

Provincial Economic Review & Outlook

2024



Western Cape
Government

**Western Cape Government
Provincial Treasury**

**Provincial Economic Review and
Outlook
2024**

Provincial Treasury
Provincial Government Budget Office
Private Bag X9165
15 Wale Street
Cape Town
tel: +27 21 483 6131
www.westerncape.gov.za



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Foreword

The Provincial Economic Review and Outlook (PERO) is a key annual publication providing vital insights into the economic and socio-economic trends shaping the Western Cape. It guides policymakers, departments, and municipalities in aligning policy, planning, and budgeting with the Province's unique context and challenges. Beyond government, the PERO is also a valuable resource for residents, academia, private sector and civil society, fostering informed planning and decision-making. The 2024 PERO will inform the 2024 Medium Term Budget Policy Statement, the finalisation of the 2025–30 Provincial Strategic Plan, Departmental Strategic Plans, and the 2025/26 Annual Performance Plans.

The Western Cape faces several key challenges, including rising demand for public services and reduced revenue due to the sluggish national economy which impact negatively on the Western Cape's economy. The Construction and Manufacturing sectors have declined, while electricity supply remains a major risk. Rising demand for government services such as health, education and housing remains key challenges amidst budget pressures. While crime rates have improved in certain areas, the murder rate has surged, highlighting ongoing law enforcement challenges.

Notwithstanding these challenges, there are significant opportunities for growth in the Western Cape. The Agriculture sector has consistently outperformed in both economic growth and exports, offering a competitive advantage that could be leveraged to support the struggling Manufacturing sector. Localised energy projects and efficiency measures present potential solutions to mitigate electricity risks. These opportunities, alongside effective policy interventions, can strengthen the Province's resilience and drive sustainable growth.

The 2024 PERO has been produced in-house for the first time ever since its introduction. A heartfelt thank you is extended to the dedicated authors and contributors of this year's PERO. Their tireless commitment, passion, and pursuit of excellence have transformed data into a powerful narrative that informs and inspires. This document stands as a testament to their hard work and dedication, and we are deeply grateful for their invaluable contributions.



Ms Deidre Baartman
Minister of Finance
26 September 2024

Acknowledgements

Deep appreciation is extended to the dedicated authors and contributors of the 2024 PERO document. Their tireless efforts and countless hours of hard work have turned words into a compelling narrative filled with invaluable insights. This document is a true reflection of their commitment to excellence and their unwavering pursuit of perfection. To everyone who played a role in its creation, your passion, determination, and dedication are evident on every page, and we offer our sincere gratitude for your remarkable contributions.

Coordinator

Philippus Prinsloo

Authors

Chapter 1: Philippus Prinsloo

Chapter 2: Sean Kirsten

Chapter 3: Chad Capon

Chapter 4: Jonathan Hendricks

Chapter 5: Carmen Maharaj

Advisors/Quality Controllers

Julinda Gantana

Malcolm Booysen

Taryn van de Rhee

Grant Caswell

Technical editing

Somine van der Merwe

Babalwa Gqwaka

John Alexander Mours

Meshack Moxsen

Muniera Salie

Special contributions:

Bureau of Economic Research

Western Cape Government Departments

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), International organisations, data service providers, Statistics SA and Provincial Departments.

EXECUTIVE SUMMARY

National Economic Performance

SA ECONOMIC GROWTH  **0.7%** in 2023 Due to unemployment, inequality, power outages, and infrastructure issues.

AVERAGE GDP GROWTH  **0.8%** 2014-2023 Insufficient for population and labour force growth.

Construction and Manufacturing Sectors Decline in SA

CONSTRUCTION GDP  **Down 27.5%** 2014-2023

Hindered by load-shedding, construction mafia, and rising costs

MANUFACTURING GDP  **Down 6%** 2014-2023

Driven by electricity issues, rising operational costs, and infrastructure challenges.

Agriculture Sector Outperformance

AGRICULTURE EXPORTS IN WC

 **+190.7% growth** 2014-2023 leading Western Cape's total export growth of 106.9%

WC Education Sector Pressures

 Between 2014 – 2023, the **learner-teacher ratio** has risen from **28.4:1** to **35.4:1**.

 **School Growth:** Schools increased by only 0.4% while learners surged 19.0%.

Electricity Risks

LOAD-SHEDDING SUSPENSION

 No load-shedding for more than 170 days by September 2024.

ELECTRICITY PRICE INCREASES

 Eskom's prices for municipalities **rose 149.0%** over the past decade (2014-2023), compared to 56.6% inflation.

Healthcare Strain and Mental Health Surge in WC

 **NURSES PER 100 000 PEOPLE**  **Decreased** from **201.3** (2014/15) to **180.9** (2023/24)

 **MENTAL HEALTH ADMISSIONS** **Averaged 20 503 annually** peaking at 26 149 in 2022/23.

 **SUICIDE RATE**  **Up 37.5%** over the past decade, with the largest rise in 2023/24

WC Mixed Crime Trends: Murder Rate Surge 2014 – 2023



 **MURDER RATE** **Up 43%**

 **RESIDENTIAL BURGLARIES** **Down 44.2%**

 **DRUG-RELATED CRIMES** **Down 21.6%**

Housing Crisis Amid Rising Demand in WC

HOUSING DEMAND:

  **Increased by 83.2%** 2015 - 2024 while houses built dropped 73.9% 2014/15 - 2023/24

Executive Summary

The Western Cape finds itself at a crucial crossroads, with the national economy's sluggish performance reducing revenue streams while increasing the demand for public services. Over the past decade, the country's economic engine has stuttered, held back by persistent challenges like unemployment, inequality, and an overburdened infrastructure. National GDP growth has crawled along, leaving the Province grappling with the economic impact and strained resources.

The Construction and Manufacturing sectors paint a particularly bleak picture. Once pillars of productivity, these sectors have been battered by power outages, soaring costs, and regulatory challenges. The Construction sector, in particular, has been crippled by rising operational costs and a web of challenges, including the infamous construction mafia. Manufacturing hasn't fared much better, facing the same daunting reality of unreliable electricity and deteriorating infrastructure. If ever there was a time for bold policy interventions to revitalise these sectors, it is now.

Despite recent improvements, electricity remains a significant risk to the Province's economic stability. Although 2024 saw an unexpected streak of uninterrupted power, the threat of load-shedding continues to loom large. Rising energy prices and the ongoing battle to keep the lights on have weighed down both competitiveness and growth. Localised energy solutions and a shift toward energy efficiency may be the Province's best bet in navigating this long-standing challenge.

In sharp contrast, the Agriculture sector shines as a beacon of resilience and potential. Amidst the challenges, agriculture has flourished, showcasing impressive growth in exports. With its stellar performance, it offers a competitive edge that could prove invaluable in revitalising the Manufacturing sector, creating a powerful synergy that could reignite the economy.

The youth labour force participation rate in the Western Cape far exceeds that of the national average, a testament to the region's vibrant and active young workforce. However, despite this encouraging trend, youth unemployment remains stubbornly high, though its growth has slowed over the past five years, reflecting a degree of resilience. This stability contrasts sharply with the escalating challenges in the Education sector, where rising learner-teacher ratios and shrinking budgets are placing immense strain on schools. As they struggle to meet growing demand, the Province must urgently invest in education to equip the next generation with the skills necessary for a prosperous future.

Furthermore, the healthcare system is straining under the weight of a growing population. The ratio of nurses to residents has declined, exacerbating the pressure on a system already stretched thin. At the same time, mental health has become a growing concern, with admissions surging and suicide rates climbing. Particularly in areas like the Central Karoo, regional disparities in health outcomes highlight the need for a more equitable approach to healthcare access.

The housing crisis has also reached a critical point. While the demand for government housing has soared, delivery has fallen far behind, hampered by contractor inefficiencies, community disruptions, and reduced national funding. The gap between supply and demand is widening, underscoring the urgency of addressing this issue.

Poverty remains a pressing issue in the Western Cape, where the number of people living below the lower-bound poverty line has steadily risen, especially during economic downturns. Despite this challenge, income inequality has gradually decreased, with a more equitable distribution across the Province, particularly in regions like the Central Karoo and Overberg. Furthermore, both South Africa and the Western Cape have made steady gains in Human Development Index scores, with the Province consistently outperforming the national average, highlighting ongoing social progress.

Lastly, crime remains a complex challenge. While the Western Cape has made strides in reducing certain crime categories, such as burglaries and drug-related offences, the murder rate has surged by an alarming 43 per cent the past decade. This rise reflects a deeper struggle for law enforcement and points to the need for more effective strategies to restore safety and stability.

Within these challenges lie opportunities. The Province stands on the brink of transformation, but it will take bold decisions, innovative solutions, and a relentless commitment to overcome its obstacles and unlock its full potential.

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Acronyms

| | |
|----------|--|
| 5G | Fifth Generation Technology |
| AfCFTA | African Continental Free Trade Area |
| AGOA | Africa's Growth and Opportunity Act |
| AI | Artificial Intelligence |
| AIDS | Acquired Immunodeficiency Syndrome |
| ART | Antiretroviral therapy |
| BESS | Battery Energy Storage Systems |
| BCI | Business Confidence Index |
| BRT | Bus Rapid Transit |
| COVID-19 | Coronavirus Disease 2019 |
| CPI | Consumer Price Index |
| CoCT | City of Cape Town |
| CPPI | Container Port Performance Index |
| CTIA | Cape Town International Airport |
| DBE | Department of Basic Education |
| DEDAT | Department of Economic Development and Tourism |
| DHET | Department of Higher Education and Training |
| DMOC | Differentiated Models of Care |
| EAP | Economically Active Population |
| EAF | Energy Availability Factor |
| EC | Eastern Cape |
| EU | European Union |
| FDI | Foreign Direct Investment |
| FCM | False Codling Moth |
| FLISP | Finance Linked Individual Subsidy |
| FS IDZ | Freeport Saldanha Industrial Development Zone |
| FS | Free State |
| GABS | Golden Arrow Bus Services |
| GDP | Gross Domestic Product |
| GH2 | Green Hydrogen |
| GIS | Geographical Information Systems |
| GP | Gauteng Province |
| GVA | Gross Value Added |
| GW | Gigawatt |
| GWh | Gigawatt hours |
| HDI | Human Development Index |
| HIV | Human Immunodeficiency Virus |
| IMF | International Monetary Fund |
| iMMR | in-Facility Maternal Mortality Rate |
| iNNMR | In-Facility Neonatal Mortality Rate Integrated Resource Plan |
| IRP | Integrated Resource Plan |
| ITSO | Independent Transmission System Operator |

| | |
|----------|--|
| IT | Information Technology |
| JOC | Joint Operational Centre |
| JVP | Jobseeker Voucher Programme |
| KZN | KwaZulu-Natal |
| LEAP | Law Enforcement Advancement Plan |
| LED | Light-emitting diode |
| LFPR | Labour Force Participation Rate |
| LP | Limpopo Province |
| MoU | Memorandum of Understanding |
| MP | Mpumalanga Province |
| MW | Megawatts |
| MWh | Megawatt hours |
| NC | Northern Cape |
| NCD | Non-communicable disease |
| NERSA | National Energy Regulator of South Africa |
| NFCF | Net Fixed Capital Formation |
| NLOHD | National List of Occupations in High Demand |
| NPOs | Non-Profit Organisations |
| NSC | National Senior Certificate |
| NW | North West |
| OECD | Organisation for Economic Co-operation and Development |
| PERO | Provincial Economic Review and Outlook |
| PoCT | Port of Cape Town |
| PASA | Port Authority of South Africa |
| PRASA | Passenger Rail Agency of South Africa |
| PV | Photovoltaic |
| QLFS | Quarterly Labour Force Survey |
| Q | Quarter |
| RMB/BER | Rand Merchant Bank/Bureau for Economic Research |
| SA | South Africa |
| SAPS | South African Police Service |
| SARB | South African Reserve Bank |
| SARS | South African Revenue Services |
| SIT | Sterile Insect Technique |
| SSA | Sub-Saharan African |
| SSEG | Small-Scale Embedded Generation |
| Stats SA | Statistics South Africa |
| TB | Tuberculosis |
| TEU | Twenty-foot equivalent units |
| TFR | Total Fertility Rate |
| TNPA | Transnet National Ports Authority |
| TPT | Transnet Port Terminals |

| | |
|--------|--|
| UAE | United Arab Emirates |
| UK | United Kingdom |
| UNESCO | United Nations Educational, Scientific and Cultural Organization |
| USA | United States of America |
| US | United States |
| V&A | Victoria & Alfred |
| WC | Western Cape |
| WCG | Western Cape Government |
| WHO | World Health Organization |

1





THE GLOBAL AND NATIONAL ECONOMIC CONTEXT

1.1 Introduction

In a world shrouded by economic turbulence and geopolitical conflict, South Africa aims to navigate a pathway toward resilience and hope. Global tensions, high borrowing costs, and lingering impacts of the COVID-19 pandemic continues to contribute toward the trend of slow economic growth.

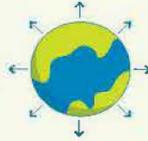
Noteworthy, agricultural exports maintain a positive outlook, while Greenfield investments in the Real estate and Renewable energy industries made important contributions to the National economy. With more than 170 days without loadshedding, a brighter future beckons despite high electricity costs.

Strategic reforms to navigate this journey, include stabilising the energy grid, attracting foreign investment, and enacting strong economic policies. These strategies will help transform challenges into opportunities, guiding South Africa toward sustainable prosperity.

THE GLOBAL AND NATIONAL ECONOMY

OVERVIEW

GLOBAL GDP OUTLOOK (below historical averages)



3.2%
in 2024

3.3%
in 2025



CHINA GDP OUTLOOK (South Africa's largest trading partner)



5.0%
in 2024

4.5%
in 2025



USA GDP OUTLOOK (world largest economy)



2.6%
in 2024

1.9%
in 2025



SOUTH AFRICA (2014-2023)



Average GDP growth:
0.8%

Average Population growth:
1.4%



GDP per capita declined:

-6.6%



CUMULATIVE GROWTH (2014-2023)



South Africa:
7.9%

LARGEST GROWTH CONTRIBUTIONS:



Finance sector:
5.6%
points



Community services sector:
2.6%
points



Government sector:
1.2%
points

LARGEST NEGATIVE GROWTH CONTRIBUTIONS:



Construction sector:
-1.1%
points



Manufacturing sector:
-0.9%
points



Utilities sector:
-0.6%
points

SOUTH AFRICA: July 2024

REPO RATE:



(Increased by 475 basis points since November 2021)

INFLATION RATE:



(From 7.8% in July 2022)

SOUTH AFRICA REAL EXPORT GROWTH (2013-2022):

All sectors:
8.25%



Agriculture sector:
177.8%



Manufacturing sector:
13.9%



Mining sector:
4.3%

CHINA

(most important trading partner) in 2023

Exports share: **11.2%**

Import share: **20.4%**

GREENFIELD INVESTMENTS (2014-2023)



Real Estate industry

(29.8%)
Largest portion of investments



Automotive OEM industry

(14.8%)
Largest portion of employment

ELECTRICITY PRODUCTION (2014-2023)



Declined by
12.4%

Share of NON-ESKOM ELECTRICITY PRODUCTION

4.4%
(2013)

13.3%
(2023)



SOUTH AFRICA GDP GROWTH OUTLOOK

1.0%
in 2024

1.6%
in 2025

1.2 Global economic developments

1.2.1 Global Economic Performance

Despite recent challenges, the global economy has proven remarkably resilient. Estimated global growth was 3.3 per cent in 2023 and is expected to expand by 3.2 per cent in 2024 and by 3.3 per cent in 2025. However, the growth outlook is still below historical averages due to high borrowing costs, reduced fiscal support¹, lingering impacts from the COVID-19 pandemic and geopolitical tensions. Rising geo-economic fragmentation, driven by conflicts like Russia's war in Ukraine, is a major risk. This fragmentation further could limit trade, capital flows, and technological exchange, leading to lower global growth and increased commodity price volatility.

Table 1.1 The global economic outlook, 2024 - 2025

| Region/country | GDP share in PPP (USD) 2023 | 2023 | 2024(f) | 2025(f) |
|--|-----------------------------|------------|------------|------------|
| World Output | 100.0% | 3.3 | 3.2 | 3.3 |
| Advanced Economies | 41.2% | 1.7 | 1.7 | 1.8 |
| United States | 15.6% | 2.5 | 2.6 | 1.9 |
| Euro Area | 11.7% | 0.5 | 0.9 | 1.5 |
| Germany | 3.2% | -0.2 | 0.2 | 1.3 |
| France | 2.2% | 1.1 | 0.9 | 1.3 |
| Japan | 3.7% | 1.9 | 0.7 | 1.0 |
| United Kingdom | 2.2% | 0.1 | 0.7 | 1.5 |
| Emerging Market and Developing Economies: | 58.8% | 4.4 | 4.3 | 4.3 |
| China | 18.8% | 5.2 | 5.0 | 4.5 |
| India | 7.6% | 8.2 | 7.0 | 6.5 |
| Russia | 3.0% | 3.6 | 3.2 | 1.5 |
| Brazil | 2.3% | 2.9 | 2.1 | 2.4 |
| Mexico | 1.9% | 3.2 | 2.2 | 1.6 |
| Sub-Saharan Africa | 3.1% | 3.4 | 3.7 | 4.1 |
| Nigeria | 0.8% | 2.9 | 3.1 | 3.0 |
| South Africa | 0.6% | 0.7 | 0.9 | 1.2 |

Source: IMF, World Economic Outlook July 2024



The United States' economic growth forecast for 2024 has been adjusted downward to 2.6 per cent, slightly below the April 2024 projection. This revision reflects a slower-than-expected start to the year, primarily due to declining consumption and negative contributions from net trade. Looking ahead, growth is expected to moderate further to 1.9 per cent in 2025 as the labour market cools and fiscal policy tightens gradually. A cooling labour market indicates a slowdown in job creation and wage growth, which, along with reduced consumer spending, is anticipated to contribute to the overall deceleration of economic activity in coming years.



Germany's economy contracted by 0.2 per cent in 2023, impacted by weak consumer sentiment and significant exposure to the war in Ukraine. Growth is expected to recover moderately to 0.2 per cent in 2024 and 1.3 per cent in 2025. The German economy is grappling with high inflation and interest rates, managing its energy transition away from fossil fuels, and facing disrupted trade flows due to geopolitical tensions. Persistently weak consumer sentiment remains a significant factor affecting economic

¹ Excluding the United States which continued its fiscal support in 2023.

performance, as reflected in the adjusted growth projections. Furthermore, demographic pressures on the labour supply are expected to intensify, contributing to a lower medium-term global growth outlook.



The United Kingdom's (UK's) economy expanded by 0.1 per cent in 2023. Growth is projected to recover to 0.7 per cent in 2024 and increase to 1.5 per cent in 2025, as high energy prices decline and disinflation boosts real incomes. However, the medium-term outlook remains cautious due to potential geopolitical tensions, labour market constraints, and ongoing monetary policy adjustments. Persistent inflation and tight labour market conditions continue to impact economic performance. Additionally, the UK must manage risks related to high household and corporate debt levels, and potential market volatility.



The Netherlands experienced modest Gross Domestic Product (GDP) growth of 0.1 per cent in 2023. Economic growth is expected to improve, rising to 0.6 per cent in 2024 and 1.3 per cent in 2025, supported by easing inflation and stabilising consumer sentiment. The medium-term outlook remains cautious due to global economic uncertainties and demographic challenges impacting labour supply. Despite these headwinds, the Netherlands is projected to maintain steady growth, bolstered by strong trade performance and technological advancements.



China's economic growth slowed to 3.0 per cent in 2022 but rebounded to 5.2 per cent in 2023, despite weaker domestic consumption and ongoing real estate challenges. Efforts to restructure property developers have yet to stabilise the sector. Manufacturing remains robust, though deflationary pressures persist due to demand-supply imbalances. An ageing population threatens to impact labour supply and productivity, requiring long-term reforms. This challenge is exacerbated by high youth unemployment, reflecting a mismatch between job availability and workforce needs. The medium-term outlook is cautious, with growth expected to stabilise around 3.3 per cent by 2029, amid structural issues and geopolitical tensions.



Namibia's growth rate is projected to moderate to 2.6 per cent in 2024 and 2025, supported by a recovery in the mining sector and efforts to diversify the economy. The economy has shown unexpected strength, driven by mining and oil exploration investments. However, sectors like construction and financial services still lag. Economic growth is expected to stabilise, with non-mineral sectors like tourism gaining momentum. Household consumption is set to improve with better income growth and lower inflation. Despite a decrease in poverty due to recent growth, it remains a significant challenge. Namibia's economic performance is closely tied to global and regional developments, given its reliance on commodity exports and South African Customs Union (SACU) transfers.



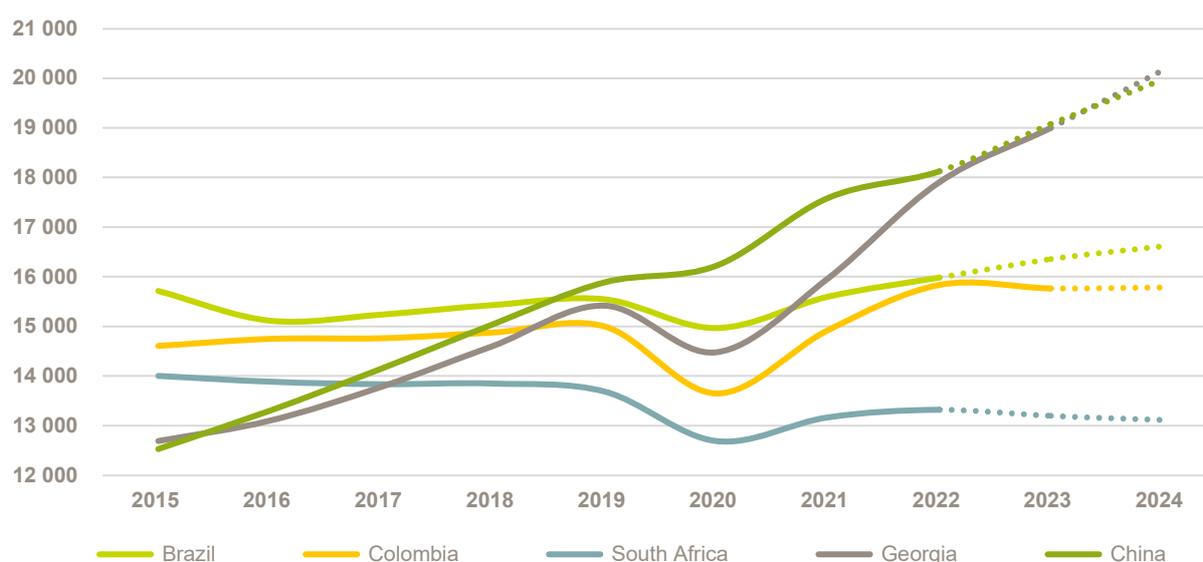
Nigeria's economy faces high inflation, particularly in food prices, which affects purchasing power and stability. Meanwhile, low domestic revenue mobilisation hinders funding for essential services. A sharp depreciation in the naira increased import costs and contributed to higher inflation, prompting stabilisation efforts. The economy's reliance on the volatile oil sector highlights the need for diversification. Rising food prices and poor agricultural output causes significant food insecurity, requiring improved agricultural productivity. Governance issues and corruption further impede progress, necessitating stronger anti-corruption measures and governance improvements.

 Egypt's economic outlook is cautiously optimistic, with inflation on a downward trend and a flexible exchange rate helping to maintain stability. The Central Bank's data-driven approach and accelerated structural reforms, particularly through the State Ownership Policy, are crucial for boosting private sector growth. The ambitious Ras El-Hekma Project, poised to attract significant Foreign Direct Investment (FDI), could greatly enhance economic growth, but careful management is needed to avoid overheating. Egypt's economy is expected to expand by 3.0 per cent in 2024 and 4.4 per cent in 2025.

1.2.2 Policies toward improved economic wellbeing

GDP per capita is a vital metric for understanding the economic conditions and living standards of a country's population, aiding in economic planning, investment decisions, and comparative analysis of economic performance. Empirical studies suggest that GDP per capita is a strong predictor of happiness across countries, outperforming other measures such as the human capital index. This implies that economic prosperity is closely linked to the overall happiness of the population (Dipietro & Anoruo, 2006).

Figure 1.1 Gross Domestic Product per capita of selective countries in international dollars (PPP), 2015 - 2024



Note: Estimations after: Brazil (2022); Colombia (2023); South Africa (2022); Georgia (2023); China (2022)

Source: *International Monetary Fund*

Between 2015 and 2024, South Africa's GDP per capita is estimated to have declined by 6.3 per cent when measured in international dollars². In stark contrast, countries with similar GDP per capita in 2015 all expanded over the decade. Most notably, China and Georgia's GDP per capita surged by a staggering 59.4 per cent and 58.9 per cent, respectively.

China's economic success in the past decade can primarily be attributed to market-oriented reforms, FDI, and effective government policies. The shift from state control to market allocation has significantly enhanced productivity, driving growth (Rawski, 1999), (Zhu, 2012). In addition, the open-door policy and integration into the global economy through international trade and FDI have been crucial, with special economic zones and flexible

² Also known as Purchasing Power Parity (PPP) dollars, are a theoretical unit of currency that is used to compare the purchasing power of different countries' currencies. This concept allows for a more accurate comparison of economic productivity and living standards between countries by accounting for differences in price levels.

investment policies attracting significant foreign investments (Wei & Wang, 2009), (Chengze, 1998). Moreover, effective government policies, including decentralisation that encourages local competition and innovation, have been significant, with a focus on inclusive economic growth and meritocratic local governance fostering sustainable development (Yao, 2018). These factors collectively have driven China's rapid economic growth and solidified its position as a global economic powerhouse.

Georgia's economic success over the past decade is primarily due to significant FDI and the development of the banking sector, which have supported growth and diversified investment sources, especially benefiting small and medium-sized enterprises (SMMEs) (Papiashvili & Ciloglu, 2015). Additionally, Georgia's strategic location has established it as a vital logistics hub for the Caucasus and Central Asia, boosting its global competitiveness (Ivanishvili, 2023). Furthermore, reform-oriented government policies, including liberal market reforms³ and anti-corruption efforts, have fostered a business-friendly environment that promotes sustainable economic growth (Kherkhadze, 2023).

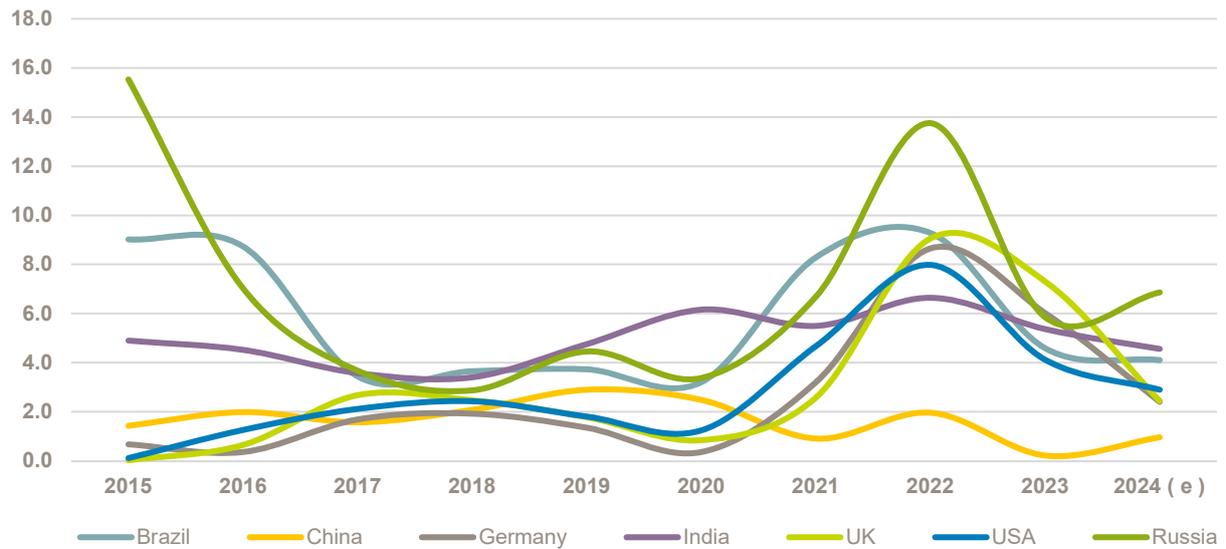
1.2.3 Global Inflation Outlook

Global inflation affects South Africa by influencing import costs, export competitiveness, exchange rates, interest rates, investment flows, commodity prices, and consumer spending, thereby impacting the overall economy and financial stability.

The Global economy is currently experiencing an ongoing process of disinflation. This decline in inflation is driven by the solving of previous supply-side disruptions and the strict monetary policies enforced by major economies. Consequently, global headline inflation is expected to drop significantly, reaching 5.8 per cent in 2024 and further decelerating to 4.4 per cent by 2025.

Inflation in the US is projected to remain elevated in the near term, driven by robust economic activity and a tight labour market, which continue to exert upward pressure on prices. Despite efforts by the Federal Reserve to manage inflation through monetary policy adjustments, the rates are expected to stay above target levels in the near future, contributing to tighter financial conditions globally.

³ Georgia's adoption of a liberal market economy is a key driver of its economic growth, characterised by low corruption, minimal bureaucracy, procedural simplicity, and a low tax burden. These features create a more efficient and competitive economic environment, promoting sustainable development and attracting foreign investments.

Figure 1.2 Inflation rates for selected countries, 2015 - 2024

Source: *International Monetary Fund*

China's inflation unexpectedly decreased due to weak domestic demand, an oversupply on pork and a downturn in the property sector. This deflationary trend is expected to positively impact global inflation by lowering it. Persistent issues in the property sector and subdued consumer demand continue to weigh on the inflation outlook. China's monetary policy stance was moderately accommodative in 2023 and is expected to remain broadly accommodative in 2024.

Despite the lingering effects of high energy prices, Germany is experiencing persistently weak consumer sentiment, leading to a downward revision in its inflation outlook. Divergence in monetary policy within the euro area leads to looser policy in Germany compared to tighter policy in the US, as euro area monetary policy remains accommodative.

Overall, inflation rates appear to be moderating through 2024, although they remain elevated compared to pre-2020 levels, reflecting ongoing economic adjustments and policy measures.

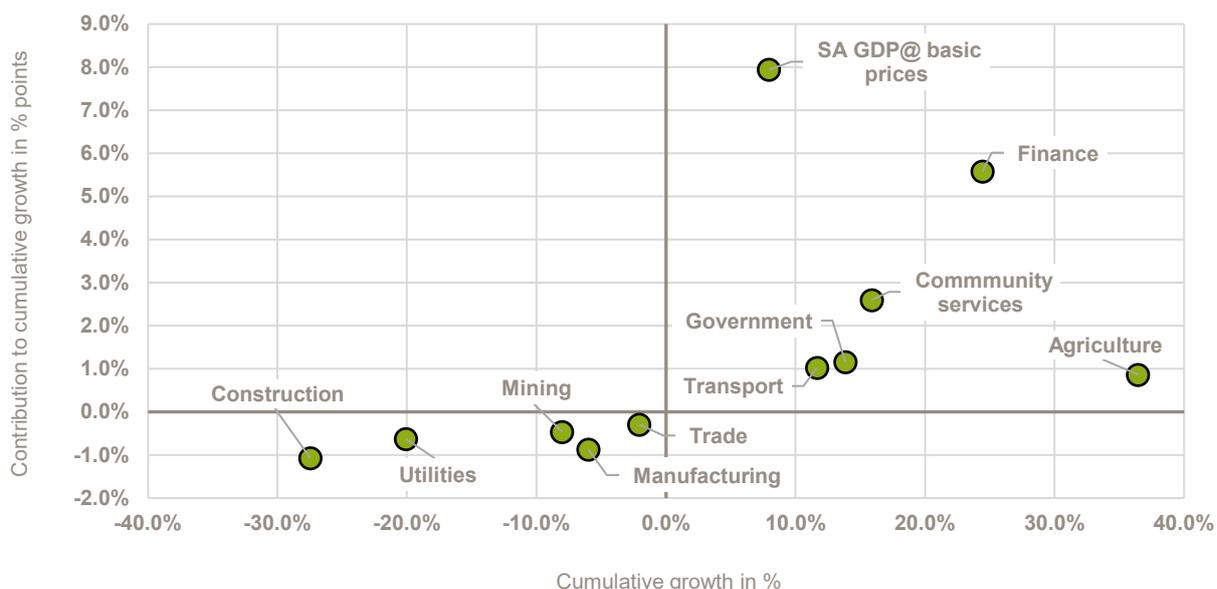
1.3 South Africa's Economic Balancing Act: Combating Inflation Amidst Energy and Trade Challenges

1.3.1 Performance of the South African economy

The South African economy continued its lackluster performance in 2023, growing by just 0.7 per cent. This sluggish expansion reflects ongoing structural challenges, including frequent power outages; infrastructure bottlenecks affecting ports and railways; persistently high unemployment rates; and stark inequality. Additionally, the economy remains highly vulnerable to climate change impacts. The slow recovery from the COVID-19 pandemic has further exacerbated these issues. Over the past decade (2014 - 2023), the average GDP at basic prices⁴ annual growth rate was a mere 0.8 per cent, insufficient to accommodate the increasing population and labour force, and inadequate to significantly reduce the country's endemic high unemployment rate.

⁴ GDP @ Basic Price = GDP @ Market Price - Taxes on products + Subsidies on products

Figure 1.3 Cumulative GDP growth per sector and contribution to growth per sector in South Africa, 2014 - 2023



Source: Quantec, Own calculations

The **Finance sector** made the largest contribution (5.6 percentage points) to South Africa's 7.9 per cent cumulative growth over the past decade. Over the period, South Africa's Finance sector has seen positive developments, including significant digital transformation with the adoption of fintech solutions, mobile banking, and online financial services, enhancing financial inclusion and convenience. Furthermore, there has been a growing emphasis on sustainable finance and environmental, social and governance (ESG)⁵ criteria, reflecting efforts to promote responsible investment practices.

The **Agriculture sector** experienced the highest cumulative growth (36.4 per cent) over the period but contributed only 0.9 percentage points to total growth due to its relative smaller size. Benefiting significantly from the La Niña weather pattern from 2020 to early 2023, the sector saw favourable conditions that boosted output, particularly for maize, citrus, and wine grapes. Increased rainfall led to record yields and export volumes, driving growth.



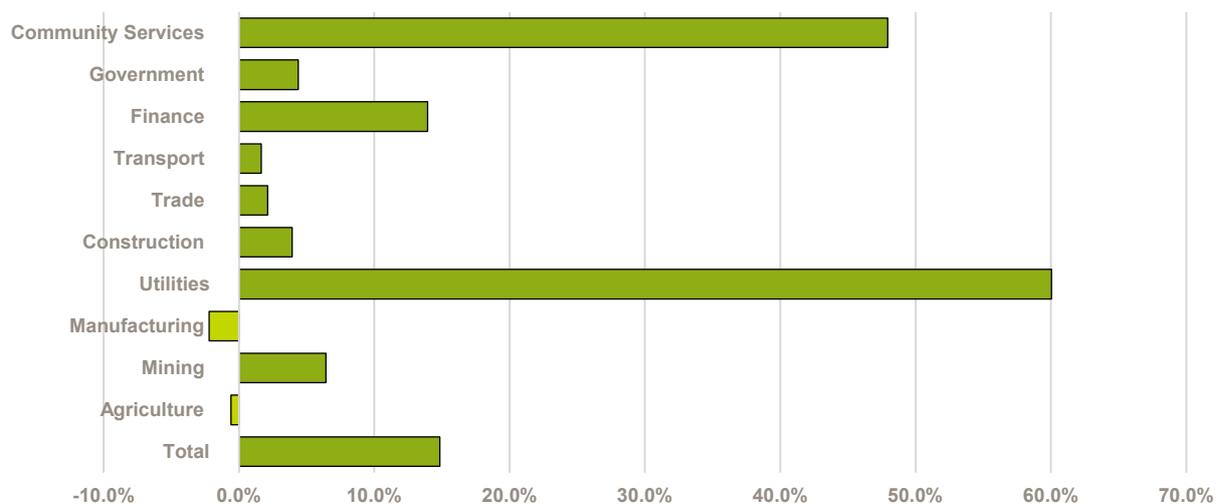
⁵ Key factors used to evaluate the sustainability and ethical impact of an investment in a company or business, (Environment, Social, Governance).

During COVID-19 lockdowns, agriculture was classified as an essential service, ensuring continuous operations, and maintaining production levels. Additionally, high global commodity prices and strong international demand, especially from Africa and Europe, further propelled the sector's growth, with key exports including citrus, wine, and maize.

Between 2014 and 2023, the **Construction sector's** GDP declined by 27.5 per cent. Persistent loadshedding and the emerging construction mafia disrupted projects and increased costs, while complex regulations and bureaucratic delays hindered progress. Frequent policy changes and rising costs of materials and labour further strained the sector. Low investment confidence in South Africa due to slowing economic progress and weak demand impacted on Fixed capital investment in the Construction sector's performance.

The South African Construction sector is burdened by complex and costly regulations across several areas. The Construction Industry Development Board regulations, while intended to ensure contractor qualifications, add administrative burdens, and can lead to project delays and budget overruns (Manana et al., 2012). Furthermore, health and safety regulations under the Occupational Health and Safety Act, No. 83 of 1993 are crucial but expensive to comply with, particularly for SMMEs (Othman, 2012). Environmental and procurement regulations further complicate project execution by introducing additional compliance costs and delays (Barker et al., 2004); (Anthony, 2021), while infrastructure delivery regulations lack coherence, further inflating costs (Mlambo, 2014).

Figure 1.4 Cumulative growth in real capital stock: Buildings and construction works in South Africa, 2014 - 2023



Source: Quantec, Own calculations

Over the past decade, the real capital stock for buildings and construction works in the Government sector increased by 14.9 per cent. The largest contributions to growth in real capital stock for building and construction works came from the Utilities (38.2 per cent), Finance (32.0 per cent) and Community Services (20.5 per cent) sectors. Among the largest construction projects in the Utilities sector included the Medupi and Kusile power stations, Ingula Pumped Storage Scheme, and the Phase 2 of the Lesotho Highlands Water Project.

The **Mining sector's** 8.0 per cent GDP decline over the decade can mainly be attributed to lost production and increased costs largely due to frequent loadshedding. The sector also faced fluctuations in global commodity prices and labour unrest, which have reduced productivity and operational efficiency. Among the most notable labour disruptions over the period included the 2014 five-month strike by platinum mine workers, and the 2018 gold miner strike for better wages and working conditions.

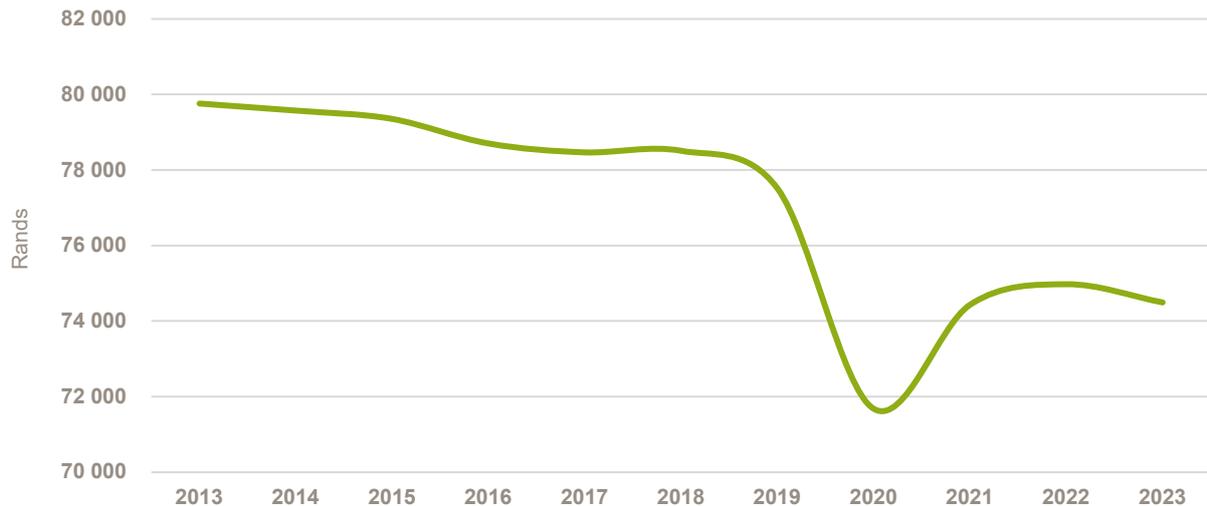
Over the same period, the **Manufacturing sector** declined by 6.0 per cent. The Sector was affected by unreliable electricity supply and higher operational costs. Deteriorating infrastructure affected transportation and logistics, while economic volatility reduced demand and investment in manufacturing capabilities.

The **Utilities sector's** GDP contracted by 20.1 per cent and suffered from poor maintenance and inadequate investment in infrastructure. Furthermore, regulatory delays⁶ have slowed the implementation of new capacity and policies, exacerbating supply issues.

When GDP expansion slows, it casts a long shadow over various aspects of economic wellbeing. This deceleration signals more than just sluggish economic performance; it highlights the multifaceted struggles within the economy and challenges us to reconsider the true measures of societal wellbeing, such as GDP per capita.



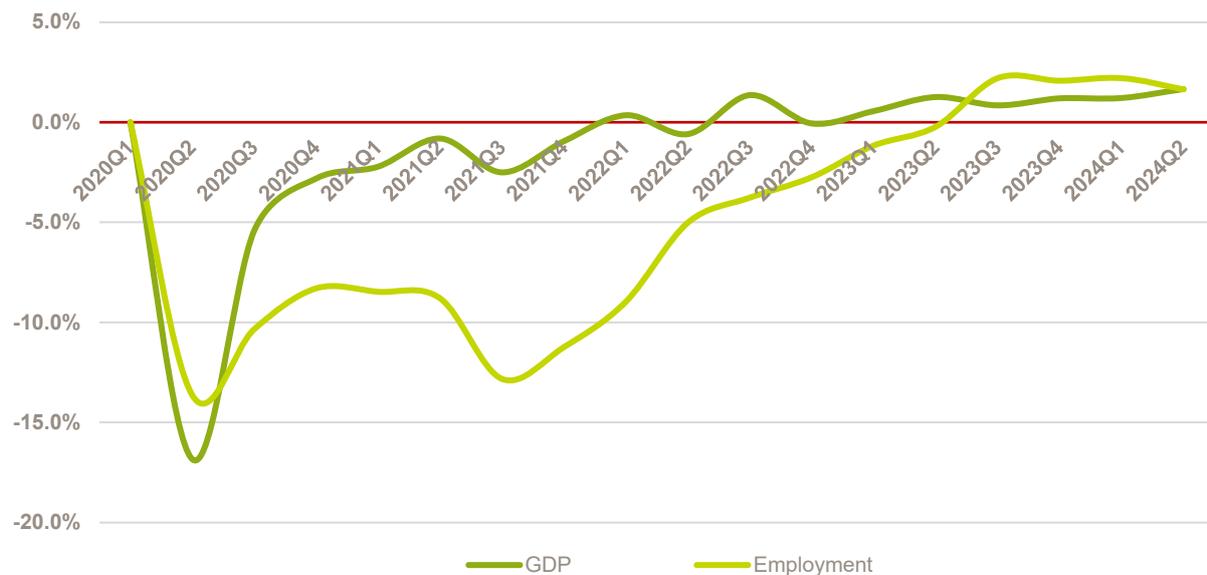
⁶ The Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) faced delays in its procurement rounds, particularly between the fifth and sixth rounds. These delays slowed the addition of new renewable energy capacity to the grid ([World Economic Forum](#)). Regulatory changes intended to encourage self-generation of renewable energy, such as the removal of the 100 MW licensing exemption threshold, were slow to be implemented. These delays impacted the pace at which businesses and households could adopt self-generation solutions.

Figure 1.5 Real GDP per capita in South Africa, 2014 - 2023

Source: Quantec, Own calculations

Despite a steady recovery in GDP per capita since the 2020 downturn, it still lags 6.6 per cent behind the 2013 peak of R79 761. This metric, which gauges the average economic output per individual, highlights the need for transformative strategies. To genuinely uplift the nation's economic standing, it is crucial to prioritise productivity enhancements, invest heavily in education and skills development, and nurture key industries such as manufacturing. Such efforts can catalyse significant economic growth, resulting in a higher GDP per capita and an improved quality of life for all citizens.

COVID-19 restrictive measures severely stifled average growth over the past decade. Lockdowns and travel ban disrupted supply chains, halted business operations, and caused massive job losses, curtailing economic activity and long-term investment. These constraints dampened consumer confidence, creating a sluggish economic environment from which the economy is still struggling to make significant gains.

Figure 1.6 South Africa's cumulative recovery in GDP and employment, 1Q2020 - 2Q2024

Source: Quantec, Own calculations

GDP and employment have been gradually recovering from the impact of COVID-19 lockdown measures initiated in the 2nd quarter of 2020. By the 2nd quarter of 2024, GDP had risen by 1.7 per cent above pre-pandemic levels, while employment increased by 1.6 per cent. This sluggish economic recovery is largely due to ongoing electricity crises and the rising repo rate since November 2021.

1.3.2 Inflation in the South African economy

Inflation often distorts market signals, undermining competition and impacting on productivity. It discourages saving and can trigger capital flight, favouring those with real assets and speculators, while harming savers and those reliant on fixed incomes. Recognising these challenges, independent central banks prioritise inflation targeting to maintain economic stability and protect the financial wellbeing of the public.

Figure 1.7 Average inflation and repo rate for South Africa, July 2019 - July 2024

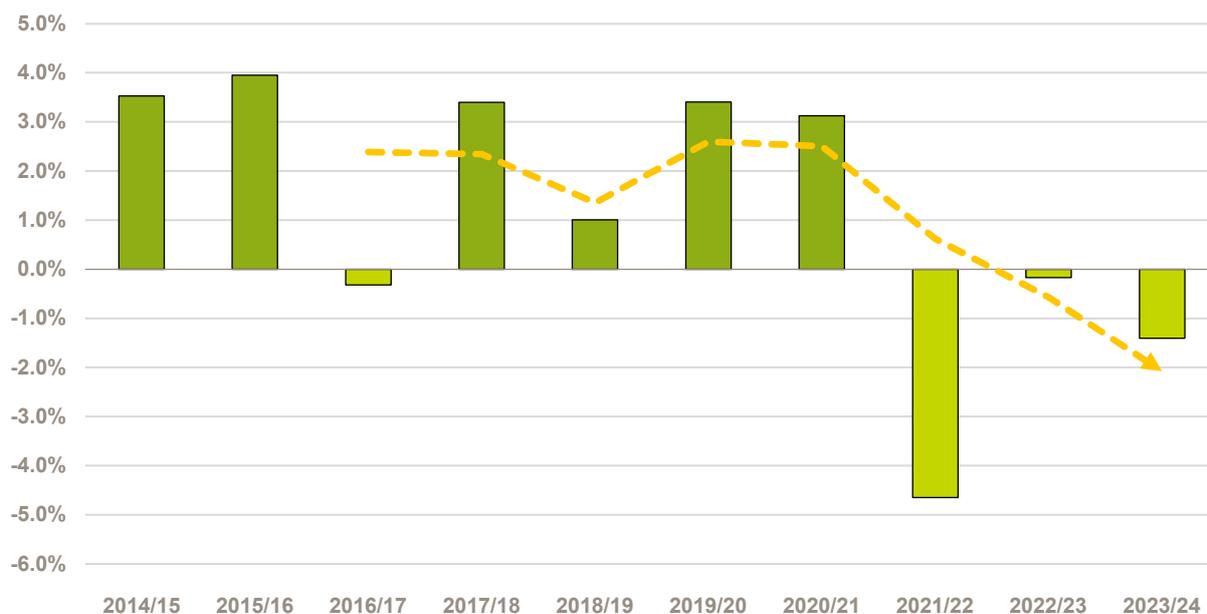


Source: Quantec

Since November 2021, the South African Reserve Bank (SARB) raised the repo rate by 475 basis points, reaching a 14-year high of 8.25 per cent in May 2023. The rate has stayed at 8.25 per cent since, while inflation fell by 1.7 percentage points to 4.6 per cent in July 2024. Despite these recent inflationary gains, inflation remains above the SARB's mid-point target of 4.5 per cent. Economists anticipate repo rate cuts in 2024, with Standard Bank expecting a 75-basis point reduction later in the year and 25 basis points in early 2025. National Treasury forecasts inflation to drop to 4.9 per cent in 2024, 4.6 per cent in 2025, further favouring repo rate cuts, (National Budget, 2024).

Inflation significantly impacts government budgets by eroding the real value of allocated funds when inflation outpaces budget growth. Over the past decade, real budget growth⁷ of the Western Cape Government (WCG) has shown a declining trend, while also recording negative real budget growth in the last three financial years.

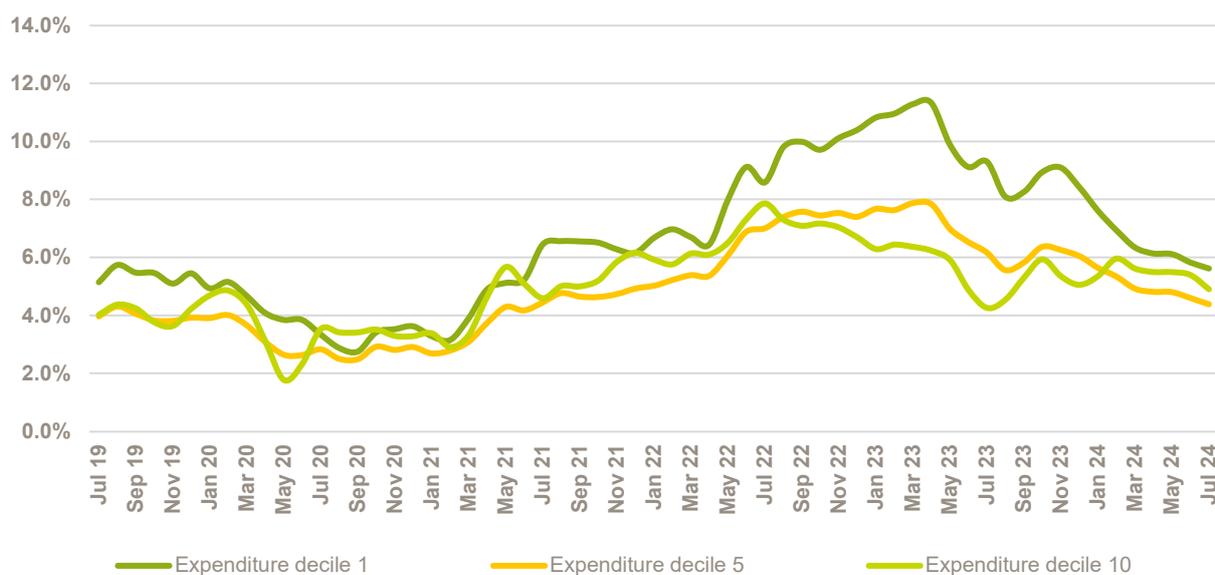
⁷ Nominal budget growth minus inflation over the same financial year.

Figure 1.8 Annual real budget growth of the WCG, 2014/15 - 2023/24

Source: Quantec, WCG, Own calculations

Economically, reduced government spending can slow growth by limiting public investments that stimulate private sector activity. Austerity measures may also increase unemployment and lower consumer spending, creating a negative feedback loop that further depresses economic activity.

Inflation reduces the real value of government budgets, limiting service provision and infrastructure investment, which disproportionately impacts the poor. Low-income groups rely heavily on essential services like health care and education, and spend a larger portion of their income on necessities, are most adversely affected. Consequently, inflation exacerbates economic inequality, placing additional strain on the most vulnerable segments of society.

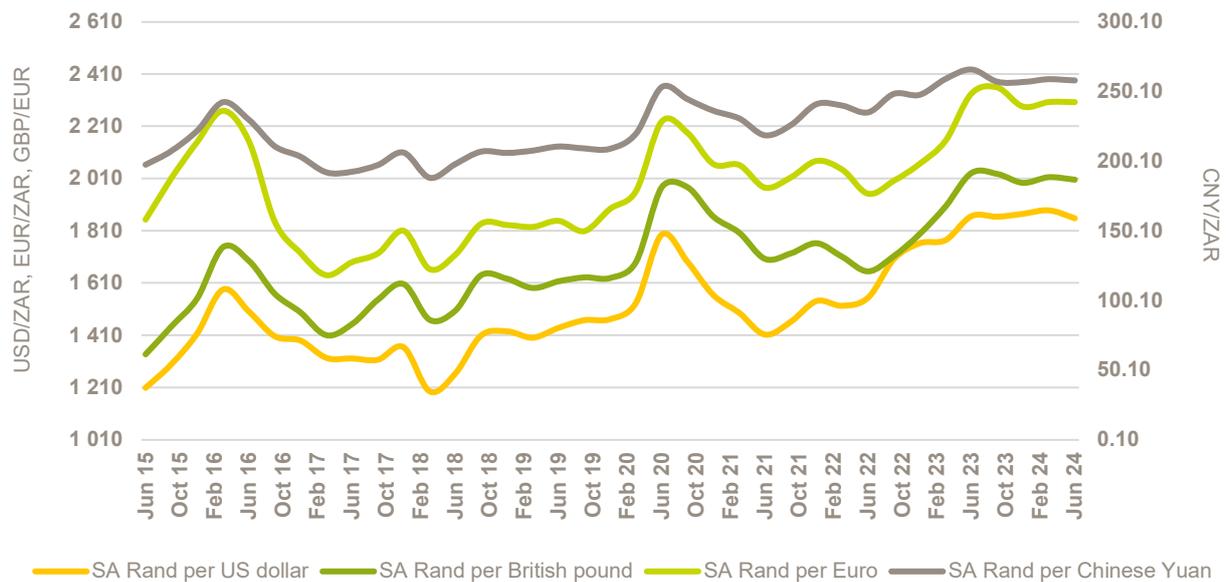
Figure 1.9 CPI trend per expenditure decile in South Africa, July 2019 - July 2024

Source: Quantec, Own calculations

Monthly inflation between July 2019 and July 2024 among different expenditure deciles showed that inflation among the lowest expenditure group (decile 1) was generally higher than the middle (decile 5) and higher expenditure groups (decile 10). Furthermore, the lowest expenditure decile group also displayed a higher variance in inflation over the same period.

Inflation has varied impacts on different socio-economic groups, particularly affecting poor households more significantly than the rich. This economic phenomenon disproportionately hurts the poor and fixed-income groups by reducing their purchasing power and creating economic uncertainty (Rajesh, 2016). Furthermore, inflation exacerbates income inequality by increasing the income share of the rich while having a negative but insignificant effect on the income shares of the poor and middle class (Li & Zou, 2002).

