



Western Cape
Government

Provincial Treasury



Provincial Economic Review & Outlook 2019

**Western Cape Government
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**Provincial Economic Review and
Outlook
2019**

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Foreword

The 2019 Provincial Economic Review and Outlook (PERO) is an objective review and analysis of recent and forecasted economic growth, labour market trends, as well as key socio-economic indicators in the Western Cape.

Understanding the dynamics, prospects and constraints of the regional economy is essential to enhance economic growth and drive socio-economic development in the Province.

The 2019 PERO is published together with its sister publication, the Municipal Economic Review and Outlook (MERO), which further breaks down the socio-economic data to a district and local government level.

These two publications provide valuable evidence-based information to inform policies, plans and budgets that are responsive, aligned and sensitive to spatial idiosyncrasies.

The current global economic climate characterised by tensions and uncertainty, together with domestic economic challenges, requires strong policy direction with a focus on sustainable and resilient growth.

The policy implications of the 2019 PERO reinforce the upcoming 2019 - 2024 Provincial Strategic Plan (PSP), which will set out the Western Cape Government's vision, strategic priorities and outcomes together with an action plan to deliver on these priorities.

The PSP will consider the key economic and socio-economic trends highlighted in the 2019 PERO and feature opportunities for economic resilience as a transversal enabler.

My sincerest gratitude is expressed to my colleagues at the Provincial Treasury, officials from other provincial government sector departments and our research partners for their valuable contributions to the publication of this year's PERO.

Your efforts will inform decisions taken to embed resilience in the economy of the Province and assist us to maximise service delivery for all the people in the Western Cape.



Mr David Maynier
Minister of Finance and Economic Opportunities
30 September 2019

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Acronyms

AAGR	Average Annual Growth Rate
AfCTA	African Continental Free Trade Agreement
AIDS	Acquired Immune Deficiency Syndrome
ART	Anti-Retroviral Treatment
BER	Bureau for Economic Research
BCI	Business Confidence Index
CPI	Consumer Price Index
CSIS	Center for Strategic & International Studies
CSP	Community, Social and Personal Services
DEDAT	Department of Economic Development and Tourism
ECB	European Central Bank
EU	European Union
Fed	Federal Reserve Bank
FDI	Foreign Direct Investment
FIFA	Fédération Internationale de Football Association
GDP	Gross Domestic Product
GDPR	Regional Gross Domestic Product
GRTA	Growth Relative Trade Advantage
GVA	Gross Value Added
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
ILO	International Labour Organization
IMF	International Monetary Fund
IMR	Infant Mortality Rate
IPP	Independent Power Producers
LMDS	Labour Market Dynamic Survey
LNG	Liquefied Natural Gas
MDR	Multiple Drug Resistant
MERO	Municipal Economic Review and Outlook
MPC	Monetary Policy Committee
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
NEET	Not in Education, Employment or Training
NSC	National Senior Certificate

OSSB	Offshore Supply Base
OPEC	Organisation of the Petroleum Exporting Countries
PERO	Provincial Economic Review and Outlook
PSDF	Provincial Spatial Development Framework
PSG	Provincial Strategic Goal
PSP	Provincial Strategic Plan
QES	Quarterly Employment Statistics
QLFS	Quarterly Labour Force Survey
RCTA	Revealed comparative trade advantages
RMB/BER	Rand Merchant Bank/Bureau for Economic Research
RR	Rifampicin Resistant
SA	South Africa
SACU	South African Customs Union
SADC	Southern African Development Community
SARB	South African Reserve Bank
SDG	Sustainable Development Goals
Stats SA	Statistics South Africa
TALIS	Teaching and Learning International Survey
TB	Tuberculosis
TFR	Total Fertility Rate
UIF	Unemployment Insurance Fund
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
US	United States
WCG	Western Cape Government
WCDoA	Western Cape Department of Agriculture

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Introduction and executive summary

1.1 Introduction

The Western Cape Provincial Economic Review and Outlook (PERO) provides an annual overview of key economic trends and an analysis of priority sectors, labour market dynamics and socio-economic developments. The theme of the 2019 PERO is Resilient Growth. This publication particularly highlights the achievement of and progress toward Resilient Growth in certain sectors of the Western Cape, specifically those that were impacted by a complex and uncertain economic environment.

The 2019 PERO provides an evidence-based and robust source of economic intelligence which can support the development of policy and plans as well as inform the budget processes of departments and municipalities. The economic and socio-economic trends presented in the 2019 PERO highlight the dynamic and interrelated environment within which the provincial government operates. This publication hereby sets the economic and socio-economic context for the Western Cape, while highlighting key challenges and risks. In this regard, the PERO supports strategic planning and budgeting processes and enables responsive service delivery.

The PERO publication is coordinated by the Provincial Treasury and includes contributions from various Western Cape Government (WCG) departments and partners. The PERO provides a global, national and provincial review and interpretation of economic statistics, trends and developments. The publication disaggregates provincial economic information to a district level and thereby relates directly to the Municipal Economic Review and Outlook (MERO) – its companion report. The analyses in the PERO are based on the latest data from Stats SA, Quantec, the Bureau for Economic Research (University of Stellenbosch) and the Development Policy Research Unit (University of Cape Town).

1.1.1 Policy environment

The WCG is in the process of developing the 2019 - 2024 Provincial Strategic Plan (PSP) which will set out the Western Cape Government's vision, strategic priorities and outcomes together with an action plan to deliver on these priorities. The development of the 2019 - 2024 PSP is a key process which forms part of the 2019/20 integrated policy, planning, budgeting and implementation cycle. The PSP will consider the key economic and socio-economic trends highlighted in the 2019 PERO and feature opportunities for economic resilience as a transversal enabler. This process takes into account the strategic priorities of:

- Enabling economy and jobs (Our Economy);
- Empowering people (Our People);
- Safe and cohesive communities (Our Safety);
- Public transport, mobility and spatial transformation (Our Places); and
- Innovation and culture (Our Government).

The WCG's medium-term plans are also framed in the context of various long-term visions and strategies:

- The United Nation's 17 Sustainable Development Goals (SDGs) launched in 2015 builds on the Millennium Development Goals and seeks to reach the most vulnerable.
- The Africa Agenda 2063 is a strategic framework for the socio-economic transformation of the African continent. Its guiding vision from the African Union is for "... an integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the international arena".
- The National Development Plan (NDP) 2030 provides a detailed policy framework for eliminating poverty and reducing inequality by 2030. It offers a long-term vision for South Africa with sector specific goals. The NDP is aligned to Agenda 2063 and the SDGs. A five-year NDP Implementation Plan will be released and will be based on the three pillars of inclusive economic growth, the capabilities of South Africans and a capable state.

The NDP five-year Implementation Plan includes seven priorities:

- Economic transformation and job creation;
- Education, skills and health;
- Consolidating the social wage through reliable and quality basic services;
- Spatial integration, human settlements and local government;
- Social cohesion and safe communities;
- A capable, ethical and developmental state; and
- A better Africa and world.

1.2 Executive summary

1.2.1 Macroeconomic performance and outlook

In last year's (2018) PERO, the outlook of the International Monetary Fund (IMF) was for global growth to accelerate to 3.9 per cent in 2018 and 2019. It turned out that it slowed to 3.6 per cent in 2018, as growth moderated in both advanced and emerging and developing economies.

The outlook for 2018 was rather cautious: while the growth outlook for the US was still optimistic, key advanced economies, most notably the Euro area and Japan, appeared to be on a slowing trajectory. Growth in emerging and developing economies was expected to remain stable, propped up by continued growth in China and India.

In retrospect, the cautionary outlook was too optimistic. As with advanced economies, growth in emerging and developing economies moderated as well. Momentum in the Chinese economy slowed to 6.6 per cent in 2018. Economic growth in India also eased to 6.8 per cent in 2018. The result is that global economic growth in 2018 was indeed below last year's outlook.

The constrained growth continued into the first half of 2019 with data pointing to 2019 growth being weaker than in 2018. A slowdown in full-year 2019 growth to 3.2 per cent is expected for the global economy. It is forecast to accelerate somewhat in 2020 (to 3.5 per cent). However, a number of, mainly downside, risks threaten the performance of the global economy, most notably an intensification of trade tensions. In this context of global and emerging market woes, South Africa remains a relative underperformer.

As economic activity in South Africa remained under pressure in the second quarter of 2018 and the RMB/BER Business Confidence Index fell to 39 index points in the second quarter, the outlook in the 2018 PERO was for a downturn of the national economy. That pessimistic outlook was unfortunately realised as the pace of growth in the South African economy slowed to 0.8 per cent in 2018. The domestic economic performance deteriorated even further in the first quarter of 2019 (with a 3.1 per cent quarter-on-quarter contraction) before rebounding in the second quarter (by 3.1 per cent). Despite this, the Bureau for Economic Research (BER) projects the South African economy will expand by a mere 0.2 per cent in 2019 before accelerating to 1.1 per cent in 2020. The decline in the RMB/BER Business Confidence Index to 21 index points, a 20-year low, in the third quarter of 2019 may however weigh on private fixed investment going forward, further impacting on national growth projections.

It was noted in last year's PERO, that while the Western Cape usually performed relatively well compared to the other provinces, the provincial economy was forecast to underperform relative to the national economy in 2018. The most recent data suggest that Western Cape growth was somewhat lower than the growth recorded in the rest of South Africa. However, there were indications that the gap between

provincial and national growth rates may revert to the usual pattern of the Western Cape outperforming the national economy.

A mild rebound in economic activity in the Western Cape to 0.7 per cent growth is projected for 2019, albeit higher than that for South Africa. A more meaningful acceleration (to 1.2 per cent) is expected in 2020. Over the medium term (until 2023), growth for the Province is projected to average 1.6 per cent per year. To put it into context, this is similar growth (on average) as recorded between 2013 and 2017.

Over the medium term, the Provincial economy is forecast to suffer from the same growth constraints facing the national economy. As such, the medium-term growth outlook mimics that of South Africa in that, while it is expected to rise, the pace is more moderate relative to previous periods. The finance, insurance, real estate and business services sector, as well as transport, storage and communication services are expected to be the most prominent contributors to the provincial growth rate.

1.2.2 Development of the Western Cape economic sectors

The Western Cape economy continued to expand over the last decade, but, on average, the growth rate more than halved to 2.0 per cent for the period of 2008 to 2017. The economy is forecast to have barely increased in 2018 with 0.2 per cent growth anticipated.

As was highlighted in previous PEROs, the private services sector was the key driver of growth over the last few years. However, this is also because it makes up more than 60 per cent of the Western Cape economy. The private services sector has grown by about 21 per cent from 2008 to 2017. Agriculture Gross Value Added has fluctuated widely during the last five years, in a large part due to weather-related shocks. The forecasted contraction in 2018 caused by the protracted drought is expected to be the key drag on provincial growth in 2018.

Going forward, private services is forecast to remain the key driver of economic growth in the Western Cape. Within private services, the business services sector is expected to provide the biggest boost to growth, followed by finance and insurance. The general government and construction are expected to be less supportive of overall growth than before.

Overall, the Western Cape economy is forecast to expand by an average annual rate of 1.6 per cent from 2019 to 2023 compared to 1.3 per cent in the preceding five years. Agriculture and agri-processing are forecast to be the fastest growing sectors as they recover from an average annual contraction recorded from 2014 to 2018.

In 2018, the Western Cape is estimated to have recorded its first annual decline (of 2.6 per cent) in employment since 2008. Overall, employment growth in the Province is forecast to rise by 1.8 per cent year-on-year in 2019. Going forward, employment growth is forecast to average just 0.9 per cent per year between 2019 and 2023. In the Province, agriculture is forecast to grow at the fastest rate on average. However, this is because employment levels are expected to jump in 2019 as the sector

recovers from the drought which led to three consecutive year-on-year declines in the sector.

The West Coast recorded the highest economic growth rate (3.2 per cent) in 2017, largely as a result of the expansion in agriculture, forestry and fishing sub-sector, which contributed 75.5 per cent of output growth in that year. While the Cape Metro recorded the lowest growth rate (0.9 per cent) for that year, it made the largest contribution to economic growth (49.9 per cent) due to its relative size in the provincial economy. Growth in the Cape Metro was supported by the finance, insurance, real estate and business services sub-sector, which contributed more than three quarters (78.9 per cent) to output growth in 2017.

The Western Cape economy recorded average annual growth of 0.7 per cent in gross fixed capital formation from 2014 to 2018. The biggest contribution to growth came from the private services sector, which was responsible for 78.3 per cent of the growth in fixed investment over this period. In contrast, the agriculture, manufacturing and construction sectors saw fixed investment decline on an annual average basis. Going forward, fixed investment growth is forecast to pick up to 4.3 per cent year-on-year from 2019 to 2023 with positive (average) growth expected for all economic sectors.

Western Cape exports expanded by an average of 8.8 per cent per year over the last 10 years. In 2018, exports rose by 3.9 per cent following a 0.3 per cent decline in 2017. As a result of a sharp increase in import growth compared to exports, the Western Cape's trade deficit rose to R90.0 billion in 2018 from R59.1 billion in the previous year. However, excluding oil imports, the Western Cape recorded a trade surplus of R20.6 billion in 2018.

Africa continues to be the most important export market for the Western Cape, followed by Europe and Asia. In terms of product categories, 21.8 per cent of exports to Africa in 2018 were mineral fuels, mineral oils and products of their distillation, bituminous substances, mineral waxes, and iron and steel products.

The Western Cape export picture is dominated by agricultural and agri-processed goods, which made up 36.1 per cent of exports in 2018. The fastest growing export sectors in the Western Cape were agriculture (26.9 per cent growth), metals, metal products, machinery and equipment (17.5 per cent) and communication (17.2 per cent). Over the last five years, the other non-metal mineral products sector saw the fastest growth (9.4 per cent on average per year), followed by agriculture (8.3 per cent).

Halal trade in the Western Cape has grown over the last four years, with the sum of halal-relevant exports to Muslim consumers growing from R9.1 billion in 2015 to R10.2 billion in 2018. The sum of halal relevant exports to all consumers grew from R43.7 billion in 2015 to R52.9 billion in 2018 – a 21 per cent growth.

The 2018 Western Cape turnover from ship repair and maintenance was R3.2 billion, while from fabrication it was R481 million. The Gross Value Added (GVA) from the marine services sector was R4.2 billion for 2018 which is a 6.2 per cent increase from 2017. Jobs grew from 6 420 in 2017 to 12 390 in 2018 (10.4 per cent).

The Western Cape accounted for 16.2 per cent of all South African tourist arrivals in 2018 and received 19.8 per cent of South Africa's tourist's spend. In 2018, the estimated total foreign direct spend in the Western Cape reached R16.3 billion. A number of challenges in South Africa resulted in slower growth in international and domestic arrivals.

1.2.3 Labour market dynamics

South Africa has long faced the triple challenges of poverty, inequality, and unemployment. In many respects though, unemployment is the central challenge. In the first quarter of 2019, employment in South Africa was 16.3 million, while 6.2 million people were unemployed according to the narrow definition of unemployment. Consequently, the narrow unemployment rate for the quarter was 27.6 per cent. This sets the stage for the major labour market challenges facing the Western Cape.

Within the Western Cape, employment was 2.5 million in the first quarter of 2019, up from 2.2 million five years earlier. This 2.4 per cent per annum expansion was more rapid than that of the working-age population. Narrow unemployment was virtually unchanged over the period, with the unemployment rate estimated at 19.5 per cent. However, growth of the non-searching unemployed population in the Province was very rapid. As a result, expanded unemployment in the Province grew to almost 3.3 million.

In the first quarter of 2019, roughly two-thirds of working-age adults (67.8 per cent) in the Western Cape were members of the narrow labour force. During the prime working ages of 25 to 54 years, labour force participation rates in the Province were above 75 per cent, with as many as 84.6 per cent of 25 to 34 year olds participating in the labour force.

The vast majority (78 per cent) of net new jobs added to the provincial economy over the five-year period ending the first quarter of 2019 were located in the non-agricultural sector. The informal non-agricultural sector has been growing employment substantially more rapidly than the rest of the economy. The informal sector in the Province remains relatively small, though, accounting for just 11.4 per cent of total provincial employment.

Formal sector employment in the Province is concentrated within the two ten-year age cohorts aged 25 to 34 years and 35 to 44 years. Together, these two cohorts account for 60.0 per cent of formal sector jobs. The narrow unemployment rate for 15 – 24 year olds in the Province was 39.5 per cent, accounting for 25.8 per cent of all the unemployed in the Western Cape. The socio-economic burden of unemployment is exacerbated by the fact that 34.9 per cent of the unemployed live in households with no employed members and that 43.4 per cent live in households with one employed member.

There are relatively few unemployed individuals in the Province who are not actively seeking employment (i.e. discouraged workseekers), in contrast with the rest of the country. Educational attainment has a significant impact on the employment prospects of youth: the rate of unemployment falls as the level of education rises above the secondary level. The unemployment rate in the Western Cape for those with only some secondary education was 26.8 per cent in the first quarter of 2019, falling to 6.3 per cent for those with degrees.

In terms of contract type, contract duration and benefits, formal sector employees in the Western Cape find themselves in a relatively favourable position. Virtually all formal sector employees in the Province have written contracts of employment, while more than three-quarters have permanent employment contracts. Across a range of benefits, formal sector workers in the Western Cape enjoy a relatively favourable position.

City of Cape Town is home to 63.7 per cent of the population and an almost identical proportion of the working-age population. Provincial employment and the narrow unemployed are similarly concentrated within the City, as are youth not in employment, education or training (NEET). The non-searching unemployed are primarily located within urban areas in the rest of the Province, with these areas share on non-searching unemployed almost twice their share of the working-age population and employment. Rural areas, in contrast, account for very small proportions of unemployment.

1.2.4 Socio-economic developments

The Western Cape is home to 11.6 per cent of South Africa's population. Although ageing somewhat faster than in other provinces, the Province's population is still relatively young with 28.8 per cent under 15 years of age. This proportion is likely to continue its slow decline as the Province's total fertility rate is still falling. This trend could accelerate due to the expected net inflow of more than 361 000 residents between 2016 and 2021.

The inflow of relatively unskilled people of working age and the slowing down of economic growth in the Western Cape over the last seven years, exacerbated inequality in the Province as measured by the Gini coefficient (from 0.604 in 2012 to 0.614 in 2018). In spite of this trend, the Human Development Index (HDI) for the Western Cape improved steadily from 0.682 in 2009 to 0.730 in 2018. It improved for all districts in the Province, especially in Central Karoo and West Coast.

The demographic forces referred to above resulted in an increase between 2013 and 2019 of 15.8 per cent in the number of learners accessing education in the Province. More than 1 million learners in public ordinary schools across the Province are concentrated in the Metro and Cape Winelands districts. In spite of this growth, the Province maintained a relatively high National Senior Certificate (matric) pass rate of 81.5 per cent in 2018. More encouraging for education outcomes is the improvement in systemic testing results for mathematics and literacy in Grades 3, 6 and 9 for most years between 2013 and 2018.

The leading cause of death amongst males in the Province is interpersonal violence (12.3 per cent in 2016) and for women it is diabetes mellitus (10.7 per cent). Most of the other leading causes of death are related to lifestyle or socio-economic conditions, such as HIV/Aids, ischaemic heart disease and tuberculosis. There has been a concerted campaign by government over the past several years to test and treat as large a proportion of the population as possible, particularly those at highest risk, in an effort to reduce the spread of HIV. During the 2018/19 financial year, almost 1.78 million people in the Province were tested for HIV. This increased the proportion of HIV positive people knowing their status, receiving their treatment and achieving viral suppression.

In the Western Cape, the uptake of antenatal visits before 20 weeks at public health facilities has improved consistently from 67.7 per cent in 2015/16 to 70.3 per cent in 2018/19. Despite this, the maternal mortality-in-facility ratio has increased in 2018/19 following several years of consistent decline. The improvement in access to testing and treatment of HIV amongst pregnant women has resulted in low mother-to-child transmission rates in the Province.

Housing demand has continued to grow in the Province, with over half a million households registered for public housing. In the Western Cape, 79.6 per cent of households lived in formal housing in 2018. Home ownership in the Province was still the lowest (56.2 per cent) in the country. As a result, the proportion (32.5 per cent) of homes rented is relatively high in the Province. A related indicator is the 87.9 per cent of households in the Western Cape that were connected to the mains electricity supply in 2018. Households in the Western Cape with access to clean running water, adequate sanitation and refuse removal remained stable at 98.7 per cent since 2016. While access to basic services has largely kept pace with increasing demand for services, the rapid pace of urbanisation has been identified as a risk going forward.

Crime and substance abuse continue to burden the Province, impacting on the economic and socio-economic well-being of citizens.

1.3 Policy implications of research findings

The economic outlook remains fragile and is faced by many downside risks. As such, the sustainability of the national fiscal framework remains under pressure from both the expenditure side and revenue side. From the expenditure side, new policy priorities of the new government administration will possibly need new funding and the possibility of further government bail-outs of state owned enterprises (Eskom) may occur. From the revenue side, weak economic growth will likely result in a further under-collection of projected tax revenues, resulting in a further increase in the national budget deficit which in turn will increase the national debt levels.

The increased burden of national debt service costs will most likely see the possibility of a sovereign credit rating downgrade by Moody's in December 2019 which will have a negative impact on the of size transfers from the national fiscus to provinces. The reduced transfers to the Province will place increased pressure on service delivery by provincial departments specially health, education and social development.

The private services sector dominates the Western Cape economy, having grown by 21 per cent between 2008 and 2017. Going forward, the sector is expected to remain the key driver of growth and sustainable employment in the Province with the Wholesale and retail trade, Catering and accommodation sector, as well as the Finance, insurance, real estate and business services subsectors forecast to add approximately 35 000 jobs each on a net basis between 2019 and 2023. While the Agriculture sector is an important employer of unskilled labour and significant contributor to the economy, the current trends indicate that this sector is under pressure and not able to absorb unskilled labour at a rate equivalent to supply or to reduce rural unemployment. Focus should therefore remain on providing education and skills development opportunities that enable access to employment opportunities in the private services sector.

The Western Cape economy's average annual growth in gross fixed capital formation between 2014 and 2018 is estimated at 0.7 per cent. Although this was marginally up from the 0.4 growth rate recorded in the preceding five years, it is well below the long-term average rate of 4.1 per cent (1996 to 2018). To attract growth and employment creating fixed investment into the Province, key initiatives aimed at facilitating an enabling business environment, red tape reduction as well as reducing business risks (such as crime reduction initiatives) should be strengthened.

Youth unemployment remains a challenge, with youth recorded as the largest cohort of those who are unemployed in the Province. The continued upward trend in unemployment may lead to greater pressures on the state for support or social security over the short, medium and long term. Failure to decisively address unemployment challenges will result in long-lasting and substantial impact on economic and socio-economic development in the Province. To mitigate this, progressive and innovative opportunities to attract investment and in relation, create jobs need to be explored in earnest.

On average, trends in life expectancy and access to basic services have been positive, which has influenced the continued improvement in the Province's HDI. Although provincial household expenditure is relatively higher than the national average, poverty and rising inequality persist. The impact of population growth is evident in the 15.8 per cent increase in learner enrolment numbers in public ordinary schools in the Province between 2013 and 2019. The health sector is faced with similar service load growth pressures, with signs of a strained system are evident in the regressions in key health outcome indicators such as the mother-to-child transmission rate and maternal mortality in facility ratio in public health facilities.

To mitigate the further erosion of developmental gains, targeted innovative interventions developed through evidence-based research are required. Central to the successful implementation of these interventions are partnerships with all key stakeholders, across government spheres and sectors.

1.3.1 Resilient Growth

The concept of resilience emerged in the development psychology literature to refer to positive adaptation by individuals in the context of significant adversity, emphasising a developmental systems approach. Many decades of research led to an understanding of the “protective and promotive” factors that are associated with resilience in diverse situations and populations of people, especially young people.

It was a logical step to apply the concept of resilience to communities, cities, regions or countries. Given its roots in a developmental systems approach, resilience became particularly useful as a framework for policy formulation in developing or emerging economies.

A Center for Strategic & International Studies (CSIS) commentary outlined the difficulty with the concept of resilience:

Defining what the development community means by “resilience” remains a significant issue. The lack of a common definition has contributed to the sense that resilience is simply the latest “fad” in development. As Maria Otero, former Under Secretary of State, noted at a recent CSIS event on resilience, definitions of resilience continue to focus on linking it to crisis or disaster risk mitigation and response. Put another way, resilience is about how communities respond to stresses. How “stresses” are defined is one way in which resilience can move beyond simply disaster risk management. Traditionally, stresses would be defined as natural or man-made disasters, but in the globalised world it must include far more. Looking at recent events, stresses should include economic shocks such as the recent global financial crisis and the rise in food prices that occurred in 2007 - 2008. Both of these events tested developed countries to say nothing of the stress they placed on developing countries. But what is clear is that resilience is being built both with the help of donors and organically within societies.

It is clear from this quote and the literature on resilience that it is something that has to be built or nurtured. There are many examples of the increased capacity of countries to withstand or recover from severe shocks where there were effective and well-targeted strategies and policies to strengthen its resilience.

It is useful for conceptual clarity to emphasise that resilience can be built at different levels of social organisation or governance. There is a major focus, for example, by development agencies like The World Bank and Oxfam on cities as an important locus for building resilience. The US Economic Development Administration targets ‘regions’ as a vehicle for development planning and cooperation. It emphasises the necessity for regional development strategies to “... incorporate the concept of economic resilience (i.e., the ability to avoid, withstand, and recover from economic shifts, natural disasters, the impacts of climate change, etc.).”

It is within this conceptual framework that 2019 PERO introduces in its review and outlook resilient growth, both as a tool for assessing the Province’s economic growth performance and as an approach to inform policy making.

The overview of macroeconomic developments gives some indication of the Western Cape's resilience in the face of systemic shocks. The provincial economy was forecast to underperform relative to the national economy in 2018, suggesting that it is vulnerable to national shocks. The overview of the Western Cape's economic sectors provides some pointers towards strategies to improve its resilience.

Private services, especially business services, is the key driver of economic growth in the Western Cape. It is also a sector highly dependent on skilled labour, but labour with skills that are internationally marketable and subject to high rates of emigration. The Province is well placed with educational institutions, effective governance and lifestyle attractions that can be mobilised to build the resilience of this sector against the erosion of its comparative advantage.

The poor performance of the provincial economy over the past few years was significantly affected by the impact of drought conditions on agriculture and agri-business. It seems as if there is little protection against drought, but agriculture is nevertheless resilient as it is forecast to grow at the fastest rate on average in 2019 as the sector recovers from the drought. It seems to have the resources to recover relatively quickly for such a severe shock. Yet, it is also a promising candidate for strengthening its resilience. The interesting provincial initiatives highlighted in Chapter 3 are examples of this.

Related to the drought, but exacerbated by a number of national challenges, is the slower growth in international and domestic tourist arrivals. As tourism is a growing employment sector in the Province, the social impact of shocks to tourism is a policy concern. It is another sector where initiatives to build resilience may have positive long-term consequences for the Western Cape.

The overview of the labour market dynamics in Chapter 4 highlighted a number of issues that threaten to make the Province more vulnerable to economic and natural shocks. Narrow unemployment was virtually unchanged for a number of years, with the unemployment rate estimated at 19.5 per cent. However, growth of the non-searching unemployed population in the Province was very rapid. If the proportion of the working age population that have become discouraged from seeking work, should rise significantly, it could have dire consequences over the long term for social cohesion and the composition of crime. This could make the Province less resilient in the face of shocks. Policies that can strengthen labour market resilience by making it easier to operate in the informal sector, and thus lessen the impact of declining formal sector jobs, should be given consideration.

The inflow of relatively unskilled people of working age and the slowing down of economic growth in the Western Cape over the last seven years, exacerbated youth unemployment and work seeker discouragement, in addition to inequality. However, the Province's Human Development Index has been improving consistently, most probably because of the relatively effective delivery of basic, educational and health services. These institutional capacities can be utilised to strengthen the social resilience of the Province's population to better cope with and recover from unavoidable shocks.

1.4 Conclusion

The 2019 PERO, themed Resilient Growth, highlights the key economic and socio-economic trends relevant to the Western Cape. The 2019 - 2024 Provincial Strategic Plan which sets out the vision and policy priorities of this government, is being developed at a time of weak economic performance, persistently high levels of unemployment and widespread social-ills. The concept of Resilient Growth therefore provides an opportunity for the Western Cape to capitalise on economic advantages and equip itself to withstand and effectively respond to systemic shocks and economic shifts.

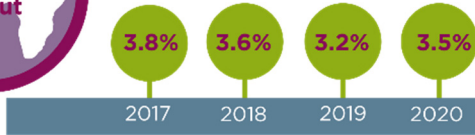


2

Macroeconomic performance and outlook



Macroeconomic performance and outlook



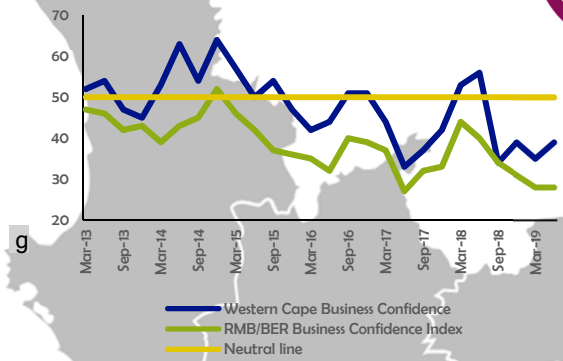
Intensification of TRADE TENSIONS

threaten the performance of global economy

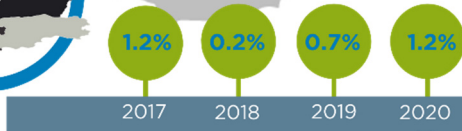


Other risks include geo-political developments such as a "no-deal Brexit"

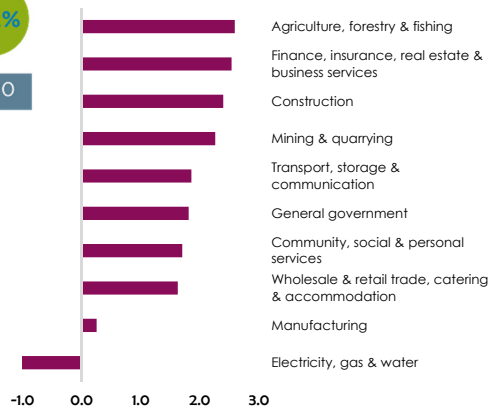
Growth in credit extension supporting South African household consumption growth



Risks to national outlook: State enterprise financial support, tax revenue underperformance & declining business confidence



Western Cape output growth by sector, 2013-2017



Risks to Western Cape outlook: Unpredictable weather patterns, adverse consumer conditions

2.1 Introduction

This chapter reviews recent economic growth, and its medium-term prospects, in the Western Cape against the background of global and national economic experience and expectations. Global economic growth was broad-based i.e. across a number of countries in 2018 after a better than expected performance in 2017. This has not continued into the first half of 2019 with data pointing to 2019 growth being weaker than in 2018. Within this poorer global economic environment, the South African economy is underperforming. After a contraction in the first quarter of 2019 and a rebound in the second quarter, marginal growth is expected for 2019. Moreover, this already modest forecast is vulnerable to mainly downside risks. The Western Cape is projected to fare somewhat better in 2019, mainly due to a slight rebound in agricultural output. Growth in regional economic activity is set to remain constrained and is expected to rise to 1.6 per cent on average between 2019 and 2023, somewhat lower than the 2013 and 2017 annual average of 1.7 per cent.

2.2 Developments in the global economy

2.2.1 Global economic performance

According to the International Monetary Fund (IMF), global economic growth slowed to 3.6 per cent in 2018, from 3.8 per cent in 2017. Growth moderated in both advanced as well as in emerging and developing economies.

Performance of advanced economies

The pace of economic expansion in advanced economies eased to 2.2 per cent in 2018, from 2.4 per cent in 2017. However, there was a divergence in the growth trend among the countries within the grouping.

Growth in the United States (US) gained momentum. After US economic activity rose by 2.2 per cent in 2017, it accelerated to 2.9 per cent in 2018. This equals the fastest annual growth, observed in 2015, in the last decade. However, the growth picture has been somewhat mixed so far in 2019. According to the Bureau for Economic Analysis, the US economy expanded by 3.1 per cent quarter-on-quarter in the first quarter of 2019, partly due to base effects following an exceptionally weak fourth quarter of 2018. This rate eased to 2.1 per cent quarter-on-quarter¹ in the second quarter of 2019. Underpinning the weaker performance in the second quarter was a sharp contraction in private sector fixed investment and exports.

Signs that the US economy is slowing have been present for the past few months against the backdrop of waning fiscal support and increased trade tensions. In response, the Federal Reserve Bank (Fed) has reconsidered its monetary policy stance, specifically the benchmark interest rate. For much of last year, the signalling was for

¹ Based on the first estimate that was released on 26 July 2019. The final estimate is to be released on 26 September 2019.

continued interest rate hikes in 2019 and 2020. However, since January 2019, the tone has become much more dovish with the Fed cutting the benchmark interest rate by 25 basis points in July 2019 in order to support growth.

In contrast to the US, growth in the Euro Area moderated from 2.4 per cent in 2017 to 1.9 per cent in 2018. The biggest economies in the region, Germany and France, recorded a moderation in their growth rate of 0.8 and 0.6 percentage points respectively between 2017 and 2018. In Germany, industrial production is under pressure amid the uncertainty regarding fuel emission standards and slower global growth which is weighing on exports. Meanwhile protests in France weighed on consumer spending and sentiment. The softer growth environment has prompted the European Central Bank (ECB) to consider monetary policy easing measures, especially against the backdrop of benign consumer inflation.

In the UK, the pace of economic expansion slipped to 1.4 per cent in 2018, from 1.8 per cent in 2017. This trend changed in the first quarter of 2019 with quarterly growth of 0.5 per cent recorded compared to 0.2 per cent in the fourth quarter of 2018. However, much of this improvement in the first quarter of 2019 was largely due to “pre-Brexit” stockpiling and inventory accumulation. In the second quarter 2019, economic activity contracted by 0.2 per cent quarter-on-quarter.

In Japan, economic growth more than halved to 0.8 per cent in 2018, from 1.9 per cent in 2017. A number of natural disasters weighed on economic output, especially in the third quarter of 2018. Growth was reasonably solid in the first half of 2019. Output expanded by a quarterly rate of 0.7 per cent and 0.4 per cent in the first and second quarter of 2019 respectively.

Performance of emerging and developing economies

As with advanced economies, growth in emerging and developing economies moderated - albeit still higher than that of advanced economies - to 4.5 per cent in 2018, from 4.8 per cent in 2017.

Momentum in the Chinese economy slowed to 6.6 per cent in 2018, from 6.8 per cent in 2017. This is partly as a result of the drive to restructure towards the tertiary sector, while at the same time tackling rising debt levels. Further pressure in the form of weaker external demand on the back of escalating tariffs also weighed on economic output. This also featured in China's economic performance in 2019, with growth of only 6.2 per cent (year-on-year) recorded in the second quarter of 2019 from 6.4 per cent in the first quarter of 2019, the lowest in 27 years.

Economic growth in India eased from 7.0 per cent in 2017 to 6.8 per cent in 2018. Growth moderated further to 5.8 per cent year-on-year in the first quarter of 2019, its slowest pace in five years. The slowdown in the first quarter of 2019 was largely due to a broad-based moderation in domestic demand, led by government consumption.

The Brazilian economy, after contracting by 3.6 and 3.3 per cent in 2015 and 2016 respectively, rebounded by 1.1 per cent in 2017. Growth remained unchanged at 1.1 per cent in 2018. The economy however, contracted by 0.2 per cent quarter-on-quarter in the first quarter of 2019. From the production side, agricultural and industrial output declined on a quarterly basis while softer demand was reflected in the decline in fixed investment.

The pace of economic expansion in Russia accelerated to 2.3 per cent in 2018, from 1.6 per cent in 2017. However, a mild slowdown was experienced in the first quarter of 2019 with quarterly growth of 0.5 per cent recorded. In response to the weaker-demand-led slowdown in growth, the Russian Central Bank cut the benchmark interest rate by 25 basis points in June 2019.

Growth in Sub-Saharan Africa edged higher to 3.1 per cent in 2018 from 2.9 per cent in 2017. This acceleration was despite the growth moderation in South Africa (discussed in greater detail later) as the Nigerian economy gained momentum. In Nigeria, economic growth more than doubled to 1.9 per cent in 2018 from 0.8 per cent in 2017. Much of Nigeria's growth rebound is due to the more favourable global oil price which prevailed in 2018 relative to 2017.

2.2.2 Global economic outlook

Economic growth disappointed in many regions during the first half of 2019 and demand was generally weaker amid increased political and international trade uncertainty. As such, a slowdown in 2019 growth to 3.2 per cent is expected. Some recovery, to 3.5 per cent, is predicted for 2020 (Table 2.1).

Table 2.1 Global economic outlook, 2019 - 2020

	Size of Global GDP in 2018 ² (%)	GDP Growth (%)		GDP Forecast (%)	
		2017	2018	2019	2020
World output		3.8	3.6	3.2	3.5
Advanced economies	60.3	2.4	2.2	1.9	1.7
United States	24.2	2.2	2.9	2.6	1.9
Euro Area	16.1	2.4	1.9	1.3	1.6
Germany	4.7	2.2	1.4	0.7	1.7
France	3.3	2.3	1.7	1.3	1.4
Italy	2.4	1.7	0.9	0.1	0.8
Spain	1.7	3.0	2.6	2.3	1.9
Japan	5.9	1.9	0.8	0.9	0.4
United Kingdom	3.3	1.8	1.4	1.3	1.4
Canada	2	3.0	1.9	1.5	1.9
Other advanced economies	8.7	2.9	2.6	2.1	2.4

² Based on IMF US dollar denominated estimates as some country data has not yet been updated to reflect 2018 actual values

	Size of Global GDP in 2018 ² (%)	GDP Growth (%)		GDP Forecast (%)	
		2017	2018	2019	2020
Emerging and developing economies	39.7	4.8	4.5	4.1	4.7
Sub-Saharan Africa	1.9	2.9	3.1	3.4	3.6
Nigeria	0.5	0.8	1.9	2.3	2.6
Middle East, North Africa, Afghanistan and Pakistan	4.1	2.1	1.6	1.0	3.0
Emerging and Developing Europe	2.3	6.1	3.6	1.0	2.3
Commonwealth of Independent States	2.6	2.2	2.7	1.9	2.4
Russia	1.9	1.6	2.3	1.2	1.9
Emerging and Developing Asia	22.6	6.6	6.4	6.2	6.2
China	15.8	6.8	6.6	6.2	6.0
India	3.2	7.2	6.8	7.0	7.2
Latin America and the Caribbean	6.2	1.2	1.0	0.6	2.3
Brazil	2.2	1.1	1.1	0.8	2.4
Mexico	1.4	2.1	2.0	0.9	1.9
Consumer prices					
Advanced economies		1.7	2.0	1.6	2.0
Emerging and developing economies		4.3	4.8	4.8	4.7

Source: *International Monetary Fund, 2019*

Outlook for advanced economies

In July 2019, the IMF upwardly adjusted the growth outlook for advanced economies to 1.9 per cent (0.1 percentage points higher than in April 2019) in 2019. Growth is set to moderate slightly to 1.7 per cent in 2020.

Most of the upward adjustment in the 2019 outlook can be attributed to the 0.3 percentage point upward adjustment in the US growth forecast to 2.6 per cent (from 2.3 per cent in April 2019). This, in turn, is due to the surprisingly solid GDP outcome for the first quarter. The preliminary outcome for the second quarter of 2019 also beats expectations, but was released after the IMF forecast update. However, while the first half of 2019 saw a stronger GDP performance than expected, the prevailing sentiment is that growth is on a slowing trajectory. This is predominantly as a result of a softening in demand and weaker growth in industrial output, but also due to waning fiscal support. In addition, the impact of the trade wars between the US and China is also expected to put a damper on growth. The softer growth outlook combined with benign inflation could still see further monetary policy easing over the forecast horizon.

In the Euro Area, growth is predicted to slow to 1.3 per cent in 2019 before accelerating to 1.6 per cent in 2020. Growth in the region's biggest economy, Germany, is forecast to ease to 0.7 per cent in 2019 largely on the back of weaker demand for German exports, which in turn also weighs on investment. Output in France is expected to advance at a faster pace (1.3 per cent) than Germany, albeit still slower than in 2018. The French economy is likely to receive more fiscal support in the wake of recent protests. In Italy, the fiscal outlook remains uncertain which weighs on the country's growth prospects. Meagre growth of only 0.1 per cent is projected for Italy in 2019, rising to 0.8 per cent in 2020.

The UK economy started the year off on a solid footing largely due to stockpiling in anticipation of Brexit. The better than expected first quarter of 2019 outcome has resulted in an upward revision of the forecast by 0.1 percentage point to 1.3 per cent. Growth is projected to remain flat at 1.4 per cent in 2020. This outlook is marred with political uncertainty, especially with regards to a “no-deal Brexit”. The current outlook assumes an “orderly transition”.

Unlike many other advanced economies, Japan is expected to register higher growth of 0.9 per cent in 2019 compared to 2018. This is largely due to the better than expected performance in the first quarter of 2019. However, growth is projected to taper off to only 0.4 per cent in 2020. The increase in the consumption tax due in October 2019 is expected to dampen growth, but is likely to be countered, in part, by higher fiscal spending.

Outlook for emerging and developing economies

Growth in emerging and developing economies is predicted to moderate to 4.1 per cent in 2019 before accelerating to 4.7 per cent in 2020. This represents a downgrade of 0.3 and 0.1 percentage points relative to the April 2019 outlook.

Economic growth in China is expected to continue on its gradual slowing path. The Chinese economy is projected to expand by 6.2 per cent in 2019 and 6.0 per cent in 2020. Escalating trade tariffs and broader slowdown in external demand are expected to add to the pressure already created by the structural change in the economy (toward consumption-led growth, away from investment) and interventions to rein in debt.

In India, growth of 7.0 and 7.2 per cent is expected for 2019 and 2020. While an acceleration from 2018, both of these forecasts are 0.3 percentage points lower than the April 2019 forecasts due to weaker domestic demand.

Subdued growth of 0.6 per cent is expected in Latin America and the Caribbean in 2019 before accelerating to 2.3 per cent in 2020. The region's largest economy, Brazil, is facing uncertainty regarding pension and other structural reforms. As a result, the growth outlook has been revised downwards by 1.3 and 0.1 percentage points (compared to April 2019) to 0.8 and 2.4 per cent respectively for 2019 and 2020.

The outlook for Russia was also been revised downwards to 1.2 per cent in 2019 as a result of the weaker than expected first quarter outcome. However, the 2020 projection was revised upwards by 0.2 percentage points to 1.9 per cent.

The outlook for economic growth in Sub-Saharan Africa is for an acceleration to 3.4 per cent in 2019 with a further rise to 3.6 per cent in 2020. However, growth in the largest economies in the region, Nigeria and South Africa, is projected to be well below this. Growth is therefore expected to come largely from non-resource intensive countries.

