

Provincial Economic Review & Outlook

2023



Western Cape
Government

FOR YOU

**Western Cape Government
Provincial Treasury**

**Provincial Economic Review and
Outlook
2023**

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Foreword

Facing global challenges head-on, the Western Cape remains a beacon of resilience and forward-thinking. With a strong focus on innovation and technology, it aims for robust and sustained growth. Tackling pressing issues like energy shortfalls and rising youth unemployment, the Province is committed to crafting strategic solutions, ensuring a sustainable and prosperous future for its residents.

The 2023 Provincial Economic Review and Outlook (PERO) delves extensively into the present conditions of global, national, and provincial economies while assessing the impact of government policies. The PERO, while not a policy statement on its own, serves as a data-driven, evidence-based report that illuminates recent economic and socio-economic trends, offering crucial insights to inform the future policy, planning, and budgeting of the Western Cape.

A heartfelt thank you to the diligent research team at the Provincial Treasury, our governmental counterparts, and our private research collaborators for producing yet another top-tier report.

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

Ms Mireille Wenger
Minister of Finance and Economic Opportunities
21 September 2023

Acknowledgements

Immense gratitude goes out to the tenacious authors and contributors of the 2023 PERO document. Their dedication, marked by countless long hours and unwavering commitment, has transformed mere words on paper into a masterful tapestry of insight. This document stands as a testament to their hard work, a symbol of their relentless pursuit of excellence. To each individual who poured their heart into this endeavor, your passion and determination shine brightly, and we acknowledge you with heartfelt appreciation.

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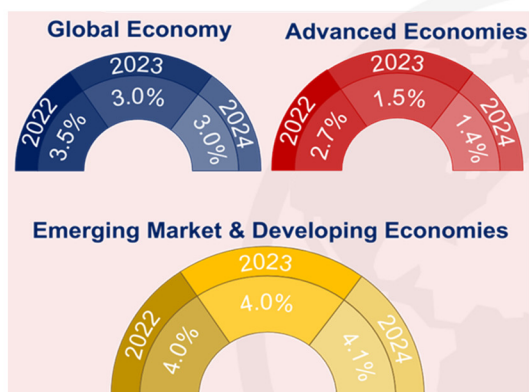
Data Disclaimer

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

1

GLOBAL AND NATIONAL ECONOMY

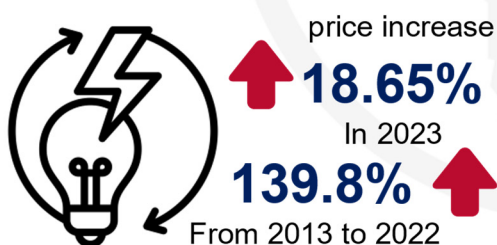
GLOBAL GROWTH FORECAST



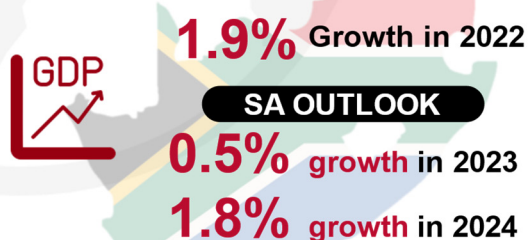
GLOBAL ECONOMIC PERFORMANCE

		Share of SA		Share of WC	
		2022 Exports %	2022 Tourism %	2022 Exports %	2022 Tourism %
United States		8.8	13.6	8.2	13.7
Netherlands		4.8	4.4	9.1	6.6
United Kingdom		5.1	14.8	6.8	18.1
Namibia		2.8	2.2	6.5	3.0
China		9.3	0.5	5.5	0.2
Germany		7.7	8.8	2.9	15.6

SA ELECTRICITY



SA GDP GROWTH



SA OUTLOOK

2

WESTERN CAPE ECONOMY

GDP

11.1%

Economic expansion over the past decade

Major contribution from Finance, Government & Agriculture sector

GREENFIELDS INVESTMENT

2013-2022

17 542

JOBS CREATED



GFI 25% higher in 2022 than the decade average

ECONOMIC CHALLENGES

Structural energy, logistics, and mobility constraints linked to the Eskom energy crisis



Port of Cape Town inefficiencies, and the deterioration of the transport system (including rail)

ECONOMIC OUTLOOK

2023

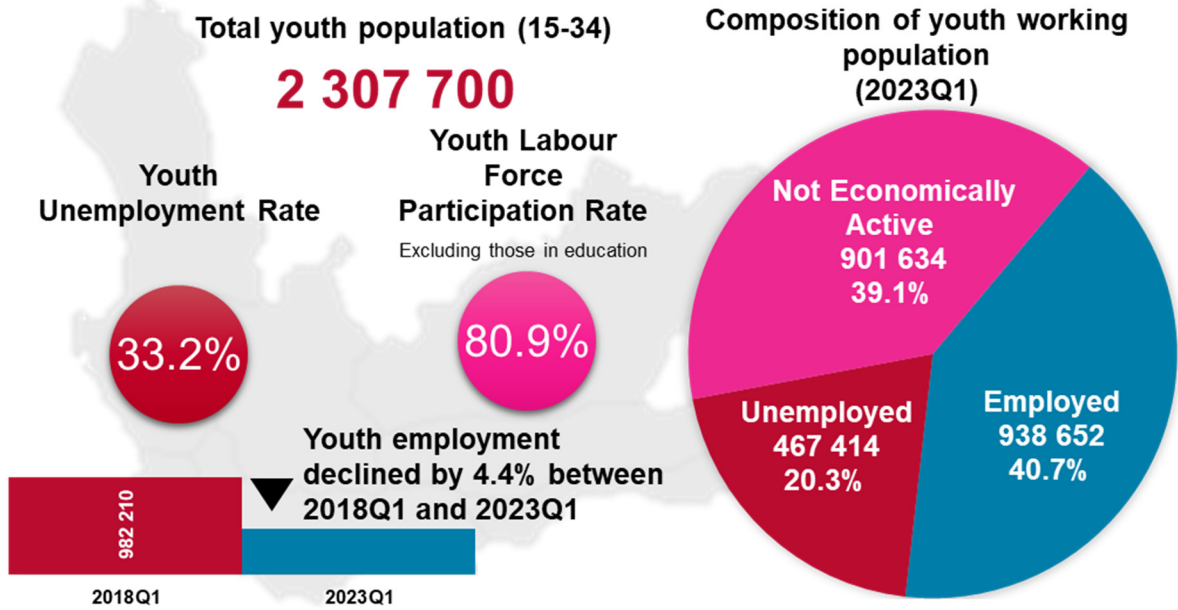
0.5%

2024

2.1%

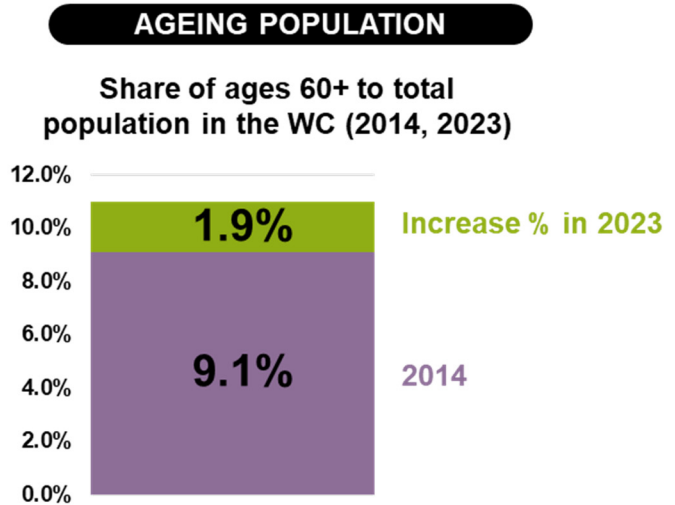
3

TACKLING YOUTH UNEMPLOYMENT (2023Q1)



4

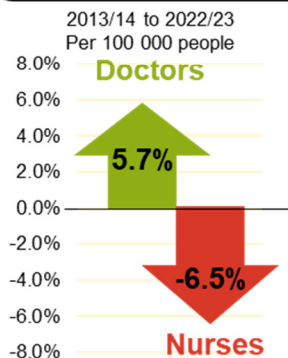
DEMOGRAPHIC PROFILE IN THE WESTERN CAPE



5

SOCIO-ECONOMIC PROFILE IN THE WESTERN CAPE

NUMBER OF DOCTORS AND NURSES



MENTAL HEALTH

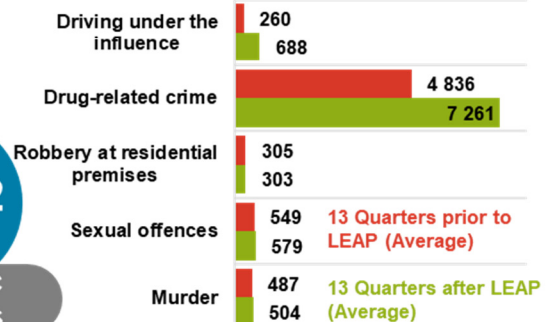
Suicides



Psychiatric admissions

CRIME

Average Number of Crimes in Western Cape Hotspot Areas, 3Q 2016/2017 – 3Q 2019/20 and 4Q 2019/20 – 4Q 2022/23



Executive Summary

Amidst a fluctuating global landscape, the Western Cape is steadfastly preparing for a rapid economic recovery and breakout growth. Despite worldwide economic challenges, the Province leverages its dynamic workforce, robust infrastructure, and a focus on innovation, technology, and strategic initiatives to turn challenges into opportunities.

Central to this is the Growth for Jobs Strategy (G4J), which recognises that job creation primarily stems from the private sector. Thus, the Western Cape Government (WCG) aims to both stimulate market growth and establish an environment where individuals and businesses can thrive.

The global economic arena faces slow growth, soaring inflation, and burgeoning debts, compounded by supply chain disruptions, geopolitical tensions, and environmental concerns. China's post-pandemic recovery is decelerating due to declining exports and muted domestic spending. Furthermore, its volatile real estate sector has the potential to trigger global financial disruptions. South Africa's economic recovery is also undermined by domestic challenges, including the long running energy crisis. However, South Africa is projected to experience a mild economic rebound by 2024 (1.8 per cent), anchored by sectors like Finance and Mining.

The Western Cape's decade-long economic growth has been moderate but consistent, driven by sectors like Finance and Agriculture. However, energy challenges, inefficiencies at the Port of Cape Town, and transport issues curtail further growth. Amidst these challenges, renewable energy presents a promising solution, but grid capacity remains a binding constraint.

Investment in the Province has decelerated, particularly in the Construction sector, yet by mid-2023, business sentiment shows a positive tilt. Although 2022 saw an increase in Greenfield investments, it is yet to return to its pre-pandemic levels. The Province's economic forecast for 2023 (0.5 per cent) is one of caution, but 2024 (2.1 per cent) looks promising with expected rebounds.

The Western Cape boasts a vibrant workforce, particularly its younger people, which offers vast economic prospects. However, youth employment growth lags behind total employment gains in the Province making their extent of youth unemployment a major economic and social concern. While higher education was once a strong predictor for job opportunities, its influence has waned over time. This intricate issue transcends formal education alone and demands a broader response in providing work readiness support, skills development, work experience and adequate mobility. Using geographic economic data can help craft targeted strategies, ensuring resources are directed for maximum impact in specific regions.

The Western Cape's population growth, trailing only Gauteng, is primarily fueled by in-migration, both of younger, often highly motivated work seekers and mid-career "semi-grators" and retirees. The Province's consistently stable governance platform and service delivery, particularly in water supply, acts as a major draw. With a notable increase in young workers and a growing elderly population, strategic planning to respond to the specific needs of each cohort becomes critical. For example, the rising elderly demographic highlights the importance of enhanced healthcare infrastructure and personnel. Education remains a cornerstone for employability for young people, stressing the importance of further investment and ensuring that learning losses from the pandemic are recovered.

In the healthcare arena, while there's an increase in doctors, the nurse-to-population ratio is worsening. Innovative healthcare strategies have been deployed, but areas like the Central Karoo still experience suboptimal health outcomes for in-patient mothers and infants. Mental health has also emerged as a concern, with an increase in psychiatric admissions and suicides.

Population growth and urbansation has led to the rapid growth of informal settlements, particularly in urban areas. This indicates the urgency of expanding access to housing markets and accelerating the production and re-development of serviced urban land. While there's a demand for housing, government funded construction has slowed due to budgetary and other challenges.

Targeted safety measures in Provincial crime hotspots have been effective. Comparing periods before and after the Law Enforcement Advancement Plan (LEAP) shows a decrease in murder, attempted murder, and serious assault incidents.

Policy Implications

The Western Cape faces mounting pressure from lackluster global and national economic growth. This stagnant landscape has driven sharp decreases in tax collections, resulting in potential cutbacks in the national budget allocations for the Western Cape. Compounded by increased in-migration and rising social demands, the WCG stands at a crossroads.

This economic stress is exacerbated by national challenges: a crippling electricity crisis, a defunct public railway system, and sluggish port operations. Without decisive action it is likely that the previous decade's tepid economic growth may persist.

Given these factors, the WCG must brace for tightened budgets and surging service delivery demands. Simply put, the WCG must innovate in order to “do more with less”, and to do so in practical partnerships with communities and businesses across the Province.

The WCG should sharpen its focus on efficiency to navigate these challenges. This means leveraging automation, innovation, and Artificial Intelligence (AI) technologies. An evidence-led, spatially targeted approach to public programme implementation can ensure that resources are used to greatest effect in areas and at times of greatest need. Leveraging the substantial budgets of larger departments, particularly Health and Wellness, Education, and Infrastructure, will yield the most significant impact on both socio-economic and economic well-being of the Province. Parallely, seeking alternative funding from private and international sectors, while reviving the Construction sector, is paramount.

Embracing AI and data integration offers a dual advantage: it streamlines operations and enriches frontline service quality for citizens. Moreover, faster and more accurate data collection accelerates decision-making, paving the way for timely policy amendments and superior service delivery across the Province.

While technology will be a transformative ally in the upcoming decade, the spatial intelligence approach is equally significant. By pinpointing specific zones for intervention, the WCG can amplify its impact, ensuring that focused efforts lead to broader benefits.

The 2023 PERO highlights key zones for such interventions. These include the Central Karoo, known for its health challenges, and the Cape Metro, grappling with employment hurdles and a surge in housing demand. Moreover, spatially targeted safety measures in crime hotspots have shown promising results and warrant continuation.

Beyond these spatial concerns, the WCG's policy agenda should also spotlight initiatives to bolster youth employment; address mental health decline; prepare for the healthcare needs of an aging populace; intensify safety provisions; and ensure the educational infrastructure keeps pace with population growth.

Amid economic challenges, the Western Cape holds hope for breakout economic growth. By embracing technology, targeting interventions, and mobilising key sectors, we're investing in our community's worth and potential. Together, we'll navigate challenges, turning them into valuable opportunities for growth and shared prosperity.

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Acronyms

AfCFTA	African Continental Free Trade Area
ART	Antiretroviral therapy
BCI	Business Confidence Index
COVID-19	Coronavirus Disease 2019
CPI	Consumer Price Index
DEDAT	Department of Economic Development and Tourism
EAP	Economically Active Population
EC	Eastern Cape
EU	European Union
FCS	Fixed Capital Stock
FDI	Foreign Direct Investment
FS	Free State
GDP	Gross Domestic Product
GFI	Greenfield investments
GFCF	Gross Fixed Capital Formation
GP	Gauteng Province
GWh	Gigawatt hours
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
IMF	International Monetary Fund
IMR	Infant Mortality Rate
KZN	KwaZulu-Natal
LE	Life expectancy
LFPR	Labour Force Participation Rate
LP	Limpopo Province
MP	Mpumalanga Province
NC	Northern Cape
NFCF	Net Fixed Capital Formation
NSC	National Senior Certificate
NW	North West
PERO	Provincial Economic Review and Outlook
QLFS	Quarterly Labour Force Survey
RMB/BER	Rand Merchant Bank/Bureau for Economic Research
SAPS	South African Police Service
SARB	South African Reserve Bank

SARS	South African Revenue Services
Stats SA	Statistics South Africa
TB	Tuberculosis
TFR	Total Fertility Rate
UK	United Kingdom
US	United States
WC	Western Cape
WCG	Western Cape Government
WHO	World Health Organization

1



The background of the slide features a blue sky with several flags waving. A large red flag is prominent at the top, and a blue flag is visible on the left. A white circular graphic element is positioned in the lower half of the slide, containing the text for the section header and introduction.

THE GLOBAL AND NATIONAL ECONOMY

ECONOMIC CONTEXT

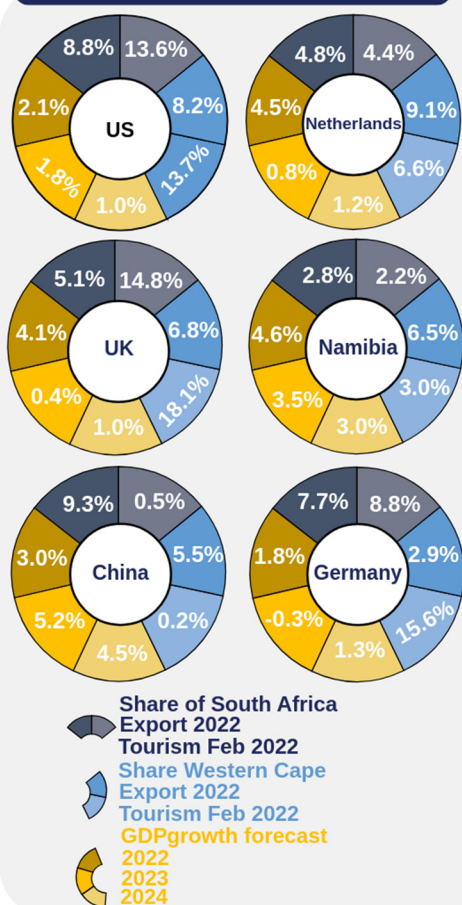
1.1 Introduction

This chapter delves into the global economic outlook, which is experiencing a slowdown due to factors like inflation, financial challenges, and geopolitical conflicts. These international trends adversely influence the South African economy, which already grapples with modest growth, high unemployment, and unsustainable fiscal pressures.

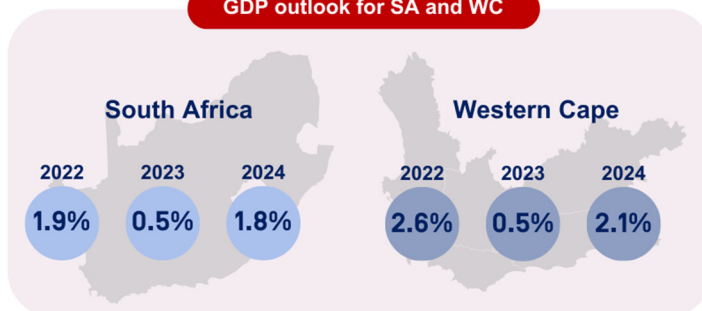
With an energy crisis and limited investments underscoring the country's challenges, there is an evident need for policy reforms, infrastructure enhancement, and stabilisation of state enterprises. Yet, South Africa's strengths such as a flexible currency, minimal foreign debt, and robust reserves underline the potential and importance of well-crafted monetary and fiscal measures for enduring resilience.

THE GLOBAL AND NATIONAL ECONOMY

Share of Exports & Tourism for SA and WC, & the GDP forecast



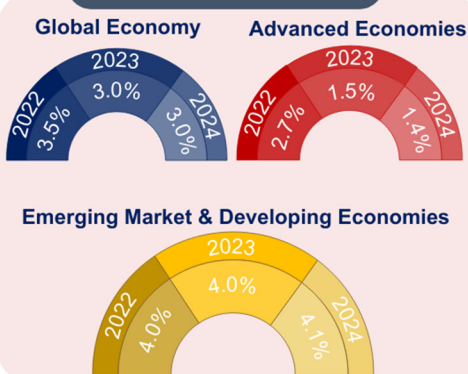
GDP outlook for SA and WC



Share of major Export and Import destination of SA

Import			Export		
	2013	2022		2013	2022
China	15.5%	20.2%	China	12.6%	9.3%
Germany	10.3%	7.4%	United States	7.2%	8.8%
United States	6.3%	7.3%	Germany	4.3%	7.7%
India	5.2%	7.2%	Japan	5.6%	6.9%
Saudi Arabia	7.8%	4.0%	United Kingdom	3.4%	5.1%

GDP Growth Forecast



SA GDP Growth



GDP Growth per Sector

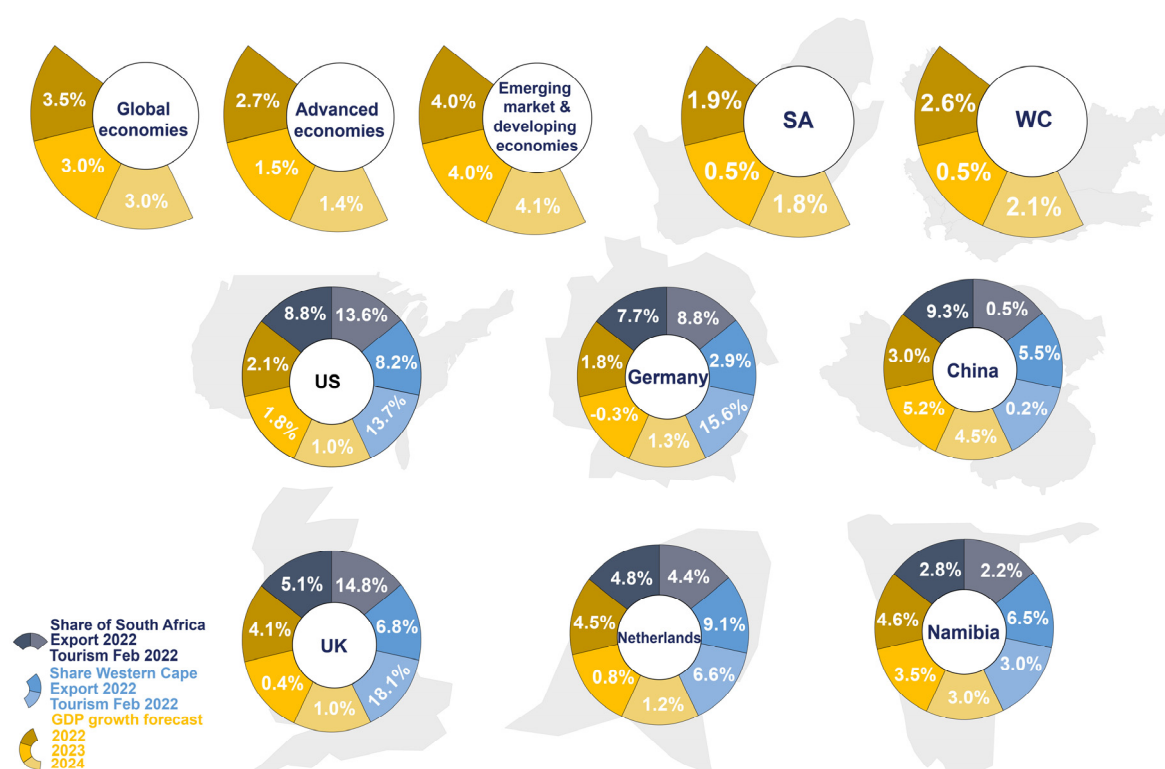
	2013	2022		2013	2022
Agriculture	4.8%	50.3%	Trade	2.0%	1.5%
Mining	4.1%	-1.3%	Transport	2.8%	15.3%
Manufacturing	0.8%	-7.3%	Finance	2.7%	28.5%
Utilities	-0.6%	-14.9%	Government	3.9%	14.5%
Construction	4.5%	-27.3%	Personal Services	2.6%	16.6%

1.2 Global economic developments

1.2.1 Global Economic Performance

The global economic outlook is uncertain, marked by slow growth, high inflation, and increasing debt. Challenges like supply chain disruptions, and geopolitics add complexity. The International Monetary Fund (IMF's) July 2023 projection forecasts global growth to drop from 3.5 per cent in 2022 to 3.0 per cent in 2023 and 2024, influenced by central banks combating inflation. China's recovery has weakened due to lower exports and slow domestic growth, with real estate issues risking its financial stability. This impacts the global economy, affecting businesses and consumers, hitting exporters and retailers in China due to weakened growth.

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



Source: IMF, Quantec, The African Development Bank Group (AfDB), Own calculations



The United States (US) Gross Domestic Product (GDP)¹ is projected to grow by 1.8 per cent in 2023 and 1.0 per cent in 2024, reflecting both upside and downside risks. Increased bilateral exports to China have bolstered economic growth, while stable global energy prices have mitigated inflationary pressures. The Federal Open Market Committee has continued tightening monetary policy in response to inflation concerns. Following the collapse of regional banks in March 2023, the Federal Reserve implemented a new facility to provide short-term liquidity to support financial institutions. Furthermore, recent bank failures have led to a slowdown in credit creation, which will further weigh on near-term economic activity. In 2022, the US economy had significant links to the Western Cape, accounting for 13.7 per cent of all arrivals at Cape Town International Airport and receiving 8.2 per cent of the region's total exports.

¹ Gross domestic product (GDP) is the standard measure of the value added created through the production of goods and services in a country during a certain period. As such, it also measures the income earned from that production, or the total amount spent on final goods and services (less imports).



The German economy is projected to experience a recession in 2023 (-0.3 per cent) and to recover by 1.3 per cent in 2024. High inflation will negatively impact household consumption in 2023. The contraction of the German economy has been influenced by weak growth in the manufacturing sector. Exports are predicted to spearhead the 2024 recovery due to relaxed supply chain constraints and accumulated export orders. While rising interest rates and energy price fluctuations might hinder investment, government backing and reduced energy costs could elevate investor trust. In May 2023, South Africa maintained a positive trade balance with Germany, resulting in a R280 million surplus. An anticipated 2023 recession might affect South Africa's exports to Germany, especially for significant items like platinum, cars, and precious metal ore. Furthermore, the economic wellbeing of the German population could impact on tourism in the Western Cape. Germany was a significant source of international tourists (15.2 per cent) to the Western Cape in 2022.



The United Kingdom's (UK) economic outlook indicates modest GDP growth of 0.4 per cent in 2023, improving to 1.0 per cent in 2024. Government consumption and investment will initially support the economy, followed by a gradual recovery in private expenditure due to lower expected gas prices and improved global conditions. Tight monetary policy and restrictive fiscal measures in the UK will challenge the sustainability of economic growth. In 2022, the UK maintained strong economic ties with the Western Cape, representing the largest portion (18.1 per cent) of all arrivals at Cape International Airport and absorbing 6.8 per cent of the Province's total exports.



The Netherlands' GDP is expected to slow to 0.8 per cent in 2023 and improve to 1.2 per cent in 2024. Private consumption may rise due to the €17.2 billion set aside to protect the purchasing power of households, but uncertainties, rising interest rates, and credit tightening may impede growth. Export growth may weaken in 2023 but improve in 2024 due to the slowdown in GDP growth in main trading partners. Potential risks include severe weather impacting energy prices, increasing macro-financial vulnerabilities due to rapidly rising interest rates, and potential inflation developments. In 2022, the Netherlands upheld robust economic connections with the Western Cape, accounting for a significant fraction (6.6 per cent) of all entries at Cape Town International Airport and importing the majority (9.1 per cent) of the Province's overall exports.



China's economic growth is projected to rebound to 5.2 per cent in 2023 and 4.5 per cent in 2024. The lifting of COVID-19 restrictions in 2023 has increased demand for in-person services, benefiting the tourism and entertainment industries. However, in August 2023 China's manufacturing sector witnessed its fifth consecutive monthly contraction, signaling enduring challenges for the globe's second-biggest economy. The persistent downturn in global appetite, combined with diminished local consumer expenditure, has beleaguered China's factories. With the property sector contributing nearly 30 per cent to the nation's total production, the downfall of over 50 Chinese real estate companies since 2021 has had wide-ranging repercussions on international markets. China continues to be a pivotal market for South Africa's mining commodity exports and in 2022, contributed significantly to the Western Cape's exports, accounting for 5.5 per cent.



Namibia's real GDP is projected to grow by 3.5 per cent in 2023 and 3.0 per cent in 2024, driven by the recovery in diamond processing and exports and increased consumption in wholesale and retail trade and tourism. The country is forecast to outperform South Africa's economic growth rate by 3.0 percentage points and 1.2 percentage points in 2023 and 2024, respectively. However, challenges such as a higher

import bill and reduced revenue from the Southern African Customs Union (SACU) due to South Africa's struggles with rising global commodity prices, international supply chain disruptions, elevated global inflation, and higher global interest rates present economic headwinds. In 2022, South Africa's neighboring country maintained strong economic ties with the Western Cape, representing 3.0 per cent of all arrivals at Cape Town International Airport and absorbing 6.5 per cent of the Province's total exports.

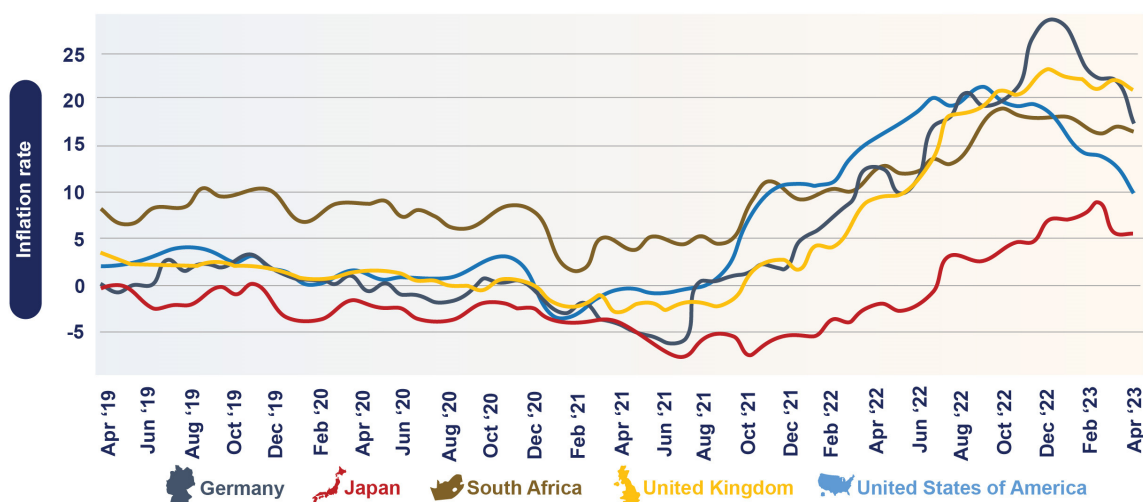
1.2.2 Global Inflation Outlook

Global headline inflation is set to decline from 8.7 per cent in 2022 to 5.2 per cent by 2024, with core inflation decreasing at a slower pace. Although global growth and low inflation point to a promising economic direction, risks linger.

Tightened monetary policies are slowing down global activity, notably impacting on credit and real estate. Despite the rise in wages, it is not matching price inflation, leading to reduced real wages and affecting economic stability. Financial conditions, though eased, still carry repricing risks due to potential inflation shocks or shifts in risk appetite. For many economies, the aim is sustainable disinflation coupled with financial stability. Targeted support and building fiscal buffers can drive fiscal consolidation and align inflation with goals by enhancing the economy's supply side (IMF, 2023).



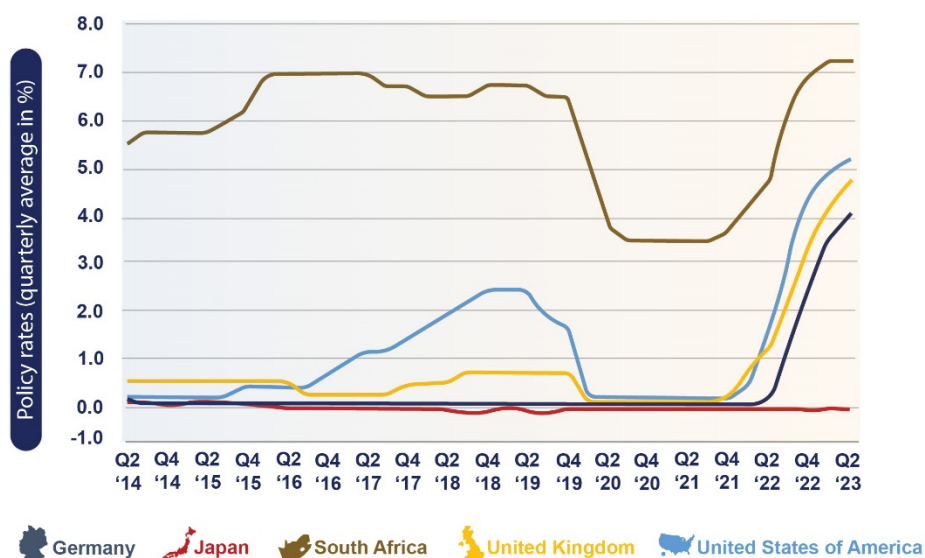
Figure 1.2 Inflation rates for selected countries, April 2019 - April 2023



Source: Economic Intelligence Unit

Consistent high inflation diminishes household purchasing power, prompting central banks to raise borrowing costs, which slows economic activity. Though banking issues have lessened, higher interest rates strain the financial system, tightening lending and limiting credit. Inflation, although lessening, varies among economies and remains high, especially for energy and food prices. While energy costs have dipped since 2022 due to factors like European gas inventories, food prices remain elevated.

Figure 1.3 Policy interest rates of selected countries, 2Q2014 – 2Q2023



Source: Economic Intelligence Unit

Leading central banks like the Federal Reserve and the Bank of England highlight the need for tighter monetary policy due to persistent core inflation. Meanwhile, some East Asian nations experience low core inflation due to prolonged pandemic-related demand constraints. In response to below-target inflation and a slowing economy, China's central bank has lowered interest rates to bolster areas like real estate. Simultaneously, the Bank of Japan keeps interest rates near zero, aiming to combat deflation. Their commitment is to expand the monetary base until the observed Consumer Price Index (CPI) surpasses 2.0 per cent, supported by extensive purchases of Japan Government bonds to reduce long-term interest rates.

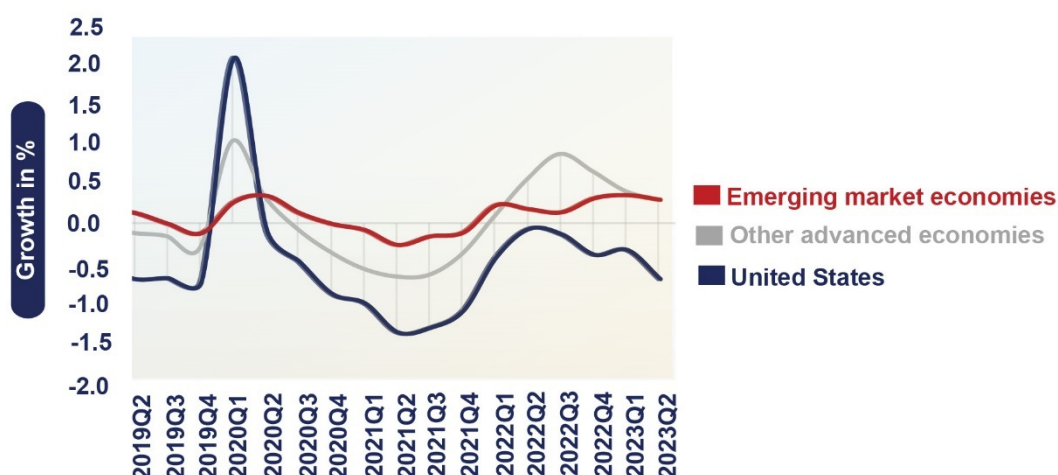
Figure 1.4 Money supply (M2), inflation and federal rates of the United States, 2014 - 2023



Source: Economic Intelligence Unit

The Federal Reserve increased rates from near 0.0 per cent in 2020 to 5.5 per cent by July 2023, its steepest in 22 years. This rate surge threatened to curb consumer spending and business investments, potentially leading to a recession (The Economist, 2023). However, inflation declined to 3.2 per cent in July 2023, down from 8.5 per cent for the same month the previous year. While core inflation, excluding energy and food, remains elevated, it is showing signs of improving as supply-chain disruptions diminish and goods' costs stabilise.

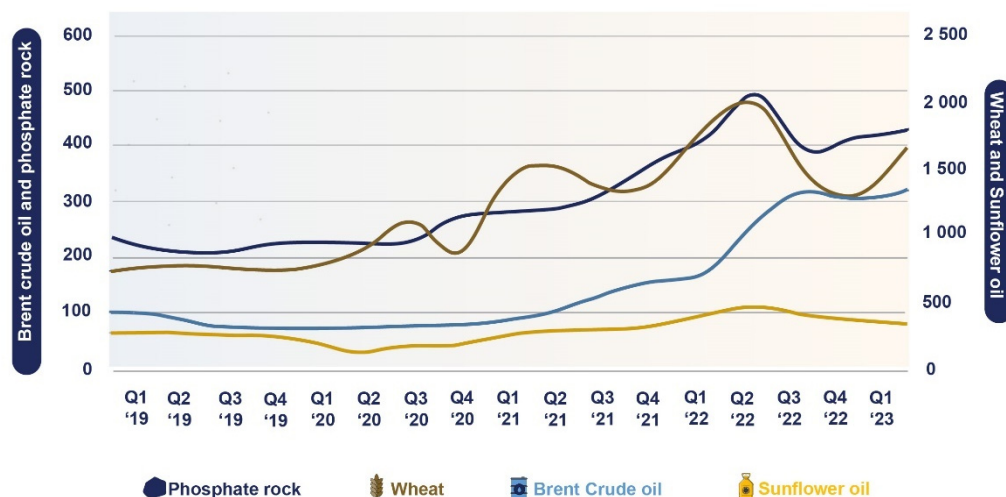
Figure 1.5 Financial conditions index for the emerging market economies, United States and other advanced economies, 2Q2019 – 2Q2023



Source: International Monetary Fund

The Financial Conditions Index (FCI)² suggests that financial markets remain upbeat, reflecting relaxed conditions despite potential recession indicators like inverted yield curves (Figure 1.5). This optimism stems from a technology sector rally and rising equity prices, which offset the slowing effects of stricter monetary policies. Yet, unforeseen inflation could lead to a sudden revaluation of financial assets, potentially intensifying the current economic slowdown and dampening consumer confidence and expenditure.

Figure 1.6 Average price trends for brent crude oil, wheat, sunflower oil, and phosphate rock, 1Q2019 - 1Q2023



Source: Economic Intelligence Unit

² The FCI can be used as a leading indicator for short-term economic activity and as a tool to assess financial conditions across time. The FCI comprises of several factors including interest rates, stock prices, exchange rates, and credit spreads.



In early 2023, global commodity prices dropped roughly to 14 per cent, standing 30 per cent below their June 2022 peak due to economic slowdowns and altered trade flows (World Bank, 2023). Despite stabilising, prices will likely remain above pre-pandemic figures.

Brent crude oil's price in April 2023 was 35 per cent below its June 2022 height, recovering after an OPEC+ production cut. Phosphate demand is

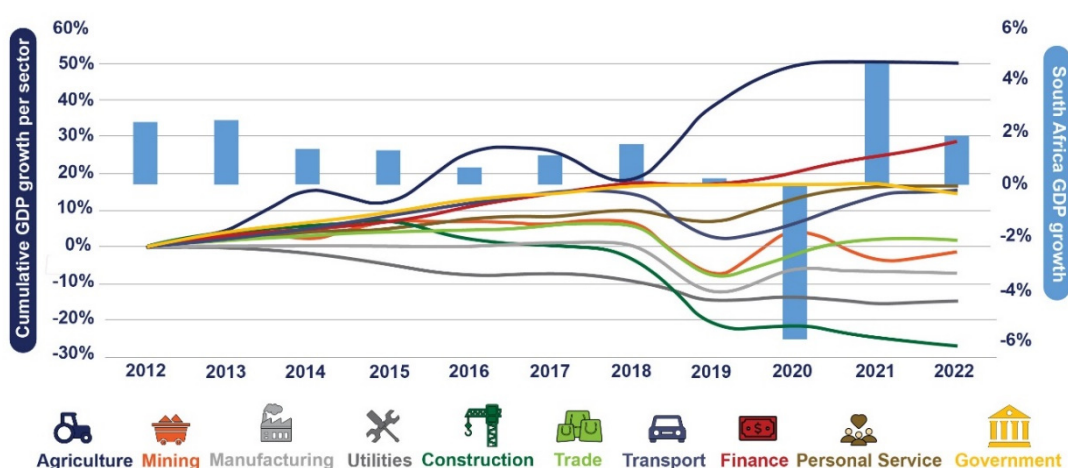
projected to grow with electric vehicle popularity. By July 2023, wheat prices had risen 11 per cent from January 2021 due to relaxed trade restrictions and global growth deceleration. The Russia-Ukraine conflict continues to unsettle the wheat, maize, oilseed, and fertilizer markets. The 2023 El Niño³ climate pattern may affect global crop yields, with climate change intensifying weather extremes in some fertile, drought-prone areas.

1.3 Developments in the South African economy

1.3.1 Performance of the South African economy

After posting a relatively strong recovery (4.7 per cent) in 2021, the South African economy reverted back on to mediocre growth (1.9 per cent) in 2022. Several factors contributed to this lackluster growth path, including the impact of Russia's war in Ukraine; monetary policy tightening as a result of rapidly rising inflation; severe floods in April; and an unprecedented energy crisis. The country's economic prospects are further constrained by limited fiscal space, rising debt levels, higher debt servicing costs, longstanding rigidities in the labour markets, and governance and corruption vulnerabilities.

Figure 1.7 GDP growth per sector and South Africa's GDP growth, 2012 - 2022



Source: Stats SA, Own calculations

The current growth level is insufficient to generate enough jobs, to accommodate the growing labour force, further exacerbating the issue of unemployment. During the second quarter of 2023, real GDP increased by 0.6 per cent, which builds on the growth of 0.4 per cent recorded

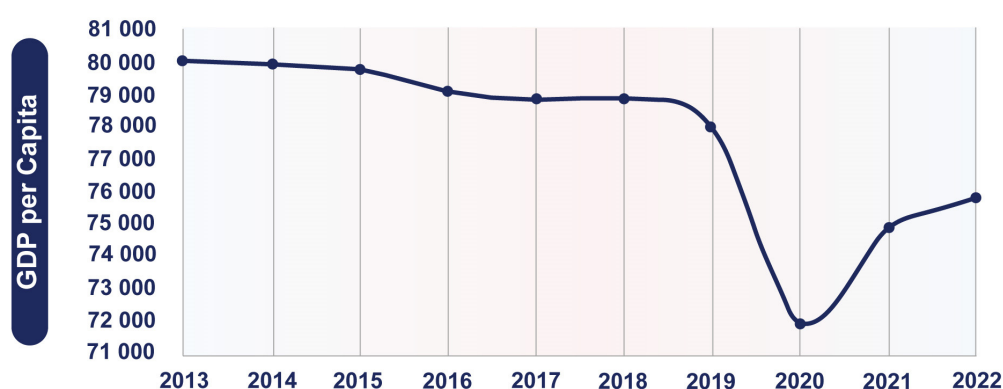
³ El Niño is a climate pattern that describes the unusual warming of surface waters in the eastern Pacific Ocean.

in the first quarter of 2023. Of particular concern is the persistently high unemployment rate of 32.6 per cent recorded in the second quarter of 2023⁴.

However, South Africa's growth in the past decade also contributed to the current unemployment crisis. Between 2013 to 2022, the South African economy exhibited an average annual growth rate of 1.0 per cent, while the population grew at an average annual rate of 1.4 per cent. As a result, GDP per capita declined.

Among the ten sectors, seven experienced growth, while the Manufacturing (-0.6 per cent), Utilities (-1.6 per cent), and Construction (-2.6 per cent) sectors faced challenges, recording negative average annual growth rates. These sectors were notably impacted by lower commodity prices, logistical bottlenecks, power outages, labour strikes, and subdued growth in trading partner economies (IMF, 2023).