Figure 1.10 Cumulative change in quarterly average exchange rates (USD/ZAR, GBP/ZAR, EUR/ZAR, CNY/ZAR), 2Q2015 - 2Q2024



Source: Quantec, Own calculations

Average exchange rates for each quarter between June 2015 and June 2024 shows that the rand depreciated against all the selected currencies: 42.1 per cent against the United States dollar (USD); 33.0 per cent against the euro (EUR); 38.9 per cent against the British pound (GBP); and by 36.8 per cent against the Chinese yuan (CNY).

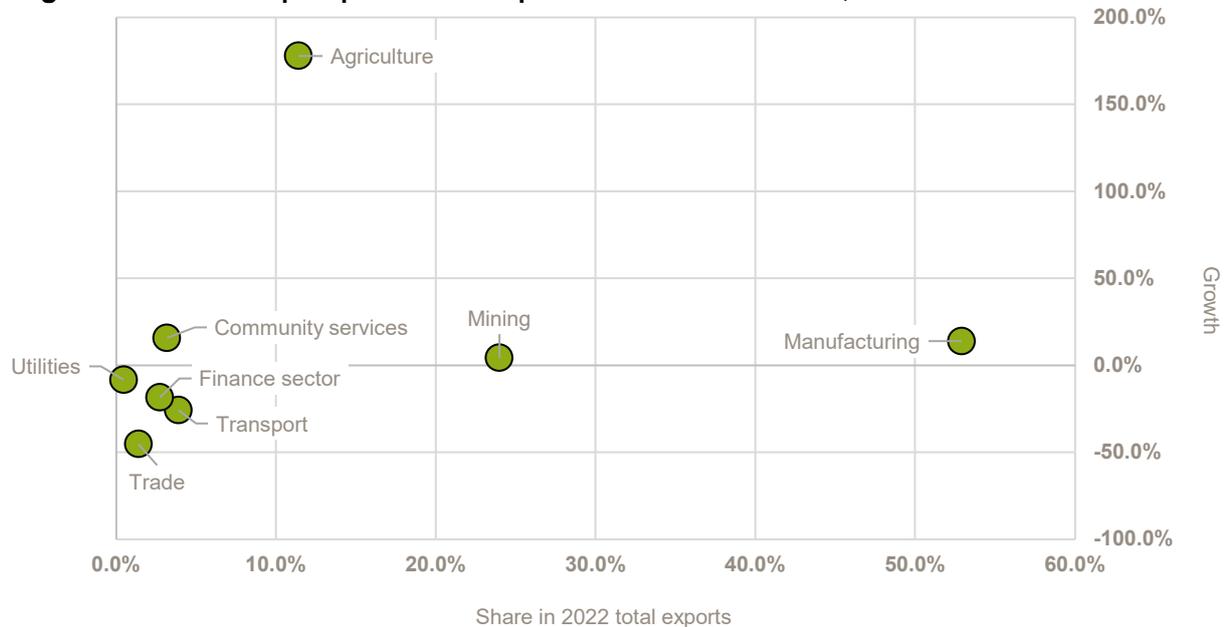
The long-term depreciation of the South African rand against major currencies is due to a combination of internal policies, structural constraints, global commodity prices, and external economic shocks. Structural issues like electricity bottlenecks, limited market competition, and labour constraints, reduced export responsiveness to currency depreciation, impacting the rand's value (Anand, Perrelli, & Zhang, 2016). Commodity prices, particularly gold and platinum, also play a significant role. High interest rates attract demand for the rand, leading to appreciation, but fluctuations in these prices can cause depreciation (Frankel, 2007). Additionally, rising oil prices depreciate the rand as South Africa imports a large portion of its oil, affecting the balance of payments and currency value (Kin & Courage, 2014).

The effects of the depreciating currency in the long run are mixed. Currency depreciation can lead to increased inflation, reduced performance of various industries, negative growth rates in GDP, and economic instability (Adhikari & Pallavi, 2023). However, local currency depreciation can make exports cheaper and more competitive internationally, which can boost export volumes (Singh, 2009).

1.3.3 Trade performance of the South African economy

An open economy, characterised by the free flow of goods, services, and capital across borders, offers numerous advantages including enhanced economic growth, increased consumer welfare, technological and knowledge transfer, risk diversification, and capital inflows, contributing to overall economic stability and development.

Figure 1.11 Real export performance per sector in South Africa, 2013 - 2022

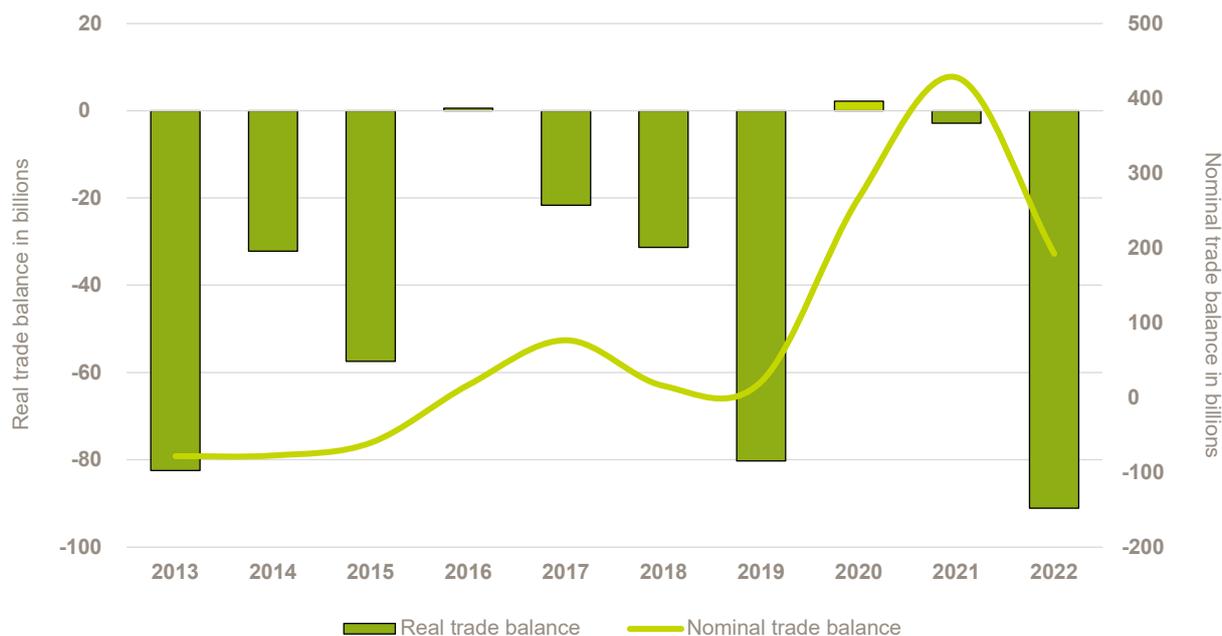


Source: Quantec, Own calculations

In South Africa, the Manufacturing sector made the largest contribution (52.9 per cent) to total real exports in 2022, followed by the Mining (24.0 per cent) and Agriculture (11.4 per cent) sectors. However, despite the Manufacturing and Mining sectors' prominent position as real exporters in South Africa, it could not achieve meaningful growth over the past decade. Manufacturing expanded by 13.9 per cent, while Mining's real exports increased by a mere 4.3 per cent over the decade.

Within the Manufacturing sector the most important real export products were motor vehicles, parts, and accessories, which contributed 15.7 per cent of all manufacturing exports in 2022. However, real exports of Motor vehicles, parts and accessories declined by 9.7 per cent the past decade, raising concerns for one of South Africa's key export products.

The Agriculture sector's real exports set the benchmark in South Africa the past decade, growing at a staggering 177.8 per cent. In 2022, the Sector contributed a significant 60.0 per cent to all export growth in South Africa over the period.

Figure 1.12 Nominal and real trade balance for South Africa, 2013 - 2022


Source: Quantec, Own calculations

From 2013 to 2022, the national economy mainly faced a real trade deficit, only achieving real trade surpluses of R562 million in 2015 and R2.202 billion in 2020. A negative real trade balance indicates that, after adjusting for inflation, South Africa's volume of imports of goods and services surpassed its quantity of exports of goods and services.

Between 2014 and 2023, South Africa's trade surplus with Mozambique increased significantly by 20.2 per cent per annum to R95.675 billion in 2023, to become the largest trading surplus country in 2023. The increase in trading surplus with Mozambique can be attributed to export growth contributions from Chromium ores and concentrates (34.1 per cent); Ferro-alloys (22.0 per cent) and Iron ores and concentrates, including roasted iron pyrites (12.2 per cent). The largest portion of imports (75.6 per cent) from Mozambique came from two products; Electrical energy (35.7 per cent) and Petroleum gases and other gaseous hydrocarbons (40.1 per cent). South Africa's congested ports are likely the primary driver behind the increase in exports to Mozambique, where its ports serve as an alternative export platform to those of South Africa.

Unlocking New Pathways: South African Mines to Benefit from Faster Route to Mozambican Ports

South Africa's mining sector, hampered by logistics challenges, could soon benefit from a faster route to Mozambique's ports. The Logistics Co (TLC), owned by Old Mutual's African Infrastructure Investment Managers, plans to open a dedicated truck crossing at Komatipoort, near the Lebombo border. This project involves upgrading a service road along a railway line and establishing a truck staging area with customs and immigration facilities.

The new crossing could handle up to 500 trucks daily, alleviating the current congestion where queues often extend 30 kilometres. TLC's priority is to facilitate the transport of magnetite, with trucks unloading at the rail terminal before returning empty to South Africa. This initiative comes as South African producers increasingly rely on Mozambican ports due to their own country's faltering rail and port infrastructure. Construction is set to begin in mid-October 2023, with completion expected by May 2024, at a cost of approximately R50 million (\$2.6 million).

Source: Mining Weekly

Table 1.2 Share of South Africa's major export and import destinations in 2023

| Exports | | | | Imports | | | |
|---------|--------------------|---------------|---------------------------|---------|--------------------------|---------------|---------------------------|
| Rank | Country | Share in 2023 | % Point change since 2014 | Rank | Country | Share in 2023 | % Point change since 2014 |
| 1 | CN: China | 11.2% | 1.7 | 1 | CN: China | 20.4% | 5.0 |
| 2 | US: United States | 7.6% | 0.6 | 2 | US: United States | 8.6% | 2.0 |
| 3 | DE: Germany | 6.6% | 1.8 | 3 | DE: Germany | 8.1% | (1.9) |
| 4 | ZN: Not allocated | 6.2% | (1.9) | 4 | IN: India | 7.0% | 2.4 |
| 5 | MZ: Mozambique | 5.6% | 2.4 | 5 | AE: United Arab Emirates | 3.7% | 2.3 |
| 6 | JP: Japan | 5.2% | 0.0 | 6 | TH: Thailand | 3.3% | 0.9 |
| 7 | GB: United Kingdom | 4.9% | 1.2 | 7 | SA: Saudi Arabia | 2.9% | (4.2) |
| 8 | IN: India | 4.4% | 0.4 | 8 | JP: Japan | 2.5% | (1.3) |
| 9 | NL: Netherlands | 3.8% | 0.6 | 9 | OM: Oman | 2.4% | 1.9 |
| 10 | BW: Botswana | 3.8% | (1.4) | 10 | IT: Italy | 2.2% | (0.4) |

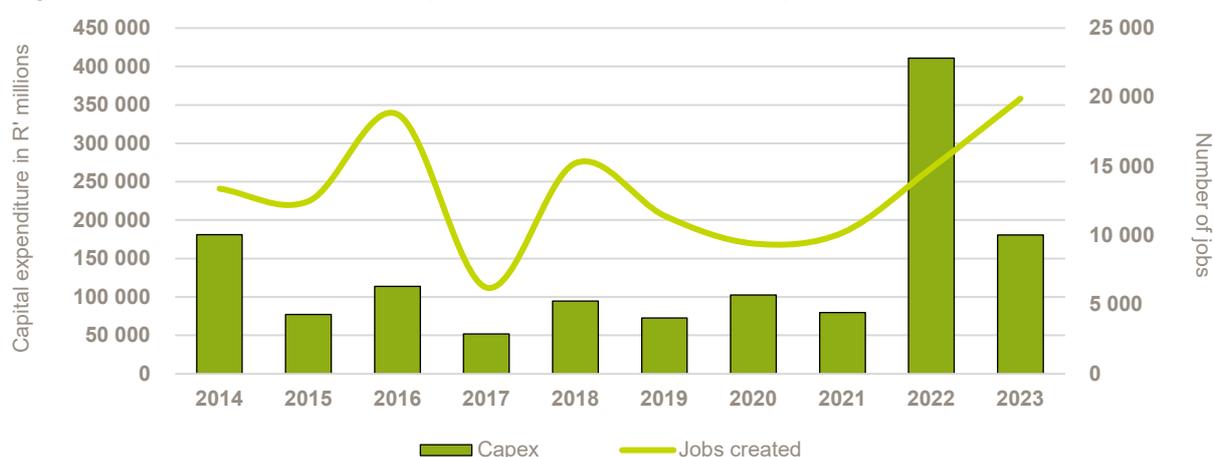
Source: Quantec, Own calculations

In 2023, China was the largest export destination (11.2 per cent of total exports), followed by the United States (7.6 per cent) and Germany (6.6 per cent). Between 2014 and 2023, Mozambique's contribution to total exports increased by 2.4 percentage points to become the 5th largest export destination for South Africa in 2023.

South Africa's largest sources of imports were China (20.4 per cent), the United States (8.6 per cent) and Germany (8.1 per cent) in 2023. South Africa's dependency on China as a source of imports increased significantly by 5.0 percentage points between 2014 and 2023.

1.3.4 Fixed investment in South Africa

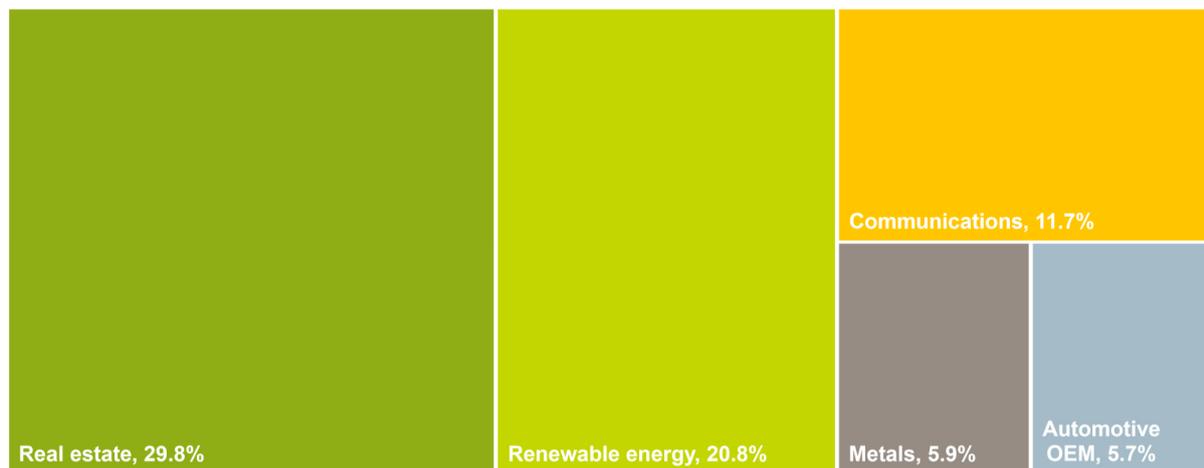
Fixed investment, which includes spending on physical assets like machinery, buildings, and infrastructure, serves as the backbone of economic growth and development. By channeling resources into long-term assets, businesses can enhance productivity, innovate, and expand their operations. This not only stimulates immediate economic activity through construction and equipment purchases, but also lays the foundation for sustained economic advancement. In essence, fixed investment is crucial for fostering an environment where economies can thrive, adapt, and compete on a global scale, ensuring a stable and prosperous future.

Figure 1.13 Greenfield fixed capital investment and employment created, 2014 - 2023

Source: Wesgro

In 2022, South Africa received a spike in Greenfield investments⁸ of R411.019 billion or 4.25 times the average for the previous eight years. The investment spike can be attributed to a significant Greenfield investment in the Real estate industry, which accounted for 74.7 per cent of the total Greenfield investments in 2022. Between 2014 and 2023, the Real estate industry contributed the largest portion (29.8 per cent) of total Greenfield investments, but only created 4.6 per cent of total employment opportunities derived from the Greenfield investments. The cost of creating one job in the Renewable energy sector was estimated at R67.111 million, the highest of all sectors over the period.

Figure 1.14 Relative contribution of the top five Greenfield investment in South Africa, 2014 - 2023



Source: Wesgro

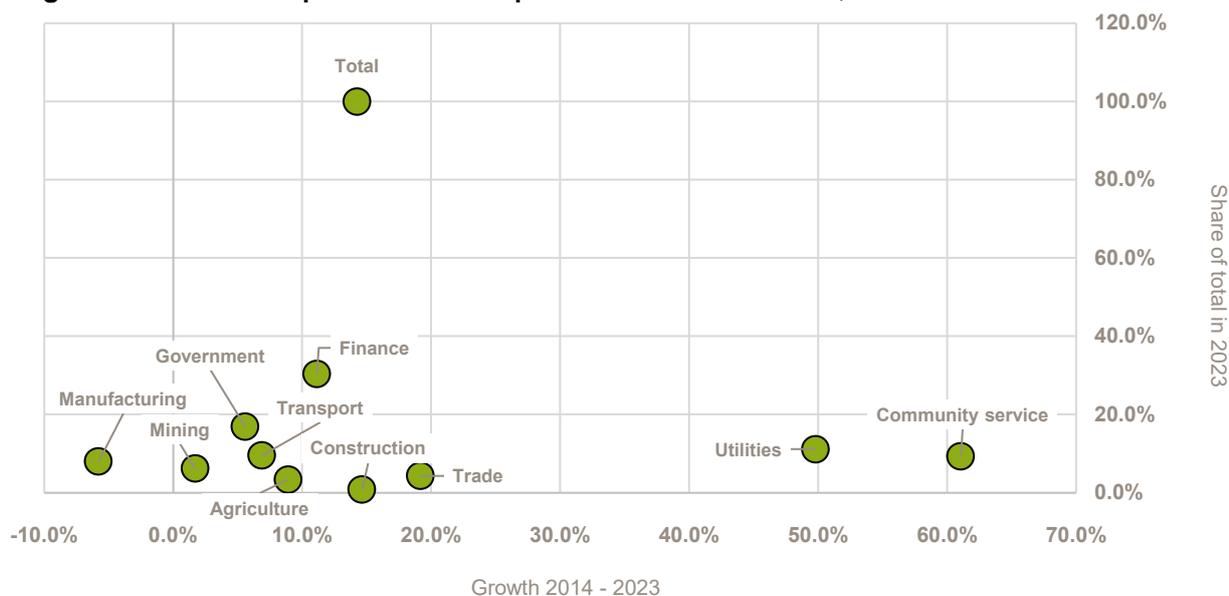
Over the same period, the Automotive OEM⁹ industry created the largest portion of employment (14.8 per cent) at a cost of R3.967 million per employment opportunity.

Growth in Fixed capital stock consists of growth in fixed investments in buildings and construction works; Machinery and other equipment; Transport equipment; Information and communication; Transfer costs and Research mineral exploration and biological resources.



⁸ Greenfield investments refer to a type of FDI where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

⁹ Original Equipment Manufacturer

Figure 1.15 Fixed Capital Stock data per sector in South Africa, 2014 - 2023

Source: Quantec, Own calculations

Between 2014 and 2023, Fixed Capital Stock for the Community services (61.1 per cent) and Utilities sectors (49.8 per cent) made the largest expansions. The Utilities sector made the largest growth contribution (32.3 per cent) over the period, due to exceptional growth in Fixed Capital Stock (49.8 per cent), which can mainly be attributed to the growth expansion in Buildings and construction works (97.1 per cent).

South Africa's Urgent Water Infrastructure Crisis

South Africa needs R1 trillion to repair and upgrade its deteriorating water infrastructure. Dr. Anthony Turton highlights institutional failure as the cause of unsafe drinking water, with severe water cuts in Johannesburg. In response, Minister Senzo Mchunu launched the "water-shifting" initiative to address these shortages, attributing the issues to ageing infrastructure.

Given the enormous cost, Dr. Turton advocates for private funding, as the government cannot cover the R1 trillion expense alone. Notably, the 2019 water plan estimated R900 billion would be needed by 2030. While private investment is a viable solution, it requires strict governance to ensure proper use of funds. Consequently, the Development Bank of Southern Africa (DBSA) and the Department of Water and Sanitation's Water Partnership Office are seeking private investment for projects like desalination and water-reuse, with support from the Green Climate Fund and the Bill & Melinda Gates Foundation.

Source: *Daily Investor.com*

1.3.5 The South African energy crisis

South Africa's electricity situation is characterised by high demand and supply challenges. Eskom, the main provider, challenged by corporate governance failures, theft, and corruption, ageing infrastructure, frequent outages, and financial issues (i.e. mounting municipal debt and weak balance sheet, amongst others). There is a growing focus on renewable energy sources like solar and wind, alongside coal-based energy. Efforts are being made to improve grid reliability and expand electricity access, but significant obstacles remain.

Since March 2024, Eskom has seen a marked improvement in operations. Up to mid-September 2024, South Africa has enjoyed more than 170 consecutive days without loadshedding.

Figure 1.16 Number of days without loadshedding in South Africa, 2015 - 2024



Source: *The Outlier*, Own calculations up to 18 September 2024

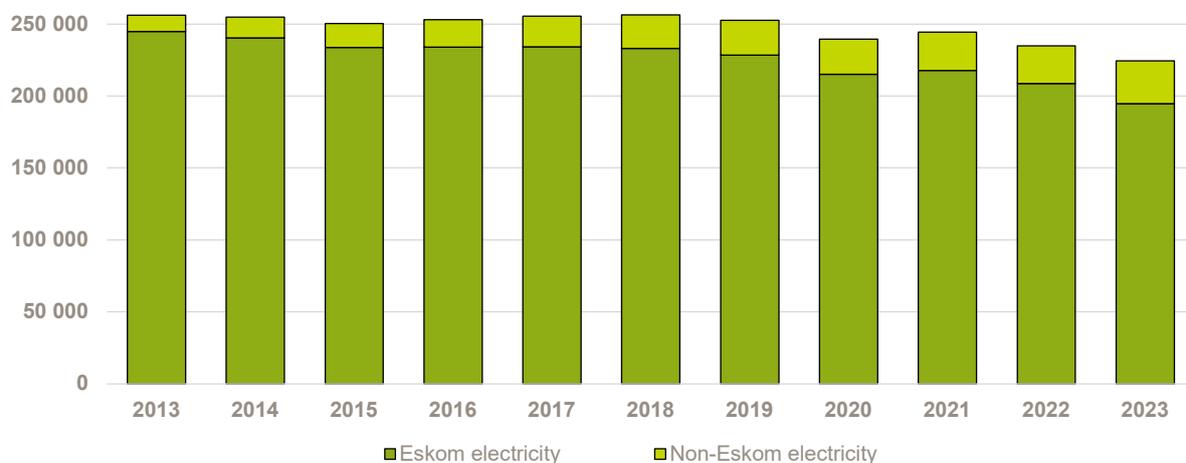
The uninterrupted period marks the longest continuous run without scheduled loadshedding since 2020. Last year set a record for loadshedding, with power outages occurring on 335 days.

So far, 2024 has experienced only 83 days of loadshedding, positioning it as one of the best years in recent times for reduced outages. Adding to the optimism, Kusile’s Unit 5 recently became operational, contributing an additional 800MW to the grid (TheOutlier,2024).

On 23 July 2024, Eskom achieved a remarkable milestone by reaching 35 000MW of available capacity, meeting an evening peak demand of 30 740 MW. This significant level of capacity has not been attained in six years since 16 July 2018. This achievement is largely due to a reduction in unplanned outages (UCLF and OCLF), which have decreased to 9 238 MW (Eskom). 2024.

Despite this progress, some areas, including the City of Johannesburg, have been managing 'load rotation,' a localised form of power management.

Figure 1.17 Total electricity produced in South Africa: Eskom and non-Eskom producers, 2013 - 2023



Source: *Quantec*

Between 2014 and 2023, electricity generation in South Africa has declined by 12.4 per cent. The decrease can mainly be attributed to a contraction in electricity generated by Eskom, which declined by 20.5 per cent over the same period. However, electricity generated by non-Eskom electricity generation expanded significantly by 163.9 per cent. As a result, the contribution of non-Eskom electricity producers to total electricity generation in South Africa increased from 4.4 per cent in 2013 to 13.3 per cent in 2023.

Power Surge: Private Sector Energizes with Deregulation

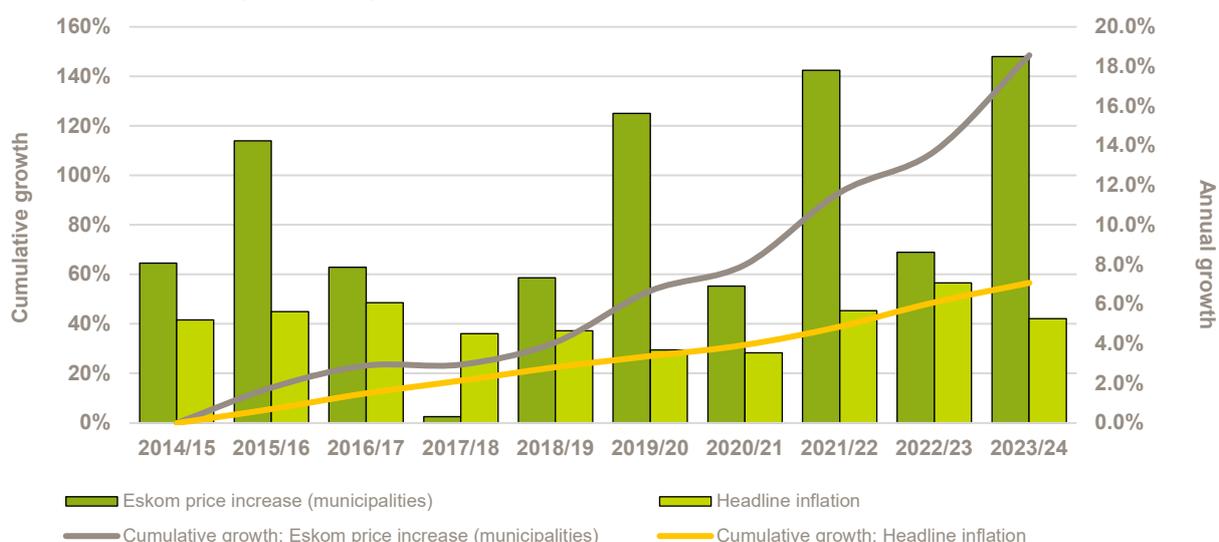
Before the amendment to Schedule 2 of the Electricity Act, any power plant larger than 1 MW required a license, involving a lengthy application process. In August 2021, the licensing threshold was increased to 100 MW, though projects still needed a grid connection permit for compliance. As South Africa's electricity crisis worsened, the 100 MW threshold was waived in December 2022.

Removing the licensing requirements has significantly boosted private sector investment in the electricity sector. Since the change, there has been a notable rise in registrations and the size of generation plants. In the first three months of 2023 alone, private firms registered over 2 400 MW of new projects to supplement grid power.

Source: *Cleantechnica.com*

Over the past decade, Eskom's bulk electricity prices for municipalities increased at almost three times (149.0 per cent) the rate of headline inflation (56.6 per cent). The gap between electricity inflation and headline inflation can be attributed to Eskom consistently increasing the bulk price of electricity for municipalities above the headline inflation rate. More recently, the National Energy Regulator of South Africa approved a price increase of 12.72 per cent for municipalities applicable from 1 July 2024 till 30 June 2025. High electricity prices affect affordability among many South African households and is one of the key factors impacting on municipalities mounting debt toward Eskom. In mid-2024, municipalities owed Eskom R78 billion whilst debt to Eskom was even higher among residents of municipalities at R347 billion (Puchert, 2024).

Figure 1.18 Electricity price inflation for municipalities in comparison to headline inflation, 2014/15 - 2023/24



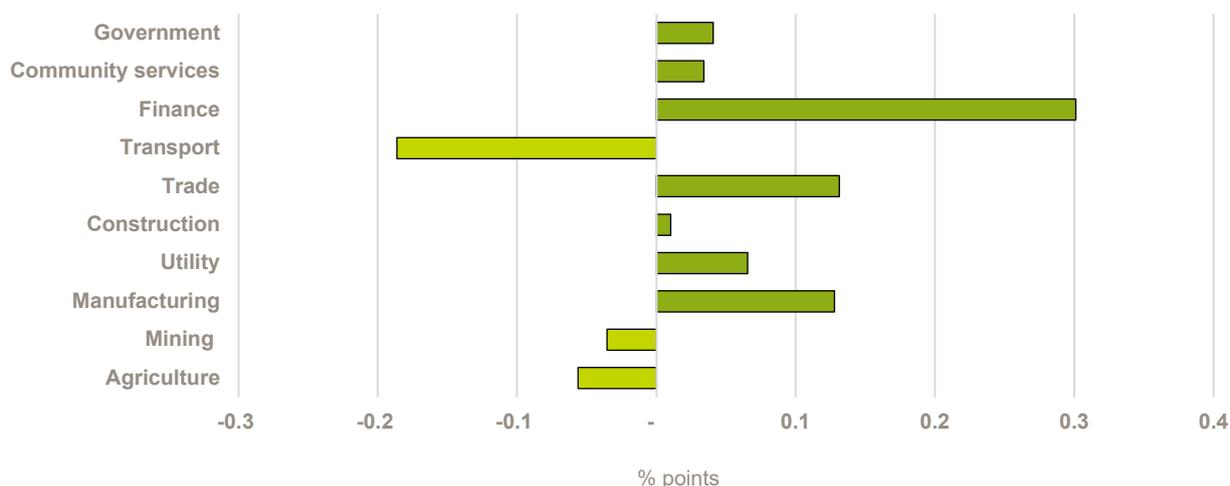
Source: *Quantec, Eskom, Own calculations*

Rising electricity prices and frequent loadshedding severely compromised South Africa's economic competitiveness and growth. Elevated energy costs burden businesses, reducing profitability and deterring investment. Power outages disrupt production and service delivery, lowering productivity and reliability. Consequently, this unstable energy situation discourages local and international companies from operating in South Africa, weakening the country's economic performance and growth potential.

1.3.6 Economic Outlook of South Africa

South Africa's economic outlook is intricately linked to its growth, employment creation, and social and fiscal stability. Economic growth drives job creation, reducing unemployment and fostering social stability by improving living standards. Moreover, robust economic growth enhances fiscal stability by increasing tax revenues, enabling the government to invest in essential services and infrastructure. A stable and growing economy thus creates a virtuous cycle, promoting further investment and development, crucial for South Africa's long-term prosperity and resilience.

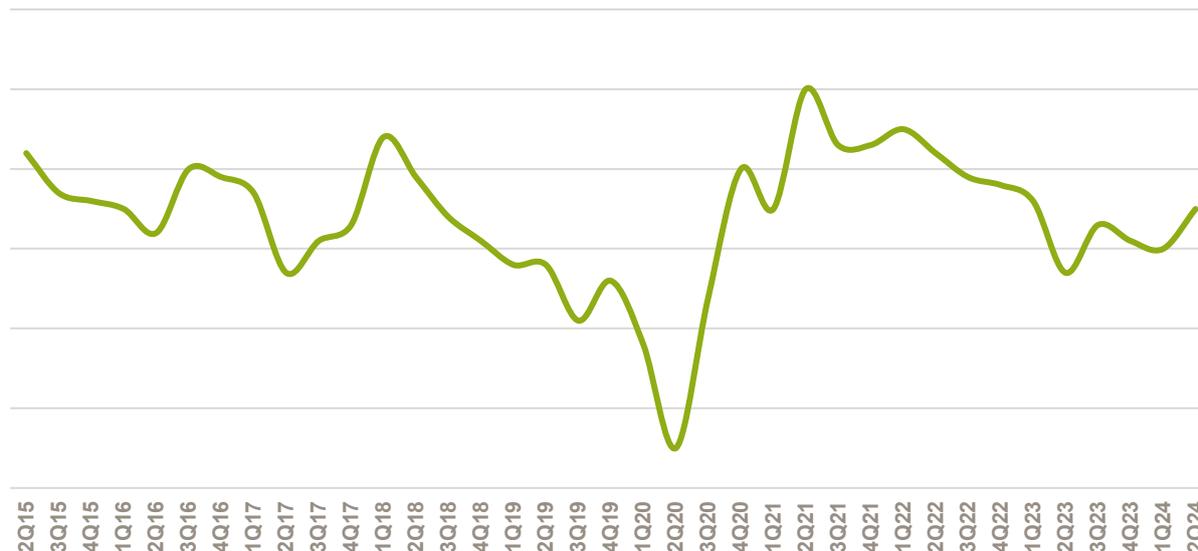
Figure 1.19 Real GDP growth contribution per sector for South Africa, 2Q2024



Source: Quantec, Own calculations

In the 2nd quarter of 2024, South Africa's economy expanded by 0.4 per cent from the previous quarter. The Finance sector (0.3 percentage points) made the largest contribution to the quarter after growing by 1.3 per cent from the previous quarter. The largest negative contributions to growth were made by the Transport (-0.2 percentage points) and Agriculture sectors (-0.1 percentage points). The decline of the Agriculture sector can be attributed to the decreased economic activities reported for field crops and animal products.

The RMB/BER Commodity Business Confidence Index (BCI) increased by 5 points from the previous quarter to 35 points in the 2nd quarter of 2024, indicating a more positive business sentiment compared to the 1st quarter of 2024. The more positive business sentiment in the 2nd quarter culminated in a slightly improved performance in South Africa's GDP in the 2nd quarter of 2024.

Figure 1.20 RMB/BER Composite Business Confidence Index, June 2015 - June 2024

Source: Quantec

Despite the mildly more positive business sentiment in the 2nd quarter of 2024, the RMB/BER Composite BCI for South Africa shows a declining trend since the 3rd quarter of 2021. The deterioration in business sentiment can largely be attributed to substantial loadshedding in 2021 and 2022, political and policy uncertainty, as well as policy rate increases since November 2021.

South Africa's economic outlook indicates a slight uptick from last year's 0.7 per cent expansion. The expected growth rates of 1.0 per cent for 2024 and 1.6 per cent for 2025 are higher than the 0.8 per cent average growth experienced over the past decade. Importantly the expected growth for 2024 is lower than the annual population growth (1.4 per cent) experienced for the past decade. As a result, GDP per capita is expected to continue its decline in 2024.

Table 1.3 GDP growth and contribution to growth forecast per sector in South Africa, 2024 and 2025

| | Annual growth | | Growth contribution in % points | |
|-------------------------------|---------------|----------|---------------------------------|----------|
| | 2024 (f) | 2025 (f) | 2024 (f) | 2025 (f) |
| Agriculture | 1.3% | 0.6% | 0.0 | 0.0 |
| Mining | -1.2% | -0.3% | (0.0) | (0.0) |
| Manufacturing | 0.3% | 1.1% | 0.0 | 0.1 |
| Utilities | -0.6% | 0.5% | (0.0) | 0.0 |
| Construction | 4.7% | 1.8% | 0.1 | 0.1 |
| Trade | 0.3% | 2.4% | 0.0 | 0.3 |
| Transport | 2.5% | 2.4% | 0.2 | 0.2 |
| Finance | 2.2% | 2.4% | 0.5 | 0.7 |
| Community services | 0.8% | 0.7% | 0.2 | 0.2 |
| South Africa GDP at MP | 1.0% | 1.6% | 1.0 | 1.6 |

Source: S&P Global

Recent positive developments in South Africa's growth outlook include improved investor sentiment and reduced long-term government borrowing costs. The formation of the Government of National Unity (GNU) supported this improvement investor sentiment and

looking ahead it could play an enabling role in unlocking factors driving growth. These improvements are expected to have a positive impact in the second half of 2024 and into 2025. Other key factors driving growth include lower inflation, better energy availability, and expected alleviation of rail and port disruptions.

Steady growth is expected in 2024 among the Construction (4.7 per cent), Transport (2.5 per cent) and Finance (2.2 per cent) sectors. As a result, these sectors are also expected to contribute to the bulk of South Africa's GDP growth in 2024.

After contracting for seven consecutive years, the **Construction sector** is expected to surge in 2024, largely due to the low baseline effect. Additionally, the Sector will also benefit from expected interest rate cuts in the latter half of the year; large government construction initiatives listed in the National Infrastructure Plan 2050; and increased investments in renewable energy projects¹⁰. Persistent challenges include loadshedding, rising material and labour costs, logistics disruptions, and threats from the "construction mafia," affecting investor confidence and sector stability.

South Africa's **Mining sector** is expected to contract in 2024 and 2025. The sector faces significant challenges, including deteriorating infrastructure, high operational costs, criminal activity, regulatory complexities, and the need to address ESG concerns to ensure sustainable development.

1.4 Risks to the South African Outlook

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

- **Geopolitical risks:** Arise from global trade tensions, regional instability, and reliance on imported energy, which could exacerbate issues like investor confidence and financial market volatility.
- **Dependence on China:** As South Africa's largest trading partner, heavy reliance on China makes South Africa vulnerable to economic downturns in China, affecting commodity-based sectors.
- **Climate Change:** Increasingly severe weather events threaten agriculture and infrastructure, necessitating investment in sustainable business practices.
- **Energy Crisis:** Despite recent progress the possible resurgence of loadshedding can potentially disrupt businesses and households, impeding economic growth.
- **Water crises:** The rapid deterioration of South Africa's water infrastructure is severely affecting water supply and quality, necessitating substantial capital investment to restore it.
- **Infrastructure and Governance:** Poor local governance and service delivery failures undermine development and economic growth.
- **High Public Debt:** Significant debt levels limit government investment in infrastructure and services, posing fiscal risks.

¹⁰ Doornhoek Solar PV Project - R2.2 billion, 120MW, completion by December 2025 (BusinessTech).

Scatec Solar and Battery Facility - R16.4 billion, 540MW, Northern Cape (BusinessTech). Soetwater Wind Farm - R3.5 billion, 147MW, (BusinessTech). Witberg Wind Energy Project - R3.4 billion, 147MW, completion by December 2025 (AmCham South Africa). Springbok Solar PV Plant - R2.8 billion, capacity not specified, completion by July 2025 (AmCham South Africa).

1.5 Conclusion

Global growth remains sluggish, hindered by high borrowing costs, reduced fiscal support, the lingering effects of COVID-19, and geopolitical tensions. China, South Africa's largest trading partner, faces a cautious medium-term outlook due to structural challenges and potential geopolitical risks impacting trade and investment. While global inflation is easing toward 2024, it remains higher than pre-2020 levels.

South Africa continues to grapple with structural challenges such as high unemployment, stark inequality, frequent power outages, and infrastructure bottlenecks in ports and railways. Over the past decade, the Finance sector was the main driver of growth, while the Construction, Mining, Manufacturing, and Utilities sectors experienced significant declines.

Fiscal pressures have led to a decline in the Western Cape Government's real budget over three consecutive financial years. The Real Estate industry attracted the most Greenfield investments from 2014 to 2023, but contributed little to job creation; whereas the Automotive OEM industry generated the most employment opportunities during the same period.

In a positive shift from last year's record level of loadshedding, South Africa enjoyed more than 170 consecutive days of uninterrupted electricity in 2024, improving the economic outlook for the year. Finally, South Africa's expected growth rates of 1.0 per cent for 2024 and 1.6 per cent for 2025 are higher than the 0.8 per cent average growth experienced during the past decade.

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2



The Western Cape Economy

2.1 Introduction

The Western Cape's economy showcases a government that is focused on service delivery, making it easier to do business and providing resident-led governance. The Western Cape is a highly attractive destination for investment, with an emphasis in the Business Services and Fintech space where the Province aims to be a leading destination.

Tourism growth in the Province has exploded since COVID-19, with record numbers of international visitors flocking to the Cape in 2023.

Unfortunately, despite these advantages, the Province tracked the national economy in terms of economic performance. The challenge therefore is whether the Province can achieve break-out growth that, as a rising tide, will lift all the metrics including economic opportunities and wellbeing.

This chapter reviews the Western Cape's economic landscape. While the Province has shown a strong recovery from the COVID-linked recession, national structural challenges such as energy and logistics, especially at the Port of Cape Town persist. The chapter illuminates the unique comparative advantages and strengths of the Western Cape economy, as well as its challenges, through an analysis of economic and trade developments as a Province and regional perspective. The chapter thus applies a spatial and an ease of doing business lens to unpack the Province's unique attributes, including agriculture and tourism.

THE WESTERN CAPE ECONOMY

OVERVIEW

The Western Cape economy expanded by an estimated **0.7% in 2023**,

Largest percentage point contributions:



Finance sector
0.6



Transport sector
0.5



Community Services sector
0.2

Over the past decade (2014 – 2023), the Western Cape economy **has expanded by 9.1%, or at an average annual growth rate of 0.9%.**

Largest percentage point contributions:



Finance sector
0.7

Community services, Government, Transport and Agriculture sectors:



0.1



0.1



0.1



The Western Cape supports
40 000 tech jobs

Cape Town is ranked in **last place** out of 405 ports in 2023



Over the last decade (2014 – 2023),

the Overberg District boasted the highest average growth in the Province, with a rate of 1.7%

In 2023, the Western Cape **received R6.9 billion** in Greenfield investments that created **3 679 jobs**



535 MW of solar PV (or 12.2 per cent of the Province's predicated electricity demand) by May 2024



Agriculture exports grew by **190.7% (2014 - 2023)**

International tourist arrivals **grew by 1 058%** from Jan 2021 to April 2024



Domestic tourist **grew by 330%** from 2021 to April 2023



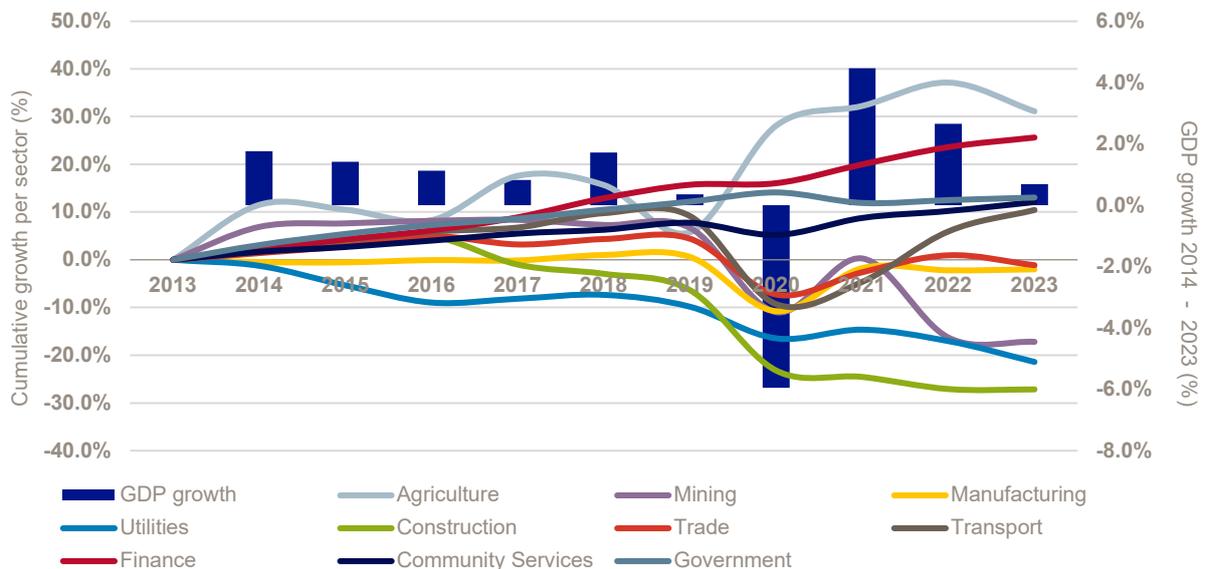
The Provincial economy is expected to **expand by 1.3% in 2024 followed by a rebound of 1.8% in 2025.**

2.2 Developments in the Western Cape Economy

The Western Cape economy can be defined as a service-orientated economy, underpinned by a burgeoning Finance and Information Technology (IT) services industry. The Province has become an attractive destination of choice, with its outdoor lifestyle, flourishing tourism industry, variety in food and restaurants and well-maintained infrastructure. For 2023, the Western Cape retained its contribution to the national Gross Domestic Product (GDP) of 14.2 per cent.

The structure of the Western Cape economy in 2023 differs from the national economy in that the share of the Finance sector (33.5 per cent vs 26.4 per cent) is substantially larger, whilst the Mining (0.2 per cent vs 4.9 per cent) and Community services (11.8 per cent vs 17.6 per cent) sectors make significantly smaller contributions to GDP. The Manufacturing sector's contribution to GDP is only slightly higher in the Province at 14.1 per cent vs 12.5 per cent in South Africa. The financial services sector is the main thrust behind the service-based economy. It provides the free flow of capital and liquidity in the marketplace, facilitating and enabling growth in the economy.

Figure 2.1 Western Cape Cumulative GDP and Annual Growth Rate, 2014 – 2023



Source: Quantec, Own calculations

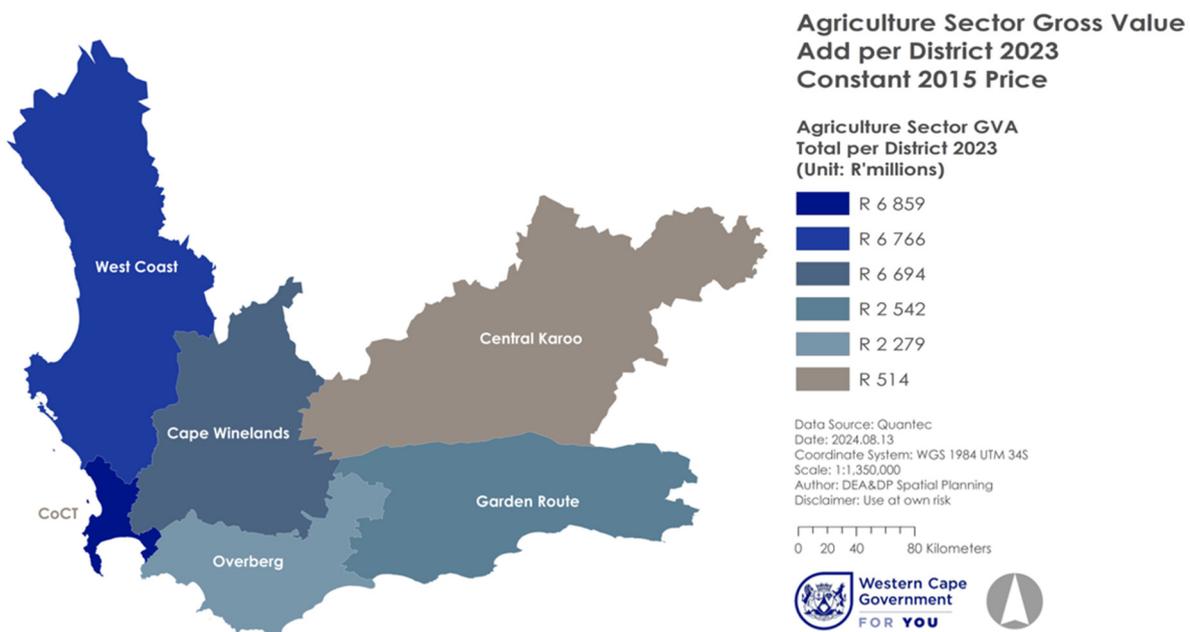
The Western Cape economy expanded by an estimated 0.7 per cent in 2023¹, of which the Finance sector (0.6 percentage points) made the largest contribution, followed by the Transport sector (0.5 percentage points) and Community Services sector (0.2 percentage points). These sectors' relatively large contribution to growth in 2023 was due to a combination of the relative size of the sectors (Finance 33.5 per cent, Transport 11.2 per cent and Community Services 11.8 per cent) and their positive growth in 2023, (Finance 1.6 per cent; Transport 4.2 per cent and Community Services 1.7 per cent). The Trade sector made a negative contribution to growth (-0.3 per cent) due to a 2.1 per cent contraction, which can be linked to the contraction in consumer spending patterns. Persistently high inflation and interest rates have pushed up the cost of living and increased debt repayments prompting consumers to adjust their spending habits due to reduced disposable income. Indeed, on a

¹ GDP data are in Constant 2015 Prices (real)

national level, retail trade sales decreased by 1.0 per cent from 2022 to 2023. Six of the seven types of retailers showed negative year-on-year growth rates over this period².

Over the past decade (2014 – 2023), the Western Cape economy expanded by 9.1 per cent, or at an average annual growth rate of 0.9 per cent. The bulk of the growth was contributed by the Finance sector (0.7 percentage points), while the Community services, Government, Transport and Agriculture sectors each contributed 0.1 percentage points. Over this period, the Agriculture sector (31.1 per cent) expanded at the fastest pace, followed by the Finance sector (25.6 per cent) and the Government sector (13.1 per cent). The success of the Agriculture sector can largely be attributed to its increased access to international markets and phenomenal export growth over the same period. In figure 2.2 below, the 2023 Gross Value Add (GVA) for Agriculture per district is showcased, with the highest values emanating from the Cape Metro and West Coast District.

Figure 2.2 GVA in 2023 for Agriculture per region



Major export markets for agricultural products include Europe and East Asia. The unique characteristics of the Western Cape Agricultural sector include the winter rainfall and established wine industry in the Province. The contractions in growth came from the Construction (-27.2 per cent) and the Utilities (-21.4 per cent) sectors. The Construction sector was challenged by an increasingly fiscally constrained environment fueled by growing public debt; high interest rates; construction mafias; the residual effects of the lockdowns under the COVID-19 pandemic; and a lackluster economy, which curtailed investments in infrastructure.

According to the South African Police Services (SAPS), construction mafias employ a range of tactics, including threatening projects with violence and heavy weaponry, demanding a share without genuine interest in the job itself. Their criminal activities extend to terrorising, intimidating, assaulting, and in some cases, even killing employees or managers on construction sites. The use of such disruptive tactics, aimed at hindering progress on construction projects, is also often accompanied by theft³. According to the City of Cape

² https://www.statssa.gov.za/?page_id=1856&PPN=P6242.1&SCH=73483

³ Inclusive Society Institute. Overview of the Construction Mafia Crisis in South Africa. 2023.

Town (CoCT), extortion has placed R3 billion worth of construction projects at risk which has compelled the City to deploy measures to protect 22 sites, 6 of which had been shut down or closed⁴.

The Utilities sector has been impacted by underinvestment into electricity and water infrastructure from a national perspective.

The latest Global Financial Centres Index shows that Cape Town has improved its overall rankings from 91st position in September 2023 to eight places higher, now ranking globally at number 82 out of 121 cities in 2024. This improvement in rankings is an indication of a migration of skills and investment into the Province in the Finance sector, which explains its growth over the 10-year period. Historically, the Finance sector has been prominent in the Province, supported by burgeoning house prices within the Real Estate industry, that is included as part of this Sector. Since 2010 to April 2023, residential property prices have grown by 141 per cent in the CoCT, outstripping other metropolitan municipalities⁵. Additionally, the Province has become the premier destination for venture capital in the country.

Western Cape Venture Capital Industry

The Western Cape is the premier location for the venture capital industry in South Africa.

This can be seen by the geographic distribution of the value and number of venture capital deals in the country and the location of the investee firm head offices (SAVCA, 2023). More than half of all South African deals and investment occurred in the Western Cape in 2022. In addition, more than half (53%) of the firms that received funding had their head offices in the Western Cape between 2018 and 2022.

The value of the venture capital industry in the Western Cape is 0.6% of regional GDP, whereas that of South Africa is 0.2% of GDP. This is in comparison to the global average of 0.5%. This highlights the dominance of the Province in the country's venture capital industry.

Source: South African Venture Capital and Private Equity Association

The CoCT is Africa's leading technology hub, supporting at least 40 000 jobs (more than double the combined total of Nairobi and Lagos). In 2024, the CoCT ranked 53rd on the International Financial Centers Ranking. The Province has a well-developed local network of technology organisations and is home to major multinational technology companies (such as Amazon and Panasonic) and exciting start-ups, such as Luno, Yoco, Jumo and SweepSouth. The Province can capitalise on this windfall by further marketing the Province using influencers, bloggers, trade shows and missions. The Province must also continue its focus on making it easier to do business within the fintech industry through measures such as efficient building permitting, improved infrastructure networks, and enhanced access to critical skills.

With access to high-quality, cost-effective software-development talent, the Western Cape has the potential to become a top global tech destination and a key driver of economic growth and job creation. The Province's technology sector is dynamic and evolving, comprising many tech incubators (including Africa's oldest incubator), accelerators and South Africa's leading venture capital firms. The Western Cape has also seen some of Africa's largest start-ups, such as GetSmarter, Fundamo and Clickatell, and remains an ideal location for

⁴ BizCommunity. Cape Town construction mafia costs billions. 2024.

⁵ Stats SA, 2023.

companies to expand into the rest of the continent. This has contributed to a dynamic and highly intra-connected technology ecosystem⁶.

Break-out economic growth 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.

Mobility as an enabler for growth

A safe, reliable, and affordable mobility system lies at the heart of economic growth, social transformation, job creation, wellbeing and safety for the Province. Public transport is a vital component of mobility, as it is how approximately 30% of people in the Province get to work. The public transport system in the Western Cape is comprised of passenger rail, minibus taxis, and bus services, namely, Golden Arrow Bus Services (GABS), Go George and MyCiTi Bus Rapid Transit (BRT). Collectively, these services account for nearly 2 million daily passenger trips to work, school, hospitals and other essential destinations.

Despite the importance of public transport in the Province, the sector faces serious challenges. Rail was once the backbone of public transport, providing over 600 000 passenger trips daily. However, due to years of underinvestment and vandalism, ridership has declined to fewer than 50 000 trips per day and key rail lines are non-operational. While there have been some improvements, the rail service remains severely constrained, and it will take years before it will be able to function as the backbone of public transport in the Western Cape. The central line which connects Langa, Mitchell's Plain and Khayelitsha to Cape Town, which has been out of action for over 4 years, is operating partially up to Mandalay after long delays.

With the decline of rail, passengers have had to shift to road-based modes. Those who can afford to are now using private vehicles, whose mode share increased by 10% between 2013 and 2020. Road congestion is worse than ever, impacting on the growth, effectiveness, and competitiveness of the economy.

According to the 2023 INRIX Global Traffic Scorecard, traffic congestion in Cape Town ranks amongst the worst in the world. This Index placed Cape Town 9th worst out of 100 urban areas. The 2023 TomTom Traffic Index revealed that Cape Town has the second-worst congestion in Africa after Cairo, Egypt. The City of Cape Town is taking traffic congestion seriously and has set aside a capital budget over the medium-term of R8.9 billion to improve its public transport services and its road network.