2.2.3 Global inflation outlook

Inflation ticked up in 2018 in advanced, emerging and developing economies. However, the outlook suggests that while inflation in emerging and developing economies is projected to be unchanged at 4.8 per cent in 2019, inflation in advanced economies is likely to moderate to 1.6 per cent in 2019. Much of the lower growth in advanced economy inflation is due to lower energy prices and softer demand. Advanced economy inflation is predicted to accelerate to 2.0 per cent in 2020 while emerging and developing economy inflation is set to slow marginally to 4.7 per cent.

The lower energy prices are in part caused by the softer global oil price. The Brent crude oil price at the beginning of August 2019 was roughly 30 per cent lower than in October 2018 when it breached \$85/barrel. A combination of increased supply from the US and fears of slowing global demand outweighed the impact of production cuts by the Organisation of Petroleum Exporting Countries (OPEC) aimed at supporting prices and US sanctions on Iran and Venezuela.

Figure 2.1 Brent crude oil price, 2018 - 2019



Source: Reuters, 2019

2.2.4 Risks to the global outlook

The main risks to the global outlook - which are tilted firmly to the downside - are as follows:

- The ongoing trade disputes between the US and its trading partners threaten a number of global supply chains and could result in systemically lower growth.
- Global political and geo-political developments such as a “no-deal” Brexit, and continued US sanctions against key oil exporting/producing countries will also likely put a damper on growth should they materialise.
- Social unrest has also recently become a global economic concern especially given the prolonged strikes in France.

2.3 Developments in the South African economy

2.3.1 Performance of the South African economy

According to Statistics South Africa (Stats SA), the pace of growth in the South African economy slowed to 0.8 per cent in 2018, from 1.4 per cent in 2017. Domestic economic performance deteriorated even further in the first quarter of 2019 with a 3.1 per cent quarter-on-quarter contraction recorded. One of the key features of South Africa's economic performance during the first quarter of 2019 was the negative impact of electricity outages and mining strikes. Fortunately, economic growth rebounded by a better than expected 3.1 per cent quarter-on-quarter during the second quarter of 2019. Compared to the second quarter of 2018, economic output rose by 1.0 per cent on a seasonally adjusted basis.

Measured from the production side, the GDP weakness was broad-based. Seven of the ten major sectors contracted in the first quarter of 2019. According to the monthly Stats SA data, the major contributors to the GDP decline were Manufacturing, mining and trade (Retail, wholesale, catering and accommodation) sectors.

Table 2.2 South African change in GDP per sector, 2019Q1

Description	Quarterly (q-o-q) percentage change		Annual (y-o-y) percentage change	
	2018Q4	2019Q1	2018Q4	2019Q1
Agriculture, forestry and fishing	7.9	-13.2	-17.2	-11.5
Mining and quarrying	-3.8	-10.8	-3.7	-4.1
Manufacturing	4.5	-8.8	1.1	1.0
Electricity, gas and water	0.2	-6.9	0.7	-1.4
Construction	-0.7	-2.2	-0.8	-0.8
Wholesale and retail trade, catering and accommodation	-0.7	-3.6	-0.4	-0.6
Transport, storage and communication	7.7	-4.4	2.9	1.4
Finance, insurance, real estate and business services	2.7	1.1	1.9	1.9
General government	-0.6	1.2	0.9	0.7
Community, social and personal services	1.7	1.1	1.1	1.1
GDP (Total)	1.4	-3.2	0.2	0.1

Source: Stats SA, 2019

Measured from the demand side, the theme of industry weakness is borne out by the sharp decline in exports during the first quarter of 2019, as well as the fifth consecutive quarter of falling fixed investment. According to Stats SA, the capex contraction was driven by declines in transport equipment, construction works and non-residential buildings in the first quarter of 2019. The export decline was driven by decreasing trade in precious metals, base metals, as well as vehicles and transport equipment.

After a robust performance in the fourth quarter of 2018, household consumption contracted in the first quarter of 2019. The main negative contributor was spending on clothing and footwear, which declined by 12.7 per cent and subtracted 0.8 percentage points from overall household spending. Declining real wages (despite lower inflation), poor job growth and significant tax hikes in recent years are some of the factors that are hurting household income and spending growth.

2.3.2 Outlook for the South African economy

The weak economic performance in the first half of 2019 weakens the outlook for full-year GDP growth. According to the Bureau for Economic Research (BER), the South African economy is projected to expand by a mere 0.2 per cent in 2019 before accelerating to 1.1 per cent in 2020.

Table 2.3 South African economic outlook, 2019 - 2020

	2018	2019f	2020f
Final consumption expenditure, households (%)	1.8	1.0	1.2
Durable goods	4.5	0.9	2.4
Semi-durable goods	3.0	1.9	2.4
Non-durable goods	0.8	1.0	0.8
Services	1.9	0.8	1.1
Gross Fixed Capital Formation (%)	-1.4	-1.6	1.2
Private	2.1	-2.1	1.6
Government	-4.4	-2.9	-1.9
Public corporations	-12.5	2.5	2.4
Exports of goods and services (%)	2.6	-0.3	2.5
Interest rates (fourth quarter averages)			
3-month BA rate	7.06	6.58	6.61
10-year Government Bond	9.11	8.99	9.29
Prime overdraft rate	10.10	9.75	9.75
Inflation (annual average %)			
Producer prices	5.5	5.3	5.5
Consumer prices	4.7	4.3	5.1
Nominal wage rate (Private sector)	1.7	3.9	4.7
Exchange rates (annual average)			
R/US dollar	13.23	14.31	14.71
R/Euro	15.60	16.28	16.92
R/Pound sterling	17.63	18.38	19.13
Yen/R	8.38	7.62	7.48
Gross Domestic Expenditure	1.0	0.5	1.3
Gross Domestic Product	0.8	0.2	1.1
Current account balance (R billion, seasonal adjustment)	-172.96	-139.41	-188.90
<i>(as % of GDP)</i>	<i>-3.57</i>	<i>-2.70</i>	<i>-3.45</i>

Note: f denotes forecast

Source: Bureau for Economic Research, 2019

Final household consumption expenditure

The sharp slowdown in real consumer spending growth through 2018 continued in the first quarter of 2019. The growth in consumer outlays slowed to 0.7 per cent year-on-year, from 1.2 per cent in the fourth quarter of 2018. The trend for real disposable income, the key driver of spending, is similar. Income growth slowed to 0.9 per cent year-on-year in the first quarter of 2019. If not for some pick-up in household credit growth (from 4 to 6 per cent) over the same period, consumer spending would have been even softer.

Looking forward, much of the improvement in consumer spending is expected to be as a result of continued credit growth as the factors affecting income growth, namely, employment and real wage growth, are likely to remain under pressure until 2020. To this end, the more benign inflation environment, coupled with more accommodative monetary policy should support spending and credit-driven spending in particular.

Figure 2.2 South African household credit extension, 2010 - 2019



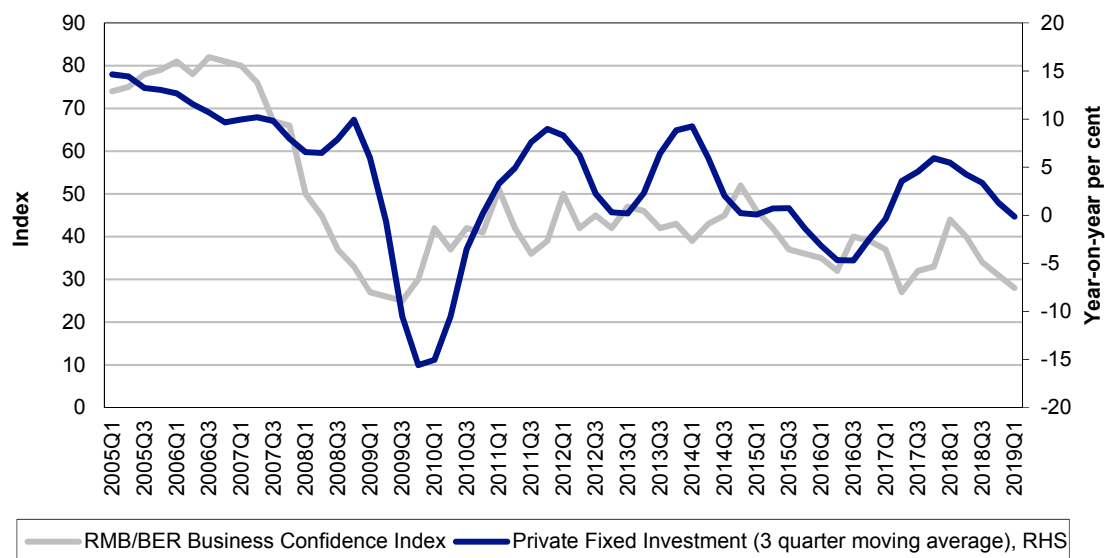
Source: South African Reserve Bank, 2019

Overall, the outlook is for consumer spending to slow to 1.0 per cent in 2019 with a mild improvement projected in 2020 to 1.2 per cent. Within consumer spending, the more credit-sensitive sectors (durable and semi-durable goods) are forecast to fare somewhat better.

Gross fixed capital formation

After a significant decline of 12.5 per cent in 2018, capex outlays by state-owned enterprises are expected to increase by a modest 2.5 per cent in 2019 and to be followed by a similar rise in 2020. The fiscal constraint on General government suggests that 2019 and 2020 could experience further capex declines. Real government fixed investment is forecast to decline by a cumulative 5 per cent during 2019 and 2020.

Private sector fixed investment was a big disappointment in the first quarter of 2019, declining by 2.5 per cent year-on-year. A number of factors are likely to weigh on private sector fixed investment over the forecast horizon, including policy uncertainty and low business confidence.

Figure 2.3 RMB/BER Business Confidence Index vs Private Sector Fixed Investment, South Africa, 2005 - 2019


Source: Bureau for Economic Research/South African Reserve Bank, 2019

The baseline view is that, while sweeping reforms are not expected, the political and policy environment will be conducive to an improving investment climate towards the end of 2019. Overall, a contraction in private sector capital outlays is forecast for 2019 with a slight rebound to 1.6 per cent growth projected for 2020.

Declining business confidence

The RMB/BER Business Confidence Index tracks business sentiment across 5 sectors, by means of a quarterly survey. Respondents are asked whether they are satisfied with prevailing conditions. The percentage of respondents rating prevailing conditions as satisfactory is then taken to represent business confidence. The composite RMB/BER Business Confidence Index (BCI) is the unweighted mean of five sectoral indices, namely that of manufactures, building contractors, retailers, wholesalers and new vehicle dealers. Business confidence can vary between 0 and 100, where 0 indicates an extreme lack of confidence, 50 neutrality and 100 extreme confidence.

Following gradual decline over the course of 2018, business confidence appeared to stabilise at 28 in the first 2 quarters of 2019. This was however short-lived, as business confidence declined to a 20-year low of 21 in the third quarter of 2019. This means that close to 80 per cent of business owners in South Africa are dissatisfied with prevailing business conditions. Confidence collapsed in four of the five sectors included in the BCI. The only sector that showed an improvement was the motor trade, albeit low. The biggest declines mainly occurred in the retail and wholesale trades sectors which, until recently, have proved to be comparatively resilient. Although smaller in magnitude than the declines in retail and wholesale confidence, the manufacturers' (-6 index points) and building (-7 index points) sector declines are not insignificant given the already depressed state of these sectors.

The decline in third quarter business confidence will likely further weigh on already negative private sector fixed investment projections for 2019, and may threaten the projected rebound in 2020.

The last time the Business Confidence Index was at similar levels was in the 1998-1999 Emerging Market debt crisis, with spillover effects dramatically weakening the rand exchange rate. As a result, the prime lending rate increased to an all-time high of 25.5 per cent.

Source: BER, 2019

Balance of payments and exchange rate outlook

The rand weakened significantly towards the end of July 2019 and early-August 2019 on the back of both international and domestic factors. Internationally, while the US Fed lowered the benchmark interest rate as expected in July 2019, the prevailing sentiment was that further monetary easing could potentially be less aggressive than expected. Additionally, the US president announced the potential levying of tariffs on a further \$300 billion worth of Chinese imports.

Domestically, an additional allocation to Eskom to help service its debt resulted in a change in the outlook regarding South Africa's sovereign debt rating from stable to negative from Fitch and a "debt warning" from Moody's. Currently, Moody's is the only one of the major three international ratings agencies with an investment grade rating for South African sovereign debt which is one notch above "junk" status.

The balance on the current account deteriorated to a deficit of 3.5 per cent of GDP in 2018, from 2.5 per cent of GDP in 2017. This was despite an improvement in the deficit to 2.2 per cent of GDP in the fourth quarter of 2018. The deficit worsened once more, to 2.9 per cent of GDP, in the first quarter of 2019. The poorer current account outcome for the first quarter of 2019 is explained by a narrowing trade surplus, while the deficit on the services, income and current transfer account widened.

Figure 2.4 Rand versus dollar, 2018 - 2019



Source: Reuters, 2019

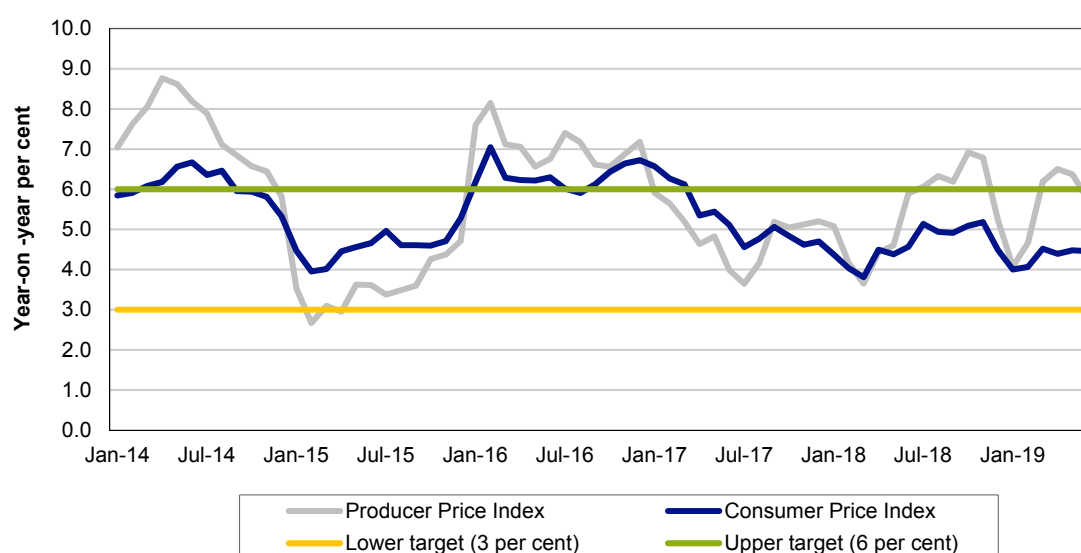
Inflation and interest rate outlook

In a unanimous decision, the Monetary Policy Committee (MPC) of the South African Reserve Bank (SARB) decided to reduce the repo policy interest rate by 25 basis points to 6.50 per cent (prime rate down to 10.00 per cent) at its July 2019 policy meeting. The decision reverses the 25-basis points rate hike in November 2018 and was the first policy rate cut since March 2018.

Besides the weak real GDP growth outlook, persistent benign domestic inflation dynamics provided the SARB with the necessary leeway to inject some mild stimulus into the economy. After averaging 4.7 per cent in 2018, headline CPI inflation moderated to 4.3 per cent year-on-year in the first five months of 2019, i.e. below the midpoint of the 3 to 6 per cent inflation target range.

With domestic demand set to remain under pressure in the foreseeable future, compressed retail sector margins are likely to remain a feature of the South African economic landscape. Headline CPI is projected to average 4.3 per cent in 2019. Importantly, 2019 is expected to be the low point in the cycle with headline CPI inflation possibly accelerating to an average of 5.1 per cent in 2020. A faster rise in food, petrol and electricity prices is expected to drive the headline CPI acceleration in 2020.

Figure 2.5 South African headline consumer and producer inflation, 2014 - 2019



Source: Stats SA, 2019

2.3.3 Main risks to the national outlook

Along with the global risks, the main domestic risks include:

- Further state intervention, by the way of increased budget allocations, in the financial sustainability and especially debt sustainability of state-owned enterprises.
- Tax revenue could underperform even more, which will put South Africa's fiscal ratios (government debt to GDP, fiscal deficit) under increased scrutiny from rating agencies.
- Declining business confidence, which will likely weigh on private fixed investment.
- The intensification of global trade tensions will put additional pressure on the rand. This is an emerging market risk, but could cause a disproportionately negative impact on the local currency compared to other emerging market currencies, as in the recent past.

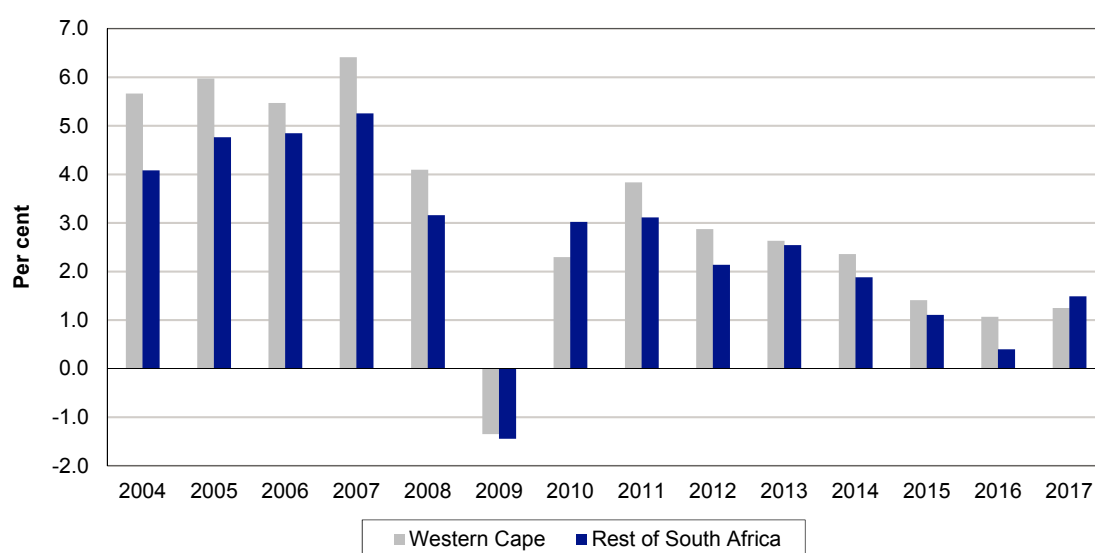
- The underperformance of economic growth continues and inflation remains benign. This is likely to prompt the SARB to cut the repo rate more aggressively than is currently expected. This should boost spending and credit uptake over the medium term.

2.4 Developments in the Western Cape economy

2.4.1 Western Cape economic performance

Economic growth in the Western Cape edged higher to 1.2 per cent in 2017, from 1.1 per cent in 2016. This was somewhat lower than the growth (1.5 per cent) recorded in the rest of South Africa.

Figure 2.6 GDP growth: Western Cape and the rest of South Africa, 2004 - 2017



Source: Stats SA, 2019

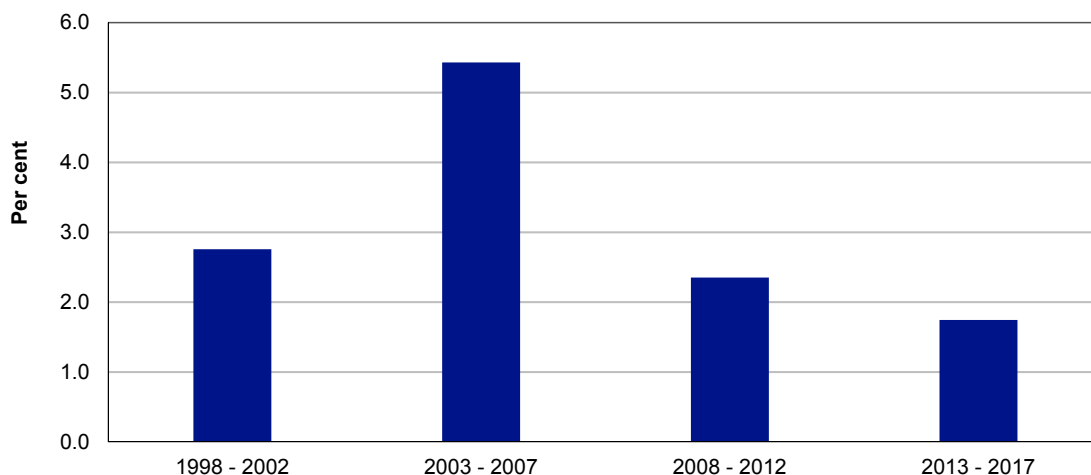
Leading growth in the Western Cape was the Agriculture, forestry and fisheries sector with an increase of 10.8 per cent, followed by the Finance, insurance, real estate and business services sector (2.3 per cent). In contrast, output in the Construction, Wholesale and retail trade, Catering and accommodation and Manufacturing sector declined relative to 2016.

A key feature of the Western Cape economy is the size of the tertiary sector relative to the rest of South Africa. The tertiary (or services) sector accounted for 74 per cent of economic activity in the Western Cape in 2017 and 69 per cent for the rest of South Africa. In contrast, the primary sector (Agriculture, forestry and fisheries, and Mining and quarrying) contributed only 5 per cent to economic activity in the region compared to 12 per cent in the rest of South Africa. This lower share of the primary sector is largely due to the small mining sector in the Province compared to other regions in the country.

Over the last 5 years (2013 to 2017), the Western Cape economy expanded by an average of 1.7 per cent per year. This is lower than the (2008 - 2012) period which

included the financial recession when the regional economy contracted by 1.3 per cent in 2009.

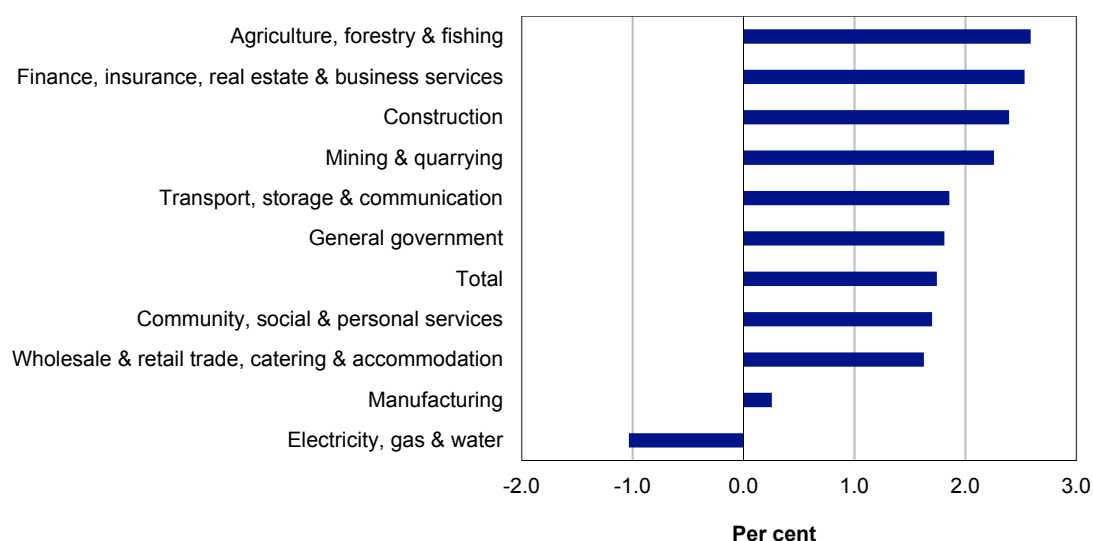
Figure 2.7 Western Cape economic growth (5-year average), 1998 - 2017



Source: Stats SA, 2019

The fastest growing sector, on average, over the five-year period was the Agricultural, forestry and fisheries sector (2.6 per cent). This was followed by the Finance, insurance, real estate and business services (2.5 per cent) and Construction (2.4 per cent) sectors. The only sector to register a decline (on average) between 2013 and 2017 was the Electricity, gas and water sector, while growth of only 0.3 per cent on average was recorded in the Manufacturing sector.

Figure 2.8 Western Cape average output growth rate per sector, 2013 - 2017

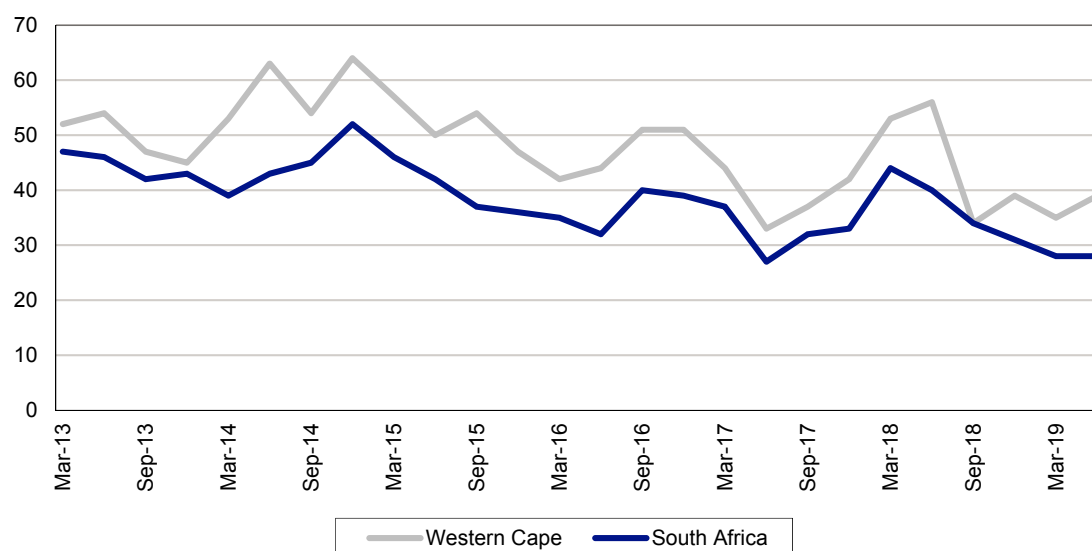


Source: Stats SA, 2019

According to Quantec/BER estimates, the provincial economy expanded by only 0.2 per cent in 2018. A large part of the slowdown was due to the drought-related decline in output in the Agriculture, forestry and fisheries sector (see Table 2.4). This also weighed on output in the related agri-processing Manufacturing sector. Overall

manufacturing registered a 1.1 per cent contraction as a result. These contractions were countered by growth in the Finance, insurance, real estate and business services sector and General government. This is supported by the trend in business confidence in 2018 which, while below the neutral-50 level, was somewhat higher than that registered in South Africa as a whole. This survey does not cover the Agriculture, forestry and fisheries sector.

Figure 2.9 Business confidence, Western Cape compared to South Africa, 2013 - 2019



Source: Bureau for Economic Research, 2019

2.4.2 Outlook for the Western Cape economy

A mild rebound in economic activity in the Western Cape to 0.7 per cent is projected for 2019 with an acceleration to 1.2 per cent expected in 2020. Over the medium term (2019 - 2023), growth is projected to average 1.6 per cent. This average growth is lower than the growth recorded between 2013 and 2017 at 1.7 per cent.

Table 2.4 Western Cape economic outlook, 2019 - 2020

Description	2017	2018e	2019f	2020f	Forecast average (2019 - 2023)
Agriculture, forestry and fishing	10.8	-16.4	3.6	1.6	2.7
Mining and quarrying	1.7	1.0	-1.2	2.1	1.5
Manufacturing	- 0.1	-1.1	0.7	1.9	1.7
Electricity, gas and water	0.7	1.0	0.2	0.9	0.9
Construction	- 0.6	0.3	-1.5	0.5	1.5
Wholesale and retail trade, catering and accommodation	- 0.6	0.6	0.6	0.6	1.6
Transport, storage and communication	1.2	1.1	0.7	1.3	1.8
Finance, insurance, real estate and business services	2.3	2.0	1.0	1.4	2.0
General Government	0.1	1.4	0.3	0.5	0.5
Community, social and personal services	1.4	0.9	0.8	0.8	1.1
Regional Gross Domestic Product	1.2	0.2	0.7	1.2	1.6

Note: e denotes estimate, f denotes forecast

Source: Bureau for Economic Research/Quantec Research, 2019

Over the forecast horizon, the following key trends are expected:

- The Agriculture, forestry and fisheries sector is expected to rebound in 2019 following the deep contraction in 2018. However, indications are that this rebound will be moderate. Looking further ahead, the recovery in dam levels bodes well for output although a recovery to pre-2018 productive capacity may be gradual.
- The Finance, insurance, real estate and business services sector is likely to improve toward the latter end of the forecast period. As a lagging sector it is dependent on broader economy growth which is projected to accelerate beyond 2020. This will be disproportionately beneficial to the Western Cape.
- Growth in General government services is set to remain weak, averaging only 0.5 per cent over the forecast horizon.
- The Wholesale and retail trade, catering and accommodation sector is expected to underperform in 2019 and 2020. However, growth is projected to rise more notably over the medium term on the back of better income and employment growth. Tourism growth, as proxied by the Catering and accommodation sector, is also forecast to improve especially if the rand continues to weaken.
- After holding up well over the five years to 2017 due to a robust property market, the Construction sector is set to contract in 2019 on the back of softer house price growth and subsequently, weaker residential demand. Infrastructure spending is also projected to be lower. A gradual rise is projected over the forecast horizon as private fixed investment recovers.

2.4.3 Risks to the provincial outlook

In addition to the risks on a national level, and taking the composition of the regional economy into consideration some key risks for the Western Cape include:

- Volatile and unpredictable weather patterns could make it increasingly difficult to grow/produce what is considered traditional Western Cape produce.
- Conditions which affect the consumer will typically be disproportionately reflected in Western Cape GDP growth such as changes in consumer confidence, employment growth and interest rate environment.

2.5 Conclusion

Global economic growth is projected to slow in 2019 before recovering somewhat in 2020. The slowdown is expected to be broad-based in 2019. However, the improvement in 2020 is likely to come from emerging and developing economies. This forecast is subject to a number of mainly downside risks, the most notable being the intensification of trade tensions and geo-political developments in a number of countries. On the upside, the softer demand environment could see a further loosening of global monetary conditions.

In South Africa, the contraction in quarterly GDP growth in the first quarter of 2019 highlights a number of growth challenges for the remainder of the year. Most pertinent of these is weak growth in real income - despite benign inflation - which will constrain consumer spending and continue the poor fixed investment outcome, especially from the private sector. These factors are expected to feature less prominently during 2020 with growth forecast to accelerate.

Due to the drought-affected agricultural sector, growth in the Western Cape economy is estimated to have risen only marginally in 2018. However, the regional sector is likely to outperform the rest of South Africa once more in 2019. Over the medium term, however, the regional economy will suffer from the same growth constraints facing the national economy. As such, the medium-term growth outlook mimics that of South Africa in that, while it is expected to rise, the pace is more moderate relative to previous periods.



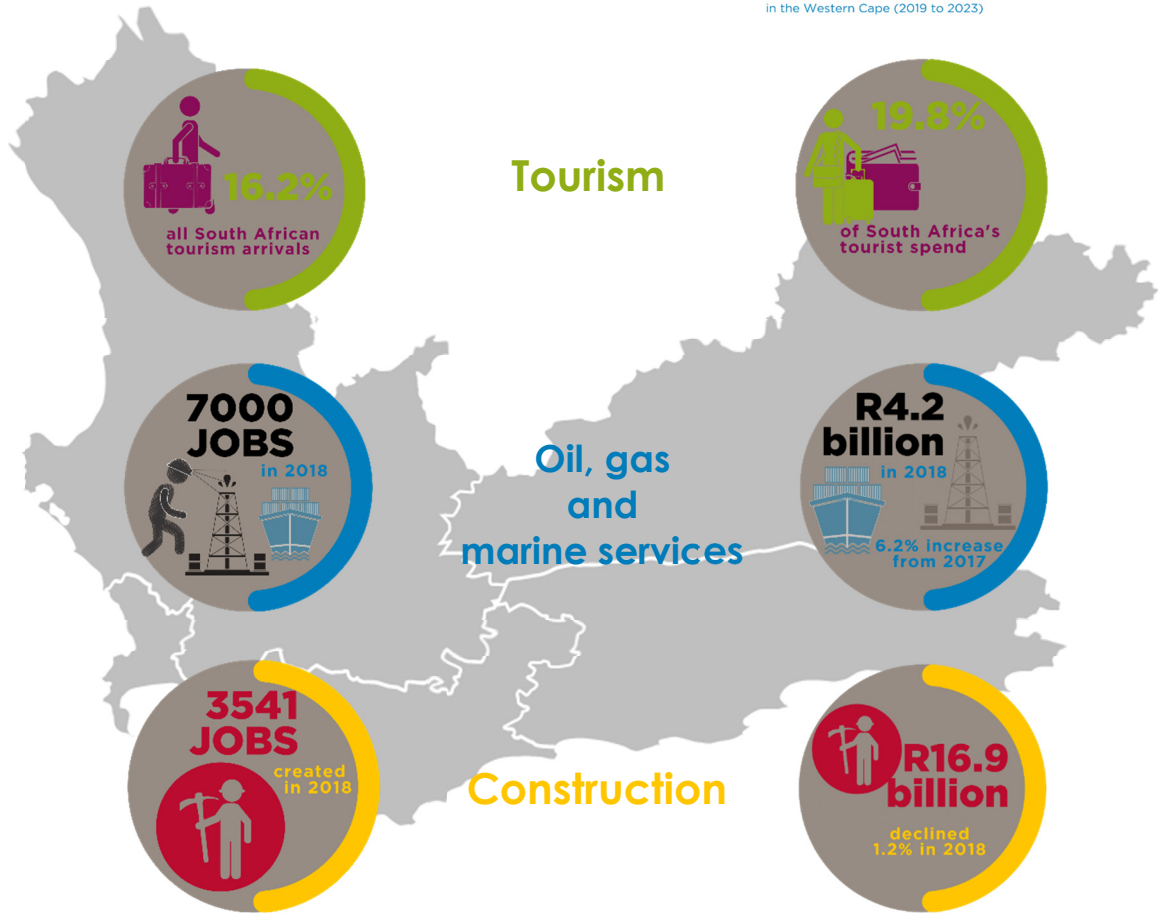
3

Development of the Western Cape economy



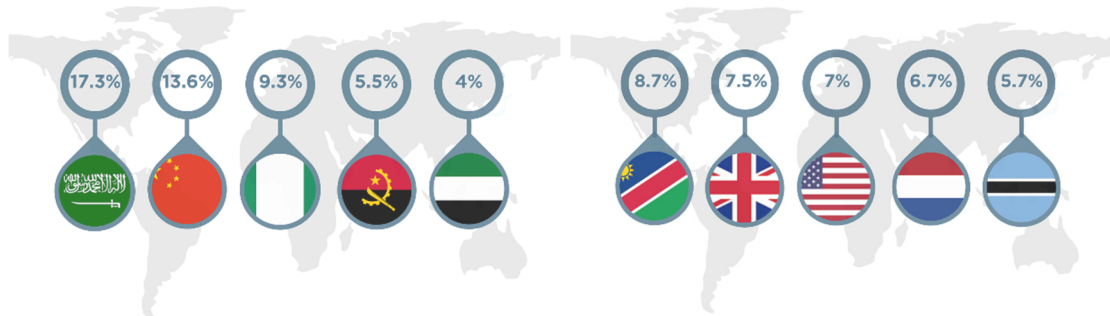
Sectoral and spatial
dimensions

Development of the Western Cape economy



Top 5 import markets

Top 5 export markets



3.1 Introduction

This chapter provides an in-depth look at the Western Cape economy from a subsector and spatial perspective. The focus is on the sectoral contributions to economic growth, employment as well as trade. The chapter also provides a spatial perspective on economic and employment growth, and trade profile. Also included in the 2019 PERO is a discussion on the latest sectoral fixed investment trends (including Foreign Direct Investment). The remainder of the chapter focuses on key economic priority sectors in the Western Cape. This includes the agriculture value chain, which incorporates a discussion on the development of alternative crops and the performance of halal-relevant export products, as well as recent trends in the oil, gas and marine services sector and tourism. The chapter also looks at economic opportunities in provincial sectors such as construction, energy and water.

3.2 A sectoral overview of economic growth and employment

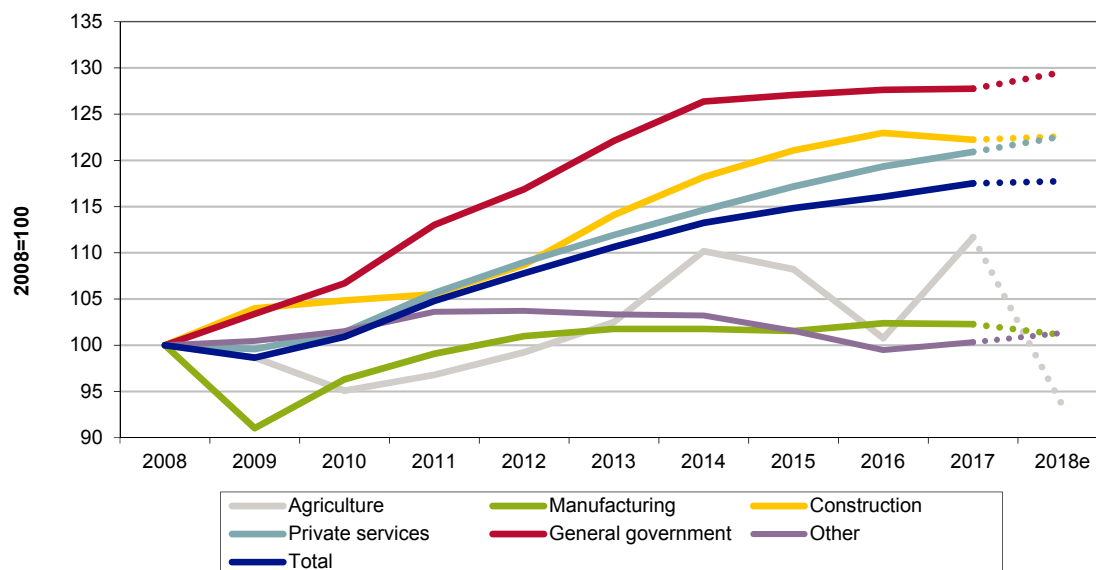
This section delves deeper into the growth trends of the different sectors, and subsectors, in the Provincial economy. The relative performance must be considered in the context of the global and national factors as discussed in Chapter 2.

3.2.1 Western Cape sectoral economic growth

The Western Cape economy continued to expand over the last decade, but, on average, the growth rate more than halved to 2.0 per cent for the period of 2008 to 2017¹ compared to the previous ten years' rate of 4.1 per cent. The slowdown was in part due to the full-year contraction recorded in 2009, which was triggered by the global financial crisis. The economy recovered in the years after 2009 but the expansion slowed to less than 1.5 per cent year-on-year growth between 2015 and 2017. The economy is forecast to have barely increased in 2018 with 0.2 per cent growth anticipated. Overall, the Western Cape economy was about 18 per cent larger in 2017 than in 2008, a significantly smaller expansion than the 51 per cent enlargement recorded from 1998 to 2007 (albeit that the latter expansion came from a smaller base).

In Figure 3.1, the GVA level of the Western Cape and its key sectors is equalised to 100 in 2008 and subsequent years show the relative performance of the sectors without taking account of the size of the sector. The Private services sector was the key driver of growth over the last few years. However, this is also because it makes up more than 60 per cent of the Western Cape economy. The Private services sector has grown by about 21 per cent from 2008 to 2017.

¹ The latest Stats SA official data using actual GDP are for 2017. Any references to GDP data for 2018 are estimates.

Figure 3.1 Relative GVA performance per sector, Western Cape, 2008 - 2018²


Note: e denotes estimate

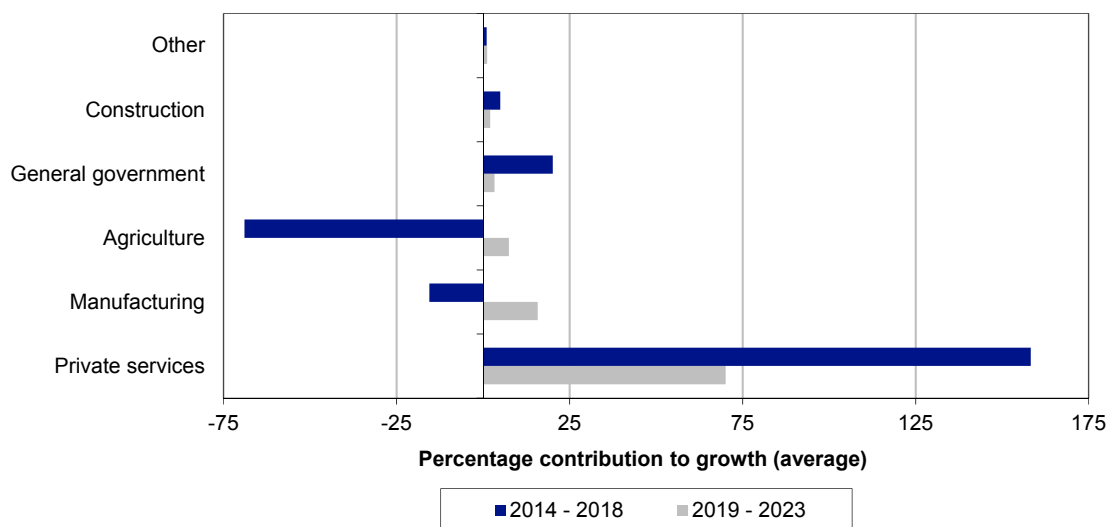
Source: Quantec Research, 2019

Relatively speaking, the smaller General government (28 per cent expansion) and Construction (22 per cent) sectors have grown more since 2008. However, due to their smaller relative size, their contribution to growth was less than Private services (Figure 3.2). Growth in the General government sector has stagnated since 2014, in line with the sector's performance nationally. The level of Construction GVA reached a peak in 2016 and ticked lower in 2017, with a further fall expected in 2018. The Western Cape Manufacturing sector contracted sharply in 2009 and has struggled to recover since. Indeed, in real terms, the sector was barely 2 per cent larger in 2017 than it was in 2008 and is forecast to contract in 2018. Figure 3.1 also illustrates how Agriculture GVA has fluctuated widely during the last five years, in a large part due to weather-related shocks. The forecasted contraction in 2018, caused by the protracted drought, is expected to be the key drag on provincial growth in 2018.

Going forward, Private services is forecast to remain the key driver of economic growth in the Western Cape. Almost three-quarters of the Province's growth forecast over the next five years come from this sector (Figure 3.2). Within Private services, the business services sector is expected to provide the biggest boost to growth, followed by finance and insurance. Manufacturing and Agriculture are also expected to add positively to growth (on average) after weighing negatively on the economy from 2014 to 2018. Within Manufacturing, the expected turn-around in agri-processing is one of the main supporters of the return to positive growth and contribution of the factory sector. The General government and Construction are expected to be less supportive to overall growth than before.

² Private services include wholesale and retail trade, catering and accommodation; transport, storage and communication; finance, insurance, real estate and business services; as well as community, social and personal services. The other sector includes mining and quarrying as well as electricity, gas and water.