Figure 1.8 Real GDP per capita in South Africa, 2013 - 2022



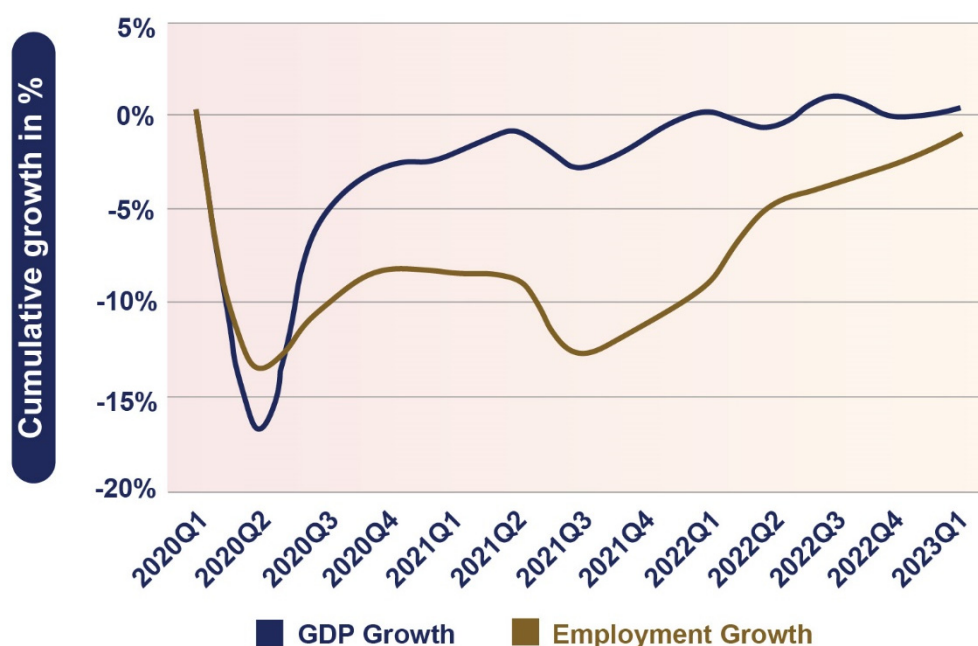
Source: Quantec



While there has been a steady increase in GDP per capita following a dip in 2020, it remains 5.7 per cent below the 2013 level of R80 589. Focusing on productivity enhancement, investment in human capital, and developing key industries can propel an economic expansion, enabling a more substantial increase in GDP per capita and ultimately elevating the quality of life for the nation's populace.

⁴ The expanded unemployment rate for South Africa is 42.1 per cent recorded in the second quarter of 2023.

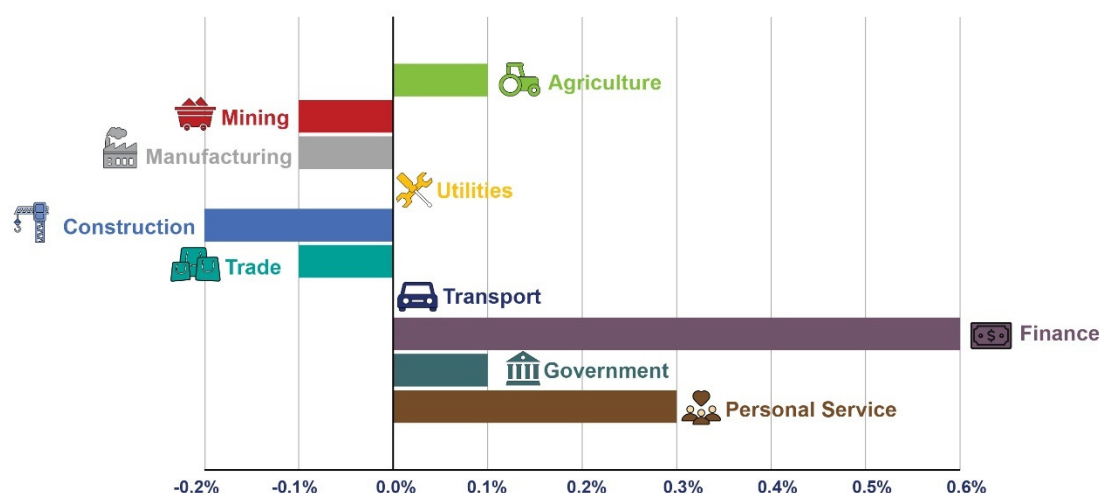
Figure 1.9 South Africa's cumulative recovery in GDP and employment, 1Q2020 – 1Q2023



Source: Quantec, Own calculations

GDP and employment growth have been in slow recovery from the impact of the COVID-19 lockdown measures implemented since the second quarter of 2020. By the first quarter of 2023, GDP was 0.2 per cent higher than pre-pandemic levels while employment still lagged by 1.2 per cent. The poor economic recovery can largely be attributed to the electricity crisis as well as the rising repo rate since November 2021.

Figure 1.10 Average growth contribution per sector in South Africa, 2018 - 2022



Source: Quantec, Own calculations

Over the past five years, South Africa's average GDP growth of 0.5 per cent was largely steered by the resilient Finance sector, which displayed notable stability amidst global financial market fluctuations. The Finance sector made a substantial average growth contribution of 0.6 percentage points to the GDP during this period.

Growth in this sector was driven by financial intermediation, insurance and pension funds, auxiliary activities, and real estate and other business services. On average, the Personal services sector contributed 0.3 percentage points, while the Government and Agriculture sectors contributed 0.1 percentage points each.

1.3.2 Inflation in the South African economy

Inflation in South Africa, much like other dynamic economies, plays a critical role in shaping fiscal and monetary policies. Historically influenced by a myriad of factors, including global commodity prices, domestic consumer demand, and currency strength, South Africa's inflation rates have seen both peaks and troughs, impacting the purchasing power of its citizens and guiding the decisions of its central bank.

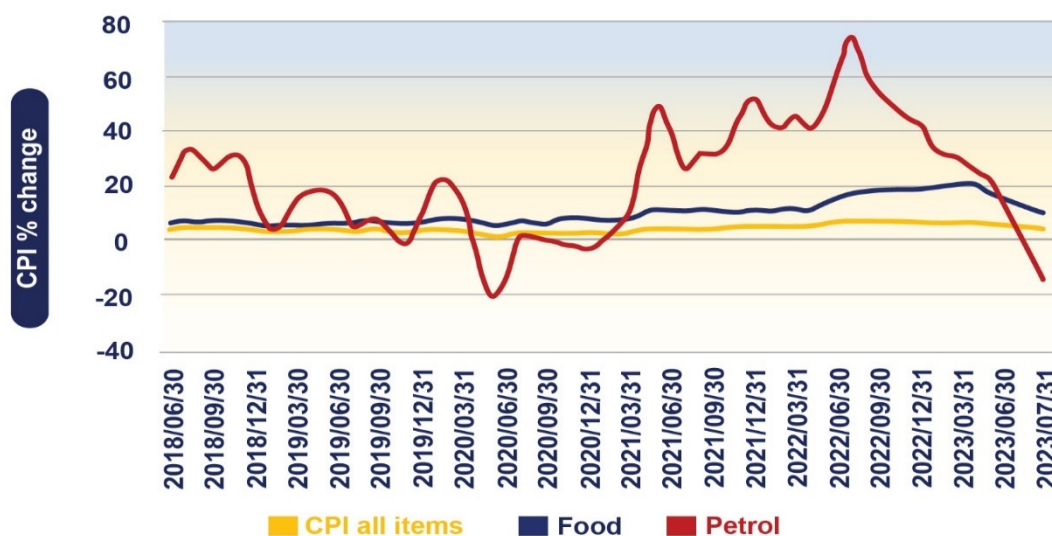
Figure 1.11 Average inflation and repo rate for South Africa, June 2018 - July 2023



Source: Quantec

Since November 2021, the South African Reserve Bank (SARB) increased the repo rate by 475 basis points to a 14-year high of 8.25 per cent in May 2023. However, annual headline inflation decreased to 4.7 per cent in July 2023, falling below the upper limit of the SARB's monetary policy target range and reducing the likelihood of further repo rate increases.

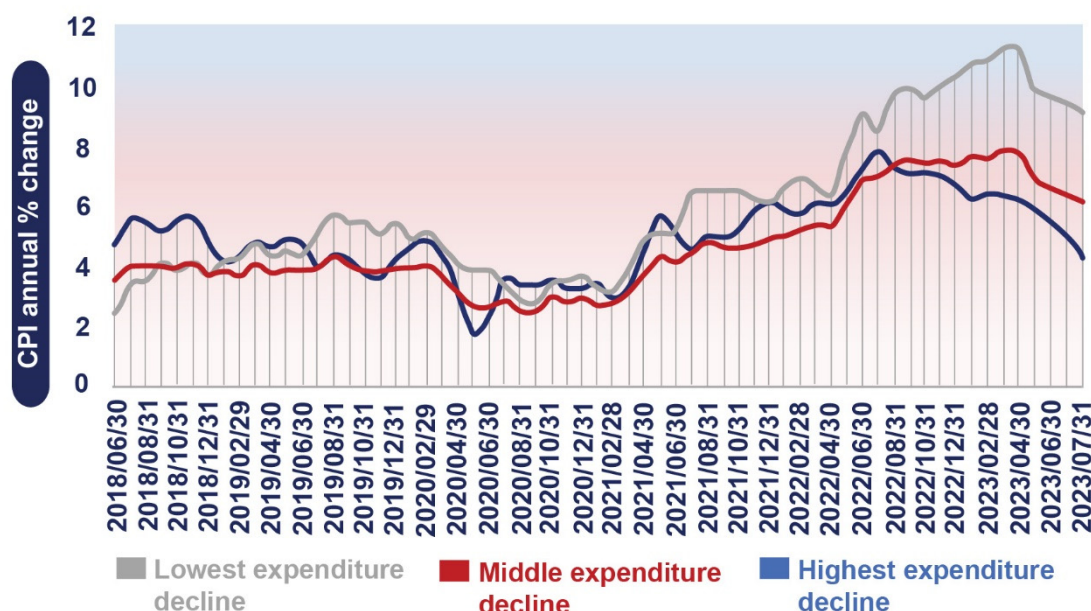
Figure 1.12 Price increases for petrol, food and all items, June 2018 - July 2023



Source: Quantec, Own calculations

Figure 1.12 illustrates food inflation consistently outpacing the CPI. Following a 2020 dip due to subdued demand, petrol inflation surpassed both Food inflation and the overall CPI from the second quarter of 2021, largely due to geopolitical tensions like Russia's invasion of Ukraine and subsequent western sanctions disrupting Russia's crude oil market. By July 2023, a resilient and tempered petrol prices, but food inflation persisted at 10 per cent, heightening South Africans' cost-of-living pressures.

Figure 1.13 CPI trend per expenditure decile in South Africa, June 2018 - July 2023

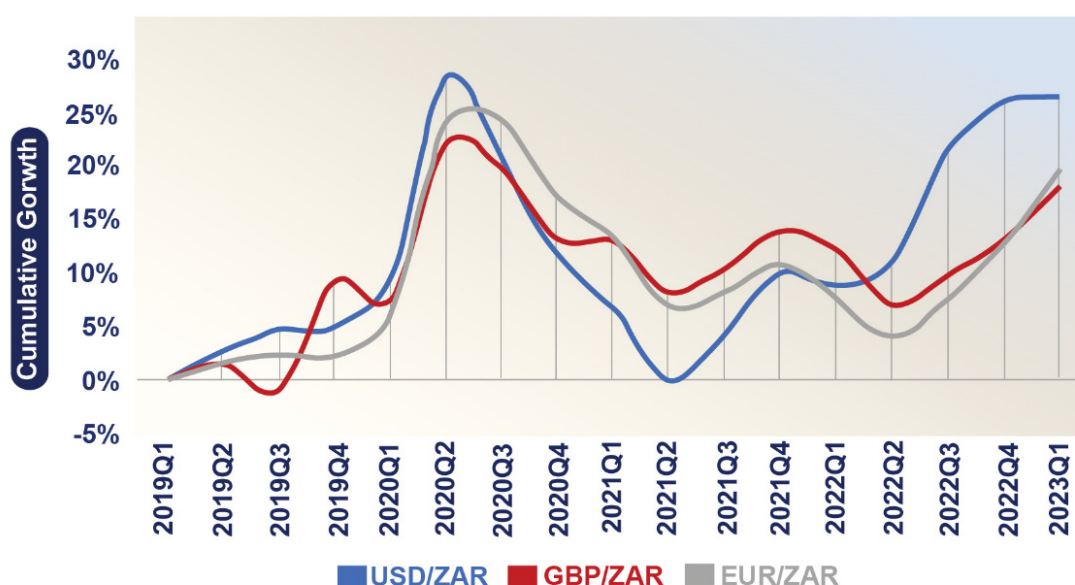


Source: Quantec, Own calculations

The latest inflation data indicates significant cost of living increases, disproportionately impacting vulnerable economic groups the most. In the 12 months leading to April 2023, lower-expenditure decline households experienced an 11.3 per cent rise in living costs, while middle-expenditure decile and higher-expenditure decile households experienced a 7.8 per cent and 6.2 per cent increase, respectively (Stats SA, 2023).

A critical factor contributing to this discrepancy is the composition of expenditure baskets for different income groups. The poorest households allocate approximately half their annual budgets to food and non-alcoholic beverages (NAB), (Stats SA, 2023). In contrast, those with the highest incomes allocate a mere 11.3 per cent to these essentials. The significant reliance of poorer households on food and NAB renders them more susceptible to being adversely impacted by price increases in these essential items, significantly impacting their overall cost of living.

Figure 1.14 Cumulative change in quarterly average exchange rates (USD/ZAR, GBP/ZAR, EUR/ZAR), 1Q2019 – 1Q2023



Source: Quantec, Own calculations

South Africa's integration into global financial markets exposes the nation to the risks of external shocks and fluctuations in capital flows. Nonetheless, significant economic safeguards, such as a flexible exchange rate, relatively low foreign exchange debt, and a substantial external asset position, mitigate the impact of these shocks (IMF, 2023).

A notable concern regarding the rand's depreciation arises from the country's purchase of oil in US dollars, wherein a weaker rand entails higher expenditures for oil procurement, subsequently leading to increased fuel prices. Consequently, businesses face heightened costs in logistics and generators due to loadshedding, with these expenses partly absorbed by consumers through higher prices of essential goods and services. After fluctuating around R18.30 to the US dollar, the rand strengthened during the last week of July 2023, reaching R17.42/USD and R19.35/EUR and R22.49/GBP, respectively.

THE AFRICAN CONTINENTAL FREE TRADE AREA (AfCFTA)

The African Continental Free Trade Area (AfCFTA) has been in effect for two years, and 2023 has been designated by the African Union the "Year of AfCFTA: Acceleration of the African Continental Free Trade Area Implementation". The African market of 1.3 billion people and a combined GDP of approximately \$3.4 trillion makes the AfCFTA the largest free trade area since the establishment of the World Trade Organization (WTO). According to the IMF, the AfCFTA is forecast to boost intra-Africa trade, which currently accounts for 15% of the continent's total trade, by 52.3% by 2025 and increase Africa's income by up to \$450 billion by 2035, thereby lifting 30 million Africans out of extreme poverty.

The AfCFTA, however, faces risks of unequal distribution of benefits and burdens, inefficiency in decision-making, loss of sovereignty and politicisation of global governance. There is also a funding gap of \$68 – 108 billion, resulting in only 34% of the population having access to electricity and 40% living more than 5km from the nearest all-season road. These challenges contribute to high logistical costs, accounting for up to 40% of the cost of trading goods between African nations. Investment in critical infrastructure, innovation and technology is therefore required. According to the AfCFTA Business Forum, improving the continent's infrastructure will require \$130 – 170 billion annually.

Sources:

Africa Renewal, United Nations, 2023

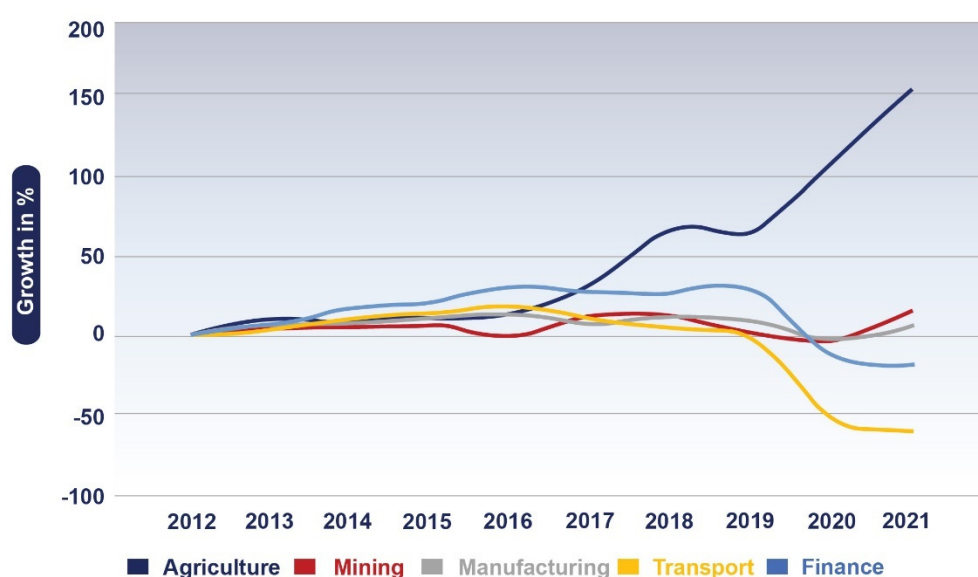
<https://www.un.org/africarenewal/magazine/january-2023/afcfta-seizing-opportunities-prosperous-africa>

1.3.3 Trade performance of the South African economy

The trade performance of the South African economy plays a vital role in its economic health and international competitiveness. South Africa's trade activities significantly affect its overall growth and job creation. In the second quarter of 2023, exports contributed 0.9 percentage points to expenditure on GDP growth of 0.6 per cent.

Several factors influence trade performance, including global economic conditions, commodity prices, domestic policies, and regional trade dynamics. To further stimulate economic growth outcomes, South Africa forms part of the Southern African Development Community (SADC) and the African Continental Free Trade Area (AfCFTA). These regional trade agreements aim to enhance intra-African trade and economic integration, offering new opportunities for South Africa's trade performance.

Figure 1.15 Real exports of the top five exporting sectors in South Africa, 2012 - 2021

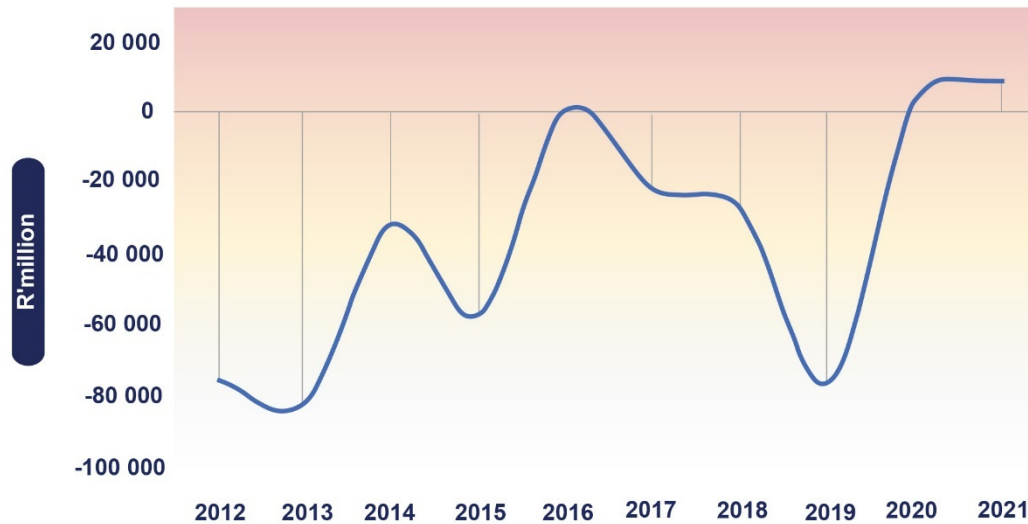


Source: Quantec, Own calculations

Figure 1.15 depicts the growth in real exports from 2012 - 2021 for South Africa's top 5 exporting sectors. The Agriculture sector grew robustly by 155.3 per cent, reflecting the growing global demand for food commodities and agricultural productivity gains in South Africa. The Mining sector also grew significantly by 15.3 per cent, which can be ascribed to strong global demand and high prices for South Africa's mineral exports like platinum, gold, and coal.

However, real exports in the Transport (-60.7 per cent) and Finance (-18.8 per cent) sectors contracted since 2012, suggesting South Africa's financial and transport industries are ceding global market share.

Figure 1.16 Net real exports for South Africa, 2012 - 2021



Source: Quantec, Own calculations

From 2012 to 2021, South Africa predominantly grappled with a real trade deficit. However, the nation marked a notable turnaround, achieving trade surpluses in 2020 and 2021, amounting to R3.3 billion and R8.8 billion respectively. This positive shift in the trade balance is primarily a consequence of the surge in global food and mining commodity prices, which bolstered the nation's export revenues during these years.



Figure 1.17 Share of major export and import destination of South Africa, 2013 and 2022

TOP 10 IMPORTS				TOP 10 EXPORTS			
	2013	2022	% difference		2013	2022	% difference
China	15.5%	20.2%	▲ 4.7	China	12.6%	9.3%	▼ -3.3
Germany	10.3%	7.4%	▼ -3.0	United States	7.2%	8.8%	▲ 1.6
United States	6.3%	7.3%	▲ 1.0	Germany	4.3%	7.7%	▲ 3.4
India	5.2%	7.2%	▲ 2.0	Japan	5.6%	6.9%	▲ 1.3
Saudi Arabia	7.8%	4.0%	▼ -3.7	United Kingdom	3.4%	5.1%	▲ 1.7
United Arab Emirates	0.9%	3.7%	▲ 2.8	Netherlands	3.2%	4.8%	▲ 1.6
Thailand	2.7%	2.8%	▲ 0.1	Mozambique	3.0%	4.7%	▲ 1.8
Japan	3.9%	2.5%	▼ -1.4	India	3.2%	4.5%	▲ 1.3
Oman	0.3%	2.4%	▲ 2.1	Botswana	4.8%	3.8%	▼ -1.0
Italy	2.6%	2.2%	▼ -0.4	Belgium	2.1%	3.2%	▲ 1.1

Source: Quantec, Own calculations

China dominated South Africa's trade in 2022, serving as the primary export destination (9.3 per cent) and import source (20.2 per cent). However, exports to China declined by 3.3 percentage points since 2013, while its share of total imports surged by 4.7 percentage points during the same period.

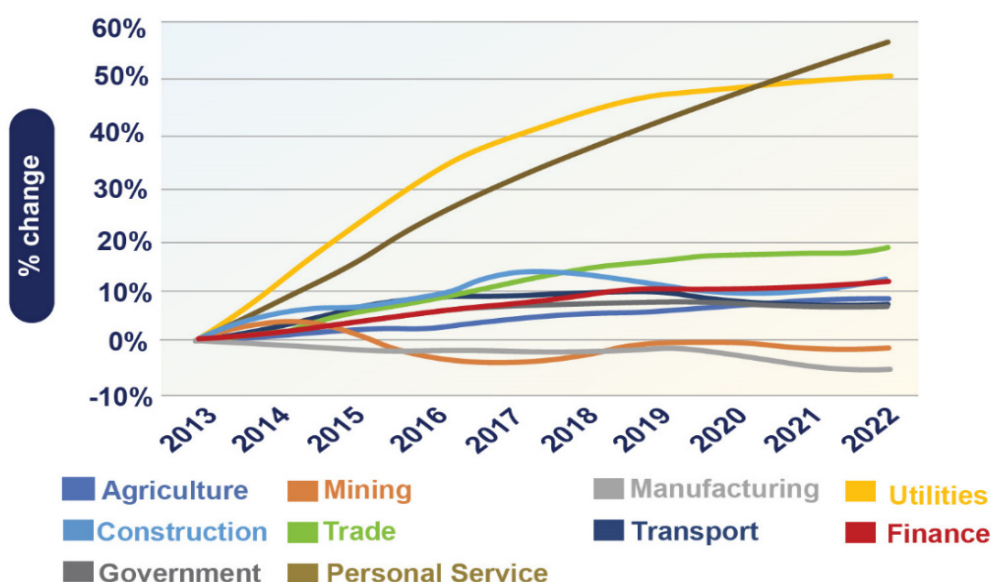
From 2013 to 2022, South Africa's export markets grew notably, with Germany increasing by 3.4 percentage points, followed by Mozambique at 1.8 and the UK at 1.7 points. This shift was shaped by factors like global demand changes, commodity price shifts, trade agreements, and diversification efforts.



1.3.4 Fixed investment in South Africa

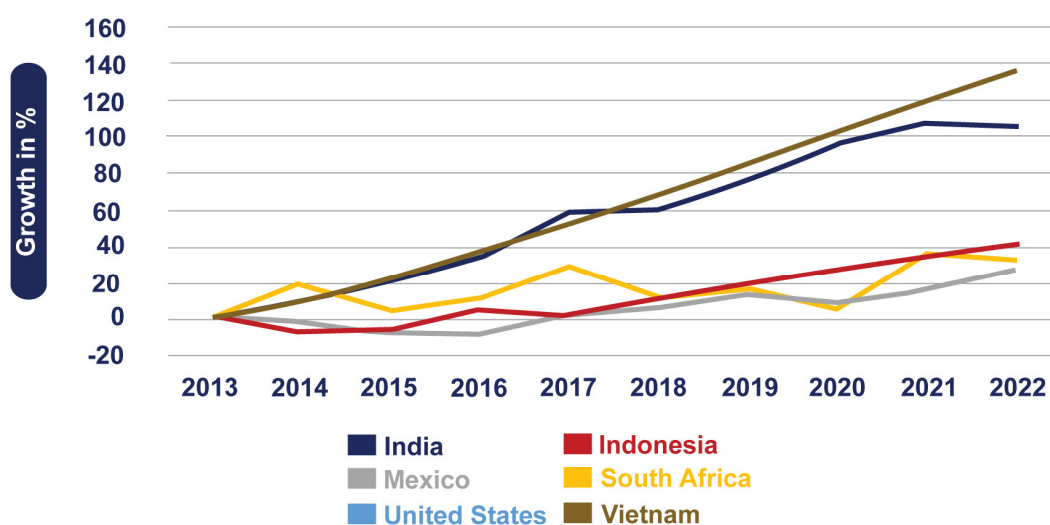
Capital formation is a crucial driver of economic growth and development as accumulating physical assets elevates productivity, paving the way for long-term development and improved living standards. Increased investment in capital enhances a country's capacity for technological advancements and attracts foreign investments, leading to sustainable economic expansion.

Figure 1.18 Cumulative growth in fixed capital stock per sector, 2013 - 2022



Between 2013 and 2022, the Utilities (49.6 per cent) and Personal Services (55.8 per cent) sectors reflected the most significant cumulative growth in Fixed capital stock. The notable expansion of Fixed capital stock in the Utilities sector can be attributed to the building of the Medupi and Kusile power stations, while the building of hospitals and schools contributed to the Personal services sector's Fixed capital stock expansion.

Figure 1.19 Cumulative growth of Foreign Direct Investment stock per head in USD, 2013 - 2022



Source: Economic Intelligence Unit

Between 2013 to 2022 (Figure 1.20), South Africa's Foreign Direct Investment FDI stock per head showed a modest cumulative expansion of 32.1 per cent, which falls short when compared to other emerging and developing countries like India (105.1 per cent) and Vietnam (136.2 per cent). Vietnam's capital inflows have also been robust due to its political stability, entering several free trade agreements in recent years, privatisation, and government incentives to attract FDI.

1.3.5 The South African energy crisis

In 2022, South Africa grappled with its most severe energy crisis to date, experiencing almost double the loadshedding of the past three years combined. This crisis severely hampered the nation's economic growth and negatively affected employment across various sectors.

Coal remains the main source of energy in South Africa. However, over the next 10 – 30 years a substantial portion (24 100 MW or 46 per cent of total generating capacity) will be decommissioned and alternative and additional energy sources will need to be developed. Eskom has identified a pipeline of approximately 15 projects in support of its Just Energy Transition (JET) strategy which includes 8 000 km of new transmission lines, and rollout of microgrid solutions to electrify 13 per cent of the population.

However, much of the current electricity crisis is being solved by private households' investments in rooftop solar systems. Eskom estimates that by June 2023, the maximum capacity of this generation totaled 4 411.5 MWp (megawatt peak), almost double the capacity installed in the previous year.

LOADSHEDDING

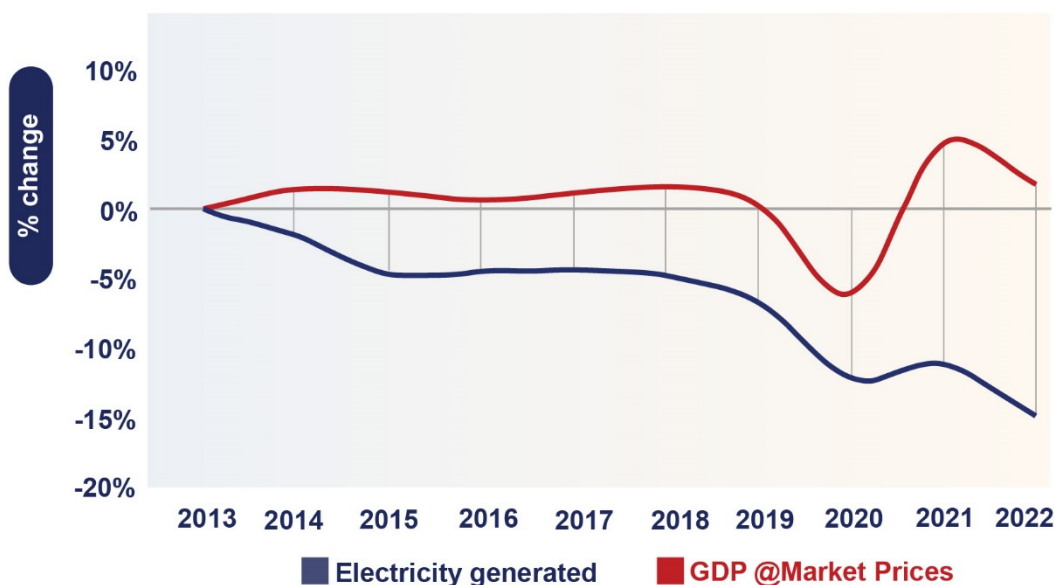
In 2022, South Africa suffered 206 days with loadshedding. For 2023, and as of 11 September 2023, South Africa has already had to endure 227 days (5 456 hours) with loadshedding. The Reserve Bank emphasises loadshedding's negative impact on South African economic growth in its Quarterly Bulletin March 2023, where it is reported that the electricity, gas and water sector combined have contributed negatively to GDP growth for 2022. Severe loadshedding is blamed for, amongst other things, the secondary sector's real economic activity decrease in the fourth quarter of 2022, the 3.2% contraction of real GVA in the primary sector over the same period, the weakening exchange value of the Rand and reduced investor sentiment during the second half of 2022.

Loadshedding is expected to suppress further employment prospects in 2023, which is especially disconcerting given the IMF's World Economic Outlook projections that South Africa will have the highest unemployment rate globally in 2023. Power outages have become part of everyday life in South Africa. Power scarcity and blackouts have become increasingly common every year since loadshedding was first introduced in April 2008. Loadshedding brings businesses, industrial production and mines to a standstill for several hours daily.

Source:

TheOutlierandEskomSePush <https://loadshed.thoutlier.ca.za/>

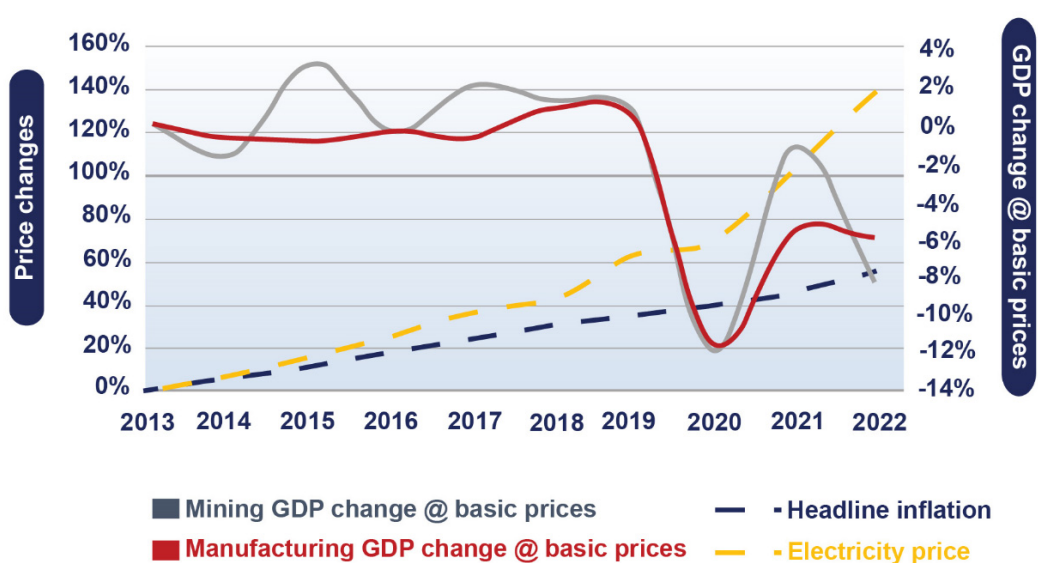
South African Reserve Bank Quarterly Bulletin March 2023

Figure 1.20 Cumulative electricity generated and GDP in South Africa, 2013 - 2022

Source: Quantec, Own calculations

In 2022, South Africa's average electricity generation was 14.8 per cent lower than at the end of 2013 (Figure 1.21). Over the same period, South Africa's economy grew modestly at an average annual rate of 1.0 per cent, not enough to reduce high levels of structural unemployment.

Steep electricity price hikes in recent years, negatively impacted on inflation, consumer demand, and productivity. In 2023, South Africa's energy regulator approved an 18.65 per cent power price rise for the financial year starting on 1 April. Furthermore, between 2013 to 2022, average electricity prices increased by 139.8 per cent, while headline inflation rose by 56.0 per cent during the same period.

Figure 1.21 Eskom average electricity price increases and headline inflation in South Africa, 2013 - 2022

Source: Quantec, Eskom, Stats SA, Own calculations



The Manufacturing and Mining sectors are particularly susceptible to elevated electricity costs. Over the decade from 2013 to 2022, the Manufacturing sector in South Africa experienced a contraction of -6.0 per cent in its GDP, indicative of the adverse impact of the unreliable power supply and high electricity expenses on the sector's productivity and competitiveness.

Similarly, the Mining sector's GDP declined by 8.3 per cent during the same period, further highlighting the detrimental consequences of rising electricity costs on this critical segment of the economy. Addressing the challenges posed by soaring electricity prices in these sectors is imperative to foster sustainable growth and maintain their contributions to the country's overall economic prosperity, particularly the Western Cape.

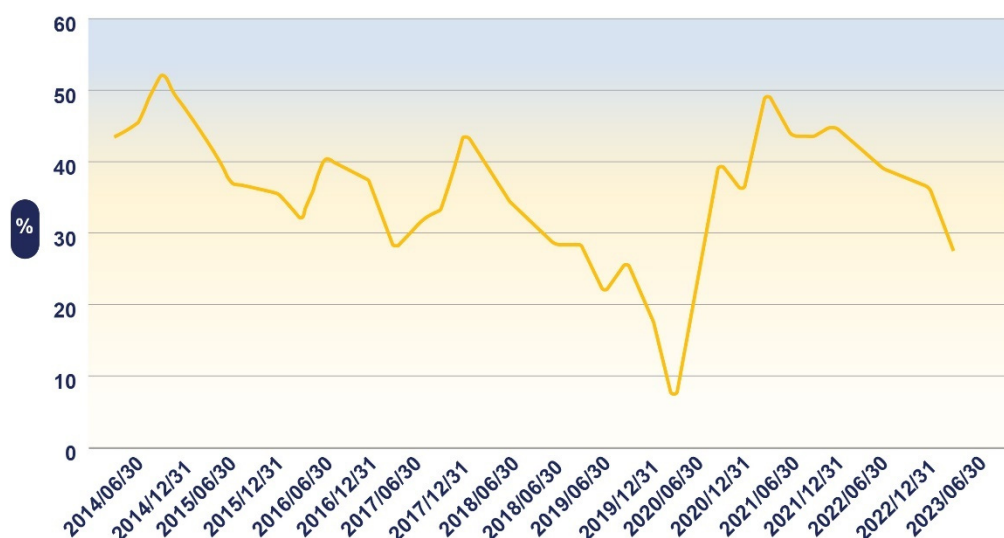
1.3.6 Economic Outlook of South Africa



A robust economic outlook is crucial for youth employment. A thriving economy offers more job opportunities, fosters skill development, and encourages entrepreneurship among the youth. Essentially, investing in a strong economy is directly investing in our youth's potential and future.

The BER-RMB Commodity Business Confidence Index (BCI) saw a fifth consecutive quarterly decline, reaching 27 points in the second quarter of 2023, down 9 points from the first quarter of 2023, marking the lowest level since 2020.

Despite initial support from consumer-facing sectors in the first quarter of 2023, sentiment waned in the second quarter due to significant drops in confidence among new vehicle dealers, retailers, and wholesalers. Confidence was dampened by loadshedding's impact on production capacity, excessive production cost escalation, and depreciating local currency.

Figure 1.22 BER-RMB Composite Business Confidence Index, June 2014 - June 2023

Source: Quantec

The South African economic outlook indicates sluggish growth of 0.5 per cent in 2023 before recovering somewhat to modest growth of 1.8 per cent in 2024, which has further implications for the rest of South Africa and the Western Cape economy. The Finance, Mining, and Transport sectors are expected to contribute positively to growth in 2023, while the Manufacturing, Construction, Trade, and Government sectors will likely decline.

The modest recovery in 2024 is based on expected recoveries in the Government, Trade, and Construction sectors. However, despite improved global demand and inflation expectations, electricity supply challenges will continue to weigh on the South African economy's output potential in 2024.

The Mining sector's improvement in 2023 is primarily a mathematical effect from a low base in 2022 and the Sector will likely continue to face significant logistical constraints that have dampened its outlook in 2022.

Growth is expected to ease over the medium term as commodity prices stabilise and freight-related problems continue to hinder South Africa's export potential.

Figure 1.23 GDP growth and contribution to growth forecast per sector in South Africa, 2023 and 2024

	% Growth		% Contribution	
	2023	2024	2023	2024
Agriculture	▲ 0.2%	▲ 2.4%	▲ 0.0%	▲ 0.1%
Mining	▲ 2.2%	▼ -0.5%	▲ 0.1%	▲ 0.0%
Manufacturing	▼ -0.7%	▼ -0.7%	▼ -0.1%	▼ -0.1%
Utilities	▲ 0.4%	▲ 1.0%	▲ 0.0%	▲ 0.0%
Construction	▼ -3.4%	▲ 2.3%	▼ -0.1%	▲ 0.1%
Trade	▼ -0.4%	▲ 1.6%	▼ -0.1%	▲ 0.2%
Transport	▲ 1.1%	▲ 2.9%	▲ 0.1%	▲ 0.3%
Finance	▲ 2.9%	▲ 3.1%	▲ 0.7%	▲ 0.8%
Government	▼ -2.3%	▲ 1.5%	▲ 0.2%	▲ 0.1%
Personal Services	▲ 0.1%	▲ 2.0%	▲ 0.0%	▲ 0.3%
SA GDP @ Market Price	▲ 0.5%	▲ 1.8%		

Source: Quantec

1.4 Risks to the South African Outlook

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

- Continued loadshedding;
- Weaker mining commodity prices and its impact on the economy and national fiscus;
- Private consumption and investment slowdown amid elevated inflation, higher interest rates, and economic uncertainty;
- Weaker global economic activity reducing demand for South Africa's exports;
- Sluggish private-sector credit growth due to tight lending standards;
- Slower progress or reversals of reforms could impede potential growth, increase fiscal pressures, and negatively impact poverty reduction and job creation;
- Political uncertainty and inadequate resolution of the energy crisis may reduce investor confidence; and
- Systemic financial instability in advanced economies may lead to adverse spillovers.

1.5 Conclusion

Global growth is slowing due to high inflation, tightening financial conditions, and spillovers from the Russia-Ukraine war. However, some positive signs are emerging as inflationary pressures ease in major economies, with central banks raising interest rates and commodity prices declining from their peaks in 2022. These global trends directly impact South Africa through trade, financial linkages, and investor sentiment.

South Africa's recovery remains fragile, with GDP growth decelerating to 1.9 per cent in 2022. Persistently high unemployment, rising debt levels, and deteriorating fiscal and external balances constrain the economy. Inflation rose above the SARB's target range in 2022, driven by higher food and fuel prices. However, inflation has started moderating, allowing the SARB to pause its hiking cycle. Managing inflation expectations remains critical.

South Africa's energy crisis, caused by Eskom's generation failures, presents a major downside risk, dampening confidence and disrupting economic activity. Electricity prices have also risen sharply and are impacting on the competitiveness of key National sectors like Manufacturing and Mining. Resolving the energy crisis is an urgent priority. In addition, fixed investment remains subdued, and FDI inflows remain lackluster. Boosting productive investment requires reforms to improve policy certainty, reduce regulatory hurdles and upgrade infrastructure. Stabilising SOEs is also required to crowd in private investment.

While risks tilt to the downside, South Africa has strengths like a flexible exchange rate, relatively low foreign-denominated debt, and substantial reserve buffers. Prudent monetary and fiscal policies aimed at stabilising sovereign debt, containing inflation, and improving electricity generation capacity will be vital to bolster resilience.

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2





THE WESTERN CAPE ECONOMY GROWTH

2.1 Introduction

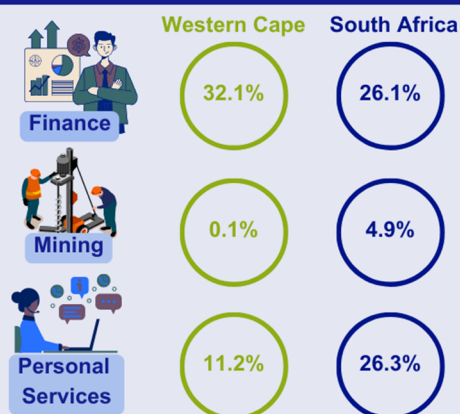
The Western Cape's economy showcases a government that leads on service delivery, is business friendly and provides a good governance record. A positive business climate ensures the Province hosts globally competitive call centres, heads the country's green economy, serves as Africa's technology capital, ranks top in South Africa for fintech, is celebrated as part of the Great Wine Capitals Global Network and is Mzanzi's leading tourism destination.

Despite these advantages, the Western Cape's service-based economy still tracks just above South Africa's. The challenge is whether the Province can be exponentially better, achieving break-out growth that hits a job-rich trajectory in the next 10 years.

This chapter reviews the Western Cape's economic landscape, strengths, and constraints. While the Province shows strong recovery from the COVID-19 induced recession, national structural challenges such as energy and logistics persist. The chapter illustrates the unique comparative advantages and strengths of the Western Cape economy, through an analysis of economic developments from a Provincial and regional perspective, Fixed investments, Trade and Agriculture exports, Tourism, and the Wine industry that all hold prospects for greater growth outlooks underpinned by improving energy resilience over the coming years.