The impact of carbon emissions on the natural environment by road-based transport is another major concern. The City is adding accessible footways and cycle lanes to support its sustainability and zero-emission commitments. Another way to reduce congestion is to have more people work from home. TomTom has indicated that working from home for three days will reduce time in traffic by 78 hours, save R4 192 and cut emissions by 456 kg a year.

Those who cannot afford private transport have mainly shifted to minibus taxis, which are now the primary mode of public transport in the Province. Minibus taxis are available throughout the Western Cape and provide 1.5 million passenger trips per day. In most rural areas, minibus taxis are the only mode of public transport available. However, this informal mode derives its income solely from fare revenue. This leads to higher fares for passengers, reckless driving to chase fares, and poorly maintained vehicles.

The bus services are generally safer and more reliable, however they have limited coverage and ridership and are also facing a number of challenges. GABS mainly operates in Cape Town, providing about 230 000 passenger trips per day. MyCiTi BRT, which also operates in Cape Town, provides about 70 000 passenger trips per day. While this service ensures faster and more reliable travel by operating in dedicated bus lanes, the expansion of the MyCiTi network has been delayed by several years due to litigation. GoGeorge transports about 21 000 passengers per day, but its coverage is limited to George.

While strides have been made in improving public transport across the Province, addressing these core mobility challenges is key to unlocking economic growth in the Province. Key public transport initiatives include continued efforts to formalise and improve minibus taxis in the Western Cape, given the vital role of these services; continued support to the management of GoGeorge (including the roll-out of additional services to improve access to key economic nodes); continued oversight of GABS services; and support to PRASA to restore key rail lines including the central line.

Source: Western Cape Mobility Department & Cape Business News "Cape Town has the ninth-worst traffic congestion in the world" (2024) and 2023 TomTom Traffic Index

⁶ Wesgro, 2024

On the logistics front, the Container Port Performance Index (CPPI) of 2023 ranks 405 global container ports by efficiency, focusing on the duration of port stay for container vessels. Its primary aim is to identify areas for enhancement for the benefit of multiple stakeholders in the global trading system and supply chains, from ports to shipping lines, national governments, and consumers. Cape Town is now ranked in last place of the 405 ports listed in the CPPI for 2023. This is an additional fall from 5th worst performing port in 2022.

Developed by the World Bank and S&P Global Market Intelligence, the 4th edition of CPPI is based on the largest dataset ever: more than 182 000 vessel calls, 238.2 million moves, and about 381 million twenty-foot equivalent units (TEU) for the full calendar year of 2023. Regional disruptions impacted port performance everywhere, according to the new report.

Port of Cape Town Crisis – WCG interventions

The WCG has instituted a number of measures to address this crisis. In the short term, the WCG will continue its collaborative efforts initiated since 2020 to improve operational efficiency at the Port of Cape Town (PoCT). This entails partnering with Transnet National Ports Authority (TNPA), Transnet Port Terminals (TPT), and specialised experts from local and international research organisations and industries. The objective is to identify feasible and cost-effective solutions to minimise equipment downtime caused by high winds and gusts.

Furthermore, the WCG will facilitate the establishment of a collaborative project task team involving TNPA, TPT, the Port Authority of South Africa (PASA), and industry stakeholders such as the Western Cape Exporters Club and the Fresh Produce Exporters Forum. This task team will focus on designing systemic solutions to operational challenges, such as implementing a Truck Appointment System and devising a joint port marketing strategy.

In addition, the WCG will spearhead the development of a coordinated marketing strategy for Western Cape ports, especially the City of Cape Town (CoCT), in partnership with TNPA, Wesgro, industry associations, and relevant stakeholders. This strategy aims to improve servicing by shipping lines to key export markets, particularly in North America, benefiting both the agriculture and manufacturing sectors.

To ensure accountability and transparency, the WCG will work with Transnet and TNPA to ensure they present clear, specific, and measurable plans for implementing their strategies and short-term plans to port stakeholders. This includes developing a strategic approach in collaboration with port role-players, industry representatives, and international partners to explore the potential benefits of private sector participation in PoCT operations and investment.

Source: DEDAT research reports

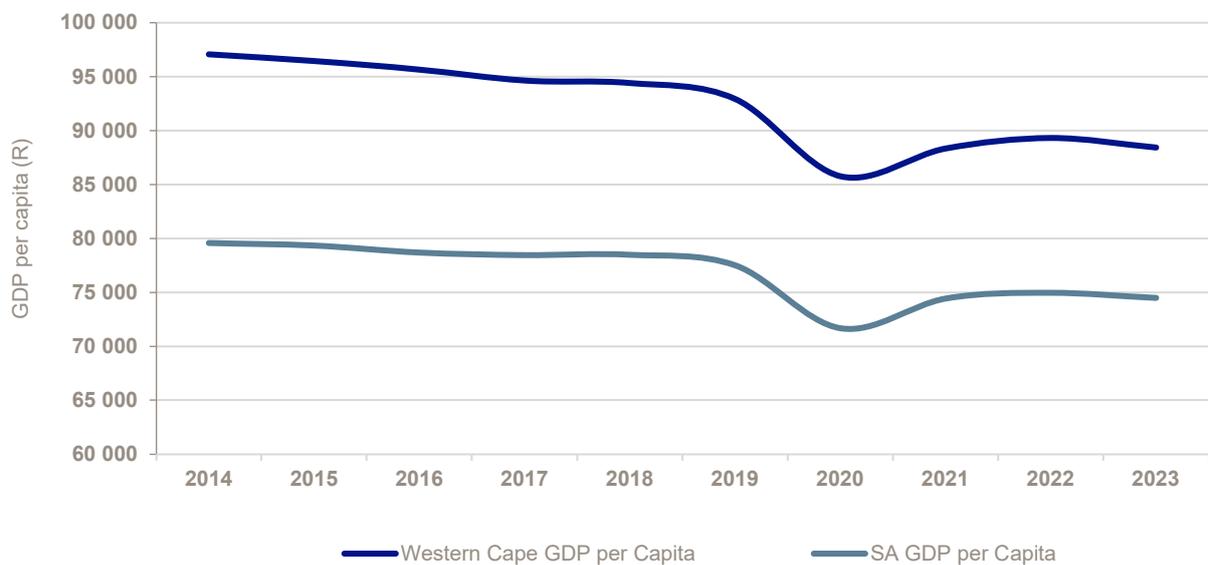
2.2.1 Sectoral performance

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



Figure 2.3 exhibits a consistent decrease in real GDP per capita in the Western Cape from 2014 to 2023, 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. Over the past 10 years, the GDP per capita has fallen by 9.2 per cent in the Western Cape. 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 was observed in 2022, reaching approximately R89 325, compared to R85 780 in 2020. The GDP per capita slid to R88 438 in 2023. The GDP per capita in the Province tracked the national trend over the past 10 years, however it averaged 20.2 per cent more per capita. In 2023, the GDP per capita differential was R13 938 or 18.7 per cent between the Western Cape and South Africa. The Western Cape has the 2nd highest GDP per capita in the country behind Gauteng which averaged R105 868 over the past 10 years.

Figure 2.3 Real GDP per capita in the Western Cape, 2014 – 2023

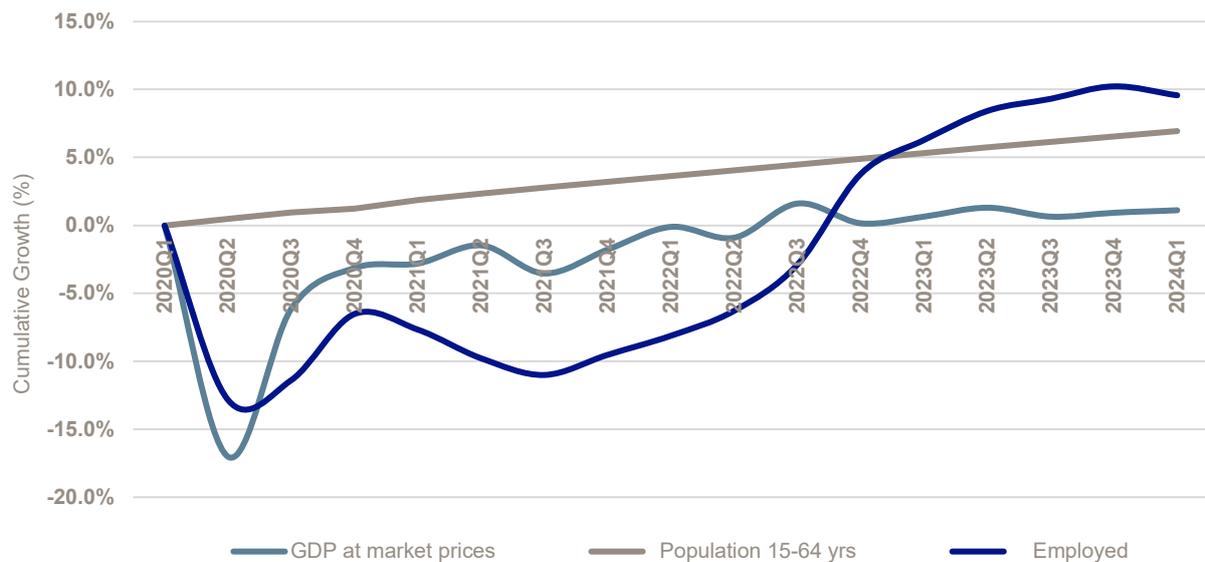


Source: Quantec, Stats SA, Own calculations

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

Figure 2.4 compares the recovery of GDP and employment levels in the Western Cape from the 1st quarter of 2020 (pre-COVID-19) to the 1st quarter of 2024. GDP grew cumulatively by 1.1 per cent, while employment increased by 9.6 per cent during the same period. The population rate grew by 6.9 per cent. GDP finally recovered to pre-pandemic levels in the 3rd quarter of 2022 while employment lagged slightly behind, recovering in the 4th 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, reinforcing the declining GDP per capita mentioned above. Employment growth has, however, been outperforming population growth from the 1st quarter of 2023, which bodes well for lowering unemployment in the Province.

Figure 2.4 Recovery of GDP and employment levels compared to Population growth in the Western Cape (cumulative), 1Q2020 – 1Q2024



Source: Quantec, Stats SA, Own calculations, 2024

Employment 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 (5.2 percentage points), Construction (1.9 percentage points), and the Trade and Community (1.7 percentage points respectively) sectors.

The Western Cape GDP recovered slightly faster than the national GDP, reflecting a more resilient economy. The largest contributions to the recovery of the Provincial economy are estimated to have come from the Finance (1.7 percentage points) and Transport sectors (1.1 percentage points).

2.2.2 Regional performance

The Western Cape's six regions (5 districts and 1 Metro) each have unique economic and natural resource characteristics, enhanced by diverse landscapes. From sub-tropical forests to rich farmlands and abundant coastlines, each district adds their unique contribution to the richness and diversity of the Western Cape.

As the largest regional economy in the Province, the Cape Metro's share of the Western Cape economy was 72.4 per cent in 2023. The Cape Metro grew on average by 0.7 per cent annually over the last decade and is estimated to have expanded by 0.6 per cent in 2023. This was driven by further growth in the Finance, Transport and Community Services sectors with the Cape Metro's attractiveness as a burgeoning Fintech and Venture capital hub, facilitating this growth.

Table 2.1 GDP at basic prices per sector and Western Cape districts, 2014 - 2023

| GDP Growth (%) | | | | | | | | | | | | |
|---------------------------|-------------|-------------|--------------|-------------|----------------|-------------|-------------|-------------|--------------|-------------|---------------|-------------|
| Sector | Cape Town | | West Coast | | Cape Winelands | | Overberg | | Garden Route | | Central Karoo | |
| | 2014-2023 | | 2014-2023 | | 2014-2023 | | 2014-2023 | | 2014-2023 | | 2014-2023 | |
| | 2023 | (Ave) | 2023 | (Ave) | 2023 | (Ave) | 2023 | (Ave) | 2023 | (Ave) | 2023 | (Ave) |
| Total | 0.6% | 0.7% | -0.2% | 1.5% | 0.7% | 1.5% | 1.2% | 1.7% | 1.0% | 1.2% | 0.3% | 1.0% |
| Agriculture | -3.5% | 3.3% | -4.1% | 3.4% | -5.0% | 3.1% | -5.5% | 2.2% | -4.9% | 2.4% | 1.5% | 3.9% |
| Mining | 0.3% | -1.1% | -6.1% | -2.4% | 0.5% | -0.9% | 0.0% | -0.7% | -0.5% | -2.3% | -13.8% | 0.0% |
| Manufacturing | 0.4% | -0.3% | 0.1% | 1.6% | -2.2% | -1.1% | 2.7% | 2.6% | 1.5% | 0.9% | -1.6% | 0.4% |
| Utilities | -5.3% | -2.4% | -6.4% | -3.8% | -4.4% | -1.0% | -5.3% | -2.3% | -5.5% | -2.6% | -1.3% | -1.2% |
| Construction | 0.1% | -3.1% | -2.7% | -3.2% | 0.5% | -1.3% | 0.7% | -2.6% | -1.9% | -4.2% | -5.7% | -4.0% |
| Trade | -2.4% | -0.3% | -1.7% | 0.4% | -0.8% | 1.2% | -1.0% | 1.0% | -1.6% | -0.1% | 4.4% | -1.3% |
| Transport | 3.7% | 1.0% | 5.5% | 0.9% | 6.6% | 2.7% | 6.7% | 2.9% | 5.0% | 2.0% | 18.6% | 0.6% |
| Finance | 1.2% | 2.0% | 2.9% | 2.9% | 3.2% | 3.8% | 3.1% | 3.0% | 2.7% | 3.1% | 2.6% | 2.3% |
| Government | 0.3% | 1.4% | 2.3% | 1.6% | 1.1% | 0.8% | -0.1% | 0.5% | 0.1% | 0.4% | 1.3% | 2.0% |
| Community Services | 1.7% | 1.1% | 2.4% | 2.1% | 1.4% | 1.0% | 1.7% | 1.5% | 1.2% | 1.0% | 2.2% | 1.4% |

| Contribution to GDP growth (% points) | | | | | | | | | | | | |
|---------------------------------------|-------------|-------------|--------------|-------------|----------------|-------------|-------------|-------------|--------------|-------------|---------------|-------------|
| Sector | Cape Town | | West Coast | | Cape Winelands | | Overberg | | Garden Route | | Central Karoo | |
| | 2014-2023 | | 2014-2023 | | 2014-2023 | | 2014-2023 | | 2014-2023 | | 2014-2023 | |
| | 2023 | (Ave) | 2023 | (Ave) | 2023 | (Ave) | 2023 | (Ave) | 2023 | (Ave) | 2023 | (Ave) |
| Total | 0.6% | 0.7% | -0.2% | 1.5% | 1.5% | 1.6% | 1.2% | 1.7% | 1.0% | 1.2% | 0.3% | 1.0% |
| Agriculture | -0.1 | 0.0 | 8.4 | 1.6 | -1.2 | 0.2 | -0.7 | 0.2 | -0.3 | 0.1 | -0.8 | 0.5 |
| Mining | 0.0 | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Manufacturing | 0.1 | 0.0 | -0.2 | 0.3 | -0.7 | -0.2 | 0.4 | 0.3 | 0.2 | 0.1 | 0.0 | 0.0 |
| Utilities | -0.1 | -0.1 | 0.7 | 0.0 | -0.2 | 0.0 | -0.1 | 0.0 | -0.1 | -0.1 | -0.2 | -0.1 |
| Construction | 0.0 | -0.1 | 0.7 | -0.1 | 0.1 | -0.1 | 0.0 | -0.2 | -0.1 | -0.2 | -0.1 | -0.2 |
| Trade | -0.3 | 0.0 | 1.8 | 0.2 | -0.3 | 0.2 | -0.2 | 0.1 | -0.2 | 0.0 | -0.2 | -0.2 |
| Transport | 0.4 | 0.1 | -3.3 | -0.3 | 1.3 | 0.3 | 0.7 | 0.3 | 0.5 | 0.2 | 0.7 | 0.0 |
| Finance | 0.4 | 0.7 | -3.8 | 0.0 | 1.9 | 1.0 | 0.9 | 0.8 | 0.9 | 1.0 | 0.2 | 0.3 |
| Government | 0.0 | 0.1 | -1.1 | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.2 |
| Community Services | 0.2 | 0.1 | -2.0 | 0.0 | 0.3 | 0.1 | 0.2 | 0.2 | 0.1 | 0.1 | 0.5 | 0.3 |

Source: Quantec, Own calculations

Note: GDP at basic prices

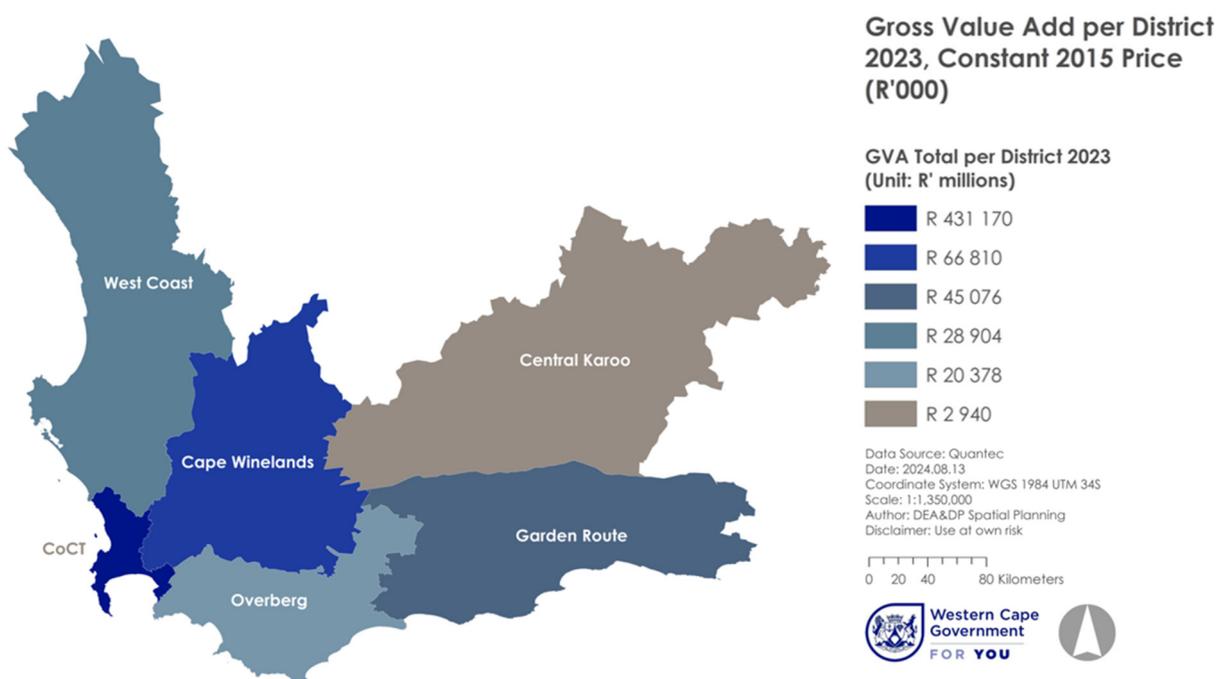
The Overberg is renowned for its rugged mountain ranges, fynbos, rolling wheat and canola fields, and splendid coastal vistas. Over the last decade (2014 – 2023), the Overberg boasted the highest average growth rate (1.7 per cent) in the Province, with the Finance (0.8 percentage points), Transport (0.3 percentage points) and Manufacturing (0.3 percentage points) sectors making the largest contributions to this growth. This District also boasted the highest growth rate in 2023 (1.2 per cent) with the major contributions coming from the Finance (0.9 percentage points) and Transport (0.7 percentage points) sectors. The Transport sector grew at a rapid 6.7 per cent in 2023. Post COVID-19, the pace of semigration, whereby people move to more rural towns and work remotely has increased. Three hotspots for this semigration in the Overberg include Hermanus, Swellendam and Napier with financial

services boosted through burgeoning real estate activities. It also has a large tourism industry with cultural and natural wonders that impact positively on transport. The Overberg District has a variety of agri-processing activities, including winemaking and juice-making, dairy production, honeybush-tea processing, and abalone processing. These agricultural activities give the area a comparative advantage in agri-processing.

In 2023, the Garden Route was the 2nd fastest growing district (1.0 per cent), mainly due to growth contributions from the Finance (0.9 percentage points) and Transport (0.5 percentage points) sectors. The Transport sector recorded the highest growth rate (5.0 per cent) in the District. The large impact of the Finance sector can be ascribed to, in part, an increase in acquisition of properties such as land or housing in the District, which increases the demand for cash and risk management services. The Transport sector was boosted by the easing of lockdown restrictions, which allowed for the operation of the hospitality sector as well as increased tourism in the District.

Figure 2.5 below highlights the GVA per region with the highest GVA emanating from the Cape Metro and second highest from the Cape Winelands. This reflects the concentration of financial services within these two regions.

Figure 2.5 Regional GVA breakdown for 2023

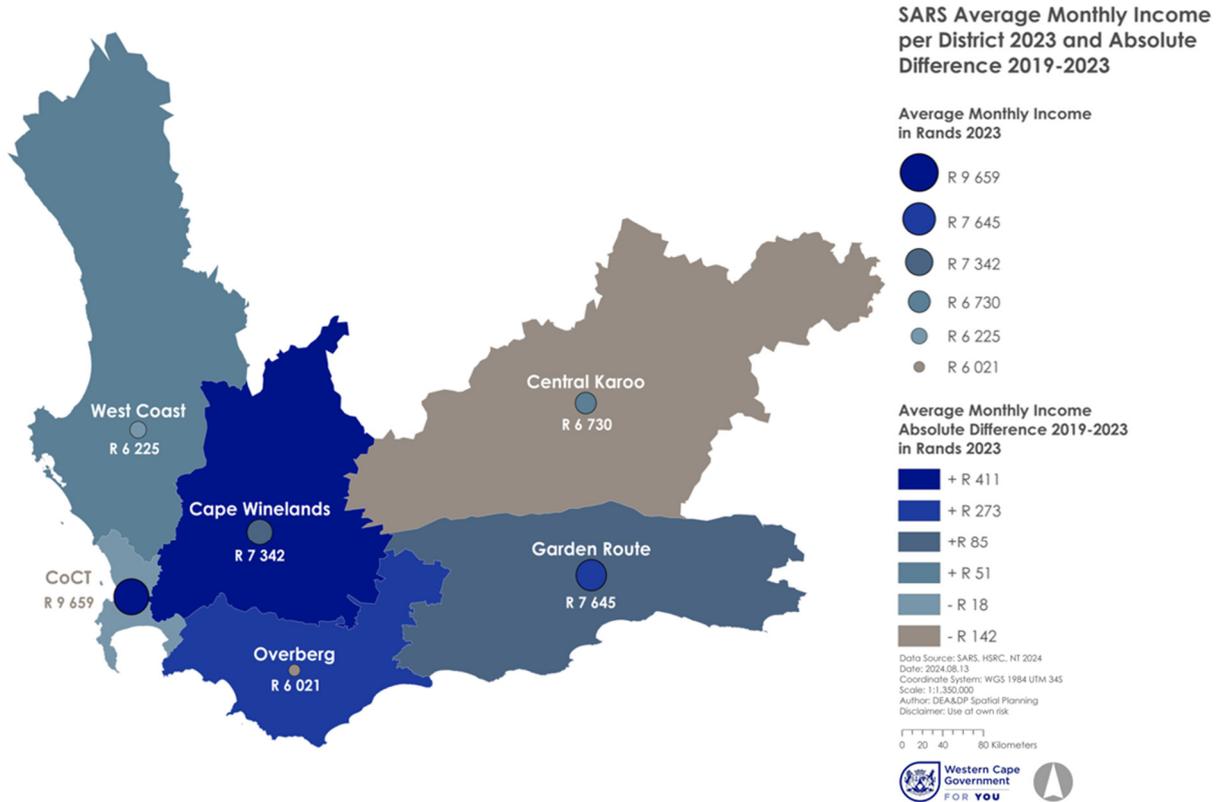


The Construction and Utilities sectors contracted across all regions over the past decade. This can be linked to rising interest rates impacting on building activities, reduced demand for electricity from municipalities (Businesses and residents going off-grid due to loadshedding) and the impact of the pandemic. There have been green shoots of growth in the Construction sector in the Cape Winelands (0.5 per cent) and Overberg (0.7 per cent) in 2023. The significant expansion in the Transport sector, among all districts in 2023, can be attributed to a continued recovery of international tourism and trade, which supported airport, port and freight revenue as well as substantial investments and expansion in 5G population coverage⁷.

⁷ This refers to the percentage of inhabitants living within range of 5G mobile-cellular signal, irrespective of whether or not they are mobile phone subscribers or users.

In Figure 2.6, it is noted that the average monthly incomes were highest in the Cape Metro (R 9 659) with the lowest in the Overberg region (R6 021) reflecting the economic power of the Metro. The Cape Winelands has shown the greatest increase (R411 per month) in the growth in average incomes, while the Central Karoo has seen a decline of R142 per month between 2019 and 2023.

Figure 2.6 Average monthly income per region in 2023 and absolute difference (2019 – 2023)



In 2023, 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 Community services sectors provided the largest share of total GDP, respectively (Table 2.2). 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. Cape Town is renowned for its technological advancements and skilled workforce, attracting top talent and investment, making it a hub for financial innovation and development.

Table 2.2 Sector contribution to total region GDP in 2023

| Sector contribution to Region | Cape Metro | West Coast | Cape Winelands | Overberg | Garden Route | Central Karoo |
|-------------------------------|------------|------------|----------------|----------|--------------|---------------|
| Agriculture | 1.6% | 23.4% | 10.0% | 11.2% | 5.6% | 17.5% |
| Mining | 0.1% | 0.6% | 0.1% | 0.1% | 0.2% | 0.0% |
| Manufacturing | 14.0% | 18.5% | 13.9% | 13.2% | 13.2% | 2.5% |
| Utilities | 1.9% | 1.3% | 1.6% | 1.7% | 2.0% | 4.0% |
| Construction | 3.5% | 3.2% | 4.5% | 5.0% | 4.0% | 3.3% |
| Trade | 13.2% | 12.8% | 15.0% | 15.4% | 14.3% | 11.5% |
| Transport | 11.7% | 7.6% | 9.7% | 10.9% | 10.5% | 14.7% |
| Finance | 35.8% | 16.3% | 27.9% | 27.8% | 34.1% | 14.6% |
| Government | 6.0% | 5.9% | 5.5% | 4.6% | 5.2% | 12.3% |
| Community services | 12.1% | 10.3% | 11.7% | 10.1% | 11.0% | 19.6% |

Source: Quantec, Own calculations

2.3 Fixed Investment

Fixed investment and infrastructure spend plays a critical role in igniting an economy. By channeling funds into long-term assets such as machinery, infrastructure, and technology, businesses enhance their production capacities and efficiency. This investment not only boosts the output and competitiveness of an economy, but also stimulates job creation, as new fixed investment and expansions require additional labour.

Over the past decade (2014 - 2023), Capital stock increased at a diminishing rate. In the 1st five years of the decade, Capital stock expanded four times faster than 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 (Net capital formation) since 2015 (see Figure 2.4). Net capital formation has declined by 80.8 per cent over the last decade. A major reason behind this decline can be linked to reduced business and investor confidence along with the COVID-19 pandemic. The majority of the Capital stock is invested in the Cape Metro (72 per cent in 2023).

The link between Fixed investment, measured by the change in Capital stock, Net capital formation, GDP and employment is evident. The added value of real GDP and employment was respectively 1.25 times and 3 times more in the 1st five years of the decade than in the latter. This can be linked to the increasing rate of Capital stock and absolute Net capital formation in the 1st five years. The lockdown, loadshedding and stringent COVID-19 regulations during 2020 and parts of 2021, did weigh negatively on GDP and employment.

The Community services sector has seen the highest growth in Capital stock over the last decade (57.1 per cent), while the majority of Capital stock resides in the Finance sector (42.4 per cent) in 2023.

Since 2018, the factors that negatively influenced Fixed investment into the Western Cape include the weaker 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.

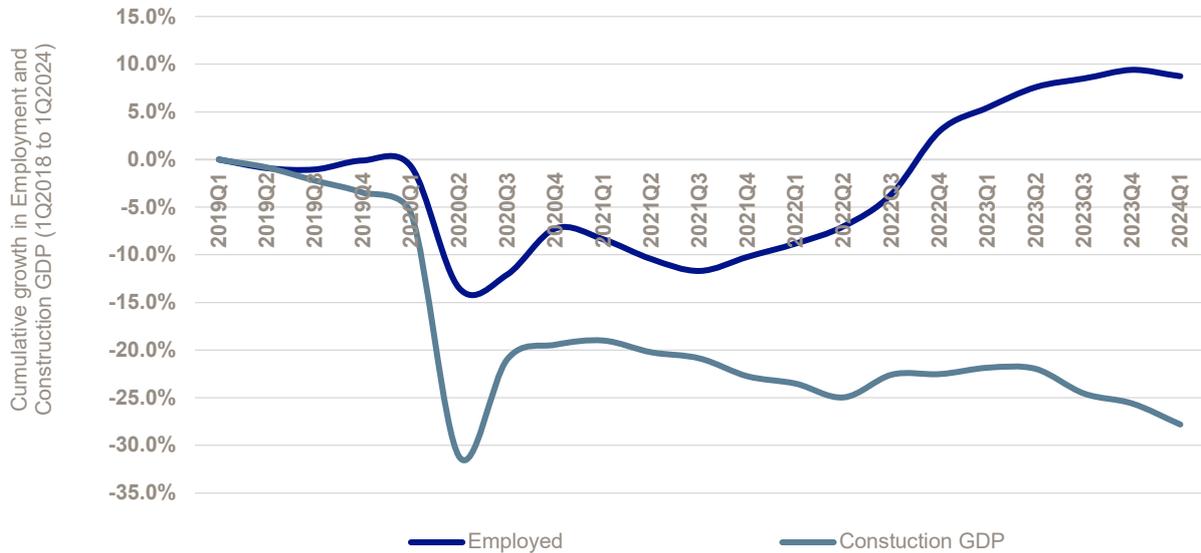
Figure 2.7 Cumulative Change in Net Capital formation, Capital Stock, GDP and Employment in the Western Cape, 2013 – 2023



Source: Quantec, Own calculations

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 (29 per cent) between the 1st quarter of 2019 and 2024 (see Figure 2.8). Construction employment has rebounded by 8.7 per cent during the period. The bulk of the decline for both Construction GDP and employment occurred in the 2nd quarter of 2020, when COVID-19 lockdown measures were implemented.

Figure 2.8 Western Cape Construction Sector GDP and Employment, Cumulative Growth 1Q2019 – 1Q2024



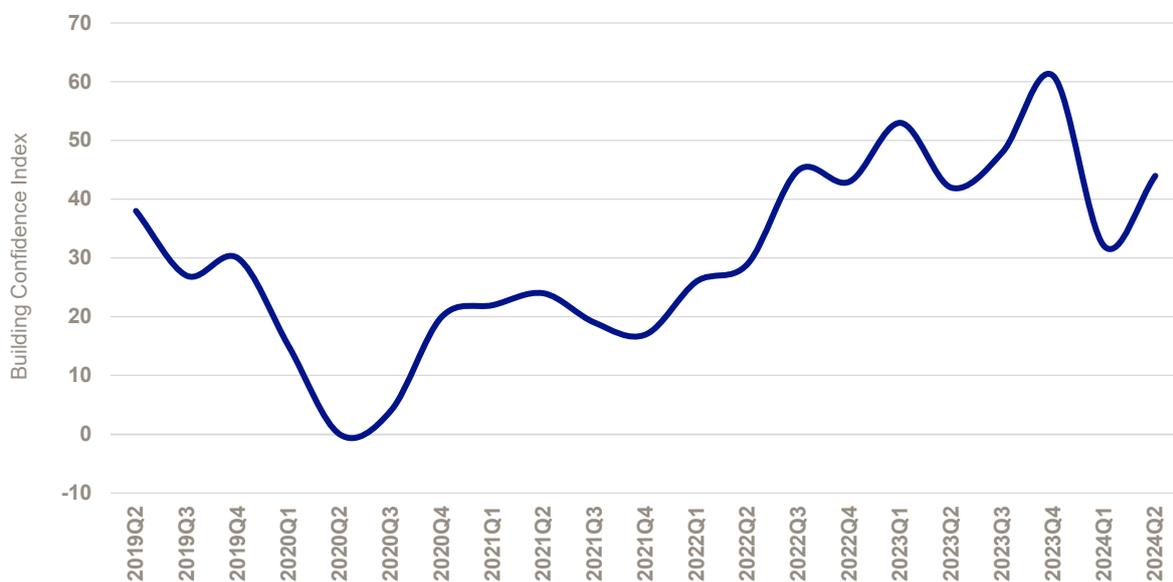
Source: Quantec, Own calculations

The Building and Civil Construction Confidence Index (see Figure 2.9) measures sentiment and expectations in the building and construction sectors. The Index is based on a survey of key players in the industry, such as architects, engineers, contractors, and material suppliers. It asks respondents 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.

Prior to COVID-19, the business confidence amongst builders within the Construction sector exhibited a declining trend in the Province reaching 15 per cent in the 1st quarter of 2020. During the peak COVID-19 lockdown of the 2nd and 3rd quarter of 2020, the sentiment was dismal with 0 and 4 index points, respectively. However, this sentiment started to recover in the 4th quarter of 2020, with a trough experienced during the 4th quarter of 2021, and recovering again in the 1st quarter of 2022. Since then it has been on an inclining trajectory, peaking at 61 in the 4th quarter of 2023. By the 1st quarter of 2024, sentiment declined considerably to 32 index points, representing the builders negative outlook, with a slight uptick to 44 in the 2nd quarter of 2024. The slight improved outlook is yet to materialise in improvements for GDP and employment in the Construction sector.

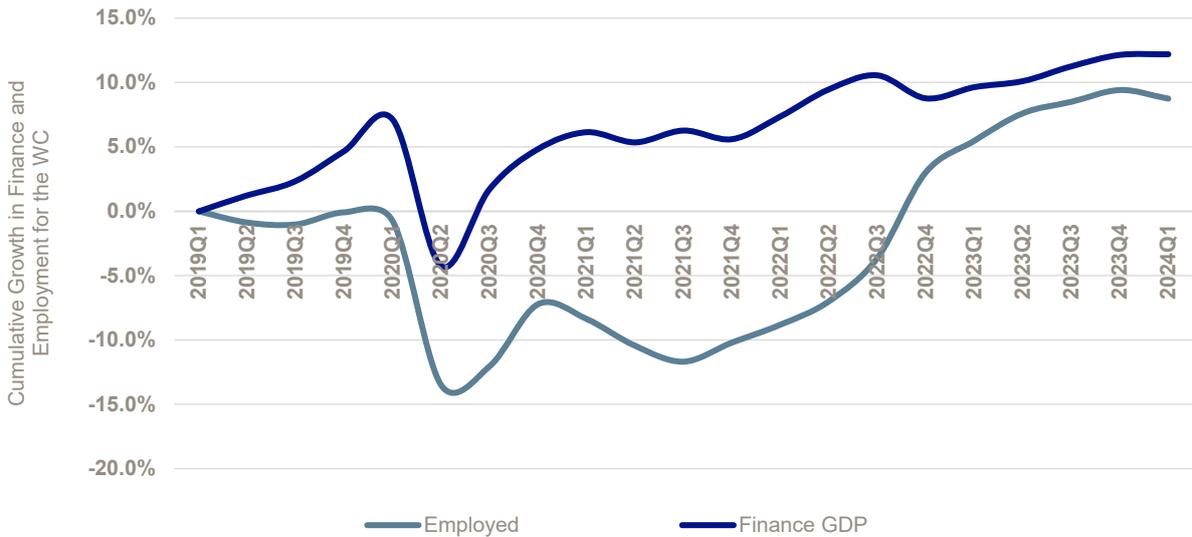
Figure 2.9 RMB-BER Building and Civil Construction Confidence Index for the Western Cape, 2Q2019 – 2Q2024



Source: Quantec

The Finance sector attracts Fixed investment in terms of IT systems, data warehouses, and communications infrastructure. The Finance sector's GDP growth and employment growth do appear to track each other quite closely between the 1st quarter 2019 and the 1st quarter 2024 (see Figure 2.10). This indicates that there is a correlation between employment created when there is growth within the Finance sector and that employment is being lost when there is a decline in the Finance sector's GDP. The Finance sector's GDP has increased by 12.2 per cent since the 1st quarter 2019, while employment has increased by 8.7 per cent. In 2023, the Finance Sector's contribution to total employment was 20.1 per cent in the Province, while employment expanded in the Sector by 21.2 per cent over the last decade.

Figure 2.10 Finance GDP and employment for Western Cape, 1Q2019 – 1Q2024



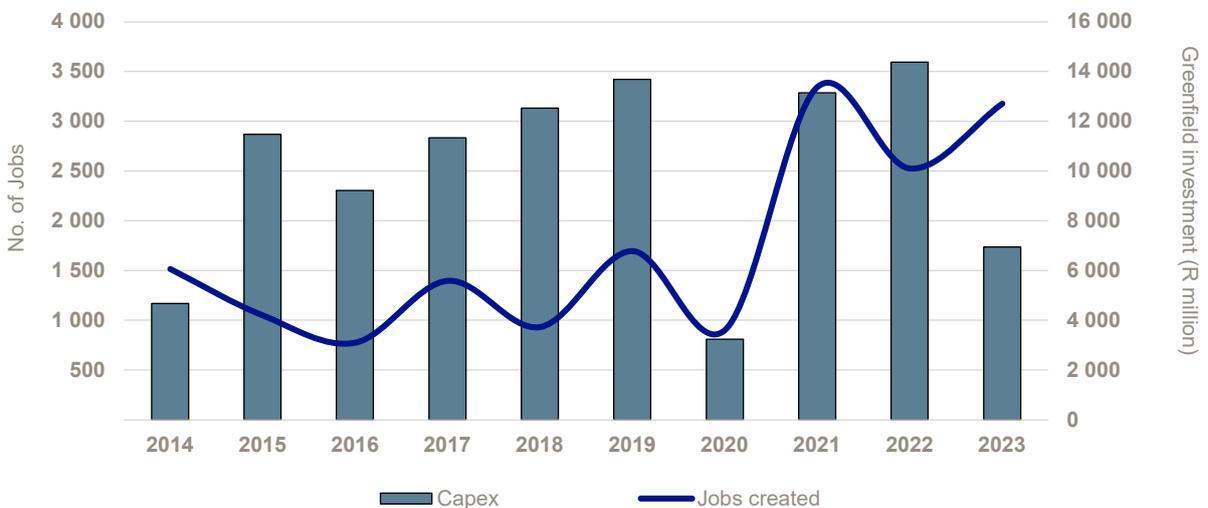
Source: Quantec

2.3.1 Greenfield Investments

Greenfield investments represent a cornerstone of economic expansion, establishing brand-new ventures on previously undeveloped lands and directly contribute 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. Greenfield Investments can enhance economic growth through technology transfer and innovation, infrastructure development, export promotion, diversification of the industrial base and skills, and stimulated competition.

In 2023, the Western Cape received R6.9 billion in Greenfield investments that created 3 179 employment opportunities. Greenfield investments received in 2023 were 51.7 per cent lower than in 2022. The bulk of the 2023 investment was in Business Services, totaling R3.1 billion and creating 475 jobs. From 2014, Greenfield investments has seen an increase of 48.5 per cent.

Figure 2.11 Greenfield investments: Capital investments and jobs created in the Western Cape, 2014 - 2023



Source: Quantec, Own calculations

The global trend towards green energy, (driven by climate concerns), the cost of fossil fuels on the environment and long run lower costs of renewables, not only helps in mitigating climate change but also in creating new industries and job opportunities. This transition supports economic growth, while ensuring that growth is sustainable and environmentally responsible, underscoring the essential role of Fixed investment in shaping a greener future.

However, Green energy investments did not lead to substantial employment creation opportunities, accounting for only 0.9 per cent of total jobs over the last decade while the Software and IT services industry created 39.9 per cent. Between January 2014 and December 2023, the Software and IT services industry created 6 916 employment opportunities. When looking at job creation, the Software and IT services industry thus has one of the lowest cost multipliers for job creation (R1.8 million/job) whilst renewable energy has the highest multiplier (R72.2 million/job). The Renewable Energy investment, with a high import component especially in solar panels, is offset by low domestic employment gains and the reduced GDP impact of higher imports. However, the benefits would be energy independence, energy security and reduced energy costs.

Figure 2.12 Greenfield investments: Top 6 capital investments by Industry in the Western cape, Jan 2014-Dec 2023 (R millions)



Source: Quantec, Own calculations

Between 2014 and 2023, Communications accounted for the majority of the Greenfield investments in the Province at 30.1 per cent, or R30.5 billion. The next top industries for Greenfield investments were Business services with R22.2 billion (22.0 per cent), Software and IT services with R12.5 billion (12.4 per cent) and Renewable Energy with R11.3 billion (11.2 per cent). The Western Cape is home to a booming Financial, Communications and IT services hub which is showcased by combined FDI inflows of R65.2 billion over the past decade.

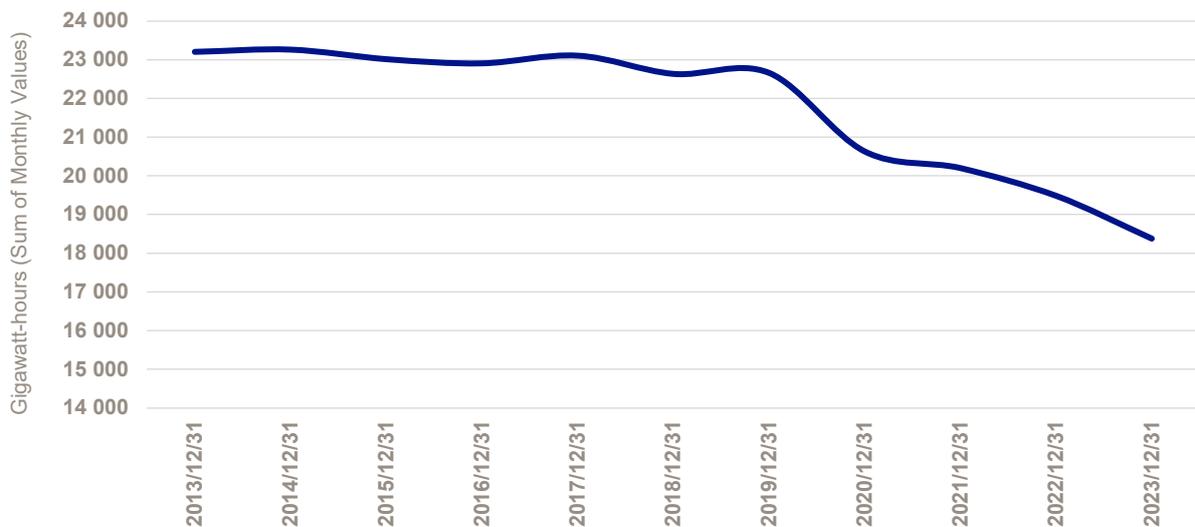
The scale of Fixed investment required to make a significant impact on unemployment is substantial. As an indication, the average Greenfield investment required to create one job was R2.2 million in 2023. This is due to the complexity in planning a Greenfield Investment, along with the long-term commitment and its capital intensity.

2.4 Energy Resilience in the Western Cape

The Provincial electricity peak load (also known as electricity demand) is approximately 4 000MW and is projected to reach 4 368MW in 2024 and 4 479MW by 2025, with an estimated increase to 5 302MW by 2032⁸. Currently, contributing to meeting this demand, there are seven Eskom power stations in the Province with a combined generating capacity of 4 698MW⁹. In the Western Cape, Independent Power Producers (IPPs) have also built 592MW of generation capacity comprising of Photovoltaic (PV) (134MW) and Wind (458MW) that are also delivering power to the transmission grid¹⁰. Together with IPPs, the Western Cape has an installed electricity generation capacity base of 5 290MW.

In addition, launched in November 2023, Eskom has also installed the 1st phase of its Battery Energy Storage Systems (BESS) programme located at Hex substation in the Western Cape, providing 199MW of storage capacity and aimed at supplying an annual 304 130MWh of electricity. This BESS will strengthen the grid by adding more storage and transforming capacity, while diversifying the existing energy generation mix. The Hex BESS is equipped with large scale utility batteries with the capacity of 1 440MWh per day and 60MW PV capacity. The intention of the programme is to serve as a pilot for future rollouts, leading to a potential opportunity for future BESS projects and enabling more renewable energy projects to supply the grid by increasing the grid capacity during peak times and reducing curtailment¹¹ risks.

Figure 2.13 Electricity generated and available for distribution by Eskom in the Western Cape, 2013 – 2023



Source: Quantec, Own calculations

In the last decade, electricity generated and available for distribution from Eskom to the Western Cape has been declining significantly (see Figure 2.13). In 2023, Eskom distributed 20.8 per cent less electricity to the Western Cape than in 2013. This equates to 4 826GWh less

⁸ The Eskom Transmission Development Plan (TDP) 2023 - 2032

⁹ <https://www.eskom.co.za/wp-content/uploads/2021/04/EskomGenerationDivMapREV81.pdf> - Koeberg – 1940MW (nuclear), Palmiet - 400MW (pumped hydro storage), Acacia – 171MW (diesel OCGT), Ankerlig – 1338MW (diesel OCGT), Gourikwa – 746MW (diesel OCGT), Klipheuwel – 3MW (Wind), Sere – 100MW (Wind).

¹⁰ https://www.ipp-projects.co.za/Publications/GetPublicationFile?fileid=87ac8761-e032-ef11-95ce-00505685662d&fileName=Q4%20Report%20as%20at%2031%20March%202024_Final%20Approved.pdf

¹¹ Curtailment is deliberate reduction in output below what could have been produced in order to balance energy supply and demand.

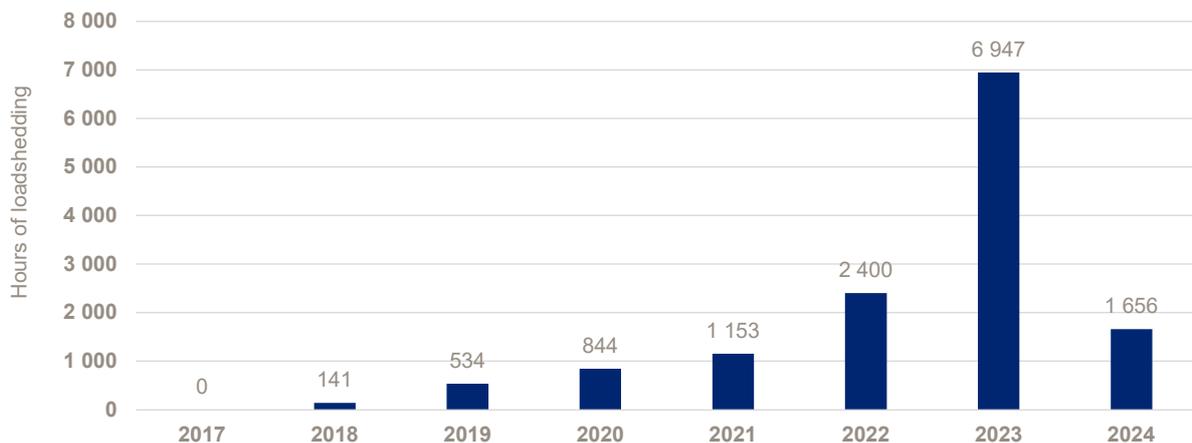
electricity from Eskom and could be attributed to loadshedding as well as the uptake of Small-Scale Embedded Generation (SSEG).

Across South Africa and similarly in the Western Cape, loadshedding has become a persistent challenge, negatively impacting the daily lives of its residents and impacting on businesses' bottom-line.

The Province has been struggling with the prolonged disruption of electricity supply due to a nationally overstrained coal power station fleet and inadequate investment in new transmission. 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. Loadshedding in the Western Cape is estimated to have cost the economy R12.8 billion in 2023, shaving an estimated 2 percentage points off total DDP growth. The estimated cost of stage 4 loadshedding amounts to R43 million per day¹², and at higher stages, the costs can increase significantly as some companies' outputs drop to zero.

At the mid-way point of 2024, there has however been a reduction in loadshedding (see Figure 2.14). According to Eskom, loadshedding remains suspended in 2024 due to steady ongoing improvement in the reliability of the generation fleet leading to a sustained generation performance. The Energy Availability Factor (EAF) had improved to 68.1 per cent for week 34 whilst the year-to-date EAF improved to 59.4 per cent (Week 34) compared to 54.7 per cent for 2023¹³. This argument needs to be balanced with understanding that residents and businesses are reducing their demand for electricity through the uptake of SSEG. The uptake of SSEG has been significant with 220MW of SSEG registered by municipalities across the Province by May 2024 with new Geographical Information Systems (GIS) data showing that an estimated 535 MW of solar PV (or 12.2 per cent of the Province's predicated electricity demand) has been installed across the Western Cape by May 2024¹⁴.

Figure 2.14 Number of hours of loadshedding (Up to Aug 2024)



Source EskomsePush (Loadshed) and Statistica, 2024

Another key energy issue is grid capacity, which continues to remain constrained and requires substantial investment in infrastructure. There is no longer any grid capacity available for large-scale renewable energy projects in the Northern Cape, Western Cape, Eastern Cape, and

¹² Premier Alan Winde Media Statement, 30 April 2024.

¹³ Eskom Status Report, 2024.

¹⁴ Source data is from Geoterralmage - GTI (in collaboration with SAPVIA)

parts of the Free State. The lack of sufficient transmission grid capacity in the Western Cape has been limiting the amount of new generation capacity that can be installed.

According to Eskom's Transmission Development Plan, approximately 53GW of new generation capacity is required by 2032, most of which will come from renewable energy sources. Many developers are developing independent power projects in the Province, as the renewable resources (solar and wind) are exceptional, with high energy efficiency yields. To accommodate this expansion in generation capacity, at least 14 200km of extra-high-voltage transmission lines and 170 transformers are needed by 2032. Eskom has allocated R72.2 billion for extremely critical projects (approximately 2 890km of extra high-voltage lines and 60 transformers) to be completed by financial year 2027, with most of these projects focused on the Northern and Western Cape¹⁵.

The President assented to the Electricity Regulation Amendment Act (Act No.38 of 2024) on Friday, 16 August 2024. The Act is designed to create a more competitive electricity market, with multiple electricity producers able to compete within an open market platform. This will make it easier for different companies to generate, transmit, and distribute electricity. It supports the restructuring of Eskom into separate companies for generation, transmission, and distribution of electricity, including through the creation of an Independent Transmission System Operator (ITSO). The goal is to foster long-term energy security and drive transformation within the energy sector¹⁶.

The unlocking of the power sector to the private sector through amendment of Schedule 2 of the Electricity Regulation Act in 2022 has led to National Energy Regulator of South Africa (NERSA) registering 105 new generation facilities. These facilities include a total capacity of 788MW and an investment value of R18.4 billion from January to March 2024¹⁷ with 213MW (R7.2 billion) of capacity registered in the Western Cape, including two new wind generation facilities¹⁸.



¹⁵ Eskom Transmission Development Plan (TDP) 2023 – 2032, 2022

¹⁶ Fact Sheet of the Electricity Regulation Amendment Bill, 2023

https://www.stateofthenation.gov.za/assets/downloads/Fact_Sheet_Electricity_Regulation_FAQ_V2-17Nov.pdf

¹⁷ Greenbuilding Africa, 2024.

¹⁸ <https://www.energize.co.za/article/south-africa-registers-788-mw-new-generation-facilities-first-quarter>

Green Hydrogen (GH2)

Saldanha is recognised as having a strong green hydrogen potential and consequently, features within the national planning frameworks and strategies. The green hydrogen opportunity is greater than any one region or location, reinforcing the collaboration between the Northern Cape, Western Cape and Eastern Cape. Underpinning this, an MOU has been signed with the three Capes: Western Cape, Northern Cape and Eastern Cape.

With its established infrastructure base and an existing deepwater port, the Western Cape holds the national key to unlock the country's early mover advantages in the global Green Hydrogen (GH2) market. This will require the development of a Saldanha GH2 Hub through a GH2 Initiative.

The objectives of the GH2 Initiative are to facilitate economic growth and employment creation through the generation, processing, export and local use of green hydrogen; contribute to South Africa's green hydrogen vision through developing the industry including the local manufacturing of major capital equipment for wind and solar generation and electrolysis; work towards net zero and achievement of South Africa's nationally determined climate change contributions; and achieve energy resilience in a renewable energy dominated electricity supply system.

To realise these objectives, key activities will need to be undertaken by the Western Cape over the period 2023 to 2026 through a Western Cape Green Hydrogen Strategy which has been endorsed by WCG. This will be in the form of a collaboration between the WCG departments and entities. Infrastructure Preparation and Development and Business Support will be led by Freeport Saldanha Industrial Development Zone (FS IDZ). Investment promotion and marketing will be undertaken by Wesgro. Eco-system and partnerships and Policy and Advocacy will be led by Department of Economic Development and Tourism, while stimulating local GH2 up-take and manufacturing opportunities will be co-ordinated by Atlantis Special Economic Zone and the FS IDZ.

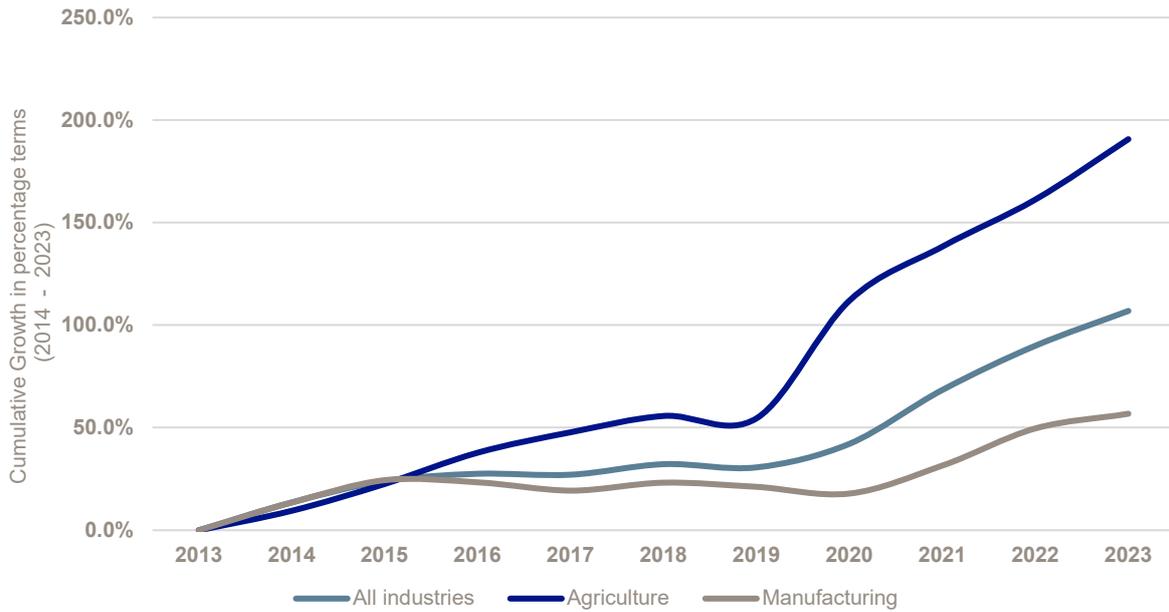
Source: Department of Economic Development and Tourism

2.5 International trade

Trade and exports play a crucial role in the dynamics of an economy, acting as vital injections that drive economic growth, create jobs, and foster international cooperation. Exports open up avenues for market expansion, create optimal production capacity and achieve economies of scale. This often leads to more efficient production methods and innovations in technology and services.

