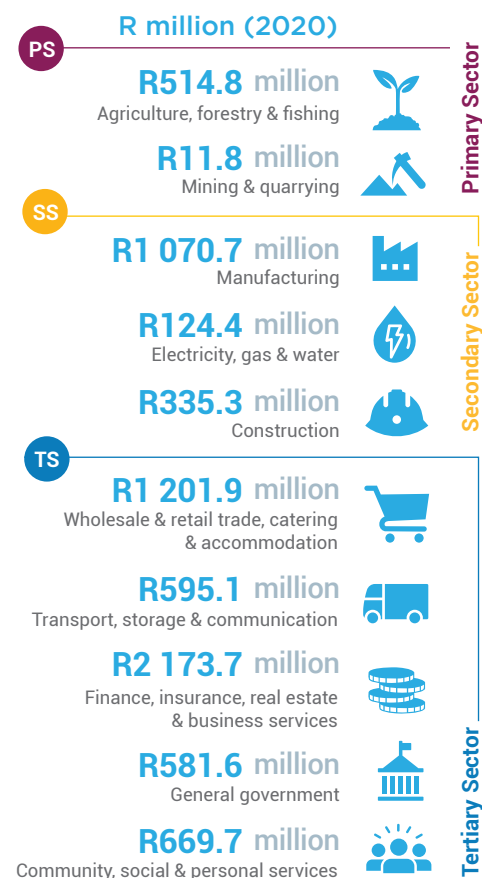
1.3.2 OVERSTRAND

The Overstrand municipal area is the smallest municipal area in the OD in terms of geographical spread, covering 1 675km² (13.7 per cent),²⁷ but is the second-largest economy in the District. The municipal area is bordered by the Cape Metro, Cape Agulhas and Theewaterskloof municipal areas, and has a 230km coastline. Hermanus is the main commercial node and other main towns include Gansbaai, Hawston, Kleinmond and Stanford.²⁸ The Overstrand municipal area is a popular tourist destination, well known for whale watching, shark-cage diving, fynbos, wine estates, abalone farms, birding areas and mountain ranges.²⁹ Hermanus and the smaller coastal settlements are also popular areas for retirement and second homes.

Diagram 1.3
GDPR (CURRENT PRICES)
Overstrand, 2020 and 2021e



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



In 2020, the economy was valued at R7.3 billion (in current prices), and in 2021 the value of the economy was estimated to be R8.0 billion. The positive growth between 2020 and 2021 indicates the start of recovery from the economic pressure as a result of COVID-19. The finance sector was the leading contributor, with a R2.2 billion contribution, followed by the trade sector with R1.2 billion. It is forecast that the GDPR will increase by 3.2 per cent in 2022 and stagnate in 2023 with growth of 0.1 per cent.

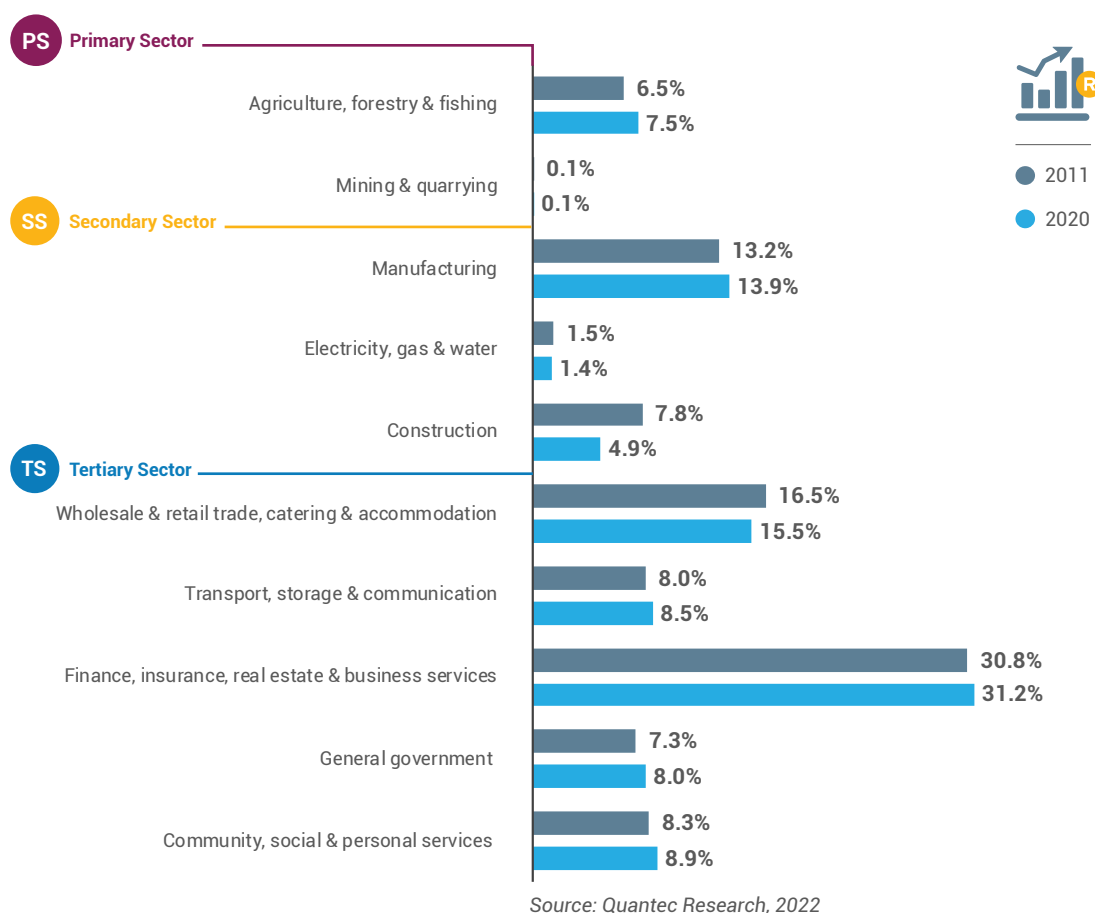
²⁷ (Municipal Demarcation Board, 2018).

²⁸ (Overstrand Municipality, 2017).

²⁹ (Overstrand Municipality, 2018).

Figure 1.3 provides a breakdown of the sectoral contribution to GDP in the Overstrand municipal area in 2011 and 2020.

Figure 1.3
SECTORAL GDP CONTRIBUTION (CONSTANT PRICES), Overstrand (%)



Source: Quantec Research, 2022

The sectoral contribution in the Overstrand municipal area followed a similar trend in 2011 and 2020. The largest contributor to GDP in the municipal area was the finance sector, contributing 30.8 per cent in 2011 and 31.2 per cent in 2020. This was followed by the trade sector, which contributed 15.5 per cent in 2020, and the manufacturing sector, with a 13.9 per cent contribution in the same year. The large trade sector is comprised mostly of the tourism industry in the municipal area. The municipal area offers access to various beaches and holiday destinations.

The mining and electricity, gas and water sectors contributed the least to GDP in the municipal area in 2011 and 2020. However, the new Birkenhead Electrical Substation (66/11kV), the installation of which started in June 2022, will strengthen and increase the electrical energy capacity in the greater Gansbaai area and contribute positively to the electricity, gas and water sector.³⁰

³⁰ (Overstrand Municipality, 2021).

A more detailed overview of sectoral contributions to GDP is provided in Table 1.3.

Table 1.3

GDP PERFORMANCE PER SECTOR, Overstrand



SECTOR	Trend		Annual real GDP growth		
	2011 – 2020	2016 – 2020	2019	2020	2021e
Primary Sector	2.3%	1.0%	-8.4%	11.4%	7.6%
PS Agriculture, forestry & fishing	2.3%	1.0%	-8.5%	11.5%	8.0%
Mining & quarrying	1.9%	1.1%	-1.4%	6.4%	-14.5%
Secondary Sector	-0.5%	-2.8%	-1.5%	-13.7%	4.9%
SS Manufacturing	1.3%	-0.4%	0.9%	-10.6%	8.6%
Electricity, gas & water	0.1%	-1.3%	-1.9%	-8.2%	4.3%
Construction	-4.2%	-8.5%	-7.0%	-22.6%	-5.4%
Tertiary Sector	0.8%	-0.4%	0.5%	-6.2%	4.0%
TS Wholesale & retail trade, catering & accommodation	0.2%	-2.3%	0.2%	-14.2%	7.3%
Transport, storage & communication	1.7%	-1.4%	0.2%	-16.4%	6.6%
Finance, insurance, real estate & business services	0.5%	0.5%	0.6%	-0.9%	1.9%
General government	1.5%	0.6%	0.8%	-0.3%	-0.6%
Community, social & personal services	1.4%	0.3%	1.4%	-2.1%	7.4%
Total Overstrand	0.6%	-0.9%	-0.5%	-6.7%	4.5%

Source: Quantec Research, 2022 (e denotes estimate)

The municipal area had a 0.6 per cent annual growth rate between 2011 and 2020, but showed a contraction of 0.9 per cent between 2016 and 2020. The primary sector increased by 1.0 per cent between 2016 and 2020, with the agriculture sector increasing by 1.0 per cent and the mining sector by 1.1 per cent. The agriculture sector contracted significantly in 2018 and 2019 as a result of the extreme drought experienced in the municipal area. This was followed by robust growth in 2020 (11.5 per cent), which could be the result of above-average rainfall impacting agricultural activities,³¹ as well as an increase in product prices.

The tertiary sector realised a contraction of 0.4 per cent between 2016 and 2020. The contraction was mostly due to the poor performance of the trade sector, which contracted by 2.3 per cent in the same period. This was mostly because the sector contracted by 14.2 per cent in 2020, as tourism was severely affected by COVID-19 restrictions and the municipal area is highly dependent on tourism. This impacted the overall economy, as it is the largest contributor for the municipal area.

³¹ (Overstrand Municipality, 2022).

Companies such as Abagold in Hermanus were impacted by several regional and global phenomena in 2020. The COVID-19 pandemic and the protests in Hong Kong had a significant impact on the abalone industry. The protests in Hong Kong forced their imports to decrease by more than 10.0 per cent from the middle of 2019.³² Both the pandemic and the protests therefore contributed to the 10.6 per cent contraction in the manufacturing sector in 2020.³³ However, the manufacturing sector is estimated to have had the largest growth (8.6 per cent) in 2021. Abagold's revenue increased from R203.0 million in 2020 to R260.0 million in 2021.³⁴ This will impact the overall economic growth of the municipal area positively, as the manufacturing sector is a leading contributor towards GDP.

The trade sector is estimated to have increased by 7.3 per cent in 2021, as travel restrictions were lifted and tourism started to recover. Hermanus is a popular destination for tourists, especially because of its whale watching, shark-cage diving and Blue Flag beaches.³⁵ The Municipality should capitalise on tourism products and attractions by increasing marketing strategies and making the municipal area a preferred tourism destination. This will attract additional international tourists (inward investment) for longer stays, thereby increasing economic injections into the municipal area.³⁶



³² (Romei, 2019).

³³ (Abagold, 2020).

³⁴ (Abagold, 2021).

³⁵ (Overstrand Municipality, 2022).

³⁶ (Overstrand Municipality, 2021).





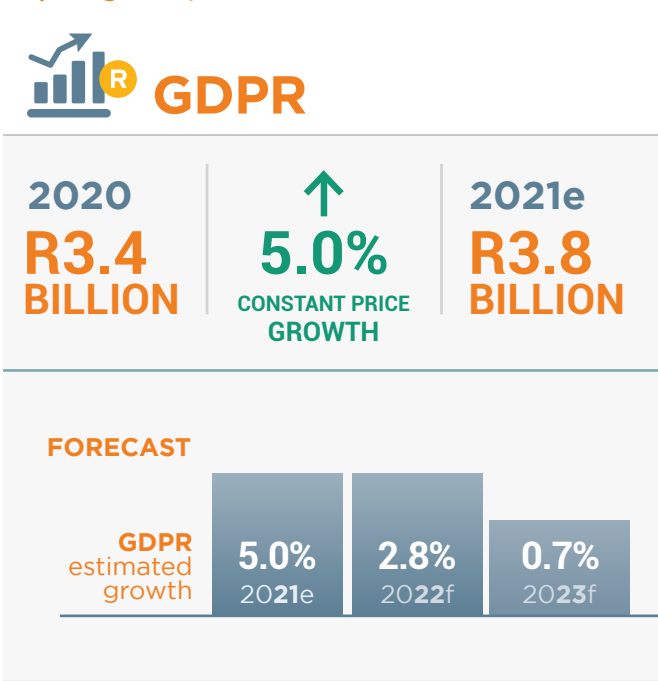


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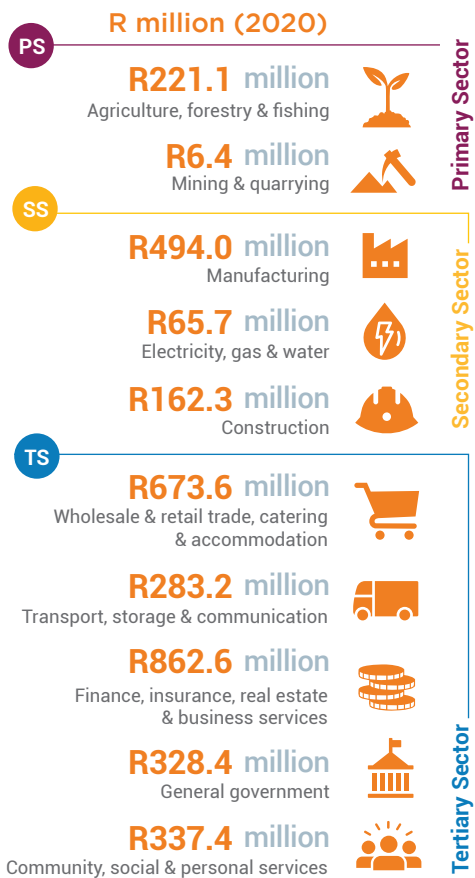
CAPE AGULHAS

The Cape Agulhas municipal area covers approximately 3 471km², which constitutes about 28.4 per cent of the OD’s geographical area, and is well known for being the southernmost tip of Africa.³⁷ The main towns in the municipal area include Bredasdorp and Napier, the coastal towns of Arniston, Struisbaai, L’Agulhas and Suiderstrand, and the rural settlements of Proteem and Klipdale.³⁸ Towns along the 178km coastline are mostly tourist towns or fishing villages.³⁹

Diagram 1.4
GDPR (CURRENT PRICES)
Cape Agulhas, 2020 and 2021e



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



The municipal area’s economy increased by 5.0 per cent from R3.4 billion (current prices) in 2020 to an estimated R3.8 billion in 2021. The leading contributor in 2020 was the finance sector with R862.6 million, followed by the trade sector with R673.6 million. It is forecast that the GDPR will increase by 2.8 per cent in 2022 and 0.7 per cent in 2023.

³⁷ (Municipal Demarcation Board, 2018).

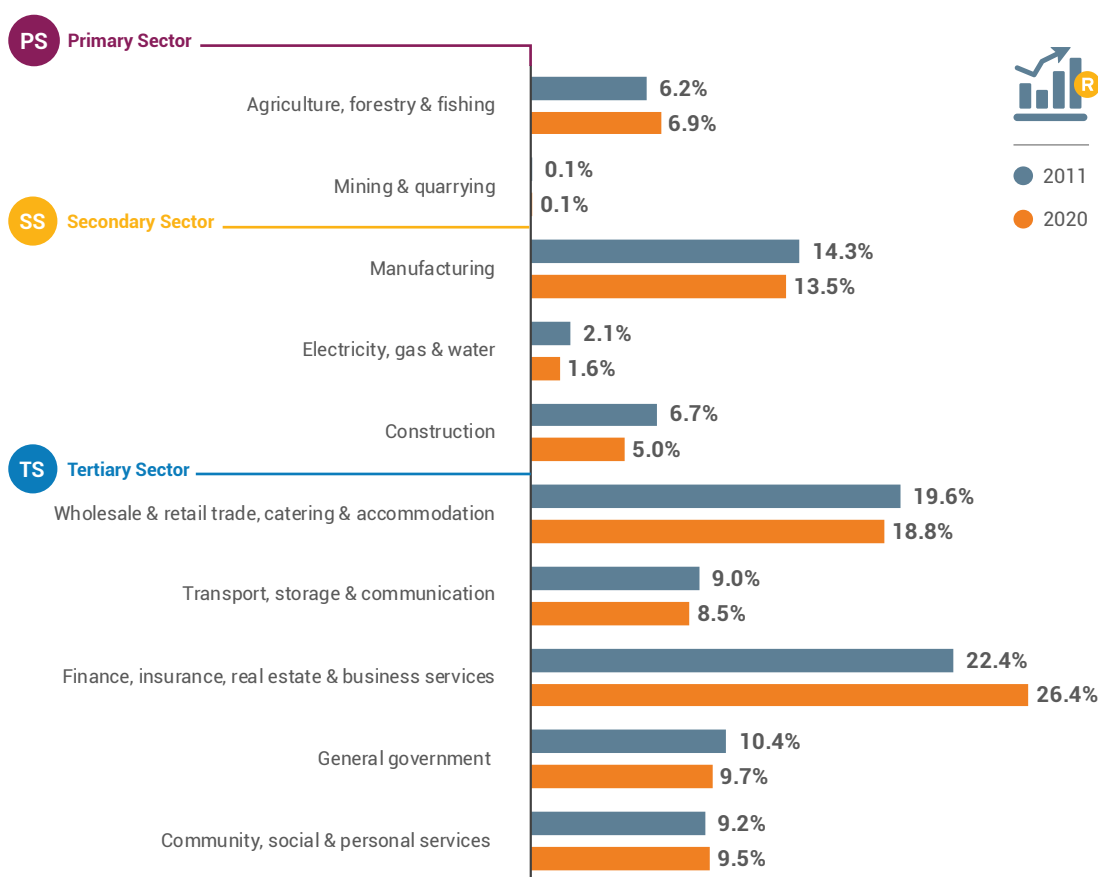
³⁸ (Cape Agulhas Municipality, 2020).

³⁹ (Cape Agulhas Municipality, 2017) and (Cape Agulhas Municipality, 2018).

Figure 1.4 depicts the sectoral GDPR contribution in the Cape Agulhas municipal area.

Figure 1.4

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



Source: Quantec Research, 2022

The sectoral contribution in the Cape Agulhas municipal area followed a similar trend in 2011 and 2020. The largest contributor to GDP in the municipal area was the finance sector, contributing 22.4 per cent in 2011 and 26.4 per cent in 2020. This was followed by the trade sector, which contributed 18.8 per cent in 2020, and the manufacturing sector with a 13.5 per cent contribution in the same year.

The trade sector is performing well because of the robust tourism industry in the municipal area, which offers access to various beaches and holiday destinations such as Struisbaai. The area should focus on tourism products and attractions by increasing marketing strategies and making the municipal area a popular destination. The area should also focus on agricultural development, as it provides good production potential for canola, wheat, barley and lucerne. The agriculture sector contributed 6.9 per cent towards the municipal area's economic growth in 2020.

The mining sector and the electricity, gas and water sector contributed the least to GDP in the municipal area in 2011 as well as 2020.

Table 1.4 outlines the performance of GDP per sector in the Cape Agulhas municipal area.

Table 1.4

GDP PERFORMANCE PER SECTOR, Cape Agulhas

SECTOR	Trend		Annual real GDP growth		
	2011 – 2020	2016 – 2020	2019	2020	2021e
PS Primary Sector	1.9%	0.6%	-10.3%	11.8%	6.9%
Agriculture, forestry & fishing	1.9%	0.5%	-10.4%	12.0%	7.3%
Mining & quarrying	5.2%	6.9%	-2.2%	5.6%	-15.1%
SS Secondary Sector	-0.6%	-2.9%	-0.9%	-14.2%	5.0%
Manufacturing	0.4%	-1.4%	0.4%	-12.0%	7.7%
Electricity, gas & water	-2.4%	-3.2%	-3.6%	-9.1%	5.0%
Construction	-2.1%	-6.2%	-3.4%	-20.7%	-2.2%
TS Tertiary Sector	1.2%	-0.2%	0.8%	-6.0%	4.8%
Wholesale & retail trade, catering & accommodation	0.6%	-1.9%	0.2%	-12.4%	7.3%
Transport, storage & communication	0.6%	-2.4%	-0.7%	-18.4%	6.8%
Finance, insurance, real estate & business services	2.5%	2.3%	2.3%	1.1%	4.0%
General government	-0.1%	-1.0%	-0.6%	-1.8%	-1.4%
Community, social & personal services	1.1%	0.0%	1.1%	-2.3%	7.0%
Total Cape Agulhas	0.8%	-0.8%	-0.3%	-6.8%	5.0%

Source: Quantec Research, 2022 (e denotes estimate)

The municipal area had a 0.8 per cent annual growth rate between 2011 and 2020, with a contraction of 0.8 per cent between 2016 and 2020. The primary sector increased by 0.6 per cent between 2016 and 2020, with the agriculture sector increasing by 0.5 per cent. The considerable increase of 12.0 per cent in the agriculture sector in 2020 could be the result of improved weather conditions for agricultural activities and an increase in product prices in that year. The dryland wheat gross margin performance (rand per hectare) for Bredasdorp increased by more than 700.0 per cent in 2020.⁴⁰

The secondary sector contracted by 2.9 per cent between 2016 and 2020. This was mostly because of the poor performance in the construction sector, which contracted by 6.2 per cent. The contraction was mostly because of the economic downturn experienced in 2020 as a result of the COVID-19 pandemic and its related restrictions on economic activity.

The tertiary sector contracted by 0.2 per cent between 2016 and 2020. The contraction was mostly due to the substandard performance in the trade sector, which contracted by 1.9 per cent. The finance sector experienced growth of 2.3 per cent during the same period. The growth in the financial sector is influenced by the property market in the District, as the average selling price has increased for households.⁴¹ The overall recovery in most of the sectors will have a positive effect on business services.

⁴⁰ (Bureau for Food and Agricultural Policy, 2021).

⁴¹ (Property24, 2022)

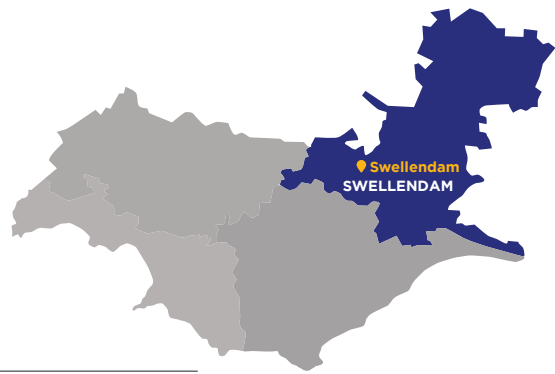
The manufacturing sector is estimated to have had the highest growth in 2021, with 7.7 per cent. This can be linked with the positive growth in 2021 for the agriculture sector, which realised a 7.3 per cent increase. The positive growth of the agriculture sector in 2020 and 2021 could result in an increase in agro-processing activities in the municipal area. Overberg Agri recorded increases in profitability, operating expenses and salaries and wages, and this is likely to impact the agro-processing facility in Bredasdorp that is owned by the company.⁴² The trade sector is estimated to have increased by 7.3 per cent.



⁴² (Acorn Agri & Food, 2021).





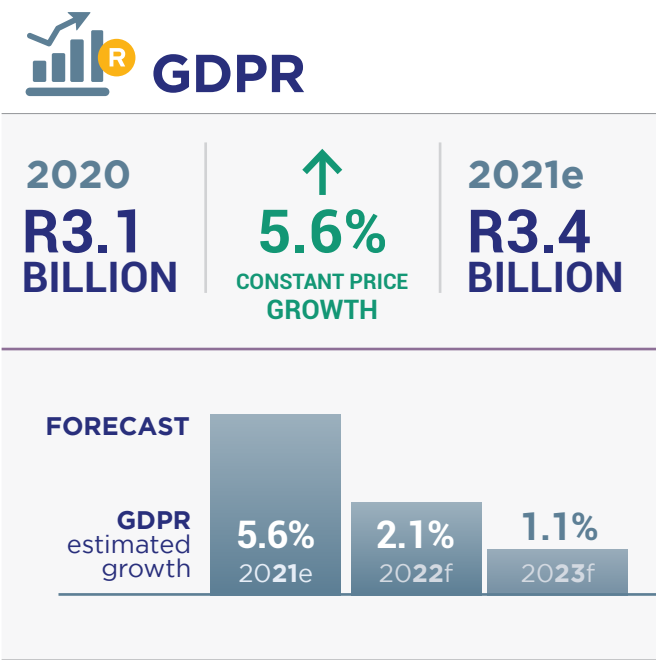


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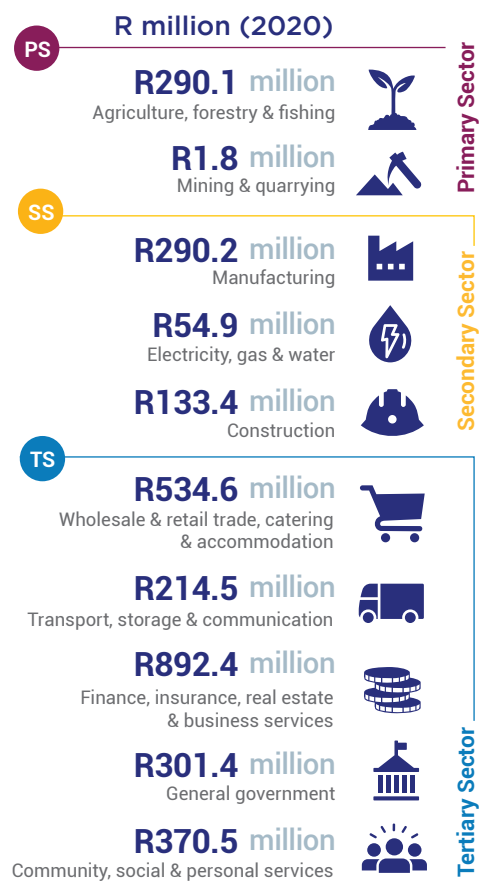
SWELLENDAM

The Swellendam municipal area is the largest municipal area in the OD in terms of geographical spread, covering 3 835km². The municipal area nevertheless has the smallest economy in the OD. The town of Swellendam is the area’s main economic hub, but some smaller towns and settlements provide services to the local agricultural industry in the area, including Barrydale, Stormsvlei, Rheenendal, Rietkuil, Infanta, Malgas, Suurbraak, Buffeljagsrivier and Ouplaas.⁴³ The municipal area is well connected, with the N2 and regional routes such as the R324, R60 and R62 (a well-known tourist route) traversing the area.⁴⁴

Diagram 1.5
GDPR (CURRENT PRICES)
Swellendam, 2020 and 2021e



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



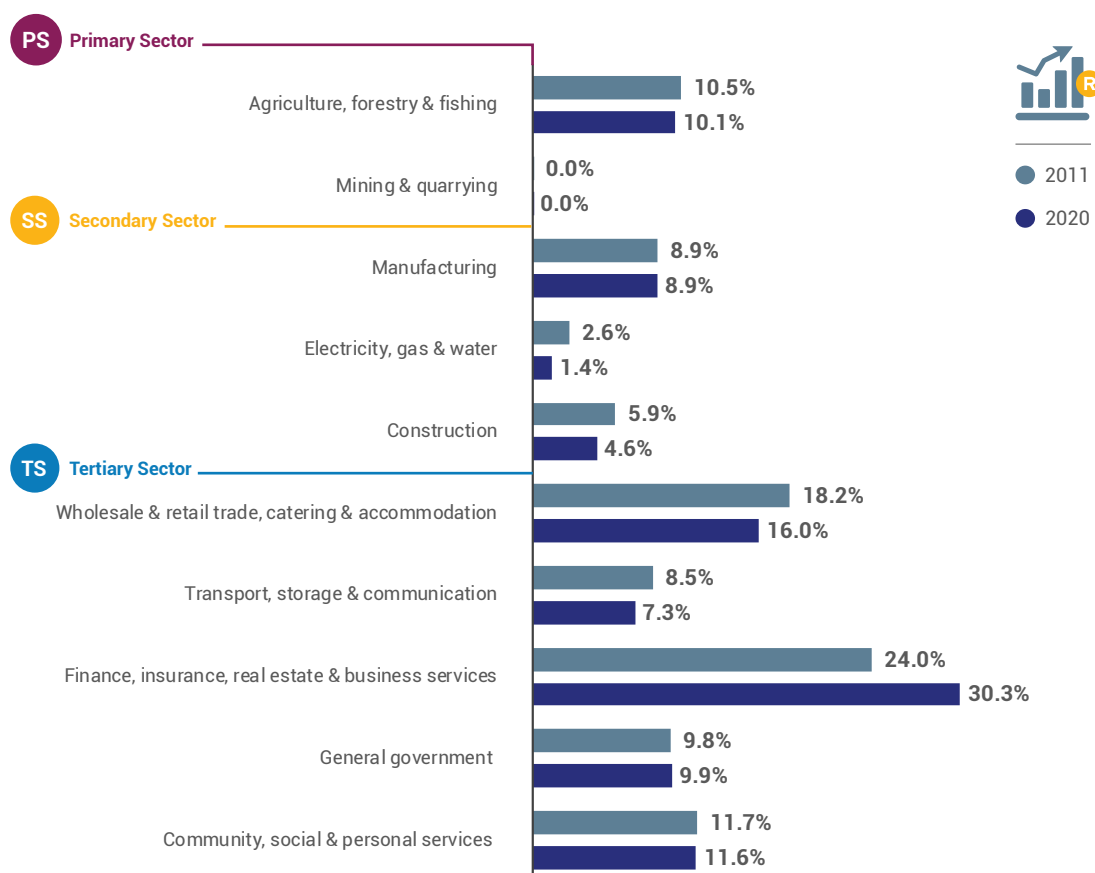
The Swellendam municipal area’s GDPR was valued at R3.1 billion (current prices) in 2020 and is estimated to have increased by 5.6 per cent in real terms in 2021. The finance sector contributed R892.4 million in 2020 and was the leading contributor to the municipal area’s economy. It is forecast that the GDPR will increase by 2.1 per cent in 2022 and 1.1 per cent in 2023.

⁴³ (Swellendam Municipality, 2017).

⁴⁴ (Swellendam Municipality, 2018).

Figure 1.5 provides a breakdown of the Swellendam municipal area's sectoral contribution to GDP in 2011 and 2020.

Figure 1.5
SECTORAL GDP CONTRIBUTION (CONSTANT PRICES), Swellendam (%)



Source: Quantec Research, 2022


It is evident that the municipal area's main economic contributors were similar in 2011 and 2020. The finance sector was the leading contributor, with 24.0 per cent in 2011, which increased to a 30.3 per cent contribution in 2020. This was followed by the trade sector, which contributed 18.2 per cent in 2011, and contracted to 16.0 per cent in 2020. The community services sector contributed 11.7 per cent in 2011 and contracted slightly to 11.6 per cent in 2020.

The municipal area could focus on agricultural development, as the area offers a variety of crop production such as fruit (pears and apples) in the Barrydale area, and wheat, barley and canola in the southern parts of the municipal area. As a result of the fruit production, several packhouses are situated across the municipal area.⁴⁵ This forms part of the agro-processing sector and supports the manufacturing sector, which contributed 8.9 per cent towards GDP in both 2011 and 2020. The lack of minerals in the municipal area is supported by the fact that the mining and quarrying sector contributes the least towards GDP.

⁴⁵ (Cape Farm Mapper, 2022).

Table 1.5 provides a more detailed overview of sectoral contributions to GDP in the Swellendam municipal area.

Table 1.5
GDP PERFORMANCE PER SECTOR, Swellendam

 SECTOR	Trend		Annual real GDP growth		
	2011 – 2020	2016 – 2020	2019	2020	2021e
PS Primary Sector	1.7%	0.2%	-11.9%	12.6%	7.0%
Agriculture, forestry & fishing	1.7%	0.2%	-11.9%	12.6%	7.1%
Mining & quarrying	1.7%	1.4%	-1.6%	7.2%	-14.1%
SS Secondary Sector	0.8%	-1.6%	0.1%	-13.0%	5.4%
Manufacturing	2.4%	0.8%	1.9%	-9.7%	9.0%
Electricity, gas & water	-4.1%	-4.9%	-5.1%	-9.9%	0.8%
Construction	0.1%	-4.5%	-1.4%	-19.6%	-0.3%
TS Tertiary Sector	2.8%	1.3%	2.2%	-4.5%	5.5%
Wholesale & retail trade, catering & accommodation	1.3%	-1.6%	0.9%	-14.0%	8.2%
Transport, storage & communication	1.0%	-2.0%	-0.7%	-16.9%	4.5%
Finance, insurance, real estate & business services	4.8%	4.4%	4.1%	2.4%	5.7%
General government	2.4%	1.4%	1.4%	0.4%	-2.0%
Community, social & personal services	2.3%	1.1%	2.1%	-1.4%	7.9%
Total Swellendam	2.3%	0.7%	0.4%	-4.4%	5.6%

Source: Quantec Research, 2022 (e denotes estimate)

The municipal area had a 2.3 per cent annual growth rate between 2011 and 2020, and a growth rate of 0.7 per cent between 2016 and 2020. The primary sector increased by 0.2 per cent between 2016 and 2020, with the agriculture sector increasing by 0.2 per cent and the mining sector by 1.4 per cent. Both sectors showed strong growth in 2020. The considerable increase of 12.6 per cent in the agriculture sector could be the result of improved weather conditions for agricultural activities and an increase in product prices. It is important to note that the mining sector is almost non-existent in the municipal area's economy, and therefore any small positive or negative change will reflect a large percentage change, while the overall impact on the economy is insignificant.

The tertiary sector realised an average annual growth rate of 1.3 per cent between 2016 and 2020. The positive growth was mostly due to the strong performance in the finance sector, which grew by 4.4 per cent in the same period. This sector had the largest growth of all the sectors in the municipal area. The growth in this sector could be as a result of the municipal area making progress in expanding access to financial services, as well as positive growth in the insurance industry between 2015 and 2020.⁴⁶ The overall recovery estimated for 2021 in most of the sectors will have a positive effect on business services.

⁴⁶ (Genesis Analytics, 2022).

The manufacturing sector is estimated to have had the largest growth in 2021, with 9.0 per cent. This could be the result of increased production in the sector, as the President eased restrictions during 2021 so that businesses such as packhouses could continue at full capacity.⁴⁷ The trade sector is estimated to have increased by 8.2 per cent in the same year, as travel restrictions were lifted and tourism started to recover after strict travel restrictions during the pandemic. The community services sector is also estimated to have increased in 2021 (7.9 per cent), and the agriculture sector is estimated to have grown by 7.1 per cent.



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investSA

ONE STOP SHOP

WESTERN CAPE

Streamlining government services through digital solutions, the InvestSA One Stop Shop Western Cape is the first in the country to launch a virtual online booking platform in 2021.

The One Stop Shop is a collaborative platform between various arms of national, Provincial and local government who endeavour to assist investors and exporters with navigating regulatory and administrative bottlenecks.