THE WESTERN CAPE ECONOMY

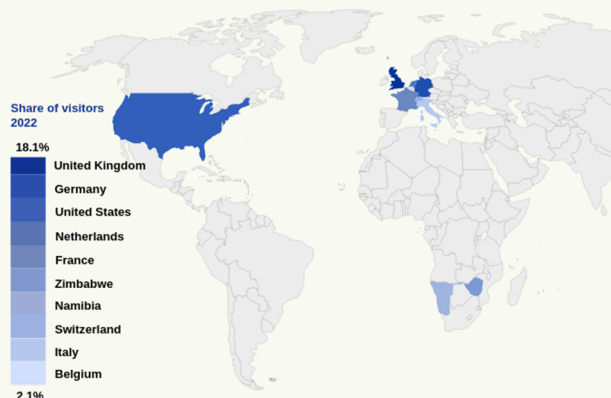
The structure of the Western Cape economy, 2022



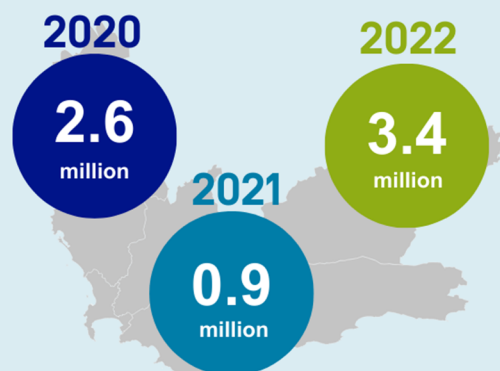
Greenfield investments in Western Cape, 2013-2022



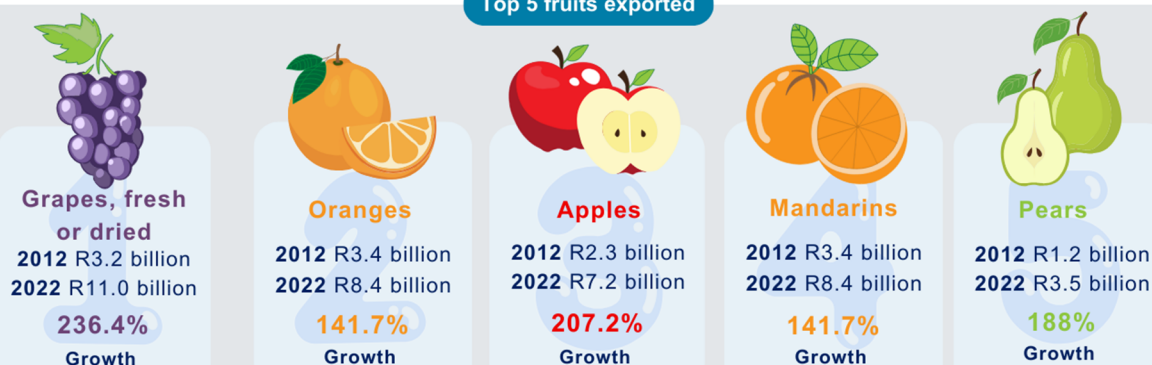
International overnight tourist arrivals at Cape Town International Airport



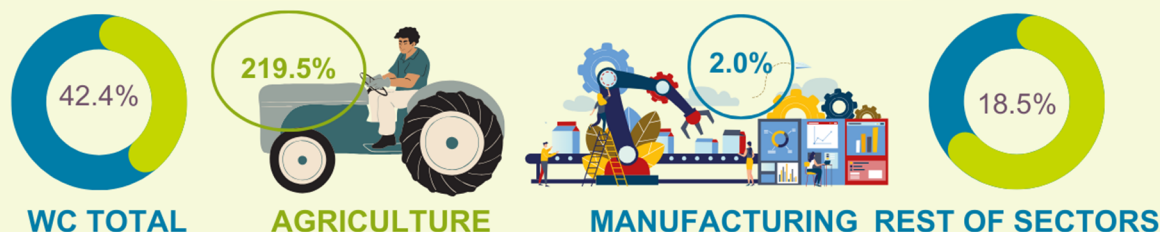
Domestic trips to the Western Cape



Top 5 fruits exported



Growth of real exports per sectors in the Western Cape, 2012-2022

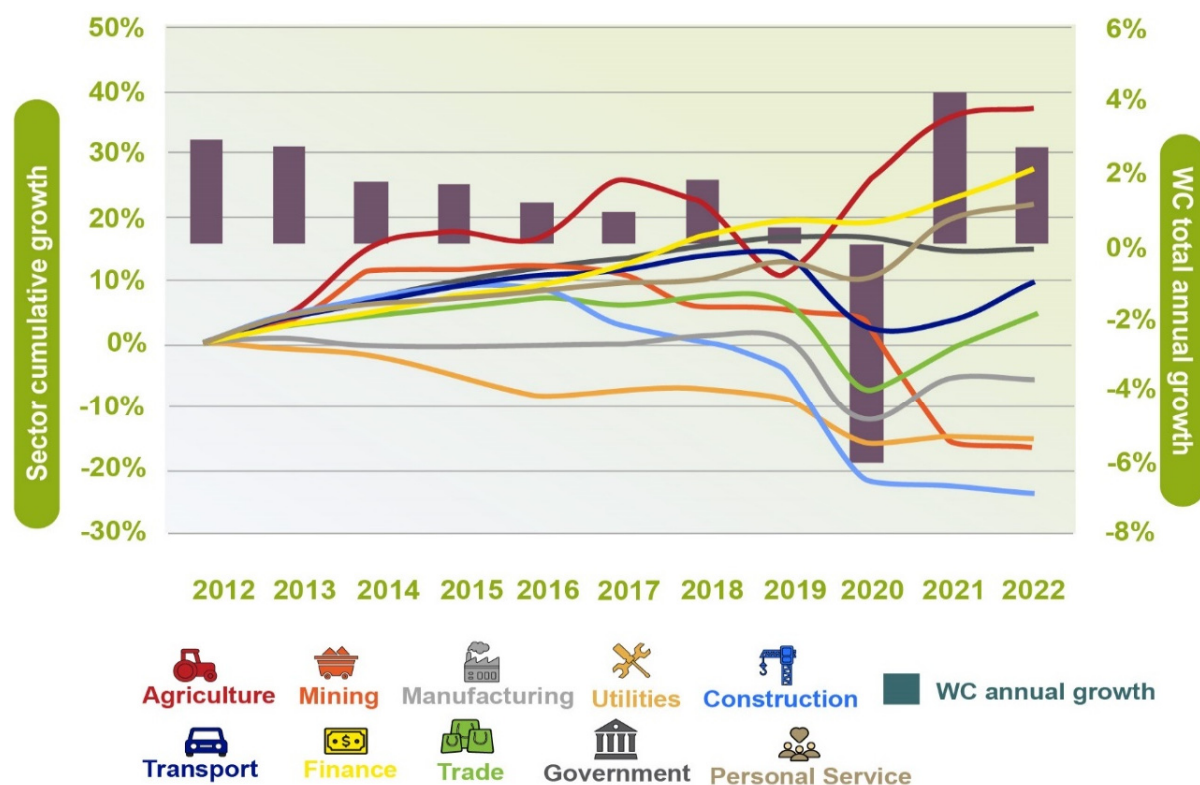


2.2 Developments in the Western Cape Economy

The Western Cape stands out as a service-orientated economy. Driven in part by its relatively large Finance sector, the Province has carved a unique niche with its flourishing tourism and renowned wine industry. Remarkably, in 2022, the Western Cape expanded its contribution to the national Gross Domestic Product (GDP) by 0.1 percentage points, reaching 14.3 per cent.

The structure of the Western Cape economy differs from the national economy in that the share of the Finance sector (32.1 per cent vs 26.1 per cent) is substantially larger, whilst the Mining (0.1 per cent vs 4.9 per cent) and Personal services (11.2 per cent vs 26.3 per cent) sectors make significantly smaller contributions to GDP. The Manufacturing sector's contribution to GDP is only slightly higher in the Province at 13.8 per cent vs 12.6 per cent in South Africa. The Finance sector is a primary driver of a service-based economy. It provides the free flow of capital and liquidity in the marketplace. When the sector is strong, the economy is able to grow at a faster pace.

Figure 2.1 Western Cape GDP Growth Rate, 2012 – 2022



Source: Quantec, Own calculations

The Western Cape economy expanded by an estimated 2.6 per cent in 2022, of which the Finance sector (1.2 percentage points) made the largest contribution, followed by the Trade (0.7 percentage points) and Transport sectors (0.5 percentage points). The relatively large contribution to growth in 2022 was due to a combination of the relative size of the sectors in 2021 (Finance 30.8 per cent; Trade 13.8 per cent, Transport 9.4 per cent) and their robust growth in 2022, (Finance 3.9 per cent; Trade 5.3 per cent, Transport 5.6 per cent). This was aided by a recovery from COVID-19 lockdown regulations as markets opened, allowing the Trade, Finance, and Transport sectors to bounce back from a low base.

Over the past decade, the Western Cape economy has expanded by 11.1 per cent, or at an average annual growth rate of 1.1 per cent. The bulk of the growth was contributed by the Finance sector (7.5 percentage points), followed by the Government (2.2 percentage points)

and Personal services sectors (1.4 percentage points). Over this period, the Agriculture sector (37.1 per cent) expanded at the fastest pace, followed by the Finance (27.5 per cent) and Personal services sectors (21.9 per cent). The success of the Agriculture sector can largely be attributed to its increased access to international markets, unique characteristics and phenomenal export growth over the same period. Major export markets for agriculture include Europe and the Far East. The Western Cape's unique characteristics include its winter rainfall pattern and fertile landscape.

The latest Global Financial Centres Index shows that, thanks largely to its improved Fintech ratings, Cape Town has toppled seven cities across the world to improve its rankings from position 62 in September 2021 to settle at number 54 globally in 2022. This improvement in rankings is an indication of a migration of skills and investment into the Province in the Finance sector.

The Western Cape is Africa's leading digital hub with the Cape Town/Stellenbosch tech eco-system being the most productive on the continent. Cape Town is also fast establishing a reputation as the Cloud Computing hub of Africa, with several new data centres currently being built. As Africa's tech capital, Cape Town and the Western Cape are home to numerous tech start-ups as well as established players. This is an ecosystem dedicated to creating value at the new frontiers of the tech world. The presence of major corporations in the local ecosystem, such as Amazon and SAP, have contributed to the development of highly skilled individuals who seek to broaden their horizons through moving back to work in; invest in; or mentor smaller high growth businesses. This has contributed to a dynamic and highly intra-connected tech ecosystem.

Break-out economic growth¹ in the Province has been severely constrained by structural energy, logistics, and mobility constraints linked to the Eskom energy crisis, Port of Cape Town inefficiencies, and the deterioration of the transport system (including rail), which are mostly governed and controlled at a national level. The energy crisis is discussed later in this chapter.

The Port of Cape Town ranked 344th out of 348 ports on the Container Port Performance Index for 2022. The Port is thus the 5th worst performing port in the World. The index measures average port hours per port call looking at the time elapsed from when the ship enters the port to when it departs its berth.



¹ "Break-out" economic growth is premised on decoupling the province's growth trajectory from that of the rest of the country.

MOBILITY

A functioning, safe, reliable, competitive and affordable system of mobility lies at the heart of economic growth, social transformation, job creation, well-being and safety for the Province. Investing in modernising and expanding public transport improves mobility and promotes economic growth, social inclusion, and a cleaner environment in the Western Cape. Public transport plays a pivotal role in fostering sustainable and accessible urban environments and is a fundamental part of dignity for the citizens of the Western Cape. The Western Cape faces the dual challenge of rapid urbanisation and increasing traffic congestion. The mobility problem within the Western Cape stems from a spatial distribution perspective with the nodes of economic activity far away from residential areas and limited autonomy. The current forms of public transport are via rail, bus and taxi.

The passenger rail system in the Western Cape is in crisis. This was once the backbone of the transport system, carrying over 600 000 passengers a day. It is now transporting a small fraction of this number, estimated to be fewer than 50 000 passengers a day (80 000 passenger trips daily). Rail lines are not operating (central line), and those that are working are often delayed or unsafe for commuters. Copper theft is another issue damaging the rail network along with the vandalism of trains. The current rail network in the Province is dilapidated and underinvested by PRASA. Overall, the rail system does not provide a safe and reliable transport system that links the rural to the urban nodes. Both of these constraints require massive infrastructure investments to improve performance.

The taxi industry generates R9 billion per annum, with around 15 000 legal minibus taxis in the Western Cape. The minibus taxi industry provides transport to almost one million passengers per day (over two million passenger trips per day). The taxi industry is currently an informal system with limited governance or oversight. On 3 August 2023, the South African National Taxi Council (Santaco) said its members should embark on an eight-day strike in the Province to protest what it described as the unfair impoundment of minibus taxis under the stipulations of the National Land Transport Act (NLTA). The taxi strike had a devastating impact on the economy. Approximately R5 billion was lost to the economy due to workers being unable to get to work and businesses shutting down, while the minibus taxi industry lost nearly R16 million per day. The strike ended with a resolution and agreement between the City of Cape Town, Western Cape and the taxi industry aimed at preventing further such strikes.

The bus system is supported by Golden Arrow Bus Service (GABS), the Bus Rapid Transport System in Cape Town and Go George. The GABS transports about 230,000 people per day. The Go George bus service conducts over four million passenger trips annually and currently covers 70 per cent of the households in George. The system transported a maximum of 13 700 passengers per day and reached 380 000 trips per month.

The MyCiTi Bus Rapid Transit (BRT) system has significantly improved public transportation in the City. MyCiTi was introduced to address the growing transportation needs of Cape Town's residents and visitors while aiming to reduce traffic congestion and promote sustainable mobility. MyCiTi buses operate in dedicated bus lanes, separate from regular traffic, ensuring faster and more reliable service. The MyCiTi network covers various parts of Cape Town, including the city centre suburbs, and extends to areas like Hout Bay and Atlantis. This extensive coverage helps connect people to key destinations. MyCiTi buses run on cleaner fuels or are electric, contributing to the reduction of greenhouse gas emissions in Cape Town. It is estimated that approximately 134 million passenger trips have been made on the MyCiTi service since its launch in May 2010 until December 2021. A total of 3 392 350 passenger trips were recorded on the MyCiTi bus service from 1 October 2021 to 31 December 2021.

The Western Cape's transportation and public transport are characterised by progress and ongoing challenges. While strides have been made in improving public transport infrastructure in urban areas like Cape Town, addressing transportation needs in more remote and rural regions remains a priority. Rural and less densely populated regions often have limited access to public transport, making private vehicles the primary mode of transportation. Efforts have been made to address these challenges through expanding public transport networks and initiatives promoting more sustainable modes of transportation, such as cycling and walking.

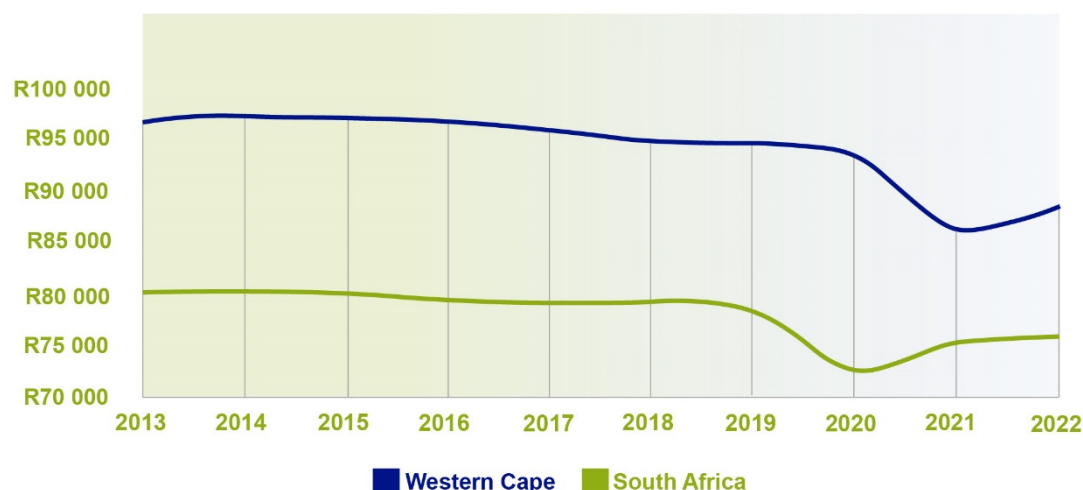
2.2.1 Sectoral performance

GDP per capita serves as an economic scoreboard, gauging a nation's prosperity and its citizens' average earnings.

Figure 2.2 exhibits a consistent decrease in real GDP per capita in the Western Cape from 2013 to 2022, implying that population growth in the region has outpaced real GDP expansion, potentially leading to a severe decline in the standard of living for certain segments of the population. During the COVID-19 lockdown period, GDP per capita declined considerably,

with economic growth slumping under restrictive conditions. A slight recovery in real GDP per capita has been observed recently, reaching approximately R88 513 in 2022, compared to R86 255 in 2021. The GDP per capita in the Province has tracked the national trend over the past 10 years, however it has averaged 20.5 per cent more per capita. In 2022, the differential was R12 624, or 16.6 per cent between the Western Cape and South Africa.

Figure 2.2 Real GDP per capita in the Western Cape, 2013 – 2022



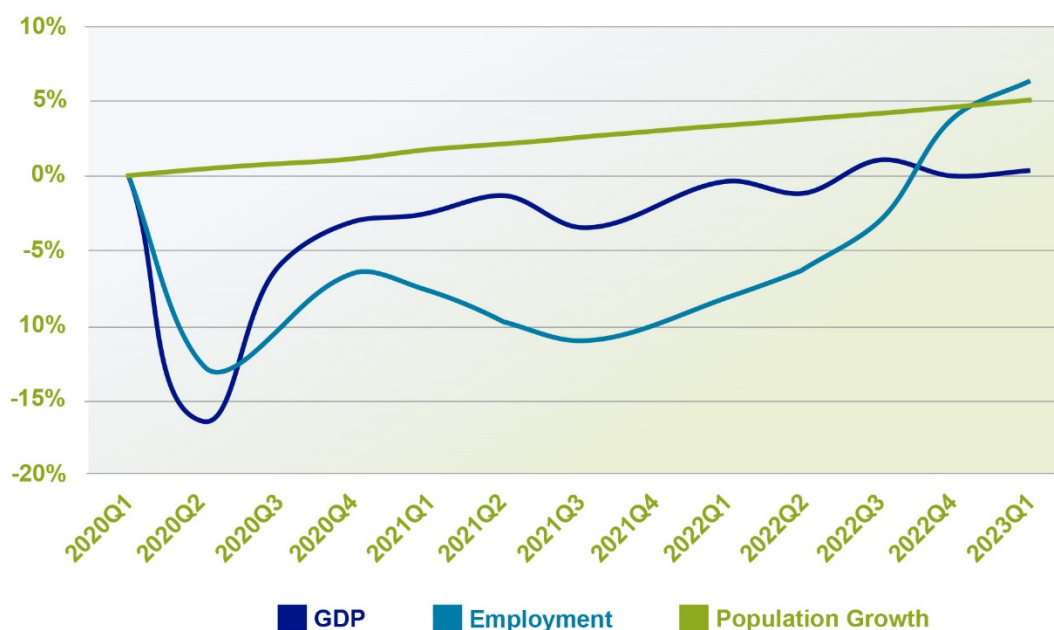
Source: Quantec, Stats SA, Own calculations

Despite this recent upturn, GDP per capita remains below the pre-pandemic level, signaling the persistence of economic challenges in the region.

Figure 2.3 compares the recovery of GDP and employment levels in the Western Cape from the first quarter of 2020 (pre-COVID-19) to the first quarter of 2023. GDP grew cumulatively by 0.3 per cent, while employment increased by 6.3 per cent during the same period. GDP finally recovered to pre-pandemic levels in the third quarter of 2022, while employment lagged slightly behind, recovering in the fourth quarter of 2022. The lag effect indicates that tackling employment will require consistent and sustained economic growth. The population growth rate indicates a continual stable growth well above GDP and employment growth, reinforcing the declining GDP per capita mentioned above.



Figure 2.3 Recovery of GDP and employment levels compared to Population growth in the Western Cape, 1Q2020 – 1Q2023



Source: Quantec, Stats SA, Own calculations, 2021

Employment has recovered strongly from the COVID-19 pandemic, highlighting the robustness and resilience of the Western Cape job market. The largest contributions to the employment recovery came from the Finance (2.8 percentage points), Personal services (2.0 percentage points), Manufacturing (1.7 percentage points), and Trade sectors (1.7 percentage points).

The Western Cape GDP recovered slightly faster than the national GDP reflecting a more resilient service-led economy. The largest contributions to the recovery of the Provincial economy are estimated to have come from the Personal services (1.0 percentage points), Transport (0.8 percentage points), and Finance sectors (0.3 percentage points).

2.2.2 Regional performance

The Western Cape's district municipalities each have specific economic characteristics and significance, as well as radiating their own unique charm. From diverse landscapes to economic contributions, these districts collectively define the Province's vibrancy and multifaceted identity, underscoring the Western Cape's distinctive place in South Africa.

As the largest regional economy in the Western Cape, the Cape Metro made, on average, the largest contribution to growth (0.7 percentage points) over the last decade, growing at 1.0 per cent. The Cape Metro is estimated to have expanded by 2.3 per cent in 2022, driven by a recovery in the Finance, Transport and Personal services sectors following the 2020 recession. The Cape Metro's fintech appeal along with the opening up of the market following tight COVID-19 regulations facilitated this growth.

Table 2.1 GDP at basic prices per Western Cape sectors and districts, 2013 - 2022

GDP Growth (%)												
Sector	Cape Town		West Coast		Cape Winelands		Overberg		Garden Route		Central Karoo	
	2013-2022		2013-2022		2013-2022		2013-2022		2013-2022		2013-2022	
	2022	(AVG)	2022	(AVG)	2022	(AVG)	2022	(AVG)	2022	(AVG)	2022	(AVG)
Total	2.3%	1.0%	1.8%	1.9%	2.5%	1.6%	2.9%	1.8%	3.0%	1.3%	2.5%	1.2%
Agriculture	-0.5%	4.2%	-1.0%	3.9%	-2.5%	3.2%	-2.9%	2.5%	-2.4%	2.7%	-2.6%	4.1%
Mining	-3.9%	0.7%	-7.4%	-0.4%	-3.9%	0.6%	-4.7%	0.8%	-5.2%	-0.7%	-2.0%	1.4%
Manufacturing	-0.8%	-0.6%	1.1%	1.6%	-1.9%	-1.3%	1.5%	2.3%	0.4%	0.7%	-0.2%	0.4%
Utilities	-3.8%	-2.2%	-4.8%	-3.5%	-2.7%	-0.6%	-3.0%	-2.0%	-3.4%	-2.3%	-1.5%	-1.0%
Construction	-4.7%	-2.7%	-6.6%	-2.8%	-4.0%	-0.9%	-3.8%	-2.3%	-6.3%	-3.8%	-7.8%	-3.6%
Trade	2.7%	0.2%	3.4%	0.7%	4.9%	1.6%	4.6%	1.3%	4.4%	0.2%	5.5%	-1.1%
Transport	8.8%	0.7%	9.5%	0.2%	11.4%	2.3%	11.9%	2.5%	10.7%	1.7%	9.1%	0.1%
Finance	3.0%	2.2%	4.0%	2.9%	5.0%	4.0%	4.4%	3.0%	4.8%	3.3%	3.2%	2.5%
Government	1.0%	2.2%	1.2%	2.2%	0.5%	1.5%	0.1%	1.3%	0.1%	1.2%	1.6%	2.7%
Personal Services	2.8%	1.5%	3.6%	2.4%	2.6%	1.3%	3.2%	1.9%	2.6%	1.3%	3.5%	1.6%

Growth Contribution (%)												
Sector	Cape Town		West Coast		Cape Winelands		Overberg		Garden Route		Central Karoo	
	2013-2022		2013-2022		2013-2022		2013-2022		2013-2022		2013-2022	
	2022	(AVG)	2022	(AVG)	2022	(AVG)	2022	(AVG)	2022	(AVG)	2022	(AVG)
Total	2.3%	1.0%	1.8%	1.9%	2.5%	1.6%	2.9%	1.8%	3.0%	1.3%	2.5%	1.2%
Agriculture	0.0%	0.1%	-0.2%	0.7%	-0.2%	0.3%	-0.3%	0.2%	-0.1%	0.1%	-0.4%	0.5%
Mining	0.0%	0.0%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Manufacturing	-0.1%	-0.1%	0.2%	0.3%	-0.3%	-0.2%	0.2%	0.3%	0.1%	0.1%	0.0%	0.0%
Utilities	-0.1%	0.0%	-0.1%	-0.1%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.0%	-0.1%	0.0%
Construction	-0.2%	-0.1%	-0.2%	-0.1%	-0.2%	0.0%	-0.2%	-0.1%	-0.3%	-0.2%	-0.2%	-0.1%
Trade	0.4%	0.0%	0.4%	0.1%	0.7%	0.2%	0.7%	0.2%	0.6%	0.0%	0.6%	-0.2%
Transport	0.8%	0.1%	0.5%	0.0%	0.8%	0.2%	1.0%	0.2%	0.8%	0.1%	1.0%	0.0%
Finance	1.0%	0.7%	0.6%	0.4%	1.2%	0.9%	1.1%	0.7%	1.5%	0.9%	0.4%	0.3%
Government	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%	0.0%	0.1%	0.0%	0.1%	0.2%	0.3%
Personal Services	0.5%	0.3%	0.6%	0.4%	0.5%	0.2%	0.5%	0.3%	0.4%	0.2%	1.0%	0.5%

Note: GDP at basic prices

Source: Quantec, Own calculations

The West Coast District is renowned for its scenic coastline, vast farmlands, and wildflowers. Between 2013 and 2022, the West Coast District boasted the highest average growth rate (1.9 per cent) in the Province, with the Agriculture (0.7 percentage points), Finance (0.4 percentage points), and Personal services sectors (0.4 percentage points) making the largest contributions to this growth. As this District's main exports include citrus and wine, it is heavily influenced by movements in the Agriculture sector. It also has a large tourism industry with cultural and natural wonders that impact on the Personal services sector.

In 2022, the Garden Route was the fastest growing district (3.0 per cent), mainly due to the growth contributions from the Finance (1.5 percentage points), Transport (0.8 percentage points), and Trade (0.6 percentage points) sectors. The Transport sector recorded the highest growth rate (10.7 per cent) in the District. The large impact of the Finance sector can be ascribed to, in part, an increase in the acquisition of properties such as land or housing in the District, which increases the demand for cash and risk management services. The Trade and Transport sectors were boosted by the easing of lockdown restrictions, which allowed for the operation of the hospitality sector as well as increased tourism in the District.

The Construction sector contracted across all the districts in 2022 and over the past decade. This can be linked to rising interest rates and the impact of the pandemic. The significant expansion in the Transport sector in 2022, among all districts, can be attributed to a continued resurgence of international tourism and trade in 2022, which supported airport and freight revenue as well as substantial investments and expansion in 5G population coverage. This refers to the percentage of inhabitants living within the range of 5G mobile-cellular signal, irrespective of whether or not they are mobile phone subscribers or users.

In 2022, the Finance sector was the most influential sector across the majority of the districts in the Western Cape, except for the West Coast and Central Karoo districts where the Agriculture and Personal services sectors provided the largest share of total GDP respectively. The Finance sector's strong influence is largely due to the attractiveness and development of the Province as South Africa and Africa's top financial hub.

Table 2.2 Sector contribution to total district GDP in 2022

	Cape Metro	West Coast	Cape Winelands	Overberg	Garden Route	Central Karoo
Agriculture	1.5%	22.2%	9.3%	10.7%	5.3%	15.5%
Mining	0.1%	0.7%	0.1%	0.1%	0.2%	0.0%
Manufacturing	13.2%	17.8%	13.5%	12.4%	12.5%	2.3%
Utilities	1.7%	1.2%	1.4%	1.5%	1.8%	3.4%
Construction	3.2%	2.9%	4.1%	4.7%	3.7%	2.8%
Trade	13.4%	12.9%	15.1%	15.7%	14.5%	11.3%
Transport	9.4%	6.0%	7.7%	8.8%	8.5%	11.3%
Finance	32.8%	14.7%	25.3%	25.6%	31.3%	12.8%
Government	5.6%	5.5%	5.2%	4.4%	4.9%	10.9%
Personal Services	18.9%	16.2%	18.4%	16.2%	17.3%	29.7%

Source: Quantec, Own calculations

MUNICIPAL ECONOMIC REVIEW AND OUTLOOK (MERO)

The Municipal Economic Review and Outlook (MERO) is an annual research publication produced by the Provincial Treasury of the Western Cape Government. It is a companion document to the PERO aimed at informing policymakers at municipalities on key economic issues that affect policy, planning and budgeting. It will be published on the 21st November 2023.

2.3 Fixed Investment

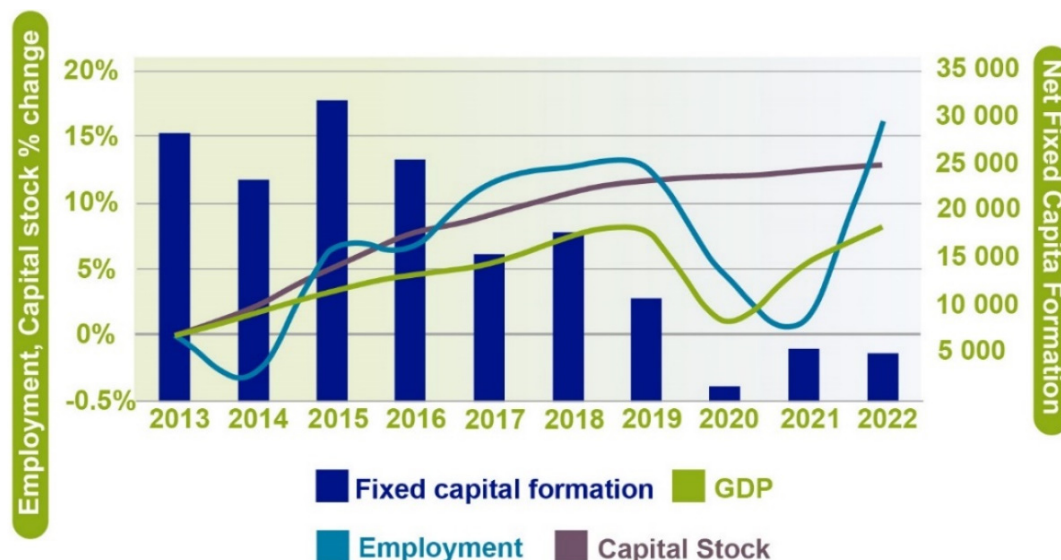
Fixed investment plays a pivotal role in fuelling economies, shaping their forward momentum, and turning today's visionary ideas into tomorrow's tangible and enduring realities. Fixed investment drives GDP growth, which in turn propels employment growth.

Over the past decade (2012 - 2022), capital stock increased at a diminishing rate. In the first five years of the decade, Capital stock expanded three times faster than in the latter five years of the decade. The diminishing rate of growth in capital stock can be seen in the declining trend in net fixed capital formation since 2018 (Figure 2.4). A major cause for this shift can be attributed to reduced business and investor confidence.

The link between Fixed investment, measured by the change in Capital stock, and GDP and employment is evident when the first five years of the decade are compared with the last five years. The added value of real GDP and employment was respectively 3 times and 3.7 times more in the first five years of the decade than the latter. This can be linked to the lockdown and stringent COVID-19 regulations, during 2020 and parts of 2021, which weighed down on GDP and employment.

Major factors that influenced Fixed investment into the Western Cape since 2018 include a weaker underlying national economy mainly brought about by increased loadshedding, the 2020 recession caused by COVID-19 lockdown measures, and rising inflation and lending rates since November 2021.

Figure 2.4 Cumulative change in Fixed Capital formation, Capital Stock, GDP and Employment in the Western Cape, 2013 – 2022



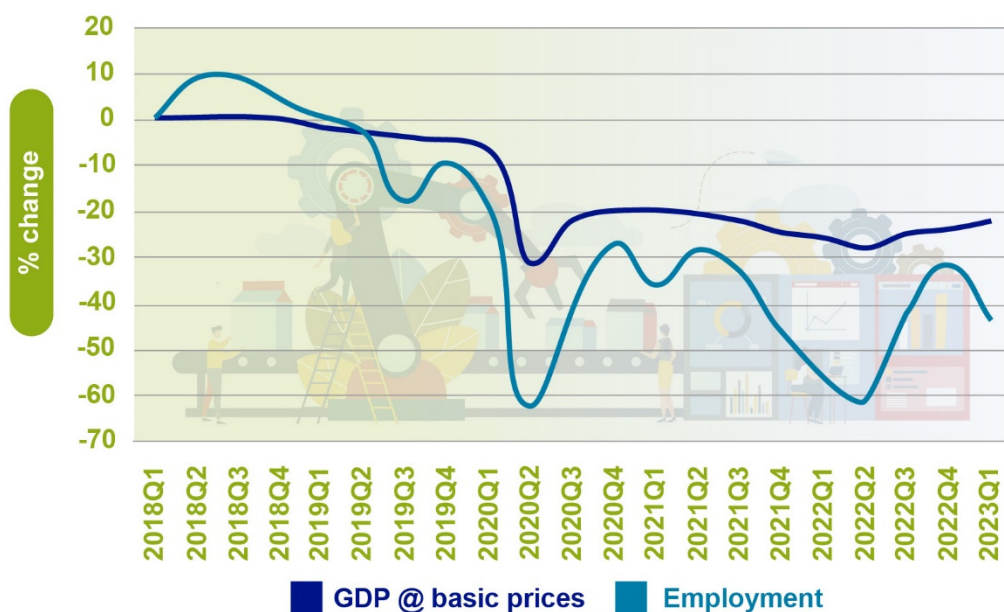
Source: Quantec, Own calculations

Investment in buildings is pivotal in driving Fixed investment. They turn creative blueprints into actual assets and shape the very skyline of economic progress. The importance of buildings and construction as a means of Fixed investment is underlined by its significant share (74.9 per cent) of Capital stock in 2022.

The diminishing increase in Fixed investments had a detrimental impact on the Construction sector in the Western Cape, with significant contractions in the Construction sector's GDP (22.4 per cent) and employment (21 per cent) between the first quarters of 2018 and 2023 (Figure 2.5). The bulk of the decline for both Construction GDP and employment occurred from the second quarter of 2020, when COVID-19 lockdown measures were implemented.

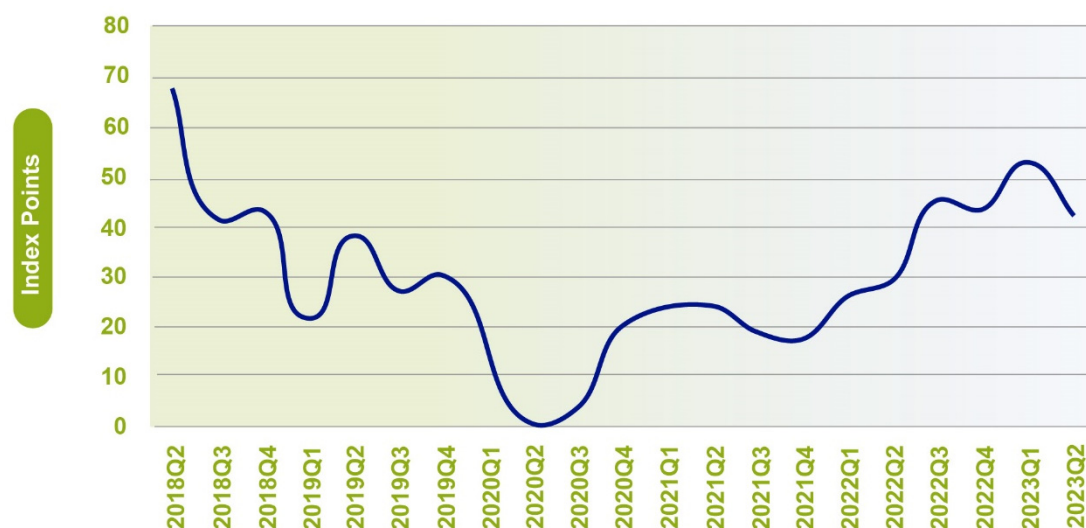
By the first quarter of 2023, the Construction sector's GDP (-16.7 per cent) and Employment (-9.7 per cent) were still substantially lower than pre-COVID levels. Rising interest rates and a lackluster economy dampened the Sector's recovery from COVID-19 lockdown measures since November 2021.

The Building and Construction Confidence Index measures sentiment and expectations in the Building industry and Construction sector. The index is based on a survey of key players in the industry, such as architects, engineers, contractors, and material suppliers. It asks them to rate their expected business conditions for the next six months from 0 to 100, where 0 is the worst, and 100 is the best conditions. The scores are then aggregated into an overall confidence index for the sector. A level of 50 indicates neutral sentiment.

Figure 2.5 Western Cape Construction Sector GDP and Employment, 1Q2018 – 1Q2023

Source: Quantec, Own calculations

Prior to COVID-19 the business confidence of the Construction sector exhibited a declining trend in the Province, reaching 15 per cent in the first quarter of 2020. However, business sentiment in the Construction sector has been increasing since the third quarter of 2020. By the second quarter of 2023, 42 per cent of the Sector had a positive business outlook, although the improved outlook is yet to materialise in GDP and employment for the Construction sector.

Figure 2.6 BER-RMB Building and Construction Confidence Index for the Western Cape, 2Q2018 – 2Q2023

Source: Quantec

2.3.1 Greenfield Investments

Greenfield investments represent a cornerstone of economic expansion, establishing brand-new ventures on previously undeveloped lands and directly contributing to sustained economic growth and modernisation. Greenfield investment refers to a type of Foreign Direct Investment (FDI) where a company establishes new operations in a foreign country from the ground up.

In 2022, the Western Cape received R13.3 billion in Greenfield investments that created 2 315 employment opportunities, which is 0.7 per cent of the jobs created in the Province for the year. Greenfield investments received in 2022 were 25 per cent higher than the average over the last decade but 17.1 per cent lower than the peak in 2019.

Table 2.3 Greenfield Investments in the Western Cape, 2013 - 2022

Year	Projects	Capex (Rbn)	Avg Capex	Jobs created	Avg jobs	Companies
2013	40	11.05	276.12	3 539	88	39
2014	34	4.81	141.13	1 508	44	34
2015	32	11.57	362.02	1 047	32	32
2016	25	9.20	368.16	774	30	25
2017	27	11.27	417.25	1 386	51	27
2018	21	12.61	599.79	932	44	18
2019	29	16.03	552.24	1 672	57	29
2020	20	3.30	164.14	882	44	20
2021	28	13.23	472.47	3 487	124	27
2022	42	13.28	316.00	2 315	55	40
	298	106.37	357.42	17 542	58	273

Source: fdi Markets

Between 2013 and 2022, Renewable energy accounted for 10.9 per cent of Greenfield investments, or R11.575 billion, the 4th largest industry in terms of FDI. The top three industries for Greenfield investments were the Communications industry with R32.974 billion (31.0 per cent of FDI), Business services with R22.198 billion (20.9 per cent), and Software and IT services with R11.663 billion (11.0 per cent). The Western Cape is home to a booming Financial and IT services hub which is showcased by combined FDI inflows of R37.719 billion over the past 10 years.

The scale of Fixed investment required to make a significant impact on break-out growth and unemployment is substantial. As an indication, the average amount of Greenfield investment required to create one job was R5.741 million in 2022. This is due to the complexity in planning a Greenfield investment, long-term commitment, and intensive capital that is required to get it off the ground.

2.4 Energy Resilience in the Western Cape

Across South Africa and similarly in the Western Cape, loadshedding has become a persistent challenge, casting a shadow over daily life for its residents. The Province has been grappling with the recurrent disruption of electricity supply due to a nationally overstrained power grid and inadequate infrastructure. As a result, scheduled power cuts to perform planned maintenance along with unplanned maintenance (or breakdowns) have become the norm to prevent a complete collapse of the energy system.

The Western Cape is estimated to have lost between R48.6 billion and R61.2 billion in real GDP since loadshedding was first introduced. In 2022, the real GDP lost to the Western Cape was estimated at R8.2 billion. The estimated cost of loadshedding on the Western Cape's economy,

in stage 4, amounts to R43 million per day, and at higher stages, the costs can increase significantly as some companies' outputs drop to zero.

Sustainable Energy Africa and the Department of Economic Development and Tourism (DEDAT) conducted stakeholder engagements with 84 high electricity users owning a combined 150 industrial and commercial facilities located in all 25 municipalities in the Western Cape, as well as direct engagements with each of the municipalities. Data gathered from these engagements was used, along with other sources of data, to build a high-level predictive model that investigates various growth scenarios in the energy sector.

The study showed that loadshedding has a severe impact on the viability and growth of businesses in the Western Cape, with about 9 per cent of the surveyed businesses at high risk of insolvency due to power cuts. To adapt to electricity insecurity, 98 per cent of businesses have invested in diesel backup generators. Purchasing and operating generators can cost up to five times more than purchasing electricity from the utility, leading to increased operation costs and reduced profit margins.

The modelling showed that provincial final electricity consumption is expected to grow in response to economic and population growth, with an average annual growth rate of 0.7 per cent to 2.1 per cent through to 2040, in a low and high growth scenario respectively. However, municipal direct sales of electricity have been on a steady decline, particularly in Cape Town. Electricity sales to high consumption users are expected to decrease even further, with projections of up to an 83 per cent decline by 2040 in the low growth scenario, attributable to the increased adoption of embedded generation installations and wheeling. Other factors such as increasing electricity prices, fuel switching, energy efficiency, and loadshedding have also largely contributed to the observed trends.

In the Province, 25 municipalities have seen a remarkable surge in embedded generation installations, with many experiencing year-on-year growth of 100 per cent. Embedded generation installed capacity from high electricity users is poised to see rapid growth of between 258 per cent to 400 per cent in the low and high growth scenarios respectively, as businesses respond to power disruptions, increases in wholesale and retail electricity tariffs, more favourable legislative environments and the reducing costs of solar PV technology.

Households are a key contributor to electricity demand in the Province, accounting for 36 per cent of total municipal electricity sales and are projected to increase to 54 per cent by 2040 in the high growth scenario.

SOLAR SURGE IN WESTERN CAPE: BIG MOVES, BIGGER IMPACT!

Solar energy is on the rise in Western Cape with two significant projects announced in July 2023. In response to an embattled Eskom, private-sector players are seeking renewable alternatives. Touws River will host three 75MW solar PV farms. Additionally, Atlantis Foundries and Energy Partners have collaborated on the Province's most extensive embedded solar project, set to save over 22 000 tons of CO₂ emissions annually. This initiative, producing electricity worth R35 million yearly, will start in May 2024. Another partnership involving Prescient Investment Management and H1 Holdings is investing R220 million in a Grootfontein solar farm, that aims to be operational by 2025. This investment could power 100 000 homes. H1 Holdings, in collaboration with Scatec Solar and a community trust, was awarded the project through the Department of Mineral Resources' REIPPP programme.

Source: Moneyweb

The Agriculture sector is a vital contributor to the Provincial economy and loadshedding has had a significant impact on this sector. While the Cape Metro is responsible for approximately 70 per cent of the 19.2 terawatt-hour (TWh) electricity use in the Province, use by primary production and agro-processing was estimated at approximately 2 TWh per annum (10.4 per cent).

Intensive livestock operations are primarily situated in Swartland, Hessequa, Drakenstein, Cape Metro, Swellendam, and George municipalities. The biggest electricity demand for irrigation purposes is in the Witzenberg, Langeberg, Breede Valley, Oudtshoorn, Theewaterskloof and Cederberg municipalities, where 80 per cent of the demand for electricity is from October to March every year.

Significantly, 90 per cent of agriculture producers are dependent on Eskom as their primary, or only, source of electricity, while some businesses have already started investing in alternative energy sources. The risk posed by interruptions in electricity supply in the livestock industry is very high, but the impact on volume, area and jobs is even greater in the horticulture industry, with small and informal businesses being more vulnerable.

The operational cost equivalent of running uninterrupted for a full year at stage 6 loadshedding, when switching to diesel generators or solar PV and Lithium-ion for this sector, will demand spending of R3.95 billion to R4.08 billion per annum.

Figure 2.7 Electricity generated and available for distribution by Eskom in the Western Cape, 2013 – 2022



Source: Quantec, Own calculations

In the last decade, electricity generated and available for distribution from Eskom to the Western Cape has been declining substantially. In 2022, Eskom distributed 16.9 per cent less electricity to the Western Cape than in 2013. This equates to 3 920 GW-hours less electricity from Eskom and is equivalent to a 2 148 MW solar electricity generation capacity shortage, provided that an average of 5 hours of peak sunlight can be reached and that the demand remains the same as in 2013.