The Western Cape has developed a strong foundation for international trade. Its strategic location, richness in agriculture, diverse landscapes and depth of industries have enabled the Province to forge global relationships. With export products ranging from agricultural products, wines, and manufacturing goods, the Western Cape is a vital engine in South Africa's economic growth, enhancing its brand both regionally and globally.

Figure 2.15 Cumulative growth of real exports per sector in the Western Cape, 2014 – 2023



Source: Quantec, Own calculations

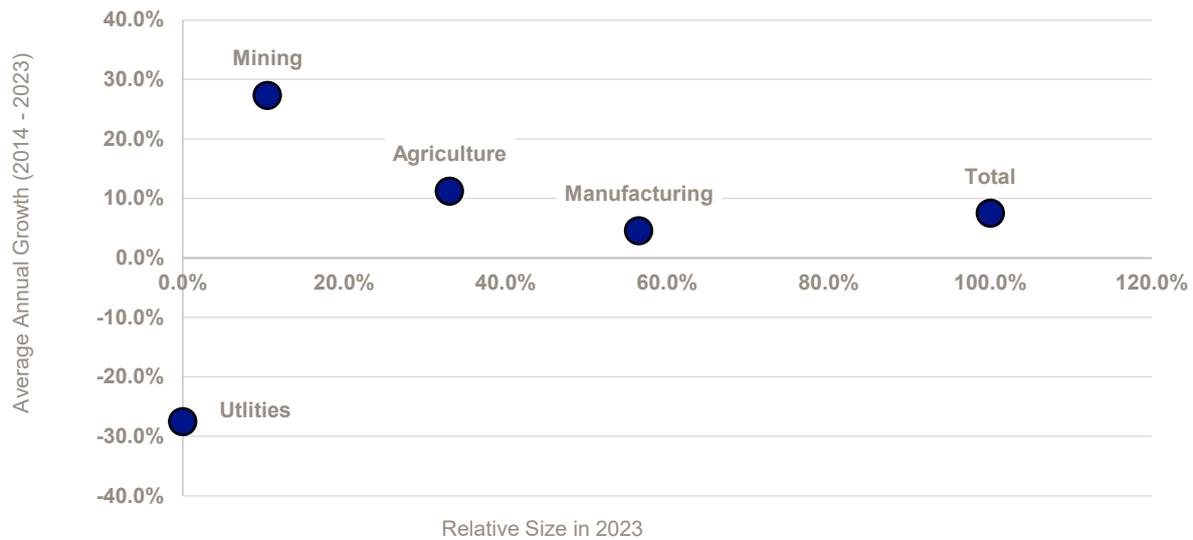
Between 2014 and 2023, the Western Cape witnessed a notable cumulative export growth of 106.9 per cent. The Agriculture sector, which accounts for more than half of South Africa's exports, was one of the main drivers, recording a remarkable 190.7 per cent growth, while the Manufacturing sector experienced slower progress at 56.7 per cent. Mining and quarrying witnessed exceptional cumulative growth of 1 023.2 per cent, (within All industries above) mainly due to growth in exports recorded for the products of Manganese ores, light oils and Bituminous coal which are exported via the Western Cape (also known as non-local exports).

Together these minerals contributed 70.2 per cent of all Mining export growth over the period 2014 - 2023. The surge in demand for mining product exports from South Africa can be linked to a European ban on Russian products due to the conflict in Ukraine.

Between 2014 and 2023, Mining exports increased by an annual average growth rate of 27.4 per cent. One of the main reasons for the significant growth in Mining exports from the Western Cape can be attributed to the relatively small base from which growth occurred. At the beginning of 2014, the Mining sector in the Western Cape only contributed 1.9 per cent of total exports but has since surged to 10.5 per cent in 2023.

Manganese represented 23.3 per cent of the Mining export growth from 2014 to 2023. The majority of South Africa's Manganese mines are located in the Northern Cape which places the Western Cape in a logistically favourable position to export Manganese. The majority of the mines for the other minerals mentioned above are located in more distant provinces in the eastern parts of South Africa, and it is more likely that capacity constraints at ports in other provinces led to the Western Cape absorbing 8.2 per cent of national exports growth in these four minerals.

Figure 2.16 Nominal exports from the Western Cape: Relative size in 2023; and Annual Average Growth, 2014 – 2023



Source: Quantec, Own calculations

The favourable climate, advanced farming methods, and diversified market channels bolstered agricultural exports, overcoming challenges like droughts and currency fluctuations. In contrast, the Manufacturing sector's more tepid expansion can be traced to intensified competition, lower productivity, and a global economic downturn. Energy and logistical constraints further hindered growth in this industry.

The Western Cape is renowned for its robust fruit exports, which play a crucial role in South Africa's agricultural achievements. In 2023, the top ten fruit exports represented 74.5 per cent of Agriculture exports for the Province. The Western Cape's varied climate and fertile land support the cultivation of diverse fruits throughout different seasons, enabling continuous export opportunities. Through modern farming techniques, advanced post-harvest technologies, and rigorous quality controls, the region ensures that exported fruits consistently meet global standards, earning the trust of international consumers and expanding market access. These technologies include controlled atmospheres that manage atmospheric gas levels to prolong storage, guard against post-harvest diseases, enhance fruit firmness, and improve taste, offering substantial benefits in fruit preservation and quality maintenance.

Between 2014 to 2023, the top ten fruit exports from the Western Cape showcased exceptional growth, with six fruits surpassing 100 per cent. Cranberries, bilberries (similar to blueberries), and other fruits of the genus *Vaccinium* had phenomenal growth since 2013 with 1 444.5 per cent growth. One export, mandarins, which only began exports post 2013, emerged as a significant fruit export in 2023, constituting 17.3 per cent of the top 10 fruit exports.

Table 2.3 Top 10 fruits exported from the Western Cape, (2014 – 2023)

| Fruit Product | Growth from 2014 - 2023 | Average Annual Growth | Percentage of Fruit Exports |
|--|-------------------------|-----------------------|-----------------------------|
| Oranges | 150.6% | 15.1% | 20.2% |
| Grapes | 155.6% | 15.6% | 18.7% |
| Mandarins (including tangerines and satsumas) | | | 17.3% |
| Apples | 115.8% | 11.6% | 16.4% |
| Lemons and limes | 353.3% | 35.3% | 8.2% |
| Pears | 95.3% | 9.5% | 6.8% |
| Cranberries, bilberries and other fruit of the genus Vaccinium | 1444.5% | 144.5% | 4.1% |
| Plums and sloes | 123.1% | 12.3% | 3.2% |
| Grapefruit, including pomelos | 80.4% | 8.0% | 2.9% |
| Peaches, including nectarines | 56.6% | 5.7% | 2.1% |

Source: Quantec, Own calculations

There are many challenges that confront the fruit industry including weather conditions (drought and floods), increases in farming input costs, uncertain transport expenses linked to fluctuating container prices, and port constraints, all of which impact the commercial viability of farming. Input costs have increased on the back of a number of fuel price increases, along with fertiliser, increased import regulations/standards (particularly in the EU), feed and transport cost increases linked to a weakening exchange rate and geo-political risk factors. Decaying public infrastructure, port delays and an unreliable electricity supply, further compound industry woes and will negatively affect the 2024 season.

The Western Cape Department of Agriculture invested in pioneering research to protect the fruit industry from pests. The financial support was given to citrus growers in the Western Cape using the Sterile Insect Technique (SIT) for False Codling Moth (FCM).

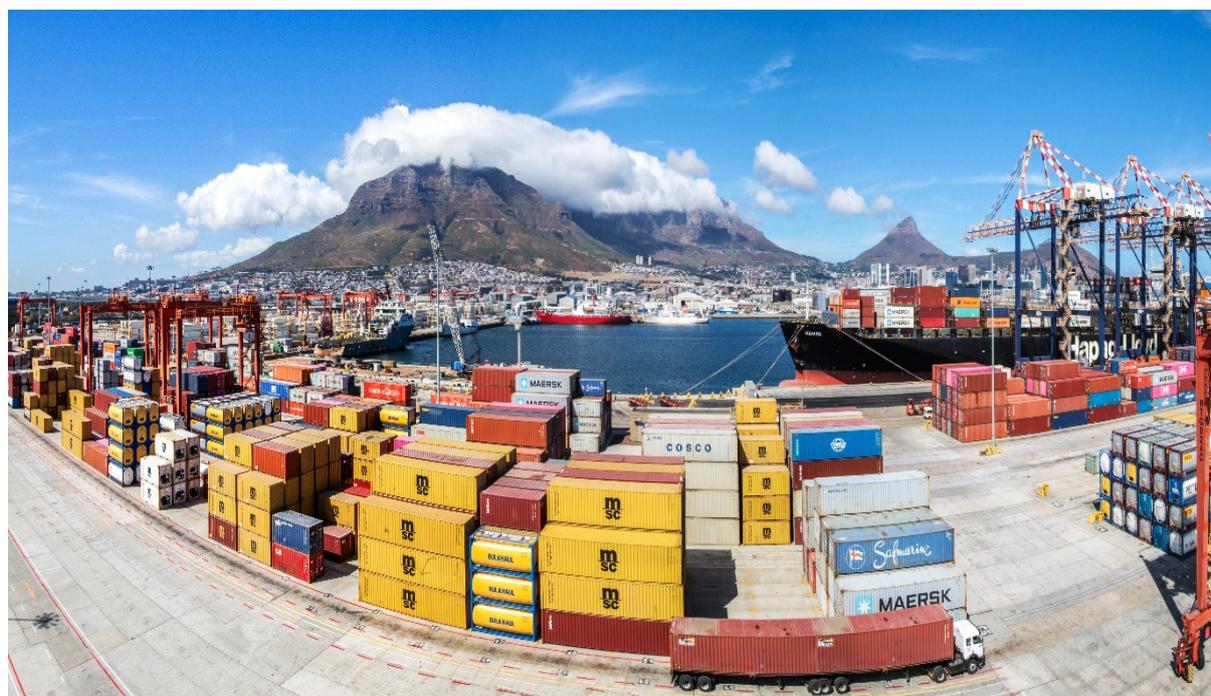


Table 2.4 illustrates major shifts in the Western Cape's 10 largest trading partners between 2014 and 2023. On the import side, the top three importers were China, United Arab Emirates (UAE) and India. The UAE significantly grew its share of the Province's imports by 6.2 percentage points from 3.4 per cent to 9.6 per cent, while Saudi Arabia's share dropped sharply from 19.5 per cent to 4.8 per cent. The rise of China's share of imports by 5.7 percentage points 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, Bahrain and Thailand in the top 10 import markets indicates that the Western Cape is diversifying its non-African trade partners.

On the export side, the Netherlands, China and the United States of America (USA) formed the top three export destinations, with Chinese exports representing the largest growth over the last 10 years of 5.6 percentage points. Exports to the USA (increase of 2.4 percentage points) have been boosted by Africa's Growth and Opportunity Act (AGOA) which was passed as part of the Trade and Development Act of 2000 in the USA. It provides duty-free access to the USA market for almost all products exported from more than 40 eligible sub-Saharan African (SSA) countries, including South Africa.

There was significant drop-off in exports to the African markets of Namibia and Botswana and major decreases in imports to Angola, Namibia and Mozambique indicating that intra-continental trade faced significant challenges over the decade. These challenges include tariff along with non-tariff barriers and poor infrastructure. There is an opportunity for the African Continental Free Trade Area (AfCFTA) to unlock these barriers and provide a boost in African trade.

Table 2.4 Top 10 Import and export markets for the Western Cape, 2014 – 2023

| Exports | 2014 | 2023 | % Point Difference | Imports | 2014 | 2023 | % Point Difference |
|----------------------|-------|------|--------------------|----------------------|-------|-------|--------------------|
| Netherlands | 7.6% | 8.2% | 0.5 | China | 12.2% | 17.9% | 5.7 |
| China | 2.4% | 8.0% | 5.6 | United Arab Emirates | 3.4% | 9.6% | 6.2 |
| United States | 5.4% | 7.8% | 2.4 | India | 8.3% | 7.0% | -1.3 |
| Botswana | 7.9% | 6.6% | -1.3 | Oman | 1.1% | 6.9% | 5.8 |
| United Kingdom | 8.5% | 6.6% | -1.9 | Nigeria | 7.0% | 5.6% | -1.4 |
| Namibia | 11.2% | 6.3% | -5.0 | Saudi Arabia | 19.5% | 4.8% | -14.7 |
| United Arab Emirates | 2.7% | 3.2% | 0.6 | United States | 2.4% | 4.0% | 1.6 |
| Mozambique | 1.9% | 3.0% | 1.0 | Bahrain | 0.0% | 3.6% | 3.6 |
| Mauritius | 0.8% | 2.7% | 1.9 | Germany | 3.0% | 2.4% | -0.6 |
| Germany | 4.6% | 2.6% | -2.0 | Thailand | 1.3% | 2.3% | 1.0 |

Source: Quantec, Own calculations

2.6 Tourism

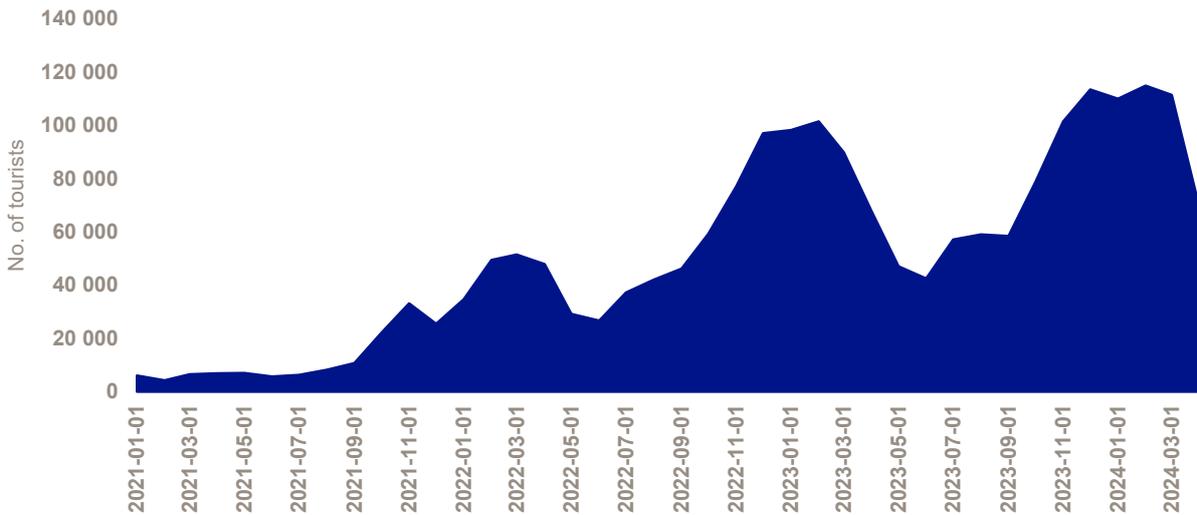
The Western Cape experienced a successful festive season in 2023/24 reflecting a positive recovery and promising growth in aviation and tourism for the year ahead.

The average spend by international tourists in the Western Cape was R19 885 in 2023 with the UK (18.9 per cent) and USA (11.1 per cent) dominating the spend per country.

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. In 2023, the top 10 tourist attractions, were the V&A Waterfront (72.5 per cent) Cape Town Central City (62.5 per cent), Camps Bay (56.4 per cent), Boulders Beach National Park

(56.3 per cent), Cape Point (53.2 per cent), the Cape Winelands (49.7 per cent), Table Mountain Cableway (48.5 per cent), Kirstenbosch Botanical Gardens (33.1 per cent), the Garden Route (27.5 per cent) and the Table Mountain (not cableway)(27.2 per cent). The highest growth was recorded by Boulders Beach National Park which grew in attraction by 14.7 percentage points between 2019 and 2023, followed by the Cape Winelands with 8.2 percentage points¹⁹. Other tourism spots include the Pinnacle Point Site Complex in Mossel Bay which forms part of the Cradle of Human Culture and is also a UNESCO World Heritage site. Another UNESCO²⁰ site is the Cape West Coast Biosphere Reserve located on the south-western coast of South Africa, north of the Cape Town metropolitan area.

Figure 2.17 International tourist arrivals at Cape Town International Airport, January 2021 – April 2024



Source: Wesgro

Figure 2.17 shows the continual recovery of tourism in the Western Cape post COVID-19. There are seasonal fluctuations in the number of arrivals during the winter months. However, from January 2021 to April 2024, international tourist arrivals have grown by 1 058 per cent peaking at 114 897 visitors in the month of February 2024.



¹⁹ SA Tourism. Tourism Performance Report. January–December 2023

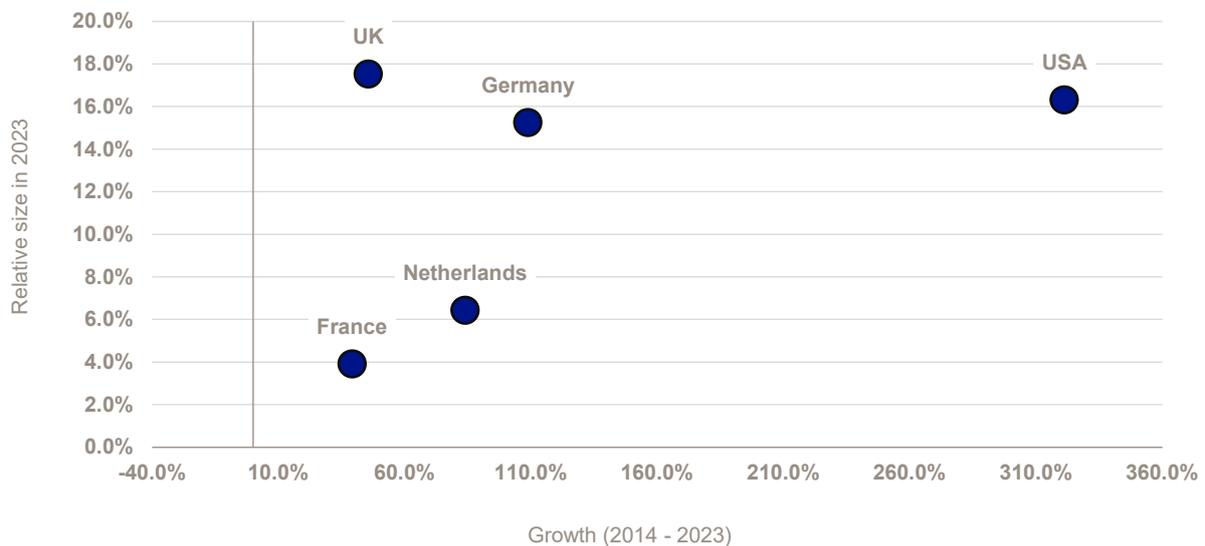
²⁰ United Nations Educational, Scientific and Cultural Organization

As travel restrictions eased, the UK regained its position as the leading source market, almost doubling its share from 9.0 per cent in 2021 to 16.5 per cent in 2023 (an increase of 7.5 percentage points). The USA moved into second place with 15.4 per cent of the market in 2023, which is up 3.1 percentage points from 2021. Germany fell by 2.0 percentage points to the 3rd-largest market with 14.4 per cent in 2023. The Netherlands was the 4th largest market share at 6.1 per cent in 2023, a decline of 2.0 percentage points from 2021 while the fifth largest share was taken up by France with 3.7 per cent.

The decline in share of African countries like Zimbabwe (2.1 per cent) and Namibia (1.9 per cent), which are the two top African countries visiting SA, is mainly due to having fewer restrictions in 2021, thus accounting for a larger share of visitors from these two countries. The number of visitors from both countries decreased by 3.2 per cent and 4.8 percentage points respectively between 2021 and 2023.

Overall, it has been another bumper tourist season (2022/23) for the Western Cape, with international arrivals increasing by 53.1 per cent between 2022 and 2023. International tourists landing at Cape Town International Airport (CTIA) have been growing consistently, increasing by 95.8 per cent over the past decade (2014 – 2023). Tourists from the USA surged by 321.2 per cent or 107 320 over this period to become the second largest source (16.3 per cent) of international tourists that arrived at CTIA. In 2023, the five largest sources of international tourists that arrived at CTIA were the United Kingdom (151 206 or 17.3 per cent), the USA (140 733 or 16.3 per cent), Germany (131 591 or 15.3 per cent), Netherlands (55 524 or 6.4 per cent) and France (33 805 or 3.4 per cent). These countries were responsible for over half (59.5 per cent) of all international tourist arrivals at CTIA in 2023. This has coincided with CTIA recently winning the best airport in Africa award for the 9th time in a row.

Figure 2.18 Growth in top five tourism source countries at Cape Town International airport, 2014 - 2023

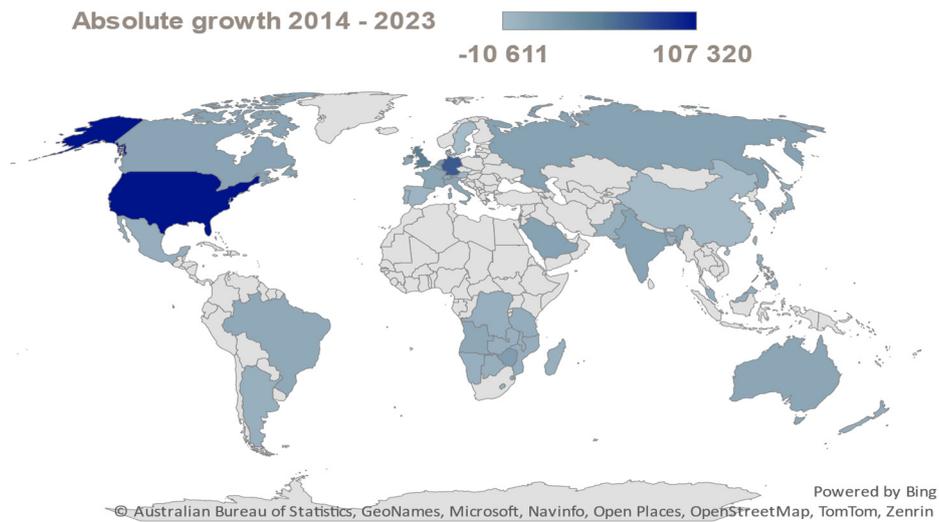


Source: Quantec, Own calculations

Between 2014 and 2023, the USA made the largest growth contribution to international tourist arrivals at CTIA, followed by Germany (68 576), United Kingdom (47 425), Netherlands (25 351) and Zimbabwe (18 261).

Over the same period, Sweden (-10 611) recorded the largest decline in tourist arrivals, followed by China (-9 815), Austria (-6 204) and Spain (-4 658).

Figure 2.19 Absolute growth in international arrivals at Cape Town International Airport by country, 2014 – 2023

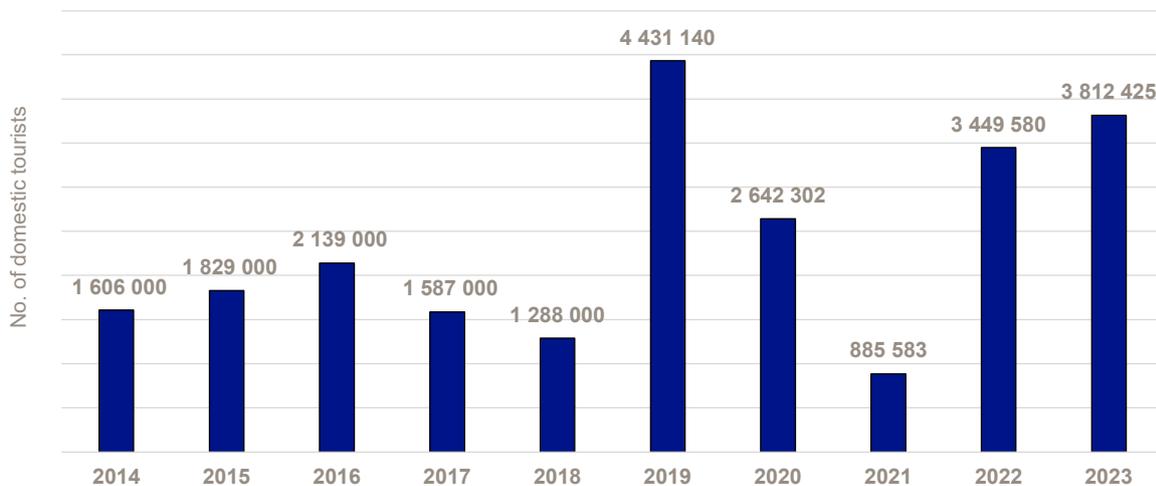


Source: Quantec, Own calculations

During 2023, Cape Town Air Access assisted in landing four new route services into CTIA. These include Proflight Zambia (Lusaka, Zambia), FlyNamibia (Walvis Bay, Namibia), South African Airways (São Paulo, Brazil) and LAM Mozambique (Maputo, Mozambique). The 25 airlines that operated 36 global routes to and from CTIA meant that a new record for the international terminal was reached in 2023, with the airport handling over 2.8 million two-way passengers, surpassing the previous highest total reached in 2019.

In 2023, the Western Cape witnessed a continuation of the remarkable surge in domestic tourism, recording 3.8 million trips, an impressive 330 per cent increase from 2021, 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 2019 and 2021, domestic trips deteriorated by 80 per cent. On the employment side, employment in hotels and restaurants in the Province has recovered by 24 per cent from 2020, reaching 117 278 in 2023²¹. Over the last decade, domestic tourism has grown by 58.5 per cent (see Figure 2.20).

Figure 2.20 Domestic trips to the Western Cape, 2014 – 2023



Source: SA Tourism, 2024 & Wesgro

²¹ S&P, 2024.

Tourism

The major risks to tourism in the Western Cape are:

- **Climate Change:** Climate change is precipitating an environmental risk through changing weather patterns that are affecting natural landscapes, agriculture, infrastructure and water security (Day Zero).
- **Economic Factors:** These include volatility in exchange rates affecting prices and a national fiscal consolidation which may hamper investment into tourism.
- **Safety Risks:** Crime can have a major impact on tourism, with an increasing incidence of tourism related crime around the natural landscapes and sites affecting perceptions and pushing away tourists.
- **Health Risk:** Further pandemics and outbreaks will hamper tourism.
- **Infrastructure Challenges:** A shortage of accommodation, congestion, and poor infrastructure or inadequate transport options can discourage tourists and affect their overall experience.

The major opportunities in the Western Cape are:

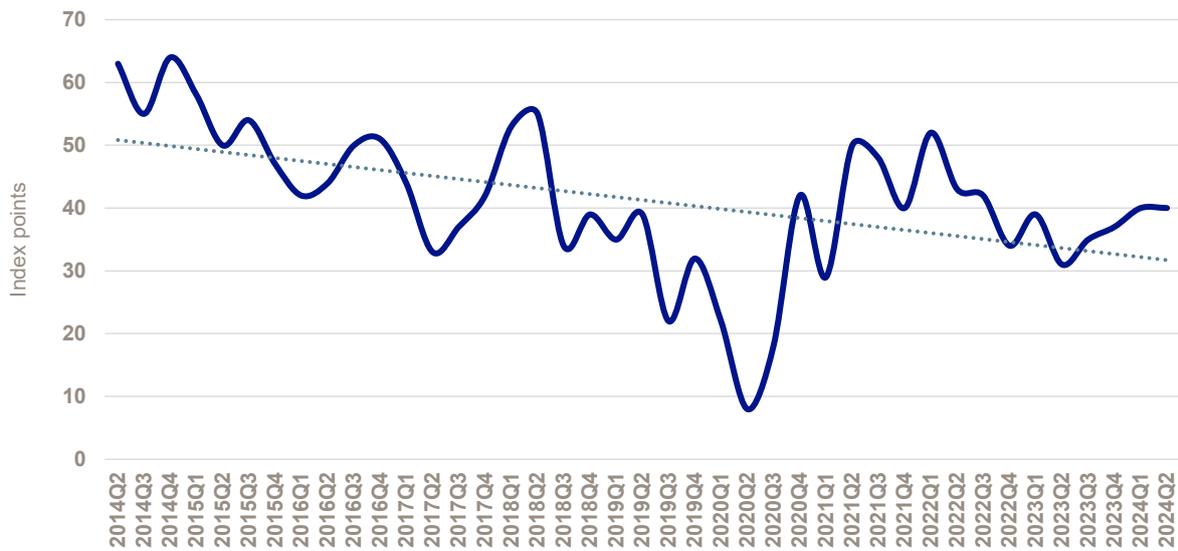
- **Adventure Tourism:** This entails marketing the Province as the hub for adventure sports like trail running, mountain biking, hiking and kitesurfing.
- **Innovation and Technology:** Utilising bloggers, influencers and other online platforms to attract tourism and create a smart system that improves visitors' experiences (virtual maps etc).
- **Sustainable Tourism:** Looking at ways to encourage sustainable and eco-friendly tourism practices and tours that appeal to environmentally conscious travellers.
- **Wine and Culinary Tourism:** This looks to capitalise on the Province's extensive gastronomy options and wine routes.
- **Natural Attractions:** The Province is home to unique flora and fauna and incredible natural wonders that can be amplified to tourists abroad.
- **Business Tourism:** The Cape can be marketed as the destination of choice for business conferences, seminars and outreaches combined with a vacation experience.

Source: Provincial Treasury

2.7 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 2.21 Western Cape RMB-BER Composite Business Confidence Index, 2Q2014 – 2Q2024



Source: BER

The Western Cape's RMB-BER Composite BCI has been on a declining trend over the last decade since a high of 64 points in the 4th quarter of 2014. There was a temporary recovery from the pandemic in 2020, to 52 points in the 1st quarter of 2022, however this index has since seen a drop to 31 points in the 2nd quarter of 2023. There has been another slight recovery to 40 points in the 2nd quarter of 2024. The relatively greater 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 and logistics crisis, elevated interest rates, and inflationary pressures.

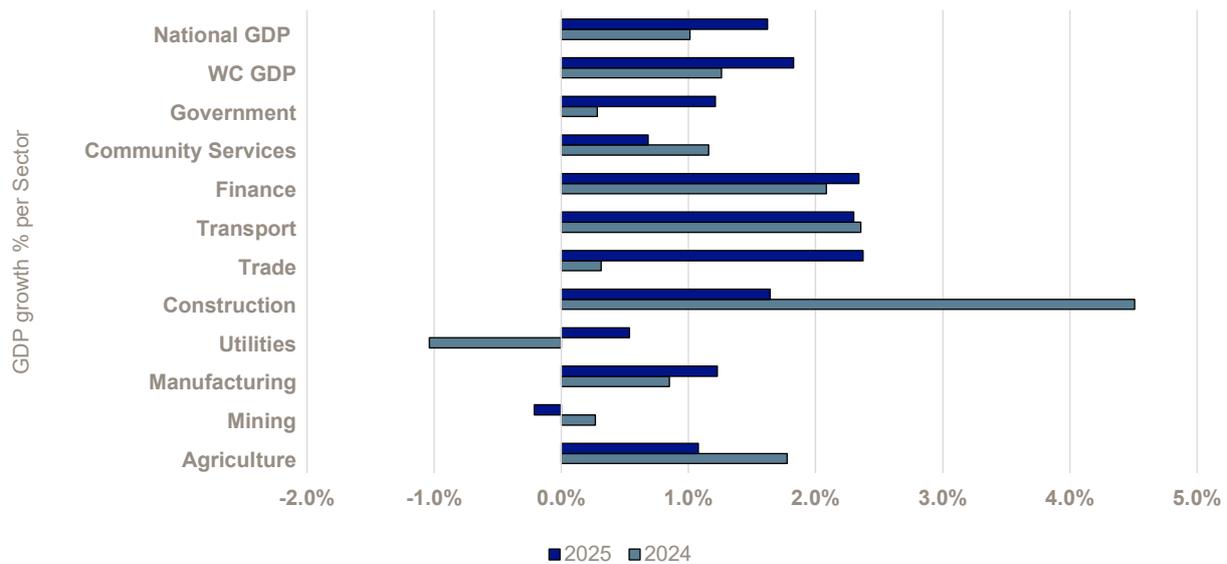
The Western Cape economic outlook for 2024 underscores the negative sentiment from businesses. The Provincial economy is expected to expand by 1.3 per cent in 2024, followed by a rebound of 1.8 per cent in 2025.

It is expected that the Finance sector will provide the largest growth contribution (0.6 percentage points) in the Provincial economy in 2024. The Finance sector will continue to invest in new technologies and systems (including AI) that improve the client experience, analyse big data more efficiently and provide improved systems and performance. The Transport and Construction sector will also support the Provincial economy with an expected contribution to growth of 0.2 percentage points respectively in 2024. This could be linked to expected government infrastructure expansion in the logistics and building space.

The Manufacturing sector is expected to provide minimal growth prospects with an expansion of 0.1 percentage points in 2024 within the Province. This is on the back of a national deindustrialisation trend in the Manufacturing sector over the past 16 years. The Manufacturing sector is struggling under global competitive pressures with rising input costs, especially linked to increasing electricity (loadshedding) and labour costs, lowering productivity and profit margins.

An expected GDP growth contribution neutralisation within the Government sector (0.0 percentage points) is linked to National Treasury's commitment to fiscal consolidation in order to contain sovereign debt levels.

Figure 2.22 Contribution of growth per sector in the Western Cape, 2024 – 2025
(WC and National are GDP growth rates)



Source: S&P

2.8 Conclusion

In 2023, the Western Cape's GDP expanded annually by 0.7 per cent, led by the Finance, Transport and Community Services sectors. This growth was reported in the context of an annual average growth rate of 0.9 per cent per annum over the past decade, with the Finance, Transport, and Community services sectors constituting the main contributors to growth. The Agriculture sector continued to experience exceptional growth, largely due to increased international market access and export growth over the decade, despite port constraints. However, over the past decade, the real GDP per capita in the Western Cape decreased, suggesting that population growth and in-migration has outpaced economic expansion, potentially adversely affecting the standard of living for some residents which is in step with national trends.

In 2023, the Western Cape received R6.9 billion in Greenfield investments that created 3 179 employment opportunities, with the bulk of the investments in Business Services.

Employment in the Western Cape rebounded robustly post-COVID, with significant recovery seen in the Finance, Manufacturing, and Trade sectors. By 2023, the Finance sector dominated in most districts of the Western Cape, except in the West Coast and Central Karoo, where Agriculture and Community services were the primary contributors to growth.

The economic outlook for the Western Cape in 2024 reflects positive green shoots as loadshedding has curtailed, forecasting a modest growth of 1.3 per cent, with a stronger recovery expected in 2025. The Finance sector and tourism industry, which saw a remarkable surge both domestically and internationally, will play a pivotal role in this growth, especially in 2024.

While the Western Cape economy consistently outperforms the national economy in several key areas, due to its comparative advantages and strengths, energy and logistical constraints limit the Province from exhibiting break-out growth. Focusing on infrastructure and investments in the energy and logistics space along with resolving red tape issues are the key levers that will unlock the Western Cape's growth potential.

Annexure

Table 2.5 Data for companies investing in Western Cape between January 2014 and December 2023 (Capex in R millions)

| Year | Projects | Capex | Avg capex | Jobs created | Avg jobs | Companies |
|--------------|------------|------------------|----------------|---------------|------------|------------|
| 2014 | 34 | 4 678.7 | 137.6 | 1 516 | 45 | 34 |
| 2015 | 32 | 11 478.9 | 358.7 | 1 050 | 33 | 32 |
| 2016 | 26 | 9 645.8 | 371.0 | 787 | 30 | 26 |
| 2017 | 27 | 11 328.6 | 419.6 | 1 397 | 52 | 27 |
| 2018 | 21 | 12 522.0 | 596.3 | 933 | 44 | 18 |
| 2019 | 29 | 13 681.7 | 471.8 | 1 697 | 59 | 29 |
| 2020 | 20 | 3 239.8 | 162.0 | 905 | 45 | 20 |
| 2021 | 28 | 13 140.2 | 469.3 | 3 344 | 119 | 27 |
| 2022 | 43 | 14 379.7 | 334.4 | 2 527 | 59 | 41 |
| 2023 | 36 | 6 949.0 | 193.0 | 3 179 | 88 | 36 |
| Total | 296 | 101 044.6 | 3 513.7 | 17 335 | 574 | 290 |

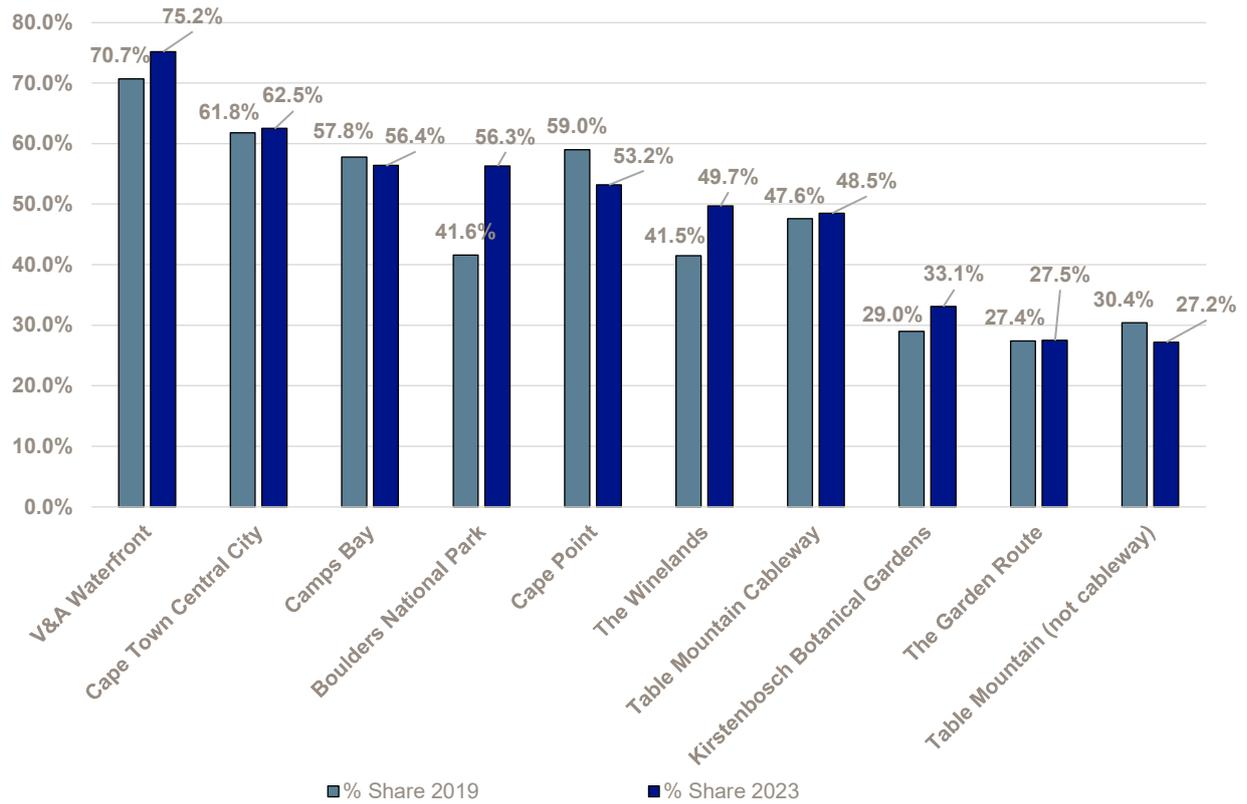
Source: fDi Markets

Table 2.6 International overnight tourist arrivals at Cape Town International Airport, 2021 – 2023

| Country | Number of Visitors 2021 | Number of Visitors 2022 | Number of Visitors 2023 | Share of Visitors 2021 | Share of Visitors 2022 | Share of Visitors 2023 | % point difference |
|-----------------------|-------------------------|-------------------------|-------------------------|------------------------|------------------------|------------------------|--------------------|
| United Kingdom | 12 771 | 108 210 | 151 206 | 9.0% | 18.1% | 16.5% | 7.5 |
| United States | 17 321 | 81 898 | 140 733 | 12.2% | 13.7% | 15.4% | 3.2 |
| Germany | 23 289 | 93 315 | 131 591 | 16.4% | 15.6% | 14.4% | -2.1 |
| Netherlands | 10 097 | 39 151 | 55 524 | 7.1% | 6.6% | 6.1% | -1.1 |
| France | 5 285 | 21 685 | 33 805 | 3.7% | 3.6% | 3.7% | 0.0 |
| Zimbabwe | 7 541 | 17 952 | 19 025 | 5.3% | 3.0% | 2.1% | -3.2 |
| Namibia | 9 554 | 17 910 | 17 690 | 6.7% | 3.0% | 1.9% | -4.8 |
| Total Visitors | 141 687 | 597 478 | 914 971 | | | | |

Source: Quantec, Own calculations

Figure 2.23 Western Cape International Top 10 Tourist Attractions 2023 vs 2019



Source: SA Tourism, Tourism Report, Jan – Dec 2023.

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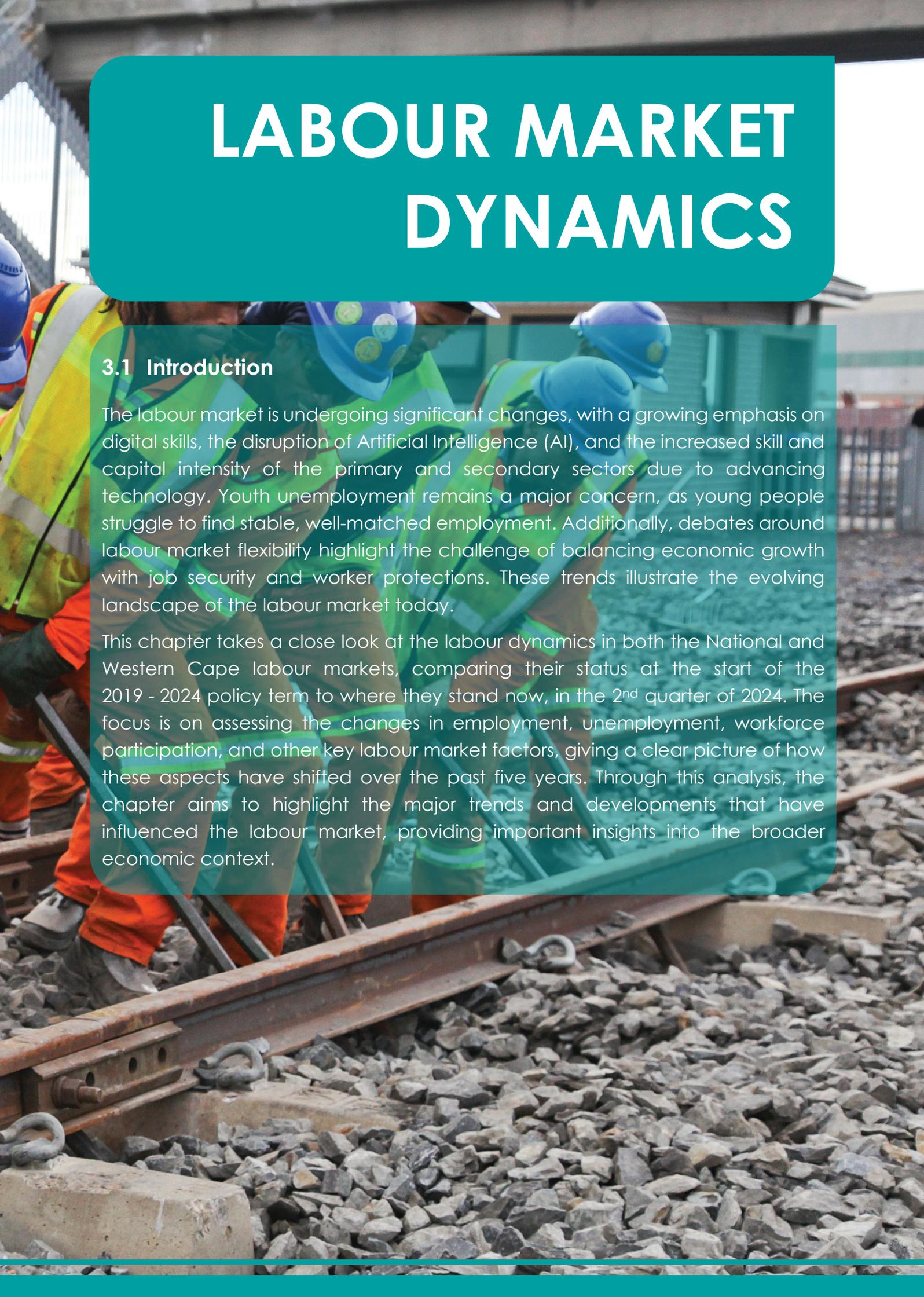
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3



A background image showing several construction workers wearing blue hard hats and high-visibility yellow and orange safety vests. They are working on a railway track, with gravel and metal rails visible. The scene is outdoors, and the workers are focused on their task.

LABOUR MARKET DYNAMICS

3.1 Introduction

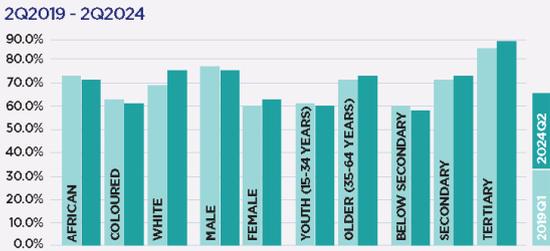
The labour market is undergoing significant changes, with a growing emphasis on digital skills, the disruption of Artificial Intelligence (AI), and the increased skill and capital intensity of the primary and secondary sectors due to advancing technology. Youth unemployment remains a major concern, as young people struggle to find stable, well-matched employment. Additionally, debates around labour market flexibility highlight the challenge of balancing economic growth with job security and worker protections. These trends illustrate the evolving landscape of the labour market today.

This chapter takes a close look at the labour dynamics in both the National and Western Cape labour markets, comparing their status at the start of the 2019 - 2024 policy term to where they stand now, in the 2nd quarter of 2024. The focus is on assessing the changes in employment, unemployment, workforce participation, and other key labour market factors, giving a clear picture of how these aspects have shifted over the past five years. Through this analysis, the chapter aims to highlight the major trends and developments that have influenced the labour market, providing important insights into the broader economic context.

WESTERN CAPE LABOUR MARKET DYNAMICS

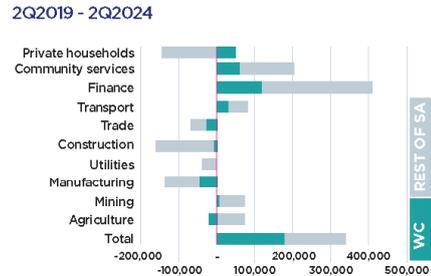
OVERVIEW

Western Cape labour force participation rate (LFPR) per cohort, 2Q2019 - 2Q2024



The WC's LFPR is higher than South Africa's, with the most positive difference being in the African cohort (11.9% points) and Youth cohort (9.8% points)

Employment loss/gains per sector in the Western Cape and rest of South Africa, 2Q2019 - 2Q2024



Employment increased by 7.1% - 5.0% points more than the national economy.

Job Satisfaction 2Q2024



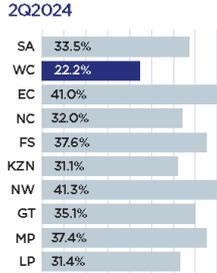
Between 2019-2024 Western Cape contributed

52.2%

of all new net employment in South Africa. The major contributing sectors were:



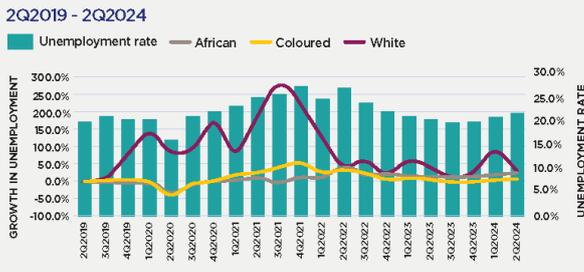
Provincial Unemployment Rates 2Q2024



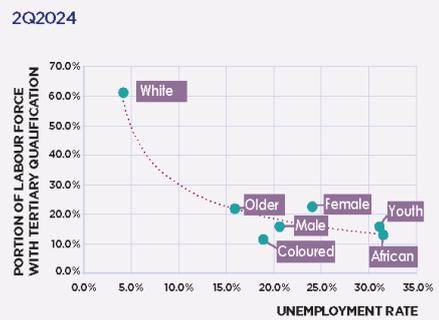
The Western Cape has the lowest unemployment rate in South Africa.

Informal employment in the Western Cape increased by 5.9% between 2019 and 2024.

Growth in unemployment per population cohort and the unemployment rate in the Western Cape, 2Q2019 - 2Q2024



Correlation between unemployment rate and portion of labour force with Tertiary qualifications in the Western Cape, 2Q2024



Western Cape's youth unemployment rate only increased by 0.3% points between 2019-2024.

Western Cape's youth unemployment is **10.2% points lower** than the national economy's.

3.2 Labour force

The labour force is the backbone of any economy, driving productivity, innovation, and economic growth. It encompasses the diverse range of individuals whose skills, knowledge, and efforts fuel industries, create wealth, and support societal wellbeing.

The labour force¹ consists of individuals within the working-age population who are employed, and those who are unemployed but are eager to work and actively looking for job opportunities. An increasing labour force boosts the potential productive capacity and therefore potential output of an economy.

The South African labour force

Table 3.1 Composition of the South African narrow labour force, 2Q2019 - 2Q2024

| | 2Q2019 | | 2Q2024 | | Change | |
|----------------------------|----------------|--------------|----------------|--------------|----------------|-------------|
| | Number (000's) | Share % | Number (000's) | Share % | Number (000's) | % |
| Narrow labour Force | 23 146 | 100.0 | 25 036 | 100.0 | 1 890 | 8.2% |
| By Race | | | | | | |
| African | 18 298 | 79.1% | 20 300 | 81.1% | 2 002 | 10.9% |
| Coloured | 2 235 | 9.7% | 2 197 | 8.8% | (38) | -1.7% |
| White | 2 005 | 8.7% | 1 898 | 7.6% | (107) | -5.3% |
| By Gender | | | | | | |
| Male | 12 585 | 54.4% | 13 441 | 53.7% | 856 | 6.8% |
| Female | 10 383 | 44.9% | 11 595 | 46.3% | 1 212 | 11.7% |
| By Age | | | | | | |
| Youth (15 - 34 years) | 10 204 | 44.1% | 10 715 | 42.8% | 511 | 5.0% |
| Older (35 - 64 years) | 12 942 | 55.9% | 14 321 | 57.2% | 1 379 | 10.7% |
| By Education | | | | | | |
| Less than Secondary | 10 910 | 47.1% | 10 524 | 42.0% | (386) | -3.5% |
| Secondary | 7 868 | 34.0% | 9 453 | 37.8% | 1 584 | 20.1% |
| Tertiary | 4 172 | 18.0% | 4 771 | 19.1% | 599 | 14.4% |

Source: Quantec, Own calculations

Between the 2nd quarters of 2019 and 2024, the labour force expanded by 8.2 per cent, adding 1.890 million individuals. However, this growth is unevenly distributed across different demographic segments, with the African labour force expanding significantly (10.9 per cent) while the Coloured (-1.7 per cent) and White labour forces (-5.3 per cent) declined.

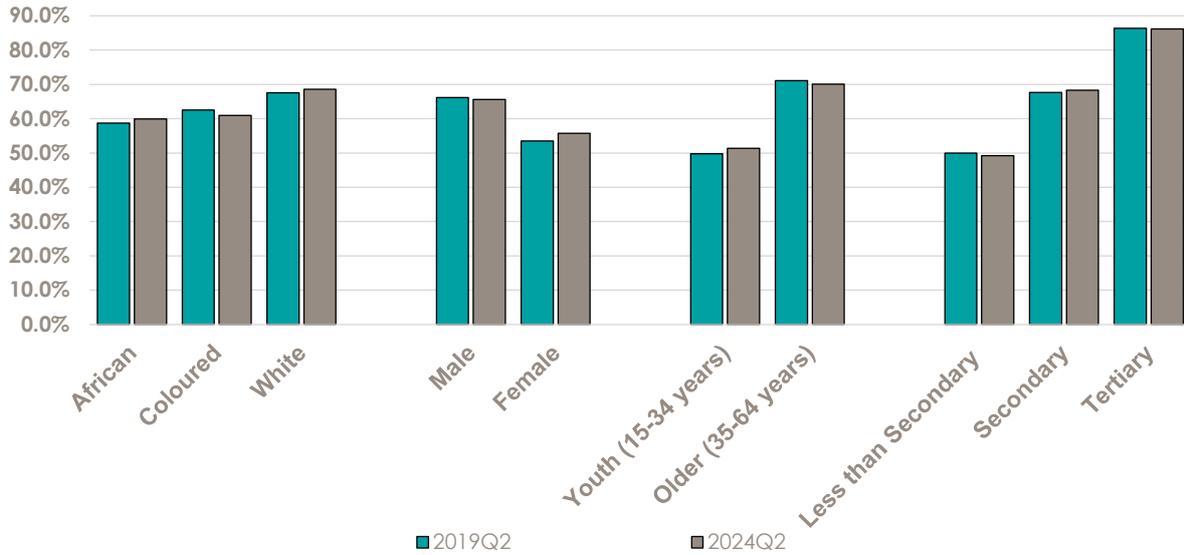
The increase in the labour force among the African population can be attributed to a 9.3 per cent expansion in its working population, while the decline in the White labour force is due to a 6.2 per cent decline in its working population. However, the declining labour force among the Coloured population is in contrast to a 3.7 per cent growth in its working population.

Furthermore, over the same period, there was also a clear shift in the labour force toward higher education cohorts, while the Less than secondary education cohort declined. These labour force trends can be explained by similar growth patterns of the working population.

Apart from trends in the working population, the labour force participation rate (LFPR) is an important indicator to explain trends in the labour force.

¹ Narrow labour force

Figure 3.1 South African labour force participation rate per cohort, 2Q2019 - 2Q2024



Source: Quantec, Own calculations

* Differences in education cohort totals with grand totals per population is due to the exclusion of the “other” category among education cohorts.

The Education cohorts display the largest variance in the LFPRs and a strong positive correlation between higher education and increased participation in the labour market. This positive trend is likely linked to unemployment rates among different education cohorts, which tend to be lower for the higher educated workforce.