Through the One Stop Shop, potential investors and business owners looking to expand into exports can access national and Provincial regulators including Home Affairs; the Department of Employment and Labour; the Red Tape Reduction Unit; the Department of Trade, Industry and Competition (DTIC); the South African Revenue Service (SARS); the National Regulator for Compulsory Specifications; CapeBPO; VFS Global; and the Companies and Intellectual Property Commission. At a Provincial level, investors can access the Western Cape Government, City of Cape Town, GreenCape, the Saldanha Bay Industrial Development Zone (SBIDZ) and the Atlantis Special Economic Zone (SEZ).

In three simple steps, potential investors and exporters are able to view available dates and time slots of the chosen entity they wish to meet with by selecting their preferred virtual meeting platform from options such as MS Teams, Google Hangouts, WhatsApp, Zoom, Cisco Jabber or a conference call.

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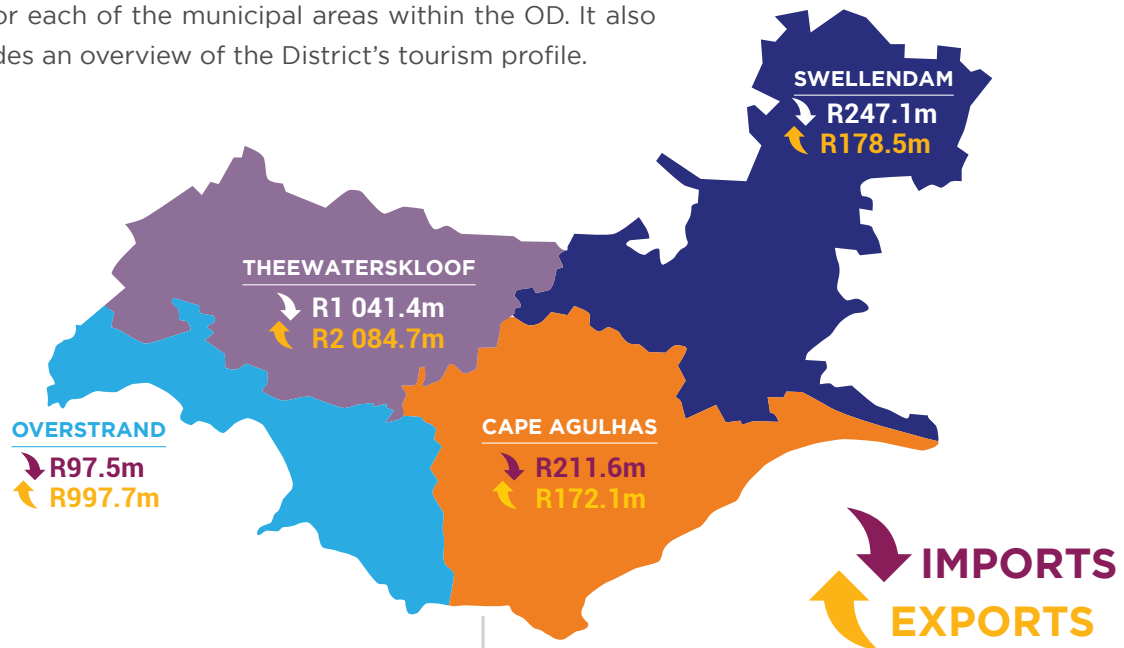
⁴⁷ (Cape Farm Mapper, 2022).



1.4 INTERNATIONAL TRADE AND TOURISM

District and local economies are 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.

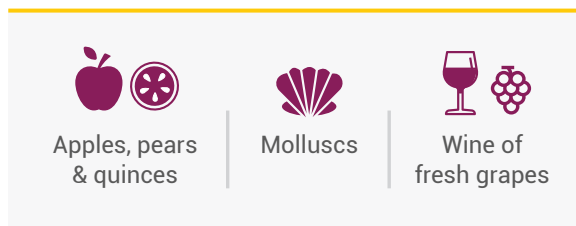
This subsection explores trade dynamics at a district level and for each of the municipal areas within the OD. It also provides an overview of the District's tourism profile.



OVERBERG TRADE



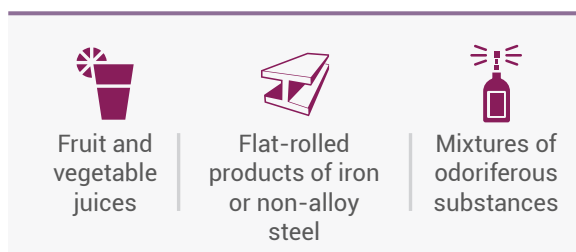
TOP 3 EXPORTED PRODUCTS



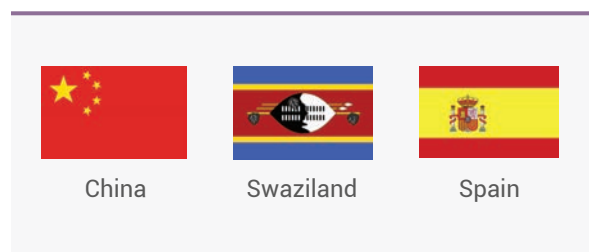
TOP 3 EXPORT DESTINATIONS



TOP 3 IMPORTED PRODUCTS



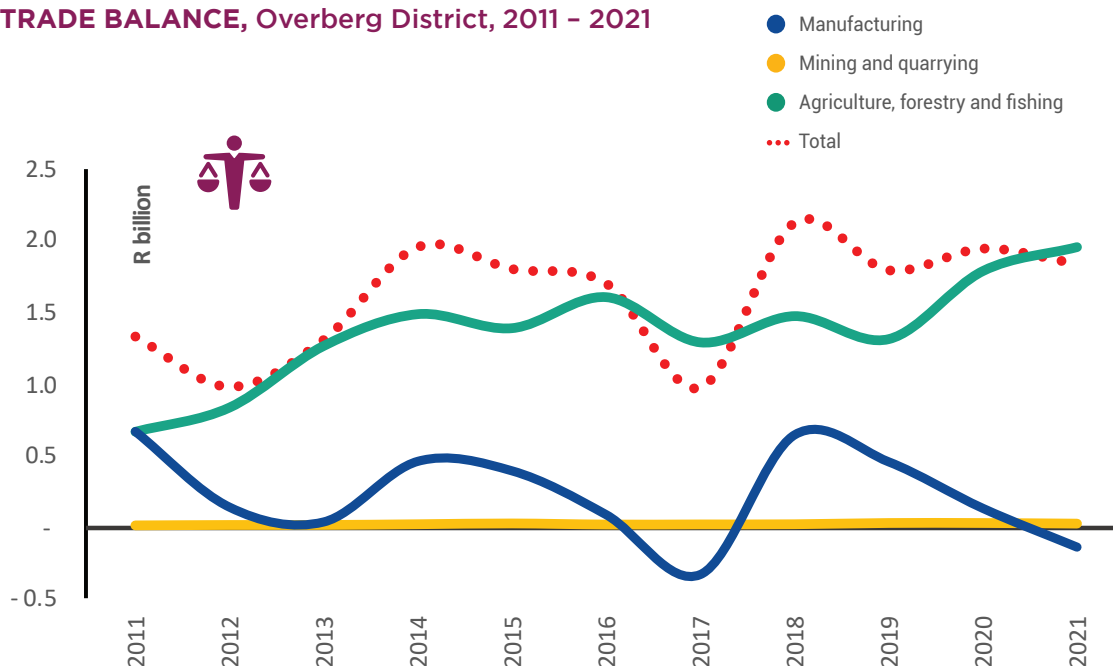
TOP 3 IMPORT DESTINATIONS



1.4.1 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, as the OD exports more than it imports. A positive trade balance further indicates a net inflow of foreign currency, which is beneficial to the economy. Figure 1.6 figure illustrates the total trade balance of the OD, as well as the trade balance for the main sectors that export and import goods, namely agriculture, manufacturing and mining.

Figure 1.6
TRADE BALANCE, Overberg District, 2011 - 2021



Source: Quantec Research, 2022

Despite some periodic fluctuations, the OD experienced an overall trade surplus between 2011 and 2021, which was mainly driven by the agriculture sector. Conversely, the mining sector had no impact on the District's trade balance. The manufacturing sector's trade deficit of R326.5 million in 2017 and R137.1 million in 2021 were the only trade deficits experienced in the OD during the period under review.

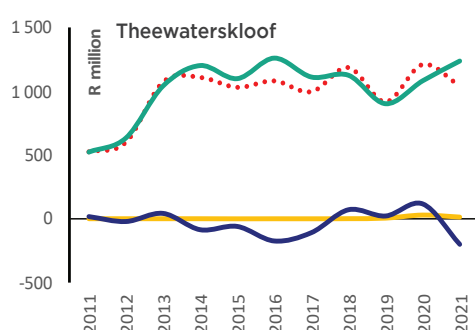
In 2021, the OD exported goods to the value of R3.4 billion and imported goods to the value of R1.6 billion. This resulted in a trade surplus of R1.8 billion, which is R107.7 million lower than the trade surplus recorded by the District in 2020. The strong performance of the agriculture sector continued in 2021, with the trade surplus increasing from R1.8 billion in 2020 to R1.9 billion in 2021. The manufacturing sector realised a trade deficit of R0.1 billion in 2021, compared with the surplus of R0.1 billion that was attained in 2020. This is likely to have been caused by restrictions associated with the COVID-19 regulations, load-shedding, increased input costs and the depreciation of the rand.

In terms of the sectoral trade distribution in 2021, the agriculture sector was the largest source of exports, accounting for 60.3 per cent of the OD's exports, followed by the manufacturing sector (39.0 per cent). Imports into the OD were dominated by the manufacturing sector, which

accounted for 92.4 per cent of the District's total imports. Despite the mining sector's small contribution to trade, the sector was a larger source of exports (0.7 per cent) than imports (0.1 per cent).

Figure 1.7 provides an overview of the trade balance between 2011 and 2021 for each of the municipal areas in the OD. The Theewaterskloof and Overstrand municipal areas experienced an overall positive trade balance during the period under review, while the Cape Agulhas and Swellendam municipal areas recorded a negative trade balance during some of the years.

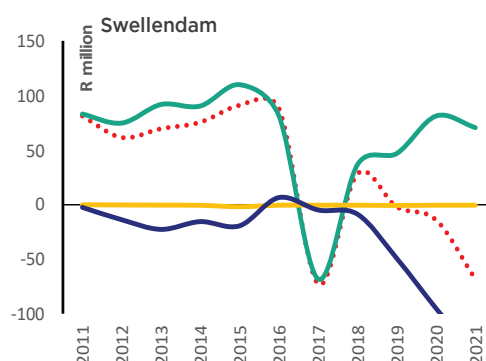
Figure 1.7
TRADE BALANCE PER
MUNICIPAL AREA, Overberg District,
2011 – 2021



Source: Quantec Research, 2022

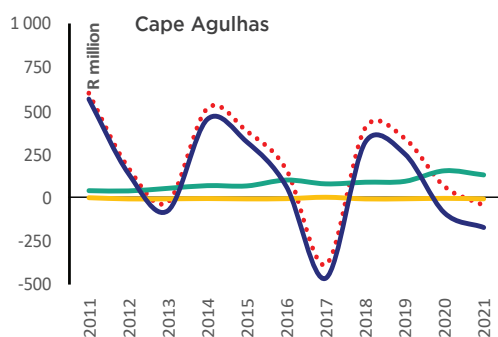
The **Theewaterskloof municipal area** experienced an overall trade surplus between 2011 and 2021, which was mainly driven by a positive trade balance in the agriculture sector. The manufacturing sector's trade balance declined from a trade surplus of R110.6 million in 2020 to a trade deficit of R200.1 million in 2021, reducing the municipal area's trade surplus from R1.2 billion in 2020 to R1.0 billion in 2021. In terms of the sectoral trade distribution, the manufacturing sector accounted for 89.8 per cent of the municipal area's imports and 35.3 per cent of exports in 2020, while the agriculture sector accounted for 10.2 per cent of imports and 64.2 per cent of exports.

- Manufacturing
- Mining and quarrying
- Agriculture, forestry and fishing
- Total



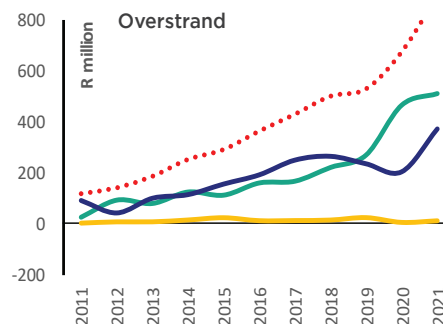
Source: Quantec Research, 2022

The **Swellendam municipal area** recorded an overall trade surplus between 2011 and 2016, followed by a trade deficit in 2017 and a short-lived recovery in 2018. The municipal area experienced an increasing trade deficit between 2019 and 2021, which was mainly driven by the increasing trade deficit recorded by the manufacturing sector. Positively, the agriculture sector experienced a positive trade balance during the period under review, barring the trade deficit in 2017, which was caused by the hydrological drought experienced by most municipalities within the Western Cape. In terms of sectoral contribution, the agriculture sector accounted for 44.0 per cent of the municipal area's exports and 3.1 per cent of imports in 2021, while the manufacturing sector accounted for 56.0 per cent of exports and 96.9 per cent of imports.



Source: Quantec Research, 2022

The **Cape Agulhas municipal area** experienced cyclical trade patterns between 2011 and 2021, which were mainly driven by volatile trade dynamics in the manufacturing sector. The municipal area recorded a trade surplus of R69.4 million in 2020, but this declined to a deficit of R39.5 million in 2021. The agriculture sector, which accounted for 77.9 per cent of total exports in 2021, experienced a decline in its trade surplus (from R157.4 million in 2020 to R133.2 million in 2021). The manufacturing sector, which accounted for 99.6 per cent of the municipal area's imports and 22.0 per cent of exports in 2021, recorded a substantial increase in its trade deficit during the same period.



Source: Quantec Research, 2022

The **Overstrand municipal area's** trade surplus continually increased between 2011 and 2021, with all the sectors recording a trade surplus during the period under review. In 2021, the municipal area realised a trade surplus of R900.2 million, which was R222.7 million higher than in 2020. The agriculture and manufacturing sectors continued to be the main drivers of the municipal area's positive trade balance in 2021, accounting for 51.9 per cent and 46.7 per cent of the municipal area's exports respectively. The manufacturing sector is also a main source of imports, accounting for 92.7 per cent of the municipal area's imports in 2021.



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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



1.4.2 IMPORTS



Figure 1.8 illustrates the OD's top 10 import partners in 2021.

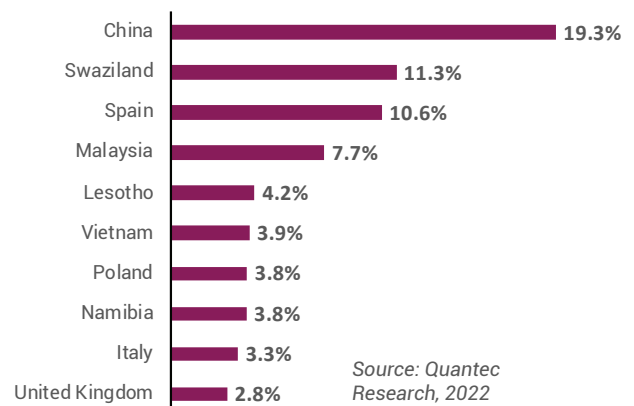
Table 1.6 provides a more detailed overview of the top 10 products that were imported by the OD in 2021.

Table 1.6
MAIN IMPORT PRODUCTS,
Overberg District, 2021

PRODUCT	R million 2021	% share	Main trading partners
Fruit and vegetable juices	279.1	17.5%	China, Spain, Argentina
Flat-rolled products of iron or non-alloy steel	185.9	11.6%	Malaysia, Vietnam, Indonesia
Mixtures of odoriferous substances	169.7	10.6%	Swaziland, Canada
Live bovine animals	65.2	4.1%	Namibia, Botswana
Other colouring matter	54.4	3.4%	Colombia, China, Spain
Harvesting or threshing machinery	42.8	2.7%	Canada, Netherlands, Italy
Sunflower seed, safflower or cottonseed oil and fractions thereof	42.1	2.6%	Poland
Synthetic organic colouring matter	41.7	2.6%	India, China, Belgium
Olive oil and its fractions	36.2	2.3%	Spain, Italy
Unclassified	34.4	2.2%	Republic of Korea
Total imports	1 597.6		

Source: Quantec Research, 2022

Figure 1.8
TOP 10 IMPORT PARTNERS,
Overberg District, 2021



Source: Quantec Research, 2022

China was the OD's main import partner in 2021. Imports from China were valued at R308.0 million and accounted for 19.3 per cent of the District's total imports. This was followed by Swaziland (11.3 per cent) and Spain (10.6 per cent). Fruit and vegetable juices were the main products imported into the OD, accounting for 17.5 per cent of total imports and mainly originating from China, Spain and Argentina. There was a significant increase in the value of imported flat-rolled products of iron or non-alloy steel, which are likely to have been sourced for construction projects. Mixtures of odoriferous substances and mixtures, which are generally used in the production of food and drink items, were also a notable import.

Compared with 2020, China and Swaziland grew in import shares from the OD from recorded shares of 13.1 per cent and 5.3 per cent respectively. However, China still retained its position as the largest import partner to the District. France, which recorded an import share of 13.0 per cent in 2020, was no longer a top 10 import partner to the District in 2021. Among significant African import partners, only Namibia recorded a reduction in import shares, recording a share of 6.8 per cent in 2020 and a 3.8 per cent share in 2021. Fruit and vegetable juices remained the largest share of imported products in the District, with a share of 10.1 per cent in 2020 and 17.5 per cent in 2021. Mixtures of odoriferous substances also grew in import share from 5.6 per cent in 2020 to 10.6 per cent in 2021. Live bovine animals reduced in import share of products between 2020 and 2021, having recorded shares of 8.1 per cent and 4.1 per cent respectively. Total imports grew from R1.1 billion in 2020 to R1.6 billion in 2021.⁴⁸



⁴⁸ (Provincial Treasury, 2021).

1.4.3 EXPORTS



Figure 1.9 illustrates the OD's top 10 export partners in 2021.

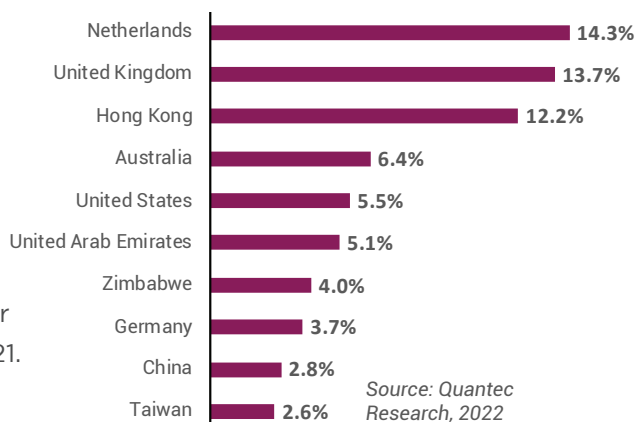
As illustrated in Table 1.7, the agriculture sector was the main driver of the OD's exports in 2021.

Table 1.7
MAIN EXPORT PRODUCTS,
Overberg District, 2021

PRODUCT	R million 2021	% share	Main trading partners
Apples, pears and quinces	695.5	20.3%	United Kingdom, Netherlands, Malaysia
Molluscs	383.1	11.2%	Hong Kong, Taiwan, China
Wine of fresh grapes	320.8	9.3%	United Kingdom, United States, Germany
Other fresh fruit	286.0	8.3%	Netherlands, United Arab Emirates, United Kingdom
Apricots, cherries, peaches, plums and sloes	270.5	7.9%	Netherlands, United Arab Emirates, United Kingdom
Unclassified	220.3	6.4%	Australia, China, Hong Kong
Fruit and vegetable juices	211.2	6.2%	United States, Australia, Japan
Citrus fruit	166.9	4.9%	Netherlands, Canada, United Kingdom
Foliage, branches and other parts of plants	127.5	3.7%	Germany, Netherlands, United Kingdom
Crustaceans, molluscs and other aquatic invertebrates	82.4	2.4%	Hong Kong, Singapore, Canada
Total exports	3 432.9		

Source: Quantec Research, 2022

Figure 1.9
TOP 10 EXPORT PARTNERS,
Overberg District, 2021



The Netherlands was the OD's largest export partner in 2021, accounting for 14.3 per cent of the District's total exports. Other significant export markets included the United Kingdom (13.7 per cent) and Hong Kong (12.2 per cent). The District exported apples, pears and quinces worth R695.5 million in 2021, comprising 20.3 per cent of total exports. It is anticipated that the District will continue to benefit from the favourable growth patterns in this sector. Other notable exports include molluscs and wine, accounting for 11.2 per cent and 9.3 per cent of the District's total exports respectively.

Despite the Netherlands, United Kingdom and Hong Kong retaining their positions as the largest export partners to the OD between 2020 and 2021, only Hong Kong grew in export share in the period. Australia and the United States recorded increases in export share across both years, having recorded 2020 export shares of 2.9 per cent and 4.8 per cent respectively. Zimbabwe, the only African country represented, recorded a decrease in export share from 5.6 per cent in 2020 to 4.0 per cent in 2021. Although apples, pears and quinces recorded reduced proportions of exports between both years, they remained the largest export products from the District between 2020 and 2021. Molluscs recorded increases in export share between 2020 and 2021, while wine of fresh grapes recorded decreases in export share in the same period. Total exports in the District increased from R3.1 billion in 2020 to R3.4 billion in 2021.⁴⁹



⁴⁹ (Provincial Treasury, 2021).

1.4.4 Municipal imports and exports

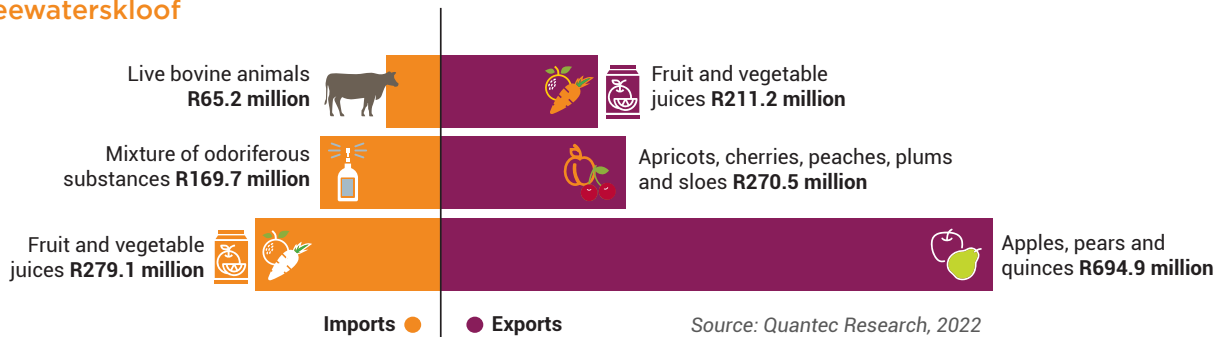
Figure 1.10 outlines the main imports and exports for each municipal area in the OD in 2021. The municipal areas generally exported goods associated with the agriculture sector, but the specific imports and exports are based on the demand and production capacity of each municipal area.

Figure 1.10

TOP 3 IMPORTS AND EXPORTS PER MUNICIPAL AREA, Overberg District, 2021



Theewaterskloof



The top three imports into the Theewaterskloof municipal area in 2021 were fruit and vegetable juices (R279.1 million), mixtures of odoriferous substances (R169.7 million) and live bovine animals (R65.2 million). The municipal area's top three exported products were apples, pears and quinces (R694.9 million), apricots, cherries, peaches, plums and sloes (R270.5 million) and fruit and vegetable juices (R211.2 million). A large number of these products are believed to have originated from the Villiersdorp/Vyeboom District, which is listed under South Africa's top five production areas for apricots, apples and pears.⁵⁰

Overstrand

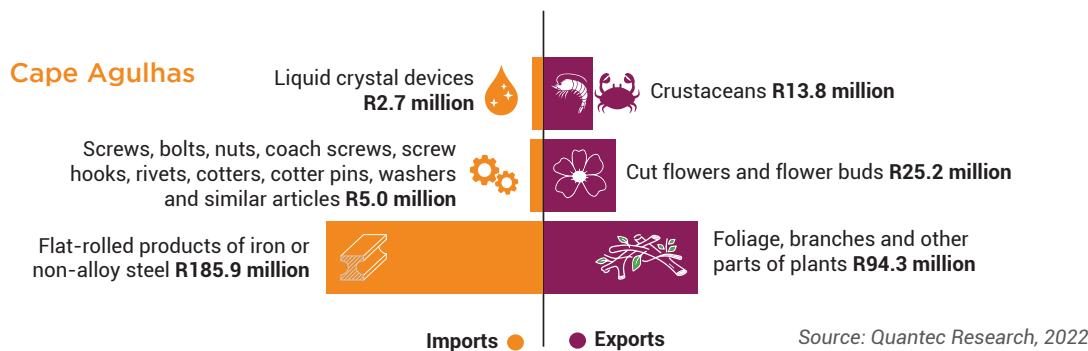


The three main products imported into the Overstrand municipal area in 2021 were frozen fish (R27.5 million), insecticides and other related products (R13.3 million) and textile fabrics (R6.2 million). The main export product was molluscs (R264.0 million), which largely comprised abalone exports from the Hermanus shoreline, the main location of South Africa's abalone farming industry.⁵¹ This was followed by unclassified goods (R220.3 million) and other fresh fruit (R217.0 million). The trade distribution signals that the agriculture industry, including the ocean economy, is a key economic activity in the municipal area. The Overberg Municipality aims to capitalise on the area's two fishing harbours and proximity to Cape Town International Airport to facilitate and access export markets.⁵²

⁵⁰ (Hortgro, 2021).

⁵¹ (Heart of Abalone, n.d.).

⁵² (Overstrand Municipality, 2021).



The Cape Agulhas municipal area's main imports in 2021 were flat-rolled products of iron or non-alloy steel (R185.9 million), screws, bolts, nuts and similar articles (R5.0 million) and liquid crystal devices (R2.7 million). These imports are consistent with the estimated recovery of the manufacturing and construction sectors in 2021. The main products exported from the municipal area were foliage, branches and other parts of plants worth R94.3 million, followed by cut flowers and flower buds (R25.2 million) and crustaceans (R13.8 million).



The top three products imported into the Swellendam municipal area in 2021 were sunflower-seed, safflower or cottonseed oil and fractions thereof (R42.1 million), olive oil and its fractions (R36.2 million) and machines for cleaning, sorting or grading seed, grain or dried leguminous vegetables (R27.8 million). These products were used in the agriculture and agro-processing industries, including for the production of canola oil. The main export product was other fresh fruit worth R45.2 million, followed by other fixed vegetable fats and oils (R39.4 million) and foliage, branches and other parts of plants (R19.7 million).

TOURISM

OVERBERG DISTRICT

DOMESTIC VS INTERNATIONAL

TRAVELLERS

INTERNATIONAL
5.6%

2021

DOMESTIC
94.4%

GROWTH IN BED-NIGHTS



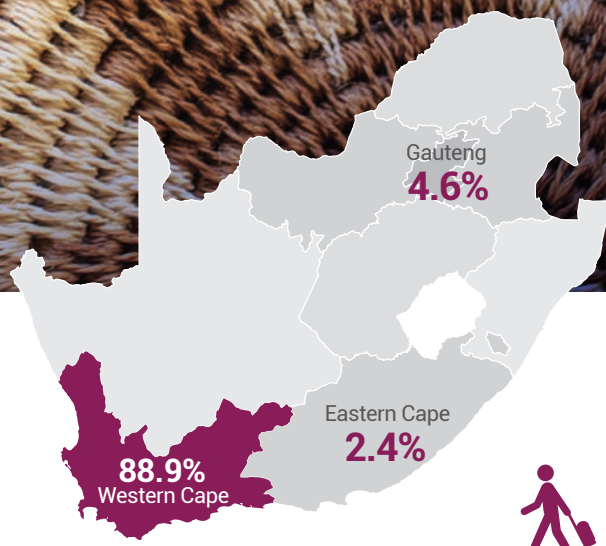
TOTAL
-0.7%

ORIGIN

INTERNATIONAL
-29.4%

2021

DOMESTIC
15.3%



TOP 3 DOMESTIC TRAVELLERS 2021

TOP 3 INTERNATIONAL TRAVELLERS 2021



Germany
34.0%



United Kingdom
10.6%



United States
9.2%

TOURISM PROFILE

The OD, with its scenic beauty and coastline, offers a range of tourist attractions. The District's proximity to Cape Town and Cape Town International Airport adds to its tourist appeal. Many tourists also traverse the District while touring the Garden Route and other destinations in the Western Cape.



Each town offers a unique experience and caters for a variety of different tastes in activities, cuisine, entertainment and accommodation preferences. **The most popular activities for visitors in the OD – especially in the Cape Whale Coast,⁵³ which is known as an adventure destination – include whale watching, hiking, mountain biking and other adventure activities such as shark-cage diving, ziplining and horse riding.** The southernmost tip of Africa, in L'Agulhas, is also one of the unique tourist attractions of the area.

TOURISM SPEND AS A SHARE OF GDP



Source: IHS Markit, 2022

In 2021, tourism spend in the OD made up an estimated 16.3 per cent of GDP.⁵⁴ The industry is recovering from the fallout from COVID-19 but has not reached its pre-2020 levels. In 2019, tourism spend as a share of GDP was 18.6 per cent; this declined to 7.2 per cent in 2020.

Most of the visitors to the OD in 2021 were domestic (94.4 per cent). This highlights the slow recovery of the tourism industry as a result of the pandemic. Domestic visitors to the OD were mainly from the Western Cape (88.9 per cent), followed by Gauteng (4.6 per cent). Coastal towns in the OD such as Hermanus, L'Agulhas and Struisbaai make the District a popular destination for holiday homes and weekend getaways. In 2021 international visitors to the OD originated mainly from Germany (34.0 per cent), the United Kingdom (10.6 per cent) and the United States (9.2 per cent). Increasing international visitors to the OD should be considered a strategic way to boost activity in the sector, as international visitors typically spend more than domestic visitors and visit for longer. Destination marketing is one key tool that can be used to boost international tourism.

According to IHS Markit,⁵⁵ the OD sold 1.4 million bed-nights⁵⁶ in 2021. This is a decline of 0.7 per cent from 2020. Between 2019 and 2020, the total bed-nights sold declined by 60.5 per cent. **While bed-nights sold to domestic tourists increased by 15.3 per cent, indicating a slight recovery in the domestic tourism market between 2020 and 2021, bed-nights sold to international tourists declined by a further 29.4 per cent in 2021.** The decline can be attributed to lockdown measures and cumbersome quarantine requirements implemented by international source markets.

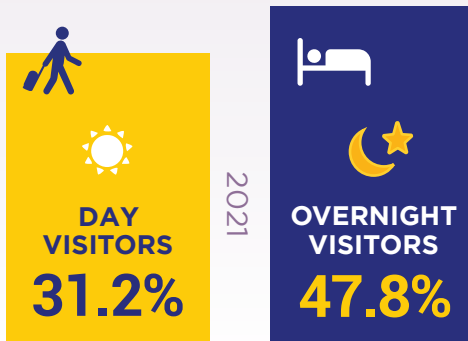
⁵³ Kleinmond, Hermanus, Stanford and Gansbaai.

⁵⁴ (IHS Markit, 2022).

⁵⁵ (IHS Markit, 2022).

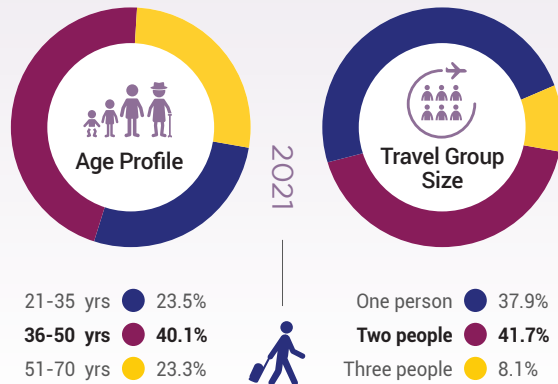
⁵⁶ A bed-night is the tourism industry measurement of one night away from home on a single person trip.

OVERNIGHT VS DAY VISITORS



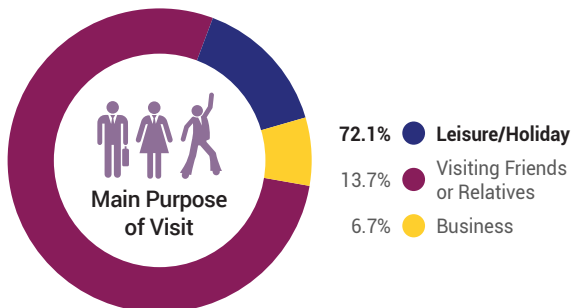
Note: 30 per cent did not specify

TOP 3 VISITOR PROFILES



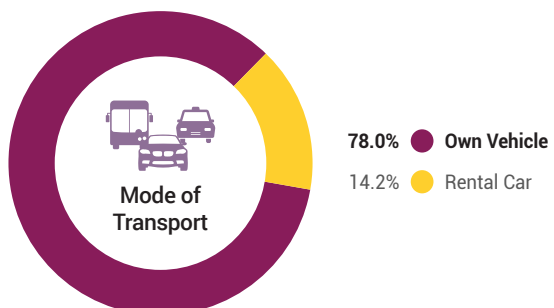
TOP 3 MAIN PURPOSES OF VISIT

2021



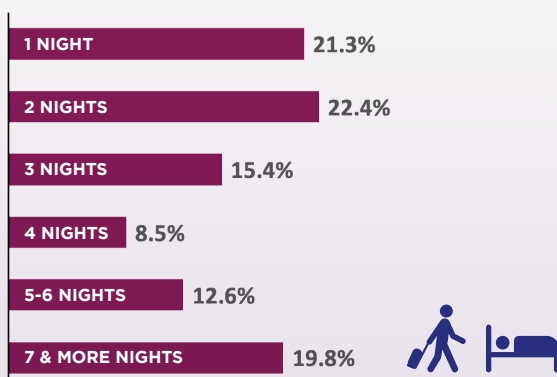
TOP 2 MODES OF TRANSPORT USED BY VISITORS

2021



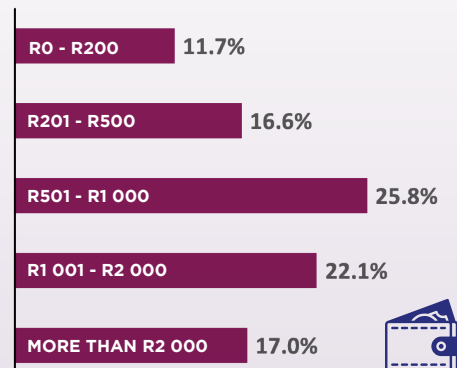
AVERAGE LENGTH OF STAY BY VISITORS

2021



AVERAGE DAILY EXPENDITURE BY VISITORS

2021

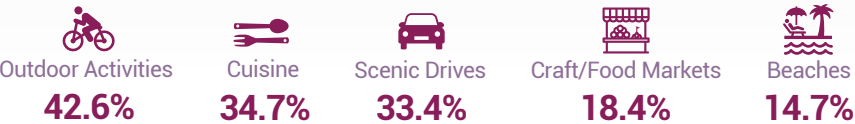


Note: 6.8 per cent did not specify

Positively, 47.8 per cent of visitors to the OD were overnight visitors. The longer a visitor stays in an area, the more they will spend, particularly on accommodation, food and beverages, and fuel. A total of 78.0 per cent of visitors used their own motor vehicle to travel to the OD in 2021. Most visitors spent between R501 and R1 000 per day (25.8 per cent), followed by a daily expenditure of between R1 001 and R2 000 (22.1 per cent) or more than R2 000 (17.0 per cent). Most overnight visitors stayed either one (21.3 per cent) or two nights (22.4 per cent), or seven nights or longer (19.8 per cent). Popular accommodation choices in the OD included self-catering accommodation (41.0 per cent), guest houses (16.8 per cent) and B&Bs (10.8 per cent).