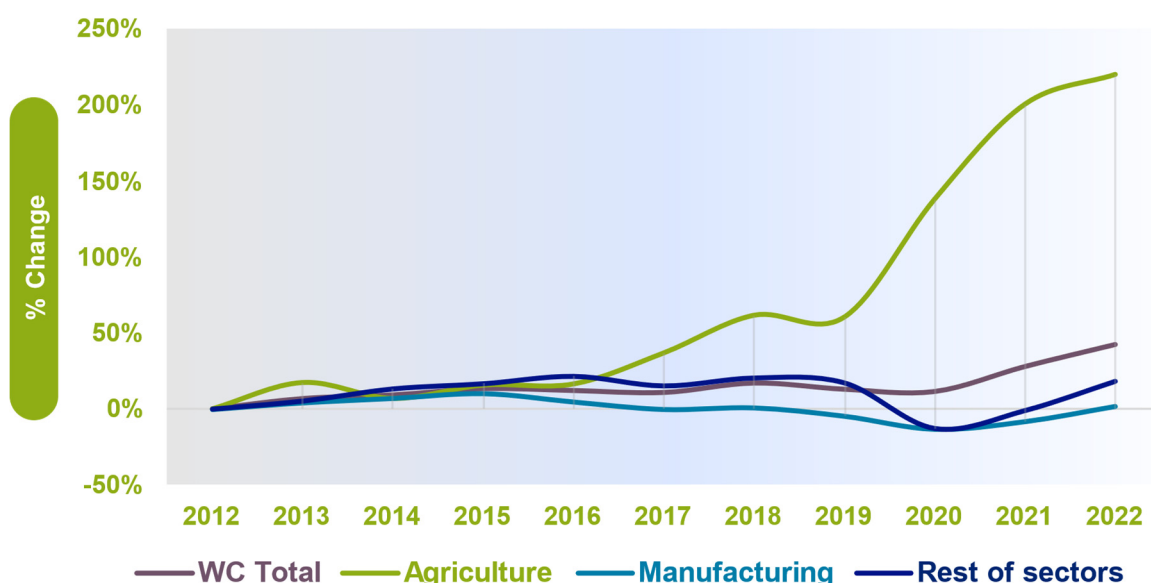
Renewable energy projects in South Africa cannot connect to the grid because of a lack of grid capacity and chronic underinvestment by Eskom. Only six of the 56 bids submitted during Bid Window 6 have attained preferred bidder status as a direct result of grid constraints in the Western and Northern Cape. The grid in these areas can only carry limited load, which is insufficient for large-scale projects. Eskom cannot expand the grid by itself due to its financial constraints and poor track record with large infrastructure projects.

By using the largest solar power project in Africa, the Northern Cape's Jasper project, as a cost guideline, the estimated cost of resolving the 2022 shortage from the 2013 baseline via solar project investments is R81.2 billion. This is assuming the project could produce energy consistently and at the time it is needed.

2.5 International trade

The Western Cape boasts a thriving international trade landscape. Its strategic location, ports, and diverse industries have enabled the Province to forge global partnerships. Through agricultural products, wines, and manufacturing goods exports, the Western Cape plays a crucial role in South Africa's economic growth, fostering regional integration and expanding global connections.

Figure 2.8 Cumulative growth of real exports per sector in the Western Cape, 2012 – 2022



Source: Quantec, Own calculations

Between 2012 and 2022, the Western Cape witnessed a notable cumulative export growth of 42.4 per cent. The Agriculture sector, which accounts for more than half of South Africa's exports, was the primary driver, recording a remarkable 219 per cent growth, while the Manufacturing sector experienced slower progress at 2.0 per cent.

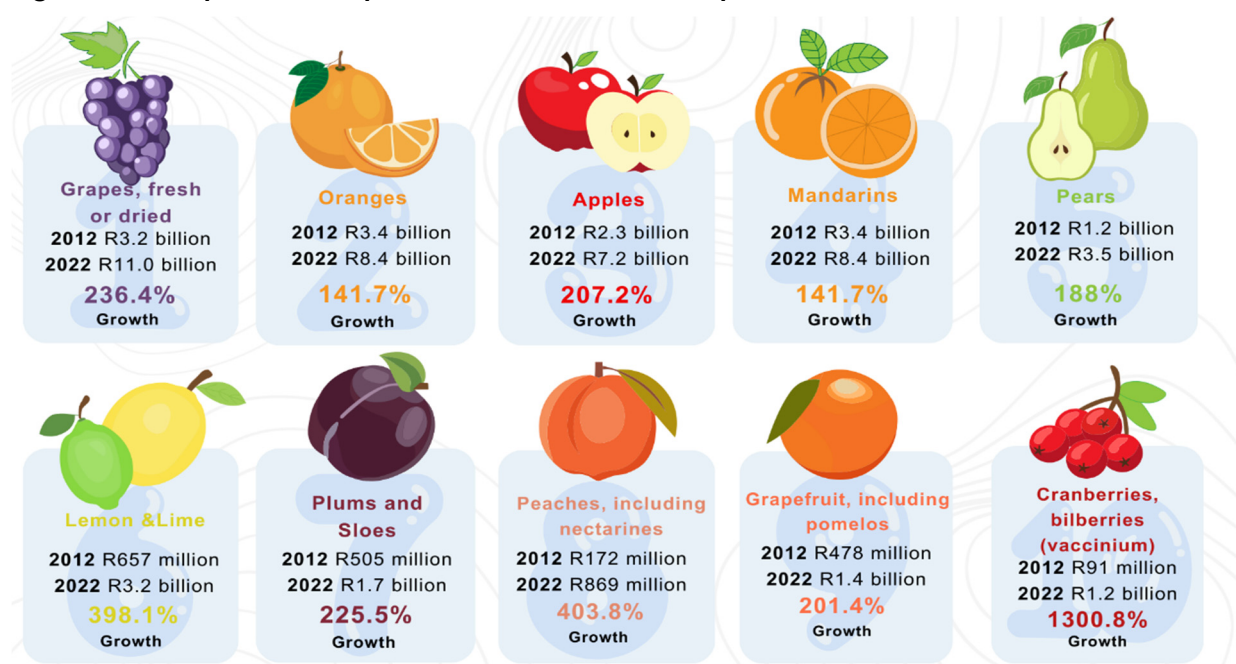
The favourable climate, advanced farming techniques, and market diversification, fueled agricultural exports despite periodic hindrances such as droughts and currency volatility. Conversely, the Manufacturing sector's sluggish growth can be attributed to heightened competition, weaker productivity and the global economic slowdown. The impact of energy and logistics constraints are also notable impediments to growth within this sector.

The Western Cape is renowned for its flourishing fruit exports, contributing significantly to South Africa's agricultural success. The region's diverse climate and fertile land supports cultivating various fruits harvested during different seasons, allowing for year-round exports. Modern farming practices, advanced post-harvest technologies, and stringent quality control measures ensure that the exported fruits meet international standards, gaining the trust of global consumers and expanding the region's market reach. Post-harvest technology includes controlled atmospheres that control the concentration of atmospheric gases to store fruit at low oxygen levels. There are significant benefits to these technologies such as extended

storage life, protection from certain post-harvest diseases, better fruit firmness and even taste enhancement.

From 2012 to 2022, the top ten fruit exports from the Western Cape exhibited remarkable cumulative growth, surpassing 100 per cent. Particularly noteworthy was the extraordinary surge in cranberries, bilberries, and other fruits of the genus *Vaccinium*, which experienced a substantial growth rate of 1 300.8 per cent. Notably, mandarins, previously absent from the export list in 2012, emerged as a significant fruit export, constituting 3.4 per cent of the total commodity exports during the stated period.

Figure 2.9 Top 10 fruits exported from the Western Cape, 2012 and 2022



Source: Quantec, Own calculations



The challenges that confront the fruit industry include a surge in farming input costs and transport expenses alongside very large shipping price increases, with over a 500 per cent increase in freight rates for a standard 12 meter container between 2020 and 2022², and port constraints, rendering commercial viability unattainable for numerous growers. Input costs have been driven up by significant increases in the prices of fuel, fertiliser, transport, and feed linked to a weakening exchange rate and global geopolitical impacts. According to the Fresh Fruit Portal, the introduction of False Coddling Moth (FCM) regulations by the European Union during the midseason, coupled with decaying public infrastructure and an unreliable electricity supply, further compounded industry woes and will negatively affect the 2023 season.





















Figure 2.10 illustrates major shifts in the Western Cape's largest trading partners between 2013 and 2022. On the import side, the United Arab Emirates

² Cargo Compass South Africa SA, 2022.

significantly grew its share of the Province's imports from 1.8 per cent to 11.4 per cent, while Saudi Arabia's share dropped sharply from 21.7 per cent to 7.3 per cent. The rise in China's share of imports reflects its increasing dominance as a source of manufactured goods globally, while the decline in Saudi Arabian imports may relate to fluctuations in oil trade.

The entrance of Oman, Turkey, and Malaysia in the top 10 import markets shows that the Western Cape is diversifying its non-African trade partners. On the export side, the traditional top export destinations like the United Kingdom (UK), United States of America (USA), Netherlands and Botswana remained at the forefront. The drop-off of African markets like Namibia and Mozambique indicates that intra-continental trade faced challenges over the decade. These challenges include tariff and non-tariff barriers, and poor infrastructure.

Figure 2.10 Top 10 Import and export markets for the Western Cape, 2013 – 2022

TOP 10 IMPORTS				TOP 10 EXPORTS			
	2013	2022	% difference		2013	2022	% difference
 China	12.1%	15.9%	▲ 3.8	 Netherlands	9.6%	9.1%	▲ 2.1
 United Arab Emirates	1.8%	11.4%	▲ 9.5	 United States	3.7%	8.2%	▲ 4.5
 India	8.0%	11.2%	▲ 3.2	 United Kingdom	6.9%	6.8%	▼ -0.1
 Saudi Arabia	21.7%	7.3%	▼ -14.4	 Botswana	7.4%	6.6%	▼ -0.8
 Oman	0.1%	6.3%	▲ 6.3	 Namibia	10.1%	6.5%	▼ -3.7
 Turkey	0.7%	3.4%	▲ 2.7	 China	2.0%	5.5%	▲ 3.5
 Italy	2.3%	3.0%	▲ 0.7	 Germany	3.9%	2.9%	▼ -1.0
 Malaysia	0.6%	2.6%	▲ 2.0	 United Arab Emirates	2.3%	2.8%	▲ 0.6
 Germany	3.5%	2.5%	▼ -1.0	 Mozambique	3.9%	2.3%	▼ -1.6
 United States	2.2%	2.5%	▲ 0.3	 Lesotho	2.0%	2.3%	▲ 0.3

Source: Quantec, Own calculations

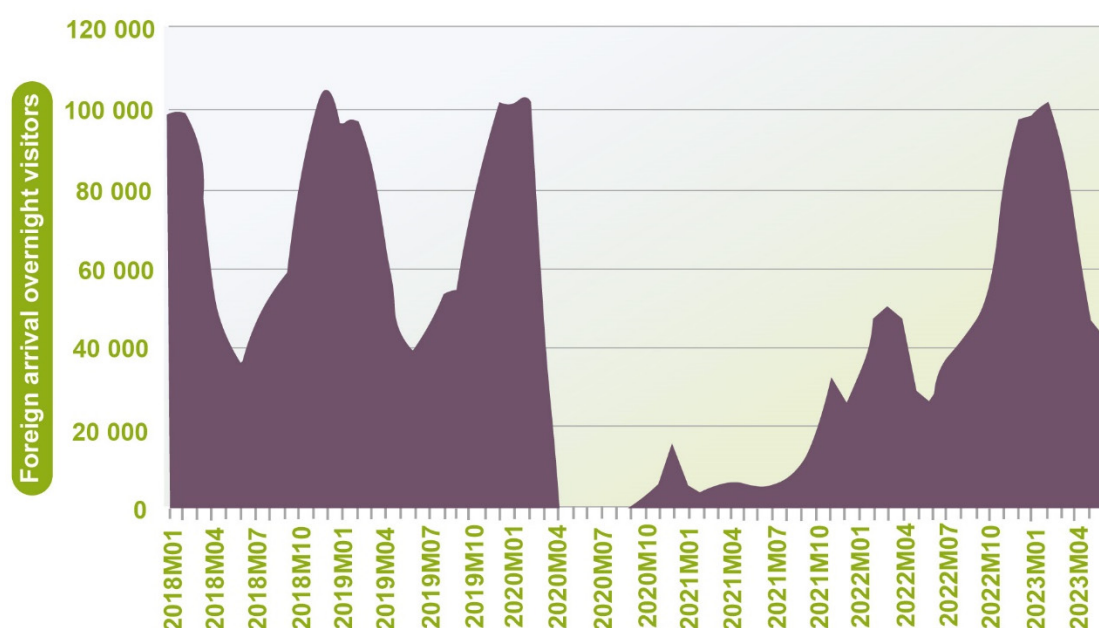
2.6 Tourism

The Western Cape experienced a successful festive season, extending into January 2023, reflecting positive recovery and promising growth in aviation and tourism for the year ahead.

Despite the challenges of the COVID-19 pandemic, the Tourism and Hospitality industry demonstrated remarkable resilience and expansion, contributing to job creation in the Province. Between June 2022 and June 2023, notable attractions, including Cape Agulhas Lighthouse (92.0 per cent), Table Mountain National Park, and Boulders Beach (61.0 per cent), recorded substantial year-on-year growth rates (Wesgro, 2023).

Hermanus, Stellenbosch, and Cape Town were recognised among the top 50 most loved global destinations in the Tourism Sentiment Index (TSI). Hotel occupancy in the Western Cape in December 2022 also showed a full recovery rate of 106 per cent compared to December 2019 (68.1 per cent).

Figure 2.11 International overnight tourist arrivals at Cape Town International Airport, January 2018 – April 2023

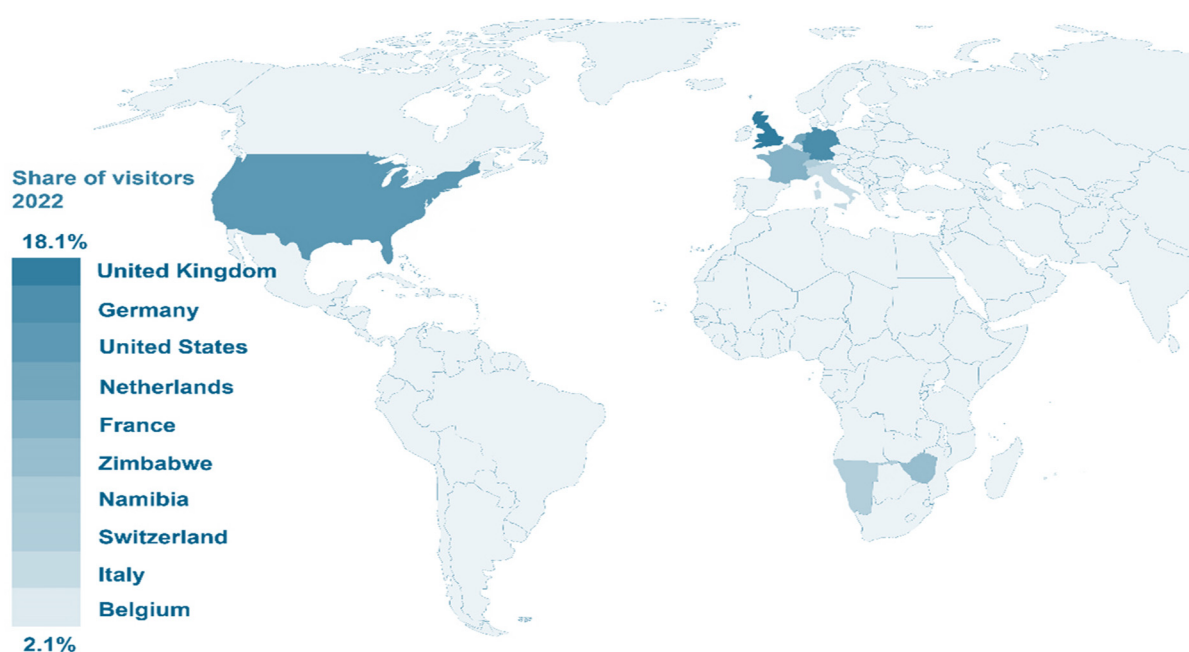


Source: Wesgro

Figure 2.11 shows the severe but temporary impact of COVID-19 travel restrictions on international tourists arriving in Cape Town by air when arrivals plunged around 95 per cent in mid-2020 during strict lockdowns and border closures globally.

The recovery started in late 2020 and gained momentum in 2021 as restrictions eased and pent-up demand for travel was unleashed. By late 2022, arrivals exceeded pre-pandemic levels, illustrating the resilience of Cape Town's global popularity as a tourist destination.

Figure 2.12 International overnight tourist arrivals at Cape Town International Airport, 2021 – 2022



Note: For more information, see Table 2.5 in the annexures

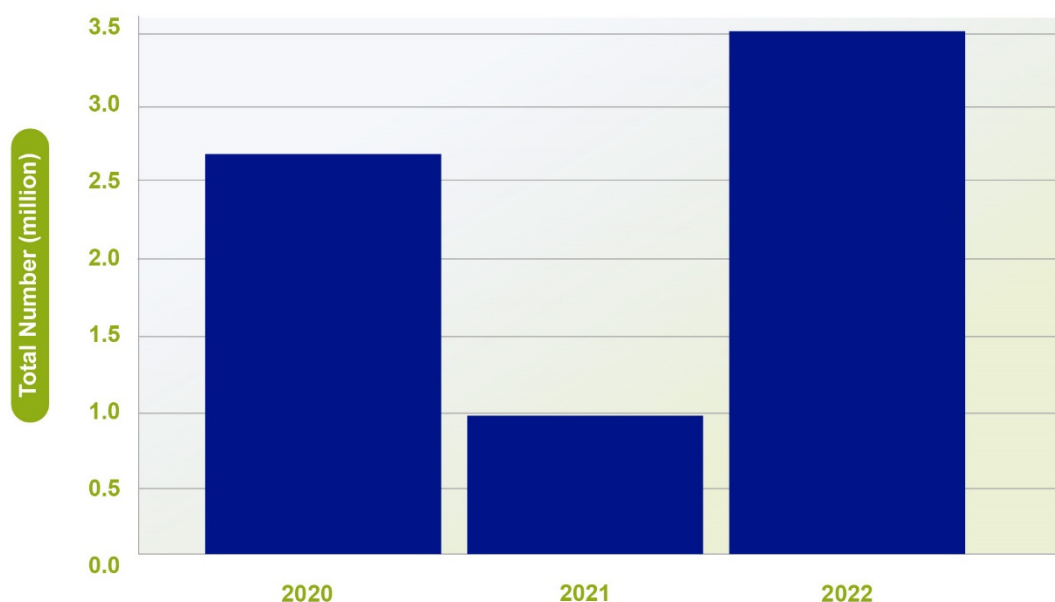
Source: Quantec, Own calculations

As travel restrictions eased, the UK regained its position as the leading source market, doubling its share from 9.0 per cent to 18.1 per cent. Germany remained the second-largest market, while Belgium and France experienced a slight decline in share. Switzerland and the Netherlands recorded significant drops, suggesting a cautious approach to international travel during the pandemic reopening, with reduced connecting flights through European hubs like Zurich.

The decline in the share of African countries like Zimbabwe and Namibia is mainly due to having fewer restrictions in 2021, thus accounting for a larger share of visitors. However, the number of visitors from both countries increased between 2021 and 2022. Italy's increased share indicates pent-up demand from that market.

Since September 2022, Cape Town Air Access (Wesgro) has added five new airlines to the Cape Town International Airport schedule and two new routes. This has contributed to a 100 per cent and above passenger recovery from January 2023 onwards, compared to 2019 levels. The airport was served by 21 airlines flying to 27 destinations globally, with 199 flights per week during the 2022/23 summer season.

Figure 2.13 Domestic trips to the Western Cape, 2020 – 2022



Source: SA Tourism, 2021

In 2022, the Western Cape witnessed a remarkable surge in domestic tourism, recording 3.4 million trips, an impressive 290 per cent year-on-year increase, as reported by Wesgro. This can, in part, be attributed to a successful domestic tourism marketing campaign combined with a recovery in the economy and relaxation of COVID-19 restrictions. This recovery came after a challenging period, where between 2020 and 2021, domestic trips deteriorated by 66.5 per cent.

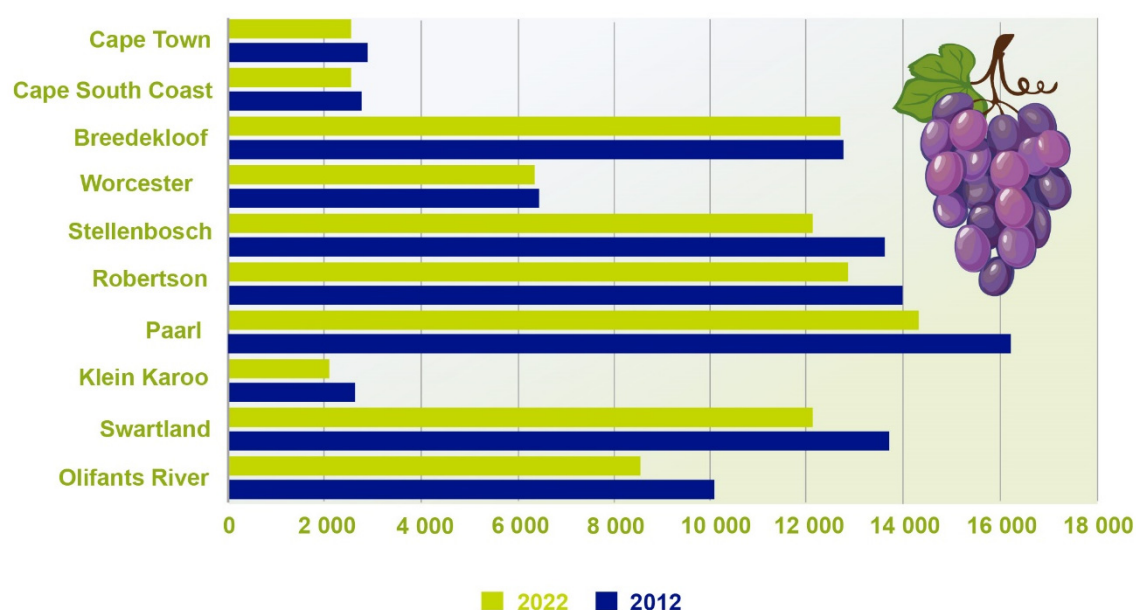
2.7 The Wine Industry in the Western Cape

Wine is the Western Cape's third most significant export product, contributing 6.5 per cent to the Province's export value. With approximately 45 610 people engaged in primary production; it supports the livelihoods of 228 053 individuals. The industry's iconic nature is attributed to its close linkages with the tourism sector, fostering a symbiotic relationship.

Between 2012 and 2022, there has been a notable decline in the area allocated to wine grape cultivation, with the most substantial reductions observed in the Klein Karoo (-20.8 per cent), Olifants River (-15.0 per cent), and Swartland (-11.8 per cent) regions.

This decline can be partly attributed to the severe droughts in certain regions, such as the Olifants River Valley, where farmers had to contend with a mere 16 per cent of their typical irrigation water allocation during the 2017/18 season. This significant water scarcity presented formidable challenges to the viticulture sector, requiring adaptive measures to navigate the adverse climatic conditions. Other emerging reasons include shifts in market demand, changes in land use patterns, and economic considerations impacting the viability of wine grape cultivation in these specific areas.

Figure 2.14 Geographical distribution of wine grape hectares per WC wine region, 2012 vs 2022



Source: South African Wine Industry Information and Systems

Amidst the early phases of the COVID-19 lockdown, the South African wine industry adopted a unique approach among major wine-exporting nations, prohibiting the exports of wine. This decision inadvertently facilitated the transfer of market share to competitor countries, offering them an advantageous opportunity to expand their presence in the global wine market.

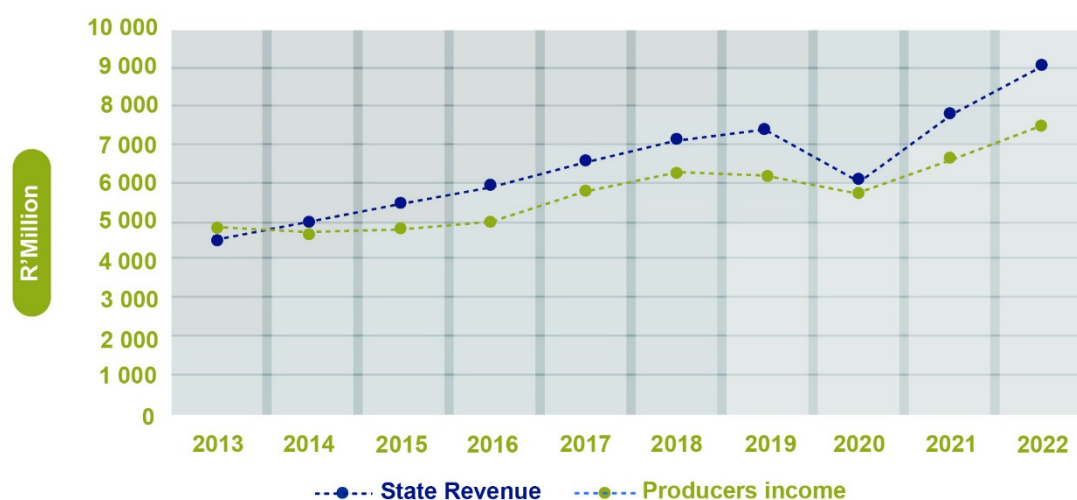
Figure 2.15 Total exports of wine for South Africa, 2013 – 2022

Source: South African Wine Industry Information and Systems

Over the past decade, South African wine exports experienced a declining trend. In 2022, wine exports from South Africa were at 368.7 million liters, 29.9 per cent lower than in 2013. The decline in wine exports can be partially attributed to reduced wine consumption globally, driven by lower per capita wine consumption in major wine drinking countries such as France and Italy, while total wine production remained stable (BFAP, 2021).

In recent years, the wine industry has faced a pronounced decline in profitability. Official statistics reveal that 80 per cent of wine farmers reported a Net Farm Income (NFI) of less than R30 000 per hectare annually in 2018, falling below the minimum threshold required for long-term sustainability within the industry.

Over the past decade, income generated by wine grape producers in the Western Cape consistently fell below state revenues from wine excise taxes and levies. In 2013, producers' revenue marginally surpassed the state's income. However, producers earned approximately R1.5 billion less than the state's revenues from the wine industry in 2022.

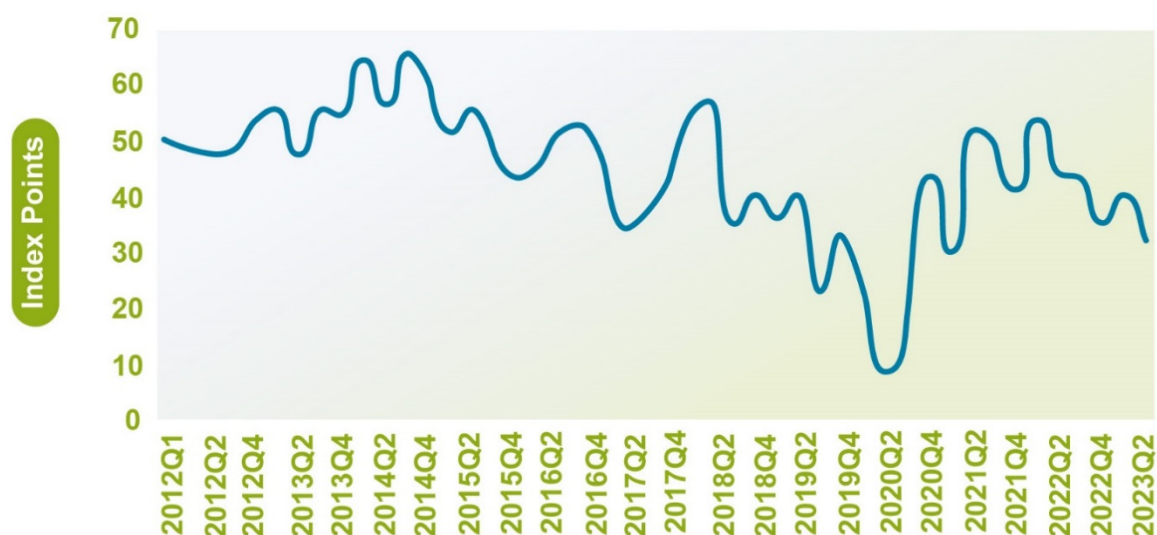
Figure 2.16 State revenue from wine products versus producers' income in South Africa, 2013 - 2022

Source: South African Wine Industry Information and Systems

2.8 Economic Outlook of the Western Cape

The Business Confidence Index (BCI) stands as a crucial barometer of corporate sentiment and economic direction. Derived from surveys of business leaders about their present conditions and future expectations, the BCI serves as a leading indicator of economic health. A rising BCI suggests optimism and potential growth, while a declining index points to caution and potential contraction. For policymakers, analysts, and investors, understanding the BCI offers invaluable foresight into the economy's prospective path.

Figure 2.17 Western Cape BER-RMB Composite Business Confidence Index, 1Q2012 – 2Q2023



Source: BER

The Western Cape's BER-RMB Composite Business Confidence Index (BCI) has been on a declining trend since a high of 64 points in the fourth quarter of 2014. There was a temporary recovery from the pandemic in 2020 to 52 points in the first quarter of 2022, however this index has since seen a drop to 31 points in the second quarter of 2023. The relatively more negative sentiment displayed by businesses, points to expected tepid growth in the Western Cape economy and is mainly attributed to the challenging economic conditions prevailing in South Africa and the Province. This has primarily been driven by the energy crisis, elevated interest rates, and inflationary pressures.

The Western Cape economic outlook for 2023³ underscores the negative sentiment from businesses. The Provincial economy is expected to expand by 0.5 per cent in 2023 followed by a rebound of 2.1 per cent in 2024.

It is expected that the Finance sector will mainly support the Provincial economy with the largest growth contribution (0.8 percentage points) in 2023. Despite obstacles like inflation-driven disposable income pressure and financial market volatility, the Finance sector will continue to invest in digital transformation with new technologies that improve the client experience, gain operational efficiencies, and support the Province's underlying GDP. The Transport sector will also support the Provincial economy with an expected growth of 1.5 per cent in 2023.

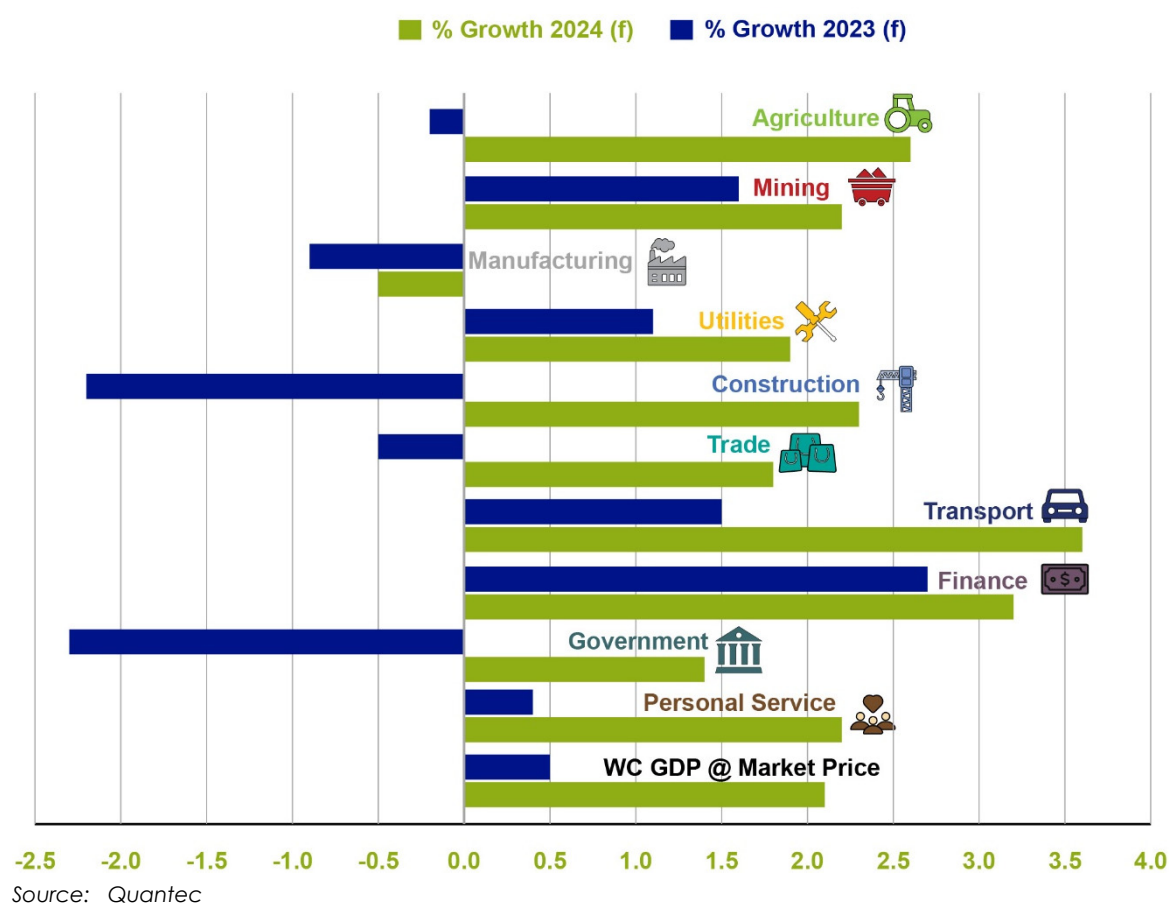
Although the Construction sector is gradually resolving supply issues and production backlogs that go as far back as 2020, the Sector is expected to contract in 2023 by 2.2 per cent following

³ These forecasts are based on the first quarter GDP data for 2023.

rising finance costs, expected government consolidation, negative business sentiment, and a shortage of skilled workers⁴ (engineers, architects and project managers). The Manufacturing sector is expected to weigh down on growth prospects with a contraction of 0.9 per cent in 2023 within the Province. This is on the back of a national deindustrialization trend in the Manufacturing sector over the past 16 years in South Africa. The Manufacturing sector is struggling under global competitive pressures with rising input costs and loadshedding lowering productivity and profit margins.

An expected GDP contraction in the Government sector (-2.3 per cent) is linked to National Treasury's commitment to fiscal consolidation in order to contain sovereign debt levels.

Figure 2.18 GDP growth and contribution of growth forecast per sector in the Western Cape, 2023 – 2024



2.9 Conclusion

In 2022, the Western Cape's GDP expanded by 2.6 per cent, led by the Finance, Trade, and Transport sectors. This growth was reported in the context of an annual average growth rate of 1.1 per cent per annum over the past decade, with the Finance, Government, and Personal services sectors constituting the main contributors to growth. The Agriculture sector experienced exceptional growth, largely due to increased international market access and export growth over the decade. However, over the past decade, the real GDP per capita in the Western Cape decreased, suggesting that population growth and in-migration have outpaced economic expansion, potentially adversely affecting the standard of living for some residents.

⁴ Source: Engineering news, Roelof van den Berg, CEO of the GAP Infrastructure Corporation

Employment in the Western Cape rebounded robustly post-COVID-19, with significant recovery seen in the Finance, Personal services, Manufacturing, and Trade sectors. By 2022, the Finance sector dominated in most districts of the Western Cape, except in the West Coast and Central Karoo, where Agriculture and Personal services were the primary contributors to growth.

By 2022, arrivals at Cape Town International Airport surpassed pre-pandemic levels, highlighting the region's enduring appeal to international tourists. Within the same year, domestic tourism in the Western Cape also saw a substantial boost.

The wine industry remains a major export for the Western Cape, however, over the past decade, South African wine exports exhibited a declining trend. This was partly due to reduced global wine consumption, particularly in traditional wine-loving countries, even as wine production remained steady.

The economic outlook for the Western Cape in 2023 reflects local business sentiments, forecasting a modest growth of 0.5 per cent, with a stronger recovery expected in 2024. The Finance sector will play a pivotal role in this growth, especially in 2023. Despite challenges like inflation and market volatility, the Finance sector will prioritise digital transformation to enhance client experience and drive operational efficiency, supporting the region's GDP. While the Western Cape economy consistently outperforms the national economy in several key indicators, due to its comparative advantages and strengths, structural energy and logistical constraints (including the Port of Cape Town) limit the Province from exhibiting break-out growth over the medium term. Significant efforts to remove structural energy and logistical binding constraints are therefore key to unlocking the Western Cape's growth potential.

Annexure

Table 2.4 Top 10 export and import markets for the Western Cape, 2013 – 2022

Rank	Imports	Value 2022 (Rbn)	% 2013 Share	% 2022 Share	% point difference
1	China	51.0	12.1%	15.9%	3.8%
2	United Arab Emirates	37.2	1.8%	11.4%	9.5%
3	India	36.6	8.0%	11.2%	3.2%
4	Saudi Arabia	23.8	21.7%	7.3%	-14.4%
5	Oman	20.8	0.1%	6.3%	6.3%
6	Turkey	11.2	0.7%	3.4%	2.7%
7	Italy	9.7	2.3%	3.0%	0.7%
8	Malaysia	8.6	0.6%	2.6%	2.0%
9	Germany	8.1	3.5%	2.5%	-1.0%
10	United States	8.1	2.2%	2.5%	0.3%
Rank	Exports	Value 2022 (Rbn)	% 2013 Share	% 2022 Share	% point difference
1	Netherlands	16.9	6.9%	9.1%	2.1%
2	United States	15.3	3.7%	8.2%	4.5%
3	United Kingdom	12.7	6.9%	6.8%	-0.1%
4	Botswana	12.3	7.4%	6.6%	-0.8%
5	Namibia	12.0	10.1%	6.5%	-3.7%
6	China	10.3	2.0%	5.5%	3.5%
7	Germany	5.5	3.9%	2.9%	-1.0%
8	United Arab Emirates	5.3	2.3%	2.8%	0.6%
9	Mozambique	4.4	3.9%	2.3%	-1.6%
10	Lesotho	4.3	2.0%	2.3%	0.3%

Table 2.5 International overnight tourist arrivals at Cape Town International Airport, 2021 – 2022

Country	Number of Visitors 2021	Number of Visitors 2022	Share of Visitors 2021	Share of Visitors 2022	% point difference
United Kingdom	12 771	108 210	9.0%	18.1%	9.1%
Germany	23 289	93 315	16.4%	15.6%	-0.8%
United States	17 321	81 898	12.2%	13.7%	1.5%
Netherlands	10 097	39 151	7.1%	6.6%	-0.6%
France	5 285	21 685	3.7%	3.6%	-0.1%
Zimbabwe	7 541	17 952	5.3%	3.0%	-2.3%
Namibia	9 554	17 910	6.7%	3.0%	-3.7%
Switzerland	4 761	15 390	3.4%	2.6%	-0.8%
Italy	2 049	13 219	1.4%	2.2%	0.8%
Belgium	3 417	12 363	2.4%	2.1%	-0.3%

Source: Quantec, Own calculations

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THE URGENCY OF NOW

GETTING YOUNG PEOPLE TO

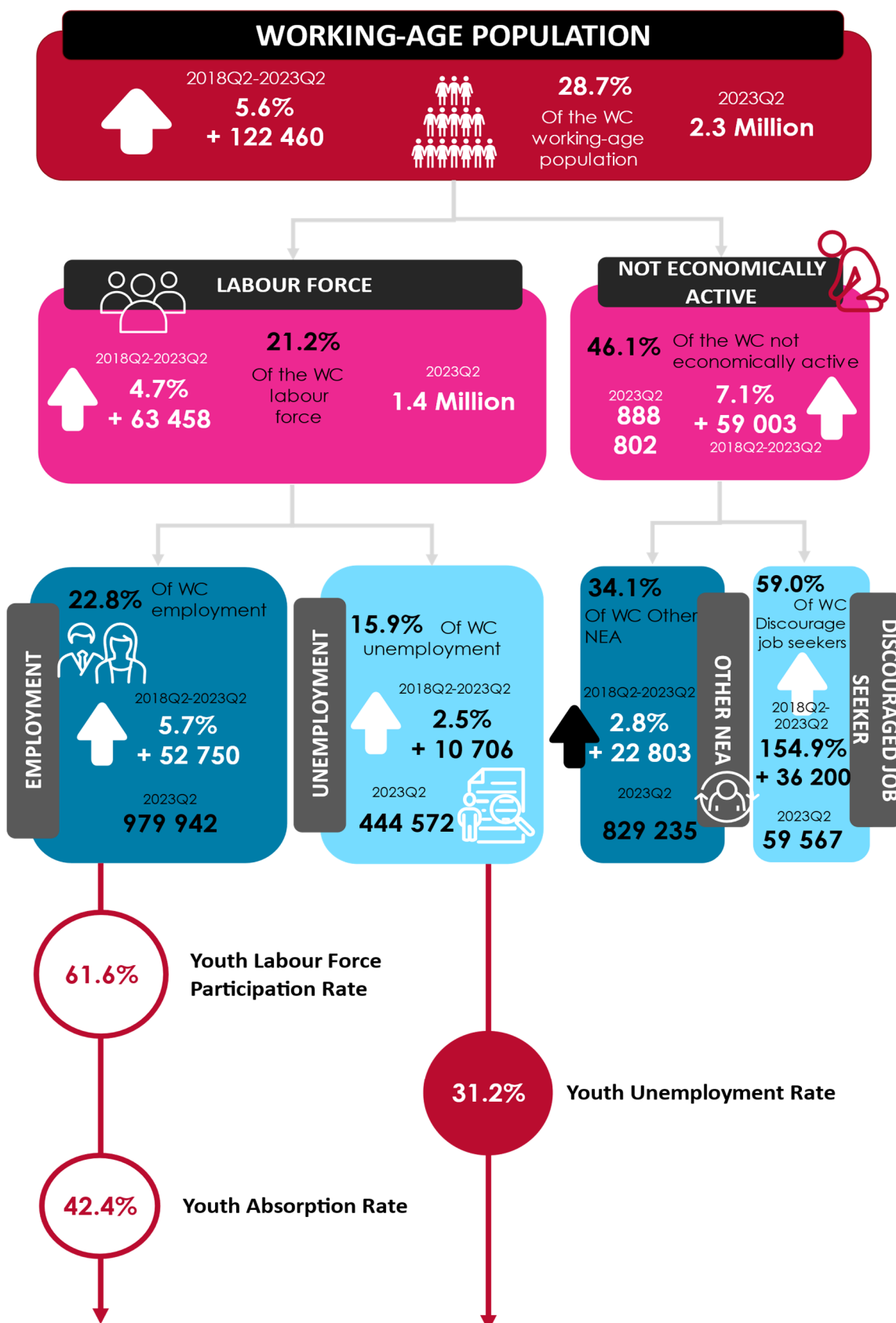
WORK

3.1 Introduction

Showcasing a regional view of South Africa and the African demographic dynamic, the Western Cape's future rests on its youth. Harnessing a youth dividend lies in the preparedness of young people to contribute to the economy. Their readiness emerges from long-term investments into quality education, health care, and supportive economic policies that benefit a growing youthful populace.

This chapter profiles youth employment prospects and unemployment dynamics. It recommends a comprehensive policy approach to address youth employment. This includes using evidence-based analyses drawing on innovative data advances such as the spatial tax data to formulate more effective private-sector-driven youth employment programmes, and to strengthen and expand initiatives that address the challenge of a skills mismatch to potential work opportunities.

YOUTH IN THE WESTERN CAPE



3.2 South Africa's Unemployment Quagmire: Youth at the Epicentre

As of the second quarter of 2023, South Africa faces a daunting unemployment rate of 32.6 per cent, ranking among the world's most severe. However, the Western Cape fares better with a rate of 20.9 per cent. Alarmingly, the country's youth bear the brunt of this crisis, derailing economic prospects and deepening societal divisions. Such rampant unemployment strains consumer spending, taps out public resources and escalates problems like crime and mental health issues.

Adding complexity, educational disparities and unequal job opportunities across demographics have pushed many towards densely populated urban centres. This not only challenges the economy but also poses threats to the nation's broader stability.

Tertiary education stands out as a pillar of hope in South Africa, equipping individuals with sought-after skills and broader job prospects. By the second quarter of 2023, the dividends of higher education were evident: unemployment rates for tertiary-educated individuals sat at 15.5 per cent nationally and a mere 7.8 per cent in the Western Cape, significantly lower than for those with only secondary or lesser qualifications.