Furthermore, males have a higher labour force participation than females, although the gap between the two genders narrowed by 2.9 percentage points during the past five years. Women are typically expected to prioritise household duties, leading to a preference for part-time work, which is often unavailable. Furthermore, long commutes and rising household incomes further discourage labour force participation, particularly in rural settings where women withdraw to focus on domestic responsibilities. In addition, strong cultural norms also limit female workforce participation, particularly in societies with rigid gender roles (Chatterjee & Sircar, 2021), (Neff et al., 2012), (Semyonov, 1980).

Similarly, in the 2nd quarter of 2024, the Older age cohort had a significantly higher LFPR (18.7 percentage points) than the Youth age cohort. This difference can be attributed to a larger portion of the youth studying on a full-time basis.

The Western Cape labour force

The Western Cape labour force is characterised by its significantly larger portion of Coloured and White populations relative to the rest of the country, while the Province’s labour force also consists of a marginally older workforce. Interestingly, the portion of those in the labour force with a tertiary education is the same as South Africa’s was in the 2nd quarter of 2024.

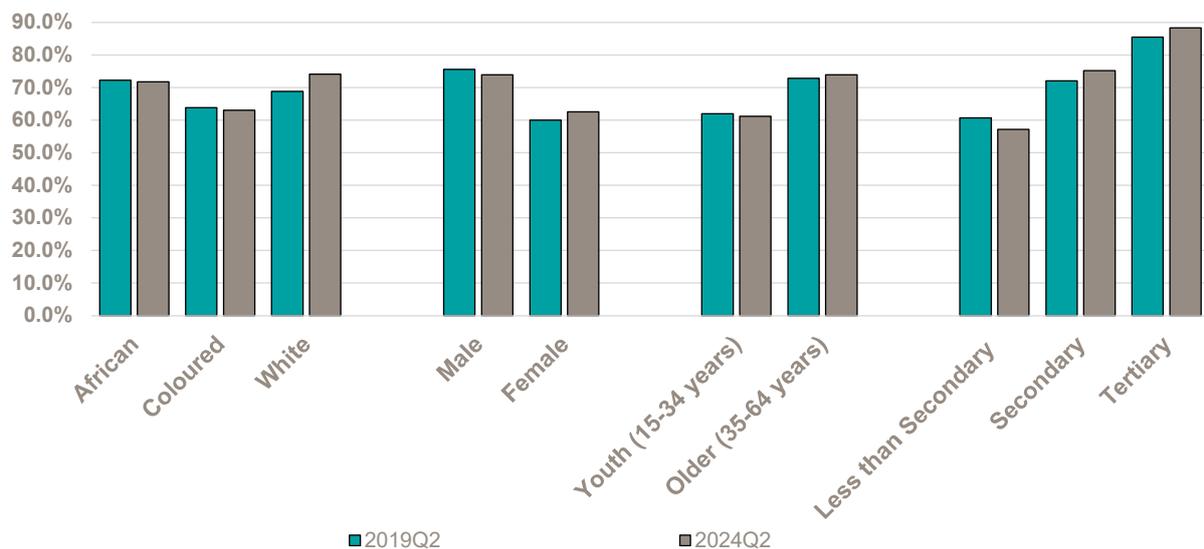
Between the 2nd quarters of 2019 and 2024, the Western Cape’s labour force expanded at a similar rate to the national labour force. However, the expansion of the labour force among the African (6.4 percentage points) and Coloured (5.5 percentage points) populations in the Western Cape was significantly more pronounced in the Western Cape than the national expansion of these groups.

Table 3.2 Composition of the Western Cape narrow labour force, 2Q2019 - 2Q2024

| | 2Q2019 | | 2Q2024 | | Change | |
|----------------------------|----------------|--------------|----------------|--------------|----------------|-------------|
| | Number (000's) | Share % | Number (000's) | Share % | Number (000's) | % |
| Narrow Labour Force | 3 182 | 100.0 | 3 439 | 100.0 | 257 | 8.1% |
| By Race | | | | | | |
| African | 1 233 | 38.7% | 1 447 | 42.1% | 214 | 17.3% |
| Coloured | 1 439 | 45.2% | 1 494 | 43.4% | 55 | 3.8% |
| White | 491 | 15.4% | 465 | 13.5% | (26) | -5.3% |
| By Gender | | | | | | |
| Male | 1 720 | 54.0% | 1 812 | 52.7% | 92 | 5.4% |
| Female | 1 420 | 44.6% | 1 628 | 47.3% | 208 | 14.7% |
| By Age | | | | | | |
| Youth (15 - 34 years) | 1 361 | 42.8% | 1 429 | 41.5% | 68 | 5.0% |
| Older (35 - 64 years) | 1 821 | 57.2% | 2 010 | 58.5% | 189 | 10.4% |
| By Education | | | | | | |
| Less than Secondary | 1 481 | 46.5% | 1 411 | 41.0% | (70) | -4.7% |
| Secondary | 1 072 | 33.7% | 1 293 | 37.6% | 221 | 20.6% |
| Tertiary | 592 | 18.6% | 656 | 19.1% | 64 | 10.8% |

Source: Stats SA (2024), Own calculations, Quantec

Much like the National economy, the Western Cape labour force had relatively higher growth among the African, Female, Older age and relatively more educated cohorts. Furthermore, there is a relatively strong positive correlation between the growth of the labour force and the working population among all cohorts in the Western Cape. Variances in the expansion of the labour force and the working population can be attributed to a change in the LFPRs after working population growth has been accounted for.

Figure 3.2 Western Cape labour force participation rate per cohort, 2Q2019 - 2Q2024

Source: Quantec, Own calculations

In the 2nd quarter of 2024, the LFPR in the Western Cape was 7.4 percentage points higher than the National LFPR. One of the main causes for the increased participation of the working population in the labour market is the absence of deep rural areas in the Province. Examples of deep rural areas in South Africa include regions within the former homelands such as the Transkei in the Eastern Cape, parts of KwaZulu-Natal, Limpopo, and the northern regions of

Mpumalanga. These areas have historically been marginalised and continue to face significant challenges in terms of development and integration into the broader national economy.

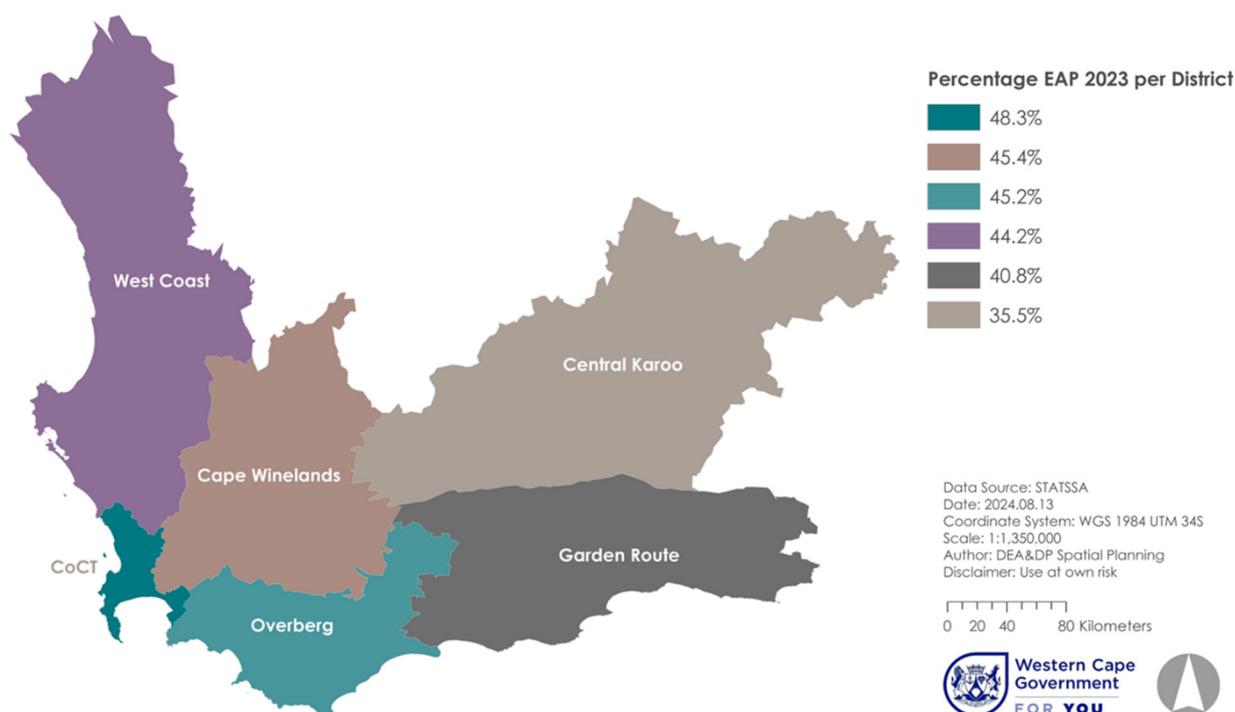
Low labour force participation in South Africa's former homelands is primarily driven by economic underdevelopment, high unemployment rates, educational disparities, and geographic isolation. These areas suffer from poor infrastructure and limited access to markets, leading to fewer job opportunities and discouraging active job searching. In addition, low levels of education further restrict employment prospects, while the geographic isolation of these regions exacerbates the situation by limiting access to economic centres (Naudé & Serumaga-Zake, 2001), (Dinkelman & Pirouz, 2005), (Ntuli, 2007), (Mudiriza & Edwards, 2021).

As a result, the most significant LFPR difference between the Western Cape and South Africa was among the African population cohort (11.9 percentage points). Furthermore, in the same quarter, the Western Cape had higher LFPRs for all major cohorts, notably also among the Youth age cohort (9.8 percentage points).

The correlation between deep rural areas and active labour force is also applicable within the Western Cape, where rural municipal districts such as the Central Karoo District had a lower proportion of the economically active population² (EAP) relative to the proportion of the economically active population of the City of Cape Town (CoCT) in 2023.

Research shows that female labour force participation tends to be higher in urban areas, especially where women have higher education levels and fewer children. Urban settings often provide more job opportunities and access to services that can facilitate women's participation in the workforce (Barrett et al., 2010)

Figure 3.3 Economically Active Population (EAP) as a portion of the Western Cape's total population per Municipal District, 2023



Source: Department of Environmental Affairs and Development Planning

² Also known as the labour force

3.3 Employment

Employment is vital for both individuals and society, serving as the primary source of income, enabling people to meet their needs and support their families. Beyond financial stability, it provides a sense of purpose and fosters personal development through skill-building and social interaction. As former US President, John F. Kennedy once said, "The best way to find yourself is to lose yourself in the service of others," highlighting how work connects us to a larger purpose. Employment also plays a key role in maintaining social cohesion, reducing inequality, and ensuring societal stability by keeping individuals engaged in productive activities and supporting the wellbeing of communities.

Employment in South Africa

Between the 2nd quarters of 2019 and 2024, South Africa's employment increased by a mere 2.1 per cent which was 6.1 percentage points lower than the expansion in the labour force over the same period. The relatively low growth in employment opportunities can mainly be attributed to an anemic economic growth rate over the same period. Between 2019 and 2023, the South African economy grew on average by only 0.3 per cent per annum.

Optimal economic growth is essential for significant employment creation. In South Africa, a strong and sustained growth rate is needed to effectively reduce unemployment, with research showing a near one-to-one impact on employment growth (Meyer, 2017).

Table 3.3 Changes in South African employment per demographic cohort, 2Q2019 - 2Q2024

| | 2Q2019 | | 2Q2024 | | Change | |
|-------------------------|-------------------|--------------|-------------------|--------------|-------------------|-------------|
| | Number (‘000s) | Share % | Number (‘000s) | Share % | Number (‘000s) | % |
| Total employment | 16 313 | 100.0 | 16 652 | 100.0 | 340 | 2.1% |
| By Race | | | | | | |
| African | 12 250 | 75.1% | 12 668 | 76.1% | 418 | 3.4% |
| Coloured | 1 687 | 10.3% | 1 685 | 10.1% | (2) | -0.1% |
| White | 1 845 | 11.3% | 1 748 | 10.5% | (98) | -5.3% |
| By Gender | | | | | | |
| Male | 9 180 | 56.3% | 9 204 | 55.3% | 25 | 0.3% |
| Female | 7 133 | 43.7% | 7 448 | 44.7% | 315 | 4.4% |
| By Age | | | | | | |
| Youth | 5 965 | 36.6% | 5 718 | 34.3% | (246) | -4.1% |
| Older age | 10 348 | 63.4% | 10 934 | 65.7% | 586 | 5.7% |
| By Education | | | | | | |
| Less than Secondary | 7 241 | 44.4% | 6 393 | 38.4% | (848) | -11.7% |
| Secondary | 5 347 | 32.8% | 6 066 | 36.4% | 719 | 13.4% |
| Tertiary | 3 511 | 21.5% | 3 954 | 23.7% | 443 | 12.6% |

Source: Quantec, Own calculations

Between the 2nd quarters of 2019 and 2024, the employment numbers for the Coloured and White population declined, while the African population employment expanded by 3.4 per cent. The employment reduction among the White population can be attributed to a declining working population (-6.2 per cent) among this population. Notably, the employment growth among the African population (3.4 per cent) was significantly lower than the expansion in its working population (9.3 per cent) and labour force (10.9 per cent).

Over the same period, the Female, Older age, and more educated cohorts experienced higher employment growth.

Employment in the Western Cape

Between the 2nd quarters of 2019 and 2024, the Western Cape had more robust employment growth (5.0 percentage points higher), when compared to the national economy. Over the same period, the Province also exceeded the employment growth of South Africa in all major cohorts, except for the Tertiary education cohort where the Western Cape's employment growth was 0.3 percentage points lower than the National economy.

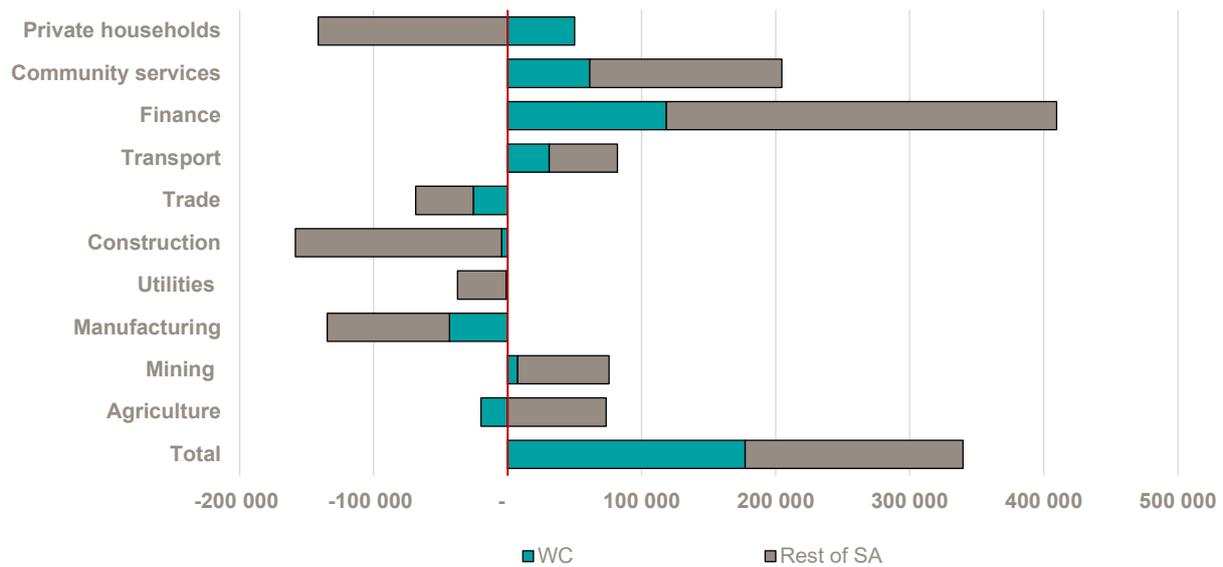
Table 3.4 Changes in Western Cape employment per demographic cohort, 2Q2019 - 2Q2024

| | 2Q2019 | | 2Q2024 | | Change | |
|-------------------------|-------------------|------------|-------------------|------------|-------------------|--------|
| | Number (‘000s) | Share % | Number (‘000s) | Share % | Number (‘000s) | % |
| Total employment | 2 497 | 100.0 | 2 675 | 100.0 | 177 | 7.1% |
| By Race | | | | | | |
| African | 895 | 35.8% | 991 | 37.1% | 97 | 10.8% |
| Coloured | 1 141 | 45.7% | 1 211 | 45.3% | 71 | 6.2% |
| White | 447 | 17.9% | 446 | 16.7% | (1) | -0.3% |
| By Gender | | | | | | |
| Male | 1 400 | 56.0% | 1 438 | 53.8% | 38 | 2.7% |
| Female | 1 098 | 44.0% | 1 237 | 46.2% | 139 | 12.6% |
| By Age | | | | | | |
| Youth | 950 | 38.0% | 983 | 36.8% | 34 | 3.6% |
| Older age | 1 548 | 62.0% | 1 691 | 63.2% | 143 | 9.3% |
| By Education | | | | | | |
| Less than Secondary | 1 108 | 44.4% | 980 | 36.7% | (128) | -11.6% |
| Secondary | 816 | 32.7% | 1 014 | 37.9% | 199 | 24.3% |
| Tertiary | 539 | 21.6% | 606 | 22.6% | 66 | 12.3% |

Source: Quantec, Own calculations

Among the different cohorts, the Western Cape displayed similar employment growth trends when compared to South Africa, with the highest employment growth inclined toward the African population, Female, Older age and more educated cohorts.

Figure 3.4 Employment loss/gains per sector in the Western Cape and rest of South Africa, 2Q2019 - 2Q2024



Source: Stats SA, Own calculations, Quantec

Between the 2nd quarters of 2019 and 2024, employment in the Western Cape expanded by 7.1 per cent and contributed 52.2 per cent of all new net employment opportunities in South Africa. Of the 7.1 per cent increase, the contributors to employment gains were the Finance sector (4.7 percentage points), Community services (2.5 percentage points) and Private household sectors (2.0 percentage points).

Employment growth over the past five years shows that employment opportunities were mainly created in the services sectors, while the Trade (-25 527), Manufacturing (-43 227) and Agriculture (-19 826) sectors had significant employment losses.

Effective employment creation strategies encompass a range of approaches, including promoting entrepreneurship, investing in education and vocational training, and enhancing productive capacity through capital formation.

Encouraging entrepreneurship and self-employment significantly boosts overall employment, as new startups often create more jobs than established firms, which may even be net job destroyers because they have achieved such efficiency, economies of scale, and technological advancement that employ fewer people to produce the same unit of production (Fölster, 2000).



Additionally, investing in education and vocational training is essential for aligning labour supply with market demands, with countries like Austria, Sweden, and Germany demonstrating the long-term effectiveness of such policies in increasing employment (Pisár & Mertinková, 2022).

Furthermore, increasing productive capacity through capital formation can enhance the impact of traditional labour market policies by ensuring a balanced approach to boosting employment and productive capacity (Rowthorn, 1995)³.

AI's Double-Edged Sword: Balancing Innovation with Equity in the Global Workforce

Artificial Intelligence (AI) is transforming job markets globally by automating tasks that require human intelligence, such as learning and decision-making. While this shift offers significant productivity gains, it also presents challenges, particularly in countries with high unemployment and inequality, where job displacement could deepen economic disparities. AI and robotics can perform repetitive and manual tasks more efficiently, threatening jobs in manufacturing, agriculture, and mining - sectors that employ a large portion of South Africa's workforce. AI-powered customer service bots and financial technologies may reduce the need for human intermediaries in banking, retail, and telecommunications which are also sectors that employ a large portion of the SA workforce. Examples of how this has happened in businesses already are:

MSN: used AI to replace journalists due to financial difficulties; Google: implemented AI across various departments amidst layoffs; Dukaan: replaced 90% of customer support staff with chatbots to cut costs; Ikea: phased out call center roles but offered upskilling opportunities; BlueFocus: ended contracts of content creators in favor of generative AI; Salesforce: reduced workforce while investing in AI; Duolingo: transitioned to AI for translation, impacting contractor roles.

New job categories will emerge in AI-related fields, but in countries like South Africa, where the labour force lacks advanced skills, these benefits may not be broadly accessible. Adapting to AI will require workers to acquire new skills, especially in digital literacy, making lifelong learning and reskilling programs essential. Furthermore, AI can empower entrepreneurs to create startups that address local challenges, fostering economic diversification and employment generation. For these opportunities to be realised, however, policy makers will need to develop an enabling environment for workers and entrepreneurs to take the initiative and be empowered by AI rather than displaced and disadvantaged.

To address these challenges, policy recommendations include strengthening social safety nets, public awareness campaigns, investing in education and training, international collaboration, and ethical AI development. These are crucial to ensure that AI's benefits are widely shared and that economic inequality is not exacerbated in a country which is already one of the most economically unequal in the World.

Source: *Dabla-Norris, Era, and Ruud de Mooij. "Fiscal Policy Can Help Broaden the Gains of AI to Humanity." IMF Blog, June 17, 2024 & BusinessTech, Staff Writer. "These are the jobs most at risk of being taken over by AI". May 22, 2024.*

3.4 Informal employment

Informal employment⁴ plays a crucial role in both developed and developing economies by providing jobs for a significant portion of the labour force, particularly in contexts where formal employment opportunities are limited. It serves as a critical income source for the working poor, offering flexibility and a safety net for those who are excluded from formal employment due to various barriers such as education, skills, spatial inequality, and economic conditions (Williams & Round, 2008).

³ See Chapters one and two for a more in-depth analysis of capital formation in South Africa and the Western Cape

⁴ Includes all persons aged 15 years and older who are employed and work in:

- Private households and who are helping unpaid in a household business or;
- Working for someone else for pay and are NOT entitled to basic benefits from their employer such as a pension or medical aid and has no written contract or; working in the informal Sector

Additionally, informal employment can contribute positively to economic development and social cohesion by fostering entrepreneurship and enabling community self-help initiatives (Williams & Round, 2009). However, it also presents challenges, such as lack of social protection, lower income stability, and potential exploitation, which must be addressed through nuanced policies that recognise the diversity and complexity of the informal labour market (Chen & Vanek, 2013).

Informal employment in South Africa

In South Africa, informal employment made a significant contribution (29.4 per cent) to total employment in the 2nd quarter of 2024. Sectors with the largest portion of informal workers include the Private households (78.4 per cent), Construction (48.8 per cent) and the Transport sector (42.2 per cent).

Table 3.5 Informal employment per sector in South Africa, 2Q2019 - 2Q2024

| | 2Q2019 | | 2Q2024 | | Change | | Share of informal to total employment | Total Employment Per Sector ('000s) |
|-------------------------|----------------|--------------|----------------|--------------|----------------|--------------|---------------------------------------|-------------------------------------|
| | Number ('000s) | Share % | Number ('000s) | Share % | Number ('000s) | Share % | | |
| Total employment | 4 991 | 100.0 | 4 904 | 100.0 | (59) | -1.8% | 29.4% | 16 652.3 |
| Industry | | | | | | | | |
| Agriculture | 288 | 5.8% | 269 | 5.5% | (19) | -6.6% | 30.0% | 895.9 |
| Mining | 6 | 0.1% | 23 | 0.5% | 17 | 291.4% | 5.1% | 456.7 |
| Manufacturing | 315 | 6.3% | 331 | 6.7% | 16 | 5.0% | 20.0% | 1 654.8 |
| Utilities | 5 | 0.1% | 6 | 0.1% | 1 | 31.4% | 5.4% | 114.1 |
| Construction | 686 | 13.7% | 588 | 12.0% | (98) | -14.3% | 48.8% | 1 204.4 |
| Trade | 1 443 | 28.9% | 1 328 | 27.1% | (115) | -8.0% | 39.5% | 3 360.1 |
| Transport | 366 | 7.3% | 450 | 9.2% | 83 | 22.7% | 42.2% | 1 064.5 |
| Finance | 321 | 6.4% | 394 | 8.0% | 73 | 22.8% | 13.6% | 2 904.8 |
| Community services | 576 | 11.5% | 603 | 12.3% | 27 | 4.7% | 15.8% | 3 827.2 |
| Private households | 984 | 19.7% | 940 | 19.2% | (44) | -4.5% | 78.4% | 1 160.2 |

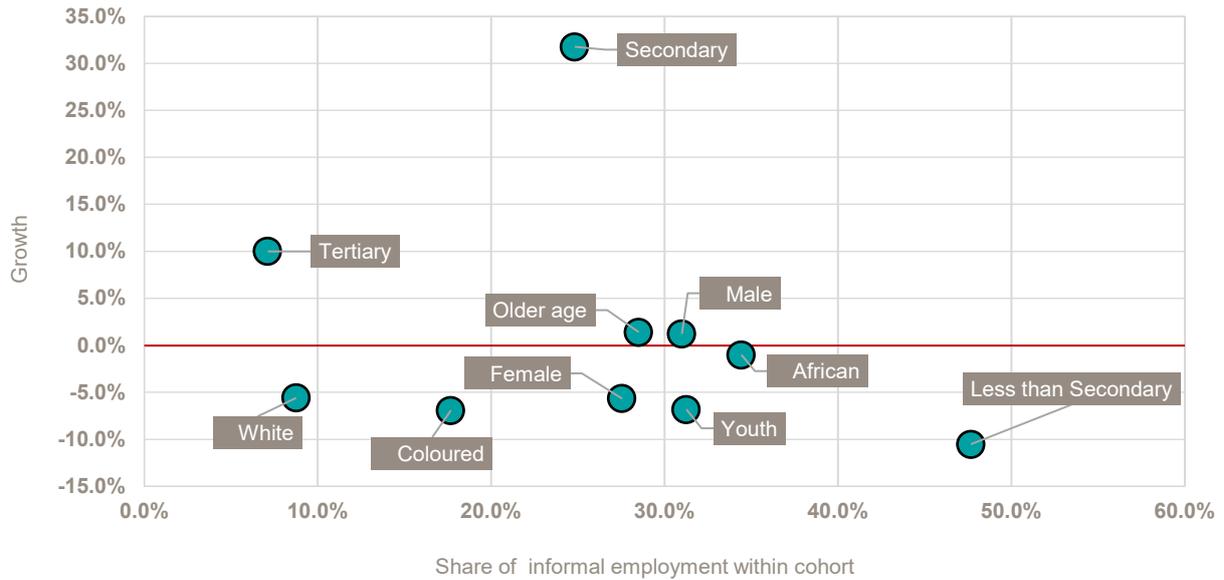
Source: Quantec, Own calculations

Between the 2nd quarters of 2019 and 2024, informal employment declined by 1.8 per cent in South Africa, with notable contractions in the Construction (-14.3 per cent), Trade (-8.0 per cent), Agriculture (-6.6 per cent) and Private households sectors (-4.5 per cent). Over the period, the Trade, Construction and Private households sectors combined, lost 288 297 informal employment opportunities.

Enhancing the productivity of informal workers and micro-enterprises is vital, and can be achieved through training, skills development, and vocational education (Charmes, 2019). Governments can further support the informal economy by implementing policy reforms that reduce barriers to entry, such as simplifying tax systems, reducing bureaucracy, and offering incentives for formalisation - where this is viable (Elbahnasawy et al., 2016). Additionally, providing micro-finance and social protection schemes can stabilise and support the informal economy enabling it to grow more rapidly. The transition of informal businesses to the formal economy can also be assisted by these initiatives, but this shouldn't necessarily be the objective as it can hinder economic development in certain contexts (Charmes, 2019).

In the 2nd quarter of 2024, informal employment was notably a vital source of employment among the Less than secondary education cohort (47.7 per cent). Furthermore, informal employment was also a key source of employment within the African (34.4 per cent), Youth (31.2 per cent), and Male cohorts (31.0 per cent).

Figure 3.5 Informal Employment share (2Q2024) and growth (2Q2019 - 2Q2024) in South Africa



Source: Quantec, Own calculations

Between the 2nd quarters of 2019 and 2024, relatively few cohorts experienced an expansion in informal employment. Alarming, the Less than Secondary education cohort had the largest contraction (-10.5 per cent), while the Secondary education cohort had significant growth (31.8 per cent) in informal employment over the same period. Informal employment gains were also made among the Tertiary, Older age and Male cohorts in South Africa.

Informal Employment in the Western Cape

In the 2nd quarter of 2024, the Western Cape’s informal sector had a relatively smaller impact on total employment relative to South Africa. In the same quarter, the informal sector’s contribution to total employment in the Western Cape was 7.9 percentage points less than the National economy, at 21.6 per cent.

A decrease in the share of informal employment in certain contexts can positively impact the economy by boosting GDP growth and improving labour market efficiency (Ihrig & Moe, 2000). A more formal economy attracts more investment (Chen & Xu, 2017) and enhances worker productivity through better training and resources (Williams, 2017).

Formalisation typically leads to better income, welfare, and social protection for workers, whilst also increasing government revenues through taxes and social security contributions (Mannila, 2015). However, it may also raise labour costs, as observed in China (Chen & Xu, 2017). Therefore, policy measures relating to the informal economy and employment need to be balanced, formalisation should not be the imperative, rather growing the overall economy and economically empowering residents should be the imperative.

Table 3.6 Change in informal employment per demographic cohort in the Western Cape, 2Q2019 - 2Q2024

| | 2Q2019 | | 2Q2024 | | Change | | Share of informal to total employment |
|----------------------------------|----------------|---------|----------------|---------|----------------|--------|---------------------------------------|
| | Number ('000s) | Share % | Number ('000s) | Share % | Number ('000s) | % | |
| Total Informal Employment | 545 | 100.0 | 578 | 100.0 | 32.3 | 5.9% | 21.6% |
| By Race | | | | | | | |
| African | 265 | 48.5% | 309 | 53.5% | 44.4 | 16.8% | 31.2% |
| Coloured | 225 | 41.3% | 219 | 37.9% | (6.3) | -2.8% | 18.1% |
| White | 51 | 9.3% | 45 | 7.8% | (5.4) | -10.6% | 10.2% |
| By Gender | | | | | | | |
| Male | 303 | 55.5% | 309 | 53.5% | 6.1 | 2.0% | 21.5% |
| Female | 243 | 44.5% | 269 | 46.5% | 26.1 | 10.8% | 21.7% |
| By Age | | | | | | | |
| Youth | 201 | 36.8% | 211 | 36.5% | 10.0 | 5.0% | 21.4% |
| Older age | 345 | 63.2% | 367 | 63.5% | 22.3 | 6.5% | 21.7% |
| By Education | | | | | | | |
| Less than Secondary | 362 | 66.3% | 352 | 61.0% | -9.1 | -2.5% | 36.0% |
| Secondary | 120 | 22.0% | 162 | 28.0% | 41.9 | 34.9% | 16.0% |
| Tertiary | 49 | 9.1% | 40 | 6.9% | -9.3 | -18.8% | 6.6% |

Source: Quantec, Own calculations

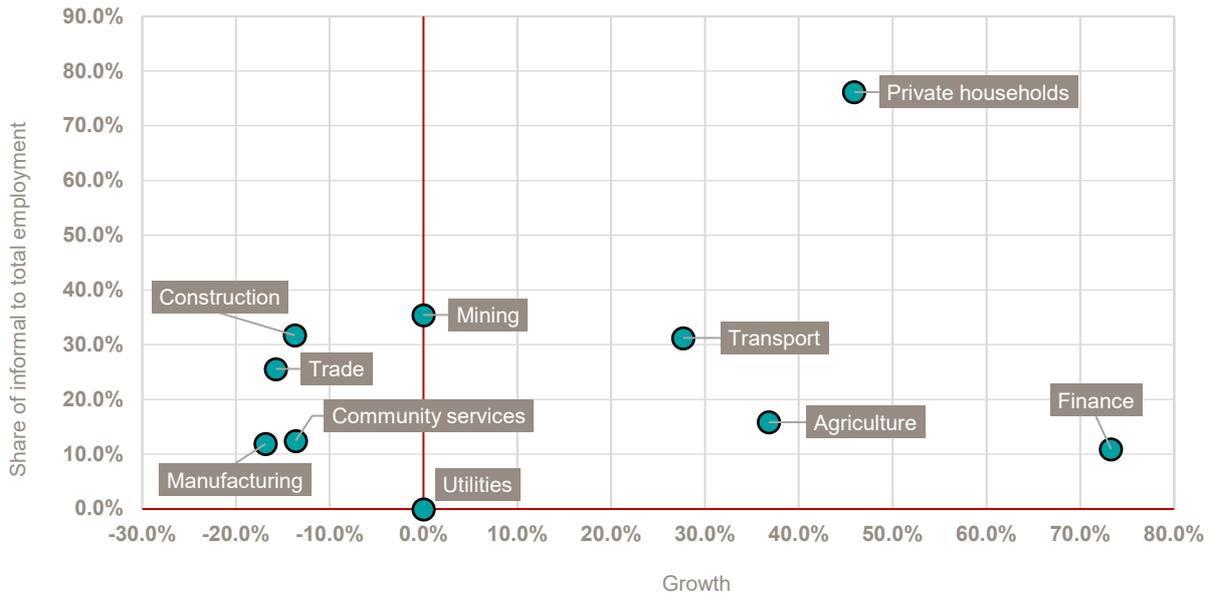
Similar to the South African labour market, the informal employment in the Western Cape was more significant among the African and Less than secondary education cohorts in the 2nd quarter of 2024, while being more evenly distributed among the gender and age cohorts in the Province.

As opposed to the decline of informal employment in South Africa between the 2nd quarters of 2019 and 2024, informal employment in the Western Cape increased by 5.9 per cent over the same period. The increase in informal employment in the Province can largely be attributed to strong growth among the African (16.8 per cent), Female (10.8 per cent) and Secondary education cohorts (34.9 per cent).

The substantial decline in informal employment among the Tertiary educated cohort (-18.8 per cent) is in stark contrast to the expansion of this cohort in total employment (12.3 per cent) over the same period. This suggests a shift to formal employment, as well as strong growth in formal employment (17.4 per cent) for the Tertiary educated cohort in the Western Cape.



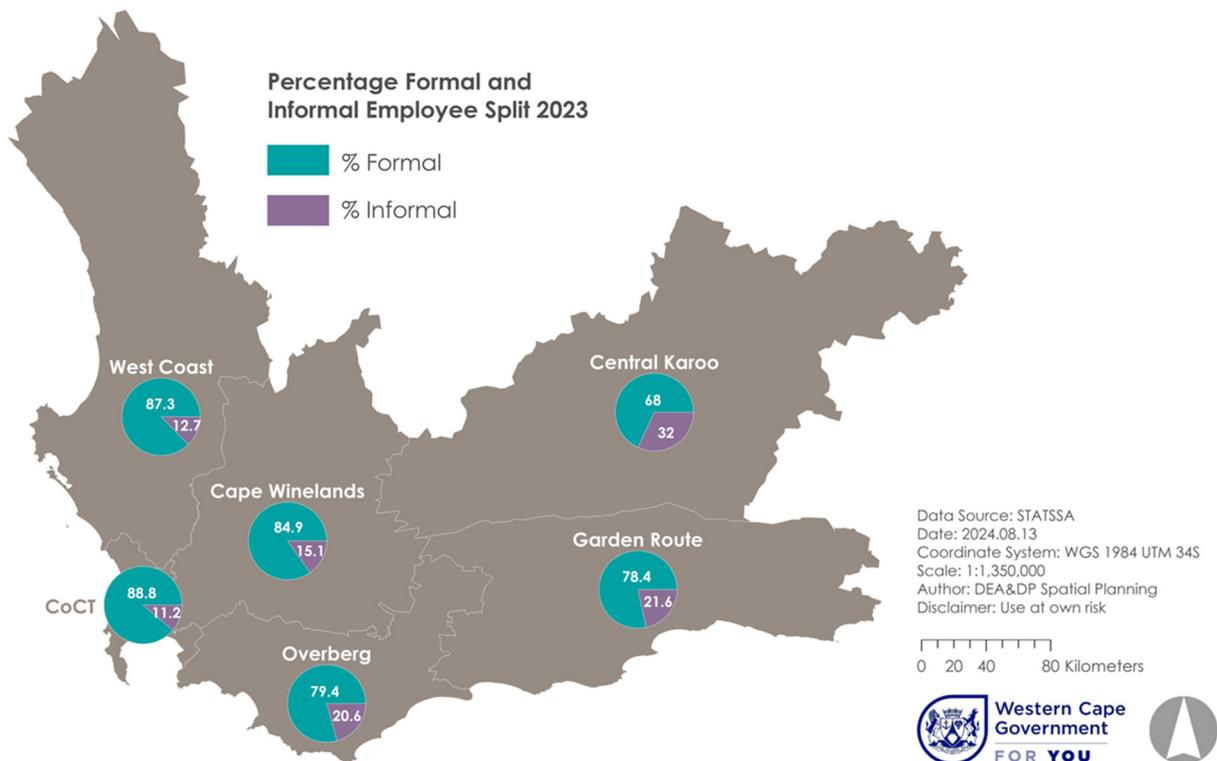
Figure 3.6 Share of Informal to total employment (2Q2024) and informal employment growth (2Q2019 - 2Q2024) in the Western Cape



Source: Quantec, Own calculations

In the 2nd quarter of 2024, Private households accounted for the largest portion of informal to total employment (76.2 per cent), while informal employment within the Sector also expanded substantially by 45.9 per cent between the 2nd quarters of 2019 and 2024. As a result, the Private households sector had a substantial contribution to total informal employment growth (112.6 per cent) in the Province.

Figure 3.7 Formal/Informal Employee Percentage Split per District, 2023



Source: Department of Environmental Affairs and Development Planning

Figure 3.7 depicts the formal versus informal employment split across districts in the Western Cape for 2023, highlighting the varying degrees of formalisation in the labour market. The most significant finding from this data is that the more rural a district is, the more likely it is to have higher levels of informality in the Western Cape. Rural areas often show higher levels of informality due to lower average incomes and a higher concentration of workers in low-income sectors such as Agriculture. In contrast, cities tend to have higher incomes, driven by a larger share of service-oriented jobs. This disparity suggests a need for stronger social safety nets in rural areas, as even though Western Cape rural districts have lower unemployment rates than the Cape Metro (as will be shown shortly), the wages are often not sufficient to maintain a livelihood. Thus, they turn to the informal sector, and often still require additional support.

Breaking the Cycle: Addressing the Relationship Between Informal Employment and Poverty

The report "Breaking the Vicious Circles of Informal Employment and Low-Paying Work" highlights the persistent and intergenerational challenges faced by workers in informal employment, particularly in developing and emerging economies. It explains that most informal workers endure a double burden of low-paying jobs and a lack of formal employment opportunities, which traps them in poverty and increases their vulnerability. The report also underscores that transitions from informal to formal employment are rare and do not always result in higher incomes, especially for those in the lower tier of informal work. A significant barrier to these transitions is the lack of skills among informal workers, who typically have lower education levels and fewer opportunities for skills development.

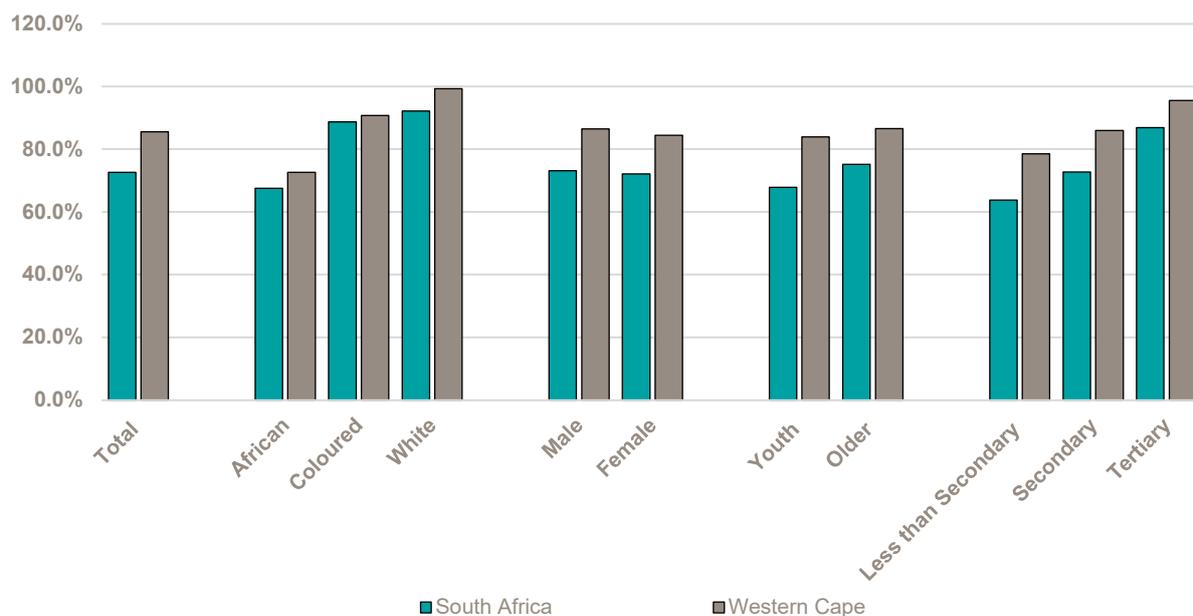
Moreover, the report emphasises that the vulnerability associated with informal employment is often passed down to the next generation, as children in fully informal households have lower school attendance rates and face greater difficulties in transitioning to formal employment. The report calls for targeted policies to break these cycles, including improved access to quality education, better recognition of skills acquired through informal work, and expanded social protection schemes. For lower-tier informal workers, the focus should be on alleviating poverty and providing equitable opportunities, while for upper-tier workers, policies should aim at encouraging formalisation and ensuring compliance with labour laws.

Source: OECD. (2024). *Breaking the Vicious Circles of Informal Employment and Low-Paying Work*. OECD Publishing

3.5 Job satisfaction

Job satisfaction refers to the level of contentment employees experience regarding their job, extending beyond daily tasks to encompass satisfaction with colleagues, supervisors, organisational policies, and the job's impact on their personal lives. This satisfaction is influenced by personal intuition and circumstances; for some, salary is paramount, while for others, having a supportive team is crucial.

Key factors influencing job satisfaction include compensation, working conditions, work-life balance, respect and recognition, job security, and opportunities for career growth. Generally, individuals with higher educational attainment and better compensation are expected to experience greater job satisfaction compared to those with lower education and compensation levels.

Figure 3.8 Rate of job satisfaction, South Africa and the Western Cape, 2Q2024


Source: Quantec, Own calculations

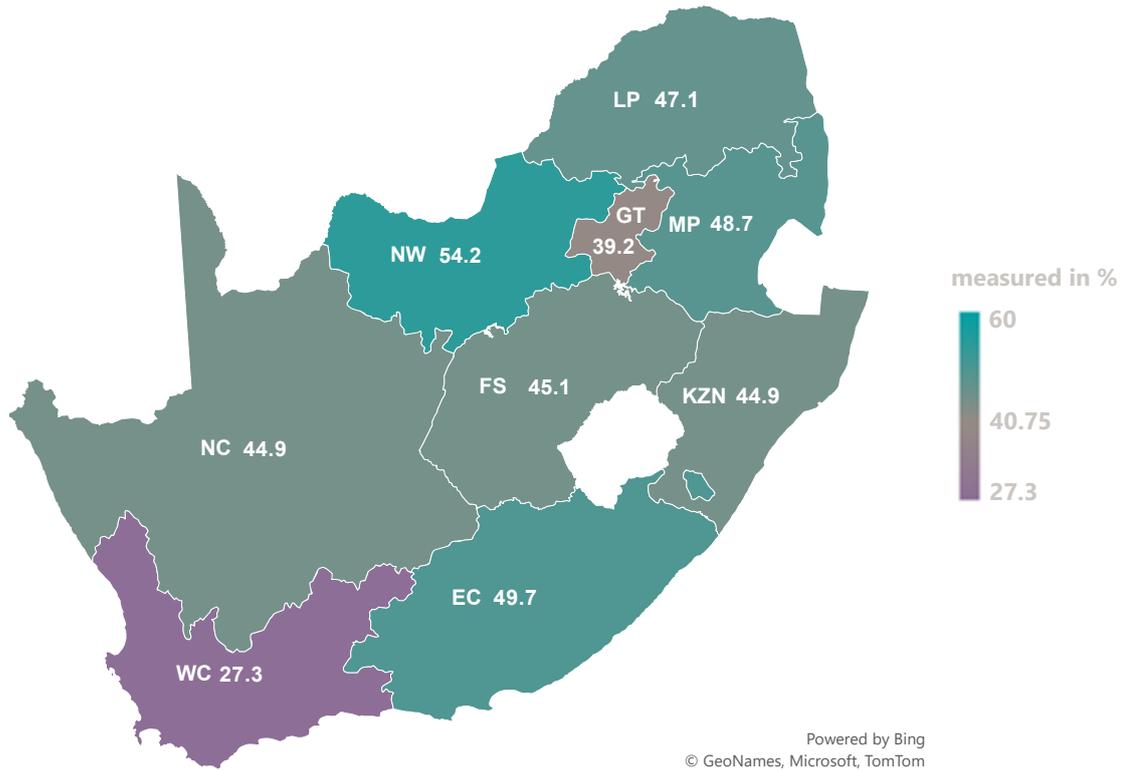
Job satisfaction statistics from the 2nd quarter of 2024 indicate higher satisfaction among White, Male, Older, and more educated cohorts. In the same quarter, the Western Cape had relatively fewer employees with tertiary qualifications (1.1 percentage points), fewer older employees (2.4 percentage points), and fewer males (1.5 percentage points) compared to South Africa, factors that would typically suggest lower overall job satisfaction in the Province. However, the Western Cape also had a substantially higher proportion of White employees (6.2 percentage points) than the national average, suggesting that this population group may be one of the most significant factors influencing why overall job satisfaction is higher in the Western Cape than South Africa. Employees in the Western Cape reported a higher overall job satisfaction rate (85.5 per cent) compared to the national average (72.6 per cent).

3.6 Unemployment

Unemployment in South Africa is a significant and ongoing challenge with deep-rooted effects on society. With one of the highest unemployment rates in the world, the country faces widespread economic hardship, especially among the youth. High unemployment contributes to poverty, inequality, and social unrest, as many people struggle to meet basic needs and secure a stable income.

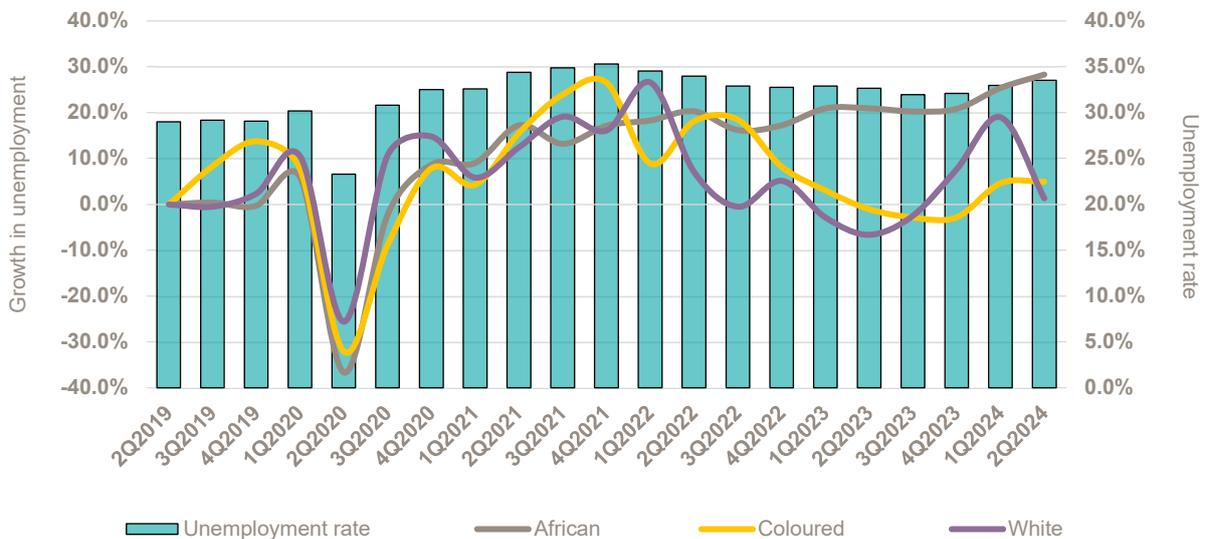
The severity of South Africa's unemployment crisis is more evident when looking at the expanded unemployment rates, which includes discouraged work-seekers as part of the unemployed. Most provinces show a substantial gap between the narrow and expanded unemployment rates, highlighting a significant portion of the labour force that has stopped actively seeking jobs. This issue is especially pronounced in provinces with extensive rural areas.

Figure 3.9 Expanded unemployment rates per Province, 2Q2024



The Western Cape's expanded unemployment rate is substantially lower than the rest of the South African provinces. In the 2nd quarter of 2024, the North-West province's expanded unemployment rate was the highest at 54.2 per cent, meaning that more than half of the working age population that would like to work, was unemployed and had given up looking for work. Although Gauteng had the second lowest expanded unemployment rate (39.2 per cent), the Western Cape's expanded unemployment rate was still 11.9 percentage points lower at 27.3 per cent.

Figure 3.10 Growth in unemployment per population cohort and South Africa's unemployment rate, 2Q2019 - 2Q2024



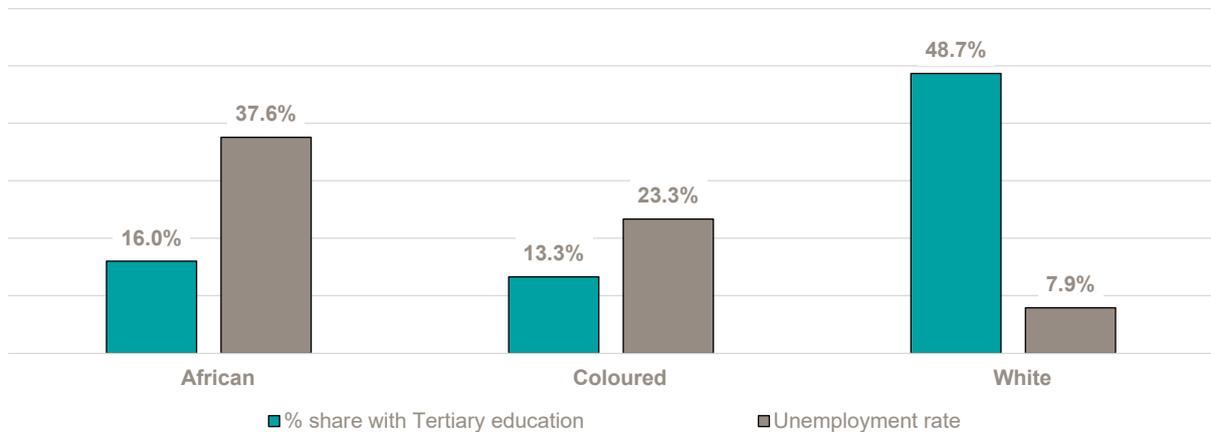
Source: Quantec, Own calculations

In the 2nd quarter of 2024, South Africa's unemployment rate⁵ was 33.5 per cent, or 4.5 percentage points higher than the same quarter five years ago. Between the 2nd quarters of 2019 and 2024, unemployment among the African population increased significantly by 28.2 per cent, while the Coloured (4.9 per cent) and White (1.3 per cent) population groups experienced more moderate unemployment growth.

As a result, the unemployment rate in the 2nd quarter of 2024 was substantially higher for the African population (37.6 per cent) than among the Coloured (23.3 per cent) and White population groups (7.9 per cent).

The difference in unemployment rates among population groups can partially be explained by differences in educational attainment among the labour force of the respective population groups.

Figure 3.11 Portion of labour force with Tertiary education and the unemployment rate per population cohort in South Africa, 2Q2024



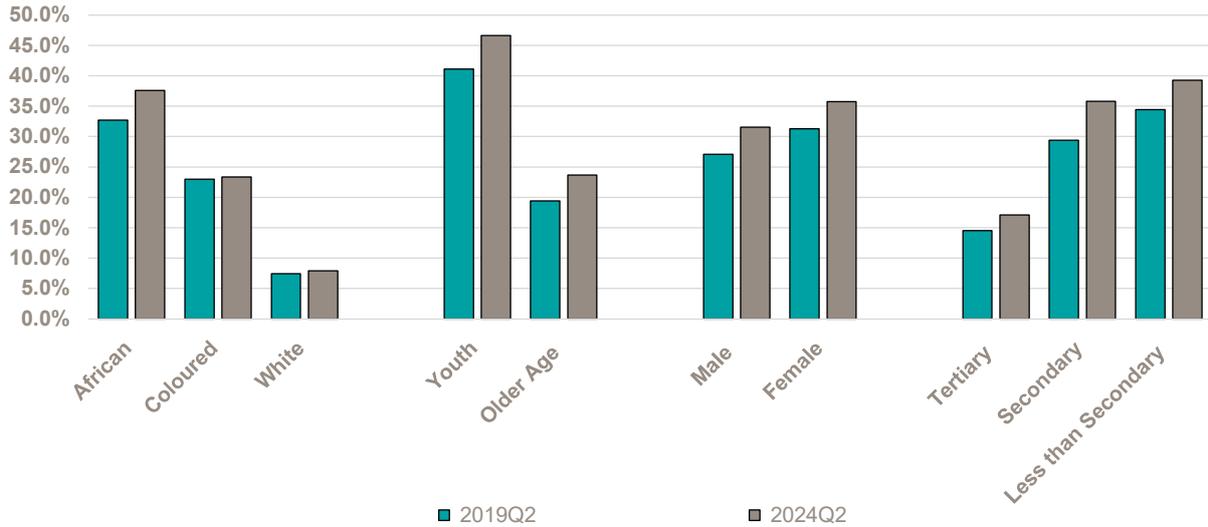
Source: Quantec, Own calculations

However, the variance in the unemployment rates of the African and Coloured populations cannot be explained by educational attainment, where the African population had a higher portion of its labour force with Tertiary qualifications (1.7 percentage points), yet also had a higher unemployment rate (10.2 percentage points). The African and Coloured population groups also had relatively similar portions of its labour force with Secondary (2.4 percentage points) and Less than secondary educational attainment (0.5 percentage points). As a possible explanation for this, the majority of the Coloured population is located in the Western Cape, which has the lowest unemployment rate in the country.

The advantage of having a tertiary qualification is clearly evident when examining the White population group, which not only had the lowest unemployment rate but also the highest proportion of its labour force holding tertiary qualifications.

⁵ Official unemployment rate

Figure 3.12 Unemployment rates per cohort in South Africa, 2Q2024



Source: Quantec, Own calculations

Overall unemployment rates were higher among the African, Female, Youth and Less than secondary education cohorts. Furthermore, between the 2nd quarters of 2019 and 2024, the unemployment rates increased for all the cohorts, most notably among the African (4.9 percentage points), Youth (5.5 percentage points) and Secondary education cohorts (6.5 percentage points). Therefore, for the majority of major cohorts where unemployment is a significant issue, the problem has escalated over the past five years.