Visitors to the OD were mainly between the ages of 36 and 50 (40.1 per cent) and travelled alone (37.9 per cent) or in pairs (41.7 per cent). The OD is mainly a holiday destination, and the main purpose of a visit to the OD was leisure or holiday (72.1 per cent), followed by visiting friends or relatives (13.7 per cent) and business (6.7 per cent).

**TOP 5 TOURIST
ACTIVITIES
UNDERTAKEN
2021**



The scenic beauty and natural resources of the OD play an important role in marketing the area as a tourist destination. **The top activities undertaken by visitors to the OD in 2021 included outdoor activities (42.6 per cent), cuisine (34.7 per cent) and scenic drives (33.4 per cent).** Some of the key outdoor attractions in the OD include the Harold Porter National Botanical Gardens, Agulhas National Park, Stony Point Nature Reserve and the Cape Agulhas Lighthouse. Tourism in the OD is highly seasonal, with a decline in visitors to these attractions during the winter months. Visitors normally reach a peak during the December period. It is recommended that the OD increase awareness of the winter attractions and activities to reduce seasonality. In 2021, the Harold Porter National Botanical Gardens recorded 6 381 visitors, while Stony Point Nature Reserve recorded 4 784 visitors. These two attractions recorded 7 753 visitors and 8 041 visitors respectively over the same period in 2019, emphasising that the industry has only partially recovered from the travel restrictions imposed in 2020 and 2021.

OVERBERG REGIONAL TRENDS 2021

The majority of the tourism indicators, unless otherwise stated, are sourced from *Cape Overberg Regional Trends 2021*, 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 owing to the survey collection method and sample size. Therefore, the information reported on cannot be seen as absolute figures. Furthermore, the information cannot be compared with other regions, nor with the information released by South African Tourism. It is also not advisable to compare year-on-year information, as the sample sizes are not comparable.



1.5 INVESTMENTS

Both 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.⁵⁷ 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 decent jobs and sustained employment in South Africa.⁵⁸

This subsection discusses various forms of investments in the OD, including expansions and new investments from prominent local companies, gross fixed capital formation (GFCF), building plans passed and completed, as well as a consolidated overview of municipal and Provincial infrastructure spending on contracted services and infrastructure.

1.5.1 Private sector investment

1.5.1.1 Sectoral investments and business expansion

As part of Project Lungisa, Coca-Cola Beverages South Africa (CCBSA) collaborated with the Theewaterskloof municipal area to cut down on water waste at the largest dam in the Western Cape Water Supply System. This CCBSA-funded initiative is expected to save 13 million litres of water at the dam, which is based in Grabouw.⁵⁹

Plans for the Kleinbegint Incubation Business Park were unveiled by the Grabouw Development Agency in December 2021. The plans call for capex to transform an underused warehouse and a shed into 15 to 20 medium-sized units that small enterprises can use. This will allow small, medium and micro enterprises (SMMEs) to rent offices at a low cost until they are able to pay more expensive commercial rates. The SMMEs are expected to get support and mentorship through ongoing training programmes while working at Kleinbegint, as well as exposure to business training.⁶⁰

The “Flagship Business Park” property development was officially launched in 2021 by Afdaksrivier Property Development. This development will be situated on the Fisherhaven side of Hawston in the Overstrand municipal area and will be the first business park in the area with 24-hour security.⁶¹ In addition, the OD is one of the preferred regions for first-time homebuyers as a result of semigration. This has the potential to entice new developments in the municipal area.⁶²

In order to showcase the various investment prospects available in the municipal area, the Overstrand municipal area held its first investment conference in 2022. The conference emphasised the importance of investing in order to boost the economy and lower unemployment, with a focus on creating and funding the blue economy and alternative energy sources.⁶³

⁵⁷ (Organisation for Economic Co-operation and Development, 2020).

⁵⁸ (Makhathini, Mpanza, & Mlambo, 2020).

⁵⁹ (Coca-Cola Beverages Africa, 2022).

⁶⁰ (Grabouw Development Agency, 2021).

⁶¹ (Mittner, 2020).

⁶² (Business Day, 2022).

⁶³ (Overstrand Municipality, 2022).

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. Tracking GFCF growth is a helpful representative metric of the state of the economy, as it is an important driver of real gross domestic expenditure and real gross domestic product.

Table 1.8 provides the OD’s GFCF per sector with regard to trends for the period 2011 to 2020. Additionally, an estimate for 2021 is provided.

Table 1.8

GROSS FIXED CAPITAL FORMATION, Overberg District, 2011 – 2020, 2021e



SECTOR	R million 2020	Trend		Annual growth		
		2011 – 2020	2016 – 2020	2019	2020	2021e
Primary Sector	R555.6 (15.6%)	3.1%	-2.0%	-12.9%	8.5%	30.4%
PS Agriculture, forestry & fishing	R544.3 (15.3%)	3.1%	-2.0%	-13.3%	8.8%	31.1%
Mining & quarrying	R11.3 (0.3%)	2.5%	5.6%	10.7%	-8.3%	-15.8%
Secondary Sector	R830.5 (23.3%)	1.0%	-4.8%	-1.6%	-14.9%	1.4%
SS Manufacturing	R500.7 (14.0%)	4.5%	0.6%	3.9%	-11.7%	4.6%
Electricity, gas & water	R180.8 (5.1%)	-3.7%	-15.0%	-14.1%	-20.5%	-12.1%
Construction	R148.9 (4.2%)	0.2%	-1.7%	0.0%	-18.0%	7.2%
Tertiary Sector	R2 179.1 (61.1%)	-0.3%	-4.6%	-1.6%	-17.2%	1.9%
TS Wholesale & retail trade, catering & accommodation	R320.8 (9.0%)	3.4%	-2.4%	-2.1%	-15.5%	10.4%
Transport, storage & communication	R467.2 (13.1%)	1.4%	-5.1%	-1.3%	-9.5%	-11.6%
Finance, insurance, real estate & business services	R795.9 (22.3%)	-1.9%	-4.5%	-1.5%	-25.3%	4.6%
General government	R471.4 (13.2%)	-0.4%	-5.2%	-1.7%	-11.1%	4.6%
Community, social & personal services	R123.8 (3.5%)	-0.5%	-4.8%	-2.3%	-10.5%	4.3%
Total Overberg District	R3 565.2 (100.0%)	0.3%	-4.4%	-3.1%	-13.6%	6.1%

Source: Quantec Research, 2022 (e denotes estimate)

In the OD, the total GFCF was R3.6 billion in 2020, with a contraction of 13.6 per cent in growth from the previous year. Though the contraction could be linked to reduced investment as a result of the COVID-19 pandemic, a similar trend can be seen for the period from 2016 to 2020, with an average contraction of 4.4 per cent annually. As can be seen above, only the mining and manufacturing sectors recorded positive growth during this period. Over the decade, from 2011 to 2020, the District recorded very little growth in GFCF (0.3 per cent).

The three largest contributors to the OD's total GFCF in 2020 were finance (22.3 per cent), agriculture (15.3 per cent) and manufacturing (14.0 per cent). The sectors that made the smallest contribution to total GFCF were mining (0.3 per cent), community services (3.5 per cent) and construction (4.2 per cent). The construction sector's relatively small contribution to GFCF could be linked to the decline in building plans passed and completed over the preceding years within the OD.

In the 2021 estimates, the OD recorded a 6.1 per cent overall growth rate in investments compared with the previous year. The sectors that experienced the highest estimated growth rates were agriculture (31.1 per cent), trade (10.4 per cent) and construction (7.2 per cent). However, the relatively high growth rates can be attributed to the recovery from the severe contractions experienced in 2020. The increase within the agriculture sector can largely be attributed to wine and fruit farms resuming maintenance and carrying out long-term planned upgrades, which were delayed owing to the 2020 COVID-19 restrictions.

The manufacturing sector recorded the highest average annual growth rate for the period 2011 to 2020, at 4.5 percent. This can be linked to significant investment taking place within the agriculture sector through the mechanisation of processes such as packaging and harvesting. Farming processes within the District have become more reliant on mechanisation for a number of reasons, including increased pressure from international export markets. Export markets such as the European Union (EU) have implemented more stringent requirements regarding the standardisation of processes linked to food health and safety. In addition, factors such as labour unrest and the potential to increase production to keep up with increasing demand can also be linked to increased mechanisation within the agriculture sector.



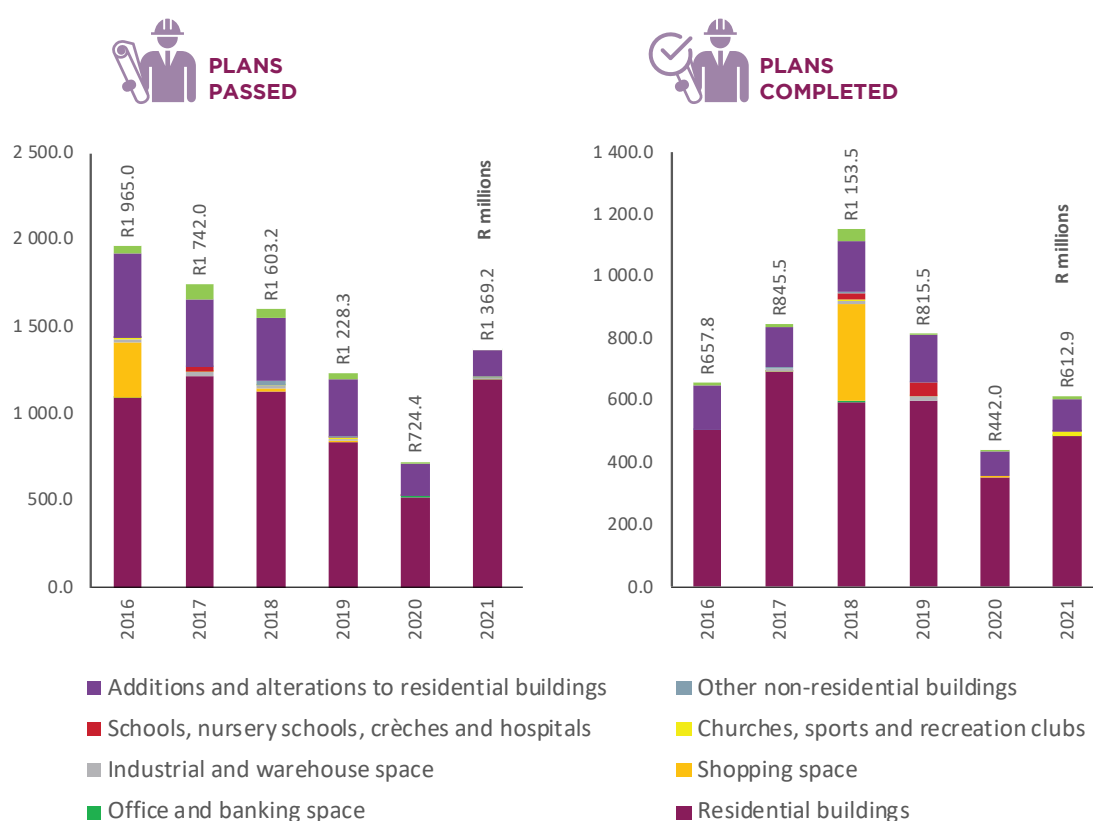
1.5.1.2 Building plans passed and completed

Building plans passed and completed form part of the indicators used to measure economic activity and business cycle changes. The value of building plans passed⁶⁴ can be used as a leading indicator, while building plans completed⁶⁵ can be used as a lagging indicator. Building plans passed and completed have further implications for municipal spatial planning and budgeting. Furthermore, building plans passed indicate the private sector's willingness to invest in an area, while building plans completed highlight money that has been spent.

Stats SA's information on building plans passed and completed is only available for the Overstrand municipal area. Figure 1.11 indicates the total value of building plans passed and completed between 2016 and 2021 in the Overstrand municipal area in current prices.

Figure 1.11

VALUE OF BUILDING PLANS PASSED AND COMPLETED, Overstrand, 2016 - 2021 (R million)



Source: Stats SA & Quantec Research, 2022

⁶⁴ Number of residential building plans passed for buildings larger than 80m².

⁶⁵ Value of non-residential buildings completed (constant prices).

In the Overstrand municipal area, the total value of building plans passed decreased continuously for five years from R1.9 billion in 2016 to R724.4 million in 2020. In 2021 the total value of building plans passed increased to R1.3 billion. Notable types of building plans passed during the period under review were for residential buildings, which increased from R1.1 billion in 2016 to R1.2 billion in 2021. Other building plans passed in 2021 included plans for additions and alterations to residential buildings, valued at R146.6 million, and additions and alterations to non-residential buildings, valued at R6.7 million.

The total value of buildings completed in the Overstrand municipal area decreased from R657.8 million in 2016 to R612.9 million in 2021. The buildings completed initially increased to R1.2 billion in 2018, followed by a significant decrease to R442.0 million in 2020, after which they increased in 2021. Residential buildings recorded the highest value of the various types of buildings completed in the period under review, generally decreasing from R503.9 million in 2016 to R485.8 million in 2021. Another noticeable contribution to the value of building plans passed in the Overstrand municipal area was from additions and alterations to residential buildings, which generally also decreased from a value of R143.5 million in 2016 to R101.9 million in 2021.

Development in the Overstrand municipal area is constrained by the lack of suitable and well-located land for development,⁶⁶ which is likely to affect the value of building plans passed 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. When considering non-residential buildings, it should also be noted that the development of non-residential buildings has a positive impact on the local economy during the construction and operational phase.



⁶⁶ (Overstrand Municipality, 2022).

1.5.2 Public sector investment

Public sector spending has the potential to stimulate the growth of the local economy and create employment opportunities.

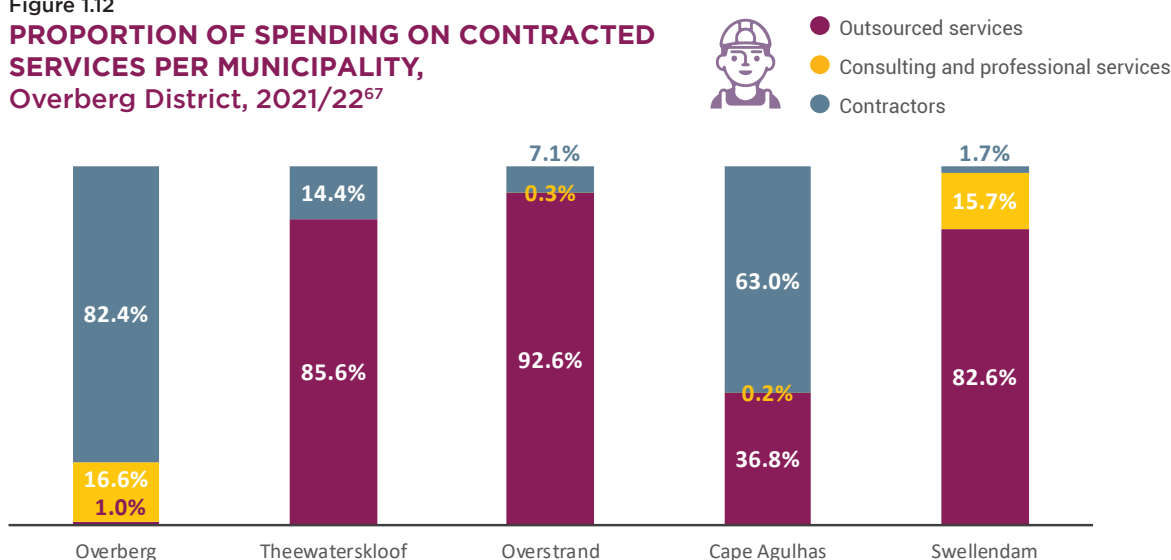
1.5.2.1 Municipal contracted services

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

Figure 1.12 provides a breakdown of spending on contracted services by the District and local municipalities in 2021/22. It must be noted that the OD value in Figure 1.12 is not the sum total of all local municipalities in the District, but rather represents spending by the OD Municipality.

Figure 1.12

PROPORTION OF SPENDING ON CONTRACTED SERVICES PER MUNICIPALITY, Overberg District, 2021/22⁶⁷



Source: Calculated from National Treasury, 2022

In the OD, the largest proportion of spending on external services was allocated to contractors (82.4 per cent). The second-largest proportion of contracted services was allocated to consulting and professional services (16.6 per cent). Consulting and professional services procured included project management, qualification verification, and research and advisory services. Outsourcing services in the OD were mainly for maintaining and repairing fixed structures, maintaining and repairing machinery and equipment, and medical services.

In 2021/22, the Theewaterskloof municipal area spent 85.7 per cent of its external services budget on outsourced services, followed by contractors (14.4 per cent). Most of the outsourced services spending was allocated to medical doctors (R3.4 million) and other health services (R1.6 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. This outsourced services spending can be attributed to the COVID-19 pandemic.

⁶⁷ 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.

In the Overstrand municipal area, nearly all the external service expenditure was allocated to outsourced services (92.6 per cent). Most of the money allocated to outsourced services was spent on medical doctors (R1.2 million) and the remainder was spent on other health services (R0.8 million). The allocation of these funds can be attributed to the municipal area responding to the COVID-19 pandemic. The number of SMMEs registered on the Overstrand municipal area's Central Supplier Database increased significantly from 2 134 in 2020 to 2 799 in 2022. The increase in the number of registered SMMEs on the municipal database provides a wider range of contracted services for the local municipal area to choose from and encourages spend locally.

In the Cape Agulhas municipal area in 2021/22, most external services funds were allocated to contractors (63.0 percent), followed by outsourced services (36.8 per cent). Virtually all of the funds allocated to external services were spent on casual labour (R1.5 million). Funds allocated to outsourced services were spent on procuring health services for the municipal area.

In 2021/22, the Swellendam Municipality's contracted services spend was mainly on outsourced services (82.6 per cent). Most of this was allocated to administrative and support staff (R3.7 million). The Swellendam municipal area offers a range of support services to local SMMEs, including training and development, open days and stakeholder support, and early payments for services are made for small suppliers and contractors.⁶⁸



⁶⁸ (Swellendam Municipality, 2022).

1.5.2.2 Infrastructure

Infrastructure spending by local and Provincial governments is an important injection into the local economy that 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. In addition, it can also stimulate economic activity from the operational activities that result from the initial capital spending. Despite the importance and necessity of maintaining existing infrastructure and investing in new infrastructure, local governments are under pressure, as generating their own revenue is becoming increasingly constrained owing to rising unemployment and poor economic growth, while income from Provincial and national grants is declining.

Table 1.9 outlines the budgeted expenditure on infrastructure by the local municipalities in the OD for 2022/23.

Table 1.9
SPENDING ON INFRASTRUCTURE,
Overberg District, 2022/23

DESCRIPTION R million	2022/23 Municipal infrastructure spend (original budget)
Economic infrastructure	67.4
Road transport and public works	61.5
Environmental services	5.9
Social infrastructure	74.0
Education	-
Health	-
Social development	11.6
Housing	62.4
Trading services	358.2
Energy sources	104.9
Water management	94.3
Wastewater management	137.9
Waste management	21.1
Other	35.9
Total infrastructure spend	535.6

Source: Provincial Treasury, 2022

Local municipalities have allocated R535.6 million to capital expenditure budgets for 2022/23. This includes allocations made towards economic, social and trading services infrastructure of R67.4 million, R74.0 million and R358.2 million respectively. Other capital expenses to the value of R35.9 million were also budgeted for in 2022/23.

Key municipal expenditure categories included wastewater management (R137.9 million), energy sources (R104.9 million) and water management (R94.3 million).

Provincial total infrastructure investment in the OD amounts to R2.0 billion over the 2022/23 to 2024/25 Medium Term Expenditure Framework (MTEF) and accounts for 6.6% of the total Provincial infrastructure budget. The per capita spend is R6 589 for the District, which is higher than the Province's per capita spend.

In 2022/23 the Western Cape Government will invest R688.6 million in road transport and public works in the OD as part of its main budget allocations towards economic infrastructure. For 2022/23, Provincial allocations towards road transport and public works will be spread across several projects, of which the single largest entails the rehabilitation, renovation and refurbishment of the C1000 Hermanus-Gansbaai to the value of R130.0 million (2022/23 allocation). Other large projects include the reseal of the C1088.1 Stanford-Riviersonderend to the value of R105.0 million; C1143 PRMG including the reseal of the Ashton-Swellendam; N2-Suurbraak, Barrydale-Montagu valued at R95.0 million; C838.6 Caledon-Sandbaai rehabilitation, renovation and refurbishment project for R93.8 million; R70.0 million for upgrades and additions to the Draaiberg road and R60.0 million for the C1153 Barrydale-Ladismith project.



Diagram 1.6
TOTAL DEPARTMENTAL MTEF
INFRASTRUCTURE BUDGET AND
NUMBER OF PROJECTS & PROGRAMMES,
Overberg District, 2022/25

*Maps supplied by DEA&DP.
Spatial Information Management*

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)	3	26 000	4 000	44 000	74 000
● Environmental Affairs and Development Planning (CapeNature) (DEA&DP)	3	9 500	10 500	0	20 000
● Health (DoH)	19	27 082	15 678	10 498	53 258
● Human Settlements (DoHS)	34	181 290	154 647	151 987	487 924
● Transport and Public Works (DTPW)	20	688 573	297 816	391 686	1 378 075
Total	79	932 445	482 641	598 171	2 013 257

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 IRM is ongoing and continues to receive attention.

In 2022/23 provincial social infrastructure spend will amount to R181.3 million, R26.0 million and R27.1 million for the housing, education and health functions respectively. The large allocation to human settlements is of significance given the history of service delivery protests in the District relating to access to adequate land and housing opportunities.

In 2022/23 allocations towards education infrastructure in the OD will be limited to the continued construction of Umyezo Wama Apile Primary School in the Theewaterskloof municipal area to the value of R25.0 million and Hermanus Technical School to the value of R1.0 million. The Western Cape Government will invest in a number of health infrastructure projects in municipal areas across the OD in 2022/23. The largest (R16.6 million) of the allocations will go towards the replacement of the Villiersdorp clinic (Theewaterskloof), with an additional R3.0 million being allocated to health technology for the clinic. Other notable allocations include R2.5 million towards the upgrading and maintenance of the theatre at Caledon Hospital; R1.1 million towards the renovation and refurbishment of the Acute Psychiatric Ward at Swellendam Hospital and R925 000 towards the replacement of the Villiersdorp Ambulance Station.

Within the Overberg municipal area, the Department of Transport and Public Works had the largest share of infrastructure investment spend, at 68.0 per cent. The Department of Human Settlements spent 24.0 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.



1.5.3 Public sector spending on designated groups⁶⁹

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.⁷⁰

In the OD, R43.1 million (68.3 per cent of the total spend on SMMEs) was spent on Exempted Micro Enterprises (EMEs) and an additional R2.3 million (3.6 per cent of total spend on SMMEs) on Qualifying Small Enterprises (QSEs). This means that a total of R45.4 million was spent on SMMEs in the OD. 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 1.10

EXPENDITURE ON REGISTERED SMMEs ON THE WESTERN CAPE SUPPLIER EVIDENCE BANK (WCSEB), Overberg District, 2021/22⁷¹

	Rand million	%
EMEs ⁷²	R43.1	68.3%
Other Entities ⁷³	R17.7	28.1%
QSEs ⁷⁴	R2.3	3.6%
Total	R63.1	100.0%

Source: The Provincial Infrastructure Reporting Model (IRM)



⁶⁹ 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 Enterprise Act, 1996 (Act No. 102 of 1996).

⁷⁰ 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.

⁷¹ 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.

⁷² 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.

⁷³ "Other" refers to expenditure to suppliers not registered on the WCSEB, petty cash payments, transfer payments and claim-backs.

⁷⁴ 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 OD, among the categories defined in the Preferential Procurement Policy Framework Regulations (PPPFR), public sector spend was the highest for the youth, who received 79.6 per cent of the total PPPFR categorised spend. (See Table 1.11.) This spend will aid in advancing technological innovation in the country, as youth are known to drive innovation. As youth make up the second-highest population segment in the OD, it is justified that the majority of the funds for the PPPFR categorised spend was spent on this group. For people with disabilities and military veterans, a total of R1.1 million (19.5 per cent of the total PPPFR categorised spend) and R0.05 million (0.9 per cent of the total PPPFR categorised spend) was spent, respectively. Money spent on these minority groups shows that public spend is aligned with legislative prescripts.

Table 1.11

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

	R million	%
Military veterans	R0.05	0.9%
People with disabilities	R1.1	19.5%
Youth	R4.5	79.6%
Total	R5.7	100.0%

Source: The Provincial Infrastructure Reporting Model (IRM)

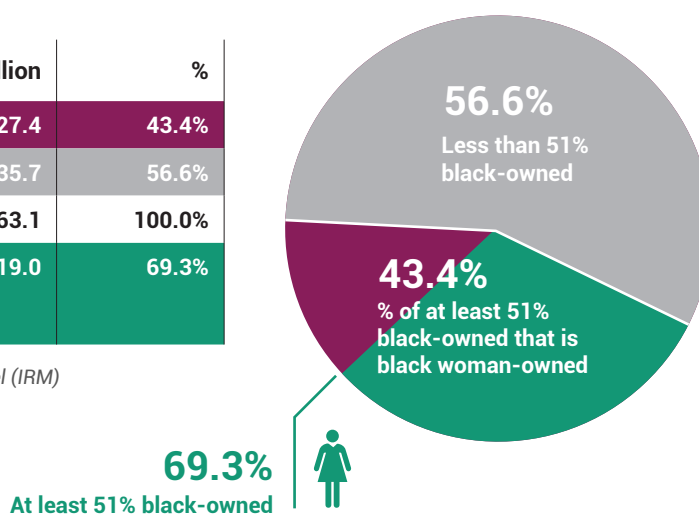
In the OD, R27.4 million was spent on companies that are majority black-owned. (See Table 1.12) Out of the money that was spent on companies that are majority black-owned, 69.3 per cent (R19.0 million) was spent on companies that are majority black woman-owned. Given the historical social exclusion of women, particularly black women, this shows that departmental public spend is committed to reducing the marginalisation created by past inequalities and the social exclusion of women, particularly black women.

Table 1.12

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

	R million	%
At least 51% black-owned	R27.4	43.4%
Less than 51% black-owned	R35.7	56.6%
	R63.1	100.0%
% of at least 51% black-owned that is black woman-owned	R19.0	69.3%

Source: The Provincial Infrastructure Reporting Model (IRM)



1.6 CONCLUDING REMARKS

Estimates indicate that economies in the OD rebounded in 2021, as consumer demand was stimulated by an easing of lockdown restrictions and 25-year record-low interest rates. This rebound is forecast to moderate in 2022 as national factors such as load-shedding and international factors such as the war in Ukraine weigh down sentiment.

The agriculture sector remains important as a source of primary production, and also as a core input for the local manufacturing sector's agro-processing activities. While commodity output has steadily returned close to pre-drought levels, international market access has more recently been curtailed by events in Ukraine. Support from entities such as Wesgro in facilitating access to more markets will thus be pivotal in ensuring that the District's export-facing agriculture sector (and associated manufacturing) is sustained.

Construction was one of the few sectors to record negative growth in both 2021 and 2022. In so far as this sector may be used as a gauge of future confidence in the economy by investors, it is evident that while the economy has rebounded from its COVID-19 slump, this growth might not be sustained absent greater reforms.

While GDPR is often influenced by macro-level factors that municipalities have limited influence over, local government's role in facilitating development remains paramount. In this regard, proactive measures to attract and retain investments will set apart laggard areas from those that level up. Examples of this from the past year include the Kleinbeginnt Incubation Business Park, the revitalisation of the Bredasdorp business hub, the 2022 Overstrand Investment Conference and the Theewaterskloof Municipality's Project Lungisa partnership with the private sector.⁷⁵ Such initiatives will ensure that the growth that has been realised in sectors such as tourism can be sustained.⁷⁶

Between 2011 and 2020, the Cape Agulhas economy struggled, while the Swellendam economy grew at a rapid pace (albeit from a small base). Extrapolating from historical trends, the value of Swellendam's GDPR is likely to overtake that of Cape Agulhas in the coming years. This illustrates the importance of proactive local government in facilitating growth. In this regard, the advent of "Zoom towns" as a viable strategic positioning of local Municipalities presents options for catalytic new investment into areas that might typically have been regarded only as retirement destinations.

⁷⁵ (SA Forest Adventures, 2021).

⁷⁶ (Business Day, 2022).





2

JOB

2.1 INTRODUCTION

This chapter presents some of the key employment trends in the OD by evaluating the contributions of the respective municipal areas within the OD to overall employment creation in the District. This is followed by an overview of historical employment trends of each of the municipal areas.

The chapter also discusses sectoral employment by identifying the sectors that employ the largest number of workers and highlights which sectors have contributed the most to either creating new employment opportunities or job-shedding in the District. Lastly, the chapter provides an overview of the unemployment rate, labour absorption rate and labour force participation rate for each municipal area in the OD.

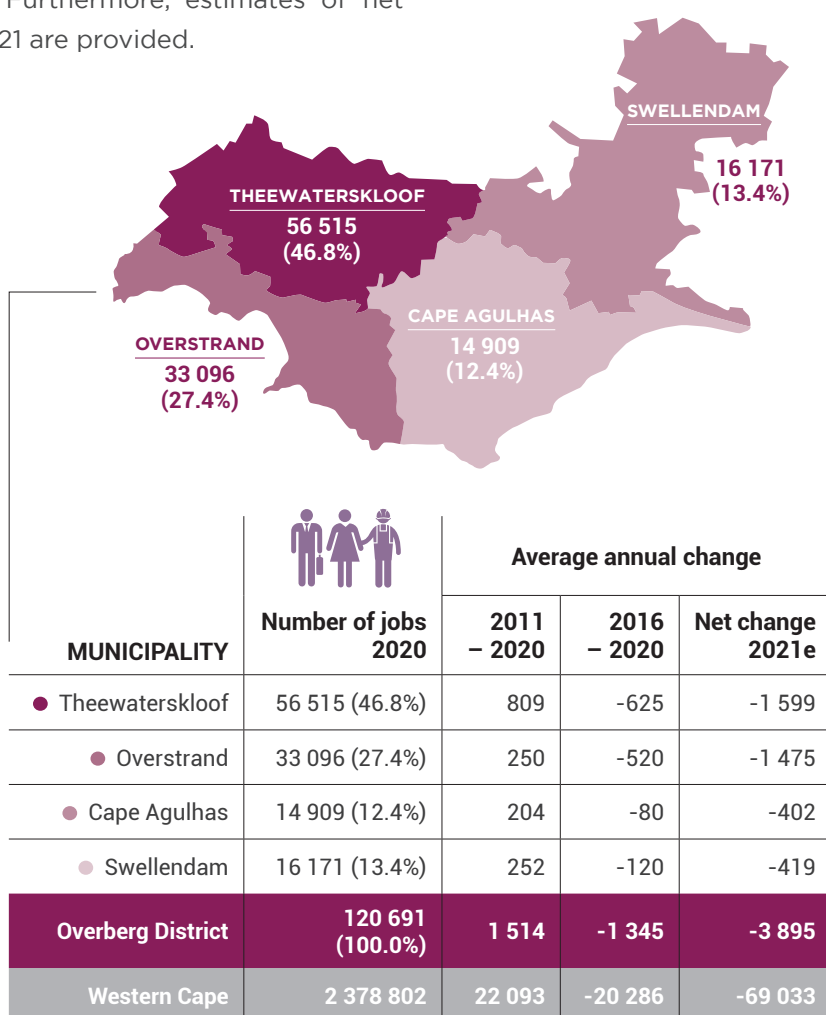
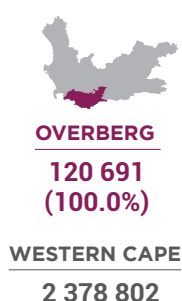
2.2 REGIONAL LABOUR TREND ANALYSIS

This subsection provides an overview of the historical employment trends observed in the District. The subsection concludes with an overview of the location quotient comparative advantage.

2.2.1 Employment growth

Diagram 2.1 depicts the status of employment in each municipal area within the OD in 2020, in addition to the jobs created between 2016 and 2020. Furthermore, estimates of net employment changes in 2021 are provided.