However, youth unemployment remains the primary concern, soaring at 45.3 per cent nationally and 31.2 per cent in the Western Cape. Young South Africans aged 15 - 34, face daunting hurdles like limited job openings and skills mismatches. This not only hampers economic growth but deepens societal disparities, underscoring the need for strategic interventions and a more inclusive economic approach.

Table 3.1 Overview of South Africa's Labour Force, 2Q2023

	Working-age population		Employed		Unemployed		Labour force		Labour force participation	Unemployment rate
	Total ('000)	Share (%)	Total ('000)	Share (%)	Total ('000)	Share (%)	Total ('000)	Share (%)		
Total	40 745	100.0%	16 346	100.0%	7 921	100.0%	24 267	100.0%	59.6%	32.6%
By Race										
African	33 308	81.7%	12 358	75.6%	7 195	90.8%	19 553	80.6%	58.7%	36.8%
Coloured	3 585	8.8%	1 726	10.6%	483	6.1%	2 210	9.1%	61.6%	21.9%
White	2 805	6.9%	1 739	10.6%	138	1.8%	1 877	7.7%	66.9%	7.4%
By Gender										
Male	20 213	49.6%	9 185	56.2%	3 938	49.7%	13 124	54.1%	64.9%	30.0%
Female	20 531	50.4%	7 160	43.8%	3 982	50.3%	11 142	45.9%	54.3%	35.7%
By Age										
Youth	20 775	51.0%	5 724	35.0%	4 746	59.9%	10 470	43.1%	50.4%	45.3%
Older Age	19 970	49.0%	10 622	65.0%	3 174	40.1%	13 796	56.9%	69.1%	23.0%
By Education										
Less than Secondary	21 531	52.8%	6 434	39.4%	3 976	50.2%	10 410	42.9%	48.4%	38.2%
Secondary	13 427	33.0%	5 859	35.8%	3 187	40.2%	9 046	37.3%	67.4%	35.2%
Tertiary	5 350	13.1%	3 859	23.6%	708	8.9%	4 567	18.8%	85.4%	15.5%

Table 3.2 Overview of Western Cape's Labour Force, 2Q2023

	Working-age population		Employed		Unemployed		Labour force		Labour force participation	Unemployment rate
	Total (R'000)	Share (%)	Total (R'000)	Share (%)	Total (R'000)	Share (%)	Total (R'000)	Share (%)		
Total	4 978	100.0%	2 711	100.0%	714	100.0%	3 426	100.0%	68.8%	20.9%
By Race										
African	1 905	38.3%	991	36.6%	410	57.4%	1 401	40.9%	73.5%	29.3%
Coloured	2 343	47.1%	1 240	45.8%	278	39.0%	1 519	44.3%	64.8%	18.3%
White	662	13.3%	437	16.1%	20	2.9%	457	13.4%	69.1%	4.5%
By Gender										
Male	2 441	49.1%	1 479	54.6%	343	48.1%	1 823	53.2%	74.7%	18.9%
Female	2 536	50.9%	1 231	45.4%	371	51.9%	1 603	46.8%	63.2%	23.2%
By Age										
Youth	2 313	46.5%	979	36.1%	444	62.2%	1 424	41.6%	61.6%	31.2%
Older Age	2 664	53.5%	1 731	63.9%	270	37.8%	2 001	58.4%	75.1%	13.5%
By Education										
Less than Secondary	2 434	48.9%	997	36.8%	412	57.6%	1 409	41.1%	57.9%	29.2%
Secondary	1 622	32.6%	995	36.7%	236	33.1%	1 232	36.0%	76.0%	19.2%
Tertiary	813	16.3%	659	24.3%	55	7.8%	715	20.9%	87.9%	7.8%

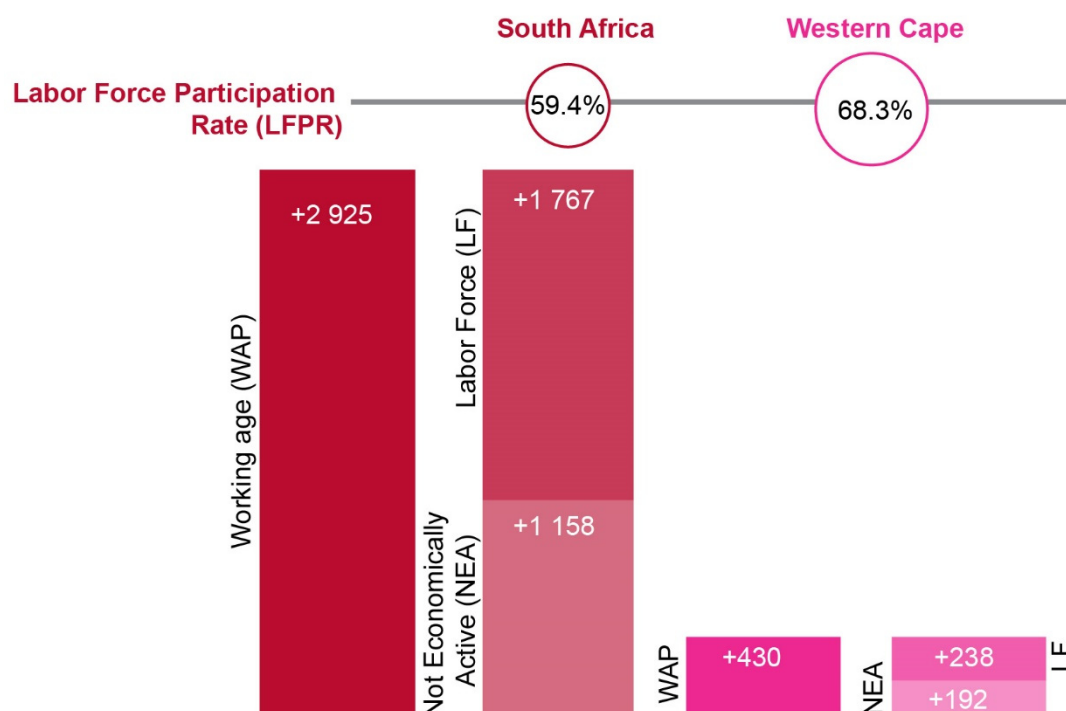
Source: Quantec, Own calculations

3.3 Reaping the youth dividend

Working people are the spine of any economy. They fuel productivity, consumption, and growth. Their skills, innovation, and labour drive economic activities, create wealth, and influence economic competitiveness. Further their earnings stimulate demand, triggering further economic activity. Understanding the interlinkage between the working population and the labour force is key to crafting effective labour, economic, and social policies that ultimately shape a prosperous economy and healthy society.

South Africa's demographic transition has seen its working-age population (15 - 64) expand significantly over the past decade. Young people (15 - 34) now form 51.1 per cent of the working-age population and 43.5 per cent of the labour force. Although young people account for a substantial portion of the working population, they tend to participate relatively less in the labour force. In the same quarter, the labour force participation rates (LFPR) for the youth age cohort (50.6 per cent) were relatively lower than the old age cohort (68.6 per cent).

Figure 3.1 Labour statistics for South Africa and the Western Cape, 1Q2023 and 1Q2018 - 1Q2023



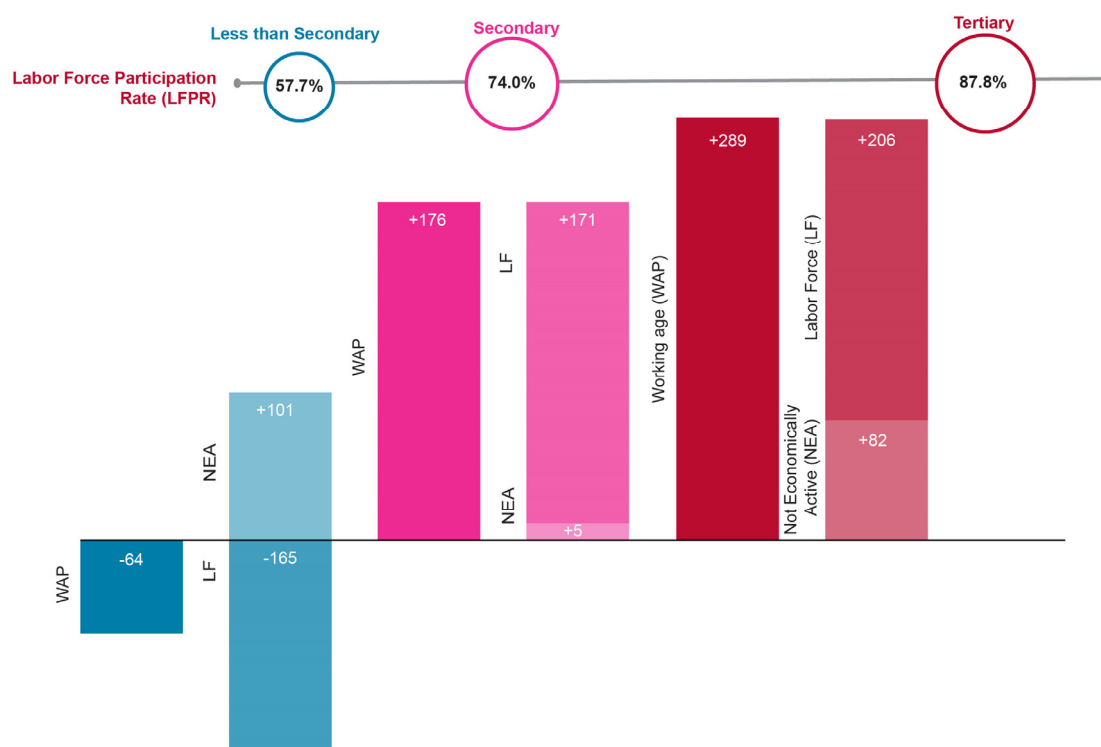
Source: Quantec, Own calculations

Low participation of youth in the labour market is a key factor contributing to South Africa's comparatively low labour force participation rate (LFPR).¹ The LFPR was only 59.4 per cent in the first quarter of 2023 compared to similar emerging markets with an average of 67.3 per cent for Sub-Saharan Africa (SSA) and 72 per cent for OECD countries in 2021 (World Bank, 2021).

However, lower labour force participation among young people is largely attributed to the relatively large portion (28.9 per cent) of youth actively attending formal education. When those attending formal education are excluded, the youth labour force participation rate for the first quarter of 2023 rises to 69.1 per cent, marginally above that of the older age cohorts.

¹ The labour force participation rate is calculated as the labour force divided by the working age population.

Figure 3.2 Composition of Western Cape Labour Force per education attainment, 1Q2023 and 1Q2018 - 1Q2023



Source: Quantec, Own calculations

Even though the Western Cape's labour force participation rate of 68.3 per cent is comparable to the SSA average and within reach of the OECD average², its youth labour force participation rate is significantly lower at 60.9 per cent compared to the older age cohort (74.7 per cent). However, after taking into account of formal education attendance, the Western Cape youth labour force participation rate rises to 80.9 per cent.

Young people's potential contribution can only be fully realised if they increase their active participation in the labour force and form an increasingly significant share of those that are productively employed.

3.4 Youth Employment Dynamics

South Africa is grappling to understand its economic crisis and the magnitude of the challenge of getting young people into work, creating hope and a path for their future.

While formal sector employment offers greater protections and benefits, South Africa's sheer employment challenge see many young people who cannot find formal work starting their working lives in the informal economy.

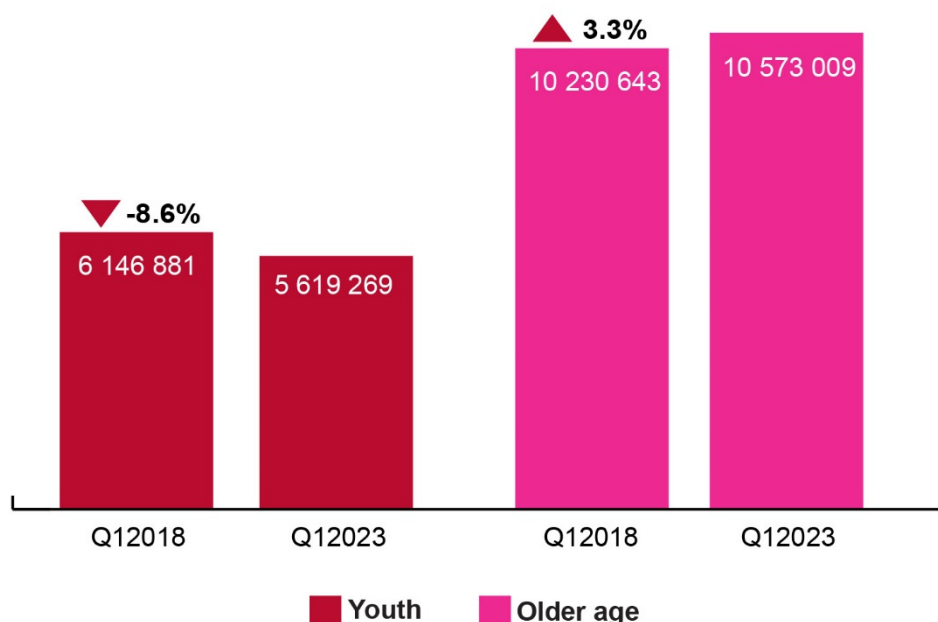
Between the first quarters of 2018 and 2023, the number of unemployed people in South Africa increased by 1.953 million or 32.6 per cent, of which the majority (55.5 per cent) were youth (15 - 34). With employment levels still 1.2 per cent below pre-pandemic levels by the first quarter of 2023, young people have borne the brunt of the country's significant economic contraction

² The reasons for the LFPR differential between the Province and South Africa can be partially ascribed to the relatively older and more educated working population of the Western Cape. In the first quarter of 2023, the portion of the Older age cohort working population in the Province (53.5 per cent) exceeded South Africa's (48.9 per cent), while the portion of Tertiary educated cohort was also relatively higher in the Western Cape (20.5 per cent) than for South Africa (16.5 per cent).

in recent years. The after-effects of lockdowns and closures have had a searing and lasting economic impact on South Africa's youth.

Holding limited work experience, young workers faced higher job losses since the pandemic than older workers (35 - 64), and their employment prospects have not recovered to pre-pandemic levels (4.6 per cent lower than pre-pandemic employment levels).

Figure 3.3 Employment in South Africa by Age Cohorts: 1Q2018 - 1Q2023



Source: Quantec, Own calculations

Over the past five years, South Africa experienced an overall 1.1 per cent decline in employment (185 245 workers). Young people, however, faced an 8.6 per cent drop in employment, while the number of older people (35 - 64) employed increased by 3.3 per cent.

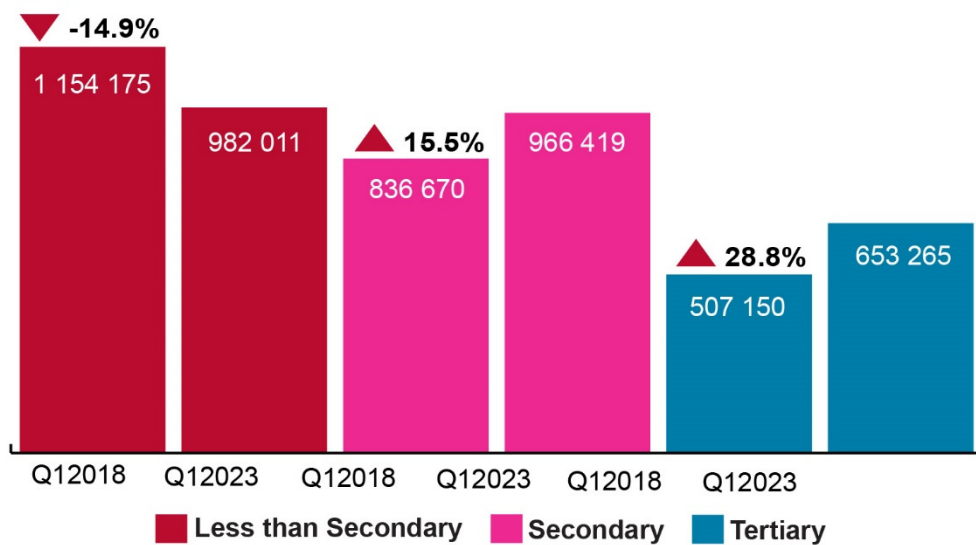
Moreover, there were notable differences in employment levels based on education. Those with secondary education experienced the greatest increase in employment at 11.8 per cent, followed by those with tertiary education at 8.6 per cent. In contrast, employment declined sharply by 15.3 per cent among individuals with less than secondary education.

Over the same period, the Western Cape experienced a 5.1 per cent growth in employment (127 972 workers). However young people did not share in the Western Cape's employment gain, experiencing a loss of 43 557 jobs (4.4 per cent decline). Education remains a key factor that determines the likelihood of being employed. Among all age cohorts, higher levels of education led to improved outcomes in employment growth.

Between the first quarters of 2018 and 2023, employment growth in the Western Cape was relatively more pronounced among those with tertiary education (28.8 per cent) and those with completed secondary education (15.5 per cent) in comparison to employment losses suffered among those with less than a secondary education (-14.9 per cent).

However, education outcomes are not the only factor that limits youth employment potential in the Western Cape. Young people make up a third of the provincial labour force that has tertiary education but only account for 13.8 per cent of employment growth among those with this level of education. Similarly, the youth form almost half of those in the Western Cape labour force that have completed secondary education but only account for 15.6 per cent of increased employment in this cohort.

Figure 3.4 Employment growth in the Western Cape by Education cohort: 1Q2018 - 1Q2023

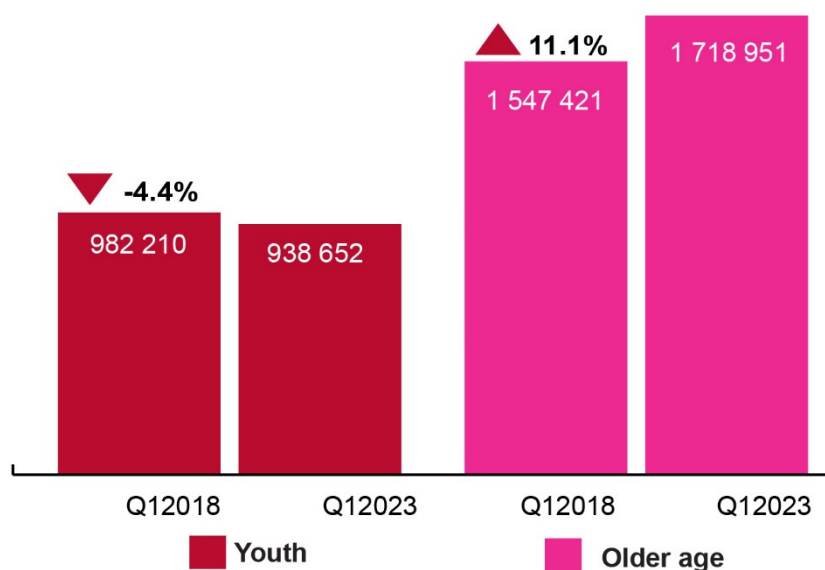


Source: Quantec, Own calculations

The challenges faced by the youth in finding employment remain pressing issues in South Africa and the Western Cape. A significant mismatch between the skills and experience of young people and existing work opportunities highlights the importance of education and skills development (De Lannoy, et al., 2020). Furthermore, changes in production technology that enhance the relative productivity of skilled workers compared to unskilled workers is increasing the demand for skilled labour, exacerbating the employment challenge for skills-constrained young people at both the national and provincial levels (Asai et al., 2020).

Young people also contributed to a relatively larger share of employment losses (46.3 per cent) among the Less than tertiary education cohort in the Province, when compared to its share in the labour force (40.6 per cent) for the same education cohort.

Figure 3.5 Employment growth in the Western Cape by Age cohort, 1Q2018 - 1Q2023



Source: Quantec, Own calculations

These trends evidence young people's employment challenges. In a tightening labour market where employers look for skills and experience, young people that are unskilled and inexperienced are a risky investment. Education itself is not a substitute for skills. Rather it presents a foundation on which skills are built over a lifetime employment journey.

In addition, poor educational outcomes contribute to poor workplace learning capacity, further raising the risk of hiring young, inexperienced workers (National Treasury, 2011). This means that despite the overall increase in employment, without sufficient skills and experience, young people remain at a significant disadvantage to getting and keeping a job in these tough and uncertain economic times (Habiyaemye et al., 2022).

3.4.1 Bridging to a better tomorrow

Catalysing youth employment requires clear and decisive policy action to support education, facilitate entry into the labour market, and invest in sustainable economies that can absorb young people. Bridging the skills gap and addressing barriers to employment, such as limited access to education and training and high job search costs, are crucial, (De Lannoy et al, 2018).

When considering the case for investing in sustainable economies that can create long-term jobs, the shift towards more sustainable economies, represents latent opportunities to leverage the youth to modernise and minimise dependence on carbon-heavy industrialisation in driving economic growth.

Youth employment or bridging programmes facilitate entry to the labour market by providing a stipend or allowance that alleviates various barriers such as access to the internet, traveling costs to seek work, and other related expenses. These programmes play a valuable role to enable increased youth labour force participation.

Improving youth labour markets overall though requires a combination of macroeconomic and structural policies tailored to South Africa's youth bulge, or high levels of youth unemployment resulting from a significant increase in the country's youth population.

Enhancing young people's employability through education and flexible pathways between education and employment is essential. Targeted support programmes such as remedial education and work experience initiatives should be provided to at-risk youth. Urgent and comprehensive reforms are needed to address high unemployment and inequalities, forming a comprehensive youth-oriented policy package, (Bowers et al, 1998).

3.4.2 Employment dynamics across the Western Cape: A view from Spatial Tax Data

While spatial economic and employment analysis is a common policy tool in many countries, it is relatively new in South Africa. The recent release of the Spatial Economic Activity Data (SEAD) leverages anonymised administrative tax data to inform granular insights as to where firms and jobs are located.

Granular spatial economic activity or tax data is particularly useful to understand the source and dynamics of formal sector employment at the local level. Aggregated information collated from citizens in the labour force as they comply with their tax obligations provides a lens through which we can visualise trends in employment at a micro level.

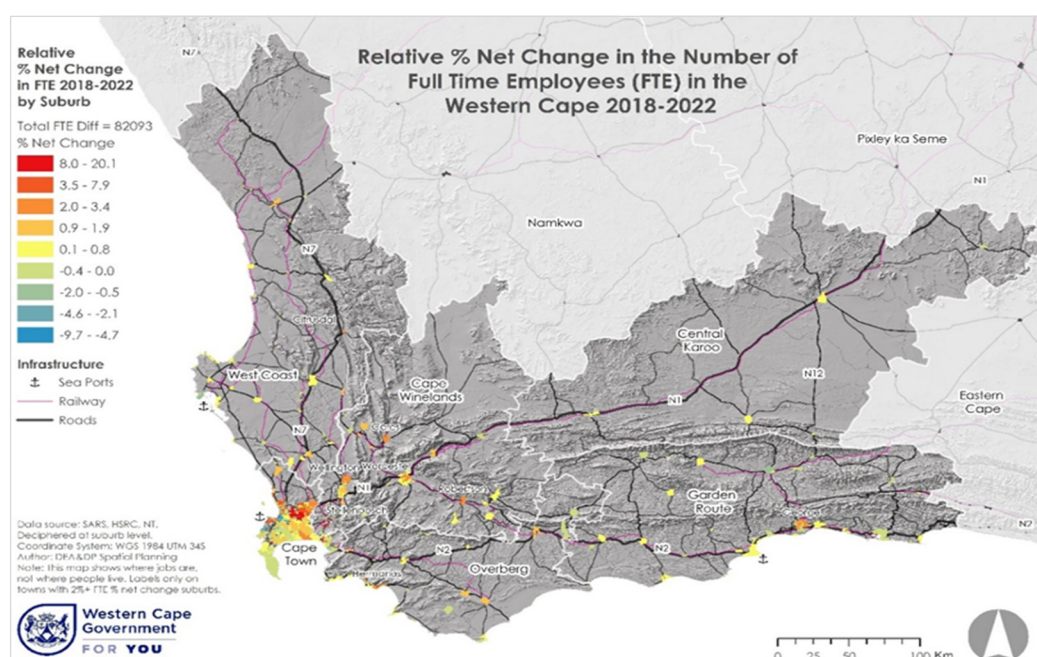
The emerging trend is that while the City of Cape Town hosts almost three quarters (72.2 per cent) of jobs in the Western Cape, over the past five years the Metro only accounted for 35.8 per cent of employment growth, with significant employment growth taking place in other district municipalities across the Province. Going forward, with respect to the development of policies and interventions that consider spatial dynamics, the evidence points to the opportunity to focus on the non-metro municipalities to drive job creation.

Spatial employment dynamics point to the significant employment growth contribution in the Cape Winelands District (35.1 per cent growth contribution against an employment share of 12.4 per cent); the West Coast District (12.1 per cent growth contribution against an employment share of 4.6 per cent) and the Overberg District (9.7 per cent growth contribution against an employment share of 3.1 per cent).

The granularity of the SARS tax data enables a deeper analysis of the spatial dynamics at a local municipality level as well. Outside of the Cape Town metro, employment growth is distributed in distinct economic nodes across the Western Cape. Figure 3.6 shows strong growth in full-time employment (FTE) between 2018 and 2022 in Ceres (Witzenberg Local Municipality); Robertson (Langeberg Local Municipality); and the Wellington/Paarl area (Drakenstein Local Municipality). In contrast, weak growth in FTE is visible in Piketberg (Bergrivier Local Municipality), Beaufort West, and Langebaan (Saldanha Bay Local Municipality) (WCG DEAD&P Spatial Planning, 2022). Growth in these areas is driven mainly by the Agriculture and Manufacturing sectors, with these sectors also providing the most jobs in these local municipalities. The data also shows that the Agriculture sector was the top employer for youth in the Witzenberg, Langeberg, Drakenstein, and Bergrivier local municipalities, with the Trade, Manufacturing, Personal services (linked to tourism), and Government sectors emerging as the top employers of youth in Saldanha Bay and Beaufort West (Spatial Economic Activity Data South Africa, 2021).

Spatial tax data analysis enables more accurate targeting of bespoke regional and place-based growth and development interventions. Policy implementation can therefore be more targeted, ensuring the prioritisation of areas based on strong growth or latent potential.

Figure 3.6 Percentage change in the number of Full Time Employees (FTE) in the Western Cape 2018 - 2022



Source: Department of Environmental Affairs and Development Planning



3.5 Informal employment

Over two billion people or more than 60 per cent of the world's working population work in the informal economy. In Africa, this rises to 85.8 per cent or 4 out of every 5 workers. Globally, informal employment is the norm, offering an alternative and often long-term means of survival to people who cannot find formal work (OECD 2023).

On a review of the officially available data, South Africa's informal sector is relatively small compared to similar developing economies (Blaauw, 2017). According to Bhorat (2004), on average, for developing and emerging countries like South Africa, employment is relatively equally distributed between the formal sector (45 per cent) and the informal sector (45 per cent). However, in South Africa, the latest data for the first quarter of 2023 shows that only 13.2 per cent of the country's labour force was employed in the informal sector.

Over the last five years, informal employment increased steadily by 6.1 per cent in South Africa, in contrast to the decline of -1.1 per cent in total employment. This means that relatively low-income employment expanded at a faster rate than employment in higher income brackets.

Young people benefited from employment gains in the informal sector (2.0 per cent), as opposed to formal employment losses (-10.7 per cent) over the same period. Growth in youth employment was therefore in lower income brackets and declined significantly in the higher income brackets.

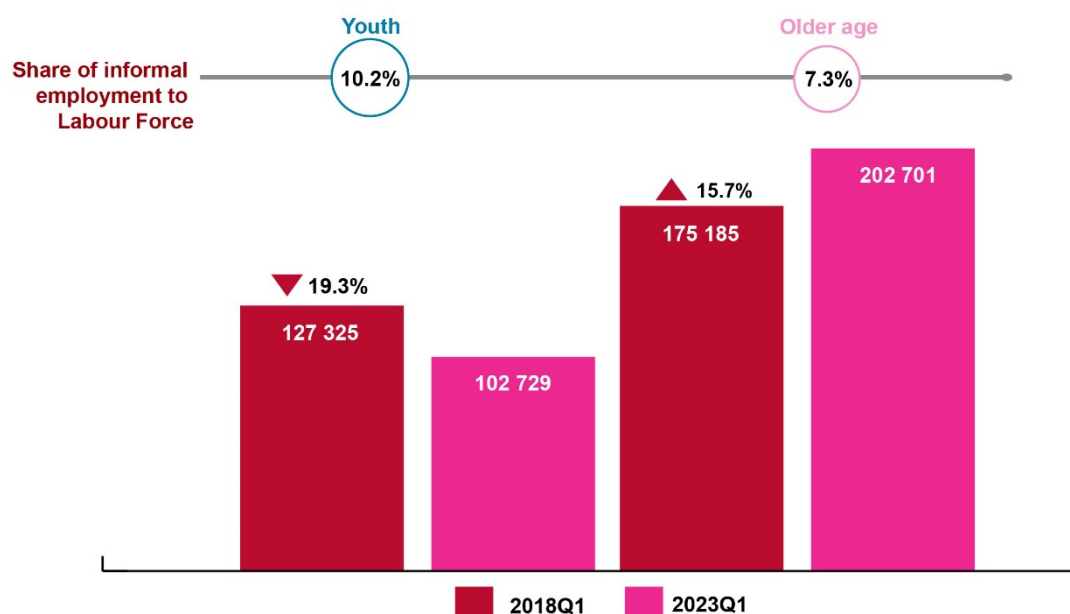
3.5.1 Western Cape Informal Employment

In the Western Cape, the informal sector has a marginally smaller footprint than the rest of South Africa. In the first quarter of 2023, informal employment offered opportunities to only 9.0 per cent of the provincial labour force, -4.2 percentage points less than South Africa as a whole and very low by comparable international standards.

Recent trends also differ from the national picture. Over the past five years one out of every five young person working in the informal economy in the Western Cape lost their job (19.3 per cent), while their total formal sector employment increased by 5.1 per cent. Of note is that employment among older people (35 - 64) expanded by 15.4 per cent in the informal

economy in the Western Cape against 12.9 per cent employment gains in the formal sector over the same period.

Figure 3.7 Change in Informal Employment by age in the Western Cape, 1Q2018 – 1Q2023



Source: Quantec, Own calculations

3.6 Unemployment

Losing work or not finding employment can be devastating for families and communities and has a long-term negative impact that impedes growth and development potential for the economy overall.

South Africa faces high levels of long-term structural unemployment as the economy has shifted from a goods to a services economy without the concomitant shift towards greater skills in the labour market.

In the first quarter of 2023, South Africa's official unemployment rate shows that a third of South Africa's workforce (32.9 per cent) or 7.933 million people who are actively seeking work, are



unemployed. The impact is more severe for women, with 35.4 per cent of women currently unemployed compared to 30.7 per cent of men.

Table 3.3 Demographic composition of unemployment in South Africa, 1Q2018 - 1Q2023

	2018Q1		2023Q1		Change		Unemployment Rate
	Number	Share %	Number	Share %	Number	%	%
SA Total Unemployed	5 980 401	100.0%	7 932 749	100.0%	1 952 348	p 32.6%	32.9%
By Race							
African	5 258 739	87.9%	7 194 383	90.7%	1 935 645	p 36.8%	37.2%
Coloured	509 582	8.5%	503 469	6.3%	-6 114	q -1.2%	22.4%
White	140 900	2.4%	144 179	1.8%	3 279	p 2.3%	7.5%
By Gender							
Male	3 064 935	51.2%	4 034 193	50.9%	969 259	p 31.6%	30.7%
Female	2 915 466	48.8%	3 898 556	49.1%	983 090	p 33.7%	35.4%
By Age							
Youth (15 - 34)	3 794 650	63.5%	4 877 702	61.5%	1 083 052	p 28.5%	46.5%
Older age (35 - 65)	2 185 751	36.5%	3 055 047	38.5%	869 296	p 39.8%	22.4%
By Education							
Less than Secondary	3 383 827	56.6%	3 846 863	48.5%	463 036	p 13.7%	37.6%
Secondary	2 056 973	34.4%	3 231 441	40.7%	1 174 468	p 57.1%	35.6%
Tertiary	492 674	8.2%	798 361	10.1%	305 687	p 62.0%	17.6%

Source: Quantec, Own calculations

Unemployment rates tend to decline with an increase in education levels. Between the first quarters of 2018 and 2023, the unemployment rate among those with tertiary education (17.6 per cent) was much lower than those with secondary education (35.6 per cent) and those with less than secondary education (37.6 per cent).

However, education is only part of the story. Skills and experience are equally valued in the job market. This explains why the unemployment rates for older people with tertiary education (9.4 per cent vs 31.3 per cent) as well as those with completed secondary education (22.4 per cent vs 48.2 per cent) face significantly lower unemployment rates for similarly educated young people.

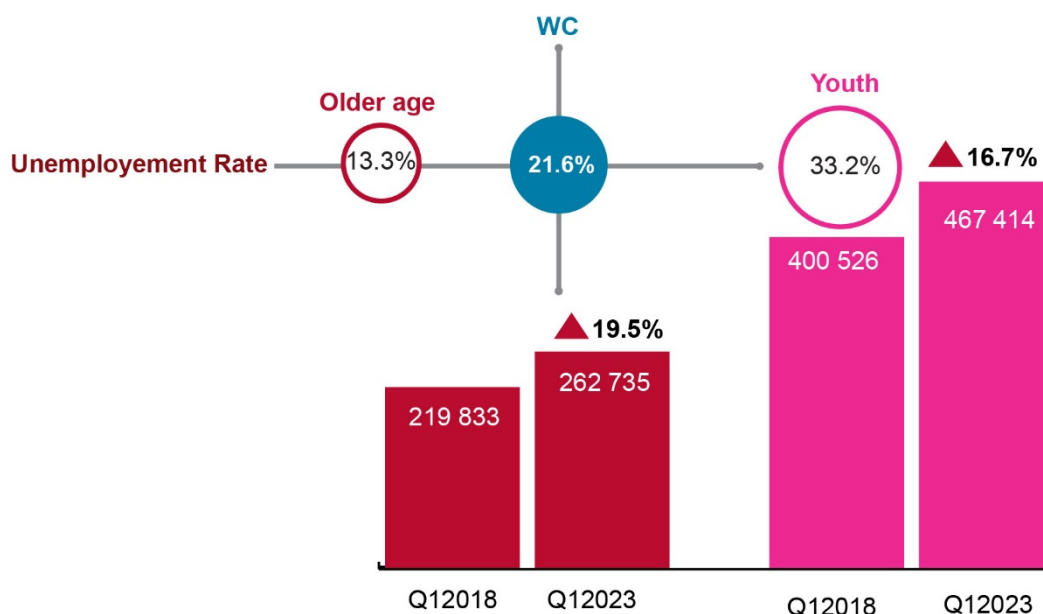
WHAT WORRIES THE WORLD

The recent Ipsos study titled "What Worries the World" indicates that 69 per cent of South Africans cite unemployment as their top worry, as opposed to 27 per cent globally. Among the 29 countries surveyed, only nine saw an increase in concern about unemployment from the previous year. For South Africa, this 'worry index' increased by 5 percentage points from the previous year. While other nations are showing signs of employment recovery after COVID-19, the growing unease about unemployment in South Africa serves as a stark reminder of the challenges facing the country.

3.6.1 Unemployment in the Western Cape

As is the case across in South Africa, youth unemployment remains a key socio-economic issue in the Western Cape. In the first quarter of 2023, the unemployment rate among youth in the Western Cape was at 33.2 per cent, significantly higher than the total unemployment rate for the Province (21.6 per cent).

Figure 3.8 Change of unemployment by age cohort in the Western Cape, 1Q2018 - 1Q2023



Source: Quantec, Own calculations

The comparative advantage that higher education offers in the labour market is also applicable to the Western Cape. In the first quarter of 2023, those work seekers with tertiary education had the lowest unemployment rate (8.0 per cent), followed by those with completed secondary (20.9 per cent) and less than secondary (29.2 per cent) education cohorts.

However, the comparative advantage that higher education brings, lost momentum in recent years for the youth in the Province with significant increases in unemployment rates among the higher educated. Over the last 5 years, the unemployment rate for young people with tertiary education increased with 5.9 percentage points to 14.6 per cent; for those with secondary education by 7.5 percentage points to 33.4 per cent and for those with less than secondary education by 2.8 percentage points to 40.2 per cent.

These shifts are driven in part by the sluggish economic growth experienced in the country which has an impact on the labour force participation rate of all youth, regardless of education level, even those typically insulated by their educational qualifications and skills. This regression was more severe for young people than for older age cohorts.

As discussed, the youth's LFPR is significantly affected by the relatively large portion of youth currently attending formal education. This is also true for the youth's unemployment rate. In the first quarter of 2023, the unemployment rate among young people currently attending formal education (12.4 per cent) is much lower than the overall youth unemployment rate (33.6 per cent).

However, although youth unemployment is upwardly distorted by the relatively large portion of youth currently attending formal education, the youth unemployment rate remains significantly higher than the unemployment rate for older groups after accounting for differences in education and for those currently attending formal education.

In the first quarter of 2023, the unemployment rate among the youth (12.4 per cent vs 7.8 per cent) was higher than the older age cohort among citizens currently attending formal education, but also higher among citizens with a tertiary education qualification (14.6 per cent vs 4.8 per cent).

3.7 Unleashing South Africa's Youth Dividend

South Africa's median age stands at 26.3 years, which is significantly higher than the much younger median age for Africa, approximately 18 years. However, both these figures remain considerably lower than the median age trends observed in Europe (42 years) and America (35 years).

Similarly, Africa's youthful population constitutes a substantial demographic advantage. According to the World Bank, over 60 per cent of Africa's population falls within the age group of 15 - 24 years. Therefore, actively engaging young people in employment, education, or training is crucial to harness this demographic dividend (OECD). However, despite this potential, youth unemployment remains a significant challenge across the continent.

The unemployment rate, therefore, plays a central role in determining whether a country can harness the dividend from its active economic participants and contribute to economic growth, while simultaneously avoiding civil unrest. Given its youthful population, South Africa faces the critical challenge of high youth unemployment levels, which can lead to social tensions and protests, as exemplified by movements like "Fees Must Fall."

The statistical evidence reveals that youth aged 15 - 24 years and 25 - 34 years recorded the highest unemployment rates of 62.1 per cent and 40.7 per cent respectively. Additionally, the unemployment rate among the youth is consistently higher than that of the older aged cohort, indicating the vulnerabilities faced by young job seekers. Such high rates of unemployment can lead to negative long-term consequences, such as skills atrophy, diminished job prospects, and social exclusion.

There is therefore significant scope to upskill, educate, train, and inspire hope in our young people in the Western Cape so that they can make sustainable and productive contributions to the economy.

The NEET (Not in Employment, Education, or Training) category is a cause for concern, as it encompasses young individuals who are detached from the labour market and educational opportunities. As of the most recent data, a substantial portion of South Africa (44.7 per cent) and Western Cape's (34.3 per cent) youth fall into the NEET category, indicating a lack of access to employment or educational pathways. Moreover, a prolonged period of being 'NEET' often leads to long-term chronic unemployment, perpetuating the cycle of intergenerational poverty among the most vulnerable youth (Graham, L., et al 2016). The social and economic implications of a growing NEET group are dire as these young people grow to become dependent on the state. Hence, policy approaches should prioritise interventions to catch youth before they become 'NEET.'

Additionally, the position of being chronically unemployed has a significant impact on mental health. The Western Cape's #ThethaYouth survey, which analysed over 800 responses, revealed that the youth perceived a strong correlation between unemployment and mental health (Western Cape, 2023).

It is therefore crucial to invest in youth employment programmes that focus on building resilience and future-thinking capabilities among young individuals by ensuring they gain the necessary transitional (or soft) skills and the mindset (or grit) to thrive in a dynamic labour market.

The lack of evidence in this area led to the initiation of the Siyakha Youth Assets study which concludes that enhancing the employability of young work seekers by means of developing their human capabilities through technical and social skills, strengthening their social capital is critical for effective interventions (Graham, L., et al 2016).

The policy implication of the evidence emerging from the literature is the differentiation of approach within the youth cohort. While the younger category aged 15 - 24 may require soft skills and psychosocial enrichment to support their employability, the cohort aged 25 - 34 may require entrepreneurial, and business development support.

While the evidence remains limited, certain programme elements have shown associations with better outcomes. Meta-analyses indicate that no single type of Active Labour Market Programme (ALMP) emerges as consistently more successful than others (Betcherman et al., 2007; Card et al., 2018; Kluve et al., 2019). However, programmes that integrate multiple interventions tend to have a more positive impact than those focusing on a single component, such as technical skills training (Kluve et al., 2019). This is likely due to the diverse needs of young people in lower-income settings, necessitating multifaceted interventions.

Working with employers has been consistently linked to higher success rates in these programmes (Barr, 2016; Puerto et al., 2016; Fox & Kaul, 2018). Such collaborations better facilitate access to employment opportunities for participants, especially when the training aligns with the needs of the private sector (Arthur-Mansah & Alagaraja, 2018). The involvement of employers in these interventions enables addressing both the supply-related and demand-related challenges in the labour market, leading to better outcomes (McKenzie, 2017; Kluve et al., 2019).

Therefore, programmes that combine various types of training tend to yield better results. On-the-job and classroom-based strategies have been shown to be more effective than classroom-only training (Fox & Kaul, 2018; J-PAL, 2018). Additionally, interventions combining cognitive and non-cognitive training have proven more successful than cognitive-only training in Latin America (J-PAL, 2018). Programmes that combine skills training with job search assistance and matching have also shown higher success rates (Puerto, Kluve & Rother, 2016). A holistic approach that focuses on education and vocational training has demonstrated better employment rates for youth compared to those focusing solely on job search assistance (Ibarran et al., 2015).

The Western Cape Government's response to youth unemployment thus aims to link young people to jobs, while providing opportunities to the youth to be involved in education and training. On job opportunities, the expanded public works programme (EPWP) aims to provide work opportunities for young people. The Premier's Advancement of Youth (PAY) programme which offers internships to the youth is also a key programme, among others. On education and training, the YearBeyond programme, which focuses on ensuring young people have access to mentorship and psychosocial support, to build their 'soft' or transitional skills, toward improving their employability, is a key programme. Other opportunities provided to youth include various bursary programmes such as the Masakh'izwe Bursary Programme; the Artisan Development Programme; and various opportunities offered through the Elsenburg Agricultural Training Institute.

WHAT IS THE ROLE THAT SMMEs CAN PLAY IN ADDRESSING YOUTH UNEMPLOYMENT? INSIGHTS FROM A SURVEY OF SMALL, MICRO, AND MEDIUM ENTERPRISES (SMMEs)

Youth Capital, in collaboration with YES and the ONE campaign, conducted three focus group discussions in August 2022 with a total of 20 SMMEs, to understand their experience of hiring and retaining young work seekers. The survey ran for one month and received a total of 55 respondents across all nine provinces.

Five key insights into the challenges faced by SMMEs emerged from this survey:

- A Mismatch in expectations:

"Young people don't realise that career progression often means starting with entry-level jobs. Similarly, employers expect young employees to have basic skills and an advanced understanding of the world of work."

- A lack of workplace skills:

"Most young people lack basic work-readiness skills. Specifically, employers named the importance of written and verbal communication skills and an understanding of reporting processes."

- Information and administrative gap:

"Employers reported feeling hamstrung by labour laws and complained about not having the internal capacity to manage probation properly. At the same time, young people don't have any knowledge or understanding of basic principles of employment – such as applying for leave, probation periods, and performance reviews."

- Drive and Attitude:

"The link between the 'right' attitude and a successful young hire was mentioned repeatedly by the participants. 'Right' implies finding a candidate with the eagerness to work hard, a passion for constantly learning new things in the field, a drive to work your way up the chain, and to be adaptable."

- A scarcity of trade skills and experience:

"The curriculum provided at Technical Vocational and Educational Training Colleges (TVETs) are not always well aligned with industry needs."

Source: Bridge the Gap Report – Youth Capital

3.8 Conclusion

In South Africa, the youth, representing a significant 51 per cent of the working population as of 2023, carry immense potential to drive the country's economic growth. This segment of the population, if engaged effectively, can make a substantial impact on the national economy.