Youth unemployment remains a key challenge in South Africa. In the 2nd quarter of 2024, youth unemployment stood at 46.6 per cent, the highest among the major cohorts.

Unemployment in the Western Cape

Despite having the lowest expanded and official unemployment rates in South Africa, the Western Cape still faces high unemployment by global standards, which significantly undermines social cohesion, exacerbates crime, and deepens economic inequality.

Figure 3.13 Growth in unemployment per population cohort and the unemployment rate in the Western Cape, 2Q2019 - 2Q2024



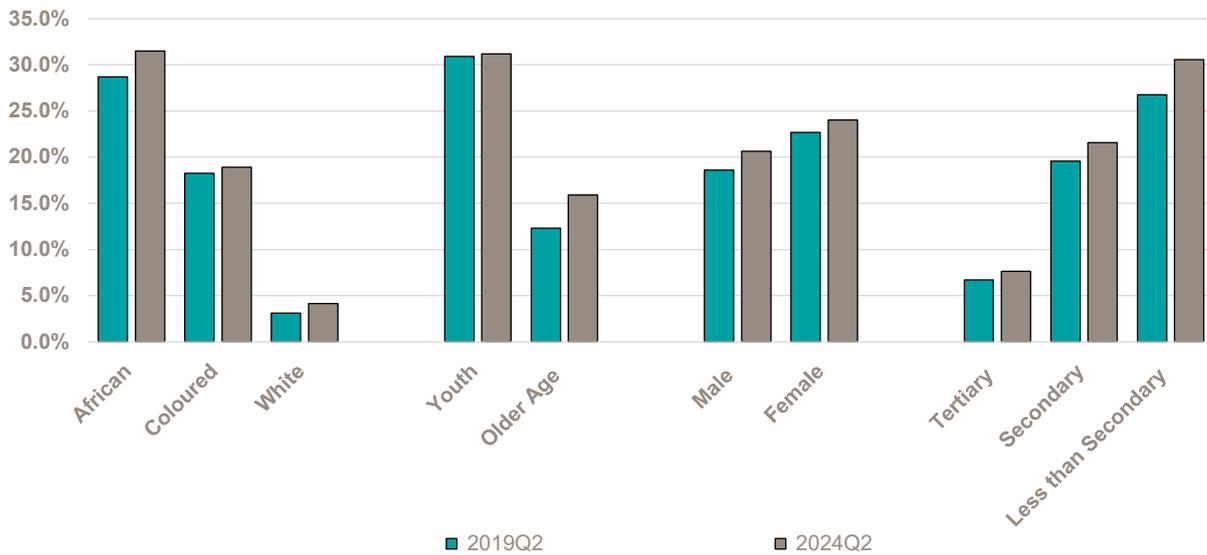
Source: Quantec, Own calculations

Between the 2nd quarters of 2019 and 2024, the unemployment rate for the Western Cape increased by 1.8 percentage points to 22.2 per cent in the 2nd quarter of 2024. Over the same period, unemployment expanded the fastest among the White (37.4 per cent) and African population groups (22.2 per cent), while unemployment among the Coloured population expanded more moderately by 6.9 - cent in the Province.

The COVID-19 pandemic restrictions not only had a cyclical impact on unemployment but could have potentially induced structural changes as well. Similarly, it was found that economic recessions, such as the 2007 - 2009 financial crisis, contribute to a persistent rise in unemployment by inducing both cyclical and structural changes. These crises can elevate the natural rate of unemployment due to factors like labour market mismatch, extended unemployment benefits, and economic uncertainty (Daly et al., 2012).

Additionally, economic instability, including fluctuations in GDP, play a critical role in influencing unemployment rates. Key factors such as oil prices, university enrolment, minimum wage, and overall economic performance, with GDP being particularly influential, significantly impact the unemployment landscape (Kuang, 2023).

Figure 3.14 Unemployment rates per cohort in the Western Cape, 2Q2019 - 2Q2024



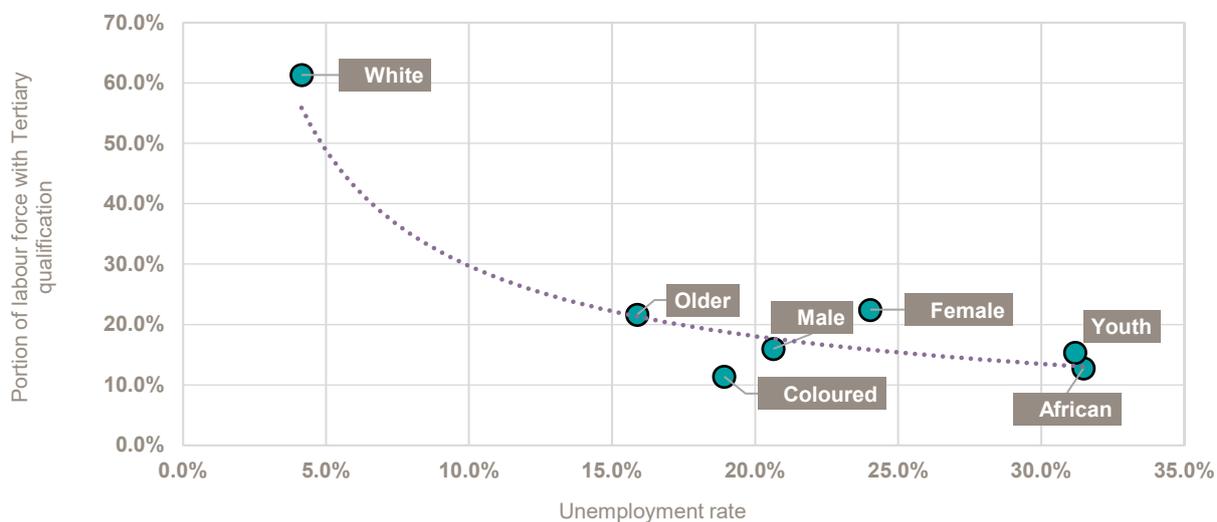
Source: Quantec, Own calculations

Similar to the trend observed across South Africa, the Western Cape experienced an increase in unemployment rates among all major cohorts, most notably among the Less than Secondary (3.8 percentage points), Older age (3.6 percentage points), and African cohorts (2.8 percentage points). Additionally, reflecting the pattern seen in the national economy, unemployment rates were higher for the African, Youth, Female, and Less than Secondary cohorts.

While the youth unemployment rate (31.2 per cent) remains a significant concern in the Western Cape, the African population recorded the highest unemployment rate (31.5 per cent) among the major cohorts in the 2nd quarter of 2024. This statistic highlights a notable distinction when comparing national unemployment figures across major cohorts to those of the Western Cape, with the Western Cape's being lower across all the cohorts.

Another key distinction is that the unemployment rate among the Older age cohort (3.6 percentage points) increased relatively faster than the youth age cohort (0.3 percentage points) in the Western Cape. In fact, over the past five years, the increase in the unemployment rate of the Youth age cohort was the lowest among all major cohorts in the Province and is significantly lower than the national youth unemployment rate (10.2 percentage points).

Figure 3.15 Correlation between unemployment rate and portion of labour force with Tertiary qualifications in the Western Cape, 2Q2024



Source: Quantec, Own calculations

Overall, the power trendline indicates that higher education levels are generally associated with lower unemployment rates across the different cohorts. In the 2nd quarter of 2024, the White population had the lowest unemployment rate (4.1 per cent) and the highest portion of the labour force with a tertiary qualification (61.3 per cent).

However, although the Coloured population had a much lower unemployment rate than the African population (12.6 percentage points), the portion of the Coloured population with a tertiary qualification was marginally smaller than the African population (1.4 percentage points), similar to what was revealed in the national analysis. Likewise, the Male cohort experienced a lower unemployment rate than the Female cohort (3.4 percentage points). However, the percentage of the male cohort holding a tertiary qualification was also 6.5 percentage points lower than that of the Female cohort.

When evaluating the optimal tertiary qualifications for employment prospects, research shows that vocational tertiary education tends to offer favourable labour market outcomes, particularly at the start of one's career, with higher wages and lower financial risk compared to academic degrees. Additionally, over time, vocational graduates also experience lower unemployment risks, making these qualifications advantageous in the long run (Backes-Gellner & Geel, 2014).

Degrees in Science, Technology, Engineering, and Mathematics (STEM) fields are particularly beneficial due to high demand, although degrees that emphasise practical skills and align with industry standards generally enhance employability across various fields (Bukodi, 2010) (Oraison et al., 2019).

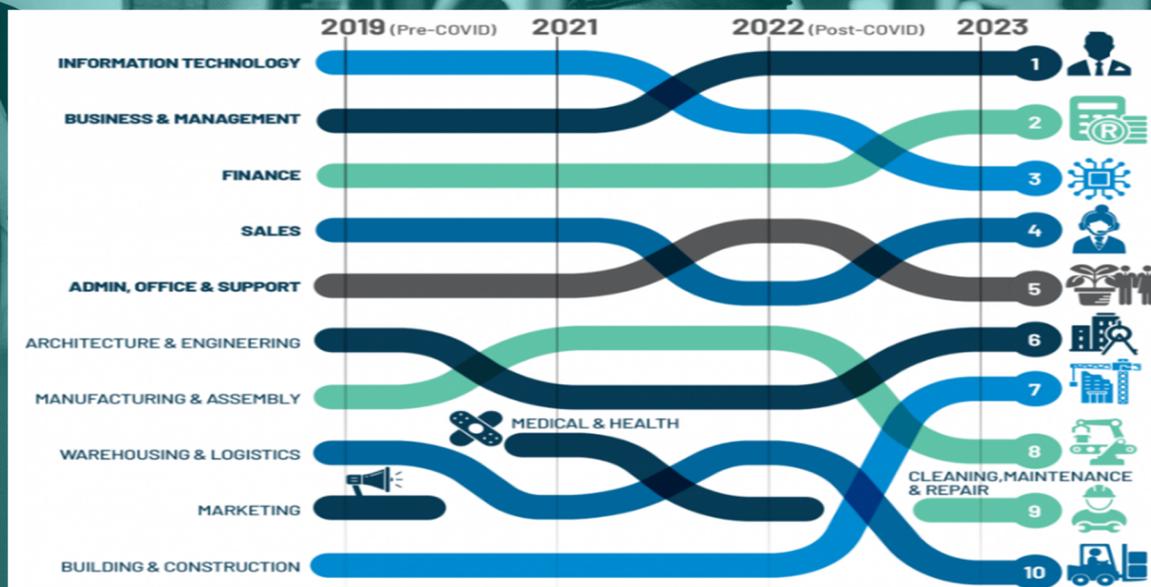
Additionally, higher degrees like master's or PhDs can improve employment prospects, though outcomes vary depending on the sector, with academia often perceived as offering fewer opportunities compared to industry roles (Waaiker, 2016).

For individuals pursuing tertiary education later in life, degrees obtained after the age of 30 can still lead to increased employment rates and moderate earnings gains, particularly for women (Hällsten, 2012).

Spatial inequality and unemployment in South Africa vary significantly across provinces, driven by factors like historical inequalities, urbanisation levels, and access to education and jobs. Addressing these disparities is key to promoting balanced economic growth across the country. In the 2nd quarter of 2024, the Western Cape had the lowest unemployment rate (22.2 per cent)⁶ among the South African provinces, followed by KwaZulu-Natal (31.1 per cent) and Limpopo (34.1 per cent).

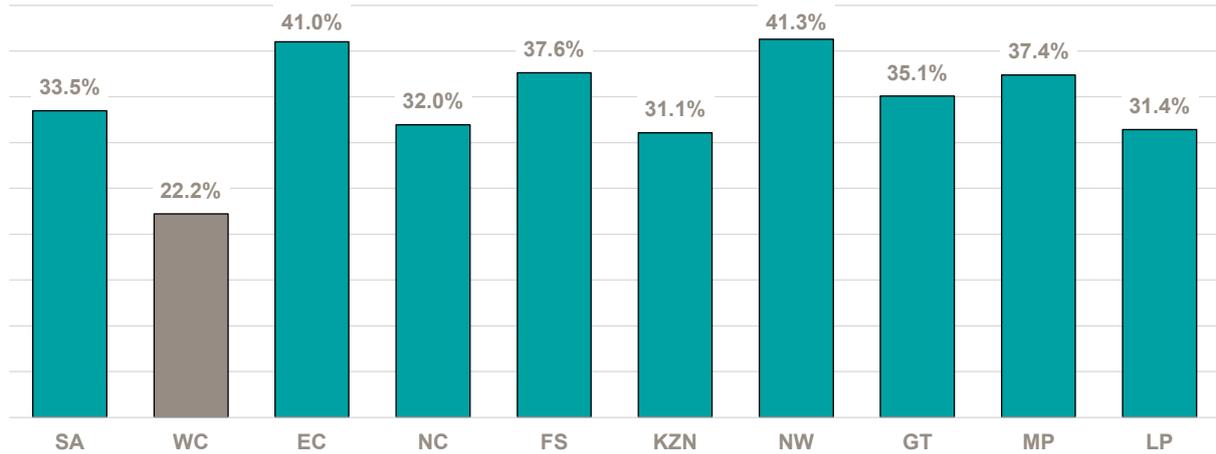
South Africa's Most In-Demand Jobs and Skills

The Department of Higher Education and Training (DHET) releases a National List of Occupations in High Demand (NLoHD) every two years, with the latest edition published in April 2024. This list highlights occupations with strong employment, wage, and job vacancy growth, indicating where employers are likely to recruit in the medium term. The most recent list includes 350 occupations and is available online [here](#). For additional insights, media sources like BusinessTech provide rankings and trends over time. According to a 2023 report by Career Junction, the top job sectors in 2023 were Business & Management, Finance, IT, Sales, and Admin/Office Support. The ten most in-demand jobs, based on job advertisements in 2023, included Middle Management, Software Development, Sales Consulting, Financial Accounting, Systems Administration, Admin Clerk, Bookkeeping, Senior Management, Team Leadership, and Data Analysis.



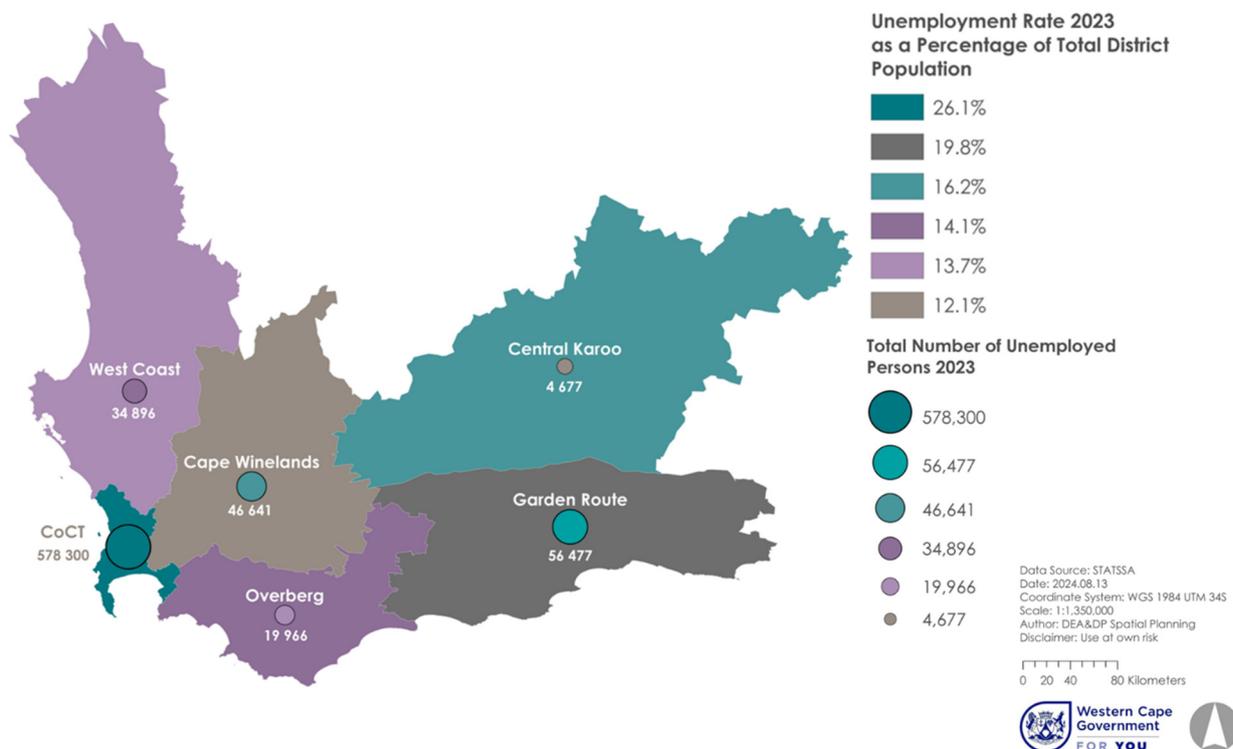
Source: "20 of the Most In-Demand Jobs in South Africa Right Now." BusinessTech. January 31, 2024. Accessed August 19, 2024

⁶ Official unemployment rate.

Figure 3.16 Provincial Unemployment Rates, 2Q2024

Source: Quantec, Own calculations

Unemployment in South Africa is deeply divided along rural and urban lines, with rural areas suffering from a lack of opportunities and skills development, while urban areas face intense competition and structural challenges in the job market. However, in the 2nd quarter of 2024 the Western Cape was the only Province where the non-metro unemployment rate was lower than its total unemployment rate (2.3 percentage points). Figure 3.17 further confirms this pattern in the Province by showing how the more rural districts consistently have lower unemployment rates than the Cape Metro.

Figure 3.17 Unemployment Rate as a Percentage of Total District Population, 2023

This data intimates that migration from rural to urban areas does not necessarily guarantee better employment outcomes. While some migrants find success in the informal sector, many struggle to secure stable, formal employment, contributing to the urban unemployment crisis (Mbatha & Roodt, 2014).

Addressing Spatial Inequality: Enhancing Employment Opportunities and Labour Market Participation

Data and analysis from the Western Cape Government and various studies reveal that spatial inequality significantly affects employment and labour market participation in South Africa and the City of Cape Town. Historical urban planning and segregation have isolated low-income residents from economic hubs, limiting their job opportunities and take-home pay.

Spatial inequality places a heavy burden on low-income households, forcing them to spend a significant portion of their income on commuting - up to 38% for the poorest, who earn an average of R3 500 a month. This financial strain not only reduces their net income but also exacerbates income inequality, creating a "working poor" population that is increasingly discouraged from participating in the labour market.

The physical distance between townships on the outskirts of cities and central job centers further compounds this issue, severely limiting job accessibility for residents in these peripheral areas. The geographic divide leads to lower employment rates, pushing many individuals toward self-employment or even economic inactivity, primarily because of the prohibitive costs associated with job searching and commuting. Research reveals a direct correlation between rising transport costs and declining wage employment. In South Africa, a 10% increase in transport costs results in a 2% decrease in wage employment, while self-employment and inactivity rates rise by 3.2% and 1.8, respectively. These figures highlight the urgent need to address the spatial challenges that fuel labour market disparities in South Africa and the Western Cape.

To mitigate the effects of spatial inequality, policy responses must focus on both bringing jobs closer to people and enhancing transport networks to better connect people to jobs. A key recommendation is to enhance digital connectivity and establish affordable/subsidised co-working spaces, which can reduce the need for commuting, support local entrepreneurship, and foster sustainable economic growth. Additionally, expanding the WCG's Jobseeker Voucher Program (JVP) to cover transport costs during the critical first month of employment, could significantly improve job access and retention.

Moreover, developing a live labour and socio-economic map would provide real-time data on labour demand, enabling planners to allocate resources more effectively and design targeted development strategies. Improving the coordination and integration of public transport networks through a unified fare system would further increase efficiency and affordability, benefiting low-income commuters in particular. Finally, integrating transport and land-use policies to reduce commuting distances by placing housing closer to economic hubs would directly address spatial inequality, ultimately enhancing the overall quality of life for residents.

Sources: *Shah, Kishan, and Federico Sturzenegger (2022) & Hausmann, Ricardo, Tim O'Brien, Andrés Fortunato, et al. (2023).*

3.7 Conclusion

Between the 2nd quarters of 2019 and 2024, the Western Cape's labour force expanded at a similar rate to the national labour force. However, the expansion of the labour force among the African and Coloured populations in the Western Cape was significantly more pronounced.

The LFPR in the Western Cape was higher than the National rate. One of the main causes for the increased participation of the working population in the labour market is the absence of deep rural areas in the Province. The most significant LFPR difference was among the African population cohort where the Western Cape exceeded South Africa's by a significant margin.

Over the period under review, employment in the Western Cape expanded by 7.1 per cent or 5.0 percentage points more than the national economy, and contributed 52.2 per cent of all new net employment opportunities created in South Africa. Of the 7.1 per cent increase, the main contributors to employment were the Finance sector, Community services and Private household sectors.

As opposed to the decline of informal employment in South Africa, informal employment in the Western Cape increased over the same period. The increase in informal employment in the Province can largely be attributed to strong growth among the African, Female and Secondary education cohorts and strong growth in the Private households sector.

Over the same period, the unemployment rate for the Western Cape increased marginally to 22.2 per cent, remaining the Province with the lowest unemployment rate. Unemployment expanded the fastest among the White and African population groups, while unemployment among the Coloured population expanded more moderately in the Province.

Although youth unemployment remains a significant concern in the Western Cape, the African population recorded the highest unemployment rate among the major cohorts in the 2nd quarter of 2024 and this is also a significant concern. Another key distinction of Western Cape labour statistics is that the unemployment rate among the Older age cohort increased relatively faster than the Youth age cohort in the Western Cape. In fact, over the period under review, the increase in the unemployment rate of the Youth age cohort was the lowest among all major cohorts in the Province.

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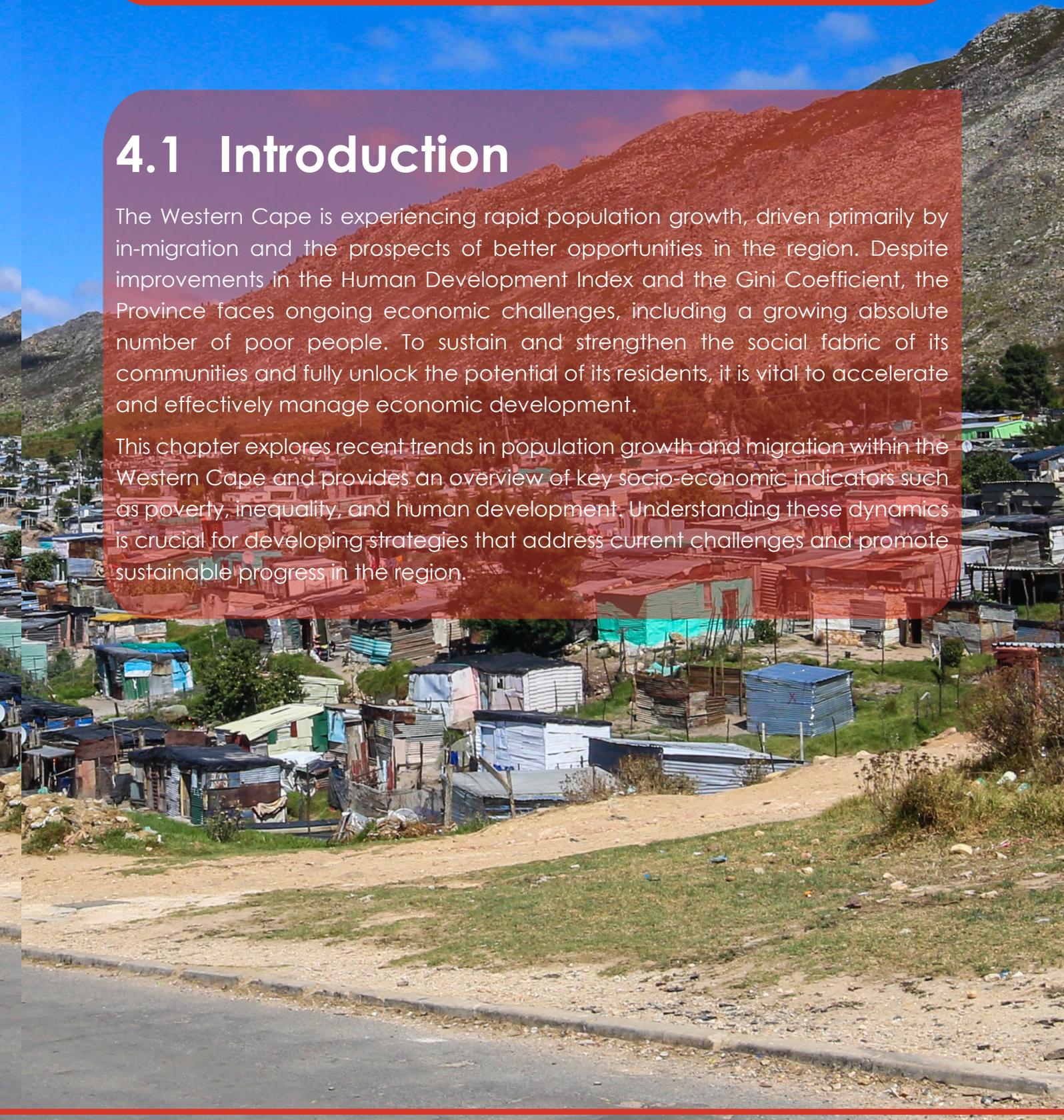


Demographic profile

4.1 Introduction

The Western Cape is experiencing rapid population growth, driven primarily by in-migration and the prospects of better opportunities in the region. Despite improvements in the Human Development Index and the Gini Coefficient, the Province faces ongoing economic challenges, including a growing absolute number of poor people. To sustain and strengthen the social fabric of its communities and fully unlock the potential of its residents, it is vital to accelerate and effectively manage economic development.

This chapter explores recent trends in population growth and migration within the Western Cape and provides an overview of key socio-economic indicators such as poverty, inequality, and human development. Understanding these dynamics is crucial for developing strategies that address current challenges and promote sustainable progress in the region.



DEMOGRAPHIC PROFILE

OVERVIEW



The Western Cape accounts for

12.0%

(7.563 million) of the total population.

The Coloured population remains predominant, followed by the African and White population groups.

Western Cape population growth of **19.6%** between 2015 and 2024. WC should prepare for an **additional 1.196 million people** over the next decade.

There is a demographic shift in the Western Cape, with a **declining youth population and a growing elderly population.**

Life expectancy trends from 2001 to 2026 show a **general increase for both genders** across all provinces, with females consistently outliving males. The Western Cape stands out for having a **higher male life expectancy compared to other provinces,** despite factors like heart disease and occupational hazards that generally reduce male life expectancy.

Net in-migration accounts for 51.2% of total population growth in the Western Cape.

The age pyramid for the Western Cape's population shows **aging trend** with lower birth rates and a **significant 30-39 age group.**

Western Cape has seen a **decrease in income inequality,** with the Gini coefficient dropping from **0.66** in 2002 to **0.59** in 2022.

The absolute number of people living below the lower-bound poverty line has **increased between 2013 and 2022, nearing 3.7 million people.**

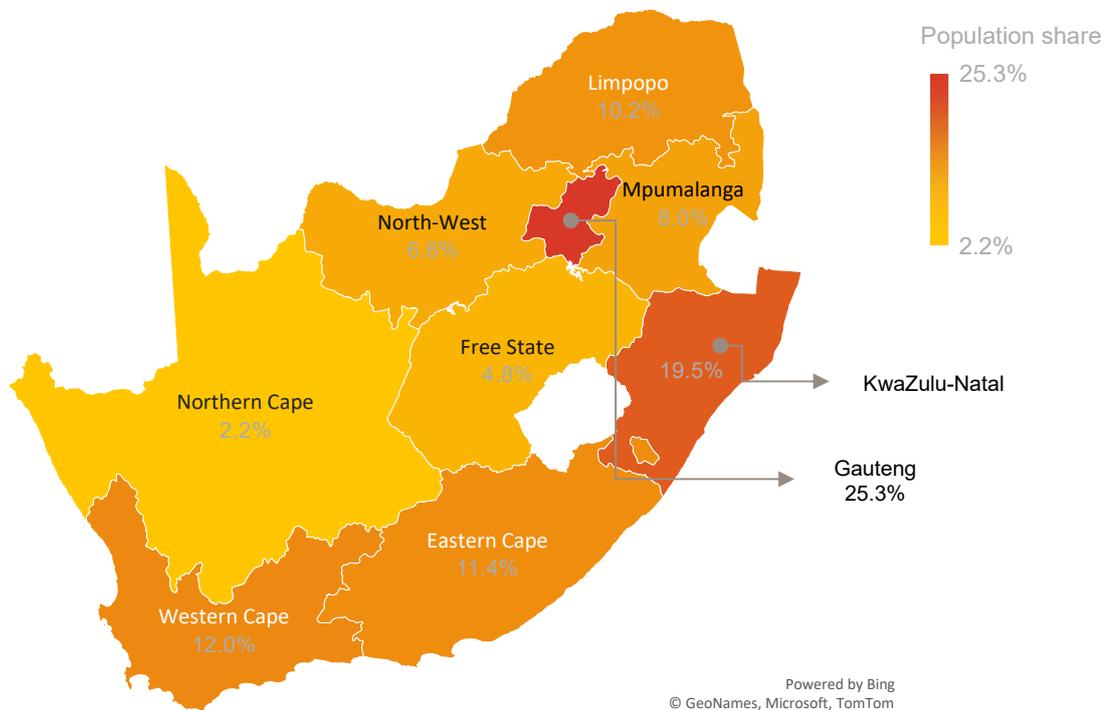
Over the last decade, both South Africa and the Western Cape have seen **consistent improvements in their Human Development Index (HDI) scores,** with the Western Cape consistently outperforming the national average. Notably, the Central Karoo achieved the highest HDI among the districts in 2022, reaching 0.79, **reflecting significant progress.**

4.2 Population dynamics

Population dynamics in the Western Cape are crucial for shaping the region's economic development and policymaking. Key factors such as population growth, age distribution, and migration patterns significantly affect economic performance and social outcomes. Rapid population growth can strain public services and infrastructure, requiring significant investments in healthcare, education, and housing (Todaro, 1992). Policymakers must ensure efficient resource allocation to meet the demands of a growing population.

Some studies indicate that the effects of population growth on economic growth are not uniform and can vary greatly based on methodological factors, the specific country in question, and the time period analysed. For instance, while some nations benefit from economies of scale and a younger workforce, others suffer from resource strain and lower per capita income (Headey & Hodge, 2009).

Figure 4.1 Population Estimates by Province, 2024



Source: Stats SA, Mid-year Population Estimates, 2024

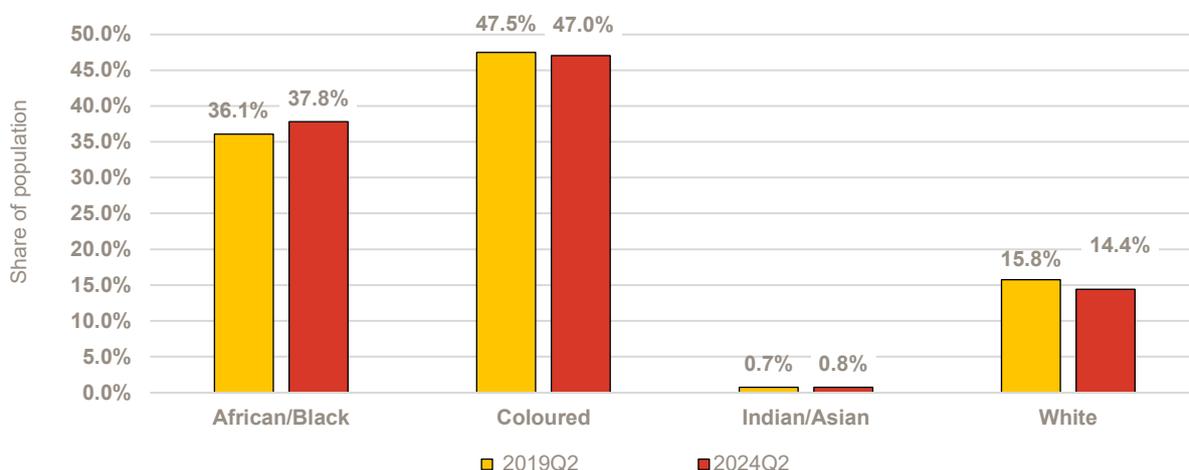
Figure 4.1 illustrates provincial population estimates for South Africa. In 2024, South Africa's population reached an estimated 63.016 million individuals. Gauteng remains the most populous Province, accounting for 25.3 per cent (15.932 million) of the total population, closely followed by KwaZulu-Natal at 19.5 per cent (12.313 million) and the Western Cape at 12.0 per cent with an estimated (7.563 million) individuals. Together, these three provinces comprise a substantial 56.8 per cent of the country's population, highlighting their significant economic and social roles. In stark contrast, the Northern Cape has the smallest population, making up only 2.2 per cent of the national share and the lowest population density, which highlights the provincial disparities within South Africa.

South Africa's urbanised provinces, particularly Gauteng, Western Cape, and KwaZulu-Natal, face significant challenges due to high population density. This density contributes to urban sprawl, inefficient land use, and the expansion of informal settlements, driven by historical policies and ongoing urbanisation pressures (Marais, Denoon-Stevens, & Cloete, 2020).

The strain on transportation infrastructure is evident, with inadequate public transport leading to congestion and pollution, exacerbated by suboptimal urban planning decisions (McKay, 2019).

While these regions drive economic growth, the benefits are unevenly distributed, leading to disparities in employment and economic opportunities (Jacobs, David, & Wyk, 2023).

Figure 4.2 Racial Composition of the Western Cape, 2Q2019 - 2Q2024

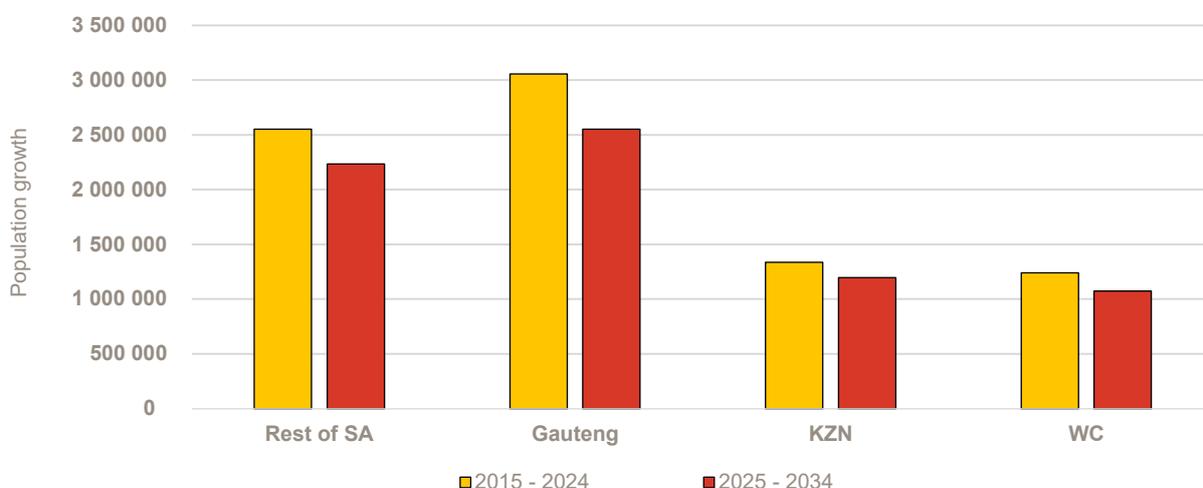


Source: Stats SA, Quantec, Quarterly Labour Force Survey

As a share of the total population in the Western Cape, the Coloured population remains predominant, followed by the African and White population groups. Between the 2nd quarters of 2019 and 2024, the share of the African population expanded by 1.7 percentage points, while the shares of the Coloured (-0.4 percentage points) and White (-1.3 percentage points) population groups declined. The shifts in the racial landscape were largely driven by net in-migration.

The growth of population groups in the Western Cape has significant implications for the expansion of its working population and labour force in the labour market, as discussed in Chapter 3.

Figure 4.3 Population Growth and Expected Population Growth by Province, 2015 - 2034

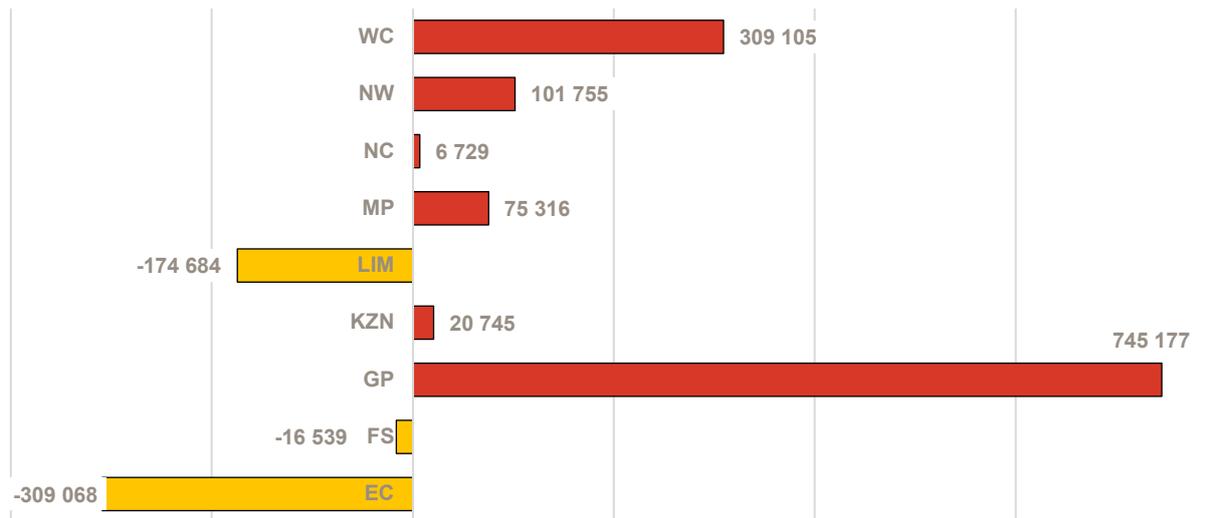


Source: Stats SA, Own calculations, Mid-year Population Estimates, 2024

Figure 4.3 illustrates population growth and expected population growth for the Western Cape, KwaZulu-Natal, Gauteng provinces and the rest of South Africa between 2015 and 2034.

Over the past decade (2015 and 2024), the Western Cape experienced remarkable population growth (1.241 million people or 19.6 per cent), second only to Gauteng (3.056 million people or 23.7 per cent) followed by KwaZulu-Natal (1.337 million or 12.2 per cent). This upward trajectory reflects both natural population growth and in-migration due to the migrants' and potential migrants' possible positive perceptions of the Province 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 estimated 1.196 million people.

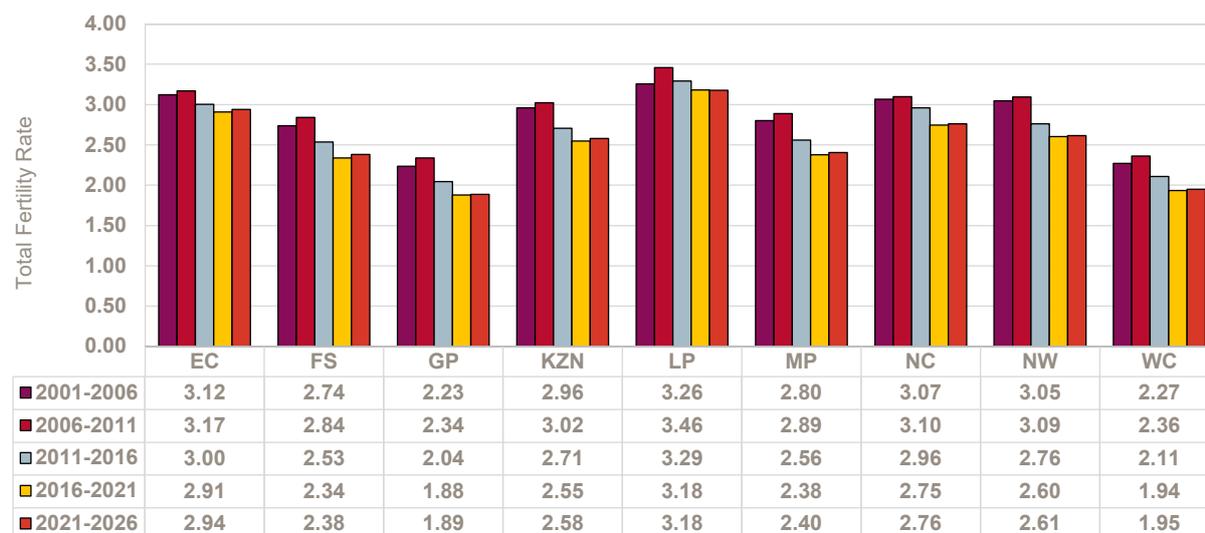
Figure 4.4 Estimated Net Migration by Province, 2021 - 2026



Source: Stats SA, Mid-year Population Estimates, 2024

Figure 4.4 highlights that net in-migration is a significant driver of population growth in the Western Cape. Gauteng and Western Cape provinces received the highest number of in-migrants, while the Eastern Cape and Limpopo provinces experienced the largest outflow of migrants. The number of international migrants entering provinces was highest in Gauteng followed by the Western Cape. It is estimated that between 2022 and 2026, net migration will account for 51.2 per cent of the total population growth in the Western Cape.

In the Western Cape, careful planning is essential to address the impacts of in-migration, which strains urban infrastructure, exacerbates economic inequality, and presents environmental and social challenges. Research from KwaDukuza municipality in KwaZulu-Natal highlights how rural-urban migration increases pressure on government resources, in particular social services, worsens housing shortages, and escalates the demand for infrastructure. Factors such as poor governance, inadequate service delivery, and the lack of sound economic opportunities in rural areas contribute to this migration, placing a heavy burden on urban regions and hindering rural development. The study suggests that investing in rural economic hubs could alleviate these issues by creating local employment and reducing migration (Mthiyane et al., 2022).

Figure 4.5 Total Fertility Rate by Province, 2001 - 2026


Source: Stats SA, Mid-year Population Estimates, 2024

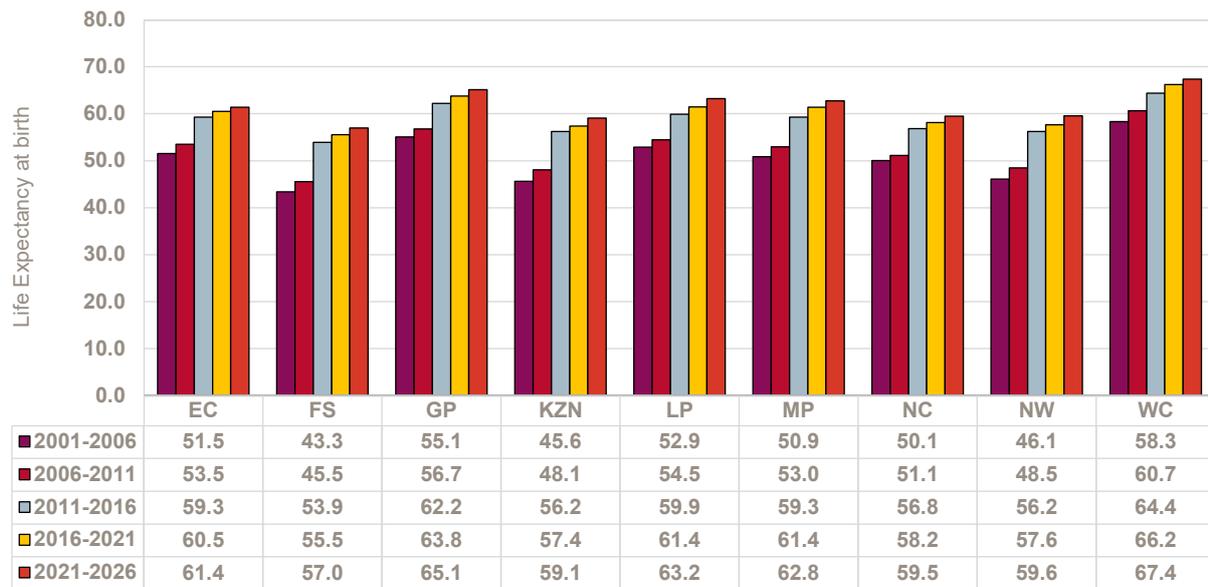
Total fertility rates have declined across all provinces (Figure 4.5), driven by several factors. During the periods 2016 - 2021 and 2021 - 2026, total fertility rates in the Western Cape and Gauteng dipped below the replacement level¹ of 2.1, signaling potential population decline and an aging demographic in these provinces. This shift leads to higher dependency ratios, with fewer working-age individuals to support a growing elderly population. A primary driver of declining fertility is increased educational attainment, particularly among women, which results in delayed childbirth and smaller family sizes. Additionally, economic factors, such as the rising costs of child-rearing and the necessity for dual-income households, further contribute to this trend.

Urbanisation also plays a critical role, as individuals moving to urban areas gain better access to education, healthcare, and employment, which often leads to a preference for smaller families. Additionally, improvements in healthcare and the widespread availability of contraceptives have enabled more effective family planning, while improved child survival rates reduce the need for larger families. Finally, cultural shifts, including changing norms around marriage, gender roles, and family structure, have further influenced the decline in fertility rates in South Africa (Rossouw et al., 2012).

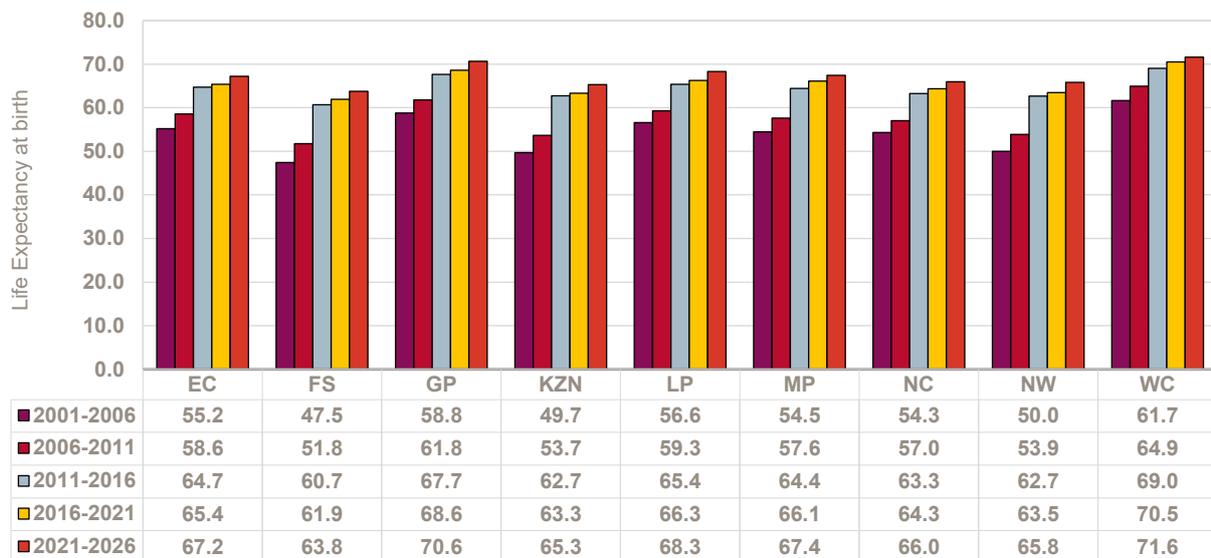
Life expectancy serves as a key indicator of the overall health and social wellbeing of a population. Measuring life expectancy is crucial as it serves as a key indicator of public health, reflecting the overall wellbeing of a population by accounting for factors such as healthcare access, disease prevalence, and nutrition (Zhang & Li, 2020). It informs public health policies and resource allocation, ensuring that areas in need receive appropriate attention to improve healthcare services and infrastructure (Williams et al., 2019).

Additionally, life expectancy influences economic planning, particularly in the sustainability of social systems like pensions and healthcare, as longer life expectancy may require adjustments in retirement age and healthcare funding (Lee & Mason, 2018). Moreover, it can reveal underlying social inequalities, such as disparities in income, education, and access to healthcare among different population groups (Marmot et al., 2020).

¹ The number of children each woman (or couple) must have, on average, to replace themselves and maintain the population size from one generation to the next, assuming no immigration or emigration.

Figure 4.6 Life Expectancy of Males per Province, 2001 - 2026

Source: Stats SA, Mid-year Population Estimates, 2024

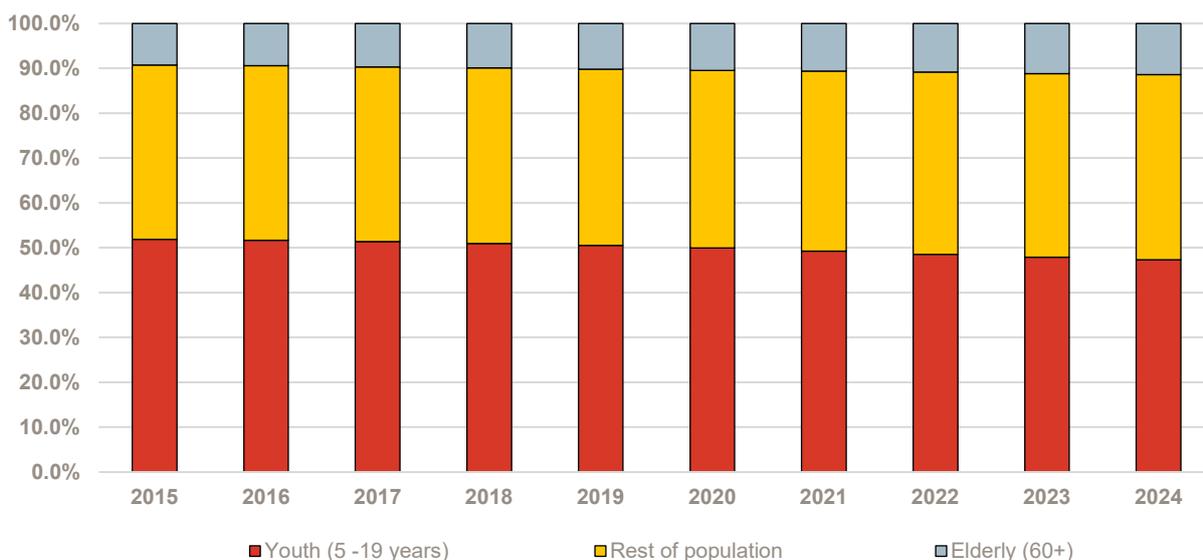
Figure 4.7 Life Expectancy of Females per Province, 2001 - 2026

Source: Stats SA, Mid-year Population Estimates, 2024

Figures 4.6 and 4.7 illustrate the life expectancy trends for males and females across provinces from 2001 to 2026, showing a general increase in life expectancy for both genders in all provinces.

Females consistently have a higher life expectancy than males across all provinces. The Western Cape stands out with a relatively higher life expectancy for males compared to other provinces. Key factors contributing to the shorter life expectancy of males include heart disease, occupational hazards, and risky lifestyles. These risky behaviours often encompass smoking, excessive alcohol consumption, and other health-compromising activities, which can significantly increase the likelihood of developing life-threatening conditions.

Figure 4.8 Western Cape Share of Age Groups (Youth, Elderly, Rest of Population) to Total Population, 2015 - 2024



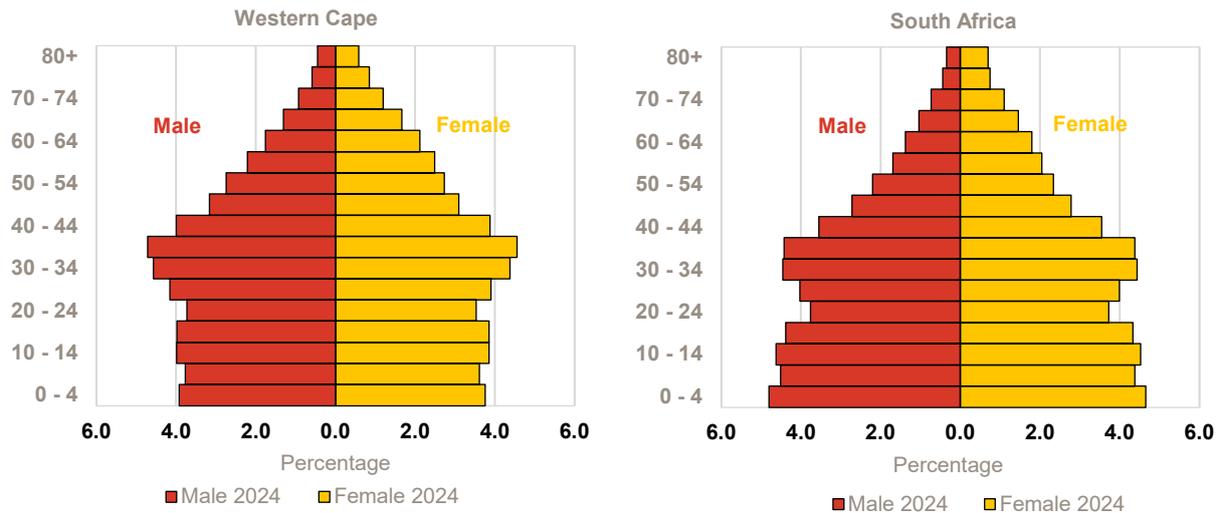
Source: Stats SA, Mid-year Population Estimates, 2024

Figure 4.8 reveals a relatively stable distribution across three key age groups in the Western Cape: youth (5 - 19 years), elderly (60+ years), and the rest of the population. The portion of youth consistently form the largest segment, comprising approximately half of the total population, though showing a notable decline (4.6 percentage points) over the last decade. The declining portion of the youth segment is in contrast to the expanding elderly segment (2.2 per centage points) of the Western Cape's population over the same period.

The growing elderly population in South Africa strains healthcare, reducing Gross Domestic Product growth by 0.08 per cent for each 1 per cent increase in the healthcare burden (Tang et al., 2022). It also shrinks the workforce, lowering productivity and impacting financial systems, as seen in countries like Germany and the U.S. (Börsch-Supan, 1991). This demographic shift pressures social security and pension systems, requiring reforms for sustainability (Papadimitriou, 2007). This present opportunities for innovation in healthcare and social services, particularly in the wellness and elderly care sectors.

The demographic pyramid, or population pyramid, is a vital tool for understanding the age and sex distribution of a population. It reveals trends like growth, aging, or decline, and helps predict social and economic needs such as education, healthcare, and pensions. The pyramid also highlights the effects of historical events, migration, and changes in fertility and mortality, making it crucial for informed policy-making in public health and economic planning (Wilson, 2016).