Diagram 2.1
**EMPLOYMENT
CONTRIBUTION
AND GROWTH,
Overberg District**



Source: Quantec Research,
2022 (e denotes estimate)

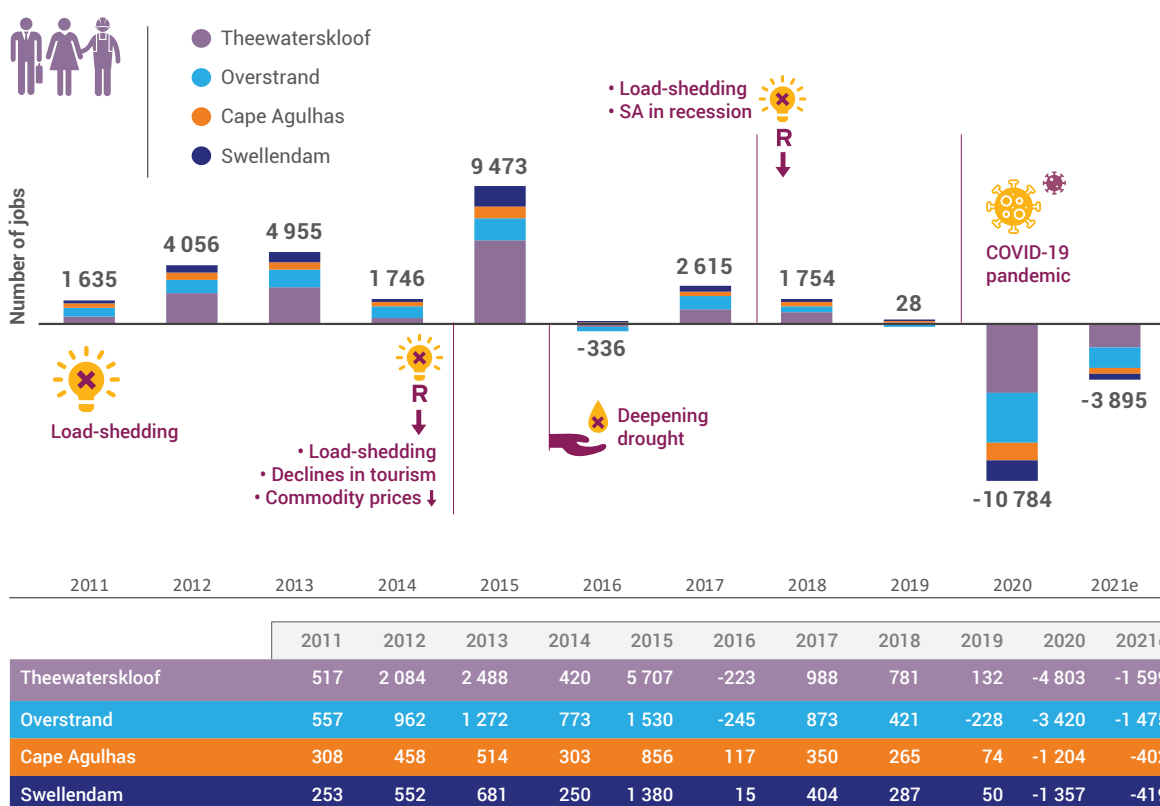
In 2020, a total of 120 691 workers were employed in the OD, contributing 5.1 per cent to Provincial employment during the year. The Theewaterskloof municipal area was the largest contributor to employment in the District in 2020 at 46.8 per cent, which is reflective of its GDPR contribution during the same year. The Overstrand municipal area contributed 27.4 per cent to employment in the OD in 2020, while the Swellendam and Cape Agulhas municipal areas contributed 13.4 per cent and 12.4 per cent respectively.

Between 2016 and 2020, the OD experienced an average annual decline of 1 345 jobs. This was largely driven by substantial average annual declines recorded in the Theewaterskloof and Overstrand municipal areas. Similar to the contributions of these municipal areas to the OD economy, the employment performance of the broader District is largely determined by the number of jobs created or shed in the Theewaterskloof and Overstrand municipal areas. Overall, declines in employment largely stemmed from employment losses in the agriculture sector owing to ongoing drought conditions.¹

Estimates for 2021 indicate a further deterioration in overall employment in the District, with a total of 3 895 jobs lost during the year. The Theewaterskloof and Overstrand municipal areas contributed the largest share to this decline, with a total of 3 074 jobs lost. Although substantial recoveries in GDP are expected in the OD and its respective municipal areas in 2021, owing to the easing of COVID-19 restrictions, it should be noted that recoveries in employment typically lag behind recoveries in economic activity. In addition, informal employment opportunities continued to decline in 2021 and are likely to have been driven by a slow recovery of informal workers participating in the formal economy, such as construction workers.²

Employment trends in the OD between 2011 and 2021 are provided in Figure 2.1. Employment trends in the period under review broadly mirror those of the annual changes in GDP over the same period.

Figure 2.1
EMPLOYMENT CHANGE PER MUNICIPAL AREA, Overberg District, 2011 – 2021



Source: Quantec Research, 2022 (e denotes estimate)

¹ (Stats SA, 2017).

² (Rogan & Skinner, 2022).

Between 2011 and 2015,³ annual increases in district employment were recorded, with new employment opportunities peaking at 9 473 jobs in 2015, largely based in the tertiary sector. This increase was largely driven by employment creation in the Theewaterskloof and Overstrand municipal areas. However, in 2016, the District recorded job-shedding totalling 336 jobs. This downturn is largely attributed to the deepening drought conditions in the District and broader Province, which were further exacerbated by the OD's reliance on the agriculture sector as a source of employment creation.

The number of new employment opportunities created in the District recovered in 2017, with a total of 2 615 jobs created during the year. This increase can largely be ascribed to strong employment increases in the trade sector during the year owing to recoveries in sales of food, beverages and household furniture.⁴

During the two-year period following 2017, a downward trend in new employment opportunities is evident. In 2018, the number of new employment opportunities declined to a net increase of 1 754 jobs before easing further to a net increase of 28 jobs in 2019. This can be attributed to the overall deterioration in the performance of the national economy over the same period.

In 2020, 10 784 jobs were lost in the District. Although all municipal areas in the District recorded a net reduction in job opportunities during the same period, the Theewaterskloof and Overstrand municipal areas were the largest contributors to this decline. The deterioration of the District's labour market conditions in 2020 was due to the COVID-19 pandemic and the implementation of lockdown restrictions to contain its spread. Furthermore, restrictions in domestic and international travel greatly impacted activity in sectors related to tourism.⁵

Estimates for 2021 indicate a partial recovery in labour market conditions in the District. Although this is considered an improvement relative to 2020, an estimated net decline of 3 895 jobs is still expected. The Theewaterskloof and Overstrand municipal areas are expected to have realised the largest job losses in 2021. As noted previously, despite the easing of COVID-19 lockdown restrictions, recoveries in employment typically lag behind recoveries in GDP. In addition, the estimated decline in new employment opportunities is likely to result in a decline in household income, which in turn will continue to restrain municipal revenue and increase the demand for free basic services.

Apart from the above, the overall decline in employment in 2021 is due to steep declines recorded in the construction sector during the year. As the construction sector recorded a contraction in 2021, employment, and particularly informal employment,⁶ in the sector is likely to remain constrained.

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 (Stats SA, 2017).

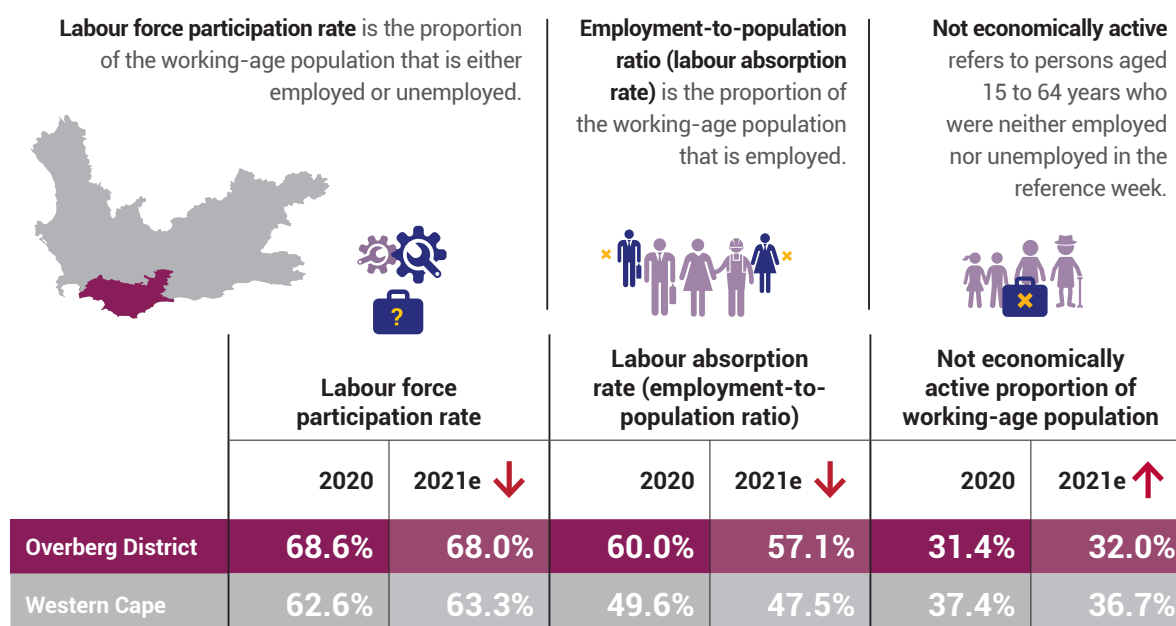
⁵ (Stats SA, 2020).

⁶ (Rogan & Skinner, 2022).

Diagram 2.2 provides an overview of the OD's labour force profile by depicting the labour force unemployment rate, labour absorption rate, labour participation rate and proportion of the working-age population that is not economically active.

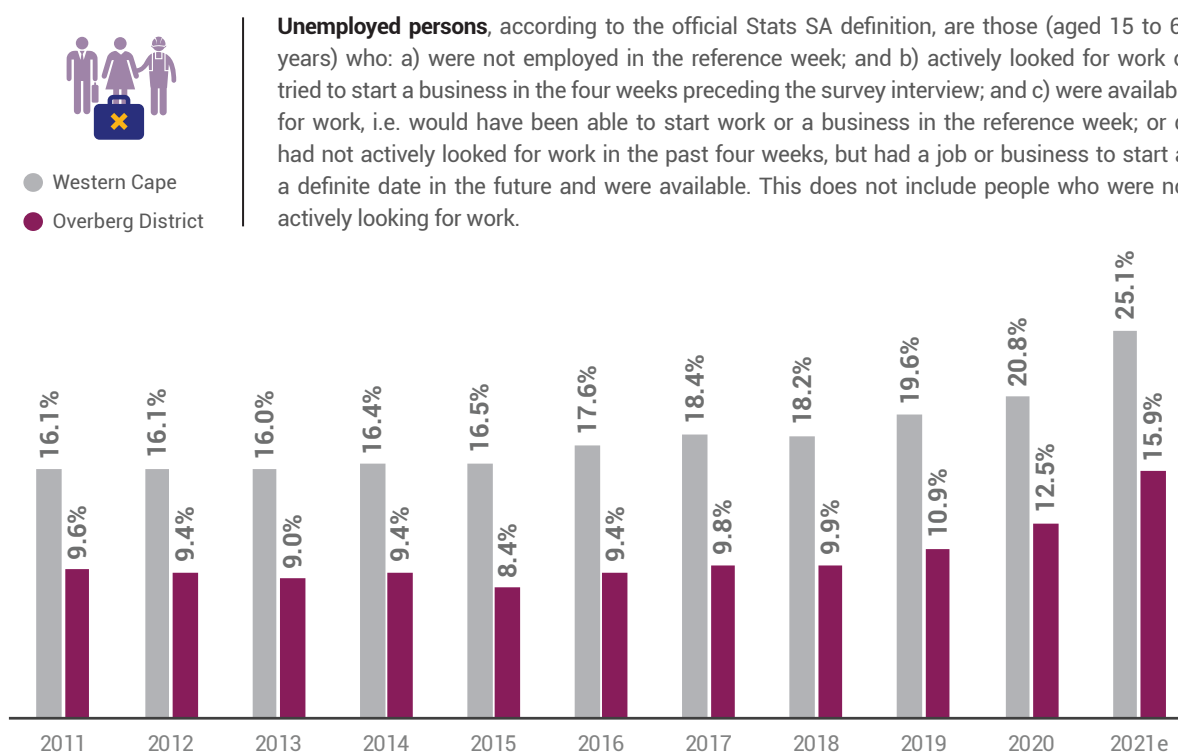
Diagram 2.2

LABOUR PROFILE, Overberg District, 2020, 2021e



Source: Quantec Research, 2022 (e denotes estimate)

UNEMPLOYMENT PROFILE, Overberg District, 2011 – 2021e



Source: Quantec Research, 2022 (e denotes estimate)

Between 2011 and 2020, an overall upward trend in the OD's unemployment rate was observed, similar to the trend observed in the Provincial economy. However, it is worth noting that the unemployment rate in the Province remained significantly above that of the District over the same period. Although the unemployment rate in the District remained near stagnant over much of the reference period, a more pronounced upward trend was evident between 2015 and 2020, from 8.4 per cent to 12.5 per cent.

Pre-2020, the increase in the District's unemployment rate, similar to that of the Province, can probably be ascribed to the overall poor performance of the national economy over the period, in addition to drought conditions experienced in the Province. However, the steep increase recorded between 2019 and 2020 is the result of COVID-19 and the associated restraints on economic activity.

In 2021, the unemployment rate in the District is estimated to have increased further to 15.9 per cent, which is a significant increase from 2020. Furthermore, the unemployment rate in the Province is expected to have increased to 25.1 per cent in 2021. This may be due to the lagged recovery in employment following the significant job-shedding and the deterioration in economic performance recorded in 2020.

The labour force participation rate in the District stood at 68.6 per cent in 2020, which was higher than the 62.6 per cent recorded in the Province in the same year. However, in 2021 the OD's labour force participation rate is expected to have declined to 68.0 per cent, which is in contrast to the expected upward trend observed in the Province. This decline can be attributed to an increase in the number of discouraged job seekers who have become economically inactive. Furthermore, the labour absorption rate in both the District and Province is expected to have declined in 2021 when compared with 2020. As such, it is concluded that labour market conditions in the District may have continued to deteriorate in 2021.

In 2020, the percentage of not economically active people in the District stood at 31.4 per cent, which was lower than that of the Western Cape (37.4 per cent). The percentage of not economically active individuals in the District is expected to have increased further in 2021 to reach 32.0 per cent, which is in contrast to the decline observed in the Province over the same period.

Given the above, labour market conditions in the District are anticipated to have remained constrained in 2021 relative to those of the Province. Despite lower unemployment rates recorded in the District, the District is not recovering as quickly as the Province at the turn of the COVID-19 pandemic. This can be ascribed to the improved performance of the labour force participation rate and labour absorption rate in the Province when compared with the District.




2.2.2 Sectoral employment

The sectoral distribution of employment in the OD is depicted in Table 2.1. This includes the number of jobs in each sector and their contribution to employment in 2020, along with the trend observed between 2011 and 2020, as well as estimates for 2021.

Table 2.1

EMPLOYMENT PER SECTOR, Overberg District, 2011 – 2020, 2021e

SECTOR		Number of jobs 2020	Average annual change		Annual change in employment		
			2011 – 2020	2016 – 2020	2019	2020	2021e
PS Primary Sector		25 258 (20.9%)	-50	-1 280	-456	-2 410	-903
Agriculture, forestry & fishing		25 234 (20.9%)	-49	-1 279	-453	-2 407	-903
Mining & quarrying		24 (0.0%)	-1	-1	-3	-3	-
SS Secondary Sector		17 543 (14.5%)	237	-113	-364	-1 570	-857
Manufacturing		9 569 (7.9%)	131	43	156	-662	-283
Electricity, gas & water		346 (0.3%)	3	-2	-3	-16	-11
Construction		7 628 (6.3%)	102	-154	-517	-892	-563
TS Tertiary Sector		77 890 (64.5%)	1 327	49	848	-6 804	-2 135
Wholesale & retail trade, catering & accommodation		27 037 (22.4%)	432	-61	447	-3 563	-1 415
Transport, storage & communication		4 691 (3.9%)	119	-52	161	-620	-428
Finance, insurance, real estate & business services		20 792 (17.2%)	643	451	437	-619	-346
General government		5 316 (4.4%)	62	8	17	-95	39
Community, social & personal services		20 054 (16.6%)	72	-296	-214	-1 907	15
Total Overberg District		120 691 (100.0%)	1 514	-1 345	28	-10 784	-3 895

Source: Quantec Research, 2022 (e denotes estimate)

In 2020, the tertiary sector was the largest contributing sector to overall employment in the District, with a contribution of 64.5 per cent during the year. Between 2016 and 2020, the tertiary sector was the only sector to register an average annual increase in new employment opportunities, with 49 jobs created on an annual basis. In terms of individual sectoral contributions within the tertiary sector, the trade sector was the largest contributor to employment in the District in 2020, at 22.4 per cent. This is probably due to year-on-year increases recorded in domestic and international tourist arrivals between 2016 and 2019.⁷

The primary sector was the second-largest contributor to employment in the District in 2020, at 20.9 per cent. Between 2016 and 2020, the primary sector experienced an average annual decline of 1 280 jobs, with the majority of jobs being shed in the agriculture sector. This decline was due to the prevailing drought conditions in the District and Province over the period, resulting in a

⁷ (Stats SA, 2020).

decline in wheat exports.⁸ In addition, it should be noted that the agriculture sector's contribution to employment significantly outweighed its contribution to GDP in 2020. As such, the sector is considered to be predominantly labour-intensive.

In 2020, the secondary sector contributed 14.5 per cent to total employment in the OD and recorded an average annual decline of 113 jobs between 2016 and 2020. Within the secondary sector, the manufacturing sector contributed 7.9 per cent to employment in the District, followed by the construction (6.3 per cent) sector. Over the five-year period, the construction sector recorded the largest average annual decline in new employment opportunities, while the manufacturing sector recorded an average annual increase. The effects of the drought on employment in the manufacturing sector are likely to have been subdued, as the manufacturing sector is considered capital-intensive. However, activity in the construction sector has remained under pressure since 2009 because of lower demand, strained liquidity and slim profit margins.⁹

Estimates for 2021 indicate that employment conditions within the OD are anticipated to have deteriorated further, although to a lesser extent than in 2020. The tertiary sector is expected to have registered the largest decline in jobs in 2021, with 2 135 jobs lost. Job-shedding of a lesser extent is anticipated in the secondary and primary sectors, with an estimated cumulative net loss of 1 760 jobs. The general government and community services sectors are the only individual sectors anticipated to have recorded increases in new employment opportunities in 2021. This is in part due to the continued provision of government services in response to the COVID-19 pandemic and the roll-out of the teacher assistant programme.



⁸ (SAGIS, 2021).

⁹ (PwC, 2016).

2.2.3 Location quotient


Throughout this subsection, the location quotient is used to identify and analyse the comparative advantage and level of specialisation of labour in the various economic sectors in the District. A location quotient exceeding one indicates that the local economy has a comparative advantage or specialisation in labour in the specific sector when compared with the national economy. Should the location quotient be less than one, labour within the sector is less specialised in the District economy relative to the industry of the national economy.¹⁰ Furthermore, a location quotient of one indicates that the representation of labour in the sector in the District is the same as its representation in the sector for 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 labour in a particular sector.

Table 2.2 depicts the location quotient for the OD in terms of employment.


Table 2.2

LOCATION QUOTIENT IN TERMS OF EMPLOYMENT, Overberg District, 2011 – 2020

				
SECTOR		2011	2020	Growth 2011 – 2020
PS	Primary Sector	2.18	2.03	-6.9%
	Agriculture, forestry & fishing	3.53	2.96	-16.2%
	Mining & quarrying	0.01	0.01	0.0%
SS	Secondary Sector	0.90	0.93	3.7%
	Manufacturing	0.73	0.84	14.6%
	Electricity, gas & water	0.65	0.65	0.0%
	Construction	1.25	1.11	-11.2%
TS	Tertiary Sector	0.85	0.87	2.1%
	Wholesale & retail trade, catering & accommodation	0.99	1.03	3.3%
	Transport, storage & communication	0.80	0.90	13.0%
	Finance, insurance, real estate & business services	0.84	0.93	10.8%
	General government	0.72	0.68	-5.6%
	Community, social & personal services	0.77	0.72	-7.0%

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

¹⁰ (Fennig & DaCosta, 2010).

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.

In 2020, the agriculture sector had the highest location quotient (2.96) in terms of employment. The agriculture sector in the municipal area probably represents a higher share of employment in the district economy compared with the national economy. Furthermore, it is worth noting that the agriculture sector was the only individual sector with an employment location quotient classified as high. However, the agriculture sector's location quotient has deteriorated since 2011, which can possibly be ascribed to the mechanisation of the industry.

The District had a medium comparative advantage in the manufacturing, construction, trade, transport and finance sectors in 2020. This suggests that the share of labour in the District economy in the sectors is comparable with that of the national economy. As such, opportunities to improve employment in these sectors may exist. However, extensive interventions may be required. It is worth noting that the manufacturing sector's location quotient improved from low to medium between 2011 and 2020, while the construction sector's location quotient declined from high to medium over the same period. Thus, the manufacturing sector's comparative ability to create employment opportunities has improved, while the construction sector's ability has deteriorated. This decline in the construction sector may be due to subdued investor confidence in the South African economy reducing investment in construction opportunities in the District.

Sectors with a low comparative employment advantage include the mining, general government and community services sectors. Relative to South Africa, the OD has minimal mining resources, which subsequently results in a low comparative advantage. In addition, the comparative advantage of the community services sector declined from medium to low between 2011 and 2020. Although still classified as low in both 2011 and 2020, the location quotient of the general government sector also declined over the period. A low location quotient of the sectors in the district economy also suggests that labour in the sectors of the district economy would not be as impacted by policy changes as well as downturns in economic performance.



2.3 EMPLOYMENT AND SKILLS PER MUNICIPAL AREA

This subsection provides a more in-depth macroeconomic outlook by considering the trends in employment and skill levels for each of the municipal areas within the OD.

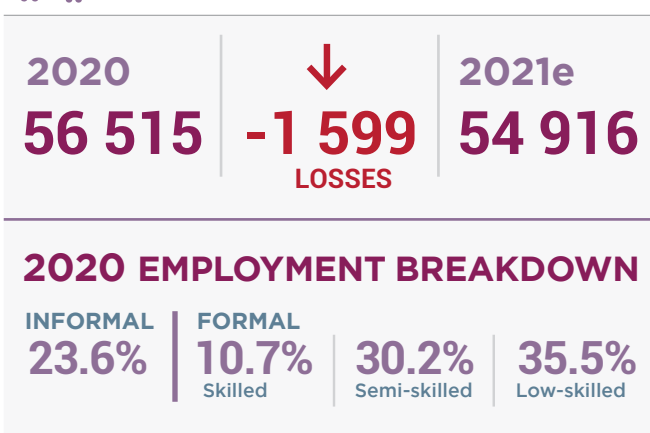


2.3.1 THEEWATERSKLOOF

Diagram 2.3
EMPLOYMENT,
Theewaterskloof, 2020 and 2021e







JOBS



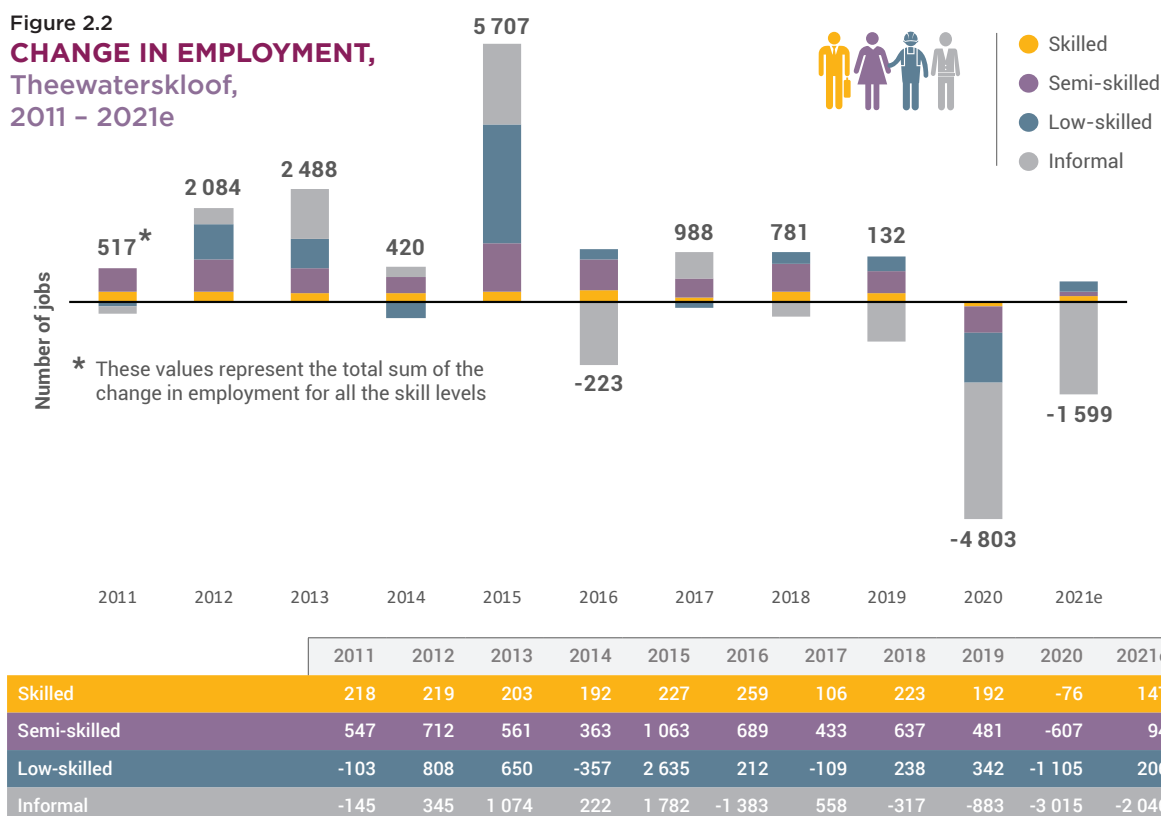
The municipal area had 56 515 employed workers in 2020, and this is estimated to have decreased by 1 599 workers in 2021. In 2020, 23.6 per cent of workers were informally employed within the municipal area, with the majority of the formally employed being low-skilled (35.5 per cent), followed by semi-skilled (30.2 per cent) and skilled workers (10.7 per cent). The unemployment rate is estimated to have increased from 11.0 per cent in 2020 to 13.9 per cent in 2021.

Source: Quantec Research, 2022 (e denotes estimate)

 Unemployment rate		 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 ↓	2020	2021e ↑
11.0%	13.9%	68.0%	67.1%	60.5%	57.8%	32.0%	32.9%

Source: Quantec Research, 2022 (e denotes estimate)

Figure 2.2 illustrates the changes in employment between 2011 and 2021.¹¹ Note that the skill level data is only available for formal employment.



Source: Quantec Research, 2022 (e denotes estimate)

Between 2011 and 2020 a total of 8 091 jobs were created in the municipal area, with the majority of jobs created for semi-skilled workers (4 879 jobs), followed by low-skilled workers (3 211 jobs) and 1 763 skilled workers. A total of 1 762 informal jobs were lost between 2011 and 2020.

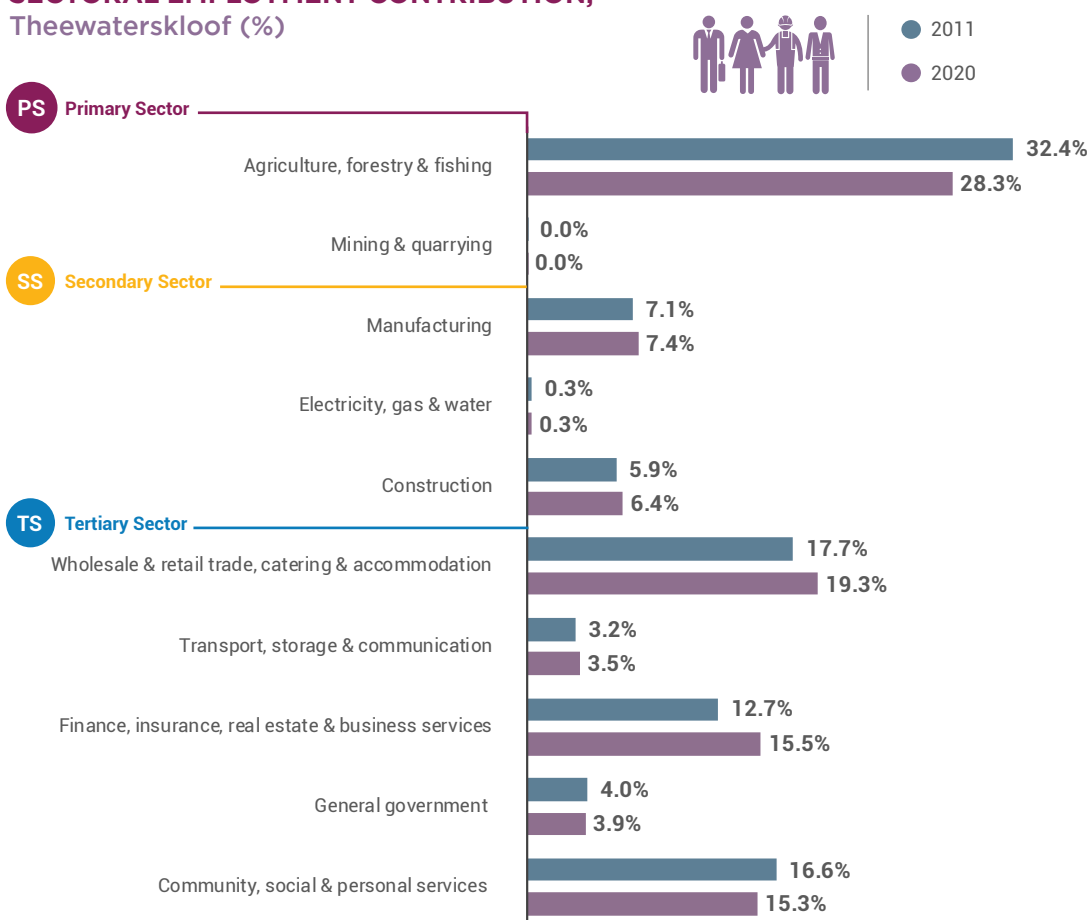
It is estimated that job losses continued in 2021, with an estimated 1 599 jobs lost. Formal employment, as depicted by skilled, semi-skilled and low-skilled workers, showed the most resilience. It is estimated that jobs for skilled workers increased by 2.4 per cent in 2021, which will recover the 1.2 per cent contraction in skilled jobs in 2020. An estimated increase of 0.6 per cent in semi-skilled jobs was recorded in 2021. For low-skilled workers, it is estimated that jobs increased by 1.0 per cent. Informal workers continued with a contraction of 15.3 per cent in jobs in 2021.

¹¹ Throughout this chapter, it should be noted that the number of informal sector workers is determined by using labour data from the Quarterly Employment Statistics (QES) and the Quarterly Labour Force Survey (QLFS). Quantec uses the QES formal figure, to which it adds the number of formal agricultural and domestic workers. Using the total employment from the QLFS, informal employment is calculated as a residual. This residual is higher than the figure given in the QLFS owing to the inclusion of small, medium and micro enterprises, which are not accounted for in the QES.

Figure 2.3 depicts the sectoral contribution to employment in the Theewaterskloof municipal area in 2011 and 2020.

Figure 2.3

SECTORAL EMPLOYMENT CONTRIBUTION, Theewaterskloof (%)



Source: Quantec Research, 2022

The agriculture sector contributed the most to employment in 2011 as well as 2020, with a contribution of 32.4 per cent and 28.3 per cent respectively. Reductions in agricultural employment between 2011 and 2020 can probably be attributed to drought effects, as the low capacity of Theewaterskloof Dam affected orchard farming in the municipal area.¹² Additionally, the reduced rainfall has also caused farmers to cut down on sowing new seeds, which has reduced employment in the sector.¹³ This is in line with the size of the sector, as it is one of the major economic contributors in the municipal area. It is known that the sector is labour-intensive, contributing the most employment for low-skilled workers. The municipal area has the fourth-highest commercial agriculture employment in South Africa and the third-highest in the Western Cape.¹⁴ Skills development programmes for agricultural workers are needed in the municipal area to help them increase their level of skill and improve their capabilities. The data in the period suggests that the mechanisation of the sector and the diversification of the economy is in process, thus necessitating skills development in other sectors.

¹² (Venkatesh, Goswami, & Sengupta, 2018).


¹³ (Venkatesh, Goswami, & Sengupta, 2018).

¹⁴ (Stats SA, 2017).

The trade sector contributed the second most to employment, with 17.7 per cent in 2011, which increased to 19.3 per cent in 2020. Although the community services sector contributed only 9.0 per cent to GDP in 2020, the sector contributed 15.3 per cent towards employment, meaning that the sector is labour-intensive. In 2020, the manufacturing sector contributed 13.4 per cent to GDP but only 7.4 per cent towards employment, indicating that the sector is capital-intensive.

Table 2.3 outlines the employment performance per sector within the Theewaterskloof municipal area.

Table 2.3
EMPLOYMENT PERFORMANCE PER SECTOR,
Theewaterskloof, 2011 – 2020, 2021e

SECTOR		Number of jobs 2020	Average annual change		Annual change in employment		
			2011 – 2020	2016 – 2020	2019	2020	2021e
PS Primary Sector		16 003 (28.3%)	-74	-876	-352	-1 594	-594
Agriculture, forestry & fishing		15 996 (28.3%)	-74	-876	-351	-1 593	-594
Mining & quarrying		7 (0.0%)	0	0	-1	-1	0
SS Secondary Sector		7 982 (14.1%)	183	37	-58	-617	-312
Manufacturing		4 194 (7.4%)	79	45	96	-252	-89
Electricity, gas & water		172 (0.3%)	2	0	1	-8	-2
Construction		3 616 (6.4%)	102	-8	-155	-357	-221
TS Tertiary Sector		32 530 (57.6%)	701	214	542	-2 592	-693
Wholesale & retail trade, catering & accommodation		10 929 (19.3%)	263	82	294	-1 311	-486
Transport, storage & communication		1 982 (3.5%)	51	-13	65	-257	-174
Finance, insurance, real estate & business services		8 786 (15.5%)	295	229	220	-202	-105
General government		2 189 (3.9%)	34	14	17	-29	26
Community, social & personal services		8 644 (15.3%)	59	-98	-54	-793	46
Total Theewaterskloof		56 515 (100.0%)	809	-625	132	-4 803	-1 599

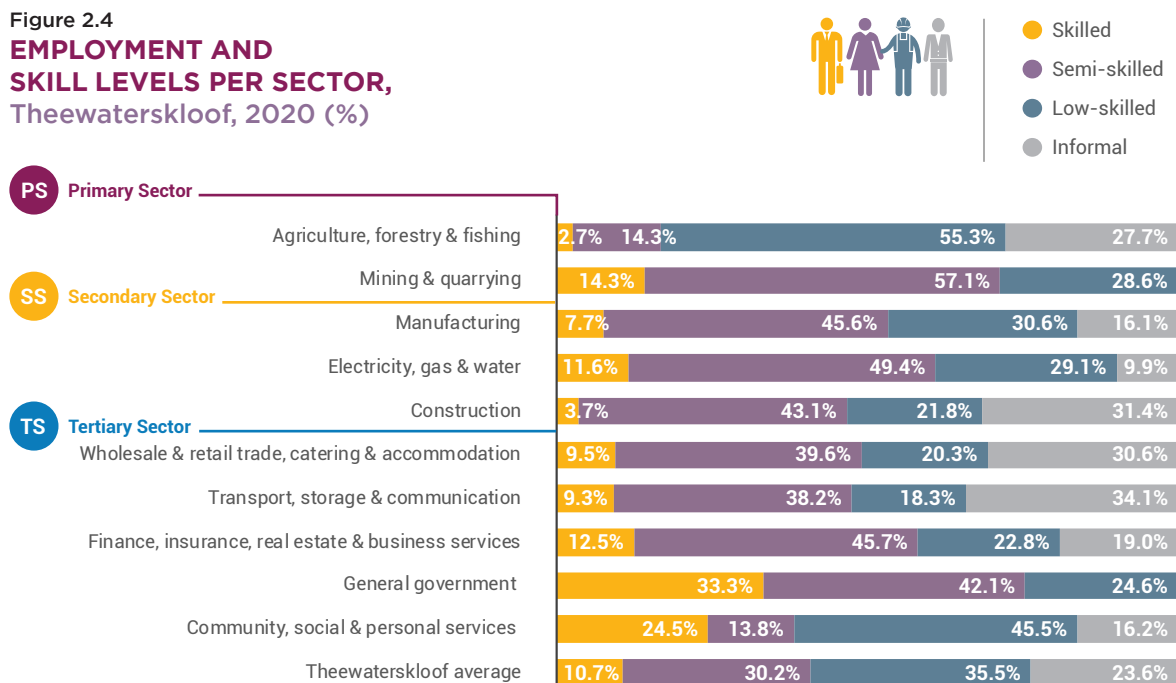
Source: Quantec Research, 2022 (e denotes estimate)

In 2020, there were 56 515 persons employed in the Theewaterskloof municipal area. The tertiary sector was the largest contributor with 32 530 jobs (57.6 per cent), followed by the primary sector with 16 003 jobs (28.3 per cent) and the secondary sector contributing 7 982 jobs (14.1 per cent). Between 2011 and 2020 the municipal area created 809 jobs, with the most jobs created in the finance sector (295 jobs). The municipal area lost 625 jobs between 2016 and 2020, with COVID-19-related restrictions being the reason for the large number of jobs shed in 2020. The only sectors that created jobs between 2016 and 2020 were the manufacturing sector (45 jobs), the trade sector (82 jobs), the finance sector with 229 jobs and the general government sector with 14 jobs.