Figure 3.2 Percentage contribution to economic growth per sector, Western Cape, 2014 - 2018 and 2019 - 2023³



Source: Quantec Research, 2019

Overall, the Western Cape economy is forecast to expand by an average annual rate of 1.6 per cent from 2019 to 2023 compared to 1.3 per cent in the preceding five years. Agriculture (2.7 per cent year-on-year) and agri-processing (2.5 per cent) are forecast to be the fastest growing sectors as they recover from an estimated average annual contraction recorded from 2014 to 2018.

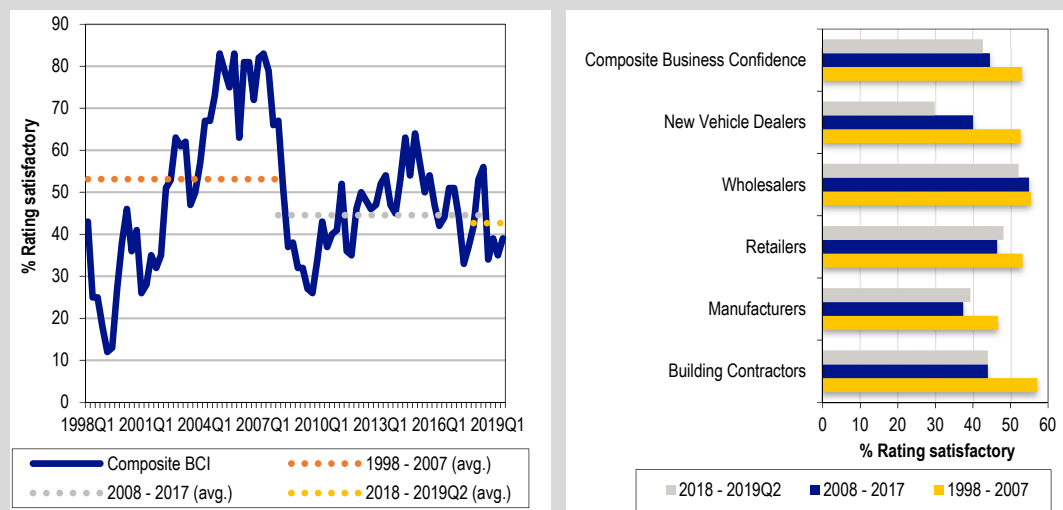
Trends in business confidence

Economic growth and business confidence are usually closely linked. This makes intuitive sense as in times of high confidence, employment and investment usually improve in tandem with higher output growth (and vice versa). Business confidence, in turn, is affected by a wide variety of regional (for example, local infrastructure projects), national (such electricity shortages and taxation policies) and even global factors (which include rand exchange rate volatility and world growth performance affecting exports).

The RMB/BER Business Confidence Index is a way to track business sentiment in the Province as a whole, but also provides insights on confidence in the different cyclical sectors in the Western Cape economy. The reason why these sectors are selected (and not other services sectors, for example) is because of their cyclicity and the way they tend to move with the broader business cycle. A services sector can often lag the cyclical trend.

³ The sectors are ranked by their expected average contribution from 2019 to 2023.

The figure on the left below shows the business confidence in the Western Cape economy over the last two decades. Confidence was on average about nine points lower from 2008 to 2017 compared to the preceding ten years, which corresponds with the lower growth rate recorded over the latter period. Unfortunately, the average business confidence level moved even lower from the start of 2018 to the second quarter of 2019. The graph on the right shows that, with the exception of wholesale traders, all sectors in the Provincial economy have a confidence reading below 50 – which means that more people are unsatisfied with prevailing business conditions than those who are satisfied. However, business people in all sectors surveyed operating in the Western Cape generally have a higher confidence level than those in the rest of the economy. The composite business confidence index for South Africa stood at 28 index points in the second quarter of 2019, compared to 39 in the Province.



Fortunately the forward-looking elements of the survey have turned slightly more positive in recent quarters. Historically speaking, the manufacturing sector is one of the cyclical leading indicators in an economy and in this provincial sector business confidence improved somewhat in recent quarters. This comes on the back of an improvement in demand (particularly export orders) compared to two years ago. The index tracking expected business conditions in twelve months' time has also improved of late. Should the uptick in business confidence in the Western Cape's factory sector be sustained, this could foretell a broader improvement in the Provincial economy.

Source: Bureau for Economic Research, 2019

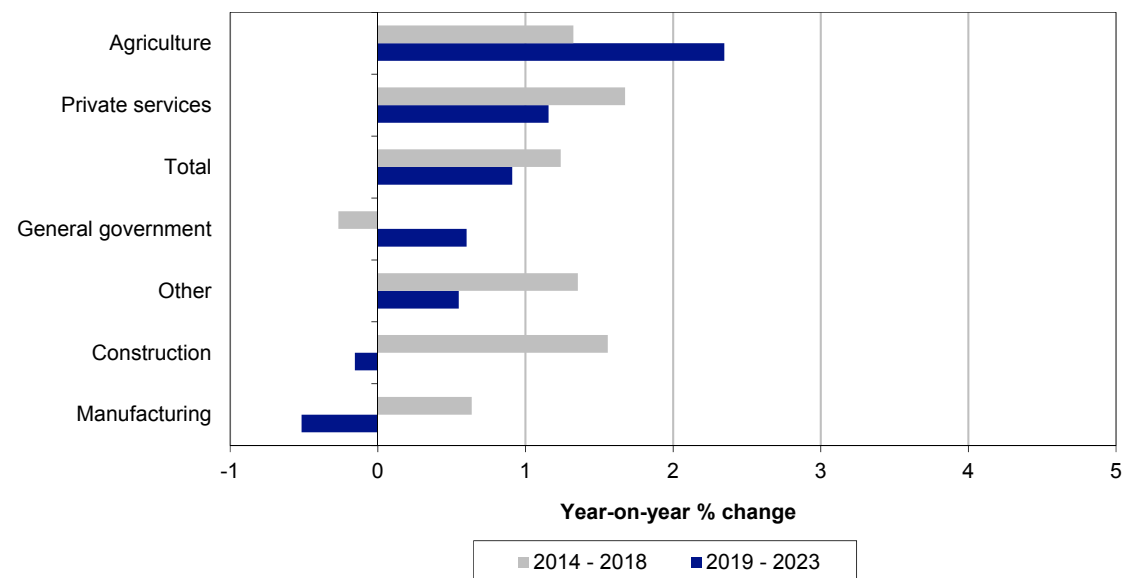
3.2.2 Western Cape sector employment

Key labour market dynamics are discussed in detail in Chapter 4. This section links the recent economic growth performance with job growth on a sector level, and also outlines the longer-term trends and forecasts of employment in the Province.

In 2018, the Western Cape is estimated to have recorded its first annual decline (of 2.6 per cent) in employment since 2008. This comes on the back of a fall in employment in all major sectors, except Manufacturing which is estimated to have expanded by 0.9 per cent in 2018. Construction (-4.8 per cent), General government (-4.0 per cent) and Mining (-3.9 per cent) are estimated to have seen the fastest declines in employment levels in 2018. Agriculture employment is estimated to have fallen by 3.6 per cent 2018. Overall, employment growth in the Province is forecast to rise by 1.8 per cent year-on-year in 2019.

Since labour data can be volatile on a year-on-year basis, it is useful to study the longer-term trend as well. This shows estimated improvement in average annual job growth of 1.2 per cent per year from 2014 to 2018 (see Figure 3.3), from just 0.4 per cent in the preceding five-year period⁴. The earlier period includes the 2009 economic recession, triggered by the global financial crisis, which led to significant job losses in the national and Western Cape economies. Overall, job growth from 2014 to 2018 was supported by higher employment in all subsectors, with the exception of the General government sector. Private services, the biggest employer in the Province accounting for 61.7 per cent of all workers, saw the fastest job growth over this period (1.7 per cent). As a result, the sector was also responsible for the majority of the jobs created from 2014 to 2018⁵. The Construction sector also saw strong average employment growth over this period, but, due to a sharp decline in employment in 2018, is estimated to have only recorded a net gain of just under 3 000 jobs between 2014 and 2018.

Figure 3.3 Employment growth per sector, Western Cape, 2014 - 2018 and 2019 - 2023



Source: Quantec Research, 2019

Going forward, employment growth is forecast to average just 0.9 per cent per year between 2019 and 2023. This is slightly better than the forecast for employment growth for the rest of South Africa, which is 0.7 per cent for the same period. In the Province, Agriculture is forecast to grow at the fastest rate on average. However, this is because employment levels are expected to jump in 2019 as the sector recovers from the drought which led to three consecutive year-on-year declines in the sector. Indeed, it is expected that neither the 2019 growth rate nor the level will be sustained going forward and the sector is forecast to shed jobs in subsequent years. According to estimates, the sector will employ fewer workers in 2023 than in 2019. The sector is

⁴ Detailed employment statistics for the Province and the rest of South Africa are provided in Annexure A.

⁵ In this section, when reference is made to the net number of jobs created between 2014 and 2018, it refers to the change in total employment from 2014 to 2018. The total number of jobs created between 2014 and 2018 could be more than this figure, but jobs could have been lost subsequently.

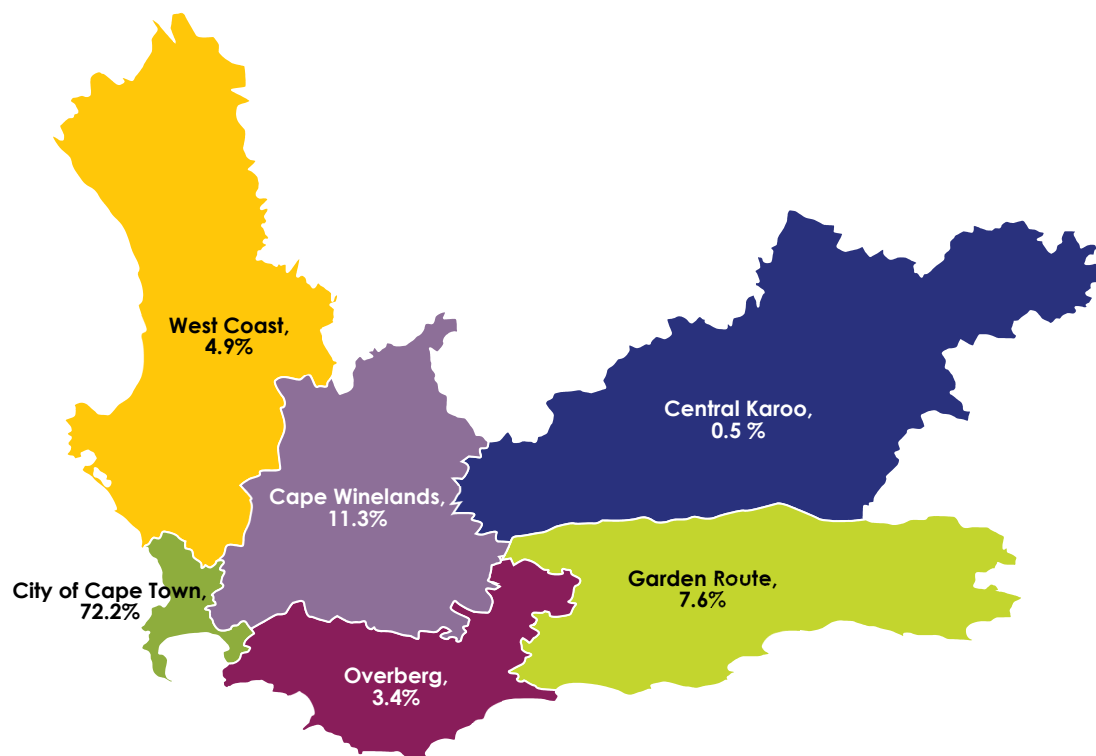
forecast to add the most jobs on a net basis from 2019 to 2023 is the private services sector, albeit at a slower pace of growth than in the previous five years. Within Private services, the Wholesale and retail trade, catering and accommodation sector, as well as the Finance, insurance, real estate and business services sector are forecast to add about 35 000 jobs each on a net basis.

3.2.3 Spatial aspect of economic growth in the Western Cape

The Cape Metro remained the largest contributor to economic output in the Province at 72.2 per cent in 2017 (see Figure 3.4), albeit marginally decreasing its contribution by 0.3 percentage points from 2016. The economic contributions of both the West Coast and Cape Winelands each increased marginally by 0.1 percentage points in 2017 from the previous year, with the remainder of the districts recording relatively insignificant changes.

Since 2007, the Cape Winelands' contribution to economic output increased the most (1.4 percentage points), whereas the Cape Metro recorded the largest decline (1.1 percentage points).

Figure 3.4 Western Cape economic output contribution per district, 2017⁶



Source: Quantec Research, 2019, Provincial Treasury calculations

⁶ GVA, measured in real terms

Table 3.1 Economic growth rates and contribution to economic growth, Western Cape (per district) 2007 - 2017

Economic Output growth (%)														
Sectors	Cape Metro		West Coast		Cape Winelands		Overberg		Garden Route		Central Karoo		Western Cape	
	2017	2007 - 2017 (Avg)	2017	2007 - 2017 (Avg)	2017	2007 - 2017 (Avg)	2017	2007 - 2017 (Avg)	2017	2007 - 2017 (Avg)	2017	2007 - 2017 (Avg)	2017	2007 - 2017 (Avg)
	Primary Sector	10.5	3.9	11.4	3.8	10.1	2.3	9.4	1.7	8.4	2.0	2.4	2.2	10.3
Agriculture, forestry and fishing	11.8	4.4	12.0	4.0	10.3	2.3	9.5	1.7	8.8	2.0	10.8	4.5	10.8	3.2
Mining	2.1	0.9	0.6	-0.1	1.6	0.7	1.1	1.3	1.9	0.7	10.8	4.5	1.7	0.7
Secondary Sector	-0.2	0.6	0.8	1.2	-0.2	0.1	1.3	2.5	-0.3	1.1	2.3	1.6	-0.1	0.7
Manufacturing	-0.2	0.5	0.9	1.1	-1.0	-1.2	2.2	2.8	0.1	1.3	0.8	1.4	-0.1	0.4
Electricity, gas and water	0.6	-1.4	-0.6	-2.1	2.5	0.5	0.5	-0.9	0.3	-1.4	1.3	0.2	0.7	-1.2
Construction	-0.9	2.6	0.3	3.4	1.2	5.0	-0.5	3.1	-1.8	1.6	1.7	0.6	-0.6	2.8
Tertiary Sector	1.0	2.2	1.1	2.5	2.0	3.3	1.9	3.1	1.5	2.7	-0.3	3.1	1.1	2.4
Wholesale, retail, trade, catering and accommodation	-0.9	1.7	0.1	2.6	0.7	3.4	0.6	3.1	-0.6	1.9	0.7	1.8	-0.6	2.0
Transport, storage and communication	1.0	1.7	0.4	0.1	2.4	2.8	2.7	3.4	1.9	2.7	-0.6	1.0	1.2	1.9
Finance, insurance, real estate and business services	2.1	2.5	2.8	3.2	3.6	4.2	3.3	3.4	3.2	3.7	-0.1	-0.3	2.3	2.8
General Government	0.3	3.2	0.1	3.0	-0.5	2.3	-0.5	2.4	-0.8	2.1	2.8	2.8	0.1	3.0
Community, social and Personal services	1.2	1.4	2.3	2.6	2.2	2.4	2.1	2.3	1.5	1.7	0.6	3.5	1.4	1.6
Total	0.9	1.9	3.2	2.4	2.3	2.4	2.6	2.8	1.5	2.3	1.5	1.7	1.2	2.0
Contribution to Output growth (%)														
Sectors	Cape Metro		West Coast		Cape Winelands		Overberg		Garden Route		Central Karoo		Western Cape	
	2017	2007 - 2017 (Avg)	2017	2007 - 2017 (Avg)	2017	2007 - 2017 (Avg)	2017	2007 - 2017 (Avg)	2017	2007 - 2017 (Avg)	2017	2007 - 2017 (Avg)	2017	2007 - 2017 (Avg)
	Primary Sector	19.1	3.2	75.7	33.8	43.8	10.1	40.4	7.7	34.7	5.8	74.3	32.9	34.6
Agriculture, forestry and fishing	18.6	3.1	75.5	33.9	43.7	10.1	40.3	7.7	34.3	5.7	74.2	32.8	34.3	6.4
Mining	0.5	0.1	0.2	0.0	0.1	0.1	0.0	0.0	0.4	0.1	0.0	0.0	0.4	0.1
Secondary Sector	-6.0	7.6	6.0	13.4	-2.1	0.8	10.5	19.0	-4.6	10.7	3.5	7.5	-2.3	7.8
Manufacturing	-3.1	3.8	5.9	9.5	-6.7	-9.2	11.2	13.3	1.3	8.5	1.5	0.2	-1.3	3.3
Electricity, gas and water	1.4	-1.6	-0.2	-1.5	1.6	0.4	0.3	-0.6	0.3	-1.4	2.7	1.1	1.1	-1.3
Construction	-4.2	5.4	0.3	5.3	2.9	9.6	-1.1	6.3	-6.3	3.6	-0.6	6.2	-2.1	5.8
Tertiary Sector	86.9	89.3	18.3	52.8	58.4	89.1	49.1	73.3	69.9	83.5	22.2	59.7	67.7	85.8
Wholesale, retail, trade, catering and accommodation	-17.0	14.1	0.3	15.9	5.8	23.2	4.5	20.0	-6.7	14.1	-4.0	7.1	-7.6	15.6
Transport, storage and communication	12.1	10.1	0.9	0.5	9.2	10.0	10.1	11.7	11.9	11.1	-0.4	-2.2	9.8	9.6
Finance, insurance, real estate and business services	78.9	42.4	12.3	18.0	38.2	38.9	30.7	28.5	62.9	44.8	15.4	16.5	56.8	40.0
General Government	3.5	17.6	0.2	11.7	-2.1	9.3	-1.6	7.3	-4.9	8.4	5.0	31.0	0.8	15.0
Community, social and Personal services	9.4	5.0	4.6	6.7	7.3	7.7	5.5	5.8	6.9	5.1	6.1	7.3	7.8	5.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total contribution to WC growth	49.9	67.6	12.5	5.7	20.4	13.1	7.1	4.5	9.2	8.4	6.9	5.1	100.0	100.0

Source: Quantec Research, July 2019, Provincial Treasury calculations

Table 3.1 compares economic growth rates and contribution to economic growth at district level across different sectors and sub-sectors in the Western Cape. The West Coast recorded the highest economic growth rate (3.2 per cent) in 2017, followed by the Overberg (2.6 per cent) and Cape Winelands (2.3 per cent). Growth in the West Coast resulted from the expansion Agriculture, forestry and fishing sub-sector, which contributed 75.5 per cent of output growth in that year. This sub-sector made a strong resurgence in 2017 across districts from its dismal output performance in 2016, exceeding its long-term growth trend in each district.

While the Cape Metro recorded the lowest growth rate (0.9 per cent) for that year, it made the largest contribution to economic growth (49.9 per cent) due to its relative size in the provincial economy. Growth in the Cape Metro was supported by the Finance, insurance, real estate and business services sub-sector, which contributed more than three quarters (78.9 per cent) to output growth in 2017. The Cape Metro's contribution to economic growth was smaller in 2017 than its long-term trend (ten-year average annual growth), in contrast to the remaining districts which recorded relatively larger contributions to growth.

3.2.4 Fixed investment in the Western Cape

The Western Cape economy's average annual growth in gross fixed capital formation is estimated at 0.7 per cent from 2014 to 2018 (Table 3.2). This is slightly faster than the 0.4 growth rate recorded in the preceding five years, but well below the long-term average rate of 4.1 per cent (1996 to 2018). The fastest growing sector from 2014 to 2018 was General government, followed by Mining and Electricity, gas and water (combined in the others category). The biggest contribution to growth came from the Private services sector, which was responsible for 78.3 per cent of the growth in fixed investment over this period. Within Private services, Wholesale and retail trade saw the fastest growth (4.2 per cent year-on-year), followed by Catering and accommodation services (2.9 per cent) and Business services (2.8 per cent). In contrast, the Agriculture, Manufacturing and Construction sectors saw fixed investment decline on an annual average basis.

Table 3.2 Gross fixed capital formation per sector in the Western Cape, 2014 - 2018 and 2019 - 2023

	2014 - 2018		2019 - 2023	
	Average change (y-o-y %)	Average contribution (% pts)	Average change (y-o-y %)	Average contribution (% pts)
Agriculture	-2.6	-1.2	0.5	0.4
Manufacturing	-2.7	6.2	2.0	6.1
Construction	-3.6	-2.7	5.0	1.5
Private services	1.1	78.3	4.9	64.2
General government	3.8	18.5	4.0	11.1
Other	3.0	1.0	5.2	16.8
Total	0.7	100.0	4.3	100.0

Source: Quantec Research, 2019

Going forward, fixed investment growth is forecast to pick up to 4.3 per cent year-on-year from 2019 to 2023 with positive (average) growth expected for all economic sectors. The biggest driver will continue to be the Private services sector, but the “other” category, General government and Manufacturing are also projected to contribute to fixed investment. Indeed, Transport and storage (6.6 per cent year-on-year), Communication (6.1 per cent) and Community, social and personal services (5.9 per cent) are forecast to see the fastest growth in gross fixed capital formation within the Private services sector over the next five years. Meanwhile, Private services and renewable energy (included in the “other” category) continue to attract sizeable Foreign Direct Investment flows as well, which will stimulate overall investment growth.

Foreign Direct Investment trends

Foreign Direct Investment (FDI) in so called emerging and frontier markets in general – which includes South Africa – fell in 2018 to its lowest level since the 1990s. According to the Institute of International Finance (2019), FDI flows fell to 2 per cent of GDP. This compares to a peak of 4 per cent of GDP in 2007, the year before the global financial crisis. In addition to slower growth in emerging markets making them less attractive due to lower potential returns on investment, the fall is also ascribed to a general increase in global (trade) policy uncertainty. This leads to capital flows being channelled towards safe-haven assets instead.

Unfortunately, given the continued worries about the trade war and slower global growth (as discussed in Chapter 2), FDI flows towards emerging markets could fall further this year. On a positive note, according to the latest UN world investment report (2019), South Africa bucked the global trend with FDI increasing by 165.8 per cent year-on-year to \$5.3 billion in 2018. However, this was mainly driven by intra-company loans by established investors rather than new investment commitments. In this regard it is important to mention that FDI data must always be treated carefully. Investment pledges are sometimes exaggerated, while at the same time changing plans can lead to investment turning out higher than initially estimated or being abandoned mid-way. By nature FDI projects tend to be longer-term with the initial investment pledge being spread out overall several years.

Wesgro (2019) reports that 315 FDI projects were recorded in the Western Cape from 2008 to September 2018 with total value of \$8.3 billion. Just over half of these projects were destined for the private services sectors (business services, software and IT services and communications) as well as alternative or renewable energy projects. Western Europe was the main source inward FDI (58 per cent), led by the UK, Germany, France and the Netherlands.

Going forward, Phase 2 of the African Continental Free Trade Area agreement which covers investment could boost the attractiveness of investing in Africa in general, with possible positive spill over effects for the Province. This is because 46 per cent of companies that have invested into the Western Cape (Wesgro, 2019) indicating that they would like to use the Province as a springboard for doing business with the rest of Africa.

Source: Bureau for Economic Research, 2019

3.3 Western Cape trade profile

Western Cape exports expanded by an average of 8.8 per cent per year over the last 10 years. Over the same period, import growth was slower at 4.6 per cent per year. In 2018, exports rose by 3.9 per cent following a 0.3 per cent decline in 2017. Import growth surged by 19.5 per cent in 2018 after contracting for the three years prior. The increase in overall imports was driven by a 42.5 per cent rise in imports of the oil and related products category, i.e. mineral fuels, mineral oils and products of their distillation; bituminous substances; and mineral waxes, while exports of this category

rose by just 10 per cent. This was the Province's biggest import category and constituted about half of total imports in 2018.

As a result of the sharper increase in import growth compared to exports, the Western Cape's trade deficit rose to R90.0 billion in 2018 from R59.1 billion in the previous year. This compares to an average deficit of R80.1 billion recorded over the last ten years with imports outstripping exports in all of these years. However, excluding oil imports, the Western Cape recorded a trade surplus of R20.6 billion in 2018.

3.3.1 Trade source and destination markets

Africa continues to be the most important export market for the Western Cape, receiving 36.2 per cent of exports in 2018. In 2018, 29.9 per cent of exports were destined for Europe, 17.9 per cent to Asia and 9.8 per cent to the Americas.

Within the African continent, South African Customs Union (SACU) members received 18.4 per cent of total exports, which is equal to 50.9 per cent of the exports to Africa. The coming into force of the African Continental Free Trade Area (AfCFTA) agreement on 30 May 2019 is expected to boost intra-African trade in coming years, as exports to the continent increase further. In terms of product categories, 21.8 per cent of exports to Africa in 2018 were mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes, followed by 9.1 per cent of iron and steel products.

Namibia is still the biggest export destination, receiving 8.7 per cent of exports, followed by the United Kingdom with 7.5 per cent of exports. Exports to the US have seen strong growth in 2018 with the country now taking up the third place among the top ten export destinations. In terms of imports, the countries included in the top ten are more or less unchanged compared to 2017 although the order has changed. Saudi Arabia took the top spot from China as imports surged by 49.6 per cent, while imports from China fell by 2.3 per cent. Imports from Nigeria, the United Arab Emirates, Oman and Ghana also rose sharply in 2018 – driven by higher oil imports.

Table 3.3 Top ten export and import markets for the Western Cape, 2018

Rank	Imports	Value 2018 (R bn)	% Share	% Growth 2017 - 2018	Rank	Exports	Value 2018 (R bn)	% Share	% Growth 2017 - 2018
1	Saudi Arabia	37.9	17.3	49.6	1	Namibia	11.2	8.7	-2.0
2	China	29.9	13.6	-2.3	2	United Kingdom	9.7	7.5	6.9
3	Nigeria	20.4	9.3	126.4	3	United States	9.1	7.0	7.3
4	Angola	12.1	5.5	-14.7	4	Netherlands	8.6	6.7	-4.6
5	United Arab Emirates	8.7	4.0	107.9	5	Botswana	7.4	5.7	7.2
6	Oman	8.5	3.9	551.4	6	Germany	5.1	3.9	6.1
7	India	8.4	3.8	-39.0	7	China	5.1	3.9	24.3
8	Italy	8.0	3.6	48.7	8	Kenya	3.7	2.9	23.7
9	Germany	6.7	3.1	9.9	9	Lesotho	2.8	2.2	8.9
10	Ghana	6.5	3.0	819.2	10	Zambia	2.8	2.2	0.1
Total imports		219.4	100	19.5	Total exports		129.3	100	3.9

Source: Quantec Research, 2019

3.3.2 Western Cape sector revealed comparative trade advantages⁷

The Western Cape and South African export profiles are very different. The Western Cape export picture is dominated by agricultural and agri-processed goods, which made up 36.1 per cent of exports in 2018. In contrast, the agriculture value chain makes up just 7.7 per cent of national exports. The national export picture is dominated by mining (27.1 per cent of exports), wholesale and retail trade (12.7 per cent) and metals, metal products, machinery and equipment (12.2 per cent).

The fastest growing export sectors in the Western Cape were Agriculture (26.9 per cent growth), Metals, metal products, machinery and equipment (17.5 per cent) and Communication (17.2 per cent). In contrast, Radio, TV, instruments, watches and clocks saw the biggest decline (-43.3 per cent), followed by Textiles, clothing and leather goods (-19.7 per cent). Given the volatility of trade data, it is also insightful to look at a longer-term picture. Over the last five years, the other Non-metal mineral products sector saw the fastest growth (9.4 per cent on average per year), followed by agriculture (8.3 per cent).

In 2018, 45.7 per cent of South Africa's agriculture and agri-processing exports originated from the Western Cape. This means that the Western Cape has a significant revealed comparative trade advantage (RTCA) in agriculture and agri-processing (captured in the Agriculture, forestry and fishing, and Food, beverages and tobacco subsectors in Table 3.4)⁸. Subsectors with an RTCA above one have a larger share of exports in the Western Cape compared to the rest of South Africa, and are thus relatively more important for the Province in terms of overall export performance. In addition to the agriculture value chain, many of the services subsectors also show a comparative advantage. The Communication subsector stands out as one where the RTCA has improved considerably during recent years – although its share of Western Cape exports remains relatively small at 2.6 per cent in 2018.

⁷ In Annexure B a list of the sector's revealed comparative trade advantage and average growth rates (2014 - 2018) is provided.

⁸ An RTCA level above one signals a comparative advantage relative to the rest of South Africa, while a level below one indicates a comparative disadvantage. The relevant sector's export share of total provincial (regional) exports is expressed as a ratio of the same sector's share of South African exports to calculate a revealed comparative trade advantage ratio.

Table 3.4 Western Cape revealed comparative trade advantage (RTCA) per subsector, 2003 - 2018

RTCA	2003	2008	2013	2018
Agriculture, forestry and fishing	6.3	5.8	5.6	5.4
Food, beverages and tobacco	5.0	5.5	4.4	3.8
Textiles, clothing and leather goods	2.9	2.2	2.7	2.4
Construction	0.9	1.6	2.3	2.3
Communication	1.1	1.0	1.2	2.0
Finance and insurance	1.3	1.1	1.2	1.5
Radio, TV, instruments, watches and clocks	1.4	3.5	1.4	1.3
Catering and accommodation	1.8	1.0	0.9	1.3
Business services	1.2	1.1	1.1	1.1
Community, social & personal services	1.0	1.0	0.9	1.0
Furniture; other manufacturing	0.9	1.0	1.1	1.0
Petroleum products, chemicals, rubber and plastic	1.1	0.9	0.9	1.0
Electrical machinery and apparatus	0.4	0.4	0.7	0.9
Other non-metal mineral products	0.9	1.0	0.6	0.9
Wholesale and retail trade	0.7	0.8	0.8	0.7
Transport	0.8	0.9	0.8	0.7
Wood and paper; publishing and printing	0.8	0.5	0.7	0.7
Metals, metal products, machinery and equipment	0.5	0.6	0.6	0.6
Mining	0.5	0.4	0.5	0.4
Transport equipment	0.5	0.4	0.4	0.4

Source: Quantec Research, 2019

3.3.3 Spatial aspect of the Western Cape trade profile

The provincial trade profile is concentrated geographically and dominated by the Cape Metro. This is in part because of the Metro's large share in economic activity, but also due to the location of harbours and international airport within the district. As such, the Cape Metro was responsible for 65.1 per cent of exports in 2018, up by 1.8 per cent year-on-year from 2017. The Cape Winelands was the source for a further 23.5 per cent of exports, up by 6.2 per cent from the previous year, with the West Coast responsible for 6.5 per cent of exports. All districts recorded higher exports in 2018 compared to 2017, with the Cape Metro growing by the slowest rate (although still the highest amount due to its share). The Central Karoo saw the fastest annual growth of 22.2 per cent in 2018, but its contribution to total exports remains very small at just 0.05 per cent.

The import-picture is even more skewed towards the Cape Metro, with 79.7 per cent of imports entering the Province through the metro (imports were up by 17.5 per cent year-on-year). The Cape Winelands received another 17.4 per cent of regional imports – up by 35.9 per cent year-on-year. The other districts directly received shares of less than 2 per cent of imports with the Overberg and Central Karoo districts recording a year-on-year decline in imports.

3.4 Key priority sectors in the Western Cape

3.4.1 Agriculture alternative crops

The agriculture value chain is a critical economic sector with a distinct comparative advantage and job creating potential. The Western Cape's unique Mediterranean and winter-rainfall climate allows the agricultural sector to produce a mix of products of which the bulk of the fruit and wines are exported. Based on 2018 values, seven of the top ten exported products from the Western Cape were from the agriculture and agri-processing sectors and includes oranges, table grapes, bottled & bulk wine, apples, naartjies and pears (Quantec, 2019).

The Agriculture sector had to endure two difficult seasons as the drought severely restricted irrigation. Parts of the Province still do not have adequate grazing capacity and are receiving fodder support to keep animals alive. In the same period, livestock and ostrich meat exports faced periods of international market closures (due to foot and mouth disease and avian influenza outbreaks). These factors, coupled with uncertainty surrounding land reform and safety on farms, have all contributed to deteriorating farm incomes. In 2018, net farm income measured in real terms was R99 billion compared to R110 billion in 2017 and R100.8 billion in 2016.

Climate change has also emerged as one of the most pertinent challenges faced by farmers and agri businesses. Strategies to mitigate the impact of climate changes should include a diversified mix of agricultural products, to incorporate smart agricultural practices and to manage resources more efficiently. In the past four years the use of agricultural shade nets for intensive crop cultivation has increased by 290 per cent⁹ and a number of smaller crops have performed exceedingly well despite the current challenges faced by producers.

Table 3.5 below gives an overview of alternative crops¹⁰, specifying the hectares planted, export performance and its global relative trade advantage¹¹. For many of the alternative crops listed, the growth in area planted has shown substantial increases between 2013 and 2017. Blueberries, cherries, and prickly pears are some of the most notable. Some of these industries have also been under pressure for various reasons related to climate, difficulties in establishing orchards and the prevailing market conditions. In general, all of these listed products show a certain degree of competitiveness with GRTA values well above one and industries such as berries, cherries and dates have all realised export growth rates exceeding 20 per cent per annum since 2014¹².

⁹ Source: Western Cape Department of Agriculture, 2018

¹⁰ Alternative crops are informally defined as any horticultural crop cultivated in the Western Cape being lower than a thousand hectares, are labour intensive, has intrinsic export potential and has no statutory levy.

¹¹ Value greater than one indicate a South African advantage relative to other global competitors.

¹² ITC, 2019

Table 3.5 Alternative crops in the Western Cape

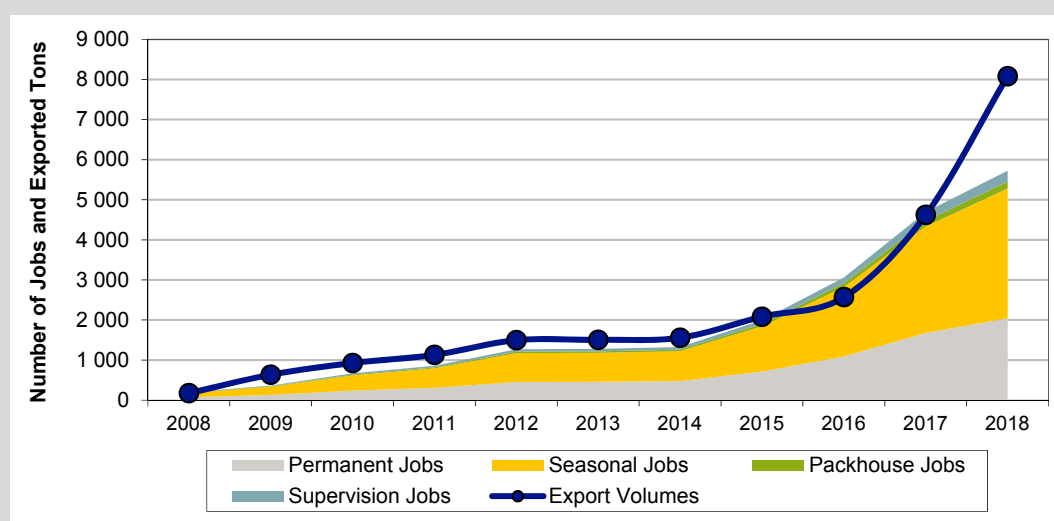
Product	WC Area Planted in Hectares		Export Performance		Competitiveness
	2013	2017	RSA Export Value 2018 ('000)	4-year Annual Export Growth (%)	Relative Trade Advantage (GRTA)
Blueberries	465	824	1 057 881	57.74	4.83
Guavas	810	801	187 026	19.59	1.04
Pomegranate	799	780	-	-	-
Cherries	111	388	21 882	21.09	0.11
Figs	347	370	47 372	10.04	1.25
Persimmons	455	354	67 214	-13.52	1.90
Prickly Pear	48	143	-	-	-
Raspberries	111	121	146 158	22.03	1.60
Blackberries	60	76	20 368	161.89	1.60
Honey bush	144	59	-	-	-
Granadillas	34	21	-	-	-
Dates	41	-	137 469	30.40	1.36

Source: Western Cape Department of Agriculture, 2018; International Trade Centre, 2019

The Blueberry industry's impact on the Western Cape Economy

South African blueberry farming is concentrated in the Western Cape with 60 per cent of the area planted located in the Province. Blueberry export growth outperformed almost every other fruit crop in the country over the past ten years. The figure below shows the impact of blueberry industry on job creation since 2008 based on the hectares planted, as well as the trade performance in terms of volumes exported. The industry is highly labour intensive and creates an average of 2.6 fulltime jobs for every bearing hectare under production and as a result created an estimated 4 000 jobs the past four years. A combination of increased global demand and farmers ability to compete in the global blueberry market led to the export and employment growth in the industry. Since 2008, exported volumes have grown from 175 tons to more than 8 000 tons in 2018, growing the export in value higher than R1 billion in 2018.

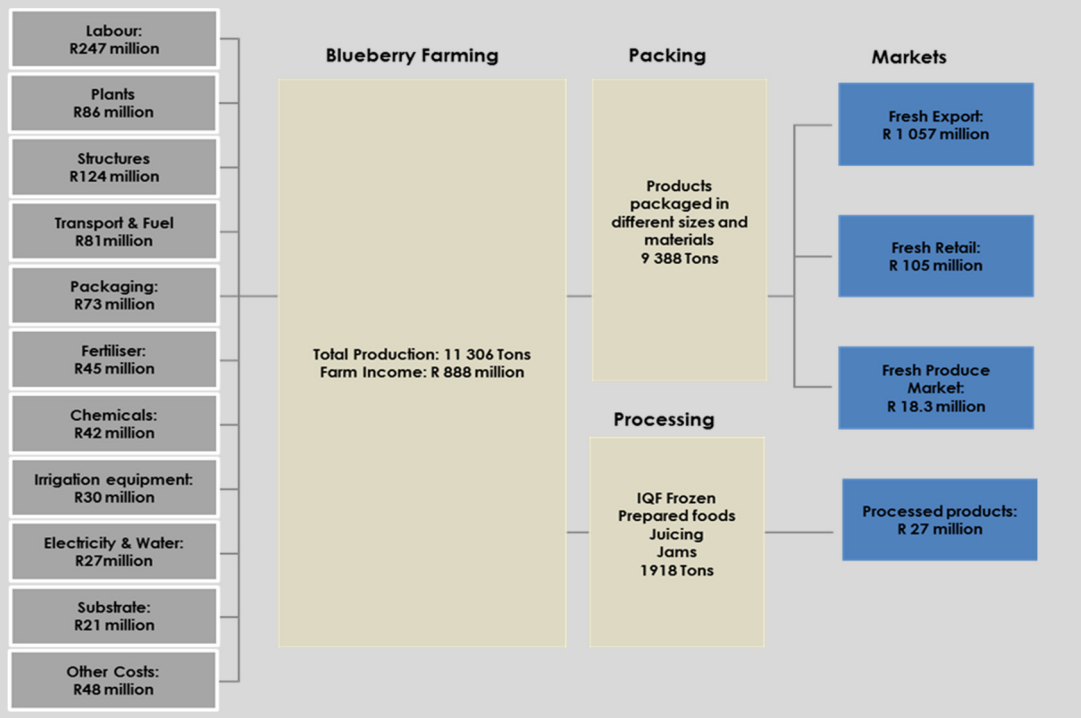
The blueberry job creation and export performance, 2008 - 2018



The economic impact of farming with alternative crops extends further than merely contributing to creating farm jobs and export earnings. It also creates economic opportunities for input suppliers and service providers to the industry. The figure describes the value chain linkages of the blueberry industry, detailing the use of inputs used and the value of production as the product moves towards the market in 2018.

In 2018, the South African blueberry farming industry utilises direct farm inputs (labour, fertiliser, chemicals etc.) valued at around R573 million, with additional investment required to buy plants from nurseries (R86 million), growing medium (R21 million), irrigation equipment (R27 million) and putting up structures (R124 million). These upstream linkages were used to produce around 11 300 tons of blueberries of which 72 per cent were exported. The industry also creates opportunities for the baking and frozen berry market which creates additional non-farm jobs.

Value chain map of the blueberry industry in South Africa, 2018



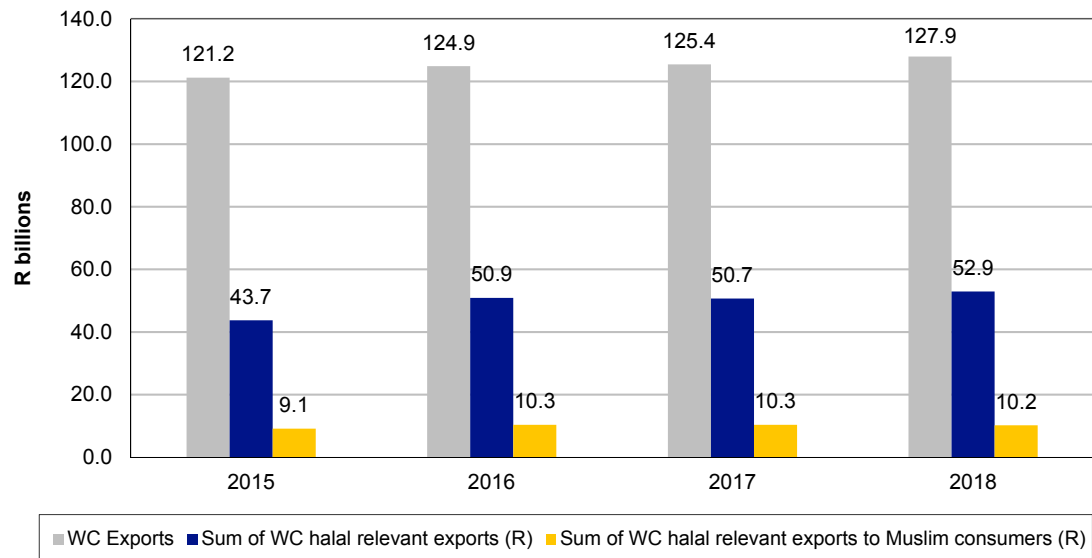
Source: Department of Agriculture, 2019

3.4.2 Western Cape halal export performance

The global halal food market represents a significant opportunity for the Western Cape. The global halal market size is expected to reach USD9.7 trillion by 2025¹³. Between 2015 and 2018 halal relevant exports, consumed by both Muslim and non-Muslim consumers, grew by 21 per cent. Within this category, halal exports, consumed by Muslims, grew by 12 per cent over the same period. It is estimated in 2018, that halal exports (to Muslim consumers) contributed almost 8 per cent of Western Cape total exports.