However, this potential is currently hampered by several obstacles. Notably, the adverse effects of the COVID-19 pandemic have been particularly harsh on them, resulting in an employment scenario that is 4.6 per cent worse than the pre-pandemic era. There were notable disparities in the employment trends, showing that while general employment might be growing, youth are not benefiting proportionally.

Spatially, the Cape Metro region, despite its dominant position in 2018 as a primary hub for job opportunities, contributed relatively less to overall job growth compared to rural districts, suggesting that the region's economic dynamics are changing.

Higher education plays a critical role in offsetting this trend, demonstrating that more educated youth tend to face lower unemployment. However, even within this bracket, there's been a concerning dip in the comparative advantage higher education used to offer, hinting at deeper systemic issues.

Solutions to address youth unemployment provide a silver lining. A survey targeting SMMEs shed light on the challenges that young employees face. By emphasising initiatives like comprehensive skills training, robust mentorship programmes, entrepreneurship support, and vocational education, there is hope to not only address but reverse the current youth unemployment trend. Integrating these solutions will not only combat the pressing issue of youth unemployment but also fortify the foundation for a resilient and adaptable South African youth workforce.

More detailed statistics regarding the composition of South Africa and the Western Cape's labour force as it regards race, gender, age, and education, are available from Statistics South Africa.

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4





DEMOGRAPHIC PROFILE

4.1 Introduction

The Western Cape's population is rapidly growing, largely due to in-migration and the perception of better opportunities in the Western Cape. Even as the Human Development Index improved, the Province, continues to grapple with economic hurdles, escalating poverty, and widening inequality. Accelerating and effectively managing economic development is thus essential to maintain and enhance the social fabric of Western Cape communities and to unlock the full potential of residents of the Province.

This chapter explores the latest trends in population growth and migration in the Western Cape and highlights key socio-economic indicators, including poverty, inequality, and human development.

DEMOGRAPHIC PROFILE

WC POPULATION DYNAMICS 2022

Population Estimates, 2023

**7.328
MILLION**

12% OF THE NATIONAL POPULATION

Population Growth 2014-2023

**1.229
MILLION**

20.2% GROWTH

AGE PYRAMID, 2023 POPULATION ESTIMATE

LIFE EXPECTANCY WC

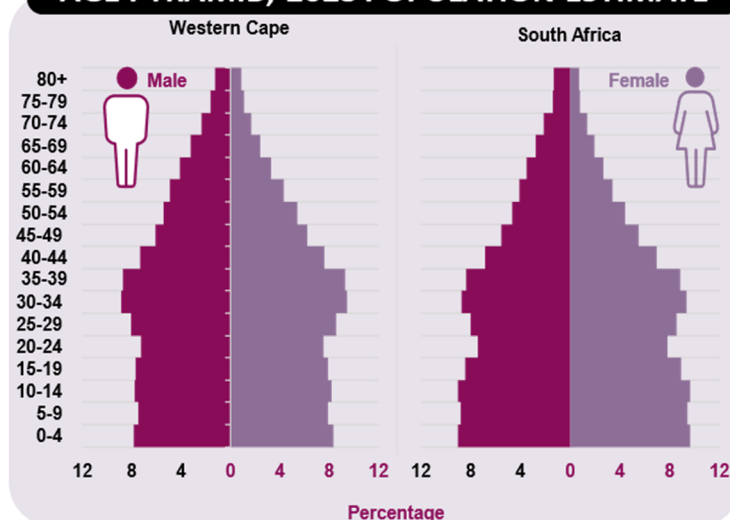
2021-2027



**FEMALE
71.7**



**MALE
66.3**



GINI COEFFICIENT, 2021



0.61

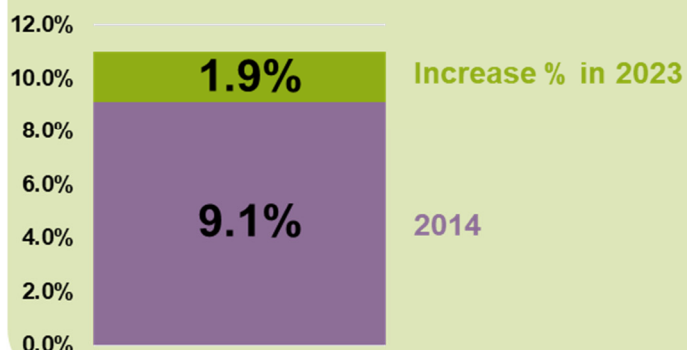
HUMAN DEV INDEX, 2021



0.74

AGING POPULATION

Share of ages 60+ to total population in the WC (2014,2023)



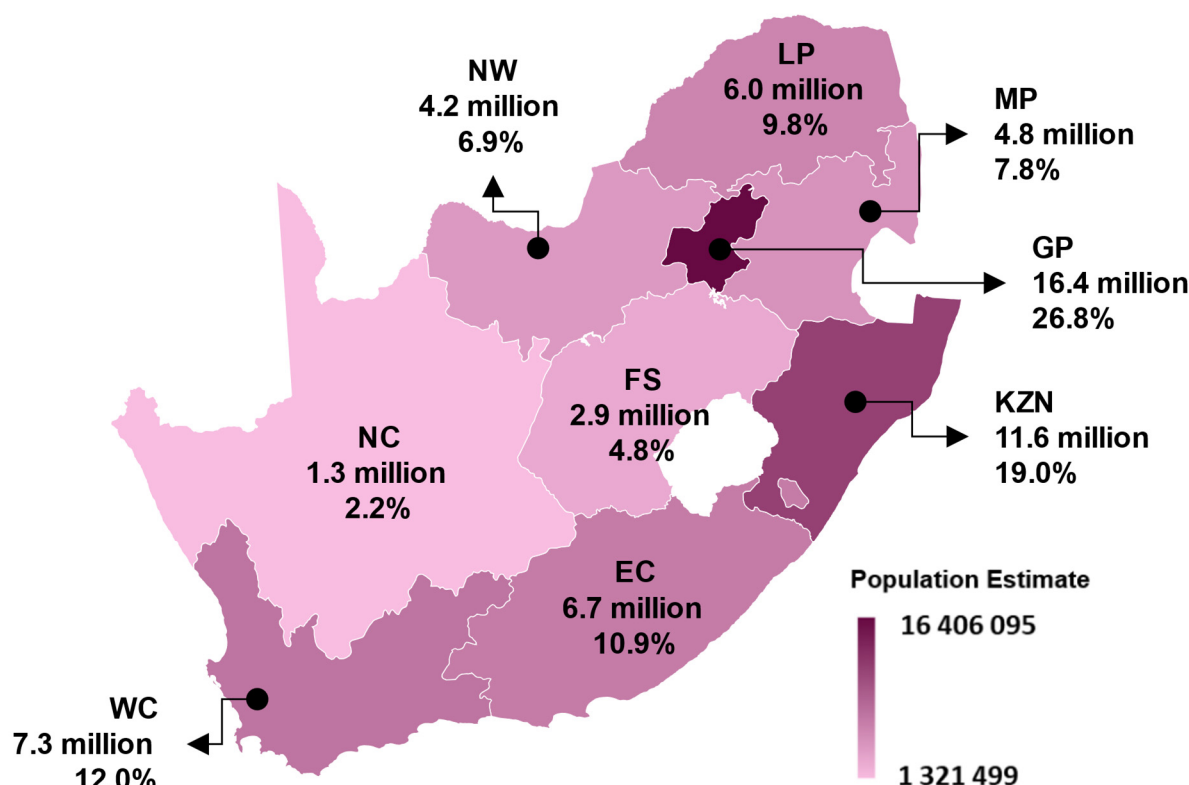
4.2 Population dynamics

People are at the heart of the Western Cape. Population dynamics fundamentally impact economic and social progress by impacting key variables such as the size of the workforce, the demand for social services, and the demand for critical infrastructure, education, healthcare, and housing. The rate of population growth within a region also impacts directly and indirectly on other key socio-economic indicators, such as the rates of income inequality and poverty.

In South Africa, population growth holds significant implications for provincial funding and resource allocations, given that the distribution of Provincial Equitable Share funding, a vital source of funding for essential services, is influenced by population size. Comprehending population trends is thus paramount for policymakers, researchers, and economists striving to navigate the nation's ever-evolving social and economic landscape.

Supporting a growing population in a sustainable manner requires substantial investments in the required infrastructure and services. Furthermore, an enabling economic and policy environment is vital to leverage the potential economic benefits of a growing population and workforce.

Figure 4.1 Population Estimates by Province, 2023



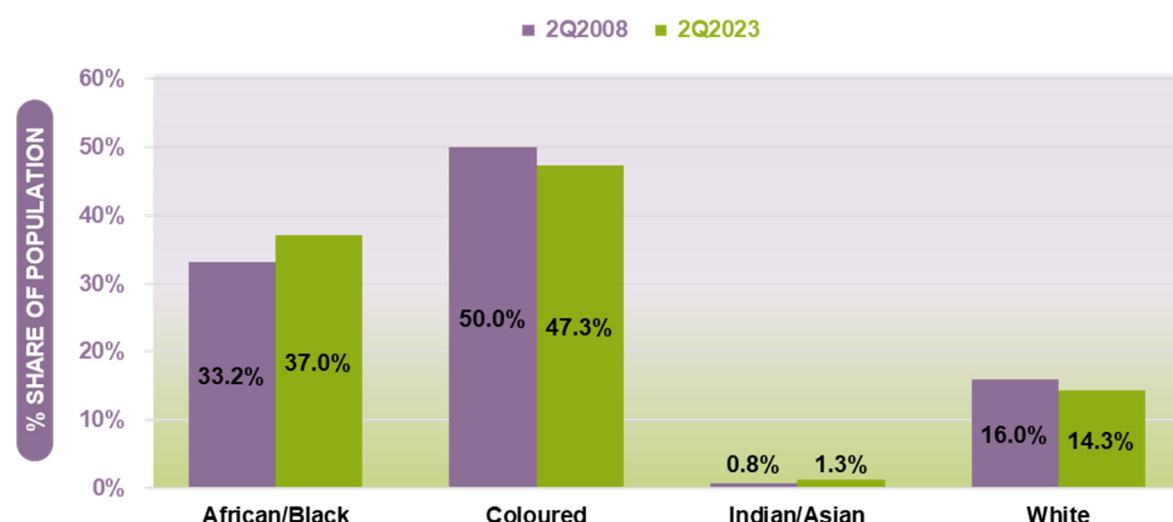
Source: Quantec

Figure 4.1 illustrates provincial population estimates for South Africa. In 2023, South Africa's population reached an estimated 61.293 million individuals, representing a 1.1 per cent increase from the previous year. Gauteng is the most populous province in the country (26.8 per cent), closely followed by KwaZulu-Natal (19.0 per cent) and the Western Cape (12.0 per cent). These three provinces collectively hold a significant portion (57.8 per cent) of the country's population, underscoring their economic and social significance. Conversely, the

Northern Cape had the smallest population (2.2 per cent), highlighting provincial disparities within South Africa.

In the second quarter of 2023, the Western Cape's racial landscape saw significant changes. As a share of the total population in the Province, Coloureds remained predominant, trailed by Africans and then Whites. Between the second quarter of 2018 and 2023 the African community expanded by 3.8 percentage points and the Indian community by 0.5 percentage points. Conversely, both the Coloured (2.7 percentage points) and White (1.7 percentage points) populations declined. These shifts were largely driven by net in-migration.

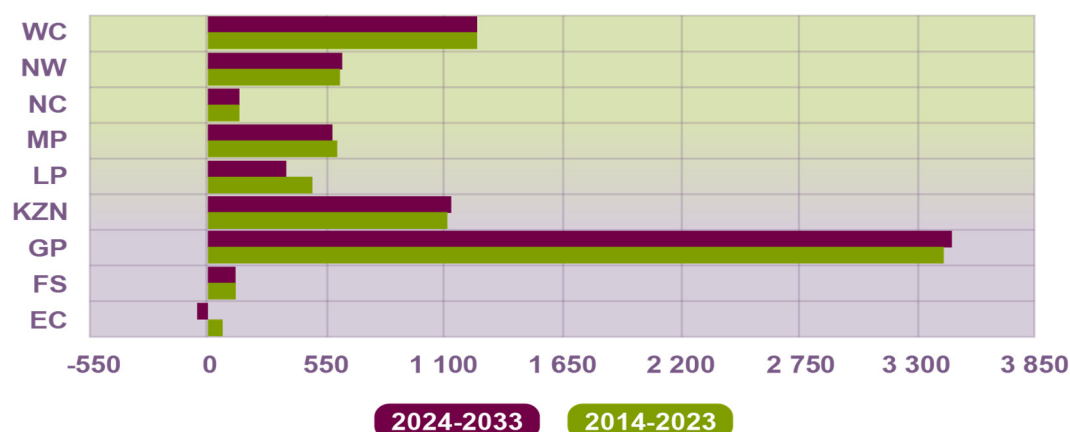
Figure 4.2 Racial Composition of the Western Cape, 2018 - 2023



Source: Stats SA

Figure 4.3 illustrates population growth and expected population growth by province between 2014 and 2033. Notably, between 2013 and 2022, the Western Cape experienced remarkable population growth (1.114 million people or 18.3 per cent), second only to Gauteng (3.116 million people or 24.0 per cent). This upward trajectory reflects both organic growth and in-migration due to the Province's perceived prospects in terms of job opportunities, service delivery, and quality of life. It is estimated that over the next decade, the Western Cape should prepare to accommodate an additional 1.116 million people.

Figure 4.3 Population Growth and Expected Population Growth by Province, 2014 - 2033

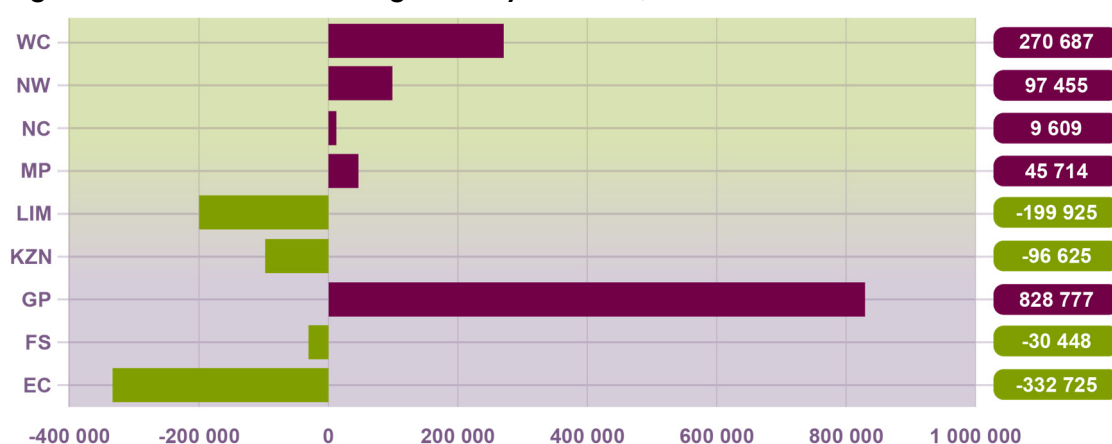


Source: Stats SA

Some of the key factors influencing population growth rates include the fertility rate, mortality rate, net migration, and life expectancy. Figures 4.4 and 4.5 highlight that net in-migration emerges as a substantial driver of population growth in the Western Cape, accounting for an estimated 39.2 per cent of the total population growth between 2021 and 2026. Figure 4.5 highlights in-migration to the Western Cape is mainly driven by migration from the Eastern Cape, Gauteng Province, and outside South Africa. Notably, the Gauteng Province and the Eastern Cape are also the main destinations for out-migration from the Western Cape.

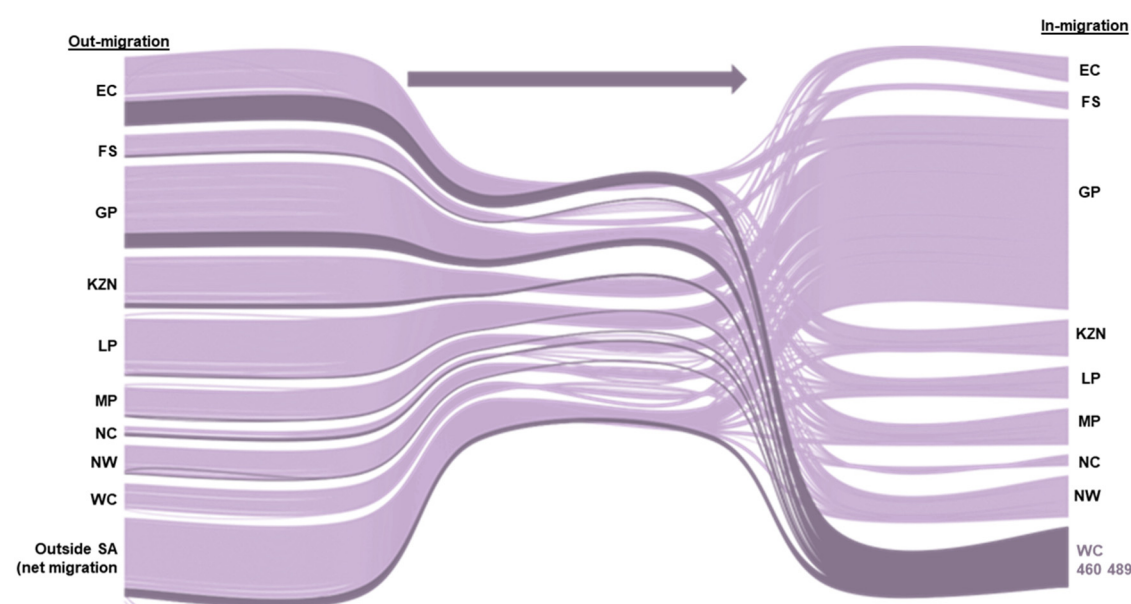
For the Western Cape, careful planning for the effects of in-migration on infrastructure, housing, healthcare, and education is critical. Such population expansion, if unexpected or not strategically planned for, may give rise to three key downsides of densification: congestion, crime, and contagion (Glaeser and Sims, 2015). Addressing these challenges requires the appropriate allocation of resources to deliver infrastructure and services to the growing population, enabling all residents to achieve their full potential.

Figure 4.4 Estimated Net Migration by Province, 2021 - 2026



Source: Stats SA

Figure 4.5 Migration Patterns by Province, 2021 - 2026



Source: Stats SA

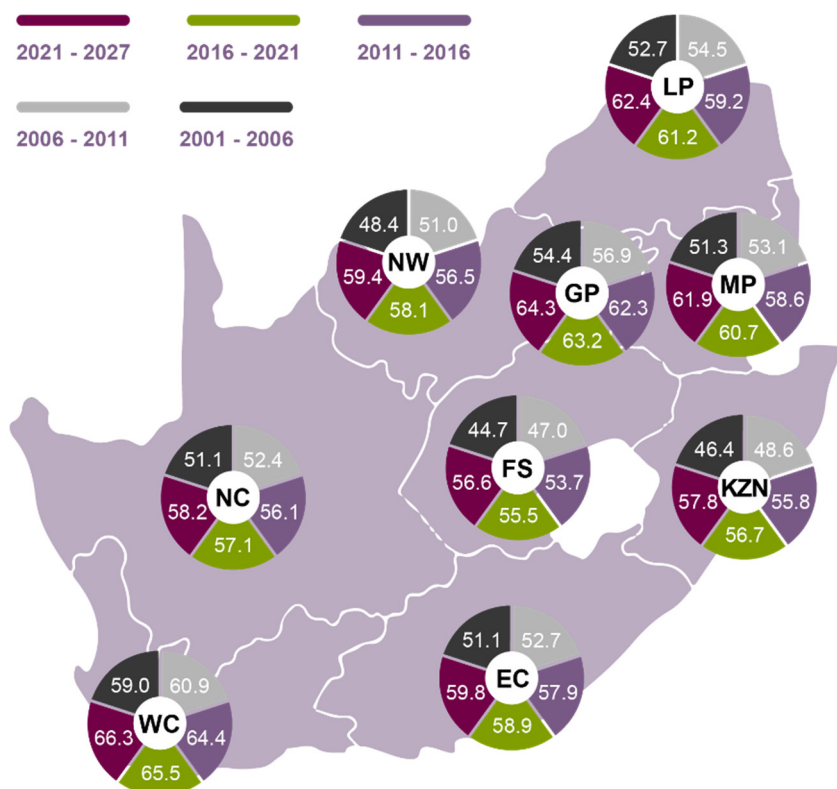
A decline in fertility rates has been observed across all provinces (Figure 4.6). Likely drivers of declining fertility in South Africa include modernising influences such as formal education and wage employment (Biney et al., 2021).

Figure 4.6 Fertility Rate by Province, 2001 - 2026

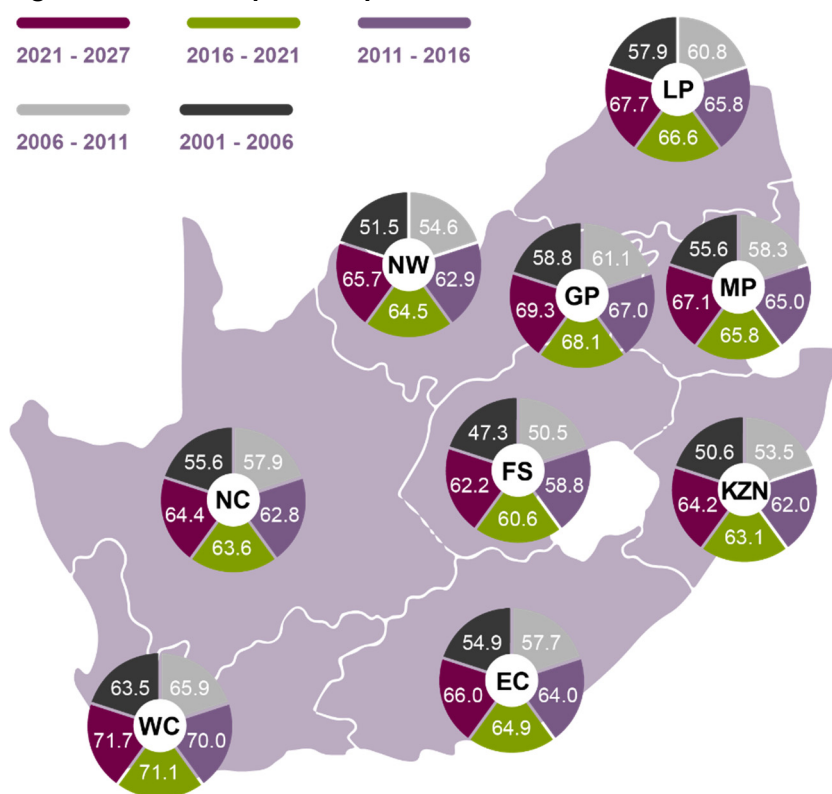
	EC	FS	GP	KZN	LP	MP	NC	NW	WC	
2001 - 2006	3.14	2.69	2.20	2.97	3.23	2.79	3.03	3.08	2.31	<div>Low</div> <div>High</div>
2006 - 2011	3.22	2.84	2.36	2.98	3.37	2.88	3.08	3.20	2.42	
2011 - 2016	2.97	2.48	2.10	2.71	3.16	2.41	2.83	2.78	2.16	
2016 - 2021	2.91	2.33	1.89	2.59	3.09	2.29	2.67	2.57	2.04	
2021 - 2026	2.87	2.27	1.82	2.53	3.03	2.27	2.63	2.52	2.01	

Source: Stats SA

Understanding life expectancy offers insights into health status, the disease burden of the population, and the impact of resource allocations. Figures 4.7 and 4.8 depict the life expectancy of males and females respectively per province between 2001 and 2027 and point to an overall increase in life expectancy for both males and females across all provinces. Across all provinces, females consistently exhibit higher life expectancy than males, with the Western Cape standing out for its longer male life expectancy compared to other provinces. Factors such as heart disease and occupational risks contribute to shorter male life expectancies.

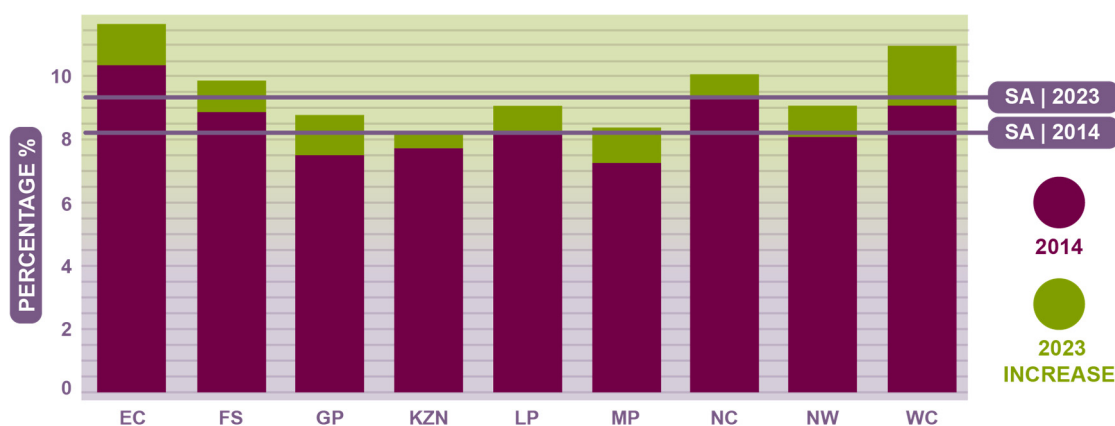
Figure 4.7 Life Expectancy of Males Per Province, 2001 - 2027


Source: Stats SA

Figure 4.8 Life Expectancy of Females Per Province, 2001 - 2027

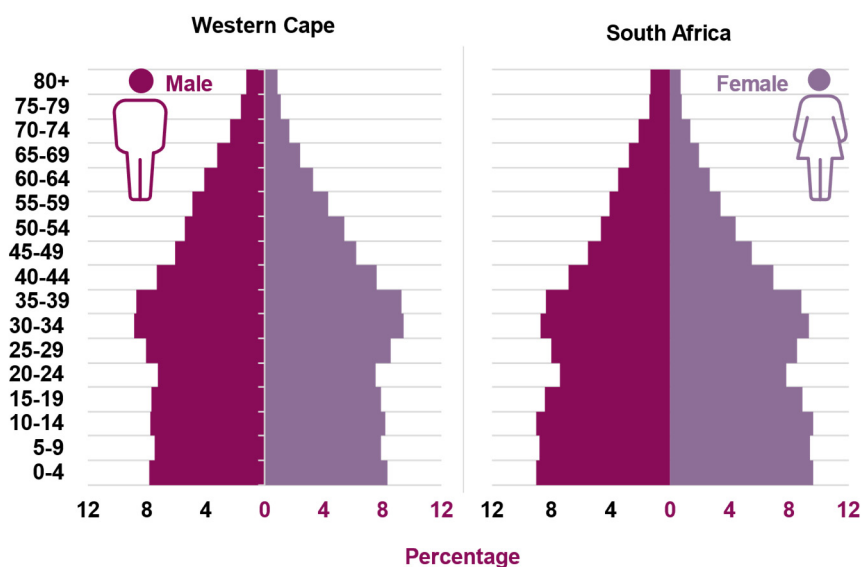
Source: Stats SA

As depicted in Figure 4.9, a noticeable trend of gradual ageing is observed. Among the provinces, the Western Cape stands out with the highest increase in the share of elderly individuals (1.1 percentage points higher than in 2014), while the Eastern Cape surpasses all provinces with the largest overall share.

Figure 4.9 Share of Age 60+ To Total Population Per Province, 2014 - 2023

Source: Stats SA

These changing demographics have implications for the healthcare system for provinces with a growing ageing population, as the projected growth of chronic diseases and complex medical conditions among the ageing population will place a substantial burden on the demand for adult primary care services and specialised medical fields. Neglecting to address these challenges could result in longer waiting times and reduced access to healthcare services.

Figure 4.10 Age Pyramid, 2023 Population Estimate

Source: Stats SA

Figure 4.10 confirms that the populations of the Western Cape and South Africa have become more mature in the last 40 years. For the Western Cape, the age group (0 - 19 years) is estimated to be 6.8 per cent smaller than the age group (20 - 39 years). Consequently, the former group may require relatively fewer education resources over the longer term. However, within the school-going population, the age group (0 - 4 years) is estimated to be marginally the largest and would need to be accommodated in formal education in future years.

The Western Cape is experiencing a youth bulge, characterised by a relatively high proportion of the population aged 15 to 34, signaling the potential to exploit a demographic dividend. The youth (15 – 34 year olds) is expected to exceed the 35 -54 years old age bracket by 16.3 per cent. A youth bulge has the potential to accelerate economic growth through a reduced dependency ratio and increased tax revenues, investments, and pension fund contributions. However, youth unemployment rates in the Western Cape remain high (33.2 per cent¹), and several systemic obstacles currently hamper the potential for absorption of youth into the labour force. As outlined in Chapter 3, while general employment might be growing, youth are not benefiting proportionally, and efforts to address systemic obstacles are thus required. Persistently high youth unemployment rates in South Africa and the Western Cape

DEMOGRAPHIC DIVIDEND

A demographic dividend refers to accelerated economic growth attributed to a decline in a country's rates of fertility and mortality that precede a transformation of the age structure of a population. Bloom and Sevilla (2003) suggest that a successful demographic dividend is enabled by a low dependency ratio, i.e., a relatively high number of working age adults in the population that can financially support the younger and older population who are not economically active. It also requires other enabling socio-economic conditions and policies.

The data in this publication points to an ageing population and a youth bulge with the potential boost per capita incomes. However, South Africa still faces significant legacy socio-economic conditions that limit the potential to exploit a demographic dividend. Creating the right enabling conditions will require investments into health, education, and social care services, as well as eliminating the barriers to job creation and economic activity.

Sources:
Bloom and Sevilla (2003)

¹ In the first quarter of 2023, the unemployment rate among youth in the Western Cape was at 33.2 per cent.

thus severely constrain the capacity to exploit a demographic dividend and raise the potential for instability and unrest.

4.3 Poverty, Inequality, and Human Development

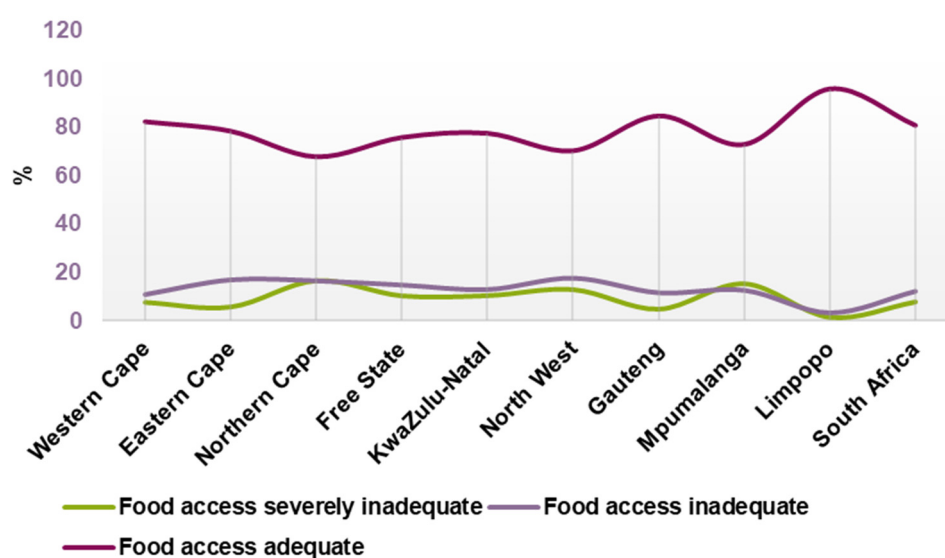
In South Africa, poverty, inequality, and human development remain urgent challenges that have far-reaching implications for the country's social, economic, and political advancement.

Recent data from Statistics South Africa (Stats SA) reveals that a substantial portion of households across South Africa have been affected by hunger. Approximately one-fifth of households nationally reported that their access to food was either inadequate or severely inadequate. As illustrated in Figure 4.11, in 2022, the provinces facing the highest food access inadequacies were the Northern



Cape and Mpumalanga. Only 4.5 per cent of households in Limpopo reported inadequate or severely inadequate access to food. Adequate access to food amongst households was highest in Limpopo (95.5 per cent), Gauteng (84.3 per cent), and the Western Cape (81.9 per cent). Limpopo enjoys higher household food access due to having a largely rural population with robust local agriculture, while Gauteng and the Western Cape, due to their stronger economies, provide better income, enhancing households' purchasing power for food.

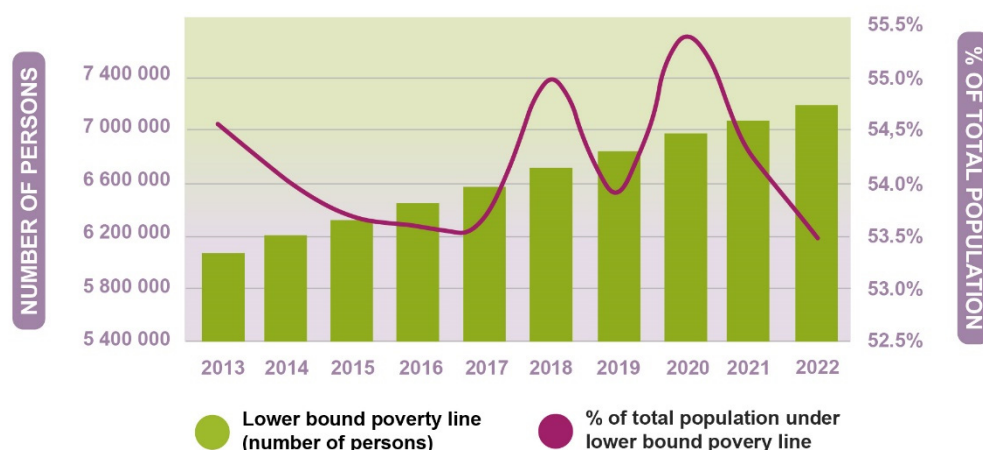
Figure 4.11 Percentage distribution of households experiencing food adequacy or inadequacy by province, 2022



Source: Quantec Research

Poverty lines play a crucial role in measuring and monitoring poverty levels, as well as in planning and evaluating poverty reduction programmes. In the Western Cape, the number of people living below the lower-bound poverty line increased by 531 308 (16.1 per cent) between 2013 and 2022. The COVID-19-induced recession in 2020 led to a peak in the percentage of the total population below the poverty line, but a significant decline was observed from 2021 onwards. Nevertheless, 53.5 per cent of the total population in the Western Cape remains below the poverty line.

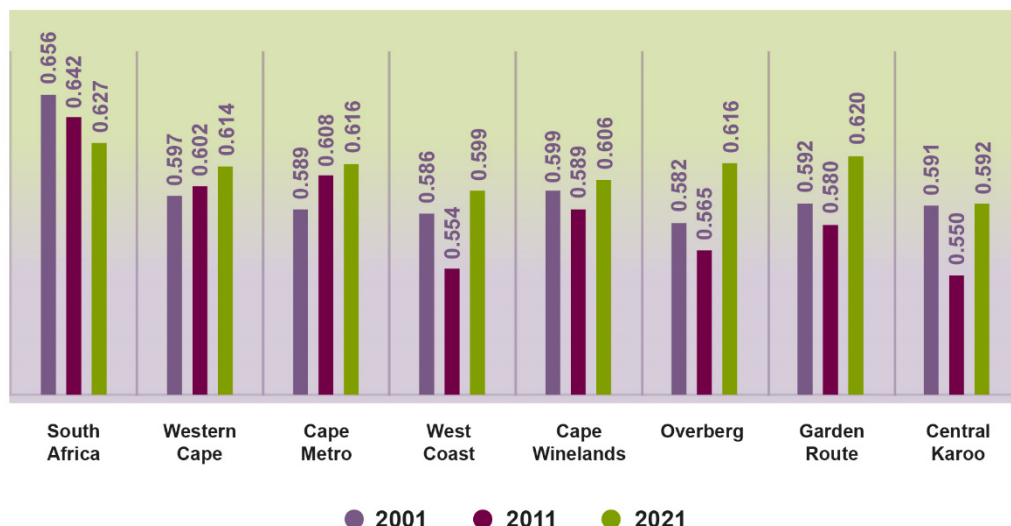
Figure 4.12 Number and Portion of Persons Below the Lower Bound Poverty Line in the Western Cape, 2013 - 2022



Source: Quantec Research

Income inequality has long been a pervasive issue in South Africa, deeply rooted in the social and economic impacts of Apartheid, highlighting the ongoing need for concerted efforts to address its underlying systemic causes. Inequality manifests in various domains, including education, healthcare, income distribution, and land ownership, and can lead to various social and economic challenges, including crime and social unrest. A study conducted in South Africa found that increases in income inequality have a negative and significant effect on total factor productivity (TFP) across the 52 district municipalities in South Africa (Espoir and Ngepah, 2021). The study also found that district municipalities with moderate levels of inequality and high economic opportunities attract more businesses, investments, and important stocks of skilled labour from district municipalities with high inequality.

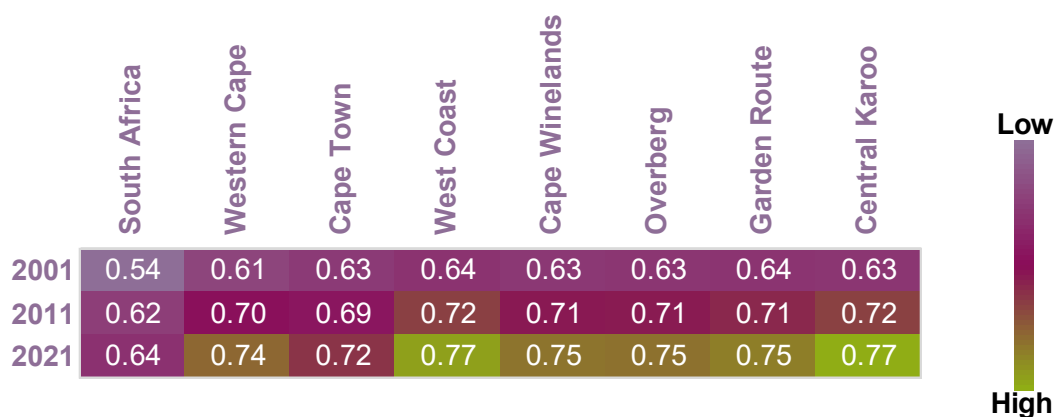
Figure 4.13 illustrates that from 2001 to 2021, the Gini coefficient, a measure of income inequality, slightly increased in the Western Cape and across all Western Cape municipal districts. South Africa's estimated inequality in 2021 was higher than that of the Western Cape. However, it is notable that South Africa's inequality rate depicts a decreasing trend, while the Western Cape's inequality rate depicts an increasing trend. This phenomenon is largely driven by population dynamics in the Cape Metro and reflects the intricate relationship between population growth and inequality in regions experiencing rapid rates of urbanisation and population growth. The trend of increasing income inequality in the Western Cape underscores the need to accelerate economic growth and development.

Figure 4.13 Gini Coefficient for South Africa and The Western Cape by District

Source: Quantec Research

The relationships between growth, inequality, and poverty are complex. Economic growth can be effective in reducing poverty, but its impact on inequality is ambiguous and depends on the underlying sources of growth. The relationship is further complicated by rapid population growth, which may reduce per capita income growth and wellbeing, and increase poverty (Ahlburg, 1996). These complexities point to the need to enable sustainable urbanisation by managing the adverse effects of rapid urban expansion (Glaeser and Sims, 2015).

The Human Development Index (HDI) is a summary measure of a country or region's human development in health, education, and income per capita. As illustrated in Figure 4.14, South Africa and the Western Cape have consistently improved their HDI scores over the last decade, indicating progress in wellbeing, education, healthcare, and living standards. However, HDI in the Western Cape has been improving in the context of a deteriorating Gini Coefficient, unprecedented in-migration, and slow to no economic growth. Figure 4.14 also highlights the spatial disparities that persist within the Western Cape, with the City of Cape Town exhibiting the lowest HDI and the West Coast and Central Karoo districts the highest in 2021.

Figure 4.14 Human Development Index for South Africa and the Western Cape by District, 2001 - 2021

Source: Quantec Research

4.4 Conclusion

In recent years, the Western Cape has experienced rapid population growth largely driven by net in-migration, attracting people from other regions and countries seeking better opportunities and living conditions. Concurrently, the Province has witnessed a decline in fertility rates and an increase in the number of elderly individuals, highlighting shifting population dynamics that have direct service delivery implications for health, education, social protection, and municipal services.

Disparities in the HDI continue to be evident within the Western Cape. However, overall, a positive trend has been reported over the past decade. Economic challenges, however, persist as poverty and inequality levels have risen between 2012 and 2021, necessitating focused efforts to address socio-economic disparities.

Supporting this rapidly expanding population requires accelerated economic growth, which is constrained largely by the structural factors that limit the absorption of youth into the labour market. Addressing the key structural constraints to economic and employment growth is thus paramount to securing poverty alleviation and socio-economic development.

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SOCIO-ECONOMIC PROFILE OF THE WESTERN CAPE

5.1 Introduction

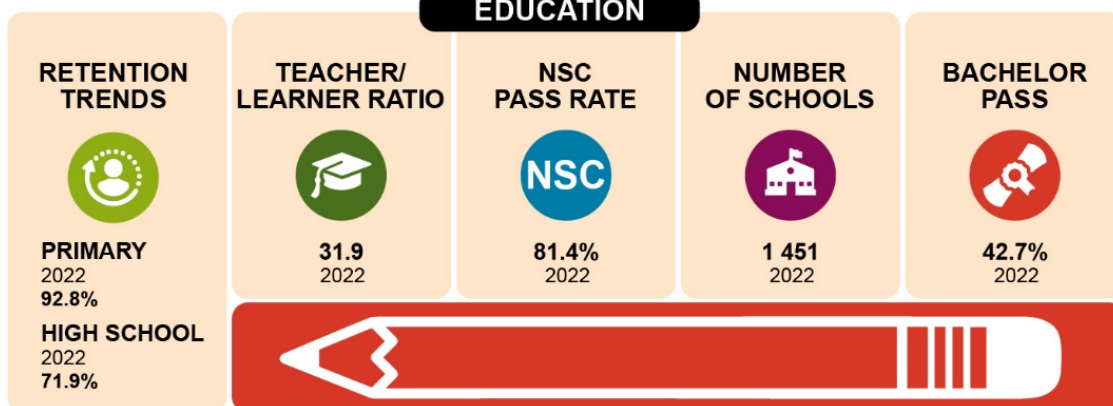
This chapter explores the latest key socio-economic indicators in terms of education, health, wellbeing, and safety, which are key components of the socio-economic development of Western Cape communities.

The chapter also evaluates the delivery of education and health services and examines the progress in addressing issues related to crime and substance abuse across the Province.

These indicators provide important insight into areas that require improved focus in support of addressing issues of poverty, inequality, quality of life, and sustainable service delivery.