It is estimated that the effects of COVID-19 continued to result in job losses in 2021, with a total of 1 599 jobs lost. The agriculture sector registered the most job losses, with 594 jobs lost. As mentioned earlier, the sector employs the majority of low-skilled workers, and it is evident from Figure 2.2 that the majority of jobs lost fell within the low-skilled workforce. It is important for the municipal area that focus is placed on skills development for the workers to ensure that they have the necessary skills to be employed. The only sectors that are estimated to have created jobs in 2021 are the general government and community services sectors.

Figure 2.4 provides a sectoral overview of the skill levels for formal employment in the Theewaterskloof municipal area, as well as the percentage of informal employment in 2020. On average, the municipal area was mainly characterised by low-skilled labour (35.5 per cent), followed by semi-skilled labour (30.2 per cent) and a small proportion of skilled labour (10.7 per cent). The municipal area has an average of 23.6 per cent informal employment and 76.4 per cent formal employment.

Figure 2.4
EMPLOYMENT AND
SKILL LEVELS PER SECTOR,
Theewaterskloof, 2020 (%)



Source: Quantec Research, 2022

The two sectors that predominantly used low-skilled workers in 2020 were the agriculture sector (55.3 per cent) and the community services sector (45.5 per cent). The labour needed in these sectors does not require a high level of education or skills to maintain proper workflow. The remaining sectors in the Theewaterskloof municipal area employed a large proportion of semi-skilled workers, particularly the finance sector, in which 45.7 per cent of workers were classified as semi-skilled. The two sectors with the highest proportion of skilled workers were the general government sector (33.3 per cent) and the community services sector (24.5 per cent).

In 2021, only the government and community services sectors are estimated to have created jobs. Workers in these sectors were more likely to have been able to work from home during the COVID-19 pandemic and as higher-skilled workers they also have greater job security during times of economic downturn.

Low-skilled workers, who make up the majority of the Theewaterskloof municipal area's workforce, faced inconsistent demand and recurrent job losses between 2011 and 2021 owing to changes in employment and the economy's skills structure. Skilled workers, on the other hand, who make up the smallest percentage of the workforce in the area, saw consistent job growth and resilience during the reference period. The contraction in employment and economic performance will particularly affect low-skilled workers. This will put pressure on the Municipality to provide additional free basic services and will have a negative effect on municipal revenues.

The transport sector had the highest proportion of informal employment (34.1 per cent) in 2020. The main reason for this is that a large number of workers in this sector are taxi drivers, which is seen as informal employment. The trade sector employed 30.6 per cent informal workers in 2020. Numerous street vendors are located across the municipal area and this is categorised as informal work. The construction sector also had a large proportion of informal employment in 2020 (31.4 per cent), as construction workers use their skills informally to generate an income.





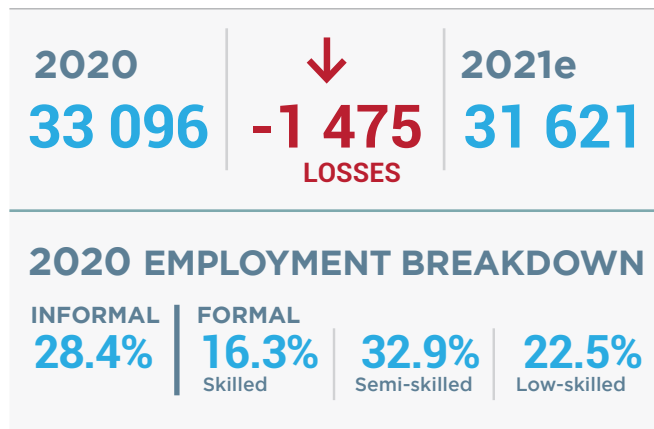
2.3.2 OVERSTRAND







Diagram 2.4
EMPLOYMENT,
Overstrand, 2020 and 2021e



JOBS



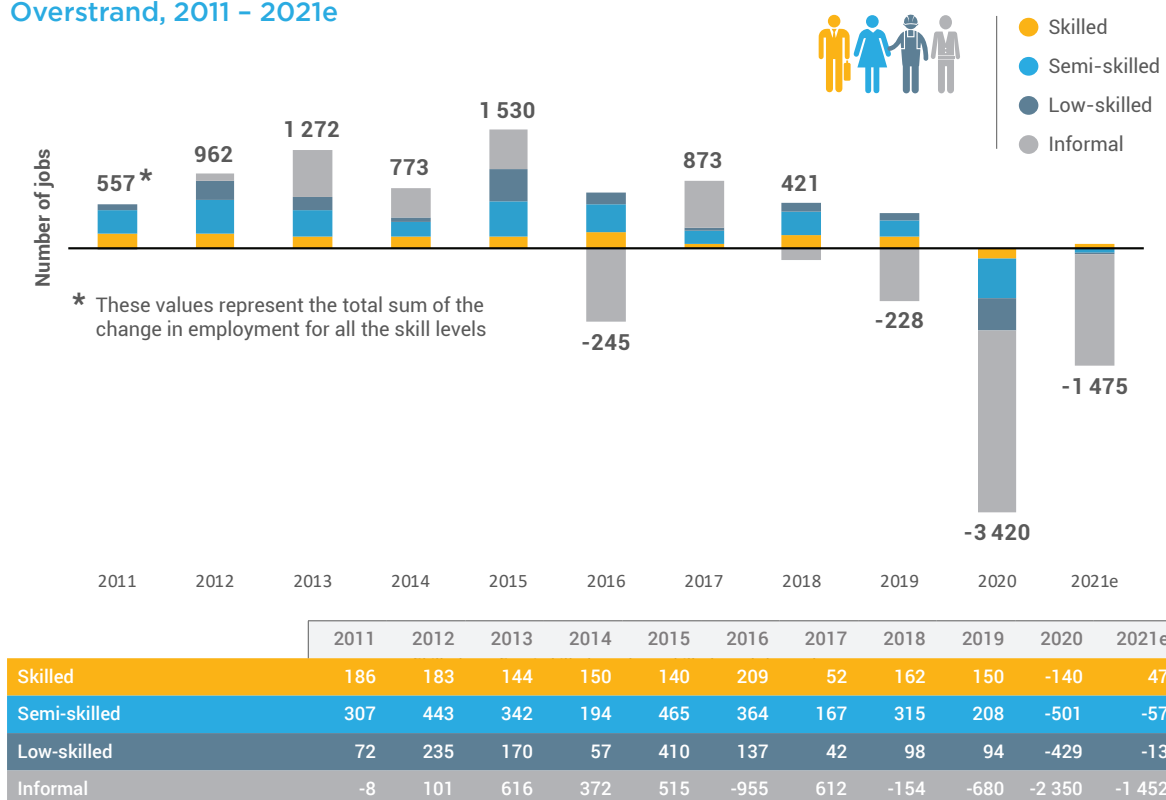
The municipal area had 33 096 employed workers in 2020. This is estimated to have decreased by 1 475 workers in 2021. In 2020, the municipal area had 28.4 per cent informal employment, with the majority of formal employment being semi-skilled (32.9 per cent), followed by low-skilled (22.5 per cent) and skilled (16.3 per cent) workers. The unemployment rate is estimated to have increased from 18.3 per cent in 2020 to 23.1 per cent in 2021.

 Unemployment rate		 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 ↓	2020	2021e ↓
18.3%	23.1%	70.0%	70.4%	57.2%	54.1%	30.0%	29.6%

Source: Quantec Research, 2022 (e denotes estimate)

Figure 2.5 indicates the annual change in employment for the Overstrand municipal area from 2011 to 2020. The change in employment has been estimated for 2021. The level of skills and informal workers are also illustrated.

Figure 2.5
CHANGE IN EMPLOYMENT,
Overstrand, 2011 – 2021e



Source: Quantec Research, 2022 (e denotes estimate)

The municipal area experienced positive growth in employment between 2011 and 2015, with 803 skilled jobs, 1 751 semi-skilled jobs, 944 low-skilled jobs and 1 596 informal employment opportunities created. It is evident that when a contraction in employment was experienced before 2020, it was mostly informal workers who lost jobs. In 2016 informal jobs were also likely to have been influenced by drought effects, where informal labourers, production units and traders would have been affected by decreased output in the year.¹⁵ COVID-19 impacted employment in the municipal area severely, with a total of 3 420 jobs lost in 2020. Most jobs lost were for informal workers (2 350 jobs), followed by semi-skilled (501 jobs) and low-skilled (429 jobs). Skilled workers showed the most resilience, with the fewest jobs lost (140 jobs).

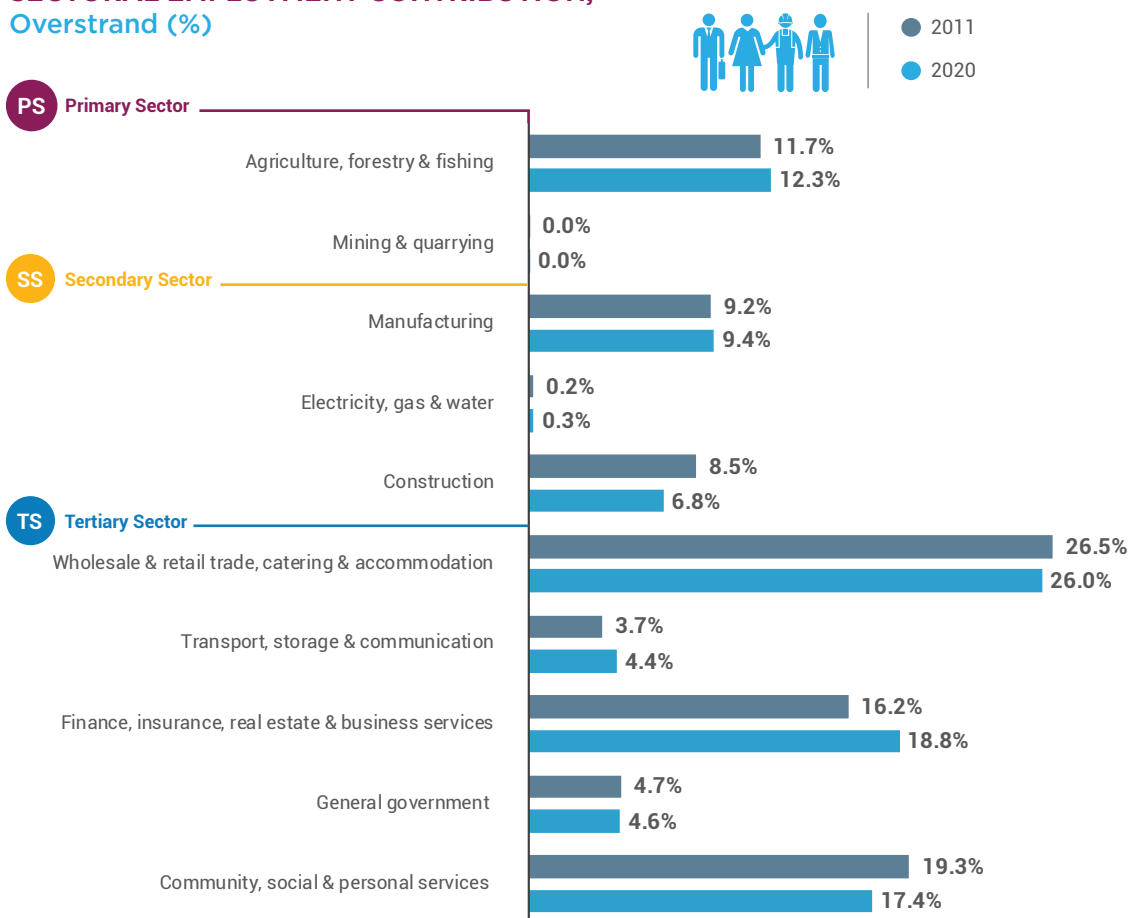
Between 2011 and 2020 a total of 2 495 jobs were created in the municipal area, with the majority of jobs created for semi-skilled workers (2 304 jobs), followed by skilled workers (1 236 jobs) and low-skilled workers (886 jobs). A total of 1 931 informal jobs were lost between 2011 and 2020. It is evident that during a contraction in employment opportunities experienced by the municipal area, the formal sector shows the most resilience. It is estimated that 47 jobs were created for skilled workers in 2021, which falls short of the 140 jobs lost in 2020.

¹⁵ (African Climate and Development Initiative, 2016).

Figure 2.6 provides a breakdown of the sectoral contribution to employment in the Overstrand municipal area in 2011 and 2020.

Figure 2.6

SECTORAL EMPLOYMENT CONTRIBUTION, Overstrand (%)



Source: Quantec Research, 2022

The trade sector contributed the most to employment in 2011 as well as 2020, with contributions of 26.5 per cent and 26.0 per cent respectively. The contraction is due to significant business adjustments undertaken to compensate for the impact COVID-19 had on the trade sector in 2020. The adjustments include product diversification, reductions of prices, reduced staffing, changed marketing and greater inter-enterprise co-operation.¹⁶


The finance sector had the second-highest contribution to employment, contributing 18.8 per cent in 2020. This was a 2.6 per cent increase from the 16.2 per cent contribution in 2011. Other sectors that experienced an increase in employment contribution between 2011 and 2020 were agriculture (0.6 per cent), manufacturing (0.2 per cent) and transport (0.7 per cent). The community services sector had the largest contraction between 2011 and 2020, with a 1.9 per cent decrease in contribution.

¹⁶ (Rogerson J. M., 2021).

A more detailed overview of sectoral contributions to employment is provided in Table 2.4.

Table 2.4

EMPLOYMENT PERFORMANCE PER SECTOR,
Overstrand, 2011 – 2020, 2021e

SECTOR		Number of jobs 2020	Average annual change		Annual change in employment		
			2011 – 2020	2016 – 2020	2019	2020	2021e
PS Primary Sector		4 077 (12.3%)	33	-144	-16	-323	-144
Agriculture, forestry & fishing		4 067 (12.3%)	34	-144	-14	-323	-144
Mining & quarrying		10 (0.0%)	0	-1	-2	0	0
SS Secondary Sector		5 441 (16.4%)	-1	-131	-236	-593	-366
Manufacturing		3 103 (9.4%)	22	-15	18	-251	-132
Electricity, gas & water		84 (0.3%)	2	0	-2	-4	-3
Construction		2 254 (6.8%)	-25	-116	-252	-338	-231
TS Tertiary Sector		23 578 (71.2%)	217	-245	24	-2 504	-965
Wholesale & retail trade, catering & accommodation		8 610 (26.0%)	52	-140	35	-1 339	-575
Transport, storage & communication		1 468 (4.4%)	39	-21	57	-200	-142
Finance, insurance, real estate & business services		6 211 (18.8%)	139	67	69	-280	-187
General government		1 526 (4.6%)	15	-3	2	-32	5
Community, social & personal services		5 763 (17.4%)	-27	-148	-139	-653	-66
Total Overstrand		33 096 (100.0%)	250	-520	-228	-3 420	-1 475

Source: Quantec Research, 2022 (e denotes estimate)



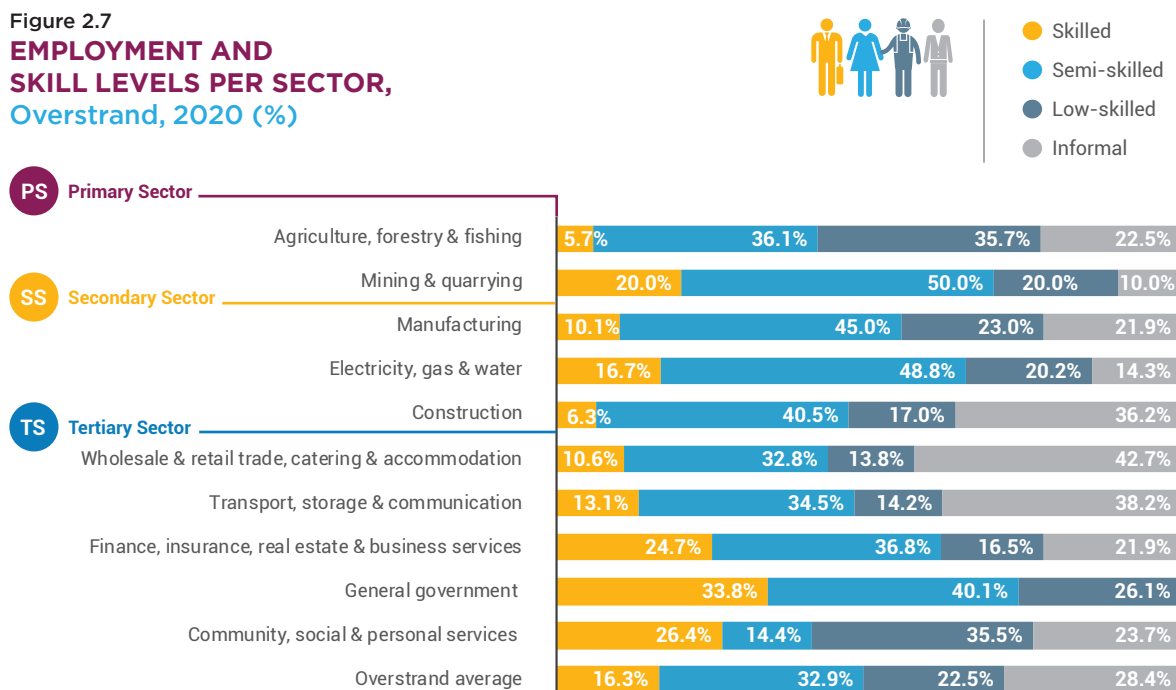
The tertiary sector (23 578 jobs) was the largest contributor to employment in 2020, followed by the secondary sector (5 441 jobs) and the primary sector (4 077 jobs). Between 2011 and 2020 the municipal area created an average of 250 jobs annually, with the most jobs created in the finance sector (139 jobs). The municipal area lost 520 jobs annually between 2016 and 2020 owing to the large number of jobs shed in 2020 as a result of the COVID-19 pandemic. The only sector that created jobs between 2016 and 2020 was the finance sector (67 jobs).

It is estimated that the effect of COVID-19 continued to result in job losses in 2021, with a total of 1 475 jobs lost. The sector with the most job losses was the trade sector, with 575 jobs lost. The industry should focus on skills development for trade workers, as this sector is the leading contributor towards the economy. The only sector that is estimated to have created jobs in 2021 was the general government sector, though the sector is estimated to have created only five jobs. The Overstrand Municipality has also identified 12 investment opportunities, which are likely to increase employment in the tertiary and secondary sectors.¹⁷

Figure 2.7 provides a sectoral overview of the skill levels for formal employment in the Overstrand municipal area, as well as the percentage of informal employment. On average, the municipal area was mainly characterised by semi-skilled labour (32.9 per cent), followed by informal labour (28.4 per cent), low-skilled labour (22.5 per cent) and lastly skilled labour, with 16.3 per cent of total formal employment.

Figure 2.7

EMPLOYMENT AND SKILL LEVELS PER SECTOR, Overstrand, 2020 (%)

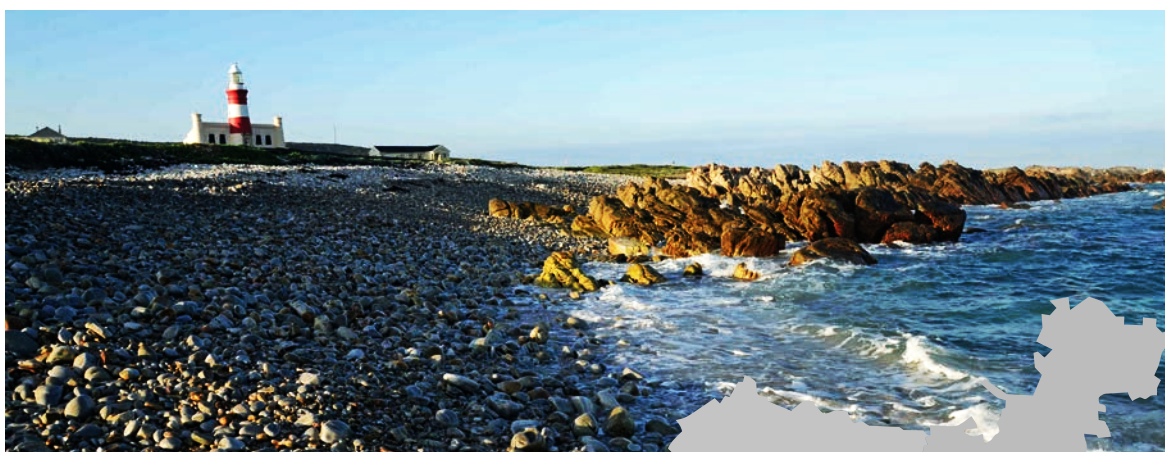


Source: Quantec Research, 2022

The agriculture sector had the largest portion of low-skilled workers at 35.7 per cent. The Overstrand municipal area comprised 16.3 per cent skilled workers in 2020, with the general government (33.8 per cent) and community services (26.4 per cent) sectors being the largest employers of skilled workers in the municipal area. The municipal area will need to focus on skills development to ensure that low-skilled workers can seek jobs in other sectors that are more secure when it comes to adverse economic effects. The formal and informal entrepreneurship support implemented by the municipal area will contribute positively towards skills development in the municipal area.¹⁸ The trade sector had the most informal sector workers with 42.7 per cent, followed by the transport sector with 38.2 per cent.

¹⁷ (Overstrand Municipality, 2021).

¹⁸ (Overstrand Municipality, 2021).



2.3.3 CAPE AGULHAS

Diagram 2.5
EMPLOYMENT,
Cape Agulhas, 2020 and 2021e



JOBS

2020

14 909



-402
LOSSES

2021e

14 507

2020 EMPLOYMENT BREAKDOWN

INFORMAL

18.6%

FORMAL

18.5%

Skilled





36.7%

Semi-skilled

26.3%

Low-skilled

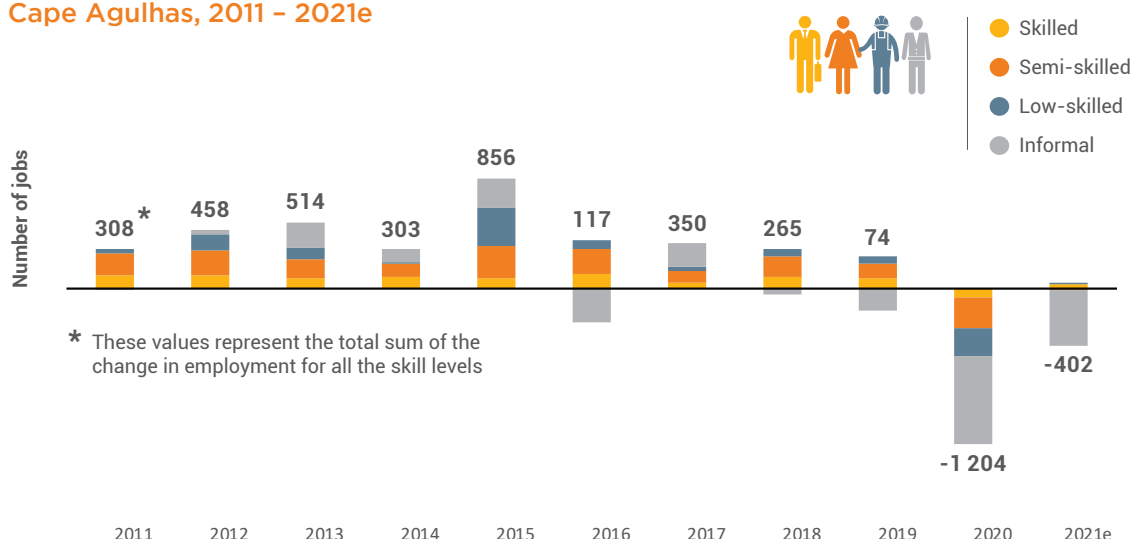
The Cape Agulhas municipal area employed 14 909 workers in 2020, and it is estimated that a contraction of 402 jobs was experienced in 2021. In 2020, the municipal area had 18.6 per cent informal employment, with the majority of formal employment being semi-skilled (36.7 per cent), followed by low-skilled (26.3 per cent) and skilled employment with 18.5 per cent. The unemployment rate is estimated to have increased from 9.5 per cent in 2020 to 12.3 per cent in 2021.

 Unemployment rate		 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 ↓	2020	2021e ↑
9.5%	12.3%	70.2%	69.3%	63.5%	60.8%	29.8%	30.7%

Source: Quantec Research, 2022 (e denotes estimate)

Figure 2.8 illustrates the changes in employment for skilled, semi-skilled, low-skilled and informal labour between 2011 and 2021.

Figure 2.8
CHANGE IN EMPLOYMENT,
Cape Agulhas, 2011 – 2021e

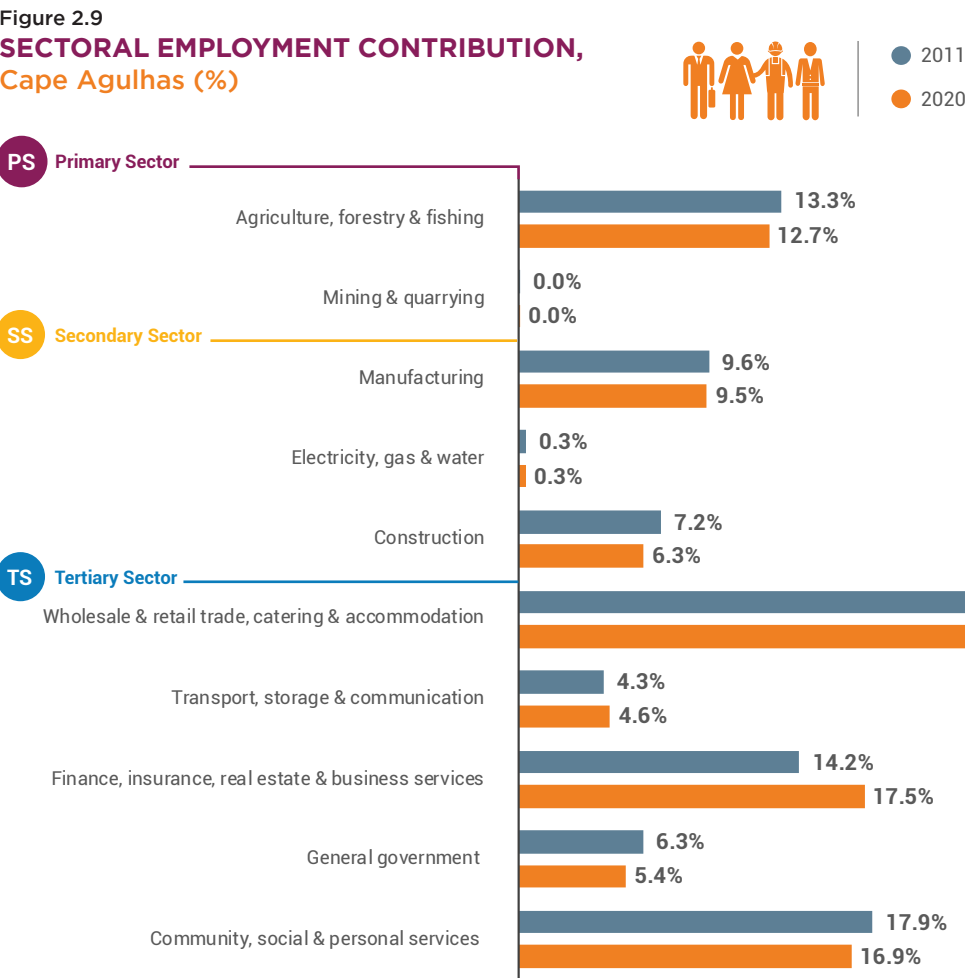


Source: Quantec Research, 2022 (e denotes estimate)

The municipal area recorded positive job creation between 2011 and 2019, with informal labour being the only workforce that experienced job losses in 2011, 2016, 2018 and 2019. However, the total change in employment in this period was still positive. The formal sector showed resilience throughout the fluctuation between 2011 and 2019. It is evident that COVID-19 impacted the municipal area's employment severely in 2020, with 1 204 jobs lost. The job losses in the Cape Agulhas municipal area during 2020 had a greater local effect than in the other local municipalities in the OD. The majority of jobs lost were informal (674 jobs), followed by semi-skilled (241 jobs). Low-skilled labour lost 225 jobs, with skilled labour showing the most resilience, shedding 64 jobs.

Between 2011 and 2020, 2 041 jobs were created in the municipal area, largely for semi-skilled labour (1 185 jobs), followed by skilled labour (712 jobs) and low-skilled labour (557 jobs). There was a contraction in informal labour, which lost 413 jobs during the same period. It is estimated that the municipal area shed another 402 jobs in 2021, with 425 jobs lost in the informal sector and 15 jobs lost for semi-skilled labour. For skilled labour, 33 jobs were created in 2021, with a recovery of almost 50.0 per cent from the jobs lost in 2020. Only five jobs were created for low-skilled labour in 2021.

Figure 2.9 depicts the sectoral employment contribution in the Cape Agulhas municipal area in 2011 and 2020.



Source: Quantec Research, 2022

The sectoral employment contribution in the municipal area was similar in 2011 and 2020. However, most of the sectors experienced a slight contraction, while the finance sector’s contribution showed an improvement of 3.3 per cent, increasing from 14.2 per cent in 2011 to 17.5 per cent in 2020.

The trade sector was the largest contributor to employment in the municipal area in 2020, with a 26.8 per cent contribution. This indicates the importance of the sector, as the trade sector is the second-largest economic sector in the municipal area.



Table 2.5 outlines the performance of employment per sector in the Cape Agulhas municipal area.

Table 2.5
EMPLOYMENT PERFORMANCE PER SECTOR,
Cape Agulhas, 2021 – 2020, 2021e

SECTOR	Number of jobs 2020	Average annual change		Annual change in employment		
		2011 – 2020	2016 – 2020	2019	2020	2021e
Primary Sector	1 893 (12.7%)	6	-81	-17	-165	-48
PS Agriculture, forestry & fishing	1 888 (12.7%)	6	-80	-17	-164	-48
Mining & quarrying	5 (0.0%)	0	0	0	-1	0
Secondary Sector	2 405 (16.1%)	22	-19	-41	-210	-112
SS Manufacturing	1 418 (9.5%)	16	6	27	-98	-48
Electricity, gas & water	47 (0.3%)	0	-1	0	-2	-3
Construction	940 (6.3%)	6	-24	-68	-110	-61
Tertiary Sector	10 611 (71.2%)	176	20	132	-829	-242
TS Wholesale & retail trade, catering & accommodation	4 000 (26.8%)	55	-4	50	-465	-180
Transport, storage & communication	686 (4.6%)	16	-12	24	-93	-60
Finance, insurance, real estate & business services	2 608 (17.5%)	86	60	64	-68	-25
General government	804 (5.4%)	1	-8	-5	-21	-4
Community, social & personal services	2 513 (16.9%)	18	-16	-1	-182	27
Total Cape Agulhas	14 909 (100.0%)	204	-80	74	-1 204	-402

Source: Quantec Research, 2022 (e denotes estimate)



The municipal area's employment reached a total of 14 909 jobs in 2020. The majority of workers were in the tertiary sector (10 611 workers), followed by the secondary sector (2 405 workers), with the primary sector contributing 1 893 workers. The trade sector had the majority of workers, with a total of 4 000 workers, followed by the finance (2 608 workers) and community services (2 513 workers) sectors.

Employment in the municipal area increased by 204 jobs on average per annum between 2011 and 2020. The tertiary sector added 176 jobs annually, followed by the secondary and primary sectors, with 22 and six jobs respectively. The finance sector created the most jobs in the municipal area, with an average increase of 86 jobs annually.

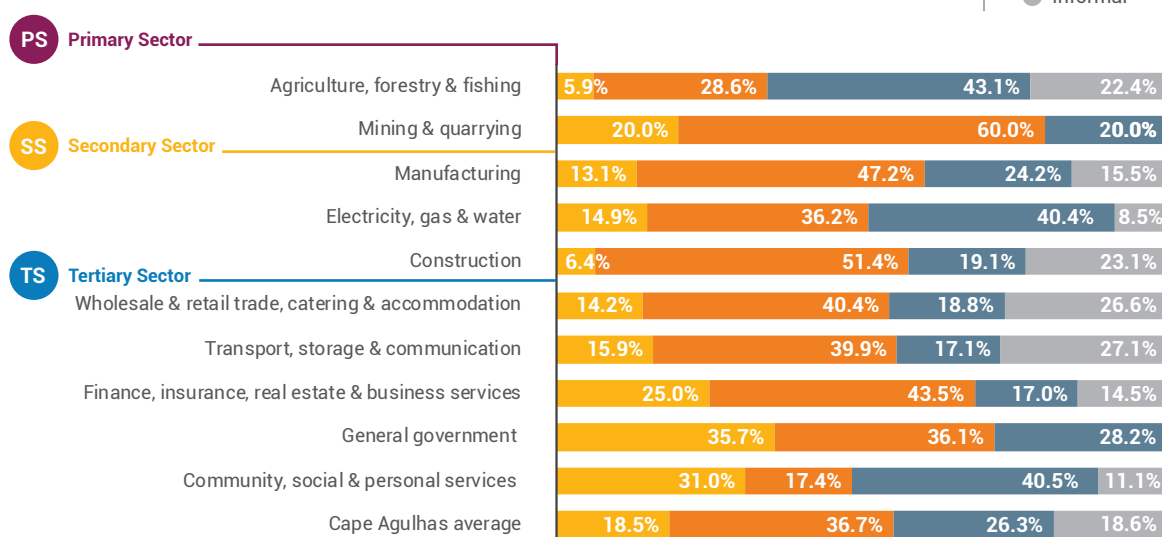
The average annual change between 2016 and 2020 indicated a contraction in jobs created, with a loss of 80 jobs annually. The sector with the most job-shedding per year was the agriculture sector, with 80 jobs lost per year. The only two sectors in the municipal area which created jobs during this period were the manufacturing sector (six jobs) and the finance sector (60 jobs).