Figure 4.9 National and Western Cape Age Pyramids, 2024 Population Estimate



Source: Stats SA, Mid-year Population Estimates, 2024

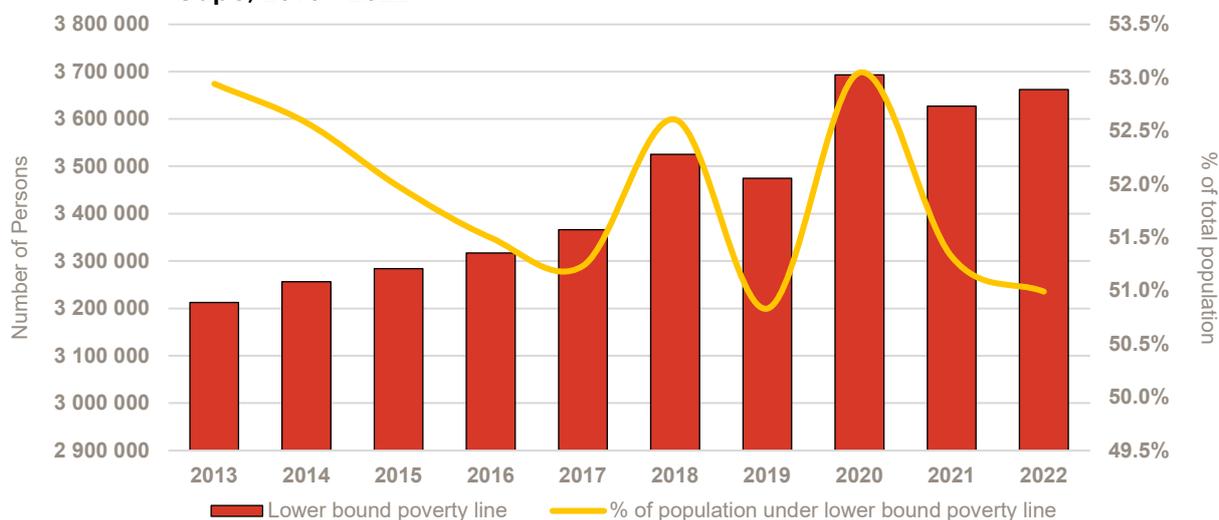
Figure 4.9 presents the age pyramids for the Western Cape and South Africa, offering a visual snapshot of the age and gender distribution in 2024. The population pyramids for the Western Cape and South Africa in 2024 reveal distinct demographic patterns. The Western Cape's pyramid is more rectangular, indicating a balanced age distribution with lower birth rates and a significant proportion of individuals in the 30 - 39 age range, suggesting an aging population. In contrast, South Africa's pyramid is more triangular, with a broader base, reflecting higher birth rates and a younger population overall. The Western Cape appears to be aging faster, while South Africa's population is characterised by a larger proportion of younger individuals, indicating a higher population growth rate.

For the Western Cape, the aging population suggests the need for increased investment in healthcare services geared towards older adults, including managing chronic illnesses and providing elder care. It's important to focus on upskilling the middle-aged workforce to maintain productivity and prepare for possible labour shortages. Policies should also ensure the sustainability of pension systems, possibly through reforms or incentives to encourage private savings for retirement. Moreover, there will be a need for adaptable housing solutions, such as senior-friendly housing, and social programmes that promote intergenerational solidarity to address the challenges of an aging population.

4.3 Poverty, Inequality, and Human Development

In South Africa, poverty, inequality, and human development are pressing issues with profound implications for the nation's social, economic, and political progress. Poverty lines play a crucial role in measuring and monitoring poverty levels, as well as in planning and evaluating poverty reduction programmes.

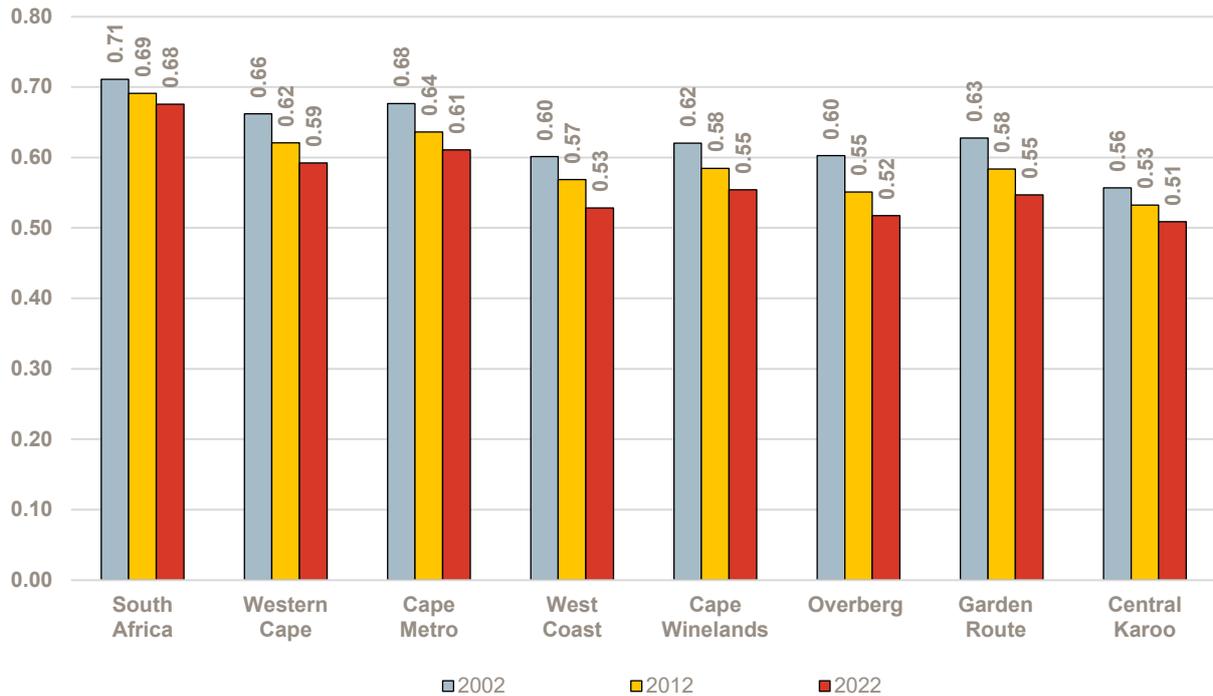
Figure 4.10 Number & Portion of Persons Below the Lower Bound Poverty Line in the Western Cape, 2013 - 2022



Source: Quantec, Poverty lines and Headcounts at 2016 municipality/ward-based metro region level

Figure 4.10 shows that the absolute number of people living below the lower-bound poverty line in the Western Cape has generally increased from 2013 to 2022, with the highest figure in 2020, nearing 3.7 million. The percentage of the population under this poverty line has fluctuated, with significant spikes in 2018 and 2020, likely due to the economic impacts of the COVID-19 pandemic. Despite some declines after 2020, the percentage has remained stubbornly high, hovering around 51 - 53 per cent throughout the decade. This highlights the ongoing challenge of poverty in the Western Cape, emphasising the need for sustained and effective interventions to tackle this issue.



Figure 4.11 Gini Coefficient for South Africa and the Western Cape by District, 2002 - 2022

Source: Quantec, *Municipal Gini Coefficient for current income at 2016 municipal/ward-based metro region level*

Figure 4.11 illustrates changes in the Gini coefficient² across South Africa and its regions, including the Western Cape, over the years 2002, 2012, and 2022. The Western Cape shows a slight decline in income inequality over this period, with the Gini coefficient declining from 0.66 in 2002 to 0.59 in 2022. This suggests that income distribution in the Western Cape has become more equal, a trend observed in all municipal districts as well. Notably, areas like the Central Karoo and the Overberg have lower Gini coefficients, indicating relatively lower income disparities.

The World Bank report, *Overcoming Poverty and Inequality in South Africa (2018)*, highlights key factors perpetuating poverty and inequality in the country, including the enduring legacy of apartheid, high unemployment, wage disparities, and inadequate education. Spatial inequalities and unequal access to services further intensify these challenges. Despite a comprehensive social protection system, structural economic constraints and governance inefficiencies continue to impede progress.

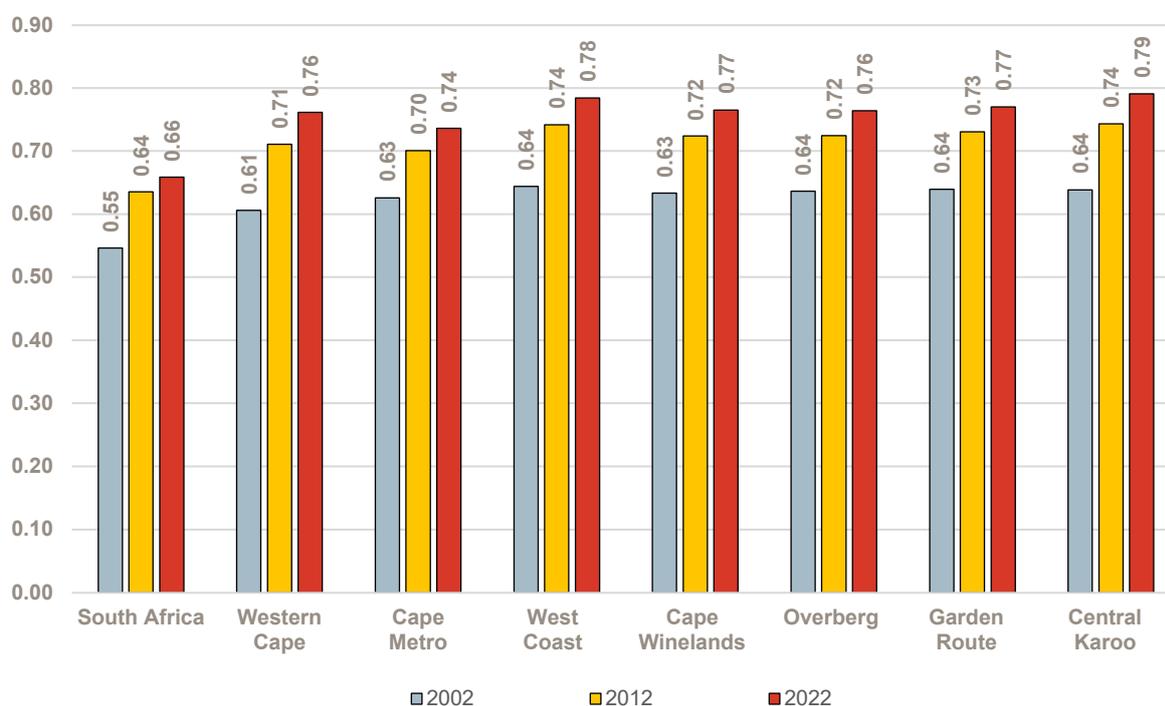
However, the report also identifies opportunities to address these issues. Economic diversification, particularly through support for Small Medium Enterprises and agriculture, along with investments in education and health, are critical for fostering inclusive growth. The Western Cape, with its relatively strong economy and governance, is well-positioned to leverage its tourism and agricultural sectors for poverty alleviation. Integrated urban planning could also play a significant role in reducing spatial inequalities (World Bank, 2018).

The Human Development Index (HDI) is a composite measure created by the United Nations Development Programme to assess and compare the overall development of countries. It combines three key dimensions: health, measured by life expectancy at birth; education, evaluated through the average years of schooling for adults and expected years of schooling for children; and standard of living, assessed by Gross National Income per capita.

² 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.

The HDI scores range from 0 to 1, with higher values indicating greater levels of human development, allowing countries to be ranked and progress to be tracked over time.

Figure 4.12 Human Development Index for South Africa and the Western Cape by District, 2002 - 2022



Source: Quantec

As shown in Figure 4.12, both South Africa and the Western Cape have steadily improved their HDI scores over the past decade. South Africa's HDI has consistently risen over the last 20 years, with a significant increase between 2002 and 2012, followed by more moderate growth from 2012 to 2022. The Western Cape consistently outperforms the national average, with every region within the Province showing notable improvements over the two decades. In 2022, the Central Karoo district recorded the highest HDI at 0.79, highlighting significant progress.

Improving the HDI involves implementing a combination of fiscal, monetary, environmental, and local governance policies, with a strong emphasis on long-term development and human resource improvement. Research suggests that government expenditure and tax revenue positively impacts HDI, while careful management of inflation and monetary policy rates is crucial to avoid negative effects (Ikediashi et al., 2023).

Furthermore, provincial governments play a crucial role in improving HDI through targeted education and healthcare initiatives. In Bone Regency, Indonesia, efforts to implement nine-year compulsory education, enhance non-formal education, and improve teacher quality have led to significant improvements in educational outcomes. Additionally, expanding access to basic healthcare and raising public health awareness have strengthened the health component of the HDI. These localised policies, tailored to the region's specific needs, have effectively enhanced overall human development (Awaluddin et al., 2020).

4.4 Conclusion

The Western Cape is undergoing rapid population growth, fuelled by both natural factors and significant in-migration. This increase in population places substantial pressure on public services and infrastructure, demanding meticulous planning and considerable investments. While high population density can stimulate economic growth, it also intensifies disparities in employment opportunities and quality of life, particularly in urban areas. Challenges such as urban sprawl, transportation congestion, and the expansion of informal settlements increasingly needing urgent attention.

Net in-migration plays a pivotal role in driving population growth in the Western Cape, further straining urban infrastructure and deepening economic inequality. Addressing these challenges requires not only effective urban planning but also targeted investments in rural areas to mitigate migration pressures and promote more balanced regional development.

The Western Cape is seeing a decline in its proportion of youth population and a rise in its elderly segment, creating challenges for healthcare, social security, and economic productivity. While life expectancy remains high, especially among females, the growing elderly population strains resources. A possible solution is to implement an ageing-in-place strategy, which would improve community healthcare and support, allowing seniors to stay in their homes longer and easing pressure on healthcare systems.

Parallel to these demographic changes, poverty remains a pressing issue in the Western Cape. The number of people living below the lower-bound poverty line has steadily increased over the past decade, peaking in 2020. Although fluctuations have occurred, particularly due to the economic impacts of the COVID-19 pandemic, the overall number of people experiencing poverty has grown. This highlights the urgent need for sustained and effective interventions to combat poverty.

Income inequality, as measured by the Gini coefficient, has shown a slight decline in the Western Cape from 2002 to 2022, indicating a more equitable distribution of income over time. While all regions in the Province have experienced improvements, some areas, such as the Central Karoo and Overberg, exhibit relatively lower income disparities, highlighting regional variations in economic equity.

The HDI has also seen steady improvement in both South Africa and the Western Cape over the past two decades. The Western Cape consistently outperforms the national average, with significant progress observed in every region, particularly in the Central Karoo district. This advancement highlights the importance of long-term development strategies that prioritise education, healthcare, and living standards, ensuring sustained progress in human development across the Province.

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5



SOCIO-ECONOMIC PROFILE OF THE WESTERN CAPE

5.1 Introduction

The socio-economic profile of the Western Cape is a decisive factor in determining the Province's development path and the overall wellbeing of its residents.

This chapter explores critical indicators in education, health, housing, and safety to offer a comprehensive understanding of the current state and challenges facing the Western Cape.

By delving into these key socio-economic areas, the chapter will examine prevailing trends, identify challenges, and highlight efforts aimed at improving outcomes for the province's residents. Gaining insight into this profile is essential for crafting targeted interventions and policies that enhance the quality of life and promote sustainable development throughout the Province.

SOCIO-ECONOMIC PROFILE IN THE WESTERN CAPE

EDUCATION



Between 2014 - 2023, the learner-teacher ratio has risen from 28.4 to 35.4.



The class of 2023 achieved a National Senior Certificate (NSC) pass rate of 81.5%.

Higher average learner retention rates (93% in 2023) in primary grades compared to high school (71% in 2023).



HEALTH



Between 2014/15 - 2023/24, the growth in the WC population (19.6%) exceeded the growth in the number of public employed nurses (5.8%), and the growth in the number of public employed doctors (18.3%)



Top causes of death

| | | |
|----|--|-------|
| #1 | COVID-19 No. 6 209 | 11.2% |
| #2 | HIV disease & Tuberculosis No. 4 794 | 8.6% |
| #3 | Diabetes mellitus No. 4 241 | 7.6% |
| #4 | Ischaemic heart disease No. 3 794 | 6.4% |
| #5 | Cerebrovascular diseases No. 3 224 | 5.8% |

HOUSING

Households access to basic services in WC (2022):



Electricity, incl. a generator
96.4%
(vs rest of SA at 94%)



Flush toilet (connected to sewerage system)
91.6%
(vs rest of SA at 63.2%)



Piped water inside dwelling
84.5%
(vs rest of SA at 53.3%)



Refuse removed at least once a week
90%
(vs rest of SA at 62.1%)

CRIME

Crime trends between 2014 - 2023:

- ↓ Burglary at residential premises (44.2% reduction)
- ↓ Sexual Offences (6% reduction)
- ↓ Driving under the influence of alcohol or drugs (31.7% reduction)
- ↓ Drug-related crime (21.6% reduction)
- ↑ Murder (43% increase)

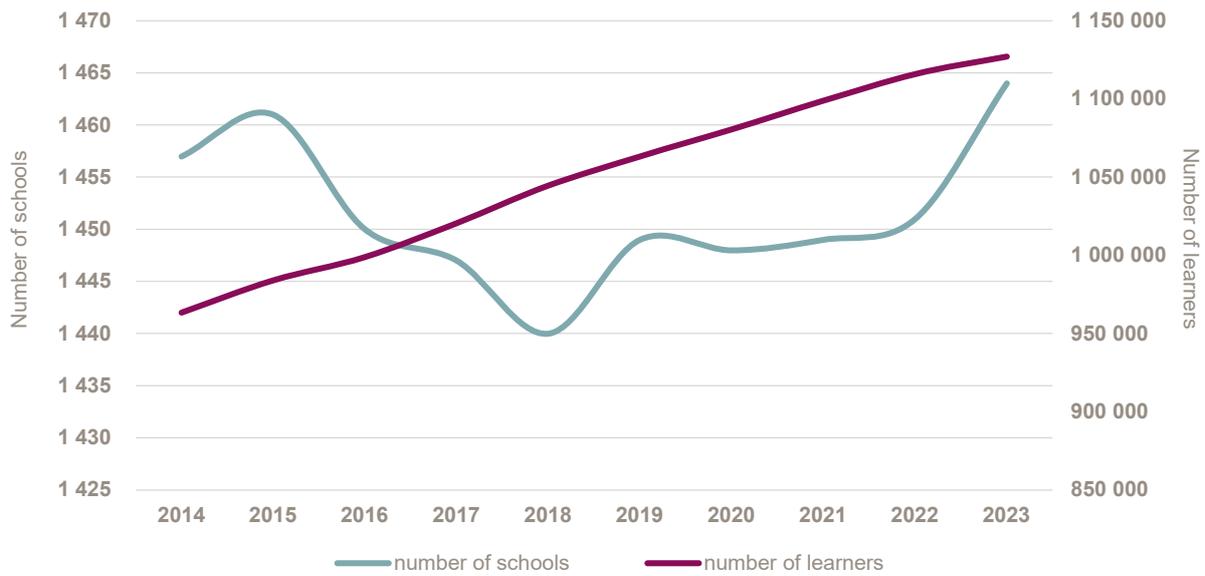
5.2 Education and Learning

Education is the cornerstone of personal and societal development, fostering critical thinking, innovation, and socio-economic growth. It equips individuals with the knowledge and skills necessary to navigate and contribute to an increasingly complex world. Delivering quality education amidst budgetary constraints requires strategic allocation of resources, prioritising essential aspects such as well-trained teachers, adequate and suitable learning materials, and safe, conducive learning environments. Ensuring that every learner has access to a comprehensive and inclusive education is vital for breaking the cycle of poverty and empowering communities.

Challenges within the Western Cape education sector persist, such as overcrowded classrooms, inadequate infrastructure, and a shortage of qualified employed teachers, exacerbated by limited financial resources. In addition, the ongoing issue of learner absenteeism and dropout rates poses a substantial hurdle to improving education outcomes. Addressing these challenges requires a multifaceted approach, focusing on targeted support for disadvantaged and underperforming schools, and fostering an environment that values and supports continuous learning. Despite budgetary constraints, commitment to innovative and strategic solutions is essential to overcoming these obstacles and ensuring every learner's right to quality education.

A closer examination of the Western Cape education statistics, provides a clearer understanding of the areas requiring immediate attention.



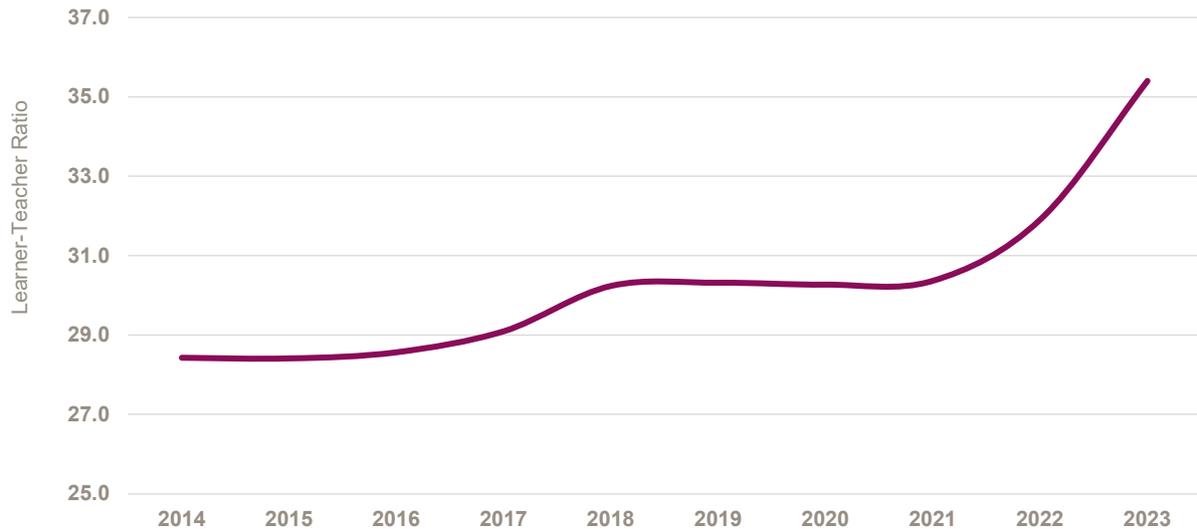
Figure 5.1 Number of Schools & Learners in The Western Cape, 2014 - 2023


Source: Western Cape Education Department

Over the last decade (2014 - 2023), the Western Cape has seen a marginal net increase of 0.4 per cent in the number of schools, alongside a substantial 19.0 per cent increase in the number of learners. The infrastructure deficit in the education sector across the Western Cape presents a formidable barrier to achieving educational equity. The growing learner population, which has outpaced the development of educational facilities, has resulted in overcrowded classrooms.

The Western Cape Education Department (WCED), through its Rapid School Build (RSB) programme, is making significant strides to expand the number of schools. By building more accessible and resilient spaces for learning and play, using rapidly scalable construction methods tailored to the needs of local communities, the RSB programme is helping to create adaptable school infrastructure that meets both current and future demands.

The relationship between class size and academic performance has been extensively studied, and while the findings are nuanced, a general consensus can be drawn from the evidence. Research consistently shows that smaller class sizes significantly benefit early education (Grades R - 3). Evidence shows that learners in smaller classes achieve better reading and math performance, higher high school graduation rates, and long-term improvements in test scores and social development. The effectiveness of smaller class sizes is influenced by contextual factors such as teacher quality and student socio-economic backgrounds, with disadvantaged students often benefiting more.

Figure 5.2 Learner-Teacher Ratio in the Western Cape, 2014 - 2023

Source: Western Cape Education Department

The shortage of qualified employed teachers is another pressing issue alongside the infrastructure deficit that negatively impacts educational outcomes in the Western Cape. Over the last decade, the learner-teacher ratio has risen from 28.4 in 2014 to 35.4 in 2023, with ratios varying widely across the Province. Increasing average class sizes can negatively impact learners' academic performance and increase pressure on teachers, resulting in less favourable educational outcomes over time. Therefore, efforts to reduce the learner-teacher ratio should be intensified, particularly in schools and regions with large class sizes. Addressing this shortage requires a dual approach. Firstly, efforts must be made to attract and retain qualified teachers, especially in under-resourced schools. This can be achieved through improved incentives, professional development opportunities, and creating a supportive teaching environment. Secondly, it is essential to enhance the pedagogical skills of existing teachers, particularly in schools with large class sizes. Targeted professional development programmes that focus on classroom management, differentiated instruction, and the use of technology in teaching can help mitigate the impact of large class sizes and improve educational outcomes.

In light of this, policymakers must consider the cost-effectiveness of class size reductions relative to other educational interventions, such as leveraging technology, implementing flexible scheduling, or offering ongoing professional development for teachers to improve classroom management skills and instructional strategies. By carefully considering effective strategies, educational interventions aimed at reducing the learner-teacher ratio must be implemented in a way that enhances the quality of education and supports positive outcomes for all learners.

Research suggests that addressing class size alone is insufficient and that improvements in the South African education system's quality, such as those that relate to teachers or school functionality, must precede or accompany class size reductions for them to be effective (Köhler, 2020).

In South Africa, as expressed by Howie (2005: 137), schools with large class sizes often suffer from poor conditions. Moreover, literature consistently emphasises that teacher quality is a crucial factor in student outcomes (Spaull, 2013; Shepherd, 2015; Van der Berg et al., 2016). Therefore, Table 5.1 explores how teacher characteristics differ across Quintile 1 to Quintile 5

schools, reflecting the variation from high to low mean class sizes. This analysis is essential as empirical evidence indicates that teachers tend to self-select into schools (Shepherd, 2015).

Table 5.1, based on data from the 2017/18 School Monitoring Survey in South Africa and using a sample of 4 759 observations restricted to secondary schools, reveals that wealthier schools attract a higher proportion of teachers with advanced qualifications, extensive experience, and higher levels of confidence and satisfaction. For example, over half of the teachers in Quintile 5 schools hold postgraduate degrees, compared to only one-third in Quintile 1 - 3 schools. Additionally, Quintile 5 schools, on average, have over five more years of teaching experience, compared to their counterparts in Quintile 1 schools; and report spending eight more hours per week on teaching. They are also more likely to have received training for supporting learners with difficulties and to teach in classrooms where each student has a textbook.

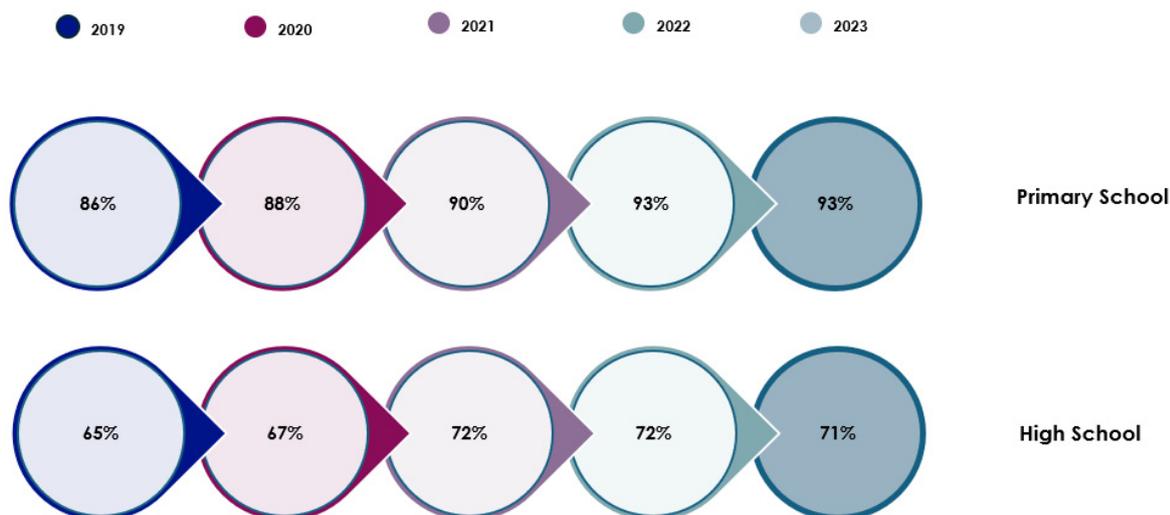
Table 5.1 Select school and teacher characteristics by school quintile in South Africa, 2017/18 School Monitoring Survey

| | School quintile | | | | | Total |
|---|-----------------|--------|--------|--------|--------|--------|
| | 1 | 2 | 3 | 4 | 5 | |
| School characteristics | | | | | | |
| Pupil-teacher ratio (PTR) | 26.796 | 27.269 | 27.894 | 26.025 | 23.842 | 26.659 |
| Mean class size (number of learners) | 57.081 | 57.846 | 55.236 | 44.139 | 37.071 | 52.560 |
| Teacher characteristics | | | | | | |
| Matric (%) | 1.370 | 0.980 | 0.800 | 0.630 | 0.800 | 0.910 |
| Diploma (%) | 22.280 | 24.370 | 21.780 | 16.190 | 7.790 | 18.980 |
| First degree (%) | 46.350 | 41.760 | 42.420 | 42.010 | 39.590 | 42.390 |
| Postgraduate degree (%) | 30.000 | 32.890 | 35.000 | 41.170 | 51.810 | 37.720 |
| Took mathematics in matric (%) | 66.620 | 64.330 | 68.030 | 73.420 | 85.320 | 71.030 |
| Mean years teaching this subject/phase | 10.401 | 11.609 | 12.028 | 13.570 | 15.600 | 12.203 |
| Very confident in teaching this subject/phase (%) | 63.610 | 67.780 | 64.190 | 70.570 | 79.250 | 68.600 |
| Mean weekly teaching time (hours) | 18.748 | 19.105 | 20.207 | 25.786 | 26.748 | 21.106 |
| Teaching multi-grade class (%) | 6.710 | 7.410 | 7.830 | 6.500 | 11.230 | 8.000 |
| Participated in self-initiated professional development (%) | 58.110 | 52.240 | 56.200 | 61.530 | 64.550 | 58.030 |
| Participated in school-initiated professional development (%) | 65.410 | 64.670 | 65.330 | 72.980 | 81.380 | 69.320 |
| Participated in external-initiated professional development (DBE) (%) | 74.160 | 76.460 | 73.280 | 70.850 | 58.910 | 71.040 |
| Participated in external-initiated professional development (Other) (%) | 38.590 | 35.380 | 34.220 | 31.300 | 25.480 | 33.170 |
| Received training on supporting learners with learning difficulties (%) | 39.950 | 39.160 | 41.670 | 47.730 | 53.030 | 43.840 |
| Very satisfied with support received from HOD (%) | 30.360 | 32.270 | 32.140 | 35.970 | 53.620 | 36.460 |
| Often use DBE workbooks in classes (%) | 8.090 | 11.210 | 11.120 | 14.650 | 6.930 | 10.300 |
| Every learner has a textbook (%) | 58.240 | 58.890 | 64.890 | 66.690 | 76.620 | 64.910 |
| Observations | 862 | 966 | 1260 | 716 | 955 | 4759 |

Source: Köhler, T. (2020)

Note: School Monitoring Survey sample of 4 759 observations was restricted to secondary schools

Learner retention and continued enrollment in schools significantly impact educational outcomes. Learners who complete secondary education have improved prospects for further education, employment, and overall quality of life. Although enrollment in public ordinary schools in the Western Cape grew by 19.0 per cent between 2014 and 2023, the number of learners tends to decline in higher grades, largely due to increasing dropout rates over time. There are various reasons for children not staying in school, including difficulty in reaching schools and the cost of schooling, as identified by Epstein and Yutas (2012). Many South African learners experience broken school careers due to factors such as irregular attendance, teacher absenteeism, teenage pregnancy, and violence in schools (UNICEF, 2017). To address these issues, continued focus should be placed on implementing targeted interventions such as improving school transportation, subsidising school fees, enhancing teacher training and retention programmes, and ensuring safe school environments.

Figure 5.3 Retention Rate in Primary & High School in the Western Cape, 2019 - 2023

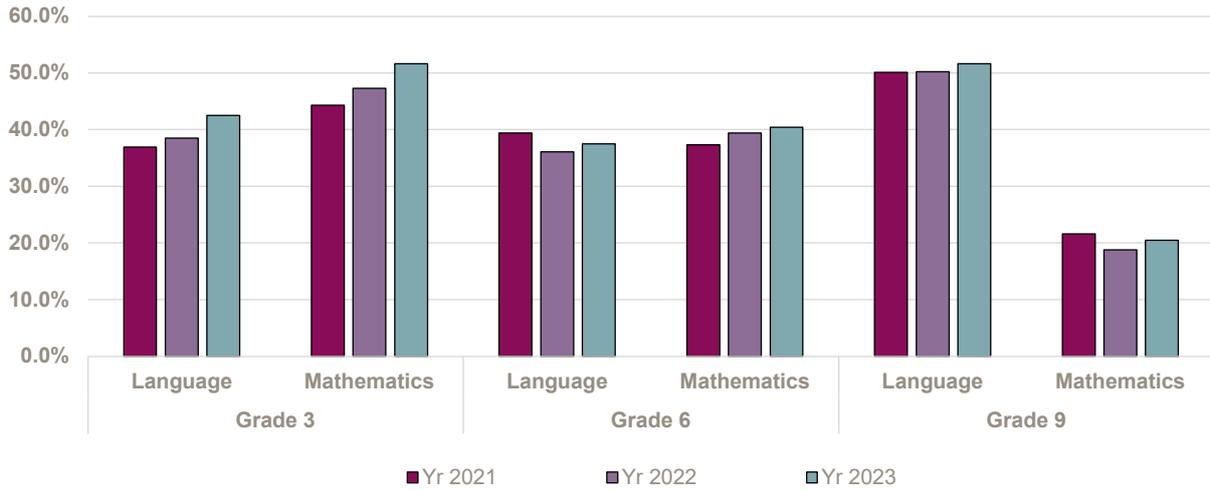
Source: Western Cape Education Department

The Western Cape has higher average learner retention rates in primary grades (93 per cent in 2023) compared to high school (71 per cent in 2023). There is a minimal decrease in the average learner retention at high schools, declining from 72 per cent in 2022, to 71 per cent in 2023. Over the last 5 years though, 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 completing their education.

Literacy and numeracy skills are foundational to a child's educational development, enabling them to navigate and comprehend the world around them effectively. Proficiency in these areas is crucial for academic success and future opportunities. Conducting systemic tests is essential to assess learners' progress, identify gaps in learning, and ensure that educational interventions are targeted and effective. On average, over the last three years, the Western Cape witnessed an improvement in systemic test results for Grades 3, 6, and 9, revealing significant gains in Grade 3 scores. The Foundation Phase (Grades 1 to 3) was hit hardest by the COVID-19 pandemic, with pass rates plummeting in annual tests. Recognising the critical importance of these early years, the WCED prioritised this phase. The positive trends of the past three years show that the targeted interventions in early grade literacy and numeracy, and the extra time dedicated to Reading and Mathematics, are yielding positive results. The poor pass rates in Mathematics for Grade 9 learners are particularly concerning, highlighting the urgency and importance of further targeted interventions.

The Back on Track programme of the WCED addresses educational inequities and achievement gaps exacerbated by the pandemic, targeting learners in specific grades to provide remedial assistance and extended learning time. By implementing Saturday tutoring, holiday programmes, and additional instructional hours, the initiative helps learners recover lost ground. It also supports mental health, enhances technology access, and offers professional development for teachers to handle hybrid learning environments. This programme is vital for mitigating long-term academic setbacks, reducing societal inequalities, and maintaining economic competitiveness.

Figure 5.4 Systemic Test Results in the Western Cape, 2021 - 2023



Source: Western Cape Education Department

Figure 5.5 shows that the Western Cape consistently outperformed the national average for the Pass and Bachelor's categories, with the exception of the 2023 Pass percentage achieved. In the class of 2023, the Western Cape achieved the fifth-highest National Senior Certificate (NSC) pass rate in South Africa when compared to other provinces, at 81.5 per cent. The national average equates to 82.9 per cent. The pass rates for bachelor's, diploma, and higher certificate achievements, which are all matric level passes, highlight the diverse educational pathways learners in the Province pursue based on their pass category.

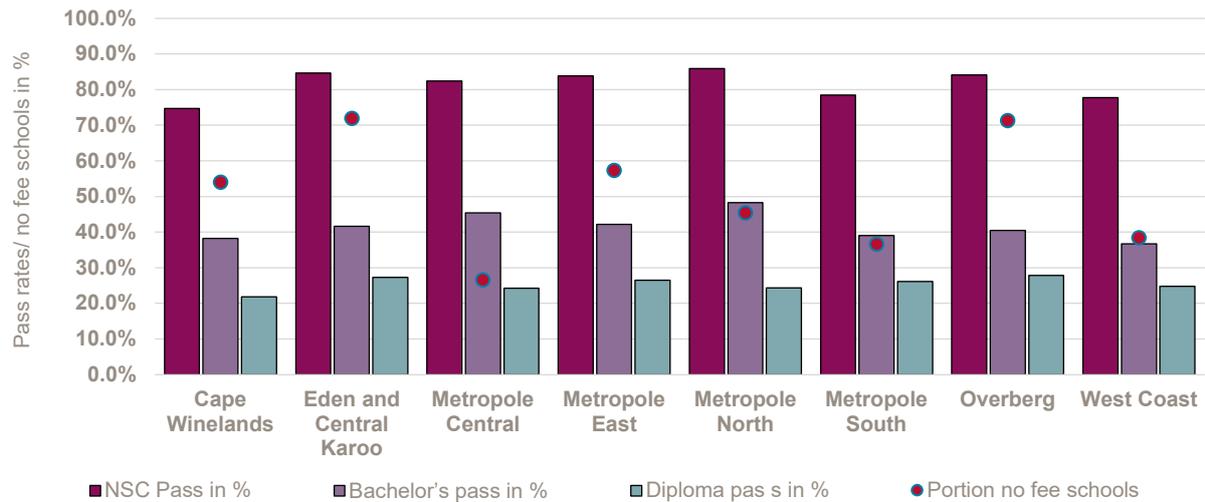
Figure 5.5 Comparison of NSC Categories of Achievement in the Western Cape versus the National Average, 2019 - 2023



Source: Western Cape Education Department

The interplay between poverty and academic performance in the Western Cape presents a complex challenge, exacerbated by significant in-migration to the region. Education districts characterised by higher poverty levels often contain a greater proportion of no-fee schools, which struggle with resource constraints. The influx of learners from other provinces adds further pressure on these schools, straining already limited resources and highlighting disparities in educational support. Addressing this issue requires targeted interventions to bridge the resource gap and provide comprehensive support systems for learners from low-income families, ensuring equitable access to quality education across the Western Cape.

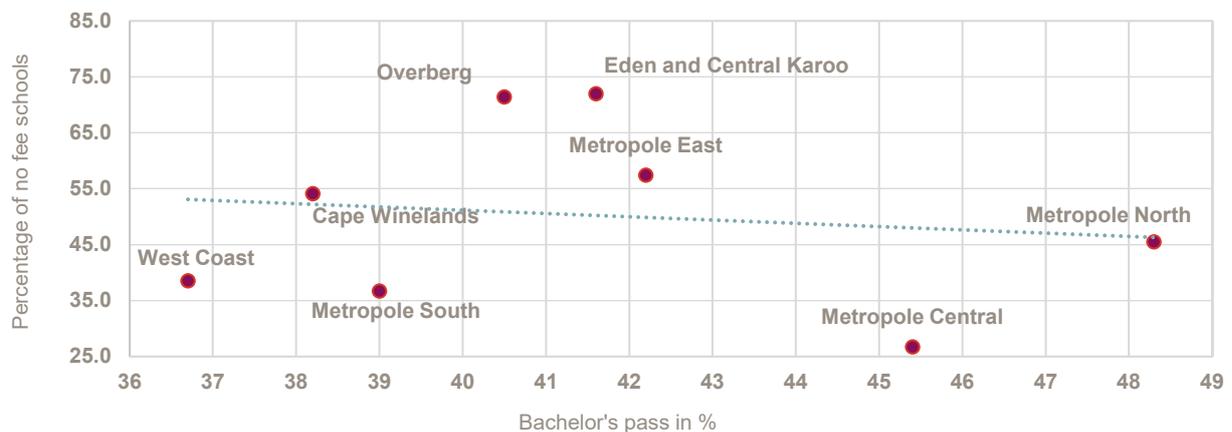
Figure 5.6 NSC, Diploma and B Degree Pass Rates; and Portion of No Fee Schools per Western Cape Education District, 2023



Source: Western Cape Education Department

In 2023, as depicted in Figure 5.7, there exists a negative correlation (-0.14) 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. While a negative correlation persists, the value suggests a less pronounced link between poverty and academic performance. This could imply that while socio-economic factors still impact educational outcomes, other elements may be influencing bachelor pass rates in the various districts, such as school resources and infrastructure, teacher quality, school support programmes and learner motivation.

Figure 5.7 Correlation between No Fee Schools and Bachelor Pass Rate in the Western Cape, 2023



Source: Western Cape Education Department

Fostering a culture of continuous learning and monitoring educational outcomes will help create a supportive and effective educational environment, leading to sustainable economic growth and the overall progress of the Province.

5.3 Health and wellness

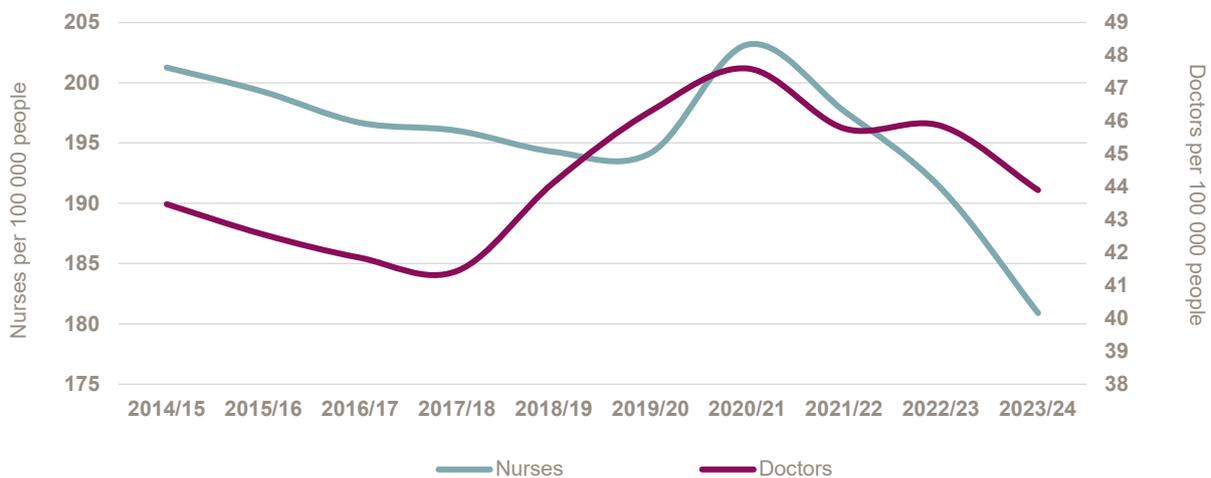
The Western Cape, renowned for its vibrant communities and diverse population, faces significant health and wellness challenges amidst a fiscally constrained environment that demands urgent and effective solutions. Ensuring the functional and quality delivery of health and wellness services is not only a fundamental right but also a critical determinant of the Province's overall socio-economic development. As the population grows and healthcare needs evolve, the WCG aims to prioritise the provision of accessible, efficient, and high-quality healthcare services in partnership with relevant stakeholders. Investing in robust health infrastructure, skilled healthcare professionals, and innovative service delivery models will be pivotal in meeting the health and wellness needs of all residents, thereby enhancing the wellbeing and resilience of the Western Cape community.

5.3.1 Doctors and nurses

In the Western Cape, the expertise, compassion, and commitment of doctors and nurses are vital for effective medical interventions and patient care. However, shortages of these healthcare professionals can lead to inadequate care, longer waiting times, and poorer health outcomes, especially in underserved areas.

Addressing these shortages by ensuring equitable distribution, investing in continuous professional development, and improving working conditions is crucial. By empowering doctors and nurses through these measures, the WCG can significantly enhance health outcomes and patient satisfaction, addressing the diverse healthcare needs of its population.

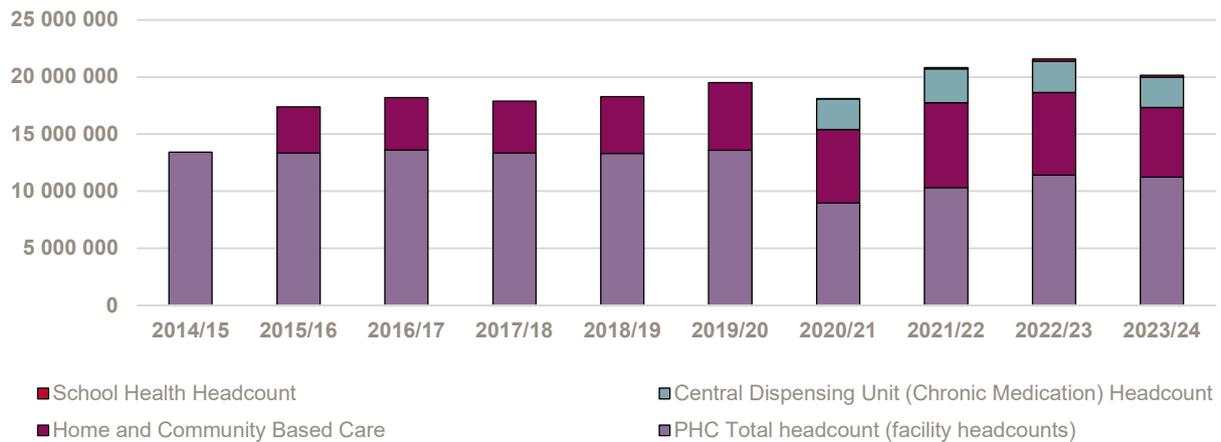
Figure 5.8 Number of Public Employed Doctors and Nurses per Population in the Western Cape, 2014/15 - 2023/24



Source: Western Cape Department of Health and Wellness

Over the past decade, the Western Cape experienced minimal growth in the number of public-employed doctors per 100 000 people, from 43.5 in 2014/15 to 43.9 in 2023/24. The marginal improvement can be attributed to an additional 499 doctors employed at public healthcare facilities over the period. As depicted in Figure 5.8, a surge in the number of doctors and nurses was experienced in 2020/21 due to the health response required during the COVID-19 pandemic. However, the number of public-employed nurses per 100 000 people declined noticeably from 201.3 in 2014/15 to 180.9 in 2023/24. Over the period, the growth in the population of the Western Cape (19.6 per cent) exceeded the growth in the number of public-employed nurses (5.8 per cent), and the growth in the number of public-employed doctors (18.3 per cent).

Figure 5.9 Public Healthcare Total Headcount, Home and Community Based Care, Central Dispensing Unit Headcount, and School Health Headcount in the Western Cape, 2014/15 - 2023/24



Source: Western Cape Department of Health and Wellness

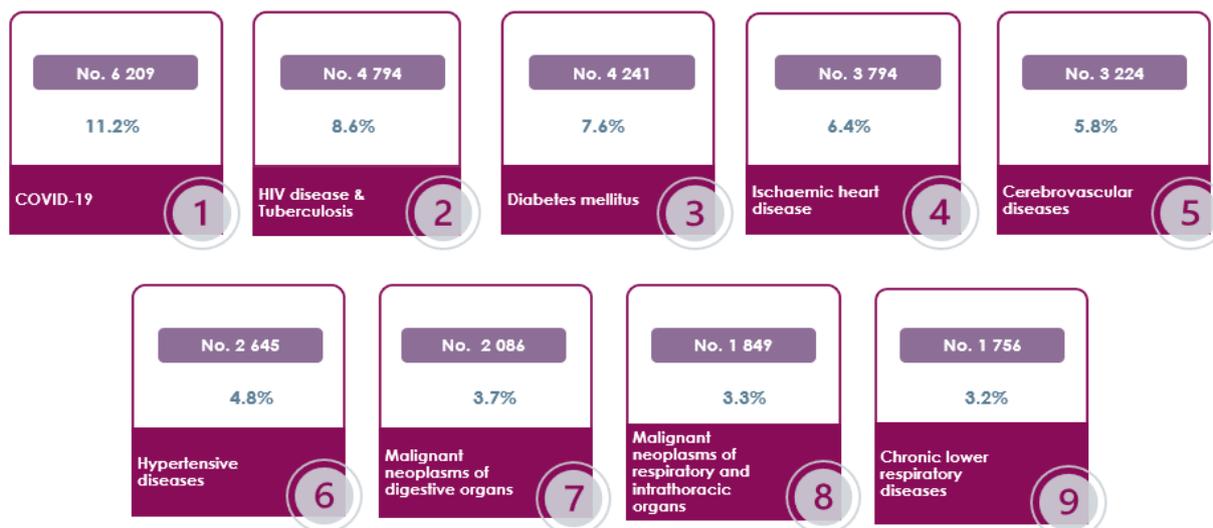
Despite the expanding population of the Province, the degree of expansion in the trend of public healthcare hospital visits has not been as significant. In 2020/21, the number of public healthcare facility visits declined substantially (-33.9 per cent) from levels reached in 2019/20.

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. Meanwhile, home and community-based care saw an increase (8.5 per cent) in 2020/21, reflecting a shift toward community services during the pandemic. Furthermore, the Central Dispensing Unit for chronic medication was instituted in 2020/21, helping reduce the burden on physical facilities. Overall, the total number of patients served by the Department of Health and Wellness, as shown in Figure 5.9, increased by 49.8 per cent between 2014/15 and 2023/24.

Noting the sharp decline in the number of public nurses compared to the growing population, the need to alleviate the strain on the healthcare system is necessary. Unlike the traditional healthcare model, which is centered around facility-based care, the Differentiated Models of Care (DMoC), implemented by the Department of Health and Wellness, expands care delivery across various locations and service providers. By offering high-quality, accessible, and comprehensive health services, DMoC meets citizens' needs more effectively and cost-efficiently. This model reduces the reliance on facility visits by incorporating community health worker visits, chronic medication delivery, telehealth services, and partnerships with Non-Profit Organisations (NPOs) and private providers. To sustain and enhance public healthcare service delivery, continued investment and innovation will be essential in maintaining and improving the standards of care.

5.3.2 Causes of Mortality

The Western Cape faces a diverse array of health challenges, as evidenced by the leading natural causes of death in the region. The top causes span both communicable and non-communicable diseases, reflecting the complex health landscape that requires multifaceted approaches to healthcare and policy.

Figure 5.10 Top Ten Leading Natural Causes of Death in the Western Cape, 2020


Source: Stats SA, *Mortality and causes of death in South Africa, 2020*

Note 1: HIV disease and Tuberculosis (TB) is grouped, considering that TB is one of the leading causes of death among people with HIV

In 2020, during the height of the COVID-19 pandemic, COVID-19 emerged as the leading natural cause of death in the Western Cape, accounting for 11.2 per cent of all deaths. This was a reflection of the unprecedented global health crisis that challenged healthcare systems worldwide, leading to a significant increase in mortality rates due to the novel virus. While COVID-19's impact was profound during this period, it is important to contextualise its significance within the broader scope of public health. The relevance of COVID-19 as a cause of death has diminished as the pandemic has subsided, thanks to widespread vaccination efforts, improved treatments, and public health measures. However, the pandemic highlighted the importance of preparedness for emerging infectious diseases, reminding us that such threats can have devastating consequences if not adequately managed.

Human Immunodeficiency Virus (HIV) disease and Tuberculosis (TB) ranked as the second leading cause of natural death in the Western Cape, accounting for 8.6 per cent of all deaths, highlighting the ongoing significance of these long-standing public health challenges in the region. Despite the immediate and severe impact of COVID-19, HIV and TB continue to pose substantial threats to public health, particularly in areas with high prevalence rates. This emphasises the importance of maintaining and strengthening HIV and TB prevention, treatment, and care programmes.

The implementation of Targeted Universal Testing for TB (TUTT) represents a significant step forward, expanding testing to include close contacts of TB patients regardless of symptoms, thereby enabling earlier diagnosis and treatment. This approach is complemented by a focus on vulnerable populations, including TB patients' family members and immunocompromised individuals, for comprehensive screening and testing. The government continues to provide free TB testing and treatment at public healthcare facilities, while also conducting community awareness events to educate the public about TB symptoms, prevention, and the critical importance of treatment adherence. These initiatives form part of a broader multi-sectoral TB response plan, geared towards the Western Cape Government's vision of a TB-free Western Cape with zero deaths, disease, and suffering due to TB.

The top 10 natural causes of death highlight a significant burden of both infectious and non-communicable diseases (NCDs). NCDs such as diabetes, heart disease, and cancers necessitate comprehensive strategies, including lifestyle modification programmes, early detection and screening initiatives, and improved access to healthcare services.

Globally, the increasing prevalence of NCDs is a major concern, as highlighted by the World Health Organisation (WHO). The WHO emphasises the importance of tackling NCDs through multi-sectoral approaches involving public health policies, community engagement, and international collaboration. In line with global health strategies, the Western Cape can benefit from adopting best practices and innovative solutions that have been successful in other regions to reduce the impact of these causes of death and enhance the overall wellbeing of the population. This includes solutions such as early detection programmes, utilising AI and machine learning for predictive analytics, which can identify at-risk individuals for conditions such as ischemic heart disease and cancers, enabling timely intervention.

5.3.3 HIV/AIDS Services

HIV/AIDS remains a significant public health issue in South Africa, with the country having the world's highest number of people living with HIV/AIDS. As per the Mid-year Population Estimates for 2024, approximately 8 million South Africans are living with HIV. Regrettably, the Western Cape is not immune to the impact of the epidemic, as approximately 558 817 people in the region are estimated to be living with HIV/AIDS.

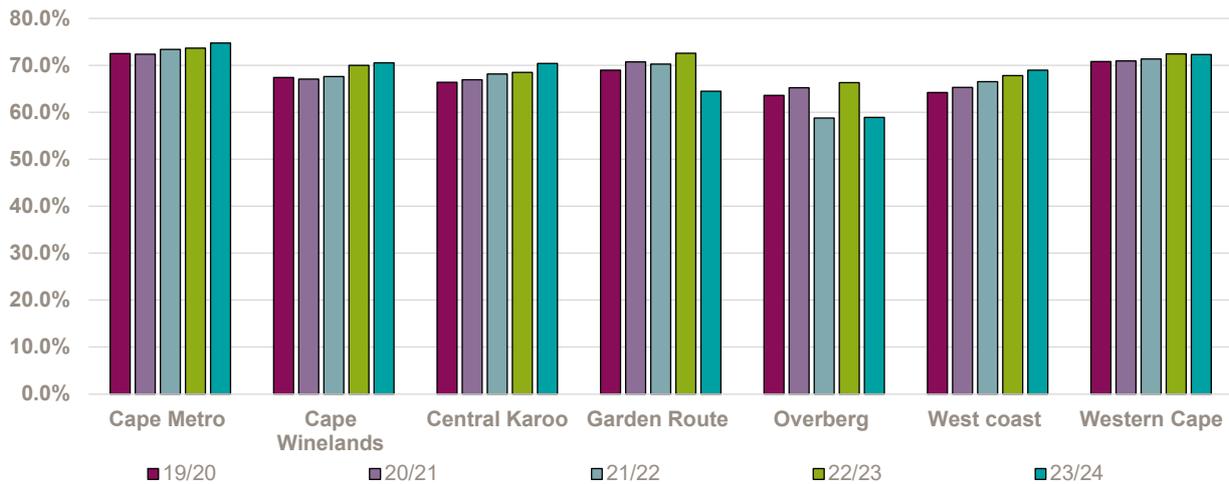
Despite concentrated efforts to combat HIV/AIDS in the Western Cape and throughout South Africa, the virus remains a significant public health challenge. It is crucial to continually educate the public about HIV prevention, improve access to HIV testing and treatment, and address the persistent stigma associated with the virus. These measures are essential for effectively managing and reducing the ongoing epidemic.