SOCIO-ECONOMIC PROFILE IN THE WESTERN CAPE

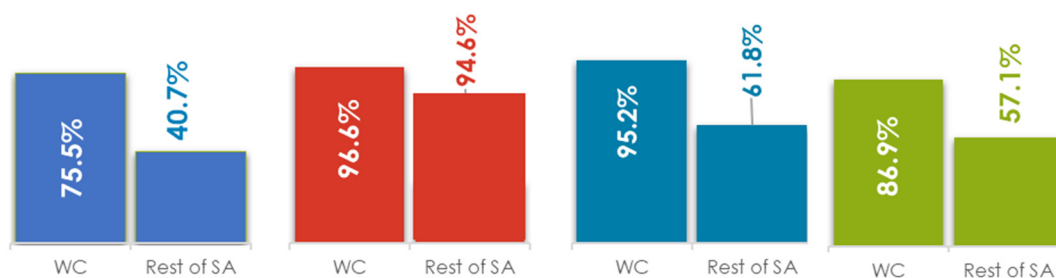
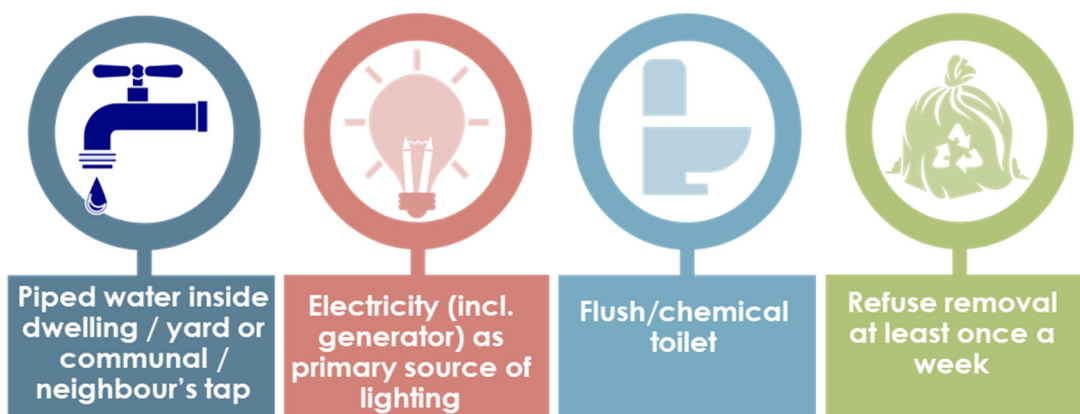
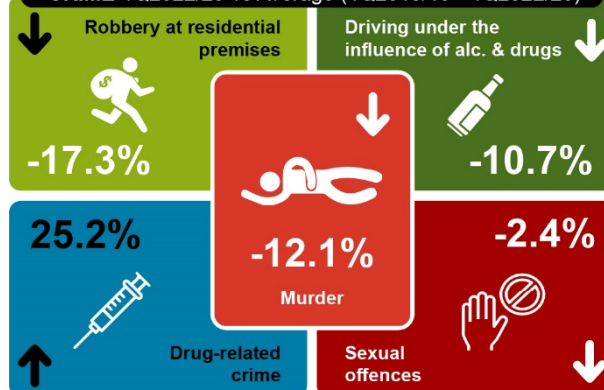
EDUCATION



Top 5 LEADING CAUSES OF DEATH IN THE WC, 2019



CRIME 4Q2022/23 vs Average (4Q2018/19 - 4Q2022/23)



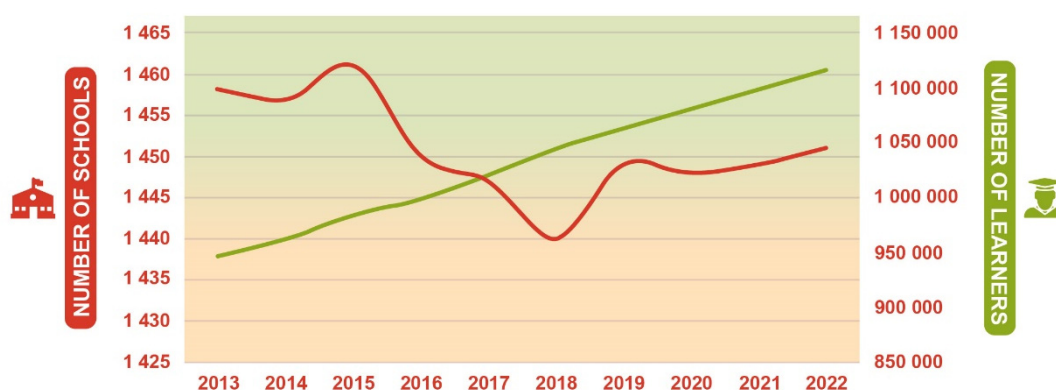
5.2 Education and Learning

Education holds immense power as a transformative tool, transferring knowledge and skills that boost economic growth and further social development over the long run. Its significance lies in its potential to play a pivotal role in building human capital, boosting innovation, meeting labour market demands, and combating poverty and inequality.

Ensuring quality education and equal learning opportunities for all learners requires enough well-managed schools and classrooms, and appropriately qualified teachers to teach a growing learner body. While significant advancements have been made in increasing school capacity over the last year, budgetary constraints, learning losses, and a rising demand for services have adversely impacted on the delivery of frontline services.

Over the last decade, the Western Cape has seen a net decline of 0.5 per cent in the number of schools, predominantly in rural areas, alongside a substantial 17.8 per cent increase in the number of learners (Figure 5.1). The net decline in the number of schools is linked to the strategy of placing learners in better equipped schools to improve the quality of education. Continued investment in the construction and expansion of schools, coupled with the recruitment and training of additional teachers, particularly in urban areas facing a rapid growth in demand, is required.

Figure 5.1 Number of Schools and Learners in The Western Cape, 2013 – 2022

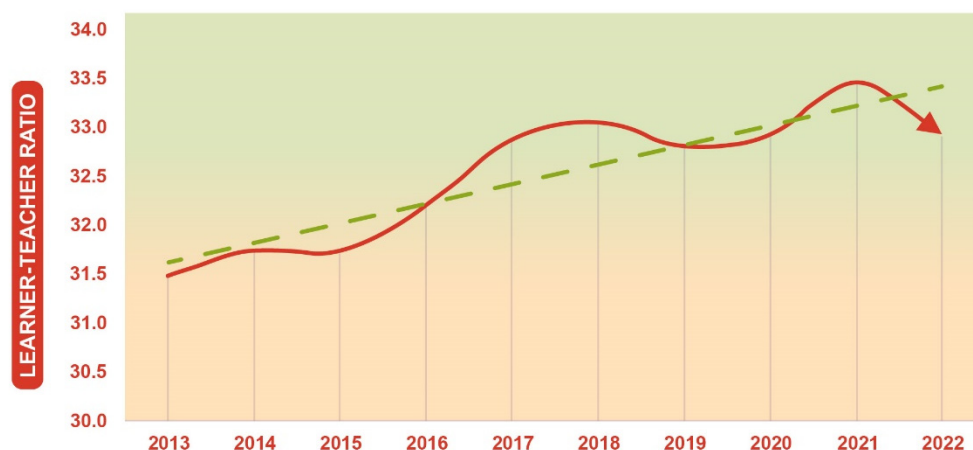


Source: Western Cape Education Department

Evidence on the precise relationships between class size and academic performance is mixed. However, significant evidence shows that smaller class sizes positively impact learner achievement, particularly in the early grades. It has been recommended that class sizes should ideally be kept under 29 students per classroom (Malony, 2020). While the average learner-teacher ratio¹ varies widely across the Province, the ratio has risen from 30.5 to 31.9 over the past decade. The rise in average class sizes can have detrimental effects on students' academic performance, create additional pressure on teachers, and ultimately lead to less favourable educational outcomes over time. Efforts to reduce the learner-teacher ratio should thus be intensified within schools and areas exhibiting particularly large class sizes.

¹ A learner-teacher ratio refers to the number of students per teacher in a school or classroom. It is calculated by dividing the number of students by the number of teachers.

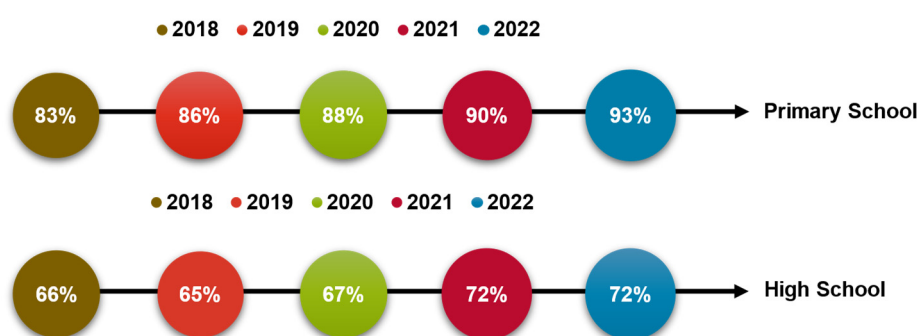
Figure 5.2 Learner-Teacher Ratio in the Western Cape, 2013 - 2022



Source: Quantec Research

Learner retention and continued enrollment in school strongly influence educational outcomes. Learners who complete secondary (high) school have the potential to obtain further education, gain better employment opportunities, and have improved lifestyle prospects. While enrollment in public ordinary schools in the Western Cape increased by 17.8 per cent between 2013 and 2022, the number of learners tended to decline as they progressed to higher grades due to dropout rates over time. Evidence suggests that learners who successfully complete secondary school earn, on average, between 40 per cent and 70 per cent more than those with less schooling, whereas the return from obtaining a diploma or certificate in tertiary studies is between 170 per cent and 220 per cent (Cloete, 2009).

Figure 5.3 Retention Rate in Primary and High School in the Western Cape, 2018 - 2022



Source: Western Cape Education Department

The Western Cape has higher average learner retention rates (93 per cent in 2022) in primary school grades compared to high school grades (72 per cent in 2022). Over the last five years, there has been a notable improvement in learner retention for both primary and high school cohorts. This positive trend suggests a decline in dropout rates and an increasing number of learners successfully completing their education.

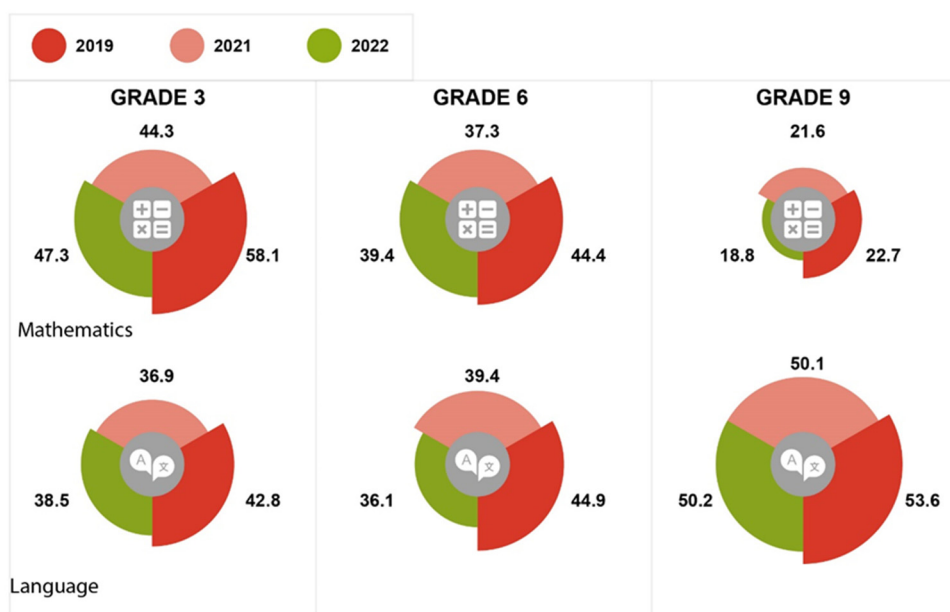


Literacy and numeracy skills underpin lifelong learning and development. They enable learners to understand what they are reading and to think critically and creatively, building the foundations for academic and professional success. Systemic assessments in these subjects offer valuable insights into overall learner performance. Unfortunately, over the last four years, the Western Cape witnessed a decline in systemic test results for Grades 3, 6, and 9, primarily attributed to the

learning losses and disruptions caused by the COVID-19 lockdown. The poor pass rates in Mathematics for Grade 9 learners are particularly concerning, highlighting the urgency and importance of targeted interventions.

The Back on Track programme of the Western Cape Education Department is an example of a successful targeted intervention that has received national recognition for its efforts to address severe learning losses. By enabling an increased time allocation for Mathematics and Reading each week for the grades most severely affected by the COVID-19 pandemic, the programme applies a variety of teaching, learning, and support methods to improve learning outcomes.

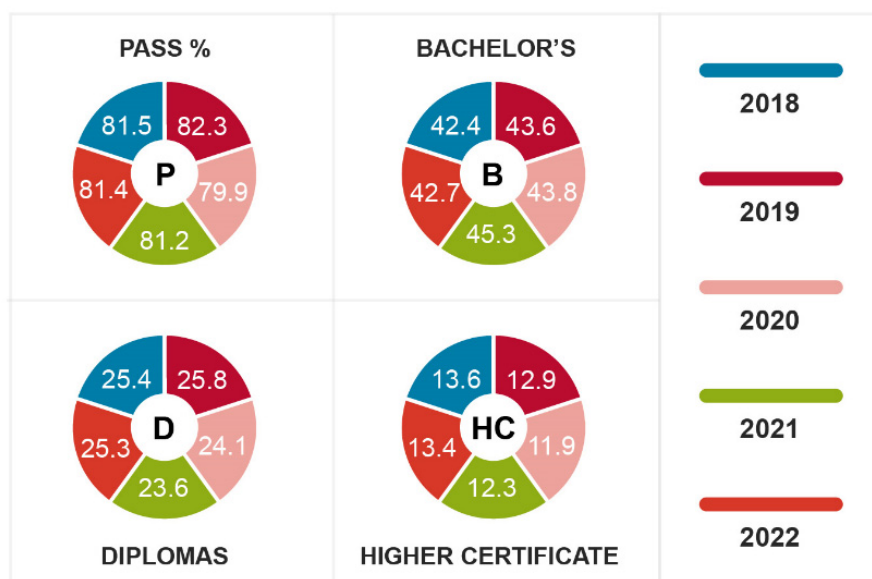
Figure 5.4 Systemic Test Results in the Western Cape, 2019 - 2022



Source: Western Cape Education Department

In the class of 2022, the Western Cape achieved the fourth-highest National Senior Certificate (NSC) pass rate in South Africa, with an impressive 81.4 per cent. The pass rates for bachelor's, diploma, and higher certificate achievements, which are all matric level passes, highlight the diverse educational pathways pursued by learners in the Province.

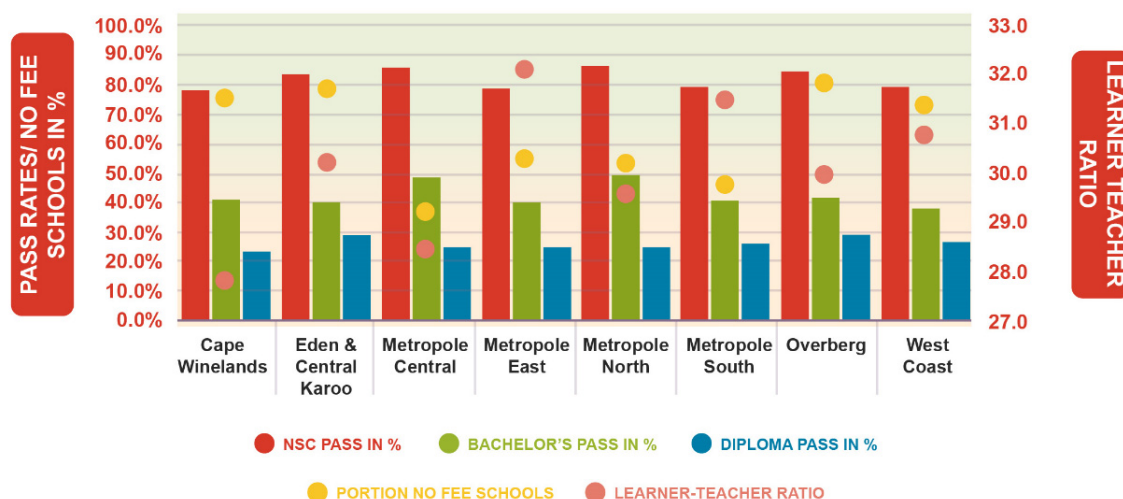
Figure 5.5 Comparison of National Senior Certificate Categories of Achievement in the Western Cape, 2018 - 2022



Source: Western Cape Education Department

Poverty remains a significant factor influencing academic performance. Education districts in the Western Cape with higher poverty levels, as indicated by a greater proportion of no-fee schools, tend to exhibit lower pass rates. The correlation between poverty and educational outcomes underscores the critical need for targeted interventions that address resource disparities and provide support for students from low-income backgrounds.

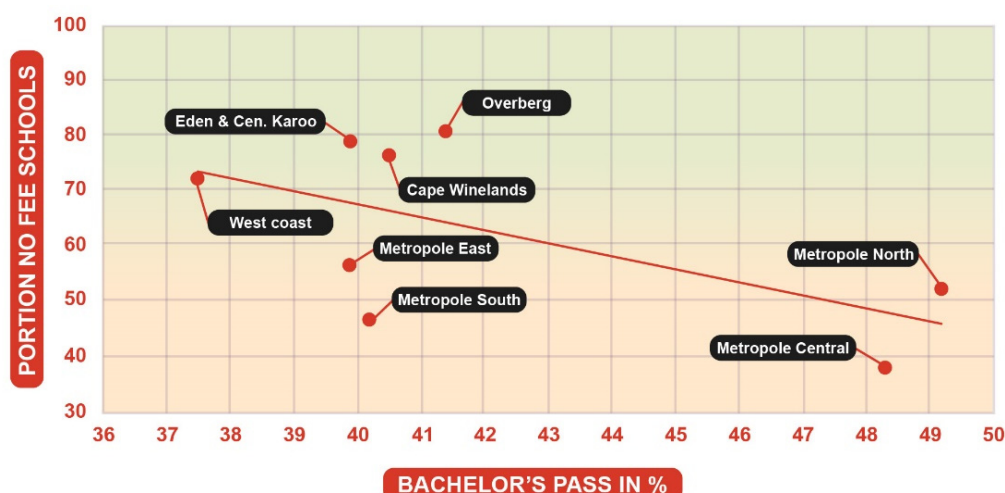
Figure 5.6 NSC and B Degree Pass Rates; Portion of No Fee Schools; and Learner-Teacher Ratio per Western Cape Education District, 2022



Source: Western Cape Education Department

In 2022, as depicted in Figure 5.7, there exists a notable negative correlation (-0.60) between the proportion of bachelor passes (a proxy for academic performance) and the proportion of no-fee schools (a proxy for poverty) within the Western Cape education districts. Poorer learners often have limited access to critical educational resources, such as books, computers, and educational materials. They must cope with adverse circumstances related to inadequate nutrition, health issues, and stressful home environments, all of which detrimentally affect students' ability to learn and excel in their studies (Aikens and Barbarin, 2008).

Figure 5.7 Correlation between No Fee Schools and Bachelor Pass Rate in the Western Cape, 2022



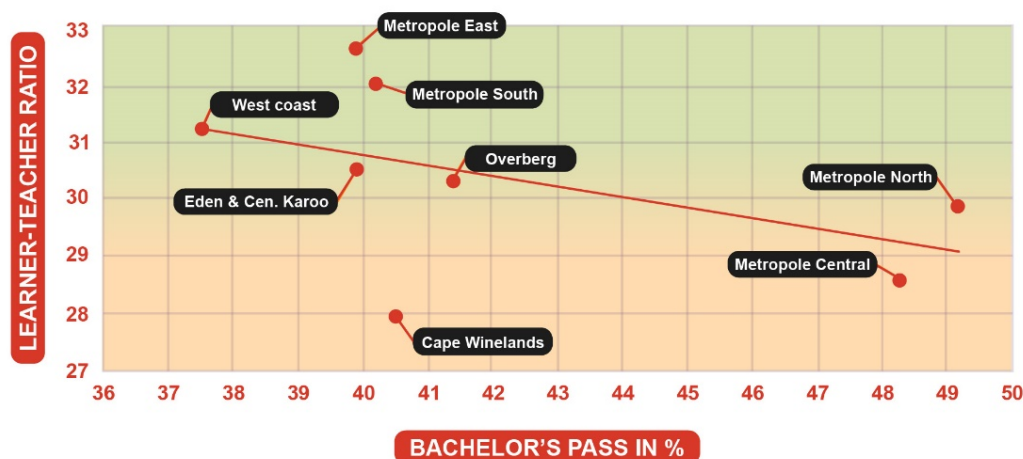
Source: Western Cape Education Department

The impact of the learner-teacher ratio on academic performance in the Western Cape is intricate and contingent on several factors. Subject matter, students' age and ability level, the quality of instruction, and school governance all play a role. Some studies have suggested that smaller class sizes tend to correlate with improved academic performance (Heinesen, 2010). This is due to the advantages of increased individualised attention from teachers and the creation of a more supportive learning environment.

Among the Western Cape education districts in 2022, a negative correlation (-0.48) is observed between the learner-teacher ratio (class size) and the bachelor pass rate (academic performance). This is demonstrated in Figure 5.8. However, The Cape Winelands district exhibits the fourth-highest bachelor pass rate but the lowest learner-teacher ratio in the Western Cape. This highlights the impact of other contributing factors, such as poverty, education quality, and student motivation, on the district's academic performance.



Figure 5.8 Correlation between the Learner-Teacher Ratio and Bachelor's Pass Rate in the Western Cape, 2022



Source: Western Cape Education Department, Quantec, Own calculations

In conclusion, as quality education is a significant driver of economic growth and prosperity, the Western Cape should:

- Prioritise investing in building additional schools and classrooms to accommodate a rapidly growing learner body.
- Improve learner retention rates, particularly at the secondary school level.
- Address the impact of poverty on academic performance with a focus on improved nutrition.
- Adopt innovative teaching methodologies.

By placing education at the forefront, the Province can cultivate human capital, foster innovation, and reduce inequality, thereby paving the way for a more prosperous and inclusive society.

5.3 Health and wellness

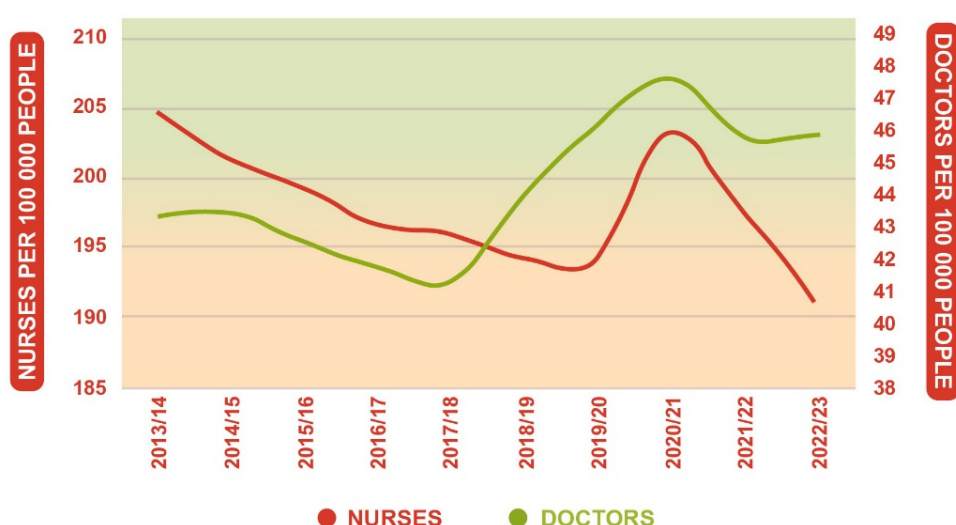
Access to quality public healthcare is a fundamental human right and is crucial for the wellbeing and productivity of a population. South Africa's healthcare policy promotes equity, inclusivity, and social justice, guided by the constitutional right to access healthcare services. The government's strategies aim to expand coverage, improve service quality, and combat diseases.

5.3.1 Doctors and nurses

The availability of doctors and nurses greatly impacts the quality of healthcare. Adequate numbers of trained healthcare professionals ensure timely and effective medical care, reduce waiting times, and prevent errors. Shortages of doctors and nurses can lead to limited access to healthcare, longer waiting times, and lower quality of care.

Addressing this issue is crucial to improve healthcare accessibility and quality, while efforts to attract and retain healthcare professionals are essential to safeguard the population's wellbeing.

Figure 5.9 Number of Public Employed Doctors and Nurses per 100 000 People in the Western Cape, 2013/14 – 2022/23



Source: Western Cape Department of Health and Wellness

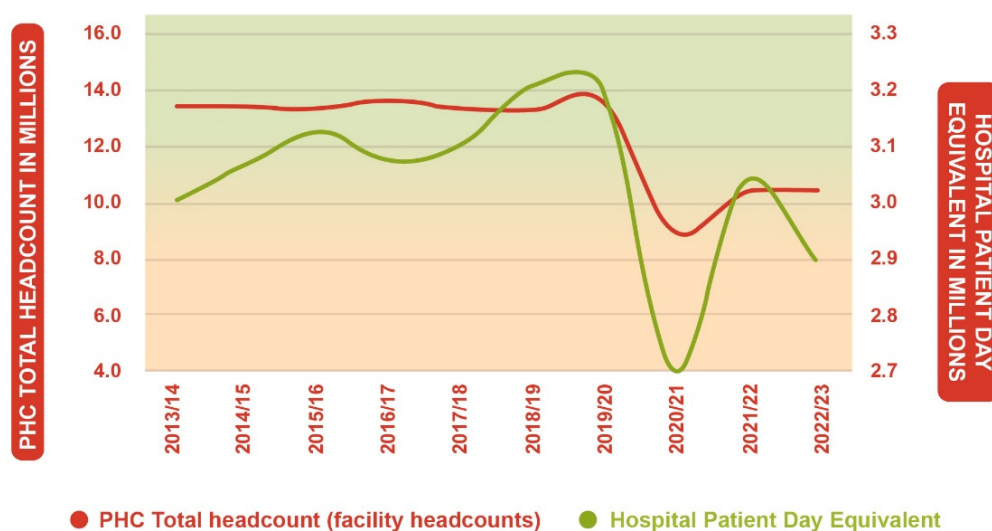


Over the past decade, the Western Cape has seen slight growth in the number of public-employed doctors per 100 000 people, from 43.4 in 2013/14 to 45.9 in 2022/23. The improvement can be attributed to an additional 725 doctors employed at public healthcare facilities over the period, an expansion of 27.8 per cent. However, over the same period, the growth in public-employed nurses did not keep up with the population growth in the

Western Cape. The number of public-employed nurses per 100 000 people declined markedly from 204.6 in 2013/14 to 191.4 in 2022/23. Over the period, the growth in the population of the Western Cape (20 per cent) exceeded the growth in the number of public employed nurses (12.4 per cent).

This decline in the number of public employed nurses per 100 000 people could potentially have wide-ranging implications that require urgent attention. Shortages of nurses could strain the healthcare system, impacting the quality of care, accessibility of healthcare facilities, and overall wellbeing of individuals.

Figure 5.10 Public Healthcare Total Headcount and Hospital Patient Day Equivalent in the Western Cape, 2013/14 – 2022/23



Source: Western Cape Department of Health and Wellness

Despite the expanding population of the Province, there has been no corresponding rise in hospital visits or the number of hospital patient days. Since 2020/21, the number of public healthcare facility visits, and the hospital patient day equivalent declined dramatically from levels reached in 2019/20. The initial decline can be ascribed to COVID-19 lockdowns, which prevented the public from accessing healthcare facilities for elective surgeries, non-essential medical procedures, routine check-ups, and outpatient services deemed non-urgent.

Since 2020/21, the Department of Health and Wellness has embraced an innovative community-oriented primary care (COPC) framework focused on outreach programmes and efficient medicine delivery. The services include home delivery of chronic medication and tele-healthcare, which reduced healthcare facility visits.

Consequently, the number of public healthcare facility visits (-11.2 per cent) and the hospital patient day equivalent (-0.7 per cent) have been reduced since 2019/20, largely due to the change in service delivery modality. These figures are, however, not indicative of the demand for healthcare services in the Province. An increase in service delivery demand has been observed, and this is largely attributed to changing demographic dynamics and population growth in the Western Cape. This highlights the need to maintain public healthcare service delivery through continued investment, and the importance of ongoing innovations that can sustain and improve the standards of healthcare services.

5.3.2 Causes of Mortality

HIV/AIDS continues to be a prominent cause of death in the Western Cape, affecting individuals of all ages and accounting for approximately 23.6 per cent of all deaths. Efforts to combat the spread of HIV/AIDS and reduce its mortality rate involve raising awareness, promoting testing, and ensuring access to antiretroviral therapy (ART) (Johnson & Dlamini, 2020). Another communicable disease prevalent in the Province is Tuberculosis (TB), a potentially fatal disease affecting the lungs. Challenges posed by drug-resistant strains of TB are of particular concern for the Western Cape.

Figure 5.11 Top Ten Leading Causes of Death in the Western Cape, 2019

Source: Institute for Health Metrics and Evaluation, Global Burden of Disease (GBD) study, 2019²

To effectively address communicable diseases in the Western Cape, a comprehensive approach is required, encompassing healthcare interventions, public health strategies, community engagement, and policy initiatives. Prioritising prevention, early detection, and access to quality healthcare services are key strategies to reduce the impact of these causes of death and enhance the overall wellbeing of the population.

Non-communicable diseases, including cardiovascular diseases, diabetes, and cancer, contribute significantly to mortality in the Western Cape. Lifestyle factors such as diet, physical activity, and tobacco-use play a critical role in the occurrence and management of these diseases. Reducing mortality rates associated with non-communicable diseases requires efforts to raise awareness, improve access to healthcare, and promote preventive measures (Mayosi et al., 2009).

Violence and injuries, including interpersonal violence and road traffic accidents, present additional and unfortunate causes of death in the Western Cape. Addressing these tragic incidents necessitates a comprehensive approach involving factors such as addressing underlying causes, promoting safety measures and behavioural change, and strengthening law enforcement (Seedat et al., 2009).

5.3.3 HIV/AIDS Services

South Africa has long faced one of the highest HIV prevalence rates worldwide, with an estimated 7.7 million individuals living with HIV/AIDS in 2020. Regrettably, the Western Cape is not immune to this troubling trend, as approximately 483 056 people in the region are estimated to be living with HIV/AIDS.

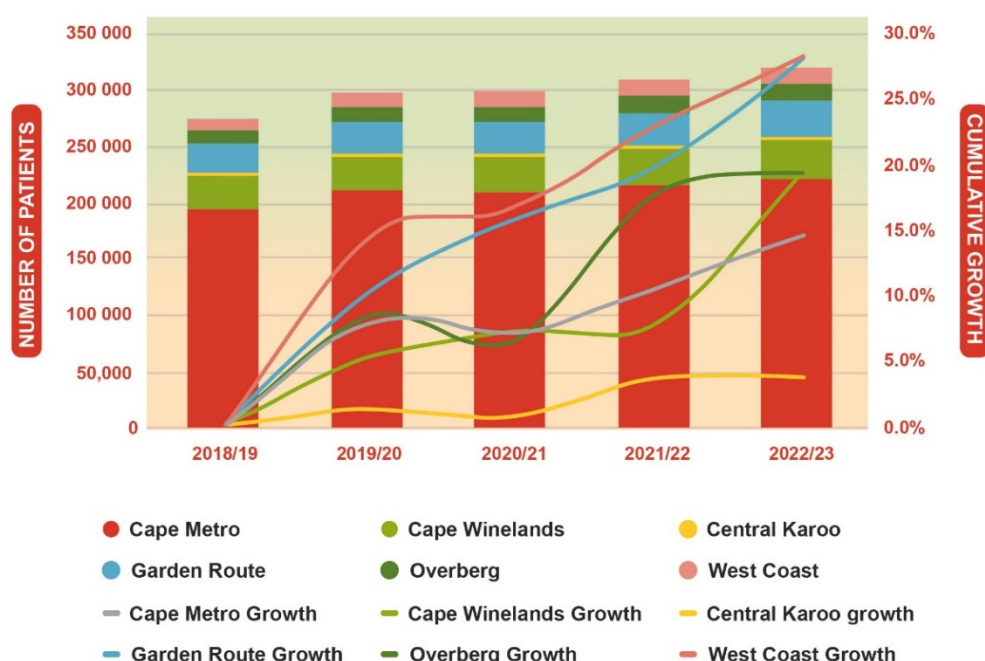
Despite concerted endeavours to combat HIV/AIDS in the Western Cape and throughout South Africa, the virus continues to present a significant public health challenge. It remains imperative to persistently educate the public about HIV prevention, enhance accessibility to HIV testing and treatment, and combat the enduring stigma associated with the virus. These measures are crucial in effectively addressing and mitigating the ongoing epidemic.

² Based on projections/estimations



Between 2018/19 and 2022/23, there was a noteworthy increase in the number of patients receiving Antiretroviral Therapy (ART) in the Western Cape, with a rise of 46 667 individuals, indicating a growth rate of 17.0 per cent. The Cape Metro accounted for the majority of patient growth in the Province, contributing 60.9 per cent of the overall increase.

Figure 5.12 Number and Cumulative Growth in Patients Receiving ART in the Western Cape, 2018/19 – 2022/23



Source: Western Cape Department of Health and Wellness

In 2022/23, the Cape Metro emerged as the region with the highest portion (69.5 per cent) of patients receiving ART, followed by the Cape Winelands (11.4 per cent), and Garden Route (9.3 per cent) districts. The West Coast District experienced a surge in patients receiving ART, with a growth rate of 28.4 per cent between 2018/19 and 2022/23. Similarly, the Garden Route and Overberg, along with the Cape Winelands District, demonstrated significant growth rates of 28.1 per cent and 19.5 per cent, respectively.

The notable growth in the provision of ART in the West Coast and Garden Route districts potentially indicates a substantial expansion in HIV infections or improvements in detections within those districts. Therefore, further research and HIV-related public policy interventions should be intensified for these districts.

5.3.4 Infant, Child, and Maternal Health

The Western Cape grapples with infant mortality, an issue shaped by a multitude of factors, including poverty, limited healthcare access, and high HIV/AIDS rates. Additional contributors to the problem include malnutrition, inadequate maternal education, and subpar maternal care during pregnancy and childbirth.

The Neonatal mortality rate (NNMR) monitors the rate of death within the first 28 days of life. Between 2018/19 and 2022/23, the Western Cape witnessed a relatively stable NNMR, ranging from 9.27 in 2018/19 to 9.40 deaths per 1 000 live births in 2022/23. This is compared to a national NNMR of 11 deaths per 1 000 live births. In 2022/23, all districts experienced an increase in NNMR compared to the preceding fiscal year.

Figure 5.13 The In-Facility Neonatal Mortality Rate per District in the Western Cape, 2016/17 – 2022/23

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	
Cape Metro	9.12	9.12	9.55	8.65	8.66	8.24	9.66	<div> <div>Low</div> <div>High</div> </div>
Cape Winelands	7.91	9.50	9.25	7.89	10.71	8.03	8.59	
Central Karoo	13.96	19.92	12.10	9.49	15.63	7.49	23.20	
Garden Route	9.76	11.40	8.98	9.24	7.84	7.72	8.90	
Overberg	7.19	4.21	7.23	6.14	3.75	5.61	8.37	
West Coast	7.16	9.15	6.43	8.24	7.10	7.23	7.73	
Western Cape	8.90	9.31	9.27	8.48	8.66	7.98	9.40	

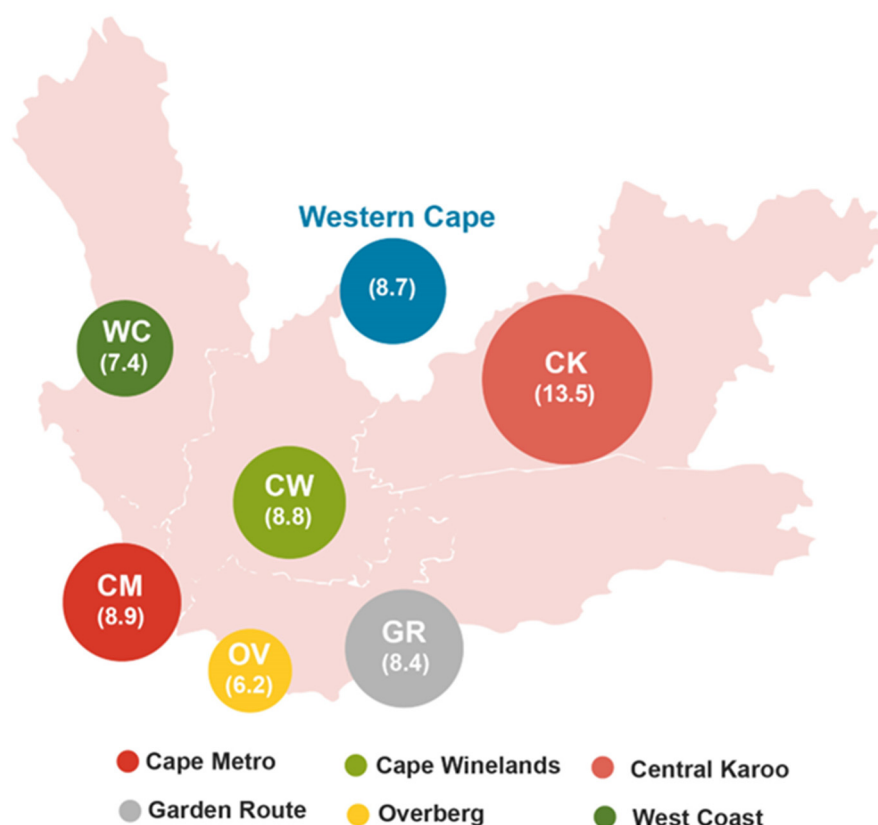
Source: Western Cape Department of Health and Wellness

Neonatal mortality is influenced by a multitude of factors, including infections contracted before, during, or after birth, birth asphyxia stemming from oxygen deprivation during delivery, and potentially fatal congenital abnormalities. The exact cause of the anomaly in NNMR is currently unknown and could be a random occurrence. A long-term trend is not yet evident.

The Central Karoo District stands out with a significantly elevated NNMR of 23.2 in 2022/23, surpassing other districts in the Western Cape and signalling a severe issue in this specific area. Furthermore, between 2018/19 and 2022/23, the Central Karoo District consistently reported the highest average NNMR at 13.5, signaling persistent and troubling neonatal mortality rates.



Figure 5.14 The In-Facility Average Neonatal Mortality Rate per District in the Western Cape, 2018/19 – 2022/23



Source: Western Cape Department of Health and Wellness

Immunisation plays a pivotal role in protecting the health of infants and young children, given their vulnerable immune systems. Vaccines not only shield them from various diseases but also contribute to the prevention of disease transmission within communities. They are an indispensable tool in safeguarding the health of these young individuals.

Figure 5.15 Immunisation Rate Per District in The Western Cape, 2018/19 – 2022/23

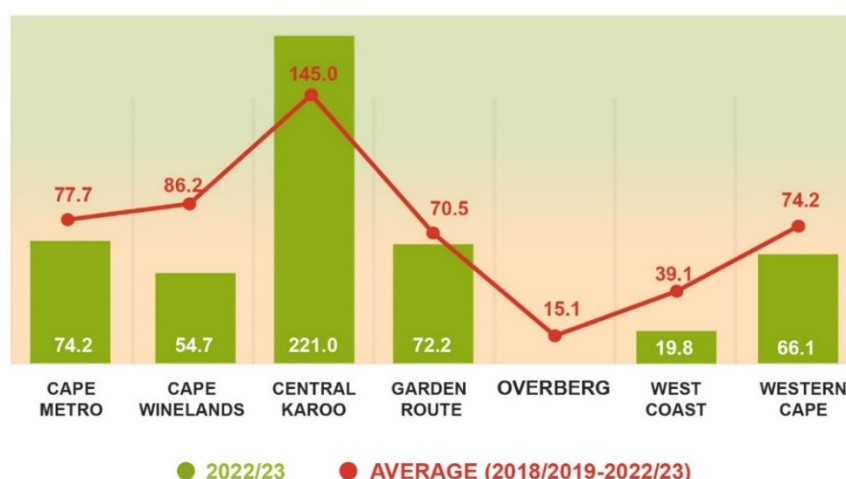
	2018/19	2019/20	2020/21	2021/22	2022/23
Cape Metro	66.42	69.55	67.49	69.98	61.84
Cape Winelands	60.92	63.13	60.64	62.23	61.65
Central Karoo	71.34	83.07	76.08	83.86	69.51
Garden Route	65.70	67.73	68.86	68.03	64.27
Overberg	70.79	76.18	83.32	82.27	79.89
West Coast	62.97	61.47	69.04	69.54	62.51
Western Cape	65.57	68.34	67.58	69.37	63.02

Source: Western Cape Department of Health and Wellness

The average immunisation coverage rates for babies under the age of one, between 2018/19 and 2022/23, point to declines in immunisation rates in the Cape Metro (4.6 percentage points), Central Karoo (1.8 percentage points), and Garden Route (1.4 percentage points) districts in 2022/23. At the local municipal level, the Bitou Local Municipality demonstrated the lowest rate (48.4 per cent) in 2022/23, followed by the Stellenbosch Local Municipality (51.8 per cent), and the Drakenstein Local Municipality (52.8 per cent).

It should however be noted that accurately assessing vaccine coverage in rural areas is subject to various challenges and complexities. This is particularly notable in areas experiencing substantial seasonal migration, as infants may be vaccinated in a different subdistrict to the one in which they were born. Notwithstanding these challenges, these figures provide insight into the areas where concerted efforts are required to monitor and improve immunisation coverage to ensure the health and wellbeing of the youngest members of society.

Figure 5.16 Public Sector In-Facility Maternal Mortality Rate in the Western Cape per District, Average, 2018/19 – 2022/23



Source: Western Cape Department of Health and Wellness

The issue of maternal mortality resonates profoundly, impacting countless women worldwide and calling for immediate action. Despite notable advancements in healthcare, a significant number of women lose their lives due to complications during pregnancy. The maternal mortality rate is a critical measure of a nation's overall health and prosperity, underscoring the urgent need to curtail this distressing trend.

As depicted in Figure 5.16, the Western Cape experienced varying in-facility Maternal Mortality Rates (iMMR), per 100 000 live births, between 2018/19 and 2022/23. The Central Karoo (145.0) had the highest average iMMR, followed by Cape Winelands (86.2) and Cape Metro (77.7), with the Overberg District (15.1) reporting the lowest iMMR. In 2022/23, the Western Cape's overall iMMR slightly decreased to 66.1, below the average of 74.2 observed from 2018/19 to 2022/23.

Notably, the COVID-19 pandemic posed an additional risk factor for maternal mortality that was not present before 2020. Some of the variations and increases in iMMR after 2018/19 are therefore likely influenced by the impact of the COVID-19 pandemic, with the highest reported iMMR coinciding with the COVID-19 wave peaks during 2020 and 2021.

5.3.5 Mental Health

Mental health encompasses a wide range of conditions, such as depression, anxiety, addiction, and more, all of which greatly affect our wellbeing and productivity. Unfortunately, mental health is often misunderstood and carries a stigma. However, there is a glimmer of hope as awareness, attention, and resources dedicated to mental health are growing, offering the potential for greater understanding and improved treatment options.

Between 2013/14 and 2022/23, an average of 19 212 psychiatric admissions occurred in the Western Cape, of which 6 190 (32.2 per cent) required admission to specialised psychiatric hospitals. Between 2021/22 and 2022/23, the Western Cape experienced an unprecedented surge of psychiatric admissions in public health facilities, accounting for a substantial 45.9 per cent of admission growth over the past decade.

According to the World Health Organization (WHO), in the first year of the COVID-19 pandemic, global anxiety and depression rates surged by 25 per cent. The increase is primarily due to the immense stress of social isolation, resulting in limited work, reduced support, and less community involvement. Factors like loneliness, fear of infection, suffering, loss, bereavement, and financial trouble contribute to these mental health issues. Healthcare workers, in particular, faced extreme exhaustion and stress.

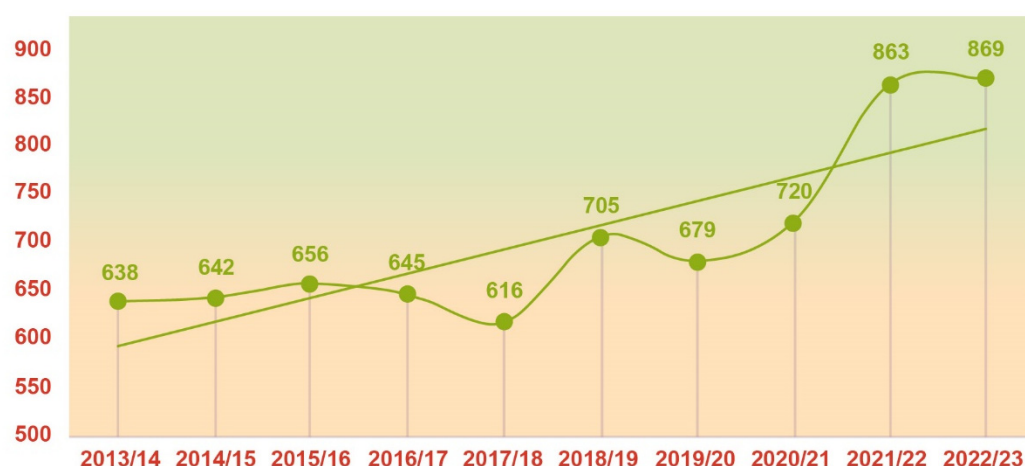
A clear and widely recognised association exists between mental illness and suicide. Conditions such as depression, anxiety disorders, bipolar disorder, schizophrenia, and substance abuse disorders are recognised as significant risk factors for both suicidal thoughts and actions.