It is estimated that a further 402 jobs were lost in 2021, with 180 jobs lost in the trade sector and 61 jobs lost in the construction sector. The only sector that is estimated to have created additional jobs in the municipal area is the community services sector, with 27 jobs.

As illustrated in Figure 2.10, the Cape Agulhas municipal area consists mainly of formal employment opportunities. The percentage of informal labour in the municipal area in 2020 was 18.6 per cent, with formal employment at 81.4 per cent.

Figure 2.10

**EMPLOYMENT AND
SKILL LEVELS PER SECTOR,
Cape Agulhas, 2020 (%)**



Source: Quantec Research, 2022

The agriculture and community services sectors had the highest concentration of low-skilled workers in 2020, with 43.1 per cent and 40.5 per cent respectively. The general government and community services sectors used the highest percentage of skilled workers, which accounted for 35.7 per cent and 31.0 per cent of workers in those sectors. Considering the employment performance and skill levels per sector in the Cape Agulhas municipal area, the estimated job losses in the agriculture sector (164 jobs) in 2020 mostly affected low-skilled workers. The increased financial strain induced by the significant contraction of employment in the municipal area since 2020 will limit revenue collection by the local municipality and could ultimately have a negative effect on the service delivery capabilities of the Municipality. Skills development programmes for workers will play a vital role in the economic recovery of the municipal area.

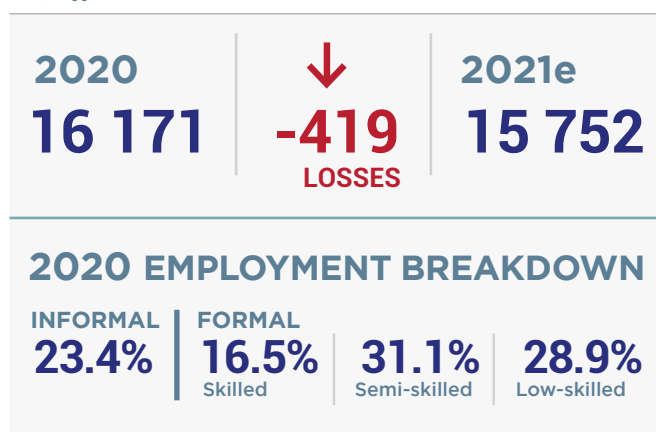
The sector that had the most informal labour in 2020 was the transport sector, with 27.1 per cent, followed by the trade sector, with 26.6 per cent.



2.3.4 SWELLENDAM



Diagram 2.6
EMPLOYMENT,
Swellendam, 2020 and 2021e



In total, 16 171 workers were employed in the municipal area in 2020, and this is estimated to have decreased by 419 workers in 2021. In 2020, the municipal area had 23.4 per cent informal employment, with the majority of formal employment being semi-skilled (31.1 per cent), followed by low-skilled (28.9 per cent) and skilled (16.5 per cent) labour. The unemployment rate is estimated to have increased from 7.8 per cent in 2020 to 10.0 per cent in 2021.

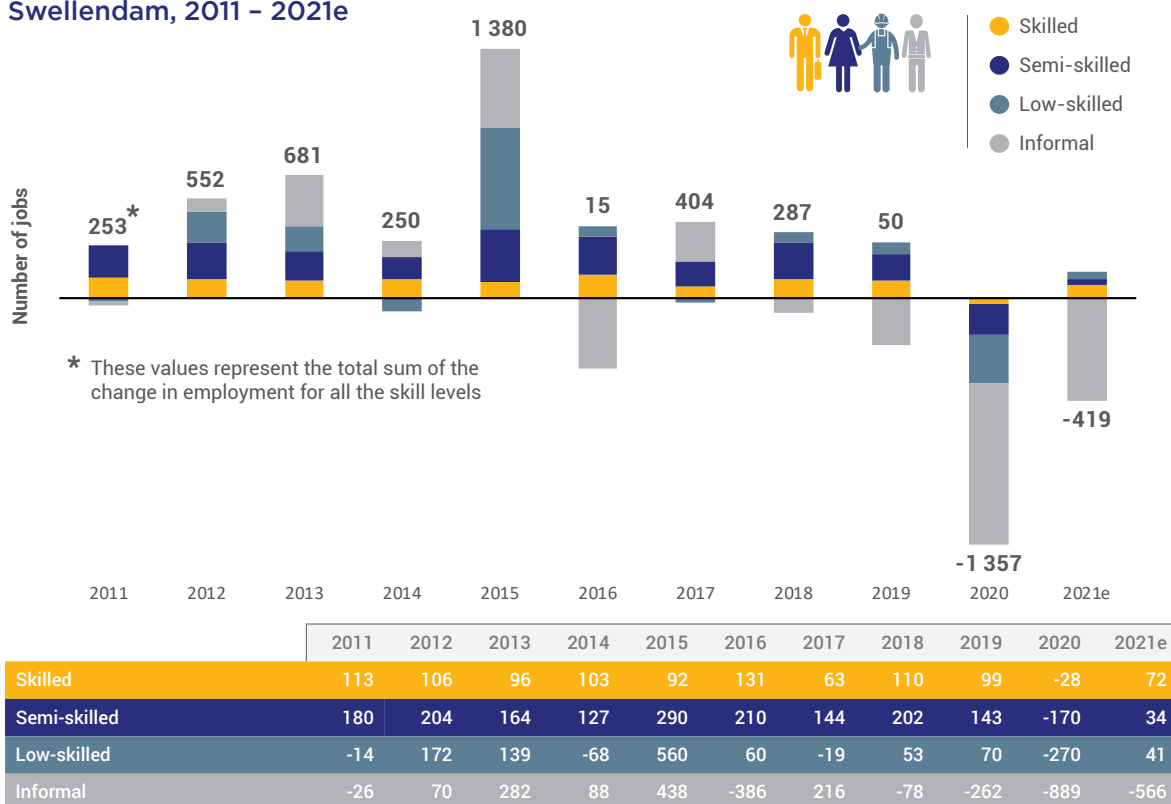
 Unemployment rate		 Labour force participation rate		 Labour absorption rate (employment-to-population ratio)		 Not economically active proportion of working-age population	
2020	2021e ↑	2020	2021e ↓	2020	2021e ↓	2020	2021e ↑
7.8%	10.0%	66.0%	64.7%	60.8%	58.2%	34.0%	35.3%

Source: Quantec Research, 2022 (e denotes estimate)

Figure 2.11 indicates the change in employment for the Swellendam municipal area between 2011 and 2020. The change in employment was estimated for 2021.

Figure 2.11

CHANGE IN EMPLOYMENT, Swellendam, 2011 – 2021e



Source: Quantec Research, 2022 (e denotes estimate)

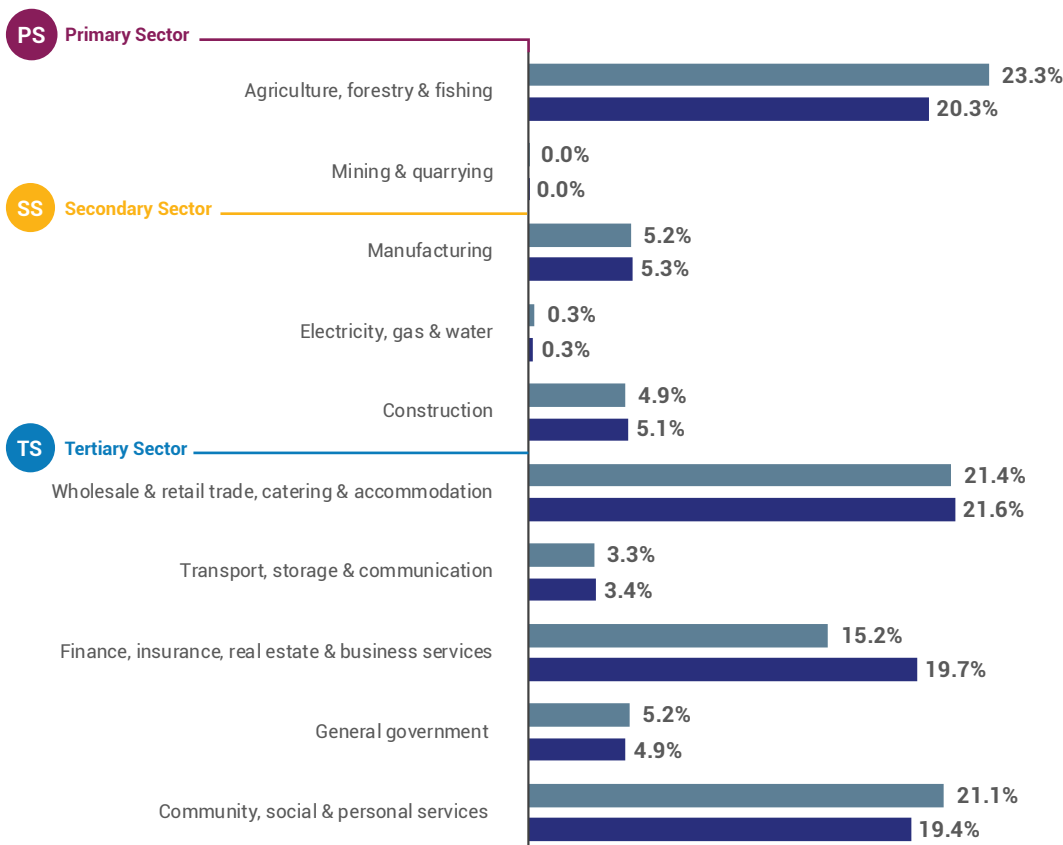
It is evident that employment in the Swellendam municipal area fluctuated between 2011 and 2020. The municipal area created 2 515 jobs between 2011 and 2020, the majority of which were for semi-skilled labour (1 494 jobs), followed by skilled (885 jobs) and low-skilled labour (683 jobs). Informal labour shed a total of 547 jobs between 2011 and 2020. It is clear that labour with some level of skill showed the most resilience when the municipal area was under pressure and lost jobs. It is estimated that the municipal area shed another 419 jobs in 2021. A total of 1 776 jobs were lost between 2020 and 2021.

The municipal area is estimated to have created jobs for formal labour in 2021, with 72 skilled jobs, 34 semi-skilled jobs and 41 low-skilled jobs created. It is estimated that skilled labour will recover fully in 2021, with marginal recovery for semi- and low-skilled labour. Informal labour shed another 566 jobs in 2021, bringing the total to 1 455 informal employment opportunities lost between 2020 and 2021.

Figure 2.12 provides a breakdown of the Swellendam municipal area's sectoral contribution to employment in 2011 and 2020.

Figure 2.12

SECTORAL EMPLOYMENT CONTRIBUTION, Swellendam (%)



Source: Quantec Research, 2022

The leading contributor towards employment in the municipal area in 2011 was the agriculture sector (23.3 per cent). This contracted to 20.3 per cent in 2020. The reason for the contraction could be the seasonal nature of labour in the agriculture sector, with the drought deterring demand in labour in the sector between 2015 and 2019. The sector that contributed most to employment in 2020 was the trade sector (21.6 per cent), with a 0.2 percentage point increase from 2011.

The majority of the sectors experienced an increase in employment contribution, with the finance sector showing the largest improvement, from 15.2 per cent in 2011 to 19.7 per cent in 2020. The finance sector is also currently the leading contributor to GDP in the municipal area.



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

Table 2.6

**EMPLOYMENT PERFORMANCE PER SECTOR,
Swellendam, 2011 – 2020, 2021e**

SECTOR	Number of jobs 2020	Average annual change		Annual change in employment		
		2011 – 2020	2016 – 2020	2019	2020	2021e
Primary Sector	3 285 (20.3%)	-15	-179	-71	-328	-117
PS Agriculture, forestry & fishing	3 283 (20.3%)	-14	-179	-71	-327	-117
Mining & quarrying	2 (0.0%)	0	0	0	-1	0
Secondary Sector	1 715 (10.6%)	33	-0	-29	-150	-67
SS Manufacturing	854 (5.3%)	14	7	15	-61	-14
Electricity, gas & water	43 (0.3%)	0	-1	-2	-2	-3
Construction	818 (5.1%)	19	-6	-42	-87	-50
Tertiary Sector	11 171 (69.1%)	233	59	150	-879	-235
TS Wholesale & retail trade, catering & accommodation	3 498 (21.6%)	62	1	68	-448	-174
Transport, storage & communication	555 (3.4%)	12	-6	15	-70	-52
Finance, insurance, real estate & business services	3 187 (19.7%)	123	94	84	-69	-29
General government	797 (4.9%)	13	4	3	-13	12
Community, social & personal services	3 134 (19.4%)	23	-34	-20	-279	8
Total Swellendam	16 171 (100.0%)	252	-120	50	-1 357	-419

Source: Quantec Research, 2022 (e denotes estimate)



The majority of workers were in the tertiary sector (11 171 workers), followed by the primary sector (3 285 workers), with the secondary sector contributing 1 715 workers. The trade sector had the majority of workers, with a total of 3 498 workers, followed by the agriculture (3 283 workers) and finance (3 187 workers) sectors.

Employment between 2011 and 2020 increased by an average of 252 jobs per annum. The tertiary sector added 233 jobs annually, followed by the secondary sector (33 jobs). The finance sector created the most jobs in the municipal area, with an average of 123 jobs annually.

The average annual change between 2016 and 2020 indicated a contraction in jobs, with a loss of 120 jobs annually. The sector with the most job-shedding per year was the agriculture sector, with 179 jobs lost per year.

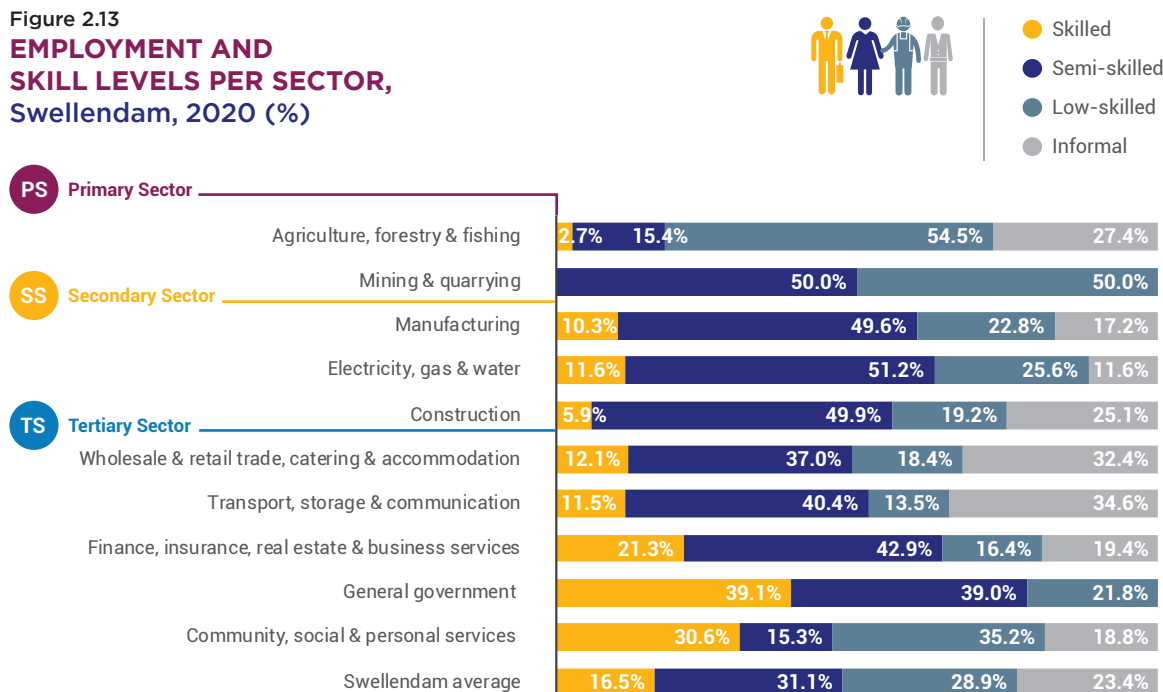
The only sectors in the municipal area that created jobs during this period were the manufacturing sector (seven jobs), the finance sector (94 jobs), general government (four jobs) and the trade sector (one job).

It is estimated that a further 419 jobs were lost in 2021, with 174 jobs lost in the trade sector and 117 in the agriculture sector. Swellendam is categorised as a municipal area that is highly dependent on tourism. Small towns such as Swellendam will bear the heaviest relative burden of the decline in South Africa's tourism economy associated with the impact of COVID-19 in 2020.¹⁹ The municipal area should focus on increasing marketing for small-town tourism to increase the total number of bed-nights in the smaller towns.

Figure 2.13 provides a sectoral overview of the skill levels of formally employed people in the Swellendam municipal area. On average, the municipal area is mainly characterised by semi-skilled labour (31.1 per cent in 2020), followed by low-skilled labour (28.9 per cent) and informal labour (23.4 per cent). In 2020, 16.5 per cent of labour in the municipal area was skilled.

Figure 2.13

EMPLOYMENT AND SKILL LEVELS PER SECTOR, Swellendam, 2020 (%)



Source: Quantec Research, 2022

The agriculture sector and the community services sector mainly use low-skilled labour, which accounted for 54.5 per cent and 35.2 per cent respectively in 2020, while the general government sector is mainly comprised of skilled labour (39.1 per cent). Skilled workers, the smallest percentage of the municipal area's formal employees, showed the most constant employment growth and resilience between 2010 and 2020, regardless of changes in employment and the economy's skills structure. Low-skilled workers, who make up 28.9 per cent of the total workforce, have seen recurrent employment losses and only saw a net increase of 17.1 per cent in employment opportunities between 2011 and 2020, compared with a growth of 49.6 per cent in jobs for skilled workers during the same period.

¹⁹ (Rogerson & Rogerson, 2020).

The declining economic performance experienced in 2020 and 2021 resulted in job losses in the municipal area, which reduces income-earning capabilities. In addition, the increase in unemployment will result in a decline in household income and an increase in demand for government support. In 2020, the transport sector had the largest percentage of informal employment (34.6 per cent), followed by the trade sector, with 32.4 per cent of labour being informally employed.

2.4 CONCLUDING REMARKS

The OD's unemployment remains below the Provincial and national levels. Over the past decade, the gap between the Provincial and district unemployment rate has widened. Despite this, an estimated 14 600 jobs were lost in the past two years (2020 and 2021). This accounts for approximately one in every eight jobs in the District, and is expected to have resulted in significantly negative socio-economic, welfare and livelihood outcomes.

In relative terms, the Overstrand municipal area lost 14.7 per cent of all jobs it had in 2020 and was thus the most affected by the COVID-19-related job losses. The majority of these job losses were in the trade sector and were largely linked to the tourism sector. This highlights the importance of initiatives such as the Western Cape Tourism Recovery Plan²⁰ and the Tourism Blueprint 2030 in ensuring the sector rebounds.

Agriculture, which is the second-biggest employer in the District after trade, has lost 13.1 per cent of its jobs since 2020. Taking a longer view, it must be noted that this sector had lost more than 1 200 jobs in the previous decade. The nature of agricultural sector job losses is often more pernicious than other sectors, as it is often linked to broader trends such as mechanisation, casualisation and growth in informal settlements. In this regard, interventions such as the Western Cape Government's Agri-Processing on Wheels Initiative²¹ are important in providing entrepreneurial alternatives to traditional farm-worker employment.



²⁰ (Western Cape Department of Economic Development and Tourism, 2022).

²¹ (Western Cape Department of Agriculture, 2022).



3

SAFETY AND WELLBEING

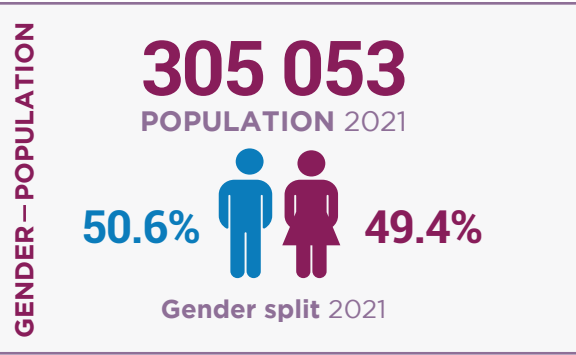
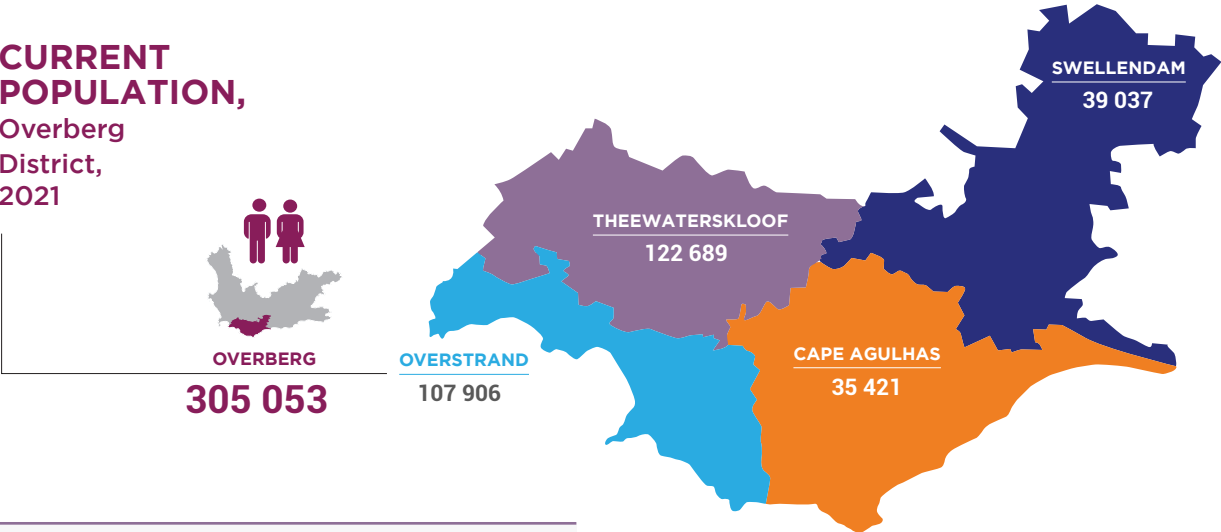
3.1 INTRODUCTION

This chapter provides an overview of the economic and social circumstances of households living in the OD through the analysis of population, human development, housing, crime and access to basic services. Specifically, the human development in the District is assessed by exploring education levels, health and income.

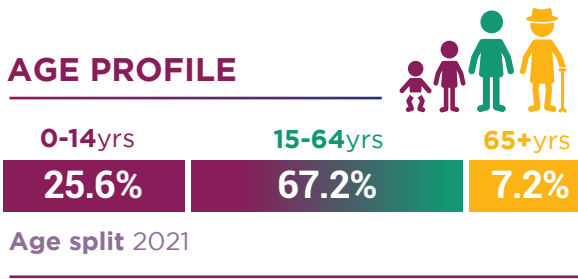
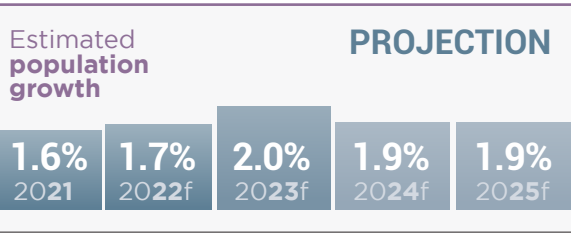
OVERBERG

DEMOGRAPHICS

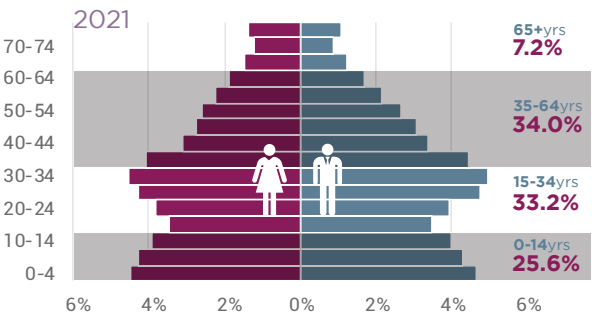
**CURRENT
POPULATION,**
Overberg
District,
2021



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



GENDER AND AGE DYNAMICS



HOUSEHOLDS

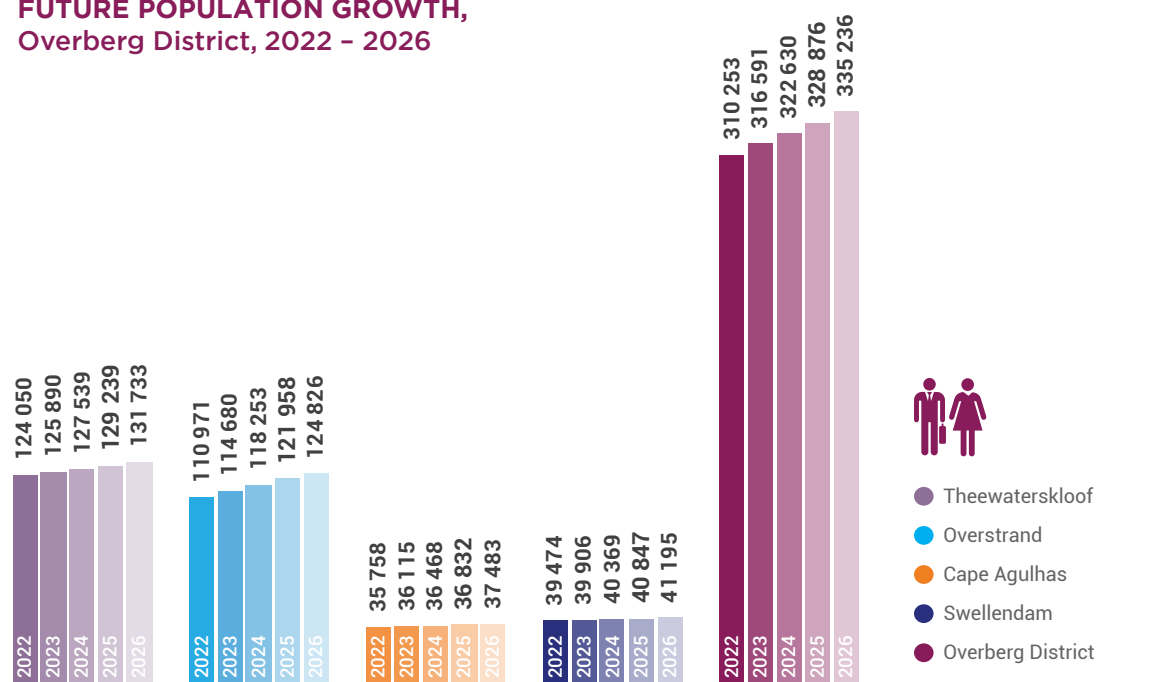


3.2 POPULATION PROFILE

Figure 3.1 depicts the projected population growth in the OD between 2022 and 2026. As illustrated, in 2022 the OD's population is estimated at 310 253 people, who mainly reside in the Theewaterskloof (40.7 per cent) and Overstrand (36.4 per cent) municipal areas.

Figure 3.1

FUTURE POPULATION GROWTH, Overberg District, 2022 – 2026



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

The population of the OD is forecast to grow by an average annual rate of 2.0 per cent from 310 253 in 2022 to 335 236 in 2026. Across all municipal areas in the District, the Overstrand municipal area is forecast to have the highest annual growth rate at 3.0 per cent from 110 971 in 2022 to 124 826 in 2026. However, the Theewaterskloof municipal area is forecast to remain the largest population in the District in 2026 at 131 733 from 124 050 in 2022 (with an annual growth rate of 1.5 per cent).

The population growth in the OD will be driven by young and foreign buyers¹ semigrating as a result of changes in work culture and the perceived better quality of life in small towns compared with larger cities.² Furthermore, the prevalence of remote working has also increased demand for residences in the District as the requirement to be close to offices has decreased.³ This has contributed to the population growth of the District, particularly in the Overstrand municipal area. Another factor influencing population growth in the District is the influx of individuals from other Districts seeking employment opportunities. This has caused increases in the population in informal settlements in the District such as Zwelihle.⁴

¹ (Property24, 2022).

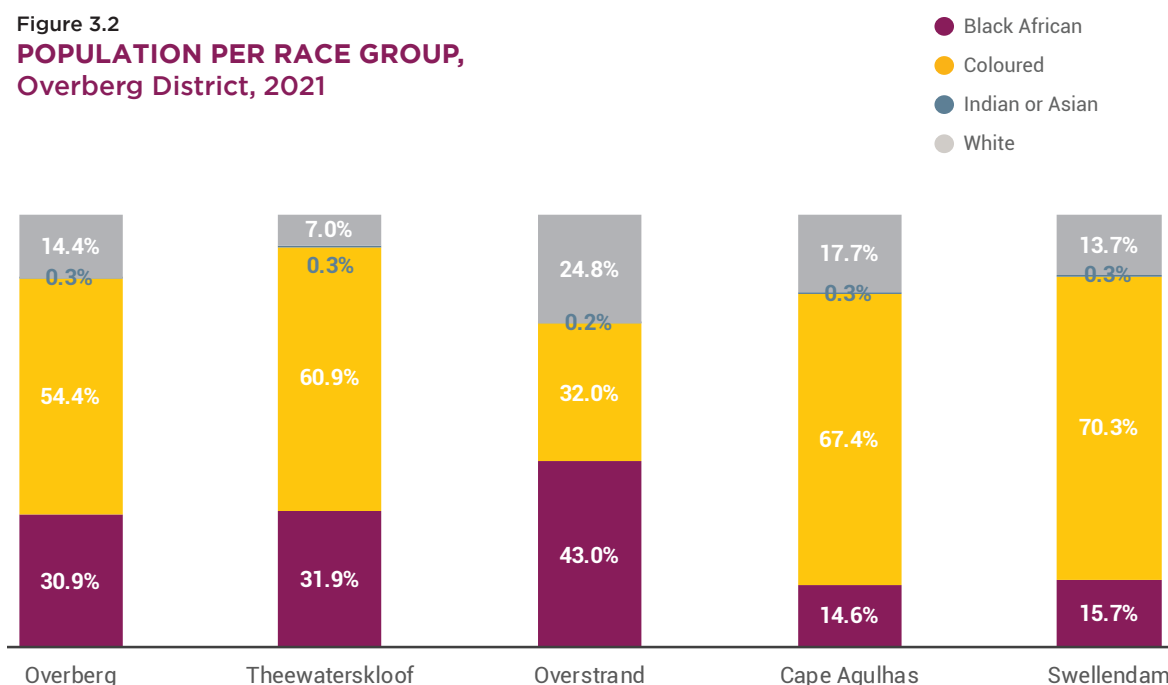
² (Property24, 2022).

³ (Pillay, 2022).

⁴ (Overstrand Municipality, 2022; Overberg District Municipality, 2022).

Figure 3.2 shows the racial composition of the population of the OD in 2021.

Figure 3.2
POPULATION PER RACE GROUP,
Overberg District, 2021



Source: Quantec, 2022

Across the population in the OD in 2021, the largest population segment in terms of race was the coloured population, with a share of 54.4 per cent. This was followed by 30.9 per cent of individuals in the District identifying as black or African and 14.4 per cent of individuals identifying as white. The smallest population segment in the District is the Indian or Asian population, contributing a share of 0.3 per cent. The Swellendam municipal area had the largest proportion of coloured persons in the District. The only municipal area where the coloured population was not the largest cohort was Overstrand. The Overstrand municipal area has a relatively large representation of black African and white populations.

Education and employment statistics disaggregated by race at the local municipal level are limited in availability. It is, however, acknowledged that the racial population composition represented is not always fully reflected in socio-economic outcomes such as education and employment. Measures which address inequality will benefit the population, as equitable access to opportunities in the District will impact growth positively.

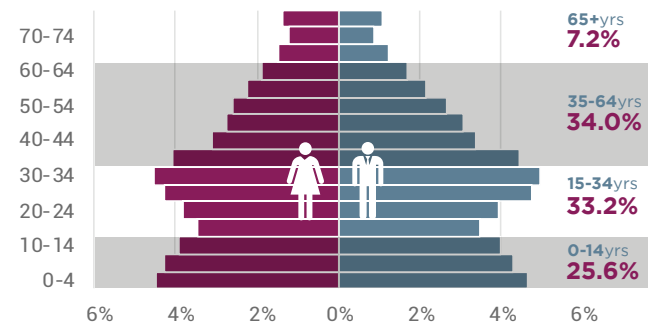


Figure 3.3
GENDER AND AGE DYNAMICS,
Overberg District, 2021

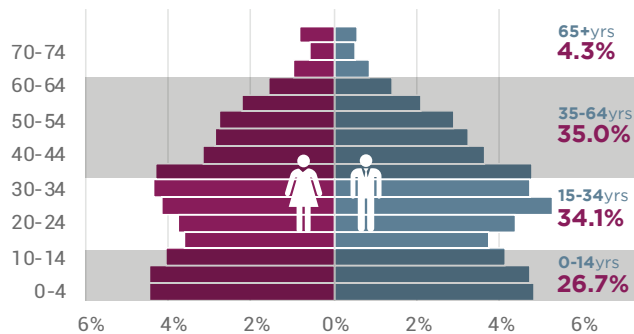


The gender and age cohorts of the municipal areas in the District are illustrated through population pyramids in Figure 3.3.