The expanded rollout of antiretroviral therapy (ART) over the years has dramatically improved the prognosis for those living with HIV. South Africa's commitment to this programme has been transformative in its contribution towards reducing AIDS-related deaths from 284 249 in 2005 (42 per cent of all deaths) to 68 406 in 2024 (12.5 per cent of all deaths), as revealed in the Mid-year population estimates, 2024.

Between 2019/20 and 2023/24, an increase in the percentage of HIV-positive patients receiving ART in the Western Cape is observed, equating to 1.5 percentage points. Over this period, the West Coast District saw the greatest increase (4.8 percentage points), followed by the Central Karoo District (4.0 percentage points) and the Cape Winelands District (3.1 percentage points). A declining trend is however observed for the Overberg (-4.7 percentage points) and the Garden Route (-4.5 percentage points) Districts.

In 2023/24, the Cape Metro had the highest percentage (74.8 per cent) of HIV-positive individuals receiving ART treatment, followed by the Cape Winelands (70.5 per cent) and the Central Karoo (70.4 per cent). In contrast, the Overberg region represents the lowest percentage, at 58.9 per cent.

Figure 5.11 Percentage of HIV-positive individuals receiving ART in the Western Cape, 2019/20 -2023/24



Source: Western Cape Department of Health and Wellness

5.3.4 Infant, Child, and Maternal Health

The Western Cape boasts some of the country's best healthcare infrastructure and services, yet disparities persist, particularly in underserved and rural communities. Issues such as maternal mortality, neonatal and child health, and access to quality healthcare services are influenced by a complex interplay of socio-economic factors and healthcare access. Efforts to address these challenges are ongoing, with a focus on improving maternal care, reducing infant and child mortality rates, and promoting overall family health through comprehensive healthcare strategies and community-based initiatives.

Infant mortality remains a critical public health issue worldwide. Socio-economic determinants such as poverty, lack of access to quality healthcare, maternal education, and nutritional deficiencies play significant roles in infant mortality rates. Additionally, environmental factors, cultural practices, and healthcare system inefficiencies contribute to the challenges in reducing infant mortality. Understanding these contributors is essential for developing targeted interventions and policies to improve infant survival rates and ensure healthier starts to life.

According to the WHO, the leading causes of death among neonates globally includes premature birth, birth complications (birth asphyxia/trauma), neonatal infections and congenital anomalies, which collectively account for almost 4 in every 10 deaths in children under 5 years of age. It is important to highlight that while global rates for the leading causes of neonatal deaths have decreased since 2000, these causes still made up the same proportion of under-5 deaths, 4 in 10, in 2000 and 2022.

The in-Facility Neonatal Mortality Rate (iNNMR), which monitors the rate of death within the first 28 days of life, provides insight into the gravity of the situation. Between 2019/20 and 2023/24, the Western Cape witnessed a relatively stable iNNMR, ranging from 8.5 in 2019/20 to 8.6 deaths per 1 000 live births in 2023/24. This is compared to a national iNNMR of 11 deaths per 1 000 live births. In 2023/24, all districts, except the Garden Route District, experienced a decrease in iNNMR compared to the preceding fiscal year.

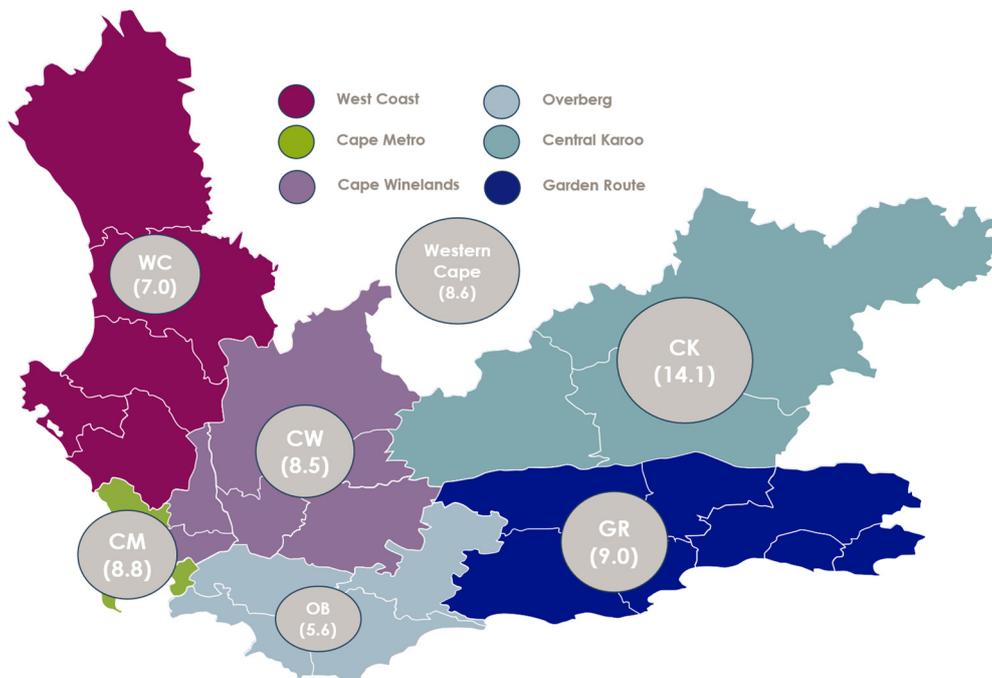
Figure 5.12 The In-Facility Neonatal Mortality Rate per District in the Western Cape, 2017/18 - 2023/24

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|----------------|---------|---------|---------|---------|---------|---------|---------|
| Cape Metro | 9.1 | 9.6 | 8.6 | 8.7 | 8.2 | 9.7 | 9.0 |
| Cape Winelands | 9.5 | 9.3 | 7.9 | 10.7 | 8.0 | 8.6 | 7.5 |
| Central Karoo | 19.9 | 12.1 | 9.5 | 15.6 | 7.5 | 23.2 | 14.8 |
| Garden Route | 11.4 | 9.0 | 9.2 | 7.8 | 7.7 | 8.9 | 11.1 |
| Overberg | 4.2 | 7.2 | 6.1 | 3.8 | 5.6 | 8.4 | 4.1 |
| West Coast | 9.2 | 6.4 | 8.2 | 7.1 | 7.2 | 7.7 | 4.9 |
| Western Cape | 9.3 | 9.3 | 8.5 | 8.7 | 8.0 | 9.4 | 8.6 |

Source: Western Cape Department of Health and Wellness

The Central Karoo District stands out with a notably high iNNMR of 14.8 in 2023/24, although this is a marked improvement from the iNNMR of 23.2 recorded the previous year. This District surpasses others in the Western Cape, indicating a severe issue in this specific area. Additionally, between 2019/20 and 2023/24, the Central Karoo District reported the highest average iNNMR at 14.1, underscoring the need for targeted interventions in this region.

Figure 5.13 The In-Facility Average Neonatal Mortality Rate per District in the Western Cape, 2019/20 - 2023/24



Source: Western Cape Department of Health and Wellness

Immunisation is crucial for protecting the health of infants and young children, who have vulnerable immune systems. Vaccines not only protect them from various diseases but also help prevent disease transmission within communities. They are an essential tool in safeguarding the health of these young individuals.

Figure 5.14 Immunisation Rate per District in The Western Cape, 2019/20 - 2023/24

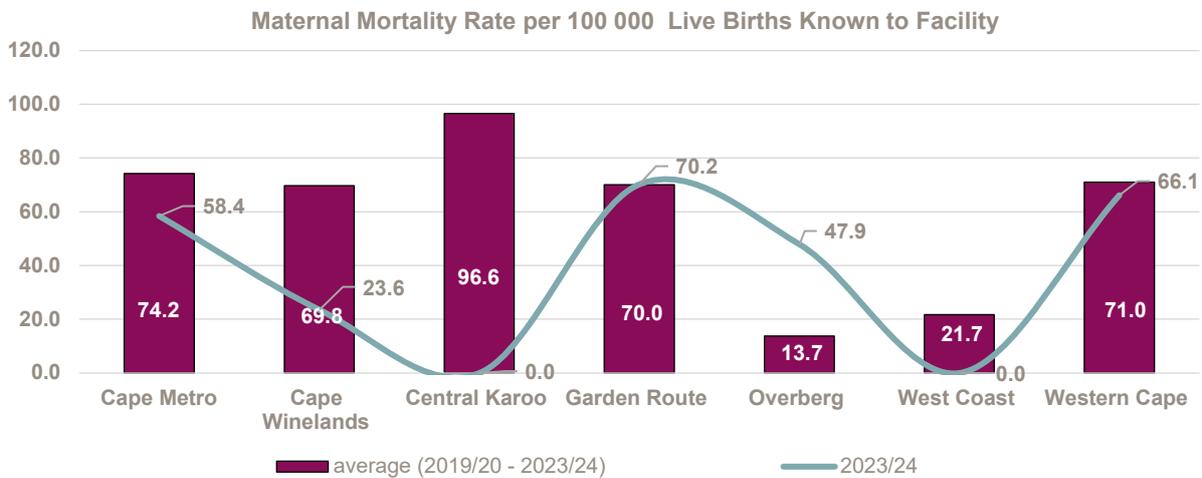
| District | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|----------------|---------|---------|---------|---------|---------|
| Cape Metro | 84.9 | 83.6 | 84.1 | 74.3 | 66.3 |
| Cape Winelands | 76.3 | 77.2 | 77.0 | 76.4 | 65.5 |
| Central Karoo | 90.0 | 84.7 | 93.3 | 81.0 | 58.9 |
| Garden Route | 83.6 | 86.7 | 85.5 | 81.0 | 73.2 |
| Overberg | 76.2 | 83.3 | 82.3 | 80.0 | 77.1 |
| West Coast | 71.4 | 82.3 | 84.4 | 76.2 | 71.6 |
| Western Cape | 82.2 | 82.9 | 83.2 | 75.7 | 67.5 |

Source: Western Cape Department of Health and Wellness

The average immunisation coverage rates for babies under the age of one year between 2019/20 and 2023/24 point to declines in immunisation rates in the Central Karoo (31.1 percentage points), Cape Metro (18.6 percentage points), Cape Winelands (10.8 percentage points), and Garden Route (10.4 percentage points) districts in 2023/24.

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 from 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 5.15 Public Sector In-Facility Maternal Mortality Rate in the Western Cape per District, Average, 2019/20 - 2023/24



Source: Western Cape Department of Health and Wellness

The issue of maternal mortality is deeply impactful, affecting countless women globally and necessitating immediate action. Despite significant healthcare advancements, many women still die from complications during pregnancy. The maternal mortality rate serves as a vital indicator of a nation's overall health and prosperity, highlighting the urgent need to address and reduce this distressing trend.

As depicted in Figure 5.15, the Western Cape experienced varying in-Facility Maternal Mortality Rates (iMMR) per 100 000 live births between 2019/20 and 2023/24. The Central Karoo had the highest average iMMR at 96.6, followed by the Cape Metro at 74.2 and the Garden Route at 70.0, while the Overberg District reported the lowest at 13.7. In 2023/24, the Western Cape's overall iMMR slightly decreased to 66.1, below the five-year average of 71.0.

Healthcare inequalities are evident in infant, child, and maternal health, especially in the Central Karoo region, which consistently exhibits poor performance in health metrics. This highlights the urgent need for targeted healthcare interventions, informed by comprehensive and localised strategies, encompassing robust policy measures to ensure fair healthcare access and outcomes for all regions within the Western Cape.

5.3.5 Mental Health

Mental health encompasses our emotional, psychological, and social wellbeing, influencing how we think, feel, and act. It plays a crucial role in managing stress, relationships and making healthy choices. Recent years have seen a sharp rise in mental health issues globally, worsened by the COVID-19 pandemic. In the Western Cape, mental illness has increased due to factors like unemployment, substance abuse, and safety concerns.

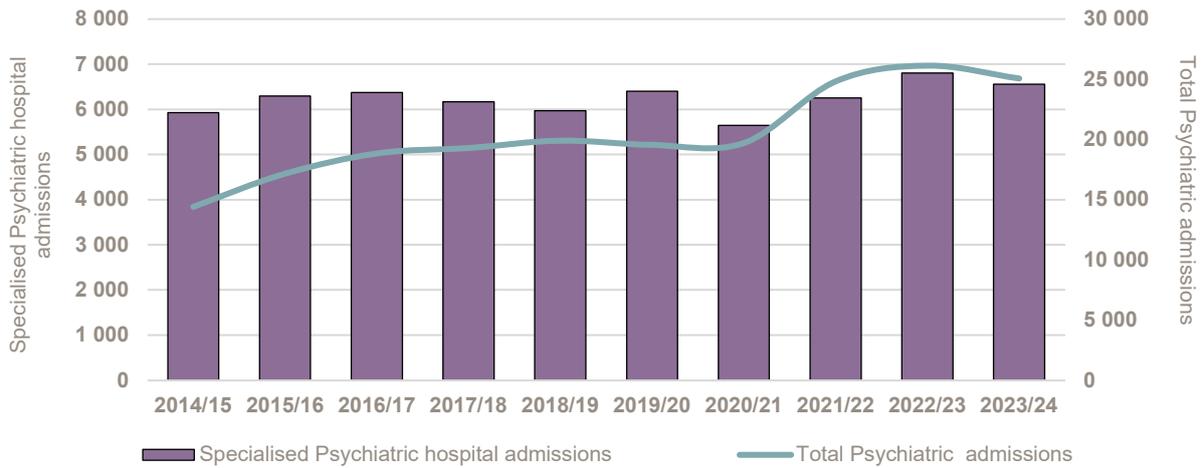
The burden of mental health conditions has increased globally in recent years¹. The Global Burden of Disease study attributes nearly 15 per cent of years of life lost to mental disorders, making mental illnesses one of the most significant causes of disability worldwide.

Between 2014/15 and 2023/24, an average of 20 503 psychiatric admissions occurred in the Western Cape, of which 6 239 (30.4 per cent) required admission to specialised psychiatric hospitals. Between 2020/21 and 2022/23, the Western Cape experienced an unprecedented surge of psychiatric admissions in public health facilities, peaking at 26 149 admissions, and then subsequently declining in 2023/24. According to the 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.



¹ WHO, 2022. World Mental Health Report: Transforming mental health for all. Geneva

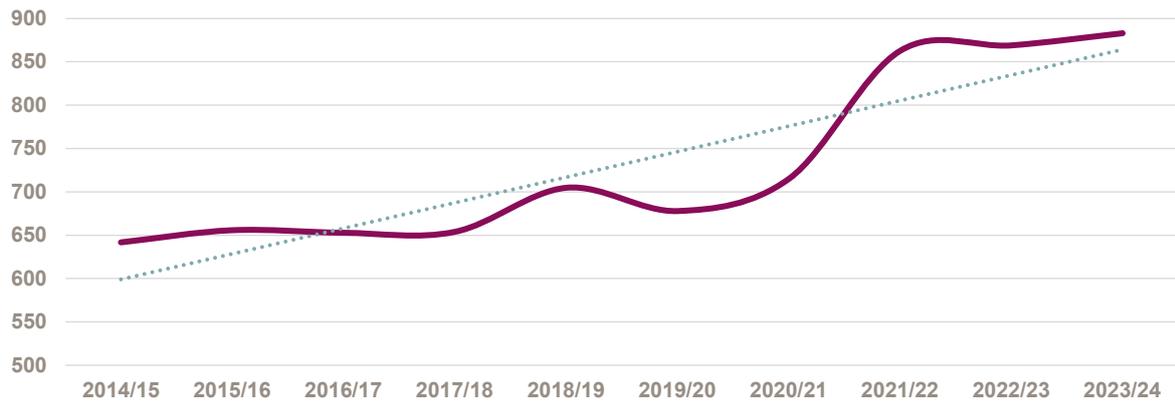
Figure 5.16 Total Psychiatric Admissions & Specialised Psychiatric Hospital Admissions in the Western Cape, 2014/15 - 2023/24



Source: Western Cape Department of Health and Wellness

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 Number of Suicides in the Western Cape, 2014/15 - 2023/24



Source: Western Cape Department of Health and Wellness

Between 2014/15 and 2023/24, annual suicide numbers in the Western Cape grew by 37.5 per cent, with a 31.9 percentage point increase since 2020/21. 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.

What is the state of employees' mental health at work in South Africa?

Many South African employers approach employee mental wellbeing primarily through the lenses of absenteeism and medical aid claims. While COVID-19 has shifted some focus toward a more comprehensive view of workplace mental health, numerous factors still contribute to mental health issues, including rising job insecurity, increased automation and rapid technological advances, and high job demands.

The situation is exacerbated by the persistent stigma surrounding mental health. According to South African Depression and Anxiety Group, only one in six employees are likely to disclose their mental health issues to their manager, leading to reluctance in seeking time off to manage depression or anxiety. Many employers may not even recognise depression as a legitimate reason for leave, given its relative lack of open discussion.

Organisations often operate under tight budgets, limiting resources for employee welfare and creating an environment where cost-saving is prioritised over employee health and wellness. In many organisations, especially during economic downturns or periods of financial strain, the focus shifts to reducing operational costs, which include staffing levels. While these measures can provide short-term financial relief, they often come at the expense of employee wellbeing.

Organisations must start prioritising emotional and mental health to the same degree as physical health. A proactive approach to managing employees with mental health issues can include the following:

- Educating employees on the topic of depression and its impact on work performance.
- Raising awareness of Employee Assistance Programmes and their role in addressing mental health problems.
- Promoting a culture of acceptance around depression and other psychiatric disorders, treating them as equal to physical illnesses like diabetes or asthma.
- Referring employees who disclose struggles with depression to mental healthcare professionals and reassuring them that their condition is treatable.
- Implementing flexible or adjusted working hours and allowing temporary work-from-home arrangements to support recovery.

In conclusion, the primary challenge in addressing workplace mental health in South Africa is the lack of priority and proactive measures by employers. Moving forward, employers need to educate themselves about mental health in the workplace, manage employees living with depression and anxiety effectively, and assess how their work environment may be contributing to the problem.

Source: <https://www.eapasa.co.za/the-state-of-mental-health-in-south-africa/>

5.4 Household services

As the Western Cape grows, the availability of affordable housing has become a critical concern. In response, the public sector is actively addressing housing challenges through strategic investments. One of the WCG's key priorities is the Affordable Housing Programme, which is accelerating the disbursement of the Finance Linked Individual Subsidy Programme (FLISP)², while exploring other avenues to meeting the increasing demand. The FLISP housing backlog stands at an estimated 425 000 households and is expected to grow in the short to medium term. Despite efforts, the ongoing challenge of providing affordable housing to low-income households on well-located land remains unsolved. There is a broad consensus on the need for more integrated settlements (offering access to public and social services, and livelihood opportunities) and for improving densification along transport networks.

² The Finance Linked Individual Subsidy Programme is a subsidy established by government to provide the poor and the low to middle income households with access to adequate housing.

Qualifying households for this subsidy are those in the gap market that is - those that do not qualify for a fully subsidised house and at the same time do not qualify for mortgage loans from the banks. These are families earning between R3 501 and R22 000 per month.

Housing affordability remains a significant challenge, driven by a combination of factors such as rising construction costs, increasing demand, low wages, and limited housing supply. The interplay of these factors make it increasingly difficult for many individuals and families to secure affordable housing. To address this issue, the government, must adopt a proactive agenda with a clear action plan to implement policy interventions and increase investment. Partnering with the private sector and offering incentives will be essential to drive progress in this area.

5.4.1 Housing

Housing is the cornerstone of stability, security, and comfort in our lives. A safe and welcoming home provides a sanctuary where families can thrive, children can grow and learn, and individuals can find solace and dignity. Ensuring everyone has access to affordable and quality housing is a fundamental step towards fostering vibrant, resilient, and compassionate communities.

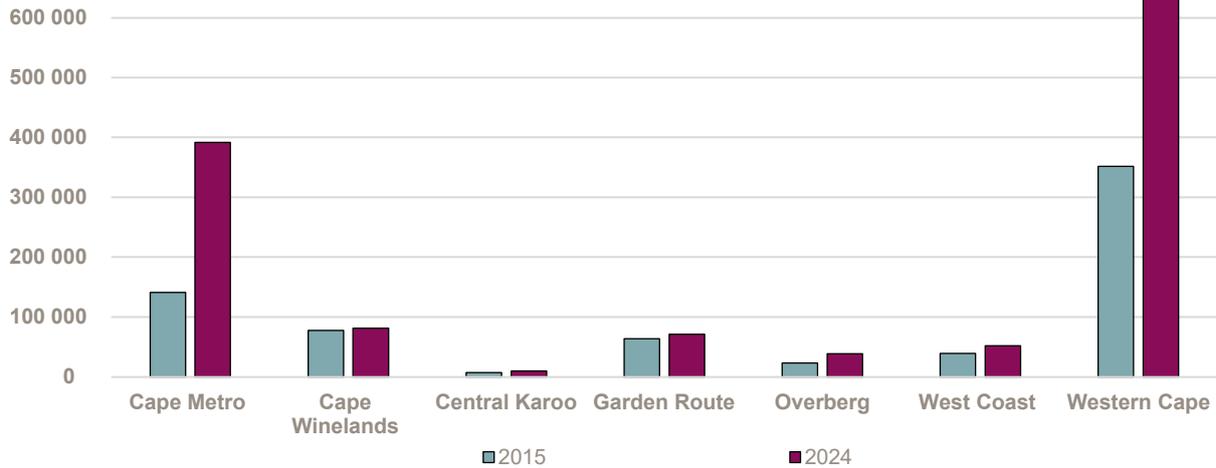
The Western Cape faces the challenge of the prevalence of informal dwellings. In 2022, the Western Cape had a higher portion of informal dwellings compared to the rest of South Africa. Between 2013 and 2022, the portion of informal dwellings in the Western Cape decreased by 6.3 percentage points to reach 11.8 per cent of total dwellings in 2022. Over the same period, the rest of South Africa experienced a decline of 4.3 percentage points, with informal dwellings (8.3 per cent) accounting for a relatively smaller portion of total dwellings.

Figure 5.18 Share of Informal to Total Dwellings, Western Cape and Rest of South Africa, 2013 - 2022



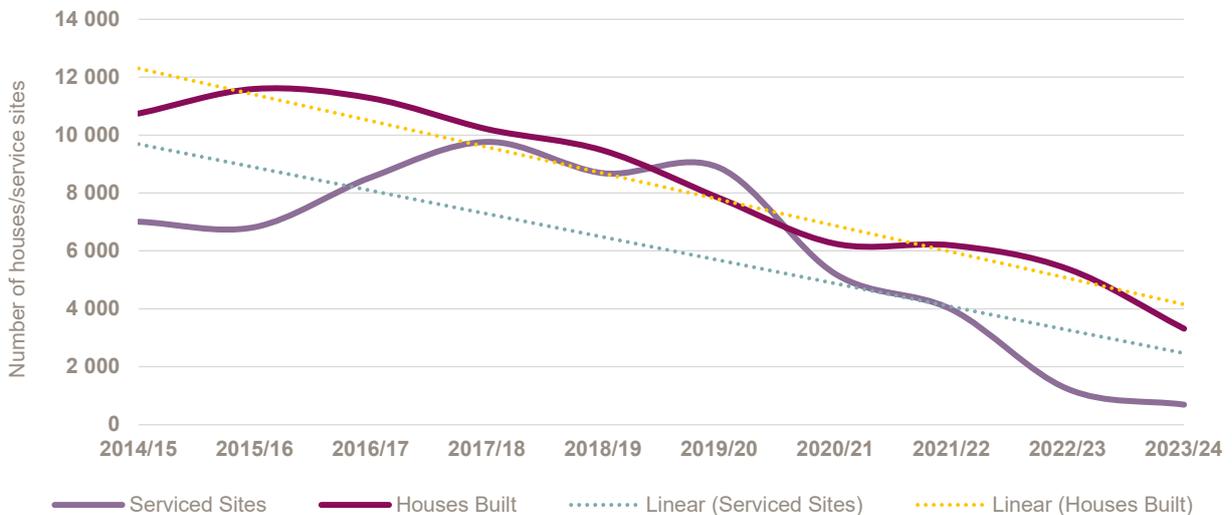
Source: Quantec, Own calculations

Between 2015 and 2024, the total registered housing demand in the Western Cape increased by 292 529, or 83.2 per cent, reaching 644 177 in 2024. Most of this demand was concentrated in the Cape Metro, accounting for 60.8 per cent of the total, followed by the Cape Winelands (12.6 per cent), and Garden Route (11.0 per cent) districts.

Figure 5.19 Registered Housing Demand in the Western Cape per District, 2015 - 2024

Source: Western Cape Department of Infrastructure

In 2023/24, the WCG delivered 3 315 houses³ and 693 serviced sites. Between 2014/15 and 2023/24, the number of houses built (-73.9 per cent) and serviced sites (-72.6 per cent) declined substantially. This decline has been partially attributed to factors such as poor contractor performance, community disruptions, construction cartels, policy decisions and budget constraints.

Figure 5.20 Number of Houses & Serviced Sites Delivered in the Western Cape, 2014/15 - 2023/24

Source: Western Cape Department of Infrastructure

³ Breaking New Ground (BNG) housing units, formally known as Reconstruction and Development Programme (RDP), are built for low-income beneficiaries.

Western Cape Housing Market Studies

In support of the implementation of the Western Cape Inclusionary Housing Policy Framework, and to assist municipalities in framing their own affordable or inclusionary housing policies, the WCG is funding the development of Housing Market Studies for various larger towns in the Western Cape. This is because inclusionary housing policies need to be based on solid housing market data. Housing Market Studies have already been developed for George, Mossel Bay, Drakenstein, and Stellenbosch in 2022, and have provided critical insights into local housing market dynamics, helping these municipalities determine the gap that may exist in various segments of their housing markets, providing the intelligence needed to determine whether an inclusionary, affordable or other policy is needed to address the gap between housing as a prelude to developing their own inclusionary housing policies. The studies focus on detailed demand and supply analysis, market activity, and gap assessment.

From a housing demand perspective in Stellenbosch:

- 17 909 (or 50 per cent) of households have a need for an entry level house (which is valued at R300 000 or less) whilst only 1 115 households exist in this entry level segment. There is therefore over a 15 000 household undersupply in this entry level segment.
- In the affordable housing segment of between R300 000 and R600 000, the supply sits at just under 1 000 households, whilst the demand is over 5 000 households that can afford housing in this category.

Generally, the Housing Market Studies have found that the above trends generally repeat themselves throughout the settlements of the Western Cape: that demand for affordable housing far outstrips the existing supply.

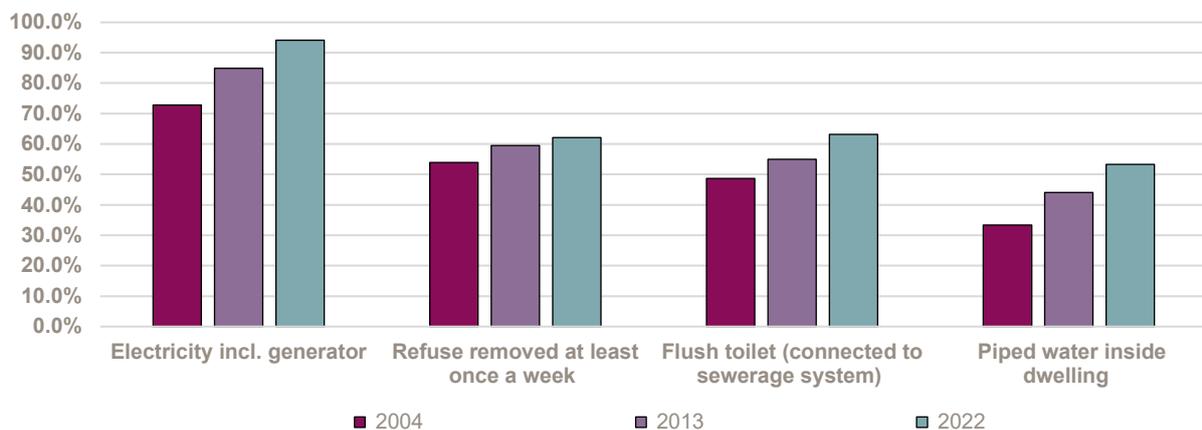
The aim is to equip these municipalities with the information that they need to make informed decisions about the housing market dynamics at play within their own municipal areas, enabling them to tailor appropriate affordable or inclusionary housing policies. Ultimately, the housing market studies give a thorough view of the supply and demand in various housing segments of the towns. Overwhelmingly, these have shown significant under-supply in the entry level and affordable housing categories throughout the towns assessed thus far.

Source: Department of Environmental Affairs and Development Planning

5.4.2 Municipal services

Chapter 7 of the South African Constitution mandates that municipalities prioritise the delivery of services to meet the basic needs of all citizens. These basic services include water supply, refuse removal, sanitation, electricity and gas supply, health services, and street lighting, among others. While local government can outsource the provision of these services, it remains responsible for ensuring their adequate delivery.

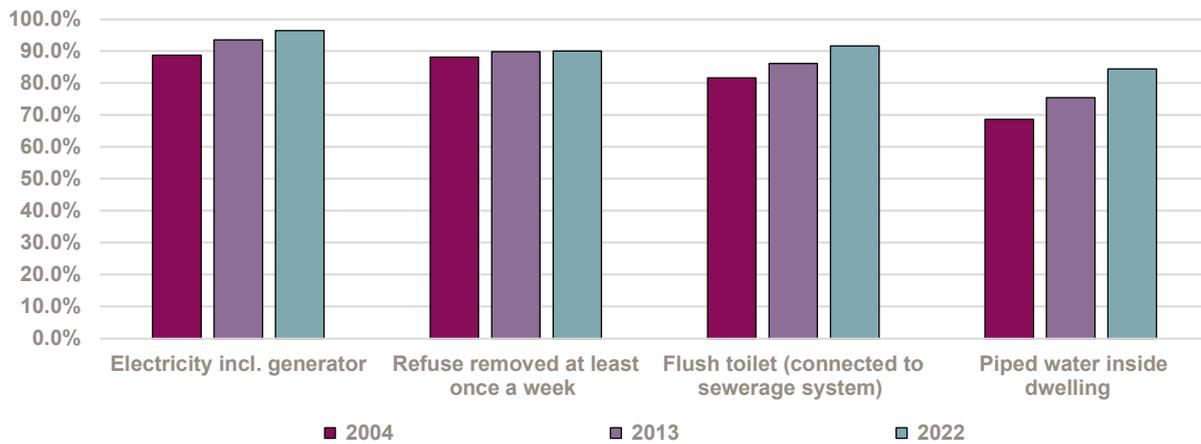
Figure 5.21 Share of basic municipal services to total household dwellings in the rest of South Africa, 2004, 2013, 2022



Source: Quantec, Own calculations

Between 2004 and 2022, the rest of South Africa made notable progress in the provision of services linked to electricity, refuse removal, flush toilets and piped water inside dwellings. However, by 2022 only 53.3 per cent of households had piped water inside dwellings. In contrast, almost all households (94.0 per cent) had access to electricity.

Figure 5.22 Share of basic municipal services to total household dwellings in the Western Cape, 2004, 2013, 2022



Source: Quantec, Own calculations

In 2022, a larger portion of dwellings in the Western Cape had access to electricity, including a generator (2.4 percentage points); access to a flush toilet (27.9 percentage points); access to refuse removals at least once a week (28.4 percentage points) and piped water inside a dwelling (31.2 percentage points) when compared to the rest of South Africa.

5.5 Crime

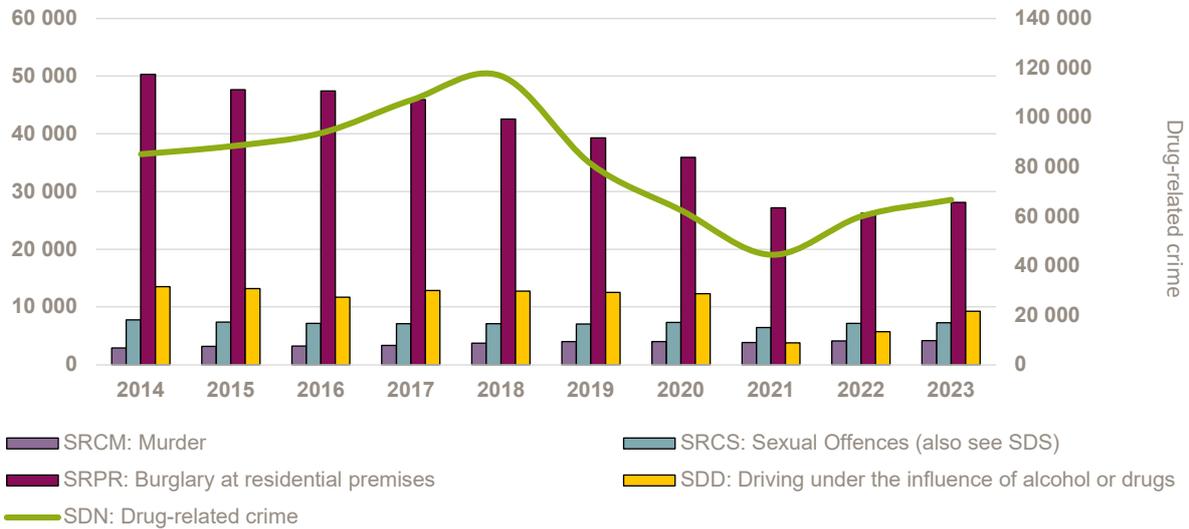
Crime has profound and far-reaching effects on a country's economy and development, hindering progress on multiple fronts. It imposes significant direct and indirect costs, deterring investments and eroding the foundation of social trust. Furthermore, crime exacerbates inequality, creating a vicious cycle of poverty and instability. To counter these adverse effects, it is imperative to address crime comprehensively and create safer environments. This entails implementing effective law enforcement, fostering community engagement, and promoting social and economic policies that mitigate the root causes of criminal behaviour. By doing so, nations can pave the way for sustainable economic growth, enhanced social wellbeing, and overall national advancement.

Crime trends over the past decade, has shown significant improvements in certain crime categories in the Western Cape. Burglary at residential premises (-44.2 per cent), Driving under the influence of alcohol or drugs (-31.7 per cent), and Drug-related crime (-21.6 per cent) have notably declined between 2014 and 2023. However, there has been a concerning increase in Murder (43 per cent) during the same period.

The significant decrease in residential burglaries suggests improvements in home security measures or more effective policing in this category. The increasing trend in murder rates emphasises the continuing challenge for law enforcement and society to address.

Over the period 2021 to 2023, there was a noticeable increase in crime incidents for Drug-related crime and Driving under the influence of alcohol or drugs. This highlights the need to focus on enforcement strategies, or societal attitudes towards drug use. The increase in driving under the influence cases during this same period suggests a need for continued or enhanced efforts in road safety education and enforcement.

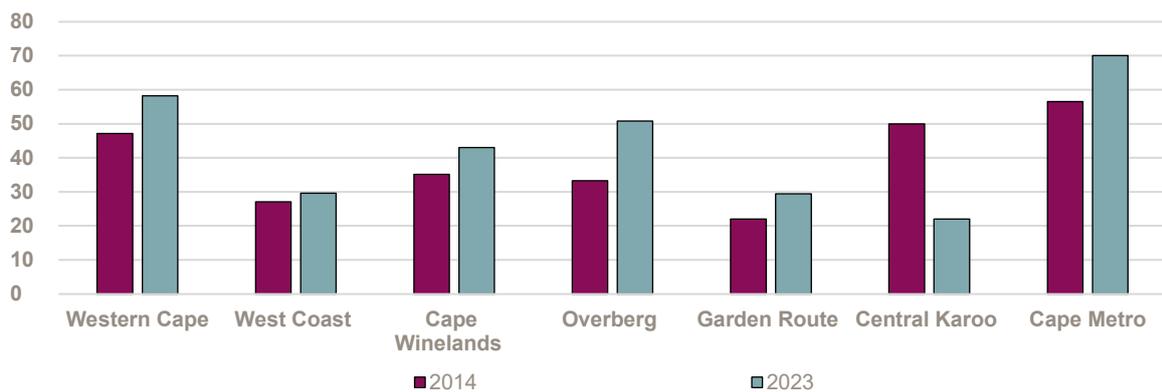
Figure 5.23 Western Cape Crime Rates in 5 Crime Categories, 2014 - 2023



Source: SAPS, Quantec

Figure 5.24 reveals a concerning trend of increasing murder rates across most districts in the Western Cape from 2014 to 2023, with the exception of the Central Karoo showing a downward trend. The Overberg District had the highest growth in Murders per capita⁴ (52.4 per cent), although the District still had substantially lower number of Murders per capita (51) than the Cape Metro (70) in 2023. The Central Karoo had the lowest number of Murders per capita (22) in 2023, while also experiencing a substantial decline in Murders per capita (-56.1 per cent) between 2014 and 2023.

Figure 5.24 Western Cape Murder Rates per Capita by District, 2014 - 2023



Selected hotspot areas⁵ in the Western Cape face significant challenges regarding violent crime. To tackle this issue, the Department of Police Oversight and Community Safety, in partnership with the City of Cape Town (CoCT), initiated the Law Enforcement Advancement Plan (LEAP) programme in June 2020. The LEAP seeks to deploy law enforcement officers in key

⁴ Per capita refers to a statistic calculated per 100 000 individuals in a population.

⁵ The Law Enforcement Advancement Plan (LEAP) hotspot areas include: Delft; Philippi; Bishop Lavis; Khayelitsha; Nyanga; Mitchells Plain; Harare; Kraaifontein; Mfuleni; Atlantis; Gugulethu; Philippi East; and Samora Machel.

priority areas. Through increasing policing visibility and supporting the South African Police Services (SAPS) in their operations, the programme aims to reduce violent crime.

Figure 5.25 depicts the share of crime in hotspot areas relative to the Western Cape and reveals significant insights into the concentration of criminal activity. It is crucial to note that over the period of LEAP deployment, the number of designated hotspot areas increased from 5 to 13, which inherently contributes to an increase in the share of crime attributed to these areas within the Province. These crime hotspot areas account for a substantial portion of various criminal offenses in the Western Cape. During the year 2023, on average, the hotspot areas contributed to 51.9 per cent of reported Murder cases, 31.6 per cent of Sexual offenses, and 36.2 per cent of Drug-related crime in the region.

Unresolved Challenges in Reducing South Africa's Murder Rate

The articles from the Institute for Security Studies highlight the critical need for a focused and comprehensive approach to reducing violent crime in South Africa, particularly murder. However, while these insights are valuable, they should be viewed through a lens of cautious optimism.

The article "Reducing Murder Must Be a Top SA Government Priority" highlights the grim reality that despite various efforts, murder rates in South Africa remain alarmingly high. It argues that South Africa's lack of a cohesive murder reduction strategy, compounded by issues like socio-economic inequality, police corruption, and the proliferation of illegal firearms, has exacerbated the situation. The article suggests that a focused national strategy, particularly targeting organised crime and specific high-crime areas, is essential for any meaningful reduction in violence.

Another article, "Spotlight: Violent crime falls after South Africa's first hot spot policing trial" details a hotspot policing trial in South Africa that led to a temporary reduction in violent crime, including murder, in targeted areas. This is an encouraging outcome, demonstrating that strategic, data-driven policing can yield positive results in specific contexts. However, it also warns against over-reliance on such interventions, noting that the broader structural drivers of crime - such as poverty, unemployment, and social inequality - remain largely unaddressed.

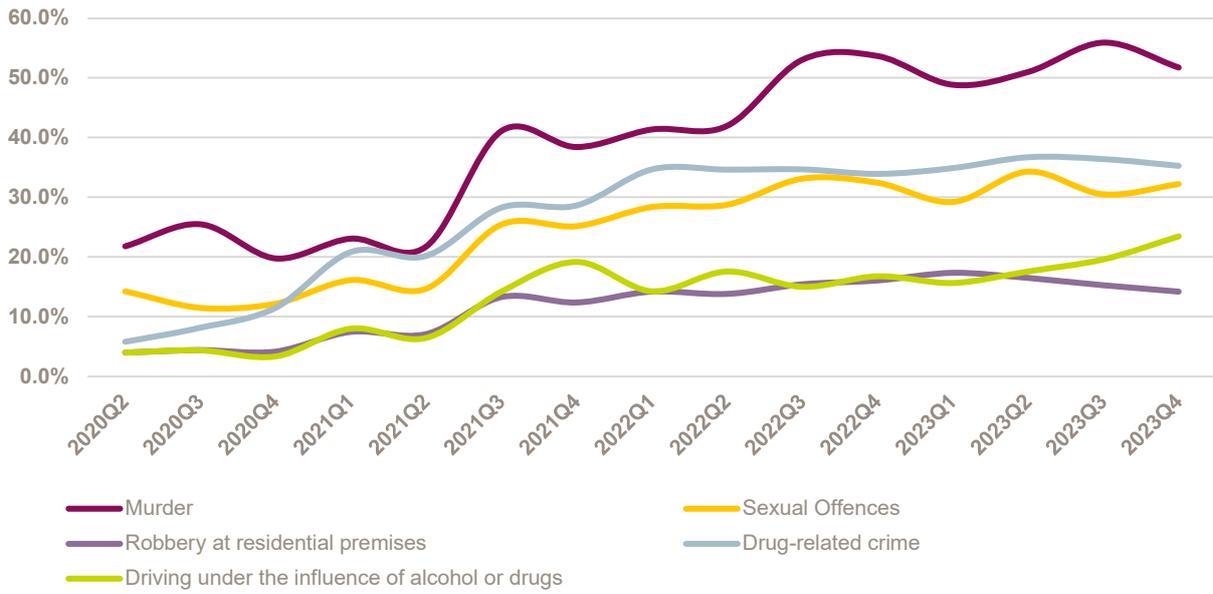
When synthesising these insights for policy decision-making, it is crucial to maintain a balanced perspective. While targeted policing efforts, like those demonstrated in the hotspot trial, show promise, they are not a panacea. They offer temporary relief rather than a long-term solution to the deep-rooted issues fuelling violent crime in the country. Therefore, while these results should be acknowledged, they should not lead to complacency or the assumption that such approaches will result in a sustained reduction in murder rates across the board.

The overarching message for policymakers should be one of cautious optimism: effective interventions exist and can yield significant short-term results, but without a broader, more holistic strategy that addresses the underlying social and economic conditions, these gains are unlikely to be sustained. This perspective encourages a more comprehensive approach to crime prevention - one that balances immediate, targeted actions with long-term structural reforms to build a safer and more equitable society.

Accordingly, while celebrating the successes of initiatives like hotspot policing, it is essential to advocate for the continued development of robust, multi-faceted strategies that address the root causes of violence. This approach not only aligns with the need for immediate action but also with a vision of enduring peace and security in South Africa.

Source: Institute for Security Studies

Figure 5.25 Share of Hotspot Area to Western Cape Crime in Selected Crime Categories, 2Q2020 - 4Q2023



Source: SAPS, Own calculations

This data suggests that a deeper understanding of the unique characteristics and challenges of each hotspot is crucial for developing effective, localised strategies. Moving forward, policymakers should consider not only intensifying efforts in existing hotspots, but also closely monitoring other areas that may be at risk of becoming new crime concentration points. By addressing the root causes of crime in these areas and implementing targeted interventions, the WCG has the potential to significantly reduce overall crime rates and improve public safety across the Province.

The analysis of crime incidents before and after the LEAP deployment in 13 Western Cape hotspot areas reveals mixed results across different crime categories (shown in Figure 5.26). Between the 4th quarters of 2018 and 2023, the safety plan of the Province appears to have had significant positive impacts on certain types of crime while showing less effectiveness in others. Notably, robbery at residential areas saw a dramatic decrease of 458 cases (29.3 per cent reduction); and there were 182 fewer cases (29.3 per cent reduction) of driving under the influence of alcohol or drugs. Positively, sexual offences reveals a reduction of 24 cases, equating to a reduction of 4 per cent. These decreases suggest that LEAP strategies have contributed to addressing these crime categories. The data, however, indicates increases in murder rates (79 cases or 16.2 per cent) and drug-related crime (1 026 cases or 20.2 per cent), highlighting critical areas that require further targeted interventions that encompass a multi-faceted approach to safety and crime prevention.

To build on LEAP's successes and address its challenges, continued focus should be on enhancing community engagement, promoting inter-departmental collaboration, and maintaining a commitment to data-driven decision-making. By integrating successful LEAP strategies into broader safety initiatives and fostering partnerships between law enforcement, social services, education, and health and wellness departments, the government can work towards a more holistic approach to crime reduction.

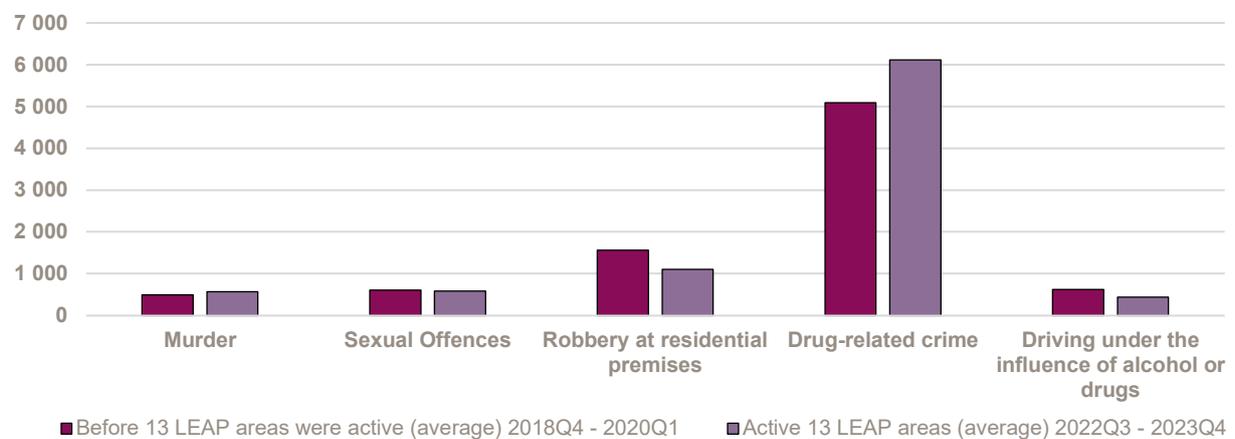
A significant step in this direction is the recent Memorandum of Understanding (MoU) between the WCG, SAPS, and the CoCT, entered into on 30 August 2024. This agreement aims to bolster

safety measures, with a special focus on integrating resources and expertise from multiple sectors.

The priority areas of cooperation will include the creation of a shared safer city vision that fosters integrated relationships across all spheres of government and civil society. It will focus on developing programmes, interventions, and infrastructure that reduce crime levels, while ensuring enhanced crime intelligence cooperation to strengthen crime prevention, detection, and response strategies.

Additionally, the MoU emphasises the sharing of data, physical resources, and skills to improve law enforcement and policing effectiveness. The agreement also includes offering City facilities, buildings, and land for use by SAPS and the provincial government as needed. A key aspect of the cooperation is the establishment of a programme dedicated to addressing sexual offences, Gender-Based Violence, and Femicide.

Figure 5.26 Average Number of Crimes in Western Cape Hotspot Areas: Comparison before and after LEAP Deployment in 13 Hotspot Areas (4Q2018 - 4Q2023)



Source: SAPS, Own calculations



5.6 Conclusion

This chapter provided an overview of key socio-economic indicators in the Western Cape, highlighting both progress and persistent challenges across education, health, housing, and safety domains. The rising population growth and in-migration in the Western Cape have significantly influenced the demand for service delivery in the Province. As discussed in Chapter 4, this expansion needs to be addressed strategically with planning to address potential issues such as congestion and crime that may arise with rapid population growth.

In education, while there have been some improvements in areas like learner retention rates and systemic test results, significant challenges remain around overcrowded classrooms, infrastructure constraints, and educational inequities between affluent and poorer areas. Continued focus on targeted interventions, especially for early identification and support of at-risk students, will be crucial.

The health sector faces ongoing pressures, particularly around mental health, maternal and child health, and managing the prevalence of non-communicable diseases. While some indicators have improved, issues like rising psychiatric admissions and suicide rates require urgent attention. Innovative approaches like Differentiated Models of Care show promise in alleviating strain on the healthcare system.

Housing remains a critical challenge, with demand far outstripping supply despite government efforts. The persistence of informal dwellings, though declining, highlights the need for accelerated affordable housing provision.

Crime trends present a mixed picture, with both encouraging developments and persistent challenges. While some categories like residential burglaries have shown declines, there are concerning increases in violent crimes, particularly murder rates, which remain alarmingly high despite various efforts. The effectiveness of targeted interventions, such as the LEAP in crime hotspots, demonstrates the potential of localised, data-driven approaches to improving public safety. However, it is crucial to maintain a balanced perspective. Effective interventions exist and can yield significant short-term results, but without a broader, more holistic strategy that addresses underlying social and economic conditions - such as poverty, unemployment, and inequality - these gains are unlikely to be sustained.

Overall, while the Western Cape has made strides in several socio-economic areas, significant work remains to address persistent inequalities and ensure equitable access to quality services across the Province. Moving forward, continued investment, innovative policy approaches, and strengthened partnerships between government, communities, and the private sector will be essential to drive sustainable socio-economic progress for all residents of the Western Cape.

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Glossary

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| African Continental Free Trade Area | The African Continental Free Trade Area is a trade agreement, which aims to progressively bring together all 55 member states of the African Union, covering a market of more than 1.3 billion people. |
| Africa's Growth and Opportunity Act | Africa's Growth and Opportunity Act was passed as part of the Trade and Development Act of 2000 in the USA. It provides duty-free access to the USA market for almost all products exported from more than 40 eligible sub-Saharan African (SSA) countries, including South Africa. |
| Agro-processing | Agro-processing activity refers to the value chain actions that may either be nutritional, technological and/or economic that primary agriculture products undergo for alterations into usable items such as food, fibre, fuel and industrial raw material. |
| Back on Track programme | A learning recovery programme using a combination of teacher training, extra classes for learners, and classroom resources to improve learning outcomes in the Western Cape. |
| 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. |
| Capital Stock | The total physical capital at any given moment in time is referred to as the capital stock. |
| 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. |
| Day Zero | A term to mark the start of Level 7 water restrictions, when municipal water supplies would be largely switched off and it was envisioned that residents could have to queue for their daily ration of water. |
| Dependency ratio | The size of the dependent population (children and the elderly) relative to the size of the working-age population. |
| Differentiated Models of Care | A health approach aimed to strengthen linkage, adherence and retention using a patient-centred approach throughout the treatment cascade. |

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| 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. |
| Energy Availability Factor | Is the percentage of maximum energy generation that a plant(s) is capable of supplying to the electrical grid, limited only by planned and unplanned outages. |
| Energy efficiency yields | The annual energy yield is understood as the total number of kilowatt-hours actually produced by a wind turbine installation or a wind farm in a year. |
| 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. |
| Foreign direct investment | A foreign direct investment is a substantial, lasting investment made by a company or government into a foreign concern. |
| Fixed investment | Fixed investment is investment in physical assets such as machinery, land, buildings, installations, vehicles, or technology. |

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| 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. |
| Green Energy | Green energy is any energy type that is generated from natural resources, such as sunlight, wind or water. |
| 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. |
| Gross Value Added | A measure of the value of goods and services produced in an area, industry or sector of an economy. |
| Hotspot area | A place of significant activity, danger, or violence. |
| Mid-year Population Estimates | The mid-year population estimates and projections is tasked with determining the demographic profile of the country so as to better assist with planning as it relates to health, economics and welfare. |
| 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 Human Development Index (HDI) is a composite measure created by the United Nations Development Programme to assess and compare the overall development of countries. It combines three key dimensions: health, measured by life expectancy at birth; education, evaluated through the average years of schooling for adults and expected years of schooling for children; and standard of living, assessed by Gross National Income per capita. The HDI scores range from 0 to 1, with higher values indicating greater levels of human development, allowing countries to be ranked and progress to be tracked over time. |

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| 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, 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. |
| Learner-teacher ratio | The number of learners for every teacher in a school, i.e. the total number of learners in a school divided by number of teachers in the school. |
| 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 at birth | The average number of additional years a person could expect to live if the age-specific death rates for a given year prevailed for the rest of his/her life. |
| Loadshedding | Action to reduce the load on something, especially the interruption of an electricity supply to avoid excessive load on the generating plant. |

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| 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. |
| School Monitoring Survey | A unique dataset, which is used by the Department of Basic Education to track progress towards the goals set out in the national education sector plan. |
| Semigration | Is the internal migration of people within South Africa, This movement, driven by a motivation for people, families & businesses to search and find improved quality of life, economic opportunities, and favourable living conditions. This is a trend that is reshaping the demographic and economic landscapes of various South African provinces, cities and towns. |
| 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. |
| Sterile Insect Technique | The sterile insect technique is an environmentally-friendly insect pest control method involving the mass-rearing and sterilization, using radiation, of a target pest, followed by the systematic area-wide release of the sterile males by air over defined areas, where they mate with wild females resulting in no offspring and a declining pest population. |

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| Systemic test | A systemic evaluation determines whether the intentions and expectations of education policies are being realised in practice. The results provides insight into the levels of learner performance, particularly in reading, writing and numeracy. |
| Total fertility rate | The average number of children born alive to a woman during her lifetime if she were to bear children at each age in accordance with the prevailing age-specific fertility rates. |
| Targeted Universal Testing for TB | Refers to a strategic approach to tuberculosis (TB) screening that aims to test all individuals within a specific population or setting, while focusing resources and efforts on those at higher risk of TB infection or disease. |
| 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. |
| Wheeling | Wheeling is the delivery of energy from a generator to an end-user located in another area through the use of an existing distribution or transmission networks. |
| 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. |

Provincial Treasury

Directorate: Provincial Government Budget Office

Director: Taryn van de Rheede

tel: +27 21 483 6131

Email: Taryn.vandeRheede@westerncape.gov.za

www.westerncape.gov.za



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Government**