

**Western Cape Government
Provincial Treasury**

**2021 PROVINCIAL ECONOMIC REVIEW AND OUTLOOK
Speech**

“Time to reopen and recover in the Western Cape”

Minister of Finance and Economic Opportunities

Mr D Maynier

30 September 2021

Provincial Treasury
Business Information and Data Management
Private Bag X9165
15 Wale Street
Cape Town
tel: +27 21 483 5618

Email: pt.communication@westerncape.gov.za

www.westerncape.gov.za

**Speech by David Maynier,
Minister of Finance and Economic Opportunities,
Tabling of the Provincial Economic Review and Outlook (PERO)**

**Western Cape Provincial Legislature,
Cape Town,
30 September 2021**

“Time to reopen and recover in the Western Cape”

Honourable Speaker;

Honourable Premier and Cabinet Colleagues;

Honourable Leader of the Opposition; and

Honourable Members of the Western Cape Provincial Parliament.

1. Introduction

It gives me great pleasure to introduce the 2021 Provincial Economic Review & Outlook today in this Parliament.

The Provincial Economic Review & Outlook is produced annually by Provincial Treasury and is the only document of its kind produced by any provincial government in South Africa.

In the 2021 Provincial Economic Review & Outlook:

- You will find a review and analysis of the impact of global and national developments on the economy in the Western Cape;
- You will also find a review and analysis of economic growth trends, sectoral developments, labour market dynamics and socio-economic developments in the Western Cape; and
- You will, most importantly, find information about opportunities for growth and investment as we look towards reopening and recovering our economy in the Western Cape.

All of which makes the Provincial Economic Review & Outlook a valuable source of economic intelligence which will guide the policy, planning and budgeting processes to ensure service delivery for all the people in the Western Cape.

2. Economic Outlook

We have been hard-hit by the Covid-19 pandemic, which has had a significant impact on both lives and livelihoods in the Western Cape.

Too many people have lost their businesses, too many people have lost their jobs and too many people are struggling to make ends meet in the Western Cape.

The lockdown restrictions, especially those restricting travel and alcohol sales have had a devastating impact on the tourism and hospitality sector, which has been the lifeblood of the economy in the Western Cape.

To compound the problem, we have been hit by other significant shocks, such as load shedding, taxi violence and a cyber-attack that collapsed operations at the Port of Cape Town.

But we are a resilient region, proven by our internationally recognised management of the drought, and our management of three waves of the Covid-19 pandemic, and although economic recovery will not be easy, we will reopen and recover in the Western Cape.

On the economic outlook:

We expect:

- The global economy to recover and grow by 6 per cent in 2021 and 4.9 per cent in 2022;

We expect:

- The national economy to recover and grow by 3.6 per cent in 2021 and by 3.4 per cent in 2022;

And, we expect:

- The provincial economy to recover and grow by 3 per cent in 2021 and by 4.1 per cent in 2022.

What will give hope to people who have lost their businesses, people who have lost their jobs and people who are struggling to make ends meet is:

- That we expect, an average annual economic growth rate of 2.9 per cent between 2021 and 2025 in the Western Cape; and
- There are significant opportunities for growth and investment which will drive economic recovery in the Western Cape.

We have:

- Our agriculture sector which has spurred export growth, contributing 8 per cent to the total economic activity and providing 10.4 per cent of all employment opportunities in 2020 in the Western Cape.

We have:

- Our Business Process Outsourcing sector which employs well over 60 000 people in the Western Cape and was one of the few sectors to create jobs during the Covid-19 pandemic, with 5 644 jobs created in 2020.

We have:

- Our green economy sector which has seen the removal of significant legislative barriers in the last year to allow municipalities to generate, procure and sell their own power so that we can become more energy secure in the Western Cape.

And, we have:

- Our health technology sector which has seen R1.36 billion invested into five projects creating 786 jobs between 2003 and 2021 in the Western Cape.

Two health-tech companies, Biovac and Afrigen, who are both based in the Western Cape, have great stories to tell as they are both making strides in vaccine development for Africa and the world.

Biovac have signed a letter of intent to manufacture the Pfizer-BioNTech COVID-19 vaccine for distribution in Africa.

Biovac will perform manufacturing and distribution activities within Pfizer and BioNTech's global COVID-19 vaccine supply chain.

To facilitate the process, there will be significant technological transfer, on-site development and equipment installation at Biovac in the Western Cape.

And Afrigen have been chosen to host the World Health Organisation's first COVID-19 messenger RNA (mRNA) vaccine technology transfer hub to scale up production and access to vaccines for current and future pandemics.

The hub will be established by a consortium comprising of Biovac, Afrigen, and a network of universities partnering with the World Health Organisation and the Africa Centres for Disease Control and Prevention.

Both these investments will position the Western Cape as a centre of excellence for biotech and medical research in Africa.

And they illustrate some of the innovation and adaptation during the Covid-19 pandemic that will create jobs and economic growth in the Western Cape.