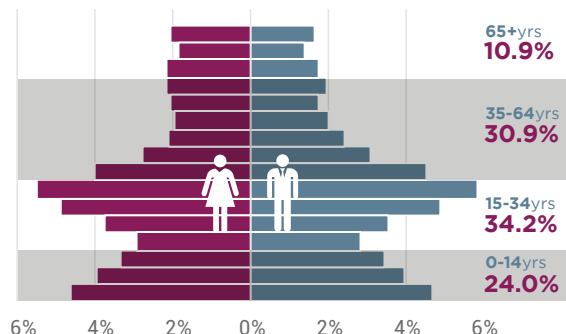
Overberg District



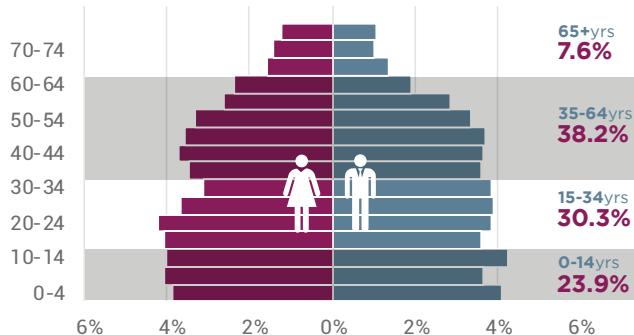
Theewaterskloof



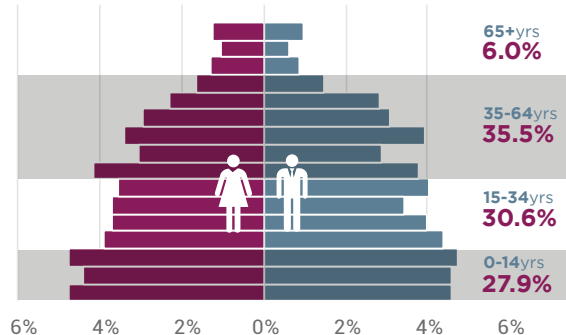
Overstrand



Cape Agulhas



Swellendam



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

Within the OD, the largest population segment in 2021 was that aged 35 to 64 years old, at 34.0 per cent. This was followed by the segment of the population aged 15 to 34 years old at 33.2 per cent. Those aged 15 to 64 recorded a population share of 67.2 per cent. These individuals are considered potentially economically active. Across all municipal areas, the Theewaterskloof municipal area recorded the largest proportion of the potentially economically active population at 69.1 per cent in 2021. This was followed by the Cape Agulhas and Swellendam municipal areas at 68.5 per cent and 66.1 per cent respectively. The Overstrand municipal area recorded the lowest proportion of those aged 15 to 64 at 65.1 per cent.

Across all municipal areas in the OD, the Theewaterskloof municipal area recorded the lowest dependency ratio of 44.9 per 100 working-age people in 2021. The Theewaterskloof municipal area has a higher concentration of individuals with the potential to be economically active, resulting in higher per capita income growth and poverty reduction. The Overstrand municipal area recorded the highest dependency ratio across all municipal areas at 53.5 dependants per 100 working-age people. This is largely a result of towns in the municipal area that are favoured by those considering retirement and therefore house a large percentage of people who are not economically active.⁵



⁵ (Hermanus Property Sales, 2020).

3.3 HUMAN DEVELOPMENT

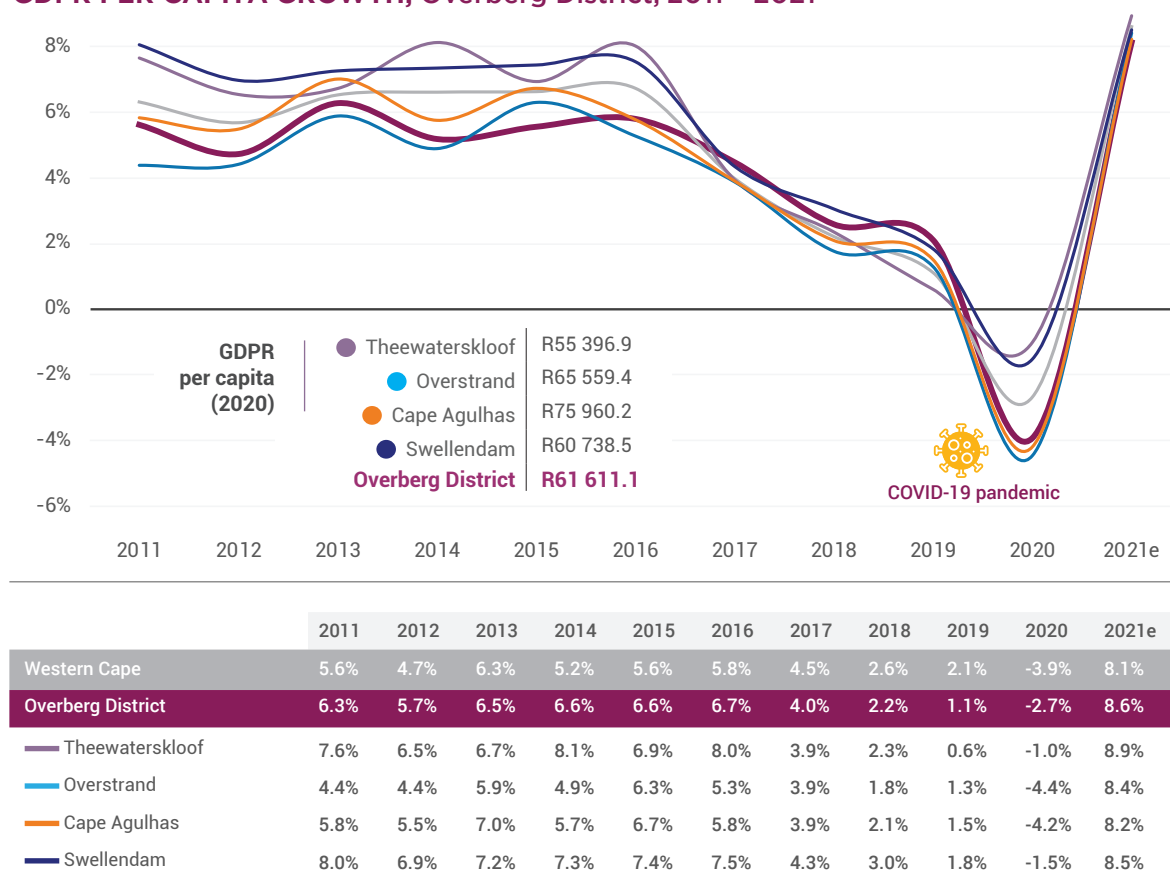
Economists expect economic growth to result in improvements in human development and economic decline to have an adverse effect on human development. The United Nations uses the HDI to compare the level of socio-economic development across countries. The performance of the economy plays a major role 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

In 2020, the OD recorded a GDPR per capita of R61 611, which is estimated to have increased to R63 994 in 2021. The Cape Agulhas municipal area had the highest GDPR per capita in 2020 (R75 960), followed by the Overstrand municipal area (R65 559).

Figure 3.4 illustrates the OD's GDPR per capita growth between 2011 and 2021.

Figure 3.4
GDPR PER CAPITA GROWTH, Overberg District, 2011 – 2021



Source: Quantec Research, 2022 (e denotes estimate)

The key factor responsible for the contractions of GDPR per capita in 2020 was the COVID-19 pandemic and the associated lockdown restrictions, which severely affected the GDPR performance. However, in 2021 the OD experienced a significant increase in the GDPR per capita (8.6 per cent), which was more than the Provincial GDPR per capita (8.1 per cent) growth in the same year. The Theewaterskloof and Swellendam municipal areas experienced the most

significant growth of 8.9 per cent and 8.5 per cent respectively, which can be attributed to strong growth in the agriculture sector.

Table 3.1 provides an overview of the average monthly household income in the OD.

Table 3.1

**AVERAGE MONTHLY HOUSEHOLD INCOME (CURRENT PRICES),
Overberg District, 2020**

MUNICIPAL AREA	Average household income 2020 (current prices)	Trend 2016 – 2020
● Theewaterskloof	R14 209	-1.2%
● Overstrand	R15 703	-1.4%
● Cape Agulhas	R18 643	-2.1%
● Swellendam	R15 639	-0.9%
Overberg District	R15 455	-1.4%
Western Cape	R18 995	-1.8%

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

In 2020 the average monthly household income in the OD was R15 455, which was lower than the average monthly household income in the Western Cape (R18 995). The Cape Agulhas municipal area had the highest average household income (R18 643) in the OD. However, the Cape Agulhas municipal area showed the greatest decline in average household income between 2016 and 2020. Despite having the largest economy in the OD, the Theewaterskloof municipal area had the lowest average household income (R14 209), which can be attributed to the large proportion of people who are employed in the agriculture sector, which is characterised by low wages. On average, the average household income in the OD declined by 1.4 per cent per annum in the period under review.

Considering that the average inflation between 2016 and 2020 was recorded at 6.5 per cent, household income in the OD did not grow sufficiently to compensate for higher prices caused by inflation. For this period, annual inflation has been on a declining trend, while remaining within the targets set by the SARB. At a rate of 3.3 per cent in 2020,⁶ inflation was at its lowest level in more than a decade. However, average inflation started increasing in 2021 as a result of large increases in the price of fuel and important food groups such as meats, fats and oils.⁷

3.3.1.1 Taxpayers

The Income Tax Act of 1962 (the Act) governs the imposition of income taxes in South Africa. In accordance with the Act, tax is levied on taxable income, which is essentially gross income less any relevant exemptions and deductions permitted by law.⁸ These taxes serve as a source of funding for the government and are frequently applied to debt obligations, the procurement of goods for the public and the provision of public services.⁹

⁶ (Stats SA, 2021).

⁷ (Stats SA, 2022).

⁸ (South African Revenue Service, 2022).

⁹ (Investopedia, 2021).

Table 3.2 provides the OD's number of taxpayers per local municipal area, as well as the average monthly taxable income in 2019 and 2020.

Table 3.2

**INDIVIDUAL TAXPAYERS,
Overberg District, 2019 – 2020**

MUNICIPAL AREA	Number of taxpayers		Average monthly taxable income	
	2019	2020	2019	2020
● Theewaterskloof	7 822	8 724	R22 935	R21 881
● Overstrand	14 328	14 251	R22 583	R22 676
● Cape Agulhas	3 869	3 977	R20 055	R19 820
● Swellendam	3 339	3 421	R20 936	R21 727
Overberg District	29 358	30 373	R22 156	R21 967
Western Cape	867 697	906 526	R28 622	R28 495

Sources: National Treasury and SARS, 2022

A total of 29 358 taxpayers were registered in the OD in 2019, while 30 373 were registered in 2020. The total number of taxpayers in the OD accounted for about 3.4 per cent of all taxpayers in the Western Cape for each year respectively. Despite the Overstrand local municipal area having the most taxpayers (14 328) in the OD in 2019, Theewaterskloof had the highest average monthly taxable income (R22 935). In 2020, Overstrand continued to have the highest number of taxpayers, and the municipal area's average monthly taxable income increased to R22 676, making it the highest in the OD. Despite the knock that COVID-19 had on the economy and employment in the OD, the District recorded an increase in taxpayers.

In addition, in 2020 the OD's lowest average monthly taxable income (R19 820) was recorded in Cape Agulhas, while the fewest taxpayers (3 421 taxpayers) were recorded in the Swellendam municipal area.

3.3.1.2 Poverty

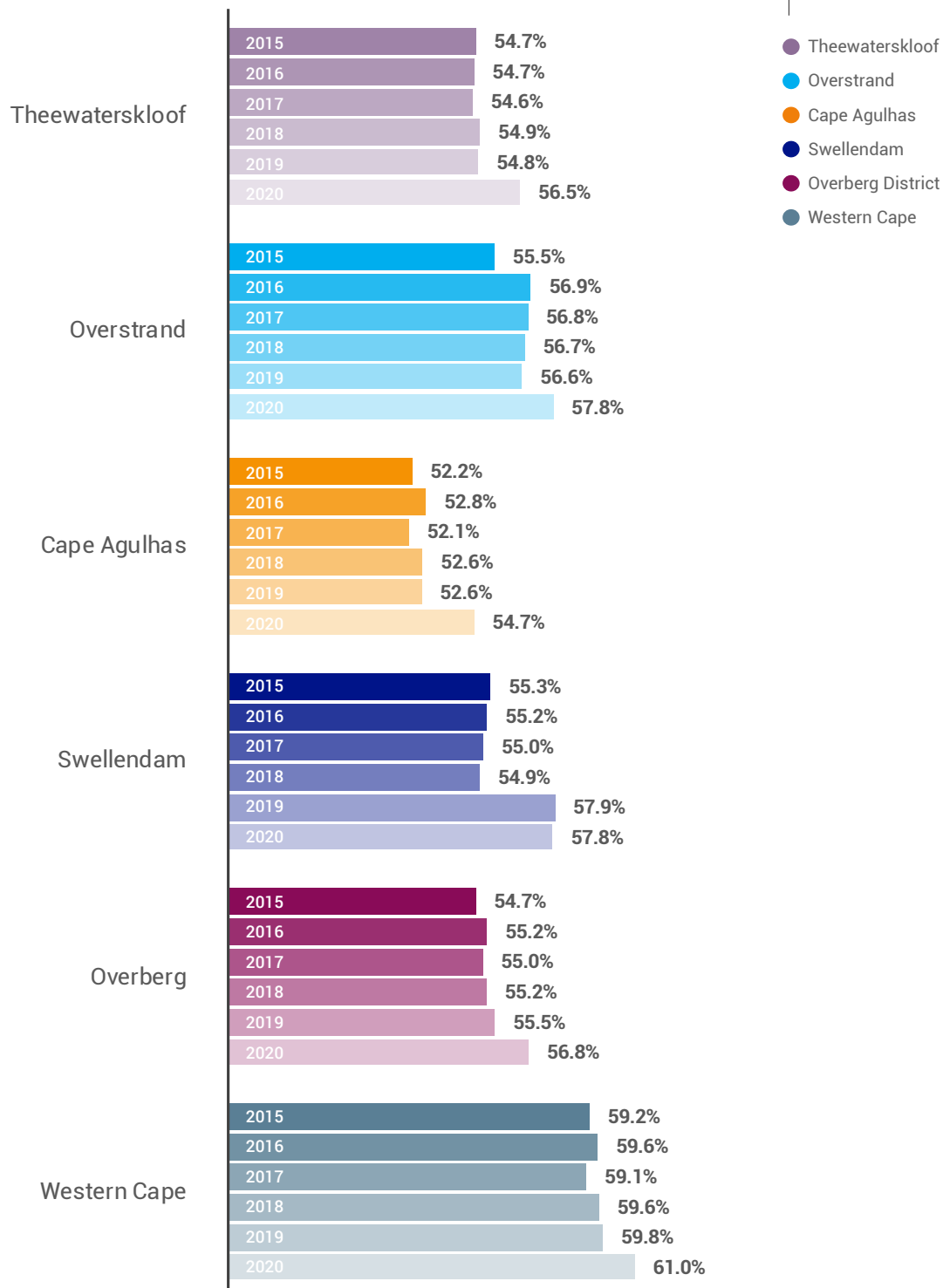
Stats SA utilises a cost-of-basic-needs approach to produce three poverty lines, namely the food poverty line (FPL), the lower-bound poverty line (LBPL) and the upper-bound poverty line (UBPL). This allows monitoring of poverty at different levels. The FPL is the rand value below which individuals are not able to afford sufficient food that is required for adequate health. The LBPL and the UBPL use the FPL as a base, but they also have a non-food component. Individuals at the LBPL do not have enough resources to purchase both adequate levels of food and non-food items and must therefore sacrifice food to obtain essential non-food items. Those at the UBPL can afford both adequate food and non-food items.¹⁰

¹⁰ (Stats SA, 2017).

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

Figure 3.5

**PROPORTION OF POPULATION AT UBPL,
Overberg District, 2015 – 2020**



Source: IHS Markit, 2022

The OD has a slightly smaller proportion of people at the UBPL compared with the Western Cape. The proportion of people at the UBPL in the OD increased from 54.7 per cent to 56.8 per cent between 2015 and 2020. This increase in poverty could be related to the drought conditions that prevailed in the Province, in addition to the adverse economic impact of the COVID-19 pandemic.

All four municipal areas that comprise the OD recorded similar trends between 2015 and 2020. When considering the increases recorded between 2019 and 2020, the Cape Agulhas municipal area recorded the largest increase in the proportion of the population at the UBPL from 52.6 per cent to 54.7 per cent. Conversely, the proportion of the population at the UBPL in the Swellendam municipal area recorded a marginal decline from 57.9 per cent to 57.8 per cent between 2019 and 2020.

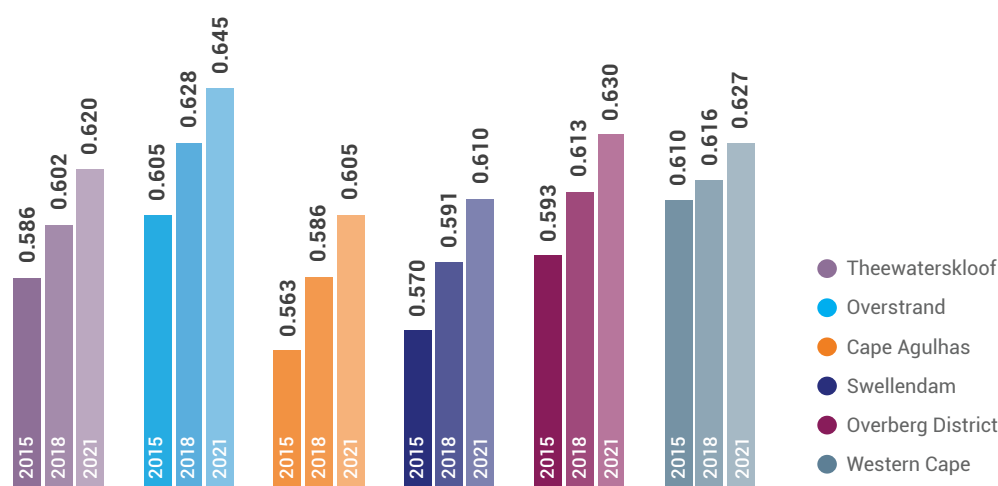
3.3.1.3 Inequality



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.¹¹ 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 local municipal areas of the OD between 2015 and 2021.

Figure 3.6
GINI COEFFICIENTS, Overberg District, 2015 – 2021



Source: IHS Markit, 2022

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.

¹¹ (Stats SA, 2019).

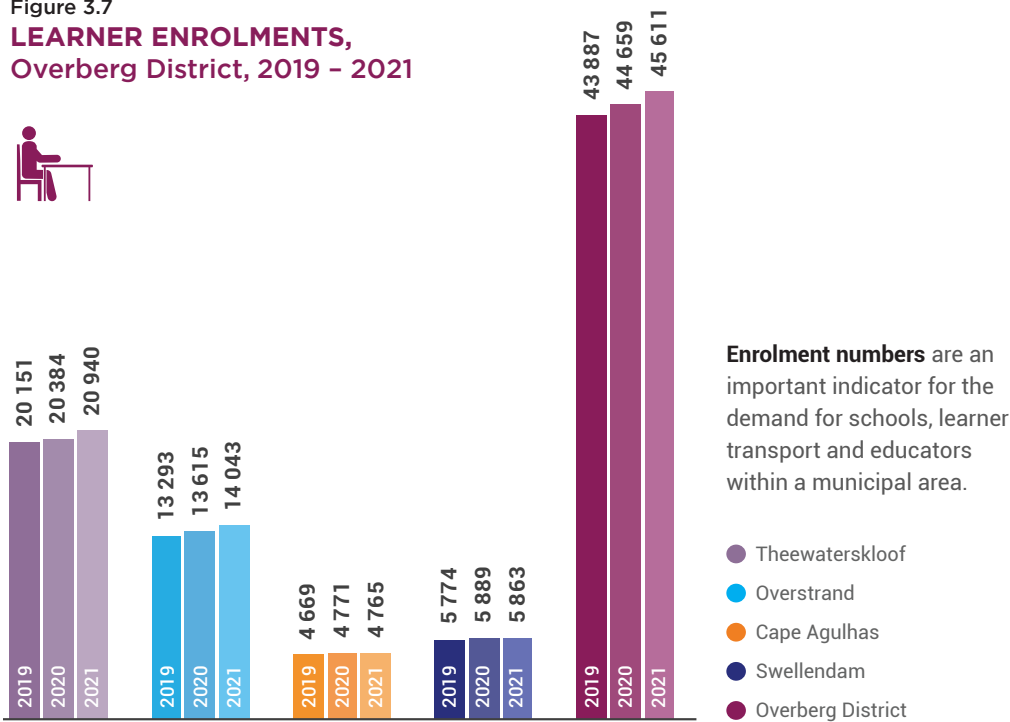
With a Gini coefficient of 0.630 in 2021, income inequality in the OD is higher than the Western Cape and has increased at a higher rate than the Province. With an increase in wealthy households relocating to Hermanus (deemed SA’s new wealth hotspot),¹² the Overstrand municipal area recorded the highest Gini coefficient (0.645) in 2021, followed by the Theewaterskloof municipal area (0.620).

3.3.2 Education

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

Figure 3.7 depicts changes in learner enrolments in the OD between 2019 and 2021.

Figure 3.7
LEARNER ENROLMENTS,
Overberg District, 2019 – 2021



Source: Western Cape Education Department, 2022

The number of student enrolments in the OD increased from 43 887 in 2019 to 45 611 in 2021. All municipal areas in the OD experienced increases in the number of learner enrolments. The Theewaterskloof municipal area accounted for the largest number of enrolments, which increased by 789 learners from 20 151 learners in 2019 to 20 940 learners in 2021. The same municipal area also recorded the highest learner enrolment increase over the period.



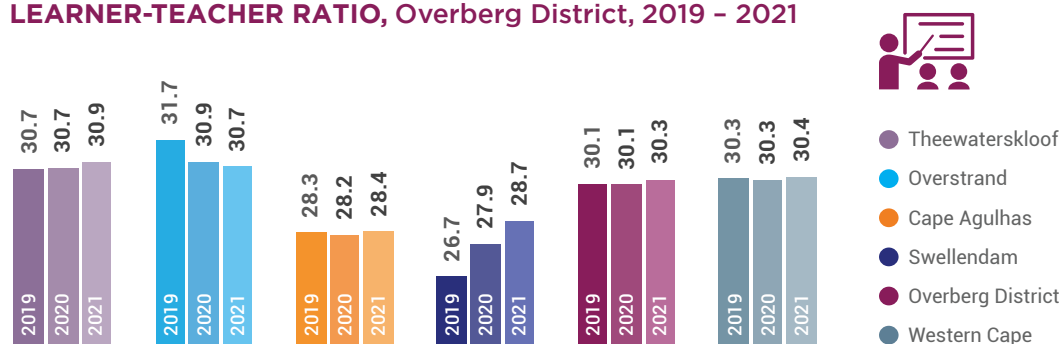
¹² (Muller, 2022).

The Cape Agulhas municipal area accounts for the smallest share of learner enrolments (4 765 in 2021) in the District, and the Swellendam municipal area experienced the lowest increase in enrolments between 2019 and 2021 (89 learners). Both the Swellendam and Cape Agulhas municipal areas experienced a decrease in learner numbers between 2020 and 2021.

Figure 3.8 illustrates the learner-teacher ratios for the OD and the Western Cape.

Figure 3.8

LEARNER-TEACHER RATIO, Overberg District, 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.¹³ Lower learner-teacher ratios are associated with more interaction between teachers and learners, which could contribute to better-quality education.¹⁴

The learner-teacher ratio in the OD increased from 30.1 learners per teacher in 2019 to 30.3 learners per teacher in 2021. Except for the Overstrand municipal area, all the other municipal areas experienced an increase in the learner-teacher ratio between 2019 and 2021. This is indicative of a shortage of schools and/or teaching staff in these areas. In the Overstrand municipal area, the learner-teacher ratio improved from 31.7 learners per teacher in 2019 to 30.7 learners per teacher in 2021.

Although Swellendam is considered to have had a low learner-teacher ratio of 28.7 in 2021, it experienced the largest increase in the learner-teacher ratio from 27.9 learners per teacher in 2020 to 28.7 learners per teacher in 2021.

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 learner drop-outs and higher graduation rates.¹⁵



¹³ (Sephton, 2017).

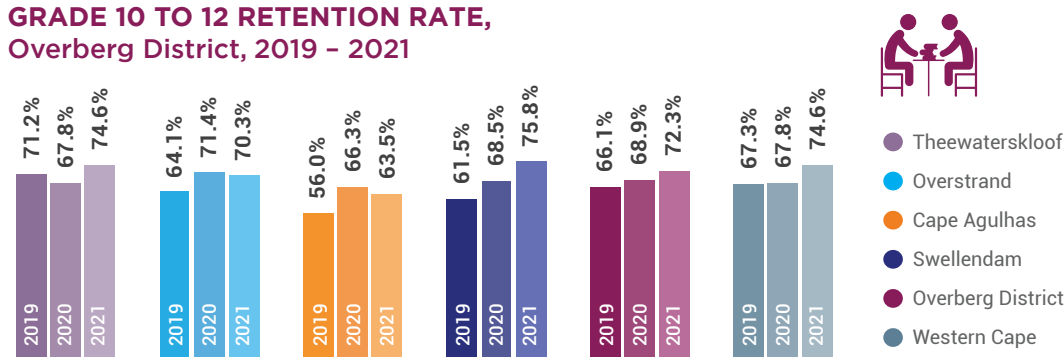
¹⁴ (Moloi, 2011).

¹⁵ (The Hun School of Princeton, 2019).

Figure 3.9 shows the Grade 10 to 12 retention rates of the OD between 2019 and 2021.

Figure 3.9

**GRADE 10 TO 12 RETENTION RATE,
Overberg District, 2019 – 2021**



Source: Western Cape Education Department, 2022

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

In 2021, the OD recorded a lower retention rate (72.3 per cent) than the Western Cape (74.6 per cent). The OD experienced an increase in the retention rate from 66.1 per cent in 2019 to 72.3 per cent in 2021. The learner retention rate is influenced by a number of factors, including economic influences such as unemployment, poverty/very low household income/indigent households, as well as social concerns such as teenage pregnancies. Moreover, 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.¹⁶

All municipal areas recorded an increase in the learner retention rate from 2019 to 2021. The Cape Agulhas municipal area had the lowest retention rates between 2019 and 2021 but recorded a substantial increase over the period under review. The Swellendam municipal area's retention rate also increased significantly over the review period (from 61.5 per cent in 2019 to 75.8 per cent in 2021).

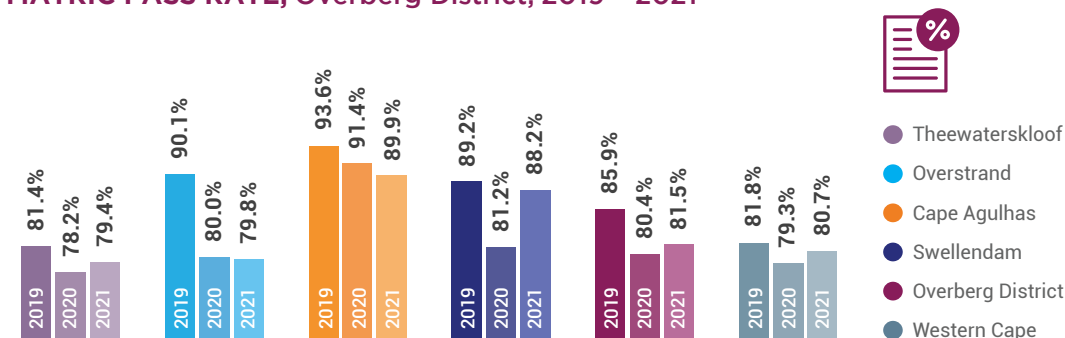
Access to education is an important indicator for labour market skills and access to economic opportunity. Local challenges that result in learners leaving school before Grade 12 need to be assessed, especially considering that most sectors require semi-skilled and skilled labour.

¹⁶ (Stats SA, 2022).

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 depicts the OD's matric pass rate between 2019 and 2021.

Figure 3.10

MATRIC PASS RATE, Overberg District, 2019 – 2021



Source: Western Cape Education Department, 2022

The OD had a marginally higher matric pass rate than the Western Cape. However, the District experienced a drop in the matric pass rate from 85.9 per cent in 2019 to 81.5 per cent in 2021. All the local municipal areas experienced declines in their matric pass rate. The Overstrand municipal area recorded a significant decline from 90.1 per cent in 2019 to 79.8 per cent in 2021.

For the entire period under review, the Cape Agulhas municipal area had the highest matric pass rate compared with other municipal areas in the District, with 93.6 per cent in 2019, 91.4 per cent in 2020 and 89.9 per cent in 2021.

Even though COVID-19 lockdown measures were eased in 2021, the academic performance of many learners was still influenced owing to routine disruptions. Lockdown restrictions impacted scholars in terms of teaching time lost and the transition to online teaching negatively affected the matric pass rate. This also impacted the class of 2021, as students in Grade 11 in 2020 lost more time than the matric class of 2020.¹⁷



¹⁷ (Makinana, 2020).

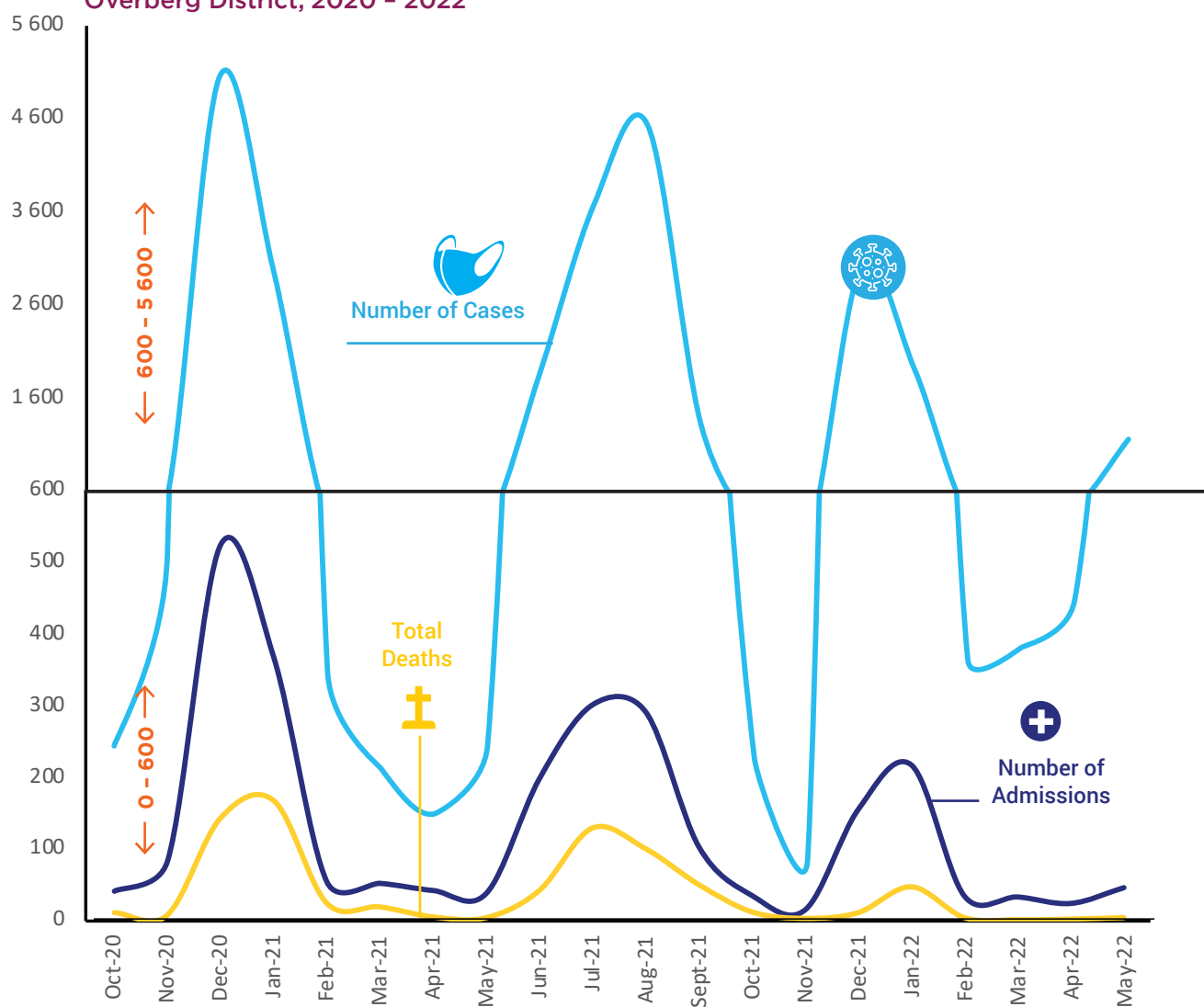
3.3.3 Health

This subsection analyses the health conditions of people living in the OD by reviewing COVID-19 admissions and deaths, the causes of death, human immunodeficiency virus (HIV), tuberculosis (TB), child mortality rates, maternal death rates and teenage pregnancies.

3.3.3.1 COVID-19

Figure 3.11 illustrates the number of cases, admissions and deaths recorded in the OD between 2020 and 2022 as a result of COVID-19.

Figure 3.11
COVID-19 CASES, ADMISSIONS AND DEATHS,
Overberg District, 2020 - 2022



Source: Western Cape Department of Health, 2022

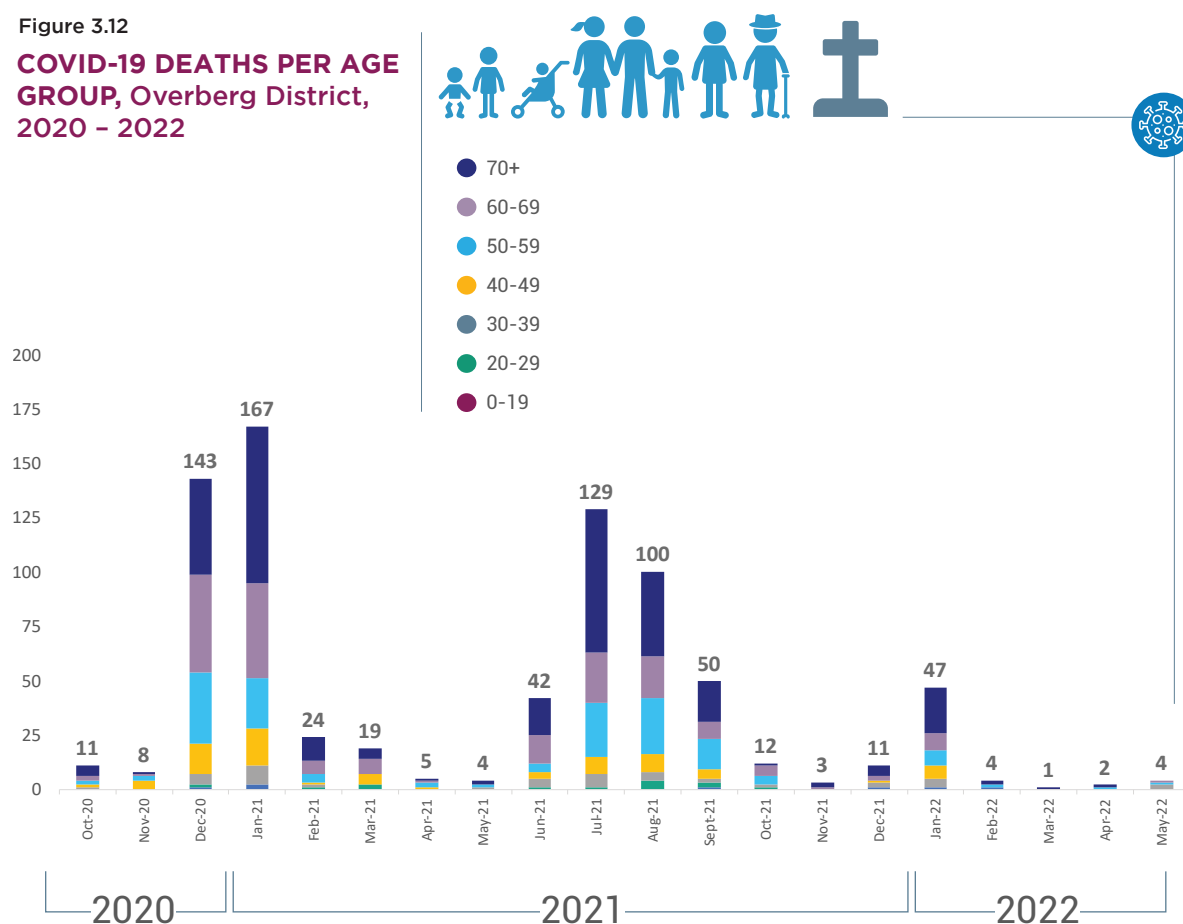
	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22	April 22	May 22
Cases	239	506	5 064	2 983	342	208	145	240	1 897	3 684	4 541	1 325	222	84	3 011	1 912	358	375	440	1 163
Admissions	41	83	524	367	54	52	42	38	198	301	291	103	35	15	155	217	34	33	24	46
Deaths	11	8	143	167	24	19	5	4	42	129	100	50	12	3	11	47	4	1	2	4

The number of COVID-19 cases in the OD experienced a significant increase from eight cases in March 2020 to 250 cases in May 2020. The District experienced the peak of its first wave with 1 250 cases recorded in July 2020, after which the number of cases declined and remained relatively stable for three months until the second wave. The second wave of COVID-19 cases (November 2020 to January 2021) peaked at 5 064 cases in December 2020. During the third wave cases peaked at 4 541 in August 2021, after which there was a significant decline until the fourth wave occurred. During the fourth wave the number of cases peaked at 3 011 in December 2021. Older people were more likely to die of COVID-19 than younger people. Older people had a higher incidence of death from COVID-19.¹⁸

Figure 3.12 illustrates the number of deaths across multiple age groups in the OD between 2020 and 2022.