¹³ Source: Reuters, 2019

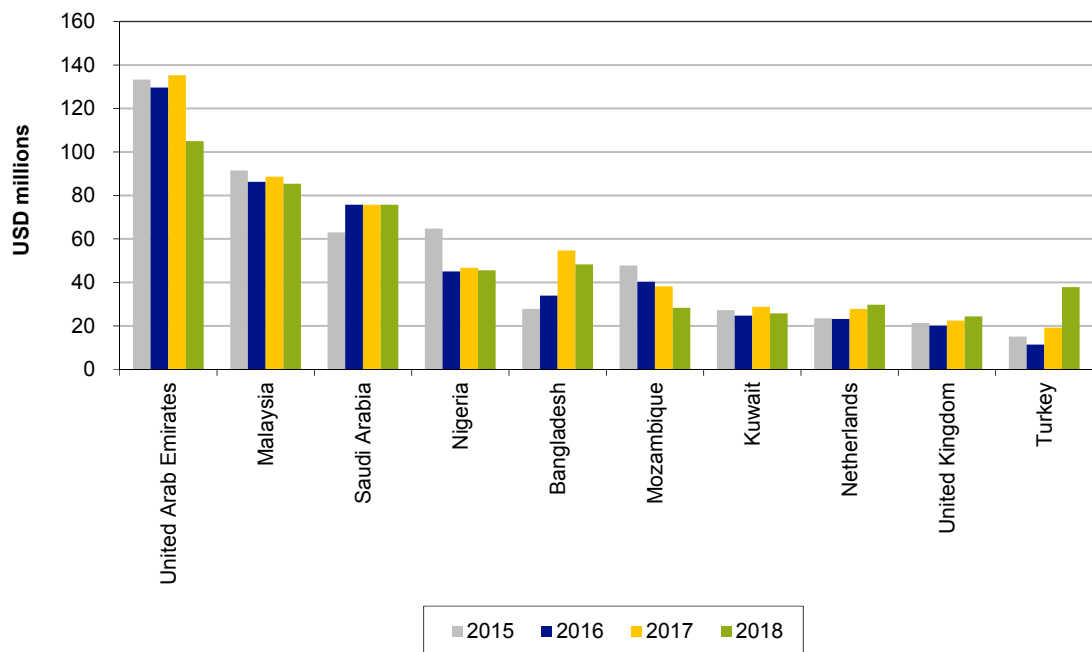
Figure 3.5 Western Cape exports and halal relevant exports, 2015 - 2018



Source: Quantec Research, 2019

From Figure 3.6, the top export markets in 2018 for the Western Cape halal market were the UAE, Malaysia and Saudi Arabia, while export growth to Turkey doubled in 2018.

Figure 3.6 Western Cape exports destinations halal relevant products, 2015 - 2018

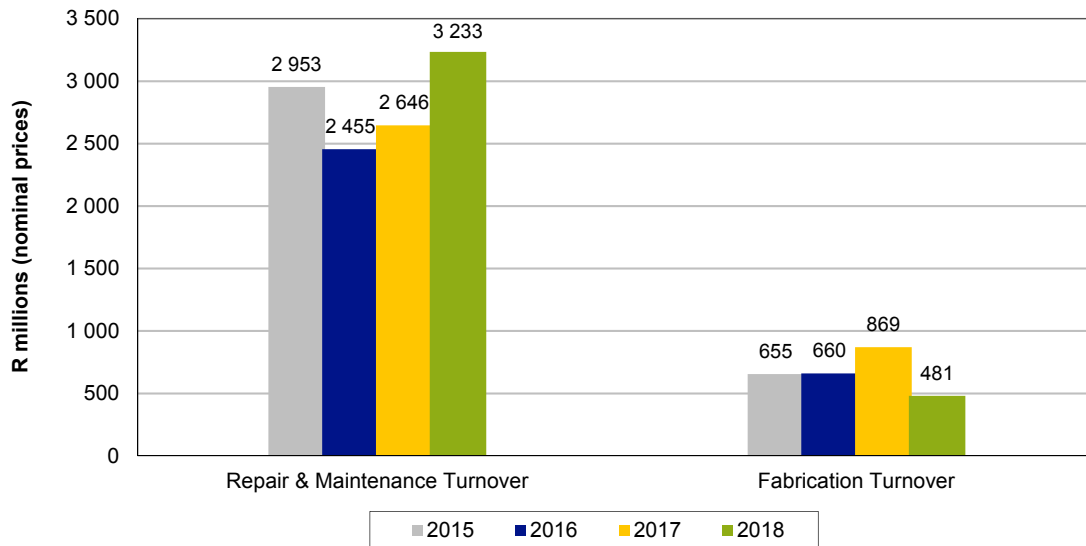


Source: Quantec Research, 2019

3.4.3 Oil, gas and marine services industry

The oil, gas and marine services industry is strategically important given the location of the Province on the tip of Africa with over 30 000 ships passing by each year. The industry comprises of rig repair, ship repair, maintenance and fabrication.

Figure 3.7 Repair and maintenance and fabrication turnover, Western Cape, 2015-- 2018



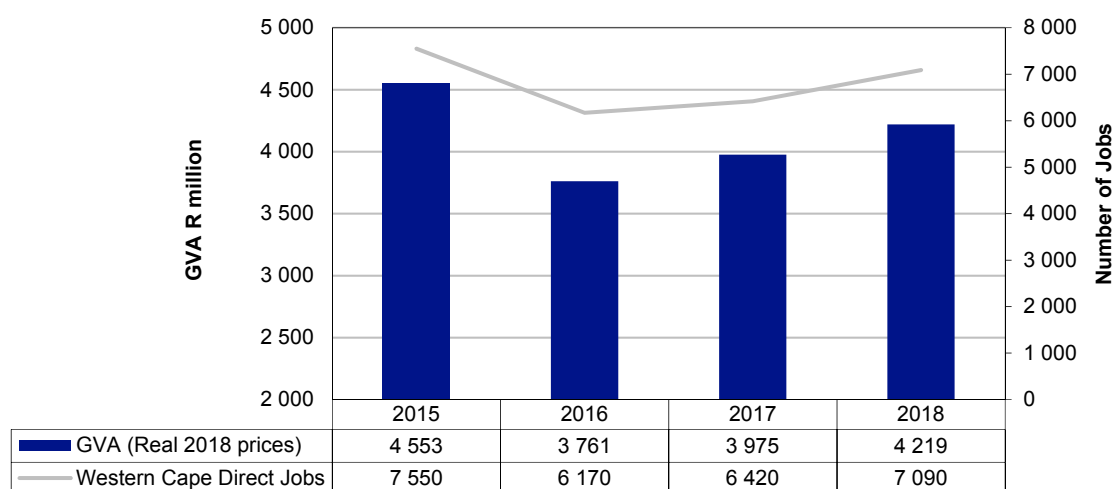
Source: *Stratecon, Department of Economic Development and Tourism, Transnet National Ports Authority, 2019*

The 2018 Western Cape nominal turnover¹⁴ from ship repair and maintenance was R3.2 billion, while fabrication amounted to R481 million (see Figure 3.7). Compared to 2017, repair and maintenance turnover increased by R587 million (22 per cent) with fabrication turnover decreasing by R388 million (-44 per cent). Combined, these sectors' turnover grew by R199 million (5.6 per cent) from 2017 to 2018.

The Gross Value Added (GVA) from the oil, gas and marine services industry was R4.2 billion for 2018 which is a 6.2 per cent increase from 2017 (see Figure 3.8). Between 2017 and 2018, direct jobs in this sector grew with 10.4 per cent in the Province even though the total number of vessels fabricated and exported declined by 205 vessels.

¹⁴ Nominal reflects changes in price and volume.

Figure 3.8 Employment and GVA (real) in the oil, gas and marine services industry, Western Cape, 2015 - 2018



Source: *Stratecon, Department of Economic Development and Tourism, Transnet National Ports Authority, 2019*

The industry has suffered from the volatility of the Brent crude oil price, with the price falling below the required level for certain deep sea drilling operations to be viable. Oil price fluctuations have been unpacked in more detail in Chapter 2. Further hindrances to the industry include infrastructure development delays and a reduction in port infrastructure capacity for ship and rig repair, with the Cape Town Port operating below maximum capacity.

Opportunities and developments in the oil and gas sector

The Oil and gas sector has encountered the following recent opportunities and developments:

- In February 2019, French oil multinational Total announced a significant discovery of gas deposits on the Brulpadda prospects, located in Block 11B/12B in the Outeniqua Basin offshore. The discovery could provide a boost to gas and liquids production in the country in the medium-to-long term.
- The recent private sale of substantial refinery assets (Chevron) in South Africa may provide a stimulus for the measured modernisation of the country's outdated downstream sector.
- The development of the Liquefied Natural Gas (LNG) Independent Power Producers (IPP) Programme will provide opportunities on the gas import front. The anticipated separation of oil and gas regulation from legislation covering the mining industry will also provide greater regulatory clarity. The shale gas resources in the Karoo Basin may be among the largest in the world with enormous potential for growth. The continued issues with shale are environmental concerns around its extraction particularly linked to water contamination, the economically viable size of the actual deposits and accrued benefit to the local communities¹⁵.

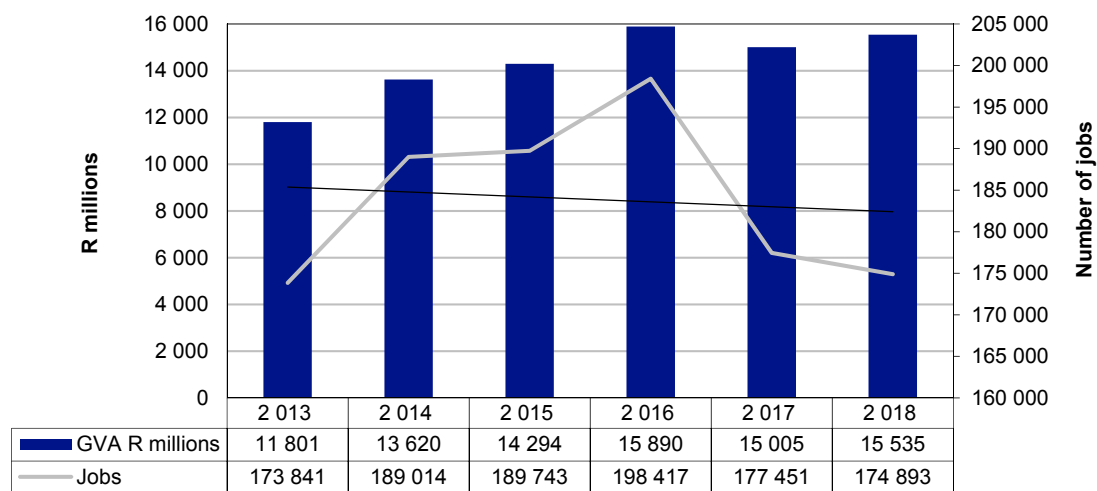
Source: *Department of Economic Development and Tourism, 2019*

¹⁵ Source: BMI Research, 2019

3.4.4 Tourism¹⁶

Tourism is an important contributor to economic growth and job creation in the Western Cape. In 2018, the number of international arrivals in the Western Cape increased marginally by 0.2 per cent, remaining at around 1.7 million international arrivals. During the year, the Province accounted for 16.2 per cent of all South African tourist arrivals and received 19.8 per cent of South Africa's tourist spend. The estimated total foreign direct spend in the Western Cape reached R16.3 billion. In addition, the Western Cape held 19.7 per cent of South Africa's bed nights recorded during the same period, generating 23.3 million bed nights.

Figure 3.9 Western Cape tourism GVA (real) and employment, 2013 - 2018



Source: Wesgro and Department of Economic Development and Tourism, 2019

Since 2016, the industry's economic output declined by 2.2 per cent while employment in the sector declined by 23 524 or 11.9 per cent. However, in 2018 the economic output from tourism increased by 3.5 per cent, although employment declined with 1.44 per cent from the previous year. The increase in 2018 was lower than the average annual growth over the past five years (5.7 per cent).

In 2018, Europe remained the Western Cape's strongest international market with respect to volume, accounting for over 800 000 tourists. Arrivals from France and Germany increased, while arrivals from India declined in 2018. There has been a rapid growth in arrivals from Brazil with a 105 per cent increase in tourist numbers from 2016 to 2018.

In 2018, a number of challenges in South Africa resulted in a slower growth in international and domestic arrivals. The drought in Cape Town has had a negative knock-on effect as many bookings were cancelled or changed. A weak national economy and increased taxes also limited local consumers' travel budgets, which reduced domestic travel substantially. International tourist challenges included

¹⁶ Source: Wesgro, 2019

negative crime perceptions, the long-haul destination, and lingering concerns after the listeriosis outbreak. Past challenges such as restrictive work and travel visa regulations have been repealed to some extent. The tourist numbers from the UK, the number one tourist provider, declined by 10 per cent or 30 504 tourists from the previous year. The decline is likely the result of a weaker British pound and water shortages.

Despite facing many challenges, the Western Cape remains one of South Africa's top tourism destinations with five of the top 20 tourist attractions in the country. This includes Cape Point, the Winelands, Table Mountain, Kirstenbosch and the Garden Route.

Expanding Tourism Offerings

Since its commencement in July 2015, Air Access, a collaborative project, has assisted Cape Town International Airport in establishing 15 new routes, and expanding the 19 existing routes. From July 2015, more than 800 000 inbound seats were added to the network, doubling international seat capacity at the airport and adding an estimated R6 billion in direct tourism spend to the provincial economy.

The Province has seen substantial investment and increases in hotel supply in the city centre in recent years. This included the Radisson Red and the Silo in the Silo District of the V&A Waterfront; the Southern Sun and StayEasy by Tsogo Sun, and the Gorgeous George Hotel opened by the Design Hotel Group. More than 1 000 rooms are projected to be added to Cape Town's hotel supply by 2025 boosting the goal of establishing the City as a gateway to South Africa.

Source: Department of Economic Development and Tourism, 2019

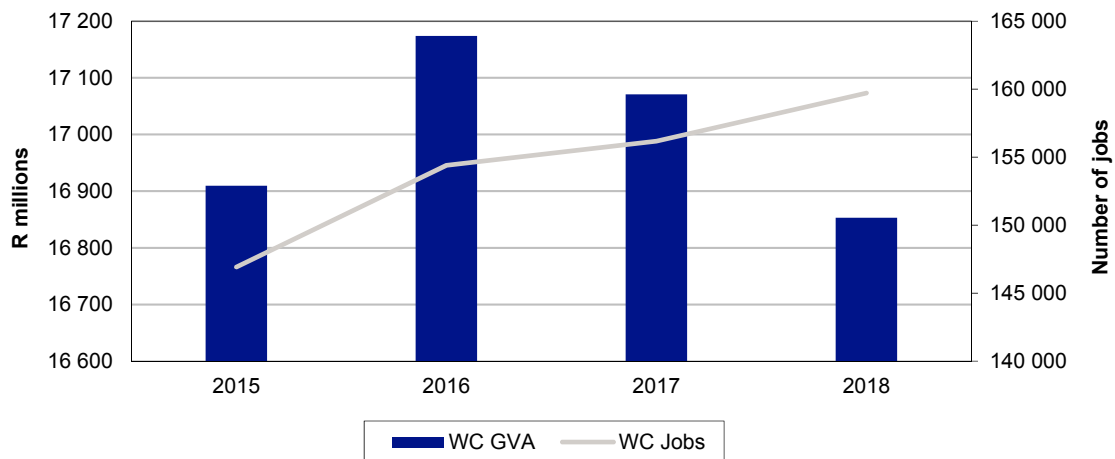
3.5 Economic opportunities in other provincial sectors

3.5.1 Construction

The Construction sector faced a distressing period in recent years. In 2018, the sector's economic output, an estimated R16.9 billion, declined by 1.2 per cent from the previous year. The sector has been negatively impacted by a slowdown in growth in the retail space with a number of retailers impacted by slower retail spending and a growth in online purchases. The large construction companies have seen their share prices tumble and a number of local builder firms have entered business rescue.

Despite negative economic output growth, the sector created an estimated 3 541 jobs in 2018, a 2.3 per cent growth from the previous year. As a result, the sector's employment resilience sustained R14 billion in nominal salaries.

Figure 3.10 Western Cape Construction GVA and jobs (2015 - 2018)¹⁷



Source: Quantec Research, 2019

The residential housing market also created a drag on the sector, with the housing market on a negative trajectory through an oversupply of stock coinciding with a decrease in consumer demand. In the first quarter of 2019 negative house price growth in the City Bowl, Southern Suburbs and Eastern Suburbs along with the Atlantic Seaboard was registered in with a 5.1 per cent year-on-year decline.

The rental market followed a similar trajectory; demand dampened due to the impact of poor economic conditions, which led to a drop in returns on investment for renters. The purchasing of houses for investment purposes and the related upgrading of houses declined in the Western Cape, leading to a drop in new residential construction projects.

A reduction in the number of residential building plans passed will likely have a negative impact on the future economic activity of the Construction sector. In the first quarter of 2019, 4 905 plans were passed compared to 8 115 the previous year, a decline of 39.6 per cent. As a result of economic and political pressure demand and appetite for construction projects has dried up, leading to a deterioration of the health of this sector.

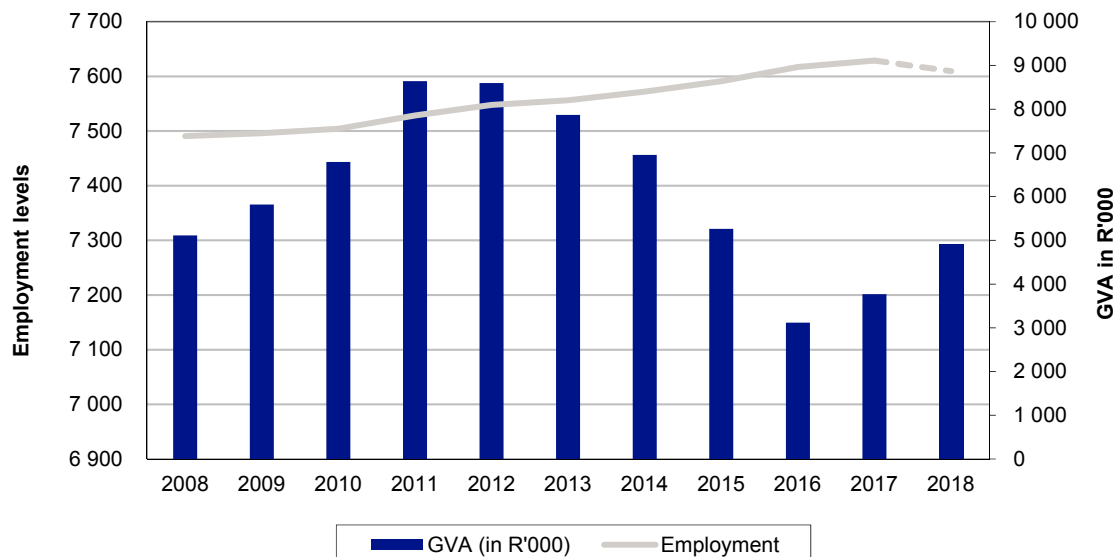
3.5.2 Energy and water

In 2017, the Electricity, gas and water sub-sector (Electricity sub-sector) contributed 1.8 per cent to the Western Cape economic output. The Cape Metro produced 75 per cent of the Electricity sub-sector's contribution. While the economic contribution declined from 2.2 per cent recorded in 2008, the sub-sector employment levels were not affected by the declining economic output. Between 2008 and 2018 the employment contribution of the sub-sector in the Province remained constant at around 0.4 per cent of which the Cape Metro contributed around 69 per cent. Output growth for 2018 is estimated at 1.3 per cent, higher than the previous year (0.7 per cent)

¹⁷ 2018 figures are estimates only.

while employment growth for the same year is estimated at -2.7 per cent, deteriorating from the previous year (by 1.6 per cent).

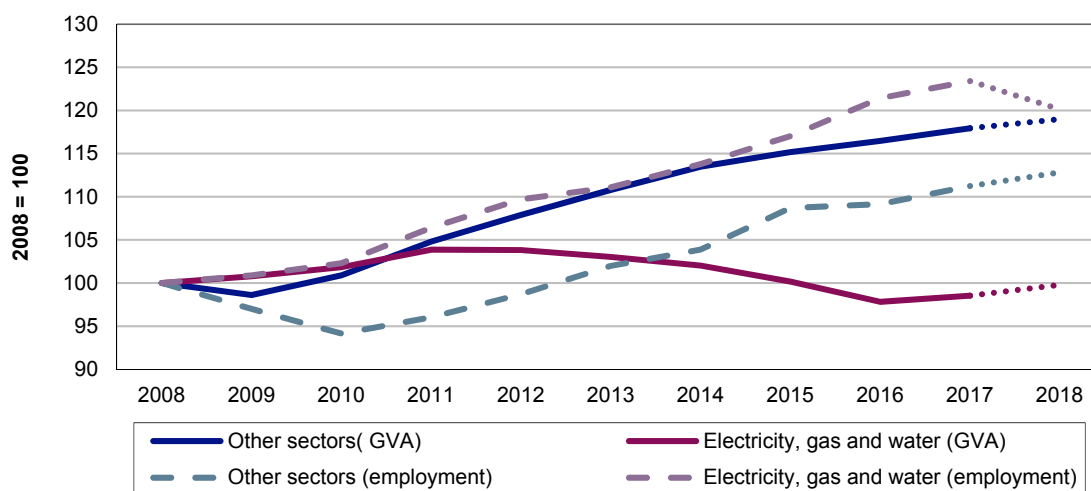
Figure 3.11 Electricity, gas and water economic output and employment, 2008 - 2018



Source: Quantec Research, 2019

Figure 3.11 shows, that between 2012 and 2017, the sub-sector output was in decline with an average annual growth of -1.04 per cent while employment was on an upward trajectory with average annual growth of 2.38 per cent. The figure illustrates that the sub-sector's employment did not follow its declining economic output.

Figure 3.12 Relative economic output performance of the electricity, gas and water sub-sector in the Western Cape, 2008 - 2018



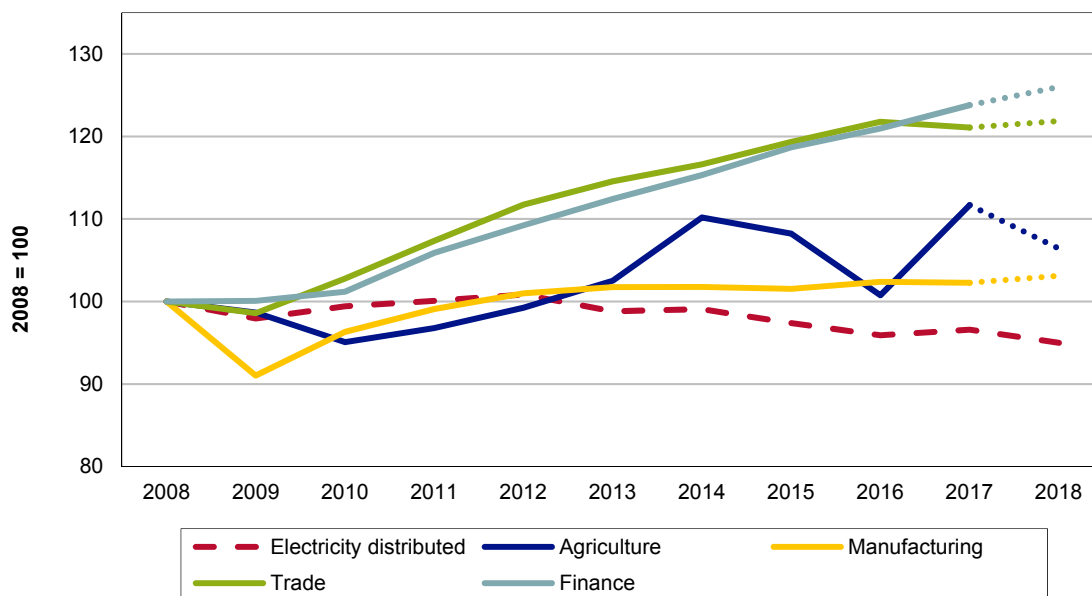
Source: Quantec Research 2019, Provincial Treasury calculations

In Figure 3.12, the economic output (in GVA) and employment of the Electricity, gas and water sub-sector and the remainder of the sub-sectors in the Western Cape is equalised to 100 between 2008 and 2018. The figure shows that since 2011, the Electricity, gas and water sub-sector recorded lower growth than the other sectors. The

figure also indicates increasing gaps between economic output and employment growth over time. The other sub-sector's divergence between employment and output growth commenced in 2009, but loses momentum by 2010. From 2010 onward, the growth of economic output and employment moved almost in parallel. The gap was therefore likely caused by the 2009 recession.

In contrast to other sub-sectors where economic output growth exceeded employment growth, the Electricity, gas and water sub-sector employment growth surpassed output growth. The growth divergence commenced in 2011 and increased consistently over time. Quantec estimates indicate a slight closing of the growth gap in 2018.

Figure 3.13 Relative economic output performance of selected sub-sectors and Eskom electricity distributed in the Western Cape, 2008 - 2018



Source: Quantec Research 2019, Provincial Treasury calculations

In Figure 3.13, the economic output (in GVA) of five sub-sectors and Eskom electricity distributed in the Western Cape is equalised to 100 between 2008 and 2018. The figure shows that Eskom electricity distributed to the Western Cape declined from 2012 onward. The declining trend of Eskom sourced electricity distribution continued over the time period.

The Finance and Trade sub-sectors persisted with relatively stronger growth, seemingly undeterred by Eskom generated electricity. The Agriculture sub-sector's economic output is more erratic and likely more affected by drought and exchange rate fluctuations than by the availability of Eskom electricity. Manufacturing's output appears to correlate most to Eskom electricity distributed, however no clear link can be derived from the output of this sub-sector and the quantity of Eskom electricity distributed. The figure displays the resilience of key sub-sectors economic output against the declining Eskom electricity distribution in the Western Cape. It is likely due to increasing private electricity generation and adoption of power efficient equipment as a result of load shedding and above inflation increases in electricity tariffs.

Load shedding - impact and response from industries in the Western Cape

The cost of load shedding (not being provided with electric power) is particularly high for manufacturing, and slightly less so for the retail sector and mining. The impact on financial and business services and government and transport services was minimal due to its ability to rely on alternative power sources. As such, the total impact is currently estimated at an average cost of R500 million per stage of load shedding per day for South Africa. For the Western Cape this equates to R75 million per stage of load shedding per day.

There is also a large 'unaccounted cost' of load shedding owing to the impact on market confidence – potential investors who choose not to invest, companies reluctant to invest in expansion efforts, and the reputational damage of export targets/orders not being met or businesses closing down.

The impact of load shedding on consumers of electricity varies:

- (a) Low-income households: owing to the high rate of energy poverty, many households have learned to cope without electricity for extended periods using alternative sources of energy. They thus have built-in resilience.
- (b) Middle-class households: generally, households have learned to cope with load shedding and have made some investment in surge protectors, battery systems, emergency lights, etc.
- (c) Businesses that rely on office machinery: some impact, as they can purchase UPS systems or larger batteries for back-up and can prioritise certain processes.
- (d) Agriculture: The impact on farming enterprises is quite variable.
 - Smaller farms with no cold storage or agri-processing requirements: with some investment in generators and battery systems, they can cope with the impact.
 - Larger enterprises: the impact can be significant, especially if no back-up capacity is available which results in a break in cold chain¹⁸. Agri-processing activities can also be quite energy-intensive. Large investment is needed for large storage/generator sets required to provide back-up power.
 - Manufacturing businesses: usually severe impact, owing to the time required to power machines up and down, and the damage to machinery if insufficient notice of load shedding given.

Source: Department of Economic Development and Tourism, 2019

3.6 Conclusion

The Western Cape economy continued to expand over the last decade, but average growth slowed to just 2.0 per cent. The economy is forecast to have barely increased in 2018 with 0.2 per cent growth anticipated.

From a sectoral perspective, the Private services sector - more than 60 per cent of the Provincial economy - was the main driver of growth over the last decade. The sector is expected to remain the main support of economic growth going forward, with almost three-quarters of the growth forecast over the next five years expected to come from this sector. In part due to the positive growth forecast, the Private services sector is also anticipated to be the main driver of fixed investment in the next five years.

¹⁸ "Cold chain" refers to the whole sequence of a temperature-controlled supply chain, comprising preparation, packaging, storage, distribution, retail holding, display, purchase and home storage till use.

In 2018, the Western Cape is estimated to have recorded its first annual decline in employment since 2008. This comes on the back of a fall in employment in all major sectors, except Manufacturing. In line with the sector's large contribution to GVA, Private services also employ the most workers in the Provinces. The sector also registered the fastest annual average growth in job levels over the last five years and, as such, created a majority of the jobs from 2014 to 2018. Over the next five years, Agriculture is forecast to record the fastest average growth rate, but this mainly reflects an increase in employment levels in 2019 as the sector recovers from the drought, which led to three consecutive year-on-year declines in the sector.

The agriculture value chain is a critical economic sector with a distinct comparative advantage and job creating potential, but a variety of factors weigh on farm incomes. A shift towards the development of alternative crops (which tend to be labour intensive and have export potential) provides opportunities for the agricultural value chain. halal-relevant export products also hold export promise, with growth potential in the global sector expected to benefit the Province. The Construction sector is hampered by tough economic conditions, such as a decline in new residential construction projects. This led to a decline in this sector, which historically was an important driver of economic and employment growth in the Province.

Annexure A

Employment trends, Western Cape and South Africa (excluding Western Cape)

Sector	Western Cape					
	Employed 2018	Share (per cent) 2018	Change 2014 - 2018	Average growth (yoy per cent) 2014 - 2018	Change 2019 - 2023 (forecast)	Average growth (yoy per cent) 2019 - 2023 (forecast)
Agriculture, forestry and fishing	248 100	10.12	21 524	1.3	-36 469	2.3
Mining	1 765	0.07	23	0.6	20	-0.6
Food, beverages and tobacco	60 864	2.48	6 721	3.0	-3 862	-1.5
Textiles, clothing and leather goods	34 039	1.39	6 730	5.0	-3 100	-2.6
Wood, paper, publishing and printing	33 273	1.36	-2 807	-1.5	1 810	1.0
Petroleum products, chemicals, rubber and plastic	28 214	1.15	-1 355	-1.2	1 566	1.1
Other non-metal mineral products	9 292	0.38	-243	-0.4	1 683	3.6
Metals, metal products, machinery and equipment	43 406	1.77	-2 445	-1.8	2 145	0.3
Electrical machinery and apparatus	5 452	0.22	-994	-2.9	309	0.9
Radio, TV, instruments, watches and clocks	3 848	0.16	210	1.6	-213	-0.9
Transport equipment	19 892	0.81	1 682	2.0	-68	-0.4
Furniture and other manufacturing	17 743	0.72	431	0.9	-2 034	-3.8
Electricity, gas and water	8 827	0.36	426	1.5	417	0.8
Construction	148 729	6.07	2 973	1.6	3 597	-0.2
Wholesale and retail trade	480 422	19.60	33 498	1.8	34 720	1.3
Catering and accommodation services	82 879	3.38	8 492	3.0	980	0.1
Transport and storage	90 151	3.68	3 404	1.3	9 757	2.2
Communication	18 646	0.76	-2 628	-2.4	64	-0.4
Finance and insurance	71 122	2.90	-4 906	-0.8	-922	-0.7
Business services	390 232	15.92	33 545	2.4	35 815	1.8
Community, social and personal services	276 458	11.28	-19 746	-0.3	9 348	0.6
General government	378 296	15.43	15 839	1.3	13 255	0.6
Total	2 451 649	100.00	100 373	1.2	68 820	0.9

South Africa (excluding Western Cape)						
Sector	Employed 2018	Share (per cent) 2018	Change 2014 - 2018	Average growth (yoy per cent) 2014 - 2018	Change 2019 - 2023 (forecast)	Average growth (yoy per cent) 2019 - 2023 (forecast)
Agriculture, forestry and fishing	883 506	6.5	118 573	2.6	-46 952	-3.5
Mining	500 122	3.7	-50 839	-2.5	35 188	1.0
Food, beverages and tobacco	247 421	1.8	26 387	3.1	11 619	1.3
Textiles, clothing and leather goods	71 826	0.5	-14 806	-3.6	-5 007	0.7
Wood, paper, publishing and printing	133 866	1.0	-8 956	-1.1	5 441	0.6
Petroleum products, chemicals, rubber and plastic	177 597	1.3	14 564	1.4	2 846	0.1
Other non-metal mineral products	69 935	0.5	4 354	1.7	3 539	0.4
Metals, metal products, machinery and equipment	288 866	2.1	-8 032	-1.2	16 240	2.5
Electrical machinery and apparatus	41 703	0.3	-4 314	-1.5	-804	-0.3
Radio, TV, instruments, watches and clocks	18 943	0.1	1 351	2.0	1 157	2.2
Transport equipment	108 213	0.8	647	-0.2	2 121	0.3
Furniture and other manufacturing	82 966	0.6	-745	0.2	2 949	1.2
Electricity, gas and water	60 084	0.4	775	0.6	4 203	1.1
Construction	852 946	6.2	104 927	4.1	41 585	0.8
Wholesale and retail trade	2 646 125	19.3	249 796	2.2	292 451	2.0
Catering and accommodation services	395 954	2.9	70 276	4.9	20 205	1.0
Transport and storage	510 815	3.7	46 401	1.5	97 045	3.9
Communication	93 027	0.7	-12 238	-2.3	-9 248	-2.0
Finance and insurance	354 527	2.6	2 438	0.6	-21 572	-0.8
Business services	2 026 083	14.8	261 723	3.3	-70 763	-1.2
Community, social and personal services	1 677 772	12.3	-36 690	0.5	52 530	0.5
General government	2 432 956	17.8	180 075	2.0	145 697	1.4
Total	13 675 251	100.0	945 669	1.8	580 468	0.7

Source: Quantec Research, 2019

Annexure B

Revealed comparative trade advantage of sectors in the Western Cape economy

Sector	Western Cape		South Africa		Revealed comparative trade advantage 2018
	Share (per cent)	Average growth (yoy per cent)	Share (per cent)	Average growth (yoy per cent)	
	2018	2014 - 2018	2018	2014 - 2018	
Agriculture, forestry and fishing	22.4	8.3	4.1	9.2	5.4
Mining	10.9	-2.3	27.1	0.6	0.4
Food, beverages and tobacco	13.7	-3.6	3.6	-0.7	3.8
Textiles, clothing and leather goods	2.8	-4.2	1.2	-1.7	2.4
Wood and paper; publishing and printing	1.1	0.7	1.6	2.1	0.7
Petroleum products, chemicals, rubber and plastic	8.0	6.0	8.2	3.6	1.0
Other non-metal mineral products	0.5	9.4	0.5	0.5	0.9
Metals, metal products, machinery and equipment	7.5	5.2	12.2	3.3	0.6
Electrical machinery and apparatus	0.8	3.4	0.8	-4.4	0.9
Radio, TV, instruments, watches and clocks	1.0	-4.9	0.7	-7.0	1.3
Transport equipment	3.7	6.3	9.5	4.4	0.4
Furniture; other manufacturing	2.5	-4.2	2.5	-2.5	1.0
Electricity	n/a	n/a	0.3	0.2	N/A
Construction	0.6	6.1	0.3	5.9	2.3
Wholesale and retail trade	9.1	2.6	12.7	5.0	0.7
Catering and accommodation	1.1	-7.9	0.8	-13.2	1.3
Transport	4.0	0.2	6.0	3.4	0.7
Communication	2.6	5.0	1.3	-5.5	2.0
Finance and insurance	2.5	-0.8	1.7	-4.0	1.5
Business services	3.5	4.7	3.2	4.1	1.1
Community, social and personal services	1.7	4.1	1.7	2.0	1.0
Total	100.0	1.5	100.0	1.75	1.0

Source: Quantec Research, 2019

Annexure C

Composition, growth and revealed comparative advantage of Western Cape goods exports (2-digit HS code)

Commodity (HS Code)	Western Cape			South Africa			Revealed comparative trade advantage 2014	Revealed comparative trade advantage 2018
	Avg. growth (yoy per cent)	Avg. growth (yoy per cent)	Share of total WC exports (per cent)	Avg. growth (yoy per cent)	Avg. growth (yoy per cent)	Share of total SA exports (per cent)		
	2009 - 2018	2014 - 2018	2018	2009 - 2018	2014 - 2018	2018		
Live animals	79.9	12.7	0.1	15.2	16.3	0.1	0.8	0.7
Meat and edible meat offal	68.5	17.6	0.3	21.5	17.2	0.3	1.4	1.0
Fish, crustaceans, molluscs, aquatic invertebrates nes	13.2	10.6	4.5	7.3	12.1	0.6	7.7	7.9
Dairy products, eggs, honey, edible animal product nes	27.4	7.1	0.5	28.4	3.6	0.3	2.2	2.1
Products of animal origin, nes	8.4	1.9	0.1	9.6	12.4	0.0	4.0	2.9
Live trees, plants, bulbs, roots, cut flowers etc.	32.2	13.7	0.4	9.0	13.9	0.1	3.5	3.6
Edible vegetables and certain roots and tubers	16.5	2.6	0.5	29.5	10.1	0.2	3.1	2.2
Edible fruit, nuts, peel of citrus fruit, melons	11.7	10.9	23.5	14.2	14.0	3.9	6.2	6.0
Coffee, tea, mate and spices	12.5	4.8	0.3	24.6	10.2	0.2	2.1	1.7
Cereals	103.5	29.9	1.0	9.1	-0.3	0.6	0.6	1.8
Milling products, malt, starches, inulin, wheat gluten	68.7	-4.1	0.1	11.8	-1.3	0.2	0.9	0.7
Oil seed, oleagic fruits, grain, seed, fruit, etc, nes	37.4	20.8	1.2	8.4	17.4	0.2	4.1	5.0
Lac, gums, resins, vegetable saps and extracts nes	27.4	37.2	0.1	25.9	32.7	0.0	2.1	2.8
Vegetable plaiting materials, vegetable products nes	23.9	-12.8	0.0	113.0	81.4	0.0	1.8	0.3
Animal, vegetable fats and oils, cleavage products, etc	19.4	20.8	0.2	17.3	3.6	0.3	0.7	0.8
Meat, fish and seafood food preparations nes	21.4	0.9	0.7	19.7	4.5	0.1	5.6	5.3
Sugars and sugar confectionery	25.6	6.2	0.2	16.3	8.4	0.5	0.3	0.3
Cocoa and cocoa preparations	16.5	10.8	0.1	21.7	11.7	0.1	1.1	1.3
Cereal, flour, starch, milk preparations and products	27.8	5.4	0.5	26.8	10.4	0.3	2.0	1.8
Vegetable, fruit, nut, etc food preparations	8.5	4.7	3.6	11.3	8.1	0.7	5.4	5.1
Miscellaneous edible preparations	23.6	4.3	0.8	16.0	4.2	0.4	1.8	1.9
Beverages, spirits and vinegar	6.0	1.8	9.0	8.5	6.3	1.5	6.4	5.9
Residues, wastes of food industry, animal fodder	56.5	37.3	1.2	47.6	20.0	0.3	3.5	3.4
Tobacco and manufactured tobacco substitutes	15.3	-1.9	1.8	13.2	0.7	0.2	8.4	7.9
Salt, sulphur, earth, stone, plaster, lime and cement	37.9	16.1	1.3	12.1	11.4	0.6	1.8	2.3
Ores, slag and ash	57.8	130.6	0.8	12.2	4.4	12.4	0.0	0.1
Mineral fuels, oils, distillation products, etc	7.1	0.4	12.9	9.5	6.7	10.6	1.6	1.2
Inorganic chemicals, precious metal compound, isotopes	26.2	23.4	0.5	5.3	16.5	1.4	0.3	0.3
Organic chemicals	8.9	10.6	0.3	5.2	4.1	1.2	0.2	0.2

Commodity (HS Code)	Western Cape			South Africa			Revealed comparative trade advantage 2014	Revealed comparative trade advantage 2018
	Avg. growth (yoy per cent) 2009 - 2018	Avg. growth (yoy per cent) 2014 - 2018	Share of total WC exports (per cent) 2018	Avg. growth (yoy per cent) 2009 - 2018	Avg. growth (yoy per cent) 2014 - 2018	Share of total SA exports (per cent) 2018		
Pharmaceutical products	18.9	7.7	0.3	19.2	6.3	0.4	0.9	0.7
Fertilisers	24.0	16.0	0.2	8.2	1.0	0.4	0.4	0.6
Tanning, dyeing extracts, tannins, derives, pigments etc.	4.6	12.8	0.4	8.7	3.8	0.3	0.8	1.1
Essential oils, perfumes, cosmetics, toiletries	18.5	10.2	1.7	17.6	7.3	0.7	2.0	2.6
Soaps, lubricants, waxes, candles, modelling pastes	18.2	7.0	0.3	20.7	5.0	0.5	0.7	0.7
Albuminoids, modified starches, glues, enzymes	12.3	5.6	0.2	17.2	9.2	0.1	3.1	2.3
Explosives, pyrotechnics, matches, pyrophorics, etc.	26.0	18.7	0.1	7.7	2.1	0.1	1.2	0.7
Photographic or cinematographic goods	-30.3	-16.8	0.0	-5.6	-2.1	0.0	0.4	0.1
Miscellaneous chemical products	1.6	1.0	0.7	11.8	10.1	1.1	0.9	0.6
Plastics and articles thereof	10.8	8.8	1.6	10.7	4.9	1.4	0.9	1.1
Rubber and articles thereof	57.8	-8.1	0.2	8.7	0.6	0.5	0.5	0.3
Raw hides and skins (other than fur skins) and leather	13.3	-9.8	0.6	12.0	-4.0	0.3	1.9	2.4
Articles of leather, animal gut, harness, travel goods	18.7	4.5	0.2	28.5	11.4	0.1	2.5	2.5
Fur skins and artificial fur, manufactures thereof	15.0	-7.2	0.0	4.1	-6.6	0.0	3.5	1.9
Wood and articles of wood, wood charcoal	8.5	13.4	0.4	10.2	12.3	0.6	0.8	0.7
Cork and articles of cork	139.5	157.4	0.0	33.5	31.7	0.0	4.6	6.4
Manufactures of plaiting material, basketwork, etc.	19.5	39.8	0.0	8.0	9.2	0.0	2.7	2.5
Pulp of wood, fibrous cellulosic material, waste etc.	48.7	25.9	0.1	10.5	12.9	1.0	0.0	0.1
Paper & paperboard, articles of pulp, paper and board	14.8	6.0	0.4	4.1	5.3	0.7	0.5	0.5
Printed books, newspapers, pictures etc.	21.3	6.6	0.4	13.1	5.7	0.1	3.7	3.6
Silk	119.4	-16.5	0.0	60.6	16.4	0.0	0.8	0.3
Wool, animal hair, horsehair yarn and fabric thereof	-5.6	9.2	0.0	12.7	10.8	0.5	0.0	0.0
Cotton	6.9	-4.2	0.0	36.1	21.6	0.1	1.7	0.2
Vegetable textile fibres nes, paper yarn, woven fabric	8.0	-10.6	0.0	2.7	-14.1	0.0	7.4	2.3
Manmade filaments	-11.6	0.8	0.0	1.7	10.4	0.0	1.1	0.7
Manmade staple fibres	68.3	3.6	0.1	21.1	20.2	0.1	2.2	1.2
Wadding, felt, nonwovens, yarns, twine, cordage, etc.	12.4	4.9	0.1	8.8	6.8	0.0	1.6	1.4
Carpets and other textile floor coverings	23.0	10.8	0.0	5.5	4.3	0.0	0.4	0.7
Special woven or tufted fabric, lace, tapestry etc.	24.8	7.9	0.0	9.5	6.4	0.0	1.3	1.5
Impregnated, coated or laminated textile fabric	3.8	-3.4	0.0	10.3	1.2	0.0	0.9	1.0
Knitted or crocheted fabric	21.9	8.3	0.1	44.1	7.3	0.0	2.2	4.1
Articles of apparel, accessories, knit or crochet	40.1	6.1	0.9	44.4	7.4	0.2	3.5	3.5
Articles of apparel, accessories, not knit or crochet	48.0	4.4	0.7	41.4	3.9	0.2	3.7	3.6
Other made textile articles, sets, worn clothing etc.	20.7	5.6	0.4	16.2	5.9	0.2	2.2	2.2