3. Employment

On the labour market:

We have:

- A higher than average labour force participation rate of 63.1% in the Western Cape; and

We have

- The lowest 'expanded unemployment rate' at 29.1% in the Western Cape.

But, 159 266 people lost their jobs last year in the Western Cape.

Which means, in the end, there are still too many people, especially young people, who do not have jobs, or who have given up looking for jobs, in the Western Cape.

4. Social Development

On social development:

We have:

- a population of 7.1 million, or 11.8% of the total population, in South Africa.

We have:

- increasing income inequality but an improving Human Development Index.

We have:

- A Gini Coefficient of 0.625 in the Western Cape, compared to a Gini Coefficient of 0.626 in Gauteng and a Gini Coefficient of 0.634 in KwaZulu-Natal.

We also have:

- The highest Human Development Index of 0.769 in the Western Cape, compared to a Human Development Index of 0.752 in Gauteng and a Human Development Index of 0.671 in KwaZulu-Natal.

The Human Development Index is a composite indicator of population development, and measures including education levels, life expectancy and per capita income.

We have seen a steady increase in the Human Development Index, which is a result of effective healthcare and education to people in the Western Cape.

Generally:

On life expectancy:

We have:

- Seen an increase in the life expectancy for females, estimated to be 70.3 years, and increased life expectancy for males, estimate to be 64.9 years.

On education:

We have:

- One of the best learner retention rates in the country, with 67.8 per cent of learners retained in the school system from Grades 10 - 12 in 2020 in the Western Cape.

On service delivery:

We have:

- Seen an improvement in the provision of basic services, with households having the highest rate of access to tap water, and the least water interruptions in the Western Cape;

On safety:

- Crime has increased by 45.1 per cent over the last year following low crime levels recorded due to COVID-19 lockdown measures.

5. Recovery

In summary:

We expect the economy to grow by 3 per cent this year in the Western Cape.

Which means that, this year, the provincial economy will grow at a slower rate than the national economy in South Africa.

Which illustrates the impact of the Covid-19 pandemic and related lockdown restrictions on the tourism and hospitality sector, which accounts for 4.5 per cent of GDP, and 6.6 per cent of total employment in the Western Cape.

We have heard wonderful stories of innovation and resilience in the tourism and hospitality sector in the Western Cape.

But we have also heard heartbreaking stories of businesses that have closed, of jobs that have been lost, and of business owners who have sacrificed their life savings just to keep their businesses going and their staff employed.

Which is why we have to do everything we can to reignite the tourism and hospitality sector in the Western Cape.

And we have to do so with urgency.

- First, the United Kingdom must remove South Africa from the 'red list'.

[The decision to keep South Africa on the 'red list' seems manifestly unfair, unnecessarily strangling a key source market for tourism in the Western Cape.]

- Second, President Cyril Ramaphosa must immediately move South Africa to Alert Level 1.

[He must go further and, with the appropriate safety measures, give consideration to increasing the capacity of large conferencing venues, allowing spectators at major sporting events and reopening ports for the cruise season.]

- Third, we must remove the roadblocks to growth in the tourism sector.

[This includes:

Increased connectivity, with Minister of Transport, Fikile Mbalula's, urgent review and approval of the application for the Delta Air Lines triangular Atlanta - Johannesburg - Cape Town route; and Attracting digital nomads, with the Minister of Home Affairs, Aaron Motsoaledi, introducing a 'Remote Working Visa' to allow international visitors to stay longer and work remotely while travelling in South Africa]

- Fourth, we must vaccinate as many people as fast as possible so that we can avoid a possible fourth wave and ensure that we have a successful summer season in the Western Cape.

[39% of the province's adult population have received at least one vaccination which is more than any other province in South Africa.]

Finally, it is now time for national government to trust provinces, to end the National State of Disaster, and to allow provinces to manage the Covid-19 pandemic with a response that is proportional to the threat.

Our health systems are robust and our response has been institutionalised.

We need a new differentiated approach that avoids a blunt instrument that kills jobs.

Because every day that we delay costs businesses, costs jobs and costs livelihoods in the Western Cape.

6. Conclusion

The 2021 Provincial Economic Review and Outlook comes at an extraordinary time in our history in the Western Cape.

We have an opportunity to actually get things done in the Western Cape.

Our Western Cape Recovery Plan and its three pillars of "Jobs", "Safety" and "Wellbeing" puts us on a clear path to reopen and recover, which we can and which we must do.

Because, at the end of the day the fact is that there are still too many people who don't have jobs, too many people who are victims of crime, and too many who people who cannot meet their basic needs in the Western Cape.

7. Tabling

Speaker:

I hereby table the 2021 Provincial Economic Review & Outlook for consideration and deliberation in this parliament.

I can assure Honourable Members that the 2021 Provincial Economic Review & Outlook is a world-class research document that will assist them in their duties in this parliament.

And finally:

I would like to thank everybody who made contributions and who worked so hard to produce the 2021 Provincial Economic Review & Outlook.

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