Figure 3.12

COVID-19 DEATHS PER AGE GROUP, Overberg District, 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. When vaccine dose supply was limited, the public roll-out was initially limited to the elderly population, as well as those with comorbidities and those living in hostels and nursing homes, from May 2021. The vaccine was made available to all adults from August 2021 and to children in October 2021.

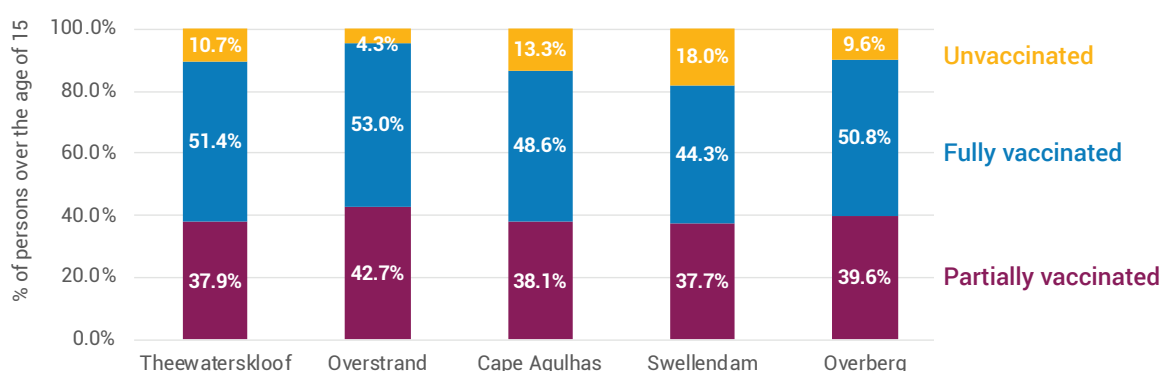
¹⁸ (See Figure 3.12).

COVID-19 vaccines are safe and effective at protecting people from getting seriously ill or hospitalised.¹⁹ 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.²⁰ Going forward, boosters are encouraged, as they help people maintain protection against severe COVID-19 infection.²¹ 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 OD.

Figure 3.13

COVID-19 VACCINATED POPULATION, Overberg District, 2020 – 2022



Vaccinations ²²	2020 – 2022		
	Partially vaccinated ²³	Fully vaccinated ²⁴	Unvaccinated
Theewaterskloof	37.9%	51.4%	10.7%
Overstrand	42.7%	53.0%	4.3%
Cape Agulhas	38.1%	48.6%	13.3%
Swellendam	37.7%	44.3%	18.0%
Overberg	39.6%	50.8%	9.6%

Source: Western Cape Department of Health, 2022

¹⁹ (Centers for Disease Control and Prevention, 2022).

²⁰ (Seladi-Schulman, 2021).

²¹ (Maragakis & Kelen, 2022).

²² It should also be noted that the vaccination numbers reported are based on the place of vaccination and not the clients' area of residence.

²³ Percentage of individuals who have received a Pfizer first dose.

²⁴ Percentage of Individuals who have received a Johnson & Johnson vaccine or a Pfizer first dose and second dose.

In 2021, the Overstrand municipal area had the highest proportion (53.0 per cent) of vaccinated people in the District. Out of all municipal areas in the District, the Swellendam municipal area had the highest proportion of unvaccinated people (18.0 per cent). This can probably be attributed to the municipal area having the lowest number of vaccination sites across all municipal areas in the District.²⁵ This, combined with vaccine hesitancy, may also contribute to the higher proportion of unvaccinated people in the municipal area compared with other municipal areas in the District.

Those with the highest recorded number of first doses received were between the ages of 18 and 34, at 47 555 doses. This can be attributed to reported eagerness in the age group,²⁶ as well as the increase in the rate of vaccinations to 240 000 vaccines per day.²⁷ The age group with the most people who received second doses was 60 years and above, with a total of 27 138 people receiving doses. This could be a result of the age group being the earliest eligible for vaccinations in the country. The least vaccinated group was in the age range of 12 to 17. In this group, 6 133 people received their first dose and 1 757 received their second dose. This could be a result of increased vaccine hesitancy among 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.²⁸



²⁵ (Department of Health, 2022).

²⁶ (South African Government News Agency, 2021).

²⁷ (Evans, 2021).

²⁸ (Mail & Guardian, 2021).

3.3.3.2 HIV/AIDS and TB

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

Table 3.3

TRENDS IN HIV TESTING, TREATMENT AND OUTCOMES, Overberg District, 2018/19 – 2021/22



	2018/19	2019/20	2020/21	2021/22
Known HIV+ (Tested; n)	21 015	22 044	22 514	22 326
Of which: Clients started but no longer on ART	28.7%	26.6%	26.1%	24.2%
Of which: Clients on ART	64.2%	66.7%	67.4%	69.3%
Of which: Clients with confirmed viral suppression	73.1%	76.8%	71.6%	74.9%

Source: Western Cape Department of Health, 2022

The number of people who tested positive for HIV increased from 21 015 in 2018/19 to 22 514 in 2020/21, before declining to 22 326 in 2021/22.

The Joint United Nations Programme on HIV/AIDS (UNAIDS) targeted that by 2020, 90.0 per cent of all people living with HIV would know their status, 90.0 per cent of people diagnosed with HIV would be receiving antiretroviral therapy (ART) and 90.0 per cent of people receiving ART would have viral suppression.²⁹ However, the discontinuation or interruption of ART may result in a viral rebound. The number of patients on ART increased continuously over the period under review from 64.2 per cent in 2018/19 to 69.3 per cent in 2021/22. 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.³⁰ The percentage of patients with confirmed viral suppression fluctuated during the period under review, displaying a general increase from 73.1 per cent in 2018/19 to 74.9 per cent in 2021/22, after a drop in 2020/21 to 71.6 per cent. People who started but are no longer on ART decreased over the given period, from 28.7 per cent in 2018/19 to 24.2 per cent in 2021/22.

The age group that is most susceptible to infection (those between the ages of 15 and 50) is also the most economically and socially active.³¹ The economic impacts of increases in HIV/AIDS infections include reduced labour productivity.³²



²⁹ (UNAIDS, 2022).

³⁰ (Centers for Disease Control and Prevention, 2021).

³¹ (UNAIDS, 2000).

³² (Dixon, et al., 2002).

Table 3.4 provides a detailed breakdown of the trends in TB notification and outcomes in the OD between 2019/20 and 2021/22.

Table 3.4
TRENDS IN TB NOTIFICATION AND OUTCOMES,
Overberg District, 2019/20 – 2021/22



	2019/20	2020/21	2021/22
TB programme success rate	87.5%	73.9%	85.4%
TB clients lost to follow-up	9.9%	20.4%	8.7%
TB client death rate	2.6%	3.5%	2.9%
TB/HIV co-infected	37.6%	35.2%	36.9%
TB MDR treatment success rate	62.2%	67.3%	61.7%

Source: Western Cape Department of Health, 2022

The COVID-19 pandemic posed extensive challenges to the TB programme success rate, which decreased from 87.5 per cent in 2019/20 to 73.9 per cent in 2020/21, before increasing to 85.4 per cent in 2021/22. The percentage of TB clients lost to follow-up experienced a general decrease from 9.9 per cent in 2019/20 to 8.7 per cent in 2021/22. However, a significant increase to 20.4 per cent was recorded in 2020/21. This increase in TB clients lost to follow-up in 2020/21 could be linked to the impact of lockdown restrictions and fears related to the COVID-19 pandemic, which resulted in reduced provision of routine medical care and decreased patient visits to health facilities.³³ The TB client death rate increased significantly from 2.6 per cent in 2019/20 to 3.5 per cent in 2020/21, before decreasing to 2.9 per cent in 2021/22. The TB/HIV co-infection rate experienced some fluctuations for the period under review, but a general decline is evident from 37.6 per cent in 2019/20 to 36.9 per cent in 2021/22. The multidrug-resistant (MDR) treatment success rate also underwent a general decline amid fluctuations during the period of review, with an increase from 62.2 per cent in 2019/20 to 67.3 per cent in 2020/21, before declining to 61.7 per cent in 2021/22.

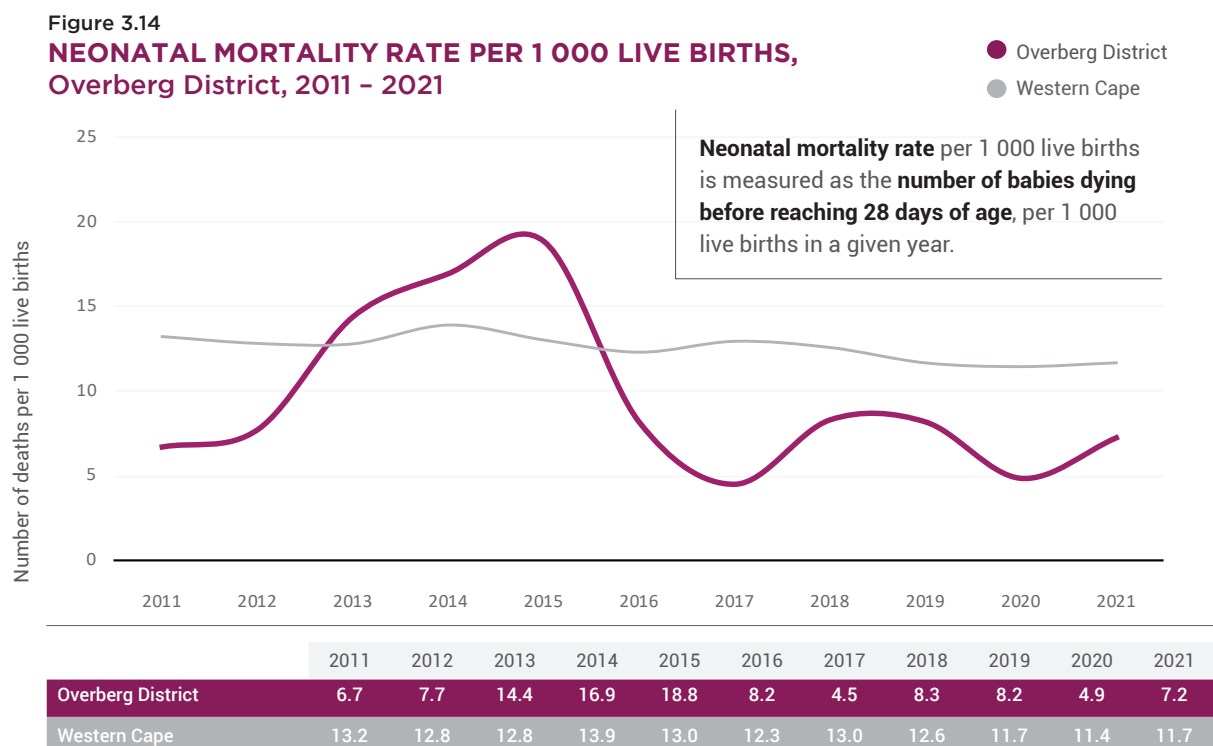


Recent trends of HIV and TB data in the OD demonstrate some stability amid the COVID-19 pandemic. This means that health services in this regard continue to be accessible to those in need and are recovering from the possible impacts of the COVID-19 pandemic, thereby enabling continued improvements in quality of life and, ultimately, the economy.

³³ (Pillay, Pienaar, Barron, & Zondi, 2021).

3.3.3.3 Child and maternal health

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



Source: Western Cape Department of Health, 2022

A fluctuating trend is observed for neonatal mortality rates in the OD during the period under review. In 2011, the deaths were recorded at 6.7 deaths per 1 000 births. This increased to a peak of 18.8 in 2015, before dropping to 4.5 in 2017. The most recent death rate was recorded at 7.2 per cent in 2021. Additionally, neonatal mortality rates were lower in the OD than the Western Cape from 2011 to 2012, after which they were higher in the OD from 2013 to 2015. Since then, they have remained below the Western Cape's neonatal mortality rates.

Table 3.5 outlines the maternal death rates per 100 000 live births in the OD between 2019 and 2021.

Table 3.5
MATERNAL DEATH RATES PER 100 000 LIVE BIRTHS, Overberg District, 2019 – 2021

MUNICIPAL AREA	2019	2020	2021
● Theewaterskloof	0	51.6	0
● Overstrand	0	0	0
● Cape Agulhas	0	0	0
● Swellendam	0	0	0
Overberg District	0	22.1	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).

No maternal deaths were reported in 2019 and 2021 in the OD. However, the maternal death rate increased to 22.1 deaths per 100 000 live births in 2020. In all three years reviewed, only the Theewaterskloof municipal area recorded maternal deaths, with 51.6 deaths per 100 000 live births in 2020.

Overall, child and maternal mortality have recently improved. However, the trends assessed indicate instability.

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 provides a municipal breakdown of teenage pregnancies in the OD between 2019 and 2021 by indicating the percentage of babies born to mothers aged between 10 and 19 years.

Table 3.6
DELIVERY RATE TO WOMEN 10 – 19 YEARS,
Overberg District, 2019 – 2021

MUNICIPAL AREA	2019	2020	2021
● Theewaterskloof	13.7%	16.5%	16.2%
● Overstrand	11.5%	10.5%	10.3%
● Cape Agulhas	15.0%	12.8%	15.0%
● Swellendam	14.5%	16.8%	16.2%
Overberg District	13.1%	14.0%	14.0%

Source: Western Cape Department of Health, 2022

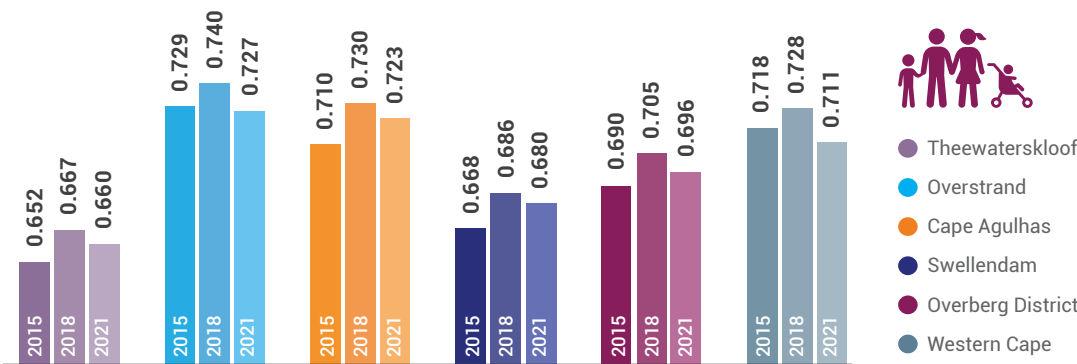
The OD experienced an increase in the delivery rate for women between 10 and 19 years, from 13.1 per cent in 2019 to 14.0 per cent in 2020 and 2021. The Theewaterskloof municipal area recorded the largest increase between 2019 and 2021, increasing from 13.7 per cent in 2019 to 16.2 per cent in 2021. The Overstrand municipal area was the only municipal area to record a decline in the birth rate to teenagers between 2019 and 2021, from 11.5 per cent in 2019 to 10.3 per cent in 2021. Despite a decrease in 2020 to 12.8 per cent, the Cape Agulhas municipal area recorded a delivery rate of 15.0 per cent in both 2019 and 2021. An increase in delivery rates to teenagers puts additional pressure on the public sector for support, as these teenagers often drop out of school and therefore struggle to find employment owing to low skill levels.



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; economists expect economic growth to result in improvements in human development, and economic decline to have an adverse effect on human development. Figure 3.15 illustrates changes in the OD’s HDI between 2015 and 2021.

Figure 3.15
HDI PER MUNICIPAL AREA, Overberg District, 2015 – 2021



Source: IHS Markit, 2022

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

For the period under review, the OD had a lower HDI compared with that of the Western Cape, which declined in 2021 owing to the decline in life expectancy as a result of COVID. However, the OD experienced a slight increase in its HDI from 0.690 in 2015 to 0.696 in 2021. Although the Overstrand municipal area experienced a decrease in its HDI between 2015 and 2021, it still had the highest result in the OD in 2021 (0.727). Within the 2018 to 2021 period, all municipal areas experienced a decrease in their HDI, which indicates the poor performance of overall health, education and standard of living indicators.

GLOBAL HDI COMPARISON

According to the United Nations Development Programme (UNDP),³⁴ Globally, Switzerland had the highest HDI in 2021 (0.962), while South Sudan was ranked the lowest at 0.385. In 2021, the HDI in the Western Cape (0.637) was also considered high according to the UNDP classification and was above the world average.

³⁴ (United Nations Development Programme, 2022).

3.4 ACCESS TO HOUSING AND BASIC SERVICES

Future household growth

This section considers future changes in the distribution of households in the OD's municipal areas.

The majority of households in the OD are concentrated in the Overstrand municipal area, providing 42.7 per cent of households in the District. The Theewaterskloof municipal area recorded the second-largest concentration of households in the District at 35.7 per cent. The proportion of households in the Cape Agulhas municipal area, at 12.1 per cent, was only marginally above that of the Swellendam municipal area, at 12.0 per cent in the year.

The OD is forecast to have an annual growth rate of households of 2.6 per cent between 2021 and 2026. Among the municipal areas, the Overstrand municipal area is forecast to have the fastest household growth rate at 3.7 per cent in the same period. Although the Theewaterskloof municipal area is forecast to have the slowest annual household growth rate in the reference period at 1.7 per cent, its forecast number of households in 2026 (34 182) remains the second largest in the District. Although the Cape Agulhas and Swellendam municipal areas recorded similar numbers of households, the Cape Agulhas municipal area is forecast to have faster annual average household growth.

The forecast annual growth in households in the District is higher (2.6 per cent) than the annual growth in population (2.0 per cent). This is also observed across all municipal areas in the District, with all municipal areas recording a higher household annual growth rate compared with the annual population growth rate. This means that household sizes are declining across the District, from 3.4 people per household in 2022 to 3.3 people per household in 2026. The decreasing household size in the District is likely to affect demand for goods and services as well as basic services in the District, such as a reduction in allocations of free basic goods such as electricity and water. Declining household sizes are also likely to affect housing demand in the District, such as an increased demand for smaller, less costly units.



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 OD in 2021. Most households in the District reside in formal dwellings.

Table 3.7
NUMBER AND PROPORTION OF DWELLINGS,
Overberg District, 2021



DWELLING TYPE	Overberg District		● Theewaterskloof		● Overstrand		● Cape Agulhas		● Swellendam	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Formal	73 192	82.3%	29 266	81.3%	24 311	79.9%	9 385	85.2%	10 229	89.2%
Informal	14 688	16.5%	6 196	17.2%	5 786	19.0%	1 535	13.9%	1 171	10.2%
Other	1 015	1.1%	528	1.5%	330	1.1%	94	0.9%	64	0.6%

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 in back yards.

In 2021, 82.3 per cent of households in the OD lived in formal dwellings, whereas 16.5 per cent of households lived in informal dwellings. This was an increase of 2.4 per cent in the number of households living in formal housing compared with the previous year.

In all municipal areas, most of the households resided in formal dwellings, with the Swellendam municipal area having the largest share of formal dwellings (89.2 per cent), up 1.4 per cent from the year before. The Cape Agulhas municipal area also recorded a high percentage of formal dwellings, with 85.2 per cent of households living in formal dwellings (up 1.6 per cent from 2020).

The highest proportion of households living in informal dwellings can be found in Overstrand (19.0 per cent). Hermanus, which is located in the OD, is the regional tourist hotspot. As a result, many people all over the region flock to Hermanus for better economic opportunities, leading to a strain on the formal housing sector, which in turn contributes to more informal dwellings being erected.



HOUSING MARKET STUDY

Functional housing markets that respond to the diverse 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 up costs 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.

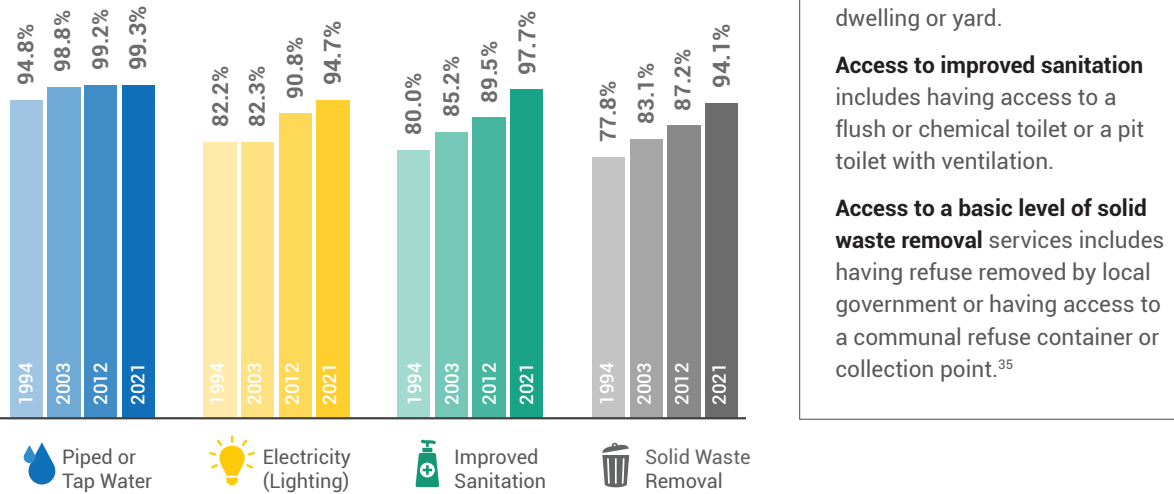
FOUR HOUSING MARKET STUDIES for Intermediate Cities/Larger Towns in the Western Cape were prepared by the Centre for Affordable Housing Finance in Africa (CAHF) under the commission of the Western Cape Department of Environmental Affairs and Development Planning, and the Western Cape Department of Human 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. In some cases, households have access to electricity directly from Eskom, and not through a local authority. Figure 3.16 illustrates the access to basic services in the OD.

Figure 3.16
ACCESS TO BASIC SERVICES,
Overberg District, 1994 – 2021



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

Between 1994 and 2021, access to piped or tap water increased by 4.5 percentage points to 99.3 per cent, with virtually all households in the OD having access to piped or tap water. During the reference period, access to electricity for lighting, improved sanitation and solid waste removal services increased significantly, by 12.5, 17.7 and 16.3 percentage points respectively. Many households in the OD reside on farms, resulting in a lag in access to solid waste removal services in the OD.



³⁵ (Quantec Research, 2022).

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 Overberg is indicated in Table 3.8 below.

Table 3.8
POVERTY THRESHOLD, Overberg District, 2021

Municipal Area	Indigent Policy
Overstrand	The indigent household may not exceed an income four times that of the government's old-age pension amount plus R1 per month (approximately R7 921). ³⁶
Theewaterskloof	Households must not have an income exceeding that of twice the government's old-age pension (R4 020). ³⁷
Swellendam	Household income may not exceed twice the All Pay Pension (approximately R3 960). ³⁸
Cape Agulhas	The household income may not exceed R4 750 per month. ³⁹

Table 3.9
NUMBER OF INDIGENT HOUSEHOLDS, Overberg District, 2019 – 2021

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

	2019		2020		2021	
	Number	% of households	Number	% of households	Number	% of households
● Theewaterskloof	6 706	19.4%	5 435	15.4%	5 792	16.1%
● Overstrand	7 630	25.8%	7 595	25.2%	7 278	23.9%
● Cape Agulhas	3 001	28.3%	3 380	31.2%	3 711	33.7%
● Swellendam	2 217	20.1%	1 967	17.5%	2 041	17.8%
Overberg District	19 554	22.8%	18 377	21.0%	18 822	21.2%

Source: Department of Local Government, 2022

The OD recorded 18 822 indigent households in 2021, constituting 21.2 per cent of all households in the District. The largest contributor to indigent households in the District was the Overstrand municipal area, which contributed 7 278 households. The Swellendam municipal area made the smallest contribution to indigent households in the District with 2 041 households. The Cape Agulhas municipal area had the highest percentage of indigent households across all municipal areas in the District, with 33.7 per cent of all households being indigent households. The Theewaterskloof municipal area had the lowest percentage of indigent households, with 16.1 per cent.

Between 2020 and 2021, the OD recorded an decrease in indigent households, as well as an increase in the proportion of indigent households in the District.



³⁶ (Overstrand Municipality, 2022).

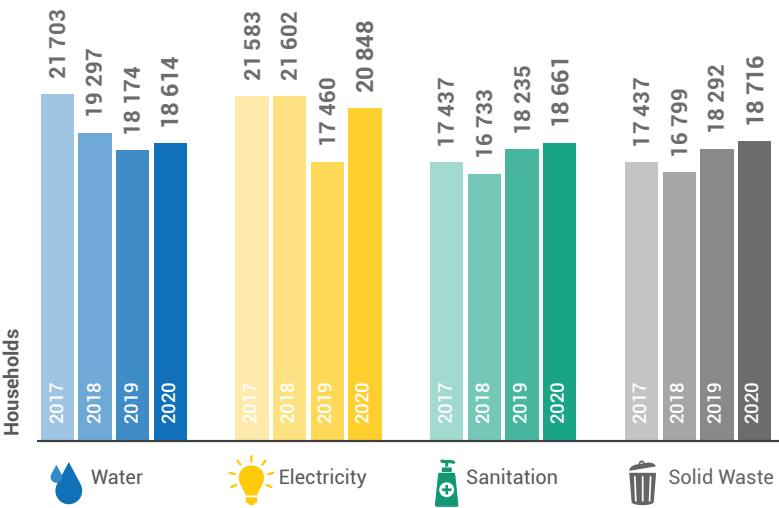
³⁷ (Theewaterskloof Municipality, 2022).

³⁸ (Swellendam Municipality, 2021).

³⁹ (Cape Agulhas Municipality, 2018).

Free basic services are available to households that qualify as indigent households. Figure 3.17 illustrates the access to free basic services in the OD between 2017 and 2020.

Figure 3.17
ACCESS TO FREE BASIC SERVICES, Overberg District, 2017 – 2020



Source: Non-financial Census of Municipalities, Stats SA, 2022

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. In the OD, access to free basic water decreased consistently during the reference period, from 21 703 households in 2017 to 18 614 in 2020. Access to free basic electricity also decreased, from 21 583 households in 2017 to 20 848 in 2020. These decreases, in more recent years, are a result of the decrease in the number of indigent houses from 19 554 in 2019 to 18 822 in 2021. Access to both free basic sewerage and solid waste removal services increased between 2017 and 2020, from 17 437 to 18 661 households and from 17 437 to 18 716 households respectively.

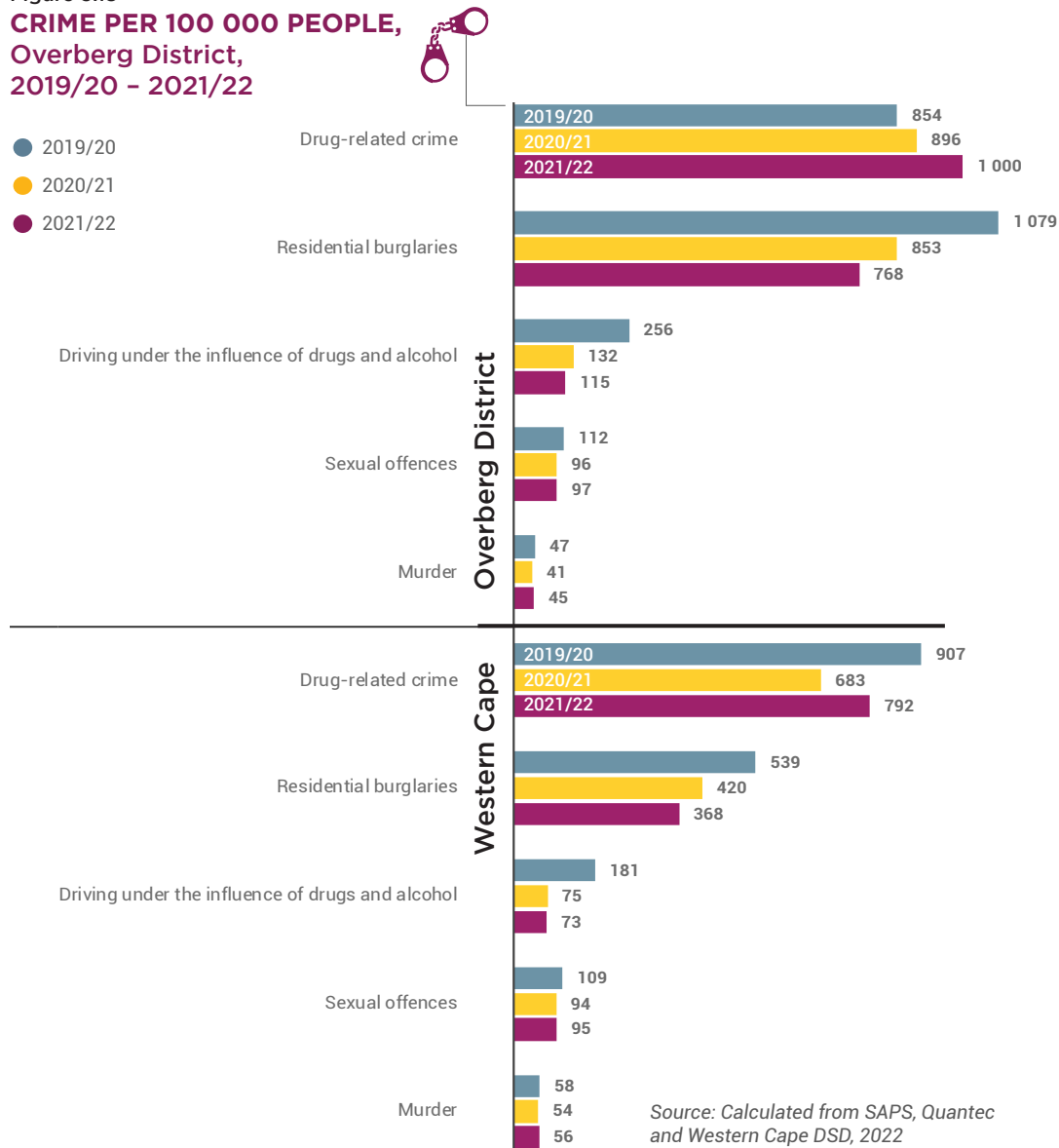


3.5 CRIME

An analysis of a region's crime trends can serve as a proxy for community safety, indicating the potential occurrence and types of criminal activities that are prevalent in the region. Figure 3.18 depicts the incidence of selected crime categories in the OD and Western Cape between 2019/20 and 2021/22.

Figure 3.18

**CRIME PER 100 000 PEOPLE,
Overberg District,
2019/20 – 2021/22**



For the crime categories under review, the OD recorded more incidents per 100 000 people compared with the Province, except for murder. The murder rate in the OD declined from 47 incidents per 100 000 in 2019/20 to 45 incidents per 100 000 people in 2021/22. In 2021/22, the Overstrand municipal area recorded the highest murder rate, at 49 murders per 100 000 people. The Theewaterskloof municipal area recorded an increase in the murder rate between 2020/21 (36 incidents per 100 000 people) and 2021/22 (48 incidents per 100 000 people).

Drug-related crime experienced the largest increase over the reference period – from 854

incidents per 100 000 people in 2019/20 to 1 000 incidents per 100 000 people in 2021/22. The Overstrand (1 315 incidents per 100 000 people) and Cape Agulhas (1 320 incidents per 100 000 people) municipal areas recorded a large number of drug-related crimes in 2021/22. The restrictions in alcohol sales in 2020/21 contributed significantly to the reduction in the number of incidents of driving under the influence of drugs or alcohol. The Theewaterskloof municipal area recorded a substantial decline between 2019/20 (179 incidents per 100 000 people) and 2021/22 (60 incidents per 100 000 people).

Residential burglaries in the OD experienced a large decline between 2019/20 and 2021/22. However, many residential burglaries were still reported in the Overstrand municipal area (1 031 incidents per 100 000 people) in 2021/22. An increase in poverty as a result of job losses could have contributed to the high number.

Sexual offences decreased from 122 incidents per 100 000 people in 2019/20 to 97 per 100 000 people in 2021/22. However, between 2019/20 and 2021/22, the Overstrand municipal area recorded increases in the number of sexual offences.

3.6 CONCLUDING REMARKS

The District has recorded improvements in the health sector, with improved success rates in TB and HIV treatment. The District also recorded declining maternal death rates and child death rates. Improvements in the health sector suggest improved standards of living in the District. This is likely to improve the economic standing of the District as socio-economic improvements are made.

Despite increases in the number of taxpayers, the District recorded declining growth in GDP per capita and contractions in average household income between 2016 and 2020. The OD has recorded an increase in income inequality. This is likely to increase further, as municipal areas in the District are renowned for attracting wealthy citizens to residences.



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

Email: pt.communications@westerncape.gov.za



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