Commodity (HS Code)	Western Cape			South Africa			Revealed comparative trade advantage 2014	Revealed comparative trade advantage 2018
	Avg. growth (yoy per cent) 2009 - 2018	Avg. growth (yoy per cent) 2014 - 2018	Share of total WC exports (per cent) 2018	Avg. growth (yoy per cent) 2009 - 2018	Avg. growth (yoy per cent) 2014 - 2018	Share of total SA exports (per cent) 2018		
Footwear, gaiters and the like, parts thereof	170.8	1.1	0.5	68.1	4.2	0.2	3.0	2.6
Headgear and parts thereof	140.0	9.4	0.0	21.2	-0.5	0.0	1.9	2.1
Umbrellas, walking-sticks, seat-sticks, whips, etc.	10.8	7.5	0.0	13.8	12.4	0.0	3.5	2.8
Bird skin, feathers, artificial flowers, human hair	29.9	22.7	0.2	36.2	16.8	0.0	4.5	5.8
Stone, plaster, cement, asbestos, mica, etc. articles	21.5	8.5	0.1	9.9	3.8	0.1	0.8	1.1
Ceramic products	26.3	44.3	0.4	19.5	14.8	0.2	0.9	1.9
Glass and glassware	13.1	-2.3	0.1	13.2	3.9	0.2	0.7	0.5
Pearls, precious stones, metals, coins, etc.	8.8	11.8	1.8	4.8	5.3	17.6	0.1	0.1
Iron and steel	12.5	13.0	5.4	2.5	6.6	6.7	0.7	0.8
Articles of iron or steel	15.1	-3.6	0.7	7.8	4.5	1.5	0.6	0.5
Copper and articles thereof	10.1	15.9	1.1	7.6	10.5	0.8	1.4	1.4
Nickel and articles thereof	375.9	340.6	0.0	13.6	3.6	0.4	0.0	0.0
Aluminium and articles thereof	4.1	-0.6	0.2	5.1	6.6	2.0	0.2	0.1
Lead and articles thereof	203.2	375.6	0.0	9.6	4.7	0.0	0.5	0.1
Zinc and articles thereof	8.8	24.0	0.0	2.0	-5.9	0.0	0.3	0.3
Tin and articles thereof	13.4	37.3	0.0	1.7	2.5	0.0	1.0	0.6
Other base metals, cermets, articles thereof	2265.3	4543.5	0.2	8.9	6.8	0.2	1.8	1.0
Tools, implements, cutlery, etc of base metal	17.4	0.5	0.1	12.6	3.7	0.2	0.5	0.4
Miscellaneous articles of base metal	17.7	2.3	0.1	12.4	4.6	0.1	1.1	1.0
Nuclear reactors, boilers, machinery, etc.	6.2	4.3	4.7	6.5	3.6	6.2	0.9	0.8
Electrical, electronic equipment	4.5	11.7	1.7	9.4	2.5	1.9	0.8	0.9
Railway, tramway locomotives, rolling stock, equipment	1.6	-1.6	0.1	5.5	-4.1	0.2	0.3	0.4
Vehicles other than railway, tramway	26.1	-1.5	1.1	10.9	12.9	11.5	0.1	0.1
Aircraft, spacecraft, and parts thereof	82.9	23.8	0.2	19.6	9.2	0.3	0.4	0.7
Ships, boats and other floating structures	14.6	19.5	1.7	13.7	18.9	0.2	8.1	8.5
Optical, photo, technical, medical, etc. apparatus	9.2	0.9	0.8	9.9	6.3	0.6	1.7	1.4
Clocks and watches and parts thereof	57.6	10.0	0.0	56.8	33.8	0.0	1.2	0.9
Musical instruments, parts and accessories	18.2	10.2	0.0	21.6	1.7	0.0	1.1	1.9
Arms and ammunition, parts and accessories thereof	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Furniture, lighting, signs, prefabricated buildings	14.4	4.9	0.8	1.9	-2.0	0.4	1.4	1.9
Toys, games, sports requisites	32.2	9.9	0.2	19.5	7.3	0.1	2.4	2.6
Miscellaneous manufactured articles	27.4	11.1	0.3	37.9	13.3	0.2	1.5	1.5
Works of art, collectors' pieces and antiques	49.7	28.0	0.9	63.0	24.0	0.6	1.2	1.6
Commodities not elsewhere specified	n/a	n/a	0.4	213.9	415.0	0.4	0.0	0.9
Total: All commodities	8.8	5.8	100.0	10.8	7.9	100.0		

Source: Quantec Research, 2019

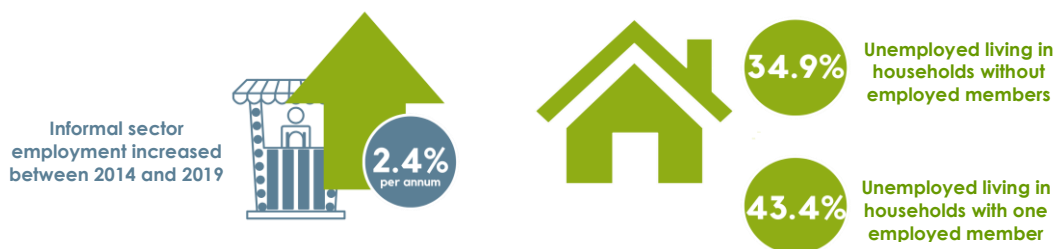
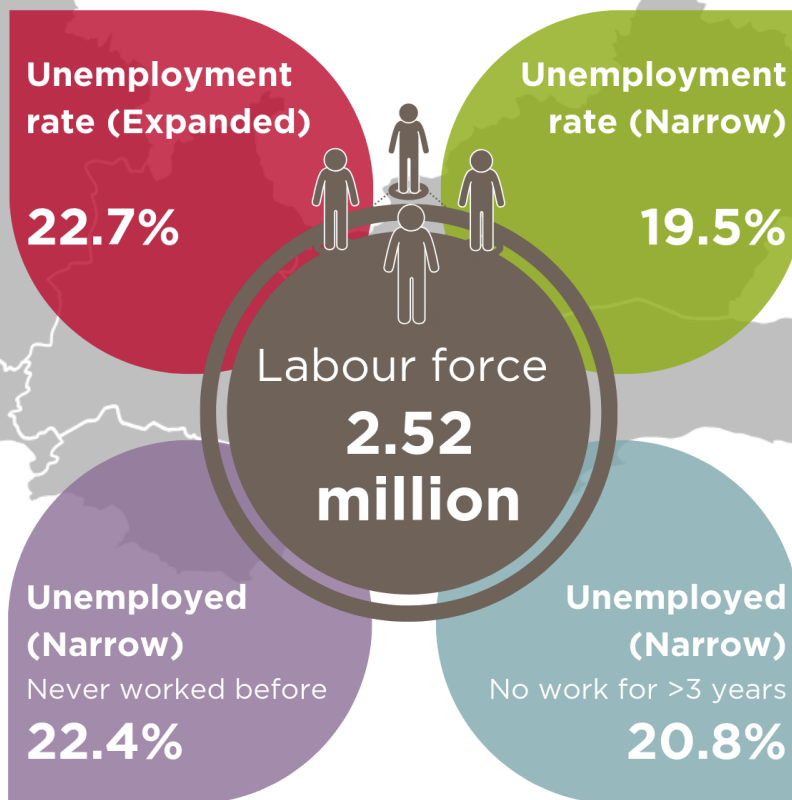
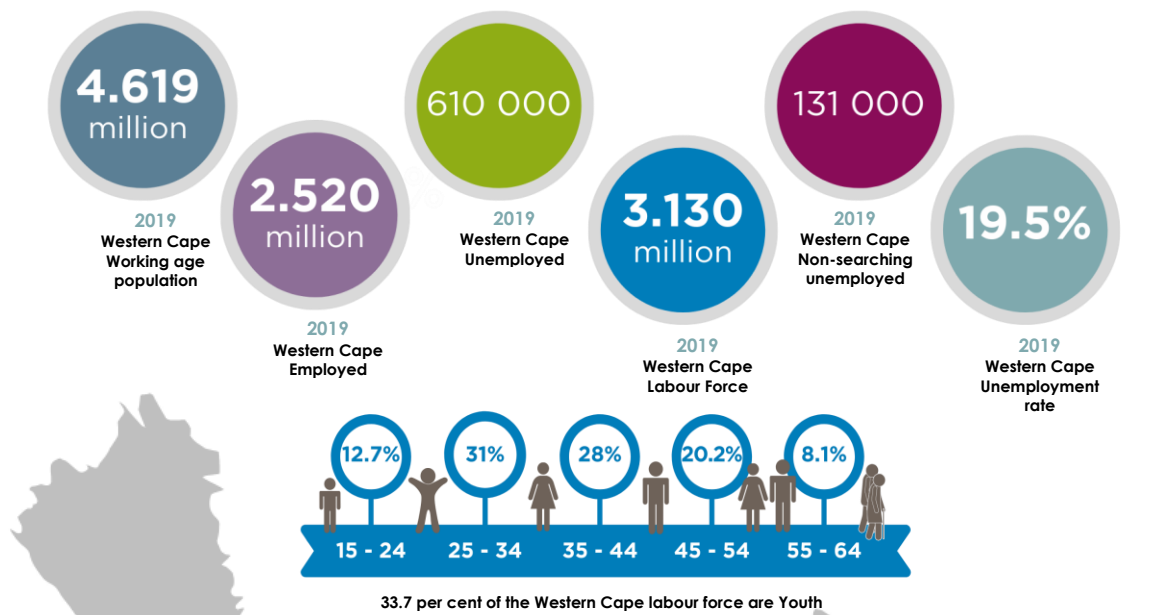


4

Labour market dynamics



Labour Market dynamics



4.1 Introduction

South Africa has long faced the triple challenges of poverty, inequality, and unemployment. However, despite much policy attention, poverty remains significant and the country is consistently ranked amongst those with the most severe inequality and amongst those with the highest rates of unemployment. These three challenges are closely interlinked and cannot successfully be addressed on their own.

In many respects, unemployment is the central challenge. Specifically, the country urgently requires the creation of good quality jobs in significant numbers. In order to reduce unemployment, job creation should occur more rapidly than labour force growth. Importantly, these jobs need to be sustainable and should be resilient in economic downturns. This may require investment in raising the skills profile of workers on an on-going basis. However, since the local recession triggered by the global financial crisis, economic growth has recovered to some extent, but employment growth has not. Certainly, it has not kept pace with the growth of the labour force and, as a result, the unemployment rate has gradually drifted upwards.

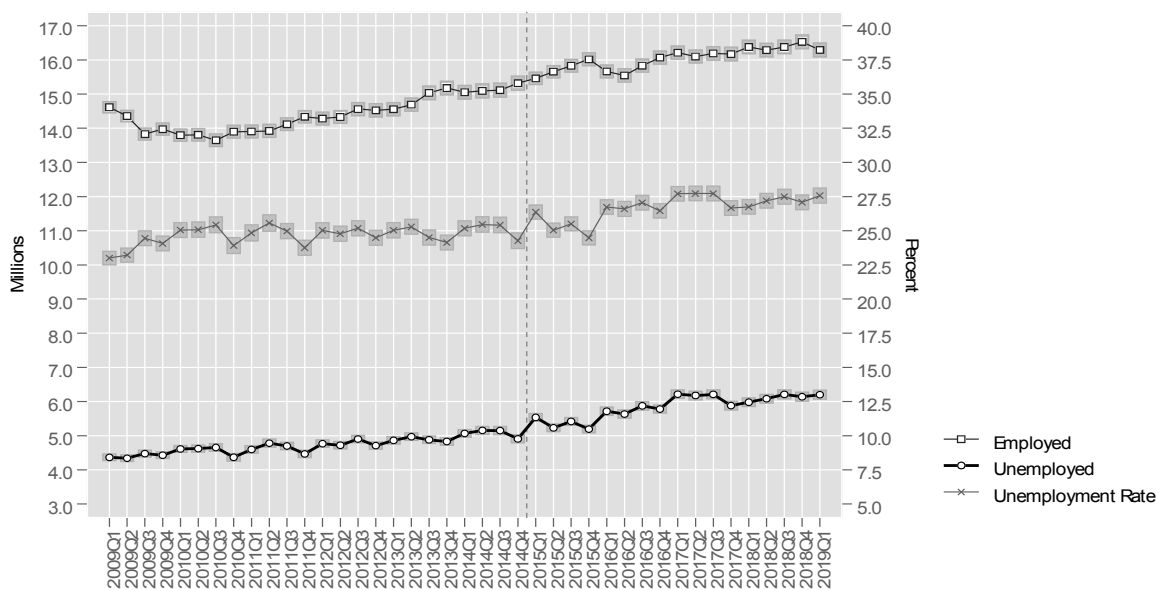
The focus of this chapter is on labour market trends in the Western Cape over the past half-decade ending in the first quarter of 2019. The objective is to highlight areas in which labour market outcomes have improved over the period, and where they have not. In doing so, the data presented should provide a sense of areas requiring more attention from policymakers.

4.2 Overview of the labour market

In the first quarter of 2019, the Quarterly Labour Force Survey puts employment in South Africa at 16.3 million, while 6.2 million people were unemployed according to the narrow definition of unemployment. Consequently, the narrow unemployment rate for the quarter was 27.6 per cent, again emphasising the urgent need for much more rapid economic growth and sustainable job creation.

Employment increased by 1.7 million over the past decade from 14.6 million (Figure 4.1). This equates to an average annual growth rate of over the decade of only 1.1 per cent. However, this period includes the domestic labour market fall-out of the global financial crisis. From its low point in the third quarter of 2010, the South African economy has added 2.7 million jobs. However, of particular concern is the fact that job growth remains weak, with just 628 000 jobs added over the three years between the first quarters of 2016 and 2019.

Figure 4.1 National employment and narrow unemployment trends, 2009Q1 - 2019Q1



Note: Grey bars around estimates represent 95 per cent confidence intervals. The dotted line indicates the introduction of the new Master Sample by Statistics South Africa (Stats SA) in the first quarter of 2015. The shaded period 2014Q1 - 2019Q1 is the period under review in this Chapter.

Source: Own calculations, various QLFS surveys, Stats SA, various years

The consequence of low employment growth in the face of a steadily growing working-age population and labour force is rising unemployment. Indeed, in absolute terms, unemployment has increased by more than employment over the past decade, with an additional 1.7 million South Africans added to the ranks of the unemployed. Similarly, the past three years have seen unemployment rise by 487 000. Together, these trends have seen the narrow unemployment rate drift higher over time, particularly over the past five years. The unemployment rate was estimated at 23.0 per cent in the first quarter of 2009, rising to 25.2 per cent by the first quarter of 2014. By the first quarter of 2019, it had risen even further to 27.6 per cent.

Table 4.1 Overview of the Western Cape labour market, 2019Q1

	Working-age population		Employed		Narrow unemployed		Narrow labour force		Narrow labour force participation rate (%)	Narrow unemployment rate (%)
	Total ('000s)	Share (%)	Total ('000s)	Share (%)	Total ('000s)	Share (%)	Total ('000s)	Share (%)		
Total	4 619	100.0	2 520	100.0	610	100.0	3 130	100.0	66.5	19.5
By Race										
African	1 649	35.7	867	34.4	324	53.1	1 190	38.0	70.3	27.2
Coloured	2 248	48.7	1 191	47.3	265	43.4	1 456	46.5	63.0	18.2
White	682	14.8	437	17.3	21	3.4	458	14.6	63.5	4.5
By Gender										
Male	2 256	48.8	1 397	55.5	294	48.2	1 691	54.0	73.3	17.4
Female	2 363	51.2	1 122	44.5	316	51.8	1 438	46.0	59.1	22.0
By Age										
15 to 24 years	1 065	23.0	241	9.6	157	25.8	399	12.7	34.8	39.5
25 to 34 years	1 146	24.8	728	28.9	242	39.7	970	31.0	82.8	25.0
35 to 44 years	1 050	22.7	753	29.9	125	20.4	878	28.0	81.5	14.2
45 to 54 years	812	17.6	561	22.3	70	11.4	631	20.2	75.2	11.1
55 to 64 years	546	11.8	236	9.4	16	2.7	253	8.1	42.5	6.4
By Education										
Primary	493	10.7	234	9.3	42	6.9	276	8.8	52.2	15.3
Some secondary	1 911	41.4	862	34.2	316	51.8	1 177	37.6	59.7	26.8
Grade 12	1 481	32.1	855	33.9	209	34.2	1 064	34.0	69.6	19.6
Diploma/Certificate	373	8.1	289	11.5	24	3.9	312	10.0	80.1	7.5
Degree	304	6.6	254	10.1	17	2.8	271	8.7	85.8	6.3

Note: Shares may not sum to 100 due to rounding, the omission of 'other' or 'unspecified categories' or, in the case of race, to the omission of Asians from the table.

Source: Own calculations, Stats SA (2019b)

Within the Western Cape, employment was 2.5 million in the first quarter of 2019, up from 2.2 million five years earlier (Table 4.2). This 2.4 per cent per annum expansion was more rapid than that of the working-age population (2.1 per cent). Narrow unemployment was virtually unchanged over the period, estimated at 610 000 in the first quarter of 2019, with the unemployment rate estimated at 19.5 per cent. However, growth of the non-searching unemployed population in the Province was very rapid, albeit off a small base. This group more than doubled in size from 61 000 in the first quarter of 2014 to 131 000 by the corresponding quarter in 2019, equivalent to a rate of 16.6 per cent per annum. As a result, expanded unemployment in the Province grew by a statistically significant 371 000 to almost 3.3 million.

Table 4.2 Labour market aggregates, 2014Q1 and 2019Q1

	2014Q1	2019Q1	Change	
	Thousands	Thousands	Thousands	Per cent
Western Cape				
Working-age population	4 153	4 619	466	2.1 p.a.
Employment	2 237	2 520	283	2.4 p.a. *
Narrow unemployment	593	610	18	0.6 p.a.
Narrow labour force	2 829	3 130	301	2.0 p.a. *
Expanded unemployment	653	741	88	2.6 p.a. †
Expanded labour force	2 890	3 261	371	2.4 p.a. *
Non-searching unemployed	61	131	70	16.6 p.a. *
Narrow unemployment rate	20.9%	19.5%	-1.5 percentage points	
South Africa				
Working-age population	35 177	38 283	3 106	1.7 p.a.
Employment	15 055	16 291	1 237	1.6 p.a. *
Narrow unemployment	5 067	6 201	1 134	4.1 p.a. *
Narrow labour force	20 122	22 492	2 370	2.3 p.a. *
Expanded unemployment	8 157	9 994	1 837	4.1 p.a. *
Expanded labour force	23 212	26 286	3 074	2.5 p.a. *
Non-searching unemployed	3 090	3 794	703	4.2 p.a. *
Narrow unemployment rate	25.2%	27.6%	2.4 percentage points	*

Note: Statistically significant changes are indicated by an asterisk (*) at the 95 per cent level of confidence or by a dagger (†) at the 90 per cent level of confidence.

Source: Own calculations, Stats SA (2014a, 2019b)

Nationally, the past five years have seen statistically significant increases in employment (growth of 1.6 per cent per annum), narrow unemployment (4.1 per cent per annum) and the non-searching unemployed (4.2 per cent per annum). The period saw the creation of just more than 1.2 million net new jobs across the country. However, this increase was only slightly greater than the increase in narrow unemployment (1.1 million over the period). Once the non-searching unemployed are included, the absolute expansion of unemployment was almost 50 per cent larger than the absolute increase in employment. Consequently, the narrow unemployment rate increased from 25.2 per cent to 27.6 per cent between the first quarters of 2014 and 2019.

4.3 The Western Cape labour force

4.3.1 Composition of the labour force

The Western Cape's narrow labour force continues to grow at a relatively rapid pace of 2.0 per cent per annum, averaged over the five years to the first quarter of 2019 (Table 4.3). Assuming no change in the rate of growth, this implies that the labour force would double in size in roughly 36 years. As of the first quarter of 2019, approximately 3.1 million residents of the Western Cape were economically active (i.e. either employed or unemployed), an increase of 301 000 from five years earlier.

Table 4.3 Composition of the Western Cape narrow labour force, 2014Q1 and 2019Q1

	2014Q1		2019Q1		Change	
	Number (‘000s)	Share (Per cent)	Number (‘000s)	Share (Per cent)	Number (‘000s)	Rate (Per cent)
Narrow Labour Force	2 829	100.0	3 130	100.0	301	2.0 p.a. *
By Race						
African	870	30.7	1 190	38.0	321	6.5 p.a. *
Coloured	1 443	51.0	1 456	46.5	13	0.2 p.a.
White	495	17.5	458	14.6	-38	-1.6 p.a.
By Gender						
Male	1 531	54.1	1 691	54.0	161	2.0 p.a. *
Female	1 298	45.9	1 438	46.0	140	2.1 p.a. *
By Age						
15 to 24 years	403	14.3	399	12.7	-5	-0.2 p.a.
25 to 34 years	891	31.5	970	31.0	80	1.7 p.a.
35 to 44 years	771	27.3	878	28.0	107	2.6 p.a. *
45 to 54 years	531	18.8	631	20.2	99	3.5 p.a. *
55 to 64 years	233	8.2	253	8.1	20	1.6 p.a.
By Education						
Primary	313	11.1	276	8.8	-38	-2.5 p.a.
Some secondary	1 061	37.5	1 177	37.6	117	2.1 p.a. *
Grade 12	921	32.5	1 064	34.0	143	2.9 p.a. *
Diploma/Certificate	274	9.7	312	10.0	38	2.6 p.a.
Degree	238	8.4	271	8.7	33	2.7 p.a.

Notes: 1. Statistically significant changes are indicated by an asterisk (*) at the 95 per cent level of confidence or by a dagger (†) at the 90 per cent level of confidence.

2. Shares may not sum to 100 due to rounding or, in the case of race, to the omission of Asians from the table.

Source: Own calculations, Stats SA (2014a, 2019b)

The past five years have seen a continuation of the trend towards a labour force that is older and more educated. The ageing of the labour force is linked to the ageing of the Province’s population, which is the result of the historical decline in fertility rates. In both absolute and relative terms, the two ten-year age cohorts aged 35 to 44 years and 45 to 54 years saw the most rapid expansion. These two cohorts grew by more than 200 000 over the period, representing more than two-thirds of the net increase in the size of the labour force. The number of 45 to 54-year olds in the labour force grew by 3.5 per cent per annum, while the growth rate for 35 to 44-year olds was 2.6 per cent. In both cases, these changes were statistically significant. The cohort aged 25 to 34 years, however, remains the largest age cohort within the provincial labour force (31.0 per cent of the total), while 35 to 44-year olds account for another 28.0 per cent.

The trend towards a more educated labour force has seen relatively rapid growth amongst cohorts who have completed grade 12, or who have obtained diplomas and/or certificates, or degrees. However, of these three groups, it is only in the case of those with matric certificates that the growth rate was found to be statistically significant (2.9 per cent per annum). The labour force with some secondary education also grew by a statistically significant 2.1 per cent per annum, which was very similar to

the rate of growth for the labour force as a whole. In contrast, the number of labour force participants with only primary education continues to decline: by the first quarter of 2019, they numbered fewer than 300 000, just 8.8 per cent of the total.

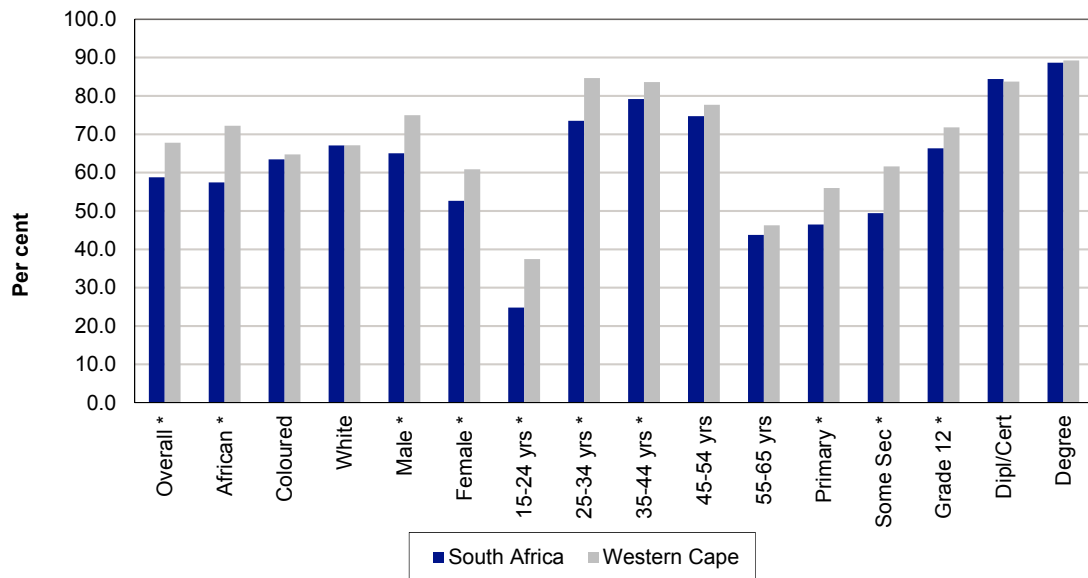
These two trends were accompanied by a third, namely a shift in the composition of the provincial labour force with Africans accounting for a greater proportion over time. Virtually all growth in the Province's narrow labour force over the five years between the first quarters of 2014 and 2019 was accounted for by Africans. The number of African labour force participants in the Western Cape grew by 321 000, equivalent to an average annual rate of 6.5 per cent. In contrast, White labour force participants declined in both absolute and relative terms, although this change is not statistically significant, while the number of Coloured participants was virtually unchanged over the period.

Importantly, the improved educational attainment of the Province's labour force over the five-year period is linked to strong improvements amongst African labour force participants. In the first quarter of 2019, 33.1 per cent of African labour force participants in the Western Cape had matric certificates (up from 23.8 per cent in 2014), while 11.2 per cent had diplomas, certificates or degrees (up from 7.7 per cent). These proportions are very similar to those for Coloured labour force participants (34.1 per cent with matric certificates, 12.2 per cent with diplomas, certificates or degrees). In other words, by 2019 there was very little difference in the profile of educational attainment for African and Coloured labour force participants in the Western Cape, even though both groups lag Whites (35.7 per cent with matric certificates, 57.5 per cent with diplomas, certificates or degrees).

4.4 Labour force participation

Labour force participation rates give a sense of the likelihood that working age adults are economically active. Labour force participation rate is defined as the proportion of the working age population that is part of the labour force (i.e. that is either employed or unemployed). Participation rates are influenced by many social, economic and institutional factors and consequently vary substantially across countries. The International Labour Organisation estimates that labour force participation rates amongst 15 to 64-year olds in 2018 were between 30 per cent and 50 per cent in 19 countries, including Iran, Morocco, and Senegal; this compares to between 80 per cent and 90 per cent in 20 countries, including Peru, Switzerland and Tanzania (World Bank 2019). Their estimate for South Africa for 2018 is 59.6 per cent.

Figure 4.2 presents the narrow labour force participation rates for South Africa and for the Western Cape for the first quarter of 2019. Roughly two-thirds of working-age adults (67.8 per cent) in the Western Cape are members of the narrow labour force. Participation rates by race are relatively similar: 72.2 per cent for Africans, 64.7 per cent for Coloureds and 67.1 per cent for Whites. Further, men are more than 14 percentage points more likely than women to be economically active (75.0 per cent compared to 60.9 per cent). However, there is even greater variation across sub-groups defined according to age and educational attainment.

Figure 4.2 Labour force participation rates, 2019Q1

Note: Statistically significant differences between national and provincial estimates are indicated by an asterisk (*) at the 95 per cent level of confidence or by a dagger (†) at the 90 per cent level of confidence.

Source: Own calculations, Stats SA (2019b)

During the prime working ages of 25 to 54 years, labour force participation rates in the Province are above 75 per cent, with as many as 84.6 per cent of 25 to 34-year olds participating in the labour force. However, participation rates are less than half this level for those aged 15 to 24 years (37.4 per cent), and just 46.2 per cent for those aged between 55 and 64 years. Low participation amongst the population under 25 years is the result of them being in the education system and thus not in the labour force. In contrast, participation rates amongst those in the oldest cohort are eroded by increasing rates of retirement as age increases. For example, individuals are age-eligible for the old age grant from the age of 60 years, while the formal retirement age typically ranges between the ages of 60 and 65 years, depending on the employer.

Labour force participation rates tend to rise with increasing educational attainment in the Western Cape. In the first quarter of 2019, 56.0 per cent of those with only primary education were economically active, compared to 71.8 per cent of those with matric certificates and 89.2 per cent of those with degrees. Part of this relationship is also explained by age, with the prime working age cohorts typically being the best educated: the youngest cohorts are still completing their education, while the oldest cohorts did not have access to higher education when they were young or were less likely to require higher education in order to find employment when they entered the labour force than younger generations.

In general, narrow labour force participation rates are relatively high in the Western Cape when compared with the averages for South Africa. These differences are statistically significant across all the sub-groups presented, except for Coloureds, Whites, those aged 45 years and above, and those with diplomas or certificates, or degrees.

4.5 Employment in the Western Cape

4.5.1 Overview of total employment

By the first quarter of 2019, just over 2.5 million people were employed in the Western Cape (Table 4.4). This is nearly 13 per cent higher than the same quarter in 2014, equivalent to an average annual rate of growth of 2.4 per cent, which is more rapid than the rates of growth of both the working age population and the narrow labour force.

The five-year period has seen the structure of employment in the Western Cape shift towards Africans, males, and 45 to 54-year olds, and away from Coloureds and Whites, females, and 25 to 34-year olds, echoing the trends observed within the labour force.

Employment of Africans in the Western Cape expanded rapidly between the first quarters of 2014 and 2019 from 600 000 to 867 000. This represents an average rate of growth of 7.6 per cent per annum, more than three times the average for the Province. This has seen the group increase their share of employment in the Province from just over one-quarter (26.8 per cent) to just over one-third (34.4 per cent) in five years. The number of jobs held by Coloureds in the Western Cape was marginally higher, while White employment was marginally lower, with the result that both groups saw their shares of provincial employment decline. By the end of the period, Coloureds accounted for 47.3 per cent, down from 51.8 per cent, while Whites' share of employment stood at 17.3 per cent.

Women saw their share of employment fall by just over one percentage point over the period to 44.5 per cent. This is the result of employment growth amongst men outpacing that amongst women, so that nearly two out of three net new jobs over the five years accrued to men.

The period has also seen a gradual shift of employment in the Province to slightly older ages. The largest absolute increases in employment - just over 90 000 each - were observed for those aged 35 to 44 years, and for those aged 45 to 54 years. For the latter group, this represents a growth rate of 3.6 per cent per annum over the five years, which is the fastest employment growth rate for any of the age cohorts. For 35 to 44-year olds, the growth rate was 2.7 per cent per annum. This is slightly slower than the rate observed for 15 to 24-year olds, although the latter's 3.2 per cent per annum is not statistically significant. These differences mean that the largest age cohort within Western Cape employment in the first quarter of 2019 was 35 to 44-year olds (29.9 per cent), who have overtaken 25 to 34-year olds (28.9 per cent); 45 to 54-year olds accounted for 22.3 per cent of provincial employment. Although the median age of the employed in the Western Cape was 38 years in both the first quarters of 2014 and 2019, it was 36 years in the first quarter of 2009.

Table 4.4 Demographic characteristics of employment, 2014Q1 and 2019Q1

	2014Q1		2019Q1		Change	
	Number (<i>'000s</i>)	Share (Per cent)	Number (<i>'000s</i>)	Share (Per cent)	Number (<i>'000s</i>)	Rate (Per cent)
Western Cape						
Total Employment	2 237	100.0	2 520	100.0	283	2.4 p.a. *
By Race						
African	600	26.8	867	34.4	267	7.6 p.a. *
Coloured	1 158	51.8	1 191	47.3	33	0.6 p.a.
White	460	20.6	437	17.3	(23)	-1.0 p.a.
By Gender						
Male	1 214	54.3	1 397	55.5	183	2.9 p.a. *
Female	1 023	45.7	1 122	44.5	100	1.9 p.a. †
By Age						
15 to 24 years	206	9.2	241	9.6	35	3.2 p.a.
25 to 34 years	686	30.7	728	28.9	42	1.2 p.a.
35 to 44 years	661	29.5	753	29.9	92	2.7 p.a. †
45 to 54 years	470	21.0	561	22.3	91	3.6 p.a. *
55 to 64 years	214	9.5	236	9.4	23	2.1 p.a.
By Education						
Primary	241	10.8	234	9.3	(7)	-0.6 p.a.
Some secondary	761	34.0	862	34.2	100	2.5 p.a. †
Grade 12	740	33.1	855	33.9	115	2.9 p.a. *
Diploma/Certificate	251	11.2	289	11.5	38	2.8 p.a.
Degree	227	10.1	254	10.1	27	2.3 p.a.
South Africa						
Total Employment	15 055	100.0	16 291	100.0	1 237	1.6 p.a. *
By Race						
African	10 955	72.8	12 201	74.9	1 246	2.2 p.a. *
Coloured	1 622	10.8	1 711	10.5	89	1.1 p.a.
White	1 985	13.2	1 855	11.4	(130)	-1.3 p.a.
By Gender						
Male	8 402	55.8	9 100	55.9	698	1.6 p.a. *
Female	6 653	44.2	7 192	44.1	539	1.6 p.a. *
By Age						
15 to 24 years	1 226	8.1	1 143	7.0	(82)	-1.4 p.a.
25 to 34 years	4 775	31.7	4 851	29.8	77	0.3 p.a.
35 to 44 years	4 664	31.0	5 090	31.2	427	1.8 p.a. *
45 to 54 years	3 027	20.1	3 666	22.5	639	3.9 p.a. *
55 to 64 years	1 363	9.1	1 540	9.5	177	2.5 p.a. *
By Education						
Primary	2 104	14.0	1 869	11.5	(235)	-2.3 p.a. *
Some secondary	4 895	32.5	5 266	32.3	371	1.5 p.a. *
Grade 12	4 723	31.4	5 325	32.7	602	2.4 p.a. *
Diploma/Certificate	1 967	13.1	2 189	13.4	222	2.2 p.a. *
Degree	1 211	8.0	1 440	8.8	229	3.5 p.a. *

Notes: 1. Statistically significant changes are indicated by an asterisk (*) at the 95 per cent level of confidence or by a dagger (†) at the 90 per cent level of confidence.
2. Shares may not sum to 100 due to rounding or, in the case of race, to the omission of Asians from the table.

Source: Own calculations, Stats SA (2014a, 2019b)

In terms of educational attainment, employment growth was most rapid amongst those with matric certificates (2.9 per cent per annum) and those with diplomas and/or certificates (2.8 per cent), although the latter change was not statistically significant. However, the largest absolute gains in employment accrued to those with matric certificates (1 15 000) and those with incomplete secondary education (100 000). Apart from employment of those with only primary education, which was virtually unchanged from the first quarter of 2014, employment grew at relatively similar rates across educational categories. The result is that the structure of employment across these categories was only marginally different in 2019 from five years earlier: roughly one-third of the employed in the Western Cape had incomplete secondary education, another third had completed grade 12, while the remainder was relatively evenly split across primary education, diplomas and/or certificates, and degrees.

Of the 2.5 million jobs in the Province in the first quarter of 2019, less than one in ten (225 000) were in agriculture (Table 4.5). Private households accounted for 5.5 per cent of employment, or 139 000 jobs. This means that the non-agricultural economy accounted for the vast majority of employment (85.5 per cent) in the Province. These proportions mean that employment in the Western Cape is slightly more concentrated within agriculture, while private households account for a slightly smaller proportion of employment, than is the case nationally.

Table 4.5 Sector decomposition of total employment, 2014Q1 and 2019Q1

	2014Q1		2019Q1		Change	
	Number (‘000s)	Share (Per cent)	Number (‘000s)	Share (Per cent)	Number (‘000s)	Rate (Per cent)
Western Cape						
Total Employment	2 237	100.0	2 520	100.0	283	2.4 p.a. *
Agriculture	160	7.1	225	8.9	66	7.1 p.a. *
Formal agriculture	151	6.7	216	8.6	65	7.4 p.a. *
Informal agriculture	9	0.4	10	0.4	1	2.1 p.a.
Non-Agriculture	1 934	86.5	2 155	85.5	221	2.2 p.a. *
Formal non-agriculture	1 729	77.3	1 869	74.2	140	1.6 p.a. †
Informal non-agriculture	205	9.2	286	11.4	81	6.9 p.a. *
Private households	143	6.4	139	5.5	-4	-0.5 p.a.
South Africa						
Total Employment	15 055	100.0	16 291	100.0	1 237	1.6 p.a. *
Agriculture	709	4.7	837	5.1	129	3.4 p.a. *
Formal agriculture	593	3.9	732	4.5	139	4.3 p.a. *
Informal agriculture	116	0.8	105	0.6	-10	-1.8 p.a.
Non-Agriculture	13 116	87.1	14 154	86.9	1 038	1.5 p.a. *
Formal non-agriculture	10 780	71.6	11 220	68.9	441	0.8 p.a. *
Informal non-agriculture	2 336	15.5	2 933	18.0	597	4.7 p.a. *
Private households	1 231	8.2	1 301	8.0	70	1.1 p.a.

Notes: 1. Statistically significant changes are indicated by an asterisk (*) at the 95 per cent level of confidence or by a dagger (†) at the 90 per cent level of confidence.

2. ‘Agriculture’ refers to agriculture, forestry and fishing.

3. Shares may not sum to 100 due to rounding or, in the case of race, to the omission of Asians from the table.

Source: Own calculations, Stats SA (2014a, 2019b)

The vast majority of net new jobs added to the provincial economy over the five-year period - 221 000 out of the 283 000 net new jobs - were located in the non-agricultural sector. This expansion translates into an average annual rate of growth of 2.2 per cent, which is very close to the average rate of employment growth for the Province overall, while employment in private households in the first quarter of 2019 was virtually unchanged from five years earlier. Agricultural employment, in contrast, grew quickly and averaged 7.1 per cent per annum. Nevertheless, because of its relatively small size, less than one out of every four net new jobs were created in agriculture.

However, as noted in the 2017 and 2018 PERO publications, this surge in agricultural employment in the Western Cape is linked to changes to the master sample that were implemented by Statistics South Africa in the first quarter of 2015 (Makgetla 2016). Indeed, comparisons with data presented in the 2017 PERO reveal that estimated agricultural employment in the Western Cape rose from 142 000 in the first quarter of 2012 to 160 000 in the same quarter in 2014, and to 215 000 and 225 000 in the corresponding quarters of 2017 and 2019.

Within the non-agricultural economy, employment growth has been most rapid in the informal sector. Jobs in the non-agricultural informal sector grew by an average of 6.9 per cent per annum over the five-year period to 286 000. The informal sector in the Province remains relatively small, though, accounting for just 11.4 per cent of total provincial employment, compared to 18.0 per cent nationally. What is clear is that, controlling for the problems related to comparisons of agricultural employment in the Province over this period, it is the informal non-agricultural sector that has been growing employment substantially more rapidly than the rest of the economy. This is true both within the Western Cape, as well as for the country overall; in fact, at the national level, the sector contributed almost half of all net new jobs over the five-year period.

4.5.2 Formal sector employment

Total employment in the formal sector in the Western Cape was estimated at just under 2.1 million in the first quarter of 2019 (Table 4.6). This represents 82.8 per cent of total employment in the Province. Women account for 42.9 per cent of jobs in the Province's formal sector.

Table 4.6 Demographic characteristics of formal sector employment, 2019Q1

	South Africa		Western Cape	
	Number (‘000s)	Share (Per cent)	Number (‘000s)	Share (Per cent)
Total Formal Sector Employment	11 952	100.0	2 084	100.0
By Race				
African	8 352	69.9	659	31.6 *
Coloured	1 430	12.0	1 015	48.7 *
White	1 723	14.4	395	18.9 *
By Gender				
Male	6 923	57.9	1 191	57.1
Female	5 029	42.1	894	42.9
By Age				
15 to 24 years	856	7.2	216	10.3 *
25 to 34 years	3 647	30.5	621	29.8
35 to 44 years	3 762	31.5	630	30.2
45 to 54 years	2 588	21.6	432	20.7
55 to 64 years	1 100	9.2	186	8.9
By Education				
Primary	900	7.5	164	7.9
Some secondary	3 247	27.2	637	30.6 *
Grade 12	4 317	36.1	752	36.1
Diploma/Certificate	1 990	16.7	265	12.7 *
Degree	1 391	11.6	244	11.7

Notes: 1. Statistically significant differences between national and provincial estimates are indicated by an asterisk (*) at the 95 per cent level of confidence or by a dagger (†) at the 90 per cent level of confidence.

2. Shares may not sum to 100 due to rounding or, in the case of race, to the omission of Asians from the table.

Source: Own calculations, Stats SA (2019b)

The Western Cape's relatively unique demographic composition compared to other provinces is reflected in the racial composition of formal sector employment. Just under one-half (48.7 per cent) of formal sector jobs in the Province are accounted for by Coloureds, while Africans account for 31.6 per cent. Whites account for just under one-fifth (18.9 per cent) of formal sector jobs. Coloureds' share of formal sector employment in the Western Cape is roughly four times their share nationally, while that of Africans is less than half their national share.

Formal sector employment in the Province is concentrated within the two ten-year age cohorts aged 25 to 34 years and 35 to 44 years. Together, these two cohorts account for 60.0 per cent of formal sector jobs, with the total evenly split between the two. Another 20.7 per cent of formal sector workers are between the ages of 45 and 54 years. This means that four out of five workers in the formal sector in the Western Cape are between the ages of 25 and 44 years. Around one in ten workers (10.3 per cent) are under 25 years, while a slightly smaller proportion (8.9 per cent) is aged between 55 and 64 years.

Comparisons with national patterns reveal a slightly larger proportion of youth under the age of 25 within the formal sector employment in the Western Cape. This is the only statistically significant difference observed in the age structure of formal sector employment.

The educational profile of formal sector workers in the Western Cape is slightly weaker than is the case nationally. This is driven by a relatively large cohort within formal sector employment in the Province that has some secondary education, and a relatively small cohort that has a diploma and/or certificate. In the Western Cape, 30.6 per cent of formal sector workers have only some secondary education compared to 27.2 per cent nationally, while only 12.7 per cent have diplomas and/or certificates compared to 16.7 per cent nationally. For the other three categories - primary education, completed secondary education, and degrees - the proportions nationally and provincially are almost identical.

Within the formal sector the tertiary sector accounts for almost two-thirds (64.6 per cent) of jobs in the Western Cape (Table 4.7). The secondary sector follows with 24.8 per cent of formal sector jobs, with the primary sector accounting for just 10.6 per cent. This is similar to the pattern nationally, although a slightly larger proportion of formal sector jobs in the Province are located within the secondary sector (24.8 per cent compared to 22.3 per cent national) and a slightly smaller proportion are located within the tertiary sector (64.6 per cent compared to 68.3 per cent nationally).