Figure 5.17 Total Psychiatric Admissions and Specialised Psychiatric Hospital Admissions in the Western Cape, 2013/14 – 2022/23



Source: Western Cape Department of Health and Wellness

Figure 5.18 Number of Suicides in the Western Cape, 2013/14 – 2022/23



Source: Western Cape Department of Health and Wellness

Between 2013/14 and 2022/23, annual suicide numbers in the Western Cape surged by 36.2 per cent, of which 82.3 per cent occurred since 2019/20. Possible public policy approaches to reduce suicide include improving mental health care access, raising awareness and education, establishing crisis helplines, restricting access to lethal means, implementing school-based mental health programmes, investing in data collection and research, and providing postvention support for those affected by suicide.

5.4 Household services

Rapid urbanisation, population growth, and historical inequalities contribute to South Africa's housing challenges, which are characterised by a persistent shortage. High unemployment, low wages, and limited credit access compound the problem of housing affordability, while informal makeshift dwellings are expanding due to the formal housing sector's inability to meet demand. Addressing these challenges necessitates policy interventions, investment, and active involvement from the community.

5.4.1 Housing

Formal homes play a vital role in our citizens' lives, offering more than just a roof over their heads. They provide shelter, security, stability, and access to essential services. Formal homes also contribute to the overall wellbeing of individuals and families, fostering a sense of community and promoting economic opportunities. In short, they improve the quality of life for residents.

The Western Cape faces the challenge of the prevalence of informal dwellings. In 2021, the Western Cape had a higher portion of informal dwellings compared to the rest of South Africa. Between 2012 and 2021, the portion of informal dwellings in the Western Cape increased by 0.8 percentage points to reach 19.1 per cent of total dwellings in 2021. In contrast, the rest of South Africa experienced a decline of 1.4 percentage points, with informal dwellings (11.6 per cent) accounting for a relatively smaller portion of total dwellings. This disparity can be attributed to the higher growth rate of informal settlements in the Western Cape (25.1 per cent compared to 3.7 per cent in the rest of South Africa) during the same period. These figures are contextualised by the rapid population growth rates and in-migration in the Western Cape, placing unprecedented pressure on current housing and land availability.

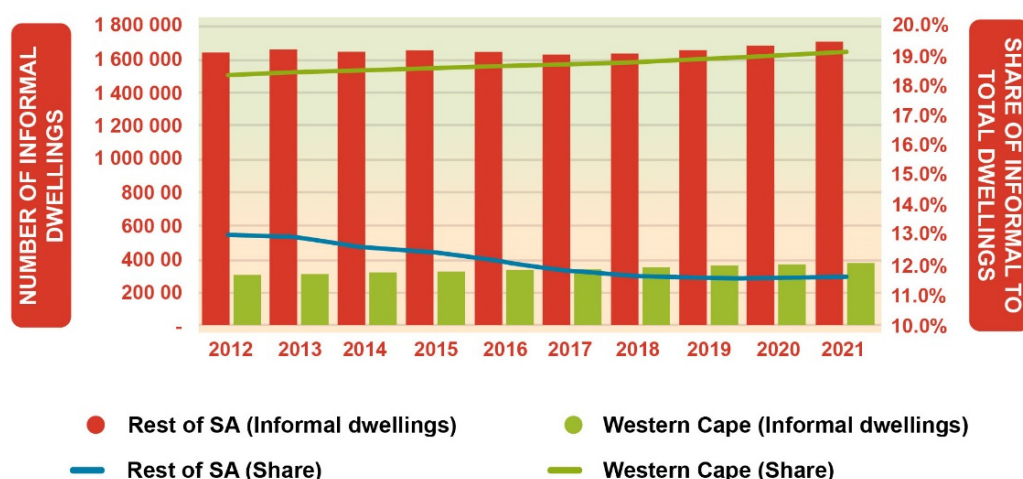
HOUSING MARKET STUDIES

Functional housing markets that respond to the diversity of residential accommodation needs of households across the spectrum of affordability, optimising the role of the private sector (from large-scale property developers to micro-landlords), are central to the economic and social well-being of our settlements, as well as for the financial sustainability of our towns and cities. The Western Cape Growth Diagnostic report (2022) notes that:

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

Key intelligence and insights from Provincial housing market studies should play a key role in planning for the delivery of housing in the Province. The reports are available for download from the Department of Environmental Affairs and Development Planning website.

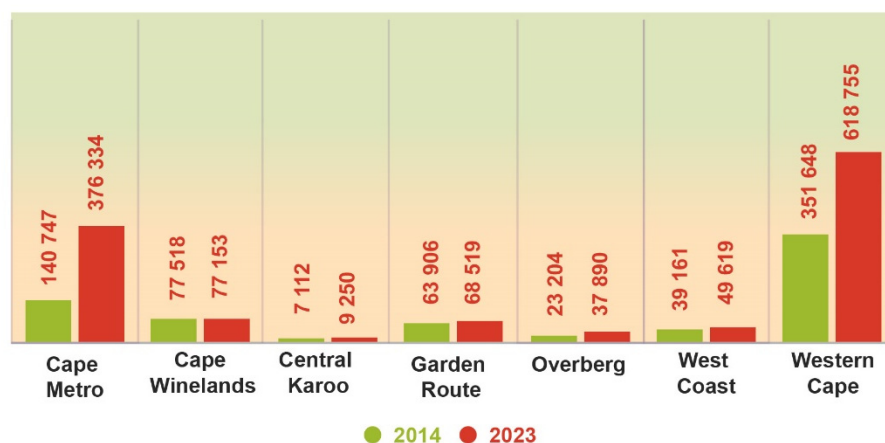
Figure 5.19 Share of Informal to Total Dwellings, Western Cape and Rest of South Africa, 2012 – 2021



Source: Quantec, Own calculations

The substantial expansion of informal dwellings in the Western Cape largely reflects the inability of current housing markets to absorb poorer Western Cape residents. Between 2014 and 2023, the total registered housing demand in the Western Cape increased by 267 117, or 76 per cent, reaching 618 765 in 2023. Most of this demand was concentrated in the Cape Metro district, accounting for 60.8 per cent of the total, followed by the Cape Winelands (12.5 per cent), and Garden Route (11.1 per cent) districts.

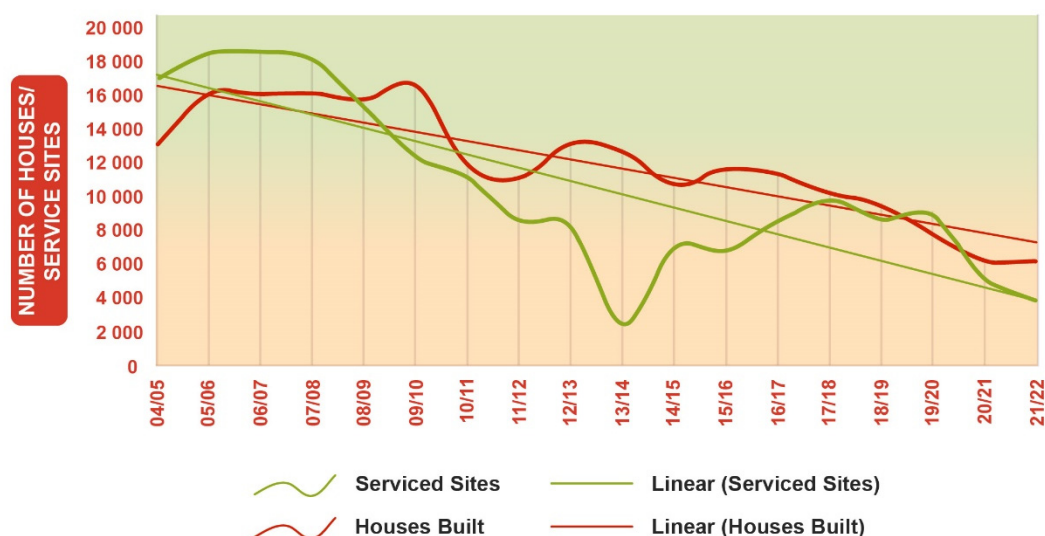
Figure 5.20 Registered Housing Demand in the Western Cape per District, 2014 – 2023



Source: Western Cape Department of Infrastructure

Between 2019/20 and 2022/23, 47 188 housing opportunities have been delivered. These opportunities include housing units, serviced sites, and First Home Finance (formerly known as FLISP). In 2021/22, the Western Cape Government delivered 6 191 houses and 3 973 serviced sites. Between 2004/05 and 2021/22, however, the number of houses built (-52.4 per cent) and serviced sites (-76.5 per cent) declined substantially. This decline has been attributed to factors such as poor contractor performance, community disruptions, construction cartels, COVID-19 delays, energy constraints, illegal invasions, and the cutting of housing delivery grants.

Figure 5.21 Number of Houses and Serviced Sites Delivered in the Western Cape, 2004/05 – 2021/22



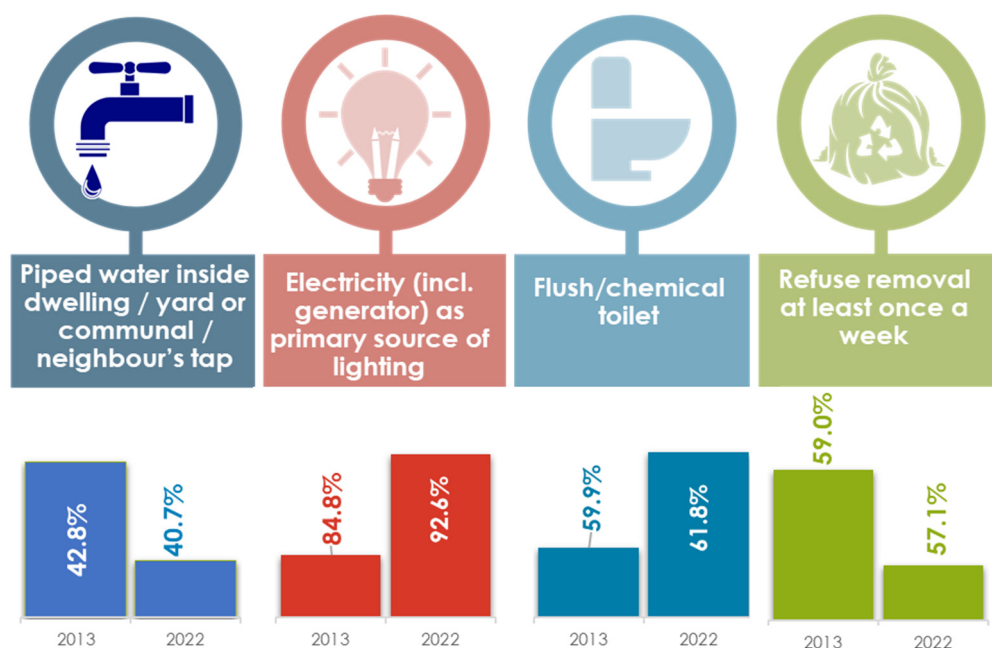
Source: Western Cape Department of Infrastructure

5.4.2 Municipal services

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

Between 2013 and 2022, South Africa made notable progress in the provision of electricity and flush toilets (Figure 5.22). Over the period, the portion of households that had access to electricity, including a generator (7.8 percentage points to 92.6 per cent), and access to flush or chemical toilets (1.9 percentage points to 61.8 per cent) increased. However, the portion of dwellings with access to refuse removals at least once a week (-1.9 percentage points) and piped water inside a dwelling (-2.1 percentage points) declined over the same period.

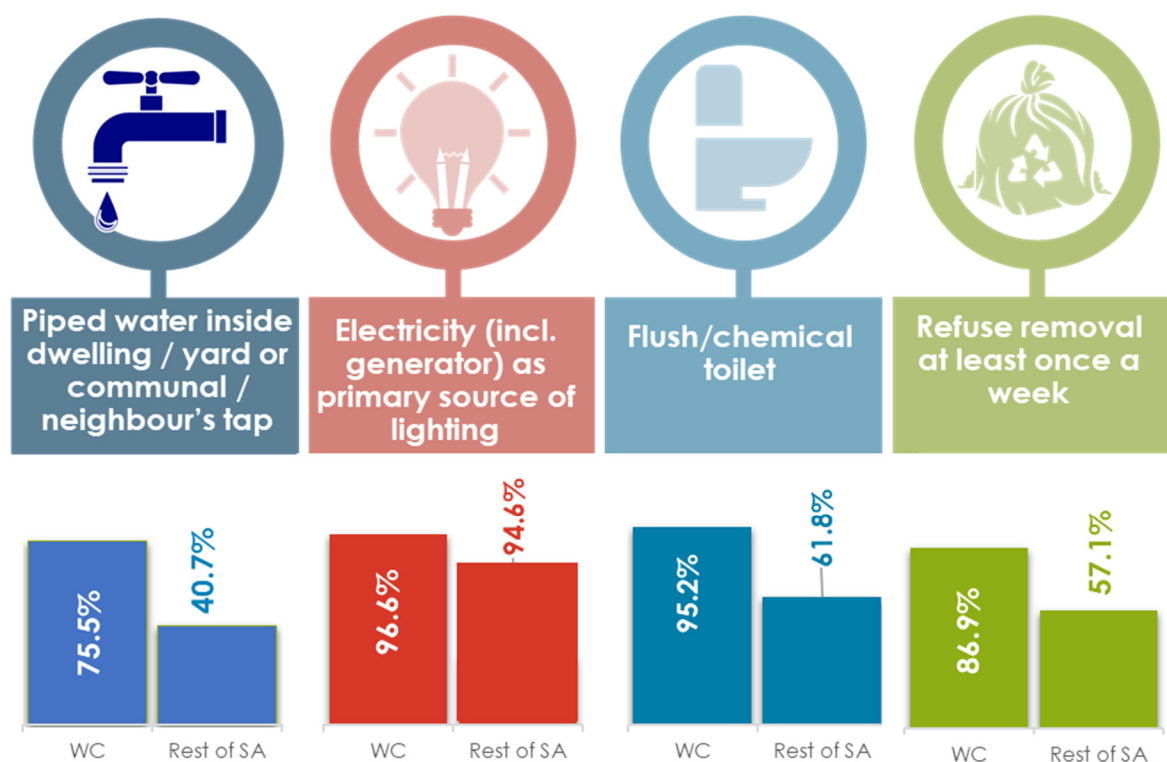
Figure 5.22 Share of basic municipal services to total household dwellings in the Rest of South Africa, 2013 - 2022



Source: Quantec, Own calculations

In 2022, the Western Cape serviced a larger portion of dwellings with electricity, including a generator (2.0 percentage points); access to flush or chemical toilet (33.4 percentage points); access to refuse removals at least once a week (29.8 percentage points) and piped water inside a dwelling (34.8 percentage points) than the rest of South Africa.

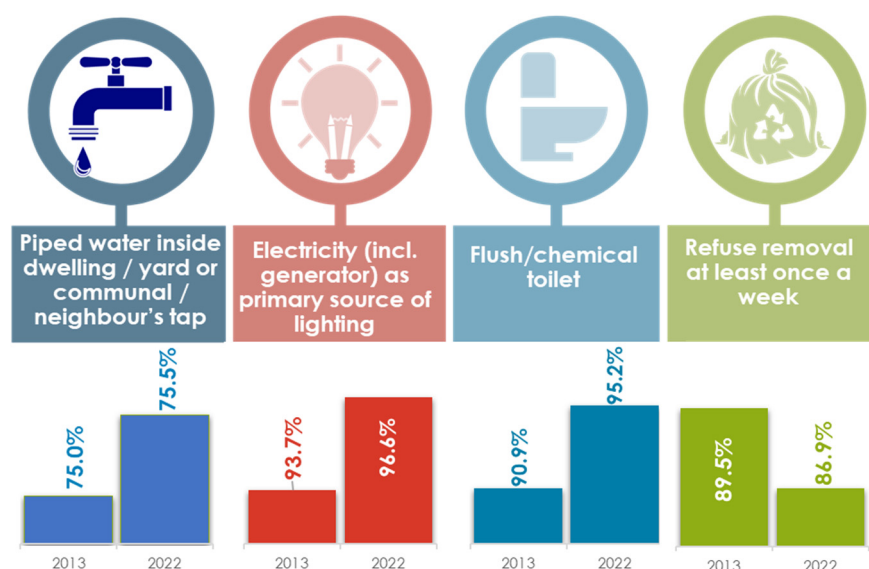
Figure 5.23 Share of basic municipal services to total household dwellings in the Western Cape and the rest of South Africa, 2022



Source: Quantec, Own calculations

Between 2013 and 2022, the Western Cape improved the portion of dwellings serviced with electricity, including a generator (2.9 percentage points to 96.6 per cent), access to flush or chemical toilets (4.3 percentage points to 95.2 per cent), and piped water inside a dwelling (0.5 percentage points to 75.5 per cent). However, the portion of dwellings with access to refuse removals at least once a week (-2.6 percentage points to 86.9 per cent) declined.

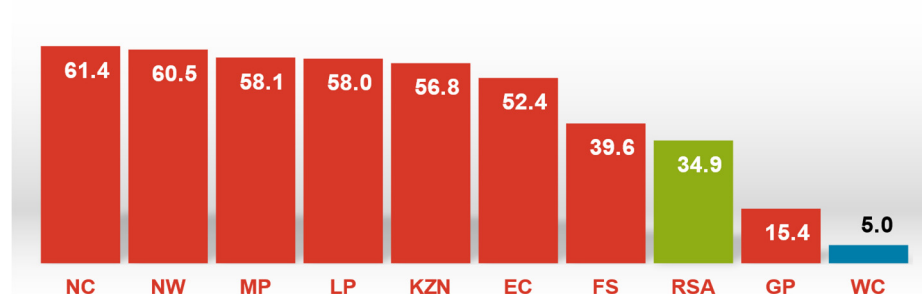
Figure 5.24 Share of basic municipal services to total household dwellings in the Western Cape, 2013 and 2022



Source: Quantec, Own calculations

The 2022 General Household Survey measured the quality and frequency of interruptions of municipal water supply services to households to determine the functionality of municipal water supply services. Figure 5.25 below shows that households in Northern Cape (61.4 per cent), North West (60.5 per cent), Mpumalanga (58.1 per cent), and Limpopo (58.0 per cent) reported the most interruptions, while households in the Western Cape (5.0 per cent) and Gauteng (15.4 per cent) experienced the least interruptions. Approximately one-third (34.9 per cent) of South African households reported some dysfunctional water supply service in 2022.

Figure 5.25 Percentage distribution of households that reported water interruptions that lasted at least two days by province, 2022



Source: Quantec, Own calculations

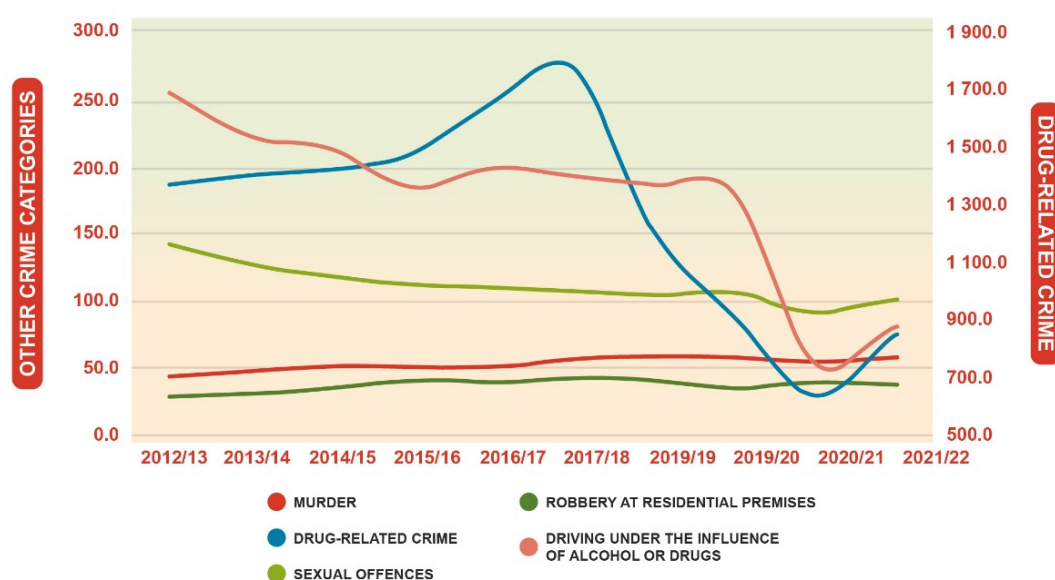
5.5 Crime

The impact of crime on the economy and development of a country is far-reaching. It imposes direct and indirect costs, reduces investments, erodes social trust, and exacerbates inequality. Addressing crime and creating safer environments is crucial for sustainable economic growth, social wellbeing, and the overall progress of a nation.

In the first quarter of 2022/23, the Western Cape saw a notable reduction in its murder rate, recording a 14.1 per cent decline compared to the same quarter in the previous year. This is particularly significant when contrasted with the national murder rate, which increased by 3.4 per cent during the same period.

Figure 5.26 illustrates Western Cape crime trends over the past decade. Between 2012/13 and 2021/22, the Western Cape has seen significant improvements in certain crime categories on a per capita basis³. Driving under the influence of alcohol or drugs (-68.2 per cent), drug-related crime (-38.2 per cent), and sexual offences (-28.6 per cent) have notably declined between 2012/13 and 2021/22. The decline in drug-related crime can largely be attributed to the decriminalisation of personal cannabis use in South Africa since September 2018. However, a concerning increase in Murder (34.2 per cent) and Robbery at residential premises (36.2 per cent) has also been observed during the same period.

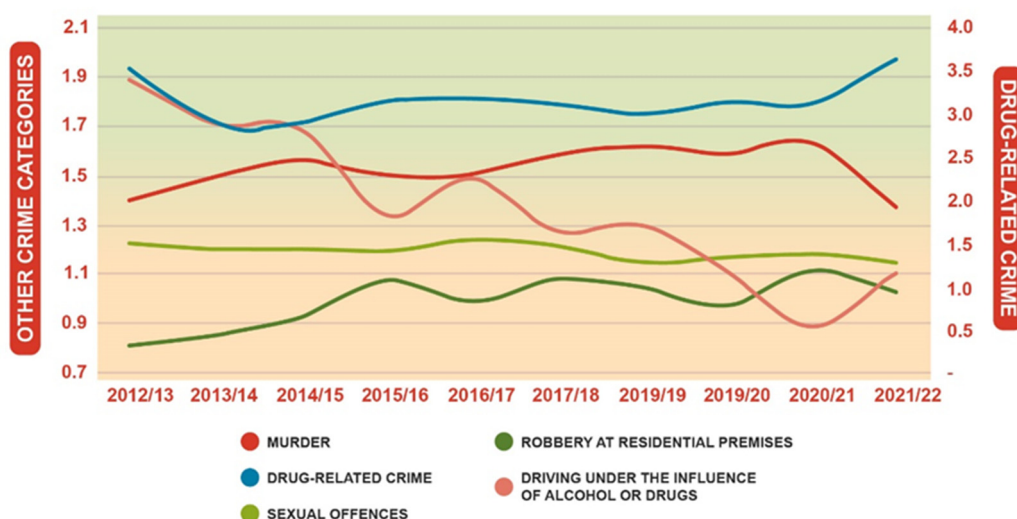
Figure 5.26 Western Cape Crime Trends per Capita in 5 Crime Categories, 2012/13 – 2021/22



Source: SAPS, Quantec, Own calculations

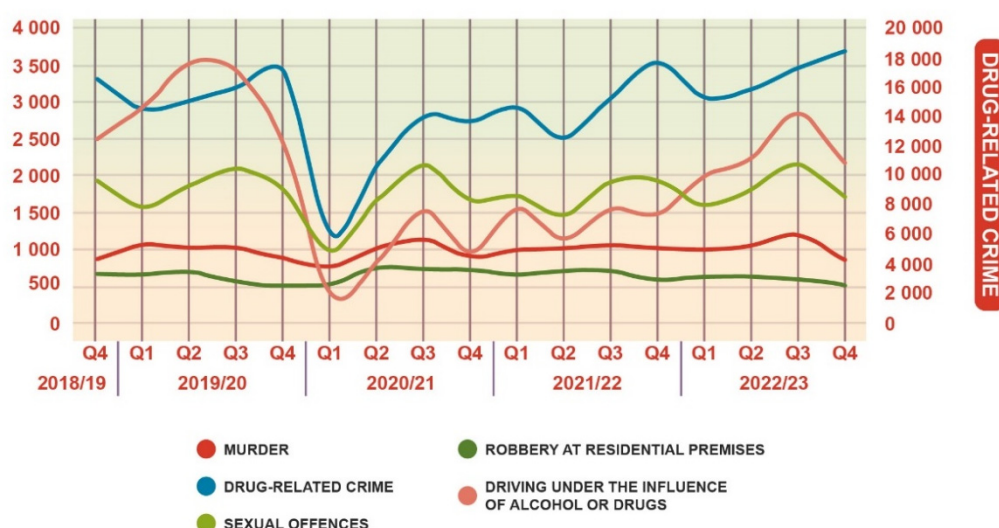
Comparing crime rates per capita in the Western Cape to the rest of South Africa over the past decade, we observe significant progress in reducing Driving under the influence of alcohol or drugs, with the ratio declining from 1.9 in 2012/13 to 1.1 in 2021/22. However, the relative incidence of Robbery at residential premises increased in the Western Cape, with the ratio rising from 0.8 in 2012/13 to 1.0 in 2021/22.

³ Per 100 000 people

Figure 5.27 Ratio of Western Cape to South Africa Crime per Capita, 2013/14 – 2022/23

Source: SAPS, Quantec, Own calculations

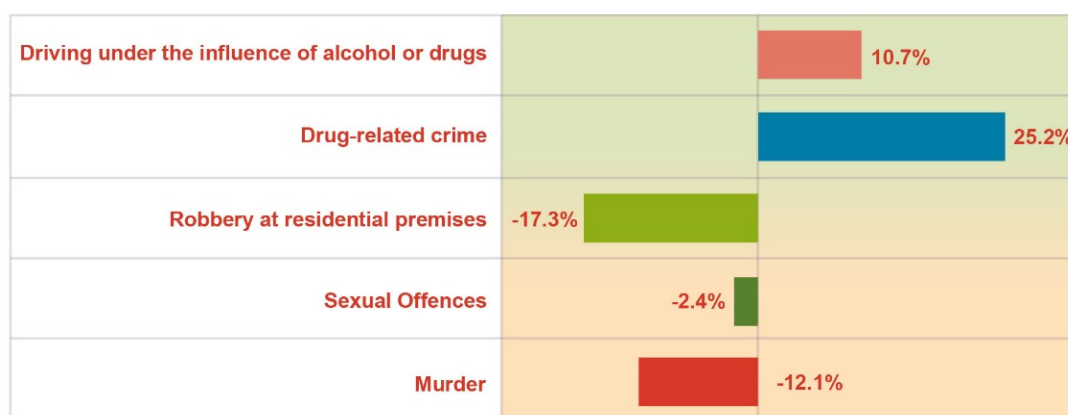
In recent years, crime trends in the Western Cape have shown significant changes. Reported Murder cases experienced a slight decline of 0.5 per cent from the fourth quarters of 2018/19 to 2022/23, indicating progress. Sexual offences also saw a notable reduction of 9.7 per cent, highlighting efforts to address this serious crime. Additionally, Robbery at residential premises decreased by 21.0 per cent, indicating improved safety measures within neighbourhoods. Moreover, Driving under the influence of alcohol or drugs showed a promising decline of 13.0 per cent, reflecting increased awareness and enforcement on the public roads.

Figure 5.28 Growth of Main Crime Categories in the Western Cape, 4Q2018/19 – 4Q2022/23

Source: SAPS, Own calculations

In the fourth quarter of 2022/23, the incidence of crime in Robbery at residential premises (-17.3 per cent), Sexual offences (-2.4 per cent), and Murder (-12.1 per cent) were lower than the average incidence of crimes recorded between the fourth quarter of 2018/19 and the fourth quarter of 2022/23. However, Driving under the influence of alcohol or drugs (10.7 per cent) and Drug-related crime (25.2 per cent) were notably higher.

Figure 5.29 Comparison of selected crime categories in the Western Cape, 4Q2022/23 vs Average (4Q2018/19 – 4Q2022/23)



Source: SAPS, Quantec, Own calculations

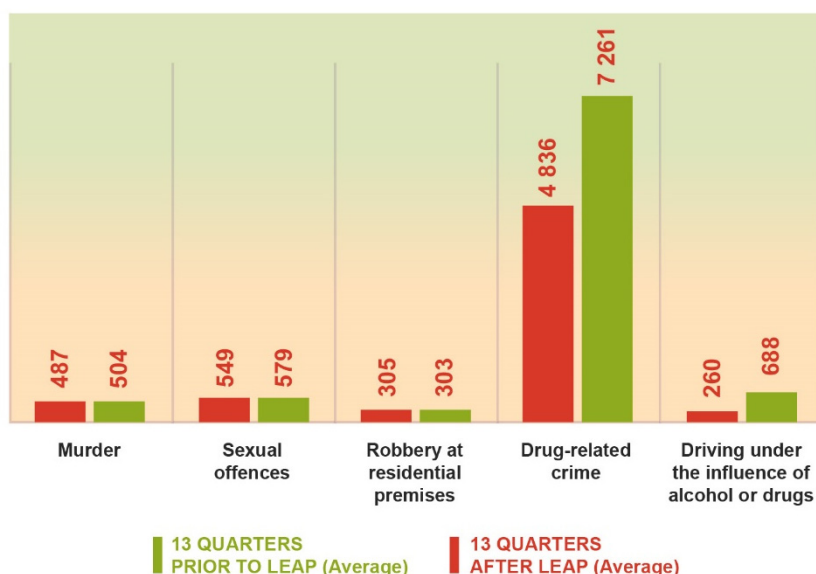
Selected hotspot areas in the Western Cape face significant challenges regarding violent crime. To tackle this issue, the Department of Police Oversight and Community Safety deployed a group of law enforcement officers in specific crime hotspot regions during the fourth quarter of 2019/20 as part of its Law Enforcement Advancement Plan (LEAP).

During that same quarter, these crime hotspot areas accounted for a substantial portion of various criminal offences in the Western Cape. Specifically, it contributed to 42.0 per cent of reported Murder cases, 30.0 per cent of Sexual offences, and 46.1 per cent of Robbery at residential premises in the region.



Following the implementation of the LEAP in the Western Cape's hotspot areas, there has been a notable decrease in the average number of crimes reported in the 13 quarters of LEAP implementation compared to 13 quarters before LEAP implementation. Specifically, there was a reduction of 17 murder cases, 30 fewer instances of sexual offenses, 2 425 fewer drug-related crimes, and 428 fewer cases of driving under the influence of alcohol or drugs. These figures reflect the positive impact of targeted interventions and underscore the importance of strategic measures in curbing crime in these critical areas.

Figure 5.30 Average Number of Crimes in Western Cape Hotspot Areas, 3Q2016/17 – 3Q2019/20 and 4Q2019/20 – 4Q2022/23

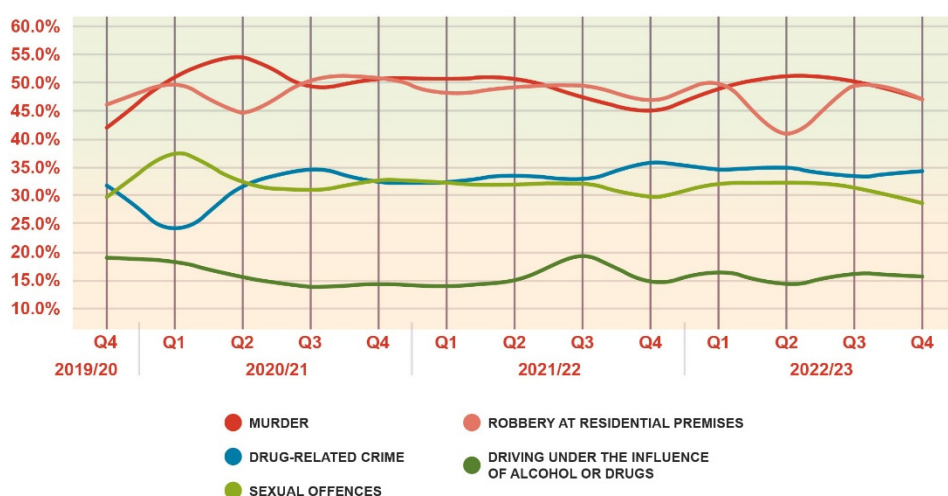


Source: SAPS, Own calculations

Progress has been made in the share of hotspot areas in relation to total crime in the Western Cape between the fourth quarters of 2019/20 and 2022/23. The share of Sexual offences (-1.3 percentage points to 28.7 per cent) and driving under the influence of alcohol or drugs (-3.4 percentage points to 15.6 per cent) declined in hotspot areas.

Conversely, the share of hotspot areas increased for Murder (5.0 percentage points to 47.0 per cent), Robbery at residential premises (1.1 percentage points to 47.2 per cent), and Drug-related crime (2.5 percentage points to 34.3 per cent). These changes highlight the dynamic nature of crime patterns and emphasize the need for targeted efforts to address crime in these hotspot areas.

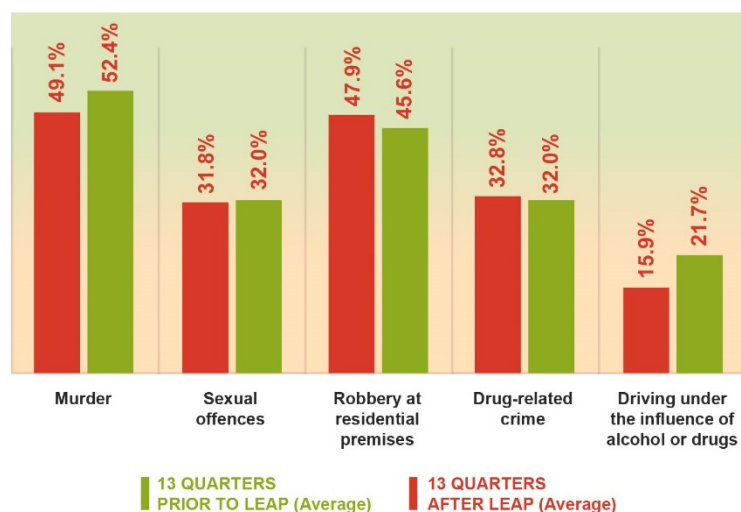
Figure 5.31 Share of Hotspot Area to Western Cape Crime in Selected Crime Categories, 4Q2019/20 – 4Q2022/23



Source: SAPS, Own calculations

An average hotspot to Western Cape crime ratio comparison between thirteen quarters of LEAP implementation and thirteen quarters prior to LEAP shows a decline in Murder (-3.3 percentage points) and Sexual offences (-0.2 percentage points). This means that, on average, crime in Murder and Sexual offences improved relative to the Province after implementing LEAP. However, a marginal increase in Robbery at residential premises (2.3 percentage points) and Drug-related crime (0.8 percentage points) was also observed.

Figure 5.32 Average Share of Hotspot to Western Cape Crime in Selected Crimes, 3Q2016/2017 – 3Q2019/20 & 4Q2019/20 – 4Q2022/23



Source: SAPS, Own calculations

5.6 Conclusion

This chapter explored the latest key socio-economic indicators in terms of education, health, wellbeing, and safety, which are key components of the socioeconomic development of Western Cape communities. Rising population growth and in-migration in the Western Cape have played a significant role in the increase in the demand for service delivery in the Province. As noted in Chapter 4, this expansion must be strategically planned to manage the issues of congestion, crime, and contagion that may accompany rapid population growth rates in an area.

This chapter demonstrates that significant spatial disparities currently exist in the Western Cape in terms of access to quality education, healthcare, and living standards, underscoring the need for targeted interventions to enhance the quality of life for its residents and reduce inequalities across regions.

The COVID-19 pandemic has significantly impacted the Western Cape's education system. This is felt most significantly in the reported net decline in systemic test results for Grades 3, 6, and 9. The disruptions caused by the pandemic have necessitated targeted efforts to bridge learning gaps and support students and educators to mitigate its long-term effects on education. Progress in learner retention rates have been observed, with fewer dropouts observed for both primary and high school cohorts, a positive sign for promoting education completion rates.

In the healthcare sector, innovative COPC initiatives have contributed to a reduction in public healthcare facility visits and hospital patient days since 2019/20. This highlights the potential of efficient healthcare delivery models in enhancing accessibility and reducing the strain on healthcare resources. The prevalence of HIV/AIDS remains a significant concern, accounting for a notable portion of all deaths in the Western Cape, emphasising the importance of continued efforts to combat the disease and improve public health outcomes.

Certain districts in the Western Cape face specific health challenges. For instance, the West Coast District has experienced a surge in patients receiving ART, necessitating further attention to health services in this area to meet the growing demand. Additionally, the Central Karoo District has a notably elevated NNMR in 2022/23, signalling a severe issue that requires targeted interventions to improve neonatal care and reduce mortality rates.

Housing demand in the Western Cape has increased, with a rise in informal dwellings and a substantial growth in registered housing demand over the past decade in the Western Cape. Addressing housing needs is crucial to ensure adequate and affordable housing for all residents and to improve overall living conditions. This is an important component of enabling sustainable growth in response to the rising population in the Province.

On a positive note, crime rates in the Western Cape have shown improvements over the past decade, with a decline in several crime categories, including driving under the influence, drug-related crimes, and sexual offenses. The implementation of the LEAP in hotspot areas has contributed to this positive trend, leading to a decrease in the average number of reported crimes.

Overall, while innovative progress has been made in the Western Cape in terms of basic service delivery for socioeconomic development, significant challenges persist and are exacerbated by the key population, poverty, and inequality challenges outlined in Chapter 4. Supporting sustainable growth in the Western Cape will thus require sustained investment into inclusive service delivery for all population groups.

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Glossary

Business Confidence Index	A measure used to gauge the sentiment or outlook of businesses within an economy regarding current and expected economic conditions. It reflects the opinions and expectations of businesses about the performance of the economy and their own operational prospects over the short-term, usually a year ahead
Consumer Price Index (CPI)	The main measure of inflation, charting the price movements of a basket of consumer goods and services.
Coronavirus disease (COVID-19)	An illness caused by an infection with the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) virus strain.
Dependency ratio	The size of the dependent population (children and the elderly) relative to the size of the working-age population.
Discouraged work seeker	A person who was not employed during the reference week, who wanted to work and was available to work or start a business, but who did not take active steps to find employment or start their own businesses, on condition that the main reason for not seeking work was either a lack of available jobs in the area, an inability to find work requiring his/her skills, or the loss of hope of finding any kind of work. Discouraged work seekers are also referred to as the non-searching unemployed.
Employed	All working-age individuals who did any work for at least one hour during the reference week. Individuals who had a job or a business but were temporarily absent during the reference week are also considered employed.
Employment-to-population ratio	The size of the employed population relative to the size of the working-age population.
Expanded unemployment	Comprises all working-age individuals who were not employed during the reference week, but were willing and able to work. The expanded unemployed include all individuals unemployed according to the narrow definition of unemployment as well as all discouraged work seekers (i.e. the searching and the non-searching unemployed).
Expenditure decile	An "expenditure decile" divides a dataset related to expenditures into ten equal parts, based on the distribution of the data. Each decile represents 10 per cent of the observations in the dataset. By using deciles, one can better understand the distribution of expenditures within a population or another entity

Financial Conditions Index (FCI)	A comprehensive measure used to summarise the overall financial conditions in an economy. It aggregates a range of financial indicators into a single number, providing a more holistic view of the state of financial markets and the health of the financial system. The goal is to offer insights into the ease or tightness of financial conditions, which can influence economic activity and, by extension, monetary policy decisions.
Fixed investment	Fixed investment is investment in physical assets such as machinery, land, buildings, installations, vehicles, or technology.
Gini coefficient	The Gini coefficient is a measure of statistical dispersion to represent income distribution. The coefficient varies between 0, representing complete equality, and 1, representing complete inequality.
Greenfield Investments	A form of foreign direct investment (FDI) where a company establishes new operations in a foreign country from scratch, rather than through mergers, acquisitions, or joint ventures with existing entities in the foreign country. In other words, with greenfield investments, the investing company starts its operations in the foreign country "on a green field" – meaning on undeveloped land or new infrastructure.
Gross Domestic Product	A measure of the total national output, income and expenditure in the economy. GDP per head is the simplest overall measure of welfare, although it does not take account of the distribution of income, nor of goods and services produced outside the market economy.
GDP per capita	A measure that divides the Gross Domestic Product (GDP) of a country by its total population. It's a way to gauge the economic output of a country relative to the number of people living in it, providing a per-person average which can be useful for comparing the economic performance of different countries on a per-person basis.
NFCF (Net Fixed Capital Formation)	Refers to the net increase in physical assets within an economy over a certain period of time. It represents investments in physical assets that will be used for future production, such as machinery, buildings, infrastructure, and other types of equipment.
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.

Hospital Patient Day Equivalent	A normalised equivalent of inpatient patient days in which other types of patient encounters (day patients, outpatient and emergency headcounts) are converted proportionately using appropriate weightings. Used for monitoring patient load and estimating resource needs including budgets, staffing and infrastructure.
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, measured in headline CPI of urban areas.
Informal sector	The informal sector is comprised of (i) employees working in establishments that employ fewer than five employees and who do not deduct income tax from their wages; and (ii) employers, own account workers and individuals who help unpaid in household businesses that are not registered for either income tax or value-added tax.
Labour force	All individuals within the working-age population who are employed or unemployed (i.e. the labour force consists of all who are willing and able to work).
Labour force participation rate	The proportion of the working-age population who are members of the labour force (i.e. who are either employed or unemployed).
Labour market	A labour market is the place where workers and employees interact with each other. In the labour market, employers compete to hire the best, and the workers compete for the best satisfying job.
Labour productivity	A ratio measured by the output per worker ratio (total output/total formal employment).
Learner retention ratio	A measure that indicates the proportion of students who continue their education from one grade or year to the next, without dropping out.
Lower bound poverty line	Represents the threshold where individuals will be able to afford both basic food and non-food items. Those with incomes below the LBPL won't be able to purchase both sufficient food items and non-food items. In other words, even if they allocate all their income to food, they would still fall below the Food Poverty Line.
Life expectancy	A statistical measure that represents the average number of years a person is expected to live, given a set of age-specific death rates in a particular population. It provides an overview of the overall mortality level of a population.
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.

Net in-migration	The net gain in population of an area due to migration. Specifically, it's the number by which immigrants (those entering a region) exceed emigrants (those leaving the region) during a specific time period.
Real exports	The total value of goods and services a country exports, adjusted for inflation or changes in prices over time. By adjusting for inflation, real exports provide a more accurate reflection of the actual volume or quantity of goods and services exported, rather than just the nominal value.
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.
Repo rate	Short for "repurchase agreement rate", is a key monetary policy instrument used by central banks. It refers to the rate at which commercial banks borrow money from the central bank by selling securities, typically government bonds, with an agreement to repurchase them at a specified future date at a predetermined price. The rate at which this transaction occurs is the repo rate.
Special Economic Zone (SEZ)	Special Economic Zones (SEZs), are geographically designated areas of a country set aside for specifically targeted economic activities, supported through special arrangements (that may include laws) and systems that are often different from those that apply in the rest of the country.
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.
Total Dependency ratio	The ratio of dependents (people younger than 15 or older than 64) to the working-age population (people aged 15 - 64 years).
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.
Working-age population	All individuals aged between 15 and 65 years, irrespective of whether or not they are economically active.
Youth bulge	A demographic pattern where a substantial percentage of the population is comprised of young people, typically below the age of 34. This situation arises when a country experiences a decline in mortality rates, especially infant mortality, but fertility rates remain high, leading to a large cohort of youths relative to the rest of the population.

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