Table 4.7 Industrial composition of formal sector employment, 2019Q1

	South Africa		Western Cape		
	Number ('000s)	Share (Per cent)	Number ('000s)	Share (Per cent)	
Total Formal Sector Employment	11 952	100.0	2 084	100.0	
Agriculture, forestry and fishing	748	6.2	216	10.3	*
Mining and quarrying	394	3.3	4	0.2	*
Primary Sector	1 141	9.4	220	10.6	
Manufacturing	1 617	13.4	320	15.3	*
Utilities	138	1.1	10	0.5	*
Construction	939	7.8	187	9.0	
Secondary Sector	2 693	22.3	517	24.8	*
Wholesale and retail trade	2 183	18.1	402	19.3	
Transport, storage and communication	675	5.6	108	5.2	
Financial and business services	2 132	17.6	412	19.8	
Community, Social and Personal (CSP) services	3 266	27.0	426	20.4	*
Tertiary Sector	8 255	68.3	1 348	64.6	*

- Notes: 1. Statistically significant differences between national and provincial estimates are indicated by an asterisk (*) at the 95 per cent level of confidence or by a dagger (†) at the 90 per cent level of confidence.
2. Shares may not sum to 100 due to rounding.
3. The Quarterly Employment Statistics (QES) for March 2019 estimates that 459 000 formal sector workers were employed in mining and quarrying (Statistics South Africa, 2019a). If we use this figure, mining for South Africa would make up 3.8 per cent of total employment.

Source: Own calculations, Stats SA (2019b)

At a more disaggregated level, the three largest industries in terms of employment in the Western Cape are all service industries. Community, Social and Personal (CSP) services (20.4 per cent), financial and business services (19.8 per cent), and wholesale and retail trade (19.3 per cent) each account for around one-fifth of formal sector jobs in the Province. Manufacturing follows with 15.3 per cent of formal sector employment. These four industries therefore account for three-quarters of all formal sector jobs in the Western Cape. While this is very similar to the proportion nationally, each of the four

industries except CSP services which employs a relatively larger proportion within the Western Cape than is the case nationally. However, only the differences for CSP services and manufacturing are statistically significant.

As already noted, agriculture, forestry and fishing employs 216 000 individuals in the Western Cape, equivalent to 10.3 per cent of formal sector employment in the Province. This represents 29.5 per cent of the total number of formal sector jobs within agriculture, forestry and fishing nationally.

Most formal sector workers are employed in skilled occupations (Table 4.8). This is true within the Western Cape (56.9 per cent of formal sector workers) and nationally (60.8 per cent). Provincially, around one-quarter (25.2 per cent) are employed in low-skilled occupations, while 17.8 per cent are employed in high-skilled occupations. Formal sector employment in the Western Cape is therefore slightly more concentrated amongst low-skilled occupations than is the case nationally, with the difference compensated for by relatively fewer skilled workers provincially.

Table 4.8 Occupation structure of formal sector employment, 2019Q1

	South Africa		Western Cape	
	Number ('000s)	Share (Per cent)	Number ('000s)	Share (Per cent)
Total Formal Employment	11 952	100.0	2 084	100.0
Legislators; senior officials & managers	1 296	10.8	223	10.7
Professionals	857	7.2	148	7.1
High-skilled	2 153	18.0	371	17.8
Technical & associate professionals	1 308	10.9	199	9.5
Clerks	1 580	13.2	285	13.7
Service workers, shop and market sales workers	1 966	16.5	316	15.2
Skilled agricultural and fishery workers	30	0.3	7	0.3
Craft and related trades workers	1 283	10.7	228	10.9
Plant and machine operators & assemblers	1 096	9.2	153	7.3 *
Skilled	7 264	60.8	1 187	56.9 *
Elementary occupations	2 534	21.2	526	25.2 *
Low-skilled	2 534	21.2	526	25.2 *

Notes: 1. Statistically significant differences between national and provincial estimates are indicated by an asterisk (*) at the 95 per cent level of confidence or by a dagger (†) at the 90 per cent level of confidence.

2. Shares may not sum to 100 due to rounding.

Source: Own calculations, Stats SA (2019b)

The largest occupational category within provincial formal sector employment is elementary workers (25.2 per cent of the total), which constitutes the entire low-skilled category of workers. This is followed by service and sales occupations (15.2 per cent of formal sector employment), clerks (13.7 per cent), craft and related trades workers (10.9 per cent), and legislators, senior officials and managers (10.7 per cent). These five occupational categories account for 75.7 per cent of formal sector employment in the Province. These patterns are broadly similar to those observed nationally, with the only statistically significant differences observed for elementary occupations and for operators and assemblers.

Although employed in the formal sector, workers may have very different types of benefits, protections, and conditions of service. Table 4.9 presents characteristics of formal sector employment for the first quarter of 2019. The estimates provided cover only employees (i.e. those working for someone else for pay) and exclude employers, the self-employed and unpaid family workers. This is due to the fact that, by their very nature, the latter three types of employment relationships are very different to the conventional employer-employee relationship.

Table 4.9 Characteristics of formal sector employment, 2019Q1

	South Africa (Per cent)	Western Cape (Per cent)
Contract type		
Written contract	92.4	94.3 *
Contract duration		
Limited duration	14.1	14.1
Permanent nature	71.1	76.7 *
Unspecified duration	14.8	9.3 *
Rights and benefits		
Medical aid	35.7	31.7 *
UIF contributions	70.5	83.6 *
Pension contributions	57.6	58.3
Paid leave	76.9	84.4 *
Paid sick leave	82.1	86.3 *
Paid maternity leave (women only)	71.8	78.2 *
Paid paternity leave (men only)	66.4	78.7 *
Usual hours of work per week		
1 - 19	2.6	1.2 *
20 - 39	7.1	5.2 *
40 - 44	46.8	47.7
45 - 49	27.8	33.5 *
50+	15.7	12.4 *
Other		
Trade union membership	35.0	30.6 *

Notes: 1. Statistically significant differences between national and provincial estimates are indicated by an asterisk (*) at the 95 per cent level of confidence or by a dagger (†) at the 90 per cent level of confidence.

2. The figures refer only to formal sector employees; employers, the self-employed and unpaid family workers are excluded from the estimates.

Source: Own calculations, Stats SA (2019b)

In terms of contract type, contract duration and benefits, formal sector employees in the Western Cape find themselves in a relatively favourable position. Virtually all formal sector employees in the Province (94.3 per cent) have written contracts of employment, while more than three-quarters (76.7 per cent) have permanent employment contracts. In both cases, these proportions are higher than the national average. Just 14.1 per cent of employees have contracts of limited duration, while 9.3 per cent have contracts described as being of 'unspecified' duration. This latter category is difficult to interpret since it is unclear what differentiates a contract of a 'permanent nature' and a contract of unspecified duration, or whether respondents consistently understood the difference between the two.

In general, most formal sector employees in the Western Cape have access to the various rights and benefits analysed. In the first quarter of 2019, more than four out of five employees reported that their employers were making UIF contributions on their behalf (83.6 per cent), that they had access to paid leave (84.4 per cent) and that they had access to sick leave (86.3 per cent). More than three-quarters of formal sector employees reported having access to parental leave: 78.2 per cent of women and 78.7 per cent of men are entitled to paid maternity or paternity leave. In contrast, only 58.3 per cent of formal sector employees reported that their employers are making pension contributions on their behalf, while 31.7 per cent have medical aid from their employer. Rates of access are clearly higher for legislated rights, such as leave and unemployment insurance contributions, but are lower for benefits such as pensions and medical aid.

In the Western Cape, more than 80 per cent of formal sector employees usually work between 40 and 49 hours per week, with 47.7 per cent of the total located within the 40 to 44 hours' bracket. A further 12.4 per cent of employees report usually working at least 50 hours per week. In contrast, just 6.4 per cent work fewer than 40 hours per week, clearly illustrating the rarity of part-time employment within the formal sectors of both the provincial and national economies.

Finally, unionisation rates are slightly lower in the Western Cape than is the case nationally (30.6 per cent compared to 35.0 per cent). This is linked to the relative importance of the agricultural sector in the Province, which has relatively low unionisation rates: just 5.6 per cent of formal sector employees in agriculture, forestry and fishing in the Western Cape reported belonging to a union in the first quarter of 2019.

4.5.3 Informal sector employment

In total, just under 300 000 individuals were employed in the informal sector in the Western Cape in the first quarter of 2019 (Table 4.10). This represents 11.4 per cent of provincial employment, and 9.7 per cent of all informal sector employment in South Africa. The demographic characteristics of workers in the informal sector are quite different from those in the formal sector, in line with the fact that those in the informal sector are often only there because they are unable to find employment in the formal sector.

Table 4.10 Demographics of informal sector employment, 2019Q1

	South Africa		Western Cape	
	Number (‘000s)	Share (Per cent)	Number (‘000s)	Share (Per cent)
Total Informal Sector Employment	3 039	100.0	296	100.0
By Race				
African	2 646	87.1	126	42.7 *
Coloured	194	6.4	123	41.6 *
White	125	2.4	38	12.8 *
By Gender				
Male	1 880	61.9	173	58.5
Female	1 158	38.1	123	41.5
By Age				
15 to 24 years	236	7.8	21	6.9
25 to 34 years	927	30.5	86	29.1
35 to 44 years	917	30.2	82	27.7
45 to 54 years	689	22.7	81	27.3
55 to 64 years	270	8.9	27	9.0
By Education				
Primary	573	18.8	34	11.5 *
Some secondary	1 370	45.1	146	49.2
Grade 12	807	26.6	80	27.1
Diploma/Certificate	189	6.2	23	7.7
Degree	49	1.6	10	3.4

Notes: 1. Statistically significant differences between national and provincial estimates are indicated by an asterisk (*) at the 95 per cent level of confidence or by a dagger (†) at the 90 per cent level of confidence.
2. Shares may not sum to 100 due to rounding.

Source: Own calculations, Stats SA (2019b)

Excluding Whites (12.8 per cent) the balance of informal sector employment is evenly split between Africans (42.7 per cent) and Coloureds (41.6 per cent). Compared to the formal sector, the informal sector therefore has a relatively large number of African workers and a relatively smaller number of White workers. Just over two-fifths (41.5 per cent) of informal sector workers are women; this proportion is very similar to the share of women within total employment in the Province, and the share of women within informal sector employment nationally.

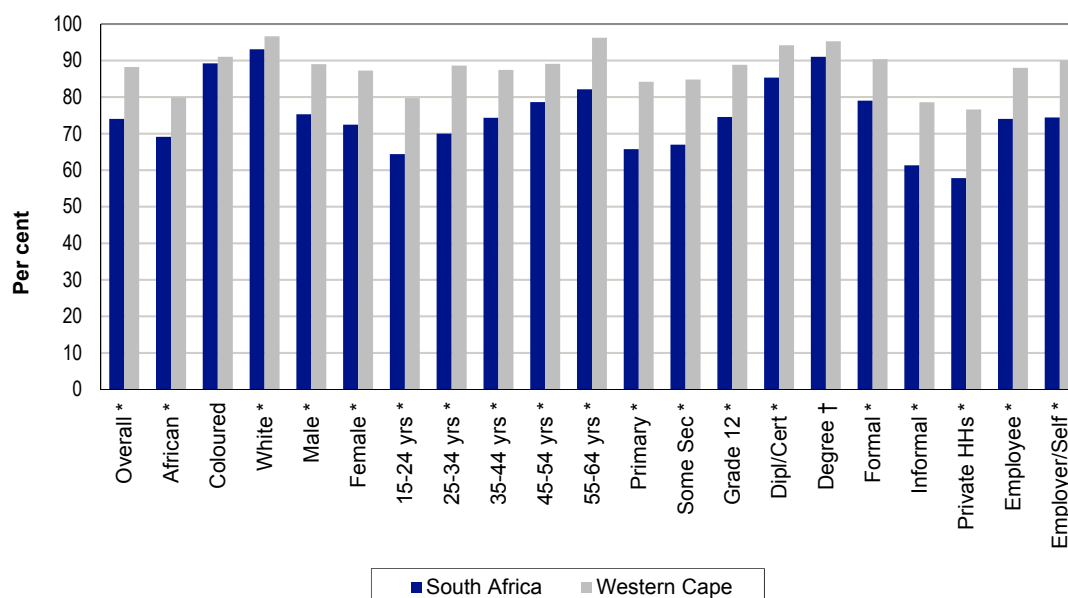
Three out of ten informal sector workers in the Western Cape are between the ages of 25 and 34 years. Those aged 35 to 44 years' account for 27.7 per cent of informal sector employment, while those aged 45 to 54 years account for 27.3 per cent. The informal sector employment is slightly more concentrated within these three age groups than is the case for formal sector employment. Only 6.9 per cent of informal sector workers are under the age of 25. Educational attainment amongst informal sector workers tends to be somewhat lower than is observed within the formal sector. Just over 60 per cent of informal sector workers in the Western Cape have either primary (11.5 per cent) or incomplete secondary education (49.2 per cent). A further 27.1 per cent have matric certificates, while just over ten per cent of informal sector workers have diplomas, certificates or degrees. Overall, relative to the national informal

sector, educational attainment within the provincial sector is slightly better, in contrast to the formal sector where it is slightly weaker than nationally.

4.5.4 Job satisfaction

Since Statistics South Africa started asking respondents in the Quarterly Labour Force Surveys about whether they were satisfied with their jobs, workers in the Western Cape have consistently been more likely to express satisfaction than their counterparts in the rest of the country. Figure 4.3 illustrates rates of job satisfaction across several characteristics amongst the employed in the Western Cape and South Africa for the first quarter of 2019. Overall, 88.2 per cent of the employed in the Western Cape report being satisfied with their jobs, compared to 74.0 per cent nationally.

Figure 4.3 Rates of job satisfaction, 2019Q1



- Notes: 1. Statistically significant differences between national and provincial estimates are indicated by an asterisk (*) at the 95 per cent level of confidence or by a dagger (†) at the 90 per cent level of confidence.
 2. Figures refer to all employed individuals.
 3. Exact estimates are presented in Annexure D4.

Source: Own calculations, Stats SA (2019b)

Job satisfaction rates appear to be correlated with race, age, educational attainment, and employment sector. Conversely, there appears to be no real relationship between job satisfaction and gender or employment status. Whites have the highest rates of job satisfaction in the Western Cape at 96.6 per cent, followed by Coloureds (91.0 per cent) and Africans (79.9 per cent). Older cohorts are more likely to express being satisfied with their jobs than younger cohorts. Satisfaction rates range from 96.2 per cent for 55 to 64-year olds to 79.7 per cent for 15 to 24-year olds. Lower educational attainment is associated with lower satisfaction rates, although the gradient in the Western Cape is not as steep as is observed nationally. While 84.2 per cent of those with primary education and 84.8 per cent of those with some secondary education report being satisfied with their jobs, this rises to 94.2 per cent for those with diplomas or certificates, and 95.3 per cent for those with degrees. Formal

sector workers in the Province also express higher rates of satisfaction (90.4 per cent) than their counterparts in the informal sector or in private households (78.6 per cent and 76.6 per cent).

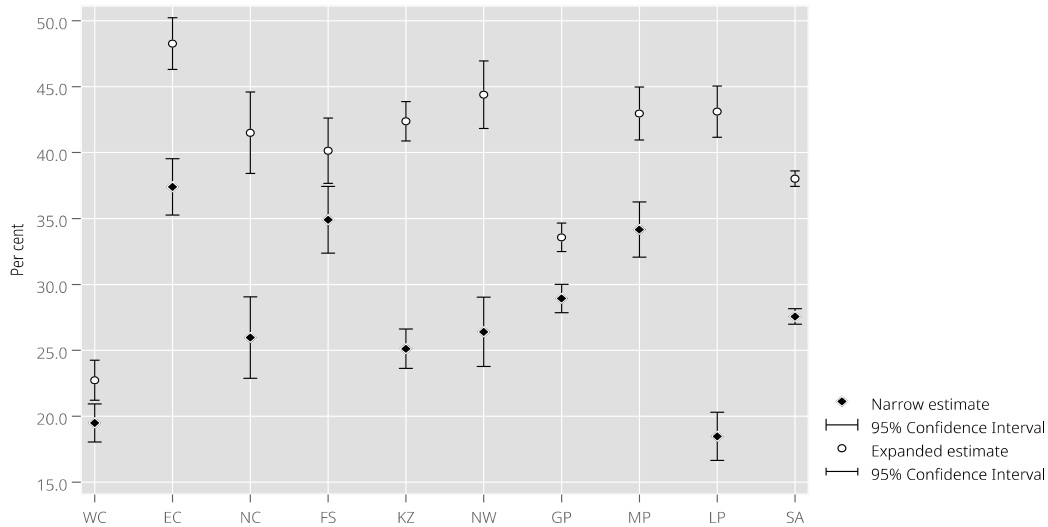
Naturally, there are a variety of factors that may influence whether an individual is satisfied with a job, including the work environment, autonomy, and the opportunity to utilise one's skills. While it is not discernible from this data, all the relationships observed in the figure are also consistent with higher salaries or wages being associated with higher rates of job satisfaction.

4.6 Unemployment in the Western Cape

Unemployment remains one of the critical challenges facing the South African economy, with the country facing one of the highest unemployment rates in the world. In the first quarter of 2019, 27.6 per cent of the South African labour force was unemployed according to the narrow definition of unemployment, which requires respondents to have taken active steps to find work or start their own business during the four weeks prior to the survey. If the criteria are relaxed so that the unemployed need not have been actively seeking employment (the expanded definition), the unemployment rate rises to 38.0 per cent.

Figure 4.4 presents provincial and national estimates of the unemployment rate according to both the narrow and expanded definitions. The figure clearly illustrates that unemployment is substantial in each of the nine provinces. In the Western Cape, the narrow unemployment rate was estimated at 19.5 per cent in the first quarter of 2019. Once the non-searching unemployed are included in the unemployment definition, the unemployment rate rises to 22.7 per cent.

Figure 4.4 Provincial and national unemployment rates, 2019Q1



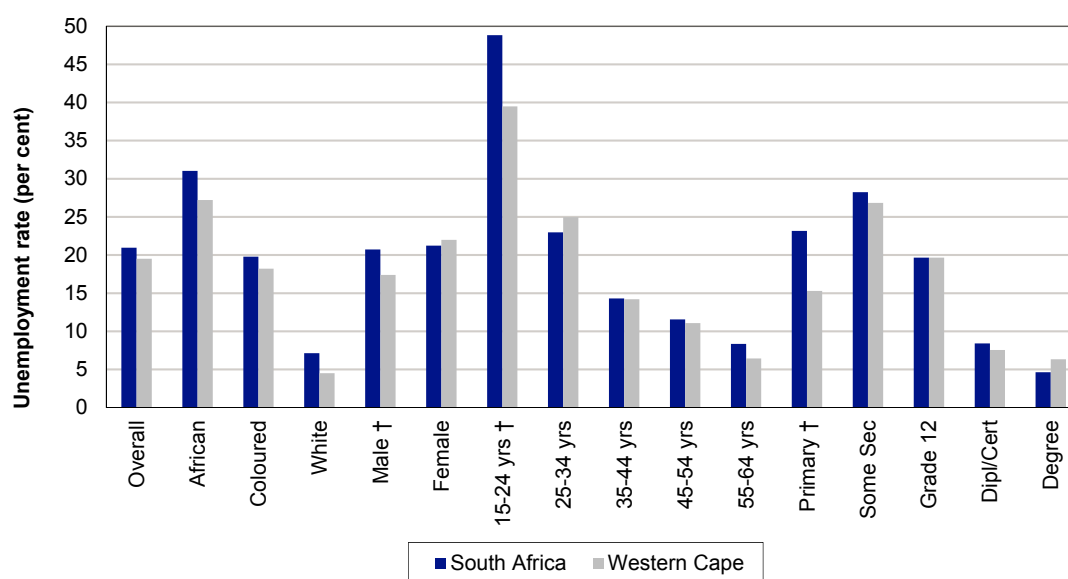
Note: Detailed estimates can be found in Annexure D2.

Source: Own calculations, Stats SA (2019b)

While the expanded unemployment rate is higher than the narrow unemployment rate by definition, it is clear that the gap between the two estimates is relatively small in the Western Cape at only 3.2 percentage points. Similarly, the gap in Gauteng is estimated at 4.6 percentage points and that in the Free State is 5.2 percentage points. In practice, this means that in these three provinces, there are relatively small numbers of individuals classified as non-searching unemployed compared with the searching unemployed. If the ratio of the expanded to the narrow unemployment rates is considered, then these three provinces are very similar with ratios of 1.17 in the Western Cape, 1.15 in the Free State, and 1.16 in Gauteng.

Figure 4.5 presents the narrow unemployment rates for the Western Cape for the first quarters of 2014 and 2019 across the standard demographic characteristics of race, gender, age, and educational attainment. Overall, the provincial unemployment rate of 19.5 per cent in the first quarter of 2019 is marginally lower than five years earlier, although this difference is not statistically significant. This stands in contrast to the statistically significant rise in the national unemployment rate from 25.2 per cent to 27.6 per cent over the same period.

Figure 4.5 Western Cape narrow unemployment rates, 2014Q1 and 2019Q1



Note: Detailed estimates can be found in Annexure D3. Statistically significant changes are indicated by an asterisk (*) at the 95 per cent level of confidence or by a dagger (†) at the 90 per cent level of confidence.

Source: Own calculations, Stats SA (2014a, 2019b)

One of the important correlates of unemployment is educational attainment, with lower educational attainment typically associated with higher rates of unemployment (see Figure 4.5). The unemployment rate in the Western Cape for those with only some secondary education was 26.8 per cent in the first quarter of 2019, falling to 19.6 per cent for those with matric certificates, 7.5 per cent for those with diplomas or certificates, and 6.3 per cent for those with degrees. In this pattern, the cohort with only primary education is something of an anomaly, with an unemployment rate of 15.3 per cent, which is below the provincial average. However, this is due to the fact that the labour force with only primary education tends to be somewhat older than

other educational cohorts: they typically entered the labour force at a time when low educational attainment was less of a barrier than it is today and, being older, may exit the labour force when they lose their jobs, rather than remain in searching unemployment.

While educational attainment is not the only factor determining an individual's likelihood of employment, it is consistent with some of the other patterns observed in the data. For example, the unemployment rate is negatively correlated with age, with lower unemployment rates observed for older cohorts. While just 6.4 per cent of 55 to 64-year olds were unemployed in the first quarter of 2019 in the Western Cape, this rises to 14.2 per cent of 35 to 44-year olds, and to 39.5 per cent of 15 to 24-year olds. A large proportion of this latter cohort is likely to have incomplete or complete secondary education, combined with a lack of any significant work experience. Not only must they compete with a large cohort of individuals with similar levels of education, but they are at a disadvantage with respect to older cohorts who are more likely to have work experience.

More than one-fifth (22.0 per cent) of women in the Western Cape labour force were unemployed in early 2019, a statistically larger proportion than observed for men (17.4 per cent). In 2014, the two rates were very similar, but the five years since have seen a statistically significant decline in the male unemployment rate of 3.3 percentage points. Finally, in terms of race, 27.2 per cent of Africans were unemployed in the Province, compared to 18.2 per cent of Coloureds, and 4.5 per cent of Whites. Amongst all of the groups, only males, 15 to 24-year olds, and those with primary education saw a statistically significant decline in the unemployment rate over the five-year period.

In the first quarter of 2019, there were 610 000 unemployed individuals in the Western Cape (Table 4.11), of which just over half (51.8 per cent) were women. Of the unemployed, the majority were African (53.1 per cent), followed by Coloureds accounting for another 43.4 per cent. For Africans, their share of unemployment is 15.1 percentage points higher than their share of the labour force, a fact that is reflected in their unemployment rate being markedly above the average. Whites, in contrast, account for just 3.4 per cent of the unemployed, compared with their 14.6 per cent share of the labour force.

Table 4.11 Demographic composition of unemployment, 2014Q1 and 2019Q1

	2014Q1		2019Q1		Change	
	Number ('000s)	Share (Per cent)	Number ('000s)	Share (Per cent)	Number ('000s)	Rate (Per cent)
Western Cape						
Total Unemployment	593	100.0	610	100.0	18	0.6 p.a.
By Race						
African	270	45.6	324	53.1	54	3.7 p.a. †
Coloured	285	48.2	265	43.4	(21)	-1.5 p.a.
White	35	5.9	21	3.4	(15)	-10.2 p.a.
By Gender						
Male	317	53.5	294	48.2	(23)	-1.5 p.a.
Female	276	46.5	316	51.8	40	2.8 p.a.
By Age						
15 to 24-year olds	197	33.2	157	25.8	(40)	-4.4 p.a.
25 to 34-year olds	205	34.5	242	39.7	38	3.4 p.a.
35 to 44-year olds	110	18.6	125	20.4	14	2.5 p.a.
45 to 54-year olds	61	10.4	70	11.4	8	2.6 p.a.
55 to 64-year olds	19	3.3	16	2.7	(3)	-3.5 p.a.
By Education						
Primary	73	12.3	42	6.9	(30)	-10.3 p.a. *
Some secondary	299	50.5	316	51.8	16	1.1 p.a.
Grade 12	181	30.5	209	34.2	28	2.9 p.a.
Diploma/Certificate	23	3.9	24	3.9	0	0.4 p.a.
Degree	11	1.9	17	2.8	6	9.3 p.a.
South Africa						
Total Unemployment	5 067	100.0	6 201	100.0	1 134	4.1 p.a. *
By Race						
African	4 358	86.0	5 513	88.9	1 155	4.8 p.a. *
Coloured	499	9.9	489	7.9	(10)	-0.4 p.a.
White	139	2.7	131	2.1	(9)	-1.3 p.a.
By Gender						
Male	2 607	51.5	3 219	51.9	612	4.3 p.a. *
Female	2 460	48.5	2 982	48.1	522	3.9 p.a. *
By Age						
15 to 24-year olds	1 391	27.5	1 409	22.7	18	0.3 p.a.
25 to 34-year olds	1 998	39.4	2 524	40.7	526	4.8 p.a. *
35 to 44-year olds	1 083	21.4	1 414	22.8	331	5.5 p.a. *
45 to 54-year olds	479	9.5	679	11.0	200	7.2 p.a. *
55 to 64-year olds	115	2.3	174	2.8	59	8.6 p.a. *
By Education						
Primary	605	11.9	650	10.5	45	1.4 p.a.
Some secondary	2 334	46.1	2 791	45.0	457	3.6 p.a. *
Grade 12	1 691	33.4	2 142	34.5	452	4.8 p.a. *
Diploma/Certificate	318	6.3	457	7.4	139	7.5 p.a. *
Degree	89	1.8	124	2.0	35	6.8 p.a. †

Notes: 1. Statistically significant changes are indicated by an asterisk (*) at the 95 per cent level of confidence or by a dagger (†) at the 90 per cent level of confidence.

2. Shares may not sum to 100 due to rounding.

Source: Own calculations, Stats SA (2014a, 2019b)

Unemployment tends to be concentrated amongst younger cohorts and those with lower levels of education. Nearly two-thirds (63.4 per cent) of the unemployed are

youth under the age of 35; of these, the majority were aged 25 to 34 years (39.7 per cent of provincial unemployment). In contrast, less than 15 per cent of the unemployed were aged 45 years and above, compared to their share of the labour force of 28.3 per cent and their share of employment of 31.7 per cent. Similarly, 58.7 per cent of the unemployed in the Western Cape in the first quarter of 2019 had either primary or some secondary education. A further one-third (34.2 per cent) had completed Grade 12, while just 6.7 per cent had a diploma, certificate, or degree.

Changes in the numbers of unemployed individuals in the Province over the five-year period have typically not been statistically significant. There are, however, two exceptions. First, the number of unemployed Africans increased by 54 000 to 324 000 over the period. This is three times the increase in total provincial unemployment of 18 000¹, and is equivalent to an average annual growth rate of 3.7 per cent. The second exception is the cohort with primary education: the number of unemployed individuals with primary education declined by 30 000 to just 42 000 in the first quarter of 2019.

One of the important challenges in addressing unemployment is the fact that large proportions of the unemployed have either been unemployed for a long period of time, or have never been employed at all. Lack of experience is often a constraint for jobseekers, while long term unemployment may lead to an erosion of an individual's skills over time or may result in their skills becoming outdated. Table 4.12 shows the breakdown of unemployment in terms of the duration of the current unemployment spell for both the provincial and national economies.

Table 4.12 Unemployment by time since last worked, 2014Q1 and 2019Q1

	2014Q1		2019Q1		Change	
	Number ('000s)	Share (Per cent)	Number ('000s)	Share (Per cent)	Number ('000s)	Rate (Per cent)
Western Cape						
Total Unemployment	593	100.0	610	100.0	18	0.6
By Unemployment Duration						
Never worked	165	27.8	137	22.4	-28	-3.7
0 to 11 months	176	29.8	219	36.0	43	4.5
12 to 35 months	113	19.1	127	20.9	14	2.4
36 months or more	138	23.3	127	20.8	-12	-1.7
South Africa						
Total Unemployment	5 067	100.0	6 201	100.0	1 134	4.1 *
By Unemployment Duration						
Never worked	2 044	40.3	2 452	39.5	409	3.7 *
0 to 11 months	1 252	24.7	1 418	22.9	165	2.5 *
12 to 35 months	652	12.9	810	13.1	158	4.4 *
36 months or more	1 117	22.0	1 518	24.5	401	6.3 *

Notes: 1. Statistically significant changes are indicated by an asterisk (*) at the 95 per cent level of confidence or by a dagger (†) at the 90 per cent level of confidence.
2. Shares may not sum to 100 due to rounding or the omission from the table of those who did not know how long it had been since they last worked.

Source: Own calculations, Stats SA (2014a, 2019b)

¹ The numbers of White and Coloured unemployed declined.

In the first quarter of 2019, 39.5 per cent of the unemployed in South Africa reported never having worked before. In addition, one out of four (24.5 per cent) reported having last worked 36 months or more prior to the survey. In the Western Cape, the corresponding proportions were 22.4 per cent and 20.8 per cent. This means that, nationally, 36.0 per cent of the unemployed had been unemployed for up to 35 months; in the Western Cape, this was true of 56.8 per cent of the unemployed.

4.7 Youth labour market

Globally, young people typically experience poorer labour market outcomes than their older counterparts. According to the ILO (2019), the global youth (15 - 24 years) unemployment rate is projected to be 11.8 per cent in 2019, which is more than twice the overall rate of 4.9 per cent; in upper-middle income countries, like South Africa, the projected youth unemployment rate of 14.9 per cent is almost 2.5 times the overall rate (6.0 per cent).

In the Western Cape, 2.2 million people were between the ages of 15 and 34 years in the first quarter of 2019 (Table 4.13). Of these, 969 000 were employed, 399 000 were in narrow unemployment, and 76 000 were in non-searching unemployment. Perhaps surprisingly, the youth population in the Province has grown more slowly than the total working age population over the five-year period (1.4 per cent compared to 2.1 per cent). The most rapid change in the provincial youth labour market has been the expansion of non-searching unemployment, which grew at 14.3 per cent per annum over the five years. While this group has doubled in size since 2014, its growth is off a very small base of only 39 000.

Table 4.13 Western Cape youth labour market aggregates (15 - 34 years), 2014Q1 and 2019Q1

	2014Q1	2019Q1	Change	
	Thousands	Thousands	Thousands	Per cent
Working-age population	2 066	2 211	145	1.4 p.a.
Employment	892	969	77	1.7 p.a.
Narrow unemployment	401	399	-2	-0.1 p.a.
Narrow labour force	1 294	1 369	75	1.1 p.a.
Expanded unemployment	440	476	35	1.5 p.a.
Expanded labour force	1 333	1 445	112	1.6 p.a. †
Non-searching unemployed	39	76	37	14.3 p.a. *
Rates/Ratios				
Narrow labour force participation	62.6	61.9	-0.7 percentage points	
Expanded labour force participation	64.5	65.4	0.8 percentage points	
Employment-to-population ratio	43.2	43.8	0.6 percentage points	
Narrow unemployment	31.0	29.2	-1.8 percentage points	
Expanded unemployment	33.0	32.9	-0.1 percentage points	

Note: Statistically significant changes are indicated by an asterisk (*) at the 95 per cent level of confidence or by a dagger (†) at the 90 per cent level of confidence.

Source: Own calculations, Stats SA (2014a, 2019b)

Youth labour force participation rates are relatively low on average at just 61.9 per cent using the narrow definition, and 65.4 per cent using the expanded definition in the first quarter of 2019. This compares to the provincial average of 67.8 per cent. The unemployment rate for this group ranged between 29.2 per cent and 32.9 per cent, depending on the definition, significantly higher than the range of 19.5 per cent and 22.7 per cent overall for the Province. The relatively low participation rates combined with relatively high unemployment rates means that just 43.8 per cent of the population between the ages of 15 and 34 years were employed in the first quarter of 2019.

Therefore, very little has changed in terms of youth labour market outcomes in the Province since 2014, despite youth being particularly disadvantaged in terms of high unemployment rates. The creation of sustainable employment for this group remains a key priority, given the various negative consequences of unemployment within this demographic.

4.8 Spatial considerations

Local labour markets have their own particular contexts and dynamics, which are typically obscured by provincial or regional aggregates or averages. However, in order to design and implement appropriate policy, such local nuances can be of fundamental importance. Further, knowledge of local labour market conditions helps policymakers to direct resources to areas of greatest need. Unfortunately, sources of local labour market data are very rare in South Africa, with Statistics South Africa's nationally representative surveys unable to provide accurate information at the level of local municipalities, for example.

It is, however, possible to disaggregate the provincial labour market to a certain extent, by distinguishing between the City of Cape Town and the rest of the Province. Further, outside of the City of Cape Town, it is possible to distinguish between urban and rural areas. Table 4.14 provides the distribution of key labour market aggregates across these three geographical areas for the first quarter of 2019, clearly illustrating the dominance of the City of Cape Town within the Province.

Table 4.14 Intra-provincial labour market aggregates (share of total), 2019Q1

	City of Cape Town	Rest of Western Cape	
	(Per cent)	Urban (Per cent)	Rural (Per cent)
Total population	63.7 [63.252; 64.127]	31.4 [30.924; 31.783]	5.0 [4.771; 5.142]
Working-age population	63.6 [62.675; 64.617]	31.0 [30.053; 31.951]	5.4 [4.929; 5.776]
Employed	62.8 [61.174; 64.524]	29.6 [28.016; 31.267]	7.5 [6.703; 8.316]
Narrow unemployed	69.8 [65.958; 73.742]	28.9 [25.037; 32.760]	1.3 [0.335; 2.168]
Narrow labour force	64.2 [63.052; 65.376]	29.5 [28.355; 30.638]	6.3 [5.796; 6.783]
Expanded unemployed	65.3 [61.605; 68.943]	33.3 [29.658; 36.956]	1.4 [0.499; 2.339]
Expanded labour force	63.4 [62.286; 64.515]	30.5 [29.378; 31.571]	6.1 [5.655; 6.595]
Non-searching unemployed	44.0 [34.477; 53.518]	53.8 [44.162; 63.446]	2.2 [-0.825; 5.222]
NEETs (15 - 34 years)	63.7 [62.394; 64.991]	34.3 [32.962; 35.571]	2.0 [1.858; 2.223]

Notes: 1. Shares may not sum to 100 due to rounding.
2. Figures in parentheses are the 95 per cent confidence intervals.

Source: Own calculations, Stats SA (2019b)

Across almost all the aggregates presented, the City of Cape Town accounts for between 60 per cent and 70 per cent of the total. The City is home to 63.7 per cent of the population and an almost identical proportion of the working-age population; 62.8 per cent of provincial employment is located within the City, as is 69.8 per cent of the narrow unemployed, and 63.7 per cent of youth not in employment, education or training (NEET). The only exception is in its share of the non-searching unemployed (44.0 per cent).

The non-searching unemployed are primarily located within urban areas in the rest of the Province, with these areas' share of 53.8 per cent almost twice their share of the working-age population (31.0 per cent) and employment (29.6 per cent). These urban areas also have a relatively large share of the provincial NEET population (34.3 per cent). Rural areas, in contrast, constitute a relatively large share of employment (7.5 per cent) compared with their share of the working-age population (5.4 per cent). They also account for very small proportions of unemployment, irrespective of the definition used, and of NEETs. This should not be surprising given the nature of rural areas in the Province and the dominance of commercial agriculture.

4.9 Support for the unemployed

Given high levels of unemployment in the country and a relatively weak social safety net when it comes to working-age adults, it is important to understand the means of support available to the unemployed. Where outside support is unavailable, the unemployed may rely on family and other household members to support them, potentially straining these support networks and negatively impacting on children and the elderly in particular.

The unemployed draw support from various different sources (Table 4.15). It is important to note that these proportions refer simply to whether or not an individual was supported from a particular source; the data is unable to say anything about the relative importance of different sources. The vast majority (82.1 per cent) of the unemployed in the Western Cape relied on members of their households for support in the first quarter of 2019. Further, one out of four (26.0 per cent) were supported by persons outside of their own household. This confirms the great importance of private systems of support for the unemployed in the absence of government support.

Table 4.15 Sources of support amongst the unemployed, 2014Q1 and 2019Q1

	2014Q1 <i>Per cent</i>	2019Q1 <i>Per cent</i>
Supported by persons in the household	84.3	82.1
Supported by persons not in the household	17.2	26.0 *
Supported by charity, church, welfare, etc.	0.0	0.6 †
Receive Unemployment Insurance (UIF)	1.3	0.9
Savings or money previously earned	5.5	10.2 *
Receive old age or disability pension	1.3	0.3
Receive child support or foster care grant	9.5	12.5
Receive any other welfare benefits	0.5	0.9
Any other sources of support (e.g. bursary, student loan)	0.4	0.1

Note: Statistically significant changes are indicated by an asterisk (*) at the 95 per cent level of confidence or by a dagger (†) at the 90 per cent level of confidence. Respondents were allowed to indicate multiple sources of support.

Source: Own calculations, Statistics South Africa (2014a, 2019b)

Only two other sources were used by more than ten per cent of the unemployed in the Province: 12.5 per cent supported themselves through their access to a child support or foster care grant, while 10.2 per cent supported themselves with savings. In contrast, just 0.9 per cent of the unemployed received unemployment insurance. No other source was used by more than one per cent of the unemployed.

The pattern observed in 2019 differs slightly from that observed in 2014. The key differences are the increased proportion of the unemployed that report relying on support from persons outside of the household (an increase of 8.8 percentage points) and that report using savings or previously earned funds (an increase of 4.7 percentage points).

That the unemployed rely on support from household members should not come as a surprise. However, this type of support is predicated on the assumption that other

household members have access to resources, whether through employment (i.e. wages), through access to grants, or through pensions or savings. The data suggests, though, that a large proportion of the unemployed reside in households with no employed household members (Table 4.16). In the first quarter of 2019, 34.9 per cent of the unemployed resided in households with no employed members, up slightly though not statistically significant from 2014. While this does mean that the majority of the unemployed are co-resident with at least one employed person, only a minority are co-resident with multiple employed individuals. Just over two-fifths (43.4 per cent) of the unemployed are co-resident with one employed person, while 17.0 per cent live with two employed members.

Table 4.16 Extent of co-residence of the unemployed with the employed, 2014Q1 and 2019Q1

	2014Q1	2019Q1
Distribution of the unemployed by the number of employed household members (per cent)		
0 employed members	30.7	34.9
1 employed member	41.9	43.4
2 employed members	19.8	17.0
3+ employed members	7.6	4.8
Mean number of employed household members for the unemployed	1.07	0.93 †

Note: Statistically significant changes are indicated by an asterisk (*) at the 95 per cent level of confidence or by a dagger (†) at the 90 per cent level of confidence.

Source: Own calculations, Stats SA (2014a, 2019b)

While none of the changes in the proportions are statistically significant for the five-year period, it seems that the unemployed may be becoming less likely to be co-resident with more than one employed household member. This is confirmed when looking at the average number of employed household members for the unemployed, which fell from 1.07 in the first quarter of 2014 to 0.93 five years later. This suggests increased reliance amongst the unemployed on fewer employed household members for support.

4.10 Conclusion

During the past five years, the Western Cape labour market has seen improvements in some areas, but deterioration in other areas. Aggregate figures show that the provincial economy added 283 000 jobs over the five-year period at a rate that slightly outpaced that of the working-age population. The number of people unemployed according to the narrow definition was virtually unchanged over the period, meaning that the narrow unemployment rate was slightly lower in the first quarter of 2019 compared with five years earlier at 19.5 per cent. At the same time, however, the number of non-searching unemployed more than doubled to 131 000, albeit off a low base.

Roughly two-thirds (67.8 per cent) of working-age adults in the Province participated in the labour force in the first quarter of 2019. Men, adults between the ages of 25 and 54 years, and those with diplomas and/or certificates or degrees had higher rates of participation than other groups in the Province.

The majority of net new jobs accrued to Africans, men, those aged between 35 and 54 years, and those with incomplete or complete secondary education. The results concerning race and educational attainment are encouraging, suggesting potential improvements in outcomes for groups that have tended to be marginalised in the labour market. Sectorally, job creation in the Western Cape was concentrated in the formal sector - both agricultural and non-agricultural - although the most rapid growth rates were in formal agriculture and informal non-agriculture.

Within the formal sector, workers in the Western Cape generally find themselves in a relatively favourable position when compared with their counterparts in the rest of South Africa. Western Cape formal sector workers do, however, have lower rates of access to medical aid than the national average; they are also less likely to be unionised. Overall, however, including those employed in the informal sector and private households, Western Cape workers have high rates of job satisfaction (88.2 per cent). These satisfaction rates are positively correlated with age and educational attainment, and are also related to sector of employment.

The narrow unemployment rate in the Western Cape is relatively low compared to other provinces at 19.5 per cent in the first quarter of 2019. Further, the gap between narrow and expanded unemployment is relatively small, the result of the Province having only a small number of non-searching unemployed. While the provincial unemployment rate has not seen a statistically significant decline over the period, males, youth under the age of 25 years, and those with only primary education did see statistically significant falls in their unemployment rates.

The unemployed in the Western Cape tend to have been unemployed for a shorter time period than is the case nationally, while the proportion of the unemployed who have never worked before is just over half the national proportion. Just over four-fifths of the unemployed in the Province indicate that they received support from household members, while virtually none reported receiving unemployment benefits or any other support from the state (apart from child support or foster care grants).

There are several areas that require continued policy attention. Spatial mismatches in the distribution between economic activity and the population may lead to vastly different labour market outcomes for a given individual depending on their location. In areas with little economic activity, high unemployment may have knock-on effects on socioeconomic outcomes and even local government finances. Youth unemployment remains a significant problem and, in the first quarter of 2019, youth labour market outcomes were not materially different from five years earlier. With around 30 per cent of youth unemployed, the total return on investment in their education is much reduced. The consequences of failure to decisively deal with this challenge will be long-lasting and substantial.

Annexure D

Detailed estimates

Annexure D1 Narrow labour force participation rates, 2019Q1

	South Africa		Western Cape		
	<i>Estimate</i>	<i>95% Confidence Interval</i>	<i>Estimate</i>	<i>95% Confidence Interval</i>	
Overall	58.3	[58.246; 59.260]	66.5	[66.303; 69.207]	*
By Race					
African	57.0	[56.877; 57.986]	70.3	[69.963; 74.402]	*
Coloured	62.1	[61.813; 65.080]	63.0	[62.641; 66.853]	
Asian	55.7	[55.195; 62.026]	50.2	[47.329; 82.809]	
White	65.2	[64.898; 69.220]	63.5	[62.796; 71.452]	
By Gender					
Male	64.4	[64.310; 65.743]	73.3	[73.008; 76.929]	*
Female	52.0	[51.886; 53.328]	59.1	[58.764; 62.974]	*
By Age Group					
15 to 24 years	24.0	[23.903; 25.676]	34.8	[34.290; 40.588]	*
25 to 34 years	72.7	[72.585; 74.412]	82.8	[82.395; 86.857]	*
35 to 44 years	78.4	[78.258; 80.103]	81.5	[81.058; 86.122]	*
45 to 54 years	73.7	[73.543; 75.832]	75.2	[74.674; 80.667]	
55 to 64 years	42.4	[42.196; 45.304]	42.5	[41.778; 50.720]	
By Educational Attainment					
Primary	45.3	[45.135; 47.791]	52.2	[51.448; 60.519]	*
Some secondary	48.7	[48.616; 50.188]	59.7	[59.325; 63.908]	*
Grade 12	65.5	[65.392; 67.272]	69.6	[69.231; 74.372]	*
Diploma/Certificate	83.2	[83.028; 85.721]	80.1	[79.352; 88.042]	
Degree	87.2	[86.953; 90.314]	85.8	[85.191; 93.260]	

Note: Statistically significant differences between national and provincial estimates are indicated by an asterisk (*) at the 95 per cent level of confidence or by a dagger (†) at the 90 per cent level of confidence. Only 95 per cent confidence intervals are displayed here.

Source: Own calculations, Stats SA (2019b)

Annexure D2 Provincial unemployment rates, 2019Q1

	Narrow Unemployment Rate		Expanded Unemployment Rate		Ratio of Expanded to Narrow Unemployment Rate
	<i>Estimate (Per cent)</i>	<i>95% Confidence Interval</i>	<i>Estimate (Per cent)</i>	<i>95% Confidence Interval</i>	
Western Cape	19.5	[18.053; 20.933]	22.7	[21.215; 24.249]	1.17
Eastern Cape	37.4	[35.267; 39.534]	48.3	[46.305; 50.227]	1.29
Northern Cape	26.0	[22.879; 29.059]	41.5	[38.421; 44.595]	1.60
Free State	34.9	[32.372; 37.444]	40.1	[37.670; 42.618]	1.15
KwaZulu-Natal	25.1	[23.632; 26.613]	42.4	[40.878; 43.881]	1.69
North West	26.4	[23.774; 29.028]	44.4	[41.833; 46.953]	1.68
Gauteng	28.9	[27.860; 30.009]	33.6	[32.492; 34.652]	1.16
Mpumalanga	34.2	[32.068; 36.260]	43.0	[40.962; 44.972]	1.26
Limpopo	18.5	[16.653; 20.298]	43.1	[41.174; 45.053]	2.33
South Africa	27.6	[26.975; 28.162]	38.0	[37.428; 38.617]	1.38

Source: Own calculations, Stats SA (2019b)

Annexure D3 Narrow unemployment rates, 2014 and 2019

	2014Q1		2019Q1		
	<i>Estimate</i>	<i>95% Confidence Interval</i>	<i>Estimate</i>	<i>95% Confidence Interval</i>	
Western Cape	20.9	[19.634; 22.255]	19.5	[18.052; 20.933]	
By Race					
African	31.0	[28.010; 34.048]	27.2	[24.614; 29.767]	
Coloured	19.8	[18.109; 21.457]	18.2	[16.094; 20.299]	
Asian	9.0	[-0.926; 18.938]	3.3	[-3.165; 9.820]	
White	7.1	[5.042; 9.191]	4.5	[1.883; 7.126]	
By Gender					
Male	20.7	[18.881; 22.541]	17.4	[15.451; 19.327]	†
Female	21.2	[19.303; 23.137]	22.0	[19.766; 24.168]	
By Age Group					
15 to 24 years	48.8	[44.428; 53.210]	39.5	[34.363; 44.574]	†
25 to 34 years	23.0	[20.398; 25.547]	25.0	[22.158; 27.755]	
35 to 44 years	14.3	[12.150; 16.461]	14.2	[11.662; 16.733]	
45 to 54 years	11.6	[9.115; 13.992]	11.1	[8.589; 13.549]	
55 to 64 years	8.3	[5.649; 11.036]	6.4	[2.738; 10.111]	
By Educational Attainment					
Primary	23.2	[19.077; 27.244]	15.3	[10.996; 19.586]	†
Some secondary	28.2	[25.822; 30.634]	26.8	[24.201; 29.458]	
Secondary	19.7	[17.362; 21.952]	19.6	[17.074; 22.204]	
Diploma/Certificate	8.4	[5.503; 11.322]	7.5	[4.498; 10.584]	
Degree	4.6	[2.278; 6.972]	6.3	[3.004; 9.642]	
South Africa	25.2	[24.591; 25.772]	27.6	[26.975; 28.162]	*
By Race					
African	28.5	[27.744; 29.176]	31.1	[30.431; 31.816]	*
Coloured	23.5	[21.977; 25.112]	22.2	[20.489; 23.977]	
Asian	12.4	[9.395; 15.501]	11.4	[8.477; 14.333]	
White	6.6	[5.375; 7.739]	6.6	[5.154; 8.013]	
By Gender					
Male	23.7	[22.881; 24.482]	26.1	[25.320; 26.945]	*
Female	27.0	[26.101; 27.886]	29.3	[28.415; 30.200]	*
By Age Group					
15 to 24 years	53.2	[51.264; 55.065]	55.2	[53.160; 57.267]	
25 to 34 years	29.5	[28.411; 30.596]	34.2	[33.110; 35.333]	*
35 to 44 years	18.9	[17.765; 19.935]	21.7	[20.692; 22.796]	*
45 to 54 years	13.7	[12.590; 14.738]	15.6	[14.534; 16.734]	†
55 to 64 years	7.8	[6.595; 8.950]	10.1	[8.665; 11.592]	†
By Educational Attainment					
Primary	22.3	[20.855; 23.792]	25.8	[24.066; 27.529]	*
Some secondary	32.3	[31.211; 33.364]	34.6	[33.578; 35.703]	*
Secondary	26.4	[25.276; 27.443]	28.7	[27.619; 29.757]	*
Diploma/Certificate	13.9	[12.472; 15.340]	17.3	[15.728; 18.797]	*
Degree	6.9	[5.498; 8.205]	7.9	[6.510; 9.352]	

Note: Statistically significant changes are indicated by an asterisk (*) at the 95 per cent level of confidence or by a dagger (†) at the 90 per cent level of confidence.

Source: Own calculations, Stats SA (2014a, 2019b)

Annexure D4 Rates of job satisfaction, 2019Q1

	South Africa	Western Cape	
Overall	74.0	88.2	*
By Race			
African	69.1	79.9	*
Coloured	89.2	91.0	
White	93.1	96.6	*
By Gender			
Male	75.3	89.0	*
Female	72.5	87.2	*
By Age			
15 to 24 years	64.4	79.7	*
25 to 34 years	70.0	88.6	*
35 to 44 years	74.3	87.4	*
45 to 54 years	78.6	89.1	*
55 to 64 years	82.1	96.2	*
By Education			
Primary	65.7	84.2	*
Some secondary	67.0	84.8	*
Grade 12	74.5	88.8	*
Diploma/Certificate	85.3	94.2	*
Degree	91.0	95.3	†
By Sector			
Formal sector	79.0	90.4	*
Informal sector	61.3	78.6	*
Private households	57.8	76.6	*
By Employment Type			
Employee	74.0	88.0	*
Employer/Self-employed	74.4	90.0	*
Unpaid family worker	64.8	100.0	*

Note: Statistically significant differences between national and provincial estimates are indicated by an asterisk (*) at the 95 per cent level of confidence or by a dagger (†) at the 90 per cent level of confidence.

Source: Own calculations, Stats SA (2019b)

Annexure D5 Labour market aggregates, second quarters of 2014 and 2019

	2014Q2	2019Q2	Change	
	Thousands	Thousands	Thousands	Per cent
Western Cape				
Working-age population	4 176	4 642	465	2.1 p.a.
Employment	2 192	2 497	305	2.6 p.a. *
Narrow unemployment	675	642	-33	-1.0 p.a.
Narrow labour force	2 867	3 139	272	1.8 p.a. *
Expanded unemployment	745	780	36	0.9 p.a.
Expanded labour force	2 937	3 278	341	2.2 p.a. *
Non-searching unemployed	70	139	69	14.7 p.a. *
Narrow unemployment rate (%)	23.5%	20.4%	-3.1 percentage points	*
Expanded unemployment rate (%)	25.4%	23.8%	-1.5 percentage points	
South Africa				
Working-age population	35 332	38 433	3 101	1.7 p.a.
Employment	15 094	16 313	1 218	1.6 p.a. *
Narrow unemployment	5 154	6 655	1 501	5.2 p.a. *
Narrow labour force	20 248	22 968	2 720	2.6 p.a. *
Expanded unemployment	8 332	10 226	1 895	4.2 p.a. *
Expanded labour force	23 426	26 539	3 113	2.5 p.a. *
Non-searching unemployed	3 178	3 571	393	2.4 p.a. *
Narrow unemployment rate (%)	25.5%	29.0%	3.5 percentage points	*
Expanded unemployment rate (%)	35.6%	38.5%	3.0 percentage points	*

Note: Statistically significant changes are indicated by an asterisk (*) at the 95 per cent level of confidence or by a dagger (†) at the 90 per cent level of confidence.

Source: Own calculations, Stats SA (2014b, 2019c)

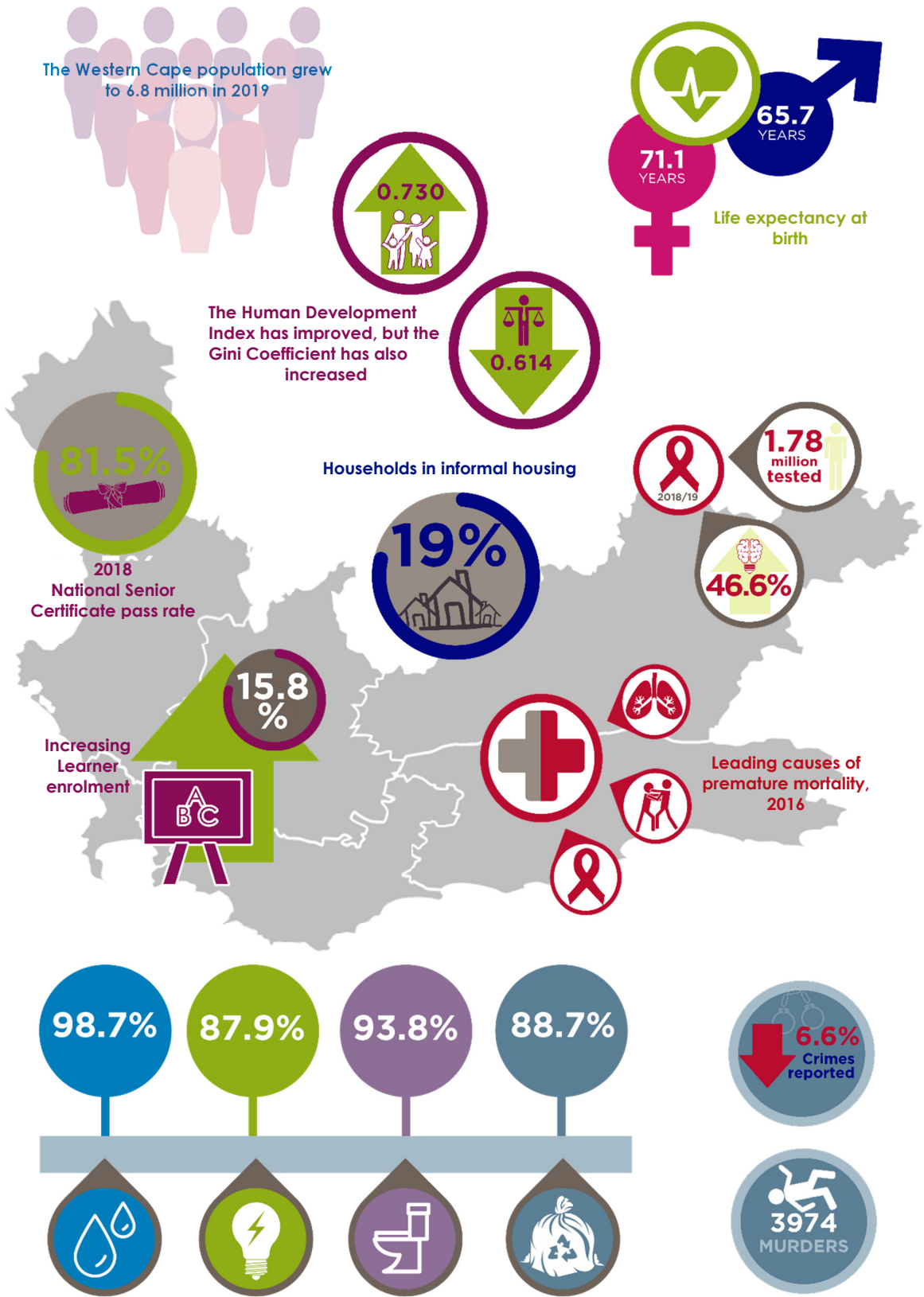


5

Socio-economic
developments
in the
Western Cape



Socio-economic developments in the Western Cape



5.1 Introduction

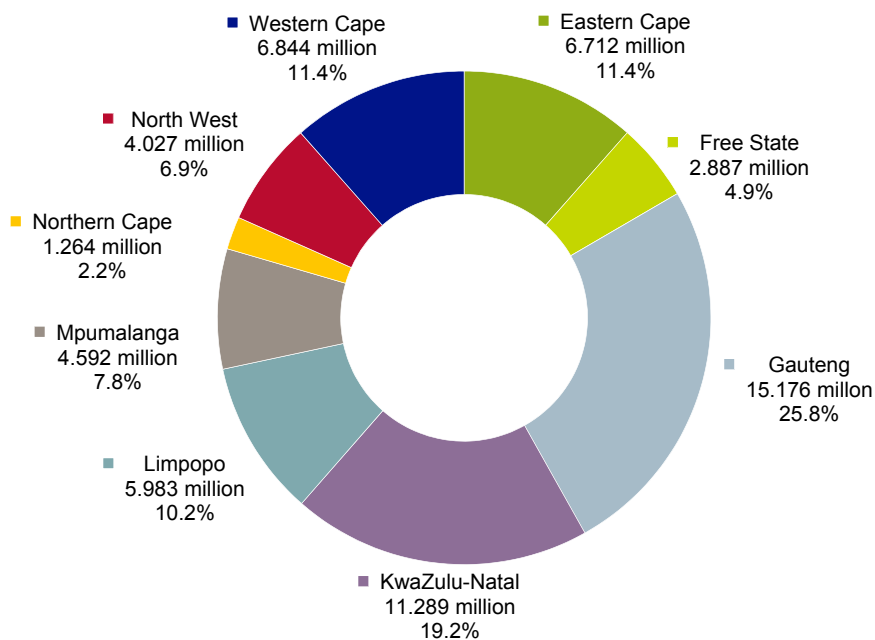
Economic growth and socio-economic development are inextricably linked. The relationship between these is both complex and dynamic, with both influencing the rate and pace of change in the other. Given the recent economic performance outlined in the preceding chapters, it is necessary to assess the current state of socio-economic development and changes in the living conditions of the Western Cape population.

This chapter provides an overview of the provincial population as well as inequality and human development indicators. Trends in health and education outcomes are also presented, as well as housing demand and access to basic services. The most recent data on social ills such as crime and drug abuse are also analysed.

5.2 Population dynamics

The most recent population data estimates indicate that there are 58.7 million people living in South Africa in 2019¹. Gauteng is home to the largest proportion of the population of 15.176 million (25.8 per cent), followed by KwaZulu-Natal with 11.289 million (19.2 per cent) and then the Western Cape with 6.844 million (11.6 per cent).

Figure 5.1 South African population distribution by province, 2019



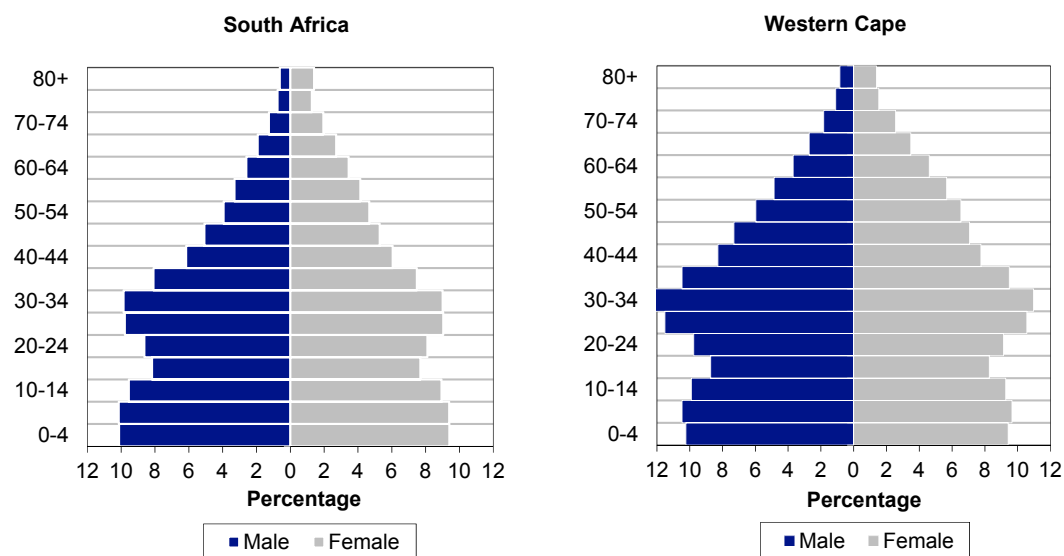
Source: Stats SA, 2019a

¹ Stats SA, 2019

The spatial composition of the population has remained relatively stable over time, with the majority of the population concentrated in the City of Cape Town (65.4 per cent), Cape Winelands (13.4 per cent) and the Garden Route (9.1 per cent)².

An age analysis of the population structure, as illustrated in Figure 5.2, indicates that 28.8 per cent of the national population is below the age of 15 years, while 6 per cent of the total population is elderly persons aged 65 years and older. The Western Cape has a larger proportion of persons aged 65 years and older (6.5 per cent) than the national average and a relatively smaller proportion of persons under 15 years (24.8 per cent).

Figure 5.2 National and Western Cape population distribution by age and sex, 2019



Source: Stats SA, 2019a, own calculations

The age profile of a population is directly linked to its dependency ratio³. The dependency ratio of the Western Cape is estimated to be 45.7 per cent which is lower than the South African estimate of 53.2 per cent for 2019. The dependency ratio has declined over time, both nationally and provincially, largely due to declining birth rates and the movement of children into higher age cohorts at a rate faster than the flow of the population into the cohort aged 65 and older. These changes in the population are also mirrored by changes in the composition of the labour force, where the 15 – 25 age cohort accounts for a smaller share of the labour force than the 24 - 34 (as discussed in Chapter 4 of this publication). The proportion of older persons in the population has, however, been increasing over the years and is indicative of an aging population as a result of increasing life expectancy.

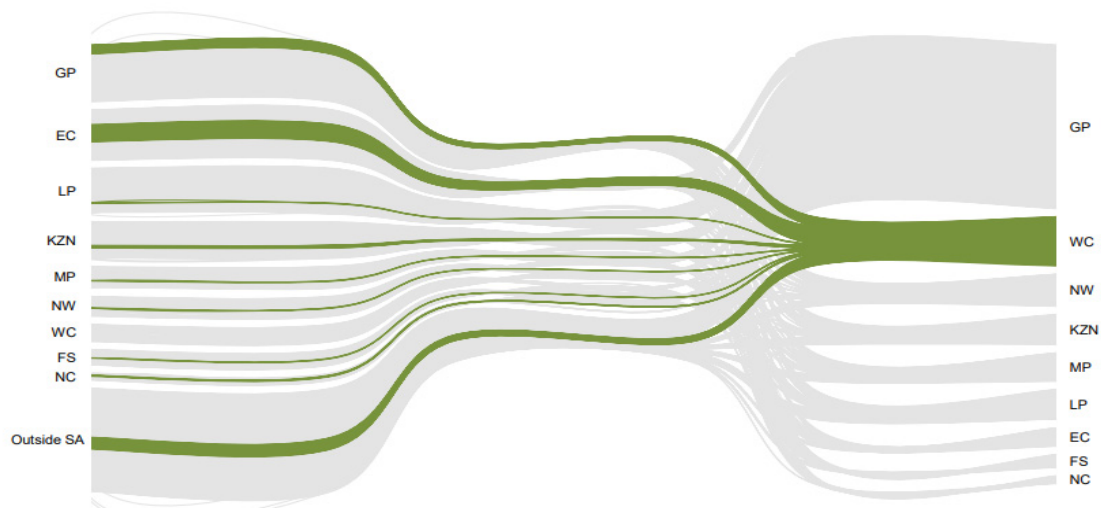
² Department of Social Development, 2019

³ Defined as the ratio of economically dependent persons to the working age population. Economically dependent persons: those aged below the age of 15 and above 64 years. Working age population: those aged between 15 and 64 years of age.

The main drivers of the transitions in the demographic composition of the population include changes in the total fertility rate (TFR) ⁴ and migration patterns. The total fertility rate decreased nationally from 2.51 children in 2009 to 2.32 children in 2019. The Western Cape's TFR, second only to that of Gauteng, is projected to decline from 2.2 children in the years between 2011 and 2016 to 2.0 children between 2016 and 2021.

In the period between 2016 and 2021, the Western Cape is expected to experience an absolute inflow of more than 493 000 new residents (Figure 5.3), a slight increase from the 485 720 new residents who entered the Province between 2011 and 2016. The net impact of migration over the period will be 316 000, mainly coming from the Eastern Cape, outside of the country and Gauteng. Possible reasons for the migration include access to better work and education opportunities.

Figure 5.3 Net migration into the Western Cape, 2016 - 2021



Source: Stats SA, 2019a

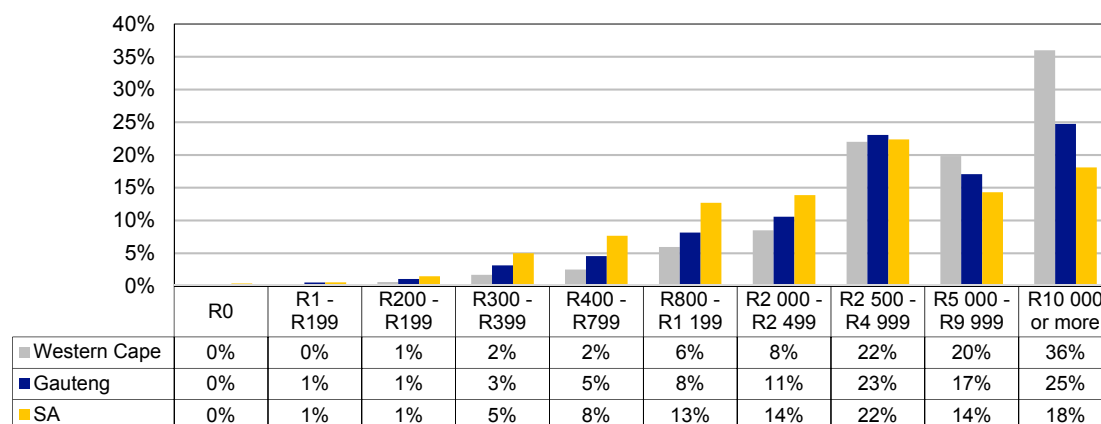
5.3 Inequality and human development

Inequality is a core element in the assessment of human development. Extreme inequality has bearing on the human capabilities of a population. It is therefore important not only to consider income disparities when assessing inequality, but also to consider trends in a broader base of indicators which includes: access to education and health services as well as basic human services like potable water, adequate shelter, energy and sanitation.

⁴ Total fertility rate indicates the total number of children likely to be born to a female in her lifetime.

5.3.1 Income

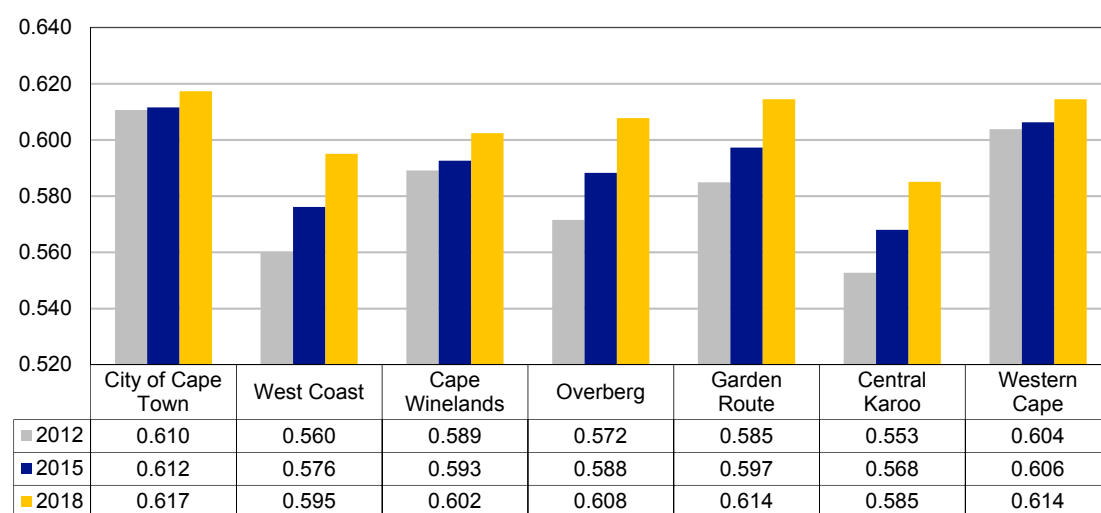
Figure 5.4 Western Cape household expenditure levels, 2018



Source: Stats SA, 2019b

In the absence of more recent data assessing disparities in household income, short-run expenditures are an acceptable proxy for the relative material welfare of a population. Survey respondents are also more likely to under report their income levels than they are their expenditure. Figure 5.4 shows that 36 per cent of households in the Western Cape spend R10 000 or more a month on goods and services. This is double the proportion of households who do so at a national level (18 per cent), and 11 percentage points more than Gauteng (25 per cent). The Western Cape also has a relatively small proportion (11 per cent) of households spending less than R1 999 per month (18 per cent in Gauteng and 15 per cent nationally).

Figure 5.5 Western Cape Gini coefficients by district, 2012 - 2018



Source: Western Cape Department of Economic Development and Tourism, IHS Global Insight, 2019

The Gini coefficient is a measure of relative income disparities⁵. Figure 5.5 illustrates that the Gini coefficient in the Province has worsened in all districts between 2012 and 2018.

⁵ Expressed from 0 to 1, with 0 reflecting perfect equality and 1 reflecting perfect inequality.

Inequality in the Province is more pronounced in the City of Cape Town, where it has increased from 0.610 in 2012 to 0.617 in 2018. However, the rate of increase in inequality for the City of Cape Town (1 per cent) was lower than in the West Coast and Overberg districts (6.3 per cent).

Inequality and the Labour Market

South African inequality has long been amongst the highest in the world. According to the World Bank (2019), amongst the 107 countries with data between 2014 and 2018, South Africa's Gini coefficient is the highest at 63.0. The Gini coefficient is perhaps the best-known measure of inequality and describes the gap between a given income distribution and a theoretical distribution of perfect equality.

The labour market is central to the high levels of inequality observed in South Africa, despite being only one of a number of different income sources. Hundenborn et al. (2016) decompose the Gini coefficient to assess the contribution of four income sources (labour income, government grants, remittances, and investment income) to the level of the coefficient, using data for 1993, 2008 and 2014. Labour income is found to account for 84.4 per cent of the value of the Gini coefficient in 1993, rising to 90.2 per cent in 2014. These results point to job creation as a key policy priority for inequality reduction.

Static Decomposition of the Gini Coefficient by Income Source

	1993		2008		2014	
	Income Share	Share of Gini	Income Share	Share of Gini	Income Share	Share of Gini
Labour income	0.820	0.844	0.825	0.872	0.838	0.902
Government grants	0.061	0.035	0.054	-0.003	0.047	-0.010
Remittances	0.031	0.005	0.036	0.030	0.038	0.016
Investment income	0.088	0.117	0.014	0.101	0.077	0.092
TOTAL	1.000	1.000	1.000	1.000	1.000	1.000

Source: Hundenborn et al. (2016)

Measures of inequality are not necessarily simply calculated on total income, but can be used to assess inequality across various types of income. As an example, Inchauste *et al.* (2015) analyse the effect of government policy on South African inequality by comparing Gini coefficients (as well as other inequality measures) using market income, disposable income, consumable income and final income. Market income is defined as pre-tax income from labour and income from capital assets; private transfers; contributory pensions; and imputed rent from owner-occupied housing. Disposable income is market income less direct taxes and contributions plus cash transfers. Consumable income is disposable income less indirect taxes plus consumption subsidies. Final income is consumable income plus in-kind transfers such as public health and education expenditure. According to their estimates, Inchauste et al. (2015) find that "South Africa uses its fiscal instruments to significantly reduce market income inequality and poverty through a progressive tax system and highly progressive social spending".

Inequality by Income Concept, 2010

	Market Income	Disposable Income	Consumable Income	Final Income
Gini coefficient	0.771	0.694	0.695	0.597

Source: Inchauste et al. (2015)

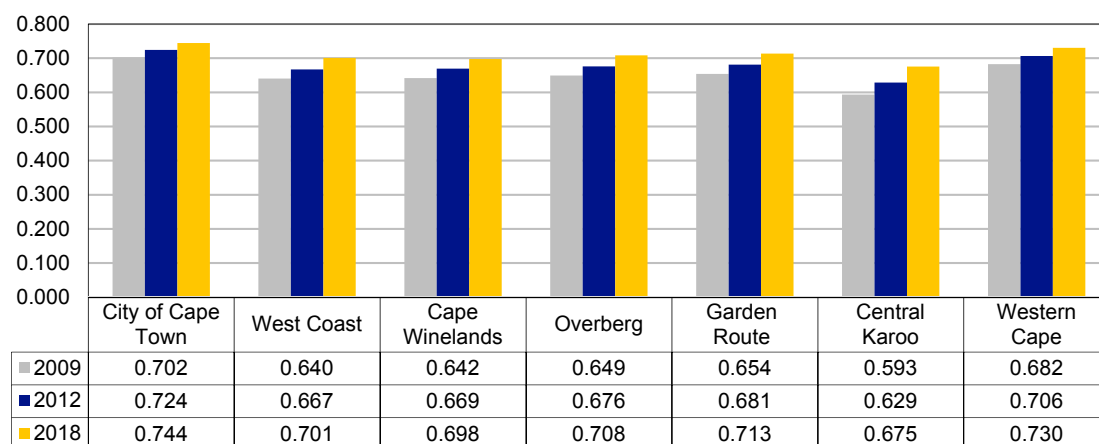
While the income may include or exclude different income sources, inequality measures may also be calculated at an individual or household level. In working with such measures of inequality, it is important to understand exactly what the measure is based on and whether the measure refers to individual- or household-level inequality. This is critical when making comparisons of different values for a particular measure from different sources.

Development Policy Research Unit, 2019

5.3.2 Measuring human development

The Human Development Index (HDI) is a composite indicator of population development which measures education, life expectancy and per capita income. In 2017, South Africa placed in the 'medium human development' category with an HDI value of 0.699⁶. Globally South Africa ranked 113 out of 189 countries and territories. In 2018, the Western Cape had an estimated HDI of 0.730. This indicator has improved steadily since 2009, provincially and at a district level, as illustrated in Figure 5.6.

Figure 5.6 Western Cape Human Development Index by district



Source: Western Cape Department of Economic Development and Tourism, IHS Global Insight, 2019

During this period the greatest improvements in the HDI was registered in the Central Karoo and West Coast districts, (13.8 per cent and 9.5 per cent respectively) the two districts with the lowest HDI in the Province.

5.4 Education

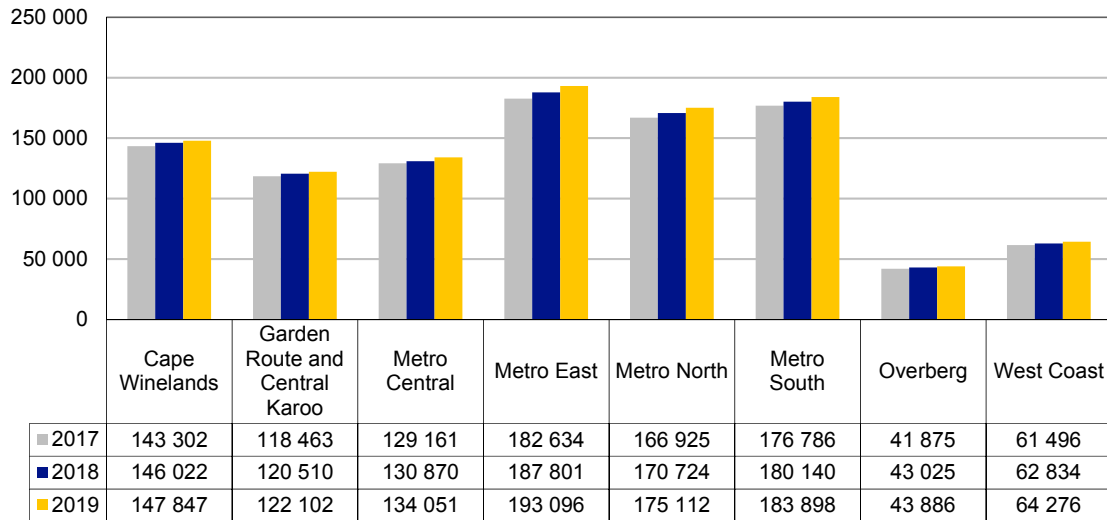
Improving the capacity of human capital bears both social and economic benefits for a population. Improved education not only raises the level of innovation and skills, thereby increasing productivity, it is also positively related to health and social stability. Education is therefore a critical component in the achievement of national and provincial economic growth and development goals.

5.4.1 Learner enrolment at Western Cape public ordinary schools

The number of learners enrolled in public schools is largely influenced by population growth and migration patterns. In 2019, the number of learners enrolled in the public ordinary schools in the Province stands at 1 064 268. This represents a 15.8 per cent increase in the number of learners accessing education in the Province since 2013. At a district level, the greatest number of learners is concentrated in all three of the Metro Education Districts, these districts have also accounted for the greatest learner enrolment growth in the last 3 years, cumulatively accounting for 23 539 new learners over the period.

⁶ UNDP, 2019

Figure 5.7 Number of learners enrolled, Western Cape, 2017 - 2019

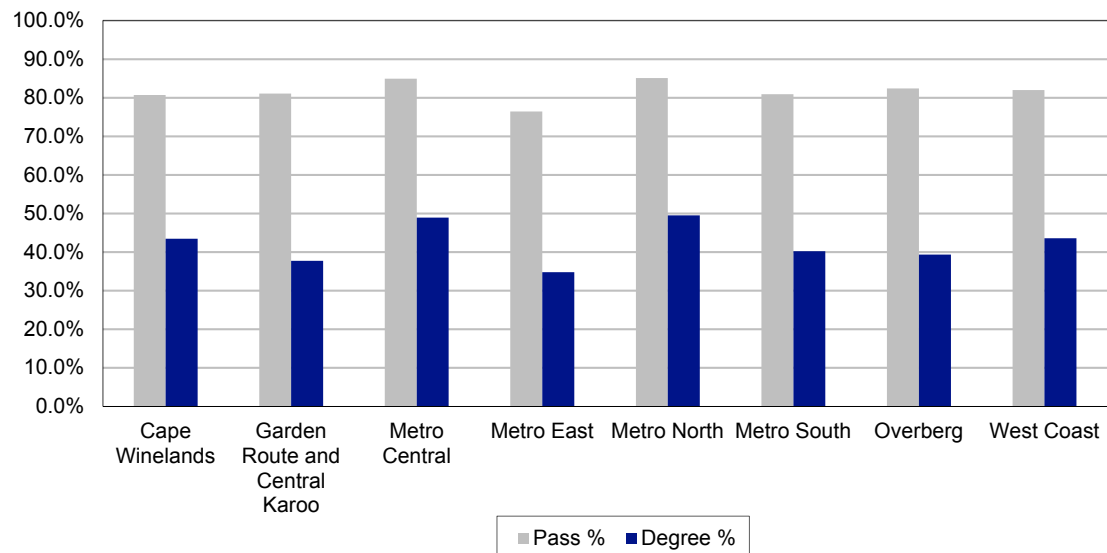


Source: Western Cape Education Department, 2019

5.4.2 National Senior Certificate results

The performance of learners exiting secondary education is assessed mainly through the National Senior Certificate (NSC) pass rate and results. In 2018, the national matric pass rate was 78.2 per cent, while that of the Western Cape was 81.5 per cent – the third highest in the country following the Free State and Gauteng. In the Western Cape, 41 350 of the 50 754 learners who wrote the exam passed, and 21 492 (42.3 per cent) were eligible to enter into a B Degree programme, which is an improvement from the 39.1 per cent who passed at this level in 2017.

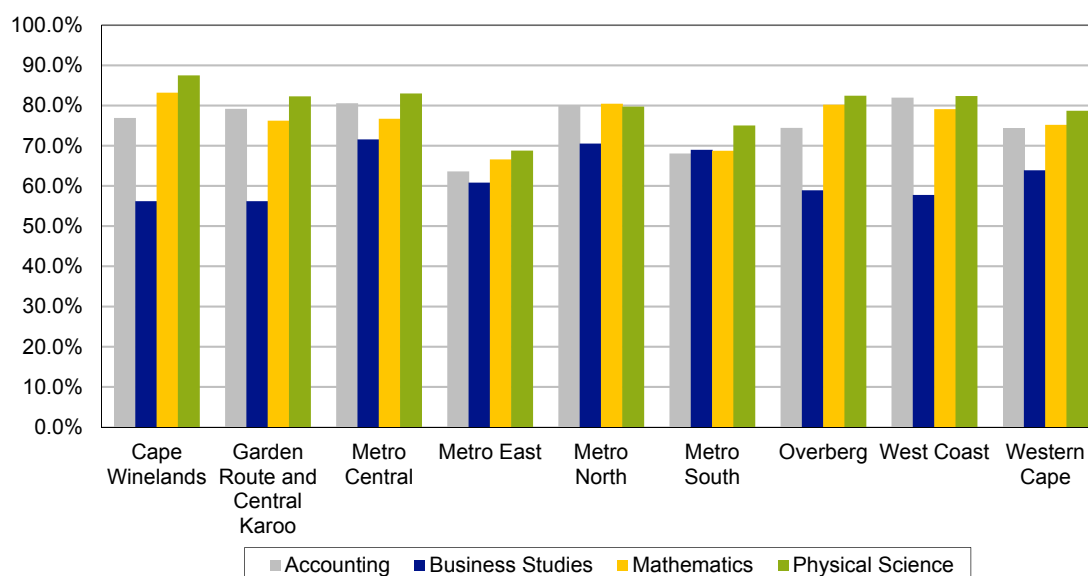
Figure 5.8 NSC and B Degree pass rate by education district, Western Cape, 2018



Source: Western Cape Education Department, 2019

Learner performance in technical subjects is also tracked. Figure 5.9 illustrates the 2018 NSC pass rates for accounting, business studies, mathematics and physical science. At a provincial level, the 75.2 per cent pass rate for mathematics was an improvement from the 73.9 per cent recorded in 2017. While the pass rate for physical science increased from 73.1 per cent in 2017 to 78.7 per cent. The highest pass rates for mathematics (83.2 per cent) and physical science (87.5 per cent) were recorded in the Cape Winelands District, while the West Coast District experienced the greatest proportion of passes in accounting (80.0 per cent). Business studies had the highest pass rate in the Metro Central District (71.5 per cent).

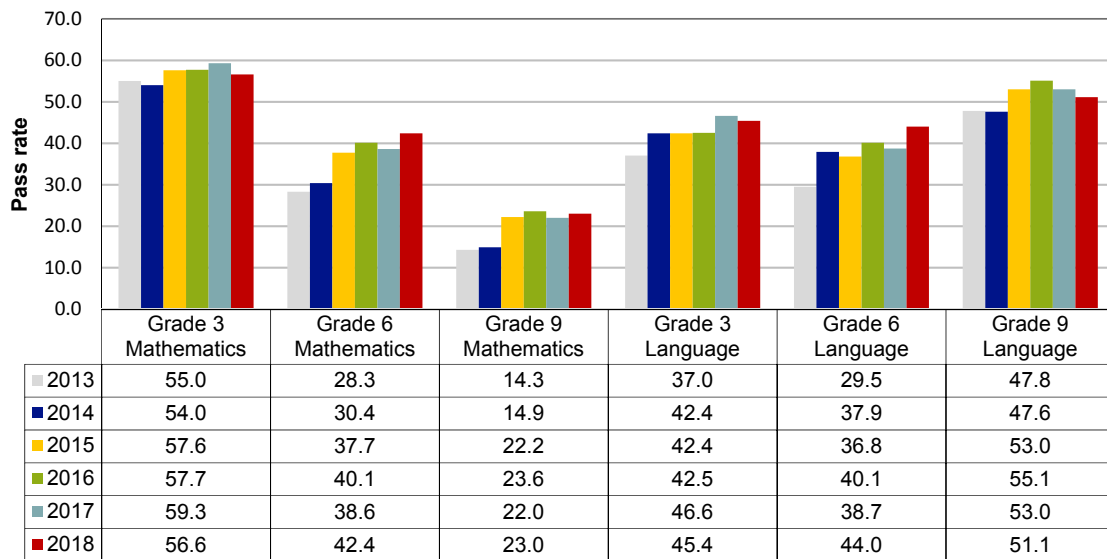
Figure 5.9 NSC pass rates in Accounting, Business Studies, Mathematics and Physical Science by education district, Western Cape, 2018



Source: Western Cape Education Department, 2019

5.4.3 Systemic testing in the Western Cape

Learner ability and progress, particularly in numeracy and language competency, provide the foundation for higher level training. The annual systemic tests track results in mathematics and literacy in Grades 3, 6 and 9. As shown in Figure 5.10, the general trend in all grades in both areas has been upwards, even though there have been declines in learner performance in certain segments in some years. The greatest improvements in performance since 2013 have been in Grade 9 mathematics (8.7 percentage points), Grade 6 mathematics (14.1 percentage points) and Grade 6 language (14.5 percentage points).

Figure 5.10 Systemic test Mathematics and Language pass rates for Grades 3, 6 and 9 for public ordinary schools, Western Cape, 2013 - 2018

Source: Western Cape Education Department, 2019

2018 Teaching and Learning International Survey (TALIS) Outcomes

In 2018, South Africa was the only African country participating in the OECD Teaching and Learning International Survey (TALIS), an international study which is conducted across 48 countries. The TALIS is the largest international survey asking teachers and school leaders about their working conditions and learning environments, thus providing a barometer of the profession every five years and giving valuable insights into the development and analysis of educational policy. The survey was completed by 2 046 lower secondary teachers and 169 principals in South Africa.

Of the countries participating in the survey, South Africa recorded the highest incidents of school safety related issues in various manifestations. One in three principals (34 per cent) reported that bullying and intimidation among students occurred weekly in their schools, which is more than twice the average recorded OECD rate (14 per cent). In South Africa, 27 per cent of principals also reported that incidents involving the use or possession of drugs and alcohol in schools occurred weekly this is astronomically larger than the 1 per cent OECD average. The same vast difference was reported for vandalism and theft cases (South Africa 21 per cent; OECD 3 per cent).

On matters related to the socio-economic condition of students, 71 per cent of South African teachers work in schools where more than 30 per cent of students are from socio-economically disadvantaged backgrounds. This is significantly more than the 20 per cent OECD average and is a reflection of the relatively high poverty and inequality patterns in the country.

The survey also revealed substantial differences in the classroom environment and practices amongst the countries. While on average teachers across the OECD reported spending 78 per cent of classroom time on actual teaching and learning, South African teachers spent only 66 per cent of the allotted classroom time on the core educational activities.

Source: TALIS South Africa Country Report, 2018

5.5 Health

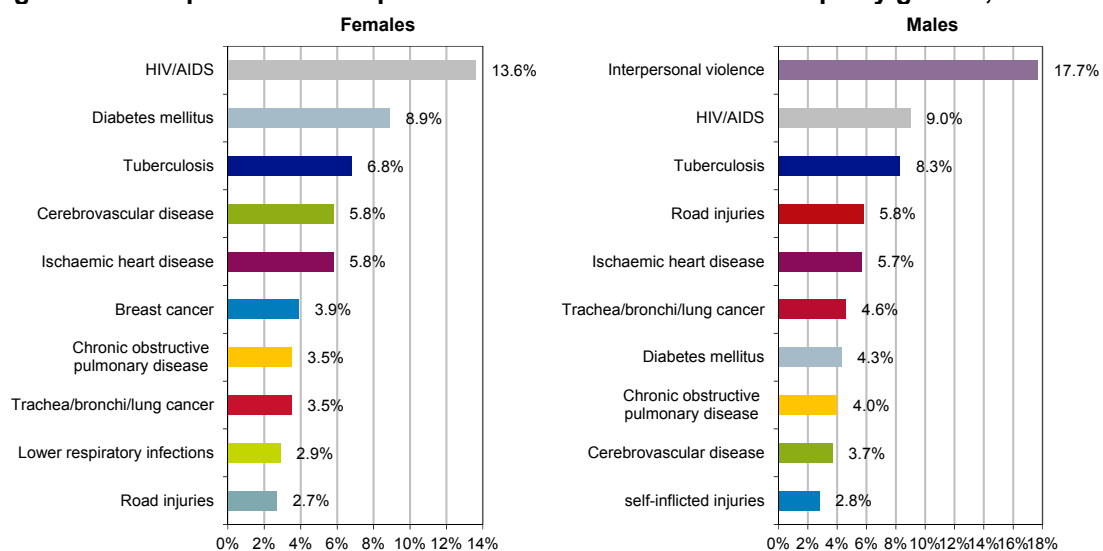
Health status is a key determinant and outcome of economic and socio-economic development. Health has been described as an important form of human capital that can increase productivity by increasing physical, as well as mental capacity⁷.

5.5.1 Life expectancy and mortality

The average life expectancy of a South African male was estimated at 61.5 years in 2018, an improvement of 0.4 years from 2015. Female average life expectancy has improved by 0.2 years over the same period to 67.7 years. Average life expectancy at birth of males in the Western Cape was estimated at 65.7 years and females at 71.1 years.

Most recent data on mortality trends in the Province show that the leading causes of premature mortality were interpersonal violence (11.3 per cent), HIV/AIDS (10.9 per cent) and Tuberculosis (7.6 per cent) in 2016. Premature mortality is measured by the years of life lost relative to estimated life expectancy. Ischaemic heart disease (8.2 per cent) was the leading cause of death in the Province in 2016, followed by diabetes mellitus and HIV/AIDS, respectively, at 8 per cent.

Figure 5.11 Top 10 causes of premature death in the Western Cape by gender, 2016



Source: Western Cape Department of Health, 2019a

Mortality trends continue to display a gender bias, with interpersonal violence being the leading cause of death and premature mortality amongst males in the Province⁸. As shown in Figure 5.11, amongst women, HIV/AIDS was the leading cause of premature mortality (13.6 per cent).

⁷ Bloom and Canning, 2005

⁸ The top 10 causes of death for males and females for 2016 is included in Annexure E.

Diabetes trends in the Western Cape

Diabetes mellitus occurs in 2 forms – Type 1 and Type 2. Type 1 diabetes usually occurs in children and adolescents and is the result of the pancreas not producing enough insulin. Type 2 diabetes occurs as people age, and is the result of the body's inability to utilise insulin secreted by the pancreas effectively. While Type 1 diabetes is more readily diagnosed, Type 2 diabetes often remains undiagnosed. Left undiagnosed and untreated, Type 2 diabetes patients often develop co-morbidities and complications such as cardiovascular diseases, high cholesterol, organ damage and diminished eyesight, amongst others.

Diabetes was the second leading cause of death and the fourth leading cause of premature mortality in the Province in 2016. During 2016, of the diabetics in the public health system, only 56 per cent were tested for glycosylated haemoglobin (HbA1c), which is a measure of diabetes control.

Diabetes diagnosis, treatment and control amongst public health patients in the Western Cape

	2016	2017	2018
Number of HbAc1 tests done	94 149	102 488	98 260
Proportion of diabetics in active care tested	56.0%	56.0%	53.7%
Last HbA1c normal (≤ 6)	4.6%	4.3%	3.5%
Last HbA1c controlled (>6 and ≤ 8)	27.4%	26.0%	21.7%
Last HbA1c poorly controlled (>8 and ≤ 10)	20.6%	19.2%	15.8%
Last HbA1c uncontrolled (> 10)	47.3%	50.5%	59.0%

The proportion of poorly controlled and uncontrolled diabetes cases has increased over the period. This not only places these individuals at heightened risk of developing complications associated with diabetes and increasing the risk of death and premature mortality, but also increases the demand for treatment for multiple complex comorbidities at public health facilities.

Source: Western Cape Department of Health, 2019a

5.5.2 HIV/AIDS and TB

At an estimated prevalence rate of 6.7 per cent in 2018, just over 460 000 people in the Western Cape are living with HIV/AIDS⁹. As this represents one of the leading causes of death and premature mortality in the Province, there has been a concerted campaign by government over the last several years to test and treat as large a proportion of the population as possible, particularly those at highest risk.

During the 2018/19 financial year, almost 1.78 million people in the Province were tested for HIV – just over 347 000 more tests than administered in 2017/18. Improvements in testing and Anti-Retroviral Therapy (ART) initiation rates have led to consistent improvements in the proportion of HIV positive people knowing their status, receiving their treatment and achieving viral suppression 42.6 per cent in 2016/17 to 46.6 per cent in 2018/19 (see Table 5.1) ¹⁰.

⁹ Centre for Infectious Disease Epidemiology and Research. Thembisa Model 4.1

¹⁰ Viral load of less than 1 000 copies per millimetre of blood

Table 5.1 Trends in HIV testing, treatment and outcomes in the Western Cape, 2016/17 - 2018/19

	2016/17	2017/18	2018/19
Estimated HIV+	434 533	448 495	460 916
Of which: Known HIV+ (Tested)	97.1%	97.3%	95.8%
Of Which: Clients on ART	55.2%	59.4%	62.5%
Of which: Clients with confirmed viral suppression	79.6%	80.2%	77.7%
Net performance	42.6%	46.3%	46.6%

Note: The estimates are based on the Thembisa Model 4.1.

Source: Western Cape Department of Health, 2019a

Despite a decline in the prevalence of Tuberculosis (TB) in the Province, it remains the 3rd leading cause of premature mortality and 6th leading cause of death. Efforts to contain and treat TB have been met with mixed results in the Province over the last 3 years. While there has been a marginal decline in the overall programme success rate and marginal increase in the TB death rate, the Rifampicin Resistant (RR) and Multiple Drug Resistant (MDR) treatment success rate has improved substantially in 2018/19.

Table 5.2 Trends in TB notification and outcomes in the Western Cape, 2016/17 - 2018/19

	2016/17	2017/18	2018/19
TB programme success rate (%)	80.8	80.5	80.1
TB client lost to follow up (%)	10.5	11.1	11.2
TB client death rate (%)	3.9	3.8	4.0
TB/HIV co-infected (%)	38.7	38.6	38.8
TB RR and MDR treatment success rate (%)	45.1	44.2	51.4

Source: Western Cape Department of Health, 2019

5.5.3 Infant, child and maternal health

Improved infant, child and maternal health outcomes have been pursued through several targeted programmes in the Province, such as the First 1000 Days programme. In addition to improving health outcomes, these programmes also aim to facilitate improved cognitive and psychological development of infants and young children, which in turn assists with school outcomes.

Antenatal visits prior to the gestational term midpoint enables screening for high risk pregnancies, including HIV, and provide an opportunity to engage with the client on self-care during pregnancy as well as infant care education. The uptake of antenatal visits before 20 weeks at public health facilities has improved consistently from 67.7 per cent in 2015/16 to 70.3 per cent in 2018/19. Despite this, the maternal mortality in-facility ratio has increased to 69.2 deaths per 100 000 live births in 2018/19 following several years of consistent decline to 57 deaths per 100 000 live births in 2017/18. The

neonatal death-in-facility ratio has however remained static at 9.3 deaths per 1 000 live births.

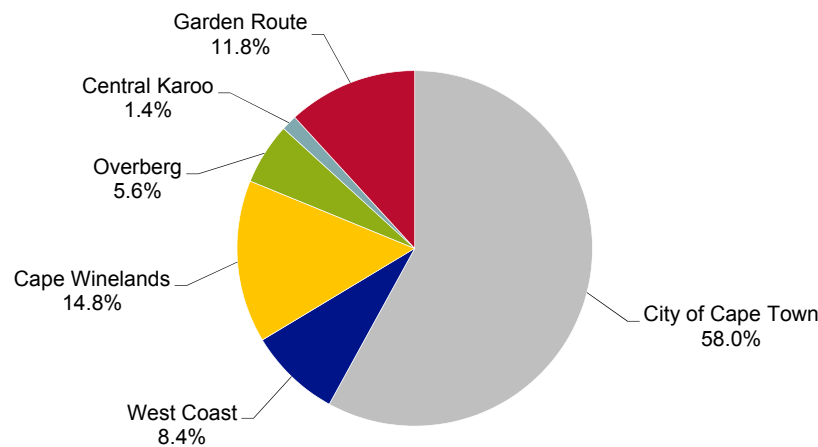
The improvement in access to testing and treatment of HIV amongst pregnant women has resulted in low mother-to-child transmission rates in the Province. In 2018/19, among infants of mothers known to be living with HIV who were tested for HIV at 10 weeks of age, 0.3 per cent were positive - marginally higher than the 0.2 per cent recorded in 2017/18.

5.6 Housing and municipal services

Population growth, migration and the pace of urbanisation are key contributing factors to the increasing demand for housing and municipal services nationally and provincially. The estimated number of households in South Africa was 16.671 million in 2018 according to the Stats SA General Household Survey, this is an increase of just over 592 000 compared to 2017. The Western Cape had the third largest number of households at 1.877 million which represents 11.3 per cent of the total number of households in South Africa in 2018.

5.6.1 Housing demand

Figure 5.12 Registered housing demand in the Western Cape, as at end June 2019



Source: Western Cape Department of Human Settlements, 2019

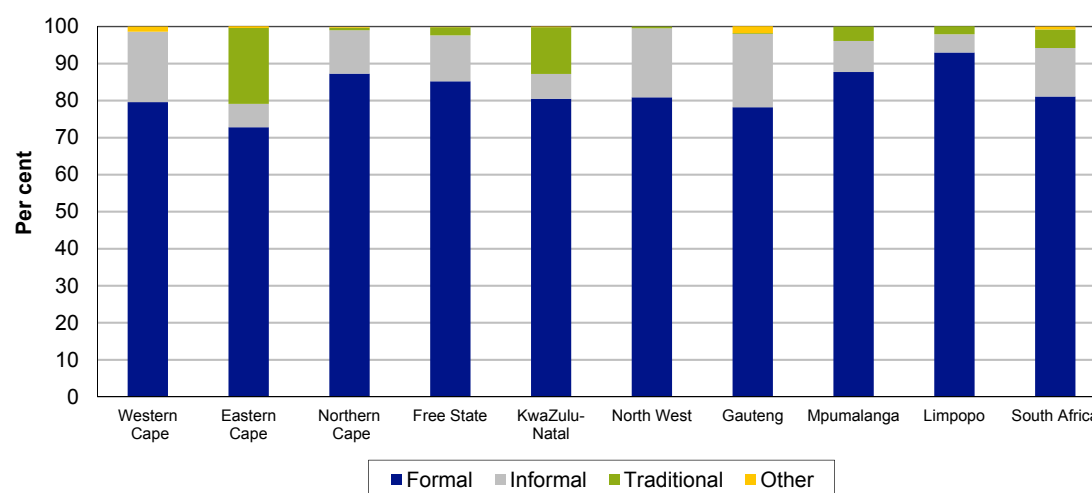
A total of 542 756 households in the Western Cape registered their demand for housing by the end of June 2019¹¹ (see Figure 5.12). The biggest share of registered housing demand is based within the City of Cape Town at 314 698 (58 per cent), followed by the Cape Winelands at 80 348 (15 per cent), the Garden Route at 64 036 (12 per cent), the West Coast at 45 593 (8 per cent), and the Overberg at 30 416 (6 per cent). The district with the lowest housing demand is the Central Karoo at 7 665 (1 per cent). It is evident that the distribution of housing demand per district mirrors the population size per district. It should be noted that the real need for housing can be much higher if one were to include those households who have not registered.

¹¹ Registered demand refers to those households who have provided their details to their municipality.

5.6.2 Dwelling types

The characteristics of the dwellings in which households live and their access to various services and facilities provide an important indication of the socio-economic conditions of household members. In South Africa, more than eight out of ten (81.1 per cent) households lived in formal dwellings in 2018, followed by 13.1 per cent of those that lived in informal dwellings, and 5.0 per cent in traditional dwellings (see Figure 5.13). In the Western Cape, 79.6 per cent of households lived in formal dwellings, 19.0 per cent lived in informal dwellings and 0.0 per cent in traditional dwellings. In the Metropolitan area 79.1 per cent of households lived in formal dwellings in the City of Cape Town, followed by 19.4 per cent in informal dwellings. The distribution of the type of dwellings in the City of Cape Town mirrors that of the Province.

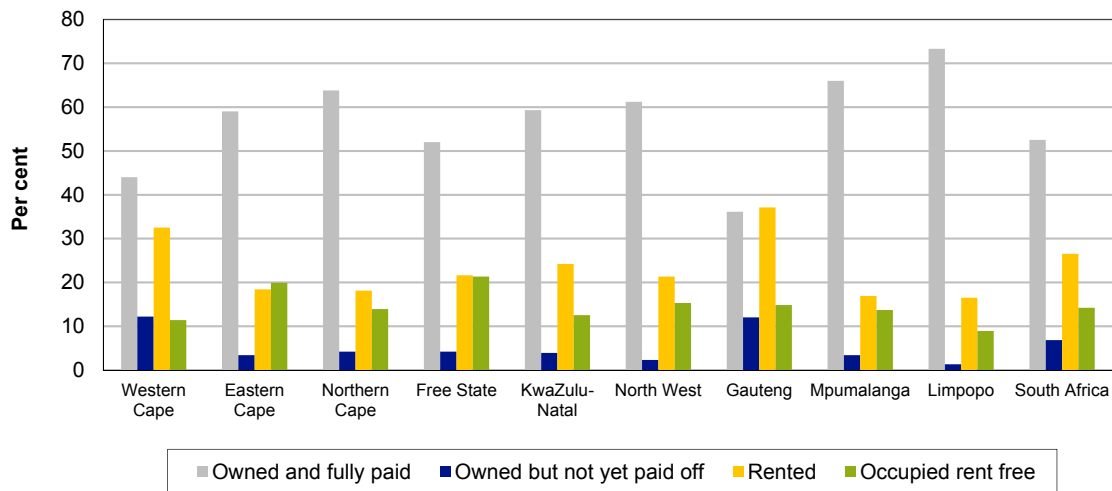
Figure 5.13 Percentage of households that lived in formal, informal and traditional dwellings in South Africa by province, 2018



Source: Stats SA, 2019b

5.6.3 Ownership patterns

At 56.2 per cent, home ownership in the Western Cape was one of the lowest in the country in 2018. Only 44.0 per cent of household's report having fully paid homes, while 12.2 per cent still in the process of paying of the home. Relatively high property prices are a key contributor to the relatively low ownership rates in the Province. As a result, the proportion of homes rented is relatively high in the Province (32.5 per cent), and second only to Gauteng (37.1 per cent). The socio-economic significance of homeownership goes beyond the financial security offered by owning an asset, it also provides a sense of physical safety and social belonging.

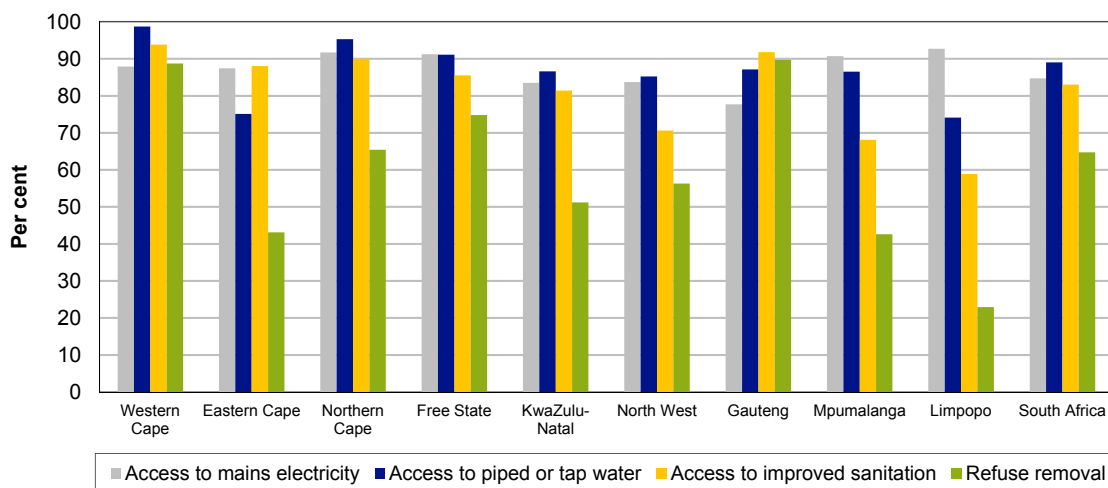
Figure 5.14 Percentage distribution of dwelling ownership status for households living in formal dwellings in South Africa per province, 2018

Source: Stats SA, 2019b

5.7 Access to municipal services

Broad access to basic municipal services is an indicator of socio-economic development. Within the South African context, progressive improvement in access speaks to reducing the legacy of apartheid by providing some redress to those who were denied services based on race, and allows for dignity of the proportion of society who continue to be marginalised due to poverty.

On average, the percentage of South African households connected to the mains electricity supply has increased from 76.7 per cent in 2002 to 84.7 per cent in 2018 (Figure 5.15). Western Cape households connected to the mains electrical supply has decreased from 88.5 per cent in 2002 to 84.4 per cent in 2017, before improving to 87.9 per cent in 2018. The decline between 2002 and 2017 in the province may be indicative of the increasing number households due to population growth.

Figure 5.15 Access to basic services by province, 2018

Source: Stats SA, 2019b

Access to clean running water, adequate sanitation and refuse removal are necessary for improved hygiene, disease prevention and improved health outcomes. In 2018, 89.0 per cent of households in South Africa had access to tap water inside dwellings, off site or onsite. Households in the Western Cape enjoyed the highest rate of access nationally, with access remaining stable at 98.7 per cent since 2016. Further, the Province had the lowest percentage of households that reported interruptions with water services (1.4 per cent) and reported the highest satisfaction with water delivery services (87.3 per cent).

Sanitation services are defined as access to flush toilets connected to a public sewerage system or a septic tank, or a pit toilet with a ventilation pipe. Nationally, the percentage of households with access to improved sanitation increased from 61.7 per cent in 2002 to 83.0 per cent in 2018. In the Western Cape, access improved from 92.2 per cent in 2002 to 93.8 per cent in 2018 - the highest proportion of household access across provinces.

The percentage of households in South Africa who have their refuse was removed at least once per week by the local authorities increased from 56.1 per cent in 2002 to 64.7 per cent in 2018, albeit a decline from the level recorded in 2017 (65.9 per cent). The highest percentage of households whose refuse was removed at least once per week was observed in Gauteng (89.7 per cent), followed by the Western Cape (88.7 per cent). The proportion of households in the City of Cape Town whose refuse was removed at least once a week improved from 89.7 per cent in 2017 to 90.4 per cent in 2018.

5.8 Substance abuse and crime

The abuse of substances inflicts substantial harm to the state of public health, social cohesion and safety on communities. This jeopardises and impedes development in many communities. The prevalence of crime also has the same erosive effect on not only economic growth through deterred investment but also on the physical safety of individuals and property.

5.8.1 Substance abuse¹²

During the first 6 months of 2018, 3 182 patients were admitted for substance abuse at 35 state-owned or subsidised specialist treatment centres in the Province. Most of these patients were male (72 per cent), first time admissions (81 per cent), referred by their family, friends or by their own volition (43 per cent), and received treatment on an outpatient basis (69 per cent). Notably, 25.6 per cent of admissions were under the age of 20 years, with the youngest admissions being 9 years of age.

On average, methamphetamine or 'Tik' remains the primary substance of abuse amongst patients (27 per cent) followed by cannabis (26 per cent) and alcohol (24 per cent). The use of cannabis remains the primary substance of abuse by those under 20 years of age. Amongst females, the primary substance of abuse was over

¹² All information contained in this section is sourced from Dada, et al. (2019).

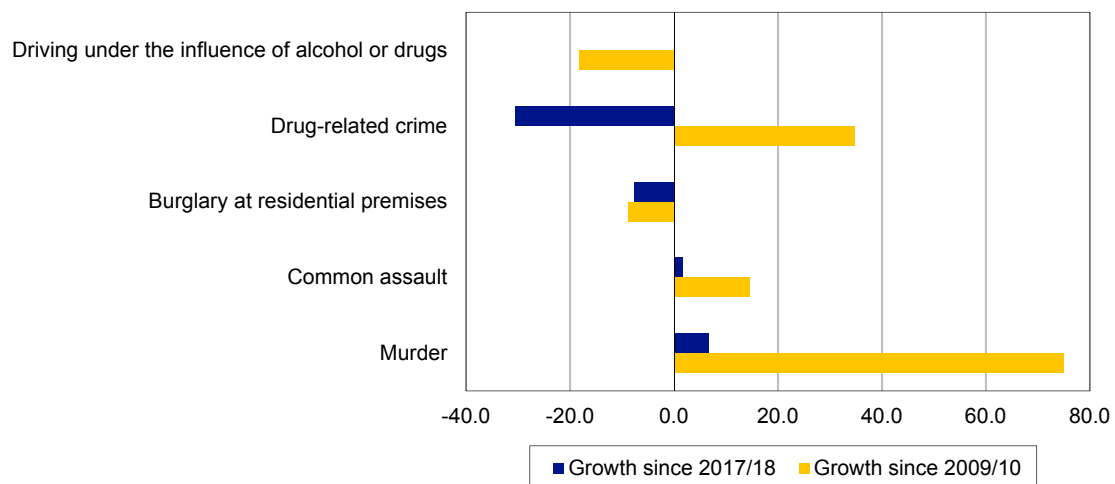
the counter/prescription medication. Polysubstance abuse remains highest in the Western Cape, with 54 per cent of patients indicating use of more than one substance.

5.8.2 Crime

The most recent crime statistics for selected crime categories shows that overall, reported crime has reduced by 6.6 per cent in the Western Cape since 2017/18. Disturbingly however, is the increase in Murder by 6.6 per cent to reported cases 3 974 in 2018/19, compared to the previous year. Murder increased by 75 per cent since 2009/10, the largest increase of the five crime categories included in Figure 5.16. The Gugulethu, Nyanga, Khayelitsha, Manenberg and Paarl-East police stations cumulatively accounted for 19 per cent of all murders in the Western Cape in 2018/19.

The share of murders to the Province for these five areas have declined from 25 per cent in 2011/12. The average murders reported the past five years (3 485 cases) exceeds the average number of murders reported the past ten years (2 978 cases) indicating a general long-term increase in the crime category.

Figure 5.16 Growth in reported crime categories in the Western Cape, 2009/10 - 2018/19



Source: South African Police Service, 2019, Provincial Treasury calculations

Drug-related crime declined substantially by 30.6 per cent from the previous year to 81 344 cases reported in 2018/19. The number of drug-related cases reported is more than any other crime category, reflecting on the extent of the crime category's impact on police and justice resources. This crime category reached a peak in 2017/18 with 117 157 cases reported, the highest number of cases reported the past ten years.

Burglary at residential premises is another crime category which recorded negative growth from the previous year (-7.6 per cent). Since 2009/10, Driving under the influence of alcohol or drugs recorded the largest decline of the crime categories included in the figure above. The crime category recorded a zero growth over the past year.

5.9 Conclusion

Given the prolonged period of low economic growth and the moderate outlook over the medium term it is important to assess how human development indicators of the Western Cape have fared in recent times. Data presented in this chapter reveals some improvements as well as areas of concern.

Over the last 6 years, income inequality has worsened. However the HDI has improved. This is an indication that government social support and interventions may have been effective in supporting the human capabilities of the Province's population, particularly the poor. Education outcomes have on average improved over time, however it is worth noting that more recently there have been a decline in the NSC pass rate as well as certain systemic test results.

Life expectancy for both males and females has continuously improved over the years. The leading causes of premature death in 2016 were HIV/AIDS for females and interpersonal violence for males. Substance abuse poses a risk to the human development outcomes of the Province particularly in the youth as more than a quarter of admissions at substance abuse treatment centres were under the age of 20 years. The prevalence of murder is cause for great concern, as it has risen exponentially in recent years. The combination of population growth, slow economic expansion and high unemployment is likely to result in an increasing demand for government services as an increasing proportion of the population is unable to privately source them.

Annexure E

Annexure E1 Top 10 causes of Death and Years of Life Lost, 2015 and 2016

Causes of death	% of YLL		Causes of death	% of Deaths	
	2015	2016		2015	2016
Ischaemic heart disease	5.7	11.3	Interpersonal violence	7.0	8.2
Diabetes mellitus	5.9	10.9	HIV/AIDS	8.5	8.0
HIV/AIDS	11.7	7.6	Tuberculosis	6.6	8.0
Interpersonal violence	10.5	6.2	Diabetes mellitus	7.5	7.5
Cerebrovascular disease	4.7	5.7	Ischaemic heart disease	8.3	6.4
Tuberculosis	8.0	4.6	Cerebrovascular disease	6.6	6.2
Trachea/bronchi/lung cancer	4.1	4.5	Road injuries	2.9	5.0
Chronic obstructive pulmonary disease	3.8	4.1	Trachea/bronchi/lung cancer	4.9	4.8
Road injuries	4.0	3.8	Chronic obstructive pulmonary disease	4.8	3.2
Lower respiratory infections	2.9	2.5	Lower respiratory infections	3.0	2.6

Annexure E2 Top 10 causes of Death by Gender, 2015 and 2016

Causes of death	% of Deaths - Males		Causes of death	% of Deaths - Females	
	2015	2016		2015	2016
Interpersonal violence	11.4	12.3	Diabetes mellitus	10.0	10.7
Ischaemic heart disease	8.0	8.0	HIV/AIDS	9.6	9.1
Tuberculosis	7.8	7.3	Ischaemic heart disease	8.7	8.6
HIV/AIDS	7.7	7.1	Cerebrovascular disease	8.4	8.0
Diabetes mellitus	5.5	5.9	Tuberculosis	5.1	5.0
Trachea/bronchi/lung cancer	5.7	5.7	Chronic obstructive pulmonary disease	4.2	4.1
Chronic obstructive pulmonary disease	5.3	5.3	Breast cancer	3.8	4.1
Cerebrovascular disease	5.1	5.2	Trachea/bronchi/lung cancer	4.0	4.0
Road injuries	4.0	4.4	Lower respiratory infections	3.4	3.0
Prostate	*	2.3	Hypertensive heart disease	*	2.8

* Data not available at time of print

Appendix

Western Cape statistics

Indicator	GDP at market prices - Total R million	GDP - Agriculture R million	GDP - Mining R million
2012	397 707	15 159	920
2013	407 932	15 659	946
2014	417 068	16 829	1 011
2015	423 022	16 531	1 010
2016	427 116	15 390	1 010
2017	432 438	17 059	1 027
Annual average growth	1.7	2.6	2.3

Indicator	GDP - Manufacturing R million	GDP - Electricity R million	GDP - Construction R million
2012	58 072	7 588	15 179
2013	58 516	7 529	15 934
2014	58 518	7 456	16 507
2015	58 391	7 321	16 909
2016	58 876	7 149	17 174
2017	58 815	7 202	17 071
Annual average growth	0.3	-1.0	2.4

Indicator	GDP - Wholesale and retail trade R million	GDP - Transport, storage and communication R million	GDP - Finance, real estate and business services R million
2012	58 283	37 045	106 547
2013	59 760	37 969	109 652
2014	60 835	39 265	112 485
2015	62 245	39 607	115 752
2016	63 529	40 124	117 985
2017	63 158	40 603	120 749
Annual average growth	1.6	1.9	2.5

Indicator	GDP - Community and social services R million	GDP - General government R million
2012	25 145	38 340
2013	25 564	40 054
2014	25 828	41 450
2015	26 288	41 685
2016	26 669	41 866
2017	25 145	41 906
Annual average growth	1.7	1.8

Indicator	Building plans passed: All buildings	Building plans passed: Residential	Building plans passed: Non-residential	Building plans passed: Additions and alterations
	R'000	R'000	R'000	R'000
2012	16 281 016	6 777 787	3 691 964	5 811 265
2013	18 593 652	8 021 430	3 883 346	6 688 876
2014	23 708 177	9 746 898	7 219 887	6 741 392
2015	25 371 628	12 603 919	5 363 906	7 403 803
2016	29 914 282	15 456 964	6 290 727	8 166 591
2017	31 397 547	16 317 005	6 024 932	9 055 610
2018	32 921 978	18 146 711	6 208 142	8 567 125
Annual average growth	12.7	18.1	13.6	6.9

Indicator	Buildings completed: All buildings	Buildings completed: Residential	Buildings completed: Non-residential	Buildings completed: Additions and alterations
	R'000	R'000	R'000	R'000
2012	11 011 674	5 061 196	2 470 693	3 479 785
2013	15 694 913	6 842 355	3 475 479	5 377 079
2014	11 507 035	5 850 311	2 571 872	3 084 852
2015	16 031 647	8 368 631	4 166 530	3 496 486
2016	17 812 988	9 478 713	4 031 032	4 303 243
2017	22 290 547	11 553 753	5 588 281	5 148 513
2018	21 199 550	12 084 905	4 382 445	4 732 200
Annual average growth	14.4	17.2	15.1	10.0

Indicator	Electricity consumption (Gigawatt-hours)	Air traffic (Arrivals)	Air traffic (Departures)
2012	23 675	4 511 830	4 549 110
2013	23 202	4 441 541	4 467 745
2014	23 259	4 600 345	4 633 586
2015	22 861	5 032 514	5 073 048
2016	22 517	5 395 986	5 432 904
2017	22 675	5 706 050	5 772 499
2018	22 302	5 779 830	5 790 922
Annual average growth	-1.0	4.3	4.2

Indicator	Crop estimates (Wheat - Tons)	Vehicle sales (units)
2012	897 600	51 361
2013	928 000	52 051
2014	899 000	49 579
2015	697 500	48 685
2016	1 098 200	41 493
2017	586 800	40 479
2018	890 500	38 906
Annual average growth	6.7	-4.4

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Glossary

Agri-processing	Refers to the subset of manufacturing that processes raw materials and intermediate products derived from the agricultural sector. Agri-processing industry thus means transforming products originating from agriculture, forestry and fisheries.
Balance of Payments	The Balance of Payments shows a country's transactions with the rest of the world. It notes inflows and outflows of money and categorises them into different sections.
Bond yields	The amount of return an investor will realise on a bond. Though several types of bond yields can be calculated, nominal yield is the most common. This is calculated by dividing amount of interest paid by the face value. Current yield is calculated by dividing the amount of interest it pays by current market price of the bond.
Business Process Outsourcing	A subset of outsourcing that involves the contracting of the operations and responsibilities of a specific business process to a third-party service provider.
Business Confidence Index	A survey completed by senior executives in the trade, manufacturing and building sector during the last month of every quarter.
Consumer Price Index (CPI)	The main measure of inflation, charting the price movements of a basket of consumer goods and services.
Comparative trade advantages	The relevant sector's export share of total provincial (regional) exports is expressed as a ratio of the same sector's share of South African exports to calculate a revealed comparative trade advantage ratio.
Current Account (of the balance of payments)	The difference between the total exports and total imports, also taking into account service payments and receipts, interest, dividends and transfers. The current account can be in deficit or surplus.

Currency Trade Weighted Index	A measurement of the foreign exchange value of a local currency compared against certain foreign currencies. Trade-weighted currency gives importance - or weight - to currencies most widely used in international trade, over comparing the value of the local currencies to all foreign currencies. Since the currencies are weighted differently, changes in each currency will have a unique effect on the trade-weighted local currency and corresponding indexes.
Dependency ratio	The size of the dependent population (children and the elderly) relative to the size of the working-age population.
Discouraged work seeker	A person who was not employed during the reference week, who wanted to work and was available to work or start a business, but who did not take active steps to find employment or start their own businesses, on condition that the main reason for not seeking work was either a lack of available jobs in the area, an inability to find work requiring his/her skills, or the loss of hope of finding any kind of work. Discouraged workseekers are also referred to as the non-searching unemployed.
Employed	All working-age individuals who did any work for at least one hour during the reference week. Individuals who had a job or a business but were temporarily absent during the reference week are also considered employed.
Employment-to-population ratio	The size of the employed population relative to the size of the working-age population.
Expanded unemployment	Comprises all working-age individuals who were not employed during the reference week, but were willing and able to work. The expanded unemployed include all individuals unemployed according to the narrow definition of unemployment as well as all discouraged workseekers (i.e. the searching and the non-searching unemployed).
Fixed investment	Fixed investment is investment in physical assets such as machinery, land, buildings, installations, vehicles, or technology.
Food Poverty line	The food poverty line is the rand value below which a person is unable to purchase enough food to meet minimum daily energy requirements.

Formal sector	The formal sector covers all employment not included in the informal sector, but excludes domestic workers.
Gini coefficient	The Gini coefficient is a measure of statistical dispersion to represent income distribution. The coefficient varies between 0, representing complete equality, and 1, representing complete inequality.
Gross domestic product (GDP)	A measure of the total national output, income and expenditure in the economy. GDP per head is the simplest overall measure of welfare, although it does not take account of the distribution of income, nor of goods and services produced outside the market economy.
Halal	It refers to actions that are permitted to Muslims in terms of Islamic laws. It is often used to describe foods consumed by Muslims.
Halal-relevant	Refers to products where there is some degree of concern over whether they can be consumed by Muslims.
Human Development Index (HDI)	The HDI attempts to quantify the extent of human development of a community and is based on measures of life expectancy, literacy and income. It is seen as a measure of people's ability to live a long and healthy life, to communicate, to participate in community life and to have sufficient resources to obtain a decent living. The HDI can assume a maximum level of 1, indicating a high level of human development, and a minimum value of 0.
Industrial Policy Action Plan (IPAP)	The Industrial Policy Action Plan (IPAP) 2016/17 is informed by the vision set out for South Africa's development provided by the National Development Plan (NDP). The IPAP is a key pillar of the Nine Point Plan. IPAP is aligned with the Medium Term Strategic Framework (MTSF) and the Medium Term Expenditure Framework, (MTEF). Its policy foundation is provided by the National Industrial Policy Framework (NIPF) adopted in 2007. Government policy identifies industrial development as one of the key pillars required to catalyse inclusive growth with an emphasis, on value-addition, labour intensive sectors.
Industrial Development Zone (IDZ)	Designated sites linked to an integrated international air or sea port, supported by incentives to encourage investment in export-oriented manufacturing and job creation.

Infant mortality	The probability of a child born in a specific year dying before reaching the age of one, expressed per 1 000 live births.
Inflation	An increase in the general level of prices.
Informal sector	The informal sector is comprised of (i) employees working in establishments that employ fewer than five employees and who do not deduct income tax from their wages; and (ii) employers, own account workers and individuals who help unpaid in household businesses that are not registered for either income tax or value-added tax.
Intermediate inputs or intermediate consumption	Refer to all goods and services bought by the producer to combine with the 'primary inputs' to produce the final output.
Labour - skills mix	The term 'skill mix' can refer to the mix of posts in the establishment; the mix of employees in a post; the combination of skills available at a specific time; or the combinations of activities that comprise each role, (rather than the combination of different job titles). Mix can be examined within occupational groups, or across different groups.
Labour force	All individuals within the working-age population who are employed or unemployed (i.e. the labour force consists of all who are willing and able to work).
Labour force participation rate	The proportion of the working-age population who are members of the labour force (i.e. who are either employed or unemployed).
Labour market	A labour market is the place where workers and employees interact with each other. In the labour market, employers compete to hire the best, and the workers compete for the best satisfying job.
Labour productivity	A ratio measured by the output per worker ratio (total output/total formal employment).
Lower bound poverty line	The lower bound poverty line is a rand amount with which an individual is unable to purchase both adequate food (to cross the food poverty line) and non-food items, forcing them to trade-off food for non-food items.
Medium Term Strategic Framework	Defines the strategic objectives and targets of National Government over a five-year period, coinciding with the electoral term.

Narrow labour force	All employed individuals plus all individuals who are not employed, but are either actively seeking employment or are planning on returning to existing jobs or enterprises soon.
Narrow unemployment rate	Refers to people who are unemployed and actively seeking work.
National Development Plan (NDP)	A long term vision and plan for South Africa. It serves as a blueprint for the work that is still required in order to achieve the desired results in terms of socio-economic development and the growth of this country by 2030.
Net Migration	Net migration is the difference between the two flows. The level of gross migration is always greater than the level of net migration (it can never be less) because of the tendency for counter streams of returning migrants to develop.
Non-searching unemployed	All employed individuals plus all individuals who are not employed, but are either actively seeking employment or are planning on returning to existing jobs or enterprises soon.
Offshore Business Process Outsourcing	It can broadly be viewed as a process whereby businesses subcontract a number of non-core business related operations (mainly provision of services) to a third party. Offshore implies it is placed in another country. These business operations must be something that a firm could do internally or used to do internally, and then choose to outsource based on varying reasons, which may include cost reduction.
Operation Phakisa	Operation Phakisa extends beyond the oil and gas industry, and includes three other areas: marine transport and manufacturing, aquaculture, marine protection services and ocean governance. Operation Phakisa even aims to benefit the coastal tourism sector.
Primary inputs	Constitute the factors of production (like land, labour, capital and entrepreneurship), the remuneration of which is reflected in the value added, and are internal rather than upstream activity. In explicit terms, primary inputs plus intermediate inputs equal the final output.
Project Khulisa	The project's purpose is to accurately identify the parts of the Western Cape economy with the greatest potential for accelerated, sustained growth and job-creation - and then double down on driving the specific actions that government and business can take to unlock that potential.

Quantitative Easing	Monetary policy in which a central bank purchases government securities or other securities from the market in order to lower interest rates and increase the money supply.
Provincial Strategic Plan (PSP)	The WCGs five-year strategic plan, coinciding with the 5-year electoral term, that gives effect to the National Development Plan and Provincial Strategic Goals.
Real Disposable Income	The amount of money that households have available for spending and saving after income taxes and inflation have been accounted for.
Real GDP	A macroeconomic measure of the value of economic output adjusted for price changes (i.e. inflation or deflation).
Regional Gross Domestic Product (GDPR)	GDPR at market prices equals the sum of gross value added by all industries at basic prices plus taxes on products minus subsidies on products in a region.
Semi-skilled labour	A segment of the workforce who generally performs work of a routine nature of limited scope, wherein the emphasis is not so much on judgment and skill capability - but more so the proper discharge of duties assigned.
Skilled labour	A segment of the workforce who has special skill, training, knowledge, and (usually acquired) ability in their work. A skilled employee is capable of working efficiently of exercising considerable independent judgment and of discharging his/her duties with responsibility. A thorough and comprehensive knowledge of the trade, craft or industry is required.
Southern African Customs Union	A customs union among five countries of Southern Africa: Botswana, Lesotho, Namibia, South Africa and Swaziland. Its headquarters are in the Namibian capital Windhoek, it was established in the year of 1910.
South African Development Community (SADC)	An inter-governmental organisation headquartered in Gaborone, Botswana. Its goal is to further socio-economic cooperation and integration as well as political and security cooperation among 15 southern African states.

Thembisa model	Developed at the University of Cape Town, Thembisa is a mathematical model of the South African HIV epidemic. The model is designed to answer policy questions relating to HIV prevention and treatment. It is also a demographic projection model and a source of demographic statistics.
Total fertility rate	The number of children that would be born to a woman if she were to live to the end of her childbearing years and bear children in accordance with current age-specific fertility rates.
Trade, Development and Cooperation Agreement (TDCA)	A treaty concluded between the European Community and South Africa. The treaty consists of three areas of agreement. First of all, it includes a free trade agreement between the EU and South Africa. Secondly, it includes development aid. Thirdly, it includes several areas of cooperation, such as economic and social cooperation. The TDCA was signed in 1999 and came into force in 2004.
Under 5-years mortality rate	The probability of a child born in a specific year dying before reaching the age of five, expressed per 1 000 live births.
Unemployed	Comprises all working-age individuals who were not employed during the survey reference week, but were available to work during that time and actively sought employment or had taken steps to start their own business during the four weeks prior to the interview (or had not actively sought employment in the four weeks prior to the interview but had a job or business to start at a definite date in the future and were available). This is the official (narrow) definition of unemployment.
Unemployment rate	The proportion of the labour force that is unemployed.
Upper bound poverty line	The lower bound poverty line is a rand amount with which an individual has enough resources to purchase adequate food and basic non-food items, but not enough to lift them out of poverty.

Value chain	Value chains reflect links as bundles of activities aimed at designing, producing, marketing, delivering or supporting the final product or service. Value chains are supported by secondary activities throughout the process, such as procurement, human resource management, and infrastructure and technological development.
Working-age population	All individuals aged between 15 and 65 years, irrespective of whether or not they are economically active.
Years of Life Lost	Years of life lost is an estimate of the average years a person would have lived had he or she not died before the estimated life expectancy. Years of life are lost taking into account the age at which deaths occur by giving greater weight to deaths at older age. It is therefore a measure of premature mortality.

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